

Borders NHS Board



## **FINANCIAL MONITORING REPORT FOR THE TWO MONTH PERIOD TO 31<sup>st</sup> MAY 2015**

### **Aim**

The aim of this paper is to report on the financial position to 31<sup>st</sup> May 2015.

### **Background**

The attached report shows that the Board is reporting an outturn of £0.4m in excess of its revenue budget two months into the financial year. The Board's financial plan is based on achieving a break-even outturn and taking into consideration the limited information currently available this position will be achieved. The challenge in delivering a break-even outturn should not be underestimated and will only be achieved if steps are taken to ensure that the current level of overspend is contained. The actions to ensure break-even must include robust ongoing budget management, continuation of existing financial controls 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. It is essential that all 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 2015/16.

### **Recommendation**

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

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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	<b>230.1</b>	<b>37.6</b>	<b>37.4</b>	<b>(0.2)</b>
Expenditure	<b>230.1</b>	<b>37.1</b>	<b>37.3</b>	<b>(0.2)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>(0.5)</b>	<b>0.1</b>	<b>(0.4)</b>
<b>Capital Expenditure</b>	<b>5.9</b>	<b>0.1</b>	<b>0.1</b>	<b>-</b>

- At 31<sup>st</sup> May 2015, the Board is reporting a position of £0.4m in excess of budget. Expenditure is overspent by £0.2m and income is under recovered by £0.2m. Expenditure budgets are overspent on Clinical Boards (£0.1m) and external healthcare providers (£0.1m) whilst income budgets are under recovered within Clinical Boards (£0.1m) and external healthcare purchasers (£0.1m).
- The key points to note in the month two position are:-
  - Clinical Boards are overspent by £0.2m, £0.1m overspend on expenditure and £0.1m under recovered on income. The main element of expenditure overspend relates to BGH (£0.3m) medical, nursing and supplies budgets. The newly appointed general managers have agreed actions linked to the reported financial position. The BGH expenditure overspend is being partially offset by an underspend in the P&CS Clinical Board. The BGH also has a shortfall on income due to a reduction in patient income from NHS Lothian.
  - Limited data has been received this financial year in relation to patient activity with other boards so the reported overspend (£0.1m) on the external healthcare provider position is predicated on 2014/15 data. It is anticipated that the main pressure areas will continue to be UNPACS and the ECR budget.
  - Under Family Health Services GP prescribing costs are reported as break-even as very limited information is available for this financial year due to the normal time lag in the processing of prescriptions by National Services Scotland. There remains a financial risk to NHS Borders in this area due the volatility of drug prices linked to the global short supply of certain drugs.
  - External Healthcare Purchasers income budgets are under recovered by £0.1m due to lower patient activity. The main element of this under recovery relates to reduced activity with Northumberland CCG. The contract for 2015/16 is not yet finalised although recent discussions have been constructive.

- The Board approved a balanced financial plan for 2015/16 which set a break-even outturn for the year and this assumes the achievement of £6.9m of efficiency savings. At the end of May, the Board has withdrawn efficiency savings of £4.3m from budgets. In terms of recurring savings, £2.5m has been released from budgets against a target of £5.2m. Work is continuing to identify recurring efficiency schemes in order to ensure this target is fully achieved by the end of the financial year.
  
- 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
<b>Income Resources</b>				
Scottish Government	206.2	33.5	33.5	-
Family Health Services (incl non cash ltd)	10.1	1.7	1.7	-
External Healthcare Purchasers	4.5	0.8	0.7	(0.1)
Other	7.1	1.2	1.2	-
Clinical Boards	2.2	0.4	0.3	(0.1)
<b>Total Income</b>	<b>230.1</b>	<b>37.6</b>	<b>37.4</b>	<b>(0.2)</b>
<b>Expenditure Resources</b>				
Clinical Boards	126.2	21.5	21.6	(0.1)
External Healthcare Providers	29.3	4.9	5.0	(0.1)
Family Health Services	31.4	5.1	5.1	-
Corporate Directorates	32.7	5.3	5.3	-
Cost of Capital	3.7	0.3	0.3	-
Approved Funding Unallocated	9.4	-	-	-
Unapplied Efficiencies :				
Recurring	(2.6)	-	-	-
Non-recurring	-	-	-	-
<b>Total Expenditure</b>	<b>230.1</b>	<b>37.1</b>	<b>37.3</b>	<b>(0.2)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>(0.5)</b>	<b>0.1</b>	<b>(0.4)</b>

