







FINANCE & ACTIVITY REPORT **- MONTH 5 (31 AUGUST 2010)**

1. INTRODUCTION











The purpose of this report is to inform members of the PCT's financial position as at the end of August 2010 (Month 5) and to advise of any other financial issues to impact in 2010/11. The report will provide an overview of the PCT's year to date financial position and performance against key financial indicators (KFIs) and statutory duties.

2. EXECUTIVE SUMMARY

The table below summarises the PCT's three statutory financial duties.

Statutory Duty	Risk Year to Date	Risk Year End
To maintain expenditure within the Revenue Resource Limit		
To maintain expenditure within the Capital Resource Limit		
To maintain expenditure within the Cash Limit		

The PCT has also identified five key financial performance indicator targets 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
Unanticipated changes to allocations: Value	Apr-Aug	(1,769)	(1,769)		
HEFT Contract: (Over)/ underspend against budget	Apr - Aug	(5,329)	(12,000)		
Prescribing: (Over)/ underspend compared to plan	June	(356)	(854)		
CHS Position: Lower/ (higher) than plan	Apr-Aug	249	7		
Planned Savings Achieved to date	Aug	1,204	7,300		

3. REVENUE RESOURCE LIMIT: COMMISSIONER

Statutory Duty: To maintain expenditure within the Revenue Resource Limit ●

Key Financial Indicator: Unanticipated changes to Allocations by value ●

3.1 Financial Position year-to-date

The PCT's financial position against its commissioning budgets to the end of August (Month 5) is set out in the table below.

Table 1: Summary of year to date performance

	Annual Plan	YTD Plan	YTD Actual	Distance from Target
	£000	£000	£000	£000
(Over)/under spend against commissioning budgets	500	208	(7,165)	(7,373)
(Over)/under spend on Community Health Services	0	0	249	249
(Over)/under spend against RRL	500	208	(6,916)	(7,124)

3.2 Changes to the Revenue Resource Limit

The table below shows the changes in revenue resource limit since the last report.

Table 2: Summary changes to RRL in Month 5

Revenue Resource Limit	Confirmed	Anticipated	Total
	£000	£000	£000
Closing Month 4 Revenue Resource Limit	731,828	4,100	735,928
Clinical Excellence Awards	588		588
Stroke ASI Allocation	293		293
Other Month 5 Adjustments	(268)	1,057	789
As at Month 5	732,441	5,157	737,598

The table below summarises the overall financial position of the PCT's commissioning portfolio against the year-to-date resource limit.

Table 3: Financial Performance against Commissioning Budgets

	YEAR TO DATE			
	Annual Budget	Budget Year to Date	Expenditure Year to Date	Variance Year to Date
	£000	£000	£000	£000
Commissioning				
Acute Services	266,282	111,111	117,694	(6,584)
Specialised Services	95,225	39,677	39,696	(19)
<i>Community Services:</i>				
– Non Acute	78,411	32,723	33,091	(369)
– CHC & FNC	28,281	11,784	12,764	(980)
Mental Health	45,973	19,156	19,175	(19)
Learning Disabilities	25,560	10,650	10,860	(210)
Practice Based Commissioning	2,605	1,085	1,041	44
Other Commissioning	2,815	1,173	1,044	129
Sub-Total	545,150	227,357	235,365	(8,008)
Primary Care Services				
GP Contracts	57,504	23,960	24,001	(41)
Prescribing	70,447	29,353	29,709	(356)
Pharmacy Contract	12,445	5,185	5,125	61
Dental Contracts	16,805	7,002	7,005	(3)
Ophthalmic Contract	5,110	2,129	1,805	324
Sub-Total	162,311	67,629	67,645	(15)
Organisational Costs				
Corporate costs including Health Improvement	29,829	12,429	12,264	165
Capital charges	2,385	994	930	63
Sub-Total	32,213	13,422	13,194	228
Savings not removed from budgets	(5,850)	(759)	0	(759)
Specific Reserves	5,043	2,101	183	1,918
Unanticipated changes to allocations	(1,769)	(737)	0	(737)
Total NHS BEN	737,098	309,014	316,387	(7,373)
Surplus Target	500	208	0	208
Total NHS BEN RRL	737,598	309,222	316,387	(7,165)

3.3 Acute Commissioning

Key Financial Indicator: HEFT Contract (Over)/Underspend year to date 

The HEFT contract (£197.7m) equates to 75% of the PCT's general acute portfolio (£265m).

The table below summarises the activity and financial position for HEFT at Month 5. The information is based upon HEFT's contract monitoring information and has yet to be fully validated.

