

Borders NHS Board
FINANCIAL MONITORING REPORT FOR THE 5 MONTH PERIOD TO 31 AUGUST 2011
Aim

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

Background

The attached report shows that the Board is currently reporting an expenditure out-turn £1.1m in excess of its budget five months into the year. The Board has been forecasting a year end break-even position provided the Board's significant efficiency programme continues to progress and deliver and by ensuring robust management and increased control of operational budgets is applied. A confidence assessment has been undertaken which supports the forecast of breakeven, however with a lower level of efficiency release.

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 five 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

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Approved by

Name	Designation	Name	Designation
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Author(s)

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	217.1	88.7	88.8	0.1
Expenditure	217.1	86.3	87.5	(1.2)
Surplus/(Deficit) for period	-	(2.4)	(1.3)	(1.1)
Capital Expenditure	3.8	1.1	1.1	-

- At 31st August 2011 the Board is reporting expenditure of £1.1m greater than budget, an increase of £0.4m in the month. Some of this movement in month was expected linked to the continuing trend of expenditure on external health care providers, however, prescribing and some budgets in Primary and Community Services have caused the reported overspend position to increase further. Managers are being supported to ensure the level of overspend is controlled and minimised.
- The key points to note from the month five position are external healthcare providers, prescribing, Primary and Community Services and estates and facilities.
 - External healthcare providers overspend (£0.7m) derives mainly from Unplanned Activity (UNPACS) and Primary Care contract both with NHS Lothian. UNPACS with NHS Lothian are continuing at the same level in the first quarter of 2011/12 as last financial year. No additional new referrals for out of area placements to specialist learning disability services have taken place in August but the new referrals made earlier in the year are still causing a significant impact on the financial position. Costs incurred with a private eating disorder unit continue to adversely affect the financial position.
 - The prescribing position at month five is £0.3m overspent. This continues to be a volatile area for the NHS Borders and due to the introduction of free prescriptions and the transfer of GP practices to the new EMIS system 2011/12 is proving particularly unpredictable. The situation will continue to be closely monitored by the Medicine Resource Group.
 - Primary and Community Service is overspent by £90k after five months, this is an adverse movement of £167k in the month, due to the release of savings to support the efficiency programme, which had in previous months been offsetting financial pressures in nursing and sexual health drugs. The General Manager is actively addressing these areas to ensure that a break-even position is achieved by the end of the financial year.
 - Estates and Facilities are overspent by £169k. The main element of the overspend is the unmet saving targets. Although good progress has been made discussion on the achievement of this target is on-going. In addition the patient transport budget continues to overspend, £80k at the end of August. In order to contain costs authorisation controls and in house arrangements are being put in place.
- The Board approved a balanced financial plan for 2011/12 which set a breakeven outturn for the year, and assumed that £8.6m of efficiency savings would be achieved. As at the end of August £4.057m of savings have been delivered. This is significant

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progress compared to last month and reflects the detailed work and discussion that have taken place over the summer months. However, there remains a shortfall on the overall programme. More details on the progress on the efficiency programme are included under section 4 of this report.

- Work is almost complete to verify the year end position. The Clinical Boards have confirmed the level of savings that will be delivered in 2011/12 and that a break even position will be achieved on their operational budgets. Monthly trajectories are currently being finalised in order that any deviation from the forecast position can be quickly addressed.
- As part of the agreed financial plan the Board approved a contingency for financial year 2011/12. This will now be utilised to support the overall financial position of the Board and ensure financial targets are achieved and forms part of the confidence assessment in achieving break even. In addition a number of additional control measures have been agreed with clinical services to be put in place over the remaining seven months of the financial year to support the projected shortfall on the efficiency programme and to ensure there is capacity in the system to deal with any unforeseen pressures over the winter months.
- At this stage the Board is forecasting a year end break-even position provided the Board's significant efficiency programme continues to progress and deliver as revised this year, by ensuring robust management and increased control of operational budgets is applied and the use of the Board's contingency.
- 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
Income Resources				
Scottish Government	189.2	77.2	77.2	-
Family Health Services (incl non cash ltd)	11.4	4.8	4.8	-
External Healthcare Purchasers	5.3	2.1	2.1	-
Other	9.1	3.5	3.5	-
Clinical Boards	2.1	1.1	1.2	0.1
Total Income	217.1	88.7	88.8	0.1
Expenditure Resources				
Clinical Boards	118.8	48.4	48.6	(0.2)
External Healthcare Providers	28.1	11.7	12.4	(0.7)
Family Health Services	31.6	12.6	12.9	(0.3)
Corporate Directorates	31.3	11.9	11.9	-
Cost of Capital	4.2	1.7	1.7	-
Approved Funding not yet underway	7.7	-	-	-
Unapplied Efficiencies :				
Recurring	(2.6)			
Non-recurring	(2.0)			
	217.1	86.3	87.5	(1.2)
Surplus/(Deficit) for period	-	(2.4)	(1.3)	(1.1)

