SCRUTINY COMMISSION FOR HEALTH ISSUES	**Agenda Item No. 7**
23 JANUARY 2013	**Public Report**

Report of the Interim Chief Executive and Director of Finance, Peterborough and Stamford Hospitals NHS Foundation Trust

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FINANCIAL POSITION OF PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST

1. PURPOSE

1.1 The report is provided to enable an overview to be given to the Scrutiny Commission regarding the Trust's current financial position. The attached report is the most recent financial report from the Trust.

2. RECOMMENDATIONS

2.1 The Commission is asked to review this report which will be presented by the Interim Chief Executive and Director of Finance, and to receive any further update on actions from the Independent Regulator of NHS Foundation Trusts (Monitor) and arising from the recent Public Accounts hearing. No written information has been made available to the Trust for this report.

3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY

3.1 This issue links to the priority to deliver substantial and truly sustainable growth and the need to build the sustainable infrastructure of the future.

4. BACKGROUND

4.1 The Trust attended the Commission's meeting in 20 September 2012, this report and the Trust's attendance is to provide the Commission with an update on the Trust's position.

5. KEY ISSUES

5.1 The Commission is asked to consider the Trust's on-going financial position and to receive further updates as work proceeds on the Trust's plans and the Contingency Planning Team actions.

6. IMPLICATIONS

6.1 Implications of this report are related to financial issues and actions required to progress to financial sustainability.

This report is city-wide and its implications extend from the Greater Peterborough area into neighbouring authorities.

7. CONSULTATION

7.1 There has been no specific consultation – however the Commission will be aware of the Trust's attendance at the Public Accounts Committee in December, and the decision made by Monitor, the Independent Regulator of NHS Foundation Trusts to commission a Contingency Planning Team to review the Trust's position.

8. NEXT STEPS

8.1 The Trust expects to keep the Commission updated with any developments in this area.

9. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

9.1 The document attached to this report is that provided to the Board of Directors and Council of Governors.

10. APPENDICES

10.1 Director of Finance Report – 17 December 2012

Peterborough and Stamford Hospitals
NHS Foundation Trust

Finance Report and Trading Results – November 2012	**TBC**

Title	Finance Report – 2012/13 Month 8
Sponsoring Director	Chris Preston, Director of Finance
Author(s)	Maxime Hewitt-Smith, Deputy Director – Financial Management
Purpose	To provide the Trust Board with the Trust's financial performance report for Month 8.
Date of Report	17th December 2012

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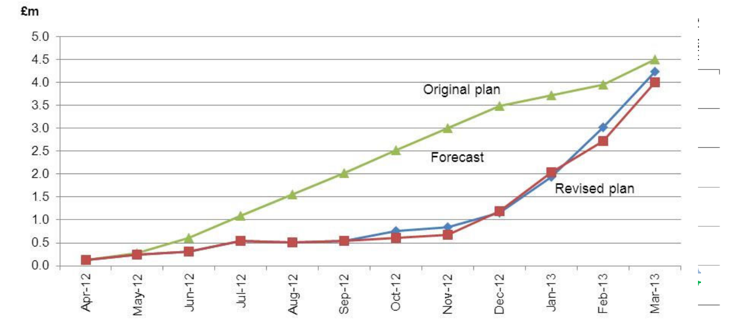
1. Executive Summary

Key Issue	Executive Summary	Year to date vs budget	Forecast Outturn	Action Plan
EBITDA	EBITDA was (£5.8m) against a planned (£11.2m) for the year to date. This favourable variance relates to overperformance (mainly on the Lincolnshire contract) totalling £5.2m, overspend on pay of (£1.8m) and underspend on non-pay of £0.7m. Other income is also higher than budget by £1.3m. Risk remains around the delivery of CIP plans and recovery of income relating to over-performance on PCT contracts.	G	G	An Activity Review process was initiated to address concerns about over-performance with both host commissioners, (Peterborough & Cambridgeshire, and Lincolnshire.) Lincolnshire – A teleconference took place on the 4th December. Progress continues to be made towards agreeing next year's baseline and demand management plans for 2013/14 are still in development. Peterborough and Cambridge – The Trust received a further formal response from Peterborough PCT relating to the issue of contract over-performance on 23rd November. In that letter, the PCT requested a costed proposal for the additional activity in 2012/13, based on the three principals that we outlined in our letter of 12th October, although re-iterated that they did not accept any obligation above £116m. The Trust is in the process of producing a draft proposal for discussion at the next escalation meeting, which is scheduled to take place on the 20th December.
Surplus/ (Deficit)	The Trust is reporting a (£24.8m) deficit which is £7.5m ahead of plan YTD, the full year forecast of (£51.0m) deficit which is £3.2m ahead of plan. The RAG ratings reflect the comments shown for EBITDA above.	G	G	As above.
CIP Programme	November performance was behind target by (£0.7m) and YTD performance is behind by (£1.0m) with £6.4m delivered to date (plan of £7.4m). The planned savings requirement increased from £1.0m to £1.4m from October onwards, predominantly in the pay budget. Significant concern remains over the achievement of the full year CIP target with £2.0m of schemes yet to be identified for the current year and £1.6m of schemes to be identified with a recurrent FYE.	G	A	Additional recurrent and non-recurrent schemes will continue to be identified to bridge the gap in our full year CIP plans which amount to £2.0m in the current year and £1.6m of full year effect to be carried forward into next year. Further pipeline schemes are being developed to increase recurrent savings in 12/13 and beyond.
Cash and Liquidity	The Trust received cash advances from its two main commissioners to improve liquidity through the summer of 2012. These advances are repayable in year and are planned to be replaced by support from the DoH.	G	A	The Trust continues to receive verbal assurance that external funding will be provided by the Department of Health. Discussions continue about process and precise timings.
Capital Expenditure	Capex YTD is £0.7m which is slightly behind the capital expenditure plan of £0.8m resubmitted to Monitor in September 2012.	G	G	The Trust's current forecast of £4.0m is lower than the revised plan of £4.2m and is therefore within Monitor's thresholds. There are on-going capital forecasts being performed and the Trust will perform a detailed capital reforecast for Monitor as part of quarter 3 procedures.
Monitor Financial Risk Rating	The Trust's risk rating is 1 and is forecast to remain at 1 for the financial year in line with the plan.	G	G	The trust remains at an overall FRR of 1 both in terms of year to date and full year performance. Work continues on developing a turnaround plan that returns the trust to a sustainable financial position.

