

Board of Directors in public

**Subject: Monthly Finance Report
February 2015 Financial Position and Impact on 2014/15
Forecast Outturn**

Date: 26th March 2015

**Author: Jonathan Clements – Financial Planning and Strategy
Manager**

Lead Director: Paul Robinson – Chief Financial Officer

Executive Summary:

The Trust's deficit at February 2015 is £30.1m, which is £0.3m ahead of the forecast position.

The February in-month deficit was £3.0m, £0.1m worse than forecast.

This gives a continued high level of assurance that the Trust will be able to meet the deficit of £32.7m in 2014/15.

The attached report considers:

- An analysis of each category of income and expenditure
- Activity analysis to February 2015 (Appendix 1)
- CIP delivery (Appendix 2)

Recommendation:

Board members are recommended to note:

- Note the February financial outturn.
- Note that the Trust is £0.3m ahead on a year to date basis against its trajectory to a £32.7m outturn deficit.
- Note that CIP delivered on a year to date basis is £0.17m ahead against its trajectory included in the forecast outturn.
- Note that the changes required following receipt of the 31/3/15 land and buildings valuation will be reflected in month 12.

Relevant Strategic Objectives (please mark in bold)	
To consistently deliver safe, effective high quality care achieving a positive staff and patient experience	To eliminate the variability of access to and outcomes from our acute and community services
To reduce demand on hospital services and deliver care closer to home	To develop extended clinical networks that benefit the patients we serve
To provide efficient and cost effective services and deliver better value healthcare	

Links to the BAF and Corporate Risk Register	PR3 - Financial sustainability
Details of additional risks associated with this paper (<i>may include CQC Essential Standards, NHSLA, NHS Constitution</i>)	Not applicable
Links to NHS Constitution	Not applicable
Financial Implications/Impact	Opportunities to reduce costs
Legal Implications/Impact	Not applicable
Partnership working & Public Engagement Implications/Impact	Not applicable
Committees/groups where this item has been presented before	Trust Management Board and Finance Committee
Monitoring and Review	Not applicable
Is a QIA required/been completed? If yes provide brief details	Not applicable

February 2015 Financial Position and Impact on 2014/15 Forecast Outturn

February 2015 Financial Position

The Trust's financial position against the agreed forecast of £32.7m to the end of February is summarised in the table below:

	Forecast Outturn £m	February In-Month			Year to Date		
		Forecast £m	Actual £m	Variance £m	Forecast £m	Actual £m	Variance £m
Clinical Income	221.13	18.23	17.13	(1.09)	201.90	199.93	(1.97)
Other Operating Income	41.06	3.21	3.38	0.17	37.87	38.49	0.62
Total Operating Income	262.18	21.44	20.51	(0.92)	239.76	238.42	(1.35)
Pay	(173.67)	(14.79)	(14.70)	0.09	(158.79)	(158.44)	0.35
Non Pay	(95.92)	(7.39)	(6.80)	0.59	(88.29)	(87.07)	1.22
Operating Costs Excl. from EBITDA	(7.30)	(0.66)	(0.62)	0.04	(6.64)	(6.57)	0.07
Total Operating Expenditure	(276.89)	(22.84)	(22.12)	0.72	(253.71)	(252.08)	1.64
Profit/(Loss) from Operations	(14.71)	(1.40)	(1.61)	(0.21)	(13.95)	(13.66)	0.29
Non Operating Income	0.35	(0.01)	0.00	0.01	(0.12)	(0.10)	0.02
Non Operating Expenditure	(18.35)	(1.45)	(1.36)	0.09	(16.39)	(16.37)	0.02
Surplus/(Deficit)	(32.70)	(2.86)	(2.97)	(0.11)	(30.46)	(30.13)	0.33

