

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 31ST MAY 2008

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Appendix 1 – Proposed Format for the Finance and Activity Report to the Trust Board

1. Executive Summary

1.1 The PCT has identified eight key financial indicators (KFIs) which will be used, alongside the three statutory duties, as a framework to report the financial position as the year progresses.

1.2 A summary of performance against the eight KFIs is shown in the table below:-

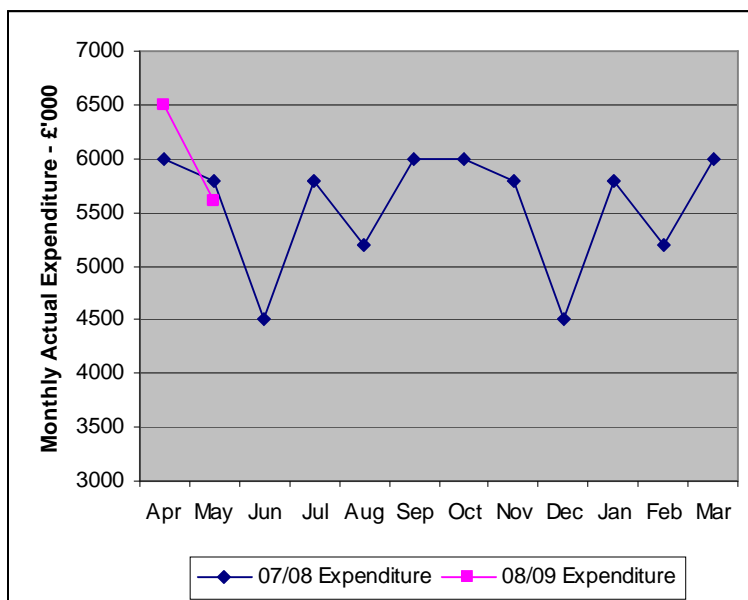
KFI Name and Measurement	Period	Absolute Performance Year to Date	Absolute Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/ under spend compared to previous year (£000)	Apr	300	Breakeven	GREEN	GREEN
Provider arm position (Over)/ under spend against budget (£000)	Apr to May	600	1800	RED	RED
HEFT Contract (Over)/ under spend against budget (£000)	Apr	(250)	(1250)	AMBER	AMBER
New investments Variance from monthly investment target (£000)	Apr to May	(250)	Breakeven	GREEN	GREEN
Unplanned allocations Level of unplanned allocations in the month (£000)	Apr to May	200	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	Apr to May	900	N/A	AMBER	N/A
Reserves Funds being held in reserve (£000)	Apr to May	3200	N/A	GREEN	N/A
Year End Surplus Variance from surplus target (£000)	Apr to May	500	1900	GREEN	GREEN

1.3 A summary of performance against the three statutory duties is shown 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 May	1900	1900	GREEN	GREEN
Capital Resource Limit (Over)/ under spend against CRL (£000)	Apr to May	(390)	Breakeven	RED	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to May	(1)	Breakeven	GREEN	GREEN

2. Key Financial Indicators

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



Year to date the GP prescribing spend is 2.5% higher than the same period last year.

Position year to date

GREEN

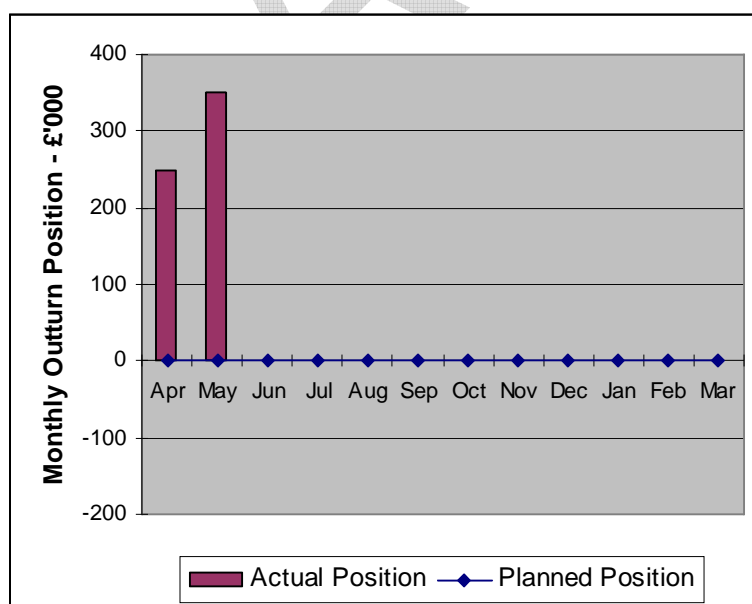
Forecast position to year end

GREEN

- 2.1 In May, the expenditure on GP prescribing was 3.5% lower than in May 2007. The PCT will closely monitor any under spend against this budget.

