

<b>To:</b>	Trust Board
<b>From:</b>	Andrew Seddon – Director of Finance and Business Services
<b>Date:</b>	20 December 2012
<b>CQC regulation:</b>	All applicable

<b>Title:</b>	Draft Month 8 Financials
<b>Author/Responsible Director:</b>	Andrew Seddon – Director of Finance and Business Services
<b>Purpose of the report:</b>	To brief the Trust Board on the draft Month 8 financials

**Andrew Seddon**  
**Director of Finance and Business Services**

**14 December 2012**

## Financial Performance – Andrew Seddon

### 6.0 Financial position

#### 6.1 I&E summary

The Trust is reporting a cumulative £7.1m deficit for the first 8 months, £8.4m adverse to Plan. Income ytd is £7.9m (1.6%) over Plan, which is stated net of a £4.0m marginal rate deduction for emergency inpatient income over the 2008/09 baseline. Operating costs cumulatively are £16.9m over Plan, with premium cost staff largely being used to deliver the additional activity.

For the month of November, the position is an actual I&E deficit of £0.7m, £0.5m adverse to the planned position of a £0.2m deficit.

Table 1 outlines the current position and Table 2 outlines the Financial Risk Rating.

**Table 1 – I&E summary**

	November 12			April - November 2012		
	Plan	Actual	Var	Plan	Actual	Var
	£m	£m	£m	£m	£m	£m
<b>Income</b>						
Patient income	51.4	54.2	2.8	413.2	420.9	7.7
Teaching, R&D	6.3	6.2	(0.1)	50.2	49.8	(0.4)
<b>Service Income</b>	<b>57.7</b>	<b>60.4</b>	<b>2.7</b>	<b>463.4</b>	<b>470.7</b>	<b>7.2</b>
Other operating Income	2.5	2.5	(0.0)	18.5	19.2	0.7
<b>Total Income</b>	<b>60.2</b>	<b>62.8</b>	<b>2.6</b>	<b>481.9</b>	<b>489.8</b>	<b>7.9</b>
<b>Operating expenditure</b>						
Pay	36.7	38.2	(1.5)	293.4	300.9	(7.5)
Non-pay	20.1	21.7	(1.6)	158.7	168.1	(9.4)
<b>Total Operating Expenditure</b>	<b>56.8</b>	<b>59.9</b>	<b>(3.1)</b>	<b>452.1</b>	<b>468.9</b>	<b>(16.9)</b>
<b>EBITDA</b>	<b>3.4</b>	<b>3.0</b>	<b>(0.5)</b>	<b>29.9</b>	<b>20.9</b>	<b>(9.0)</b>
Net interest	-	0.0	0.0	0.0	0.0	0.0
Depreciation	(2.7)	(2.7)	(0.0)	(21.2)	(20.8)	0.5
PDC dividend payable	(0.9)	(0.9)	-	(7.4)	(7.3)	0.2
<b>Net deficit</b>	<b>(0.2)</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>1.3</b>	<b>(7.1)</b>	<b>(8.4)</b>
<b>EBITDA %</b>		<b>4.7%</b>			<b>4.3%</b>	

\* The patient income line includes both NHS and non-NHS patient care income

**Table 2 – Financial Risk Ratings**

Criteria	Indicator	Weight						Year to Date
			5	4	3	2	1	
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	2
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	2
	I&E surplus margin %	20%	3	2	1	-2	<-2	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	3
<b>Weighted Average</b>		<b>100%</b>						<b>2.3</b>

The **year to date position** may be analysed as follows.

