

**TRUST BOARD**

<b>Date of Meeting:</b> 26/02/13	<b>Agenda Item No:</b> 7.1	<b>Enclosure:</b> 11
<b>Intended Outcome:</b>		
<b>For noting</b> ✓	<b>For information</b>	<b>For decision</b>
<b>Title of Report:</b> Finance Report – Month 10 January 2013		
<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 £204k at the end of January against a planned surplus of £562k. This position is supported by £22.6m of strategic support funding year to date.</p> <p>Due to the continued high demand for non-elective services which has increased expenditure over the last two months, it will not be possible for the Trust to achieve a year end surplus of £1m as planned. The Trust has therefore agreed with the SHA that it would reduce its income and expenditure forecast outturn to £0.2m. The Trust has also concluded discussions with its main commissioner, NHS Cumbria PCT/CCG and reached an agreement in which they support the Trust's forecast year-end contract position. The Trust has given assurances that there will be an improvement in Q4 in respect of discharge summaries. It is therefore essential that costs are managed in the last two months of the year to ensure the year-end surplus is achieved.</p>		
<b>Income</b>		
<ul style="list-style-type: none"> <li>• Clinical income excluding Strategic Support was £15.7m, £0.9m down against plan but £1.5m higher than December. The increase in income in month relates to an increase in Elective and Outpatient activity.</li> <li>• Total income in January was £19.9m against a plan of £20.6m (December: £19.4m against a target of £18.3m).</li> <li>• Non-elective activity and income levels continue to perform above planned levels in month.</li> <li>• Daycase and inpatient activity levels improved in the month although Electives remain behind the contracted levels. Overall Electives are £2.2m behind the plan with Orthopaedics accounting for 80% of the shortfall to plan. Day cases are £0.6m ahead of t plan.</li> <li>• Outpatient income and activity was higher than plan in January, leading to a £0.7m over performance.</li> <li>• A&amp;E activity was above plan in month, although the total number of attendances was below the monthly average number of attendances seen throughout the year. Overall A&amp;E income is £0.5m above the plan.</li> </ul>		
<b>Expenditure</b>		
<ul style="list-style-type: none"> <li>• Pay expenditure was £12.2m in the month and £0.3m higher than December. This is due to additional enhancements to cover the Christmas and New Year</li> </ul>		

periods.

- The average number of WTEs worked increased from 3,148 WTE in December to 3,166 WTE in January.
- Agency costs increased by £31k to £892k in the month. Total agency spend for the year is now £8m with the largest expenditure continuing to be in the Emergency & Medicine Business Unit. The unit has focused on contracting with 'STAFFflow' Framework agencies which will help to reduce costs in future months.
- Non-pay expenditure was £6.8m, £300k higher than in December.
- Expenditure on Drugs increased by £200k, the majority of this will be funded through PbR excluded drugs in in the contract for clinical income with the commissioners. PFI related costs also increased in month.

### **Cost Improvement Programme(CIP)**

- The Trust savings to the end of January totalled £4.9m.
- The Trust is currently forecasting that the CIP programme will deliver £5.2m, £0.8m short of the revised forecast agreed with the Board in September 2012.
- Work continues to realise additional savings for Quarter 4.

### **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 forecast cash releasing CIPs.
- The Trust continues to monitor cash flow closely to ensure its core obligations are being met but as a consequence will not meet the Better Payment Practice Code this year.

### **Overview of key areas for consideration or noting:**

- The reported surplus continues to be behind plan due to Elective activity being behind the plan and no new CIP schemes being delivered in month. Pay and non-pay costs were higher than the forecast, but are expected to reduce in the next 2 months.
- The year-end forecast surplus has reduced by £0.8m to £0.2m. Expenditure controls have been implemented to ensure this is delivered but without impacting on the quality and safety of patient care.
- Liquidity will be closely managed over the final weeks of the year.

