

Board of Directors (Public) Item 14

Subject: Month 9 Finance Report
Date of meeting: 21st January 2015
Prepared by: David Jago, Chief Finance Officer
Presented by: David Jago, Chief Finance Officer

Board Report

Data Quality Rating	BAF Ref	Impact on BAF Risk Rating
Silver	4, 7	None

1. Executive Summary

This paper provides an update to the Board of Directors on the financial performance of the Trust during month 9 and cumulatively as at 31st December 2014. The Board of Directors are asked to discuss and note the content of the report and receive assurance that the Trust's objective to achieve its financial plan for 2014/15 remains on target and that Trust is operating and will continue to operate within the terms of its licence, regulatory requirements and statutory obligations in respect of finance.

2. Background

The Board of Directors approved the financial plan for 2014/15 – 2015/16 as part of the 2 year operational plan presented at the March 2014 Board meeting that was subsequently submitted to Monitor.

3. Issues

The Trust has achieved an overall Continuity of Service Risk Rating (CoSRR) at month 9 of level 4 ahead of a planned level 3 which under the Risk Assessment Framework denotes LHCH as lowest risk and is the highest level achievable.

The Trust has achieved a normalised net deficit to date of £63k against a planned deficit of £204K. The underlying position is a deficit to date of £498k but this includes the restructuring cost associated with the MARS scheme. Restructuring costs (£435k) are classed as an exceptional item and normalised out of the position when assessed by Monitor. In month the Trust achieved a net normalised deficit of £31k against a planned deficit of £32k.

Efficiencies achieved to date are £3.4m (with £0.3m non-recurrent) against a plan of £4.2m. Monthly CIP meetings and review of budgets suggest schemes totalling £1.1m remain red for risk of achievement and a strong focus is required if the level of efficiency risk is to be reduced. The forecast outturn normalised surplus of £0.4m caters for this level of risk on CIP.

Capital expenditure at £1.4m is £1.3m behind the revised plan that was submitted to Monitor at the end of quarter 2 for December.

4. Conclusion

The normalised deficit position of £63k represents broadly a similar above plan position to that delivered as at the end of month 8 being circa some £140k above plan. The Continuity of Service Risk Rating being delivered at the end of month 9 at level 4 is above plan with a better liquidity position than that reported at month 8 (improved by 2.1 liquid days) months due to improvements in working capital.

Inpatient NHS activity has shown an improvement in month 9 exceeding plan in month by 4.2% with overall inpatient spells cumulatively now 0.60% below plan (compared to below plan at 1.1% at month 8) and associated income £1.3m (3.1%) above plan.

The key adverse impact on EBITDA and net surplus continues to be driven by non-delivery of pay CIPs, above plan agency costs covering vacancies and premium costs to cover additional sessions to manage both the waiting list back log and core capacity.

With robust financial control and continued review of all non-essential expenditure, the continued achievement of activity levels delivered over the last quarter, the identification of alternative CIPs and management of the risks outlined above the Trust remains on course to achieve the 2014/15 financial plan.

5. Recommendations

The Board of Directors are asked to note the financial position of the Trust at the end of month 9.

1. Introduction

This paper sets out the Trust's financial performance at the end of December 2014 (month 9) and the delivery against the financial targets set within the annual plan and risk ratings set out by Monitor under the Risk Assessment Framework.

2. Key Financial Performance Indicators

The purpose of this paper is to present to the Board of Directors the Trust's financial position as at 31st December 2014.

Key issues to note on performance at the end of month 9;



Overall Continuity of Service Risk Rating (CoSRR) of level 4 against a plan of 3.



Total income above plan by £4.2m.



A normalised net deficit of £63k against a planned deficit of £204k.



Cash balances at £9.4m are £2.1m below planned balances of £11.5m.



Capital expenditure at £1.4m set against revised profiled plan of £2.7m.



Actual CIP achieved at £3.4m against planned £4.2m

The Trust is reporting a normalised net deficit of £31k achieved in month 9 compared to a planned deficit of £32k. The in line with plan performance being driven by inpatient related income which was 8.6% (£0.4m) above plan in month driven by activity spells that were 4.2% above plan. Inpatient activity within the Surgical Division was 7% above plan with performance in Cardiology and Chest Medicine being 1% above plan.

The reported year-to-date position is a normalised deficit of £63k some £141k above the planned deficit of £204k. The above plan position at the end of month 9 being broadly in line with that reported as at the end of November. Key issues for the Trust and delivery of its financial plan continuing to be below plan performance on CIP delivery materially driven by slippage in the pay elements of the cost improvement programme. Additionally premium pay costs reflecting agency costs to cover vacancies in mainly non-clinical areas including the Information Department and Clinical Coding, additional sessions in Cardiology to manage activity pressures in electrophysiology (EP) and additional Anaesthesia sessions undertaken to manage the waiting list backlog are eroding EBITDA performance but are mitigated by margins driven on the growth in activity above that catered for in the plan set for 2014/15.

