

## Financial Position as at 30 April 2011

Agenda Item:	16	Reference:	B11-12/041
Report to:	Board of Directors	Meeting Date:	25 May 2011
Lead Director:	Russ Favager, Director of Finance		
Lead Officer:	John Vanderwerff, Deputy Director of Finance		
Governance:	Link to WUTH Strategic Goals	To deliver strong financial performance. <a href="#">WUTH Strategic Goals 2010-11</a>	
	Link to Core Values	Dedicated to excellence in all that we do. <a href="#">WUTH Core Values</a>	
Summary:	<p>The purpose of this document is to report the financial position to date, highlighting the key trends and issues. This aligns with the corporate priority of being financially strong.</p> <p>At month 1 the Trust is reporting a surplus £64k against a planned position of £72k giving a minor variance of £8k.</p> <p>There still remains a significant gap in achieving the 2011/12 CIP and progress needs to be made to avoid de-stabilising the financial position.</p>		
Recommendation:	To Approve		
	To Ratify		
	To Note		✓
	Comments	The Board is asked to note the financial position for 2011/12 as outlined in the report.	
Next Steps:			

**Section 1**

*This section is an assessment of the **impact** of the proposal/item. As such, it identifies the significant risks, issues and exceptions against the identified areas. Each area must contain sufficient (written in full sentences) but succinct information to allow the Board to make informed decisions. It should also make reference to the impact on the proposal/item if the Board rejects the recommended decision.*

<b>What are the implications for the following (please state if not applicable):</b>			
<b>Quality &amp; Safety</b>	N/A		
<b>Financial (inc Value for Money)</b>	<p>If WUTH fails to achieve its financial plan or break-even position, there will be sanctions from Monitor which can range from sending in a turnaround team to ultimate sanction of losing FT status.</p> <p>All expenditure plans are subject to ongoing value for money assessment.</p>		
<b>Risk (including legal)</b>	<p>The financial plan is in jeopardy if financial risks are not addressed.</p> <p>Any cost pressures in year will need to be managed to ensure the Trust achieves its financial plan. The risk to the 2011/12 financial position from the unidentified gap on delivery of CIP needs to be recognised.</p> <p>Legal advice is sought on financial issues as and when required.</p>		
<b>Workforce</b>	The finance report reflects the budget and actual costs of WUTH's workforce.		
<b>Equality &amp; Human Rights</b>	Some expenditure in the financial plan is targeted at certain areas to address inequalities.		
<b>Equality Impact Assessment (EIA)</b>	<b>Attached</b>		
	<b>N/A</b>		✓
	<b>Other</b>		

**Section 2**

*This section gives details not only of where the actual paper has previously been submitted and what the outcome was but also of its development path ie. other papers that are directly related to the current paper under discussion.*

<b>Report History/Development Path</b>				
<b>Report Name</b>	<b>Reference</b>	<b>Submitted to</b>	<b>Date</b>	<b>Brief Summary of Outcome</b>
Finance & Activity Report	TB10-11/...	Board of Directors	Monthly	Noted

If you require any additional information please contact the Lead Director/Officer.

# Financial Position as at 30 April 2011

## Introduction

1. This report sets out the financial position for the Trust to the end of April 2011 (month 1).

## Key Financial Metrics

2. The Board is asked to note the forecast performance against the Trust's key financial targets as set out in table 1 below.

**Table1: Key Financial Performance Metrics**

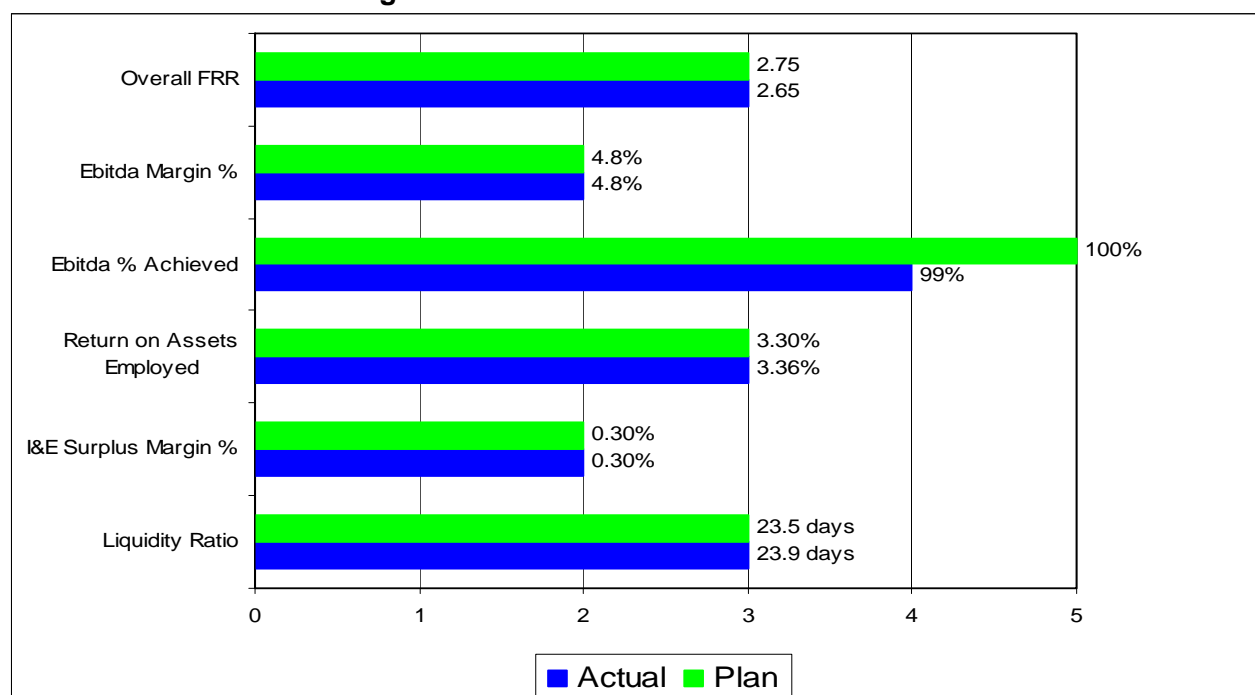
Target	Current Performance	Forecast Performance	Comment
Monitor FRR	3	3	The Trust has achieved a rounded up score of 3 that is only marginally below plan.
Ebitda	£1.0m	£14.9m	
Reported Surplus	£0.1m	£0.5m	
CIP	£6.3m	£13.75m	
Capital	42%	100%	Planned expenditure was low in month and as actual is very low it comes outside the monitor metric.

