Trust Board: 27 June 2013
Management Board : 26 June 2013
Agenda item:

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M02 – May 2013

Executive sponsor: **Paul Simpson (Chief Finance Officer)**
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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 M02 – May 2013

Purpose of report and action required: information and assurance

Summary:

- **At Month 2 the Trust is on plan with a breakeven position, with an adverse variance against income and underspending against "reserve" budgets offsetting divisional overspends.**
- **The savings plan for 2013/14 is £11.1m and at M02 £0.7m has been achieved (above the phased plan submitted to TDA)**
- **A combination of late Contract signature, increased operational pressure lingering from the winter well into May and savings performance within Divisions conspires to provide a difficult financial beginning to 2013/14;**
- **Operational pressures at M01 leave their mark on M02, but the position is better with less non elective activity and more elective. However, the Trust's intended "contingency" to smooth the financial challenge of the increased savings profile later in the year is not accreting fast enough – this provides increasing risk.**
- **In addition, the Trust still has no certainty over the payment of the second year instalment of planned non recurrent support.**
- **Cash dipped at M02, mainly due to phasing of cash flows, but remains OK currently – with careful monitoring in place re new CCG organisations and with managing the complex capital funding this year.**

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 (£11.1m)

Finance report M02 – May 2013

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 2013/14 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. 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.

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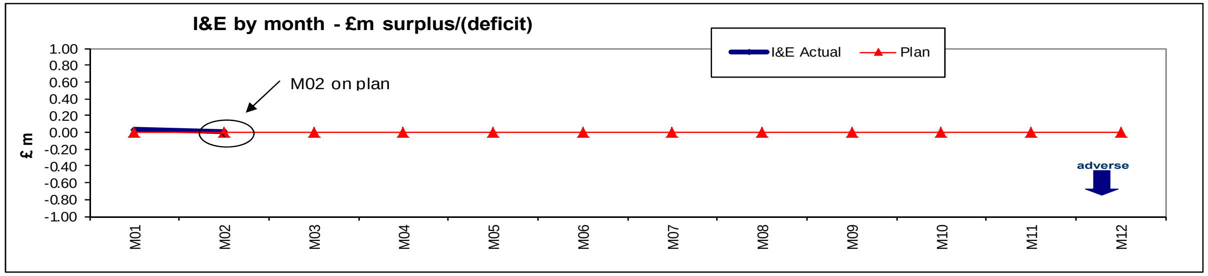
- Key financial indicators
- Comprehensive income (income & expenditure) Position
- Statement of financial position (balance sheet) & cashflow

Key financial indicators: M02 2013/14

Key financial indicators at Month 2	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	0.0	0.0	green
3 Forecast surplus/(deficit)		0.0		green
4 YTD recurrent surplus/(deficit)		(0.9)		red
5 Risk assessment fav/(adv)		(6.5)		red
6 Cash position		2.2		green
7 Liquidity ratio (days)		(9)		amber
8 Capital outturn	17.3	17.3	0.0	green
9 Return on assets	3.5%	3.5%	0.0%	green
10 BPPC: cum overall (volume)	95%	87%	(8)%	amber
BPPC: cum overall (value)	95%	90%	(5)%	amber
11 Performance rating in month	TDA measure TBA			TBA

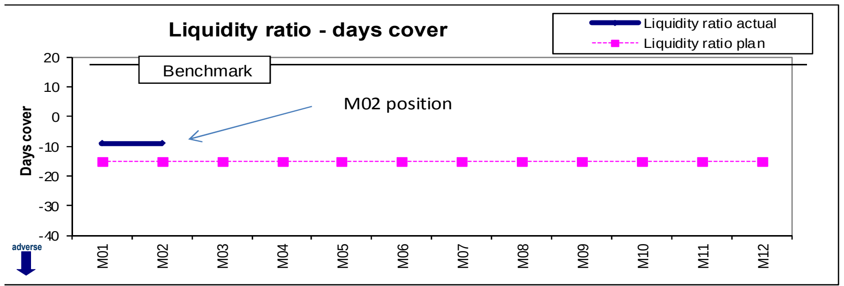
** before technical adjustments relating to donated assets*



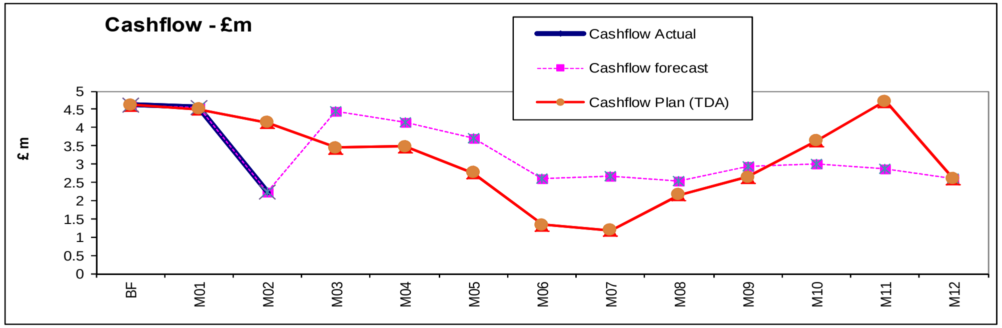
The Trust is on plan at Month 2 with a breakeven position, after an adjustment for donated asset accounting. This includes as assumed £0.9m of non recurrent support (full year £5.5m).

The risks to the plan are detailed on the risk page, however, the estimated total risk has increased as a result of income challenges and overspending Divisions. The main risk continues to be payment of the non recurrent support.

The Trust has achieved £0.7m of savings at month 2 and is over achieving against the TDA savings plan. However, the Divisions challenged themselves to deliver ahead of the TDA plan, but have been unable to achieve as much savings in the first two months as anticipated.



he liquid ratio gives a better view of the Trust's working capital position than just ooking at cash. The Trust will remain significantly below the 15 day "cover" benchmark ntil the underlying liquidity problem is resolved. However, at Month 2, with the healthy ash balance, the ratio is at minus 9 days. This is an aretefact and will not be sustained s cash is used for its intended purpose during the year.



