

TRUST BOARD

Date of Meeting: 27/11/12	Agenda Item No: 8.1	Enclosure: 11
Intended Outcome:		
For noting ✓	For information	For decision
Title of Report: Finance Report – Month 07 October 2012		
Aims: To update the Trust Board on the financial position of the Trust		
Executive Summary:		
<p>The Trust is reporting a surplus of £142k at the end of October against a planned surplus of £341k. This position is supported by £15.8m of strategic support funding. The Trust is forecasting a year-end surplus of £1m, subject to the CIP plans being delivered and the CCG not imposing contract penalties. The Trust has recently written to Cumbria CCG requesting the proposed contract penalties are not imposed and that the CCG pays for additional work at tariff in order for the Trust to meet the 18 week wait target. The contract penalties are valued at £1.5m and the additional 18 week work is valued at £0.6m.</p> <p>Total income in October was £20.3m against a plan of £19.8m (September: £18.9m against a target of £19.1m). Clinical income was £18.8m against a plan of £18.3m. Daycase activity and associated income continue to grow ahead of plan whilst elective activity and income levels remain behind plan. Plans to recover activity levels in affected specialties have been approved and implemented in most areas and the position is expected to start showing recovery in the coming weeks. Non-elective and A&E activity levels and associated income were higher than planned again in October. Outpatient activity and income were also higher than planned in the month. Activity and income levels in the Special Care Baby Unit (SCBU) are higher than in earlier months of the year but remain behind plan. All other income streams are currently in line with plan. The Clinical Divisions continue to work through their plans to increase income through improved patient case notes and clinical coding.</p> <p>Pay expenditure was £12.5m for the month (September: £11.7m). The number of WTEs worked increased from 3,098 WTE in September to 3,139 WTE. The increase reflects the high bank nurse and overtime costs paid in October. Agency costs were £0.9m in month and now total £5.3m year to date compared with £3.3m for the same period in 2011/12 with expenditure continuing to be highest in the Medical Division. The increase year-on-year relates to an increase in middle tier medical staffing in A&E at WCH due to Deanery pressures and the backfill of consultant posts to support the Emergency Floor reconfigurations. The Trust continues to look at various recruitment initiatives in an effort to recruit to key vacancies with particular emphasis on posts within Emergency Services across the Trust's two sites.</p> <p>Expenditure on non-pay in October was £6.5m (September: £6.2m). This is the highest level this year and reflects increased expenditure on drugs in particular but also on clinical and general supplies and services. The higher expenditure in these categories is</p>		

directly linked to the Trust's increased activity levels.

The Trust's hospitals have been extremely busy since August. Activity levels are expected to remain high over the coming months as the colder months are traditionally busy for non-elective activity and, as noted above, the Trust is planning additional elective activity. In order to ensure that the Trust is able to efficiently manage the flow of patients through its hospitals it has decided to reopen 25 beds, with the costs being covered by the increase in non-elective income.

The Trust delivered £0.1m of efficiency savings in October bringing the total for the year to £4.9m against the revised forecast of £6.0m agreed with the Board last month. Work continues to develop savings plans for this year and the next 2 years in order to support the acquisition by Northumbria Healthcare NHS Foundation Trust. The focus next year is on addressing the underlying deficit.

Liquidity remains fragile and reliant on the achievement of cash releasing savings to reduce the level of expenditure. The Trust continues to monitor cash flow closely to ensure core obligations are being met. It is currently failing to meet the Better Payment Practice Code.

Overview of key areas for consideration or noting:

The reported surplus continues to be behind the plan due to the lack of strategic ideas and slippage regarding the implementation of CIP. Pay costs are forecast to remain high in the remaining months of the year in line with activity together with increasing non-pay expenditure. Income was higher than planned driven by daycase and non-elective activity and is forecast to continue to be high. Action plans to ensure that elective activity recovers in order to maintain waiting list times and secure planned income levels have been approved and are currently being implemented.

The year-end surplus of £1m is at risk if commissioners do not pay for the additional elective work in order for the Trust to meet the 18 week waiting target, and they impose the proposed contract penalties. The Trust is expecting a quick response to the letters sent to Cumbria CCG regarding these matters.

Liquidity continues to be weak and expenditure has increased in month. It is crucial that all remaining CIP schemes are implemented in a timely fashion in line with the agreed plans. All possible action must be taken over the remaining months of the financial year to reduce costs without impacting on patient care. 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.