3. Note that at the current time all forecasts are shown as green as it is too early in the financial year to make a reasonable assessment of the final outcome and therefore the planned position is assumed. Forecast outturns are not shown in any of the detailed paragraphs below for the same reason.

## Monitor Risk Ratings

4. The Trust has planned for a risk rating of 3 overall at the year end. The table below shows the overall plan and each metric and the performance against it for the year to date.

**Table 2: Monitor Risk Rating**

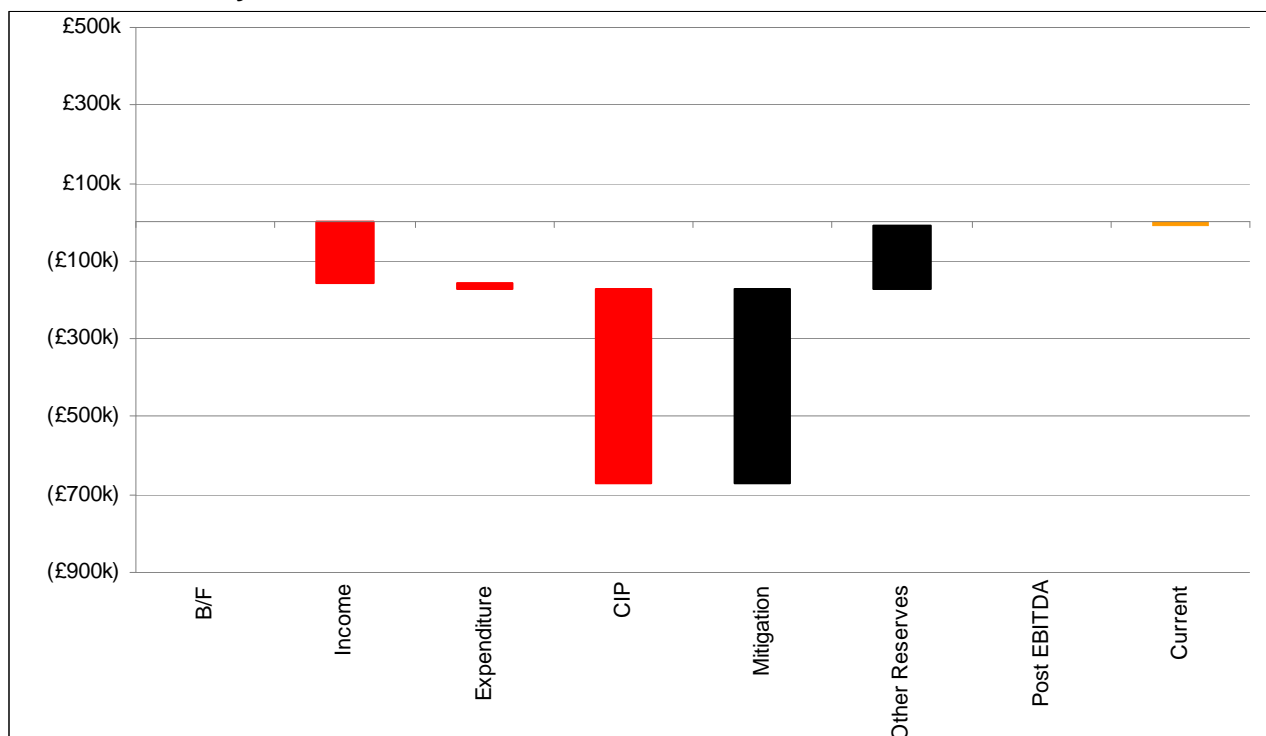


5. Appendix 1 shows the levels at which the scores can change.

### Summary Financial Position

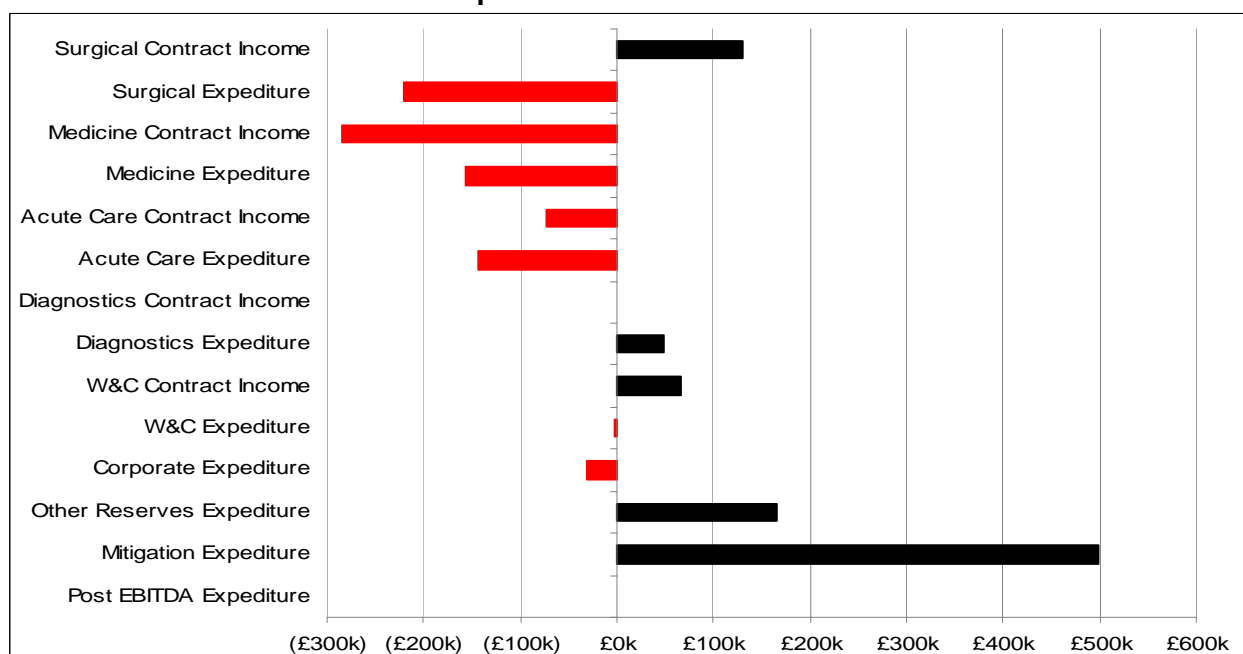
6. As at the end of April the Trust was virtually at breakeven against plan. A surplus of £64k has been achieved against a planned position of £72k giving a minor variance of £8k. Further details are provided in Appendix 2. The variances are analysed in table 3 where red indicates an adverse variance and black a favourable variance.

