

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 31st JANUARY 2009

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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.

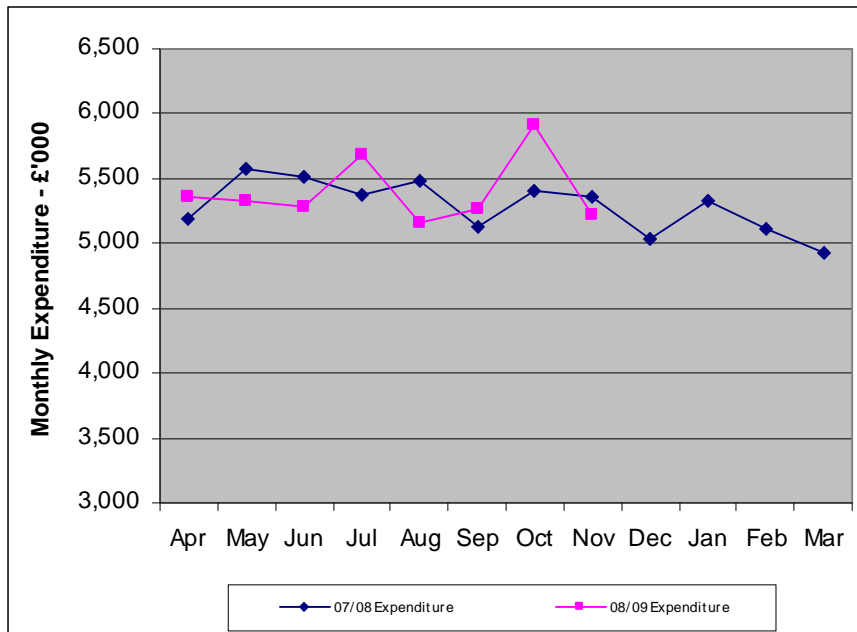
KFI Name and Measurement	Period	Performance Year to Date	Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Nov	2,660	3,990	AMBER	AMBER
Provider arm position (Over)/ underspend against budget (£000)	Apr to Jan	653	1,010	AMBER	AMBER
HEFT Contract (Over)/ underspend against budget (£000)	Apr to Dec	(7,425)	(9,900)	RED	RED
New investments (Over)/ underspend against plan (£000)	Apr to Jan	1,538	426	AMBER	GREEN
Unplanned allocations Net (decrease)/ increase to RRL (£000)	Jan	2,548	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	Jan	239	N/A	GREEN	N/A
Reserves Funds being held in reserve (£000)	Jan	1,981	719	GREEN	GREEN
Year End Surplus (Lower)/ higher than plan (£000)	Apr to Jan	(148)	0	GREEN	GREEN

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

Statutory Duty and Measurement	Period	Absolute Performance Year to Date	Absolute Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
Revenue Resource Limit (Over)/ under spend against RRL (£000)	Apr to Jan	1,900	1,900	GREEN	GREEN
Capital Resource Limit (Over)/ under spend against CRL (£000)	Apr to Jan	1,164	Breakeven	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to Jan	8,861	Breakeven	RED	GREEN

2. Key Financial Indicators

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



The PCT received data for month eight prescribing. The forecast outturn is a **£4.0 million underspend.**