Cash is OK currently, but the forward cash flow relies on either the payment of non recurrent support as income, or as a cash payment.The Trust brought forward cash of £4.7m (of which £3.7m was in respect of capital funds for work certified in 2012-13 but payable in 2013-14) and prepaid Tax and NI in March 2013 and , with no liability paid in April, currently there is a healthy cash holding. This was part of action to protect against non payment of Contract cash payments if the Contract remained unsigned, but those payments have been maintained by CCGs and on 13 May 2013 the Contract was signed. The cash forecast differs from the Plan because of these interruptions and the expected non payment of non recurrent support until M04.

Financial performance rating

	I&E Statement: YTD @ M2 £'000s	I&E Statement: FOT £'000s	Normalised data: YTD @ M2 £'000s	Normalised data: FOT £'000s
Summary Scores				
EBITDA margin	4.9	5.1	2.4	3.5
EBITDA, % achieved of plan	95.7	100.0	46.9	68.5
Net return after financing %	0.0	0.2	-0.9	-3.2
I&E surplus margin %	0.0	0.0	-2.4	-1.6
Liquid ratio ***(with est 30 days WCF#)***	21	16	21	16
Summary Ratings				
EBITDA margin	2	3	2	2
EBITDA, % achieved of plan	4	5	1	2
Net return after financing %	3	3	2	2
I&E surplus margin %	2	2	1	2
Liquid ratio ***(with est 30 days WCF#)***	3	3	3	3
Initial Rating	3	3	2	2
Overriding Rules Rating	**2**	**3**	**1**	**2**

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

"Monitor" style risk rating (right)

- The TDA has not provided updated performance monitoring metrics, so the SHA version of the Monitor metrics reported monthly last year is shown opposite.
- This is similar to the Monitor financial risk rating as applied to foundation trusts, but it uses rather more lenient cash measures (eg: liquid ratio, which would be a score of "1" in a full Monitor FRR table).
- The normalised data metric has also been shown and indicates a score of 1 YTD. However, it should be noted that the underlying/normalised deficit is (a) planned and (b) supported by non-recurrent funding.

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

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

Surrey and Sussex NHS
Healthcare NHS Trust

Year to Date vs Budget (figures in £m)

	2013/14 *budget*	2013/14 *actual*	2013/14 *var (adv)/fav*	% var (adv)/fav	Perf indicator %
Income from CCG contracts	34.1	33.5	(0.7)	-2.1%	
Contract Income - NHS	**34.1**	**33.5**	**(0.7)**	-2.1%	
Other operating income	3.1	3.1	-	0.0%	
Non-rec income	0.9	0.9	-	0.0%	
Total Income	**38.1**	**37.5**	**(0.7)**	-1.8%	
Expenses					
Pay (incl agency)	(24.8)	(24.9)	(0.1)	-0.4%	
Non-Pay (excl Depreciation)	(11.4)	(10.7)	0.7	6.2%	
	(36.2)	**(35.6)**	**0.6**	1.7%	
EBITDA (pre-exceptionals)	**1.9**	**1.9**	**(0.1)**	-5.0%	
			-		
					EBITDA margin
EBITDA (post-exceptionals)	**1.9**	**1.9**	**(0.1)**	-5.0%	5.1%
					% of income
Profit/ Loss on Asset Disposals	0.0	0.0	-		
Interest Receivable	0.0	0.0	0.0		
Interest Payable	(0.1)	(0.1)	(0.0)		
Depreciation	(1.2)	(1.2)	-	0.0%	
PDC	(0.6)	(0.6)	-	0.0%	
	(1.9)	**(1.9)**	**(0.0)**	-0.1%	
Net Surplus/ (Deficit)	**0.0**	**0.0**	**0.0**		
Tech adjustments	-	(0.0)	(0.0)		
Adjusted Net Surplus/ (Deficit)	**0.0**	**0.0**	**0.0**		
Memoranda					
Net reported surplus		0.0			
Plan surplus YTD		0.0			
Variance (fav)/adv to target		**(0.0)**			
Net surplus		0.0			
Non recurrent items		(1.0)			Underlying position
Adjusted recurrent position		**(0.9)**			(1.7)%

Summary

The Trust is on plan at Month 2 (a breakeven position), and forecasts breakeven. The savings target is £11.1m for the year, of which £0.7m has been delivered year to date. The underlying position is a £(0.9)m deficit. *To note: the technical adjustment from donated asset accounting is small and not visible in the data.*

Please note that the position is reported against the interim budget approved by the Board - there is no decision on the allocation of non recurrent support to the trust. The succession of "interim" budgets and changes from the very late Contract negotiation means that there are differences in the detail of the profile from that submitted to the TDA.

The significant operational pressures at M01 leave their mark on M02, but there are signs of recovery. There are reduced levels of non elective activity, increased levels of elective activity and reduced agency spend. Unfortunately, the impact lingers and is not lost. The contingency that was anticipated is not accreting - that provides increased risk as we approach the ratcheted up savings profile in Quarter 02.

At M02 underspends on redundancy and CQUIN budgets are needed to cover overspending areas, if we were not overspending, the "contingency" would be growing). This underspending is the non-pay favourable variance. Divisions will need to recover their overspends so that these central budgets and reserves can be "replenished" and utilised for their original purpose. Noting the position, there is an internal conversation over the recovery of elective income, savings non delivery in some Divisions, the spend on escalation and the under recovery against plan of income in specific areas.

Pay costs are slightly lower than last month and although there is a reduction in agency costs too (and agency is below the average year to date spend this time last year), overall temporary staffing costs remain the same with increased bank spend. Non pay costs overall reduced in May, mainly with lower than anticipated spend on outsourcing to private providers.

Comprehensive income (income & expenditure) underlying and normalised position

Surrey and Sussex Healthcare NHS Trust

Underlying and normalised calculation					
		YTD @ M02		FY Forecast	
		£m	£m	£m	£m
Net Surplus / (deficit)			**0.0**		**0.3**
Deduct N/R income	i) non rec income support	0.9		5.5	
	ii) technical adjustment for donated assets	0.1		0.5	
	Total N/R income		**(1.0)**		**(6.0)**
Add N/R Spend	i) Turnaround/ restructuring costs	-		2.0	
	i) Technical adjustment for donated assets	0.0		0.3	
	iii)				
	iv)				
	Total N/R spend		**0.0**		**2.3**
Deduct N/R savings					
	Total N/R savings		**-**		**-**
Underlying (recurrent) surplus / (deficit)			**(0.9)**		**(3.5)**
	i) add back turnaround/restructuring costs		-		(2.0)
Normalised surplus/(deficit)			**(0.9)**		**(5.5)**

NOTE:

•2013/14 brings some changes to language in this report: the "recurrent" position becomes the "underlying" position, and the Monitor measure of "normalised" surplus/deficit provides an additional view.

