

NHS North Central London Month 9 Finance Update Report to the Joint Overview and Scrutiny Committee

Overview:

This finance report is divided into the following sections:

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EXECUTIVE SUMMARY

1.1 Month 9 has continued the trend of improvement seen in previous months, within individual PCTs as well as at cluster level. We are now forecasting a favourable £11.0m full year variance against the cluster control total, compared to a forecast deficit against control total of £2.1m at month 8. This is an improvement of £13.1m since month 8 and is due to the following key improvements:

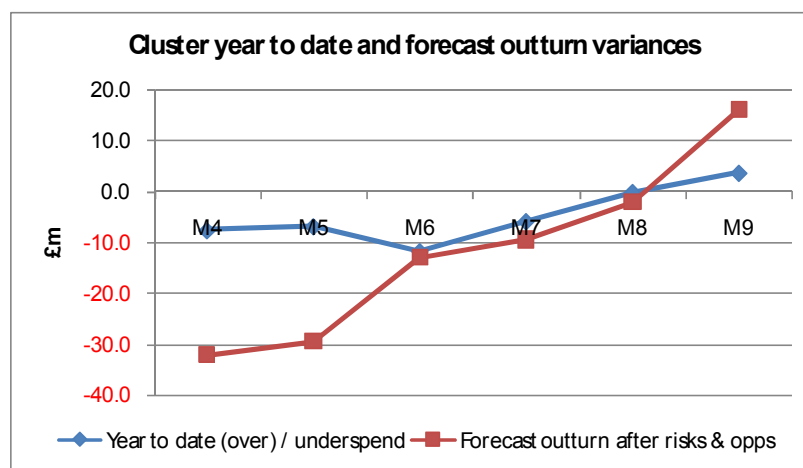
- NHS London has confirmed that unspent 2% non recurrent monies will be returned to the cluster to be utilised to ensure the delivery of the Barnet and Enfield control totals. This means that repayable inter PCT support will not be required and represents an improvement of £12m in the base case.
- The PCTs have continued their sharp focus upon controls and turnaround across all five PCTs.
- The Camden position is a substantial surplus in excess of its control total and the Camden underspends will not now be required to provide repayable cluster support.
- Dental underspends have increased compared to those reported previously, as it is now unlikely that the underspend will be recovered.
- Funds have been released in a number of PCTs where care closer to home activity is below the level planned
- Risks and opportunities have been reviewed in detail to ensure that they reflect a realistic position for the last quarter of the year.

1.2 The table below summarises the position at month 9 compared to month 8 and outlines the impact of the non recurrent funds. All PCTs except Islington are now forecast to achieve their control totals. Islington will still achieve a substantial surplus and I am confident that actions underway will improve this position to meet control total during the last quarter of 2011/12.

	Barnet	Enfield	Haringey	Camden	Islington	Total	Movement M8 to M9
Year to date variance	(8,367)	(2,311)	2,045	11,919	379	3,665	3,599
Forecast outturn before risks and opps	(28,014)	(22,362)	(17,532)	35,046	19,043	(13,819)	7,260
Forecast outturn variance before risks & opps	(10,828)	(3,527)	2,746	12,241	390	1,022	7,260
Forecast outturn after risks and opps	(17,013)	(18,736)	(18,196)	32,765	17,370	(3,810)	13,114
Forecast outturn variance after risks & opps	173	98	2,083	9,960	(1,283)	11,031	13,114
Movement M8 to M9	7,877	4,617	146	(1,365)	1,839	13,114	
Impact of non recurrent funds	7,250	4,750				12,000	
Real movement M8 to M9	627	(133)	146	(1,365)	1,839	1,114	

1.3 Items where there is a high degree of certainty in the forecast are included within the forecast outturn before risks and opportunities. In addition, there remain a number of risks and opportunities where there is a lower degree of certainty about either the nature of the risks / opportunity or the financial scale of it. These opportunities include those turnaround recovery actions which have been identified but not yet delivered. To get a more robust view of the likely year end position these risks and opportunities are factored into the reported position to give a risk adjusted forecast outturn. Sensitivity analysis is also applied to give a range of risk in the best and worst case scenarios.

1.4 The improvement trajectory has continued at month 9. The material improvement in the forecast outturn is mainly driven by the assumption that £12m of non recurrent funds will be made available to ensure that Barnet and Enfield achieve their control totals. The following graph illustrates the steadily improving position month on month since the cluster recognised the need to take turnaround actions in August.



