

Board of Directors (Public) Item 5.2

Subject: Month 11 Finance Report
Date of meeting: 31st March 2015
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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 11 and cumulatively as at 28th February 2015. 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 11 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 £211k against a planned deficit of £2K. The underlying position is a deficit to date of £646k but this includes the restructuring cost associated with the MARS scheme. Restructuring costs (£434k) 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 £96k against a planned surplus of £32k.

Efficiencies achieved to date are £4.1m (with £0.36m non-recurrent) against a plan of £5.2m. Monthly CIP meetings and review of budgets suggest schemes totalling £1.1m remain red for risk of achievement, the forecast outturn normalised surplus of £0.4m caters for this level of risk on CIP.

Capital expenditure at £2.4m is £1.5m behind the revised plan that was submitted to Monitor at the end of quarter 2 for December. Current forecast outturn is at £5.2m.

4. Conclusion

The normalised deficit position of £212k represents a deterioration to that reported at month 10 materially driven by in month above historical average expenditure on agency staffing. The CoSRR being delivered at the end of month 11 at level 4 is above plan with a better liquidity position than planned at -0.2 days (compared to plan at -9.6 days.)

5. Inpatient NHS activity has shown an improvement in month 11 exceeding plan in month by 1.2% with overall inpatient spells cumulatively now 0.90% below plan (compared to below plan at 1.1% at month 10) and associated income £1.1m (2.1%) 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 month, the continued identification of in month alternative CIPs at historical levels and management of the risks outlined above the Trust remains on course to achieve the 2014/15 financial plan.

6. Recommendations

The Board of Directors are asked to note the financial position of the Trust at the end of month 11.

1. Introduction

This paper sets out the Trust's financial performance at the end of February 2015 (month 11) 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 28th February 2015.

Key issues to note on performance at the end of month 11;



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



Total income above plan by £4.9m.



A normalised net deficit of £212k against a planned deficit of £2k.



Cash balances at £8.9m are £2.4m below planned balances of £11.3m.



Capital expenditure at £2.4m set against revised profiled plan of £4.0m.



Actual CIP achieved at £4.1m against planned £5.2m

The Trust is reporting a normalised net deficit of £96k achieved in month 11 compared to a planned surplus of £32k. Inpatient related income which was 3.4% (£0.2m) above plan in month driven by activity spells that were 1.3% above plan. Inpatient activity within the Surgical Division was 2.4% below plan with performance in Cardiology and Chest Medicine being 4% above plan.

The reported year-to-date position is a normalised deficit of £212k some £210k above the planned deficit of £2k. The adverse plan position at the end of month 11 deteriorating compared to that reported to the Board of Directors as at the end of month 10. 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 and premium costs associated with agency staffing and additional WLI sessions.

Performance to date delivers a Continuity of Services Risk Rating (CoSRR) of 4 above the planned level 3. The liquidity rating has deteriorated slightly from that reported in month 10 but is still some 9.4 days ahead of plan (equivalent to circa £2.7m) despite cash balances being below plan. The improvement is due to above plan working capital performance predominantly driven by above plan activity levels reflected in accrued income at month 11.

Inpatient activity performance continues to be above plan in month 11 with the SACC directorate below plan by 2.4% with case mix resulting in income being above plan by £0.1m (6.1%) materially driven by thoracic surgery and TAVI. The C&CM directorate was 4% above plan in activity terms and broadly delivered in line with its income plan at £2.0m.

Inpatient spells (excluding Private Patients) were 1.3% above plan in month and are 0.9% below plan cumulatively. By directorate SACC inpatient activity is cumulatively 0.7% below plan and C&CM is 0.9% below plan.

