

Trust Board: 25 April 2013
Management Board : 24 April 2013
Agenda item:

Surrey and Sussex 
Healthcare NHS Trust

Finance report M12 – March 2013

Executive sponsor: **Paul Simpson (Chief Financial Officer)**
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An Associated University Hospital of
Brighton and Sussex Medical School

Putting people first
Delivering excellent, accessible healthcare 

Finance report M12 – March 2013

Purpose of report and action required: information and assurance

Summary:

- The Trust has delivered its financial plan for 2012/13 (subject to audit review – this report is based on unaudited accounts and all figures remain provisional until the external audit review is concluded).
- In summary, the Trust has corrected last year's deficit and delivered, with a small surplus of £0.3m (excluding technical adjusts that provide a slightly larger surplus). The Trust also delivered its £10.0m savings programme, delivered its capital programme within its resource limit and did not need to borrow any additional cash.
- The I&E position was supported by one-off funding from Clinical Commissioning Groups (CCGs), although the Trust did better than expected and were able to repay £2.0m to CCGs (the amount used was £13.9m, which will be adjusted to take account of the final count of payment by results income to £13.4m). The underlying deficit was also better than forecast earlier in the year, at £9.2m.
- The cash balance at 31 March 2013 was £4.7 m.

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 - delivery 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.

Finance report M12 – March 2013

Corporate impact assessment:

Legal:	<p>No legal breach is reported, or forecast.</p> <p>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.</p>
Regulation:	<p>No regulatory breach is reported, or forecast.</p> <p>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.</p>
Patient experience/ engagement:	<p>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.</p>
Risk & performance management	<p>No compliance issues.</p> <p>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.</p>
NHS constitution; equality & diversity; communication.	<p>No compliance issues.</p> <p>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.</p>

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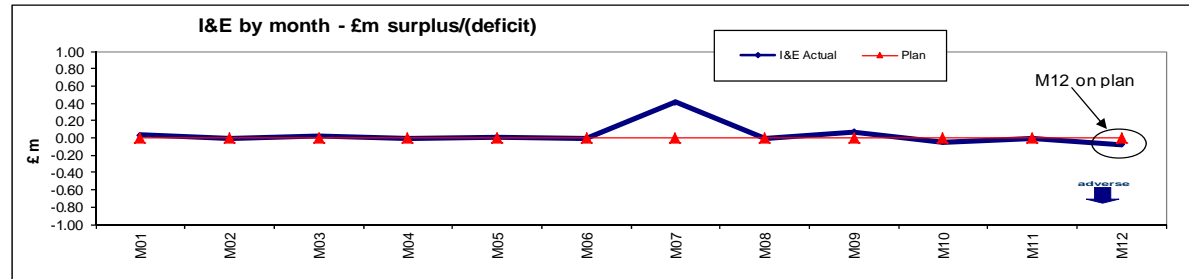
- Key financial indicators
- Comprehensive income (income & expenditure) Position
- Statement of financial position (balance sheet) & cashflow

Key financial indicators: M12 2012/13

Key financial indicators at Month 12

	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)		(9.2)		red
5 Risk assessment fav/(adv)		0.0		green
6 Cash position		4.6		green
7 Liquidity ratio (days)		(9)		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%	85%	(10)%	amber
BPPC: cum overall (value)	95%	84%	(11)%	amber
11 Performance rating in month	Performing			green

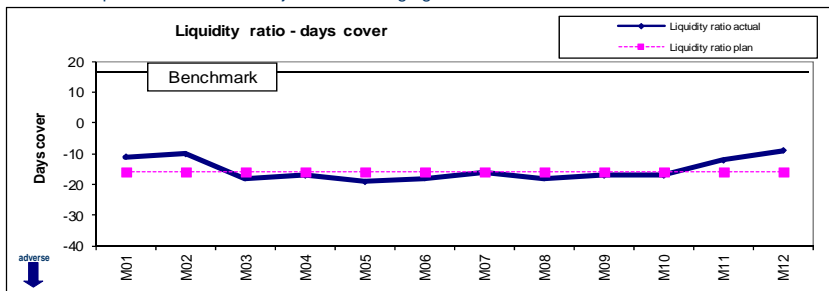
* before technical adjustments relating to donated assets and impairment
NB: The performance rating is a Trust estimate
NB: The capital outturn reflects adjustments being agreed with the SHA.



