

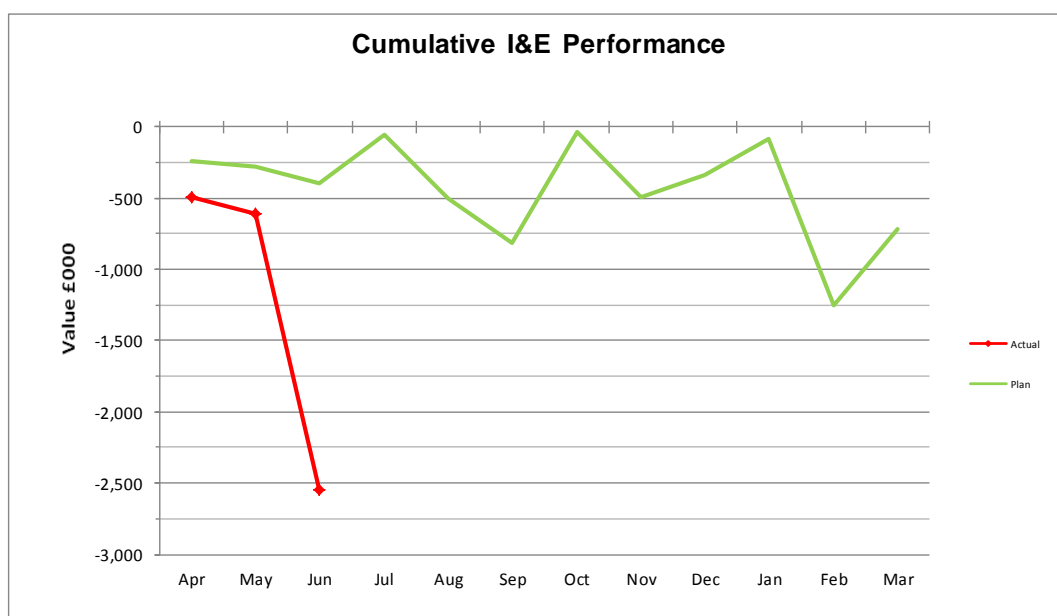
Board of Directors' Meeting Report – 30th July 2014
Agenda item 214/14

Title	Financial Position
Sponsoring Director	James O'Sullivan
Authors	Adrian Buggle – Deputy Director of Finance Marie Miller – Assistant Director of Finance Lisa Keith – Assistant Director of Finance
Purpose	To present the financial position for June 2014.
Previously considered at	N/A
Executive Summary	
There was a deficit of £1.9m in June which increased the cumulative deficit to £2.6m. Cash balances remained strong but the Trust's CoSRR reduced to a 2.	
Related Trust Objective	Sustainability – keeping the core strong
Related Risk	Various
Legal implications / regulatory requirements	The Trust's financial position forms part of Monitor's regulatory regime.
Quality impact assessment	The delivery of the financial position and maintaining and improving quality are integral. Each cost improvement programme has a quality impact assessment.
Equality impact assessment	As far as can be considered this paper has no detrimental impact for the 9 protected characteristics under the Equality Act 2010
Recommendations	
The Board is asked to note this.	

Income and Expenditure Summary

I&E Summary

Annual Plan	Adverse variances are shown in brackets ()	Current Month			Year to date			RAG	Forecast			RAG
		Plan	Actual	Variance	Plan	Actual	Variance		Plan	Actual	Variance	
		£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	
222,804	Clinical Income	18,386	17,848	(538)	55,009	55,406	397		222,804	223,243	439	
20,973	Other Income	1,741	1,902	161	5,280	5,493	213		20,973	21,926	953	
24,635	Pass Through Income	2,057	1,765	(292)	6,155	5,769	(386)		24,635	23,609	(1,026)	
268,412	Total Income	22,184	21,515	(669)	66,444	66,668	224		268,412	268,778	366	
172,634	Pay	14,313	14,929	(616)	42,898	44,290	(1,392)		172,634	175,976	(3,342)	
57,815	Non Pay	4,765	5,531	(766)	14,273	15,455	(1,182)		57,815	60,634	(2,819)	
24,630	Pass Through Non Pay	2,050	1,766	284	6,154	5,769	385		24,630	23,609	1,021	
255,079	Total Expenditure	21,128	22,226	(1,098)	63,325	65,514	(2,189)		255,079	260,219	(5,140)	
13,333	EBITDA	1,056	(711)	(1,767)	3,119	1,154	(1,965)		13,333	8,559	(4,774)	
9,062	Depreciation	754	820	(66)	2,265	2,469	(204)		9,062	9,431	(369)	
4,990	Financing	415	412	3	1,247	1,237	10		4,990	4,949	41	
(719)	Net Surplus / (Deficit)	(113)	(1,943)	(1,830)	(393)	(2,552)	(2,159)		(719)	(5,821)	(5,102)	



