

Yorkshire and the Humber Strategic Health Authority

Friday 1 December 2006

Financial Position Across Yorkshire and the Humber as at 31 October 2006 (Month 7)

1. Introduction

1.1. This paper sets out for members of the Board an update on financial performance across NHS organisations (excluding NHS Foundation Trusts) for 2006/07.

2. Summary

2.1. The forecast 2006/07 revenue position reported by the NHS in Yorkshire and the Humber at Month 7 is aggregate financial balance and is summarised in table 1 below. However, it is important to note that there are some material financial risks to be managed before this position can be delivered. The SHA's most recent assessment of the level of the risk is £57m. The details behind this, including the ongoing management actions are covered in paragraph 3.3.

2.2. The Month 7 forecast includes forecast deficits at 5 NHS Trusts and 6 PCTs totalling £113.7m as shown table 2 below which are offset by a forecast surplus at the SHA of £112.2m and forecast surpluses in Trusts and PCTs totalling £1.5m.

Table 1: 2006/07 Forecast Position at Month 7

	£m
NHS Trusts	(47.3)
PCTs	(64.1)
SHA	112.2
Total Aggregate Position	0.0

Table 2: Trusts/PCTs Forecasting Deficits at Month 7

	£m
North Yorkshire and York PCT	(24.5)
Mid Yorkshire Hospitals NHS Trust	(13.5)
Sheffield PCT	(13.5)
Leeds Teaching Hospitals NHS Trust	(11.0)
Hull & East Yorkshire Hospitals	(10.6)
North Lincolnshire PCT	(8.8)
East Riding of Yorkshire PCT	(7.3)
Scarborough & NE Yorks Hospitals NHS Trust	(7.2)
Yorkshire Ambulance Service NHS Trust	(6.5)
Barnsley PCT	(5.7)
Kirklees PCT	(5.1)
Total Deficits	(113.7)

- 2.3. The SHA has alerted the Department of Health that Mid Yorkshire Hospitals NHS Trust will fail its statutory breakeven duty this year without a national solution.
- 2.4. Both Calderdale & Huddersfield NHS Trust and Sheffield Children's Trust became NHS Foundation Trusts on 1 August 2006. Financial performance up to 31 July 2006 has been included with the aggregate year to date and full year forecast figures.
- 2.5. All organisations are forecasting that they will live within External Financing Limits (NHS Trusts) and cash limits (PCTs and the SHA). All organisations are also forecasting achievement of capital resource limits.

3. Revenue

- 3.1. The SHA Financial Plan submitted to the Department of Health reports financial balance for 2006/07.
- 3.2. The Month 7 figures from Trusts and PCTs now include their assessment of the impact on their individual organisations of the actions required to deliver the required savings as a consequence of the central budget bundle.
- 3.3. The SHA's most recent assessment of the level of the risk is £57m. This is detailed in table 3 below.

Table 3

Risk	Management Action
SLA overtrades - £16m	The SHA is working very closely with Trusts and PCTs to identify potential areas of SLA overtrades and to facilitate remedial action.
Restructuring costs associated with Creating a Patient Led NHS that are not included within current forecasts – £15m	The PCTs, the SHA and the Ambulance Service are working through all of the various HR processes to try to minimise this potential cost.
DH funding for accelerated depreciation not yet confirmed - £6m	The SHA has notified the DH that receipt of this funding is assumed by both the organisations involved and the SHA in forecasting financial balance.
DH funding for 2005/06 incentive scheme not yet received - £4m.	The SHA has notified the DH that receipt of this funding is assumed the SHA in forecasting financial balance.
Yorkshire Ambulance Service – Agenda for Change equal pay claim - £4m	The Trust are taking legal guidance on the likely chain of events and potential outcome. The SHA are maintaining close contact with the Trust.
DH funding for NHS Walk in Centres not in the central budget bundle - £2m.	The SHA has notified the DH that receipt of this funding is assumed by both the organisations involved and the SHA in forecasting financial balance.

- 3.4. The majority of financial risk is concentrated in a small number of organisations. Following a review of historic financial performance and current financial plans, the SHA has a number of Trusts and PCTs in "turnaround". Those organisations are shown in table 4 below.

- 3.5. The SHA is focussing significant effort on the “turnaround” organisations. Very tight performance management processes are in place and the organisations are expected to produce detailed monthly information on progress to date against their turnaround plans in addition to the monthly monitoring information required from all Trusts and PCTs.

