

**FINANCE AND ACTIVITY REPORT**  
**PERIOD ENDING 31<sup>st</sup> AUGUST 2009**

**CONTENTS**

1. Executive Summary
2. Key Financial Indicators
  - a. GP Prescribing
  - b. Provider Arm
  - c. Heart of England FT (HEFT) Contract
  - d. Financial Risks
  - e. Reserves
  - f. Strategic Initiatives
3. Statutory Duties
  - g. Revenue Resource Limit
  - h. Capital Resource Limit
  - i. Cash Limit
4. Commissioning
5. Balance Sheet
6. Balance Sheet Reconciliations
7. Better Payment Code
8. Outlook for the Year
9. Recommendation

## 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.

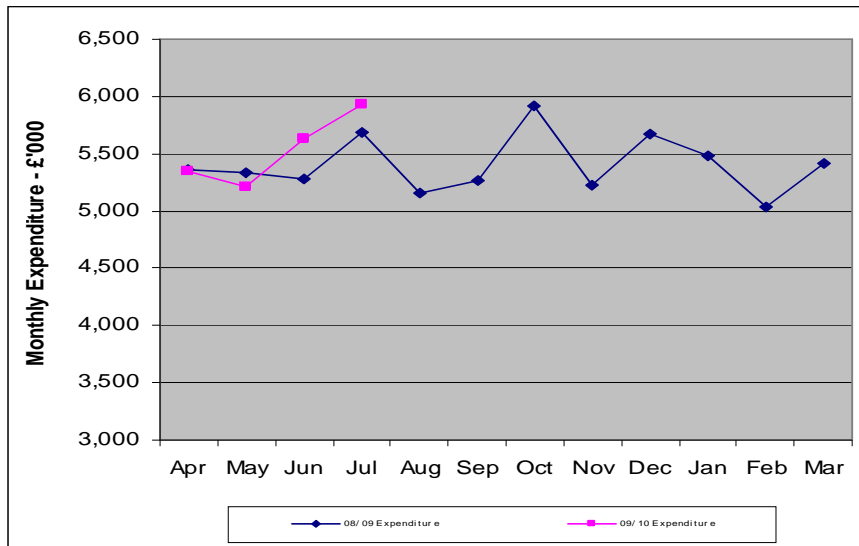
KFI Name and Measurement	Period	Performance Year to Date £000	Forecast Year End Performance £000	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
<b>GP Prescribing</b> (Over)/ underspend compared to plan	Apr to Jul	460	1,104	<b>GREEN</b>	<b>GREEN</b>
<b>Provider arm position</b> (Over)/ underspend against budget	Apr to Aug	681	1,638	<b>GREEN</b>	<b>GREEN</b>
<b>HEFT Contract</b> (Over)/ underspend against budget	Apr to Aug	(5,600)	(13,440)	<b>RED</b>	<b>RED</b>
<b>Financial Risks</b> Value of identified unmitigated risks	August	2,455	N/A	<b>AMBER</b>	<b>N/A</b>
<b>Reserves</b> Funds being held in reserve	August	460	0	<b>AMBER</b>	<b>AMBER</b>
<b>Strategic Initiatives</b> Investment to date	Apr to Aug	7,198	18,472	<b>GREEN</b>	<b>GREEN</b>
<b>Year End Surplus</b> (Lower)/ higher than plan	Apr to Aug	(2,485)	(7,438)	<b>RED</b>	<b>RED</b>

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
<b>Revenue Resource Limit</b> (Over)/ under spend against RRL (£000)	Apr to Aug	(1,465)	(4,991)	<b>RED</b>	<b>RED</b>
<b>Capital Resource Limit</b> (Over)/ under spend against CRL (£000)	Apr to Aug	286	0	<b>GREEN</b>	<b>GREEN</b>
<b>Cash Resource Limit</b> (Over)/ under drawing against cash profile (£000)	Apr to Aug	742	0	<b>GREEN</b>	<b>GREEN</b>

**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 four has now been received.**

**Position year to date**

**GREEN**

**Forecast position to year end**

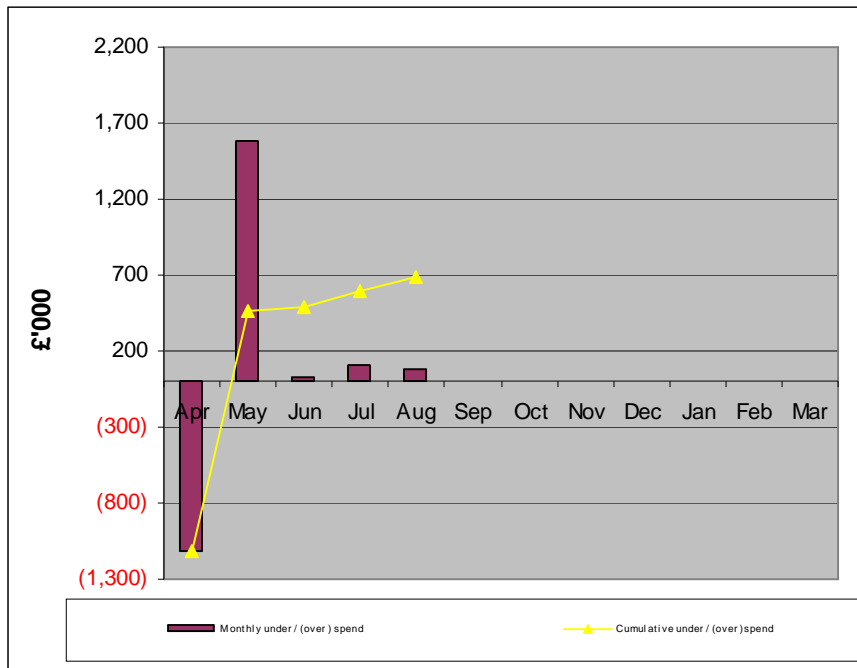
**GREEN**

Data on GP prescribing has been received for the first four months of the year. This shows that the year to date spend is higher than for the same period last year, due to a marked increase in costs in June and July.

The annual budget for GP prescribing was uplifted by 2.5% on last year's outturn and year to date expenditure is 2.2% higher than for the same period last year.

In July, the PPA issued its first forecast for the year, which is significantly higher than expected. The forecast underspend of £1.1m is at the upper end of the range of the expected year end position.

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



**The provider arm is reporting a year to date underspend of £681k.**

**Position year to date**

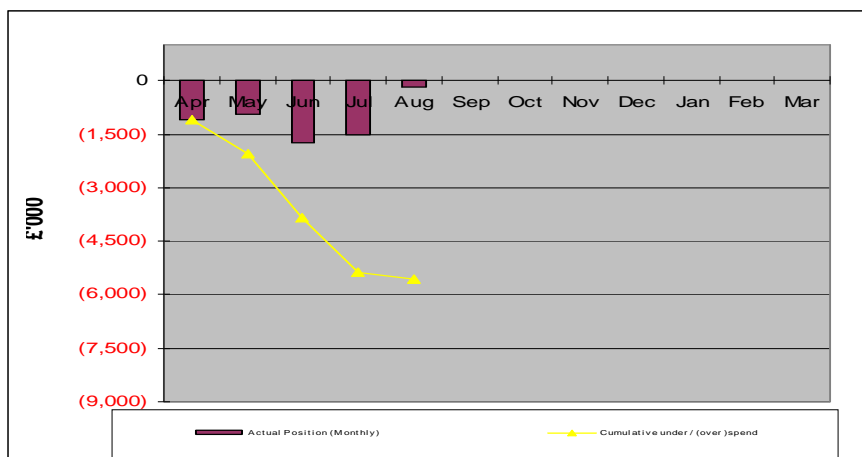
**GREEN**

**Forecast position to year end**

**GREEN**

The provider arm is currently forecasting a year end underspend of £1.6m. More than £400k of this underspend is forecast in Health Visiting.

