

## UPDATE ON FINANCIAL PLANS 2008/09

### 1. Purpose of Report

- 1.1 This report is an update of the “Financial Plans 2008/2009” report submitted to the board in March.
- 1.2 The purpose is to:
- Update the Board with any significant allocation and expenditure changes
  - Analyse the application of additional resources in 2008/09
  - Outline how new investments will be tracked and reported in 2008/09
  - Brief the Board on potential risks for 2008/09

### 2. Significant Changes - Allocations

- 2.1 The Department of Health has been much quicker than in previous years in issuing allocations for 2008/2009. As a result, there has only been one additional allocation that was not included in the March paper. This is £88k, which is the PCT’s share of £10 million of recurrent funding identified nationally for the Staying Safe Action Plan.
- 2.2 The table below shows the planned Revenue Resource Limit (RRL) for 2008/09 and the planned recurrent RRL for 2009/10:-

**Table 1: Planned RRL for 2008/09 to 2009/10**

	2008/09		2009/10
	March Paper £000	May Position £000	Planned recurrent RRL £000
<b>Recurrent allocation for the relevant population</b>	<b>606,916</b>	<b>606,916</b>	<b>640,066</b>
Increase to recurrent baseline	33,150	33,150	25,603
Confirmed adjustments to allocation	(14,314)	(14,314)	(14,314)
Recurrent IATs	123	211	211
Return of previous year surplus	3,200	3,200	1,893
Non-recurrent IATs	2,053	2,053	
Return of part of 2006/07 top slice	1,790	1,790	
Carry forward adjustments	(1,086)	(1,086)	
Central allocations	803	803	803
<b>TOTAL RESOURCE LIMIT 2008/09</b>	<b>632,635</b>	<b>632,723</b>	<b>654,261</b>

### 3. Significant Changes - Expenditure

- 3.1 Although the allocation has not changed significantly, the expenditure movements are larger. This is mainly due to more detailed commissioning plans being developed.

3.2 The table below analyses expenditure across the PCT:-

**Table 2: Planned Expenditure in 2008/09**

	<b>March Paper £000</b>	<b>May Position £000</b>
Commissioning	456,355	455,512
Prescribing	73,690	73,691
GMS/PMS	54,352	54,353
Management	25,267	26,393
Dental	15,318	15,319
Provider developments	2,391	2,023
Earmarked reserves	1,849	1,850
Contingency	1,520	1,689
<b>TOTAL PLANNED EXPENDITURE 2008/09</b>	<b>630,742</b>	<b>630,830</b>
Planned Surplus	1,893	1,893
<b>TOTAL BALANCED BACK TO RRL</b>	<b>632,635</b>	<b>632,723</b>

3.3 The budget presented in the March paper was balanced based on assuming a certain amount of slippage on developments. An exercise has now been undertaken asking commissioners to profile the expenditure on new developments across the financial year, allowing the slippage to be accurately forecast. This level of slippage is greater than the value assumed in March to balance the budgets, therefore the commissioning budget has reduced when compared to the original paper.

3.4 Based on this exercise, commissioners will be devolved full year budgets for new investments, with an adjustment made for the realistically expected level of slippage.

3.5 The budget allocated to management has increased significantly. This is due to the confirmation of new investments, including £400k on external support for World Class Commissioning, £190k on a wellness programme for PCT staff, £172k for the approved new HR structure and £130k for a director of process improvement post and process improvement team.

3.6 All contracts have now been signed with acute providers and were settled within existing budgets; leaving a £3 million contingency for over performance on the acute portfolio.

#### **4. Application of Additional Resources**

4.1 The value of the additional resources available for investment in 2008/09 is £51.952 million. This figure is high due the level of non-recurrent applications of recurrent funding in 2007/08.

4.2 A breakdown of the additional resources available is outlined in the table below:-

**Table 3: Breakdown of Additional Resources Available in 2008/09**

Description	£000
Increase to recurrent baseline allocation	33,150
Non-recurrent applications in 2007/08 only	7,886
1% top slice not required in 2008/09	5,926
Return of 2007/08 planned surplus	3,200
Part return of 2006/07 top slice	1,790
<b>TOTAL ADDITIONAL RESOURCES AVAILABLE IN 2008/09</b>	<b>51,952</b>

4.3 The broad investment of additional resources is as follow:-

**Table 4: Investment of Additional Resources in 2008/09**

Description	£000
Inflation	30,166
Efficiency	(15,647)
Discretionary investments in line with PCT strategy	17,669
Investment in infrastructure	1,167
Investment in external capacity to deliver World Class Commissioning	525
<b>Growth</b>	
- Specialised commissioning	3,203
- Acute	2,485
- Prescribing	1,305
- Primary care	533
- Dental	425
Over performance on 2007/08 activity	8,207
Planned surplus	1,893
Earmarked reserves	1,185
Planned Direct CIPs	(1,164)
<b>TOTAL APPLICATIONS OF ADDITIONAL RESOURCES IN 2008/09</b>	<b>51,952</b>

## 5. Reporting on New Investments

5.1 During the budget setting exercise, several large commissioning intentions were identified. In order to provide assurance that the PCT will deliver the planned surplus in 2008/09, it is necessary to track the planned investments over the financial year so that any unexpected slippage can be managed.

5.2 Commissioners were asked to provide expenditure profiles for new investments across the year. These profiles will form the basis for tracking investments and each month the Board will be informed how much actual expenditure has been incurred against the plan.

