

Borders NHS Board



FINANCIAL MONITORING REPORT FOR THE 4 MONTH PERIOD TO 31st JULY 2013

Aim

The aim of this paper is to report on the financial position to 31st July 2013.

Background

The attached report shows that the Board is reporting an outturn of £1.4m in excess of its revenue budget four months into the financial year. The current financial position continues to give cause for concern. However NHS Borders continues to forecast a break even position at the year end predicated on the implementation of agreed actions to address the financial pressures, robust management of operational budgets through increased levels of financial control and monitoring.

The Board has consistently noted that persistent and proactive action is required to achieve its statutory targets based upon the financial plan. It is essential that local areas are fully engaged with this imperative and that strong controls are in place to manage resources well and within budget.

The report also includes details of expenditure to date against the Board's capital allocation for 2013/14.

Recommendation

The Board is asked to **note** the financial performance for the first four months of the financial year.

Policy/Strategy Implications	Impact on statutory financial targets
Consultation	Supporting reports have been presented to Clinical Boards and Budget Managers
Consultation with Professional Committees	N/A
Risk Assessment	Risks are covered in the risk section of the report
Compliance with Board Policy requirements on Equality and Diversity	Compliant
Resource/Staffing Implications	As described in the paper

Approved by

Name	Designation	Name	Designation
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Author(s)

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	224.5	72.3	72.2	(0.1)
Expenditure	224.5	74.3	75.6	(1.3)
Surplus/(Deficit) for period	-	2.0	(3.4)	(1.4)
Capital Expenditure	4.2	3.2	3.2	-

- At 31st July 2013, the Board is reporting a position of £1.4m in excess of budget. Expenditure is overspent by £1.3m and income is under recovered by £0.1m. Expenditure budgets are overspent on clinical boards (£0.8m), external healthcare providers (£0.4m) and prescribing (£0.1m).
- The key points to note in the month four position are:-
 - The Clinical Boards overspend has deteriorated by £0.3m in the month to £0.8m which primarily relates to the BGH. The main overspend areas are medical staffing costs (£321k) and nursing (£196k) due to cover for absence, vacancies and patient dependency. Alternative arrangements for medical cover have been explored as detailed in the paper that was reviewed by the Strategy and Performance Committee. In terms of nursing and other overspending areas action plans to address the financial pressures are being reviewed on a weekly basis.
 - NHS Borders has received actual patient activity for 2013/14 from a number of boards and based on this the financial position has deteriorated in relation to two high cost UNPACs being treated by NHS Greater Glasgow and Clyde.
 - Family Health Services are overspent by £0.1m on GP prescribing. This position is based on actual activity data for three months of the financial year and price data for two months. This area will be closely monitored by the Medicines Resource Group due to the volatility in both price and volumes.
 - Income derived from external healthcare purchasers is under recovered by £0.2m as a result of decreased activity levels of patients presenting at BGH for treatment. An over-recovery on Other income is partially offsetting this shortfall.
- The Board approved a balanced financial plan for 2013/14 which set a break even outturn for the year and this assumes £4.8m of efficiency savings will be achieved. At the end of July, the Board has withdrawn efficiency savings of £3.8m from budgets against the target of £4.8m. In

terms of recurring savings £2.5m has been released from budgets against a target of £2.6m.

- The Board is required to achieve a year end break-even position. In order to ensure this outturn can be met, the Board must seek assurance that the actions to address the financial position are progressed successfully. This will require services to take corrective steps, increase the financial controls in place and closely monitor trajectories. This will necessitate increasingly robust management of operational budgets and delivery of the Board's challenging efficiency programme.
- The capital expenditure plan is in line with NHS Borders capital allocation. The current forecast is that NHS Borders will achieve its capital resource limit.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	196.3	62.0	62.0	-
Family Health Services (incl non cash ltd)	12.6	4.2	4.2	-
External Healthcare Purchasers	5.4	1.8	1.6	(0.2)
Other	7.2	3.0	3.1	0.1
Clinical Boards	3.0	1.3	1.3	-
Total Income	224.5	72.3	72.2	(0.1)
Expenditure Resources				
Clinical Boards	122.2	41.7	42.5	(0.8)
External Healthcare Providers	28.3	9.5	9.9	(0.4)
Family Health Services	33.1	11.0	11.1	(0.1)
Corporate Directorates	32.0	10.8	10.8	-
Cost of Capital	3.9	1.3	1.3	-
Approved Funding Unallocated	6.1	-	-	-
Unapplied Efficiencies :				
Recurring	-	-	-	-
Non-recurring	(1.1)	-	-	-
Total Expenditure	224.5	74.3	75.6	(1.3)
Surplus/(Deficit) for period	-	2.0	(3.4)	(1.4)

