

# South Tees Hospitals

NHS Foundation Trust

<b>Meeting / Committee</b>	Board of Directors	<b>Meeting Date</b>	25 June 2013
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<b>This paper is for</b>	Action/Decision X	Assurance X	Information
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<b>Title</b>	Financial position for the period ending 31 May 2013
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<b>Purpose</b>	The purpose of this report is to advise the Board of the financial position at 31 May 2013.
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<b>Summary</b>	The trust's operating performance is in surplus, but is behind plan at the end of May, driven by non pay expenditure. Income has improved and the risk rating and cash position remain satisfactory.
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<b>Prepared by</b>	Finance	<b>Presented by</b>	Chris Newton
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<b>Recommendation</b>	The Board of Directors is asked to note and comment on the financial position.
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<b>Implications</b>	Legal	Financial X	Safety & Quality	Strategic X	Risk & Assurance X
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**Financial position for the period ending 31 May 2013**

**Section 1 Summary**

*The financial position is behind plan at the end of May,  
but is in surplus.*

**1.1 Overall operating position**

	Year to date	
	Actual £m	Variance £m
<b>Income</b>		
Activity Income	83.150	1.117
Non Activity Income	5.259	0.036
<b>Income, Total</b>	<b>88.409</b>	<b>1.153</b>
<b>Operating Expenses</b>		
Pay	(54.071)	0.294
Drugs	(6.768)	(0.435)
Clinical supplies	(9.472)	(0.549)
PFI operating expenses	(4.147)	0.000
Other operating expenses	(9.506)	(0.902)
<b>Operating Expenses, Total</b>	<b>(83.964)</b>	<b>(1.592)</b>
<b>Profit (Loss) from Operations (EBITDA)</b>	<b>4.445</b>	<b>(0.439)</b>
<b>Non Operating Expenses, Total</b>	<b>(4.354)</b>	<b>0.000</b>
<b>Net Surplus / (Deficit) before impairments</b>	<b>0.091</b>	<b>(0.439)</b>
Impairments	0.000	0.000
<b>Net Surplus / (Deficit) after impairments</b>	<b>0.091</b>	<b>(0.439)</b>

Indicative risk rating	Weighting	Q1 Plan	May Actual	FRR2
<b>Underlying performance</b>				
• EBITDA Margin metric		5.10%	5.00%	<5%
• EBITDA Margin rating	25%	3	3	
<b>Achievement of plan</b>				
• EBITDA % of plan achieved metric		92.60%	91.00%	<70%
• EBITDA % of plan achieved rating	10%	4	4	
<b>Financial Efficiency</b>				
• Net return after Financing metric		-1.90%	-1.30%	<-1%
• Net return after financing rating	20%	2	2	
• IS Surplus margin metric		-0.80%	0.10%	<1%
• IS Surplus margin rating	20%	2	2	
		<b>3</b>	<b>2</b>	
<b>Liquidity</b>				
• Liquidity days metric		20.0	24.0	<15
• Liquidity rating	25%	3	3	
<b>Weighted Average Rating</b>		<b>2.70</b>	<b>2.70</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.

The small surplus is broadly in line with the monitor plan after allowing for timing differences in the release of reserves.

## Section 2 Operating performance

***The income position has improved and is ahead of plan.  
Non-pay spend is a concern.***

### 2.1 Income

Commissioners	Year to date actual £m	Year to date variance £m
NHS South Tees CCG & Associates	(43.116)	(0.871)
Cumbria, Northumberland, Tyne and wear Local Area Team	(21.898)	(0.823)
NHS Hambleton, Richmondshire & Whitby CCG & Associates	(12.784)	0.440
Other	(5.352)	0.137
<b>Total</b>	<b>(83.150)</b>	<b>(1.117)</b>

Income actual reflects April coded activity together with a best estimate for May. Budget has been phased based on number of working days or calendar days. At this stage it is difficult to draw any meaningful conclusions as there is insufficient fully coded data to provide a robust comparison.

### 2.2 Expenditure

#### Pay

Overall, pay is underspent by £0.294 million at the end of May. Nursing is underspent but is offset by agency costs.

- Agency costs (cumulative) .....£1.089 million
  - community services (nursing) ..... £0.362m
  - acute medicine (nursing) ..... £0.219m
  - community services (medical) ..... £0.075m
  - acute medicine (medical) ..... £0.082m
- Sickness absence has improved in April & May and is slightly behind plan at 4.01% against a target of 3.90%; the opportunity cost of the variance is estimated to be £0.045 million. The estimated opportunity cost for 2012/13 was £2.3 million.

