

# FINANCIAL POSITION FOR THE PERIOD ENDING 31 MAY 2014



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# SECTION 1 - OVERVIEW OF KEY FINANCIAL METRICS

## 1.1 OVERALL OPERATING POSITION - £3.6 MILLION DEFICIT

### INCOME AND EXPENDITURE

Report reference	2 months to 31 May 2014	Year to Date				Movement in % variance in period
		Actual £m	Variance			
			£m	Operational risk	%	
1.4	Income	90.235	1.792		2.03	
1.5	Pay	(56.317)	(0.274)		(0.49)	
1.6	Non Pay	(32.081)	(1.501)		(4.91)	
	EBITDA	1.837	0.017		0.93	
	Non operating expenses	(5.443)	0.083		1.50	
1.3	Surplus / (Deficit) before impairments	(3.606)	0.100		(2.70)	

- The trust is reporting a deficit of £3.606 million at the end of May, which is ahead of plan by £0.100 million. The plan in 2014/15 delivers a £29.443 million deficit.
- The aim of the on going work being undertaken with support from McKinsey and Company on further CIP schemes, that is due to be approved at the Board of Directors meeting in July, is intended to reduce this deficit.
- CIP delivery shows 100.5% achievement of the 2014/15 year to date target. This equates to £1.244 million of the £11.840 million plan.

### OTHER KEY FINANCIAL INDICATORS

3.4	CIP	1.244	0.006		0.48	
	Capital	(3.217)	0.560		14.83	
	PBL	(150.354)	0.012		0.01	
3.2	Cash	30.988	2.784		9.87	
	Aged Debt	4.073				
1.2	Risk Rating	2				

## 1.2 CONTINUITY OF SERVICE RISK RATING

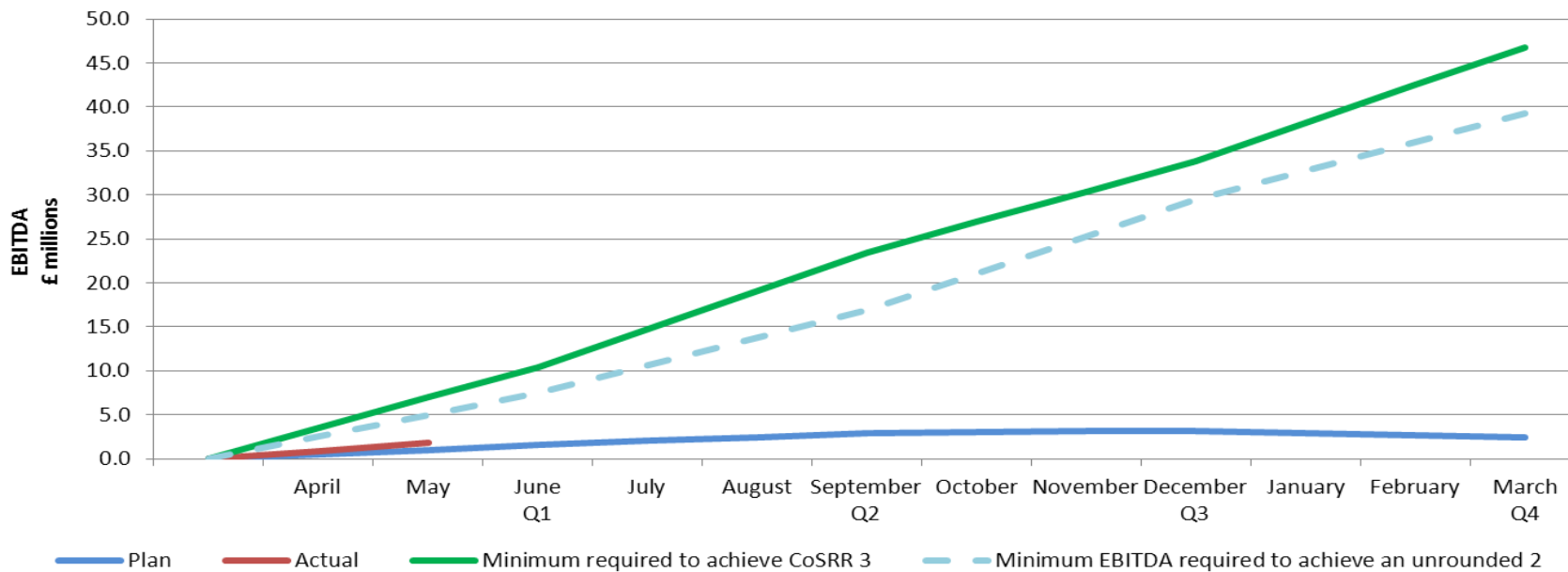
Indicative risk rating	Weighting	Plan	Actual	CoSRR 2
<b>Debt Service Cover</b>				
• Debt Service Cover metric		0.26	0.47	<b>&gt;1.25</b>
• Debt Service Cover rating	50%	<b>1</b>	<b>1</b>	
<b>Liquidity</b>				
• Liquidity metric		-15.1	-11.5	<b>&lt;-14</b>
• Liquidity rating	50%	<b>1</b>	<b>2</b>	
<b>Continuity of Services Risk Rating</b>		<b>1</b>	<b>2</b>	

