

Yorkshire and the Humber
Strategic Health Authority



Yorkshire and the Humber

BOARD MEETING

Date: 6 November 2007

Report Author: Rob Cooper

Title of paper: Finance Report – Corporate and Hosted Budgets

Actions Requested:

To note the reported Operating Cost and Balance Sheet position and approve training and education contract values

Governance Requirements:

SHA Objectives supported by this paper:

(Objective 5) Ensuring Corporate Responsibility – Ensuring sound financial control and governance

Communication (including public and patient involvement):

None

Risks Assessment:

None

Resource implications:

Set out in the paper

Legal Implications:

Contracts with Foundation Trusts and Universities are legally binding

Equality and Diversity:

Not Applicable

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Finance Report – Corporate and Hosted Budgets

Purpose of this paper

The purpose of this paper is to update the Board on the operating cost and balance sheet position of the SHA and approve the training and education contract values.

Rob Cooper
Deputy Chief Executive/Director of Finance and Investment

Yorkshire and the Humber Strategic Health Authority

6 November 2007

Finance Report – Corporate and Hosted Budgets

INTRODUCTION

The purpose of this paper is to update the Board on the operating cost and balance sheet position of the SHA and approve the training and education contract values.

OPERATING COST POSITION

Summary

Table 1 below presents the position after 6 months plus a forecast of the financial position at the end of the year.

Table 1: Operating Cost Position

Description	Year to date: 6 months				Forecast position at year end		
	Staffing Actual	Budget Plan	Actual Spend	Variance	Budget Plan	Actual Spend	Variance
	WTE	£'000	£'000	£'000	£'000	£'000	£'000
1. Administration	156	7,223	7,057	166	14,484	14,484	0
<u>2. Training & education</u>							
Non-medical	5	96,054	95,511	543	191,974	191,858	116
Medical/dental	40	133,255	123,784	9,471	270,731	266,629	4,102
Sub-total	45	229,309	219,295	10,014	462,705	458,487	4,218
<u>3. Hosted progs</u>							
Cancer Screening	13	11,417	11,661	-244	38,069	31,069	7,000
NPfIT	38	6,337	1,738	4,599	15,235	6,188	9,047
ESR	169	23,187	22,560	627	64,560	64,560	0
Other Hosted	35	7,129	2,133	4,996	15,553	10,210	5,343
Total hosted	255	48,070	38,092	9,978	133,417	112,027	21,390
Total - all	456	284,602	264,444	20,158	610,606	584,998	25,608
Total ex ESR					64,560	520,438	25,608
Resource Limit (Anticipated)					546,046		

A thorough review of all programme activity and the associated financial impact has taken place with budget managers over the past month to review forecast spending for the second half of the year. As a result the forecast

outturn spend and variance has been revised and updated. Work is still underway with the two Deaneries to resolve uncertainties related to the cost of MTAS related support.

The position of each budget area is presented below. Annex 1 provides a brief background to each budget area.

Administration

Expenditure to date is on plan but as previously reported the SHA is facing financial pressure in a number of non-pay budget areas, in particular the estates and facilities expenditure relating to both Blenheim House and Don Valley House. An underspend in staffing costs in the first half of the year has allowed an overall breakeven position to be forecast.

Training and education: Non-medical

Expenditure to date is now close to that expected (£0.5m below). The underspend (0.5%) is expected to continue until the end of the year at this level subject to continued uncertainty in two areas:

1) the actual level of students taking up courses may be below the levels the SHA has commissioned – uncertainty in the employment market for new graduates is affecting recruitment to university courses and places commissioned by the SHA. Initial reports from universities suggests under recruitment and therefore lower payments by the SHA. However a definitive position will not be available until the SHA obtains confirmed take-up of places in October for courses beginning in September. A further update will be available for the Board meeting in December.

2) as previously reported the SHA has been informed by the Department of Health that the cost of Student Grants issued in 2007/8 may be £2m greater than allocated to the SHA, based on latest forecasts from the national Students Grants Unit. An updated forecast is expected following confirmation of course uptake in October. At present this represents a major financial risk to the SHA which will affect the overall spending programme on training and education for the region.

