

Borders NHS Board



FINANCIAL MONITORING REPORT FOR THE 3 MONTH PERIOD TO 30th JUNE 2014

Aim

The aim of this paper is to report on the financial position to 30th June 2014.

Background

The attached report shows that the Board is reporting an outturn of £1.1m in excess of its revenue budget three months into the financial year. Although the current financial position is giving cause for concern, the Board continues to forecast a year-end break even position. However, the predicted outturn position will only be achieved if action is taken and sustained to ensure that the current rate of overspend is reduced and the position stabilised. The financial position requires robust management, financial controls to be applied to operational budgets and delivery of the Board's efficiency programme.

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 2014/15.

Recommendation

The Board is asked to **note** the financial performance for the first three 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
Carol Gillie	Director of Finance		

Author(s)

Name	Designation	Name	Designation
Janice Cockburn	Deputy Director of Finance		

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	228.8	54.2	54.2	-
Expenditure	228.8	55.3	56.4	(1.1)
Surplus/(Deficit) for period	-	1.1	(2.2)	(1.1)
Capital Expenditure	4.0	0.6	0.6	-

- At 30th June 2014, the Board is reporting a position of £1.1m in excess of budget, although the overspend trend has reduced in June. Expenditure is overspent by £1.1m and income budgets are breaking even overall.
- The key points to note in the month three position are:-
 - The Clinical Board overspend (£0.7m) primarily relates to BGH. The main pressures in the BGH continue to be medical staffing (£224k), nursing (£337k) and supplies budgets (£211k). The level of in month overspend has reduced in June to £0.2m from an average of £0.3m in previous months. The Board Executive Team is monitoring the BGH against agreed actions to address the financial pressures to ensure progress and delivery.
 - The External Healthcare Provider overspend (£0.4m) is largely based on the expenditure trend experienced last financial year as NHS Borders has received little data in relation to 2014/15 patient activity with other Boards. As such, the pressure areas continue to be UNPACS and the ECR budget. Based on modelling of activity NHS Borders has identified that the contract value with NHS Lothian will increase in 2014/15 causing a further pressure.
 - GP prescribing costs are reported as £0.1m overspent at the end of June. It should be noted that this is an estimated position given that only price data for April and volume information for April and May have been received.
 - Although income budgets are reported as break-even overall, there is an over-recovery of £0.1m on Other Income budgets, mainly in relation to Road Traffic Accident recoveries. This is being offset by an under-recovery of income on the External Healthcare Purchasers budget, in relation to activity with mainly Northumberland CCG with fewer patients presenting at BGH for treatment in April and May. Patient related income with NHS Lothian is also at risk with Lothian indicating that they wish to terminate the colonoscopy and the orthopaedic agreements.
- The Board approved a balanced financial plan for 2014/15 which set a break even outturn for the year and this assumes £4.6m of efficiency savings will be achieved. At the end of June, the Board has withdrawn efficiency savings of £3.0m from budgets. In terms of recurring savings, £2.3m has been released from budgets against a target of £2.1m.

- The Board is required to achieve a year end break-even position. In order to ensure this outturn can be met, the Board must deliver its challenging efficiency programme and ensure that the organisation is focused on the financial outturn. This will be achieved through clear actions to address the reported financial pressures and increasingly robust and proactive management of operational budgets.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	204.1	48.3	48.3	-
Family Health Services (incl non cash ltd)	9.6	2.4	2.4	-
External Healthcare Purchasers	5.1	1.3	1.2	(0.1)
Other	6.8	1.4	1.5	0.1
Clinical Boards	3.2	0.8	0.8	-
Total Income	228.8	54.2	54.2	-
Expenditure Resources				
Clinical Boards	126.4	32.0	32.7	(0.7)
External Healthcare Providers	28.1	6.9	7.3	(0.4)
Family Health Services	30.8	7.6	7.7	(0.1)
Corporate Directorates	32.2	7.8	7.7	0.1
Cost of Capital	3.8	1.0	1.0	-
Approved Funding Unallocated	9.2	-	-	-
Unapplied Efficiencies :				
Recurring	0.2	-	-	-
Non-Recurring	(1.9)	-	-	-
Total Expenditure	228.8	55.3	56.4	(1.1)
Surplus/(Deficit) for period	-	1.1	(2.2)	(1.1)

