

**FINANCE AND ACTIVITY REPORT**  
**PERIOD ENDING 30<sup>th</sup> SEPTEMBER 2009**

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## 1. Executive Summary

Performance against three of the PCT's statutory duties is shown 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 Sep | (2,161)                                 | (6,499)                                      | RED                                 | RED                                      |
| Capital Resource Limit (Over)/ under spend against CRL         | Apr to Sep | 532                                     | 0  | GREEN                               | GREEN                                    |
| Cash Resource Limit (Over)/ under drawing against cash profile | Apr to Sep | 631                                     | 0  | GREEN                               | GREEN                                    |

The PCT has also identified six Key Financial Indicators (KFIs) which, alongside the three statutory duties, form a framework to report the financial position. A summary of performance against these 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 |
|---|------------|--------------------------------|-------------------------------------|-------------------------------------|--|
| Year End Surplus (Lower)/ higher than plan (£000)       | Apr to Sep | (3,385)                        | (8,946)                             | RED                                 | RED                                      |
| HEFT Contract (Over)/ underspend against budget         | Apr to Sep | (6,220)                        | (12,440)                            | RED                                 | RED                                      |
| Provider arm position (Over)/ underspend against budget | Apr to Sep | 1,024                          | 1,802                               | GREEN                               | GREEN                                    |
| GP Prescribing (Over)/ underspend compared to plan      | Apr to Aug | 460                            | 1,104                               | GREEN                               | GREEN                                    |
| Financial Risks Value of identified unmitigated risks   | September  | 2,728                          | N/A                                 | AMBER                               | N/A                                      |
| Reserves Funds being held in reserve                    | September  | 460                            | 0                                   | RED                                 | RED                                      |
| Strategic Initiatives Investment to date                | Apr to Sep | 8,689                          | 20,236                              | GREEN                               | GREEN                                    |

## 2. Statutory Duties

- a. **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<br>£'000 | YTD Plan<br>£'000 | YTD Actual<br>£'000 | Distance from target<br>£'000 |
|--|----------------------|-------------------|---------------------|-------------------------------|
| (Over)/under spend against commissioning budgets | 2,447                | 1,224             | (3,185)             | 4,409                         |
| (Over)/under spend on provider arm               | 0                    | 0                 | 1,024               | (1,024)                       |
| <b>(Over)/under spend against RRL</b>            | <b>2,447</b>         | <b>1,224</b>      | <b>(2,161)</b>      | <b>3,385</b>                  |

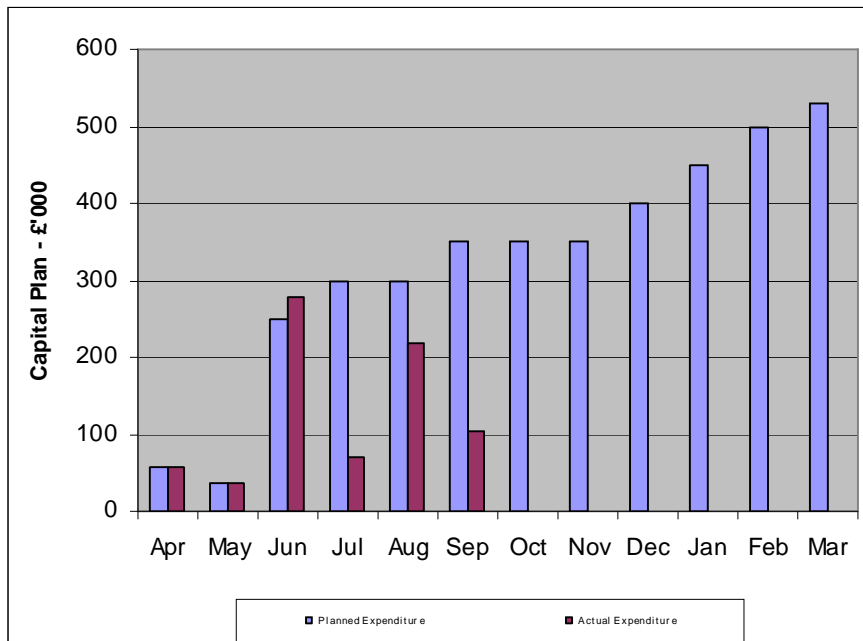
Position year to date **RED** Forecast position to year end **RED**

The table below shows the forecast to the end of the financial year at current activity levels and it does not factor in the impact of our initiatives on our contract at HEFT or the increased controls approved by the Board last month.

|   | Target Variance<br>Year End<br>£'000 | Forecast Variance<br>Year End<br>£'000 | Distance from Target<br>Year End<br>£'000 |
|---|--------------------------------------|--|---|
| Position against commissioning budgets  | 0                                    | (10,748)                               | (10,748)                                  |
| Surplus target not issued               | 2,447                                | 2,447                                  | 0   |
| <b>YTD Position Against Budgets</b>     | <b>2,447</b>                         | <b>(8,301)</b>                         | <b>(10,748)</b>                           |
| Under spend/(overspend) on provider arm | 0                                    | 1,802                                  | 1,802                                     |
| <b>Forecast Position</b>                | <b>2,447</b>                         | <b>(6,499)</b>                         | <b>(8,946)</b>                            |

