

## BOARD MEETING

19 March 2009  
Item No 09/03/24i

### Finance Report for the 10 months ended 31 January 2009

**1. Introduction/ Summary of Scheme/Report**

The purpose of this report is to inform the board on progress to deliver the PCT's revenue, capital and cash targets.

**2. Implications and Risks**

<i>Will there be a significant impact on patients or patient care?</i>	Yes
<i>Are there any financial or legal implications to implementing this item?</i>	Yes
<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>	No

The current financial position remains consistent with the 2008/09 Financial Plan and the PCT remains on target to achieve the outturn position agreed with the Strategic Health Authority.

- Key risks to delivery of the revenue control total of £100k surplus are those previously advised and include:
- movements within Commissioning expenditure,
  - slippage on Annual Operating Plan investments,
  - under spending on Provider budgets, and
  - nationally negotiated price changes that affect both prescribing performance and the pharmacy contract.

Further details in respect of these key risks can be found in Appendix 2.

A balanced capital programme outturn is still expected, however achieving this will continue to require the careful management of anticipated financial pressures given the modest allocation received from the SHA. The approved capital programme is detailed in Appendix 3.

**3. Recommendation**

The board is requested to consider the reported financial position and associated risks, and to support or supplement management action to address these risks.

**4. Submitted by**

**Author:** Paula Gibson  
**Title:** Chief Finance Manager - Projects  
**Sponsoring Director:** Tom Hunt – Director of Finance and Corporate Services  
**Date:** March 2009

**5. Purpose of the Paper**

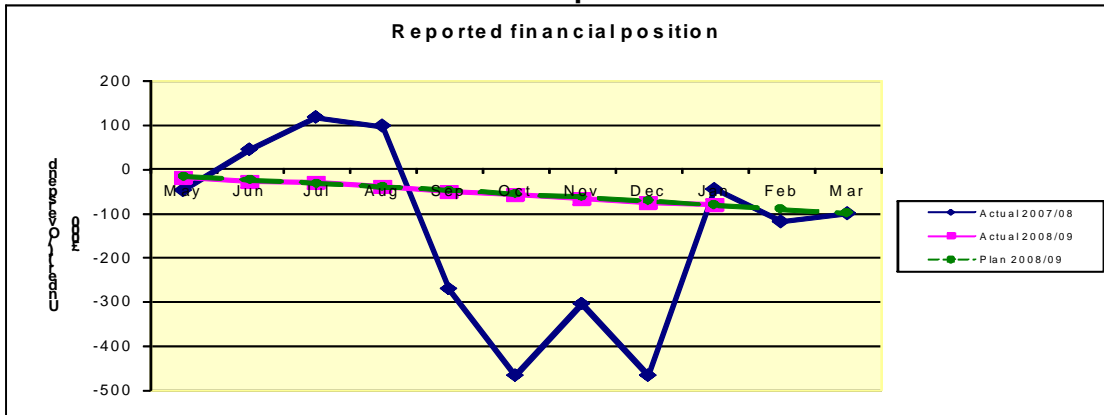
Information sharing       Development/discussion       Decision/action

