

Borders NHS Board



Meeting Date: 3 December 2020

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| Approved by: | Andrew Bone, Director of Finance |
| Author: | Janice Cockburn, Deputy Director of Finance |
| FINANCE REPORT FOR THE PERIOD TO THE END OF OCTOBER 2020 | |
| Purpose of Report: | |
| The purpose of this report is to advise the Resources and Performance Committee of the 2020/21 Month 6 Finance Performance Report for the period to 31 st October 2020. | |
| Recommendations: | |
| Board members are asked to: | |
| <ul style="list-style-type: none"> • <u>Note</u> that the board is reporting a £4.73m deficit for the seven months to 31st October 2020. • <u>Note</u> that the position includes release of £5.59m in relation to confirmed Covid-19 allocation and that this funding is matched to spend incurred to date. • <u>Note</u> that the performance against core operational budgets continues to demonstrate improvement against forecast at Quarter One review and that the impact of this improvement on the year end outturn position will be considered at Mid Year review. • <u>Note</u> the position reported in respect of non-delivery of savings (£4.68m) remains in line with the expected position as identified at Quarter One Review. • <u>Note</u> the adjustments made to Month 7 report to align the year to date financial performance report with assumptions made at Quarter One Review. | |
| Approval Pathways: | |
| Budget managers received Financial Statements for 2020/21 to the end of October on Thursday 12 th November 2020. This report was presented to BET on Tuesday 29 September 2020. | |
| Executive Summary: | |
| 2020/21 Month 7 Financial Performance - Revenue | |
| A detailed 2020/21 Month 7 Finance Report has been prepared and is summarised in the table below: | |

| Budget Heading | YTD Variance £m |
|--|-----------------------|
| Income | (0.18) |
| Business Unit Operational | 3.85 |
| Non Delivery of Savings | (4.68) |
| COVID19 Response expenditure commitments | 0.00 |
| Board Wide | (3.72) |
| Reported Month 7 Financial Position | (4.73) |

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

- Operational budgets for the main Business Units are reporting £3.85m underspend linked to staffing vacancies and reduction in elective/routine patient related activity.
- As part of the Financial Turnaround Programme a total of £9.0m of recurring savings targets have been included in Business Unit's budgets. Suspension of the turnaround programme has resulted in non delivery of expected savings, £4.68m to date, contributing to the overall overspend at the end of October.
- Reflected in the October position is under achievement on the recurring financial deficit which to date is £3.72m, after release of non-recurrent flexibility.
- Expenditure costs relating to the Board's COVID19 response for all Business Units totalled £5.59m at the end of October 2020. This position excludes elements offset within core expenditure and against which allocations are yet to be confirmed, as described in section 4 of the paper. Funding has been released to match the direct expenditure noted above, with an element of this funding released corporate in the year to date position pending allocation to Business units in November (Month 8) performance.
- The reported position as at the end of October 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. A review of the Board's overall year end outturn is currently being undertaken however it is not anticipated at this stage that there will be any requirement for further brokerage request beyond the level outlined in the plan.

Impact of item/issues on:

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

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|--|--|
| | <ul style="list-style-type: none"> • Set Aside includes General Medicine, Medicine for the Elderly, Accident and Emergency • IJB Directed Services includes Mental Health, Learning Disability, Allied Health Professionals, Family Health Services, External Providers, Social Care Fund, Integrated Care Fund • Corporate Directorates includes Executive Directorates, Estates and Facilities • External Healthcare providers includes Other NHS Scottish Boards, OATS, Private ECRs & Grants |
| | <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> |

FINANCE REPORT FOR THE PERIOD TO THE END OF OCTOBER 2020

1 Purpose of Report

- 1.1 The purpose of the report is to provide board members with an update in respect of the board's financial performance for the period to end of October 2020.

2 Recommendations

- 2.1 Board Members are asked to:

2.1.1 **Note** that the board is reporting a £4.73m deficit for the seven months to 31st October 2020.

2.1.2 **Note** that the position includes release of £5.59m in relation to confirmed Covid-19 allocation and that this funding is matched to spend incurred to date.

2.1.3 **Note** that the performance against core operational budgets continues to demonstrate improvement against forecast at Quarter One review and that the impact of this improvement on the year end outturn position will be considered at Mid Year review.

