

Summary:

This report updates the Overview and Scrutiny Committee on the 2009/10 budget and current financial performance based upon the month 5 results and identifies key areas of risk that the PCT faces in achieving a balanced position by the year end.

Overview and Scrutiny Committee action:

To note the updated 2009/10 budget, and to note the financial results for the first 5 months and to note the risks facing the the PCT for the remainder of the year.

Lead Officer information:

Name: Harry Turner
Position: Corporate Director of Finance
Contact details: 020 8442 5400

Report

To: Overview and Scrutiny Committee
From: Corporate Director of Finance
Date: 21 October 2009
Topic: 2009/10 Budget & Performance Update

Summary

This report summarises the updated 2009/10 budget and performance to the Overview and Scrutiny Committee (OSC) and reports on the current financial performance based upon month 5 for the period to the end of August 2009.

The current PCT income and expenditure budget is £467.1M. NHS Haringey is forecasting a breakeven position at year end based upon the above annual budget. However, some key risks exist and are set out below.

The main risk is the pressure on Acute Commissioning. The financial performance for the first 5 months of 2009/10 is a £2.063M overspend. This overspend is mainly due to the expenditure on Acute Commissioning.

Update on 2009/10 Budgets

The 2009/10 budget was approved by the PCT Board at its May meeting. Since then a number of budget changes have been made. These changes mainly relate to transferring the investment budgets and planned savings areas to the correct directorates as well as transferring specific earmarked resource limits

NHS Haringey 2009/10 Budget 31 August 2009		
	£'000	£'000
Acute Commissioning	197.2	
Mental Health	41.5	
Other Non Acute	50.4	
Specialist Services	35.8	
Hosted Services	9.7	
Total Commissioning Budget		334.6
Primary Care		80.5
Provider Services		22.2
Corporate		17.3
PCT Reserves		12.5
Total NHS Haringey Expenditure Budget		467.1

In May it was reported that the PCT income and expenditure budget both equalled £461.0M. Since May a number of additional allocations have been received and the budgets have been updated as a result. The current PCT income and expenditure budget now equals £467.1M. Included in the current total is a specific earmarked allocation of £5.2M that was received from NHS London for the PCT to transfer on to North Middlesex Hospital as a pass through payment for their PFI, and funding for their mixed sex accommodation. There were a number of other earmarked allocations which when received were transferred to the correct budgets.

The PCT maintains a separate allocation control process that tracks all monthly changes in allocations and budget movements or virements. The most significant internal budget virement is the transfer of the agreed investments of £6.243M as set out in appendix 1. The PCT's investment budget is now included in the areas set out in the attached appendix. Originally the £400K funding for the Joint Action Review (JAR) action plan was included in the Commissioning budget. This is now included in Public Health and Management.

Of the £6.243M investment budget, £2.2M is for investment in children's services (appendix1). These investments are linked into actions outlined in the JAR. Other investments concentrate on the broader commissioning portfolio and on public health and infrastructure.

Financial performance for the first 5 months of 2009/10

The PCT is facing some significant financial challenges. The overspend on Acute Commissioning is the key area that is causing the largest problem. For the 5 months ended 31 August 2009, the level of overspend on Acute Commissioning is a (£6.030M) overspend year-to-date

In arriving at the PCT's overspend position at month 5 a straight line application of the PCT's reserves has been applied. The PCT's gross overspend at month 5 before the proportionate use of reserves is (£7.079M). The overall net overspend of the PCT after the straight line application of (£5.016M) reserves is a (£2.063M) overspend at month 5.

The PCT is forecasting a break even position at the end of this financial year. To achieve the breakeven position by the year-end requires the PCT to commit all remaining reserves (£12.5M). In addition to utilising all reserves, the break even forecast figure assumes that at a minimum the PCT is able to stop the existing overspend present at month 5. A straight-line projection of the (£2,063K) month 5 overspend position is (£4,950K). The forecast assumes that the PCT can reduce expenditure or save the (£4,950) straight line year end extrapolation of the month 5 overspend by the end of the year. In addition the forecast assumes that the entire £3,443K initial savings plan is achieved. The initial savings plan was agreed as part of the source of funds to enable the PCT to have a £6.243M investment plan.

