

TRUST BOARD

Date of Meeting: 22/01/13	Agenda Item No: 8.1	Enclosure: 11
Intended Outcome:		
For noting ✓	For information	For decision
Title of Report: Finance Report – Month 09 December 2013		
Aims: To update the Trust Board on the financial position of the Trust		
Executive Summary:		
<p>The Trust is reporting a surplus of £197k at the end of December against a planned surplus of £501k. The position is supported by £20.3m 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>The Cumbria CCG is committed to supporting the Trust and to agree a financial settlement for the year. 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. 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"> • Clinical income excluding Strategic Support was £14.2m, £0.5m down against plan and £1.6m less than November. • Total income in December was £19.4m against a plan of £18.3m (November: £19.8m against a target of £19.4m). The improvement against plan was due to the Trust receiving additional money to support pressures during the winter months. • Non-elective activity and income levels continued to perform above plan in December. Demand for non-elective services remained high over the Christmas period with some wards closed due to infectious outbreaks. • Day-Case and inpatient activity was lower than average. This was in part planned for because of the Christmas holiday but in part due to the higher than anticipated level of emergency admissions which resulted in fewer beds for Elective activity. • Year-to-date, Day-Case activity remains ahead of plan and Elective Inpatient activity remains behind plan. • Outpatient income and activity was lower than plan in December, although performance remains above plan year to date. • A&E activity was significantly above plan in month, however it was below the average number of monthly attendances seen year to date 		

Expenditure

- Pay expenditure was £0.2m lower than in November.
- The average number of WTEs worked increased from 3,142 WTE in November to 3,148 WTE.
- Agency costs were down £44k in month.
- Agency spend for the year now totals £7m year to date compared with £4.1m for the same period in 2011/12 with expenditure continuing to be highest in the Emergency & Medicine Business Unit.
- Non-pay in December was £6.3m, £300k lower than in November.
- Expenditure increased in laboratory supplies reflecting the increased level of testing associated with infectious outbreaks.

Cost Improvement Programme(CIP)

- The Trust savings to the end of December 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.
- Work continues to develop further savings plans 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 no new CIP schemes being delivered and the lower than planned elective inpatient activity. Pay and non-pay costs were in line with the forecast and are expected to remain at this level. Action plans to ensure that elective activity recovers in order to achieve the 18 week RTT. This will remain a risk, if emergency admissions continue to impact on the availability of beds.

The forecast year-end surplus of £1m remains at risk if commissioners impose all the contract penalties. However the NHS Cumbria CCG remains committed to supporting the Trust to improve its performance.

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 forecast year-end surplus at risk and result in the Trust having insufficient cash to meet its short term financial obligations.

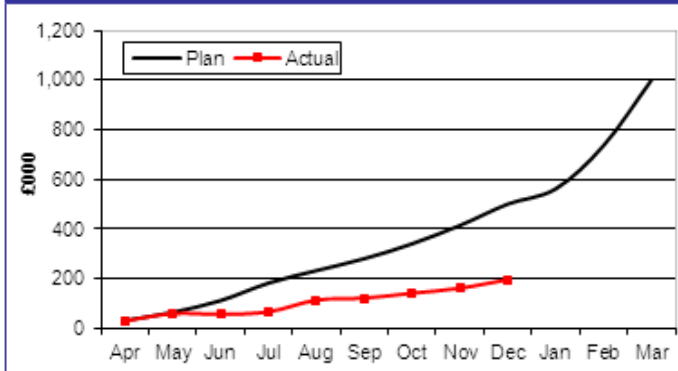
Specific implications and links to the Trust's Strategic Aims:	
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC	
Develop a viable integrated clinical strategy for secondary care services which 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 December 2012 (Month 9)

Income & Expenditure

At the end of December the Trust is reporting a surplus of £197k after technical adjustments against a planned surplus of £501k. Pay costs were £11.8m and included a further £0.9m of agency costs. Non pay decreased by £300k to £6.3m in month. Income was £19.5m in December inclusive of £2.2m of the £26.3m strategic support funding agreed with the Strategic Health Authority and £1.7m winter pressures money.

