

<b>BOARD SUMMARY SHEET</b>			
<b>Title</b>	Finance Report to the Board – March 2010		
<b>Submitted by</b>	Mr, J Drury, Director of Finance		
<b>Meeting Date</b>	28 <sup>th</sup> April 2010		
<b>Corporate Objectives Addressed</b>	Financial Duties / Financial Strategy		
<b>SUMMARY OF CRITICAL POINTS</b>			
<p>The Trust is able to report the achievement of the key statutory financial duties at the financial year end as follows:</p>			
<b>Duty</b>	<b>RAG</b>	<b>Target</b>	<b>Actual</b>
Breakeven Duty		I&E balance over 3 years	Surplus of £2.081m in 10-11
Capital Resource Limit (CRL)		CRL of £11.743m not exceeded	£10.283m charged to CRL (£1.460m underspend)
External Finance Limit (EFL)		Generate additional finance of £0.888m	£0.895m generated (underspend of £7k)
Capital Cost Absorption Duty		3.5% Return on average relevant net assets	3.5%
Better Payment Policy Code		95% of payments made within 30 days	74% of payments made within 30 days
<p>The I&amp;E surplus of £2.081m for the year achieves the surplus control total of £2.074m set by the SHA for 2009-10 financial year.</p> <p>This position remains subject to the external audit of annual accounts.</p>			
<b>PATIENT IMPACT</b>			
<b>STAFF IMPACT</b>			
<b>FINANCIAL IMPACT</b>			
<ul style="list-style-type: none"> <li>• Achievement of Statutory Duties</li> </ul>			
<b>EQUALITY AND DIVERSITY IMPACT</b>			
<b>LEGAL IMPLICATIONS</b>			
<b>RISK ASSESSMENT</b>			
<p>This paper references to the BAF as follows:</p> <ul style="list-style-type: none"> <li>• 33 Failure to produce adequate LTFM</li> <li>• 40 Compliance with Prompt Payment Policy</li> </ul>			
<b>RECOMMENDATION</b>			
The Board is asked to note the financial position for period ended March 2010.			

**Trust Board**  
**28<sup>th</sup> April 2010**  
**Financial Report Month 12 (March 2009/10)**

## **1. INTRODUCTION**

This report summarises the financial position of the Trust for the period ended March 2009/10.

A range of financial information is presented in the enclosed appendices:

<b>Appendix</b>	<b>Subject</b>
A	Income and Expenditure Account.
B	Breakeven duty
C	Summary of SLA and activity performance
D	Balance Sheet to 31 <sup>st</sup> March 2010
E	Cash Flow Statement to 31 <sup>st</sup> March 2010
F	Summary of Key Financial Performance Indicators
G	Summary of Better Payments Policy & Aged Debt Performance
H	Summary of CIP performance
I	Summary of Capital Programme Expenditure against plan

## **2. Breakeven Duty**

The Trust has a statutory duty to break even to within 0.5% of turnover over a three year period, taking one year with another. The Trust delivered a surplus of £2.081m in 2009-10 ensuring that the breakeven duty continues to be delivered as set out in Appendix B.

The breakeven position is stated after adding back impairments of £7.039m charged to the I&E account during the year.

## **3. INCOME AND EXPENDITURE**

The Trust achieved a surplus of £920k in March giving rise to a year end surplus of £2.081m at the financial year end.

### **3.1 Income**

SLA Clinical income is £8.2m (4.8%) ahead of plan for the year to date (February £8.2m). Income for elective referrals has performed above plan by £1.041m (5.7%) and for planned same day cases by £2.496m (11.1%). Non elective income out turned at £4.7m (7.5%) above plan. The Trust has made provision for contract challenges in line with the latest agreed position with the PCT (January 2010). The remaining challenges are estimated based and will be subject to the reconciliation account process in the new financial year. An estimate of the total SLA performance has been shared with the PCT for the purposes of preparing final accounts.

Other clinical income exceeded plan by £357k comprising Private Patients £9k ahead of plan and RTA/CRU income £348k ahead of plan.

Other income ended the year £3.226m ahead of plan.

### **3.2 Expenditure**

Pay costs ended the year £2.8m (2.0%) above plan, the overall rate of overspend slowing in the final quarter of the financial year. Total expenditure on temporary staffing totalled £12m of which medical locums accounted for £3.4m.

The rate of non pay expenditure increased significantly in March with overall stock levels rising by £171k from the previous financial. The Trust has made year end provisions for known commitments at the balance sheet date, some of which feature in the non-pay pay expenditure for March. The underlying increase in the non-pay position gives rise to some concerns and a thorough debrief exercise will be undertaken to understand the cause of the rise in non-pay expenditure. Non-pay expenditure increased from £5.2m to £7.8m between February and March.

### **3.4 Impairment**

In total impairments of £7.039m were charged to the I&E account during the year. The impairments were primarily driven by the downward movement of land and buildings indices caused by the prevailing economic conditions. The impairment charge is excluded from the calculation of the break even duty.

