

Borders NHS Board



FINANCIAL MONITORING REPORT FOR THE FIVE MONTH PERIOD TO 31st AUGUST 2015

Aim

The aim of this paper is to report on the financial position to 31st August 2015.

Background

The attached report shows that the Board is reporting an outturn of £1.1m in excess of its revenue budget five 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 five 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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Contents

The financial monitoring report contains the following:

Section 1 to 5: Salient Figures

1. General Overview
2. Overall Income and Expenditure Summary
3. Overview of Capital Expenditure
4. Efficiency Programme : Savings Targets
5. Risk

1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	236.6	94.9	94.8	(0.1)
Expenditure	236.6	94.4	95.4	(1.0)
Surplus/(Deficit) for period	-	(0.5)	(0.6)	(1.1)
Capital Expenditure	6.3	0.9	0.9	-

- At 31st August 2015, the Board is reporting a position of £1.1m in excess of budget. Income is under recovered by £0.1m and expenditure is overspent by £1.0m. The overspend on expenditure budgets relates to clinical boards (£0.5m), external healthcare providers (£0.4m) and family health services (£0.2m) offset by a small underspent on corporate services.
- The key points to note in the month five position are:-
 - The adverse variance of £0.1m on income relates to the External Healthcare Purchasers under recovery 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 £0.5m includes a £0.8m pressure within BGH across medical, nursing and supplies budgets. This overspend is being partially offset (£0.3m) by underspends in other Clinical Boards, mainly Primary & Community Services (£0.2m) and Mental Health (£0.1m).
 - The External Healthcare Providers £0.4m 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 and the ECR budget during 2015/16. We have now received the three year rolling average contract information from NHS Lothian for acute services which is the main element of the contract but no actual activity for 2015/16.
 - Under Family Health Services GP prescribing costs are reported as £0.2m overspent, with price data received for the first quarter of the financial year and volume information for the first four months of 2015/16.
- 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 August, the Board has withdrawn efficiency savings of £4.7m from budgets. In terms of recurring savings, £2.6m 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.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	212.1	83.8	83.8	-
Family Health Services (incl non cash ltd)	10.2	4.5	4.5	-
External Healthcare Purchasers	4.5	1.9	1.8	(0.1)
Other	7.5	3.1	3.1	-
Clinical Boards	2.3	1.6	1.6	-
Total Income	236.6	94.9	94.8	(0.1)
Expenditure Resources				
Clinical Boards	129.6	54.3	54.8	(0.5)
External Healthcare Providers	29.2	12.2	12.6	(0.4)
Family Health Services	30.6	13.2	13.4	(0.2)
Corporate Directorates	33.4	13.2	13.1	0.1
Cost of Capital	3.7	1.5	1.5	-
Approved Funding Unallocated	12.3	-	-	-
Unapplied Efficiencies :				
Recurring	(2.6)	-	-	-
Non-recurring	0.4	-	-	-
Total Expenditure	236.6	94.4	95.4	(1.0)
Surplus/(Deficit) for period	-	(0.5)	(0.6)	(1.1)

- The External Healthcare Purchasers income budget is under recovered by £0.1m at the end of August due to reduced activity with Northumberland CCG. The contract for 2015/16 has been signed but at a reduced level of £2.5m compared to £2.85m in 2014/15. Northumberland CCG has implemented a policy to treat patients closer to home which has resulted in a decrease in patient flow to NHS Borders.
- Clinical Boards are overspend by £0.5m with the main pressure being in BGH (£0.8m), offset by under spends in Primary & Community Services and Mental Health. The BGH overspend relates to a number of areas including medical staffing (£302k), nursing (£314k) and supplies (£290k). The staffing overspend is linked to significant levels of high cost medical locums and agency nurses to cover absences and skills gaps. The medical overspend

continues to increase but currently is within the agreed trajectory. Work is ongoing with nursing colleagues to carry out in depth analysis of overspends in pressure areas to put in place actions to address issues and agree a financial trajectory. 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 and ensuring agreed year end positions are achieved will support overall delivery of NHS Borders break even target.

- The external healthcare providers overspend (£0.4m) is linked to UNPAC activity and ECRs. In the case of UNPACs the Board has received actual activity information up until the end of June and ECR activity is based on those referrals which are currently agreed. Due to reporting issues in NHS Lothian NHS Borders have not obtained any actual patient information for 2015/16, although finalised information for the last three years in the form of average activity levels, which is a major part of the contract, has now been received. NHS Lothian has given a commitment that this information will be with NHS Borders by the end of September and if this is not the case the situation will be escalated to senior management in NHS Lothian.
- Family Health Services are overspent by £0.2m at the end of August related to GP prescribing. Volumes are performing as expected with an approximate overall increase of 2% 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 £12.3m. 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
Sources of Funds	
Gross Capital Resource Limit (CRL)	5.9
Income from Property Sales	0.4
Total Capital Resources	6.3
Use of Capital Funds	
Allocated to Approved Schemes	6.3
Uncommitted balance	0.0
Total utilisation of funds for 2015/16	6.3
Expenditure to Date	
Expenditure to 31 st August 2015	0.9
Total Expenditure for 2015/16	6.3
LDP estimated Sale Proceeds currently unrealised	0.1

- 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 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.
- The Board will receive a full capital update at the December Board meeting.

4. Efficiency Programme: Savings Targets

	Target		Delivered			
	Total £000s		Recurring £000s	Non Recurring £000s	Total £000s	Full Year Effect £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 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	-
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 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		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	-
	5,731		1,950	1,827	3,777	-
Total	6,911		2,614	2,047	4,661	-

- 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 £4.7m savings from budgets at the end of August as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at August, £2.6m of recurring savings have been identified and been withdrawn from budgets on a recurring basis.
- Work on releasing the remaining £2.2m 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 this key target carry forward and ringfenced funding will be utilised. The use of these non recurring measures although ensuring the overall target will be achieved will further increase the recurring shortfall on the efficiency target which unless addressed will be carried forward into the new financial year.
- 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 a detailed report on efficiency at each Strategy and Performance Committee. 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. The date for NHS Borders receiving actual information is the end of September. Until data is received this will remain a risk.
- The overspend of £0.5m in the Clinical Boards at the end of August is causing concern, in particular the £0.8m 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.
- The contract for the provision of patient activity between NHS Borders and Northumberland CCG for 2015/16 has now been signed. Northumberland CCG has implemented a “closer to home” policy which will reduce the number of referrals being made to NHS Borders leading to a significantly reduced the 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 to that they do not adversely affect operational budgets.
- It is imperative that the £2.2m 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 imperative that work must be progressed 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.