

**Borders NHS Board**

**FINANCIAL MONITORING REPORT FOR THE EIGHT MONTH PERIOD TO 30TH NOVEMBER 2012**

**Aim**

The aim of this paper is to report on the financial position to 30<sup>th</sup> November 2012.

**Background**

The attached report shows that the Board is reporting an outturn of £1.4m in excess of its revenue budget eight months into the financial year. The Board continues to forecast a year end break-even position. This predicted outturn position is based on 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 as set out in the financial plan. It is important 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 2012/13 capital allocation.

**Recommendation**

The Board is asked to **note** the financial performance for the eight 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		

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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	222.4	145.1	145.0	(0.1)
Expenditure	222.4	142.7	144.0	(1.3)
<b>Surplus/(Deficit) for period</b>	-	<b>(2.4)</b>	<b>1.0</b>	<b>(1.4)</b>
<b>Capital Expenditure</b>	<b>6.9</b>	<b>1.25</b>	<b>1.25</b>	-

At 30<sup>th</sup> November 2012, the Board is reporting an over commitment of £1.3m expenditure against budgets and a £0.1m under recovery on income. The overspend on expenditure budgets is made up from £0.9m on external health care providers and £0.6m on clinical boards, mainly within the BGH, and a £0.2m underspend in corporate services.

- The key points to note in the month eight position are:-
  - Income derived from external healthcare purchasers is under recovered by £0.3m mainly linked to NHS Borders contract with Northumberland Health Authority, which is based on 2011/12 activity which was lower than the previous financial year. Following discussion Northumberland will present it's commissioning intentions in mid December. In addition income recovered from other out of area treatments has decreased in November due to a reduced number of admissions to BGH for treatment.
  - The external healthcare providers overspend (£0.9m) mainly relates to UNPACS with NHS Lothian and Greater Glasgow and the Acute contract with NHS Lothian. The Lothian UNPACs position is a continuation of the previous year trend while the Glasgow UNPACs have increased in October due to two high cost emergency cases, totalling £86k. The Lothian Acute contract is currently overspent due to the projected activity level being in excess of the agreed contract sum. In addition there has been a slight increase in the out of area placement expenditure with a new admission for specialist learning disability care. The ECR out of area eating disorder patient was discharged at the end of October.
  - Clinical boards are overspent by £0.6m which is predominantly in the Borders General Hospital (BGH). The BGH overspend at month eight is £542k a further increase in November linked to medical and nurse staffing. The clinical board is working to an agreed action plan to minimise the projected year end overspend.
  - Prescribing is overspent by £43k. This reported position is based on activity information for the first seven months of the financial year and price data for the first six months. This position will continue to be closely monitored by the Medicine Resource Group due to this area being of concern last financial year and the continued volatility in both volume and price.

- The Board has approved a balanced financial plan for 2012/13 which sets a break even outturn for the year and assumes £5.9m of efficiency savings will be achieved. At the end of November, £5.5m of savings has been withdrawn from budgets.
- The Board continues to forecast a year end break-even position provided the Board's efficiency programme is delivered as agreed, by ensuring robust management of operational budgets and by utilising the Board's contingency funds.
- The capital expenditure plan is in line with NHS Borders capital allocation. The current forecast is that NHS Borders will achieve its capital resource limit.

## 2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income Resources</b>				
Scottish Government	193.0	125.3	125.3	-
Family Health Services (incl non cash ltd)	13.3	8.8	8.8	-
External Healthcare Purchasers	5.3	3.5	3.2	(0.3)
Other	7.4	5.1	5.3	0.2
Clinical Boards	3.4	2.4	2.4	-
<b>Total Income</b>	<b>222.4</b>	<b>145.1</b>	<b>145.0</b>	<b>(0.1)</b>
<b>Expenditure Resources</b>				
Clinical Boards	120.3	80.0	80.6	(0.6)
External Healthcare Providers	27.9	18.7	19.6	(0.9)
Family Health Services	33.3	21.3	21.3	-
Corporate Directorates	32.4	20.1	19.9	0.2
Cost of Capital	4.0	2.6	2.6	-
Approved Funding Unallocated	4.9	-	-	-
Unapplied Efficiencies :				
Recurring	(0.1)	-	-	-
Non-recurring	(0.3)	-	-	-
<b>Total Expenditure</b>	<b>222.4</b>	<b>142.7</b>	<b>144.0</b>	<b>(1.3)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>(2.4)</b>	<b>1.0</b>	<b>(1.4)</b>

