Trust Board: 28 March 2013
Agenda item:

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M11 – February 2013

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An Associated University Hospital of
Brighton and Sussex Medical School

Putting people first
Delivering excellent, accessible healthcare

Surrey and Sussex Healthcare NHS Trust

Finance report M11 – February 2013

Purpose of report and action required: information and assurance

Summary:

- **The Trust remains on track to deliver its financial plan for 2012/13.**
- **The Trust is favourable to plan at M11 by £0.3m, with the divisions still within their agreed control totals. The full year savings plan of £10.0m is forecast to deliver, with central budgets mitigating unachievable schemes .**
- **The non-recurrent income being used to support the Trust in 2012/13 remains at £13.9m for the full year, with 11/12th of this in the current year to date position.**
- **The total estimated risk to the breakeven plan is now a surplus of £0.3m (compared to a £0.2m deficit reported last month). The improvement is from a potential £0.5m benefit from outsourcing below planned levels.**
- **With large payments now received from NHS Sussex and NHS Surrey, cash for 2012/13 remains OK. We are looking at different scenarios for managing cash across the end-year boundary to maintain cash flow into April and May and also to ensure funding for capital projects (notably theatre replacement) is fully supported by capital resource and cash.**

Relationship to Trust corporate objectives and assurance framework:

Relevant objective:

- **Objective 4 –** Become a Sustainable, Effective Organisation – live within our means both in year and sustainably into the future. **Key targets - d**elivery of agreed financial budget (breakeven) and deliver savings target (£10.0m)

Board assurance framework risks:

- 4.1a: "Failure to deliver income plan": current risk: "15" (red: unchanged); target risk: "8"; mitigation on track
- 4.1b: "Failure to stop Divisional overspending": current risk: "15" (red: unchanged); target risk: "6"; mitigation on track
- 4.1c: "Unable to provide realistic medium term financial plan: current risk: 10 (amber:improved); target risk: "8"; mitigation on track
- 4.1d: "Liquidity – unable pay creditors/staff from insufficient cash due to poor liquid ratio": current risk: "15" (red: unchanged); target risk: "12"; mitigation action on track – nb: this risk requires a long term solution to resolve completely.

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Corporate impact assessment:

Legal:	No legal breach is reported, or forecast. NHS Trust financial performance is subject to Schedule 5 of the NHS Act 2006 (the "breakeven duty"). This was breached in 2007/08 and the Auditor has notified the Secretary of State in several letters as required by Section 19 of the Audit Commission Act. The Trust continues to have permission to spend through agreement of its 2012/13 plan and its compliance with the conditions of its working capital loan. Legal aspects impact on individual parts of spend and income according to the nature of the spend & source of income but no other material disclosures are appropriate.
Regulation:	No regulatory breach is reported, or forecast. Financial information is reported according to IFRS (International Financial Reporting Standards) and NHS conventions in guidance. The Audit Commission reviews compliance in its audit activities and it's opinion of the Accounts. Data here is presented in an EBITDA format to allow comparison with Monitor metrics. Assurance on Trust systems is also provided by internal audit through the AAC.
Patient experience/ engagement:	No adverse impact reported or expected. Financial decisions continue to balance operational & clinical need against budget delivery and there is no clash leading to an adverse impact, including in respect of patient experience. Indeed the Trust continues to target investment to improve patient experience. The main areas of overspend are driven by maintaining services and quality. Action is, however, being taken to control areas of spend (like agency costs) that are inappropriately high and income to cover activity related costs is being pursued with CCGs. Please see risk page. Assurance has been provided to Board sub-committees about the appropriateness of clinical staffing levels.
Risk & performance management	No compliance issues. Risks are stated in the report. Risk and financial performance are a core part of the monthly internal performance management process in the Trust that holds Divisions to account and, as this is a forward looking process, identifies mitigating actions to deal with risk. All Divisions have financial forecasts. BAF aspects are reported previously.
NHS constitution; equality & diversity; communication.	No compliance issues. In respect of communication, Trust financial performance is reported through an on-line financial system in some detail to operational areas and is supported by a hierarchy of Divisional and Board reporting that pulls together activity, HR, finance, performance and quality.

Contents

- Key financial indicators
- Comprehensive income (income & expenditure) Position
- Statement of financial position (balance sheet) & cashflow

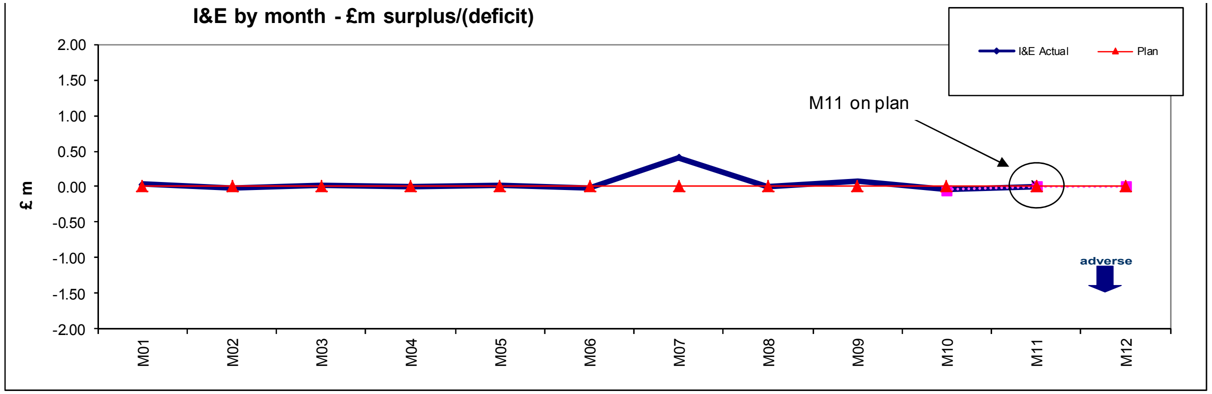
Key financial indicators: M11 2012/13

Key financial indicators at Month 11	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1 In month surplus/(deficit)	0.0	0.0	0.0	green
2 YTD surplus/(deficit) *	0.0	0.3	0.3	green
3 Forecast surplus/(deficit)		0.3		green
4 YTD recurrent surplus/(deficit)		(7.9)		red
5 Risk assessment fav/(adv)		0.3		green
6 Cash position		12.8		green
7 Liquidity ratio (days)		(12)		amber
8 Capital outturn	14.8	10.5	(4.3)	green
9 Return on assets	3.5%	3.5%	0.0%	green
10 BPPC: cum overall (volume)	95%	84%	(11)%	amber
BPPC: cum overall (value)	95%	83%	(12)%	amber
11 Performance rating in month	Performing			green