- 2.2 The year to date position is a 2.5% increase on the same period in 2007/08.

- b. **Provider Arm Position** - *The provider function must demonstrate full cost recovery against provider functions.*



The provider arm is currently posting large monthly under spends.

Position year to date

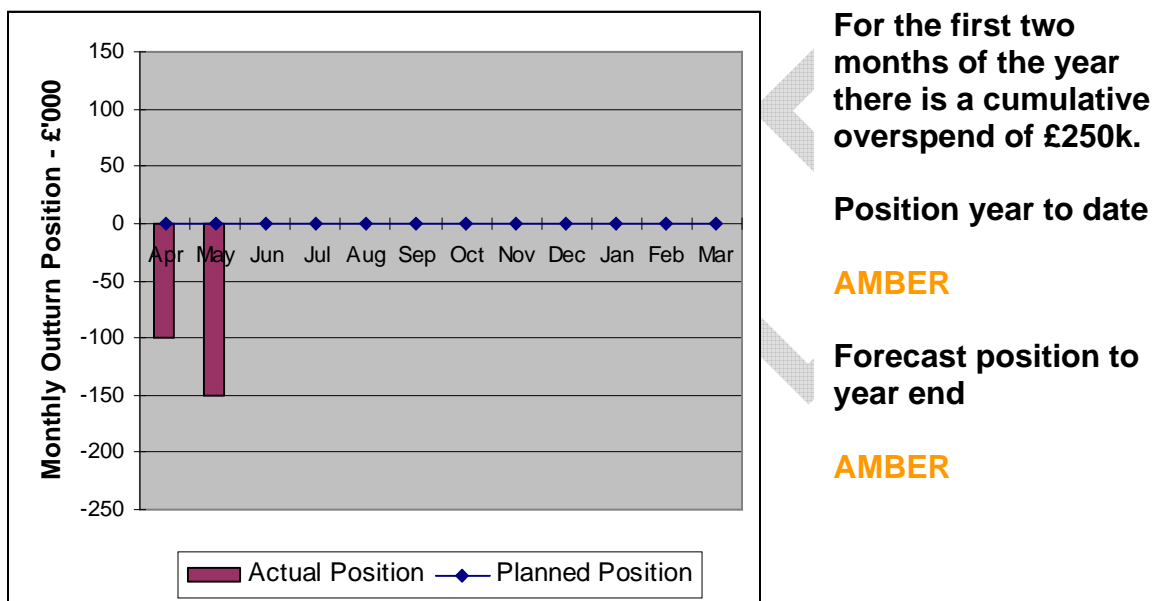
RED

Forecast position to year end

RED

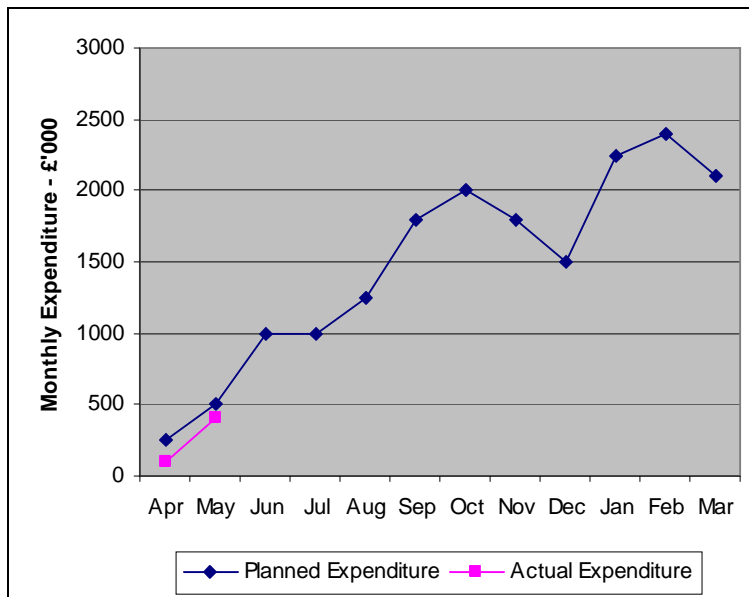
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- 2.3 The provider arm is currently showing large monthly under spends. This will impact on the ability of the PCT to meet its surplus target.
 - 2.4 Investigative work suggests that due to the large number of vacant posts in the provider arm, the surplus level may be sustained for some time.
 - 2.5 Steps have been taken to speed up the recruitment process; however, this will not impact on areas where staff have been difficult to find.
- c. **Heart of England FT (HEFT) Contract** - *This is the largest PCT contract and can therefore have a large effect on the PCT position.*