The key points to note at the end of month 11 include:

- Total income to date is £4.9m above plan (4.8%) with direct patient related income £3.30m above plan (3.6%) materially driven by the tertiary and secondary contracts that are £3.1m and £0.4m above plan respectively. The Wales contract is slightly below plan (£0.3m) at £13.1m and the Isle of Man contract is £0.21m (8.9%) above plan.
- Private patient income whilst cumulatively still performing strongly at £655k (25%) above plan in month performance was disappointing being £186k against a plan of £237k. Cumulatively activity is now only 4% higher at the end of February 2015 than at same time last year.
- The cost improvement programme (CIP) for 2014/15 is £5.8m, with a cumulative month 11 target of £5.2m. The Trust has achieved £4.1m of the savings identified in the plan at the end of month 11 including additional non-recurrent savings of £0.36m. The CIP is therefore behind plan by £1.1m reflecting previously reported slippage levels.
- Capital expenditure was £286k below the revised plan in month 11 and is £1.6m below the revised plan cumulatively to date. In month adverse performance being materially driven by Cystic Fibrosis £200k and IT infrastructure £105k.
- Cash balances are £2.3m below plan at £8.9m with cash balance broadly being maintained at the previous month's levels.

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	6,373	5,704	(669)
Total Debt Service	(2,082)	(2,064)	18
Debt Service Cover Matrix	3.06	2.76	(0.3)
Debt Service Cover Rating	4	4	0
Liquidity			
Cash for CoS Liquidity Purpose	(2,764)	(57)	2,707
Operating Expenses within EBITDA	(94,745)	(100,143)	(5,398)
Liquidity Metric (Days)	(9.6)	(0.2)	9.4
Liquidity Rating	2	3	1
CoSRR	3	4	1

The month 11 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 11

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 £1.16m and account for 30% of total debtors (month 10 29%). Within the total over 90 days due: £410k relates to RLBUHT invoices. Whilst progress has been made to reduce the total payables/receivables balance in January a higher proportion of receivables has fallen into the over 90 days category. Private patient insurance company debt over 90 days has reduced marginally (BUPA £386k, AXA PPP £167k). A teleconference is being held with BUPA in March to discuss a way forward with the level of aged debt and the implementation of an electronic billing interface by SBS will facilitate faster recovery of debts from the main insurance companies.

Creditors >90 days past due total £0.50m and accounts for 16% of total creditor balances. £0.4m the outstanding debt is with RLBUHT with material balances including Energy £116k, disputed RIS annual charges of £125k and 2006/07 and 2005/06 service charges for £30k and £29k respectively which the Trust also disputes.

Capital expenditure <85% of plan - at £2.4m capital expenditure represents 60% of the revised plan to M11.

Estates developments are below plan by £946k and this includes £583k slippage at end of February on the new Cherry Ward. The tender has now been awarded with contractor commencing on site in early February. Other Estates slippage includes £249k for the Generators scheme.

In Donated Assets, there has been year to date slippage of £90k for the delayed Robert Owen House Upgrade scheme, and also due to fewer requirements than planned for medical equipment funded via Charitable Funds.

Year-to-date expenditure on I.T schemes is £130k behind the revised plan, mainly due to the change of plan for the VDI / Desktop scheme. A further sum of £358k relating to proposed EPR-related schemes has been deferred to 2015/16. The IT Network scheme has been deferred for 2015/16 consideration.

Expenditure on the NHS England funded schemes is ahead of the revised plan by £83k. In February the Trust was successful in the Integrated Digital Care fund bid, securing £90k to invest in mobile offline working.

Due to slippage across the capital programme, some items of medical equipment including Ventilators and Echocardiogram machines have now been brought forward from the 2015/16 programme to offset deferred items.

At the end of February the revised forecast capital programme is £5.2m some 93% of the original submitted capital plan. There is a risk at the end of February due to the large proportion of the capital programme profiled for March standing at £2.8m (54% of the programme).

