

Borders NHS Board



FINANCE REPORT FOR THE NINE MONTH PERIOD TO 31st DECEMBER 2016

Aim

The purpose of this report is to advise the Board of the financial position as at 31st December 2016.

Executive Summary

The Board are asked to note the following key points:

- At the end of December 2016 the Board is reporting an overspend position of £1.4m on revenue and break even on capital.
- This is an improving financial situation and includes the use of funding from slippage on the capital plan to support revenue pressures.
- Nine months of the contingency funding and other resources secured to support the financial pressures have been reflected in the reported position.
- The position at the end of December is in line with the year end projection. There remains a risk financial targets will not be delivered.
- There has been an impact on the performance of the organisation as a result of a number of financial measures that have been put in place.
- The main pressure areas continue to be nursing and medical costs in the set aside budgets within the BGH, GP prescribing costs within IJB directed services and external health care providers.
- 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 nine £5.8m of savings has been delivered of which £3m is recurring. A shortfall of £3.3m continues to be forecast on the overall programme.
- The improving financial position is as a result of a number of non recurring measures. The recurring financial stability of the organisation continues to give significant cause for concern.
- Work is progressing on the identification of opportunities for efficiency savings in light of the financial outlook. .

Recommendation

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

- The current financial position.
- The current projection that there remains a risk the Board will not achieve financial targets although the risk of non delivery has reduced.

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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Vivienne Buchan	Senior Finance Manager		

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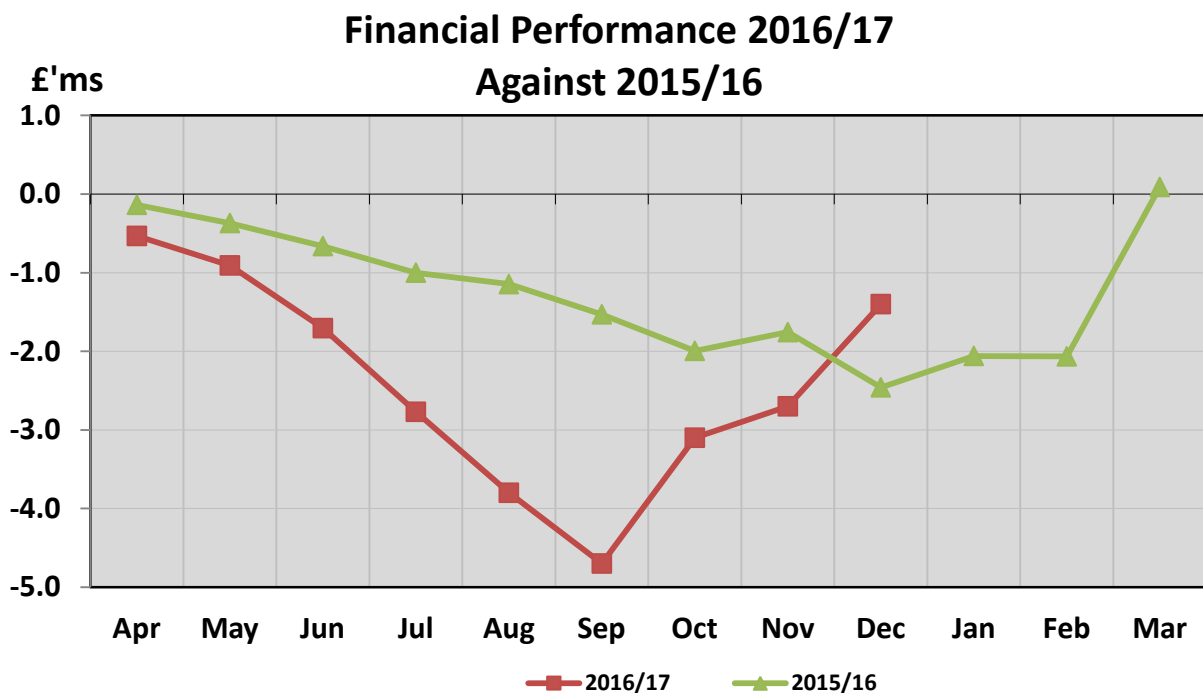
Section:

1. General Overview
2. Overall Income and Expenditure Summary of Operational Budgets
3. Overview of Capital
4. Efficiency Programme – Savings Targets
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Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	243.0	176.1	176.3	0.2
Expenditure	243.0	183.8	185.4	(1.6)
Surplus/(Deficit) for Period		(7.7)	(9.1)	(1.4)
Capital Expenditure	5.1	2.7	2.7	0

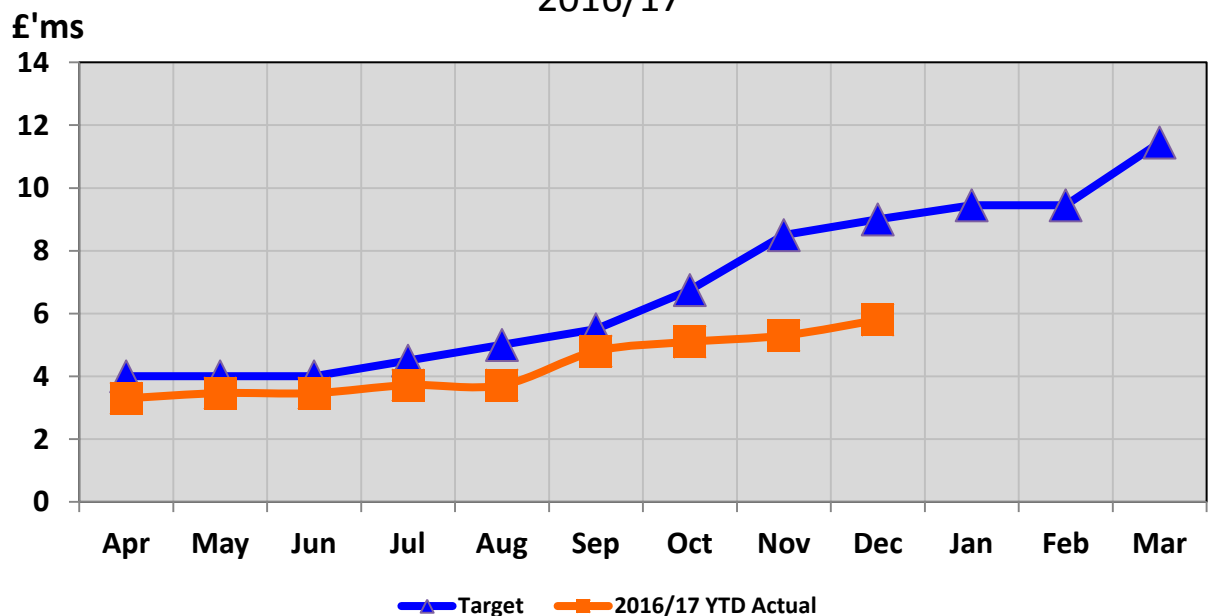
- At 31st December 2016 the Board is reporting an overall position of £1.4m overspent. This position includes a small over recovery on income budgets and an overspend on expenditure budgets, comprising Acute Services (£4.7m), IJB directed services (£1.1m), and external healthcare providers (£0.7m).
- 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 nine at £1.4m overspent is lower than for the same period last financial year. The position has improved during December as a result of the formal transfer of slippage on the capital programme to support the revenue position.

- The key points to note at the month nine position are:
 - The Acute Services are overspent on expenditure budgets by £4.7m which is mainly within unscheduled care in the BGH. The overspend in medical (£1.7m) and nurse staffing budgets (£1.3m) is as a result of the ongoing use of surge beds linked to patient flow, patient acuity and gaps on staffing rotas. All expenditure areas within Acute Services are reporting a financial position as anticipated at the end of December.
 - External healthcare providers are £0.7m overspent linked to ECRs and UNPACS as reported in previous financial updates.
 - Within IJB directed services, GP prescribing costs are reporting an overspend (£1.4m) based on seven months price and eight months volume information projected to the end of December. The year end position is estimated at £2m overspent with the current reported position as anticipated however, due to the volatility in drugs tariffs in recent months this remains a significant risk for the Board.
 - The IJB has provided £0.5m of resources to support the opening of surge beds during the summer months.
 - The impact of the capital to revenue transfer, control measures, ring fenced funding and the phasing of the Board's contingency funding have been included in the reported position to the end of December.
- 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 December a total of £5.8m has been withdrawn from operational budgets for savings. There has been no change to the projected year end position on efficiency since the last report with an estimated shortfall of £3.3m forecast. This projection, for which there remains a level of risk, takes into account slippage and non delivery on a number of schemes and replacement projects which have been identified including those linked to the national efficiency work streams.

