CoG(01/12) Item 8.1

Northern Lincolnshire and Goole Hospitals NHS

NHS Foundation Trust

DATE	**25th January 2012**
REPORT FOR	**Council of Governors**
REPORT FROM	**Mike Rocke, Director of Finance, Planning & Performance**
CONTACT OFFICER	**Mike Rocke, Director of Finance, Planning & Performance**
SUBJECT	**Finance & Performance Update**
BACKGROUND DOCUMENT (IF ANY)	
EXECUTIVE COMMENT (INCLUDING KEY ISSUES OF NOTE OR, WHERE RELEVANT, CONCERN THAT THE COG NEED TO BE MADE AWARE OF)	
COUNCIL ACTION REQUIRED	**Governors are asked to note the Trust's performance**

Council of Governors Meeting – January 2012
Trust Performance for the period to 30th November 2011

1. Introduction

This report provides the Council of Governors with a summary of the Trust's current financial position. As work is still underway at the time of writing to confirm the full financial accounts as at the end of December 2011, information within this report is based upon the end of November 2011, with an outline of the expected position at the end of the third quarter of the financial year.

A supporting presentation to be made at the Council meeting will include the final December position.

This paper covers:

i) Financial outturn performance for the period to the end of November 2011;

ii) Performance against key targets and standards to the end of November 2011.

2. Financial Summary – November 2011

Key finance measures as at November:

Trading Surplus	**£1.60mil**
Cash Balance	**£30.68mil**
Projected Quarterly Risk Rating	**3**

2.1 The Trust reported a trading surplus of £1.60mil for the year to the end of November. It is still expected that the Trust will meet the full year surplus target set out in our initial plan for the year of £1.64m.

2.2 The Trust held cash balances of £30.68mil at the end of November. Though slightly lower than plan for that point in the year, reflecting normal variation in working capital balances, but again the end of year position should be in line with the plan target of £26.82mil.

2.3 The Trust's overall financial performance to the end of November is rated at Risk Rating 3 under Monitor's scorecard system. This will be maintained through to the end of the year. Monitor normally consider risk ratings of 3 or more to be satisfactory, so this represents an acceptable financial performance against a difficult national financial context.

3. Income and Expenditure Position

3.1 The summary income and expenditure position compared to plan is shown in the following table, showing the net surplus of £1.60million:

	YTD Actual £mil	Variance from Plan £mil
Income	202.05	(1.12)
Expenditure – Pay	(139.87)	(1.88)
Expenditure – Non Pay	(53.83)	0.04
Non Recurrent Contingency Support	2.20	2.20
EBITDA	**10.55**	**(0.77)**
Post EBITDA Items	(8.95)	(0.14)
Trading Surplus/(Deficit)	**1.60**	**(0.91)**
Exceptional Items	0.00	0.00
I&E Surplus/(Deficit)	**1.60**	**(0.91)**

The Trust's trading surplus has been influenced by the following significant factors:

3.1.1 Income:

Income for the end of November was declared at £202.05million, which was £1.12 million below plan. This reflects a very prudent approach taken to potential risks of recovering less income through our main healthcare contracts due to fluctuations in demand, activity delivered, or performance against key targets.

Subsequently, further work by the Trust contracting team has seen these risks significantly reduced, as mitigating agreements have been negotiated with commissioners to safeguard Trust income levels.

3.1.2 Pay Expenditure:

Pay expenditure exceeded plan by £1.88 million to the end of November, reflecting slower than planned delivery of the pay elements of the cost reduction programme, and particular pressure on locum medical staffing costs. This level of variation is within the contingency parameters that the Trust agreed as part of its plan for the year.

3.1.3 Contingency:

The Trust has used £2.20m of non recurrent contingencies to support the Income and Expenditure position. The expectation at the beginning of the year was that a total of £3.00 million would be required for the full year, so the current position is broadly in line with this expectation.

This contingency is non recurrent, so the Trust still has work to do to eliminate recurrently the slippages on delivering pay cost reductions. This work is a major focus of the Trust Transformational Board and the planning process for 2012/13.

