

Borders NHS Board

Meeting Date: 4 February 2021

Approved by:	Andrew Bone, Director of Finance
Author:	Susan Paterson, Deputy Director of Finance
FINANCE REPORT FOR THE PERIOD TO THE END OF DECEMBER 2020	
Purpose of Report:	
<p>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 December 2020 and update to the outturn forecast to end March 2021.</p>	
Recommendations:	
<p>Board members are asked to:</p> <ul style="list-style-type: none"> • <u>Take</u> significant assurance that the board will achieve its financial target (i.e. breakeven) at March 2021, noting the position in relation to financial flexibility (brokerage) as described in section 5. • <u>Note</u> the contents of the report, as follows: <ul style="list-style-type: none"> – The board is reporting a £4.92m deficit for the nine months to 31st December 2020. – Performance against core operational budgets continues to demonstrate improvement against Midyear forecast and that the impact of this improvement is reflected in the updated forecast. – The position includes release of £6.78m in relation to confirmed Covid-19 allocation and that this funding is matched to spend incurred to date. – The position reported in respect of non-delivery of savings (£6.01m) remains in line with the expected position as identified at Quarter One Review. – The Capital Resource for 2020/21 totals £6.41m with expenditure incurred to date of £2.53m for the period to end of December 2020 as described in section 6. – The forecast outturn position on Capital is following discussion and agreement with Scottish Government to a carry forward of £1.45m capital slippage into 2021/22 relating to projects which have been impacted by the Board's focus to Covid19 response and remobilisation. – Projects which have been impacted by the focus given to the Covid19 response are MRI Installation and contingency works, the business case development work on the Borders Health Campus and Patient Flow projects and the Forensic Medical 	

Examination Suite.

- An element of the committed 2020/21 capital expenditure is in relation to accelerating works from future years including from backlog maintenance, estates and medical equipment projects. This action enables the resource commitment to these areas in future years of the plan to be reduced and as a result making resources available to support the prioritised Capital Strategic Plan once it is developed and agreed by the Board.

Approval Pathways:

Budget managers received Financial Statements for 2020/21 to the end of December on Wednesday 13th January 2021. This report was presented to BET on Tuesday 26th January 2021.

Executive Summary:

SECTION 3 presents summary of the board's financial performance for the nine months to end December 2020. The board is reporting a £4.92m deficit for this period. Within this position there is a reducing trend in expenditure against both core operational and Covid19; non-delivery of savings remains in line with previous forecast.

SECTION 4 summarises expenditure incurred in response to Covid19 pandemic. This highlights a reduction to trend in quarter three, with costs against temporary staffing showing marked decrease from April – September levels.

SECTION 5 provides update on the board's forecast outturn performance. This includes the impact of reductions to expenditure trend, as well as the increased certainty around funding available to offset Covid19 costs and to bridge non-delivery of savings.

SECTION 6 describes the resources and projected expenditure against the board's Capital resource limit. This includes update on projected slippage against the planned expenditure in 2020/21 together with in year revisions to phasing of the board's five year capital plan in order to manage resource flexibly in mitigation to slippage on plans.

SECTION 7 provides a brief update on the risks associated with financial performance. In summary, there is a reduced level of risk in the current financial year; however the overall strategic financial risk remains extant. A full review of financial risk will be undertaken through the development of the board's financial plan for 2021/22.

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

	<p>and Gynaecology, Paediatrics, Outpatients, Cancer Services, Diagnostics, BGH Pharmacy, Community Nursing, Planned Care</p> <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>
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FINANCE REPORT FOR THE PERIOD TO THE END OF DECEMBER 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 December 2020 and update to the outturn forecast to end March 2021.

2 Recommendations

- 2.1 Board Members are asked to:

2.1.1 **Take** significant assurance that the board will achieve its financial target (i.e. breakeven) at March 2021, noting the position in relation to financial flexibility (brokerage) as described in section 5.

2.1.2 **Note** that the board is reporting a £4.92m deficit for the nine months to 31st December 2020.

2.1.3 **Note** that the performance against core operational budgets continues to demonstrate improvement against Midyear forecast and that the impact of this improvement is reflected in the updated forecast.

2.1.4 **Note** that that the position includes release of £6.78m in relation to confirmed Covid-19 allocation and that this funding is matched to spend incurred to date.

2.1.5 **Note** the position reported in respect of non-delivery of savings (£6.01m) remains in line with the expected position as identified at Quarter One Review.