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	4,104	3,922	-182	8,388	8,476	89
Elective	3,573	3,475	-98	21,325	20,860	-464
Non Elective	3,779	3,963	184	17,592	19,104	1,512
Excess Bed Days	1,731	1,486	-245	376	318	-58
OP First attenders	20,522	22,158	1,636	3,195	3,583	388
OP Follow ups	39,588	41,809	2,221	4,007	4,214	206
Outpatients Radiology	7,680	7,051	-629	1,083	975	-108
Outpatient Other (ECG, Oxygen, Pulm Rehab)	7,879	7,924	45	913	946	33
Critical Care	10,905	11,314	409	14,383	14,831	448
Critical Care -transition funding	0	0	0	-49	-960	-910
Devices	1,552	1,774	222	8,670	11,084	2,415
Drugs	0	0	0	2,786	2,896	110
Cystic Fibrosis	309	301	-8	4,391	4,422	31
PPCI	1,155	1,184	29	145	154	9
Other Adjustments	0	0	0	259	-176	-435
Total	102,777	106,361	3,584	87,462	90,728	3,266

Inpatient activity performance in month was above plan by 14 spells (1.3%):

- The Surgical Division was 7 spells below plan in month (2.4%) and £132k (6.1%) above plan in income terms. Performance by procedure group was:

- Cardiac surgery 4 spells (2.5%) below plan and £71k (4.6%) above income plan, driven by TAVI.
 - Thoracic surgery 3 spells (2.7%) above plan and £100k (19%) above income plan with strong income performance on complex thoracic.
 - Upper GI was 8 spells below plan (57%) and £39k (41%) below income plan.
- Cardiology and Chest Medicine Division was 28 spells above plan (4%) and above plan on income by £174k (1.1%). The main variances by procedure group were:
 - Angioplasty was 14 spells (7.7%) above plan and £39k (5.8%) above income plan.
 - Catheters were 39 spells (33.6%) above plan and £62k (27.1%) above income plan.
 - EP Studies were 25 spells below plan (21.1%) and £85k (23.2%) below income plan.
 - Critical care bed days were reported as 199 (21.1%) above plan in month and £247k (19.9%) above income plan. Cumulatively critical care income is £448k above plan (3.1%) and 409 bed days above plan (3.8%) this excludes the impact of the difference in transition tariff compared to plan at month 11 of £910k.
 - Outpatient activity was 648 (9.8%) above plan in month with above plan income performance at £76k (12.2%). Cumulatively to date outpatient attendances are 3,273 (4.3%) 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 in line with in month activity plan at 156. However, income was some £190k above in month plan (21.8%).

4.2 Operating Income and Contract Update

The tertiary contract with NHS England over performed in month by £0.78m and is £3.1m (5.2%) above plan cumulatively to date. The above plan performance to date is materially driven by recharged devices (£2.3m), non- elective activity (£0.65m) and non-elective non-emergency activity (£0.58m) offsetting the critical care tariff transition (-£0.91m).

The Secondary contract was broadly in line with plan in month 11 at £1.25m. However, the contract is cumulatively some £0.38m (2.8%) above plan materially with West Lancashire CCG (£142k) and Southport & Formby CCG (£213k) and by point of delivery driven by non-elective (£0.40m) and outpatient procedures £0.25m). This performance is offset by a large below plan performance within electives (-£0.45m).

The Wales contract was under plan in month 11 by £264k (22%) and is cumulatively £302k below plan (-2.2%). Non-elective non-emergency activity is above plan (£203k) whilst non elective activity is largely below plan (-£284k).

The Isle of Man contract was below plan in month by £9k (-4%). Cumulatively this contract is £214k (9%) above plan driven by devices (£69k) and elective activity £144k (mainly TAVI £112k).

Private patient income was below plan by £51k (-21%) in month 11. Activity to date is 25% higher than the equivalent period in 2013/14 with the average income per spell circa £390 higher. Cumulatively private patient income is £655k above plan (25%).

Non patient related income was above plan in month 11 at £198k (33%) materially driven by Donated Assets income £106k and R&D income £34k. At the end of month 11 non patient related income is £824k above plan (12%) materially driven by SLA/Trust income.