- 2.6 The HEFT contract is showing a small overspend of 1.8% at this point in the financial year.
 - 2.7 This overspend will be discussed through the PCT performance monitoring mechanism at HEFT and any significant issues will be raised to the Trust Board in the next report.
- d. **New Investments** - *The PCT has set out plans for £18 million of investment in 2008/09. Slippage against this plan will impact on the ability to deliver the required surplus.*

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Investments are broadly on track at this point of the year, although some small slippage has occurred.

Position year to date

GREEN

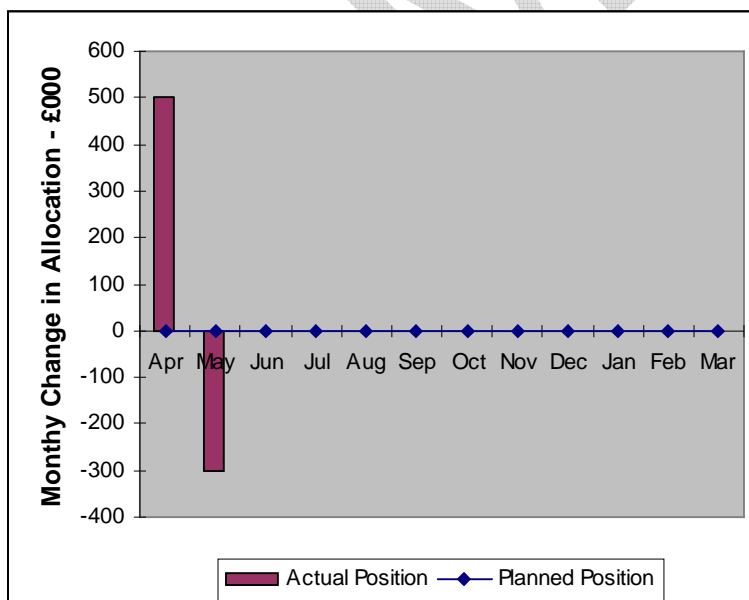
Forecast position to year end

GREEN

2.8 There are signs of some slippage against commissioning intentions year to date.

2.9 This monitoring is being shared with commissioning colleagues and currently the PCT is confident that in the next couple of months expenditure can come back in line with plan.

e. **Unplanned Allocation Changes** – Any unplanned changes in the PCT revenue resource limit (RRL) can materially effect the financial position.



Unplanned allocations have been made in the first two months of the year, although they largely offset each other.

Position year to date

GREEN

Forecast position to year end

N/A

2.10 An unplanned adjustment to the RRL occurred in June, due to the Department of Health top slicing allocation from PCTs to contribute to a central research budget.

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2.11 This indicator remains as green, however, because it largely offsets the unplanned allocation received in the previous month.

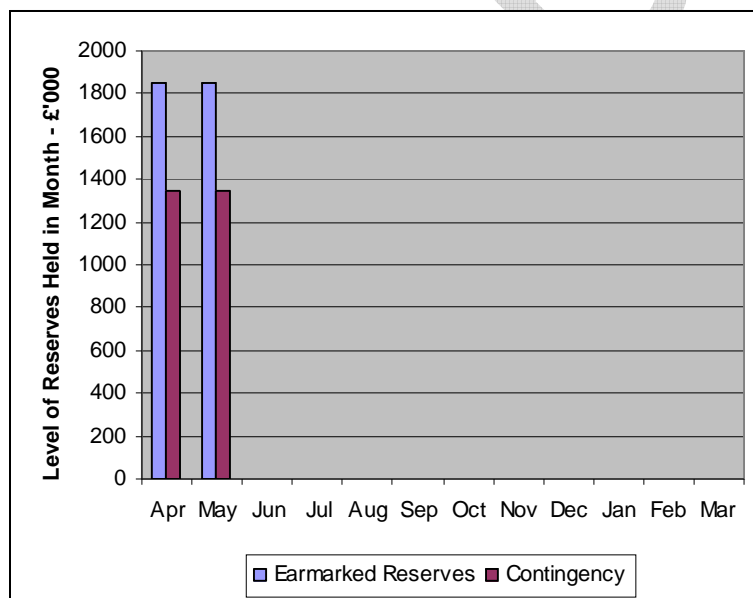
- f. **Financial Risks** - *The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which PCT is currently exposed.*

Current value of risks logged = £900k

RAG rating is AMBER

2.12 The risks that the PCT is currently exposed to are deemed to be manageable and only currently include downside risk. Other upside risks include not being able to recruit to PCT vacancies, which should offset any materialising downside risks.