** before technical adjustments relating to donated assets*

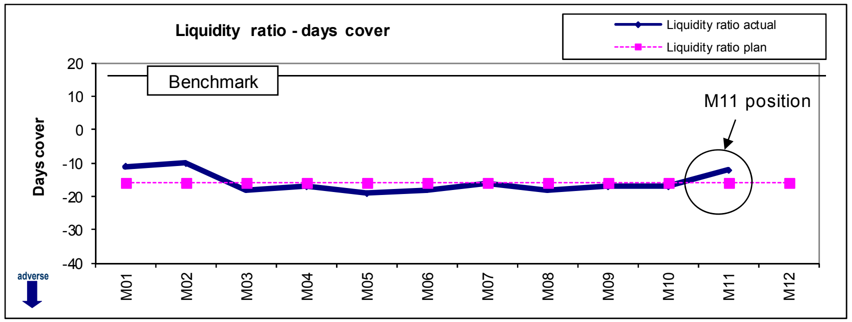
NB: The performance rating is a Trust estimate

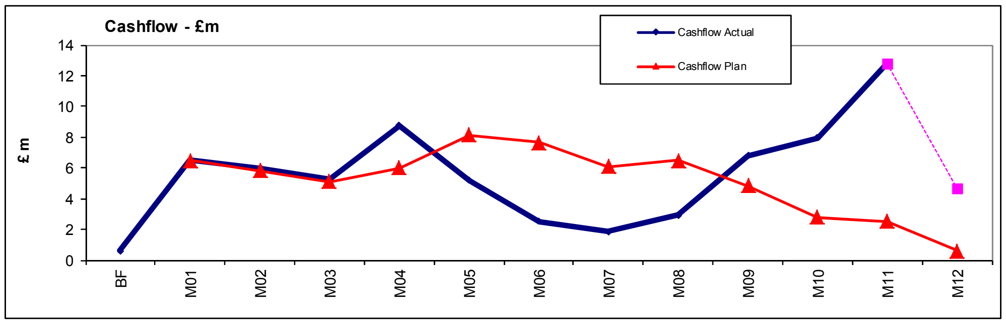
NB: The capital outturn reflects adjustments being agreed with the SHA.



The performance year to date remains above plan at M11, with a £0.3m surplus (before a technical adjustment relating to donated asset income). The Trust continues to forecast a small surplus at the year end, with overperformance on contract income being offset by additional costs to deliver the activity.

The non recurring support from NHS Surrey and NHS Sussex totals £13.9m. with 11/12ths of this reflected in the current position. The risks to the year end forecast are mainly from potential increased costs from the purchase of beds in the community, however, the remaining risks are entirely manageable, with a potential benefit from outsourcing of elective work below plan.





The liquid ratio gives a better view of the Trust's working capital position than just looking at cash. The poor performance is the price of the Trust's past deficits and the Trust will remain significantly below the 15 day "cover" benchmark until it can reinvest cash in the balance sheet. The corrected cash position (right) provides an in-month benefit but this is not sustainable longer term.

Cash has now caught up with the plan, cumulatively, following payments of arrears by commissioners. A higher cash balance (£4.65m) will be carried forward into the new year against plan. (£0.6m). This includes unspent capital cash of £1.7m and also £0.5m for the sale of Kibblewhite. The balance is revenue cash carried forward to cover April payments until we receive funding from the CCG's (the risk is non-payment of cash because of unsigned contracts).

NHS Performance Framework: finance rating

Performance Framework metrics		Recorded perf	Weighting	Score	Weighted score	Traffic light
Initial Planning	*Planned Outturn as propn of Turnover*	0.0%	*5%*	2	0.10	amber
Year to Date	*YTD Operating Performance*	-0.1%	*20%*	3	0.60	green
	YTD EBITDA Margin	5.0%	*5%*	2	0.10	amber
Forecast Outturn	*Forecast Operating Performance*	-0.1%	*20%*	3	0.60	green
	Forecast EBITDA Margin	4.7%	*5%*	2	0.10	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	3	0.45	green
Underlying Financial Position	*Underlying Position %*	-4.1%	*5%*	1	0.05	red
	EBITDA Margin %	-0.6%	*5%*	1	0.05	red
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	84.0%	*2.5%*	2	0.05	amber
	BPPC % by Volume	85.0%	*2.5%*	2	0.05	amber
	Current Ratio	0.76	*5%*	2	0.10	amber
	Receivable days	13	*5%*	3	0.15	green
	Payable days	40	*5%*	2	0.10	amber
Weighted score					**2.50**	amber
Overriding Rules	*Forecast year end deficit*		NO			
	Planned year end deficit		NO			
	adverse ytd deficit to plan		NO			
	failure to make loan repayment		NO			
Financial performance score			**Performing**		**3**	green

- **Note: this is an unvalidated Trust estimate and is an indicative score only.**

Performance framework metrics (left)

- At M11 the unvalidated Trust score is "Performing", despite the underlying position.

"Monitor" style risk rating (right)

- This is the reported SHA version of the Monitor financial risk rating as applied to non FT's. It uses rather more lenient cash measures (like liquidity, which would be a score of "1" in a full Monitor FRR table). The normalised data metric has also been shown. However, there is a discussion with the SHA about this metric noting that the recurrent deficit is (a) planned and (b) supported by agreed non-recurrent funding written into the contract.
- These scores are also now reported by the Trust on a monthly basis as part of the "single operating model" (SOM) return testing FT readiness.