Position year to date

AMBER

Forecast position to year end

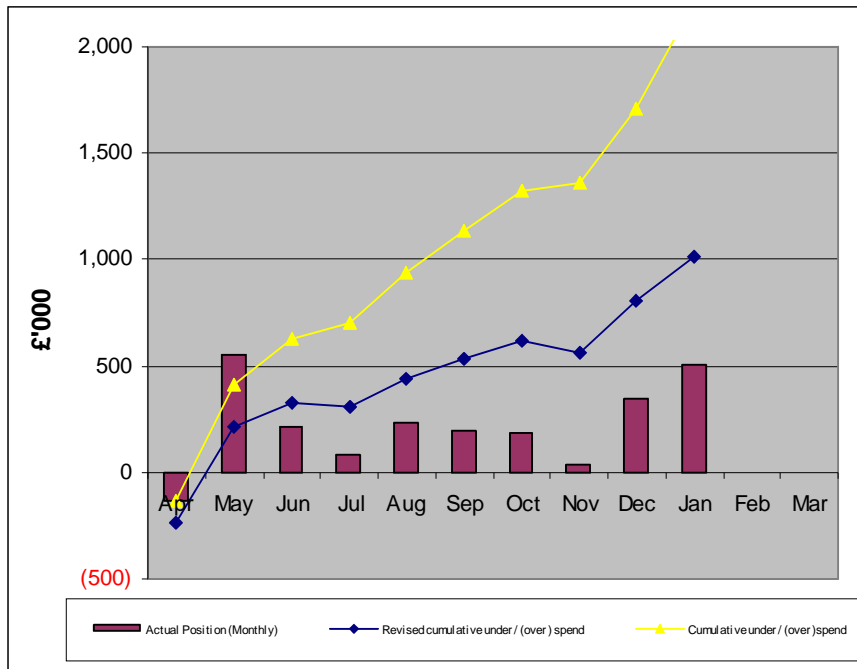
AMBER

The forecast outturn for prescribing has moved a little this month from a £3.8 million underspend reported to the last Board to a £4.0 million underspend.

As can be seen from the graph above, GP Prescribing continues to be a volatile budget. There is a difference of more than £800k between the highest and lowest monthly expenditure in the eight months to date.

The PPA forecast outturn has consistently been between £3.8 million and £4.3 million underspent. It would seem prudent, therefore, for the PCT to forecast a £4.0 million underspend.

b. Provider Arm – *The provider arm must demonstrate full cost recovery.*



The provider arm is now forecasting a surplus of £1 million.

Position year to date

AMBER

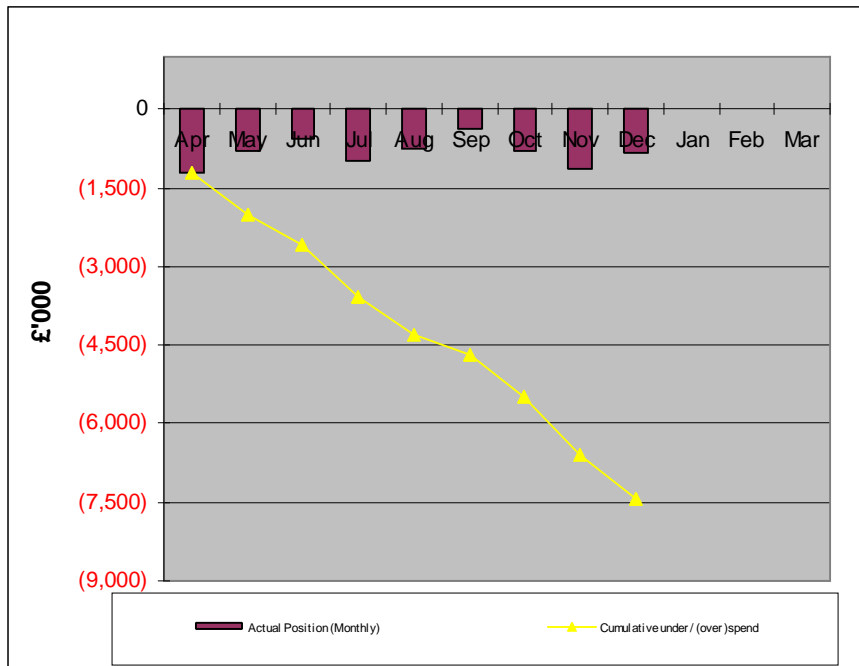
Forecast position to year end

AMBER

The PCT recovered £1 million from the provider arm in January due to activity levels not being as high as anticipated. The provider arm is now forecasting a surplus of £1 million, compared with £2 million forecast in previous months.

In order to avoid distorting the figures by showing the recovery of £1 million in month, the cumulative underspend has been restated to show the year to date effect as equivalent to £100k per month.