4. Pay Trends and Staffing:

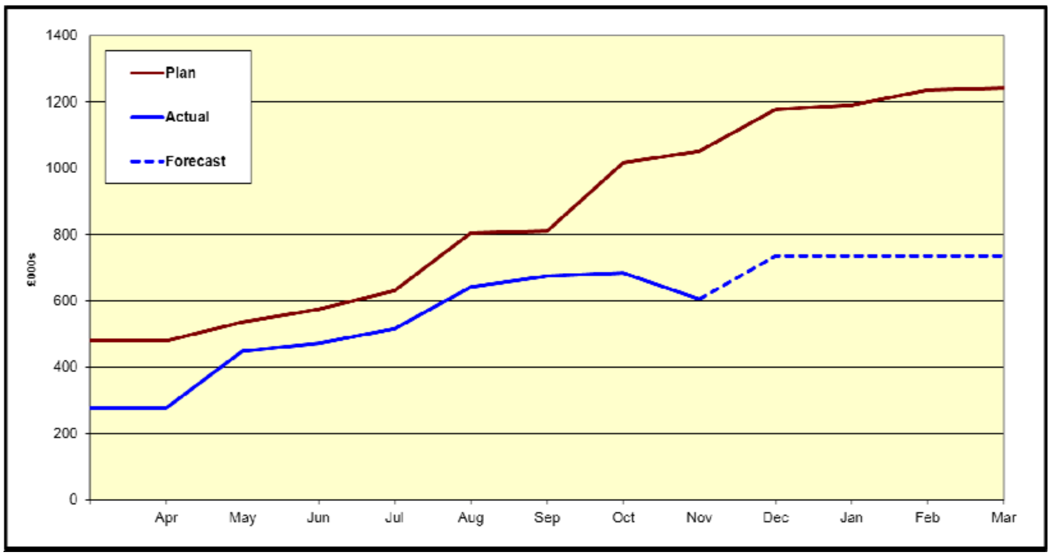
4.1 The Trust has been successful in reducing administrative and clerical spend through the year to date, following the restructure exercises through the Fit for the Future programme. Cost reductions in this area have met expectations.

4.2 Nursing cost reductions have been harder to achieve. Nursing spending has reduced, in part due to better controls linked to the introduction of electronic rostering systems. However, it has proven difficult to implement quickly enough the proposed schemes to redesign ward areas to improve nursing cost efficiency. These schemes are still progressing.

4.3 Medical staffing costs have been most problematic. Cost have actually risen, as a result of increased locum and agency spend on doctors. This spending has been primarily to cover vacancies and sickness absences. Work to introduce better planning and control measures for medical staffing, with the introduction of dedicated Rota Coordinator posts, are now moving forward, building on lessons learnt through piloting these arrangements in Women and Children's services.

5. Savings Plan Delivery:

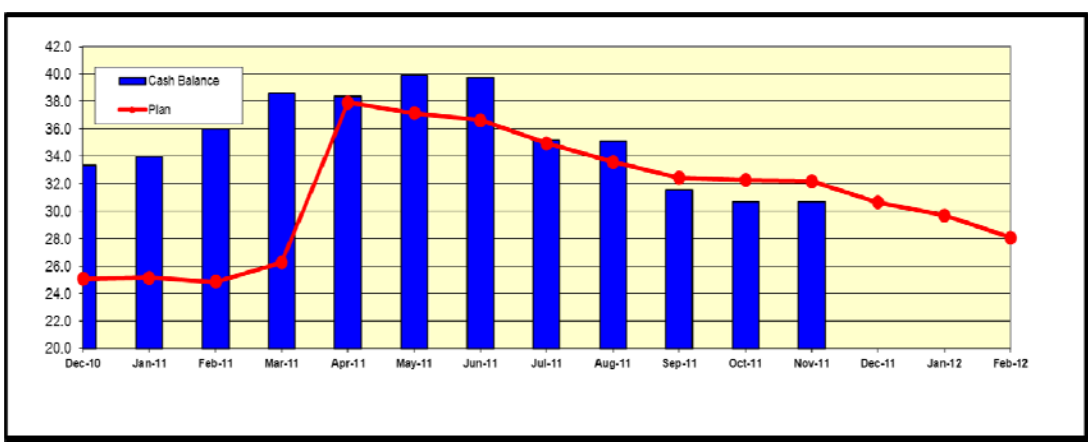
5.1 The Trust has delivered net savings of £4.32 million to the end of November. Of the £10.75 million full year target, the Trust expects to deliver approximately 70%. The shortfall is due to the delayed implementation of some of the planned clinical pay savings schemes, and is supported by contingencies, as planned at the start of the year.



The key task moving forward into 2012/13 is to ensure that these schemes move into implementation.

6. Cash and Balance Sheet:

6.1 Cash balances stood at £30.68 million at the end of November. This was slightly below the planned level for this point of the year, reflecting normal variation in working capital balances and capital expenditure rather than any underlying deviation from plan. The end of year position is still forecast to match the original plan target.



