

FINANCE AND ACTIVITY REPORT MONTH 8 **(30 NOVEMBER 2009)**

1. INTRODUCTION

The purpose of this report is to inform members of the PCT's financial position as at the end of November 2009 (Month 8) 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 (KFI) 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.	92% by number	Red

The PCT has also identified KFI which, alongside the three statutory duties, form a framework to report the financial position. A summary of performance against these KFI 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 Nov	(8,700)	(13,000)	RED	RED
GP Prescribing (Over)/ underspend compared to plan (£000)	Apr to Nov	734	1,104	GREEN	GREEN
Financial Risks Net value of identified unmitigated risks (£000)	Nov	0	N/A	GREEN	N/A
Community Health Services position (Over)/ underspend against budget (£000)	Apr to Nov	1,471	2,072	GREEN	GREEN
Reserves Funds being held in reserve (£000)	Nov	2,406	0	RED	RED
Strategic Initiatives Investment to date	Apr to Nov	13,212	18,000	GREEN	GREEN

The key points to note from this report are:

- Month 8 figures indicate a year to date deficit of £5.8m compared to a planned surplus of £1.6m.
- 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 £1.7m. 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 £1.5m and a forecast outturn of £2.1m.

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 November (Month 8) is set out in the table below:

Table 1: Summary year to date performance against RRL.

Revenue Resource Limit	Annual Plan	YTD Plan	YTD Actual	Distance from Target
	£'000	£'000	£'000	£'000
(Over)/under spend against commissioning budgets	2,447	1,631	(7,222)	(8,853)
(Over)/under spend on Community Health Services	0	0	1,471	1,471
(Over)/under spend against RRL	2,447	1,631	(5,751)	(7,382)

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 8

Revenue Resource Limit	Confirmed	Anticipated	Total
	£'000	£'000	£'000
As at Month 7	690,717	3,816	694,533
Family Nurse Partnership Programme	50		50
Health Trainer Data Collection	617		617
Personal Budgets Pilot	100		100
Fit for Work Pilot	542		542
Dental Access	525		525
Abdominal Aortic Aneurysm	113		113
As at Month 8	692,664	3,816	696,480

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	165,972	175,439	(9,467)	263,228	(12,985)	194
Specialised Services	95,102	63,963	64,671	(708)	96,249	(1,147)	147
Community Services	84,073	56,037	57,917	(1,880)	87,728	(3,655)	287
Mental Health	50,609	33,739	33,287	452	49,658	951	228
Learning Disabilities	25,646	17,098	16,372	726	24,557	1,089	(500)
Other Commissioning	6,405	4,030	3,562	468	6,452	(47)	56
Sub-Total	512,078	340,839	351,248	(10,409)	527,872	(15,794)	412
Primary Care Services							
GP Contracts	56,613	37,564	37,335	229	56,290	323	24
Prescribing	70,758	47,172	46,438	734	69,654	1,104	0
Pharmacy Contract	5,011	3,341	3,712	(371)	5,538	(527)	0
Dental Contracts	17,012	11,398	11,017	381	16,441	571	0
Sub-Total	149,394	99,475	98,502	973	147,923	1,471	24
Organisational Costs							
Corporate costs including Health Improvement	28,344	19,492	18,966	526	27,661	683	(164)
Capital charges	511	341	284	57	487	24	0
Sub-Total	28,855	19,833	19,250	583	28,148	707	(164)
Non-Recurrent Discretionary Expenditure	1,300	0	0	0	0	1,300	0
Specific Reserves	2,406	0	0	0	2,406	0	0
Total BEN PCT	694,033	460,147	469,000	(8,853)	706,349	(12,317)	273
Surplus Target	2,447	1,631	0	1,631	0	2,447	0
Total BEN PCT RRL	696,480	461,778	469,000	(7,222)	706,349	(9,870)	273

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. The month 8 HEFT information was unavailable at the time of writing this report and consequently an estimate in line with previous months has been made for November's activity.

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

	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	(0.3)	21.3	22.1	(0.8)
Emergency	5.5	6.5	(1.0)	37.7	42.8	(5.1)
Outpatients	3.3	3.4	(0.1)	21.7	23.5	(1.8)
Other	3.2	3.2	0.0	21.7	22.0	(0.3)
Total	16.0	17.4	(1.4)	108.7	116.6	(7.9)

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 marginal.

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 £0.7m and a forecast outturn of £1.1m overspent. This forecast overspend represents £0.3m in respect of specialised activity and £0.8m 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 8 there is a £1.9m overspend, which is expected to increase to £3.7m 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 planned 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 £2m at year-end. This underspend is attributable to:

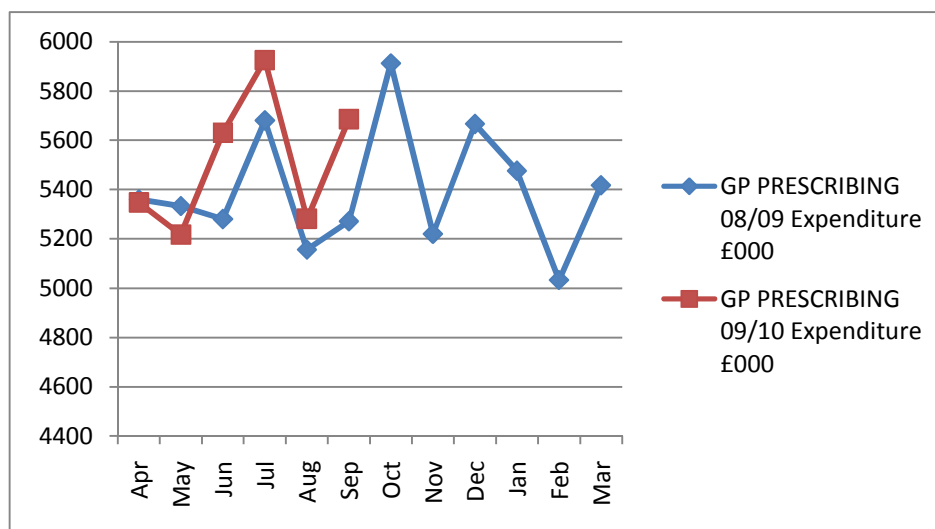
- £1m underspend in respect of learning disabilities, including some complex care and underperformance on activity based contracts.
- An underperformance of £1m on the Birmingham and Solihull Mental Health Foundation Trust contract. This underspend can be attributed to underperformance on activity elements 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.