- 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 nine months of the year there is a cumulative overspend of £7.4 million.

Position year to date

RED

Forecast position to year end

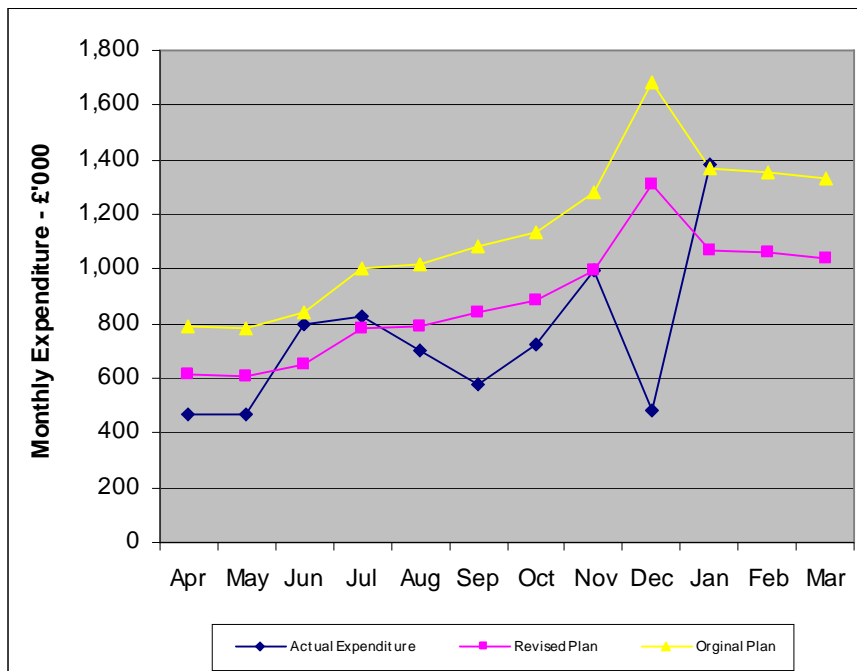
RED

Based on data for April to December the forecast year end overspend, as reported through HEFT contract monitoring, is £9.9 million. Discussions with the Trust are continuing through the formal performance monitoring process.

The PCT is in discussions with the Trust over the move to HRG 4 for the year 2009/10. This new tariff structure has increased granularity and unbundled certain diagnostic tests from the tariff.

PCT directors continue to take 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

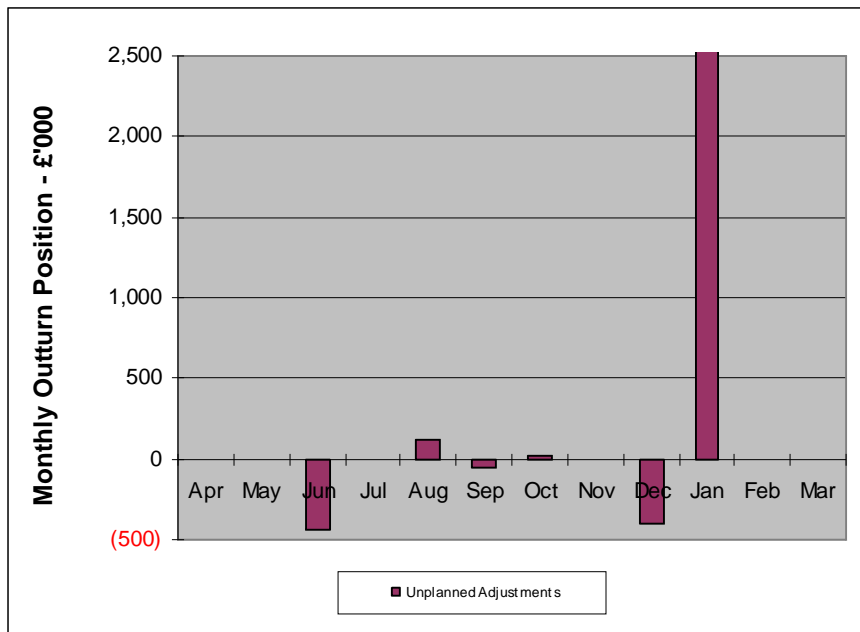
Forecast position to year end

GREEN

The PCT is planning to underspend on its new investments by £3 million. The planned spend line on the graph above has been revised to reflect this.