- g. **Reserves** – *The PCT holds reserves for earmarked projects and contingencies throughout the year. A large reserve might effect the ability of the PCT to achieve its surplus target.*



Earmarked reserves should decrease throughout the year as funding is allocated.

The current total reserve is £3.2 million.

Position year to date

GREEN

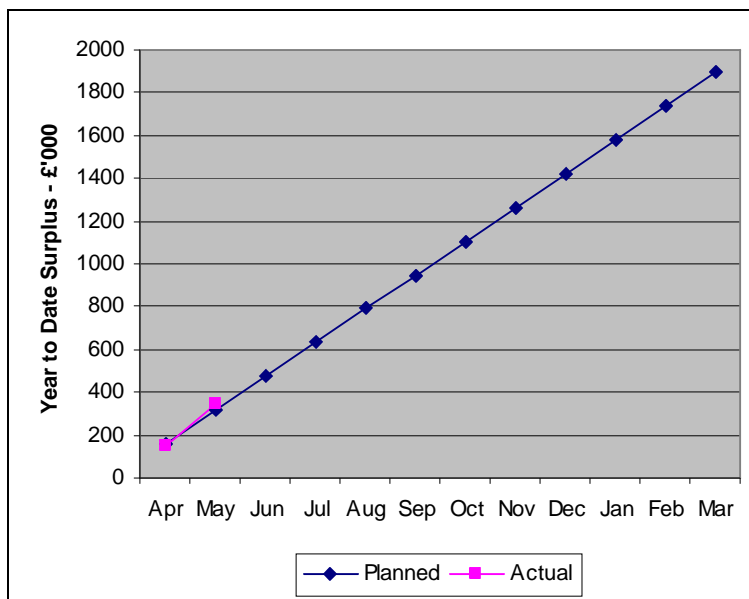
Forecast position to year end

N/A

2.13 No changes to reserves have been made in month 2.

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

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

Position year to date

GREEN

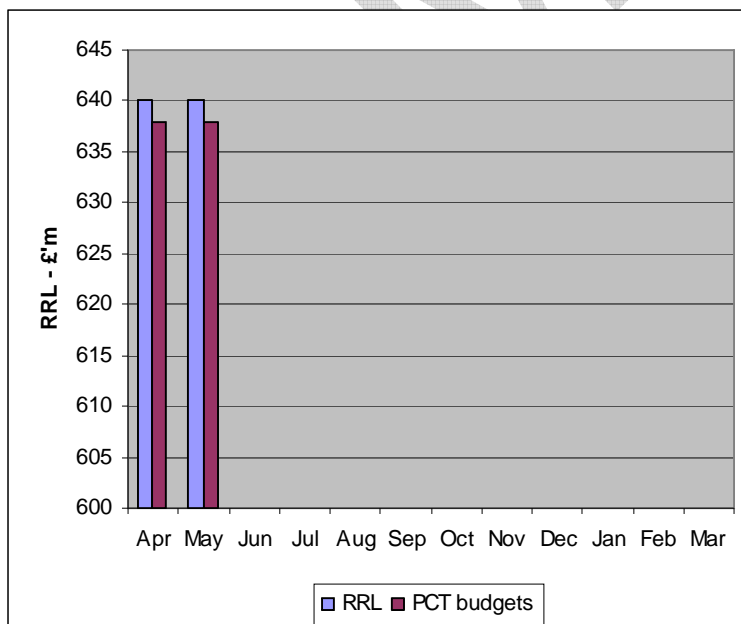
Forecast position to year end

GREEN

2.14 The PCT is on target to achieve the planned surplus, however, attention must be paid to a number of areas where large under spends may materialise. These are GP prescribing, provider arm recruitment and reserves.

3. Statutory Duties

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



The PCT has set budgets up to the value of the revenue resource limit and current expenditure is within budget.

