

Board of Directors

Subject: January 2015 Financial Position and Impact on 2014/15
Forecast Outturn
Date: 26th February 2015
Author: Jonathan Clements – Financial Planning and Strategy
Manager
Lead Director: Margaret Ashworth – Interim Chief Financial Officer

Executive Summary:

The Trust's deficit at January 2015 is £27.2m, which is £0.4m ahead of the forecast position.

This gives an increased 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 December (Appendix 1)
- M10 CIP update (Appendix 2)

Recommendation:

Board members are recommended to:

- Note the January financial outturn.
- Note that the Trust is £0.4m ahead on a year to date basis against its trajectory to a £32.7m outturn deficit.
- Note that within the year to date position to January the CIP delivered is £1.66m leaving £0.84m to be delivered in February and March.

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 Finance Committee
Monitoring and Review	Not applicable
Is a QIA required/been completed? If yes provide brief details	Not applicable

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

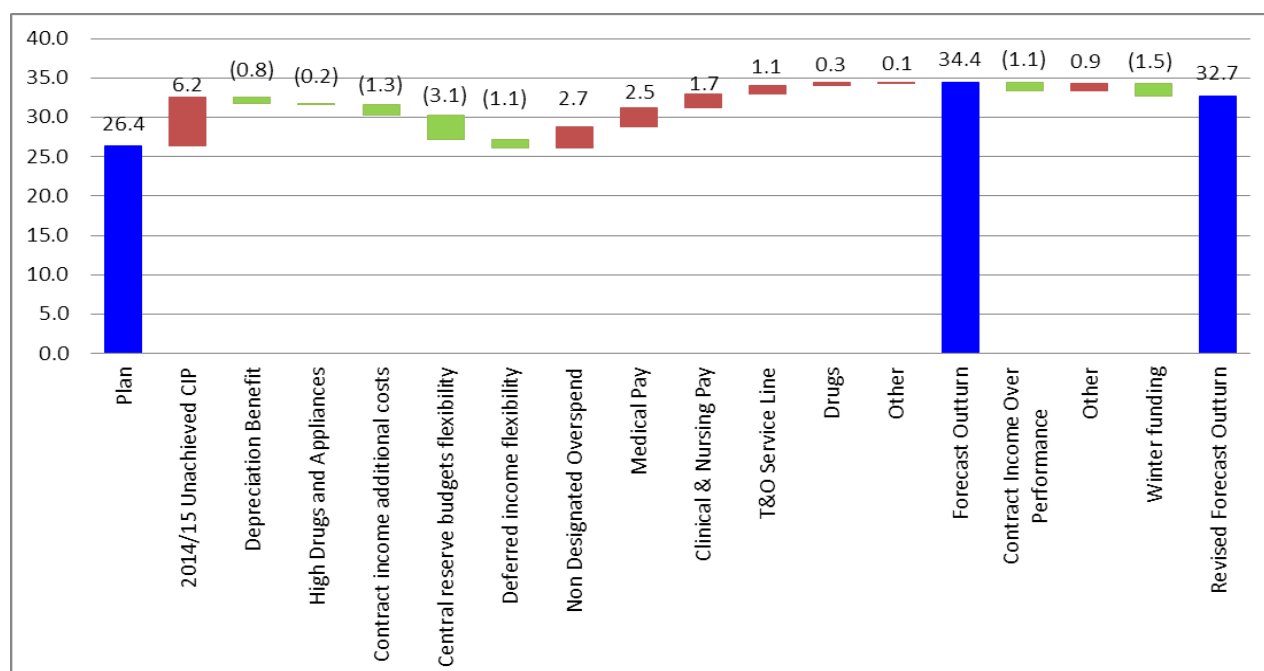
January 2015 Financial Position

The Trust's financial position against the agreed plan of £26.4m to the end of January is summarised in the table below:

	Annual Plan £m	January In-Month			Year to Date		
		Plan £m	Actual £m	Variance £m	Plan £m	Actual £m	Variance £m
Clinical Income	217.27	18.28	18.15	(0.13)	182.01	182.80	0.79
Other Operating Income	41.23	3.55	3.65	0.10	34.42	35.11	0.69
Total Operating Income	258.51	21.84	21.81	(0.03)	216.43	217.90	1.47
Pay	(163.56)	(13.46)	(14.71)	(1.24)	(136.50)	(143.74)	(7.24)
Non Pay	(95.45)	(8.22)	(7.48)	0.74	(81.11)	(80.27)	0.84
Operating Costs Excl. from EBITDA	(8.10)	(0.67)	(0.64)	0.03	(6.75)	(5.95)	0.80
Total Operating Expenditure	(267.10)	(22.34)	(22.82)	(0.48)	(224.36)	(229.95)	(5.59)
Profit/(Loss) from Operations	(8.60)	(0.51)	(1.02)	(0.51)	(7.93)	(12.05)	(4.12)
Non Operating Income	0.49	0.00	0.00	0.00	0.01	(0.10)	(0.11)
Non Operating Expenditure	(18.35)	(1.52)	(1.52)	(0.01)	(14.98)	(15.01)	(0.03)
Surplus/(Deficit)	(26.45)	(2.02)	(2.53)	(0.51)	(22.90)	(27.16)	(4.26)

