

West Hertfordshire Hospitals NHS Trust

Finance Report

Period 9

April to December 2008

Presented by

**Margaret Ashworth
Director of Finance
14 January 2009**

Financial Overview as at 31 December 2008

Summary

Year To Date Income & Expenditure

£m	Plan	Actual	Variance
Surplus / (deficit)	4.2	1.0	(3.2)

Forecast Income & Expenditure

£m	Plan	Actual	Variance
Surplus / (deficit)	4.4	4.4	0.0

Year To Date Income & Expenditure

Description £m	Plan	Actual	Variance
Income	<u>178.5</u>	<u>179.3</u>	<u>0.8</u>
Pay	(109.4)	(110.6)	(1.2)
Non Pay	(64.9)	(67.7)	(2.8)
Total Expenditure	<u>(174.3)</u>	<u>(178.3)</u>	<u>(4.0)</u>
Surplus/(Deficit)	4.2	1.0	(3.2)

	Plan	YTD	Forecast
Financial Risk Rating	3	3	4

Risks & Assumptions

Risks:

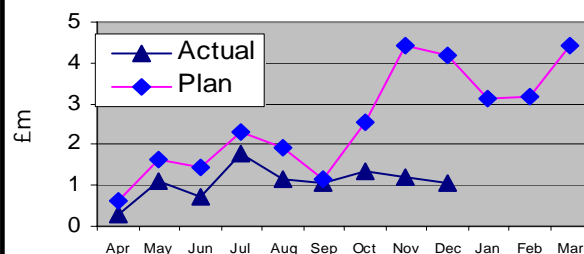
- Control of pay and non-pay expenditure against budget.
- Premium costs of outsourcing re waiting lists.

Assumptions:

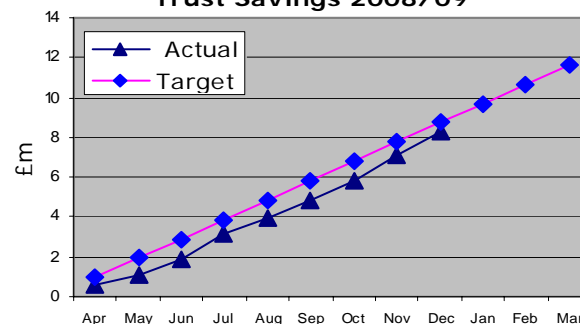
- Transitional Funding and SWIFT monies received.
- Remaining ISP savings will be delivered.

Income & Expenditure

Cumulative Surplus Income & Expenditure 2008/09

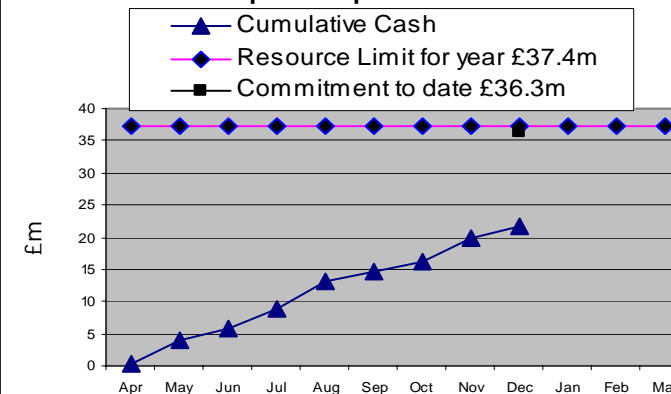


Trust Savings 2008/09

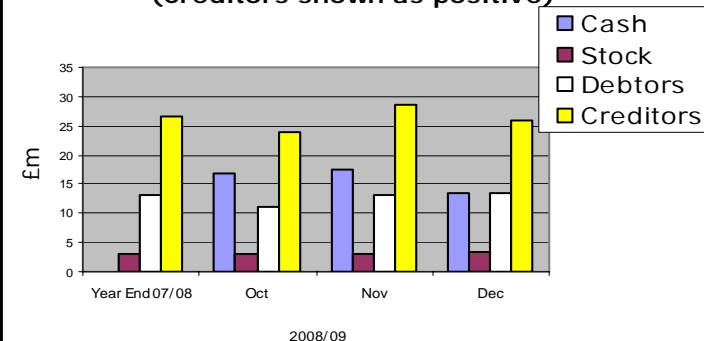


Balance Sheet

Capital Expenditure



Analysis of Cash, Debtors & Creditors (Creditors shown as positive)



