

FINANCE AND ACTIVITY REPORT MONTH 9 (31 DECEMBER 2009)

1. INTRODUCTION

The purpose of this report is to inform members of the PCT's financial position as at the end of December 2009 (Month 9) and to advise of any other financial issues to impact in 2009/10. The report will provide an overview of the PCT's year to date financial position, performance against key financial indicators (KFIs) and provide an expected forecast outturn.

2. EXECUTIVE SUMMARY

The table below summarises the PCT's financial duties and targets.

Description	Duty/Target	Forecast Achievement	Risk
Revenue Resource Limit	Maintain expenditure within limit	Yes	Amber
Capital Resource Limit	Maintain expenditure within limit	Yes	Green
Cash Limit	Remain within the cash limit set by the DoH	Yes	Green
Full Cost Recovery	Demonstrate full cost recovery in respect of provider functions	Yes	Green
Public Sector Payment Policy	Pay 95% of non-NHS invoices within 30 days of receipt or date of invoice, whichever is the later.	92% by number	Red

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

KFI Name and Measurement	Period	Performance Year to Date £000	Forecast Year End Performance £000	Risk Year to Date	Risk Year End
HEFT Contract (Over)/ underspend against budget (£000)	Apr-Dec	(10,200)	(13,000)	RED	RED
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr-Oct	826	1,101	GREEN	GREEN
Financial Risks Value of identified unmitigated risks (£000)	Dec	0	N/A	GREEN	N/A
CHS Position Lower/ (higher) than plan (£000)	Apr-Dec	1,833	2,200	GREEN	GREEN
Reserves Funds being held in reserve (£000)	Dec	2,357	2,000	GREEN	GREEN
Strategic Initiatives Investment to date	Apr-Dec	14,949	20,380	GREEN	GREEN

The key points to note from this report are:

- Month 9 figures indicate a year to date deficit of £2.5m compared to a planned surplus of £1.8m.
- The PCT currently anticipates achieving its statutory duty to keep revenue expenditure within its Revenue Resource Limit (RRL), subject to the management of risks identified below:
 - The PCT's strategic initiatives are planned to reduce the level of performance against the contract with Heart of England Foundation Trust (HEFT) by £1.3m. If this does not happen then the level of over performance will be higher than forecast in this report.
 - HEFT activity continues to be volatile and consequently there is a high degree of risk in relation to the reported acute position.
- Community Health Services has a year to date surplus of £1.8m and a forecast outturn of £2.2m.

3. YEAR TO DATE AND FORECAST POSITION

The PCT's financial position against its commissioning budgets and comparison to its RRL to the end of December (Month 9) is set out in the table below.

Table 1: Summary of year to date performance against RRL

Revenue Resource Limit	Annual Plan	YTD Plan	YTD Actual	Distance from Target
	£000	£000	£000	£000
(Over)/under spend against commissioning budgets	2,447	1,835	(4,341)	(6,176)
(Over)/under spend on Community Health Services	0	0	1,833	1,833
(Over)/under spend against RRL	2,447	1,835	(2,508)	(4,343)

The financial position of the organisation is analysed further in Table 3. The changes to the PCT's RRL since last month are summarised in the table below. All allocations received in month were anticipated and therefore have no effect of the forecast outturn.

Table 2: Summary changes to RRL in Month 9

Revenue Resource Limit	Confirmed	Anticipated	Total
	£000	£000	£000
As at Month 8	692,664	5,866	698,530
Allocations anticipated and received Month 9			
Return of 08/09 surplus	1,922		1,922
Impairments Allocation 2009-10	5,634		5,634
Other allocations	2,314		2,314
As at Month 9	702,534	5,866	708,400

The table below summarises the overall financial position of the PCT's commissioning portfolio.

