FINANCE AND PERFORMANCE COMMITTEE – 18 DECEMBER 2013

FINANCE REPORT MONTH 8

PURPOSE	To set out the Trust's financial position for the period ending 30 October 2013
PREVIOUSLY CONSIDERED BY	**FPC**
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:	14 December 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

Consolidated Finance Report for Month 8
(to the end of November 2013)

1. Purpose of report

This report sets out the consolidated financial position of the Trust, including the impact of the Treatment Centre, to the end of November 2013.

2. Summary position

The position for the month of November 2013, including the impact of the Treatment centre, is shown in Appendix 2 and summarised in the following table:

£000	**Plan November**	**Actual November**	**Variance**	**Plan YTD**	**Actual YTD**	**Variance**
Income	30,633	31,568	935	239,162	239,483	321
Expenditure	(28,941)	(29,828)	(887)	(228,446)	(231,839)	(3,392)
EBITDA	**1,692**	**1,740**	**48**	**10,716**	**7,644**	**(3,071)**
Depreciation and PDC	(1,151)	(980)	171	(7,701)	(6,851)	850
Interest	(195)	(198)	(3)	(1,559)	(1,578)	(19)
Net surplus/deficit	**346**	**563**	**216**	**1,457**	**(784)**	**(2,241)**

The Trust delivered a £563k surplus in November against a planned surplus of £346k, creating a favourable in-month variance of £216k. There is a year to date deficit of £784k, which is £2,241k behind the plan.

Against the Trust's revised forecast, which is the subject of a separate FPC paper, the month 8 results are £118k worse than expected.

The variances against original plan and revised forecast, splitting between the Treatment centre and remainder of the Trust are illustrated in the table below.

	In month variance - plan	**In month variance - forecast**	**YTD variance - plan**	**YTD variance - forecast**
Treatment Centre	(132)	36	(1,216)	36
Trust (excl TC)	348	(154)	(1,024)	(154)
Total Variance	**216**	**(118)**	**(2,241)**	**(118)**

Further details of the reasons for the main variances are presented in the two separate papers.

East and North Hertfordshire NHS Trust

Finance Report for Month 8 (Excluding Treatment Centre)
(to the end of November 2013)

1. Purpose of report

This report sets out the financial position of the Trust at the end of November 2013, excluding the impact of the Treatment Centre. 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 November 2013, excluding the impact of the Treatment Centre, is summarised in the following table:

£000	Plan November	Actual November	Variance	Plan YTD	Actual YTD	Variance
Income	28,864	29,884	1,020	234,705	235,773	1,068
Expenditure	(27,446)	(28,286)	(840)	(224,674)	(227,598)	(2,924)
EBITDA	**1,418**	**1,598**	**180**	**10,031**	**8,175**	**(1,856)**
Depreciation and PDC	(877)	(706)	171	(7,016)	(6,166)	850
Interest	(195)	(198)	(3)	(1,559)	(1,578)	(19)
Net surplus/deficit	**346**	**694**	**348**	**1,457**	**431**	**(1,025)**

The Trust delivered a £694k surplus in November against a planned surplus of £346k, creating a positive in-month variance of £348k. There is a year to date surplus of £431k, which is £1,024k behind the plan.

A separate paper is being presented to the Finance Committee regarding the year end forecast with key assumptions and risk scenarios. A year end forecast of £2.1m is assumed although this is subject to risks as outlined in the paper. This forecast was based on the month 7 year to date position, and so includes a forecast for the month of November. It was forecast that there would be an in month surplus of £849k, compared with an actual surplus delivered of £695k, resulting in an adverse variance in month of £154k.

CIP performance is 87% in month, with a year to date variance of £1,719k (84% delivery). The Financial Risk Rating for the month, and year end forecast, remains at 2, as expected, and shown at Appendix 1.

3. Key issues - Month 8 income and expenditure (against original plan)

Income

November clinical income included Winter Pressures support to the value of £867k and this drove an overall surplus versus plan for the month of £1,152k.