Variance By Division

£'000	YTD (£m)	%Net Budget
Medicine	(0.4)	(1.0)%
Surgery	(3.3)	(9.3)%
Women's	(0.4)	(2.6)%
Clinical Support	0.1	0.6%
Other	(0.2)	(3.5)%
Facilities	0.3	5.9%
Estates	(0.4)	(3.4)%
Central	1.6	1.0%
Corporate	(0.4)	(1.3)%
Total Variance	(3.2)	

Cumulative Better Payment Performance

	Actuals M9	M1-M9 Ave	Target	Variance from Ave
By Value	77%	68%	95%	(26)%
By Volume	81%	71%	95%	(28)%

Introduction

At Month 9, the Trust has achieved a surplus of £1m. This position is £3.2m lower than budget. The phasing of the income and expenditure relating to the AAU has not been changed since the original assumption that the AAU would be fully operational from October 2008.

The Trust continues to forecast £4.4m full year surplus. The pressures against delivering this are: overspends on bank and agency staff and premium costs relating to outsourcing.

The table below summarises the Trust's performance against key indicators.

Section	Target	To Date	Forecast	Key Issues	Performance Status
1	Deliver a surplus Income & Expenditure position	£1.0m	£4.4m	<ul style="list-style-type: none"> The actions to reduce pay spends and to minimise the cost of outsourcing must deliver if the forecast is to be achieved. 	Amber
3	Remain within the External Financing Limit (EFL)	£24m	£24m	<ul style="list-style-type: none"> The Trust will contain expenditure within its allocated External Financing Limit. 	Green
4	Remain within the Capital Resource Limit (CRL)	£21.6m	£36.3m	<ul style="list-style-type: none"> The Trust will contain capital expenditure within the CRL. 	Green
5	Savings Plan	£8.3m	Target: £11.6m	<ul style="list-style-type: none"> The Trust has set a target of £11.6m financial savings. £11.3m savings schemes have been approved. Work is ongoing to ensure delivery of these savings by the end of the year. Proposals for a further £0.3m are being verified through the Gateway process. 	Green £11.3m Amber £0.3m
6	Better Payment code - Cumulative target 95%	No: 68% Value: 71%	Cumulative Target: 95%	<ul style="list-style-type: none"> The Trust is working to speed up payment processes through using electronic invoice approval and consolidated invoicing. 	Red

Table 1

Key Risk Status:

Red	Significant risk of non-delivery. Additional actions need to be identified urgently.
Amber	Medium risk of non-delivery which requires additional management effort to ensure success.
Green	Low risk of non-delivery – current management effort should deliver success.

The Trust's financial risk rating is set out below:

Financial Risk Ratings			Dec-08										
Criteria	Metric	Weight	5	4	3	2	1	Annual Plan rating 08/09	Actual YTD		Full year outturn forecast		
									Score 08/09	Risk ratings 08/09	Score 08/09	Risk ratings 08/09	
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	4	7.9%	3	10.2%	4	
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	82.9%	3	100.1%	5	
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2	4	5.5%	4	5.5%	4	
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	-0.5%	2	1.8%	3	
Liquidity	Liquid ratio days	25%	35	25	15	10	<10	2	35.4	5	35.4	5	
Average								3.40		3.50		4.15	
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						3		3		0	
Overall rating	Overall rating							3		3		4	

Table 2

The Trust's overall risk rating remains unchanged from November.

1 Deliver a surplus Income & Expenditure position

Summary Results

1.1 Summary results to the end of December are shown below. Appendix 1 gives a more detailed statement of Income and Expenditure.

Category	Apr - Dec Budget (£m)	Apr - Dec Actuals (£m)	Variance (£m)
<u>Income</u>			
SLA Income	155.0	156.4	1.4
Other NHS Income	18.7	18.2	(0.5)
Other Non NHS Income	4.7	4.6	(0.1)
<u>Expenditure</u>			
Pay	(109.0)	(110.6)	(1.6)
Non-pay	(50.6)	(52.8)	(2.2)
Reserves	0.0	0.0	0.0
Unidentified savings	0.2		(0.2)
EBITDA	19.0	15.8	(3.2)
Depreciation	(7.8)	(7.8)	(0.0)
Dividend Payable	(6.6)	(6.6)	(0.0)
Interest	(0.4)	(0.4)	(0.0)
Surplus	4.2	1.0	(3.3)

Table 3

Income

- 1.2** SLA income is based on provisional December 2008/09 activity. The income position has improved compared to November due to additional work to achieve waiting list targets.