**Table 3: Summary Financial Position**



7. The Divisional operational positions and their contract performance are shown in table 4.

**Table 4: Divisional Contract and Operational Performance**

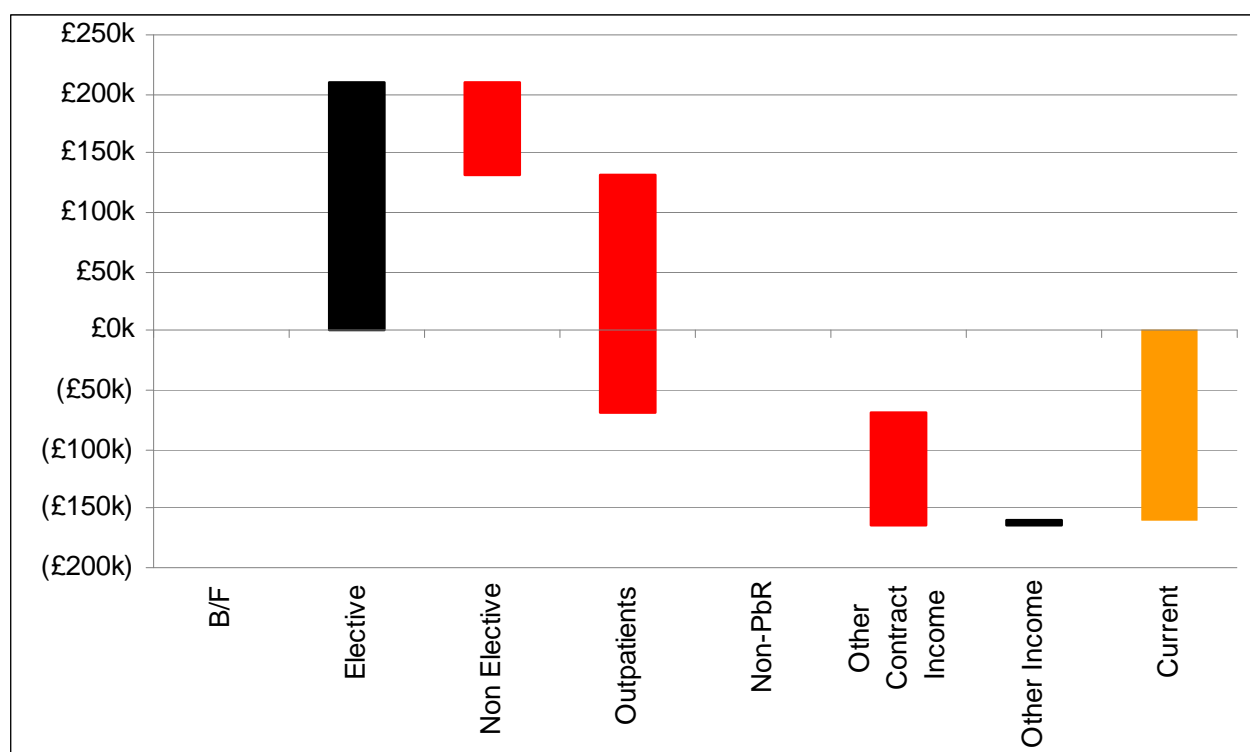


8. Table 4 shows that while Surgery is £221k overspent on their operational budget (which is explained by the shortfall in CIP), they are over performing by £130k on their contracted position; whilst Medicine is both overspent on their operational budget by £157k (of which £128k relates to CIP) and under performing by £285k on their contractual position (of which £197k relates to risk).
9. The performance against contracted income is shown in Appendix 3.

### Income

10. The in month movements are shown in table 5 (waterfall chart). This shows an opening position of breakeven with favourable impacts in relation to elective, non elective and other income offset by adverse impacts in respect of outpatients and other contract income leading to a current position shown in amber of a deficit of £159k.

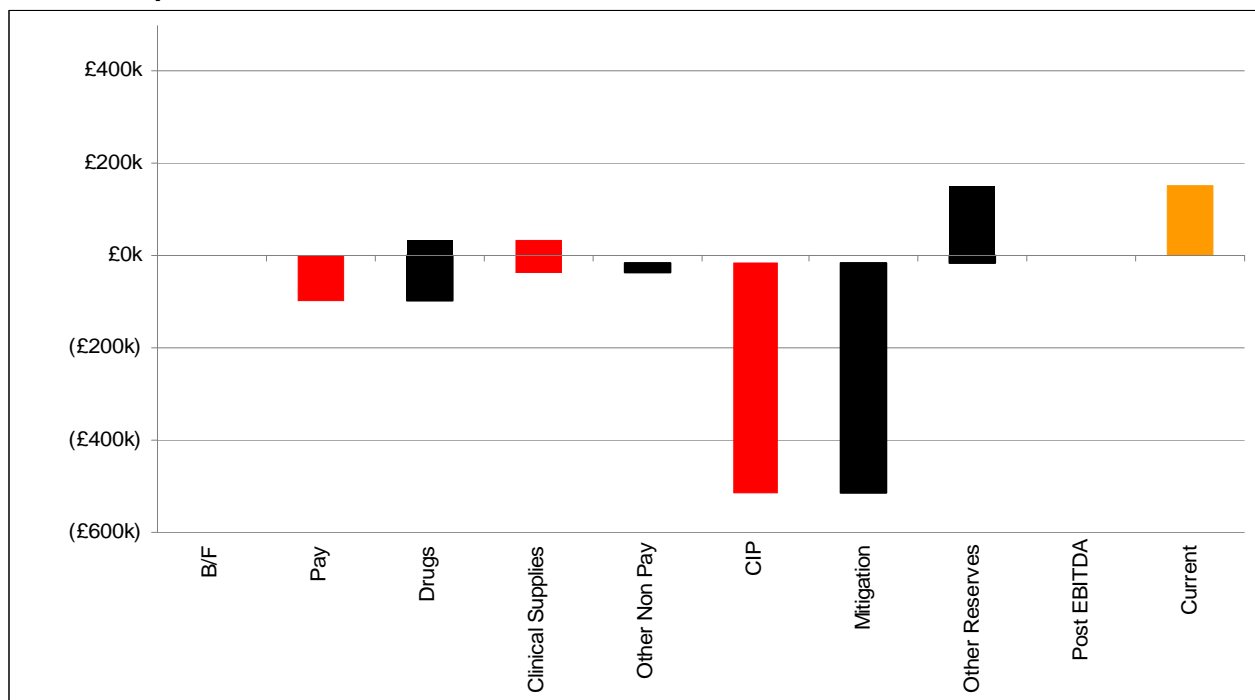
**Table 5: Income Variances**



11. The key areas of concern in month are shortfalls against plan for outpatients of £199k and Other Contracted Income of £91k.
12. Included in the above income position is a reduction in the gross income generated of £431k regarding contract clauses/caps. A key task during the year will be, where appropriate, to reduce activity in the areas where the Trust exceeds contractual caps and therefore reduce the expenditure associated with them. The contract clauses/risks adjusted this month are:
- Emergency Readmissions £274k
  - Outpatient Follow Up Cap £105k
  - Maternity NZ Cap £ 50k
  - Other £ 2k