£32.7m Deficit Phasing

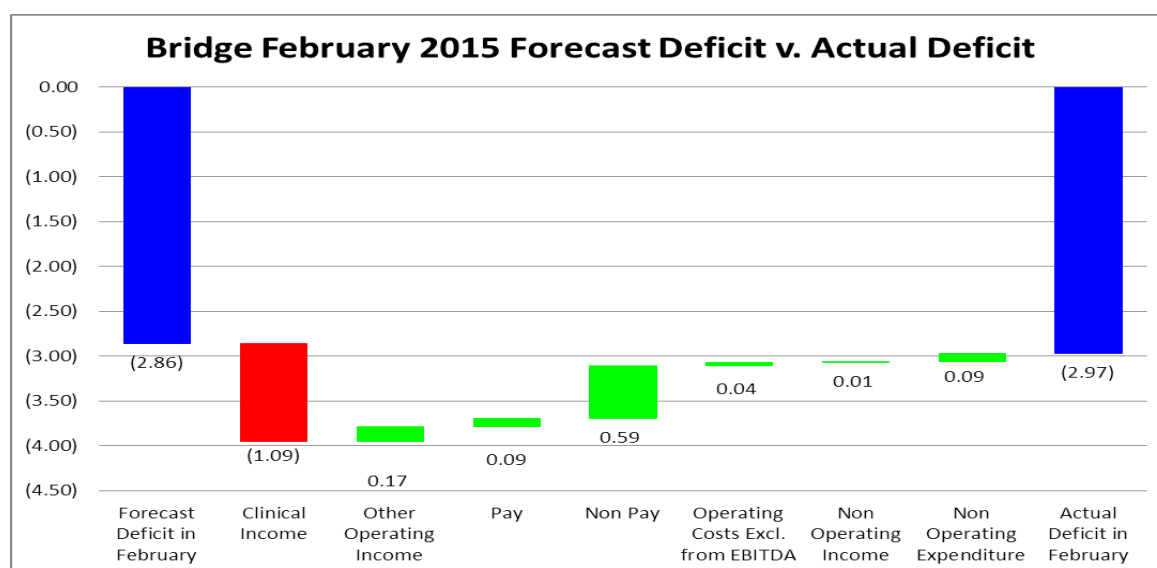
For information the forecast deficit is phased as below:

	Annual Plan £m						
		December £m	January £m	February £m	February YTD £m	March £m	Forecast £m
Clinical Income	216.90	164.65	19.03	18.23	201.90	19.23	221.13
Other Operating Income	37.50	31.45	3.20	3.21	37.87	3.19	41.06
Total Operating Income	254.40	196.10	22.23	21.44	239.76	22.42	262.18
Pay	(162.61)	(129.04)	(14.97)	(14.79)	(158.79)	(14.89)	(173.67)
Non Pay	(92.25)	(72.79)	(8.11)	(7.39)	(88.29)	(7.63)	(95.92)
Operating Costs Excl. from EBITDA	(8.05)	(5.31)	(0.66)	(0.66)	(6.64)	(0.66)	(7.30)
Total Operating Expenditure	(262.91)	(207.13)	(23.74)	(22.84)	(253.71)	(23.18)	(276.89)
Profit/(Loss) from Operations	(8.51)	(11.04)	(1.51)	(1.40)	(13.95)	(0.76)	(14.71)
Non Operating Income	0.49	(0.11)	(0.01)	(0.01)	(0.12)	0.47	0.35
Non Operating Expenditure	(18.35)	(13.48)	(1.45)	(1.45)	(16.39)	(1.96)	(18.35)
Surplus/(Deficit)	(26.37)	(24.63)	(2.97)	(2.86)	(30.46)	(2.24)	(32.70)

At February the Trust forecast its deficit to be £30.46m with the actual deficit being £30.13m i.e. £0.33m ahead of forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(24,626)	(2,968)	(27,594)	(2,863)	(30,457)	(2,243)	(32,700)
Actual to February	(24,626)	(2,535)	(27,161)	(2,968)	(30,129)		
Variance to Forecast	-	433	433	(105)	328		

The £0.1m deterioration against forecast in February is made up of the following elements:



Activity

An activity summary is included at Appendix 1.

Cost Improvement Programme

A CIP summary is included at Appendix 2.

Analysis of Income and Expenditure Categories

An analysis of each section of the Trust finances has been undertaken, considering:

- The Trust's £32.7m deficit forecast and monthly phasing.
- Actual financials at February.

Clinical Income

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	164,645	19,027	183,672	18,227	201,899	19,227	221,126
Actual to February	164,645	18,152	182,797	17,134	199,931		
Variance to Forecast	-	(875)	(875)	(1,093)	(1,968)		

Cumulatively at February actual income was £199.9m, £2.0m below forecast trajectory. The in-month shortfall is consistent with January.

