

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 28th February 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.

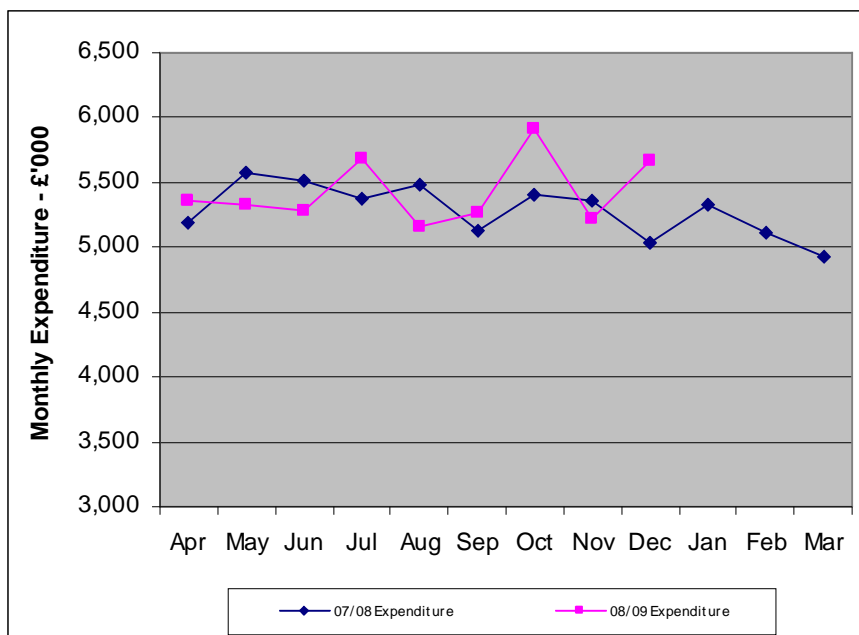
KFI Name and Measurement	Period	Performance Year to Date	Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Dec	2,783	3,711	AMBER	AMBER
Provider arm position (Over)/ underspend against budget (£000)	Apr to Feb	815	912	AMBER	AMBER
HEFT Contract (Over)/ underspend against budget (£000)	Apr to Jan	(8,285)	(9,942)	RED	RED
New investments (Over)/ underspend against plan (£000)	Apr to Feb	2,195	794	AMBER	GREEN
Unplanned allocations Net (decrease)/ increase to RRL (£000)	Feb	(66)	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	Feb	239	N/A	GREEN	N/A
Reserves Funds being held in reserve (£000)	Feb	2,097	719	GREEN	GREEN
Year End Surplus (Lower)/ higher than plan (£000)	Apr to Feb	(43)	0	AMBER	GREEN

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 Feb	1,900	1,900	GREEN	GREEN
Capital Resource Limit (Over)/ under spend against CRL (£000)	Apr to Feb	2,037	Breakeven	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to Feb	8,845	Breakeven	RED	GREEN

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

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 nine prescribing. The forecast outturn is a **£3.7 million underspend.**

