

TRUST BOARD – 27 FEBRUARY 2013

FINANCE REPORT MONTH 10

PURPOSE	To set out the Trust's financial position compared with the year to date plan for the period ending 31 st January 2013.
PREVIOUSLY CONSIDERED BY	Finance and Performance Committee
Objective(s) to which issue relates *	<input checked="" type="checkbox"/> 1. To improve continuously the quality of all aspects of our services <input type="checkbox"/> 2. To consolidate acute services for complex or serious conditions onto a single site <input type="checkbox"/> 3. To work with colleagues in primary care to expand local access to specialist acute services <input type="checkbox"/> 4. To maintain the pre-eminence of Mount Vernon as a tertiary Cancer Centre, and to provide more cancer care locally
Risk Issues (Quality, safety, financial, HR, legal issues, equality issues)	Financial risks are described in the main report
Healthcare/ National Policy (includes CQC/Monitor)	Financial and contractual compliance with Department of Health policies including the Operating Framework for 2012/13. Monitor's Financial Risk Rating metrics are used within the report and appendices.
CRR/Board Assurance Framework *	<input type="checkbox"/> Corporate Risk Register <input checked="" type="checkbox"/> BAF
ACTION REQUIRED *	
For approval	<input type="checkbox"/>
For discussion	<input checked="" type="checkbox"/>
For decision	<input type="checkbox"/>
For information	<input type="checkbox"/>
DIRECTOR:	Director of Finance
PRESENTED BY:	Director of Finance
AUTHOR:	Director of Finance
DATE:	15 th February 2013

*We put our patients first We work as a team We value everybody We are open and honest
We strive for excellence and continuous improvement*

* tick applicable box

Finance Report for Month 10
(to the end of January 2013)

1. Purpose of report

To set out the financial position of the Trust at the end of January 2013. The attached appendices provide details of the financial position to this point; the key issues are highlighted in this report.

2. Summary position

The position for the month of January 2013 is shown in Appendix 2 and summarised in the following table:

£000	Plan January	Actual January	Variance	Plan YTD	Actual YTD	Variance
Income	30,035	30,108	74	288,622	286,600	(2,022)
Expenditure	(27,741)	(28,383)	(642)	(273,247)	(275,989)	(2,743)
EBITDA	2,294	1,726	(568)	15,375	10,610	(4,765)
Depreciation and PDC	(915)	(839)	76	(9,152)	(8,396)	756
Interest	(187)	(144)	43	(1,872)	(1,455)	417
Net surplus/deficit	1,191	742	(449)	4,351	758	(3,592)

The Trust is reporting a surplus of £742k in the month of January against a planned surplus of £1,191k, creating an adverse in-month variance of £449k. The year to date surplus is now £758k which is £3,592k behind the original plan.

In terms of performance against the revised surplus trajectory the deficit for January is £451k worse than the forecast, as illustrated in Appendix 12. The cumulative December position was £183k worse than forecast, so the Trust is currently £634k worse than forecast. At this stage the year end revised net surplus of £0.5m remains.

The adverse variance from forecast is mainly due to a reduction in Road Traffic Accident (RTA) income for the period April – January 2013, due to the lower number of claims that have been notified to the Trust by the Compensations Recovery unit. Although Divisions have significantly overspent against forecast, this has been offset by higher clinical income and winter pressure funding.

There has been a continued good performance on CIPs (101% in month). The Trust is reporting a Financial Risk Rating of 2 in month 10, as shown at Appendix 1, although this is still forecast to improve to a 3 by the year end.

3. Key issues - Month 10 income and expenditure

Clinical Income

Income related to clinical activity was £350k better than forecast and £197k above the original plan in the month with high emergency activity offsetting shortfalls on elective admissions. Income would have been higher but for the fact that we are exceeding the emergency "threshold" beyond which we only receive 30% of the tariff. A&E activity, Outpatient activity and non PbR cost and volume activity were all close to plan overall. Within the category of non-PbR cost and volume, maternity income continues to track below plan (-£82k or 4.4% in the month) but this was offset by stronger performance on Critical Care and Neonatal Care. The shortfall in elective admitted care related mainly to inpatient admissions and was fairly broadly spread with noticeable shortfalls on Orthopaedics and General Surgery.