Performance to date delivers a Continuity of Services Risk Rating (CoSRR) of 4 above the planned level 3. The liquidity rating continues to improve from that reported in month 8 being ahead of plan by 8.0 days (equivalent to circa £2.4m) despite cash balances being below plan. The improvement is due to continued improvements in working capital predominantly driven by above plan activity levels reflected in accrued income at month 9.

Inpatient activity performance continues to be above plan in month 9 with the SACC directorate exceeding plan by 7% with case mix resulting in income being above plan by £0.7m (10%)

materially driven by cardiac valves and thoracics. The C&CM directorate was 1% above plan in activity terms and exceeded the income plan by £0.2m (10%) driven by pacing.

Inpatient spells (excluding Private Patients) were 4% above plan in month and are 0.6% below plan cumulatively. By directorate SACC inpatient activity is cumulatively 1% above plan and C&CM is 1% below plan.

The key points to note at the end of month 9 include:

- Total income to date is £4.2m above plan (5.1%) with direct patient related income £2.98m above plan (3.9%) materially driven by the tertiary and secondary contracts that are £2.3m and £0.3m above plan respectively. The Wales contract is broadly on plan at £11.1m and the Isle Of Man contract is £0.25m (13%) above plan.
- Private patient income continues to perform strongly being £194k (86%) above plan in month 9 achieving £420k against a plan of £226k. Cumulatively activity is 26% higher at the end of December 2014 than in the first nine months of the last financial year and is cumulatively £0.5m above plan (25%).
- The cost improvement programme (CIP) for 2014/15 is £5.8m, with a cumulative month 9 target of £4.2m. The Trust has achieved £3.4m of the savings identified in the plan at the end of month 9 including additional non-recurrent savings of £0.29m. The CIP is therefore behind plan by £0.8m demonstrating delivery of in month planned CIP of £0.5m.
- Capital expenditure was £606k below the revised plan in month 9 and is £1.3m below the revised plan cumulatively to date. In month adverse performance relates to slippage in replacement medical equipment (cardiac output monitors, very-q system and critical care ultrasound system), the IT EPR schemes (ECG and Ob's Monitoring) and Estates schemes (CF service expansion, generator replacements and the critical care ITU room upgrade). Further detail is included within the main body of the report.
- Cash balances are £2.1m below plan at £9.4m with an increase in balances in month of £0.4m.

3. Monitor Metrics Summary

Table 1 Continuity of Services Risk Rating (CoSRR)

Continuity of Services Risk Rating (CoSRR)	Plan YTD	Actual YTD	Variance YTD
Debt Service Cover			
Total Revenue for Debt Service £'000	5,032	5,043	11
Total Debt Service £'000	(1,674)	(1,702)	(28)
Debt Service Cover Matrix	3.01	2.96	(0.0)
Debt Service Cover Rating	4	4	0
Liquidity			
Cash for CoS Liquidity Purpose £'000	(2,511)	(210)	2,301
Operating Expenses within EBITDA £'000	(77,492)	(81,715)	(4,223)
Liquidity Metric (Days)	(8.7)	(0.7)	8.0
Liquidity Rating	2	3	1
CoSRR	3	4	1

The month 9 overall risk rating on the Monitor metrics is level 4 which ahead of the planned level 3.

Although not part of the overall risk rating score, a series of additional indicators to highlight the potential for any future material financial risk have been used historically by Monitor. Whilst now not formally covered in template returns those that remain relevant are shown overleaf for completeness.

Cumulative Performance to month 9

Unplanned decrease in (quarterly) EBITDA margin in two consecutive quarters	Yes
Trust is unable to certify that Board anticipates that the Quarterly CoSRR will be at least 3 over the next 12 months (from Governance Statement)	No
Debtors > 90 days past due account for more than 5% of total debtor balances	Yes
Creditors > 90 days past due account for more than 5% of total creditor balances	Yes
Capital expenditure > 115% of Latest Plan for the year to date	No
Capital expenditure < 85% of Latest Plan for the year to date	Yes
Quarter end cash balance <10 days of (annualised) operating expenses	No

Debtors > 90 days past due total £0.95m and account for 25% of total debtors (month 8 29%). Within the total over 90 days due: £245k relates to RLBUHT invoices. Progress has been made in January to clear aged payables for which an equitable payment will be received to clear a proportion of the aged debt. Private patient insurance company debt over 90 days continues to increase (BUPA £401k, AXA PPP £164k), further work is required to address this debt through external debt recovery and recommendation for potential write off.

Creditors >90 days past due total £0.69m and accounts for 17% of total creditor balances. A large proportion of the outstanding debt is with RLBUHT with material balances including disputed RIS annual charges of £125k and 2006/07 and 2005/06 service charges for £30k and £29k respectively which the Trust also disputes. There are outstanding invoices in respect of clinical waste recharges totalling £85k, for which approval is currently being sought to release payment

and £121k in respect of an SLA adjustment invoice for 2012/13. A number of these invoices have now been cleared in January which will improve the over 90 day performance in Month 10.

