

FINANCIAL POSITION

FOR THE PERIOD ENDING 31 JANUARY 2014



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SECTION 1 - OVERVIEW OF KEY FINANCIAL METRICS

1.1 OVERALL OPERATING POSITION - £6.6 MILLION DEFICIT

INCOME AND EXPENDITURE

Report reference	Period 10 to 31 January 2014	Year to Date				Movement in % variance in period
		Actual £m	Variance			
			£m	Operational risk	%	
1.4	Income	447.401	7.826		1.78	
1.5	Pay	(273.408)	(1.685)		(0.62)	
1.6	Non Pay	(155.135)	(14.548)		(10.35)	
	EBITDA	18.858	(8.407)		(30.83)	
	Non operating expenses	(25.440)	0.354		1.37	
1.3	Surplus / (Deficit) before impairments	(6.582)	(8.053)		(547.45)	
	Contingency deployed to date	2.780				
	Surplus / (Deficit) before contingency	(9.362)				

OTHER KEY FINANCIAL INDICATORS

2.0	CIP	14.862	(2.799)		(15.85)	
3.1	Capital	(15.485)	1.471		8.68	
	PBL	(152.116)	(0.152)		(0.10)	
3.2	Cash	19.371	(5.959)		(23.53)	
	Aged Debt	4.790				
1.2	Risk Rating	2				

- The trust is reporting a deficit of £6.582 million at the end of January which is behind plan. The deficit has reduced by £0.878 million in the month.
- CIP delivery shows 84.2% of the year to date target delivered, which translates into a shortfall of £2.799 million.
- The current operating performance is contributing to a £5.959 million shortfall of cash against plan. This is an improvement on the £9.100 million shortfall at December.
- Under trust financial focus a programme of actions to reduce the deficit are underway, with the objective of improving the continuity of service risk rating to a minimum of an unrounded 2.

1.2 CONTINUITY OF SERVICE RISK RATING (WEF Q3)

Indicative risk rating	Weighting	Plan	Actual	FRR2
Debt Service Cover				
• Debt Service Cover metric		1.35	0.99	<1.75
• Debt Service Cover rating	50%	2	1	
Liquidity				
• Liquidity metric		-6.7	-8.4	<-7
• Liquidity rating	50%	3	2	
Continuity of Services Risk Rating		3	2	

Existing performance translates to an indicative risk rating of 2.

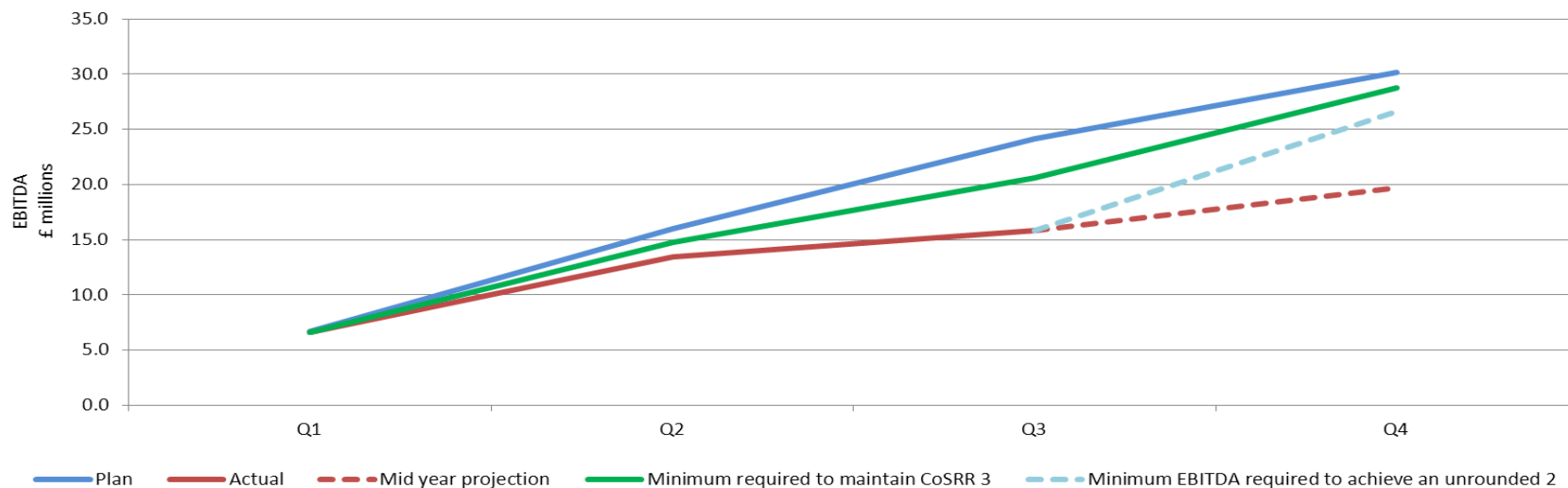
The position is most sensitive to changes in the debt service cover metric due to the impact of PFI on balance sheet. A rating of 3 on this element of the CoSRR would require an EBITDA of around £42 million (8.3%).