Table 3: Financial Performance against Commissioning Budgets

	Annual Budget	YEAR TO DATE			FORECAST YEAR END		
		Budget Year to Date	Expenditure Year to Date	Variance Year to Date	Expenditure Forecast Outturn	Variance Forecast Outturn	Change in Month
		£000	£000	£000	£000	£000	£000
Commissioning							
Acute Services	252,352	188,301	198,217	(9,915)	264,856	(12,503)	482
Specialised Services	92,983	70,158	70,901	(743)	94,149	(1,166)	(19)
Community Services	84,480	63,405	65,281	(1,876)	88,133	(3,653)	2
Mental Health	50,609	37,956	37,198	758	49,599	1,009	59
Learning Disabilities	25,646	19,235	18,418	817	24,557	1,089	0
Other Commissioning	7,411	6,974	6,526	448	6,974	437	484
Sub-Total	513,481	386,029	396,541	(10,511)	528,268	(14,787)	1,008
Primary Care Services							
GP Contracts	58,541	42,247	42,312	(65)	58,136	404	82
Prescribing	70,758	53,068	52,243	825	69,657	1,101	(3)
Pharmacy Contract	5,011	3,341	3,712	(371)	5,538	(527)	0
Dental Contracts	17,066	12,810	12,271	539	16,044	1,022	451
Sub-Total	151,376	111,466	110,538	928	149,375	2,000	530
Organisational Costs							
Corporate costs including Health Improvement	28,901	21,649	21,062	587	27,273	1,628	945
Capital charges	8,538	6,404	6,327	77	8,456	82	58
Sub-Total	37,439	28,053	27,389	664	35,729	1,710	1,003
Non-Recurrent Discretionary Expenditure							
	1,300	975	0	975	0	1,300	0
Specific Reserves							
	2,357	1,768	0	1,768	357	2,000	2,000
Total BEN PCT	705,953	528,291	534,468	(6,176)	713,729	(7,777)	4,541
Surplus Target	2,447	1,835	0	1,835	0	2,447	0
Total BEN PCT RRL	708,400	530,126	534,468	(4,341)	713,729	(5,330)	4,541

Explanations of the forecast outturn and variances contained within the above table are as follows.

3.1 Acute Commissioning

Heart of England Foundation Trust

The HEFT contract (£186m) equates to 75% of the PCT's general acute portfolio (£250m).

The table below summarises the activity and financial position for HEFT as at month 9. The information is based upon HEFT's contract monitoring information and has yet to be fully validated.

Table 4: Summary of Activity and Finance at HEFT for the year to date

Activity and Cost	December/M09			2009/10 YTD		
	Plan	Actual	Surplus/ (Deficit)	Plan	Actual	Surplus/ (Deficit)
Activity						
A&E	10,539	9,754	785	98,582	93,728	4,854
Elective	2,916	2,865	51	25,876	27,011	(1,135)
Emergency	3,089	3,787	(698)	26,051	31,677	(5,626)
Outpatients	26,796	26,900	(104)	259,359	275,150	(15,791)
Other	192,466	161,338	31,128	1,741,384	1,807,328	(65,944)
Total	235,806	204,644	31,162	2,151,252	2,234,894	(83,642)
Cost - £m						
A&E	0.9	0.8	0.1	8.1	7.9	0.2
Elective	3.1	3.0	0.1	27.4	28.0	(0.6)
Emergency	5.7	6.5	(0.7)	48.8	54.8	(6.0)
Outpatients	2.9	2.9	0.0	27.7	30.0	(2.4)
Other	3.1	3.5	(0.5)	27.8	29.2	(1.4)
Total	15.7	16.7	(1.0)	139.8	150.0	(10.2)

(Includes rounding differences)

The key issues in respect of the above table are:

- December's activity and costs for emergency work were higher than planned.
- Activity for A&E is below the plan but costs are as planned.
- "Other" activity was lower than planned in December whereas costs were higher than planned.

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

Other Acute Providers

The PCT has contracts with several other acute providers totalling circa £65m. Whilst over and under performance variances do exist on some of these contracts the net impact upon the PCT is marginal.

3.2 Specialised Services Commissioning

The specialised services portfolio contains all services commissioned on behalf of the PCT by the West Midlands Specialised Commissioning Team. This includes regional and pan-Birmingham specialised services (circa £80m) and the West Midlands Ambulance Services contract (£10m).

The PCT is reporting a year to date overspend of £0.7m and a forecast outturn of £1.2m overspent. This forecast overspend represents £0.5m in respect of specialised activity and £0.7m on the WMAS contract.

3.3 Community Services/Non-Acute

The PCT's community services and non-acute portfolio has an annual budget of £84m. As at month 9 there is a £1.9m overspend, which is expected to increase to £3.7m by year-end. The largest area of overspend relates to the Community Step Down beds that are forecast to overspend by £1.2m; this is offset by a planned reduction in excess bed day costs against the HEFT contract.