2.1.6 **Note** that the Capital Resource for 2020/21 totals £6.41m with expenditure incurred to date of £2.53m for the period to end of December 2020 as described in section 6.

2.1.7 **Note** that the forecast outturn position on Capital is following discussion and agreement with Scottish Government to a carry forward of £1.45m capital slippage into 2021/22 relating to projects which have been impacted by the Board's focus to Covid 19 response and remobilisation.

2.1.8 **Note** the projects which have been impacted by the focus given to the Covid 19 response are MRI Installation and contingency works, the business case development work on the Borders Health Campus and Patient Flow projects and the Forensic Medical Examination Suite.

2.1.4 **Note** an element of the committed 2020/21 capital expenditure is in relation to accelerating works from future years including from backlog maintenance, estates and medical equipment projects. This action enables the resource commitment to these areas in future years of the plan to be reduced and as a result making resources available to support the prioritised Capital Strategic Plan once it is developed and agreed by the Board.

3 Summary Financial Performance

- 3.1 The board's financial performance as at 31stDecember 2020 is £4.92m deficit. This position is summarised in Table 1, below.

Table 1 – Financial Performance for nine months to end December 2020

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Revenue Income	254.84	279.11	206.70	206.49	(0.21)
Revenue Expenditure	254.84	279.11	203.13	207.84	(4.71)
Surplus/(Deficit)	0.00	0.00	(3.57)	1.35	(4.92)

- 3.2 The Board's Financial Performance as at 31stDecember 2020 is £4.92m overspent. The reported position does not include financial flexibility (i.e. brokerage) requested as part of the Board's Annual Operational Plan (AOP). The request for brokerage is currently being reviewed in light of additional allocations available to support Covid19 impact in 2020/21. This position is discussed further in section 5, below.
- 3.3 As previously reported, the board has received an initial allocation in respect of Covid19 expenditure. As at period 9, a total of £6.78m has been released against the year to date performance, matching expenditure identified.
- 3.4 Core operational performance is £5.65m underspent after nine months. This represents an improvement against forecast and is reflective of 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. Improvement against forecast arises as a result of the ongoing difficulties in remobilising services to pre-Covid levels (e.g. planned care).
- 3.5 Efficiency targets required to achieve the agreed year-end financial outturn have been included in Business Unit reporting. A shortfall of £6.00m 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 Financial Performance –Budget Heading Analysis

3.6.1 Income

- 3.6.2 Table 3, below, presents analysis of the board's income position at end December 2020.

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

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Analysis					
SGHSCD Allocation	212.97	264.17	193.34	193.34	0.00
SGHSCD Anticipated Allocations	22.24	(8.75)	(4.79)	(4.79)	0.00
Family Health Services	10.24	13.74	11.18	11.18	0.00
External Healthcare Purchasers	4.12	4.24	3.23	2.77	(0.46)
Other Income	5.27	5.71	3.74	3.99	0.25
Total Income	254.84	279.11	206.70	206.49	(0.21)

3.6.3 Operational performance by business unit

3.6.4 Table 4 describes the financial performance by business unit at December 2020.

Table 4 – Operational performance by business unit, year to date at Dec 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	64.42	48.63	46.60	2.03
Acute Services - Savings Target	-	(2.13)	(1.60)	-	(1.60)
Acute - COVID19	-	0.66	0.66	2.34	(1.68)
TOTAL Acute Services	55.51	62.95	47.69	48.94	(1.25)
Set Aside Budgets	22.69	26.47	19.38	19.36	0.02
Set Aside Savings	-	(1.09)	(0.82)	-	(0.82)
TOTAL Set Aside budgets	22.69	25.38	18.56	19.36	(0.80)
IJB Delegated Functions	103.10	122.39	87.79	86.34	1.45
IJB – Savings	-	(4.74)	(3.56)	-	(3.56)
IJB COVID19	-	0.32	0.32	1.77	(1.45)
TOTAL IJB Delegated	103.10	117.97	84.55	88.11	(3.56)
Corporate Directorates	30.14	35.41	25.31	24.84	0.47
Corporate Directorates Savings	-	(0.49)	(0.37)	-	(0.37)
Corporate COVID19	-	2.20	2.20	2.67	(0.47)
TOTAL Corporate Services	30.14	37.12	27.14	27.51	(0.37)
External Healthcare Providers	28.26	29.25	22.10	20.42	1.68
External Healthcare Savings	-	(0.55)	(0.41)	-	(0.41)
TOTAL External Healthcare	28.26	28.70	21.69	20.42	1.27
Board Wide					
Depreciation	4.67	4.67	3.50	3.50	-
Planned expenditure yet to be allocated	12.03	14.34	3.00	-	3.00
Financial Recurring Deficit (Balance)	(1.56)	(12.02)	(7.35)	-	(7.35)
Unallocated - COVID19	-	-	3.60	-	3.60
Unallocated - Savings Delivery	-	-	0.75	-	0.75
Total Expenditure	254.84	279.11	203.13	207.84	(4.71)

3.6.5 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.