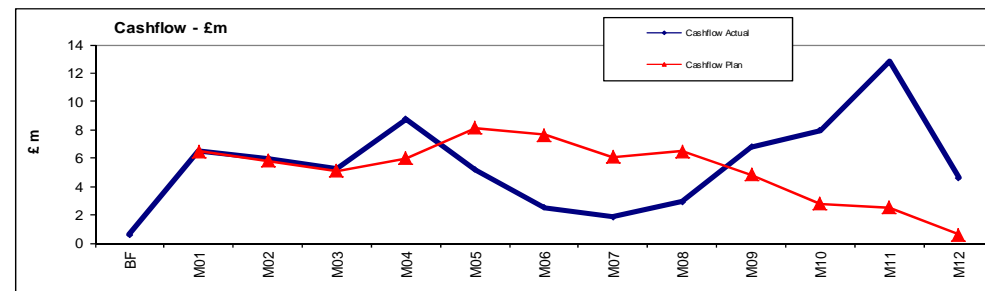
This is the final 2012/13 monthly Finance Report and it provides the unaudited position in the Trust's final accounts. In summary, the Trust has corrected last year's deficit and delivered the Trust's financial plan, with a small surplus of £0.3m. The Trust also delivered its £10.0m savings programme, delivered its capital programme within its resource limit and did not need to borrow any additional cash in year.

The I&E position was supported by one-off funding from Clinical Commissioning Groups, although we did better than expected and were able to repay £2.0m (the amount used was £13.9m, which will be adjusted for the final count of payment by results income to £13.4m). Our underlying deficit was also better than expected, at £9.2m.

Finally, in terms of forward risk, M12 saw the largest volume of A&E attendances of any month in 2012/13 - this provides a significant risk for M01 of 2013/14, and the Trust has experienced significant pressure during April, with reduced elective activity and increased agency cost.



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 Trust has managed cash well in the year, avoiding the need to borrow cash (although we came close with the withholding of payments by CCGs in the autumn, and did secure advance payments for the coming settlement). The cash balance at the end of the year is £4.65m and is mainly the cash to be carried forward to 2013/14 relating to capital projects. Although there have been some hiccups with CCG payments in April, most have been received. The better payment practice code performance for the year (how quickly we pay our bills) is probably the best it's been for some time, missing the target by "only" 10% or so overall, reflecting cash management in year.

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%	3	0.15	green
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	BPPC % by Value	84.0%	2.5%	2	0.05	amber
	BPPC % by Volume	85.0%	2.5%	2	0.05	amber
Efficiency	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					2.55	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 M12 the unvalidated Trust score is “Performing”, despite the underlying position.

SHA version of Monitor metrics

Summary Scores

	YTD @ M12 £'000s	YTD @ M12 £'000s
	I&E Statement	Normalised data
EBITDA margin	4.8	0.6
EBITDA, % achieved of plan	94.3	-84.9
Net return after financing %	0.0	-9.1
I&E surplus margin %	0.2	-4.3
Liquid ratio (<i>with est 30 days WCF#</i>)	18	18

Summary Ratings

EBITDA margin	2	1
EBITDA, % achieved of plan	4	1
Net return after financing %	3	1
I&E surplus margin %	2	1
Liquid ratio (<i>with est 30 days WCF#</i>)	3	3

Initial Rating

Overriding Rules Rating

Initial Rating	3	2
Overriding Rules Rating	3	1

Note: # Liquidity is adjusted in this SHA return by a working capital facility

Count '1' scores	0	3
Count '2' scores	1	0

“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.

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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 March 2013

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	202.3	208.3	6.0	3.0%	
Contract Income - NHS	202.3	208.3	6.0	3.0%	
Other operating income	17.4	17.7	0.4	2.3%	
Total Income	219.7	226.0	6.4	2.9%	
Expenses					
Pay (incl agency)	(148.4)	(147.2)	1.2	0.8%	
Non-Pay (excl Depreciation)	(60.6)	(67.5)	(6.9)	-11.4%	
	(209.0)	(214.7)	(5.7)	-2.7%	
EBITDA (pre-exceptionals)	10.7	11.4	0.7	6.8%	
Contingency removed			-		
EBITDA (post-exceptionals)	10.7	11.4	0.7	6.8%	EBITDA margin 5.0%
Profit/ Loss on Asset Disposals	-	(0.3)	(0.3)		% of income
Interest Receivable	0.0	0.0	0.0		
Interest Payable	(0.3)	(0.3)	0.0		
Depreciation	(7.3)	(7.3)	(0.0)	-0.5%	
PDC	(3.1)	(3.1)	-	0.0%	
	(10.7)	(11.0)	(0.3)	-2.5%	
Net Surplus/ (Deficit)	-	0.4	0.4		
Tech adjustments	-	(0.1)	(0.1)		
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		0.4			
Non recurrent items		(9.5)			Underlying position
Adjusted recurrent position		(9.2)			(4.1)%

Summary

The Trust finished the year with a small surplus of £254k (before technical adjustments relating to donated assets and an impairment). The year to date underlying recurrent position is a £9.2m deficit.

