

**Borders NHS Board**

**FINANCIAL MONITORING REPORT FOR THE SEVEN MONTH PERIOD TO 31<sup>st</sup> OCTOBER 2015**

**Aim**

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

**Background**

The attached report shows that the Board is reporting an outturn of £2.0m in excess of its revenue budget seven 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 continues to be in line with revised year end trajectories. The actions to ensure a breakeven outturn must include robust ongoing budget management, effective financial controls, utilisation of contingencies and delivery in year 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 seven 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

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**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
Carol Gillie	Director of Finance		

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
Janice Cockburn	Deputy Director of Finance		

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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	<b>238.1</b>	<b>132.7</b>	<b>132.6</b>	<b>(0.1)</b>
Expenditure	<b>238.1</b>	<b>142.8</b>	<b>144.7</b>	<b>(1.9)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>10.1</b>	<b>(12.1)</b>	<b>(2.0)</b>
<b>Capital Expenditure</b>	<b>4.0</b>	<b>1.6</b>	<b>1.6</b>	<b>-</b>

- At 31<sup>st</sup> October 2015, the Board is reporting a position of £2.0m in excess of budget. Income is under recovered by £0.1m and expenditure is overspent by £1.9m. The overspend on expenditure budgets relates to clinical boards (£1m), external healthcare providers (£0.6m) and family health services (£0.4m) offset by a small underspend on corporate services.
- The key points to note in the month seven position are:-
  - The adverse variance on income mainly relates to an under recovery on External Healthcare Purchasers as a result of reduced activity with Northumberland CCG. The SLA agreement for 2015/16 has now been signed for the reduced amount of £2.5m.
  - The overall Clinical Board overspend of £1m includes a £1.4m pressure within BGH across medical, nursing and supplies budgets. This overspend is being partially offset by underspends in other Clinical Boards, mainly Primary & Community Services (£0.2m) and Mental Health (£0.1m).
  - The External Healthcare Providers £0.6m overspend is based on actual patient activity received to date and projected information where there is time lag in receiving activity. It is anticipated that the main pressure areas will continue to be UNPACS, NHS Lothian and the ECR budget during 2015/16. The three year rolling average contract information has been received from NHS Lothian for acute services, which is the main element of the contract, but no actual acute activity for 2015/16. This has been escalated to NHS Lothian's Director of Finance
  - Under Family Health Services GP prescribing costs are reported as £0.4m overspent, with price data received for five months and volume information for the six months of 2015/16. Volume levels are broadly as anticipated however there has been a continuing increase in the overall cost of drugs.
- 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 October, the Board has withdrawn efficiency savings of £4.8m from budgets. In terms of recurring savings, £2.7m has been released from budgets against a target of £5.2m.

- In order to deliver on its financial targets as set out in the Board's financial plan NHS Borders must ensure that the organisation is focused on achieving an overall breakeven outturn including 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. Utilisation of the Boards contingencies and slippage on local delivery plan development will also be required to ensure a break even out turn is achieved.

## 2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income Resources</b>				
Scottish Government	213.1	117.3	117.3	-
Family Health Services (incl non cash ltd)	10.2	6.1	6.1	-
External Healthcare Purchasers	4.5	2.7	2.5	(0.2)
Other	7.7	4.8	5.0	0.2
Clinical Boards	2.6	1.8	1.7	(0.1)
<b>Total Income</b>	<b>238.1</b>	<b>132.7</b>	<b>132.6</b>	<b>(0.1)</b>
<b>Expenditure Resources</b>				
Clinical Boards	130.6	85.4	86.4	(1.0)
External Healthcare Providers	29.7	17.3	17.9	(0.6)
Family Health Services	30.6	18.4	18.8	(0.4)
Corporate Directorates	34.1	19.5	19.4	0.1
Cost of Capital	3.7	2.2	2.2	-
Approved Funding Unallocated	11.5	-	-	-
Unapplied Efficiencies :				
Recurring	(2.5)	-	-	-
Non-recurring	0.4	-	-	-
<b>Total Expenditure</b>	<b>238.1</b>	<b>142.8</b>	<b>144.7</b>	<b>(1.9)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>10.1</b>	<b>(12.1)</b>	<b>(2.0)</b>

