

**Borders NHS Board**



**FINANCIAL MONITORING REPORT FOR THE 9 MONTH PERIOD TO 31<sup>st</sup> DECEMBER 2014**

**Aim**

The aim of this paper is to report on the financial position to 31<sup>st</sup> December 2014.

**Background**

The attached report shows that the Board is reporting an outturn of £1.8m in excess of its revenue budget nine months into the financial year. Although the current financial position continues to cause concern, due to the reported overspend, the Board continues to forecast a year-end break even position. A break even outturn can only be achieved if the agreed actions are sustained to ensure that at the year-end budgets are as anticipated. This will require the continuation of robust management of operational budgets, impact from the increased financial controls 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.

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 nine months of the financial year.

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

**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income</b>	<b>231.7</b>	<b>159.9</b>	<b>159.7</b>	<b>(0.2)</b>
<b>Expenditure</b>	<b>231.7</b>	<b>169.9</b>	<b>171.5</b>	<b>(1.6)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>10.0</b>	<b>(11.8)</b>	<b>(1.8)</b>
<b>Capital Expenditure</b>	<b>2.9</b>	<b>1.8</b>	<b>1.8</b>	<b>-</b>

- At 31<sup>st</sup> December 2014, the Board is reporting a position of £1.8m in excess of budget. Expenditure budgets are cumulatively overspent by £1.6m and income budgets are under recovered by £0.2m.
- The key points to note in the month nine position are:-
  - The Clinical Boards are reporting a combined overspend of £1.1m which is an adverse movement of £0.1m in the month. The main pressure area continues to be in BGH which has overspent by £0.1m in both November and December resulting in a cumulatively overspent of £1.6m. This is offset by underspends in other Clinical Boards. The main pressure areas in BGH are medical staffing (£527k), nursing (£551k) and supplies (£436k). Both the medical and nursing costs are in line with their agreed year end outturn trajectory. However supplies budgets continue to overspend mainly on instruments and diagnostic reagents.
  - External Healthcare Providers budget is reporting a £1.2m overspend. The main area of overspend relates to increased activity with NHS Lothian. The key areas of pressure are the acute contract (£0.3m), the eating disorders unit (£0.1m) and UNPACS (£0.8m).
  - The GP Prescribing budget is reported as £0.5m overspent at the end of month nine. This overspend has increased by £0.1m in month and is based on actual volume information for eight months of the financial year and seven months of price data. The Medicines Resource Group continues to work to identify the underlying reasons for this change and any appropriate actions.
  - Overall, income budgets are under recovered by £0.2m. Within this position there is a £0.4m shortfall on external healthcare purchaser income mainly due to a lower contract with Northumberland CCG. This is being partially offset by over-recoveries in other income (£0.1m) and corporate directorates (£0.1m) budgets.

- 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 December, the Board has withdrawn efficiency savings of £4.1m 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 ensure the financial target of breakeven is achieved.
- Due to the increasing financial pressures in some areas and the challenges of winter a number of additional financial control measures were introduced in November. Alongside these new control measures the existing 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 a number of control measures to contain or reduce expenditure levels. Any overspend will be offset by use of the Boards contingency funds supplemented by slippage generated by cost pressures agreed in the LDP. By utilising all of the above measures NHS Borders is forecasting it 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
<b>Income Resources</b>				
Scottish Government	205.3	142.6	142.6	-
Family Health Services (incl non cash ltd)	9.6	6.4	6.4	-
External Healthcare Purchasers	5.1	3.9	3.5	(0.4)
Other	8.1	4.6	4.8	0.2
Clinical Boards	3.6	2.4	2.4	-
<b>Total Income</b>	<b>231.7</b>	<b>159.9</b>	<b>159.7</b>	<b>(0.2)</b>
<b>Expenditure Resources</b>				
Clinical Boards	129.5	97.5	98.6	(1.1)
External Healthcare Providers	28.2	21.1	22.3	(1.2)
Family Health Services	30.4	22.8	23.3	(0.5)
Corporate Directorates	33.7	24.4	24.2	0.2
Cost of Capital	3.8	3.1	3.1	-
Approved Funding Unallocated	6.6	1.0	-	1.0
Unapplied Efficiencies:				
Recurring	0.4	-	-	-
Non-recurring	(0.9)	-	-	-
<b>Total Expenditure</b>	<b>231.7</b>	<b>169.9</b>	<b>171.5</b>	<b>(1.6)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>10.0</b>	<b>(11.8)</b>	<b>(1.8)</b>

- Overall, income budgets are under recovered by £0.2m at the end of December. Within this overall position, External Healthcare Purchasers are under recovered by £0.4m due to lower patient activity. The main element of this under recovery relates to Northumberland CCG, where the current contract is £0.3m under recovered. However activity levels from Northumberland are not reducing as forecast therefore a contract meeting with Northumberland CCG has been arranged for early February. Patient income with NHS Lothian also continues to decrease both in terms of a reduction in the general contract and no new referrals for the colonoscopy and orthopaedic agreements. The reduction in patient income is offset by an over recovery of income across Estates and Facilities (£0.1m) and other income (£0.1m) mainly from road traffic accidents.
- The Clinical Boards are overspent in total by £1.1m at the end of December. The main overspending area is BGH (cumulatively £1.6m overspent) partially offset by underspends across P&CS, AHPs and

Learning Disabilities. The main pressure areas in the BGH are medical staffing (£527k), nursing (£551k) and supplies (£436k). Medical and nurse staffing budgets are in line with agreed year end trajectories. Supplies overspends mainly relate to the use of instruments in theatres, ASDU and the day procedure unit and reagents in Laboratories. Work continues with budget managers to address these increases through the use of spend analyser, which gives information on supplies usage and price.

