

Management Board: 30 January 2013  
Trust Board: 31 January 2013  
Agenda item: 4

Surrey and Sussex   
Healthcare NHS Trust

# Finance report M09 – December 2012

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An Associated University Hospital of  
Brighton and Sussex Medical School

*Putting people first*  
*Delivering excellent, accessible healthcare* 

## Finance report M09 – December 2012

### Purpose of report and action required: information and assurance

#### Summary:

- The Trust remains favourable to plan at M09, with income from activity supporting the budget overspends to deliver that activity. The full year savings plan of £10.0m is still on forecast to deliver, with mitigation of unachievable schemes from central budgets.
- The Trust now has Memoranda of Understanding signed with both NHS Surrey and NHS Sussex - this has removed the contract risks previously reported around payment for over-performance and challenges. The Trust has agreed to cover internal risk and will “pay back” part of the non recurrent support which is now covered by recurrent income. The non-recurrent income in 12/13 is therefore £13.9m.
- The total estimated risk is £0.2m from internal overspending, a reduction of £0.8m from last month. The reduction is due to the income agreements and the forecast outturn spend.
- Cash relating to the overperformance on activity has started to be paid by the CCGs and this has improved the cash forecast. The current year end cash position assumes payment of backlog creditors and includes some capital cash carry forward. Further modelling on options for carry forward are in hand.

#### 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 M09 – December 2012

### Corporate impact assessment:

<b>Legal:</b>	<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 &amp; source of income but no other material disclosures are appropriate.</p>
<b>Regulation:</b>	<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 interbal audit through the AAC.</p>
<b>Patient experience/ engagement:</b>	<p>No adverse impact reported or expected. Financial decisions continue to balance operational &amp; 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>
<b>Risk &amp; performance management</b>	<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>
<b>NHS constitution; equality &amp; diversity; communication.</b>	<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: M09 2012/13

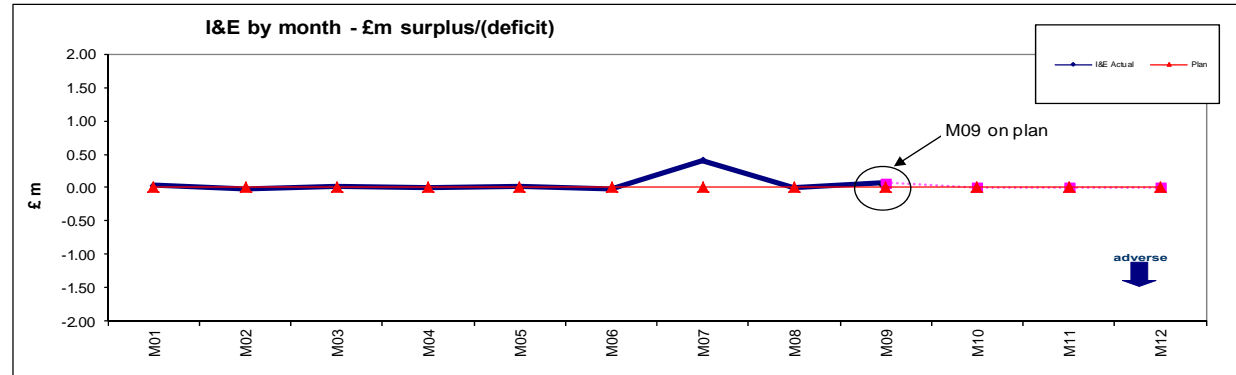
## Key financial indicators at Month 9

	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)		0.4		green
4 YTD recurrent surplus/(deficit)		(8.0)		red
5 Risk assessment fav/(adv)		(0.2)		amber
6 Cash position		6.8		green
7 Liquidity ratio (days)		(17)		amber
8 Capital outturn	14.8	10.1	(4.7)	green
9 Return on assets	3.5%	3.5%	0.0%	green
10 BPPC: cum overall (volume)	95%	84%	(11)%	amber
BPPC: cum overall (value)	95%	84%	(11)%	amber
11 Performance rating in month	Performing			green

\* before the technical adjustment relating to donated income

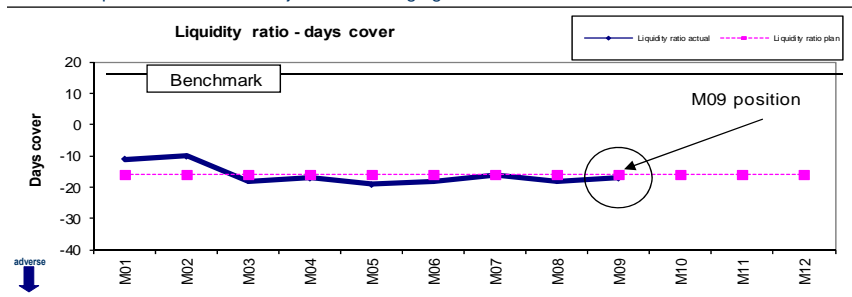
NB: The performance rating is a Trust estimate

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

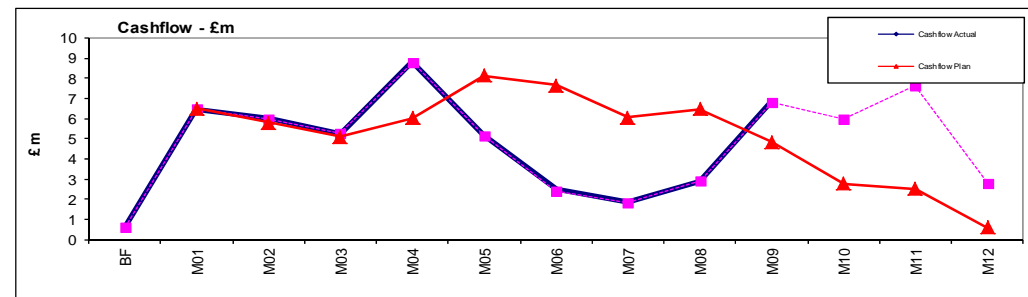


The Trust is above plan at M09, with a £0.3m surplus (before the technical adjustment relating to donated income). The year end forecast is a small surplus, with overperformance on contract income being offset by additional costs to deliver activity.