### **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 asked to note the content of this report.

**Prepared by:**

Mr Eric Gardiner  
Deputy Director of Finance

**Presented by:**

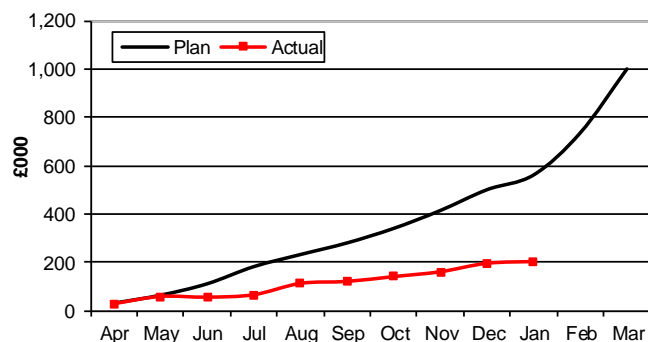
Mr Steve Shanahan  
Interim Director of Finance

## FINANCIAL OVERVIEW - 31st January 2013 (Month 10)

### Income & Expenditure

At the end of January the Trust is reporting a surplus of £204k after technical adjustments against a planned surplus of £562k. Pay costs were £12.2m and including £0.9m of agency costs. Non pay increased by £300k to £6.6m in month. Income was £19.6m in January inclusive of £2.2m of the £26.3m strategic support funding agreed with the Strategic Health Authority and £0.3m winter pressures funding.

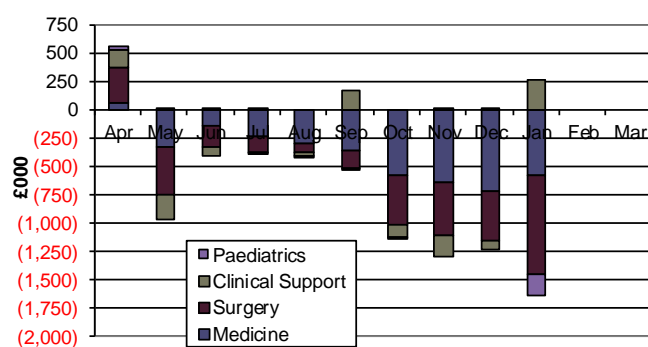
### I&E Performance 2012/13



### Divisional Performance

At the end of January all the business units are reporting overspends as follows: Medicine £3.7m, Surgery £2.9m, Clinical Support £0.1m and Paediatrics £0.1m. The main reason for the overspends remains non achievement of CIP with expenditure run rates generally remaining flat or marginally increasing. Additional controls over non-pay expenditure are being considered in an attempt to reduce the recent trends.

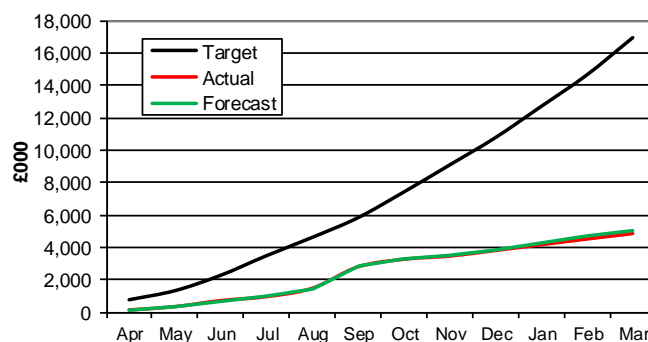
### Divisional Monthly Variance



### 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 £5m, although other schemes are being developed. The CIP achieved by the end of January remained at £4.8m.

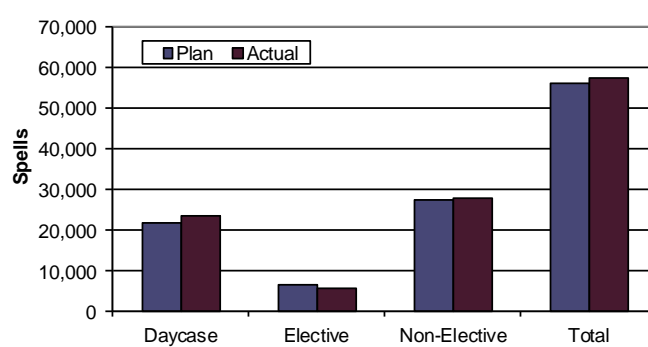
### CIP 2012/13



### Performance Against SLAs

Total Elective activity was 1,027 spells above plan at the end of January. The over performance was all within Daycase activity. Areas ahead of plan include Dermatology, Ophthalmology and Oral Surgery. Non-Elective activity is now ahead of plan by 97 spells at the end of January. This is as a result of continued high levels of activity, in line with the levels seen over the past few months.