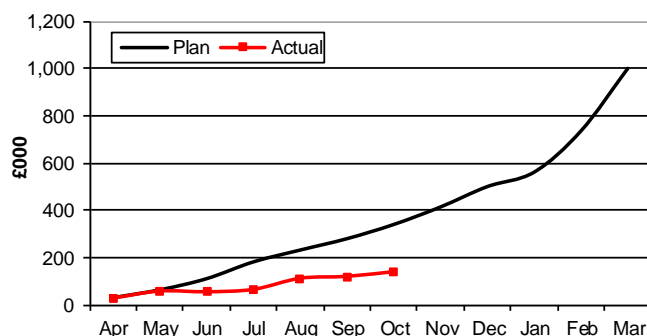
Specific implications and links to the Trust's Strategic Aims:	
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC	
Develop a viable integrated clinical strategy for secondary care services which 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 - 31st October 2012 (Month 7)

Income & Expenditure

At the end of October the Trust is reporting a surplus of £142k after technical adjustments against a planned surplus of £341k. Pay costs were £12.5m and included £0.9m of agency costs. Non pay was £6.5m. Income was £20.3m in October inclusive of £2.3m of the £26.3m strategic support funding agreed with the Strategic Health Authority.

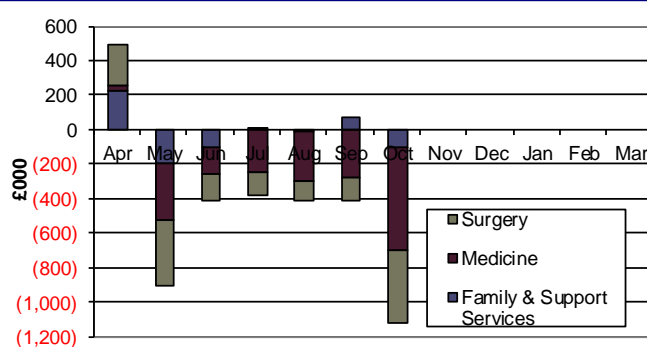
I&E Performance 2012/13



Divisional Performance

At the end of September the clinical divisions reported positions as follows: Family & Support Services £77k overspent, Medicine £1,841k overspent and Surgery £1,106k overspent. The main reason for the overspends remains non achievement of the required level of savings. Expenditure on agency staff increased in October with the Medical Division continuing to experience the highest premium costs.

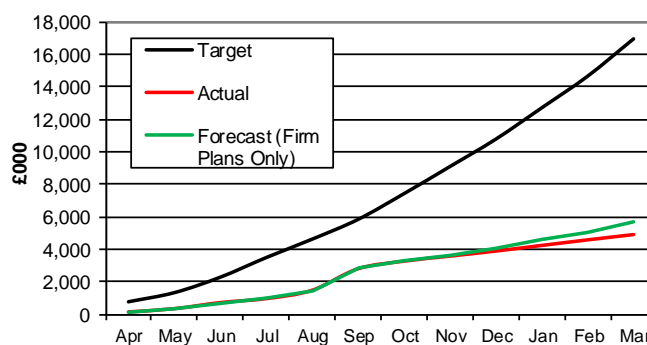
Divisional Monthly Variance



CIP Delivery

The original target was £16.9m which was revised down to £6.0m by the Board last month. The forecast based on firm plans is £5.7m but there is considerable risk to delivering plans which have been identified as starting in November (£0.8m).

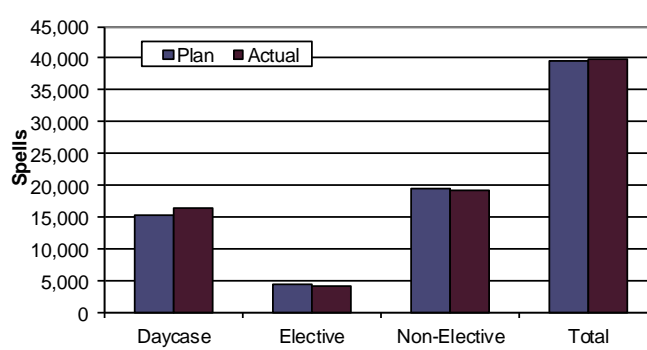
CIP 2012/13



Performance Against SLAs

Total Elective activity was 833 spells above plan at the end of October. The over performance was all within Daycase activity. Areas ahead of plan include Dermatology, Ophthalmology and Gastroenterology. Although Non-Elective activity was behind plan by 352 spells at the end of October, activity was higher than planned in month and under performance reduced by 100 spells mainly in General Medicine.

Contract Activity Performance

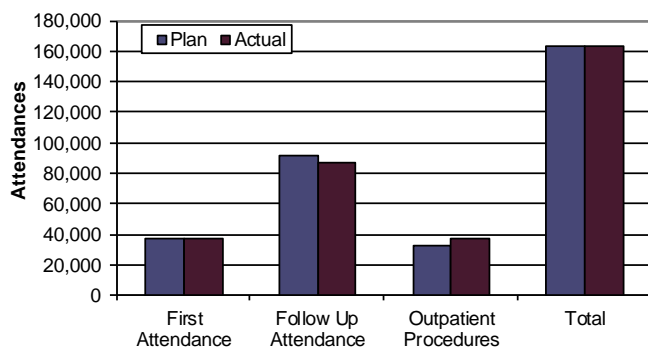


FINANCIAL OVERVIEW - 31st October 2012 (Month 7)

Outpatient Performance

Total Outpatient activity is 431 attendances behind plan as at the end of October. 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 £2.1m at the end of October, although the number of follow up attendances has reduced marginally compared to the previous year.

