Northampton General Hospital NHS
NHS Trust

BOARD SUMMARY SHEET	
Title	Finance Report to the Board – January 10
Submitted by	Mr, J Drury, Director of Finance
Date of meeting	3rd March 2010
Corporate Objectives Addressed	Financial Duties / Financial Strategy

SUMMARY OF CRITICAL POINTS

Breakeven Financial Duty.
The financial performance of the Trust at month 10 shows a normalised surplus of £1.389m (0.7%) after adjustment for fixed asset impairments totalling £6.684m.

Capital Resource Limit (CRL)
The Capital Resource Limit (CRL) for 2009/10 totals £10.622m. Total capital expenditure of £8.974m has been incurred at month 10.

External Financing Limit (EFL)
The Trust's planned External Financing Limit is -£883k. The Trust is therefore forecast to generate a net inflow of £883k from operations and working capital during the year.

Capital Cost Absorption Rate
The Trust is required to achieve a capital cost absorption rate of 3.5%. Planned dividend repayments are forecast to achieve this duty.

Better Payment Practice Code (BPPC)
The position for January shows 81% compliance by volume and 66% compliance by value which is below the required target of 95% compliance.

PATIENT IMPACT

STAFF IMPACT

FINANCIAL IMPACT

EQUALITY AND DIVERSITY IMPACT

LEGAL IMPLICATIONS

RISK ASSESSMENT
This paper references to the BAF as follows:

- 33 Failure to produce adequate LTFM
- 40 Compliance with Prompt Payment Policy

RECOMMENDATION
The Board is asked to note the financial position for period ended January 10.

Trust Board
3rd March 2010
Financial Report Month 10 (January 2009/10)

1. INTRODUCTION

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

2. SUMMARY

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

Appendix	**Subject**
A	Income and Expenditure Account.
B	Forecast Income & Expenditure Account
C	Summary of SLA Activity Performance.
D	Balance Sheet to 31st January 2010.
E	Cash Flow Statement to 31st January 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

The financial performance of the Trust for the period ended month 10 (January) is a deficit of £5,295k compared to a planned deficit of £689k giving rise to an adverse variance of £4,606k against plan. The Trust is reporting achievement of 97% of planned EBITDA at the end of January.

Impairments totalling £1.746m were charged to the I&E account on 1st April 09 as part of the IFRS conversion. The Trust has applied further impairments of £4.938m up to January reflecting significant falls in the BCIS indices used by the District Valuer to assess property values. A further impairment of £248k is forecast by the financial year end in relation to the new Day Surgery Unit where economic value is likely to be assessed as lower than cost of conversion when the new unit is brought into operation in Q4. The Trust has advised the SHA of these increases in impairments and included the full forecast values in the FIMS returns to DH.

The normalised position is therefore an actual surplus of £1.389m compared to a planned normalised surplus of £1.385m, giving rise to a favourable variance of £4k for the year to date. Whilst the Trust has remained on target an additional £400k of WIP has been applied in January to support the overall position and there is a risk of between £0.5 and £0.7m of achieving the SHA control total of £2.074m surplus at the financial year end.

3. INCOME AND EXPENDITURE

The income and expenditure performance of the Trust is shown in Appendix A. The Trust has delivered a deficit of £48k in January (£331k in December). The plan was to deliver a surplus of £3k giving rise to an adverse variance of £51k versus SHA Plan in month.

January was a poor month predominantly due to lower income than forecast as income is validated on a discharge basis. This is supported by the provision for partially completed spells increasing by £0.5m in month to £1.9m. It is expected that the increase in partially completed spells will convert into income in February and

March. On a normalised basis the SLA income for the month was £15.8m as compared to reported SLA income of £16.3m. The income gap was addressed primarily by recognition of an increase in the partially completed spells (WIP) provision of £0.4m in January bringing the cumulative position to £1.4m in the accounts. The method of valuation of WIP having been reviewed and agreed with Northampton PCT in January. The cumulative WIP position of £1.4m compares to an estimated current WIP balance of £1.9m at the end of January (the average month end balance for the year is £1.5m). The explanation for the lower SLA income is a combination of higher WIP, delays in discharges and elective cancellations due to non elective demand.

On the cost side bank and agency expenditure was marginally lower than December but with an increased mix of agency. Further nursing expenditure for substantive staff was £0.1m higher than the previous month.

4. BALANCE SHEET

Appendix D sets out the Trusts balance sheet which has been updated to reflect revised reporting requirements under IFRS. The balance sheet reflects the change in asset values as noted at section 5.1 below.

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 to date although the component liquidity score has fallen to 2.2. For the DH performance metrics the Trust is currently assessed as achieving a level 3 score.