- Income budgets are reporting a break-even position at the end of June. Within this overall position, the other income budget is over-recovered by £0.1m mainly due to increased income from Road Traffic Accidents. However, this is being offset by an under-recovery of £0.1m against income from External Healthcare Purchasers, which relates to patient activity from mainly Northumberland CCG. Discussions are currently ongoing with respect to the SLA for 2014/15 which remains unsigned. However, activity information to date shows a reduction in the number of patients from Northumberland presenting at BGH for treatment. There is a further risk to receipt of income from patient related activity from NHS Lothian, who have indicated they wish to terminate the colonoscopy and orthopaedic agreements. The financial impact of this is currently being assessed. In terms of the general SLA the number of Lothian patients attending BGH for treatment has decreased.

- The Clinical Boards overspend of £0.7m primarily relates to the BGH. The main overspend areas within the BGH are medical staffing (£224k), nursing (£337k) and various supplies budgets (£211k), including drugs, instruments, equipment and diagnostic supplies. The Interim Associate Director of Nursing is working closely with Senior Charge Nurses and Finance to ensure all nursing rotas are within establishment and to ensure that the overspending is minimised. Medical budgets are overspent due to sickness, other absence and vacancies, many of which are being covered by agency staff. A Medical Staffing Overview Group has been set-up to ensure that cover is being provided in the most cost effective way. The BGH management team are pro-actively monitoring the issues with support from the Executive Team to ensure that actions taken are reducing the level of overspend whilst maintaining service delivery.
- The external healthcare provider overspend (£0.4m) relates to UNPACS (£0.2m), NHS Lothian Acute contract (£0.1m) and ECRs (£0.1m). This position is largely based on 2013/14 data as little information has been received in relation to actual 2014/15 patient activity with other Boards. Based on activity modelling the NHS Lothian SLA contract level in 2014/15 will increase causing a financial pressure.
- GP prescribing costs are reported as £0.1m overspent at the end of June. It should be noted that as is normal at this point in the financial year this is an estimated position given that only price data for April and volume information for April and May have been received to date. Volume information for the first two months of the year is as expected however price levels for April are higher than anticipated.
- Corporate support services have small underspends in a number of departments - Estates and Facilities, Director of Nursing and Finance. These underspends are mainly due to temporary staffing vacancies.
- At the end of June, the Board has £9.2m in approved funding unallocated. As part of the financial plan, the Board set aside contingencies of £2m for unforeseen pressures. In addition a number of areas for which funding was set aside in the financial plan or ring fenced funding received from the centre have not yet been allocated. This will be reviewed to establish if any funding can be identified to support the overall financial position of the Board.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	3.4
Income from Property Sales	0.2
Total Capital Resources	3.6
Use of Capital Funds	
Allocated to Approved Schemes	3.6
Uncommitted balance	0.0
Total utilisation of funds for 2014/15	3.6
Expenditure to Date	
Expenditure to 30 th June 2014	0.6
Total Expenditure for 2014/15	0.6
2014/15 LDP estimated Sale Proceeds currently unrealised	0.4

- NHS Borders capital formula allocation for 2014/15 of £2.407m has been supplemented by additional funding of £1m in respect of various commitments including Roxburgh Street Health Centre.
- The majority of capital expenditure to date is in relation to the Central Energy Efficiency Fund, specifically the installation of new biomass boilers which commenced at the end of last financial year.
- Capital income of £0.2m has been secured from the sale of Fenton Lodge, which was completed in May and this income has been committed.
- Additional sale proceeds of £0.4m were included in the LDP submission made in March 2014 for properties the Board has classified as 'surplus to requirements' and therefore 'held for sale'. Commitments will be made against these proceeds when the sale of each property has been contractually finalised.

