

**To: GLOUCESTERSHIRE PARTNERSHIP NHS TRUST BOARD**  
**From: Sandra Betney, Director of Finance**  
**Date: 5<sup>th</sup> June 2006**  
**SUBJECT: FINANCE REPORT FOR PERIOD ENDING 31st March 2006**

**1. PURPOSE**

1.1 This report outlines the Trust's financial performance for the 2005/06 financial year.

**2. RECOMMENDATIONS**

2.1 It is recommended that the Board note:

- The 05/06 outturn position, as detailed at appendix 1
- The issues and risks surrounding 06/07 expenditure and saving plans at paragraph 4.31

**3. BACKGROUND**

3.1 An interim month 12 position was reported to the last Board Meeting. This report details the final position.

**4. DISCUSSION**

**4.1 05/06 OUTTURN**

	<b>Target</b>	<b>M12 Outturn</b>
Income & Expenditure Account	Break-even	£1,386k deficit
External Financing Limit	-£1,290	£19k undershoot
Capital Resource Limit	£2,844	£2,396 under spend
Capital Cost Absorption	3.5%	3.7%
Public Sector Payment Policy	95%	92%

4.2 The Trust has finished the year with a deficit of £1,386k. The movement from the month 12 interim position can be found at appendix 6.

4.3 There is a possibility that the deficit position may be reduced by a further £165k due to additional reductions in provisions for early retirements. The Trust's external auditors are considering the proposals made by the Trust.

## INCOME POSITION

4.4 The table below details the final income position for 2005/6:

	Budget £000	Actual £000	Variance £000
In County PCTs	58,154	58,334	180 F
LSU	515	328	-187 U
LD OOC	1,025	1,024	-1 U
Gen OOC	434	402	-32 U
S12	287	297	10 F
NCA's	260	290	30 F
NHS Non Clinical	153	68	-85 U
Social Services	5,037	5,112	75 F
Care Group Income	16,459	17,555	1,096 F
	<b>82,324</b>	<b>83,410</b>	<b>1,086</b>

4.5 The variance on 'In county PCTs' relates to the additional income received for Gloucestershire patients using the two out of county beds in the Low Secure Unit and partially covers the under-recovery of income against the LSU.

4.6 The under-recovery of £32k against General Out of County relates to under performance against the Monmouthshire SLA. The under-recovery against 'NHS Non Clinical' relates to rental income recharged to West Gloucestershire and Cotswold Vale PCTs reduced by arbitration. The favourable variance against Social Services relates to additional income received to cover the overspend on client placements.

4.7 The Care Group Income variance includes £674k over recovery against MEND/Mayfield to cover the expenditure overspend. Also included in the 'Care Group Income' variance is £263k over recovery against Trustwide budgets, that includes:

- £77k over recovery on Nurse Education income
- £67k income for recharging the costs of the Chief Executive
- £93k over recovery on Pharmacy Trading income

## EXPENDITURE POSITION

4.8 **CAMHS** finished the year **£353k unfavourable**, which is £64k more over spend than forecast at month 11 due to increases in utilities at Delancey that were notified during month 12 previously not accrued for.

4.9 **Learning Disabilities** final expenditure position is **£215k over spent**, which represents a reduction of £104k in forecast expenditure from month 11, mainly due to AfC back pay being £30k less, an additional £20k was recovered by Hollybrook from the Hospitals Trust and there was a £20k drop in agency expenditure.

