

# FINANCIAL POSITION

## FOR THE PERIOD ENDING 31 JULY 2014



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# SECTION 1 - OVERVIEW OF KEY FINANCIAL METRICS

## 1.1 OVERALL OPERATING POSITION - £2.7 MILLION DEFICIT

### INCOME AND EXPENDITURE

Report reference	4 months to 31 July 2014	Year to Date				Movement in % variance in period	Variance from Monitor Plan £m
		Actual £m	Variance from internal plan		Operational risk		
			£m	%			
1.4	Income	184.099	3.672		2.04		2.766
1.5	Pay	(112.030)	0.079		0.07		(0.328)
1.6	Non Pay	(63.962)	(2.835)		(4.64)		3.662
	EBITDA	8.107	0.916		12.74		6.100
	Non operating expenses	(10.816)	0.303		2.73		(0.305)
1.3	Surplus / (Deficit) before impairments and restructuring costs	(2.709)	1.219		31.03		5.795

### OTHER KEY FINANCIAL INDICATORS

	CIP	3.189	(0.269)		(7.78)	
3.4	Capital	(5.544)	0.044		0.79	
3.2	Cash	24.440	2.382		10.80	
	Aged Debt	5.020				
1.2	Risk Rating	2				

- The trust is reporting a deficit of £2.709 million at the end of July, which is ahead of plan by £1.219 million. The plan in 2014/15 delivers a £29.443 million deficit.
- An income and expenditure reforecast was undertaken and submitted to Monitor which forecasts a revised deficit of £18.478 million.
- CIP delivery shows 92.2% achievement of the 2014/15 year to date target. This equates to £3.189 million of the £11.849 million plan.
- Aged debt has decreased since June by £0.370 million. Outstanding debt relates to invoices for block contract, Cancer Drug Fund and non contract activity income from our commissioners.
- Restructuring costs have been incurred in July amounting to £0.450 million. This expenditure has been excluded from the position.

