

Report to:	Public Trust Board	Agenda item:	10
Date of Meeting:	27 February 2013		

Title of Report:	Finance report
Status:	Discussion
Board Sponsor:	Catherine Phillips, Director of Finance
Author:	Lynne Abbott, Head of Financial Management
Appendices	None

1. Purpose of Report (Including link to objectives)
The purpose of this report is to set out the Trust's financial performance for the period to 31 st January 2013.

2. Summary of Key Issues for Discussion
This report details the current and forecast performance against the Trust's main financial duties and the key risks and assumptions in the delivery of those financial targets, and includes recommendations where further action is required

3. Recommendations (Note, Approve, Discuss etc.)
The Board should note the financial position for January 2013, and that the Trust is forecasting a £4.6m surplus in 2012-13 (excluding donated assets).
To understand the key risks and the actions being taken to mitigate them.

4. Care Quality Commission Regulations (which apply)
Care Quality Commission Outcome 26 : Financial position 'People can be confident that the provider has the financial resources needed to provide safe and appropriate services.

5. Legal / Regulatory Implications (NHSLA / Value for money conclusion)
Not achieving financial duties will impact on the ability and sustainability to achieve the Value for money conclusion.

6. NHS Constitution
NHS Constitution principle 6 "The NHS is committed to providing best value for taxpayers' money and the most effective, fair and sustainable use of finite resources".

7. Risk (Threats or opportunities link to risk on register etc.)
In line with the BAF risk 6 The Trust fails to deliver its financial plan which leads to the Trust having a financial risk rating of two or less, resulting in a lack of confidence from the Trust's commissioners and the regulator. This increases their level of scrutiny which places additional resource pressures on the Trust and degrades the Trust's reputation.

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8.	Resources Implications (Financial / staffing)
Not applicable	
9.	Equality and Diversity
Not applicable	
10.	Communication
All budget holders need to be aware of their financial responsibilities, and where appropriate the performance management framework applied.	
11.	References to previous reports
Standing item	
12.	Freedom of Information
Public	

1. Executive Summary

1.1. Introduction

The Trust reported a surplus of £4.9m year to date, which is in line with plan. The in month position shows a surplus for the month January of £1.2m which is £0.9m favourable to plan.

The current forecast based on actions agreed continues to predict a £4.6m surplus as the most likely outturn position (excluding donated depreciation and impairments) despite the Trust continuing to face capacity pressure from the increase in non elective admissions and the subsequent pressure on beds.

2. Overview of Financial Performance

2.1. Statement of Comprehensive Income

The Trusts overall income and expenditure position is outlined in the table below:

Statement of Comprehensive Income Period to 31 January 2013	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Last Year Actual £'000
SLA Performance Income	(155,621)	(159,271)	(3,650)	(156,047)
Other Income	(27,744)	(28,224)	(480)	(26,758)
Income Total	(183,365)	(187,495)	(4,130)	(182,806)
Pay	115,167	116,491	1,324	115,789
Non Pay	51,933	55,027	3,094	50,831
Expenditure Total	167,100	171,518	4,418	166,620
EBITDA	(16,265)	(15,977)	288	(16,185)
Depreciation	6,770	6,585	(184)	7,226
Dividend Payment & Interest	4,641	4,497	(144)	4,661
Finance Charges	11,410	11,082	(328)	11,887
(Surplus)/Deficit	(4,855)	(4,895)	(40)	(4,298)
Margin	9%	9%		9%

2.1.1. Income

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Income year to date is £4.1m over plan. SLA income is over-recovering against plan by £3.7m year to date.

Non-elective activity and income was largely in line with planned levels for the month and, along with A&E attendances, account for £2.7m of the year-to date overperformance. Elective/Day case activity levels remain high but due to the changing casemix from elective to daycase, is now £0.8m below plan. Outpatient income continues to perform above planned levels, as improvements in activity recording are recognised and is now £0.6m above planned levels. High Cost Drugs also continue to overperform and are now £2.0m above plan, mainly driven by increased spend on cancer drugs, changes in NICE guidance for Ophthalmology drugs and increasing spend in dermatology biologic.