## 6.2 Income

- 6.2.1 Year to date NHS patient care income is £7.2m (1.6%) favourable to Plan. This reflects under-performance on daycases of £1.1m and elective inpatients of £2.3m. These adverse movements are offset by favourable variances for emergency activity, £6.3m, net of a £3.9m reduction for the marginal rate emergency threshold and outpatients £2.6m. Emergency inpatient activity to the end of November was 5,445 spells (7%) above Plan.
- 6.2.2 The YTD position includes an income reduction of £0.6m to reflect the non delivery of performance targets, where we would not be able to recover this income e.g. Emergency Department.
- 6.2.3 The YTD position also assumes £1.5m of income relating to reimbursement of income as a consequence of the emergency activity threshold.
- 6.2.4 Table 3 below highlights the impact of price and volume changes in year to date activity across the major “points of delivery”. This shows the increased activity across all emergency areas – with a consequential adverse impact on elective inpatients and daycase activity. We have also seen a reduction in the price/case mix for daycases, emergencies and ED activity.
- 6.2.5 The key points to highlight within Table 3 are:
- The 7% increase in emergency activity takes the Trust above the 2008/09 activity threshold, thereby accruing income at only 30% of the full tariff. This marginal rate (MRET) accounts for a reduction in income of approximately £3.9m in the first 8 months. The MRET baseline is determined on a Commissioner basis and so the concentration of additional emergency activity in the County and not the City has exacerbated the impact on us as a provider. Commissioners hold the balance of 70% and are tasked to invest this to alleviate the pressures.
  - The Emergency Department price variance reflects the impact of the 2011/12 year end settlement. A Commissioner-led review of the ED casemix is currently underway. Our ED team consider that the average tariff of £99 does not reflect the complexity of the casemix and intend to re-address this in the 2012/13 counting and coding proposals.
  - The elective inpatient volume shortfall of 5.6% equates to 886 spells. This reduction is largely as a consequence of the increased emergency activity encroaching on elective beds, ITU capacity and theatre sessions. This has had a knock-on effect of reducing elective capacity

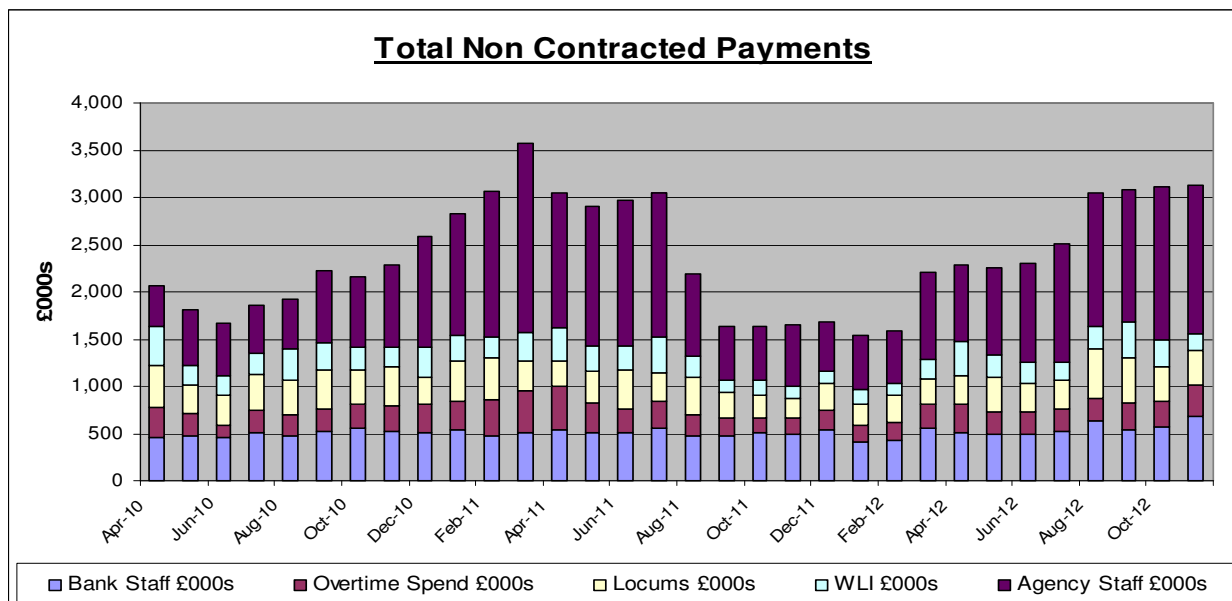
**Table 3 – Patient Care Activity – Price and Volume Movements**

	Price Variance YTD %	Volume Variance YTD %	Price / Mix Variance (£000)	Volume Variance (£000)	Variance YTD (£000)
<b>Average tariff</b>					
Day Case	(1.0)	(2.1)	(341)	(718)	(1,059)
Elective Inpatient	0.8	(5.6)	372	(2,695)	(2,323)
Emergency / Non-elective Inpatient	1.3	7.3	1,612	8,572	10,184
Marginal Rate Emergency Threshold (MRET)			(3,869)	0	(3,869)
Outpatient	3.2	(0.1)	1,902	(42)	1,860
Emergency Department	(3.6)	4.5	(399)	486	87
Other			0	2,149	2,149
<b>Grand Total</b>	<b>(3.2)</b>	<b>5.1</b>	<b>(723)</b>	<b>7,751</b>	<b>7,028</b>

