

ITEM: 7

Meeting: Trust Board
Date: 16th April 2008

Title: Draft Financial Performance – Month 12

Executive Summary: Draft financial performance for month 12 is attached.
At the time of writing, the year-end process to finalise accounts remains underway.
The deadline for submitting final accounts for audit is 1st May. The updated position will be reported to the May meeting, however, overall performance is not expected to differ significantly from this report.

Action: For information

Report from: Trish Donovan,
Deputy Director of Finance

Sponsor: Richard Martin
Director of Finance

Financial Validation Lead: Director of Finance	Name of finance officer Trish Donovan
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Compliance with statute, directions, policy, guidance Lead: All directors	Reference: Best Practice, ALE, Accounting standards, Monitor financial regime
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Compliance with Healthcare Commission Core/Developmental Standards Lead: Director of Nursing & Clinical Development	Reference:
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Compliance with Auditors' Local Evaluation standards (ALE) Lead: Director of Finance	Reference: ALE - Financial Management, Financial Reporting & Financial Standing
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Evidence for self-certification under the Monitor compliance regime Lead: All directors	Compliance framework reference:
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Financial Performance – Draft position for Month 12 2007/08 (March 2008)

Executive Summary

A) Draft Financial Performance

Draft Financial Performance for the 12 months ended 31st March is summarised in this report.

At the time of writing the year-end process to finalise the position for the year is underway, with a deadline of 1st May to submit final accounts for audit. The following key items are shown within the report with headline performance indicated below :

1. Income & Expenditure position – on target to deliver planned surplus of £1.4m
2. Cost Improvement Programme – on target to deliver planned total
3. Balance Sheet
4. Cash-flow Forecast – year end target as advised during March has been met
5. Risk Rating – using the Monitor methodology included for information at this stage and would become a reporting requirement under the FT financial regime. The rating is estimated as a 3 on a year to date basis with a forecast of a 4 by year-end. This calculation is not the same as the methodology used by the Provider Agency, although this also indicates a rating of 4.
6. Capital Expenditure – on target to deliver programme within CRL (Appendix 1)
7. The Patient Level Costing & Information system (PLICS) implementation project continues to progress.

B) Other Current Issues to report to the Board

Minutes of the audit Committee

Minutes of the February and March audit committee meetings are attached at appendix 2.

C) Recommendations

The Trust Board is asked to :

- ◆ ***Note the draft year-end financial performance indicating that the planned position has been delivered for I&E, Cash, CIP, Capital (CRL) and External Financing (EFL).***
- ◆ ***Note the draft capital expenditure position for the year as detailed at Appendix 1***
- ◆ ***Note the position in terms of the PLICS implementation***
- ◆ ***Note the minutes from the audit committee***

1.0 Income & Expenditure Position

1.1 The overall income and expenditure position is summarised below :

Description	Current Month			Year To Date			Annual Budget	Forecast year end actual
	Actual	Budget	Variance	Actual	Budget	Variance		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
PCT Service Agreements	11362	10125	1236	121776	118193	3583	118193	
Specialised Services	157	157	0	1912	1886	26	1,886	
Other Income For Patient Care	565	357	207	3401	3030	372	3030	
Other Non-patient Income	3034	1890	1144	25776	24330	1446	24330	
Total Income	15117	12530	2587	152866	147439	5427	147439	151,458
Gross Pay Expenditure	9202	8760	-442	101863	102262	399	102262	
Gross Non Pay Expenditure	4963	2057	-2906	40068	32546	-7522	32546	
Central Budgets	-1400	960	2360	0	4402	4402	4402	
Savings 07/08 (To be devolved)	0	-42	-42	0	-502	-502	(502)	
Total Expenditure	12765	11735	-1030	141931	138708	-3223	138708	141,390
EBITDA	2352	794	1558	10935	8731	2204	8731	10,068
Add Interest Receivable	28	25	3	353	300	53	300	355
Less Interest Payable on Provisions	0	50	50	0	50	50	50	82
Less Depreciation & Impairments	1378	471	-907	6311	5404	-907	5404	5,363
Less PDC Dividend	298	298	0	3577	3577	0	3577	3,577
Net surplus / (deficit)	704	0	704	1400	0	1400	0	1,400

- ◆ Draft performance reported for the month is a surplus (income greater than expenditure) of £704k.
- ◆ On a cumulative basis an actual surplus of £1.4m as planned is reported and whilst some items are being finalised during April (debtors, creditors, fixed assets), the overall I&E position is expected to remain a surplus of £1.4m.

