

TRUST BOARD

Date of Meeting: 18/12/12	Agenda Item No: 8.1	Enclosure: 11
Intended Outcome:		
For noting ✓	For information	For decision
Title of Report: Finance Report – Month 08 November 2012		
Aims: To update the Trust Board on the financial position of the Trust		
Executive Summary:		
<p>The Trust is reporting a surplus of £162k at the end of November against a planned surplus of £415k. The position is supported by £18.1m of strategic support funding. The Trust is forecasting a year-end surplus of £1m, subject to the current CIP plans being delivered and reaching a financial settlement with Cumbria CCG regarding contract penalties.</p> <p>Cumbria CCG responded positively to the Trust's letters with regard to contract penalties and has already confirmed that they would fund additional elective work needed to achieve 18 weeks Referral to Treatment (RTT) by specialty. The CCG could impose penalties as some of the quality targets have not been met, but will work with the Trust over the remainder of the year to help improve the performance. The CCG is committed to supporting the Trust and to agree a financial settlement for the year. Discussions will continue in respect of these issues over the coming weeks with a view to agreeing a financial settlement based on the Quarter 3 reported position.</p>		
Income		
<ul style="list-style-type: none"> • Total income in November was £19.8m against a plan of £19.4m (October: £20.3m against a target of £19.8m). • Clinical income was £18.1m against a plan of £17.9m. • Daycase activity and associated income continue to be ahead of plan whilst elective inpatient activity and income levels remain behind plan. • Non-elective activity and income levels continued the recent trend and performed above plan in November. Demand for non-elective services remains high, with the highest number of patients ever being admitted to Cumberland Infirmary in a single day in last week of November. The Trust has now opened additional beds to accommodate the additional flow of patients through the hospital, although some wards have been closed due to infectious outbreaks. • Outpatient income and activity was lower than October, however it remains above the average seen in the financial year to date. • A&E activity has however reduced in month which is in line with the trends seen in previous years, but is low for the current year. All other income streams are currently in line with plan. 		

Expenditure

- Pay expenditure was £12m for the month (October: £12.5m).
- The number of WTEs worked increased from 3,139 WTE in October to 3,142 WTE reflecting the high bank nurse and overtime costs paid in November.
- Agency costs were £0.9m in month and now total £6.2m year to date compared with £3.7m for the same period in 2011/12 with expenditure continuing to be highest in the Medical Division.
- Non-pay in November was £6.6m following the trend reported in October (£6.5m).
- Expenditure continues to increase on drugs and medical and surgical equipment reflecting the Trusts increased activity levels.

Cost Improvement Programme(CIP)

- The Trust only delivered £0.1m of efficiency savings in November bringing the total for the year to £4.8m against the revised forecast of £6m agreed with the Board in September.
- The Trust is currently forecasting CIP programme will deliver £5.1m, £0.9m short of this revised forecast.
- Work continues to develop further savings plans for this year.

Liquidity

- Liquidity remains fragile, cash balances are forecast to be very low as the Trust moves towards the end of the year due to the lack of any further cash releasing CIPs.
- The Trust continues to monitor cash flow closely to ensure its core obligations are being met and as a consequence will not meet the Better Payment Practice Code this year.
- Due to delay in the acquisition the Trust will need to apply for further borrowing and is in discussion with NHS North of England.

Overview of key areas for consideration or noting:

The reported surplus continues to be behind plan due to very few new CIP schemes being implemented in month. Pay costs were in line with the forecast and are expected to remain at this level. Non Pay was above forecasted levels, driven by high activity levels. Action plans to ensure that elective activity recovers in order to maintain waiting list times are being implemented but have been effected by the availability of beds.

The year-end surplus of £1m remains at risk if commissioners impose all the contract penalties with no other funding becoming available. However the CCG remains committed to supporting the Trust through the acquisition with Northumbria Healthcare.

In the absence of new CIP schemes focus in the remaining months of the financial year will be to manage cost run rates without impacting on patient care. This will also help improve the overall liquidity position. Failure to do so will put the planned year-end surplus at risk and result in the Trust having insufficient cash to meet its short term financial obligations.

