

REVENUE AND CAPITAL BUDGETS 2009/10

1. Introduction

The purpose of this report is twofold:

The first is to outline the PCT's financial strategy and seek approval for a balanced revenue budget for 2009/10. Fuller details on the PCT's financial strategy are included in both the annual operational plan documentation and the financial investment strategy.

The second is to seek board comments and endorsement for an outline capital programme for the 2009/10 financial year.

2. Financial strategy and approach to risk management

A key statutory duty of a PCT is to deliver financial balance. Traditionally this has focused on preventing over-spends. In more recent times there has been an emphasis on keeping any under-utilisation of resource to a minimum.

In order to achieve this, the PCT needs to have a clear fundamental strategy for managing the whole resource, and for that to include the identification and management of financial risk. Maintaining significant contingency funds is considered too prudent an approach given the present emphasis of the Department of Health on deriving the maximum benefit from the current generous levels of funding to prepare for the harder economic times ahead.

In order to ensure that the PCT achieves maximum benefit from both its new and recurrent resource, it is proposed that new funds are allocated on the following basis:

- New initiatives identify 3 year financial requirements and following a comprehensive prioritisation process are ranked for investment support.
- The PCT supports schemes up to the point where the financial requirements in the first year meet the available funds. Funding in the first year will be adjusted to reflect expected part year impact.
- Any future year financial requirements are subject to rigorous review and quantified.

The principal source of funding to meet these future year costs is the funding released by in-year reviews of current expenditure. The funding will be derived from a number of initiatives including programme budget reviews, redesign and pathway work and contract reviews.

The risk to the PCT is that this work does not release sufficient funds to cover the costs identified in the second and third years of the AOP; this residual sum will then be a pre-commitment on new growth funds received in years 2 and 3.

In-year management of under-spends will start in month one of the financial year. The PCT will agree a comprehensive list of non-recurrent items that will be actioned as soon as under-spend emerges. The list will be tested against agreed criteria, including how it delivers value for money and moves the PCT towards key objectives.

The PCT's annual budget has been derived from both the financial investment strategy and 2009/10 annual operational plan.

The PCT also has a cash management strategy which focuses on minimising month end cash balances and ensuring that the PCT meets its year-end cash target. All actions to achieve this will be in accordance with the rules in cash management laid down by the Department of Health and will avoid any excess interest charges. The Cash Limit for 2009/10 is deemed sufficient to meet all cash payments associated with the Revenue and Capital expenditure budgets set out below.

3. Revenue budget for 2009/10

The PCT has worked hard to deliver an ambitious Annual Operating Plan (AOP) which still secures a balanced outturn in 2009/10.

The AOP spans the two financial years 2009/10 to 2010/11 although there is still some uncertainty relating to the level of capital funding available.

In 2009/10 the additional revenue funding available amounts to £8,289,000 or 5.3% (5.46% in 2008/09) and sees the PCT's Revenue Resource Limit (RRL) rise to £171,723,000 when anticipated allocations are taken into account.

The table below sets out in broad terms the application of funds

Summary setting out how additional Revenue Resources available in 2009/10 have been deployed	
	£000
Tariff / Inflationary uplifts	7,063
Prescribing uplift	1,035
Accounting for MFF/HRG4	577
AOP investments	<u>5,034</u>
	13,709
Less: Efficiency Savings	<u>(4,476)</u>
	9,233
Less: Other sources of funding	
Return of Top/Slice	(751)
Other NR Allocations	<u>(193)</u>
Increase in Recurrent Res Limit (RRL)	8,289

The allocation of revenue resources set out above delivers a balanced budget in 2009/10.

In order to achieve this level of investment the PCT is required to deliver a nationally identified 3% Efficiency Savings / Cost Improvement Programme.

