

## Borders NHS Board



Meeting Date: 24 September 2020

<b>Approved by:</b>	Andrew Bone, Director of Finance												
<b>Author:</b>	Janice Cockburn, Deputy Director of Finance												
<b>FINANCE REPORT FOR THE PERIOD TO THE END OF AUGUST 2020</b>													
<b>Purpose of Report:</b>													
The purpose of this report is to advise the Board members of the 2020/21 Month 5 Finance Performance Report for the period to 31 <sup>st</sup> August 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 31st August 2020.</li> <li>• <b>Note</b> that NHS Borders' ability to deliver the agreed Efficiency Plan has been impacted as a direct result of service dealing with the pandemic and the subsequent remobilisation.</li> <li>• <b>Note</b> that following review of the Quarter One submission NHS Borders may be required to amend the year end brokerage funding requested from Scottish Government to achieve a break even outturn.</li> </ul>													
<b>Approval Pathways:</b>													
Budget Managers received Financial Statements for 2020/21 to the end of August on Wednesday 9 <sup>th</sup> September 2020. This report was presented to BET on Tuesday 22 September 2020.													
<b>Executive Summary:</b>													
<b>2020/21 Month 5 Financial Performance - Revenue</b>													
A detailed 2020/21 Month 5 Finance Report has been prepared and is summarised in the table below:													
<table border="1"> <thead> <tr> <th>Budget Heading</th> <th>YTD Variance £m</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td>(0.27)</td> </tr> <tr> <td>Business Unit Operational</td> <td>2.73</td> </tr> <tr> <td>Non Delivery of Savings</td> <td>(3.75)</td> </tr> <tr> <td>COVID19 Response expenditure commitments</td> <td>(4.53)</td> </tr> <tr> <td><b>Reported Month 5 Financial Position</b></td> <td><b>(5.82)</b></td> </tr> </tbody> </table>	Budget Heading	YTD Variance £m	Income	(0.27)	Business Unit Operational	2.73	Non Delivery of Savings	(3.75)	COVID19 Response expenditure commitments	(4.53)	<b>Reported Month 5 Financial Position</b>	<b>(5.82)</b>	
Budget Heading	YTD Variance £m												
Income	(0.27)												
Business Unit Operational	2.73												
Non Delivery of Savings	(3.75)												
COVID19 Response expenditure commitments	(4.53)												
<b>Reported Month 5 Financial Position</b>	<b>(5.82)</b>												
Key points to highlight on the reported performance are as follows:													

1. Operational budgets for the main Business Units are reporting £2.73m underspend linked to staffing vacancies and reduction in elective/routine patient related activity.
2. As part of the Financial Turnaround Programme a total of £9.0m of recurring savings targets have been included in Business Units budgets. Suspension of the turnaround programme has resulted in non delivery of expected savings, £3.75m to date, contributing to the overall overspend at the end of August.
3. Expenditure costs relating to the Boards COVID19 response for all Business Units totalled £4.53m at the end of August 2020.
4. The total COVID19 spend is in line with the Board's Local Mobilisation Plan (LMP) and updates to this plan are submitted regularly to Scottish Government. Expenditure reported in the LMP has been approved in principle by SG to the end of quarter one however allocation of additional funding remains subject to further discussion.
5. Expenditure forecasts in relation to remobilisation and further COVID19 costs beyond the end June will be included in the updated Quarter One Review submitted to Scottish Government during September.
6. The reported position as at the end of August does not include the impact of any revenue brokerage from Scottish Government. The Board's AOP submitted in March 2020 identified the need for £7.9m brokerage to enable NHS Borders to achieve a breakeven outturn in 2020/21. The requirement for brokerage for 2020/21 will be reviewed as part of the Quarter One submission and should the level brokerage need to be amended this will be discussed at NHS Borders Board.
7. Progress on the Board's agreed Capital Plan for 2020/21 has been significantly impacted by the COVID19 response and re-mobilisation, therefore a capital position has not been included in this report. Further discussion on the re-prioritisation of the 2020/21 Capital Plan is required.

### Quarter 1 Financial Review

An initial quarter one financial review was submitted to Scottish Government on the 14<sup>th</sup> August 2020 with the final submission on 18<sup>th</sup> September. This review is based on the June outturn and included revenue, COVID19 impact and efficiency forecasts along with any associated risks and assumptions. The draft Quarter One Review was presented to the Resources and Performance Committee on 3<sup>rd</sup> September and an update on the forecast will be provided at the Board meeting on 24<sup>th</sup> September.

