

# FINANCIAL POSITION

## FOR THE PERIOD ENDING 31 MARCH 2014



*together we do the amazing*

# SECTION 1 - OVERVIEW OF KEY FINANCIAL METRICS

## 1.1 OVERALL OPERATING POSITION - £4.9 MILLION DEFICIT

### INCOME AND EXPENDITURE

Report reference	Q4 to 31 March 2014	Year to Date				Movement in % variance in period
		Actual £m	Variance			
			£m	Operational risk	%	
1.4	Income	543.587	15.787		2.99	
1.5	Pay	(329.258)	(2.445)		(0.75)	
1.6	Non Pay	(188.589)	(17.715)		(10.37)	
	EBITDA	25.740	(4.373)		(14.52)	
	Non operating expenses	(30.658)	0.512		1.64	
1.3	Surplus / (Deficit) before impairments	(4.918)	(3.861)		365.28	
	Contingency deployed to date	2.780				
	Surplus / (Deficit) before contingency	(7.698)				

### OTHER KEY FINANCIAL INDICATORS

2.0	CIP	19.867	(2.133)		(9.70)	
3.1	Capital	(19.280)	1.620		7.75	
	PBL	(151.126)	(1.176)		(0.78)	
3.2	Cash	16.133	(8.504)		(34.52)	
	Aged Debt	4.324				
1.2	Risk Rating	2				

- The trust is reporting a deficit of £4.918 million at the end of March which is behind plan. The deficit reduced by £1.641 million in the month, and the negative variance to plan decreased by £2.259 million.
- CIP delivery shows 90.3% of the 2013/14 target, which translates into a shortfall of £2.133 million.
- The operating performance contributed to a £8.504 million shortfall of cash against plan.
- Under trust financial focus a programme of actions to reduce the deficit delivered an improved position compared to forecasts. One of the objectives of this programme was to improve the continuity of service risk rating to a minimum of an unrounded 2. At the end of March, the Trust fell just short of this.

## 1.2 CONTINUITY OF SERVICE RISK RATING

Indicative risk rating	Weighting	Plan	Actual	CoSRR 2
<b>Debt Service Cover</b>				
• Debt Service Cover metric		1.35	1.07	<b>&gt;1.25</b>
• Debt Service Cover rating	50%	<b>2</b>	<b>1</b>	
<b>Liquidity</b>				
• Liquidity metric		-6.7	-8.2	<b>&lt;-14</b>
• Liquidity rating	50%	<b>3</b>	<b>2</b>	
<b>Continuity of Services Risk Rating</b>		<b>3</b>	<b>2</b>	

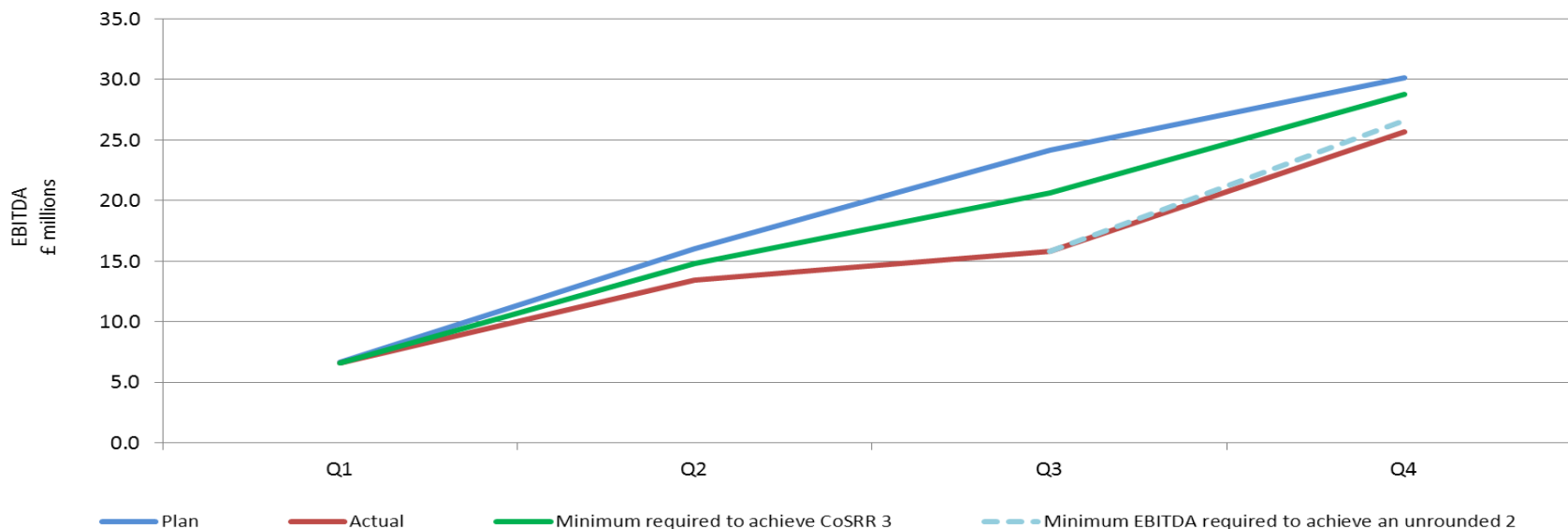
Performance at end of March translated to an indicative risk rating of 2.