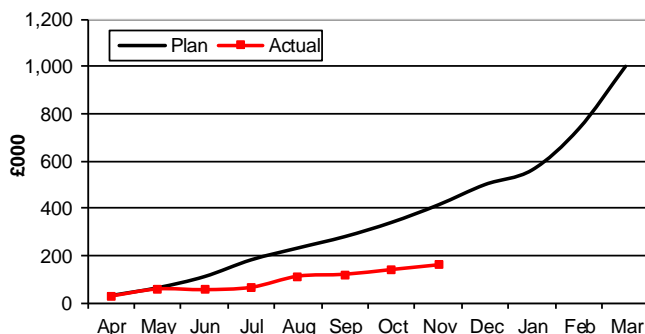
Specific implications and links to the Trust's Strategic Aims:	
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC	
Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable	
Develop a new healthcare facility in West Cumbria that is fit for the 21st century	
Achieve sustainable financial balance through the delivery of the Trust's internal Cost Improvement Programme, securing a viable contract income from our GP commissioners and contributing to the system wide cost reductions	✓
To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust	
Recommendations:	
The Trust Board is requested to note this report.	
Prepared by: Mr Eric Gardiner Deputy Director of Finance	Presented by: Mr Steve Shanahan Interim Director of Finance

FINANCIAL OVERVIEW - 30th November 2012 (Month 8)

Income & Expenditure

At the end of November the Trust is reporting a surplus of £162k after technical adjustments against a planned surplus of £341k. Pay costs were £12.0m and included a further £0.9m of agency costs. Non pay increased by £100k to £6.6m in month. Income was £19.8m in November inclusive of £2.3m of the £26.3m strategic support funding agreed with the Strategic Health Authority.

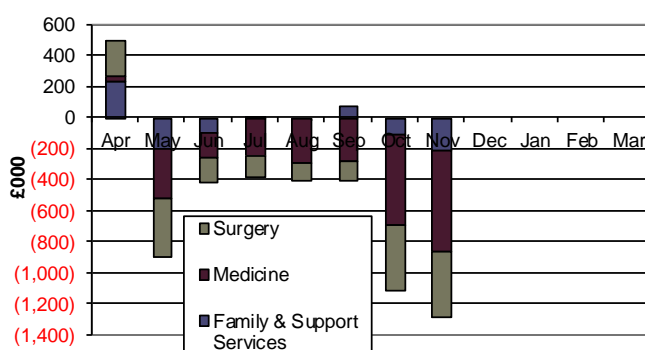
I&E Performance 2012/13



Divisional Performance

At the end of November the clinical divisions reported positions as follows: Family & Support Services £287k overspent, Medicine £2,486k overspent and Surgery £1,532k overspent. The main reason for the overspends remains non achievement of the required level of savings. Expenditure on agency staff remained the same in November with the Medical Division continuing to experience the highest premium costs.

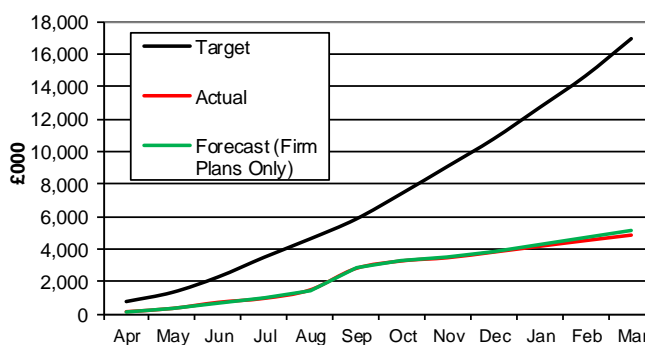
Divisional Monthly Variance



CIP Delivery

The original target was £16.9m which was revised down to £6.0m by the Board in September. Based on the current demand for health services within the hospitals and a further review of the schemes, the year end forecast is now expected to be in the region of £5.1m, although other schemes are being developed. The CIP achieved by the end of November was £4.8m.

