

From: Director of Finance
To: Trust Board – 29 April 2004
Subject: Financial Report for period April to March 2004

Executive Summary

Action: The Trust Board is asked to note the contents of the attached report and:

- The Trust's net revenue budget for the year was £211M. The unaudited year-end position is a deficit of £0.3M on income and expenditure. This represents a variance of 0.15% from plan. This is less than the 0.5% tolerance allowed for the Trust and effectively represents a break-even financial performance.
- The Trust's notified Capital Resource Limit (CRL) for the year was £14.3M. Capital expenditure for the year is £12.6M. The Trust kept within its Capital Resource Limit and the unspent balance of £1.7M will be carried forward into 2004/05.
- The Trust had no net cash available at the end of March. The Trust's notified External Financing Limit (EFL) was £(4.1M) and the Trust achieved this cash target.

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1.0 Introduction

- 1.1 The information contained in this report represents the financial position of the Trust for the 12 months ending 31st March 2004. The financial position is summarised in Table 1 below.
- 1.2 At the end of March the Trust is reporting a deficit of £0.3M. This is after planned support from the local Health Economy of £4.1m and additional income for over-performance from other commissioners. It should be noted that as a result of agreeing balances with other debtors and creditors within the NHS, the reported position may be subject to change. This will be reported to the Board on completion of the Final Accounts. However, it is not expected that such changes will materially affect the reported position.

Table 1, Financial Position as at the end of March

	Annual Budget £'Ms	Actual Year to Date £'Ms	Variance Year to Date £'Ms
Income	210.9	215.0	4.1
Expenditure	206.0	210.7	-4.7
Operating Surplus/(Deficit)	4.9	4.3	-0.6
Dividend/Interest	-4.9	-4.6	0.3
Surplus/(Deficit)	0.0	-0.3	-0.3

(Source: Appendix 1)

2.0 Income (Appendix 1)

- 2.1 The Trust had a forecast income shortfall of £2.1M resulting from assumptions made as part of the budget setting process within the economy. The assumptions regarding income from Social Services £1.0M have not fully materialised. Discussions have been held with the StHA and the local PCTs regarding this income shortfall. The local PCT's supported by the StHA, have agreed to provide £4.1m of planned support in recognition of over-performance. In addition other PCTs have been invoiced £1.1m for the marginal costs of over-performance.
- 2.2 Other Income in respect of Private Patients and car parking was less than forecast by £551k and £262k respectively. Private patient income was reduced because of the need to refurbish the Knutsford Suite and also because the Private Ward at Hemel was occupied by significant numbers of NHS patients to

help to meet the Emergency Care targets. It is envisaged that Private Patient income will recover next year, following the refurbishment of the Private Ward, because beds will be ring-fenced and the consultants have committed to making greater use of the facility in return for the Trust investment.

2.3 Other Directorate income was £1.2m more than budgeted. The recruitment of 2 Overseas Patient Officers in January has resulted in £100k more income than budgeted and will continue to deliver even more income in the next 12 months. Additional income was received from the Workforce Confederation in recognition of replacement costs for training etc.

3.0 Expenditure (Appendix 2)

3.1 The position against the budget set is shown at Appendix 2. This shows a pay over spend of £5.1M and non-pay of £0.7M. Within the Pay overspend is £2M in respect of the costs of implementing the consultants contract. Some funding has been received from commissioners but there is still a deficit of about £1M. The Divisions continued to experience difficulties in managing within their resources. Medicine overspent by £2.5M and Surgery by £1.6M. This is partly because of continued emergency pressures requiring beds and theatres to be kept open and staffed that previously were agreed could be closed. The Medicine division have expressed their concerns regarding current pressures particularly within A & E. However, it should be noted that all elective care targets have been met.

3.2 It should be noted that a review of activity shows that the Trust will have carried out additional clinical activity above plan. Financially this will have cost some £6.0M at full cost, (£2.4M at marginal cost). Whilst much of the additional activity has now been paid for, the need to put extra resource into meeting the waiting times for treatment in A and E is a major reason for the Trust's overspend.

3.3 In producing this financial position the Divisions have been recompensed for all costs incurred on waiting lists and waiting time targets, totalling £5.4M.

3.4 Performance reviews and monthly financial reviews will continue to be held to ensure that Divisions are held to account for their actions and to ensure that rigorous expenditure control is maintained.

