

Borders NHS Board**FINANCIAL MONITORING REPORT FOR THE 3 MONTH PERIOD TO 30 JUNE 2010****Aim**

The aim of this paper is to report on the financial position to 30th June 2010.

Background

The attached report shows that the Board is currently reporting an expenditure out-turn £0.9m in excess of its budget three months into the year.

At this stage the Board considers that a year end break-even position remains achievable. That is predicated upon two key deliverables :

- achievement of the Board's significant efficiency programme
- improved and systematic management of operational budgets to deliver a localised break-even or better position.

The challenges of the financial situation are understood it is persistent and proactive action that is required if the Board is to achieve its statutory targets based upon its existing financial plan.

Looking beyond the near-term, and to reiterate, the commitment to change that is required to ensure the savings targets are achieved must not be underestimated. Delivering the Board's Efficiency Programme in-year and into the future is an imperative.

The report also includes details of expenditure to date against the Board's 2010/11 capital allocation.

Recommendation

The Board is asked to **note** the financial performance for the first three months of the financial year.

Policy/Strategy Implications	Impact on statutory financial targets
Consultation	BET, CET and local managers have been provided with financial reports and supporting information.
Consultation with Professional Committees	N/A
Risk Assessment	Risks are covered in the text
Compliance with Board Policy	Compliant

requirements on Equality and Diversity	
Resource/Staffing Implications	As described in the paper

Approved by

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1. General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	208.9	53.0	53.0	-
Expenditure	208.9	51.1	52.0	(0.9)
Surplus/(Deficit) for period	-	1.9	1.0	(0.9)
Capital Expenditure	6.5	0.5	0.5	-

- The Board has approved a balanced Financial Plan for 2010/11 which sets a breakeven outturn for the year. It assumes that £7.9m of efficiency savings will be achieved, the timing of which will be important in achieving the statutory breakeven target in 2010/11.
- At 30 June 2010 the Board is reporting expenditure of £0.9m greater than budget for the first three months of the financial year. This is a marked increase from the overspend reported at Month 2 (£0.5k); it clearly indicates a need to improve local controls that assure the outturn.
- Two areas continue to be of prime concern - Clinical Executive and External Healthcare Providers continue to show excess expenditure. The Clinical Executive is driven by continued Nursing and Medical salary overspends and in addition a new Instruments and Sundries overspend. External Healthcare Providers derives from Unplanned Activity (UNPACS) and Renal activity. Given the level and continuing nature of these overspends, it is now essential that the local budget management becomes focused on containing expenditure to budget, minimising costs where appropriate and ensuring anticipatory controls are robust.
- A detailed report and achievement of savings targets is included under section 4 of this report. At 30th June 2010 the Board has achieved savings of £3.6m. It is confident that the “indicative” savings also identified will increase this amount to £5.2m and at this stage is forecasting full achievement of its 2010/11 savings targets. This will be closely monitored and proactively managed during the remainder of the year as delivery of the savings target is critical.
- The level of capital expenditure is in line with the plan.

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2. Overall Income and Expenditure Summary

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income Resources				
Scottish Government	186.2	45.1	45.1	-
Family Health Services (incl non cash ltd)	7.6	3.2	3.2	-
External Healthcare Purchasers	5.1	1.3	1.3	-
Other	6.1	1.7	1.6	(0.1)
Clinical Executive	3.4	1.6	1.7	0.1
Prescribing	0.5	0.1	0.1	-
Total Income	208.9	53.0	53.0	-
Expenditure Resources				
Clinical Executive	128.9	32.2	32.8	(0.6)
External Healthcare Providers	26.1	6.6	7.0	(0.4)
Family Health Services	27.3	7.6	7.6	-
Corporate Directorates	13.1	3.4	3.3	0.1
Cost of Capital	5.3	1.3	1.3	-
Approved Funding not yet underway	10.6	-	-	-
Unapplied Efficiencies :				
Recurring	(2.0)	-	-	-
Non-recurring	(0.4)	-	-	-
Total Expenditure	208.9	51.1	52.0	(0.9)
Surplus/(Deficit) for period	-	1.9	1.0	(0.9)

