

## Borders NHS Board



Meeting Date: 2 July 2020

<b>Approved by:</b>	Andrew Bone, Director of Finance
<b>Author:</b>	Susan Swan, Deputy Director of Finance
<b>FINANCE REPORT FOR THE PERIOD TO THE END OF MAY 2020</b>	
<b>Purpose of Report:</b>	
The purpose of this report is to advise the Board of the 2020/21 Month 2 Finance Performance Report for the period to 31 <sup>st</sup> May 2020.	
<b>Recommendations:</b>	
The Board is asked to :-	
<ul style="list-style-type: none"> <li>• <b>Note</b> the 2020/21 Finance Performance Report for the period to 31<sup>st</sup> May 2020.</li> <li>• Take <b>moderate assurance</b> that the board's financial performance, net of Covid-related costs, does not present any additional financial risk beyond that described in the financial plan.</li> <li>• <b>Note</b> the planned timeline for report out of the Quarterly review and year end outturn from the 30<sup>th</sup> June 2020 financial position.</li> </ul>	
<b>Approval Pathways:</b>	
The report was reviewed by the Executive Team on the 30th June 2020.	
Budget Managers will receive Financial Statements for 2020/21 by the end of June 2020.	
<b>Executive Summary:</b>	
<b>2020/21 Month 2 Financial Performance - Revenue</b>	
A detailed 2020/21 Month 2 Finance Report has been prepared and is summarised in the table below.	
<b>Budget Heading</b>	<b>YTD Variance £m</b>
Income	(0.12)
Business Unit Operational	0.98
Non Delivery of Savings	(1.50)
COVID19 Response expenditure commitments	(1.80)
<b>Reported Month 2 Financial Position</b>	<b>(2.44)</b>

Key points to highlight on the reported performance are as follows :

- Operational budgets for the main Business Units are reporting £0.98m underspent linked to staffing vacancies and reduction in non COVID19 related patient activity.
- As part of the Financial Turnaround Programme a total of £9.0m of recurring savings targets were issued to Business Units. Suspension of the turnaround programme means that no savings delivery has been recognised within this position, resulting in a cumulative non-delivery of (£1.5m) year to date. It should be noted that any savings achievement not yet recognised will have contributed to the reported underspend within the operational unit's performance, and may be subject to retrospective adjustment in future periods. This is not expected to materially alter the overall reported position.
- Expenditure costs relating to the Boards COVID19 response for all Business Units totalled £1.80m to the end of May 2020.
- The total COVID spend is in line with the Board's Local Mobilisation Plan (LMP) and updates to this plan are submitted monthly to Scottish Government (SG). Expenditure reported in the LMP has been approved in principle by SG to the end of Quarter One, subject to peer review through established national/regional networks. Expenditure forecasts beyond end June remain subject to further discussion with SG, including costs related to both pandemic response and recovery plans.
- The reported position is detailed on a gross basis prior to the anticipated revenue brokerage funding requested from Scottish Government. The Board's AOP submitted to SG in March 2020 identified the need for £7.8m Additional revenue support to enable achievement of its financial targets.
- The Board's Capital Resources have not been included in this Finance Report. Progress on the Capital Plan for 2020/21 as submitted to SG in the AOP has been significantly impacted by the COVID response and re-mobilisation. Further discussions are planned to assess the projects which require to be delivered in 2020/21.

### Month 2 2020/21 Quarter 1 Financial Review – July 2020

A full quarter 1 financial review is planned during July and both Revenue and Capital, COVID impact and Board Financial Plan will be updated and reported across the organisation and to SG.

Impact of item/issues on:	
<b>Strategic Context</b>	Impact on statutory financial targets.
<b>Patient Safety/Clinical Impact</b>	No issues identified within the report.
<b>Staffing/Workforce</b>	As described in the paper.
<b>Finance/Resources</b>	As described in the paper.
<b>Risk Implications</b>	Risks are covered in the report.
<b>Equality and Diversity</b>	Compliant with Board policy requirements.
<b>Consultation</b>	N/A
<b>Glossary</b>	<ul style="list-style-type: none"> <li>• Acute Services includes General Surgery, Orthopaedics, Theatres And Critical Care, Obstetrics</li> </ul>

	<p>and Gynaecology, Paediatrics, Outpatients, Cancer Services, Diagnostics, BGH Pharmacy, Community Nursing, Planned Care</p> <ul style="list-style-type: none"> <li>• Set Aside includes General Medicine, Medicine for the Elderly, Accident and Emergency</li> <li>• IJB Directed Services includes Mental Health, Learning Disability, Allied Health Professionals, Family Health Services, External Providers, Social Care Fund, Integrated Care Fund</li> <li>• Corporate Directorates includes Executive Directorates, Estates and Facilities</li> <li>• External Healthcare providers includes Other NHS Scottish Boards, OATS, Private ECRs &amp; Grants</li> </ul> <p>SGHSCD - Scottish Government Health and Social Care Department</p> <p>IJB - Integration Joint Board</p> <p>RRL - Revenue Resource Limit</p> <p>CRL - Capital Resource Limit</p> <p>AOP - Annual Operational Plan</p> <p>UNPACS - Unplanned Activity</p> <p>SLA - Service Level Agreement</p> <p>ECR - Extra Contractual Referrals</p> <p>OATS - Out of Area Treatments</p> <p>CCG - Clinical Commissioning Group</p> <p>DME - Department of Medicine for the Elderly</p> <p>ASDU - Area Sterilisation and Disinfection Unit</p> <p>PCIP - Primary Care Improvement Plan</p>
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## **Contents**