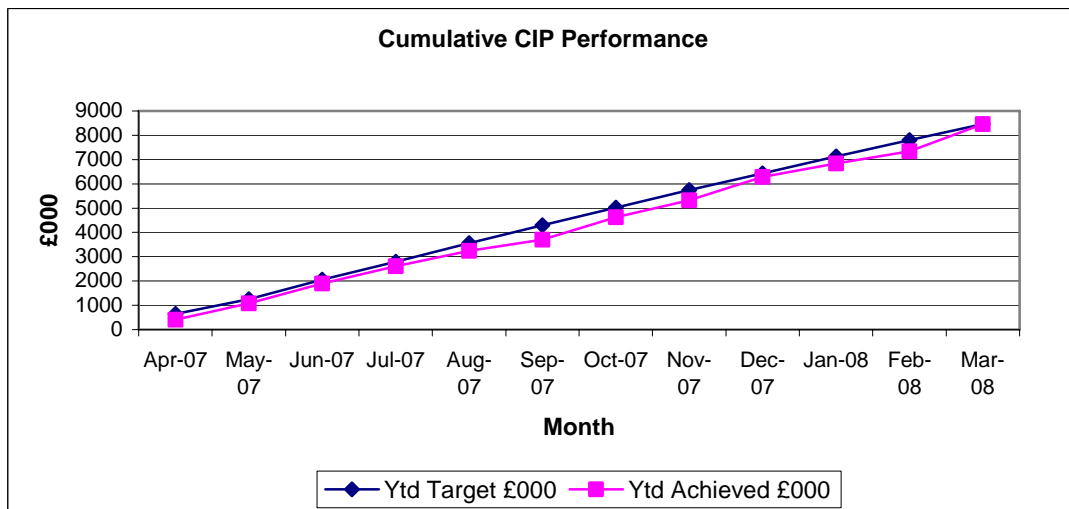
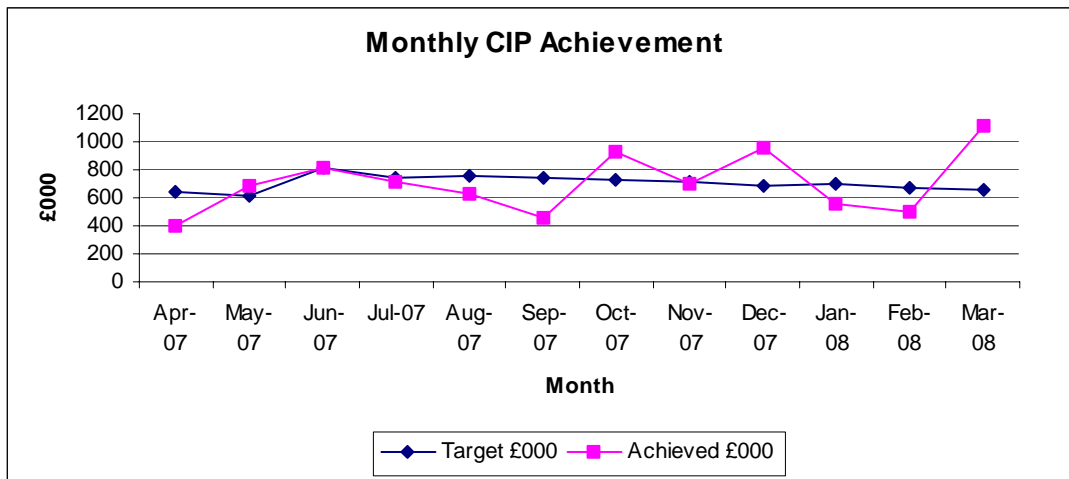
1.2 Performance against SLA income

- ◆ Coded activity data is not yet available for March activity. This has, therefore, been included on an estimated basis (taking an average of months 10 & 11 activity) in the income position included in this report.
- ◆ Activity was significantly above SLA values at month 11 (over £6m) and exceeded the additional Trust income target for over-performance, as indicated in the income position in the table at 1.1 above. The highest over-performance (in value terms) was against SLAs with Haringey, Islington and Barnet PCTs.

2.0 Cost Improvement Programme

Monthly and cumulative performance against the CIP target is summarised in the charts below.

- ◆ The target of £8.4m was fully achieved at the end of March.
- ◆ Within the reported position, a couple of schemes were not delivered as originally planned, however these related to capacity and were revised as a result of increased activity demands and replaced with productivity gains which were achieved via increased income for additional activity.



3.0 Balance Sheet

The draft Balance Sheet as at the end of March is summarised below.

Balance Sheet at at 29th February 2008 (9Month 11)		As at 1st April 2007	End of Month Actual	2007/08 Forecast
		£'000	£'000	£'000
Fixed Assets		83,471	92,583	92,399
Current Assets	Stocks	1,323	1,200	1,046
	Debtors	12,740	7,770	6,598
	Deferred asset	24,968	24,126	24,125
	Cash in hand and at bank	416	2516	2,515
	Total Current Assets	39,447	35,613	34,284
Current Liabilities < 1 yr.	Creditors	13,691	15,382	13,241
	Total Current Liabilities	13,691	15,382	13,241
	Net Current Assets	25,755	20,610	21,043
	Provisions for Liabilities and Charges	2,415	2,277	2,325
	Total Assets Employed	106,812	110,537	111,117
	Public Dividend Capital	49,915	47,258	47,258
	Revaluation Reserve	35,324	40,594	40,825
	Donated Asset Reserve	1,432	1,144	1,463
	I & E Reserve	20,141	21,541	21,571
	Total Capital and Reserves	106,812	110,537	111,117
	Capital Cost Absorption Rate		4.08%	3.69%

3.1 Debtor performance

- ◆ Debtors on the balance sheet include invoiced debt of £6m and accruals of £1.7m.
- ◆ The year-end agreement of balances exercise is currently underway. This requires NHS organisations in England to issue invoices and statements and to agree balances for debtors, creditors, income and expenditure to specified national deadlines as part of the year-end closure of accounts process. Balances continue to be refined until the deadline, which is 18th April for debtors and creditors.

