

South Tees Hospitals 
 NHS Foundation Trust

Meeting / Committee	Board of Directors	Meeting Date	26 June 2012
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This paper is for	Action/Decision	Assurance X	Information
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Title	Financial position for the period ending 31 May 2012
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Purpose	The purpose of this report is to advise the Board of the financial position as at the end of May 2012.
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Summary	The trust's operating performance is £2.2 million behind plan at the end of May, due to income underperformance and overspending on non pay. This puts pressure on the trust's financial risk rating and must be addressed before we report our quarter one position to Monitor.
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Prepared by	Finance	Presented by	Chris Newton
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Recommendation	The Board of Directors is asked to note and comment on the financial position and action identified in response to the position.
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Implications	Legal	Financial X	Safety & Quality	Strategic X	Risk & Assurance X
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Financial position for the period ending 31 May 2012

Section 1 Summary

1.1 Overall operating position

	Current Month			Year to date		
	Actual £m	Variance £m	Last Month Variance £m	Actual £m	Variance £m	Last Month Variance £m
Income						
Activity Income	40.208	(1.199)	(0.132)	78.531	(1.332)	(0.132)
Non Activity Income	2.685	0.231	0.174	5.436	0.405	0.174
Income, Total	42.893	(0.968)	0.042	83.967	(0.927)	0.042
Operating Expenses						
Pay	(26.396)	(0.165)	0.148	(52.525)	(0.017)	0.148
Drugs	(3.251)	(0.263)	(0.307)	(6.476)	(0.570)	(0.307)
Clinical supplies	(4.747)	(0.220)	0.109	(8.776)	(0.112)	0.109
PFI operating expenses	(1.598)	(0.092)	(0.079)	(3.822)	(0.171)	(0.079)
Other operating expenses	(4.655)	(0.236)	(0.212)	(8.918)	(0.447)	(0.212)
Operating Expenses, Total	(40.647)	(0.976)	(0.341)	(80.517)	(1.317)	(0.341)
Profit (Loss) from Operations (EBITDA)	2.246	(1.944)	(0.299)	3.450	(2.244)	(0.299)

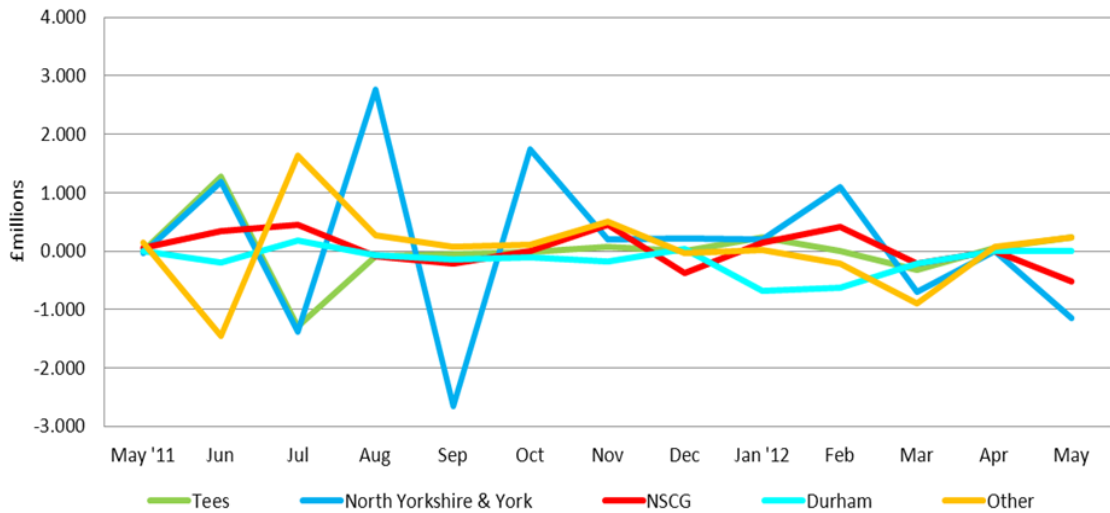
The position shows a deterioration since last month and is now £2.2 million behind plan. The variance is driven by both income under-performance and overspending on non-pay heads and is discussed in more detail in section 2.

