

Borders NHS Board
FINANCIAL MONITORING REPORT FOR THE 11 MONTH PERIOD TO 28th FEBRUARY 2015
Aim

The aim of this paper is to report on the financial position to 28th February 2015.

Background

The attached report shows that the Board is reporting an outturn of £1.7m in excess of its revenue budget 11 months into the financial year before factoring in the contingency as planned throughout the year. Although cumulatively overspent the level of overspend on operational budgets is in line with NHS Borders year end projected position and therefore the Board continues to forecast break even. This projected outturn position can only be achieved if the agreed actions are sustained during March. This is dependent on the continuation of robust management of operational budgets and the impact from the increased financial controls. The Board's efficiency programme has been fully delivered at the end of February.

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 11 month period of this 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

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	232.7	195.9	195.6	(0.3)
Expenditure	232.7	208.3	209.7	(1.4)
Surplus/(Deficit) for period	-	12.4	(14.1)	(1.7)
Capital Expenditure	2.9	2.2	2.2	-

- At 28th February 2015, the Board is reporting a position of £1.7m in excess of budget. Expenditure budgets are cumulatively overspent by £1.4m and income budgets are under recovered by £0.3m.
- The key points to note in the month 11 position are:-
 - The Clinical Boards are reporting a combined overspend of £1.0m. The main pressure area continues to be the BGH which is £1.7m overspent, partially offset by underspends in the P&C's, AHP and Learning Disabilities Boards. BGH budgets are cumulatively overspent by £504k on medical staffing, £608k on nursing budgets and £567k on various supplies headings. Both the medical and nursing budgets are close to their agreed year end outturn trajectory. However, non pay budgets continue to overspend mainly on clinical items, including instruments and diagnostic supplies.
 - The External Healthcare Provider budget is reporting a £1.6m overspend overall. The main areas of overspend are the acute contract (£0.7m), UNPACS (£0.7m) and the eating disorders unit (£0.1m) due to increased activity with NHS Lothian.
 - The GP Prescribing budget is reported as £0.8m overspent at the end of month 11. This overspend has increased by £0.1m in month and is based on volume information for ten months of the financial year and price data for nine months. The Medicines Resource Group continues to work to monitor and understand the underlying reasons for the increase and initiate any appropriate actions.
 - Overall, income budgets are under-recovered by £0.3m. Within this position there is a £0.5m shortfall on external healthcare purchasers' income, mainly due to lower activity from Northumberland CCG. This is being partially offset by over-recoveries in other income and corporate directorate budgets.
 - The Board approved a balanced financial plan for 2014/15 which set a break even outturn for the year assuming £4.6m of efficiency savings would be achieved. At the end of February the Board has

fully achieved this target and has withdrawn efficiency savings of £4.6m from budgets. Within the total efficiency saving figure, a recurring target of £2.1m was required, this has been overachieved by £0.4m with £2.5m being recurrently withdrawn from budgets.

- Due to the increasing financial pressures in some areas and the challenges of the winter a number of additional financial control measures were introduced in November. Alongside these new controls the existing measures are also being more robustly enforced.
- The reported position is broadly in line with the NHS Borders year end projection. Overspending areas will be offset by use of the Board's contingency funds, supplemented by slippage generated by cost pressures agreed in the LDP, therefore NHS Borders continues to forecast a break even out turn for 2014/15.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	206.6	174.8	174.8	-
Family Health Services (incl non cash ltd)	9.6	8.8	8.8	-
External Healthcare Purchasers	5.1	4.7	4.2	(0.5)
Other	7.8	4.8	5.0	0.2
Clinical Boards	3.6	2.8	2.8	-
Total Income	232.7	195.9	195.6	(0.3)
Expenditure Resources				
Clinical Boards	132.0	118.8	119.8	(1.0)
External Healthcare Providers	28.9	26.4	28.0	(1.6)
Family Health Services	29.8	27.9	28.7	(0.8)
Corporate Directorates	33.5	29.7	29.4	0.3
Cost of Capital	3.8	3.8	3.8	-
Approved Funding Unallocated	4.7	1.7	-	1.7
Unapplied Efficiencies :				
Recurring	0.4	-	-	-
Non-recurring	(0.4)	-	-	-
Total Expenditure	232.7	208.3	209.7	(1.4)
Surplus/(Deficit) for period	-	12.4	(14.1)	(1.7)

- External healthcare purchasers are under recovered by £0.5m due to lower patient activity. The main element of this under recovery relates to Northumberland CCG. Activity levels have not reduced as much as Northumberland planned. A contract review meeting is due to take place to finalise the 2014/15 position.
- Patient income from NHS Lothian general contract also continues to decrease. NHS Lothian has expressed an intention to terminate the colonoscopy and orthopaedic agreements resulting in limited referrals in 2014/15.