4.3 Operating Expenditure

Pay costs were above plan by £395k in February and are £2.3m above plan to date.

Overtime costs in month 11 were broadly in line with historical monthly averages (£27k) as were bank costs at £122k. However, agency costs increased in month by 233% compared to historical rolling average predominantly driven by nursing which was some £143k in month and cumulatively £691k reflecting issues in key areas of the Trust such as Critical Care £96k (£423k YTD) and Cedar Ward £29k (£61k YTD) due to vacancies, sickness levels and increased activity.

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 £95k. Slippage on CIP in respect of Consultant job planning totals £38k in month, £235k year to date.

Other CIP pay scheme slippage accounted for £53k in month contributing to the adverse in month performance.

Drugs expenditure was below plan in month by £8k and cumulatively is above plan by £287k. Cumulatively above plan expenditure is materially being driven by pass through costs at £110k, CIP slippage £99k and other activity related expenditure.

Clinical supplies are £222k above plan in month and are £2.1m above plan cumulatively reflecting activity related costs.

- ICDs are 13 above plan in month (£158k) but are rechargeable with the income included in the income position reported in month.
- Cath labs are £24k above plan in month with activity 9% above plan for PCI and 27% above plan for Catheters with the PCI activity materially driving costs.
- Theatres are £120k above plan. Total SACC activity under performance in month was 4%, however Thoracic Surgery was 1% above plan. Valves were 3 over in month and carry a cost on average of £4k each. TAVI were two above plan in month with a cost of £20k for the device.
- EP was £45k below plan in month with activity 18% below plan.
- Pacing £29k favourable in month, with activity 4% below plan.

Non-clinical supplies expenditure was £19k above plan in month and reflects the additional cost of the IT SLA with Informatics Merseyside.

Adverse Overhead expenditure performance in month at £100k includes; £21k Walsmley Road markings, £8k advertisement of General Managers posts, £16k provision for an invoice from the Royal in respect of undercharging for waste management (incorrect scales used by Royal) and £45k expenditure on consultancy fees in respect of PMO support and Cardiology/ACHD support.

5. Delivering Efficiency and CIPs

At month 11 achieved CIP's total £4.1m against a plan of £5.2m with corresponding slippage of £1.1m.

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	239	332	93	229	561	322
Pay	2,488	637	-1,851	363	1000	-1,488
Non Pay	2,511	2,542	31	40	2582	71
Total	5,239	3,511	-1,728	632	4,143	-1,096

The largest area of slippage in CIP schemes continues to feature within pay and relates to the previously reported 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 11 is £751k. In addition there is slippage in various schemes across the divisions as outlined in the table below totalling £977k. These include income for Echocardiogram tests that commissioners have refused to accept until 2015/16 (£183k), REAPPRO drug protocol savings (£99k), Estates failing schemes in respect of Joint Venture with the Royal, Carbon Footprint and additional costs in year costs in regard to the Executive Portakabin (£102k) alongside various Theatre and ITU consumable savings (£174k).

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	1,690	1,329	-361	252	1581	-109
Surgery	1,394	921	-473	96	1017	-377
Clinical Support Services	447	441	-6	101	542	95
Non-clinical support Services	239	86	-153	37	123	-116
Corporate Services	630	638	8	146	784	154
CIP to be allocated / Reserves	840	97	-743	0	97	-743
Total	5,239	3,511	-1,728	632	4,143	-1,096

The CIP target for 2014/15 is £5.8m and at month 11 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 £632k have been identified of which some £356k are non-recurrent schemes.

