

PETERBOROUGH PRIMARY CARE TRUST
(Working in partnership with Peterborough City Council)

SUBJECT: FINANCE REPORT FOR THE EIGHT MONTHS TO 30TH NOVEMBER 2008

ACTION REQUIRED: FOR NOTING

MEETING: PARTNERSHIP GOVERNANCE GROUP

DATE OF MEETING: 7 JANUARY 2008

REPORT OF: DAVID BACON DIRECTOR OF FINANCE AND CONTRACTS

1 RECOMMENDATION

This report recommends that the Partnership Governance Group note:

1.1 The forecast performance for the 2008/09 financial year against key Statutory and Administrative targets as they relate to the Pooled Fund as set out in the table below:

Target	Frequency of Measurement	Forecast Performance	Comment
Do not Exceed Revenue Resource Limit (RRL) i.e. Financial Balance	Yearly	Green	Overall year end forecast outturn is a surplus of £684,000 (Appendices 1 – 3)
Do not exceed Overall Cash Limit	Yearly	Green	Year end forecast is that cash will be managed within limits (Appendix 6)
Achieve Full Cost Recovery on Provider Function	Yearly	Green	
Achieve 3.5% Return on Capital	Yearly	Green	Low risk, requires relevant calculation of and application of capital charges into financial position
Achieve Better Payment Practice Code	Yearly	Amber	Whilst improved on 07/08 position, currently not achieving across all 4 measures (Appendix 7)

1.2 The Pooled Fund revenue position is an over spend of £1,363k to date and a £684k forecast outturn under spend broken down as follows:

Business Segment	Variance to Date £000	Previous Variance £000	Forecast Outturn £000
Commissioning External	(141)	442	684
Commissioning Internal	(1,222)	(1,119)	0
Total Pooled Budget	(1,363)	(677)	684

This position includes the release of £1,432k of reserves held as a contingency to mitigate overspending.

2 TIMETABLE FOR DECISIONS

2.1 Immediate

3 PREVIOUS DECISIONS RELEVANT TO REPORT

- 3.1 PCT Financial Plan 2008/09 (PCT Board 5th March 2008)
- 3.2 Annual Delivery Plan 2008/09 (PCT Board 5th March 2008)
- 3.3 The Operating Framework for the NHS in England 2008/09 (PCT Board 9th January 2008)
- 3.4 Finance Report for the seven months to 31st October 2008 (Partnership Governance Group 3rd December 2008)

4 RELATES TO PCT PRIORITY AND ANNUAL DELIVERY PLAN TARGET

- 4.1 The PCT has a statutory duty to break even on its revenue and capital resources and administrative duties for other aspects of financial performance as set out in the table in 1.1 above.
- 4.2 The PCTs Annual Delivery Plan approves certain investments in health care. This report provides financial information covering the expenditure position of those investments.

5 FINANCIAL POSITION

5.1 Revenue Summary (Appendix 1)

Appendix 1 provides a summary of the pooled funds revenue position at the end of November 2008. This is reported as an over spend against profiled budgets of £1,363k with a year end outturn under spend of £684k and splits between the various business segments of the PCT as follows:

Business Segment	Variance to Date £000	Previous Variance £000	Forecast Outturn £000
Commissioning External	(141)	442	684
Commissioning Internal	(1,222)	(1,119)	0
Total Pooled Budget	(1,363)	(677)	684

The Sections 5.2 through to 5.4 give further detail on the different elements of the pooled funds activities that are driving this position.

5.2 Revenue Resource Summary (Appendix 2 and 4)

Appendix 2 shows the PCTs overall resource (income) position. Since the last report to the Partnership Governance Group on 3rd December 2008 the following additions to income have been recognised in the plan.

Changes to Resource Assumptions since Board Report 3rd December 2008	Plan Adjustments £000
Revenue Allocation <ul style="list-style-type: none">• Eclizumab (£21k)• Primary Care Service – Healthcare SLA £10k• Impairment funding (£1,285k)• Increased access to contraception £100k• ICES transfer from Cambs PCT £35k	(1,161)
Peterborough City Council	0
Other Income	0
Hosted Income	1,234
Non Discretionary Allocations	0
Total	0

To date there are no further variances against income expectations for the PCT and forecast outturn is indicating no income variances.

Appendix 4 shows the split of revenue allocations between those confirmed and those still to be actioned.

5.3 Pooled Revenue Expenditure Summary (Appendix 3, 9 and 10)

Appendix 3 shows the summary expenditure position for the Pooled Fund. The plan adjustment column includes a net change of £993k from the movements reported on 3rd December 2008. This includes the impact of adjustments to the revenue resource allocations above relevant to the pool. There have also been some minor movements between budget lines to match more accurately the areas where expenditure occurs.

Overall the Acute commissioning expenditure is over performing against plan with an overspend to date of £3,059k. Appendix 9 gives detail by activity area for the Peterborough and Stamford Hospitals NHS Foundation Trust element of this which equates to £2,813k. This position is mitigated by the offset of £350k shown against reserves which represents the amount released to date for activity relating to well babies and maternity and an offset of £937k from

high cost drugs. Nevertheless, activity and costs at the Trust continue to exceed plan with non-mandatory costs being of particular concern. The forecast outturn shows that we are anticipating the acute commissioning position to continue with a forecast over spend of £4,554k. Again though, the position is mitigated by funds held in respect of well babies, maternity and high cost drugs.

