TRUST BOARD - Thursday 30th August 2012

Finance Update – Key Messages

Income and Expenditure Position

- *The Trust recorded a deficit at the end of July amounting to £763,000; the Trust had planned to record a surplus at this stage in the financial year of £8,000.*
- *In the month of July a surplus of £766,000 was recorded, the plan for the month of July was to present a surplus of £1.209 million.*
- *The financial position at the end of July is made possible because of the release of transitional funding in the first four months of the year amounting to £2.576 million.*
- *The Trust is holding reserves amounting to £5.913 million to cover Income losses associated with the Local Health Economy QIPP programme, the Trust plan assumes that such a reduction would not come into effect until the month of August and as such no funds have been released in the period to date.*

Income

- *At the end of July the Trust had recorded an over recovery of Income, across both Clinical and Non Clinical areas amounting to £270,000.*
- *Over performance of activity as compared with contracted activity has occurred predominantly within Emergency Care. If the Trust had received full compensation for the activity performed an additional £2..086 million would have been received in the period April – July.*
- *Despite the existence of substantial levels of activity over performance however, pricing rules relating to excess emergency care and the introduction of revised tariff which discounts for the existence of co- morbidity has meant that the level of additional Income received in respect of the Increased activity has been reduced by £1.796 million.*
- *In the period Shropshire County PCT and Specialised Services activity is over performing significantly as compared to plan, whereas Powys UHB and Telford and Wrekin PCT are showing a contract under performance.*

Pay

- *Pay has over spent in the months April – July by £1.239 million.*
- *In the month of July Pay overspending amounted to £729,000.*
- *The overspend in Month 4 has occurred because the Trust had failed to reduce its staffing levels at a rate consistent with its CIP Programme, and has increased costs in respect both Agency spending and Waiting List Initiative Payments.*
- *In the month of July the Trust planned to employ 4,628.59 WTE staff and instead employed 4804.61 posts, a difference of 176.02 posts.*
- *The inability to close escalation beds has meant that whilst the Trust had planned to reduce Nursing staffing levels by circa 100 WTE posts, over the period Month 10 to Month 4, the actual number reduced to date amounts to 17.09 WTE posts,*
- *Similarly in the period Month 10 to Month 4, the Trust had planned to reduce its level of Temporary staff by a further 130 posts and has been able to reduce staffing levels by 51.53 WTE posts.*
- *By comparison with Month 10 (the period used for setting the 2012/13 budget) total staffing levels have reduced by 26.18 posts.*
- *In the month of July Agency spending increased by £94,000 when compared with Month 3, principally within two centres Ophthalmology and Medicine*
- *In the month of July spending increased by £149,000 when compared with Month 3 in respect of Waiting List Initiatives. It has been identified that Centres are continuing to take forward such*

Non Pay

- *Non Pay under spent against the Budget in the month of July by £59,000.*
- *Over the period April – June Non Pay budgets underspent collectively by £482,000,*
- *The three month average spending covering the period May – July has reduced by comparison with the base period used for setting budgets, at a rate that appears consistent with expectations.*

Forecast outturn

- *The Trust is required to deliver a surplus for the year amounting to £1.9 million,*
- *A review of the status of the Cost Improvement Programme, suggests that the Trust will underachieve against the targeted level of savings by £5.088 million,*
- *A most likely forecast outturn position that recognises the under achievement of CIP savings and the impact of financial penalties arising as a consequence of failure to achieve National Performance levels and a continuation of existing budgetary performance is expected to result in the delivery of a surplus for the year amounting to £972,000. Corrective actions improve the forecast Outturn position, resulting in a surplus for the year of £1.9 million.*

Service Line Reporting

- *Six centres recorded a loss in the period April – June, these being Musculoskeletal, Head and Neck, Ophthalmology and Patient Access, Women and Children, Emergency and Critical Care and Medicine.*
- *Collectively the Centres generated a contribution percentage of 18% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 23%. Benchmarked data recommends a percentage achievement of 25%.*
- *Emergency and Critical Care failed to deliver a Contribution, whilst Head and Neck achieved less than 6 per cent*
- *The logic has been revised from last year for the recharging of Pharmacy and Therapy costs. The format has also changed to allow the separate identification of CNST costs.*

Statement of Financial Position

- *Cash position increased* £611k to £1,549k.
- *Pressure within the cash position to be experienced over the coming months and mitigated through working capital management and deferrals within the capital programme*
- *PDC dividend confirmed as £2,885k and to be paid 17 September 2012.*
- *Reconfiguration funding phasing agreed with SHA and submitted to DH Treasury team.*
- *Capital expenditure plan is limited to generate cash surplus of £1.0m.*
- *BPPC for the year to date remains strong and consistent with prior year performance.*
- *The in month movement of Total Assets Employed is a positive £616k, with net current liabilities decreasing by £119k.*

Neil Nisbet
Finance Director
23rd August 2012