

## Board of Directors' Meeting Report – 5 August 2015

### Agenda item 76/15

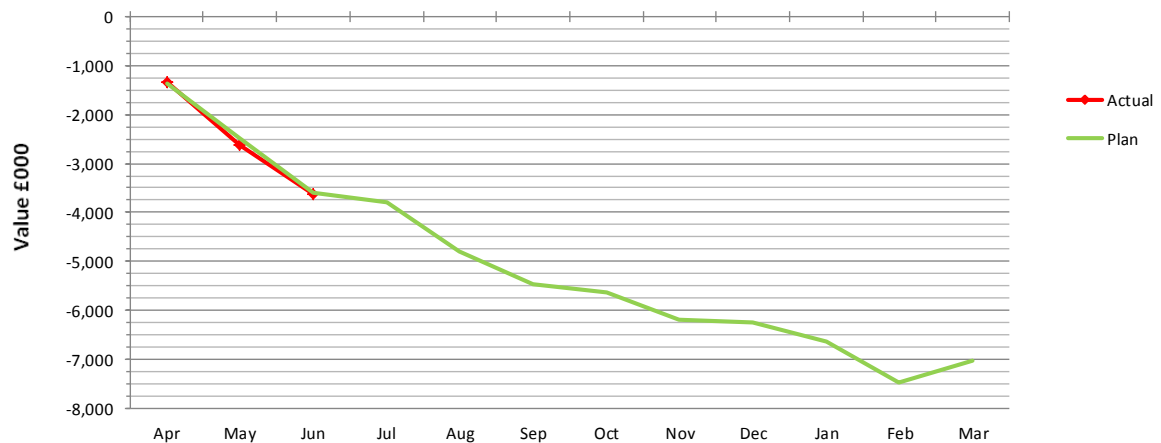
<b>Title</b>	Financial Position
<b>Sponsoring Director</b>	James O'Sullivan
<b>Authors</b>	Adrian Buggle – Deputy Director of Finance Marie Miller – Assistant Director of Finance Nick French – Assistant Director of Finance
<b>Purpose</b>	To present the financial position to 30th June 2015.
<b>Previously considered at</b>	The financial position to 31 <sup>st</sup> May was considered at the Board Development Day on 8 <sup>th</sup> July
<b>Executive Summary</b>	
There was a favourable variance to plan of £102k in June. Cash balances increased during the month and were ahead of plan while the Trust's CoSRR remained at 1.	
<b>Related Trust Objective</b>	Sustainability – keeping the core strong
<b>Related Risk</b>	Various
<b>Legal implications / regulatory requirements</b>	The Trust's financial position forms part of Monitor's regulatory regime.
<b>Quality impact assessment</b>	The delivery of the financial position and maintaining and improving quality are integral. Each cost improvement programme has a quality impact assessment.
<b>Equality impact assessment</b>	As far as can be considered this paper has no detrimental impact for the 9 protected characteristics under the Equality Act 2010
<b>Recommendations</b>	
The Board is asked to note the report.	

# 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	£'000	£'000	
231,449	Clinical Income	19,049	19,516	467	56,417	56,941	524		231,449	232,618	1,169	
23,156	Other Income	1,951	1,980	29	6,165	6,218	53		23,156	23,052	(104)	
29,280	Pass Through Income	2,442	2,504	62	7,320	7,105	(215)		29,280	28,419	(861)	
283,885	Total Income	23,442	24,000	558	69,902	70,264	362		283,885	284,089	204	
172,179	Pay	14,714	15,028	(314)	43,775	44,112	(337)		172,179	173,400	(1,221)	
75,272	Non Pay	6,212	6,281	(69)	18,865	19,096	(231)		75,272	74,845	427	
29,280	Pass Through Non Pay	2,442	2,503	(61)	7,320	7,104	216		29,280	28,421	859	
276,731	Total Expenditure	23,368	23,812	(444)	69,960	70,312	(352)		276,731	276,666	65	
7,154	EBITDA	74	188	114	(58)	(48)	10		7,154	7,423	269	
9,713	Depreciation	809	840	(31)	2,428	2,457	(29)		9,713	10,051	(338)	
4,454	Financing	371	352	19	1,113	1,128	(15)		4,454	4,425	29	
(7,013)	Net Surplus / (Deficit)	(1,106)	(1,004)	102	(3,599)	(3,633)	(34)		(7,013)	(7,053)	(40)	

## Cumulative I&E Performance



## Budget Variances by Business Unit

Adverse variances are shown in brackets ( )	Corporate	D&T	Facilities	Medicine	EmS	MSK	Surgery	Theatres	W&C	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(8)	205	(10)	804	320	(357)	(478)	125	(626)	387	362
Pay	28	57	(63)	(184)	(60)	15	(33)	(119)	(71)	93	(337)
Non pay	62	(350)	2	117	(58)	(14)	118	(16)	106	18	(15)
SLR Recharges	2	(38)	8	(91)	(17)	(39)	127	10	38	-	-
EBITDA	84	(126)	(63)	646	185	(395)	(266)	-	(553)	498	10
Depreciation & Financing	-	-	-	-	-	-	-	-	-	(44)	(44)
Net Budget Variance	84	(126)	(63)	646	185	(395)	(266)	-	(553)	454	(34)

## Commentary

### Current month

- There was a deficit of £1.0m in the month versus the planned deficit of £1.1m. The favourable variance of £0.1m brings the cumulative position back on plan.
- Income was significantly ahead of plan in June but this was largely offset with expenditure. These are discussed in more detail later in the report.