# FINANCIAL PERFORMANCE FOR 10 MONTHS TO 31 JANUARY 2008

## 1. Overview

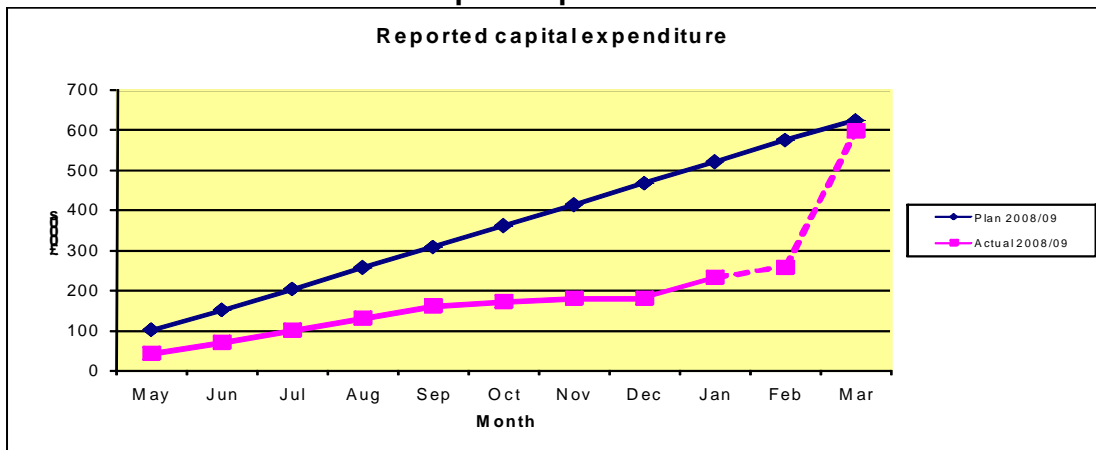
Financial Target	Status	Comments
1. Revenue Resource Limit	GREEN	In-year under-spend and forecast outturn under-spend
2. Capital Resource Limit	GREEN	Satisfactory
3. Cash Limit	GREEN	Satisfactory
4. Other financial targets	GREEN	Satisfactory

### Revenue expenditure



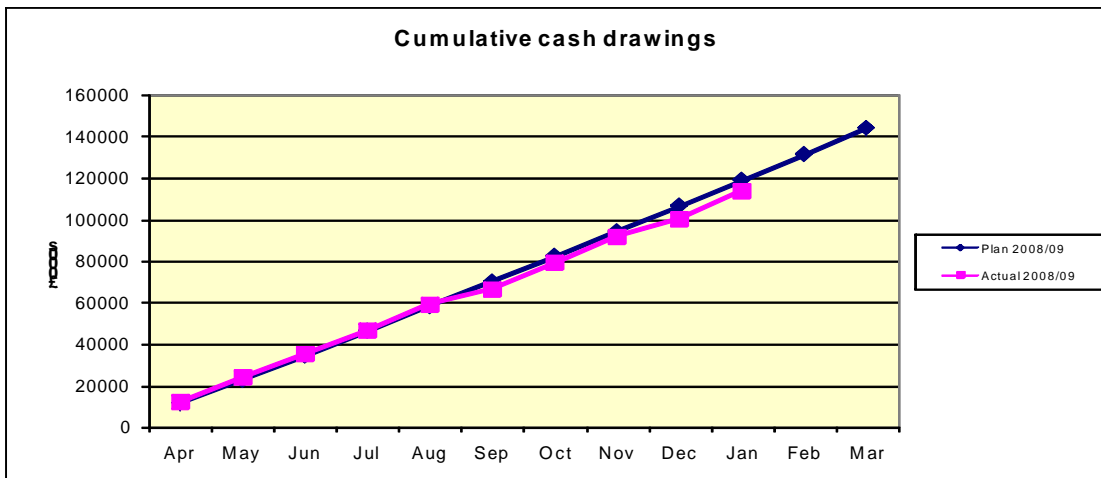
- Current position: £81k under-spend in-year on an annual budget of £161,646k (see Appendix 1 for more detail).
- Forecast outturn: £100k under-spend or 0.1% of annual budget, based upon year to date and current knowledge of financial plans and risks.
- Key areas of financial risk are identified in Appendix 2.

### Capital expenditure



- The in-year position indicates a balanced outturn however there is slippage against the planned spending profile. Financial pressures in estates and equipment additions will require careful management.
- The current capital programme is attached at Appendix 3.

## Cash-flow management



- There are no issues to report this month and it is not anticipated that the PCT's outturn position will vary materially from the Cash Limit set.

### Other financial targets

- The full cost recovery in respect of PCT Provider Services will be achieved by the balanced outturn budget for County Durham & Darlington Community Health Services.
- The PCT's original target was to pay all invoices received within 30 days. The PCT's performance for the last three months is detailed below for non NHS invoices.