To note: the technical adjustment is a net £0.1m - a £169k credit from donated asset accounting, offset by a £50k debit re the impairment relating to the sale of Kibblewhite.

This performance delivers the Plan, and indeed is better than the Trust's long term financial model anticipated in terms of the underlying position - it should be noted that the Trust repaid £2.0m of non recurrent funding to CCGs during the year. The non-recurring support agreed with NHS Surrey and NHS Sussex, within the memoranda of understanding (MoU's) that settled the Trust's income position, is £13.9m.

However, and after the allowance of partial CQUIN delivery (so £2.0m less income paid than was available) and a prudent estimate of fines (£2.5m), the final analysis of payment by results income describes a further £0.5m of activity related income above the MOU assumption, technically reducing the non recurrent support paid to £13.4m. Payment by results rules are the rules, and they apply to all NHS trusts, but it is interesting to note that the amount deducted from gross income for the 30% tariff adjustment for non elective activity above 2008 levels and for estimated readmissions totals £8.8m in the year.

All clinical divisions remained within their agreed control totals at the year end. Temporary staffing costs in March rose compared to the previous month, particularly for bank staff (mainly in nursing areas). Agency costs, overall for the year, are 17.3% 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.

Noting the position on agency, and looking forward into 2013/14, the financial climate is getting colder. As this report is written a Contract has not been signed with CCGs, and emergency activity in April has provided significant pressure to the Trust, blocking elective beds and significantly reducing elective activity.

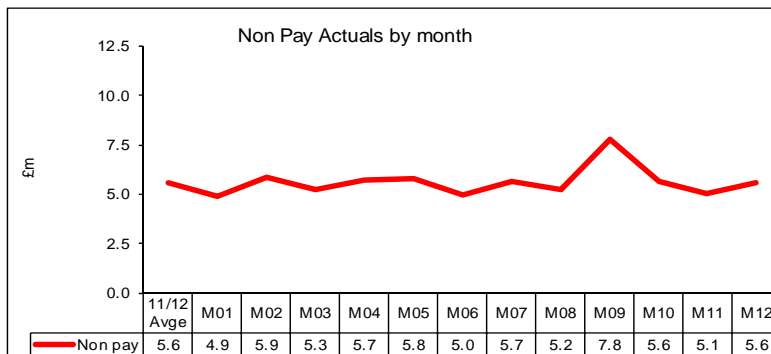
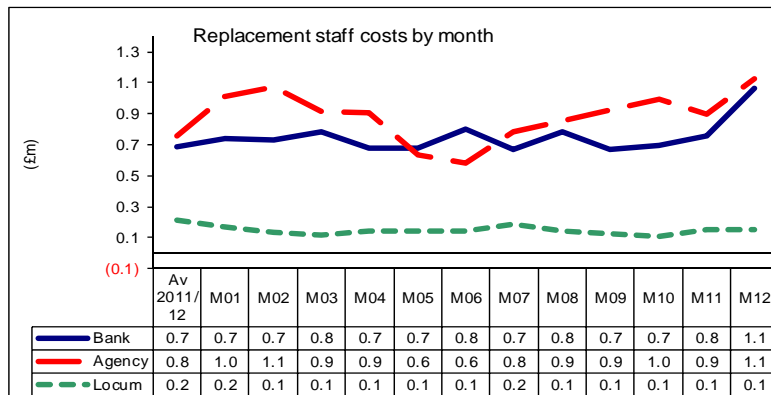
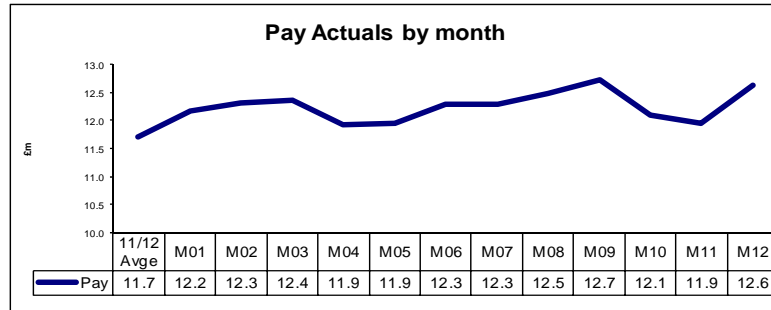
Comprehensive income (income & expenditure) recurrent position

