

**FINANCE AND ACTIVITY REPORT**  
**PERIOD ENDING 31<sup>st</sup> OCTOBER 2008**

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## 1. Executive Summary

The PCT has identified eight key financial indicators (KFIs) which, alongside the three statutory duties, form a framework to report the financial position.

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

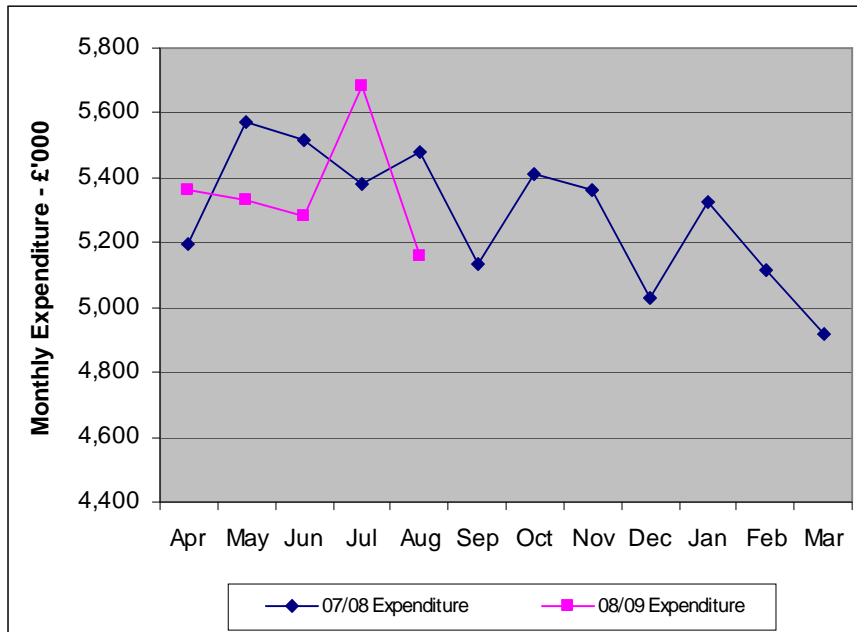
KFI Name and Measurement	Period	Absolute Performance Year to Date	Absolute Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
<b>GP Prescribing</b> (Over)/ underspend compared to plan (£000)	Apr to Aug	1,646	3,950	AMBER	AMBER
<b>Provider arm position</b> (Over)/ underspend against budget (£000)	Apr to Oct	1,323	2,142	AMBER	AMBER
<b>HEFT Contract</b> (Over)/ underspend against budget (£000)	Apr to Sept	(4,697)	(9,393)	RED	RED
<b>New investments</b> (Over)/ underspend against plan (£000)	Apr to Oct	2,217	3,127	AMBER	AMBER
<b>Unplanned allocations</b> Net (decrease)/ increase to RRL (£000)	Oct	24	N/A	GREEN	N/A
<b>Financial Risks</b> Value of identified unmitigated risks (£000)	Oct	1,047	N/A	GREEN	N/A
<b>Reserves</b> Funds being held in reserve (£000)	Oct	2,228	0	GREEN	GREEN
<b>Year End Surplus</b> (Lower)/ higher than plan (£000)	Apr to Oct	5	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	Absolute Forecast Year End Performance	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 Oct	1,900	1,900	GREEN	GREEN
<b>Capital Resource Limit</b> (Over)/ under spend against CRL (£000)	Apr to Oct	344	Breakeven	GREEN	GREEN
<b>Cash Resource Limit</b> (Over)/ under drawing against cash profile (£000)	Apr to Oct	7,129	Breakeven	RED	GREEN

## 2. Key Financial Indicators

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



The PCT received data for month five prescribing. The forecast outturn remains the same.