### Forecast

This is the first month in which a year-end forecast has been produced and while it is still relatively early in the year, there are some trends around income over-achievement and expenditure over-spend which are emerging. However, the overall forecast is still in line with the plan. The key points are as follows :-

#### Clinical Income (excluding pass through) £1.2m favourable

The year end position is expected to be ahead of plan (*by 0.5%*) which is lower than a simple straight-line forecast. The main reason for this is the non-recurring additional activity within the first 3 months relating to 18 week targets.

#### Other Income £0.1m adverse

The year end position is shown as a deterioration from the Month 3 favourable variance and reflects the loss of two income contracts. These relate to sterile scopes (*provided to the BMI*) and drugs (*provided to SEPT*). The full impact of this will be seen from July onwards.

#### Pay £1.2m adverse

The year end position largely shows a continuation of the over spending trend on medical staff caused by the need to cover vacancies with agency. The major transformation schemes are expected to deliver to plan with the exception of the medical model where implementation is anticipated to slip from July to August.

#### Non-Pay (excluding pass through) £0.4m favourable

The adverse variance shown at Month 03 is expected to improve and finish the year as a favourable position. This is mainly due to the cessation of outsourcing from August and the likelihood that non-pay inflation will be lower than originally planned.

#### “Below the Line Items” £0.3m adverse

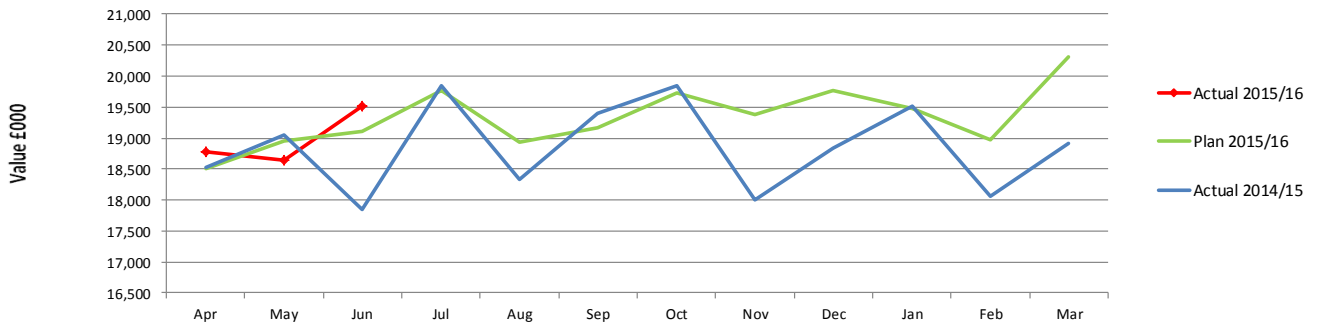
The adverse position is due to depreciation which is being driven by the accelerated capital spend seen in the first 3 months where 16% of the annual plan has already been incurred. This compares with 2014/15 where only 5% had been incurred by Month 3.

