

FINANCE AND ACTIVITY REPORT – MONTH 7 (31 OCTOBER 2009)

1. INTRODUCTION

The purpose of this report is to inform members of the PCT's financial position as at the end of October 2009 (Month 7) and to advise of any other financial issues to impact in 2009/10. The report will provide an overview of the PCT's year to date financial position, performance against key financial indicators (KFIs) and provide an expected forecast outturn.

2. EXECUTIVE SUMMARY

The table below summarises the PCT's financial duties and targets:

Description	Duty/Target	Forecast Achievement	Risk
Revenue Resource Limit	Maintain expenditure within limit	Yes	Red
Capital Resource Limit	Maintain expenditure within limit	Yes	Green
Cash Limit	Remain within the cash limit set by the DoH	Yes	Green
Full Cost Recovery	Demonstrate full cost recovery in respect of provider functions	Yes	Green
Public Sector Payment Policy	Pay 95% of non-NHS invoices within 30 days of receipt or date of invoice, whichever is the later.	91% by number	Red

The PCT has also identified 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	Risk Year to Date	Risk Year End
HEFT Contract (Over)/ underspend against budget (£000)	Apr to Oct	(7,800)	(13,000)	RED	RED
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Oct	641	1,104	GREEN	GREEN
Financial Risks Net value of identified unmitigated risks (£000)	Oct	0	N/A	GREEN	N/A

Community Health Services position (Over)/underspend against budget (£000)	Apr to Oct	1,169	1,949	GREEN	GREEN
Reserves Funds being held in reserve (£000)	Oct	460	0	RED	RED
Strategic Initiatives Investment to date	Apr to Oct	11,107	18,584	GREEN	GREEN

The PCT has reviewed the KFI's and removed the one relating to the year end surplus.

The key points to note from this report are:

- Month 7 figures indicate a year to date deficit of £4.6m compared to a planned surplus of £1.4m.
- The PCT currently anticipates achieving its statutory duty to keep revenue expenditure within its Revenue Resource Limit (RRL), subject to the management of risks identified below:
 1. The PCT's strategic initiatives are planned to reduce the level of performance against the contract with Heart of England Foundation Trust (HEFT) by £2.2m, if this does not happen then the level of over performance will be higher than forecast in this report.
 2. HEFT activity continues to be volatile and consequently there is a high degree of risk in relation to the reported acute position.
- Community Health Services has a year to date surplus of £1.2m and a forecast outturn of £1.9m.
- The risks identified at month 6 have been reviewed and incorporated into the position where appropriate.

3. YEAR TO DATE AND FORECAST POSITION

The PCT's financial position against its commissioning budgets and comparison to its RRL to the end of October (Month 7) is set out in the table below:

Table 1: Summary year to date performance against RRL.

	Annual Plan	YTD Plan	YTD Actual	Distance from Target
Revenue Resource Limit	£000	£000	£000	£'000
(Over)/under spend against commissioning budgets	2,447	1,427	(4,563)	(5,990)
(Over)/under spend on Community Health Services	0	0	1,169	1,169
(Over)/under spend against RRL	2,447	1,427	(3,394)	(4,821)

The financial position of the organisation is analysed further in Table 3.

The changes to the PCT's Revenue Resource Limit since last month are summarised in the table below:

Table 2: Changes to RRL in Month 7

Revenue Resource Limit	Confirmed	Anticipated	Total
	£000	£000	£000
As at Month 6	691,005	3,734	694,739
Market Forces Factor Adjustment	(288)	82	(206)
As at Month 7	690,717	3,816	694,533

