

Borders NHS Board



FINANCE REPORT FOR THE ONE MONTH PERIOD TO 30th APRIL 2016

Aim

The purpose of this report is to advise the Board of the financial position as at 30th April 2016. The Board is asked to note the new format of the finance report which has been introduced on a trial basis pending feedback.

Executive Summary

The Board are asked to note the following key points:

- At the end of April 2016 the Board is reporting an overspend position of £0.5m on revenue and break even on capital.
- The financial position at the end of month one is giving cause for concern and it is vital that the overspend reported is managed as a break even outturn on revenue is required.
- The main pressure areas are nursing and medical costs in the BGH and external health care providers.
- NHS Borders has set aside contingency funds in 2016/17 of £2m. This has not been factored into the financial position.
- Corrective action is required to address the financial pressures and recover the overspend experienced in April.
- The Board has a challenging savings target of £11.4m, (£8.7m recurring and £2.7m non recurring) for financial year 2016/17 and at the end of month one £3.3m has been withdrawn from operational budgets.

Recommendation

The Board is asked to **note** the report and consider:

- The current financial position.

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
Carol Gillie	Director of Finance, Procurement, Estates & Facilities		

Author(s)

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Janice Cockburn	Deputy Director of Finance		

Contents

The financial monitoring report contains the following:

Section:

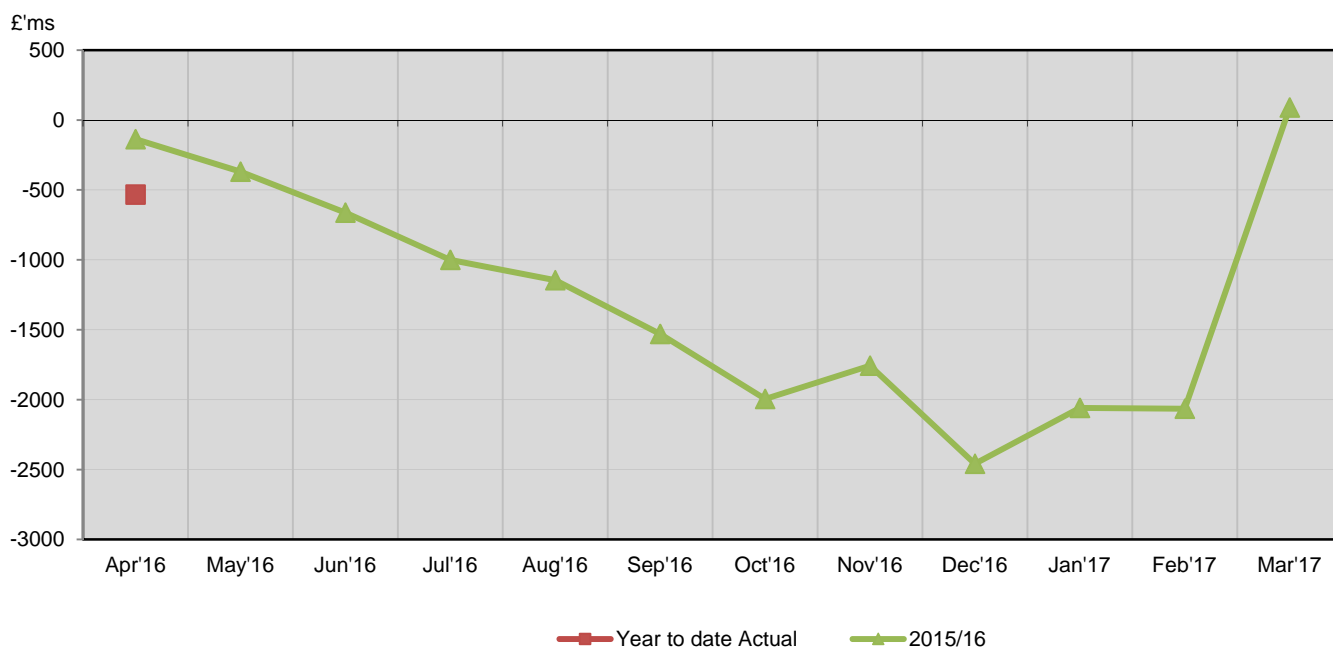
1. General Overview
2. Overall Income and Expenditure Summary
3. Overview of Capital Expenditure
4. Efficiency Programme : Savings Targets
5. Risk

Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	240.6	16.4	16.4	-
Expenditure	240.6	19.1	19.6	(0.5)
Surplus/(Deficit) for Period	-	2.7	(3.2)	(0.5)
Capital Expenditure	7.1	0.4	0.4	-

- At 30th April 2016 the Board is reporting an overall position of £0.5m overspent. This position includes a break even position on income budgets and an overspend on expenditure budgets, comprising Acute Services (£0.4) and External Healthcare Providers (£0.1m). GP prescribing costs are reported as break even due to the limited information currently available.
- The graph below compares the level of revenue overspend month by month during 2016/17 with the previous financial year.

