Agenda Item: 10b

TRUST BOARD MEETING – 29 JANUARY 2014

FINANCE REPORT MONTH 9

PURPOSE	To set out the Trust's financial position for the period ending 31 December 2013
PREVIOUSLY CONSIDERED BY	**FPC on 22 January 2014**
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:	January 2014

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 9
(to the end of December 2013)

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1. Purpose of report

This report sets out the consolidated financial position of the Trust to the end of December 2013.

2. Summary position

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

£000	Plan December	Actual December	Variance	Plan YTD	Actual YTD	Variance
Income	29,435	29,469	33	268,589	268,952	363
Expenditure	(28,613)	(28,916)	(303)	(257,050)	(260,754)	(3,704)
EBITDA	**823**	**553**	**(270)**	**11,538**	**8,198**	**(3,340)**
Depreciation and PDC	(1,151)	(1,023)	128	(8,851)	(7,872)	969
Interest	(195)	(198)	(3)	(1,754)	(1,775)	(22)
Net surplus/deficit	**(523)**	**(668)**	**(145)**	**934**	**(1,450)**	**(2,383)**

The Trust delivered a £668k deficit in December against a planned deficit of £523k, creating an adverse in-month variance of £145k. There is a year to date deficit of £1,450k, which is £2,383k behind the plan.

Against the Trust's revised forecast, the month 9 results are £110k worse than expected, which is entirely due to the Treatment Centre.

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	(310)	(115)	(1,523)	(79)
Trust (excl TC)	165	5	(860)	(147)
Total Variance	**(145)**	**(110)**	**(2,383)**	**(226)**

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 9 (Excluding Treatment Centre)
(to the end of December 2013)

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1. Purpose of report

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

£000	Plan December	Actual December	Variance	Plan YTD	Actual YTD	Variance
Income	27,648	27,961	313	262,345	263,734	1,389
Expenditure	(27,100)	27,372	(273)	(251,765)	(254,972)	(3,207)
EBITDA	**548**	**589**	**40**	**10,580**	**8,762**	**(1,818)**
Depreciation and PDC	(877)	(749)	128	(7,892)	(6,913)	979
Interest	(195)	(198)	(3)	(1,754)	(1,775)	(21)
Net surplus/deficit	**(523)**	**(358)**	**165**	**934**	**74**	**(860)**

The Trust delivered a £358k deficit in December against a planned deficit of £523k, creating a positive in-month variance of £165k. There is a year to date surplus of £74k, which is £860k behind the plan.

There was a small favourable variance of £5k against the revised forecast, which was agreed at last month's Finance and Performance Committee. The Trust is still forecasting a year end position of £2.1m, although this is still subject to risks, particularly regarding complex negotiations with the CCG.

CIP performance is 90% in month, with a year to date variance of £1,905k (85% delivery). The Financial Risk Rating for the month, and year end forecast, remains at 2, as expected, and shown with the calculation at Appendix 1.

3. Key issues - Month 9 income and expenditure

Income

NHS Clinical income in December was £497k over Plan, which included the benefit of Winter Pressures support to the value of £283k. Income was marginally (£90k) behind the forecast for the month.

The pattern as regards emergency activity continued in much the same way as it has for most of the year: A&E activity levels are below Plan (and below a year ago) but a higher acuity mix of patients has resulted in a larger proportion of A&E attendances requiring admission. As a consequence, emergency admission levels are above Plan. However, the average price of emergency admissions is below expectation so the monthly income for non-elective inpatients was in line with Plan (after allowing for the Winter Pressures benefit referenced above). This situation may shift somewhat once all medical coding has been completed.

Although outpatient activity levels have been rising in the last few months and continued strongly through December (£221k above Plan), this did not reflect in higher admitted elective care which was disappointing showing a negative variance of £217k. On a more positive note, income for activity at Mount Vernon was £339k above Plan in the month while Non-PbR cost & volume activities were slightly below Plan (a drop in the level of recorded births at the Lister was partially offset by high demand for direct access radiology).

The positive income variance at Mount Vernon benefitted the Cancer Services SLR performance in the month which recorded a £392k overall favourable variance. The Women's and Children's Division also achieved a positive SLR variance despite income shortfalls and consequent to tight expenditure control. The Medicine and Surgical Directorates struggled, however, with a combination of income shortfalls and expenditure overruns resulting in negative variances of £357k and £290k respectively.