- 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 £5.6m.

Position year to date  
**RED**

Forecast position to year end  
**RED**

Based on HEFT’s internal contract monitoring at month five, the year to date overspend is £5.6m. This is based on the first cut of data which is downloaded after five working days, before the formal submission of data after approximately 18 working days. This is the first month that the PCT has based its forecast entirely on HEFT’s internal contract monitoring figures, having previously used a combination of this and CBSA data.

As expected, activity and costs for August have fallen compared to July, but remain higher than planned levels. If overperformance continues at the same level this will generate an overspend of £13.4m.

The table below shows the cost and activity at HEFT for the year to date by activity type. Appendix 1 contains an analysis of this.

Activity	Annual Plan	YTD plan	YTD actual	YTD variance	Month five		
					Monthly plan	Monthly actual	Monthly variance
A&E	129,628	56,155	53,798	2,357	10,785	10,079	706
Elective	34,350	14,396	15,061	(665)	2,916	2,602	314
Emergency	34,833	14,323	17,186	(2,863)	2,795	3,212	(417)
Outpatients	347,572	141,604	152,087	(10,483)	24,094	27,445	(3,351)
Other	2,318,909	953,822	1,000,907	(47,085)	183,951	187,899	(3,948)
<b>Cost £000</b>							
A&E	10,586	4,586	4,501	85	881	842	39
Elective	36,392	15,252	15,676	(424)	3,090	2,725	365
Emergency	65,207	27,017	30,249	(3,232)	5,343	5,654	(311)
Outpatients	37,080	15,108	17,099	(1,991)	2,574	3,186	(612)
Other	37,115	15,350	15,342	8	3,123	2,795	328
<b>Total</b>	<b>186,380</b>	<b>77,313</b>	<b>82,867</b>	<b>(5,554)</b>	<b>15,011</b>	<b>15,202</b>	<b>(191)</b>

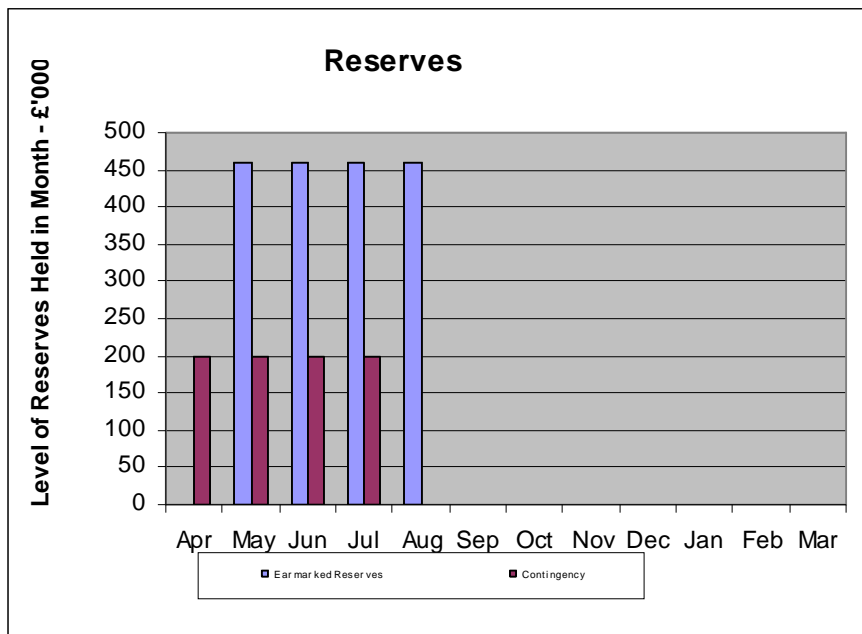
- d. **Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

**Current value of risks logged = £2.45m**

**RAG rating is AMBER**

The risks identified to date include Complex Care and LD.

- e. **Reserves**



**The PCT is not holding a general contingency.**

**Position year to date**

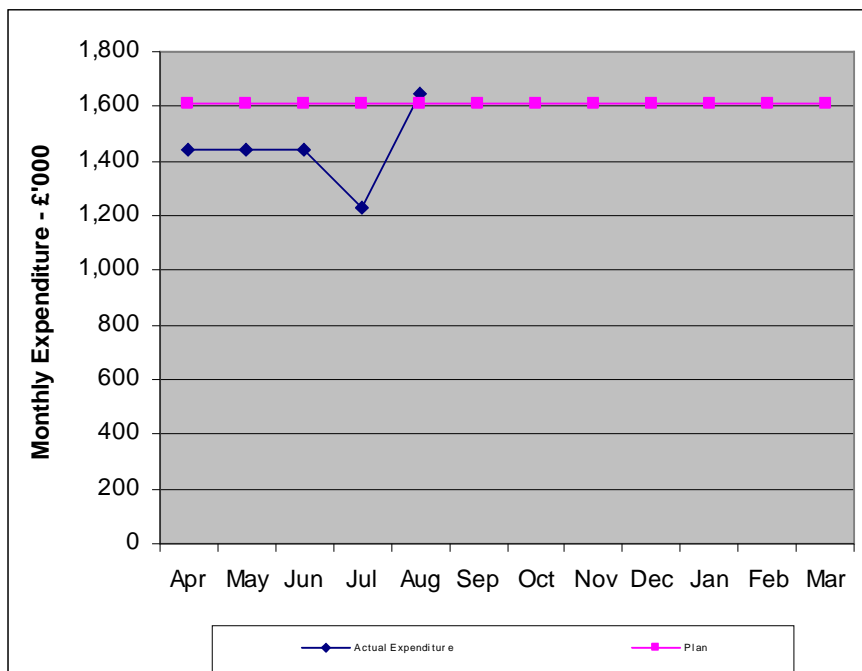
**AMBER**

**Forecast position to year end**

**AMBER**

The PCT is holding a specific reserve of £460k for EMSA, which is due to be paid to HEFT.

- 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 2009/10 investment in areas identified in the Strategic Plan, spend and slippage to date.

Initiative	2009/10	Spend	Slippage
	Investment £000	to date £000	to date £000
Birmingham Health and Wellbeing Partnership	1,500	183	442
Working Together for Health	954	471	(74)
Care Closer to Home	7,572	3,133	22
Specialised Services	7,100	2,958	0
PRIME	2,200	452	464
<b>Total for Strategic Initiatives</b>	<b>19,326</b>	<b>7,198</b>	<b>854</b>

Year to date slippage is reflected in the financial position reported at month five and is not available for reinvestment. It is anticipated that spend for the remaining months of the year will be in line with budget.

### 3. Statutory Duties

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

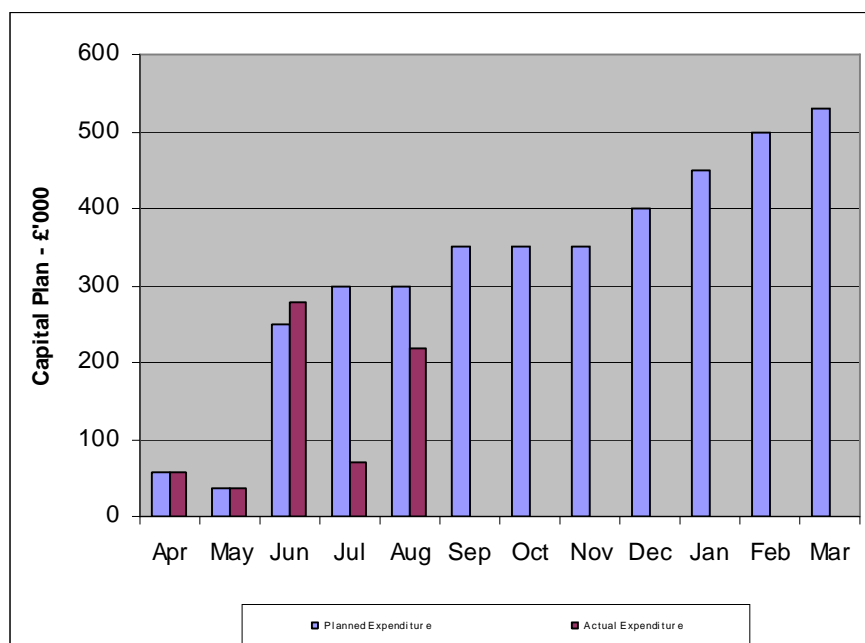
The table below shows the performance to date against the RRL.

