

## Borders NHS Board



Meeting Date: 24 June 2021

<b>Approved by:</b>	Andrew Bone, Director of Finance
<b>Author:</b>	Andrew Bone, Director of Finance
<b>FINANCIAL PERFORMANCE – MAY 2021</b>	
<b>Purpose of Report:</b>	
The purpose of the report is to provide committee members with an update in respect of the board's financial performance (revenue) for the period to end of May 2021.	
<b>Recommendations:</b>	
Board Members are asked to:	
<ul style="list-style-type: none"> <li>• <b>Note</b> that the board is reporting a £2.66m overspend for two months to end of May 2021.</li> <li>• <b>Note</b> the position reported in relation to COVID-19 expenditure and assumptions around funding in relation to same.</li> <li>• <b>Note</b> the timescales for the board's Quarter One Review and preparation of an updated outturn forecast.</li> </ul>	
<b>Approval Pathways:</b>	
Budget managers received Financial Statements for 2020/21 to the end of May during third week of June. This report was presented to BET on Tuesday 22 <sup>nd</sup> June 2021.	
<b>Executive Summary:</b>	
<p><b>SECTION 3</b> presents summary of the board's financial performance for the two months to end May 2021. The board is reporting an overspend of £2.66m for this period. This position includes anticipated allocations in respect of COVID-19 expenditure. No funding is assumed in relation to additional SG support to non-delivery of savings identified within the board's financial plan. The reported position is adrift of the trajectory described in the financial plan (£1.8m overspend after 2 months).</p> <p><b>SECTION 4</b> summarises expenditure incurred in response to Covid19 pandemic. Total expenditure incurred to date across delegated (health) and non-delegated functions is £1.47m after two months. This includes an element of expenditure offset against the board's core financial performance. It is recognised that there may be additional expenditure not yet validated against Covid19 for which funding has not been allocated.</p> <p><b>SECTION 5</b> describes the purpose and timescales for the preparation of the board's Quarter One Review. An update to the board's financial plan forecast outturn position will be submitted to Scottish Government at end July.</p>	

<b>SECTION 6</b> provides update on financial risk. There are no new risks highlighted as a result of the issues described in the report.	
<b>Impact of item/issues on:</b>	
<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 and Gynaecology, Paediatrics, Outpatients, Cancer Services, Diagnostics, BGH Pharmacy, Community Nursing, Planned Care</li> <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> <p>LMP - Local Mobilisation Plan</p> <p>RMP - Remobilisation Plan</p> <p>RRL - Revenue Resource Limit</p>

## FINANCE REPORT FOR THE PERIOD TO THE END OF MAY 2021

### 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 (revenue) for the period to end of May 2021.

### 2 Recommendations

- 2.1 Board Members are asked to:

2.1.1 **Note** that the board is reporting an overspend for two months to end of May 2021.

2.1.2 **Note** the position reported in relation to COVID-19 expenditure and assumptions around funding in relation to same.

2.1.3 **Note** the timescales for the board's Quarter One Review and preparation of an updated outturn forecast.

### 3 Summary Financial Performance

- 3.1 The board's financial performance as at 31<sup>st</sup> May 2021 is an overspend of £2.66m. This position is summarised in Table 1, below.

Table 1 – Financial Performance for two months to end May 2021

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Revenue Income	246.40	280.55	39.72	39.54	(0.18)
Revenue Expenditure	246.40	280.55	44.39	46.87	(2.48)
<b>Surplus/(Deficit)</b>	<b>0.00</b>	<b>0.00</b>	<b>4.67</b>	<b>7.33</b>	<b>(2.66)</b>

- 3.2 The board's financial plan for 2021/22 describes an expected deficit at end March 2022 of £6.4m. On the basis of the phased trajectory associated with this plan the position anticipated at end May would be £1.8m overspent. The actual performance at end May is £2.66m overspent, a variance of £0.86m (adverse).
- 3.3 The financial plan is predicated on a projected expenditure trend associated with the remobilisation of services on a phased basis to September 2021. This assumes that core operational budgets would report an underspend of £3m over the first six months of 2021/22, in line with final quarter performance in 2020/21.
- 3.4 Actual performance in April/May appears to be out of line with this forecast and the impact of this variation on the board's year end forecast will be assessed at Quarter One Review (see separate section, below).

