

**Borders NHS Board**

**FINANCIAL MONITORING REPORT FOR THE 9 MONTH PERIOD TO 31<sup>st</sup> DECEMBER 2013**

**Aim**

The aim of this paper is to report on the financial position to 31<sup>st</sup> December 2013.

**Background**

The attached report shows that the Board is reporting an outturn of £2.1m in excess of its revenue budget nine months into the financial year. Although cumulatively overspent, operational budgets broke even during December. This level of overspend is in line with NHS Borders year projected position and therefore the Board continues to forecast a break even position at the year end. This is predicated on robust management of operational budgets through increased levels of financial control and monitoring and the use of contingency funds.

The Board has consistently noted that persistent and proactive action is required to achieve its statutory targets based upon the financial plan. It is essential that local 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 2013/14.

**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		

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	231.3	166.2	165.9	(0.3)
Expenditure	231.3	165.3	167.1	(1.8)
<b>Surplus/(Deficit) for period</b>	-	(0.9)	(1.2)	(2.1)
<b>Capital Expenditure</b>	4.4	4.1	4.1	-

- At 31<sup>st</sup> December 2013, the Board is reporting a position of £2.1m in excess of budget unchanged from the end of November variance.
- Expenditure is overspent by £1.8m and income budgets are under-recovered by £0.3m. The overspending areas within expenditure are mainly clinical boards (£1.2m), external healthcare providers (£0.5m) and family health services (£0.2m). Income collected for the treatment of non Borders residents is £0.3m less than target level.
- The key points to note in the month nine position are:-
  - The Clinical Board position predominantly relates to BGH (£1.1m) with significant cumulative overspends on medical staffing (£507k) and nurse staffing (£291k) due to cover for absence, vacancies and patient dependency. The Executive Team are monitoring Clinical Board budgets on a weekly basis at their team meeting to ensure agreed actions are taken and there is no deviation from the agreed trajectory.
  - The external healthcare providers overspend (£0.5m) mainly relates to UNPACS activity (£0.4m) with NHS Lothian and Greater Glasgow. This overspend has reduced by £0.1m in month due to lower than normal ECR activity during December.
  - Within family health service the overspend relates to the GP Prescribing budget (£244k). This position is based on actual volume information for the first eight months of the financial year and price data for the first seven months.
  - The Corporate directorates are underspent by £0.1m linked to Public Health and Director of Nursing budgets.
  - Income derived from external healthcare purchasers has decreased as a result of the number of patients presenting at BGH for treatment from Northumberland, Lothian and Dumfries and Galloway.

- The Board approved a balanced financial plan for 2013/14 which set a break even outturn for the year and an assumption that £4.8m of efficiency savings will be achieved. At the end of December, the Board has withdrawn efficiency savings of £4.6m from budgets against the target of £4.8m. In terms of recurring savings, £2.55m has been released from budgets against a target of £2.55m. It is vital that the outstanding non recurring balance of £0.2m is achieved in order that the break-even outturn target is attained
- The Board is forecasting a break even out turn for 2013/14 by robust management and introduction of the control measure which will contain or reduce the current overspend. Any overspend will be offset by use of the Boards contingency funds supplemented by slippage generated by cost pressure agreed in the LDP. By utilising all of the above measure NHS Borders will achieve a year end break even position

## 2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income Resources</b>				
Scottish Government	204.3	145.4	145.4	-
Family Health Services (incl non cash ltd)	9.5	7.0	7.0	-
External Healthcare Purchasers	5.4	4.1	3.8	(0.3)
Other	8.5	6.8	6.8	-
Clinical Boards	3.6	2.9	2.9	-
<b>Total Income</b>	<b>231.3</b>	<b>166.2</b>	<b>165.9</b>	<b>(0.3)</b>
<b>Expenditure Resources</b>				
Clinical Boards	129.2	94.8	96.0	(1.2)
External Healthcare Providers	28.8	21.5	22.0	(0.5)
Family Health Services	29.5	22.4	22.6	(0.2)
Corporate Directorates	35.4	23.6	23.5	0.1
Cost of Capital	4.0	3.0	3.0	-
Approved Funding Unallocated	4.7	-	-	-
Unapplied Efficiencies :	-	-	-	-
Recurring	-	-	-	-
Non-recurring	(0.3)	-	-	-
<b>Total Expenditure</b>	<b>231.3</b>	<b>165.3</b>	<b>167.1</b>	<b>(1.8)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>(2.1)</b>