SHA version of Monitor metrics	YTD £'000s	FOT £'000s	YTD £'000s	FOT £'000s
	I&E Statement		*Normalised data*	
Summary Scores				
EBITDA margin	4.8	4.5	0.9	0.6
EBITDA, % achieved of plan	94.4	88.3	74.3	-74.1
Net return after financing %	0.0	0.0	-7.8	-8.6
I&E surplus margin %	0.2	0.2	-4.1	-4.1
Liquid ratio ***(with est 30 days WCF#)***	18	18	18	19
Summary Ratings				
EBITDA margin	2	2	1	1
EBITDA, % achieved of plan	4	4	3	1
Net return after financing %	3	3	1	1
I&E surplus margin %	2	2	1	1
Liquid ratio ***(with est 30 days WCF#)***	3	3	3	3
Initial Rating	3	3	2	2
Overriding Rules Rating	**3**	**3**	**1**	**1**

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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 28 February 2013

Surrey and Sussex NHS
Healthcare NHS Trust

Year to Date vs Budget (figures in £m)

	2012/13 *budget*	2012/13 *actual*	2012/13 *var (adv)/fav*	% var (adv)/fav	Perf indicator %
Income from PCT contract	185.5	190.9	5.4	2.9%	
Contract Income - NHS	**185.5**	**190.9**	**5.4**	2.9%	
Other operating income	16.0	16.0	-	0.0%	
Total Income	**201.5**	**206.9**	**5.4**	2.7%	
Expenses					
Pay (incl agency)	(135.7)	(134.6)	1.1	0.8%	
Non-Pay (excl Depreciation)	(56.0)	(61.9)	(5.9)	-10.5%	
	(191.8)	**(196.5)**	**(4.8)**	-2.5%	
EBITDA (pre-exceptionals)	**9.8**	**10.4**	**0.6**	6.1%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**9.8**	**10.4**	**0.6**	6.1%	5.0%
					% of income
Profit/ Loss on Asset Disposals	-	(0.0)	(0.0)		
Interest Receivable	0.0	0.0	0.0		
Interest Payable	(0.3)	(0.3)	0.0		
Depreciation	(6.6)	(6.8)	(0.2)	-3.0%	
PDC	(2.8)	(2.8)	-	0.0%	
	(9.8)	**(9.9)**	**(0.1)**	-1.1%	
Net Surplus/ (Deficit)	**-**	**0.5**	**0.5**		
Tech adj re donated deprec	-	(0.2)	(0.2)		
Adjusted Net Surplus/ (Deficit)	**0.0**	**0.3**	**0.3**		
Memoranda					
Net reported surplus		0.3			
Plan surplus YTD		-			
Variance (fav)/adv to target		**0.3**			
Net surplus		0.5			
Non recurrent items		(8.4)			Underlying position
Adjusted recurrent position		**(7.9)**			(4.1)%

Summary

At the end of February (month 11) the Trust remains above the breakeven plan with a £0.3m surplus (the same as was reported last month). Activity levels within the hospital are driving both income and costs, with both above plan but one continuing to offset the other.

The year end forecast remains a small surplus (£0.3m), reflecting the current year to date position.

The non-recurring support agreed with NHS Surrey and NHS Sussex, within the memoranda of understanding, is £13.9m and 11/12ths (£12.7m) is included within the month 11 position.

The year to date underlying (recurrent or normalised) position is a £7.9m deficit (adverse). This reflects the non recurring income support and also, one-off costs in the month 11 position relating to restructuring spend and other non recurrent spend.

To note: the technical adjustment this month remains at £0.2m (favourable) from donated asset accounting. A year end technical adjustment is expected from asset impairments.

There remains a small net risk to the year end forecast from activity pressures leading to increased costs, particularly in the opening of escalation areas and purchase of beds in the community. However, these risks have been managed successfully up until now and there has been further mitigation in month from Divisional management and a potential benefit from outsourcing of elective costs below plan, it is not therefore expected that this risk will impact on the forecast outturn.

Temporary staffing costs in February remained at the same level as the previous month, with a slight reduction in agency being offset by an increase in bank spend (mainly in nursing areas). Agency costs overall are 20.4% higher than this time last year, but a slight improvement on last month. Non pay areas such as drugs, clinical supplies and outsourcing remain above budget, reflecting the activity pressures.

The clinical divisions have continued to control their spend last month and are within their agreed control totals for the year to date. CSS has unplanned one-off spend in month but they are expected to be within their control total at year end. Therefore, once again, no exception reports are required this month.

Comprehensive income (income & expenditure) recurrent position

Surrey and Sussex Healthcare NHS Trust

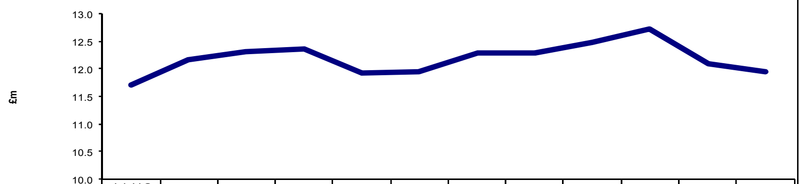
Recurrent I&E Calculation					
		YTD @ M011		FY Forecast	
		£m	£m	£m	£m
Net Surplus / (deficit)			0.5		0.3
Deduct N/R income	i) non rec income support	12.7		13.9	
	ii) Stranded Costs	-			
	iii) technical adjustment for donated assets	0.4			
	Total N/R income		(13.1)		(13.9)
Add N/R Spend	i) Turnaround/ restructuring costs	2.1		2.5	
	ii) Stranded Costs	-			
	iii) Technical adjustment for donated assets	0.2			
	iv) Increase in bad debts provision	0.6		0.6	
	v) PACS relifing	0.7		0.7	
	vi) Other non recurrent items	1.2		1.2	
	Total N/R spend		4.8		5.0
Deduct N/R savings	Total N/R savings		-		-
Recurrent Surplus / (deficit)			(7.9)		(8.6)

Recurrent position

- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At month 11 the underlying deficit is £7.9m, reflecting the non recurring income and one-off costs.
- The full year recurrent position is a £8.6m deficit.
- Both the in-month and forecast position have improved significantly from previous months due to the additional non-recurrent spend.

