

**Board of Directors
Public**

Report

Subject: Monthly Finance Report
Date: 30th April 2015
Author: Jonathan Clements – Financial Planning and Strategy Manager
Lead Director: Paul Robinson – Chief Financial Officer

Executive Summary

The Trust's 2014/15 deficit is £32.6m before revaluation gain, which is £0.1m ahead of the forecast position of £32.7m, but is £6.2m worse than the Trust's 2014/15 plan deficit of £26.4m.

The March in-month deficit was £2.5m before revaluation gain, £0.2m worse than forecast.

In March the Trust received the outcome of the 31st March 2015 land and buildings asset valuation from the District Valuer. This identified that the previous impairments of the Trust's buildings have substantially reduced and the asset values have increased. Accordingly an Income and Expenditure revaluation gain of £18.7m has been recorded reducing the Trust's Income and Expenditure deficit to £13.9m. This is a technical adjustment and Monitor will discount it when considering the Trust's outturn.

The attached report considers:

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

Recommendation

Board members are recommended to:

- Note the 2014/15 outturn deficit of £32.6m before revaluation gain.
- Note the revaluation gain of £18.7m, resulting from the 31st March 2015 land and buildings valuation.
- Note outturn CIP delivery of £2.7m against forecast of £2.5m.
- Note the Trust's 31st March 2015 balance sheet and impact on 2015/16.

Relevant Strategic Priorities (please mark in bold)

To consistently deliver a high quality patient experience safely and effectively	To develop extended clinical networks that benefit the patients we serve
To eliminate the variability of access to and outcomes from our acute services	To provide efficient and cost-effective services and deliver better value healthcare
To reduce demand on hospital services and deliver care closer to home	

How has organisational learning been disseminated	Review of reasons for variation to forecast in income / expenditure categories to improve future forecasting
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	Not applicable
Monitoring and Review	Not applicable
Is a QIA required/been completed? If yes provide brief details	Not applicable

Board of Directors 30th April 2015

Monthly Finance Report

Summary

The Trust's outturn financial position is a deficit of £32.6m (£0.1m better than forecast) **before** the impact of the 31st March revaluation of the Trust's land and buildings assets. The revaluation resulted in an Income and Expenditure gain of £18.7m reducing the Trust's reported deficit to £13.9m.

31st March 2015 Land and Buildings Revaluation

The impact of the 5 year land and buildings valuation is a revaluation gain of £18.7m. Whilst significant the calculations used by the District Valuer have been reviewed by the Trust and the increase in the land and buildings value is reflective of the national picture. Informal discussions with the Trust's external auditors also confirm that the movement in percentage terms is consistent with their experience elsewhere (regional increase c.11.5%, SFH increase c.9.5%).

Monitor view revaluation gains and losses as technical adjustments and discount them when considering financial performance. For this and to aid comparison with previous reports **the remainder of this paper has been written excluding the revaluation gain.**

