

Borders NHS Board**FINANCIAL MONITORING REPORT FOR THE 3 MONTH PERIOD TO 30th JUNE 2011****Aim**

The aim of this paper is to report on the financial position to 30th June 2011.

Background

The attached report shows that the Board is currently reporting an expenditure out-turn £0.6m in excess of its budget three months into the year. At this stage the Board is forecasting a year end break-even position. This is dependant on the achievement of the Board's significant efficiency programme and the recording of a break even position on operational budgets. There a number of areas of concern highlighted in the report and the Board must ensure appropriate action is taken to ensure the above requirements to achieve break even are met.

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.

Recommendation

The Board is asked to **note** the financial performance for the first month 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

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

Approved by

Name	Designation	Name	Designation
Carol Gillie	Director of Finance		

Author(s)

Name	Designation	Name	Designation
Janice Cockburn	Senior Finance Manager		

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

Contents

The financial monitoring report contains the following:

Section 1 to 5: Salient Figures

1. General Overview
2. Overall Income and Expenditure Summary
3. Overview of Capital Expenditure
4. Efficiency Programme : Savings Targets
5. Risk

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	214.8	53.7	53.8	0.1
Expenditure	214.8	51.7	52.4	(0.7)
Surplus/(Deficit) for period	-	2.0	1.4	(0.6)
Capital Expenditure	3.7	1.0	1.0	-

- At 30th June 2011 the Board is reporting expenditure of £0.6m greater than budget an increase of £0.1m in the month. This position at month three is giving concern and measures are being progressed to ensure this level of overspend can be controlled and minimised.
- The points to note from month three position are external healthcare providers, BGH, prescribing, estates and facilities and the slow down in the delivery of savings.
 - External Healthcare Providers derives from Unplanned Activity (UNPACS) and NHS Lothian Primary Care Contract. The estimates used to produce the month three figures are based on activity levels in 2010/11 resulting in the unfunded overspend continuing. New areas of overspend relate to the increasing referrals to out of area placements from the learning disability service and an extra contractual referral related to eating disorders.
 - Nursing budgets in the BGH have overspent in month three by £53k this is after taking into account additional funding included in the reported position that relates to months one and two. The overspend on instruments reported last month has continued. While orthopaedic expenditure on instruments has reduced theatre supplies continue to overspend. Theatres have been provided with detailed information on this area of overspend and a report from the service is awaited.
 - Limited prescribing data has been received to date. Based on activity information for April and May and price data for April the prescribing position is overspent by £105k at the end of June. This position should be treated with a degree of caution due to the limited information available. The situation continues to be closely monitored by the Medicine Resource Group.
 - Estates and Facilities are overspent 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 take forward schemes that have been proposed.
 - To date £1.5m of the £8.6m savings target has been delivered. Although this is an excellent achievement the rate of delivery has slowed in the last two months and the Board is now below the first quarter trajectory. Internal resources have been redirected to support the delivery of this key target but this is an area of concern.
- 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

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

controls to assure the outturn remains critical as NHS Borders break-even position is predicated on clinical boards achieving a break even out turn.

- There is a need for increased focus on the efficiency programme to address the slippage on delivery to date.
- 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.

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	189.0	47.1	47.1	-
Family Health Services (incl non cash ltd)	11.4	2.7	2.7	-
External Healthcare Purchasers	5.3	1.3	1.3	-
Other	7.2	2.0	2.1	0.1
Clinical Boards	1.9	0.6	0.6	-
Total Income	214.8	53.7	53.8	0.1
Expenditure Resources				
Clinical Boards	117.2	29.3	29.4	(0.1)
External Healthcare Providers	28.5	7.0	7.4	(0.4)
Family Health Services	31.9	7.3	7.4	(0.1)
Corporate Directorates	29.9	7.1	7.2	(0.1)
Cost of Capital	4.1	1.0	1.0	-
Approved Funding not yet underway	8.5	-	-	-
Unapplied Efficiencies :				
Recurring	(2.7)			
Non-recurring	(2.6)			
	214.8	51.7	52.4	(0.7)
Surplus/(Deficit) for period	-	2.0	1.4	(0.6)

- Income is slightly over-recovered at month three mainly due to higher than anticipated recovery from road traffic accidents. Budgets are being monitored closely to ensure that the level of income achieved is being 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 budgeted costs for nursing (£134k). This is being partially offset by underspends in medical and administration staffing. Meetings have been arranged between finance and the managers of the areas causing concern to draw up action plans for recovery. The other main area of overspend is the cost of instruments. Costs in orthopaedics have been reduced due to the implementation of a new supplier contract and changes in clinical practice relating to the use of ceramic joints. However the instrument budget in theatres continues to overspend. The service has been provided with detailed information on levels and types of expenditure, however an early review indicates that the higher than expected expenditure on instruments is due to the increasing throughput in theatres. The service has been asked to complete a report confirming the situation by the end of August.
- External Healthcare Providers shows £0.4m spend in excess of 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. Current year activity will be received prior to the production of the month four reports and this will allow more accurate forecasting of the position. As reported in the May report there have been continued additional referrals to private

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

providers for specialist care for learning disabilities. The commissioning manager and general manager are reviewing the situation to ensure we are implementing suitable care packages for these patients which are cost effective.