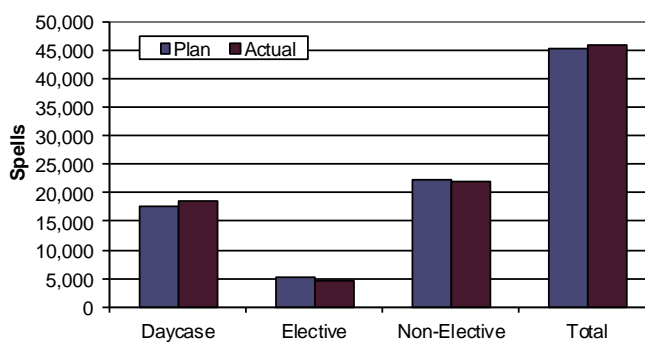
CIP 2012/13



Performance Against SLAs

Total Elective activity was 828 spells above plan at the end of November. The over performance was all within Daycase activity. Areas ahead of plan include Dermatology, Ophthalmology and Oral Surgery. Although Non-Elective activity was behind plan by 342 spells at the end of November, activity was higher than planned in month and under performance reduced by 67 spells.

Contract Activity Performance

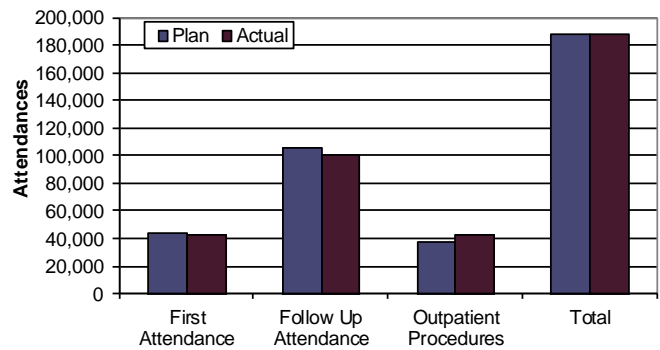


FINANCIAL OVERVIEW - 30th November 2012 (Month 8)

Outpatient Performance

Total Outpatient activity is 480 attendances above plan as at the end of November. Outpatient procedures continue to be well above planned levels. The impact of the penalty relating to the new to follow up ratio of outpatients is valued at £2.4m at the end of November, although the number of follow up attendances has reduced marginally compared to the previous year.

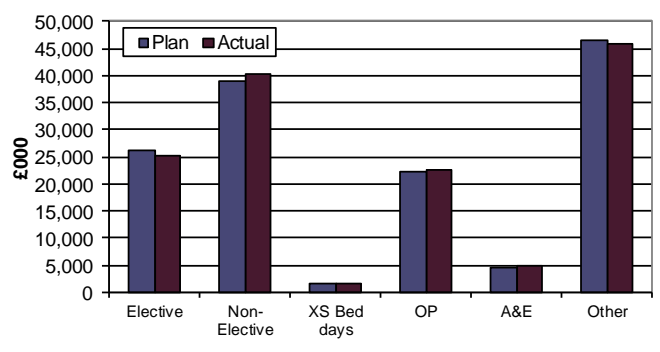
Outpatient Contract Activity Performance



Total NHS Clinical Income

The under performance on total clinical income at the end of November is £225k behind plan - an improvement of £214k in month. The under performance continues to be mainly within Electives and Non PbR. Non PbR includes lower than planned SCBU activity. The under performance on Elective income is mainly within Trauma & Orthopaedics where both activity and case mix are lower than planned.

Income Performance by Activity Type



Statutory Financial Targets

The Trust is planning to deliver a year-end surplus of £1m as it has in previous years in order to repay the current loans to the Department of Health. The BPPC continues to be behind plan due to the tight cash position. Liquidity will become a concern if the Trust does not deliver any further cash releasing savings.

Performance Against Targets

Duty	Target	M08	Forecast
Breakeven Duty	To achieve a breakeven I&E	£162k surplus	£1,000k surplus
Capital Absorption Rate	To achieve a rate of 3.5%	3.50%	3.50%
Better Payment Practice Code	95% of payments within 30 days by volume & value	●	●
External Financing Limit (EFL)	To achieve the EFL	●	●
Capital Resource Limit (CRL)	To remain within the CRL	●	●

Summary Financial Position November 2012 (Month 8)

