

Report of the Chief Financial Officer

Summary Finance Report – May 2015
(Month 2)



Contents & Summary Overview

<u>Contents</u>	<u>Page</u>
Summary Tables	3 - 6
Income and Expenditure Account	7
Financial Targets and Rating	8
Pay Analysis	9 - 10
Patient Income Analysis	11 - 14
CIP	15
Statement of Financial Position	16
Cash Flow Statement	17

Summary Overview

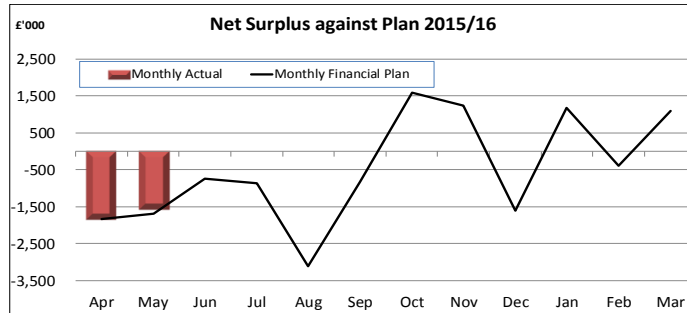
The Trust has a net deficit of £3.4m at month 2, which is a small improvement to plan by £131k. The Trust is underperforming on patient activity, which is offset by expenditure underspends and contingencies.

The Trust's financial performance is planned to improve in the forthcoming months, however these months contain significantly increased levels of Cost Improvement Plan.



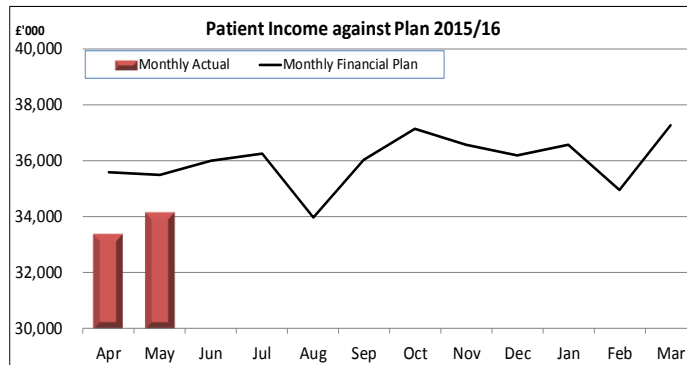
Summary Tables

Net Surplus



The Trusts Income and Expenditure position as at Month 2 is a deficit of (£3,402k) which is surplus by £131k to the plan. The Trust's operating position (Earnings before interest, taxation, depreciation and amortisation – EBITDA) is below plan by (£196k). The detail can be found on page 7.

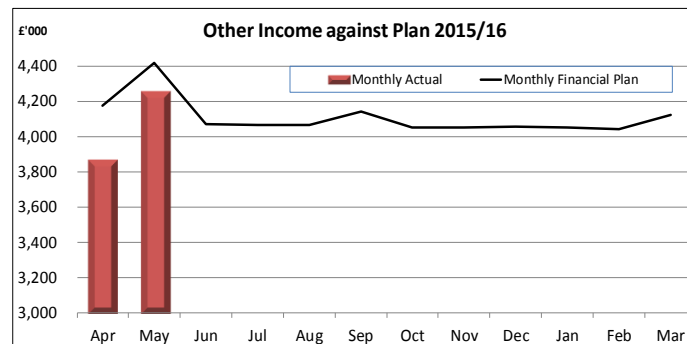
Patient Income



Patient activity at month 2, is showing a year-to-date deficit of (£3,248k). The detailed reasons for the variance in month are shown on page 11.

The elective underperformance continues, mainly due to consultant vacancies which are being addressed, therefore this trend is not expected to continue. This underperformance on electives also impacts on critical care. This position includes emergency threshold deductions (£440k).

Other Income (excluding CRN income)

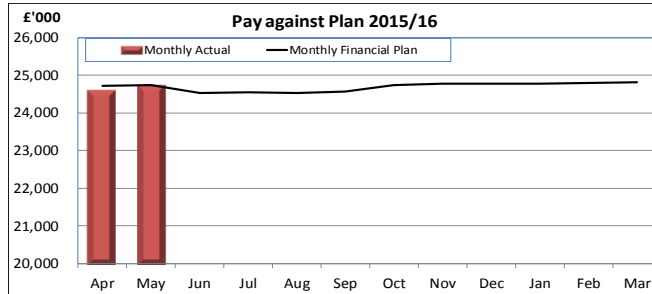


Directorate income under-recovered by (£46k) in month 2. Car Park income under-recovered by £49k across both sites, which is partly due to the installation of new car park machines.

In addition, private patient income under-recovered in month by £34k, which is mainly due to Cardiac Surgery in Division 1.

Summary Expenditure Tables

Pay

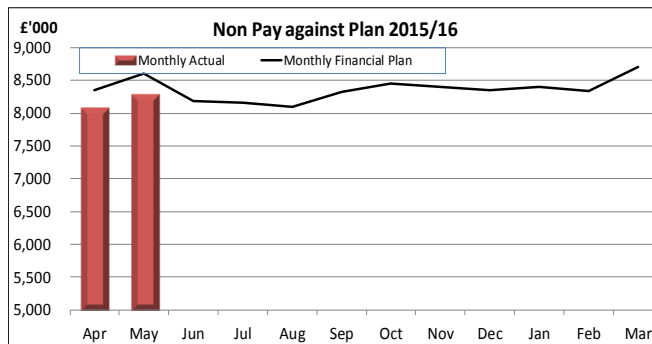


Pay is slightly overspent in month by £10k, with a cumulative underspend of £102k. There are underspends in corporate areas (£183k) due to vacancies.