Year to date spend is £7.4 million and the PCT is expecting to spend a further £3.3 million over the next two months. Failure to achieve this target could materially affect the PCT's overall position.

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



There were several unanticipated changes to the RRL this month

Position year to date

GREEN

Forecast position to year end

N/A

A number of changes to the RRL, totalling £2,548k, occurred in January. The majority of these have a nil impact on the PCT.

These include:

- £197k for the Cardiac Network. This funding is committed and will have no effect on the PCT's forecast outturn.
- £1,285k for Clinical Excellence Awards. This is wholly payable to HEFT and so has no impact on the PCT's forecast outturn.
- £532k for Dental Vocational Trainees, which is entirely committed and already reflected within the PCT's forecast outturn.
- £500k relating to a collaboration which the PCT is facilitating across the eight core cities to improve capacity and capability in commissioning to tackle health inequalities.
- Six other small changes totalling £34k.

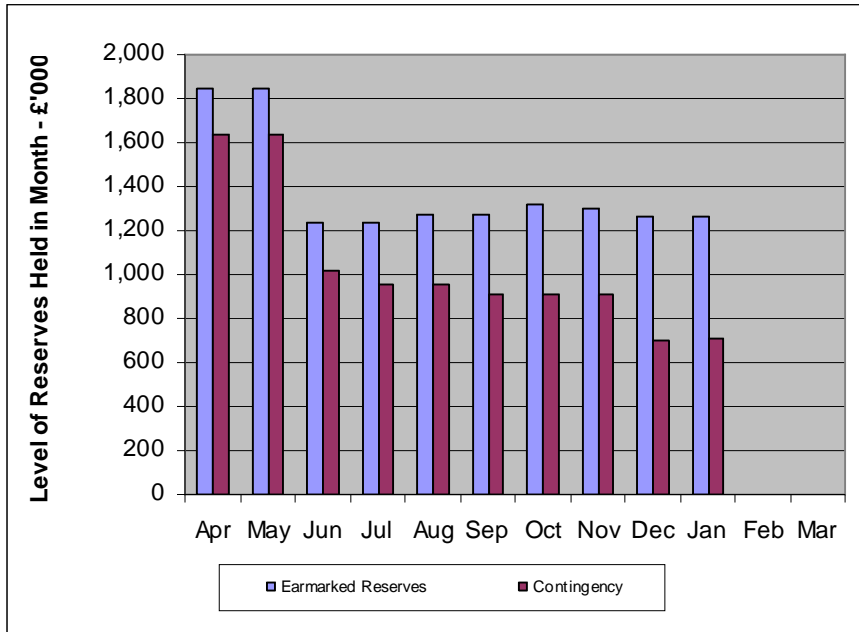
f. Financial Risks - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

Current value of risks logged = £239k

RAG rating is GREEN

One change was made to the risk register in month. A risk to the value of £250k was identified at the beginning of the year relating to recruitment issues in the provider arm. The effect of this is now reflected within the provider arm year end forecast and so it is no longer necessary to identify this as a risk.

- 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 £1.98 million, which is 0.3% of the RRL.