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

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



**Year to date spend is £532k lower than plan.**

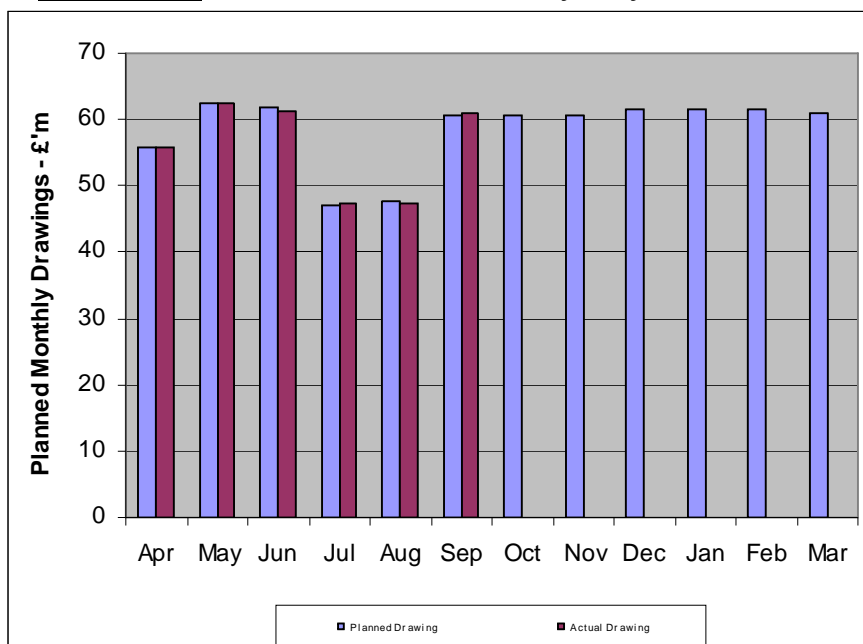
**Position year to date**

**GREEN**

**Forecast position to year end**

**GREEN**

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



**Year to date cash drawings are in line with the plan.**

**Position year to date**

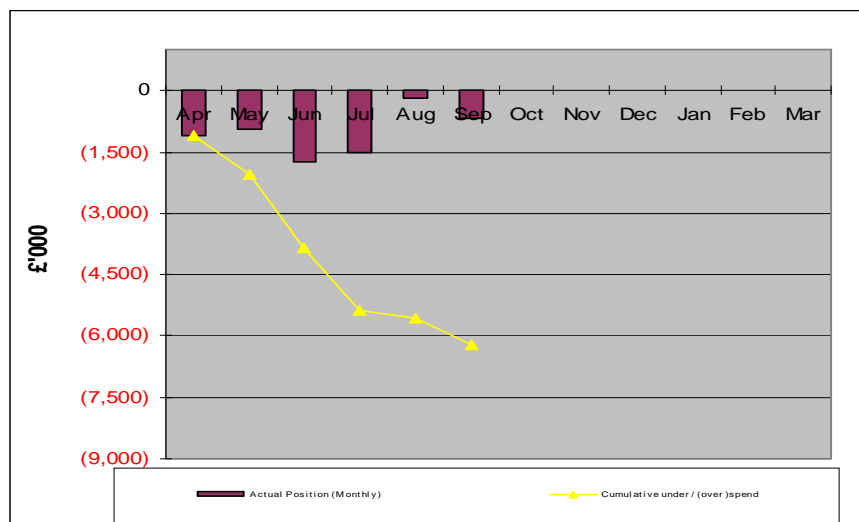
**GREEN**

**Forecast position to year end**

**GREEN**

### 3. Key Financial Indicators

- d. **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 £6.2m.

Position year to date  
**RED**

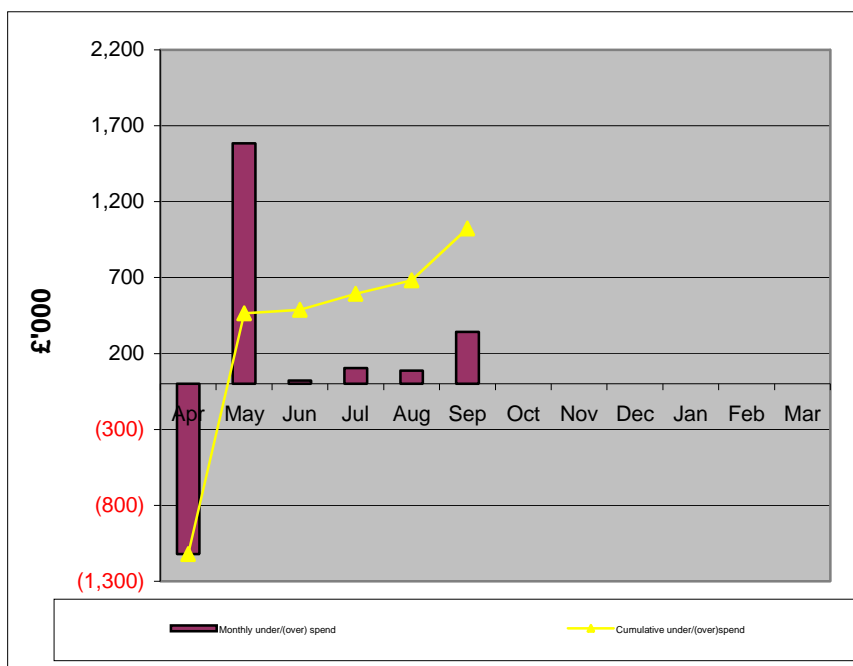
Forecast position to year end  
**RED**

At month six, the PCT is anticipating year to date expenditure of £6.2m, with a forecast outturn (without corrective action) of £12.4m.