Revenue Resource Limit	Annual Plan £'000	YTD Plan £'000	YTD Actual £'000	Distance from target £'000
(Over)/under spend against commissioning budgets	2,447	1,020	(2,146)	3,166
(Over)/under spend on provider arm	0	0	681	(681)
<b>(Over)/under spend against RRL</b>	<b>2,447</b>	<b>1,020</b>	<b>(1,465)</b>	<b>2,485</b>

Position year to date **RED** Forecast position to year end **RED**

Expenditure has been at or greater than budgets in each of the first five months.

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



Year to date spend is lower than plan.

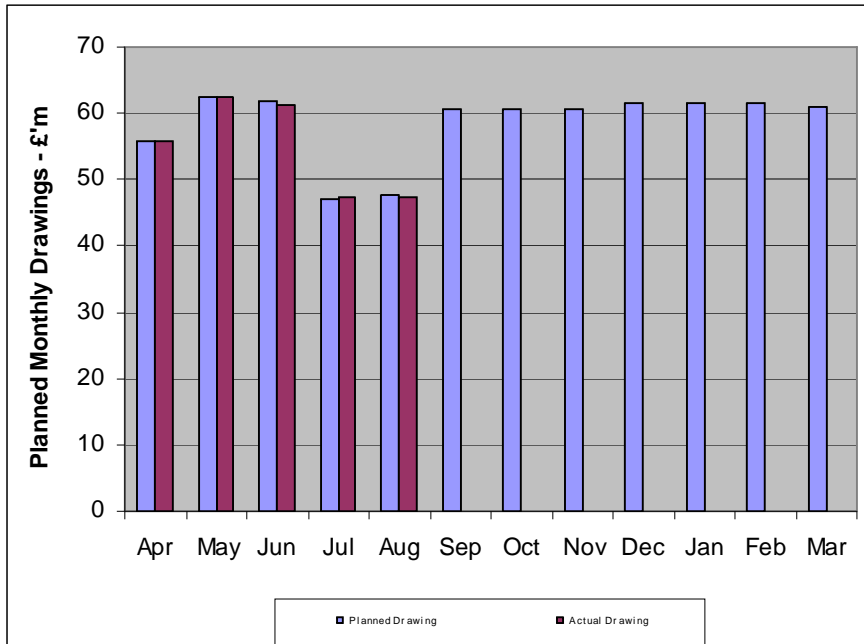
Position year to date

**GREEN**

Forecast position to year end

**GREEN**

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



**To date, the PCT has drawn down marginally less cash than planned.**

**Position year to date**

**GREEN**

**Forecast position to year end**

**GREEN**

#### 4. Commissioning – Year to Date

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

	Annual Budget	Budget To Date	Expenditure To Date	Variance To Date	Change in Month
	£000	£000	£000	£000	£000
<b>Commissioning</b>					
Acute Services	250,243	103,732	109,327	(5,595)	(1,911)
Specialised Services	95,102	38,994	39,098	(104)	620
Community Services	83,923	34,989	35,734	(745)	(306)
Mental Health	50,609	21,087	20,479	608	160
Learning Disabilities	25,646	10,686	10,686	(0)	0
Other Commissioning	6,455	2,340	2,059	281	469
<b>Sub-Total</b>	<b>511,978</b>	<b>211,828</b>	<b>217,383</b>	<b>(5,555)</b>	<b>(969)</b>
<b>Primary Care Services</b>					
GP Contracts	56,613	23,502	23,370	132	16
Prescribing	70,758	29,482	29,022	460	92
Pharmacy Contract	5,011	2,088	2,314	(226)	(50)
Dental Contracts	16,440	7,163	6,894	269	78
<b>Sub-Total</b>	<b>148,822</b>	<b>62,235</b>	<b>61,600</b>	<b>635</b>	<b>136</b>
<b>Organisational Costs</b>					
Corporate costs including Health Improvement	28,464	12,692	10,961	1,731	354
Capital charges	511	213	190	23	(0)
<b>Sub-Total</b>	<b>28,975</b>	<b>12,905</b>	<b>11,151</b>	<b>1,754</b>	<b>354</b>
<b>Non-Recurrent Discretionary Expenditure</b>	<b>1,872</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reserves</b>					
Specific	460	0	0	0	0
Contingency	0	0	0	0	(83)
<b>Sub-Total</b>	<b>460</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(83)</b>
<b>Total BEN PCT</b>	<b>692,107</b>	<b>286,968</b>	<b>290,134</b>	<b>(3,166)</b>	<b>(563)</b>
Surplus Target	2,447	1,020	0	1,020	1,020
<b>Total BEN PCT RRL</b>	<b>694,554</b>	<b>287,988</b>	<b>290,134</b>	<b>(2,146)</b>	<b>457</b>

### Commissioning – Forecast Outturn

The table below shows the forecast outturn for the PCT's commissioning arm based on current levels of activity.

	Budget	Expenditure	Variance	Change in Month
	£000	£000	£000	£000
<b>Commissioning</b>				
Acute Services	250,243	263,062	(12,819)	(3,158)
Specialised Services	95,102	95,352	(250)	6
Community Services	83,923	86,228	(2,305)	(739)
Mental Health	50,609	49,152	1,457	124
Learning Disabilities	25,646	25,646	0	0
Other Commissioning	6,455	7,086	(631)	(131)
<b>Sub-Total</b>	<b>511,978</b>	<b>526,526</b>	<b>(14,548)</b>	<b>(3,898)</b>
<b>Primary Care Services</b>				
GP Contracts	56,613	56,265	348	(0)
Prescribing	70,758	69,654	1,104	0
Pharmacy Contract	5,011	5,538	(527)	0
Dental Contracts	17,012	16,440	572	(1)
<b>Sub-Total</b>	<b>148,822</b>	<b>147,897</b>	<b>1,497</b>	<b>(1)</b>
<b>Organisational Costs</b>				
Corporate costs including Health Improvement	28,464	27,643	821	(965)
Capital charges	511	457	54	(15)
<b>Sub-Total</b>	<b>28,975</b>	<b>28,100</b>	<b>875</b>	<b>(980)</b>
<b>Non-Recurrent Discretionary Expenditure</b>	<b>1,300</b>	<b>0</b>	<b>1,300</b>	1,300
<b>Reserves</b>				
Specific	460	460	0	0
Contingency	0	0	0	(200)
<b>Sub-Total</b>	<b>460</b>	<b>460</b>	<b>0</b>	<b>(200)</b>
<b>Total BEN PCT</b>	<b>692,107</b>	<b>702,983</b>	<b>(10,876)</b>	<b>(3,778)</b>
Surplus Target	2,447	0	2,447	2,447
<b>Total BEN PCT RRL</b>	<b>694,554</b>	<b>702,983</b>	<b>(8,429)</b>	<b>(1,331)</b>