Division 1 is also underspent (£281k) due to vacancies across a number of directorates. Posts are being actively recruited to, therefore this trend should not continue.

Division 2 is overspent by £476k, which mainly relates to the Emergency Department cover for vacancies and additional pressures, and cover for vacancies in other Directorates.

Non Pay



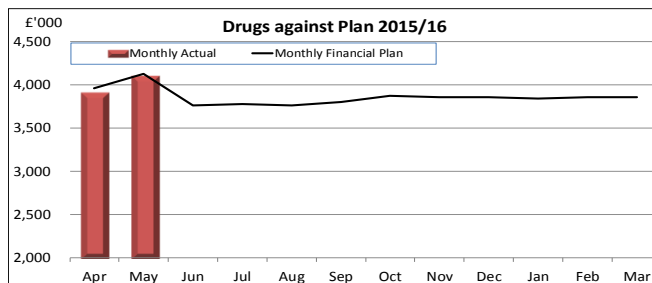
Non Pay was underspent overall by £307k in month, with a cumulative underspend of £574k.

Division 1 is underspent by £421k across a number of Directorates and is largely due to the reduced activity undertaken in month as a result of vacancies at Consultant level. As noted above, posts are being recruited to.

Division 2 is overspent in month by (£60k). This mainly relates to stepdown costs (£28k) for which CCG approval is required and blood products in Clinical Haematology due to patient care mix (£13k).

Estates and Facilities overspent by £8k in month, and this was due to a number of estates maintenance works.

Drugs

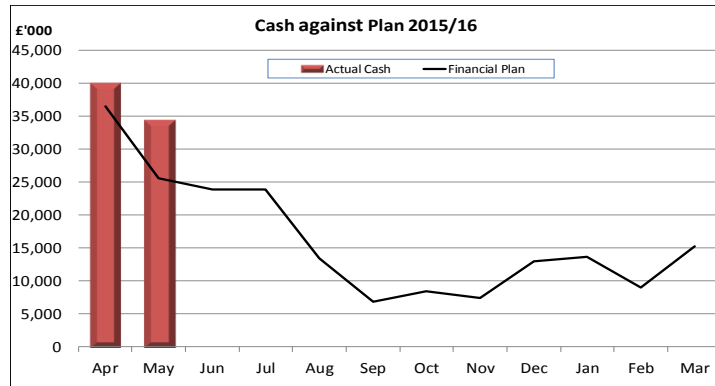


Drugs was underspent by £31k in month, with a cumulative underspend of £82k.

Division 1 was underspent by £23k. The majority of this being Anaesthesia in Critical Care due to lower activity levels through theatres.

Summary Tables – Capital, Cash & CIP

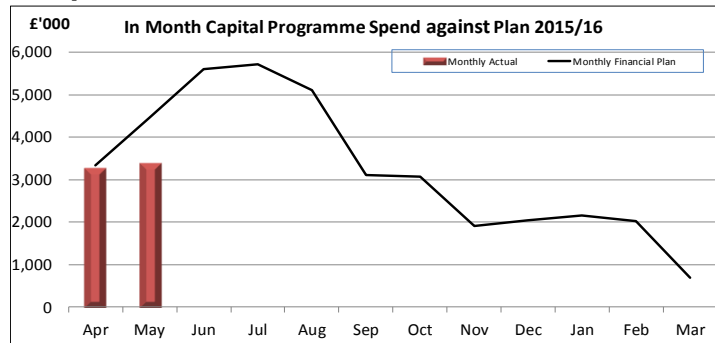
Cash



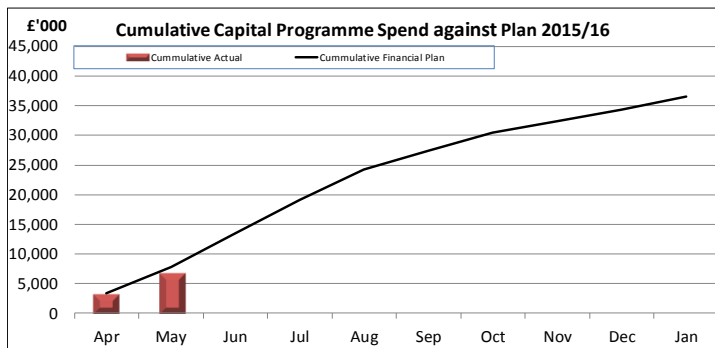
The cash balance is £8,829k higher than plan, being £34,385k. As seen in the Graph, cash balances are planned to significantly decrease mid year, with the high levels of Capital Programme cash spend in earlier months, and the latter phasing for CIP achievement.

The main reason for the high cash balance at Month 2 is the higher level of Payables for the Clinical Research Network, £6,413k, for April and May payments due to other organisations. Overall Payables were £8,916k greater than Plan, and capital cash spend was £3,903k lower than Plan, offset by (£2,986k) higher debt Receivables due mainly to £3,271k training monies debt due from Health Education England for quarter one. This payment has historically been delayed in quarter 1 and has since been settled in June.

Capital



Capital (cumulative)

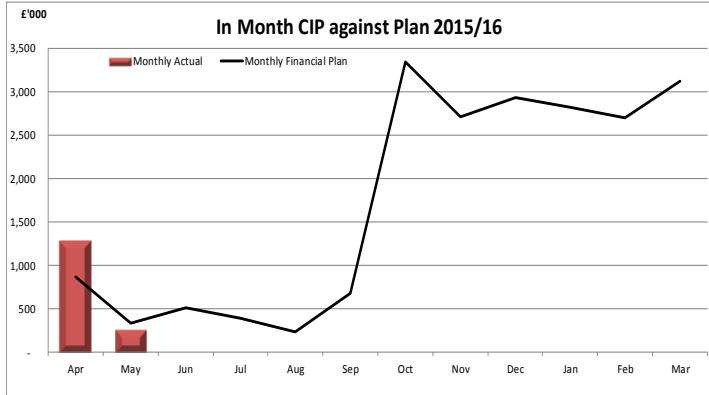


Capital spend is £1,156k less than Plan, being £6,654k. The underspend includes £856k underspend on Cannock related schemes and £154k on the Emergency Centre.