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		
Plan	Actual	Variance
722	-56	-778

Cumulative £000s		
Plan	Actual	Variance
11,276	8,944	-2,332

Cash balances marginally decreased by £56k in month and stand at £8.9m which is £2.3m 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.
- Normalised EBITDA performance is some £0.51m below plan
- Movements in Working Capital are decreasing cash balances more than was planned by £4.9m:
 - I. Movements on receivables (debtors) including accrued income are higher than planned (£4.3m adverse impact) with accrued income for contractual over-performance to month 11 (£2.9m) and higher than planned aged debt. An interface to send electronic invoices to insurance companies is being developed, which will bring payment terms back down to 30 days which will improve aged debt.
 - II. Payables are lower than planned at (£1.7m adverse impact), which is largely driven by delays in receiving invoices from RLBUHT, particularly in respect of energy. This is however offset by above planned increase in levels of accruals (£2.9m favourable impact).
 - III. Deferred Income has increased by more than planned levels (£1.1m adverse impact). This is largely due to difference between 2013/14 forecast outturn (which formed the basis of the plan) and actual outturn, whereby a number of high value provisions were reclassified to deferred income.
- Capital expenditure is below the original plan improving the cash position by £3.1m.

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 £8.1m. Additionally at the end of month 9 the Trust had £0.8m 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	Management Charges
GBS Account	0.25%	837,447	10,523	10,697	
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%	8,100,000	23,708	26,273	
Total		8,937,447	34,231	36,971	0

8. Working Capital

Total Receivables (including accruals) are £7.6m at the end of February and are £5.1m above plan.

	YTD Plan £'000	YTD Actual £'000	Variance £'000
NHS Receivables	1,066	2,230	1,164
Non-NHS Trade Receivables	632	968	336
Other Receivables	523	1,045	522
Provision for the Impairment of Receivables	-223	-223	0
Accrued Income	514	3,562	3,048
TOTAL	2,512	7,582	5,070

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 and whilst reduced still stands at £386k and the Trust continues to seek to negotiate a settlement with the private patient insurer. In addition there are AXA PPP Healthcare invoices of a reduced level at £167k outstanding.

Accrued income - Accrued income adjustments are higher than plan largely due to contractual over-performance (tertiary contract £2.2m; secondary contract £0.7m); RLBHUT quarter 4 SLA invoice to be issued £0.2m.

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	282,047	198,101	187,214	1,062,574	208,685	227,879	26,565	2,193,065	21%
Non-NHS	353,402	211,744	197,152	287,466	103,262	287,628	331,380	1,772,035	41%
Unallocated	- 13,714	- 19,689	- 7,315	- 3,233	- 1,780	- 6,134	- 12,663	- 64,528	32%
TOTAL	621,735	390,156	377,051	1,346,808	310,167	509,373	345,282	3,900,572	30%

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 £212k represents an adverse plan performance position for month 11 with the Trust at the end of February some £210k above the planned deficit position. This adverse movement being driven by poorer than expected month 11 performance driven by increased costs in respect of agency staffing. The Continuity of Service Risk Rating (CoSrr) being delivered at the end of month 11 remains at level 4 and is above the planned level 3 with

continuing strong performance on the liquidity metric (albeit this is expected to deteriorate in month 12)with regards to cash outlays/capital creditors in respect of forecast outturn on capital.

Activity has shown consistent above plan performance for the last six months albeit tailing off in February. Overall inpatient spells are now 0.9% below plan, and total outpatient activity some 4.3% above plan. This activity overperformance delivering strong clinical income levels which at the end of February is above plan by £3.3m (3.6%).

EBITDA performance at the end of month 11 is below plan by £0.5m (8%) 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 partially 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 . Pay award now accepted.
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	1,100	Failure to achieve the financial plan	Monthly CIP meetings (Exec led) Monthly budget review meetings (Exec led) Vacancy panel in place PMO post out to advert with governance structures expected to be introduced in quarter 4/1. 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	113.5	Financial sanctions	Additional sessions Aug – Nov to manage the backlog with commissioner confirmation that no

