

PETERBOROUGH PRIMARY CARE TRUST

(Working in partnership with Peterborough City Council)

SUBJECT: FINANCE REPORT FOR THE FOUR MONTHS TO 31ST JULY 2009

ACTION REQUIRED: FOR DISCUSSION AND NOTING

MEETING: PCT BOARD

DATE OF MEETING: 2ND SEPTEMBER 2009

REPORT OF: DAVID BACON DIRECTOR OF FINANCE

1 RECOMMENDATION

This report recommends that the Board discuss the PCTs financial position and note:

1.1 The forecast performance for the 2009/10 financial year against key Statutory and Administrative targets 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	Amber	Overall year end forecast outturn is breakeven (Appendices 1 – 4)
Do not Exceed Capital Resource Limit	Yearly	Green	Overall year end forecast at least break even (Appendix 10)
Do not exceed Overall Cash Limit	Yearly	Amber	Year end forecast is that cash will be managed within limits (Appendix 7)
Achieve Full Cost Recovery on Provider Function	Yearly	Green	Year end requirement for Peterborough Community Services is breakeven (Appendix 12)
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	Position, currently not achieving across all 4 measures. (Appendix 8)

1.2 The overall PCT revenue position to date is an overspend of £1,947k and a forecast outturn breakeven broken down as follows:

Business Segment	Variance to Date £000	Previous Variance £000	Forecast Outturn £000
Commissioning External	(2,417)	(754)	(496)
Commissioning Internal	(159)	(245)	0
Total Pooled Budget	(2,576)	(999)	(496)
Non Pooled	630	45	496
Hosted Services	(1)	363	0
PCT Total	(1,947)	(591)	0

The position to date includes the utilisation of £517k of the total £1,553k contingency within the commissioning arm of the PCT.

2 TIMETABLE FOR DECISIONS

2.1 Immediate

3 PREVIOUS DECISIONS RELEVANT TO REPORT

3.1 Financial Report on the two months to 31st May 2009 (PCT Board 1st July 2009)

3.2 PCT Financial Plan 2009/10 (PCT Board 25th March 2009)

3.3 Operational Plan 2009/10 (PCT Board 4th March 2009)

3.4 The Operating Framework for the NHS in England 2009/10 (PCT Board 7th January 2009)

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 Operational 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 PCTs revenue position at the end of July 2009. This is reported as an overspend against profiled budgets of £1,947k 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	(2,417)	(754)	(496)
Commissioning Internal	(159)	(245)	0
Total Pooled Budget	(2,576)	(999)	(496)
Non Pooled	630	45	496
Hosted Services	(1)	363	0
PCT Total	(1,947)	(591)	0

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

5.2 Revenue Resource Summary (Appendix 2 and 5)

Appendix 2 shows the PCTs overall resource (income) position. Since the last report received by the Board on 1st July 2009 covering the two months to 31st May 2009 the following changes to revenue resource assumptions have been recognised in the plan:

Changes to Resource Assumptions	Plan Adjustments £000
Revenue Allocation Primary Care Commissioning (Hosted Service) Income via allocation rather than invoiced as Hosted Income £539k	539
Peterborough City Council	0
Other Income Grant income from Peterborough City Council	559
Hosted Income Reduction in invoiced Income substituted by Revenue Allocation (above) £(539)k Reduction in invoiced Income assumptions £(191)k	-730
Non Discretionary Allocations	0
Total	368

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

Appendix 5 shows that all anticipated allocation adjustments have been actioned by the Department of Health and there are currently no expected/anticipated allocations outstanding.

5.3 Pooled Revenue Expenditure Summary (Appendix 3, 11 and 12)

Appendix 3 shows the summary expenditure position for the Pooled Fund. Appendix 11 provides detailed analysis for the Peterborough and Stamford Hospitals NHS Foundation Trust contract and Appendix 12 provides a breakdown of the Peterborough Community Services Service Level Agreement across the main service heading areas.

The Plan adjustment column reflects in the main the 'tidying' up that has taken place between Board Approval of the Financial Plan on 25th March 2009 and the conclusion of final negotiations etc re 2009/10 agreements. Also, additional lines have been added within the report to highlight the disinvestments to be achieved in both acute and non-acute commissioning in order to deliver the PCT's overall financial plan and an extra line has been added within the Corporate Services section to identify the City Care Centre.

Overall the **Acute commissioning** expenditure is over performing against plan with an overspend to date of £867k. The main driver for this overspending position is at Peterborough and Stamford Hospitals NHS Foundation Trust (see Appendix 11) where an overspend to date of £760k has been incurred. Whilst this is an increase from the month 2 position it does show signs of levelling off.

- **Elective care** has incurred a financial overspend across Day Cases and Inpatients of £213k, activity in this area is 11 cases above plan in total but there appear to be more inpatients than planned (8.6% above plan) and less day cases than planned (2.8% below plan) Which has contributed to the financial overspend
- **Non Elective care** has incurred a financial overspend of £409k with activity over plan by 6.5%
- **Outpatients** has incurred a financial overspend of £84k across new and follow up outpatients with an underspend of £271k on new (activity 12.4% below plan) offsetting an overspend of £187k (activity 9.8% over plan)
- **Accident and Emergency** has incurred a small overspend of £39k
- **Non Mandatory** areas of the contract are underspending by £62k

- Included within the PSHFT line is £245k of financial pressure arising from 2008/09 activity which was under accrued at the year end.