### Expenditure

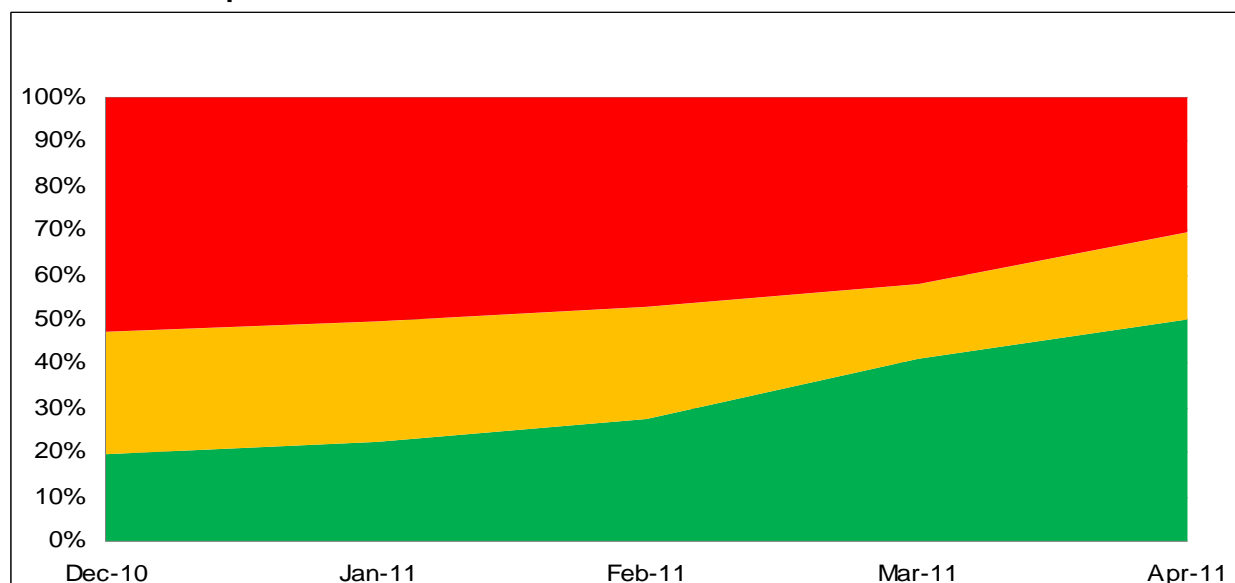
13. Table 6 shows the expenditure variances to date.

**Table 6: Expenditure Variances**

14. Table 6 shows an opening position of breakeven with favourable impacts in relation to drugs, other non pay and the use of mitigation and reserves offset by adverse impacts in respect of CIP slippage, pay and clinical supplies leading to an underspend in amber of £151k.
15. The key issue in month is slippage against CIP. The shortfall in month is £498k which has been covered from the mitigation reserve. Whilst the £498k is above a straight line profile of the £3.0m reserve (£250k on a straight line basis), this is expected and as schemes are identified and actioned during the year the monthly shortfall will reduce. In order to maintain a level 3 performance in month a further £166,000 has been applied from other reserves (e.g. inflation).

### Cost Improvement Programme

16. The 2011/12 performance against the £13.75m target is shown in table 7.

**Table 7: Cost Improvement Performance**

17. To date the Trust has achieved identified cash releasing resources of £6.9m against the £13.75m target (50%). However, table 7 does indicate that over the last 4 months while there has been progress converting amber schemes to green the conversion rate of red schemes into amber or green is much slower.
18. On a recurrent basis, green schemes totally £6.4m (47%) have been identified.
19. The current position by Division is shown in table 8 below.

