

FINANCE & ACTIVITY REPORT MONTH 7 **(31 OCTOBER 2010)**







1. INTRODUCTION

The purpose of this report is to inform members of the PCT's financial position as at the end of October 2010 (Month 7) 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 and 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 key financial performance indicator 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 - Oct	(1,769)	(1,769)		
HEFT Contract: (Over)/ underspend against budget	Apr – Oct	(7,882)	(13,591)		
Prescribing: (Over)/ underspend compared to plan	Sep	(596)	(1,022)		
CHS Position: Lower/ (higher) than plan	Apr – Oct	99	25		
Planned Savings Achieved to date	Oct	1,606	7,300		

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 October (Month 7) 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	250	(12,026)	(12,276)
(Over)/under spend on Community Health Services	0	0	99	99
(Over)/under spend against RRL	500	250	(11,927)	(12,177)

3.2 Changes to the Revenue Resource Limit

Table 4 shows the changes in revenue resource limit since the last report.

Table 4: Summary changes to RRL in Month 7

Revenue Resource Limit	Confirmed	Anticipated	Total
	£000	£000	£000
Closing Month 6 Revenue Resource Limit	734,454	3,459	737,913
WM Region Interim Cancer Drugs Fund (Host)		5,400	5,400
Re-ablement linked to hospital discharge	604		604
Other Month 7 Adjustments	338		338
As at Month 6	735,396	8,859	744,255

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	266,708	155,503	166,941	(11,439)
Specialised Services	100,625	60,948	61,140	(192)
<i>Community Services:</i>				
– Non Acute	78,382	45,548	45,543	5
– CHC & FNC	28,281	16,497	18,045	(1,548)
Mental Health	45,983	26,824	26,734	90
Learning Disabilities	25,560	14,910	15,183	(274)
Practice Based Commissioning	2,605	1,519	1,067	453
Other Commissioning	2,856	1,698	1,411	288
Sub-Total	550,999	323,447	336,063	(12,616)
Primary Care Services				
GP Contracts	57,584	33,591	33,499	92
Prescribing	70,447	41,094	41,690	(596)
Pharmacy Contract	12,445	7,260	7,280	(21)
Dental Contracts	16,805	9,803	9,803	0
Ophthalmic Contract	5,110	2,981	2,647	334
Sub-Total	162,391	94,728	94,919	(191)
Organisational Costs				
Corporate costs including Health Improvement	29,611	17,199	17,049	150
Capital charges	2,385	1,391	1,317	74
Sub-Total	31,996	18,590	18,366	224
Savings not removed from budgets	(5,850)	(1,517)	0	(1,517)
Specific Reserves	5,988	3,493	678	2,814
Unanticipated changes to allocations	(1,769)	(1,032)	0	(1,032)
Total NHS BEN	743,754	437,709	450,027	(12,318)
Surplus Target	500	292	0	292
Total NHS BEN RRL	744,254	438,001	450,027	(12,026)

3.1 Acute Commissioning

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

The HEFT contract (£197.7m) equates to 74% of the PCT's general acute portfolio (£266m).

Table 6 summarises the activity and financial position for HEFT at month 6; month 7 data has not yet been fully validated. Early indications from HEFT are that at month 7 there is a £1.6m increase in the overspend year to date.

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

Activity and Cost	September/Month 6			2010/11 YTD		
	Plan	Actual	Surplus/ (Deficit)	Plan	Actual	Surplus/ (Deficit)
Activity						
A&E	9,990	10,007	(17)	66,720	63,882	2,838
Elective	3,159	3,320	(161)	17,220	17,995	(775)
Emergency	3,411	3,642	(231)	17,115	20,851	(3,736)
Outpatients	29,947	33,074	(3,127)	172,385	184,804	(12,419)
Other	212,762	227,299	(14,537)	1,155,012	1,212,486	(57,474)
Total	259,269	277,342	(18,073)	1,428,452	1,500,018	(71,566)
Cost - £m						
A&E	0.9	0.9	0.0	5.6	5.6	0.0
Elective	3.4	3.5	(0.1)	18.4	20.3	(1.9)
Emergency	5.7	6.0	(0.3)	33.9	36.0	(2.2)
Outpatients	3.5	3.9	(0.4)	19.9	21.9	(2.0)
Other	3.5	3.7	(0.2)	20.9	21.5	(0.6)
Total	17.0	18.0	(1.0)	98.7	105.2	(6.6)

The key issues in respect of the above table are:

- The £6.6m adverse variance year to date is driven by £7.6m increased activity mitigated by a £1.1m decrease in cost
- Emergencies are overspent by £2.2m year to date. There were £3.4m excess bed days to month 6.
- Electives are overspent by £1.9m year to date.
 - £1.6m is attributable to day case with the largest overspends against orthopaedics, general surgery, ophthalmology and urology.
 - £0.3m is due to inpatient electives, with the largest overspend against orthopaedics and urology.
- Outpatients are overspent by £2.0m year to date. The largest over-performances are in orthopaedics, dermatology, paediatrics, gynaecology and ophthalmology.