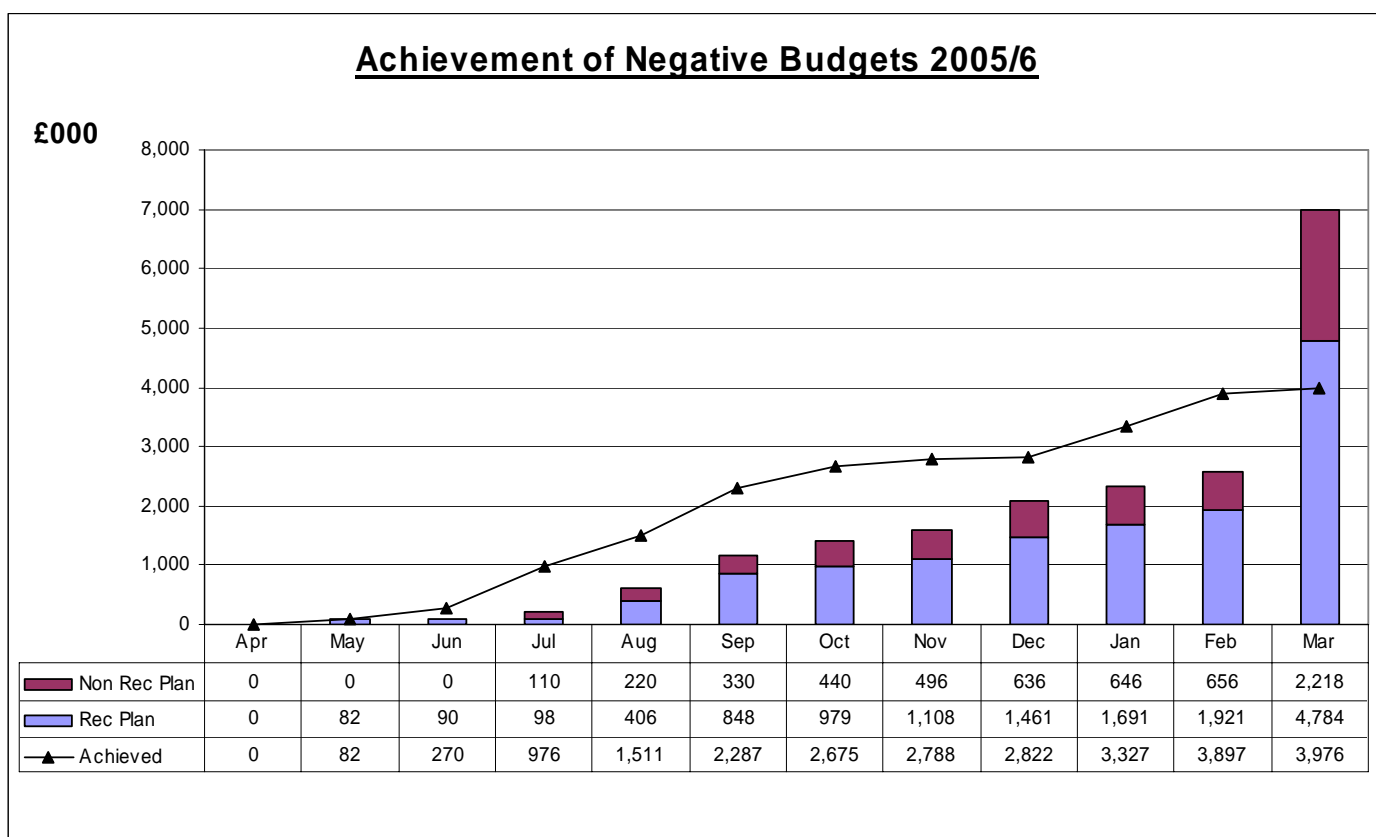
4.10 **MEND/Mayfield** finished the year **£673k over spent** which includes the impact of Agenda for Change; this has been recharged to Mend and Mayfield.

4.11 **Older Age** expenditure was £9,816k which generated a variance of **£723k under spent**. The reduction in expenditure is due to the Trust reaching agreements not to pay charges for Baunton Ward which had been accrued previously.

