

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 31st December 2008

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1. Executive Summary

The PCT has identified eight Key Financial Indicators (KFIs) which, alongside the three statutory duties, form a framework to report the financial position.

A summary of performance against the eight KFIs is in the table below.

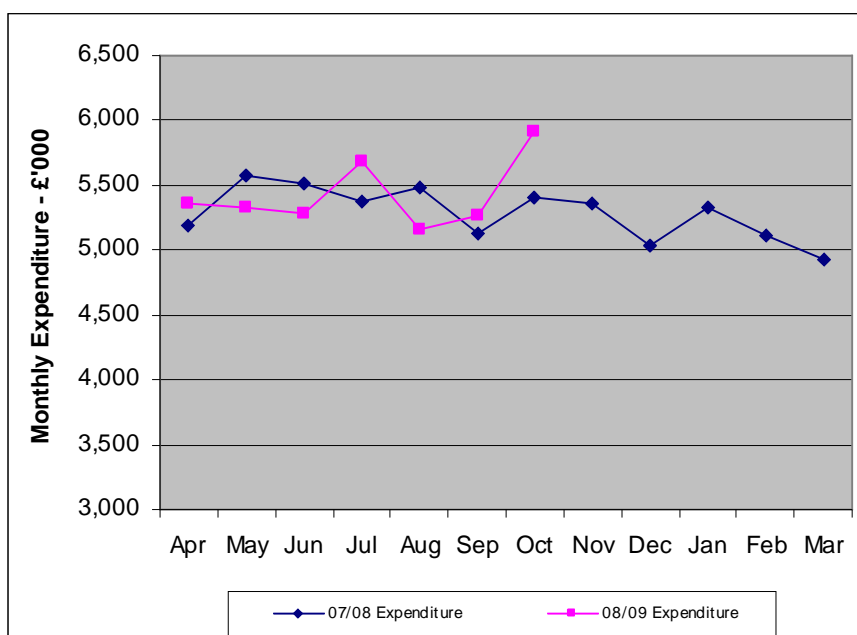
KFI Name and Measurement	Period	Performance Year to Date	Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Oct	2,221	3,807	AMBER	AMBER
Provider arm position (Over)/ underspend against budget (£000)	Apr to Dec	1,706	2,241	AMBER	AMBER
HEFT Contract (Over)/ underspend against budget (£000)	Apr to Nov	(6,600)	(9,900)	RED	RED
New investments (Over)/ underspend against plan (£000)	Apr to Dec	2,471	3,127	AMBER	AMBER
Unplanned allocations Net (decrease)/ increase to RRL (£000)	Dec	(406)	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	Dec	11	N/A	GREEN	N/A
Reserves Funds being held in reserve (£000)	Dec	1,962	0	GREEN	GREEN
Year End Surplus (Lower)/ higher than plan (£000)	Apr to Dec	213	0	GREEN	GREEN

A summary of performance against the three statutory duties is in the table below.

Statutory Duty and Measurement	Period	Performance Year to Date	Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
Revenue Resource Limit (Over)/ underspend against RRL (£000)	Apr to Dec	1,900	1,900	GREEN	GREEN
Capital Resource Limit (Over)/ underspend against CRL (£000)	Apr to Dec	531	Breakeven	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to Dec	8,236	Breakeven	RED	GREEN

2. Key Financial Indicators

- a. **GP Prescribing** - *This is a volatile budget which can affect the PCT position and over which the PCT has little control.*



The PCT received data for month seven prescribing. The forecast outturn is a £3.8 million underspend.