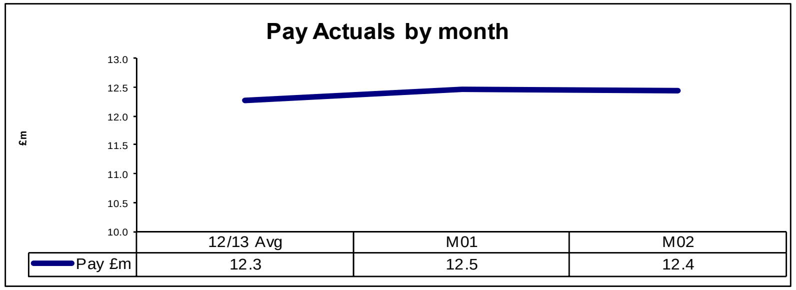
Underlying position

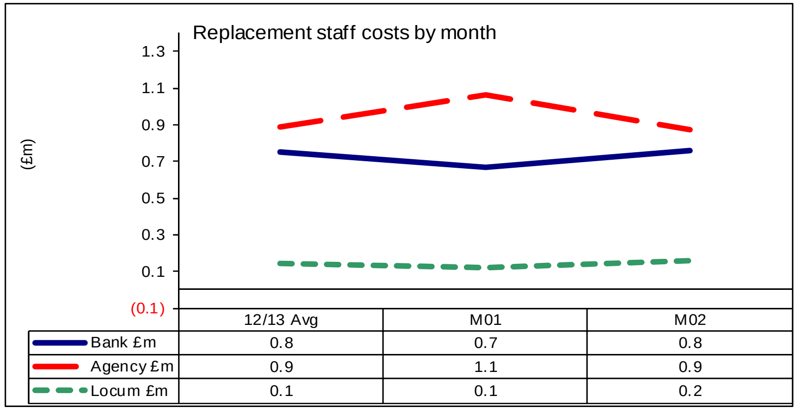
- The table describes how the underlying position (the "recurrent" surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- **At month 2 the underlying position is a deficit of £0.9m due to the amount of non-recurrent support. This is an improvement from month 1 due to the reduced level of non-recurrent funds supporting the financial position.**
- The underlying position at the end of 13/14 is forecast to be £3.5m.

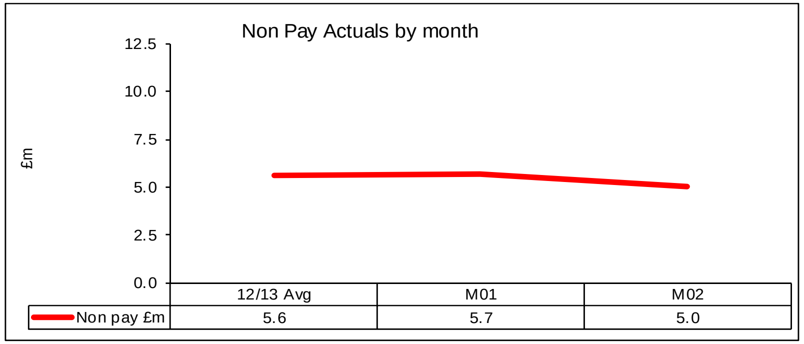
Normalised position

- The forecast underlying position is adjusted for "normal" expenditure, even if that spend is "one-off". This applies to restructuring costs, so this spend forecast is added back, giving a normalised deficit of £5.5m for the full year.

Financial performance – operating spend YTD







Key points:

1) Total Pay costs still remain higher from the average of 2012/13 but decreased slightly from last month.

2) Replacement staff costs - overall costs in May were the same as last month, although agency costs reduced (offset by increased bank spend). This movement was seen in nursing areas while other staff groups remained relatively static.

Escalation continues to be a significant pressure on pay budgets with £0.3m spent in the first 2 months of the year.
The focus this year is on recruiting into vacancies (particularly in nursing areas) and thereby reducing the reliance on agency staff.

3) Non pay costs reduced from last month and the average of the previous year, due to much lower than expected spend on outsourcing. Healthcare recharges are over budget due mainly to the use of additional beds (Medihome & First Care), which is impacting on escalation and CT out of hours reporting.

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	24.8	24.9	(0.1)	-0.4%
Drugs	2.2	2.3	(0.1)	-3.9%
Clinical supplies	3.5	3.4	0.1	2.3%
General supplies	0.4	0.5	(0.1)	-15.7%
Establishment	0.7	0.6	0.1	8.5%
Premises & utilities	1.1	1.2	(0.1)	-4.5%
Healthcare recharges	1.2	1.6	(0.4)	-33.9%
Fees & consultancy	1.1	1.1	0.0	4.3%
Misc	1.3	0.1	1.1	89.5%
Recharges	0.0	(0.1)	0.1	
Total non pay spend	11.5	10.7	0.7	6.5%
Total operating spend	**36.3**	**35.6**	**0.7**	1.8%

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	3.7	3.6	0.1	2.9%
Other medical	3.3	3.6	(0.3)	-9.0%
Nursing & Midwifery	8.9	8.8	0.1	0.8%
Healthcare assistants	2.5	2.6	(0.1)	-2.1%
AHPs	2.6	2.6	(0.0)	0.0%
Directors & NEDs	0.2	0.2	0.0	14.8%
Senior mgrs (8a+)	0.8	0.7	0.1	10.4%
Admin & clerical	2.7	2.6	0.1	2.4%
Estates & FM	0.1	0.1	(0.0)	-6.2%
Total Pay spend	**24.8**	**24.9**	**(0.1)**	-0.4%

Agency costs YTD to this month	2012/13 YTD Actuals (£m)	2013/14 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	2.1	1.9	**0.2**	-7.3%

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

- The key risks being addressed internally in the Trust with Divisions are as follows:
  - a) Under recovery of elective income against plan;
  - b) Savings delivery issues in CSS and Surgery;
  - c) Escalation spend control;
  - d) All material adverse income variances – notably neonatal services.
- All the clinical Divisions, with the exception of WACH, are adverse to their budgets for Month 2, although Medical have reduced their overspend below tolerance through tidying up of coding (while increasing the escalation overspend). Surgical, CSS, E&F and escalation provide exception reports.
- Reserve budget, along with underspends on redundancy and CQUINS, has been set against the figures to mitigate the income under recovery and overspends within Divisions. As Divisions recovery their overspends the redundancy and CQUINs budgets will "replenish".
- The year to date cost of outsourcing of surgical work to private providers to meet the 18 week target is £0.2m and remains below anticipated levels.