## 1.2 CONTINUITY OF SERVICE RISK RATING – 2 VERSUS A PLAN OF 1

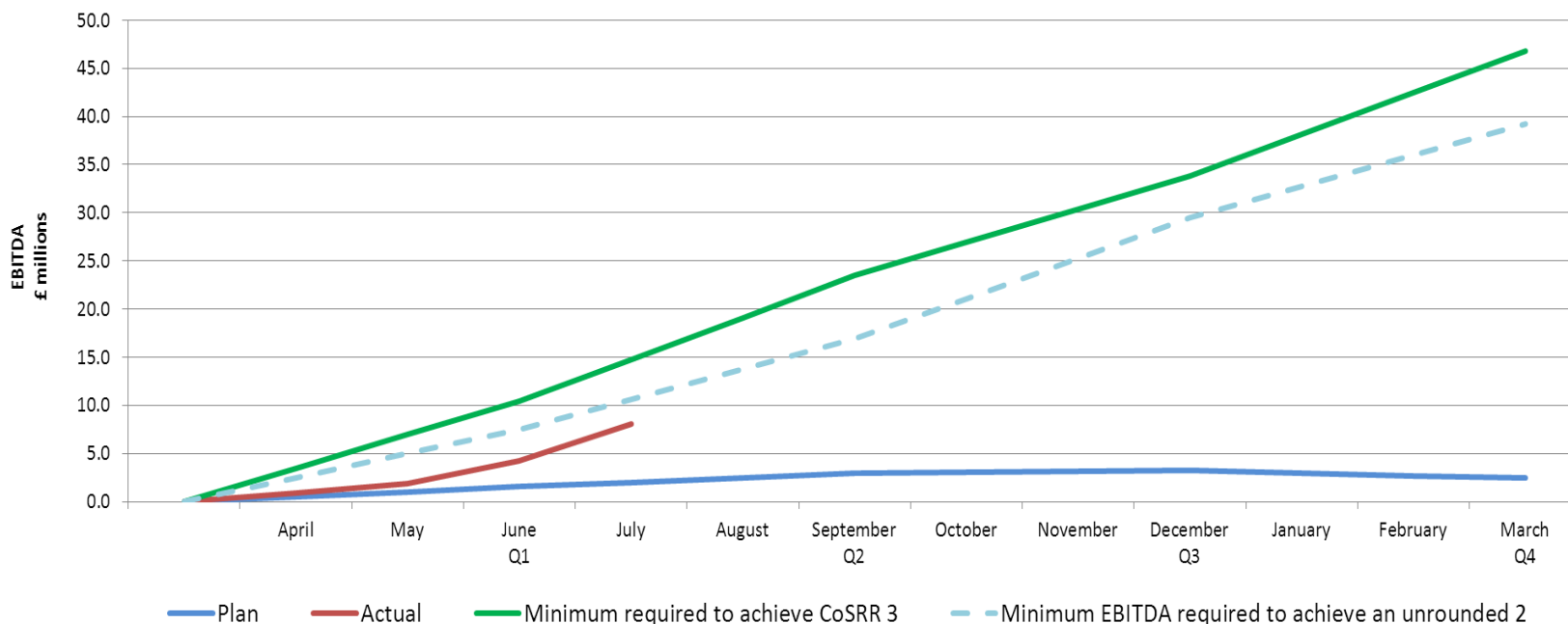
Indicative risk rating	Weighting	Plan	Actual	CoSRR 2
<b>Debt Service Cover</b>				
• Debt Service Cover metric		0.22	1.02	<b>&gt;1.25</b>
• Debt Service Cover rating	50%	<b>1</b>	<b>1</b>	
<b>Liquidity</b>				
• Liquidity metric		-22.5	-12.2	<b>&lt;-14</b>
• Liquidity rating	50%	<b>1</b>	<b>2</b>	
<b>Continuity of Services Risk Rating</b>		<b>1</b>	<b>2</b>	

The debt service metric has improved in the month from 0.74 to 1.02 due to the improved EBITDA variance but the liquidity metric has fallen slightly from -11.7 to -12.2 as the excess of cash over plan has fallen.

A rating of 2 on the debt service cover metric would require an EBITDA of £31 million for the full year. The trust forecast an EBITDA of £2.485 million in its 2014/15 forward plan .

Stock holdings have decreased by £0.128 million to £8.154 million (equivalent to 5.4 days).

EBITDA includes the identified £11.849 million CIP, but does not yet include savings arising from the 'continuing the journey' work streams.



### 1.3 OPERATING PERFORMANCE - £1.2 MILLION AHEAD OF PLAN

Analysis of 2014/15 financial position	Internal Plan 2013/14 £m	Actual £m	Variance £m	Overtrading and expenditure pressures £m	Additional excluded drugs and devices £m	CIP shortfall £m	Variance £m
Income	180.427	184.099	<b>3.672</b>	3.372	0.300	0.000	<b>3.672</b>
Operating Expenses	(173.236)	(175.992)	<b>(2.756)</b>	(2.166)	(0.321)	(0.269)	<b>(2.756)</b>
<b>EBITDA</b>	<b>7.191</b>	<b>8.107</b>	<b>0.916</b>	<b>1.206</b>	<b>(0.021)</b>	<b>(0.269)</b>	<b>0.916</b>
Non Operating Expenses	(11.119)	(10.816)	<b>0.303</b>	0.303	0.000	0.000	<b>0.303</b>
<b>Surplus/Deficit</b>	<b>(3.928)</b>	<b>(2.709)</b>	<b>1.219</b>	<b>1.509</b>	<b>(0.021)</b>	<b>(0.269)</b>	<b>1.219</b>

- The operating position to the end of July is a deficit of £2.709 million.
- The position is £1.219 million ahead of the 2014/15 internal trust plan.
- The position is £5.795 million ahead of the forward plan submitted to monitor. Although the internal plan and the monitor plan both produce a £29.443 million deficit the monthly phasing is different. The main reason for the £4.576 million difference is the timing of the utilisation of reserves and to maintain a strong expenditure control within the Trust.