Table 4

Organisations in “Turnaround”	
Formal “Turnaround” (1)	Informal “Turnaround” (2)
Mid Yorkshire Hospitals NHS Trust Scarborough & NE Yorkshire Healthcare NHS Trust North Yorkshire & York PCT Sheffield PCT East Riding of Yorkshire PCT Barnsley PCT	Hull & East Yorkshire NHS Trust North Lincolnshire PCT Kirklees PCT Leeds Teaching Hospitals NHS Trust

(1) included in the Department of Health’s National Turnaround Programme

(2) assessed by the SHA as requiring similar levels of performance management and monitoring to organisations in the formal programme

4. Cash

- 4.1. PCTs have a statutory duty to remain within their cash limit and NHS Trusts, a duty to remain within their External Financing Limit (EFL). At Month 7, all organisations are forecasting to remain within their cash limit/EFL.
- 4.2. However, individual cash plans show a net cash deficit totalling £205m. 12 organisations have identified the need to borrow cash via the new interest bearing loans and deposits system to meet their cash obligations and remain within cash limits/EFLs.
- 4.3. Deposits of £151m have been identified, which is the cash element of the Strategic Reserve leaving £54m still to be identified to ensure that deposits from organisations in Yorkshire and the Humber are sufficient to cover the loans required.

5. Capital

- 5.1. All PCTs and NHS Trusts have a duty to remain within their Capital Resource Limit. In aggregate, NHS organisations in Yorkshire and the Humber (excluding Foundation Trusts) will receive around £164m of new capital in 2006/07. The aggregate forecast capital underspend for 2006/07, based on the assumption that 2005/06 underspends are returned in full by the Department of Health, is £70m.

6. Forecast Revenue Outturn and Year to Date Position as at Month 7

Table 5: Forecast Outturn and Year to Date Position as at Month 7 (Summary)

	Year to Date £'000	Forecast Outturn		
		Month 7 £'000	Month 6 £'000	Variance £'000
NHS Trusts	(27,056)	(47,339)	(44,873)	(2,466)
PCTs	(34,009)	(64,857)	(51,143)	(13,714)
SHA	42,741	112,196	96,016	16,180
Total Aggregate Position	(18,324)	0	0	0

Table 6: Forecast Outturn and Year to Date Position as at Month 7 (NHS Trusts)

	Year to Date £'000	Forecast Outturn		
		Month 7 £'000	Month 6 £'000	Variance £'000
Airedale	(878)	0	0	0
Bradford Care Trust	393	0	0	0
Calderdale & Huddersfield	0	0	0	0
Leeds Mental Health	1,100	1,500	1,500	0
Leeds Teaching Hospitals	(5,451)	(11,000)	(7,500)	(3,500)
Mid Yorkshire Hospitals	(6,271)	(13,500)	(15,900)	2,400
South West Yorks Mental Health	326	0	0	0
Doncaster & South Humber Healthcare	421	0	0	0
Sheffield Children's	16	16	16	0
Sheffield Care Trust	(495)	0	0	0
Hull & East Yorkshire Hospitals Trust	(6,387)	(10,647)	(9,000)	(1,647)
Scarborough & North East Yorkshire Healthcare NHS Trust	(4,958)	(7,200)	(7,489)	289
Northern Lincolnshire & Goole Hospitals Trust	1,170	0	0	0
York Hospitals Trust	974	0	0	0
Humber Mental Health Trust	(356)	0	0	0
Yorkshire Ambulance Service Trust	(6,660)	(6,508)	(6,500)	(8)
Total – NHS Trusts	(27,056)	(47,339)	(44,873)	(2,466)

Table 7: Forecast Outturn and Year to Date Position as at Month 7 (PCTs)

	Year to Date	Forecast Outturn		
		Month 7	Month 6	Variance
	£'000	£'000	£'000	£'000
Airedale & Bradford PCT*	2,463	0	0	0
Wakefield District PCT*	0	0	0	0
Leeds PCT*	0	0	0	0
Calderdale PCT	0	0	0	0
Kirklees PCT*	(2,975)	(5,100)	(5,100)	0
Barnsley PCT	(2,998)	(5,725)	0	(5,725)
Doncaster PCT*	1,775	0	0	0
Rotherham PCT	(83)	0	0	0
Sheffield PCT*	(6,388)	(13,453)	(10,261)	(3,192)
North Yorkshire and York PCT*	(14,800)	(24,450)	(19,650)	(4,800)
Hull PCT*	0	0	0	0
East Riding of Yorkshire PCT*	(5,356)	(7,329)	(7,332)	3
North East Lincolnshire PCT	0	0	0	0
North Lincolnshire PCT	(5,647)	(8,800)	(8,800)	0
Total – Primary Care Trusts	(34,009)	(64,857)	(51,143)	(13,714)

* - these PCTs were formed on 1 October 2006. The month 6 figures represent the sum of the forecasts made by the predecessor PCTs.