Divisional analysis (I&E)	13/14 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)	196,800	34,135	33,496	(639)	(1.9)%
Non-rec income	5,500	917	917	0	0.0%
High Cost Drugs	(8,126)	(1,352)	(1,408)	(57)	4.2%
Excluded devices	(767)	(128)	(107)	20	(15.9)%
Donated Assets	500	83	83	0	0.0%
Other Income	9,159	1,443	1,433	(10)	(0.7)%
Total income	**203,066**	**35,099**	**34,413**	**(685)**	(2.0)%
Divisions (inc Divisional income)					
Surgical	62,535	10,287	10,437	(150)	(1.5)%
Medical	43,663	7,302	7,316	(15)	(0.2)%
WaCH	20,907	3,432	3,407	24	0.7%
CSS	26,225	4,477	4,641	(165)	(3.7)%
Clinical Services (Escalation)	3,089	623	992	(369)	(59.2)%
Cross Divisional Savings	(1,019)	(128)	0	(128)	100.0%
E&F	12,571	2,099	2,153	(54)	(2.6)%
HR	2,414	411	408	3	0.7%
CEO	1,241	153	146	7	4.3%
Restructuring and PMO	2,300	383	60	322	84.2%
Finance	2,993	502	494	7	1.5%
Nursing	2,800	454	453	2	0.4%
IMT	2,179	357	355	3	0.7%
Corporate Affairs	1,095	182	181	2	
Overheads	9,748	1,625	1,537	88	5.4%
CQUINS costs	1,941	324	11	313	96.6%
Reduction in activity (reserve)	(7,000)	0	0	0	0.0%
Unallocated reserves	4,063	798	0	798	0.0%
Centrally held savings targets	(280)	0	0	0	0.0%
Total Divisional I&E	**191,463**	**33,281**	**32,592**	**689**	2.1%
Post EBITDA					
P/L on Asset Disposals	(21)	(21)	(21)	0	0.0%
Interest Payable	280	47	46	1	1.7%
Interest Receivable	(25)	(4)	(5)	1	(23.3)%
Depreciation	7,466	1,143	1,143	(0)	(0.0)%
Depreciation - donated	250	41	41	0	0.7%
PDC	3,381	563	563	(0)	(0.0)%
unwinding of discounts	22	7	11	(4)	(64.5)%
Total post EBITDA	**11,353**	**1,776**	**1,778**	**(2)**	(0.1)%
Net Surplus / (Deficit)	**250**	**42**	**42**	**0**	
Technical Adjustment (don assets)	250	42	42	0	
Adjusted Net Surplus / (Deficit)	**0**	**0**	**0**	**0**	

Exception Report – Surgical Division

SURGERY DIVISION: £150k adverse to budget

The financial position for Surgery is £150k adverse year to date and £38k adverse in month.

Summary of Variance:

- The private patient and amenity bed plan was delayed due to operational pressures, with the unit opened on the 28th of May. The adverse variance from this delay is £80k year to date.
- Ophthalmology has an adverse variance of £45k year to date. The overspend in this service is due to consultant vacancies and sickness which has been covered by agency to ensure the demand on outpatient activity could be met.
- Nursing Recruitment plan and RMN usage has resulted in a £62k adverse variance.
- These adverse variances have been partly offset by favourable variances in Anaesthetics, Endoscopy and ICU where there is slippage in recruitment to posts.

Actions:

- Private patient and amenity beds are now open and the department are investing in branding of the unit and subsequently the marketing of the service. Advertising for the unit has been placed in local publications and on the SaSH website. Information has been distributed with patient pre-op booking, which has resulted in increased enquires.
- To manage the ophthalmology risk 3 fixed term consultant posts have been advertised. One vacancy has been filled and the remainder have interviews due. Agency costs are expected to reduce from mid July.
- Notification of charging for RMN usage for sectioned patients has been issued to Surrey and Boarder Mental Health Trust and Sussex Community Trust. The recharging is to be implemented from the 1st of July 2013. The division have an established authorisation process in place for the use of 1-1's and are employed following completion of risks assessment and review of DCN
- Nursing recruitment remains a priority for the division and has a developed plan in progress with support of HR and recruitment colleagues.

Exception Report – Clinical Support Services

Clinical Services Support division: £165k adverse to budget

The financial position for Clinical Services is £165k adverse year to date and £46k adverse in month.

Summary of Variance:

Overview: Net expenditure between month 1 and 2 has stayed broadly flat with continued underlying issues on use of agency + maintenance contracts in Radiology. Considerable work is in hand to bring into break-even position.

●**Pay – Payroll (substantive + bank):** Net payroll costs have decreased across division in month by £34k against April resulting in a YTD under-utilisation of pay budgets of £61k for CSS. Outpatients division continues to exert budgetary pressure through an over-spend YTD of £23k, with material overspend offsets in Pharmacy, Pathology and Radiology (£47k, £42k and £40k respectively).

●**Pay – agency:** Agency spend in Radiology on both medical staff and Radiographers continues to be significant pressure to achieving balanced position. In month variance has increased to £108k adverse across the division from £76k in April of which Radiology represents £85k and £39k respectively. The Radiology department temporary staff spend is in direct correlation with decrease in payroll costs, per above.

●**Non pay:** Significant pressures exerted on budget on maintenance contracts for Radiology. Significant review to be undertaken in June to understand variance drivers i,e inflation / new contracts.