#### Non Pay

Overall, non pay is overspent by £1.886 million at the end of May. The main areas of cumulative overspend are:

- PbR Excluded Drugs ..... £0.210 million
- PbR Excluded Devices .....£0.392 million
- Drugs .....£0.225 million
- Non Pay CIP target, not allocated to specific budget lines .....£0.395 million

Excluded drugs and devices are offset by additional income. Drugs and non pay CIP are real funding pressures.

## 2.3 Cost Improvement Plans (CIPs)

Theme	Target 2013/14 £m	Year to Date target & May'13 £m	Year to Date actual at May'13 £m	Year to Date variance at May'13 £m	% achieved to date
Workforce	13.822	0.817	1.086	0.270	133.0
Business Improvement	4.832	0.728	0.508	(0.220)	69.8
Medicines Management	0.831	0.009	0.009	0.000	100.0
Patient Flow	0.055	0.009	0.009	0.000	100.0
Procurement (including drugs)	2.460	0.302	0.128	(0.173)	42.6
<b>Total</b>	<b>22.000</b>	<b>1.865</b>	<b>1.741</b>	<b>(0.124)</b>	<b>93.4</b>

The Trust has an annual P&E target of £22.0 million for the 2013/14 financial year. The P&E savings have been phased across the year and the Trust is achieving 93.4% of the £1.865 million year to date target.

## Section 3 Source and application of funds

***The cash position remains satisfactory***

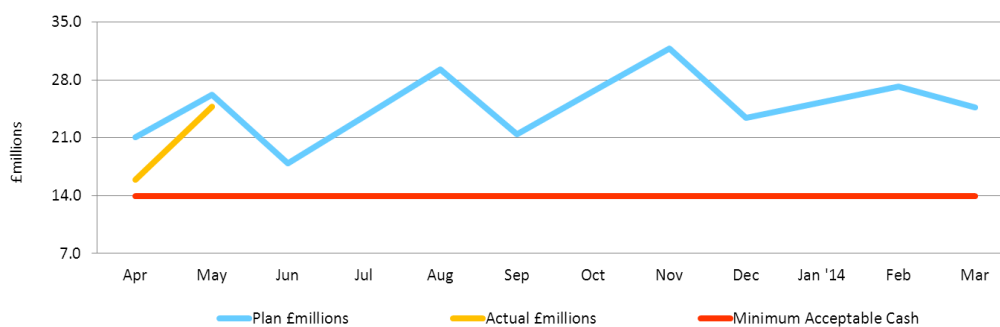
***There remains limited headroom available for further borrowing to support additional capital investment***

### 3.1 Summary source and application statement

Summary Source and Application of Funds	Plan £m	Actual £m
Opening cash balance at start of period	27.446	27.446
<b>Source of Funds:</b>		
EBITDA	4.006	4.445
Treasury Management and Financing Activities	0.079	0.008
<b>Total Funds Available</b>	<b>31.531</b>	<b>31.899</b>
<b>Application of Funds</b>		
Capital investment	(3.268)	(3.931)
Treasury Management and Financing Activities	(2.769)	(2.774)
<b>Total Application of Funds</b>	<b>(6.037)</b>	<b>(6.705)</b>
<b>Net Funds Available after application</b>	<b>25.494</b>	<b>25.194</b>
Net movement in working capital	0.716	(0.416)
<b>Closing cash balance at end of period</b>	<b>26.210</b>	<b>24.778</b>

### 3.2 Cash and working capital

#### ***Cash in hand***



- Cash is behind plan due to the operating position, but is satisfactory.

### 3.3 Capital programme

The trust has a number of outstanding commitments and priorities that require funding and is currently reviewing the capital programme in line with funding available within the approved annual plan.

At the end of May the trust has spent £3.931 million and a further update on the programme will be presented to the next Board meeting.

### 3.4 Prudential borrowing

<b>Prudential Borrowing Limit</b>	<b>PFI £m</b>	<b>Non- commercial borrowing £m</b>	<b>Leases £m</b>	<b>Total £m</b>
Opening position at start of period	114.887	23.627	6.427	144.941
Net principal movements	(0.393)	0.000	(0.327)	(0.720)
<b>Closing position at end of period</b>	<b>114.494</b>	<b>23.627</b>	<b>6.100</b>	<b>144.221</b>
<b>Prudential Borrowing Limit</b>				<b>153.700</b>

<b>Prudential Borrowing Code</b>	<b>Measure</b>	<b>Plan</b>	<b>Actual</b>
PBC ratio test:			
Dividend cover	>1.0	10.4	9.0
Interest cover	>2.0	2.8	2.5
Debt service cover	>1.5	2.0	1.8
Debt service to revenue	< 10.0%	2.8%	2.8%

The trust is within its prudential borrowing limit and is compliant with all its prudential borrowing code ratios as at the end of May.