Position year to date

AMBER

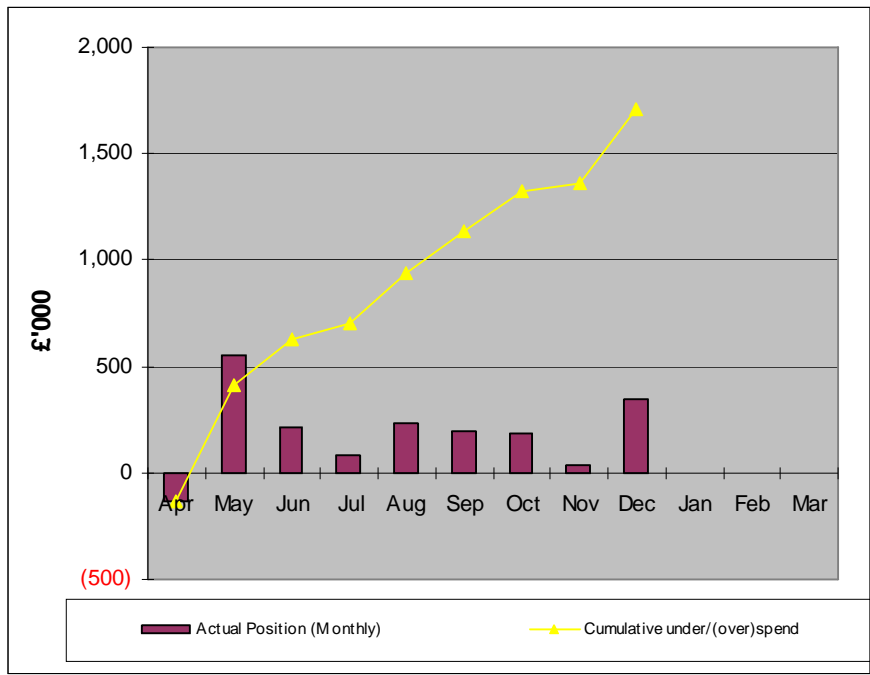
Forecast position to year end

AMBER

The forecast outturn reported to the last Board was a £4.3 million underspend. This has now changed to a £3.8 million underspend.

October saw the highest level of activity to date on this budget. Compared with last year, growth in prescribing spend is less than 1%. The forecast of £3.8 million assumes growth of nearly 2%.

b. Provider Arm - The provider function must demonstrate full cost recovery against provider activities.



The provider arm is planning to deliver a year end surplus of £2 million.

Position year to date

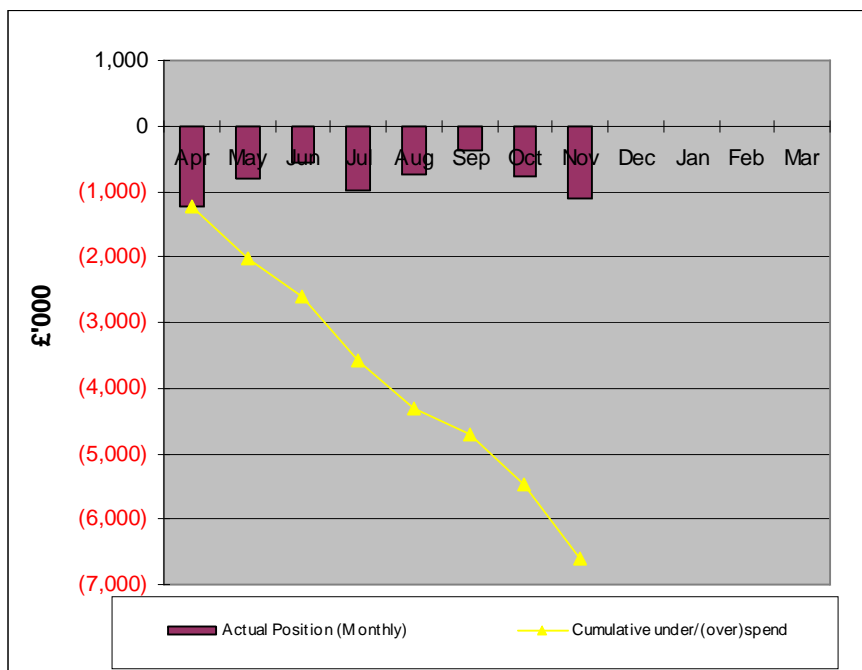
AMBER

Forecast position to year end

AMBER

No risks to the provider arm position have been identified.

c. Heart of England FT (HEFT) Contract - This is the largest PCT contract and can therefore have a large effect on the PCT position.



For the first eight months of the year there is a cumulative overspend of £6.6 million.