Budget Variances by Business Unit

Adverse variances are shown in brackets ()	Corporate	D&T	Facilities	Medicine	MSK	Surgery	Theatres	W&C	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	55	14	(99)	(703)	(16)	5	83	23	862	224
Pay	(63)	(81)	57	(605)	(102)	(344)	(429)	(202)	377	(1,392)
Non pay	(331)	(142)	232	(215)	11	(187)	35	(111)	(89)	(797)
SLR Recharges	-	(14)	-	201	(258)	25	80	(33)	(1)	-
EBITDA	(339)	(223)	190	(1,322)	(365)	(501)	(231)	(323)	1,149	(1,965)
Depreciation & Financing	-	-	-	-	-	-	-	-	(194)	(194)
Net Budget Variance	(339)	(223)	190	(1,322)	(365)	(501)	(231)	(323)	955	(2,159)

Commentary

Current month

- There was a deficit of £1.9m in the month which was significantly more than the plan.
- £0.6m of the deficit in June relates to prior months as a number of income adjustments have had a retrospective effect (described later in the report).
- Pay costs remained high at £14.9m with agency costs representing £1.4m of this. There were pay overspends in every business unit, with the highest being in Medicine, Surgery & Theatres.

Forecast

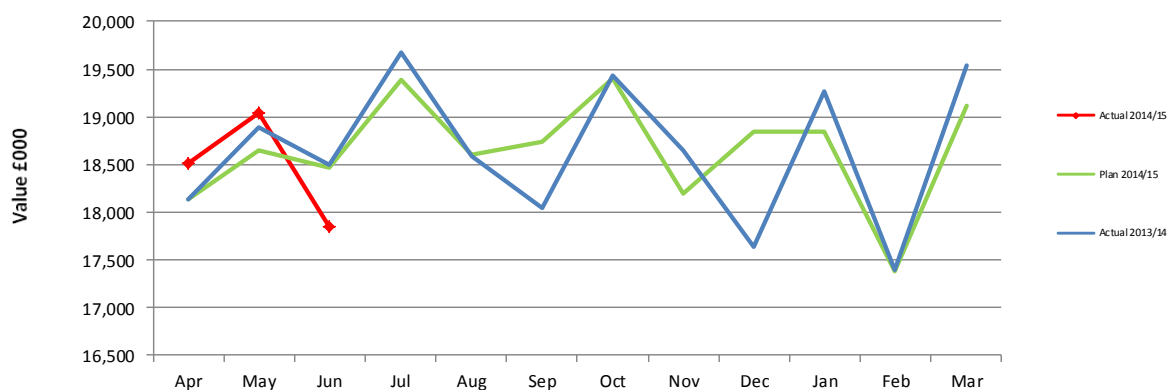
- This is the first month where a year-end forecast has been produced and it shows a deficit of £5.8m against the plan of £0.7m.
- This is still an early stage in the financial year and there is considerable scope for change but there are some clear pressures that have emerged which were not assumed in the Annual Plan. The main areas are as follows :
 - Introduction of the SEEDS Service and the loss of A&E income (Impact of £1.3m)
 - Growth in unbudgeted pay costs, particularly agency usage (Impact of £2.7m)
 - Unachieved CIPs (Impact of £1.0m)