Recurrent I&E Calculation		YTD @ M012	
		£m	£m
Net Surplus / (deficit)			0.37
Deduct N/R income	i) non rec income support (not supported by patient activity)	13.3	
	ii) technical adjustment for donated assets	0.4	
Total N/R income			(13.7)
Add N/R Spend	i) Turnaround/ restructuring costs	2.0	
	i) Technical adjustment for donated assets	0.2	
	iii) Pensions provision adjustment	1.4	
	iv) Increase in bad debts provision/other adjustments	0.7	
Total N/R spend			4.2
Deduct N/R savings			
Total N/R savings			-
Recurrent Surplus / (deficit)			(9.2)

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 the end of 2012/13 the underlying deficit is £9.2m, reflecting the non recurring income and one-off costs.**

Financial performance – operating spend YTD



Key points:

1) Total Pay costs increased after the non-recurrent impact described last month (a review of accruals giving a benefit) and agency, and bank, costs increased in the month. Trends in budget variances are as at M11.

2) Replacement staff costs - costs in March rose compared to the previous month, notably for bank staff. Agency spend will end the year 17.3% higher than in 2012/13. This is not a creditable performance (and is a key focus in 2013/14), but the Trust has improved its position from the 55% increase seen at M02, and the total overspend against budget for nursing and HCAs, however, overall totals about 1.5%. Pay variances at M12 follow the trend at M11.

3) Non pay costs overall followed the trend of the previous month. However, there are some swings and roundabouts here as final year end positions on areas like outsourcing (healthcare recharges were below budget overall). The fees and consultancy budgets are overspent due to additional non-recurrent spend. The main overspend areas - drugs and clinical supplies - set off the favourable income variance (increased activity).

Cost type variances year to date	YTD Spend Vs BUDGET			YTD Var fav/(adv) (%)
	YTD Budget (£m)	YTD Actual (£m)	YTD Var fav/(adv) (£m)	
Pay costs	148.4	147.2	1.2	0.8%
Drugs	11.8	13.3	(1.5)	-12.9%
Clinical supplies	19.2	20.9	(1.7)	-8.8%
General supplies	2.0	3.1	(1.1)	-58.4%
Establishment	3.7	4.4	(0.7)	-18.8%
Premises & utilities	4.0	4.5	(0.5)	-12.3%
Healthcare recharges	12.7	12.5	0.2	1.6%
Fees & consultancy	7.6	7.7	(0.1)	-1.1%
Misc	(0.8)	0.9	(1.8)	233.9%
Recharges	0.4	0.2	0.2	
Total non pay spend	60.6	67.5	(6.9)	-11.4%
Total operating spend	209.0	214.8	(5.7)	-2.7%

Pay costs year to date	YTD Spend Vs BUDGET			YTD Var fav/(adv) (%)
	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	21.5	21.0	0.5	2.3%
Other medical	20.0	19.5	0.5	2.3%
Nursing & Midwifery	52.1	52.5	(0.4)	-0.8%
Healthcare assistants	15.3	15.9	(0.6)	-3.9%
AHPs	15.7	15.2	0.5	3.0%
Directors & NEDs	1.3	1.4	(0.1)	-4.9%
Senior mgrs (8a+)	5.0	4.8	0.2	3.3%
Admin & clerical	16.6	16.0	0.6	3.5%
Estates & FM	0.9	0.8	0.1	14.6%
Total Pay spend	148.4	147.2	1.2	0.8%

Agency costs YTD to this month	2011/12 YTD Actuals (£m)	2012/13 YTD Actuals (£m)	Var fav/(adv) (£m)	Var fav/(adv) (%)
Agency costs	9.1	10.7	(1.6)	17.3%

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

- All divisions remained within the control totals agreed with them.
- The contract income variance will be explained in detail further on in the report.
- The final cost of outsourcing of surgical work to private providers to meet the 18 week target for 12/13 was £3.2m.