# Clinical Income

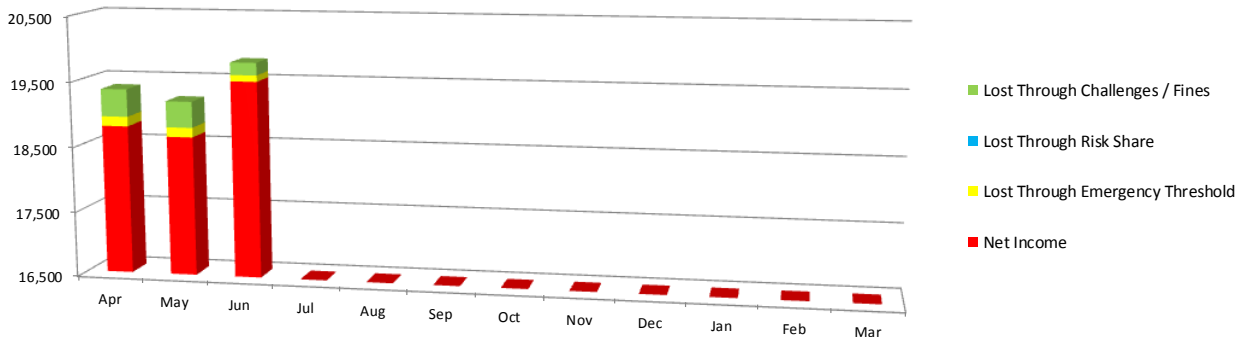
## Activity and Income Analysis

POD Grouping	Adverse variances are shown in brackets ( )	Activity						Financial				
		Annual Plan	YTD Plan	Actual	Variance		YTD Actual (Prior Year)	Annual Plan	YTD Plan	Actual	Variance	
		units	units	units	units	%	units	£'000	£'000	£'000	£'000	%
Inpatients	Elective : In-Patients	103,997	2,294	2,368	74	3.2%	9,787	24,303	6,044	6,387	343	5.7%
	Elective : Planned Same Day	36,664	8,397	8,433	36	0.4%	41,550	24,268	5,827	5,868	41	0.7%
	Non-Elective	190,127	9,116	9,109	(7)	(0.1%)	35,814	66,036	16,131	15,806	(325)	(2.0%)
	<b>Subtotal</b>	<b>330,788</b>	<b>19,807</b>	<b>19,910</b>	<b>103</b>	<b>0.5%</b>	<b>87,151</b>	<b>114,607</b>	<b>28,002</b>	<b>28,061</b>	<b>59</b>	<b>0.2%</b>
Outpatients	Out-Patients : First	34,963	24,976	26,237	1,261	5.1%	105,270	16,924	4,064	4,299	235	5.8%
	Out-Patients : Follow-ups	9,228	45,660	47,679	2,019	4.4%	197,763	17,400	4,186	4,327	141	3.4%
	Out-Patients : Procedures	32,596	7,828	8,096	268	3.4%	29,032	5,301	1,278	1,285	7	0.5%
	<b>Subtotal</b>	<b>76,787</b>	<b>78,464</b>	<b>82,012</b>	<b>3,548</b>	<b>4.5%</b>	<b>332,065</b>	<b>39,625</b>	<b>9,528</b>	<b>9,911</b>	<b>383</b>	<b>4.0%</b>
Critical Care	Critical Care	14,332	3,563	3,109	(454)	(12.8%)	10,178	11,771	2,808	2,570	(238)	(8.5%)
GP Direct Access	GP Direct Access	3,465,418	861,023	832,746	(28,277)	(3.3%)	3,363,986	14,545	3,619	3,418	(201)	(5.6%)
Accident & Emergency	Accident & Emergency	89,558	22,267	25,353	3,086	13.9%	87,164	9,593	2,386	2,854	468	19.6%
Pass Through	Pass Through	n/a	n/a	n/a			n/a	29,280	7,320	7,105	(215)	(2.9%)
	<b>Subtotal</b>	<b>3,569,308</b>	<b>886,853</b>	<b>861,208</b>	<b>(25,645)</b>	<b>(2.9%)</b>	<b>3,461,328</b>	<b>65,189</b>	<b>16,133</b>	<b>15,947</b>	<b>(186)</b>	<b>(1.2%)</b>
Other	Non Face to Face Contacts	10,256	2,463	3,043	580	23.6%	11,285	247	59	74	15	25.4%
	Pre-op Assessments	12,081	2,901	2,656	(245)	(8.5%)	11,892	831	200	183	(17)	(8.5%)
	Maternity Pathway						n/a	14,448	3,593	3,432	(161)	(4.5%)
	Block Contracts						n/a	5,631	1,403	1,440	37	2.6%
	Other Clinical Income						n/a	20,151	4,819	4,998	179	3.7%
	<b>Subtotal</b>	<b>22,337</b>	<b>5,364</b>	<b>5,699</b>	<b>335</b>	<b>6.2%</b>	<b>-</b>	<b>41,308</b>	<b>10,074</b>	<b>10,127</b>	<b>53</b>	<b>0.5%</b>
	<b>Total Clinical &amp; Pass Through Income</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>260,729</b>	<b>63,737</b>	<b>64,046</b>	<b>309</b>	<b>0.5%</b>
	Other Income (Non-Clinical)	n/a	n/a	n/a	n/a	n/a	n/a	23,156	6,165	6,218	53	0.9%
<b>Total Income</b>	<b>Total Income</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>283,885</b>	<b>69,902</b>	<b>70,264</b>	<b>362</b>	<b>0.5%</b>

### Clinical Income excluding Pass Through



### Analysis of Challenges, Risk Share & ERT



## Analysis of Income Variances

Adverse variances are shown in brackets ( )	Budget	Actual	Variance		Inpatients	Outpatients	Critical Care	GP Direct Access	A&E	Pass Through	Other	Total
	£000s	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Diagnostic & Therap.	11,166	11,316	150	1.3%	(70)	93	-	(200)	-	210	117	150
Medicine	17,532	18,335	803	4.6%	783	(40)	(153)	(27)	-	(90)	330	803
Emergency Services	2,387	2,690	303	12.7%	-	-	-	-	468	-	(165)	303
MSK	9,327	8,974	(353)	(3.8%)	(355)	97	-	1	-	(106)	10	(353)
Surgical	13,740	13,246	(494)	(3.6%)	(306)	97	(42)	25	-	(198)	(70)	(494)
Theatres & CC	722	848	126	17.5%	-	-	104	-	-	22	-	126
Women & Children	8,240	7,605	(635)	(7.7%)	(383)	136	(147)	-	-	(40)	(201)	(635)
Centrally Managed	623	1,032	409	65.7%	390	-	-	-	-	(13)	32	409
<b>Total Clinical &amp; Pass Through Income</b>	<b>63,737</b>	<b>64,046</b>	<b>309</b>	<b>0.5%</b>	<b>59</b>	<b>383</b>	<b>(238)</b>	<b>(201)</b>	<b>468</b>	<b>(215)</b>	<b>53</b>	<b>309</b>
Other Income (Memorandum)	6,165	6,218	53	0.9%							53	53
<b>Total Clinical &amp; Pass Through Income</b>	<b>69,902</b>	<b>70,264</b>	<b>362</b>	<b>0.5%</b>	<b>59</b>	<b>383</b>	<b>(238)</b>	<b>(201)</b>	<b>468</b>	<b>(215)</b>	<b>106</b>	<b>362</b>

## Commentary

Clinical Income is ahead of plan in the month which is driving a Year to date over performance of £309k (or £524k excluding pass through). This comprises the following;

- Inpatients (0.5% favourable activity / 0.2% favourable value):- £59k ahead of plan, made up of:
  - Elective Inpatients £343k favourable, largely in Medical Specialties, and Trauma & Orthopaedics which generate higher tariffs.
  - Planned same day activity was broadly in line with plan.
  - Non Elective income £325k adverse, across a range of Specialties. Whilst activity is in line with plan, under performance in Trauma and Orthopaedics particularly, where tariffs are generally higher, is offset by over performance in Medical and other Specialties.