6.2 The Trust had planned to see a reducing cash balance for the year, as the Trust paid out redundancy costs associated with the staff reduction plan. The Trust had set aside $over £8 million to cover these costs at the end of the previous financial year, and through the year to November had paid out around 755 of this amount, in line with progress in implementing the 2011/12 staff reduction plan.

7. Financial Outlook – End of year Forecast and 2012/13 Prospects

7.1 The Trust completed its Mid Year Financial and Business Review in October, and this forecast that the Trust should be able to deliver on the key financial aspects of its 2011/12 plan. Subsequent developments have not changed that view. The trust therefore should end the financial year having delivered the required surplus, maintained an adequate cash balance, and maintained an acceptable risk rating with Monitor.

7.2 The major risk arising from the financial position in 2011/12 is the failure to fully deliver the savings programme. Though this is covered by planned contingencies for this year, this gap must be closed in 2012/13.

7.3 The Trust planning process for 2012/13 will address the actions required to ensure that these savings are delivered.

7.4 Looking forward to 2012/13, the financial position for all of the NHS remains challenging, with little of no funding growth over and above that required to cover cost inflation. Given the continued growth in demand, as populations grow and become older, and as new technology develops, NHS finances will remain under severe pressure.

7.5 The Trust has engaged with commissioners to undertake a review of sustainable services, designed to set out a vision for health services around Grimsby, Goole and Scunthorpe that is modern, meets patient’s needs, and is cost effective. This links in to the national themes of moving services out of hospitals and closer to patients, and developing better integrated services.

7.6 The Trust planning and contracting teams are working hard to develop this vision with clinicians and commissioners, and turn it into plans which can be implemented. These plans will form the basis for our contracts with commissioners, and also for our internal financial plans.

7.7 With a 4% efficiency saving built in to 2012/13 contract pricing arrangements (equivalent to £12 million for the Trust), a significant savings programme for 2012/13 is inevitably going to be required. Developing this programme form the existing plans will be a key task over the next three months.

8. Summary of Performance Against Key Targets

8.1 Overall, the Trust remains Amber/Green rated at the end of November, with only the C difficile infection position not compliant with Monitor’s performance matrix. However, subsequent developments on C difficile infections mean that the Trust will face an automatic red rating once the full third quarter data is submitted in January. Monitor will then review Trust actions to ensure that governance remains effective. Trust performance at the end of November 2011 was as follows:

8.1.1 Infection Control

MRSA Infections: Target 2, Infections 2:
C Difficile Infections: Target 25, Infections 29:

The Trust has performed in line with trajectory for MRSA infections, living within a very tight target. However, for C difficile, infection numbers have exceeded the threshold. As the Trust fell behind the threshold in the first quarter, and has failed to sufficiently catch up in either the second or third quarters, the Trust will receive an automatic red rating on the grounds of having failed the same target three times. This will trigger a review of the Trust's arrangements and actions by Monitor.

The Trust continues to make every effort on improving infection control, and investigates the root causes of each infection. Action plans are in place and are regularly reviewed.

8.1.2 <u>18 Week Waiting Time Standard</u>

Trust performance remains comfortably compliant with the standards measuring waiting times form referral for both patients requiring admission and for other non-admitted treatment pathways.

<u>Targets for seeing 95% of patients: Admitted patients:</u>
Target time: 23 weeks Trust Performance: 18.1 weeks

<u>Targets for seeing 95% of patients: Non-admitted patients:</u>
Target time: 18.3 weeks Trust Performance: 15.2 weeks

The Trust's remains one of the best performers in the region in relation to patients waiting for more than 18 weeks, though efforts to reduce expenditure have stalled progress on further reducing waiting times.

8.1.3 <u>Cancer Waiting Times</u>

Performance against the various cancer targets is measured on a quarterly basis, but for the first two months of quarter 3 the Trust was compliant against all of the cancer waiting times targets.

The Trust has previously found these targets challenging, and the risk of non-compliance against individual targets remains, particularly on the 62 day referral to treatment targets.

8.1.4 <u>A&E Waiting Times Standard</u>

The Trust continues to remain compliant with the A&E waiting time standard, which requires 95% of all attenders at A&E to be seen, treated and admitted or discharged within 4 hours. Current performance is at 96.1% for the first two months of the third quarter.

A&E departments remain pressured, particularly when acute beds are under pressure because of difficulties discharging patients. This area does remain a risk, therefore.

9. Recommendations

9.1 The Council of Governors is asked to note the Trust's performance for the financial year to date.

Mike Rocke
Director of Finance, Planning & Performance
January 2012