The key principles followed in identifying efficiency savings are:

- Elimination of waste from health systems so resources are freed for re-investment without any reduction in care standards
- Consideration of efficiency across the whole patient care pathway not just within individual organisations
- Development of local cost improvement plans identifying opportunities where quality improvement and the resulting efficiency is most tangible and deliverable

Areas under review include the following:

- Efficiency and productivity in commissioning utilising Programme Budgeting and Better Care Better Value indicators
- Procurement and securing the full potential of national and local initiatives
- Workforce management to support better alignment of staffing in revised care pathways
- Application of lean principles across the PCT to ensure streamlined effective but cost efficient support services

Appendix 1 to this report shows how the additional funding has been incorporated into a revised revenue budget of £171,723,000 for 2009/10 and which the board is requested to approve. This sum also includes anticipated allocations of £5,642,000.

4. Outline capital programme

From 2009/10 the Department of Health no longer makes formula-based top down allocations of capital to fund PCTs' local investment priorities.

PCT capital allocations are now determined by robust and realistic expenditure plans submitted by PCTs and agreed with their Strategic Health Authorities (SHAs). The Department's agreement to the aggregate plans submitted by each SHA will depend on their overall affordability within the NHS capital programme and the total available capital resource. The levels of national funding allowed in

the 2009/10 Operating Framework for PCTs' local investment priorities for the next three years are set out in the table below:

PCT Capital Funding Levels	2009/10	2010/11	2011/12
	£m	£m	£m
Locally prioritised capital expenditure	500	565	565

This bottom-up approach should maximise flexibility and help the NHS make the best use of the capital settlement provided in the 2007 Spending Review. Local decisions and priorities and not central assumptions will now drive future investment.

The PCT has submitted its capital plans to the SHA as outlined in the table below:

Summary of capital funding bids for 2009/10	
	£000
IM&T / Equipment	
NPfIT schemes	65
IM&T Hardware Replacement	17
IM&T telephony and supporting equip	203
Medical Equipment upgrades	200
High Cost Communication Aids	50
CASH Equipment	100
	635
Estates	
Integrated team bases – adults	250
Intermediate care services	100
Retinal screening bases extension	100
Extended school bases	250
Provider Call/OOH Centre	300
	1000
Total bids for 2009/10	1,635

Subject to receiving the capital funding it is proposed that the Board approves as the 2009/10 capital programme the successful bids from the above list totalling £1,635,000.

This will be performance managed in-year by the strategic estates and facilities management group.

5. Recommendation

The board is asked to:

- 5.1 Note the overall financial position for 2009/10 and approve the proposed revenue budget;
- 5.2 Note, comment upon and approve the outline capital programme proposed for management by the strategic estates and facilities management group.

Darlington Primary Care Trust		Appendix 1		
Baseline Budget Calculations 2009-10				
	Recurring Budget 2009/10 £'000	Anticipated Allocations 2009/10 £'000	AOP Investments 2009/10 £'000	Total Budget 2009/10 £'000
Commissioning				
NHS providers - Acute	65,544			65,544
NHS providers – Mental Health	14,949			14,949
NHS providers – Specialist Services	3,385			3,385
NHS providers – Community Serv (Provider)	10,624			10,624
NHS providers – Community Serv Other	29			29
s23/64 agreements	2,393			2,393
s28a agreements	4,500			4,500
Continuing care	3,656			3,656
Funded nursing care	1,281			1,281
Public health development funds	20			20
Drug action team	1,224			1,224
Total Commissioning	107,604	0	0	107,604
Prescribing	17,241			17,241
Primary care				
Primary medical services (PMS)	13,293			13,293
Primary dental services / dental modernisation	5,033	5,698		10,731
Pharmacy contract	714			714
Total Primary care	19,040	5,698	0	24,738
PCT management & organisation	9,593			9,593
Other				
NR SHA Topslice Return		751		751
AOP 2008/09			8,289	8,289
General Reserves	4,314	(807)		3,507
Total earmarked funds and reserves	4,314	(56)	8,289	12,547
PCT Total Revenue Expenditure	157,792	5,642	8,289	171,723
Resource Limit				
Recurring Revenue Resource Limit	157,792		8,289	166,081
Anticipated Allocations		5,642		5,642
	157,792	5,642	8,289	171,723