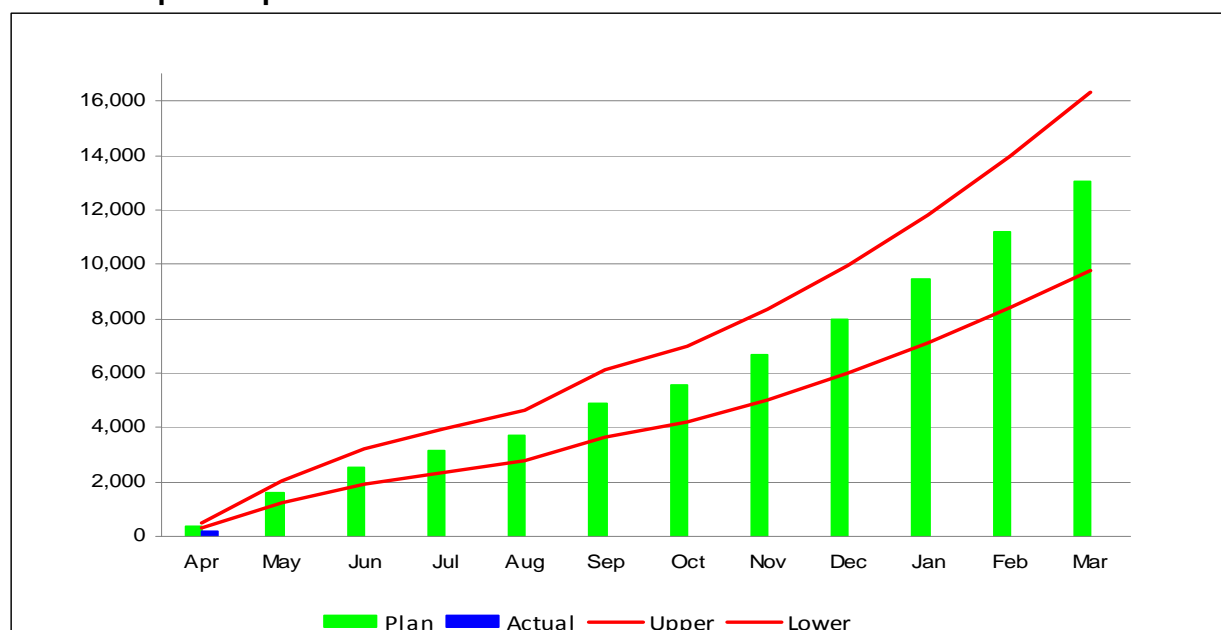
**Table 8: 2011/12 Cash Performance**

2011/12 Release of CIP	Green	Mitigat.	Amber	Red	Total	Green Incl Mit.	Green Recurrent	
	£000	£000	£000	£000	£000	%	£000	%
W&C	777	92	42	89	1,000	86.90%	840	84.00%
Surgery	533	0	942	1,943	3,418	15.59%	533	15.59%
Medicine	642	0	841	1,046	2,529	25.39%	603	23.84%
Acute Care	19	0	75	600	694	2.74%	19	2.74%
Diagnostics	1,186	558	123	0	1,867	93.41%	1,278	68.45%
Corporate	1,564	0	641	487	2,692	58.10%	1,591	59.10%
Non divisional budgets	1,550	0			1,550	100.00%	1,550	100.00%
<b>Total Released</b>	<b>6,271</b>	<b>650</b>	<b>2,664</b>	<b>4,165</b>	<b>13,750</b>	<b>50.33%</b>	<b>6,414</b>	<b>46.65%</b>
Per Cent	45.61%	4.73%	19.37%	30.29%				
March 2011 figures	5,660	700	1,578	5,812				
	41.16%	5.09%	11.48%	42.27%				
Change in month	611	-50	1,086	-1,647				

20. The Mitigation column is where Divisions have identified non recurrent resources in their operational budgets to cover the in-year cash shortfall against recurring CIP schemes. The red column represents the current in year cash shortfall.
21. The position by strand is shown in Appendix 4.