Position year to date

GREEN

Forecast position to year end

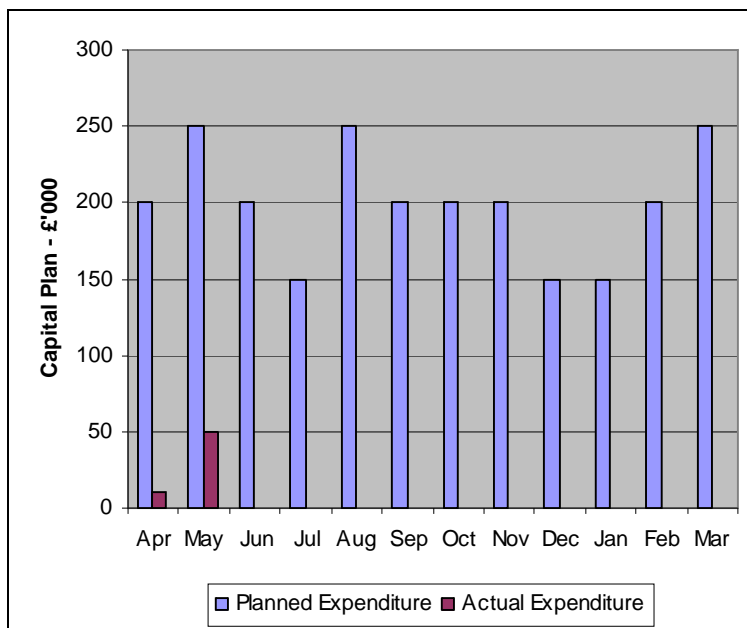
GREEN

3.1 No adjustments have been made to the initial RRL during month 2.

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

THIS IS A MOCK REPORT USING FICTITIOUS NUMBERS

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

Position year to date

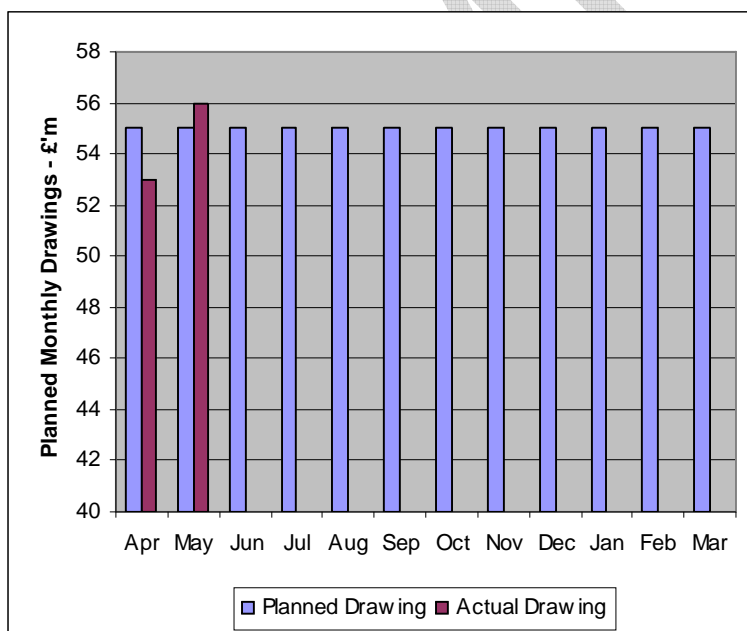
RED

Forecast position to year end

RED

3.2 Expenditure to date has been minimal, but the PCT is forecasting that all expenditure will be committed within the financial year.

k. **Cash Limit** – the PCT has a statutory duty to remain with the set cash limit.



The PCT has set a cash drawing profile for the year and remains within this profile year to date.

Position year to date

GREEN

Forecast position to year end

GREEN

4. Exception Reporting

4.1 This month the PCT received first cut data from the CBSA indicating that Meadow Field NHS FT is overspent by £2 million year to date, with a forecast outturn of £10 million over.

THIS IS A MOCK REPORT USING FICTITIOUS NUMBERS

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4.2 This variance is being investigated, with several outstanding data queries being evaluated.

4.3A more detailed report about this variance will be produced to the Integrated Performance and Governance Group.