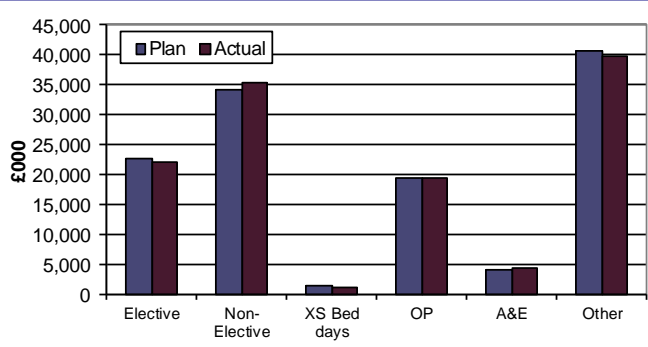
Outpatient Contract Activity Performance



Total NHS Clinical Income

The under performance on total clinical income at the end of October is £439k behind plan - an improvement of £532k in month. The under performance continues to be mainly within Electives and Non PbR. Non PbR includes lower than planned SCBU activity and PbR excluded drugs. 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 although it is hoped that it will improve as we move through the year. Other financial duties are currently forecast to be achieved.

2012/13 Performance Against Targets

Duty	Target	M07	Forecast
Breakeven Duty	To achieve a breakeven I&E	£142k 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 October 2012 (Month 7)

(adverse) / favourable variance

Previous Net Variance						Annual Budget £000	In Month				Cumulative						
£000	%						Budget £000	Actual £000	Variance		Budget £000	Actual £000	Variance				
								£000	%			£000	%				
Income																	
(971)	(0.9%)	NHS Clinical Income				208,551	18,268	18,800	533	2.9%	123,451	123,012	(439)	(0.4%)			
121	3.6%	Other NHS Income (R&D, training etc)				6,470	520	518	(3)	(0.5%)	3,869	3,987	119	3.1%			
10	1.0%	Non NHS Clinical Income (PP's, RTA)				2,067	172	136	(37)	(21.3%)	1,206	1,179	(27)	(2.2%)			
92	1.9%	Operating Income				9,338	798	862	64	8.1%	5,590	5,747	157	2.8%			
(748)	(0.7%)	Total Income				226,426	19,758	20,316	558	2.8%	134,115	133,925	(190)	(0.1%)			
Expenditure																	
			EST	WTE	Var												
26	0.1%	Family & Support Services				800	772	28	(47,852)	(4,030)	(4,132)	(102)	(2.5%)	(28,398)	(28,475)	(77)	(0.3%)
(1,250)	(4.1%)	Medical				993	965	28	(59,750)	(5,452)	(6,043)	(591)	(10.8%)	(36,127)	(37,967)	(1,841)	(5.1%)
(687)	(2.5%)	Surgical				867	855	12	(52,494)	(4,460)	(4,879)	(419)	(9.4%)	(31,475)	(32,580)	(1,106)	(3.5%)
(1,911)	(2.3%)	Sub Total				2,660	2,592	68	(160,096)	(13,943)	(15,055)	(1,112)	(8.0%)	(96,000)	(99,023)	(3,023)	(3.1%)
Corporate Directorates																	
166	4.8%	Chief Executive				19	16	3	(6,636)	(538)	(673)	(136)	(25.2%)	(4,029)	(3,998)	31	0.8%
(813)	(8.0%)	Estates and Facilities				198	208	(10)	(20,063)	(1,645)	(1,683)	(38)	(2.3%)	(11,836)	(12,687)	(851)	(7.2%)
(69)	(1.6%)	Finance				213	208	4	(8,513)	(757)	(865)	(108)	(14.2%)	(5,180)	(5,357)	(177)	(3.4%)
109	5.5%	Human Resources				73	69	5	(3,840)	(333)	(345)	(12)	(3.6%)	(2,333)	(2,236)	97	4.2%
(7)	(5.5%)	Medical Director				7	3	4	(257)	(21)	(28)	(6)	(29.4%)	(150)	(163)	(13)	(8.9%)
64	7.7%	Nurse Director				32	28	3	(1,645)	(138)	(127)	11	8.1%	(969)	(894)	75	7.7%
3,333	100.0%	Reserves				0	0	0	(9,732)	(1,134)	(105)	1,029	90.7%	(4,468)	(105)	4,363	97.6%
(700)	100.0%	Cost Improvements				0	0	0	2,000	200	0	(200)	0.0%	900	0	(900)	100.0%
203	0.2%	Total Expenditure				3,218	3,139	79	(209,576)	(18,377)	(18,965)	(589)	(3.2%)	(124,528)	(124,914)	(385)	(0.3%)
(545)	(6.6%)	EBITDA				16,850	1,382	1,351	(31)	(2.2%)	9,587	9,011	(576)	(6.0%)			
		EBITDA %				7.4%	7.0%	6.6%					7.1%	6.7%			
42	1.3%	Depreciation				(6,356)	(530)	(616)	(87)	(16.4%)	(3,708)	(3,752)	(45)	(1.2%)			
6	39.3%	Interest receivable				30	3	3	0	4.8%	18	24	6	34.3%			
96	2.9%	Interest payable				(6,725)	(560)	(551)	9	1.6%	(3,923)	(3,817)	105	2.7%			
(12)	(1.0%)	PDC Dividend				(2,456)	(205)	(180)	25	12.0%	(1,433)	(1,420)	13	0.9%			
(412)	(91.2%)	Net surplus / (deficit)				1,343	89	6	(84)	(93.7%)	541	45	(496)	(91.6%)			
254	148.1%	IFRIC 12 / Dual Accounting				(343)	(29)	14	42	148.1%	(200)	96	296	148.1%			
(158)	(56.5%)	Revised Net surplus / (deficit)				1,000	61	19	(41)	(68.1%)	341	142	(200)	(58.5%)			

