

**REPORT TO
NHS BIRMINGHAM EAST AND NORTH BOARD**

TO BE HELD ON: Wednesday 30 March 2011
SUBJECT: Finance & Activity Report Month 11 (28 February 2011)

REPORT BY: Ruth Griffiths

TO BE PRESENTED BY: Mike Burns

REQUIRED FOR: INFORMATION

PURPOSE OF REPORT:

To update the Board on the PCT's financial position.

RECOMMENDATIONS:

The Board is asked to note the contents of this report.

REPORT HAS BEEN DISCUSSED AT: NOT APPLICABLE

NAME OF SUB-GROUP:

CONTRIBUTION TO PCT GOALS (BHAGS):

FINANCIAL IMPLICATIONS:

Have the finances been approved YES

COMMENTS:

**CONTRIBUTION TO WCC - HEALTH OUTCOMES, STRATEGIC PLAN PROGRAMMES
AND WCC COMPETENCIES:**

WORKFORCE/TRAINING IMPLICATIONS:

EQUALITY AND DIVERSITY IMPLICATIONS:

[impact assessment guidance form.doc](#)

Has an initial impact assessment been undertaken? NO

COMMENTS:

PATIENT AND PUBLIC INVOLVEMENT:

Does the report relate directly/indirectly to service provision? NO

Have patients and/or public been involved in discussion of the proposals?

COMMENTS:

What future plans for discussion have been made?

PARTNER IMPLICATIONS:

IT/INFORMATION IMPLICATIONS:

IMPLICATIONS FOR SUSTAINABILITY:







1. INTRODUCTION

The purpose of this report is to inform members of the PCT's financial position as at the end of February 2011 (Month 11) and to advise of any other financial issues to impact in 2010/11. The report will provide an overview of the PCT's year to date financial position, together with reporting performance against key financial indicators (KFIs) and statutory duties.

2. EXECUTIVE SUMMARY











Table 1 summarises the PCT's three statutory financial duties.

Table 1: 2010/11 Statutory Financial Duty

| Statutory Duty | Risk Year to Date | Risk Year End |
|---|---|---|
| To maintain expenditure within the Revenue Resource Limit |  |  |
| To maintain expenditure within the Capital Resource Limit |  |  |
| To maintain expenditure within the Cash Limit |  |  |

The PCT has also identified five KFI targets which, alongside the three statutory duties, form a framework to report the financial position. A summary of performance against these KFIs is in Table 2.

Table 2: 2010/11 Key Financial Indicators

| KFI Name and Measurement | Period | Performance Year to Date £000 | Forecast Year End Performance £000 | Risk Year to Date | Risk Year End |
|--|-----------|-------------------------------|------------------------------------|---|---|
| Unanticipated changes to allocations: Value | Apr – Feb | (2,674) | (2,674) |  |  |
| HEFT Contract: (Over)/ underspend against budget | Apr – Feb | (14,319) | (15,579) |  |  |
| Prescribing: (Over)/ underspend compared to plan | Dec | (366) | (439) |  |  |
| CHS Position: Lower/ (higher) than plan | Apr – Nov | 65 | - |  |  |
| Planned Savings Achieved to date | Feb | 2,935 | 3,210 |  |  |

3. REVENUE RESOURCE LIMIT: COMMISSIONER

Statutory Duty: To maintain expenditure within the Revenue Resource Limit 

Key Financial Indicator: Unanticipated changes to Allocations by value 

3.1 Financial Position year to date

The PCT's financial position against its commissioning budgets to the end of February (Month 11) is set out in Table 3.

Table 3: Summary of year to date performance

| | Annual Plan | YTD Plan | YTD Actual | Distance from Target |
|--|-------------|------------|----------------|----------------------|
| | £000 | £000 | £000 | £000 |
| (Over)/under spend against commissioning budgets | 500 | 458 | (2,046) | (2,504) |
| (Over)/under spend on Community Health Services | 0 | 0 | 65 | 65 |
| (Over)/under spend against Revenue Resource Limit | 500 | 458 | (1,981) | (2,439) |

The year to date position now reflects all of the actions agreed by the Board to ensure the PCT meets its statutory financial duty.

3.2 Changes to the Revenue Resource Limit

Table 4 shows the changes in the Revenue Resource Limit during February. Since closing February's ledger the final year-end adjustments have been confirmed and the value of the remaining 2011/12 adjustments are included below.