Non-elective admissions continue to be on the high side but this was not reflected in income, which (after allowing for the Winter Pressures contribution above) was £381k below plan. This is due to a drop in the average price per spell which has been evident since the end of August and probably relates to seasonal fluctuations in the composition of the case mix (work is on-going to understand this in more detail but it does not seem to be related to length of stay shifts or variations in the age mix). Outpatient activity and income continue to perform strongly and are expected to remain so on the back of a push to drive waiting list levels to a stable platform for the delivery of 18 week maximum waits. These higher activity levels are beginning to show up in the elective admitted workload with income in this area above plan in the month for the first time this year. Other variances worthy of note were in the neonatal critical care unit which was very busy in November, maternity services, where activity was somewhat above plan and a shortfall on Ambulatory Care (Ward Attenders) where the department is temporarily space constrained during the current building programme.

From a Service Line perspective, much of the clinical income over-performance was offset by adverse expenditure variances leaving a small positive surplus overall, but the picture at the Divisional level is rather mixed. Women's and Children's have the most positive picture with expenditure in line with plan and gains on income therefore dropping through to the bottom line. Surgery's and Cancer Services spend overruns were more than compensated by the additional income brought in with busy outpatient and elective workloads whereas Clinical Services Divisions had higher adverse spend than positive income gains. The Medicine Division continues to struggle with both a small adverse income variance and a substantial negative expenditure variance.

Pay Expenditure

The pay overspend, against the original plan, was £399k in month and the year to date overspend is £2,207k. Encouragingly, this represents a significant improvement to the pay position as reported last month, which showed a £618k overspend. This improvement is mainly due to a reduction in agency usage. 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	(257)	(1,420)
Surgical	(102)	(703)
Cancer	0	106
Clinical Support	(162)	(695)
Womens & Childrens	29	(41)
Corporate	93	153
ISTC - pay underspend recharged to Clinicenta (pre TC) & offset by SLA income	0	393
Total Pay Variance	**(399)**	**(2,207)**

The most significant pay variance (£257k) is within the Medical Division, although this was a significant improvement on the £355k pay overspend reported in the previous month. The improvement was mainly due to a reduction in bank and agency usage. The additional ward capacity, to cope with increasing non elective admissions, has continued to be opened and has resulted in a £129k overspend. It has been assumed in the forecast that this capacity will remain open for the remainder of the financial year. There was also a £45k overspend in ED medical staff to provide safe cover for the volume and acuity of patients. £18k of waiting list payments have been incurred to deliver additional outpatient activity, for which the Trust receives income. The main remaining overspend are on general wards due to agency premium, high sickness and one to one specialling.

The Clinical Support division incurred a £162k in month pay overspend. £120k of this overspend relates to the cost of delivering additional activity for radiology direct access, outpatients and hospital based activity. Of the £38k 'other' pay overspend, £25k relates to agency pathology Consultants costs to cover a vacancy and sickness.,

£68k of the £102k pay overspend in the Surgical Division relates to non achievement of CIP schemes. The £23k operational variance relates to the cost of delivering additional outpatient clinics and the remaining 'other' overspend is on general wards due to the agency premium.

The Cancer, Women and Childrens and Corporate divisions are break even or underspent against pay budgets.

