

FINANCE AND ACTIVITY REPORT
PERIOD ENDING 30 NOVEMBER 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.

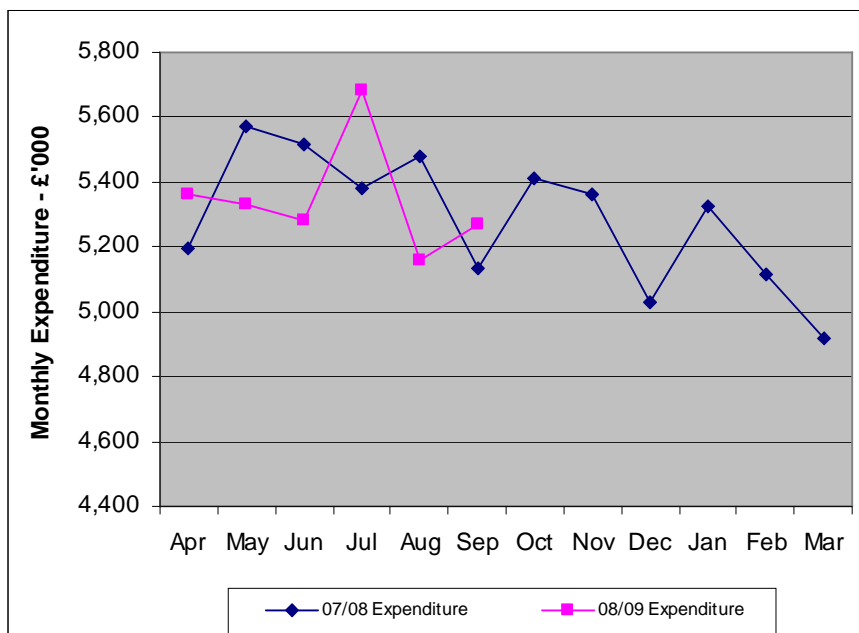
KFI Name and Measurement	Period	Performance Year to Date	Forecast Year End Performance	RAG Rating Performance Year to Date	RAG Rating Forecast Year End Performance
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Sept	2,185	4,369	AMBER	AMBER
Provider arm position (Over)/ underspend against budget (£000)	Apr to Nov	1,261	2,137	AMBER	AMBER
HEFT Contract (Over)/ underspend against budget (£000)	Apr to Oct	(5,479)	(9,393)	RED	RED
New investments (Over)/ underspend against plan (£000)	Apr to Nov	1,950	3,127	AMBER	AMBER
Unplanned allocations Net (decrease)/ increase to RRL (£000)	Nov	0	N/A	GREEN	N/A
Financial Risks Value of identified unmitigated risks (£000)	Nov	411	N/A	GREEN	N/A
Reserves Funds being held in reserve (£000)	Nov	2,208	0	GREEN	GREEN
Year End Surplus (Lower)/ higher than plan (£000)	Apr to Nov	149	0	AMBER	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
Revenue Resource Limit (Over)/ underspend against RRL (£000)	Apr to Nov	1,900	1,900	GREEN	GREEN
Capital Resource Limit (Over)/ underspend against CRL (£000)	Apr to Nov	376	Breakeven	GREEN	GREEN
Cash Resource Limit (Over)/ under drawing against cash profile (£000)	Apr to Nov	9,233	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 six prescribing. The forecast outturn is now a £4.3 million underspend.

