

Borders NHS Board



FINANCIAL MONITORING REPORT FOR THE 2 MONTH PERIOD TO 31st MAY 2013

Aim

The aim of this paper is to report on the financial position to 31st May 2013.

Background

The attached report shows that the Board is reporting an outturn of £0.7m in excess of its revenue budget two months into the financial year. Based on the limited financial information available the Board is forecasting a year-end break even position. This predicted outturn position is based on the delivery of the Board's challenging efficiency programme and ensuring robust management and financial controls are applied to operational budgets.

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 two months of the financial year.

| | |
|--|---|
| 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 | | |

Author(s)

| Name | Designation | Name | Designation |
|-----------------|--------------------------------------|-------------|--------------------|
| Janice Cockburn | Acting Deputy Director of Finance | | |

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1. General Overview

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-------------------------------------|---------------------|------------------|------------------|--------------------|
| Income | 221.4 | 32.4 | 32.3 | (0.1) |
| Expenditure | 221.4 | 36.5 | 37.1 | (0.6) |
| Surplus/(Deficit) for period | - | 4.1 | (4.8) | (0.7) |
| Capital Expenditure | 4.2 | 1.7 | 1.7 | - |

- At 31st May 2013, the Board is reporting a position of £0.7m in excess of budget. Expenditure is overspent by £0.6m and income is under recovered by £0.1m. Expenditure budget are overspent on external healthcare providers (£0.2m), clinical boards (£0.3m) and corporate directorates (£0.1m). Income is under recovered by £0.1m mainly in relation to patient related income for non Borders residents.
- The key points to note in the month two position are:-
 - Currently little data has been received by NHS Borders in relation to patient activity with other boards so the reported position is estimated on the expenditure trend experienced in 2012/13. The estimated external healthcare providers overspend (£0.2m) mainly relates to UNPACS.
 - The Clinical Boards overspend of £0.3m primarily relates to the BGH. The main overspend area is medical staffing costs (£113k), principally due to absence and vacancies in haematology and general medicine. Potential alternative arrangements for medical cover are currently being explored by specialties. Other pressure areas within BGH include nursing budgets and increased expenditure related to drugs and diagnostic supplies.
 - The Corporate Directorates overspend of £0.1m is in Estates and Facilities (£94k) costs for utilities and patient transport.
 - Income derived from external healthcare purchasers is under recovered by £0.1m linked to decreased activity levels principally with Northumberland Health Authority and a decrease in activity from other health boards presenting at BGH for treatment.
- The Board approved a balanced financial plan for 2013/14 which set a break even outturn for the year and this assumes £4.8m of efficiency savings will be achieved. At the end of May, the Board has withdrawn efficiency savings of £3.4m from budgets against the target of £4.8m. In

terms of recurring savings £2.3m has been released from budgets against a target of £2.6m.

- The Board is required to achieve a year end break-even position. In order to ensure this outturn can be met, the Board must deliver its challenging efficiency programme and ensure robust management of operational budgets.

2. Overall Income and Expenditure Summary

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|--|---------------------|------------------|------------------|--------------------|
| Income Resources | | | | |
| Scottish Government | 194.1 | 27.4 | 27.4 | - |
| Family Health Services (incl non cash ltd) | 12.4 | 2.6 | 2.6 | - |
| External Healthcare Purchasers | 5.4 | 0.9 | 0.8 | (0.1) |
| Other | 7.0 | 1.0 | 1.0 | - |
| Clinical Boards | 2.5 | 0.5 | 0.5 | - |
| Total Income | 221.4 | 32.4 | 32.3 | (0.1) |
| Expenditure Resources | | | | |
| Clinical Boards | 119.4 | 20.1 | 20.4 | (0.3) |
| External Healthcare Providers | 28.5 | 4.7 | 4.9 | (0.2) |
| Family Health Services | 33.2 | 6.0 | 6.0 | - |
| Corporate Directorates | 31.1 | 5.1 | 5.2 | (0.1) |
| Cost of Capital | 3.8 | 0.6 | 0.6 | - |
| Approved Funding Unallocated | 6.9 | - | - | - |
| Unapplied Efficiencies : | | | | |
| Recurring | (0.2) | - | - | - |
| Non-recurring | (1.3) | - | - | - |
| Total Expenditure | 221.4 | 36.5 | 37.1 | (0.6) |
| Surplus/(Deficit) for period | - | 4.1 | (4.8) | (0.7) |

- The under recovery on income from external healthcare purchasers is related to the Northumberland SLA, which for 2013/14 remains unsigned. The decrease in activity coming from Northumberland was highlighted in 2012/13 and has continued into 2013/14. Income relating to other out of area treatments has continued to decrease due to a reduced number of admissions to BGH for treatment.
- Overall, the Clinical Boards are reporting an overspend position of £0.3m as at the end of May. The BGH is £262k overspent, with Primary and Community Services and Mental Health also showing small overspends which are partially offset by an underspend in Learning Disability services.

The BGH overspend is on medical staffing (£113k), nursing staffing (£53k), drugs and diagnostics supplies.