Clinical Income

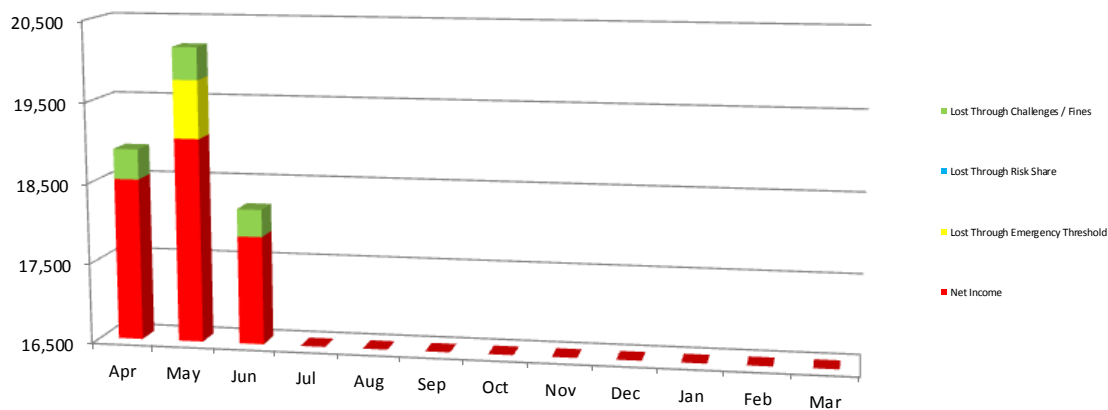
Activity and Income Analysis

Adverse variances are shown in brackets ()	Activity					Financial				
	Annual Plan	YTD Plan	Actual	Variance		Annual Plan	YTD Plan	Actual	Variance	
	units	units	units	units	%	£'000	£'000	£'000	£'000	%
Elective : In-Patients	8,159	2,034	2,392	358	17.6%	22,969	5,730	5,800	70	1.2%
Elective : Planned Same Day	41,306	9,959	10,381	422	4.2%	24,840	6,026	6,180	154	2.6%
Non-Elective	32,446	8,089	8,930	841	10.4%	65,726	16,383	16,942	559	3.4%
Out-Patients : First	105,786	25,505	25,626	121	0.5%	16,647	4,014	4,275	261	6.5%
Out-Patients : Follow-ups	196,880	47,468	47,680	212	0.4%	16,761	4,044	3,996	(48)	(1.2%)
Out-Patients : Procedures	29,296	7,063	7,112	49	0.7%	4,575	1,146	1,250	104	9.1%
Non Face to Face Contacts	11,246	2,711	2,409	(302)	(11.2%)	275	66	65	(1)	(1.5%)
Pre-op Assessments	12,629	3,045	2,933	(112)	(3.7%)	883	213	207	(6)	(2.8%)
Critical Care	14,691	3,662	2,719	(943)	(25.8%)	11,499	2,867	2,616	(251)	(8.8%)
GP Direct Access	3,429,729	855,029	830,588	(24,441)	(2.9%)	13,902	3,466	3,450	(16)	(0.5%)
Accident & Emergency	93,402	23,285	19,201	(4,084)	(17.5%)	9,356	2,333	2,049	(284)	(12.2%)
Pass Through	-	-	-	-	-	24,635	6,155	5,769	(386)	(6.3%)
Other Clinical Income	61,580	14,847	33,142	18,295	-	35,371	8,721	8,576	(145)	(1.7%)
Totals	4,037,150	1,002,698	993,113	(9,585)	n/a	247,439	61,164	61,175	11	0.0%

Clinical Income excluding Pass Through



Analysis of Challenges, Risk Share & ERT



Analysis of Income Variances

Adverse variances are shown in brackets ()	Budget	Actual	Variance		Inpatient s	Outpatient s	Critical Care	GP Direct Access	A&E	Pass Through	Other
	£000s	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Diagnostic & Therap.	10,089	10,090	1	0.0%	160	(40)		(32)		(109)	22
Medicine	20,290	19,353	(937)	(4.6%)	450	(56)	(251)	(1)	(284)	(202)	(593)
MSK	9,177	9,174	(3)	(0.0%)	78	66				(147)	-
Surgical	12,898	12,904	6	0.0%	(77)	40	(82)	17		85	23
Theatres & CC	836	902	66	7.9%			64			2	-
Women & Children	7,749	7,798	49	0.6%	172	300	19			(13)	(429)
Centrally Managed	125	954	829	663.2%	300					(2)	531
Totals	61,164	61,175	11	0.0%	1,083	310	(250)	(16)	(284)	(386)	(446)

Commentary

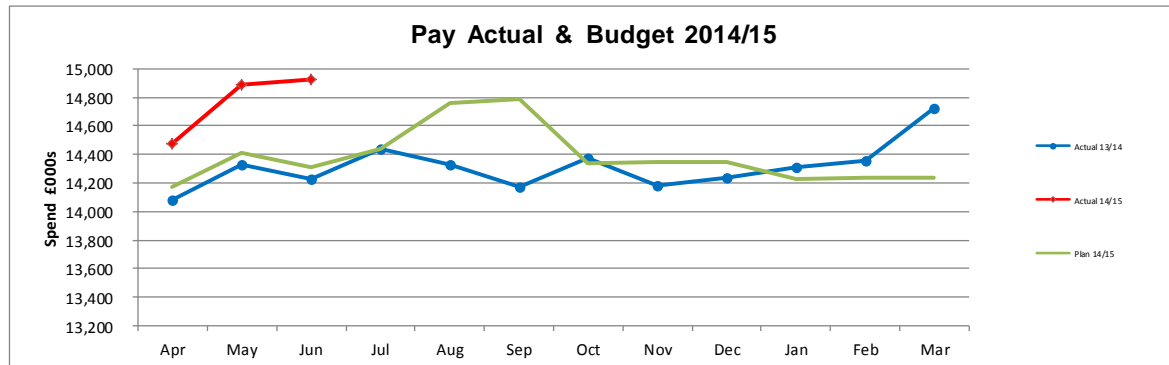
- Income in June was significantly lower than plan, although £571k relates to corrections to income in the prior 2 months. These are as follows :-
 - Correction of reporting errors in the new Radiology IT system (implemented in March 14) which have now been corrected. Value : £351k.
 - Reduction in A&E income relating to patients recorded on PAS but treated by the SEEDS service. Value £220k
- Maternity income is particularly low (by £409k against plan) which reflects the very low level of activity in the month. Changes to the method of funding maternity came into effect in 2014/15 and a full review of this is currently underway to ensure all the activity and income is being captured.
- The year to date provision for fines is now as follows:

○ 18 Weeks	£187k
○ 52 weeks	£ 5k
○ A&E	£ 68k
○ Cancer	£ 5k
○ Ambulance	£196k
○ C2C Referral	£ 85k
○ Service Restriction Policy	£ 0k
○ VTE Risk Assessment	£ 95k
○ Other	£ 28k
	£669k
- Other provisions included in the monthly position included Readmissions of £140k and Emergency Rate Threshold of £632k. As a general point, the challenges and fines are locally calculated by the CCGs and can be disputed, where appropriate, whilst the readmissions and the emergency threshold are based upon national Payment by Results (PbR) rules.