## **5. Balance Sheet**

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

<b>BALANCE SHEET</b>	<b>01.04.09 £000</b>	<b>31.08.09 £000</b>
<b>Total Fixed Assets</b>	<b>28,178</b>	<b>28,252</b>
<b>Current Assets</b>		
Debtors	18,835	16,483
Cash at bank	10	327
<b>Total Current Assets</b>	<b>18,845</b>	<b>16,810</b>
<b>Current Liabilities</b>		
Creditors due < 1 year	(70,782)	(86,383)
<b>Total Current Liabilities</b>	<b>(70,782)</b>	<b>(86,383)</b>
<b>Net Current Assets</b>	<b>(51,937)</b>	<b>(69,573)</b>
<b>Total Assets Less Current Liabilities</b>	<b>(23,759)</b>	<b>(41,321)</b>
<b>Provisions for Liabilities &amp; Charges</b>	<b>(4,256)</b>	<b>(3,952)</b>
<b>Total Assets Employed</b>	<b>(28,015)</b>	<b>(45,273)</b>
<b>Financed by:</b>		
<b>Tax Payers' Equity</b>		
General fund	(31,524)	(48,780)
Revaluation Reserve	259	257
Donated Reserve	2,834	2,834
Government Grant Reserve	416	416
<b>Total Taxpayers' Equity</b>	<b>(28,015)</b>	<b>(45,273)</b>

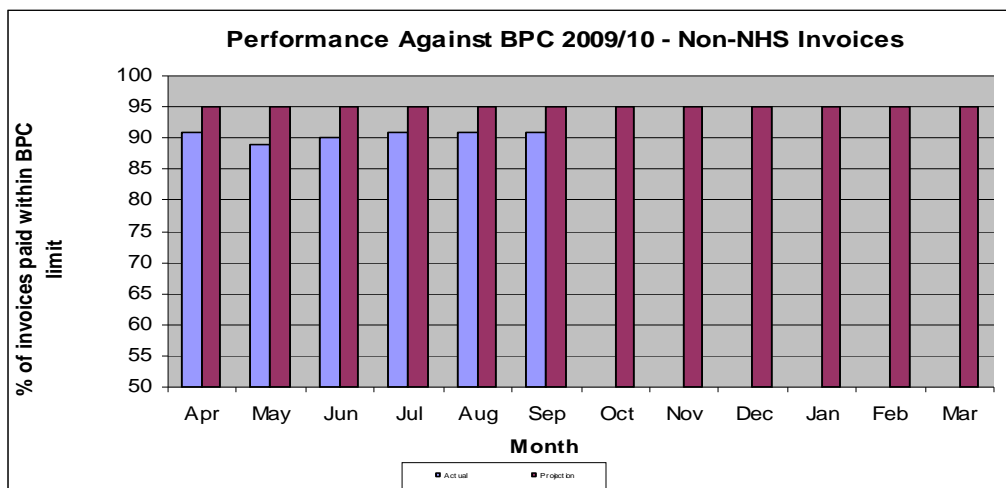
## 6. Balance Sheet Reconciliations

Cashflow reconciliation	Month 5 £000	YTD £000
<b>Expenditure</b>		
Revenue	60,264	293,062
Capital	217	657
<b>Total expenditure</b>	<b>60,481</b>	<b>293,719</b>
<b>Funded by</b>		
Dept of Health cash funding	47,662	276,172
Movement in working balances (Drs/ Crs / Provn)	12,736	17,649
Capital income	-	-
Capital charges	41	215
(Increase) / Decrease in Cash	42	(317)
<b>Total funding</b>	<b>60,481</b>	<b>293,719</b>

Movement on General Fund	Month 5 £000	YTD £000
General Fund Opening Balance	(36,104)	(31,524)
Net Parliamentary Funding	47,662	276,172
Transfers (to)/from other NHS bodies	-	-
Cost of Capital Charges	(74)	(370)
Transfer from OCS	(60,264)	(293,058)
Transfer of realised profits/(losses)	-	-
Other movements	-	-
<b>Closing Balance</b>	<b>(48,780)</b>	<b>(48,780)</b>

## 7. Better Payment Code

The PCT must meet the target of paying 95% of non-NHS invoices within 30 days. Performance against this target is shown below.



### 8. Outlook for the Year

The area of our portfolio with the biggest impact on the PCT position is our contract with HEFT. The table below shows the effect of the initiatives that we have implemented during the year or are planning to implement over the remainder of the year.

	HEFT £'m	PCT Budgets £'m	Impact £'m
Forecast based on current levels of overperformance	13.4		13.4
Increased membership of Birmingham Own Health	(0.5)		(0.5)
Healthcare at Home			
End of Life	(0.4)	0.2	(0.2)
Long Term Conditions	(0.2)	0.2	0.0
Early Supported Discharge	(0.2)	0.2	0.0
PCDU	(0.3)	0.2	(0.1)
Integrated Step Down Beds	(1.0)	1.0	0.0
Insight	tbc		tbc
Expansion of Prior Approval	tbc		tbc
Contract Management	(1.0)		(1.0)
<b>Total (Reduction)/Increase in forecast spend</b>	<b>(3.6)</b>	<b>1.8</b>	<b>(1.8)</b>

The table below shows the forecast to the end of the financial year taking into account the impact of the initiatives above.

	Target Variance Year End £000	Forecast Variance Year End £000	Distance from Target Year End £000
Position against commissioning budgets	0	(10,876)	(10,876)
Surplus target not issued	2,447	2,447	0
Impact of Initiatives	0	1,800	1,800
<b>Forecast against Commissioning Budgets including Initiatives</b>	<b>2,447</b>	<b>(6,629)</b>	<b>(9,076)</b>
Under spend/(overspend) on provider arm	0	1,638	1,638
<b>Operational Financial Balance</b>	<b>2,447</b>	<b>(4,991)</b>	<b>(7,438)</b>

Based on the assumptions above the PCT would be £4.9 million away from achieving operational financial balance and £7.4 million away from its target surplus of £2.4million.

The PCT must take action now to ensure that it achieves both its statutory duty to break even and its surplus target.

We are currently modelling the potential impact of a reduction in GP referrals and expansion of prior approval over the rest of the year; this will be included in our forecasts presented to the November Board. We are also focussing on delivering the strategic initiatives outlined above which will not only help to reduce the level of overperformance in this financial year but ensure that we have a stable financial position as we move into lower levels of funding for the NHS.

The PCT has identified a number of areas where controls can be strengthened to reduce this deficit, including introducing controls on staffing and discretionary expenditure.

## **9. Recommendations**

The Board is asked to discuss the contents of this report and in particular consider what actions to take to ensure that the PCT meets its statutory financial duty and achieves its surplus target for the year.