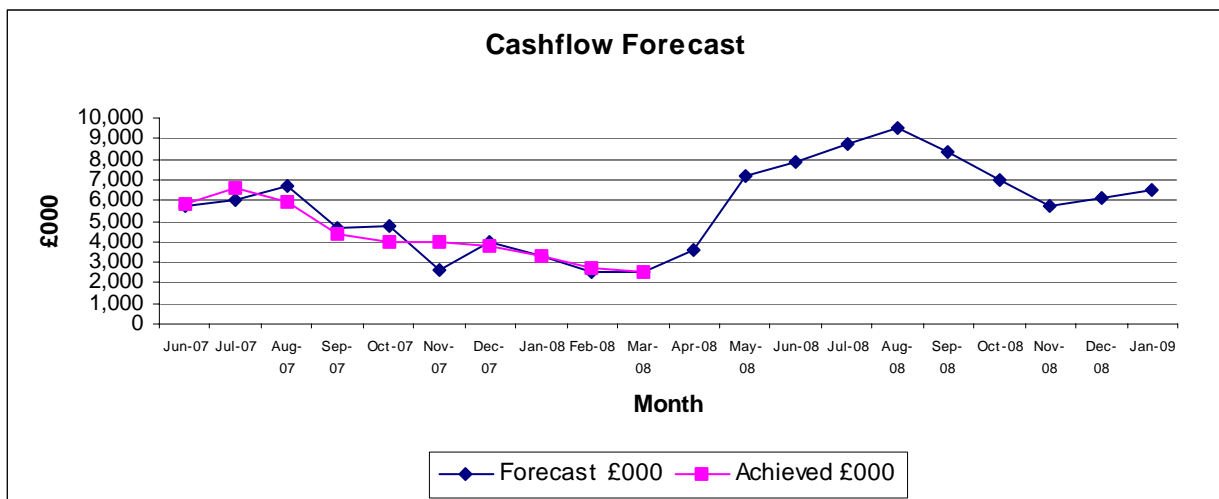
3.2 Creditor Performance

- ◆ The value of authorised invoices on the payment system, at the end of March was £140k. In addition the balance sheet includes accruals/estimates of £15m. Creditors will also be finalised as part of the agreement of balances process described at 3.1 above.

4.0 Cashflow Forecast

The current rolling cash-flow forecast is shown in the chart below.

- ◆ The cash balance at the end of March was £2.516m which was as planned. This was based on the revised cash regime for NHS Trusts, as advised in March.



5.0 Risk Rating

- ◆ The Trust's risk rating, calculated using the Monitor methodology is shown below.
- ◆ This indicates a forecast year-end rating of 4

RISK RATINGS - Monitor Methodology			Year to Date			Forecast Outturn		
Financial Criteria	Weighting	Metric Description	Metric Value	Rating	Weighted Rating	Metric Value	Rating	Weighted Rating
Achievement of plan	10%	EBITDA achieved (% of plan)	125.24	5.00	0.50	115.45	5.00	0.50
Underlying performance	25%	EBITDA margin (%)	7.15	3.00	0.75	6.66	3.00	0.75
Financial efficiency	20%	Return on Assets (%)	4.57	3.00	0.60	5.03	4.00	0.80
Financial efficiency	20%	I&E surplus margin (%)	0.92	2.00	0.40	1.46	3.00	0.60
Liquidity	25%	Liquid ratio (days)	17.9	3.00	0.75	52.15	5.00	1.25
Overall rating					3.00			3.90

6. Capital expenditure

The draft capital expenditure position for the year is attached as appendix 2. This details the total programme which was delivered within the available funding of £10.2m.

7. Patient Level Costing & Information System (PLICS) Update

The PLICS implementation is progressing. All data relating to Months 1-6 2007/08 has now been received from the Information Team, upon which the project relies heavily to obtain timely data extracts. The output from the costing system is being verified for this period - for example, looking at the unit costs per ward bed day or per minute of theatre time - to ensure that the information is reliable.

The project will deliver the following Service Line Reporting (SLR) outputs:

- May Board - service line profitability analysis for months 1-6 2007/08
- June Board - service line profitability analysis for April 2008
- July Board - service line profitability analysis for April/May 2008, with full reporting from the PLICS system, and drill-down functionality to individual patient-level costs and profit

The system is dependent upon the input of fully coded activity each month. Currently coding is complete in the third week after each month end – therefore, service line reports will be produced a month in arrears of financial performance reports.