level,VTEetc.			sanctions will apply during this time.Year end settlement negotiations.
Un-met CQUIN targets	100	Loss of income	Strong focus on CQUIN performance management.Year end settlement negotiations.
Premium costs incurred to deliver activity growth.	600	Premium costs eroding EBITDA margins	Substantive recruitment campaigns to ensure sustainable recruitment to clinical teams.
Potential upsides			
Myocardial Revascularisation	150	Additional activity	n/a
NICE guidance re ICDs	750	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	650	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 month 12, that CIP slippage will be contained at a maximum of £1.1m and the risk contingency reserve will be fully utilised. Work continues to identify in year alternative CIPs and together with continued financial control and management of the risks outlined above the Trust remains on course to broadly achieve the 2014/15 financial plan.

10.Recommendation

That the Board of Directors are asked to note the financial position of the Trust at the end of month 11 and assurance based on performance at the end of February that the Trust is on course to deliver the 2014/15 financial plan and its Continuity of Services risk rating(CoSrr).

Actual in month 31st Feb 2014 £'000	YTD Actual in month 31st Feb 2014 £'000	Description	2014/15 Plan version £'000	Month			Year to Date		
				Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
1,072	12,183	Inpatient Activity	13,234	1,084	1,101	17	12,092	12,073	(19)
5,375	59,947	Outpatient Activity	65,835	5,204	5,857	653	60,110	63,895	3,785
20	233	Number of Working Days	253	20	20	0	232	232	0
1,376	1,376	FTE's	1,449	1,455	1,376	(78)	1,455	1,376	(78)
8,600	93,166	Direct Patient related Revenue	101,466	8,405	8,820	416	92,347	95,649	3,302
339	2,524	Private Patients Revenue	2,865	237	186	(51)	2,607	3,263	655
727	6,704	Non Patient Related Revenue	6,687	568	649	81	6,129	7,049	920
9,665	102,393	Total operating income	111,018	9,210	9,656	445	101,083	105,961	4,877
(5,145)	(56,054)	Employee Expenses	(60,114)	(4,967)	(5,362)	(395)	(55,147)	(57,493)	(2,346)
(528)	(5,515)	Drugs	(5,799)	(499)	(491)	8	(5,289)	(5,576)	(287)
(2,202)	(27,034)	Clinical supplies	(28,496)	(2,353)	(2,575)	(222)	(25,884)	(28,030)	(2,146)
(203)	(2,319)	Non-clinical supplies	(2,467)	(202)	(221)	(19)	(2,259)	(2,406)	(148)
(8,078)	(90,921)	Total Direct Costs	(96,876)	(8,020)	(8,649)	(629)	(88,579)	(93,505)	(4,926)
1,587	11,472	Gross Profit	14,141	1,190	1,007	(183)	12,505	12,456	(49)
16.4%	11.2%	Gross Profit Margin	12.7%	0	0		12.4%	11.8%	
		Overheads							
(101)	(1,140)	Establishment expense	(1,265)	(105)	(126)	(21)	(1,158)	(1,262)	(104)
(294)	(3,356)	Premises & Fixed Plant expense	(4,070)	(338)	(377)	(39)	(3,732)	(3,748)	(17)
(25)	(412)	Consultancy fees expense	(350)	(30)	(75)	(45)	(319)	(543)	(223)
(36)	(399)	CNST Contributions	(476)	(40)	(39)	1	(436)	(426)	10
(2)	(123)	Misc. other Operating Expenses	(564)	(42)	(39)	4	(521)	(648)	(127)
0	0	CIP	-	-	0	0	0	0	0
(458)	(5,431)	Total overhead expenses	(6,724)	(555)	(656)	(101)	(6,166)	(6,627)	(461)
1,129	6,041	EBITDA	7,417	634	351	(284)	6,338	5,828	(510)
11.7%	5.9%	EBITDA Margin	6.7%	6.9%	0		6.3%	5.5%	
(507)	(4,599)	Depreciation and amortisation	(5,521)	(473)	(435)	38	(5,046)	(4,656)	390
4	35	Interest Receivable	37	3	3	0	34	34	0
(0)	(44)	Interest Payable on Loans & Leases	(48)	(4)	(3)	1	(44)	(34)	10
(168)	(1,843)	PDC dividend	(2,011)	(168)	(168)	(0)	(1,843)	(1,846)	(3)
0	0	Impairments & Restructuring	0	0	0	0	0	(434)	(434)
0	62	Income from Donated Assets	600	39	156	117	558	461	(97)
458	(348)	Net Surplus / (Deficit)	475	32	(96)	(128)	(2)	(646)	(644)
4.7%	-0.3%	Net Surplus Margin	0.4%	0.3%	-1.0%		0.0%	-0.6%	
458	(348)	Normalised Net Surplus / (Deficit)	475	32	(96)	(128)	(2)	(212)	(210)

