

TRUST BOARD

Date of Meeting: 23/10/12	Agenda Item No: 7.1	Enclosure: 9
Intended Outcome:		
For noting ✓	For information	For decision
Title of Report: Finance Report – Month 06 September 2012		
Aims: To update the Trust Board on the financial position of the Trust		
Executive Summary: <p>The Trust is reporting a surplus of £122k at the end of September against a planned surplus of £281k. This position is supported by £13.6m of strategic support funding.</p> <p>Total income in September was £18.9m against a plan of £19.1m (August: £19.2m against a target of £18.9m). Clinical income was £17.3m against a plan of £17.6m. Daycase activity and associated income remain ahead of plan but elective activity and income levels fell further behind plan. Elective activity has been discussed at a recent Senior Management Team meeting, and no further elective activity will be cancelled unless there are exceptional circumstances. Non-elective activity levels remain higher than planned in September with income for this activity increasingly ahead of plan. The higher non-elective activity is mirrored in A&E where activity and income are both ahead of plan. Although activity for the year to date remains lower than planned in the Special Care Baby Unit (SCBU) there was increased activity and income in September. All other income streams are currently in line with plan. At a recent Board development session held in October, opportunities to improve income were identified through improving patient case notes which would lead to improved clinical coding and higher income levels.</p> <p>Pay expenditure was £11.7m for the month (August: £11.8m). The number of WTEs worked increased from 3,071 WTE in August to 3,098 WTE in September. Agency costs were £0.7m in September and now total £4.4m year to date compared with £2.8m for the first six months of 2011/12. A new recruitment drive has recently been launched in an effort to recruit to key vacancies with particular emphasis on posts within Emergency Services across the Trust's two sites. Agency expenditure continues to be £0.5m per month in the Medical Division.</p> <p>Expenditure on non-pay in September was £6.2m (August: £6.0m). This is higher than in previous months and reflects increased expenditure on clinical supplies and services as the Trust's activity levels increase following the peak annual leave period and the higher non-elective admissions. Premises costs were also higher in September as the Trust reflected technical adjustments relating to the PFI contract at the end of the second quarter of the financial year. This increase was largely offset by a reduction in the technical IFRIC adjustment. Some of the new contracts negotiated by Procurement in recent months are now delivering savings with price reductions on orthopaedic prostheses of £80k recognised in this month's CIP achievement.</p> <p>The Trust delivered £1.2m of efficiency savings in September bringing the total for the</p>		

year to £4.8m against the annual plan of £16.9m. The year to date impact is £2.8m against a target of £5.8m. A significant proportion of the savings actioned in September related to posts which have been vacant during the current financial year. These savings are not cash releasing and they have been treated as non recurring. Ideas for new saving plans must focus on schemes that reduce the amount of cash the Trust spends and which are recurring in nature. Divisions, supported by the Project Management Office (PMO), also need to continue to implement approved saving schemes in a timely manner so that the Trust's overall costs are reduced as quickly as possible whilst maintaining safe and high quality services.

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 although there was significant improvement during September.

Overview of key areas for consideration or noting:

The Trust continues to report a small surplus due to external funding provided by the Strategic Health Authority. Pay costs continue to increase and non-pay costs which have been flat in the first few months of 2012/13 are now showing signs of increasing against a lower level of income. Despite higher than planned non-elective activity income was lower than planned in September with elective income in a number of key specialties falling further behind plan reflecting the increasing contract penalties. Action needs to be taken to ensure that elective activity recovers in order to maintain waiting list times and secure planned income levels. The Director of Operations will be presenting an action plan to address this issue.

The Trust's liquidity continues to be of concern and the pace of delivery of cash releasing CIPs needs to significantly improve in order to ensure that both the planned year-end surplus is not put at risk and that the Trust has sufficient cash to meet its financial commitments.

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.