Other NHS Commissioning is over performing against plan with an overspend to date of £160k. Pressure has been encountered in the Specialist Commissioning area and the year end forecast in this area has given cause for concern. The Specialist Commissioning Group has during August been asked to provide and implement an action plan to address the pressure to date and bring the activity and associated costs back to plan. In the absence of that plan at the time of writing a forecast overspend of £500k is assumed. There has been an overperformance in the East of England Ambulance Trust SLA of £97k (which is consistent with the A & E and Non Elective over performance position at PSHFT).

Non NHS Commissioning expenditure is currently overspent to date by £132k. An improvement on the month 2 position

Continuing Care is overspending by £672k at month 4. Work is underway to review the basis of assessment and subsequent procurement of packages of care for continuing care patients to reduce the rate of overspend, however an end of year pressure is still anticipated.

Corporate Services expenditure has been split in this report with City Care Centre costs being reported on a separate line.

- **Core corporate** costs are showing an overspend to date of £231k This overspend is primarily due to incurring costs for temporary staff on projects such as World Class Commissioning, Equitable Access, IFRS Conversion and NPfIT in the first months of the year over and above the amount provided for. It is expected that these overspends can be addressed in the remaining months of the year.
- **City Care Centre** costs are showing an overspend to date of £1,075k further work in this area is continuing to clarify those elements that will be eligible for transitional support funding from the SHA (circa £400k), those costs that can be set against the PCTs capital programme (circa £100k) and to clarify the financial consequence to the PCT of lost rental income due to delays in occupation/operational services commencing. This latter element is unlikely to be recoverable during 2009/10 and represents the bulk of the forecast overspend in this area.

Peterborough Community Services (PCS) is reporting an overspend to date of £159k. This overall position is detailed in Appendix 12. There is a marked difference in the financial position of PCS in its Community Health Services (£1,005k underspend to date) and Adult Social Care Services (£1,164 overspend to date) which combine to give the overall position.

The Adult Social Care services are facing considerable financial pressure particularly in Independent Sector Placements for Learning Disabilities (£602k over spend to date) and Sensory and Physically Impaired (£663k overspend to date).

Whilst Appendix 12 suggests that the forecast outturn for PCS is a deficit of £1,907k (of which £2,420k is attributable to Adult Social Care Services) PCS is required to break even within the resources made available to it. There is an extensive programme of cost reduction and support is being received from the Peterborough City Council Business Transformation Team in some areas of work.

It is unclear at this stage how much of the cost reduction work will deliver recurrent savings (and therefore on going benefit) and how much will be non recurrent (with the consequential pressure on all funding partners in 2010/11 to increase resources to ensure services are maintained).

The PCT is facing some significant challenges if it is to meet its statutory obligation of breaking even for 2009/10. The Chief Executive is leading the Quality, Innovation, Productivity and Prevention Group in its review of the PCTs expenditure and service base and the implementation of actions/schemes over the coming weeks. It will however require full engagement by all parts of the PCT in the process of disinvestment, demand management, contract management and expenditure control to achieve the statutory duty.

5.4 Non Pooled Revenue Expenditure Summary (Appendix 4)

Appendix 4 shows the summary expenditure position for the Non Pooled Revenue Expenditure.

The Plan adjustment column reflects in the main the relatively minor 'tidying' up that has taken place between Board Approval of the Financial Plan on 25th March 2009 and the conclusion of final negotiations etc re 2009/10 agreements.

Overall the Non Pooled Revenue Expenditure is reporting an underspend to date of £630k. The forecast year end position is an underspend of £496k

5.5 Demand Management and Cost Improvement Programme (Appendix 6)

Appendix 6 reports on progress on the delivery of disinvestment, demand management and cost improvement schemes. Where schemes have been built into contracts etc this is reflected in the schedule. Board members will note that as Disinvestment schemes were originally profiled to commence from October of this year there is no year to date position to report.

5.6 Cashflow (Appendix 7)

The Cashflow statement at Appendix 7 shows that for the four months to 31st July 2009 the PCT has drawn down £753k less than had been planned against its cash limit and received £8,840k more from third parties than had been anticipated.

The unanticipated receipts of £8,840k have been received from third parties settling their debtor liabilities with the PCT earlier than anticipated and the PCT drawing all monies due from the City Council. This additional cash has been used to offset the cash pressures arising from the revenue deficit to date.

5.7 Public Sector Payment Policy (Appendix 8)

Appendix 8 contains the Public Sector Payment Policy position for the PCT for the four months to 31st July 2009. Performance to date is in line with that achieved throughout 2008/09 and the PCT has not yet achieved the 95% mark for all indicators at a Commissioner, Provider and Combined level at the end of July. In addition, the PCT is now monitoring its performance against the Government's pledge to ensure that small and medium sized enterprises are paid within 10 working days. For the four months to July 2009 the PCT achieved 43.9% by number of invoices and 39.2% by value against this target.

5.8 Balance Sheet (Appendix 9)

Appendix 9 shows the Balance sheet as at 31st July 2009 with comparisons against the opening position for the year.

It should be noted that the reported cash deficit position of £1,542k is a purely technical position that arises due to the interaction of the normal BACS

payment process, the PCTs payment timetable and the end of the calendar month. The cash in transit figure of £1,647k also occurs as the result of these timing issues and the two figures can be considered together when considering the overall cash balance of the PCT.

5.9 Capital Resources and Expenditure (Appendices 5 and 10)

Appendix 5 shows that the capital allocation agreed by the Strategic Health Authority is now £3,365k.

A revised Capital plan was taken to the Capital Implementation Committee meeting on 29th July 2009 and this has now been reflected in Appendix 10.

Appendix 10 reports that spending to date is less than anticipated. The Capital Implementation Committee will continue to receive reports on the Capital Programme.

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

Name of author: David Bacon
Designation: Director of Finance
Date: **13th August 2009**
Finance Report Month 4 09