Table 4: Summary changes to Revenue Resource Limit in Month 11

| Revenue Resource Limit | Confirmed | Anticipated | Total |
|---|----------------|--------------|----------------|
| | £000 | £000 | £000 |
| Closing Month 10 Revenue Resource Limit | 766,980 | 149 | 767,129 |
| QMAS Underpayment | 223 | | 223 |
| As per Month 12 IAT adjustments | | 951 | 951 |
| As at Month 11 | 767,203 | 1,100 | 768,303 |

Table 5 summarises the overall financial position of the PCT's commissioning portfolio against the year to date resource limit.

Table 5: Financial Performance against Commissioning Budgets

| | YEAR TO DATE | | | |
|--|----------------|---------------------|--------------------------|-----------------------|
| | Annual Budget | Budget Year to Date | Expenditure Year to Date | Variance Year to Date |
| | £000 | £000 | £000 | £000 |
| Commissioning | | | | |
| Acute Services | 268,474 | 246,182 | 265,091 | (18,909) |
| Specialised Services | 100,258 | 92,372 | 91,878 | 495 |
| <i>Community Services:</i> | | | | |
| – Non Acute | 79,706 | 72,442 | 70,469 | 1,974 |
| – CHC & FNC | 28,281 | 25,924 | 29,445 | (3,521) |
| Mental Health | 45,983 | 42,151 | 41,675 | 476 |
| Learning Disabilities | 25,560 | 23,430 | 23,169 | 261 |
| Practice Based Commissioning | 2,605 | 2,388 | 1,602 | 786 |
| Other Commissioning | 2,856 | 2,628 | 2,280 | 348 |
| Sub-Total | 553,723 | 507,517 | 525,609 | (18,092) |
| | | | | |
| Primary Care Services | | | | |
| GP Contracts | 57,807 | 53,009 | 52,043 | 965 |
| Prescribing | 70,447 | 64,576 | 65,013 | (437) |
| Pharmacy Contract | 12,445 | 11,408 | 11,574 | (166) |
| Dental Contracts | 17,133 | 15,706 | 15,385 | 321 |
| Ophthalmic Contract | 5,110 | 4,684 | 4,188 | 496 |
| Sub-Total | 162,942 | 149,383 | 148,204 | 1,179 |
| | | | | |
| Organisational Costs | | | | |
| Corporate costs including Health Improvement | 29,007 | 26,687 | 25,188 | 1,499 |
| Capital charges | 9,435 | 8,648 | 8,459 | 189 |
| Sub-Total | 38,441 | 35,335 | 33,647 | 1,688 |
| | | | | |
| Savings not removed from budgets | (5,850) | (3,611) | 0 | (3,611) |
| | | | | |
| Specific Reserves | 21,219 | 19,451 | 668 | 18,783 |
| Unanticipated changes to allocations | (2,674) | (2,451) | 0 | (2,451) |
| | | | | |
| Total NHS BEN | 767,803 | 705,624 | 708,128 | (2,504) |
| Surplus Target | 500 | 458 | 0 | 458 |
| Total NHS BEN RRL | 768,303 | 706,082 | 708,128 | (2,046) |

3.3 Acute Commissioning

Key Financial Indicator: HEFT Contract (Over)/Underspend year to date

The HEFT contract (£198m) equates to 74% of the PCT's general acute portfolio (£268m).

Table 6 summarises the activity and financial position for HEFT at Month 11; this data was received after the month end process and has not yet been fully validated.