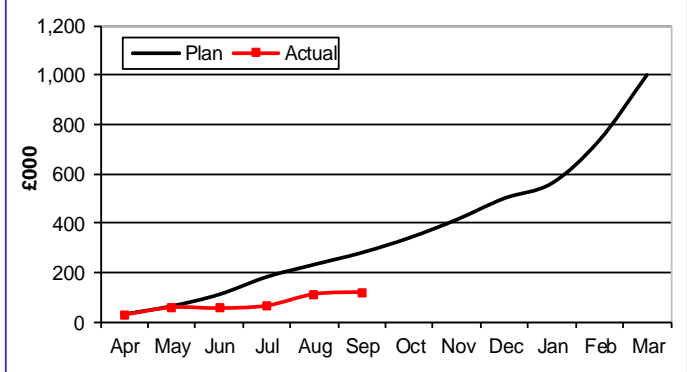
Prepared by: Mr Eric Gardiner Deputy Director of Finance	Presented by: Mr Alistair Mulvey Director of Finance / Deputy Chief Executive
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FINANCIAL OVERVIEW - 30th September 2012 (Month 6)

Income & Expenditure

At the end of September the Trust is reporting a surplus of £122k after technical adjustments against a planned surplus of £281k. Pay costs were £11.7m and included £0.7m of agency costs. Non pay was £6.2m. Income was £18.9m in September inclusive of £2.6m of the £26.3m strategic support funding agreed with the Strategic Health Authority.

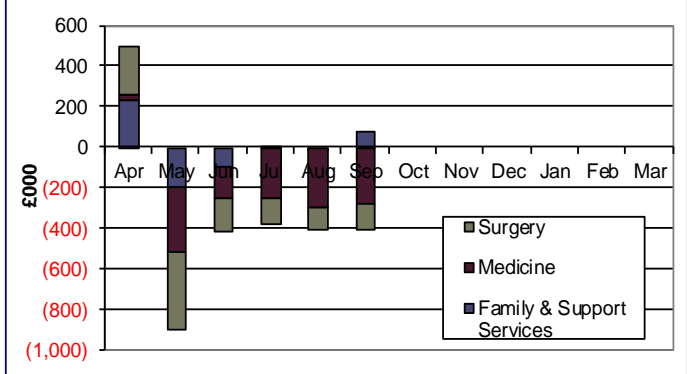
I&E Performance 2012/13



Divisional Performance

At the end of September the clinical divisions reported positions as follows: Family & Support Services £26k underspent, Medicine £1,250k overspent and Surgery £687k overspent. The main reason for the overspends remains non achievement of the required level of savings. The Medical Division also continues to experience high agency staff premium costs in the Emergency and General Medicine directorates.

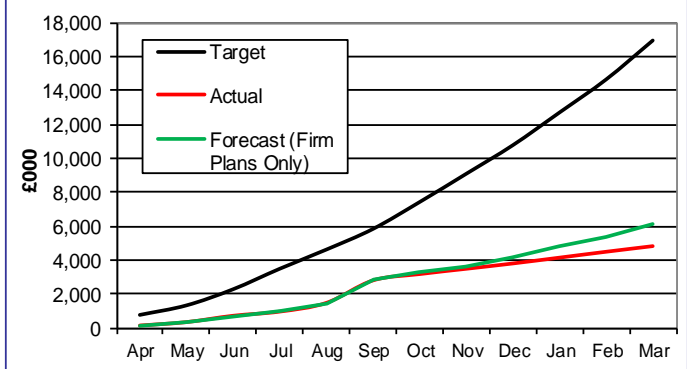
Divisional Monthly Variance



CIP Delivery

CIPs of £1.2m were delivered in September bringing the total to £4.8m against the annual target of £16.9m. The year to date impact of these savings is £2,786k against a target of £5,820k. The Project Management Team continues to support the divisions in implementing and delivering agreed plans and in generating new ideas with particular focus on schemes that reduce the Trust's cash commitments.