The under recovery on Other NHS Income relates to reduced income from training funds via the SHA. Managers have been tasked with ensuring that spend is no longer being incurred against posts previously funded by these monies.

Expenditure

- 1.3** 2008/09 pay and non-pay costs are shown in the tables below.

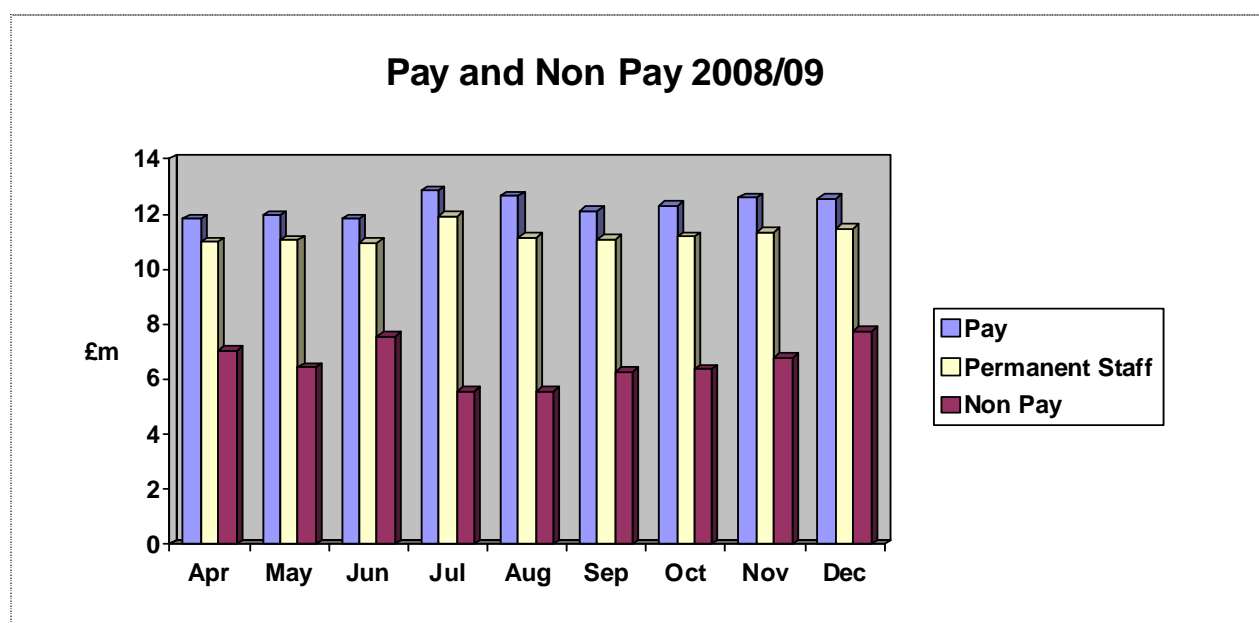


Table 4

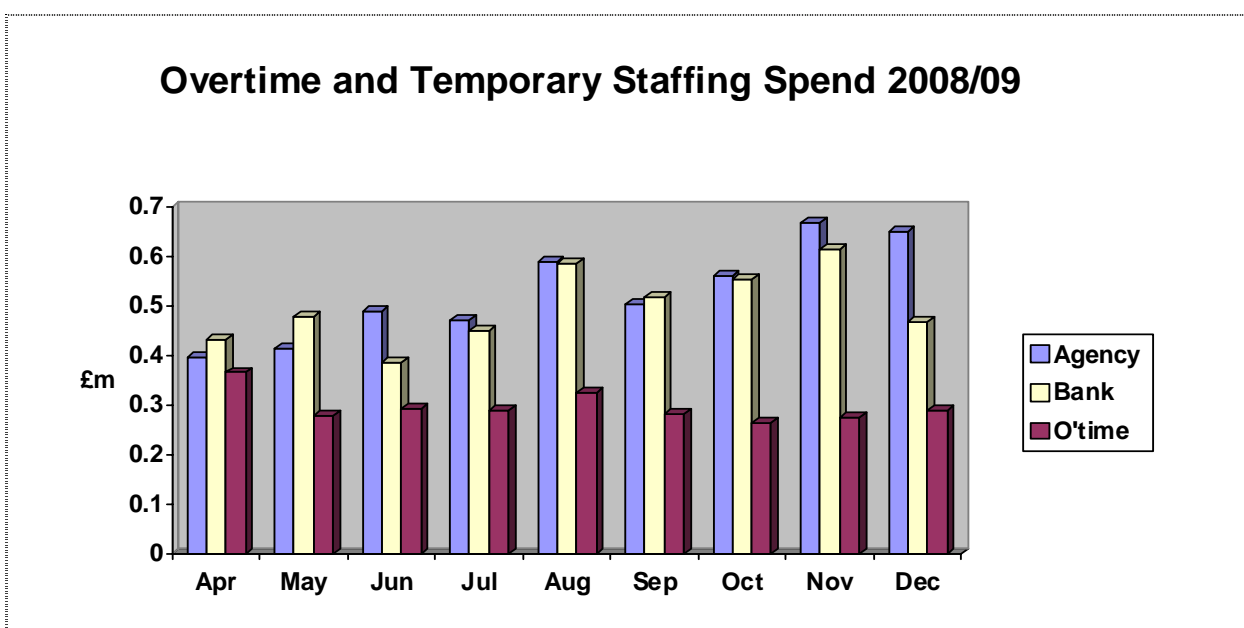


Table 5

Pay costs for April to December were £1.6m over budget. There is an under spend of £6.8m on permanent staff. This is offset by overspends in agency staff of £4.3m and bank staff of £4.1m.

In total, 11.1% of the Trust's December staff costs represented overtime, agency or bank staff usage against an efficiency benchmark of 3%.

Appendix 1a provides an analysis by Division and staff group of cumulative staff costs and average paid whole time equivalents for April to December. Appendix 2 provides an analysis of non-pay.