The Board is asked to approve the following controls which will apply equally to the commissioning and provider arms of the PCT and to each of the hosted agencies:

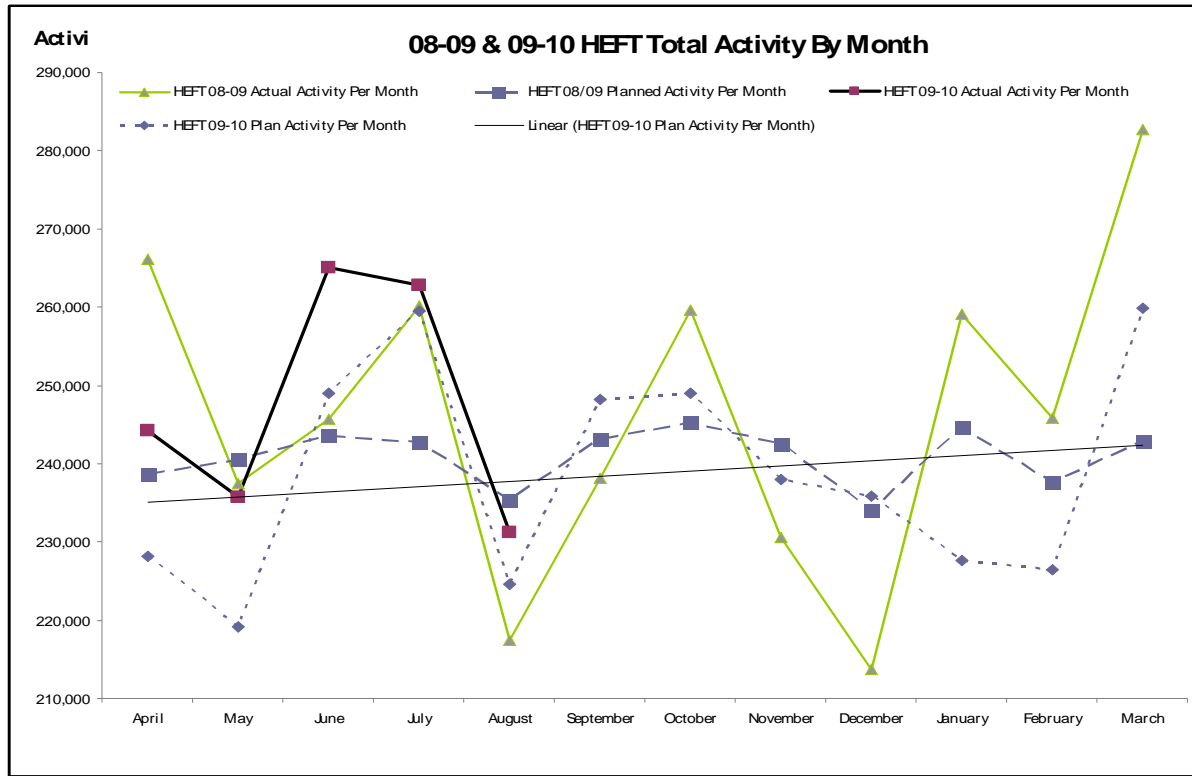
- The re-establishment of the vacancy control panel, relating to both substantive and interim staff.
- The introduction of targeted controls on discretionary non-pay.
- Any new allocations received by the PCT to have expenditure plans signed off by the Director of Resources before any commitments are made.

The impact of these additional controls will be reported back to the board in November and incorporated into the forecast outturn.

