

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 30th JUNE 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.

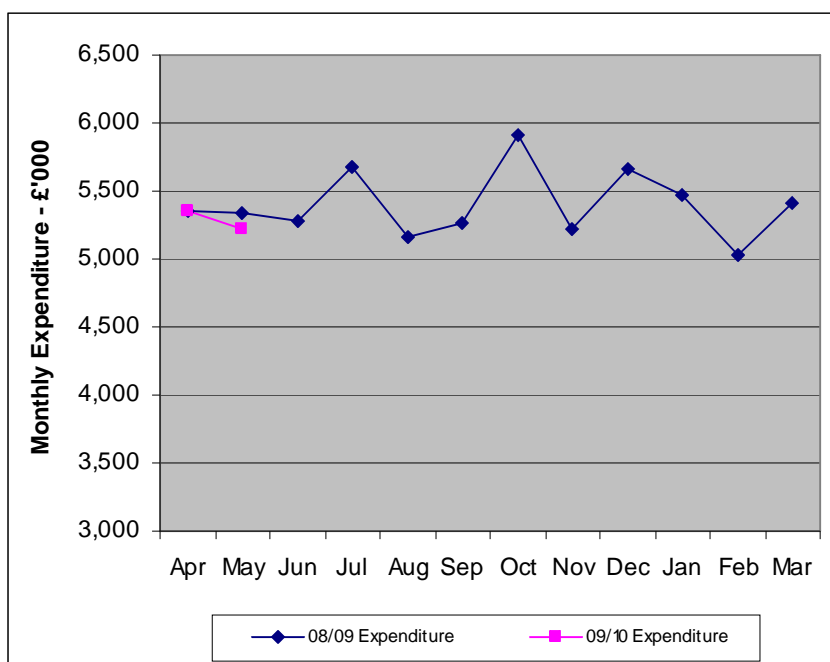
KFI Name and Measurement	Period	Performance Year to Date £'000	Forecast Year End Performance £'000	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/underspend against budget	Apr to Jun	278	1,110	GREEN	GREEN
Provider arm position (Over)/underspend against budget	Apr to Jun	488	1,538	GREEN	GREEN
HEFT Contract (Over)/underspend against budget	Apr to Jun	(2,500)	(10,000)	RED	RED
Financial Risks Value of identified unmitigated risks	June	2,500	-	AMBER	-
Reserves Funds being held in reserve	June	660	-	GREEN	GREEN
Strategic Initiatives Investment to date	Apr to Jun	4,320	19,326	GREEN	GREEN
Year End Surplus (Lower)/higher than plan	Apr to Jun	(735)	-	AMBER	AMBER

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	Apr to Jun	(1,388)	-	AMBER	AMBER
Capital Resource Limit (Over)/ under spend against CRL	Apr to Jun	(27)	-	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile	Apr to Jun	806	-	GREEN	GREEN

2. Key Financial Indicators

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



Prescribing data for month two has now been received.