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

3.1.1 Other Acute Providers

The PCT has contracts with a number of other acute providers totalling circa £68.5m. The year-to-date overspend is £3.6m. The key contributing providers remain the University Hospital of Birmingham NHS FT, Sandwell and West Birmingham NHS Trust and Spire Healthcare.

The acute services contract monitoring information with Sandwell and West Birmingham Hospital is showing as over-performing by £0.6m to month 6, in advance of actual data being received for month 7. Based upon current forecasts this is expected to increase to £1.3m by year-end. The main causes of this overspend are elective procedures and drug/device costs. The year to date performance is summarised in table 7.

Table 7: Month 6 Contract Monitoring Data for Sandwell and West Birmingham Hospital

Activity and Cost	2010/11 to Month 6		
	Plan	Actual	Surplus/ (Deficit)
Activity			
A&E	8,340	8,490	(150)
Elective	2,422	2,750	(328)
Emergency	2,412	2,394	18
Outpatients	26,403	27,238	(835)
Other	8,185	8,368	(183)
Total	47,762	49,240	(1,478)
Cost - £000s			
A&E	690.8	692.3	(1.5)
Elective	2,328.8	2,539.3	(210.5)
Emergency	2,309.5	2,414.2	(104.7)
Outpatients	3,039.4	3,134.4	(95.0)
Other	1,726.2	1,952.4	(226.2)
Total	10,094.7	10,732.6	(637.9)

The contract with University Hospital of Birmingham is over-performing. In advance of receiving the month 7 monitoring data, the position as at month 6 is £0.8m. The over-performance is expected to be circa £1.4m by year-end. Outpatients and non-PbR cost per case activity represent a significant proportion of this overspend. Table 8 shows the month 6 contract monitoring data and the individual areas of pressure on the contract.

Table 8: Month 6 Contract Monitoring Data for University Hospital Birmingham

Activity and Cost	2010/11 to Month 6		
	Plan	Actual	Surplus/ (Deficit)
Activity			
A&E	1,590	1,586	4
Elective	1,742	1,804	(62)
Emergency	1,002	1,158	(156)
Outpatients	12,540	13,965	(1,425)
Other	2,476	2,652	(176)
Total	19,350	21,165	(1,815)
Cost - £000s			
A&E	136.9	126.6	10.3
Elective	1,822.0	1,964.7	(142.7)
Emergency	1,388.6	1,502.2	(113.6)
Outpatients	1,352.7	1,542.9	(190.2)
Other	2,098.4	2,484.7	(386.3)
Total	6,798.6	7,621.1	(822.5)

The PCT has initiated a review of the above two contracts with the focus of the investigation being the high cost/over-performing areas. In particular, non-PbR 'other' will be reviewed in respect of both contracts.

3.2 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 £1.5m cost pressure (month 6 £1.0m).

3.3 Other Commissioning and Primary Care Contractor Services

At this stage in the financial year there are no significant issues to report concerning the remainder of the PCT's commissioning and primary care contractor services portfolio.