*(The slight difference between activity and value is largely explained by the variations in tariff across the different specialties. This is effectively a variation in case mix).*

- Out-patients (4.5% favourable activity / 4.4% favourable value):- £383k favourable to plan, reflecting additional first and follow-up activity across most specialties. There is no contractual financial cap for Follow-ups this year, however the Trust and commissioners continue to work jointly to ensure follow-ups remain appropriate. Outpatient Procedures are in line with plan, but with higher activity in Oral surgery which generates lower tariffs.
- Critical Care (12.8% adverse activity / 8.58% adverse value):- £238k adverse to plan by mainly in the Special Care Baby Unit (SCBU). This continues the trend of recent months, where activity has seen a sustained decrease (this activity generally attracts a lower tariff than other critical care types and is the main reason for the variance between activity and value). The service is currently reviewing the capacity of the unit to ensure it remains set at the appropriate level.
- GP Direct Access Care (3.3% adverse activity / 5.6% adverse value):- activity is slightly below plan, with over-performance in Pathology (which attracts low tariffs) offset by lower activity in Diagnostic Imaging (DI) which attracts higher tariffs.

- A&E attendances (*13.9% favourable activity / 19.6% favourable value*):- are significantly over plan, reflecting the continued high level of activity at the “front door” and the increased acuity of this activity. Significant work is being undertaken across the wider health economy to try and identify possible causes for this unprecedented growth, as activity continues to hit record levels.
- Other Clinical Income is £179k over plan. This is an amalgamation of various items including Radiotherapy £76k and Specialist Palliative Care and Rehabilitation £136k.
- The year-to-date provision for fines and challenges are broadly in line with budget. The 18 week provision reflects the latest guidance and the move to a single measure of 18 week performance. YTD provisions are:

○ Contractual challenges	£ 133k
○ 18 Weeks breaches	£ 0k
○ A&E 4 hour waits	£ 46k
○ Cancer waits	£ 10k
○ Ambulance turnaround	£ 119k

**Total** **£ 308k**

- Year-to-date provision for PbR contractual penalties and adjustments are as follows:

○ ERT – emergency rate threshold	£ 393k
○ Re-admissions	£ 702k

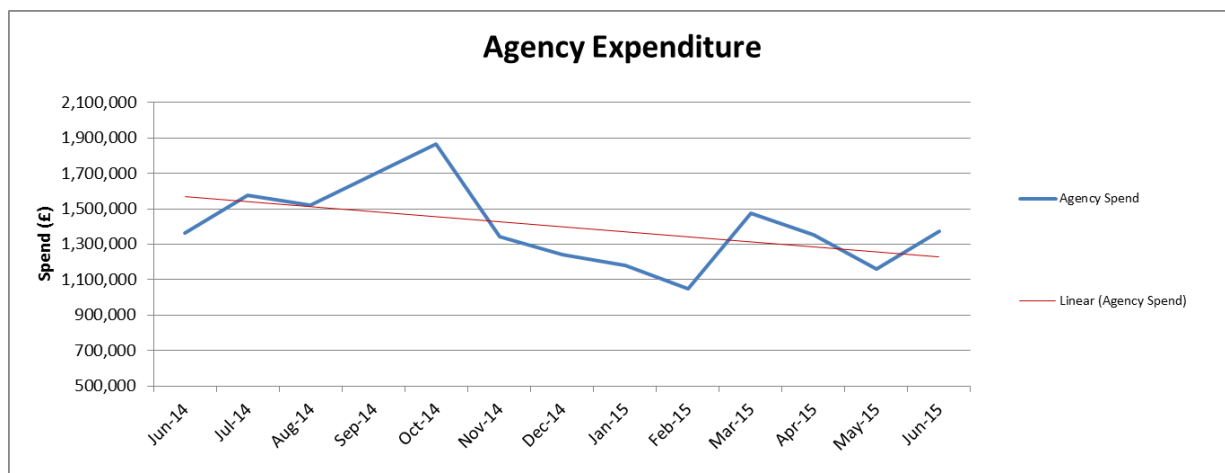
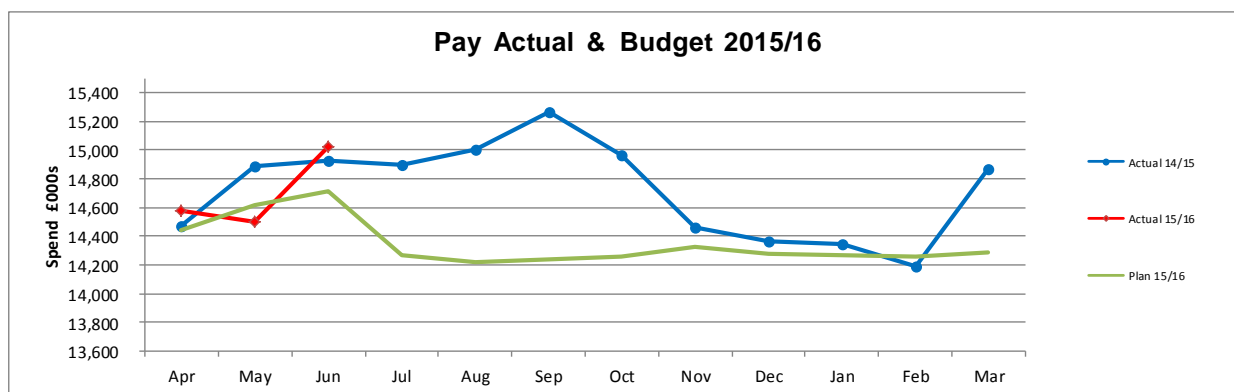
**Total** **£ 1,095k**

- The Trust has provided £393k for ERT Marginal Rate. This penalty is given to the Commissioners for them to reinvest in schemes to reduce non elective admissions.
- The Readmissions provision relates to emergency readmissions within 30 days of related discharge. The Commissioners (CCG's) are expected to reinvest this income back into post discharge care.