Position year to date

AMBER

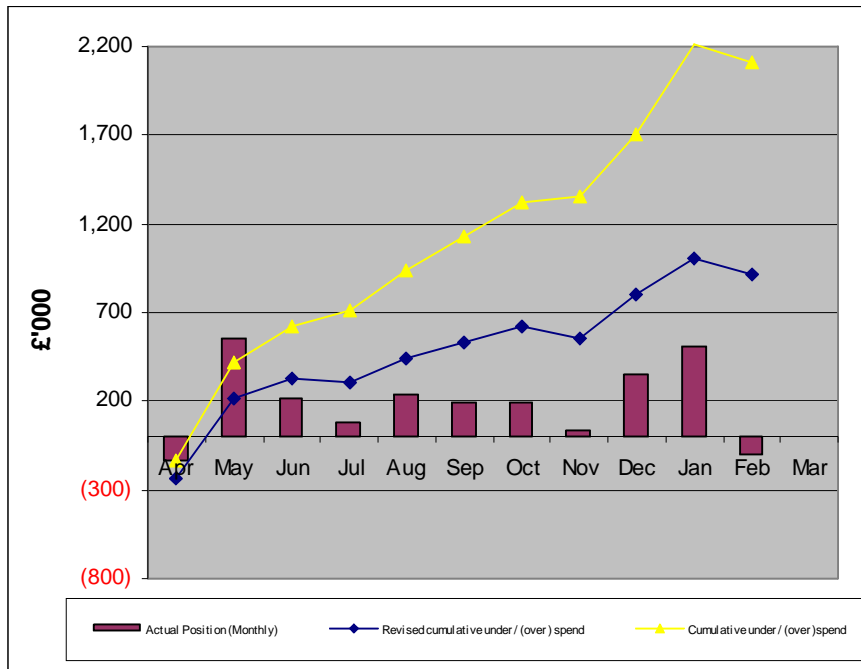
Forecast position to year end

AMBER

The forecast outturn for prescribing has moved again this month. The forecast outturn reported to the last Board was a £4.0 million underspend. The latest forecast from the PPA is a £3.7 million underspend. This is the lowest forecast underspend to date.

Expenditure in month nine was 12% higher than for the same month last year, while the year on year comparative growth in prescribing spend is 1.7%.

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



The provider arm is now forecasting a surplus of £0.9 million.

Position year to date

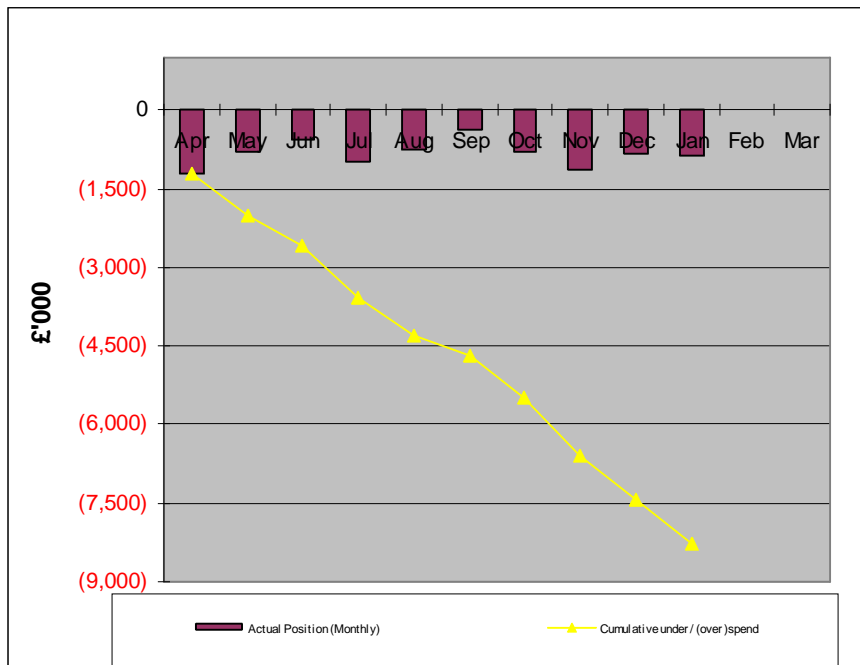
AMBER

Forecast position to year end

AMBER

The provider arm is forecasting a surplus of £0.9 million. This has moved £100k since last month, relating to an increased provision for back pay for staff previously employed by the city council.

- 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 ten months of the year there is a cumulative overspend of £8.3 million.

