

ITEM: 3

MEETING: Trust Board
16th May 2007

TITLE:
Financial Position – 2006/07

SUMMARY:

Attached is a brief report highlighting key items of financial performance for 2006/07 and a copy of the Trust's draft annual accounts for the year.

ACTION:

The Trust Board is asked to note the accounts and to approve the proposal to delegate authority, to the Audit Committee, for sign off of the final version of the accounts in order to meet the Department of Health timetable.

REPORT FROM: Trish Donovan, Deputy Director of Finance

SPONSORED BY: Richard Martin, Director of Finance

Financial details supplied/checked by:

Recommendations contained within this paper have been checked for compliance with relevant statute and regulations/directions/policy as follows:

NHS Trust Manual for Accounts, PFI Accounting Manual ; Relevant Accounting Standards & Practice



Summary Financial Performance for the year ended 31st March 2007

1.0 Year End Income & Expenditure Performance

At overall Trust level, Income exceeded Expenditure generating a surplus of £1.985m for the year. This is in excess of the planned surplus (originally £1.3m.) as required in the overall financial strategy for London and in addition means that the Trust has met the cumulative break-even duty a year early (in year 4 of an agreed 5 year period).

In addition to meeting the break-even duty, a year ahead of the agreed timescale, there are a number of financial benefits as a result of generating this additional surplus :

- In accordance with current NHS accounting rules, this surplus will given back non-recurrently to the Trust in 2007/08 (ie additional income of £1.985m will be received)
- Because the planned surplus was exceeded, an additional incentive in the form of non-recurrent income amounting to approx £136k will be paid to the Trust in 2007/08. This is calculated as 20% of the surplus achieved above plan (ie. £1985k – £1,302k x 20%)
- A capital incentive, to be made available in 2007/08 is also possible. Details of this are awaited from NHS London, following the recent changes to the capital regime.

This additional income benefit will be available to contribute towards achievement of the 2007/08 CIP.

Achievement of this level of surplus was possible as a result of a number of items including securing more income than originally planned – largely from PCTs where activity levels for the year were above those included in SLA contracts eg. as a result of the increased ITU capacity in the new building ; accounting adjustments in relation to buildings as a result of moving to the PFI and controls over expenditure contributing towards the significant CIP programme and the work of the Transformation Team throughout the year.

2.0 Balance Sheet Performance

Cash and External Financing Limit (EFL)

The Trust met it's EFL and managed the cash position to the required year-end balance of £415k, as previously forecast.

Better Payment Practice Code

The Trust paid the majority of it's invoices within the target timescale, achieving an overall position of 92% (NHS items – target of 15 days) and 86% (non NHS items – target of 30 days)

3.0 Capital Expenditure

The Trust remained within it's Capital Resource Limit for the year by managing the capital expenditure programme and the impact of a number of technical accounting items in relation to buildings as a result of the PFI plus the impairment of the Waterlow building and equipment transfers to the Managed Equipment Service. The Trust invested £8.35m in fixed assets this year, which is significantly higher than the previous year (£4.4m).

4.0 Draft Annual Accounts & Timetable

The draft annual accounts (copy attached) were submitted for audit by the deadline of 1st May, with copies sent, as required, to NHS London and to the Department of Health (DH).

The audit is underway and is expected to reach completion around the beginning of June.

Final audited accounts need to be submitted to the DH by their deadline of 25th June. This submission requires the inclusion of original certificates signed by the Chief Executive, Chair, Director of Finance and District Auditor.

Proposal

In order to meet the DH deadline, the Trust Board need to agree the annual accounts. No major changes to the attached draft are anticipated, however this is subject to audit. As there will not be a further full meeting of the Trust Board before the deadline, it is proposed that responsibility is delegated to the Audit Committee (as done in previous years) for agreeing any amendments to the final version of the accounts for submission to DH. The Audit Committee meets on 20th June.

5.0 Indicative Auditors Local Evaluation (ALE) Score

The Trust's external auditors recently undertook the annual ALE exercise. Overall this leads to a Use of Resources score. The evaluation comprises five separate areas, namely

- (i) Internal Control
- (ii) Value for Money
- (iii) Financial Management
- (iv) Financial Standing
- (v) Financial Reporting

Evaluation of Items (i) to (iii) are now complete and an indicative score of 3 has been advised for each of these.

Results for the two remaining areas (Financial Standing and Financial Reporting) as well as the overall score for will be allocated following the audit of the annual accounts.

6.0 Recommendations

The Trust Board is asked to :

- ***note the final 2006/07 position reported, and indicative ALE scores ;***
- ***agree the draft annual accounts attached ;***
- ***agree the proposal for delegated authority as detailed at point 4 above.***