- The main element of the under recovery on income from external healthcare purchasers relates to the agreed Northumberland SLA for 2013/14. North Northumberland CCG, have now signed the 2013/14 SLA, however this anticipates a further reduction in the outflow of patients. To date actual activity levels have been similar to that of last financial year. There has also been a continued decrease in income for other out of area treatments, particularly NHS Lothian and Dumfries and Galloway. Other income is reporting a small over recovery on road traffic accident and educational income.
- Overall, the Clinical Boards are reporting an overspend position of £0.8m as at the end of July. The overspend position consists of BGH (£667k), Primary and Community Services (£65k) and Mental Health (£25k). The main elements of the BGH overspend are medical staffing (£321k) and nursing staffing (£196k) with pressures across various supplies headings including drugs, diagnostic supplies and equipment.
- The Medical Director and Medical Staffing Officer have undertaken a review to ensure that all vacancies or gaps in rotas are being covered in the most cost effective way to manage the overspend. The impact of the

agreed actions should minimise the overspend on the medical budgets from August onwards. In the case of nursing and other overspending budgets action plans have been put in place and are being monitored on a weekly basis by the Executive Team. The recruitment day (22nd August) will allow all known and short term future nursing vacancies to be filled promptly to avoid having to use expensive agency staff to fill gaps.

- NHS Borders has now received actual patient activity from a number of boards. Based on this the position has deteriorated in relation to the UNPACs budget due to 2 high cost cases treated in NHS Greater Glasgow and Clyde. However little activity data has been received from NHS Lothian in relation to the acute contract and this remains a risk.
- The GP prescribing position is based on actual activity data for three months of the financial year and price data for two months. This area will be closely monitored by the Medicines Resource Group due to the volatility in both price and volumes.
- At the end of July, the Board has £6.1m in approved funding unallocated. As part of the financial plan, the Board set aside a contingency for unforeseen pressures. In addition a number of areas for which funding have been set aside in the financial plan have not yet come into effect. This area will be closely monitored to highlight any available slippage.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	4.1
Income from Property Sales	0.1
Total Capital Resources	4.2
Use of Capital Funds	
Allocated to Approved Schemes	4.2
Uncommitted balance	0.0
Total utilisation of funds for 2013/14	4.2
Expenditure to Date	
Expenditure to 31 st July 2013	3.2
Total Forecast Expenditure for 2013/14	3.2
2013/14 LDP estimated Sale Proceeds currently unrealised	1.0

- NHS Borders capital formula allocation for 2013/14 of £2.108m has been supplemented by £0.79m of funding in respect of Lauder Health Centre, and a further £1.2m including the Scottish Government Energy Efficiency Fund monies.
- A significant element of the 2013/14 capital plan is committed to schemes which started last financial year and are scheduled to conclude within the first 6 months of the current financial year. These are the projects for Lauder Health Centre, Huntlyburn Ward and various projects across the BGH.
- Capital income of £0.095m has been secured from the sale of Ayton Clinic, which was completed in April. A firm offer has been submitted and accepted for the Nurses Flats in Melrose although proceeds have not yet been received. The sale of further properties is progressing.
- A more detailed capital report will be presented to the Board at its meeting in September.

