Trust Board: 30 May 2013
Management Board : 22 May 2013
Agenda item:

Surrey and Sussex Healthcare NHS Trust

Finance report M01 – April 2013

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Finance report M01 – April 2013

Purpose of report and action required: information and assurance

Summary:

- The 2013/14 revised interim financial plan (currently with the Trust Development authority - TDA) is a breakeven position assuming £5.5m of non recurrent support (please note comments later and separate budget paper to Board).
- At Month 1 the Trust is on plan – a very small (£13k) surplus. Noting that this is Month 1 and the delay in agreeing income plans, the position describes a prudent, and adverse variance against income with underspending against "reserve" budgets offsetting divisional overspends.
- The Contract with CCGs for healthcare income was signed on 13 May after the resolution of arbitration submitted to the Trust Development authority (TDA) and NHS England.
- Risks and contingencies are detailed in the report, but the single biggest risk concerns the payment of non recurrent support, which has not yet been agreed by NHS England and the TDA.
- The savings plan for 2013/14 is £11.1m and at month 1 £0.3m has been achieved (slightly above the phased plan submitted to TDA)
- Cash 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 - delivery of agreed financial budget (breakeven) and deliver savings target (£11.1m)

Finance report M01 – April 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.

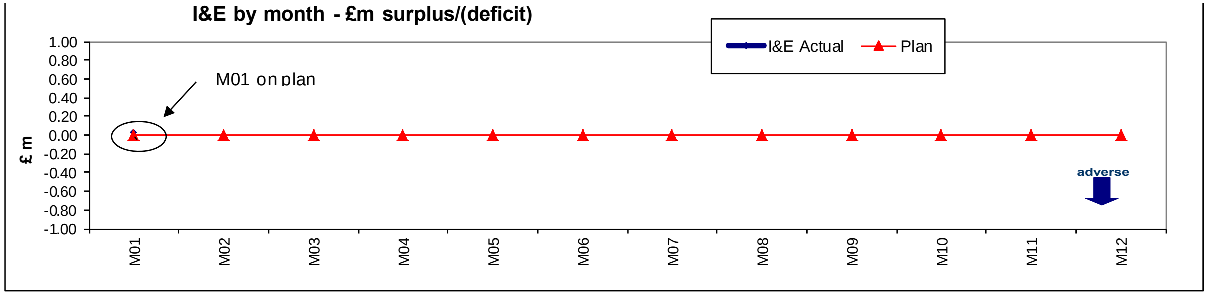
Contents

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

Key financial indicators: M01 2013/14

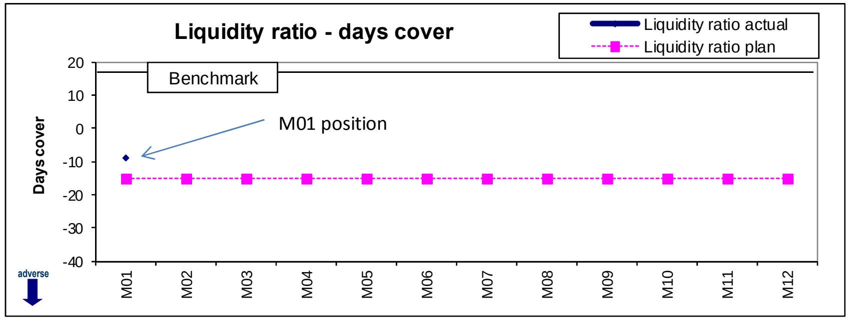
Key financial indicators at Month 1	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1 In month surplus/(deficit)	0.0	0.0	0.0	green
2 YTD surplus/(deficit) *	0.0	0.0	0.0	green
3 Forecast surplus/(deficit)		0.0		green
4 YTD recurrent surplus/(deficit)		(1.4)		red
5 Risk assessment fav/(adv)		(5.5)		red
6 Cash position		4.5		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%	84%	(11)%	amber
BPPC: cum overall (value)	95%	93%	(2)%	amber
11 Performance rating in month	TDA measure TBA			TBA