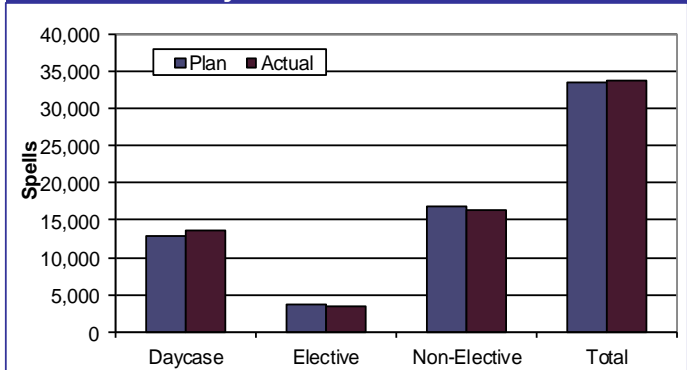
CIP 2012/13



Performance Against SLAs

Total Elective activity was 512 spells above the plan at the end of September. The over performance was entirely within Daycase activity. The areas ahead of plan include Dermatology, Gastroenterology and Oral Surgery. Non-Elective activity was behind plan by 451 spells as at the end of September. The main areas under performing on activity are General Surgery, General Medicine and Obstetrics.

Contract Activity Performance

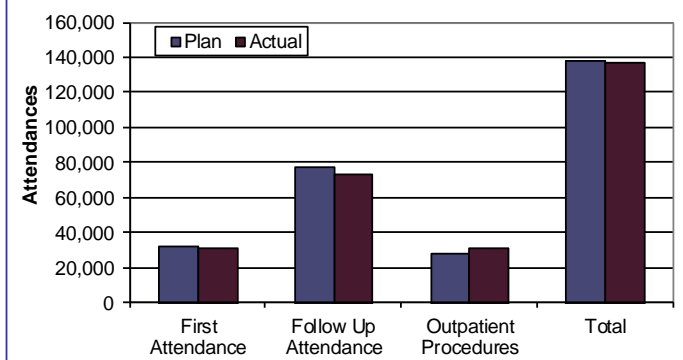


FINANCIAL OVERVIEW - 30th September 2012 (Month 6)

Outpatient Performance

Total Outpatient activity is 1,010 attendances behind plan as at the end of September. Outpatient procedures continue to be well above planned levels. The number of Outpatient Procedures continues to increase year on year as this section of the National Tariff expands to reflect current working practices, with less procedures being performed in operating theatres.

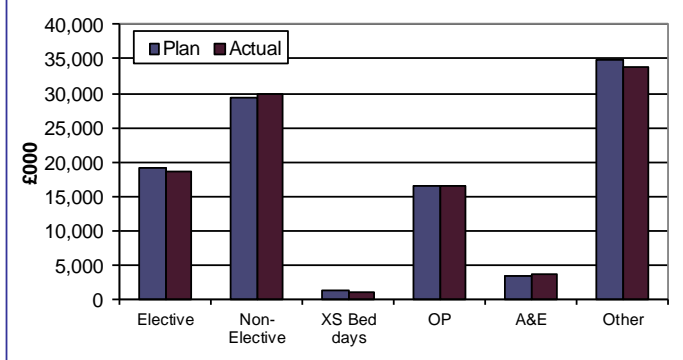
Outpatient Contract Activity Performance



Total NHS Clinical Income

Total clinical income is behind the plan by £971k. This underperformance is mainly within Electives and Non PbR. Non PbR includes lower than planned SCBU activity and PbR excluded drugs. The underperformance on elective income is mainly within Trauma & Orthopaedics and Cardiology. This is mainly driven by lower activity levels but the case mix is also lower than plan for these specialties.

