Financial Overview 2011/12

• The Trust generated an underlying surplus of £4.8m, *excl.* restructuring costs and impairments (2010/11 £0.2m); deficit of £6.3m including restructuring costs and impairments

• Operating income £232.7m v plan £225.8m:
  – £48.1m (26.0%) increase on 2010/11
  – £6.9m (3.1%) above plan

• Operating expenditure £236.1m; £225.0m *excl.* restructuring costs and impairments v plan £220.0m:
  – £43.4m (23.9%) above 2010/11 (excl. restructuring costs and impairments)
  – £5.0m (2.2%) above plan (excl. restructuring costs and impairments)

• Non-operating costs £0.1m above 2010/11 and £0.5m below plan (reduced public dividend capital payment / interest charges)
Financial Overview 2011/12

- Of total operating income (£232.7m):
  - £210.0m from patient related activities; of which over 80% from NHSR
  - £22.7m from non-patient activities; education and training (£4.6m), charges to other NHS providers (£3.0m), estates recharges (£0.9m), car parking (£0.5m) and contribution to capital assets (£2.0m)

- Of total operating expenditure (£225.0m excl. restructuring costs and impairments):
  - £151.9m (68%) employee costs
  - £31.7m (14%) drug and clinical supply costs
  - £8.5m (4%) other supplies, services, transport and establishment costs
  - £9.7m (4%) premises costs
  - £7.5m (3%) depreciation and amortisation
  - £5.7m (3%) services from other NHS bodies
  - £3.9m (2%) clinical negligence claims premium (insurance)
## Financial Overview 2011/12

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
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<tbody>
<tr>
<td>Plan surplus 2011/12</td>
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<tr>
<td>Clinical income</td>
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<tr>
<td>Non-recurrent income</td>
<td>4.5</td>
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<tr>
<td>Expenditure</td>
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<tr>
<td>Interest</td>
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<tr>
<td>PDC</td>
<td>0.4</td>
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<tr>
<td>Impairment</td>
<td>(6.6)</td>
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<tr>
<td>Restructuring</td>
<td>(2.2)</td>
</tr>
</tbody>
</table>

**Actual (deficit) / surplus**  
(6.3)
Financial Overview 2011/12

- Cash and cash equivalents at year end of £17.3m (2010/11 £14.4m)

- Circa £10.1m of cash generated from operating activities plus additional £5m loan received:
  - £0.7m servicing of finance
  - £7.2m capital investment (EPR, mortuary)
  - £2.0m PDC dividends
  - £2.3m loan repayments

- Borrowings outstanding £24.4m, against a year-end Prudential Borrowing Limit of £32.6m, at year-end

- Monitor Financial Risk Rating of 3 at year-end
Context: 2011/12 Challenges

• Plan based on retraction not expansion:
  – Elective caps, reduction in outpatient first to follow up ratios, reduction in emergency admissions (despite continued increase in demand)
  – Cost improvement target of £11.7m (7% of relevant cost base)

• Tariff / contracting pressures:
  – 4% in-built efficiency assumption
  – 30% marginal payment for non-elective activity
  – CQUIN (linked to outcomes)

• Other:
  – Health and Social Care Bill (commissioner uncertainty)
  – Significant cuts in local government spending
  – Increasing assurance sought on quality and safety
  – Tightest financial settlement in NHS history (£20 BN “Nicholson challenge”)
2011/12 Issues – I&E

• Elective Care (planned) income 1.7% below plan (£1.4m)
  – £0.7m reduction against plan in Gynaecology due to success in referral management
    and £0.6m reduction against plan in Orthopaedics due to lower referrals (including
    significant reduction in out of area referrals)

• Non-Elective Care (non-planned / emergency) income 2.0% above plan (£1.2m)
  – Impact of 30% marginal tariff – The Trust as a whole lost £1.4m due to ‘health
    community’ not achieving demand reduction

• Non-Elective Care (non-planned / emergency) expenditure income 6.8% above
  plan (£2.9m)
  – Premium rate agency locums, medics and nursing staff associated with opening
    unfunded beds and excess length of stay issues.
  – Generally increased use of diagnostics, drugs and consumables
2011/12 Summary

• Set a very tight plan aiming to deliver a £60k surplus (0.02% margin)

• Significant delivery risks in relation to CIP, CQUIN and QIPP

• Change of “organisational mind set” from income generation to cost reduction – takes time

• Transitional support in the plan to allow workforce re-structuring and estate rationalisation, aligned to future commissioning intentions
  – Additional in year non-recurrent support to offset “pace of change lag”
  – Underlying recurrent deficit / longer term recovery plan

• Grew the unprofitable elements and shrunk the profitable elements

• The Trust met its financial targets set by Monitor
2012/13 so far

• Annual plan in place – target to deliver £225.4m income / £0.1m surplus:
  – £15.4m CIP (A4C, tariff, non-pay inflation, reduction in non-recurrent support, insurance premiums)
  – Monitor FRR3 at M8

• Monitor stage 2 review:
  – McKinsey / PWC (recommendations due late Sept / Oct)

• Current position at M4:
  – Adverse to plan (linked to EPR capacity reductions, non-elective admissions + 770, CIP shortfall)
  – PMO in place to performance manage £25.7m projects associated with CIP’s, CQUIN and non-recurrent initiatives
  – Recovery plan in place (NHSR support)
  – Cash balance £12.9m; £0.6m ahead of plan