Position year to date

GREEN

Forecast position to year end

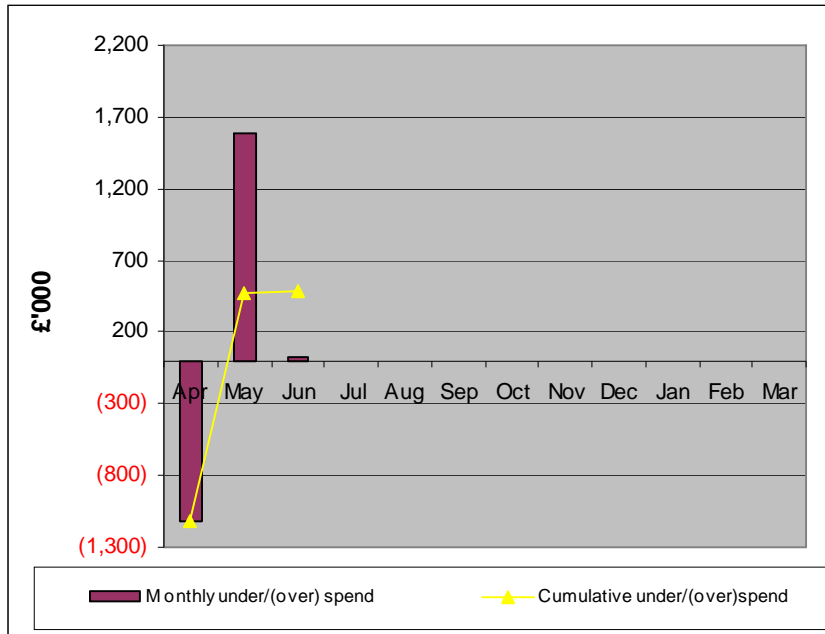
GREEN

Data on GP prescribing has been received for the first two months of the year.

Spend to date is lower than for the same period last year. However, patterns of spend on prescribing are hard to predict and monthly values vary considerably. The graph above shows the pattern of spend for 2008/09 against which 2009/10 spend is plotted.

Due to the changes and reductions in the Category M drug price tariff a reduction in expenditure is expected against GP Prescribing budgets. On this basis, the PCT is currently forecasting a year end underspend of £1.1m.

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



The provider arm is forecasting a surplus of £1.5m.

Position year to date

GREEN

Forecast position to year end

GREEN

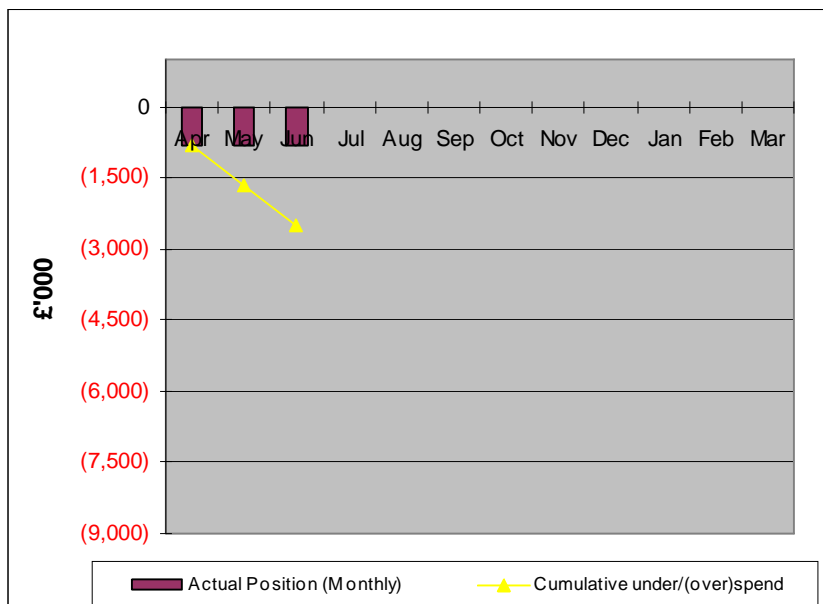
The provider arm is currently forecasting a year end underspend of £1.5m.

The graph above shows the monthly over or under spend in the provider arm. There is a shift from an overspend in April to an underspend in May. This is due to the time constraints around month one reporting, which led to income due in April being accounted for in May.

There is a high level of vacant posts in the provider arm, contributing to the year to date underspend of £488k. The forecast assumes that some of these posts will be filled during the year and others will be covered by agency staff.

The three areas with the greatest forecast underspends are Health Visiting, Physiotherapy and John Taylor Hospice.

- 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 year to date overspend is £2.5m.

Position year to date

RED

Forecast position to year end

RED

The year to date overspend at HEFT is £2.5m. The forecast overperformance for the HEFT contract, at this early point in the year, is circa £10m. The main causes of this overspend include emergency admissions and outpatients.

At present, the HEFT contract is monitored through established fora, such as the Performance Monitoring Group, Clinical Quality and Review Group, etc. However, an internal group has been created with the aim to better understand the HEFT contract and its associated issues. In particular, the group will look to understand the underlying drivers of activity and cost, and take corrective action where necessary. A key output of the group will be a finance and activity report that will better help the organisation understand, challenge and validate the contract's performance. This report will make use of some real-time sources of data that will allow weekly reporting of activity and allow the PCT to address over-performance issues in a more timely way.