### Contract Activity Performance

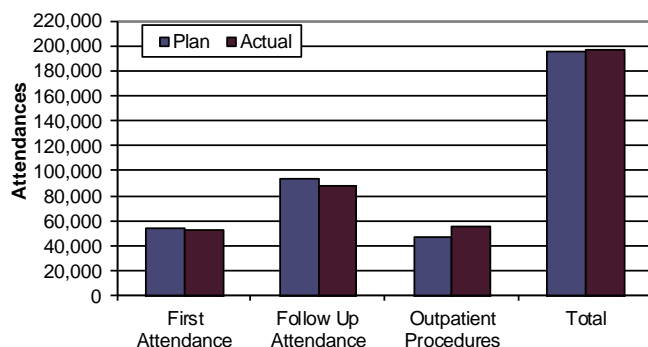


## FINANCIAL OVERVIEW - 31st January 2013 (Month 10)

### Outpatient Performance

Total Outpatient activity is 957 attendances above plan as at the end of January. Outpatient procedures continue to be well above planned levels and the numbers are increasing due to improved clinical coding. The impact of the penalty relating to the new to follow up ratio of outpatients is valued at £3.2m at the end of January, which is below the planned level of £3.4m.

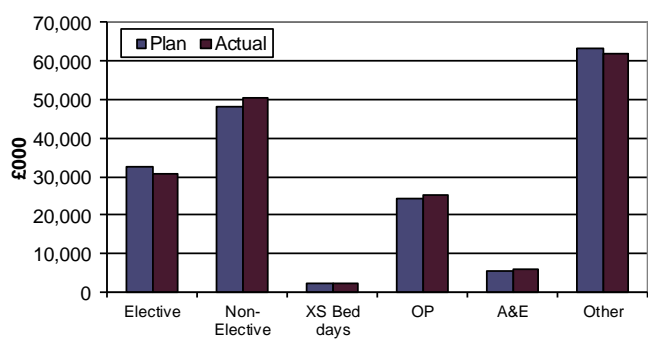
### Outpatient Contract Activity Performance



### Total NHS Clinical Income

The over performance on total clinical income at the end of January is £63k. Non-Electives continue to account for the majority of the over performance which is offset by the loss of income from Electives. The under performance on Elective income is mainly within Orthopaedics, whilst Cardiology and General Surgery are also below planned levels.

### Income Performance by Activity Type



### Statutory Financial Targets

The Trust has reduced its year-end forecast to £0.2m, this is a reduction of £0.8m agreed with the SHA. The BPPC continues to be behind plan due to the overall cash position. Cash continues to be managed closely with the Trust planning to meet all its short term obligations.

### Performance Against Targets

Duty	Target	M10	Forecast
<b>Breakeven Duty</b>	To achieve a breakeven I&E	£206k surplus	£200k 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 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	●	●