Position year to date

RED

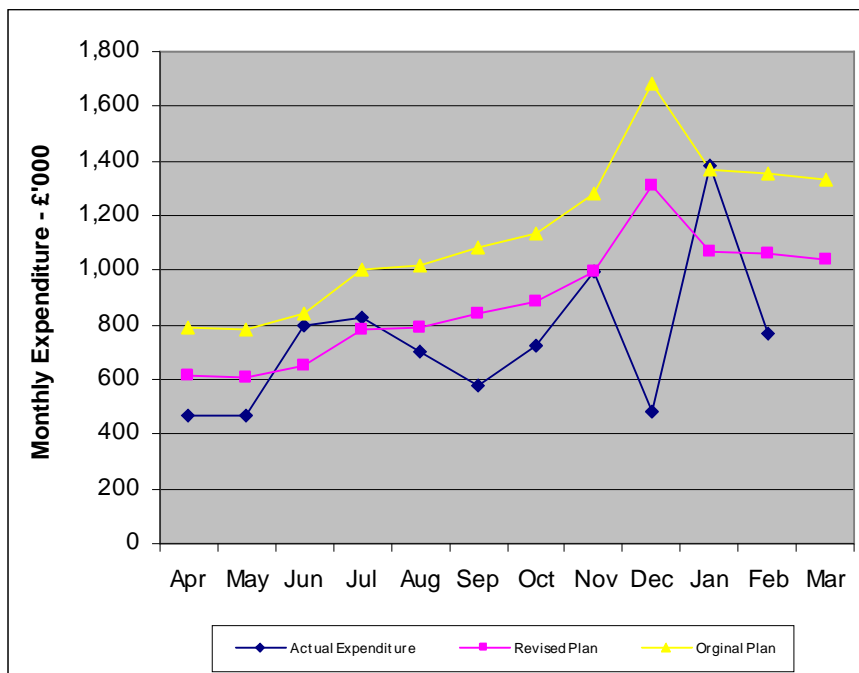
Forecast position to year end

RED

Based on data for April to January, the forecast year end overspend, as reported through HEFT contract monitoring, remains unchanged this month at £9.9 million.

This level of over performance is the net effect of the actions taken by the PCT during the course of the year and would have been significantly higher without the various challenges and interventions pursued by the PCT.

- 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

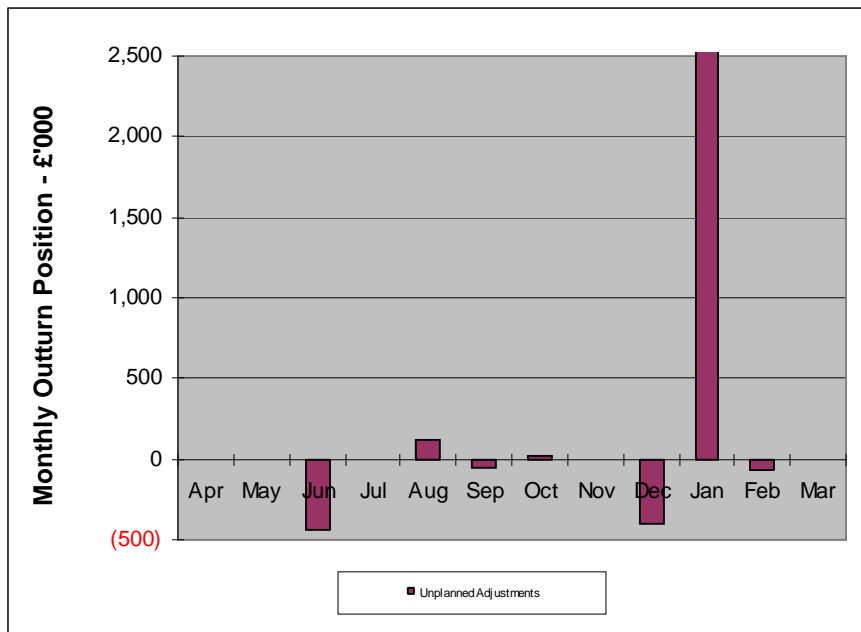
Forecast position to year end

GREEN

Spend on these new investments in February was significantly below both the original and revised plans.

The total slippage forecast on these investments is now £3.5 million. This is reflected in the PCT's year end forecast. Slippage over and above £3.5 million could have a significant impact on the PCT's ability to meet its surplus target.

- 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

There were three unanticipated changes to the RRL this month, reducing it by £66k.

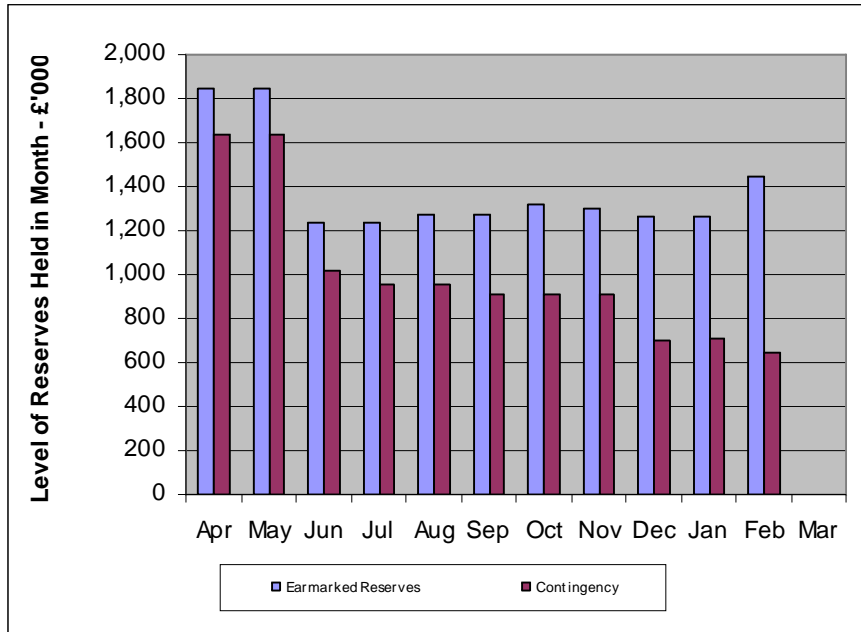
- f. **Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