- 3.6.6 **Acute services.** Within the core performance there is a £0.9m underspend on theatre supplies, predominantly in relation to Orthopaedic implants. Other areas of underspend include haematology medical staff vacancies and diagnostic staff vacancies.
- 3.7 **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. (i.e. where ward bed profiles have been reduced as a result of advice from the infection prevention and control team).
- 3.7.1 **IJB Delegated.** There is ongoing underspend across all areas (primary and community, mental health) linked to both vacancies and reduced activity. Although there is active recruitment to vacancies in this area, it is expected that this position will continue to March 2021 as a result of recruitment challenges and prioritisation of staffing resources to Covid19 related activities.
- 3.7.2 **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. The reduced activity profile in cross boundary SLAs is expected to be non-recurring however there is a risk that additional expenditure relating to high cost out of area placements may result increased expenditure over the medium to long term.

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 IJB delegated functions (NHS element only).

Table 5 – summary Covid19 expenditure for nine months to end December 2020

	Total Expenditure £k	Offsets £k	(Net) Expenditure £k	Loss of Income £k	Non Delivery of Savings £k	LMP Report £k
Non-delegated	7,279	(1,520)	5,759	452	2,243	8,453
IJB Delegated	1,547	0	1,547	0	3,315	4,862
Total NHS Costs	8,826	(1,520)	7,307	452	5,558	13,316

- 4.2 Funding allocation is based on the (net) expenditure position reported in Table 5. As noted above, £6.8m expenditure is identified within business units against Covid19 response & remobilisation plans for year to date. The funding released to date excludes £0.5m of expenditure incurred against core budgets where further work is required to confirm costs as additional to core spend.
- 4.3 No funding has been allocated against loss of income at this stage, although this position continues to be reported through the board's LMP submission. Likewise, funding released excludes any offset against non-delivery of savings. The position on savings reported via LMP is consistent with the figures reported against the board's overall savings target.

- 4.4 Table 6 provides summary of Covid expenditure against key areas of expenditure. As per Table 5, expenditure 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 December 2020

	Apr-Jun £k	Jul-Sep £k	Oct-Dec £k	YTD £k
Infection Control	260	140	86	486
Public Health	220	368	408	995
Workforce	1,473	1,053	98	2,624
Infrastructure	500	553	461	1,514
Capacity - NHS	1,463	339	507	2,310
Capacity - 3rd Parties	0	0	10	10
Community Hubs	22	17	36	76
Mental Health	88	43	13	144
Delayed Discharges	160	106	23	289
NHS Remobilisation	0	0	38	38
Other NHS	153	78	35	266
Other H&SC	6	5	61	73
Offsets	(1,520)	0	0	(1,520)
Grand Total	2,826	2,704	1,777	7,307

- 4.5 Expenditure reported for quarter three shows a reduction in trend. There is a significant reduction in temporary staff costs, which is partly reflective of reallocation of staff against specific programmes, however the overall reduction to costs in quarter three is indicative of the continued challenge the board faces in meeting the workforce requirements of its overall plan.

5 Outturn Forecast to 31st March 2021

- 5.1 The board reported a projected deficit of £8.6m at mid-year review. This position excluded the board's request for financial flexibility (brokerage) support of £7.9m. The forecast position after brokerage was expected to be c.£0.7m deficit.
- 5.2 Since Mid year review there has been a continued improvement to the board's expenditure position, both in relation to the core operational performance and as a result of a reduction to the additional expenditure incurred against Covid19 response. The drivers for this improvement are detailed in sections 3 & 4, above.
- 5.3 Further discussion with Scottish Government in relation to additional Covid19 allocations have confirmed that a further allocation will be made in February in relation to the balance of costs against Covid19 impact in 2020/21.
- 5.4 This allocation will include support to non-delivery of savings in year. The forecast includes a projected shortfall of £7.4m against targets in year. This position represents a deterioration of £1.6m against the position outlined in the financial plan, however the emerging slippage on core operational expenditure provides offset to this movement in the current year. The overall support requested for savings non-delivery remains in line with the brokerage request at financial plan.
- 5.5 The nature of this support remains subject to further discussions with Scottish government. If support is provided as additional allocation via Covid19 then this

would remove the requirement for repayment as brokerage (under the terms of the Medium Term Financial Framework). An update on this position is expected in early February.

