
DATE	September 2013
REPORT FOR	Trust Board of Directors – Part A
REPORT FROM	FINANCE COMMITTEE – Stanley Shreeve, Chairman
CONTACT OFFICER	MIKE ROCKE, Director of Finance, Planning & Performance
SUBJECT	Trading Report, August 2013
BACKGROUND DOCUMENT (IF ANY)	
REPORT PREVIOUSLY CONSIDERED BY & DATE(S)	Finance Committee – 19 Sept 2013
EXECUTIVE COMMENT (INCLUDING KEY ISSUES OF NOTE OR, WHERE RELEVANT, CONCERN AND / OR NED CHALLENGE THAT THE BOARD NEED TO BE MADE AWARE OF)	This paper summarises the key issues presented to, and discussed by, the Finance Committee
HAVE THE STAFF SIDE BEEN CONSULTED ON THE PROPOSALS?	
HAVE THE RELEVANT SERVICE USERS/CARERS BEEN CONSULTED ON THE PROPOSALS?	
ARE THERE ANY FINANCIAL CONSEQUENCES ARISING FROM THE RECOMMENDATIONS?	As outlined in the main body of the report
IF YES, HAVE THESE BEEN AGREED WITH THE RELEVANT BUDGET HOLDER AND DIRECTOR OF FINANCE, AND HAVE ANY FUNDING ISSUES BEEN RESOLVED?	
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	n/a
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	n/a
ACTION REQUIRED BY THE BOARD	To note the report and consider the need for any further actions to address the issues highlighted in the report.

Report to the Finance Committee

Financial Performance Update 2013/14 For the Year to 31st August 2013

This report covers the Trust's financial performance to date for the financial year 2013/14. The variances and trends outlined in this report are based upon the detailed financial plans contained within the current three year plan submission made to Monitor.

The financial report contains the following sections:

- Financial headlines
- Risk rating analysis & contingency utilisation
- Income & expenditure account
- Pay trend analysis
- Balance sheet
- Cash balance
- Contract trading position
- Budgetary variance analysis
- Key risk summary

This report is supplemented by two reports presented separately to the Finance Committee; one outlining the quarterly position against the Trust's cost improvement programme and the other a quarterly update of the Trust's investment programme position.

Given the focus on staffing levels this report also contains a more detailed workforce analysis set out in the attached appendix.

SECTION ONE **Financial Headlines**

Trading Surplus/ (Deficit)	£(0.43)mil
Cash Balance	£27.49mil
Year To Date Risk Rating	2
Projected Quarterly Risk Rating	3

The Trust reports a trading deficit of £0.43mil for the period to 31st August 2013, £0.28mil behind the plan. This position has been delivered only through the use of £4.0m of non-recurrent contingency support, in addition to the planned use of £1.0m to counter timing variances within the plan. The I&E position for the year to date is therefore reliant upon a total of £5.0m of non recurrent support, sourced through review of the Trust balance sheet.

This represents a slight improvement on last month, and a return to the underlying trend seen in the first quarter. As such the wider forecast work presented at month three and month four remains valid.

The Trust held cash balances of £27.49mil at the end of the August, a deterioration on the July position, and £1.9m below plan. This in month deterioration also reflects a return to underlying trend. The major factor behind the variance to plan remains the debtors position, reflecting issues across the wider system.

SECTION TWO
Risk ratings and contingency utilisation

The year to date position would equate to a Risk Rating of 2 under the current Monitor arrangements, but the forecast end of quarter position at this point remains 3. The measure by measure breakdown of the current position is as follows:

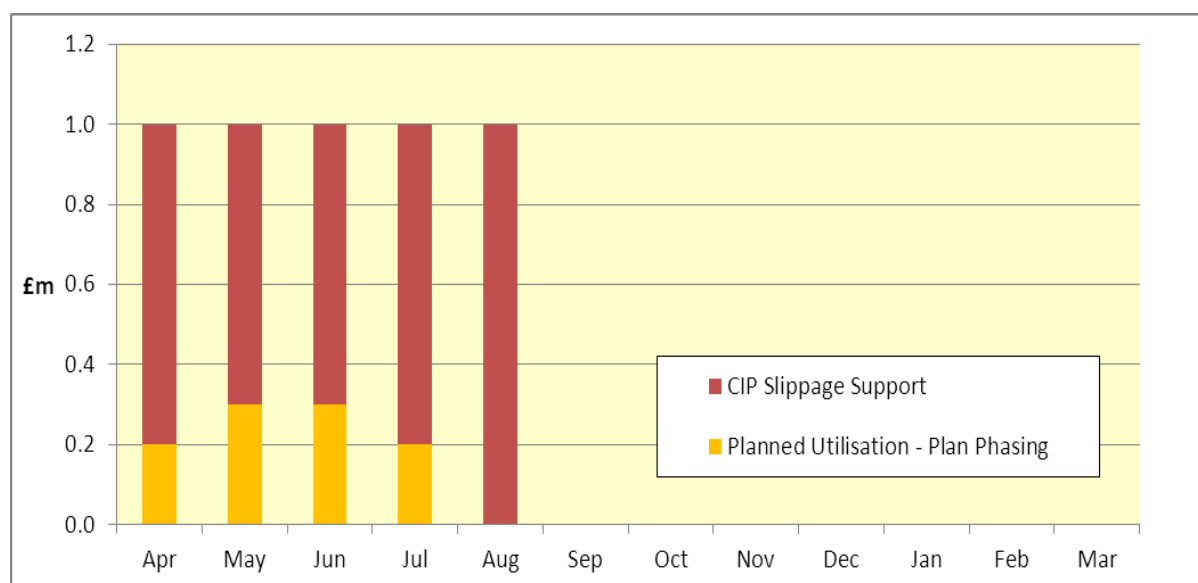
	NLAG	5	4	3	2	1
EBITDA Margin	3.3%	11.0%	9.0%	5.0%	1.0%	<1%
EBITDA Delivery	89.2%	100.0%	85.0%	70.0%	50.0%	<50%
Return on Assets	(0.7)%	3.0%	2.0%	(0.5)%	(5.0%)	< -5%
I&E Surplus Margin	(0.3)%	3.0%	2.0%	1.0%	(2.0%)	< -2%
Liquidity	36.29	60.00	25.00	15.00	10.00	<10
Weighted Average	2.70					
Rating	2				2	