Current value of risks logged = £239k

RAG rating is GREEN

There were no changes to the risk register in month.

- 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 £2.10 million, which is 0.3% of the RRL.

Position year to date

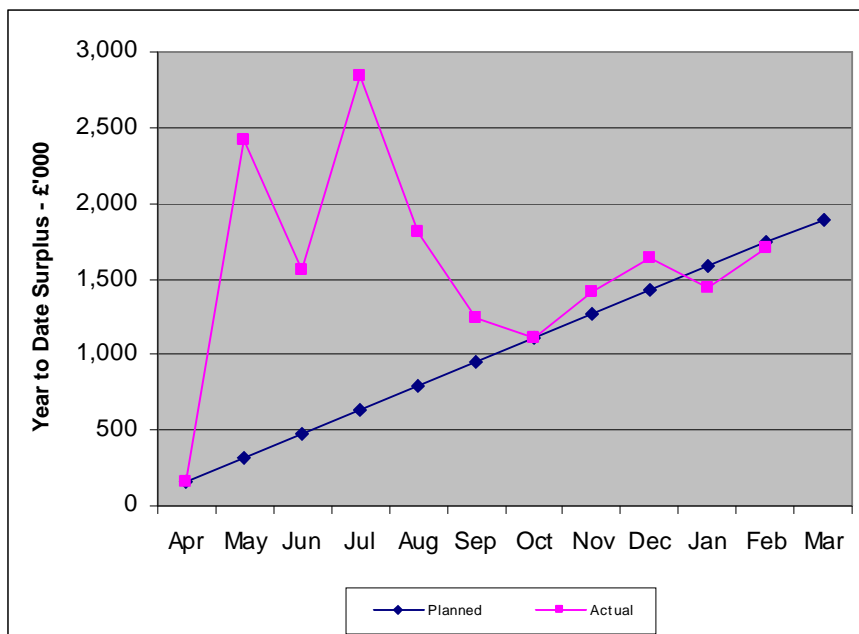
GREEN

Forecast position to year end

GREEN

The level of reserves held by the PCT increased by £116k in month. In addition to the allocation adjustments referred to earlier, the PCT received £180k for the Productive Wards Programme, which is payable to HEFT.