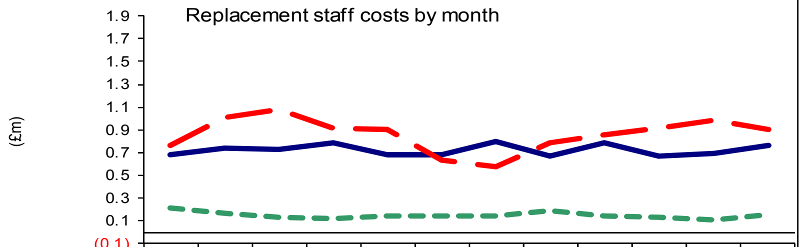
Financial performance – operating spend YTD

Pay Actuals by month



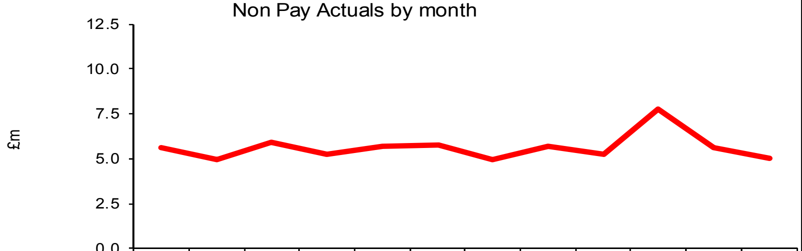
	11/12 Avge	M01	M02	M03	M04	M05	M06	M07	M08	M09	M10	M11
Pay	11.7	12.2	12.3	12.4	11.9	11.9	12.3	12.3	12.5	12.7	12.1	11.9

Replacement staff costs by month



	Av 2011/12	M01	M02	M03	M04	M05	M06	M07	M08	M09	M10	M11
Bank	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.8	0.7	0.7	0.8
Agency	0.8	1.0	1.1	0.9	0.9	0.6	0.6	0.8	0.9	0.9	1.0	0.9
Locum	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1

Non Pay Actuals by month



	11/12 Avge	M01	M02	M03	M04	M05	M06	M07	M08	M09	M10	M11
Non pay	5.6	4.9	5.9	5.3	5.7	5.8	5.0	5.7	5.2	7.8	5.6	5.1

Key points:

1) Total Pay costs again decreased slightly compared to the previous months. There is a non-recurrent impact here from review of accruals (to ensure pay costs are set correctly prior to 2013-14).

2) Replacement staff costs - costs in February were at the same level as the previous month.

Agency nursing temporary staff spend decreased but was offset by the same increase in bank costs.

Medical staffing agency costs also decreased but, following the same trend as nursing, the locum costs increased to compensate.

3) Non pay costs overall decreased from last month. The main overspends - drugs and clinical supplies - have resulted from the impact of increased activity within the Trust.

The anticipated increase in the spend on outsourcing to meet the 18 week target has not materialised and therefore this is now under budget.

The fees and consultancy, and miscellaneous budgets are overspent due to additional non-recurrent spend.

Cost type variances year to date	YTD Spend Vs BUDGET			
	YTD Budget (£m)	YTD Actual (£m)	YTD Var fav/(adv) (£m)	YTD Var fav/(adv) (%)
Pay costs	135.7	134.6	1.1	0.8%
Drugs	10.8	12.2	(1.4)	-12.8%
Clinical supplies	17.4	19.6	(2.2)	-12.6%
General supplies	1.8	2.0	(0.2)	-9.6%
Establishment	3.3	3.7	(0.4)	-13.6%
Premises & utilities	3.6	4.2	(0.7)	-18.4%
Healthcare recharges	12.3	11.2	1.1	9.0%
Fees & consultancy	5.9	7.3	(1.4)	-24.3%
Misc	0.6	1.5	(0.9)	-153.4%
Recharges	0.4	0.2	0.2	
Total non pay spend	56.0	61.9	(5.9)	-10.5%
Total operating spend	**191.7**	**196.5**	**(4.8)**	-2.5%

Pay costs year to date	YTD Spend Vs BUDGET			
	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	19.7	19.1	0.6	3.2%
Other medical	18.3	18.5	(0.2)	-1.1%
Nursing & Midwifery	47.7	47.7	0.0	0.0%
Healthcare assistants	13.9	14.5	(0.6)	-4.1%
AHPs	14.3	13.9	0.4	3.0%
Directors & NEDs	1.2	1.1	0.1	6.8%
Senior mgrs (8a+)	4.6	4.4	0.2	4.2%
Admin & clerical	15.1	14.6	0.5	3.1%
Estates & FM	0.9	0.7	0.2	21.1%
Total Pay spend	**135.7**	**134.6**	**1.1**	0.8%

Agency costs YTD to this month	2011/12 YTD Actuals (£m)	2012/13 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	8.0	9.6	(1.6)	20.4%

I&E – Divisional analysis

- This analysis provides a management accounting view of Divisional performance as seen by Divisions. That means that some income is incorporated in the Divisions' budgets and is not shown separately here. Therefore the table does not match the previous "pure" I&E presentation.

Key points

- Control totals have been agreed with the clinical divisions (and "permission to overspend" has been agreed based on these). At M11 the divisions have continued to be successful in managing their spend and all, except CSS, are within these totals.
- CSS are slightly over their agreed total due to one-off costs in month. However, the Division is still expected to be within its year end forecast.
- The contract income variance will be explained in detail further on in the report.
- As in previous months, the technical adjustment of £0.2m relates to the accounting treatment of donated assets.
- The outsourcing of surgical work to private providers to meet the 18 week target now totals £2.7m.