** before technical adjustments relating to donated assets*

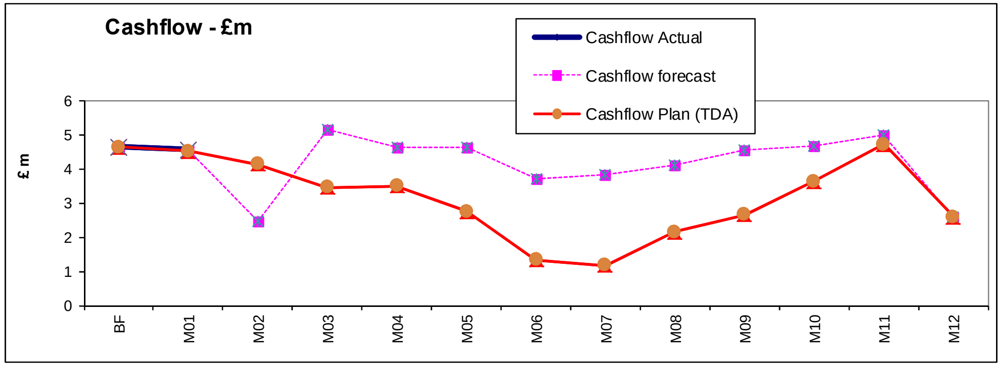


The Trust is on Plan at Month 1 with a small suplus (£13k), adjusted for donated asset accounting. The Trust plan is phased equally throughout the year with the assumed £5.5m non recurrent funding being used as the monthly balancing figure. The budget remains interim as the non recurrent support has not been formally agreed.
The risks to the plan are detailed on the risk page, however, the most significant risk at this stage of the year is around securing the non-recurrent funding. The CCG Contract was signed on 13 May 2013.

The Trust is starting to deliver against the £11.1m savings plan - the target is phased low in the first few months of the year - and £0.3m of savings have been delivered. The carry forward of cash from 2012/13 provides an artificially strong position which will not be maintained at this level.



The liquid ratio gives a better view of the Trust's working capital position than just looking at cash. The Trust will remain significantly below the 15 day "cover" benchmark until the underlying liquidity problem is resolved. However, at Month 1, with the healthy cash balance, the ratio is at minus 9 days. This is an aretefact and will not be sustained as 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 to pay 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 M03.

Financial performance rating

	YTD @ M1 £'000s	FOT £'000s	YTD @ M1 £'000s	FOT £'000s
	I&E Statement		*Normalised data*	
Summary Scores				
EBITDA margin	4.9	5.1	-2.6	3.5
EBITDA, % achieved of plan	101.2	100.0	-50.8	68.5
Net return after financing %	0.0	0.2	-1.3	-3.2
I&E surplus margin %	0.1	0.0	-7.6	-1.6
Liquid ratio ***(with est 30 days WCF#)***	21	16	21	16
Summary Ratings				
EBITDA margin	2	3	1	2
EBITDA, % achieved of plan	5	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				
Count '1' scores	0	0	3	0
Count '2' scores	2	1	1	4

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

"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. However, it should be noted that the underlying/normalised deficit is (a) planned and (b) supported by non-recurrent funding.

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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 30 April 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	18.2	17.5	(0.7)	-3.9%	
Contract Income - NHS	**18.2**	**17.5**	**(0.7)**	-3.9%	
Other operating income	1.5	1.5	-	0.0%	
Total Income	**19.7**	**19.0**	**(0.7)**	-3.6%	
Expenses					
Pay (incl agency)	(12.3)	(12.5)	(0.2)	-1.3%	
Non-Pay (excl Depreciation)	(6.5)	(5.6)	0.9	13.9%	
	(18.8)	**(18.1)**	**0.7**	3.9%	
EBITDA (pre-exceptionals)	**0.9**	**1.0**	**0.0**	3.8%	
			-		
					EBITDA margin
EBITDA (post-exceptionals)	**0.9**	**1.0**	**0.0**	3.8%	5.0%
					% of income
Profit/ Loss on Asset Disposals	-	-	-		
Interest Receivable	0.0	0.0	0.0		
Interest Payable	(0.0)	(0.0)	0.0		
Depreciation	(0.3)	(0.3)	-	0.0%	
PDC	(0.6)	(0.6)	-	0.0%	
	(0.9)	**(0.9)**	**0.0**	0.2%	
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		(1.4)			Underlying position
Adjusted recurrent position		**(1.4)**			(1.7)%

Summary

The Trust is on plan at Month 1.The savings target is £11.1m for the year, of which £0.3m has been delivered year to date.

The Trust Plan is currently profiled to breakeven month by month this year and end the year with a breakeven position (subject to recieving the non recurrent funding). I say "currently" because non recurrent funding has not yet been agreed by NHS England and the Trust Development Authority and the budget remains an interim one awaiting that decision.

To note: the technical adjustment at Month 1 is a net £21k from donated asset accounting.

