Choose

South Tyneside NHS
NHS Foundation Trust

SOUTH TYNESIDE NHS FOUNDATION TRUST

QUARTERLY FINANCIAL COMMENTARY

Q3 2014-15

1 Summary

Following the submission of the quarter two return the Trust was required to submit a restated plan to Monitor. The variances reported in this paper are the variances against this revised plan.

The Trust is reporting a deficit on the statement of comprehensive income of £(1.318m) for the quarter ended 31 December 2014. This compares to a planned deficit of £(1.218m), an adverse variance from the revised plan of £(0.100m)

The cash balance at 31 December 2014 was £14.351m, an adverse variance of £(1.495m) compared to the revised plan. Cash inflow the quarter was £3.897m compared to a planned inflow of £5.392m.

2 Trading in the last reporting period

Income

Operating revenue is £(0.119m) below plan for the quarter.

Variances within community cost & volume PbR revenue and community block and other revenue are £(0.019m) below plan. Tariff variances including elective inpatients, elective day-cases, non-elective patients, outpatients and A&E amount to a favourable variance of £0.027m and there is an adverse variance of £(0.069m) within other NHS revenue tariff, the largest driver of this being an under recovery compared to the revised plan on the maternity pathway tariff.

Other NHS revenue-non tariff and CQUIN is showing an adverse variance of £(0.173m). This is primarily a result of the phasing of the £1.770m additional A&E funding differing to the revised plan. There is also an adverse variance of £(0.040m) within non-mandatory/non-protected revenue.

There are favourable variances of £0.032m and £0.025m in research and development income and education and training income respectively. Other operating income is favourable by £0.098m as a consequence of additional income from services to other NHS bodies.

Expenses

Operating expenses are £0.049m below plan for the quarter.

Employee expenses are favourable by £0.211m for the quarter. This is mainly a result of a change to the phasing of funding received for winter pressures.

There is an adverse variance of £(0.028m) within raw materials and consumables used comprising a £(0.055m) adverse variance on drugs costs, a favourable variance of £0.023m on clinical supply costs and a favourable variance of £0.04m within other raw materials and consumables.

Other operating expenses within EBITDA are £(0.068m) adverse to plan. This is driven by training course expenditure not included in the revised plan £(0.063m), recruitment fees for a consultant post £(0.038m), consultancy fees for the Trust's planned Integrated Care Services Hub and in relation to the revaluation of the Trust's estate £(0.052m). These were partially offset by a favourable variance from plan in the provision for irrecoverable debt of £0.087m.

Non-Operating Items

There was a lower than planned profit on disposal of PPE of £(0.027m), which is driving the adverse variance of £(0.026m) within non-operating income and expenditure.

Working capital

Working capital has increased by £2.618m in the quarter which is an adverse variance of £(1.476m) compared to the planned increase of £4.094m.

There is decrease of £(0.509m) in receivables in the quarter compared to a planned increase of £1.308m; an adverse variance of £(1.817m). This is primarily due to an NHS receivables £(0.485m), prepayments £(0.472m), other related party receivables £(0.494m) and other receivables £(0.435m) all being higher than planned.

The increase in payables and accruals in the quarter is £1.331m compared to a planned increase of £2.169m, an adverse variance of £(0.838m). This variance is due to lower than planned trade creditors of £(4.041m) and lower other creditors £(340m) offset by higher than planned accruals of £3.543m. These accruals are a result of leases with NHS Property Services (NHSPS) being in negotiation at the end of Q3. Although these negotiations are still taking place the Trust has agreed to make a payment on account to NHSPS in January.

Other key variances making up the £(1.476m) total include inventories £(0.156m) and deferred income £1.335m.

Cash flows

The adverse variance of £(1.495m) in cash inflow for the quarter comprises mainly the adverse variance in working capital of £(1.476m) as above combined with operating cash flows £(0.168m), non-current provisions £0.010m, investing activities £(0.015m) and financing activities £0.154m.