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	M06	Forecast
Breakeven Duty	To achieve a breakeven I&E	£122k 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 September 2012 (Month 6)

(adverse) / favourable variance

Previous Net Variance			Annual Budget £000	In Month				Cumulative								
£000	%			Budget £000	Actual £000	Variance		Budget £000	Actual £000	Variance						
					EST	WTE	Var	£000	%	£000	%					
		Income														
(706)	(0.8%)	NHS Clinical Income	208,551	17,594	17,329			(265)	(1.5%)	105,183	104,212	(971)	(0.9%)			
81	2.9%	Other NHS Income (R&D, training etc)	6,470	520	561			40	7.8%	3,348	3,470	121	3.6%			
7	0.8%	Non NHS Clinical Income (PP's, RTA)	2,067	172	175			3	1.7%	1,034	1,043	10	1.0%			
11	0.3%	Operating Income	9,315	801	882			81	10.1%	4,792	4,885	92	1.9%			
(607)	(0.6%)	Total Income	226,403	19,088	18,946			(141)	(0.7%)	114,357	113,609	(748)	(0.7%)			
		Expenditure														
(55)	(0.3%)	Family & Support Services	799	754	45			(47,779)	(4,108)	(4,027)	80	2.0%	(24,368)	(24,343)	26	0.1%
(977)	(3.8%)	Medical	993	946	47			(59,141)	(5,120)	(5,393)	(273)	(5.3%)	(30,674)	(31,924)	(1,250)	(4.1%)
(554)	(2.5%)	Surgical	867	835	32			(52,307)	(4,543)	(4,676)	(133)	(2.9%)	(27,014)	(27,701)	(687)	(2.5%)
(1,586)	(2.3%)	Sub Total	2,659	2,535	124			(159,227)	(13,771)	(14,097)	(326)	(2.4%)	(82,057)	(83,968)	(1,911)	(2.3%)
		Corporate Directorates														
131	4.5%	Chief Executive	19	16	3			(6,636)	(562)	(527)	36	6.3%	(3,491)	(3,325)	166	4.8%
(441)	(5.2%)	Estates and Facilities	198	215	(18)			(20,063)	(1,657)	(2,028)	(371)	(22.4%)	(10,191)	(11,004)	(813)	(8.0%)
(13)	(0.4%)	Finance	212	211	1			(8,439)	(724)	(780)	(56)	(7.7%)	(4,423)	(4,492)	(69)	(1.6%)
67	4.1%	Human Resources	73	69	5			(3,809)	(373)	(331)	43	11.4%	(2,000)	(1,890)	109	5.5%
(2)	(1.4%)	Medical Director	7	7	0			(257)	(21)	(27)	(6)	(26.0%)	(129)	(136)	(7)	(5.5%)
108	14.6%	Nurse Director	32	32	(1)			(1,645)	(96)	(140)	(44)	(46.1%)	(832)	(768)	64	7.7%
2,561	95.3%	Reserves	0	0	0			(10,683)	(648)	125	773	119.3%	(3,333)	0	3,333	100.0%
(500)	100.0%	Cost Improvements	0	0	0			2,000	200	0	(200)	0.0%	700	0	(700)	100.0%
367	0.4%	Total Expenditure	3,216	3,098	118			(209,553)	(17,719)	(17,883)	(164)	(0.9%)	(106,152)	(105,949)	203	0.2%
(240)	(3.5%)	EBITDA	16,850	1,369	1,064			(305)	(22.3%)	8,205	7,661	(545)	(6.6%)			
		EBITDA %	7.4%	7.2%	5.6%											
34	1.3%	Depreciation	(6,356)	(530)	(521)			8	1.6%	(3,178)	(3,136)	42	1.3%			
5	38.5%	Interest receivable	30	3	4			1	43.2%	15	21	6	39.3%			
59	2.1%	Interest payable	(6,725)	(560)	(524)			37	6.5%	(3,362)	(3,266)	96	2.9%			
23	2.3%	PDC Dividend	(2,456)	(205)	(240)			(35)	(17.3%)	(1,228)	(1,240)	(12)	(1.0%)			
(118)	(31.5%)	Net surplus / (deficit)	1,343	77	(218)			(294)	(383.8%)	452	40	(412)	(91.2%)			
0	0.0%	IFRIC 12 / Dual Accounting	(343)	(29)	225			254	877.3%	(172)	83	254	148.1%			
(118)	(50.8%)	Revised Net surplus / (deficit)	1,000	48	8			(40)	(83.8%)	281	122	(158)	(56.5%)			

