Management Board: 28 November 2012
Trust Board: 29 November 2012
Agenda item:

Surrey and Sussex Healthcare NHS Trust

Finance report M07 – October 2012

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 M07 – October 2012

Purpose of report and action required: information and assurance

Summary:

- **The Trust is slightly favourable to plan at M07, with overperformance on activity income continuing to offset the overspends associated with delivering that activity. The full year savings plan of £10.0m is expected to deliver, and the recovery measures in the Trust to control costs driven by activity (eg agency) are continuing to be successful.**
- **The Trust has forecast that if all activity is paid for correctly by CCGs, the Trust can reduce non recurring support this year by £2.0m (so reducing it to £13.9m) and deliver a breakeven. The year to date data here reflects this position.**
- **However there remains significant risk about Sussex CCGs funding activity overperformance, and Surrey CCGs are submitting a number of high value financial contract challenges. The outcome of negotiations will inform final decisions.**
- **Estimated risk is now £6m (£6.1m at month 6) – with a reduction in the overspending risk and a slight increase in the contract risk.**
- **The Trust is participating jointly in recovery plan actions with Crawley CCG but has not received any recovery plan detail yet from East Surrey CCG**
- **Cash relating to the overperformance on activity is still not being paid by the CCG's. Discussions are taking place with PCTs to address this (which are expected to provide cash cover) – cash will otherwise become short in December.**

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.

Finance report M07 – October 2012

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 interbal 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

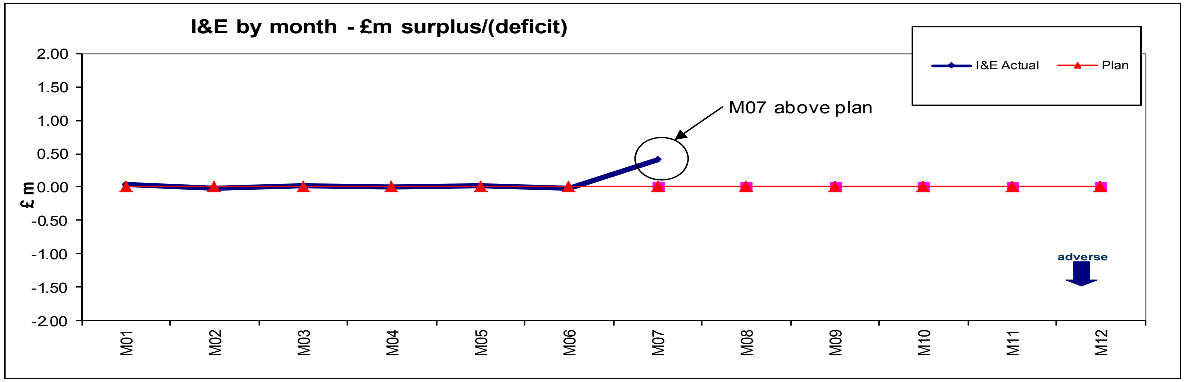
- Key financial indicators
- Comprehensive income (income & expenditure) Position
- Statement of financial position (balance sheet) & cashflow

Key financial indicators: M07 2012/13

Key financial indicators at Month 7	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)		(7.4)		red
5 Risk assessment fav/(adv)		(6.0)		red
6 Cash position		1.9		green
7 Liquidity ratio (days)		(16)		amber
8 Capital outturn	14.8	14.3	(0.6)	green
9 Return on assets	3.5%	3.5%	0.0%	green
10 BPPC: cum overall (volume)	95%	88%	(7)%	amber
BPPC: cum overall (value)	95%	87%	(8)%	amber
11 Performance rating in month	Performing			green

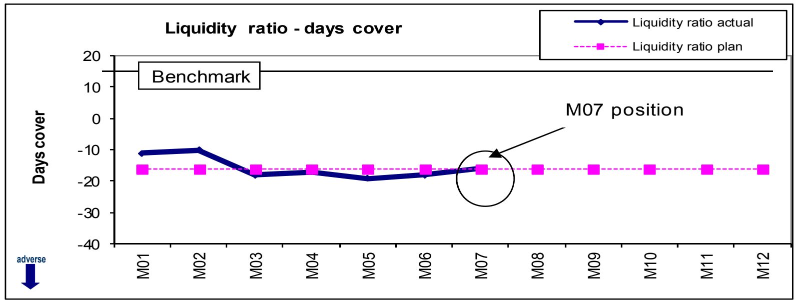
NB: The performance rating is a Trust estimate

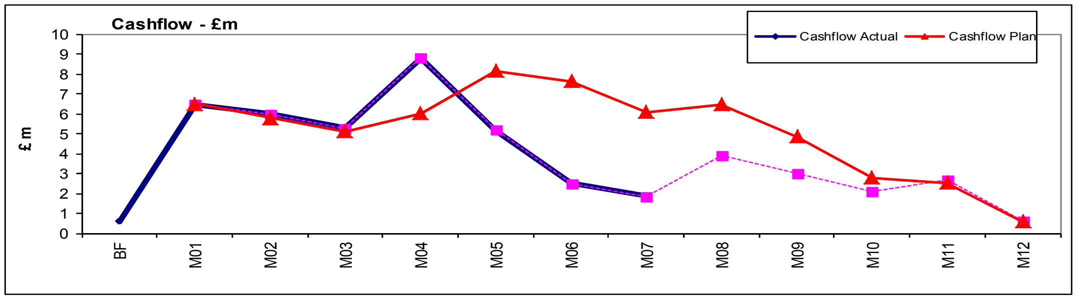
NB: The capital outturn reflects adjustments being agreed with the SHA.