Capital expenditure <85% of plan - at £1.4m capital expenditure represents 51% of the revised plan. Medical equipment accounts for £0.4m of the £1.3m slippage. A number of items have slipped from quarter 3 into quarter 4, including £120k Cardiac Output Monitors, £36k for telescopes & VATS instruments, £80k for Philips V60 ventilators, £10k for Cryotherapy equipment and £54k for CX50 Ultrasound. The VeriQ system £68k has been put on indefinite hold due to high revenue consequences identified in the Business Case.

Estates developments are below plan by £324k, including £219k slippage at end of December on the new Cystic Fibrosis ward. The tender has now been awarded with work expected to commence on site in early February. Other Estates slippage includes £60k on the Outpatients scheme, and £45k on Estates Infrastructure, both now profiled for quarter 4.

In Donated Assets, there has been further slippage of £223k for the Robert Owen House Upgrade scheme into quarter 4.

Some £186k of profiled expenditure on I.T schemes (PACS Xcelera replacement) has slipped from quarter 3 to quarter 4. A further sum of £302k relating to proposed EPR-related schemes has either been deferred to 2015/16 for operational reasons. The IT Network scheme has been deferred to 2015/16.

The majority of slippage to date in the revised capital programme is expected to be delivered by the year end. Some items of medical equipment have now been brought forward from the 2015/16 capital programme to offset deferred items in the 2014/15 programme and to ensure that the Trust does not trigger capital risk with Monitor.

4.Statement of Comprehensive Income (SoCI)

For completeness the SoCI is attached at **Appendix 1**.

4.1 Income and activity

Activity & Clinical Income by Point of Delivery

Point of Delivery	Inpatient Activity			Income (£000's)		
	Plan YTD	Actual YTD	Var YTD	Plan YTD	Actual YTD	Var YTD
Day Case	3,328	3,162	(166)	6,739	6,822	82
Elective	2,924	2,882	(42)	17,525	17,378	(147)
Non Elective	3,097	3,248	151	14,411	15,769	1,358
Excess Bed Days	1,421	1,339	(82)	309	287	(22)
OP First attenders	16,880	18,152	1,272	2,628	2,945	318
OP Follow ups	32,561	34,093	1,532	3,296	3,434	138
Outpatients Radiology	6,317	5,769	(548)	891	804	(86)
Outpatient Other (ECG, Oxygen, Pulm Rehab)	6,446	6,427	(19)	747	737	(10)
Critical Care	9,033	9,299	266	11,914	12,202	288
Critical Care -transition funding	0	0	0	(41)	(795)	(754)
Devices	1,223	1,446	223	6,832	8,907	2,075
Drugs	0	0	0	2,297	2,292	(04)
Cystic Fibrosis	242	241	(01)	3,432	3,457	25
PPCI	949	941	(08)	119	124	5
Other Adjustments	0	0	0	212	(144)	(356)
Total	84,422	86,999	2,577	71,311	74,219	2,908

Inpatient activity performance in month was above plan by 41 spells (4%):

- The Surgical Division was 22 spells above plan in month (7.7%) and £210k (9.5%) above plan in income terms. Performance by procedure group was:
 - Cardiac surgery 9 spells (5%) above plan and £152k (39) above income plan, driven by cardiac valve, CABG & valve.
 - Thoracic surgery 14 spells (14%) above plan and £57k (12%) above income plan with strong income performance on complex thoracic.
 - Upper GI was in line with activity and income plan.
- Cardiology and Chest Medicine Division was 9 spells above plan (1%) and above plan on income by £174k (10%). The main variances by procedure group were:
 - Angioplasty was 2 spells (1%) above plan and £19k (3%) above income plan.
 - Catheters were 15 spells (11%) below plan and £32k (12%) below income plan.
 - EP Studies were 13 spells above plan (18%) and £27k (15%) above income plan.
 - Pacing was 34 spells above plan (49%) and £195k (52%) above income plan.
- Critical care bed days were reported as 221 (22%) above plan in month and £284k (21%) above income plan. Cumulatively critical care income is £288k above plan (2%) and 266 bed days above plan (3%) this excludes the impact of the difference in transition tariff compared to plan at month 9 of £754k.
- Outpatient activity was 25 (0.4%) below plan in month with income in line with plan at £0.65m. Cumulatively to date outpatient attendances are 2,804 (6%) above plan. The over performance continues to be materially driven by unbundled diagnostic tests that were not catered for in the plan.
- High cost devices were 24 above plan in month(20%) and £381k(58%) above income plan offsetting the cost of the devices showing within the clinical supplies budget overspend. Drugs recharges were above plan by £46k in month Pulmozyme was £16k above plan and Aztreonam £27k above plan.

4.2 Operating Income and Contract Update

The tertiary contract with NHS England overperformed in month by £0.77m and is £2.3m (5%) above plan cumulatively to date. The above plan performance to date is materially driven by recharged devices (£1.9m), non- elective activity (£0.57m) and non-elective non-emergency activity (£0.67m) offsetting the critical care tariff transition (-£0.75m).

The Secondary contract was broadly in line with plan in month 9 at £1.16m. However, the contract is cumulatively some £0.31m (3%) above plan materially with Wirral CCG and West Lancashire CCG and by point of delivery driven by outpatient procedures (£0.25m).