- Income is marginally over-recovered at month five, due to higher than anticipated income generated by Clinical Boards. The over-recovery mainly relates to dental and learning disabilities services. Budgets are being monitored closely to ensure that the level of income achieved is being maximised.
- The Clinical Boards are currently £0.2m overspent on expenditure budgets. This overspend is mainly in Primary & Community Services and relates to nursing costs, due to excess staffing in certain areas following service redesign. Sexual health drugs, due to increased activity, are also overspent, which is a continuation of the trend seen in 2010/11. The General Manager is currently formulating plans to bring Primary & Community Services back to a break-even outturn. Within the pharmacy department expenditure is also greater than budget in stoma services which relates to increased patient activity. The Chief Pharmacist is reviewing the situation to ensure that all patients are receiving the most clinically appropriate and cost effective supplies.
- External Healthcare Providers shows £0.7m spend in excess of budget at month five. The overspend position is based on actual first quarter activity for the primary care contract and UNPACS with NHS Lothian. The activity trend for the first quarter of 2011/12 is similar to the previous financial year. The introduction of the new criteria for ICDs may have an impact in the remainder of the financial year. Referrals under the Primary Care Contract, particularly to the Young Persons Unit, continue at the same rate. The increased referrals to specialist learning disability facilities in previous months continue to adversely affect the position. Costs incurred with a private eating disorder unit continue to adversely affect the financial position.

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- Prescribing expenditure is based on actual activity information for April to July, and price data for April to June. The prescribing position at month five is overspent by £0.3m. There has been little change in the average cost of a script and item. Activity information indicates an increase of between 3% and 4% in the number of scripts and items prescribed compared with the same period last financial year. An increase was anticipated as part of the financial planning process. However the position is being complicated by the transition to EMIS due to the GP practices issuing additional scripts prior to transfer to the new system. The situation continues to be closely monitored by the Medicine Resource Group.
- The Corporate Directorates are currently break even, however within this heading Estates and Facilities is overspent by £169k due to unmet savings target. Work is progressing to take forward the achievement of this key target. In addition the patient transport budget continues to overspend, £80k at the end of August. In order to contain costs authorisation controls and in house arrangements are being put in place. The overspend in Estates and Facilities is being offset by an underspend on other support services departments.
- At the end of August, the Board has £7.7m in approved funding not yet underway including unallocated allocations and contingencies for unforeseen pressures included in the financial plan. This area is being closely monitored for any available slippage which will be used to offset the overall financial position.
- A number of additional control measures have been agreed with clinical services to be put in place over the remaining seven months of the financial year to support the projected shortfall on the efficiency programme and to ensure there is capacity in the system to deal with any unforeseen pressures over the winter months.
- NHS Borders is currently predicting a year end break even outturn will be achieved. This is predicated on agreed forecast year end positions on operational budgets being achieved, saving targets being progressed and delivered and the use of the contingency funding identified in the financial plan.