The Capital Resource Limit (CRL) is expected to be £40,824k, being agreed Capital Programme of £39,294k plus PFI capital additions of £2,330k less adjustment of £800k for sale proceeds assumed for the Old Eye Infirmary.

Summary Tables – Capital, Cash & CIP

CIP



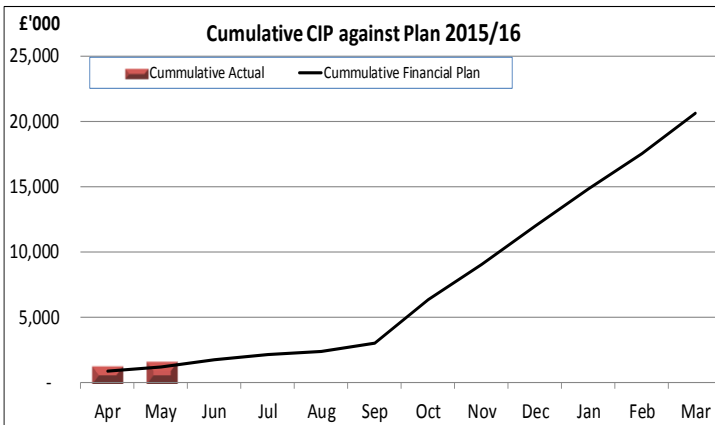
The Trust CIP target for 2015/16 is £20.6m.

As at month 2 a total of £1.5m (Annual Budget) has been removed from budgets against the 2015/16 target of £20.6m, this represents 7.47% of the total annual amount. The recurrent element achieved is £1.1m, representing 5.4% of the annual target.

In month the target was £335k, the actual achieved was £264k (21% below plan). Year to date the plan was to have removed £1.2m from budget, actual achievement is above plan at £1.5m.

Currently, there is £7.3m with no schemes. However, there are plans currently being validated to help achieve this shortfall.

CIP Cumulative



Income & Expenditure Account

Current Month Plan	Current Month Actual	Current Month Variance		Original Plan	Annual Budget	Plan to Date	Actual to Date	Variance to Date
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
			Income					
35,474	34,119	(1,355)	Patient Activity Income	428,229	431,924	71,043	67,795	(3,248)
(251)	0	251	Patient Activity Contingency **	(3,010)	(3,010)	(502)	0	502
96	101	5	Other Patient Care Income	1,154	1,154	192	225	32
1,158	1,147	(11)	Education, Training & Research Income	12,195	12,942	2,226	2,207	(19)
2,553	2,553	0	CRN: West Midlands	30,784	30,636	5,106	5,106	0
42	9	(33)	Non Patient Care Other Income	400	412	79	32	(46)
93	59	(34)	Private Patient Income	1,112	1,112	185	88	(97)
2,990	2,943	(46)	Income on Directorate Budgets	33,404	33,448	5,869	5,578	(292)
42,154	40,931	(1,223)	Total Income	504,269	508,618	84,199	81,031	(3,168)
			Expenditure					
(24,735)	(24,744)	(10)	Directorate Expenditure Budgets - Pay	(290,931)	(296,293)	(49,452)	(49,350)	102
(8,598)	(8,291)	307	Directorate Expenditure Budgets - Non Pay	(96,535)	(100,342)	(16,947)	(16,374)	574
(4,132)	(4,102)	31	Directorate Expenditure Budgets - Drugs	(42,406)	(46,346)	(8,094)	(8,012)	82
(2,553)	(2,553)	0	CRN: West Midlands	(30,784)	(30,636)	(5,106)	(5,106)	0
(449)	0	449	Activity Changes/Service Dev./Cost Pressures Reserves	(25,933)	(15,572)	(1,574)	0	1,574
(494)	0	494	Inflation and Contingency Reserves	(5,065)	(5,145)	(834)	0	834
80	0	(80)	Cost Improvement Savings - Current Year	20,617	19,078	193	0	(193)
(40,880)	(39,690)	1,190	Total Expenditure	(471,036)	(475,255)	(81,814)	(78,841)	2,972
1,274	1,241	(33)	EBITDA Surplus/(Deficit)	33,233	33,363	2,385	2,189	(196)
0	0	0	Profit/(Loss) on Asset Disposals	0	0	0	0	0
(0)	0	0	Impairments of Fixed Assets	(3,701)	(3,701)	(0)	0	0
(1,776)	(1,632)	143	Depreciation	(21,308)	(21,308)	(3,551)	(3,253)	298
8	14	6	Interest Receivable	100	100	17	25	9
(149)	(141)	8	Interest Payable	(1,784)	(1,784)	(297)	(277)	20
(1,049)	(1,049)	0	PDC Dividends (Cost of Capital)	(12,447)	(12,577)	(2,086)	(2,086)	0
0	0	0	Unwinding of Discount	0	0	0	0	0
(1,691)	(1,567)	125	Net Surplus/(Deficit)	(5,907)	(5,907)	(3,533)	(3,402)	131
			Adjustments as per TDA reported position					
14	17	3	Depreciation on donated assets	168	168	28	34	6
0	0	0	Donated Asset Income	(400)	(400)	0	0	0
0	0	(0)	Remove Impairments	3,701	3,701	0	0	0
(1,677)	(1,550)	128	Adjusted Financial Performance as TDA	(2,438)	(2,438)	(3,505)	(3,368)	137

** Reserve set at budget setting for reduced income due to tariff rules on emergency readmissions and non elective cap

Financial Targets and Rating

TDA

TDA	TDA Plan £'000	YTD Actual £'000	Variance £'000
Income	82,163	81,056	(1,107)
Expenditure	(85,443)	(84,458)	985
Net Surplus	(3,280)	(3,402)	(122)

Note: Income in the table above includes Interest Receivable, and Expenditure includes Interest Payable and PDC Dividend.