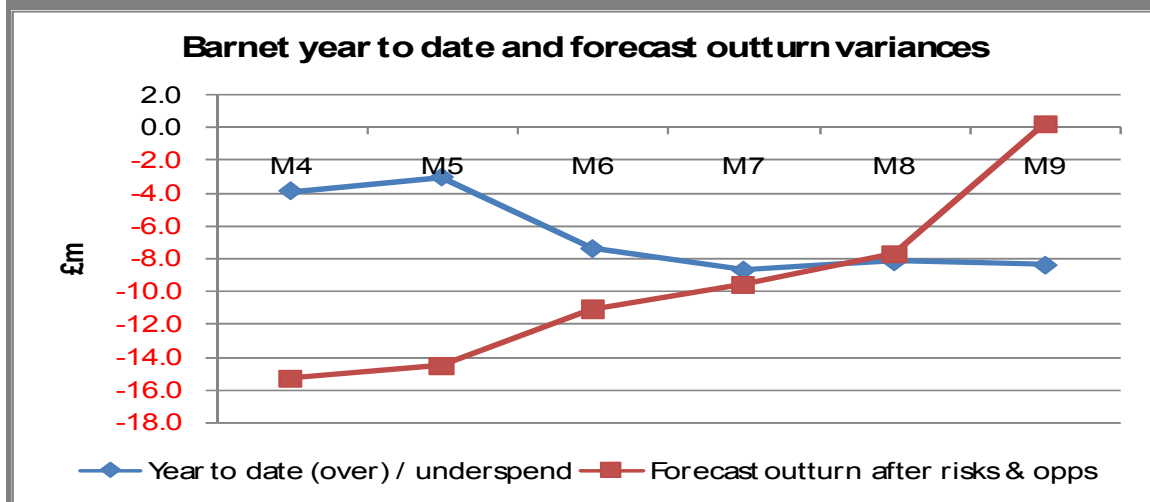
1.5 There remains a level of risk associated with the forecast outturn position. The range remains greater in absolute terms than is ideal at this stage in the year although in percentage terms the range from worst to best is only 2% of the revenue resource limit. £10m of the best case scenario relates to non recurrent accounting adjustments that could be utilised if required. Given the current financial position it is not expected that this will be needed. The other material difference between the likely and best case is a £6m assumption regarding utilisation of contingency in the base case.

	Cluster total		
	Worst	Likely	Best
Planned deficit	(14,840)	(14,840)	(14,840)
Forecast outturn after risks and opps	(24,483)	(3,811)	37,842
Forecast outturn variance after risks & opps	(9,643)	11,029	52,682
Movement M8 to M9	11,053	13,112	20,770

1.6 There has been a further improvement in the year to date position, which is now ahead of plan at cluster level and in Haringey, Camden and Islington PCTs. Barnet and Enfield remain in an adverse position, although the rate of overspend has slowed. Sections 2 to 6 of this report set out the position by individual PCT.

Overview: Barnet

	M9 £000s	Movement M8 to M9
Year to date variance	(8,367)	(149)
Forecast outturn before risks and opps	(28,014)	1,550
Forecast outturn variance before risks & opps	(10,828)	1,550
Forecast outturn after risks and opps	(17,013)	7,877
Forecast outturn variance after risks & opps	173	7,877
Movement M8 to M9	7,877	