The Trust is slightly above plan at M07, with a £0.2m gross surplus before the technical adjustment re donated income (which provides a £0.4m net surplus). The year end forecast remains breakeven, with overperformance on Contract income being offset by additional costs to deliver activity.

If all activity overperformance is paid for (still to be confirmed) the Trust is intending to repay £2.0m to CCGs at year end, reducing the £15.9m non recurring support by that amount. TheM07 revenue figures reflect this position. However there remains significant risk about Sussex CCGs funding activity overperformance, and Surrey CCGs are submitting a number of high value financial challenges. The outcome of negotiations will inform final decisions on any repayment of non recurrent support.





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 worsening of liquidity from May is due to changes to the accrual of capital expenditure, which removes the temporary benefit previously recorded.

The cash plan for the year describes the carry forward of the capital cash from 11/12 and the new SHA cash relating to further supported projects in 12/13. The lack of cash payment from CCGs while Contract disputes continue would cause a problem in December, but discussion with CCG CFOs/PCT FDs is expected to provide cash cover. The cash position overall assumes an equitable resolution of the overperformance payments.

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*	0.0%	*20%*	3	0.60	green
	YTD EBITDA Margin	4.7%	*5%*	2	0.10	amber
Forecast Outturn	*Forecast Operating Performance*	0.0%	*20%*	3	0.60	amber
	Forecast EBITDA Margin	5.4%	*5%*	3	0.15	green
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	3	0.45	green
Underlying Financial Position	*Underlying Position %*	-6.7%	*5%*	1	0.05	red
	EBITDA Margin %	-0.8%	*5%*	1	0.05	red
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	87.0%	*2.5%*	2	0.05	amber
	BPPC % by Volume	88.0%	*2.5%*	2	0.05	amber
	Current Ratio	0.7	*5%*	2	0.10	amber
	Receivable days	5	*5%*	3	0.15	green
	Payable days	46	*5%*	2	0.10	amber
Weighted score					**2.60**	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 M07 the unvalidated Trust score is "Performing", despite the underlying position. The improving BPPC performance, linked to the payables metrics, is also adding a small boost to the 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.
- 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	4.4	5.1	-2.0	-0.1
EBITDA, % achieved of plan	82.4	97.9	-35.9	-16.0
Net return after financing %	0.0	-0.2	-6.7	-12.7
I&E surplus margin %	0.0	0.0	-6.6	-6.5
Liquid ratio ***(with est 30 days WCF#)***	18	18	18	18
Summary Ratings				
EBITDA margin	2	3	1	1
EBITDA, % achieved of plan	3	4	1	1
Net return after financing %	3	3	1	1
I&E surplus margin %	3	2	1	1
Liquid ratio ***(with est 30 days WCF#)***	2	3	3	3
Initial Rating	3	3	2	2
Overriding Rules Rating	**3**	**3**	**1**	**1**

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

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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 October 2012

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	116.6	119.0	2.4	2.1%	
Contract Income - NHS	**116.6**	**119.0**	**2.4**	2.1%	
Impairment			-		
Other operating income	9.5	10.0	0.5	5.3%	
Non-rec income			-		
Other income			-		
Total Income	**126.1**	**129.0**	**2.9**	2.3%	
Expenses					
Pay (incl agency)	(85.2)	(84.7)	0.5	0.6%	
Non-Pay (excl Depreciation)	(34.9)	(38.2)	(3.3)	-9.4%	
	(120.1)	**(122.9)**	**(2.8)**	-2.3%	
EBITDA (pre-exceptionals)	**6.0**	**6.1**	**0.1**	1.9%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**6.0**	**6.1**	**0.1**	1.9%	4.7% *% of income*
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.2)	(0.2)	(0.0)		
Depreciation	(4.0)	(3.8)	0.2	-4.6%	
PDC	(1.8)	(1.7)	0.1	-5.5%	
	(6.0)	**(5.7)**	**0.3**	-4.6%	
Net Surplus/ (Deficit)	**(0.0)**	**0.4**	**0.4**		
Tech adj re donated deprec	-	(0.2)	(0.2)		
Adjusted Net Surplus/ (Deficit)	**(0.0)**	**0.2**	**0.2**	-5.5%	

Memoranda		
Net reported surplus	0.2	
Plan surplus YTD	(0.0)	
Variance (fav)/adv to target	**0.2**	
Net surplus	-	
Non recurrent items	(7.4)	Underlying position
Adjusted recurrent position	**(7.4)**	(6.7)%

Summary

The plan provides a breakeven in each month throughout the year by differentially phasing the £15.9m non recurring funding being recieved to support the Trust's recurrent deficit - at M07 £10m of non recurring funding was assumed in the plan. However, continued favourable income performance and the Trust's intention to return unneeded support, the assumed income support recorded at Month 7 is £8.8m (ie: if activity is paid for at its correct price £1.2m can be returned to CCGs and a total of £2.0m for the full year).

The Trust is above plan at M07, with activity continuing to drive both income and costs above plan, with one balancing the other. Income assumptions include contingency for CCG financial challenge and assumptions around CCG recovery plans. The contractual challenge is significant, mainly from Surrey CCGs and may impact the Trust's ability to repay support.