Performance against Financial Targets

	Target	Performance	RAG
I & E Target Month 2	-£3,533k	-£3,402k	
Performance against TDA target Month 2	-£3,280k	-£3,402k	
CIP Target Month 2 YTD	£1,199k	£1,539k	
CRL (Year end)	£40,824k	£40,824k	
EFL (Year end)	£7,000k	£7,000k	
Capital Cost Absorption Rate (Year end)	3.50%	3.50%	

Financial Risk Rating

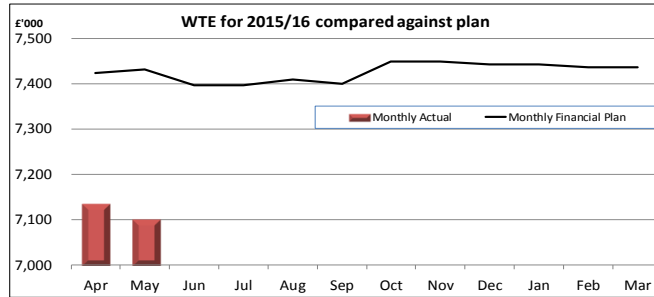
Ratio KPIs	Annual Plan	Rating	Plan to Date	Rating	Actual to Date	Rating	Definitions/ notes
I & E Surplus Margin	-1.2 %	2	-4.2 %	1	-4.2 %	1	=Net Surplus/(Deficit)/Total Income

Continuity of Service Rating

Ratio	Annual Plan	Rating	Plan To Date	Rating	Actual To Date	Rating	Definitions/ notes
Liquidity Ratio(days)	(11) days	2	(5) days	3	(4) days	3	Prior year cash plus trade debtors less trade creditors plus expressed as days of current year operating expenses
Capital Servicing Capacity (Times)	2 Times	3	1.2 Times	1	0.8 Times	1	The number of times the debt can be met by the surplus. = EBITDA+interest receivable/ Total Monthly debt payments. The difference between the year to date and annual plan issue to the plan being phased with deficit positions early in the year and surpluses generated later in the year.
Overall Continuity of Service Rating		2.5		2.0		2.0	Maximum rating 4

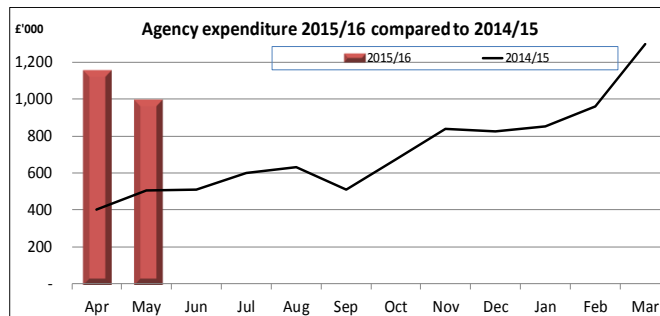
Pay Analysis

WTE



In month 2, there are 7,099 WTE's in post, against a WTE budget of 7,432. Division 1 are under budget by 185 WTE's, Division 2 are under budget by 15 WTE's, Estates & Facilities are under budget by 39 WTE's and Corporate are under budget by 94 WTE's due to vacancies.

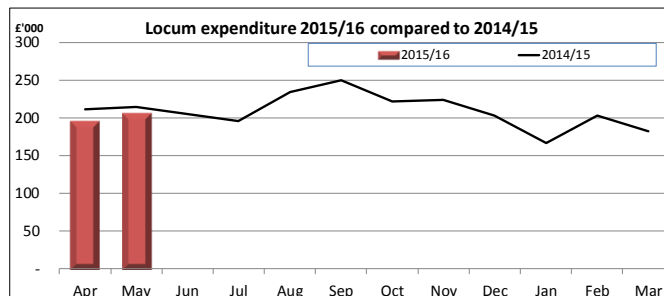
Agency



Agency expenditure in month 2 totals £999k, and this is above the 2014/15 month 2 spend of £504k. The main areas of agency usage in month are A&E £318k, Critical Care £133k, Radiology £82k

Use of 24/7 has now been reclassified as agency spend rather than bank spend, and month 1 figures have been adjusted accordingly.

Locum

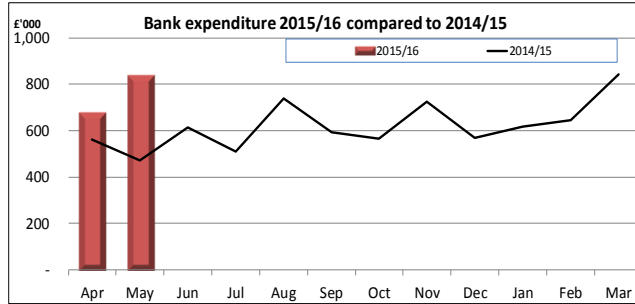


Locum expenditure in month 2 is £207k, and this is below the 2014/15 month 2 spend of £214k.

Locum expenditure mainly occurred in Dermatology £31k, Urology £27k, and General Surgery £20k.

Pay Analysis

Bank



Bank expenditure in month 2 of £841k is higher than that incurred in May 2014 of £473k.