2.1.4 **Note** the position reported in respect of non-delivery of savings (£4.68m) remains in line with the expected position as identified at Quarter One Review.

2.1.5 **Note** the adjustments made to Month 7 report to align the year to date financial performance report with assumptions made at Quarter One Review.

3 Summary Financial Performance

- 3.1 The board's financial performance as at 31st October 2020 is £4.73m deficit. This position is summarised in Table 1, below.

Table 1 – Financial Performance for seven months to end October 2020

| | Opening Annual Budget £m | Revised Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|--------------------------|-----------------------------|-----------------------------|------------------|------------------|--------------------|
| Revenue Income | 254.84 | 276.04 | 159.99 | 159.81 | (0.18) |
| Revenue Expenditure | 254.84 | 276.04 | 159.25 | 163.80 | (4.55) |
| Surplus/(Deficit) | 0.00 | 0.00 | (0.74) | 3.99 | (4.73) |

3.2 The Board's Financial Performance as at 31st October 2020 is £4.73m overspent. The reported position does not include financial flexibility (i.e. brokerage) requested as part of the Board's Annual Operational Plan (AOP). Brokerage requested was £7.86m based on the gap identified in the financial plan for 2020/21. This plan was prepared in advance of the Covid19 pandemic and remains under review.

3.3 As previously reported, the board has now received confirmation of additional funds available to offset Covid19 expenditure. The position has been adjusted to reflect

this funding. At period 7, a total of £5.59m has been released against the year to date performance, matching expenditure identified.

- 3.4 Core operational performance is £3.85m underspent after seven months. This position reflects the continued trend in reduced activity within services, with underspends attributable to a reduction in supplies expenditure together with an emerging level of vacancy within core services. This trend is likely to be reflected in an improvement to the year-end forecast following conclusion of the mid-year review.
- 3.5 Efficiency targets required to achieve the agreed year-end financial outturn have been included in Business Unit reporting. A shortfall of £4.68m is reported in the year to date performance. As previously reported the board is anticipating a reduced level of savings in its outturn forecast as a result of the suspension of turnaround programme and deployment of project management resource towards Covid19 response. The position reported in the year to date position includes £1m released from the board's contingency reserve, as agreed at AOP, and is on trajectory to deliver in line with Q1 forecast (£7.4m shortfall against target).

3.6 Impact of Month 7 adjustments on financial performance trends

- 3.6.1 In order to align reporting to the assumptions outlined in the Quarter One review and to ensure consistency with Scottish Government reporting templates a number of adjustments have been made to the financial performance report as at month 7. These adjustments do not impact on the year end forecast.
- 3.6.2 Prior to month 7 the year to date performance has excluded a number of elements included within the forecast and financial plan which are expected to be managed corporately through the release of reserves and Scottish Government brokerage.
- 3.6.3 Table 2, below, shows the impact of these adjustments on financial performance trends.

Table 2 – Impact of Month 7 adjustments on financial reporting, Apr-Oct 2020

| | Month 2 £m | Month 3 £m | Month 4 £m | Month 5 £m | Month 6 £m | Month 7 £m |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| <i>Unadjusted Position*</i> | (2.44) | (3.66) | (4.96) | (5.82) | (6.70) | (7.18) |
| <u>Adjustments at Month 7</u> | | | | | | |
| Covid19 allocation(s) | 1.80 | 2.82 | 3.94 | 4.53 | 5.15 | 5.59 |
| Release contingency to Savings | 0.17 | 0.25 | 0.33 | 0.41 | 0.50 | 0.58 |
| Board deficit retained centrally | (1.63) | (2.45) | (3.27) | (4.09) | (4.90) | (5.72) |
| Board Reserves - additional flexibility | 0.57 | 0.86 | 1.14 | 1.43 | 1.71 | 2.00 |
| Trend (adjusted) | (1.54) | (2.18) | (2.81) | (3.53) | (4.24) | (4.73) |
| <i>Memorandum - anticipated brokerage</i> | <i>1.31</i> | <i>1.97</i> | <i>2.62</i> | <i>3.28</i> | <i>3.93</i> | <i>4.59</i> |

**As reported Months 2-6*

- 3.6.4 The board deficit retained centrally represents the element of the board's recurring deficit which was excluded from business unit savings targets.
- 3.6.5 The financial plan identifies £7.1m non-recurring slippage in addition to the brokerage requirement identified in the plan. As at month 7, £2m of this slippage is

released against the year to date performance. The balance not released is held in reserves pending update to forecast at Mid Year review.