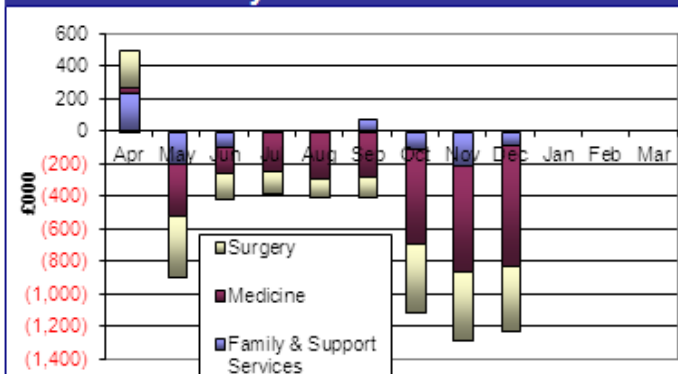
I&E Performance 2012/13



Divisional Performance

At the end of December the clinical divisions reported positions as follows: Family & Support Services £373k overspent, Medicine £3,223k overspent and Surgery £1,930k overspent. The main reason for the overspends remains non achievement of the required level of savings. Expenditure on agency staff reduced by £40k in December with the Medical Division continuing to experience the highest premium costs.

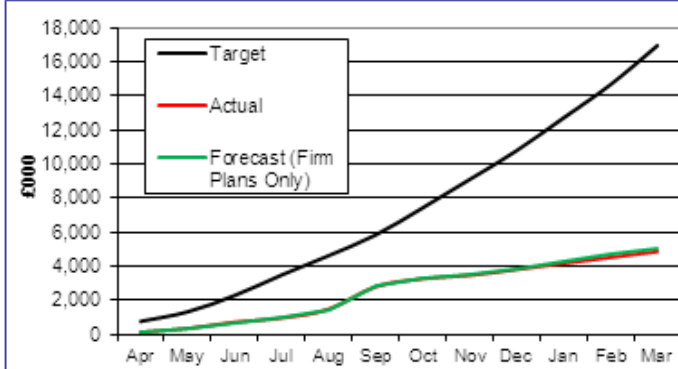
Divisional Monthly Variance



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

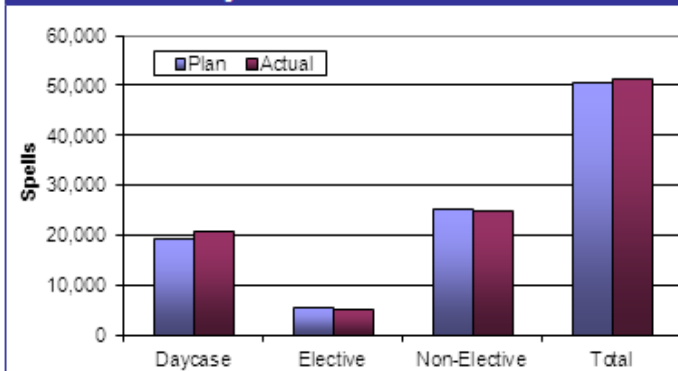
CIP 2012/13



Performance Against SLAs

Total Elective activity was 929 spells above plan at the end of December. 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 251 spells at the end of December, activity was higher than planned in month due to very high levels of emergency admissions.

Contract Activity Performance

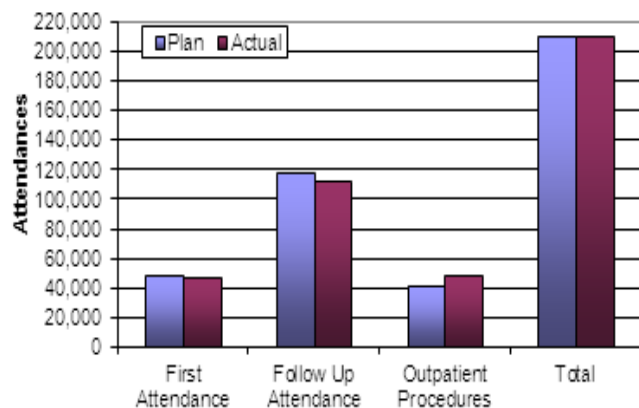


FINANCIAL OVERVIEW - 31st December 2012 (Month 9)

Outpatient Performance

Total Outpatient activity is 58 attendances below plan as at the end of December. 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 £2.7m at the end of December, although the number of follow up attendances has reduced marginally compared to the previous year.