3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	3.8
Income from Property Sales	0.0
Total Capital Resources	3.8
Use of Capital Funds	
Allocated to Approved Schemes (provisional)	3.8
Additional In-Year Schemes to be Agreed	0.0
Total utilisation of funds for 2011/12	3.8
Expenditure to Date	
Expenditure to 31 st August 2011	1.1
Expenditure to be spent by 31 March 2012	2.7
Total Forecast Expenditure for 2011/12	3.8

- Individual meetings to review capital expenditure with project leads have taken place in month. As a result, capital resource has been released from the IM&T rolling programme totalling £100k. In addition, the organisation has been asked to submit schemes to commit this balance plus the uncommitted efficiency programme allocation of £150k. The Capital Management Team will prioritise submitted projects accordingly.
- The main focus of capital works during 2011/12 is the continuation of the Jedburgh Health Centre scheme which commenced during February 2011. A sum of £2.1m 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. It is unlikely that the status of such projects will be known until the end of the calendar year.
- A programme of work is progressing to dispose of properties, which were declared surplus by the NHS Borders Board at its meeting on 6th January 2011. SGHD have agreed that capital sales up to a level of £478k can be retained by NHS Borders where retention of such funds will support the Capital Programme. However, no commitment can be secured on such resources until sales are legally agreed and proceeds received. As such, the Capital Investment Plan does not include any capital income at present.
- 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		22	-
Mental Health	248		248	-
Estates & Facilities	540		497	-
Sub Total	802		767	-
<u>Corporate Services Challenge</u>				
Estates & Facilities	548		-	
Director of Workforce	196		139	
Public Health	62		73	
Planning & Performance	34		34	
IM&T	140		115	12
Public Involvement & Comms	16		17	
Finance	83		83	
Medical Director	22		-	
Integrated Care	15		-	
Director of Nursing	81		-	
Partnership	22		-	
Executive Team & Non Execs	89		75	
Sub Total	1,308		536	12
<u>Other Projects</u>				
Ward 11 bed reduction	219		219	44
3% on Drugs Costs	720		720	
I2S Pharmacy	45		45	
P&Cs Central Costs	102		142	
FIE	35		35	
Travel/OCS	33		33	
Nursing	232		232	5
Supplies Inflation	209		209	
Tweeddale Hub	130		130	364
Estates Strategy	6		6	
Procurement	2		2	
Driver rota	10		10	
Discretionary Spend	51		51	
Diagnostics	40		40	
AHPs	434		434	
MH Rehab	236		98	
LD	97		65	
Medical cover	133		133	
Dental	50		50	-
VAT on dispensing doctors	100		100	-
Other confirmed schemes	312			
Sub Total	3,196		2,754	413
Unconfirmed Schemes	3,274			
GRAND TOTAL	8,580		4,057	425

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- Achieving the Board's efficiency savings target is a key element in determining whether a balanced out-turn for 2011/12 will be achieved. As agreed in the financial plan for 2011/12 the total estimated savings challenge was £8.6m.
- As at the end of August £4.057m of savings have been delivered of which £3m is recurring. When taking into account the full year effect of the recurring savings delivered part way through 2011/12 the total level of recurring savings identified to date is £3.4m, which is significant progress towards the recurring target of £5.4m.
- The actual delivery of savings has increased pace during the last few months following detailed discussions with General Managers, key support service departments and project managers.
- For 2011/12 further savings on current schemes and additional schemes up to the total value of £5.306m have been confirmed, however this leaves a shortfall of £3.274m as at the end of August. A number of initiatives are being taken forward and work is continuing to identify further schemes.
- There continues to be a significant risk to achieving the target linked to release of workforce savings. Many of the agreed plans depend on changes in skill mix and numbers and this may prove challenging for NHS Borders.

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 main risk areas are currently prescribing and commissioning. These areas are being closely monitored in order to ensure that they remain in line with the year end projections and do not adversely deviate from these.
- All Clinical Boards have signed up to a break even position and it is imperative that the current overspends are brought back into line and trajectories are delivered.
- Additional control measures have been agreed to ensure the Board has resilience to deal with pressures in the remainder of the financial year.
- Progress on the efficiency programme in month five has improved. It is imperative that the clinical boards and estates and facilities release the savings agreed.
- The organisation must remain focused on efficiency during the remainder of the financial year to prepare for the challenge of future financial years.
- An integrated risk to achieving the efficiency programme is the release of workforce savings. Many of the agreed plans depend on changes in skill mix and staff numbers which are dependant on staff turnover.