3.7 Financial Performance – Budget Heading Analysis

3.7.1 Income

3.7.2 Table 3, below, presents analysis of the board's income position at end October 2020.

Table 3 – Income by Category, year to date Apr-Oct 2020

| | Opening Annual Budget £m | Revised Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|--------------------------------|-----------------------------|-----------------------------|------------------|------------------|--------------------|
| Income Analysis | | | | | |
| SGHSCD Allocation | 212.97 | 262.82 | 149.59 | 149.59 | 0.00 |
| SGHSCD Anticipated Allocations | 22.24 | (9.66) | (3.73) | (3.73) | 0.00 |
| Family Health Services | 10.24 | 12.99 | 8.73 | 8.73 | 0.00 |
| External Healthcare Purchasers | 4.12 | 4.24 | 2.52 | 2.18 | (0.34) |
| Other Income | 5.27 | 5.64 | 2.88 | 3.04 | 0.16 |
| Total Income | 254.84 | 276.03 | 159.99 | 159.81 | (0.18) |

3.7.3 Operational performance by business unit

3.7.4 Table 4 describes the financial performance by business unit at October 2020.

Table 4 – Operational performance by business unit, year to date at Oct 2020

| | Opening Annual Budget £m | Revised Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|---|-----------------------------|-----------------------------|------------------|------------------|--------------------|
| Operational Budgets - Business Units | | | | | |
| Acute Services | 55.51 | 63.21 | 37.13 | 35.65 | 1.48 |
| Acute Services - Savings Target | - | (2.13) | (1.24) | - | (1.24) |
| Acute - COVID19 | - | 0.57 | 0.57 | 2.24 | (1.67) |
| TOTAL Acute Services | 55.51 | 61.65 | 36.46 | 37.89 | (1.43) |
| Set Aside Budgets | 22.69 | 25.38 | 14.84 | 14.65 | 0.19 |
| Set Aside Savings | - | (1.09) | (0.64) | - | (0.64) |
| TOTAL Set Aside budgets | 22.69 | 24.29 | 14.20 | 14.65 | (0.45) |
| IJB Delegated Functions | 103.10 | 122.08 | 70.92 | 69.69 | 1.23 |
| IJB – Savings | - | (4.74) | (2.77) | - | (2.77) |
| IJB COVID19 | - | 0.17 | 0.17 | 1.29 | (1.12) |
| TOTAL IJB Delegated | 103.10 | 117.51 | 68.32 | 70.98 | (2.66) |
| Corporate Directorates | 30.14 | 34.75 | 19.20 | 18.93 | 0.27 |
| Corporate Directorates Savings | - | (0.49) | (0.29) | - | (0.29) |
| Corporate COVID19 | - | 1.80 | 1.80 | 2.06 | (0.26) |
| TOTAL Corporate Services | 30.14 | 36.06 | 20.71 | 20.99 | (0.28) |
| External Healthcare Providers | 28.26 | 29.16 | 17.25 | 16.57 | 0.68 |
| External Healthcare Savings | - | (0.55) | (0.32) | - | (0.32) |

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| TOTAL External Healthcare | 28.26 | 28.61 | 16.93 | 16.57 | 0.36 |
| Board Wide | | | | | |
| Depreciation | 4.67 | 4.67 | 2.72 | 2.72 | - |
| Planned expenditure yet to be allocated | 12.03 | 15.27 | 2.00 | - | 2.00 |
| Financial Recurring Deficit (Balance) | (1.56) | (12.02) | (5.72) | - | (5.72) |
| Unallocated - COVID19 | - | - | 3.05 | - | 3.05 |
| Unallocated - Savings Delivery | - | - | 0.58 | - | 0.58 |
| Total Expenditure | 254.84 | 276.04 | 159.25 | 163.80 | (4.55) |

3.7.5 Within the operational business unit performance, budgets released against Covid19 expenditure are on an interim basis with further work required to confirm the final budget releases. A further adjustment is made corporately (under “Board Wide” expenditure) such that the total identified Covid19 expenditure is offset within the board’s overall financial performance.