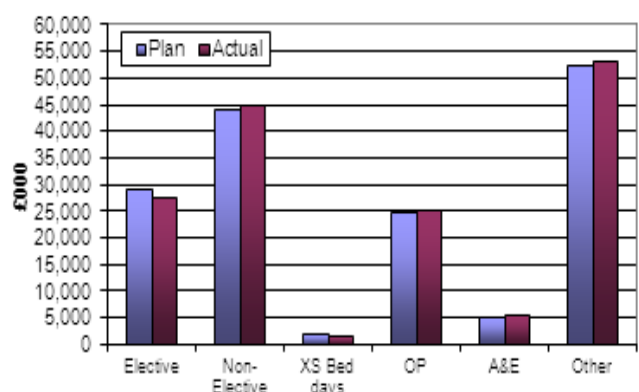
Outpatient Contract Activity Performance



Total NHS Clinical Income

The over performance on total clinical income at the end of December is £993k. Non-Electives continue to be above plan & Dec witnessed a very high level of emergency admissions. The under performance continues to be mainly within Electives and the position worsened in Dec due to the high number of cancelled operations. The under performance on Elective income is mainly within T&O.

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	M09	Forecast
Breakeven Duty	To achieve a breakeven I&E	£197k 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 31st December 2012 (Month 9)

(adverse) / favourable variance

				Annual Budget £000	In Month				Cumulative						
					Budget £000	Actual £000	Variance £000	%	Budget £000	Actual £000	Variance £000	%			
Income															
NHS Clinical Income				208,551	16,853	18,072	1,219	7.2%	158,219	159,213	994	0.6%			
Other NHS Income (R&D, training etc)				6,526	544	567	24	4.3%	4,965	5,131	165	3.3%			
Non NHS Clinical Income (PP's, RTA)				2,067	172	123	(50)	(28.8%)	1,550	1,467	(83)	(5.4%)			
Operating Income				9,310	738	716	(23)	(3.1%)	7,075	7,408	333	4.7%			
Total Income				226,454	18,307	19,477	1,170	6.4%	171,810	173,219	1,409	0.8%			
Expenditure															
	EST	WTE	Var												
Clinical Divisions															
Paediatrics				113	109	4	(6,035)	(506)	(519)	(13)	(2.6%)	(4,580)	(4,697)	(117)	(2.6%)
Clinical Support Services				517	489	28	(33,428)	(2,777)	(2,785)	(8)	(0.3%)	(25,402)	(25,334)	68	0.3%
Medical				1,105	1,058	47	(63,997)	(5,199)	(5,947)	(748)	(14.4%)	(48,898)	(52,060)	(3,162)	(6.5%)
Surgical				1,006	1,003	3	(59,460)	(4,898)	(5,346)	(448)	(9.1%)	(45,328)	(47,625)	(2,298)	(5.1%)
Sub Total				2,741	2,659	82	(162,919)	(13,380)	(14,598)	(1,218)	(9.1%)	(124,208)	(129,716)	(5,509)	(4.4%)
Corporate Directorates															
Chief Executive				198	203	(5)	(20,063)	(1,624)	(1,876)	(252)	(15.5%)	(15,075)	(16,559)	(1,484)	(9.8%)
Estates and Facilities				19	17	2	(6,636)	(521)	(506)	14	2.8%	(5,079)	(5,026)	53	1.0%
Finance				164	169	(4)	(7,343)	(587)	(729)	(142)	(24.2%)	(5,644)	(6,161)	(517)	(9.2%)
Human Resources				73	71	2	(3,928)	(342)	(338)	4	1.2%	(3,023)	(2,924)	99	3.3%
Medical Director				7	7	0	(257)	(21)	(28)	(7)	(31.6%)	(193)	(219)	(26)	(13.4%)
Nurse Director				12	10	2	(726)	(59)	(56)	3	5.0%	(546)	(498)	48	8.8%
Governance				16	13	3	(795)	(66)	(40)	26	39.2%	(595)	(536)	59	10.0%
Reserves				489	489	(0)	(8,936)	(471)	(15)	456	96.8%	(6,358)	(135)	6,223	97.9%
Cost Improvements				-	-	0	2,000	200	0	(200)	(100.0%)	1,300	0	(1,300)	(100.0%)
Total Expenditure				3,719	3,638	82	(209,604)	(16,872)	(18,186)	(1,315)	(7.8%)	(159,421)	(161,773)	(2,352)	(1.5%)
EBITDA					16,850	1,435	1,291	(144)	(10.1%)	12,388	11,445	(943)	(7.6%)		
EBITDA %					7.4%	7.8%	6.6%			7.2%	6.6%				
Impairments					0	0	(11,967)	(11,967)		0	(11,967)	(11,967)			
Depreciation					(6,356)	(530)	(533)	(4)	(0.7%)	(4,767)	(4,812)	(45)	(0.9%)		
Interest receivable					30	3	(0)	(3)	(116.0%)	23	24	1	5.2%		
Interest payable					(6,725)	(560)	(543)	17	3.1%	(5,044)	(4,904)	140	2.8%		
PDC Dividend					(2,456)	(205)	(180)	25	12.0%	(1,842)	(1,780)	62	3.4%		
Net surplus / (deficit)					1,343	143	(11,933)	(12,075)	(8451.8%)	758	(11,995)	(12,752)	(1681.7%)		
Adjustment for Impairments					0	0	11,967	11,967		0	11,967	11,967			
Adjustment for Donated Assets					0	0	(13)	(13)		0	102	102			
IFRIC 12 / Dual Accounting					(343)	(57)	14	71	0.0%	(257)	124	381	148.1%		
Revised Net surplus / (deficit)					1,000	86	35	(51)	(59.5%)	501	197	(304)	(60.7%)		