Position year to date

RED

Forecast position to year end

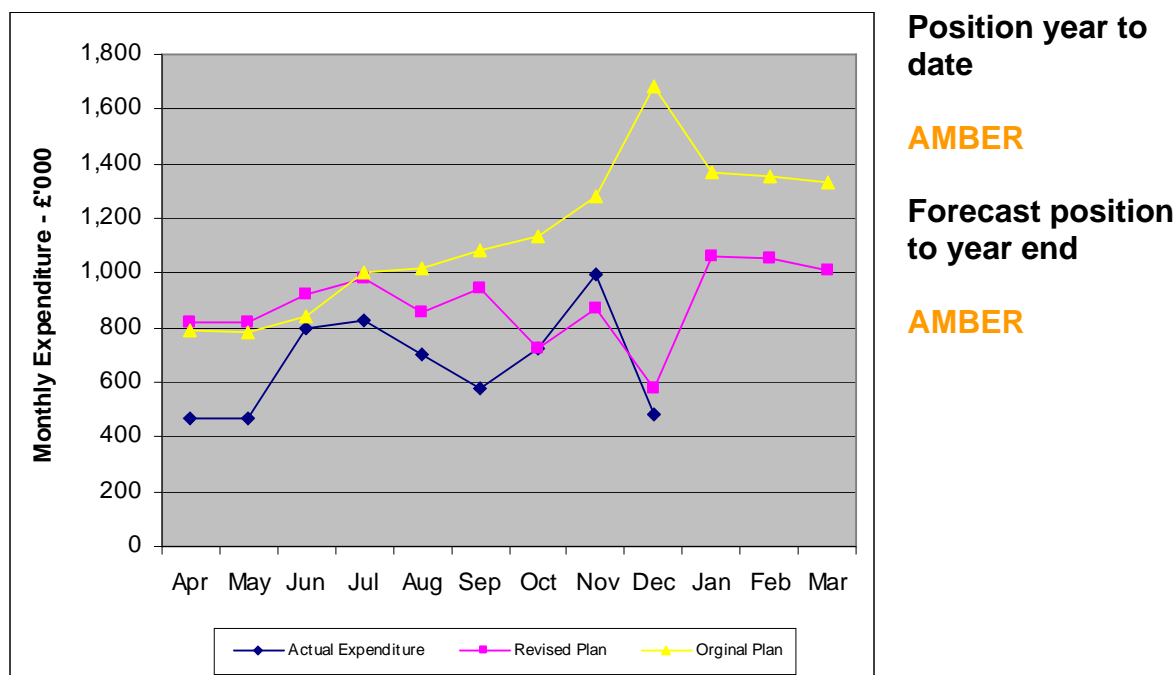
RED

Based on data for April to November this year the forecast year end overspend, as reported through HEFT contract monitoring, is £9.9 million. This has increased by £500k from the £9.4million forecast last month and discussions with the Trust are continuing through the formal performance monitoring process.

The increased over performance has been due to a long stay Critical Care patient who has transferred from HoBtPCT and an increase in emergencies, particularly in trauma and orthopaedics.

As previously reported, PCT directors are taking action in a number of areas to bring down the HEFT overspend. These are reported on a monthly basis through the directors' meetings.

d. New Investments - The PCT set out plans for £17.7 million of investment in 2008/09. Of this new investment, £13.7 million is being monitored proactively as any slippage will affect the PCT's ability to deliver the required surplus.



Position year to date

AMBER

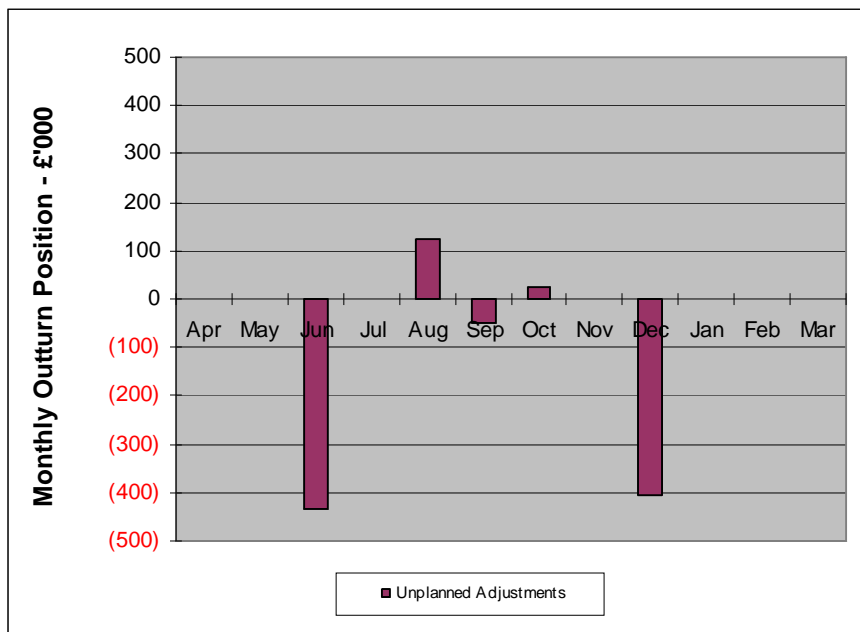
Forecast position to year end

AMBER

The budget for commissioning intentions up to and including month nine was £8.6 million. Expenditure during this period was £6.1 million, giving year to date slippage of £2.5 million.