This financial position is based upon HEFT's internal contract monitoring information at month six. A summary of year to date activity and finance at HEFT is shown in the table below. Appendix I shows the profile of activity for this year and last year.

| Activity          | Annual Plan    | YTD plan      | YTD actual    | YTD variance   | Month six     |                |                  |
|-------------------|----------------|---------------|---------------|----------------|---------------|----------------|------------------|
|                   |                |               |               |                | Monthly plan  | Monthly actual | Monthly variance |
| A&E               | 129,628        | 66,720        | 63,838        | 2,882          | 10,565        | 10,083         | 482              |
| Elective          | 34,350         | 17,220        | 17,977        | (757)          | 2,824         | 2,908          | (84)             |
| Emergency         | 34,833         | 17,115        | 20,694        | (3,579)        | 2,792         | 3,470          | (678)            |
| Outpatients       | 347,572        | 172,385       | 184,964       | (12,579)       | 30,781        | 32,650         | (1,869)          |
| Other             | 2,318,909      | 1,155,012     | 1,212,190     | (57,178)       | 201,190       | 212,407        | (11,217)         |
| <b>Cost £'000</b> |                |               |               |                |               |                |                  |
| A&E               | 10,586         | 5,449         | 5,354         | 95             | 863           | 856            | 7                |
| Elective          | 36,392         | 18,243        | 18,672        | (429)          | 2,991         | 3,005          | (13)             |
| Emergency         | 65,207         | 32,269        | 36,278        | (4,009)        | 5,252         | 5,970          | (718)            |
| Outpatients       | 37,080         | 18,391        | 20,199        | (1,808)        | 3,283         | 3,559          | (276)            |
| Other             | 37,115         | 18,524        | 18,527        | (2)            | 3,174         | 3,186          | (12)             |
| <b>Total</b>      | <b>186,380</b> | <b>92,877</b> | <b>99,030</b> | <b>(6,154)</b> | <b>15,564</b> | <b>16,576</b>  | <b>(1,012)</b>   |

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



The provider arm is forecasting a year end surplus of £1.8m.

Position year to date

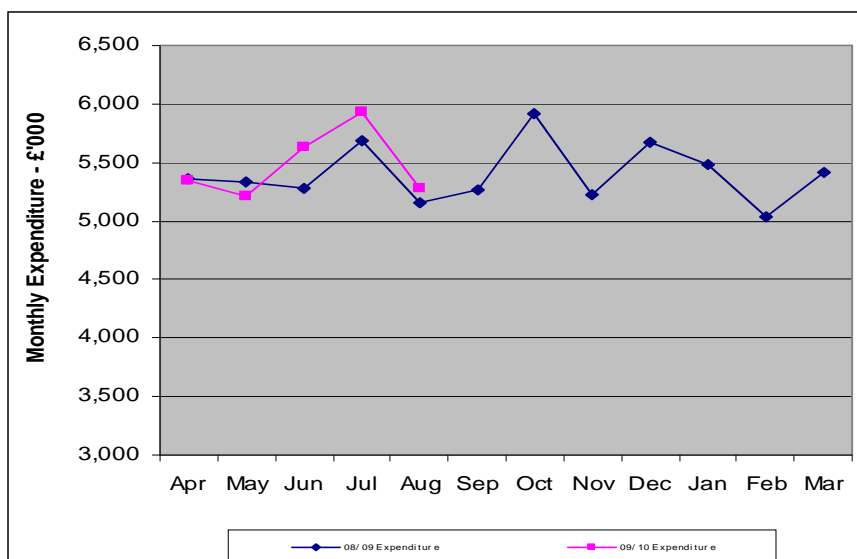
GREEN

Forecast position to year end

GREEN

The provider arm is reporting a year to date underspend of £1.0m. The areas with the greatest underspends include Physiotherapy, Dietetics and Health Visiting.

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



Prescribing data for month five has now been received.

Position year to date

GREEN

Forecast position to year end

GREEN

Month five prescribing data has been received. This shows a drop in expenditure when compared with previous months, but year to date spend remains 2.2% higher than for the same period last year. The PCT is forecasting an underspend of £1.1m.