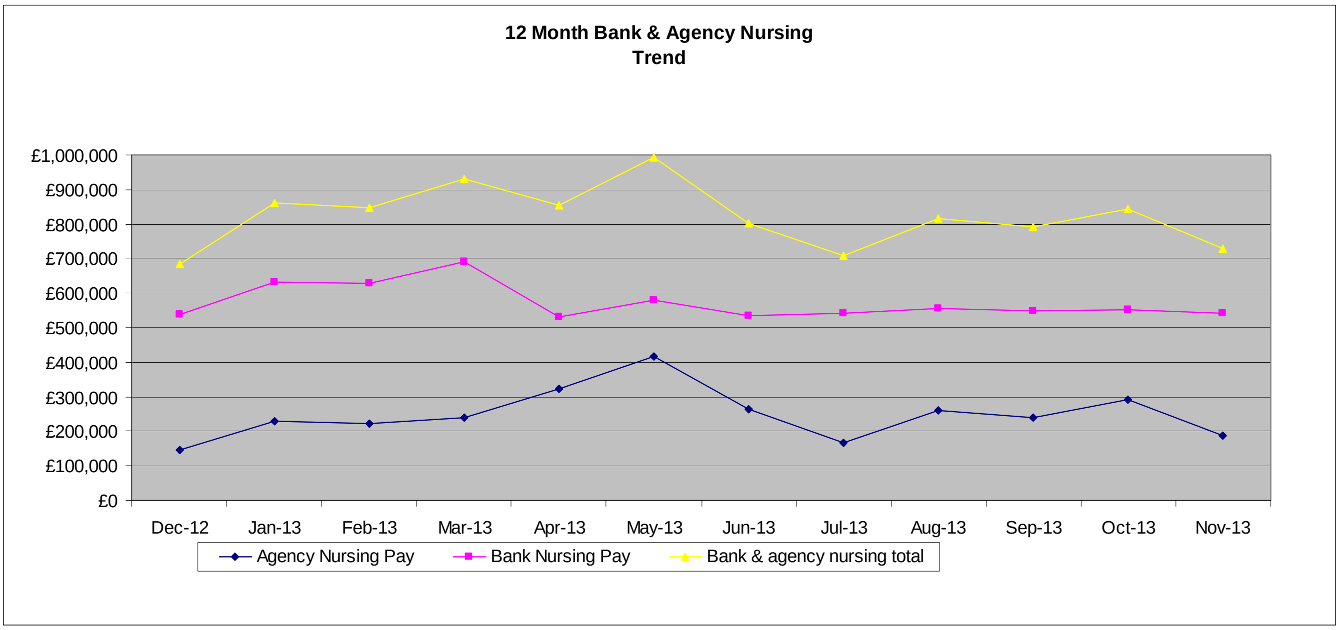
The in month variances have been categorised in the table below as variances due to operational, CIP and other reasons. The operational category includes variances due to changes in activity, the agreed opening of additional capacity and authorised extra staffing for quality/patient safety.

Division	**Operational (Capacity/ Activity) £000s**	**CIP £000s**	**Other £000s**	**Pay Variance in month £000s**
Medical	(201)	(7)	(49)	(257)
Surgical	(23)	(68)	(11)	(102)
Cancer	(9)		9	0
Clinical Support	(120)	(4)	(38)	(162)
Womens & Childrens	(27)	1	55	29
Corporate	0	0	93	93
Total Pay Variance	**(380)**	**(78)**	**183**	**(399)**

Agency expenditure

Total agency expenditure, excluding the treatment centre, was £726k in November, which is a reduction of £167k from October. Of the £726k agency expenditure, £391k relates to medical staffing, £188k nursing and £147k other staff, including scientific and administration staff. The estimated premium cost, and impact on the reported financial position of the £726k agency expenditure, is £163k.

The graph below shows the trend for bank and agency nursing expenditure (excluding treatment centre) for the last twelve months. This shows that agency nursing has decreased by £103k from the previous month, and is at the lowest since July 2013. Bank expenditure remains relatively constant.



The bank and agency nursing expenditure is associated with a number of factors. The Trust has 30 winter contingency beds open which do not have a substantive establishment. Further unfunded contingency is flexed according to capacity needs, this can vary from 0 -9 beds per day. It should be noted that although the Trust has undertaken a significant recruitment drive for clinical support workers and nurses there is currently a 7.86% vacancy factor within the clinical ward areas, which is higher than the Trust average. The sickness rate for nursing and midwifery is also higher than the Trust average with an overall rate of 4.56% but with variation between wards from 0.49% to 16.16%.

Stringent authorisation processes are in place for agency approval but currently some agency care workers will be required to provide safe care to patients. An e-roster project is currently underway which will provide further controls in relation to bank and agency usage. In summary this includes: a revised e-roster policy; re-alignment of e-rosters with the financial envelope; implementation of an interface between e-roster and NHSP databases which will ensure that vacant shifts requiring bank fill are put out earlier to NHSP which should ensure a higher bank fill rate thus reducing the need for agency fill. This will not eliminate short notice shift requests, as some is unavoidable due to short term sickness and unplanned leave such as carers leave.