£32.7m Deficit Forecast

The Trust is forecasting a deficit position of £32.7m as summarised in the waterfall below:



£32.7m Deficit Phasing

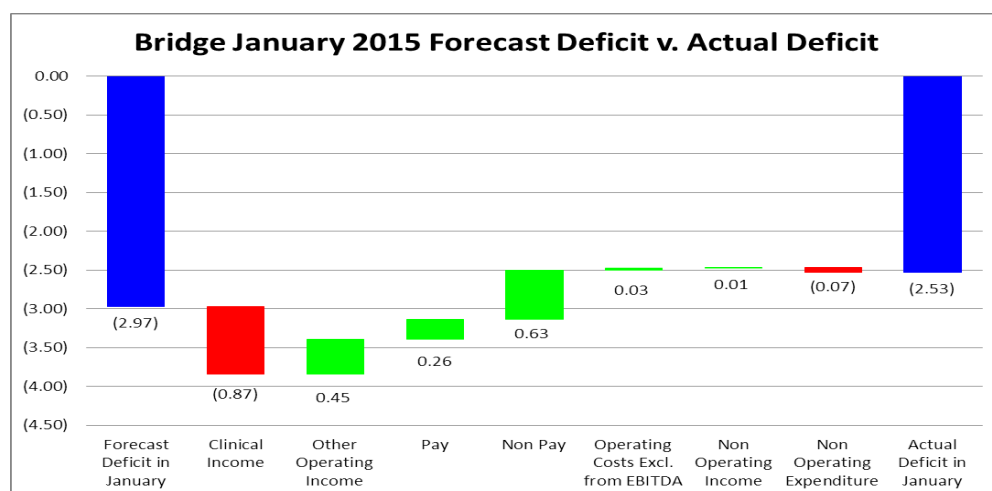
For information the forecast deficit is phased as below:

	Annual Plan £m	December YTD	January	January YTD	February	March	Forecast
		£m	£m	£m	£m	£m	£m
Clinical Income	216.90	164.65	19.03	183.67	18.23	19.23	221.13
Other Operating Income	37.50	31.45	3.20	34.66	3.21	3.19	41.06
Total Operating Income	254.40	196.10	22.23	218.33	21.44	22.42	262.18
Pay	(162.61)	(129.04)	(14.97)	(144.00)	(14.79)	(14.89)	(173.67)
Non Pay	(92.25)	(72.79)	(8.11)	(80.90)	(7.39)	(7.63)	(95.92)
Operating Costs Excl. from EBITDA	(8.05)	(5.31)	(0.66)	(5.98)	(0.66)	(0.66)	(7.30)
Total Operating Expenditure	(262.91)	(207.13)	(23.74)	(230.87)	(22.84)	(23.18)	(276.89)
Profit/(Loss) from Operations	(8.51)	(11.04)	(1.51)	(12.54)	(1.40)	(0.76)	(14.71)
Non Operating Income	0.49	(0.11)	(0.01)	(0.11)	(0.01)	0.47	0.35
Non Operating Expenditure	(18.35)	(13.48)	(1.45)	(14.94)	(1.45)	(1.96)	(18.35)
Surplus/(Deficit)	(26.37)	(24.63)	(2.97)	(27.59)	(2.86)	(2.24)	(32.70)

At January the Trust forecast its deficit to be £27.6m with the actual deficit being £27.2m i.e. £0.4m ahead of forecast.

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

The £0.4m improvement against forecast is made up of the following elements:



Activity

An activity summary is included at Appendix 1.

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 January.

Clinical Income

	Cumulative December	January	Cumulative January	February	March	Forecast Total
	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	164,645	19,027	183,672	18,227	19,227	221,126
Actual to January	164,645	18,152	182,797			
Variance to Forecast	-	(875)	(875)			

- Cumulatively at January actual income was £182.8m, £0.9m below forecast trajectory.

