







Trust Board Report

Meeting Date:	25 th March 2013
Title:	Income & Expenditure Plan for 2013/14
Executive Summary:	<p>This report outlines the Income & Expenditure Plan for 2013/14. The plan produces a surplus of £8.03m before impairments. This level of surplus is required for investment in capital asset replacement and developments.</p> <p>The level of efficiency savings has been set nationally at 4% and this is reflected in the Trusts Cost Improvement target of £14.74m.</p> <p>The plan is constructed on the basis of the Trust being an NHS Trust but is expected to gain FT status later in the financial year.</p>
Action Requested:	Recommended that the Income & Expenditure plan and associated balance sheet and cash flow are approved.
Report of:	Kevin Stringer, Chief Financial Officer
Author: Contact Details:	Elaine Williams, Deputy Chief Financial Officer Tel: 01902 695376 Email: elainewilliams1@nhs.net
Resource Implications:	To agree an Income & Expenditure plan of £373m which generates a surplus of £8.03m before impairments.
Public or Private: (with reasons if private)	Public Session
References: (eg from/to other committees)	
Appendices/ References/ Background Reading	
NHS Constitution: (How it impacts on any decision-making)	<p>In determining this matter, the Board should have regard to the Core principles contained in the Constitution of:</p> <ul style="list-style-type: none">  Equality of treatment and access to services  High standards of excellence and professionalism  Service user preferences  Cross community working  Best Value  Accountability through local influence and scrutiny
Background Details	
1	<u>Context</u>
1.1	The Financial plan reflects the Trust's Long Term Financial Model (LTFM) previously agreed by the Trust Board. The underlying surplus is set at £8.03m, with the inclusion of impairments of £0.54m the retained surplus is £7.49m.

1.2	The continuing financial constraints within the NHS have resulted in a net tariff reduction of 1.3%, which includes an inbuilt 4% efficiency. This level of efficiency is reflected in the Trust's Cost Improvement target.
1.3	The financial plan is constructed on the basis of the Trust being an NHS Trust but is expected to gain FT status during the 2013/14 financial year.
1.4	Contracted patient activity income has achieved outline Heads of Agreement with Commissioners with further detailed work required to achieve signed contracts by 31 st March. The Commissioning landscape now includes Clinical Commissioning Groups (CCG's); Local Authorities and Specialised Services.
2	<u>Summary</u>
2.1	Following discussions and negotiations with the Trust's Commissioner's finance and activity plans were agreed in outline on the 7 March 2013. The full nationally set contract documentation will be signed by 31 March 2013. This has secured contracted patient income of £337m (compared to £333m in 2012/13).
2.2	Discussions have taken place over the last few months with Divisional and Directorate Managers within the Trust to identify the resources required in order to deliver the proposed activity plan. These discussions have been taken into account when forming the expenditure plan for 2013/14.
2.3	The level of CIP required as part of the Trusts strategic planning and set nationally within prices is included in this Income and Expenditure Plan at £14.74m, this excludes £6.5m carried forward from 2012/13.
2.4	The underlying surplus, before impairment, is £8.03m, this is the level of surplus required to fund the capital programme.
2.5	A summary of the proposed Income and Expenditure Plan is as follows:-

The Royal Wolverhampton NHS Trust**Financial Plan 2013/14**

Income	2013/14	2012/13
	£000's	£000's
Patient Income	344,750	339,748
Training & Education	10,344	10,953
Other Income	17,986	16,547
Total Income	373,080	367,248
Expenditure		
Baseline Budgets	325,197	319,875
Reserves		
Inflation - Pay	6,036	3,628
Inflation - Non Pay	2,550	3,181
Drugs & Devices	3,852	3,098
Activity & Developments	10,242	7,642
Cost Pressures	6,213	4,599
Quality & Safety Improvements	1,090	942
Contingency & Risk	5,572	5,643
Non recurrent Cost pressures	958	1,703
Less Cost Improvement Programme	(14,741)	(15,325)
Less CIP Carry forward from 12/13	(6,543)	
Total Expenditure Budgets	340,427	334,986
EBITDA	32,653	32,262
Surplus		
Less		
Depreciation NHS/ Donated	(15,000)	(15,054)
Depreciation IFRS PFI & Leases		
Operating Surplus	17,653	17,208
Add /Less		
Interest Receivable	100	100
Interest Payable	(1,600)	(1,313)
Surplus After Interest	16,153	15,995
Less		
Dividends payable to Department of Health	(8,120)	(8,120)
Underlying Surplus	8,033	7,875
Impairments	(539)	(3,332)
Retained Surplus	7,494	4,543