- The External Healthcare Purchasers income budget is under recovered by £0.2m at the end of October due to reduced activity with Northumberland CCG. There has been a decrease in contract value for 2015/16 and the subsequent reduction in actual activity as Northumberland CCG continues to implement their policy to treat patients closer to home. Other income is over recovered mainly due to increased income within the occupational health where services are provided to a number of external organisations. Increased income in laundry and residences is also contributing to the over recovery.
- Clinical Boards are overspent by £1.0m overall with the main pressure being in BGH (£1.4m), offset by underspends in Primary & Community Services and Mental Health. The BGH overspend relates to a number of areas including medical staffing (£574k), nursing (£389k) and supplies (£468k). The staffing

overspend is linked to significant levels of high cost medical locums and agency nurses to cover absences and skills gaps. In the case of medical staffing the overspend remains within the agreed trajectory. Work is ongoing with nursing colleagues to carry out in depth analysis of overspends in pressure areas. Finance and Supplies are working closely with services to review expenditure through comparison with previous year's data to ensure that only appropriate expenditure is being committed. It is anticipated that these measures ensuring revised year end positions are achieved will support overall delivery of NHS Borders break even target.

- The external healthcare providers overspend (£0.6m) is linked to UNPAC activity, NHS Lothian primary care activity and ECRs. In the case of NHS Lothian UNPACs and the Primary Care Contract the Board has received actual activity information up until the end of August. Due to reporting issues in NHS Lothian NHS Borders has not received any actual patient information for the acute contract for 2015/16, although finalised information for the previous years in the form of average activity levels, which is a major part of the contract, has now been received. NHS Borders has written to the Director of Finance in Lothian requesting an update on the situation. This issue is affecting all boards who receive services from NHS Lothian via the East Cost Costing Model.
- Family Health Services are overspent by £0.4m at the end of October related to GP prescribing. Volumes are performing as expected with an approximate overall increase of 2.8% over 2014/15 levels, however the movement month on month is volatile. Price continues to be an issue and is likely to remain so due to the global shortage of certain drugs. This area is being closely monitored by the Medicines Resource Group in order that any recurrent issues can be highlighted and appropriate action taken.
- The level of approved funding unallocated is £11.5m. This consists of the Boards contingency funding, the integrated care fund, the new medicines fund, 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 and funding is released into operational budgets. This area will be regularly reviewed to identify slippage, due to delay in the start date of schemes, and will be utilised to support NHS Borders overall financial position.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	3.8
Income from Property Sales	0.4
<b>Total Capital Resources</b>	4.2
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	4.2
Uncommitted balance	0.0
<b>Total utilisation of funds for 2015/16</b>	4.2
<b>Expenditure to Date</b>	
Expenditure to 31 <sup>st</sup> October 2015	1.8
<b>Total Expenditure for 2015/16</b>	1.8
<b>LDP estimated Sale Proceeds currently unrealised</b>	0.1