### 1.4 INCOME - £3.7 MILLION AHEAD OF PLAN

	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees CCG	1.907	(0.057)	0.000	1.850	0.828
Associate of NHS South Tees CCG	(0.207)	(0.008)	0.000	(0.216)	0.527
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	0.185	(0.005)	0.000	0.180	0.379
Specialised	2.013	0.000	0.000	2.013	1.133
Other	0.402	0.122	(0.679)	(0.155)	0.029
<b>Total</b>	<b>4.298</b>	<b>0.053</b>	<b>(0.679)</b>	<b>3.672</b>	<b>2.896</b>

- The activity income position reflects actual activity to the end of June and July activity has been matched to the plan.
- The over-performance on specialised largely relates to elective Cardiothoracic and Neurosurgery. The main driver on South Tees CCG is elective in patient and outpatient reviews and procedures. Some of the over-performance relates to RTT initiative but commissioners are concerned at the level of activity.
- £0.500 million of the £0.670 million in Other relates to a provision made against CQUIN and contractual penalties.

## 1.5 PAY EXPENDITURE – £0.1 MILLION UNDERSPEND

	£m
Nursing establishment underspend	1.792
Nursing agency overspend	(1.058)
Expected savings included in CIP	(0.660)
<b>Nursing underspend</b>	<b>0.074</b>

Medical establishment underspend	0.023
Medical agency overspend	(1.280)
<b>Medical overspend</b>	<b>(1.257)</b>

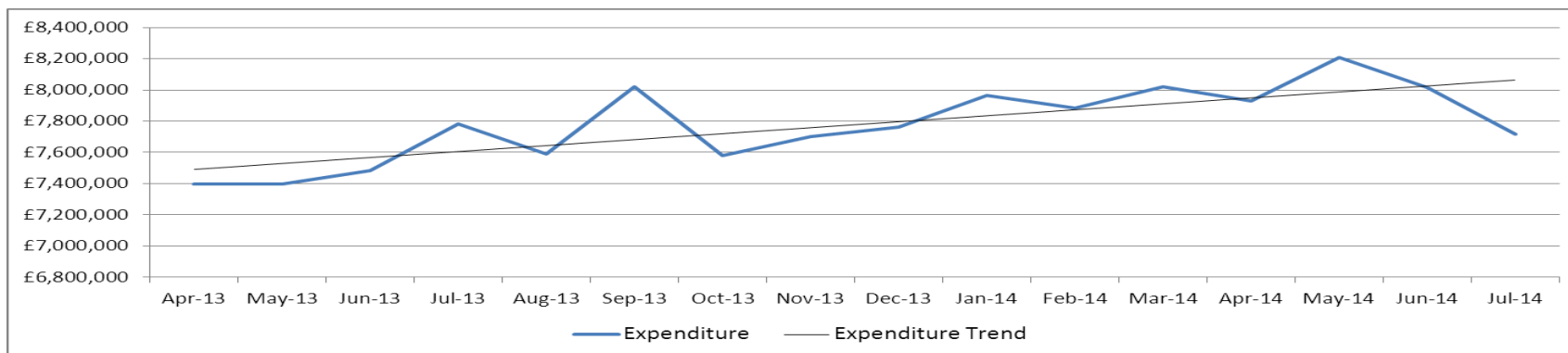
<b>Admin &amp; Clerical underspend</b>	<b>0.490</b>
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<b>Other underspend</b>	<b>0.772</b>
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<b>Total Pay underspend</b>	<b>0.079</b>
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- The total pay position is showing a £0.079 million year to date underspend. This has improved in the month.
- Medical pay expenditure is the major concern, with the medical overspend amounting to £1.257 million. The detailed analysis of the current and future expenditure is being interrogated within Surgery and Orthopaedics. This will identify the reason for the variance between demand and capacity activity and expenditure incurred in covering vacancies. Medical pay is 6.3% higher over the first 4 months of the year compared to the same period in the previous financial year.
- In month the medical agency has maintained its quarter 1 run rate of a monthly average overspend of £0.320 million, but the cumulative establishment overspend of £0.210 million reported last month has been reversed to a small underspend. This underspend in July relates to junior doctors.
- Underspends in all other pay categories are offsetting the medical pay overspend.
- The sickness rate in July is 4.26% , this is above the cumulative 2014/15 rate of 4.20%.