Position year to date

AMBER

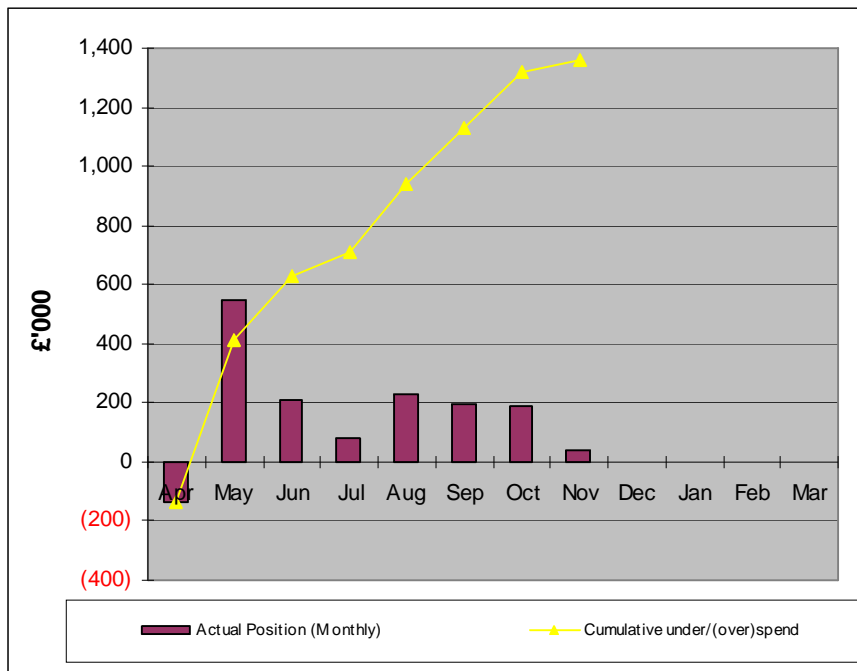
Forecast position to year end

AMBER

The PPA forecast on GP prescribing is an underspend of £4.3 million. This has moved from the predicted £3.9 million underspend reported to the Board last month and from the PPA initial forecast of £4.8 million underspend.

As previously noted, the PPA forecasts made in the early part of the year are generally considered unreliable due to the small amount of data on which they are based. Last year the PPA forecast moved by more than £2.5 million over the course of the year.

b. 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

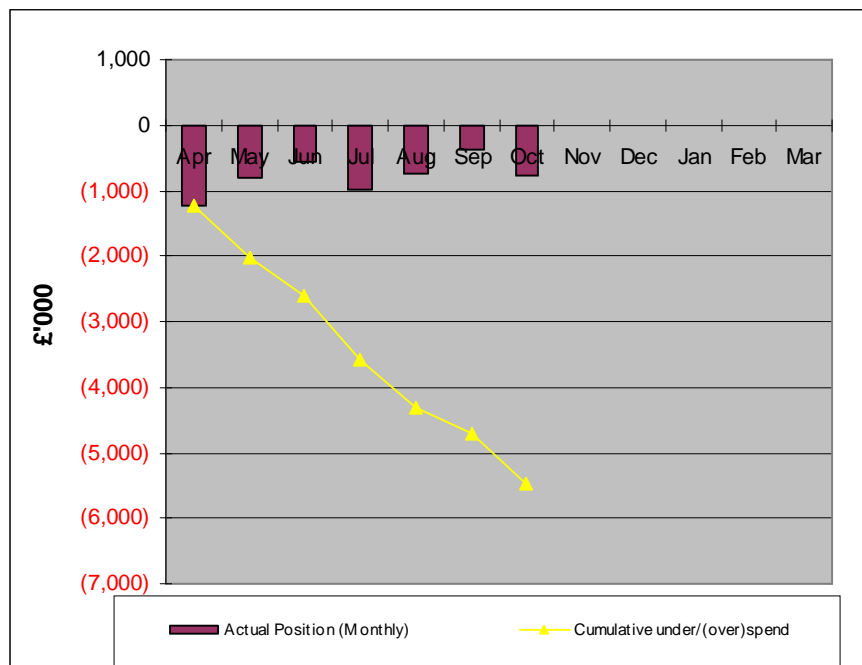
AMBER

Forecast position to year end

AMBER

The provider arm is continuing to plan to deliver a £2 million surplus. A risk of £250k relating to slippage on posts has been identified in the risk register.

c. 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 seven months of the year there is a cumulative over spend of £5.479 million.

