Agenda Item: 10b

TRUST BOARD MEETING – 25 SEPTEMBER 2013

FINANCE REPORT MONTH 5

PURPOSE	To set out the Trust's financial position for the period ending 30 August 2013
PREVIOUSLY CONSIDERED BY	FPC on 18 September 2013
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:	13 September 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 5
(to the end of August 2013)

1. Purpose of report

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

£000	Plan August	Actual August	Variance	Plan YTD	Actual YTD	Variance
Income	29,096	29,529	433	146,266	147,101	834
Expenditure	(28,200)	(28,766)	(566)	(141,983)	(143,275)	(1,292)
EBITDA	**896**	**763**	**(133)**	**4,283**	**3,825**	**(458)**
Depreciation and PDC	(877)	(877)	0	(4,384)	(4,384)	0
Interest	(195)	(195)	0	(974)	(971)	4
Net surplus/deficit	**(176)**	**(308)**	**(133)**	**(1,076)**	**(1,530)**	**(454)**

The Trust delivered a £308k deficit in August against a planned deficit of £176k, creating an adverse in-month variance of £133k. There is a year to date deficit of £1,530k, which is £454k behind the plan.

The Trust has incurred £217k of legal and project management costs relating to the mobilisation of the Surgicentre in month. Excluding this cost, there would have been a favourable in month variance of £84k and the year to date variance would be £237k. Discussions are ongoing with National Trust Development Authority (NTDA) regarding additional funding to cover the expected £2m shortfall as a result of mobilising and operating the Surgicentre this year. Whilst this is ongoing, the Trust's year end forecast has been reduced by £2m to £0.1m, to reflect the issue. The graph in appendix 1 demonstrates the revised trajectory post-surgicentre, assuming no additional funding is received.

CIP performance has improved from July, but is still £231k adverse in month (85% delivery), with a year to date variance of £984k (81% delivery). The Financial Risk Rating for the month remains at 2 as expected and shown at Appendix 1.

3. Key issues - Month 5 income and expenditure

Income

Clinical income for August showed a healthy surplus of £805k versus plan. Not all of this was attributable to the performance in month as the results benefitted from a number of revisions to prior month values. Chief amongst these was a £347k increase to non-elective income once the impact of fully coded activity had been applied. This reinforces the view (as reported to FPC and Trust Board earlier in the financial year) that the current estimates of uncoded spells (activity) are too pessimistic and this will be revisited with a view to improving their accuracy next month. The calculation for CQUIN income has also been reviewed and, as a consequence, raised the estimate of year to date earnings by £163k.

Otherwise August income was positive despite the fact that historically, the Trust has often seen a marked decline in activity due to the holiday season. Outpatient activity, elective day case and GP direct access diagnostic work all showed some reduction compared to earlier months this year but were above the plan for August in aggregate. Renal Dialysis activity is still behind but should start catching up now that the Harlow unit has opened. Mount Vernon also had a positive month, slightly ahead of plan overall.

At a Divisional level, all Divisions showed income above Plan in the month, with the biggest surpluses in Surgery (plus £426k driven by non-elective income and critical care) and Women's & Children's (plus £159k driven by high maternity and neonatal activity).

Pay Expenditure

The pay overspend in month was £226k, of which £50k relates to costs due to the Surgicentre mobilisation. 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	(145)	(768)
Surgical	(191)	(420)
Cancer	42	111
Clinical Support	(57)	(288)
Womens & Childrens	20	(32)
ISTC	83	298
Corporate	71	103
Surgicentre mobilisation	(50)	(50)
Total Pay Variance	**(226)**	**(1,046)**

The most significant pay variance (£191k) is within the Surgical Division, £94k of which relates to slippage on various pay CIP schemes. £58k relates to the opening of additional bed capacity and £52k is due to overspends on ward nursing, £30k of which is due to the premium attached to agency usage.

The Medical Division has a £145k adverse pay variance in month. £35k of the overspend is due to non recurrent staffing costs due to the Emergency department decant to new ED unit. £24k relates to additional nursing staffing required to maintain safe staffing levels due to activity and acuity of patients at the Lister ED. The business case for the extra staffing has now been approved and funding will be transferred for next month. An additional £24k of costs has been incurred to open additional bed capacity. The remaining overspends are due to £21k of waiting list payments to deliver outpatient activity and ward overspends due to high sickness and agency premium costs.

