

Paper for the Provider Services Board

Name of Paper: Finance Report

Name of Presenter: Roger Hammond

Purpose of Paper: Budgetary Position at Month 6

Action required by the Board:

The Board is asked to note

- (a) the overall Provider Services resource and budget position at month 6
- (b) Recruitment position
- (c) Forecast outturn position to 31 March 2008
- (d) The possibility of re-investing an element of the current forecast under spend

East & North Hertfordshire and West Hertfordshire Primary Care Trusts

Provider Services

Finance Report

1.0 Introduction

1.1 This report outlines the current position with regards to Provider Services finances for 2007/08 as at month 6 (September 2007)

2.0 Overall Budgetary Position

2.1 The adjustments to the Provider Services' resource since the last report to the Provider Services Board are shown in table 1. The total resource allocation is expected to remain stable for the remainder of the year.

2.2 Recruitment is actively underway to some 150 posts at a full year cost of circ £4.4m. Recruitment has also occurred or is underway to circ. £4.1m (full year effect) of posts that were originally included within the 2007/08 budget setting process but where staff have subsequently left the PCTs.

*Starters
= Leavers*

2.3 In formulating the projected outturn position, it is assumed that there is a steady stream of staff starting their employment with the PCTs throughout the remaining months. Any variation from this assumption will impact upon the forecast position. The effect of the slippage in recruitment already seen for this year will act as a contingency in managing pressures that may arise as the year progresses.

*Stocktake
@
present*

2.4 As the total resources available to Provider Services and the services' budgetary positions have become clearer, the opportunity was taken to discuss the overall finances of the Directorate with the Acting Chief Operating Officer and other Assistant Directors.

*to see
where
pressures*

2.5 In summary this showed that:

Next year development

- (a) whilst there were varying degrees of financial pressures within specific services, overall, Provider Services was under spending and was projected to do so to the year end.
- (b) the level of uncommitted funds had moved and that the recruitment approved to date had fully utilised the uncommitted funds on a full year effect basis.
- (c) consequently funding would have to be clearly identified for any further recruitment for new posts.

*Risks
are

Use some
of money
for new
recruitment
posts*

if underspend at year end

- 2.6 Appendix C is a copy of the briefing paper sent to Assistant Directors following the review meeting.

Table 1: Latest Resource and Summary Budget Position (month 4)

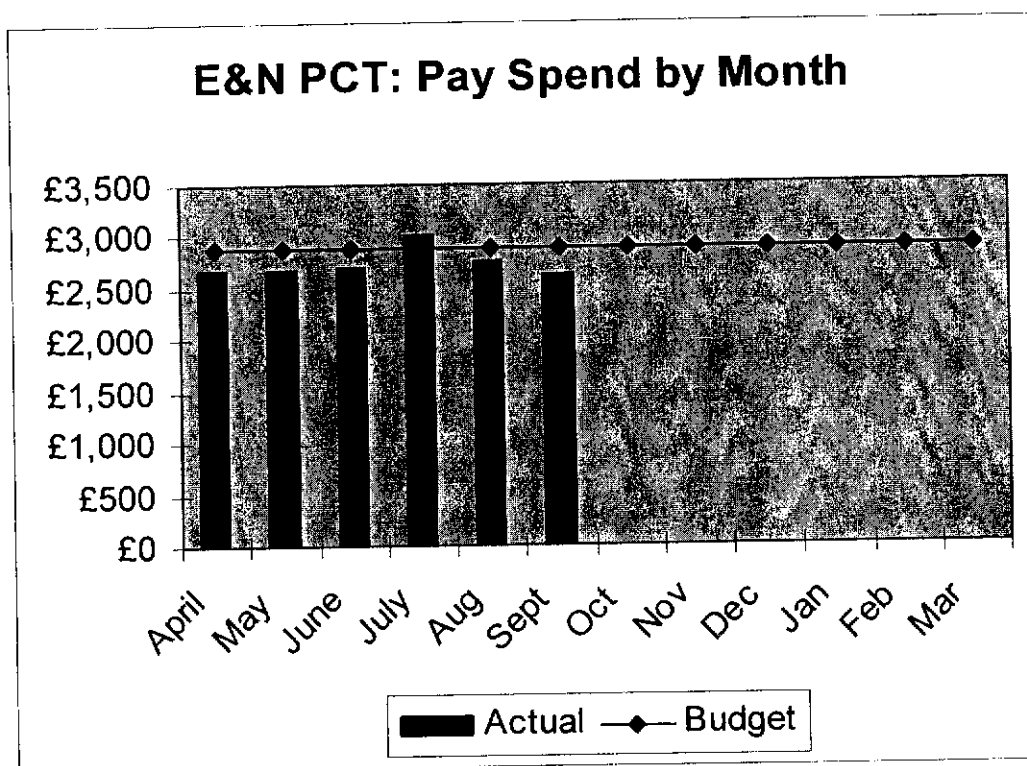
	East & North PCT £000	West PCT £000	Total £000
Resources			
Agreed at month 4	£37,267	£48,918	£86,185
Agreed Further transfers			
Prison Budget		(£436)	(£436)
Corporate Services	£133	(£133)	--
Social Workers		£26	£26
<u>Agreed Current Resource (month 6)</u>	<u>£37,400</u>	<u>£48,375</u>	<u>£85,775</u>
Budgets			
Budgets Issued to Services	£36,884	£46,730	£83,614
Other Adjustments			
Current Committed Budgets	<u>£36,884</u>	<u>£46,730</u>	<u>£83,614</u>
Uncommitted (on agreed Resource)	<u>£516</u>	<u>£1,645</u>	<u>£2,161</u>
Recruitment (full year costs)			
Vacancies (inc external)	£2,394	£2,031	
Replacements	£1,901	£2,209	