Non Pay Expenditure

The non pay overspend, against the original plan, was £955k in month and the year to date variance is £3,539k. 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	(309)	(1,037)
Surgical	(212)	(1,054)
Cancer	(124)	(487)
Clinical Support	(119)	(412)
Womens & Childrens	(24)	(35)
Corporate	(168)	(571)
ISTC - non pay underspend recharged to Clinicenta (pre TC) & offset by SLA income	0	59
Total non-pay Variance	**(955)**	**(3,539)**

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	(148)	(112)	(49)	(309)
Surgical	(86)	(101)	(25)	(212)
Cancer	(34)	(68)	(22)	(124)
Clinical Support	(45)	3	(78)	(119)
Womens & Childrens	(14)	(4)	(6)	(24)
Corporate	0	(68)	(100)	(168)
				0
Total non-pay Variance	**(327)**	**(350)**	**(278)**	**(955)**

£350k of the adverse variance on non-pay is due to non achievement/slippage of CIP schemes. £327k of the overspend relates to costs incurred to deliver additional activity or other recognised operational issues. Examples of this include; £148k within the Medical division for cardiology stents, CPAP machines and renal haemodialysis consumables and £86k in the Surgical division relating to hearing aids, plastic surgery prosthesis and other theatre consumables.

Of the £100k ‘other’ overspend in the Corporate division, £66k relates to additional costs incurred in the estates department. £40k of the overspend relates to general estates maintenance costs which should have been charged to capital, this will be corrected next month. The remaining £25k relates to consultancy costs for reducing utility bills. The overspends in other corporate departments relate to consultancy staff working in the PMO and strategy teams, where the funding is within pay budgets.

£30k of the £78k ‘other’ overspend in the Clinical Support division is for repairs costs for pathology equipment, which is expected to continue until the new equipment has been procured in early February, and is now built into the forecast. A further £32k of backdated charges for Danwood printing services has also been incurred.

Cost Improvement Programme
The Trust has delivered £1,632k against a target of £1,884k (87%) in month, and £8,855k year to date (84%). The phasing of the CIP programme is summarised in appendix 10.

Several pay and non pay CIP schemes have continued to slip, particularly in the Surgical, Cancer and Medical Divisions, however this has been partially offset by an over delivery of Trustwide CIP schemes. The PMO office has now been established and is supporting the Medical and Surgical Divisions, in particular, with the project planning and implementation of some of the CIP schemes.

4. Key issues - Month 8 income and expenditure (against forecast)

Income
Clinical income overall was in line with the forecast for the month, although there were favourable variances on elective and outpatient income, which was offset by lower than forecast non elective income, due to the drop in the average price of the spell.

Expenditure
Expenditure was overall £154k worse than forecast. The Medical, Cancer and Clinical Support divisions were above forecast in the month, and the Surgical and Womens and Childrens division were below forecast. Further analysis needs to be undertaken regarding the drivers for the variances from forecast, and mitigating actions will need to be developed to bring the position back within forecast.

5. Cashflow

The cash balance at the end of October was £3.380m against a target of £5.615m.

The Trust continues to experience pressure on its cash position pending receipt of the final tranche of funding (£10.386m) for Phase 4. A formal application has been submitted for that funding which will be considered by the Department of Health's ITFF (Integrated Trust Financing Facility) meeting in February, and it is anticipated that the cash will be received in early March. That meeting will determine whether the funding will be PDC (Public Dividend Capital) or CIL (Capital Investment Loan).

In September the Trust received £5.406m of CIL in advance of it scheduled profile and a further £5.1m of temporary borrowing (TBL). The TBL was originally due to be repaid in December when we expected to receive £5.1m of ISTC transitional relief, but the loan period has been further extended as the ISTC invoice has still to be settled. Further temporary borrowing is being sought to cover the period to early March by which time all of the issues outlined above should be resolved.

It is still anticipated that the cash balance at year end will be around £4m as planned and required to deliver the Trust's EFL target.

The year to date BPPC performance dipped to 72.4% in September when the Trust cleared a backlog of outstanding invoices, but it has increased to 75.0% in November. Performance over the next few months will depend on how quickly the outstanding funding issues are resolved.

6. Capital

The table below provide the makeup of the 2013/14 Capital Resource Limit (CRL) of £55.654m as agreed with the Trust Development Agency (TDA).