Divisional contribution performance within our SLR calculations mirrored the comments above with under performance on elective surgery translating into a deficit for the month versus plan for Surgery of £681k, whereas the Medical Division benefited from the high emergency workload and showed a positive variance of £568k.

Other Income

There has been an adverse reported variance of £455k in month for RTA income which reflects lower claims notified to the Trust by the Compensation Recovery Unit (CRU) relating to April – January 2013. In previous months, the Trust had assumed similar income levels to those experienced in 2011/12 as Trust data does not suggest that there has been a reduction in RTA patients. In this month's financial position the Trust is taking the more prudent view of the likely income for this year. Several exchanges of correspondence have taken place but it is still unclear as to the reason for the apparent significant reduction in new claims. More recently a letter has been sent from the Finance Director requesting further clarification.

Winter pressures funding relating to costs incurred in January and prior months has been included in the month 10 position which results in a favourable variance on other income. The remaining winter pressure funding will be brought into the February and March financial position.

Divisional Position against forecast

The Clinical Divisions are collectively reporting an adverse variance of £1,134k from forecast in month as shown in the table below:

Division	M10 Forecast Variance £000s	M10 Actual Variance £000s	Variance from Forecast £000s
Medical	-54	-383	-329
Surgical	73	-372	-445
Women's & Childrens	14	-23	-37
Clinical Support	-57	-245	-188
Cancer	43	-92	-135
Total	19	-1,115	-1,134

The main reason for the adverse variance from forecast for the Medical Division and the partial reason for the Surgical Division, is the cost of undertaking higher activity and the opening of additional capacity due to winter pressures. Much of this work is undertaken at a premium agency or locum rate and this had been funded via the winter pressures bid. In addition, the Surgical Division had several cost pressures relating to locum doctor cover and backdated pay arrears to some Consultants.

The adverse variances from forecast in Clinical Support and the Cancer Services division are mainly due to a shortfall in private patient income. The private patient unit that was relocated to the Lister at the start of January was used as a winter pressure ward to support additional NHS activity during the month. It is expected that this private patient income will increase as NHS activity returns to more typical levels and with the increasing interest from some Consultants to develop their private patient activity on the Lister site.

Agency expenditure

Agency expenditure was £587k in January compared with a target of £493k. This represents the highest monthly agency expenditure since June 2012. The increase is mainly on agency nursing with expenditure of £229k in month compared with an average monthly expenditure of £109k for the first nine months of the financial year. £64k of the £109k increase relates to directly staffing additional ward capacity due to winter pressures. The reasons for the remaining increase are being investigated, with a particular focus on the effectiveness of the systems employed by NHS Professionals.

The Trust has an agreed trajectory of a 20% reduction in agency expenditure this year, equating to a £1.6m reduction. On this basis, at this point in the year the Trust's planned spend on agency staff was £5.5m (April to January). The actual year to date spend is £5m.

The average worked agency WTE from April – January 2013 is 61 WTE compared with 77 WTE for the same period in 2011/12. This represents a 21% reduction in agency hours worked compared with a 25% reduction in agency expenditure for the same periods.

Cost Improvement Programme

The Trust has delivered £1,462k against a target of £1,449k (101%) in month and £11,580k (95%) year to date. All Divisions are forecasting 100% delivery by year end.

4. Cashflow – year to date and forecast

The graphs contained within Appendix 8 show that actual cash at the end of January is £5.7m, being £4.2m below plan.

Income received for January was £5m above plan, of which £3m was a duplicate payment from South East Essex PCT. The Trust has also received a temporary loan of £4.9m from DH as it is unable to start pulling down investment loan for the Theatres and Wards development until March. The strengthened cash position has allowed the Trust to maintain an overall BPPC performance at 75%, with non-NHS supplier payments increasing to 82%.