## Capital

22. The current position is shown in table 9.

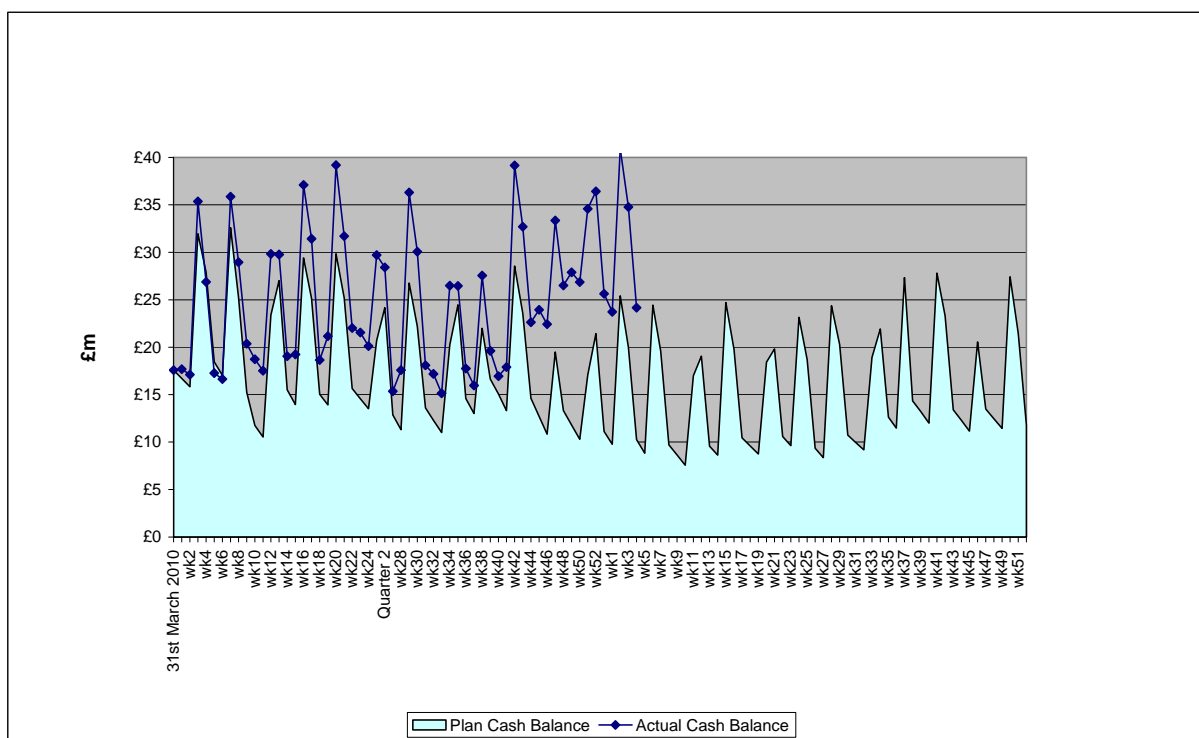
**Table 9: Capital Expenditure**

23. The profile for April was a programmed spend of £0.4m. The actual spend is running at £0.2m. Monitor become concerned where expenditure is either 25% above or below plan (as indicated by the upper and lower red lines). Currently we are below the lower 25% but it is anticipated that this will be recovered by the end of the quarter as expenditure on schemes brought forward from 2010/11 are completed as agreed with divisions.

## Cash

24. The actual cash held at the end of the month was £24.2m compared to a plan of £23.4m a minor improvement of £0.8m. The cash graph for 2011/12 is still being finalised for the Annual Plan but the current position compared to last year's plan is shown in table 10.

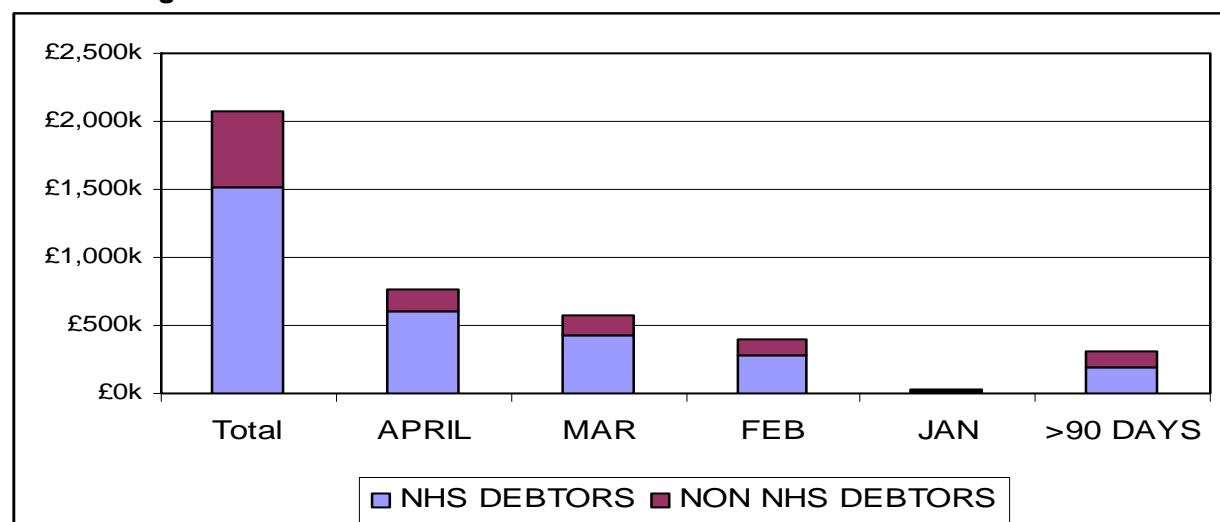
**Table 10: Cash Profile**



## Aged Debt Profile

25. The aged debt profile is shown in table 11. At this moment in time, this is not a cause for concern.

**Table 11: Aged Debt**





## Conclusion

26. The performance in month has only been achieved through the application of significant sums of reserves. Although these were largely planned and expected it