- The continued under recovery on income derives from external healthcare purchasers, the main element of which relates to the SLA with Northumberland. The contract for the current year is based on the actual out turn for the previous financial year. The Commissioning Team will be attending an event in mid December regarding Northumberland's commissioning intentions to assess if they may have any impact on the contract. In addition income recovered from other out of area treatments has decreased in November due to a reduced number of admissions to BGH for treatment.
- The other income budget is over-recovered by £0.2m, principally in relation to increased income from Road Traffic Accidents.
- Overall, the clinical boards are reporting an overspend position of £0.6m as at the end of November, of which £542k relates to the BGH and £76k to P&CS. The BGH overspend is predominantly on staffing budgets, with nursing £307k and medical £142k overspent respectively. BGH management is working to ensure an agreed action plan is implemented and thereby minimise the level of overspend.

- The external healthcare providers overspend (£0.9m) mainly relates to UNPACS with NHS Lothian and Greater Glasgow. The reported position is based on actual activity for the first seven months of the financial year, with April and May UNPAC's with NHS Lothian being higher than normal and October UNPAC's with Greater Glasgow including two high cost cases at £86k. The Lothian Acute contact is projected as overspent due to current activity being higher than the agreed contact level.
- Family Health Services are overspent by £43k on GP prescribing. This position is based on actual activity data for the first seven months of the financial year and price data for the first six months. The prescribing budget was an area of financial pressure during 2011/12 and will continue to be closely monitored by the Medicine Resource Group during 2012/13.
- Corporate services continue to report an underspend position, with a continuation of the underspend trend previously reported in Director of Nursing and Public Health due to vacancies.
- At the end of November, the Board has £4.9m in approved funding not allocated including ring fenced funding not yet allocated and contingencies for unforeseen pressures. This area will be closely monitored to highlight any available slippage.
- NHS Borders is currently predicting that a year end break even outturn will be achieved. This position is based on agreed year end positions on operational budgets being achieved, the level of savings being delivered and the utilisation of contingency funds.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	7.05
Income from Property Sales	0.28
<b>Total Capital Resources</b>	<b>7.33</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	3.85
Additional In-Year Agreed Schemes	3.48
<b>Total utilisation of funds for 2012/13</b>	<b>7.33</b>
<b>Expenditure to Date</b>	
Expenditure to 30 <sup>th</sup> November 2012	1.25
<b>Total Forecast Expenditure for 2012/13</b>	<b>7.33</b>

- NHS Borders capital formula allocation for 2012/13 of £1.939m has been supplemented by £1.515m of funding in respect of the Lauder Health Centre Project and £400k, the balance of funds to complete Jedburgh Health Centre.
- SGHD has confirmed that the capital income from the sale of Priorsford can be retained for investment within NHS Borders.
- The Board's Capital Resource Limit for 2012/13 has also been increased by a further £2.8m from additional SGHD funding which has been recently agreed. It is anticipated that the additional resource will be committed to projects including Huntlyburn and BGH outpatients redesign.
- A further £0.4m has been allocated to NHS Borders from the Central Energy Efficiency Fund (CEEF) which is a revolving fund where net savings arising from schemes are required to be reinvested in additional energy efficiency.
- As at the end of November, capital resource of £1.25m has been committed against identified projects, mainly in relation to expenditure across the rolling programmes and works at Huntlyburn. The cost of the land acquisition for Lauder Health Centre is also included with the capital spend.
- Initially, the main focus of capital work during 2012/13 was the completion of Jedburgh Health Centre, enabling and construction works on Lauder Health Centre and risk assessed backlog maintenance for prioritised areas identified in the State of the Estate Report.



- The additional SGHD funding that has recently been agreed allows the Board to accelerate it's strategy to provide services from clinically fit for purpose accommodation and address issues in the estate with the highest clinical risk.