Forecast slippage on this budget is £3 million, and planned spend for the rest of the year has been revised in light of this. This £3 million slippage is within the PCT's reported financial position so failure now to meet this would have a negative impact on the PCT's ability to meet its surplus target. Slippage levels over and above £3 million could also have a significant impact on the financial position.

e. **Unplanned Allocation Adjustments** - Any unplanned changes in the PCT Revenue Resource Limit (RRL) can materially affect the financial position.



There were four unanticipated changes to the RRL this month

Position year to date

GREEN

Forecast position to year end

N/A

There were four changes to the RRL in December:

- A top slice of £56k for Eculizumab.
- An anticipated top slice of £30k relating to the National Specialised Commissioning deficit.
- £118k which had been anticipated as an allocation but which is not now due to be received.
- £202k which had been anticipated as an allocation but which is not now due to be received.

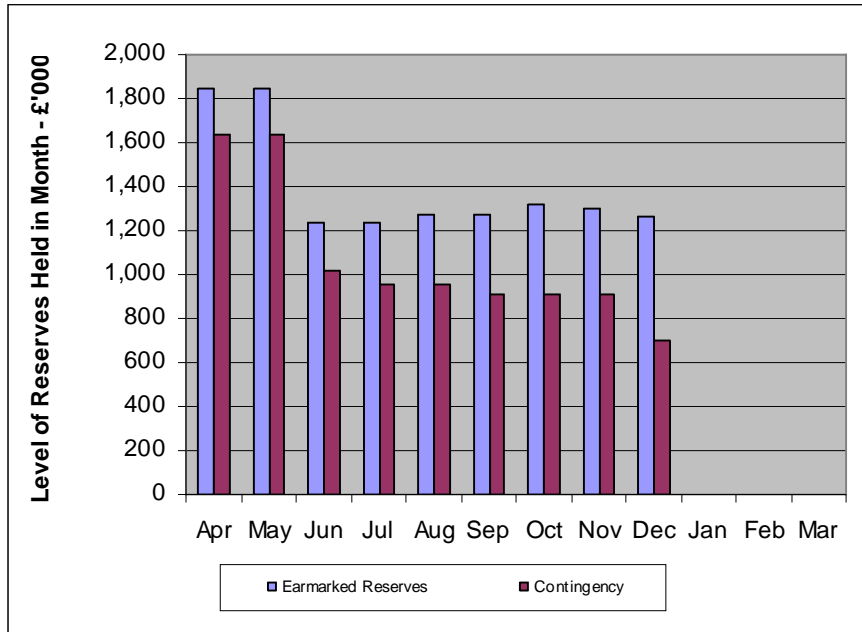
f. **Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

Current value of risks logged = £11k

RAG rating is GREEN

Two adjustments relating to wheelchair funding were made to the risk register this month with a net impact of £400k.

- g. Reserves** - *The PCT holds reserves for earmarked projects and a general contingency. A large reserve might affect the ability of the PCT to achieve its surplus target.*



The current total reserve is £1.96 million, which is 0.3% of the RRL.