The variance in operating cash flows is mainly a result of the reduction in the provision for irrecoverable debt and the variance in financing activities is mainly a decrease in non-current receivables.

Statement of Financial Position

Total assets employed as at 31 December are £97.187m, compared to a plan of £97.288m.

Non-current assets are £(0.429m) lower than plan. This is mainly due to the capital programme being £(0.203m) below plan and non-current receivables (from the NHS Injury Cost Recovery Scheme) being £(0.163m) below plan.

Net current assets are £0.334m higher than planned. Cash balance variances of £(1.495m) and deferred income variances of £(1.335m) are offset by receivables £1.393m higher than plan, payables £1.104m lower than plan and prepayments £0.472m higher than plan. Other variances in inventories and provisions amount to £0.195m.

3 Risk ratings

The Continuity of Services risk rating is 3 for the quarter which comprises a Capital Service Cover rating of 1 and a Liquidity rating of 4. This is in line with the rating in the revised plan.

The A&E Clinical Quality – Total Time in A&E under 4 hours achievement in the quarter was 90.5% which is below the threshold of 95%. This was as a result of significant emergency pressures facing all of the NHS. Additional funding was received at the end of November which has been invested in services from the middle of December to assist in managing the pressures.

4 Cost improvement programme

The revised 2014-15 cost improvement requirement in the plan amounts to £12.477m or just over 6% of planned operating revenue (excluding the St. Benedict's Hospice income). The achievement in the quarter is £3.134m of which £1.352m has been achieved recurrently. The delivery year to date is £7.254m, which is 58% of the annual target, with 53% of this delivery being recurrent.

The Finance Reporting Management Group reviews progress on the cost improvement programme on a monthly basis.

The Trust is continuing to work with PricewaterhouseCoopers LLP on the development of the "Perform" methodology which is now being rolled out across the Trust and forms a major element of our transformation programme.

5 St. Benedict's Hospice

The transfer of the St. Benedict's Hospice building to the Trust has now been moved to quarter four in the revised plan. The Trust's legal advisors continue to await the production of the draft transfer order by the Department of Health. The latest correspondence with the legal advisors confirms they are hopeful of receiving the draft transfer during February. The Trust will continue to occupy the premises under the lease arrangement until the transfer is completed.

6 South Tyneside Integrated Care Hub

The Integrated Care Services Hub is scheduled to open in April 2016. Tenders have been issued with a view to appointing a contractor for the build and these are due to be returned for the Trust to assess in February 2015.

7 Capital Programme

Capital expenditure for the quarter is 93% of the reforecast plan. The Trusts expects some further slippage in the final quarter as a major IT scheme is now not expected to progress until early 2015/16. Despite this the Trust remains confident of delivering a capital programme in excess of 85% of the reforecast plan.

The Capital Governance Group continues to meet on a quarterly basis to monitor progress on the capital programme, review the forecast spend and assess the impact on liquidity based on that forecast.

8 Changes to Boards

Isabel Common (Sunderland), Sidney Mill (Sunderland) and Maria Barrell (Gateshead) resigned from their positions as public governors on the 2 December 2014. The three posts remain vacant.

Denise Horsley was replaced by Carolyn Taylor as a staff governor (clinical) on 2 December 2014.

9 Conclusions

Financial performance for the quarter is broadly in line with the revised plan and the Trust remains confident of maintaining the position set out in the revised plan during the final quarter. The Trust is currently forecasting a deficit of £2.8m prior to adjusting the planned 2014/15 revaluation and the transfer of St. Benedict's Hospice.

The Continuity of Services Risk Rating is 3 for the quarter and the Trust expects to maintain this position in the final quarter.

The Board remains committed to delivery of planned targets and has therefore confirmed all governance statements within the return.

Mr M P Robson
Executive Director of Finance and Corporate Governance
26 January 2015