

**TRUST BOARD**

<b>Date of Meeting:</b> 09/10/12	<b>Agenda Item No:</b> 8.1	<b>Enclosure:</b> 9
<b>Intended Outcome:</b>		
<b>For noting</b> ✓	<b>For information</b>	<b>For decision</b>
<b>Title of Report:</b> Finance Report – Month 05 August 2012		
<b>Aims:</b> To update the Trust Board on the financial position of the Trust		
<b>Executive Summary:</b>		
<p>The Trust is reporting a surplus of £114k at the end of August against a planned surplus of £233k. This position is supported by £10.95m of strategic support funding.</p> <p>Total income in August was £19.2m against a plan of £18.9m (July: £19.1m against a target of £19.4m). Clinical income was £17.7m against a plan of £17.4m. Despite daycase activity and associated income continuing to be ahead of plan, overall elective activity and income levels remain behind plan. Non-elective activity was higher than planned in August and although activity levels remain behind plan income is now ahead of plan due to a richer casemix. Activity remains lower than planned on PbR excluded drugs and in the Special Care Baby Unit (SCBU). All other income streams are currently in line with plan.</p> <p>Total elective activity in the first five months of 2012/13 is 2% lower than in the same period in 2011/12 and the associated income is 0.4% lower. Although non-elective activity was high in August the activity in the first five months of 2012/13 is 2.7% lower than for the same period of 2011/12 and income is 1.3% lower. Outpatient activity and income levels are the same in each year and in A&amp;E activity is the same although income is 6.5% higher due to improved clinical coding.</p> <p>Pay expenditure was £11.8m for the month. The number of WTEs worked reduced from 3,080 WTE in July to 3,071 WTE in August. Agency costs remained at £0.8m in August and now total £3.7m year to date compared with £2.3m for the first five months of 2011/12. Although the increase relates predominantly to an increase in middle tier medical staffing in A&amp;E at WCH, there are a number of critical posts in other areas that remain vacant. A new recruitment drive is due to take place over the coming weeks with the aim of filling the key vacancies. Agency expenditure is highest in the Medical Division with costs of £0.5m per month.</p> <p>Expenditure on non-pay in August was £6.0m (July: £6.1m) which is line with the 2011/12 average. Costs were higher in the earlier months of 2012/13 with pressures showing in drugs &amp; blood products and premises. However, the cost of drugs &amp; blood products has been lower over the last two months and although there is still some pressure evident around premises' costs it is not significant at this stage. Procurement have implemented a number of new contracts over recent months by working with various departments to help reduce the cost of the products used.</p>		

The Trust delivered £0.8m of efficiency savings in August bringing the total for the year to £3.6m against the annual plan of £16.9m. The year to date impact is £1.5m against a target of £4.6m. The Trust must continue to ensure that all divisions, supported by the Project Management Office (PMO), focus on implementing approved saving schemes and on generating and developing ideas for new schemes in order to increase the level of savings currently being made and reduce overall costs 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. Although the Trust monitors 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 Trust continues to report a small surplus due to external funding provided by the Strategic Health Authority. Pay costs are continuing to increase and non-pay costs are remaining flat against a lower level of income. Although income was higher than planned in August this was due to non-elective activity levels with elective income falling further behind plan. Action needs to be taken to ensure that elective activity recovers to be in line with the plan in order to maintain waiting list times and secure the planned income levels. The pace of delivery of cash releasing CIPs needs to improve over the next few months in order to ensure the planned year-end surplus is not put at risk.

**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

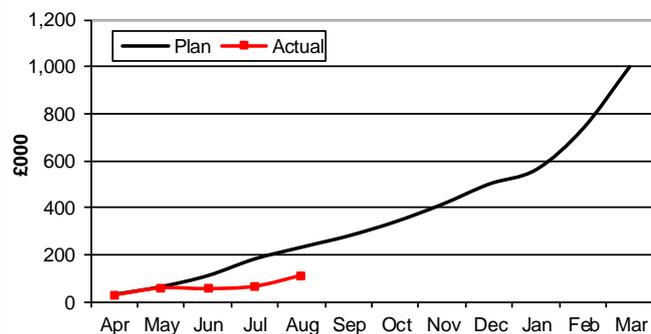
**Presented by:**  
Mr Alistair Mulvey  
Director of Finance / Deputy Chief Executive

## FINANCIAL OVERVIEW - 31st August 2012 (Month 5)

### Income & Expenditure

At the end of August the Trust is reporting a surplus of £114k after technical adjustments against a planned surplus of £233k. Pay costs were £11.8m in August, including £0.8m of agency costs. Non pay was £6.0m. Income was £19.2m in August and included £2.3m of the £26.3m strategic support funding agreed with the Strategic Health Authority.

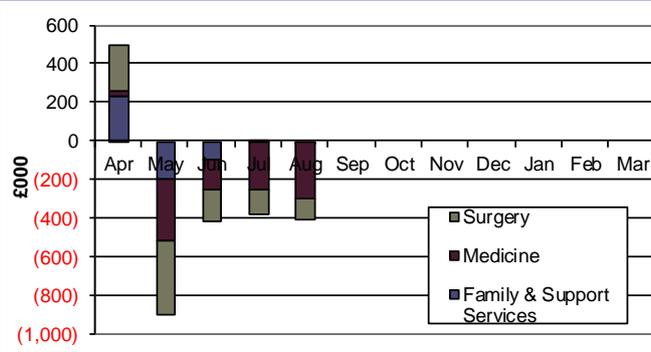
### I&E Performance 2012/13



### Divisional Performance

At the end of August the clinical divisions reported positions as follows: Family & Support Services £55k overspent, Medicine £977k overspent and Surgery £554k overspent. The main reason for the overspends continues to be 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.