## Summary Financial Position 31st January 2013 (Month 10)

(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	%				
<b>Income</b>														
994	0.6%	NHS Clinical Income	210,551	19,202	18,271	(931)	(4.8%)	177,421	177,484	63	0.0%			
165	3.3%	Other NHS Income (R&D, training etc)	6,526	516	584	68	13.2%	5,481	5,715	234	4.3%			
(83)	(5.4%)	Non NHS Clinical Income (PP's, RTA)	2,067	172	113	(59)	(34.5%)	1,723	1,580	(143)	(8.3%)			
333	4.7%	Operating Income	9,310	745	909	165	22.1%	7,820	8,318	498	6.4%			
<b>1,409</b>	<b>0.8%</b>	<b>Total Income</b>	<b>228,454</b>	<b>20,636</b>	<b>19,878</b>	<b>(758)</b>	<b>(3.7%)</b>	<b>192,445</b>	<b>193,096</b>	<b>651</b>	<b>0.3%</b>			
<b>Expenditure</b>														
		<b>EST</b>	<b>WTE</b>	<b>Var</b>										
<b>Clinical Divisions</b>														
(117)	(2.6%)	Paediatrics	113	112	1	(6,054)	(527)	(536)	(10)	(1.8%)	(5,091)	(5,233)	(142)	(2.8%)
68	0.3%	Clinical Support Services	520	501	19	(35,285)	(3,378)	(3,096)	282	8.3%	(29,633)	(29,744)	(111)	(0.4%)
(3,162)	(6.5%)	Medical	1,018	977	78	(58,035)	(4,835)	(5,422)	(587)	(12.1%)	(49,054)	(52,803)	(3,749)	(7.6%)
(2,298)	(5.1%)	Surgical	1,089	1,088	1	(64,090)	(4,980)	(5,853)	(874)	(17.5%)	(53,999)	(56,877)	(2,879)	(5.3%)
<b>(5,509)</b>	<b>(4.4%)</b>	<b>Sub Total</b>	<b>2,740</b>	<b>2,678</b>	<b>99</b>	<b>(163,464)</b>	<b>(13,720)</b>	<b>(14,908)</b>	<b>(1,188)</b>	<b>(8.7%)</b>	<b>(137,777)</b>	<b>(144,658)</b>	<b>(6,882)</b>	<b>(5.0%)</b>
<b>Corporate Directorates</b>														
(1,484)	(9.8%)	Chief Executive	198	203	(5)	(20,063)	(1,625)	(1,970)	(345)	(21.3%)	(16,700)	(18,532)	(1,832)	(11.0%)
53	1.0%	Estates and Facilities	19	17	2	(6,636)	(520)	(605)	(86)	(16.5%)	(5,599)	(5,631)	(33)	(0.6%)
(517)	(9.2%)	Finance	164	169	(4)	(7,453)	(693)	(783)	(90)	(13.1%)	(6,337)	(6,944)	(607)	(9.6%)
99	3.3%	Human Resources	73	71	3	(3,968)	(342)	(339)	2	0.7%	(3,365)	(3,264)	101	3.0%
(26)	(13.4%)	Medical Director	7	7	(0)	(257)	(21)	(57)	(36)	(166.4%)	(214)	(276)	(62)	(28.7%)
48	8.8%	Nurse Director	12	9	3	(726)	(61)	(50)	11	17.6%	(607)	(548)	59	9.7%
59	10.0%	Governance	16	13	3	(795)	(67)	(43)	24	35.4%	(662)	(579)	83	12.5%
6,223	97.9%	Reserves	489	489	1	(10,529)	(2,585)	(15)	2,570	99.4%	(8,944)	(150)	8,794	98.3%
(1,300)	(100.0%)	Cost Improvements	-	-	0	2,000	200	0	(200)	(100.0%)	1,500	0	(1,500)	(100.0%)
<b>(2,352)</b>	<b>(1.5%)</b>	<b>Total Expenditure</b>	<b>3,719</b>	<b>3,655</b>	<b>101</b>	<b>(211,891)</b>	<b>(19,433)</b>	<b>(18,771)</b>	<b>661</b>	<b>3.4%</b>	<b>(178,704)</b>	<b>(180,582)</b>	<b>(1,878)</b>	<b>(1.1%)</b>
<b>(943)</b>	<b>(7.6%)</b>	<b>EBITDA</b>				<b>16,563</b>	<b>1,203</b>	<b>1,107</b>	<b>(96)</b>	<b>(8.0%)</b>	<b>13,741</b>	<b>12,514</b>	<b>(1,227)</b>	<b>(8.9%)</b>
		EBITDA %				7.3%	5.8%	5.6%			7.1%	6.5%		
(11,967)		Impairments				0	0	0	0		0	(11,967)	(11,967)	
(45)	(0.9%)	Depreciation				(6,356)	(530)	(553)	(23)	(4.4%)	(5,297)	(5,365)	(68)	(1.3%)
1	5.2%	Interest receivable				30	3	2	(0)	(13.2%)	25	26	1	3.4%
140	2.8%	Interest payable				(6,725)	(560)	(657)	(97)	(17.3%)	(5,604)	(5,561)	43	0.8%
62	3.4%	PDC Dividend				(2,456)	(205)	110	315	153.7%	(2,047)	(1,670)	377	18.4%
<b>(12,752)</b>	<b>(1681.7%)</b>	<b>Net surplus / (deficit)</b>				<b>1,056</b>	<b>(89)</b>	<b>9</b>	<b>98</b>	<b>(109.7%)</b>	<b>819</b>	<b>(12,024)</b>	<b>(12,841)</b>	<b>(1568.4%)</b>
11,967		Adjustment for Impairments				0	0	0	0		0	11,967	11,967	
102		Adjustment for Donated Assets				0	0	22	22		0	124	124	
381	148.1%	IFRIC 12 / Dual Accounting				(343)	0	14	14	0.0%	(257)	138	395	153.4%
<b>(304)</b>	<b>(60.7%)</b>	<b>Revised Net surplus / (deficit)</b>				<b>713</b>	<b>(89)</b>	<b>44</b>	<b>134</b>	<b>(149.7%)</b>	<b>561</b>	<b>204</b>	<b>(358)</b>	<b>(63.7%)</b>