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	186,443	194,834	8,391	4.5%
High Cost Drugs	(7,015)	(7,015)	(8,157)	(1,142)	16.3%
Excluded devices	(697)	(697)	(777)	(80)	11.5%
CQUINS income	0	0	6	6	0.0%
Bad debt provision	(81)	(81)	(554)	(473)	581.2%
Donated Assets	235	235	392	157	66.8%
Non-rec income	15,900	15,900	13,332	(2,568)	(16.2)%
Other Income	8,388	8,388	8,135	(253)	(3.0)%
Total income	203,173	203,173	207,211	4,038	2.0%
Divisions (inc Divisional income)					
Surgical	56,650	56,650	57,830	(1,180)	(2.1)%
18 Weeks outsourcing	1,936	1,936	3,235	(1,299)	(67.1)%
Medical	43,761	43,761	44,227	(465)	(1.1)%
WaCH	20,411	20,411	19,952	460	2.3%
CSS	26,888	26,888	27,669	(781)	(2.9)%
E&F	13,407	13,407	13,569	(161)	(1.2)%
HR	2,612	2,612	2,608	4	0.2%
CEO	1,724	1,724	1,743	(19)	(1.1)%
Restructuring and PMO	3,000	3,000	1,943	1,057	35.2%
Finance	3,169	3,169	3,165	4	0.1%
Nursing	3,594	3,594	3,542	52	1.4%
IMT	2,257	2,257	2,231	25	1.1%
Clinical Services (Escalation)	2,207	2,207	3,112	(905)	(41.0)%
Overheads	9,579	9,579	9,598	(19)	(0.2)%
Other Central	(100)	(100)	1,407	(1,507)	1,507.0%
CQUINS costs	500	500	33	467	93.5%
Unallocated reserves	882	882	(1)	883	100.1%
Total Divisional I&E	192,479	192,479	195,863	(3,384)	(1.8)%
Post EBITDA					
P/L on Asset Disposals	0	0	252	-252	0.0%
Interest Payable	288	288	287	1	0.3%
Interest Receivable	-18	-18	-26	8	(45.3)%
Depreciation	10,152	10,152	10,169	-17	(0.2)%
Depreciation - donated	235	235	223	12	5.2%
PDC	1	1	0	0	48.3%
unwinding of discounts	0	0	50	-50	0.0%
Impairment	37	37	21	16	43.4%
Total post EBITDA	10,694	10,694	10,975	-281	(2.6)%
Net Surplus / (Deficit)					
	0	0	373	373	
Technical Adjustment (impairment)	0	0	(50)	50	
Technical Adjustment (don assets)	0	0	169	(169)	
Adjusted Net Surplus / (Deficit)	0	0	254	254	

Financial performance: Savings

Savings - Month 12	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
<u>By Transformation Programme Workstream</u>					
Administration Structure	588	600	499	(103)	(17%)
Back Office redesign	1,113	1,113	1,936	823	74%
Clinical Service Redesign	757	757	612	(145)	(19%)
Estate Rationalisation	290	290	138	(153)	(53%)
Job Planning and Medical Productivity	930	930	198	(732)	(79%)
Medicines Management	595	595	433	(161)	(27%)
Nursing Skillmix	244	244	77	(167)	(68%)
Pathology	309	309	296	(13)	(4%)
Procurement / Non Pay	1,275	1,275	1,131	(144)	(11%)
Other	3,593	3,581	4,684	1,104	31%
Theatre Utilisation	305	305	0	(305)	(100%)
UNALLOCATED	0	0	0	0	0%
TOTALS	10,000	10,000	10,004	4	0%
<u>By Directorate</u>					
Surgery	1,407	1,407	400	(1,007)	(72%)
Medicine	853	866	755	(110)	(13%)
WaCH	384	384	384	0	0%
CSS	1,195	1,195	943	(252)	(21%)
E&F	481	481	309	(173)	(36%)
Corporate	5,153	5,140	6,782	1,641	32%
Sub total	9,473	9,473	9,573	99	1%
Procurement savings centrally held	527	527	432	(95)	(18%)
Unallocated/Trust wide savings	0	0	0	0	0%
TOTALS	10,000	10,000	10,004	4	0%

Key points

The Trust has delivered £10.0m of savings in 2012/13, with schemes not delivered being mitigated.

The mitigation (from central budget actions) was mainly to manage the extremely poor performance in the Surgical Division - the 72% failure has provided other Divisions with a significant challenge in year.

However, the other Divisions did very well taking into account specific issues in each area and against a backdrop of an increasingly busy hospital.