Position year to date

**AMBER**

Forecast position to year end

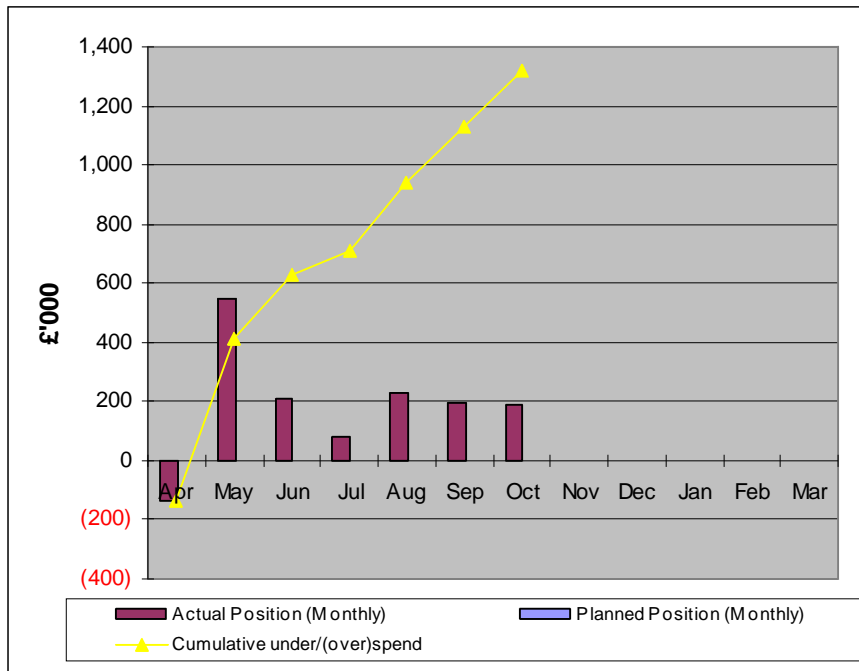
**AMBER**

Prescribing data is not yet available for month six, therefore the month seven position is based on an extrapolation of month five data.

Month five expenditure on prescribing fell by 5.9% compared with the same month last year. The cumulative effect is a fall of 0.75% compared with the first five months of last year. As previously reported the PCT budgeted for an increase of 4.7% on prescribing spend.

The latest PPA forecast outturn is an underspend against budget of £3.95 million. This is unchanged from last month.

**Provider Arm** - *The provider function must demonstrate full cost recovery against provider activities.*



**The provider arm is planning to deliver a year end surplus of £2 million.**

**Position year to date**

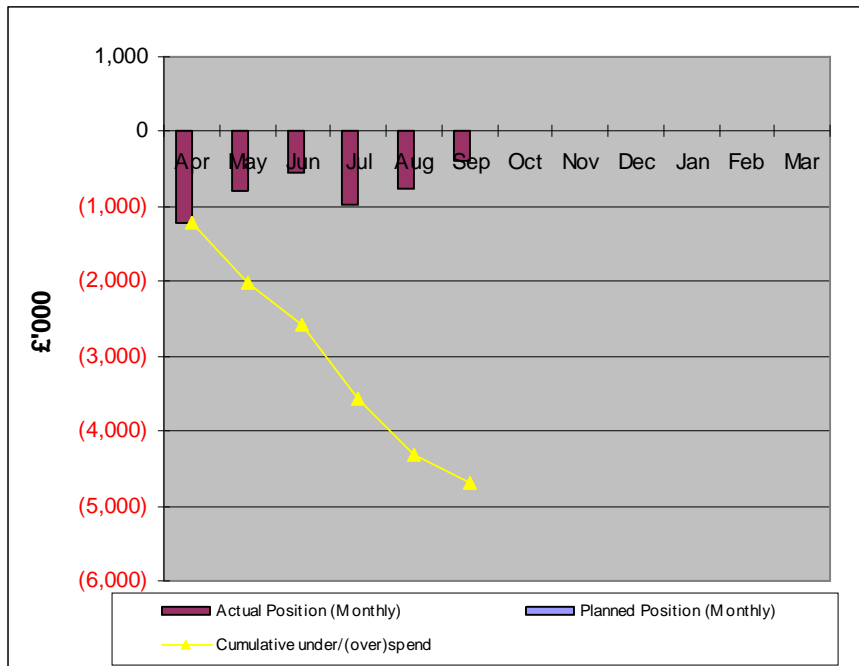
**AMBER**

**Forecast position to year end**

**AMBER**

The provider arm is continuing to plan to deliver a £2 million surplus. There are currently no risks to this position.