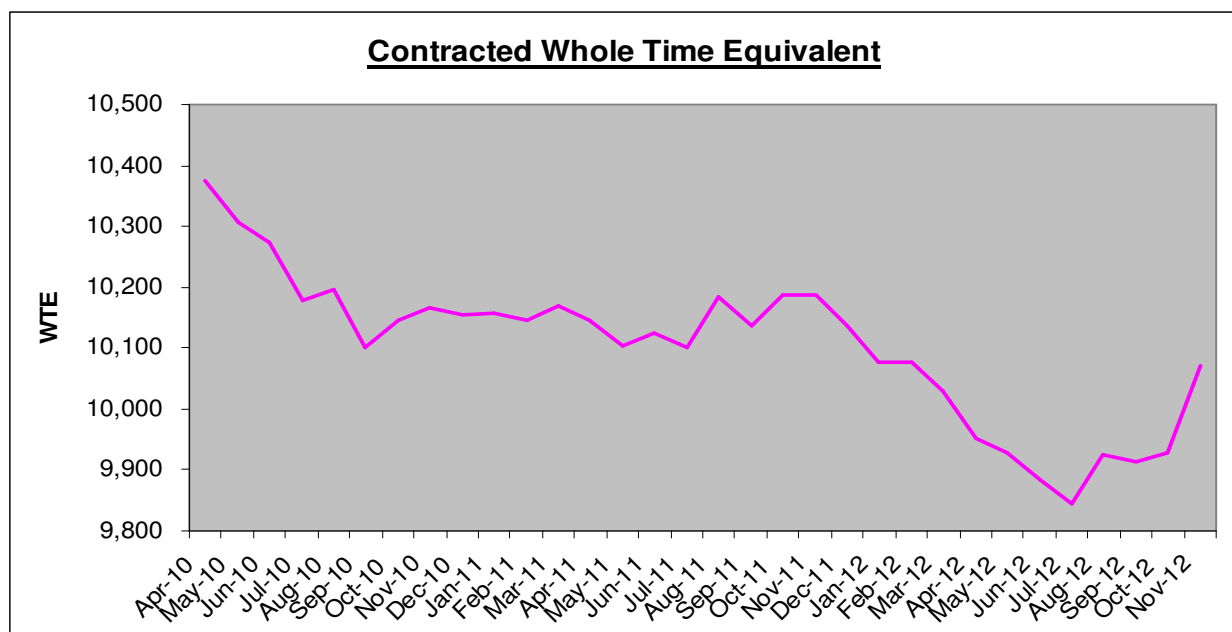
### 6.3 Expenditure

- 6.3.1 Operating expenditure for the year to date is £16.9m (3.7%) adverse to Plan, comprising of pay at £7.5m (2.6%) adverse and non-pay £9.4m (5.9%) adverse. November performance against Plan is £1.5m adverse for pay and £1.6m adverse for non-pay.
- 6.3.2 The pay position, both year to date and in November, reflects the continued use of extra capacity wards (Wards 29 and 32 at GGH and Ward 37 at LRI) to meet the emergency activity levels. Pay spend on these 3 wards is in excess of £3m YTD. The Acute Care Division is also rostering more doctors and nurses in Medicine and ED to ensure the flow of patients from ED to support the delivery of the 4 hour target.
- 6.3.3 Whilst premium payments were stable between September 2011 and February 2012, the increase in March 2012 continued into this financial year with the stepped increase seen in August continuing through to November – we are now running at pay costs double the level of the same period last year (an extra £1.5m per month), despite the increase in contracted staff in November (see Chart 2).

**Chart 1**



**Chart 2**



6.3.4 Whilst contracted staff reduced continuously since November 2011 until July 2012, we saw a small increase in August, stability in September and October, but a significant increase in November reflecting the new nursing and midwifery starters (142 WTE additional contracted staff in November).