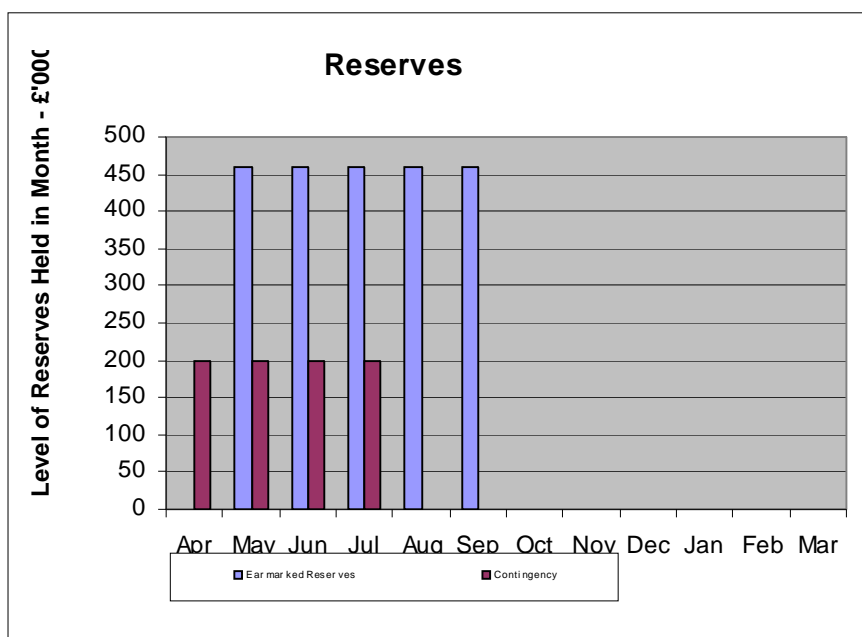
- g. **Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

**Current value of risks logged = £2.73m**

**RAG rating is AMBER**

Identified risks include Complex Care and LD. Other risks include our initiatives not having the planned impact on our contract with HEFT. A risk has also been identified around the ambulance contract held by the Specialised Commissioning Team.

h. **Reserves**



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

**Position year to date**

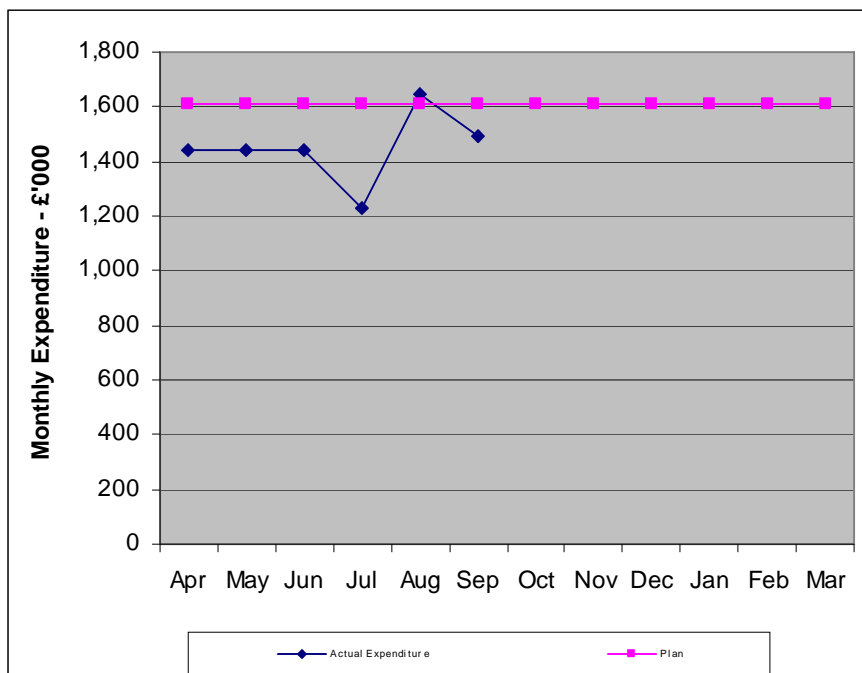
**RED**

**Forecast position to year end**

**RED**

There have been no changes to the reserves in month. The reserve shown is a specific reserve in respect of Eliminating Mixed Sex Accommodation (EMSA) which will be a paid to HEFT once we receive a formal adjustment to our RRL.

- i. **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 investment and spend on each of the strategic initiatives. This table has been updated to include the impact of the Integrated Step Down Beds and the projects with Healthcare at Home approved at the last Board.

|   | 2009/10 Investment | Spend to date | Slippage to date |
|---|--------------------|---------------|------------------|
| Initiative                                  | £'000              | £'000         | £'000            |
| Birmingham Health and Wellbeing Partnership | 1,500              | 33            | 633              |
| Working Together for Health                 | 954                | 622           | (145)            |
| Care Closer to Home                         | 7,572              | 3,446         | 340              |
| Specialised Services                        | 7,100              | 3,550         | 0                |
| PRIME                                       | 2,200              | 1,038         | 62               |
| Integrated Step Down Beds                   | 1,000              | 0             | 0                |
| Healthcare at Home                          | 600                | 0             | 0                |
| PCDU  | 200                | 20            | 0                |
| <b>Total for Strategic Initiatives</b>      | <b>21,126</b>      | <b>8,709</b>  | <b>890</b>       |