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



**For the first six months of the year there is a cumulative overspend of £4,697k.**

**Position year to date**

**RED**

**Forecast position to year end**

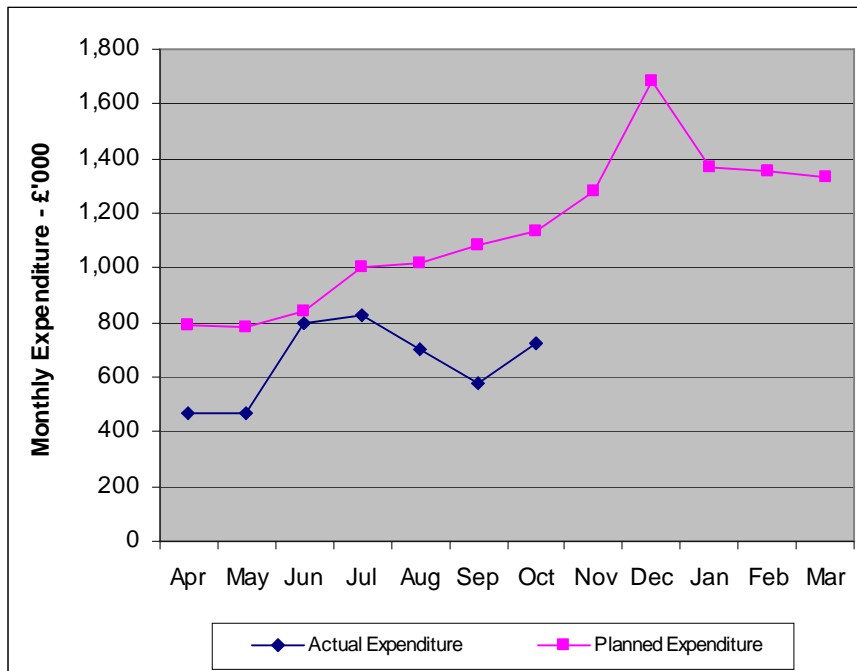
**RED**

Based on data for April to September this year the forecast year end overspend, as reported through HEFT contract monitoring, is £9.4 million. This has fallen from the £10.4 million forecast last month and discussions with the Trust are continuing through the formal performance monitoring process.

HEFT has agreed to a correction in the calculation of the A&E over performance. This has resulted in a £1.2 million reduction in the forecast over performance.

As previously reported, PCT directors are taking action in a number of areas to bring down the HEFT overspend. These are reported on a monthly basis through the directors' meetings.

- c. New Investments** - The PCT set out plans for £17.7 million of investment in 2008/09. Of this new investment, £13.7 million is being monitored proactively as any slippage will affect the PCT's ability to deliver the required surplus.



**Slippage of more than 30% of the year to date budget has occurred on new investments.**

**Position year to date**

**AMBER**

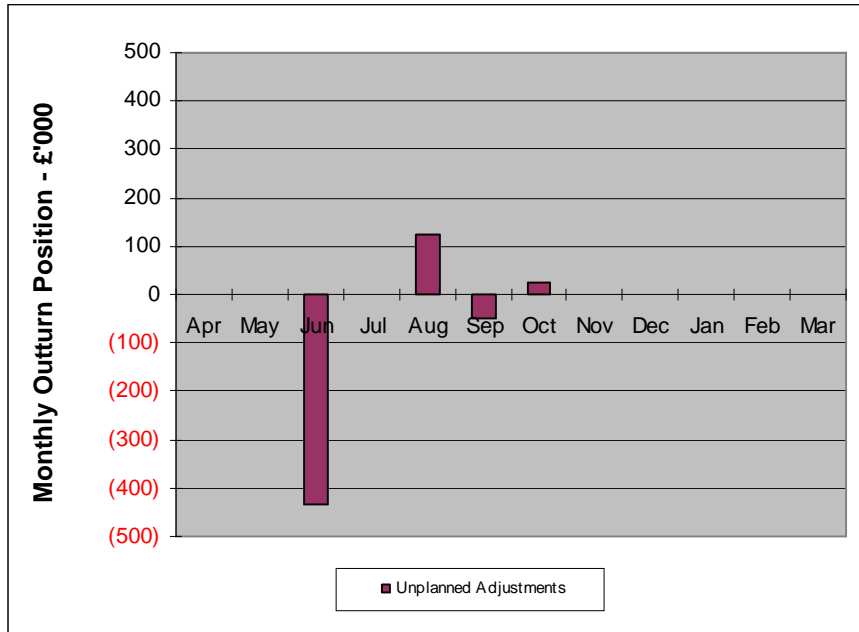
**Forecast position to year end**

**AMBER**

A review of the budget for new investments was undertaken after the position reported to the Trust Board in October. This resulted in some budgets being reprofiled to reflect revised spending plans.

The PCT continues to urge commissioners to spend in line with their original plans. The forecast slippage on this budget is £3.13 million. This is included in the PCT forecast year end position. Any further increase in the levels of slippage or will impact on the ability of the PCT to meet its surplus target.