Other Operating Income

Cumulatively other operating income is £0.6m above trajectory.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	31,452	3,204	34,656	3,209	37,865	3,193	41,058
Actual to February	31,452	3,652	35,104	3,380	38,484		
Variance to Forecast	-	448	448	171	619		

Pay Costs

Pay costs were expected to increase in to reflect the additional Emergency care bed capacity that the Trust has required; costs are consistent in January and February at £14.7m per month. Note that the February includes at accrual of £0.1m for medical staff back pay for ITU consultants. Cumulatively pay costs are £0.3m less than forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(129,035)	(14,965)	(144,000)	(14,787)	(158,787)	(14,887)	(173,674)
Actual to February	(129,035)	(14,705)	(143,740)	(14,699)	(158,439)		
Variance to Forecast	-	260	260	88	348		

Non- Pay Costs

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(72,785)	(8,112)	(80,897)	(7,390)	(88,287)	(7,630)	(95,917)
Actual to February	(72,785)	(7,479)	(80,264)	(6,801)	(87,065)		
Variance to Forecast	-	633	633	589	1,222		

Overall non-pay costs are again lower than forecast by £0.6m in February. An analysis of drugs and other non pay is below.

Drug costs

Drugs cost (excluding High Cost Drugs directly recharged to CCG) were on forecast in February.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(6,733)	(737)	(7,470)	(734)	(8,204)	(732)	(8,936)
Actual to February	(6,733)	(737)	(7,470)	(774)	(8,244)		
Variance to Forecast	-	-	-	(40)	(40)		

High cost drug costs

High cost drugs were on forecast in February.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(6,962)	(694)	(7,656)	(694)	(8,350)	(694)	(9,044)
Actual to February	(6,962)	(793)	(7,755)	(664)	(8,419)		
Variance to Forecast	-	(99)	(99)	30	(69)		

Other non-pay

Other non pay costs (excluding Drugs and High Cost Drugs) are £0.6m below forecast in February, this is consistent with January.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(59,090)	(6,681)	(65,771)	(5,962)	(71,733)	(6,204)	(77,937)
Actual to February	(59,090)	(5,949)	(65,039)	(5,363)	(70,402)		
Variance to Forecast	-	732	732	599	1,331		

Operating costs excluded from EBITDA

The significant item here is depreciation. Actual cost in February is consistent with January at £0.04m below forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(5,313)	(662)	(5,975)	(662)	(6,637)	(662)	(7,299)
Actual to February	(5,313)	(636)	(5,949)	(622)	(6,571)		
Variance to Forecast	-	26	26	40	66		

Non-operating income and expenditure

Net expenditure in February is £0.1m better than forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Forecast Total
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(13,590)	(1,460)	(15,050)	(1,460)	(16,510)	(1,484)	(17,994)
Actual to February	(13,590)	(1,519)	(15,109)	(1,360)	(16,469)		
Variance to Forecast	-	(59)	(59)	100	41		

5 Year Land and Buildings Valuation

In line with the requirements of the Annual Reporting Manual the Trust has now received the final land and buildings valuation as at 31/03/15 from the District Valuer. The valuation was received in March and the changes to carrying values will be reflected in the month 12 position.

Recommendation

Board members are recommended to note:

- Note the February financial outturn.
- Note that the Trust is £0.3m ahead on a year to date basis against its trajectory to a £32.7m outturn deficit.
- Note that in February the Trust was £0.1m behind forecast.
- Note that within the year to date position to February the CIP delivered is £2.07m, which is £0.17m ahead of the forecast outturn at M11, (Appendix 2).
- Consider Monitor's challenge about not reducing our forecast and whether any improvement on £32.7m outturn deficit should be declared.
- Note that the changes required following receipt of the 31/3/15 land and buildings valuation will be reflected in month 12.