7. Comments on Individual Trusts and PCTs Forecasting Deficits at Month 7

North Yorkshire & York PCT - The forecast deficit is made up of the sum of the Month 6 forecast deficits by the four predecessor PCTs totalling £19.7m. The further deterioration of £4.8m is made up of the impact of the actions required to deliver the savings as a consequence of the central budget bundle (£4.0m) and a worsening of £0.8m in the financial position in Selby & York.

Mid Yorkshire Hospitals NHS Trust –The Trust has a significant gap to close to achieve financial balance in 2006/07. There are a number of risks against the forecast deficit of £13.5m, the most significant of which is £4.2m associated with accelerated depreciation for which the Trust are assuming external financial support. The improvement in the forecast deficit since that forecast at Month 6 reflects the reduced overall accelerated depreciation charge in 2006/07 and therefore the element (10%) to be managed by the Trust has also reduced. The balance relates to more favourable income assumptions.

Sheffield PCT – the balanced financial plans submitted by the four Sheffield PCTs assumed additional resource in 2006/07 from the SHA totalling £39.4m. Of that, £27.4m was confirmed as funding from the Strategic Reserve leaving a pressure of £12m of which the PCTs had previously assessed that measures could be found to offset £1.7m. The forecast deficit at Month 7 of £13.5m is a deterioration of £3.2m since last month which represents a combination of the impact of the central budget savings requirement, overtrades with local acute Trusts, shortfall on dental patient charge revenue and some restructuring costs.

Leeds Teaching Hospitals NHS Trust – since forecasting a deficit for the first time at Month 6, the Trust have now reviewed progress against required savings targets and have concluded that there is a further £3.5m shortfall. The SHA has informed the Trust that they are now part of the local turnaround co-hort with enhanced performance management arrangements.

Hull & East Yorkshire Hospitals NHS Trust - The deterioration since Month 6 is due to a combination of a deterioration in divisional performance to deliver the turnaround plan and some additional investment required to achieve activity targets. Despite this, the forecast deficit covers the £12.3m accumulated debt from 2005/06 for which no funding has been received from the Strategic Reserve and equates to an in year surplus of £1.8m.

North Lincolnshire PCT – Whilst the forecast deficit of £8.8m is unchanged from that forecast at Month 6, there are a number of significant risks facing the organisation. There is a high risk, therefore, that the forecast deficit may worsen as the year progresses.

East Riding of Yorkshire PCT - The PCT has a significant gap to close to achieve financial balance in 2006/07. The forecast deficit covers the £11.5m accumulated debt from 2005/06 for which no funding has been received from the Strategic Reserve and equates to an in year surplus of £4.2m.

Scarborough & NE Yorkshire Healthcare NHS Trust - The Trust has a significant gap to close to achieve financial balance in 2006/07. The small improvement of £0.3m since Month 6 reflects some further identified measures.

Yorkshire Ambulance Service NHS Trust - The forecast includes accumulated debt from the predecessor organisations, the AfC banding decision (level 5) for WYMAS technicians, redundancy provisions, underlying deficit and high risk CRES totalling £15.1m. £8.6m of potential opportunities have been identified resulting in a best case scenario of £6.5m. There has been a number of equal pay grievances lodged which could worsen the forecast deficit by a further £4m. The SHA is working with the Trust to identify those areas of turnaround that could be implemented.

Barnsley PCT - The deficit is made up of £4.7m accumulated debt plus a further £1m of in year pressures. The PCT had previously challenged the SHA's policy regarding contributions to the strategic reserve and had based their forecasts up to and including Month 6 on the basis that no contribution would be made. It has now been agreed with the PCT that they make a contribution towards the Strategic Reserve which is consistent with all other Yorkshire & Humber PCTs. The PCT are forecasting a deficit of £5.7m for 2006/07.

Kirklees PCT - The forecast deficit covers £6.3m accumulated debt from 2005/06 and equates to an in year surplus of £1.2m.

8. Recommendation

The Authority is asked to note the financial position across the Yorkshire and Humber health economy.