With Monitor due to revise the Risk Assessment framework in year, the Trust is monitoring performance in terms of the proposed new arrangements also, as shown below:

	NLAG	4	3	2	1
Debt Service Cover Rating	244.6%	250.0%	175.0%	125.0%	<125%
Liquidity Rating	+7.6	-2.0	-7.0	-12.0	<-12.0
Weighted Average	3.50				

Under this system, the Trusts low debt obligation and strong Liquidity position deliver the highest rating, with the EBITDA performance giving a Debt Service Cover rating of three.

The monthly run rate of contingency utilisation to date continues to show a regular support flow of £1.0m per month:



The Trust's financial framework did envisage the requirement that non-recurrent contingencies would be utilised in the first part of the financial year, at the levels seen to date.

SECTION THREE
Income & Expenditure Account

	YTD Actual	Variance from Plan
	£mil	£mil
Income	128.69	(0.88)
Expenditure – Pay	(90.77)	(2.25)
Expenditure – Non Pay	(37.73)	(1.38)
Non Recurrent Contingency Support	4.00	4.00
EBITDA	4.19	(0.51)
Post EBITDA Items	(4.63)	0.22
Trading Surplus/(Deficit)	(0.43)	(0.28)
Exceptional Items	0.00	0.00
I&E Surplus/(Deficit)	(0.43)	(0.28)

The I&E position is in deficit by £0.43m, £0.28m behind plan, after the use of £4.00m of contingencies and further calls of £1.0mil in order to reflect plan timing shifts in the early part of the financial year.

The full year income target includes the £4.5m of additional income above contract agreement baselines. Therefore, a shortfall of the level seen is not unexpected at this point.

On expenditure, the pay position in July was consistent with the established trend, with pressures on Medical staffing and to a lesser degree other clinical staff reflecting the pressures on capacity and the difficult labour market – a significant contribution to cost increases relates to locum and agency premia. Non clinical staff costs are overall in line with plan, despite delays to some saving plan elements.

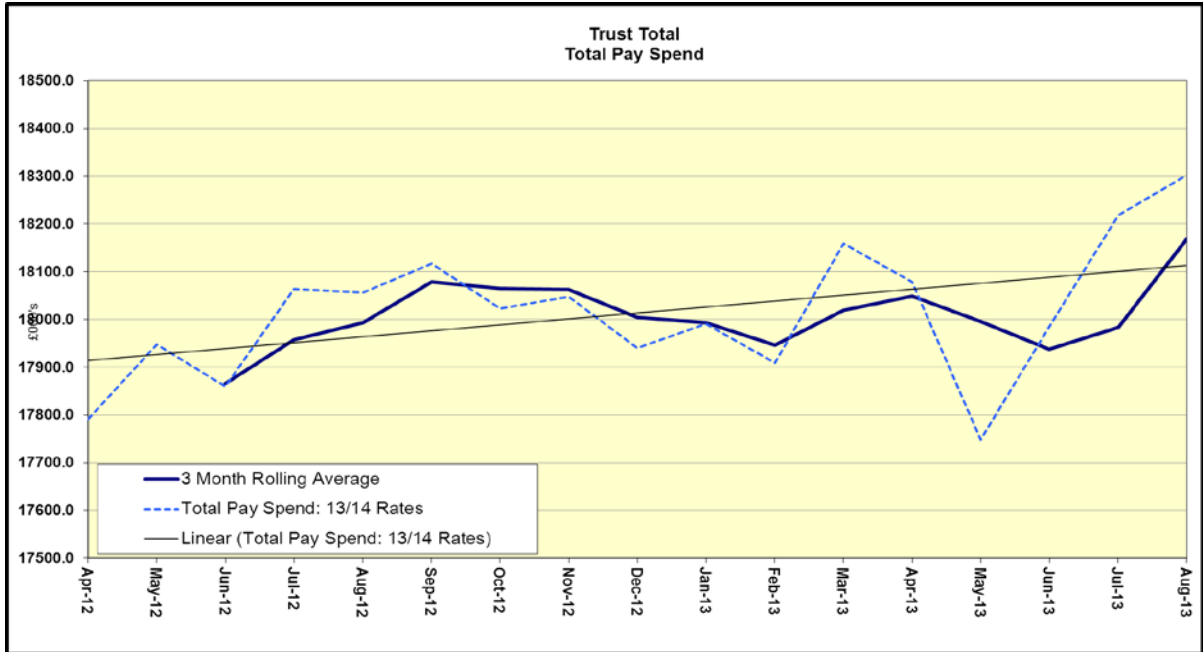
Non pay costs saw favourable movement in month, but pressures from clinical non pay are still present, and other non pay costs are showing shortfalls on savings plans also. A further pressure has been added by the consultancy costs required to support the ongoing governance review process.

The increase in depreciation costs seen in July has been eliminated.

