

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 31st May 2009

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1. Executive Summary

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

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

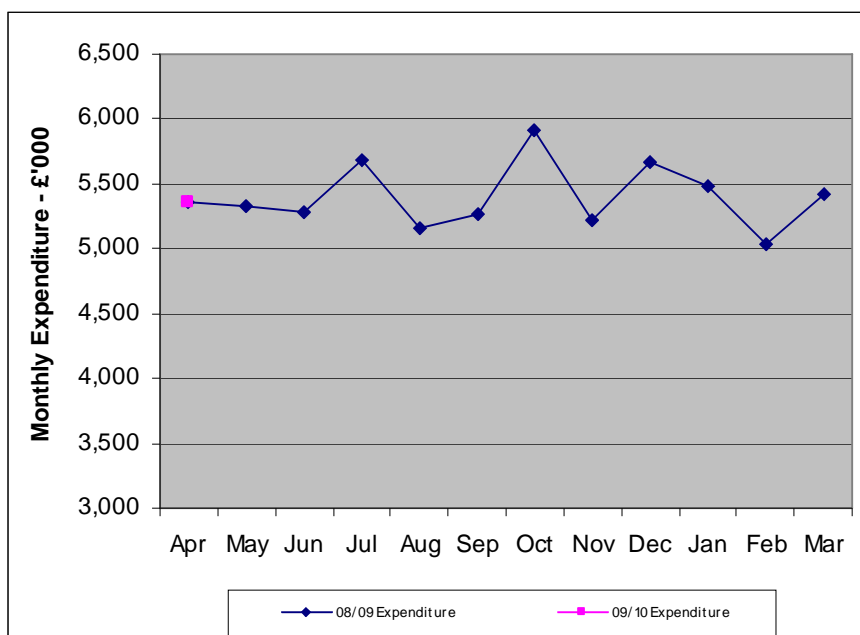
KFI Name and Measurement	Period	Performance Year to Date £'000	Forecast Year End Performance £'000	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
Prescribing (Over)/ underspend compared to plan (£000)	Apr to May	183	1,100	GREEN	GREEN
Provider arm position (Over)/ underspend against budget (£000)	Apr to May	465	1,429	AMBER	AMBER
HEFT Contract (Over)/ underspend against budget (£000)	Apr to May	(0)	(0)	GREEN	GREEN
Allocation adjustments Net (decrease)/ increase to RRL (£000)	May	2,312	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	May	2,851	N/A	GREEN	N/A
Reserves Funds being held in reserve (£000)	May	1,740	0	AMBER	GREEN
Year End Surplus (Lower)/ higher than plan (£000)	Apr to May	0	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 £'000	Absolute Forecast Year End Performance £'000	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
Revenue Resource Limit (Over)/ under spend against RRL (£000)	Apr to May	1,066	2,447	GREEN	GREEN
Capital Resource Limit (Over)/ under spend against CRL (£000)	Apr to May	0	0	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to May	0	0	GREEN	GREEN

2. Key Financial Indicators

- a. **Prescribing** - This is a budget which can materially affect the PCT position and which, historically, has been very volatile.



Data for April has been received. This is in line with 2008/09 expenditure levels.