The full commitment of PCT reserves at this point in the year leaves the PCT exposed should other pressures present themselves in the months to follow.

Summary of Financial Performance to 31 August 2009

A summary of performance for the year to 31 August 2009 is shown below.

	2009/10 Budget £'000	PERIODS TO DATE			FORECAST OUTTURN		
		Budget £'000	Actual £'000	Var £'000	Budget £'000	Actual £'000	Var £'000
<u>SOURCE OF FUNDS</u>							
Funding	467,144	197,570	197,570	-	467,144	467,144	-
Total Source of Funds	467,144	197,570	197,570	-	467,144	467,144	-
<u>APPLICATION OF FUNDS</u>							
Commissioning - Acute	197,206	84,888	90,918	(6,030)	197,206	206,324	(9,117)
Commissioning - Specialist Services	35,774	14,906	15,412	(506)	35,774	36,988	(1,214)
Commissioning - Non Acute Commissioning - Hosted Services	91,893	38,289	39,146	(857)	91,893	93,950	(2,057)
Primary Care	9,675	4,031	4,031	-	9,675	9,675	-
Provider Services	80,517	33,846	34,060	(214)	80,518	81,014	(496)
Corporate Costs	22,245	8,844	8,341	503	22,245	21,741	504
Total before use of reserves	17,308	7,751	7,725	26	17,308	17,453	(146)
Contingency Reserves	454,618	192,555	199,633	(7,079)	454,619	467,145	(12,527)
Total Expenditure	12,527	5,016	-	5,016	12,527	-	12,527
Surplus / (Deficit)				(2,063)			-

Commissioning actions:

Given that the PCT has very limited financial flexibility in 2009/10, it is absolutely critical that current levels of over-performance are not allowed to continue. Urgent actions are taking place to try to manage the expenditure within the available resources.

The PCT is not alone in trying to manage such a significant increase in expenditure on the Acute SLAs. A similar level of overspend on the main acute SLAs is also occurring in the other PCTs within the North Central London Acute Commissioning Agency (NCLCA) and across London.

Current actions include: The PCT is arranging Director level meetings with each Hospital. The purpose of these meetings is to agree mechanisms to enable activity to be managed within the planned levels set in the SLAs. In addition the PCT has arranged an internal Acute Commissioning spend review group who are meeting regularly to consider the options available.

The NCLCA is newly formed and is a part of the work plan to urgently address the acute commissioning overspend across the 8 acute trusts in the Sector. The PCT has agreed that I work for the NCLCA for 2 days a week for the remainder of the calendar year. This PCT presence within the NCLCA will help to present a strong influence on their work. The NCLCA will give more clout, greater consistency, and allow a degree of sub-specialisation which a smaller function cannot support for example in areas like medicines management.

Reserves and Service Risks

The PCT is forecasting a break even position at the end of this financial year. Even if the PCT achieves this position, there will not be funding available for dealing with certain possible subsequent risks. A number of uncertainties exist that are not accounted for in the current 'medium case' forecast of the current financial model. For example, the risks of winter pressures and requirements if a pandemic flu outbreak occurs. In addition, other pressures and requirements of the contingency reserves exist. The figures in this report are before any winter pressures, pandemic flu or further price cost ("market forces factor") adjustments.

Recommendations and Conclusions

This report presents an updated balanced budget for 2009/10. The OSC is asked to note the content of this report including the updated revenue resource limit and current financial performance. The report includes a number of financial risks which the OSC is asked to note; and a number of further actions, and savings measures, which the OSC is asked to be aware of. The OSC is also asked to note the intention to bring back further updates and more detail in a number of areas, in due course.

Harry Turner
Corporate Director of Finance
21 October 2009