#### **4. Commissioning – Year to Date**

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

|  | <b>Annual</b>  | <b>Budget</b>  | <b>Expenditure</b> | <b>Variance</b> | <b>Change in Month</b> |
|--|----------------|----------------|--------------------|-----------------|------------------------|
|  | <b>Budget</b>  | <b>To Date</b> | <b>To Date</b>     | <b>To date</b>  |                        |
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>       | <b>£'000</b>    | <b>£'000</b>           |
| <b>Commissioning</b>                           |                |                |                    |                 |                        |
| Acute Services                                 | 250,243        | 124,479        | 130,623            | (6,144)         | (549)                  |
| Specialised Services                           | 95,102         | 48,109         | 48,234             | (125)           | (20)                   |
| Community Services                             | 84,030         | 42,015         | 42,884             | (869)           | (123)                  |
| Mental Health                                  | 50,609         | 25,304         | 24,734             | 570             | (38)                   |
| Learning Disabilities                          | 25,646         | 12,823         | 12,547             | 276             | 276                    |
| Other Commissioning                            | 6,405          | 2,843          | 2,462              | 381             | 100                    |
|  |                |                |                    |                 |                        |
| <b>Sub-Total</b>                               | <b>512,035</b> | <b>255,573</b> | <b>261,484</b>     | <b>(5,911)</b>  | <b>(354)</b>           |
|  |                |                |                    |                 |                        |
| <b>Primary Care Services</b>                   |                |                |                    |                 |                        |
| GP Contracts                                   | 56,347         | 28,069         | 27,881             | 188             | 56                     |
| Prescribing                                    | 70,758         | 35,379         | 34,827             | 552             | 92                     |
| Pharmacy Contract                              | 5,011          | 2,505          | 2,868              | (363)           | (137)                  |
| Dental Contracts                               | 17,012         | 8,575          | 8,287              | 288             | 19                     |
| <b>Sub-Total</b>                               | <b>149,128</b> | <b>74,528</b>  | <b>73,863</b>      | <b>665</b>      | <b>30</b>              |
|  |                |                |                    |                 |                        |
| Corporate costs including Health Improvement   | 28,592         | 14,643         | 13,830             | 813             | (918)                  |
| Capital charges                                | 511            | 256            | 232                | 24              | 1                      |
| <b>Sub-Total</b>                               | <b>29,103</b>  | <b>14,899</b>  | <b>14,062</b>      | <b>837</b>      | <b>(917)</b>           |
|  |                |                |                    |                 |                        |
| <b>Non-Recurrent Discretionary Expenditure</b> | <b>1,300</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               | 0                      |
| <b>Sub-Total</b>                               | <b>460</b>     | <b>0</b>       | <b>0</b>           | <b>0</b>        | <b>0</b>               |
| <b>Total BEN PCT</b>                           | <b>692,026</b> | <b>345,000</b> | <b>349,409</b>     | <b>(4,409)</b>  | <b>(1,241)</b>         |
| Surplus Target                                 | 2,447          | 1,224          | 0                  | 1,224           | 204                    |
| <b>Total BEN PCT RRL</b>                       | <b>694,473</b> | <b>346,224</b> | <b>349,409</b>     | <b>(3,185)</b>  | <b>(1,037)</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        | 262,697        | (12,454)        | 365             |
| Specialised Services                           | 95,102         | 95,352         | (250)           | 0               |
| Community Services                             | 84,030         | 87,088         | (3,058)         | (753)           |
| Mental Health                                  | 50,609         | 49,472         | 1,137           | (320)           |
| Learning Disabilities                          | 25,646         | 25,095         | 551             | 551             |
| Other Commissioning                            | 6,405          | 6,548          | (143)           | 488             |
|  |                |                |                 |                 |
| <b>Sub-Total</b>                               | <b>512,035</b> | <b>526,252</b> | <b>(14,217)</b> | <b>331</b>      |
|  |                |                |                 |                 |
| <b>Primary Care Services</b>                   |                |                |                 |                 |
| GP Contracts                                   | 56,347         | 56,000         | 347             | (1)             |
| Prescribing                                    | 70,758         | 69,654         | 1,104           | 0               |
| Pharmacy Contract                              | 5,011          | 5,538          | (527)           | 0               |
| Dental Contracts                               | 17,012         | 16,440         | 572             | 0               |
| <b>Sub-Total</b>                               | <b>149,128</b> | <b>147,632</b> | <b>1,496</b>    | <b>(1)</b>      |
|  |                |                |                 |                 |
| Corporate costs including Health Improvement   | 28,592         | 27,943         | 649             | (172)           |
| Capital charges                                | 511            | 487            | 24              | (30)            |
| <b>Sub-Total</b>                               | <b>29,103</b>  | <b>28,430</b>  | <b>673</b>      | <b>(202)</b>    |
|  |                |                |                 |                 |
| <b>Non-Recurrent Discretionary Expenditure</b> | <b>1,300</b>   | <b>0</b>       | <b>1,300</b>    | <b>0</b>        |
|  |                |                |                 |                 |
| <b>Reserves</b>                                |                |                |                 |                 |
| Specific                                       | 460            | 460            | 0               | 0               |
| Contingency                                    | 0              | 0              | 0               | 0               |
| <b>Sub-Total</b>                               | <b>460</b>     | <b>460</b>     | <b>0</b>        | <b>0</b>        |
| <b>Total BEN PCT</b>                           | <b>692,026</b> | <b>702,774</b> | <b>(10,748)</b> | <b>128</b>      |
| Surplus Target                                 | 2,447          | 0              | 2,447           | 0               |
| <b>Total BEN PCT RRL</b>                       | <b>694,473</b> | <b>702,774</b> | <b>(8,301)</b>  | <b>128</b>      |