Table 3: Financial Performance against Commissioning Budgets

	Annual Budget	YEAR TO DATE			FORECAST YEAR END		
		Budget Year to Date	Expenditure Year to Date	Variance Year to Date	Expenditure Forecast Outturn	Variance Forecast Outturn	Change in Month
		£'000	£'000	£'000	£'000	£'000	£'000
Commissioning							
Acute Services	250,243	145,975	153,104	(7,129)	263,034	(12,791)	(337)
Specialised Services	95,102	55,476	56,059	(584)	96,102	(1,000)	(750)
Community Services	84,073	49,625	50,949	(1,325)	87,442	(3,368)	(311)
Mental Health	50,609	29,522	28,834	688	49,429	1,179	43
Learning Disabilities	25,646	14,960	14,617	344	25,057	589	37
Other Commissioning	6,405	3,436	2,671	766	6,396	9	152
Sub-Total	512,078	298,994	306,234	(7,240)	527,460	(15,382)	(1,166)
Primary Care Services							
GP Contracts	56,612	32,882	32,689	193	56,265	347	0
Prescribing	70,758	41,275	40,634	641	69,654	1,104	0
Pharmacy Contract	5,011	2,923	3,286	(363)	5,538	(527)	0
Dental Contracts	17,012	9,987	9,653	334	16,441	571	0
Sub-Total	149,393	87,067	86,262	805	147,898	1,495	0
Organisational Costs							
Corporate costs including Health Improvement	28,344	17,072	16,651	421	27,825	519	(130)
Capital charges	511	298	274	24	487	24	0
Sub-Total	28,855	17,370	16,925	445	28,312	543	(130)
Non-Recurrent Discretionary Expenditure	1,300	0	0	0	0	1,300	0
Reserves	460	0	0	0	460	0	0
Total BEN PCT	692,086	403,431	409,421	(5,991)	704,130	(12,044)	(1,296)
Surplus Target	2,447	1,427	0	1,427	0	2,447	0
Total BEN PCT RRL	694,533	404,858	409,421	(4,563)	704,130	(9,597)	(1,296)

Explanations of the forecast outturn and variances contained within the above table are as follows:

3.1 Acute Commissioning

Heart of England Foundation Trust

The HEFT contract (£186m) equates to 75% of the PCT's general acute portfolio (£250m).

The table below summarises the activity and financial position for HEFT as at month 7.

Table 4: Summary of Activity and Finance at HEFT for the year to date

Activity and Cost	October/M07			2009/10 YTD		
	Plan	Actual	Surplus/ (Deficit)	Plan	Actual	Surplus/ (Deficit)
Activity						
A&E	10,889	10,198	691	77,608	74,097	3,511
Elective	2,916	3,299	(383)	20,136	21,289	(1,153)
Emergency	2,937	3,685	(748)	20,052	24,417	(4,365)
Outpatients	30,784	31,521	(737)	203,169	216,265	(13,096)
Other	201,426	223,719	(22,293)	1,356,438	1,436,182	(79,744)
Total	248,952	272,422	(23,470)	1,677,404	1,772,250	(94,846)
Cost - £m						
A&E	0.9	0.9	0.0	6.3	6.2	0.1
Elective	3.1	3.4	(0.4)	21.3	22.1	(0.8)
Emergency	5.5	6.5	(1.0)	37.7	42.8	(5.0)
Outpatients	3.3	3.4	(0.1)	21.7	23.5	(1.9)
Other	3.2	3.2	0.0	21.7	22.0	(0.3)
Total	15.9	17.3	(1.4)	108.8	116.6	(7.8)

The key issues in respect of the above table are:

- Activity and costs for elective, emergency and outpatients have been higher than planned. The largest overperformance is in respect of emergency admissions at £1m in October.
- Activity for A&E has been below the plan whereas the costs have remained in line with plan throughout the year.
- "Other", actual activity was higher than planned in October whereas the costs remained in line with the plan.

Appendix A shows the profile of activity for this year and last year.

Other Acute Providers

The PCT has contracts with several other acute providers totalling circa £65m. Whilst over and under performance variances do exist on some of these contracts the net impact upon the PCT is an underspend of circa £0.5m.

3.2 Specialised Services Commissioning

The specialised services portfolio contains all services commissioned on behalf of the PCT by the West Midlands Specialised Commissioning Team. This includes, regional and pan-Birmingham specialised services (circa £80m) and the West Midlands Ambulance Services contract (£10m).

The PCT is reporting a year to date overspend of £0.6m and a forecast outturn of £1m overspent. This forecast overspend represents £0.4m in respect of specialised activity and £0.6m on the WMAS contract.

3.3 Community Services/Non-Acute

The PCT's community services and non-acute portfolio has an annual budget of £84m. As at month 7 there is a £1.3m overspend, which is expected to increase to £3.4m by year-end. The largest area of overspend relates to the Community Step Down beds that are forecast to overspend by £1.2m; this is offset by a forecast reduction in excess bedday costs against the HEFT contract.