Pay Expenditure

Pay Analysis

Adverse variances are shown in brackets ()	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay : Budget	14,170	14,415	14,313	14,438	14,764	14,787	14,339	14,350	14,346	14,232	14,240	14,239	172,633
: Expenditure	14,476	14,885	14,929										44,290
: Variance	(306)	(470)	(616)	-	-	-	-	-	-	-	-	-	n/a
Total Income	22,219	22,935	21,014	-	-	-	-	-	-	-	-	-	66,168
Pay Percentage	65.2%	64.9%	71.0%	-	-	-	-	-	-	-	-	-	66.9%
Last Year's Pay Spend	14,079	14,326	14,228	14,436	14,330	14,173	14,379	14,184	14,241	14,310	14,360	14,721	171,767

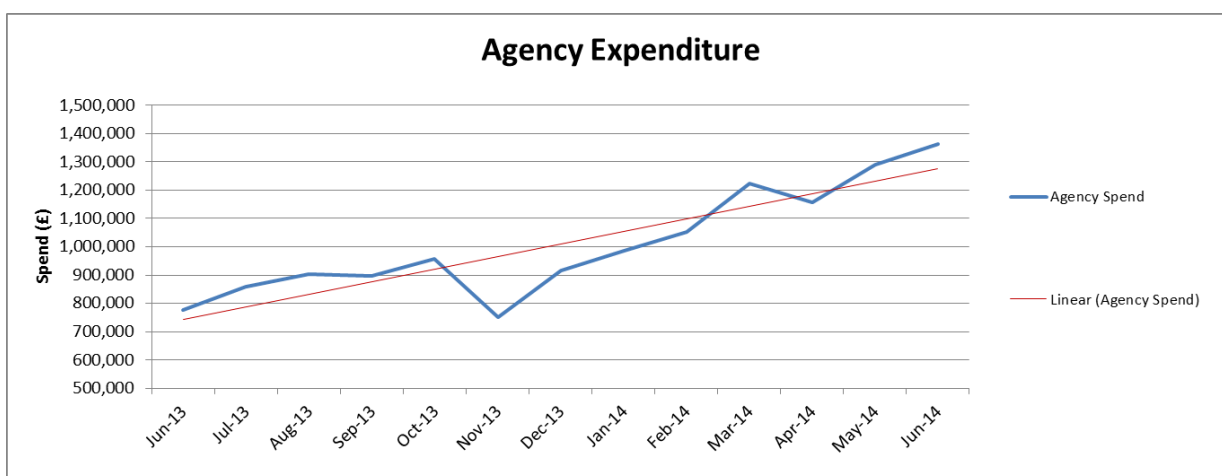


Analysis of Pay Variances by Business Unit

Adverse variances are shown in brackets ()	Budget	Actual	Variance		Other Additional Payments	CIPs (Not Delivered) / Over Delivered	One-off Payments	Locum / Bank	Agency	Vacancies / (Over Establishments)
	£000s	£000s	£000s	%						
Corporate Services	3,997	4,060	(63)	(1.6%)	-	(81)	(170)	(63)	(96)	347
Diagnostic & Therap.	7,519	7,599	(80)	(1.1%)	(56)	(49)	(3)	(149)	(451)	629
Facilities	2,202	2,145	57	2.6%	-	-	(3)	(204)	(113)	377
Medicine	10,170	10,775	(605)	(5.9%)	(71)	0	(33)	(688)	(1,348)	1,534
MSK	3,970	4,071	(101)	(2.5%)	4	7	1	(195)	(362)	444
Surgical	6,208	6,552	(344)	(5.5%)	(25)	(21)	(1)	(416)	(549)	668
Theatres & CC	3,544	3,973	(429)	(12.1%)	(137)	(121)	(5)	(130)	(378)	341
Women & Children	4,849	5,051	(202)	(4.2%)	(6)	(42)	(7)	(240)	(498)	591
Sub Total	42,459	44,226	(1,767)	(4.2%)	(291)	(307)	(222)	(2,085)	(3,794)	4,930
Reserves / Central	439	64	375	85.4%						
Grand Total	42,898	44,290	(1,392)	(3.2%)						

Analysis of Pay Variances by Staff Group

Adverse variances are shown in brackets ()	Budget	Actual	Variance		Other Additional Payments	CIPs (Not Delivered) / Over Delivered	One-off Payments	Locum / Bank	Agency	Vacancies / (Over Establishments)
	£000s	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s
Medical	11,771	12,862	(1,091)	(9.3%)	(203)	-	(29)	(235)	(2,034)	1,410
Nursing	14,803	15,129	(326)	(2.2%)	(48)	-	(10)	(1,283)	(912)	1,927
Snr. Managers	2,390	2,318	72	3.0%	-	-	(172)	-	(99)	343
Scientific, Therapeutic & Technical	7,325	7,302	23	0.3%	(39)	-	1	(59)	(533)	653
Support Staff	6,561	6,600	(39)	(0.6%)	(0)	-	(12)	(508)	(216)	697
Other Pay	(321)	79	(400)	124.6%	-	(307)	-	-	-	(93)
Sub Total	42,529	44,290	(1,761)	(4.1%)	(291)	(307)	(222)	(2,085)	(3,794)	4,937
Pay Reserves	369	-	369	100.0%						
Grand Total	42,898	44,290	(1,392)	(3.2%)						