Position year to date

GREEN

Forecast position to year end

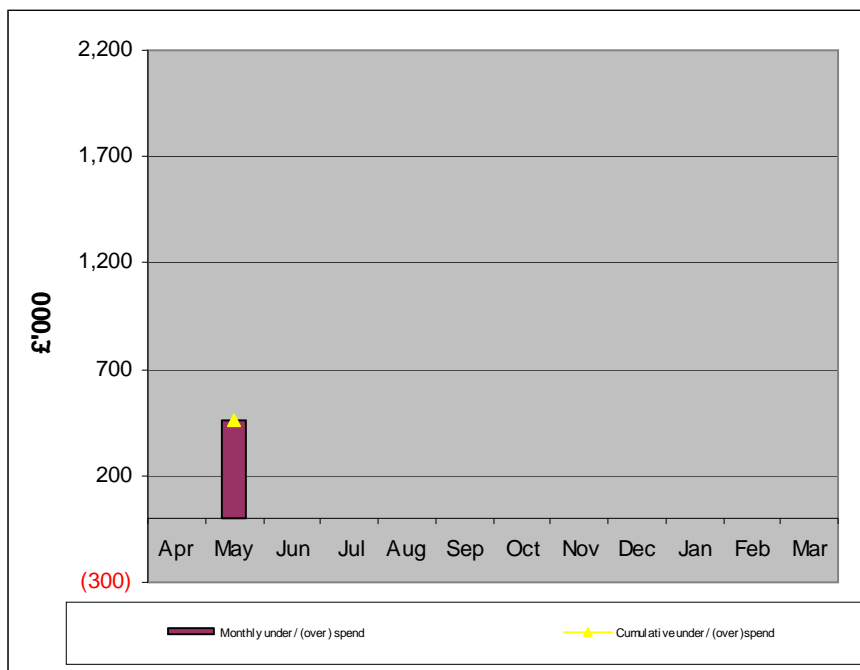
GREEN

April's prescribing data has now been received and is consistent with assumptions and forecasts contained within this paper. The graph above shows the pattern of spend in 2008/09, against which this year's spend will be plotted.

Budgets for GP prescribing have been uplifted by 2.5% on 2008/09 outturn. This allows for growth in both cost and volume.

The initial forecast for this year is an underspend of £1.1m.

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



The provider arm is forecasting a surplus of £1.4 million.

Position year to date

AMBER

Forecast position to year end

AMBER

The provider arm is forecasting a year end surplus of £1.4m. The year to date surplus is £465k.

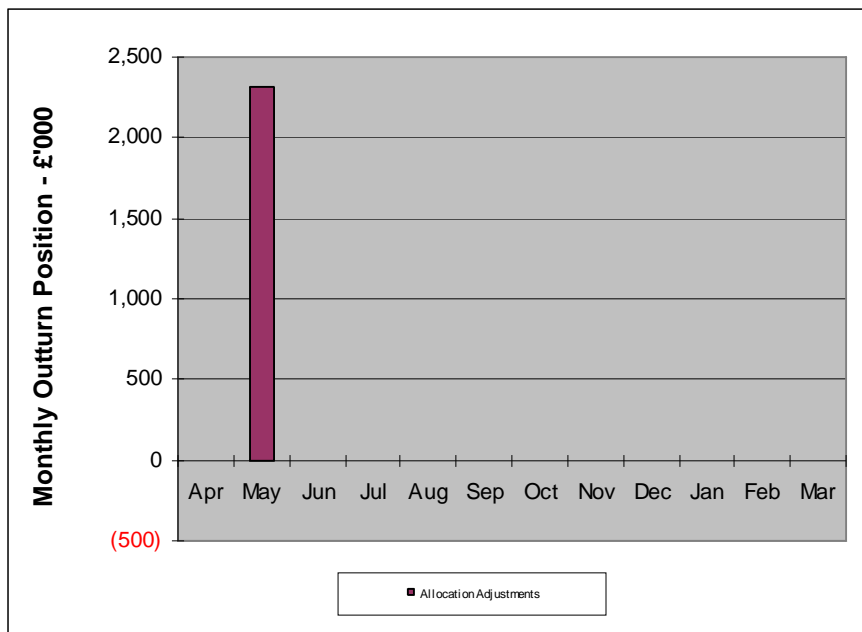
There are a number of assumptions underpinning this forecast. These focus primarily on recruitment and assume that some, but not all, posts will be filled and some agency staff will be used to cover those which remain unfilled.

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

The PCT and HEFT are currently in negotiations over the month one financial and activity values in line with the CBSA contract timetable agreed across the West Midlands.

The PCT and the Trust are close to agreeing an actual value of around £15.8 million for April activity, although there remains a discussion over the profiling of the agreed annual plan.

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



There were several changes to the RRL this month

Position year to date

GREEN

Forecast position to year end

N/A

A number of adjustments totalling £2,312k were made to the anticipated RRL in month.

The table below shows the movements in the RRL since the last Board report.

	£'000
RRL reported to May Board	686,894
Anticipated RRL at end of May	689,206
Movements	2,312
Additional Allocations	
HPV	403
Clinical Excellence Awards	1,286
Dental Vocational Trainees	533
Deprivation of Liberty Safeguards (DOLS)	90
Total	2,312

The Clinical Excellence Awards will be paid over to HEFT, and expenditure is currently been incurred in relation to the Dental Vocational Trainees. There are also existing expenditure plans for the additional allocations for HPV and DOLS.