The Trust has a Memoranda of Understanding (MoU) with both NHS Surrey and NHS Sussex regarding contract income, which includes payment for additional activity and agreement of the £2m repayment to CCGs. Therefore the non recurring support being received in 12/13 is now £13.9m, and the contract income risk in 2012/13 has been mitigated. The risks that remain are more manageable and flow from additional costs around capacity since December.



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 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 year end position assumes capital cash carry over of £2.2m which includes £450k of Kibblewhite disposal income. The current forecast cash position assumes payment of backlog creditors now that agreement has been reached on the contract overperformance income, however further modelling on year end cash options and carry forward is in hand.

# NHS Performance Framework: finance rating

Performance Framework metrics		Recorded perf	Weighting	Score	Weighted score	Traffic light
<b>Initial Planning</b>	Planned Outturn as propn of Turnover	0.0%	5%	3	0.15	green
<b>Year to Date</b>	YTD Operating Performance	0.2%	20%	3	0.60	green
	YTD EBITDA Margin	4.7%	5%	2	0.10	amber
<b>Forecast Outturn</b>	Forecast Operating Performance	0.0%	20%	3	0.60	green
	Forecast EBITDA Margin	5.4%	5%	3	0.15	green
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	15%	3	0.45	green
<b>Underlying Financial Position</b>	Underlying Position %	-6.7%	5%	1	0.05	red
	EBITDA Margin %	-0.8%	5%	1	0.05	red
<b>Financial Processes &amp; Balance Sheet Efficiency</b>	BPPC % by Value	84.0%	2.5%	2	0.05	amber
	BPPC % by Volume	84.0%	2.5%	2	0.05	amber
	Current Ratio	0.8	5%	2	0.10	amber
	Receivable days	27	5%	3	0.15	green
	Payable days	25	5%	2	0.10	amber
<b>Weighted score</b>					<b>2.60</b>	amber
<b>Overriding Rules</b>	Forecast year end deficit		NO			
	Planned year end deficit		NO			
	adverse ytd deficit to plan		NO			
	failure to make loan repayment		NO			
<b>Financial performance score</b>				<b>Performing</b>	<b>3</b>	green

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

## Performance framework metrics (left)

- At M09 the unvalidated Trust score is “Performing”, despite the underlying position.

## SHA version of Monitor metrics

YTD £'000s	FOT £'000s	YTD £'000s	FOT £'000s
<b>I&amp;E Statement</b>		<b>Normalised data</b>	

### Summary Scores

EBITDA margin	4.4	4.3	-0.6	-0.6
EBITDA, % achieved of plan	86.7	85.5	-321.7	127.4
Net return after financing %	0.1	-0.3	-8.0	-10.9
I&E surplus margin %	0.3	0.1	-5.1	-5.1
Liquid ratio ( <i>with est 30 days WCF#</i> )	18	18	18	18

### Summary Ratings

EBITDA margin	2	2	1	1
EBITDA, % achieved of plan	4	4	1	5
Net return after financing %	3	3	1	1
I&E surplus margin %	2	3	1	1
Liquid ratio ( <i>with est 30 days WCF#</i> )	3	3	3	3

Initial Rating

### Overriding Rules Rating

3	3	2	2
<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>

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

## “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.

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# Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 December 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	152.5	156.4	3.9	2.6%	
<b>Contract Income - NHS</b>	<b>152.5</b>	<b>156.4</b>	<b>3.9</b>	2.6%	
Impairment			-		
Other operating income	13.0	13.4	0.4	3.0%	
<b>Total Income</b>	<b>165.5</b>	<b>169.8</b>	<b>4.3</b>	2.6%	
<b>Expenses</b>					
Pay (incl agency)	(110.7)	(110.5)	0.2	0.2%	
Non-Pay (excl Depreciation)	(47.0)	(51.2)	(4.2)	-8.9%	
	<b>(157.7)</b>	<b>(161.8)</b>	<b>(4.0)</b>	-2.5%	
<b>EBITDA (pre-exceptionals)</b>	<b>7.8</b>	<b>8.0</b>	<b>0.2</b>	2.8%	
Contingency removed			-		
<b>EBITDA (post-exceptionals)</b>	<b>7.8</b>	<b>8.0</b>	<b>0.2</b>	2.8%	EBITDA margin 4.7% % of income
Interest Receivable	0.0	0.0	0.0		
Interest Payable	(0.2)	(0.2)	0.0		
Depreciation	(5.3)	(5.0)	0.3	6.3%	
PDC	(2.3)	(2.3)	-		
	<b>(7.8)</b>	<b>(7.5)</b>	<b>0.3</b>	-3.9%	
<b>Net Surplus/ (Deficit)</b>	<b>(0.0)</b>	<b>0.5</b>	<b>0.5</b>		
Tech adj re donated deprec	-	(0.2)	(0.2)		
<b>Adjusted Net Surplus/ (Deficit)</b>	<b>(0.0)</b>	<b>0.3</b>	<b>0.3</b>	-5.5%	
<b>Memoranda</b>					
Net reported surplus		0.3			
Plan surplus YTD		(0.0)			
<b>Variance (fav)/adv to target</b>		<b>0.3</b>			
Net surplus		-			
Non recurrent items		(8.0)			Underlying position
<b>Adjusted recurrent position</b>		<b>(8.0)</b>			(6.7%)