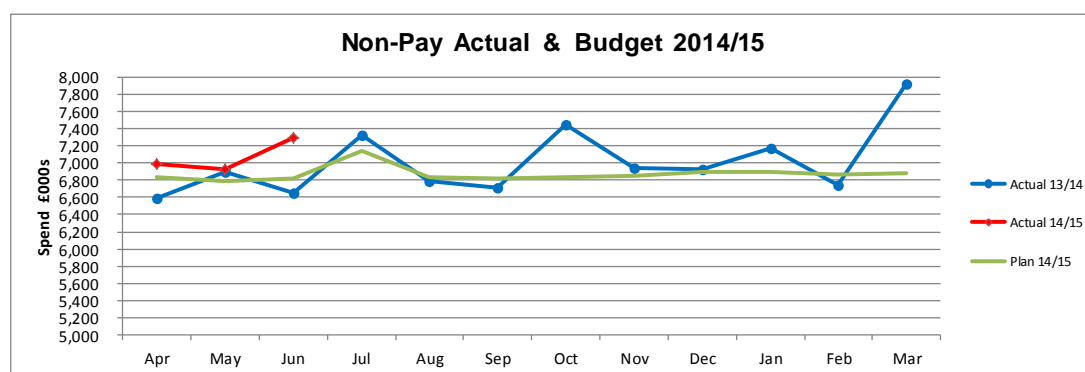
Commentary

- Pay expenditure in June continued its upward trend and is the highest monthly value seen by the Trust. The pay award was paid in June and backdated to April but had been accrued and matched with budget so no variance arose from this.
- Agency spend increased to £1.362m in June. The increases relate to Nursing (32% increase on prior month) and Theatre ODPs (89% increase). Medical staff agency costs reduced slightly but still accounts for over half of the YTD agency spend. The use of agency to fill shifts is contributing £574k to the cumulative pay over spend.
- Although 18 new nurses joined the trust at the start of June, they were training for the first 4 weeks, so this did not impact on bank and agency in the month.
- The other key reason for the overspend on pay is the non-delivery of CIPs (£307k) additional sessions (£291k) and non-recurring staff payments (£222k)

Non-Pay Expenditure

Non-Pay Analysis

Adverse variances are shown in brackets ()	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NonPay : Budget	6,829	6,785	6,813	7,148	6,832	6,817	6,832	6,846	6,889	6,901	6,872	6,881	82,445
: Expenditure	6,995	6,933	7,295										21,223
: Variance	(166)	(148)	(482)	-	-	-	-	-	-	-	-	-	
: YTD Variance	(166)	(314)	(796)	-	-	-	-	-	-	-	-	-	
Total Income	22,219	22,935	21,514	-	-	-	-	-	-	-	-	-	66,668
Non-pay Percentage	31.5%	30.2%	33.9%	-	-	-	-	-	-	-	-	-	31.8%
Last Yrs Non-P Spend	6,594	6,890	6,655	7,328	6,796	6,710	7,449	6,939	6,927	7,175	6,748	7,913	84,124



Analysis of Non-Pay Variances

Adverse variances are shown in brackets ()	Budget	Actual	Variance		Pass Through	Drugs	Clinical Supplies	CIPs (Not Delivered)/ Delivered	Non recurrent Items	Other
	£000s	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Services	2,603	2,935	(332)	(12.8%)	-	7	(1)	(173)	(15)	(150)
Diagnostic & Therap.	6,344	6,486	(142)	(2.2%)	111	(146)	(42)	(61)		(4)
Facilities	2,037	1,805	232	11.4%	-	-	2	(9)		239
Medicine	3,179	3,394	(215)	(6.8%)	201	(27)	(63)	(71)		(255)
MSK	2,457	2,446	11	0.4%	147	(1)	-	(37)		(98)
Surgical	2,019	2,206	(187)	(9.3%)	(85)	14	(54)	(14)	(37)	(11)
Theatres & CC	1,246	1,211	35	2.8%	(2)	(11)	62	36		(50)
Women & Children	528	639	(111)	(21.0%)	13	(4)	(12)	(26)	(14)	(68)
Centrally Managed	14	102	(88)		-	-	-	-	(48)	(40)
Total	20,427	21,224	(797)	(3.9%)	385	(168)	(108)	(355)	(114)	(437)

Commentary

- Over 40% of the over spend on non-pay is due to the non-delivery of CIPs. A large proportion of this (£149k) relates to the trust-wide procurement scheme which shows within corporate services in the above table.
- There are a number of overspends showing in the “other” column above:
 - Professional costs in relation to the Pathology Joint Venture of £155k
 - Outsourcing costs in MSK and Surgery of £148k
 - Cost of SEEDS service of £199k (which is offset by other income)
- These costs are partly offset by a number of underspends in the Facilities department.