Achieving a 2 on this metric requires a minimum EBITDA of £30 million, which is significantly higher than the pre financial focus forecast of £20.1 million.

The liquidity metric is stronger and we would expect to maintain a 3 on this element. We are impacted on this metric by our stock holdings, which are relatively high at £8.948 million (equivalent to 6.4 days) and for which action is being taken to reduce. PFI accounting also has an impact.

The effect of the financial focus has moved the projected outturn above the minimum EBITDA required to achieve an unrounded 2, but not yet back to a CoSRR of 3.

The chart below details the minimum level of financial performance required (green line) to achieve a satisfactory risk rating .



1.3 OPERATING PERFORMANCE - £8.1 MILLION BEHIND PLAN

- The operating deficit to the end of January has improved by £0.878 million to a deficit of £6.582 million.
- The operating position is behind plan, in the main driven by an overspend on costs not offset by the additional income and an on-going shortfall in CIP delivery.
- £2.780 million of contingency has been used to support the reported position.

1.4 INCOME - £7.8 MILLION AHEAD OF PLAN

	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees CCG	(2.490)	0.276	0.000	(2.214)	(1.890)
Associates of NHS South Tees CCG	3.478	0.000	0.000	3.478	3.099
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	(1.264)	0.006	0.000	(1.258)	(1.324)
Specialised	6.004	0.000	0.000	6.004	5.675
Other	(0.231)	0.097	1.950	1.816	1.971
Total	5.497	0.379	1.950	7.826	7.531

- The activity income position reflects coded activity for December and a forecast for January.
- The over performance on specialised services largely relates to pass through costs (£4.247 million), trauma (£0.627 million), nephrology (£0.664 million) and cardiology activity (£1.080 million).

1.5 PAY EXPENDITURE – £1.7 MILLION OVERSPEND

	£m
Nursing (Establishment underspend)	5.629
Nursing (Agency overspend)	(3.263)
Nursing (Total underspend)	2.366

Medical (Establishment underspend)	0.045
Medical (Agency overspend)	(2.577)
Medical (Total overspend)	(2.532)

- The pay position has worsened by £0.454 million this month.
- Medical agency continues to be the major cause of the adverse variance.
- Nursing is underspent but is partially offset by agency costs.
- Admin and clerical is currently £1.287 million underspent.

1.6 NON PAY EXPENDITURE – £14.5 MILLION OVERSPEND

	£m
Medical and surgical purchases	2.820
Drugs	1.044
Independent sector	2.142
Non pay CIP target, not allocated to specific budgets	2.237
Other (including PbR excluded Drugs & Devices)	6.305
Total	14.548

- Excluded drugs and devices are overspent by £4.590 million but are offset by additional income.
- Unallocated CIP targets held centrally and within the divisions has reduced this month due to the allocation of the contingency and reserves. However this category of expenditure still includes CIP targets carried forward from 2012/13.
- Independent sector expenditure variance has increased by £0.526 million in January.

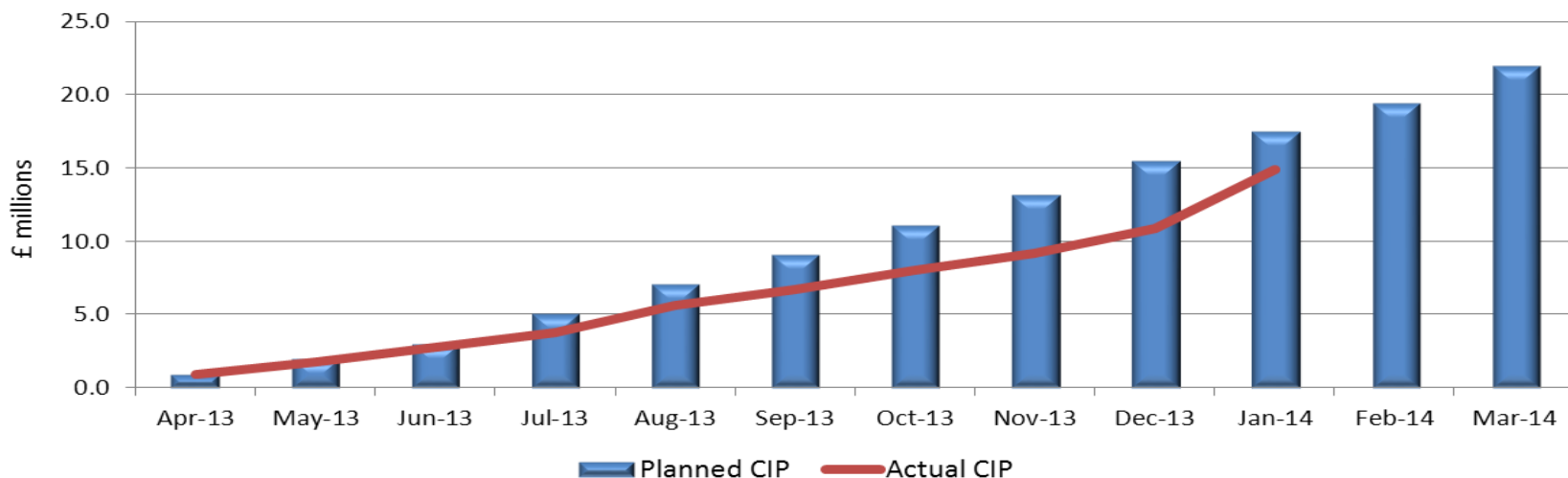
SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