- The Board approved a balanced financial plan for 2016/17 which assumes a breakeven outturn on revenue budgets and achievement of the challenging £11.4m efficiency savings target. NHS Borders is required to make savings of £8.7m recurrently and £2.7m on a non recurring basis. Based on the forecast year-end position on efficiency, and taking account of any part year implementation plans, there will be a recurring shortfall of £4.9m at the end of the financial year. This will be carried forward into 2017/18 and will increase the level of the challenge to unprecedented and potentially unmanageable levels in terms of delivery within financial year 2017/18.
- The December financial position is in line with trajectory. There remains a risk financial targets will not be delivered as the Board will face continuing challenges over the remaining winter months. Ongoing discussions with the IJB has resulted in agreement in principle to provide some financial support linked to overspending IJB delegated budgets however it is anticipated this will not be confirmed until the IJB meeting on the 27th of March 2017. Until this is confirmed the delivery of financial targets remains a risk.

Section 2: Overall Income and Expenditure Summary

Operational Income and Expenditure Budgets

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
SGHSCD (as per LDP)	193.6	138.7	138.7	-
SGHSCD (additional to LDP)	25.8	19.3	19.3	-
Family Health Services (incl Non Cash Ltd)	10.2	7.7	7.7	-
External Healthcare Purchasers	3.9	2.9	2.9	-
Other	8.5	6.8	7.0	0.2
Clinical Boards	1.0	0.7	0.7	-
Total Income	243.0	176.1	176.3	0.2
Expenditure Resources				
Acute Services	77.3	58.2	62.9	(4.7)
External Healthcare Providers	25.0	18.9	19.6	(0.7)
IJB Directed Services (including efficiencies)	97.3	74.5	75.6	(1.1)
Corporate Directorates	31.2	24.4	24.4	-
Cost of Capital	3.9	2.9	2.9	-
Approved Funding Unallocated	11.0	7.3	-	7.3
Non IJB Unapplied Efficiencies:				
Recurring	(3.7)	(2.4)	-	(2.4)
Non-Recurring	0.4	-	-	
IJB Social Care Fund (not yet transferred)	0.7	-	-	
Total Expenditure	243.0	183.8	185.4	(1.6)
Surplus/(Deficit) for period	-	(7.7)	(9.1)	(1.4)

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 for the remainder of 2016/17.
- Currently overall the income budgets are reporting a small over recovery of £0.2m at the end of month nine linked to income principally generated by the BGH laundry.

Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £4.7m with the main pressure being BGH medical staffing (£1.7m), nursing budgets (£1.1m) and supplies costs (£0.7m). The increase in the medical and nursing overspends are as anticipated and represent the impact of delayed discharges resulting in the need to open additional beds, the cost of covering rota gaps and some patient dependency issues. The focus must remain on using the most cost effective option for cover arrangements and effective management of delayed discharges to ensure that expenditure levels continue to be in line with trajectories.

- The reported overspend (£0.7m) on external healthcare providers includes some estimated activity as per normal timescales. The areas of overspend are namely UNPACS and ECRs and are in line with previous updates.
- IJB directed services, excluding the set aside budgets which are included in acute services, are reporting (£1.1m) overspent linked to GP prescribing budgets and community services. Due to the normal time delay in processing prescriptions the reported position at the end of December is based on seven months price and eight months volume information projected forward. Community services have also pressures related to the additional cost of flexible bed capacity used earlier in the financial year and the cost of agency locums to support the physiotherapy service. Vacancies in dietetics and speech therapy are currently offsetting these overspends.
- The December financial position includes the transfer of capital slippage to revenue as well as the release of contingency funding and the impact of the actions the Board has agreed to address the reported overspend. There has been an impact on the Board's performance as a result of a number of the financial measures that have been put in place.
- 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. The IJB has agreed in principle to direct additional resources to NHS Borders to support pressures in the delegated budget, however it is anticipated this will not be formally agreed until the IJB meeting on the 27th of March 2017. As a result there remains a risk of delivery on financial targets.
- The operational pressures which have impacted on the financial position in the nine months of the year are unprecedented. The Board has increased the scrutiny on the overspending areas and taken action to address the position. These measures have had an impact but not fully offset the pressures. Dialogue is ongoing with SGHSCD and IJB on the financial position.