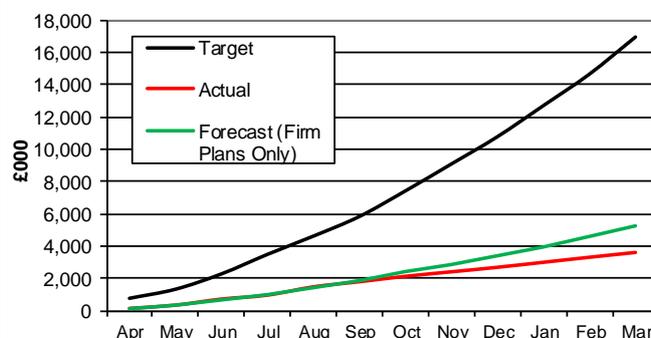
### Divisional Monthly Variance



### CIP Delivery

CIPs of £754k were delivered in August bringing the total to £3.6m against the annual target of £16.9m. The year to date impact of these savings is £1,462k against a target of £4,605k. The Project Management Team continue to review all plans and ideas with the appropriate staff. Their focus is on the timely implementation and delivery of agreed plans and on generation of new ideas.

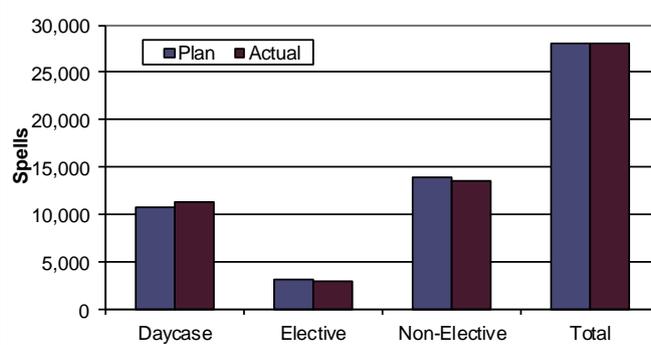
### CIP 2012/13



### Performance Against SLAs

Total Elective activity was 335 spells above the plan at the end of August. The over performance was entirely within Daycase activity. The areas ahead of plan include Dermatology, Urology & Gastroenterology. Non-Elective activity was behind plan by 426 spells as at the end of August. The main areas under performing on activity are General Surgery, General Medicine and Obstetrics.

### Contract Activity Performance

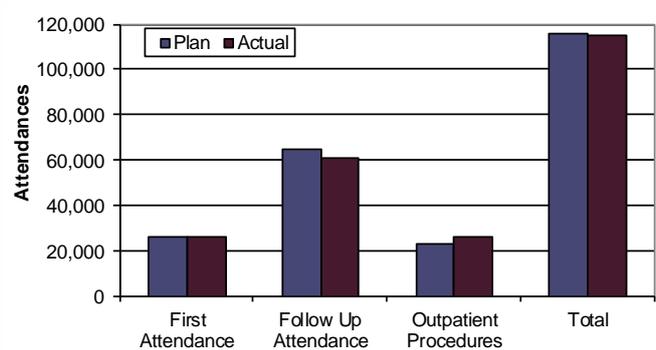


## FINANCIAL OVERVIEW - 31st August 2012 (Month 5)

### Outpatient Performance

Total Outpatient activity is 606 attendances behind plan as at the end of August. 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.

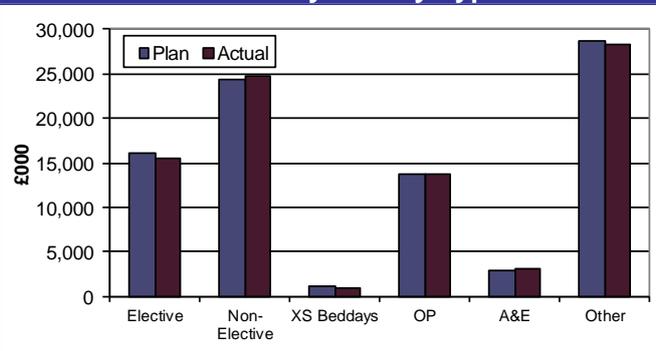
### Outpatient Contract Activity Performance



### Total NHS Clinical Income

Total clinical income is behind the plan by £706k. This underperformance is mainly within Electives & Non PbR. Non PbR relates to lower than planned SCBU activity and PbR excluded drugs. The underperformance on elective income is mainly within Trauma & Orthopaedics, Cardiology and General Surgery. 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	M05	Forecast
<b>Breakeven Duty</b>	To achieve a breakeven I&E	£114k surplus	£1,000k surplus
<b>Capital Absorption Rate</b>	To achieve a rate of 3.5%	3.50%	3.50%
<b>Better Payment Practice Code</b>	95% of payments w within 30 days by volume & value	●	●
<b>External Financing Limit (EFL)</b>	To achieve the EFL	●	●
<b>Capital Resource Limit (CRL)</b>	To remain within the CRL	●	●