Position year to date

RED

Forecast position to year end

RED

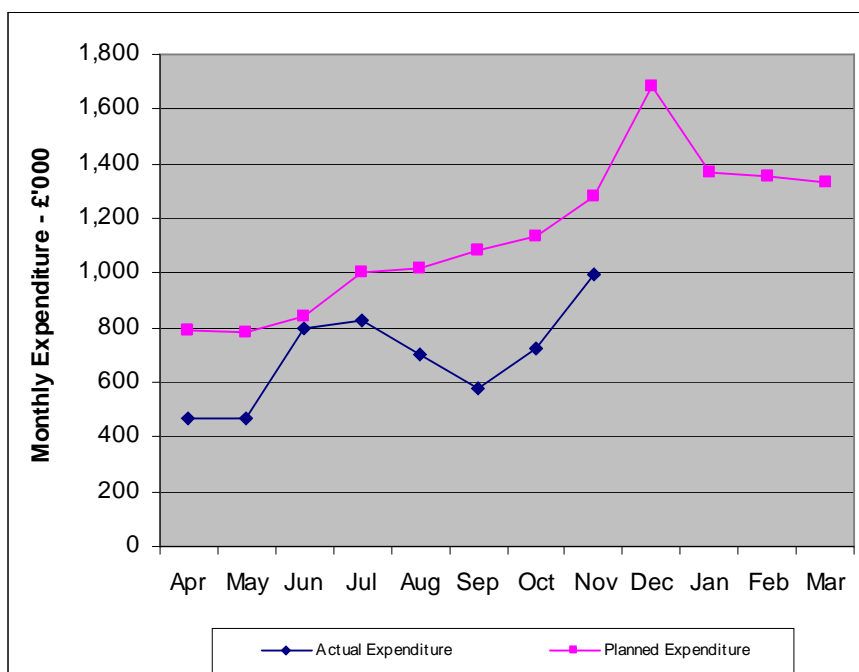
Based on data for April to October this year the forecast year end overspend, as reported through HEFT contract monitoring, is £9.4 million. Discussions with the Trust are continuing through the formal performance monitoring process.

The PCT, as co-ordinating commissioner for the West Midlands, and HEFT have signed a new contract. The key features of this are:

- A move to monthly reconciliations.
- A tighter timetable to respond to queries which should result in more timely responses and the earlier correction of data.
- Stringent penalties for not meeting the 18 week RTT or C-Difficile targets.
- A more robust set of Key Performance Indicators.
- The establishment of a Clinical Quality Review Group and the introduction of Clinical Quality Performance Indicators.

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.

d. 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 25% of the year to date budget has occurred on new investments.