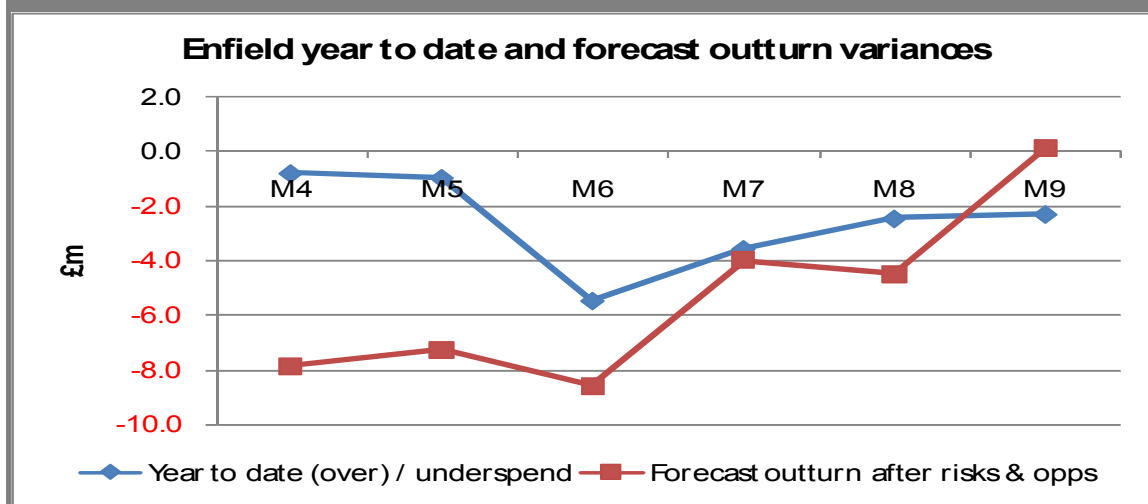
2.1 The Barnet in year position has stabilised over the last four months. This is a potentially positive indication that control over some areas of spend has improved, which is critical for financial recovery. However, acute continues to overspend month on month, albeit at a slightly reduced rate, and there are pressures on both continuing care and high cost mental health placements within the borough, with a substantial increase in the latter in month 9. There was a material movement on community budgets during M9. This is due to the identification of overperformance on GUM with one community provider across several of our PCTs. This appears to be a coding change rather than a real increase in activity and will be challenged for the cluster.

2.2 The main drivers of the acute overspend are day cases, outpatient follow ups and 'other' cost variances. The latter relate mainly to the Royal Free, where the contract contained an aspirational QIPP total that has now been delivered recurrently through price negotiations. Overperformance is seen across all trusts and Barnet has the largest out of sector overspend of all of the 5 PCTs. GP referrals are now reducing, against the trend of the last few years, but this is not yet driving substantial reductions in spend.

2.3 The forecast outturn is now in line with the deficit control total. However, the improvement in month is mainly driven by the return of unutilised non recurrent funds. This does not therefore represent a real improvement in the position and the underlying run rate continues to be negative. CCG members and cluster staff need to continue the focus on the effective management of demand and provider contracts if Barnet is to return to recurrent financial balance next year.

Overview : Enfield

	M9 £000s	Movement M8 to M9
Year to date variance	(2,311)	148
Forecast outturn before risks and opps	(22,362)	1,972
Forecast outturn variance before risks & opps	(3,527)	1,972
Forecast outturn after risks and opps	(18,736)	4,617
Forecast outturn variance after risks & opps	98	4,617
Movement M8 to M9	4,617	



3.1 The Enfield in year position has improved over the last few months and stayed stable in month 9. As with Barnet, this is a potentially positive indication that control over some areas of spend has improved, which is critical for financial recovery. Acute overspends are lower than at Barnet and have slowed in month 9 but remain a substantial concern. Primary care, learning disabilities and continuing care are also overspending. New systems to control continuing care expenditure have been implemented during the year and are achieving substantial savings without impacting on patient care. Sexual health is overspent in month, again partly driven by the GUM coding issue at one provider.

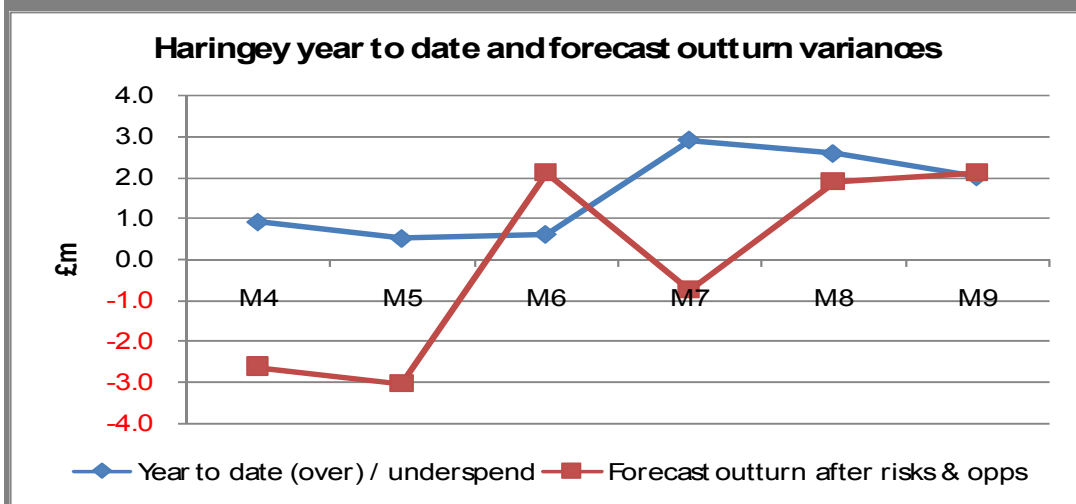
3.2 The main drivers of the acute overspend are day cases, non elective non emergency (maternity) and outpatient procedures. Over-performance is concentrated in in-sector providers, notably Barnet and Chase Farm and UCLH.