The position was 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 have required an EBITDA of around £42 million (8.3%) for the full year.

Achieving a 2 on this metric required a minimum EBITDA of £30 million, which is significantly higher than the pre financial focus forecast of £20.1 million. At the end of March the Trust's EBITDA was £25.7 million.

The liquidity metric is stronger and as part of the plan we expected to achieve a 3 on this element. As well as the effect of a reduced EBITDA, reducing the forecast year end cash balance, an impact on this metric is our stock holdings. These are relatively high at £7.9 million (equivalent to 5.5 days) and for which action is being taken to reduce. PFI accounting also has an impact.

The effect of the financial focus has improved the projected outturn since December, but not up to the minimum EBITDA required to achieve an unrounded CoSRR of 2.



### 1.3 OPERATING PERFORMANCE - £3.9 MILLION BEHIND PLAN

- The operating deficit to the end of March has improved by £1.641 million to a deficit of £4.918 million.
- The main driver behind the overspend position is costs not offset by additional income and an on-going shortfall in CIP delivery.
- £2.780 million of contingency has been used to support the reported position.
- The deficit position of £4.9 million is slightly better than last month's forecast position of £5.2 million.

### 1.4 INCOME - £15.8 MILLION AHEAD OF PLAN

	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees CCG	8.598	(0.500)	0.000	8.098	2.546
Associate of NHS South Tees CCG	4.467	0.000	0.000	4.467	4.099
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	(0.548)	0.094	0.000	(0.454)	(0.843)
Specialised	4.836	0.000	0.000	4.836	5.328
Other	(2.237)	0.124	0.953	(1.160)	(0.042)
<b>Total</b>	<b>15.116</b>	<b>(0.282)</b>	<b>0.953</b>	<b>15.787</b>	<b>11.088</b>

- The activity income position reflects coded activity for February and a forecast for March.
- The over performance on specialised services largely relates to pass through costs amounting to £3.6 million.
- The movement on South Tees CCG relates to contract variations.
- There has been some reclassification of specialised to CCG's as challenges over correct liability have been settled.

## 1.5 PAY EXPENDITURE – £2.4 MILLION OVERSPEND

	£m
Nursing establishment underspend	7.092
Nursing (agency overspend)	(4.000)
<b>Nursing total underspend</b>	<b>3.092</b>

Medical (establishment overspend)	(0.553)
Medical (agency overspend)	(3.260)
<b>Medical total overspend</b>	<b>(3.813)</b>

- The pay position has worsened by £0.169 million this month.
- Medical agency is the major cause of the adverse variance in 2014/15 and has increased by £0.345 million this month. Total medical overspend is up by £0.753 million
- Nursing is underspent but is partially offset by bank / agency costs.
- Admin and clerical has finished the year £1.786 million underspent.

## 1.6 NON PAY EXPENDITURE – £17.7 MILLION OVERSPEND

	£m
Medical and surgical purchases	3.576
Drugs	1.199
Independent sector	3.110
Non pay CIP target, not allocated to specific budgets	0.087
Other (including PbR excluded Drugs & Devices)	9.743
<b>Total</b>	<b>17.715</b>

- The non pay position has worsened by £1.948 million this month.
- Excluded drugs and devices are overspent by £5.811million but are offset by additional income.
- Independent sector expenditure variance has increased by £0.549 million in March, as support has been given to RTT targets.

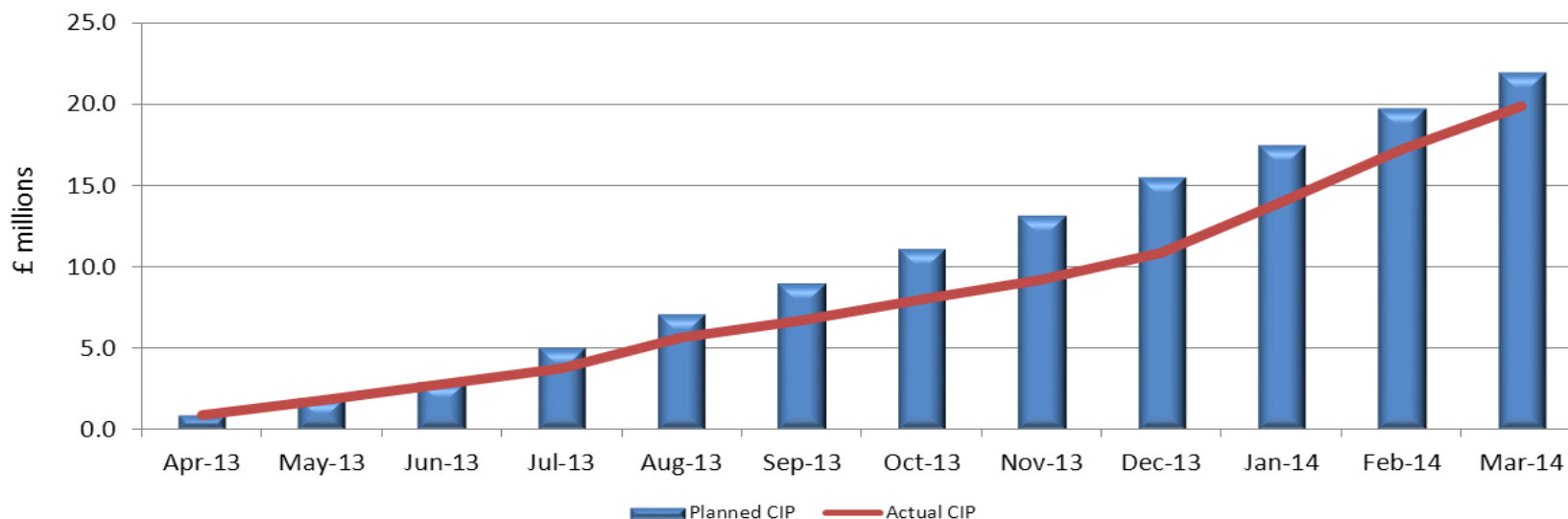
## SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