Statement of Financial Position October 2012 (Month 7)

Statement of Financial Position	Closing 31 March 2012	As at 31 Oct 2012	Movement in Year to Date	As at 31 Sep 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	133,749	2,877	132,987	762	136,877
Intangible Assets	442	371	(71)	442	(71)	401
Investment Property	0	0	0	0	0	0
Other Financial Assets	0	0	0	0	0	0
Trade and Other Receivables	3,887	4,327	440	4,359	(32)	2,948
TOTAL NON-CURRENT ASSETS	135,201	138,447	3,246	137,788	659	140,226
CURRENT ASSETS:						
Inventories	3,332	3,624	292	3,611	13	3,611
Trade and Other Receivables	7,957	12,989	5,032	10,232	2,757	5,339
Other Financial Assets	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0
Cash and cash equivalents	497	1,481	984	2,673	(1,192)	503
CURRENT ASSETS	11,786	18,094	6,308	16,516	1,578	9,453
Non-Current Assets Held for Sale	0	0	0	0	0	0
TOTAL CURRENT ASSETS	11,786	18,094	6,308	16,516	1,578	9,453
TOTAL ASSETS	146,987	156,541	9,554	154,304	2,237	149,679
CURRENT LIABILITIES:						
NHS Trade Payables	(2,393)	(747)	1,646	(1,103)	356	(2,867)
Non-NHS Trade Revenue Payables	(6,451)	(5,613)	838	(4,789)	(824)	(6,145)
Non-NHS Trade Capital Payables	(1,128)	(1,400)	(272)	(1,849)	449	(713)
Other Liabilities	(9,364)	(17,060)	(7,696)	(18,041)	981	(8,623)
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	(2,267)
Provisions for Liabilities and Charges	(471)	(316)	155	(220)	(96)	(192)
TOTAL CURRENT LIABILITIES	(22,930)	(28,259)	(5,329)	(29,125)	866	(21,663)
NET CURRENT ASSETS/(LIABILITIES)	(11,144)	(10,165)	979	(12,609)	2,444	(12,210)
TOTAL ASSETS LESS CURRENT LIABILITIES	124,057	128,282	4,225	125,179	3,103	128,016
NON-CURRENT LIABILITIES						
Borrowings	(52,830)	(51,199)	1,631	(51,630)	431	(50,430)
DH Working Capital Loan Principal Repayments	(7,706)	(7,706)	0	(7,265)	(441)	(6,850)
Provisions for Liabilities and Charges	(3,510)	(3,408)	102	(3,559)	151	(3,260)
Other Liabilities	0	0	0	0	0	0
TOTAL NON- CURRENT LIABILITIES	(64,046)	(62,313)	1,733	(62,454)	141	(60,540)
TOTAL ASSETS EMPLOYED	60,011	65,969	5,958	62,725	3,244	67,476
FINANCED BY TAXPAYERS EQUITY:						
Public Dividend Capital	63,936	63,936	0	60,698	3,238	76,768
Retained Earnings	(9,232)	(9,198)	34	(9,204)	6	(16,517)
Revaluation Reserve	11,225	11,231	6	11,231	0	7,225
TOTAL TAXPAYERS EQUITY	65,929	65,969	40	62,725	3,244	67,476
Cash in OPG accounts	493	1,477	984	2,669	(1,192)	500