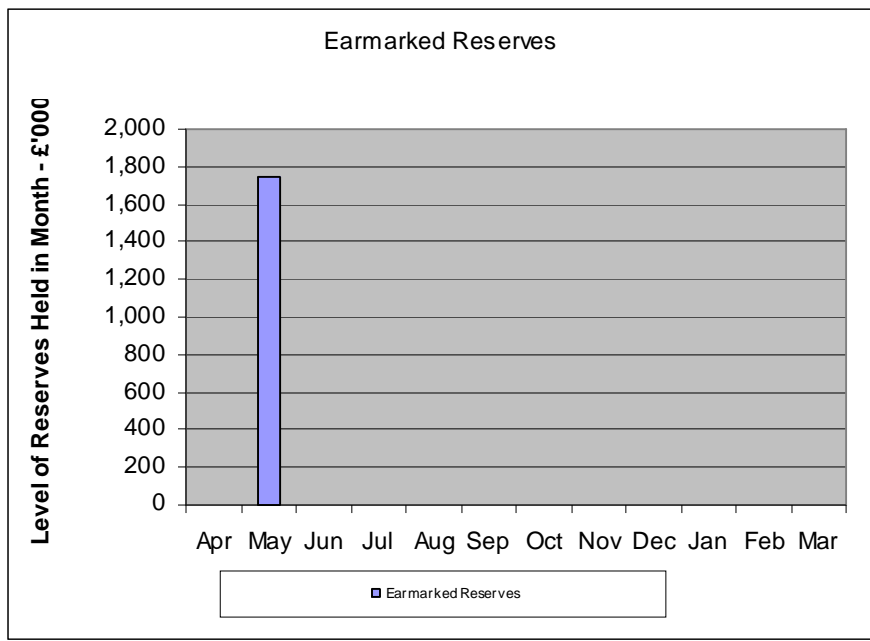
- e. **Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

Current value of risks logged = £2,851k

RAG rating is AMBER

The key risks identified to date include over performance in specialised services, complex care, mental health and learning disabilities.

- f. **Reserves**



The current total reserve is £1.74 million.

Position year to date

GREEN

Forecast position to year end

GREEN

The specific reserves include allocations received or anticipated which have not yet been transferred to budgets, including those relating to Clinical Excellence Awards.

g. Areas not covered by the KFIs

There is a year to date underspend of £249k on corporate budgets. The year end forecast for corporate budgets is an underspend of £1.5million.

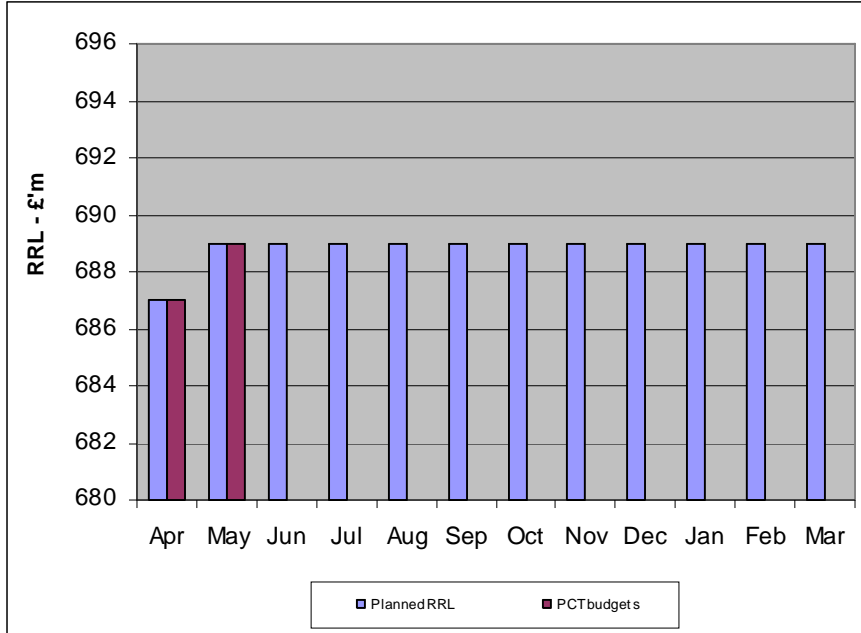
A number of assumptions underpin this forecast. These include:

- Posts currently vacant will be filled by September
- The £1.7m budgeted for projects in the PRIME programme will be entirely committed.
- Additional budgeted investment in IT will be entirely committed.

Slippage on recruitment, PRIME or IT spend would have a significant impact on the PCT's ability to meet its surplus target.