Post Audit 31st March 2014 £000		Previous Month			Current Month			
		31st Jan 2015 Plan YTD £000	31st Jan 2015 Actual YTD £000	Variance YTD £000	28th Feb 2015 Plan YTD £000	28th Feb 2015 Actual YTD £000	Variance to Plan YTD £000	Movement for Year YTD £000
	Non Current Assets							
857	Non-Current Assets - Intangible Assets	1,031	730	(301)	1,031	718	(313)	(139)
69,340	Non-Current Assets - Tangible Assets	69,633	67,040	(2,593)	69,445	67,244	(2,201)	(2,096)
6	Non-Current Assets - Financial Assets	0	6	6	0	6	6	(0)
70,203	Total Non Current Assets	70,664	67,775	(2,889)	70,476	67,968	(2,508)	(2,235)
	Current Assets							
2,541	Inventories	3,138	2,973	(165)	3,223	2,928	(295)	387
	Trade and Other Receivables:							
1,285	NHS Receivables	1,083	2,480	1,397	1,066	2,230	1,164	945
1,447	Non NHS Trade Receivables	634	1,620	986	632	968	336	(479)
544	Other Receivables	523	837	314	523	1,045	522	501
(223)	Provision for the Impairment of Receivables	(223)	(223)	0	(223)	(223)	0	0
637	Accrued Income	563	3,291	2,728	514	3,562	3,048	2,925
145	PDC Dividend overpayment	0	0	0	0	0	0	(145)
386	Prepayments	638	440	(198)	464	697	233	311
10,906	Cash & Cash Equivalents	10,554	9,000	(1,554)	11,276	8,944	(2,332)	(1,962)
6	Non Current Assets Held for Sale	0	6	6	0	6	6	0
17,674	Total Current Assets	16,910	20,425	3,515	17,475	20,157	2,682	2,483
87,877	Total Assets	87,574	88,200	627	87,951	88,125	174	248
	Trade and Other Payables:-							
(2,082)	Deferred Income	(1,853)	(1,870)	(17)	(1,889)	(1,603)	286	479
(358)	Provisions	(1,297)	(328)	969	(1,297)	(324)	973	34
(3,748)	NHS Payables - Revenue	(2,878)	(1,590)	1,288	(2,905)	(1,396)	1,509	2,352
(2,393)	Non NHS Trade Payables - Revenue	(1,918)	(2,291)	(372)	(1,936)	(2,460)	(523)	(67)
(2,002)	Other Payables (Tax,payroll deductions)	(1,796)	(2,044)	(248)	(1,796)	(2,020)	(224)	(18)
(653)	Non NHS Trade Payables - Capital	(919)	(443)	476	(645)	(799)	(154)	(146)
(5,076)	Accruals	(5,207)	(7,895)	(2,688)	(5,574)	(7,707)	(2,133)	(2,631)
(195)	Borrowings	(135)	(134)	1	(135)	(134)	1	61
-	PDC Dividend	(670)	(670)	(0)	(838)	(838)	0	(838)
1,167	Net Current Assets/ (Liabilities)	237	3,160	2,923	460	2,877	2,418	1,710
71,370	Total Assets less Current Liabilities	70,901	70,935	34	70,936	70,845	(90)	(525)
(982)	Deferred Income	(492)	(983)	(491)	(492)	(983)	(491)	(1)
(103)	Provisions	(71)	(105)	(34)	(71)	(123)	(52)	(20)
(537)	Borrowings	(403)	(426)	(23)	(403)	(414)	(11)	123
69,748	Total Assets Employed	69,935	69,421	(514)	69,970	69,325	(644)	(423)
62,799	Public Dividend Capital	63,023	63,023	0	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	(4,954)	(5,438)	(484)	(4,924)	(5,533)	(609)	(646)
69,748	Total Taxpayers Equity	69,935	69,421	(514)	69,965	69,325	(640)	(423)

