Portsmouth Hospitals NHS
NHS Trust

TRUST BOARD PART I – MAY 2012

Agenda Item Number: 72/12
Enclosure Number: (4)

Subject	Finance Report – April 2012 (Month 1)
Prepared by: **Sponsored & Presented by:**	Steve Gooch, Deputy Director of Finance Robert D Toole. Director of Finance & Investment
Purpose of paper *Why is this paper going to the Trust Board?*	Regular reporting For information/awareness
Key points for Trust Board members *Briefly summarise in bullet point format the main points and key issues that the Trust Board members should focus on including conclusions and proposals*	• The Trust has £1.4m deficit on income and expenditure at the end of month 1. • The planned deficit is £1.3m indicating a marginal variance for the Trust of £0.1m adrift of plan at this early stage of the year. • The principal reasons for the Trust being adrift of plan relate to the back-loaded profile of the Trusts savings plan for 2012/13 and the fact that prudent assumptions around income levels have been made for month 1.
Options and decisions required *Clearly identify options that are to be considered and any decisions required*	Board Members are asked to note and review the issues highlighted in the report.
Next steps / future actions: *Clearly identify what will follow the Trust Board's discussion*	
Consideration of legal issues (including Equality Impact Assessment)?	Considered but not applicable
Consideration of Public and Patient Involvement and Communications Implications?	Yes – public information

Director of Finance and Investment: Finance Report

Financial Position (£k)			
	Budget	Actual	Variance
Current Month	(1,295)	(1,399)	(104)
Year to Date	(1,295)	(1,399)	(104)

The financial report appendices attached to this report detail the Trust's financial performance at the end of month one of the 2012/13 financial year.

- **Income and Expenditure "I&E" position (in-month and year to date position)**
  At the end of April (month 1), the Trust has a recorded a deficit of £1.4m on income and expenditure. This position compares to the recently resubmitted plan position of £1.3m deficit which means the Trust is £0.1m adrift of re-profiled plan after the first month of the financial year. The re-profiling is due to finalisation of the Trust's efficiency plan development and further enabled by agreement of Commissioner QIPP plans and activity profile aiming for full Referral to Treatment performance compliance.

  The fact that the Trust has recorded a deficit in month one is the combination of two key factors. Firstly the Trust has a significant and ongoing internal efficiency & quality / cost improvement target of £27m for 2012/13. This is £2m higher than in 2011/12 and is required to both address non-recurrent savings made in 2011/12 and also allow for a £4.3m surplus or 1% of turnover as required for Foundation Trust status. Recognising that it is extremely challenging to generate additional savings on an ongoing year by year basis the Trust has found it challenging to develop a complete set of plans to deliver £27m. Notwithstanding this and recognising the need for Transformation of how the Trust operates and the requirement to re-invigorate the efficiency agenda an innovative cross functional arrangement has been instigate to maximise the potential efficiency benefits plan for 12/13. This had been led by the PMO Transformation team under the leadership of the director of Strategy and Business development with oversight of the chief Operating Officer and Finance Director. The PMO transformation team have generated a cross Trust (corporate) set of savings / income plans totalling over £30m. The challenge to achieving this does however mean that the Trust has a back-loaded savings profile with the majority of savings being delivered in the 2nd half of the financial year. A consequence of this back-loaded profile is that the Trust will record a deficit in the early months of the year until savings plans start to impact on monthly expenditure run rates. This is consistent with previous years.

  The second factor behind the month one deficit is that the Trust has assumed income in line with contract plans for month one. This includes one twelfth of the impact of PCT demand management schemes (circa £800k of reduced income). Because the Trust produces activity monitoring information one month in arrears it has not been be able to assess whether any extra income is payable for activity above plan. It is therefore likely that the month 1 deficit represents a worst case picture of the Trust's overall financial position.

- **Expenditure Trends:** The Trust's overall pay-bill for the month of April was £20.9m which has remained in line with levels seen during the final quarter of the 2011/12 financial year. The Trust will need to make significant reductions in its overall pay bill over coming months as part of the overall savings challenge of £27m.

- **Temporary Staffing (Locum, Bank & Agency):** Temporary staffing charts showing expenditure for month one are included in appendix 2. Expenditure on temporary staffing for the month of April totalled £1.9m. This is in line with the peak month seen during the 2011/12 financial year with expenditure principally being in Nursing and Midwifery (£964k) and Medical and Dental (£451k) areas. Tackling these high levels of temporary staffing expenditure, especially those incurred at premium rates, will are a key part of the Trust's strategy for 2012/13 in order to bring the current deficit position under control.