2.1.2. Expenditure

Expenditure year to date is £171.5m against the plan of £167.1m. EBITDA is adverse to plan at £0.3m.

The key variances relate to overspends on Nursing and Drugs and slippage against savings targets. These are offset by underspends within corporate functions and the management of cost pressures and inflation.

The nursing variance is above plan by £549k in month due to continuing activity related pressures.

2.1.3. Finance Charges

Finance charges consist of Depreciation, Interest charges and PDC. This is expected to be marginally below plan at outturn.

2.2. QIPP Programme (Savings)

The year to date QIPP position shows that the Trust has delivered savings of £6.5m year to date to January 2013, an achievement of 70% of the planned year to date target (£9.2m).

The Plan full year effect is to deliver £11.4m savings. However there are still some schemes that have slippage but it is anticipated that the Trust planned surplus will be delivered by other mitigating schemes. These include:

- Additional income from increased activity.
- Increased level of pay and non pay controls.
- Reduced energy costs.

The key issues of concern are:

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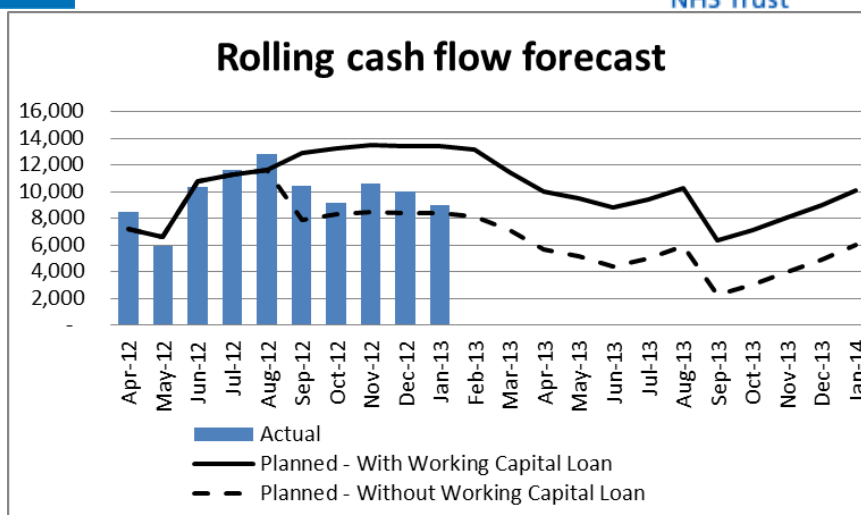
- The ability to achieve the full savings in year as a result of reductions in length of stay due to activity levels.
- The ability to identify and release the full cash releasing savings from procurement projects.
- The ability to deliver the full year effect of theatre efficiency savings.

3. Statement of Cash flow and Financial Position

The table below shows the current cash flow for the Trust

Statement of cash flows	Plan to date £'000	Actual to date £'000	Variance to date £'000
Operating surplus/(deficit)	16,265	15,977	(288)
Movements in:			
Inventories	0	(530)	(530)
Receivables	(1,662)	(6,516)	(4,854)
Payables	(1,908)	(816)	1,092
Provisions	(720)	(887)	(167)
Cashflow from operations	11,976	7,228	(4,748)
Capital expenditure	(9,430)	(4,754)	4,676
Cashflow before financing	2,546	2,474	(72)
Net interest paid	(10)	(169)	(159)
Dividend paid	(2,575)	(2,635)	(60)
Repayment of borrowings	(1,631)	(712)	919
Loan Received	4,000	4,000	0
Net in/(out)flow	2,330	2,958	628
Opening cash balance	6,068	6,068	0
Closing cash balance	8,398	9,026	628

The cash balance as outlined in the graph below is above plan; the cash balance is above where we expected to be predominantly due to delays in the capital programme offset by and the level of receivables.



4. Statement of Financial Position

Non-Current Assets have decreased due to the depreciation charge being higher than the capital spend at this time in the year. This reflects the delays in relation to the Pathology project and the PACS project. This has resulted in a decrease of £2.0m year to date.

Current Assets: year to date have increased by £10.1m. The key elements are Receivables relating to commissioning overperformance and provider to provider arrangements, in addition this month to a Charitable Funds receivable relating to the purchase of the Gamma Camera. The cash position reflects the delay in the capital programme and the receipt of the capital loan earlier in the year.