#### 30 Day Target Measure

	Nov 2008	Dec 2008	Jan 2009
%age by number	81.64%	92.70%	87.25%
%age by value	76.40%	89.76%	78.44%

- In October 2008 the PCT, and all other Government Bodies, were targeted with paying suppliers as soon as possible and within 10 days of receipt of invoice. The percentage of non-NHS invoices paid within 10 days for NHS Darlington is as follows:

#### 10 Day Target Measure

	Nov 2008	Dec 2008	Jan 2009
%age Invoice Count	41.25%	48.44%	39.87%
%age Invoice value	44.03%	57.55%	38.39%

- The figures show a seasonal dip related to Christmas and New Year holidays. A number of the planned initiatives are still being implemented and will have more impact in February and March 2009 although it should be noted that the implementation of the new Cardea e-procurement system has now been deferred until May 2009.

## NHS Darlington

Financial report - 10 months to 31 January 2009						
	YEAR TO DATE			FORECAST OUTTURN		
	Budget to date £000	Actual to date £000	Variance £000	Annual budget £000	Forecast Outturn £000	Variance £000
<b>Commissioning</b>						
NHS Providers - Acute	56,154	57,604	1,450	67,385	69,025	1,640
NHS Providers - Mental Health	12,723	12,926	203	15,268	15,519	251
NHS Providers - Specialist services	2,643	2,655	12	3,171	3,186	15
NHS Providers - Community services (provider unit)	5,448	5,448	0	7,110	7,110	0
NHS Providers - Community services other	24	59	35	29	71	42
NHS Providers - Prison services	0	0	0	0	0	0
s23/64 agreements	1,942	2,359	417	2,330	2,757	427
s28a agreements	3,750	3,537	(213)	4,499	4,244	(255)
Continuing care	3,046	3,363	317	3,656	4,074	418
Funded nursing care	1,067	937	(130)	1,281	1,124	(157)
Public health development funds	17	0	(17)	20	0	(20)
Drug action team	1,120	1,120	0	1,344	1,344	0
Offender Health - Other	0	0	0	0	0	0
<b>Total Commissioning</b>	<b>87,934</b>	<b>90,008</b>	<b>2,074</b>	<b>106,093</b>	<b>108,454</b>	<b>2,361</b>
<b>Prescribing</b>	<b>14,180</b>	<b>13,109</b>	<b>(1,071)</b>	<b>17,241</b>	<b>16,100</b>	<b>(1,141)</b>
<b>Primary care</b>						
Primary medical services (PMS)	10,992	11,017	25	13,578	13,630	52
APMS	0	0	0	0	0	0
PCTMS	0	91	91	0	0	0
Primary dental services	4,482	4,302	(180)	5,595	5,595	0
Pharmacy contract	595	1,040	445	714	1,364	650
<b>Total Primary care</b>	<b>16,069</b>	<b>16,450</b>	<b>381</b>	<b>19,887</b>	<b>20,589</b>	<b>702</b>
<b>Provider services (April to July)</b>						
Community services (incl hospitals)	3,500	3,539	39	3,500	3,500	0
Unscheduled care	0	0	0	0	0	0
<b>Total Provider services</b>	<b>3,500</b>	<b>3,539</b>	<b>39</b>	<b>3,500</b>	<b>3,500</b>	<b>0</b>
<b>Other PCT budgets</b>						
PCT management & organisation	11,083	10,723	(360)	13,181	13,181	0
Reserves	1,345	0	(1,345)	1,744	(278)	(2,022)
<b>Total other PCT budgets</b>	<b>12,428</b>	<b>10,723</b>	<b>(1,705)</b>	<b>14,925</b>	<b>12,903</b>	<b>(2,022)</b>
<b>Hosted community services provider unit</b>						
Hosted community services provider unit	39,031	39,353	322	52,866	52,866	0
Hosted community services offender and mental health	496	375	(121)	564	564	0
Service level agreement income	(40,180)	(40,180)	0	(53,430)	(53,430)	0
<b>Total hosted community services provider unit</b>	<b>(653)</b>	<b>(452)</b>	<b>201</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PCT total revenue position</b>	<b>133,458</b>	<b>133,377</b>	<b>(81)</b>	<b>161,646</b>	<b>161,546</b>	<b>(100)</b>