- External Healthcare Purchasers are under recovered by £0.1m due to lower than budgeted levels of patient activity. The main element of this under recovery relates to reduced activity with Northumberland CCG. The contract for 2015/16 is not yet finalised although recent discussions have been constructive.
- Clinical Board income budgets are under recovered by £0.1m at the end of month two. This mainly relates to patient income within BGH. Work is ongoing with the colonoscopy service to withdraw expenditure budgets which were allocated to provide services for NHS Lothian patients which will be utilised to offset the income target.

- The overall Clinical Board expenditure overspend is £0.1m which includes a significant overspend of £0.3m in BGH offset by underspends as a result of vacancies in other Clinical Boards. The BGH overspend is over a number of areas - medical staffing (£116k), nursing (£111k) and supplies (£96k). The medical and nursing overspend is due to the use of high cost agency to cover absences and skills gaps. The supplies overspend is related to surgical instruments, diagnostic supplies and hire of equipment mainly mattresses. The newly appointed general managers have agreed a number of actions to address the financial pressures.
- The external healthcare providers overspend (£0.1m) mainly relates to UNPAC activity with NHS Lothian and ECR's. It should be noted that the reported position is based on the expenditure trend experienced in 2014/15 since little actual data has been received for the new financial year.
- Under Family Health Services GP prescribing costs are reported as break-even as very limited information is available for this financial year due to the normal time lag in the processing of prescriptions by National Services Scotland. There remains a financial risk to NHS Borders in this area due the volatility of drug prices linked to the global short supply of certain drugs.
- The level of approved funding unallocated is £9.4m. This consists of the Boards £2.0m contingency funding, LDP approved monies and ring fenced allocations. This amount will reduce as the year progresses and agreed developments are implemented. This area will be under constant review to identify any available slippage which may be used to support NHS Borders overall financial position.
- It is imperative that in order to ensure that financial targets are achieved that clear actions are taken to address the financial pressures which have arisen in the first two months of the financial year.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	5.9
Income from Property Sales	0.0
<b>Total Capital Resources</b>	5.9
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	5.9
Uncommitted balance	0.0
<b>Total utilisation of funds for 2015/16</b>	5.9
<b>Expenditure to Date</b>	
Expenditure to 31 <sup>st</sup> May 2015	0.1
<b>Total Expenditure for 2015/16</b>	5.9
<b>2014/15 LDP estimated Sale Proceeds currently unrealised</b>	0.5

- NHS Borders capital formula allocation for 2015/16 of £2.615m has been supplemented by additional funding of £3.300m in relation to commitments for the Roxburgh Street Replacement Surgery and the Board's Clinical Strategy.
- A low level of capital expenditure has been committed to date linked to project management resource and space utilisation. However orders are being progressed for design consultancy for the P&C's schemes at Selkirk and Eyemouth and BGH theatre ventilation.
- Additional sale proceeds of £0.5m were included in the LDP submission made in March 2015 for properties the Board has classified as 'surplus to requirements' and therefore 'held for sale'. Commitments will only be made against these proceeds when the sale of each property has been contractually finalised.
- A more detailed capital update is provided in a separate report to the Board.