	EBITDA / surplus		Capital Expenditure (rating against a revised plan)
G	On or better than target	G	Within 10% of target
A	Between 0% and 5% below target	A	Between 11% and 25% of target
R	Greater than 5% below target	R	Greater than 25% of target
	CIP Programme		**Cash and Liquidity**
G	On or better than target	G	Higher cash balance than plan or within 10% lower than plan
A	Between 0% and 10% below target	A	Cash balance lower than plan by 10% up to 20%
R	Greater than 10% below target	R	Cash balance lower than plan by greater than 20%

Deficit Actual / Forecast v Plan



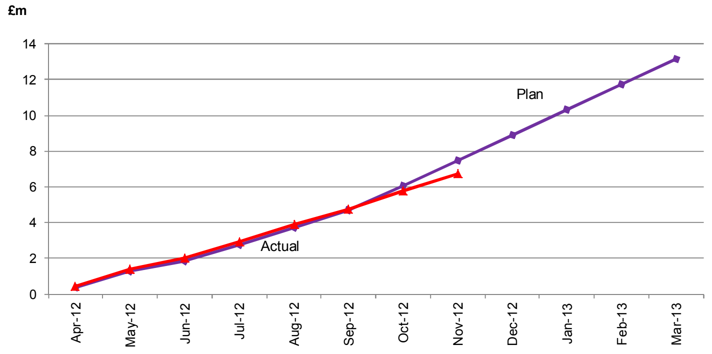
Income: Forecast favourable variance of £6.7m due to over-performance, mainly of NHS Lincs contract (after penalties); higher than expected other income of £2.8m, mainly relating to RTA, R&D and other SLA income.

Pay: Forecast (£6.5m) over-spend due to increased agency/locum cover of vacancies and additional activity.

Non-pay: Forecast (£1.6m) over-spend predominately due to cost of out-sourcing in support of 18 week elective target.

Other: Forecast under-spend of £1.3m in restructuring and £0.5m on delivery costs of turnaround.

CIP Programme Savings

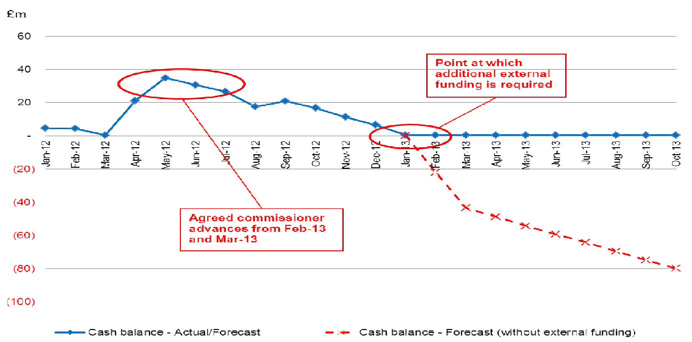


Actual YTD performance of £6.4m is (£1.0m) behind the plan of £7.4m.

£2.0m of within year CIPs are yet to be identified. Further work has been undertaken to develop additional pipeline CIPs and as a result it is expected that this gap will reduce next month.

Full year forecast remains at £13.2m.

12 Month Cashflow Forecast



Cash and Liquidity

The long term cash-flow forecast shows a need for external financing from January 2013.Key uncertainties regarding timing of;

1. redundancy payments (we are constantly reviewing the expected level of redundancies during the remainder of the year which is linked to the acceleration of pipeline CIP schemes);
2. costs relating to the delivery of turnaround;
3. over-activity income receipts and income receipts for the Stamford Hospital ward; and
4. the R12 system upgrade.

Capital Expenditure Plan v Forecast

Capital Expenditure

Projects	Revised Capex Plan £000s	Spend In Month £000s	Spend To Date £000s	Forecast For 2012/13 £000s	Variance To Plan £000s
Property- new land, buildings or dwellings	300	-	-	-	(300)
Property- maintenance expenditure	303	-	106	349	46
Plant and equipment - Information Technology	1,154	27	254	899	(255)
Property, plant and equipment - other expenditure	2,477	32	309	2,759	282
Total	**4,234**	**59**	**669**	**4,007**	**(227)**

Total forecast spend has reduced from the revised plan by £227k to £4,007k, with £2,818k of spend still forecast for the final quarter. On-going detailed forecasting work is being performed. We have seen a marked increase in the number of bids for capital funding in recent months, which reflects the above spend profile.

Financial Risk Rating / Monitor Compliance

Financial Risk Rating / Monitor Compliance					
Measure	Criteria	YTD Performance		Weight	
		M8 Actual	M8 Rating		
EBITDA Margin	Underlying performance	(4.1%)	1.0	25%	
EBITDA % achieved	Achievement of plan	0.0%	1.0	10%	
Net return after financing	Financial Efficiency	(11.3%)	1.0	20%	
I&E Surplus margin	Financial Efficiency	(16.8%)	1.0	20%	
Liquidity Ratio	Liquidity (days)	(51)	1.0	25%	
Overall FRR Score			1.0		
Financial Risk Rating Forecast			1.0		

Monitor Rating Ranges				
Good				Bad
5	4	3	2	1
11%	9%	5%	1%	<1%
100%	85%	70%	50%	<50%
3%	2%	-0.5%	-5%	<-5%
3%	2%	1%	-2%	<-2%
60	25	15	10	<10

Monitor Financial Risk Rating

The trust remains at an overall FRR of 1 both in terms of year to date and full year performance. Work continues on developing a turnaround plan that returns the trust to a sustainable financial position.

2. Overview of Financial Performance

2.1 Income and Expenditure Statement

Income and Expenditure	In Month Budget £m	In Month Actual £m	In Month Var. £m	Year To Date Budget £m	Year To Date Actual £m	Year To Date Var. £m	Full Year Current Forecast £m	Full Year Previous Forecast £m	Full Year Forecast Change £m	Full Year Annual Budget £m	Full Year Forecast Variance £m
Clinical Income (inc MOD)	16.2	16.7	0.5	126.1	131.3	5.2	195.9	196.1	(0.2)	189.2	6.7
Other Income	1.7	2.1	0.4	13.9	15.2	1.3	22.0	21.6	0.4	19.2	2.8
Total Income	**17.9**	**18.8**	**0.9**	**140.0**	**146.5**	**6.5**	**217.9**	**217.7**	**0.2**	**208.4**	**9.5**
Pay	(11.3)	(12.8)	(1.5)	(96.3)	(98.1)	(1.8)	(149.5)	(149.1)	(0.4)	(143.0)	(6.5)
Non Pay	(5.4)	(5.4)	-	(42.9)	(42.2)	0.7	(66.4)	(66.6)	0.2	(64.8)	(1.6)
PFI Unitary Charge	(1.5)	(1.5)	-	(12.0)	(12.0)	-	(18.0)	(18.0)	-	(17.9)	(0.1)
Total Expenses	**(18.2)**	**(19.7)**	**(1.5)**	**(151.2)**	**(152.3)**	**(1.1)**	**(233.9)**	**(233.7)**	**(0.2)**	**(225.7)**	**(8.2)**
EBITDA	**(0.3)**	**(0.9)**	**(0.6)**	**(11.2)**	**(5.8)**	**5.4**	**(16.0)**	**(16.0)**	**(0.0)**	**(17.3)**	**1.3**
Technical items	(2.2)	(2.2)	-	(17.7)	(17.4)	0.3	(28.2)	(28.2)	-	(28.3)	0.1
Underlying Surplus/ (Deficit)	**(2.5)**	**(3.1)**	**(0.6)**	**(28.9)**	**(23.2)**	**5.7**	**(44.2)**	**(44.2)**	**(0.0)**	**(45.6)**	**1.4**
Delivery costs of turnaround	(0.3)	(0.2)	0.1	(2.5)	(1.4)	1.1	(3.1)	(3.6)	0.5	(3.6)	0.5
Restructuring	(0.1)	(0.1)	-	(0.9)	(0.2)	0.7	(3.7)	(3.7)	-	(5.0)	1.3
Retained Surplus/ (Deficit)	**(2.9)**	**(3.4)**	**(0.5)**	**(32.3)**	**(24.8)**	**7.5**	**(51.0)**	**(51.5)**	**0.5**	**(54.2)**	**3.2**