- The overall income deficit (£0.3m) relates to an under-recovery of income from external healthcare purchasers, mainly in relation to the number of patients presenting for treatment at the BGH from Northumberland, Lothian and Dumfries and Galloway.
- The Clinical Boards are reporting an overall overspend of £1.2m at the end of December, which is an adverse movement of £0.1m in month. BGH is significantly overspent (£1.1m) with smaller overspends in Primary & Community Services (£68k) and Mental Health (£20k). The key elements of the BGH overspend are medical staffing (£507k) and nurse staffing (£291k) with pressures across various supplies headings including diagnostic supplies (£88k) and equipment (£118k). The staffing pressures are mainly related to cover for absence, primarily sickness, vacancies and patient dependency.
- Operational budgets continue to be monitored by the Executive team on a weekly basis. The Clinical Boards overall position is being contained within the agreed projection and with strong budget management and implementation of the control measures the clinical boards remain on course to achieve the agreed outturn.

- The main element of the external healthcare providers overspend (£0.5m) is UNPACS with NHS Lothian and NHS Greater Glasgow & Clyde as has been the case in previous financial years. Following negotiations National Services Division (NSD) has agreed that a high cost paediatric case charged to Borders by Greater Glasgow should be centrally funded. Overall, there was a favourable movement of £0.1m in month mainly due to low ECR activity during December.
- Corporate directorates are underspent (£0.1m) within Director of Nursing's training budget and vacancies in Public Health.
- At the end of December, the Board has £4.7m in approved funding unallocated. As part of the financial plan, the Board set aside a contingency of £2m for unforeseen pressures. Funding was also set aside for anticipated cost pressures such as auto enrolment and needle safety legislation. As the timing of a number of these projects has been later in the year than predicted, funding has become available on a non recurring basis to support the overall financial position.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	4.1
Income from Property Sales	0.3
<b>Total Capital Resources</b>	4.4
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	4.4
Uncommitted balance	0.0
<b>Total utilisation of funds for 2013/14</b>	4.4
<b>Expenditure to Date</b>	
Expenditure to 31st December 2013	4.1
<b>Total Forecast Expenditure for 2013/14</b>	4.4
<b>2013/14 LDP estimated Sale Proceeds currently unrealised</b>	0.7

- NHS Borders capital formula allocation for 2013/14 of £2.108m has been supplemented by £0.79m of funding in respect of Lauder Health Centre, and a further £1.2m including the Scottish Government Energy Efficiency Fund monies.
- A significant element of the 2013/14 capital plan is committed to schemes which started last financial year and are currently at final account stage. This includes the Huntlyburn, Ward 6 and Outpatients schemes.
- Capital income of £0.3m has been secured from the sale of Ayton Clinic, Whitefield Court, Factors Park and 71 High Street. This income has been committed. The sale of further properties, including Dingleton Nurses Flats and Crumhaugh, is being ongoing.
- Further sale proceeds of £0.7m were included in the LDP submission made in March 2013 for properties the Board has classified as ‘surplus to requirements’ and therefore ‘held for sale’. Commitments will be made against these proceeds when the sale of each property has been contractually finalised.