Training and Education: Medical and Dental

The reported forecast underspend of £4.1m in this budget area does not relate to postgraduate deanery (MADEL) activity but to three other areas within medical and dental education and research:

- £1.1 is the amount held for the research programme of the new Hull and York Medical School (HYMS) for expenditure scheduled to occur next year
- £0.2 is slippage in SIFT spending
- £2.7m is the balance of national Dental SIFT funding still held by this SHA that will not be committed in 2007/8, the majority of which is held on behalf of NW SHA.

National Dental SIFT spending plans have only recently been approved by the Chief Dental Officer and is the main reason why spend to date is below that anticipated at this point in the year.

The Month 6 forecasts assume a breakeven position for Deanery spend and further work is being undertaken on the final level of spend this year. Spending on GP trainees is expected to be lower than allowed for in budgets but the key financial risk to the SHA in the area of Medical and Dental training continues to be the cost of implementing the Employment Guarantee to doctors in training that were unsuccessful in the new recruitment system introduced as part of the Modernising Medical Careers reform. As previously reported in response to difficulties and delays in implementing the Medical Training Application Systems (MTAS) the Secretary of State agreed to guarantee employment until the end of October for all applicants unsuccessful in Round 1 of the recruitment process. This guarantee period has been extended for a further 2 months, adding to the costs that the SHA may need to meet.

The Employment Guarantee period is to be followed by a programme to provide continued training to selected doctors that meet specific criteria, for which additional Department of Health funding may be available.

No additional funding is available to the Postgraduate Deaneries to cover the employment guarantee. The situation remains dynamic as Round 2 is ongoing but a number of previously unplaced local doctors have been appointed to vacant training posts.

The final cost of the MTAS employment guarantee has not been finalised; the SHA is awaiting submission from Trusts, which need to be updated for the extension of the employment guarantee. The Deaneries are working closely with the SHA and the employing Trusts to identify underspends and slippage in other areas to offset this additional cost and contain total expenditure within the agreed 2007/8 budget.

Hosted Programmes

National Cancer Screening Programme

The National Cancer Screening Programme is currently commissioning new bowel cancer screening centres across the NHS in England. Expenditure to date is slightly ahead of schedule, explaining the small year to date overspend. However most expenditure is due to occur towards the end of the year as the go-ahead for new centres is given. A recent review of the anticipated start dates of the new screening centres has been undertaken which has confirmed that some centres will not come on stream until later than originally planned, with some slipping into next year, and currently £7m spending is being deferred until 2008/9 to cover these commitments.

National Programme for Information Technology (NPfIT): Yorkshire & the Humber

The funding held by the SHA has increased following the transfer of funding, costs and staff as a result of the NLOP decentralisation programme (National Local Ownership Programme). Current year expenditure is planned to be approximately £6m with the balance carried forward to support the work programme in 2008/9.

National Electronic Staff Record (ESR) Programme

The National ESR programme based in Warwick is hosted by the SHA and is fully underwritten by the Department of Health. A separate income allocation is given to the SHA to match expenditure incurred and as such ESR spend does not count against the SHA Resource Limit.

Other hosted programmes and projects

This covers a number of smaller programmes and budgets hosted by the SHA including the Core Learning Unit and national CSIP development funds held over from 2006/7. Approximately 2/3 of the project funds held by these programmes will be held over for us in 2008/9.

FINANCING EXPENDITURE: BALANCE SHEET AND CASH DRAWINGS

The Balance Sheet (Table 2 below) shows the level of debtors and creditors at the beginning of the financial year and at the end of August.

Table 2: Balance Sheet

	Balance at 31/03/2007 £000s	Balance at 31/08/2007 £000s	Balance at 30/09/2007 £000s
FIXED ASSETS:			
Intangible Assets	0	0	0
Tangible Assets	972	980	991
CURRENT ASSETS:			
Debtors	28,611	21,176	19,625
Cash at bank in OPG accounts	1	2,132	5,903
Other cash at bank and in hand	0	0	0
Total Current Assets	28,612	23,308	25,528
Creditors - amounts falling due within one year	30,308	57,948	60,853
	(1,696)	(34,640)	(35,325)
Total assets less current liabilities	(724)	(33,660)	(34,334)
Creditors - amounts falling due after more than one year	0	0	0
Provisions for liabilities and charges	3,113	1,838	1,879
TOTAL	(3,837)	(35,498)	(36,213)
TAXPAYERS EQUITY			
General Fund	(4,081)	(35,810)	(36,525)
Revaluation reserve	244	312	312
TOTAL	(3,837)	(35,498)	(36,213)

