

Borders NHS Board



FINANCIAL REPORT TO 31st MAY 2009

1. Aim

The aim of this paper is to report on the financial position to 31st May 2009.

2. Background

The early reports in a new financial year remain qualified as the completion of the previous year's annual accounts is ongoing and the external audit review will not complete until the end of June.

NHS Borders faces a tight financial outlook. Recurring efficiency savings targets of £4,000,000 have been allocated to Clinical Boards and Support Services departments as agreed at the Board Executive and Clinical Executive Team meetings in April. In addition non recurring savings of £1,254,000 have also been allocated. The financial strategy for NHS Borders for 2009/10 is to at least break even and avoid an overspend, which will allow time for longer-term recurring efficiency savings to come through the Strategic Change Programme.

3. Executive Summary

- As at the 31st May, NHS Borders is overspent by £783,000;
- This is **after** taking into account two-twelfths of the Clinical Executive and Support Services departments efficiency savings targets for 2009/10;
- Some concerning pressures on operational budgets have arisen, principally in the BGH and P&Cs;
- For prescribing, a position of break even is being reported as April information will not be received from NSS until late in June, or early July;
- Commissioning is reported as an overspend of £81,000, which is based on 2008/09 expenditure patterns and the limited information has been received to date. There are worrying issues emerging from early discussions with NHS Lothian.

4. Clinical Executive (overspent £713,000 – last month overspent £363,000)

- 4.1 There has been an overspend of £92,000 on operational budgets with the balance of the overspend, £621,000, related to efficiency saving targets.
- 4.2 The BGH is overspent by £398,000 of which £228,000 relates to savings targets and the balance relates to on overspend of £170,000 on operational budgets. The main issues within the BGH are: -
 - Nursing costs overspent in May due to absence levels in a number of areas;
 - Medical staff costs overspent as a result of the use of locums in a number of specialities. In addition, Out of Hours service GP medical costs were higher than anticipated;

- Supplies costs particularly in the laboratory are overspent and a review of costs is currently being undertaken;
- Drug costs are underspending in May which is partially offsetting the reported overspend position.

4.3 The Primary and Community Services Board is overspent by £249,000, of which £188,000 is due to savings targets and £61,000 is due to an overspend on operational budgets. The majority of the overspend relates to nursing costs in community hospitals. The CNMs and ward managers have identified the issues and will be addressing these over the coming months. In addition, drugs costs in the sexual health service have increased due to additional patient activity.

4.4 The Mental Health Network is overspent by £31,000. Savings targets are generating an overspend of £101,000 which is partially offset by an underspend on operational budgets. This underspend is being generated by vacancies in community teams as a result of recruitment difficulties.

4.5 The NHS aligned budget within the Joint Learning Disability Services is underspent by £6,000. An operational underspend of £12,000 is offsetting the £6,000 effect of savings targets. The transitional arrangements that are in place in the Range are the main reason for the underspend.

4.6 Estates and Facilities are overspent by £43,000. This is made up of an overspend of £89,000 on savings targets partly offset by an underspend of £46,000 on operational budgets. The main area of underspend is staff budgets in facilities where recruitment is ongoing. There is a small underspend on utilities costs which are a volatile area.

5. Family Health Services – (break even – last month break even)

5.1 Prescribing – A position of break even is being reported, as information for April will not be received from NSS until the end of June or early July.

5.2 Other Family Health Services – General Dental, Ophthalmic and some elements of pharmaceutical services are non-cash limited and NHS Borders receives funding to match costs.

6. Externally provided services – (overspent £81,000 – last month overspent £78,000)

6.1 Commissioning expenditure for May is shown as £81,000 overspent.

6.2 An accrual based on last year's outturn has been used to judge a position. As in previous years we will continue to forecast areas of expenditure by this methodology until August 2009 when we will have received the first quarter's actual data.

6.3 An outstanding issue with NHS Lothian on the 2008/9 SLA has now been resolved. SLA discussions for 2009/10 have begun and detailed Border information is expected early in July, although there are indications that significant cost increases will arise resulting from increased referrals.

6.4 UNPACS are overspent due to renal patients continuing to be treated in NHS Lothian. In addition two high cost specialised surgical cases have been identified in May.

7. Other Costs (underspent £28,000 – last month overspent £38,000)

- 7.1 Support services are underspent by £28,000, made up of a £45,000 impact of savings targets and an underspend on operational budgets of £73,000.
- 7.2 The main reason for the change in the reported position is the identification of additional funding in Drugs and Alcohol and HR to address pressure areas.

8. Savings

- 8.1 Monitoring overall progress on delivering savings will be a key area for the Board this year. Savings targets have been allocated to individual Clinical Boards and support services departments. The Board will receive regular updates on progress in meeting these targets. The first quarterly review will be presented at the August Strategy and Performance Review meeting

9. Income (under-recovered £17,000 – last month under-recovered £13,000)

- 9.1 The level of income received for services provided to non-Borders residents continues to be lower than anticipated. This is a continuation of the trend reported last financial year.
- 9.2 Prescription income is reporting a break even position until April 2009 information becomes available in early July.

10. Capital

- 10.1 A report is attached detailing a capital spend/commitment of £1.999m. The majority of this expenditure relates to commitments recorded against the BGH Endoscopy Development and BGH Car Park schemes.