In summary, the key variances year-to-date are: a £1.6m pay overspend, a £2.2m non-pay overspend and £0.2m savings which have yet to be identified.

Divisional Position

- 1.4** The tables on the next page analyses the Trust's Month 9 year-to-date position by Division. The impact of unidentified savings has been shown against pay. Negative figures denote an overspend against expenditure or an under-recovery of income.

Financial Performance April to December 2008 by Division

Division	Pay		Non-pay		Non-SLA Income		Grand Total	
	£m	%	£m	%	£m	%	£m	%
Medicine	(0.5)	(2.2)	0.3	2.8	(0.2)	(1.7)	(0.4)	(1.0)
Surgery	(1.6)	(5.5)	(1.4)	(15.9)	(0.3)	(12.0)	(3.3)	(9.3)
Women's	(0.2)	(1.2)	(0.3)	(14.8)	0.1	7.0	(0.4)	(2.6)
Clinical Support	0.4	2.4	(0.2)	(3.3)	(0.1)	(4.0)	0.1	0.1
Facilities			0.2	1.9			0.2	5.9
Estates			(0.4)	(8.4)	0.1	12.9	(0.4)	(3.4)
Corporate / Central	0.1	0.7	(0.2)	(0.9)	1.1	0.7	1.0	0.8
Total	(1.8)		(2.1)		0.7		(3.2)	