Memorandum Items	Budget	Actual	Var.	Budget	Actual	Var.	Current Forecast	Previous Forecast	Forecast Change	Annual Budget	Forecast Variance
Penalties	(0.4)	(0.4)	-	(4.6)	(8.1)	(3.5)	(11.6)	(11.2)	(0.4)	(6.1)	(5.5)
CQUIN	0.4	0.1	(0.3)	3.0	2.2	(0.8)	3.6	3.8	(0.2)	4.5	(0.9)
CIP Programme	1.4	0.7	(0.7)	7.4	6.4	(1.0)	13.2	13.2	-	13.2	-
P&C Contract Settlement	-	(1.3)	(1.3)	-	(4.6)	(4.6)	(6.8)	(6.9)	0.1	-	(6.8)

The underlying deficit (before one-off costs) at the end of M8 is (£23.2m) compared to a planned loss of (£28.9m) (£5.7m favourable to plan). The main driver of this variance is over-performance on contracted activity volumes.

A large part of the favourable variance on clinical income is driven by over-performance related to the NHS Lincolnshire contract of £3.4m (after penalties have been applied). Further income improvements include non-recurrent funding for the ward at Stamford Hospital (£0.9m full year) supporting its transition from an acute to an intermediate care facility and higher than planned other clinical income (for example, Cancer Fund Income). Other income is £1.3m better than plan year to date, the main variances relating to better than planned RTA, R&D, and other SLA revenue.

Pay is overspent by (£1.8m) year to date. This is predominantly due to overspends in Month 7 and 8. The underlying overspend is driven by broadly the same levels of expenditure in month as in previous months; however, there has been a significant reduction in budget from October due to the CIP phasing, increasing the monthly variance. Further work has been undertaken to establish the marginal cost of additional activity and focus attention on the residual gap to the original budget.

Non-pay is underspent by £0.7m year to date. The key area of cost pressures is the out-sourcing of activity to 3rd parties to support the 18 week elective target, with the key area of underspend being "other non-pay costs" as the actual costs have been recorded against more relevant non-pay classifications.

CIP financial performance year to date is £6.4m against a plan of £7.4m. Further detail is provided in section 6 of this report and the full year forecast remains at £13.2m. £2.0m of within year CIP savings remain unidentified and in addition some risk still remains around the delivery of the identified pay savings.

3. Income

	In Month			Year To Date			Full Year			Full year	
Gross income	Budget £m	Actual £m	Var. £m	Budget £m	Actual £m	Var. £m	Current Forecast £m	Previous Forecast £m	Forecast Change £m	Annual Budget £m	Forecast Variance £m
Electives	3.9	3.5	(0.4)	27.3	28.3	1.0	42.1	41.3	0.8	39.3	2.8
Non-electives	4.8	5.5	0.7	38.5	42.1	3.6	63.0	64.2	(1.2)	58.9	4.1
Outpatients	2.6	3.7	1.1	21.6	24.5	2.9	36.4	36.4	-	31.9	4.5
A&E	0.6	0.7	0.1	4.9	5.9	1.0	8.8	8.8	-	7.3	1.5
Maternity	0.9	0.9	-	7.5	7.9	0.4	12.1	12.3	(0.2)	11.5	0.6
Critical Care	0.7	0.8	0.1	5.5	5.7	0.2	8.6	8.6	-	8.3	0.3
Direct Access	1.0	1.3	0.3	8.3	8.9	0.6	13.2	13.2	-	12.4	0.8
Excluded Drugs	0.8	1.0	0.2	7.0	8.2	1.2	12.2	12.0	0.2	10.6	1.6
Other clinical income	0.9	0.9	-	7.1	10.3	3.2	14.3	13.6	0.7	10.6	3.7
Total	**16.2**	**18.3**	**2.1**	**127.7**	**141.8**	**14.1**	**210.7**	**210.4**	**0.3**	**190.8**	**19.9**
Penalties											
Emergency Readmissions	(0.2)	(0.2)	-	(1.9)	(1.6)	0.3	(2.4)	(2.2)	(0.2)	(1.0)	(2.4)
Emergency Marginal Tariff	(0.1)	(0.1)	-	(0.5)	(4.0)	(3.5)	(6.0)	(5.8)	(0.2)	(2.7)	(2.3)
A&E Metric	-	-	-	(1.5)	(1.3)	0.2	(1.3)	(1.3)	-	(1.4)	0.1
New to follow-up	(0.1)	(0.1)	-	(0.7)	(0.8)	(0.1)	(1.2)	(1.1)	(0.1)	(1.0)	(0.2)
18 weeks	-	-	-	-	(0.3)	(0.3)	(0.5)	(0.6)	0.1	-	(0.5)
A&E 4 hour target	-	-	-	-	(0.1)	(0.1)	(0.2)	(0.2)	-	-	(0.2)
Total	**(0.4)**	**(0.4)**	**-**	**(4.6)**	**(8.1)**	**(3.5)**	**(11.6)**	**(11.2)**	**(0.4)**	**(6.1)**	**(5.5)**
P&C Contract Settlement	**-**	**(1.3)**	**(1.3)**	**-**	**(4.6)**	**(4.6)**	**(6.8)**	**(6.9)**	**0.1**	**-**	**(6.8)**
CQUIN	**0.4**	**0.1**	**(0.3)**	**3.0**	**2.2**	**(0.8)**	**3.6**	**3.8**	**(0.2)**	**4.5**	**(0.9)**
Total	**16.2**	**16.7**	**0.5**	**126.1**	**131.3**	**5.2**	**195.9**	**196.1**	**(0.2)**	**189.2**	**6.7**

3.1 Income - Summary by Commissioner

- Clinical Income for M8 is showing a favourable variance of £5.2m year-to date. This is after allowing for a £4.6m contract risk share deduction associated with NHS Peterborough and Cambridgeshire.