3.3 There has been a large adverse movement on non contract activity in month 9, both in Enfield and in other PCTs. Following a change in the resourcing for this area, new controls have found previously unidentified spend which is now included in the year to date and forecast outturn position. A further risk has been added to the risks and opportunities log.

3.4 The forecast outturn is now in line with the deficit control total. However, the improvement in month is mainly driven by the return of unutilised non recurrent funds. This does not therefore represent a real improvement in the position and the underlying run rate continues to be negative. CCG members and cluster staff need to continue the focus on the effective management of demand and provider contracts if Enfield is to return to recurrent financial balance next year.

Overview : Haringey

	M9 £000s	Movement M8 to M9
Year to date variance	2,045	(526)
Forecast outturn before risks and opps	(17,532)	(222)
Forecast outturn variance before risks & opps	2,746	(222)
Forecast outturn after risks and opps	(18,196)	146
Forecast outturn variance after risks & opps	2,083	146
Movement M8 to M9	146	



4.1 Haringey is ahead of plan for the year to date and forecast to over deliver against control total without requiring any additional support. This is an extremely positive position for a deficit organisation and is testament to the hard work of staff. However, there has been some deterioration in the year to date position in the last two months and this needs to stabilise to ensure that Haringey is in the best position to continue its financial recovery in 2012/13.

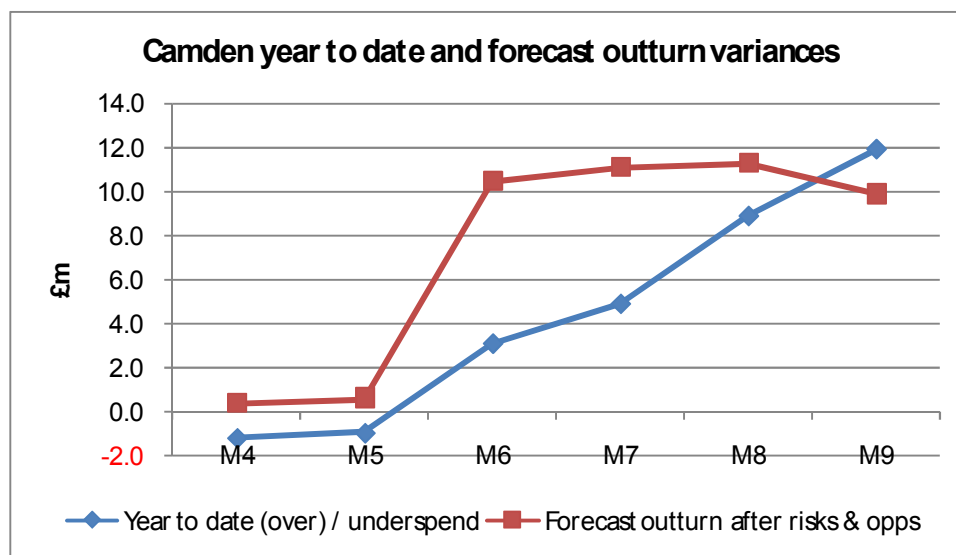
4.2 There have been in month pressures on both prescribing and dental, the latter due to the identification of under-delivery on a local QIPP target which is being further investigated. Mental health also has a large adverse movement in month following the realignment of the year to date and forecast outturn positions to reflect the expected outcome on QIPP.

4.3 The year to date acute overspend is small compared to other PCTs and is concentrated in out of sector trusts, notably Barts and the London. Service areas of over-performance are non elective non emergency (maternity) and day cases.