Position year to date

AMBER

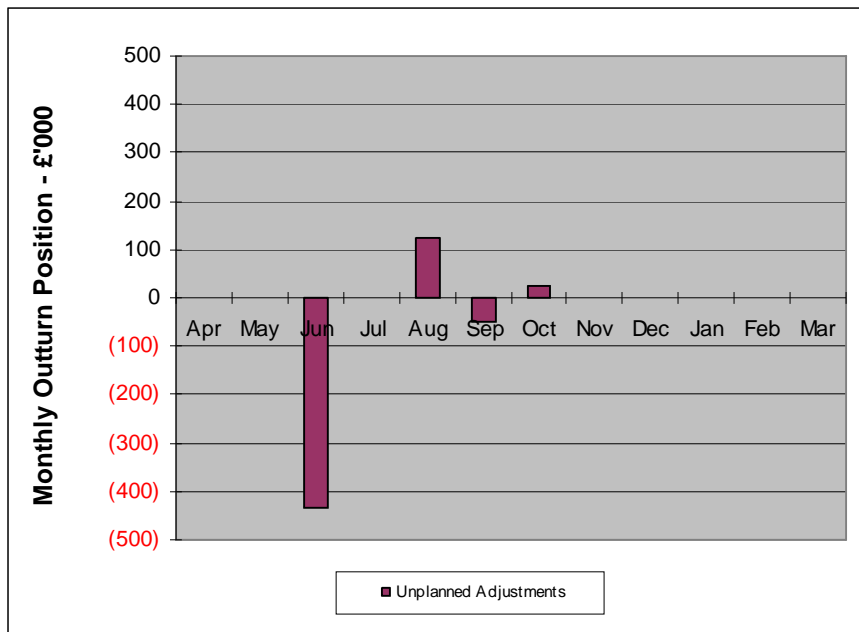
Forecast position to year end

AMBER

Spend on new investments was closer to plan in this month than in previous months. The year to date underspend is £1.9 million, compared with £2.2 million last month, indicating that plans are now being implemented.

The PCT continues to forecast an under spend of £3.1 million in this area. This is included in the PCT position, so any variance from this £3.1 million will impact on the PCT's ability to meet its surplus target.

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



No unanticipated changes to the RRL occurred in November.

Position year to date

GREEN

Forecast position to year end

N/A

There were no unanticipated changes in month.

f. 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.

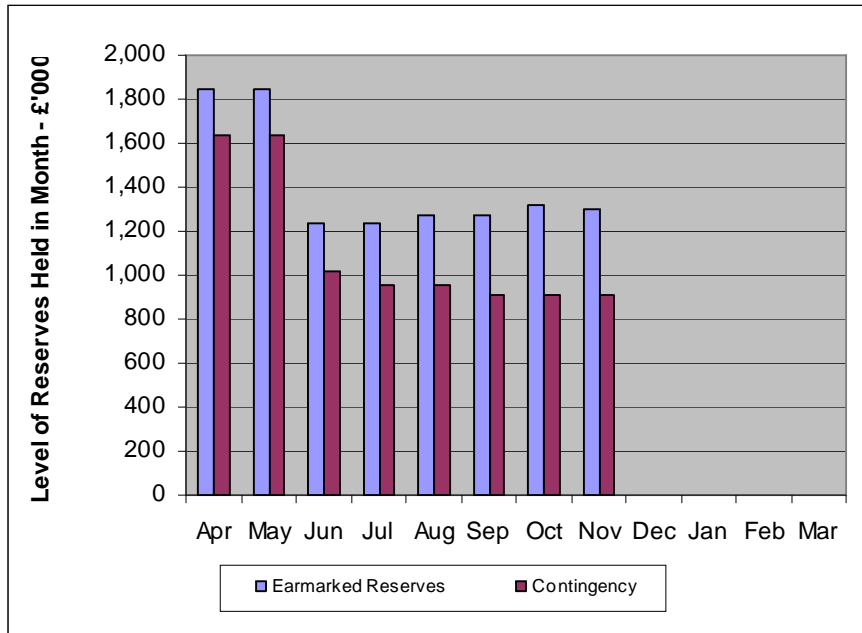
Current value of risks logged = £411k

RAG rating is GREEN

There have been a number of changes to the risk register since the last report to the Board.

Risks relating to Lucentis (£1 million) and the additional costs of retendering for LD care (£0.48 million) have been removed from the register and are now reflected in the forecast outturn. The remaining items on the register are favourable risks.