### 2.1 COST IMPROVEMENT PROGRAMMES - £2.1 MILLION BEHIND PLAN

Theme	Target 2013/14 £m	Year to Date target at Mar'14 £m	Year to Date actual at Mar'14 £m	Year to Date variance at Mar'14 £m	% achieved to date
Workforce	10.642	10.642	8.530	(2.112)	80.2
Business Improvement	7.820	7.820	8.428	0.607	107.8
Medicines Management	0.831	0.831	0.535	(0.296)	64.4
Patient Flow	0.155	0.155	0.155	0.000	100.0
Procurement (including drugs)	2.553	2.553	2.220	(0.333)	87.0
<b>Total</b>	<b>22.000</b>	<b>22.000</b>	<b>19.867</b>	<b>(2.133)</b>	<b>90.3</b>

- The shortfall in CIP delivery for 2013/14 is £2.133 million.
- The contingency and the unused reserve has off set the £5.400 million unidentified CIP non recurrently.
- £9.433 million of the £19.867 million achieved in 2013/14 has been delivered non recurrently.
- Overall delivery has risen from 87% to 90% in the month.

### 2.2 COST IMPROVEMENT PROGRAMMES - TREND



# SECTION 3 – EFFECTIVE MANAGEMENT OF RESOURCES AND INVESTMENT

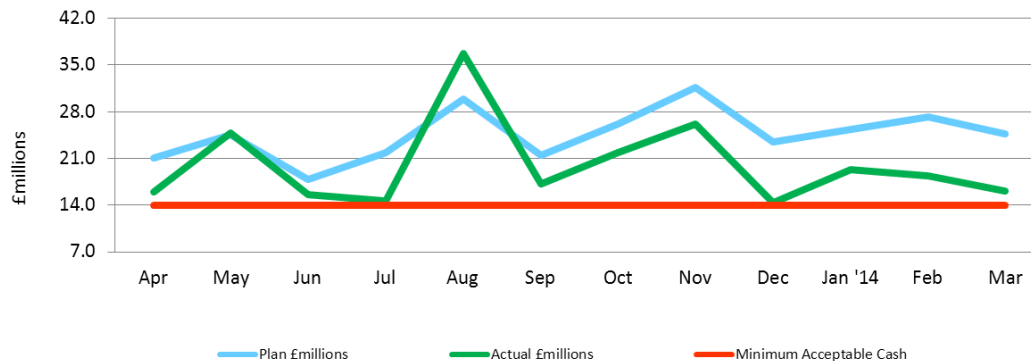
## 3.1 RESERVES – ZERO BALANCE

Reserve brought forward £m	Allocated £m	Unallocated £m	CIP Gap £m	Remaining Reserve £m
26.257	(26.257)	0.000	0.000	0.000

A £26.257 million reserve was identified at the beginning of 2014/15. £23.857 million was allocated to divisions, £2.600 million was used to fund the CIP gap.

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

## 3.2 CASH - £16.3 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 at the year end was above minimum acceptable cash, but remained below plan, and had fallen by £2.292 million during March.

	Plan £m	Year to date £m	Variance £m	Last Month Variance £m
Closing Cash	24.637	16.133	(8.504)	(8.809)

### 3.3 CAPITAL PROGRAMME - £19.3 MILLION INVESTMENT

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	(6.715)	0.000
Refurbishment Wards 1 - 12	(1.320)	(0.020)
Equipment Replacement programme including associated enabling costs	(6.834)	0.548
Other schemes	(4.411)	1.092
<b>Capital Programme</b>	<b>(19.280)</b>	<b>1.620</b>

Spend is £1.620 million behind plan at the end of March. Further slippage has been identified as part of the year end exercise amounting to £0.980 million. This mainly relates to the Maternity IT system (£0.265 million) and the additional theatre at James Cook (£0.260 million).

Funding will be carried forward into 2014/15 to cover the approved slippage.