Division Expenditure against forecast

The Divisions were collectively in the month £68k better than forecast. The only Divisions which had an adverse variance from forecast are the Surgical and Clinical Support Divisions. Both Divisions have been requested to produce a recovery plan as to how they can pull back their adverse variances from forecast in quarter 4.

Division	**Forecast variance in month £000s**	**Actual variance in month £000s**	**Variance from forecast in month £000s**
Medical	(494)	(440)	54
Surgical	(246)	(277)	(31)
Cancer	(67)	(47)	20
Clinical Support	(111)	(194)	(83)
Womens & Childrens	(5)	37	42
Corporate	(2)	64	66
Total	**(925)**	**(857)**	**68**

Pay Expenditure

The pay overspend, against the original plan, was £162k in month and the year to date overspend is £2,368k. Encouragingly, this represents the second consecutive month with a significant improvement to the pay position. 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.

Pay variance against original plan

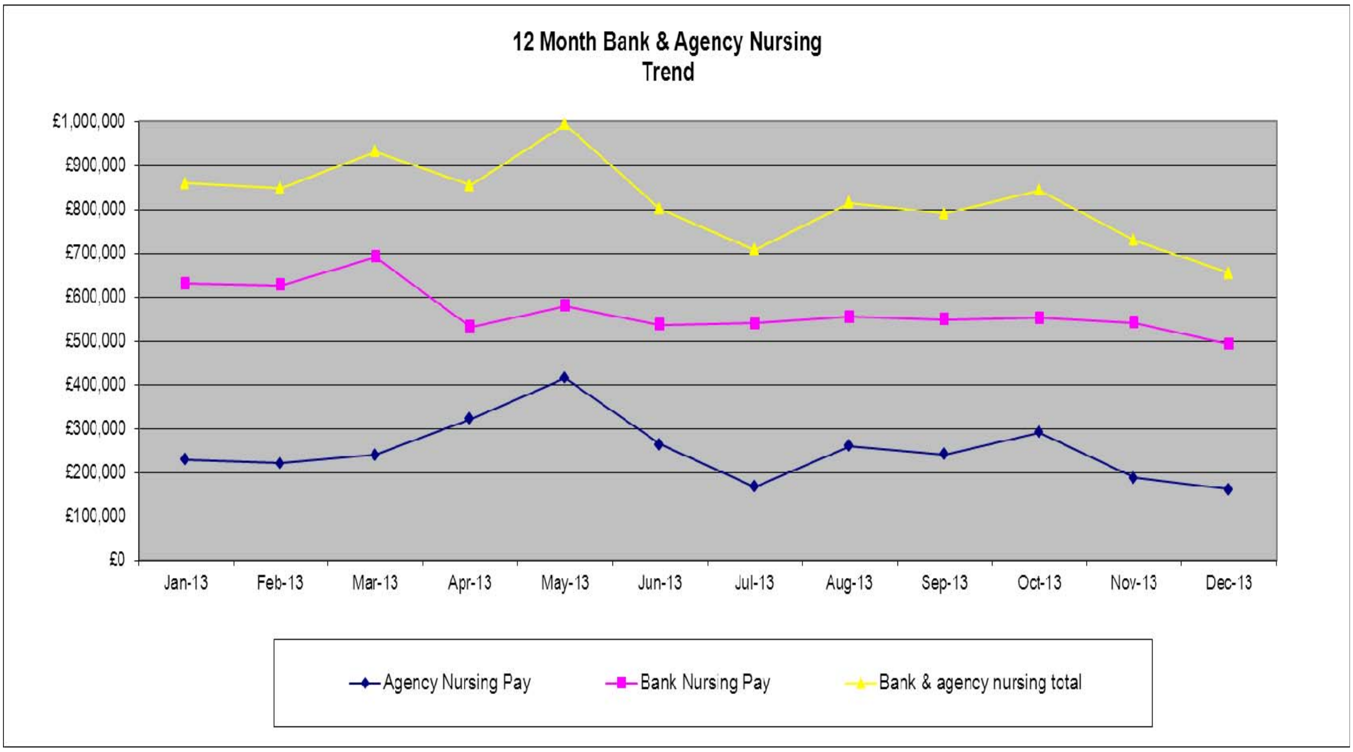
Division	**Pay Variance in month £000s**	**Pay Variance year to date £000s**
Medical	(151)	(1,571)
Surgical	(99)	(802)
Cancer	(31)	76
Clinical Support	(57)	(752)
Womens & Childrens	66	25
Corporate	110	263
ISTC - pay underspend recharged to Clinicenta (pre TC) & offset by SLA income	0	393
Total Pay Variance	**(162)**	**(2,368)**