The debtor position of £19.6m reflects the level of cash owed to the SHA comprising £3.8m due from the Department of Health, £4.6m from a range of NHS bodies and £4.7m from Customs and Excise for VAT reclaims. In addition the total includes £4.3m due from NHS Universities in the form of prepayments (where we are still awaiting invoices from Universities for training courses already provided). The movement in debtors since the beginning of the year is as a result in the reduction in prepayments.

The cash at bank figure increased to £5.9m in Month 6 because a number of invoices from Universities that had been anticipated when the monthly cash forecast was undertaken had not been received by the month end.

The creditor position of £60.8m reflects the level of payments due from the SHA. Organisations due payments from the SHA include NHS bodies and universities providing training and education, the Students Grant Unit and to some private sector bodies, including McKesson, the main contractor for the ESR Project. The main reason for the movement since the beginning of the year is that within the total is £23m of accrued expenditure where we are awaiting invoices.

With forecast annual expenditure of £600m, average monthly creditors should be circa £50m. Actual monthly creditors will depend on the timing of annual expenditure. Creditors reflect the fact that invoices have not yet been fully validated and approved by budget holders or, in the case of accruals, the invoice has not yet been received (in a number of cases invoices are issued by our suppliers quarterly). Cash is drawn down from the SHA's annual cash limit allocation to meet payments once they have been properly validated and approved for payment by budget holders. The level of cash drawings at the end of September was £232m or 39% of the Cash Limit.

The General Fund change from £4m to £36m reflects the level of cash requirement of the SHA underwritten by the Department of Health. Under Government accounting and cash management rules the SHA only 'draws down' cash as it is required and when payments are due, rather than having substantial amounts of cash held in the SHAs bank (PGO) account.

CONTRACTS FOR TRAINING AND EDUCATION

The majority of the SHA expenditure on training and education presented in this paper is contained within contracts and agreements with the University sector and NHS organisations. The budgets and spending plans have previously been reported and approved by the SHA Board, and financial monitoring reports are provided each month. Detailed contracts have been prepared and negotiated over recent months and formal Board approval for the contract values is now required. The contract values are all within the agreed budgets and are affordable within the resources allocated to the SHA.

Two types of contract are in place. With the University sector a standard national contract has been developed, covering a range of training for non-medical staff groups. The contract values are summarised in Table 3 below. Contracts with the University sector total £82.6m. This represents the maximum financial upper limit and final payments may vary if student take up is lowered than commissioned. Contracts are managed and monitored jointly by staff in the finance and workforce directorates. The balance of spend on non-medical training and education not covered by these contracts includes spending on Bursaries (through the Students Grant Unit) and salary replacement costs (with NHS organizations).

Table 3: Contracts with the University Sector

University sector	Main training & education services commissioned	Student Population (average)	Total Contract Value £
The University of Sheffield	Nursing, Orthoptics, Dental Therapy and CPD	1030	12,878,252
The University of Huddersfield	Nursing, Podiatry, Physiotherapy and CPD	1185	12,431,062
The University of Leeds	Nursing, Radiography, Audiology and CPD	1229	11,586,592
Sheffield Hallam University	Nursing, Radiography, OPD, Paramedic and CPD	1384	10,728,226
The University of Bradford	Nursing, Physiotherapy, Occupational Therapy and CPD	1112	9,982,000
The University of Hull	Nursing, Clinical Psychology, ODP and CPD	1124	9,455,695
Leeds Metropolitan University	Nursing, Dietetics, Physiotherapy and CPD	743	6,843,681
The University of York	Nursing and CPD	557	5,846,633
York St John University	Occupational Therapy, Physiotherapy and CPD	446	2,930,944
Total			82,683,085

The second category of contract is that with NHS organisations, now referred to as the Learning and Development Agreement, which embrace all financial transfers to the Trusts and PCTs for training and education. The payments include the Service Increment for Teaching (SIFT) relating to undergraduate medical training, managed in partnership with the medical schools, the salary and training costs of postgraduate doctors and dentists in training, managed by the two Deaneries, and salary replacement costs for non-medical staff attending university courses. See Tables 4 and 5 below.