Capital Resource Limit	**2013/14**
	£000's
Depreciation (excluding donated dep'n)	8,500
Loan – Phase 4	23,165
Additional PDC	10,386
Other internally generated resources	1,727
Disposal Proceeds for QE11	2,700
Birthing Environment	186
HPT Transfer PDC	8,990
Total CRL	**55,654**

In addition there is another £1.2m of funding provided by Macmillan for the new Cancer Treatment centre on the Lister site.

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. However, This HPFT have informed us that this transfer will not occur in this financial year. This will necessitate a reduction to our CRL by the NTDA, giving a revised CRL of £47.896m for the year.

A review of planned expenditure to the end of the year has been carried out in conjunction with Project Managers. As a result forecast expenditure to 31st March 2014 is estimated to be £40.453m which will result in an underspend of £7.4m. The bulk of this (£6.3m) lies with OCH schemes where slippage had previously been expected of £2.0m.

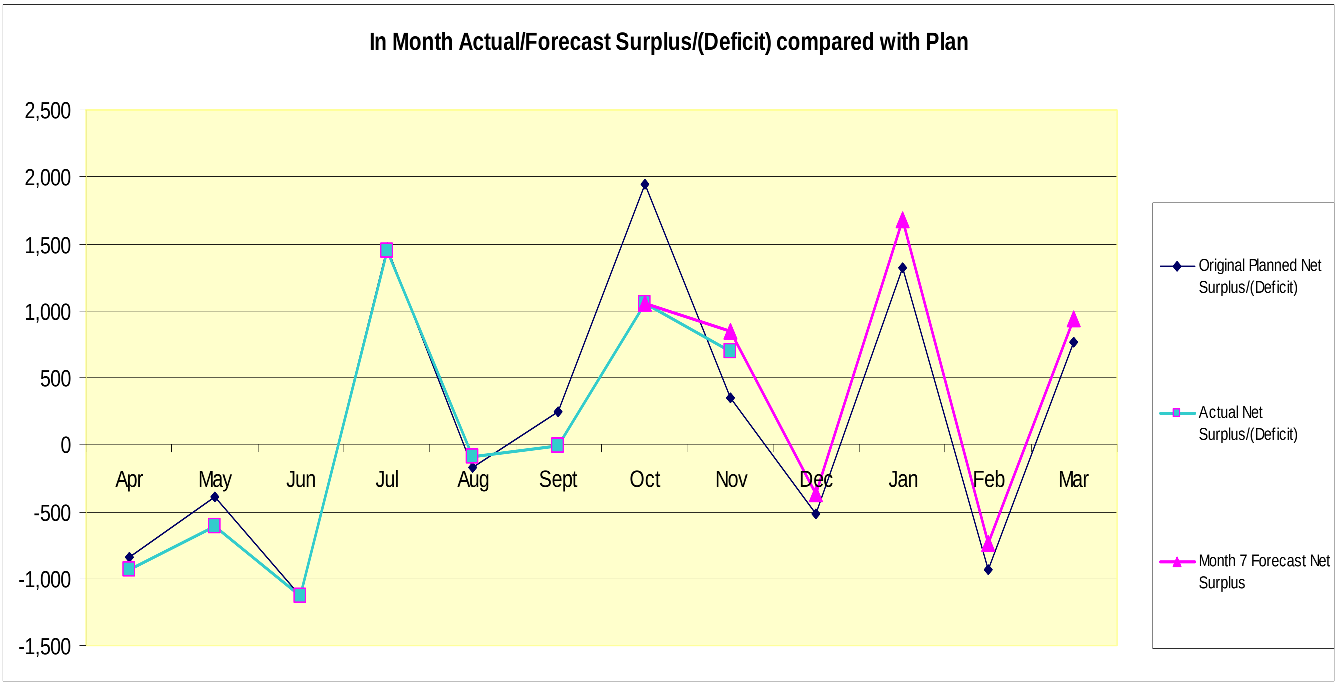
The additional £4.3m has resulted from a re-casting of the work programme and therefore the cashflow forecasts produced by IHP (the contractors on this project). While this indicates a level of additional slippage to building works and equipment this will not be to the detriment of completion of the project, which is expected to be completed on schedule in 2014.