SECTION FOUR
Pay Trends

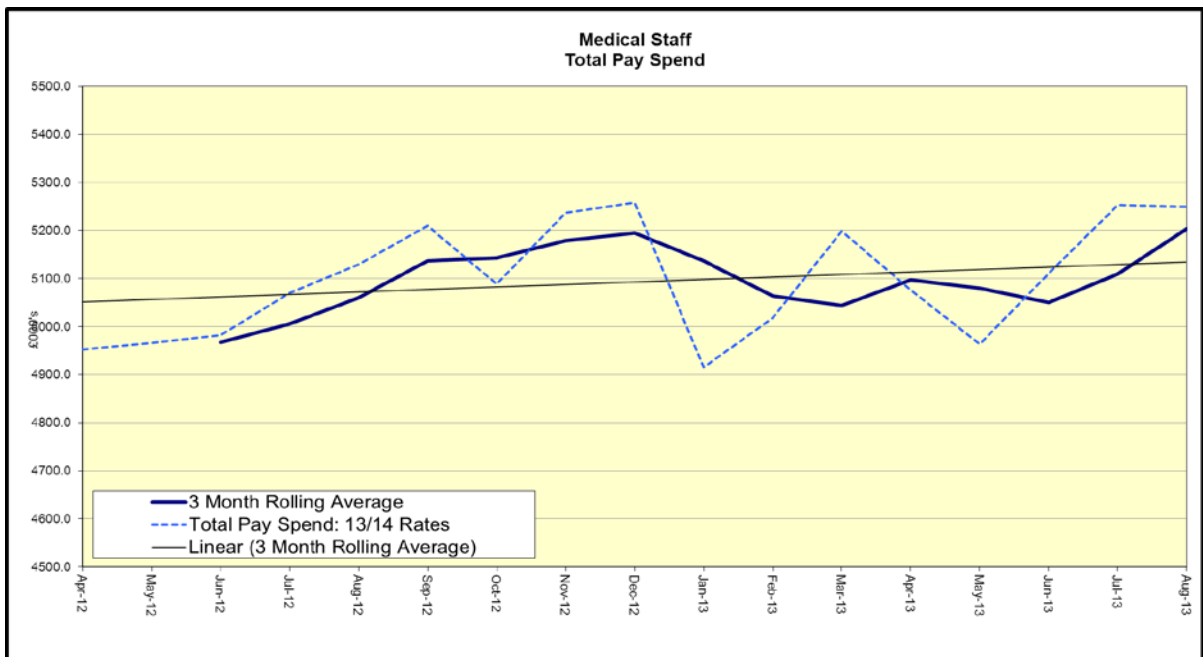
Total Spend – Pay

The Trust’s total pay bill continues to rise, driven by the continued medium term pressures on clinical staff exacerbated by the seasonal increase in costs associated with the new medical intake:



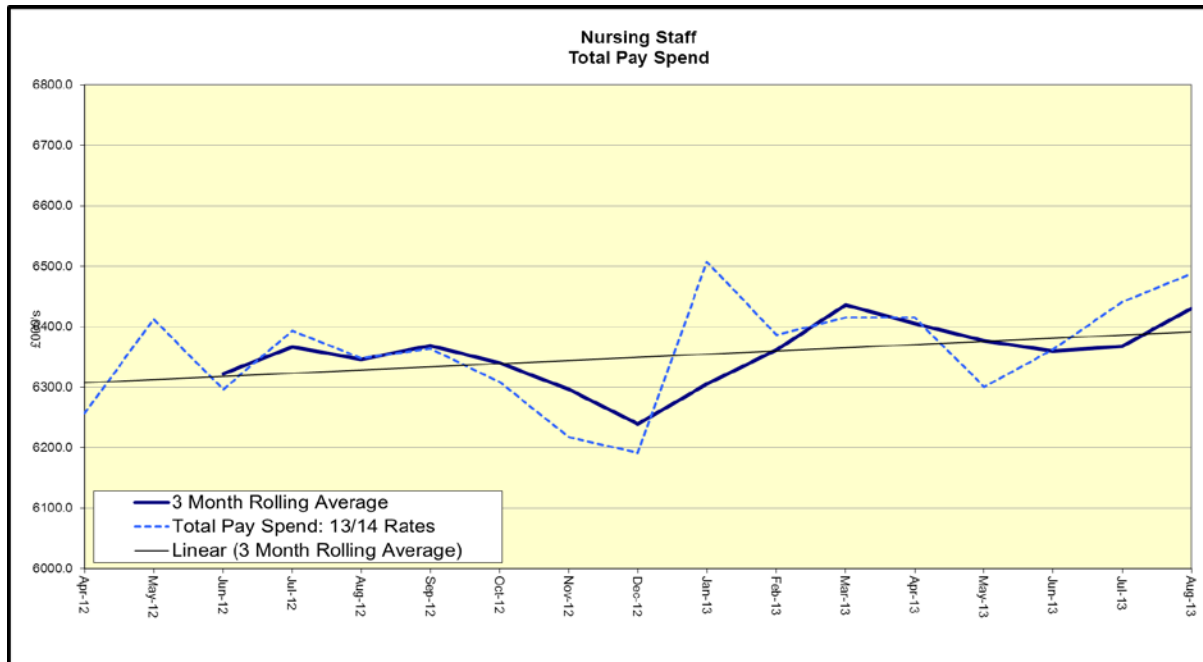
Medical Staffing Spend - Pay

Medical staffing costs continue to increase:



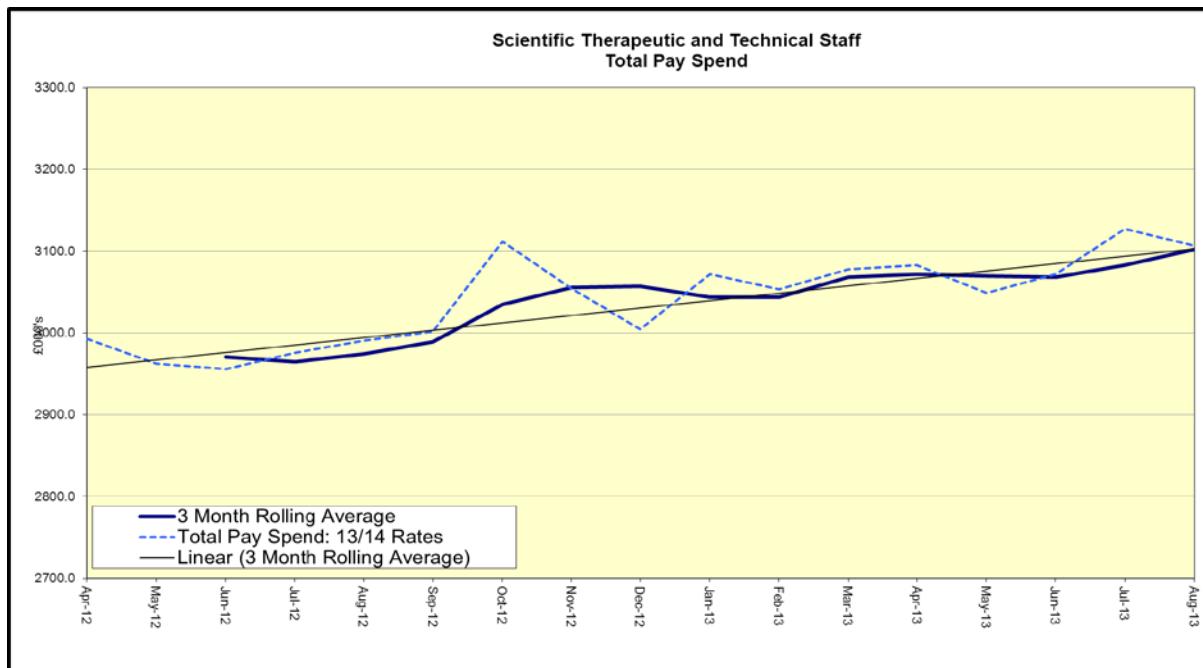
Nursing Spend – Pay

Nursing pay costs are now also firmly moving upwards, with additional costs arising from capacity increases.



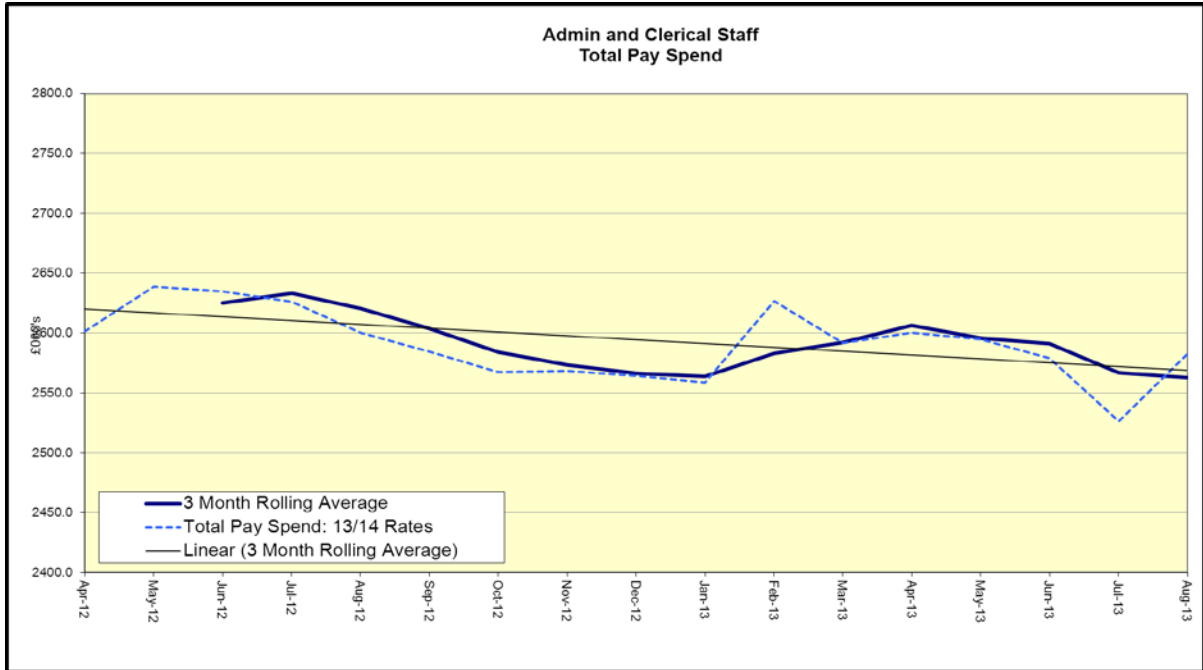
Scientific and Technical Staff – Pay

The underlying upwards trend reflects the investment plan in this area, but has been exacerbated by further activity pressures:



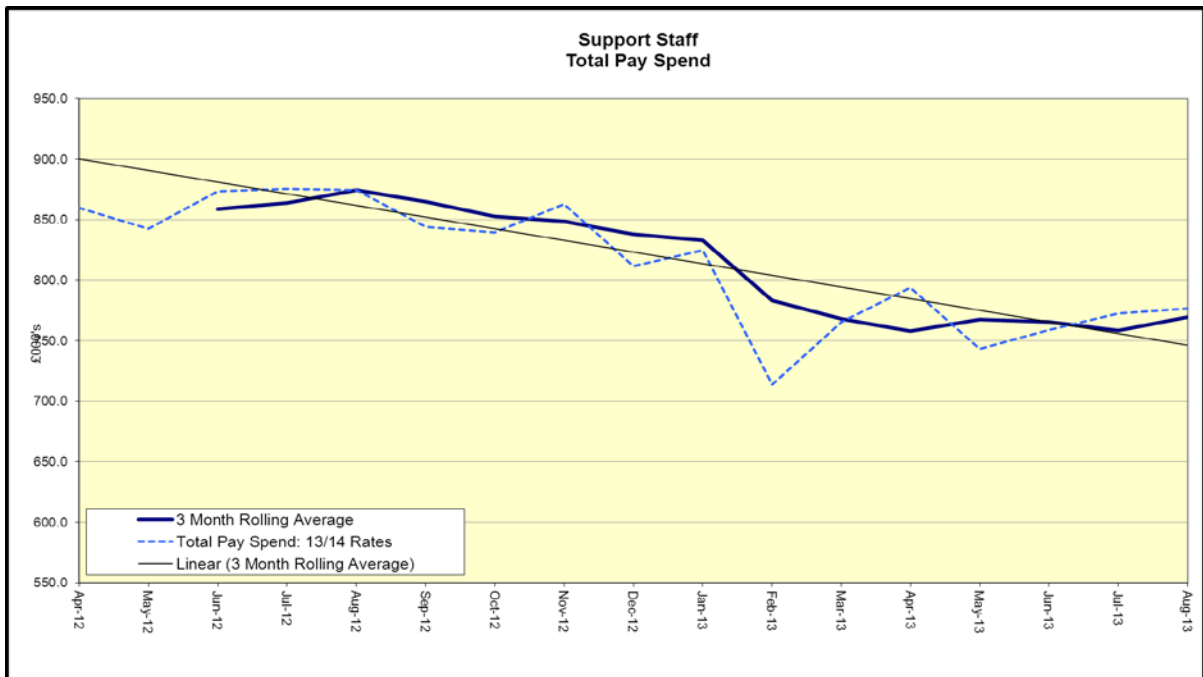
Admin and Clerical – Pay

Though total cost increased in August, the underlying trend is downwards, with further savings plans still to deliver:



Support Staff – Pay

Support staff spending remains flat – the monthly variations being primarily related to the variations in weekend and bank holiday enhancements month by month:

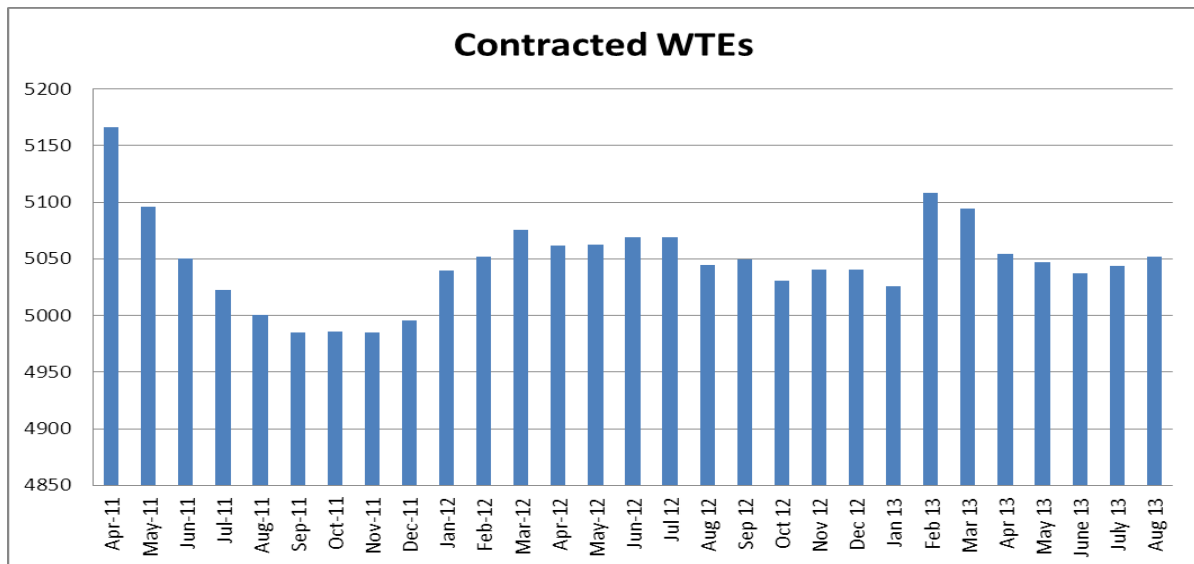


WTE Trend

The contracted WTE position saw a small increase – the Trust pushing forward with clinical recruitment:

Contracted WTE:

September 2011:	4,985
March 2012:	5,075
September 2012:	5,050
March 2013:	5,094
August 2013:	5,052