Table 6: Summary of Activity and Finance at HEFT year to date

| Activity | Month 11 | | | Annual Plan | YTD plan | YTD actual | YTD variance |
|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| | Monthly plan | Monthly actual | Monthly variance | | | | |
| A&E | 8,408 | 8,799 | (391) | 120,801 | 110,678 | 107,945 | 2,733 |
| Elective | 2,748 | 3,217 | (469) | 35,352 | 32,027 | 34,986 | (2,959) |
| Emergency | 3,125 | 3,301 | (176) | 40,783 | 37,302 | 39,848 | (2,546) |
| Outpatients | 27,259 | 29,643 | (2,384) | 344,611 | 313,286 | 336,017 | (22,731) |
| Other | 193,757 | 242,518 | (48,761) | 2,451,983 | 2,229,469 | 2,459,240 | (229,771) |
| Total | 235,297 | 287,478 | (52,181) | 2,993,530 | 2,722,806 | 2,979,499 | (256,693) |
| Cost £m | | | | | | | |
| A&E | 0.7 | 0.8 | (0.1) | 10.6 | 9.7 | 9.9 | (0.2) |
| Elective | 2.9 | 3.5 | (0.6) | 37.8 | 34.2 | 37.7 | (3.5) |
| Emergency | 5.1 | 5.1 | (0.0) | 67.3 | 61.6 | 66.0 | (4.4) |
| Outpatients | 3.2 | 3.5 | (0.3) | 40 | 36.4 | 39.9 | (3.6) |
| Other | 3.3 | 3.8 | (0.4) | 42.4 | 38.7 | 41.5 | (2.7) |
| Total | 15.2 | 16.6 | (1.4) | 198.1 | 180.6 | 195.0 | (14.4) |

The key issues in respect of the above table are:

- The £14.4m year to date adverse variance compared to the plan is driven by approximately £13.9m of increased activity and £0.5m by increase in cost. A&E, Emergencies, Electives & Outpatients are all contributing to this overspend.
- Emergencies are over plan by £4.4m year to date. According to the contract monitoring information there have been £5.7m of excess bed days in the period April 2010 to February 2011.
- Electives are overspent by £3.6m year to date.
 - £2.8m of this is attributable to Day Cases with the largest overspends against Orthopaedics, General Surgery, Ophthalmology, Cardiology and Urology.
 - £0.8m is due to inpatient electives with the largest overspend against Orthopaedics, Sleep Studies and Vascular Surgery.
- Outpatients are overspent by £3.6m year to date. The largest over performances are in Orthopaedics, Dermatology, Ophthalmology and Obstetrics

Appendix A shows the profile of activity for this year and last year.

3.3.1 Other Acute Providers

The PCT has contracts with a number of other acute providers totalling circa £70m. The year to date overspend on these contracts is £4.6m. Sandwell and West Birmingham Hospitals NHS Trust (SWBH) and University Hospital of Birmingham NHS FT (UHB) remain the main contributors to this overspend along with Spire Healthcare.

The acute services contract monitoring information with SWBH is showing an over-performance of £0.6m to Month 10. The main areas contributing to the year to date overspend include day cases and high cost drugs. The year to date performance from the monitoring report is summarised in Table 7.

Table 7: Month 10 Contract Monitoring Data for SWBH

| 2010/11 to Month 10 Year to Date | | | |
|----------------------------------|---------------|---------------|--------------|
| Activity & Cost | YTD plan | YTD actual | YTD variance |
| Activity | | | |
| A&E | 13,503 | 13,701 | (198) |
| Elective | 4,053 | 4,384 | (331) |
| Emergency | 4,061 | 3,900 | 161 |
| Outpatients | 44,193 | 44,448 | (255) |
| Other | 8,374 | 8,501 | (127) |
| Total | 74,184 | 74,934 | (750) |
| Cost £000s | | | |
| A&E | 1,118 | 1,121 | (2) |
| Elective | 3,898 | 4,114 | (216) |
| Emergency | 3,887 | 3,916 | (29) |
| Outpatients | 5,090 | 5,139 | (49) |
| Other | 3,057 | 3,353 | (296) |
| Total | 17,050 | 17,643 | (592) |

The contract monitoring information received from UHB is showing an over performance of £1.1m year to date. Based on this information the main areas contributing to the over spend are, Electives, which is mainly over spending due to Head & Neck Cancer reconstruction and Trauma & Orthopaedics, Outpatients and Other. Main areas in "Other" include drugs. The year to date performance from the monitoring report is summarised in Table 8 below:

Table 8: Month 10 Contract Monitoring Data for UHB

| Activity and Cost | 2010/11 to Month 10 Year to Date | | |
|-------------------|----------------------------------|---------------|--------------------|
| | Plan | Actual | Surplus/ (Deficit) |
| Activity | | | |
| A&E | 2,650 | 2,653 | (3) |
| Elective | 2,903 | 3,091 | (188) |
| Emergency | 1,694 | 1,887 | (193) |
| Outpatients | 20,899 | 23,273 | (2,374) |
| Other | 4,462 | 4,458 | 4 |
| Total | 32,608 | 35,362 | (2,753) |
| Cost £000s | | | |
| A&E | 228 | 214 | 14 |
| Elective | 3,037 | 3,318 | (281) |
| Emergency | 2,380 | 2,569 | (189) |
| Outpatients | 2,254 | 2,589 | (335) |
| Other | 3,917 | 4,276 | (359) |
| Total | 11,817 | 12,966 | (1,149) |