(adverse) / favourable variance

Previous Net Variance			Annual Budget			In Month				Cumulative				
£000	%		£000	EST	WTE	Var	Budget £000	Actual £000	Variance £000	%	Budget £000	Actual £000	Variance £000	%
Income														
(439)	(0.4%)	NHS Clinical Income				208,551	17,916	18,130	214	1.2%	141,366	141,141	(225)	(0.2%)
119	3.1%	Other NHS Income (R&D, training etc)				6,503	553	576	23	4.2%	4,422	4,563	142	3.2%
(27)	(2.2%)	Non NHS Clinical Income (PP's, RTA)				2,067	172	165	(7)	(4.1%)	1,378	1,344	(34)	(2.5%)
157	2.8%	Operating Income				9,346	746	945	199	26.7%	6,337	6,692	356	5.6%
(190)	(0.1%)	Total Income				226,466	19,387	19,816	429	2.2%	153,503	153,741	239	0.2%
Expenditure														
Clinical Divisions														
(77)	(0.3%)	Family & Support Division	800	772	28	(47,900)	(3,980)	(4,190)	(210)	(5.3%)	(32,379)	(32,665)	(287)	(0.9%)
(1,841)	(5.1%)	Medical Division	993	956	38	(60,079)	(5,093)	(5,738)	(645)	(12.7%)	(41,219)	(43,705)	(2,486)	(6.0%)
(1,107)	(3.5%)	Surgical Division	880	858	22	(52,642)	(4,405)	(4,831)	(426)	(9.7%)	(35,880)	(37,411)	(1,533)	(4.3%)
(3,024)	(3.2%)	Sub Total	2,673	2,586	87	(160,621)	(13,478)	(14,759)	(1,281)	(9.5%)	(109,478)	(113,782)	(4,305)	(3.9%)
Corporate Directorates														
31	0.8%	Chief Executive	19	16	4	(6,636)	(529)	(521)	8	1.5%	(4,558)	(4,520)	39	0.8%
(851)	(7.2%)	Estates and Facilities	198	209	(11)	(20,063)	(1,615)	(1,993)	(378)	(23.4%)	(13,451)	(14,680)	(1,229)	(9.1%)
(177)	(3.4%)	Finance	213	207	6	(8,443)	(610)	(838)	(229)	(37.5%)	(5,790)	(6,195)	(405)	(7.0%)
97	4.2%	Human Resources	73	71	2	(3,887)	(348)	(350)	(3)	(0.7%)	(2,681)	(2,586)	95	3.5%
(13)	(8.9%)	Medical Director	7	9	(2)	(257)	(21)	(27)	(6)	(26.9%)	(171)	(191)	(19)	(11.2%)
75	7.7%	Nurse Director	32	29	3	(1,645)	(134)	(120)	14	10.7%	(1,103)	(1,014)	89	8.1%
13	2.8%	Governance	16	15	1	(795)	(66)	(46)	20	30.7%	(529)	(495)	33	6.3%
4,363	97.6%	Reserves	-	-	0	(9,269)	(1,420)	(16)	1,404	98.9%	(5,888)	(121)	5,767	97.9%
(900)	(100.0%)	Cost Improvements	-	-	0	2,000	200	0	(200)	(100.0%)	1,100	0	(1,100)	(100.0%)
(386)	(0.3%)	Total Expenditure	3,231	3,142	90	(209,616)	(18,021)	(18,671)	(650)	(3.6%)	(142,550)	(143,585)	(1,036)	(0.7%)
(577)	(6.0%)	EBITDA				16,850	1,366	1,145	(221)	(16.2%)	10,953	10,157	(798)	(7.3%)
		EBITDA %				7.4%	7.0%	5.8%			7.1%	6.6%		
(45)	(1.2%)	Depreciation				(6,356)	(530)	(528)	2	0.4%	(4,237)	(4,280)	(43)	(1.0%)
6	(34.3%)	Interest receivable				30	3	1	(2)	(77.2%)	20	24	4	20.4%
105	2.7%	Interest payable				(6,725)	(560)	(544)	16	2.9%	(4,483)	(4,362)	122	2.7%
13	0.9%	PDC Dividend				(2,456)	(205)	(180)	25	12.1%	(1,637)	(1,600)	37	2.3%
(497)	(91.8%)	Net surplus / (deficit)				1,343	74	(106)	(180)	(243.3%)	615	(63)	(677)	(110.1%)
0		Adjustment for Donated Assets				0	0	115	115		0	115	115	
296	148.1%	IFRIC 12 / Dual Accounting				(343)	0	14	14	0.0%	(200)	110	310	155.0%
(200)	(58.5%)	Revised Net surplus / (deficit)				1,000	74	22	(52)	(69.7%)	415	162	(251)	(60.5%)