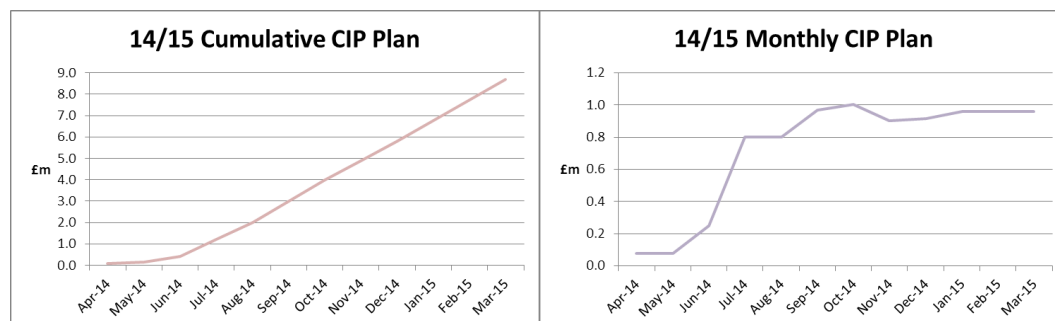
Jonathan Clements
Financial Planning and Strategy Manager
19th March 2015

Appendix 1

Activity Report Month 11 2014/15												
Actual 2014/15												
	Activity Mth1	Activity Mth2	Activity Mth3	Activity Mth4	Activity Mth5	Activity Mth6	Activity Mth7	Activity Mth8	Activity Mth9	Activity Mth10	Activity Mth11	Activity Mth12
1. Elective I/P	511	487	486	578	497	496	602	545	439	334	399	0
2. Day Cases	2,195	2,136	2,231	2,598	1,950	2,395	2,200	2,010	2,044	2,347	2,299	0
3. Non Elective I/P	3,390	3,517	3,390	3,632	3,360	3,556	3,539	3,425	3,593	3,597	3,423	0
4. OP Attends	36,756	36,397	38,185	41,719	32,315	39,749	38,084	35,873	35,072	36,558	34,746	0
5. Regular attenders	216	258	285	293	257	269	286	220	223	207	116	0
6. AandE	9,468	10,112	10,033	10,668	9,233	9,667	9,496	9,236	9,293	8,878	8,281	0
7. Others	105,209	106,704	112,915	117,590	98,188	115,676	122,121	108,330	97,239	114,243	111,373	0
Grand Total	157,745	159,611	167,525	177,078	145,800	171,808	176,328	159,639	147,903	166,164	160,637	0
Plan 2014/15												
	Plan Mth1	Plan Mth2	Plan Mth3	Plan Mth4	Plan Mth5	Plan Mth6	Plan Mth7	Plan Mth8	Plan Mth9	Plan Mth10	Plan Mth11	Plan Mth12
1. Elective I/P	508	508	533	584	508	558	584	508	533	533	508	558
2. Day Cases	2,093	2,093	2,198	2,407	2,093	2,302	2,407	2,093	2,198	2,198	2,093	2,302
3. Non Elective I/P	3,335	3,447	3,335	3,447	3,447	3,335	3,447	3,335	3,447	3,447	3,113	3,447
4. OP Attends	35,993	35,993	37,659	40,991	35,993	39,325	40,991	35,993	37,659	37,659	35,993	39,325
5. Regular attenders	180	180	189	207	180	198	207	180	189	189	180	198
6. AandE	9,288	9,598	9,288	9,598	9,598	9,288	9,598	9,288	9,598	9,598	8,669	9,598
7. Others	102,063	102,136	107,001	116,948	102,136	111,938	116,948	102,063	107,074	107,074	101,918	112,011
Grand Total	153,460	153,954	160,203	174,181	153,954	166,945	174,181	153,460	160,696	160,696	152,473	167,439
Actual 2013/14												
	Activity Mth1	Activity Mth2	Activity Mth3	Activity Mth4	Activity Mth5	Activity Mth6	Activity Mth7	Activity Mth8	Activity Mth9	Activity Mth10	Activity Mth11	Activity Mth12
1. Elective I/P	455	560	562	576	497	537	557	548	397	526	501	551
2. Day Cases	2,288	2,480	2,343	2,101	1,819	2,163	2,180	2,284	1,873	2,325	2,214	2,435
3. Non Elective I/P	3,399	3,389	3,179	3,471	3,342	3,190	3,465	3,400	3,513	3,465	3,130	3,465
4. OP Attends	36,536	37,597	35,188	40,189	33,498	34,325	40,683	38,541	34,094	40,760	36,405	37,978
5. Regular attenders	201	201	142	229	244	205	202	218	196	253	153	107
6. AandE	9,333	9,621	9,185	10,103	9,420	9,048	9,123	8,764	8,827	8,780	8,466	9,854
7. Others	109,194	104,987	101,013	113,889	102,736	78,811	120,160	108,537	94,255	118,516	109,469	117,193
Grand Total	161,406	158,835	151,612	170,558	151,556	128,279	176,370	162,292	143,155	174,625	160,338	171,584