4. Efficiency Programme: Savings Targets

	Target	Delivered				Full Year Effect £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s		
<u>Corporate Services Challenge</u>						
Estates & Facilities	534	267	267	534		-
Director of Workforce	105	53	52	105		-
Public Health	53	24	24	48		-
Planning & Performance	32	16	16	32		-
IM&T	132	66	66	132		-
Finance	80	40	40	80		-
Medical Director	23	11	12	23		-
Integrated Care	8	4	4	8		-
Director of Nursing	52	26	26	52		-
Executive Team & Non Execs	20	10	10	20		-
	1,039	517	517	1,034		-
<u>BGH</u>						
Endoscopy	114		114	114		
Discharge Management	20	20		20		
Redesign Outpatients	80					
Repatriation – NHS Lothian	200	200		200		
Admin Review	50	50		50		
On Call Review	20					
Nursing Skill Mix Review	7					
Income Generation	120					
	611	270	114	384		
<u>Mental Health</u>						
Supplies Efficiency	40	20	20	40		
Admin Review	30	30		30		
Discretionary Expenditure	50		50	50		
Nursing /Nursing Management	52	52		52		
Clinical Psychology	20		20	20		
	192	102	90	192		
<u>LD</u>						
Commissioning	33	33		33		
Management Redesign	35	35		35		
	68	68		68		
<u>P&CS</u>						
Supplies Efficiency	150	70	80	150		
Income Generation	80	80		80		
	230	150	80	230		
<u>Other</u>						
Prescribing	900	900		900		
Staff Business Travel	120					
Asset Lives	200					
Procurement Improvement	200					
Estates Strategy	200					
Reduction in board contributions	300		300	300		
Supplementary Staffing	620					
Prescribing Discount	150		150	150		
Full Year Gains	505	505		505		
	3,195	1,405	450	1,855		
Total	5,335	2,512	1,251	3,763		

- Delivering the Board's efficiency plan of £4.8m is a major element in determining whether a balanced out-turn for 2013/14 will be achieved.
- NHS Borders has withdrawn £3.8m savings from budgets at the end of July as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.55m in 2013/14. As at July, £2.51m of recurring savings have been identified and withdrawn from budgets on a recurring basis.
- Monthly monitoring of the efficiency programme to ensure delivery is being undertaken by the Efficiency Board principally through the use of the Aspyre system.
- Work is continuing to finalise further efficiency projects for 2013/14 and beyond.
- Although savings schemes have been agreed with the relevant manager it is imperative that these are delivered to avoid creating financial pressure on operational budgets.

5. Risk

- This section highlights to the Board the key risks the organisation faces in achieving its financial targets for this year based on current information.
- The main risk areas are currently clinical board overspends, income from external healthcare purchasers and expenditure on external healthcare providers.
- All Clinical Boards have signed up to a break even position. It is imperative that this is achieved or any overspend is minimised in order to deliver NHS Borders' agreed year end target of break even.
- The Northumberland SLA is currently predicted to under recover at the year end by £0.3m and income from other Boards is likely to be up to £0.2m below target.
- NHS Borders agreed to treat additional patients in orthopaedics for NHS Lothian. As a result NHS Borders has committed resources in this area. Based on 2013/14 activity information referrals from NHS Lothian have reduced in recent months. This is significant financial risk unless levels increase later in the financial year as the SLA remains unsigned.
- External Healthcare Providers is a continuing pressure area with overspends of £1.5m in 2011/12 and £1.0m 2012/13. The Commissioning Team have a work plan for 2013/14 which includes closely monitoring ECRs and UNPACs to ensure only those meeting the referral criteria are approved. However this area remains a risk for NHS Borders due to the unpredictable nature of emergency patient treatment.
- Due to the normal time delay in processing information and the volatility of prescribing expenditure over the last few years, this continues to be an area of risk. Expenditure will be closely monitored in 2013/14 to ensure that any sign of changes to anticipated expenditure levels can be picked up early and can be addressed.
- A significant number of efficiency schemes have been agreed with managers and actioned through operational budgets. It is crucial that these projects deliver in order to avoid pressure on operational budgets.
- The 2013/14 capital resource limit is fully committed. No additional resource is available should any unforeseen or rolling programme expenditure be required unless further sales proceeds are generated. However, given the depressed state of the property market there is a risk that not all surplus properties will sell during the current financial year.