The finance report provides summary information as follows:

### **Section**

1. Summary Financial Performance – 2020/21 for the period to 31<sup>st</sup> May 2020.
2. Financial Performance – Budget heading analysis for the period to 31<sup>st</sup> May 2020.
3. COVID related expenditure for the period to 31<sup>st</sup> May 2020.

**Section 1: Financial Performance – 2020/21 for the period to 31<sup>st</sup> May 2020**

The Boards financial performance as at 31<sup>st</sup> May 2020 is summarised in the table below:

	<b>Opening Annual Budget £m</b>	<b>Revised Annual Budget £m</b>	<b>YTD Budget £m</b>	<b>YTD Actual £m</b>	<b>YTD Variance £m</b>
Revenue Income	254.84	266.90	40.63	40.51	(0.12)
Revenue Expenditure	254.84	266.90	42.91	45.23	(2.32)
<b>Surplus/(Deficit)</b>	-	-	<b>2.28</b>	<b>4.72</b>	<b>(2.44)</b>
Capital Expenditure	6.41	6.41	-	-	-

1.1 The Board Financial Performance as at 31<sup>st</sup> May 2020 is £2.44m overspent. Based on current planning assumptions expenditure incurred to date would result in the Board remaining in line with its Financial Plan predicted requirement for additional brokerage funding of £7.8m. This position assumes that COVID related expenditure will be fully funded by additional SG allocation.

1.2 The financial impact (overspend) arising from suspension to the turnaround programme and consequent non-delivery of savings is partially offset by the reported underspend against business unit operational budgets related to lower non COVID19 patient activity across a number of services.

1.3 Total anticipated capital resources for 2020/21 are £6.41m as included in the AOP submitted to SG in March 2020. The in-year Capital Plan has been significantly impacted by the necessary focus to the Board's COVID19 Response, therefore the projects which are being planned for delivery in the remaining months of 2020/21 will be reported as part of the Quarter 1 Financial Review.

## Section 2: Financial Performance – Budget heading analysis for the period to 31st May 2020

The following two tables present detailed analysis across individual budget headings on Board income and expenditure; these budgets include agreed adjustment in respect of the Board's COVID mobilisation plan as submitted to Scottish Government.

<b>INCOME ANALYSIS</b>	<b>Opening Base Budget £m</b>	<b>Revised Annual Budget £m</b>	<b>YTD Budget £m</b>	<b>YTD Actual £m</b>	<b>YTD Variance £m</b>	<b>Notes</b>
SGHSCD Allocation	212.97	220.45	35.50	35.50	-	-
SGHSCD Anticipated Allocations	22.24	24.94	-	-	-	Including GMS, Public Dental Services, Outcomes Framework
Family Health Services	10.24	11.97	3.44	3.44		-
External Healthcare Purchasers	4.12	4.12	0.68	0.58	(0.10)	Linked to SLA average costs
Other Income	5.27	5.42	1.01	0.99	(0.02)	-
<b>Total Income</b>	<b>254.84</b>	<b>266.90</b>	<b>40.63</b>	<b>40.52</b>	<b>(0.12)</b>	

	Opening Base Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Notes
<b>Operational Budgets - Business Units</b>						
Acute Services	55.51	60.79	10.57	10.00	0.57	Underspends across all areas specifically Orthopaedics and Diagnostics linked to reduction in activity
Acute Services - Savings Target	-	(2.13)	(0.36)	-	(0.36)	
Acute - COVID19	-	-	-	0.85	(0.85)	
<b>TOTAL Acute Services</b>	<b>55.51</b>	<b>58.66</b>	<b>10.21</b>	<b>10.85</b>	<b>(0.64)</b>	
Set Aside Budgets	22.69	24.86	4.22	4.21	0.01	
Set Aside Savings		(1.09)	(0.18)		(0.18)	
<b>TOTAL Set Aside budgets</b>	<b>22.69</b>	<b>23.77</b>	<b>4.04</b>	<b>4.21</b>	<b>(0.17)</b>	
IJB Delegated Functions	103.10	115.55	18.87	18.53	0.34	Underspend across all areas, linked to vacancies and reduction in activity
IJB - Savings	-	(4.74)	(0.79)	-	(0.79)	
IJB COVID19	-	-	-	0.36	(0.36)	
<b>TOTAL IJB Delegated</b>	<b>103.10</b>	<b>110.81</b>	<b>18.08</b>	<b>18.89</b>	<b>(0.81)</b>	
Corporate Directorates	30.14	32.49	5.30	5.31	(0.01)	
Corporate Directorates Savings	-	(0.49)	(0.08)	-	(0.08)	
Corporate COVID19	-	-	-	0.59	(0.59)	
<b>TOTAL Corporate Services</b>	<b>30.14</b>	<b>32.00</b>	<b>5.22</b>	<b>5.90</b>	<b>(0.68)</b>	