The context for the month is provided by continuing and significant operational pressure. As has been the case in NHS trusts across the country in April, the 4 hour A&E access target was missed in the month and the Trust has suffered serious capacity problems. Financially this means increased non elective activity paid at only 30%, less full price elective income because beds are filled with non elective patients and increased use of escalation with additional agency and other costs. This is seen in the figures and although the Trust is on plan it erodes initial plans to deliver contingency prior to the hike in the savings profile at Month 4.

Recognising the as yet untested potential for further financial challenges from CCGs, income in the month includes a prudent contingency and is recorded adverse to budget. That may reverse. Three clinical divisions are overspent, reflecting some genuine overspend pressures which the divisions will recover, but also heavier internal phasing of the savings plan within the divisional budgets, indicating the Divisions' challenge to themselves to deliver savings earlier than originally planned.

Pay costs are greater than the average for last year but consistent with the last couple of months of 12/13. Agency costs remain high at over £1.0m in the month, with spend in April 5% more than the average year to date spend last year.

Non pay costs overall are on plan and month 1 and consistent with the average for last year. The favourable variance to budget comes from the phasing of the reserves budget, which balances the Divisional profiling of savings and includes unallocated budget for some cost pressures.

Comprehensive income (income & expenditure) underlying and normalised position

Surrey and Sussex NHS Healthcare NHS Trust

Underlying and normalised calculation		YTD @ M01		FY Forecast	
		£m	£m	£m	£m
Net Surplus / (deficit)			0.0		0.3
Deduct N/R income	i) non rec income support	1.4		5.5	
	ii) technical adjustment for donated assets	0.0		0.5	
	Total N/R income		(1.4)		(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)			(1.4)		(3.5)
	i) add back turnaround/restructuring costs		-		(2.0)
Normalised surplus/(deficit)			(1.4)		(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

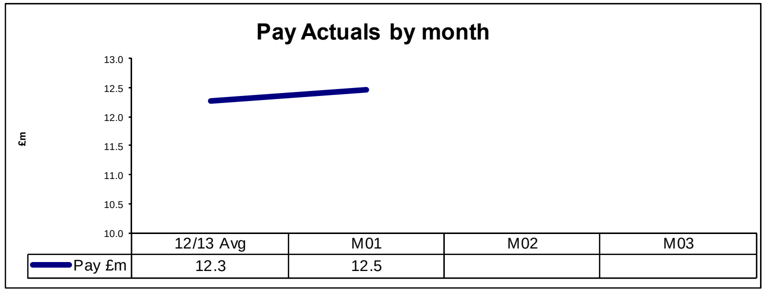
- The table describes how the underlying position (the “recurrent” surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- **At month 1 the underlying position is a deficit of £1.4m due to the amount of non-recurrent support.**
- The underlying position at the end of 13/14 is forecast to be £3.5m.

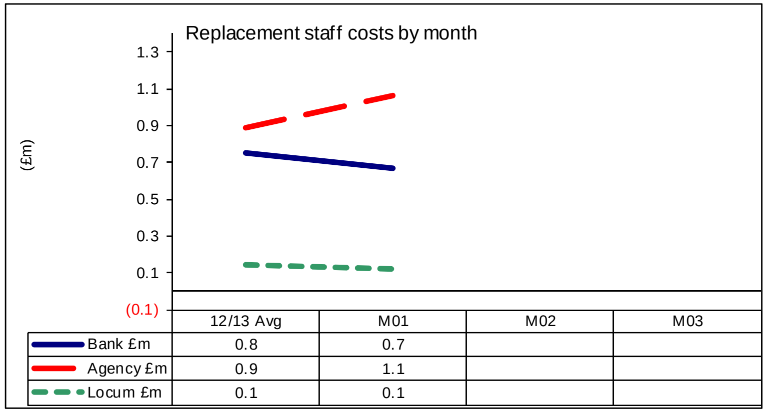
Normalised position

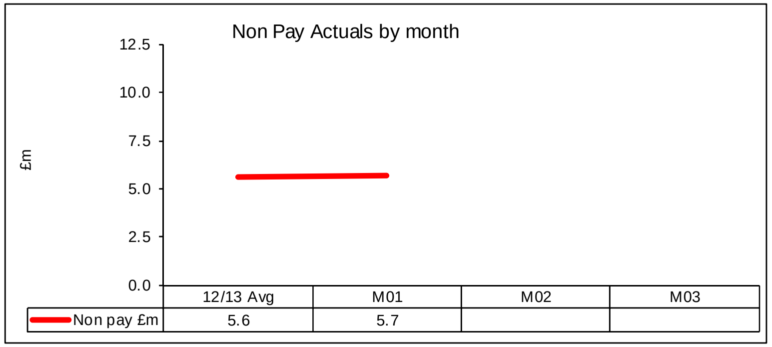
- The forecast underlying position is adjusted for “normal” expenditure, even if that spend is “one-off”. This applies to restructuring costs, so this spend forecast is added back, giving a normalised deficit of £5.5m for the full year.