●**Income:** Slightly behind plan in month due to Pathology contracts not delivering level of income expected.

Actions:

●In order to return CSS to a balanced position, a full review of budgets with the budget holders will be undertaken to understand what opportunities exist within the budget envelope. Key drivers will be:
●Gamma Camera: To be delivered in July, significant revenue stream expected to flow to radiology from capital purchase
●Agency usage: Review of establishment in Radiology with new service manager to better manage legacy agency usage and reduce run-rate
●Pharmacy CIPs review: Review of drugs price v usage model needs to be undertaken and compared to the CIPs model to understand efficiencies driven from generic drugs coming off patent etc. Consider impact of October price review and further opportunities not flagged in budget setting.

Exception Report – Estates and Facilities

Estates & Facilities division: £154k adverse to budget

The financial position for E&F is £54k adverse year to date and £16k adverse in month.

Summary of Variance:

- Estates £63k over YTD: The redistribution, within E&F, of the savings budget reduction has heavily impacted Estates. One in particular is the “minor works capitalisation” saving which equates to £60k. Phasing of this savings has currently be allocated in twelfths until phasing can be accurately determined.
- Telecommunications £34k over YTD: There are a number of contracts in place providing telecommunications services, with several of the larger ones overspent to date.
- Portering £19k over YTD: This is predominantly staff related in particular bank staff usage and ancillary band 1’s.
- These adverse variance have been partly offset by favourable variances in Catering, retail concessions and Car Park income

Actions: .

- Telecoms contracts are to be rationalised and non value added services will be removed. Tariffs to be investigated and assurance to be provided that we are paying competitive rates.
- The portering department have had a 12.5% sickness rate of which 3 are long term absences. There is also currently a medical suspension and all 4 posts need to be backfilled. This accounts for a significant amount of the overspend. All are being actively managed and we would expect to see improvement in month 3.

Exception Report – Clinical Services (Escalation)

Clinical Services (Escalation): £369K Adverse to Budget

- The financial position for Clinical Services is £369k adverse year to date and £356k adverse in month. Escalation areas were £398K overspent, with other areas within the budget underspending by £29K

Summary of Variance:

- The adverse variance is due to a combination of factors. Operational pressures have resulted in the use of more additional beds, both externally and within escalation areas in the Trust. This has resulted in higher than budgeted spend on pay (bank and agency to cover escalation areas) and non pay – external beds and other associated costs.

Actions:

In order to return Clinical Services to a balanced position:

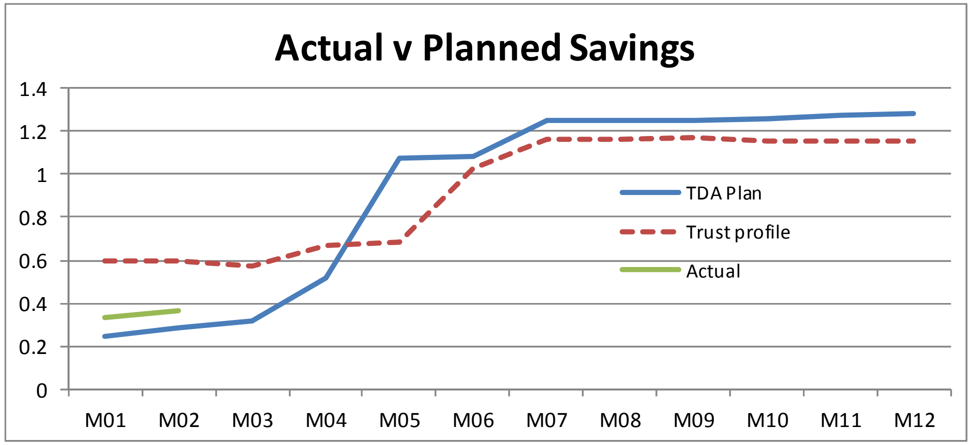
a) Additional beds on site will cease in June 2013.

b) Hospital care at home will be restricted to contracted levels of 10 beds per day.

c) Control of bank and agency staff – Exec team are agreeing the profile to be used.

Financial performance: Savings

Savings - Month 2	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
By Division					
Surgery	3,467	216	117	(99)	(46%)
Medicine	1,504	253	198	(55)	(22%)
WaCH	739	123	123	(0)	(0%)
CSS	1,533	173	30	(143)	(83%)
E&F	823	126	92	(34)	(27%)
Corporate	1,036	173	173	0	0%
Other	1,999	128	0	(128)	(100%)
Trust Total	**11,101**	**1,192**	**733**	**(459)**	
Phasing to TDA plan	0	(653)	0	653	(100%)
TOTALS	**11,101**	**539**	**733**	**194**	**36%**



Key points

The savings plan for 13/14 is £11.1m.

The target for month 2 is £539k (as per the TDA plan), with £733k having been delivered.

The divisions have challenged themselves to deliver savings earlier than the TDA plan and although ahead at month 2, are still below the "budgeted" level (as demonstrated on the graph).

Red rated risks are estimated at £1.6m, and relate in the main to additional nursing savings, pathology network reductions, agency reductions in CSS and amenity bed income.

PMO mitigatnig actions are being developed by Divisions.