## Summary

The Trust is above plan at M09, with activity continuing to drive both income and costs above plan, and one balancing the other. The contractual challenges from CCG's have now been resolved with a contract settlement in a Memoranda of Understanding agreed with both NHS Sussex and NHS Surrey. The month 9 income figure therefore assumes YTD pro-rated non-recurrent support from the CCGs of £10.4m (£13.9m full year).

The year to date underlying position is an £8.0m deficit reflecting the non-recurrent support. The forecast is a small surplus, with the income settlement offsetting additional costs to deliver the activity.

Note: the technical adjustment this month is again £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, which is currently estimated at £0.8m.

Although the Trust has agreed an income position with the CCG's, there remain risks to the year end breakeven forecast, with some potential increase in costs from activity pressures and outsourcing demands flowing from capacity restriction during the last 2 months.

Agency costs increased in December and are now 18% higher than last year (from 16% last month) and non pay overspends remain from areas such as outsourcing, drugs and clinical supplies. Non pay cost has increased in month 9 from the expectation of additional outsourcing requirements and redundancy costs (these increased costs are assumed in the contract settlement figure).

Exception reports have not been provided this month as the overspending divisions (Surgical, Medical and CSS) have all been given "permission to overspend" control totals by the Management Board and are within these agreed limits. These control totals are being monitored closely.

*To note: The income and pay figures have now been adjusted to reflect the Financial Information Management System return sent to the DoH relating to the treatment of salary recharges.*



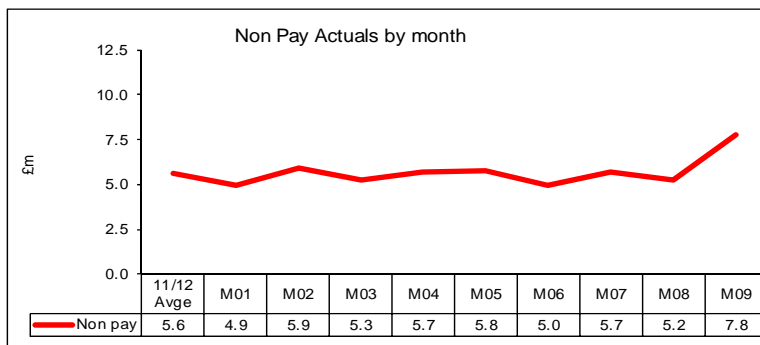
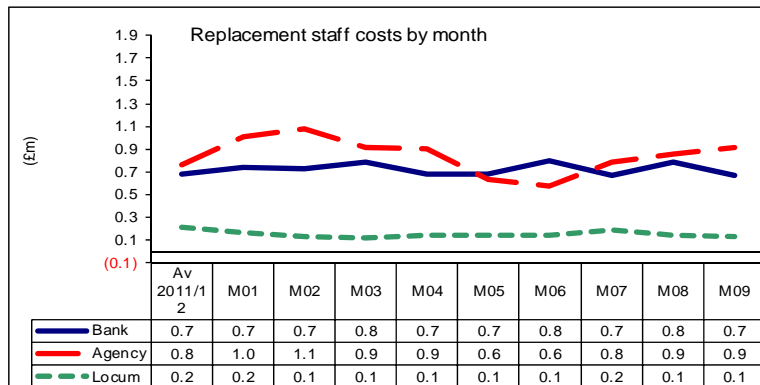
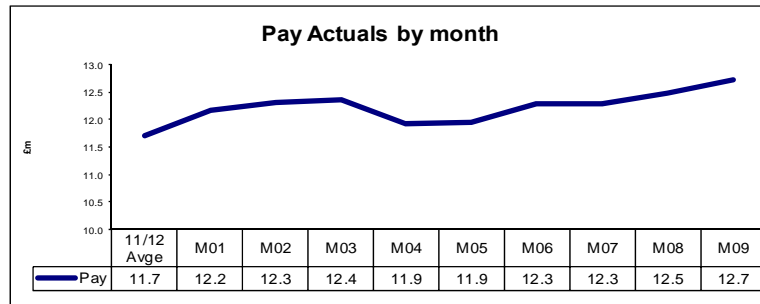
# Comprehensive income (income & expenditure) recurrent position

Recurrent I&E Calculation		YTD @ M09		FY Forecast	
		£m	£m	£m	£m
<b>Net Surplus / (deficit)</b>			<b>0.5</b>		<b>0.0</b>
<b>Deduct N/R income</b>	i) non rec income support		10.4		13.9
	ii) Stranded Costs		-		
	iii) technical adjustment for donated assets		0.4		
	<b>Total N/R income</b>		<b>(10.8)</b>		<b>(13.9)</b>
<b>Add N/R Spend</b>	i) Turnaround/ restructuring costs		2.1		2.9
	ii) Stranded Costs		-		
	iii) technical adjustment for donated assets		0.2		
	<b>Total N/R spend</b>		<b>2.3</b>		<b>2.9</b>
<b>Deduct N/R savings</b>					
	<b>Total N/R savings</b>		-		-
<b>Recurrent Surplus / (deficit)</b>			<b>(8.0)</b>		<b>(11.0)</b>