Surrey and Sussex NHS Healthcare NHS Trust

Financial performance – operating spend YTD







Key points:

1)Total Pay costs increased from the average of 2012/13 but are consistent with the last months of that year. The figures include the pay award paid from 1st April and the agency costs described below.

2) Replacement staff costs - overall costs in April were higher than the average last year, and agency costs were higher for both medical staff and nursing, refelcting operational pressure and the use of escalation areas. These costs were partially offset by reductions in permanant staff costs.

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 are consistent with the average for 2012/13. The underspend on miscellaneous reflects the use of reserves at Month 1 to offset the CCG income underrecovery and an estimate of costs for independant sector charges (healthcare recharges) to meet 18 week demands.

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	12.3	12.5	(0.2)	-1.9%
Drugs	1.1	1.1	(0.0)	-1.2%
Clinical supplies	1.7	1.7	(0.0)	-0.1%
General supplies	0.2	0.3	(0.1)	-36.6%
Establishment	0.3	0.4	(0.1)	-29.7%
Premises & utilities	0.6	0.6	0.0	2.6%
Healthcare recharges	0.7	1.0	(0.3)	-49.4%
Fees & consultancy	0.6	0.5	0.1	16.5%
Misc	1.3	0.1	1.2	93.9%
Recharges	0.0	(0.0)	0.0	
Total non pay spend	6.5	5.6	0.7	11.5%
Total operating spend	**18.8**	**18.1**	**0.7**	3.5%

Pay costs year to date	YTD Spend Vs BUDGET			
	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	1.8	1.7	0.1	5.2%
Other medical	1.6	1.8	(0.2)	-11.8%
Nursing & Midwifery	4.4	4.5	(0.1)	-1.1%
Healthcare assistants	1.3	1.3	(0.0)	-1.6%
AHPs	1.3	1.3	(0.0)	-0.4%
Directors & NEDs	0.1	0.1	0.0	40.4%
Senior mgrs (8a+)	0.4	0.4	0.0	8.0%
Admin & clerical	1.3	1.4	(0.1)	-7.4%
Estates & FM	0.1	0.1	0.0	0.9%
Total Pay spend	**12.3**	**12.5**	**(0.2)**	-1.5%

Agency costs YTD to this month	2012/13 YTD Actuals (£m)	2013/14 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	1.0	1.1	**(0.1)**	5.2%

I&E – Divisional analysis

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

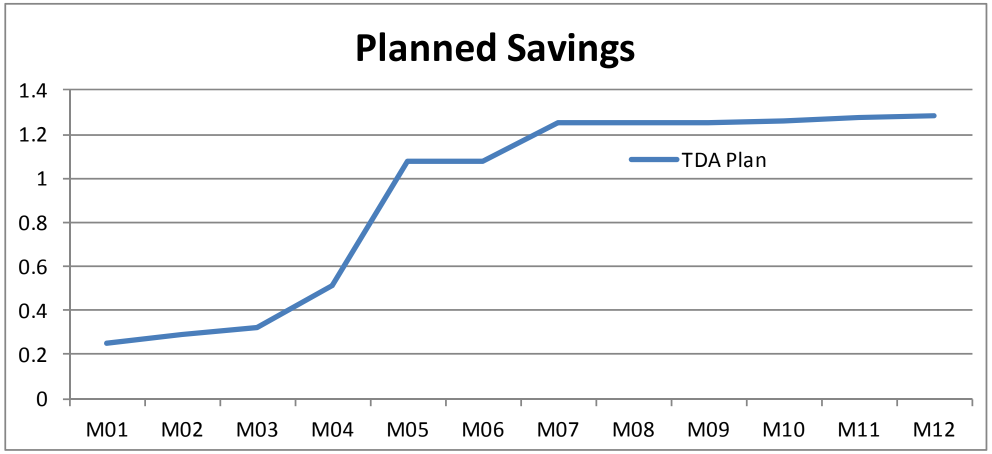
Key points

- All the clinical Divisions, with the exception of WACH, are adverse to their budgets for Month 1. However, no exception reports have been included in the Board report this month as it is acknowledged that the challenging profiles in Divisional savings should be adjusted - this will be done ahead of Month 2.
- There is, however, overspending within the figures, from nursing and other agency costs and from various other areas. Divisions have all provided contingency plans and provided assurance on controls and it is expected that these overspends will be recovered.
- The contract income variance will be explained later.
- Reserve budget has been set against the figures to mitigate the income under recovery and overspends within Divisions. This does erode contingency for future months, although a large part of this is a phasing aspect from the Divisional savings plans.
- The Month 1 cost of outsourcing of surgical work to private providers to meet the 18 week target is £0.1m, the lowest it has been for some time.