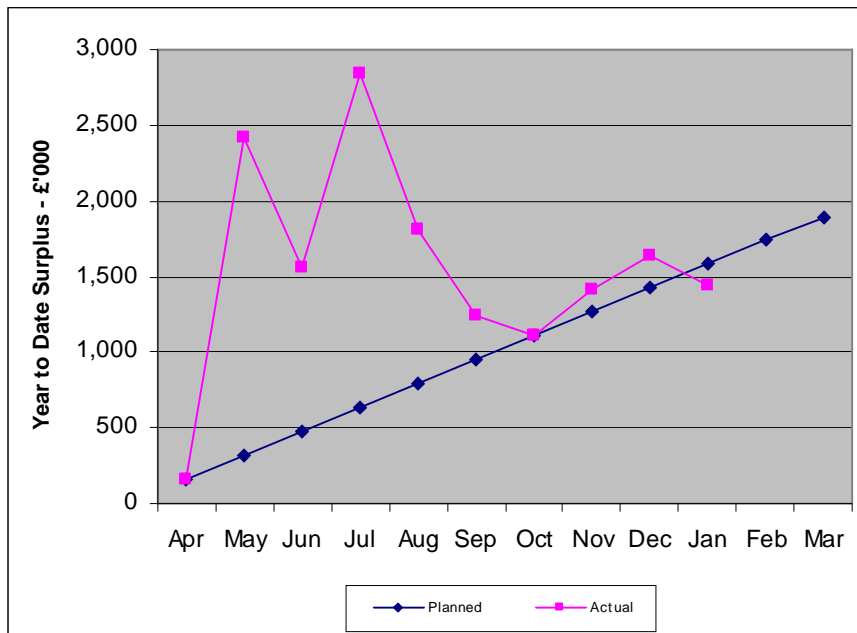
Position year to date

GREEN

Forecast position to year end

GREEN

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

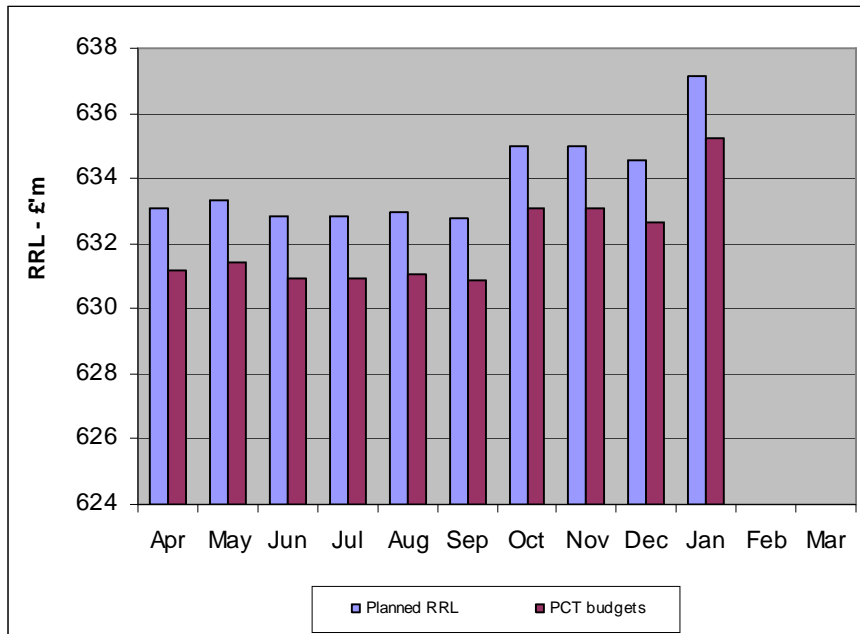
Forecast position to year end

GREEN

	Target Variance (YTD) £'000	Actual Variance (YTD) £'000	Distance from Target (YTD) £'000
Position against commissioning budgets	0	(801)	(801)
Under spend/(overspend) on provider arm	0	653	653
YTD Position Against Budgets	0	(148)	(148)
Surplus target not issued	1,583	1,583	0
Operational Financial Balance	1,583	1,436	(148)

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.