Capital is now forecast to underspend by £3.2m. This, combined with the likelihood of a high level of capital creditors in March, means that the Trust now looks able to achieve its original year end cash plan of £10.4m.

5. Capital

The Trust's capital programme is summarised in Appendix 9. At the end of January the year to date capital expenditure is £9m which is below the plan of £12m.

Projected capital expenditure for the year is £20.6m and currently indicates a year end under-spend of £3.2m. This is as a result of further reprofiling of the Theatres and ED schemes and changes in the TPP and IM&T forecasts.

Slippage on capital schemes in this year will be a first call on the capital programme for next year. It is estimated that the uncommitted capital available for 2013/14 will only be around £2.6m. The Capital Control Group will be discussing priorities against this sum for 2013/14 at its next meeting.

6. Action plan to achieve revised net surplus

An update on the recovery actions that were reported in last month's finance report are:

i) **Ensure the appropriate level of Transformation Funding is received in 2012/13**

The Trust is in an advanced stage of agreement with the PCT regarding the approval of the two outstanding transformation bids. A final decision is expected following the PCT board meeting in February 2013. A full update will be provided at the February Board.

*Action Lead; Chief Executive
Resolution now expected by end February 2013*

ii) **Review and maximise Mount Vernon Income**

All actions presented in the Mount Vernon income paper have now been implemented and are subject to ongoing monitoring. The income position for Mount Vernon has seen a continued improvement in January, which is a third consecutive month of improvement, from the trend reported in the first six months of the year.

*Action Lead; Divisional Director, Cancer Services
Actions are the subject of ongoing monitoring through the weekly PMO process (DoF/DoOps)*

iii) **Minimise contractual risks/penalties with the PCT/CCG**

The key negotiations under this heading relate to the Readmission Policy and a potential change to the Emergency threshold. Both Directors of Finance have been in recent correspondence regarding this and are in the final stages of agreement. A full update will be provided at the February Board.

*Action Lead; Director of Finance
Resolution expected end February 2013*

iv) Divisions' financial recovery plans

Progress is monitored regularly against Divisions' forecast trajectory, and mitigating actions have been requested to be developed where adverse variances from forecast are not supported by additional income. All Divisions have been requested to ensure that only essential expenditure, required to deliver clinical activity, is committed to in the final weeks of the financial year.

Actions are the subject of ongoing monitoring through the weekly PMO process (DoF/DoOps)

V) Winter Pressures Funding

The Trust has been successful in obtaining £1.65m of winter pressures funding to support costs already incurred as well as new schemes to ensure delivery of A&E performance targets. Funding relating to January 2013 and earlier months has been brought into the month 10 financial position, with the remainder to be brought into the February and March position.

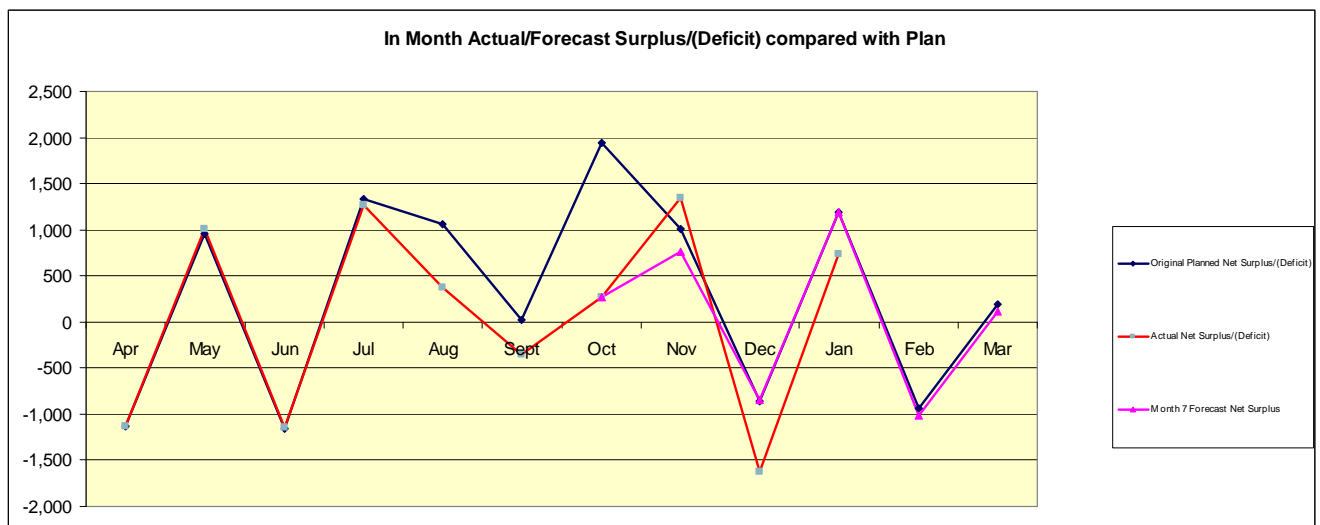
Action Lead; Director of Finance – action now complete