## 4. Efficiency Programme : Savings Targets

	Target	Delivered				Full Year Effect £000s
	Total £000s	Recurring £000s	Non Recurring £000s	Total £000s		
<b><u>Corporate Services Challenge</u></b>						
Estates & Facilities	510	255	255	510		-
Director of Workforce	81	41	40	81		-
Public Health	91	45	46	91		-
Planning & Performance	31	15	16	31		-
IM&T	134	67	67	134		-
Finance	81	41	40	81		-
Medical Director	26	13	13	26		-
Integrated Care	8	4	4	8		-
Director of Nursing	50	25	25	50		-
Partnership	5	2	3	5		-
Executive Team & Non Execs	61	31	30	61		-
	1,078	539	539	1,078		-
<b><u>BGH</u></b>						
Laboratory Redesign	180	180		180		-
Theatre OOH	50	50		50		-
Clinical Nurse Specialist Review	10	10		10		-
GP Repatriation – NHS Lothian	331	331		331		-
Paperless Ward	9	9		9		-
General Surgery Day Case Activity	300		300	300		-
Orthopaedic Activity	700	700		700		-
Laboratory Reagent	40	40		40		-
Laboratory MTS	40	40		40		-
Dermatology Repatriation	40	40		40		-
	1,700	1,400	300	1,700		-
<b><u>Mental Health</u></b>						
Dementia Redesign	250	146	104	250		104
Rehabilitation Huntlyburn	140	100	40	140		-
Other	68					-
	458	246	144	390		104
<b><u>LD</u></b>						
Forensic Service	169	127	42	169		42
SEAT MCN Commissioning	30	30		30		-
Management Redesign	20	20		20		-
Mountview	194	145	49	194		49
	413	322	91	413		91
<b><u>P&amp;CS</u></b>						
AHPs	160	160		160		-
Teviotbank	450	337	113	450		113
Dental	80	80		80		-
Hip Protectors	14	14		14		-
	704	591	113	704		113
<b><u>Board Wide</u></b>						
Prescribing	503	503	-	503		-
Staff Business Travel	100		60	60		-
On Call Review	100					-
Procurement Improvement	150	80	-	80		-
Estates Strategy	200	50	58	108		33
Discretionary Spend	250					-
Supplies Wastage	300	-	-	-		-
Other	-	90	413	503		-
	1,603	723	531	1,254		33
<b>Total</b>	<b>5,956</b>	<b>3,821</b>	<b>1,718</b>	<b>5,539</b>		<b>341</b>

- Delivering the Board's efficiency plan of £5.9m is a major element in achieving a balanced out-turn for 2012/13.
- NHS Borders has withdrawn £5.5m savings from budgets at the end of November, as detailed in the table above.
- The recurring element of NHS Borders efficiency programme equates to £3.9m in 2012/13. Currently £3.8m of recurring savings have been withdrawn from budgets. When taking into account the full year effect of projects which started part way through the year savings of £4.2m has been withdrawn from budgets on a recurring basis.
- Although savings schemes have been agreed with the relevant managers and removed from operational budgets, it is imperative that these savings are delivered and the agreed financial position achieved.
- A number of further savings schemes have been finalised and these will be actioned in the December report.
- It is forecast that the challenging savings target of £5.9m in 2012/13 will be fully 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, particularly BGH.
- The Northumberland income SLA is currently predicted to under recover at the year end by £0.3m. Dialogue with Northumberland about activity levels is ongoing.
- External Healthcare Providers was an area of pressure in 2011/12 recording a year end overspend of £1.5m. The Commissioning Team have a work plan for 2012/13 which includes close monitoring of ECRs, UNPACs and use of appropriate criteria for referrals. These measures will be used to ensure only appropriate referrals are made outwith Borders and thereby minimise the expenditure.
- The Acute contract with Lothian is also an area of risk as in year referrals are not reducing as projected causing the contract to overspend against the agreed sum. The Commissioning Team continue to review referral sources in order to engage with clinicians on referral patterns.
- NHS Borders agreed to treat additional patients in general surgery and orthopaedics for NHS Lothian. NHS Borders has committed resources in these areas to support this additional activity as agreed in partnership. Discussions are ongoing with NHS Lothian and the patient flow began in October.
- During 2011/12 the prescribing budget overspent by £1m. Due to the normal time delay in processing information only six months price data and seven months volume data has been issued by NSS. During 2012/13 a number of drugs have come off patent and the impact of these changes are causing uncertainty when predicting the financial position. The Medicine Resource Group continues to endeavour to ensure that any sign of overspending is picked up early and appropriate actions are taken.
- All clinical boards signed up to a breakeven year end outturn at the start of the financial year. BGH have agreed an amended year end position and detailed monitoring has been put in place to ensure if there deviation is from this position corrective action is taken.

- A significant number of efficiency schemes have been agreed with managers and actioned through operational budgets. It is imperative that these schemes continue to deliver or replacement schemes are found.
- The control measures agreed in 2011/12 have been continued to ensure the Board has resilience to deal with any unforeseen pressures.