4.4 The forecast outturn remains at £2m better than the control total. There remain a number of risks within the position that need to be managed but this is a positive result for Haringey. The focus now needs to be the delivery of planned QIPP schemes for the new year and ensuring that the run rate improves moving into 2012/13.

Overview : Camden

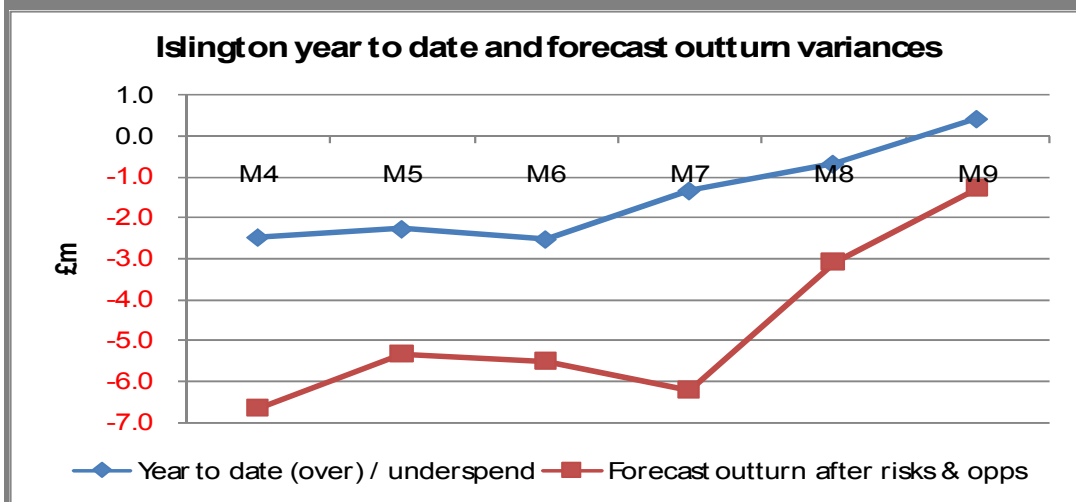
	M9 £000s	Movement M8 to M9
Year to date variance	11,919	3,041
Forecast outturn before risks and opps	35,046	818
Forecast outturn variance before risks & opps	12,241	818
Forecast outturn after risks and opps	32,765	(1,365)
Forecast outturn variance after risks & opps	9,960	(1,365)
Movement M8 to M9	(1,365)	



5.1 Camden is substantially ahead of plan for the year to date and the forecast surplus is nearly £10m above the control total of £22.8m. This has been helped by a relatively low level of acute over-performance compared to the other PCTs, and large under-spends on continuing care and community budgets as well as public health. A number of reserves had been held against potential utilisation which have not been required and have now been released. In previous months the position was reported as in line with the control total as it was expected that repayable inter PCT support may be required to enable Barnet and Enfield to achieve their control totals. This is not now required and so the forecast outturn position now reflects the full level of under-spend.

Overview: Islington

	M9 £000s	Movement M8 to M9
Year to date variance	379	(1,084)
Forecast outturn before risks and opps	19,043	2,487
Forecast outturn variance before risks & opps	390	2,487
Forecast outturn after risks and opps	17,370	1,839
Forecast outturn variance after risks & opps	(1,283)	1,839
Movement M8 to M9	1,839	



6.1 The Islington in year position has been improving steadily since month 6 following the recovery actions implemented by the cluster and borough teams. The forecast outturn has also improved, and is in line with the planned surplus before risks and opportunities are factored in. There is a net risk to the Islington position that moves it to a potential shortfall against the control total of £1.3m and these risks will need to be firmly controlled in the remainder of the year if Islington is to achieve its planned surplus. The key driver of the Islington position is the over-spend on acute contracts. Pressures in primary care medical and prescribing are offset by under-spends in dental and public health.

6.2 The year to date acute overspend is driven by UCLH, the Royal Free and Barts and the London. Overspending service areas are non elective non emergency (maternity), day cases and electives.