	Opening Base Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Notes
<b>Operational Budgets - Business Units Cont.</b>						
External Healthcare Providers	28.26	27.82	4.67	4.60	0.07	High cost LD Placements offset by underspends linked to reduced activity
External Healthcare Savings		(0.55)	(0.09)		(0.09)	
<b>TOTAL External Healthcare</b>	<b>28.26</b>	<b>27.27</b>	<b>4.58</b>	<b>4.60</b>	<b>(0.02)</b>	
<b>Board Wide</b>						
Depreciation	4.67	4.67	0.78	0.78	-	
Planned expenditure yet to be allocated	12.03	18.76	-		-	The revised budget includes adjustment to reflect the 2020/21 Financial Plan including inflation, pay award uplift, cost pressure funding.
Financial Recurring Deficit (Balance)	(1.56)	(5.51)	-	-	-	Board Central Savings Target is net of £9m allocation of savings targets to Business Units
Board Non Recurring Savings		(3.53)	-	-	-	
<b>Total Expenditure</b>	<b>254.84</b>	<b>266.90</b>	<b>42.91</b>	<b>45.23</b>	<b>(2.32)</b>	



### Section 3: COVID related expenditure for the period to 31st May 2020

By the 31<sup>st</sup> May, the Board has spent £1.788m on mobilising its response to Covid-19 in 2020/21. From initial benchmarking against other Boards, this is largely proportionate. £1.441m (80%) of the above spend has been made within Acute, Estates and Facilities and Support Services, whilst the remainder has been made across functions delegated to the Health and Social Care Partnership.

The impact of Covid on key services/business units is summarised below:

	<b>Apr-20</b>	<b>May-20</b>
	£	£
Estates and Facilities	104,580	265,938
BGH	383,462	467,626
Support Services	69,888	149,866
Mental Health / Learning Disability	14,779	55,028
Primary & Community Services	36,853	239,519
	<b>609,562</b>	<b>1,177,976</b>

This expenditure is reported to SG using standard categories which are subject to peer review processes. The position reported is restated as follows:

	£
Staffing	934,617
Drugs	65,821
Equipment, IM&T, PPE	268,062
Testing, Deep Cleans	268,296
Mental Health - Specific	69,807
Estates & Facilities	108,611
Delayed Discharge Measures	68,079
Other	4,245
	<b>1,787,538</b>

The largest area of additional Covid-19 related expenditure has been on staffing. This relates to the fixed-term employment, extension of contracts, increase in hours and overtime of a range of staff including domestics, nursing, medical consultants and practitioners.

Expenditure on Delayed Discharge Measures relates to the additional nursing staffing models put in place within Deanfield and Saltgreens Residential Care Homes during April and May.

Commitments across these expenditure areas have continued during June and in particular, significant further expenditure has been incurred in relation to staffing, IM&T (in particular the purchase of laptops and display screen equipment), other equipment, drugs and estates and facilities.

The above costs are all presented net of service offsets. Gross cost is significantly higher, but has been offset by a wide range of resources which have been repurposed and deployed into new temporary roles during the first few months of the financial year.

In addition to the above, the Board has also identified and accounted for a number of other indirect / opportunity costs. For the financial year to date for instance, it is forecast that £0.291m of income from cross-border arrangements, laundry and catering has been lost as a result of the Covid-19 situation. Similar to other Boards, it has also been recognised that there has been a significant impact on the Board's capacity to plan and deliver its programme of Financial Plan efficiencies during the first half of 2020/21. This position continues to be reviewed.

SG have advised that an initial allocation will be made to Health Boards based on expenditure reported to end May and it is anticipated that this allocation will be in line with the figures reported above, subject to any adjustment arising from the peer review process.

### **Key Risks**

The board's overall financial risk is described in the strategic risk register, both in relation to the ongoing challenge in delivering financial breakeven (risk 1589) and supplementary to this, a further risk detailing the specific challenges to financial management arising from the current pandemic (risk 1767). No adjustment to these risks is required as a result of the issues described within the paper.

As highlighted above, the board's financial plan will be reviewed at Quarter One, including consideration of the ongoing impact of both COVID pandemic and associated remobilisation of services. Financial risk assessment will be undertaken at this stage, and will include consideration of the following themes:

- Risk that the board does not receive SG allocations in line with the assumptions described in the financial plan, as a result of wider SG review of portfolio commitments in the light of Covid-19 pandemic.
- Risk that service models to deliver remobilisation under the constraints of social distancing, etc. will require additional investment.
- Risk that deterioration in performance against Access standards will result in a requirement for additional actions which are not currently described and/or financed within the plan.
- Risk that the capital programme approved by the board will be materially disrupted due to the current circumstances, i.e. contractor availability and/or access to premises.
- Risk that the financial impact of SG policies introduced in response to the pandemic are not yet quantified and may result in cost pressure not included within the financial plan.