- The reduction in patient income is offset by an over-recovery in other income which is mainly related to Estates and Facilities and recoveries from the treatment of road traffic accidents.
- The Clinical Boards are overspent in total by £1.0m at the end of February. The main overspending area is BGH which is cumulatively overspent by £1.7m, partially offset by under spends across the P&CS, AHP and Learning Disability Boards. The main pressure areas in BGH are medical staffing (£504k), nursing (£608k) and supplies (£567k) budgets. Medical and nurse staffing budgets are almost in line with their agreed year end trajectories. However supplies budgets continue to overspend on instruments in theatres and ASDU and diagnostic reagents within Laboratories. Work continues with budgets managers to address these issues supported by the roll out of the spend analyser tool, which will enable comparison of product price and quantity.
- The external healthcare providers overspend (£1.6m) mainly relates to increased activity in NHS Lothian. UNPACS is a significant area of pressure at £0.7m overspent. The acute contract outturn for 2014/15 has now been confirmed by NHS Lothian and the overspend has risen due to an increase in costs mainly due to complexity. Increased activity continues within the regional eating disorders unit.
- GP prescribing costs are reported as £0.8m overspent at the end of February based on 9 months financial information and volume information for 10 months. The position has deteriorated in the month relating to both price and volumes. Volatility in price continues to be an issue for short supply 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 is having a favourable impact (£0.3m) on the overall financial position.
- At the end of February the Board has £4.7m in approved funding unallocated. To the end of February £1.7m of this funding has been used to support NHS Borders overall financial position.
- The remaining £3m includes the £2m contingency the Board set aside as part of the LDP process, funding for cost pressures unallocated and ring fenced funding received from Scottish Government but not yet in operational budgets. At the year end the balance of this funding will be used to offset the overspend on operational budgets.

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 28 th February 2015	2.2
Total Expenditure for 2014/15	2.2
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 has been supplemented by additional funding of £1m in respect of various commitments.
- Following discussion with Scottish Government the Board has anticipated an allocation reduction of £0.75m in relation to the slippage of the Roxburgh Street Health Centre and Theatre Ventilation projects, with the funding to be reinstated in 2016/17 which is in line with NHS Borders five year Capital Plan.
- In line with national process Scottish Government has agreed the Board's request to transfer capital to revenue funding of £0.755m to account for the high level of non capital expenditure which has arisen through State of the Estate backlog works, Estates rolling programme, car parking works and project feasibility work. This transfer of cost and resource will occur at the end of the 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.

- 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'. These sales for a number of reasons have not progressed this financial year.

4. Efficiency Programme: Savings Targets

	Plan	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	53	-	53	11
Estates Rationalisation	450	386	3	389	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	-	330	330	-
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	-
Benefits in Kind	-	-	140	140	-
Year-End	-	-	343	343	-
Full Year Gains	200	178	-	178	-
	3,549	1,671	1,968	3,639	27
Total	4,625	2,507	2,068	4,575	27

- NHS Borders initial efficiency plan was £4.625m, compared with a requirement to achieve £4.575m of cash releasing efficiency savings.
- NHS Borders has withdrawn £4.575m of savings from budgets at the end of February. This is a significant achievement and delivery of this target was a major element in ensuring a balanced outturn for 2014/15.
- The recurring element of NHS Borders efficiency programme equates to £2.1m in 2014/15. £2.5m of recurring savings have been identified and been withdrawn from budgets thereby over achieving the recurring target. This overachievement will be carried forward into the new financial year and offset against the 2015/16 target.
- The Board needs to turn its attention to the future efficiency challenge 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 based on current information.
- The main risk areas continue to be 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 Out of Area Referrals to ensure only those meeting the referral criteria are approved. Unplanned activity by its very nature continues to be a volatile area 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 it wishes to terminate this arrangement and this has been built into the Board's planning.
- NHS Borders provide patient activity for Northumberland CCG. The contract amount for 2015/16 is lower than previous years due to a reduction in activity and this reduction is likely to continue in future years.
- Due to the volatility of GP prescribing, expenditure over the last few years and the added issue of short supply, this continues to be an area of risk which is likely to continue next financial year.