Performance at the end of May translated to an indicative risk rating of 2 (rounded). Of the metrics liquidity remains the stronger on the back of contract payments received in advance from our commissioners.

The debt service cover metric is mainly driven by the impact of PFI on balance sheet . A rating of 2 on this element of the CoSRR would require an EBITDA of £31 million for the full year. The trust reported an EBITDA of £2.485 million in its 2014/15 forward plan .

The liquidity metric is influenced by EBITDA, the year end cash balance, PFI accounting and stock holdings. Stock holdings are relatively high at £8.096 million (equivalent to 5.4 days).

EBITDA includes the identified £11.849 million CIP, but does not include any savings that may arise from the work being undertaken in conjunction with McKinsey.



### 1.3 OPERATING PERFORMANCE - £0.1 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	88.443	90.235	<b>1.792</b>	1.108	0.684	0.000	<b>1.792</b>
Operating Expenses	(86.623)	(88.398)	<b>(1.775)</b>	(1.097)	(0.684)	0.006	<b>(1.775)</b>
<b>EBITDA</b>	<b>1.820</b>	<b>1.837</b>	<b>0.017</b>	<b>0.011</b>	<b>0.000</b>	<b>0.006</b>	<b>0.017</b>
Non Operating Expenses	(5.526)	(5.443)	<b>0.083</b>	0.083	0.000	0.000	<b>0.083</b>
<b>Surplus/Deficit</b>	<b>(3.706)</b>	<b>(3.606)</b>	<b>0.100</b>	<b>0.094</b>	<b>0.000</b>	<b>0.006</b>	<b>0.100</b>

- The operating position to the end of May is a deficit of £3.606 million.
- The position is £0.100 million ahead of the 2014/15 trust plan.
- The variance position is slightly better than plan. Income received for the additional activity is higher than the expenditure incurred in delivering the service.
- Confirmed income in April indicates increased activity consistent with the early delivery of RTT waiting times. It is not safe to extrapolate that limited data for one month into May to match to the increased spend on medical pay and other non-pay, but this will be reviewed in detail when actual May income data is available. The timetable for validating income data is being accelerated to enable improved matching of revenue and costs.

### 1.4 INCOME - £1.8 MILLION AHEAD OF PLAN

	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees CCG	0.235	(0.058)	0.000	0.177	0.000
Associate of NHS South Tees CCG	0.098	0.044	0.000	0.142	0.000
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	0.167	0.067	0.000	0.234	0.000
Specialised	1.017	0.000	0.000	1.017	0.048
Other	(0.035)	(0.027)	0.283	0.221	0.056
<b>Total</b>	<b>1.483</b>	<b>0.026</b>	<b>0.283</b>	<b>1.792</b>	<b>0.104</b>

- The activity income position reflects actual activity for April and May activity has been matched to the plan.
- The over-performance on specialised services largely relates to waiting list and non-elective activity.

## 1.5 PAY EXPENDITURE – £0.3 MILLION OVERSPEND

	£m
Nursing establishment underspend	0.912
Nursing (agency overspend)	(0.506)
Expected savings included in CIP	(0.393)
<b>Nursing underspend</b>	<b>0.013</b>

Medical (establishment overspend)	(0.268)
Medical (agency overspend)	(0.599)
<b>Medical overspend</b>	<b>(0.867)</b>

<b>Admin &amp; Clerical underspend</b>	<b>0.209</b>
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<b>Other underspend</b>	<b>0.371</b>
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<b>Total Pay overspend</b>	<b>(0.274)</b>
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- The pay position is showing a £0.274 million year to date overspend.
- Medical pay expenditure is the major cause of the adverse variance, with the medical overspend amounting to £0.867 million. Detailed analysis of the current and future expenditure is being prepared for interrogation in June. This will identify the reason for the variance between demand and capacity activity and expenditure incurred in covering vacancies.
- Nursing expenditure is on plan, taking into account the NHSP expenditure and the expected vacancies included in CIP.
- Admin & clerical and other areas of expenditure which includes PAM's and scientific & technical are offsetting the medical overspend.
- The trust's cumulative sickness rate for 2014/15 is 4.14% and subsequent additional expenditure is contributing to the overspend position.