- The annual budget for income from External Healthcare Purchasers is based on the budgeted income from 2009/10 with final values to be confirmed. The main purchaser is Northumberland Health Authority at approximately £3m. It is anticipated that there will be no significant difficulties in securing the values outlined. An initial meeting with Northumberland has already taken place and the contract should be finalised by the end of August.
- Income classed as 'Other' income consists largely of receipts from National Education Scotland and income for the use of NHS Borders properties by General Practitioners. It is currently anticipated that there will be little difficulty in realising the income levels set. There is slight under recovery in Month 3 but it is due to timing of receipts and we are currently confident of bring this back in balance in Month 4.
- Clinical Executive income consists of direct and offset income retained by the Clinical Boards. This income is often in relation to posts funded from external sources such as joint posts with Scottish Border Council or income in relation to services provide for external organisations such as laundry.

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- The Clinical Executive (Clinical Boards and Estates & Facilities) is reporting expenditure levels £600K higher than year to date budgets. This overspend is principally in the General Hospital. The prime areas of concern are the costs of nursing (£254k), medical staffing (£99k) and instruments and sundries (£268k).
 - In the case of nursing each Clinical Board has completed an action plan outlining how each will bring these overspending areas in line with budget. A full year trajectory will be submitted to the Director of Finance by end July 2010 to provide clear evidence that appropriate plans are in place so that the Board can be assured of the position or the need for alternative action.
 - For medical staffing a trajectory has to be submitted to the Director of Finance by the end of July. Early indications appear to predict that this budget will continue to overspend however action is being taken to ensure that this overspend is minimised and the ultimate aim is to recover the position.
 - For instruments and sundries the main area of overspend is within the Borders General Hospital and the Assistant General Manager is currently working with the services involved. However a proportion of the overspend in Month 3 is due to increased activity during June to compensate for lower activity in the summer holiday period.
- The other area of overspend is External Healthcare Providers which shows £400k spend beyond budget, a continuation of the trend seen in 2009/10. In the main, it relates to cost per case activity within the rehabilitation, young persons and renal units in NHS Lothian. This overspend patterning was not additionally funded in 2010 but rather set the task of repatriating and limiting the costs as a major piece of work during the year.
 - There will be an action plan produced by the end of August, and this will demonstrate how referrals should be made in future and that all current referrals are appropriate.
 - There is a pressure associated with a new inpatient eating disorder referral which has increased the level of overspend by £90k to date and this is being monitored appropriately and closely.
- Discussions are active with NHS Lothian to agree at an early stage the Acute Service Level Agreement for 2010/11. This is presented as break even at Month 3 but this is an area of significant risk for NHS Borders due to referral patterns over the past few years.
- Prescribing was a major pressure for NHS Borders in 2009/10. To date only April prescribing data is available for 2010/11. Based on this limited information prescribing is reported as break-even. Prescribing will be closely monitored in order that the Board can be made aware of any potential issues as early as possible.
- At the end of June the Board has £10.6m in reserves and unallocated allocations. As the year progresses this will be reduced as schemes commence. This area will be closely monitored for any available slippage to offset the overall financial position.

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3. Overview of Capital Expenditure

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL) at May 2010	6.2
Income from Property Sales	0.3
Total Capital Resources	6.5
Use of Capital Funds	
Allocated to Approved Schemes	6.5
Total utilisation of funds for 2010/11	6.5
Expenditure to Date	
Expenditure to 31 st May 2010	0.5
Expenditure to be spent by 31 March 2011	6.0
Total Forecast Expenditure for 2010/11	6.5

- The Board's Capital Plan was approved as part of the Local Delivery Plan which was submitted to the Scottish Government in March 2010.
- At this stage in the financial year expenditure on capital is minimal however it must be noted that currently there is expected to be no slippage; this is subject to confirmation by the Capital Planning Group at its meeting on the 30th July 2010.
- The main focus of the capital work will be on the Renal Project at Borders General Hospital and the Community Health Centre developments.
- The main elements of NHS Borders Capital Plan are the Community Health Centre schemes (£1.8m) and Borders General Hospital schemes, including Renal and Integrated Health Strategy (£2.2m).