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



**Two unanticipated changes to the RRL occurred in October.**

**Position year to date**

**GREEN**

**Forecast position to year end**

**N/A**

There were two changes to the RRL in month. The return of last year's top slice was £45k higher than anticipated. There was also a reduction of £21k relating to MFF for 2007/08.

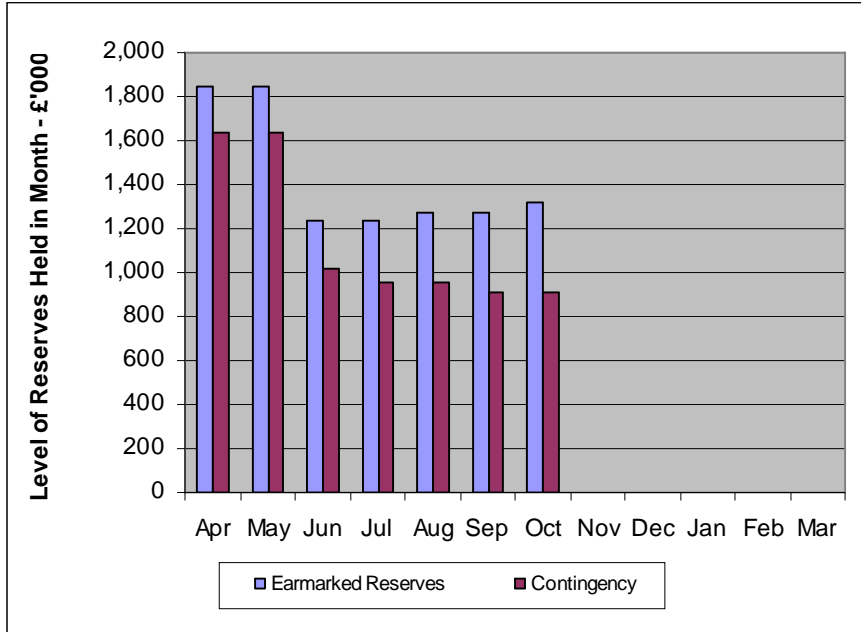
**e. Financial Risks** - The PCT identifies and tracks risks on a monthly basis. The value shown here is the unmitigated level of risk to which the PCT is currently exposed.

**Current value of risks logged = £1,047k**

**RAG rating is GREEN**

The risk register is regularly reviewed and updated. No additions have been made to the risk register since month five.

- f. **Reserves** - *The PCT holds reserves for earmarked projects and a general contingency. A large reserve might affect the ability of the PCT to achieve its surplus target.*



**The current total reserve is £2.2 million, which is 0.3% of the RRL.**

**Position year to date**

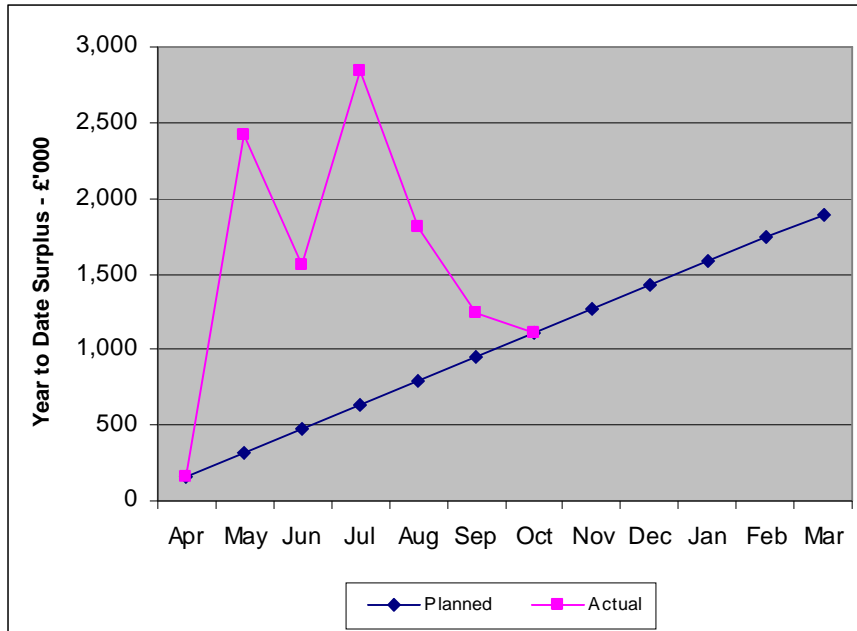
**GREEN**

**Forecast position to year end**

**GREEN**

The level of reserves held by the PCT increased by £45k in October. This was due to the refund of last year's top slice of £3,245k. Only £3,200k had been anticipated.