Table 6

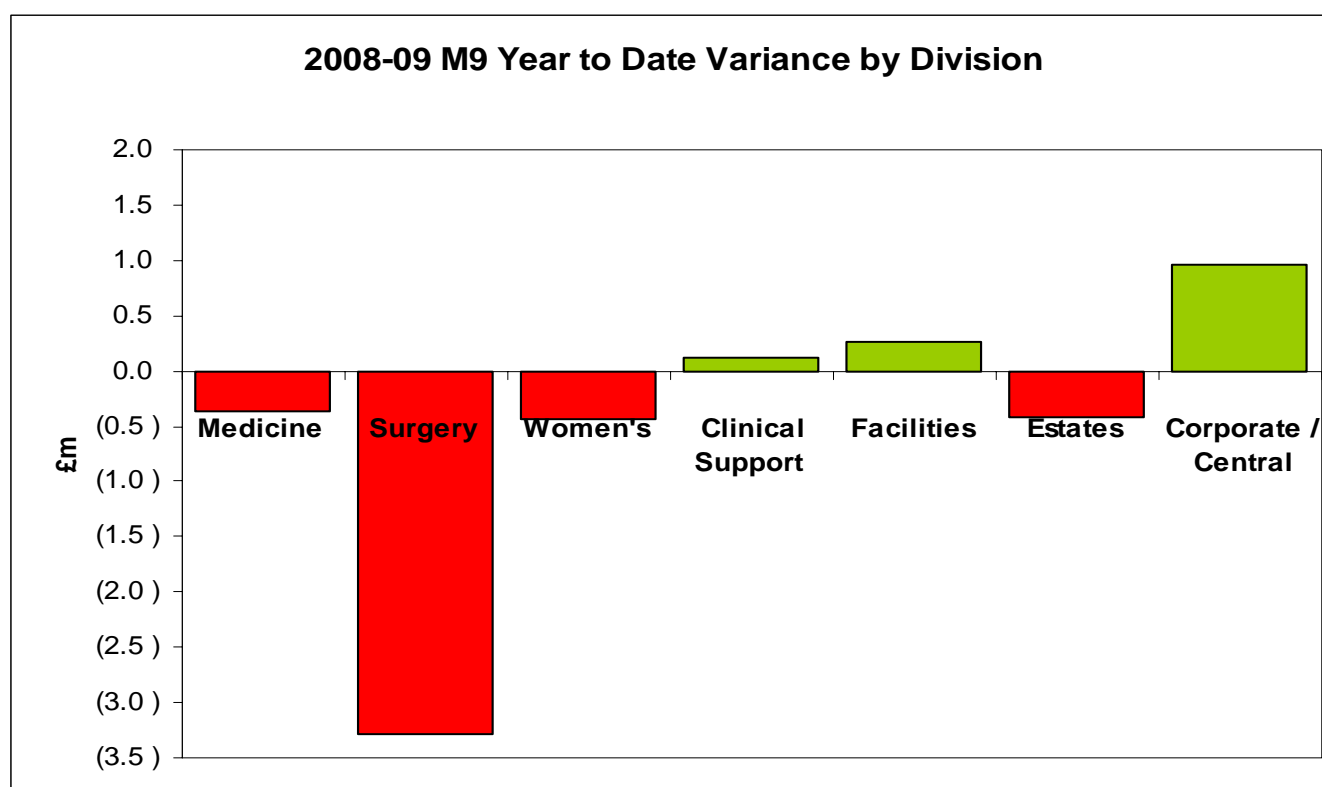


Table 7

Forecast Position

- 1.5** The Trust's forecast outturn is set out on the next page. Forecasts are based on a detailed review by operations and finance and contain known risks and contingencies.

2008/09 Forecast Outturn

Category	Apr - Dec Budget (£m)	Apr - Dec Actuals (£m)	Variance (£m)
<u>Income</u>			
SLA Income	208.8	211.8	3.0
Other NHS Income	24.1	23.4	(0.7)
Other Non NHS Income	6.3	6.2	(0.1)
<u>Expenditure</u>			
Pay	(146.2)	(148.8)	(2.6)
Non-pay	(67.9)	(71.5)	(3.6)
Reserves	(1.1)	3.2	4.3
Unidentified savings	0.3	0.2	(0.1)
EBITDA	24.3	24.5	0.2
Depreciation	(10.5)	(10.5)	0.0
Dividend Payable	(8.8)	(8.8)	0.0
Interest	(0.6)	(0.8)	(0.2)
Surplus	4.4	4.4	(0.0)

Table 8

The forecast outturn remains at £4.4m. Included in this is £3.1m to support the delivery of the AAU, income from the Strategic Health Authority's Strategic Workforce Investment Fund for Trusts (SWIFT), and an assumption of receipt of income to cover the premium costs of activity overperformance. The Director of Finance is taking steps to seek validity of these assumptions with relevant NHS colleagues.

Recurrent Financial Position

- 1.6 Appendix 1b shows the Trust's baseline "run-rate", or underlying financial position, adjusted for non-recurrent income and expenditure. The Board is asked to note that management action to deliver recurrent savings is being undertaken.

2 Remain Within External Financing Limit (EFL)

- 2.1 This is a cash amount receivable based on the Trust's capital requirements. As in previous years, the Trust will contain expenditure within this limit.

3 Remain Within Capital Resource Limit (CRL)

- 3.1 The Trust's CRL (permission to spend on capital projects) for 2008/09 is £37.4m. 2008/09 expenditure is being held in line with the CRL through a process of actively managing our capital project timetable.