3.4 Commissioning: Community Services for Continuing Healthcare

The budget for all complex care packages is based on the total value of packages in 2009/10 plus an element of demand growth. The demand growth element reflects a net increase of 26 packages per month. This estimate is based on the rolling average increase in demand for the previous 12 months.

Demand for functional mental health packages continues to remain in line with the 2009/10 demand increase. The 2010/11 budget for organic mental health, physical disabilities and tripartite packages was based upon net growth of 21 packages per month, reflecting the 12 month rolling average increase in demand in 2009/10. To date, demand has been above 2009/10 levels; the 12 month rolling average net increase in 2010/11 demand is now 40 packages per month with many patients requiring longer, more complex and more expensive packages of care. The impact year to date has increased to a £3.5m cost pressure.

3.5 Primary Care Contractor Services

The primary care contractor budgets consists of GP, Dental, Ophthalmic and Pharmacy contractors and exclude the cost of drugs prescribed in primary care. The overall financial position to the end of February is a surplus of £1.2m.

Included in this position:

- Under-performances on GP Enhanced Services where activity has reached a plateau.
- The decision taken not to award new dental contracts at the December Board.
- Lower activity than expected on the global sum elements of the Community Pharmacy Contract devolved to PCT's from 2010/11.
- Lower activity than expected on the Ophthalmic Contracts devolved to PCT's from 2010/11.

3.6 Prescribing

Key Financial Indicator: Prescribing (Over)/Underspend year to date

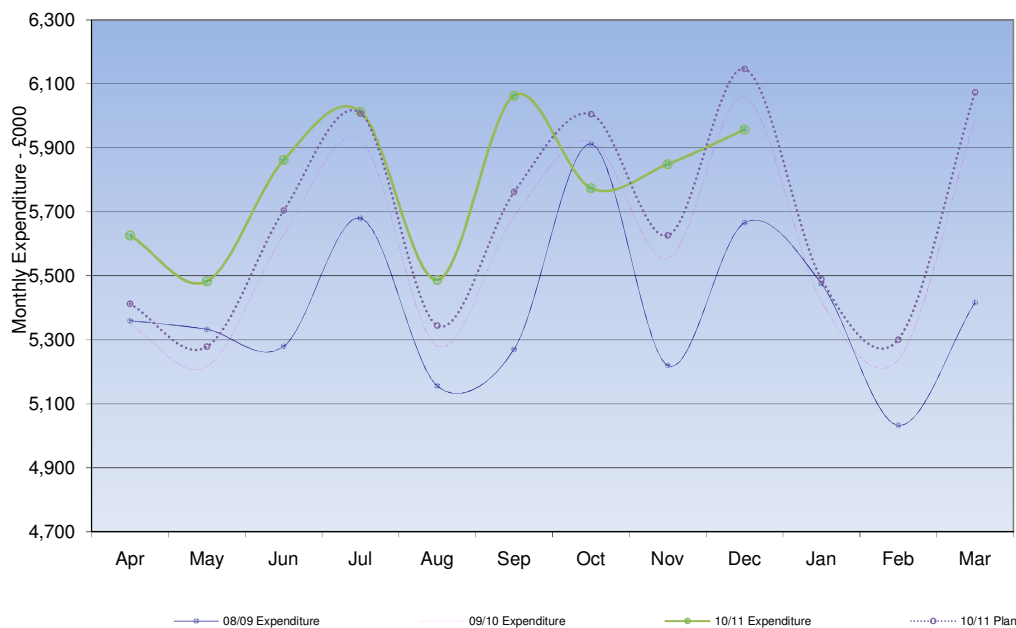


The PCT has a revised total prescribing budget of £70.4m for 2010/11. The opening budget was reduced by £1.2m to reflect the expected value of savings to be generated from the work being undertaken at GP Practices by the Medicines Management Team.