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

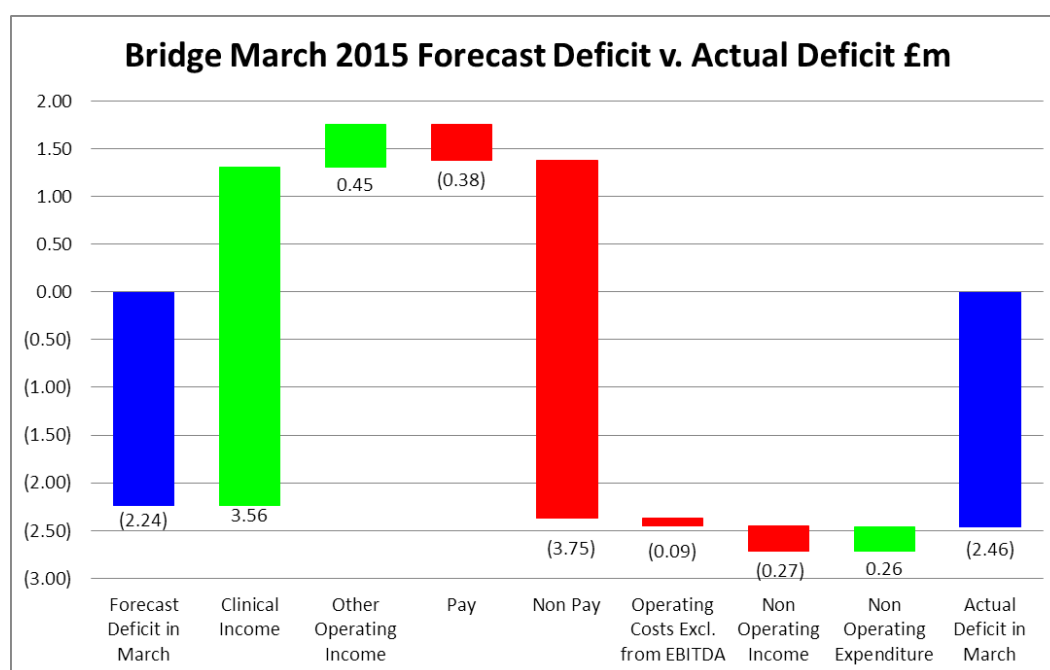
	March In-Month			Outturn		
	Forecast	Actual	Variance	Forecast	Actual	Variance
	£m	£m	£m	£m	£m	£m
Clinical Income	19.23	22.78	3.56	221.13	222.71	1.59
Other Operating Income	3.19	3.64	0.45	41.06	42.12	1.07
Total Operating Income	22.42	26.42	4.00	262.18	264.84	2.65
Pay	(14.89)	(15.26)	(0.38)	(173.67)	(173.70)	(0.03)
Non Pay	(7.63)	(11.38)	(3.75)	(95.92)	(98.45)	(2.53)
Operating Costs Excl. from EBITDA	(0.66)	(0.75)	(0.09)	(7.30)	(7.32)	(0.02)
Total Operating Expenditure	(23.18)	(27.39)	(4.21)	(276.89)	(279.47)	(2.58)
Profit/(Loss) from Operations	(0.76)	(0.97)	(0.21)	(14.71)	(14.63)	0.08
Non Operating Income	0.47	0.21	(0.27)	0.35	0.11	(0.25)
Non Operating Expenditure	(1.96)	(1.70)	0.26	(18.35)	(18.07)	0.28
Surplus/(Deficit)	(2.24)	(2.46)	(0.22)	(32.70)	(32.59)	0.11

£32.7m Deficit Phasing

A comparison of monthly forecast and actual deficit is outlined in the table below:

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	(24,626)	(2,535)	(27,161)	(2,968)	(30,129)	(2,461)	(32,590)
Variance to Forecast	-	433	433	(105)	328	(218)	110

The £0.2m deterioration against forecast in March is made up of the following elements:



This chart shows that whilst the overall deficit in March is in line with forecast there are significant variances with £4.0m of additional operating income offset by a £4.2m increase in operating costs. These variances to forecast are explained below.

Activity

An activity summary is included at Appendix 1. This shows significant increases over recent months in all activity categories and is reflected in the level of clinical income received in March.

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 March.

Clinical Income

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	164,645	18,152	182,797	17,134	199,931	22,783	222,714
Variance to Forecast	-	(875)	(875)	(1,093)	(1,968)	3,556	1,588

Outturn income was £222.7m, £1.6m above forecast.

March income was £3.6m above forecast and reflects the following which were not included in the forecast outturn:

- £1.2m of Winter funding (£1.5m included in forecast, actual £2.7m).
- £1.1m of Independent Sector Treatment Centre income this is partially offset by costs of £0.6m.
- £1.2m of revenue funding from the commissioner for the capital works on the Emergency Department Front Door. The Trust will use the cash received to fund the capital expenditure in 2015/16.

Other Operating Income

Cumulatively other operating income is £1.1m above forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	31,452	3,652	35,104	3,380	38,484	3,640	42,124
Variance to Forecast	-	448	448	171	619	447	1,066

This relates to additional NHIS income received from partner organisations used for hardware purchases; see non pay additional costs above forecast.

Pay Costs

Pay costs were above forecast in March due to the requirement to increase the provision for outstanding annual leave by £0.43m.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	(129,035)	(14,705)	(143,740)	(14,699)	(158,439)	(15,265)	(173,704)
Variance to Forecast	-	260	260	88	348	(378)	(30)

Non- Pay Costs

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	(72,785)	(7,479)	(80,264)	(6,801)	(87,065)	(11,380)	(98,445)
Variance to Forecast	-	633	633	589	1,222	(3,750)	(2,528)

Overall non-pay costs were £3.8m above forecast in March, details of each category are outlined below.