- 3.5 It should be recognised however that there remain a number of areas where ring-fenced resources have not yet been released pending confirmation that spend is being incurred. This may result in adjustment at month 3 (June). It is not expected that adjustment will materially alter the reported performance.
- 3.6 For the period to the end of May, funding of Covid19 expenditure has been assumed and allocated to match reported spend within business units. This approach is consistent with the presentation of the board's financial plan. It is expected that actual funding will continue to be released on a retrospective basis (as in 2020/21) following submission of quarterly Local Mobilisation Plan (LMP) tracker as part of the board's financial performance monitoring report to Scottish Government.
- 3.7 Core operational performance excluding Covid19 and Savings is reporting £0.26m underspent at 31<sup>st</sup> May, which is £0.74m below trajectory. It should be noted at this point that there are still elements of Covid19 spend within this position that still require funding, as well as drugs uplifts that are yet to be funded.
- 3.8 Efficiency targets within Business units have been held at 2020/21 levels, and schemes identified against this target are not expected to release any savings until quarters 3 and 4. The balance of required savings are held on a whole system basis and will be managed through corporate actions in line with the approach outlined in the financial plan.

### 3.9 Financial Performance –Budget Heading Analysis

#### 3.9.1 Income

3.9.2 Table 2, below, presents analysis of the board's income position at end May 2021.

*Table 2 – Income by Category, year to date May 2021/2022*

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income Analysis</b>					
SGHSCD Allocation	226.65	445.29	36.56	36.56	-
SGHSCD Anticipated Allocations	-	(185.16)	(0.44)	(0.44)	-
Family Health Services	10.24	10.77	2.24	2.24	-
External Healthcare Purchasers	4.24	4.24	0.71	0.50	(0.21)
Other Income	5.27	5.41	0.65	0.68	0.03
<b>Total Income</b>	<b>246.40</b>	<b>280.55</b>	<b>39.72</b>	<b>39.54</b>	<b>(0.18)</b>

3.9.3 The shortfall in income recovers from external healthcare purchasers reflects the decrease to elective activity patient flows between health boards during the course of 2020/21, which continues into 2021/22.

#### 3.9.4 Operational performance by business unit

3.9.5 Table 3 describes the financial performance by business unit at May 2021.

*Table 3 – Operational performance by business unit, May2021*

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Operational Budgets - Business Units</b>					
Acute Services	61.03	65.38	11.41	10.98	0.43
Acute Services - Savings Target	(2.13)	(2.12)	(0.35)	-	(0.35)
<b>TOTAL Acute Services</b>	<b>58.90</b>	<b>63.26</b>	<b>11.06</b>	<b>10.98</b>	<b>0.08</b>
Set Aside Budgets	25.30	26.26	4.40	4.64	(0.24)
Set Aside Savings	(1.09)	(1.09)	(0.18)	-	(0.18)
<b>TOTAL Set Aside budgets</b>	<b>24.21</b>	<b>25.17</b>	<b>4.22</b>	<b>4.64</b>	<b>(0.42)</b>
IJB Delegated Functions	105.76	118.00	21.54	21.42	0.12
IJB – Savings	(4.74)	(4.74)	(0.79)	-	(0.78)
<b>TOTAL IJB Delegated</b>	<b>101.02</b>	<b>113.26</b>	<b>20.75</b>	<b>21.42</b>	<b>(0.67)</b>
Corporate Directorates	32.81	32.97	4.23	4.36	(0.13)
Corporate Directorates Savings	(0.34)	(0.28)	(0.05)	-	(0.05)
<b>TOTAL Corporate Services</b>	<b>32.47</b>	<b>2.69</b>	<b>4.18</b>	<b>4.36</b>	<b>(0.18)</b>
External Healthcare Providers	28.55	28.55	4.75	4.69	0.06
External Healthcare Savings	(0.51)	(0.51)	(0.08)	-	(0.08)
<b>TOTAL External Healthcare</b>	<b>28.04</b>	<b>28.04</b>	<b>4.67</b>	<b>4.69</b>	<b>(0.02)</b>
<b>Board Wide</b>					
Depreciation	4.67	4.67	0.78	0.78	-
Planned expenditure yet to be allocated	(2.91)	21.10	-	-	-
Financial Recurring Deficit (Balance)	-	(11.04)	(1.83)	-	(1.83)
Financial Non-Recurring Deficit(Balance)	-	(4.00)	(0.67)	-	(0.67)
Underlying Offsets	-	2.40	0.40	-	0.40
Board Flexibility	-	5.00	0.83	-	0.83
<b>Total Expenditure</b>	<b>246.40</b>	<b>280.55</b>	<b>44.39</b>	<b>46.87</b>	<b>(2.48)</b>