4 Intelligent Savings Plan

4.1 In order to achieve its forecast surplus of £4.4m, the Trust needs to make savings of £11.6m.

Division	Savings Target (£m)	Firm Proposals (£m)	Other Proposals (£m)
Surgery	3.8	3.6	
Medicine	3.6	3.0	
Clinical Support	0.7	0.8	
Corporate	1.7	1.7	
Estates / Facilities	0.8	0.9	
Women's	1.0	1.3	
Trust wide			0.3
Total	11.6	11.3	0.3

Table 9

4.2 Proposals for the outstanding £0.3m are being verified through the Gateway process. A review of non-recurrent savings has identified £1.7m as recurrent. The table below reflects the conversion to recurrent savings:

WEST HERTFORDSHIRE HOSPITALS NHS TRUST																																										
SAVINGS TARGET COMPARED TO PLANNED & ACTUAL SAVINGS ACHIEVED - 2008/2009																																										
December 2008																																										
Division	Target	£'m																																						Planned Gateway 3	£'m Forecast Gateway 3	£'m Non-Recurrent Savings
		0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8			
Surgery	3.6																																							3.63	3.63	0.57
Medicine	3.8																																							3.00	3.00	0.35
Clin Supp	0.7																																							0.77	0.77	0.25
Corporate	1.7																																							1.70	1.58	1.25
Estates & Facilities	0.74																																							0.84	0.82	0.27
Clinical Engineering	0.06																																							0.06	0.06	-
Women & Children's	1.0																																							1.30	1.32	-
Total Target	11.6																																							11.29	11.17	2.69
KEY		= RECURRENT SAVINGS = TARGET = NON RECURRENT SAVINGS																																								

Table 10

5 Better Payment Practice Code (BPPC)

- 5.1** The cumulative target of paying 95% of invoices received within 30 days will not now be achieved. Current cumulative figures are 68% by number and 71% by value. December's performance was 76% by number and 85% by value. Implementation of the electronic authorisation of invoices continues and will cover all departments by year-end.
- 5.2** The charts that follow set out performance against planned trajectories to achieve a 95% target. It should be noted that the Trust pays small businesses on receipt of an authorised invoice.

