

ITEM: 4

MEETING: Trust Board
19th September 2007

TITLE: Finance Report

SUMMARY:

Financial performance for the period up to 31st August 2007 (Month 5) is attached. Headline I&E performance is that a favourable Income & Expenditure variance of £655k has been achieved to date. This is measured against a planned surplus of £400k to date, so the Trust had performed £155k better than originally planned at this stage in the year and remains on target to deliver a 1% surplus (£1.4m) by the end of the year.

Attached are

- Finance Report – Month 5
- Appendix 1 – Financial tables
- Appendix 2 – Pay flash report
- Appendix 3 – Capital Expenditure
- Appendix 4 – Minutes from the Finance & Performance Committee meetings in July & August

ACTION: For information / discussion

REPORT FROM: Trish Donovan, Deputy Director of Finance

SPONSORED BY: Richard Martin, Director of Finance

Financial Validation

Lead: Director of Finance

Compliance with statute, directions, policy, guidance

Lead: All directors

Standing Orders & Standing Financial Instructions ; Accounting Standards ; ALE

Compliance with Healthcare Commission Core/Developmental Standards

Lead: Director of Nursing & Clinical Development

Reference:

N/A

Compliance with Auditors' Local Evaluation standards (ALE)

Lead: Director of Finance

Reference: Various

Compliance with requirements of FT application and monitoring regime

Lead: Director of Strategy & Performance

Reference:

N/A

1.0 2007/08 Financial Plan

The Trust's financial plan, as previously published, is to deliver a surplus of £1.4m in 2007/08 (approx 1% of budget). The plan as agreed by the Trust Board was finalised and agreed with NHS London in March.

In terms of phasing, across the year, the plan submitted to NHS London includes a target surplus to date of £400k at the end of month 5, as show at 2.0 below.

2.0 Month 4 Income & Expenditure Performance

Reported performance within the month is an overall surplus of £145k (£146k last month) taking the year to date position to a surplus of £655k when measured against detailed Income and Expenditure budgets.

In addition to the detailed budgets, the Trust plans to deliver a surplus of £1.4m. This is phased across the year such that the target to date is a surplus of £400k, as summarised in the table below.

Table 1 – Variances

Month	In Month Variance against I&E budgets £000	Cumulative Variance against I&E budgets £000	Target Surplus to date £000	Cumulative Variance from Target Surplus £000
April	0	0	0	0
May	245	245	-200	445
June	119	364	100	264
July	146	510	500	10
August	145	655	400	255
September			600	
October			900	
November			900	
December			900	
January			1,200	
February			1,200	
March			1,400	
Total			1,400	

The variance at the end of August (£655k) exceeds the level of surplus originally planned (£400k) for this stage in the year by £255k.

2.1 Income – £1,535k favourable (£492k in the month) - Appendix 1 Pages 2-5

The Trust's income budget is currently £145m in total. Performance reported against SLA targets is based on coded activity up to the end of July. In the absence of coded data, performance for August is estimated to be on plan (ie meeting the SLA plus over-performance targets).

Performance by PCT and by patient type is detailed in Appendix 1, pages 3 to 5.

Activity against the agreed SLA values for the majority of SLAs is in excess of the target to date (as shown on page 5 of appendix 1). The most significant variances are Islington PCT £1,204k ; Haringey PCT £953k and Barnet PCT £408k - a continuation of the favourable trend reported last month.

There are favourable variances across all patient categories except excess bed days, the most significant variances to date against SLA targets are Critical Care (HDU £332k and ITU £1,080k), and emergency activity (ED attendances £257k and admissions £311k). This is detailed on pages 3 and 4 of appendix 1.

As reported last month, Critical Care income is currently recognised and billed when patients are discharged. Income levels are expected to reduce following lower levels of occupancy during the summer months.

In addition to agreed SLA values, the income budget includes a target for additional activity / over-performance of £3.45m (incorporating £2.15m in terms of demand management and activity growth assumptions plus £1.3m as a result of the increased critical care capacity). These additional targets are phased in 12ths, giving an additional income target to date of £1.4m above SLA targets. Current activity, as described above, is such that both the SLA target to date plus this additional target have been exceeded by £1,351k overall.

Other major contracts for income (SIFT, Madel, R&D etc) are reported on plan. There is a surplus of £137k to date (£46k in the month) against the target for RTA income and smaller surpluses or deficits against other income targets across operational areas.

2.2 Expenditure £884k adverse variance (£357k in the month)

Performance by Division / Directorate is summarised on page 6 of appendix 1, followed by analysis by pay (page 7) and non-pay areas (page 8). The overall expenditure variance includes the Cost Improvement Programme (CIP) and is more than offset by the favourable income position such that there is a surplus in the month.

2.2.1 Pay - Appendix 1 Page 7 and Appendix 2

An overall under-spend of £578k is reported against pay budgets to date. In the month there has been a significant shift, with spend £3k above budget overall compared to an average monthly under-spend of £145k across months 1 to 4. All pay groups except medical remain within budget and are under-spending overall. There was an overspend of £217k in the month on medical pay, taking this group to £344k above budget to date. Some of this is as a result of agency use, there were some double running costs for junior medical staff in August and savings targets have now impacted in respect of anticipated banding changes. Costs are currently being reconciled to funding received via the Madel contract, to ensure this is correctly reflected in budgets. The executive team reviews staffing levels on a weekly basis, including staff in post plus bank and agency usage. The current report is shown at Appendix 2.