## 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 9 the underlying deficit is £8.0m, 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



## Key points:

1) **Total Pay costs** in December increased due to the inclusion of anticipated redundancy costs. This is matched by budget and is within the expected year end forecast. *To note: the pay figures have been adjusted (backdated to the start of the year) to reflect the revised DoH treatment of salary recharges.*

2) **Replacement staff costs** - December saw a swing in nursing spend from bank to agency costs, with overall a slight reduction. Agency usage increased during the norovirus infection and with higher than expected sickness. There was also a small reduction in medical agency spend in the month (mainly paed & ophthalmology). Admin & clerical agency costs decreased with an offsetting increase in bank spend, suggesting more hours have been used but at the same cost.

3) **Non pay costs** continue to be driven by the activity increase (the overspend is mainly from drugs, clinical supplies and outsourcing). The increase in the month 9 spend is due to an estimate for additional outsourced activity (£2.6m) included in the December figures to reflect the additional income agreed and the year end forecast. As well as this, £0.1m was spent on the outsourcing of elective work to other providers in December (£2.5m actual YTD costs).

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	110.7	110.5	0.2	0.2%
Drugs	8.9	9.9	(1.0)	-11.6%
Clinical supplies	14.2	15.7	(1.5)	-10.7%
General supplies	1.5	1.5	(0.0)	-3.1%
Establishment	2.7	3.3	(0.6)	-21.6%
Premises & utilities	2.9	3.3	(0.4)	-14.4%
Healthcare recharges	10.6	11.3	(0.7)	-6.9%
Fees & consultancy	5.8	5.7	0.1	1.1%
Misc	0.2	0.4	(0.2)	-73.4%
Recharges	0.3	0.1	0.2	
<b>Total non pay spend</b>	<b>47.0</b>	<b>51.2</b>	<b>(4.2)</b>	<b>-9.0%</b>
<b>Total operating spend</b>	<b>157.8</b>	<b>161.8</b>	<b>(4.0)</b>	<b>-2.5%</b>

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	16.2	15.6	0.6	3.6%
Other medical	15.0	15.2	(0.2)	-1.6%
Nursing & Midwifery	38.9	39.3	(0.4)	-1.1%
Healthcare assistants	11.4	11.9	(0.5)	-4.6%
AHPs	11.7	11.3	0.4	3.5%
Directors & NEDs	1.0	0.9	0.1	5.6%
Senior mgrs (8a+)	3.7	3.7	(0.0)	-0.9%
Admin & clerical	12.1	11.9	0.2	2.0%
Estates & FM	0.7	0.6	0.1	15.5%
<b>Total Pay spend</b>	<b>110.7</b>	<b>110.5</b>	<b>0.1</b>	<b>0.1%</b>

Agency costs YTD to this month	2011/12 YTD Actuals (£m)	2012/13 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	6.5	7.7	(1.2)	18.0%



# I&E – Divisional analysis

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

## Key points

- Control totals have been agreed with the Surgical, Medical and CSS Divisions and "permission to overspend" has been agreed based on these. Therefore, as these and the other divisions are within accepted tolerances, no exception reports are required this month (note: an underspend target has been set for WaCH).
- The contract income variance will be explained in detail further on in the report.
- The technical adjustment of £0.2m relates to the accounting treatment of donated assets.
- The outsourcing of surgical work to private providers to meet the 18 week target now totals £2.5m. This is expected to significantly increase in the next couple of months to meet activity demands and these increase costs are included in the Trust's breakeven forecast.

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Divisional analysis (I&E)	12/13	YTD			YTD Variance % (adv)/ fav
	ANNUAL BUDGET £000'S	BUDGET £000's	ACTUALS £000's	VAR YTD £000's (adv)/fav	
<b>Income (excl Divisional income)</b>					
Contract income (incl MFF)	186,443	140,538	145,958	5,420	3.9%
High Cost Drugs	(7,015)	(5,319)	(5,964)	(646)	12.1%
Excluded devices	(697)	(526)	(575)	(49)	9.3%
Bad debt provision	(81)	(61)	(120)	(59)	97.3%
Donated Assets	235	176	374	198	112.2%
Non-rec income	15,900	11,925	10,425	(1,500)	(12.6)%
Other Income	8,210	6,243	6,359	115	1.8%
<b>Total income</b>	<b>202,995</b>	<b>152,978</b>	<b>156,457</b>	<b>3,479</b>	<b>2.3%</b>
<b>Divisions (inc Divisional income)</b>					
Surgical	56,540	42,427	43,557	(1,130)	(2.7)%
18 Weeks outsourcing	1,936	1,648	2,494	(846)	(51.3)%
Medical	43,207	32,624	33,031	(407)	(1.2)%
WaCH	20,441	15,223	15,081	141	0.9%
CSS	26,787	20,228	20,598	(370)	(1.8)%
E&F	12,912	9,636	9,711	(75)	(0.8)%
HR	2,521	1,917	1,885	32	1.7%
CEO	1,488	1,170	1,170	0	0.0%
Restructuring and PMO	3,000	2,111	2,090	21	1.0%
Finance	3,092	2,342	2,336	6	0.2%
Nursing	3,464	2,564	2,594	(30)	(1.2)%
IMT	2,320	1,744	1,744	0	0.0%
Clinical Services (Escalation)	2,037	1,586	2,046	(460)	(29.0)%
Overheads	9,579	7,190	7,659	(469)	(6.5)%
Other Central	(100)	(75)	1	(76)	101.2%
CQUINS costs	500	375	26	349	93.0%
Unallocated reserves	2,579	2,386	2,599	(213)	(8.9)%
<b>Total Divisional I&amp;E</b>	<b>192,301</b>	<b>145,097</b>	<b>148,623</b>	<b>(3,526)</b>	<b>(2.4)%</b>
<b>Post EBITDA</b>					
Interest Payable	288	218	216	2	0.8%
Interest Receivable	(18)	(14)	(19)	5	(38.3)%
Depreciation	7,052	5,147	4,616	531	10.3%
Depreciation - donated	235	176	163	13	7.5%
PDC	3,100	2,325	2,336	(11)	(0.5)%
unwinding of discounts	37	28	17	11	
<b>Total post EBITDA</b>	<b>10,694</b>	<b>7,881</b>	<b>7,329</b>	<b>551</b>	<b>7.0%</b>
<b>Net Surplus / (Deficit)</b>	<b>0</b>	<b>(0)</b>	<b>504</b>	<b>505</b>	
Technical Adjustment (don assets)	0	0	211	(211)	
<b>Adjusted Net Surplus / (Deficit)</b>	<b>0</b>	<b>(0)</b>	<b>293</b>	<b>294</b>	