3.4 Prescribing

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

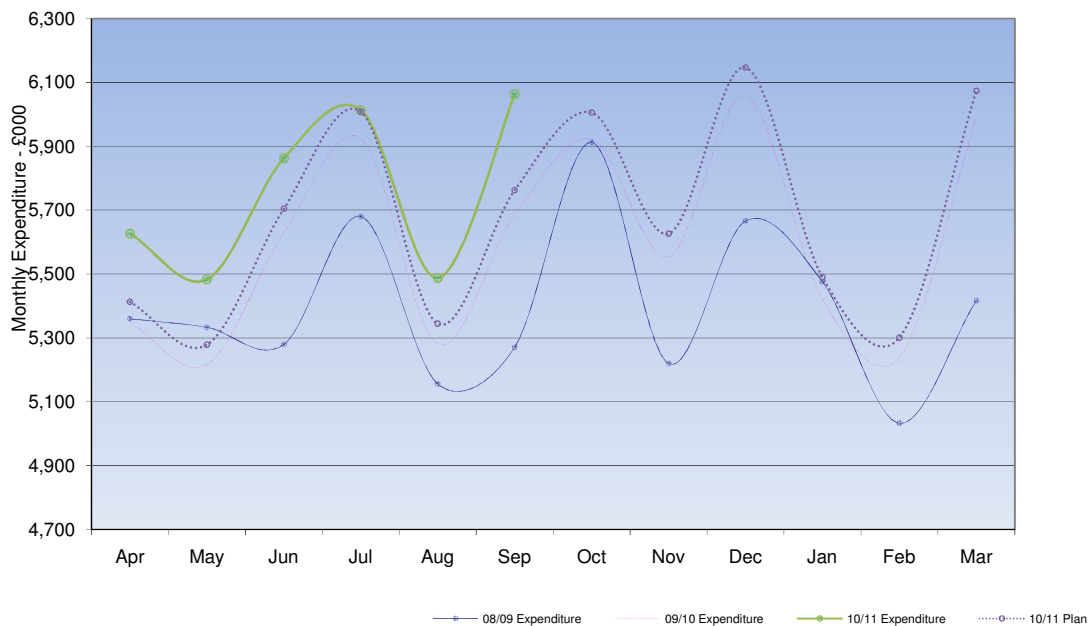


The PCT has a revised total prescribing budget of £70.4m for 2010/11. The opening budget was reduced by £1.2m to reflect the expected value of savings to be generated from the work being undertaken at GP Practices by the Medicines Management Team.

The 2010/11 GP prescribing expenditure data shown in the graph below is based upon the latest PPA information available for September 2010. Actual 2010/11 expenditure is higher than the plan, which is based on 2009/10 actual expenditure plus growth of 3.1% less the impact of the £1.2m savings target discussed above.

It is anticipated that these savings will deliver to an increasing extent over the next few months and will not be a risk to year-end. The total prescribing budget overspend has increased year-to-date due to pressures on non-GP related budgets such as the Home Oxygen Service and for drugs recharged from the centre.

It has been determined that due to the changes in category M of the drug tariff applicable from 1st October 2010 that the PCT's prescribing costs will potentially fall by circa. £1m in the second half of the financial year which will support the overall financial position and bring the prescribing variance back in to line.



4. COMMUNITY HEALTH SERVICES

Key Financial Indicator: CHS Position Lower/Higher than Plan



The PCT's Community Health Services contract value has been reduced by £2.5m and in addition to this is reporting a £99k underspend year to date although this additional under spending is not expected to continue and will be reduced in future months to break-even by the year-end.

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 7.

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

5.1 Progress Year to Date

Savings of £1.6m have been delivered to the end of Month 7. Each scheme is being individually monitored through the PCT's Performance Accelerator tool and Table 7 indicates the current RAG rating status for each scheme.

Table 7: 2010/11 Identified Savings Schemes

Identified Area for Saving	Planned Saving £000	RAG Rating YTD
Prescribing	1,000	
Outpatient specification	1,000	
Reduction in outpatient referrals	1,000	
Out of area placements	500	
Early Supported Discharge	500	
Expanded Step Down	1,000	
End of Life	1,200	
Substance Misuse	500	
Heart Failure	300	
Review of Primary Care Contractor Budgets	300	
Total	7,300	

Note: The above savings schemes are currently under review

5.2 Development of Alternative Plans

The Board agreed a strategy at the month 5 board meeting for handling a forecast gap of £19.0m; this is summarised in table 8.

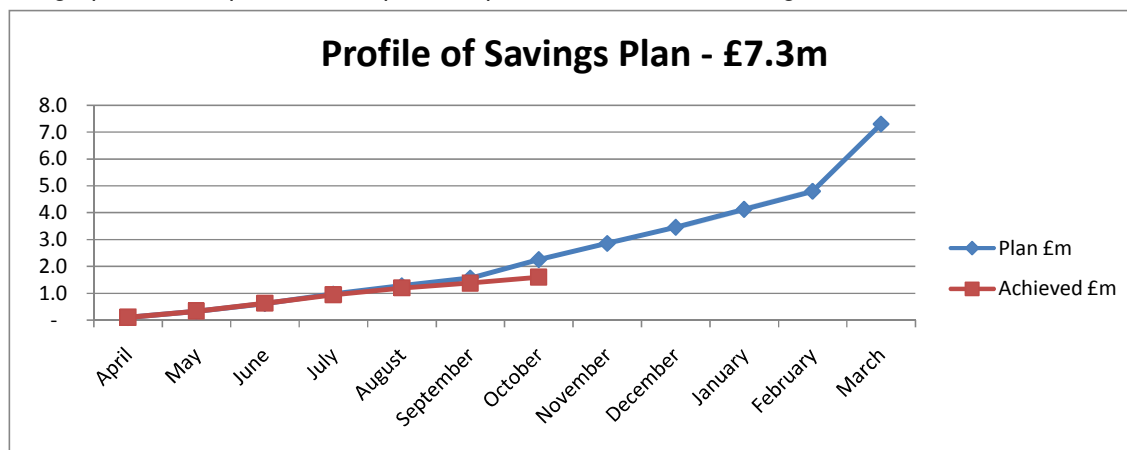
Table 8: 2010/11 Financial Outlook

	£m	Status to month 7
Acute Portfolio	5.0	Forecast position on Acute Portfolio is not reducing.
Other Commissioning Gains	5.0	50% identified to date.
Potential Corporate Savings	2.0	Plans have been identified with £0.6m achieved to date.
Return of top-slice from SHA	7.0	Achieved in full. Agreed with SHA subject to achieving financial balance.