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



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

Position year to date

**GREEN**

Forecast position to year end

**GREEN**

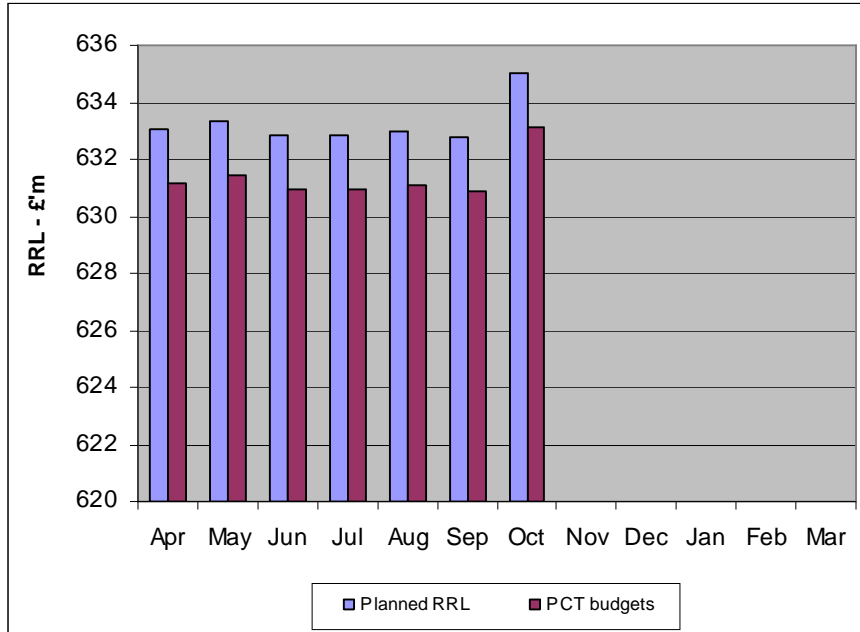
The PCT is still reporting a very small year to date under spend above the target position for this point of the year. The breakdown of this under spend is shown below:-

	Target Variance (YTD) £'000	Actual Variance (YTD) £'000	Distance from Target (YTD) £'000
Position against commissioning budgets	0	(1,318)	(1,318)
Under spend/(overspend) on provider arm	0	1,323	1,323
<b>YTD Position Against Budgets</b>	<b>0</b>	<b>5</b>	<b>5</b>
Surplus target not issued	1,108	1,108	0
<b>Operational Financial Balance</b>	<b>1,108</b>	<b>1,114</b>	<b>5</b>

The year to date surplus has fallen much further into line with plan during month seven.

**3. Statutory Duties**

- i. **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 less the £1.9 million planned surplus.

Position year to date

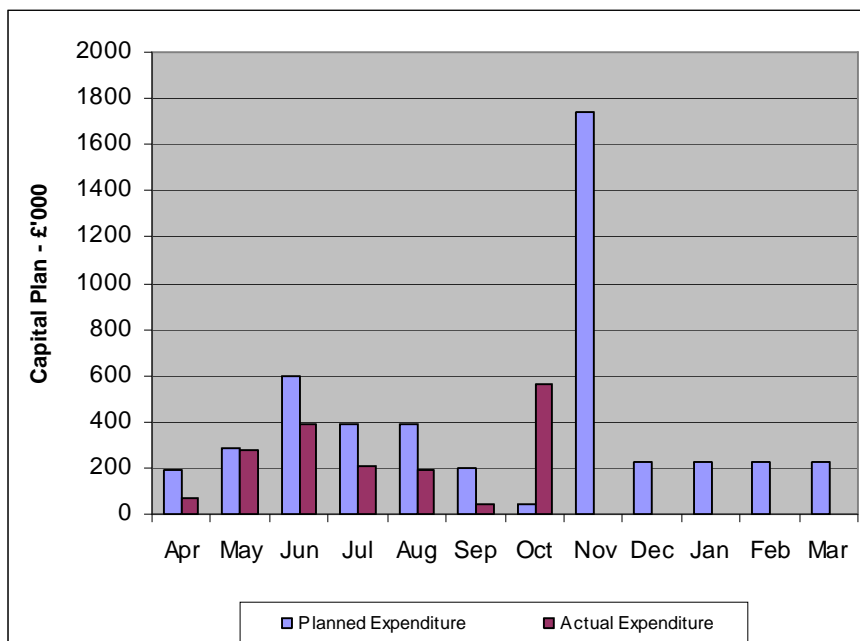
**GREEN**

Forecast position to year end

**GREEN**

There were two changes to the RRL in October totalling £24k.