Divisional analysis (I&E)	13/14 ANNUAL BUDGET £000'S	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav
Income (excl Divisional income)				
Contract income (incl MFF)	196,800	16,803	16,164	(639)
Non-rec income	5,500	1,372	1,372	0
High Cost Drugs	(8,126)	(670)	(670)	0
Excluded devices	(767)	(63)	(63)	0
Bad debt provision	(54)	0	0	0
Donated Assets	500	41	41	0
Other Income	8,581	669	669	(0)
Total income	**202,434**	**18,153**	**17,514**	**(639)**
Divisions (inc Divisional income)				
Surgical	60,537	4,849	4,961	(112)
18 Weeks outsourcing	1,339	132	132	0
Medical	43,663	3,671	3,761	(90)
WaCH	20,907	1,682	1,683	(1)
CSS	25,924	2,183	2,303	(119)
Clinical Services (Escalation)	3,042	407	420	(13)
Cross Divisional Savings	(1,019)	(64)		(64)
E&F	12,530	999	1,147	(148)
HR	2,414	198	197	1
CEO	1,288	74	73	1
Restructuring and PMO	2,300	50	50	0
Finance	3,021	252	250	1
Nursing	2,800	227	227	1
IMT	2,193	174	175	(0)
Corporate Affairs	1,095	91	70	21
Overheads	9,748	812	763	49
CQUINS costs	1,941	7	7	(0)
Unallocated reserves	(2,910)	1,483	359	1,124
Total Divisional I&E	**190,810**	**17,229**	**16,579**	**650**
Post EBITDA				
P/L on Asset Disposals	0	0	0	0
Interest Payable	280	23	23	1
Interest Receivable	(25)	(2)	(3)	1
Depreciation	3,381	282	282	0
Depreciation - donated	250	20	20	-0
PDC	7,466	574	574	0
unwinding of discounts	22	6	6	-0
Total post EBITDA	**11,374**	**902**	**901**	**2**
Net Surplus / (Deficit)	**250**	**21**	**34**	**13**
Technical Adjustment (impairment)	0	0	0	0
Technical Adjustment (don assets)	250	21	21	(0)
Adjusted Net Surplus / (Deficit)	**0**	**0**	**13**	**13**

Financial performance: Savings

Savings - Month 1	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
By Directorate					
Surgery	3,467	108	53	(55)	(51%)
Medicine	1,504	115	71	(44)	(38%)
WaCH	739	62	61	(0)	(0%)
CSS	1,813	117	30	(88)	(75%)
E&F	823	65	31	(34)	(52%)
Corporate	1,036	86	86	(1)	(1%)
Other	1,719	64	0	(64)	(100%)
Phasing to TDA plan		(367)		367	(100%)
TOTALS	**11,100**	**250**	**332**	**81**	**32%**



Key points

The savings plan for 13/14 is £11.1m.

The target for month 1 is £250k (as per the TDA plan), with £332k having been delivered.

However, the divisions have challenged themselves more, with savings phased in earlier than the plan. This is being reviewed for month 2, to determine whether savings can be delivered earlier than originally expected.

Shown also is the phased savings as per the TDA plan with clear stepped increases in the monthly savings figure at Q2 and Q3. The majority of these relate to the later phasing of reductions in temporary staff (lead in time for recruitment) and pay compression/permanent staff reductions. Also reductions in outsourcing are phased from August onwards.