is still a concern that we have had to utilise £664k of reserves to maintain our monitor 3 status at this early stage of the financial year. Focus needs to be maintained on all areas of financial risk i.e. delivery of the contracted activity levels, achievement of CIP in cash terms and general budgetary control on operational budgets. It is vital that the organisation works to the contract it has with its commissioners and does not incur unnecessary expenditure on areas for which it will receive no income e.g. contract caps.

## Recommendations

27. The Board is asked to:
- note the financial position to date
  - note the key risks around delivery of contractual plans and the CIP programme
  - provide feedback regarding the new finance report.

**Russell Favager**  
**Director of Finance**  
**May 2011**

# APPENDIX 1

Financial Criteria	Weight % age	Metric to be scored	Risk Rating				
			5	4	3	2	1
Achievement of Plan	10%	Plan EBITDA achieved (%)	100%	85%	70%	50%	<50%
Underlying Performance	25%	EBITDA Margin (%)	11%	9%	5%	1%	<1%
Financial Efficiency	20.0%	Return on Assets excluding dividend (%)	6%	5%	3%	-2%	<-2%
	20.0%	I&E Surplus margin net of dividend (%)	3%	2%	1%	-2%	<-2%
Liquidity *	25%	Liquidity ratio (days)	60	25	15	10	<10