3.4 Mental Health and Learning Disabilities

The mental health and learning disability portfolio has an annual budget of £76m and is forecast to underspend by £2m at year-end. This underspend is attributable to:

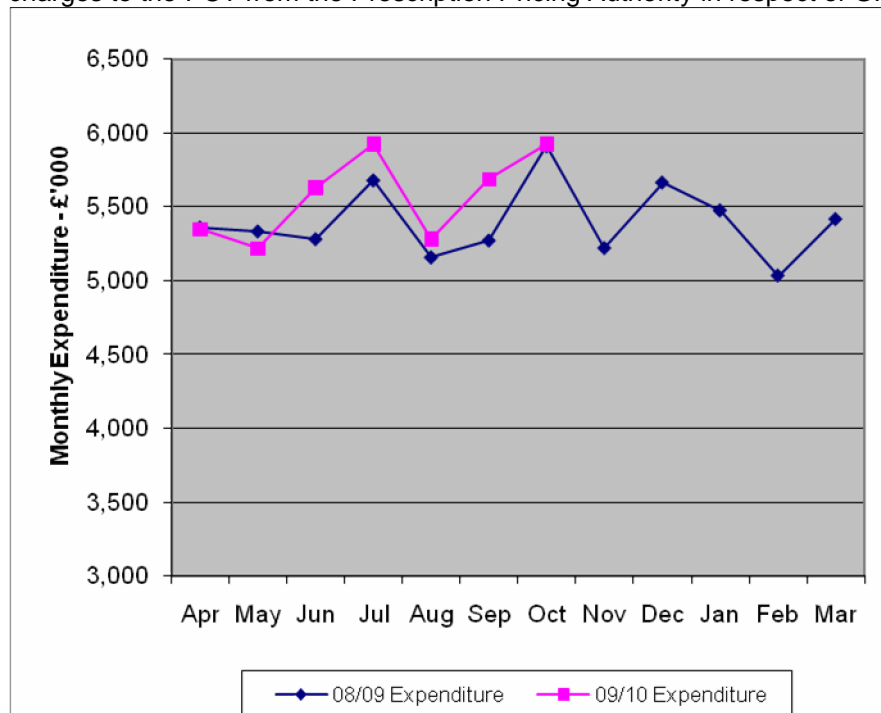
- £1m underspend in respect of learning disabilities, including some complex care and underperformance on activity based contracts.
- An underperformance of £1m on the Birmingham and Solihull Mental Health Foundation Trust contract. This underspend can be attributed to underperformance on activity elements of the contract and slippage on 2009/10 developments.

3.5 General Practitioner Contracts

The PCT has an annual budget for GP contracts of £57m. The PCT is forecasting a £0.4m underspend at year-end.

3.6 Prescribing

The PCT has an annual prescribing budget of £71m. The year to date underspend is £0.8m, the forecast outturn underspend of £1.1m remains unchanged. The graph below shows charges to the PCT from the Prescription Pricing Authority in respect of GP Prescribing.



The above graph is based upon PPA information for the period to October 2009. November's information was not yet available at the time of writing this report.

3.7 Corporate

The PCT's corporate budgets of £38.3m are forecast to underspend by £3.0m at year-end. This underspend has been created by vacancies and slippage of non-recurrent discretionary expenditure.

4. COMMUNITY HEALTH SERVICES

Community Health Services is reporting a year to date underspend of £1.8m and a forecast outturn underspend of £2.2m. The main areas of underspend are physiotherapy, dietetics and health visiting.

5. STRATEGIC INITIATIVES

The table below shows the investment and spend on each of the strategic initiatives.

Table 5: Investment against PCT Strategic Initiatives

	2009/10 Investment	Spend to date	Slippage to date
Initiative	£'000	£'000	£'000
Birmingham Health and Wellbeing Partnership	1,500	807	318
Working Together for Health	954	942	(226)
Care Closer to Home	7,572	5,399	280
Specialised Services (Initial contribution)	7,100	5,325	0
PRIME	2,200	1,690	(40)
Community/Integrated Step Down Beds	1,000	500	250
Healthcare at Home	600	146	154
PCDU	200	140	10
Total for Strategic Initiatives	21,126	14,949	746

6. OUTLOOK FOR THE YEAR

The table below shows the forecast to the end of the financial year taking into account the impact of the initiatives above.