Statement of Financial Position December 2012 (Month 9)

	Opening Balance 01-Apr-12 £000	Closing Balance 31-Dec-12 £000	Movement £000	Forecast 31-Mar-13 £000
NON-CURRENT ASSETS:				
Property, Plant and Equipment	130,872	118,433	-12,439	131,631
Intangible Assets	442	427	-15	534
Investment Property	0	0	0	0
Other Financial Assets	0	0	0	0
Trade and Other Receivables	3,887	4,676	789	4,500
TOTAL NON-CURRENT ASSETS	135,201	123,537	-11,664	136,665
CURRENT ASSETS:				
Inventories	3,332	3,910	578	3,700
Trade and Other Receivables	7,957	10,211	2,254	7,000
Other Financial Assets	0	0	0	0
Other Assets	0	0	0	0
Cash and cash equivalents	497	3,080	2,583	505
CURRENT ASSETS	11,786	17,201	5,415	11,205
TOTAL CURRENT ASSETS	11,786	17,201	5,415	11,205
TOTAL ASSETS	146,987	140,738	-6,249	147,870
CURRENT LIABILITIES:				
NHS Trade Payables	-2,393	-1,010	1,383	-3,049
Non-NHS Trade Revenue Payables	-6,451	-4,771	1,680	-6,835
Non-NHS Trade Capital Payables	-1,128	-2,000	-872	-3,500
Other Liabilities	-9,364	-16,618	-7,254	-10,325
DH Working Capital Loan Principal Repayments	-856	-856	0	-856
Borrowings	-2,267	-2,266	1	-1,694
Provisions for Liabilities and Charges	-471	-269	202	-194
TOTAL CURRENT LIABILITIES	-22,930	-27,789	-4,859	-26,453
NET CURRENT ASSETS/(LIABILITIES)	-11,144	-10,588	556	-15,248
TOTAL ASSETS LESS CURRENT LIABILITIES	124,057	112,948	-11,109	121,417
NON-CURRENT LIABILITIES				
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
TOTAL NON- CURRENT LIABILITIES	-64,046	-61,754	2,292	-61,486
TOTAL ASSETS EMPLOYED	60,011	51,195	-8,816	59,931
FINANCED BY TAXPAYERS EQUITY:				
Public Dividend Capital	58,018	66,536	8,518	74,612
Retained Earnings	-9,232	-21,239	-12,007	-20,579
Revaluation Reserve	11,225	5,898	-5,327	5,898
TOTAL TAXPAYERS EQUITY	60,011	51,195	-8,816	59,931
Cash in OPG accounts	493	3,075	2,582	500