

Borders NHS Board



## **FINANCE REPORT FOR THE THREE MONTH PERIOD TO 30th JUNE 2016**

### **Aim**

The purpose of this report is to advise the Board of the financial position as at 30<sup>th</sup> June 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 June 2016 the Board is reporting an overspend position of £1.7m on revenue and break even on capital.
- The financial position at the end of month three is giving cause for concern. It is vital that the financial overspend reported in the first three months of the year does not continue as this rate of spending is not financially sustainable.
- The main pressure areas are nursing and medical costs in the BGH, IJB Directed Services and external health care providers.
- Immediate corrective action is required to address the financial pressures and recover the financial overspend experienced to date.
- 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(£8.7m recurring and £2.7m non recurring) for financial year 2016/17 and at the end of month three £3.5m has been withdrawn from operational budgets.
- NHS Borders has set aside contingency funds in 2016/17 of £2m. This has not been factored into the financial position.

### **Recommendation**

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

- The current financial position.

<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</b>	Compliant

<b>requirements on Equality and Diversity</b>	
<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)**

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Janice Cockburn	Deputy Director of Finance		

## **Contents**

The financial monitoring report contains the following:

### **Section:**

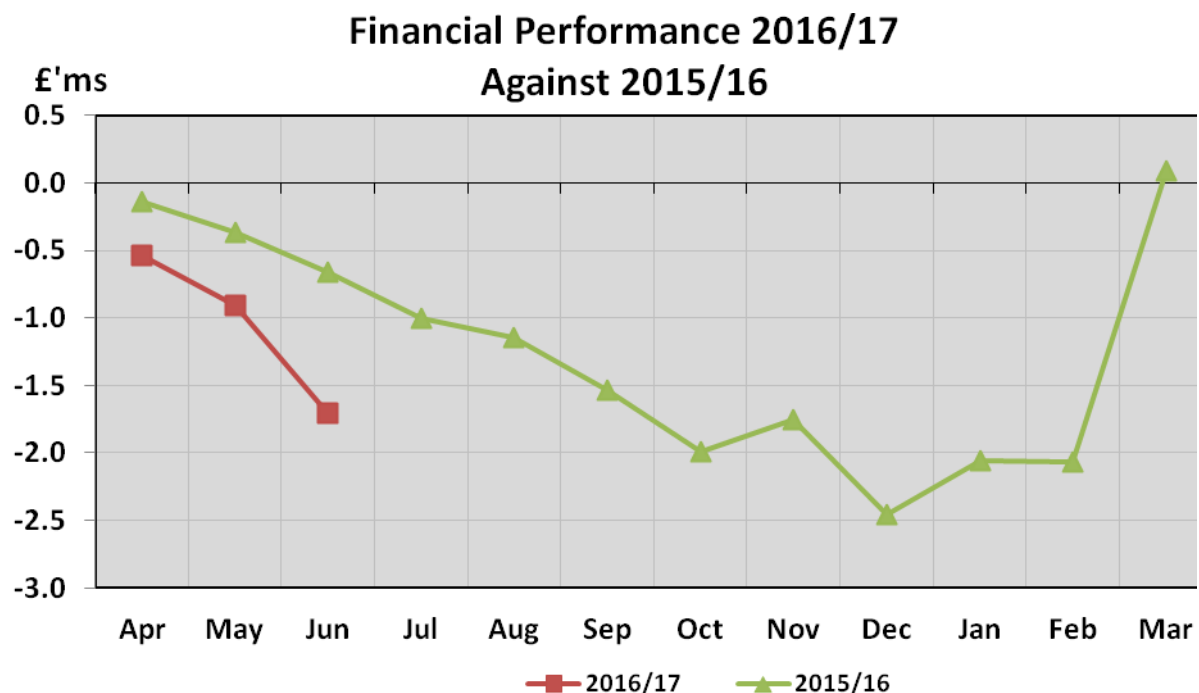
1. General Overview
2. Overall Income and Expenditure Summary
3. Overview of Capital Expenditure
4. Efficiency Programme : Savings Targets
5. Risk

## Section 1: General Overview

- The key points to note at the month three position are detailed below.