## 1.6 NON PAY EXPENDITURE – £1.5 MILLION OVERSPEND

	£m
Prosthetics, Appliances & Implants	(0.447)
Drugs	(0.308)
PbR excluded Drugs & Devices	(0.684)
Other	(0.062)
<b>Total</b>	<b>(1.501)</b>

- The non pay position is showing a £1.501 million overspend this month.
- The non pay expenditure can be linked to the additional activity. Further work is being undertaken to establish the marginal cost of both current and future activity across the clinical centres
- Excluded drugs and devices expenditure of £0.684 million is offset by income.

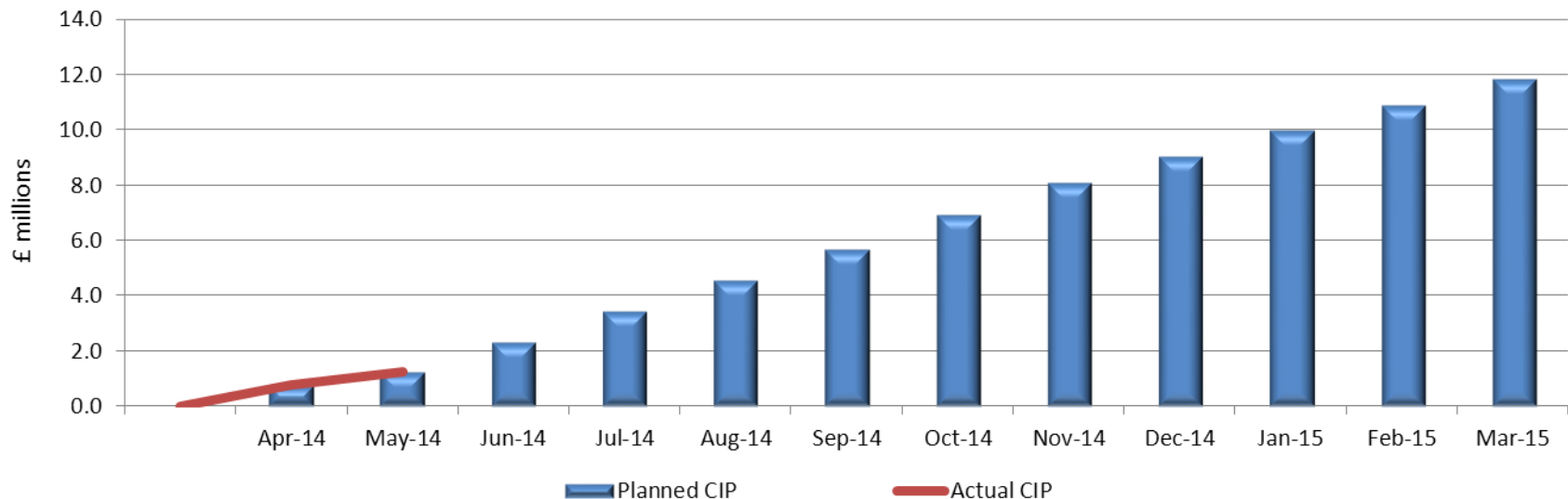
## SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

### 2.1 COST IMPROVEMENT PROGRAMMES - ON PLAN

Theme	Target 2014/15 £m	Year to Date target at May'14 £m	Year to Date actual at May'14 £m	Year to Date variance at May'14 £m	% achieved to date
Workforce	6.231	0.633	0.645	0.012	101.8
Business Improvement	3.299	0.536	0.535	(0.000)	100.0
Medicines Management	0.219	0.037	0.037	0.000	100.0
Patient Flow	0.000	0.000	0.000	0.000	100.0
Procurement (including drugs)	2.099	0.032	0.027	(0.005)	84.5
<b>Total</b>	<b>11.849</b>	<b>1.238</b>	<b>1.244</b>	<b>0.006</b>	<b>100.5</b>

- CIP delivery for 2014/15 is slightly ahead of plan, achieving 100.5%.
- Additional workforce savings are off setting any delayed delivery of CIP's.