Bank is used to cover sickness and vacancies, and across the Trust, pay budgets are underspent to month 2.

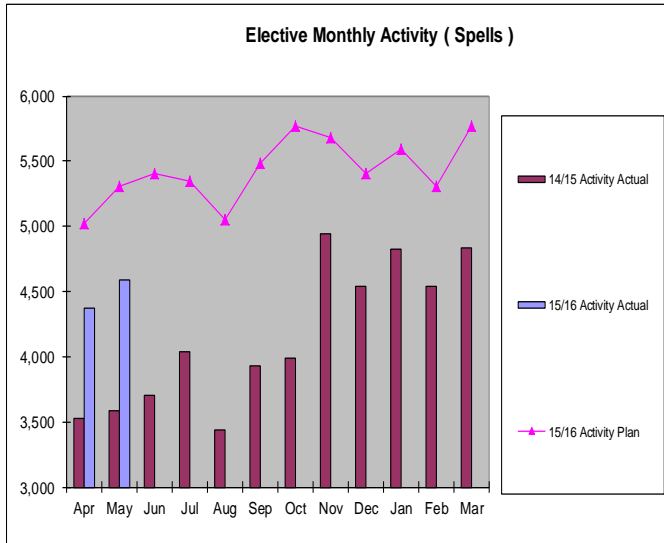
Use of 24/7 has now been reclassified as agency spend rather than bank spend, and month 1 figures have been adjusted accordingly.

Patient Care Income - Variance

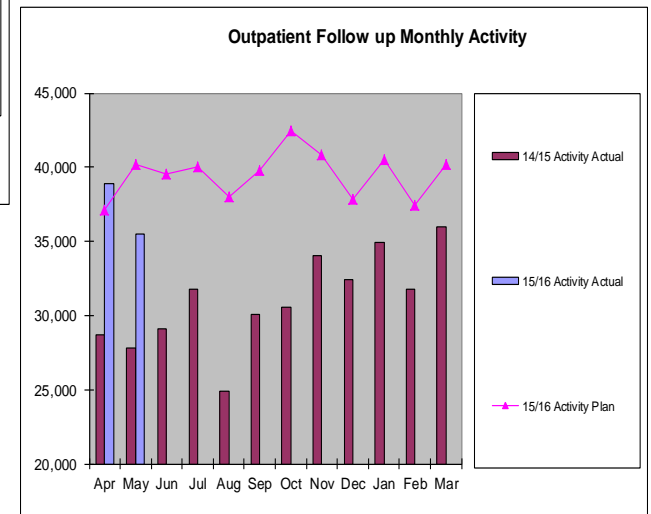
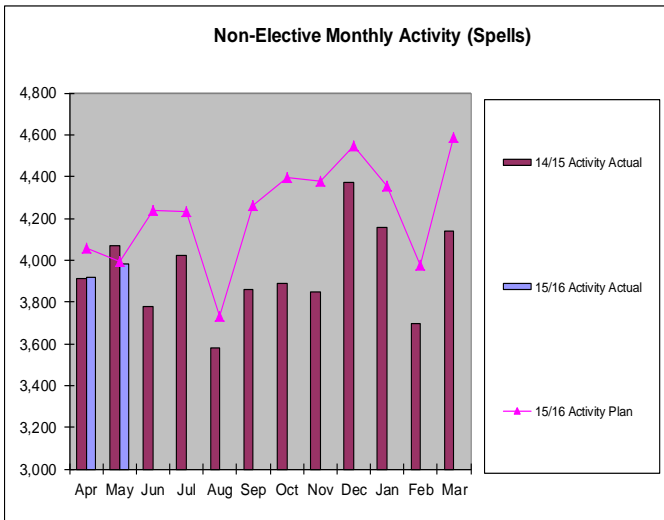
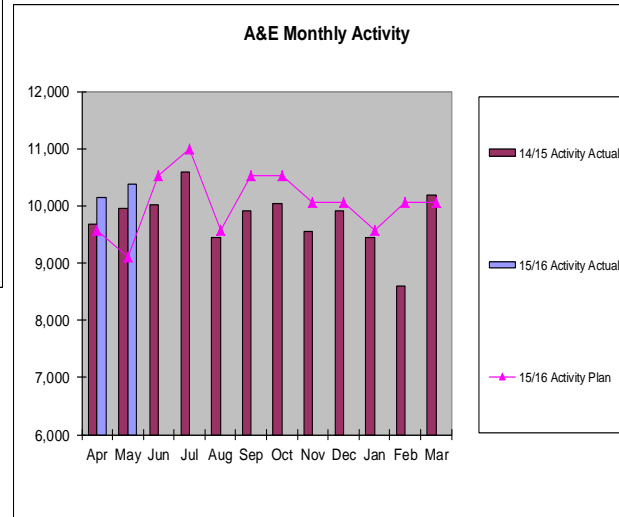
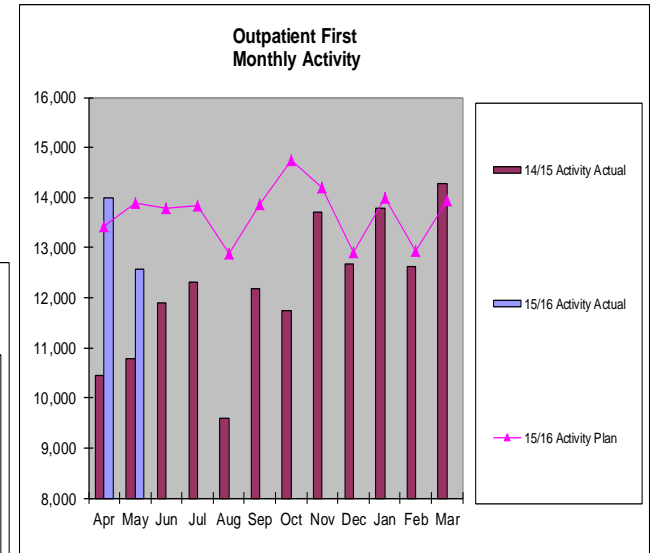
The patient activity income at month 2, is showing a deficit of (£3,248k), this is an adverse movement of (£1,354k) from that reported at Month 1. The main issues are detailed below.