The pay variance was £187k better than forecast in the month, which is mostly in the Surgical (£90k) and Medical Divisions (£89k). The Medical Division had a one off benefit of approximately £90k due to a review of all outstanding shifts on the NHSP system, which resulted in the closing of many shifts which had been booked but not worked. The Surgical Division's favourable variance was mainly due to lower use of anaesthetic locums and waiting list payments.

Agency expenditure

Total agency expenditure, excluding the treatment centre, was £537k in December, which is a reduction of £189k from November. Of the £537k agency expenditure, £276k relates to medical staffing, £162k nursing and £99k other staff, including scientific and administration staff. The estimated premium cost, and impact on the reported financial position of the £537k agency expenditure, is £167k.

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 £26k from the previous month, and is at the lowest level in the last twelve months. Bank expenditure was also slightly lower in the month.



The reduction can be explained in part by the stringent authorisation processes that remain in place for agency approval but also in part by the reduced ability to fill the required shifts, particularly over the New Year period when full winter contingency capacity was opened, The staffing was managed using a risk assessment process throughout the New Year period to ensure safe levels of staffing. An e-roster project is currently underway which will provide further controls in relation to bank and agency usage. However, not all short notice shift requests will be eliminated, as some is unavoidable due to short term sickness, unplanned leave such as carers leave and the need to provide 1:1 'specials' for patients who are identified as high risk usually due to their mental health.

<u>Non Pay Expenditure</u>

The non pay overspend, against the original plan, was £684k in month and the year to date variance is £4,192k. The non pay overspend has improved from last month's variance of £955k. 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	(285)	(1,322)
Surgical	(163)	(1,217)
Cancer	7	(481)
Clinical Support	(94)	(506)
Womens & Childrens	(28)	(64)
Corporate	(121)	(692)
ISTC - non pay underspend recharged to Clinicenta (pre TC) & offset by SLA income	0	90
Total non-pay Variance	**(684)**	**(4,192)**

The non pay variance was £119k worse than forecast, which was mainly in the Surgical (£91k) and the Clinical Support Divisions (£44k). The Surgical Divisions overspend against forecast was due to lower achievement of non pay CIP schemes than forecast (£56k) and an increase in theatre stock levels of £36k, which was confirmed after the finalisation of the month end position. The main variance on the Clinical Support Division was due to the correction of a £30k error which had previously been charged to the Cancer Division and higher costs than forecast for medical records storage and retrieval and printing costs.

Cost Improvement Programme

The Trust has delivered £1,695k against the original target of £1,885k (90%) in month, and £10,551k year to date (85%). The forecast assumed a £1,663k (88%) in month delivery, so there was a slight improvement on the forecast. The Trust is forecasting a year end CIP delivery of £16.4m (90%), which is £1.8m less than the original target.

4. Cashflow

The cash balance at the end of December was £2.546m against a target of £4.132m.

The Trust continues to experience pressure on its cash position pending receipt of the final tranche of funding (£10.386m) for Phase 4. Last week the Trust received confirmation that £10.386m would be made available as PDC (Public Dividend Capital) from week commencing 20th January. This is clearly good news, however the Trust will only be able to draw down the cash to the extent that its capital programme demonstrates the need, and with a current forecast underspend on capital in excess of £6m it is likely that we may only be able to access approximately £4m in 2013/14 and the balance in 2014/15. The downside of this is that our access to the majority of the cash will be deferred; however the upside is that the cash will be available for the intended purpose at the time that it is needed.

In September the Trust received £5.406m of Capital Investment Loan in advance of it scheduled profile and a further £5.1m of temporary borrowing loan (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. A further £2.250m of TBL was received in December, which will need to be repaid in March along with the £5.1m.

