

Borders NHS Board



2017/18 UPDATED RECOVERY PLAN

Aim

The aim of this paper is to advise the Board of the projected 2017/18 year end financial position. This paper builds on the information previously presented to the Board at the development sessions in August and September and the Board meeting in October.

Executive Summary

The key points to note from this report are:

- As at the 31st October 2017 NHS Borders is reporting an overspend of £5.4m on revenue budgets. Based on the October position, there remains significant pressure on operational budgets and a shortfall on the delivery of the efficiency programme.
- Further to the recovery plan presented at the October Board meeting and as a result of a number of actions including the direction of £1m of resources from the Integration Joint Board (IJB) NHS Borders is projecting a break even position at 31st March 2018. The achievement of the forecast break even outturn position is not without significant risk not least of which is winter.
- Due to the significant number of non recurring measures in the 2017/18 recovery plan the recurring position of NHS Borders remains an area of significant concern.

Background

At its meeting in April the Board approved a financial plan, as part of the local delivery plan (LDP) for 2017/18 which included an efficiency savings delivery of £12.9m recurrently and £2.7m on a non recurring basis and noted a projected shortfall totalling £3.8m on this requirement.

The Board finance report has noted that the organisation has encountered significant ongoing financial pressures in 2017/18, principally linked to operational budgets and slippage on the delivery of the efficiency programme. At the Board meeting on the 26th October 2017 a recovery plan for 2017/18 was presented which projected a year end overspend position £0.965m and noted work was ongoing to deliver a break even position. The Board requested an update on the recovery plan at its December meeting.

This report considers:

- The financial position as at end of October 2017.
- An updated forecast year end position at 31st March 2018.
- The risks associated with the forecast position.
- The 2018/19 and onwards financial outlook.

Financial Position as at End of October 2017

The Board Finance report details the position to the end of October as being £5.4m overspent.

The key pressures are:

- The Acute Services, including set aside budgets, are overspent on expenditure budgets by £4.4m. This is due to increased medical (£0.9m), nursing (£1.2m) and drug (£0.7m) costs and a shortfall in the delivery of efficiency (£1.2m). A key driver for the increased costs is activity levels linked to delayed discharges, patient acuity and staff cover particularly due to the high sickness levels experienced during October in relation to Norovirus.
- External healthcare providers are £0.5m overspent linked to a increased cost of activity within NHS Lothian, UNPACS activity and ECR placements.
- Within IJB directed services a shortfall on the delivery of general and prescribing efficiency is the key reason for the reported overspend.

Updated Forecast Year End Position

The financial position at the end of October is the basis for the year end outturn.

Based on the robust management of budgets and no unforeseen events the forecast year end position is £0.2m underspent. This position must be treated with a significant degree of caution as due to the small underspend forecast any adverse event could easily cause the position to deteriorate.

	£m	£m	£m
Forecast year end position presented to October Board	(1.0)		
Actions			
IJB direction of resource		1.0	
Operational action/pressures		0.2	
Forecast year end position presented to December Board			0.2

The key reasons for the update in the year end forecast:

- At its meeting on the 23rd October 2017 the IJB agreed to direct £1m of resource to offset the increased cost of delayed discharge occupied bed days across the organisation.
- Operational pressures have been impacted on as a result of:
 - Updated information regarding out of area patients reducing the forecast overspend.
 - Management action reducing expenditure levels in support services operational budgets.
 - The positive impact of the procurement project on supplies costs.
 - An increase in the forecast nursing overspend due to the impact of norovirus on agency costs in October.

The revised forecast position is based on a number of key assumptions:

- Continued robust management of all budgets across the organisation.
- All Clinical Boards and departments achieve the revised agreed out turn position or better including any unexpected events such as medical vacancies.
- £9.1m of efficiency is delivered.
- There are no new national or local issues which impact on prescribing costs and delivery of savings.
- The spend on drugs associated with the new medicines fund is no greater than the allocations received.
- External healthcare spend is based on the current patient cohort and normal referral patterns.
- The level of spend related to the achievement of waiting times is no more than that received from Scottish Government (SG).
- No new developments are approved unless funding sources have been identified.