## Financial performance: Savings

Savings - Month 9	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
<b>By Transformation Programme Workstream</b>					
Administration Structure	588	397	260	(137)	(34%)
Back Office redesign	1,113	747	1,766	1,019	136%
Clinical Service Redesign	757	459	459	0	0%
Estate Rationalisation	290	236	100	(136)	(58%)
Job Planning and Medical Productivity	930	540	133	(407)	(75%)
Medicines Management	595	401	339	(62)	(16%)
Nursing Skillmix	244	143	39	(104)	(73%)
Pathology	309	200	175	(25)	(12%)
Procurement / Non Pay	1,275	841	774	(67)	(8%)
Other	3,593	2,372	2,535	163	7%
Theatre Utilisation	305	160	0	(160)	(100%)
UNALLOCATED	0	0	0	0	0%
<b>TOTALS</b>	<b>10,000</b>	<b>6,497</b>	<b>6,580</b>	<b>83</b>	<b>1%</b>
<b>By Directorate</b>					
Surgery	1,407	805	261	(544)	(68%)
Medicine	853	560	495	(65)	(12%)
WaCH	384	246	246	0	0%
CSS	1,195	754	601	(153)	(20%)
E&F	521	349	316	(33)	(9%)
Corporate	5,113	3,486	4,405	921	26%
<b>Sub total</b>	<b>9,473</b>	<b>6,200</b>	<b>6,325</b>	<b>125</b>	<b>2%</b>
Procurement savings centrally held	527	297	255	(42)	(14%)
Unallocated/Trust wide savings	0	0	0	0	0%
<b>TOTALS</b>	<b>10,000</b>	<b>6,497</b>	<b>6,580</b>	<b>82</b>	<b>1%</b>

### Key points

The Trust has an annual savings target of £10.0m, which is heavily profiled from the later part of the year. As at month 9 there are still £0.3m worth of savings plans yet to be phased in (the main one of which is a managed service contract). This scheme is not expected to deliver this year, however, will be mitigated by other central savings.

At M09 the Trust has delivered £6.6m of savings, a favourable variance to the year to date plan of £0.1m.

The unachieved schemes are continuing to be mitigated by central underspends and over achieved of Trustwide other income.

The main areas of under delivery (as previously reported) are within the Surgical division and relate to unachievable theatre efficiency plan (the impact of the activity pressures is making this target hard to achieve).

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

# 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)
<b>Contract Income</b>							
Elective Daycases	16.7	16.5	(0.2)	(1%)	(0.8)	0.6	
Elective Inpatients	10.2	11.7	1.4	14%	0.6	0.8	
Elective (Other)	0.3	0.2	(0.1)	(28%)	(0.1)	(0.0)	
Non Electives Inpatients	52.4	55.0	2.6	5%	2.8	(0.3)	
Non Elective (Other)	0.8	1.7	0.9	115%	0.9	0.0	(0.0)
Outpatients	26.6	25.5	(1.1)	(4%)	(1.4)	0.4	
A&E	6.7	7.1	0.4	6%	0.1	0.4	
PbR: Other Items		1.0	1.0		1.0		
<b>Sub Total: PbR Categories</b>	<b>113.6</b>	<b>118.6</b>	<b>5.0</b>	<b>4%</b>			
Local Category Income	25.8	25.8	(0.0)	(0%)	0.1	(0.1)	
Non-Recurrent Income	11.9	10.4	(1.5)	(13%)			(1.5)
<b>Sub Total: Local Categories</b>	<b>37.7</b>	<b>36.2</b>	<b>(1.5)</b>	<b>(4%)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(1.5)</b>
Contract Provision	(2.1)	(1.7)	0.4				
CQUIN	3.2	3.3	0.1				
<b>Sub total: Contract Adjustments</b>	<b>1.1</b>	<b>1.6</b>	<b>0.4</b>				
<b>Total Contract Income</b>	<b>152.5</b>	<b>156.4</b>	<b>3.9</b>	<b>3%</b>			
Non clin NHS SLA	1.4	1.6	0.2	13%			
Education & training	4.9	4.8	(0.1)	(2%)			
Cat C - Other	6.7	7.0	0.3	5%			
Total Other income	<b>13.0</b>	<b>13.4</b>	<b>0.4</b>	<b>3%</b>			
<b>Total Income</b>	<b>165.5</b>	<b>169.8</b>	<b>4.3</b>	<b>3%</b>			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	21,880	19,985	(1,895)	(9%)
Elective Inpatients	3,888	3,876	(12)	(0%)
Elective (Other)	1,043	739	(304)	(29%)
Non Electives Inpatients	29,689	31,354	1,665	6%
Non Elective (Other)	13,861	17,406	3,545	26%
Outpatients	197,625	186,488	(11,137)	(6%)
A&E	60,113	60,643	530	1%
PbR: Other Items		17,211	17,211	
Local Category Activity	647,071	608,587	(38,484)	(6%)