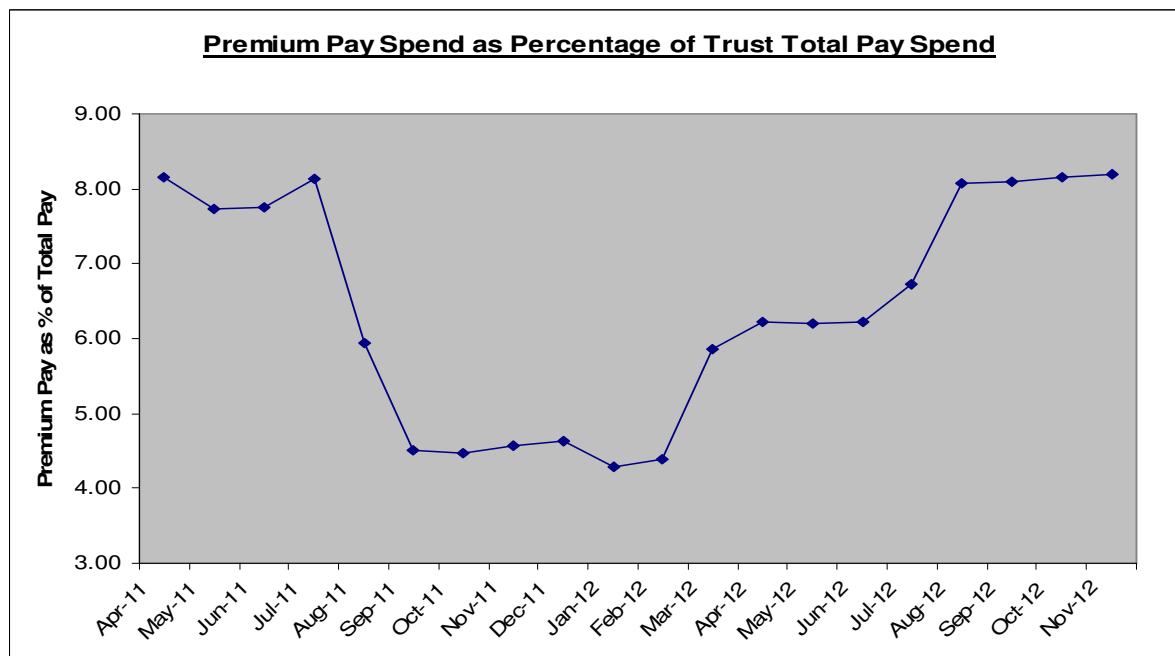
6.3.5 The Trust is still using a significant number of non contracted workforce (618 WTE, which is 5.9% of the total worked WTE but 8.2% of the pay costs). This is shown by Division in Table 4 below. This must fall as a result of the increased substantive recruitment.

**Table 4 – Worked WTE**

UHL/Division	November 2012 worked wte (Actual)					Total wte
	Contracted wte	Bank wte	Overtime wte	Agency wte	Other wte	
Acute Care	3,305	146	35	105	(71)	3,520
Clinical Support	2,393	43	24	38	(52)	2,446
Planned Care	1,869	67	15	22	(40)	1,933
Womens & Children	1,445	19	9	2	(23)	1,452
Corporate	1,060	48	24	21	(35)	1,118
<b>UHL Total</b>	<b>10,072</b>	<b>323</b>	<b>107</b>	<b>188</b>	<b>(221)</b>	<b>10,469</b>

6.3.6 The consequence of the increased premium staff is illustrated in the chart below which shows premium staff costs as a percentage of total staff costs.

**Chart 3**



6.3.7 It is important to highlight that although we have seen changes in the mix of permanent and temporary staff from an overall workforce total, we have now seen a 1.7% increase in total workforce over the past 14 months – see below.

**TOTAL STAFFING**

	WTE	(%)	Nov 12 WTE	March 12 WTE	Sept 11 WTE
MEDICAL & NURSING	229	3.4	7,041	6,878	6,812
OTHER STAFF GROUPS	(50)	(1.4)	3,650	3,615	3,700
<b>TOTAL</b>	<b>179</b>	<b>1.7</b>	<b>10,690</b>	<b>10,493</b>	<b>10,512</b>

\* The above WTE's exclude the "other" adjustment as reflected in table 4.

6.3.8 Whilst showing a 1.7% increase in total numbers, we have seen a significant 229 WTE 3.4% increase in our medical and nursing numbers and a corresponding decrease in other staffing.