- Emergency readmissions within 30 days are assumed to be penalised at 25% (based on a crude average of audits that have taken place at other Trusts). Audits are currently on-going; initial feedback from NHS Peterborough and Cambridgeshire has been received and is being reviewed, and the audit by NHS Lincolnshire is yet to be undertaken.

3.1.1 NHS Peterborough and Cambridgeshire

- The Trust has over-performed by £4.6m on the Peterborough and Cambridgeshire contracts to M8 (the gross value of this activity was £6.5m, but would have been partially offset by payment at marginal rate/re-admission penalties under PbR). Key areas of over-performance include:
  - A&E attendances and emergency admissions £2.5m;
  - Outpatient activity £1.3m;
  - Elective activity £0.4m (primarily due to outsourced activity for 18 week breach patients);
  - Maternity £0.3m (activity for Peterborough and Cambridgeshire maternity is forecast to be 80 deliveries above plan);
  - Excluded drug prescribing £0.6m;
  - Best practice tariffs £0.5m;
  - PbR based penalties (£2.1m).

- The Trust received a further formal response from Peterborough PCT relating to the issue of contract over-performance on 23rd November. In that letter, the PCT requested a costed proposal for the additional activity in 2012/13, based upon the three principals that we outlined in our letter of 12th October, although re-iterated that they did not accept any obligation above £116m. The Trust is in the process of producing a draft proposal for discussion at the next escalation meeting, which is scheduled to take place on the 20th December.

3.1.2 NHS Lincolnshire

- The Trust has over-performed by £3.4m year to date on the Lincolnshire contract (the gross value of this activity was £4.8m, but has been partially offset by payment at marginal rate/re-admission penalties under PbR). Key areas of over-performance include:
    - A&E attendances and emergency admissions £1.8m;
    - Elective activity £1.0m;
    - Excluded drug prescribing £0.4m;
    - Outpatient activity £0.9m;
    - PbR based penalties (£1.2m).

- Non-recurrent funding for the ward at Stamford Hospital, £0.9m full year, is included in the Trust's forecast supporting its transition from an acute to an intermediate care facility.

- We have received assurance that commissioned activity undertaken will be paid for. A further teleconference took place on the 4th December and progress continues to be made towards agreeing next year's baseline. Demand management plans for 2013/14 are still in development.

3.1.3 Other Commissioners

- There has been notable over performance on the Leicestershire County and Rutland contract of £0.4m (gross value £0.7m, but has been partially offset by payment at marginal rate/re-admission penalties under PbR). Key areas of over-performance include:
    - A&E attendances and emergency admissions £0.3m;
    - Elective activity £0.2m;
    - Outpatient activity £0.1m;
    - PbR based penalties (£0.3m).

- Other commissioners are broadly trading in line with contract.

3.1.4 PbR / Operational Penalties

- Total year to date penalties (both emergency and operational) have been estimated at £8.1m against a plan of £4.6m. As previously noted, some of the penalties may be recoverable if performance improves over the year, however this benefit has not currently been factored into the financial forecast due to the level of uncertainty.
- Action plans are being put in place and implemented to reduce the impact of penalties. Progress is being monitored through Directorate performance review meetings.

3.2 Income full year forecast

- The current full year clinical income forecast incorporates significant over-performance against plan, due primarily to the activity associated with the NHS Lincolnshire contract. The forecast also includes non-recurrent funding, £0.9m full year, for the ward at Stamford Hospital (which was originally planned to close during the year) to support its transition from an acute to an intermediate care facility.
- The over-performance related to the NHS Lincolnshire contract is assumed to reduce in future months as demand management programmes begin to deliver.
- Other income is expected to be £2.8m better than plan full year, the main variances relating to better than planned RTA, R&D, and other SLA revenue.

4. Expenditure

4.1 Pay Expenditure

Pay Expenditure by Staff Group

Expenditure	In Month Budget £m	In Month Actual £m	In Month Var. £m	Year To Date Budget £m	Year To Date Actual £m	Year To Date Var. £m	Full year Current Forecast £m	Full year Previous Forecast £m	Full year Forecast Change £m	Full year Annual Budget £m	Full year Forecast Variance £m
Consultant	(1.9)	(2.1)	(0.2)	(16.2)	(15.9)	0.3	(24.2)	(24.1)	(0.1)	(24.5)	0.3
Junior Medical	(1.2)	(1.2)	-	(10.4)	(9.5)	0.9	(14.3)	(14.5)	0.2	(15.6)	1.3
Nurses, Midwives & HCA	(4.5)	(4.6)	(0.1)	(37.5)	(36.4)	1.1	(56.9)	(56.8)	(0.1)	(57.4)	0.5
Scientific and Technical	(1.3)	(1.4)	(0.1)	(11.4)	(11.1)	0.3	(16.7)	(16.7)	-	(17.1)	0.4
Non-Clinical Staff	(2.2)	(2.3)	(0.1)	(18.8)	(17.8)	1.0	(27.2)	(27.2)	-	(25.7)	(1.5)
Agency/Locum	(0.2)	(1.2)	(1.0)	(2.0)	(7.4)	(5.4)	(10.2)	(9.8)	(0.4)	(2.7)	(7.5)
Total Pay	**(11.3)**	**(12.8)**	**(1.5)**	**(96.3)**	**(98.1)**	**(1.8)**	**(149.5)**	**(149.1)**	**(0.4)**	**(143.0)**	**(6.5)**

- This month's underlying pay expenditure is above plan by (£1.1m) although an additional (£0.4m) non recurrent adjustment has been made to reflect the estimated value of a number of historic employment liabilities. As in previous months the majority of this adverse variance is due to the planned reduction in budget from October due to the stepped changes in the planned CIP delivery.
- The total pay spend for the Trust continues to be driven by the additional agency and locum staff required to cover a significant number of substantive vacancies compounded by the additional staffing needed to support the increase in activity.
- As previously agreed, unidentified CIPs are no longer included as a separate line in the forecast. The Trust is still fully committed to driving the maximum possible cost savings during the remainder of the year and as such is continuing detailed reviews of future pay costs, which are being led by the Director of HR and OD, and the Chief Operating Officer.
- The agency/locum forecast includes additional spend to cover the Director of Finance post on an interim basis from January to March.