Position year to date

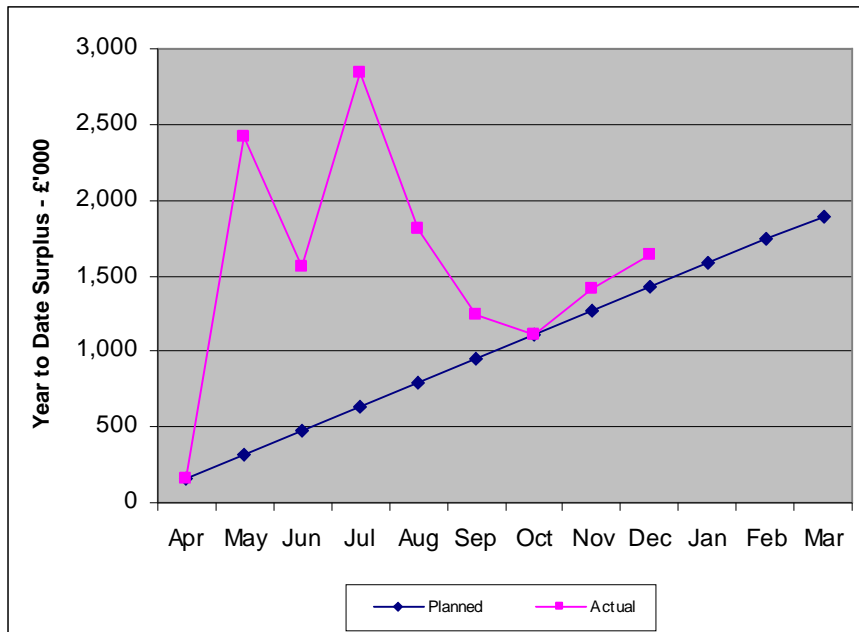
GREEN

Forecast position to year end

GREEN

The level of contingency reserve held by the PCT fell by £204k in month due to unanticipated changes to the resource limit mentioned above.

h. Surplus Target 2008/09 - The PCT has set a surplus target of £1.9 million at the year end.



The PCT is currently on target to achieve the planned surplus.

Position year to date

GREEN

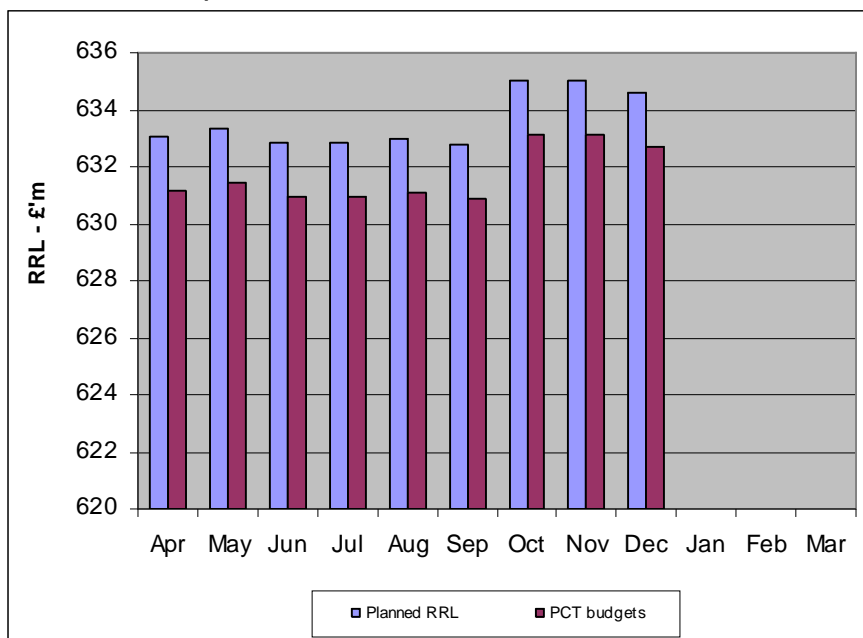
Forecast position to year end

GREEN

	Target Variance (YTD) £'000	Actual Variance (YTD) £'000	Distance from Target (YTD) £'000
Position against commissioning budgets	0	(1,493)	(1,493)
Under spend/(overspend) on provider arm	0	1,706	1,706
YTD Position Against Budgets	0	213	213
Surplus target not issued	1,425	1,425	0
Operational Financial Balance	1,425	1,638	213

3. Statutory Duties

i. **Revenue Resource Limit (RRL)** - *The PCT has a statutory duty to keep revenue expenditure within the resource limit.*



The PCT has set budgets up to the value of the RRL less the £1.9 million planned surplus.