- g. 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

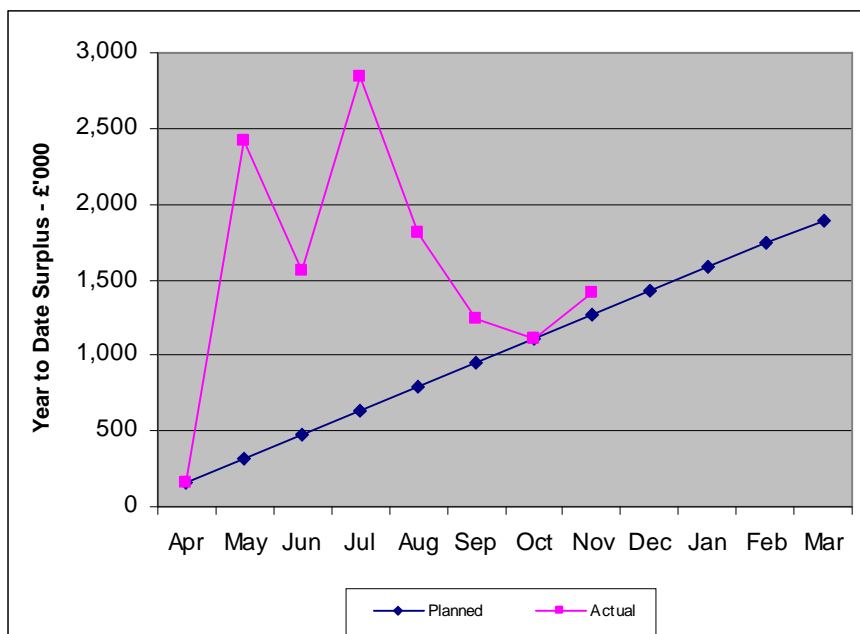
GREEN

Forecast position to year end

GREEN

The PCT had been holding £20k in reserves for Map of Medicine funding. This was transferred to the corporate budgets during November.

h. 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

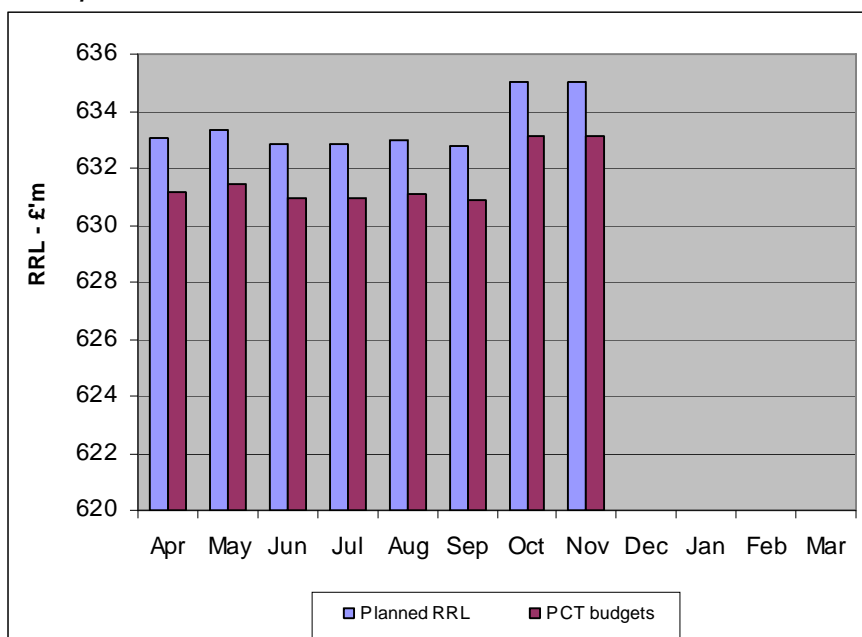
GREEN

The PCT is still reporting a small year to date underspend above the target position for this point of the year. The breakdown of this underspend is shown below.

	Target Variance (YTD) £'000	Actual Variance (YTD) £'000	Distance from Target (YTD) £'000
Position against commissioning budgets	0	(1,112)	(1,112)
Under spend/(overspend) on provider arm	0	1,261	1,261
YTD Position Against Budgets	0	149	149
Surplus target not issued	1,267	1,267	0
Operational Financial Balance	1,267	1,416	149