Divisional analysis (I&E)	12/13 ANNUAL BUDGET £000'S	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav	YTD Variance % (adv)/ fav
Income (excl Divisional income)					
Contract income (incl MFF)	186,443	170,906	178,141	7,235	4.2%
High Cost Drugs	(7,015)	(6,447)	(7,449)	(1,003)	15.6%
Excluded devices	(697)	(640)	(703)	(63)	9.8%
CQUINS income	0	0	6	6	#DIV/0!
Bad debt provision	(81)	(75)	(652)	(578)	775.0%
Donated Assets	235	215	392	177	82.0%
Non-rec income	15,900	14,575	12,742	(1,833)	(12.6)%
Other Income	8,296	7,637	7,300	(337)	(4.4)%
Total income	**203,081**	**186,172**	**189,777**	**3,604**	1.9%
Divisions (inc Divisional income)					
Surgical	56,653	51,881	53,144	(1,263)	(2.4)%
18 Weeks outsourcing	1,936	1,840	2,749	(909)	(49.4)%
Medical	43,604	40,004	40,325	(321)	(0.8)%
WaCH	20,412	18,675	18,389	286	1.5%
CSS	26,877	24,629	25,226	(597)	(2.4)%
E&F	13,049	11,901	12,032	(130)	(1.1)%
HR	2,582	2,365	2,243	122	5.2%
CEO	1,488	1,379	1,382	(3)	(0.2)%
Restructuring and PMO	3,000	2,065	2,065	0	0.0%
Finance	3,152	2,901	2,870	31	1.1%
Nursing	3,458	3,162	3,212	(50)	(1.6)%
IMT	2,357	2,152	2,130	22	1.0%
Clinical Services (Escalation)	2,207	2,100	2,757	(657)	(31.3)%
Overheads	9,579	8,783	9,024	(242)	(2.8)%
Other Central	(100)	1,521	1,521	0	0.0%
CQUINS costs	500	449	30	418	93.2%
Unallocated reserves	1,633	610	426	184	30.2%
Total Divisional I&E	**192,387**	**176,417**	**179,524**	**(3,108)**	(1.8)%
Post EBITDA					
P/L on Asset Disposals	0	0	25	(25)	
Interest Payable	288	265	265	(0)	(0.1)%
Interest Receivable	(18)	(17)	(23)	7	(40.7)%
Depreciation	7,052	6,417	6,439	(22)	(0.3)%
Depreciation - donated	235	215	203	13	5.9%
PDC	3,100	2,842	2,867	(26)	(0.9)%
unwinding of discounts	37	34	20	14	
Total post EBITDA	**10,694**	**9,756**	**9,795**	**(39)**	(0.4)%
Net Surplus / (Deficit)	**0**	**0**	**457**	**457**	
Technical Adjustment (don assets)	0	0	189	(189)	
Adjusted Net Surplus / (Deficit)	**0**	**0**	**268**	**268**	

Financial performance: Savings

Savings - Month 11	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
By Transformation Programme Workstream					
Administration Structure	588	533	398	(135)	(25%)
Back Office redesign	1,113	962	2,839	1,877	195%
Clinical Service Redesign	757	658	561	(97)	(15%)
Estate Rationalisation	290	272	125	(147)	(54%)
Job Planning and Medical Productivity	930	800	176	(624)	(78%)
Medicines Management	595	548	434	(114)	(21%)
Nursing Skillmix	244	211	70	(141)	(67%)
Pathology	309	273	268	(5)	(2%)
Procurement / Non Pay	1,275	1,130	1,077	(53)	(5%)
Other	3,593	3,136	2,932	(204)	(6%)
Theatre Utilisation	305	255	0	(255)	(100%)
UNALLOCATED	0	0	0	0	0%
TOTALS	**10,000**	**8,777**	**8,881**	**104**	1%
By Directorate					
Surgery	1,407	1,205	358	(847)	(70%)
Medicine	853	781	677	(104)	(13%)
WaCH	384	339	339	0	0%
CSS	1,195	1,026	866	(160)	(16%)
E&F	481	403	290	(113)	(28%)
Corporate	5,153	4,572	5,971	1,399	31%
Sub total	**9,473**	**8,327**	**8,502**	**175**	2%
Procurement savings centrally held	527	450	379	(71)	(16%)
Unallocated/Trust wide savings	0	0	0	0	0%
TOTALS	**10,000**	**8,777**	**8,881**	**104**	1%

Key points

At M11 the Trust has delivered £8.9m of savings, a favourable variance to the year to date of £0.1m.

As in previous months, the unachieved schemes are being mitigated by central underspends and unallocated reserves.

The main schemes that are continuing to under deliver are within Surgery and relate to theatre efficiency plans and private patient income, both of which are unachieveable this year due to the level of activity within the Trust.

The pathology network saving is also a main area of unachievement; due to the delay in the project this saving will not be delivered this year.

The risk associated with the savings plan is estimated at £0.9m, (as per last month). However, due to the agreements around contract income and divisional control totals, this risk has been mitgated.

Financial performance: income and activity

Income	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	YTD Var fav/(adv) (£m)	YTD Var VOLUME fav/(adv)	YTD Var PRICE fav/(adv)	YTD Var OTHER fav/(adv)
Contract Income							
Elective Daycases	20.4	19.8	(0.5)	(3%)	(1.2)	0.6	
Elective Inpatients	12.5	13.7	1.2	10%	0.4	0.9	
Elective (Other)	0.3	0.3	(0.1)	(23%)	(0.1)	(0.0)	
Non Electives Inpatients	64.0	67.2	3.3	5%	3.1	0.2	
Non Elective (Other)	1.0	2.1	1.1	114%	1.1	0.0	(0.0)
Outpatients	32.5	31.5	(1.0)	(3%)	(1.6)	0.6	
A&E	8.1	8.6	0.5	6%	(0.0)	0.5	
PbR: Other Items		1.3	1.3		1.3		
Sub Total: PbR Categories	**138.8**	**144.5**	**5.7**				
Local Category Income	31.7	31.5	(0.2)	(1%)	(0.1)	(0.2)	
Non-Recurrent Income	14.6	12.7	(1.8)	(13%)			(1.8)
Sub Total: Local Categories	**46.3**	**44.2**	**(2.1)**	(4%)	**(0.1)**	**(0.2)**	**(1.8)**
Contract Provision	(3.5)	(1.8)	1.7				
CQUIN	3.9	4.0	0.1				
Sub total: Contract Adjustments	**0.4**	**2.2**	**1.7**				
Total Contract Income	**185.5**	**190.9**	**5.4**	3%			
Non clin NHS SLA	1.7	1.4	(0.3)	(20%)			
Education & training	6.0	6.0	0.0	1%			
Cat C - Other	8.3	8.6	0.3	4%			
Total Other income	**16.0**	**16.0**	**0.0**	0%			
Total Income	**201.5**	**206.9**	**5.4**	3%			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	26,741	24,136	(2,605)	(10%)
Elective Inpatients	4,752	4,591	(161)	(3%)
Elective (Other)	1,275	962	(313)	(25%)
Non Electives Inpatients	36,259	37,949	1,690	5%
Non Elective (Other)	16,940	21,214	4,274	25%
Outpatients	241,522	228,644	(12,878)	(5%)
A&E	73,436	73,169	(267)	(0%)
PbR: Other Items		20,360	20,360	
Local Category Activity	792,062	744,245	(47,817)	(6%)