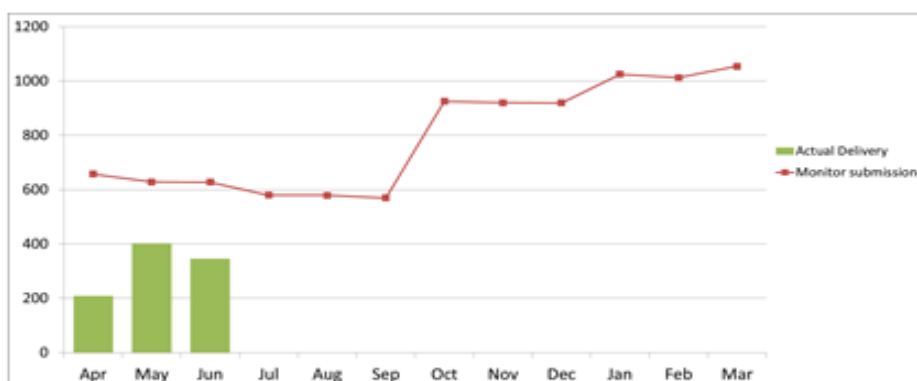
Cost Improvements

Summary by Business Unit June 2014

Annual Target	Adverse variances are shown in brackets ()	YTD Target	YTD Actual Achieved			YTD Variance	RAG	Forecast Variance	RAG
			Recurrent	Non Recurrent	Total				
£'000		£'000	£'000	£'000	£'000	£'000		£'000	
745	Theatres and ITU	167	3	10	13	(154)		(205)	
1,419	Corporate Services	339	116	52	168	(171)		(252)	
667	Procurement	167	18	-	18	(149)		-	
1,537	Diagnostic & Therapeutic	214	26	56	82	(132)		(199)	
500	Drugs	125	134	-	134	9		-	
327	Facilities	82	72	-	72	(10)		(10)	
1,710	Medicine	188	78	14	92	(96)		(128)	
699	MSK	122	117	-	117	(5)		(7)	
1,098	Surgical	282	224	-	224	(58)		(76)	
798	Women & Children	129	13	-	13	(116)		(124)	
9,500	Total	1,815	801	132	933	(882)		(1,001)	

Note: Values are reported in whole thousands and may differ from PMO reported totals due to rounding differences.

Monthly delivery profile



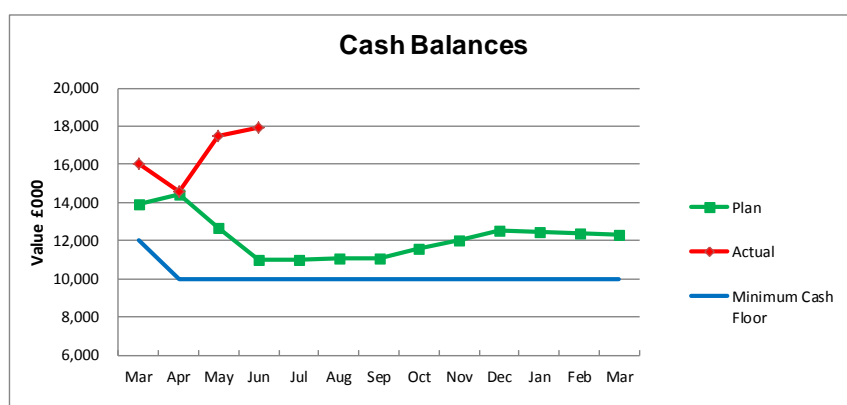
Commentary

- CIP delivery in June remained at approximately 50% behind plan.
- The value of schemes identified as per the PMO now stands at £6.5m against a plan of £9.5m. (It is worth noting that a similar trend was seen in the value of CIP schemes at this time last year).
- The delivery of CIPs will clearly to improve and the programme will be refreshed through a workshop approach to identify and agree new schemes which will be fast tracked for implementation. The forecast therefore assumes that 50% delivery will continue into July, and from August, 100% of the CIP target will be delivered.

Cash and Working Capital

Cash & Working Capital

Adverse variances are shown in brackets ()	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash														
FT Plan (closing balance)	13,904	14,400	12,700	11,027	11,030	11,040	11,044	11,550	12,050	12,517	12,450	12,380	12,310	12,310
Actual	16,012	14,576	17,511	17,918										7,578
Variance	3,702	176	4,811	6,891	-	-	-	-	-	-	-	-	-	(4,732)
Cash Floor (minimum balance)	12,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Working Capital Balances														
Trade Debtors	9,048	10,152	9,768	7,106										n/a
Trade Creditors	11,839	8,947	8,402	7,438										n/a
Accrued Income	7,744	6,739	3,969	3,446										n/a
Accrued Expenditure	12,886	12,835	12,811	12,823										n/a
Stock	5,730	5,722	5,694	5,677										n/a
Available Finance Facility	4,500	4,500	4,500	4,500										n/a