4.2 Non-Pay Expenditure

Non-Pay Expenditure by Classification

Expenditure	In Month Budget £m	In Month Actual £m	In Month Var. £m	Year To Date Budget £m	Year To Date Actual £m	Year To Date Var. £m	Full year Current Forecast £m	Full year Previous Forecast £m	Full year Forecast Change £m	Full year Annual Budget £m	Full year Forecast Variance £m
Clinical Supplies & Services	(1.5)	(1.6)	(0.1)	(11.4)	(11.1)	0.3	(17.0)	(16.5)	(0.5)	(17.2)	0.2
Drugs - Included	(0.7)	(0.7)	-	(5.6)	(4.8)	0.8	(7.1)	(7.7)	0.6	(8.5)	1.4
Drugs - Excluded	(0.9)	(1.1)	(0.2)	(7.1)	(8.2)	(1.1)	(12.2)	(12.3)	0.1	(10.4)	(1.8)
General Supplies & Services	(0.4)	(0.4)	-	(2.9)	(2.9)	-	(4.2)	(4.9)	0.7	(4.3)	0.1
Ext. Healthcare Providers	(0.4)	(0.3)	0.1	(3.1)	(4.6)	(1.5)	(7.5)	(7.5)	-	(4.6)	(2.9)
Utilities, Rent and Rates	(0.5)	(0.5)	-	(4.3)	(4.0)	0.3	(6.5)	(6.6)	0.1	(6.4)	(0.1)
Estate Maintenance	(0.2)	(0.3)	(0.1)	(1.9)	(1.8)	0.1	(2.7)	(2.6)	(0.1)	(2.8)	0.1
Insurance	(0.4)	(0.3)	0.1	(3.6)	(3.4)	0.2	(5.4)	(5.4)	-	(5.4)	-
Professional Services	(0.2)	(0.3)	(0.1)	(1.8)	(1.5)	0.3	(2.2)	(1.8)	(0.4)	(2.6)	0.4
Other Non Pay Costs	(0.2)	0.1	0.3	(1.2)	0.1	1.3	(1.6)	(1.3)	(0.3)	(2.6)	1.0
Total Non Pay	**(5.4)**	**(5.4)**	**-**	**(42.9)**	**(42.2)**	**0.7**	**(66.4)**	**(66.6)**	**0.2**	**(64.8)**	**(1.6)**

- This month non-pay expenditure has been within budget, however there has been the release of the bad debt provision of £0.5m which is causing a favourable in month position in other non-pay costs.
- YTD there is an adverse variance for excluded drugs of (£1.1m) which is partly offset by a favourable forecast variance for included drugs of £0.8m. A significant overspend is on external healthcare providers (£1.5m) has been incurred as a result of the Trust meeting its 18 week target during the first quarter.
- There is a favourable variance of £1.0m in other non-pay costs as these costs have been reflected in the forecast in the appropriate non-pay classification.
- The key drivers of the change in the forecast include an increase of (£0.5m) in clinical supply costs that relates primarily to continuing higher than planned activity levels, a reduction in included drugs forecast as a result of a YTD review. The professional services forecast has increased by (£0.4m) largely due to the costs of the PFI post-project review. The movement in the forecast on general supplies and services and other non-pay costs is as a result of a reclassification between the categories, which has been off-set by a release from the bad debt provision due to the recovery of a number of large historic debts.

4.3 Technical Items

Depreciation

- Year to date favourable variance of £0.3m due to lower than originally planned capital expenditure.

Impairment

- We are currently forecasting a significant impairment at the end of the financial year associated with the vacation of the PDH site. A review will be conducted before the end of the financial year to establish whether this forecast cost will be crystallised.

Restructuring Expenses

- Year to date expenditure and commitments on redundancies is £0.2m (£0.7m less than budget). We are constantly reviewing the expected level of redundancies during the remainder of the year which is linked to the acceleration of pipeline CIP schemes. We are currently forecasting that £3.7m of redundancy costs will be incurred in year, a favourable variance against plan of £1.3m. However in-line with earlier in the year we will perform a detailed review at the end of the quarter, and are currently anticipating this review may result in a reduction in the forecast expenditure.
- Delivery costs of turnaround are £1.1m underspent YTD. We have performed a detailed forecast this month with the Programme Director and are forecasting a year end underspend of £0.5m. The forecast includes £0.5m of professional services spend to provide support to the Trust during the expected period of interaction with the Contingency Planning Team.

4.4 Directorate Performance

The high level commentary in this section has been provided in conjunction with the Clinical Directorates.

During the month the financial hierarchy has been updated to reflect the Trusts new Directorate Structure. As a result Cancer and Diagnostics now includes Radiology and Pathology, which is no longer reflected in Clinical Support, however Clinical Support does now include Health Records which was previously included within Corporate. This analysis includes the transfers of budget and actuals from the beginning of the 2012/13 financial year. This was agreed with the Directorates to allow greater trend analysis.

Expenditure	In Month			Year To Date			Full year			Full year	
	Budget £m	Actual £m	Var. £m	Budget £m	Actual £m	Var. £m	Current Forecast £m	Previous Forecast £m	Forecast Change £m	Annual Budget £m	Forecast Variance £m
Clinical Support	(1.2)	(1.3)	(0.1)	(10.6)	(10.6)	-	(16.0)	(25.4)	9.4	(15.4)	(0.6)
Medicine & ED	(2.8)	(4.0)	(1.2)	(23.8)	(26.6)	(2.8)	(39.8)	(39.0)	(0.8)	(35.1)	(4.7)
Surgery & MSK	(3.0)	(3.0)	-	(25.0)	(27.6)	(2.6)	(40.4)	(40.6)	0.2	(36.5)	(3.9)
Cancer & Diagnostics	(2.6)	(2.9)	(0.3)	(21.3)	(21.7)	(0.4)	(32.6)	(22.1)	(10.5)	(31.4)	(1.2)
Family & Public Health	(2.1)	(2.2)	(0.1)	(16.9)	(16.5)	0.4	(25.4)	(25.5)	0.1	(25.3)	(0.1)
Theatres, Anaethesia & Critical Care	(1.7)	(1.9)	(0.2)	(13.9)	(14.5)	(0.6)	(21.9)	(21.6)	(0.3)	(20.7)	(1.2)
Facilities Services	(2.5)	(2.8)	(0.3)	(20.1)	(20.0)	0.1	(30.2)	(30.1)	(0.1)	(30.3)	0.1
Corporate	(5.0)	(4.0)	1.0	(40.9)	(33.9)	7.0	(62.7)	(64.9)	2.2	(67.9)	5.2
Total	(20.9)	(22.1)	(1.2)	(172.5)	(171.4)	1.1	(269.0)	(269.2)	0.2	(262.6)	(6.4)

Note: This table includes pay and non-pay expenditure as well as technical items, delivery costs of turnaround and restructuring.