SECTION FIVE
Balance Sheet

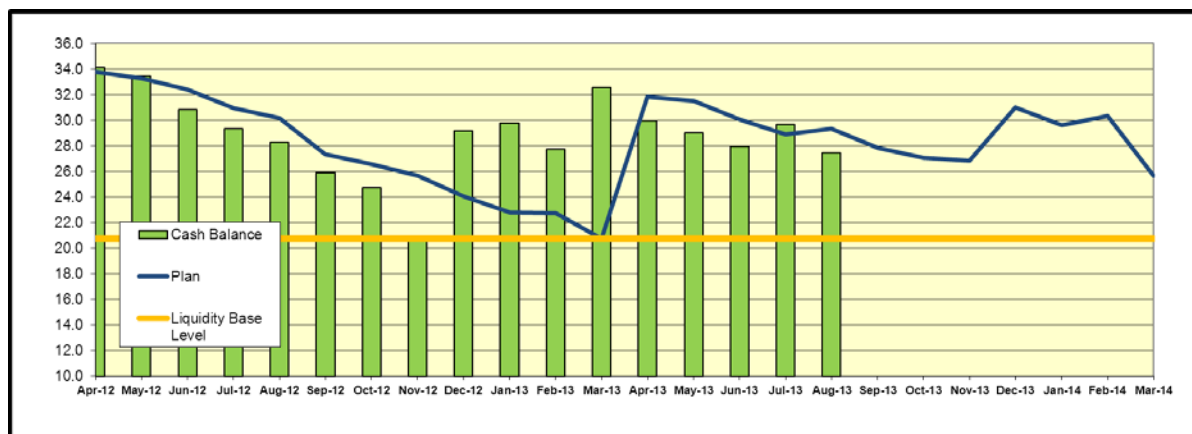
	Last Month	This Month	Variance From Plan
	£mil	£mil	£mil
Total Fixed Assets	134.83	135.15	(0.88)
Stocks & WIP	2.56	2.70	0.15
Debtors	10.41	10.41	1.36
Prepayments	3.61	3.91	0.30
Cash	29.69	27.49	(1.88)
Total Current Assets	46.28	44.51	(0.07)
Creditors : Revenue	19.05	15.84	(4.60)
Creditors : Capital	1.77	1.43	(1.14)
Accruals	7.99	9.67	4.53
Deferred Income	1.75	1.69	0.12
Finance Lease Obligations	0.09	0.08	(0.06)
Provisions	6.74	6.97	0.49
Total Current Liabilities	37.40	35.69	(0.66)
Net Current Assets/(Liabilities)	8.88	8.83	0.59
Debtors Due > 1 Year	0.01	0.01	0.00
Creditors Due > 1 Year	0.03	0.03	0.00
Finance Lease Obligations > 1 Year	0.33	0.33	0.00
Provisions - Non Current	5.90	5.90	0.00
TOTAL ASSETS/(LIABILITIES)	137.45	137.72	(0.28)
TOTAL CAPITAL & RESERVES	137.45	137.72	(0.28)

A reduction in creditors from the July peak has returned cast to the underlying trend position, £1.88m behind plan.

This is primarily due to the increased debtor levels seen throughout this year, following the system changes at the start of 2013/14.

SECTION SIX

Cash Balances



The Trust held cash balances of £27.49mil at the end of August 2013, behind plan by £1.88m, with debtor levels the principal factor.

	This Month £mil	Year To Date £mil	YTD Variance from Plan £mil
Opening Balances	29.69	32.57	0.00
Income Levels	25.37	128.64	(0.93)
Shift In Debtors, Accruals, Prepayments	(0.06)	(1.57)	(1.24)
Total Income Impact	25.32	127.07	(2.17)
Expenditure Levels	(25.63)	(128.50)	(3.63)
Contingency Support	1.00	4.00	4.00
Shift in Creditors, Accruals, Provisions	(2.04)	(4.71)	(0.03)
Total Expenditure Impact	(26.68)	(129.21)	0.34
Capital Programme	(0.53)	(1.42)	1.01
Shift In Capital Creditors	(0.35)	(1.54)	(1.14)
Total Capital Impact	(0.88)	(2.96)	(0.14)
Other	0.04	0.02	0.09
Closing Balances	27.49	27.49	(1.88)

The Trust cash balance remains centred on the Government Banking Service account – low interest rates, but optimal for reducing PDC dividend payments.

Bank Balances by Organisation:

<u>Bank</u>	<u>£mil</u>	<u>Access</u>
NatWest	0.47	Instant Access
CitiBank (Government Banking Service)	27.00	Instant Access
Bank of Scotland	0.01	Instant Access
Other/Cash in Hand/Postage	<u>0.01</u>	<u>Instant Access</u>
Total Bank Balances	27.49	

SECTION 7
Investment Programme

	Current Full Year Plan £mil	YTD Plan £mil	YTD Actual £mil	YTD Variance £mil
Major Schemes				
DPOW Reconfiguration Programme	3.13	0.48	0.22	(0.26)
SGH Reconfiguration Programme	1.80	0.00	0.00	0.00
GDH Reconfiguration Programme	0.00	0.00	0.00	0.00
Planning and Feasibility Works	0.08	0.03	0.01	(0.02)
Community Equipment Facility	1.06	0.00	0.00	0.00
DPOW MRI	0.00	0.00	0.00	0.00
Energy Collaborative	0.23	0.00	0.00	0.00
Facilities Maintenance Programme	1.67	0.69	0.15	(0.54)
Equipment Renewal Programme	3.12	0.86	0.28	(0.58)
IM&T Programme	1.50	0.37	0.76	0.39
Capital Programme Total	12.59	2.42	1.42	(1.01)
Revenue Programme	0.40	0.03	0.03	0.00
Net Shift In Capital Creditors	(0.54)	(0.40)	(1.54)	(1.14)
Total Cash Impact:	(13.53)	(2.85)	(2.99)	(2.14)

The capital programme shows a low rate of spend, with the exception of the IM&T programme.

The Facilities maintenance programme and equipment programme are moving at a slower rate than plan, and many of the major schemes are due to commence only at the end of the year.