Current Liabilities: year to date have decreased by £0.3m reflecting decreases across Provisions, off-set by the accrual for the March PDC payment.

Non-Current Liabilities: have increased due to receipt of the capital loan of which £3.6m is non-current.

As per 2011/12 £'000s	Statement of Financial Position as at 31 Jan 2013	Actual to Date £'000s	Movement YTD £'000s
	Non-Current Assets		
161,970	Property, Plant and Equipment	160,104	(1,866)
638	Intangible Assets	665	27
1,584	Trade and Other Receivables	1,467	(117)
164,192	Total Non-Current Assets	162,236	(1,956)
	Current Assets		
3,295	Inventories	3,825	530
10,408	Trade and Other Receivables	17,041	6,633
33	Other Current Assets	33	0
6,068	Cash and Cash Equivalents	9,026	2,958
19,804	Total Current Assets	29,925	10,121
	Current Liabilities		
(14,497)	Trade and Other Payables	(15,336)	(839)
(1,515)	Provisions	(628)	887
(103)	Borrowings	(137)	(34)
(1,900)	Working Capital Loan from Department	(1,683)	217
(590)	Capital Loan from Department	(495)	95
(18,605)	Total Current Liabilities	(18,279)	326
1,199	Net Current Assets/(Liabilities)	11,646	10,447
	Non-Current Liabilities		
(2,068)	Provisions	(2,068)	0
(309)	Borrowings	(309)	0
(4,600)	Working Capital Loan from Department	(4,600)	0
(5,315)	Capital Loan from Department	(8,915)	(3,600)
(12,292)	Total Non-Current Liabilities	(15,892)	(3,600)
153,099	Total Assets Employed	157,990	4,891
	Finance by Taxpayers' Equity		
(137,356)	Public Dividend Capital	(137,356)	0
25,424	Prior Year Retained Earnings	25,424	0
0	Current Year Retained Earnings	(4,892)	(4,892)
(41,167)	Revaluation Reserve	(41,166)	1
(153,099)	Total Taxpayers' Equity	(157,990)	(4,891)

5. Capital

The capital programme expenditure for the period to January totalled £4.8m with an additional £0.7m from charitable funds.

Capital Report as at 31st January 2013 Capital theme	Annual Plan 2012/13			Year to Date Plan 2012/13			Actual Year to Date 2012/13			Variance YTD 2012/13		
	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000
Estates Five year programme	766	0	766	597		597	794		794	197	0	197
IM&T, incl leased assets	2,140	0	2,140	2,077		2,077	486		486	(1,591)	0	(1,591)
Medical equipment	1,523	1,090	433	1,523	1,090	433	1,143	680	463	(380)	(410)	30
Strategic capital schemes	8,296	0	8,296	6,323		6,323	3,010		3,010	(3,313)	0	(3,313)
Total Capital Plan 2012/13	12,725	1,090	11,635	10,520	1,090	9,430	5,433	680	4,753	(5,087)	(410)	(4,677)

The main schemes that have progressed to date include: £2.4m on the Pathology Laboratories build, estates rolling replacement programme and the continued development of the IM&T programme.

There is slippage in the capital programme of £1.7m mainly related to the Pathology build, however this will be maintained in cash for use next year.

6. Financial Risks

Risk	Description of risk	Included in Forecast
Escalation costs	Impact on Non Elective admissions on number of open beds, increasing nursing costs.	√
Penalties with PCT contracts	Fined for performance penalties	√
Risk of Non Elective threshold	Non Elective activity continues to breach the threshold increasing the level of income paid at 30% of national tariff, below Trust margins.	√
QIPP delivery	A number of the red rag rated QIPP schemes may not deliver in year.	√
Mitigating Actions		
PCT QIPP	Working with the PCT on community QIPP to mitigate the risk of rising Non Elective admissions.	√
Over performance Income	The Trust will be paid for the activity over performance levels, including Elective activity.	√
Robust PMO Management	Ensure PMO function continues to provide rigour & challenge to ensure delivery of QIPP in year.	√