Key:

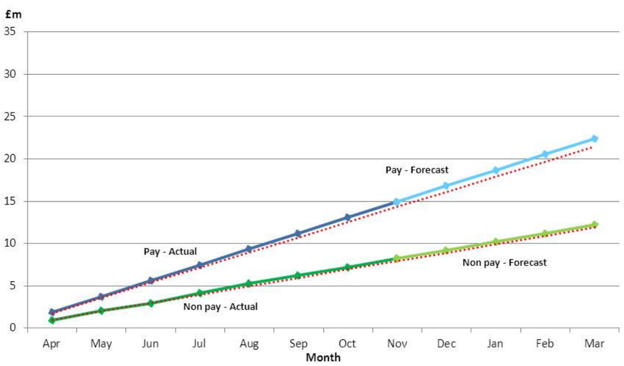
Pay – Actual

Pay - Forecast

Non pay – Actual

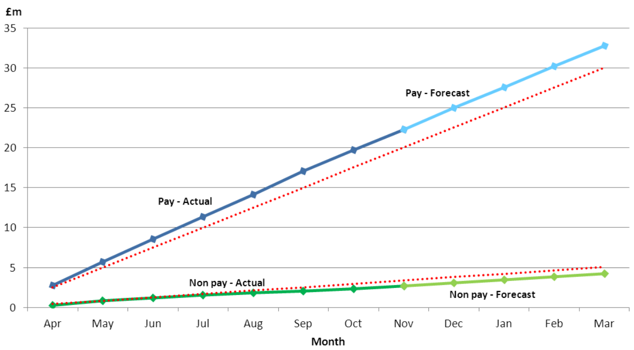
Non pay - Forecast

Budget



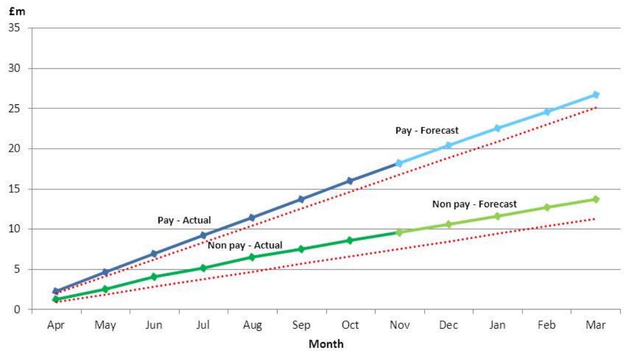
Clinical Support

- Pay: forecast over budget due to continued bank and agency cover of vacancies;
- Non-pay: overspend on drugs offset by underspend on external healthcare providers.



Medicine and Emergency Department

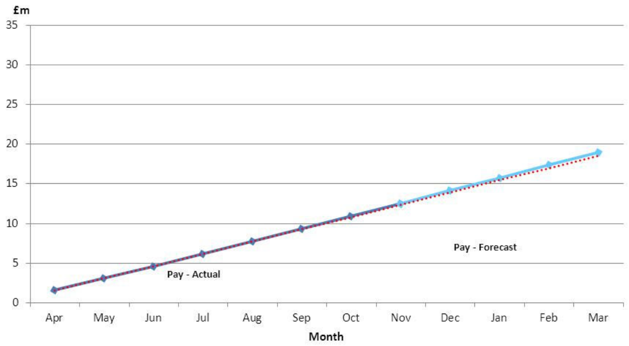
- Pay: overspend in staff and agency/locum premium to support increased activity;
- Non-pay: underspend in excluded drugs and clinical supplies and services, primarily reduced pacemaker use in cardiology.



Surgery and MSK

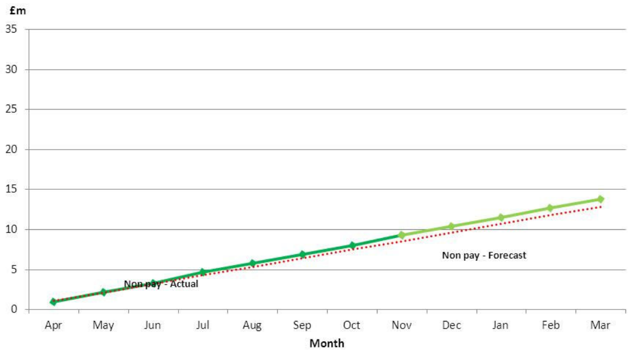
- Pay: Overspend on agency/locum and consultants extra sessions, partially offset by vacancies;
- Non-pay: Overspend on excluded Dermatology drugs, HCAH Rheumatology drugs and external healthcare providers.

Note: As in previous months pay and non-pay within Cancer has been split into two graphs below. This is due to the budget being set at the same level for pay and non-pay, as the non-pay costs are relatively higher within Cancer than other Directorates due to the higher cost and volumes of included and excluded drugs.



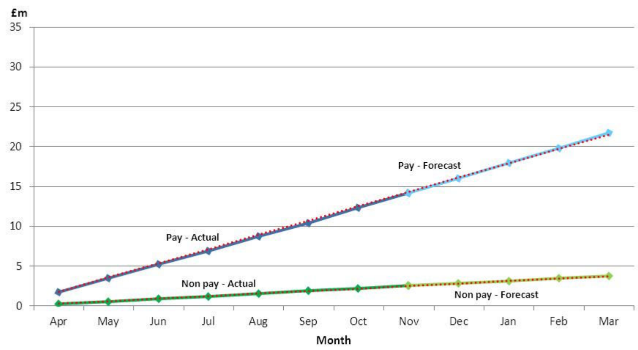
Cancer and Diagnostics – Pay

- Unfilled vacancies for first 6 months have been offset by agency and the transfer of radiology and pathology which has resulted in a small forecast overspend;



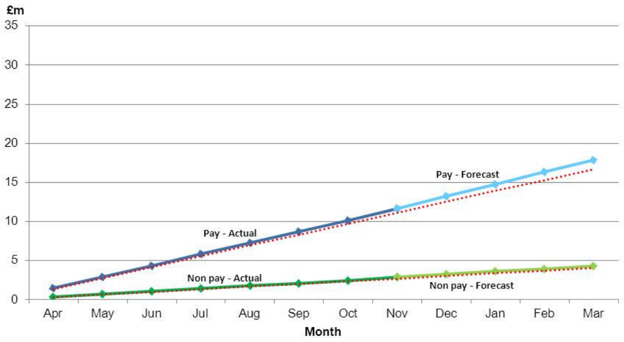
Cancer and Diagnostics – Non pay

- Overspend due to excluded drugs (balance in line with over-recovery of income),offset by underspend in included drugs;
- Further forecast overspend in clinical supplies and services within radiology and pathology, partially offset by underspend in external healthcare providers.