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

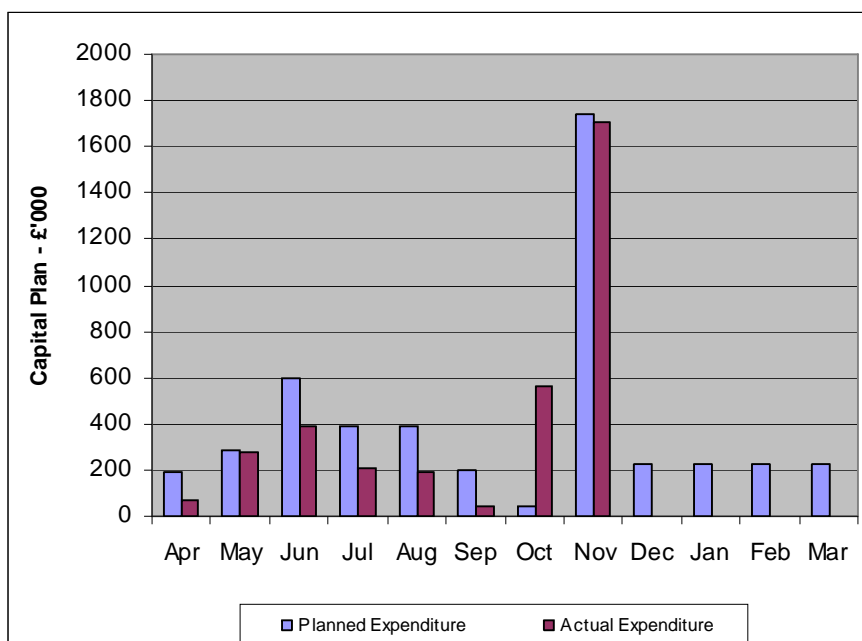
GREEN

Forecast position to year end

GREEN

There were no changes to the RRL in November.

- 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

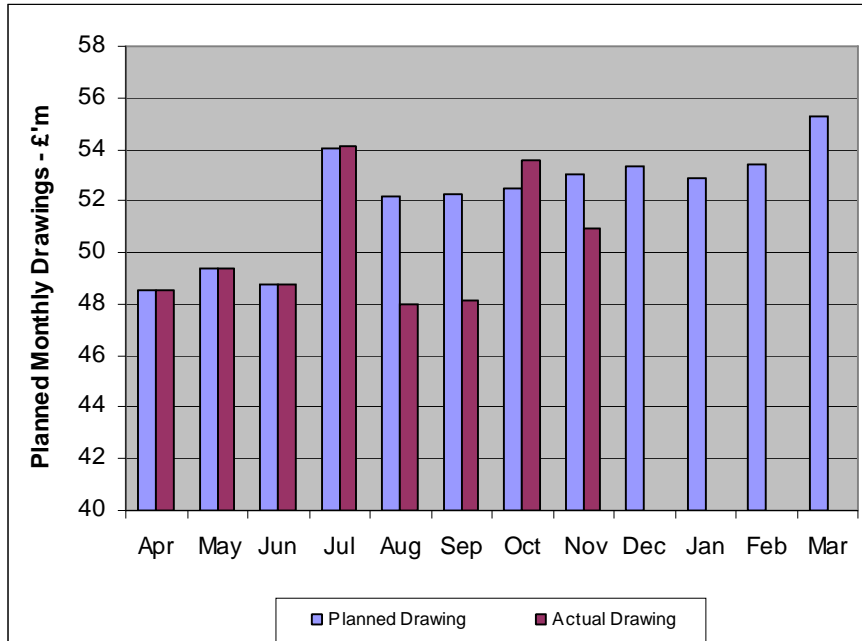
GREEN

Forecast position to year end

GREEN

The PCT spent £1.7 million on capital in November, including the purchase of land at Yardley Green from BSMHT.

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



The PCT drew down less cash than planned in month.

Position year to date

AMBER

Forecast position to year end

GREEN

For the third month this year, the PCT drew down less cash than originally planned. The PCT expects to draw down and spend all its cash by the end of this financial year.

4. Commissioning

The table below shows the breakdown of the financial performance of the commissioning arm to 30th November 2008.

