

ITEM: 3

MEETING: Trust Board
17th May 2006

TITLE: Finance Report incorporating
Summary Financial Position – 2005/06
and
2006/07 Income & Expenditure Plan & Budgets

1. Summary Financial Position – 2005/06

1 I&E Position

The draft statutory annual accounts for 2005/06 have been completed and submitted for audit (detailed at item 9). Overall, a balanced position, with a surplus of £20k is reported for the year. This position has been reported to the Strategic Health Authority.

Performance by Directorate is shown at Appendix 1 and final internal transfers are underway to ensure centrally reported credits (reserves etc) are now reflected in the closing position for operational areas. Following these adjustments, final detailed reports are being issued to managers and to the Finance & Performance Committee.

Other Financial Duties

As detailed in the draft annual accounts, the Trust met it's External Financing Limit (EFL) and Capital Resource Limit (CRL).

2. 2006/07 Income & Expenditure Plan & Budgets

The Trust has now agreed a financial plan for 2006/07 with the SHA to deliver the required surplus of 1% (£1.3m) in line with London financial planning guidance recently issued. This plan incorporates the latest position in terms of SLA income and requires a very significant Cost Improvement Plan (CIP) as detailed in this report.

Detailed opening budgets, following the approach agreed at the March Trust Board, have been issued to managers for signature. These are shown in the Appendix 3 to this report.

Attached are :

Summary Finance Report

Appendix 1 – Financial Performance for 2005/06 by Directorate / Division

Appendix 2 – Notes from the Finance & Performance Committee

Appendix 3 – 2006/07 Income & Expenditure Budgets

Appendix 4 – Summary 2006/07 Cost Improvement Programme

ACTION: Information & Discussion

REPORT FROM: Trish Donovan, Deputy Director of Finance

SPONSORED BY: Susan Sorensen, Director of Finance



1.0 Financial Position – Month 12

1.1 Overall I&E Position

The draft position, as reported in the annual accounts, is a surplus of £20k against the overall I&E budget for the Trust. This includes the final release of all available balances from centrally held reserves, all known or anticipated liabilities and estimated final performance against SLA income targets in line with guidance for closing the financial year.

Performance by Division / Directorate is summarised in Appendix 1, including details of performance last month (columns C to G). In addition the table includes a re-allocation of centrally held reserves and credit balances (column P) to offset expenditure in operational areas, so that achievement of balance is reflected across the organisation. This re-allocation is currently being actioned at detailed level and final budget statements for the year will then be issued to managers.

1.2 Income

The position includes SLA activity up to the end of February plus an estimate (based on average performance in previous months) for March performance, in line with sector guidance so that invoicing can be finalised for the year. The reported position is a shortfall of almost £850k against the total SLA target (including agreed SLA values plus an additional target of approx £2m for over-performance)

Overall, the reported position for non-devolved income is a deficit of £1m. This includes a number of major items, namely shortfalls against the NICU consortium contract of £460k ; SLA income targets £850k (comprising agreed SLA values, over-performance targets and a DH adjustment for Market Forces Factor) and NCA (Non Contracted Activity) Income £256k offset by a surplus of £538k against Non Patient Income.

Private Patient and Overseas Visitor Income is included within the reported position for the Operations Directorate, there was a shortfall of £626k for this category.

1.3 Expenditure

Against operational budgets, there was an in month over-spend of £33k on pay for the month, a significant improvement compared to previous months (overspend by £267k in February) ; an overspend of £828k on non pay offset in part by a surplus of £108k against devolved income targets. Key non-pay pressures included drugs, patient appliances, cleaning materials and engineering costs.

1.4 Savings

The total savings target included in the 2005/06 plan was £6.5m, representing a very significant challenge. The total included £2.8m brought forward from previous years (which was achieved non-recurrently last year) and an additional target of £3.7m in 2005/06.

As an overall surplus is reported for the year, the total savings target has been achieved, although a significant proportion was on a non-recurrent basis and will therefore need to be carried forward to 2006/07 and converted to recurrent savings.

2.0 Cash, EFL & CRL

The Trust met its target year-end cash balance of £384k at 31st March, satisfying the EFL requirement.

Capital Expenditure was maintained within available funding, thereby meeting the Capital Resource Limit (CRL).

Performance for 2005/06 is further detailed in the draft annual accounts. (item 9)

3.0 2006/07 Income & Expenditure Plan

Recent planning guidance for London required the Trust to develop a financial plan that delivers a 1% surplus for 2006/07. This equates to a surplus of £1.3m for the Trust. A plan has now been agreed with the SHA, however a Cost Improvement Programme (CIP) totalling almost £10m is required in order to deliver this position.

Opening Budgets, on the basis agreed at the March Trust Board have been issued to Directors/Managers and are detailed at Appendix 3. Whilst the the overall position remains under review and some income budgets remain estimated, at this stage, the main SLAs (with Islington and Haringey PCTs) accounting for over 85% of the Trust's SLA income have been signed.

The total target for the 2006/07 CIP is £9.9m and to date savings schemes estimated at £7.6m have been identified, leaving a further requirement of £2.3m yet to be identified. A summary of the CIP is shown at appendix 4.

4.0 Recommendations

The Trust Board is asked to

- **Note the draft year-end financial performance;**
- **Note the proposed non-recurrent reallocation of centrally held reserves, reflecting balanced performance across operational areas;**
- **Identify areas where savings achieved non-recurrently can now be converted to recurrent budgetary reductions;**
- **Continue to take action that ensures expenditure is contained within available budgets, in all areas for 2006/07;**
- **Note that a surplus plan, as required, has been agreed with the SHA;**
- **Note the opening budgets at Directorate level for 2006/07;**
- **Note the significant CIP included in the 2006/07 plan**
- **Seek to identify areas where additional savings can be made in order to fully meet the required CIP.**