3. Statutory Duties

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



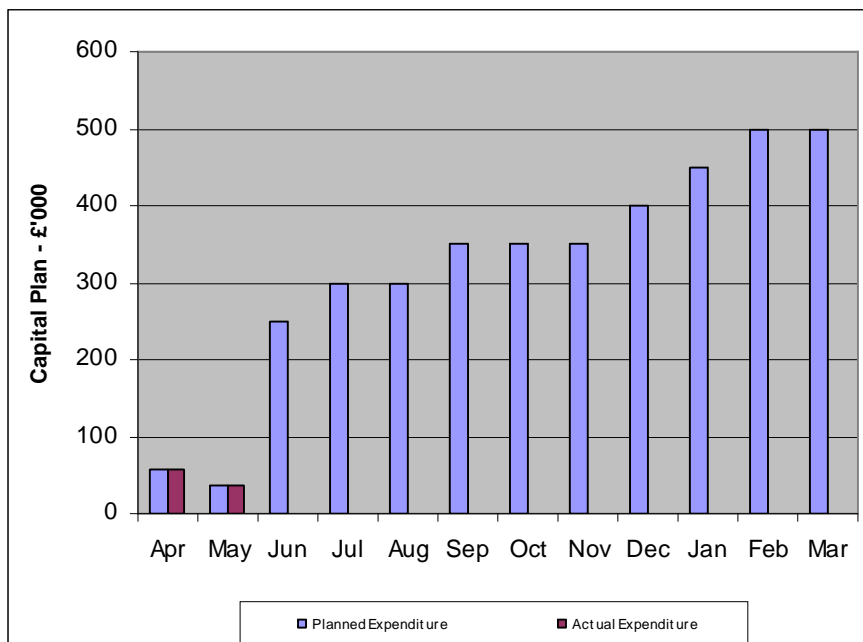
The PCT has set budgets up to the value of the RRL. Position year to date

GREEN

Forecast position to year end

GREEN

i 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. Current expenditure is in line with budget.

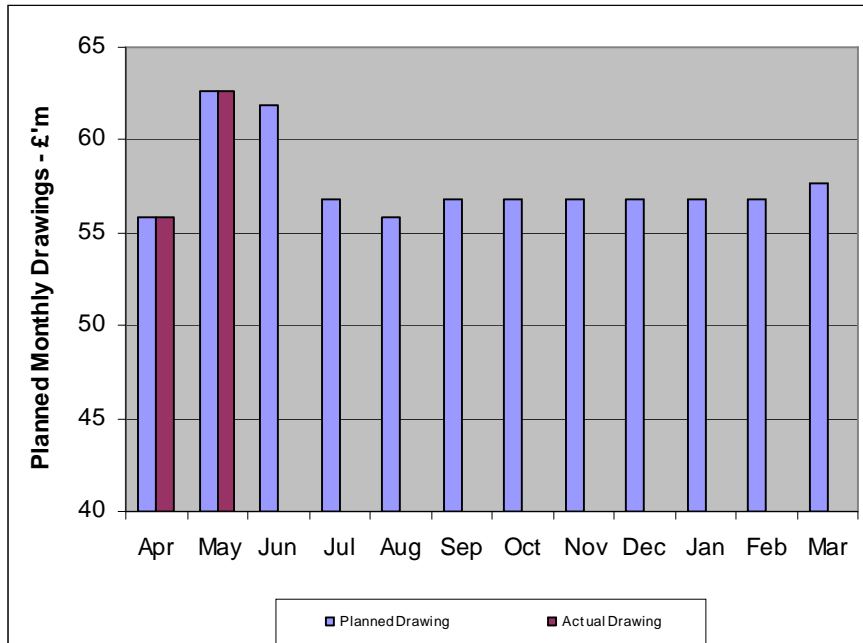
Position year to date

GREEN

Forecast position to year end

GREEN

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



The PCT has drawn down cash in line with plan for the first two months of the year

Position year to date

GREEN

Forecast position to year end

GREEN

Cash drawings are in line with plan for the first two months of the year.

4. Commissioning

The table below shows performance to date of the PCT's commissioning arm.

	Annual Budget	Budget To Date	Expenditure To Date	Variance To date
	£'000	£'000	£'000	£'000
Commissioning				
Acute Services	245,788	40,965	40,965	0
Specialised Services	93,366	15,561	15,561	0
Community Services	83,393	13,899	13,899	0
Mental Health	50,060	8,343	8,343	0
Learning Difficulties	25,646	4,274	4,274	0
Other Commissioning	7,560	1,260	1,260	0
Sub-Total	505,813	84,302	84,302	0
Primary Care Services				
GMS	41,175	6,862	6,817	45
PMS	14,726	2,454	2,440	14
Prescribing	70,758	11,793	11,610	183
Pharmacy Contract	5,011	835	835	0
Dental Contracts	15,881	2,647	2,647	0
Sub-Total	147,551	24,592	24,349	243
Public Health				
Health Promotion	3,498	583	540	43
Smoking Cessation	885	148	140	8
Sub-Total	4,384	731	680	51
Organisational Costs				
Management costs	25,761	4,008	3,814	194
Capital charges	511	85	81	4
Sub-Total	26,272	4,093	3,895	198
Reserves				
Specific	1,753	291	291	0
Contingency	987	166	0	166
Sub-Total	2,740	457	291	166
Total BEN PCT	686,760	114,174	113,516	658
Surplus Target	2,447	408		408
Total BEN PCT RRL	689,207	114,582	113,516	1,066