6.3.9 To support this analysis, the following two tables provide further details as to the changes by staff type and premium payment type.

**CONTRACTED STAFFING**

Staff Type	Movement Nov 12 -		Contracted Staff		
	WTE	(%)	Nov 12 WTE	March 12 WTE	Sept 11 WTE
ADMIN & CLERICAL	(125)	(6.6)	1,763	1,827	1,888
ALLIED HEALTH PROFESSIONALS	(28)	(6.0)	449	459	478
CAREER GRADES	4	5.7	70	70	66
CONSULTANT	16	3.0	554	533	538
HEALTHCARE ASSISTANTS	(28)	(6.0)	439	447	467
HEALTHCARE SCIENTISTS	(17)	(2.2)	734	741	751
MAINTENANCE & WORKS	1	0.9	61	61	60
NURSING QUALIFIED	(14)	(0.4)	3,296	3,348	3,310
NURSING UNQUALIFIED	110	9.2	1,314	1,195	1,203
OTHER MEDICAL & DENTAL STAFF	(5)	(0.5)	926	899	931
OTHER SCIEN, THERAP & TECH	26	9.3	301	274	276
SENIOR MANAGERS	(7)	(3.9)	164	175	171
<b>TOTAL</b>	<b>(67)</b>	<b>(0.7)</b>	<b>10,071</b>	<b>10,029</b>	<b>10,138</b>

MEDICAL & NURSING	84	1.3	6,599	6,492	6,515
OTHER STAFF GROUPS	(151)	(4.2)	3,473	3,538	3,623
<b>TOTAL</b>	<b>(67)</b>	<b>(0.7)</b>	<b>10,071</b>	<b>10,029</b>	<b>10,138</b>

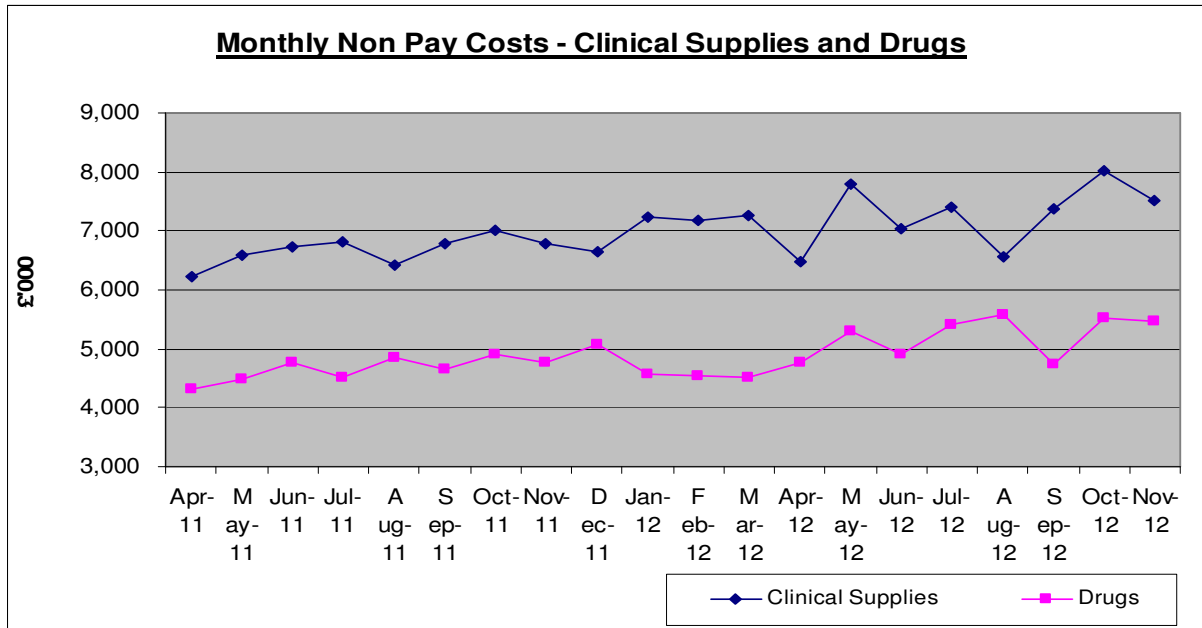
**PREMIUM STAFFING**

	WTE	(%)	Nov 12 WTE	March 12 WTE	Sept 11 WTE
BANK	81	33.4	323	274	242
OVERTIME	45	70.6	108	84	63
AGENCY	120	176.1	188	106	68
<b>TOTAL</b>	<b>246</b>	<b>65.8</b>	<b>619</b>	<b>464</b>	<b>373</b>

6.3.10 The clear challenge to the Trust is to reduce the requirement for this premium staffing, whilst maintaining, if not increasing, the quality of care.