Contract Income

Overall, the year-to-date position at Month 11 is £5.4m favourable against a plan of £185.5m. This equates to a favourable 3% variance, which is consistent with the Month 10 (January) contract report. As reported in previous months, this reflects the income settlement agreed with both Surrey and Sussex CCGs. However, the MOU amounts are entirely consistent with the actual outturn (including allowance for fines).These financial values have been factored into the income position. Key points to note from the M11 position are as follows:

1) Elective activity has increased compared to M10 activity levels, despite February having fewer operational days (20 compared to 22 in M10) as the Trust catches up with the small backlog over December and January. Overall, elective activity is favourable to financial plan, the key driver of which is elective inpatient activity. Daycases continue to show an adverse variance to financial plan, which is volume driven (see the following

2) Overall non-elective activity continues to show a favourable variance against financial plan, even after applying the marginal rate tariff of 30% (which is calculated to be £4.4m of "lost" income year-to-date) for activity above 2008/09 baseline, and applying an emergency re-admission financial adjustment.

3) Outpatient activity as a whole continues to be adverse to financial plan. This adverse variance has moved slightly from (£0.9m) at M10 to (£1.0m). This is being driven by volumes, rather than casemix. The adverse variance is across the majority of outpatient categories. Outpatients with procedure, however, continue to perform well above the financial plan. The trend on the following page clearly demonstrates this, although M11 has not fully been incorporated due to a time lag in getting the procedures recorded on the system.

4) Income from A&E attendances remains at 6% favourable to budget. This continues to be solely driven by casemix, rather than volume. The activity trend remains relatively flat taking into account the variable number of calendar days in each month. There is no reduction in attendances.

5) Overall, the local category items are only very slightly adverse against financial plan, noting that this was favourable to plan last month. Within this category, M11 has seen lower than planned activity levels within critical care and the neonatal unit. Both of these areas have relatively low volumes of activity when compared to other activity types and therefore demonstrate more variability month on month.

Other Income

Last month there was a favourable position on other income due to over achievement on provider to provider contracts. However, a disputed invoice with West Sussex has now been settled and therefore other income is now on plan.

Activity Trends (all commissioners) from April 2010

Key points:

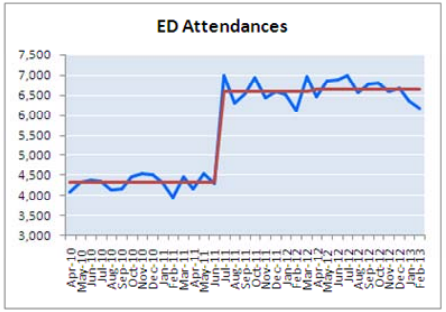
Non elective activity shows evidence of a step change at the beginning of the financial year. Although M11 shows a reduction compared to previous months, this is largely due to the reduced number of days.

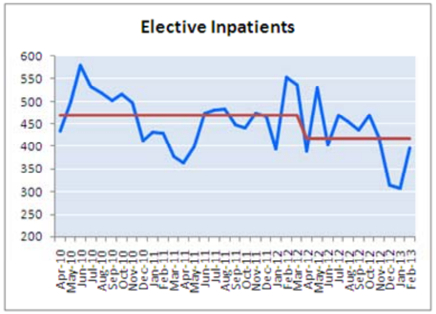
A&E attendances continue to remain largely flat, although a small reduction is apparent in M11, which again is explained by the reduced number of days in February.

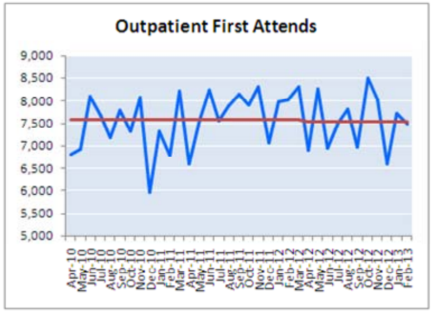
Elective inpatients have seen an increase compared to recent months. This is due to the "catch up" of cases due to winter pressures.

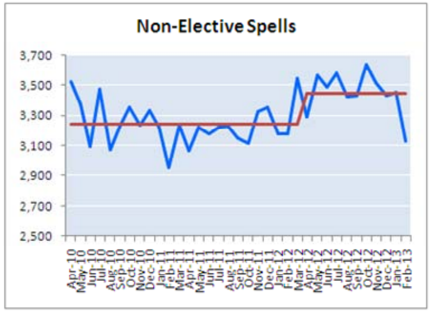
Outpatient with procedures show a continues upward trend, which is a result of better recording. M11 is expected to be higher once all procedures have been recorded on the system.