Drug costs

Drugs cost (excluding High Cost Drugs directly recharged to CCG) were above forecast by £0.09m in March.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(6,733)	(737)	(7,470)	(734)	(8,204)	(732)	(8,936)
Actual to March	(6,733)	(737)	(7,470)	(774)	(8,244)	(820)	(9,064)
Variance to Forecast	-	-	-	(40)	(40)	(88)	(128)

High cost drug costs

High cost drugs were above forecast in March. This additional pass through cost of £0.14m is directly offset by additional clinical income.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(6,962)	(694)	(7,656)	(694)	(8,350)	(694)	(9,044)
Actual to March	(6,962)	(793)	(7,755)	(664)	(8,419)	(830)	(9,249)
Variance to Forecast	-	(99)	(99)	30	(69)	(136)	(205)

Other non-pay

Other non pay costs (excluding Drugs and High Cost Drugs) are £3.5m above forecast in March and c. £4m above the levels seen in January and February. Key factors in this increased cost are:

- NHIS hardware refresh project and recharges £1.1m, (offset by other income)
- NHIS projects £0.7m, (offset by other income)
- NHS Property services costs rent recharge £0.4m, (in dispute)
- Independent Sector Treatment Centre costs £0.4m (offset by clinical income)
- Pacemakers and Prosthesis £0.5m, (activity related and offset by clinical income)
- Other clinical supplies £0.3m, (activity related)
- Surface water charge from Severn Trent Water £0.1m, (new charge)

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	(59,090)	(5,949)	(65,039)	(5,363)	(70,402)	(9,730)	(80,132)
Variance to Forecast	-	732	732	599	1,331	(3,526)	(2,195)

Operating costs excluded from EBITDA (Depreciation)

Outturn depreciation is £0.02m below forecast. Depreciation in March is £0.75m an increase of £0.12m above January/February trend. This increase is non recurrent and relates to enhancement expenditure on an existing IT asset, which has increased the cumulative depreciation to date.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£000	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(5,313)	(662)	(5,975)	(662)	(6,637)	(662)	(7,299)
Actual to March	(5,313)	(636)	(5,949)	(622)	(6,571)	(748)	(7,319)
Variance to Forecast	-	26	26	40	66	(86)	(20)

Non-operating income and expenditure

Net expenditure in March is on forecast.

	Cumulative December	January	Cumulative January	February	Cumulative February	March	Cumulative March
	£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 March	(13,590)	(1,519)	(15,109)	(1,360)	(16,469)	(1,491)	(17,960)
Variance to Forecast	-	(59)	(59)	100	41	(7)	34

Statement of Financial Position (SoFP) 31st March 2015

The Trust's SoFP and supporting notes are outlined below:

Statement of Financial position as at 31st March 2015

	£000	
Non-current assets		
Property, plant and equipment	243,899	Property, plant and equipment includes the impact of the land and buildings valuation undertaken by the District Valuer
Intangible assets	4,185	
Other assets	1,056	Other Assets relates to CRU
Total non-current assets	249,140	
Current assets		
Inventories	3,006	
Trade and other receivables	7,826	Trade and other receivables is c. £2m higher than "normal", this will give a positive cash impact in Q1 2015/16 as debts are paid
Other financial assets	1,532	
Prepayments	603	
Cash and cash equivalents	744	
Total current assets	13,711	
Current liabilities		
Interest bearing borrowings	(6,214)	Interest bearing borrowings relates to distressed funding loan
Trade and other payables	(14,052)	
Deferred Income	(7,270)	Deferred income is £7.3m, the main items are: <ul style="list-style-type: none"> • NHIS projects £3.7m • Transformation £1m • Winter resilience £1.5m • Insurance pain/gain £0.5m • R+D £0.3m The cash for these has been received so there will be a negative cash impact as schemes are completed, which has been included in cash forecast.
Provisions	(771)	
Post-Employment Benefit Obligation, Current	(50)	
Current Tax Payables	(2,992)	
Other financial liabilities	(13,527)	Other financial liabilities main items are: <ul style="list-style-type: none"> • PFI debt due within 1 year £5.7m • Expenditure accruals £7.5m
Total current liabilities	(44,876)	
Net current assets/(liabilities)	(31,165)	
Total assets less current liabilities	217,975	
Non-current liabilities		
Trade and other payables	(2,488)	
Provisions	(61)	
Post-Employment Benefit Obligation, Non-current	(347)	
Other financial liabilities	(333,577)	Other financial liabilities are PFI debt due in over 1 year.
	(336,473)	
Total assets employed	(118,498)	
Financed by:		
Taxpayers' equity		
Public dividend capital	144,135	
Retained earnings	(275,637)	
Revaluation reserve	13,004	
Total taxpayers' equity	(118,498)	

