

# SECTION 1 – IMPROVED REPORTING AND COST CONTROL

## 1.1 OVERVIEW OF KEY FINANCIAL METRICS

## COMMENTARY

Q2 to 31 July 2013	Year to Date				Movement in period
	Actual £m	Variance			
		£m	Operational risk	%	
Income	177.694	2.560		1.46	
Pay	(107.933)	1.052		0.97	
Non Pay	(59.917)	(4.889)		(8.88)	
EBITDA	9.844	(1.277)		(11.48)	
Non operating expenses	(10.265)	0.263		2.50	
Surplus / (Deficit) before impairments	(0.421)	(1.014)		(170.99)	
Capital	(6.549)	(2.891)		(79.03)	
PBL	(145.429)	(0.086)		(0.06)	
Cash	14.680	(7.120)		(32.66)	
CIP	3.942	(1.113)		(22.02)	
Aged Debt	4.053				
Risk Rating	2.9				

- Deficit of £0.421 million, which is behind plan. No further contingency has been utilised in this position.
- Spend on capital is £2.891 million ahead of plan. Annual spend is expected to be in line with plan.
- PBL and risk ratings are in line with plan.
- Cash is £7.120 million behind plan.
- We have achieved 78% of the CIP year to date target (£1.113 million behind plan). There is a further £5 million unidentified CIP for the year.

## 1.2 FINANCIAL RISK RATING – CURRENT METRICS

Indicative risk rating	Weighting	Plan	Actual
<b>Underlying performance</b>	25%	<b>3</b>	<b>3</b>
<b>Achievement of plan</b>	10%	<b>4</b>	<b>4</b>
<b>Financial Efficiency</b>			
· Net return after financing rating	20%	3	3
· IS Surplus margin rating	20%	2	2
		<b>3</b>	<b>3</b>
<b>Liquidity</b>	25%	<b>3</b>	<b>3</b>
<b>Weighted Average Rating</b>		<b>2.90</b>	<b>2.90</b>
<b>Financial Risk Rating</b>		<b>3</b>	<b>3</b>

Translating this performance into an indicative risk rating shows that the trust would be rated at 3. This is satisfactory.

## 1.3 FINANCIAL RISK RATING - PROPOSED METRICS

Indicative risk rating	Weighting	Plan	Actual
<b>Debt Service Cover</b>	50%	<b>2</b>	<b>2</b>
<b>Liquidity</b>	50%	<b>4</b>	<b>3</b>
<b>Financial Risk Rating</b>		<b>3</b>	<b>3</b>

Existing performance translates to an indicative risk rating of 3, which is an improvement on the June position.

The rating has been achieved despite EBITDA being 11.5% below plan.

## 1.4 MONITOR QUARTERLY FRR DECLARATION

### RECOMMENDATION - DECLARE FRR3

- Performance is currently behind plan.
- Processes are in place to sustain plan.
- Track record of delivery.

### HISTORY

- Three year plan holds FRR3 and has been submitted to Monitor.
- Q1 2013/14 - on plan and achieved FRR3.

### CURRENT

- FRR 3 in year performance maintained on both current and proposed metrics.
- Revenue and the liquidity position worsened in July.

### FORECAST 2013/14

- Income forecast underwritten by commissioner contracts.
- Funding pressures identified and proactively managed.
- Capital plan continues to be restrained pending raising £5 million further borrowing.
- CIP programme: £5 million to find, but offsetting spend on business cases and reserves temporarily withheld.
- Marginal increased income pursued.
- 2014/15 CIP plan Q1 underwritten by full year effect of late 2013/14 projects.