The Trust's cash position is also weakened by the income and expenditure position being lower than planned, and as a consequence it will be a challenge to meet the forecast year end cash balance of £4.021m without delaying creditor payments.

Annex 1 contains bridge analyses for 2013-14 and 2014-15 to demonstrate the major factors impacting on the cash position.

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 in each subsequent month to 75.8% in December. Performance over the next few months will depend on how quickly the outstanding funding issues are resolved.

5. Capital

The table below provide the makeup of the 2013/14 Capital Resource Limit (CRL) of £47,896 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
Donated Funds (Macmillan)	1,232
Total CRL	**47,896**

Details of the Trust's Capital Programme budget, expenditure to date is and forecast outturn is shown in Appendix 10.

Capital spend at the end of December is £22.261m, which represents a £9.988m underspend against plan of which £7.987m relates to the Phase 4 OCH programme, with £2.432m being underspend against Theatre building, and £1.139m against Ward Block. Underspends of £2.001m relates to a variety of Trust schemes including medical equipment £495k, IM&T £355k, TPP £281K, Birthing Environment £114k, Staff recharges £378k and Maintenance £358k.

Forecast Capital Spend

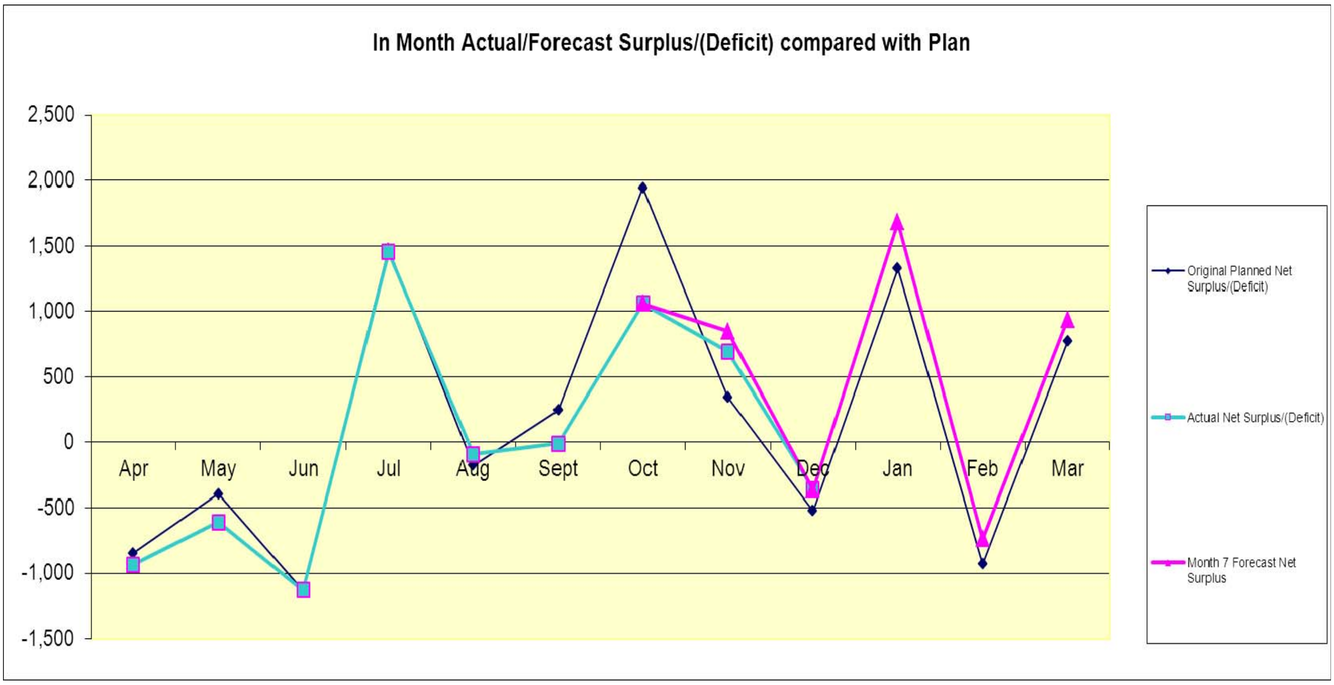
Forecast expenditure to 31st March 2014 is £41.060m, which against a CRL of £47.896m will result in an underspend of £6.836m.