## Contract Income

At Month 9, there is a 3% favourable financial variance against budget, this is a one percentage point increase compared to M08. This reflects the income agreement.

Key points to note from the M09 position are as follows:

The Trust has agreed a full year financial settlement with both Surrey and Sussex commissioners for 2012/13. These values has been factored into the income position for month 9, which is showing a £3.9m favourable variance against a budget of £152.5m.

Although still high, non-elective admissions in December have shown a slight reduction on previous months (see following page for trend analysis). In financial terms, this continues to show a £3.5m "favourable" variance overall, which includes the application of the marginal rate tariff of 30% above the 2008/09 baseline and emergency re-admissions adjustment at 25%.

As mentioned in previous monthly reports, this is the converse of what is expected in the health system recovery plans to reduce non-elective activity.

The variance breakdown demonstrates this by the non elective "favourable" variance sitting in the volume category.

As a total, elective activity continues to over-performing overall against the financial plan. Although due to the hospital being affected by Norovirus in December, both elective inpatient and daycase activity have been significantly reduced in the month of December, leading to the outsourcing requirement described elsewhere.

Outpatient activity continues to under perform, and is now showing a year-to-date adverse variance to plan of £1.1m. This under performance is being seen across all of the main categories of outpatients, with the exception of outpatient with procedures. These have seen a significant increase in recent months, which is due to better recording and capture of procedures on clinic outcome forms. December is currently showing a reduction on previous months, but this is due to a timing lag in coding the outcome forms onto the PAS system.

Overall, the local category items are very close to financial plan. Within this category, neonatal bed days are have seen an increase in income to bring the under performance to £365k. Also, after many months of significant under performance, community midwifery attendances are now showing a favourable variance against plan. The Division has been working closely with the contracts team to ensure all data is captured and billed for.

## Other income

The £0.4m favourable variance is due to higher levels of provider to provider income than planned and income from donated assets.

# Activity Trends (all commissioners) from April 2010

## Activity Trend - All Commissioners (including NCAs).

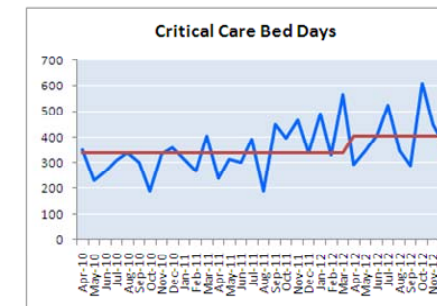
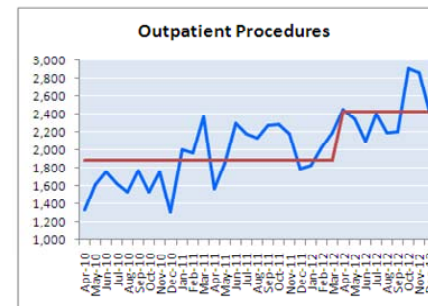
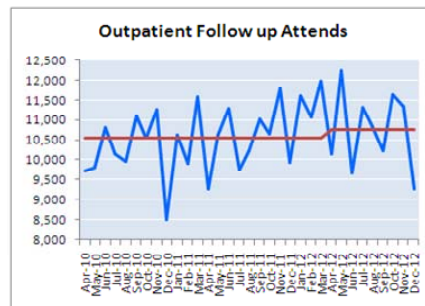
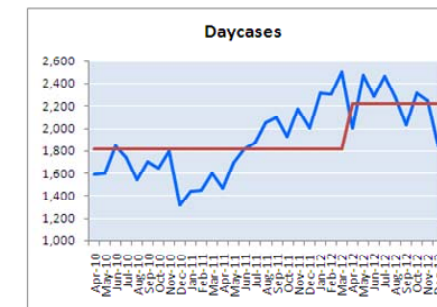
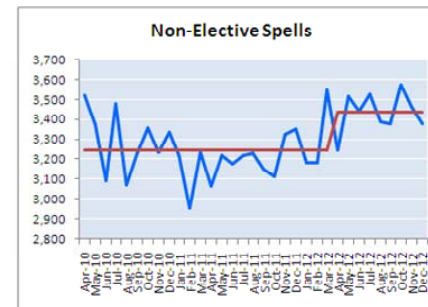
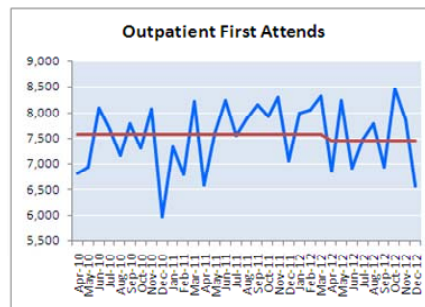
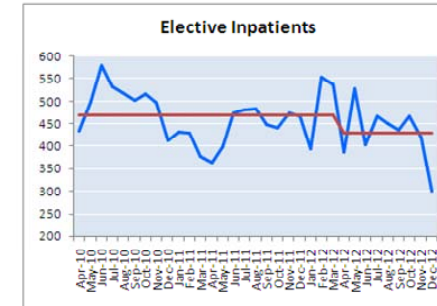
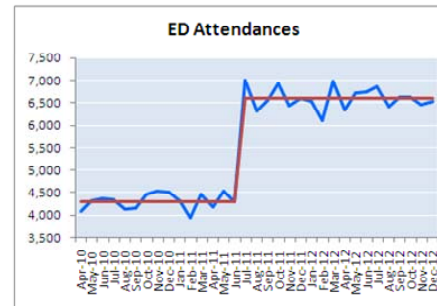
### Key points:

Overall, non elective activity levels remain higher than plan cumulatively at M09. This theme is the converse of what is expected. A&E attendances continue to remain flat.

After a steady increase, daycases are showing signs of a decrease since the start of the financial year. Elective inpatients (although quite variable) have also seen a significant reduction in December. Both of these reductions are due to the Norovirus affecting East Surrey Hospital in December.

Outpatient with procedure numbers have shown an improvement in recent months. This is being driven by a focus on completion on the yellow check out forms in clinics.

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



# Risks and mitigation

	Risk reg no.	Risk rating	Annual (risk)/ benefit (£m)	RAG	Notes	Action points	Who
<b>Income:</b>							
Contract overperformance/ Challenges	1230	0		<b>Risk removed</b>	The Trust has now received formal notification of contract settlement.		Chief Financial Officer
<b>Net income risk</b>			-				
<b>Savings Plan</b>							
Red risk rated items	1231	3*3=9	(0.9)	▶	Undelivered savings to date have been mitigated as described in the savings table. The risk here is from forward spend but significant contingency has been provided	i) Delivery of savings managed through perf improvement process (ongoing) ii) Delivery of Divisional contingency savings	Divisional Chiefs
Contingency savings			0.9			iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
<b>Net savings plan risk</b>			-				
<b>Costs:</b>							
Potential overspending from operational pressures above forecast	1365	3*4=12	(1.2)	▲	Previous risks from overspending are now included in control totals for Divisions. However, there has been additional spend by the Trust to manage pressures in the last month, including the purchase of community and nursing home beds. 18 weeks outsourcing will also need to increase. Spend is expected to reduce but there are 2 months to go.	i) Divisions to implement action plans and contingencies to control/or recover overspending - includes Medical agency costs ii) Nursing spend to be recovered	Chief Operating Officer Chief Nurse
Contingency held			1.0			iii) Agreement with NHS Sussex of additional risk spend (£150k)	Chief Financial Officer
<b>Net costs risk</b>			(0.2)				
<b>Surplus/(deficit) risk forecast</b>			(0.2)				

## 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.

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- ❑ 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 Forecast Capital spend is £10.1m (against original CRL of £14.8m). The Theatres project and Kibblewhite disposal income are now to be rolled to 2012-13. The £10.1m is funded from £7.0m depreciation, £1.3m of the undershoot from 2011-12 capital plan, £2.6m SHA funding (approved in June) site modernisation and LINACs project less Trust funding of Theatres -£0.8m (rolled into next year).
- **Aged Receivables (Debtors)** – The Trust is prioritising the collection of over 90 day NHS debt as directed by the SHA and this has been reduced significantly. Debt arising from treating overseas patients is the largest element of other debtors and here again the Trust is prioritising this area of recovery with SBS however significant bad debt provision is being analysed. Within term debt fell as the PCTs settled the over-performance invoice. Increase in 31 to 60 days PCT debt is an over performance invoice to SACS for £565k, to be settled in Feb.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	DEC	NOV	OCT
			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	602	205	625	30	14	874	918	251
NHS TRUST	205	294	52	177	24	547	469	669
OTHER DEBTORS	106	141	68	39	722	970	871	910
<b>Total Debts</b>	<b>913</b>	<b>640</b>	<b>745</b>	<b>246</b>	<b>760</b>	<b>2,391</b>	<b>2,258</b>	<b>1,830</b>

- **Payables (Creditors)** - The BPPC score fell slightly in Dec. In spite of recent agreements with the PCTs to settle over-performance funding 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.

### Key Financial Indicators: Dec 12

	Plan/ target	Actual cum Dec-12	Var (adv)/ fav	Actual cum Nov-12	Actual 11-12
<b>BPPC: cum overall (value)</b>	<b>95%</b>	<b>83%</b>	<b>(12)%</b>	<b>87%</b>	<b>72%</b>
<b>BPPC: cum overall (volume)</b>	<b>95%</b>	<b>83%</b>	<b>(12)%</b>	<b>87%</b>	<b>66%</b>