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	22.2	21.5	(0.7)	(3%)	(1.3)	0.6	
Elective Inpatients	13.7	15.0	1.3	10%	0.4	0.9	
Elective (Other)	0.4	0.3	(0.1)	(26%)	(0.1)	(0.0)	
Non Electives Inpatients	69.8	73.5	3.7	5%	3.6	0.1	
Non Elective (Other)	1.0	2.2	1.1	106%	1.1	0.0	(0.0)
Outpatients	35.5	34.5	(1.0)	(3%)	(1.7)	0.7	
A&E	8.9	9.4	0.6	6%	0.0	0.5	
PbR: Other Items		1.5	1.5		1.5		
Sub Total: PbR Categories	151.4	157.7	6.4				
Local Category Income	34.6	34.3	(0.3)	(1%)	(0.1)	(0.2)	
Non-Recurrent Income	15.9	13.9	(2.0)	(13%)			(2.0)
Sub Total: Local Categories	50.5	48.2	(2.3)	(5%)	(0.1)	(0.2)	(2.0)
Contract Provision	(3.8)	(2.1)	1.7				
CQUIN	4.3	4.4	0.1				
Sub total: Contract Adjustments	0.5	2.3	1.9				
Total Contract Income	202.3	208.3	5.9	3%			
Non clin NHS SLA	1.9	1.5	(0.4)	(20%)			
Education & training	6.7	6.7	0.0	0%			
Cat C - Other	8.9	9.5	0.7	8%			
Total Other income	17.5	17.7	0.3	2%			
Total Income	219.8	226.0	6.3	3%			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	29,172	26,283	(2,889)	(10%)
Elective Inpatients	5,184	4,994	(190)	(4%)
Elective (Other)	1,391	1,012	(379)	(27%)
Non Electives Inpatients	39,555	41,482	1,927	5%
Non Elective (Other)	18,480	22,861	4,381	24%
Outpatients	263,479	249,346	(14,133)	(5%)
A&E	80,112	80,270	158	0%
PbR: Other Items		22,323	22,323	
Local Category Activity	864,068	809,728	(54,340)	(6%)

Contract Income

The year end position for contract income is a £5.9m favourable variance (or 3%) against a plan of £202.3m. As reported in previous months, this fully reflects the income settlement agreed with both Surrey and Sussex commissioners. The MOU amounts are entirely consistent with the actual outturn (including allowance for fines). Key points to note from the M12 position are as follows:

1) Elective activity, as a whole, has ended the year favourably against the financial plan. Elective inpatient spells remain the key driver of the favourable variance. During the past two months, the Trust has been catching up on elective inpatient work up with the small backlog during the winter months. Conversely, daycase activity has ended the year adverse against plan which is being driven by volumes as opposed to casemix (see the following page for trend analyses).

2) Non-elective activity has a favourable variance against financial plan of £4.8m. This is after the adjustment for the marginal rate for activity above 2008/09 baseline, and applying an adjustment for emergency re-admissions (which is calculated to be £5.0m and £3.8m respectively). The current levels of non elective admissions remain high and there is no evidence of reductions in year, converse to CCG plans.

3) Outpatient activity is £1.0m adverse to financial plan overall. This adverse variance is seen across all of the main points of delivery within the outpatient category (see page 7 for further detail) with the exception of outpatient with procedures. This category has seen a increasing trend over time and have out performed the plan in 2012/13. It is anticipated that this will continue to increase into 2013/14 with focussed work in this area.

4) Income from A&E attendances remains at 6% favourable to budget, which has been a consistent message for the past few months. This continues to be solely driven by casemix, rather than volume. Although overall the activity trend is relatively flat, it should be noted that M12 has seen the highest number of A&E attendances to date.

5) Overall, the local category items are only very slightly adverse against the full year financial plan. Within this category, it is neonatal bed days which is driving the adverse variance. This category has seen reduced levels of activity during the summer months of 2012 and is showing signs of a slight decrease in SCBU bed days over time. However, it should be noted that this activity type has relatively low volumes compared to other activity types and therefore demonstrate more variability month on month.

Activity Trends (all commissioners) from April 2010

Activity Trend - All Commissioners (including NCAs).