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 £m fav/(adv)	YTD Var PRICE £m fav/(adv)	YTD Var OTHER £m fav/(adv)
Contract Income							
Elective Daycases	3.9	3.5	(0.4)	(9%)	(0.3)	(0.1)	
Elective Inpatients	2.6	2.4	(0.2)	(8%)	(0.3)	0.1	
Elective (Other)	0.4	0.4	(0.0)	(6%)	0.0	(0.0)	
Non Electives Inpatients	12.1	11.8	(0.3)	(2%)	(0.3)	0.0	
Non Elective (Other)	1.1	0.8	(0.2)	(22%)	(0.0)	0.0	(0.2)
Outpatients	5.7	6.1	0.4	7%	0.4	(0.1)	
A&E	1.6	1.7	0.1	3%	(0.0)	0.1	
PbR: Other Items	2.0	2.0	(0.0)	(1%)	0.0	(0.1)	
Sub Total: PbR Categories	**29.4**	**28.7**	**(0.7)**	(2%)	**(0.5)**	**(0.0)**	**(0.2)**
Local Category Income	4.9	4.7	(0.2)	(4%)	(0.2)	(0.0)	
Non-Recurrent Income	0.9	0.9					
Sub Total: Local Categories	**5.9**	**5.7**	**(0.2)**	(3%)	**(0.2)**	**(0.0)**	
Contract Provision	(1.0)	(0.8)	0.2				
Contract Profile Adjustment							
CQUIN	0.8	0.8	0.0				
Sub total: Contract Adjustments	**(0.2)**	**0.0**	**0.2**				
Total Contract Income	**35.1**	**34.4**	**(0.7)**	3%			
Other Income							
Non clin NHS SLA	0.2	0.2					
Education & training	1.3	1.3					
Cat C - Other	1.6	1.6					
Total Other income	**3.1**	**3.1**					
Total Income	**38.1**	**37.4**	**(0.6)**	(1%)			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	4,780	4,394	(386)	(8%)
Elective Inpatients	874	764	(110)	(13%)
Elective (Other)	735	745	10	1%
Non Electives Inpatients	7,205	7,041	(164)	(2%)
Non Elective (Other)				#DIV/0!
Outpatients	42,161	45,904	3,743	9%
A&E	13,875	13,820	(55)	(0%)
PbR: Other Items	14,579	12,767	(1,812)	(12%)
Local Category Activity	120,274	112,606	(7,668)	(6%)

Contract Income

Contract income is £0.7m adverse to budget at M02 (as it was at M01 - which means things have got better - the prudent contingency at that point is not as prudent at M02, and there is some catch up in respect of activity).

M01 saw significant operational pressure. The intensity has reduced in M02, and for the two key effects - a) the Trust has recovered its A&E 4 hour access target performance, and; b) elective work saw greater volumes but not full recovery - the adverse variance has increased by just £0.1m against M01, but this remains an adverse variance.

1) Elective activity income remains adverse against financial plan, which is driven by lower than planned volumes at M01, but much less so at M02. Activity increased in May compared to April in both daycase and elective inpatient categories (this can be seen in the trend analysis on the next page). However it is this elective activity variance that remains one of the main drivers of the overall adverse income variance at M02, and that must correct. That is being followed up actively through the PMO.

2) Non-elective activity income, and activity, has become adverse to plan at M02 (at Plan in M01). The non-elective marginal rate adjustment (ie: income lost by the Trust) is calculated at £(1.1)m for M02 YTD, about £0.2m greater than the average for 2012/13. In addition, the adjustment for emergency re-admissions is calculated at £(0.4)m based on an assumption of 25% not being paid for by CCGs. On a positive note, discussions with CCGs, and other health system partners have reached a point where a cross organisational Finance group is now being created to coordinate, through the Local Transformation Board, the use of these deductions in paying for extra capacity to manage emergency care activity as part of planning for winter.

3) Outpatient activity income continues to show a favourable variance against financial plan, which is being driven by volume. This variance remains favourable across the majority of outpatient points of delivery (specialties). Diagnostic imaging is now 'unbundled' from outpatient tariffs, and is shown as a separate point of delivery (POD). At M02, this POD is adverse to financial plan due to lower volumes than anticipated, however the category of outpatients as a whole remains 7% above financial plan.

4) A&E attendances remain at plan (negligible adverse variance), however the price variance means income is favourable to plan (this is suggesting an acuity increase). As stated last month, the serious capacity problems experienced by the Trust into May are not due to a sudden increase in attendances, but a combination of daily peaks and troughs in attendances and discharges interacting to block up the flow of patients through the hospital, with a range of factors causing those peaks and troughs.

5) Local category items (not covered by payment by results) are slightly adverse against the financial budget. The main category driving this adverse variance is neonatal bed days (the variance is a reduction in activity volume), which is currently nearly £0.1m below plan, and against a reduced budget after 2012/13's activity reduction. The Division is auditing the position and is tasked with providing a clear analysis of whether there is a clinical quality premium that justifies the adverse efficiency this describes.

Other Income

No specific issues - no variance at M02.

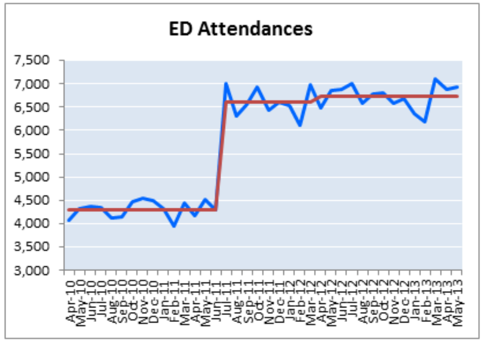
Surrey and Sussex NHS
Healthcare NHS Trust

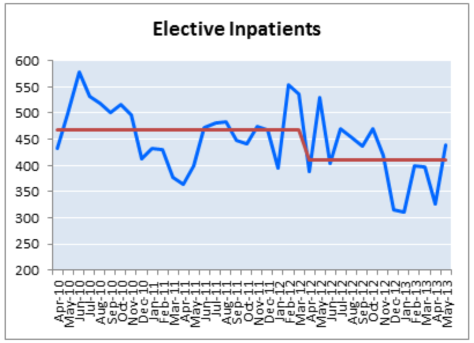
Activity Trends (all commissioners) from April 2010

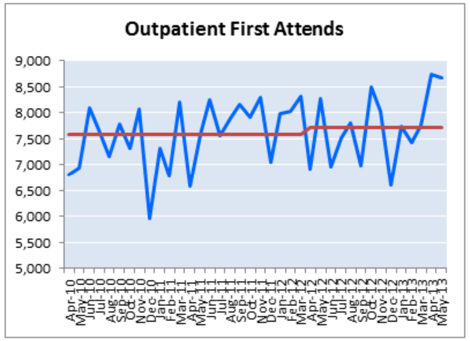
Key points:

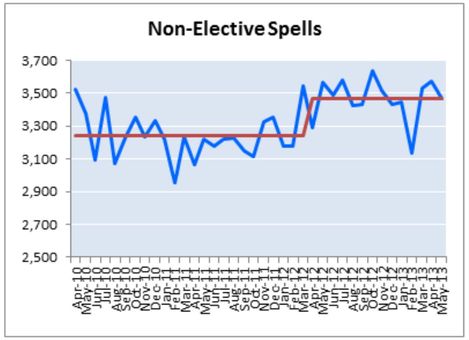
- Non-elective admissions show a drop in M02 (and below plan), but remain high and consistent. There is no real sign of activity reduction in this category from LTB programmes.
- A&E attendances continue to remain largely flat, although the past three months have been noticeably high – if the trend continues the trend line will click upwards..
- Elective activity (inpatients & day cases) an improvement against reduced volumes in M01.
- Outpatient first attends and follow ups have seen a noticeable increase in recent months. However, some of these will convert to the Outpatient with procedure category once they have been coded.
- Critical care bed days may be showing a trending increase, but too early to tell.