3.7.6 **Acute services.** Within the core performance there is a £0.8m underspend on theatre supplies, predominantly in relation to Orthopaedic implants. Other areas of underspend include haematology medical staff vacancies and diagnostic staff vacancies.

3.8 **Set Aside.** The set aside budget includes underspend due to vacancies and supplies within DME wards. This reflects the reduction to overall bed capacity due to social distancing measures.

3.8.1 **IJB Delegated.** There is ongoing underspend across all areas (primary and community, mental health) linked to both vacancies and reduced activity.

3.8.2 **External Healthcare providers.** Reduced activity with NHS Lothian and cross border patients is offset by an increase in expenditure against Mental Health and Learning Disabilities placements.

4 Covid19 Expenditure

4.1 Table 5 summarises expenditure reported through the Local Mobilisation Plan template, as reported to Scottish Government. This position is presented in relation to non-delegated and delegated functions (NHS element only).

Table 5 – summary Covid19 expenditure for seven months to end October 2020

| | Apr-Jun £m | Jul-Sep £m | Oct £m | YTD £m |
|-------------------|-----------------------|-----------------------|-------------------|-------------------|
| Direct | | | | |
| NHS-non-delegated | 2.2 | 1.8 | 0.2 | 4.3 |
| NHS-delegated | 0.6 | 0.5 | 0.1 | 1.2 |
| | 2.8 | 2.3 | 0.4 | 5.5 |
| Indirect | | | | |
| NHS-non-delegated | 1.9 | 0.7 | 0.2 | 2.7 |
| NHS-delegated | 0.1 | 0.1 | 0.0 | 0.1 |
| | 1.9 | 0.8 | 0.2 | 2.9 |
| | 4.8 | 3.1 | 0.5 | 8.3 |

- 4.2 As noted above, £5.5m expenditure is identified within business units against Covid19 response & remobilisation plans for year to date. This position excludes elements of expenditure which are incurred against core budgets (noted as “indirect” in table 5).
- 4.3 Indirect expenditure includes expenditure against Inpatient beds, where there are offsetting releases from existing core budgets. Also noted as “indirect” is the estimated GP prescribing impact to date, which is out of scope of the SG allocations for Covid19, as well as income shortfalls reported in the year to date position. No funding adjustment has been made against the income shortfall pending further review at Mid year.
- 4.4 Table 6 provides summary of Covid expenditure against key areas of expenditure. As per Table 5, expenditure is categorised as direct/indirect and represents NHS costs only, excluding elements of the Local Mobilisation Plan which relate to Social Care.

Table 6 – Covid19 expenditure by category, YTD to end October 2020

| | Apr-Jun £m | Jul-Sep £m | Oct £m | YTD £m |
|--------------------|-----------------------|-----------------------|-------------------|-------------------|
| Infection Control | 0.3 | 0.1 | 0.0 | 0.4 |
| Public Health | 0.2 | 0.4 | 0.1 | 0.7 |
| Workforce | 1.5 | 1.0 | 0.0 | 2.5 |
| Infrastructure | 0.5 | 0.6 | 0.1 | 1.2 |
| Community Hubs | 0.0 | 0.0 | 0.0 | 0.1 |
| Mental Health | 0.1 | 0.0 | 0.0 | 0.1 |
| Delayed Discharges | 0.2 | 0.1 | 0.0 | 0.3 |
| Other NHS | 0.1 | 0.0 | 0.0 | 0.1 |
| Other H&SC | 0.0 | 0.0 | 0.0 | 0.0 |
| Direct | 2.8 | 2.3 | 0.4 | 5.5 |
| Covid Bed capacity | 1.5 | 0.3 | 0.1 | 1.9 |
| GP Prescribing | 0.1 | 0.1 | - | 0.1 |
| Loss of Income | 0.4 | 0.4 | 0.0 | 0.8 |
| Total | 4.8 | 3.1 | 0.5 | 8.3 |

- 4.5 Expenditure reported for October is below trend for the first six months, reflecting a reduction in initial mobilisation costs. It is expected that there will be an increase in future months as winter plans are enacted, and the actual costs of remobilisation and additional activities (e.g. vaccination programme) are implemented.