The graph represents the total medical expenditure over the last 16 months



## 1.6 NON PAY EXPENDITURE – £2.8 MILLION OVERSPEND

	£m
Prosthetics, Appliances & Implants	(0.479)
Drugs	(0.378)
PbR excluded Drugs & Devices	(0.321)
Medical & Surgical Equipment	(0.345)
Procurement CIP to be achieved later in 2014/15	(0.335)
Establishment Expenses	(0.127)
External Service Contracts	(0.147)
Other	(0.704)
<b>Total</b>	<b>(2.835)</b>

- The non pay position is showing a £2.835 million year to date overspend.
- The reasons for the overspends are being reviewed with each Centre to establish the year end position and whether a further utilisation of reserves is required.
- The non pay expenditure can be linked to the additional activity. Further work has been undertaken and this has resulted in the preparation of business cases, in particular for the RTT initiative, which will be circulated for corporate review this month.
- Year to date expenditure relating to the RTT target compliance with the independent sector is £0.607 million, however this is not reporting as a variance in the position as this has been funded from reserves.

## 1.7 CENTRE PERFORMANCE

Centre	Variance £m	Reason	New action/Action update
Trauma, Theatres & Anaesthetics	(0.657)	Income - CRU (formerly RTA) income is less than expected.	Review CRU apportionment across centres.
		Pay - Medical expenditure in A&E and Theatres	Business cases will be circulated for corporate review this month
		Non pay - appliances and implants	Business cases will be circulated for corporate review this month
Tertiary	1.397	Income - Cardiology, Cardiothoracic Surgery and Neurosurgery are ahead of plan	The centre continues to overperform against their income target.
Integrated Medical Care	0.994	Income - non elective and critical care income are ahead of plan	A reduced level of overperformance has been incorporated into the centre forecast

Last month variance £m
(0.922)
1.283
0.859

The table provides an explanation of the major variances to plan by centre.

All centres highlighted in the table have improving positions from the previous month.

In future reports the table will incorporate the centre forecast position, including mitigations and actions were appropriate.

