

Borders NHS Board

FINANCIAL MONITORING REPORT FOR THE THREE MONTH PERIOD TO 30TH JUNE 2015

Aim

The aim of this paper is to report on the financial position to 30th June 2015.

Background

The attached report shows that the Board is reporting an outturn of £0.7m in excess of its revenue budget three months into the financial year. The Board's financial plan delivers a breakeven outturn and based on the information currently available this position will be achieved. The challenge to attain this position 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 a breakeven outturn must include robust ongoing budget management, effective 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 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
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Author(s)

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	233.4	56.8	56.7	(0.1)
Expenditure	233.4	56.2	56.8	(0.6)
Surplus/(Deficit) for period	-	(0.6)	(0.1)	(0.7)
Capital Expenditure	5.9	0.4	0.4	-

- At 30th June 2015, the Board is reporting a position of £0.7m in excess of budget. Expenditure is overspent by £0.6m and income is under recovered by £0.1m. The overspend on expenditure budgets relates to clinical boards (£0.4m), external healthcare providers (£0.2m) and GP prescribing (£0.1m). Income budgets are under recovered by £0.1m in relation to external healthcare purchasers.
- The key points to note in the month three position are:-
 - The overall Clinical Board overspend of £0.4m includes a £0.5m overspend position within BGH with pressures across medical, nursing, and supplies budgets. Action plans are being put in place in BGH to minimise the overspending areas. This overspend is being partially offset (£0.1m) by underspends mainly in Primary & Community Services.
 - The External Healthcare Providers budget is £0.2m overspent, based on actual patient activity received to date and the expenditure trend experienced in 2014/15 for those areas where little or no activity has been received. It is anticipated that main pressure areas will continue to be UNPACS and the ECR budget during 2015/16.
 - Family Health Services are overspent by £0.1m due to GP prescribing costs. This is an estimated position due to the normal time lag in receipt of data, with April price data and volume information for April and May having been received. This area remains a risk for NHS Borders due to the volatility of drug costs as a result global short supply.
 - External Healthcare Purchasers income budgets are under recovered by £0.1m due to lower patient activity principally from Northumberland CCG. Negotiations are progressing but the 2015/16 contract is not yet finalised. Discussions have been constructive and it is envisaged that agreement will be reached in the near future.
- The Board approved a balanced financial plan for 2015/16 which set a break even outturn for the year and assumes the achievement of the challenging £6.9m of efficiency savings. At the end of June, the Board has withdrawn

efficiency savings of £4.5m from budgets. In terms of recurring savings, £2.6m has been released from budgets against a target of £5.2m.

- In order to achieve a breakeven outturn as set out in the Board's financial plan NHS Borders must ensure that the organisation is focused on delivering financially and meeting in full the efficiency target. These outcomes will only be achieved through clear actions being progressed to address the reported financial pressures and through 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	209.3	50.3	50.3	-
Family Health Services (incl non cash ltd)	10.2	2.6	2.6	-
External Healthcare Purchasers	4.5	1.1	1.0	(0.1)
Other	7.1	2.1	2.1	-
Clinical Boards	2.3	0.7	0.7	-
Total Income	233.4	56.8	56.7	(0.1)
Expenditure Resources				
Clinical Boards	127.3	32.2	32.6	(0.4)
External Healthcare Providers	29.3	7.3	7.5	(0.2)
Family Health Services	31.4	7.7	7.8	(0.1)
Corporate Directorates	32.9	8.1	8.0	0.1
Cost of Capital	3.7	0.9	0.9	-
Approved Funding Unallocated	11.1	-	-	-
Unapplied Efficiencies :				
Recurring	0.2	-	-	-
Non-recurring	(2.5)	-	-	-
Total Expenditure	233.4	56.2	56.8	(0.6)
Surplus/(Deficit) for period	-	(0.6)	(0.1)	(0.7)

- External Healthcare Purchasers are under recovered by £0.1m at the end of June 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 and both organisation are keen to have a signed agreement in place.
- Overall the Clinical Boards are overspent by £0.4m which includes a significant overspend of £0.5m in BGH offset by underspends, mainly due to dental vacancies within Primary & Community Services. The overspend within the BGH is over a number of areas including medical staffing (£175k), nursing (£190k) and supplies (£188k). The medical and nursing overspend is due to the use of high cost agency staff to cover vacancies, absences and skills gaps. The General Managers within BGH have been requested to put in

place action plans to reduce/ minimise the overspend. These plans include detailed analysis of ward/department staffing levels within nursing to ensure consistent rostering and that the use of supplementary staff is minimised. The Medical Oversight group continues to reviewing all medical staffing issues ensuring that only the most cost effective solution is being implemented. The Procurement Manager has been working with Senior Charge Nurses highlighting areas where supplies expenditure is greater than in previous years through the use of spend analyser.