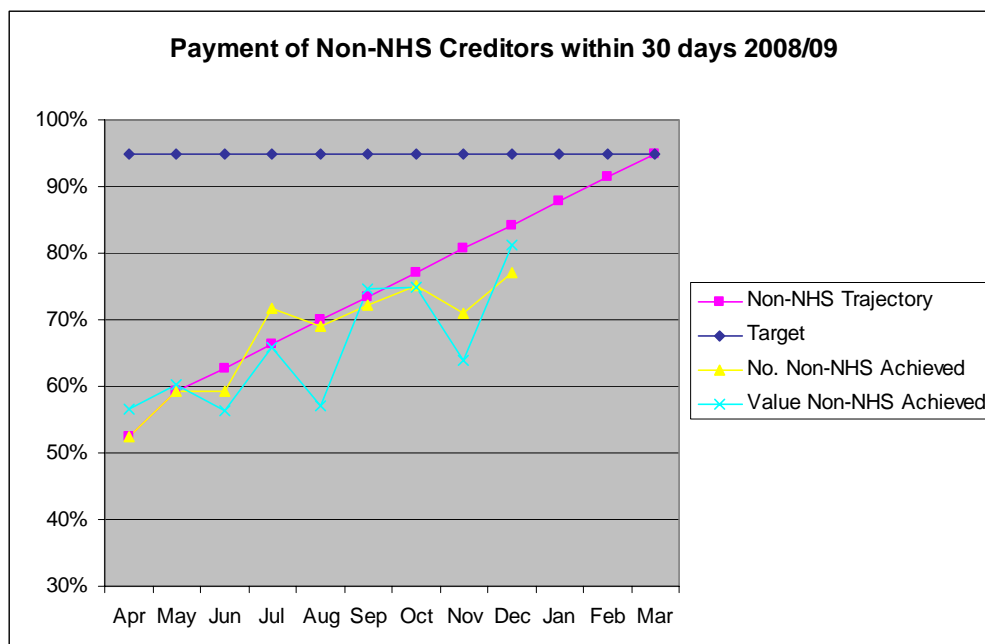


Table 11

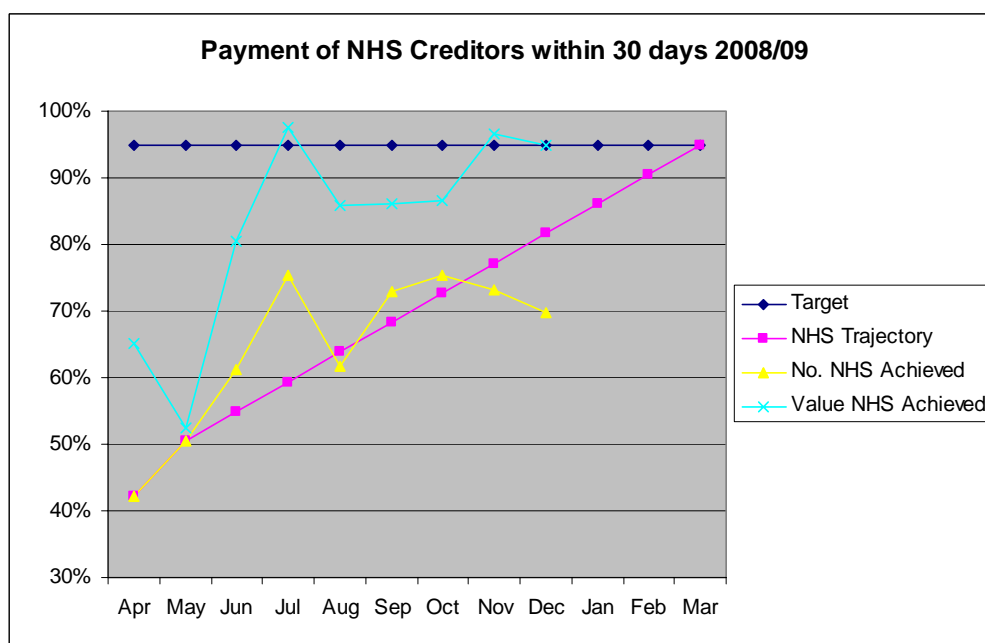


Table 12

- 5.3** Payment of Non-NHS creditors is slightly below the planned trajectory however performance is improving.
- 5.4** Payment of NHS invoices by value has been on target for both November and December, which reflects the prompt processing of high value invoices.
- 5.5** The proportionate number of NHS invoices paid on time has decreased and also decreased in November. This is due to the time required in departments to check and approve invoices for payment. The Finance department have investigated where invoices are being delayed and are now addressing this issue with the relevant departments.

6 Cash Management

- 6.1** At 31 December, the Trust had a cash balance of £13.4m.
- 6.2** A statement summarising the cash effect of 2008/09 operating activities is set out below:

Cash Flow Reporting 2008/09			
West Herts Hospitals NHS Trust			
	Plan Mar 09	Cumulative Dec- 08	Forecast Mar 09
EBITDA			
Excluding non cash operational items	24,518	15,592	24,118
<u>Movement in Working Capital</u>			
Stocks & work in progress	0	(409)	0
NHS trade debtors	865	(1,554)	1,404
Non NHS trade debtors		(88)	0
Accrued income		25	0
Prepayments		(450)	0
NHS Creditors		(2,090)	(2,592)
Trade creditors	(348)	(2,184)	(2,215)
Other creditors		4,631	5,200
Accruals		686	(1,245)
Deferred income		59	35
Provisions & liabilities	(777)	(248)	(778)
CF from operations	24,258	13,970	23,927
<u>Capital expenditure</u>			
Maintenance		(215)	(385)
Non maintenance	(37,422)	(21,366)	(38,554)
Cash receipt from asset sales	0	187	211
CF before financing	(13,164)	(7,424)	(14,801)
Movement in LT debtors	0	(171)	0
<u>Interest</u>			
Interest paid on loans & leases	(1,380)	(370)	(1,287)
Interest received on cash balance	694	627	688
<u>Loans</u>			
Drawdown of Loans and leases	27,000	27,000	27,000
Repayment of loans & leases	(4,301)	(1,795)	(4,301)
<u>Other</u>			
Public Dividend Capital received	0	0	1,616
Dividends paid	(8,849)	(4,425)	(8,849)
Net cash outflow / inflow from financing	13,164	20,866	14,867
Opening cash balance	0	0	0
Net cash outflow / inflow	0	13,442	66
Closing cash balance	0	13,442	66