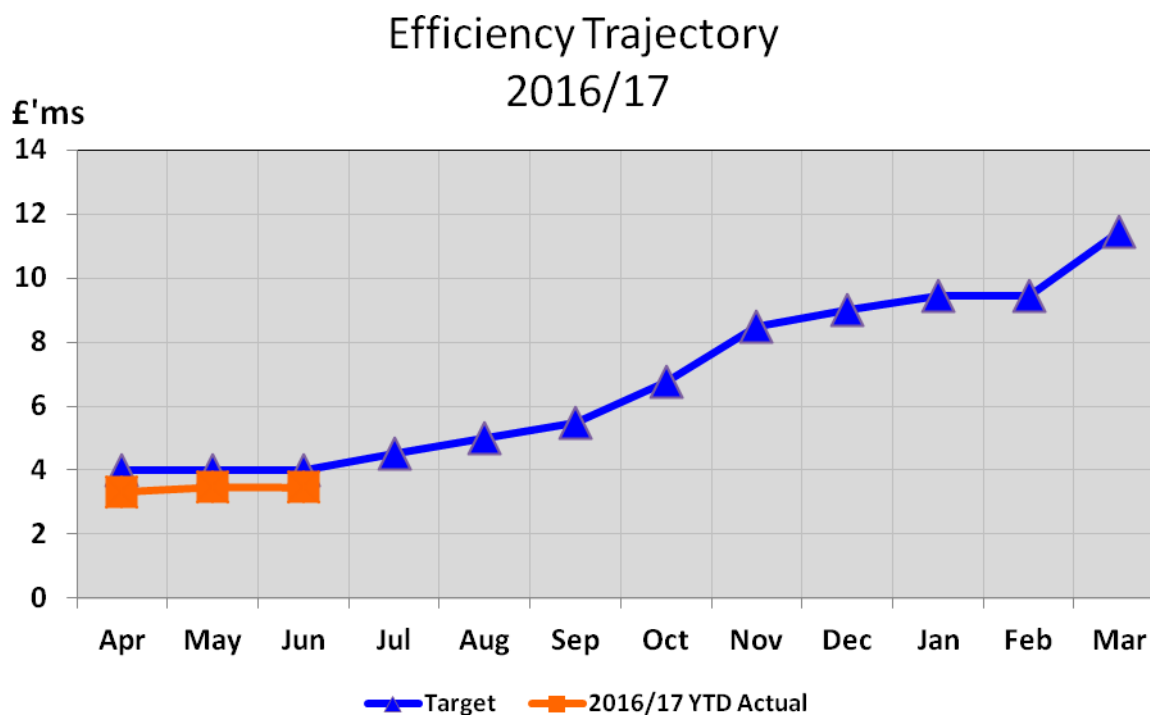
	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	(240.6)	(56.8)	(56.8)	0
Expenditure	240.6	58.1	59.8	(1.7)
<b>Surplus/(Deficit) for Period</b>	<b>0</b>	<b>1.3</b>	<b>(3.0)</b>	<b>(1.7)</b>
<b>Capital Expenditure</b>	<b>7.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0</b>

- At 30<sup>th</sup> June 2016 the Board is reporting an overall position of £1.7m overspent. This includes a break even position on income budgets and an overspend on expenditure budgets, comprising Acute Services (£1.3m), IJB Directed Services (£0.2m), and External Healthcare Providers (£0.2m).
- The graph below compares the level of revenue overspend month by month during 2016/17 with the previous financial year.



- The financial position at the end of month three at £1.7m overspent is significantly higher than for the same period last financial year. This reflects the increased level of operational overspend this financial year particularly in the BGH linked to nursing budgets.

- 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, however this figure remains provisional at this time.
- External Healthcare Providers are £0.2m overspent. Currently this position is based on projected activity due to the time delay in receiving actual information.
- Within IJB Directed Services, GP prescribing costs are reporting an overspend (£0.1m). This projected position is based on limited actual information due to the normal time delay in processing prescriptions. In addition linked to patient flow flex beds (£0.1m) have been commissioned for which funding has not been identified.
- The Board has set aside contingency funds of £2m for 2016/17. The reported position as at month three 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.



- As at the end of June £3.5m efficiencies have been withdrawn from operational budgets, which 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. Although good progress has been made in the first three months of the financial year the majority of the remaining schemes continue to be financially high risk.

## 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 1<sup>st</sup> April 2016. In line with the legislation as agreed at the Board meeting on the 7<sup>th</sup> 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.

	<b>Annual Budget £m</b>
<b>Provision of Resource to IJB for Delegated Functions</b>	
IJB Delegated Functions	92.6
Set Aside Budgets	18.1
<b>Total</b>	<b>110.7</b>
<b>Income from IJB to Deliver Services as Directed</b>	
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 Budgets	18.1
<b>Total</b>	<b>105.4</b>

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
<b>Income Resources</b>				
SGHSCD (as per LDP)	217.9	50.4	50.4	-
SGHSCD (additional to LDP)				-
Family Health Services (incl Non Cash Ltd)	10.2	2.5	2.5	-
External Healthcare Purchasers	3.8	0.9	0.9	-
Other	7.6	2.7	2.7	-
Clinical Boards	1.1	0.3	0.3	-
<b>Total Income</b>	<b>240.6</b>	<b>56.8</b>	<b>56.8</b>	
<b>Expenditure Resources</b>				
Acute Services	81.2	21.0	22.3	(1.3)
External Healthcare Providers	24.4	6.1	6.3	(0.2)
IJB Directed Services (including efficiencies)	87.3	22.2	22.4	(0.2)
Corporate Directorates	32.2	7.9	7.9	-
Cost of Capital	3.7	0.9	0.9	-
Approved Funding Unallocated	11.5	-	-	-
Non IJB Unapplied Efficiencies:				
Recurring	(4.0)			
Non-Recurring	(1.0)			
IJB Social Care Fund (not yet transferred)	5.3			
<b>Total Expenditure</b>	<b>240.6</b>	<b>58.1</b>	<b>59.8</b>	<b>(1.7)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>1.3</b>	<b>(3.0)</b>	<b>(1.7)</b>