6.3.11 Non-pay costs - the key areas are drugs, £2.0m adverse to Plan, and clinical supplies, £3.7m adverse, with variances in both categories driven in part by increased activity levels. The chart below shows the actual monthly costs for clinical supplies and drugs from April 2011 to November 2012.

**Chart 4 – Clinical Supplies and Drugs Costs**

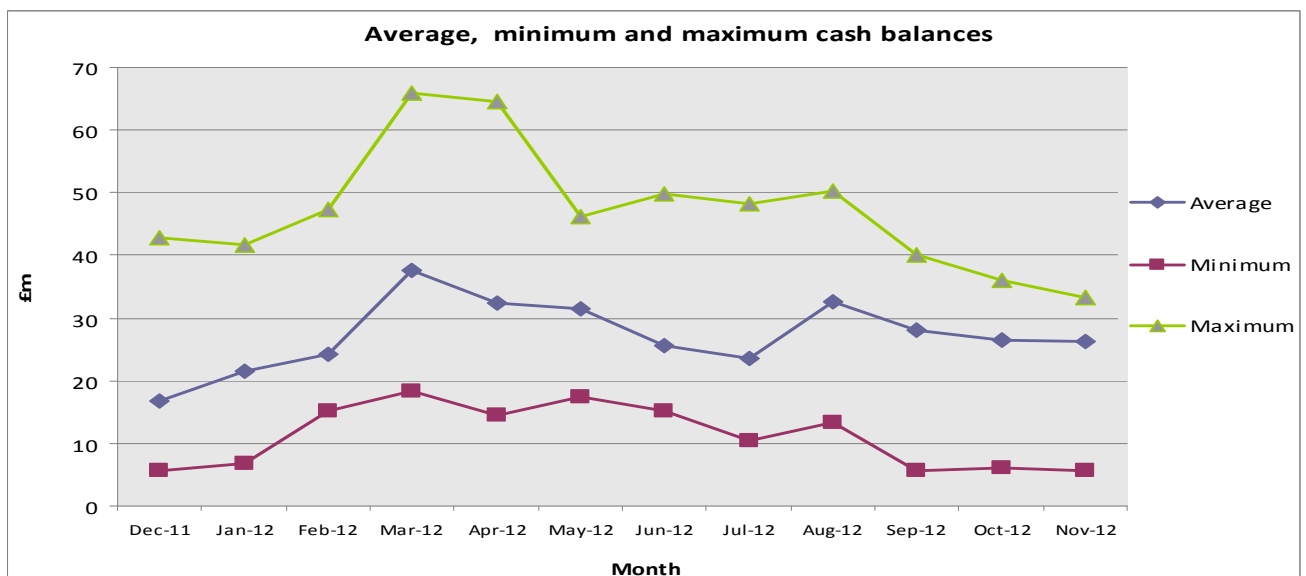


6.3.12 In addition to the variances in drugs and clinical supplies, YTD results are also adverse in utilities (£0.4m), use of independent sector (£0.9m – primarily endoscopy), hotel services and security (£0.7m) and legal fees (£0.2m).

**6.4 Working capital and net cash**

6.4.1 The Trust closed the month of November cash balance of £6.7m, compared to £35.9m at the end of October. The main reason for this was the prepayment of the monthly SLAs via the CCGs reducing from £28m to less than £4m.

6.4.2 Cash continues to be monitored on a daily basis and to date we have maintained monthly balances in excess of £2m.



## **6.5 2012/13 forecast and risks**

6.5.1 The Trust is still forecasting to deliver the planned £46k surplus.

6.5.2 The details behind the revised forecasts and financial recovery actions plans will be contained within the “Financial Forecast Recovery” paper for the Finance & Performance Committee.

**Andrew Seddon**  
**Director of Finance and Business Services**

**14 December 2012**