Key points:

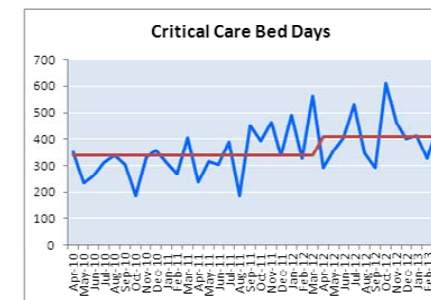
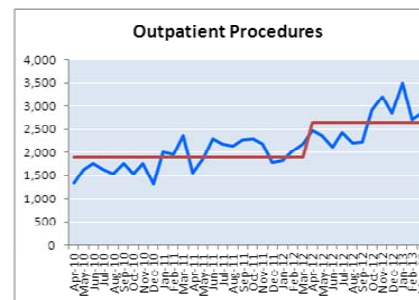
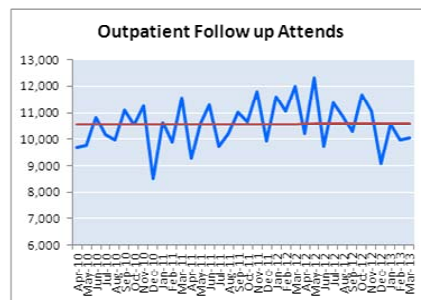
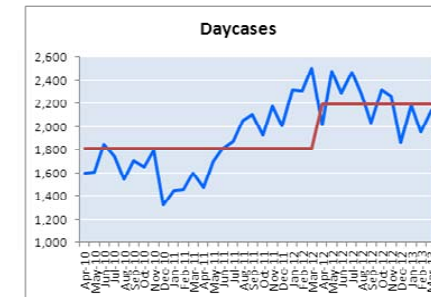
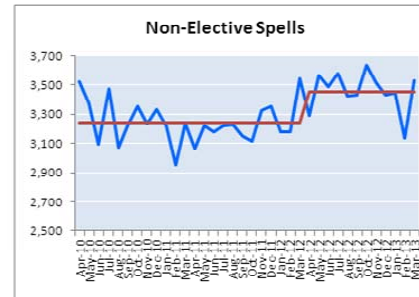
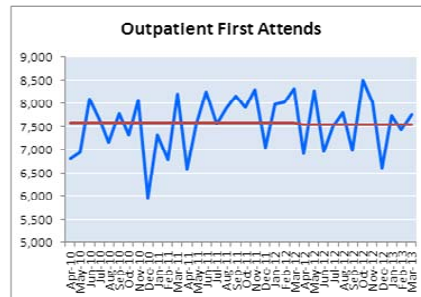
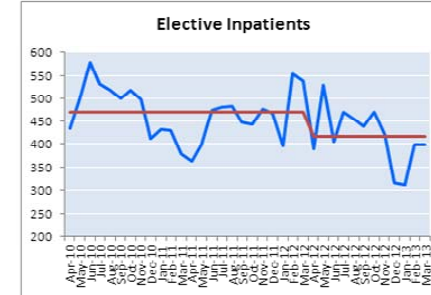
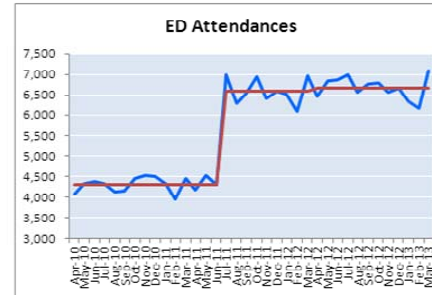
After seeing an increase in volumes of non-elective admissions at the start of the year, there has been no sign of any reduction in year. The obvious 'dip' in M11 is largely due to the reduced number of days in February.

A&E attendances continue to remain largely flat, however in M12, with over 7,000 attendances, the Trust saw the highest number of attendances to date all year.

Elective inpatients remain very similar to previous month volumes which is the continued "catch up" of cases due to winter pressures.

After a sustained increase, outpatient with procedures have doubled from levels reported in early 2010. In addition, with further work in this area, there are further increases expected in 2013/14.

Activity trends for April 2010 to March 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

- The Trust has delivered its financial plan (subject to audit review).
- The other risks stated on the risk register remain:

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

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

Statement of Financial Position (balance sheet)

- **Statement of Financial Position** - This is presented on a later page.
- **Property, Plant and Equipment** – The Trust undershot on its CRL target by £4.3m mainly due to rephasing of Theatre works into next year. This was agreed with the DH. Actual spend on current year projects was £10.5m This was funded by £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)** – NHS debt is mainly Feb NCA activity and some salary recharges. The recovery of NHS debt is determined through the AOB exercise which took place at the end of the year. Other PCT debt is low (currently £7k).
- Debt arising from treating overseas patients is the largest element of Other Debtors. This includes a few very large value cases. The Trust made a significant bad debt provision against this debt at the end of the year.

