

Western Isles Health Board

Meeting: **BOARD MEETING**
 Date: 24.10.18
 Agenda Item: 6.1
 Paper Number:
 Location of Full Report:

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 Executive Sponsor: Ms. Debbie Bozkurt, Head of Finance and Procurement

Title: FINANCIAL PERFORMANCE MONITORING REPORT MONTH 6 2018

Purpose:	To update Members of the financial performance position for Month 6
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Recommendation:	<i>The Board / Committee is invited to:</i>	
	Note for Information / Assurance	✓
	Approve	
	Discuss	

Summary / Key Points:	<i>This should provide sufficient information to enable the committee to understand the key points of the paper being presented. If covering a large complex document specific pages or sections of relevance should be highlighted. This should enable members to contribute to a focused discussion and, if necessary, make an informed decision.</i>
	<p>Attached to this executive summary is the Month 6 narrative summary that is sent to the Scottish Government Finance Department. This shows the Board at a likely £1,500k overspend at year end.</p> <p>The full Board Report, with variation analysis by Director, and including detailed FEP and Risk areas is available as an Appendix to this executive summary</p>

Risk:	<p><i>Are there any significant risks related to this topic?</i> ✓</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><i>If yes, please describe below:</i></p>

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	<i>Risk Register – If the risk on the Corporate Risk Register please detail, including the specific Risk ID</i>

Competence	<i>Does the topic have any impact on the following Governance Standards: ✓</i>
Financial Impact	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p><i>If yes, please describe below:</i></p> <p>The overall financial position will impact on the provision of posts and services as financial efficiencies will need to be identified.</p>
Clinical Impact	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><i>If yes, please describe below:</i></p>
Human Resource Impact	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><i>If yes, please describe below:</i></p>

Approval Pathways	<i>Committees presented to:</i>	<i>Date:</i>
	<i>Committees to be presented to:</i>	<i>Date:</i>
	The Board – public meeting	October 2018

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NHS Western Isles

Financial monitoring report for the 6 months to 30th September 2018

Introduction

The financial monitoring report provides an overview of the Board's financial position at the end of September 2018. It contains the following sections, however within the Executive Summary Section 1 Key Figures and Comments are noted:

1. Key Figures and Comments
2. Income and Expenditure
3. Chief Executive's budgets
4. Director of Finance's budgets
5. Director of Public Health's budgets
6. Director of Human Resources' budgets
7. Medical Director's budgets
8. Nurse Director – SOD Management budgets
9. Nurse Director – Facility budgets
10. Nurse Director – Secondary Care budgets
11. Chief Officer – Primary Care
12. Chief Officer – Adult Mental Health budgets
13. Chief Officer – Dental Services budgets
14. Chief Officer – Associate Medical Director budgets
15. Chief Officer – Alcohol and Drugs Partnership
16. Chief Officer – Acute Set Aside budgets
17. Bank Staff
18. Temporary Workers
19. Contingency
20. Revenue Resource Limit
21. Financial Efficiency Plan
22. Risks
23. Capital
24. Glossary of Terms

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1. Key Figures and Comments

Overall Position at Month 6	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
RRL Allocations	40,002	41,343	(1,341)	87,715	89,215	(1,500)
Expenditure	40,002	41,343	(1,341)	87,715	89,215	(1,500)
Surplus/ (Deficit)	0	0	0	0	0	0
Capital						
Capital Schemes		316		1,637	1,637	0
		316		1,637	1,637	0

- 1.1 This report reflects the spend to date (as recorded in the Board's financial systems) and explains any recurring cost pressures and non recurring cost pressures variances which have arisen in the first six months of the year which are likely to have an impact on our year end outturn.
- 1.2 At 30th September 2018 the Board is showing an in year overspend of **£1,341k** and an out-turn overspend of **£1,500k** after contingency has been applied. The main areas overspend are as follows:
- Recurring Cost Pressures
- 1.2.1 The Board has Service Level Agreements (SLA) with mainland Boards. NHS Greater Glasgow in the past has not sought to fully recover costs from NHS Western Isles. NHS Greater Glasgow's financial position in 2018/19 is such that they cannot afford to subsidise activity from other Boards, so they are seeking full recovery of costs. The increase in SLA excluding inflation is **£637k**, although high it is a reduction from 2011/12 when the Board was £976k from parity. The Board will seek to mitigate this cost and increasing costs within the next 3 years by analysing all referrals to ensure they are appropriate and patients are not being referred off island to Glasgow unless absolutely necessary from a clinical perspective.
- 1.2.2 The Board has seen increasing year on year cost pressures relating to both adult and CAMHS off island placements, specifically to private clinics. The projected outturn overspend is **£628k** and could increase if there are any further placements between month 6 and the year end. Each placement as been assessed for likely discharge and many of the placements will continue over the next 3 years at least, with possibility of increased placements coming through. The Board will review placements regularly and seek to ensure all patients are in the most appropriate treatment clinics.
- 1.2.3 There has been a move in recent year to 'Patient Access Scheme' (PAS) drugs for Haematology and Oncology both for patients within Raigmore and for patients treated in NHS Western Isles but drugs purchased from NHS Highland. The cost of these drugs are much higher (there are rebates that do offset some of the cost of these drugs) than the previous prescribed treatment for Haematology and Oncology. The PAS drugs are generally (although not exclusively) new classes of drugs that specifically target cancer cells and autoimmune cells rather than traditional chemotherapy which has a more

