

SECTION 1 - OVERVIEW OF KEY FINANCIAL METRICS

1.1 OVERALL OPERATING POSITION

Q2 to 30 September 2013	Year to Date				Movement in period
	Actual £m	Variance			
		£m	Operational risk	%	
Income	267.544	5.650		2.16	
Pay	(162.651)	(0.199)		(0.12)	
Non Pay	(91.516)	(7.796)		(9.31)	
EBITDA	13.377	(2.345)		(14.92)	
Non operating expenses	(16.365)	(0.076)		(0.47)	
Surplus / (Deficit) before impairments	(2.988)	(2.421)		426.98	
Contingency deployed to date	2.780				
Surplus / (Deficit) before contingency	(5.768)				
Capital	(8.962)	(0.184)		(2.10)	
PBL	(147.330)	(0.142)		(0.10)	
Cash	17.171	(4.298)		(20.02)	
CIP	6.692	(2.335)		(25.87)	
Aged Debt	4.824				
Risk Rating	2.6				

COMMENTARY

- Deficit of £2.988 million, which is in behind the Monitor plan. £2.780 million of the contingency has been utilised in this position.
- Underspend on capital of £0.184 million, which is behind the reforecast plan.
- PBL is in line with plan.
- Current Risk Ratings are satisfactory.
- Cash is £4.298 million behind plan.
- We have achieved 74.1% of the CIP year to date target.

1.2 FINANCIAL RISK RATING – CURRENT METRICS

Indicative risk rating	Weighting	Plan	Actual	FRR2
Underlying performance				
• EBITDA Margin metric		6.00%	5.00%	<5%
• EBITDA Margin rating	25%	3	3	
Achievement of plan				
• EBITDA % of plan achieved metric		92.60%	83.70%	<70%
• EBITDA % of plan achieved rating	10%	4	3	
Financial Efficiency				
• Net return after Financing metric		0.20%	-2.00%	<-1%
• Net return after financing rating	20%	3	2	
• IS Surplus margin metric		0.40%	-0.70%	<1%
• IS Surplus margin rating	20%	2	2	
		3	2	
Liquidity				
• Liquidity days metric		21.9	23.4	<15
• Liquidity rating	25%	3	3	
Weighted Average Rating		2.90	2.60	
Financial Risk Rating		3	3	

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

1.3 CONTINUITY OF SERVICE RISK RATING (WEF Q3)

Indicative risk rating	Weighting	Plan	Actual	FRR2
Debt Service Cover				
• Debt Service Cover metric		1.49	1.13	<1.75
• Debt Service Cover rating	50%	2	1	
Liquidity				
• Liquidity metric		-1.9	-6.8	<-7
• Liquidity rating	50%	4	3	
Financial Risk Rating		3	2	

Existing performance translates to an indicative risk rating of 2.

Trust performance and specifically our EBITDA, must improve before the next submission to Monitor.

1.5 OPERATING PERFORMANCE

- The operating position continues to worsen, in the main driven by an on-going shortfall in recurrent CIP delivery.
- The income position is £5.6 million over plan but is offset by an expenditure overspend of £8.0 million after use of £2.8 million of contingency.
- We are working closely with the all divisions but in particular Acute Medicine, Surgery and Trauma. Each division has been tasked with focusing on 3 areas of expenditure with the goal of reducing the expenditure over the next 6 months of the financial year, and to return as close to plan as possible.

1.6 INCOME

CLINICAL CONTRACTING VARIANCE

	Acute £m	Community £m	Other £m	Total £m	Last month Total £m
NHS South Tees and Associate CCG's	0.196	0.210	0.000	0.406	0.863
NHS Hambleton, Richmondshire and Whitby & Associate CCG's	(1.262)	0.016	0.000	(1.246)	(0.773)
Cumbria, Northumberland, Tyne and Wear Area Team	4.365	0.000	0.000	4.365	2.518
Other	0.315	0.209	1.601	2.125	1.516
Total	3.614	0.435	1.601	5.650	4.124

COMMENTARY

- The activity income position reflects coded activity for August and forecast information to September.
- The over performance on specialised services largely relates to pass through costs (£2.160 million) and cardiology activity (£0.593 million).

1.7 PAY EXPENDITURE

Overall, pay is overspent by £0.200 million at the end of September. Medical agency is causing the adverse variance.

MONTH 6 POSITION

	£m
Nursing (Establishment underspend)	3.100
Nursing (Agency overspend)	(1.914)
Nursing (Total underspend)	1.186

Medical (Establishment underspend)	0.254
Medical (Agency overspend)	(1.515)
Medical (Total overspend)	(1.261)

COMMENTARY

- Overall, pay is overspent by £0.200 million at the end of September.
- Nursing is underspent but is partially offset by agency costs.
- Medical is underspent but agency costs are higher.
- Admin and clerical is currently £0.751 million underspent.

1.8 NON PAY EXPENDITURE

Overall, non pay is over spent by £7.762 million at the end of September. The main areas of cumulative overspend are detailed below.

MONTH 6 POSITION

	£m
Medical and surgical purchases	1.557
Drugs	0.575
Independent sector	0.976
Non pay CIP target, not allocated to specific budgets	3.290

COMMENTARY

- Excluded drugs and devices are also overspent by £1.943 million but are offset by additional income. The variance is held outside divisions, so as not to distort their individual performance.
- The £3.290 million relates to unallocated CIP targets held centrally and within the divisions, This also includes CIP targets carried forward from 2012/13.