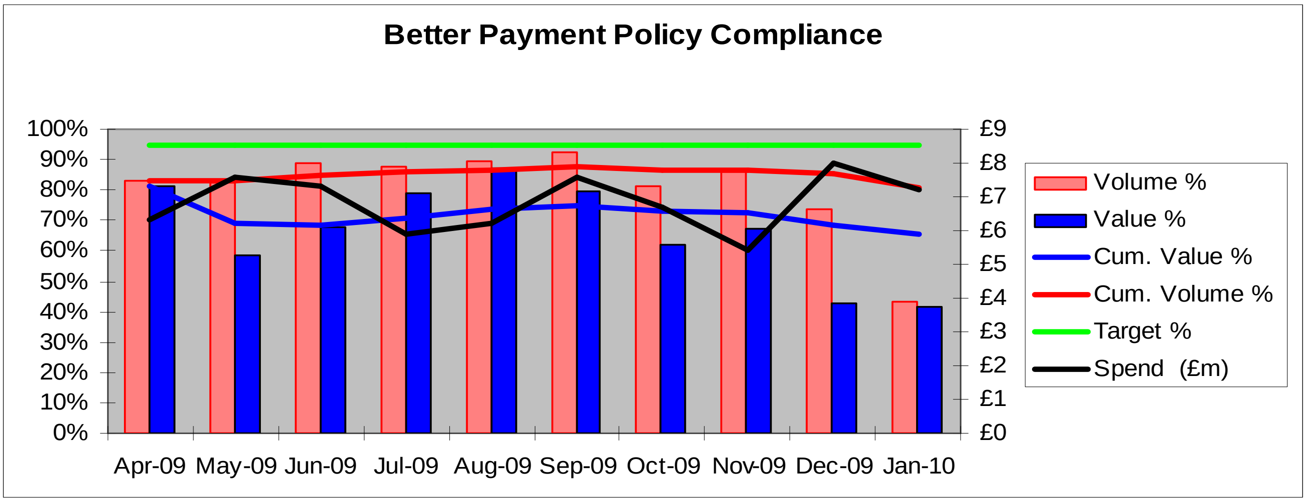
Appendix G presents a summary analysis of the Trust's aged debt which increased by £310k between December and January. The total level of debt over 30 days at the end of December is £1.547m although this position is skewed by a credit note for £900k in favour of the PCT (issued in September). The underlying balance is therefore £2.447m compared to December £2.289m. The outstanding debt over 90 days has increased to £1,436k, (December £1,119k).

Table G1 shows the year to date performance against the Better Payment Practice code. The Trust remains below the required level for the first month of the financial year primarily due to withholding of payments to NHS bodies earlier in the financial year.

5 Cashflow

The Trust continues to experience insufficient cashflow to meet all creditor balances as they fall due. This is now leading to some operational problems towards the end of the financial year and has contributed to a further dip in BPPC performance. The Trust must make repayment of the second half of the dividend payment to the Treasury on 15th March and therefore has to ring fence sufficient cash resources (£2.2m) for this purpose over the last two months of the financial year. In the meantime it is essential that the Trust receives cash payment for all overperformance estimated between now and the financial year end from the PCT.

Table 2.1 Monthly BPPC Performance



The Trust has achieved an overall performance of 81% (85% December) of all invoices being paid within 30 days. NHS performance by value is reduced due to a number of significant invoices being paid late notably to the NHSLA and PASA. The Trust will need to secure agreement with the PCT as to the final cash payment for SLA overperformance in March which will be key to maintaining cashflow in Q4. The overall BPPC performance achieves a score of 2 against the DH performance metrics (see appendix F).

6. CAPITAL PROGRAMME

The Trust's revised Capital Resource Limit (CRL) for the financial year stands at £10.622m. This sum includes £1.4m to fund the cost of the Same Sex Accommodation upgrades. Total capital expenditure totalled £8.974m at the end of January and includes £2.0m for the new day surgery facility.

The capital expenditure report is detailed in Appendix I.

7. RISKS

The Trust has assessed the current known risks and the potential financial implications of these together with mitigating actions. The highest rated risks, after mitigating actions, relate to potential non delivery of CIPs, unresolved and unanticipated PCT challenges to the recorded SLA income and the operational difficulties associated with reduced cashflow.

8. CONCLUSION

- The position for January was worse than forecast due to a lower level of SLA income than forecast and a prolonged period of emergency pressures.
- The Trust must focus on generating a further £685k surplus to meet the SHA control total by the financial year end although there is now some risk to this.
- Additional effort will be focused on generating and stabilising operational cashflow in the remaining months of the financial year.

James Drury
Director of Finance
23rd February 2010