

Borders NHS Board



## FINANCIAL MONITORING REPORT FOR THE NINE MONTH PERIOD TO 31<sup>st</sup> DECEMBER 2015

### Aim

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

### Background

The attached report shows that the Board is reporting an outturn of £2.4m in excess of its revenue budget nine months into the financial year. The Board's financial plan delivers a breakeven outturn for financial year 2015/16 and based on the information currently available at the end of December 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 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 the first nine 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, Procurement, Estates & Facilities		

**Author(s)**

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

## **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	238.6	170.2	170.1	(0.1)
Expenditure	238.6	173.0	175.3	(2.3)
<b>Surplus/(Deficit) for period</b>	-	<b>2.8</b>	<b>(5.2)</b>	<b>(2.4)</b>
<b>Capital Expenditure</b>	<b>3.8</b>	<b>2.8</b>	<b>2.8</b>	-

- At 31st December 2015, the Board is reporting a position of £2.4m in excess of budget. Income is under recovered by £0.1m and expenditure is overspent by £2.3m. The overspend on expenditure budgets relates to clinical boards (£1.7m), external healthcare providers (£1.0m) and family health services (£0.7m) offset by a small under spend on corporate services.
- The key points to note in the month nine position are:-
  - The adverse variance of £0.1m masks the under recovery on External Healthcare Purchasers of £0.3m as a result of the continued reduction in patient activity from Northumberland CCG. This under recovery is offset by an over recovery of £0.2m on other income.
  - The overall Clinical Board overspend of £1.7m includes a £2.0m pressure within BGH across medical (£721k), nursing (£548k) and supplies budgets (£890k). The medical staffing overspend is predominately related to the use of high cost agency staff to cover gaps. The nursing is as a result of additional staff requirements in both agency and bank staff to cover surge beds, staff absence and patient dependency. Supplies overspending mainly relates to theatre instruments, diagnostic supplies and drugs. The BGH overspend is being partially offset by underspends in Primary and Community Services and Mental Health.
  - The External Healthcare Providers £1.0m overspend is based on actual patient activity received to date and projected information where there is a time lag in receiving activity. The main pressure areas continue to be UNPACS and the ECR budget. In addition in December NHS Borders was informed of an Out of Areas (OATs) emergency treatment at a cost of £66k. As no actual activity information for 2015/16 for the NHS Lothian acute service agreement has been received to date this remains an area of risk. This has been formally raised with NHS Lothian.
  - Under Family Health Services GP prescribing costs are reported as £0.7m overspent, with price data received for the first seven months of the financial year and volume information for the first eight months of

2015/16. Activity levels are 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 December, the Board has withdrawn efficiency savings of £5.7m from budgets. In terms of recurring savings, £2.8m 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 developments 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	213.4	151.6	151.6	-
Family Health Services (incl non cash ltd)	10.1	6.9	6.9	-
External Healthcare Purchasers	4.5	3.4	3.1	(0.3)
Other	7.8	6.1	6.3	0.2
Clinical Boards	2.8	2.2	2.2	-
<b>Total Income</b>	<b>238.6</b>	<b>170.2</b>	<b>170.1</b>	<b>(0.1)</b>
<b>Expenditure Resources</b>				
Clinical Boards	131.5	98.4	100.1	(1.7)
External Healthcare Providers	29.7	22.3	23.3	(1.0)
Family Health Services	31.1	23.6	24.3	(0.7)
Corporate Directorates	34.4	25.1	24.8	0.3
Cost of Capital	3.7	2.8	2.8	-
Approved Funding Unallocated	9.4	0.8	-	0.8
Unapplied Efficiencies :				
Recurring	(2.3)			
Non-recurring	1.1			
<b>Total Expenditure</b>	<b>238.6</b>	<b>173.0</b>	<b>175.3</b>	<b>(2.3)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>2.8</b>	<b>(5.2)</b>	<b>(2.4)</b>

- The External Healthcare Purchasers income budget is under recovered by £0.3m at the end of December due to reduced patient activity from Northumberland CCG, which continues to implement a 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 in occupational health and laundry.
- Clinical Boards are overspent by £1.7m overall with the main pressure being in BGH (£2.0m), offset by under spends in Primary and Community Services and Mental Health. The BGH overspend relates to a number of areas

including medical staffing (£721k), nursing (£548k) and supplies (£890k). The staffing overspend is linked to significant levels of high cost medical locums and agency and bank nurses to cover absences, surge beds, and increased patient dependency. In the case of medical staffing the overspend remains within the agreed trajectory. Work is ongoing with nursing colleagues to ensure all additional expenditure is necessary. Finance and procurement staff continue to work closely with services to review supplies expenditure. There continues to be overspends in diagnostic supplies (£131k) and drugs costs (£200k) related to increased activity and instruments and sundries (£254k) due to the use of high cost implants.