## 4. Efficiency Programme: Savings Targets

	Plan	Delivered				Full Year Effect £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s		
<b><u>Corporate Services Challenge</u></b>						
Estates & Facilities	534	267	267	534		-
Director of Workforce	105	53	52	105		-
Public Health	53	24	24	48		-
Planning & Performance	32	16	16	32		-
IM&T	132	66	66	132		-
Finance	80	40	40	80		-
Medical Director	23	11	12	23		-
Integrated Care	8	4	4	8		-
Director of Nursing	52	26	26	52		-
Executive Team & Non Execs	20	10	10	20		-
	1,039	517	517	1,034		-
<b><u>BGH</u></b>						
Endoscopy	114		114	114		-
Discharge Management	20	20		20		-
Redesign Outpatients	80					-
Repatriation – NHS Lothian	200	200		200		-
Admin Review	50	50		50		-
On Call Review	20					-
Nursing Skill Mix Review	7					-
Income Generation	120					-
	611	270	114	384		-
<b><u>Mental Health</u></b>						
Supplies Efficiency	40	20	20	40		-
Admin Review	30	30		30		-
Discretionary Expenditure	50		50	50		-
Nursing /Nursing Management	52	52		52		20
Clinical Psychology	20		20	20		-
	192	102	90	192		20
<b><u>LD</u></b>						
Commissioning	33	33		33		-
Management Redesign	35	35		35		-
	68	68		68		-
<b><u>P&amp;CS</u></b>						
Supplies Efficiency	150	70	80	150		-
Income Generation	80	80		80		-
	230	150	80	230		-
<b><u>Other</u></b>						
Prescribing	900	900		900		-
Staff Business Travel	120	37		37		47
Asset Lives	200					-
Procurement Improvement	200					-
Estates Strategy	200		150	150		-
Reduction in board contributions	300		300	300		-
Supplementary Staffing	620					-
Prescribing Discount	150		150	150		-
Full Year Gains	505	505		505		-
Review of Activity	-	-	608	608		-
	3,195	1,442	1,208	2,650		47
<b>Total</b>	<b>5,335</b>	<b>2,549</b>	<b>2,009</b>	<b>4,558</b>		<b>67</b>

- Delivering the Board's efficiency plan of £4.8m is a major element in determining whether a balanced out-turn for 2013/14 will be achieved.
- NHS Borders has withdrawn £4.6m savings from budgets at the end of December as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.55m in 2013/14. As at December, £2.55m of recurring savings have been identified and withdrawn from budgets on a recurring basis.
- Monthly monitoring of the efficiency programme to ensure delivery is being undertaken by the Efficiency Board principally through the use of the Aspyre system.
- Work is continuing to finalise further efficiency projects for 2013/14 and achieve the outstanding balance of £265k.
- Work continues to finalise the efficiency programme for 2014/15 and beyond. Good progress has been made in agreeing the efficiency plan for next financial year.
- Although savings schemes have been agreed with the relevant managers, it is imperative that these are delivered to ensure a break even position on operational budgets is achieved.

## 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 board overspends, prescribing, income from external healthcare purchasers, and expenditure on external healthcare providers.
- All Clinical Boards have signed up to revised year end position and it is imperative that this is achieved in order to deliver NHS Borders' agreed year end target of break even.
- The Northumberland SLA is currently predicted to under recover at the year end by £0.3m and income from other Boards is likely to be £0.2m under. This is a considerable risk for NHS Borders in terms of sustainability.
- NHS Borders continues to treat additional orthopaedic patients for NHS Lothian. NHS Borders has committed resources in this area to support this additional activity as agreed in partnership. Currently there is no signed SLA for this service. Discussions are ongoing with NHS Lothian and until the SLA is signed this income stream remains a risk for NHS Borders.
- External Healthcare Providers is a continuing pressure area with overspends of £1.5m in 2011/12 and £1.0m 2012/13. The Commissioning Team have a work plan for 2013/14 which includes closely monitoring ECRs and UNPACs to ensure only those meeting the referral criteria are approved. Information from NHS Lothian regarding the acute contract is expected at the end of January and this remains a risk.
- Due to the normal time delay in processing information and the volatility of prescribing expenditure over the last few years, this continues to be an area of risk. The current global situation with the supply of certain drugs is being closely followed.
- 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 achieve break even on operational budgets.
- The 2013/14 capital resource limit is fully committed. No additional resource is available should any unforeseen or rolling programme expenditure be required unless sales proceeds are generated. However, given the depressed state of the property market there is a risk that not all surplus properties will sell.