Recommendation

Board members are recommended to:

- Note the 2014/15 outturn deficit of £32.6m before revaluation gain.
- Note the revaluation gain of £18.7m, resulting from the 31st March 2015 land and buildings valuation.
- Note outturn CIP delivery of £2.7m against forecast of £2.5m.
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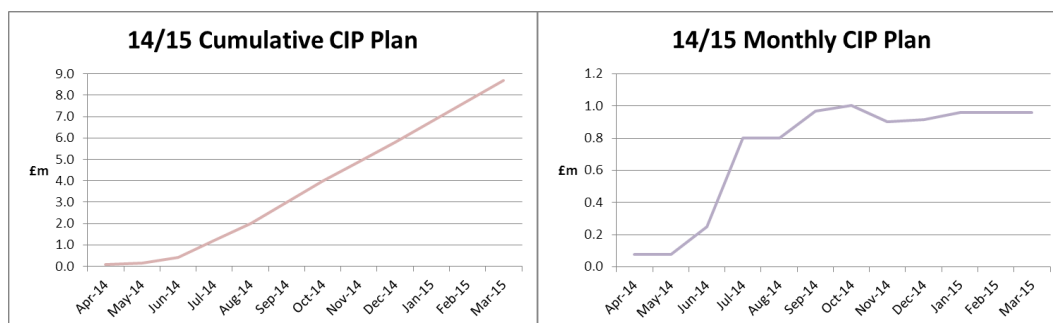
Jonathan Clements
Financial Planning and Strategy Manager
23rd April 2015

Activity Report Month 12 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	393	330	561
2. Day Cases	2,195	2,136	2,231	2,598	1,950	2,395	2,200	2,010	2,044	2,309	2,253	2,454
3. Non Elective I/P	3,390	3,517	3,399	3,632	3,360	3,556	3,539	3,425	3,593	3,434	3,586	3,716
4. OP Attends	36,756	36,397	38,185	41,719	32,315	39,749	38,084	35,873	35,072	35,149	36,767	38,674
5. Regular attenders	216	258	285	293	257	269	286	220	223	229	168	115
6. A&E	9,468	10,112	10,033	10,668	9,233	9,667	9,496	9,236	9,293	8,878	8,275	9,719
7. Others	105,209	106,704	112,906	117,590	98,188	115,676	122,121	108,330	97,239	112,374	114,695	125,236
Grand Total	157,745	159,611	167,525	177,078	145,800	171,808	176,328	159,639	147,903	162,766	166,074	180,475
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 M12 2014/15

1. 2014/15 CIP

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:



A review of the 2014/15 CIP was undertaken in December 2014 which identified a forecast outturn of £2.45m against a plan of £8.69m.

Actual outturn CIP delivery is £2.71m and this is compared against the CIP plan and CIP forecast in the tables below:

	Monitor	Actual	Variance
£m	Plan	M12	M12
Pay	6.76	1.62	(5.14)
Non pay	1.20	0.87	(0.33)
Income	0.73	0.22	(0.51)
Total	8.69	2.71	(5.98)

£m	Forecast	Actual	Variance
Division	Outturn	Outturn	
PCS	0.62	0.78	0.16
ECM	0.52	0.42	(0.10)
D&R	0.66	0.66	0.00
Newark	0.24	0.37	0.13
Corporate	0.41	0.48	0.07
Total	2.45	2.71	0.26

2. 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 actual achievement is calculated from data held in the Trust's General Ledger.