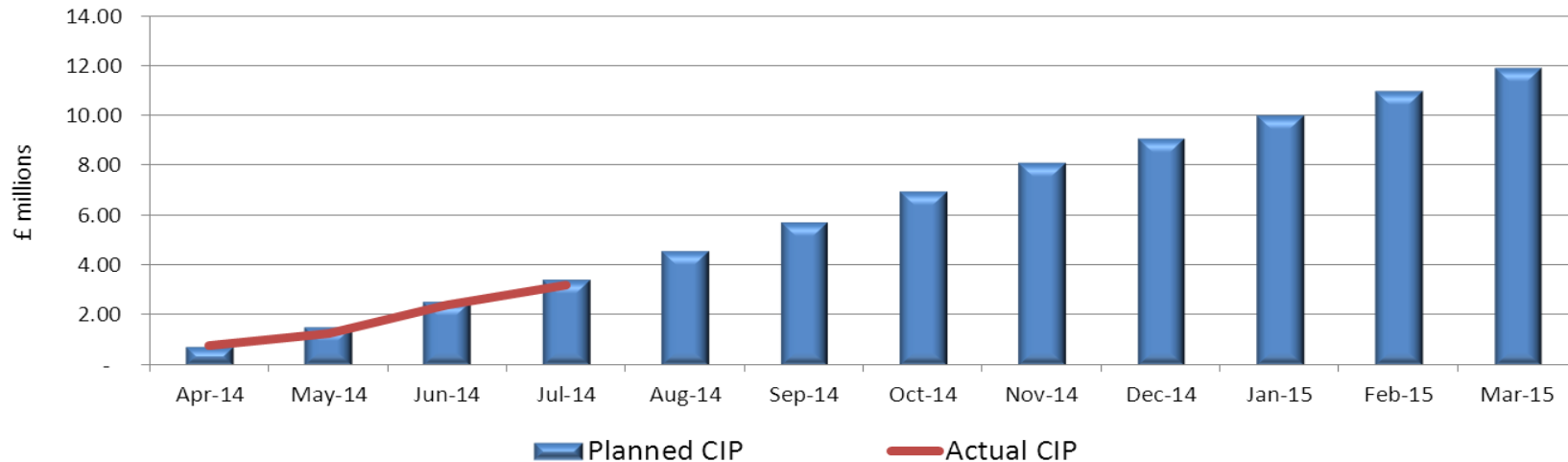
## SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

### 2.1 COST IMPROVEMENT PROGRAMMES – BEHIND PLAN

Theme	Target 2014/15 £m	Year to Date target at July'14 £m	Year to Date actual at July'14 £m	Year to Date variance at July'14 £m	% achieved to date	Forecast actual £m	% Forecast
Workforce	6.158	1.815	1.888	0.072	104.0	6.106	99.2
Business Improvement	3.273	1.117	1.083	(0.034)	97.0	3.323	101.5
Medicines Management	0.250	0.083	0.111	0.028	133.8	0.403	161.2
Procurement (including drugs)	2.168	0.442	0.107	(0.335)	24.2	1.052	48.5
<b>Total</b>	<b>11.849</b>	<b>3.458</b>	<b>3.189</b>	<b>(0.269)</b>	<b>92.2</b>	<b>10.884</b>	<b>91.9</b>

- CIP delivery for 2014/15 is behind plan achieving 92.2%.
- In line with the 3+9 forecast, a further £10m CIP of savings will be added to the above plan.
- Procurement savings are planned to deliver in the last 9 months of 2014/15, however circa £1.000 million of this target needs to be identified. This shortfall to date has caused the overall CIP shortfall against plan to drop from the 101.5% overall delivery in Q1.