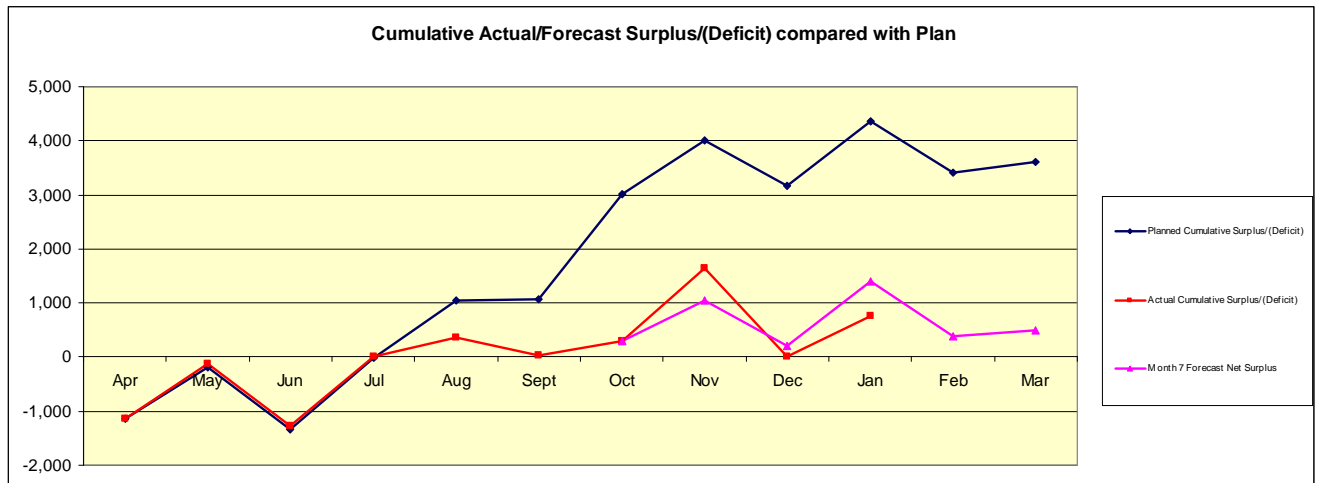
7. Summary

Although the January position was £451k worse than the forecast for the month, it is expected that the Trust will achieve its revised control total of £0.5m at year end.

This is clearly subject to satisfactory negotiations with the PCT/CCG regarding outstanding contractual risks and transformation funding. These negotiations are in the final stages and will therefore be completed and reported to the Boards of both organisations at the end of February.

The two graphs below illustrate the planned monthly and cumulative performance for the remaining periods in 2012/13.





Appendix 13 tracks the forecast Financial Risk Rating over the remaining months based on these revised figures. This shows that the Trust will deliver a Financial Risk Rating of 3 at the end of financial year, although this is a weakened position and more susceptible to being downgraded to a 2 than was previously the case.

Members of the Board are asked to note the month 10 financial position, the revised year end forecast trajectory and the actions required to ensure the revised target is achieved

**Paul Traynor
 Director of Finance
 February 2013**