- 3.9.6 Acute services** are reporting a net under spend of £0.08m. This includes a £0.43m under spend on core operational budgets. The main drivers for this underspend is in relation to reduced levels of elective surgery activity, and this is offsetting the non-delivered saving targets.
- 3.9.7 Set Aside.** The set aside budget is overall £0.42m overspent, of which £0.18m relates to non-delivery of savings. The balance is in relation to core service with increased expenditure on clinical workforce, including use of medical agency and additional nursing support to the Emergency department, as well as an in month increase in agency usage linked to patient acuity and 1:1s. There are still elements of the COVID spending plan to be funded within this area, however it should be noted that expenditure is above trajectory as a result of the continued pressure on unscheduled care flows and inpatient beds.
- 3.9.8 IJB Delegated.** Excluding non-delivery of savings the HSCP functions delegated to the IJB are reporting an under spend on core budgets of £0.12m. A reduction in primary care services expenditure within public dental services is the main driver for the underspend reported in May.
- 3.9.9 Corporate Directorates** are reporting a net overspend of £0.18m. Within Estates there is an increased spend reported within utilities and maintenance costs which is linked to the prolonged colder weather. This expenditure is not expected to recur in future periods.
- 3.9.10 External Healthcare Providers.** There is a small overspend being reported in this area linked to the unmet savings target which is mostly offset by small underspends within the core budget. A review of commissioning accruals will be undertaken at

Q1 review and is expected to identify non-recurring flexibility which will support management of in year pressures.

## 4 Covid19 Expenditure

4.1 Reported within the Core operational budgets as detailed in table 3 is Covid19 expenditure and notional funding. Table 4 summarises this within each business unit.

*Table 4 – summary Covid19 expenditure for two months to end May 2021*

	Revised Annual Budget £m	Allocated YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Covis19 Expenditure</b>				
Acute Services	0.34	0.13	0.13	-
Set Aside	0.09	0.03	0.06	(0.03)
IJB Directed Services	0.83	0.72	0.72	-
Corporate Directorates	0.83	0.57	0.56	0.01
<b>Total Covid19 Expenditure</b>	<b>2.09</b>	<b>1.45</b>	<b>1.47</b>	<b>(0.02)</b>

4.1.1 During the course of quarter 1, funding will be allocated into operational budgets in line with plans which have been approved through RPG/OPG Gold command, ensuring that expenditure linked to Covid is in line with the expected Local Mobilisation plans.

4.1.2 Where there are overspend within the Covid19 reported position these are directly offset by core underspends within the service. The approach taken to reporting of spend is in line with SG requirements and recognises that some elements of expenditure will be financed by the board, where existing resources have been redeployed to meet COVID19 requirements. As anticipated within the board's plan this 'direct offset' is unlikely to be material given the expected remobilisation of services over the first six months of 2021/22.

## 5 Quarter One Review

5.1 The board's financial plan for 2021/22 identifies a projected £18.6m deficit, against which plans are identified to deliver a total of £12.2m of offsetting actions through a combination of recurring and non-recurring savings schemes, and flexibility on board allocations and other financing. This results in a net projected outturn for the 12 months to end March 2022 of £6.4m deficit.

5.2 Management of this deficit continues to be subject to ongoing dialogue with Scottish Government and will be reviewed following submission of the board's Quarter One Review forecast.

5.3 The plan is reviewed quarterly in line with Scottish Government Medium Term Financial Framework, with submission of a revised forecast at end of each quarter. The Quarter One Review forecast will present an updated financial plan for 2021/22 recognising any changes in financial planning assumptions, expenditure trends, emerging pressures and potential in year benefits.

5.4 Submission of the Quarter One Review forecast is due at end July 2021. The forecast will be prepared based on the actual performance at end June (3 months).

## 6 Key Risks

- 6.1 There are no new risks reported within the risk register as a result of the issues described in this report. The board continues to recognise a 'very high' risk in relation to its long term financial sustainability and this is described in greater detail within the financial plan. This risk will continue to be reviewed through the board's quarterly financial forecasts.

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