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

Activity and Cost	August/Month 5			2010/11 YTD		
	Plan	Actual	Surplus/ (Deficit)	Plan	Actual	Surplus/ (Deficit)
Activity						
A&E	10,051	9,819	232	53,503	51,172	2,331
Elective	2,450	3,020	(570)	14,058	15,971	(1,913)
Emergency	3,197	3,513	(316)	16,872	17,777	(905)
Outpatients	28,603	29,662	(1,059)	141,670	153,731	(12,061)
Other	203,522	211,182	(7,660)	1,008,387	1,105,101	(96,714)
Total	247,823	257,196	(9,373)	1,234,490	1,343,752	(109,262)
Cost - £m						
A&E	0.9	0.9	0.0	4.7	4.7	0.0
Elective	2.6	3.1	(0.5)	15.0	16.7	(1.7)
Emergency	5.5	5.8	(0.3)	28.2	30.1	(1.9)
Outpatients	3.3	3.5	(0.2)	16.4	18.0	(1.6)
Other	3.4	3.6	(0.2)	17.4	17.6	(0.2)
Total	15.7	16.8	(1.1)	81.7	87.0	(5.3)

The key issues in respect of the above table are:

- Expenditure year to date compared to 2009/10 reporting has increased by £4.1m; it is now only A&E that has remained in line with budget.
- The £5.3m adverse variance year to date is due to £6.4m increased activity mitigated by a £1.1m decrease in cost
- The top three areas of activity over-performance are Direct Access, Clinical Chemistry and Physiotherapy. Direct Access is included within 'Other'.
- The main areas of over-spending are Emergency and Outpatients.
- The largest outpatient over-performances are in Orthopaedics, Dermatology, Paediatrics, Gynaecology and Ophthalmology.

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

3.3.1 Other Acute Providers

The PCT has contracts with a number of other acute providers totalling circa £67m. In previous reports over and under performance variances have existed on some of these contracts to give a net impact upon the PCT that is not material. Data to month 5 indicates this is no longer the case and the values of over-performances have increased to give a year-to-date net impact of £1.2m. The key contributing areas of overspend are the University Hospital of Birmingham NHS FT, Sandwell and West Birmingham NHS Trust and Spire Healthcare contracts.

3.4 Commissioning: Community Services for Continuing Healthcare

The budget for all complex care packages is based on the total value of packages in 2009/10 plus an element of demand growth. The demand growth element reflects a net increase of 26 packages per month. This estimate is based on the rolling average increase in demand for the previous 12 months.

Demand for functional mental health packages remains in line with 2009/10 demand increase. Organic mental health, physical disabilities, and tripartite packages have a budget based upon net growth of 21 packages per month, reflecting the 12 month rolling average increase in demand in 2009/10. To date, demand has been above 2009/10 levels; the 12 month rolling average increase in demand is now running at 24 packages per month, and the impact year-to-date is a £1m cost pressure.

3.5 Other Commissioning and Primary Care Contractor Services

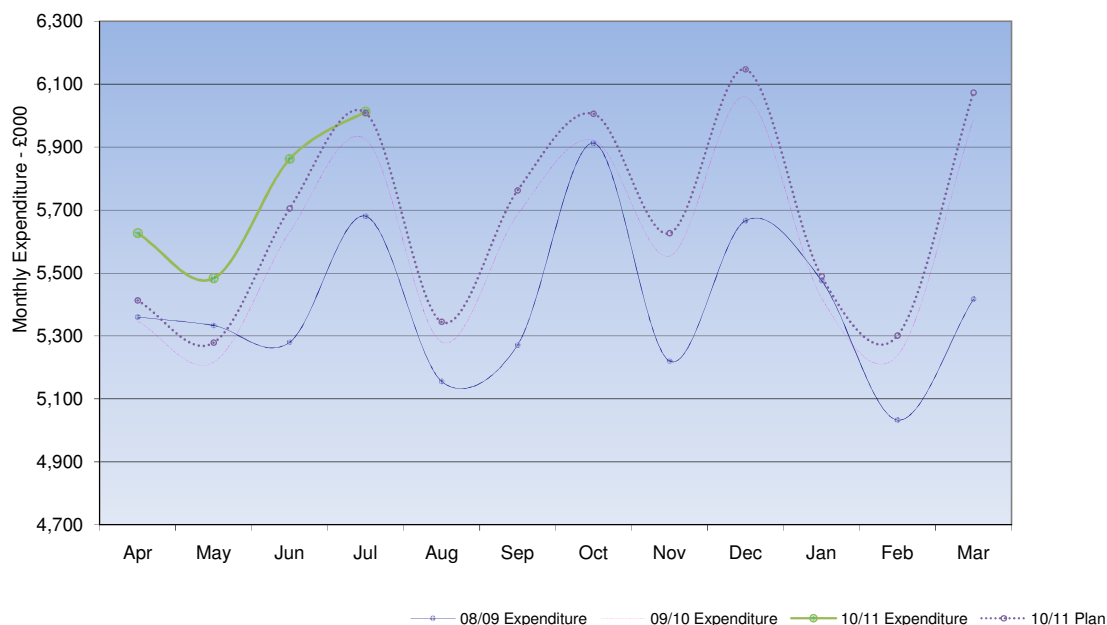
At this stage in the financial year there are no significant issues to report concerning the remainder of the PCT's commissioning and primary care contractor services portfolio.