	Annual Budget	Budget To Date	Expenditure To Date	Variance To date	Change in Month
	£'000	£'000	£'000	£'000	£'000
Commissioning					
Acute Services	223,762	149,175	155,180	(6,005)	(1,078)
Specialised Services	86,043	57,362	57,406	(44)	(41)
Community Services	73,788	48,769	50,770	(2,001)	302
Mental Health	47,382	31,454	30,855	600	232
Learning Difficulties	22,133	14,755	15,320	(565)	(216)
Other Commissioning	6,009	4,006	2,593	1,413	(101)
Commissioning Reserve	3,293	2,195	0	2,195	274
Sub-Total	462,410	307,717	312,123	(4,407)	(627)
Primary Care Services					
GMS	39,983	24,806	24,651	155	18
PMS	14,293	9,024	8,808	216	8
Prescribing	71,031	47,354	44,466	2,888	401
Pharmacy Contract	2,659	1,773	3,239	(1,466)	(224)
Dental Contracts	15,318	10,212	10,212	0	1
Sub-Total	143,284	93,169	91,376	1,793	204
Public Health					
Health Promotion	2,601	1,645	1,340	305	160
Smoking Cessation	851	567	387	180	86
Sub-Total	3,452	2,212	1,727	485	246
Organisational Costs					
Management costs	20,582	12,783	11,980	803	571
Capital charges	936	322	108	214	(188)
Sub-Total	21,518	13,105	12,088	1,017	383
Reserves					
Specific	1,300	0	0	0	0
Contingency	908	0	0	0	0
Sub-Total	2,208	0	0	0	0
Total BEN PCT	632,872	416,203	417,314	(1,112)	206
Surplus Target	1,900	1,267	0	1,267	158
Total BEN PCT RRL	634,772	417,469	417,314	155	364

Areas not Covered by KFI

Organisational Costs

A review of all provisions relating to last financial year was undertaken during the month. This led to a number of those provisions being released and improving the PCT position, particularly within Organisational Costs.

Slippage on posts continues to have a significant impact on this area. As at month eight there are 47 vacant posts within these budgets, creating a year to date underspend in excess of £0.5 million.

5. Balance Sheet

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

Balance Sheet as at 30th November 2008

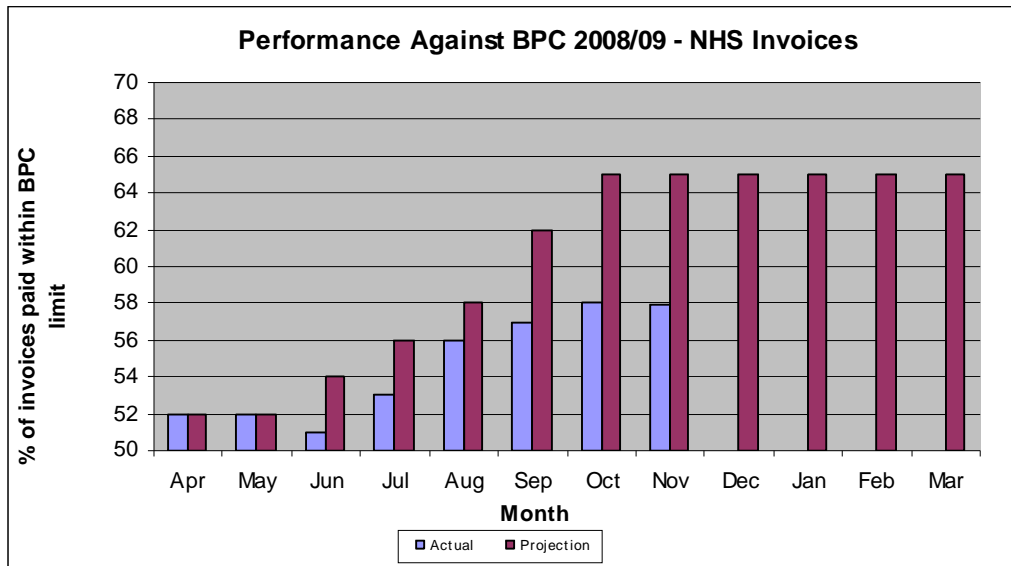
BALANCE SHEET	Start point £'000 01/04/08	Closing Balance £'000 30/11/08	Forecast Year End £'000 31/03/09
Total Fixed Assets	32,324	36,204	30,189
Current Assets			
Debtors	25,457	1,913	23,240
Cash at bank	11	5	11
Total Current Assets	25,468	1,918	23,251
Current Liabilities			
Creditors due < 1 year	(72,137)	(66,654)	(71,311)
Total Current Liabilities	(72,137)	(66,654)	(71,311)
Net Current Assets	(46,669)	(64,736)	(48,060)
Total Assets Less Current Liabilities	(14,345)	(28,532)	(17,871)
Provisions for Liabilities & Charges	(4,847)	(4,199)	(4,847)
Total Assets Employed	(19,192)	(32,731)	(22,718)
Financed by:			
Tax Payers' Equity			
General fund	(25,268)	(40,032)	(29,923)
Revaluation Reserve	2,993	3,712	3,714
Donated Reserve	3,036	3,169	3,071
Government Grant Reserve	47	420	420
Total Taxpayers' Equity	(19,192)	(32,731)	(22,718)

