East and North Hertfordshire NHS Trust

Agenda Item: 10b

TRUST BOARD MEETING – 24 JULY 2013

FINANCE REPORT MONTH 3

PURPOSE	To set out the Trust's financial position for the period ending 30 June 2013.
PREVIOUSLY CONSIDERED BY	N/A
Objective(s) to which issue relates *	☑ 1. To continuously improve the quality of our services in order to provide the best care and optimise health outcomes for each and every individual accessing the Trust's services ☐ 2. To excel at customer service, achieving outstanding levels of communication and patient, carer and GP satisfaction ☐ 3. To provide and support the best standards of integrated care for the elderly and those with long term conditions by developing key partnerships and services ☐ 4. To consolidate services and enhance local access to specialist services in order to deliver high quality, safe, seamless, innovative and integrated services which are sustainable ☐ 5. To support the continued development of the Mount Vernon Cancer Centre and provision of leading local and tertiary cancer services ☐ 6. To improve our staff engagement and organisational culture to be amongst the best nationally
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 2013/14. Monitor's Financial Risk Rating metrics are used within the report and appendices.
CRR/Board Assurance Framework *	☐ **Corporate Risk Register** ☑ **BAF**

ACTION REQUIRED *

For approval	☐	For decision	☐
For discussion	☑	For information	☐

DIRECTOR:	Director of Finance
PRESENTED BY:	Director of Finance
AUTHOR:	Director of Finance
DATE:	12 July 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

East and North Hertfordshire NHS
NHS Trust

Finance Report for Month 3
(to the end of June 2013)

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1. Purpose of report

To set out the financial position of the Trust at the end of June 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 June 2013 is shown in Appendix 2 and summarised in the following table:

£000	Plan June	Actual June	Variance	Plan YTD	Actual YTD	Variance
Income	28,110	28,362	252	85,869	86,022	153
Expenditure	(28,173)	(28,421)	(248)	(85,029)	(85,484)	(455)
EBITDA	**(63)**	**(59)**	**4**	**840**	**538**	**(302)**
Depreciation and PDC	(877)	(877)	0	(2,631)	(2,631)	0
Interest	(195)	(195)	0	(585)	(582)	3
Net surplus/deficit	**(1,134)**	**(1,130)**	**4**	**(2,375)**	**(2,674)**	**(299)**

The Trust delivered a £1,130k deficit in June against a planned deficit of £1,134k, creating a favourable in-month variance of £4k. There is a year to date deficit of £2,674k, which is £299k behind the plan.

Income is ahead of plan in the month and year to date. Pay expenditure, and in particular agency nursing usage, has improved in the month, but there has been a deterioration in the non pay position.

The CIP performance in month is disappointing with a 79% in month achievement due to slippage on some schemes which were due to commence in June. The Financial Risk Rating for the month is a 2 as expected and shown at Appendix 1.

3. Key issues - Month 3 income and expenditure

Income

Total clinical income in June was slightly above plan at £23,536k, a positive variance of £342k. This was mainly attributable to the reported position at Mount Vernon which benefited from a correction of prior month income on palliative care and in consequence exceeded budget by £313k in the month.

For acute services the main headlines were as follows. A&E was below plan for both activity and value with a notable drop in the average acuity levels, this is being investigated to determine if this is a genuine product of patient mix or simply problems in data recording. In admitted care, elective admissions were modestly above plan for the first time this year whilst non-elective care was broadly in line with plan. Outpatients continue to run ahead of plan driven by higher orthopaedic and cardiology attendances. Other notable variances are for direct access radiology and intensive care (ahead of plan by £134k and £191k respectively) whilst maternity activity is under plan by £87k in the month.

The other area of deficit is CQUIN which shows as minus £146k in the month and £285k year to date. This underachievement for CQUIN reflects an adjustment to the maximum value achievable (as the Trust was required to exclude so-called "pass-through payments" such as high cost drugs and PTS from the 2.5% calculation) and a more conservative view on potential outturn. This will be reviewed again when the actual results for CQUIN quarter one performance is confirmed and so the Trust may see a more positive position in future months.

Pay Expenditure

The pay overspend in month was £125k, which is an improvement in the levels of overspend seen during April and May. This improvement is particularly in the Medical and Surgical Divisions. A summary of the pay variance in month and year to date by Division is summarised below.