### 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 three. 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, including set aside budgets, are reporting an overspend of £1.3m with the main pressure being BGH medical staffing (£0.5m), nursing budgets (£0.6m) and supplies costs (£0.1m) in the main in unscheduled care (set aside budgets). Due to the measures put in place to cover medical absences and vacancies the medical overspend is in line with trajectory. In the case of nursing, costs are linked to patient dependency, the requirement to open additional beds due to activity levels and the impact of delayed discharges. The increased activity and acuity of patients has also impacted on the supplies budgets. Increased scrutiny of the areas of

nursing overspend are now place which will establish agreed actions to address the overspending trend.

- The reported overspend (£0.2m) 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.
- IJB Directed Services, excluding the set aside budgets which are within the acute services heading, are reported (£0.2m) overspent linked to GP prescribing budgets and commissioned services. Due to the normal time delay in processing prescriptions the reported position at the end of June is based on limited actual data therefore the position should be treated with a degree of caution. Commissioned services have incurred £0.1m of costs to date for flexible bed capacity associated with patient delays to their next stage of care for which no funding has been identified.
- The level of approved funding unallocated is £11.5m. 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.
- Although the IJB has agreed how some of the Social Care Funding will be utilised the as a process for transfer has not yet been agreed resources are currently held by the NHS.
- In line with the Scheme of Integration the Board is reporting to the IJB the financial pressures which it is currently experiencing linked to IJB directed services and set aside budgets. In conjunction with the IJB actions need to be agreed on how these pressures will be addressed.
- The operational pressures which have impacted on the financial position in the first three months of the year are concerning. The Board has increased the scrutiny on the overspending areas with a view to agreeing actions to address the position. It is vital this happens as the current rate of overspend is unsustainable if financial targets are to be delivered by the end of the financial year.



### Section 3 : Overview of Capital

#### Source of Funds

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

- 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 Care Premises funding.
- NHS Borders has received confirmation from SGHSCD that sales proceeds if realised during the financial year can be utilised to supplement the capital programme.

#### Capital Expenditure

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

- Expenditure in the first three months of the financial year has been limited 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			
	Total £m	Recurring £m	Non Recurring £m	Total £m	Full Year Effect/ Year End £m
<b>Corporate Services Challenge</b>	<b>0.57</b>	<b>0.57</b>		<b>0.57</b>	-
<b>Acute Services</b>	<b>6.65</b>	<b>0.92</b>	<b>0.77</b>	<b>1.69</b>	-
<b>IJB Directed Services</b>	<b>4.24</b>	<b>0.93</b>	<b>0.28</b>	<b>1.21</b>	-
<b>TOTAL</b>	<b>11.45</b>	<b>2.42</b>	<b>1.05</b>	<b>3.47</b>	-

- 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 three NHS Borders has withdrawn £3.5m. This figure is broken down into savings withdrawn for IJB directed services £1.2m, Acute Services £1.7m and Corporate Services £0.6m.
- While good progress has been made in the achievement of savings to date it is anticipated that the rate of delivery will become more challenging in the coming months. The majority of remainder of the schemes within the quality and efficiency programme remain high risk. 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 and the actions that are being taken to mitigate these risks.
- The Acute Services are overspent by £1.3m at the end of month three. Immediate actions are being requested of the relevant Director. Increased financial support has been directed into the BGH to work in conjunction with managers. If the level and causes of the overspend are not addressed and appropriate action taken this will call into question NHS Borders ability to break even.
- Due to the unpredictability of external health provider's expenditure and limited information available to date this could be a risk in coming months for the Board. The commissioning team continue to closely monitor the situation.
- 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. The Medicines Resource Group are continuing to review information as it becomes available.
- The continuing commissioning of flex beds linked to patient flow will continue to have an adverse impact on the financial position of NHS Borders unless a source of funding is identified or the arrangement ceases. The relevant managers have been asked to identify actions which will allow the use of flex beds to cease.
- NHS Borders must work in partnership with the IJB to ensure that the financial pressures in the IJB directed services and set aside budgets are addressed. A discussion with the senior managers from the partner organisations is planned for early in August.
- 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. With the support of the Executive Team the focus on efficiency across the organisation will increase in the coming months.
- 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. Work is ongoing to develop a longer efficiency programme to address the financial challenge recurrently.

**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