- j. **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, however current expenditure is below budget.

Position year to date

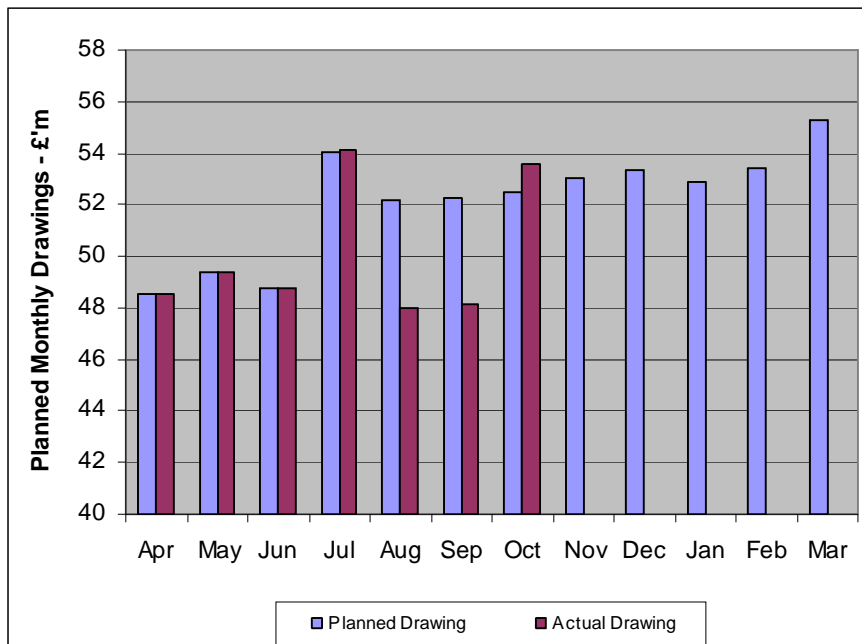
**GREEN**

Forecast position to year end

**GREEN**

The PCT spent £563k on capital in October, including the purchase of a former GP surgery on Reservoir Road. The PCT plans to spend £1.64 million on land in November.

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



**The PCT drew down more cash than planned in month.**

**Position year to date**

**AMBER**

**Forecast position to year end**

**GREEN**

This month the PCT drew down slightly more cash than planned. The effect of this is to reduce the cumulative under drawing to £7.13 million from the £7.71 million reported to the Trust Board in month six.

## 4. Commissioning

The table below shows the breakdown of the financial performance of the commissioning arm to 31<sup>st</sup> October 2008:-

	Annual	Budget	Expenditure	Variance	Change in Month
	Budget	To Date	To Date	To date	
	£'000	£'000	£'000	£'000	
<b>Commissioning</b>					
Acute Services	223,762	130,528	135,455	(4,927)	(867)
Specialised Services	83,971	48,983	48,986	(3)	32
Community Services	73,885	42,687	44,990	(2,302)	(167)
Mental Health	47,382	27,476	27,108	368	210
Learning Difficulties	22,133	12,911	13,261	(350)	(235)
Other Commissioning	6,008	3,505	1,991	1,514	553
Commissioning Reserve	3,293	1,921	0	1,921	296
<b>Sub-Total</b>	<b>460,435</b>	<b>268,011</b>	<b>271,790</b>	<b>(3,780)</b>	<b>(177)</b>
<b>Primary Care Services</b>					
GMS	40,088	21,407	21,270	137	137
PMS	14,293	7,782	7,574	208	208
Prescribing	71,031	41,435	38,948	2,487	538
Pharmacy Contract	2,659	1,552	2,794	(1,242)	(135)
Dental Contracts	15,318	8,936	8,937	(1)	(1)
<b>Sub-Total</b>	<b>143,389</b>	<b>81,112</b>	<b>79,523</b>	<b>1,589</b>	<b>747</b>
<b>Public Health</b>					
Health Promotion	2,601	1,347	1,202	145	(70)
Smoking Cessation	850	445	351	94	(42)
<b>Sub-Total</b>	<b>3,451</b>	<b>1,792</b>	<b>1,553</b>	<b>239</b>	<b>(112)</b>
<b>Organisational Costs</b>					
Management costs	20,607	10,388	10,156	232	(959)
Capital charges	936	405	3	402	29
<b>Sub-Total</b>	<b>21,543</b>	<b>10,793</b>	<b>10,159</b>	<b>634</b>	<b>(930)</b>
<b>Reserves</b>					
Specific	1,320	0	0	0	0
Contingency	908	0	0	0	0
<b>Sub-Total</b>	<b>2,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total BEN PCT</b>	<b>631,046</b>	<b>361,708</b>	<b>363,025</b>	<b>(1,318)</b>	<b>(472)</b>
Surplus Target	1,900	1,108	0	1,108	158
<b>Total BEN PCT RRL</b>	<b>632,946</b>	<b>362,816</b>	<b>363,025</b>	<b>(209)</b>	<b>(314)</b>