- The external healthcare providers overspend (£1.0m) is linked to UNPAC, ECRs and a new pressure in OATs. Due to changes to data collection in NHS Lothian, NHS Borders has not received any actual patient information for the acute contract 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 been received. This has been formally raised with NHS Lothian.
- Within the Family Health Services GP prescribing costs are overspent by £0.7m at the end of December. Volumes are as expected with an overall increase of 1.8% over 2014/15 levels, however the movement month on month is volatile. Price continues to be an issue due to the global shortage of certain drugs. This area is being closely monitored by the Medicines Resource Group (MRG) in order that any recurrent issues can be highlighted and appropriate action taken where possible. Work is ongoing nationally in this area.
- Corporate directorates continue to underspend due to vacant posts.
- The level of approved funding unallocated is £9.4m. This consists of the Boards contingency funding, the balance of the currently uncommitted integrated care fund and the new medicines fund and developments approved through the LDP process and ring fenced allocations which have not yet been factored into operational budgets. This area is regularly reviewed to identify resources which can be utilised to support NHS Borders overall financial position. As at the end of December £0.8m of resource has been earmarked to support the position.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	3.5
Net Book Value of Property Sales	0.3
<b>Total Capital Resources</b>	<b>3.8</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	3.8
Uncommitted balance	0.0
<b>Total utilisation of funds for 2015/16</b>	<b>3.8</b>
<b>Expenditure to Date</b>	
Expenditure to 31st December 2015	2.8
<b>Total Expenditure for 2015/16</b>	<b>3.8</b>
<b>LDP estimated Sale Proceeds currently unrealised</b>	<b>0.1</b>

- 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, rolling programme expenditure on estates and back log maintenance and Medical Equipment purchases.



#### 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		-	548	548	-
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		417	10	427	10
Travel – Reduced Mileage Rates	255		-	255	255	-
Leased Cars – New Policy	50		14	-	14	4
Non Pay Efficiency	586		586	-	586	-
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		-	235	235	-
Procurement	50		-	-	-	-
Podiatry – P&B	-		11	-	11	-
Review of Activity	-		-	104	104	-
Review of Balance Sheet	-		-	116	116	-
	<b>5,731</b>		<b>2,111</b>	<b>2,599</b>	<b>4,710</b>	<b>177</b>
<b>Total</b>	<b>6,911</b>		<b>2,815</b>	<b>2,890</b>	<b>5,705</b>	<b>197</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 £5.7m savings from budgets at the end of December as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £5.2m in 2015/16. As at December, £2.8m of recurring savings have been identified and been withdrawn from budgets on a recurring basis.
- 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 recurring savings schemes to address this issue. At the end of December the shortfall on recurring savings is £2.4m and it is estimated that this shortfall will be £1.7m at the year end. This shortfall will be carried forward into the new financial year and increase the financial challenge in 2016/17.
- The Board needs to increase its focus on delivering efficiency opportunities as the financial outlook continues to be challenging.
- Sessions have been and will continue to be held to ensure clinical engagement in the efficiency programme for 2015/16 and 2016/17 onwards. 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. The Clinical Executive Strategy Group has designated part of its agenda to address the financial challenge facing the organisation.

## 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 and this remains a risk.
- The overspend of £1.7m in the Clinical Boards at the end of December is causing concern, in particular the £2.0m 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 increasingly challenging as we move through the winter months.
- Northumberland CCG has implemented a “closer to home” policy which is reducing the number of referrals being made to NHS Borders leading to a significantly reduced 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 and they do not adversely affect operational budgets.
- It is imperative that the £1.2m 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 non recurring 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.
- Due to the normal time delay in processing prescriptions a significant amount of information remains outstanding and global prices for certain drugs continue to unpredictable. Due to the volatility of prescribing expenditure over the last few years, this continues to be an area of risk.