The year to date underlying position is a £7.4m deficit reflecting the non-recurrent support. The forecast is still breakeven, with Contract income offsetting additional costs to deliver the activity.

Note: the technical adjustment this month is £0.2m (favourable) from donated asset accounting. It is expected that by the year end this will have eroded to a negligible impact on I&E, however there may be a technical impairment from asset revaluation dependent on indices for building values.

With the continued risk to income and risk around the recurrent deficit, cost controls for Divisions remain in place. Agency spend is still reaping the benefit of the cost adjustment but usage is still high (agency costs are 16.3% higher than last year - against 55% at M02, but are 7% of the paybill). This contributes to slightly higher pay costs than last month. Non pay, which is "more" of a direct cost with the activity, is less easy to reduce and the overspends remain from outsourcing, drugs and clinical supplies (notably in theatres). Exception reports have been provided for two divisions, noting that the Medical division remains below the 1% tolerance level with another month within budget (a minor £7k in month adverse variance)

To note: The income and pay figures differ from the monthly Financial Information Management System return sent to the DoH due to the treatment of salary recharges out (£0.6m). Subject to discussion about consistency with accounts, the Board report will be amended for next month.

Comprehensive income (income & expenditure) recurrent position

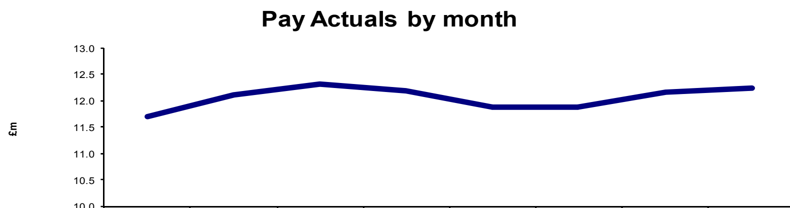
Surrey and Sussex NHS Healthcare NHS Trust

Recurrent I&E Calculation		YTD @ M07		FY Forecast	
		£m	£m	£m	£m
Net Surplus/(deficit)			0.4		**0.0**
Deduct N/R income	i) non rec income support	8.8		13.9	
	ii) Stranded Costs	-		0.9	
	iii) technical adjustment for donated assets	0.4			
	Total N/R income		(9.2)		(14.8)
Add N/R Spend	i) Turnaround/ restructuring costs	1.2		3.0	
	ii) Stranded Costs	-		0.8	
	iii) technical adjustment for donated assets	0.1			
	Total N/R spend		1.4		3.8
Deduct N/R savings	i)				
	ii)				
	iii)				
	iv)				
	Total N/R savings				-
Recurrent Surplus/(deficit)			(7.4)		(11.0)

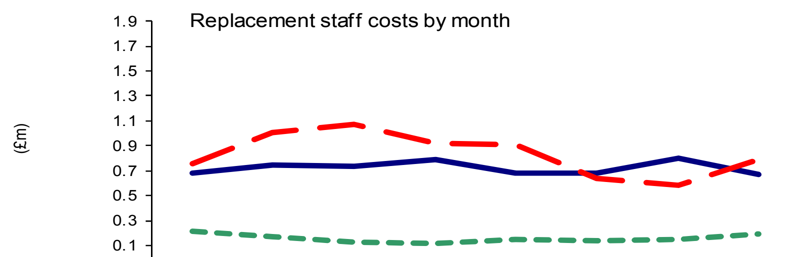
Recurrent position

- 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 7 the underlying deficit is £7.4m, reflecting the phasing of the non recurring income (and its reduction this month).
- The full year recurrent position is a £11.0m deficit (assuming a £2.0m repayment of the non recurring support income).

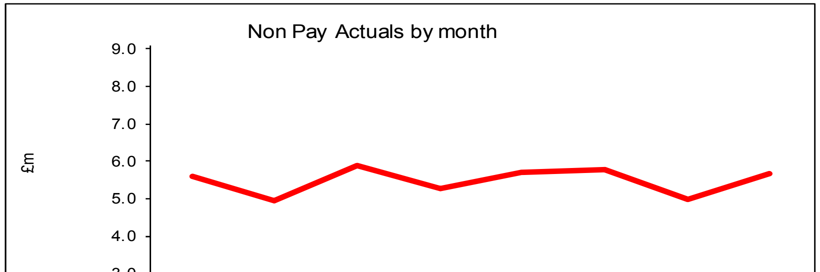
Financial performance – operating spend YTD



	11/12 Avge	M01	M02	M03	M04	M05	M06	M07
Pay	11.7	12.1	12.3	12.2	11.9	11.9	12.1	12.2



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



	11/12 Avge	M01	M02	M03	M04	M05	M06	M07
Non pay	5.6	4.9	5.9	5.3	5.7	5.8	5.0	5.7

Key points:

1) Total Pay costs in October increased with an net increase in agency costs in October (see below). Pay costs remain below budget for the year to date.

2) Agency costs remain higher than this time last year - but are still reducing from the start of the year (17.4% higher at M06, 16.3% at M07). Nursing agency costs increased with the erosion of the one off benefit of the price change and hours being similar to last month. There is a partial offset from reduced bank spend and medical agency decreased in the month.