### **Areas not Covered by KFI**

#### Organisational Costs

There is a large movement on Organisational Costs this month. Some budgets have been reprofiled to better reflect anticipated spending patterns. Specifically, the following budgets have been reprofiled:

- ICT Additional Investment – Orders have been raised but no goods or services have been received as yet so no costs are shown against this budget.
- Professional Services – Budgets have been reprofiled in anticipation of spend later in the year. Any slippage on these budgets will be matched against projects that are over spending in the later months of the year.
- Accommodation Move – Costs have not been incurred equally on this budget. The revenue consequences of capital are expected to be felt in November once work on the Executive Suite is complete.

#### Acute Commissioning

There has been a large movement in month on Acute Commissioning, despite the improvement of the HEFT position. This is due in part to:

- Invoices relating to 07/08 being received late.
- Increased activity to achieve national targets for 18 weeks RTT including the use of private providers.
- Increased over performance in Outpatients and Audiology at Sandwell and West Birmingham.

## 5. Balance Sheet

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

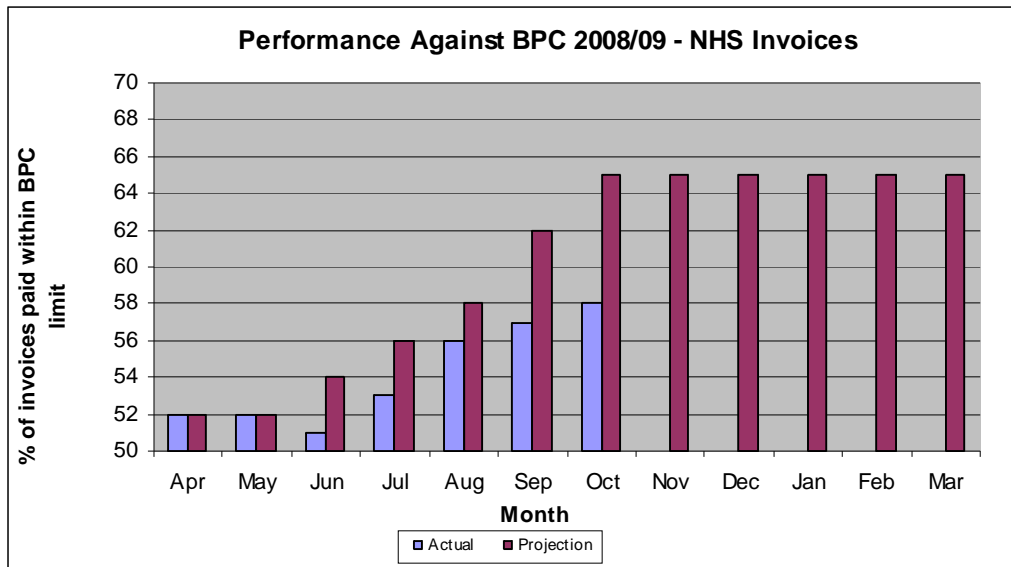
### Balance Sheet as at 31<sup>st</sup> October 2008