- External healthcare providers overspend of (£0.2m) mainly relates to UNPAC activity with NHS Lothian and ECRs. It should be noted that the reported position is based on a combination of the expenditure trend experienced in 2014/15 and the minimal actual activity data which has been received in April and May.
- Family Health Services are overspent by £0.1m at the end of June related to GP prescribing. This figure should be viewed with a degree of caution as it is based on one month's price data and two months volume data. On this limited information volumes are performing as expected with an approximate increase of 2% over 2014/15 levels, however prices are volatile and likely to remain so due to the global shortage of certain drugs.
- The level of approved funding unallocated is £11.1m. This consists of the Boards £2.0m contingency funding, items approved through the LDP process and ring fenced allocations which have not yet been factored into operational budgets. This amount will reduce as the year progresses. This area will be regularly reviewed to identify any potential slippage caused by timing which may be used to support NHS Borders overall financial position.
- It is imperative actions agreed to address the financial pressures are put in place. Following on from the first quarter outturn finance are working with the services to produce detailed year end forecasts for each service. These forecasts will be updated and monitored on a monthly basis to give assurance that the year end breakeven outturn can be achieved.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	5.9
Income from Property Sales	0.0
Total Capital Resources	5.9
Use of Capital Funds	
Allocated to Approved Schemes	5.9
Uncommitted balance	0.0
Total utilisation of funds for 2015/16	5.9
Expenditure to Date	
Expenditure to 30 th June 2015	0.3
Total Expenditure for 2015/16	5.9
2014/15 LDP estimated Sale Proceeds currently unrealised	0.5

- NHS Borders formula capital allocation for 2015/16 of £2.615m has been supplemented by additional funding of £3.330m in relation to commitments for the Roxburgh Street Replacement Surgery and the Board's Clinical Strategy.
- Capital expenditure to date includes design consultancy for the Theatre Ventilation Project and the P&CS schemes at Selkirk and Eyemouth. There has also been expenditure on of Medical Equipment and Project Management Support.
- 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.

4. Efficiency Programme: Savings Targets

	Target		Delivered			Full Year Effect £000s
	Total £000s		Recurring £000s	Non Recurring £000s	Total £000s	
<u>Corporate Services Challenge</u>						
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	-
	500		521	-	521	-
<u>BGH</u>						
Transforming Outpatients	65		-	-	-	-
Lothian O&G Activity	125		-	-	-	-
Residencies	40		-	-	-	-
Orthopaedic Medical Intensity	50		-	-	-	-
ASDU	20		-	-	-	-
	300		-	-	-	-
<u>Learning Disabilities</u>						
Service Review	100		83	-	83	-
	100		83	-	83	-
<u>P&CS</u>						
Dental Services inc income for GDP	210		60	150	210	-
Community Hospitals	50		-	50	50	-
Other	20		-	20	20	-
	280		60	220	280	-
<u>Board Wide / Other</u>						
Reduce Carry Forwards	320		-	235	235	-
Management Costs	100		-	99	99	-
Prescribing Discount	100		-	100	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 – New Policy	50		-	-	-	-
Non Pay Inflation	586		586	-	586	-
Reduction in Management Posts	150		-	-	-	-
Nursing – Rostering / Skill Mix Shifts	100		-	-	-	-
Medicines Management	900		900	-	900	-
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		23	-	23	-
National Risk Sharing	250		-	250	250	-
Income Generation	200		-	-	-	-
Ring Fenced Allocations Target	200		-	-	-	-
Procurement	50		-	-	-	-
Podiatry – P&B	-		11	-	11	-
	5,731		1,920	1,729	3,649	-
Total	6,911		2,584	1,949	4,533	-

- 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 £4.5m savings from budgets at the end of June as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at June, £2.6m of recurring savings have been identified and been withdrawn from budgets on a recurring basis.
- 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 Efficiency Board principally through the use of the Aspyre system.
- Work on releasing the remaining £2.4m 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 and withdrawn from budgets, it is imperative that these schemes deliver and do not adversely affect operational budgets by causing an overspend.

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, income from external healthcare purchasers, the delivery of the efficiency target and GP Prescribing.
- 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.
- Currently no actual activity information regarding the acute contract has been received from NHS Lothian due to reporting issues in Lothian. NHS Borders have been assured that this issue will be rectified during August when actual activity information to date will be received. Until data is received this will remain a risk.
- All Clinical Boards have signed up to a break even position. The overspend of £0.4m at the end of June is causing concern, in particular the £0.5m overspend within BGH. It is imperative that the BGH management are focused on the actions required 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 that they do not adversely affect operational budgets and a breakeven outturn can still be achieved.
- NHS Borders currently has a projected year end recurring deficit of £0.6m and work must be on going to eliminate this deficit in order that it is not carried into 2016/17.
- Due to the normal time delay in processing 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.