Overview of year to date and in-month variances by cost

7.1 The table below shows the in month and year to date variances by cost type.

	Month					YTD				
	Budget £k	Actual £k	Variance £k	Variance %	Rating	Budget £k	Actual £k	Variance £k	Variance %	Rating
Revenue Resource Limit	198,301	198,301	0	0.0%	GREEN	1,880,241	1,880,241	0	0.0%	GREEN
Primary care Total	38,871	39,582	(711)	(1.8)%	RED	345,668	343,842	1,826	0.5%	GREEN
Acute Total	112,153	114,629	(2,477)	(2.2)%	RED	1,023,088	1,039,363	(16,276)	(1.6)%	RED
Out of Hospital Total	45,934	46,467	(533)	(1.2)%	RED	431,162	428,584	2,578	0.6%	GREEN
Corporate Total	13,060	12,741	319	2.4%	GREEN	76,013	71,880	4,132	5.4%	GREEN
Borough Directorate	3,207	(494)	3,701	115.4%	GREEN	25,512	19,156	6,356	24.9%	GREEN
CAPITAL CHARGES	694	1,440	(747)	(107.6)%	RED	13,517	14,120	(603)	(4.5)%	RED
ESTATES INCOME	(4,184)	(3,792)	(392)	(9.4)%	RED	(30,415)	(30,258)	(157)	(0.5)%	AMBER
QIPP shortfall / budget variance	3,800	0	3,800	100.0%	GREEN	(141)	0	(141)	(100.0)%	RED
Contingency	995	357	639	64.2%	GREEN	8,963	3,013	5,950	66.4%	GREEN
Reserves	(13,920)	(13,920)	0	0.0%	GREEN	(656)	(656)	0	0.0%	GREEN
Gross Operating Costs	200,609	197,010	3,599	1.8%	GREEN	1,892,710	1,889,044	3,666	0.2%	GREEN
Net surplus / (deficit) before risks and opportunities	(2,308)	1,291	3,599	155.9%	GREEN	(12,469)	(8,803)	3,666	29.4%	GREEN
(Risks) / opportunities	0	0	0	0.0%	GREEN	0	0	0	0.0%	GREEN
Net Surplus / (Deficit) after risks & opportunities	(2,308)	1,291	3,599	155.9%	GREEN	(12,469)	(8,803)	3,666	29.4%	GREEN

7.2 The forecast by cost type for the full year is shown below. The forecast outturn after risks and opportunities has improved by £13.1m compared to month 8. Across all PCTs, some of the opportunities that were flagged at month 8, where in year underspends had not been reflected in the forecast outturn, have now been reflected in the position.

Month 9 financial position – forecast outturn

	Full Year					M8	
	Budget £k	Forecast £k	Variance £k	Variance %	Rating	Variance £k	Movement £k
Revenue Resource Limit	2,534,321	2,534,321	0	0.0%	GREEN	0	0
Primary care Total	463,471	459,964	3,506	0.8%	GREEN	946	2,561
Acute Total	1,372,279	1,396,216	(23,937)	(1.7)%	RED	(23,281)	(656)
Out of Hospital Total	575,035	574,672	362	0.1%	GREEN	2,065	(1,703)
Corporate Total	102,206	96,657	5,549	5.4%	GREEN	2,827	2,723
Borough Directorate	34,733	31,930	2,803	8.1%	GREEN	4,469	(1,666)
CAPITAL CHARGES	18,023	18,898	(875)	(4.9)%	RED	(17)	(858)
ESTATES INCOME	(39,240)	(39,510)	270	0.7%	GREEN	1,205	(935)
QIPP shortfall / budget variance	1,392	0	1,392	100.0%	GREEN	(6,402)	7,794
Contingency	11,950	0	11,950	100.0%	GREEN	11,950	0
Reserves	9,314	9,314	0	0.0%	GREEN	(0)	0
Gross Operating Costs	2,549,162	2,548,141	1,022	0.0%	AMBER	(6,238)	7,260
Net surplus / (deficit) before risks and opportunities	(14,841)	(13,820)	1,022	6.9%	GREEN	(6,238)	7,260
(Risks) / opportunities	0	10,008	10,008	67.4%	GREEN	4,157	5,851
Net Surplus / (Deficit) after risks & opportunities	(14,841)	(3,812)	11,030	74.3%	GREEN	(2,083)	13,113