M2 YTD Variance £'000	Specialty	In Month Variance £'000	Reason
(495)	General Surgery	(206)	The adverse variance of (£206k) is due to a lack of capacity with 3 consultant vacancies (2 x existing and 1 transferred from Cannock). The Elective and Day Case activity is under performing by 370 spells (£126k)
(239)	Trauma & Orthopaedics	(235)	The main area causing the adverse variance is Elective and Day Case Activity at 54 spells below the plan and a £224k adverse variance.
(319)	Gynaecology	(151)	The adverse variance of £151k relates mainly to Day Case and Elective activity being 98 spells below plan (£118k). Outpatients are also underperforming by 299 appointments in May creating an adverse variance of £22k. The variance is due to consultant vacancies.
29	Paediatrics	163	The favourable variance of £163k is mainly due to over performances in Non Elective activity at £129k. The remaining favourable variance is across all other points of delivery.
(344)	Urology	(218)	The adverse variance of £218k is due to a consultant vacancy following the transfer of the service from Cannock.
(322)	Cardiothoracic	(146)	The adverse variance of £146k is due to under performances in Elective Activity of 20 spells (91k), due to reduced levels of referrals being experienced. There is also an adverse variance of £57k in Non Elective income which is due to the case mix of the activity.
(327)	Cardiology	(110)	The adverse variance of £110k relates to an under performance of 35 Non Elective Spells (£174k) and a corresponding over performance in Elective Activity at £16k, Outpatients at 23k and Direct Access at 32k.
(418)	Clinical Haematology/Oncology	(264)	The adverse variance of £264k relates to the elective area with Day Cases under performing by 249 (£176k), Elective admissions under by 19 spells (£40k). Fractions are under performing by 385 at (£54k).
(715)	SLAM Other/Other	(160)	The adverse variance relates to Readmissions and Fines.
(440)	Non Elective Threshold Deduction	(359)	
155	Community Services	124	The favourable variance reflects an increase in Non Contract Activity and an estimate that the Month 1 over performance will continue through Month 2.
188	Other	208	The favourable variance is mainly due to an over performance in Lucentis of 260 cases at £140k.
(3,248)	Total	(1,354)	

Patient Care Activity Performance

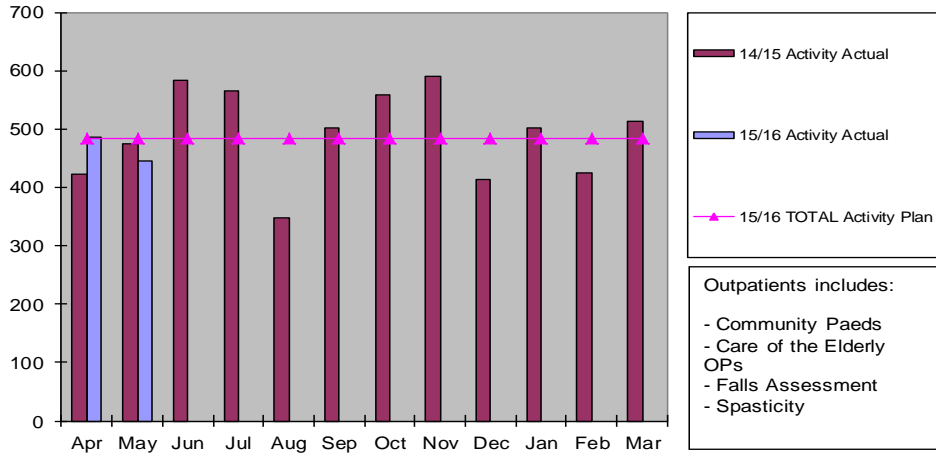


Note:- Activity now includes Cannock which did not occur until November 2014, so a comparison to April 2014 is not appropriate