3.6 Prescribing

Key Financial Indicator: Prescribing (Over)/Underspend year to date ●

The PCT has a revised total prescribing budget of £70.4m for 2010/11. The opening budget has been reduced by £1.2m to reflect the expected value of savings to be generated from the work being undertaken at GP Practices by the Medicines Management Team.

The 2010/11 GP prescribing expenditure data shown in the graph below is based upon the latest PPA information available for July 2010. Actual 2010/11 expenditure is higher than the plan, which is based on 2009/10 actual expenditure plus growth of 3.1% less the impact of the £1.2m savings target discussed above. It is anticipated that these savings will deliver to an increasing extent over the next few months and will not be a risk to year-end. The total prescribing budget overspend has increased year-to-date due to pressures on non-GP related budgets such as the Home Oxygen Service and for drugs recharged from the centre.



4. COMMUNITY HEALTH SERVICES

Key Financial Indicator: CHS Position Lower/Higher than Plan



The PCT's Community Health Services contract value has been reduced by £2.5m and in addition to this is reporting a £249k underspend year to date although this additional underspending is not expected to continue and will be reduced in future months to break-even by the year-end.

5. PLANNED SAVINGS – 2010/11

Key Financial Indicator: Planned Savings achieved to date



In order to mitigate the impact of the £7.27m SHA Strategic Change Reserve top-slice a 2010/11 savings target of £7.3m was set against the areas shown in Table 6.

5.1 Progress Year to Date

Savings of £1.2m have been delivered to the end of Month 5. Each scheme is being individually monitored through the PCT's Performance Accelerator tool and Table 6 indicates the current RAG rating status for each scheme.

Table 6: 2010/11 Identified Savings Schemes

Identified Area for Saving	Planned Saving £000	RAG Rating YTD
Prescribing	1,000	
Outpatient specification	1,000	
Reduction in outpatient referrals	1,000	
Out of area placements	500	
Early Supported Discharge	500	
Expanded Step Down	1,000	
End of Life	1,200	
Substance Misuse	500	
Heart Failure	300	
Review of Primary Care Contractor Budgets	300	
Total	7,300	

5.2 Development of Alternative Plans

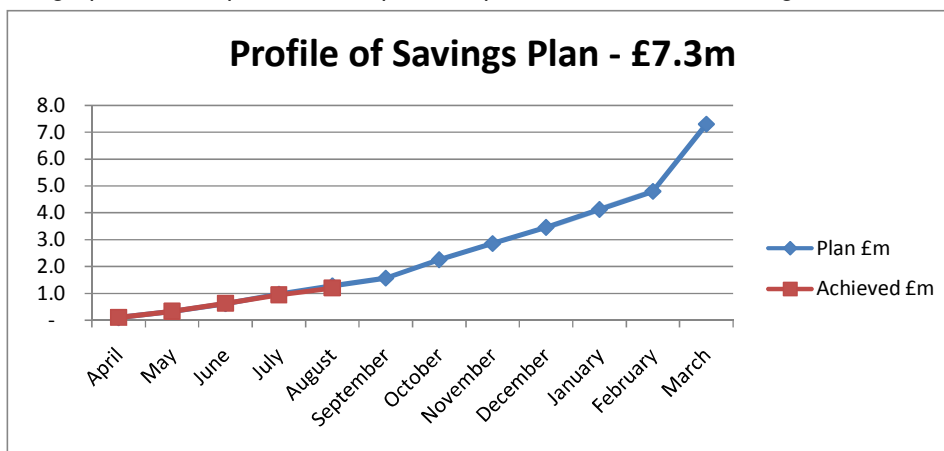
Currently, detailed plans exist to deliver £5.8m of the required savings which coupled with an over-performing HEFT contract has increased the need to identify alternative plans which will deliver in 2010/11.