Commentary

- Cash balances at the end of June were above plan and significantly above the Trust's internal cash floor of £10m.
- The cash position continues to benefit from the front loading of contract payments from the CCGs. The reduction in other debtors has also contributed to the favourable position.
- The value of creditors has reduced in the month and the average number of days invoices are outstanding before payment was 50 days in June, which is a reduction from 52 days in May.
- The Trust's performance against the PSPP (Public Sector Payment Policy) was 24% compliance in respect of the value of bills paid within 30 days. The calculation of the PSPP was reviewed to ensure that this is calculated on the date the invoice is received by the Trust rather than the invoice date.
- The liquidity position is supported by the availability of an overdraft facility of £4.5m provided by Barclays Bank and none of the funds are currently invested.
- The year-end cash forecast reflects the anticipated deterioration in the I&E position and leaves a balance that is £2.4m below the cash floor. However, with very careful management this should still be sufficient to meet the day to day cash commitments. This forecast does not assume that the overdraft facility (of £4.5m) is utilised.

Balance Sheet

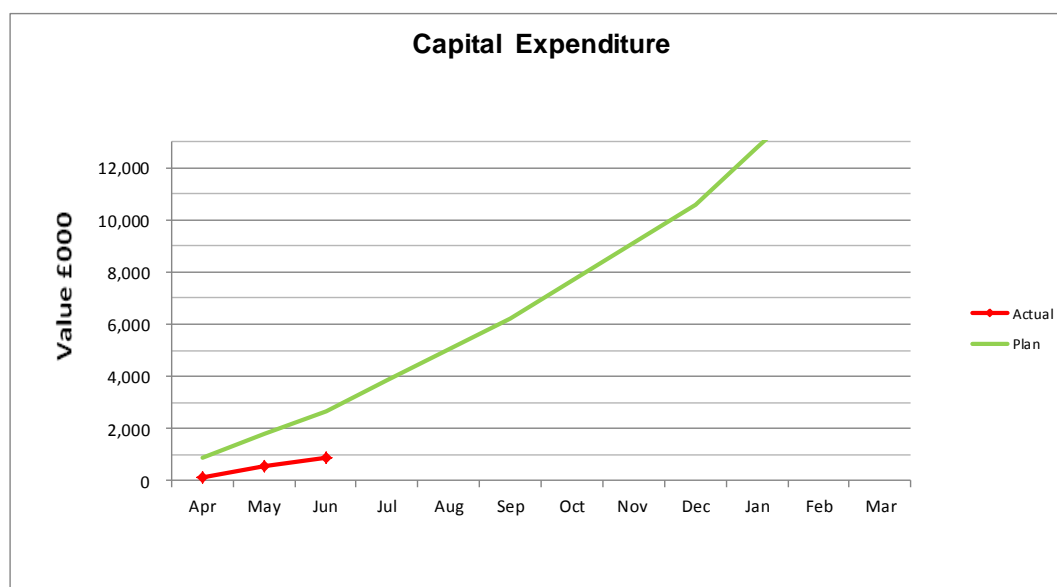
Statement of Financial Position

Annual Target Mar-15	Adverse variances are shown in brackets ()	YTD Target	YTD Actual Achieved	Variance	RAG
			Total		
£'000		£'000	£'000	£'000	
161,197	Non Current Assets	153,951	153,182	(769)	
34,624	Current Assets	34,490	36,744	2,254	
(33,217)	Current Liabilities	(31,200)	(35,210)	(4,010)	
1,407	Net Current Assets (Liabilities)	3,290	1,534	(1,756)	
162,604	Total Assets less Current Liabilities	157,241	154,716	(2,525)	
(11,569)	Non Current Liabilities	(5,500)	(5,134)	366	
151,035	Total Assets Employed	151,741	149,582	(2,159)	
	Financed By (Taxpayers Equity):			-	
101,421	Public Dividend Capital	101,421	101,421	-	
28,096	Revaluation Reserve	28,586	28,586	-	
21,518	Income and Expenditure Reserve	21,734	19,575	(2,159)	
151,035	Total Taxpayers Equity	151,741	149,582	(2,159)	

Capital Expenditure

Capital Expenditure

Annual Plan	Adverse variances are shown in brackets ()	Monthly Actual	Year to Date			Forecast			
			Original Plan	Actual	Variance	Under/ (Over) spend	Slippage	Actual	Variance
£000		£000	£000	£000	£000	£000	£000	£000	£000
	Estates								
350	Project management etc - building maint.	26	88	80	8	-	-	350	-
4,356	Backlog maintenance	160	436	346	90	(32)	-	4,388	(32)
4,706		186	524	427	97	(32)	-	4,738	(32)
	Medical Equipment								
1,500	Medical equipment replacement	31	150	86	64	-	-	1,500	-
600	X-ray equipment	-	-	-	-	-	-	600	-
3,000	2 MRI scanners	-	750	-	750	-	-	3,000	-
2,180	Linacc	-	-	-	-	-	-	2,180	-
7,280		31	900	86	814	-	-	7,280	-
	I.T.								
110	CEDM resources	9	28	27	1	-	-	110	-
905	Replacement programme	70	136	121	15	-	-	905	-
376	PAS phase 2	2	94	10	84	-	-	376	-
242	E-Rostering	7	61	13	48	150	-	92	150
1,071	E-Prescribing	-	134	-	134	-	-	1,071	-
(536)	Central Funding (E-Prescribing)	-	-	-	-	-	-	(536)	-
156	PACS Upgrade	-	156	156	-	-	-	156	-
2,324		88	609	327	282	150	-	2,174	150
	Other								
2,300	Vascular theatre	-	575	-	575	-	-	2,300	-
500	Contingency	10	75	46	29	-	-	500	-
15	Art in hospital	-	4	-	4	-	-	15	-
2,815		10	654	46	608	-	-	2,815	-
17,125	Total	314	2,687	885	1,802	119	-	17,007	119