## Statement of Financial Position January 2013 (Month 10)

	Opening Balance 01-Apr-12 £000	Closing Balance 31-Jan-13 £000	Movement £000	Forecast 31-Mar-13 £000
<b>NON-CURRENT ASSETS:</b>				
Property, Plant and Equipment	130,872	119,293	(11,579)	126,077
Intangible Assets	442	436	(6)	534
Trade and Other Receivables	3,887	4,962	1,075	4,500
<b>TOTAL NON-CURRENT ASSETS</b>	<b>135,201</b>	<b>124,691</b>	<b>(10,510)</b>	<b>131,111</b>
<b>CURRENT ASSETS:</b>				
Inventories	3,332	3,894	562	3,700
Trade and Other Receivables	7,957	16,654	8,697	7,000
Cash and cash equivalents	497	1,047	550	505
<b>CURRENT ASSETS</b>	<b>11,786</b>	<b>21,595</b>	<b>9,809</b>	<b>11,205</b>
<b>TOTAL CURRENT ASSETS</b>	<b>11,786</b>	<b>21,595</b>	<b>9,809</b>	<b>11,205</b>
<b>TOTAL ASSETS</b>	<b>146,987</b>	<b>146,285</b>	<b>(702)</b>	<b>142,316</b>
<b>CURRENT LIABILITIES:</b>				
NHS Trade Payables	(2,393)	(2,232)	161	(3,049)
Non-NHS Trade Revenue Payables	(6,451)	(4,305)	2,146	(8,481)
Non-NHS Trade Capital Payables	(1,128)	(1,400)	(272)	(1,500)
Other Liabilities	(9,364)	(22,245)	(12,881)	(8,469)
DH Working Capital Loan Principal Repayments	(856)	(856)	0	(856)
Borrowings	(2,267)	(2,235)	32	(1,694)
Provisions for Liabilities and Charges	(471)	(245)	226	(194)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(22,930)</b>	<b>(33,519)</b>	<b>(10,589)</b>	<b>(24,243)</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>(11,144)</b>	<b>(11,924)</b>	<b>(780)</b>	<b>(13,038)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>124,057</b>	<b>112,767</b>	<b>(11,290)</b>	<b>118,073</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	(52,830)	(51,119)	1,711	(51,136)
DH Working Capital Loan Principal Repayments	(7,706)	(7,278)	428	(6,850)
Provisions for Liabilities and Charges	(3,510)	(3,356)	154	(3,500)
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>(64,046)</b>	<b>(61,754)</b>	<b>2,292</b>	<b>(61,486)</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>60,011</b>	<b>51,013</b>	<b>(8,998)</b>	<b>56,587</b>
<b>FINANCED BY TAXPAYERS EQUITY:</b>				
Public Dividend Capital	58,018	66,383	8,365	71,268
Retained Earnings	(9,232)	(21,262)	(12,030)	(20,579)
Revaluation Reserve	11,225	5,892	(5,333)	5,898
<b>TOTAL TAXPAYERS EQUITY</b>	<b>60,011</b>	<b>51,013</b>	<b>(8,998)</b>	<b>56,587</b>
Cash in OPG accounts	493	1,043	550	500