4. Efficiency Programme: Savings Targets

	Target		Delivered		
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s	Full Year Effect £000s
Corporate Services Challenge					
Estates & Facilities	267	267	-	267	-
Director of Workforce	53	53	-	53	-
Public Health	27	27	-	27	-
Planning & Performance	16	16	-	16	-
IM&T	66	66	-	66	-
Finance	40	40	-	40	-
Medical Director	12	12	-	12	-
Integrated Care	4	4	-	4	-
Director of Nursing	26	26	-	26	-
Executive Team & Non Execs	10	10	-	10	-
	521	521	-	521	-
BGH					
Endoscopy Income Generation	90	-	-	-	-
Redesign Outpatients Phase 2	50	-	-	-	-
	140	-	-	-	-
Mental Health					
Various	315	315	-	315	-
	315	315	-	315	-
P&CS					
Dental	100	-	100	100	-
	100	-	100	100	-
Other					
Leased Cars	70	52	-	52	1
Procurement	200	-	-	-	-
Prescribing Discount	50	-	50	50	-
Public Health Interventions	50	-	-	-	-
Allied Health Professionals	60	60	60	120	-
Carbon Emissions	100	100	-	100	-
Capital Productive Gain	50	32	-	32	-
Estates Rationalisation	450	373	-	373	15
Limited Clinical Effectiveness	110	-	-	-	-
Service Management Review	100	-	131	131	-
Management Review (Clinical Boards)	100	77	30	107	-
Nursing Skill Mix Review	165	-	-	-	-
Productivity & Benchmarking	250	-	-	-	-
Productive Series / Releasing Time to Care	50	-	-	-	-
Repatriate Out of Area Placements (LD)	60	60	-	60	-
Shift Patterns	50	-	-	-	-
Targeted Support Services (Clinical)	100	-	-	-	-
Targeted Support Services (Non-Clinical)	200	-	-	-	-
Senior Charge Nurse Programme	330	-	83	83	-
Repatriation of Referrals	150	75	-	75	-
Prescribing Efficiency	450	450	-	450	-
Reduce Travel Costs & Time	50	-	-	-	-
Medical Staffing Models	100	100	-	100	-
Patient Transport	25	30	-	30	-
Rates Rebate	29	-	199	199	-
Full Year Gains	200	85	-	85	-
	3,549	1,494	553	2,047	16
Total	4,625	2,330	653	2,983	16

- Delivering the Board's efficiency plan of £4.6m is a major element in determining whether a balanced out-turn for 2014/15 will be achieved.
- NHS Borders has withdrawn £3.0m savings from budgets at the end of June as detailed in the table above.
- The recurring element of NHS Borders efficiency target equates to £2.1m in 2014/15. As at June, £2.3m of recurring savings have been identified and been withdrawn from budgets on a recurring basis, therefore this target has been overachieved.
- 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 on releasing the remaining £1.6m of the required efficiency target must continue to be a priority in order that NHS Borders can achieve a balanced financial outturn.
- Although savings schemes have been agreed with relevant managers, it is imperative that these are delivered to ensure a break even position on operational budgets is achieved.

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 boards (BGH), expenditure on external healthcare providers, GP prescribing and a reduction in income levels received from external purchasers.
- External Healthcare Providers is a continuing pressure area with overspends of £1.5m in 2011/12, £1.0m in 2012/13 and £1.1m in 2013/14. The Commissioning Team work plan includes close monitoring of ECRs, UNPACs and GP Out of Area Referrals to ensure only those meeting the referral criteria are approved.
- All Clinical Boards have signed up to a break even position. The significant overspend of £0.7m at the end of June is causing concern. It is imperative that effort is focussed to ensure the overspend is eliminated or minimised.
- NHS Borders continues to provide sessions for additional orthopaedic and colonoscopy patients for NHS Lothian. NHS Borders has committed resources in these areas to support this additional activity as agreed in partnership. However NHS Lothian has indicated that they wish to terminate this arrangement and NHS Borders is currently assessing the financial risks.
- NHS Lothian has intimated that they will not provide details of SLA costs until January. While NHS Borders has established there will be an increase in the contract in 2014/15 due to activity there remains a risk that changes to the cost base in NHS Lothian will further increase the cost of this contract.
- NHS Borders provide patient activity for Northumberland CCG. Currently the SLA for 2014/15 for this activity has not been signed. Northumberland CCG is requesting a reduced level of patient activity in the contract and there are early indications of a reduction in actual attendances.
- 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 achieve the required break even position on operational budgets.
- Due to the normal time delay limited information has been received to date on GP prescribing costs. Due to the volatility of prescribing expenditure over the last few years, this continues to be an area of risk.
- The 2014/15 capital resource limit is fully committed other than anticipated sales proceeds of £0.4m. Given the depressed state of the property market there is a risk that not all surplus properties will sell during the current financial year.