5 Key Risks

- 5.1 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.
- 5.2 An updated outturn forecast will be presented in December, reflecting the board’s Mid Year Review. This update will include consideration of the ongoing impact of

both COVID19 and the remobilisation of services. In advance of this review a summary of key risks relating to financial performance is provided below:

| Issue | Risk | Mitigating Actions |
|------------------------------|--|---|
| Funding | Resource allocations for Covid19 are insufficient to fully offset expenditure incurred. | <ul style="list-style-type: none"> • It is expected that the board will receive funding to meet its Covid19 related expenditure in full after recognition of slippage on non-Covid expenditure which is available within the board's overall financial position. • A further allocation will be made available by SG in January. • The basis for this allocation is subject to ongoing discussion via National Directors of Finance meetings, and by direct dialogue with SG colleagues. |
| Brokerage | The board continues to assume that brokerage will be agreed in line with the level requested within the Annual Operational Plan. This remains unconfirmed. The Q1 forecast indicates a projected £2m shortfall after receipt of Covid19 funds and brokerage. | <ul style="list-style-type: none"> • Current expenditure trends and ongoing dialogue with SG indicate that this position can be managed without a further request for increased brokerage. • SG colleagues have given indication that this position will be agreed and should be considered "low risk". • Any variation in requirement arising from the board's outturn forecast will need to be agreed in January in order to meet SG expectations for year end financial planning. |
| Nationally Directed Services | Local service models may exceed available resources both in year and on a recurring basis. Implementation of service change, e.g. Test & Protect, Reshaping Urgent care, will require recurring investment above existing revenue resource limit. | <ul style="list-style-type: none"> • The expenditure impact of service change in year is expected to be managed through direct allocation released non-recurrently in 2020/21 and by additional flexibility released locally against core operational budgets. • The recurrent impact of new service models will be considered through the board's financial planning process. • Further clarity will be provided in the Scottish Government budget for 2021/22 (January 2021) in relation to recurring resources. |

| Issue | Risk | Mitigating Actions |
|--|---|---|
| Recovery of Performance (Access Standards) | Deteriorating performance against Access Standards will result in a requirement for additional resources to achieve targets and clear backlog. | <ul style="list-style-type: none"> • In year remobilisation plans have been developed in response to immediate pressures and reflect available capacity to mitigate this position, however it is recognised that there will be an ongoing deterioration in performance against access standards due to the reduction in available capacity arising from social distancing measures and prioritisation of services in relation to Covid19 response. • It is anticipated that provision for additional investment to address backlog against Access standards will be made in the Scottish Government budget for 2021/22. |
| Pay Terms & Conditions | The final impact of pay terms & conditions upon expenditure in current year and on a recurring basis has not yet been fully assessed. This impact includes potential early introduction of a revised pay deal for 2021 (in current year) as well as any deferral of annual leave entitlement at March 2021. | <ul style="list-style-type: none"> • It is expected that the introduction of an early pay settlement for 2021 will be accompanied by additional allocation. • Additional costs relating to deferral of annual leave entitlement will be accrued at March 2021 and will be subject to further dialogue through national finance networks with expectation that additional resources will be made available where required. |
| Savings Plans | Non-delivery of in year and recurring savings plans will result in additional brokerage requirement. The delivery of recurrent savings in 2021/22 presents as material risk to the board's current three year financial plan. | <ul style="list-style-type: none"> • Savings delivery identified at Q1 review is assessed as low risk and expected to be delivered in full in current year. This position is unlikely to require an increase to brokerage within current year. • Plans for 2021/22 and beyond will be considered as part of the board's review of its Turnaround programme and development of the 2021/22 Financial plan. |

- 5.3 A full assessment of financial risk will be presented as part of the Mid Year Review. At this stage the financial performance described in the paper, together with ongoing dialogue with Scottish Government, has provided an increased level of confidence that the board will be able to deliver its financial performance in line with the Annual Operational Plan, i.e. without a requirement for increased brokerage above the level indicated in the plan.