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,</li> </ul>

	<p>Orthopaedics, Theatres And Critical Care, Obstetrics 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 31st August 2020
2. Financial Performance – Budget heading analysis for the period to 31st August 2020
3. COVID19 related expenditure for the period to 31st August 2020
4. Key Risks

## Section 1: Financial Performance – 2020/21 for the Period to 31st August 2020

The Board's financial performance as at 31st August 2020 is summarised in the table below:

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual	YTD Variance £m
Revenue Income	254.84	268.50	100.05	99.78	(0.27)
Revenue Expenditure	254.84	268.50	110.58	116.13	(5.55)
<b>Surplus/(Deficit)</b>	-	-	<b>10.53</b>	<b>16.35</b>	<b>(5.82)</b>
Capital Expenditure	6.41	6.41	-	-	-

- 1.1 The Board's Financial Performance as at 31st August 2020 is £5.82m overspent. The Board requested additional brokerage funding of £7.8m in the Financial Plan submitted to Scottish Government in March. The initial Quarter One review was submitted in mid August with the final review being submitted in mid September. On reviewing the Quarter One output the Board will decide if a request for further brokerage is required to enable the Board to breakeven once any allocation related to COVID expenditure has been received.
- 1.2 Currently NHS Borders planning assumes that any COVID19 related expenditure included in the reported position will be fully funded by Scottish Government. This assumption is not reflected in the reported position and remains a significant risk to the board's ability to deliver its financial targets.
- 1.3 Efficiency targets required to achieve the agreed yearend financial outturn have been included in Business Unit reporting. At present, the impact of non-delivery against these targets is mitigated by underspend in operational budgets. As service remobilisation increases the level of activity undertaken the level of underspend supporting efficiency will be reduced.
- 1.4 No savings are reported as achieved in the five months to end of August. This is in part due to the reprioritisation of support functions (e.g. PMO) and the focus of clinical services being on the response to COVID and subsequent remobilisation of services. Despite this, the reported position is deemed to be materially correct. Following review of the savings plans the board is only anticipating achieving £1.6m of savings in 2020/21 and these savings will be realised in the latter part of the financial year.
- 1.5 NHS Borders' annual capital resource for 2020/21 is £6.41m. The in-year Capital Plan has been significantly impacted by the Board's COVID19 response and therefore no year to date expenditure is reported. A review of the Capital Plan is required to ensure projects can deliver in the remaining months of 2020/21. This will be reported as part of the final Quarter 1 Financial Review.