2.1 COST IMPROVEMENT PROGRAMMES - £2.8 MILLION BEHIND PLAN

Theme	Target 2013/14 £m	Year to Date target at Jan'14 £m	Year to Date actual at Jan'14 £m	Year to Date variance at Jan'14 £m	% achieved to date
Workforce	10.642	8.519	6.317	(2.201)	74.20
Business Improvement	7.820	6.324	6.487	0.162	102.60
Medicines Management	0.831	0.612	0.410	(0.202)	67.00
Patient Flow	0.155	0.112	0.112	0.000	100.00
Procurement (including drugs)	2.553	2.094	1.536	(0.558)	73.40
Total	22.000	17.661	14.862	(2.799)	84.20

- The shortfall in CIP delivery to date is £2.799 million. The position has improved this month as we have allocated the £2.780 million contingency and £0.500 million of unused reserves against the unidentified CIP.
- We expect to allocated a further £2.100 million of unused reserves in month 11 & 12.
- Together the contingency and the unused reserve will off set the £5.400 million unidentified CIP non recurrently.
- Overall delivery has risen from 70% to 84% in the month.

2.2 COST IMPROVEMENT PROGRAMMES - TREND



SECTION 3 – EFFECTIVE MANAGEMENT OF RESOURCES AND INVESTMENT

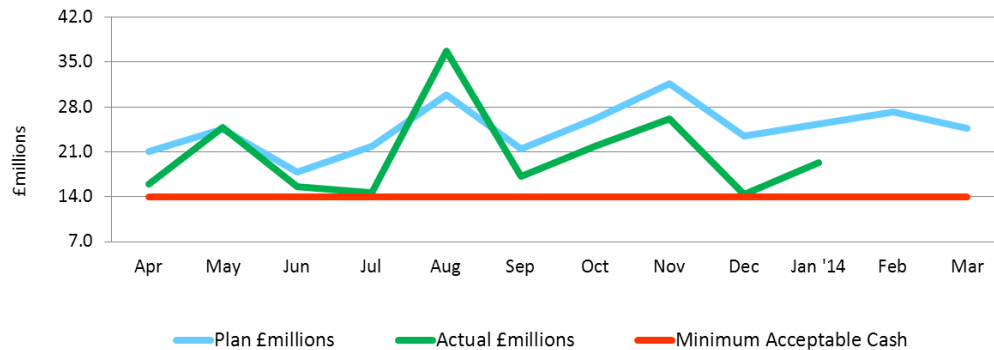
3.1 RESERVES - £2.6 MILLION BALANCE

Reserve brought forward £m	Allocated £m	Unallocated £m	CIP Gap £m	Remaining Reserve £m
26.257	(23.679)	2.578	(2.100)	0.478

£2.578 million is currently held centrally as an unallocated reserve. £2.100 million of this reserve has been withheld to offset underperformance of CIP. The remaining £0.478 million is expected to be allocated to divisions over the last two months of the financial year.

The table represents the unallocated, but earmarked reserves at the end of January.

3.2 CASH - £19.4 MILLION IN HAND



Explanations for the variance include:

- Operating pressures including non pay.
- Outstanding debts due from commissioners relating to non-contract activity.

The cash position is satisfactory although the trend continues to remain below plan.

	Plan £m	Year to date £m	Variance £m	Last Month Variance £m
Closing Cash	25.330	19.371	(5.959)	(9.053)

3.3 CAPITAL PROGRAMME - £15.5 MILLION INVESTMENT

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	(5.623)	(0.027)
Refurbishment Wards 1 - 12	(1.303)	(0.003)
Equipment Replacement programme including associated enabling costs	(5.789)	0.896
Other schemes	(2.770)	0.605
Capital Programme	(15.485)	1.471

Spend is £1.471 million behind plan at the end of January . This relates to slippage as reported to the meeting in January for which funding will be carried forward into 2014/15.

The trust submitted a 5 year capital plan to Monitor in January for the period to 31 March 2018. This information will be included in the trust's annual plan due to be submitted to Monitor in April.