4.0 Capital Expenditure (Appendix 3)

4.1 The Capital Programme was planned to be £15.8M for the year. Details of the individual schemes can be seen at Appendix 3. It has been acknowledged by the StHA that any capital under spend can be carried forward in to 2004/05. The total CRL is £14.3M and this was consistent with the assumptions under-pinning the capital programme.

4.2 Capital expenditure for the year amounted to £12.6M, details of which are also shown on Appendix 3. The expenditure figures may still be subject to some change due to further analysis but again this is not thought to be material.

4.3 The under spend of £3.2M is mainly due to the delayed supply of 2 linear accelerators and also to the funding for the Fixed Catheter Laboratory being received in 2003/04 rather than 2004/05

5.0 Breakeven

5.1 To achieve a breakeven position the Trust was required to release £5.8M of savings through greater efficiency and cost reduction. Not all Clinical Divisions have been able to fully identify specific savings plans to cover their share of the overall target.

5.2 The Trust had previously forecast a year-end deficit of £4.6M as set out in Table 2, below. There were five key assumptions in the forecast;

- That the unallocated development monies of £800k which constituted the reserves could be released;
- That the Trust received £1.6M funding for the activity it has performed over the SLA planned levels.
- That the costs of implementing the consultants contract in 2003/04 would be £1M more than funded.
- It was also assumed that the current trend in income and expenditure continued to the yearend.
- That up to £400K additional expenditure would be required to meet elective care targets.

Table 2, Forecast Year-End Outturn and Variance

	Annual Budget £'M	Year end Forecast Outturn £'M	Variance Fav/(Adverse) £'M	Actual Outturn
Income	209.2	206.4	(2.8)	209.6
Less expenditure:				
Pay	127.5	132.7	(5.2)	133.3
Non-Pay	76.8	78.1	(1.3)	79.1
Operating Surplus	4.9	(4.4)	(9.3)	(2.8)
Year End Assumptions:				
• Balance Sheet Flexibility	0	1.1	1.1	1.1
• Use of Reserves	0	1.3	1.3	1.3
• Overperformance Funding		1.6	1.6	
• Consultants Contract	0	1.0	1.0	1.0
• Waiting List	0	(0.4)	(0.4)	(0.4)
• Planned Support	0	0	0	4.1
Operating Surplus	4.9	0.2	(4.7)	4.3
Dividends Payable	-5.5	-5.5	0.0	-5.4
Interest Receivable	0.6	0.7	0.1	0.8
Surplus/(Deficit)	0.0	(4.6)	(4.6)	(0.3)

The overspend of £4.6M was deemed to be the consequence of:

	£M	
Net Private patient and other Income shortfall	1.1	
Pay overspends –	3.2	Due to increased activity
Non-pay overspends	1.7	Due to increased activity
Consultants Contract	1.0	
Reserves and Flexibility	-2.4	

5.3 In order to manage the year-end position, the StHA have provided planned support totalling £4.1M for the Trust. However this planned support will have to be repaid. Currently the StHA view is that this repayment will be expected next year and will be subject to an agreed financial recovery plan.

6.0 Cash (Appendix 4)

6.1 The Trust had nil net cash balances at the end of March in accordance with its required EFL position. The cumulative number of invoices paid within 30 days was 74,014, representing 94.1% of the total bills paid. The national target is 95%. In addition the cumulative value of invoices paid within 30 days was £58.7M representing 92.3% of all bills paid against the national target of 95%.

7.0 Activity (Appendix 5)

7.1 In the period April to March, the Trust undertook 75,619 Finished Consultant Episodes and this exceeded planned activity by 3.3%. However, emergency activity was 7.1% more than planned, with Watford PCT being 11.1% more than forecast. The increase in emergency activity has put considerable pressure on the Trust's ability to meet the A and E targets. However, it has also become apparent that activity is being counted in a slightly different way this year that has resulted in emergency activity being over-stated by 2-3%.

7.2 Elective activity is 0.5% below planned levels. Additional activity was agreed in respect of delivering shorter waits for cataract removal. The planned activity should therefore have increased by 600 FCEs. After adjusting for this the Trust is some 2.1% below plan. However, inpatient maximum waiting times have been delivered.

7.3 Outpatient attendances are 0.4% more than planned. Again Watford PCT shows a greater over-performance than the other local PCTs.

8.0 Recommendation

8.1 The Finance and Planning Committee is invited to note the contents of this report and the achievement by the Trust of the key financial performance targets, subject to audit.

Vincent Doherty
Interim Director of Finance
22 April 2004