- 4.12 **Working Age** finished the year **£601k under spent**, which represents £246k more expenditure than forecast at month 11. This movement is due to increased charges for Pharmacy and Dietetics.
- 4.13 **Hosted Services** finished the year **£167k under spent**, which is £68k less than expected due to late invoices for IT being received in month 12. **Trustwide** finished the year **£404k under spent** which was lower than expected due to the reduction in provisions for early retirements.
- 4.14 **Substance Misuse** finished the year **£45k favourable** which was in line with expectations and **Social Services** finished the year **£79k over spent** which again was in line with expectations.

### NEGATIVE BUDGETS

- 4.15 The cumulative position of the negative budgets are as follows:



- 4.16 The above graph shows that the Trust achieved 57% of the target savings required and fell short of the target by £3,026k.

### AGENCY USAGE

- 4.17 Appendix 7 details the cumulative agency usage to month 12:
- 4.18 The significant expenditure under 'Other' in CAMHS relates psychology agency expenditure for the waiting lists. Nursing comprised 50% of all expenditure on agency, with medical expenditure contributing 38%.

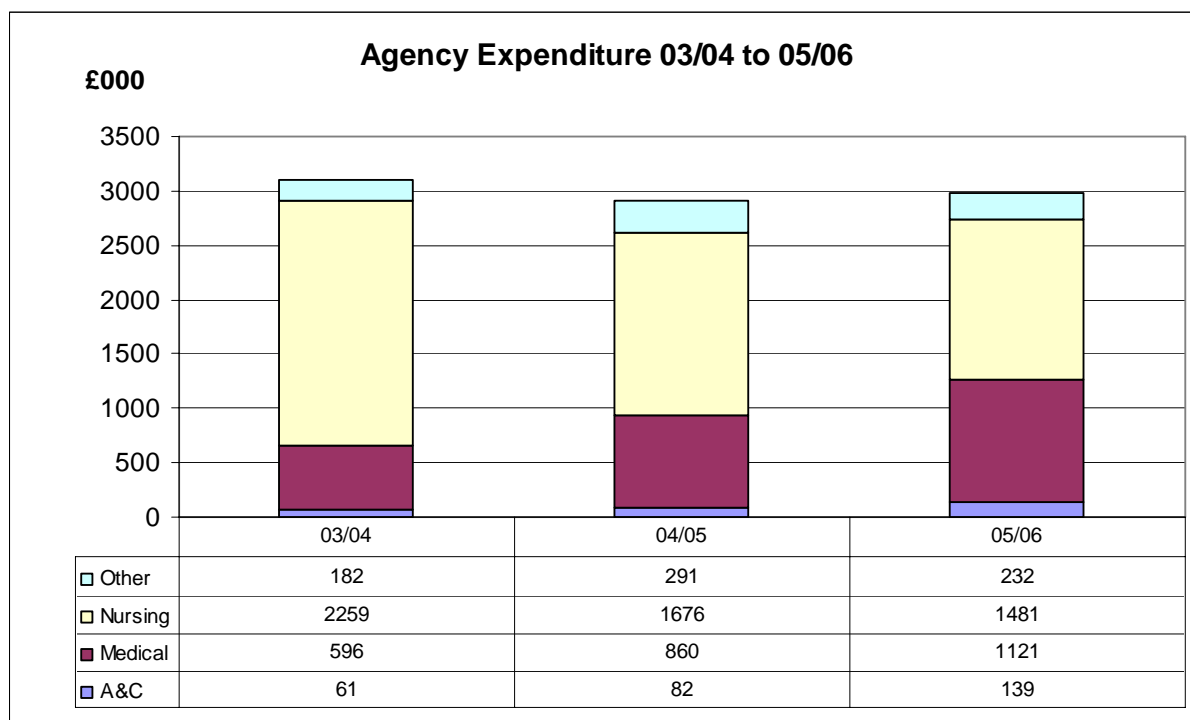
4.19 Part of the emergency measures put in place to reduce expenditure was to minimise the use of agency expenditure. The table below summarises the average monthly spend on agency between months 1 and 9 and months 10 and 12:

### Average Monthly Spend

	M1-9 £000	M10-12 £000
A&C	12	11
Medical	92	97
Nursing	132	97
Other	19	21
	<b>255</b>	<b>227</b>

Spending on nursing agency reduced, on average, by almost a third, whereas expenditure on the other areas has remained the same. 'Other' will have included agency expenditure to support the Trust's FT application, which has now ended.