SECTION 2 – COST IMPROVEMENT AND PRODUCTIVITY

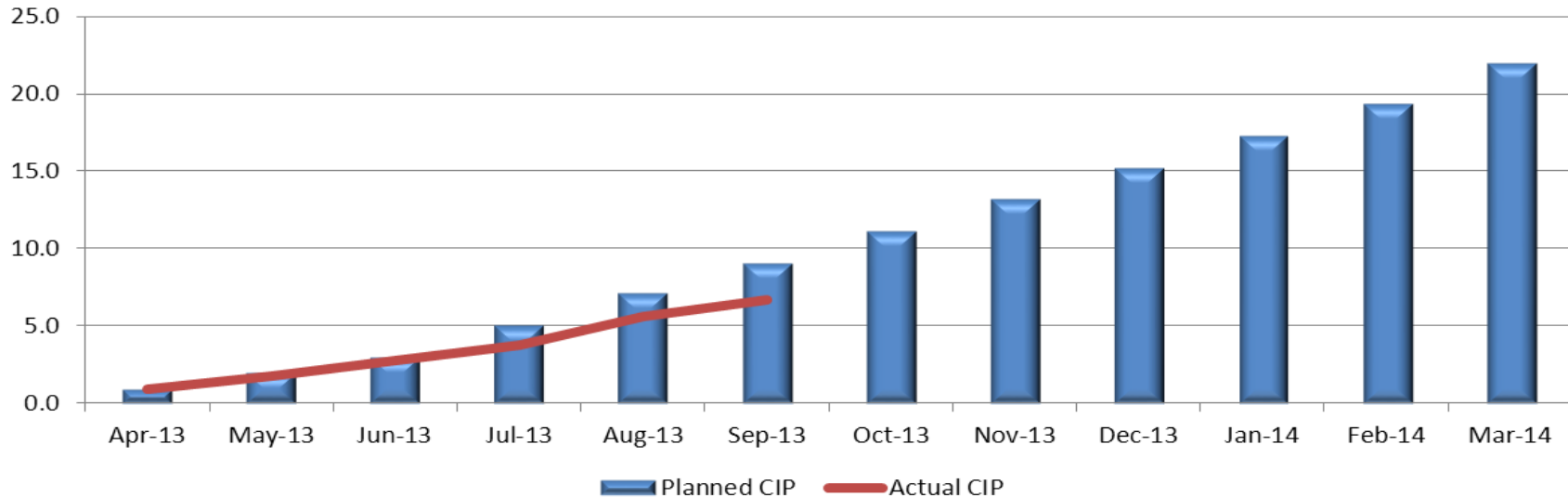
2.1 COST IMPROVEMENT PROGRAMMES

COMMENTARY

Theme	Target 2013/14 £m	Year to Date target at Sep'13 £m	Year to Date actual at Sep'13 £m	Year to Date variance at Sep'13 £m	% achieved to date
Workforce	10.692	4.358	3.965	(0.393)	90.98
Business Improvement	7.769	3.316	1.734	(1.582)	52.30
Medicines Management	0.831	0.134	0.193	0.058	143.43
Patient Flow	0.155	0.027	0.027	0.000	100.00
Procurement (including drugs)	2.553	1.190	0.772	(0.418)	64.87
Total	22.000	9.026	6.692	(2.335)	74.14

The trust has achieved 74.14% of the £9.026 million target in the 1st half of 2013/14. £0.901 million of the non-recurrent pay underspent has been included.

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	(20.893)	5.364	(5.400)	(0.036)

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

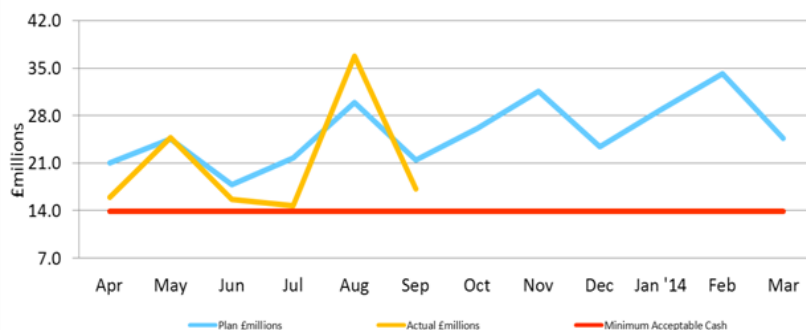
COMMENTARY

The trust currently has £5.4 million unidentified CIP, which will need to be allocated against the reserve, if plans are not developed and savings delivered in 2013/14.

£5.364 million is current held centrally but is expected to be allocated to divisions over the remainder of the financial year to fund winter pressures and approved business case.

3.2 CASH AND WORKING CAPITAL

CLOSING CASH CHART



COMMENTARY

The cash position is satisfactory although the trend continues to remain below plan.

	Plan £m	Year to date £m	Variance £m	Last Month Variance £m
Closing Cash	21.469	17.171	(4.298)	6.771

Explanations for the variance include:

- Operating pressures including non pay and income.
- Investments within capital.
- Outstanding debts due with our commissioners relating to non-contract and block activity income.

3.3 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

CAPITAL PROGRAMME

The trust had spent £0.184 million less than plan on its capital programme at the end of September.

	Year to date	
	Actual £m	Variance £m
PFI Lifecycle investment	3.346	(0.011)
Refurbishment Wards 1 - 12	1.022	0.015
Equipment Replacement programme including associated enabling costs	3.091	(0.055)
Other schemes	1.503	(0.133)
Capital Programme	8.962	(0.184)

COMMENTARY

The trust submitted a capital reforecast to Monitor on 18 September amounting to £20.9 million.

Expenditure is being monitored against this revised plan and there are no significant variations at this stage.

Additional borrowing of £6 million has been approved by the Department of Health.