3	<u>Key Elements of the Plan</u>
3.1	Income
	<p>An analysis of income is shown in Appendix A. The majority of the income relates to Service Level Agreements (SLA's) with CCG's; Local Authority and Specialised Services £337m. This includes CQUIN income at 2.5%, for which performance targets will be agreed by 31 March 2013.</p> <p>Following negotiations with Commissioners the Trust has been able to secure income based on the forecast for 2012/13. With the change in Commissioners negotiations have been more complex and protracted but the Heads of Agreement finance and activity models were agreed by the nationally set deadline of 7 March 2013.</p> <p>Quality, Innovation, Productivity and Prevention (QIPP) saving reductions have currently been included in the contract totalling £1.1m, relating to drug savings; reductions in consultant to consultant referrals, and procedures of limited clinical value. Wolverhampton CCG aim to put forward detailed proposals for further savings of £3.2m to be realised during the year. It is agreed that savings will be linked to risk share agreements and further investment. Also, that any plans require detailed planning and clinical engagement from all stakeholders.</p>
3.2	Baseline Budgets
	<p>Appendix B highlights the baseline budgets analysed by Directorate. Pay and non pay budgets represent the 'rolled over' recurrent funding, including the full year effect of developments, cost improvement and agreed changes made in 2012/13.</p>
3.3	Reserves
3.3.1	<p>Pay inflation totalling £6m reflects incremental drift impact of £2.6m and pay award of 1% at £2.4m. There is also an estimate relating to the national changes to pensions whereby all employees who previously "opted out" have to be offered the option to join the scheme from 1 April 2013, the estimated employer costs based on a proportion of staff taking up the offer is £694k.</p>
3.3.2	<p>Non pay inflation (£2.5m) reflects national and local assumptions on price changes. This includes anticipated utility and fuel charges; rates and clinical consumables.</p>
3.3.3	<p>The drugs and devices reserve (£3.8m) includes funds for specific patient related devices agreed and funded by commissioners. Drugs cost pressures are funded based on local recommendations and includes known NICE recommendations.</p>
3.3.4	<p>Cost pressures of £6.2m are detailed in Appendix C. These include winter pressures; Pathology and Community Services. It also includes £997k specific funds from Commissioners to fund the costs of Patient Transport where we administer the activity on behalf of Commissioners who hold the supplier contract.</p>
3.3.5	<p>Activity and developments are analysed in Appendix C and total £10.2m. These include activity pressures experienced in the 2012/13 over performance and agreed as part of the 2013/14 contract eg. Emergency activity increases; Community Schemes and Ophthalmology Developments. Also included are the funds relating to the recently awarded contract for flexible sigmoidoscopy screening.</p>
3.3.6	<p>The plan includes £1.1m in relation to Quality and Safety. This includes £750k to support the achievement of CQUIN schemes and £72k for Patient experience.</p>
3.3.7	<p>Funds are also being held (£0.96m) for non recurrent investment within the Trust over the next 12 months.</p>

4	<p><u>Cost Improvement Programme</u></p> <p>The Cost Improvement Programme (CIP) for 2013/14 has been set of £14.7m, reflecting the need to meet the nationally set efficiency target of 4%. There is also a carry forward balance of £6.5m from 2012/13, giving a total of £21.2m, schemes continue to be actioned to reduce this carry forward. This level of CIP presents a significant risk for the Trust.</p>
5	<p><u>Risks and Contingency</u></p> <p>The Trust is holding a general contingency reserve of £1.25m against risks which include:-</p> <ul style="list-style-type: none"> • Activity performance against contract plan, including any possible case mix changes. Also delivery of increasing emergency activity. • Income issues that may arise from changes on PbR tariff and national rules. • Cost of the Capital plan if the surplus is not delivered • Achievement of CQUIN <p>There are also contingency reserves being held to offset specific issues. These include emergency threshold and emergency readmission reductions and also in relation to any Quality, Innovation, Productivity and Prevention (QIPP) savings following the detailed proposals from the CCG.</p>
6	<p><u>Total Planned Surplus and Risk Rating</u></p> <p>The total planned surplus of £7.49m is consistent with the Trust's Long Term Financial Model, after adjustment for impairments relating to pharmacy and car parks.</p> <p>The planned surplus and other indicators within the plan result in the following risk rating:-</p>

Ratio	Value	Rating	Definitions
EBITDA Margin	8.8 %	3	=EBITDA/Total Income
EBITDA Achieved	100.0 %	5	=EBITDA Actual/EBITDA Budget (both year to date)
I & E Surplus Margin	2.2 %	4	=Net Surplus/(Deficit)/Total Income
Net Return on Financing	3.1 %	5	=(Net Surplus/(Deficit + PDC Dividend)/Average of assets employed
Liquidity Ratio	25.2 Days	4	=Cash plus unused working capital facility plus trade debtors (including accrued income) minus (trade creditors plus other creditors plus accruals) expressed as the number of days operating expenses (excluding depreciation) that could be covered)
	Overall Rating	4.1	

The overall rating will be rounded to a 4 and is consistent with the LTFM. Financial Compliance Ratio's will likely change following an update from Monitor on the Governance compliance requirements.

7

Cash Flow and Balance Sheet

Appendix D shows the forecast Balance Sheet as at 31st March 2014.