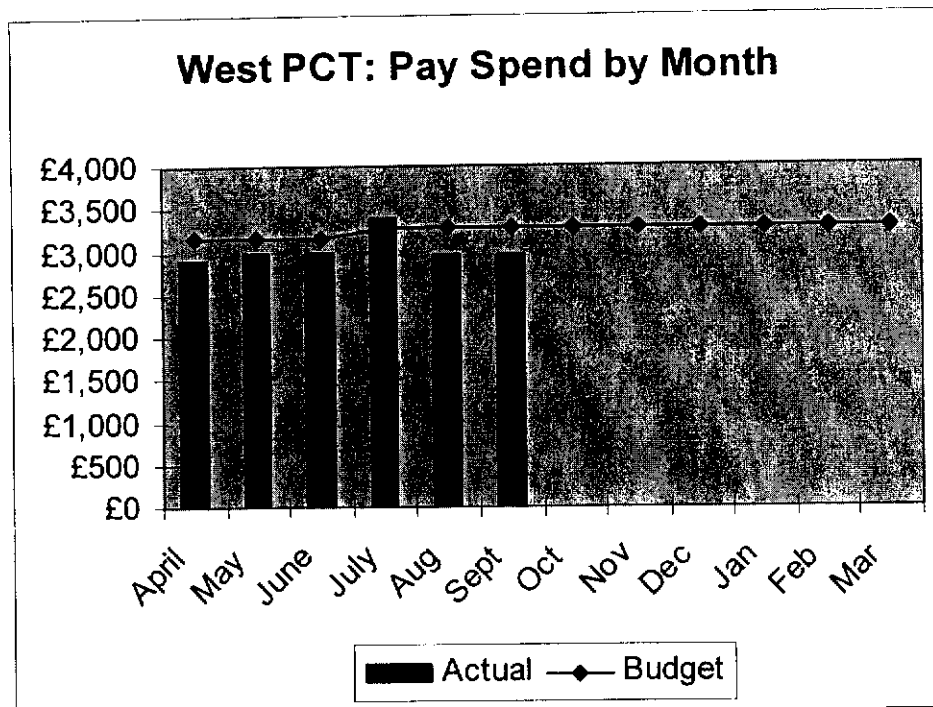
3.0 Monthly Budgetary Reports

- 3.1 The figures shown within this report reflect the first cut of the month 6 position having undertaken the first review of spend as per the ledger, accruals for unauthorised invoices, income due etc.

Prisoner services in charge of CATS
for same services
Also support work for 18/52

- 3.2 In summary, the Provider Services Directorate is showing an under spend position at month 6 of £3m (split £0.8m East and North; £2.2m West) which is expected to be maintained until the year-end leading to a current forecast outturn of £4m under spent. The forecast attempts to reflect the expected increased recruitment/pay commitments as the year progresses together with anticipating some potential financial risks.
- 3.3 Appendix A shows the month 6 position and forecast for both PCTs by service area. Appendix B shows the position by individual Assistant Directors' areas of responsibility.
- 3.4 Provider Services pay budget represents approximately 75% of the gross operational costs. Any small variations in pay expenditure impacts upon the forecast position. Even though recruitment to new posts and for replacement staff/leavers has been underway, the monthly pay costs have generally been below the month budget. The graphs below show month pay spend against the budget.





- 3.5 Under spends on pay and recruitment slippage are the main contributors to the respective under spend positions. With regards to non-pay, East & North is at budgeted spend, West is starting to show an under spend and income for both PCTs is at the budgeted level.
- 3.6 When considering the financial position reflected at appendices A and B the following should be borne in mind:
- (a) minor adverse variances are generally due to budget not yet being transferred from the contingency to the service budgets for new staff starting in post
 - (b) there are also some recharges to be done between PCTs for management costs but these are not significant in the overall totals
- 3.7 A particular pressure is emerging on sexual health drug expenditure in East and North PCT. More patients are receiving drugs which will result in an over spend (estimated at £200k) on the budget set and agreed with commissioners. Currently this overspend is netted against the positive variances in other provider services.
- 3.8 Whilst overall the position is positive, there are some pressures that may cause financial consequences later in the year. Every effort will be made to minimise any impact but it is also expected that any residual pressures will be manageable within the in-year non-recurrent slippage. Examples of possible pressures might include expenditure not originally budgeted for (consequences of PCT re-organisation) and the need to move forward on 18 week wait targets. It may also be necessary to incur premise dilapidation and improvement costs linked to site rationalisation and expiry of leases. It may be difficult to capitalise such costs that will then fall upon revenue budgets.

- 3.9 A review is in progress to assess the total spend against budgets across all the PCTs' service areas (including commissioned services) to establish a robust year end prediction. It is anticipated that this will enable the PCT Boards to identify the extent to which any forecast under spend may be committed to being re-invested this financial year. Consequently, Assistant Directors have been asked to identify any in-year financial or activity/target pressures within Provider Services where additional short term investment would secure achieving a performance target, improving Standards for Better Health assessments or make a contribution to achieving next year's targets etc. The exercise is also being used to collect initial cost pressures for 2008/09 budget negotiations.
- 3.10 The timing is such that it is expected that the next Provider Services Board will be able to discuss the priorities for re-investing an element of the current forecast under spend.

4.0 Recommendations

4.1 The Board is asked to note

- (a) the overall Provider Services resource and budget position at month 6
- (b) that recruitment is underway to support service delivery and pressures
- (c) the month 6 under spend and the assumptions underlying the forecast position to 31 March 2008.

Roger Hammond
Assistant Director of Finance
2 November 2007