

Borders NHS Board

FINANCIAL MONITORING REPORT FOR THE ELEVEN MONTH PERIOD TO 29th FEBRUARY 2016

Aim

The aim of this paper is to report on the financial position to 29th February 2016.

Background

The attached report shows that the Board is reporting an outturn of £2.1m in excess of its revenue budget eleven 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. 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 eleven 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

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	239.1	208.5	208.4	(0.1)
Expenditure	239.1	212.9	214.9	(2.0)
Surplus/(Deficit) for period	-	4.4	(6.5)	(2.1)
Capital Expenditure	3.9	3.0	3.0	0-

- At 29th February 2016, the Board is reporting a position of £2.1m in excess of budget. Income is under recovered by £0.1m and expenditure is overspent by £2.0m. The overspend on expenditure budgets relates to clinical boards (£2.3m), external healthcare providers (£1.3m) and family health services (£1.0m) offset by a small underspend on corporate services and the utilisation of approved funding unallocated.
- The key points to note in the month eleven position are:-
 - The adverse variance of £0.1m on income mainly relates to an under recovery on External Healthcare Purchasers (£0.3m) as a result of reduced activity with Northumberland CCG offset by an over recovery on other income.
 - The overall Clinical Board overspend of £2.3m includes a £2.7m pressure within BGH across medical, nursing and supplies budgets. This overspend is being partially offset by underspends in other Clinical Boards, mainly Primary and Community Services and Mental Health.
 - The External Healthcare Providers £1.3m 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, the ECR budget, and out of area treatments (OATS). No actual activity information for 2015/16 for NHS Lothian acute service level agreement has been received. Due to the timescale NHS Borders have formally notified NHS Lothian that any over activity related to 2015/16 will not be chargeable.
 - Under Family Health Services GP prescribing costs are reported as £1.0m overspent, with price data received for the first nine months of the financial year and volume information for the first ten months of 2015/16. Although activity levels were higher than predicted in December they are still broadly as anticipated however there has been a continuing increase in the overall price 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 February, the Board has withdrawn

efficiency savings of £6.5m from budgets. It is imperative that the remaining £0.4m is released during March. In terms of recurring savings, £2.8m has been released from budgets with a full year effect of a further £0.2m against a target of £5.2m. Due to a number of schemes releasing resources at the end of the financial year it is anticipated that a recurring deficit on savings of £1.7m will be carried into 2016/17.

- 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 progression of clear and understood actions to contain the reported financial pressures and through continued robust and proactive management of operational budgets. The Board's contingency funds and slippage on local delivery plan developments is currently being utilised to ensure that a break even out turn can be achieved.

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	213.6	186.5	186.5	-
Family Health Services (incl non cash ltd)	10.1	7.6	7.6	-
External Healthcare Purchasers	4.5	4.2	3.9	(0.3)
Other	7.8	7.4	7.6	0.2
Clinical Boards	3.1	2.8	2.8	-
Total Income	239.1	208.5	208.4	(0.1)
Expenditure Resources				
Clinical Boards	132.0	120.9	123.2	(2.3)
External Healthcare Providers	29.8	27.3	28.6	(1.3)
Family Health Services	31.1	28.0	29.0	(1.0)
Corporate Directorates	34.6	31.1	30.7	0.4
Cost of Capital	3.7	3.4	3.4	-
Approved Funding Unallocated	8.3	2.2	-	2.2
Unapplied Efficiencies :				
Recurring	(2.3)	-	-	-
Non-recurring	1.9	-	-	-
Total Expenditure	239.1	212.9	214.9	(2.0)
Surplus/(Deficit) for period	-	4.4	(6.5)	(2.1)

- The External Healthcare Purchasers income budget is under recovered by £0.3m at the end of February due to reduced activity with Northumberland CCG. There has been a decrease in contract value for 2015/16 and a reduction in actual activity as Northumberland CCG continues to implement their policy to treat patients closer to home. Other income is over recovered by £0.2m in relation to services provided to organisations outwith the NHS mainly occupational health and laundry.
- Clinical Boards are overspent by £2.3m overall with the main pressure being in BGH (£2.7m), offset by under spends in Primary and Community Services and Mental Health. The BGH overspend relates to a number of areas including medical staffing (£1,008k), nursing (£850k) and supplies including instruments (£211k), laboratory reagents (£160k) and equipment (£270k). In

the case of medical staffing the overspend remains within the agreed trajectory. The nursing overspend has increased in the month by £172k due to the increased usage of supplementary nurses to cover staffing gaps, additional surge beds and increased patient dependency. In the case of supplies the overspend continues in a number of areas including instruments in theatre due to the type of implant used in certain procedures, increased activity in laboratory leading to higher reagent costs and continued use of specialist beds. As part of the efficiency programme for 2016/17 a detailed review of supplies starting with the areas mentioned above is to be undertaken.