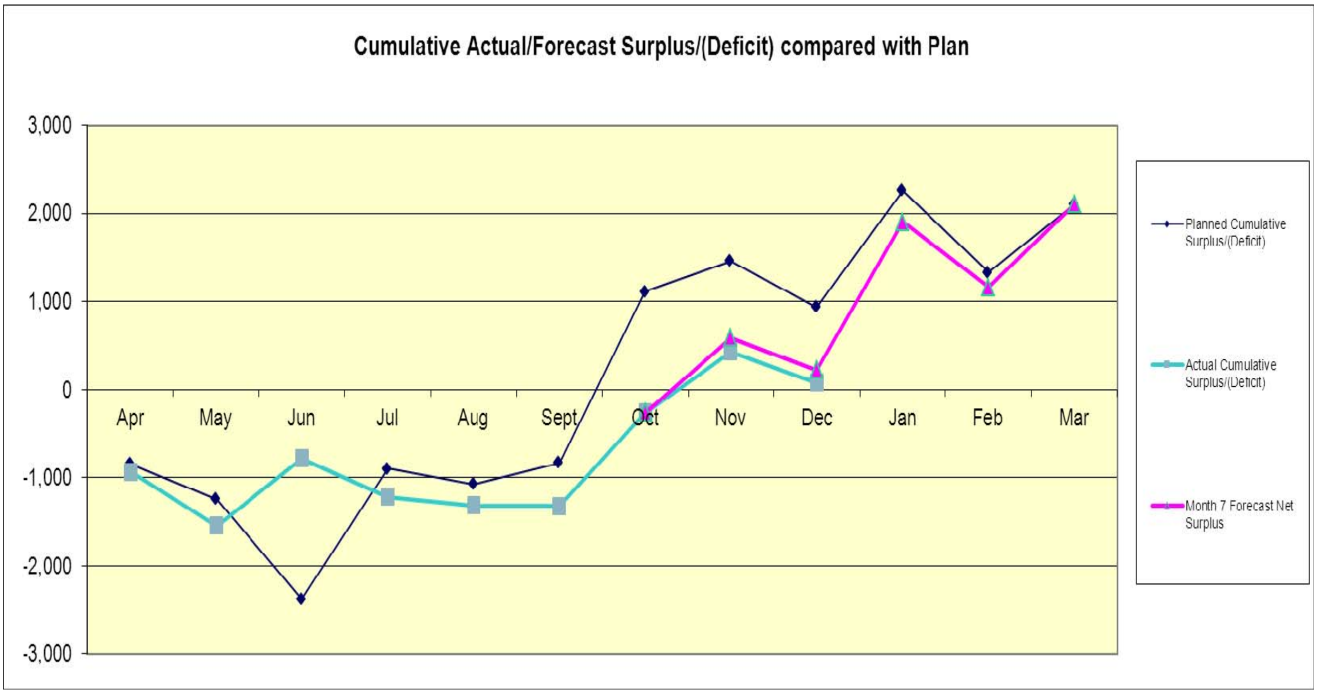
The bulk of this predicted underspend (£6.222m) lies with the OCH scheme which already has planned slippage of £2.0m. The additional £4.8m is slippage identified by IHP (the contractors on this project) in their latest work schedule and cash forecast plans. Whilst these plans indicate this level of slippage in work to be completed by 31st March, it is considered that this will not be to the detriment of completion of the project, which is expected to be completed on schedule later in 2014

6. Summary

The month 9 financial position is £165k better than the original plan, and £5k better than the revised forecast for the month. Cumulatively, there is a £147k adverse variance from forecast but it is expected that this will be recovered in the final quarter of the year.

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 in quarter 4.

