

**Borders NHS Board****FINANCIAL MONITORING REPORT FOR THE 2 MONTH PERIOD TO 31st MAY 2011****Aim**

The aim of this paper is to report on the financial position to 31st May 2011.

**Background**

The attached report shows that the Board is currently reporting an expenditure out-turn £0.5m in excess of its budget two months into the year. At this stage the Board is forecasting a year end break-even position provided the Board's significant efficiency programme can be met and by applying robust management of operational budgets.

The Board has consistently noted that persistent and proactive action is required to achieve its statutory targets based upon its existing 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 2011/12 capital allocation.

This report should be viewed with some caution as the Board is still to sign off the 2010/11 accounts which may have an impact on the 2011/12 financial position; the information is nonetheless indicative of key issues facing the Board.

**Recommendation**

The Board is asked to **note** the financial performance for the two 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>
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## 1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	211.6	35.4	35.4	-
Expenditure	211.6	34.1	34.6	(0.5)
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>1.3</b>	<b>0.8</b>	<b>(0.5)</b>
<b>Capital Expenditure</b>	<b>3.7</b>	<b>0.5</b>	<b>0.5</b>	<b>-</b>

- At 31st May 2011 the Board is reporting expenditure of £0.5m greater than budget. This position at month two is giving concern and measures are being progressed to ensure this level of overspend does not continue.
- The points to note from month two position are external healthcare providers, BGH and estates and facilities
  - External Healthcare Providers derives from Unplanned Activity (UNPACS) and NHS Lothian Primary Care Contract. The estimated activity levels are in line with 2010/11 resulting in the unfunded overspend continuing. New areas of overspend this year relate to the increasing referrals to out of area placements from the learning disability service and an extra contractual referral in eating disorders.
  - The nursing pressure in April in the BGH and primary and community services has been not continued in May. However the BGH has overspent on instruments and lab and paramedical supplies in month two. This is a continuation of the trend seen in 2010/11 relating to instruments and orthopaedic implants.
  - Estates and Facilities overspend is due to unmet saving targets carried forward from previous years. Discussion on the achievement of this target is ongoing and additional support has been put in place to take forward schemes that have been proposed.
- It essential that budget managers are focused on containing expenditure to budget, minimising costs and ensuring anticipatory controls are robust. The need to sustain local controls to assure the outturn remains critical as NHS Borders break-even position is predicated on clinical boards achieving a break even out turn.
- The Board has approved a balanced financial plan for 2011/12 which sets a breakeven outturn for the year, and assumes that £8.6m of efficiency savings will be achieved. More details on the progress on the efficiency programme are included under section 4 of this report. As at 31<sup>st</sup> May 2011 the Board has achieved £1.2m of it's £8.6m efficiency target.
- The capital expenditure plan has been revised in line with NHS Borders capital allocation and 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	188.0	30.9	30.9	-
Family Health Services (incl non cash ltd)	11.4	1.9	1.9	-
External Healthcare Purchasers	5.3	0.8	0.8	-
Other	5.4	1.5	1.5	-
Clinical Boards	1.5	0.3	0.3	-
<b>Total Income</b>	<b>211.6</b>	<b>35.4</b>	<b>35.4</b>	<b>-</b>
<b>Expenditure Resources</b>				
Clinical Boards	116.0	19.3	19.4	(0.1)
External Healthcare Providers	27.4	4.6	4.9	(0.3)
Family Health Services	31.0	4.9	4.9	-
Corporate Directorates	28.6	4.6	4.7	(0.1)
Cost of Capital	4.1	0.7	0.7	-
Approved Funding not yet underway	10.1	-	-	
Unapplied Efficiencies :				
Recurring	-2.9			
Non-recurring	-2.7			
	<b>211.6</b>	<b>34.1</b>	<b>34.6</b>	<b>(0.5)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>1.3</b>	<b>0.8</b>	<b>(0.5)</b>

- Income is currently breakeven at month two and budgets are being monitored closely to ensure that the level of income achieved is maximised.
- The Clinical Boards are reporting expenditure levels £0.1m higher than year to date budgets. This overspend is mainly in the BGH and relates to higher than budgets costs for nursing in month one which have improved in month two due to a proactive measures taken by the service. The ongoing increased expenditure is in relation to instruments primarily in orthopaedics and is a continuation of the expenditure trend seen in 2010/11. A group has been set up to review this expenditure heading but it would appear that the overspend mainly relates to increased activity.
- External Healthcare Providers shows £0.3m spend beyond budget. The overspend relates to estimated activity within the primary care contract and UNPACS with NHS Lothian. This overspend has been estimated based on the activity trend established in the previous financial year. There have also been a number of additional referrals to private providers for specialist care for learning disabilities and eating disorders. The commissioning manager and general manager have been asked to review the situation and ensure that this overspend is controlled and minimised.
- To date no prescribing activity has been received for 2011/12 therefore this heading is shown as breakeven in month two. The Management Resource Committee (MRG) will be monitoring the prescribing position closely .