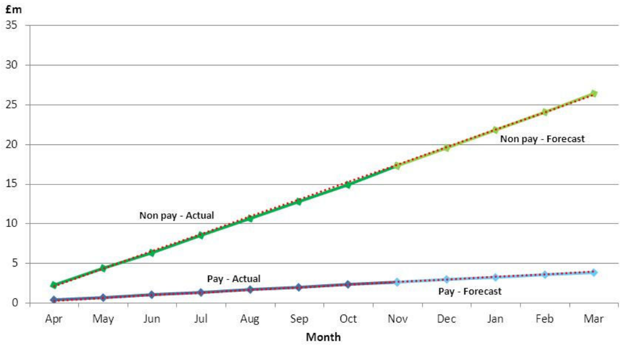
Family and Public Health

- Pay: Overspend in locum and agency due to vacancies in maternity, consultants, and breast screening staff;
- Non-pay: Small overspend due to excluded drugs offset by included drugs delivering cost savings.



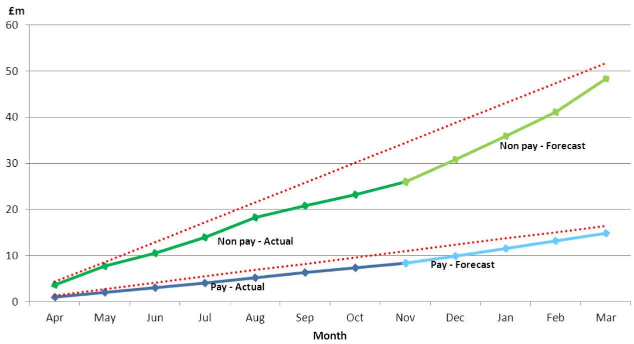
Theatres, Anaesthetics and Critical Care

- Pay: Overspend due to unfilled vacancies and increased bank and agency use;
- Non-pay: Minor overspend on theatre consumables.



Facilities

- Pay: Assistant Director vacancy savings offset by agency;
- Non-pay: Underspend on utilities and MES repairs and consumables, offset by overspend on Sharpsmart and medical gases; also overspend on the unitary payment due to service variations/volume adjs.



Corporate

- Pay: Ongoing forecast underspend;
- Non-pay: Forecast underspends on Professional Fees and other non pay costs; also Underspend on restructuring and delivery costs of turnaround.

5. Statement of Financial Position (SoFP)

	Actual position as at 31/10/12 £m	Actual position at 31/10/12 £m	Actual position at 30/11/12 £m
Intangible assets	-	-	-
Property, plant and equipment	70.0	66.9	66.4
PFI asset (finance lease) building	293.0	289.1	288.5
PFI asset (finance lease) equipment	4.0	3.7	3.6
Non PFI asset (finance lease) equipment	1.0	0.9	0.9
Trade and other receivables	0.9	1.2	1.2
M1 programme for equipment replacement (PFI)	5.8	8.2	8.6
Total non-current assets	**374.7**	**370.0**	**369.2**
Inventories	3.0	2.9	2.9
Trade and other receivables	17.4	14.1	9.8
Cash and cash equivalents	0.6	16.6	12.9
Total current assets	**21.0**	**33.5**	**25.6**
Trade and other payables	(19.9)	(19.2)	(14.7)
PFI payable, amount due by 31/03/2013	(8.8)	(9.0)	(9.0)
Non PFI payable, amount due by 31/03/2013	(0.1)	(0.1)	(0.1)
Provisions	(0.5)	(0.3)	(0.7)
Tax payable	(0.8)	(2.9)	(2.9)
Deferred income	(0.4)	(34.3)	(33.8)
Total current liabilities	**(30.6)**	**(65.8)**	**(61.2)**
Total assets less current liabilities	**365.1**	**337.7**	**333.6**
Trade and other payables	(0.1)	-	-
PFI payable, amount due after 01/04/2012	(394.5)	(389.1)	(388.4)
Non PFI payable, amount due after 31/03/2012	(0.8)	(0.7)	(0.7)
Provisions	(1.2)	(0.9)	(0.9)
Total non-current liabilities	**(396.6)**	**(390.8)**	**(390.0)**
Total assets employed	**(31.5)**	**(53.1)**	**(56.4)**
Public Dividend Capital	117.0	117.0	117.0
Revaluation reserve	33.6	33.6	33.6
Income and expenditure reserve	(182.1)	(203.7)	(207.0)
Total taxpayers' equity	**(31.5)**	**(53.1)**	**(56.4)**

Key movements in the Statement of Financial Position:

- At the end of November, the Trust has positive cash balances however as has been forecast in prior months, the Trust expects to require external financing at the end of January 2013, this is highlighted by the reduction in cash from M7 to M8;
- The deferred income balance is represented by £31.9m of contract income received in advance, training and education income received in advance and trials income received in advance, this will reduced from M9 onwards.
- Trade receivables have reduced largely due to a large value of long standing debts with Cambridgeshire and Peterborough NHS Foundation Trust being cleared along with some other large, old debts;
- Trade payables have reduced due to an improvement in speed with which invoices are being authorised, coupled with the Trust maintaining the position of paying all invoices to terms. The Trust has also cleared old Cambridgeshire and Peterborough NHS Foundation Trust invoices of in the month;

6. CIP programme

CIP Summary by Workstream

	In Month			YTD			Forecast			Recurrent Full Year Effect		
	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Forecast £000s	Variance £000s	Plan £000s	Forecast £000s	Variance £000s
Diagnostics	84	13	(71)	341	59	(282)	676	132	(544)	764	219	(545)
Elective	93	72	(20)	423	355	(68)	794	637	(157)	1,283	616	(667)
Emergency	51	72	21	355	503	148	558	790	232	608	862	254
Maternity & Paediatrics	6	-	(6)	18	-	(18)	40	-	(40)	73	-	(73)
Non Pay	264	107	(157)	1,448	1,295	(152)	2,597	2,387	(210)	3,213	3,021	(192)
Outpatients	42	-	(42)	133	-	(133)	300	-	(300)	367	-	(367)
Workforce	450	788	337	2,294	2,449	155	4,086	4,519	433	3,821	5,961	2,140
Sub Total (cost reduction)	**989**	**1,052**	**63**	**5,012**	**4,661**	**(351)**	**9,051**	**8,464**	**(587)**	**10,129**	**10,679**	**550**
Income Rec	-	87	87	-	480	480	-	798	798	-	929	929
Income Non Rec	72	78	5	461	341	(120)	750	549	(201)	1,006	-	(1,006)
Additional Non Rec	343	(542)	(885)	1,995	951	(1,044)	3,367	1,341	(2,026)	-	-	-
Additional Rec Measures	-	-	-	-	-	-	-	-		2,033	-	(2,033)
Sub Total (actual)	**1,404**	**675**	**(729)**	**7,468**	**6,432**	**(1,035)**	**13,168**	**11,153**	**(2,015)**	**13,168**	**11,608**	**(1,560)**
(Overachievement)/ Additional measures yet to be identified	-	-	-	-	-	-	-	2,015	2,015	-	1,560	1,560
Grand Total	**1,404**	**675**	**(729)**	**7,468**	**6,432**	**(1,035)**	**13,168**	**13,168**	**-**	**13,168**	**13,168**	**-**

The Trust Cost Improvement Programme (CIP) delivery year to date (YTD) for month 8 (including income contribution and other non-recurrent measures) was £6,432k which is behind plan YTD by (£1,035k). The full year forecast remains in line with the plan of £13,168k, leaving further schemes of £2,015k in year to be identified, with full year effect of £1,560k. There has been a worsening of the position when compared to Month 7, and this is due to a review of current schemes and moving some areas back into the pipeline for further validation.