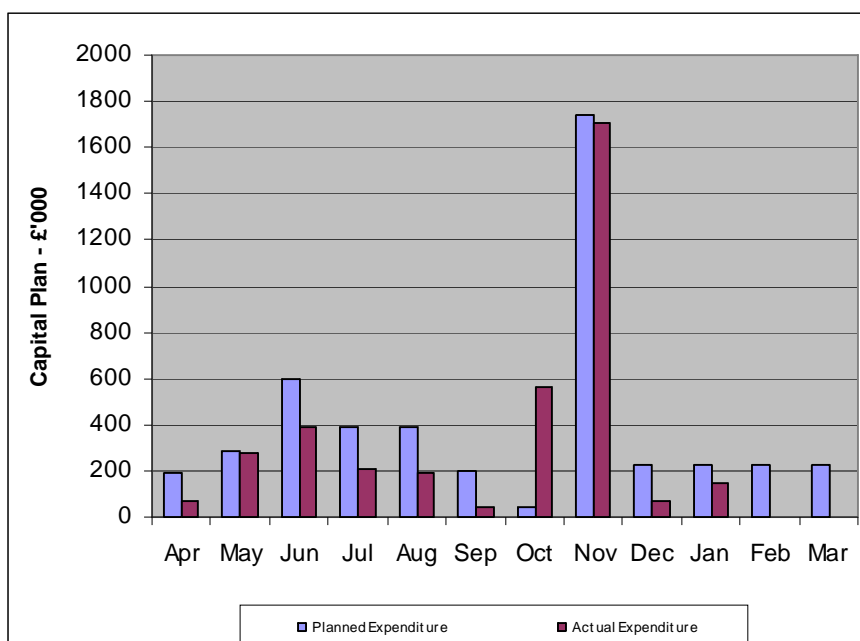
Position year to date

GREEN

Forecast position to year end

GREEN

- 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.

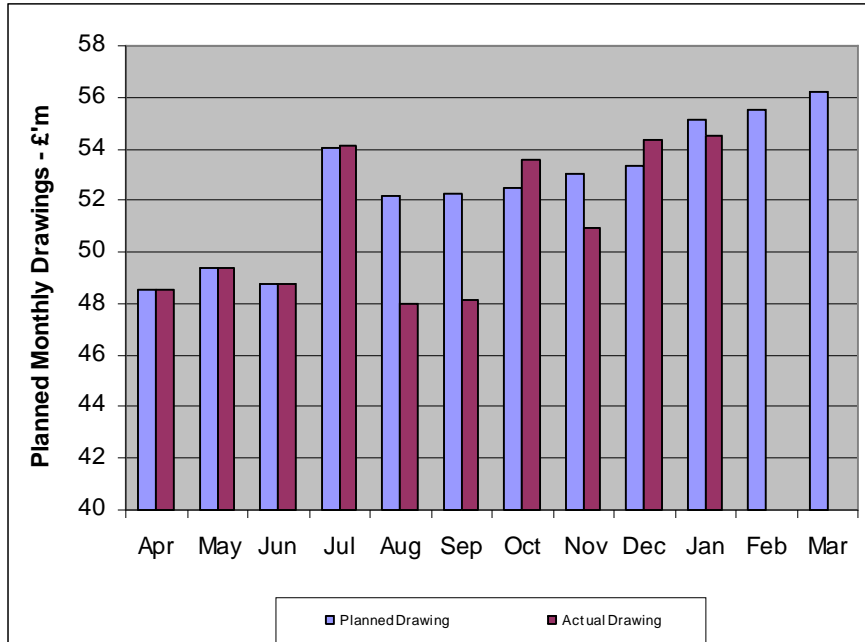
Position year to date

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 less cash than planned in month.

Position year to date

RED

Forecast position to year end

GREEN

The PCT has under drawn cash by nearly £9 million year to date. The PCT is planning to draw down cash to its cash limit less £1.9 million in line with the forecast revenue surplus.

4. Commissioning

The table below shows the breakdown of the financial performance of the commissioning arm to 31st January 2009.