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- The main area of overspend in Corporate Directorates is within Estates and Facilities currently overspent £0.1m due to the application of carried forward saving targets which remain unmet. Discussion on the achievement of this target is ongoing and additional support has been put in place to take forward schemes that have been proposed.
- At the end of April the Board has £10.1m in approved funding not yet underway including unallocated allocations and contingencies for unforeseen pressures included in the financial plan.
- NHS Borders is currently predicting a year end break even outturn will be achieved. This is predicated on budget headings breaking even and saving targets being achieved.

### 3. Overview of Capital Expenditure

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL) at April	3.7
Income from Property Sales	
<b>Total Capital Resources</b>	<b>3.7</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes (provisional)	3.5
Additional In-Year Schemes to be Agreed	0.2
<b>Total utilisation of funds for 2011/12</b>	<b>3.7</b>
<b>Expenditure to Date</b>	
Expenditure to 31 <sup>st</sup> May 2011	0.5
Expenditure to be spent by 31 March 2012	3.2
<b>Total Forecast Expenditure for 2011/12</b>	<b>3.7</b>

- The Board's Capital Plan was approved as part of the Local Delivery Plan which was submitted to the Scottish Government in March 2011.
- The Local Delivery Plan included funding and expenditure commitments for the three approved health centre schemes. Works at the Jedburgh Health Centre scheme commenced during February 2011 and the continuation of this scheme is the main focus of capital works during 2011/12. A sum of £2.08m will be committed in year with the remaining balance of the scheme profiled early in 2012/13.
- Discussions with the Scottish Government Health Directorate (SGHD) and Scottish Futures Trust (SFT) are currently ongoing with respect to the procurement route for the Lauder and Roxburgh Street Health Centre projects.
- SGHD have confirmed that the capital funding for the Lauder and Roxburgh Street Health Centre schemes can be utilised for other traditional capital schemes should a revenue approach be confirmed and adopted for the Health Centres. SGHD will not release the capital funding until the revenue model is agreed, so this funding has not yet been factored into the current year capital plan detailed above.
- The LDP Capital Plan is also based on property sales of £478k being realised during 2011/12 with the capital proceeds available for reinvestment by the Board. The SGHD have agreed in principle to this approach. Further discussions with SGHD will take place during June. Sales proceeds have not yet been included at present in the current year capital plan.
- Taking account the above outstanding issues a capital plan for 2011/12 has been submitted to the Board at 30th June 2011 for approval. The position reported is based on the approval of this plan.

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- At this stage the Board considers that the financial target on capital will be achieved.



#### 4. Efficiency Programme : Savings Targets

	Annual Target £000s		Delivered	
			This Year	Full Year Effect
			£000s	£000s
<u>Carry Forward Targets</u>				
BGH	14		-	-
Mental Health	248		-	-
Estates & Facilities	540		-	-
Sub Total	802		0	-
<u>Corporate Services Challenge</u>				
Estates & Facilities	548		15	
Director of Workforce	196		98	
Public Health	62		42	
Planning & Performance	34		34	
IM&T	140		58	
Public Involvement & Comms	16		17	
Finance	83		83	
Medical Director	22		-	
Integrated Care	15		-	
Director of Nursing	81		-	
Partnership	0		-	
Executive Team & Non Execs	75		75	
Sub Total	1,272		422	
<u>Other Projects</u>				
2% on Drugs Costs	720		720	
I2S Respiratory Drugs	45		45	
IT - OCS	21		21	
Sub Total	781		786	
Potential Schemes	2,645			
Unidentified Schemes	3,080			
GRAND TOTAL	8,580		1,208	

- Achieving the Board's cost savings target is a key element in determining whether a balanced out-turn for 2011/12 will be achieved. In order to break even in 2011/12 the total estimated savings challenge was £8.6m.
- As at the end of May £1.208m savings have been achieved. This is a good start to the new financial year. In addition to carry forward targets and the 5% challenge for corporate services further potential schemes to the value of £2.6m have been identified. This is positive however, the Board must continue to secure efficiencies, review and monitor the situation closely.
- The project management arrangements around the efficiency programme have been reviewed with the Efficiency Board continuing to monitor the individual schemes closely.
- The greatest risk to the achieving this target is the release of workforce savings. Many of the agreed plans depend on changes in skill mix and numbers and this may prove problematic for NHS Borders to implement.

## **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.
- In revenue the overspend on operational budgets is giving cause for concern. The main risk areas are currently BGH and commissioning. In both these areas the general managers concerned have been asked to provide an action plan with details of the remedial action to be taken.
- It is imperative that local controls instigated in 2010/11 are sustained to ensure a year end outturn of break even for all budget headings within NHS Borders. The situation is being closely monitored.
- Progress on the efficiency programme in month two has slowed and there remains much to do to ensure the challenging target of £8.6m is achieved.
- The greatest risk to the achieving this target is the release of workforce savings. Many of the agreed plans depend on changes in skill mix and numbers and this may prove problematic for NHS Borders to implement.