Clinical support is the only other Division with a pay overspend in month, of which £26k relates to additional radiology staff to support an increase in GP direct access activity, for which the Trust receives income. £13k relates to slippage in delivery of CIP schemes. Other Divisions, and particularly the Corporate areas, have underspends on pay as a result of not covering vacancies.

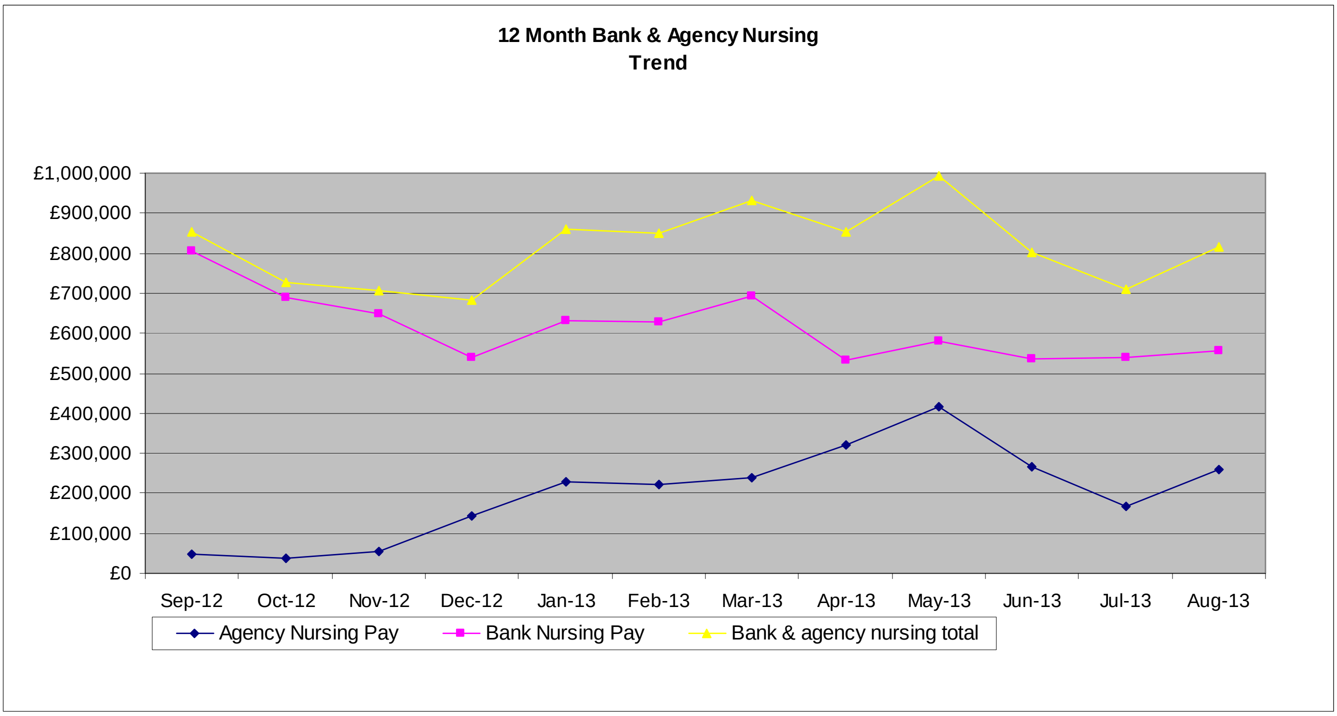
The in month variances have been categorised in the table below as variances due to operational, CIP and other reasons. The operational category includes variances due to changes in activity, the agreed opening of additional capacity and authorised extra staffing for quality/patient safety.

Division	**Operational (Capacity/ Activity) £000s**	**CIP £000s**	**Other £000s**	**Pay Variance in month £000s**
Medical	(104)	(7)	(34)	(145)
Surgical	(58)	(94)	(39)	(191)
Cancer		4	38	42
Clinical Support	(26)	(13)	(18)	(57)
Womens & Childrens		(8)	28	20
ISTC			83	83
Corporate		(10)	80	71
Surgicentre mobilisation			(50)	(50)
Total Pay Variance	**(188)**	**(128)**	**90**	**(226)**

<u>Agency expenditure</u>

Total agency expenditure was £709k in August, which is an increase of £93k from July. £92k of this increase is on agency nursing.