7 Balance Sheet

7.1 The opening, current and forecast balance sheet as at 31 December are set out below:

Balance Sheet Reporting 2008/09			
West Herts Hospitals NHS Trust	2008/09 Opening Bal Apr 08	2008/09 Actual Apr to Dec	2008/09 Forecast Apr to Mar
<u>Fixed assets</u>			
Land	96,671	100,795	100,795
Buildings	114,751	115,449	154,648
Dwellings	10,326	10,502	10,412
Fixtures	3,025	2,930	2,856
Plant & Equipment	6,909	6,359	7,166
I.M. & T.	2,022	1,455	1,256
A.I.C.O.C.	19,344	40,213	15,179
A.I.C.O.C. from donations	0	0	50
Intangible Fixed Assets	3,311	2,869	2,700
A.I.C.O.C Intangible	763	915	1,200
Total fixed assets	257,122	281,487	296,262
<u>Current assets</u>			
Stocks and work in progress	2,987	3,396	2,987
NHS trade debtors	8,936	10,467	7,474
Non NHS trade debtors	1,879	1,967	1,879
Accrued income	298	273	298
Prepayments	467	917	467
Cash at bank and in hand	169	13,495	235
Total current assets	14,736	30,515	13,340
<u>Current liabilities (amounts due in less than one year)</u>			
Bank overdraft	169	53	169
Drawdown in committed facility	0	0	0
NHS Creditors	11,951	12,633	12,131
Trade creditors	2,830	1,990	1,738
Other creditors	443	5,074	5,643
PDC dividend creditor	0	2,212	0
Capital creditors	3,272	1,928	2,072
Interest payable creditor	21	546	79
Accruals	7,872	8,558	6,704
Deferred income	149	208	183
Total current liabilities	26,707	33,202	28,719
Net current assets (liabilities)	41,443	63,717	42,059
Long term debtors	1,408	1,579	1,408
Total assets less current liabilities	(11,971)	(2,687)	(15,379)
Creditors :amounts falling due after more than one year	6,720	29,153	26,647
Provisions for liabilities and charges	7,185	6,937	6,408
Total assets employed	232,654	244,289	249,236
<u>Financed by</u>			
<u>Taxpayers equity</u>			
Public dividend capital	169,984	169,984	171,600
Income and expenditure reserve	(44,306)	(52,802)	(49,445)
Revaluation reserve	105,013	125,305	125,305
Donated asset reserve	1,963	1,802	1,776
Total funds employed	232,654	244,289	249,236

8 Capital Spending

8.1 Capital spend to the end of December totalled £21.6m, of which £17.3m related to DAHF. A summary of capital expenditure is set out below:

West Hertfordshire Hospitals NHS Trust				
2008/09 Capital Expenditure to 31 December 2008				
	2008/09 Budget	Budget to 31/12/08	Actual spend to 31/12/08	Variance
	£'000	£'000	£'000	£'000
<u>07/08 b/fwd Commitments</u>				
PACS	50	38	11	27
Other IT	28	21	81	(60)
HAI (Infection Control)	139	104	109	(5)
Other Backlog Maintenance	1,445	1,184	1,046	138
Cath Lab	1,330	0		0
Total 07/08 b/f Commitments	2,992	1,347	1,247	100
<u>08/09 Allocations</u>				
Estates & Facilities	2,783	1,170	435	735
Equipment Replacement	1,879	1,434	1,511	(77)
Service Developments	3,696	884	373	511
Information Technology	461	238	156	82
MRI	1,035	0		0
Other	207	319	549	(230)
Approved Operational Capital	13,053	5,392	4,271	1,121
DAHF	24,371	21,079	17,309	3,770
Total Capital Expenditure	37,424	26,471	21,580	4,891
<u>2008/09 Funding</u>	£000s			
Depreciation	10,374			
Interest Bearing Debt	27,000			
Planned I&E surplus	4,400			
Decontamination allocation	1,288			
Loan Repayments	(4,301)			
Offset to anticipated 2007/08 overspend	(1,337)			
Total Capital Resource Limit	37,424			

Table 13

8.2 Total spend committed to date for 2008/09 is in the region of £36.3m. Most of the committed but not yet spent amount relates to work to complete the Acute Admissions Unit. The under spend will be available to be used in 2009/10.

8.3 The Capital Planning Group is the means by which the capital programme is delivered within the Trusts Capital Resource Limit.

9 Conclusion

- 9.1** At 31 December, the Trust has achieved a surplus of £1m.
- 9.2** The Board is asked to note that the forecast outturn remains at £4.4m, risk rated amber.
- 9.3** The Trust Board is asked to note this report and raise any comments for discussion.

Presented by:

**Margaret Ashworth
Director of Finance
14 January 2009**