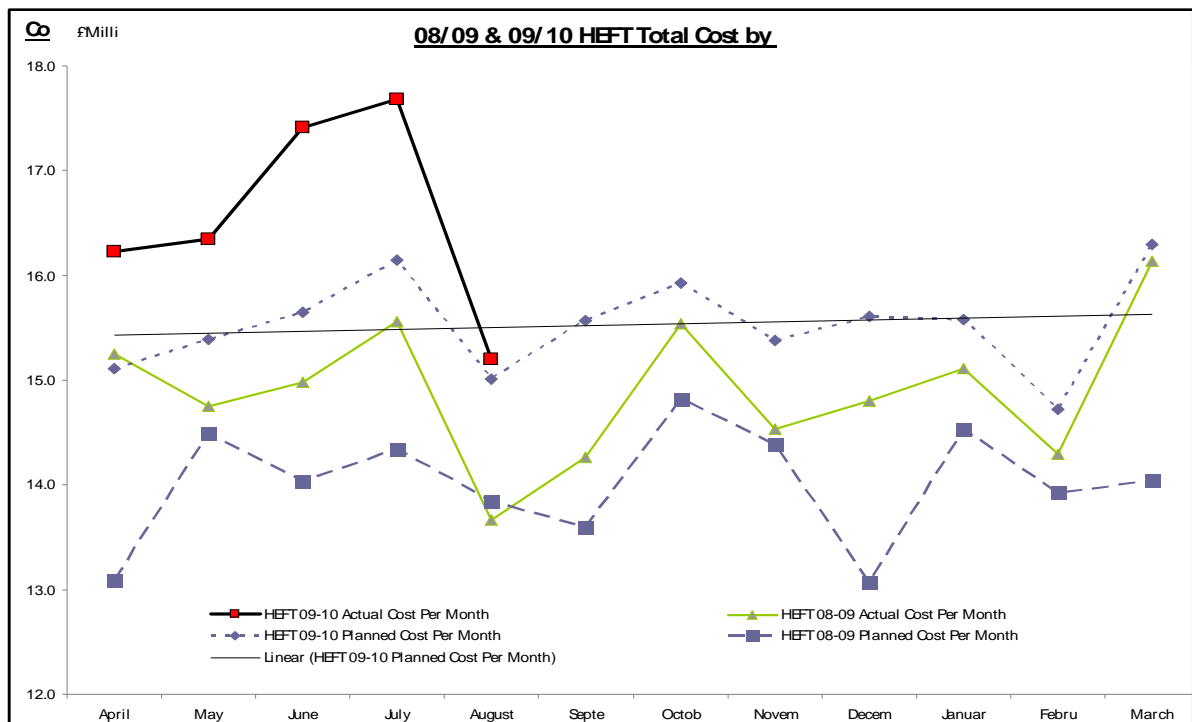
**Appendix One**

**HEFT finance and activity graphs**

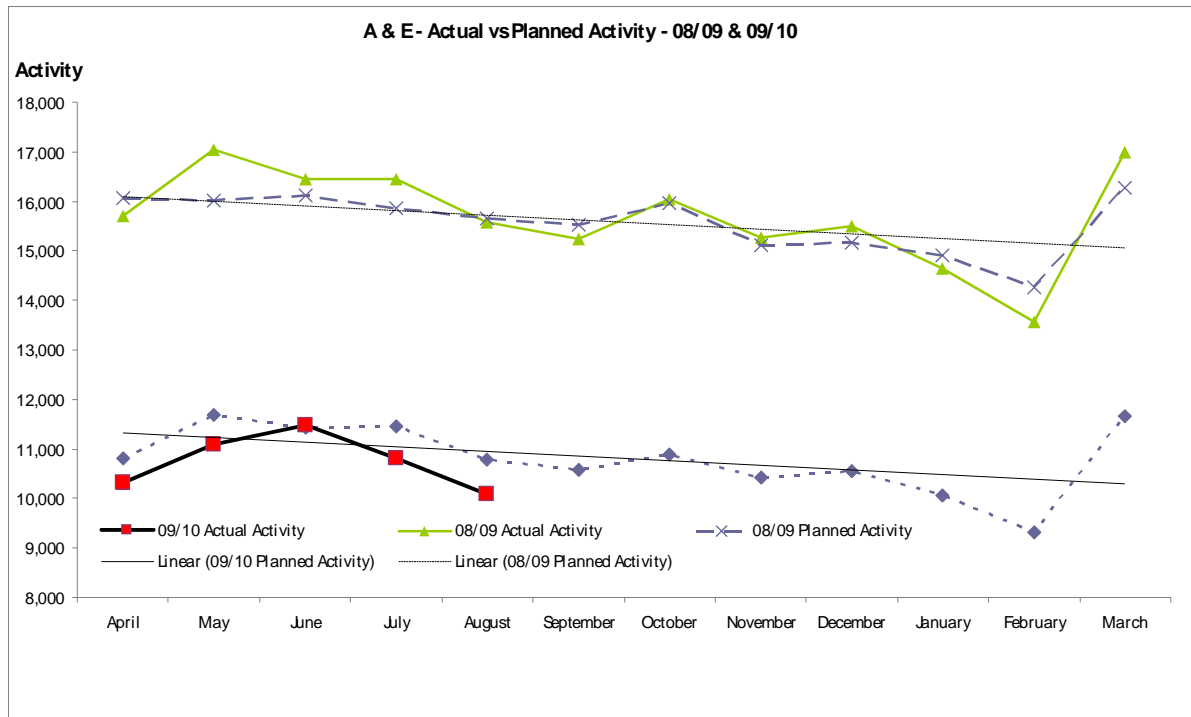
**Total Activity**



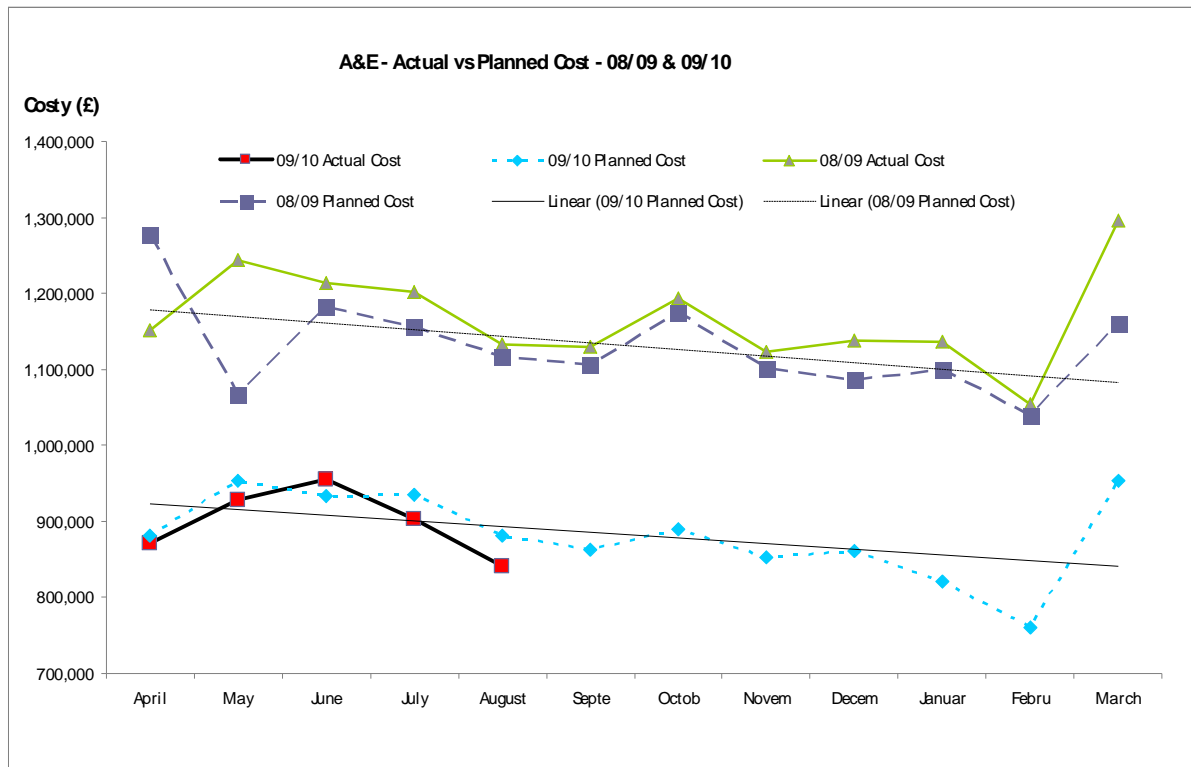
**Total Cost**



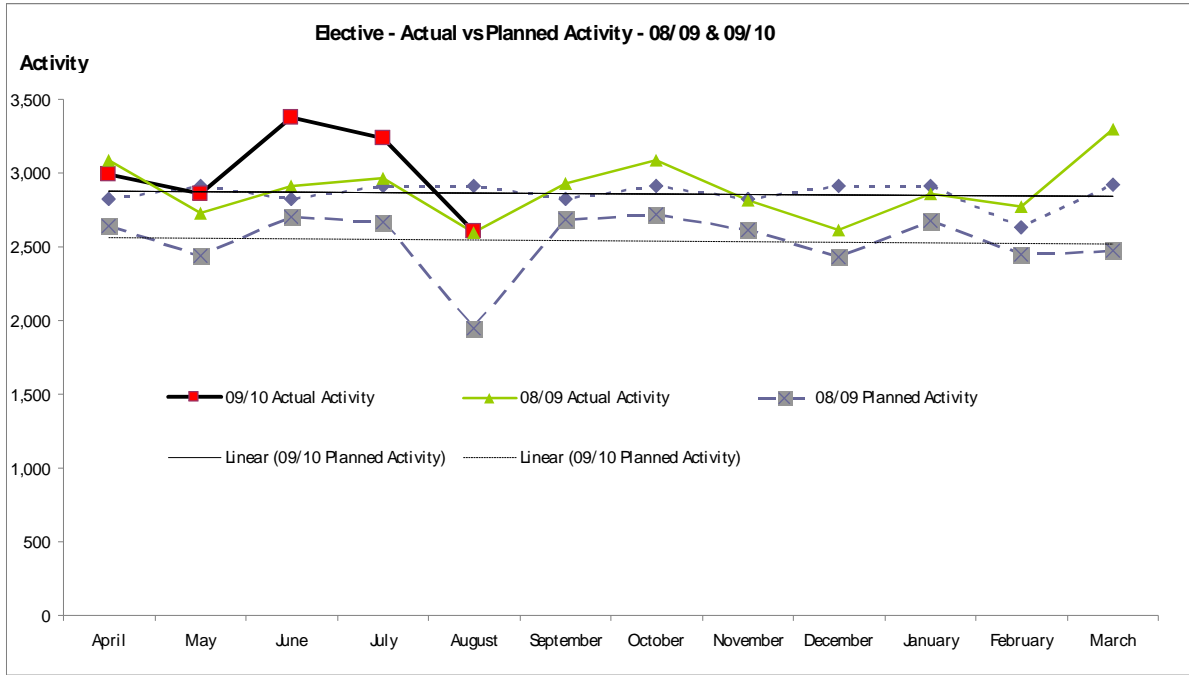