- The external healthcare providers overspend (£1.2m) mainly relates to increased activity in NHS Lothian. The overspend trend on UNPACS (£0.8m) has continued in December but has been supplemented by a stem cell transplant (£50k) in the month. Based on current increased activity levels the acute contract is overspent (£0.3m), however prices for 2014/15 will not be known until February and this remains an area of risk. Increased activity within the regional eating disorders unit (£0.1m) is also contributing to the reported overspend position.
- GP prescribing costs are reported as £0.5m overspent at the end of December based on seven months financial information and volume information for the eight months. The position has deteriorated in the month related to price. Volatility in price continues to be an issue due to shortages of certain drugs. The Medicines Resource Group continues to work to identify 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.
- At the end of December, the Board has £6.6m in approved funding unallocated. This includes the £2m contingency set aside by the Board as part of the LDP process for unforeseen pressures, funding for cost pressures and ring fenced funding received from Scottish Government but not yet in operational budgets. Slippage on these funds has been identified particularly in relation to the implementation date of certain cost pressures. £1.0m of this slippage has been used to support NHS Borders overall financial position to the end of December.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	2.7
Income from Property Sales	0.2
<b>Total Capital Resources</b>	2.9
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	2.9
Uncommitted balance	0.0
<b>Total utilisation of funds for 2014/15</b>	2.9
<b>Expenditure to Date</b>	
Expenditure to 31 <sup>st</sup> December 2014	1.8
<b>Total Expenditure for 2014/15</b>	1.8
<b>2014/15 LDP estimated Sale Proceeds currently unrealised</b>	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 has been supplemented by additional funding of £1m in respect of various commitments. In line with the management of capital programme across NHS Scotland and due to slippage on two local capital schemes NHS Borders has reduced its capital allocation by £0.75m linked to Roxburgh Street Health Centre and the Theatre Ventilation projects. 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'. It is unlikely that any further sale proceeds will be received during 2014/15.



#### 4. Efficiency Programme: Savings Targets

	Target	Delivered			Full Year Effect £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s	
<b><u>Corporate Services Challenge</u></b>					
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	-
	<b>521</b>	<b>521</b>	-	<b>521</b>	-
<b><u>BGH</u></b>					
Endoscopy Income Generation	90	-	-	-	-
Redesign Outpatients Phase 2	50	-	-	-	-
	<b>140</b>	-	-	-	-
<b><u>Mental Health</u></b>					
Various	315	315	-	315	-
	<b>315</b>	<b>315</b>	-	<b>315</b>	-
<b><u>P&amp;CS</u></b>					
Dental	100	-	100	100	-
	<b>100</b>	-	<b>100</b>	<b>100</b>	-
<b><u>Other</u></b>					
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	296	346	-
Productive Series / Releasing Time to Care	50	-	50	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	-	246	246	-
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	-
Allocations - Benefits in Kind	-	-	140	140	-
	-	-	-	-	-
Full Year Gains	200	178	-	178	-
	<b>3,549</b>	<b>1,637</b>	<b>1,538</b>	<b>3,175</b>	<b>16</b>
<b>Total</b>	<b>4,625</b>	<b>2,473</b>	<b>1,638</b>	<b>4,111</b>	<b>16</b>

- 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 £4.1m savings from budgets at the end of December as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.1m in 2014/15. As at December, £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 £0.5m of the required efficiency target must continue to be a priority in order that NHS Borders can achieve a balanced financial outturn. Finance are working with managers to ensure that schemes will deliver prior to the end of March or if not alternative schemes can be found to make up the shortfall. It is anticipated the efficiency requirement will be fully achieved in 2014/15.
- 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.
- The Board needs to turn its attention to future year's efficiency and ensure plans are finalised and in place for 2015/16 in line with the target level required by the Local Delivery Plan which will be presented to the Board at its meeting in April.

## 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 of the 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 built into the Board's planning.
- NHS Borders provide patient activity for Northumberland CCG. The agreed contact amount of £2.85m is lower than previous years due to a projected reduction in activity. Currently the forecast reduction is not being fully reflected in actual activity and negotiations with Northumberland CCG regarding payment are being taken forward. Until these discussions are concluded this remains a risk.
- Efficiency schemes have been agreed with managers and actioned through operational budgets. It is crucial that these projects deliver in order to achieve agreed year end trajectories on operational budgets. Full delivery of the efficiency target is key to achieving a year end break even position.
- Due to processing there is always a time delay in receiving prescribing information, however due to the volatility of prices it is increasingly difficult to forecast expenditure levels. Prescription volume levels are approximately at budgeted level. 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.