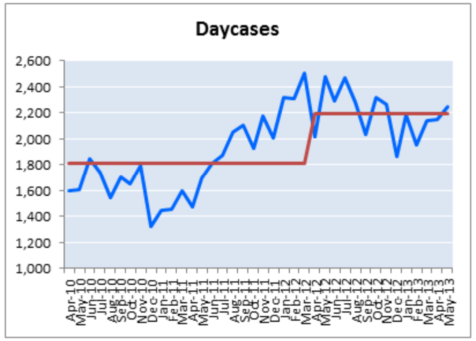
Activity trends for April 2010 to May 2013 – The trend line describes the average from April 2010 to March 2012 compared with the average of April 2012 to date

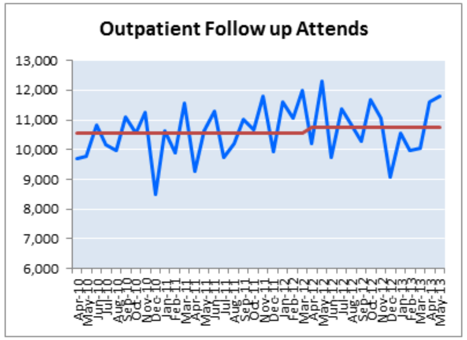


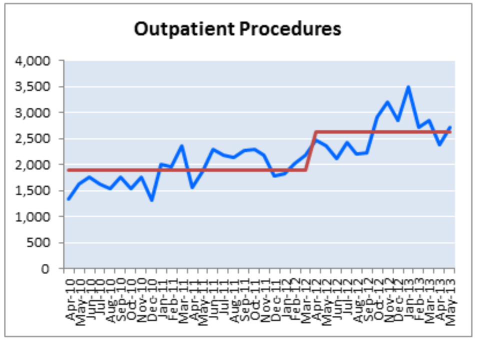


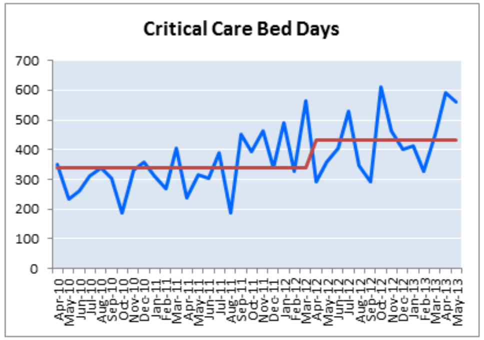












Risks and mitigation

Risks	(likelihood * impact)					
Income:						
Contract challenges		-	►	Difficult to specify amount at this stage. Contingency has been provided against the expectation of significant CCG financial challenge. Calculations of national fines for areas like ambulance handovers are currently being completed.	Work to Contract - Contract operation & challenge process managed tightly	Chief Finance Officer
Elective Income	3*3=9	(0.5)	▲	Risk to elective capacity and income from non elective work.	Robust plan required to manage elective activity and increase daycase work.	Chief Operating Officer
Non-recurrent funding	4*4=16	(5.5)	►	The non-recurrent support in the business plan has not yet been confirmed.	On-going discussions with NHS England and TDA.	CEO
Net income risk		**(6.0)**				
Savings Plan						
Red risk rated items	3*4=12	(1.6)	►	The savings plan includes several schemes which are red rated	i) Delivery of savings managed through perf improvement process (ongoing) ii) Delivery of Divisional contingency savings	Divisional Chiefs
Contingency savings		1.6			iii) Operation of cost control measures in Divisions to manage spend (ongoing process)	Divisional Chiefs
Net savings plan risk		**0.0**				
Costs:						
Potential overspending from operational pressures	3*3=9	(1.5)	▲	Divisions will need to manage within their budgets whatever the operational pressure. This will require them building up their own reserves and making decisions about the balance of operational pressure against financial cost.	i) Divisions to implement action plans and contingencies to control/or recover overspending	Chief Operating Officer
Contingency held		1.0			ii) Operation of accountability framework & cost control measures	Chief Finance Officer
Net costs risk		**(0.5)**				
Surplus/(deficit) risk forecast		**(6.5)**				

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 £18.0m, 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 Capital Resource Limit (CRL) for 2013-14 has yet to be confirmed, but the figure £17.3m has been submitted to the TDA and is the budget agreed by the Board (funded by £8.5m of depreciation, £3.8m rolled forward from 2012-13 for the Theatres phase 1 project, further PDC funding of £4.5m (not yet confirmed as PDC) for Theatres phase 1 & 2 and the disposal income of £0.5m brought forward from the sale of Kibblewhite House).
- **Aged Receivables (Debtors)** – NHS PCT debt relates mainly to Non Contracted Activity (NCA) activity from the prior year. A large amount of the debt owed by Surrey PCT will be settled in June (bal of £50k to be resolved). NHS CCG debt relates to CCG underpayment of the Month 1 Contract payment (which is expected to be paid in June) plus current year NCA.
- Other debtors are in the main overseas patients; with an unusually high balance of £0.2m for one patient. The other debtors total includes debtors with repayment plans £62k. The Trust is actively seeking to reduce the overall debt and is currently reviewing options in respect of strategy to reduce risk of non-recovery.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	MAY	APR	MAR
			31-60 days	61-90 days	over 90 days	Over 30 days	Over 30 days	Over 30 days
SUMMARISED AGED DEBTORS	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
NHS PCTS	206	89	89	64	18	260	217	130
NHS CCGS	92	7	294	0	0	301	302	0
NHS TRUST	128	352	108	37	26	523	442	611
OTHER DEBTORS	107	141	72	147	999	1,360	1,444	1,358
Total Debts	533	589	563	248	1043	2,444	2,405	2,099