Paul Traynor
Director of Finance
January 2014

CASH BRIDGE ANALYSIS 2013/14 and 2014/15

ANNEX 1

SECTION 1 - Effect of cash variances against Original Plan 2013/14

	£000	Comments
Original Plan 31st March 2014 Cash Balance	4,021	
Variance Details		
I & E - EBITDA Variance	-3,147	Effect of adverse movement in I&E 'cash adjusted' surplus
Capital Expenditure - aborted HPFT asset transfer £9m, underspend £6.2m	15,826	Impact of reduced capital spend gives additional cash availability
PDC Funding - aborted HPFT asset transfer £9m, underspend £6.2m	15,212	Lower than planned PDC draw down = reduced cash inflow
Increase in Debtors	-2,895	Increase in debtors = reduced cash inflow
Increase in Creditors	5,427	Increase in creditors = reduced cash outflow
Public Dividend Payable	157	Reduced dividend payment = reduced cash outflow
Forecast 31st March 2014 Cash Balance (per LTFM)	**4,177**	

SECTION 2 - Bridge analysis 2013/14 Forecast Cash to 2014/15 Forecast

	£000	Comments
1 April 2014 Opening Cash Balance	**4,177**	
I & E - EBITDA	15,599	EBITDA 'cash adjusted' per LTFM
Capital Expenditure	35,288	Phase 4 £13.3m plus £6.2m b/f, HPFT £8.9m, Other £6.7m
PDC Drawn Down	15,212	2013/14 deferred PDC - HPFT £8.9m; underspend b/f £6.2m
Decrease in Debtors	900	Decrease in debtors = increased cash inflow
Increase/Decrease in Creditors	-2,281	Decrease in creditors = increased cash outflow
Loans Drawn Down	12,876	Bridging loan
Public Dividend Payable	-3,747	
Interest Payable	-3,414	
Loan Repayment	-2,509	
Forecast 31 MARCH 2015 Cash Balance (per LTFM)	**1,525**	

General Note

Section 1 shows the impact on 2013/14 closing cash balance caused by **variances** from Original Plan.

Section 2 shows the forecast 2014/15 following on from 2013/14 and the impact on the cash elements in achieving the forecast .

East and North Hertfordshire NHS Trust

Finance Report for Treatment Centre Month 9
(to the end of December 2013)

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1. Purpose of report

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

2. Summary position

The position for the month of December 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 December	Actual December	Variance	Plan YTD	Actual YTD	Variance
Income	1,787	1,508	(279)	6,244	5,218	(1,026)
Expenditure	(1,513)	(1,494)	19	(5,285)	(5,782)	(497)
EBITDA	**274**	**14**	**(260)**	**959**	**(564)**	**(1,523)**
Depreciation and PDC	(274)	(274)	0	(959)	(959)	0
Interest	0	0	0	0	0	0
Net surplus/deficit	**0**	**(310)**	**(310)**	**0**	**(1,523)**	**(1,523)**

The Trust incurred a net deficit of £310k in month for the Treatment centre. £260k of this deficit relates to operating losses of the unit and £50k 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 £195k deficit, so there was an adverse variance of £115k against forecast.

3. Income

Income for the Treatment centre is £279k behind plan in the month and £1,026k year to date. This adverse income position in month is mainly due to theatres at the Treatment Centre being closed during the Christmas period. Saturday operating theatre lists will be operating in the final quarter of the year to improve the waiting list position in some specialties. There has been a £98k improvement in income relating to prior months due to improvements in data capture. Work is on-going by the information, finance and operations teams to ensure that all data is captured and appropriately coded.

Table 1 below summarises the activity and income against plan, by specialty and point of delivery.

Table 1 – Activity and Income against Plan – December 2013

	Activity - December 2013				Income - December 2013			
	Plan Spells	Actual Spells	Variance Spells	Variance %	Plan £000	Actual £000	Variance £'000s	Variance %
Income								
Elective / Daycase								
Orthopaedics	310	168	-142	-46%	767	457	-310	-40%
Ophthalmology	255	219	-36	-14%	190	151	-39	-21%
ENT	81	57	-24	-29%	101	69	-32	-32%
General Surgery	80	68	-12	-15%	90	90	-1	-1%
Gynaecology	92	52	-40	-44%	71	49	-22	-31%
Pain Clinic	75	64	-11	-15%	50	48	-2	-3%
Plastic Surgery	0	12	12		0	12	12	
Total Elective / Daycase	892	640	-252	-28%	1,269	875	-394	-31%
Other Income								
Ophthalmology Outpatients					224	278	55	24%
Other Outpatients					60	77	17	29%
Retinal screening					38	53	16	43%
Other					75	12	-63	-84%
CQUIN					33	25	-8	-24%
PbR Drug exclusions					89	89	0	0%
Month 8 refresh						98	98	
Total Other Income					518	632	114	
Total Income	**892**	**640**	**-252**		**1,787**	**1,508**	**-279**	