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

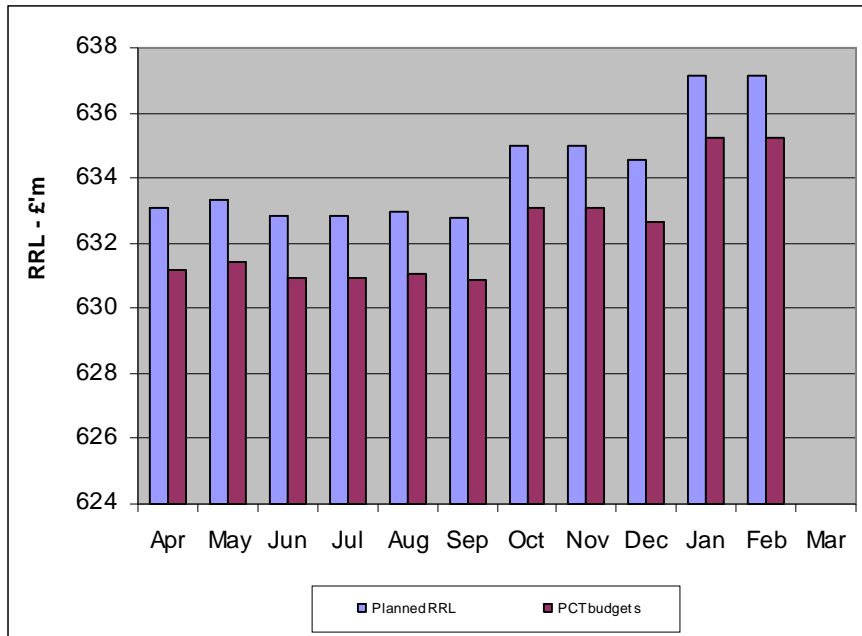
Forecast position to year end

GREEN

	Target Variance (YTD) £'000	Actual Variance (YTD) £'000	Distance from Target (YTD) £'000
Position against commissioning budgets	0	(858)	(858)
Under spend/(overspend) on provider arm	0	815	815
YTD Position Against Budgets	0	(43)	(43)
Surplus target not issued	1,742	1,742	0
Operational Financial Balance	1,742	1,699	(43)

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.

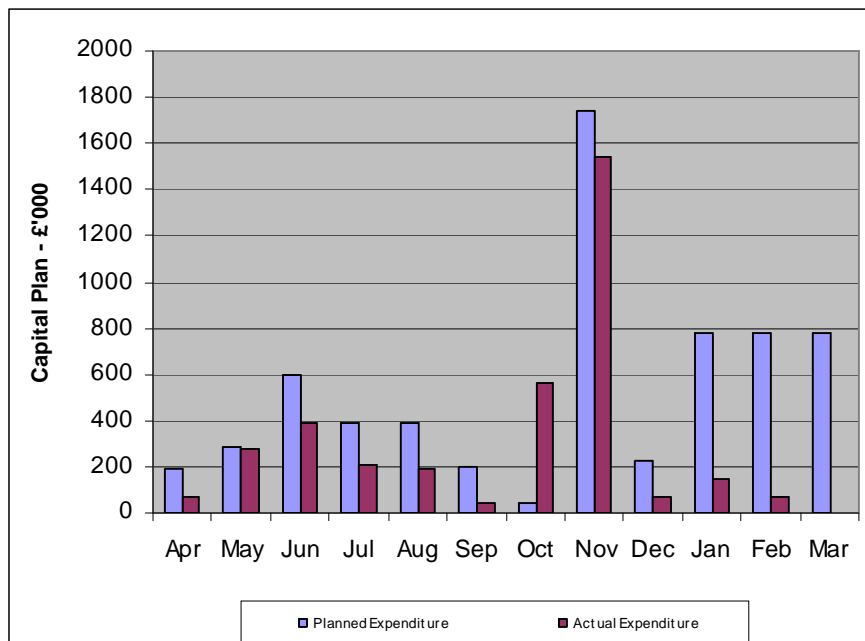
Position year to date

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.