Table 6: Outlook for the Year

Description	Target Variance Year End £'000	Forecast Variance Year End £'000	Distance from Target Year End £'000
Position against commissioning budgets	0	(7,777)	(7,777)
Surplus target not issued	2,447	2,447	0
Impact of initiatives on HEFT contract	0	1,300	1,300
Non-recurrent flexibility in Q4	0	2,000	2,000
YTD Position Against Budgets	2,447	(2,030)	(4,477)
Under spend/(overspend) on provider arm	0	2,200	2,200
Operational Financial Balance	2,447	170	(2,277)

Based on the assumptions above, the PCT will achieve its statutory financial duty to breakeven and will need to identify a further £2.28m of flexibility to deliver the target surplus of £2.45m.

The forecast outturn position has improved since month 8 as a result of the following factors:

- A reduction in the anticipated costs of acute non-contracted activity of £0.5m.
- Underspends from the Birmingham Health and Wellbeing Partnership of £0.4m.
- An anticipated reduction in dental commissioning costs of £0.5m.

The biggest risk, and the greatest area of volatility, remains the contract with HEFT and the impact of initiatives on the forecast outturn position. It is currently assumed the level of over-performance on this will be £11.7m.

7. CAPITAL RESOURCE LIMIT

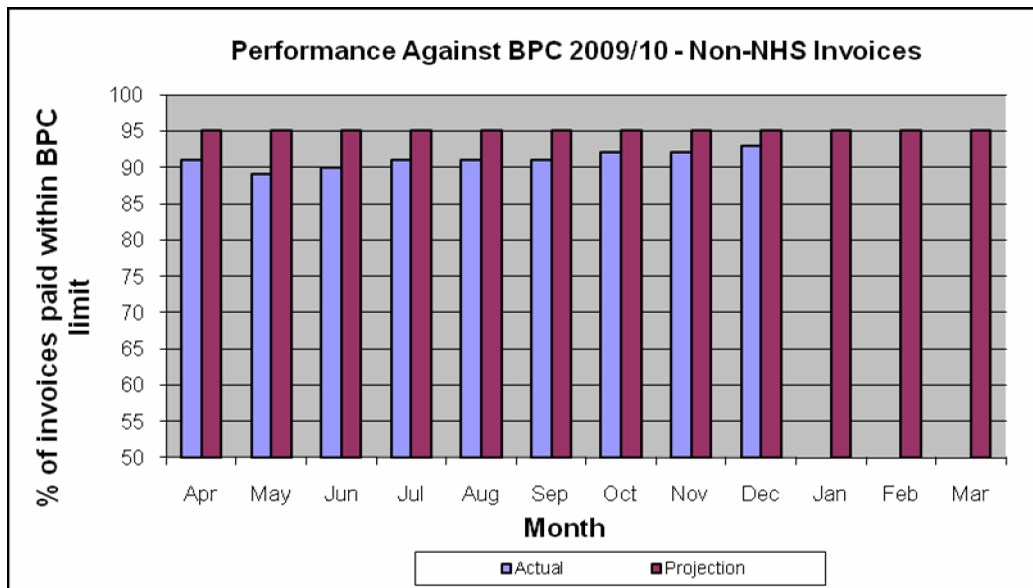
The PCT has a statutory financial duty to operate within its allocated Capital Resource Limit. The PCT has a Capital Resource Limit for 2009/10 of £4.8m. The year to date capital expenditure is £1.9m and the forecast outturn expenditure is £4.8m.

8. CASH 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.

9. PUBLIC SECTOR PAYMENT POLICY

The PCT must achieve the national target of paying 95% of non-NHS invoices within 30 days. The PCT's performance against this target is shown in the table below:



In December, 93% of non-NHS invoices were paid within 30 days, in line with the year to date average of 92%.

10. BALANCE SHEET

The PCT's Balance Sheet as at 31 December 2009 can be summarised as follows:

BALANCE SHEET	Start point £000	December £000
Total Fixed Assets	39,431	38,597
Current Assets		
Debtors	18,835	11,714
Cash at bank	10	2,803
Total Current Assets	18,845	14,517
Current Liabilities		
Creditors	(82,219)	(98,000)
Total Current Liabilities	(82,219)	(98,000)
Net Current Assets	(63,374)	(83,483)
Total Assets Less Current Liabilities	(23,943)	(44,886)
Provisions for Liabilities & Charges	(4,256)	(3,704)
Total Assets Employed	(28,199)	(48,590)
Financed by:		
Taxpayers' Equity		
General fund	(31,708)	(53,297)
Revaluation Reserve	259	1,456
Donated Reserve	2,834	2,835
Government Grant Reserve	416	416
Total Taxpayers' Equity	(28,199)	(48,590)

11. RECOMMENDATION

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