**A&E Activity**



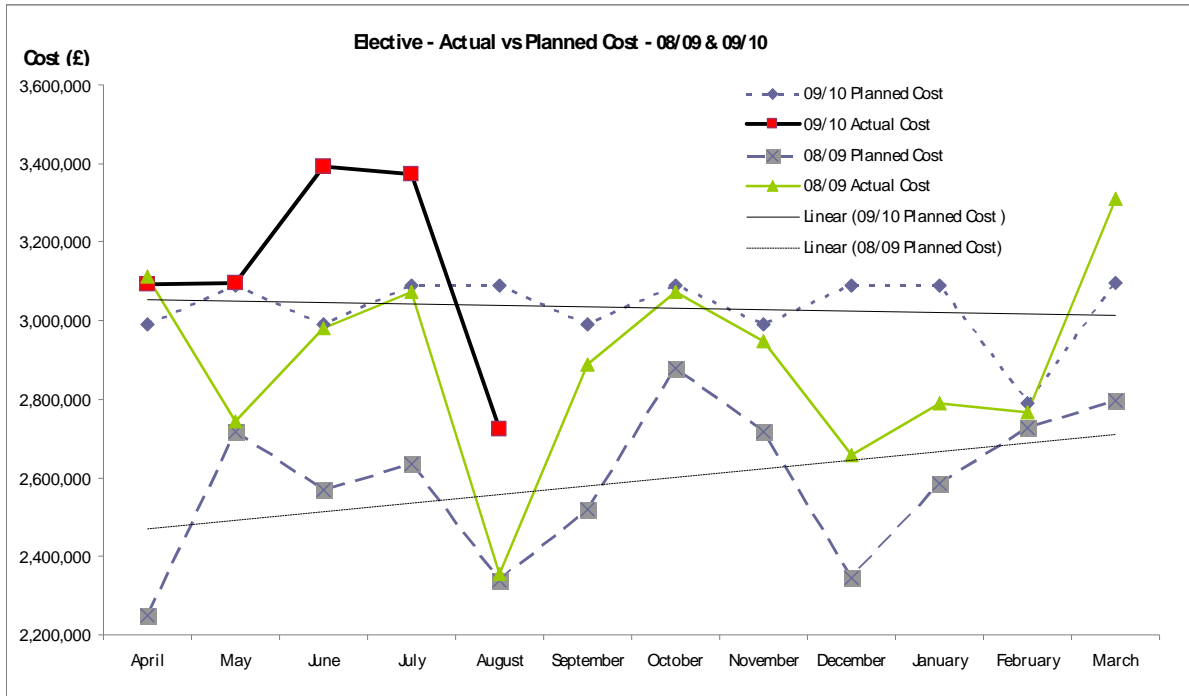
**A&E Cost**



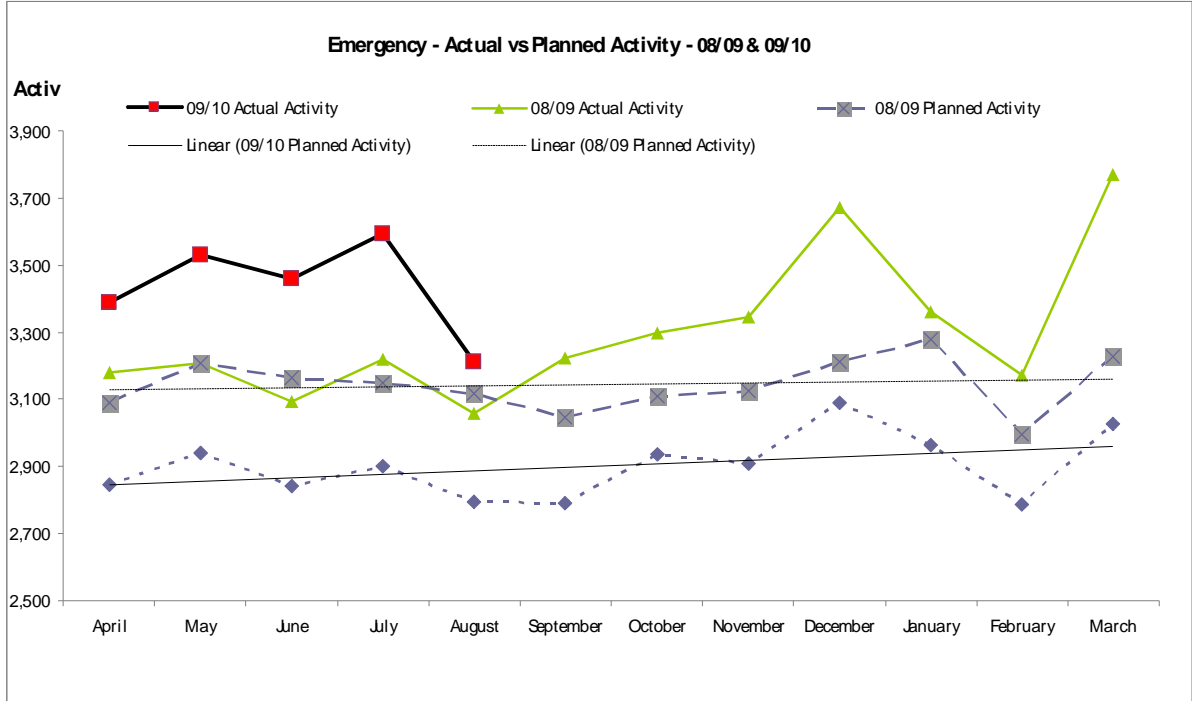
**Elective Activity**



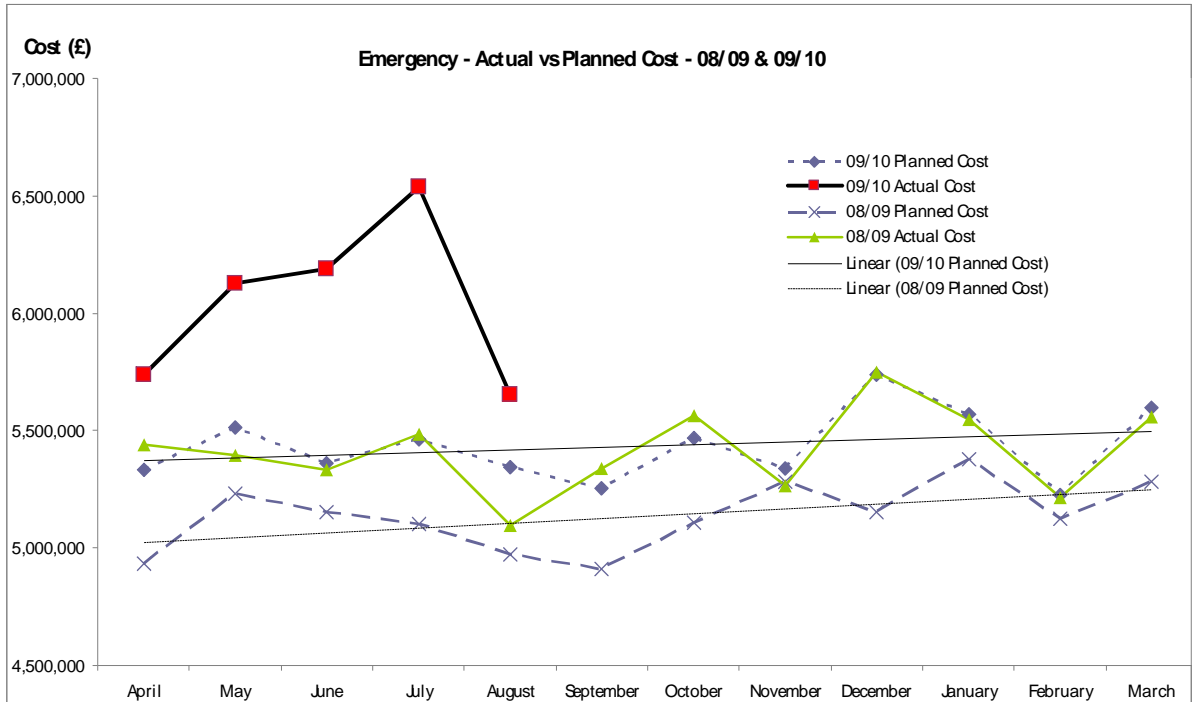
**Elective Cost**



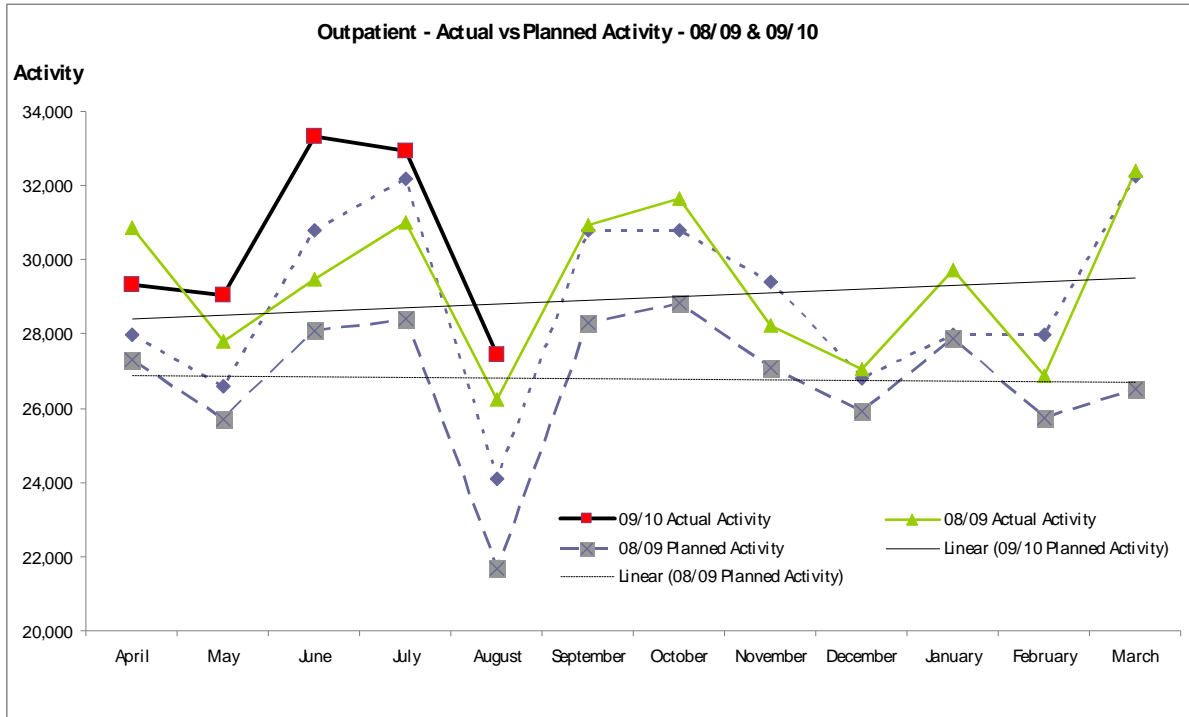