This is clearly a cause for concern and actions are being taken swiftly to avoid any further deterioration by the end of quarter 1, when the trust will be given a formal risk rating by Monitor. We are reviewing accounting actions that can be taken to improve the reported position e.g. review of updated activity data for April/May, allocation of contingency identified as part of the enhanced P&E target, level of accruals etc.

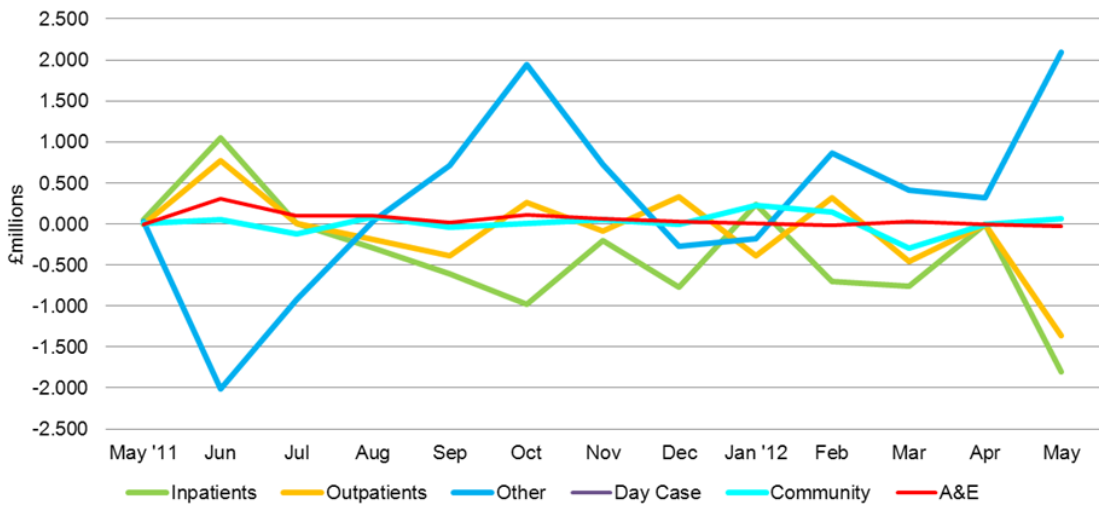
Section 2 Operating performance

2.1 Income

PCT contracts variance



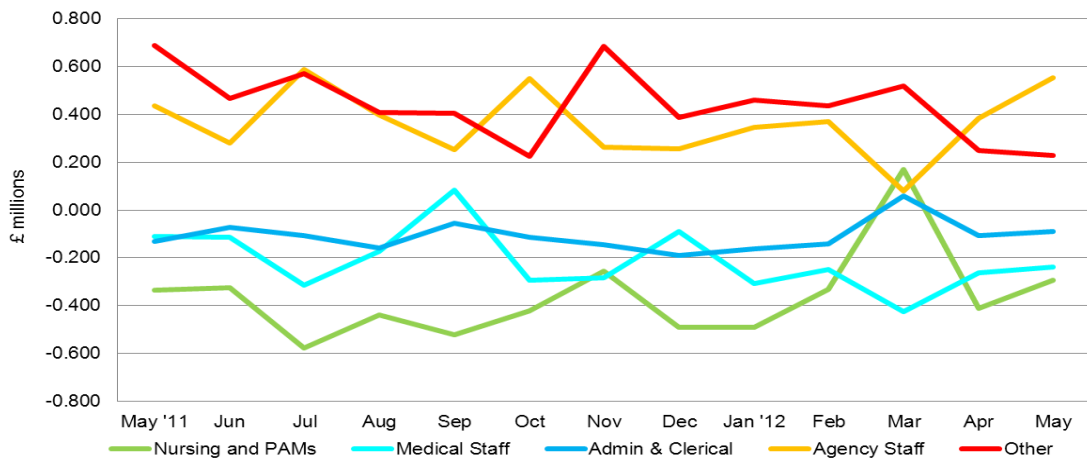
Point of delivery variance



The income position for April and May is based on data from the first two weeks of April, which was lower than average for this period. A review of the current position indicates that actual activity for May is likely to be higher than anticipated here; therefore caution needs to be exercised when interpreting the current trend.