Surrey and Sussex NHS Healthcare NHS Trust

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	1.9	1.7	(0.2)	(12%)	(0.3)	0.0	
Elective Inpatients	1.3	1.0	(0.3)	(25%)	(0.2)	(0.1)	
Elective (Other)	0.0	0.0	(0.0)	(85%)	(0.0)	(0.0)	
Non Electives Inpatients	5.9	6.0	0.0	1%	0.6	(0.6)	
Non Elective (Other)	0.5	0.5	(0.1)	(12%)	0.0	0.0	(0.1)
Outpatients	2.8	3.1	0.3	10%	0.3	(0.0)	
A&E	0.8	0.8	0.0	4%	0.0	0.0	
PbR: Other Items	1.0	1.1	0.1	12%	0.1	0.0	
Sub Total: PbR Categories	**14.3**	**14.1**	**(0.2)**	(1%)			
Local Category Income	2.6	2.5	(0.2)	(6%)	(0.1)	(0.1)	
Non-Recurrent Income	1.3	1.3					
Sub Total: Local Categories	**3.9**	**3.8**	**(0.2)**	(4%)	**(0.1)**	**(0.1)**	
Contract Provision	(0.4)	(0.8)	(0.4)				
Contract Profile Adjustment							
CQUIN	0.4	0.4	(0.0)				
Sub total: Contract Adjustments	**0.0**	**(0.4)**	**(0.4)**				
Total Contract Income	**18.2**	**17.5**	**(0.7)**	3%			
Non clin NHS SLA	0.1	0.1					
Education & training	0.6	0.6					
Cat C - Other	0.8	0.8	(0.0)	(5%)			
Total Other income	**1.5**	**1.5**	**(0.0)**	(3%)			
Total Income	**19.7**	**19.0**	**(0.7)**	(3%)			

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Elective Daycases	2,395	2,146	(249)	(10%)
Elective Inpatients	434	326	(108)	(25%)
Elective (Other)	91	14	(77)	(85%)
Non Electives Inpatients	3,543	3,573	30	1%
Non Elective (Other)	2,322	2,420	98	4%
Outpatients	20,635	22,725	2,090	10%
A&E	6,824	6,886	62	1%
PbR: Other Items	7,277	6,452	(825)	(11%)
Local Category Activity	60,321	56,955	(3,366)	(6%)

Contract Income

Contract income is recorded as £0.7m adverse to budget. A prudent approach has been adopted noting Contract signing on 13 May - a large contingency is included assuming CCG financial challenge, which may reverse as the first reconciliation is completed.

M01 saw significant operational pressure which has had two key effects: a) the Trust did not deliver its A&E 4 hour access target, a situation repeated in hospitals across the country, and; b) elective work was reduced, because of capacity problems.

The data describes some increase in A&E attendances above Plan, but it is relatively small and overall A&E attendances remain "flat" over the last few months. This overall position is not the issue - the issue is around the peaks and troughs of the flow into and out of the hospital.

Measurement of daily emergency department (ED) attendances against a rolling average shows clusters of daily volumes statistically greater than the average. That causes peaks in demand and if the fluctuations in daily discharges are mixed in the result in April has been a significant capacity problem for the hospital - beds fill preventing admissions, additional beds are opened (escalation) that are inherently inefficient and elective work is sacrificed so that emergency activity can be managed. The other feature of the data is the periodicity - as recovery begins another peak arose.

1) Elective activity, as described above is significantly down against the plan and the variance is entirely due to lower volumes.

2) Non-elective activity has a very small favourable income variance against the plan, and this is after the adjustment for the marginal rate for activity above 2008/09 levels. There is no reduction in non elective activity visible.

3) Outpatient activity is notably above the plan, which is being investigated. This is also causing a cost pressure for CSS Division (who run the booking services).

4) Income from A&E attendances is favourable to budget, with a lower favourable volume variance.

5) Overall, the local category items are only very slightly adverse against the full year financial plan.

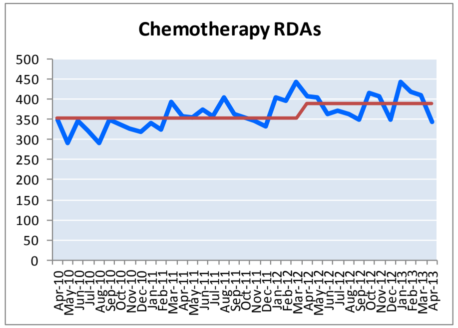
Other Income

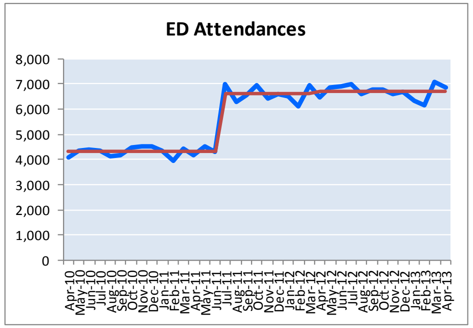
No specific issues - no variance at M01.