## 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	14,444	14,617	14,714	14,270	14,219	14,239	14,255	14,325	14,276	14,270	14,263	14,286	<b>172,178</b>
: Expenditure	14,580	14,503	15,028										<b>44,111</b>
: Variance	(136)	114	(314)	-	-	-	-	-	-	-	-	-	<i>n/a</i>
Total Income	23,260	23,005	23,999	-	-	-	-	-	-	-	-	-	<b>70,264</b>
Pay Percentage	62.7%	63.0%	62.6%	-	-	-	-	-	-	-	-	-	<b>62.8%</b>
Last Year's Pay Spend	14,476	14,885	14,929	14,900	15,007	15,269	14,970	14,467	14,366	14,345	14,195	14,870	<b>176,679</b>



### Analysis of Pay Variances by Staff Group

Adverse variances are shown in brackets ( )	Budget	Actual	Variance		Other Additional Payments	One-off Payments	Locum / Bank	Agency	Vacancies / (Over Establishments)
	£000s	£000s	£000s	%					
Medical	12,897	13,204	(307)	(2.4%)	(174)	(6)	-	(504)	377
Nursing	16,060	16,105	(45)	(0.3%)	(8)	(15)	(920)	(508)	1,406
Snr. Managers	2,468	2,376	92	3.7%	-	(5)	-	(79)	176
Scientific, Therapeutic & Technical	6,119	6,080	39	0.6%	(2)	(7)	(61)	(155)	264
Support Staff	6,151	6,371	(220)	(3.6%)	(1)	(7)	(132)	(267)	187
Other Pay	(58)	(24)	(34)	58.6%	-	-	-	-	(34)
<b>Sub Total</b>	<b>43,637</b>	<b>44,112</b>	<b>(475)</b>	<b>(1.1%)</b>	<b>(185)</b>	<b>(40)</b>	<b>(1,113)</b>	<b>(1,513)</b>	<b>2,376</b>
Pay Reserves	138	-	138	100.0%					
<b>Grand Total</b>	<b>43,775</b>	<b>44,112</b>	<b>(337)</b>	<b>(0.8%)</b>					

## Analysis of Pay Variances by Business Unit

Adverse variances are shown in brackets ( )	Budget	Actual	Variance		Other Additional Payments	One-off Payments	Locum / Bank	Agency	Vacancies / (Over Establishments)
	£000s	£000s	£000s	%					
Corporate Services	4,179	4,151	28	0.7%	(3)	(5)	(40)	(100)	176
Diagnostic & Therap.	5,823	5,766	57	1.0%	(80)	(6)	(82)	(102)	327
Facilities	2,387	2,450	(63)	(2.6%)	-	(3)	27	(211)	124
Medicine	9,382	9,566	(184)	(2.0%)	(44)	(7)	(538)	(387)	792
Emergency Services	2,084	2,143	(59)	(2.8%)	(3)	(5)	(64)	(73)	86
MSK	4,030	4,016	14	0.3%	(36)		(101)	(70)	221
Surgical	6,228	6,261	(33)	(0.5%)	(26)		(155)	(128)	276
Theatres & CC	4,008	4,127	(119)	(3.0%)	8	(4)	(59)	(137)	73
Women & Children	5,399	5,469	(70)	(1.3%)	(1)	(10)	(100)	(304)	345
<b>Sub Total</b>	<b>43,520</b>	<b>43,949</b>	<b>(429)</b>	<b>(1.0%)</b>	<b>(185)</b>	<b>(40)</b>	<b>(1,112)</b>	<b>(1,512)</b>	<b>2,420</b>
Reserves / Central	255	163	92	36.1%					
<b>Grand Total</b>	<b>43,775</b>	<b>44,112</b>	<b>(337)</b>	<b>(0.8%)</b>					

### Commentary

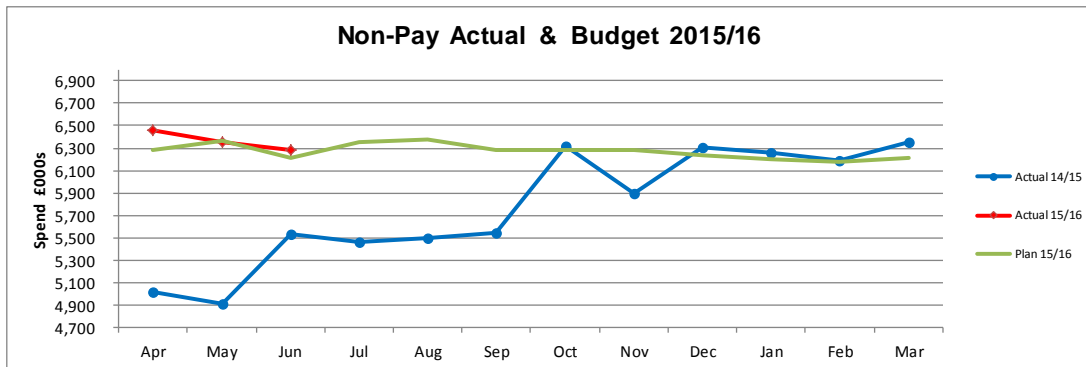
- Pay expenditure in June was higher than plan. The pay award was paid in the month and backdated to the start of the financial year. Whilst this was fully funded and has not caused a variance, it has affected the run rate. Excluding the pay award, expenditure in June was £178k higher than in May.
- Agency spend was £1,371k in June, which was £208k higher than May and £113k higher than the average seen between November and March of last year. The largest increases over May were seen in Theatre ODPs (£75k), Surgery medical staff (£44k), Medicine nursing staff (£47k) and medical and nursing staff in W&C (£58k). The key reasons for agency usage were covering vacancies and sickness.
- The expenditure in the Emergency Department has slowed in June (£8k overspent in the month), however the Medicine directorate remains a concern as costs have increased again causing a £91k overspent in the month. The main area of concern is medical staffing in the following areas:
  - ◆ Gastroenterology - £73k overspent YTD due to Waiting List Initiatives
  - ◆ General Medicine - £67k overspent YTD due to agency covering Consultant vacancies and gaps on the junior medical rota.
  - ◆ Elderly Medicine - £35k overspent YTD due to agency covering vacancies and maternity leave