BALANCE SHEET	Start point £000 01/04/08	Closing Balance £000 31/10/08	Forecast Year End £000 31/03/09
<b>Total Fixed Assets</b>	<b>32,324</b>	<b>34,699</b>	<b>30,189</b>
<b>Current Assets</b>			
Debtors	25,457	6,881	23,240
Cash at bank	11	387	11
<b>Total Current Assets</b>	<b>25,468</b>	<b>7,268</b>	<b>23,251</b>
<b>Current Liabilities</b>			
Creditors due < 1 year	(72,137)	(68,693)	(71,311)
<b>Total Current Liabilities</b>	<b>(72,137)</b>	<b>(68,693)</b>	<b>(71,311)</b>
<b>Net Current Assets</b>	<b>(46,669)</b>	<b>(61,425)</b>	<b>(48,060)</b>
<b>Total Assets Less Current Liabilities</b>	<b>(14,345)</b>	<b>(26,726)</b>	<b>(17,871)</b>
<b>Provisions for Liabilities &amp; Charges</b>	<b>(4,847)</b>	<b>(4,490)</b>	<b>(4,847)</b>
<b>Total Assets Employed</b>	<b>(19,192)</b>	<b>(31,216)</b>	<b>(22,718)</b>
<b>Financed by:</b>			
<b>Tax Payers' Equity</b>			
General fund	(25,268)	(38,500)	(29,923)
Revaluation Reserve	2,993	3,712	3,714
Donated Reserve	3,036	3,152	3,071
Government Grant Reserve	47	420	420
<b>Total Taxpayers' Equity</b>	<b>(19,192)</b>	<b>(31,216)</b>	<b>(22,718)</b>

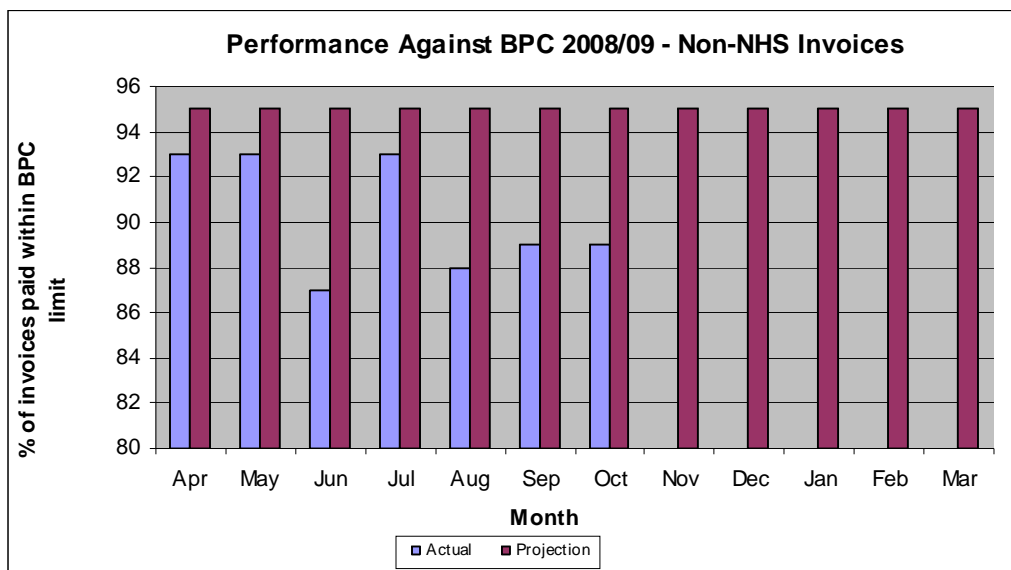
**Better Payment Code**

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

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



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



## **6. Outlook for the Year**

The table below shows the forecast position at the end of the financial year:-

	Target Variance Year End £'000	Forecast Variance Year End £'000	Distance from Target Year End £'000
Position against commissioning budgets	0	(5,271)	(5,271)
Under spend/(overspend) on provider arm	0	2,142	2,142
<b>YTD Position Against Budgets</b>	<b>0</b>	<b>(3,129)</b>	<b>(3,129)</b>
Surplus target not issued	1,900	1,900	0
<b>Operational Financial Balance</b>	<b>1,900</b>	<b>(1,229)</b>	<b>(3,129)</b>

As reported last month, significant variances are forecast on several key budgets including the HEFT contract, prescribing and the provider arm. Work is ongoing to mitigate the impact of these variances.

The forecast variance on the HEFT contract has fallen by just over £1 million this month and commissioners and directors continue to work with HEFT to reduce this further.

The forecast variance on prescribing has not moved this month, despite a fall in the monthly activity as compared both with last month and the same month last year. If activity continues at its current rate, the prescribing underspend could be significantly higher.

The PCT remains confident that, without putting any investment plans on hold or taking any other non-recurrent action, there is enough flexibility across its portfolio to deliver the planned surplus of £1.9million.

## **7. Recommendation**

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