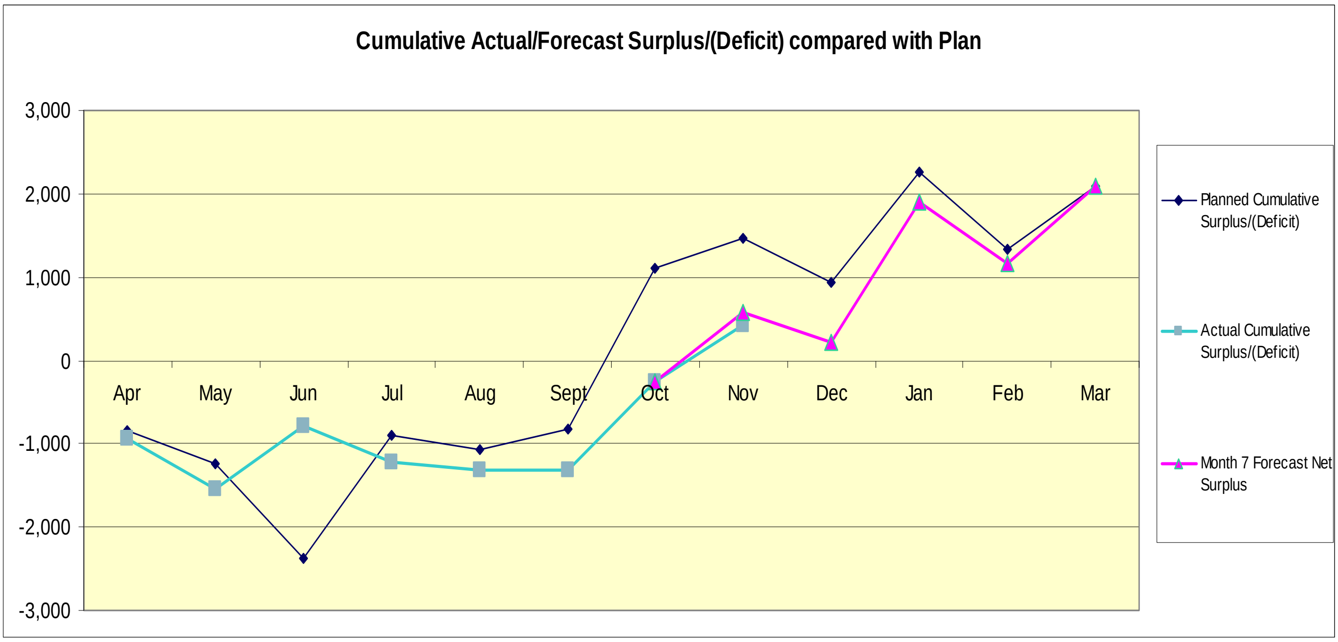
The remaining forecast underspend (£1.1m) includes expenditure on the TPP project which will out-turn at £0.4m below budget. Discussions are underway with the operations team to pull back the estimated underspend of £0.5m on Medical Equipment.

7. Summary

The month 8 financial position is £348k better than the original plan, and £154k worse than the revised forecast for the month. Confirmation has been received that the Trust will receive £1.3m of winter pressures and income has been brought into the position this month to match the expenditure to date. This funding, however, does not cover all the winter pressure costs expected to be incurred this year, and this poses a risk to the year end forecast.

. The two graphs below illustrate the forecast monthly and cumulative performance for the remaining periods in 2013/14.





The Trust is still forecasting a £2.1m surplus, however this will be dependent on complex negotiations with the CCG, as well as ensuring that Divisions control their expenditure within their forecast

Paul Traynor
Director of Finance
December 2013

Finance Report for Treatment Centre Month 8 (to the end of November 2013)

1. Purpose of report

This report sets out the financial position of the Treatment Centre, to the end of November 2013.

2. Summary position

The position for the month of November 2013 for the Treatment Centre is summarised in the following table. Please note the Trust has set a plan which did not impact on its formal control, i.e. a plan to generate a surplus of £2.1m. The plan shown in the table below, therefore, is based on the plan when the centre is fully operational and delivering financial balance hence it totals to a net surplus of 0. It is still anticipated that the Treatment centre will make a loss of £2m this financial year.