3.4 Mental Health and Learning Disabilities

The mental health and learning disability portfolio has an annual budget of £76m and is forecast to underspend by £1.8m at year-end. This underspend is attributable to:

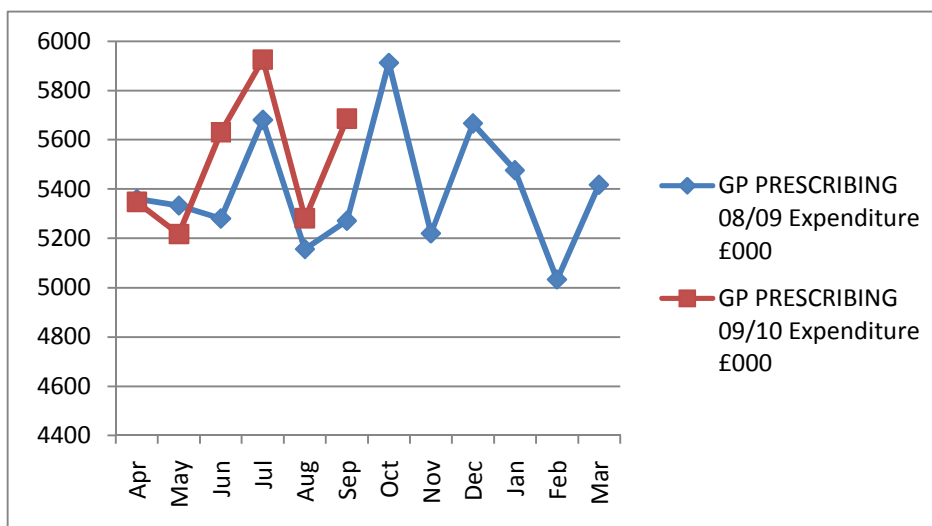
- £0.6m underspend in respect of learning disabilities, including some complex care and underperformance on activity based contracts.
- An underperformance of £1.5m on the Birmingham and Solihull Mental Health Foundation Trust contract. This underspend can be attributed to underperformance on activity elements of the contract and slippage on 2009/10 developments.

3.5 General Practitioner Contracts

The PCT has an annual budget for GP contracts of £57m. The PCT is forecasting a £0.3m underspend at year-end.

3.6 Prescribing

The PCT has an annual prescribing budget of £71m. The year to date underspend is £0.6m, the forecast outturn underspend of £1.1m remains unchanged. The graph below shows charges to the PCT from the Prescription Pricing Authority.



3.7 Corporate

The PCT's corporate budgets of £30m are forecast to underspend by £1.8m at year-end. This underspend has been created by vacancies and slippage of non-recurrent discretionary expenditure.

4. COMMUNITY HEALTH SERVICES

Community Health Services is reporting a year to date underspend of £1.2m and a forecast outturn underspend of £1.9m. The main areas of underspend are physiotherapy, dietetics and health visiting.

5. STRATEGIC INITIATIVES

The table below shows the investment and spend on each of the strategic initiatives.

Table 5: Investment against PCT Strategic Initiatives

	2009/10 Investment	Spend to date	Slippage to date
Initiative	£000	£000	£000
Birmingham Health and Wellbeing Partnership	1,500	130	745
Working Together for Health	954	901	-345
Care Closer to Home	7,572	4,256	161
Specialised Services (Initial contribution)	7,100	4,142	0
PRIME	2,200	1,328	181
Community/Integrated Step Down Beds	1,000	250	0
Healthcare at Home	600	0	0
PCDU	200	100	0
Total for Strategic Initiatives	21,126	11,107	742

6. OUTLOOK FOR THE YEAR

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

Table 6: Outlook for the Year

Description	Target Variance Year End £'000	Forecast Variance Year End £'000	Distance from Target Year End £'000
Position against commissioning budgets	0	(12,044)	(12,044)
Surplus target not issued	2,447	2,447	0
Impact of initiatives on HEFT contract	0	2,167	2,167
Impact of expenditure controls	0	5,000	5,000
YTD Position Against Budgets	2,447	(2,430)	(4,877)
Under spend/(overspend) on provider arm	0	1,949	1,949
Operational Financial Balance	2,447	(481)	(2,928)

Based on the assumptions above the PCT will be £2.9m away from its target surplus of £2.4m. The forecast outturn position has worsened as a result of the following factors:

- The HEFT forecast outturn has deteriorated by £0.5m in month seven.
- The inclusion of the Specialised Services/WMAS risks in the forecast outturn.