SUMMARISED AGED DEBTORS	Within term	1-30 days	1 month over due	2 month over due	3 month over due	MAR	FEB	JAN
			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	362	111	12	-	7	130	556	898
NHS TRUST	81	469	30	76	36	611	432	479
OTHER DEBTORS	169	250	337	27	744	1358	1,132	936
Total Debts	612	830	379	103	787	2,099	2,120	2,313

- **Payables (Creditors)** - The Trust did not meet the 95% BPPC target. However, the Trust has improved its performance from last year which is an indication of better payments and cash management this year.

Key Financial Indicators: Mar 13

	Plan/ target	Actual cum Mar-13	Var (adv)/ fav	Actual cum Feb-13	Actual 11-12
BPPC: cum overall (value)	95%	84%	(11)%	83%	72%
BPPC: cum overall (volume)	95%	85%	(10)%	84%	66%

Statement of Financial Position at 31 Mar 2013

	31-Mar-13		28-Feb-13		Movement
	£m	£m	£m	£m	£m
<u>NON CURRENT ASSETS</u>					
Property, Plant and Equipment		106.7		108.0	(1.3)
Intangible Assets		2.2		1.2	1.0
Trade & Other Receivables		3.9		4.3	(0.4)
Assets Held for Sale		-		-	-
<u>CURRENT ASSETS</u>					
Inventories		3.3		3.3	-
Trade & Other Receivables		3.2		3.6	(0.4)
Prepayments and Accrued Income		6.7		4.3	2.4
Cash and Cash Equivalents		4.7		12.8	(8.1)
		<u>17.9</u>		<u>24.0</u>	<u>(6.1)</u>
<u>CURRENT LIABILITIES</u>					
Trade Payables		(8.2)		(13.4)	5.2
Other Payables		(0.8)		(2.8)	2.0
Accruals		(10.8)		(11.6)	0.8
Other Liabilities		(0.5)		(0.4)	(0.1)
Net Current Assets		(2.4)		(4.2)	1.8
Total Assets Less Current Liabilities		<u>110.4</u>		<u>109.3</u>	<u>1.1</u>
<u>NON-CURRENT LIABILITIES</u>					
Borrowings		(7.1)		(7.4)	0.3
Deferred income		(3.4)		(3.4)	-
Provisions		(2.7)		(1.2)	(1.5)
Total Net Assets Employed		<u>97.2</u>		<u>97.3</u>	<u>(0.1)</u>
<u>TAX PAYERS EQUITY</u>					
PDC		137.5		137.5	-
Revaluation Reserve		14.3		14.3	-
I&E Reserve		(55.0)		(55.0)	-
I&E Current		0.4		0.5	(0.1)
Total Taxpayers Equity		<u>97.2</u>		<u>97.3</u>	<u>(0.1)</u>

An Associated University Hospital of
Brighton and Sussex Medical School

Non Current Assets - Intangible assets were reclassified from PPE in March. The Trust rephased some of its capital programme into next year, which resulted in a large carry over of capital cash and consequently a large undershoot against its CRL target.

Liquidity – (An indicator of the working capital position). The liquidity ratio is better at minus 9 days (significantly below the 15 day cover target). In March the Trust paid off a large value of creditors but this also included early settlements of legal costs and rates which may not sustain the current lower liquidity ratio, going forwards.

Outstanding long term loans The Trust did not overpay against its loans (capital and working capital loans) and made payments in line with the agreed repayment schedule. Currently the Trust intends to meet the required minimum loan repayments in 2013-14.

Tax Payers Equity – PDC increased over the year as SHA capital funding (£2.9m) was drawn down.

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	Actual	Forecast
CASH INFLOWS													
Overperformance 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
Overperformance 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	0.57	6.81
Overperformance 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	8.35	89.23
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	0.29	3.47
Nca	0.21	0.32	0.24	0.28	0.28	0.38	0.57	0.34	0.34	0.27	0.29	0.57	4.08
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	2.19	12.25
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	0.54	7.37
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	20.96	240.15
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	-10.33	-85.59
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	-15.72	-139.42
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	-1.07	-10.80
PDC	0.00	0.00	0.00	0.00	0.00	-1.47	0.00	0.00	0.00	0.00	0.00	-1.47	-2.94
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	-0.48	-0.97
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	-29.07	-239.71
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	-8.10	0.44
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	4.63	4.63

Key points

The Trust met its year end cash target of £4.65m) including the commercial account balance, which it had agreed with the SHA.

This is mainly unspent capital cash - which the DoH has agreed to.

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.