The graph below shows the trend for bank and agency <u>nursing</u> expenditure for the last twelve months. This clearly shows that after two consecutive months of a reduction in agency nurse expenditure, agency spend has started to rise in August. The daily meetings which commenced in mid June 2013 with the Director of Nursing, Director of Operations, Nursing Service managers and NHS Professionals are still in place, to review the next 24 hour agency usage requests



<u>Non Pay Expenditure</u>

The non pay overspend in month was £654k, of which £167k relates to legal and contractor costs for the Surgicentre mobilisation. 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	(141)	(304)
Surgical	(114)	(284)
Cancer	(51)	(236)
Clinical Support	(19)	(44)
Womens & Childrens	(12)	(15)
ISTC	(14)	15
Corporate	(137)	(412)
Surgicentre mobilisation	(167)	(167)
Total non-pay Variance	**(654)**	**(1,447)**

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	(27)	(89)	(25)	(141)
Surgical	(11)	(68)	(35)	(114)
Cancer		(50)	(1)	(51)
Clinical Support	(5)	4	(18)	(19)
Womens & Childrens		(9)	(3)	(12)
ISTC			(14)	(14)
Corporate		(67)	(70)	(137)
Surgicentre mobilisation			(167)	(167)
Total non-pay Variance	**(43)**	**(279)**	**(333)**	**(654)**

The main reason for the adverse variance on non-pay is due to non achievement/slippage of CIP schemes (£279k) and costs incurred due to the mobilisation of Surgicentre (£167k). £62k of the overspend in the corporate area relates to high estates costs due to the seasonal impact of air conditioning, one off repair costs and some costs relating to prior months for fire alarm. Adverse variances on drugs and medical and surgical consumables has contributed to the remaining overspend in Clinical Divisions and work is being undertaken to determine whether this is a result of additional activity.

<u>Cost Improvement Programme</u>
The Trust has delivered £1,283k against a target of £1,514k (85%) in month, and £4,204k year to date (81%). The phasing of the CIP programme is summarised in appendix 10.

Several pay and non pay CIP schemes which were due to commence in the last two months have slipped, particularly in the Surgical and Medical Divisions. This has been partially offset by some over-performance against income CIPs, however the net position is an adverse performance on CIPs by £231k in month and £984k year to date.

Additional project manager resource has been agreed to provide some focused support for both Divisions in delivery of key CIP schemes. The Executive team and the Divisions continue to analyse 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. <u>Cashflow</u>

The cash balance at the end of August was £2.083m against a target of £6.481m largely resulting from creditor payments being higher than plan for the second successive month.

A temporary borrowing application has been submitted to the TDA and DH until the final £10.386m of Phase 4 financing is resolved, as either PDC or Capital Investment Loan (CIL), and the £5.1m transitional relief is received. Discussions with the TDA regarding both of these amounts are ongoing. The forecast cashflow has been revised to reflect the latest assumptions, which include receipt of £10.386m as PDC or CIL in December together with the transitional relief on the same timescale. It is also assumed that the Trust will receive the majority of the anticipated transformation funding (total £6.5m) in February with the balance in March. The first tranche of temporary borrowing is scheduled from week commencing 23rd September, with further amounts due the following week and again in October. In total the Trust has requested £15.5m of temporary borrowing which is planned to repay in December and January when it is anticipated that the sums outlined above will be received

Subject to the successful resolution of the issues outlined above, it is still anticipated that the cash balance at year end will be around £4m as planned and required to delivery the Trust's EFL target.

5. Capital

The Trust's capital programme is summarised in Appendix 10. 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 August is £10.198m, which is a £3.4m underspend against plan of which £2.0m relates to the Phase 4 OCH programme, primarily theatres, and £1.4m relates to a variety of Trust schemes.

Project leads across the Trust have confirmed that schemes will spend as per their allocations by year end with the exception of a £1.7m underspend on OCH.

6. Summary

The month 5 financial position is marginally behind plan in the month, however excluding the costs for Surgicentre mobilisation, a small positive variance would have been achieved. The year end forecast has been revised to £0.1m (previously £2.1m) to reflect the anticipated £2m shortfall this year as a result of mobilising and operating the Surgicentre. This is pending confirmation from the NHS England, NTDA and/or CCG as to whether additional funding will be received. There continues to be a disappointing performance on CIPs in the month and year to date and corrective action to address the slippage has been taken.

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

Paul Traynor
Director of Finance
September 2013