The above cost pressures have increased the risk associated with delivering our statutory breakeven duty, but there is confidence that the controls introduced earlier in the year will deliver £5m of non-recurrent flexibility. The biggest risk however to our forecast is HEFT and the impact of initiatives. This needs to be focused upon, however, we need to review our entire portfolio to identify any flexibility we have, and the Director of Resources will be meeting with other Directors before Christmas to agree how we handle the financial position over the rest of the year.

7. CAPITAL RESOURCE LIMIT

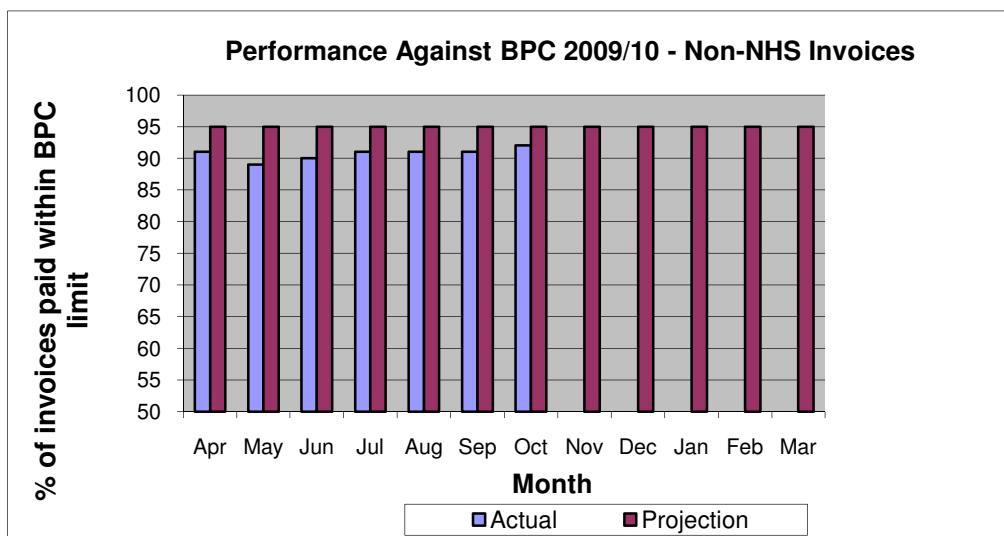
The PCT has a statutory financial duty to operate within its allocated Capital Resource Limit. The PCT has a Capital Resource Limit for 2009/10 of £4.8m. The year to date capital expenditure is £0.8m and the forecast outturn expenditure is £4.8m.

8. CASH LIMIT

The PCT has a statutory duty to remain within the set cash limit. To date cash drawings are in line with plan and this trend is forecast for the remainder of the year.

9. PUBLIC SECTOR PAYMENT POLICY

The PCT must achieve the national target of paying 95% of non-NHS invoices within 30 days. The PCT's performance against this target is shown in the table below:



In October, 92% of non-NHS invoices were paid within 30 days, slightly above the year to date average of 91%.

10. BALANCE SHEET

The PCT's Balance Sheet as at 31st October 2009 can be summarised as follows:

BALANCE SHEET	01.04.09 £000	31.10.09 £000
Total Fixed Assets	39,431	39,162
Current Assets		
Debtors	18,835	23,017
Cash at bank	10	972
Total Current Assets	18,845	23,989
Current Liabilities		
Creditors	(82,219)	(105,436)
Total Current Liabilities	(82,219)	(105,436)
Net Current Assets	(63,374)	(81,447)
Total Assets Less Current Liabilities	(23,943)	(42,285)
Provisions for Liabilities & Charges	(4,256)	(3,826)
Total Assets Employed	(28,199)	(46,111)
Financed by:		
Tax Payers' Equity		
General fund	(31,708)	(49,618)
Revaluation Reserve	259	257
Donated Reserve	2,834	2,834
Government Grant Reserve	416	416
Total Taxpayers' Equity	(28,199)	(46,111)

11. RECOMMENDATIONS

The Board is asked to note the contents of this report and the risks associated with the PCT meeting its statutory financial duties.

Appendix A