## 1.5 OPERATING PERFORMANCE

The most significant divisional variances are detailed below:

Division	Reason/Action	£millions Behind Plan
All	Unidentified CIP <ul style="list-style-type: none"> <li>Identify further CIP's for full year.</li> </ul>	5.000
Surgery	Income behind plan <ul style="list-style-type: none"> <li>Recover income due to cancellations in quarter 1. Income has improved in July as a result of better than previously estimated performance in June.</li> </ul>	0.828
Women and Children	Income behind plan <ul style="list-style-type: none"> <li>Investigation into obstetric income and activity indicates that activity has been under-reported. This has been corrected and will show an improvement next month.</li> </ul>	0.756
Acute Medicine	Pay expenditure <ul style="list-style-type: none"> <li>Reduce nursing agency expenditure, investigate the agency usage.</li> <li>Profile medical expenditure to address agency cost.</li> </ul>	0.707

## 1.6 INCOME

### ACTIVITY INCOME VARIANCE

### COMMENTARY

Activity Income Variance YTD	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees and Associate CCG's	0.399	(0.167)	0.000	0.232	(0.015)
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	(0.556)	0.010	0.000	(0.546)	(0.443)
Cumbria, Northumberland, Tyne and Wear Area Team	1.817	0.000	0.000	1.817	1.547
Other	0.237	0.382	0.438	1.057	0.559
<b>Total</b>	<b>1.897</b>	<b>0.225</b>	<b>0.438</b>	<b>2.560</b>	<b>1.648</b>

The activity income position reflects coded activity to June and forecast information for July. The over performance on specialised services largely relates to pass through costs (£1.030 million) and cardiology activity (£0.670 million)

## 1.7 PAY EXPENDITURE

### MONTH 4 POSITION

	£m
Nursing (Establishment underspend)	2.062
Nursing (Agency overspend)	(1.232)
<b>Nursing (Total underspend)</b>	<b>0.830</b>

Medical (Establishment underspend)	0.429
Medical (Agency overspend)	(0.920)
<b>Medical (Total overspend)</b>	<b>(0.491)</b>

### COMMENTARY

- Overall, pay is underspent by £1.052million at the end of July.
- Nursing is underspent but is partially offset by agency costs.
- Admin & clerical is currently £0.485 million underspent.

## 1.8 NON PAY EXPENDITURE

Overall, non pay is over spent by £4.889 million at the end of July. The main areas of cumulative overspend are detailed below.

### MONTH 3 POSITION

	£m
Medical and surgical purchases	0.837
Drugs	0.315
Independent sector	0.669
Non pay CIP target, not allocated to specific budgets	1.394

### COMMENTARY

Excluded drugs and devices are offset by additional income of £0.991million. The variance is held outside divisions, so as not to distort their individual performance.

# SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

## 2.1 COST IMPROVEMENT PROGRAMMES

Theme	Target 2013/14 £m	Year to Date target at July 2013	Year to Date actual at July 2013 £m	Year to Date variance at July 2013 £m	% achieved to date
Workforce	12.938	1.964	1.992	0.028	101.4
Business Improvement	5.721	2.298	1.425	(0.873)	62.0
Medicines Management	0.831	0.071	0.062	(0.009)	87.0
Patient Flow	0.055	0.018	0.018	0.000	100.0
Procurement (including drugs)	2.455	0.704	0.445	(0.259)	63.2
<b>Total</b>	<b>22.000</b>	<b>5.055</b>	<b>3.942</b>	<b>(1.113)</b>	<b>78.0</b>