4.20 The graph below compares agency expenditure over the last 3 years and illustrates that the growing area of agency spend is medical, which will need to be managed during the 06/07 financial year.



### AGENDA FOR CHANGE (A4C)

4.21 The table below summarises the final position for A4C for the financial year.

	Recurring £000	Non Recurring £000
04/05 PCT funding	403	403
05/06 PCT funding	530	
05/06 Trust funding	551	97
<b>Funding available 05/06</b>	<b>1,484</b>	<b>500</b>
Budgets adjusted for backpay	384	414
Cost of assimilations	495	
Outstanding reviews	37	18
Outstanding assimilations	9	-9
KSF and other non-pay issues	430	-430
<b>Balance</b>	<b>129</b>	<b>507</b>

4.22 The cost of back pay amounts to £384k for the 05/06 financial year and £414k for 04/05 financial year. The estimated cost of implementing KSF and outstanding assimilation/budgetary pressures amount to an additional £439k recurrently, however the financial impact for 05/06 is reflected in the care group outturns at appendix 1, along with the balance of the available funding.

## SAVINGS

4.23 The final position of the saving plans are shown below:

	05/06 Recurrent Forecast £000s	05/06 Non recurrent Forecast £000s	05/06 Total Forecast £000s
<b>Original deficit forecast</b>	<b>8,352</b>	<b>0</b>	<b>8,352</b>
Savings made during budget setting	-1,402	-1,058	-2,460
Savings made during the year	-2,798	-1,178	-3,976
Additional pressures funded	692	418	1,110
Care Group Outturns	0	-1,082	-1,082
Non Operational Outturns		78	78
Agenda for Change	-129	-507	-636
<b>M12 position</b>	<b>4,715</b>	<b>-3,329</b>	<b>1,386</b>
<b>Savings not made</b>			
Various income generation schemes	-342	0	-342
Service change	-363	300	-63
Staff control	-61	-868	-929
Operational efficiency	-156	104	-52
<b>Original (surplus)/deficit forecast</b>	<b>3,793</b>	<b>-3,793</b>	<b>0</b>

## BALANCE SHEET

4.24 A summary balance sheet is provided in Appendix 2, which shows the movements from 31<sup>st</sup> March 2005 to 31<sup>st</sup> March 2006. Points to note include the movements:

- on fixed assets relate to capital additions, as noted on the capital report, along with movements for revaluation and indexation.
- on debtors relate to the 'In county' recharges for services provided by the Trust to

the other Gloucestershire NHS organisations. There was a large outstanding balance with the Hospitals Trust that was paid during the first two months of the financial year.

- on creditors relates to year end management of cash balances to achieve our EFL target, which has resulted in a small increase in the amount of creditors compared to March 2005.
- on provisions is the net amount utilised for staff pensions due to early retirements.
- on Taxpayers funds is a net movement as detailed below:

	<b>Movement</b>	
	<b>£000</b>	
Public dividend capital	-1,290	Repayment of PDC
Revaluation reserve	1,799	Effects of revaluation
Donated asset reserve	271	Donation to fund capital expenditure
		Movement due to deficit, net of transfer from
Income and expenditure reserve	<u>-1,167</u>	revaluation reserve of £219k
	<u><b>-387</b></u>	

## **CAPITAL**

4.25 The Capital Report is attached at appendix 2. This shows an under spend of £342k against budget of £1,959k.

4.26 Significant variances include

- Honeybourne Project is now complete and has under spent against budget by £69k
- Minor capital £88k under spent – this consists of many small programmes that are under spending
- IM&T has under spent against budget by £65k, relating mainly to the budget for NCRS underspending.