The areas being investigated include:-

- Prior Approval and Procedures of Limited Clinical Value
- HEFT Redesign & the Primary Care Discharge Unit (PCDU)
- Clinical Support to Nursing Homes

5.3 Profile of Savings

The graph below represents the planned profile of the PCT's savings initiatives.



As at Month 5 the savings delivered are on target and £1.2m has been saved. It remains that as plans are most developed in the areas of Prescribing and Primary Care Contractor budgets these are the only revenue budgets so far to have been adjusted to reduce the savings gap from £7.3m to £5.85m. As the majority of the remaining savings is profiled to deliver later in the financial year no other budgets have yet been removed.

5.4 Risks

A number of risks continue to exist in respect of the 2010/11 savings plans and these can be summarised as follows:

- Disproportionate amounts of the savings are due to be achieved later in the financial year. Should these initiatives fail to deliver; the PCT will have very limited time to take corrective action.
- The majority of the savings initiatives referred to in this paper are reliant upon reducing activity at HEFT. Consequently, there is an increasing reliance upon the HEFT Capacity Management Plan.

6. CAPITAL RESOURCE LIMIT

Statutory Duty: To maintain expenditure within the 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 2010/11 of £3.851m. The year to date capital expenditure is £1.552m and the forecast outturn is breakeven.

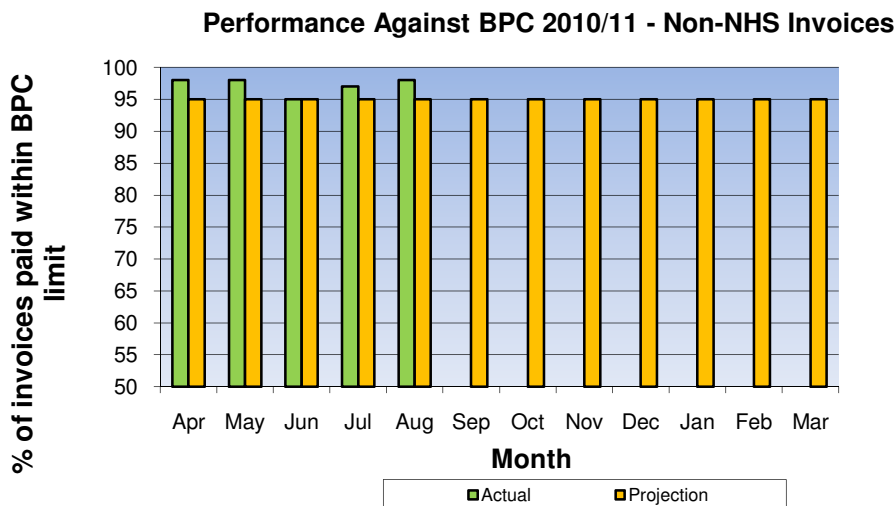
7. CASH LIMIT

Statutory Duty: To maintain expenditure within the Cash Resource 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.

8. PUBLIC SECTOR PAYMENT POLICY (BETTER PAYMENT CODE)

The PCT must achieve the national target of paying 95% of non-NHS invoices within 30 days. The PCT's performance against this target year to date is shown in the following graph. Performance against target has been reviewed and verified and the target has been exceeded each month to August.



9. BALANCE SHEET

The PCT's Balance Sheet as at 31st August 2010 is summarised in Table 7.

Table 7: Balance Sheet

BALANCE SHEET	Start point £000s	August £000s
Total Fixed Assets	38,380	38,901
Current Assets		
Debtors	17,710	7,229
Cash at bank	8	164
Total Current Assets	17,718	7,393
Current Liabilities		
Creditors	(92,092)	(89,014)
Total Current Liabilities	(92,092)	(89,014)
Net Current Assets	(74,374)	(81,621)
Total Assets Less Current Liabilities	(35,994)	(42,720)
Provisions for Liabilities & Charges	(3,666)	(3,547)
Total Assets Employed	(39,660)	(46,267)
Financed by:		
Taxpayers' Equity		
General fund	(43,505)	(50,122)
Revaluation Reserve	895	894
Donated Reserve	2,906	2,918
Government Grant Reserve	44	43
Total Taxpayers' Equity	(39,660)	(46,267)

10. SUMMARY AND RECOMMENDATIONS

As reported to the previous board we have carried out a review of all areas of our portfolio and had meetings with HEFT, other providers, our GP's and the Strategic Health Authority to discuss the financial situation. These meetings were to agree how we will handle any emerging pressures over the second half of the financial year to ensure we meet our statutory duty to breakeven.

A presentation will be made at the Board meeting outlining the outcome of these meetings and the strategy for handling the financial position.

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