The Wales contract was above plan in month 9 by £119k (10%) and is cumulatively £75k above plan (0.7%). Non-elective non-emergency activity is above plan (£211k) as is elective activity (£177k).

The Isle of Man contract was below plan in month by £16k (8%). Cumulatively this contract is £252k (13%) above plan in driven by devices (£72k), elective activity £144k (mainly TAVI £112k).

Private patient income was above plan by £194k (86%) in month 9. Activity to date is 26% higher than the equivalent period in 2013/14 with the average income per spell circa £390 higher. Cumulatively private patient income is £0.5m above plan (25%).

Non patient related income was above plan in month 9 at £120k (22%) materially driven by Non-Medical and Education Training (NMET) income £27k, R&D income £20k and SLA/Trust income £38k. At the end of month 9 non patient related income is £744k above plan (15%) materially driven by SLA/Trust income.

4.3 Operating Expenditure

Pay costs were above plan by £359k in December and are £1.6m above plan to date.

Overtime costs in month 9 were marginally below historical monthly averages but were adversely offset by increased bank costs in other clinical staff (£27k above monthly average) whilst locum costs remained unchanged. Agency costs increased in month by 23% compared to month 8 predominantly driven by nursing which was some £108k in month and cumulatively £393k reflecting issues in key areas of the Trust such as Critical Care £64k and Theatres £24k due to vacancies, sickness levels and increased activity.

As previously reported agency costs continued to be high in the Clinical Coding department in month where recruitment to coding posts has been historically difficult although a successful recruitment has recently taken place with recently agreed recruitment and retention premiums having a positive impact.

Other factors contributing to above plan pay expenditure in month include additional sessions for consultants in relation to activity in Electrophysiology and consultant vacancies in Anaesthesia £61k. Slippage on CIP in respect of Consultant job planning total £38k in month, £160k year to date.

Other CIP pay scheme slippage accounted for £121k in month contributing to the adverse in month performance.

Drugs expenditure was below plan in month by £30k and cumulatively is above plan by £174k. Of the below plan expenditure in month 9, £60k relates to Ivacaftor being low in month matched by reduced income as this is a pass through cost.

Clinical supplies are £470k above plan in month and are £1.9m above plan cumulatively reflecting activity related costs.

- ICDs are 17 above plan in month (£189k) but are rechargeable with the income included in the income position reported in month.
- Cath labs are £18k above plan in month with activity 2% above plan for PCI and 10% under plan for Catheters with the PCI activity materially driving costs.
- Theatres are £96k above plan. Total SACC activity over performance in month was 9% including Thoracic Surgery 12% above plan. Valves were 15 over in month and carry a cost on average of £4k each. TAVI one above plan in month with a cost of £20k for the device.
- EP was £40k above plan in month with activity 32% above plan.
- Blood £59k above plan in month, year to date £49k above plan. A one off additional bloods invoice for £50k received for LHCH private patient, rechargeable to the insurance company.

Non-clinical supplies expenditure was £35k above plan in month and reflects the additional cost of the IT SLA with Informatics Merseyside.

Overhead expenditure was some £137k above plan in month. This is materially driven by in month costs relating to include Risk Management review £30k and consultancy costs from PMO office and Cardiology future services review (part offset by income).

5. Delivering Efficiency and CIPs

At month 9 achieved CIP's total £3.4m against a plan of £4.2m with corresponding slippage of £0.8m.

The table below illustrates the CIP performance to date by category.

YTD Performance by Category	Plan £'000	Actual £'000	Variance £'000	Additional Schemes Identified £'000	Total Actual £'000	Revised Variance £'000
Income	196	235	39	210	445	249
Pay	1,943	562	-1,382	335	896	-1,047
Non Pay	2,016	1,988	-28	28	2016	0
Total	4,155	2,785	-1,370	573	3,357	-797

The largest area of slippage in CIP schemes continues to feature within pay and relates to the previously reported profiling issue associated with Consultant premium sessions savings, admin & clerical review, purchase of additional annual leave and departmental reviews by external bodies. The total slippage associated with these schemes at month 9 is £482k. In addition there is slippage in various schemes across the divisions as outlined in the table below totalling £888k. These include income for Echocardiogram tests that commissioners have refused to accept until 2015/16 (£150k), REAPPRO drug protocol savings (£113k), drug eluting stent reductions (£37k) and various Theatre and ITU consumable savings (£150k).

The table below illustrates the CIP performance to date by Directorate.

YTD Performance by Directorate	Plan £'000	Actual £'000	Variance £'000	Additional Schemes Identified £'000	Total Actual £'000	Revised Variance £'000
Cardiology	1,349	983	-366	228	1210	-138
Surgery	1,105	809	-296	99	908	-197
Clinical Support Services	340	330	-10	88	418	78
Non-clinical support Services	170	87	-83	37	124	-46
Corporate Services	485	497	12	121	618	133
CIP to be allocated / Reserves	706	79	-627	0	79	-627
Total	4,155	2,785	-1,370	573	3,357	-797

The CIP target for 2014/15 is £5.8m and at month 9 the continuous review of CIPs suggests that there remains risk regarding £1.1m of schemes. These schemes include unbundling of tests £200k, department external reviews £50k, job planning/premium sessions £210k, buying additional leave £77k, unallocated CIP £477k. To date in year additional schemes totalling £573k have been identified of which some £291k are non-recurrent schemes. CIP risk of £0.9m has been built into the forecast outturn position as at the end of month 9.