5. Balance Sheet

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

Balance Sheet as at 31st May

BALANCE SHEET	01/04/09 £000s	31/05/09 £000s
Total Fixed Assets	28,178	28,325
Current Assets		
Debtors	18,835	17,855
Cash at bank	10	3,052
Total Current Assets	18,845	20,907
Current Liabilities		
Creditors due < 1 year	(70,782)	(72,594)
Total Current Liabilities	(70,782)	(72,594)
Net Current Assets	(51,937)	(51,687)
Total Assets Less Current Liabilities	(23,759)	(23,362)
Provisions for Liabilities & Charges	(4,256)	(4,097)
Total Assets Employed	(28,015)	(27,459)
Financed by:		
Tax Payers' Equity		
General fund	(31,524)	(30,968)
Revaluation Reserve	259	259
Donated Reserve	2,834	2,834
Government Grant Reserve	416	416
Total Taxpayers' Equity	(28,015)	(27,459)

6. Balance Sheet Reconciliations

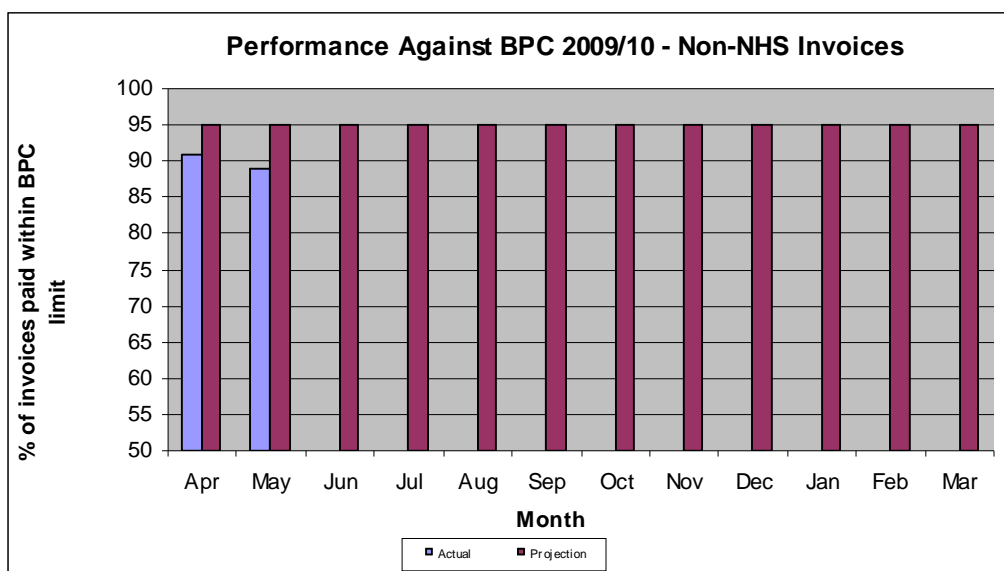
Cash flow reconciliation	Month 2 £'000
Expenditure	
Revenue	119,110
Capital	147
Total expenditure	119,257
Funded by	
Dept of Health cash funding	119,579
Movement in working bals (Drs/ Crs / Provn)	2,635
Capital income	0
Capital charges	85
(Increase) / Decrease in Cash	(3,042)
	119,257

Movement on General Fund	Month 2 £'000
General Fund Opening Balance	(31,524)
Net Parliamentary Funding	119,579
Transfers (to)/from other NHS bodies	0
Cost of Capital Charges	85
Transfer from OCS	(119,110)
Transfer of realised profits/(losses)	
Other movements	2
Closing Balance	(30,968)

7. Better Payment Code

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

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



8. Outlook for the Year

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

	Planned Variance Year End £'000
Position against commissioning budgets	0
Provider Arm	0
YTD Position Against Budgets	0
Surplus target	2,447
Operational Financial Balance	2,447

The PCT has identified a number of risks which could impact on its ability to meet the surplus target it has been given. These risks are being actively managed and any changes in the level of risk will be reported to the Board.

9. Recommendation

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