## Non-Pay Expenditure

### Non-Pay Analysis (excluding pass through)

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	6,286	6,367	6,208	6,357	6,382	6,284	6,286	6,277	6,230	6,206	6,180	6,209	<b>75,272</b>
: Expenditure	6,463	6,352	6,281										<b>19,096</b>
: Variance	(177)	15	(73)	-	-	-	-	-	-	-	-	-	
: YTD Variance	(177)	(162)	(235)	-	-	-	-	-	-	-	-	-	
Total Income	23,260	23,005	23,999	-	-	-	-	-	-	-	-	-	<b>70,264</b>
Non-pay Percentage	27.8%	27.6%	26.2%	-	-	-	-	-	-	-	-	-	<b>27.2%</b>
Last Yrs Non-P Spend	5,013	4,911	5,530	5,465	5,495	5,546	6,323	5,893	6,304	6,255	6,184	6,348	<b>69,267</b>



### Analysis of Non-Pay Variances (excluding pass through)

Adverse variances are shown in brackets ( )	Budget	Actual	Variance		Drugs	Clinical Supplies	Non Clinical Supplies	Non recurrent Items	Other
	£000s	£000s	£000s	%	£000s	£000s	£000s	£000s	£000s
Corporate Services	3,712	3,650	62	1.7%	7	7	8	11	29
Diagnostic & Therap.	3,511	3,651	(140)	(4.0%)	(19)	(100)	2		(23)
Facilities	2,954	2,953	1	0.0%	-	(25)	(8)		34
Medicine	2,220	2,193	27	1.2%	108	(79)	(4)		2
Emergency Services	612	670	(58)	(9.5%)	1	27	(6)	(41)	(39)
MSK	1,720	1,840	(120)	(7.0%)	(24)	36	8	(137)	(3)
Surgical	1,761	1,841	(80)	(4.5%)	5	(10)	-	(36)	(39)
Theatres & CC	1,199	1,194	5	0.4%	30	(28)	6		(3)
Women & Children	744	678	66	8.9%	44	17	8		(3)
Centrally Managed	432	426	6		-	-	-	34	(28)
<b>Total</b>	<b>18,865</b>	<b>19,096</b>	<b>(231)</b>	<b>(1.2%)</b>	<b>152</b>	<b>(155)</b>	<b>14</b>	<b>(169)</b>	<b>(73)</b>

### Commentary

- Expenditure in the month was higher than plan, due to an overspend on clinical supplies which reflects the high level of activity and income in the month.
- The majority of non-recurrent expenditure relates to outsourcing to private providers which has now ended in the majority of specialties.
- Overspends in the "Other" column include postage (£15k), furniture purchases (£17k) and additional items within the SEEDS contract (£31k).

## Transformation Programme

### Summary by Directorate June 2015

Annual Target	<i>Adverse variances are shown in brackets ( )</i>	YTD Target	YTD Actual Achieved	YTD Variance	RAG
£'000		£'000	£'000	£'000	
1,288	Theatres and ITU	213	98	(115)	
1,277	Corporate Services	506	588	82	
481	Diagnostic & Therapeutic	57	28	(29)	
941	Facilities	276	205	(71)	
2,152	Medicine	108	(9)	(117)	
802	Emergency Services	200	62	(138)	
1,677	MSK	481	507	26	
2,195	Surgical	715	654	(61)	
331	Women & Children	178	182	4	
2,318	Reserves & Central	272	379	107	
-	Cost of activity overperformance	-	230	230	
<b>13,462</b>	<b>Total</b>	<b>3,006</b>	<b>2,924</b>	<b>(82)</b>	

### Summary by Category June 2015

Annual Target	<i>Adverse variances are shown in brackets ( )</i>	YTD Target	YTD Actual Achieved	YTD Variance	RAG
£'000		£'000	£'000	£'000	
1,030	Clinical Administration	227	199	(28)	
3,166	Clinical Transformation	520	546	26	
1,934	Corporate	686	667	(19)	
3,867	Medical Staffing	942	677	(265)	
371	Non CCG Income	119	168	49	
3,095	Non-Pay and Other	512	437	(75)	
-	Cost of activity overperformance	-	230	230	
<b>13,463</b>	<b>Total</b>	<b>3,006</b>	<b>2,924</b>	<b>(82)</b>	

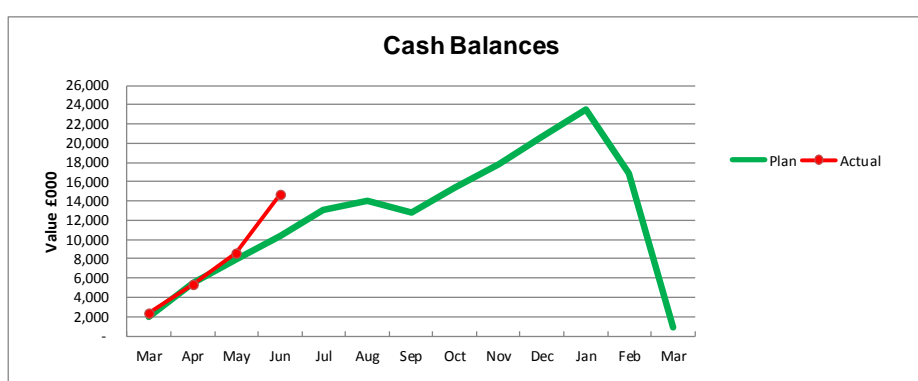
### Commentary

- The Transformation programme is 3% behind plan YTD, however this is partly due to operational pressures rather than non-delivery of new transformation schemes. The cost of activity over-performance has been offset against overall delivery, to reflect the high levels of activity being seen in the Trust (which is generating additional clinical income).
- Corporate initiatives are behind plan due to pay savings not being made as planned in Facilities. These are offset with non-pay overachievements in a number of corporate departments.
- The medical staffing scheme is not achieving its full target due to waiting list sessions and agency expenditure covering vacancies.
- The procurement savings (shown in “Non-Pay and Other”) are behind plan due to vacancies in the procurement team. These have now been filled, so procurement savings are expected to catch-up and be on track by year end.