#### 4. Efficiency Programme: Savings Targets

	Target		Delivered			
	Total £000s		Recurring £000s	Non Recurring £000s	Total £000s	Full Year Effect £000s
<b><u>Corporate Services Challenge</u></b>						
Estates & Facilities	256		267	-	267	-
Director of Workforce	51		53	-	53	-
Public Health	26		27	-	27	-
Planning & Performance	15		16	-	16	-
IM&T	63		66	-	66	-
Finance	38		40	-	40	-
Medical Director	12		12	-	12	-
Integrated Care	4		4	-	4	-
Director of Nursing	25		26	-	26	-
Executive Team & Non Execs	10		10	-	10	-
	<b>500</b>		<b>521</b>	-	<b>521</b>	-
<b><u>BGH</u></b>						
Transforming Outpatients	65		-	-	-	-
Lothian O&G Activity	125		-	-	-	-
Residencies	40		-	-	-	-
Orthopaedic Medical Intensity	50		-	-	-	-
ASDU	20		-	-	-	-
	<b>300</b>		-	-	-	-
<b><u>Learning Disabilities</u></b>						
Service Review	100		83	-	83	-
	<b>100</b>		<b>83</b>	-	<b>83</b>	-
<b><u>P&amp;CS</u></b>						
Dental Services inc income for GDP	210		-	210	210	-
Community Hospitals	50		-	50	50	-
Other	20		-	20	20	-
	<b>280</b>		-	<b>280</b>	<b>280</b>	-
<b><u>Board Wide / Other</u></b>						
Reduce Carry Forwards	320		-	136	136	-
Management Costs	100		-	99	99	-
Prescribing Discount	100		-	-	-	-
Suspend Clinical Excellence	500		-	500	500	-
Estates Rationalisation	240		-	190	190	-
SLT – P&B	30		-	-	-	-
OT & Dietetics	100		-	100	100	-
Full Year Effect	400		400	-	400	-
Travel – Reduced Mileage Rates	255		-	255	255	-
Leased Cars – Roll Out of New Policy	586		-	-	-	-
Non Pay Inflation	150		-	-	-	-
Reduction in Management Posts	100		-	-	-	-
Nursing – Rostering / Skill Mix / Shifts	900		900	-	900	-
Medicines Management						
Health Facilities Scotland Review	100		-	-	-	-
Effective Quality Interventions	100		-	-	-	-
Rep of Outwith Borders Activity	300		-	-	-	-
Electronic Correspondence	100		-	-	-	-
Anomalous Posts	100		-	-	-	-
Reduce Non SS Admin by 10%	500		-	-	-	-
National Risk Sharing	250		-	250	250	-
Income Generation	200		-	-	-	-
Ring Fenced Allocations Target	200		-	-	-	-
Procurement	50		-	-	-	-
Podiatry – P&B	-		11	-	11	-
	<b>5,731</b>		<b>1,897</b>	<b>1,530</b>	<b>3,427</b>	-

<b>Total</b>	<b>6,911</b>	<b>2,501</b>	<b>1,810</b>	<b>4,311</b>	
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- Delivering the Board's efficiency plan of £6.9m is a major element in determining whether a balanced out-turn for 2015/16 will be achieved.
- NHS Borders has withdrawn £4.3m savings from budgets at the end of May as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at May, £2.5m of recurring savings have been identified and been withdrawn from budgets.
- Currently NHS Borders has an efficiency programme which consists of £4.5m recurring and £2.4m non recurring schemes resulting in an overall achievement of the efficiency target but meaning a recurring deficit of just over £0.6m unless addressed during the course of the financial year will be carried into 2016/17.
- Work is ongoing to ensure that further recurring savings are identified before the end of the financial year.
- Monthly monitoring of the efficiency programme to ensure delivery is being undertaken by the Quality and Efficiency Board through the use of the Aspyre system.
- Work on releasing the remaining £2.6m 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), external healthcare purchasers and providers, GP Prescribing and delivery on the efficiency target.
- External Healthcare Providers is a continuing pressure area with overspends of £1.5m in 2011/12, £1.0m in 2012/13, £1.1m in 2013/14 and £1.6m in 2014/15. 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 overspend of £0.3m in the BGH at the end of May is causing concern. It is imperative that effort is focussed to ensure the overspend is managed and minimised.
- NHS Borders provide patient activity for Northumberland CCG but the contract for 2015/16 is not yet finalised. A recent conference call between both organisations was constructive but Northumberland CCG have made it clear they intend to reduce the number of referrals being made to NHS Borders which will significantly reduce the level of patient income received.
- 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.
- NHS Borders will end the financial year with a recurring deficit of just over £0.6m unless additional recurring projects are identified. It is imperative schemes are confirmed in order that a shortfall is not carried into 2016/17.
- Due to the normal time delay in processing, limited information has been received in the new financial year on GP prescribing costs. Currently a breakeven position is reported but due to the volatility of prescribing expenditure this continues to be a high risk area.
- The 2015/16 capital resource limit is fully committed other than anticipated sales proceeds of £0.5m. Work is ongoing on a number of schemes and as fully costed reports will not be available until later in the financial year this remains a risk. Until sales are concluded there continues to be the risk that not all surplus properties will sell during the current financial year. NHS Borders has agreement for 2015/16 only that it can retain and utilise the proceeds.