4.27 Capital expenditure has under spent by £2,118k, however only £1,800 of this under spend has been brokered into the new financial year, so the Trust has effectively lost CRL funding of £318k.

## **PUBLIC SECTOR PAYMENT POLICY (PSPP)**

4.28 PSPP performance cumulative to month 12 is 92% i.e., 92% of invoices have been paid within 30 days.

## **EFL**

4.29 A Cashflow Statement for month 12 can be found at appendix 4. The Trust kept within its approved EFL for 2005/06, undershooting by £19k.

## **COST OF CAPITAL ABSORPTION**

4.30 The Trust exceeded its target rate of 3.5% by achieving 3.7%.

## **FINANCIAL YEAR 06/07**

4.31 Budgets have been set for the 06/07 financial and the detail of the saving plans are being developed. The Trust will need to make savings of £7.3m during 06/07 to

achieve a breakeven position which includes pay back of the 05/06 deficit. A subjective summary of the 06/07 budgets can be found at appendix 5.

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4.33 The Trust will have to repay the 05/06 deficit during 06/07. Income will be non-recurrently reduced and the Trust will need to maintain the emergency measures (holding vacancies, reducing agency expenditure and avoiding discretionary non-pay expenditure) for the first six months of the financial year to reduce expenditure accordingly.

4.34 Below is a summary of the saving plans for 06/07 and 07/08:

	<b>06/07</b>	<b>08/09</b>
	<b>Savings</b>	<b>Savings</b>
	<b>£000</b>	<b>£000</b>
Child & Adolescent Mental Health	-394	-32
Learning Disabilities	-828	-8
Mental Health Older Age	-2,587	-1,385
Mental Health Working Age	-1,588	-812
Partnership Trustwide	-497	-55
Substance Misuse	-134	-7
Emergency Measures	-1,300	-
	<b><u>-7,328</u></b>	<b><u>-2,299</u></b>

4.35 There are significant risks associated with achieving some of the savings and there is no contingency reserve to deal with in-year pressures that may arise. Included within the saving plans are four schemes going to consultation. The combined contribution of these schemes amount to £4,126k, which presents a significant risk to the savings programme if affected by the consultation process

4.36 The debt with Worcester CC is still outstanding and we may have to write this debt off which will severely impact our ability to achieve the plan.

#### **FINANCIAL POSITION MOVING FROM 06/07 TO 07/08**

4.37 The table below shows a high level summary of the financial position moving from 06/07 into 07/08. The financial plan for 06/07 is to generate a recurrent surplus of £0.5m and a non recurrent surplus of £0.7m. The additional saving plans for 07/08 ensures that a breakeven position is achieved.

	06/07	06/07	06/07	07/08	07/08	07/08
	Recurrent	Non Recurrent	Total	Recurrent	Non Recurrent	Total
	£m	£m	£m	£m	£m	£m
Underlying Surplus/(Deficit) B/ F	-4.7	-1.3	-6.0	0.6		0.6
CRES	-1.5		-1.5	-1.6		-1.6
Contribution to ISIP	-1.1		-1.1		-1.1	-1.1
<b>Total savings requirement</b>	<b>-7.3</b>	<b>-1.3</b>	<b>-8.6</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-2.1</b>
Budget Setting	1.9	-0.8	1.1	0.0	-0.2	-0.2
Non Recurrent Income		0.2	0.2		0.1	0.1
Savings Plans	6.0		6.0	2.3		2.3
Emergency Measures		1.3	1.3			0.0
<b>Total savings identified</b>	<b>7.9</b>	<b>0.7</b>	<b>8.6</b>	<b>2.3</b>	<b>-0.1</b>	<b>2.2</b>
<b>Financial Position Surplus/(Deficit)</b>	<b>0.6</b>	<b>-0.6</b>	<b>0.0</b>	<b>1.3</b>	<b>-1.2</b>	<b>0.1</b>