Table 4: Contracts with the NHS sector over £1m

NHS Organisations	Main training & education services commissioned in the Learning & Development Agreement	Total Contract Value £
Leeds Teaching Hospitals NHS Trust	Undergraduate & postgraduate medical & dental, non-medical	63,373,431
Sheffield Teaching Hospitals NHS FT	Undergraduate & postgraduate medical & dental, non-medical	56,051,975
Hull & East. Yorkshire Hospital	Under & post-graduate medical, non-medical	12,443,865
Bradford Hospitals Teaching FT	Under & post-graduate medical, non-medical	9,926,819
Mid Yorkshire Hospitals NHS	Under & post-graduate medical, non-medical	8,770,545
Northern Lincolnshire & Goole Hospital	Under & post-graduate medical, non-medical	6,723,273
York Hospitals NHS Trust	Under & post-graduate medical, non-medical	6,613,599
Sheffield Childrens NHS FT	Under & post-graduate medical, non-medical	5,750,620
Calderdale & Huddersfield NHS FT	Under & post-graduate medical, non-medical	5,749,555
Doncaster & Bassetlaw Hos NHS FT	Under & post-graduate medical, non-medical	5,545,949
Rotherham NHS FT	Under & post-graduate medical, non-medical	3,858,798
Barnsley Hospitals NHS FT	Under & post-graduate medical, non-medical	3,436,138
Scarborough & NE Yorks Trust	Under & post-graduate medical, non-medical	3,147,809
Airedale NHS Trust	Under & post-graduate medical, non-medical	2,967,428
Leeds Partnership NHS FT	Under & post-graduate medical, non-medical	2,941,367
Sheffield Care Trust	Under & post-graduate medical, non-medical	2,937,277
Bradford District Care Trust	Under & post-graduate medical, non-medical	2,895,709
North Yorks & York PCT	Under & post-graduate medical, non-medical	2,456,460
Harrogate & District NHS FT	Under & post-graduate medical, non-medical	2,090,115
Leeds PCT	Under & post-graduate medical, non-medical	1,947,033
Humber Mental Health Teach Trust	Under & post-graduate medical, non-medical	1,875,392
South West Yorkshire Mental Trust	Under & post-graduate medical, non-medical	1,810,456
Bradford & Airedale PCT	Undergraduate medical, non-medical	1,217,345
Total Contract Values		214,530,958

The majority of funding is concentrated in the large teaching hospitals but as teaching increasingly reaches out to new settings money has flowed to a wide range of Trusts and PCTs. Payments are also made to the hospice sector and organisations outside the SHA boundary taking students on placement from the medical schools.

Table 5: Contracts with the NHS sector below £1m

NHS Organisations	Main training & education services commissioned in the Learning & Development Agreement	Total Contract Value £
Rotherham Doncaster & South Humber NHS FT	Undergraduate medical, non-medical	909,730
East Riding of Yorkshire PCT	Undergraduate medical, non-medical	829,000
Hull PCT	Undergraduate medical, non-medical	679,452
North East Lincolnshire PCT	Undergraduate medical, non-medical	572,820
North Lincolnshire PCT	Undergraduate medical, non-medical	509,404
Wakefield District PCT	Non-medical	485,468
Barnsley PCT	Undergraduate medical, non-medical	447,778
Sheffield PCT	Undergraduate medical, non-medical	434,606
Kirklees PCT	Non-medical	384,548
Chesterfield & N. Derbyshire	Undergraduate medical, non-medical	363,872
Tees & North East Yorkshire Trust	Undergraduate medical, non-medical	319,410
Calderdale PCT	Non-medical	317,740
Doncaster PCT	Undergraduate medical, non-medical	245,469
Yorkshire Ambulance Service	Non-medical	230,312
Rotherham PCT	Undergraduate medical, non-medical	150,474
Derbyshire MH Services	Undergraduate & postgraduate medical,	59,800
National Blood Transfusion	Postgraduate medical,	55,960
Notts H/C Trust	Undergraduate & postgraduate medical,	49,700
St Gemma's Hospice	Postgraduate medical	39,975
Manorlands Hospice	Postgraduate medical	33,978
Tameside and Glossop	Postgraduate medical	30,600
Marie Curie Hospice	Postgraduate medical	27,980
St Catherine's Hospice	Postgraduate medical	27,980
City Hosps Sunderland	Undergraduate & postgraduate medical,	9,853
South Tees Acute	Undergraduate & postgraduate medical,	9,800
Derbyshire PCT	Undergraduate & postgraduate medical,	9,280
Wakefield Hospice	Postgraduate medical	5,998
Wheatfields Hospice	Postgraduate medical	1,800
Bassetlaw PCT	Undergraduate & postgraduate medical,	580
Nottinghamshire County PCT	Undergraduate medical	580
Total Contract Values		7,243,947

