

EXTRORDINARY BOARD MEETING

19 June 2008
 Item No 08/06/19/05

ANNUAL ACCOUNTS 2007/08	
Introduction	
<p>The purpose of this report is to inform Board members of the annual accounts position for the year ending 31 March, 2008.</p> <p>These accounts have been considered by the Audit Committee on 19 June 2008.</p>	
1. Implications and Risks	
<i>Will there be a significant impact on patients or patient care?</i>	No
<i>Are there any financial implications to implementing this item?</i>	No
<i>Will there be an impact on Equality, Diversity or Human Rights?</i>	No
<i>Does this item form an essential part of quality or performance standards e.g. Healthcare Commission, NHS Litigation Authority? If yes, detail which standard.</i>	Yes – statutory financial duties and other financial targets, including ALE assessment.
2. Recommendation	
<p>The Board is requested to:</p> <p>Approve the annual accounts for the year ending 31 March 2008.</p>	
3. Submitted by	
Author:	Tom Hunt
Title:	Director of Finance and Corporate Services
Date:	June 2008
4. Purpose of the Paper	
Information sharing <input type="checkbox"/>	Development/discussion x
	Decision/action <input type="checkbox"/>

Annual Accounts 2007/08

INTRODUCTION

This briefing note is intended to provide to members of the Board an

- overview of the principal statements of account and supporting notes and explanation of how they link to the statutory financial duties which the Primary Care Trust is required to meet, and
- an analysis of the actions, which were required to enable the Primary Care Trust to meet its duty to ensure net expenditure, does not exceed the revenue resource limit.

Set in the context of the PCT requirement to contribute to a cluster-wide control total.

OVERVIEW OF FINANCIAL STATEMENTS AND NOTES

Statutory Financial Duties

The Primary Care Trust has four statutory financial duties, these are:

1. to ensure revenue operating cost does not exceed the Revenue Resource Limit (RRL),
2. To ensure capital expenditure does not exceed the Capital Resource Limit (CRL),
3. to ensure discretionary cash drawings (Cash Limited) do not exceed the Cash limit set by the Department of Health, and
4. to ensure that it recovers in full the cost of provider health care services operated by the Primary Care Trust.

In the year 2007/08 Darlington Primary Care Trust fulfilled all four duties.

Where necessary the following narrative will explain where in the principal statements and notes the achievement of these financial duties is disclosed.

Operating Cost Statement (Page 1)

This statement shows the net operating cost for the year. It includes the costs of provision of health care, both commissioned from other NHS bodies and non NHS providers together with that provided by the Primary Care Trusts own provider services. Further analysis of the operating costs is provided in notes 4 and 3 of the accounts.

The net operating cost in this statement is the charge against the revenue resource limit; therefore it is a key component in determining whether the Primary Care Trust achieves its financial duties.

Note 2 Financial Performance Targets (Page 12)

This note is one of the most important notes as it discloses achievement of three of financial duties:

- Revenue Resource Limit
- Capital Resource Limit
- Provider Full Cost Recovery

In addition by not disclosing any breach of the cash limit it confirms achievement of the duty not to exceed the cash limit

Note 2.1 Revenue Resource Limit

This note shows that the Net Operating Cost disclosed in the Operating Cost Statement of £152,021,000 was adjusted for the effect of Non Discretionary Expenditure (Family Health Services costs) which is not chargeable against the Revenue Resource Limit. The adjusted cost is compared to a Final Revenue Resource Limit of £151,164,000 which shows an under spend of £101,000.

Cash Limit Performance

Included is a disclosure that the PCT is required to keep within its cash limit and as there is no qualification by External Audit the reader can therefore assume that the cash limit was not exceeded.

For information the performance against the cash limit was as follows

Notified Cash Limit	£152,045,000
Charge to Cash Limit	£152,045,000

Note 2.2 Capital Resource Limit

This note provides the same information as Note 2.1 for capital expenditure. An under spend of £92,000 is disclosed. The Gross Capital Expenditure of £329,000 is obtained from Note 10.1 Tangible Fixed Assets (Page 20).

Note 2.3 Provider Full Cost Recovery Duty

This note shows that the cost of the Primary Care Trusts provider functions, (e.g. community nursing) was £12,523,000 (see Operating Cost Statement) and that these costs were met entirely from the Primary Care Trusts own resources in terms of Revenue Resource and Cash Limits.