3) Non pay costs: are now 10% above budget, driven by the activity increase (the overspend is mainly from drugs, clinical supplies and outsourcing). Budget may be adjusted depending on recovery plans around theatres/surgical spend. £0.2m was spent on the outsourcing of elective work to other providers in October (£2.1m YTD). The increased spend in month is due mainly to additional redundancy costs and miscellaneous fees.

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	85.2	84.7	0.5	0.6%
Drugs	6.9	7.6	(0.7)	-10.1%
Clinical supplies	10.8	12.1	(1.3)	-11.9%
General supplies	1.2	1.1	0.1	5.5%
Establishment	2.1	2.7	(0.6)	-28.6%
Premises & utilities	2.2	2.5	(0.3)	-13.3%
Healthcare recharges	6.5	6.9	(0.4)	-6.6%
Fees & consultancy	4.6	4.6	(0.0)	-0.5%
Misc	0.4	0.5	(0.1)	-27.6%
Recharges	0.3	0.2	0.1	
Total non pay spend	34.9	38.2	(3.3)	-9.4%
Total operating spend	**120.1**	**122.9**	**(2.8)**	-2.3%

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	12.0	11.5	0.5	4.3%
Other medical	11.6	11.8	(0.2)	-1.6%
Nursing & Midwifery	30.2	30.2	(0.0)	-0.1%
Healthcare assistants	8.8	9.3	(0.5)	-5.3%
AHPs	9.1	8.8	0.3	3.5%
Directors & NEDs	0.7	0.7	0.0	0.5%
Senior mgrs (8a+)	2.8	2.8	0.0	0.0%
Admin & clerical	9.3	9.2	0.1	1.2%
Estates & FM	0.6	0.5	0.1	17.3%
Total Pay spend	**85.2**	**84.7**	**0.5**	0.5%

Agency costs YTD to this month	2011/12 YTD Actuals (£m)	2012/13 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	5.1	5.9	**(0.8)**	16.3%

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 Surgical Division continues to overspend above tolerance and is therefore red rated in the performance management process. The overspend in CSS, initiated by a one-off item, has now increased to above tolerance and an exception report is now included. However, Medical's overspend, has reduced to just below the threshold.
- The technical adjustment of £0.2m relates to the accounting treatment of donated assets.
- Spend control is continuing to prove effective, however there remains a level of risk from income payment and risk to the savings plan, which is adversely affected by the increased activity.
- The outsourcing of surgical work to private providers to meet the 18 week target continued in M07 and now totals £2.1m. Theatres and Outsourcing budgets may be increased after a review of activity delivery and detailed forecasts.

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)	180,057	106,604	110,131	3,527	3.3%
High Cost Drugs	(7,015)	(4,182)	(4,516)	(334)	8.0%
Excluded devices	(697)	(412)	(475)	(63)	15.4%
Bad debt provision	(81)	(47)	(47)	0	0.0%
Donated Assets	235	137	351	214	155.8%
Non-rec income	15,900	9,997	8,830	(1,167)	(11.7)%
Other Income	8,149	4,835	5,082	246	5.1%
Total income	**196,548**	**116,933**	**119,355**	**2,422**	2.1%
Divisions (inc Divisional income)					
Surgical	56,613	33,075	33,713	(638)	(1.9)%
18 Weeks outsourcing	1,936	1,456	2,124	(668)	(45.9)%
Medical	43,227	25,482	25,730	(248)	(1.0)%
WaCH	20,259	11,762	11,621	140	1.2%
CSS	26,795	15,806	15,964	(159)	(1.0)%
E&F	12,912	7,536	7,499	37	0.5%
HR	2,687	1,612	1,579	33	2.1%
CEO	1,488	918	916	3	0.3%
Restructuring and PMO	3,000	1,239	1,239	0	0.0%
Finance	3,092	1,837	1,834	3	0.2%
Nursing	3,325	1,953	1,922	31	1.6%
IMT	2,320	1,361	1,352	9	0.6%
Clinical Services (Escalation)	2,051	1,295	1,751	(456)	(35.2)%
Overheads	9,579	5,598	5,998	(400)	(7.1)%
Other Central	(100)	(58)	51	(110)	188.3%
CQUINS costs	500	20	20	0	0.0%
Unallocated reserves	(3,829)	38	(1)	39	103.2%
Total Divisional I&E	**185,854**	**110,928**	**113,312**	**(2,385)**	(2.1)%
Post EBITDA					
Interest Payable	288	172	171	0	0.2%
Interest Receivable	(18)	(11)	(16)	5	(49.9)%
Depreciation	7,052	3,877	3,566	311	8.0%
Depreciation - donated	235	137	127	10	7.5%
PDC	3,100	1,808	1,738	71	3.9%
unwinding of discounts	37	22	13	8	
Total post EBITDA	**10,694**	**6,005**	**5,599**	**406**	6.8%
Net Surplus / (Deficit)	**0**	**(0)**	**444**	**444**	
# Technical Adjustment (don assets)	0	0	224	(224)	
Adjusted Net Surplus / (Deficit)	**0**	**(0)**	**220**	**220**	

Exception report: Surgery

Surgery Division: £1,306k (3.6%) adverse to budget

- The financial position for Surgery (including outsourcing) is £1,306k adverse year to date and £318k adverse in month.