### 2.2 COST IMPROVEMENT PROGRAMMES - TREND





## SECTION 3 – EFFECTIVE MANAGEMENT OF RESOURCES AND INVESTMENT

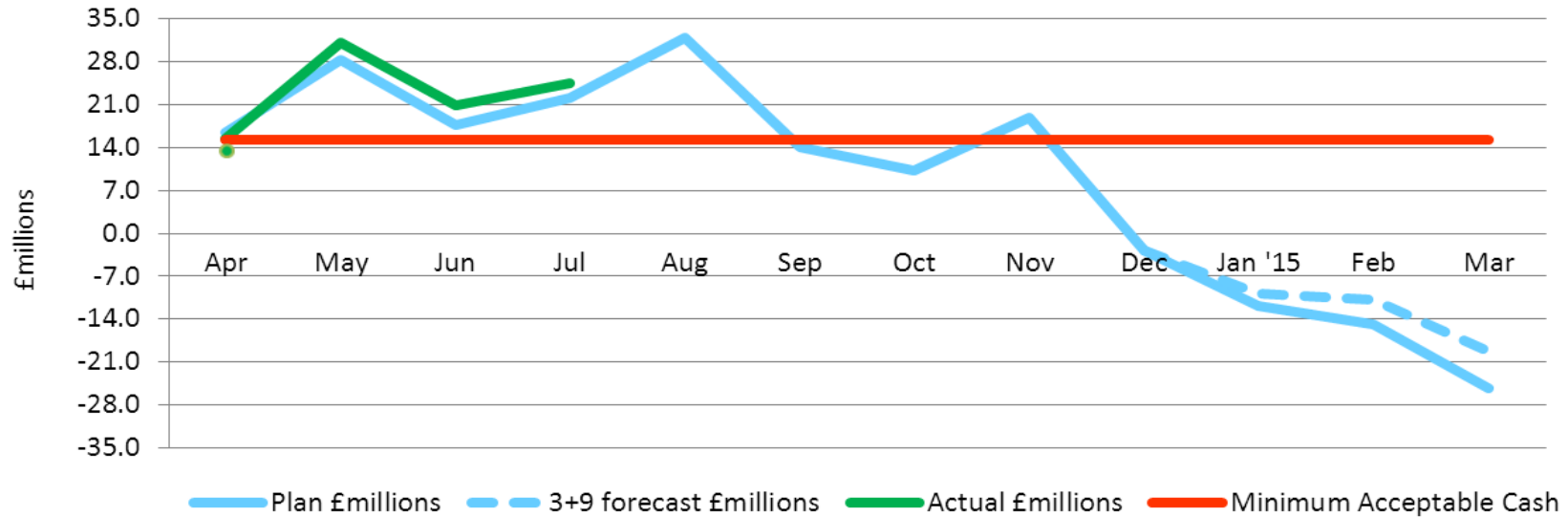
### 3.1 RESERVES – £18.0 MILLION BALANCE

Reserve	Reserve at April 2014 £m	Allocated £m	Unallocated & Earmarked £m
2014-15 developments	1.503	(0.043)	1.460
Additional activity for RTT target compliance	5.000	(0.607)	4.393
Agreed developments pre 2014-15	3.663	(1.984)	1.679
Cost pressures above inflation	6.540	(2.468)	4.072
Inflation	5.610	(4.162)	1.448
Marginal cost of growth in underlying activity	7.398	(3.507)	3.891
Winter capacity	1.939	(0.856)	1.083
<b>Total</b>	<b>31.653</b>	<b>(13.628)</b>	<b>18.025</b>

- The table represents the £18.025 million unallocated, but earmarked reserves at the end of July.
- Specific areas of investment/funding include : - case managers, critical care outreach, expansion of the endoscopy services, nurse practitioners, inflation on drugs and clinical supplies, excluded drugs and devices, PICU package of care, elective activity with the independent sector.

## 3.2 CASH - £24.4 MILLION IN HAND

The graph represents the impact on cash of the £29.443 million planned deficit and the 3+9 revised forecast.



	Plan £m	Year to date £m	Variance £m
Closing Cash	22.058	24.440	2.382

Last Month Variance £m
3.146

The cash position at the end of July was above minimum acceptable cash and was above plan by £2.382 million..

The cash balance has increased by £3.549 million in the month.