Division	**Pay Variance in month £000s**	**Pay Variance year to date £000s**
Medical	(103)	(556)
Surgical	(46)	(263)
Cancer	37	90
Clinical Support	(55)	(144)
Womens & Childrens	(24)	(14)
ISTC	53	173
Corporate	13	25
Total Pay Variance	**(125)**	**(690)**

The most significant pay overspend by staff group is for nursing which accounts for £135k of the in month variance and £515k of the year to date variance. The main reasons for the nursing overspend are the cost of opening additional capacity at both Lister and QEII site (£86k in month, £286k YTD), additional staffing in A&E which has been funded from month 3 (£7k in month, and £69k YTD) and the increase in agency usage. There has been an improvement in the nursing overspend in month which is mainly as a result of a reduction in agency expenditure.

The other significant variance by staff group is for non clinical staff which shows a £39k in month and £180k year to date overspend. This variance is almost entirely for R&D (£27k in month, £92k YTD) and ISTC (£24k in month, £77k YTD). The costs of these non clinical staff is supported by income.

Staff group	Pay Variance in month £000s	Pay Variance year to date £000s
Medical	22	3
Nursing	(135)	(515)
Scientific & technical	41	8
Other Clinical	(15)	(6)
Non Clinical	(39)	(180)
Total Pay Variance	**(125)**	**(690)**

The in month variances have been categorised in the table below as variances due to operational, CIP and other reasons. The operational category includes variances due to changes in activity, the agreed opening of additional capacity and authorised extra staffing for quality/patient safety.

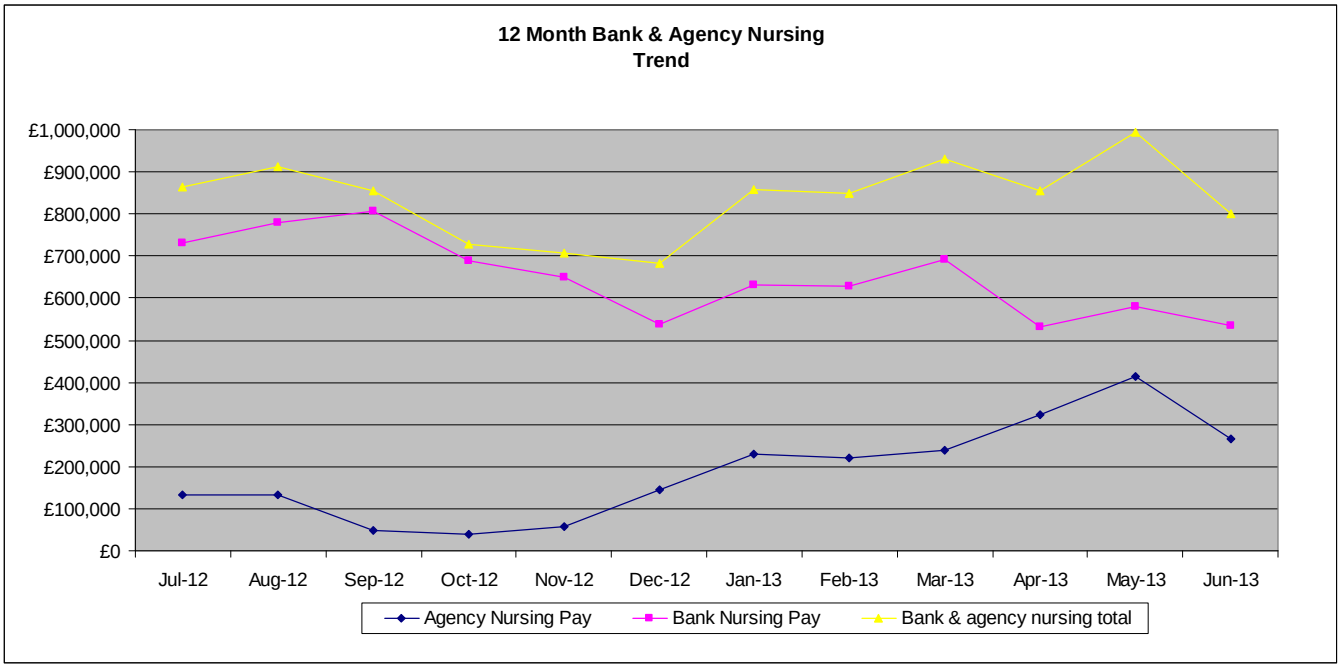
Division	Operational (Capacity/ Activity) £000s	CIP £000s	Other £000s	Pay Variance in month £000s
Medical	(86)	0	(17)	(103)
Surgical		(58)	12	(46)
Cancer		52	(15)	37
Clinical Support	(40)	(4)	(11)	(55)
Womens & Childrens	(24)	(15)	15	(24)
ISTC		0	53	53
Corporate		(5)	18	13
Total Pay Variance	**(150)**	**(30)**	**55**	**(125)**