Pay

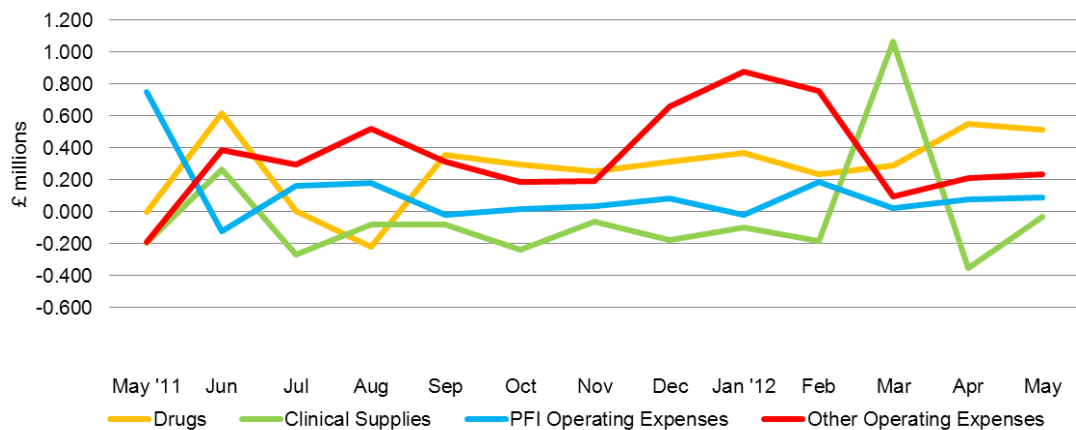
Pay variance by staff group



- Other pay includes unallocated P&E target, which is being offset by underspending in other heads.
- Agency costs are predominantly in community services and include both medical and nursing staff.

Non-pay

Non pay variance by expenditure group



The main areas of non pay overspending are:

Drugs

- PbR excluded drugs £0.319 million
 - Acute Medicine £0.252m
 - Specialty Medicine £0.77m
- Non high cost drugs £0.256 million
 - Specialty Medicine £0.146m
 - CSS £0.127m

PFI operating costs

- PFI variations£0.146 million

Other operating costs

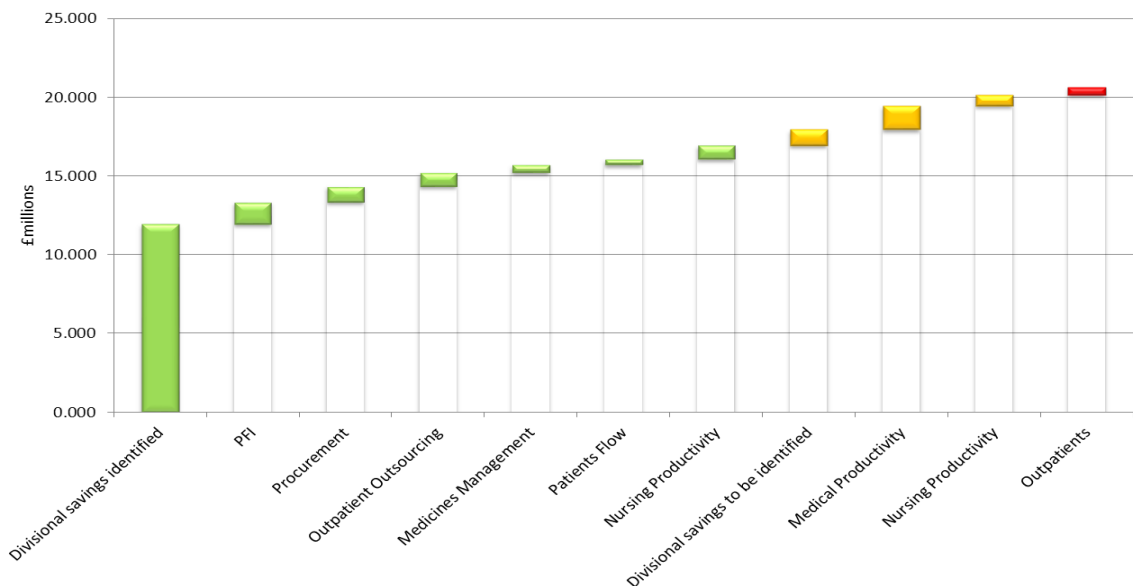
- Purchase of healthcare£0.132 million
- Renal satellite units£0.136 million