11. Summary

- 11.1 Again I must emphasise this report remains qualified due to the ongoing work with the 2008/9 accounts. It does nevertheless highlight the challenges facing NHS Borders this year.
- 11.2 The reported position clearly demonstrates the need to address the efficiency savings targets for 2009/10 at an early stage. Not only must savings targets be fully achieved but measures must also now be put in place to address and recover the overspends that have been generated in first two months of the financial year.
- 11.3 Looking to the longer term the Board must ensure deliver of the recurring efficiency savings programme through the Strategic Change Programme in order to ensure the Board sustains financial balance.
- 11.4 The Executive Team and Clinical Executive will, consider measures that need to be put in place to ensure financial targets are achieved in 2009/10 and these will be reported back as part of the first quarters review, due at the August Strategy & Performance Committee.

12. Recommendation

12.1 The Board is asked to **note** this report.

| | |
|--|---|
| Policy/Strategy Implications | Impact on statutory financial targets |
| Consultation | This report has been presented to BET and supporting reports are being presented to Clinical Executive, Clinical Boards and budget managers |
| Consultation with Professional Committees | N/a |
| Risk Assessment | Risks are covered in the text |
| Compliance with Board Policy requirements on Equality and Diversity | Compliant |
| Resource/Staffing Implications | As described in the paper |

Approved by

| Name | Designation | Name | Designation |
|-------------|---------------------|-------------|--------------------|
| Robert Kemp | Director of Finance | | |

Author(s)

| Name | Designation | Name | Designation |
|-------------|---------------------|--------------|----------------------------|
| Robert Kemp | Director of Finance | Carol Gillie | Deputy Director of Finance |



Financial Statement

For the 2 months ended 31st May 2009

| Apr-09 | | Annual Budget £000's | Budget to 31st May £000's | Actual to 31st May £000's | Variance £000's |
|--------|--|-------------------------|---------------------------------|---------------------------------|--------------------|
| | Clinical Executive | | | | |
| -224 | BGH | 55,097 | 9,813 | 10,211 | -398 |
| -142 | P&CS | 33,149 | 4,901 | 5,150 | -249 |
| -1 | Mental Health | 13,110 | 2,150 | 2,181 | -31 |
| 1 | Learning Disabilities | 1,048 | 173 | 167 | 6 |
| -13 | Estates & Facilities | 14,559 | 2,323 | 2,366 | -43 |
| 16 | Other Support Services | 3,744 | 510 | 508 | 2 |
| 0 | CET Reserves/Efficiency Savings | 250 | 0 | | 0 |
| -363 | | 120,957 | 19,870 | 20,583 | -713 |
| | Family Health Services | | | | |
| 0 | GP Prescribing | 18,721 | 3,126 | 3,126 | 0 |
| 0 | Non-cash limited services | 7,642 | 1,485 | 1,485 | 0 |
| 0 | | 26,363 | 4,611 | 4,611 | 0 |
| | Services Provided Outwith NHS Borders | | | | |
| -1 | Joint Services with Scottish Borders Council | 2,410 | 402 | 403 | -1 |
| -7 | NHS Lothian | 14,766 | 2,461 | 2,426 | 35 |
| -70 | Other Commissioning | 7,461 | 1,372 | 1,487 | -115 |
| -78 | | 24,637 | 4,235 | 4,316 | -81 |
| | Other Costs | | | | |
| -38 | Management; Support Services & Central Costs | 12,282 | 1,094 | 1,066 | 28 |
| 0 | Cost of Capital | 7,598 | 1,266 | 1,266 | 0 |
| 0 | Pay Modernisation - Agenda for Change | 183 | | | 0 |
| 0 | Reserves & Unallocated Allocations | 6,681 | | | 0 |
| -38 | | 26,744 | 2,360 | 2,332 | 28 |
| -479 | | 198,701 | 31,076 | 31,842 | -766 |

Funded By:-

| | | | | | |
|------|--|----------|---------|---------|------|
| 0 | SEHD Allocations (Unified Budget) | -180,711 | -29,050 | -29,050 | 0 |
| 0 | SEHD Allocations (FHS non-cash limited) | -7,642 | -1,485 | -1,485 | 0 |
| 7 | Other Income | -4,606 | -768 | -802 | 34 |
| 0 | Prescription Income | -1,056 | -176 | -177 | 1 |
| -20 | Services Provided to Non-Borders Residents | -4,686 | -781 | -729 | -52 |
| -13 | | -198,701 | -32,260 | -32,243 | -17 |
| -492 | | 0 | -1,184 | -401 | -783 |

NHS Borders**Capital Statement to 31st May 2009**

| | Capital Plan | Expenditure |
|---|---------------------|--------------------|
| Approved Schemes | £000's | YTD |
| | | £000's |
| BGH Schemes | 2430 | 1,474 |
| IT Rolling Programme | 908 | 7 |
| Medical Equipment Committee | 520 | 0 |
| Estates, Facilities & DDA | 608 | 4 |
| IM&T Server Room | 59 | 13 |
| Project Management Support | 416 | 42 |
| Primary Care Decontamination | 173 | 0 |
| SEAT - Learning Disabilities (CRL transfer to Fife) | 390 | 390 |
| Car Park BGH | 424 | 355 |
| PCCPMP | 720 | 0 |
| Community Health Centres | 1780 | 87 |
| Miscellaneous | 466 | 16 |
| | | |
| Total Capital Resource Limit | 8,894 | 2,389 |