Section 3 : Overview of Capital

Source of Funds

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	7.2
Flexible use of capital slippage to support revenue pressures	(2.1)
Total Capital Resources	5.1

- 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.
- SGHSCD have agreed to support the use of capital funding to offset revenue pressures. The transfer of funding has now been actioned.
- **Capital Expenditure**

	Plan £m	Actual To Date £m
Community Health Centres & Primary Care	3.5	1.7
Mental Health Services	0.3	0.2
IM&T	0.2	0.1
Medical & Radiology Equipment	0.1	0.1
Estates & Facilities	0.6	0.5
Other (including Feasibility Works)	0.4	0.1
		-
Total	5.1	2.7

- Expenditure incurred for the period to the 31st December 2016 relates to the final phase of works at Melburn Lodge, programmed construction works at Roxburgh Street Replacement Surgery and Eyemouth Health Centre and prioritised spend for the estates and medical equipment rolling programmes.
- Professional fees for design teams to complete a feasibility study on the Mammography Relocation Project and salary costs of the Capital Planning Project Management Team are detailed under the heading Other.
- Based on the latest information available the Board remains on course to deliver the Capital Resource Limit.

Section 4 : Efficiency Programme - Savings Targets

	Target	Delivered				Full Year Effect/ Year End £m
	Total £m	Recurring £m	Non Recurring £m	Total £m		
Corporate Services Challenge	0.57	0.57	0.1	0.67		-
Acute Services	6.65	1.41	2.38	3.79		-
IJB Directed Services	4.24	1.03	0.28	1.31		-
Total	11.45	3.01	2.76	5.77		-

- In 2016/17 the overall efficiency target is £11.4m. This level of efficiency was recognised would prove challenging for NHS Borders but achievement of this target is a major element in determining whether a balanced out-turn for 2016/17 is delivered.
- 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 which it is recognised requires to be addressed.
- As at month nine NHS Borders has withdrawn £5.8m, £3.0m of which has been delivered on a recurring basis. This figure is broken down into savings withdrawn for IJB directed services £1.31m, Acute Services £3.79m and Corporate Services £0.67m.
- It is clear from detailed work that a number of schemes will not deliver or will not deliver fully during 2016/17. A number of replacement schemes have been identified including some linked to the national efficiency work streams. A number of schemes within the revised programme remain high risk. The Chief Executive has requested weekly updates on the efficiency delivery to ensure any variance is quickly identified.
- The current forecast, which is unchanged from the previous report, suggests that of the £8.1m of savings identified only £3.9m will be delivered on a recurring basis after taking into account any full year impact or effect of schemes implemented part way through the year. That represents a shortfall against the recurring year target of £4.9m which will be carried forward into 2017/18. Based on the financial outlook this may make the level of savings required in 2017/18 unprecedented and potentially unmanageable for NHS Borders to deliver in one financial year.
- Work is progressing identifying efficiency savings opportunities to meet the financial challenge in 2017/18. The Board sessions planned during February and March will consider these in more detail.

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 £4.7m at the end of month nine. Work must continue to minimise pressures through increased scrutiny and monitoring to ensure that revised trajectories for nursing and medical costs are met.
- 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 Commissioning Team continue to 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 is a financial pressure and continues to be an area of significant risk. The Medicines Resource Group is monitoring the situation closely and continue to make clinically appropriate recommendations to improve the financial position.
- 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. The direction of additional resources, as agreed in principle at the IJB meeting on the 30th January 2017, to support the pressures in the IJB delegated budgets remains a risk, and if not agreed will impact on NHS Borders ability to deliver its financial targets.
- The size of efficiency challenge for NHS Borders is unprecedented in recent times. Delivery of the efficiency programme is critical to achievement of financial targets. There are risks to delivery of a number of projects within the revised programme. An increase focus on efficiency and reducing risk is required in the coming months.
- There is shortfall on the recurring efficiency target of potentially £4.9m which will be carried into 2017/18 and will increase the level of the challenge to unprecedented and potentially unmanageable levels in terms of delivery within financial year 2017/18. The organisation will need to increase its focus on this.
- The ongoing potential risk of non delivery of financial targets may result in increased external scrutiny of the Board.

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