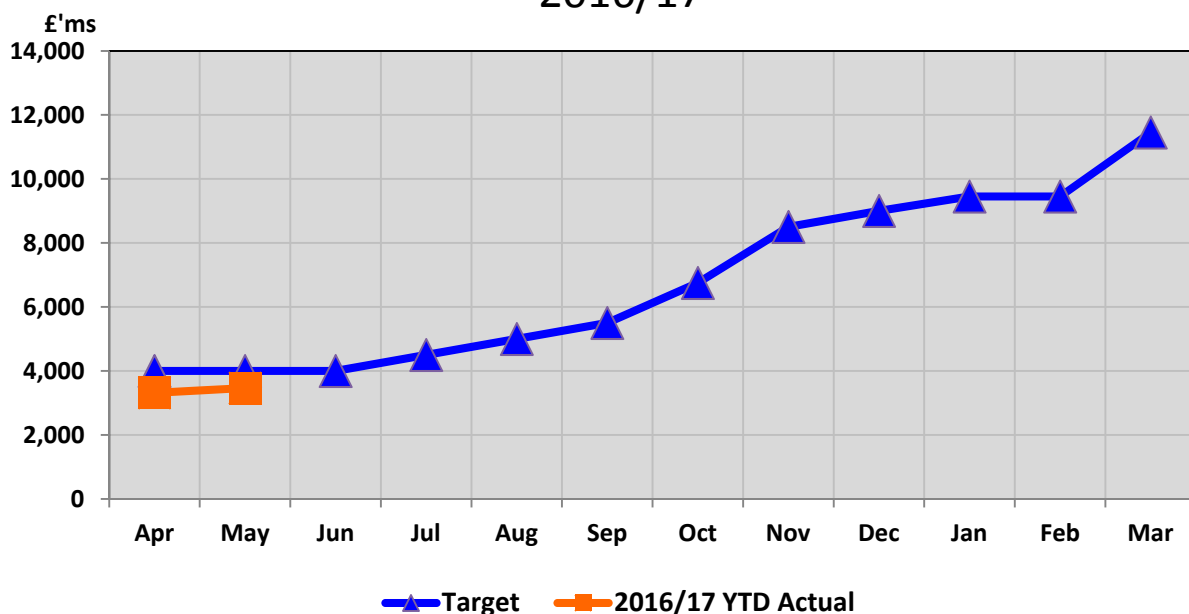
**Financial Performance Revenue Overspend
2016/17 Compared with 2015/16**



- The financial position at the end of month one at £0.5m overspent is significantly higher than for the same period last financial year. This reflects the increased level of operational overspend particularly in the BGH linked to nursing budgets.

- The key points to note in the month one position are:-
 - Income is currently reported as break even. This position assumes a level of income of £2m from Northumberland CCG which is reduced from 2015/16 but is the provisionally agreed contract sum.
 - The Acute Services are overspent by £0.4m which is mainly within BGH. This overspend primarily relates to medical and nurse staffing budgets.
 - External Healthcare Providers are £0.1m overspent. Currently this position is based on projected activity due to the time lag in receiving actual information.
 - Currently the IJB directed services are reporting a break even position. However GP prescribing costs have been reported as break even at month one as limited information is available due to the normal time lag in the processing of national data.
- The Board has set aside contingency funds of £2m for 2016/17. The reported position as at month one does not take into account the contingency funds.
- The graph below highlights the actual delivery of total efficiency month on month compared with the trajectory submitted as part of the local delivery plan.

Efficiency Trajectory 2016/17



- As at the end of April £3.3m has been withdrawn from operational budgets, this is slightly below the trajectory agreed with SGHSCD.
- The Board approved a balanced financial plan for 2016/17 which assumes a breakeven outturn on revenue budgets and achievement in full of the challenging £11.4m of efficiency savings target. The Board requires to make savings of £8.7m recurrently and £2.7m non recurrently. Currently the Board has an agreed efficiency

plan which meets in full the £11.4m savings target, but has an imbalance between the recurring and non recurring requirement. The majority of efficiency schemes remain high risk.