- d. **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 = £2.5m

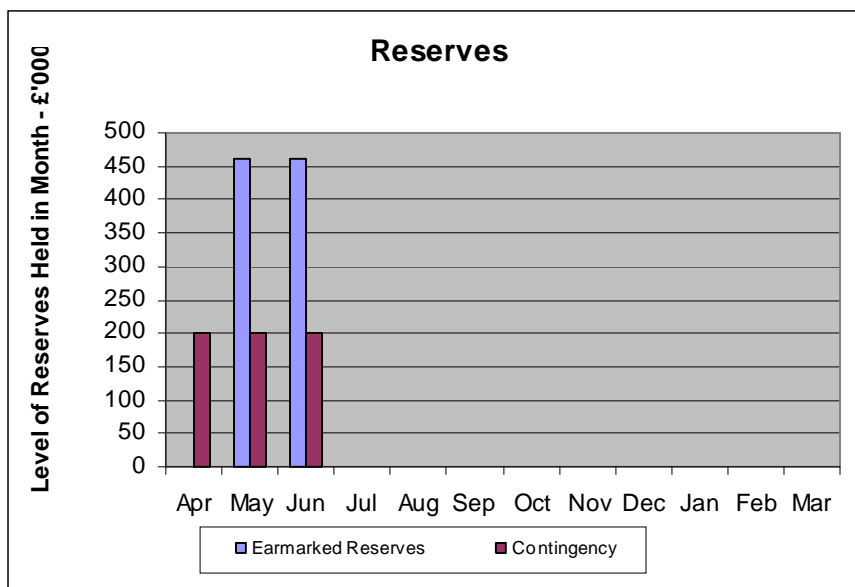
RAG rating is AMBER

The key risks identified to date include over performance on Mental Health, LD and acute contracts other than HEFT. These are somewhat offset by risks of underspending on ICT and other corporate projects.

The level of risk identified this month is lower than previously reported to the Board. The PCT reviews its risks on a monthly basis, and this lower figure better represents the net risk faced by the PCT.

The PCT will continue to analyse and monitor the level of risk to which it is exposed any report any material risks to the Board.

- e. **Reserves** - *The PCT holds a specific reserves and a small contingency.*



The current total reserve is £660k.

Position year to date

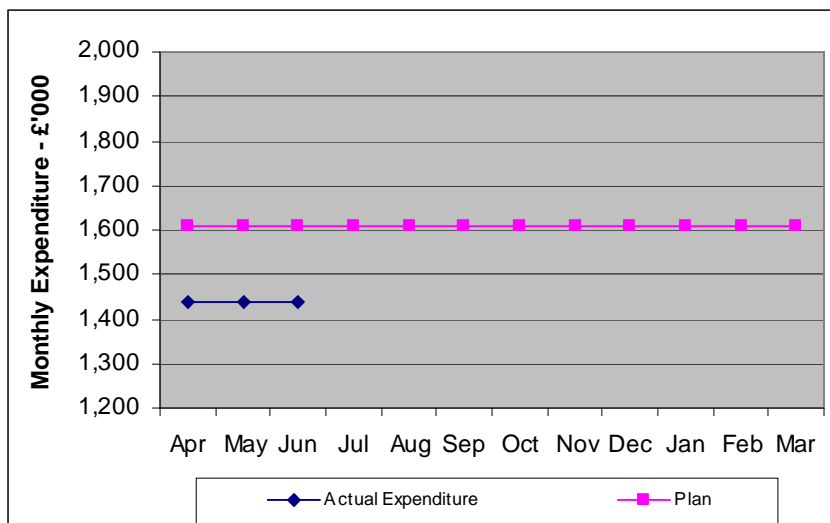
GREEN

Forecast position to year end

GREEN

The earmarked reserve of £460k relates to an anticipated allocation for Eliminating Mixed Sex Accommodation. This will be transferred to HEFT during the year.