Position year to date

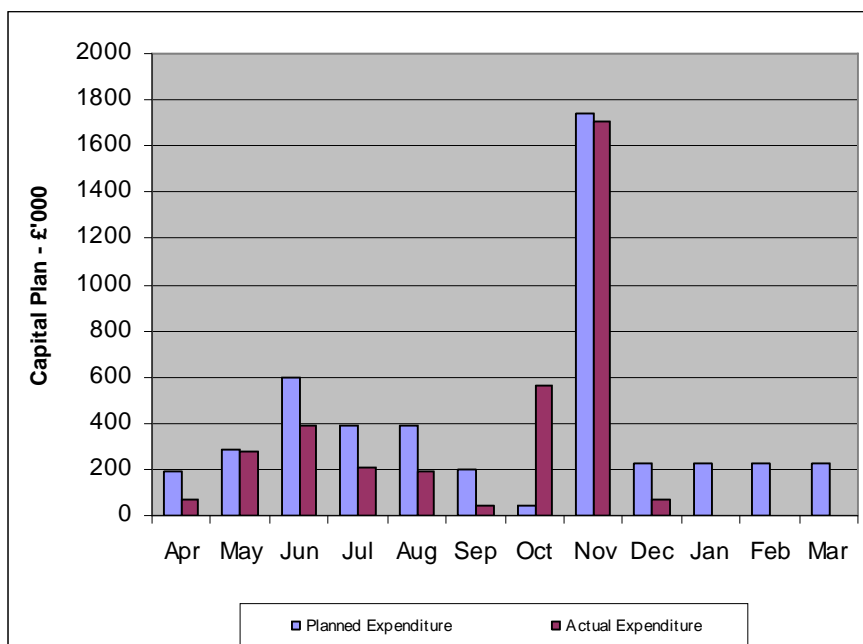
GREEN

Forecast position to year end

GREEN

As mentioned above, there were four changes to the RRL in December.

j. **Capital Resource Limit (CRL)** - *The PCT has a statutory duty to keep capital expenditure within the resource limit.*



The PCT has set budgets up to the value of the CRL, however current expenditure is below budget.

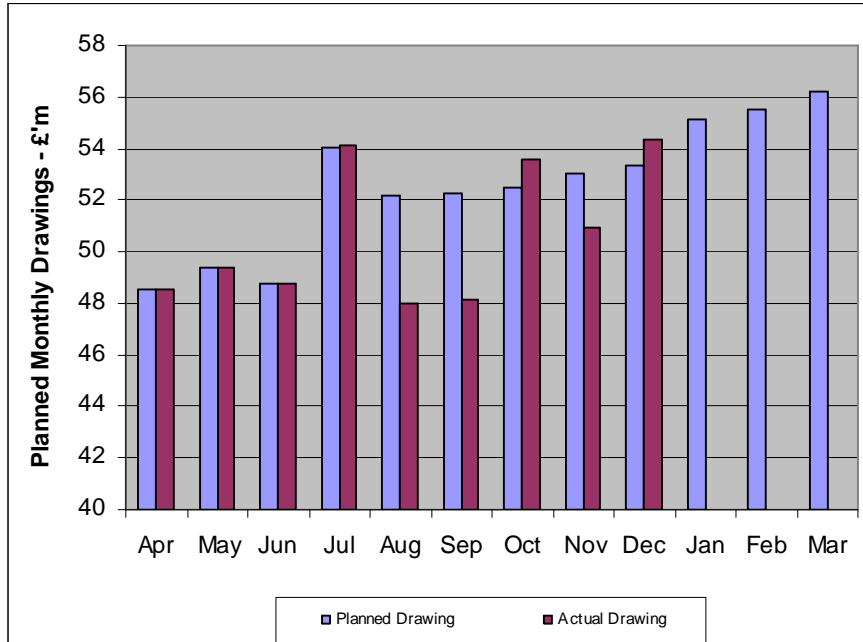
Position year to date

GREEN

Forecast position to year end

GREEN

k. Cash Limit - *The PCT has a statutory duty to remain within the set cash limit.*



The PCT drew down more cash than planned in month.

Position year to date

RED

Forecast position to year end

GREEN

The PCT drew down more cash than originally planned this month. Year to date, the PCT has underdrawn cash by more than £8 million against plan. It is anticipated, however, that all the PCT's cash will have been drawn down by the end of the financial year.

4. Commissioning

The table below shows the breakdown of the financial performance of the commissioning arm to 31st December 2008.