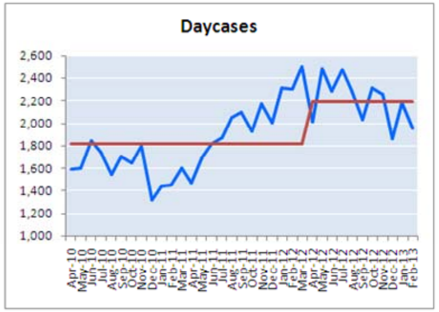
Activity trends for April 2010 to February 2013 – The trend line describes the average from April 2010 to March 2012 compared with the average of the current contract year

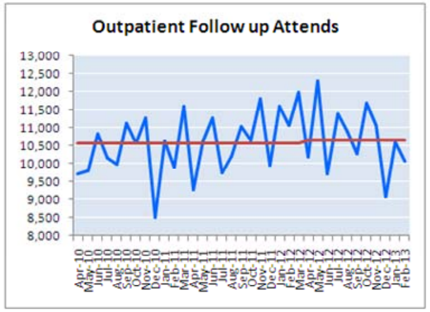


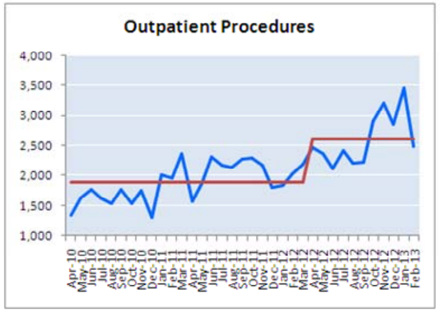


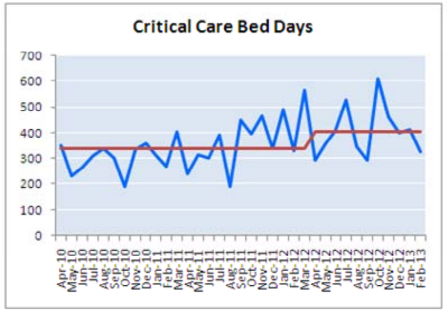












Risks and mitigation

	Risk reg no.	Risk rating	Annual (risk)/ benefit (£m)	RAG	Notes	Action points	Who
Income:							
Contract overperformance/ Challenges	1230	0		Risk removed	The Trust has now received formal notification of contract settlement.		Chief Financial Officer
Net income risk			-				
Savings Plan							
Red risk rated items	1231	3*3=9	(0.9)	▶	Undelivered savings to date have been mitigated as described in the savings table. The risk here is from forward spend but significant contingency has been provided	i) Delivery of savings managed through perf improvement process (ongoing) ii) Delivery of Divisional contingency savings	Divisional Chiefs
Contingency savings			0.9			iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
Net savings plan risk			-				
Costs:							
Potential overspending from operational pressures above forecast	1365	3*4=12	(1.2)	▶	Previous risks from overspending are included in control totals for Divisions. However, there has been additional spend by the Trust to manage pressures in february, including the purchase of community and nursing home beds. Spend is expected to reduce in the last month of the year.	i) Divisions to implement action plans and contingencies to control/or recover overspending - includes Medical agency costs	Chief Operating Officer
						ii) Nursing spend to be recovered	Chief Nurse
Contingency held			1.0			iii) Agreement with NHS Sussex of additional risk spend (£150k)	Chief Financial Officer
Net costs risk			**(0.2)**				
Other							
Potential benefit			0.5 -	▲	Outsourcing of elective work below plan.	Identify outturn and balance with risks above.	Chief Financial Officer
Net Other			**0.5**				
Surplus/(deficit) risk forecast			**0.3**				

Other finance risks (as stated in risk register)

- **Liquidity problem: Rating** (likelihood * impact): **15** (risk register 1134). This risk is visible in the SoFP's working capital position and the liquidity ratio reported on the KFI page (p4). The cash injection required to deliver the 15 day liquid ratio target is about £24.0m, which the Trust has no source for.
- **Fraud** (likelihood * impact): **4** (risk register 1020). Generic risk applicable to all Trusts.
- **Financial sustainability:** (likelihood * impact): **12** (risk register 1313). This risk reflects the recurrent financial position not delivering the Monitor metrics to achieve FT status and is being addressed in the TFA process.

Contents

Statement of Financial Position (balance sheet)

- **Statement of Financial Position** - This is presented on a later page.
- **Property, Plant and Equipment –** The Forecast Capital spend is £10.5m (against original CRL of £14.8m). The Theatres project and Kibblewhite disposal income are now to be rolled to 2013-14. The £10.5m is funded from £7.0m depreciation, £1.3m of the undershoot from 2011-12 capital plan, £3m SHA funding (approved in June) site modernisation, LINACs project and birthing pools, less Trust funding of Theatres -£0.8m (rolled into next year).
- **Aged Receivables (Debtors)** – The Trust is prioritising the collection of over 90 day NHS debt as directed by the SHA and this has been reduced significantly. Perversely, this adversely affects the ratio used in our SHA "single operating model" FT reporting as the difficulty in collecting debt represents a larger percentage.
- Debt arising from treating overseas patients is the largest element of other debtors and here again the Trust is prioritising this area of recovery with SBS however significant bad debt provision is being analysed. The over 90 days NHS debt has been reduced significantly from £227k in January. Other debtors within termed increased with an overseas invoice for £217k raised "to the state of" and is unlikely to be paid.

SUMMARISED AGED DEBTORS	Within term	1-30 days	1 month over due	2 month over due	3 month over due	FEB	JAN	DEC
			31-60 days	61-90 days	over 90 days	Over 30 days	Over 30 days	Over 30 days
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
NHS PCTS	674	347	134	28	47	556	898	874
NHS TRUST	157	241	153	6	31	432	479	547
OTHER DEBTORS	211	304	17	52	759	1,132	936	970
Total Debts	1042	892	304	86	837	2,120	2,313	2,391

- **Payables (Creditors) -** The BPPC performance has not changed Jan - Feb. There is, however, still a backlog of creditors which need to be approved and paid and this will have an adverse impact on the cumulative BPPC position. Action is being taken internally to ensure invoice sign off.