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4. Efficiency Programme : Savings Targets

				As at end of June		
	Annual	June	Over/	Actual	Potential	Indicative
	Target	Indicative	(Under)			
£000s	Total	Achieved	£000s	£000s	Total	
	£000s	£000s	£000s	£000s	£000s	£000s
<u>2009/10 Carry Forward</u>						
Borders General Hospital	105	72	(33)	48	24	72
Primary & Community						
Services	118	118	-	118	-	118
Mental Health	262	262	-	92	170	262
Estates & Facilities	101	-	(101)	-	-	-
Director of Workforce	22	-	(22)	-	-	-
Public Health	28	28	-	28		28
Director of Nursing	12	12	-	12		12
Sub Total	648	492	(156)	298	194	492
<u>15% Challenge</u>						
Estates & Facilities	1,643	789	(854)	635	154	789
Director of Workforce	411	186	(225)	186		186
Public Health	185	185		177	8	185
Planning & Performance	104	104	-	92	12	104
IM&T	419	419	-	322	97	419
Public Involvement & Comms	43	43	-	41	2	43
Finance	268	272	4	272		272
Medical Director	68	68	-	68	-	68
Integrated Care	18	28	10	28		28
Director of Nursing	119	119	-	119		119
Partnership	17	8	(9)	8	-	8
Executive Team & Non Execs	197	110	(87)	110		110
Sub Total	3,492	2,331	(1,161)	2,058	273	2,331
<u>Other Projects</u>						
2% on Drugs Costs	485	485	-	485	-	485
Revenue Consequences of						
Capital	300	300	-	300	-	300
2009/10 Outturn on Drugs						
Budgets	480	500	20	500	-	500
LEAN	439	439	-	-	439	439
Invest to Save Schemes	130	130	-	-	130	130
Procurement	19	19	-	-	19	19
Supplies	389	389	-	-	389	389
Lothian Consultants	150	150	-	-	150	150
				-		
Sub Total	2,392	2,412	20	1,285	1,127	2,412
<u>Unidentified Schemes</u>	1,317	-	(1,317)	-	-	-
GRAND TOTAL	7,849	5,235	(2,614)	3,641	1,594	5,235

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- In developing its financial plan for 2010/11 the Board set an Efficiency Projects Programme level that will:-
 - Enable the Board to achieve a balanced outturn.
 - Meet the requirement to achieve a 2% recurring reduction in costs against its revenue allocation as part of the Scottish Government Efficiency Savings Initiative.
 - Have plans in place to create the momentum necessary to ease the passage of future year's financial challenges
- Achieving the Board's cost savings target will be a key element in determining whether a balanced out-turn for 2010/11 will be achieved. In order to break even in 2010/11 the total estimated savings challenge is £7.9m.
- The table above shows progress to date against this target. The table splits the target between 2010/11 and recurring targets carried forward from 2009/10. It reports against specific targets, where they have been identified, actual savings schemes actioned to date and any potential savings. Any current variance from the target has been identified.
- In addition to the schemes identified in the table above the Efficiency Board is taking forward a number of projects for which notional targets have been identified. Workforce redesign (£2.1m), discretionary spend (£0.7m) and vacancy control (£1.1m) are some of the larger projects although new schemes are on an ongoing basis being developed. The aim is to ensure that the Board has plans in place to deal with future year's financial challenges.
- To date the Efficiency Board has approved 3 Invest to Save proposals. The agreed investment in 2010/11 for the three schemes is £142k which will generate savings of £154k this year. A further £133k investment is required in 2011/12, which will result in recurring savings of £489k being achieved from the three schemes. Five further proposals are currently being considered for investment. The Efficiency Board will meet on 22 July and further schemes will be considered at this meeting.
- As at 31st May 2010 progress has been made. To date £3.641m savings have been actioned and potential schemes of a further £1.594m have been identified. In total this equates to £5.235m against a target of £7.849m. This is positive however, the Board must continue to secure efficiencies, and review and monitor the situation closely.