## 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
<b>Cash</b>														
FT Plan (closing balance)	2,000	5,534	7,875	10,350	13,132	14,058	12,842	15,320	17,754	20,618	23,479	16,836	911	911
Actual	2,329	5,323	8,592	14,677										851
Variance	329	(211)	717	4,327	-	-	-	-	-	-	-	-	-	(60)
<b>Working Capital Balances</b>														
Trade Debtors	14,908	12,346	5,355	5,787										16,399
Trade Creditors	9,681	10,938	12,453	8,712										8,181
Accrued Income	4,465	6,296	6,054	3,498										2,225
Deferred Income	2,163	4,788	7,713	10,638										2,163
Accrued Expenditure	11,748	10,482	9,884	10,096										11,748
Stock	5,736	5,759	5,859	5,931										5,736
Available Finance Facility	4,500	4,500	4,500	4,500										4,500



### Commentary

- The cash balance at the end of June was £14.7m which is above plan by £4.3m. The improved position is due to the timing of income receipts from the CCGs and is expected to normalise in next month's position.
- The 2015/16 contract with the CCG continues to be paid in 10 equal instalments (*between April – January*) and is the reason why the cash plan reduces considerably in the final quarter.
- The Trust's performance against the PSPP (*Public Sector Payment Policy*) was 11% compliant in respect of the value of invoices paid within 30 days.
- 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 forecast shows a cash balance of **£851k** which is £60k lower than plan. This reflects an improvement in the I&E forecast of £298k (*once depreciation is excluded*) and improved cash flow on GP Hosting from the recent introduction of advanced payments from other NHS organisations (*estimated to be a £452k benefit*). However, these are offset by the forecast capital overspend of £810k.

## Balance Sheet

### Statement of Financial Position

Annual Target Mar-16	Adverse variances are shown in brackets ( )	YTD Target	YTD Actual Achieved	Variance	RAG
			Total		
£'000		£'000	£'000	£'000	
148,465	Non Current Assets	152,997	157,064	4,067	
17,940	Current Assets	38,089	32,668	(5,421)	
(21,100)	Current Liabilities	(42,364)	(44,798)	(2,434)	
(3,160)	Net Current Assets (Liabilities)	(4,275)	(12,130)	(7,855)	
145,305	Total Assets less Current Liabilities	148,722	144,934	(3,788)	
(8,437)	Non Current Liabilities	(8,437)	(4,685)	3,752	
<b>136,868</b>	<b>Total Assets Employed</b>	<b>140,285</b>	<b>140,249</b>	<b>(36)</b>	
	<b>Financed By (Taxpayers Equity):</b>			-	
103,013	Public Dividend Capital	103,013	103,013	-	
28,588	Revaluation Reserve	28,588	28,588	-	
5,267	Income and Expenditure Reserve	8,684	8,648	(36)	
<b>136,868</b>	<b>Total Taxpayers Equity</b>	<b>140,285</b>	<b>140,249</b>	<b>(36)</b>	

## Capital Expenditure

Annual Plan	Adverse variances are shown in brackets ( )	Monthly Actual	Year to Date			Forecast			
			Plan	Actual	Variance	Under/ (Over) spend	Slippage	Actual	Variance
£000		£000	£000	£000	£000	£000	£000	£000	£000
	<b>Estates</b>								
350	Project management etc - building maint.	39	70	114	(44)	(50)	-	400	(50)
4,755	Backlog maintenance	133	687	728	(41)	(314)	600	4,469	286
1,052	New Developments	226	277	331	(54)	(78)	-	1,130	(78)
6,157		398	1,034	1,172	(138)	(442)	600	5,999	158
	<b>Medical Equipment</b>								
1,500	Medical equipment replacement	77	428	114	314	67	-	1,434	67
3,110	Linacc	(1)	-	1	(1)	-	-	3,110	-
500	X-Ray Room 4	11	-	(26)	26	(10)	-	510	(10)
200	Brachytherapy	-	-	-	-	-	-	200	-
193	SSD Washers	22	-	26	(26)	-	-	193	-
5,503		109	428	114	314	57	-	5,447	57
	<b>I.T.</b>								
968	Replacement programme	61	576	355	220	98	-	870	98
122	E-Rostering	(23)	53	47	6	-	-	122	-
409	E-Prescribing (net of Central funding)	129	187	157	30	-	-	409	-
200	EPR	(0)	25	0	25	-	11	189	11
440	Nervecentre	14	44	15	29	-	67	373	67
183	Single Sign-on	-	-	-	-	-	-	183	-
70	Wireless Extension	80	70	80	(10)	(10)	-	80	(10)
68	PACs Workstations & Voice Recognition	-	23	-	23	-	-	68	-
57	Pharmacy Outsourcing	-	-	-	-	-	-	57	-
2,517		260	977	654	323	88	78	2,351	166
	<b>Other</b>								
2,390	Vascular theatre	-	58	(1)	59	(25)	-	2,415	(25)
-	Transformation Projects	76	-	82	(82)	(473)	-	473	(473)
-	Art in hospital	-	-	15	(15)	(15)	-	15	(15)
(3,567)	Planned Slippage	-	(892)	-	(892)	(678)	-	(2,889)	(678)
(1,177)		76	(834)	96	(930)	(1,191)	-	14	(1,191)
<b>13,000</b>	<b>Total</b>	<b>844</b>	<b>1,606</b>	<b>2,036</b>	<b>(430)</b>	<b>(1,488)</b>	<b>678</b>	<b>13,810</b>	<b>(810)</b>