	YEAR TO DATE				Change in Month £'000
	Annual Budget	Budget To Date	Expenditure To Date	Variance To date	
	£'000	£'000	£'000	£'000	
Commissioning					
Acute Services	225,051	187,542	194,479	(6,937)	(6,937)
Specialised Services	86,093	71,745	71,856	(112)	(112)
Community Services	75,106	62,550	63,101	(551)	(551)
Mental Health	47,097	39,175	38,530	645	645
Learning Difficulties	22,133	18,444	19,151	(707)	(707)
Other Commissioning	4,948	4,287	2,567	1,719	1,719
Commissioning Reserve	3,193	2,661	0	2,661	2,661
Sub-Total	463,620	386,403	389,684	(3,282)	(3,282)
Primary Care Services					
GMS	39,902	30,941	30,944	(3)	(3)
PMS	14,374	11,349	10,978	371	371
Prescribing	71,031	59,192	56,129	3,063	3,063
Pharmacy Contract	2,659	2,215	4,049	(1,834)	(1,834)
Dental Contracts	15,950	13,291	13,291	0	0
Sub-Total	143,916	116,988	115,391	1,597	1,597
Public Health					
Health Promotion	2,625	2,162	1,889	273	273
Smoking Cessation	850	708	564	144	144
Sub-Total	3,475	2,870	2,453	417	417
Organisational Costs					
Management costs	21,084	16,707	16,914	(207)	(207)
Capital charges	936	780	106	674	674
Sub-Total	22,020	17,487	17,020	467	467
Reserves					
Specific	1,268	0	0	0	0
Contingency	713	0	0	0	0
Sub-Total	1,981	0	0	0	0
Total BEN PCT	635,012	523,748	524,548	(801)	(801)
Surplus Target	1,900	1,583	0	1,583	1,583
Total BEN PCT RRL	636,912	525,331	524,548	783	783

5. Balance Sheet

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

Balance Sheet as at 31st January 2009

BALANCE SHEET	Start point £000s	Jan £000s	Forecast £000s
Total Fixed Assets	32,324	31,693	30,189
Current Assets			
Debtors	25,457	20,513	23,240
Cash at bank	11	51	11
Total Current Assets	25,468	20,564	23,251
Current Liabilities			
Creditors due < 1 year	(72,137)	(79,945)	(71,311)
Total Current Liabilities	(72,137)	(79,945)	(71,311)
Net Current Assets	(46,669)	(59,381)	(48,060)
Total Assets Less Current Liabilities	(14,345)	(27,688)	(17,871)
Provisions for Liabilities & Charges	(4,847)	(4,279)	(4,847)
Total Assets Employed	(19,192)	(31,967)	(22,718)
Financed by:			
Tax Payers' Equity			
General fund	(25,268)	(39,262)	(29,923)
Revaluation Reserve	2,993	3,712	3,714
Donated Reserve	3,036	3,163	3,071
Government Grant Reserve	47	420	420
Total Taxpayers' Equity	(19,192)	(31,967)	(22,718)

6. Balance Sheet Reconciliations

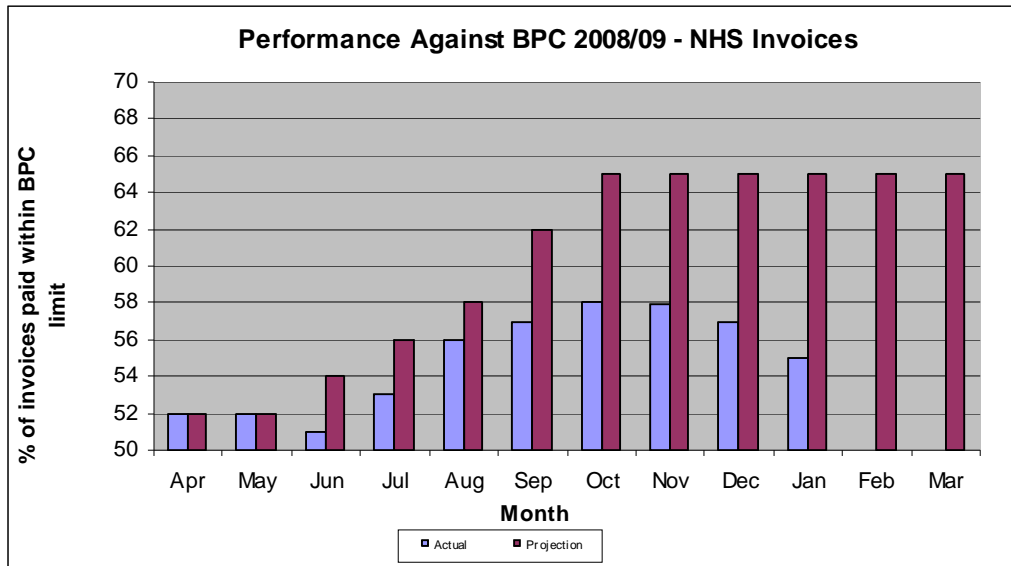
Cash flow reconciliation	Mth 10 £'000	YTD £'000
Expenditure		
Revenue	54,734	527,706
Capital	143	3,667
Total expenditure	54,877	531,373
Funded by		
Dept of Health cash funding	54,804	514,181
Movement in working balances (Drs/ Crs/Provisions)	(4,871)	12,184
Capital income	4,550	4,695
Capital charges	(45)	353
(Increase) / Decrease in Cash	439	(40)
	54,877	531,373