The Board is asked to

1. note the Operating Cost and Balance Sheet position reported above
2. approve the contract values presented in Tables 3, 4 and 5.

Rob Cooper
Deputy Chief Executive/Director of Finance and Investment
November 2007

ANNEX 1: EXPLANATORY NOTE ON BUDGETS MANAGED BY THE SHA

Administration

SHA Administration covers the operational activities of the SHA including the management of the workforce development levy. Workforce development administration and management, previously undertaken by separate workforce development confederations, have been consolidated into a single SHA.

Training and education: Non-medical

The majority of expenditure in this budget area is with the university sector for the pre-registration training to secure a future supply of the non-medical clinical NHS workforce including nursing. It also covers post-registration training for existing NHS employees. From this year the SHA is also financially accountable for the funding of the Students Grant Unit, the body that administers living allowance grants to students undertaking eligible health related courses at university. An allocation was made to the SHA by the Department of Health, based on the Department's assessment of the likely cost to the SHA in 2007/8.

Training and Education: Medical and Dental

Spending on medical and dental training and education by the SHA currently splits in to two distinct categories. The first is spending on undergraduate medical training in NHS hospitals which is managed in association with the three medical schools in the region through the Service Increment for Teaching (SIFT). The second is spending on postgraduate medical training provided by NHS organisations and managed by the two post graduate deaneries in the region. In the short term an additional third category of spend remains with the SHA pending national decisions; this is the remaining non-recurrent allocation for national dental training (Dental SIFT) held by the SHA on behalf of the Chief Dental Officer.

Hosted Programmes

The SHA hosts several national and regional programmes and projects in agreement with and on behalf of the Department of Health and local NHS partner organisations. All hosted programmes are subject to the standard governance requirements of the Authority.

NHS Cancer Screening Programmes National Office

The National Office of the NHS Cancer Screening Programmes based in Sheffield is responsible for quality assurance and supervision of the breast and cervical screening programmes, the new bowel cancer screening programme and prostate risk management. The programme is currently directly commissioning new bowel cancer screening centres; once up and running this commissioning function and associated spending will transfer to local PCTs.

National Programme for Information Technology (NPfIT): Yorkshire & the Humber

The SHA hosts the local implementation team for the National Programme for IT

National Electronic Staff Record (ESR) Programme

The National ESR programme based in Warwick is hosted by the SHA and is fully underwritten by the Department of Health. A separate income allocation is given to the SHA to match expenditure incurred and as such ESR spend does not count against the SHA Resource Limit. The Electronic Staff Record is the new world class human resources (HR) and payroll Information Technology system for the NHS in England and Wales. It will replace payroll systems and HR systems with a single, national, integrated solution.

NHS Core Learning Unit

The NHS Core Learning Unit (CLU) came into existence as a hosted organisation within South Yorkshire SHA in July 2005 and transferred to NHS Yorkshire and the Humber from July 2007. The aim of the unit is to provide a core curriculum of work based learning covering common induction and basic training requirements targeted at all health and care related staff. The training is transferable, largely accredited and responsive to the changing needs of the service.

Yorkshire and the Humber Commercial Procurement Collaborative

The Commercial Procurement Collaborative (CPC) is a specialist unit that has been set up to pool the purchasing power of all NHS organisations across the region with the aim of negotiating a better deal for the NHS for the supply of a wide range of goods and services.