## Appendix 2

### KEY FINANCIAL RISKS AND MANAGEMENT ACTION

#### Top 5 risks identified in the finance Risk Register

Risk	Nature	5x5 Risk Rating		
		Impact	Likelihood	Rating
1	Variation from planned outturn on acute contracts impacts on spending plans and delivery of control totals	4	4	16
2	Prescribing underspends endanger delivery of financial plans	4	3	12
3	Over performance against private sector and third sector contracts are not matched by savings in NHS acute SLAs, thereby impacting on spending plans and delivery of control totals	3	4	12
4	Provider Arm - risk of underspends not being fully utilised by year end	4	3	12
5	Slippage and unused reserves endanger delivery of control totals	5	2	10

Mitigating action plans to address the above risks and all other entries in the risk register have been established and responsibility attributed to lead officers.

KEY FINANCIAL RISKS	MANAGEMENT ACTION
<p><b>NHS Commissioning</b></p> <p>Over-performance against contracted levels of activity</p>	<p>PCT staff continue to challenge activity and to work with commissioning and performance colleagues to establish robust in-year outturn positions.</p>
<p><b>S23 &amp; S64 Agreements</b></p> <p>Over-performance against private sector / third sector contracts</p>	<p>Work continues on service reviews to address increased private sector spend driven by patient choice.</p>
<p><b>Continuing / Funded Nursing Care</b></p> <p>Additional cases to be funded</p>	<p>Staff across disciplines continue to improve working processes and this will support more robust provision for this area of expenditure in the 2009/10 budget.</p>
<p><b>Prescribing</b></p> <p>Prescription Pricing Authority data continues to forecast significant savings in Category M</p>	<p>Finance continues to work with prescribing colleagues to keep a historically volatile</p>

<p>drugs, as reflected by the forecast under-spend in Appendix 1.</p>	<p>budget area under close scrutiny.</p> <p>Net savings (after pharmacy contract) will be invested through the PCT's non-recurrent expenditure process.</p> <p>The outturn position reflects expectations of a year-end under-spend of 6.6%.</p>
<p><b>Primary Care</b></p> <p>Pharmacy contractor fees have been renegotiated by the Department of Health resulting in a significant increase in cost to the PCT. This is in response to reductions in contractor income due to low cost category M drugs.</p>	<p>As previously reported the prescribing under-spend will more than offset the additional costs. The position however continues to be closely monitored.</p>
<p><b>PCT Management &amp; Organisation</b></p> <p>Management and organisation budgets are expected to break even by the financial year-end.</p>	<p>The budgets remain on target to achieve a balanced outturn position but will be kept under review.</p>
<p><b>Reserves</b></p> <p>Sufficient slippage in reserves has been identified to offset the pressures emerging in commissioning budgets.</p>	<p>The Finance Group continues to review the use of reserves in the context of covering emerging pressures and additional investment.</p>
<p><b>Hosted Community Services Provider Unit</b></p> <p>Risk of underperformance if the Non-Recurrent spending plan not achieved</p>	<p>Spending plan closely monitored by URG, Provider Arm Management Group and Provider Committee</p>

## NHS Darlington

## Capital programme - 2008/09

Source of funds	Confirmed CRL £000		Forecast Outturn £000
Capital Allocation confirmed by SHA	622		622
Revenue to Capital Transfer	0		0
Sale of Tangible Fixed Assets	0		0
<b>Total Capital Funding Available</b>	<b>622</b>		<b>622</b>

Application of funds	Forecast Outturn £000	YTD Month 10 £000	Forecast Outturn £000
<b>Estates</b>			
Hundens 'B' Redevelopment	300	0	300
Dr Piper House Access/Refurbishment	150	180	180
<b>Clinical equipment</b>			
NET Consent Policy Software		50	47
Biodex Balanced System		0	11.5
Smartboards		0	58
<i>(Please Note: Eight Provider bids have been funded by NHS County Durham whose Capital Resource Limit still reflects the inclusion of the services which transferred on 1st August 2008)</i>			
<b>Unallocated funds</b>			
<b>Total Application of CRL Funds</b>	<b>450</b>	<b>230</b>	<b>596.5</b>

(Under)/Overcommitment against available funds (£)	-172		-26
(Under)/Overcommitment against available funds (%)	-28%		-4%