## APPENDIX 2

April in Month				April Cumulative			Opening
Budget	Actual	Variance		Budget	Actual	Variance	Variance
£000	£000	£000		£000	£000	£000	£000
			Income:				
18,698	18,532	(166)	Commissioning Activity incl. PbR MFF & Block	18,698	18,532	(166)	n/a
3,073	3,080	7	Divisional Income incl. RTAs, private patients, etc	3,073	3,080	7	n/a
21,771	21,612	(159)	Total Income (a)	21,771	21,612	(159)	n/a
			Expenditure:				
(15,197)	(15,179)	18	Pay	(15,197)	(15,179)	18	n/a
(1,484)	(1,353)	131	Drugs	(1,484)	(1,353)	131	n/a
(1,971)	(2,016)	(45)	Clinical Supplies & Services	(1,971)	(2,016)	(45)	n/a
(2,075)	(2,028)	47	Other Non-Pay	(2,075)	(2,028)	47	n/a
(20,727)	(20,576)	151	Total Expenditure (b)	(20,727)	(20,576)	151	n/a
1,044	1,036	(8)	EBITDA (net of a and b)	1,044	1,036	(8)	n/a
(972)	(972)	0	Post EBITDA Items	(972)	(972)	0	n/a
72	64	(8)	Reported Net Surplus / (Deficit)	72	64	(8)	n/a

## APPENDIX 3

## 2011-12 NHS Clinical Income -

April 2011 (Month 1)

## FT PLAN

	ACTIVITY			VALUE (£000s) inc MFF @ 3.8864%				
	Plan	Actual	Current Month Variance	Plan	Actual	Risks	Adjusted Actual	Adjusted Variance
Elective & Day Case	2,756	2,935	179	2,952	3,171	0	3,171	219
Elective Excess Bed Days	278	240	(38)	65	56	0	56	(9)
Non Elective	3,140	3,227	87	4,856	5,045	(276)	4,769	(87)
Non Elective Non Emergency	790	1,021	231	933	1,128	(50)	1,078	145
Non Elective Excess Bed Days	1,762	1,164	(598)	402	261	0	261	(141)
A&E Attendances	7,509	7,723	214	707	730	0	730	23
Outpatient First Attendances	6,162	5,996	(166)	1,024	998	0	998	(26)
Outpatient Follow Up	13,396	12,967	(429)	1,199	1,165	(105)	1,060	(139)
Outpatient Procedures	1,995	1,888	(107)	257	223	0	223	(34)
<b>Total PbR</b>				<b>12,395</b>	<b>12,777</b>	<b>(431)</b>	<b>12,346</b>	<b>(49)</b>
<b>Non-PbR (Exc PbR Excluded Drugs)</b>				<b>5,118</b>	<b>5,118</b>	<b>0</b>	<b>5,118</b>	<b>0</b>
<b>PbR Excluded Drugs</b>				<b>736</b>	<b>650</b>	<b>0</b>	<b>650</b>	<b>(86)</b>
<b>Activity Related Income Subtotal</b>				<b>18,249</b>	<b>18,545</b>	<b>(431)</b>	<b>18,114</b>	<b>(135)</b>
<b>Service Developments</b>				<b>151</b>	<b>120</b>	<b>0</b>	<b>120</b>	<b>(31)</b>
<b>CQUIN</b>				<b>298</b>	<b>298</b>	<b>0</b>	<b>298</b>	<b>0</b>
<b>Other Clinical Income Subtotal</b>				<b>449</b>	<b>418</b>	<b>0</b>	<b>418</b>	<b>(31)</b>
<b>Grand Total</b>				<b>18,698</b>	<b>18,963</b>	<b>(431)</b>	<b>18,532</b>	<b>(166)</b>

Activity includes 3,676 U codes which have been valued at the average specialty price, a prudent estimation has been made for the possible Excess Bed Days that may be associated with U-codes.

Negative Values are an under-performance and are shown in brackets

## APPENDIX 4

2011/12 Released CIP	Womens's and Children's	Surgery	Medicine	Acute Care	Diagnostics	Corporate	Income	Planned total to date
<b>Strands</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Target</b>	<b>1,000</b>	<b>3,418</b>	<b>2,529</b>	<b>694</b>	<b>1,867</b>	<b>2,692</b>	<b>1,550</b>	<b>13,750</b>
Bed reductions LoS	0	117	262	0	64	0		443
WEHS Supply Stream	44	125	103	8	50	348		678
Service Review	440	864	502	72	765	0		2,643
CoC Collaboration	20	0	0	0	174	0		194
Back Office	54	28	9	9	47	898		1,045
Site Strategy	0	0	0	0	0	0		0
Wirral Millennium	47	23	0	0	0	148		218
Workforce	31	0	58	0	0	69		158
Traditional	183	318	549	5	209	742		2,006
Income							1,550	1,550
<b>Total Released</b>	<b>819</b>	<b>1,475</b>	<b>1,483</b>	<b>94</b>	<b>1,309</b>	<b>2,205</b>	<b>1,550</b>	<b>8,935</b>
<b>Estimated in year gap</b>	181	1,943	1,046	600	558	487	0	4,815
<b>Mitigation to offset</b>	92	0	0	0	558	0	0	650
<b>TOTAL Gap</b>	<b>89</b>	<b>1,943</b>	<b>1,046</b>	<b>600</b>	<b>0</b>	<b>487</b>	<b>0</b>	<b>4,165</b>