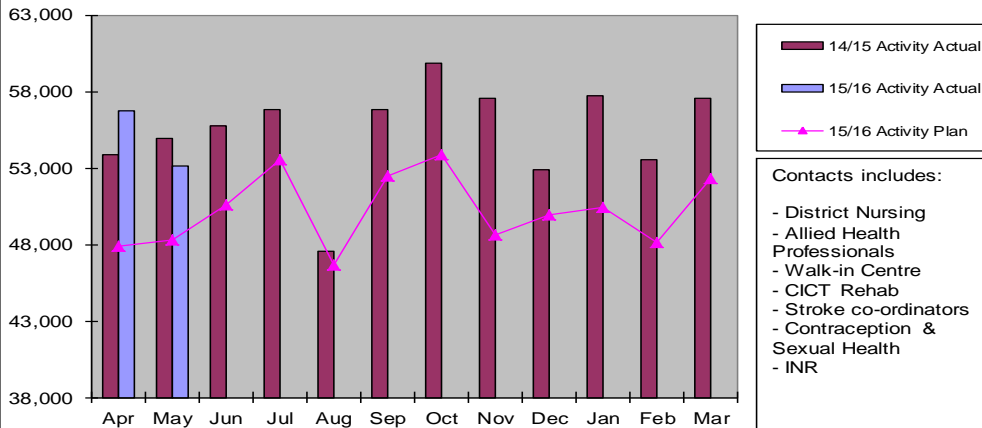


Community Performance against CCG Activity

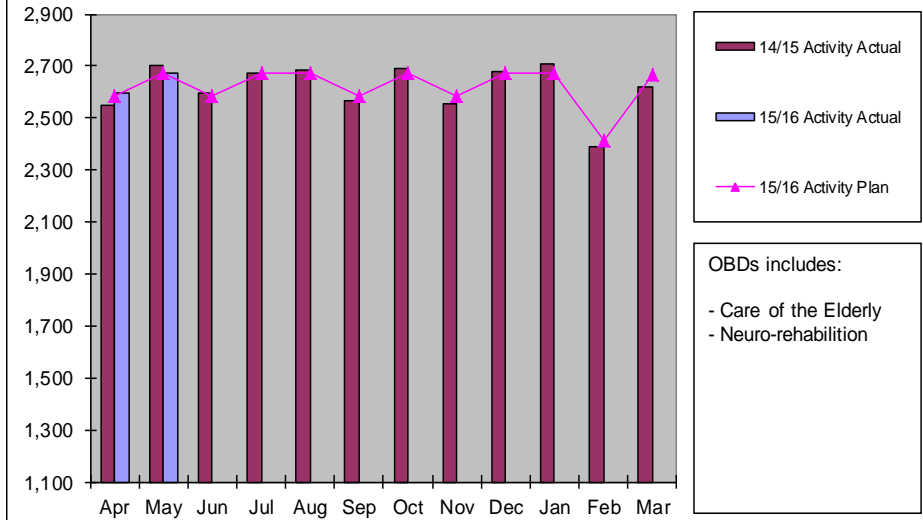
Community Outpatients Monthly Activity



Community Contacts Monthly Activity



Community Occupied Bed Days Monthly Activity (OBD's)



SLA and Income: Actual versus Plan by Commissioner

	SLA Annual Plan	Anticipated Income Annual Plan	Plan to Date	Anticipated Income Plan to Date	Actual to date	Anticipated Income Actual to Date	Variance to Plan	% Variance
Commissioner	£000	£000	£000	£000	£000	£000	£000	
Wolves CCG	147,412	2,264	23,985	392	23,623	0	(753)	-3.1%
Cannock CCG	27,643	10,912	4,507	1,888	5,818	0	(577)	-12.8%
Walsall CCG	23,917	1,097	3,893	190	4,043	0	(40)	-1.0%
South East Staffs & Seisdon CCG	22,541	3,668	3,680	635	4,013	0	(302)	-8.2%
Stafford & Surrounds CCG	19,796	(260)	3,232	(45)	2,816	0	(371)	-11.5%
Dudley CCG	6,583	205	1,068	35	1,012	0	(91)	-8.5%
Other CCG's	11,656	607	1,906	105	1,813	0	(198)	(2)
CCG Acute Services Total	259,548	18,492	42,271	3,200	43,139	0	(2,332)	-5.5%
Local Authorities	1,389	0	232	0	184	0	(48)	-20.7%
Shared Care and Maternity recharges to other providers	767	228	128	39	244	0	77	60.2%
Anticipated Income	20,090	(20,090)	3,476	(3,476)	0	0	0	0.0%
NCA & IFR	2,305	207	491	36	475	0	(52)	-10.5%
Secondary Dental	7,074	0	1,175	0	1,346	0	172	14.6%
Public Health England	1,957	0	326	0	265	0	(61)	-18.80%
Specialised services	78,268	(435)	13,097	(75)	12,191	0	(831)	-6.3%
Other Services (incl Fines)	1,088	1,597	181	276	161	0	(296)	-163.4%
Sub Total Acute Services	372,484	0	61,377	0	58,006	0	(3,371)	-5.49%
Community Services	45,994	0	7,500	0	7,656	0	155	2.07%
Other Income	13,445	0	2,166	0	2,133	0	(33)	-1.50%
GRAND TOTAL	431,924	0	71,043	0	67,795	0	(3,248)	-4.57%

CIP Monitoring All Trust Schemes

The Trust CIP target is £20.6m. The table below summarises the target CIP for each Division and the actual achieved. The red risk of £7.3m (£11m recurrently) relates to where there are currently no plans. However, there are plans currently being validated to help achieve this shortfall. The position for May shows a withdrawal of CIP from annual budget of £1.5m representing 7.47% of the total. Actual CIP achieved in month was £164k.

CIP MONITORING	2015/16						
	Annual Plan £000	Blue (withdrawn from budgets) £000	Still to be achieved Categorised by Risk Rating				
			Total £000	Green £000	Yellow £000	Amber £000	Red £000
2014/15 Schemes							
Corporate	1,718	515	1,203	0	1,108	0	95
Division 1	8,792	404	8,388	0	4,797	0	3,591
Division 2	8,171	443	7,729	0	4,715	0	3,013
Estates & Facilities	1,935	177	1,758	0	1,161	0	596
Total 2014/15 Schemes	20,617	1,539	19,078	0	11,782	0	7,296
Recurrent	20,617	1,114	19,503	0	8,423	0	11,080

Non recurrent element withdrawn from budget £000	148
	277
	0
	0
	425

Transactional

CIP MONITORING	2015/16						
	Annual Plan £000	Blue (withdrawn from budgets) £000	Still to be achieved Categorised by Risk Rating				
			Total £000	Green £000	Yellow £000	Amber £000	Red £000
Transactional							
Corporate	1,034	499	535	0	440	0	95
Division 2	5,530	380	5,150	0	2,137	0	3,013
Estates & Facilities	1,427	149	1,278	0	682	0	596
Total 2015/16 Schemes	13,965	1,108	12,857	0	5,561	0	7,296