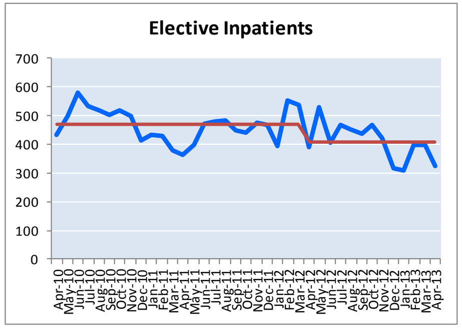
Activity Trends (all commissioners) from April 2010

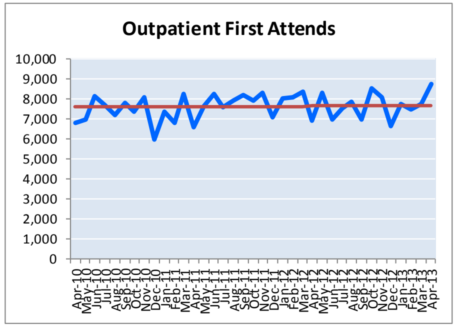
Key points

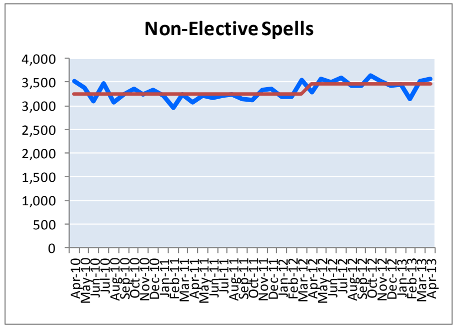
- Activity fluctuations in February 2013 are due to the number of days in the month.
- As described on the previous page ED attendances are, overall flat but the capacity problem in the Trust is due to clusters of daily peaks in attendances and discharge rates.
- Elective activity shows a reduction in volume against past trends, and the in-month increase against income and activity budget for outpatients also translates into an increase against the trend.

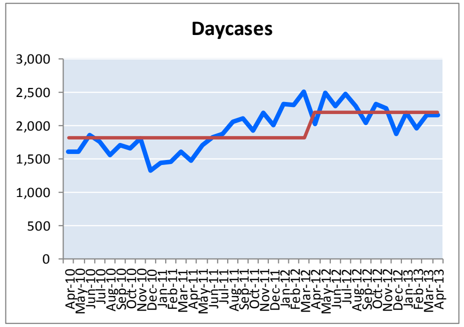


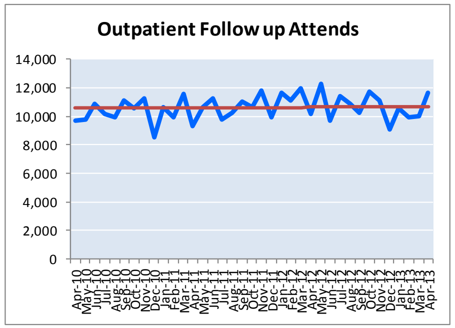


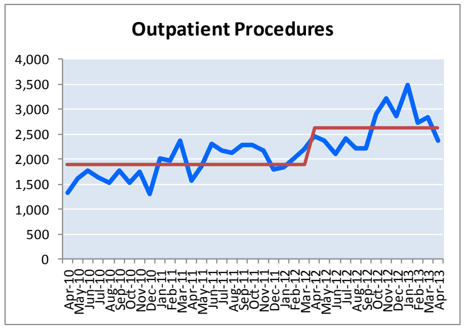


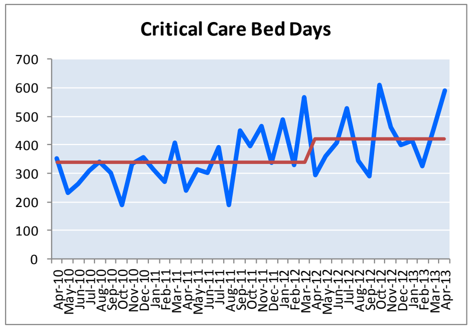












Risks and mitigation

	Risk reg no.	Risk rating (likelihood * impact)	Annual (risk)/ benefit (£m)	RAG	Notes	Action points	Who
Risks							
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
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			**(5.5)**				
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	(1.0)		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			**-**				
Surplus/(deficit) risk forecast			**(5.5)**				