	Annual Budget	Budget To Date	Expenditure To Date	Variance To date	Change in Month
	£'000	£'000	£'000	£'000	£'000
Commissioning					
Acute Services	223,762	167,822	174,849	(7,027)	(1,022)
Specialised Services	86,043	64,533	64,671	(139)	(95)
Community Services	73,788	55,287	57,131	(1,844)	156
Mental Health	47,382	35,433	34,142	1,292	692
Learning Difficulties	22,133	16,599	17,236	(636)	(71)
Other Commissioning	6,009	4,506	2,262	2,245	832
Commissioning Reserve	3,193	2,395	0	2,395	199
Sub-Total	462,310	346,576	350,291	(3,715)	691
Primary Care Services					
GMS	39,902	27,846	27,819	27	(128)
PMS	14,374	10,214	9,918	296	80
Prescribing	71,031	53,273	50,786	2,487	(401)
Pharmacy Contract	2,659	1,994	3,641	(1,647)	(181)
Dental Contracts	15,418	11,564	11,564	0	0
Sub-Total	143,384	104,891	103,728	1,163	(630)
Public Health					
Health Promotion	2,601	1,870	1,697	173	(132)
Smoking Cessation	851	638	391	247	67
Sub-Total	3,452	2,508	2,088	420	(65)
Organisational Costs					
Management costs	20,624	15,020	14,999	21	(782)
Capital charges	936	702	84	618	404
Sub-Total	21,560	15,722	15,083	639	(378)
Reserves					
Specific	1,266	0	0	0	0
Contingency	696	0	0	0	0
Sub-Total	1,962	0	0	0	0
Total BEN PCT	632,668	469,697	471,190	(1,493)	(382)
Surplus Target	1,900	1,425	0	1,425	158
Total BEN PCT RRL	634,568	471,122	471,190	(68)	(223)

5. Areas not covered by KFIs

Management Costs

There has been a large movement in the Management Costs position this month. This is due to:

- An increased provision of £500k for restitution payments relating to Complex Care appeals.
- Two high value invoices, totalling £250k, received in month that were not anticipated. Work is underway to ensure these are genuine charges for this financial year.
- A revision to the Capital Charges estimate, due in part to the transfer of expenditure from capital to revenue.

Winter Pressures

The financial position has stabilised and, in fact, improved a little this month despite significant winter pressures.

Actions taken by the PCT to combat these pressures include:

- Additional capacity at Berwood Court Intermediate Care Unit.
- Additional GP opening hours over Christmas.
- Additional staff at Urgent Care Centres.

6. Balance Sheet

The balance sheet for month nine is shown in the table below.

Balance Sheet as at 31st December 2008

BALANCE SHEET	Start point £'000 01/04/08	Closing Balance £'000 31/12/08	Forecast Year End £'000 31/03/09
Total Fixed Assets	32,324	36,181	30,189
Current Assets			
Debtors	25,457	9,242	23,240
Cash at bank	11	490	11
Total Current Assets	25,468	9,732	23,251
Current Liabilities			
Creditors due < 1 year	(72,137)	(73,472)	(71,311)
Total Current Liabilities	(72,137)	(73,472)	(71,311)
Net Current Assets	(46,669)	(63,740)	(48,060)
Total Assets Less Current Liabilities	(14,345)	(27,559)	(17,871)
Provisions for Liabilities & Charges	(4,847)	(4,352)	(4,847)
Total Assets Employed	(19,192)	(31,911)	(22,718)
Financed by:			
Tax Payers' Equity			
General fund	(25,268)	(39,189)	(29,923)
Revaluation Reserve	2,993	3,712	3,714
Donated Reserve	3,036	3,146	3,071
Government Grant Reserve	47	420	420
Total Taxpayers' Equity	(19,192)	(31,911)	(22,718)

7. Balance Sheet Reconciliations

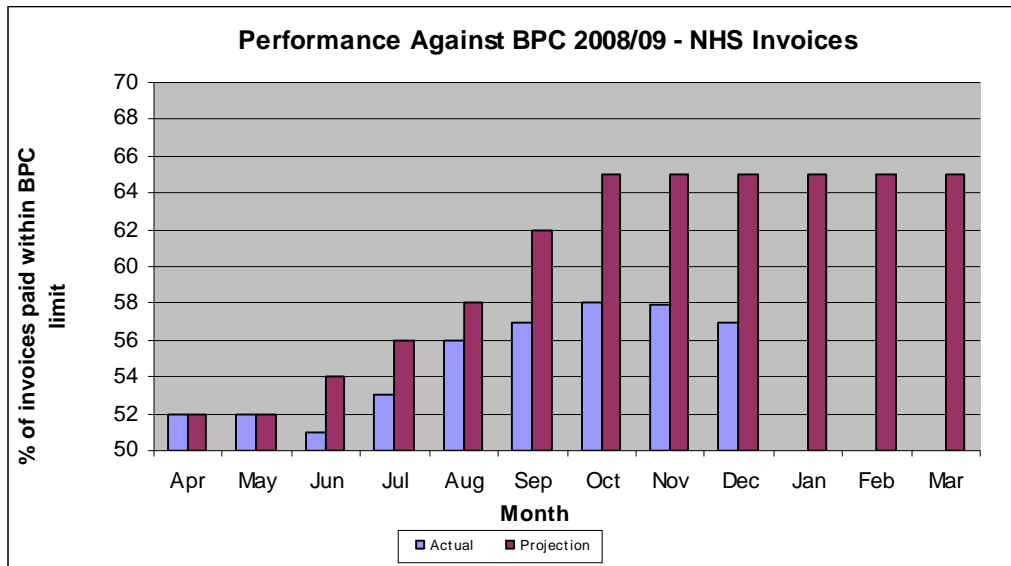
Cash flow reconciliation	This month £'000	YTD £'000
Expenditure		
Revenue	53,863	472,972
Capital	70	3,524
Total expenditure	53,933	476,496
Funded by		
Dept of Health cash funding	54,707	459,377
Movement in working balances (Drs/Crs/Provn)	(358)	17,055
Capital income	0	145
Capital charges	69	398
(Increase)/Decrease in Cash	(485)	(479)
	53,933	476,496