Since the Board agreed the above strategy there have been further pressures on the acute portfolio, as mentioned in Section 4.

5.3 Profile of Savings

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



As at Month 7 the savings delivered are on slightly below target - £1.6m has been saved. It remains that as plans are most developed in the areas of Prescribing and Primary Care Contractor budgets these are the only revenue budgets so far to have been adjusted to reduce the savings gap from £7.3m to £5.85m. As the majority of the remaining savings is profiled to deliver later in the financial year no other budgets have yet been removed. This remains a significant risk to the PCT.

5.4 Risks

A number of risks continue to exist in respect of the 2010/11 savings plans and these can be summarised as follows:

- Disproportionate amounts of the savings are due to be achieved later in the financial year. Should these initiatives fail to deliver; the PCT will have very limited time to take corrective action.

- The majority of the savings initiatives referred to in this paper are reliant upon reducing activity at HEFT. Consequently, there is an increasing reliance upon the HEFT Capacity Management Plan.
- At month 5 the board agreed a strategy for handling the forecast gap of £19.0m. Since that time the PCT’s core budgets have continued to overspend.

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 £1.602m and the forecast outturn is breakeven.

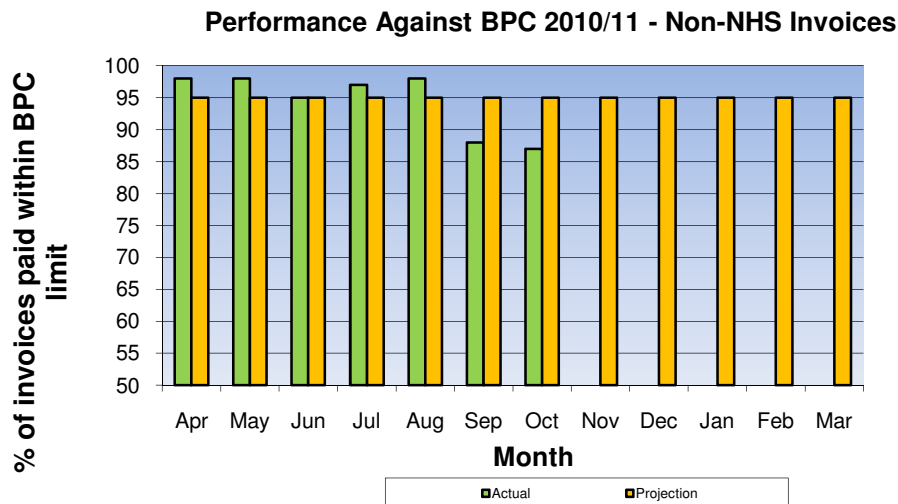
7. CASH LIMIT

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 31st October 2010 is summarised in Table 9.

Table 9: Balance Sheet

BALANCE SHEET	Start point £000s	Oct £000s
Total Fixed Assets	38,380	37,683
Current Assets		
Debtors	17,710	6,711
Cash at bank	8	635
Total Current Assets	17,718	7,346
Current Liabilities		
Creditors	(92,092)	(105,246)
Total Current Liabilities	(92,092)	(105,246)
Net Current Assets	(74,374)	(97,900)
Total Assets Less Current Liabilities	(35,994)	(60,037)
Provisions for Liabilities & Charges	(3,666)	(3,412)
Total Assets Employed	(39,660)	(63,449)
Financed by:		
Taxpayers' Equity		
General fund	(43,505)	(67,230)
Revaluation Reserve	895	894
Donated Reserve	2,906	2,844
Government Grant Reserve	44	43
Total Taxpayers' Equity	(39,660)	(63,449)

10. SUMMARY AND RECOMMENDATIONS

At month 5 the PCT Board signed off a plan for handling a forecast gap of £19.0m; there are significant risks to the delivery of this plan. In addition to this, further pressures have emerged across the portfolio which means there is a significant risk to the PCT achieving financial balance.

The Board is asked to note the contents of this report and the risks to the PCT in meeting its statutory financial duties.

Appendix A