Commentary

- The spend for June was £0.3m which was a continuation of the relatively slow start to the year although some large individual purchases are imminent.
- The main areas of spend related to the PACS upgrade and backlog maintenance.
- The capital programme includes an expected £6.18m of leased assets and also includes a small contingency of £0.5m

Risks, Mitigation and Actions

	Risk	Description	Mitigations	Action
1	Income lower than plan	This would occur if the CCGs are successful in their plan to disinvest £4.3m (as described in the Heads of Terms)	None have yet been identified although additional cost improvements would inevitably be necessary	Reviews of the activity and the CCG's plans will continue in order to assess the likelihood of such a disinvestment occurring.
2	Cost overspends	The level of spend in June is higher than plan and without action this is likely to continue. Agency costs are a particular feature of this.	Although there is a small amount of contingency, there are no mitigations for this risk other than the application of tighter controls on expenditure.	Actions are being taken to apply further controls and new financial performance meetings are being established to understand the drivers and apply greater downward pressure on costs.
3	CIP non delivery	CIP delivery in the new year has started slowly with a shortfall on the plan in the period to June. The programme is also back-ended with a number of schemes awaiting final sign off.	A number of cross business unit schemes are being considered which might have longer term impacts. Work continues to develop new schemes.	CIP performance will need to be monitored even more rigorously in this year and the new financial performance meetings (described above) will be used to drive this. Reviews will continue with the Finance and Investment Committee.
4	Pressures on the capital programme	Further unplanned demands for capital investment may occur during the year.	A £500k contingency is included in the programme to meet some or all of these pressures and the Executive team will continue to approve business cases subject to affordability.	No further actions are necessary at this stage.
5	Pressures on the cash balances	This would either occur through delays in payments because of disputes with the commissioners or through the Trust's own underlying trading position.	The commissioner issue has been mitigated by this year's contract which stipulates that block contract payments are to be made on 10ths (rather than 12ths) .	Cash will continue to be monitored weekly by the finance team and projected forward. Creditors and debtor balances will also continue to be managed rigorously.
6	Non payment for over activity	This would occur if the levels of activity and charges to the local CCGs are above their overall resources. This becomes more likely as activity increases.	Mitigation is difficult unless activity is physically reduced. Not in recent years but in the past Trusts generally have been asked to slow down activity.	No further actions are necessary at this stage.
7	Fines	The level of fines has, in the past, exceeded the budgeted level and this remains a significant risk for the Trust.	A level of fines has already been anticipated within the budget but there is a possibility that this level will be insufficient.	The Trust needs to continue its efforts to perform at a level that does not trigger fines and also focus its attention on managing the contract to ensure it is applied correctly.

Continuity of Service Risk Rating (CoSRR)

Continuity of Service Risk Rating (CoSRR)

Metric	Year to date			Original Plan	Performance Parameters			
	Weighting	Actual	Score		4	3	2	1
Debt Service Cover Rating	50%	0.87	1	n/a	2.5	1.75	1.25	<1.25
Liquidity Rating	50%	-5.69	3	n/a	0	-7	-14	<-14
Total			2.0	n/a				

Overall CoSRR	2	n/a
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Monthly Movements

Metric	2013/14	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Plan	Forecast
Debt Service	2.67	1.77	2.22	0.87										n/a	1.60
Liquidity	-3.43	-4.33	-3.58	-5.69										n/a	-12.08
Total	3.5	3.0	3.0	2.0										n/a	2.0
Risk rating (rounded)	3.5	3	3	2										n/a	2
FT Plan	4	4	4	4										n/a	4

Commentary:

- The CoSRR comprises two elements as follows:

Debt Service Rating (*ability of the Trust to service its debt*)

Liquidity Ratio (*No. of days the Trust can sustain itself on its working capital*)

- The overall CoSRR for June is 2 against a plan of 4. This deterioration from May is caused by the large monthly deficit. The position would need to be approximately £0.5m better to have achieved a score of 3.
- The forecast shows this rating of 2 continuing to year-end.
- The Risk Assessment Framework, produced by Monitor, describes a rating of 2 as representing a material level of financial risk. The specific actions arising from this will be dependent on the circumstances but may result in closer monitoring and regulatory action.

Conclusions and Actions

The deficit seen in June has resulted in a significantly adverse financial position for quarter one. This is partly the consequence of some retrospective adjustments but also reflects the acceleration of pay costs and the slippage of cost-improvements.

The executive team are putting in place a series of measures to address these issues and looking at different approaches to ensure that the financial position is managed effectively.