The 2010/11 GP prescribing expenditure data shown in the graph below is based upon the latest PPA information available for December 2010. Financial performance for the first half of the year was significantly above planned levels.

As reported previously, a plan has been in place to address category M of the drug tariff applicable from 1st October 2010. To date, over £0.8m has been saved from switching to generics and a further £1.5m on 'specials' prescribing.

Whilst the savings plan is clearly having an impact, expenditure levels still remain volatile and above 2009/10 levels. Overall, we expect to overspend the overall prescribing budget by circa £0.5m at year end.



4. COMMUNITY HEALTH SERVICES

Key Financial Indicator: CHS Position Lower/Higher than Plan



The PCT's Community Health Services contract has been transferred to Birmingham Community Healthcare Trust with effect from 1st December 2010. The position to the end of November was a surplus of £65k.

5. PLANNED SAVINGS – 2010/11

Key Financial Indicator: Planned Savings achieved to date



In order to mitigate the impact of the £7.27m SHA Strategic Change Reserve top-slice a 2010/11 savings target of £7.3m was set against the areas shown in Table 9.

Despite the return of this top-slice from the SHA the emergence of additional pressures across the PCT's portfolio meant that the emphasis on achieving savings became vitally important.

5.1 Progress Year to Date

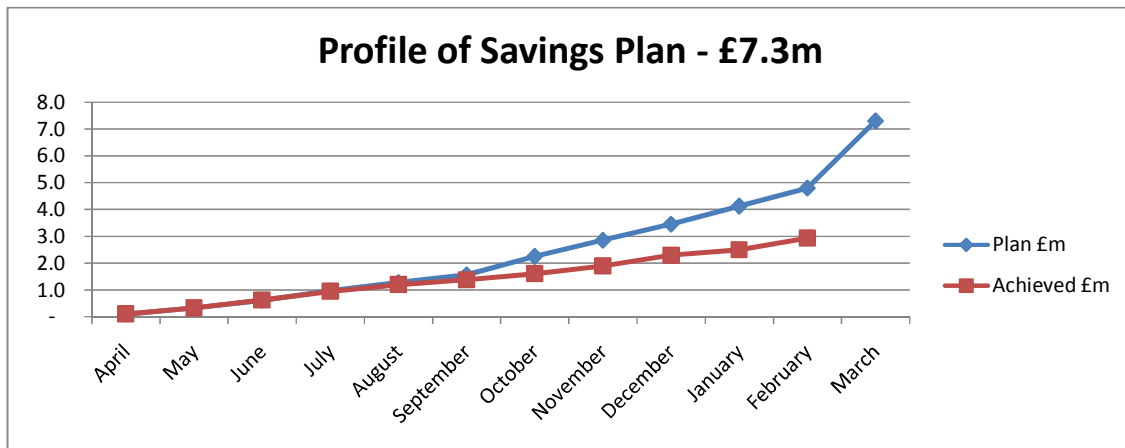
Savings of £2.9m have been delivered to the end of Month 11. Each scheme is being individually monitored through the PCT's Performance Accelerator tool and Table 9 indicates the current RAG rating status for each scheme and also demonstrates the revisions that have been made to the areas of saving initially identified early in the financial year.

Table 9: 2010/11 Identified Savings Schemes

| Identified Area for Saving | Initial Planned Savings £000 | Revised Planned Savings £000 | RAG Rating YTD |
|---|------------------------------|------------------------------|----------------|
| Prescribing | 1,000 | 1,000 | |
| Outpatient specification | 1,000 | 1,000 | |
| Reduction in outpatient referrals | 1,000 | 1,000 | |
| Out of area placements | 500 | 500 | |
| Early Supported Discharge | 500 | - | |
| Expanded Step Down | 1,000 | - | |
| End of Life | 1,200 | 1,200 | |
| Substance Misuse | 500 | 500 | |
| Heart Failure | 300 | 300 | |
| Review of Primary Care Contractor Budgets | 300 | 300 | |
| Prior Approval & Procedures of Limited Clinical Value | - | 1,000 | |
| Clinical Services to Care Homes | - | 1,200 | |
| Risk Contingency | - | (700) | - |
| Total | 7,300 | 7,300 | |

5.2 Profile of Savings

The graph below represents the planned profile of the PCT's savings initiatives.