Non recurrent element withdrawn from budget £000	145
	0
	0
	0
	145

Transformational

CIP MONITORING	2015/16						
	Annual Plan £000	Blue (withdrawn from budgets) £000	Still to be achieved Categorised by Risk Rating				
			Total £000	Green £000	Yellow £000	Amber £000	Red £000
Transformational							
Corporate	684	16	668	0	668	0	0
Division 2	2,641	63	2,578	0	2,578	0	0
Estates & Facilities	508	28	479	0	479	0	0
Unallocated	0	0	0	0	0	0	0
Total 2015/16 Schemes	6,653	432	6,221	0	6,221	0	0

Non recurrent element withdrawn from budget £000	3
	0
	0
	0
	280

Recurrent	12,751	962	11,789	0	709	0	11,080
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Recurrent	7,866	152	7,714	0	7,714	0	0
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Statement of Financial Position

Calculated Debtor Days for the year to date are:-

	M2 Actual	M2 Plan	M1 Actual
Total	10.91	9.38	11.60
Being:-			
NHS	12.13	9.28	12.33
Non NHS	2.79	8.64	6.77

The NHS debtors are higher than plan as they include the debt from Health education England of £3.2m which is now paid. The debtor days has reduced from month 1.

The Public Sector Payment Policy sets out a target for payment of 95%, in value and volume, to be paid within 30 days of receipt. The Trust's performance against this target is:

	M2	Cumulative
- Value	91%	94%
- Volume	92%	91%

	M1	Cumulative
- Value	96%	96%
- Volume	90%	90%

Please note the Value adverse performance includes some large pharmacy invoices and capital invoices paid just outside the 30 day target. Volume is impacted again by Pharmacy, where processes are being reviewed and an electronic solution proposed.

	<u>May 2015</u> <u>Plan £000</u>	<u>May 2015</u> <u>Actual £000</u>	<u>April 2015</u> <u>Actual £000</u>	<u>Movement in</u> <u>Month £000</u>	<u>March 2015</u> <u>Actual £000</u>
NON CURRENT ASSETS					
Property, Plant and Equipment	387,277	386,430	384,664	1,766	382,971
Intangible Assets	676	639	658	(19)	676
Other Non Current Assets	1,710	1,710	1,710	0	1,710
TOTAL NON CURRENT ASSETS	389,663	388,779	387,032	1,747	385,357
CURRENT ASSETS					
Inventories	6,115	6,023	6,027	(4)	6,291
Trade and Other Receivables	21,342	24,325	24,181	144	19,783
Cash and cash equivalents	25,556	34,385	39,954	(5,569)	41,598
TOTAL CURRENT ASSETS	53,013	64,733	70,162	(5,429)	67,672
Non Current Assets Held for Sale	800	800	800	0	800
TOTAL ASSETS	443,476	454,312	457,994	(3,682)	453,829
CURRENT LIABILITIES					
Trade & Other Payables	(45,727)	(57,350)	(58,947)	1,597	(52,498)
Borrowings	(1,869)	(1,920)	(1,920)	0	(1,885)
Provisions for Liabilities and Charges	(5,821)	(5,169)	(5,523)	354	(5,821)
TOTAL CURRENT LIABILITIES	(53,417)	(64,439)	(66,390)	1,951	(60,204)
NET CURRENT ASSETS / (LIABILITIES)	(404)	294	3,772	(3,478)	7,468
TOTAL ASSETS LESS CURRENT LIABILITIES	390,059	389,873	391,604	(1,731)	393,625
NON CURRENT LIABILITIES					
Other Liabilities	(5,658)	(5,601)	(5,759)	158	(5,943)
Provision for Liabilities and Charges	(648)	(648)	(648)	0	(648)
TOTAL NON CURRENT LIABILITIES	(6,306)	(6,249)	(6,407)	158	(6,591)
TOTAL ASSETS EMPLOYED	383,753	383,624	385,197	(1,573)	387,034
FINANCED BY TAXPAYERS EQUITY					
Public Dividend Capital	225,252	225,252	225,252	0	225,252
Retained Earnings	25,269	25,352	26,819	(1,467)	28,550
Revaluation Reserve	133,042	132,829	132,936	(107)	133,042
Other Reserves	190	190	190	0	190
TOTAL TAXPAYERS EQUITY	383,753	383,623	385,197	(1,574)	387,034

Cash Flow Statement

	May plan Updated £000	May Actual £000	May Variance £000
OPERATING ACTIVITIES			
Total Operating Surplus/(Deficit)	(895)	(1,064)	(169)
Depreciation	3,551	3,253	(298)
Fixed Asset Impairments	0	0	0
Interest Paid	(263)	(277)	(14)
Dividends Paid	0	0	0
(Increase)/Decrease in Inventories	176	269	93
(Increase)/Decrease in Trade/Receivables	(1,559)	(4,545)	(2,986)
Increase/(Decrease) in Trade/Payables	(3,988)	4,928	8,916
Increase/(Decrease) in Provisions	0	(652)	(652)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(2,978)	1,912	4,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	16	25	9
Payment for Property, Plant and Equipment	(12,779)	(8,876)	3,903
Payment for Intangible Assets	0	38	38
Payment for Other Assets	0	0	0
Proceeds from Disposals	0	0	0
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(12,763)	(8,813)	3,950
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(15,741)	(6,901)	8,840
NET CASH INFLOW/(OUTFLOW) FROM FINANCING			
New Public Dividend Capital Received	0	0	0
Capital Element of Finance Lease and PFI	(301)	(312)	(11)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	(301)	(312)	(11)
INCREASE/(DECREASE) IN CASH	(16,042)	(7,213)	8,829
CASH BALANCES			
Opening Balance 1st May 2015	41,598	41,598	0
Closing Balance at 31st May 2015	25,556	34,385	8,829