In total, including recurrent and non-recurrent schemes, the planned CIP savings for month 8 were behind plan by (£1,035k). To date, CIP performance relating to the workstreams has delivered £4,661k compared with a target of £5,012k prior to income and other measures. The planned savings requirement has increased from an average per month of £0.6m in Q1 to £0.95m in Q2 with a further step change to £1.4m from this October onwards, predominantly in the pay budget.

In terms of income, the year to date contribution relates to additional new activity that is being carried out within the Directorates. In addition, various non-recurring items have also been included to support CIP delivery, partly achieved through holding vacancies. The year to date total of all these schemes amounts to £1,772k.

Additional recurrent and non-recurrent schemes will continue to be identified to bridge the gap in our full year CIP plans which amount to £2,015k in the current year and £1,560k of full year effect carried forward to 2013/14. In addition pipeline schemes are being developed to increase recurrent savings in 12/13 and beyond.

7. Key financial risks

The table below outlines risks identified for 2012/13. New comments/risks are highlighted by a blue box.

No.	Key financial risks	Mitigating Actions	Timing / responsibility	Potential financial impact
1	Liquidity – Trust requires external financial support during 2012/13	• Ongoing dialogue with Monitor and DoH • Short and long term cash flow forecasting processes are in place and are regularly reviewed.	• Monitoring /escalation processes in place • DoF in regular contact with Monitor and DoH	Cash shortfall of c.(£47m) to 31 March 13
2	Delivery of CIP savings/failure to reduce current run rate to meet budgeted levels.	• PMO in place. • Regular CIP performance management meetings in place both with CBUs and savings scheme leads. • Programme governance arrangements improved. • Recruitment of Programme Director – Now in post. • Unidentified CIP achievement has been removed from the current forecast mitigating the double counting risk. • There has been an increase in the CIP to be identified in month 7. However there have been significant schemes developed within the pipeline. • Further work continues to be undertaken to review, validate and capture additional areas of potential efficiency improvement. Increased focus continues to be put into the pay costs with the aim of driving out further CIPs in the last quarter of 2012/13.	• Monitoring /escalation processes in place • On-going review and action from Programme Director • CEO driving performance through monthly CIP programme board	(£1m)
3	Activity associated with Peterborough and Cambridgeshire PCTs exceeds contract value – additional marginal	• Performance monitoring of all activity being enhanced. • Additional monitoring of referral patterns and	• Regular reporting to PCT – DDPIC • Escalation through CMB	(£1m) – (£3m)

	costs	other lead indicators of demand being developed specifically for Peterborough and Cambridgeshire. • Referral Management Board introduced to ensure that referrals follow the planned trajectory. • Over-performance risk has been escalated and a response received from NHS P&C. • Letter received from commissioners on 23rd November. Draft proposal being prepared for presentation to commissioners at next meeting on 20th December.	– DoF, MD and COO	
4	Operational penalties exceed forecast amounts	• Monitoring of penalties and actions plans. • Early escalation of issues. • Potential penalties relating to CDiff were discussed during the teleconference on 4th December. The Trust confirmed its understanding of the measurement criteria included in the contract and are awaiting a response from commissioners.	• Regular reporting to PCT – DDPIC • Improvement driven through CBU performance management meetings – COO	(£0m) – (£1m), EM commissioners only
5	Delivery of CQUIN targets falls below forecast levels – lower than expected CQUIN revenue	• Director of Nursing leading CQUIN work programme. • Project Lead to be appointed to co-ordinate and assist with implementation of schemes. • Reporting mechanisms are now in place to performance manage delivery.	• Performance managed as a programme of work by the CNDoCQ	(£0.5m)
6	Reduction in income - the Trust received notice in May that the funding that it	• This is a national issue, on-going dialogue is taking place with MoD, DoH and relevant PCTs.	• Ongoing dialogue with MoD and DoH - HoBD	(£1m)

	currently receives from the MoD will cease in September	• The Trust attended a national meeting on 22/10/12 at which it was confirmed verbally that PCTs would be expected to fund this activity and that they would receive an equivalent amount of central support from the DoH. • The first month's invoices have now been issued to the relevant commissioners and the Trust is expecting payment to be made shortly.	• Lead executive - DoF	
7	Emergency readmission target to be agreed with PCT following an audit at the end of Q1. This could materially impact on income due from all PCTs other than Peterborough and Cambridge.	• Engagement of contracts, Information and Operation teams with the audit. • Evaluation of potential risks following the outcome of the audit. • Audits are currently on-going; initial feedback from NHS P&C has been received and is being reviewed, and the audit by NHS Lincs is yet to be undertaken.	• Day to day management - DDPIC • Lead executive - DoF	(£1.6m)
8	Ability of Lincolnshire to pay for activity.	• Contract escalation invoked. Further work is now underway to review detailed activity forecasts for the remainder of the year. • NHS Lincolnshire continue to provide assurance that commissioned activity undertaken will be paid for.	• Lead executive - DoF	(£3.0m)
9	A number of quality-related business cases are currently being prepared and if approved would put further pressure on the pay budget.	• Business cases to be reviewed through IMG, F&I and Board as necessary	• Lead executive - COO	(£0m) – (£1m)
10	Winter pressures result in additional costs.	• Resolve staffing issues in the emergency department and improve emergency pathway.	• Lead executive - COO	(£1m)-(£1.5m)

		• Close monitoring of elective waiting lists. • Front load elective activity.		
11	Additional energy consumption and higher energy prices causes above forecast expenditure.	• Peter Northmore have been engaged to review the PFI contract and perform an energy review. • On-going review of energy usage.	• Day to day management ADE&F • Lead executive - COO	(£0.5m)
12	Non-recurrent funding for the ward at Stamford Hospital supporting its transition from an acute to an intermediate care facility, based on the achievement of 3 milestones.	• Monthly reporting to commissioners on progress. • Final two milestones agreed and signed off by the commissioners.	• Lead executive - COO	(£0.4m)

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