## Section 2: Financial Performance – Budget Heading Analysis for the Period to 31st August 2020

The following two tables present detailed analysis across individual Business Units and the Board's income and expenditure; these budgets include agreed adjustment in respect of the Board's COVID19 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	228.80	92.67	92.67	-	
SGHSCD Anticipated Allocations	22.24	17.69	(2.66)	(2.66)	-	Including GMS, Public Dental Services, Outcomes Framework
Family Health Services	10.24	12.20	6.23	6.23	-	
External Healthcare Purchasers	4.12	4.24	1.79	1.49	(0.30)	Linked to the reduction on elective work due to COVID
Other Income	5.27	5.57	2.02	2.05	0.03	
<b>Total Income</b>	<b>254.84</b>	<b>268.50</b>	<b>100.05</b>	<b>99.78</b>	<b>(0.27)</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	62.17	26.35	24.96	1.39	£0.7m underspent on instruments and sundries in theatre and orthopaedics due to no elective activity and underspends in haematology medical and diagnostic staff vacancies
Acute Services - Savings Target	-	(2.13)	(0.89)	-	(0.89)	
Acute - COVID19	-	-	-	1.99	(1.99)	
<b>TOTAL Acute Services</b>	<b>55.51</b>	<b>60.04</b>	<b>25.46</b>	<b>26.95</b>	<b>(1.49)</b>	
Set Aside Budgets	22.69	25.09	10.48	10.37	0.11	Linked to vacancies & supplies underspends in DME
Set Aside Savings		(1.09)	(0.45)		(0.45)	
<b>TOTAL Set Aside budgets</b>	<b>22.69</b>	<b>24.00</b>	<b>10.03</b>	<b>10.37</b>	<b>(0.34)</b>	
IJB Delegated Functions	103.10	118.39	50.11	49.27	0.84	Underspend across all areas, linked to vacancies and reduction in activity
IJB – Savings	-	(4.74)	(1.98)	-	(1.98)	
IJB COVID19	-	-	-	0.90	(0.90)	
<b>TOTAL IJB Delegated</b>	<b>103.10</b>	<b>113.65</b>	<b>48.13</b>	<b>50.17</b>	<b>(2.04)</b>	
Corporate Directorates	30.14	34.34	13.20	13.15	0.05	
Corporate Directorates Savings	-	(0.49)	(0.20)	-	(0.20)	
Corporate COVID19	-	-	-	1.64	(1.64)	
<b>TOTAL Corporate Services</b>	<b>30.14</b>	<b>33.85</b>	<b>13.00</b>	<b>14.79</b>	<b>(1.79)</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	28.94	12.25	11.91	0.34	Activity reduction with NHS Lothian Primary Care service & cross borders patients off set by emerging pressure in mental health/LD placement
External Healthcare Savings	-	(0.55)	(0.23)	-	(0.23)	
<b>TOTAL External Healthcare</b>	<b>28.26</b>	<b>28.39</b>	<b>12.02</b>	<b>11.91</b>	<b>0.11</b>	
<b>Board Wide</b>						
Depreciation	4.67	4.67	1.94	1.94	-	
Planned expenditure yet to be allocated	12.03	18.14	-	-	-	The revised budget includes adjustment to reflect the 2020/21 Financial Plan including inflation, pay award uplift, and cost pressure funding
Financial Recurring Deficit (Balance)	(1.56)	(10.71)	-	-	-	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>268.50</b>	<b>110.58</b>	<b>116.13</b>	<b>(5.55)</b>	



**Section 3: COVID19 Related Expenditure for the Period to 31st August 2020**

At the end of August NHS Borders has spent £4.53m in relation to the COVID19 pandemic. NHS Borders continues to report this expenditure to Scottish Government through the established LMP financial tracker template.

As previously reported, Scottish Government have confirmed agreement in principle to the board's LMP and associated cost model, subject to the ongoing peer review at national and regional level, which is expected to consider the application of guidance against board's individual submissions.

As part of the Quarter One Review initial submission the Boards has been posed a number of question in relation to benchmarking data both against other boards and against the quarter one actual position. The Board responded to these questions in the Quarter One submission made in September 2020 and awaits a response.

The Scottish Government has indicated that allocation of resources to finance the additional expenditure is expected to be made in September allocation letter following agreement of the board's Quarter One Review.

Summary expenditure is provided within the tables in Section 2 of this report and a detailed analysis of ongoing spend will be provided to the Resources & Performance committee in November.

## Section 4: Key Risks

The Board's overall financial risk is described in the strategic risk register in relation to the ongoing challenge in delivering financial breakeven (risk 1589). 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 updated if required as part of the Quarter One Review. This update will include consideration of the ongoing impact of both COVID19 and the remobilisation of services. Financial risk assessment will be undertaken at this stage, and will include consideration of the following themes:

- 4.1 The Board does not receive allocations in line with the assumptions described in the financial plan. Scottish Government is reviewing allocations to Boards in light of COVID19 pandemic.
- 4.2 New service models to achieve remobilisation will require additional investment in order to comply with new regulations, i.e. social distancing.
- 4.3 Deteriorating performance against Access Standards will result in a requirement for additional resources to achieve targets and clear backlog.
- 4.4 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.
- 4.5 Financial impact of SG policies, introduced in response to the pandemic, is not yet quantified and may result in cost pressures not included within the financial plan.
- 4.6 NHS Borders will not be able to achieve the agreed efficiency plan due to the priorities of services shifting from efficiency to pandemic.
- 4.7 Scottish Government confirmed agreement in principle to the costs reported in NHS Borders COVID 19 finance template as at end June. Changes to the template after this date are not covered by this agreement and therefore expenditure beyond June is at further risk of not being fully funded and impacting the Board's ability to breakeven.
- 4.8 The Board cannot agree a changed to the level of brokerage required following review of the Quarter One submission to Scottish Government.