## 5. Balance Sheet

| <b>BALANCE SHEET</b>                            | <b>Start point<br/>£'000</b> | <b>Sep<br/>£'000</b> |
|---|------------------------------|----------------------|
| <b>Total Fixed Assets</b>                       | <b>28,178</b>                | <b>28,238</b>        |
| <b>Current Assets</b>                           |                              |                      |
| Debtors   | 18,835                       | 35,563               |
| Cash at bank                                    | 10                           | 253                  |
| <b>Total Current Assets</b>                     | <b>18,845</b>                | <b>35,816</b>        |
| <b>Current Liabilities</b>                      |                              |                      |
| Creditors due < 1 year                          | (70,782)                     | (105,269)            |
| <b>Total Current Liabilities</b>                | <b>(70,782)</b>              | <b>(105,269)</b>     |
| <b>Net Current Assets</b>                       | <b>(51,937)</b>              | <b>(69,453)</b>      |
| <b>Total Assets Less Current Liabilities</b>    | <b>(23,759)</b>              | <b>(41,215)</b>      |
| <b>Provisions for Liabilities &amp; Charges</b> | <b>(4,256)</b>               | <b>(3,826)</b>       |
| <b>Total Assets Employed</b>                    | <b>(28,015)</b>              | <b>(45,041)</b>      |
| <b>Financed by:</b>                             |                              |                      |
| <b>Tax Payers' Equity</b>                       |                              |                      |
| General fund                                    | (31,524)                     | (48,548)             |
| 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>(45,041)</b>      |

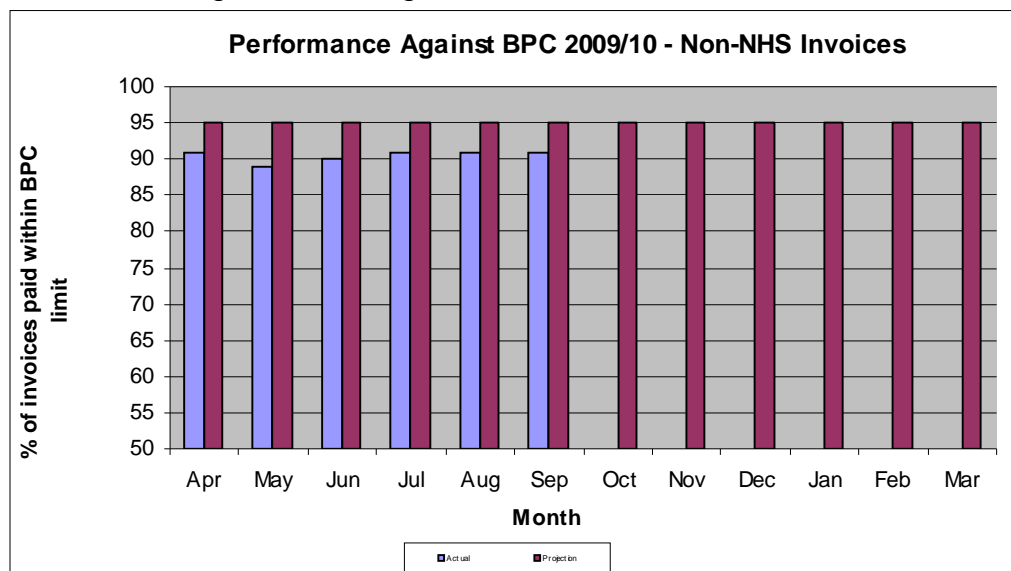
## 6. Balance Sheet Reconciliations

| Cashflow reconciliation                            | Month<br>6<br>£'000 | YTD Mth<br>6<br>£'000 |
|--|---------------------|-----------------------|
| <b>Expenditure</b>                                 |                     |                       |
| Revenue  | 61,018              | 354,080               |
| Capital  | 104                 | 761                   |
| <b>Total expenditure</b>                           | <b>61,122</b>       | <b>354,841</b>        |
| <b>Funded by</b>                                   |                     |                       |
| Dept of Health cash funding                        | 61,325              | 337,497               |
| Movement in working balances (Drs/ Crs /<br>Provn) | (319)               | 17,330                |
| Capital income                                     | 0                   |                       |
| Capital charges                                    | 42                  | 257                   |
| (Increase) / Decrease in Cash                      | 74                  | (243)                 |
| <b>Total funding</b>                               | <b>61,122</b>       | <b>354,841</b>        |

| Movement on General Fund              | Month<br>6<br>£'000 | YTD Mth<br>6<br>£'000 |
|---------------------------------------|---------------------|-----------------------|
| General Fund Opening Balance          | (48,780)            | (31,524)              |
| Net Parliamentary Funding             | 61,325              | 337,497               |
| Transfers (to)/from other NHS bodies  | 0                   |                       |
| Cost of Capital Charges               | (71)                | (441)                 |
| Transfer from OCS                     | (61,022)            | (354,080)             |
| Transfer of realised profits/(losses) | 0                   |                       |
| Other movements                       | 0                   |                       |
| <b>Closing Balance</b>                | <b>(48,548)</b>     | <b>(48,548)</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 table below was originally included in the report to the Board in September to show the impact of the PCT initiatives on the forecast overperformance at HEFT. The forecast overperformance at HEFT has improved by £1m and the forecast costs for the initiatives signed off by the Board last month are now included in the forecast year end outturn.