Movement on General Fund	This month £'000	YTD £'000
General Fund Opening Balance	(40,033)	(25,268)
Net Parliamentary Funding	54,707	459,377
Transfers (to)/from other NHS bodies	0	0
Cost of Capital Charges	0	(560)
Transfer from OCS	(53,863)	(472,972)
Transfer of realised profits/(losses)	0	0
Other movements	0	234
Closing Balance	(39,189)	(39,189)

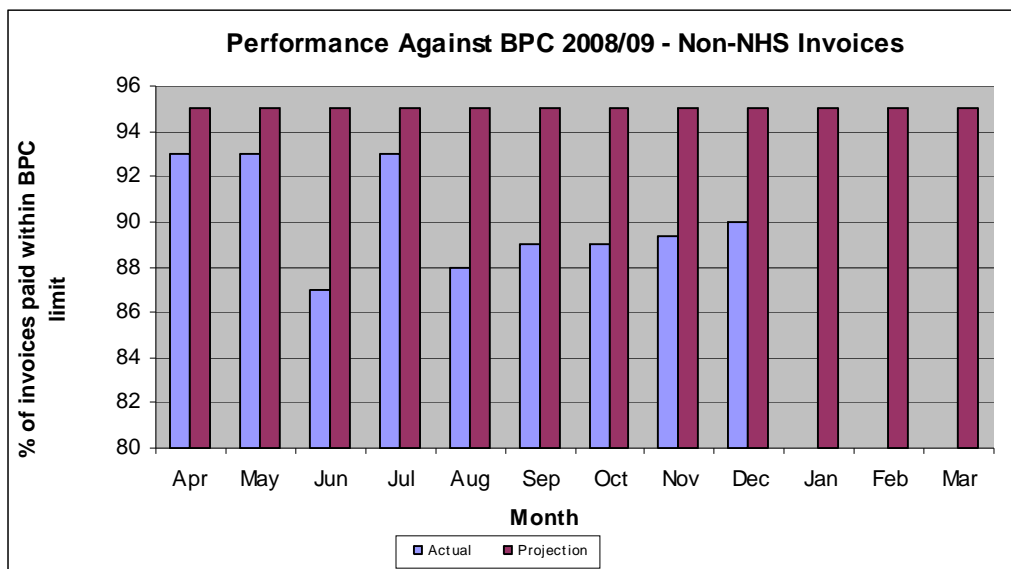
8. Better Payment Code

The PCT must meet the target of paying 95% of NHS and non-NHS invoices within 30 days.

The performance against this target for NHS invoices is shown in the graph below.



The performance against this target for non-NHS invoices is shown in the graph below.



9. Outlook for the Year

The table below shows the forecast position at the end of the financial year.

	Target Variance Year End £'000	Forecast Variance Year End £'000	Distance from Target Year End £'000
Position against commissioning budgets	0	(4,340)	(4,340)
Under spend/(overspend) on provider arm	0	2,241	2,241
YTD Position Against Budgets	0	(2,099)	(2,099)
Surplus target not issued	1,900	1,900	0
Operational Financial Balance	1,900	(199)	(2,099)

Despite the adverse changes in the forecast outturn for HEFT and GP prescribing, with a total effect of £1 million, the forecast position has improved this month. This is due in part to revisions to the forecast outturn for some contracts – particularly that with Birmingham and Solihull Mental Health Trust.

The PCT remains confident that there is enough flexibility within its portfolio to meet the surplus target of £1.9 million.

10. Recommendation

The Trust Board is asked to note the content of this report.