Summary of Variance:

- A large part of the overspend is due to activity directly, but the Division is also performing the worst of the 4 clinical divisions on savings delivery.
- Outsourcing is £668k adverse to budget YTD as a result of on-going requirements to deliver levels of activity beyond internal capacity / activity plans in order to meet the 18 week performance improvement plans agreed with CCGs for speciality level compliance. The in month variance is £191k
- Theatres has a £130k adverse variance in month and £697k year to date. Non-pay continues to be a pressure for Theatres as additional sessions are used increasing the utilisation of the department. Pay is overspent for October due to the non delivered original savings plan to reduce Theatre lists. The number of theatre lists being used is increasing to manage the activity and reduce the reliance on outsourcing.
- Private patient and Amenity bed savings plan has been delayed from the planned start period of October 2012 to January 2013.

Actions:

- Note: recognising activity pressures, permission to overspend will be discussed at the Management board.
- Revised financial forecast has been submitted for theatres and surgery, based upon activity plan to deliver 18 weeks plan to the SHA and with additional efficiency savings. This will be discussed at the Management Board with a potential "permission to overspend" being confirmed.
- LLP given notice that outsourcing to them will end by 31 December 2012.
- Orthopaedic and ENT outsourcing has ended.
- Limited outsourcing to Ramsey (North Downs) still required to deliver 18 weeks plan for General Surgery.
- HR setting corporate rates for extra duties to deliver ad hoc 18 weeks sessions in-house.
- Revised amenity bed plan to start in January, with a target for ~£150k income for the remainder of the year.
- Private patient income being targeted
- Surgical Division savings plan being reviewed to manage outstanding actions/slippage.

Exception report: CSS

Clinical Services Division: £159k (1.0%) adverse to budgetYTD

- The financial position for the CSS division at M07 is £159k overspent YTD against budget and an adverse movement of £39k in month.

Summary of Variance:

- There are pressures in radiology from spend to deal with recent clinical recovery action (screening catch-up, which is now resolved), costs from health records work in out patients all offset by the CSS management saving (absence of senior managers).
- The overspend was triggered fundamentally by a one-off cost in pathology that was not forecast (but should have been). The overspend has remained within tolerance for the past few months and has got worse with the pressures above. This is not a trending overspend.
- CSS YTD net adverse positions are
  - Pathology - £91k over
  - Radiology - £47k over
  - Out patients - £63k over
- CSS is delivering a larger value of savings than other clinical divisions and although is currently 10% adverse on delivery, this performance should be noted

Action Plan

- Likely request for permission to overspend, noting issues with radiology and healthcare records. Action is being taken in pathology and radiology locally but is unlikely to cover costs.

Financial performance: Savings

Savings - Month 7	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	202	157	(44)	(22%)
Back Office redesign	1,113	515	772	257	50%
Clinical Service Redesign	757	357	357	0	0%
Estate Rationalisation	290	199	75	(124)	(62%)
Job Planning and Medical Productivity	930	292	94	(198)	(68%)
Medicines Management	595	307	285	(22)	(7%)
Nursing Skillmix	244	76	22	(54)	(71%)
Pathology	309	128	128	(0)	(0%)
Procurement / Non Pay	1,275	552	547	(6)	(1%)
Other	3,463	1,528	2,053	525	34%
Theatre Utilisation	305	81	0	(81)	(100%)
UNALLOCATED	179	0	0	0	0%
TOTALS	**10,049**	**4,237**	**4,490**	**253**	6%
By Directorate					
Surgery	1,338	437	178	(259)	(59%)
Medicine	753	364	344	(21)	(6%)
WaCH	358	148	148	0	0%
CSS	1,162	493	446	(48)	(10%)
E&F	521	261	260	(1)	(0%)
Corporate	5,210	2,389	2,972	583	24%
Sub total	**9,343**	**4,094**	**4,348**	**255**	6%
Procurement savings centrally held	527	143	142	(2)	(1%)
Unallocated/Trust wide savings	179	0	0	0	0%
TOTALS	**10,049**	**4,237**	**4,490**	**253**	6%

Key points

The Trust has a savings target of £10.0m for the year, which is heavily profiled from the third quarter ("back-ended").

At M07 the Trust has delivered £4.5m of savings, a favourable variance to the year to date plan of £0.3m and a straight extrapolation projects delivery of 76% of the savings plan at this point.

The over performance reflects the delivery of central schemes ahead of the initial plan submitted to the SHA at the beginning of the year and mitigation of unachieving schemes by central underspends at month 7.
The total risk associated with the savings plan is estimated, at £0.6m (6%), as per last month.

The main areas of under delivery are within the Surgical division and relate to savings plans around theatre efficiency (where the impact of the activity within the Trust making this target hard to achieve in pure cost terms).