7.3 The key movements in the year to date and forecast outturn before risks and opportunities are shown below

Expenditure Group	Monthly Variance £000		Reason for Variance	Actions agreed for Month 10
Primary Care				
Primary Care - Medical	492	628	Improvements due to Deanery Income being fully invoiced, a more prudent approach to the accruals was taken in previous months.	The deanery income is now being invoiced monthly directly from the expenditure statements on the Exeter system, resulting in a zero variance.
Primary Care - Pharmacy		582	This had previously been suppressed due to the data being 2 months in arrears. It is now believed there will be a true underspend at the year end.	
Primary Care - Prescribing	-1,075		There is a change in methodology where we are now accruing to Forecast outturn from the PPA as opposed to extrapolating from 2 months old data.	
Primary Care - Dental		1,274	Previously the growing underspend has been suppressed due to expectation that underperforming contracts would recover activity in the second half of the year to meet performance targets. The level of recovery is now expected to be lower than previously anticipated	
Acute				
Acute NHS SLA - In Sector	-1,780		Whilst a sizeable increase in the month this is slightly below the normal run rate	There is an acute recovery plan in place to minimise spend in 2011/12 and address the causes of the underlying run rate
Acute NHS SLA - Out of Sector	-498		As per in sector	as per in sector
Acute Demand Reserve	442		This is in line with the monthly run rate.	
Non Contracted Activity	-805	-659	Additional invoices have come through as a result of the Agreement of Balance exercise and a new service manager is now in place and is reviewing the system.	We will thoroughly review the forecasting methodology to ensure it more accurately predicts future costs. The challenges process will be enhanced to ensure that we only pay invoices for appropriate activity
Non acute				
Mental Health	-1,264	-2,332	Four of the 5 Boroughs are showing a material increase in costs with only Islington showing a material decrease. Areas of additional cost include high cost placements and eating disorders. There has been some budget realignment in Haringey and the current QIPP performance is now fully reflected	Budget holders to review additional charges to ensure they are valid. Where appropriate, individual cases to be reviewed to ensure the care package represents best value
Older People	315	462	There are some expected underspends on social care budgets, particularly in Barnet	
Physical Disabilities		436	The month 8 position in Islington was incorrectly reported. The budgets were actually underspending as opposed to overspending as reported.	
Childrens Services		320	The Month 9 Agreement of Balance process confirmed that the individual complex patient placements have reduced in year, notably in Haringey.	
Continuing Care	495	-296	Closer scrutiny of the continuing care budget is providing improved forecasting and year to date information. Accruals levels in some PCTs have increased as the review of invoices against the new system has identified data issues, notably Camden	Continued focus on the implementation of the continuing care recovery plan. Further review of the Camden system to ensure that all data held is accurate
Sexual Health	-391	-286	This is due to the unexpected appearance of material GUM invoices, these are being billed by Community providers at levels significantly above 2010/11 activity. This area is being reviewed to ascertain whether this is the result of an unagreed coding, counting or pricing change	Review the contracts with the community providers and seek to challenge overperformance

7.4 Further key movements in the year to date and forecast outturn before risks and opportunities are shown below.

Expenditure Group	Monthly Variance £000		Reason for Variance	Actions agreed for Month 10
Corporate				
Estates and Facilities Management		1,531	Previous months have shown growing variances due to the assumption that all provider estates would be transferred in October, and hence income and expenditure was not budgeted for. This has been smoothed out in M9.	
Public health	-438	396	All services have been reviewed due to the low level of activity invoiced to date. Services which have not yet been invoiced for have been accrued, resulting in an in year movement. The Barnet and Enfield forecasts have been updated to reflect the areas now identified as underspending	
Human Resources	212	473	Following the transfer of Haringey community services, the budget had not been reduced. The community contract is set at the correct level so the budget has been released	
QIPP		500	Growing Underspends across this sector wide directorate had previously been suppressed due to uncertainty as to future plans. It has now been confirmed that there are no plans to commit this additional budget in the recurrent year.	
Primary Care	1,036		£193k relates to income raised for Haringey not budgeted for. Other drivers at Camden and Islington relate to underspends against CCG and PbC Development funding	
Other				
BOROUGH DIRECTORATE	3,701	-1,666	For Month 9 the borough and cluster finance team undertook another review of all budgets held, amending the requirement in year. The position will be constantly reassessed for the balance of the financial year for both in year and recurrent need.	Assess the recurrent position to underpin the run rate for 2012/13
CAPITAL CHARGES	-747	-858	This is partially due to Goswell road capital charges only having been budgeted for the first six months of the year and partly due to the validation of overspends that were not previously reported	
ESTATES INCOME	-392	-935	Previous months have shown growing variances due to the assumption that all provider estates would be transferred in October, and hence income and expenditure was not budgeted for. This has been smoothed out in M9.	Review all estates income and expenditure budgets to ensure the full 12 months are correctly budgeted.
QIPP shortfall / budget variance	3,800	7,794	For Month 9 the Borough HOF's and the cluster finance team undertook another review of all budgets held. Following from this review a number of budgets were found not to be required in 2011/12, pending assessment of recurrent need some of these budgets. These included some care closer to home budgets where activity is less than budgeted	Assess the recurrent position to underpin the run rate for 2012/13
Contingency	639		Contingency has now been released up to the level assumed in the risk adjusted forecast outturn	
Other Balances	-143	-104		
Total	3,599	7,260		