£000	**Plan November**	**Actual November**	**Variance**	**Plan YTD**	**Actual YTD**	**Variance**
Income	1,769	1,684	(85)	4,457	3,710	(747)
Expenditure	(1,495)	(1,542)	(47)	(3,772)	(4,241)	(469)
EBITDA	**274**	**142**	**(132)**	**685**	**(531)**	**(1,216)**
Depreciation and PDC	(274)	(274)	0	(685)	(685)	0
Interest						
Net surplus/deficit	**0**	**(132)**	**(132)**	**0**	**(1,216)**	**(1,216)**

The Trust incurred a net deficit of £132k in month for the Treatment centre. £66k of this deficit relates to operating losses of the unit and £66k relates to one off mobilisation and set up costs.

The year end forecast for the Treatment centre is a £2m deficit. The in month forecast was a £168k deficit, so there was a positive variance of £36k against forecast.

3. Income

Income for the Treatment centre is £85k behind plan in the month and £747k year to date. This income is a significant improvement on the previous months reported income variance of £324k adverse against plan. There has been a £168k improvement in income relating to prior months due to clarification of the tariff re-imbursement for retinopathy services, as well as improvements in data capture. Further work is being undertaken by the information, finance and operations teams to reconcile the November treatment centre data to the reported levels of activity, and this may result in a further improvement to the income position.
Table 1 below summarises the activity and income against plan, by specialty and point of delivery.

Table 1 – Activity and Income against Plan – November 2013

	Activity - November 2013				Income - November 2013			-
	Plan Spells	Actual Spells	Variance Spells	Variance %	Plan £000	Actual £000	Variance £'000s	Variance %
Income								
Elective / Daycase								
Orthopaedics	310	171	-139	-45%	767	468	-299	-39%
Ophthalmology	255	245	-10	-4%	190	160	-30	-16%
ENT	81	84	3	4%	101	104	4	4%
General Surgery	80	69	-11	-14%	90	78	-13	-14%
Gynaecology	92	59	-33	-36%	71	49	-22	-31%
Pain Clinic	75	98	23	31%	50	74	24	49%
Total Elective / Daycase	892	726	-166	-19	1,269	933	-336	-27
Other Income								
Ophthalmology Outpatients					299	307	8	3%
Other Outpatients					60	102	42	71%
Retinal screening					38	75	38	101%
CQUIN					33	28	-6	-17%
PbR Drug exclusions					71	71	0	0%
Month 7 refresh						168	168	
Total Other Income					500	752	252	
Total Income	**892**	**726**	**-166**		**1,769**	**1,684**	**-85**	

The income variance for admitted patient care (elective/daycases) is almost entirely on Orthopaedics, where there is a £299k adverse variance in month. Activity is 45% behind plan and income is 39% behind plan for Orthopaedics. GP referrals are starting to switch back for hip and knee replacement activity and activity was higher in November than October. However, based on current capacity and medical workforce, it is difficult to achieve the Orthopaedic activity and income plan for non joint replacement activity. The operational managers of the Treatment Centre have instead worked up plans to achieve the overall income plan from other specialties and activity types.

4. Expenditure

Pay

There is an overspend of £34k on pay in month. £128k of agency expenditure has been incurred in month for staff working at the Treatment Centre, with an estimated premium of £41k. Of this £128k agency expenditure, £76k relates to Ophthalmology medical staff, £35k nursing staff (particularly for theatre ODPs) and £17k for other staff groups. There are ongoing reviews of the establishments and staffing structures within the Treatment Centre, and when confirmed the vacancies will be recruited to, so to reduce reliance in expensive agency staff.

Non Pay

Non pay is underspent by £53k in the month, which is mainly on ophthalmology theatre consumables/lenses due to lower cataract activity than planned.

Mobilisation/Set up Costs

£66k of mobilisation and set up costs were incurred in the month relating to costs of the Treatment centre. This includes the cost of Treatment centre PAS system, which is an additional cost until it is integrated with the Trust pas system. Also general management, IT and information support to the Treatment Centre have been incurred.

5. Summary

The financial position of the Treatment Centre in November was positive, with activity and income levels increasing from October. Further work is being undertaken to ensure that all activity undertaken in the Treatment centre is correctly captured and coded. The Trust is forecasting a year end deficit of £2m but this is dependant on activity and casemix returning to planned levels.

Paul Traynor
Director of Finance
December 2013