## Statement of Financial Position at 31 Dec 2012

	31-Dec-12		30-Nov-12		Movement
	£m	£m	£m	£m	£m
<b><u>NON CURRENT ASSETS</u></b>					
Property, Plant and Equipment	109.2		107.9		1.3
Intangible Assets	1.8		1.8		-
Trade & Other Receivables	4.3		4.3		-
Assets Held for Sale	-		0.5		(0.5)
<b><u>CURRENT ASSETS</u></b>					
Inventories	3.4		3.4		-
Trade & Other Receivables	4.2		8.9		(4.7)
Prepayments and Accrued Income	12.1		10.6		1.5
Cash and Cash Equivalents	6.8		0.9		5.9
	<u>26.5</u>		<u>23.8</u>		<u>2.7</u>
<b><u>CURRENT LIABILITIES</u></b>					
Trade Payables	(16.6)		(17.8)		1.2
Other Payables	(2.9)		(2.9)		-
Accruals	(13.8)		(10.1)		(3.7)
Other Liabilities	(0.4)		(0.4)		-
<b>Net Current Assets</b>		<u>(7.2)</u>		<u>(7.4)</u>	<u>0.2</u>
<b>Total Assets Less Current Liabilities</b>		<u>108.1</u>		<u>107.1</u>	<u>1.0</u>
<b><u>NON-CURRENT LIABILITIES</u></b>					
Borrowings	(7.6)		(7.9)		0.3
Deferred income	(3.4)		(3.4)		-
Provisions	(1.2)		(1.2)		-
<b>Total Net Assets Employed</b>		<u>95.9</u>		<u>94.6</u>	<u>1.3</u>
<b><u>TAX PAYERS EQUITY</u></b>					
PDC	136.1		134.9		1.2
Revaluation Reserve	14.3		14.3		-
I&E Reserve	(55.0)		(55.0)		-
I&E Current	0.5		0.4		0.1
<b>Total Taxpayers Equity</b>		<u>95.9</u>		<u>94.6</u>	<u>1.3</u>

**Assets Held For Sale** – This is a nursing home (Kibblewhite House). This has now been sold at just below book value.

**Working Capital Movements** – The large over-performance invoice was settled in month. Accrued income has increased following agreements with PCTs on SLA. Creditors includes large accruals for outsourcing and winter pressures.

**Liquidity** – (An indicator of the working capital position). The liquidity ratio is minus 17 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.

**Tax Payers Equity** – PDC increased as SHA capital funding was drawn down. The remaining SHA capital allocation of £1m will be drawn down in Feb.

## 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	Forecast	Forecast	Forecast	Forecast
<b>CASH INFLOWS</b>													
Cash Inflow (NHS)	18.76	18.14	16.39	21.23	16.35	17.00	16.68	18.06	22.28	22.93	21.33	18.88	<b>228.03</b>
Cash Inflow (Non-NHS)	0.63	0.58	0.65	0.92	0.63	0.58	0.62	0.46	0.56	0.58	0.58	0.63	<b>7.43</b>
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	<b>0.45</b>
External Capital Funding (SHA)	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.00	1.18	0.00	1.06	0.00	<b>2.59</b>
<b>TOTAL CASH INFLOWS</b>	<b>19.39</b>	<b>18.72</b>	<b>17.04</b>	<b>22.15</b>	<b>16.98</b>	<b>17.58</b>	<b>17.66</b>	<b>18.52</b>	<b>24.47</b>	<b>23.51</b>	<b>22.97</b>	<b>19.51</b>	<b>238.50</b>
<b>CASH OUTFLOWS</b>													
Non Pay Cash Flow	-6.04	-7.37	-6.01	-6.34	-7.54	-6.31	-5.84	-4.74	-8.51	-11.20	-9.09	-9.61	<b>-88.60</b>
Pay Cash Flow	-10.09	-11.36	-11.15	-11.19	-11.44	-11.33	-11.50	-11.54	-11.19	-11.34	-11.33	-11.40	<b>-134.87</b>
Capital Cash Outflow	-0.97	-0.47	-0.61	-1.11	-1.60	-0.73	-0.90	-1.19	-0.85	-1.81	-0.89	-1.11	<b>-12.23</b>
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	<b>-3.20</b>
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	<b>-0.99</b>
<b>TOTAL CASH OUTFLOWS</b>	<b>-17.10</b>	<b>-19.21</b>	<b>-17.77</b>	<b>-18.64</b>	<b>-20.58</b>	<b>-20.33</b>	<b>-18.24</b>	<b>-17.47</b>	<b>-20.55</b>	<b>-24.35</b>	<b>-21.31</b>	<b>-24.35</b>	<b>-239.89</b>
<b>NET CASH FLOW</b>	<b>2.29</b>	<b>-0.48</b>	<b>-0.73</b>	<b>3.51</b>	<b>-3.61</b>	<b>-2.75</b>	<b>-0.58</b>	<b>1.05</b>	<b>3.92</b>	<b>-0.84</b>	<b>1.66</b>	<b>-4.84</b>	<b>-1.39</b>
<b>OPENING CASH BALANCE</b>	<b>4.19</b>	<b>6.48</b>	<b>6.00</b>	<b>5.27</b>	<b>8.78</b>	<b>5.17</b>	<b>2.43</b>	<b>1.85</b>	<b>2.90</b>	<b>6.82</b>	<b>5.98</b>	<b>7.63</b>	<b>4.19</b>
<b>CLOSING CASH BALANCE (Excl Over-Performance Balance)</b>	<b>6.48</b>	<b>6.00</b>	<b>5.27</b>	<b>8.78</b>	<b>5.17</b>	<b>2.43</b>	<b>1.85</b>	<b>2.90</b>	<b>6.82</b>	<b>5.98</b>	<b>7.63</b>	<b>2.80</b>	<b>2.80</b>

### Key points

The cash position is currently OK.

Cash relating to the over performance on activity has been partially paid, as agreed with the PCT's and this has improved the cash position until March.

The Trust is currently modelling a number of options for the end of year cash balance in line with spend and income forecasts for next year.

The current forecast year end balance includes unspent capital cash of £2.2m.