

TO: West Gloucestershire Primary Care Trust Board
FROM: Mike Theelke, Director of Finance
DATE: 17th March 2005
SUBJECT: FINANCE REPORT

1.0 PURPOSE

1.1 To update the Board on the financial position of the PCT as at 28th February 2005.

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 end of the reporting period, the PCT has an anticipated resource limit of £238,521,000 of which £203,813,000 is recurring.

3.0 DISCUSSION

3.1 Overview

The PCT's financial position has improved since the month 10 finance report by £314,000, with a reduction in the risk of a higher overspend.

The PCT is forecasting a year end overspend of £3,943,000 with additional risk of £600,000 at the end of month 11. At month 10, the PCT reported an overspend of £4,257,000 with additional risk of £1,200,000. Forecast outturns against the budget portfolio have reduced by £914,000 from month 10 and as a result, the PCT has been able to reduce the level of additional risk from £1,200,000 at month 10 to £600,000 at month 11 thus resulting in an overall £314,000 favourable movement from the reported month 10 variance.

3.2 The month 11 improvement of £914,000 against budgets is summarised as follows:-

- an improvement in the assumed forecast outturn on the GHT contract to a position of a £200,000 underspend from that of breakeven at month 10. The three PCTs in Gloucestershire continue to work closely with Gloucestershire Hospitals Trust to validate the significant rise in non elective activity that has been recorded over the last three months.
- decrease in the overspend of £300,000 from the January variance, against Reserves following the receipt of new allocations and a review of outstanding commitments.
- a £200,000 favourable movement is noted against Administration and Provider budgets as a result of the PCT reviewing VAT reclaims and levels of recharge income owed. These amounts are £60,000 and £140,000 respectively.

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- The remaining £214,000 improvement can be attributed to an improvement in the prescribing underspend, non NHS provider costs and forecast reductions in expenditure levels with NHS Trusts outside the AGW boundary.

As a result of this improvement, the previous level of additional financial risk is reduced from £1,200,000 to £600,000 at month 11. The constituent parts of the remaining risk being:-

- £400,000 additional activity improvement with Gloucestershire Hospitals Trust
- £200,000 additional savings to be found within Primary Care and Provider services budgets.

The PCT has a reported year to date overspend of £4,386,000 at the end of February which is a decrease of £345,000 from the reported January variance. Annexe 1 reports the year to date and forecast outturn financial information.

Annexe 2 shows the trail of reported variances during 2004/05 for both the PCT's financial position and its link to the GHT activity levels.

The PCT met with the Strategic Health Authority on the 9th March 2005 to discuss the financial performance of the PCT particularly focusing on the increase in the forecast overspend over the last few months. The PCT has also produced its financial recovery plan and has set up internal multi-disciplinary groups to review key areas of expenditure. The PCT will continue to work closely with the SHA on the implementation and risks attached to the plan.

The PCT continues to explore all avenues to minimise the PCT deficit.

3.3 NHS Trusts

Initial work on activity at GHT to February 2005 indicates that activity is close to plan. Non Elective activity has been significantly higher than both plan and the previous year during December and January, and this has continued into February. The PCT believes that it will underspend by £200,000 on its contract with GHT this year but this means that it will not achieve the £2.7 million demand management savings that it anticipated at the beginning of the year. Early indications from GHT forecasts are an overspend on non-elective activity of £1,010,000 million, an underspend on electives of £1,200,000 million, an underspend on outpatients of £82,000 and an overspend on other amounting to £72,000. In total this equates to a net saving of £200k for the year against a target of £2.7 million.

Out of County SLAs are forecasting an overspend of £679,000 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 (£192,000) and Kings Healthcare (£290,000).

3.4 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 of £1million on a budget of £3.3million 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

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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 £253,000 at the year end.

The year to date position is £240,000 overspent on this group of budgets.

3.5 Earmarked Funds & Cash Releasing Efficiency Savings (CRES)

The PCT is currently £3,275,000 behind target in achieving its savings plans of £7,292,000. The forecast outturn for savings plans is an underachievement of £3,574,000 for the year. 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, largely because of the impact of significantly high levels of non elective activity at Gloucestershire Hospitals Trust. The shortfall on CRES savings is offset by savings on deferred programmes of spend which in total are anticipated to be £2,722,000 for the year.

3.6 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, primary care premises and employer superannuation contributions. The PCT is forecasting an outturn pressure of £1,214,000 in respect of these services. This includes the planned funding for the Out of Hours Service which is likely to overspend by £282,000. Overspends are also forecast against Primary Care Contract related budgets and the Quality and Outcomes Framework of £772,000 and £160,000 respectively.

3.7 Prescribing

At this stage we have prescribing information from the Prescription Pricing Authority (PPA) for the ten month period to January 2005. The budget is profiled using the PPA's suggested pattern of expenditure. This in turn is the basis of the forecast. The forecast outturn position for the PCT is an underspend of £202,000 compared to £94,000 in the previous month.

Rolling growth for the 12 months to January 2005 is 7.6%.

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

3.8 Programme Costs

These budgets report an overspend of £156,000 to date largely due to budget imbalances within Health Promotion and Public Health.

3.9 Administration Costs

Administration Budgets are currently £39,000 underspent at the end of the reporting period and are forecast to underspend by £39,000 at the year end. This position has improved since last month as a result of the PCT VAT review.

3.10 Provider Services

The PCT provider budgets are underspent by £248,000 to date. It is forecast that they will achieve an underspend of £323,000 at the year end.

3.11 Cash Limit and Drawings

At the end of February, the PCT has an anticipated cash limit of £238,041,000. The PCT has cash drawings of £218,361,000 at the end of the reporting period which equates to 91.73% of the annual limit against a target of 91.67%.

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 February, the PCT has paid 91% of suppliers on time.

4.0 CAPITAL

4.1 There have been several movements in Capital Funding (see Annexe 3) since the January report. We have now received the second tranche of OOH funding bringing the total to £100k. This amount is to be transferred to Cheltenham & Tewkesbury PCT as the West Gloucestershire PCT contribution to the Adastra computer system. The transfer of funds to our revenue allocation for the Intermediate Care grant to Social Services has also been actioned. These movements result in a capital budget of £1,089k.

4.2 Against this are a number of increases to the forecast spend which affect the forecast underspend of £170k reported in January. Included in this underspend had been the first tranche of OOH funds of £50k and as explained above this is now being transferred out. In addition a number of additional equipping invoices have arrived and the retention sum has been added in to the Cinderford Dental Project resulting in a forecast out-turn spend of £490k – an additional £15k on last month. With other minor movements this brings the revised forecast underspend to £99k. Of this amount, £70k has been committed to an additional capital grant to Social Services for Intermediate Care at Great Western Court in Financial Year 2005/2006.

5.0 CONCLUSION

5.1 The PCT had 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. The PCT is showing an improved financial position since month 10 and is making every effort to contain the level of deficit. The PCT is currently working closely with the SHA and its partners in Gloucestershire to develop a financial recovery plan as part of its three year financial planning process.

6.0 RECOMMENDATION

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