

TO: West Gloucestershire Primary Care Trust Board
FROM: Mike Theelke, Director of Finance
DATE: 20th January 2005
SUBJECT: FINANCE REPORT

1.0 PURPOSE

1.1 To update the PCT Board on the financial position of the PCT as at 31st December 2004.

2.0 BACKGROUND

2.1 The PCT has agreed a balanced budget for 2004-05 which includes an assumption that the PCT will find savings of £7,292,000 during the year. At the 31st December the PCT has an anticipated resource limit of £237,341,000 of which £203,732,000 is recurring.

3.0 DISCUSSION

3.1 Overview

The PCT continues to identify a significant level of risk within its financial position to date and for the year. The PCT is forecasting a year end overspend of £1,632,000 with additional risk of £2,200,000.

The November finance report contained within it a forecast overspend for the year of £784,000. The deterioration in the forecast outturn position of £848,000 can be attributed to practice prescribing budgets and primary care (£171k), private sector placements (£154k), the achievement of savings plans (£450k) and out of county contracts (£348k). These cost pressures are partly offset by further savings that have been identified within the provider services budgets.

Actual budgets are forecast to be overspent by £3,832,000 offset by in year risk contributions of £2,200,000. Every effort is being made to contain expenditure and to seek to achieve financial balance at the year end.

The PCT has a reported year to date overspend of £2,710,000 at the end of December which is an increase of £501,000 from the reported November variance.

As a consequence of this deterioration, the SHA has asked the PCT to produce a financial recovery plan by the end of January, and a meeting has been arranged with the SHA's Director of Finance later this month to discuss the plan.

3.2 NHS Trusts

The first eight months' activity report from GHT indicates that activity levels are about £1,275,000 below plan. This has partly been attributed to demand management savings plans, and although it is too early to forecast activity with a

significant degree of confidence for the rest of the year, we currently estimate it to be around £1,700,000.

Out of County SLAs are forecasting an overspend of £721,000 for the year. This consists of overspends at a range of Trusts (particularly specialist services including haemophilia and bone marrow transplants) offset by significant forecast savings at Oxford Radcliffe (£230,000) and Kings Healthcare (£248,000).

3.3 Non NHS Providers

Non NHS Provider budgets include private sector placements for clients with learning disabilities and mental health, continuing care and Registered Nursing Care Contributions. Significant additional funding was applied to the budget for Private Sector Placements as part of the planning process. This continues to be a high risk area. The PCTs in Gloucestershire have implemented an ongoing review process of all placements to ensure that all clients receive the appropriate level of care as their needs change. The current view is that after significant investment in 2004/05 the West Gloucestershire PCT budget is likely to overspend by £419,000 at the year end.

The year to date position is £287,000 overspent on this group of budgets.

3.4 Earmarked Funds & Cash Releasing Efficiency Savings (GRES)

The PCT is currently £1,714,000 behind target in achieving its savings plans. The forecast outturn for savings plans is an underachievement of £2,286,000 for the year. Pressures on other reserves equate to a forecast overspend of £1,170,000 offset by planned slippage on developments equating to £1,527,000. The worsening position is due to a review of planned savings schemes and anticipated demand management savings which will not achieve the level of savings previously anticipated.

3.5 Primary Care

Primary Care budgets have been set based upon the new GMS contract values and PMS (Personal Medical Services) contracts. The PCT is aware of potential risks in respect of enhanced services, list size changes and primary care premises. The PCT is forecasting an outturn pressure of £855,000 in respect of these services. This includes the planned funding for the Out of Hours Service which is likely to overspend by £307,000. Overspends are also forecast against Enhanced Services and the Quality and Outcomes Framework of £188,000 and £125,000 respectively.

3.6 Prescribing

At this stage we have prescribing information from the Prescription Pricing Authority (PPA) for the eight month period to November 2004. The budget is profiled using the PPA's suggested pattern of expenditure. This in turn is the basis of the forecast. Although the forecast outturn position for the PCT had improved last month due to the re-negotiation of national prices for branded medicines, the forecast outturn position and year to date position have deteriorated as a result of the charge for actual drugs prescribed. The PCT is forecasting an outturn underspend of £94,000 for the year which is a decrease of £114,000 from the outturn variance reported last month.

Rolling growth for the 12 months to August 2004 is 8.8%. This is the same level as the previous month. This level is comparable to the overall level of growth in England.

There continues to be active prescribing support in the majority of practices.

3.7 Programme Costs

These budgets report an overspend of £142,000 to date largely due to budget imbalances within Health Promotion and Public Health. It is expected that a county wide piece of work to realign budgets will rectify this position. If unresolved, a forecast outturn overspend of approximately £170,000 will exist.

3.8 Administration Costs

Administration Budgets are currently £169,000 overspent at the end of the reporting period and are forecast to overspend by £155,000 at the year end. The overspend can be attributed to higher than expected insurance and clinical negligence costs.

3.9 Provider Services

The PCT provider budgets are underspent by £254,000 to date and that they will achieve an underspend of £371,000 at the year end.

3.11 Cash Limit and Drawings

At the end of November, the PCT has an anticipated cash limit of £236,885,000. The PCT has cash drawings of £179,247,000 at the end of the reporting period which equates to 75.67% of the annual limit against a target of 75%.

3.12 Public Sector Payment Policy Performance

In line with policy, the PCT is required to pay 95% of its suppliers within a 30 day time frame. At the end of December, the PCT has paid 92% of suppliers on time.

3.13 Capital

The PCT is currently working to a capital Budget of £1,269,000, a decrease of £422,000 since the last report in August. This is primarily due to the transfer to the Gloucestershire Hospitals NHSFT of £670,000 for the National Programme for Information Technology project offset by additional funds from AGW SHA. These additional funds included an amount of £130,000 for a Section 28A Grant to Gloucestershire Social Services for Capital works at Great Western Court which will increase the number of intermediate care beds available to the PCT. A further £220,000 brought forward for Intermediate Care will not be utilised this year and is contributing to a forecast capital underspend of £170,000 to be carried forward into 2005-2006.

The Cinderford Dental Surgery is now complete. The original budget of £300,000 was for purchase and alterations only and this aspect of the project has come in approximately on budget. However, the additional cost of equipping the surgery brought the cost to £475,000. The proposed development of a Dental Surgery in Gloucester is due to be undertaken by Integrated Dental Services, the body corporate which is running Cinderford Dental Surgery. This project will be financed by a capital grant from revenue funding streams in 2005/06.

Alterations to Trinity Surgery are due to commence in January. This project has funding agreed up to £40,000 and at present the tender accepted comes well within budget.

Replacement of Hot Water Calorifiers at the Dilke Hospital has incurred higher than anticipated costs as a result of the tenders being higher than anticipated, plus further essential work identified on commencement of the installation. This is being reviewed by the Capital and Estates Sub Group.

3.14 Conclusion

The PCT has a significant savings plan to achieve alongside the potential risks attached to growth in demand, practice prescribing, the new GMS Contract and achieving its savings targets in 2004/05. This is reflected by the assessment of in year risk to the PCT of £2,200,000. The PCT has developed action plans to address these issues and will need to monitor their impact closely, however, given the financial pressures identified within this report, the PCT is now forecasting an overspend of £1,632,000. Every effort is being made to contain expenditure and to seek to achieve financial balance at the year end.

4.0 RECOMMENDATION

- 4.1 The Board are asked to note the contents of this report in respect of the PCT's financial position.