Appendix E shows the monthly cash forecast that flows from the proposed income and expenditure plan but also includes capital programme spend forecasts.

8

Conclusions

The plan provides an income and expenditure package that enables activity levels and a number of developments to be funded. This plan is in line with the principles agreed as part of the Long Term Financial Model.

9

Recommendations

The Trust Board is recommended to approve the 2013/14 Income and Expenditure and Cash plans.

APPENDIX A

Planned Income

	2013/14		2012/13	
	£000's	£000's	£000's	£000's
Service Level Agreements CCG's and Local Authority				
Acute Services				
Wolverhampton	147,877		144,461	
South Staffs	34,996		33,649	
Walsall	20,459		20,722	
Dudley	8,707		8,300	
Others	9,157		9,571	
CQUIN (2.5%)	5,530		5,418	
Community Services	42,431		49,120	
Community Services CQUIN	1,060		1,228	
Dental services	1,300		1,783	
Local Authority	6,793			
		278,310		274,252
Specialised Services		58,616		59,233
Other Patient Income (Mainly RTA's & NCA's)		7,824		5,203
Private Patient Income		1,086		1,059
Training & Education		10,344		10,953
Divisional Income Budgets		16,900		16,547
TOTAL		373,080		367,247

Baseline Budgets**APPENDIX B****WTE****£000's**

Operations Directorate

Division 1 (Surgery etc.)

2,127

130,628

Division 2 (Medicine etc.)

2,352

125,880

Estates & Facilities

632

28,856

Other Operations Staff

5

553

Sub Total**5,116****285,916**

Chief Executive

17

1,585

Finance & Information
(Including Procurement; Information & Estates
Development)

412

18,980

Human Resource & Training

121

5,617

Planning & Contracting

15

837

Nursing Director

107

10,796

Medical Director

49

1,465

TOTAL**5,838****325,197**

APPENDIX C

Cost Pressures	WTE	£000's
Winter pressures	107.8	1,685
Community - Healthy Lifestyles & Health Visiting	38.3	1,102
Patient transport costs (Pass through)		997
Pathology	0.5	441
Incinerator costs - annual maintenance close down		295
Infection Prevention - incl wound mgt	0.79	243
Radiology	4.57	203
FT Costs		125
Orthopaedic - nurse staff	6.27	121
IT Department - including I M & T strategy	2.75	110
Care of the Elderly - Community Geriatrician	1	110
Blood reagents		95
Other	9.91	686
Total Cost pressures	171.9	6,213

Activity & Developments	WTE	£000's
Flexible sigmoidoscopy screening	12.51	2,582
Emergency activity pressures	82.43	1,413
Consultant 7 day working	17.3	1,008
Ophthalmology - incl. Lucentis & Ozurdex	7.81	866
Cardiology - incl. cath lab / day ward & consultant	12.11	773
Clinical Haematology	13.31	433
Paediatrics	5	382
Community Rehabilitation	11.53	361
A & E Expansion	4	354
Radiology activity demands	5.6	262
Oncology - acute oncology	5.65	226
Estates & Facilities - activity pressures		153
Obstetrics & Gynaecology - delivery suite	3.84	152
Governance		150
Trauma & Orthopaedics- patients appliances		136
Radiotherapy- radiotherapists	4	119
Critical Care - admission lounge	3.07	97
Respiratory - asthma service	1.32	90
Critical Care - decontamination		86
Robotic Surgery		72
Other	7.79	527
Total Activity	197.3	10,242

Balance Sheet	Appendix D		
	01/04/2013 £000	31/03/2014 £000	Full Year Movement £000
Non Current Assets			
Property Plant and Equipment	255,562	261,013	5,451
Intangible Assets	455	455	0
Trade and Other Receivables - non current	1,916	1,916	0
Total Non current Assets	257,933	263,384	5,451
Current Assets			
Trade and Other Receivables	9,293	13,293	4,000
Inventories	5,096	5,096	0
Cash and Cash Equivalents	18,276	20,330	2,054
Total Current Assets	32,665	38,719	6,054
Non Current Assets held for sale	800		-800
Total Assets	291,398	302,103	10,705
Current Liabilities			
Trade & Other Payables	-27,874	-30,887	-3,013
Borrowings	-1,787	-1,774	13
Provisions	-2,399	-2,399	0
Total Current Liabilities	(32,060)	(35,060)	-3000
Net Current Assets/ Liabilities	605	3,659	3054
Other Liabilities	(6,451)	(6,451)	0
Provision for Liabilities and Charges	-457	-457	0
Non Current Liabilities	(6,908)	(6,908)	0
Net Assets	252,430	260,135	8,505
Financed By			
Public Dividend Capital	173,082	173,082	0
Retained Earnings	13,405	21,474	8,069
Revaluation Reserve	65,753	65,389	-364
Miscellaneous Other Reserves	190	190	0
Total	252,430	260,135	7,705

Appendix E - Cash Flow