6.Statement of financial Position(SoFP)

For completeness the balance sheet (SoFP) and cash flow (SoCF) statements are attached at **Appendices 2 and 3.**

7.Cash

Cash Balance

In month £000s			Cumulative £000s		
Plan	Actual	Variance	Plan	Actual	Variance
1,095	415	-680	11,527	9,378	-2,149

Cash balances increased by £0.42m in month and stand at £9.4m which is £2.1m below plan. The below plan variance is materially driven by:

- Restructuring costs for the MARS scheme have been paid in year but were not included in the plan of £0.44m.
- Movements in Working Capital are decreasing cash balances more than was planned by £4.5m:
 - There is an adverse cash flow on stock at £1.2m . Theatre stocks are higher than planned (£0.50m) of which £0.24m relates to the addition of TAVIs into the omnicell system. Cath Labs are £0.15m above plan and Drugs £0.13m above plan. This is partly due to above plan activity combined with the impact of ensuring sufficient stock levels over the Christmas period.
 - Movements on receivables (debtors) including accrued income are higher than planned (£4.9m adverse impact) with accrued income for medical consumable rebates (£0.65m), accrued contract income (£1.8m) and higher than planned aged debt. Monthly debt management meetings continue with SBS to target aged private patient debt including total debt for BUPA £0.6m and AXA £0.4m.
- Capital expenditure is below the original plan improving the cash position by £2.5m.

Investments

The Trust has continued to utilise the national loans fund in line with its investment policy and Monitors guidance re “safe harbour” investments maintaining a balance of £8.5m. Additionally at the end of month 9 the Trust had £0.9m deposited in the GBS account. The table below illustrates the interest received associated with the various accounts in the year to date (£37k).

Investment held with:	Interest Rate	Investment £	Interest YTD £	Equivalent Interest
GBS Account	0.25%	870,720	8,841	9,385
Royal Bank of Scotland Instant Access	0.90%	0	0	0
Royal Bank of Scotland 30 Day Notice Account	1.00%	0	0	0
National Loans Fund	0.39%	8,500,000	19,072	27,147
Total		9,370,720	27,913	36,532

8. Working Capital

Total Receivables (including accruals) are £7.6m at the end of December and are £5.2m above plan.

	YTD Plan £'000	YTD Actual £'000	Variance £'000
NHS Receivables	960	2,372	1,412
Non-NHS Trade Receivables	620	1,447	827
Other Receivables	523	883	360
Provision for the Impairment of Receivables	-223	-223	0
Accrued Income	500	3,143	2,643
TOTAL	2,380	7,622	5,242

The main variances are as follows:

Non NHS receivables – The opening balances on non-NHS receivables were higher than originally forecast at the start of the year and some remain outstanding together with new receivables raised in year. The highest balance is with BUPA at £639k and the Trust is continuing to negotiate a settlement with the private patient insurer. In addition there are AXA PPP Healthcare invoices of £359k outstanding.

Accrued income - Accrued income adjustments are higher than plan due to outstanding rebates on medical consumables for £0.65m and differences between contract performance and invoiced values of £1.8m.

The table below details actual invoices outstanding (the receivable figures above include accrued income and control account balances that do not involve raising invoices). The unallocated line represents payments received but not yet allocated against invoices outstanding.

Customer Type	Analysis of Aged Debt								% Over 90 Days
	Current £	1 - 30 Days £	31-60 Days £	61 - 90 Days £	91 - 180 Days £	181 - 360 Days £	361+ Days £	Total Debt £	
NHS	4,793	1,218,269	22,735	799,062	107,101	156,059	26,565	2,334,585	12%
Non-NHS	249,332	615,528	43,422	56,200	261,184	158,388	272,674	1,656,729	42%
Unallocated	-	93,987	39,422	9,544	4,361	10,590	13,321	171,227	17%
TOTAL	254,125	1,739,810	26,735	845,718	363,924	303,856	285,918	3,820,087	25%

The Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflows and a Contribution by Directorate table are appended to the report.

9. Conclusion

The normalised deficit position of £63k represents a broadly on plan performance position for month 9 with the Trust at the end of quarter 3 some £141k above the planned deficit position of £204k. The Continuity of Service Risk Rating (CoSrr) being delivered at the end of month 9 at level 4 is above the planned level 3 with continuing improving performance on the liquidity metric with a further 2.1 liquid days improvement being delivered in December. This position being underpinned by continued strong activity performance in month 9 building on that reported in the first two months of quarter 3.

Activity has shown continued improvement in month 9 with overall inpatient spells now 0.6% below plan, and total outpatient activity some 3.6% above plan. This activity overperformance delivering strong clinical income levels which at the end of quarter 3 is above plan by £3.0m (3.9%).