- The level of overspend in revenue budgets and the below trajectory delivery of the efficiency target is giving cause for concern at the end of month one. Proactive action is required to address the operational financial pressures and increase delivery on efficiency.

Section 2: Overall Income and Expenditure Summary

Delegation of functions and provision of resources to the Integration Joint Board (IJB)

- In line with the Public Bodies (Joint Working) (Scotland) Act 2014 the integration joint board (IJB) became a fully functioning legal entity on the 1st April 2016. In line with the legislation as agreed at the Board meeting on the 7th April 2016 the table below details the amount of resource the Board provided to the IJB for the functions it delegated to it.
- The level of resources NHS Borders received from the IJB as per the directions issued by the IJB is in line with the resources provided to the IJB for the delegated functions excluding the social care fund.

	Annual Budget £m
Provision of Resource to IJB for Delegated Functions	
IJB Delegated Functions	92.6
Set Aside Budgets	18.1
Total	110.7
Income from IJB to Deliver Services as Directed	
Learning Disability	3.6
Mental Health	14.0
GMS	16.9
GP Prescribing	22.5
Non Cash Limited	5.5
Generic- Other	24.8
Set Aside	18.1
Total	105.4

The resources received from the IJB are included in NHS Borders operational budgets. The table below reports on the operational budgets in total including the resources directed from the IJB.

Operational Income and Expenditure Budgets

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	193.6	12.5	12.5	-
Scottish Government (additional allocations)	23.9	2.0	2.0	-
Family Health Services (incl Non Cash Ltd)	10.2	0.8	0.8	-
External Healthcare Purchasers	3.8	0.1	0.1	-
Other	7.3	0.7	0.7	-
Clinical Boards	1.8	0.3	0.3	-
Total Income	240.6	16.4	16.4	-
Expenditure Resources				
Acute Services	80.0	6.9	7.3	(0.4)
External Healthcare Providers	24.6	2.0	2.1	(0.1)
IJB Directed Services (including efficiencies)	87.3	7.2	7.2	-
Corporate Directorates	31.8	2.7	2.7	-
Cost of Capital	3.7	0.3	0.3	-
Approved Funding Unallocated	13.0	-	-	-
Non IJB Unapplied Efficiencies:				
Recurring	(4.1)			
Non-Recurring	(1.0)			
IJB Social Care Fund (not yet transferred)	5.3			
Total Expenditure	240.6	19.1	19.6	(0.5)
Surplus/(Deficit) for period	-	2.7	(3.2)	(0.5)

Income Resources

- The SGHSCD allocations shown in the report are in line with the agreed baseline allocation and an estimate of the anticipated allocations expected to be received. .
- Currently overall the income budgets are being reported as break even at the end of month one. The main element of External Healthcare Purchasers income budget is related to NHS Borders contract (not yet finalised) with Northumberland CCG (£2.0m) which is a reduction on the level of income received in 2015/16. This reduction is as a result of Northumberland CCG policy to treat patients closer to home.

Expenditure Resources

- Acute Services are reporting an overspend of £0.4m with the main pressure being BGH medical staffing (£0.1m) and nursing budgets (£0.3m). The medical overspend is in relation to locum costs for absence cover, particularly in anaesthetics, accident and emergency and general medicine. Concerningly nursing budgets have overspent in April (£0.3m) due to the use of agency and bank staff linked to patient dependency and the requirement to open surge beds. Work is ongoing in both the medical oversight group and the newly formed nursing oversight group to ensure that all options for covering staffing requirements are being explored prior to supplementary staffing being used. Action plans have been requested on how the pressures will be addressed and the April overspend recovered.

- The reported overspend (£0.1m) on external healthcare providers is largely based on projected activity as at present little actual data has been received by the Board. Based on this the areas of overspend are similar to 2015/16 namely UNPAC's and ECRs.
- Currently the IJB directed services, excluding the set aside budgets which are included in acute services, are reported as break even. However this position should be treated with a degree of caution. Included in this heading is GP prescribing which is currently reported as breakeven. In line with normal timescales no information is available for the new financial year. Although significant investment has been made in prescribing budgets, due to the ongoing volatility of drug prices related to short supply, this remains an area of risk.
- The level of approved funding unallocated is £13m. This consists of the Board's contingency funds, funding for items approved through the LDP process and ring fenced allocations not yet in operational budgets.