**Emergency Activity**



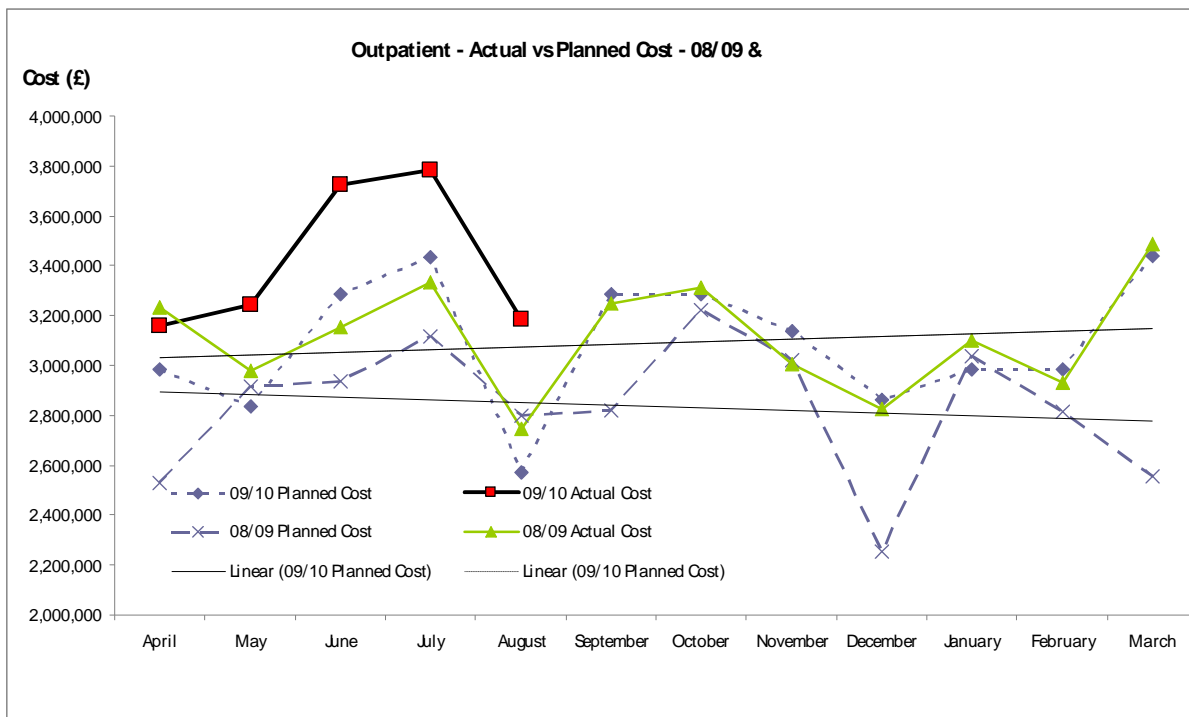
**Emergency Cost**



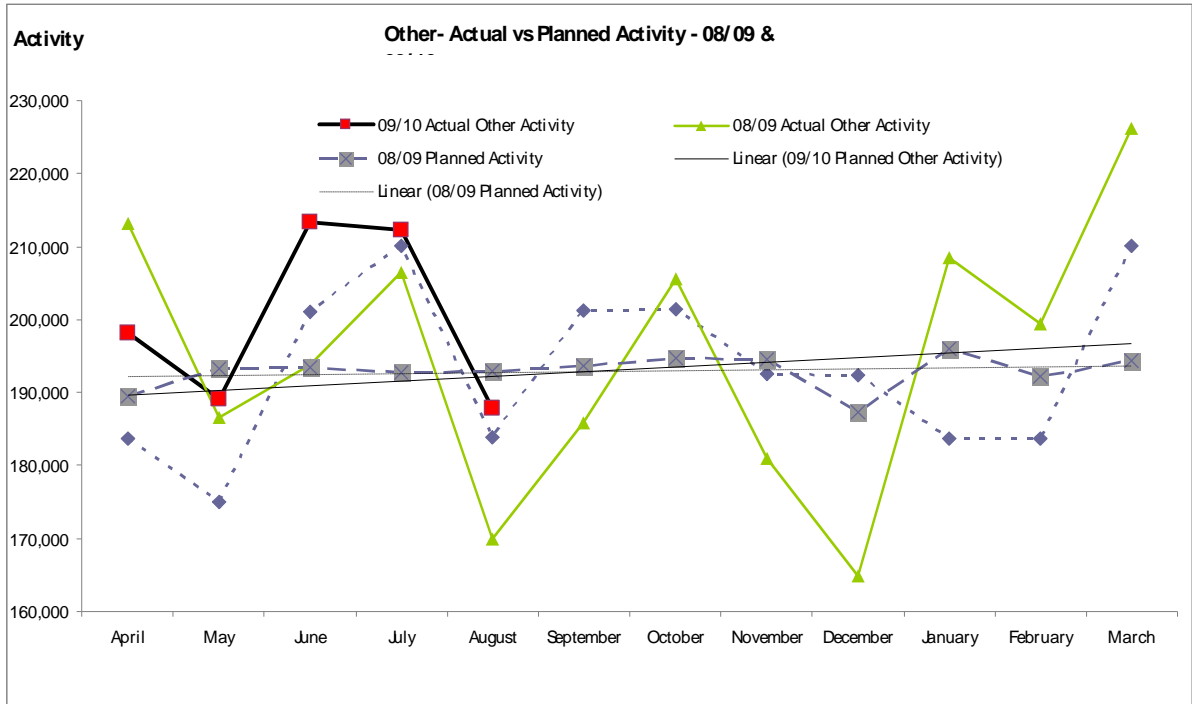
**Outpatient Activity**



**Outpatient Cost**



**Other Activity**



**Other Cost**