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

- 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 Capital Resource Limit (CRL) for 2013-14 has yet to be confirmed, but the figure £17.3m has been submitted to the TDA (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 from the sale of Kibblewhite House).
- **Aged Receivables (Debtors)** – NHS PCT within term debt relates to NCA activity from the prior year; NHS CCG debt relates to East Surrey CCG for underpayment of the Month 1 Contract payment (which is expected to be paid shortly).
- 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 £78k. 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. Please note that the bad debt reserve was increased at M12 2012/13.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	APR	MAR	FEB
			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	294	126	73	12	7	217	130	556
NHS CCGS	0	302	0	0	0	302	0	0
NHS TRUST	56	260	136	28	19	442	611	432
OTHER DEBTORS	93	241	167	317	720	1,444	1,358	1,132
Total Debts	443	929	376	357	746	2,405	2,099	2,120

- **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: Apr-13

	Plan/ target	Actual cum Apr-13	Var (adv)/ fav	Actual cum Mar-13	Actual 12-13
BPPC: cum overall (value)	95%	93%	(2)%	84%	84%
BPPC: cum overall (volume)	95%	84%	(11)%	85%	85%

Statement of Financial Position at 30 Apr 2013

	30-Apr-13		31-Mar-13		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		106.7		106.7	-
Intangible Assets		2.1		2.2	(0.1)
Trade & Other Receivables		3.9		3.9	-
Assets Held for Sale		-		-	-
CURRENT ASSETS					
Inventories	3.2		3.3		(0.1)
Trade & Other Receivables	3.1		3.2		(0.1)
Prepayments and Accrued Income	10.9		6.7		4.2
Cash and Cash Equivalents	4.5		4.7		(0.2)
	21.7		17.9		3.8
CURRENT LIABILITIES					
Trade Payables	(13.1)		(8.2)		(4.9)
Other Payables	(0.8)		(0.8)		-
Accruals	(9.6)		(10.8)		1.2
Other Liabilities	(0.5)		(0.5)		-
Net Current Assets		(2.3)		(2.4)	0.1
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		14.3	(0.5)
I&E Reserve		(54.1)		(55.0)	0.9
I&E Current		-		0.4	(0.4)
Total Taxpayers Equity		**97.2**		**97.2**	**-**

Overall:
The statement of financial position shows relatively little movement from the final 2012/13 position, with the exception of payables and prepayments.

The cash position remains temporarily very healthy following end of year carry forward of unspent capital and the Trust's strategy to prepare for any non payment of cash if the CCG Contract was not signed.

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	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CASH INFLOWS													
Sla 13-14	13.64	13.64	20.30	15.86	16.46	15.86	15.86	16.46	15.86	15.86	16.46	15.86	**192.07**
Nca	0.33	0.35	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	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.12**
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	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.05	**12.99**
Cash Inflow (Non-NHS)	0.69	0.60	0.59	0.60	0.59	0.60	0.59	0.60	0.59	0.60	0.59	0.60	**7.24**
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**	**15.63**	**22.39**	**18.45**	**19.04**	**20.35**	**20.44**	**19.05**	**19.44**	**19.45**	**20.04**	**19.97**	**230.44**
CASH OUTFLOWS													
Non Pay Cash Flow	-7.41	-5.54	-6.54	-6.04	-6.04	-6.04	-6.04	-6.04	-6.05	-6.05	-6.48	-6.48	**-74.73**
Pay Cash Flow	-6.83	-11.52	-11.68	-11.52	-11.52	-11.68	-11.52	-11.52	-11.69	-11.52	-11.52	-11.69	**-134.20**
Capital Cash Outflow	-2.03	-0.65	-1.50	-1.42	-1.50	-1.50	-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**	**-17.71**	**-19.72**	**-18.98**	**-19.06**	**-21.25**	**-20.31**	**-18.81**	**-18.98**	**-19.32**	**-19.75**	**-22.33**	**-232.47**
NET CASH FLOW	-0.07	-2.08	2.67	-0.53	-0.02	-0.90	0.13	0.24	0.46	0.13	0.29	-2.36	-2.03
OPENING CASH BALANCE	4.63	4.56	2.48	5.15	4.62	4.61	3.71	3.84	4.09	4.54	4.68	4.97	4.63
CLOSING CASH BALANCE (Excl Over-Performance Balance)	**4.56**	**2.48**	**5.15**	**4.62**	**4.61**	**3.71**	**3.84**	**4.09**	**4.54**	**4.68**	**4.97**	**2.60**	**2.60**

Key points

The Trust met its 2012-13 year end cash target of £4.7m which it had agreed with the out going SHA.

The closing balance in April 13 remained strong due to the prepayment of Tax and NI in March 2013 (so no payment in April).

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.

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.