The main pay overspends in month relate to operational issues, particularly for additional capacity in Medicine £86k, which has now closed from the end of June. £40k of additional sessions for radiology to support the increase in direct access activity and £24k in Childrens due to higher neonates and children's activity than planned have also been incurred. Slippage on a few CIP schemes, particularly in the Surgical Division, has contributed £30k to the overspend. There has been a £55k favourable variance due to 'other' reasons, although £53k relates to ISTC where the costs are recharged so this has been offset by a reduction in non clinical income.

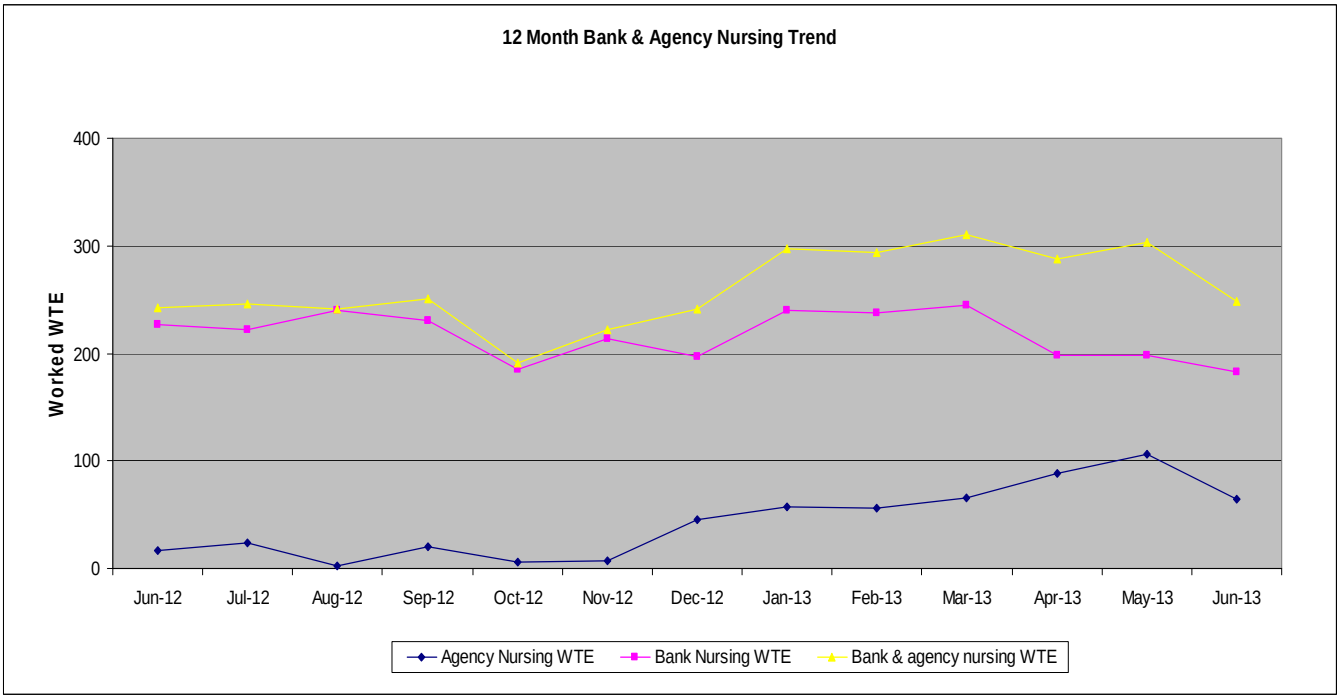
Agency expenditure

Total agency expenditure was £583k in June, which is a decrease of £232k from May. £150k of the decrease in agency expenditure was in nursing areas where usage had continued to rise over the past six months and peaked during May 2013.

The graph below shows the trend for bank and agency nursing expenditure for the last twelve months. This clearly shows the increase in agency nurse expenditure from December 2012, with a corresponding decrease in bank expenditure.