Initial analysis has shown that the reduction is due to:

- elective in-patients reflecting the cancellation of a number of lists due to increased demand on emergency services, and
- reductions in outpatient income.

Other Operating Income

Other operating income is £0.4m above trajectory.

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

Pay Costs

Pay costs were expected to increase in January to reflect the additional Emergency care bed capacity that the Trust has required. Whilst pay costs have increased in January the increase is £0.3m less than forecast.

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

Non- Pay Costs

	Cumulative December	January	Cumulative January	February	March	Forecast Total
	£000	£000	£000	£000	£000	£000
£32.7m deficit forecast	(72,785)	(8,112)	(80,897)	(7,390)	(7,630)	(95,917)
Actual to January	(72,785)	(7,479)	(80,264)			
Variance to Forecast	-	633	633			

Overall non-pay costs were lower than forecast by £0.63m in January. 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 January.

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

High cost drug costs

High cost drugs are a pass through cost that is matched by clinical income. The adverse variance to forecast of £0.10m in January (outlined below) is offset by increased associated clinical income.

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

Other non-pay

Other non pay costs (excluding Drugs and High Cost Drugs) are £0.73m below forecast in January. The main reason for this improvement is a reduction of clinical consumables and prostheses driven by the reduction in elective work.

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

Operating costs excluded from EBITDA

The significant item here is depreciation which continues below plan due to the extension of building lives by the District Valuer after the plan had been agreed. Actual cost in January is £0.26m below forecast.

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

Non-operating income and expenditure

Net expenditure in January is £0.06m above forecast.

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

Recommendation

Board members are recommended to:

- Note the January financial outturn.
- Note that the Trust is £0.4m ahead on a year to date basis against its trajectory to a £32.7m outturn deficit.
- Note that within the year to date position to January the CIP delivered is £1.66m leaving £0.84m to be delivered in February and March.

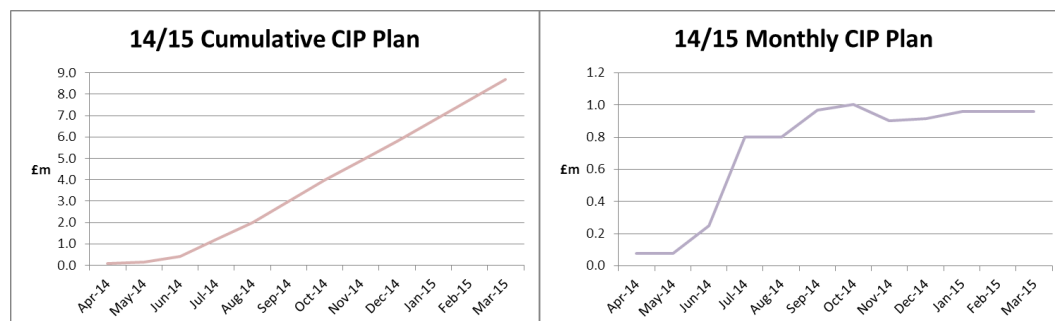
Jonathan Clements
Financial Planning and Strategy Manager
18th February 2015

Appendix 1

Activity Report Month 10 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	440	341	0	0
2. Day Cases	2,195	2,136	2,231	2,598	1,950	2,395	2,200	2,010	2,084	2,411	0	0
3. Non Elective I/P	3,390	3,517	3,390	3,632	3,360	3,556	3,539	3,425	3,593	3,581	0	0
4. OP Attends	36,756	36,397	38,185	41,719	32,315	39,749	38,084	35,873	34,911	36,064	0	0
5. Regular attenders	216	258	285	293	257	269	286	220	186	149	0	0
6. AandE	9,468	10,112	10,033	10,668	9,233	9,667	9,496	9,236	9,293	8,884	0	0
7. Others	105,209	106,704	112,915	117,590	98,188	115,676	122,121	108,330	96,969	112,788	0	0
Grand Total	157,745	159,611	167,525	177,078	145,800	171,808	176,328	159,639	147,476	164,218	0	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 M10 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 M10	M10	M10
Pay	6.76	5.24	0.90	(4.34)
Non pay	1.20	0.95	0.55	(0.40)
Income	0.73	0.58	0.21	(0.37)
Total	8.69	6.77	1.66	(5.11)

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 10 the variance against the forecast outturn is:

£m	Forecast	Actual	Variance
Division	YTD@M10	YTD@M10	M10
PCS	0.30	0.36	0.06
ECM	0.28	0.29	0.01
D&R	0.41	0.39	(0.02)
Newark	0.20	0.23	0.03
Corporate	0.37	0.39	0.02
Total	1.56	1.66	0.10

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