### Commentary

- Capital spend for June was £0.8m which brings the cumulative spend to £2.0m. This represents 16% of the annual programme and is a much quicker start to the year than has been seen previously.
- The main areas of spend were estates backlog maintenance and IT replacement. Most of the adverse variance is due to the planned slippage where the annual target (of £3.6m) has been profiled evenly for reporting purposes.
- The forecast currently shows a over spend of £810k which largely reflects additional spend on schemes that support the Transformation agenda and back-log maintenance. A detailed monthly analysis is undertaken with the various service groups and a decision to hold spend will be taken in August.

## Risks, Mitigation and Actions

1	Risk	Description	Mitigations	Action
	Failure to deliver the Transformation Programme	The programme assumes an ambitious level of change with anticipated efficiencies of £13.5m for 2015/16. A failed scheme or a significant level of slippage (without any substitution) would cause serious financial pressure.	The programme has already been subject to rigorous testing which is reflected in only 3% of schemes being RAG rated as "red". The delivery of the programme will be closely monitored and support increased through the strengthening of the PMO and specialist resource from Kingsgate.	Transformation Board will oversee the programme.
2	Cost overspends	Notwithstanding the Transformation programme, the pay and non-pay budgets will come under pressure and over spending may occur.	Although there is a small amount of contingency, there are no mitigations for this risk other than the regular performance reviews and the application of tighter controls on expenditure.	The areas with adverse variations will undergo urgent review and an action plan to improve their performance will be agreed. Reviews will continue with the Finance & Investment Committee
3	CCG being unable to afford the activity that the Trust undertakes.	The previous year (2014/15) saw the CCG with serious affordability issues and the situation is likely to be similar for this year. This can manifest itself through an increased level of challenge and fines to the Trust.	Clear communication of plans with the CCG at all stages in the year is essential and should enable the early highlighting of this risk if it becomes inevitable. If this stage is reached, a remedial plan should be agreed by both organisations.	Continue with the regular meetings and reviews and achieve a speedy but thorough process of reconciliation with the CCG in order to highlight issues as early as possible.
4	In-year demands on the capital programme exceeding the available resource.	Further unplanned demands for capital investment may occur during the year particularly with the condition of the ageing estate.	Monthly reviews and regular forecasts will help identify additional pressures as early as possible. The deferment of an existing scheme may be necessary if an unexpected essential requirement arises.	The capital plan for 2015/16 has already been subject to considerable discussion and will be monitored closely during the year.
5	The planned sale of fixed assets does not occur in 2015/16 and places great pressure on the cash position	Maximising the income achievable from the sale of assets may have an influence on the timing of the sale and slippage into the next financial year is possible.	The existing overdraft facility would be too small to address the resultant cash deficit and the Trust would need to negotiate a larger facility.	Specialist advice will be sought.
6	Costs of implementing nationally mandated initiatives may create additional unfunded pressures.	An example of this risk would be the creation of a seven day hospital service.	The continual review of the likelihood of such changes will be undertaken to maximise the time available to plan. In the event, a reprioritisation of plans may be necessary.	No further actions are necessary at this stage.

## Continuity of Service Risk Rating (CoSRR)

### Continuity of Service Risk Rating (CoSRR)

Metric	Year to date			Original Plan	Forecast	Performance Parameters			
	Weighting	Actual	Score			4	3	2	1
Debt Service Cover Rating	50%	0.03	1	2	2	2.5	1.75	1.25	<1.25
Liquidity Rating	50%	-23.38	1	2	2	0	-7	-14	<-14
<b>Total</b>			<b>1.0</b>	<b>2.0</b>	<b>2.0</b>				

<b>Overall CoSRR</b>	1	2	2
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### Monthly Movements

Metric	2014/15	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Plan
Debt Service	0.8	0.41	0.27	0.03										1.3
Liquidity	-15.6	-16.26	-19.05	-23.38										-11.6
<b>Total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>										<b>2.0</b>
<b>Risk rating (rounded)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>										<b>2</b>
<b>FT Plan</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

### **Commentary:**

- The CoSRR comprises two elements as follows:

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

Liquidity Ratio (*a measure of the Trust's ability to sustain itself through its working capital*)

- The overall CoSRR for June is 1 against a plan of 1.
- The forecast achieves a rating of 2 which is in accordance with the plan.

## Conclusions and Actions

The Trust's position for June was a deficit of £1,004k which increased the cumulative deficit to £3,633k. This produced a small adverse variance of **£34k** against the year-to-date plan.

Clinical income, excluding "pass through", is cumulatively ahead of plan (*by £524k*) which is mainly due to elective activity, out-patients and A&E attendances.

Pay budgets were over spent (*by £337k YTD*) due largely to agency staff covering vacancies for medical staff in the Medical directorate and ODPs in Theatres.

Non-pay budgets, excluding "pass through" were over spent (*by £231k YTD*) caused mainly by outsourcing activity in MSK and Surgery.

The Transformation Programme has delivered cumulative savings of £2.9m which was only slightly behind plan at this early stage in the year.

The cash balance at the end of June was £14.7 which was **£4.3m** higher than plan due entirely to timing differences in the receipt of income from the CCGs.

The Trust's Continuity of Service Risk Rating was 1 and is consistent with the plan for this stage in the year.

A forecast has been produced for the first time this year and shows a year-end deficit of **£7.05m** which is consistent with the plan.