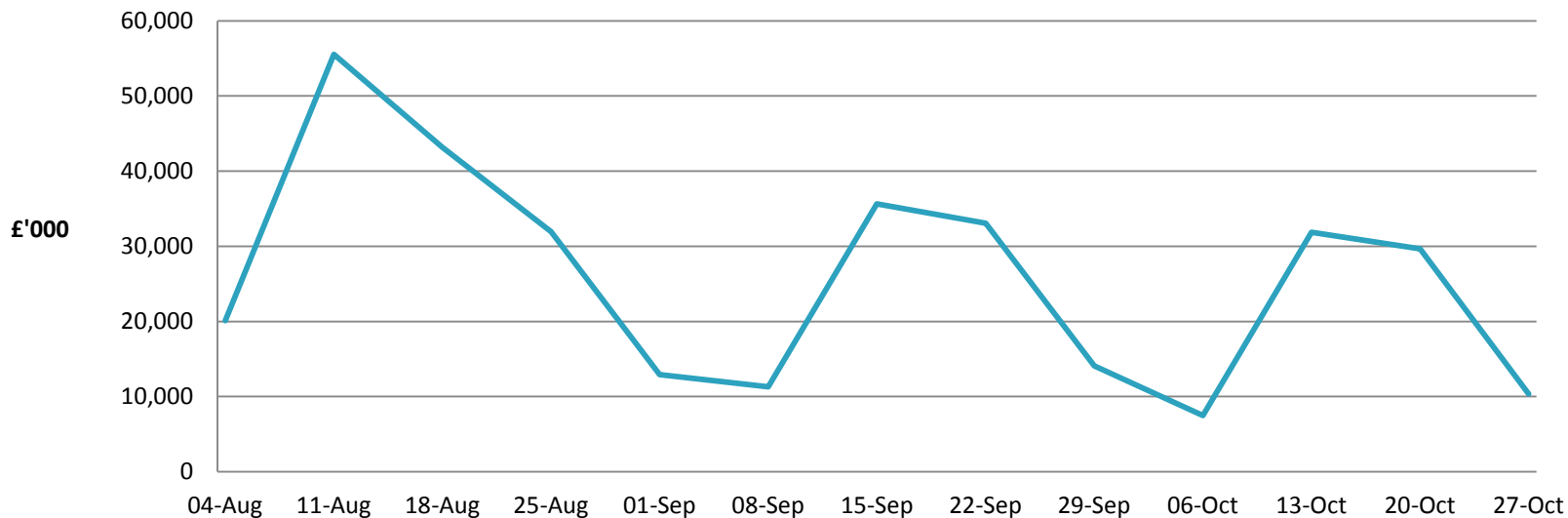
The variance relates to August NHS commissioner contract payments which have been advanced in July.

### 3.3 ROLLING THIRTEEN WEEK CASH FLOW FORECAST

	August £000	September £000	October £000	November £000
<b>Opening cash balance</b>	24,440	31,946	14,098	10,358
<b>Receipts</b>				
Block contract income	39,914	42,261	42,148	42,149
Other income	3,589	3,689	3,579	3,580
Financial Liabilities - block contract adjustments	8,005	(4,000)	(4,000)	8,000
<b>Total cash receipts</b>	<b>51,508</b>	<b>41,950</b>	<b>41,727</b>	<b>53,729</b>
<b>Payments</b>				
Pay (including PAYE & Pensions)	(27,872)	(27,774)	(28,002)	(27,738)
Non-pay	(14,539)	(27,733)	(14,050)	(14,418)
Non-pay - PFI	(902)	(1,315)	(1,713)	(1,713)
Capital	(689)	(2,976)	(1,702)	(1,286)
<b>Total cash spend</b>	<b>(44,002)</b>	<b>(59,798)</b>	<b>(45,467)</b>	<b>(45,155)</b>
<b>Closing cash balance</b>	<b>31,946</b>	<b>14,098</b>	<b>10,358</b>	<b>18,932</b>
<b>Annual Plan</b>	<b>31,912</b>	<b>14,021</b>	<b>10,286</b>	<b>18,814</b>

The plan and closing cash positions for September and October reflect the reduction in block contract income following the early payment on contracts in the first 5 months of the year.

The weekly cash balances over the next 13 weeks is detailed in the following graph.



### 3.4 CAPITAL PROGRAMME - £5.5 MILLION INVESTMENT

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	(1.948)	0.000
Nursing Technology Fund	(1.139)	0.000
Other schemes	(2.457)	0.044
<b>Capital Programme</b>	<b>(5.544)</b>	<b>0.044</b>

At the end of July, spend is £0.044 million behind the reforecast plan that was submitted to Monitor following approval at Board in July.