### 2.2 COST IMPROVEMENT PROGRAMMES - TREND



# SECTION 3 – EFFECTIVE MANAGEMENT OF RESOURCES AND INVESTMENT

## 3.1 RESERVES – £22.0 MILLION BALANCE

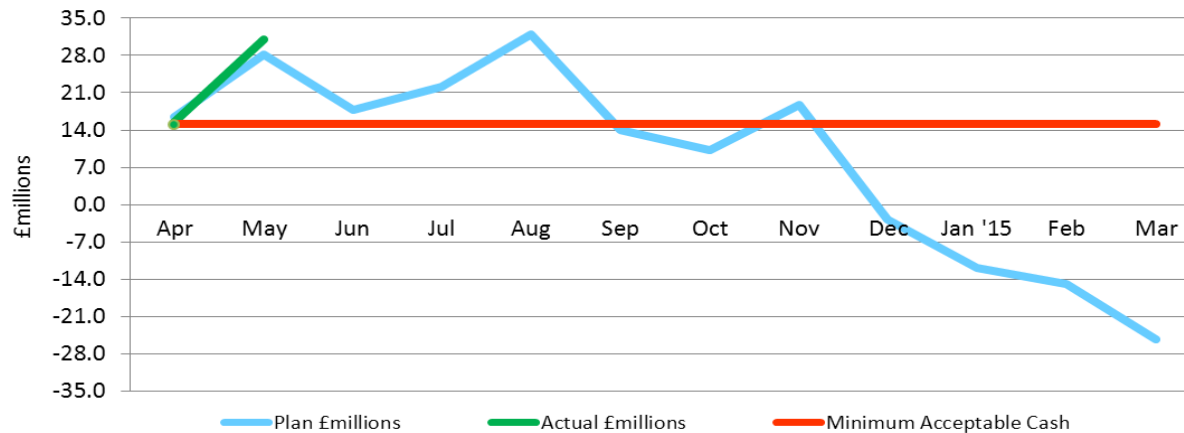
Reserve brought forward £m	Allocated £m	Unallocated & Earmarked £m
31.653	(9.650)	22.003

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

As part of setting the 2014/15 budget the Trust included a £31.653 million reserve.

£9.650 million has been allocated in the first 2 months of the financial year, including a further £3.260 million in May.

## 3.2 CASH - £31.0 MILLION IN HAND



The graph represents the impact on cash of the £29.443 million planned deficit.

	Plan £m	Year to date £m	Variance £m
Closing Cash	28.204	30.988	2.784

Last Month Variance £m
(0.932)

The cash position at the end of May was above minimum acceptable cash and was above plan by £2.784 million.

The variance relates to June NHS commissioner contract payments which have been advanced in May.

### 3.3 ROLLING THIRTEEN WEEK CASH FLOW FORECAST

	June £000	July £000	August £000	September £000
<b>Opening cash balance</b>	30,988	17,779	22,092	31,946
<b>Receipts</b>				
Block contract income	38,898	42,261	42,262	42,261
Other income	3,873	3,589	3,589	462
Financial Liabilities - block contract adjustments	2,564	2,371	8,005	(4,000)
<b>Total cash receipts</b>	<b>45,335</b>	<b>48,221</b>	<b>53,856</b>	<b>38,723</b>
<b>Payments</b>				
Pay (including PAYE & Pensions)	(28,289)	(27,777)	(27,872)	(27,774)
Non-pay	(14,049)	(14,256)	(13,917)	(26,076)
Non-pay - PFI	(14,591)	(649)	(902)	(1,315)
Capital	(1,615)	(1,226)	(1,311)	(1,406)
<b>Total cash spend</b>	<b>(58,544)</b>	<b>(43,908)</b>	<b>(44,002)</b>	<b>(56,571)</b>
<b>Closing cash balance</b>	<b>17,779</b>	<b>22,092</b>	<b>31,946</b>	<b>14,098</b>
<b>Annual Plan</b>	<b>17,745</b>	<b>22,058</b>	<b>31,912</b>	<b>14,021</b>

The issue concerning the outstanding Local Authority contract income has been resolved and recovery will take place in June.

The plan and closing cash position for September includes the second quarters PFI payment to Endeavour SCH plc.

### 3.4 CAPITAL PROGRAMME - £3.2 MILLION INVESTMENT

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	(0.977)	0.000
Nursing Technology Fund	(1.107)	0.143
Other schemes	(1.133)	0.417
<b>Capital Programme</b>	<b>(3.217)</b>	<b>0.560</b>

Spend is £0.560 million behind plan at the end of May.

A report was presented to Formal Management Group on 20 May 2014, providing detail on the capital projects that are being taken forward in 2014/15. This included:

- Works to support the movement of maternity and paediatrics from FHN;
- Electrical infrastructure;
- Medical equipment replacement; and
- ICT developments.