- f. **Strategic Initiatives** – The PCT’s Financial Strategy identified a number of areas for investment in 2009/10.



Year to date investment is lower than planned.

Position year to date

GREEN

Forecast position to year end

GREEN

The table below shows the planned 2009/10 investment in areas identified in the Strategic Plan.

Initiative	£'000
Birmingham Health and Wellbeing Partnership	1,500
Working Together for Health	954
Care Closer to Home	7,572
Specialised Services	7,100
PRIME	2,200
Total Investment in Strategic Initiatives	19,326

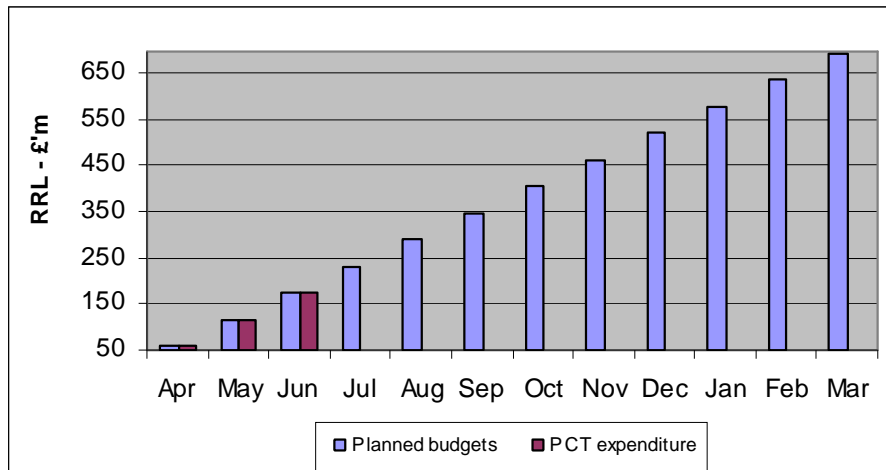
Year to date investment in these initiatives is approximately £200k per month lower than plan. This is reflected in the reported year to date position of £1.2m overspend. Expenditure over the rest of the year is expected to be in line with budget, and no further slippage is anticipated. Detailed monthly monitoring of these investments will be through the PCT’s Performance and Planning Group.

Slippage on these investments, while resulting in short-term financial gain, could indicate that the PCT is failing to deliver on its strategy and is not freeing up the resources required to deliver its surplus target. It should be noted that any slippage on these investments will contribute to the overall financial position of the PCT and is not, therefore, available to spend.

It is important to emphasise that there are no additional funds available this year. Any expenditure not already budgeted for must be funded through disinvestment of an equal or greater value.

3. Statutory Duties

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



Year to date expenditure is higher than planned.

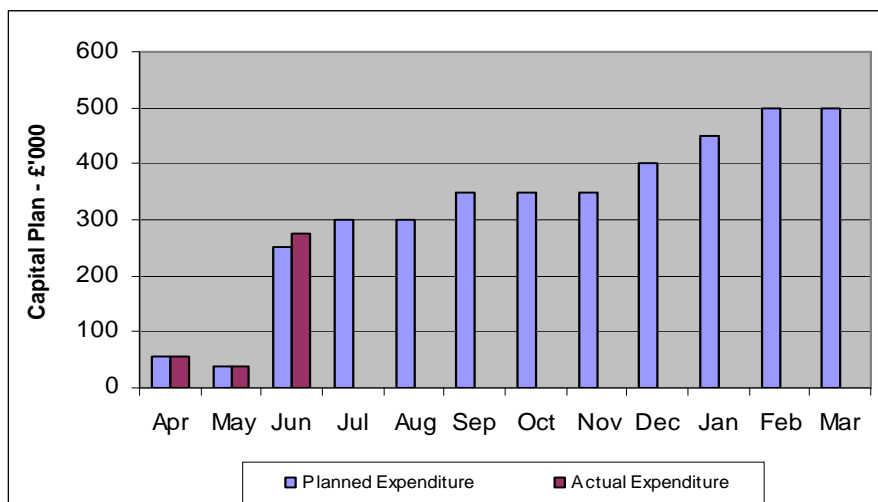
Position year to date

AMBER

Forecast position to year end

AMBER

h. 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.