5.3 A list of discretionary investments can be found in appendix one.

## 6. Risks

6.1 The PCT tracked financial risks during 2007/08 using a risk register. Each management accountant was asked to list potential risks at the beginning of the year and then to amend the risk register as necessary.

- 6.2 This approach will be used again in 2008/09, with significant or material risks being reported to the Board, however, some risks have already been identified as a result of the budget setting process.
- 6.3 The main risks to the PCT achieving the planned surplus target are considered to be:-
- Slippage on investments
  - Acute over performance
  - Prescribing
  - Provider arm surplus
- 6.4 Slippage on planned investments could be a large risk to the PCT, as it might cause a considerable unplanned surplus. This risk is being managed by reporting on actual expenditure on new investments against planned expenditure each month, both to commissioners and to the Board. This approach to managing the risk of slippage will flag up any unplanned under spends early enough for corrective action to be taken.
- 6.5 The risk of acute over performance will be managed by an acute risk reserve of £3 million, which is made up of the balance of the funding earmarked for commissioning finance to settle their acute contracts.
- 6.6 The risk on prescribing is that the PCT will have a large underspend at the end of the year as the budget was set by uplifting forecast outturn for 2007/08 as at month nine. Since month nine, forecast outturn on the prescribing budget has continued to show an increasing under spend. Therefore, the budget for 2008/09 may be too high. However, there is a risk that the pharmacy contract will over spend and these risks taken together should off set each other.
- 6.7 A large unplanned surplus on the provider arm may also leave the PCT at risk of not achieving the planned financial position at the end of the year. This risk arises due to the high number of vacancies the provider arm carries for a variety of reasons; which is being monitored closely.

## **7. Recommendations**

- 7.1 The Board is asked to:-
- Note the content of this report.

**Appendix 1 - Discretionary Investments in line with PCT Strategy**

Service	Lead Director	Funding to be committed 08/09	FYE of investment in 09/10
<b>Commissioning</b>			
- Continuing care legislation	Andrew Donald	2,500,000	2,500,000
- Intermediate Care	Andrew Donald	1,219,000	1,300,000
- Learning disabilities	Tony Ruffell	988,232	1,112,333
- Reimbursement scheme	Andrew Donald	620,000	
- Sexual health	Andrew Donald	619,272	758,378
- End of Life Care	Andrew Donald	600,000	2,500,000
- Funding cancer drugs approved in 0708	Andrew Donald	500,000	500,000
- Urgent care developments	Andrew Donald	455,960	663,843
- Drug service	Andrew Donald	400,000	400,000
- Older people services	Andrew Donald	375,000	750,000
- Older peoples' mental health	Andrew Donald	309,120	530,000
- Children's services	Andrew Donald	235,064	350,000
- Alcohol	Andrew Donald	200,000	200,000
- Pump priming ASP and 3S	Caroline Nolan	200,000	
- BME community development workers	Andrew Donald	190,000	190,000
- Pump priming Kings and BNE	Jenny Belza	179,410	
- Access to psychological therapies	Tony Ruffell	135,400	200,000
- Pump priming WWH and BSA	Waheed Saleem	133,262	
- Birmingham Walk in Centre	Andrew Donald	130,000	130,000
- Children's equipment	Andrew Donald	100,000	100,000
- Epilepsy	Andrew Donald	87,500	150,000
- Other commissioning cost pressures (MH)	Andrew Donald	75,650	75,650
- Support Time & Recovery (ST&R) workers	Tony Ruffell	75,600	150,000
- CAHMS	Tony Ruffell	75,000	150,000
- ICES	Andrew Donald	57,803	58,000
- Advocacy services	Tony Ruffell	31,800	100,000
- Fund recurrent walk-in centre cost pressure	Andrew Donald	30,000	30,000
<b>Total new commissioning investment</b>		<b>10,523,073</b>	<b>12,898,204</b>
<b>Public Health</b>			
- Health Trainers	Nicola Benge	190,000	190,000
- Obesity	Nicola Benge	156,792	187,400
- Teenage pregnancy	Tony Ruffell	50,000	100,000
- Hypertension	Andrew Donald	39,216	50,000
- 3 locality public health	Andrew Donald	32,662	56,000
<b>Total new public health investment</b>		<b>468,670</b>	<b>583,400</b>
<b>Management (Corporate)</b>			
- Additional IT investment (0.25% less slippage)	Jonathan Tringham	1,000,000	1,000,000
<b>Total new management investment</b>		<b>1,000,000</b>	<b>1,000,000</b>
<b>BoH</b>			
- BoH development	Richard Mendelsohn	2,600,000	2,600,000
- Wellness BENEfit programme	Nicola Benge	190,474	263,512
<b>Total new BoH investment</b>		<b>2,790,474</b>	<b>2,863,512</b>
<b>BHWP</b>			
- NRF pickup	Andrew Donald	785,400	TBC
- NRF ward pickup	Andrew Donald	75,000	75,000
- BHWP team securing lottery money contribution	Andrew Donald	50,000	50,000
<b>Total new BHWP investment</b>		<b>910,400</b>	<b>125,000</b>
<b>Provider Arm</b>			
- LIFT Stockland Green	Jonathan Tringham	990,000	990,000
- LIFT Streetly Rd	Jonathan Tringham	917,000	917,000
- Continence	Andrew Donald	39,718	26,100
- Orthopaedic triage	Andrew Donald	30,000	30,000
<b>Total new provider arm investment</b>		<b>1,976,718</b>	<b>1,963,100</b>
<b>Total new discretionary investment in 2008/09</b>		<b>17,669,335</b>	<b>19,433,216</b>