Cash and Capital

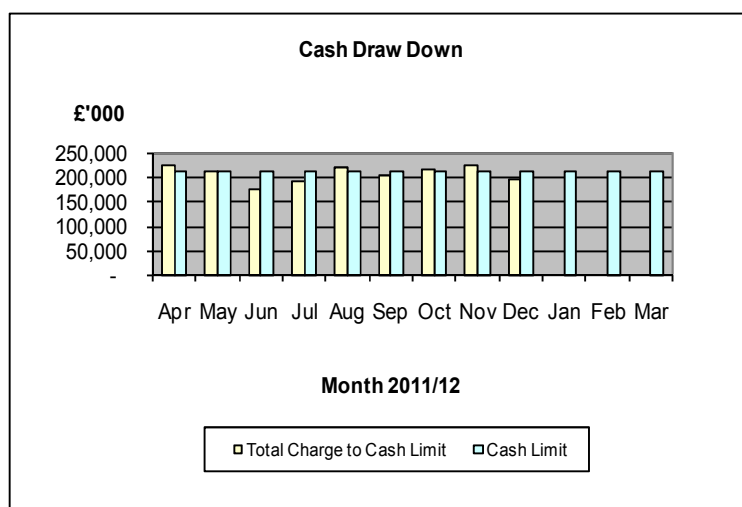
Capital

PCT	Annual Budget £000s	M9 YTD Actual £000s	Forecast Outturn Month 9 £000s	Forecast Variance Over/ (Under) £'000
BARNET	7,632	391	2,209	(5,423)
ENFIELD	1,255	0	180	(1,075)
HARINGEY	800	0	200	(600)
CAMDEN	2,713	0	1,429	(1,284)
ISLINGTON	903	0	88	(815)
NCL TOTALS - CURRENT SCHEMES	13,303	391	4,106	(9,197)

8.1 The confirmed capital resource limit for 2011/12 is £13,433k including £7,033k for existing projects that commenced before 2011/12. £130k is a grant that is expected to transfer to revenue, giving the £13,303k budget shown.

8.2 Expenditure to date is very low at £391k as at M9. The current year end forecast against the allocation is £4.1m, an underspend of £9.2m. £3.8m of this relates to Finchley Memorial where the funding will not be needed until 2012/13 and a request has been made to carry the funding, which originated with the Community Hospital Fund, forward. The remaining underspend has been caused by delays in some projects but these are now being actively managed to ensure that we minimise the underutilisation of available resources. New opportunities for capital spend in this financial year have been explored and a paper has been submitted to the Financial Recovery and QIPP Committee for these to be considered and, if appropriate, approved. The total of the new projects is £1,571k. Robust reviews of all schemes are ongoing and any surplus in the 2011/12 capital allocation will be returned through NHS London at the end of January.

Cash



8.3 The cash limit available to the cluster in 2011/12 is £2,571m. The actual cash drawdown in the month was £195m, bringing the cumulative total to £1,870m. The cluster

has drawn down 97% of its annual limit on a pro rata basis and does not anticipate any issues with meeting this target for 2011/12.

Conclusion: Further actions

9.1 The key actions that are still required to ensure that the 2011/12 forecast outturn can be achieved in the most sustainable way are:

- Successful closure of the outstanding acute claims, particularly at UCLH and those other trusts that are not covered by cap and collar arrangements.
- Finalisation of the agreement with Barnet and Chase Farm, and approval for the use of non recurrent funds from NHS London to support that agreement.
- Delivery of those QIPP schemes that will still impact in 2011/12, notably primary care medicines management, continuing care, PoLCE and mental health.
- Ongoing management of budgets and identified risks to minimise overspends.
- Realisation of identified opportunities, notably community contracts, estates disposals and locally identified opportunities.