5. Balance Sheet

5.1 The balance sheet for month two is shown in the table below:-

Balance Sheet as at May 2008

BALANCE SHEET	Opening Balance £000's 01/04/08	Closing Balance £000's 31/05/08	Forecast Year End £000's 31/03/09
Total Fixed Assets	31,234	32,680	26,511
Current Assets			
Debtors	21,858	15,258	15,258
Cash at bank	15	15	15
Total Current Assets	21,873	15,273	15,273
Current Liabilities			
Creditors due < 1 year	(76,022)	(61,963)	(53,148)
Total Current Liabilities	(76,022)	(61,963)	(53,148)
Net Current Assets	(54,149)	(46,690)	(37,875)
Total Assets Less Current Liabilities	(22,915)	(14,010)	(11,364)
Provisions for Liabilities & Charges	(5,074)	(4,672)	(3,958)
Total Assets Employed	(27,989)	(18,682)	(15,322)
Financed by:			
Tax Payers' Equity			
General fund	(32,433)	(24,783)	(21,360)
Revaluation Reserve	1,642	3,097	3,098
Donated Reserve	2,802	3,004	2,940
Total Taxpayers' Equity	(27,989)	(18,682)	(15,322)

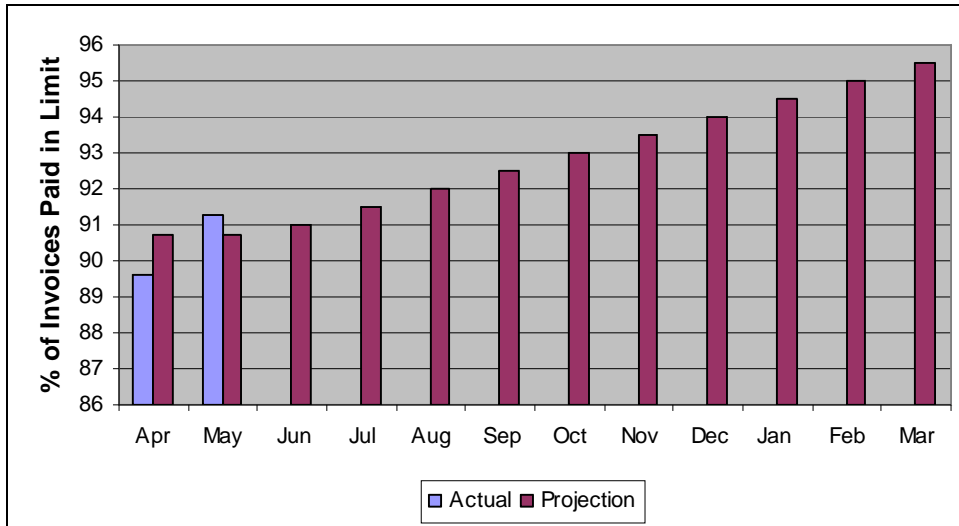
5.2 The main movements in fixed assets over the year will be the disposal of land and properties (£6m), indexation (£1.7m), depreciation (£1.5m) and additions (£1m).

6. Better Payment Code

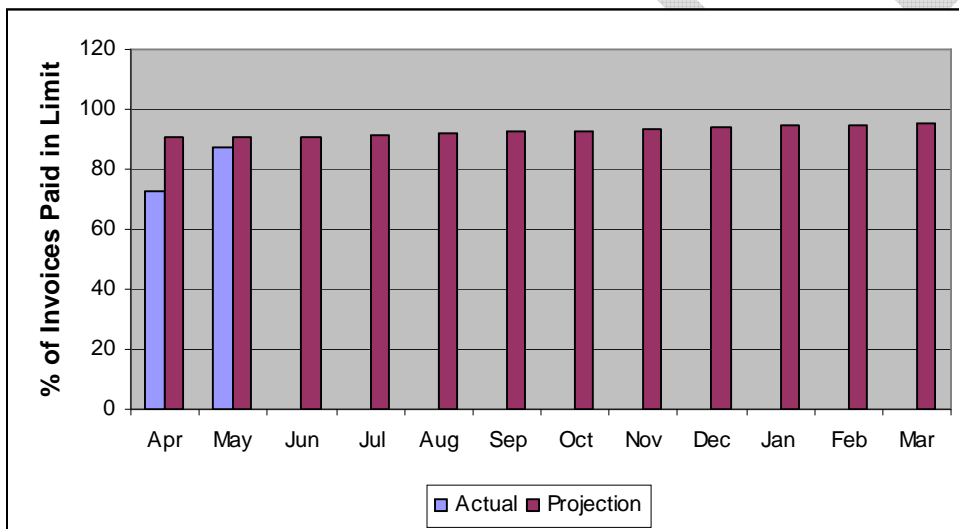
6.1 The PCT must meet the target of paying 95% of NHS and non-NHS invoices within 30 days.

6.2 The performance against this target for NHS invoices is shown in the graph below:-

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



7. Recommendations

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