Financial Statements

Statement of Recognised Gains & Losses (Page 2)

The purpose of this statement is to disclose gains and losses, which have been taken direct to the reserves rather than via the operating costs. These movements do not affect the charge against the Revenue Resource Limit. A gain is shown in respect of an unrealised surplus on the revaluation of the fixed assets, as a result of indexation.

Balance Sheet as at 31 March 2008 (Page 3)

The Balance Sheet provides details of the assets and liabilities of the Primary Care Trust of which more detailed analyses are provided in the notes, the numbers of which are provided. The movements in the assets and liabilities between years are identified below.

Debtors

An increase from £1,740,000 to £3,467,000 is shown. This increase was driven by deliberate management action to effectively manage cash resources at the year-end.

Cash

The minimal cash balance at the bank of £3,000 at the year-end is indicative of good cash management. This is in-line with guidance to maintain low cash balances.

Creditors falling due in 1 Year

An increase to £12,587,000 from £10,965,000 indicates an increase in expenditure, especially in the latter part of the year.

Cash Flow Statement for Year Ended 31st March 2008

The purpose of this statement is to reconcile the in year movement in cash balances to the net cash outflow associated with the net operating costs and capital expenditure. The cash flow is arrived at by adjusting the net operating cost to a cash basis; through removing the effects of movements in working balances (see Note 16 Notes to Cash Flow Statement).

In the case of Darlington Primary Care Trust there was a minor cash inflow for the year of £2,000 resulting from the net operating costs, and movements in working balances.

Notes to the Accounts (Pages 12 to 32)

These provide additional detail in support of the Statements or additional disclosures required by company law or accounting standards. Contained within these are two notes which disclose how the Primary Care Trust has

performed in terms of its management costs and payment of trade creditors. The first is an internal NHS performance measurement the second is a performance measurement required by legislation.

Note 5.5 Management Costs

All NHS organisations are required to calculate and disclose their management costs expressed as cost per head of weighted population. Total management costs have historically been at around 2% of operating costs. Management costs have increased in 2007/08 as a consequence of:

- Regradings resulting from Agenda for change,
- Redundancies, and
- Correct treatment of management costs within the provider function.

Despite this, costs remain around 2% of total operating costs.

Note 6.1

This note shows the percentage of NHS and Non NHS bills both in numbers and value that it pays within 30 days of receiving a valid invoice. The performance has fallen in respect of the number paid within target, which is indicative of the disruption caused by changes in management responsibilities, and amendments to physical location for key individuals during the year.

Final Board Summary

The attached figures show the performance against budget for 2007/08 financial year.

NHS Providers

NHS Providers have overspent; this includes the costs of some high cost patients at Newcastle Hospitals, plus the impact of going further faster.

Section 23/64 agreements

This overspend as previously forecast is driven by the impact of patient choice, and the costs of patients treated in the independent sector.

Primary Dental Services

This financial performance includes the results of claw back of funding associated with UDA underperformance in respect of 2006/07.

Prescribing

The reduced costs of Category M Drugs (generic licensed medicines dispensed in the community) has resulted in an under spend against the prescribing budget.

Provider Services

The under spend for the provider services section includes the effect of vacancies against their funded establishment during the year.

Reserves

The under spend against reserves arises from slippage against planned investments.

Tom Hunt
Director of Finance and Corporate Services
June 2008

Darlington Primary Care Trust

Financial report - 12 months to 31 March 2008

	YEAR TO DATE		
	Budget to date	Actual to date	Variance
	£000	£000	£000
Commissioning			
NHS providers	83,633	85,463	1,830
s23/64 agreements	1,987	2,874	887
s28a agreements	4,244	4,457	213
Continuing care	2,677	2,696	19
Funded nursing care	1,148	1,162	14
Public health development funds	20	1	(19)
Drug action team	1,001	1,138	137
Total Commissioning	94,710	97,791	3,081
Prescribing	16,011	15,754	(257)
Primary care			
Primary medical services (PMS)	12,637	12,819	182
APMS			0
PCTMS			0
Primary dental services	5,397	4,719	(678)
Pharmacy contract	714	731	17
Total Primary care	18,748	18,269	(479)
PCT management & organisation	10,200	8,831	(1,369)
Provider services			
Community services (incl hospitals)	9,609	9,343	(266)
Unscheduled care	1,060	1,075	15
Total Provider services	10,669	10,418	(251)
Other			
Reserves	826	0	(826)
Total earmarked funds and reserves	826	0	(826)
PCT total revenue position	151,164	151,063	(101)