Key Financial Indicators: Feb 13

	Plan/ target	Actual cum Feb-13	Var (adv)/ fav	Actual cum Jan-13	Actual 11-12
BPPC: cum overall (value)	95%	83%	(12)%	83%	72%
BPPC: cum overall (volume)	95%	84%	(11)%	84%	66%

Statement of Financial Position at 28 Feb 2013

	28-Feb-13		31-Jan-13		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		108.0		108.6	(0.6)
Intangible Assets		1.2		1.8	(0.6)
Trade & Other Receivables		4.3		4.3	-
Assets Held for Sale		-		-	-
CURRENT ASSETS					
Inventories	3.3		3.3		-
Trade & Other Receivables	3.6		3.5		0.1
Prepayments and Accrued Income	4.3		7.5		(3.2)
Cash and Cash Equivalents	12.8		7.1		5.7
	24.0		21.4		2.6
CURRENT LIABILITIES					
Trade Payables	(13.4)		(12.9)		(0.5)
Other Payables	(2.8)		(2.8)		-
Accruals	(11.6)		(12.2)		0.6
Other Liabilities	(0.4)		(0.4)		-
Net Current Assets		(4.2)		(6.9)	2.7
Total Assets Less Current Liabilities		**109.3**		**107.8**	**1.5**
NON-CURRENT LIABILITIES					
Borrowings		(7.4)		(7.4)	-
Deferred income		(3.4)		(3.4)	-
Provisions		(1.2)		(1.2)	-
Total Net Assets Employed		**97.3**		**95.8**	**1.5**
TAX PAYERS EQUITY					
PDC		137.5		136.1	1.4
Revaluation Reserve		14.3		14.3	-
I&E Reserve		(55.0)		(55.0)	-
I&E Current		0.5		0.4	0.1
Total Taxpayers Equity		**97.3**		**95.8**	**1.5**

Non Current Assets - The movement reflects the “re-lifing” of the intangible “PACS” asset which will be decommissioned in June 2013.

Working Capital Movements – CCGs paid the contract in month and accrued income has increased following agreements with PCTs on SLA.

Liquidity – (An indicator of the working capital position). The liquidity ratio is better at minus 12 days (significantly below the 15 day cover target). But this is not sustainable as it is due to the cash influx as CCG invoices are paid.

Outstanding long term loans The Trust is currently not intending to overpay on these loans (capital and working capital loans). Two repayments are made every year. The first one in Sept was made in line with the agreed loan schedule. The second one is due in March.

Tax Payers Equity – PDC increased as SHA capital funding was drawn down. The remaining SHA capital allocation of £1.4m (incl £0.4m for birthing pools) was drawn down in Feb 2013.

Cash flow 2012/13

	Apr 12	May 12	Jun 12	July 12	Aug 12	Sept 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
CASH INFLOWS													
Overperformace 12-13 NHS Surrey	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.14	6.33	0.65	0.65	**12.77**
Overperformace 12-13 NHS SACS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	4.24	0.56	**6.80**
Overperformace 12-13 NHS Croydon	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.23	0.00	0.18	**0.44**
Sla 12-13 Surrey Pct	6.83	7.28	7.27	8.04	7.35	7.35	7.35	7.35	7.35	8.35	6.35	8.34	**89.22**
Sla 12-13 Sacs	7.53	7.38	7.47	8.11	7.62	7.62	7.62	7.62	7.62	7.62	7.62	7.62	**91.45**
Sla 12-13 Croydon	0.26	0.32	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.33	**3.51**
Nca	0.21	0.32	0.24	0.28	0.28	0.38	0.57	0.34	0.34	0.27	0.29	0.32	**3.83**
Sla 11-12 (received in 12-13)	2.77	2.50	0.02	3.76	0.00	0.32	0.00	0.00	0.00	0.00	-0.53	0.00	**8.84**
Cash Inflow (NHS)	1.17	0.36	1.10	0.75	0.81	1.01	0.85	0.45	1.54	1.02	1.01	0.81	**10.86**
Cash Inflow (Non-NHS)	0.63	0.58	0.65	0.92	0.63	0.58	0.62	0.47	0.56	0.65	0.54	0.56	**7.39**
Sale of KibbleWhite	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	**0.45**
Central Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	**0.40**
External Capital Funding (SHA)	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.00	1.18	0.00	1.05	0.00	**2.59**
TOTAL CASH INFLOWS	**19.39**	**18.73**	**17.04**	**22.15**	**16.98**	**17.58**	**17.66**	**18.52**	**24.47**	**24.76**	**21.91**	**19.37**	**238.56**
CASH OUTFLOWS													
Non Pay Cash Flow	-6.04	-7.37	-6.01	-6.34	-7.54	-6.31	-5.84	-4.74	-8.51	-11.29	-5.27	-6.18	**-81.44**
Pay Cash Flow	-10.09	-11.36	-11.15	-11.19	-11.44	-11.33	-11.50	-11.54	-11.19	-11.65	-11.25	-16.15	**-139.85**
Capital Cash Outflow	-0.97	-0.47	-0.61	-1.11	-1.60	-0.73	-0.90	-1.19	-0.85	-0.70	-0.60	-2.90	**-12.63**
PDC	0.00	0.00	0.00	0.00	0.00	-1.47	0.00	0.00	0.00	0.00	0.00	-1.73	**-3.20**
Loan Repayments (int + principal)	0.00	0.00	0.00	0.00	0.00	-0.49	0.00	0.00	0.00	0.00	0.00	-0.50	**-0.99**
TOTAL CASH OUTFLOWS	**-17.10**	**-19.21**	**-17.77**	**-18.64**	**-20.58**	**-20.33**	**-18.24**	**-17.47**	**-20.55**	**-23.64**	**-17.12**	**-27.46**	**-238.10**
NET CASH FLOW	2.29	-0.48	-0.73	3.51	-3.60	-2.75	-0.58	1.05	3.92	1.12	4.79	-8.09	0.46
OPENING CASH BALANCE	4.19	6.48	6.00	5.27	8.78	5.17	2.43	1.85	2.90	6.82	7.94	12.73	4.19
CLOSING CASH BALANCE (Excl Over-Performance Balance)	**6.48**	**6.00**	**5.27**	**8.78**	**5.17**	**2.43**	**1.85**	**2.90**	**6.82**	**7.94**	**12.73**	**4.65**	**4.65**

Key points

The cash position is momentarily good at M11 and we are looking to hold cash at bank of £4.65m by the end of the year. This is unspent capital cash (which the DoH has agreed to) as well as benefit from unpaid revenue liabilities. Consequently, backlog creditors will grow slightly.

The external finance limit (EFL) non foundation trust cash approach (which essentially means we have to have the same cash balance at the end of the year as at the start having paid for capital items) makes for a very annualised approach to cash. There is no risk to overshooting the EFL and the Trust has agreed with the SHA an undershoot.

The Trust is now looking ahead to the new year and we are currently agreeing next years funding with the CCG's. which includes cash payment in April.