2.2.2 Non Pay & Reserves – £884k adverse - Appendix 1 Page 8

Performance for the first five months is shown on page 8 of appendix 1. There are significant levels of spend above budget for Clinical Supplies and Services (notably drugs and MSSE) however this is offset by income above target as a result of high levels of activity as described at 2.1 above.

In terms of non-clinical expenditure the most significant variances are transport and printing at £105k and £91k adverse to date respectively.

Some savings targets are held within the overall non pay budget and these account for an adverse variance of £325k to date, and whilst this is being met within the overall financial position it is not being delivered from within non pay areas.

2.2.3 Cost Improvement Programme – £178k adverse - Appendix 1 Page 10

As detailed in the financial plan, the new CIP target for 2007/08 is £6.6m. In addition the full year effect of 2006/07 schemes amounts to £1.8m, giving a total CIP of £8.4m, as detailed on page 10 of appendix 1.

The year to date target is £3,555k, against which £3,247k has been achieved and validated, leaving a shortfall to date of £308k (or 8.7%), this is a deterioration compared to last month where the shortfall was 6.4% or £178k.

Regular review meetings with executive team leads for each CIP continue to be held and replacement schemes are being sought to offset any slippage against the original programme.

Current slippage is offset within the overall financial performance reported, mainly as a result of the favourable income position.

2.2.4 Year-End I&E Forecast

The current year-end forecast is to deliver the required surplus of £1.4m as detailed in the Trust's financial plan. Performance to date is on target.

The forecast remains dependent on maintaining ongoing controls that ensure spend is managed within a combination of available budget plus any additional income earned.

Key risks that need to be managed to ensure achievement of the plan include fully delivering the CIP and the potential impact on expenditure and income of meeting the 18 week target.

2.2.5 External Reporting

A year-end forecast surplus of £1.4m (in line with plan) and a year to date favourable variance of £510k, consistent with the month 4 finance report was reported to NHS London.

The Trust was allocated a risk rating of 4, by NHS London, following the quarter 1 performance reporting exercise and as a result has been placed on quarterly, rather than monthly, reporting against plan. There is still a requirement to report monthly performance in the FIMS exercise and performance as described in this report will be reported for August.

Other returns submitted to NHS London on Friday 7th September were :

- forecast out-turn, detailing the best, most likely and worst case for year-end. This was estimated as £1.8m best case, £1.4m most likely and £1m worst case.

and

- SHA15 – a summary showing forecast SLA income by PCT for the year – this was a straight line projection based on performance at month 3, which was the approach taken by some PCTs and the requirement is for Trust's and PCTs to show a consistent value.

3 Balance Sheet Performance

The Trust's balance sheet is shown on page 11 of appendix 1.

3.1 Cash & EFL

The cash balance at the end of July was £5.9m, forecast cash balances for the remainder of the year are summarised on page 14. The year-end cash target is currently estimated as £415k, which will be met by managing working capital balances including the use of temporary PDC and allowing for required dividend payments in September and March.

The timing of receipts and payments for PDC adjustments has recently been clarified, and will now be reflected accurately in the cash-flow forecast, these were previously estimated pending confirmation from NHS London.

The Trust's EFL, including forecast performance for the year, is detailed on page 13 of appendix 1.

3.2 Debtors

Total debtors are shown on the balance sheet are £44.2m, within this the balance shown as other (£27m) includes the PFI. The remainder relates to invoiced debt of £14m and accrued/estimated items of almost £3m.

Invoiced debt is £14m as detailed on page 12 of appendix 1 and comprises NHS debt of £11.4m (£9m last month) plus non-NHS debt of £2.6m (£2.7m last month). Of the total £5.2m relates to the current period and £5.9m is now over 90 days old (a slight reduction from last month, when the over 90 day debt was £6.4m)

A quarterly agreement of balances exercise across NHS organisations was recently completed and settlement of significant aged balances is being chased.

3.3 Creditors

Total creditors shown on the balance sheet are £18.3m of which £0.3m relates to invoiced debt, the remainder representing estimated / accrued amounts.

Performance against the Better Payment Practice code is shown on page 12 of Appendix 1. Achievement to date (based on invoice value) is 88% for NHS invoices and 79% for non-NHS invoices.

4 Capital – Appendix 3

Financial performance against the Trust's capital expenditure programme is shown at Appendix 3.

5 Recommendations

The Trust Board is asked to :

- **Note the financial performance for the five months to 31st August 2007 and the year-end forecast ;**
- **Ensure all possible action is taken to on an ongoing basis to contain expenditure within available budget ;**
- **Ensure all agreed Cost Improvements are implemented and alternatives identified to offset any slippage ;**
- **Ensure recurrent CIPs are maximised to replace any non-recurrent measures currently in place ;**
- **Note the minutes from the Finance & Performance Committee meetings**