CIP Report M11 2014/15**1. 2014/15 CIP Plan**

The Trust has a CIP plan of £8.7m. The timing of this was assumed to build up during the year as outlined in the graphs below:



These illustrate a low plan for Q1 with CIPs substantially delivering from Q2 onwards. If achieved on a recurrent basis the benefit would have been a recurrent saving of £11.5m in 15/16.

The CIP plan included pay, non pay and income elements; these are outlined in the table below:

	Monitor	Monitor Plan	Actual	Variance
£m	Plan	To M11	M11	M11
Pay	6.76	6.00	1.23	(4.77)
Non pay	1.20	1.08	0.62	(0.46)
Income	0.73	0.65	0.22	(0.43)
Total	8.69	7.73	2.07	(5.66)

A limited amount of Income CIP was included within our plan; in year the Trust has debated whether or not this should be counted towards overall CIP achievement and it has been decided as previously reported to Finance Committee and Board that income schemes should not be counted in CIP delivery. To ensure rigour in delivery only those schemes that deliver cost savings/reduction should be included in CIP reporting.

2. 2014/15 CIP Forecast Outturn

Though CIP is a subset of the Trust's overall forecast, delivery of the CIP in itself does not mean delivery of the overall Trust plan. It is never the less an important part of achieving the overall plan. Based on CIP schemes currently implemented, forecast delivery is £2.5m in 14/15, £6.2m less than plan. This shortfall is included within the Trust's overall £32.7m deficit forecast for 14/15.

The phasing of the forecast outturn of £2.5m is:

£m	Actual YTD @ M08	Forecast M09	Forecast M10	Forecast M11	Forecast M12	Forecast Outturn	Plan	Variance
Division								
PCS	0.12	0.11	0.07	0.07	0.25	0.62	2.82	(2.20)
ECM	0.09	0.13	0.06	0.10	0.14	0.52	2.71	(2.19)
D+R	0.17	0.12	0.12	0.12	0.12	0.66	1.71	(1.05)
Newark	0.16	0.02	0.02	0.02	0.02	0.25	0.33	(0.09)
Corporate	0.31	0.03	0.03	0.03	0.03	0.42	1.13	(0.71)
	0.85	0.41	0.30	0.34	0.56	2.45	8.69	(6.24)

At Month 11 the variance against the forecast outturn is:

£m	Forecast	Actual	Variance
Division	YTD@M11	YTD@M11	M11
PCS	0.37	0.56	0.19
ECM	0.38	0.34	(0.04)
D&R	0.53	0.49	(0.04)
Newark	0.22	0.27	0.05
Corporate	0.40	0.41	0.01
Total	1.90	2.07	0.17

3. CIP Monitoring Information

The CIP achievement and forecasts have been provided by the Finance Department based on CIP schemes that have been implemented. Plan and year to date achievement is calculated from data held in the Trust's General Ledger.

4. £2.5m CIP achievement projected within £32.7m overall deficit

- Procurement savings £0.39m
- Newark staffing £0.24m
- Dermatology Consultant £0.10m
- Ward 35 to DTOC non acute ward £0.10m
- Acute Kidney Service £0.08m
- Service line transformation in PCS £0.19m
- Pathology review £0.22m
- Medical equip maintenance £0.08m
- GRN Accrual write backs £0.10m
- Dilapidation provision write back £0.10m
- Cardiology £0.07m
- Emergency care consultant £0.03m
- Social workers £0.04m
- D+R management £0.07m
- Radiology / Pathology Locums £0.12m
- Consultancy £0.05m
- HR Operational Team £0.06m
- Salary sacrifice £0.06m
- Education centre income £0.07m
- Other small schemes £0.33m