The income variance for admitted patient care (elective/daycases) is entirely on Orthopaedics, where there is a £310k adverse variance in month. Activity is 46% behind plan and income is 40% behind plan for Orthopaedics. As mentioned in the previous months report, 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 £56k on pay in month. £153k of agency expenditure has been incurred in month for staff working at the Treatment Centre, with an estimated premium of £47k. Of this £153k agency expenditure, £65k relates to Ophthalmology medical staff, £25k for Resident Medical Officer cover in Orthopaedics, £44k nursing staff (particularly for theatre ODPs) and £19k 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 £76k in the month, which is mainly on ophthalmology theatre consumables/lenses due to lower cataract activity than planned.

Mobilisation/Set up Costs

£50k 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. Year-end forecast

The Trust is forecasting that the Treatment Centre will make a loss of £2m in the financial year. £880k of this loss relates to set up/mobilisation costs and £1,120k relates to operating losses.

The table below summarises the activity and income forecast for the remaining months of the financial year. The January activity forecast is based on booked activity for the month, and the February and March activity forecast assumes that similar activity levels will be undertaken as to January, but it has been adjusted for the lower number of working days. Additional weekend lists have been booked for the final quarter of the year to improve waiting times for some specialties.

Table 2 – Activity and Income Forecast – January – March 2014

	Activity Forecast - January - March 2014					Income Forecast - January - March 2014				
	Plan Spells	Oct-Dec Average monthly spells	Jan Forecast Spells	Feb Forecast Spells	Mar Forecast Spells	Plan £000s	Oct-Dec Average monthly income	Jan Forecast £000s	Feb Forecast £000s	Mar Forecast £000s
Income										
Elective / Daycase										
Orthopaedics	310	178	169	154	161	767	456	530	482	506
Ophthalmology	255	249	333	303	318	190	166	326	324	334
ENT	81	72	81	74	77	101	91	67	61	64
General Surgery	80	68	81	74	77	90	87	67	61	64
Gynaecology	92	59	80	73	76	71	51	66	60	63
Pain Clinic	75	85	171	155	163	50	67	142	129	135
Total Elective / Daycase	892	711	915	832	873	1,269	919	1,198	1,117	1167
Other Income										
Ophthalmology Outpatients						299	376	376	342	359
Other Outpatients						60	88	86	86	86
Retinal screening						38	55	67	67	67
CQUIN						33	26	25	25	25
PbR Drug exclusions						89	86	97	97	97
Total Other Income						518	632	651	617	634
Total Income	**892**	**711**	**915**	**832**	**873**	**1,787**	**1,550**	**1,849**	**1,734**	**1801**
In month variance from plan		**-182**	**23**	**-60**	**-19**		**-237**	**62**	**-53**	**14**

The forecast income and expenditure trajectory for the Treatment Centre is summarised in the table below:

Table 3 – Income and Expenditure Forecast – January – March 2014

	Dec YTD Variance £000	Jan Forecast Variance £000's	Feb Forecast Variance £000s	Mar Forecast Variance £000s	Year End Forecast Variance £000s
Income					
NHS Income	-1026	62	-53	14	-1003
Total Income	**-1026**	**62**	**-53**	**14**	**-1003**
Expenditure					
Pay	-177	-93	-86	-98	-454
Non Pay	297	27	7	7	338
Total Expenditure	**120**	**-66**	**-79**	**-91**	**-116**
Net Surplus/(Deficit) - Operational	**-906**	**-4**	**-132**	**-77**	**-1120**
Mobilisation and set up costs	-617	-123	-73	-68	-880
Net Surplus/(Deficit)	**-1523**	**-127**	**-205**	**-145**	**-2000**

6. Summary

The financial position of the Treatment Centre in December was behind forecast by £115k due to lower activity levels than forecast. The Trust is still forecasting a year end deficit of £2m.

Paul Traynor
Director of Finance
January 2014