

Borders NHS Board



FINANCIAL MONITORING REPORT FOR THE 7 MONTH PERIOD TO 31ST OCTOBER 2014

Aim

The aim of this paper is to report on the financial position to 31st October 2014.

Background

The attached report shows that the Board is reporting an outturn of £1.7m in excess of its revenue budget seven months into the financial year. Although the current financial position is giving some 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. Achievement of the financial position requires robust management in order that outturn budgets are as agreed, significant impact from the increased financial controls on operational budgets is realised and full 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

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 seven 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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Contents

The financial monitoring report contains the following:

Section 1 to 5: Salient Figures

1. General Overview
2. Overall Income and Expenditure Summary
3. Overview of Capital Expenditure
4. Efficiency Programme : Savings Targets
5. Risk

1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	231.4	126.2	126.2	-
Expenditure	231.4	131.2	132.9	(1.7)
Surplus/(Deficit) for period	-	5.0	(6.7)	(1.7)
Capital Expenditure	2.9	1.6	1.6	-

- At 31st October 2014, the Board is reporting a position of £1.7m in excess of budget, with an adverse movement of £0.2m in month. Expenditure budgets are cumulatively overspent by £1.7m and income budgets are breaking-even.
- The key points to note in the month seven position are:-
 - The Clinical Boards are reporting a combined overspend of £1.0m which is an adverse movement of £0.1m in the month. The main pressure area continues to be in BGH which has overspent by £0.2m in October and is cumulatively overspent by £1.4m. The main overspending areas are medical staffing (£569k), nursing (£492k) and supplies (£315k). Supplies budgets are overspent mainly on clinical supplies such as instruments and diagnostics items. Work is being undertaken to ensure that the increased spend is minimised and national contracts are being applied. The Medical Oversight Group continues to robustly scrutinise options for medical cover however expensive locum costs continue to be incurred.
 - The External Healthcare Providers budget is reporting a £0.9m overspend, with the main pressure being UNPACS (£0.5m) and the acute contract (£0.3m) both in relation to increased activity being treated in NHS Lothian. .
 - The GP Prescribing budget is reported as £0.4m overspent at the end of month seven. This position has increased in the month by £0.1m and is based on actual volume information for the first 6 months of the financial year and price data for the first 5 months. The increase in the reported position in October relates to both volume and price. The Medicines Resource Group continues to work to address the underlying reasons for this change.
 - Overall, income budgets are breaking even at the end of October. Within this position, other income (£0.1m) and corporate directorates (£0.1m) are over-recovered offset by a shortfall on external healthcare purchasers (£0.2m) mainly due to lower activity from Northumberland CCG.
 - 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 cash releasing efficiency savings will be achieved. At the end of October, the Board has withdrawn efficiency savings of £3.9m from budgets. Within this total the recurring element is £2.5m against a target of £2.1m. Delivery of the efficiency target is a key element to ensuring the financial target of breakeven is achieved.

- Due to the continued financial pressures in some areas and the additional challenges of the winter months a number of new financial control measures have been introduced during November. The current control measures are also being more robustly enforced.
- The Board is forecasting a break even outturn for 2014/15. Achieved through robust management and the introduction and reinforcement of control measures in order to contain or reduce the current overspend. Any overspend will be offset by use of the Boards contingency funds supplemented by slippage generated by slippage on cost pressure agreed in the LDP. By utilising all of the above measure NHS Borders will achieve a year end break even position.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	205.8	112.2	112.2	-
Family Health Services (incl non cash ltd)	9.6	5.6	5.6	-
External Healthcare Purchasers	5.1	3.0	2.8	(0.2)
Other	7.5	3.4	3.6	0.2
Clinical Boards	3.4	2.0	2.0	-
Total Income	231.4	126.2	126.2	-
Expenditure Resources				
Clinical Boards	128.6	76.1	77.1	(1.0)
External Healthcare Providers	28.2	16.5	17.4	(0.9)
Family Health Services	30.3	17.7	18.1	(0.4)
Corporate Directorates	33.2	18.1	17.9	0.2
Cost of Capital	3.8	2.4	2.4	-
Approved Funding Unallocated	8.1	0.4	-	0.4
Unapplied Efficiencies :				
Recurring	0.4	-	-	-
Non-recurring	(1.2)	-	-	-
Total Expenditure	231.4	131.2	132.9	(1.7)
Surplus/(Deficit) for period	-	5.0	(6.7)	(1.7)

- Overall, income budgets are breaking even at the end of October. External Healthcare Purchasers are under recovered by £0.2m due to lower patient activity. This under recovery mainly relates to reduced activity with Northumberland CCG. The 2014/15 contract with Northumberland has now been agreed at £2.85m which is £0.4m lower than the annual budget. Furthermore patient income with NHS Lothian also continued to decrease both in terms of a reduction in the general level of patients sent from Lothian and their desire to terminate the colonoscopy and orthopaedic agreements. The reduction in patient income is offset by an over-recovery of income across Estates & Facilities (£0.1m) and increase in income received from road traffic accidents (£0.1m).
- The Clinical Boards are overspent in total by £1.0m at the end of October, an adverse movement of £0.1m in month. BGH overspent by £0.2m in the month and this has been offset by underspends in P&CS, AHPs and Learning Disability. The

BGH is cumulatively overspent by (£1.4m) at the end of October. The main pressure areas are medical staffing (£569k), nursing (£492k) and supplies (£315k). Managers continue to work to achieve the agreed year end trajectories in both the medical and nursing budgets. The BGH supplies overspend is related mainly to instruments in theatre and reagents in laboratories. Work has been undertaken by Health Facilities Scotland particularly around theatre stock and supplies to ensure that the stock levels held are appropriate. Work continues with the budget managers to review the usage and type of supplies being ordered to ensure that these are cost effective.