|   |   |   | Impact<br>£'m |       |
|---|---|---|---------------|-------|
| Forecast based on current levels of overperformance |   |   | <b>12.4</b>   |       |
| Increased membership of Birmingham Own Health       |   |   | (0.5)         |       |
| Healthcare at Home                                  | Forecast impact over<br>the last 6 months | } | (0.4)         |       |
| End of Life   |   |   |               | (0.2) |
| Long Term Conditions                                |   |   |               | (0.2) |
| Early Supported Discharge                           |   |   |               | (0.3) |
| PCDU  |   |   | (1.0)         |       |
| Integrated Step Down Beds                           |   |   | tbc           |       |
| Insight   | To be implemented from November           |   | tbc           |       |
| Expansion of Prior Approval                         | To be implemented from November           |   | tbc           |       |
| Contract Management                                 | Accounted for in forecast                 |   |               |       |
| <b>Total (Reduction)/Increase in forecast spend</b> |   |   | <b>(2.6)</b>  |       |

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

|   | Target<br>Variance Year<br>End<br>£000 | Forecast Variance<br>Year End<br>£000 | Distance from<br>Target Year End<br>£000 |
|---|--|---------------------------------------|--|
| Position against commissioning budgets                                  | 0                                      | (10,748)                              | (10,748)                                 |
| Surplus target not issued   | 2,447                                  | 2,447                                 | 0  |
| Impact of Initiatives on HEFT contract                                  | 0                                      | 2,600                                 | 2,600                                    |
| Impact of expenditure controls  | 0                                      | 5,000                                 | 5,000                                    |
| <b>Forecast against Commissioning<br/>Budgets including Initiatives</b> | <b>2,447</b>                           | <b>(701)</b>                          | <b>(3,148)</b>                           |
| Under spend/(overspend) on provider arm                                 | 0                                      | 1,802                                 | 1,802                                    |
| <b>Operational Financial Balance</b>                                    | <b>2,447</b>                           | <b>1,101</b>                          | <b>(1,346)</b>                           |

Based on the assumptions above the PCT will achieve a surplus of £1.1million and be £1.3m away from its target surplus of £2.4million.

The forecast financial position has improved by £6.092m from the position reported to the Board in October; this is due mainly to the inclusion of the impact of the decisions taken at that Board meeting. It should be noted that there remain significant risks to be managed over the rest of the year, particularly around the impact of our initiatives on the contract with HEFT.

The Board should note that the PCT is also monitoring risks with a value of £2.7million; there is no provision for these risks and if they materialise they will have an adverse impact on the financial position of the PCT.

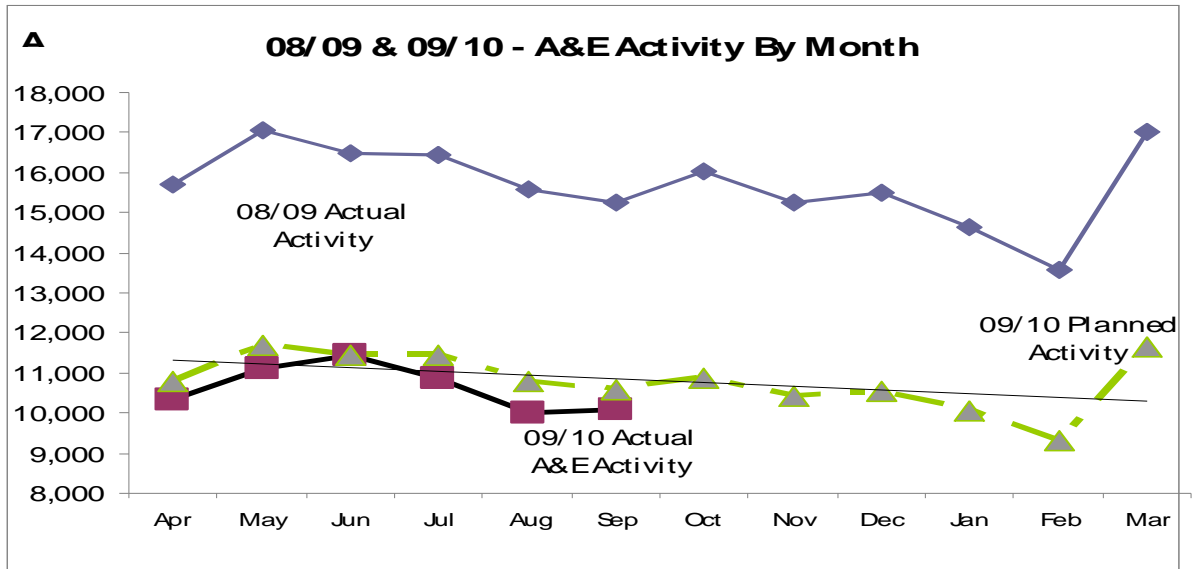
Following Board approval, the vacancy control panel has been re-established and is meeting on a weekly basis to review all vacancies. The impact of this on expenditure will be seen in the last quarter of the year.

