

NHS PETERBOROUGH
Peterborough Primary Care Trust
(Working in partnership with Peterborough City Council)

SUBJECT: FINANCIAL PLAN AND BUDGET SUBJECT TO REVIEW 2010/11

ACTION REQUIRED: FOR DISCUSSION AND AGREEMENT

MEETING: NHS PETERBOROUGH BOARD

DATE OF MEETING: 25 MARCH 2010

REPORT OF: KEN SHARP, INTERIM DIRECTOR OF FINANCE

1 SUMMARY AND RECOMMENDATION

- 1.1 The financial plan which is subject to review concentrates on the income and expenditure requirements to ensure the PCT meets its statutory duty not to exceed the revenue resource limit.
- 1.2 The PCT is required to repay the forecast overspend from 2009/10 and the plan includes a disinvestment of £27.0m against current expenditure levels.
- 1.3 Budgets, subject to review, have been established for each key service area and actions to deliver the required disinvestment are continuing to be established.
- 1.4 The Board is recommended to:
 - 1.4.1 Note the assumptions made in drawing up the financial plan.
 - 1.4.2 Agree the budgets, subject to review, as set out in Appendices 1 to 4.
 - 1.4.3 Note that the final plan, including the remaining elements, will be submitted to a Board meeting at the end of April.

2 FINANCIAL PLAN 2010/11 (SUBJECT TO REVIEW)

- 2.1 The objectives of the financial plan are to:
 - Provide the framework for the operational plan which sets out the actions to deliver the second year of NHS Peterborough's strategic plan
 - Ensure that the statutory and administrative duties of the PCT are met
- 2.2 This plan is presented as subject to review due to the challenging nature of the financial requirements in 2010/11 arising from the overspending in 2009/10. The plan sets out to reduce expenditure from current levels as well as repay the forecast deficit of £11.8m.
- 2.3 The statutory and administrative duties are as follows:

Requirement	Comment
To maintain expenditure within the Revenue Resource Limit (RRL)	The plan, subject to review, provides for a surplus of £0.5m.
Not to exceed the Capital Resource Limit	Capital expenditure plans will not exceed the capital resource limit.
Not to exceed the overall cash limit	Cash and balance sheet movements will ensure that the cash limit is not breached.
To achieve full cost recovery on provider functions	This will be confirmed by Peterborough Community Services
To achieve 3.5% return on capital	This will be confirmed when capital programme agreed.
To achieve the Better Payment Practice Code	To be submitted with final plan.

- 2.4 This interim financial plan concentrates on the statutory requirement to set a revenue budget within the resource limit.

3 SUMMARY OF INCOME AND EXPENDITURE POSITION

- 3.1 The interim income and expenditure summary is included at appendix 1 and the movement from the baseline budget is as follows:

Income			
Baseline income			300,233
Less 09-10 forecast outturn repayment			-11,800
Hosted Services Income			5,500
Dental Charge Income			1,061
Peterborough Community Services			12,300
Additional resources:			
NHS Resource limit increase	12,680		
Peterborough City Council increase	1,499	14,179	
	Total income		321,473
Expenditure			
Baseline expenditure budgets			301,294
<u>Baseline Overspending</u>			
09-10 overspend FOT	11,846		
Adjustment for 09-10 non-recurrent savings	1,707		
Adjustment for non recurrent income	2,900	16,453	
Hosted Services Expenditure			6,250
Peterborough Community Services			12,300
Known cost pressures and other provisions			3,904
Inflation etc. - pooled budget	9,295		
Inflation etc. - non-pooled budget	1,458	10,753	
Tariff efficiency			-7,356
CQUIN additional provision			1,754
Contingency			1,300
Reserve for DH Central services			1,300
Net disinvestment plans			-26,979
	Total expenditure		320,973
	Planned surplus		500

- 3.2 Although the PCT is only required to break-even the plan prudently provides for a surplus of £0.5m.

4 INCOME

- 4.1 The baseline allocation has been increased by £12.7m in respect of the DH uplift.
- 4.2 Peterborough City Council has provided an additional £1.5m to the pooled budget in respect of adult social care.
- 4.3 The resources available will be reduced by the amount overspent in 2009/10, currently assumed to be £11.8m.

5 EXPENDITURE

- 5.1 Current expenditure levels exceed the baseline by £16.5m prior to any action being taken.
- 5.2 Provision has been made for known cost pressures and provisions, £3.9m, and inflation, £10.8m, offset by £7.4m representing the national requirement for 3.5% efficiency as built into the PbR tariff.
- 5.3 The amount required to be spent on quality initiatives, represented by the CQUIN programme, is increased from 0.5% to 1.5%, an increase of £1.8m.
- 5.4 The PCT hosts the Primary Care Contracting trading organisation and, whilst planned income matches planned expenditure, the PCT has agreed to repay £0.75m of the surplus previously accrued by the organisation.
- 5.5 A contingency of 0.5%, £1.3m, of the DH income will be held as a contingency in accordance with national advice.
- 5.6 The DH is expecting PCTs to utilise the resource uplift to fund a number of central services previously funded centrally.
- 5.7 The early drafts of the plan included investments and disinvestments which netted to a saving of £13.7m. However the deterioration in the PCT's financial position has resulted in the need to increase this to £27.0m. Appendix 4 summarises the total disinvestments over the main expenditure heads.
- 5.8 The expenditure budgets are as summarised in appendix 1. Contracts and other detailed actions are not yet in place to ensure that these budgets are delivered and they therefore remain interim budgets. The total for each expenditure head is the maximum expenditure currently being planned and final budgets will be agreed within these limits, together with robust action plans to ensure delivery.
- 5.9 Until final budgets are agreed the current financial restrictions will continue to apply. Existing budgets will be rolled over but expenditure remains constricted to unavoidable items, either committed within existing contract levels or to secure the safety of individual patients/clients.
- 5.10 The summary position of Peterborough Community Services is shown on Appendix 1 and detailed budgets will be submitted after approval of the PCS sub-committee.

6 ASSUMPTIONS

6.1 Three key assumptions have been made in establishing the financial plan:

- The Operational Framework 2010/11 requires the PCT to allocate 2% of its DH resources for non-recurrent purposes in order to establish a pool of investment funds as the resource position becomes more difficult from 2011/12. This requirement is deemed to be met through the non-recurrent repayment of £11.8m in respect of the 2009/10 forecast overspend.
- The local population is both increasing in size and demand on health and social care. The healthcare increase is estimated to equate to £4.4m in 2010/11 and no separate provision has been made for this amount. The interim budgets are expected to accommodate the population increase.
- The PCT has temporarily utilised the surplus of £2.9m belonging to hosted services. Repayment is scheduled at £0.75m in 2010/11 and £2.2m in 2011/12.

7 OTHER ELEMENTS OF THE FINANCIAL PLAN

7.1 The capital programme, cash and balance sheet plans, and the Better Payment Practice Code plan will be submitted with the final plan.

Appendix 1 Interim Income and Expenditure summary

Appendix 2 Interim Income summary

Appendix 3 Interim Expenditure summary

Appendix 4 Summary of net disinvestment

Ken Sharp
Interim Finance Director
23 March 2010