- NHS Borders formula capital allocation for 2015/16 of £2.645m has been supplemented by additional funding of £3.3m in relation to commitments for the Roxburgh Street Replacement Surgery and the Board's Clinical Strategy.
- Due to slippage on NHS Borders capital programme £2.1m of the capital allocation previously reported has been returned to Scottish Government in 2015/16. These funds will be reinstated in 2016/17 as the agreed schemes progress.
- Capital expenditure to date includes the IM&T Information Desktop Transformation Project, design consultancy for the Theatre Ventilation Project and Medical Equipment purchases.
- Recent Board approval of the East/West Brig Inpatient Business Case has enabled work to now be progressed to move this project to detailed design and into the construction phase.
- 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'. Sale proceeds have now been realised for the Board's Westgrove Property and these resources have been committed to improve space utilisation on the Huntlyburn site. Further commitment will only be made against the remaining proceeds (£0.1m) when the sale of the 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	
<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>-</b>	<b>521</b>	<b>-</b>
<b><u>BGH</u></b>					
Transforming Outpatients	65	-	8	8	-
Lothian O&G Activity	125	-	-	-	-
Residencies	40	40	-	40	20
Medical	50	-	63	63	-
ASDU	20	-	-	-	-
	<b>300</b>	<b>40</b>	<b>71</b>	<b>111</b>	<b>20</b>
<b><u>Learning Disabilities</u></b>					
Service Review	100	83	-	83	-
	<b>100</b>	<b>83</b>	<b>-</b>	<b>83</b>	<b>-</b>
<b><u>P&amp;CS</u></b>					
Dental Services income for GDP	210	60	150	210	-
Community Hospitals	50	-	50	50	-
Other	20	-	20	20	-
	<b>280</b>	<b>60</b>	<b>220</b>	<b>280</b>	<b>-</b>
<b><u>Board Wide / Other</u></b>					
Reduce Carry Forwards	320	-	235	235	-
Management Costs	100	-	148	148	-
Prescribing Discount	100	-	100	100	-
Suspend Clinical Excellence	500	-	500	500	-
Estates Rationalisation	240	21	190	211	-
AHP Other	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 Efficiency	586	586	-	586	-
Reduction in Management Posts	150	-	-	-	-
Nursing Rostering / Skill Mix Shifts	100	-	-	-	-
Medicines Management	900	900	-	900	-
Health Facilities Scotland Review	100	30	-	30	-
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	-
Review of Activity	-	-	98	98	-
	<b>5,731</b>	<b>1,971</b>	<b>1,876</b>	<b>3,847</b>	<b>-</b>
<b>Total</b>	<b>6,911</b>	<b>2,675</b>	<b>2,167</b>	<b>4,842</b>	<b>20</b>

- 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. While overall NHS Borders agreed a balanced plan there is an imbalance between recurring and non recurring savings.
- NHS Borders has withdrawn £4.8m savings from budgets at the end of October as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at October, £2.7m of recurring savings have been identified and been withdrawn from budgets on a recurring basis.
- Work on releasing the remaining £2.1m of the required efficiency target must be a high priority for the organisation to ensure financial targets are achieved.
- It has become clear that a number of schemes in the draft plan will not release resources in 2015/16. In order to deliver the efficiency target carry forward and ringfenced funding will be utilised. The use of these non recurring measures, although ensuring the overall efficiency level is achieved, will further increase the recurring shortfall on the efficiency target which unless addressed will be carried forward and the Board will start the new financial year with a recurring deficit.
- The Board must continue to work with services to identify additional recurring savings schemes to address this issue before the end of the financial year. Currently there are a number of schemes in progress although to date no financial outcomes have been confirmed.
- The Board will receive an update on the 3<sup>rd</sup> December outwith the Board meeting on the work to date on addressing the recurring efficiency challenge. In addition a quality and efficiency session with the Board, key managers and clinicians has been arranged for the 17<sup>th</sup> December. The Financial Position Oversight Group, a Sub Committee of the Audit Committee, is increasing its focus on efficiency delivery to support the organisation on this key issue.

## 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 GP Prescribing and delivery on the efficiency programme.
- 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 for 2015/16 regarding the acute contract has been received from NHS Lothian due to reporting issues in Lothian. It is unlikely that any data will be received until the final quarter of the year, therefore this remains a risk.
- The overspend of £1.0m in the Clinical Boards at the end of October continues to be concerning, in particular the £1.4m overspend within BGH. It is imperative that effort is focussed on ensuring this overspend is managed in order that it does not have an adverse impact on NHS Borders ability to achieve an overall break even outturn. This will become increasingly challenging as we move into the winter months.
- Northumberland CCG has implemented a “closer to home” policy which will reduce the number of referrals being made to NHS Borders leading to a lower level of patient income being received in 2015/16 and future years. This will therefore continue to be a financial risk.
- 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.
- It is imperative that the £2.1m of outstanding efficiency schemes are achieved in order to ensure that NHS Borders can breakeven. It has already been noted by the Quality and Efficiency Board that a number of schemes will not deliver as planned and the Board has put in place measures to bridge the gap created by non delivery of schemes.
- In 2015/16 NHS Borders has a recurring shortfall on the efficiency target and this figure has increased in recent months. It is critical to the financial stability of the organisation that schemes are identified during this financial year 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.