EBITDA performance at the end of quarter 3 is on plan driven as noted above by strong clinical income performance combined with robust private patient income levels and continued above plan performance on non clinical income. Margins driven through this income performance currently mitigating risk to the financial plan due to CIP slippage and impact on pay expenditure due to agency and bank premium costs.

As previously reported controls in respect of vacancy panel and review of non- essential expenditure are in place to mitigate cip slippage risk.

Risks	£'000	Consequence	Mitigating actions
Industrial action 29/01/15	tbc	Lost activity to be recovered with premium rate sessions adversely impacting on margins.	Planning to minimise impact on service and recovery of lost activity. Surgical and Cardiology audit days to be held on 29 th .
Further ECMO patients	tbc	Additional cost plus lost activity to be recovered with premium rate sessions	Negotiated top up tariff with commissioners Reviewed 2 cases to date together with pathway protocols to ensure patients are being managed effectively in the correct environment. Clinical protocol now in place.
CIP slippage	900	Failure to achieve the financial plan	Monthly CIP meetings (Exec led) Monthly budget review meetings (Exec led) Vacancy panel in place PMO post recruited to with governance structures expected to be introduced in quarter 4 Clinical income upside from activity growth Private patient performance 2015/16 plan upsides Residual contingency risk reserve
Contract sanctions re Referral to Treatment Times at Specialty level, VTE etc.	113.5	Financial sanctions	Additional sessions Aug – Nov to manage the backlog with commissioner confirmation that no sanctions will apply during this time. Year end settlement negotiations.
Un-met CQUIN targets	100	Loss of income	Strong focus on CQUIN

			performance management
Potential upsides			
Myocardial Revascularisation	150	Additional activity	n/a
NICE guidance re ICDs	300	Additional activity	Currently being realised with forecast upside to 2015/16 plan
DGH partnership	20	Additional Stress Echos	Gain incorporated into position
Further additional Private Patient income above plan	250	n/a	Gain incorporated into position with recurrent upside to 2015/16 plan.
Continued above plan activity in general	150	Additional activity (marginal income)	Gain incorporated into position with recurrent upside to 2015/16 plan.

The Trust is forecasting a year-end normalised net surplus of £0.4m marginally below the planned level of £0.48m. The forecast achieves a CoSRR at level 4 and includes the base assumption that activity levels will continue to be achieved in quarter 4, that CIP slippage will be contained at a maximum of £0.9m and the risk contingency reserve will be fully utilised. Work is on-going to identify alternative CIPs and together with continued financial control and management of the risks outlined above the Trust remains on course to achieve the 2014/15 financial plan.

Additionally sensitivity analysis will be undertaken following divisional reviews of activity to set a baseline for 2015/16 using recent months activity trends to assess any further potential upsides over and above those identified in the table above.

10.Recommendation

That the Board of Directors are asked to note the financial position of the Trust at the end of month 9 and assurance based on performance at the end of quarter 3 that the Trust is on course to deliver the 2014/15 financial plan.