- **Activity and Income:** The Trust's SLA performance is produced one month in arrears so at the time of writing with the activity and QIPP Plans now being finalised with the commissioners there is no published SLA activity available for April 2012. As a result the Trust has assumed activity in line with financial planning levels.

  Elective Activity
  Notwithstanding the above, as a guide the estimate of elective activity spells for April 2012 is 4,440 vs last year's actual 3,745 [plan 3774] a positive variance of 655 or 17.5% [Plan 628 or 16.8%] in line with ongoing activity to meet RTT performance targets. Note in April 2011 there were effectively 4 public holidays with Easter & the Royal wedding vs. just 2 public holidays - Easter in 2012

  Non-Elective Activity
  The estimate of non- elective activity spells for April 2012 is 5,640 vs last year's actual 5,685 a minor deviance of (45) or (0.8)% in line with very challenging ongoing activity particularly with continuing excessive attendances being experienced in the emergency department. Last years activity appeared to be a continuation of particularly respiratory issues following on from the flu outbreak.

  Contract position
  The Trust is currently concluding contract negotiations with PCT's in respect of 2012/13 contracts with the majority of contract values already being agreed in March as part of signed heads of agreement. The items that have delayed sign relate principally to the terms and conditions of the contract around items such as activity projections, QIPP and CQUIN schemes. It is expected that all PCT contracts will be agreed and signed off by end of May or early June latest once any outstanding issues are resolved.

- **Cost Improvement Plans:** The Trust's cost improvement target for 2012/13 is £27m. This reflects what the Trust is required to deliver if it is to achieve its targeted year end position of a £4.3m surplus. In addition to the £27m, the Trust must monitor the delivery of a further £5.3m of cost reductions which represent the variable cost element of PCT demand management schemes. In simple terms the PCT plans embodied within Trust plans indicate that the Trust will not be required to undertake this activity in 2012/13. Whilst the greatest risk of non delivery sits with the Trust (i.e resourcing understated activity and delays in ability to flex staff both down and up) the Trust is seeking to work closely both with Primary care as well as community providers to maximise whole health system working. The Trust must also ensure that as the work is removed / reducing that the variable costs associated with this work are also removed otherwise in an effective manner.

  The reason the Trust has such a large savings target for 2012/13 is because of four main factors:

  - The need to recover a (reducing) underlying deficit position;
  - The 4% national efficiency requirement built into 2012/13 tariffs;
  - The impact of PCT demand management schemes leaving the Trust with "stranded" fixed costs; and
  - The need to deliver a 1% surplus as opposed to previous years break-even positions.

  As highlighted above, the Trust has found it challenging to develop detailed and comprehensive savings plans of this magnitude. This is illustrated by the savings appendices included within this report. Appendix 3a shows that at the end of April the Trust has only been monitoring against schemes totalling £11.8m. This represents the total of schemes that had been fully implemented at this point in time by CSC's and corporate workstreams. At the end of month 1 the Trust was showing a small adverse variance against these schemes of £107k. For Month 1 This does not include for other corporate workstreams e.g. workforce transfer substantive v agency; income safeguarding etc. previously identified and undergoing further development.

Appendix 3b highlights the Trust's identified to a total of £30.5m. The urgent and imperative task is to ensure within next month that these schemes are quickly translated into operational plans and delivery to help ensure that the Trust's financial position is stabilised.

- **Capital and Cash:** The details on the Trust's capital programme and cash flow for 2012/13 have been included as appendices to this report.

  The Trust's capital programme for 2012/13 totals £10m and can be broken down across the following main headings:

-	Medical Devices Management Committee (MDMC)	£2.3m
-	Trust Planning Committee (TPC) allocation	£2.0m
-	ICT Capital Programme allocation	£2.0m
-	Estates Strategy allocation	£0.5m
-	Committed schemes from 2011/12	£0.5m
-	Breast Screening Digitisation	£0.6m
-	Other approved commitments	£1.3m
-	Revenue items from capital programme	£0.6m

  Prioritisation and approval for both MDMC and ICT is well advanced with approval given to proceed for MDMC priorities. Similarly it is expected that the majority of the TPC allocation will be taken up by the replacement MRI scanner that has already been approved for purchase in 2012/13.

  Cash
  The Trust's cash position at the end of April is £5.8m which is above plan by £3.0m. This is due to payments being received for NHS debtors earlier than the anticipated profile. This Trust's cash flow forecast for the year anticipates a reducing cash balance, due largely to the profile of capital expenditure payments, with a year end cash balance of £100k. This is dependent on the Trust achieving its year end surplus position.

Robert D Toole
Director of Finance
May 2012