- Limited prescribing data has been received to date and based on activity information for April and May and price data for April the prescribing position is overspend by £105k at the end of June. Activity information which has been received indicates an increase in the number of items/forms being issued is impacting on the expenditure levels. This position should be treated with a degree of caution due to the limited information available however this is an area of concern should the current volume levels continue. The situation continues to be closely monitored by the Medicine Resource Group
- 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 with plans to meet the Estates element of the savings target almost agreed. However there is still work to be done in Facilities. Additional resources from within the organisation have been identified to support the Directorate.
- At the end of June the Board has £8.5m in approved funding not yet underway including unallocated allocations and contingencies for unforeseen pressures included in the financial plan. This area will be closely monitored for any available slippage to offset the overall financial position.
- NHS Borders is currently predicting a year end break even outturn will be achieved. This is predicated on budget headings breaking even and all saving targets being achieved.

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL) at April	3.7
Income from Property Sales	
Total Capital Resources	3.7
Use of Capital Funds	
Allocated to Approved Schemes (provisional)	3.5
Additonal In-Year Schemes to be Agreed	0.2
Total utilisation of funds for 2011/12	3.7
Expenditure to Date	
Expenditure to 30 th June 2011	1.0
Expenditure to be spent by 31 March 2012	2.7
Total Forecast Expenditure for 2011/12	3.7

- The Board’s Capital Plan for 2011/12 was approved at its meeting on 30th June 2011.
- The main elements of the current capital plan are the Jedburgh Health Centre extension, rolling programmes and the Haylodge hub project.
- The LDP Capital Plan was based on property sales of £478k being realised during 2011/12 with the capital proceeds available for reinvestment by the Board. SGHD have confirmed their planning for 2011/12 is based on NHS Borders retaining capital sales to this level for capital investment. As sales are legally underwritten these will be included within the capital plan.
- To date the main area of spend has been Jedburgh Health Centre.
- At this stage the Board considers that the financial target on capital will be achieved.

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

4. Efficiency Programme : Savings Targets

	Annual Target £000s	Delivered	
		This Year £000s	Full Year Effect £000s
<u>Carry Forward Targets</u>			
BGH	14		-
Mental Health	248		-
Estates & Facilities	540		-
Sub Total	802		-
<u>Corporate Services Challenge</u>			
Estates & Facilities	548	15	
Director of Workforce	196	121	
Public Health	62	95	
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	22	-	
Executive Team & Non Execs	72	72-	
Sub Total	1,291	495	
<u>Other Projects</u>			
Ward 11 bed reduction	219	219	44
OCS	21	21	
2% on Drugs Costs	765	765	
Sub Total	1,005	1,005	44
<u>Potential Schemes</u>	2,402		
<u>Unidentified Schemes</u>	3,080		
GRAND TOTAL	8,580	1,500	44

- 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 June £1.5m savings have been achieved. Further savings on current schemes and potential schemes to the value of £4.0m are being taken forward, however this leaves a shortfall of unidentified savings of £3.1m. Work is continuing to identify additional schemes although to date only a number of potential low value schemes have been proposed. The opportunity to progress the pace of a number of key schemes is also being pursued. If this shortfall is not addressed this will impact on NHS Borders ability to achieve its financial targets.
- The actual delivery of savings has slowed during June and this is becoming a concern in NHS Borders achieving its financial targets. General Managers and other key project sponsors have been asked to confirm projected savings levels and resources within the organisation are being redirected to support project leads in delivery.

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

- The Board must continue to deliver actual savings and the focus of the organisation must be fully on this area.

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**

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 some cause for concern. The main risk areas are currently BGH and commissioning. In both these areas the general managers are working with finance to reverse or minimise overspending areas and agree year end trajectories.
- It is imperative that local controls instigated in 2010/11 are sustained to ensure a year end outturn of break even on operations budgets. The situation is being closely monitored and appropriate action agreed.
- There continues to be a significant gap in the efficiency programme. In addition progress on the efficiency programme in month three has slowed and this area is giving concern regarding NHS Borders ability to meet its financial targets. Increased effort must be focused on this area and there remains much to do to ensure the challenging target of £8.6m is achieved.
- A further challenge 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

**Borders NHS Board – Financial Monitoring Report for 3 month period to
30th June 2011**