The Trust will submit a reforecast for capital spending to Monitor in September which will set out the strong likelihood that a number of major schemes will not proceed with the timescales originally envisaged as the Trust reviews longer term service configuration options.

SECTION 8 **Trading Report**

Income

The income plan required the trust to deliver the base income within contracts and forecasts, and secure an additional £4.5m of income above baseline from commissioners. Activity levels still support this assumption, but risks remain that this will not be an achievable position.

The Trust faces potential income risk related to application of penalties for variations from performance trajectories – most significantly for c-difficile and A&E performance. These issues are under discussion with Commissioners.

Additional support funding nationally has now started to be released. This will support the delivery of the additional income target.

The income position therefore contains some risks, but actions to optimise the position in place.

Activity

	2012/13 Activity	2013/14 Plan	2013/14 Actual	Variance Against Plan
Non Elective Spells	19,342	19,567	19,524	(43)
Elective & Daycase Spells	23,096	23,606	23,314	(292)
Unbundled Activities	6,121	5,997	6,508	511
Outpatient Attendances	159,537	153,837	161,442	7,605
Critical Care Days	7,292	7,603	7,683	80
A&E Attendances	58,234	59,456	59,058	(398)
Diagnostics (£'000)	11,142	13,104	13,643	539
Excluded Drugs & Devices (£'000)	6,571	6,827	6,920	93

Though there are small shortfalls against plan for admitted patients, particularly elective and daycase, and on A&E attendances, the overall position is one of overactivity against plan, with August showing further activity pressures.

Activity in all categories is up on the equivalent point last year, illustrating the ongoing pressures within the health economy. The Trust has to date been able to maintain acceptable key target performance despite these operational pressures.

SECTION 9
Budgetary Performance – Variances

	Variance (£000s)	In Month Change (£000s)
Clinical Income	(74)	(232)
Education Income	17	(11)
Other Central Income	(39)	11
Sub Total – Income	(96)	(232)
Trust Management	(1)	1
Medical Director's Office	(5)	(11)
Governance	(13)	(9)
Finance Planning & Performance Management	(12)	(1)
Organisational Development & Workforce	42	(0)
Chief Nurses Office	(6)	5
Facilities Management & Soft Services	(725)	(157)
Sub Total - Corporate Directorates	(719)	(171)
Operations	(2,688)	(666)
Diagnostics & Therapeutics	(42)	(16)
Sub Total – Clinical Directorates	(2,730)	(682)
Corporate & Capital Charges	3,261	739
Sub Total - Other Prime Budgets	3,261	739
TOTAL	(284)	(346)

The underlying income position reconciles with the I&E position, once minor variations in phasing are accounted for.

Across Corporate Directorates, progress is overall in line with plan, with only relatively minor variances. Further savings gains are due to impact in the second half of the year.

Facilities have delivered significant gains on last year whilst under the special measures process, and are working through the more ambitious aspects of their £2.40m savings programme. The second half of the year should see improvements.

The Directorate of Operations has been affected by the ongoing operational impact of activity levels, and the difficult labour market conditions. The Trust needs to further support capacity to deal with rising demand, but is often forced to resort to locum and agency staff at premium rates. Activity pressures have also affected clinical non pay costs.

Diagnostics report a small overspend position, but at this stage continue to remain close to plan and within reach of full year delivery.

The technical budget position again reflects the use of balance sheet contingency, supporting monthly performance.

SECTION 10

Key Risk Analysis

The Trust's current financial position remains within the contingency parameters anticipated at the start of the year. Further actions on savings delivery are required to maintain plan compliance through the remainder of the year.

Income risks do raise possible difficulties in delivery of the full income target for the year, despite the release of additional funds to Commissioners. The Trust contracting team will continue to work with Commissioners to help ensure that sensible settlements are agreed which support the ongoing activity position.

The principal effort will be required to ensure the required savings delivery and cost controls in key areas. This will be the major factor in determining the delivery of an acceptable financial position at the end of the year.

Mike Rocke
Director of Finance, Planning & Performance
September 2013

APPENDIX 1**Creditor and debtor day analysis**

Ratio	May	June	July	August
Debtor days	14	17	17	17
Creditor days	41	41	44	42

APPENDIX 2**Facilities****Branch Variances**

Facilities Management & Soft Services	YTD Variance £000s
Facilities Management	(139)
Facilities Services	52
Soft Services	(638)
Total	(725)

APPENDIX 3**Operations****Branch Variances**

Operations	YTD Variance £000s
Operations Central	(26)
Operations Directorate	(50)
Surgery & Critical Care	(355)
Medicine DPOW	(723)
Medicine SGH	(1,104)
Women & Childrens Services	(301)
Therapy & Community Services	(129)
Total	(2,688)

APPENDIX 4**Diagnostics and Therapeutics****Branch Variances**

Diagnostics & Therapeutics	YTD Variance £000s
Diagnostic Services Central	(3)
Pathlinks	194
Diagnostics	(268)
Pharmacy	79
Blood Services	(11)
Medical Engineering	(33)
Total	(42)