The "unallocated" has reduced from last month due to additional savings found within WACH, and the remainder will be allocated out in M08 to the clinical 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 fav/(adv)	YTD Var PRICE fav/(adv)	YTD Var OTHER fav/(adv)
Contract Income							
Elective Daycases	13.1	12.8	(0.2)	(2%)	(0.2)	(0.1)	
Elective Inpatients	8.1	9.7	1.6	20%	1.1	0.5	
Elective (Other)	0.2	0.1	(0.1)	(35%)	(0.1)	(0.0)	
Non Electives Inpatients	40.2	42.5	2.3	6%	3.4	(1.0)	
Non Elective (Other)	0.5	1.2	0.6	116%	0.6	0.0	0.0
Outpatients	20.9	19.8	(1.0)	(5%)	(1.3)	0.2	
A&E	5.2	5.5	0.3	5%	0.1	0.2	
PbR: Other Items		0.6	0.6		0.6		
Sub Total: PbR Categories	**88.2**	**92.3**	**4.1**	5%			
Local Category Income	20.3	19.8	(0.4)	(2%)	(0.2)	(0.1)	(0.1)
Non-Recurrent Income	10.0	10.0					
Sub Total: Local Categories	**30.3**	**29.8**	**(0.4)**	(1%)	**(0.2)**	**(0.1)**	**(0.1)**
Contract Provision	(4.3)	(4.7)	(0.4)				
CQUIN	2.5	1.6	(0.9)				
Sub total: Contract Adjustments	**(1.8)**	**(3.1)**	**(1.3)**				
Total Contract Income	**116.6**	**119.0**	**2.4**	2%			
Non clin NHS SLA	1.1	1.3	0.2	18%			
Education & training	3.7	3.7	(0.0)	(1%)			
Cat C - Other	4.6	5.0	0.4	8%			
Total Other income	**9.5**	**10.0**	**0.5**	6%			
Total Income	**126.1**	**129.0**	**2.8**	2%			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	17,171	15,842	(1,329)	(8%)
Elective Inpatients	3,062	3,135	73	2%
Elective (Other)	818	537	(281)	(34%)
Non Electives Inpatients	22,769	24,409	1,640	7%
Non Elective (Other)	10,532	12,994	2,462	23%
Outpatients	155,255	145,500	(9,755)	(6%)
A&E	46,970	47,422	452	1%
PbR: Other Items		10,569	10,569	
Local Category Activity	502,073	481,594	(20,479)	(4%)

Contract Income

At Month 7, there is a 2% favourable financial variance against budget, which has remained constant since M04. Key points are as follows:

1) Elective activity overall continues to generate a favourable variance against the financial plan, with activity above the inpatient plan, but below the day case plan.

2) Non Elective activity continues to overperform with the non delivery of health system reductions. It provides a £2.9m "favourable" variance against plan (this is an increasing trend now). This variance is reported after the application of the 30% marginal tariff on activity above 2008/09 baseline, so "favourable" remains in speech marks.

3) Noting how the Trust structured its plan and the values involved, A&E attendances are now showing a 5% financial "favourable" variance, which is mainly casemix driven.

4) The local category items continue to perform adversely to plan, although the percentage variance from plan has improved (4% at M06 to 2% at M07). Neonatal bed days and community midwifery attendances remain the main drivers of the under performance, although it should be noted that both of these areas are showing a smaller adverse performance this month. It is now clear that community midwifery has been impacted by the change to more telephone consultation and this is the subject of discussion with the division.

The contingency reflects level of risk, particularly from East Surrey CCG. Two meetings of Accountable Officers have now taken place over disputes with a third and final meeting expected early in December.

The Trust has agreed a recovery plan with Crawley CCG to recover the admission avoidance schemes, and action to increase assessment unit beds in the community has started, but activity in this report shows no real change to date. South of England SHA is now involved in escalated action with both the Sussex and Surrey health systems. There is no firm agreement from Crawley CCG about payment for overperformance against the Contract value. All of this is subject to discussion, which is likely to come to a resolution in December.

Other income

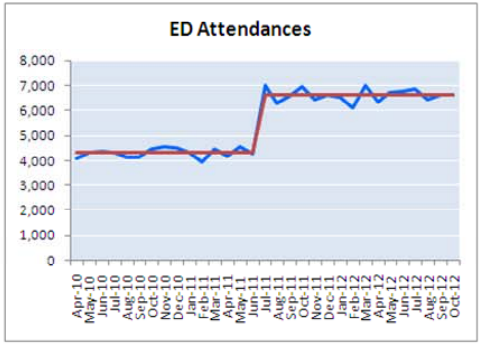
The £0.5m favourable variance is due to higher levels of injury cost recovery income ("RTA"), medical training income & donated assets than expected.

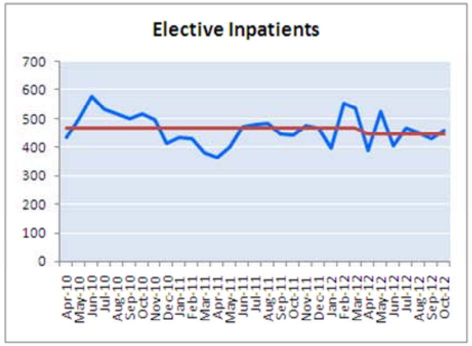
Activity Trends (all commissioners) from April 2010

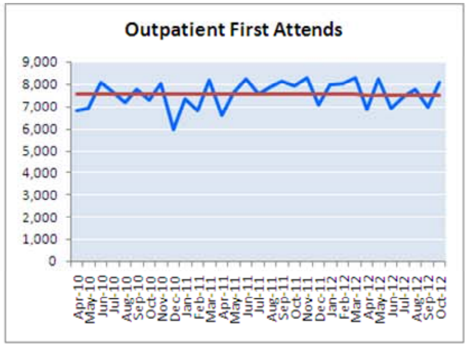
Key points:

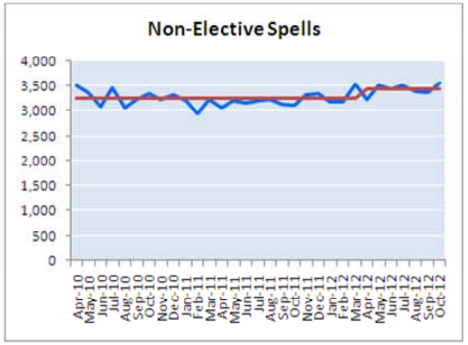
- Non elective activity levels remain higher than plan, and show no sign of a reduction which is expected by our commissioners. The Trust continues to work with commissioners as part of the health system recovery plan. There should be a reduction.
- Although A&E attendances are expected to reduce in the same fashion as non electives, at M07, activity remains flat.
- Outpatient procedures have shown a significant increase in M07 and are at the highest point so far since April 2010.
- Daycases have picked up in M07 after a slight reduction in M06.

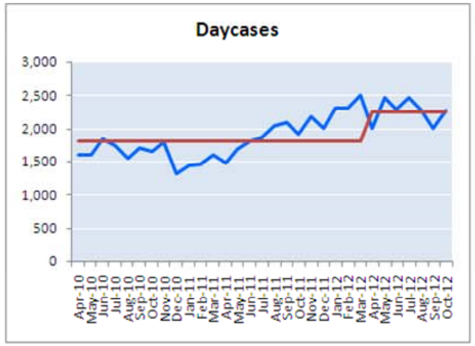
- **Activity trends for April 2010 to October 2012 – The trend line describes the average from April 2010 to March 2012 compared with the current contract year**
- **None of these charts describe a continuous downward trend in activity, and most describe an increase in activity when comparing the two periods**

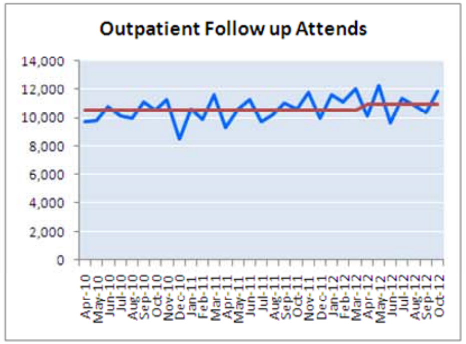


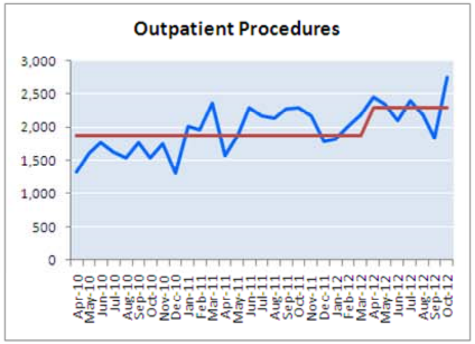


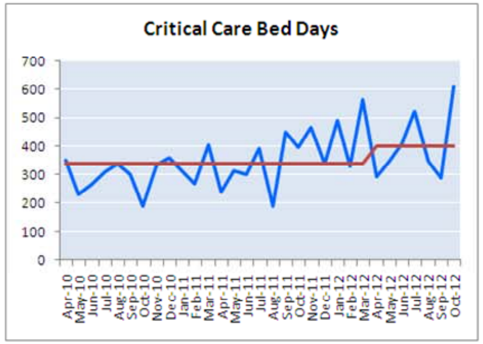












Risks and mitigation

	Risk reg no.	Risk rating	Annual (risk)/ benefit (£m)	RAG	Notes	Action points	Who
Income:							
Contract overperformance/ Challenges		3*4=12	(5.9)	▲	This is the extrapolated overperformance against the Sussex contract after the assumed impact of the recovery plan and the significant contract challenges from NHS Surrey	Continue to work with the Sussex CCG's to resolve the overperformance and NHS Surrey over the appropriateness of their challenges	Chief Financial Officer
Net income risk			**(5.9)**				
Savings Plan							
Red risk rated items	1231	3*3=9	(0.9)	▶	Trust recovery plan actions have reduced the savings risk. The red rated savings remain as reported at month 6.	i) Delivery of savings managed through perf improvement process (ongoing) ii) All Divisions looking for further savings to mitigate risk (ongoing)	Divisional Chiefs
Contingency savings			0.3			iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
Net savings plan risk			**(0.6)**				
Costs:							
Potential overspending from operational pressures above forecast	1232	3*3=9	(0.5)	▼	Divisional overspends and escalation pressures resulting from increased activity - this applies in particular to theatres and surgical outsourcing. This has reduced from month 6 reflecting the tight control in the divisions eg medicine on budget again in month	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) Operation of accountability framework & cost control measures	Chief Financial Officer
Net costs risk			**0.5**				
Surplus/(deficit) risk forecast			**(6.0)**				

Other finance risks (as stated in risk register)

- **Liquidity problem: Rating** (likelihood * impact): **25** (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 has a Capital Resource Limit of £14.8m which will be revised to £14.3m to be funded by £7.0m depreciation, £0.45m of Kibblewhite disposal income, £1.3m of undershoot from 2011-12 capital plan and £5.6m SHA funding (approved in June) for theatres refurbishment, site modernisation and LINACs project.
- **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 from Sept. Debt arising from treating overseas patients accounts for 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. .