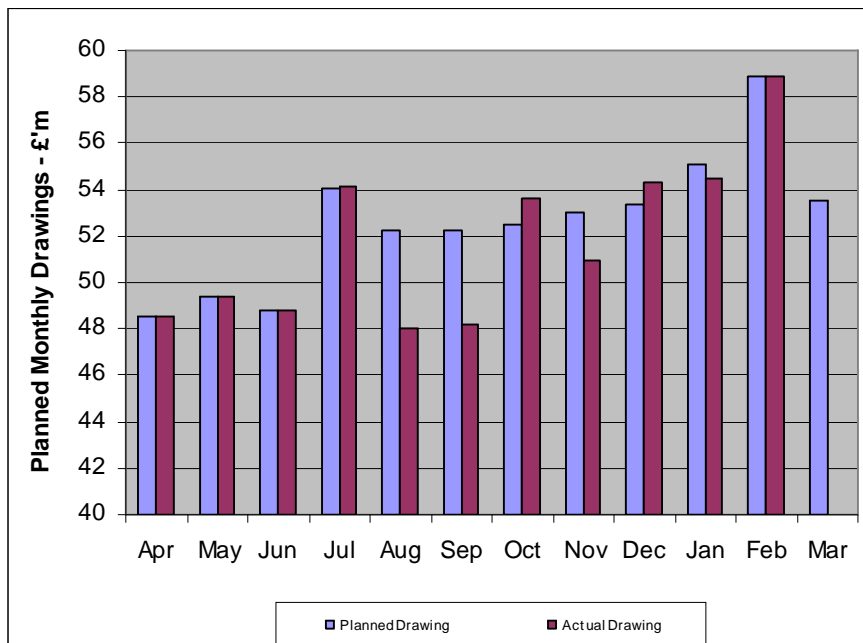
Position year to date

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 the amount of cash 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 28th February 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	206,296	214,045	(7,749)	(812)
Specialised Services	86,093	78,919	79,011	(92)	19
Community Services	75,077	68,798	70,296	(1,498)	(947)
Mental Health	47,097	43,136	41,791	1,345	700
Learning Difficulties	22,133	20,288	21,066	(777)	(71)
Other Commissioning	5,145	4,716	3,847	868	(851)
Commissioning Reserve	3,193	2,927	0	2,927	266
Sub-Total	463,789	425,080	430,057	(4,977)	(1,695)
Primary Care Services					
GMS	39,902	34,030	34,144	(114)	(111)
PMS	14,374	12,488	11,983	505	134
Prescribing	71,030	65,111	61,629	3,482	419
Pharmacy Contract	2,659	2,437	4,455	(2,018)	(184)
Dental Contracts	15,950	14,620	14,622	(2)	(2)
Sub-Total	143,915	128,686	126,833	1,853	256
Public Health					
Health Promotion	2,625	2,394	2,079	315	42
Smoking Cessation	850	780	653	127	(17)
Sub-Total	3,475	3,174	2,732	442	25
Organisational Costs					
Management costs	21,117	18,776	18,381	395	602
Capital charges	936	858	136	722	48
Sub-Total	22,053	19,634	18,517	1,117	650
Reserves					
Specific	1,450	707	0	707	707
Contingency	647	0	0	0	0
Sub-Total	2,097	707	0	707	707
Total BEN PCT	635,329	577,281	578,139	(858)	(57)
Surplus Target	1,900	1,742	0	1,742	158
Total BEN PCT RRL	637,229	579,023	578,139	884	102

5. Balance Sheet

The balance sheet for month 11 is shown in the table below.

Balance Sheet as at 28th February 2009

BALANCE SHEET	Start point £'000	Feb £'000	Forecast £'000
Total Fixed Assets	32,324	31,482	30,189
Current Assets			
Debtors	25,457	7,493	23,240
Cash at bank	11	4,422	11
Total Current Assets	25,468	11,915	23,251
Current Liabilities			
Creditors due < 1 year	(72,137)	(65,490)	(71,311)
Total Current Liabilities	(72,137)	(65,490)	(71,311)
Net Current Assets	(46,669)	(53,575)	(48,060)
Total Assets Less Current Liabilities	(14,345)	(22,093)	(17,871)
Provisions for Liabilities & Charges	(4,847)	(4,379)	(4,847)
Total Assets Employed	(19,192)	(26,472)	(22,718)
Financed by:			
Tax Payers' Equity			
General fund	(25,268)	(33,760)	(29,923)
Revaluation Reserve	2,993	3,712	3,714
Donated Reserve	3,036	3,156	3,071
Government Grant Reserve	47	420	420
Total Taxpayers' Equity	(19,192)	(26,472)	(22,718)

6. Balance Sheet Reconciliations

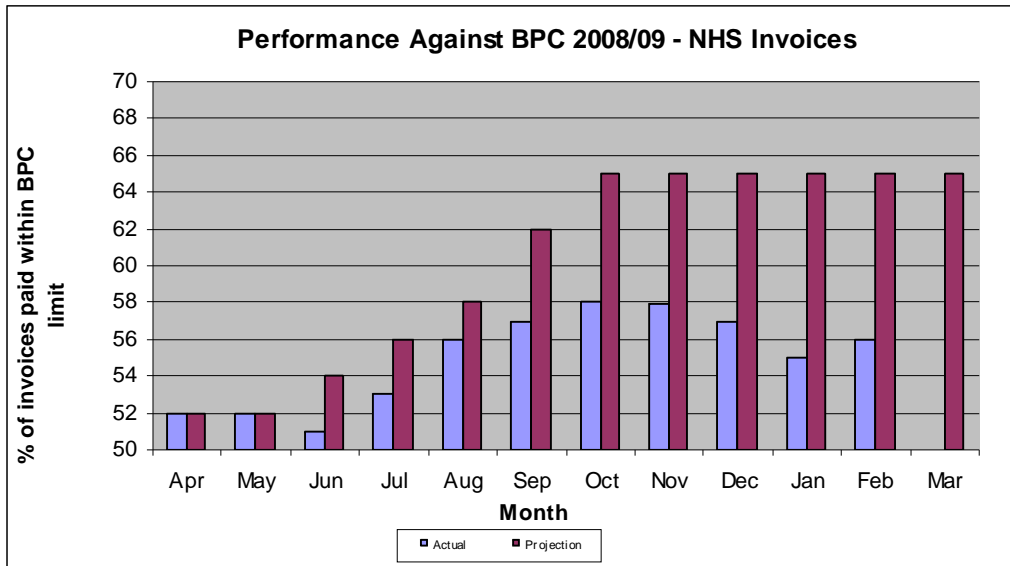
Cashflow reconciliation	Mth 11 £'000	YTD £'000
Expenditure		
Revenue	53,636	581,508
Capital	69	3,570
Total expenditure	53,705	585,078
Funded by		
Dept of Health cash funding	59,382	573,563
Movement in working bals (Drs/ Crs / Provn)	(1,335)	10,849
Capital income	0	4,695
Capital charges	29	382
(Increase) / Decrease in Cash	(4,371)	(4,411)
	53,705	585,078