2.2 Productivity and efficiency

Theme	Target 2012/13 £m	Year to Date actual £m	Year to Date variance £m	% achieved to date
Workforce	9.959	0.849	(0.057)	93.7
Business Improvement	5.974	1.032	(0.087)	92.2
Medicines Management	1.731	0.259	(0.001)	99.6
Patient Flow	0.873	0.000	0.000	0
Procurement	2.118	0.145	(0.049)	74.7
Total	20.656	2.285	(0.194)	92.1

- The current P&E position excludes corporate projects, which are due to begin delivering in July 2012.
- We are currently reviewing the management of procurement savings, between corporate and divisional plans.

The bridge chart below shows the make-up of the annual P&E target by main scheme and RAG rated for risk of delivery.



Around £17 million is supported by firm plans, but there are risks to delivery around the other elements, outpatients in particular is seen as a high risk area. To offset this risk we have identified contingency items, which could be used, although ideally these are available to improve the bottom line position beyond the Monitor annual plan £1.0 million surplus.

Contingency items	£ million
Deferred Income	0.900
Reserves	1.400
Energy Saving	0.125
Beds and Mattresses	0.050
Switchboard	0.050
Service Line Management	0.300
Capital Charges Reduction	0.180
NHS Supply Chain	1.000
Total Contingency	4.005

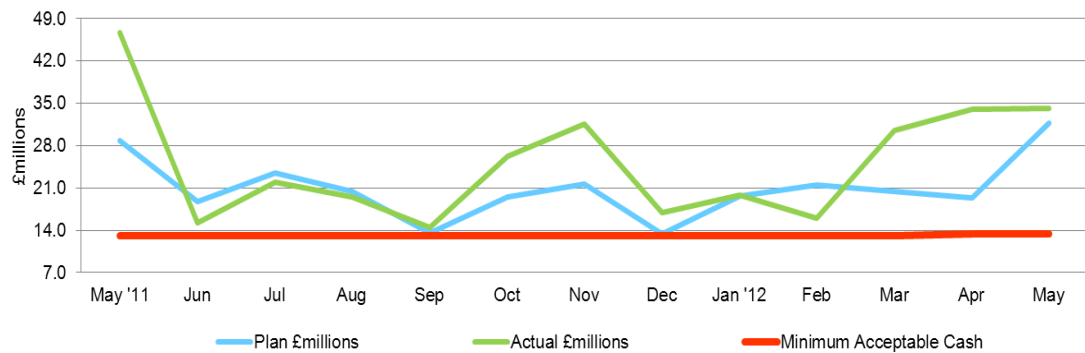
Section 3 Source and application of funds

3.1 Summary source and application statement

Summary Source and Application of Funds	Plan £m	Actual at 31 May 2012 £m
Opening cash balance at start of period	30.526	30.526
Source of Funds		
EBITDA	5.694	3.450
Treasury Management and Financing Activities	0.112	0.06
Total Funds Available	36.332	34.036
Application of Funds		
Capital investment	(2.332)	(2.305)
Treasury Management and Financing Activities	(3.309)	(3.205)
Total Application of Funds	5.641	5.510
Net Funds Available after application	30.691	28.526
Net movement in working capital	1.022	5.714
Closing cash balance at end of period	31.713	34.240