The above graph is based upon information received up to September 2009. October's information was unavailable at the time of writing this report.

3.7 Corporate

The PCT's corporate budgets of £30m are forecast to underspend by £2m 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 £1.5m and a forecast outturn underspend of £2.1m. 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	691	309
Working Together for Health	954	782	(146)
Care Closer to Home	7,572	5,103	(56)
Specialised Services (Initial contribution)	7,100	4,733	0
PRIME	2,200	1,533	191
Community/Integrated Step Down Beds	1,000	350	0
Healthcare at Home	600	0	0
PCDU	200	120	0
Total for Strategic Initiatives	21,126	13,312	298

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	(12,317)	(12,317)
Surplus target not issued	2,447	2,447	0
Impact of initiatives on HEFT contract	0	1,733	1,733
Impact of expenditure controls	0	5,000	5,000
YTD Position Against Budgets	2,447	(3,137)	(5,584)
Under spend/(overspend) on provider arm	0	2,072	2,072
Operational Financial Balance	2,447	(1,065)	(3,512)

In addition to the above, the PCT has identified a further £1m of cost reductions which can be achieved on a non recurrent basis across both the commissioner and provider functions.

Based on the assumptions above the PCT will be £2.5m away from its target surplus of £2.4m. The forecast outturn position has worsened as a result of the following factors:

The forecast outturn for the smaller acute and non-acute contracts has deteriorated by nearly £0.2m in month eight.

The inclusion of further Specialised Services/WMAS risks in the forecast outturn £0.1.

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 up to £6m of non-recurrent flexibility.

The biggest risk however to our forecast is HEFT and the impact of our initiatives on the forecast position for the year. It is therefore in this area that we are focussing our efforts and we are currently in discussion with HEFT to ensure that there is financial stability across the health economy.

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.

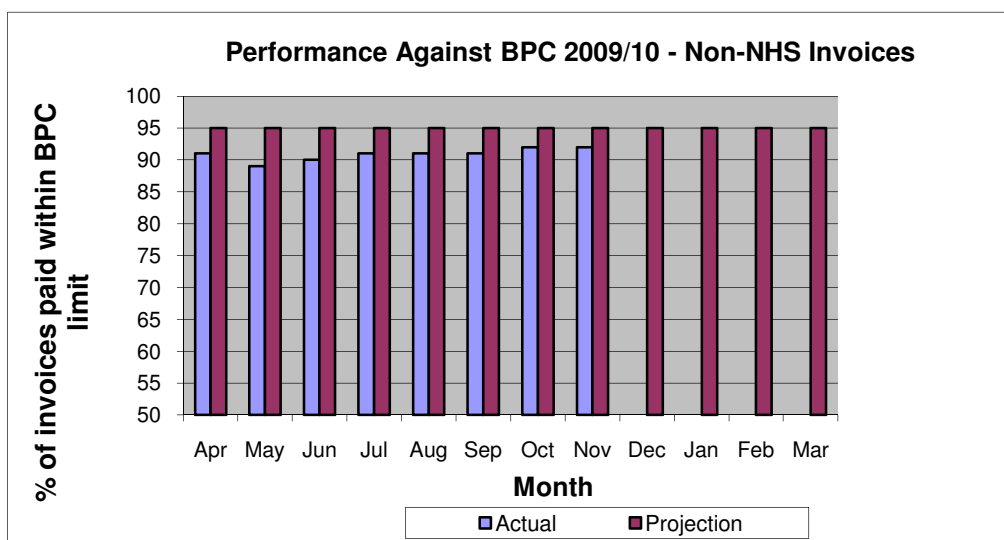
The year to date capital expenditure is £1.6m and the forecast outturn expenditure is £4.8m.

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 November, 92% of non-NHS invoices were paid within 30 days, in line with the year to date average of 92%.

10. BALANCE SHEET

The PCT's Balance Sheet as at 30th November 2009 can be summarised as follows:

BALANCE SHEET	Start point £'000	Nov £'000
Total Fixed Assets	39,431	39,846
Current Assets		
Debtors	18,835	24,225
Cash at bank	10	43
Total Current Assets	18,845	24,268
Current Liabilities		
Creditors	(82,219)	(106,680)
Total Current Liabilities	(82,219)	(106,680)
Net Current Assets	(63,374)	(82,412)
Total Assets Less Current Liabilities	(23,943)	(42,566)
Provisions for Liabilities & Charges	(4,256)	(3,826)
Total Assets Employed	(28,199)	(46,392)
Financed by:		
Taxpayers' Equity		
General fund	(31,708)	(49,899)
Revaluation Reserve	259	257
Donated Reserve	2,834	2,834
Government Grant Reserve	416	416
Total Taxpayers' Equity	(28,199)	(46,392)

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