As at Month 11 the savings delivered are below target, £2.9m has been saved against a year to date target of £4.8m. The main areas of delivery have been prescribing, primary care and out of area placements. These schemes will deliver savings at the year-end of £3.2m.

6. CAPITAL RESOURCE LIMIT

Statutory Duty: To maintain expenditure within the Capital Resource Limit



The PCT has a statutory financial duty to operate within its allocated Capital Resource Limit. The PCT has a Capital Resource Limit for 2010/11 of £3.851m. The year to date capital expenditure is £2.39m and the forecast outturn is breakeven.

7. CASH LIMIT

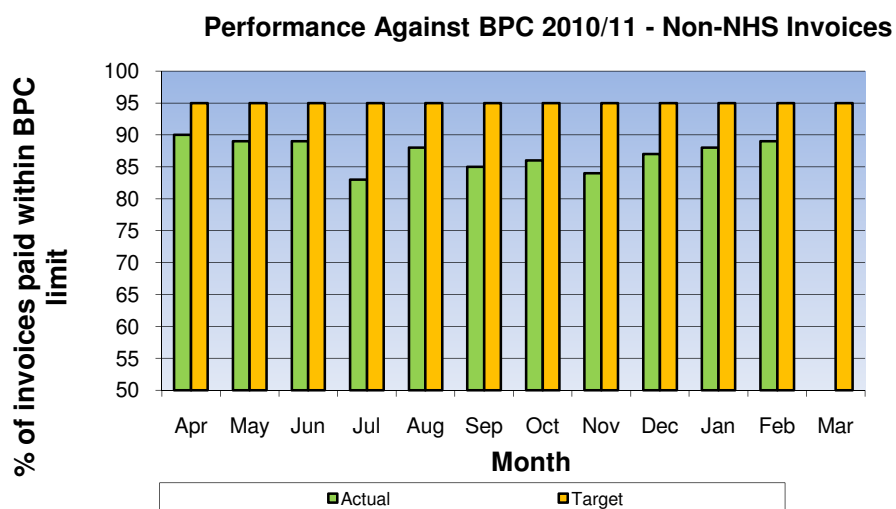
Statutory Duty: To maintain expenditure within the Cash Resource Limit



The PCT has a statutory duty to remain within the set cash limit. To date cash drawings are in line with plan and this trend is forecast for the remainder of the year.

8. PUBLIC SECTOR PAYMENT POLICY (BETTER PAYMENT CODE)

The PCT must achieve the national target of paying 95% of non-NHS invoices within 30 days. The PCT's performance against this target year to date is shown in the following graph.



9. BALANCE SHEET

The PCT's Balance Sheet as at 28th February 2011 is summarised in Table 10.

Table 10: Balance Sheet

| BALANCE SHEET | Start point £000s | February £000s |
|---|----------------------|-------------------|
| Total Fixed Assets | 38,380 | 37,024 |
| Current Assets | | |
| Debtors | 17,710 | 5,214 |
| Cash at bank | 8 | 218 |
| Total Current Assets | 17,718 | 5,432 |
| Current Liabilities | | |
| Creditors | (92,092) | (100,568) |
| Total Current Liabilities | (92,092) | (100,568) |
| Net Current Assets | (74,374) | (95,136) |
| Total Assets Less Current Liabilities | (35,994) | (58,112) |
| Provisions for Liabilities & Charges | (3,666) | (3,107) |
| Total Assets Employed | (39,660) | (61,219) |
| Financed by: | | |
| Taxpayers' Equity | | |
| General fund | (43,505) | (64,970) |
| Revaluation Reserve | 895 | 894 |
| Donated Reserve | 2,906 | 2,815 |
| Government Grant Reserve | 44 | 42 |
| Total Taxpayers' Equity | (39,660) | (61,219) |

10. SUMMARY AND RECOMMENDATIONS

The remaining 2010/11 forecast financial 'gap' reported to the December Board was £1.6m. We are now confident that this gap has been closed and that the surplus target of £0.5m will be achieved in full at the year-end.

It is with continued emphasis that we remind the Board that inevitably, the actions taken between now and the year end will be non-recurrent in nature and impact on the position for next year. The financial planning process for 2011/12 is fully informed by these pressures.

The Board is asked to note the contents of this report.

Appendix A