Section 3 : Overview of Capital

Source of Funds

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	7.0
Net Book Value of Property Sales (not yet realised)	0.1
Total Capital Resources	7.1

- NHS Borders formula capital allocation for 2016/17 of £2.4m has been supplemented by additional funding of £3.1m in relation to reinstatement of slippage from previous years and £1.5m of Primary and Community Development funding.
- NHS Borders is awaiting confirmation from SGHSCD that sales proceeds if realised during the financial year can be utilised to supplement the capital programme.
- Capital resources from charitable funds linked to the children's are not included in the above table as they are not part of NHS Borders designated capital resource limit.

Capital Expenditure

	Plan £m	Actual To Date £m	
Community Health Centres & Primary Care	3.6	0.1	
Mental Health Services	0.5	0.2	
IM&T	0.2	-	
Medical & Radiology Equipment	0.1	-	
Estates & Facilities (including Theatre Ventilation Replacement)	2.0	0.1	
Other (including Feasibility Works)	0.4	-	
Uncommitted	0.2	-	
Uncommitted - dependent on sale proceeds	0.1		
Total	7.1	0.4	

- Expenditure during month one has been minimal with the main areas of expenditure relating to the final phase of works at Melburn Lodge and progress to tender stage for the Theatre Ventilation project.

Section 4 : Efficiency Programme - Savings Targets

	Target	Delivered				Full Year Effect/ Year End £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s		
Corporate Services Challenge	567	567	-	567		-
Acute Services	6,645	815	720	1,535		-
IJB	4,239	933	280	1,213		-
TOTAL	11,451	2,315	1,000	3,315		-

- In 2016/17 the overall efficiency target is £11.4m. This level of efficiency will prove challenging for NHS Borders but full achievement of this target is a major element in determining whether a balanced out-turn for 2016/17 will be achieved.
- While overall NHS Borders has an agreed plan which equates to £11.4m. There is an imbalance between the planned and required levels of recurring and non recurring savings.
- In order to achieve a balanced efficiency plan in both recurring and non recurring terms NHS Borders must achieve £8.7m recurring saving and £2.7m non recurring savings. Currently there is a shortfall of £1.1m recurrently in the efficiency plan offset by additional non recurring savings. Work is ongoing to try and address this imbalance.
- As at month one NHS Borders has withdrawn £3.3m. This figure is broken down into savings withdrawn for IJB directed services £1.2m, Acute Services £1.5m and Corporate Services £0.6m.
- While good progress has been made in the achievement of savings in month one it is anticipated that the rate of delivery will become more challenging in the coming months. The majority of efficiency programme is rated high risk and this level has not reduced significantly in recent weeks. Therefore it is imperative that the organisation remains focused on this challenging target in order that NHS Borders can achieve an overall break even outturn.
- The Board will receive a more detailed update on efficiency at each Strategy and Performance Committee.

Section 5 : Risk

- This section highlights to the Board the key risks currently facing the organisation in achieving its financial targets for 2016/17.
- The Acute Services are overspent by £0.4m at the end of month one. If the level and causes of the overspend are not addressed and appropriate action taken this will become a major risk to NHS Borders ability to break even.
- Due to the unpredictability of external health providers expenditure particularly around UNPAC's, OATS and ECR's this could be a risk in coming months for the Board.
- The size of efficiency challenge for NHS Borders is unprecedented in recent times. In addition the majority of the 2016/17 efficiency programme is rated high risk. Without full delivery of this efficiency target the achievement of a break even position at the year end is at risk.
- There is shortfall on the recurring efficiency target of £1.1m which will be carried into 2017/18 and will increase the level of the challenge unless addressed.
- As part of the financial plan for 2016/17 the Board approved a significant uplift to GP prescribing budgets. Due to the volatility of prescribing expenditure over the last few years, this continues to be an area of risk.

Glossary of Terms:

SGHSCD	- Scottish Government Health and Social Care Department
LDP	- Local Delivery Plan
IJB	- Integration Joint Board
RRL	- Revenue Resource Limit
CRL	- Capital Resource Limit
UNPACS	- Unplanned Activity
SLA	- Service Level Agreement
ECR	- Extra Contractual Referrals
OATS	- Out of Area Treatments
CCG	- Clinical Commissioning Group