Actual in month 31st Dec 2013 £'000	YTD Actual in month 31st Dec 2013 £'000	Description	2014/15 Plan version £'000	Month			Year to Date			Forecast Outturn		
				Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
1,015	9,965	Inpatient Activity	13,234	1,006	1,071	65	9,848	9,887	39	13,234	13,248	14
4,574	48,118	Outpatient Activity	65,835	5,464	5,441	(23)	49,441	52,310	2,869	65,835	69,576	3,741
20	191	Number of Working Days	253	22	22	0	191	191	0	253	253	0
1,380	1,380	FTE's	1,434	1,455	1,376	79	1,455	1,376	79	1,455	1,376	79
7,877	75,921	Direct Patient related Revenue	101,466	8,015	8,731	716	75,353	78,329	2,976	101,466	104,530	3,065
225	1,918	Private Patients Revenue	2,865	226	420	194	2,128	2,652	524	2,865	3,362	498
608	5,386	Non Patient Related Revenue	6,687	557	669	112	5,015	5,751	736	6,687	7,594	907
8,710	83,226	Total operating income	111,018	8,799	9,820	1,022	82,495	86,732	4,236	111,018	115,487	4,469
(5,160)	(45,821)	Employee Expenses	(60,114)	(4,967)	(5,326)	(359)	(45,213)	(46,857)	(1,644)	(60,114)	(62,474)	(2,359)
(479)	(4,492)	Drugs	(5,799)	(485)	(456)	30	(4,336)	(4,510)	(174)	(5,799)	(6,131)	(332)
(2,424)	(22,195)	Clinical supplies	(28,496)	(2,131)	(2,602)	(470)	(21,037)	(22,945)	(1,908)	(28,496)	(30,571)	(2,075)
(220)	(1,899)	Non-clinical supplies	(2,467)	(195)	(230)	(35)	(1,849)	(2,005)	(156)	(2,467)	(2,715)	(248)
(8,283)	(74,407)	Total Direct Costs	(96,876)	(7,779)	(8,614)	(835)	(72,435)	(76,316)	(3,881)	(96,876)	(101,890)	(5,014)
427	8,819	Gross Profit	14,141	1,019	1,206	187	10,060	10,416	355	14,141	13,597	(545)
4.9%	10.6%	Gross Profit Margin	12.7%	0	0		12.2%	12.0%		12.3%	12.0%	
		Overheads										
(93)	(935)	Establishment expense	(1,265)	(105)	(118)	(13)	(948)	(1,027)	(79)	(1,265)	(1,339)	(74)
(295)	(2,740)	Premises & Fixed Plant expense	(4,070)	(338)	(328)	10	(3,056)	(3,032)	25	(4,070)	(4,054)	16
(59)	(346)	Consultancy fees expense	(350)	(29)	(119)	(91)	(258)	(443)	(185)	(350)	(464)	(114)
(33)	(327)	CNST Contributions	(476)	(40)	(39)	1	(357)	(349)	8	(476)	(466)	10
36	(168)	Misc. other Operating Expenses	(564)	(42)	(86)	(44)	(436)	(540)	(104)	(564)	(696)	(133)
0	0	CIP	0	-	0	0	0	0	0	0	0	0
(444)	(4,516)	Total overhead expenses	(6,724)	(554)	(691)	(137)	(5,055)	(5,390)	(335)	(6,724)	(7,019)	(295)
(17)	4,303	EBITDA	7,417	466	516	50	5,005	5,026	21	7,417	6,578	(839)
-0.2%	5.2%	EBITDA Margin	6.7%	5.3%	0		6.1%	5.8%		6.7%	5.7%	
(437)	(3,607)	Depreciation and amortisation	(5,521)	(470)	(421)	50	(4,101)	(3,788)	313	(5,521)	(5,051)	470
4	28	Interest Receivable	37	3	3	(0)	28	28	0	37	36	(1)
(4)	(36)	Interest Payable on Loans & Leases	(48)	(4)	(3)	1	(36)	(28)	7	(48)	(38)	10
(165)	(1,488)	PDC dividend	(2,011)	(168)	(168)	(0)	(1,508)	(1,511)	(3)	(2,011)	(2,015)	(4)
0	0	Impairments & Restructuring	0	0	(10)	(10)		(435)	(435)	0	(437)	(437)
0	62	Income from Donated Assets	600	142	41	(100)	408	210	(198)	600	896	296
(619)	(740)	Net Surplus / (Deficit)	475	(32)	(41)	(10)	(204)	(498)	(294)	475	(32)	(506)
-7.1%	-0.9%	Net Surplus Margin	0.4%	-0.4%	-0.4%		-0.2%	-0.6%		0.4%	0.0%	
(619)	(740)	Normalised Net Surplus / (Deficit)	475	(32)	(31)	0	(204)	(63)	141	475	405	(69)

Statement of Financial Position (Balance Sheet) as at 31st December 2014

Appendix 2

Post Audit 31st March 2014 £000		Previous Month			Current Month			
		30th Nov 2014 Plan YTD £000	30th Nov 2014 Actual YTD £000	Variance YTD £000	31st Dec 2014 Plan YTD £000	31st Dec 2014 Actual YTD £000	Variance to Plan YTD £000	Movement for Year YTD £000
	Non Current Assets							
857	Non-Current Assets - Intangible Assets	1,031	858	(173)	1,031	741	(290)	(116)
69,340	Non-Current Assets - Tangible Assets	69,331	67,222	(2,109)	69,628	67,052	(2,576)	(2,288)
6	Non-Current Assets - Financial Assets	0	6	6	0	6	6	(0)
70,203	Total Non Current Assets	70,362	68,085	(2,277)	70,659	67,799	(2,860)	(2,404)
	Current Assets							
2,541	Inventories	2,875	3,568	693	2,625	3,403	778	862
	Trade and Other Receivables:-							
1,285	NHS Receivables	1,040	2,076	1,036	960	2,372	1,412	1,087
1,447	Non NHS Trade Receivables	630	813	183	620	1,447	827	(0)
544	Other Receivables	523	540	17	523	883	360	339
(223)	Provision for the Impairment of Receivables	(223)	(223)	0	(223)	(223)	0	0
637	Accrued Income	583	3,954	3,371	500	3,143	2,643	2,506
145	PDC Dividend overpayment	0	0	0	0	0	0	(145)
386	Prepayments	963	726	(237)	772	603	(169)	217
10,906	Cash & Cash Equivalents	10,432	8,963	(1,469)	11,527	9,378	(2,149)	(1,528)
6	Non Current Assets Held for Sale	0	6	6	0	6	6	0
17,674	Total Current Assets	16,823	20,423	3,601	17,304	21,013	3,710	3,339
87,877	Total Assets	87,185	88,509	1,324	87,963	88,812	849	935
	Trade and Other Payables:-							
(2,082)	Deferred Income	(1,496)	(1,638)	(142)	(1,884)	(1,757)	127	325
(358)	Provisions	(1,297)	(331)	966	(1,297)	(331)	966	27
(3,748)	NHS Payables - Revenue	(2,873)	(2,503)	370	(2,752)	(2,479)	273	1,269
(2,393)	Non NHS Trade Payables - Revenue	(1,915)	(2,306)	(391)	(1,835)	(2,490)	(655)	(97)
(2,002)	Other Payables (Tax,payroll deductions)	(1,796)	(2,071)	(275)	(1,796)	(2,040)	(244)	(38)
(653)	Non NHS Trade Payables - Capital	(929)	(566)	363	(1,132)	(445)	687	208
(5,076)	Accruals	(5,580)	(7,793)	(2,213)	(5,834)	(7,637)	(1,803)	(2,561)
(195)	Borrowings	(155)	(140)	15	(155)	(133)	22	62
-	PDC Dividend	(335)	(335)	(0)	(503)	(503)	0	(503)
1,167	Net Current Assets/ (Liabilities)	447	2,742	2,295	116	3,200	3,084	2,033
71,370	Total Assets less Current Liabilities	70,809	70,827	18	70,775	70,999	224	(371)
(982)	Deferred Income	(492)	(983)	(491)	(492)	(983)	(491)	(1)
(103)	Provisions	(73)	(105)	(32)	(73)	(105)	(32)	(2)
(537)	Borrowings	(448)	(448)	(0)	(448)	(437)	11	100
69,748	Total Assets Employed	69,796	69,290	(506)	69,762	69,473	(289)	(275)
62,799	Public Dividend Capital	63,023	62,799	(224)	63,023	63,023	0	224
11,836	Revaluation Reserve	11,866	11,836	(30)	11,866	11,836	(30)	(0)
	Income and Expenditure Account							
(4,887)	Retained Earnings	(5,093)	(5,345)	(252)	(5,127)	(5,386)	(259)	(499)
69,748	Total Taxpayers Equity	69,796	69,290	(506)	69,762	69,473	(289)	(275)