- The external healthcare provider overspend (£0.9m) relates to UNPACS (£0.5m) and the acute contract (£0.3m) both with NHS Lothian. The final sum for the acute contract with NHS Lothian will not be agreed until later in the financial year.
- GP prescribing costs are reported as £0.4m overspent at the end of October based on five months financial information and volume information to month six. The position has deteriorated in the month related to both volumes and price. Volatility in price continues to be an issue due to shortages of certain drugs. The Medicines Resource Group continues to work to address the underlying reasons for this change and where clinically appropriate propose alternative solutions.
- There are a number of underspends across Corporate Directorates mainly related to vacant posts, which are having a favourable impact (£0.2m) on the overall financial position.
- Due to the increasing financial pressures in some areas and the challenges of the winter a number of additional financial control measures have been introduced during November. The current control measures are also being more robustly enforced.
- At the end of October, the Board has £8.1m in approved funding unallocated. As part of the financial plan, the Board set aside contingencies of £2m for unforeseen pressures. Also, a number of areas for which funding was set aside in the financial plan or ring fenced funding has been received from the centre have not yet been allocated. Slippage has been identified particularly in relation to the implementation date of certain cost pressures allocated funding in the LDP. £0.4m of this slippage has been used to support NHS Borders overall financial position to the end of October.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	2.7
Income from Property Sales	0.2
Total Capital Resources	2.9
Use of Capital Funds	
Allocated to Approved Schemes	2.9
Uncommitted balance	0.0
Total utilisation of funds for 2014/15	2.9
Expenditure to Date	
Expenditure to 31 st October 2014	1.6
Total Expenditure for 2014/15	1.6
2014/15 LDP estimated Sale Proceeds currently unrealised	0.4

- The capital plan for 2014/15 was agreed at the Board meeting in June.
- NHS Borders capital formula allocation for 2014/15 of £2.407m was supplemented by additional funding of £1m in respect of various commitments. Following recent discussion with Scottish Government the Board has anticipated an allocation reduction of £0.75m in relation to the slippage related to Roxburgh Street Health Centre and the Theatre Ventilation project. This funding will be reinstated in 2016/17.
- 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
- The majority of capital expenditure to date is in relation to the Central Energy Efficiency Fund which has been used to fund the installation of new biomass boilers. There has also been investment across the rolling programmes, including Medical and Radiology equipment.
- 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
<u>Corporate Services Challenge</u>					
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	-
<u>BGH</u>					
Endoscopy Income Generation	90	-	-	-	-
Redesign Outpatients Phase 2	50	-	-	-	-
	140	-	-	-	-
<u>Mental Health</u>					
Various	315	315	-	315	-
	315	315	-	315	-
<u>P&CS</u>					
Dental	100	-	100	100	-
	100	-	100	100	-
<u>Other</u>					
Leased Cars	70	52	-	52	1
Procurement	200	-	128	128	-
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	50	300	350	-
Productive Series / Releasing Time to Care	50	-	-	-	-
Repatriate Out of Area Placements (LD)	60	60	-	60	-
Shift Patterns	50	-	-	-	-
Targeted Support Services (Clinical)	100	-	8	8	-
Targeted Support Services (Non-Clinical)	200	-	200	200	-
Senior Charge Nurse Programme	330	-	191	191	-
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	178	-	178	-
	3,549	1,637	1,297	2,934	16
Total	4,625	2,473	1,397	3,870	16

- Delivering the Board's efficiency plan of £4.6m is a major element in determining whether a balanced outturn for 2014/15 will be achieved.
- NHS Borders has withdrawn £3.9m savings from budgets at the end of October as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.1m in 2014/15. As at October, £2.5m of recurring savings have been identified and been 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 on releasing the remaining £0.7m 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. As is normal practice the NHS Lothian contract will not be finalised until later in the financial year and this remains an area of risk. Unplanned activity by its very nature continues to be a volatile area for the Board.
- All Clinical Boards have signed up to revised year end trajectories however the pressures experienced in winter do result in this continuing to be an area of risk for the Board.
- 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 this has been build into the Board's planning.
- NHS Borders provide patient activity for Northumberland CCG and agreement has now been reached on the SLA for 2014/15. The agreed contact amount of £2.85m is lower than previous years due to a reduction in activity and this reduction is likely to continue in future years.
- 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 in processing prescribing information the data available is never current and the volatility of prices is making estimation of spend challenging. Prescription volume levels are approximately at budgeted level however price remains unpredictable. Due to the volatility of prescribing expenditure over the last few years, and the added issue of short supply 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.