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	10,554	9,000	-1,554	10,882	10,907	25
6,990	EBITDA	675	506	-168	6,898	5,856	-1,042
45	Charitable investment	-50	-156	-106	-558	-461	97
7,035	Operating Cashflows before movements in working Capital	625	351	-274	6,340	5,395	-945
	Movements in Working Capital:						
16	(Increase)/Decrease in Inventories	-85	45	130	-272	-387	-115
-367	(Increase)/Decrease in Receivables (including accrued income)	69	424	355	429	-3,892	-4,321
107	(Increase)/Decrease in Prepayments	174	-256	-430	-36	-311	-275
394	Increase/(Decrease) in Payables	45	-50	-95	-573	-2,268	-1,695
-481	Increase/(Decrease) in Accruals	367	-225	-592	-314	2,631	2,945
1,540	Increase/(Decrease) in Deferred Income	36	-267	-303	621	-478	-1,099
-1,371	(Increase)/Decrease in Current Provisions	0	-5	-5	318	-34	-352
-162	Increase/(Decrease) in Working Capital	606	-335	-941	173	-4,740	-4,913
0	Increase/(Decrease) in Non Current Provisions	0	18	18	-324	20	344
6,873	Net Cash Inflow/(Outflow) from Operating Activities	1,231	34	-1,197	6,189	675	-5,514
-8,657	Capital Expenditure (including capital payables)	-557	-234	323	-5,367	-2,274	3,093
-8,657	Net Cash Inflow/(Outflow) from Investing Activities	-557	-234	323	-5,367	-2,274	3,093
-1,784	Cashflow before Financing	674	-201	-874	822	-1,599	-2,421
-1,874	PDC Dividends Paid	0	0	0	-1,005	-863	142
	PDC Dividends Capital received	0	0	0	224	224	0
40	Interest received on Cash Balances	3	3	0	34	34	0
-47	Interest element of Finance Leases	-4	-3	1	-44	-34	10
-218	Repayment of Loans & Leases	0	-11	-11	-195	-184	11
	Donations received in cash	50	156	106	558	461	-97
-2,099	Net Cash Inflow/(Outflow) from Financing	49	145	96	-428	-361	67
-3,883	Net Cash Inflow/Outflow	723	-55	-778	393	-1,960	-2,354
10,907	Closing Balance	11,277	8,945	-2,332	11,275	8,947	-2,329

Current Trading - Contribution Analysis for the period to 28th February, 2015.

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	-51,874	-55,868	-3,994	36,896	39,057	2,161	-14,978	-16,811	-1,833
Surgery, Anaesthesia & Critical Care	-44,851	-45,466	-615	33,107	34,595	1,487	-11,744	-10,871	872
Support Services	-816	-883	-67	15,137	15,311	174	14,321	14,429	107
Corporate Services	-3,542	-3,746	-204	10,550	10,852	302	7,007	7,106	98
Reserves, unallocated CIP's	-1	0	1	-945	318	1,264	-946	318	1,264
Total EBITDA	101,083	105,963	-4,879	94,745	100,133	5,388	-6,338	-5,829	509