## **4. COST IMPROVEMENT PROGRAMME (CIP)**

The Trust has set targets of each directorate to achieve a 5% efficiency in 09-10. Detailed monitoring and reporting of all schemes has been undertaken throughout the year, supplemented by corporate wide initiatives.

CIP schemes are individually assessed and recorded through the Trusts CIP tracker tool. The total reported CIP stands at £11.1m for the year.

## **5. STATEMENT OF FINANCIAL PERFORMANCE (SFP)**

### **Capital Resource Limit (CRL)**

The Capital Resource Limit (CRL) for 2009/10 totals £11.743m. Total capital expenditure chargeable to the CRL of £10.283m has been incurred at month 12. The underspend of £1.460m will need to be reprovided in 2010-11 for ongoing capital projects.

Other capital expenditure of £413k was incurred and funded primarily through charitable donations and asset sales.

### **External Financing Limit (EFL)**

The Trust's planned External Financing Limit is negative at -£888k meaning that additional cashflow needed to be generated from operations. Actual cash generated from operations amounted to £895k meaning that the EFL was £7k underspent at the financial year end.

### **Capital Cost Absorption Rate**

The Trust is required to achieve a capital cost absorption rate of 3.5%. Dividend payments of £4.674m were made to HMT during the year compared to average relevant net assets of £134.239m achieving the required 3.5% return.

### **Better Payment Practice Code (BPPC)**

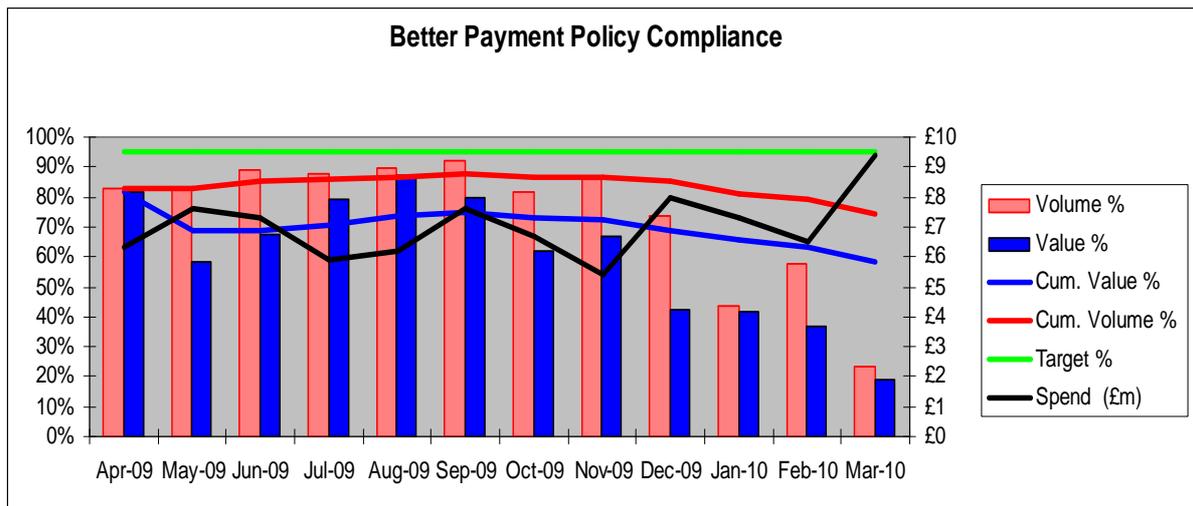
The position for March shows 74% compliance by volume and 58% compliance by value which is below the required target of 95% compliance in each case. Performance in March suffered through the late payment of estimated contract overperformance by the host PCT a higher than expected volume of creditor invoices in month and the need to manage the EFL position. Given the shortage of cashflow in March priority was given to trade creditors over NHS creditors where possible.

Appendix D sets out the Trusts SFP which has been updated to reflect revised reporting requirements under IFRS. The balance sheet reflects the change in asset values previously reported to the Board.

Appendix F details the Trust's performance against the Monitor risk rating and the new DH performance metrics. Under the current Monitor requirements the Trust would receive a risk rating of 3 for the 2009/10 financial year. For the DH performance metrics the Trust is also assessed as achieving a level 3 score.

Appendix G presents a summary analysis of the Trust's aged debt which has fallen by £532k between February and March primarily due to the payment of estimated overperformance by the PCT in March. The total level of debt over 30 days at the end of March is flat at £1.319m (February £1.322m) the PCT having now taken a credit note for £875k in respect of the Q2 reconciliation process.

**Table 2 Monthly BPPC Performance**



## 6. CAPITAL PROGRAMME

The Trust's revised Capital Resource Limit (CRL) for the financial year stands at £10.617m, primarily internally funded through depreciation. This sum includes £1.4m to fund the cost of the Same Sex Accommodation upgrades. Total capital expenditure totalled £10.698m at the end of March of which £362k was funded through charitable donations and £51k through asset disposals.

## 7. CONCLUSION

- The Trust has achieved the key financial duties for 2009-10.
- This position remains subject to the external audit of final accounts by the Audit commission for completion in May.

**James Drury**  
**Director of Finance**  
**18<sup>th</sup> April 2010**