Other NHS Commissioning (excluding High Cost Drugs) is under performing against plan with an under spend to date of £665k falling to £345k at the year end. The majority of this position is due to the incorporation of the position relating to Specialised Commissioning reported to us by the East of England Specialist Commissioning Group. The anticipated under spend is reduced by higher than expected costs relating to Individual Care Placements and costs associated with supporting the East of England Ambulance Service to achieve Call Connect targets.

Non NHS Commissioning expenditure is reporting an over spend of £490k to date which relates to additional activity within the Ramsey Fitzwilliam contract. The overall forecast position for pooled expenditure is an under spend of £684k. Appendix 3 shows how the various areas of higher than planned expenditure noted above are managed through the use of under spends and the release of reserves.

5.3.1 Risk Areas to be managed to the year end

a) Acute Non Elective

The actions being taken to manage this area have been covered in the Performance Report discussed elsewhere on the Board agenda.

b) Acute Non Mandatory

A proportion of the non mandatory line overspend is offset by a drawing down of the high cost drugs budget. In addition the PCT has raised a number of queries with PSHFT re the basis of charging this year and will be working to clarify those over the coming weeks.

c) Peterborough Community Services (Appendix 10)

Peterborough Community Services are working to achieving a balanced position for the year. There are a number of cost pressures being experienced at the current time reflected in the overspend to date of £1.2m and a programme of cost reduction and expenditure avoidance has been put in

place that will generate a combination of short term improvement and medium to long term improved cost efficiency for the services as they develop the Community Foundation Trust application. The management of this in year position coupled with an original efficiency requirement of £1.8m means that PCS will be delivering a total efficiency of circa 6% for the year. Actions being undertaken include a review of the support community nursing services can give to the management of Acute Non Elective admissions to support/improve that position.

5.4 Demand Management and Cost Improvement Programme (Appendix 5)

Appendix 5 reports on progress on the delivery of demand management and cost improvement schemes. Progress continues to be made on the demand management elements to be implemented later in the year.

The delivery of cost improvement schemes is underway and progress is on track with profiled expectations.

5.5 Cashflow (Appendix 6)

The Cashflow statement at Appendix 6 shows that for the eight months to 30th November 2008 the PCT has drawn down £370k less than had been planned against its cash limit and received £2,086k more from third parties than had been anticipated. This improved position reflects actions taken to reduce the need for additional cash that had been seen in previous months. The £5.5m variance on plan for Other Income recovery is primarily due to other NHS organisations paying Hosted Services invoices quicker than anticipated.

Following recent events in the banking industry the Board are advised that the PCT holds all its cash in its HM Treasury Account and has no exposure to any commercial banks in the UK or overseas.

5.6 Public Sector Payment Policy (Appendix 7)

Appendix 7 contains the Public Sector Payment Policy position for the PCT for the eight months to 30th November 2008. Whilst there has been an improvement in the rates achieved when compared with the 2007/08 year, the PCT has not yet achieved the 95% mark for all indicators at a Commissioner, Provider and Combined level at the end of November.

The PCT is reviewing its process for making payments to small and medium sized organisations to ensure they are paid as soon as possible in response to announcements made by senior government officials.

5.7 Balance Sheet (Appendix 8)

Appendix 8 shows the Balance sheet as at 30th November 2008 with comparisons against the previous month and the opening position for the year.

Total Debtors and Total Creditors have increased from the 31st March position and have also increased in month. The increase in month for Total Debtors reflects delays in raising invoices for income due. The in month increase in total creditors is due to anticipated invoices for individual care placements that have not yet been received. The large increase from the 31st March position, however, is largely due to a technical adjustment relating to the Local Government pension scheme. The impact of this is offset within the General Fund and does not affect the in-year revenue position. Other movements within Debtors and Creditors are primarily due to the cash management activities described in 5.6 above.

5.8.1 Risk Areas to be managed to the year end

a) Accounting for Local Government Pension Scheme Liabilities

As reported to the Partnership Governance Group at the December meeting there are some technical issues to be resolved re the accounting treatment of the Local Government Pension Scheme in the accounts of NHS organisations. Work continues to find an acceptable solution to the matter and at this stage no adverse impact is reflected in this financial report

6 CONSULTATIONS UNDERTAKEN/ TO BE UNDERTAKEN

6.1 Detailed reports are submitted to budget holders. The respective management accountants, will be discussing these reports with them in detail.

7 IMPLICATIONS

7.1 Legal and Financial

The PCT has a statutory duty to not exceed its Revenue and Capital Resource Limits and Administrative Duties re not exceeding its cash limit, achieving full cost recovery on its Provider function, achieving a 95%

performance on its Public Sector Payment Policy and achieving a 3.5% return on capital employed

7.2 Other

7.2.1 The PCT is accountable to the Strategic Health Authority for the achievement of the national targets and our performance is monitored monthly against this achievement.

7.2.2 The year-end performance rating of the PCT depends on the achievement of all national targets and statutory and administrative duties.

8 DIRECTOR RESPONSIBLE FOR ADVICE:

David Bacon Director of Finance and Contracts

Name of author: David Bacon

Designation: Director of Finance and Contracts

Date: 24 December 2008

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