Movement on General Fund	Mth 10 £'000	YTD £'000
General Fund Opening Balance	(39,189)	(25,268)
Net Parliamentary Funding	54,804	514,181
Transfers (to)/from other NHS bodies	0	0
Cost of Capital Charges	(145)	(705)
Transfer from OCS	(54,734)	(527,706)
Transfer of realised profits/(losses)	0	0
Other movements	1	235
Closing Balance	(39,263)	(39,263)

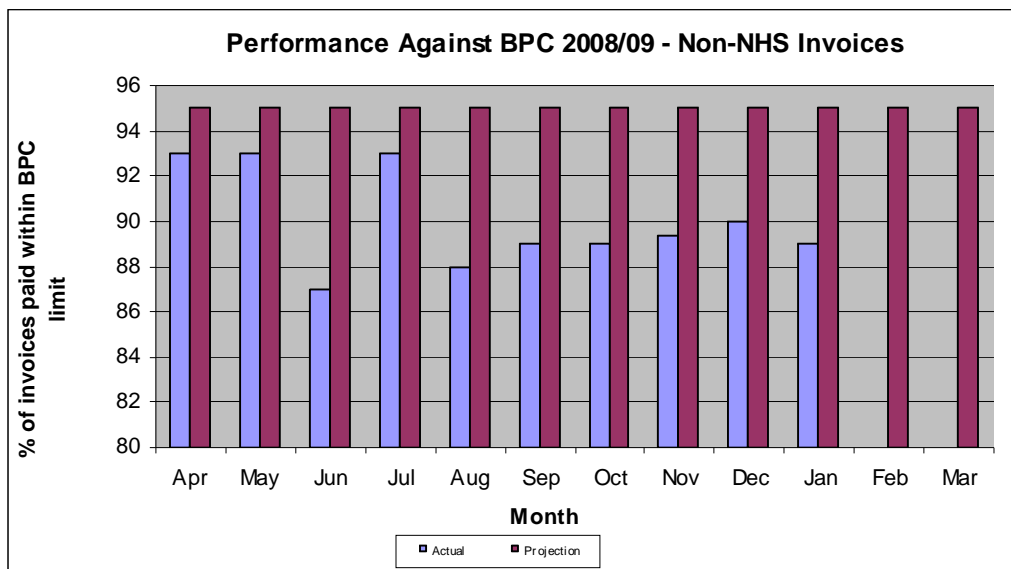
7. Better Payment Code

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.



8. 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	(2,306)	(2,306)
Under spend/(overspend) on provider arm	0	1,010	1,010
Forecast Position Against Budgets	0	(1,296)	(1,296)
Surplus target not issued	1,900	1,900	0
Forecast Surplus/(Deficit)	1,900	604	(1,296)

The PCT is making steady progress towards its surplus target of £1.9 million. The forecast outturn has improved by £800k in month due to a number of smaller movements across the commissioning arm of the PCT. The PCT remains confident that it will meet its surplus target.

9. Recommendation

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