Statement of Financial Position September 2012 (Month 6)

Statement of Financial Position	Closing 31 March 2012	As at 30 Sep 2012	Movement in Year to Date	As at 31 Aug 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	132,987	2,115	132,904	83	136,303
Intangible Assets	442	442	0	442	0	534
Investment Property	0	0	0	0	0	0
Other Financial Assets	0	0	0	0	0	0
Trade and Other Receivables	3,887	4,359	472	3,808	551	2,750
TOTAL NON-CURRENT ASSETS	135,201	137,788	2,587	137,154	634	139,587
CURRENT ASSETS:						
Inventories	3,332	3,611	279	3,527	84	3,300
Trade and Other Receivables	7,957	10,232	2,275	9,744	488	9,072
Other Financial Assets	0		0	0	0	0
Other Assets	0		0	0	0	0
Cash and cash equivalents	497	2,673	2,176	7,101	(4,428)	505
CURRENT ASSETS	11,786	16,516	4,730	20,372	(3,856)	12,877
Non-Current Assets Held for Sale	0		0	0	0	0
TOTAL CURRENT ASSETS	11,786	16,516	4,730	20,372	(3,856)	12,877
TOTAL ASSETS	146,987	154,304	7,317	157,526	(3,222)	152,464
CURRENT LIABILITIES:						
NHS Trade Payables	(2,393)	(1,103)	1,290	(1,999)	896	(3,049)
Non-NHS Trade Revenue Payables	(6,451)	(4,789)	1,662	(3,919)	(870)	(6,535)
Non-NHS Trade Capital Payables	(1,128)	(1,849)	(721)	(1,737)	(112)	(758)
Other Liabilities	(9,364)	(18,042)	(8,678)	(22,425)	4,383	(9,170)
DH Working Capital Loan Principal Repayments	(856)	(856)	0	(856)	0	(856)
DH Capital Loan Principal Repayments	0		0	0	0	0
Borrowings	(2,267)	(2,267)	(0)	(2,267)	(0)	(2,259)
Provisions for Liabilities and Charges	(471)	(219)	252	(269)	50	(194)
TOTAL CURRENT LIABILITIES	(22,930)	(29,126)	(6,196)	(33,472)	4,346	(22,821)
NET CURRENT ASSETS/(LIABILITIES)	(11,144)	(12,609)	(1,465)	(13,100)	491	(9,944)
TOTAL ASSETS LESS CURRENT LIABILITIES	124,057	125,179	1,122	124,054	1,125	129,643
NON-CURRENT LIABILITIES						
Borrowings	(52,830)	(51,630)	1,200	(52,528)	898	(51,837)
DH Working Capital Loan Principal Repayments	(7,706)	(7,265)	441	(7,706)	441	(6,850)
Provisions for Liabilities and Charges	(3,510)	(3,559)	(49)	(3,557)	(2)	(3,711)
Other Liabilities	0		0	0	0	0
TOTAL NON- CURRENT LIABILITIES	(64,046)	(62,454)	1,592	(63,791)	1,337	(62,398)
TOTAL ASSETS EMPLOYED	60,011	62,725	2,714	60,263	2,462	67,245
FINANCED BY TAXPAYERS EQUITY:						
Public Dividend Capital	58,018	60,698	2,680	58,018	2,680	76,268
Retained Earnings	(9,232)	(9,204)	28	(8,986)	(218)	(16,806)
Revaluation Reserve	11,225	11,231	6	11,231	0	7,783
TOTAL TAXPAYERS EQUITY	60,011	62,725	2,714	60,263	2,462	67,245
Cash in OPG accounts	493	2,669	2,176	4,254	(1,585)	500