(499)

Current Trading - Cashflow Statement as at 31st December 2014

Appendix 3

Post Audit 31st March 2014	Cashflow Statement Month	In Month			Year to Date		
		Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's
14,790	Opening Balance	10,432	8,963	-1,469	10,882	10,907	25
6,990	EBITDA	606	547	-59	5,413	4,801	-612
45	Charitable investment	-142	-40	102	-408	-210	198
7,035	Operating Cashflows before movements in working Capital	464	508	43	5,004	4,591	-414
	Movements in Working Capital:						
16	(Increase)/Decrease in Inventories	250	164	-86	327	-862	-1,189
-367	(Increase)/Decrease in Receivables (including accrued income)	174	-461	-635	560	-3,932	-4,493
107	(Increase)/Decrease in Prepayments	191	123	-68	-344	-217	127
394	Increase/(Decrease) in Payables	-201	129	330	-827	-1,134	-307
-481	Increase/(Decrease) in Accruals	255	-156	-411	-54	2,561	2,614
1,540	Increase/(Decrease) in Deferred Income	388	119	-269	617	-324	-941
-1,371	(Increase)/Decrease in Current Provisions	0	0	0	318	-27	-345
-162	Increase/(Decrease) in Working Capital	1,057	-82	-1,139	597	-3,937	-4,534
0	Increase/(Decrease) in Non Current Provisions	0	0	0	-322	2	324
6,873	Net Cash Inflow/(Outflow) from Operating Activities	1,521	425	-1,096	5,280	656	-4,624
-8,657	Capital Expenditure (including capital payables)	-565	-255	310	-4,124	-1,590	2,534
-8,657	Net Cash Inflow/(Outflow) from Investing Activities	-565	-255	310	-4,124	-1,590	2,534
-1,784	Cashflow before Financing	956	171	-785	1,156	-934	-2,090
-1,874	PDC Dividends Paid	0	0	0	-1,005	-863	142
	PDC Dividends Capital received	0	224	224	224	224	0
40	Interest received on Cash Balances	3	3	0	28	28	0
-47	Interest element of Finance Leases	-4	-3	1	-36	-28	7
-218	Repayment of Loans & Leases	0	-18	-18	-130	-162	-32
	Donations received in cash	142	40	-102	408	210	-198
-2,099	Net Cash Inflow/(Outflow) from Financing	141	245	105	-511	-591	-80
-3,883	Net Cash Inflow/Outflow	1,097	416	-681	645	-1,525	-2,170
10,907	Closing Balance	11,529	9,379	-2,150	11,527	9,382	-2,145

Current Trading - Contribution Analysis for the period to 31st December, 2014

Appendix 4

Contribution by Directorate	Income			Expenditure			Contribution		
	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's
Cardiology & Chest Medicine	-41,881	-45,223	-3,341	29,983	31,747	1,763	-11,898	-13,476	-1,578
Surgery, Anaesthesia & Critical Care	-37,006	-37,684	-678	27,216	28,200	984	-9,790	-9,484	306
Support Services	-671	-724	-53	12,409	12,514	105	11,739	11,790	51
Corporate Services	-2,937	-3,101	-165	8,664	8,895	231	5,728	5,794	66
Reserves, unallocated CIP's	0	0	0	-783	351	1,134	-783	351	1,134
Total EBITDA	-82,495	-86,732	-4,237	77,491	81,706	4,216	-5,005	-5,026	-21