	Nursing S	358.48	360.73	359.68	361.76	361.68	366.04	7.56	406.63	71.95	31.36	10.0%	
	Scientific	12.45	13.45	13.45	13.45	14.45	13.45	1.00	14.45	1.00	0.00	6.9%	
	Admin &	98.62	97.03	96.32	97.42	95.38	96.38	(2.24)	97.99	7.50	5.89	1.6%	
	Support S	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
MEDICINE S&G Total		558.49	558.33	555.57	560.05	556.93	563.80	5.31	619.80	102.58	46.58	9.0%	4.9%
WOMEN AND CHILDRENS SERVICES	Medical S	96.02	93.62	91.62	90.62	90.62	91.62	(4.40)	93.32	14.50	12.80	1.8%	
	Nursing S	429.00	409.35	407.89	409.29	411.95	416.69	(12.31)	420.09	41.26	37.86	0.8%	
	Scientific	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
	Admin &	91.57	85.58	85.41	82.95	83.95	82.10	(9.47)	87.49	5.39	0.00	6.2%	
	Support S	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
WOMEN AND CHILDRENS SERVICES Total		616.59	588.55	584.92	582.86	586.52	590.41	(26.18)	600.90	61.15	50.66	1.7%	4.3%
THERAPY AND COMMUNITY SERVICES	Medical S	12.75	12.15	12.15	12.15	11.40	10.40	(2.35)	11.15	0.75	0.00	6.7%	
	Nursing S	202.56	195.76	193.43	193.47	193.00	193.92	(8.64)	206.13	22.49	10.28	5.9%	
	Scientific	285.25	282.42	291.01	287.63	286.77	286.74	1.49	305.80	35.49	16.43	6.2%	
	Admin &	72.04	76.74	76.24	77.00	77.02	76.01	3.97	76.27	3.30	3.04	0.3%	
	Support S	2.54	2.54	2.54	2.54	2.54	2.54	0.00	2.54	0.00	0.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
THERAPY AND COMMUNITY SERVICES Total		575.14	569.61	575.37	572.79	570.73	569.61	(5.53)	601.89	62.03	29.75	5.4%	4.7%
Grand Total		3,544.51	3,503.30	3,504.91	3,495.26	3,498.17	3,543.09	(1.42)	3,748.80	481.45	275.74	5.5%	4.3%

Contracted WTE - Diagnostics Directorate

		Mar	Apr	May	Jun	Jul	Aug	Change vs March	Establishment	Vacancies	Over Est	Net Vacancy %	Sickness %
DIAGNOSTIC SERVICES CENTRAL	Scientific	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0.00	0.0%	
	Admin &	2.85	2.85	3.85	3.85	3.85	3.85	1.00	3.85	1.00	1.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
DIAGNOSTIC SERVICES CENTRAL Total		3.85	3.85	4.85	4.85	4.85	4.85	1.00	4.85	1.00	1.00	0.0%	0.0%
PATH LINKS	Medical S	20.19	20.44	21.44	21.44	21.44	21.44	1.25	23.05	1.70	0.09	7.0%	
	Nursing S	1.53	1.53	1.53	1.53	1.53	1.53	0.00	1.53	0.00	0.00	0.0%	
	Scientific	307.58	305.56	302.33	301.72	306.30	304.83	(2.75)	315.38	18.23	7.68	3.3%	
	Admin &	25.97	23.97	27.97	27.73	26.73	25.20	(0.77)	31.91	6.71	0.00	21.0%	
	Support S	0.40	0.40	0.40	0.40	0.40	0.40	0.00	0.40	0.00	0.00	0.0%	
	Other Sta	1.00	2.00	0.00	0.00	0.00	0.00	(1.00)	0.00	0.00	0.00	0.0%	
PATH LINKS Total		356.67	353.90	353.67	352.82	356.40	353.40	(3.27)	372.27	26.64	7.77	5.1%	2.3%
DIAGNOSTICS	Medical S	16.05	16.05	16.05	17.05	17.15	16.15	0.10	17.20	1.05	0.00	6.1%	
	Nursing S	2.19	2.19	2.19	1.50	1.50	2.50	0.31	1.50	0.00	1.00	-66.7%	
	Scientific	126.31	124.61	124.48	123.48	124.26	127.91	1.60	130.60	20.83	18.14	2.1%	
	Admin &	32.12	35.03	33.99	33.99	32.99	32.99	0.87	35.42	2.43	0.00	6.9%	
	Support S	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
DIAGNOSTICS Total		176.67	177.88	176.71	176.02	175.90	179.55	2.88	184.72	24.31	19.14	2.8%	2.0%
PHARMACY	Medical S	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
	Nursing S	2.80	2.80	3.00	3.00	3.00	3.00	0.20	1.80	0.00	1.20	-66.7%	
	Scientific	89.26	92.26	88.09	88.09	86.09	86.33	(2.93)	96.67	14.81	4.47	10.7%	
	Admin &	2.93	(4.07)	9.93	9.93	9.93	9.93	7.00	8.94	2.01	3.00	-11.1%	
	Support S	3.50	3.10	3.10	3.67	4.67	4.67	1.17	1.55	0.00	3.12	-201.3%	
	Other Sta	5.00	10.00	0.53	0.00	0.00	0.00	(5.00)	0.00	0.00	0.00	0.0%	
PHARMACY Total		103.49	104.09	104.65	104.69	103.69	103.93	0.44	108.96	16.82	11.79	4.6%	4.1%
MEDICAL ENGINEERING	Scientific	22.35	22.35	22.35	21.48	21.68	21.68	(0.67)	22.31	0.67	0.04	2.8%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
MEDICAL ENGINEERING Total		22.35	22.35	22.35	21.48	21.68	21.68	(0.67)	22.31	0.67	0.04	2.8%	2.1%
BLOOD SERVICES	Nursing S	1.83	2.00	2.00	2.00	2.00	2.00	0.17	2.00	1.00	1.00	0.0%	
	Other Sta	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	
BLOOD SERVICES Total		1.83	2.00	2.00	2.00	2.00	2.00	0.17	2.00	1.00	1.00	0.0%	6.9%
Grand Total		664.86	664.07	664.23	661.86	664.52	665.41	0.55	695.11	70.44	40.74	4.3%	2.5%