3.2 Cash and working capital

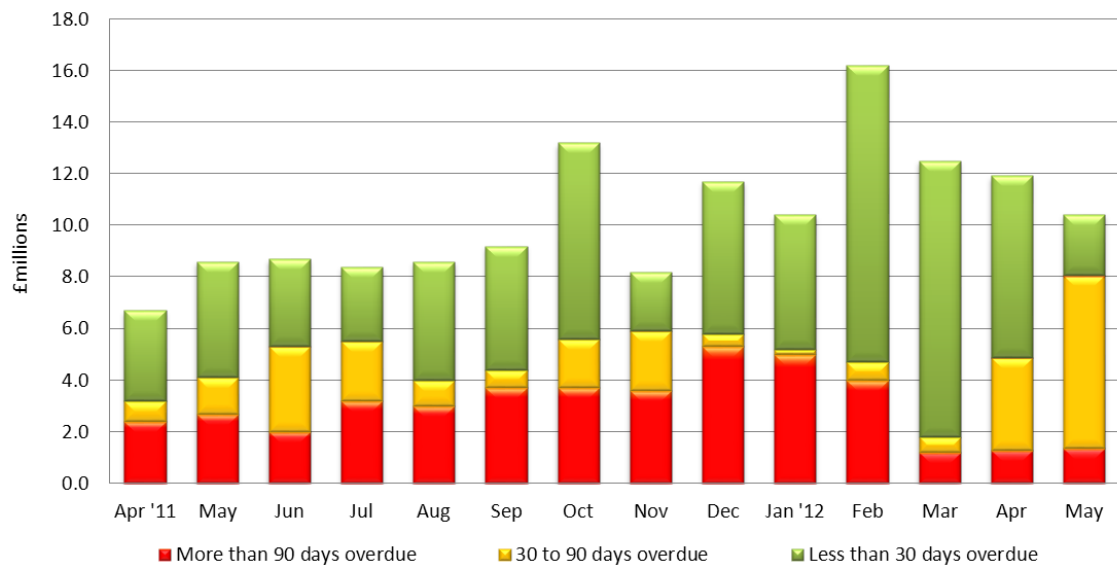
Cash in hand



- The cash position was satisfactory, with under-performance on operating position being off-set by a better than anticipated working capital position.

We are developing a forward forecast of cash for future reports, linked to the run rate.

Aged debt



3.3 Capital programme

	Approved Annual Plan	Current Month			Year to date		
		Actual £m	Variance £m	Last Month Variance £m	Actual £m	Variance £m	Last Month Variance £m
Cancer Radiotherapy Expansion	3.268	0.074	0.065	(0.047)	0.076	0.018	(0.047)
Generic High Dependency Unit	1.087	0.466	(0.051)	(0.041)	0.608	(0.092)	(0.041)
Equipment Replacement Programme	2.885	0.066	(0.038)	(0.024)	0.344	(0.062)	(0.024)
Other schemes	12.670	0.857	(0.059)	0.168	1.277	0.109	0.168
Capital Programme	19.910	1.463	(0.083)	0.056	2.305	(0.027)	0.056

The capital programme is running substantially to plan:

- Generic HDU was been handed over on 8 June 2012.
- 4th Cath Lab was handed over on 23 May 2012.

The 'other schemes' section will be expanded for future reports to show wards 1-12, PFI lifecycle etc.

3.4 Prudential borrowing

Prudential Borrowing Limit	PFI £m	Non- commercial borrowing £m	Leases £m	Total £m
Opening position at start of period	117.843	19.376	5.940	143.159
New borrowing	0.000	0.000	0.056	0.056
Principal repayments	(0.295)	0.000	(0.167)	(0.462)
Closing position at end of period	117.548	19.376	5.829	142.753
Prudential Borrowing Limit				151.015

- The position against the PBL is satisfactory.

We will include PBC performance and borrowing headroom in future reports.