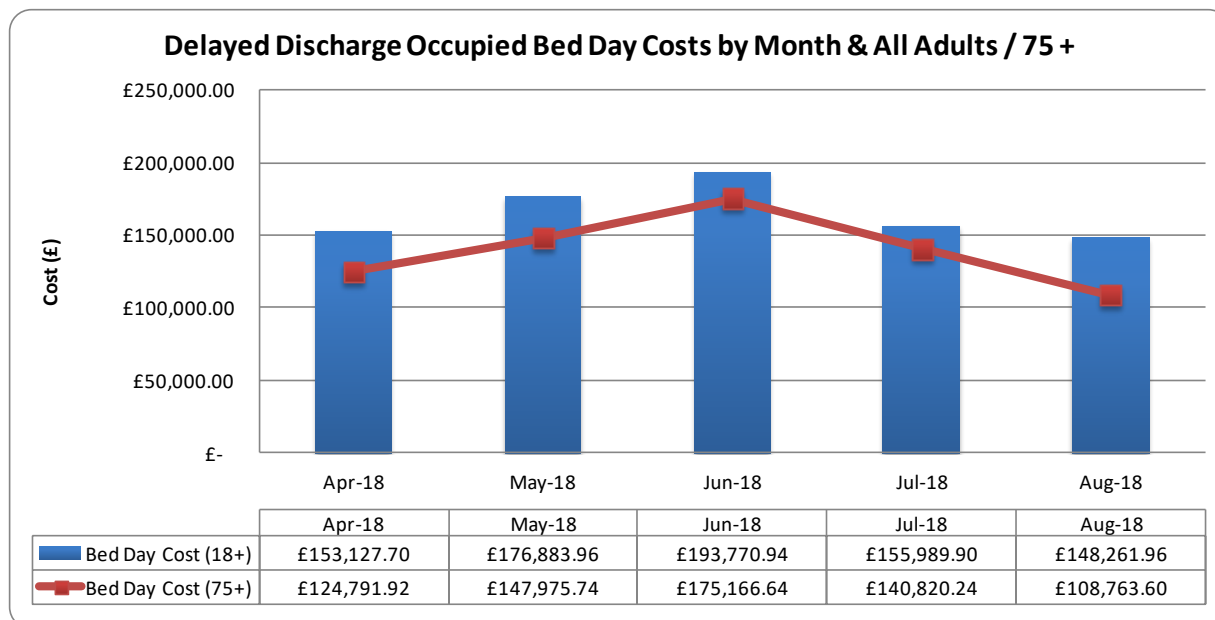
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indiscriminate approach to cancer treatment. Studies continue to show that targeted treatments improve outcomes and survival rates and reduce the wide range of adverse effects that traditional cancer treatments can have. The Board is showing a projected overspend of **£400k** on these drugs as costs have nearly doubled over the last 2 years. The Board only has data up to month 4 so further analysis will be undertaken on high cost cycles once more information becomes available. The increasing elderly population (44% rise by 2027) will impact on the Board's ability to reduce this cost pressure.

Short term to Medium term cost pressures (1-2 years)

- 1.2.4 There is an in year overspend on Laboratories of **£185k** and a projected overspend of **£296k**. The overspend within the laboratory service partly relates to the Blood Transfusion service. We were expecting the overspend on Laboratories not to be as high as 17/18 as the staffing will become more stable and the Board will need less input from Scottish National Blood Transfusion Service (SNBTS), in supporting the Board. At month 6 there is still instability within the staffing resulting in unavoidable high agency costs. There is also an indication that there is an increased reagent spend from last year and a review is being undertaken to ascertain the reason for the increased use. By 19/20 with the recruitment of a new laboratory manager we are anticipating the majority of the cost pressure to decrease and the budget to come in on target.
- 1.2.5 The utilities budget is projected to overspend specifically with regards to a delay in realising planned energy saving which will not be realised this financial year due to the need to bring a mainland company to fit the exchangers with the consequent delays. We anticipate that by 19/20 the installation works to be undertaken and the saving will be realised. For 19/20 depending on the cost per litre there may be inflationary pressure on the fuel oil budget.
- 1.2.6 There is an in year overspend on GP Prescribing of **£30k** and a yearend overspend projection of **£176k**. This could increase depending on whether the saving on tariffs is achieved (£124k was taken off the Board's prescribing allocation on the back of a predicted £20m Scotland wide reduction in tariff for specific drugs) and the effect of winter pressures. The investment in more effective prescribing will go toward elevating the effect the demographics will have on drugs prescribed through GPs.
- 1.2.7 The hospital pharmacy is overspent **£173k** to date and is projected to overspend **£253k**. The drugs element of the overspend is described in 1.2.3 above. The short term overspend (**£92k**) relates to high cost agency staff covering workload and maternity leave. We expect the workforce overspend to decrease by 19/20.
- 1.2.8 There is a high risk that delayed discharges will continue specifically in the medical wards which will result in higher bank costs to cover the staffing of contingency beds. At month 6 the projected overspend is **£222k**. As of August 2018 the total delayed occupied bed days was 2,893 at a cost of £828k (using ISD £286.22 indicative cost per occupied bed day). Of the total figure 2,473 were over 75 at a cost of £697k. Figures are shown for the full year up to August in the graph below:

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We are working closely with our Social Care colleagues but all care home beds are at full capacity and workforce demographics of the Western Isles means that adult services including homecare and residential care have over 12% of posts vacant. Additionally care home capacity in Stornoway is unlikely before financial year 2020/21 at the earliest.

Vacancies and workforce demographics

- 1.3 The overall population within the Western Isles is expected to drop from the midpoint estimate in 2017 of 26,950 to 24,698 by 2027 and a further predicted decrease to 23,855 by 2037. By 2027 the elderly population (65+) is expected to rise by 44% and the 20-64 age population set to decrease by 17%. This decrease in workforce population has already starting to bite within the NHS and is also affecting the total Health and Social Care Partnership considerably.
- 1.4 The Board has started monitoring vacancies and the effect it will have on the stability of the workforce and the increased cost of providing external locums where internal bank cannot be used. To date there are no restrictions on current vacancy recruitment. The table below shows the vacancies per service area and the number of over 60+ employees within that area.
- 1.5 As can be seen by the table below 11% of funded posts are vacant and 13% of staff in post are over 60.

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Month 6						Heads		
Staff in Post		30th September Funded Vacancies	Vac.	Vac.	WTE	Head	Estab.	In post
WTE	Head	Service Area	WTE	Head	Over 60+	Over 60+	Vacancy	60+
125.42	143	Board Admin	15.33	20	11.47	13	12%	9%
13.19	15	Medical Staffing	9.00	9	4.00	4	38%	27%
68.02	84	AHP	2.16	3	2.87	4	3%	5%
55.56	68	Dental	4.00	4	0.60	1	6%	1%
36.08	39	Medical Technical Services	6.51	8	3.00	3	17%	8%
194.99	248	Western Isles Hospital Acute Nursing	15.31	25	28.81	39	9%	16%
42.53	48	Community Hospital Nursing	8.63	11	6.65	8	19%	17%
62.33	75	Community Nursing	3.39	6	11.37	13	7%	17%
43.67	50	Mental Health Nursing	6.63	9	3.47	4	15%	8%
103.35	152	Facilities	13.05	23	19.51	33	13%	22%
59.59	76	Clinical Admin	2.00	2	7.61	10	3%	13%
8.77	11	Other	-	-	-	-	0%	0%
813.50	1,009	Total	86.01	120	99.35	132	11%	13%

Efficiency Savings

- 1.6 The Board's cash efficiency target is £2,222k. Of this total, £538k of the schemes are classed as high risk and include £493k of unidentified schemes. It is estimated that the Board has already achieved savings of £867k, and is on track to achieve £1,788k of the identified schemes over the year as a whole. We anticipate reducing the unidentified savings to zero by year end and are working with senior managers each month to obtain savings.

Contingency Funds

- 1.7 The Board holds at present £1,503k of contingency, of which none has been transferred above the line to services but the outturn position anticipates the entire contingency will be allocated.

Forecast Out turn

- 1.8 The Board is forecasting a **£1,500k** overspend position for the year after application of contingency. The services that are in the Integrated Joint Board (IJB) are projected to be **£1,013k** overspent. Included within the total outturn position is an earmarked reserve of £200k which will reduce the IJB projected overspend outturn to **£813k**. It is still too early to be confident on the outturn of the IJB but the Chief Finance Officer will review outturn figures and reserves to see if there will be a possibility of a further reasonable and appropriate transfer from IJB reserves to offset some of the NHS IJB overspend.
- 1.9 In light of the medium term financial framework published by the Scottish Government the Board over the next few months will prepare a 3 year financial plan to strive to bring the Board back to a break-even position.

Capital

- 1.10 There has been significant unprecedented pressure on the Board's capital budget in recent years, which has presented serious challenges to the Board in programming essential building works and equipment replacement purchases, along with a number of high priority projects that are required. Capital funding availability in recent years mean that NHS Western Isles has deferred many routine schemes in order to redirect resources to fund essential projects only. Many of those previously

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deferred schemes have now reached a critical stage as over time there has been further deterioration and capital investment is now desperately needed.

- 1.11 The Scottish Government provided the Board with extra funds to allow some of the backlog of deferred projects to go ahead in 17/18, e.g. CDU and CT scanner but there is still a lot of priority 1 projects/equipment that will have to be deferred to bring the capital programme in on budget.
- 1.12 The Board has received further funding for the heat exchange plate installation which brings the capital allocation to £1,637k. Pressure resulting from the break-down of the endoscope washers and increased costs relating to CDU means that the capital budget is still under pressure but we are hopeful that some priority 1 projects can still be undertaken this financial year.