- The external healthcare providers overspend (£1.3m) is linked to UNPAC activity, NHS Lothian OATS and ECRs. Due to reporting issues no actual patient information for the NHS Lothian acute contract for 2015/16 has been issued, although finalised information for the last three years in the form of average activity levels, which is a major part of the contract, has been received. As a result of this NHS Borders has informed NHS Lothian that the Board will not pay for any increased charge related to additional acute activity for 2015/16.
- Family Health Services are overspent by £1.0m at the end of February related to GP prescribing. Volumes are performing as expected with an approximate overall increase of 1.8% 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 £8.3m. This consists of the Board's contingency funding, the uncommitted balance on 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 area will be regularly reviewed to identify slippage, due to delay in the start date of schemes to ensure an overall break even outturn. To date £2.2m has been utilised to support NHS Borders overall financial position to the end of February.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	3.8
Net Book Value of Property Sales	0.1
Total Capital Resources	3.9
Use of Capital Funds	
Allocated to Approved Schemes	3.9
Uncommitted balance	0.0
Total utilisation of funds for 2015/16	3.9
Expenditure to Date	
Expenditure to 31st January 2016	3.0
Total Expenditure for 2015/16	3.9
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.
- Working with Scottish Government to support the overall NHS Scotland capital programme and to reflect the timing of local schemes the capital resource limit for 2015/16 has been reduced by £2.4m. These funds will supplement NHS Borders capital allocation 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, Medical Equipment purchases and expenditure linked to the rolling programmes and backlog maintenance.

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		-	8	8	-
Lothian O&G Activity	125		-	-	-	-
Residencies	40		40	-	40	20
Medical	50		-	63	63	-
ASDU	20		-	-	-	-
	300		40	71	111	20
<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		-	712	712	-
Management Costs	100		-	148	148	-
Prescribing Discount	100		-	100	100	-
Suspend Clinical Excellence	500		-	500	500	-
Estates Rationalisation	240		21	346	367	-
AHP Other	30		-	-	-	-
OT & Dietetics	100		-	100	100	-
Full Year Effect	400		417	10	427	10
Travel – Reduced Mileage Rates	255		-	255	255	-
Leased Cars – New Policy	50		14	-	14	4
Non Pay Efficiency	586		586	48	634	-
Reduction in Management Posts	150		21	-	21	67
Nursing Rostering / Skill Mix Shifts	100		8	-	8	16
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		-	43	43	-
Reduce Non SS Admin by 10%	500		103	-	103	80
National Risk Sharing	250		-	250	250	-
Income Generation	200		-	-	-	-
Ring Fenced Allocations Target	200		-	473	473	-
Procurement	50		-	-	-	-
Podiatry – P&B	-		11	-	11	-
Review of Activity	-		-	104	104	-
Review of Balance Sheet	-		-	285	285	-
	5,731		2,111	3,374	5,485	177
Total	6,911		2,815	3,665	6,480	197

- 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 £6.5m savings from budgets at the end of February as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at February, £2.8m of recurring savings have been identified and been withdrawn from budgets. In addition to the £2.8m recurring saving withdrawn from budgets a further £0.2m full year effect has been achieved.
- Work is ongoing in a number of areas where it is anticipated resources will be released at the end of the financial year.
- Work on releasing the remaining £0.4m of the required efficiency target must be a high priority for the organisation to ensure financial balance at the end of 2015/16.
- 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 has been utilised. The use of these non recurring measures although ensuring the overall target will be achieved means NHS Borders will be entering 2016/17 with an anticipated recurring deficit of £1.7m.
- The Board receives updates on efficiency outwith the Board meeting on the work to address this challenge. The Financial Position Oversight Group, a Sub Committee of the Audit Committee, continues to focus on efficiency and its delivery, supporting the organisation with this key target.

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. Although formal notice has been given on payments for 2015/16 the impact of currently unknown activity levels this year on this contract remain a future risk.
- The overspend of £2.3m in the Clinical Boards at the end of February is causing concern, in particular the £2.7m 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 is become increasingly challenging in relation to nursing budgets due to the increased staffing requirement in relation to surge beds and patient dependency.
- Northumberland CCG has implemented a “closer to home” policy which will reduce the number of referrals being made to NHS Borders leading to a reduced the level of patient income being received in 2015/16 and a significant reduction in 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 £0.4m of outstanding efficiency schemes are achieved in order to ensure that NHS Borders can breakeven.
- Due to the normal time delay in processing a number of months of GP prescribing information remain outstanding. . Due to the volatility of prescribing expenditure over the last few years, this continues to be an area of risk.