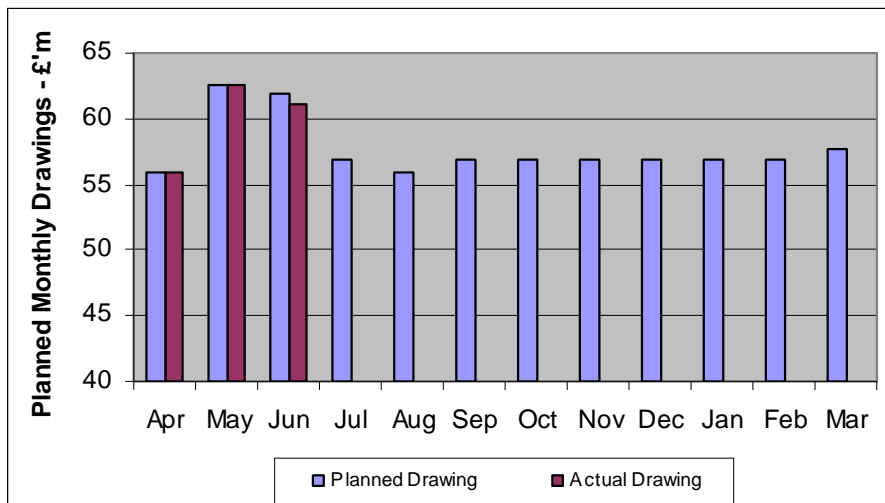
Position year to date

GREEN

Forecast position to year end

GREEN

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



The PCT has drawn down marginally less cash than planned to date.

Position year to date

GREEN

Forecast position to year end

GREEN

4. Commissioning

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

	Annual Budget	Budget To Date	Expenditure To Date	Under / (Over) Spend To date	Change in Month
	£'000	£'000	£'000	£'000	£'000
Commissioning					
Acute Services	250,243	62,239	65,163	(2,924)	(2,924)
Specialised Services	95,281	23,341	23,341	0	0
Community Services	83,958	20,894	21,024	(130)	(130)
Mental Health	50,060	12,515	12,511	4	4
Learning Difficulties	25,646	6,412	6,412	(0)	(0)
Other Commissioning	7,560	1,890	1,494	396	396
Sub-Total	512,748	127,291	129,945	(2,654)	(2,654)
Primary Care Services					
GP Contracts	56,221	13,975	13,902	73	15
Prescribing	70,758	17,689	17,412	277	94
Pharmacy Contract	5,011	1,253	1,256	(3)	(3)
Dental Contracts	16,938	4,235	4,236	(1)	(1)
Sub-Total	148,928	37,152	36,806	346	105
Organisational Costs					
Corporate costs including Health Improvement	30,139	7,067	6,171	896	651
Capital charges	511	128	104	24	20
Sub-Total	30,650	7,195	6,275	920	671
Reserves					
Specific	460	0	0	0	0
Contingency	200	0	0	0	0
Sub-Total	660	0	0	0	0
Total BEN PCT	692,986	171,638	173,026	(1,388)	(1,878)

5. Balance Sheet

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

Balance Sheet as at 30th June

BALANCE SHEET	Start point £'000	June £'000
Total Fixed Assets	28,178	28,200
Current Assets		
Debtors	18,835	16,598
Cash at bank	10	300
Total Current Assets	18,845	16,898
Current Liabilities		
Creditors due < 1 year	(70,782)	(62,208)
Total Current Liabilities	(70,782)	(62,208)
Net Current Assets	(51,937)	(45,310)
Total Assets Less Current Liabilities	(23,759)	(17,110)
Provisions for Liabilities & Charges	(4,256)	(3,952)
Total Assets Employed	(28,015)	(21,062)
Financed by:		
Tax Payers' Equity		
General fund	(31,524)	(24,569)
Revaluation Reserve	259	257
Donated Reserve	2,834	2,834
Government Grant Reserve	416	416
Total Taxpayers' Equity	(28,015)	(21,062)