## **9. Recommendations**

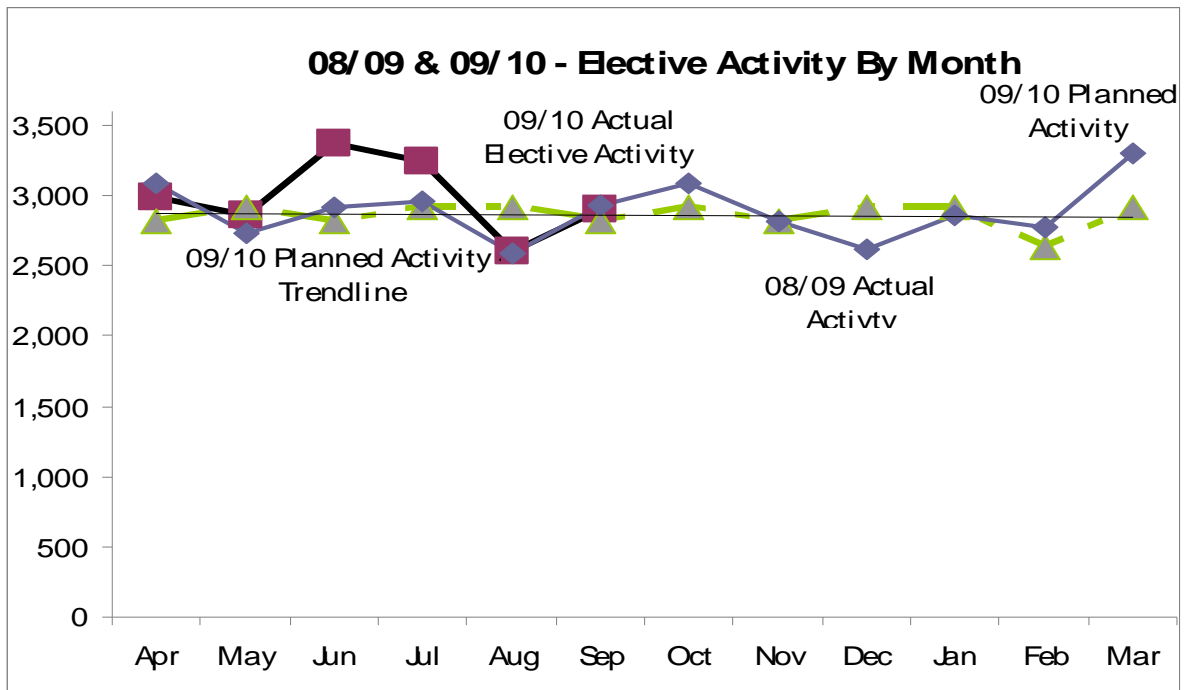
The Board is asked to note the contents of this report.

**Appendix I**

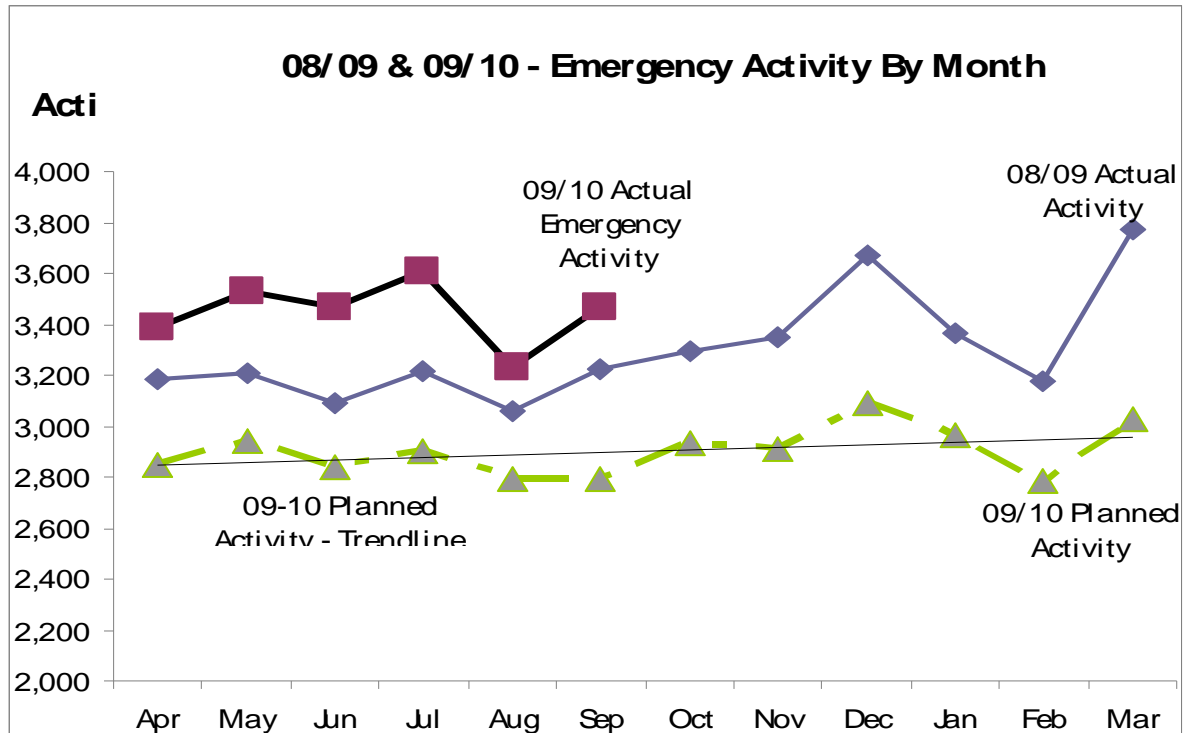
**A&E Activity**



**Elective Activity**



**Emergency Activity**



**Outpatient Activity**