Cash flow reconciliation	This month £'000	YTD £'000
Expenditure		
Revenue	53,440	419,109
Capital	1,708	3,454
Total expenditure	55,148	422,563
Funded by		
Dept of Health cash funding	51,395	404,670
Movement in working balances (Drs/Crs)	3,222	17,413
Capital income	0	145
Capital charges	149	329
(Increase)/Decrease in Cash	382	6
	55,148	422,563

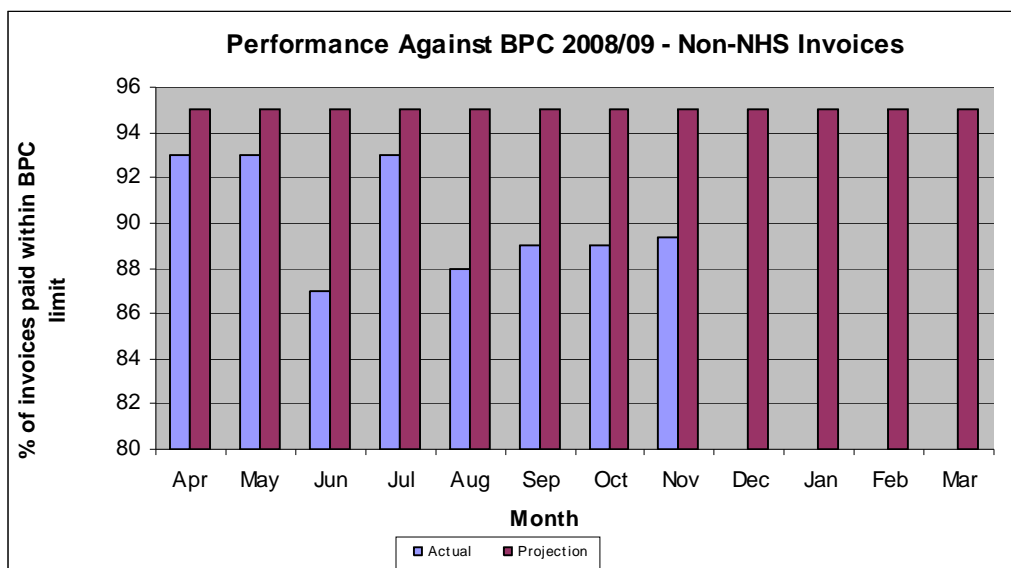
6. Better Payment Code

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.



7. 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	(4,613)	(4,613)
Under spend/(overspend) on provider arm	0	2,137	2,137
YTD Position Against Budgets	0	(2,476)	(2,476)
Surplus target not issued	1,900	1,900	0
Operational Financial Balance	1,900	(576)	(2,476)

The PCT continues to make steady progress towards its surplus target of £1.9 million and remains confident that this target will be achieved.

8. Recommendation

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