6. Balance Sheet Reconciliations

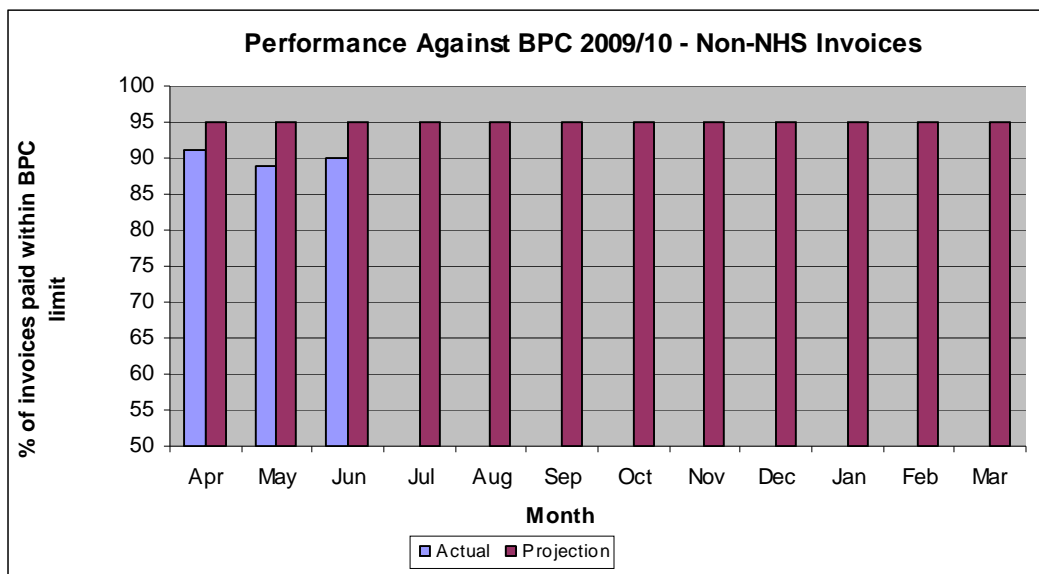
Cashflow reconciliation	June £'000	Year to Date £'000
Expenditure		
Revenue	54,680	173,790
Capital	223	370
Total expenditure	54,903	174,160
Funded by		
Dept of Health cash funding	61,384	180,963
Movement in working bals (Drs/ Crs / Provn)	(9,276)	(6,641)
Capital income	0	
Capital charges	43	128
(Increase) / Decrease in Cash	2,752	(290)
Total Funding	54,903	174,160

Movement on General Fund	June £'000	Year to Date £'000
General Fund Opening Balance	(30,968)	(31,524)
Net Parliamentary Funding	61,384	180,963
Transfers (to)/from other NHS bodies	0	0
Cost of Capital Charges	(307)	(222)
Transfer from OCS	(54,676)	(173,786)
Transfer of realised profits/(losses)	0	0
Other movements	(2)	0
Closing Balance	(24,569)	(24,569)

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 £'000
Position against commissioning budgets	2,447
Provider Arm	0
Total	2,447

The PCT has been set a surplus target of £2.4m by the Strategic Health Authority. This represents 0.3% of the PCT's RRL.

Based on current levels of reported activity the Trust's contract with HEFT will overspend by £10m. This does not take account of the impact of initiatives that have started or are planned to start during the year. As mentioned above, a PCT specific forum for monitoring the HEFT contract is now in operation. This will allow commissioners to identify where effective action can be taken to reduce costs.

Early indications are that underspends will be generated in Prescribing, Management Costs and Community Health Services. The PCT will also review its budgets and forecasting assumptions over the next month. The results of this exercise will be reported to the next Board.

It is important to stress that there is no additional money for investment this year and any expenditure not already budgeted for must be funded by disinvestment elsewhere. This principle must be applied across the PCT in all areas and at all levels.

9. Recommendations

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