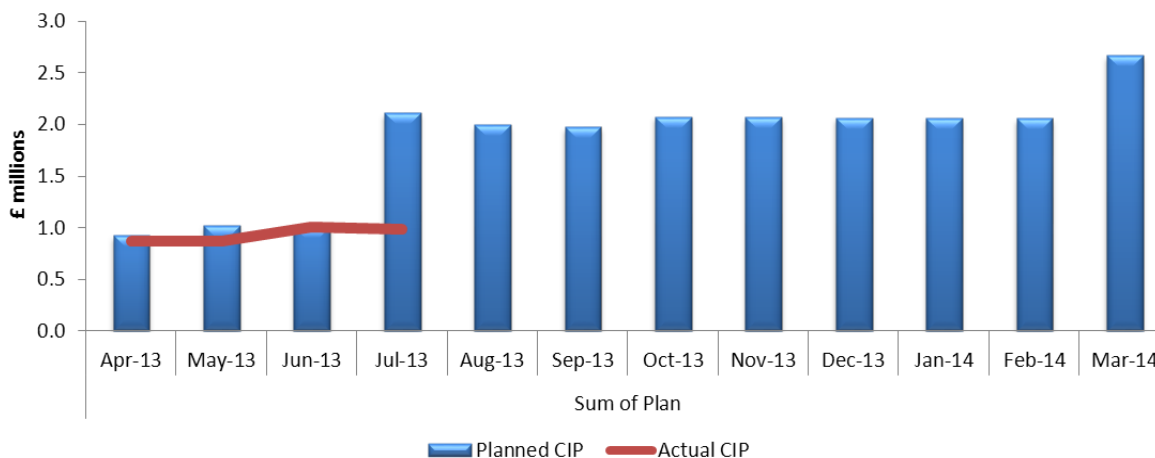
## COMMENTARY

At the end of the July the trust had achieved 78% of the CIP target. This deterioration in performance is due to actual savings not delivering in line with plan phasing, which was due to step up in July.

The main areas of concern are business improvement and procurement.

Meetings were held with Divisions during July and CIPs were also discussed at the August Divisional Performance Reviews. Divisions have been tasked with reviewing CIP opportunities with a view to making good the shortfall.

## 2.2 COST IMPROVEMENT PROGRAMMES - TREND



## SECTION 3 – EFFECTIVE MANAGEMENT OF RESOURCES AND INVESTMENT

### 3.1 RESERVES

#### RESERVES

Reserve brought forward £m	Allocated £m	Unallocated £m	CIP Gap £m	Remaining Reserve £m
26.257	(18.074)	8.183	(5.000)	3.183

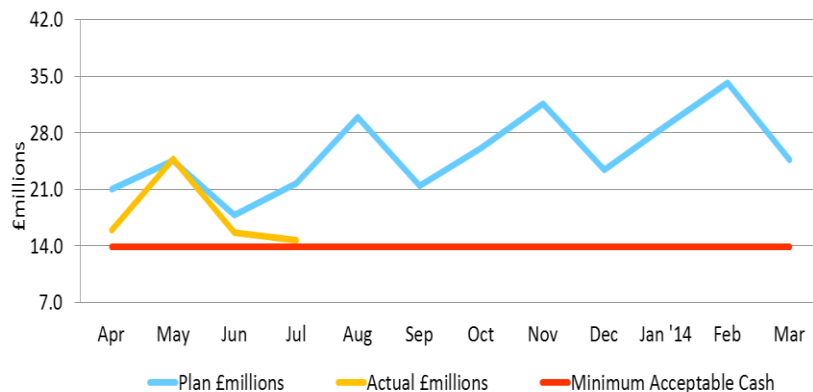
#### COMMENTARY

The trust currently has £5 million unidentified CIP, which will need to be allocated against the reserve, if plans are not developed and savings delivered in 2013/14.

Only the remaining balance of £3.2million can be utilised at this point to deal with winter pressures, business cases and any unforeseen pressures.

### 3.2 CASH AND WORKING CAPITAL

#### CLOSING CASH CHART



#### COMMENTARY

Trust is currently £7 million behind plan and a similar position is forecast for the end of August.

	Plan £m	Year to date £m	Variance £m	Last Month Variance £m
Closing Cash	21.800	14.680	(7.120)	(2.255)

Explanations for the variance include:

- Under delivery of CIP.
- Capital spending ahead of profile, but will resolve by year end.
- Outstanding debts which will improve before the year end.

### 3.3 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

#### CAPITAL PROGRAMME

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	2.231	(0.205)
Refurbishment Wards 1 - 12	0.538	(0.138)
Equipment Replacement programme including associated enabling costs	2.747	(1.747)
Other schemes	1.033	(0.801)
<b>Capital Programme</b>	<b>6.549</b>	<b>(2.891)</b>

#### COMMENTARY

The capital programme was £2.891 million ahead of plan at the end of July but is expected to return to plan by year end.

The accelerated spending was in the following areas:

- Equipment replacement programme - outstanding commitments from 2012/13 (£0.750 million) and associated enabling works (£0.730 million).
- Outstanding commitments from PCT funded schemes 2012/13 (£0.170 million).

At the end of August the trust will draw down £3.3 million of borrowing, which was approved by the Department of Health in 2012/13.

An application to DH for a further £5 million of borrowing, will be submitted by 4 September. This is in line with the previously agreed plan.

The trust has met its PBL and PBC ratios.