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

Key Financial Indicators: May-13

	Plan/ target	Actual cum May-13	Var (adv)/ fav	Actual cum Apr-13	Actual 12-13
BPPC: cum overall (value)	95%	90%	(5)%	93%	84%
BPPC: cum overall (volume)	95%	87%	(8)%	84%	85%

Statement of Financial Position at 31 May 2013

	31-May-13		30-Apr-13		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		106.7		106.7	-
Intangible Assets		2.1		2.1	-
Trade & Other Receivables		3.9		3.9	-
Assets Held for Sale		-		-	-
CURRENT ASSETS					
Inventories	3.3		3.2		0.1
Trade & Other Receivables	3.8		3.1		0.7
Prepayments and Accrued Income	13.7		10.9		2.8
Cash and Cash Equivalents	2.2		4.5		(2.3)
	23.0		21.7		1.3
CURRENT LIABILITIES					
Trade Payables	(13.5)		(13.1)		(0.4)
Other Payables	(0.8)		(0.8)		-
Accruals	(10.5)		(9.6)		(0.9)
Other Liabilities	(0.5)		(0.5)		-
Net Current Assets		(2.3)		(2.3)	-
Total Assets Less Current Liabilities		**110.4**		**110.4**	**-**
NON-CURRENT LIABILITIES					
Borrowings		(7.1)		(7.1)	-
Deferred income		(3.4)		(3.4)	-
Provisions		(2.7)		(2.7)	-
Total Net Assets Employed		**97.2**		**97.2**	**-**
TAX PAYERS EQUITY					
PDC		137.5		137.5	-
Revaluation Reserve		13.8		13.8	-
I&E Reserve		(54.1)		(54.1)	-
I&E Current		-		-	-
Total Taxpayers Equity		**97.2**		**97.2**	**-**

Overall:
The statement of financial position shows relatively little movement from the final 2012/13 position. PPE & intangible assets additions totalled £1.2m to M2 but this was set off by charge of depreciation. The increase in prepayments and accrued income relates to SLA's being invoiced in June following agreement with the CCG's.

The cash position remains comfortable following end of year carry forward of unspent capital; cash balance should increase as the accrued contract values are invoiced in June.

Outstanding long term loans
The Trust did not overpay against its loans (capital and working capital loans) in 2012/13 and made payments in line with the agreed repayment schedule. Currently the Trust intends to meet the required minimum loan repayments in 2013-14.

Cash flow 2013/14

	Apr 13	May 13	Jun 13	July 13	Aug 13	Sept 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CASH INFLOWS													
Sla 13-14	13.64	13.94	19.80	15.80	16.05	15.80	15.79	16.05	15.79	15.79	16.04	17.94	**192.42**
Nca	0.33	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**4.13**
Overperformance 12-13	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.17**
Non Recurrant Funding 13-14	0.00	0.00	0.00	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.62	**5.50**
Cash Inflow (NHS)	1.54	0.69	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.05	**12.64**
Cash Inflow (Non-NHS)	0.69	0.64	0.59	0.60	0.59	0.60	0.59	0.60	0.59	0.60	0.59	0.60	**7.28**
Exceptional PDC	0.00	0.00	0.00	0.00	0.00	1.00	2.00	0.00	1.00	1.00	1.00	1.50	**7.50**
Capital invetsment loan	0.00	0.00	0.00	0.00	0.00	0.90	0.00	0.00	0.00	0.00	0.00	0.00	**0.90**
TOTAL CASH INFLOWS	**16.20**	**15.57**	**21.95**	**18.40**	**18.64**	**20.30**	**20.38**	**18.65**	**19.38**	**19.39**	**19.63**	**22.06**	**230.54**
CASH OUTFLOWS													
Non Pay Cash Flow	-7.41	-5.45	-6.54	-5.78	-6.04	-6.04	-6.04	-6.04	-6.05	-6.05	-6.48	-6.48	**-74.38**
Pay Cash Flow	-6.83	-11.96	-11.68	-11.52	-11.52	-11.68	-11.52	-11.52	-11.69	-11.52	-11.52	-11.69	**-134.64**
Capital Cash Outflow	-2.03	-0.50	-1.50	-1.42	-1.50	-1.65	-2.75	-1.25	-1.25	-1.75	-1.75	-2.09	**-19.44**
PDC	0.00	0.00	0.00	0.00	0.00	-1.69	0.00	0.00	0.00	0.00	0.00	-1.69	**-3.38**
Loan Repayments (int + principal)	0.00	0.00	0.00	0.00	0.00	-0.34	0.00	0.00	0.00	0.00	0.00	-0.39	**-0.73**
TOTAL CASH OUTFLOWS	**-16.27**	**-17.91**	**-19.72**	**-18.72**	**-19.06**	**-21.40**	**-20.31**	**-18.81**	**-18.98**	**-19.32**	**-19.75**	**-22.33**	**-232.57**
NET CASH FLOW	-0.07	-2.34	2.23	-0.32	-0.42	-1.10	0.07	-0.16	0.40	0.07	-0.12	-0.27	-2.03
OPENING CASH BALANCE	4.63	4.56	2.22	4.45	4.13	3.71	2.61	2.68	2.52	2.92	2.99	2.87	4.63
CLOSING CASH BALANCE (Excl Over-Performance Balance)	**4.56**	**2.22**	**4.45**	**4.13**	**3.71**	**2.61**	**2.68**	**2.52**	**2.92**	**2.99**	**2.87**	**2.60**	**2.60**

Key points

The Contract with the CCG's has been agreed and signed and income has been profiled accordingly. June 2013 (M03) includes catch up invoicing following the agreement.

This cash flow assumes PDC is received for the Theatres project. The Trust is discussing with the TDA the type (PDC or Loan) of capital funding. £3m of PDC has currently been confirmed.

The cashflow here reflects the forecast and differs slightly from the phasing in the TDA plan as a result mainly from expectations around the non recurrent funding.