- Currently little data has been received by NHS Borders in relation to patient activity with other boards so the reported position is estimated on the expenditure trend experienced in 2012/13. The estimated external healthcare providers overspend (£0.2m) mainly relates to UNPACS.
- The Corporate Directorates overspend of £0.1m is in Estates and Facilities (£94k). Utilities usage has increased in the first two months due to the cold temperature. As in previous financial years patient transport costs have continued to overspend however it is anticipated that this improve in the coming months with the start of an invest to save scheme on transport management.
- At the end of May, the Board has £6.9m in approved funding unallocated. As part of the financial plan, the Board set aside a contingency for unforeseen pressures. In addition a number of areas for which funding was set aside in the financial plan have not yet come into effect.

3. Overview of Capital Expenditure

| | £m |
|---|-----|
| Sources of Funds | |
| Gross Capital Resource Limit (CRL) | 4.1 |
| Income from Property Sales | 0.1 |
| Total Capital Resources | 4.2 |
| Use of Capital Funds | |
| Allocated to Approved Schemes | 4.2 |
| Uncommitted balance | 0.0 |
| Total utilisation of funds for 2013/14 | 4.2 |
| Expenditure to Date | |
| Expenditure to 31 st May 2013 | 1.7 |
| Total Expenditure for 2013/14 | 1.7 |
| | |
| 2013/14 LDP estimated Sale Proceeds currently unrealised | 1.0 |

- 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 for energy efficiency schemes and the Roxburgh Street Health Centre in Galashiels.
- The majority of capital expenditure to date is linked to schemes which started last financial year and are continuing in the new financial year principally Lauder Health Centre, Huntlyburn and various projects across the BGH.
- Capital income of £0.095m has been secured from the sale of Ayton Clinic, which was completed in April. This income has been committed.
- Sale proceeds of £1.0m 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.
- A full capital update will be presented at the next Board meeting.

4. Efficiency Programme: Savings Targets

| | Target | | Delivered | | | Full Year Effect £000s |
|-------------------------------------|----------------|--|--------------------|---------------------------|----------------|---------------------------|
| | Total £000s | | Recurring £000s | Non Recurring £000s | Total £000s | |
| Corporate Services Challenge | | | | | | |
| Estates & Facilities | 534 | | 267 | 267 | 534 | - |
| Director of Workforce | 105 | | 53 | 52 | 105 | - |
| Public Health | 53 | | 27 | 26 | 53 | - |
| 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 | | 520 | 519 | 1,039 | - |
| BGH | | | | | | |
| Endoscopy | 114 | | | 114 | 114 | |
| Discharge Management | 20 | | 20 | | 20 | |
| Redesign Outpatients | 80 | | | | | |
| Repatriation – NHS Lothian | 200 | | | | | |
| Admin Review | 50 | | | | | |
| On Call Review | 20 | | | | | |
| Nursing Skill Mix Review | 7 | | | | | |
| Income Generation | 120 | | | | | |
| | 611 | | 20 | 114 | 134 | |
| Mental Health | | | | | | |
| Supplies Efficiency | 40 | | 20 | 20 | 40 | |
| Admin Review | 30 | | 30 | | 30 | |
| Discretionary Expenditure | 50 | | | 50 | 50 | |
| Nursing /Nursing Management | 52 | | 52 | | 52 | |
| Clinical Psychology | 20 | | | 20 | 20 | |
| | 192 | | 102 | 90 | 192 | |
| LD | | | | | | |
| Commissioning | 33 | | 33 | | 33 | |
| Management Redesign | 35 | | 35 | | 35 | |
| | 68 | | 68 | | 68 | |
| P&CS | | | | | | |
| Supplies Efficiency | 150 | | 70 | 80 | 150 | |
| Income Generation | 80 | | 80 | | 80 | |
| | 230 | | 150 | 80 | 230 | |
| Other | | | | | | |
| Prescribing | 900 | | 900 | | 900 | |
| Staff Business Travel | 120 | | | | | |
| Asset Lives | 200 | | | | | |
| Procurement Improvement | 200 | | | | | |
| Estates Strategy | 200 | | | | | |
| Reduction in board contributions | 300 | | | 300 | 300 | |
| Supplementary Staffing | 620 | | | | | |
| Prescribing Discount | 150 | | | | | |
| Full Year Gains | 505 | | 505 | | 505 | |
| | 3,195 | | 1,405 | 300 | 1,705 | |
| Total | 5,335 | | 2,265 | 1,103 | 3,368 | |

- 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 £3.4m savings from budgets at the end of May as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £2.6m in 2013/14. As at May £2.3m 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.
- Although savings schemes have been agreed with the relevant manager 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 income from external healthcare purchasers, expenditure on external healthcare providers and clinical boards.
- The Northumberland SLA is currently predicted to under recover at the year end by £0.3m. This is a key area of risk for NHS Borders and discussions are currently on going with Northumberland to agree the contract for 2013/14 but it is anticipated that this under recovery will continue.
- 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.
- All Clinical Boards have signed up to a break even position and it is imperative that this is achieved in order to deliver NHS Borders' agreed year end target of break even. With a £0.3m overspend on clinical boards at month two, this is an area where significant effort will need to be focused to ensure the overspend is eliminated or minimised.
- 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.
- 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. Expenditure will be closely monitored in 2013/14 to ensure that any sign of changes to anticipated expenditure levels can be picked up early and can be addressed.
- The 2013/14 capital resource limit is fully committed. No additional resource is available should an 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 during the current financial year.