The graph below shows the trend in bank and agency nursing usage, expressed in worked WTE, during the previous twelve month period. This demonstrates how additional bank and agency hours have been used since January 2013 with the opening of additional capacity and additional nursing staff working in the Emergency department. Although the total bank and agency hours worked from January to May was relatively consistent, during April and May there was a significant switch from bank usage to the more expensive agency usage.



Daily meetings have taken place since mid June 2013 with the Director of Nursing, Director of Operations, Nursing Service managers and NHS Professionals, to review the next 24 hour agency usage requests. This has had a positive financial effect on agency usage during June, however this has resulted in an increase in 'unfilled' shifts. Senior nursing staff are spending a significant proportion of their time re-allocating staff across wards to ensure that the higher unfilled rate does not have a significant impact on quality. This unfilled rate is unsustainable in the long term and the bank fill rate needs to improve. Auto enrolment of the Trust's existing nurses should be in place from 1st August so this should boost the bank fill rate. In addition, it is anticipated that the reliance on temporary staff will reduce from later in the Autumn when the vacancy factor reduces as the current recruitment drive starts to have a positive effect.

Non Pay Expenditure

The non pay overspend in month was £264k which is significantly greater than the overspend in the first two months of the year. A summary of the non-pay variance in month and year to date by Division is summarised below.

Division	**Non-pay Variance in month £000s**	**Non-pay Variance year to date £000s**
Medical	(82)	(30)
Surgical	(118)	(122)
Cancer	(14)	(81)
Clinical Support	(8)	11
Womens & Childrens	10	(6)
ISTC	16	39
Corporate	(68)	(150)
Total non-pay Variance	**(264)**	**(340)**

The in month non-pay variances have been categorised in the table below as variances due to operational, CIP and other reasons.

Division	**Operational (Capacity/ Activity) £000s**	**CIP £000s**	**Other £000s**	**Non-pay Variance in month £000s**
Medical	(54)	(1)	(27)	(82)
Surgical	(43)	(40)	(35)	(118)
Cancer		(39)	25	(14)
Clinical Support		0	(8)	(8)
Womens & Childrens		(2)	12	10
ISTC		0	16	16
Corporate		(65)	(3)	(68)
Total non-pay Variance	**(97)**	**(147)**	**(20)**	**(264)**

The main reason for the adverse variance on non-pay is due to non achievement/slippage of CIP schemes (£147k). £97k relates to costs of delivering additional activity in cardiology and elective surgery, and this will be covered by additional clinical income. The main 'other' non pay variances relate to a one off increase in stock levels for the Emergency department (£20k) and a double order of hearing aids (£30k), which should result in lower spend in July.

Cost Improvement Programme

The Trust has delivered £753k against a target of £954k (79%) in month, and £1,959k ytd (86%). The phasing of the CIP programme is summarised in appendix 10.

Several CIP schemes which were due to commence in June have slipped, particularly in the Surgical Division which accounts for almost half of the adverse performance in month. The Executive team and the Divisions are currently analysing the full CIP program for this year in order to understand the scale of risk due to slippage. Given the content and structure of the efficiency programme remains valid, the risk in 2013/14 is likely to be non-recurrent and the Executive team are therefore considering how to manage this as a matter of urgency.

4. Cashflow

The cash balance at the end of June was £7.4m against a target of £7.0m. AS planned, the latest instalment of the DH/treasury loan for OCH project was a;so drawn down (£7.2m)

An application is being prepared for submission to the TDA and DH for the £10.4m anticipated PDC. However, there are indications that the Trust may only get PDC if it can demonstrate that taking a loan is unaffordable.

It is still anticipated that the planned cash balance at year end will be around £4m to achieve the EFL target of £46.7m.

5. Capital

The Trust's capital programme is summarised in Appendix 9. It totals £56.9m of which £9m relates to transfers from Hertfordshire Partnership FT for the land and buildings it occupies on the QE11 and Lister sites.

Capital spend at the end of June is £5.6m which is a £2.3m underspend against plan of which £1.8m relates to the Phase 4 OCH programme, primarily theatres, and £0.6m relates to a variety of Trust schemes.

Project leads are indicating that schemes will largely catch up during the year but an undershoot on OCH is now expected which will produce a £1m forecast underspend on capital at 31 March 2014.

6. Summary

The month 3 financial position is marginally ahead of plan in the month but behind plan on a year to date basis. There has been a disappointing performance on CIPs in the month.

In line with the financial plan, a FRR of 2 is reported in month.

Members of the Trust Board are asked to note the year end financial position.

Paul Traynor
Director of Finance
July 2013