The following key areas are still being considered to support delivery of the financial position:

- The impact of the financial control measures which are in place and are being relaunched.
- Continued review of non recurring ring fenced allocations received in the remainder of the financial year.
- Review of accounting policies, technical adjustments and slippage on national/regional agreed LDP developments.
- Dialogue with the Scottish Government on the Board's financial position is ongoing.

The Board should not underestimate the challenge it is facing to deliver its financial targets in 2017/18. The achievement of a break even position will require senior leadership, operational management focus and continued attention. The pressures of winter and the requirement to meet performance targets will be extremely testing for the Board and the organisation.

Risks

Whilst every effort has been made to ensure all likely additional costs and national, regional and local priorities have been incorporated into the forecast year end position, there remains a number of inherent uncertainties and risks. It is not possible to eradicate all financial risks facing individual services or the wider organisation. Specific risks to be noted include the impact of:

- Management of in year run rate on operational services to deliver the agreed year end out turn position.
- Availability of the workforce.
- The level of delayed discharges in the health system.
- Winter – including a potential flu outbreak or norovirus.
- Ongoing delivery of in year savings targets including medicines and clinical productivity.
- Impact of national price changes to medicines and the introduction of new high cost medicines.
- Out of areas referrals, particularly high cost placements.

These key risks will be monitored to ensure early identification of issues and assessment of likely impact on the year end position.

2018/19 Onwards Financial Outlook

Based on current information the Board continues to forecast a year end recurring deficit estimated to be £8.8m, an increase from the £4.9m recurring deficit at the start of 2017/18. The Board must continue to consider how this deficit can be reduced and work to establish a robust financial outlook for 2018/19. It is anticipated that the Board will receive a draft allocation for 2018/19 and some indication of the prospect for future years late in December. Nevertheless it is clear that the outlook remains increasingly challenging. Not only will the Board be required to address the recurring deficit of £8.8m but will also need to deliver further efficiencies to meet future pressures.

Work will continue over the coming weeks and months as the Better Borders transformation programme develops further and individual workstreams provide greater clarity on the likely financial impact. In addition, a further assessment of the in year position will bring greater clarity on the recurring impact of any existing or emerging cost pressures. There are limited plans in place for future financial years and it is imperative that the Board remains alert to the financial challenge it faces.

It is planned to present a paper detailing the financial outlook to the Board at its meeting on the 18th January 2018.

Summary

The Board received a 2017/18 recovery plan paper at its meeting in October which forecast a year end position of £0.965m overspent. The Board requested an update on the recovery plan at its December meeting.

Based on the financial position (£5.4m overspent) at the 31st October 2017 and as a result of a number of actions taken in line with the recovery plan including the direction of £1m of resources from the Integration Joint Board (IJB) NHS Borders is projecting a break even position at 31st March 2018. The achievement of the forecast break even outturn position is not without significant risk not least of which is winter.

Due to the significant number of non recurring measures in the 2017/18 recovery plan the recurring position of NHS Borders remains an area of significant concern.

Recommendation

The Board is asked to **note** the update on the year end recovery plan and a forecast break even position at 31st March 2018.

The Board is asked to **request** a further update on the recovery plan if a break even position is no longer forecast.

Policy/Strategy Implications	Statutory requirement to deliver financial targets. Based on allocations received by the Board and spend in line with LDP. Takes account of planning/horizon scanning undertaken by the Board.
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Consultation	Ongoing presentations across the organisation.
Consultation with Professional Committees	Ongoing presentations across the organisation.
Risk Assessment	The range in the paper gives an indication of the risk.
Compliance with Board Policy requirements on Equality and Diversity	Complete
Resource/Staffing Implications	As detailed in the paper.

Approved by

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