SUMMARISED AGED DEBTORS	Within term	1-30 days	1 month over due	2 month over due	3 month over due	OCT	SEP	AUG
			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	398	182	20	1	48	251	425	771
NHS TRUST	85	527	73	56	13	669	548	512
OTHER DEBTORS	116	98	59	72	681	910	852	881
Total Debts	599	807	152	129	742	1,830	1,825	2,164

- **Payables (Creditors) -** The high BPPC score is due to approval and payments of current creditors. However, there is still a backlog of creditors which need to be approved and paid and this will have an adverse impact on the cumulative BPPC position. This issue is being addressed directly with budget managers.

Key Financial Indicators: Oct 12

	Plan/ target	Actual cum Oct-12	Var (adv)/ fav	Actual cum Sep-12	Actual 11-12
BPPC: cum overall (value)	95%	87%	(8)%	87%	72%
BPPC: cum overall (volume)	95%	88%	(7)%	88%	66%

Statement of Financial Position at 31 Oct 2012

	31-Oct-12		30-Sep-12		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		107.0		107.4	(0.4)
Intangible Assets		1.9		1.9	-
Trade & Other Receivables		4.4		4.4	-
Assets Held for Sale		0.5		0.5	-
CURRENT ASSETS					
Inventories	3.3		3.3		-
Trade & Other Receivables	3.0		2.7		0.3
Prepayments and Accrued Income	14.0		10.8		3.2
Cash and Cash Equivalents	1.9		2.5		(0.6)
	22.2		19.3		2.9
CURRENT LIABILITIES					
Trade Payables	(14.0)		(13.5)		(0.5)
Other Payables	(2.9)		(2.8)		(0.1)
Accruals	(11.6)		(10.5)		(1.1)
Other Liabilities	(0.4)		(0.4)		-
Net Current Assets		(6.7)		(7.9)	1.2
Total Assets Less Current Liabilities		**107.1**		**106.3**	**0.8**
NON-CURRENT LIABILITIES					
Borrowings		(7.9)		(7.9)	-
Deferred income		(3.4)		(3.4)	-
Provisions		(1.2)		(1.2)	-
Total Net Assets Employed		**94.6**		**93.8**	**0.8**
TAX PAYERS EQUITY					
PDC		134.9		134.5	0.4
Revaluation Reserve		14.3		14.3	-
I&E Reserve		(55.0)		(55.0)	-
I&E Current		0.4		-	0.4
Total Taxpayers Equity		**94.6**		**93.8**	**0.8**

Assets Held For Sale – This is a nursing home (Kibblewhite House). Negotiations are being finalised with a potential buyer with completion anticipated in December.

Working Capital – the fall in cash is partially offset by payment of PDC and loan liabilities.

Liquidity – (An indicator of the working capital position). The liquidity ratio is minus 16 days (significantly below the 15 day cover target).

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.

Donated Asset Reserve This has now been subsumed with the I&E reserve resulting from the DH alignment exercise in 2011-12. Asset donations are now treated as income within the income account.

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	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CASH INFLOWS													
Cash Inflow (NHS)	18.76	18.15	16.39	21.23	16.35	17.00	16.68	16.41	17.09	20.70	16.41	21.37	**216.54**
Cash Inflow (Non-NHS)	0.63	0.58	0.65	0.92	0.63	0.57	0.62	0.58	0.58	0.58	0.58	0.63	**7.55**
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**
External Capital Funding (SHA)	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.00	0.00	1.94	1.94	1.35	**5.59**
TOTAL CASH INFLOWS	**19.39**	**18.73**	**17.04**	**22.15**	**16.98**	**17.57**	**17.66**	**16.99**	**18.12**	**23.22**	**18.93**	**23.35**	**230.13**
CASH OUTFLOWS													
Non Pay Cash Flow	-6.04	-7.37	-6.01	-6.34	-7.54	-6.31	-5.84	-3.98	-5.38	-9.08	-4.75	-9.13	**-77.77**
Pay Cash Flow	-10.09	-11.36	-11.15	-11.19	-11.44	-11.33	-11.50	-11.21	-11.21	-11.27	-11.21	-11.21	**-134.17**
Capital Cash Outflow	-0.97	-0.47	-0.61	-1.11	-1.60	-0.73	-0.90	-1.88	-1.44	-3.02	-2.72	-2.13	**-17.59**
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**	**-17.07**	**-18.03**	**-23.37**	**-18.68**	**-24.70**	**-233.72**
NET CASH FLOW	2.29	-0.48	-0.73	3.51	-3.60	-2.76	-0.58	-0.08	0.09	-0.15	0.25	-1.35	-3.59
OPENING CASH BALANCE	4.19	6.48	6.00	5.27	8.78	5.18	2.42	1.84	1.76	1.85	1.70	1.95	4.19
CLOSING CASH BALANCE	**6.48**	**6.00**	**5.27**	**8.78**	**5.18**	**2.42**	**1.84**	**1.76**	**1.85**	**1.70**	**1.95**	**0.60**	**0.60**

Key points

The cash position is currently OK, and will remain so as long as net income and expenditure remains on plan.

Cash payments for contract over performance are assumed within this plan. Discussions continue with the PCT's to secure this cash.

Capital - External Capital funding in relation to the LINACs project is now payable directly to Royal Surrey and this has been adjusted on the cash flow.

The allowable end of year capital cash balance is currently being discussed with the DH in relation to un-invoiced works.

[END]