Movement on General Fund	Mth 10 £'000	YTD £'000
General Fund Opening Balance	(39,263)	(25,268)
Net Parliamentary Funding	59,382	573,563
Transfers (to)/from other NHS bodies	0	
Cost of Capital Charges	(77)	(782)
Transfer from OCS	(53,802)	(581,508)
Transfer of realised profits/(losses)	0	
Other movements	0	235
Closing Balance	(33,760)	(33,760)

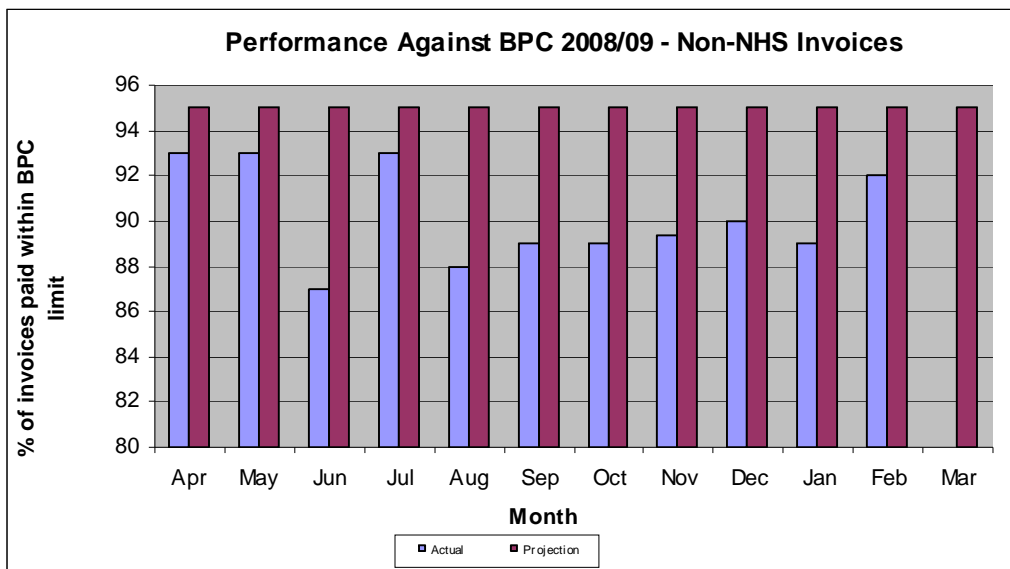
7. Better Payment Code

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	(1,473)	(1,473)
Under spend/(overspend) on provider arm	0	912	912
YTD Position Against Budgets	0	(561)	(561)
Surplus target not issued	1,900	1,900	0
Operational Financial Balance	1,900	1,339	(561)

The PCT continues to make steady progress towards its surplus target.

In February, the PCT reviewed its accounting treatment of incomplete spells, that is, the cost to the PCT of patients occupying a bed on 31st March. In order to be consistent with HEFT and other bodies in the health economy, the PCT is now forecasting in line with HEFT's method of calculation.

The impact of this change in method of calculation is forecast to be £1.2 million.

The impact of this in month has been somewhat offset by the change in the prescribing forecast outturn and by smaller changes in forecasts across the PCT's portfolio.

The PCT remains confident in reaching its surplus target of £1.9 million.

9. Recommendation

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