Statement of Financial Position November 2012 (Month 8)

Statement of Financial Position	Closing 31 March 2012	As at 30 Nov 2012	Movement in Year to Date	As at 31 Oct 2012	Movement in Current Period	Budgeted Closing Balance (31 March 2013)
	£000	£000	£000	£000	£000	£000
NON-CURRENT ASSETS:						
Property, Plant and Equipment	130,872	134,150	3,278	133,749	401	136,303
Intangible Assets	442	360	(82)	371	(11)	534
Investment Property	0	0	0	0	0	0
Other Financial Assets	0	0	0	0	0	0
Trade and Other Receivables	3,887	4,313	426	4,327	(14)	2,750
TOTAL NON-CURRENT ASSETS	135,201	138,823	3,622	138,447	376	139,587
CURRENT ASSETS:						
Inventories	3,332	3,745	413	3,624	121	3,300
Trade and Other Receivables	7,957	9,226	1,269	12,989	(3,763)	9,072
Other Financial Assets	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0
Cash and cash equivalents	497	6,130	5,633	1,481	4,649	505
CURRENT ASSETS	11,786	19,101	7,315	18,094	1,007	12,877
Non-Current Assets Held for Sale	0	0	0	0	0	0
TOTAL CURRENT ASSETS	11,786	19,101	7,315	18,094	1,007	12,877
TOTAL ASSETS	146,987	157,924	10,937	156,541	1,383	152,464
CURRENT LIABILITIES:						
NHS Trade Payables	(2,393)	(1,284)	1,109	(747)	(537)	(3,049)
Non-NHS Trade Revenue Payables	(6,451)	(3,943)	2,508	(5,613)	1,670	(6,535)
Non-NHS Trade Capital Payables	(1,128)	(1,350)	(222)	(1,400)	50	(758)
Other Liabilities	(9,364)	(18,438)	(9,074)	(17,060)	(1,378)	(9,170)
DH Working Capital Loan Principal Repayments	(856)	(856)	0	(856)	0	(856)
DH Capital Loan Principal Repayments	0	0	0	0	0	0
Borrowings	(2,267)	(2,267)	0	(2,267)	0	(2,259)
Provisions for Liabilities and Charges	(471)	(297)	174	(316)	19	(194)
TOTAL CURRENT LIABILITIES	(22,930)	(28,435)	(5,505)	(28,259)	(176)	(22,821)
NET CURRENT ASSETS/(LIABILITIES)	(11,144)	(9,334)	1,810	(10,165)	831	(9,944)
TOTAL ASSETS LESS CURRENT LIABILITIES	124,057	129,489	5,432	128,282	1,207	129,643
NON-CURRENT LIABILITIES						
Borrowings	(52,830)	(51,161)	1,669	(51,199)	38	(51,837)
DH Working Capital Loan Principal Repayments	(7,706)	(7,706)	0	(7,706)	0	(6,850)
Provisions for Liabilities and Charges	(3,510)	(3,408)	102	(3,408)	0	(3,711)
Other Liabilities	0	0	0	0	0	0
TOTAL NON- CURRENT LIABILITIES	(64,046)	(62,275)	1,771	(62,313)	38	(62,398)
TOTAL ASSETS EMPLOYED	60,011	67,214	7,203	65,969	1,245	67,245
FINANCED BY TAXPAYERS EQUITY:						
Public Dividend Capital	63,936	65,286	1,350	63,936	1,350	76,268
Retained Earnings	(9,232)	(9,297)	(65)	(9,192)	(105)	(16,806)
Revaluation Reserve	11,225	11,225	0	11,225	0	7,783
TOTAL TAXPAYERS EQUITY	65,929	67,214	1,285	65,969	1,245	67,245
Cash in OPG accounts	493	6,125	5,632	1,477	4,648	500