- 5.6 Notwithstanding the status of additional support available to offset savings non-delivery, it is now anticipated that the board will be able to deliver a breakeven position at end March 2021.

6 2020/21 Capital Resources

- 6.1 The board's 2020/21 Capital Resources as at 31stDecember 2020 are detailed in Table 1, below.

Table 1 – 2020/21 Capital Resources

	Opening Annual Budget	Revised Annual Budget	Slippage to 2021/22
	£m	£m	£m
Capital Formula Allocation	2.366	2.116	0.250
IM&T Road to Digital (Yr 3)	1.500	1.500	-
Primary Care Premises	0.991	0.991	-
2019/20 brought forward	0.662	0.662	-
MRI replacement	1.000	0.350	0.650
Forensic Medical Examination	0.200	-	0.200
Borders Health Campus	0.150	-	0.150
Patient Flow	0.200	-	0.200
Ophthalmology equipment	0.175	0.175	-
Radiology Imaging equipment	0.615	0.615	-
Totals	7.859	6.409	1.450

- 6.2 The Board's 2020/21 Capital Plan has been significantly impacted by the Covid 19 pandemic as a result of the focus of the organisation to the response and remobilisation of services, lockdown and partial lockdown restrictions for contractors, capacity of clinical and non clinical teams to support design and delivery of intended projects
- 6.3 The Board has agreed a planning assumption with Scottish Government that £1.45m of 2020/21 Capital Resource will be carried into 2021/22 as a direct result of the impact of the Covid 19 pandemic. The projects impacted are MRI installation & contingency (£0.65m), business case development for Borders Health Campus and Patient Flow (£0.35m) and the Forensic Medical Examination Suite (£0.45m).
- 6.4 **2020/21 Capital Expenditure**
- 6.4.1 Table 2, overleaf, presents the level of spend to date and the year end outturn projected for the 2020/21 Capital Plan.

Table 2 – Capital expenditure to date Apr-Dec 2020

Project Title	Opening Annual Budget £m	Revised Annual Budget £m	YTD Actual £m	Projected Year end outturn £m
IM&T Road to Digital	1.500	1.275	-	1.275
Primary Care Premises	0.831	0.752	0.607	0.752
Borders Health Campus	0.150	-	-	-
Patient Flow	0.200	-	-	-
MRI replacement	1.000	-	-	-
Forensic Medical Examination	0.200	-	-	-
Ophthalmology equipment	-	0.175	-	0.175
Radiology Imaging equipment	-	0.615	-	0.615
Rolling Programmes				
Backlog maintenance & Estates	1.540	1.640	1.423	1.640
Medical Equipment	0.114	0.797	0.058	0.797
IM&T	0.300	0.300	0.284	0.300
Covid 19 & Remobilisation	-	0.735	0.058	0.735
Capital Planning Project Team	0.240	0.120	0.103	0.120
Feasibility works	0.100	-	-	-
Capital sale proceeds	0.100	-	-	-
Uncommitted	0.894	-	-	-
Total Income	7.169	6.409	2.533	6.409

- 6.4.2 Recent approval from the Resources and Performance Committee (21.01.21) has enabled purchase of IM&T hardware totalling c£1.03m to be placed which will support the implementation of Windows 10 across the organisation.
- 6.4.3 The in year Capital resource has been flexed to support required works to address, for example, high priority service changes for Covid 19 designated wards, and in other areas of the estate to ensure social distancing compliance and where a change in use of existing premises may have been needed. In addition, to enable funding to be released in future years of the plan, there has been an acceleration of medical equipment purchases and elements of the backlog maintenance and estates programmes. Resources remain as planned over the 5 years of the Capital Plan.

7 Key Risks

- 7.1 There is a reduced level of financial risk in year as a result of the increasing clarity now available in relation to anticipated allocations (as described above). It is now highly likely that the board will deliver a breakeven position in year.
- 7.2 The financial risk arising from uncertainty around timescales in relation to the delivery of covid19 vaccination, remobilisation of services, and overall resource impact of covid19 (including continued slippage on core expenditure and delivery of savings) will be considered in the board's financial plan for 2021/22.

- 7.3 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.

Appendices

There are no appendices to this report.