Management Board: 26 September 2012
Trust Board: 27 September 2012

Surrey and Sussex Healthcare NHS Trust

# Finance report M05 - August 2012

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An Associated University Hospital of Brighton and Sussex Medical School

Putting people first
Delivering excellent, accessible healthcare

# Finance report M05 – August 2012

**Summary:**

- **The Trust remains on plan at M05, with overperformance (more activity than planned) against contracts providing more income offset by the costs of delivering that activity. The forecast remains breakeven on the same basis.**
- **It would appear that CCG Contract activity plans were perhaps set too low and demand management schemes, although working locally to provide improved access, do not have the critical mass to set off elements of demand growth and impact on Trust attendances. The Trust is working to agree a recovery plan with Sussex CCGS to correct activity levels and bring the health system back towards financial balance. There is currently a risk that CCGs will not pay for overperformance.**
- **The full year savings plan of £10.0m is expected to deliver, but recovery measures in the Trust to control costs driven by activity have been necessary to ensure delivery – that is working, at M05 savings exceed the plan by £0.3m.**
- **The risks to the year end breakeven forecast are 1) the funding for the expected overperformance (if joint action within the health economy does not reduce activity even further); 2) operational overspends in excess of those forecast, and; 3) savings delivery (but noting that savings are in excess of plan at month 5).**
- **There are no immediate cash problems.**

**Action: The Board is asked to note and accept this report**

| | |
|---|---|
| **Trust objective:** | **Objective 4 – Become a Sustainable, Effective Organisation – live within our means both in year and sustainably into the future.**<br>Delivery of agreed financial budget and improve productivity in line with targets (deliver 4.8% savings target) |
| **Notes:**<br>**Legal:** | NHS Trust financial performance is subject to Schedule 5 of the NHS Act 2006 which provides the "breakeven duty". The Trust breached this in 2007/08 and has since received "permission to spend" by virtue of the loan settlement agreement issued by DoH in March 2008. 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:** | 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. |

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

Surrey and Sussex NHS
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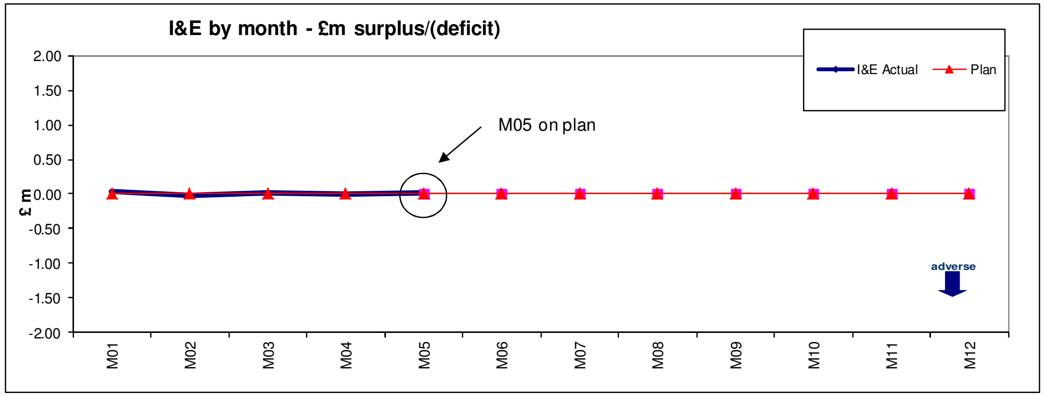
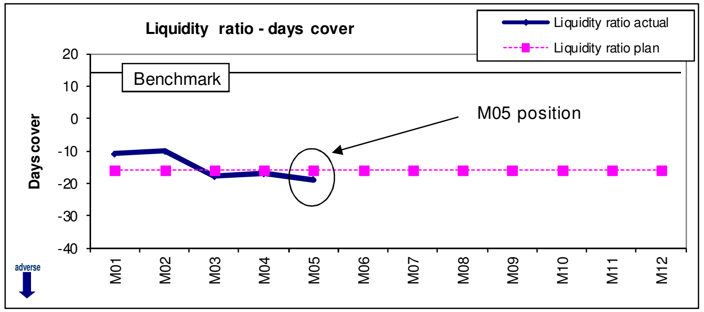
# Key financial indicators: M05 2012/13

| Key financial indicators at Month 5 | 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) | | (6.5) | | red |
| 5 Risk assessment fav/(adv) | | (6.1) | | red |
| 6 Cash position | | 5.4 | | green |
| 7 Liquidity ratio (days) | | -19 | | amber |
| 8 Capital outturn | 14.8 | 14.8 | 0.0 | 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% | 88% | (7)% | amber |
| 11 Performance rating in month | Performing | | | green |

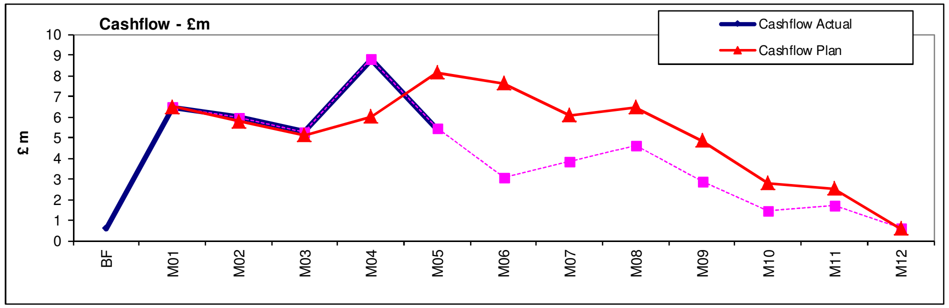
#NB: The performance rating is a Trust estimate




The Trust is on plan at M05, and delivering its savings plan. The year end forecast is breakeven, with overperformance on Contract income being offset by additional costs to deliver the activity. The Trust is in the process of agreeing a recovery plan with Sussex CCGs intended to bring the health economy back/closer to the original plan. There remains significant risk about CCGs funding Contract overperformance, and South of England SHA has escalated performance management of both the Sussex and Surrey health systems.
In summary, risks are from non delivery of the recovery actions in the health system, non-payment by Sussex CCGs for activity, delivery of savings (noting we are above plan YTD) and divisional overspends above forecast and relating to the activity pressures.




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. There are no cash problems currently, noting the receipt at the end of 2011/12 of £13.7m of operational PDC. There has been a correction to the cash balance after early receipt last month of due income and the forecast has been adjusted.

Surrey and Sussex NHS
Healthcare NHS Trust

# 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* | 88.0% | *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* | 55 | *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 M05 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.
- This will contribute to an overall performance rating in the month (so including quality of services, of "Performing" for the Trust, now that patient experience has turned green.

## "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 | 5.2 | -2.8 | -0.8 |
| EBITDA, % achieved of plan | 83.5 | 100.0 | -49.3 | -13.9 |
| Net return after financing % | 0.0 | 0.0 | -6.3 | -12.5 |
| I&E surplus margin % | 0.0 | 0.0 | -7.6 | -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 | 5 | 1 | 1 |
| Net return after financing % | 3 | 3 | 1 | 1 |
| I&E surplus margin % | 2 | 2 | 1 | 1 |
| Liquid ratio ***(with est 30 days WCF#)*** | 3 | 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 August 2012

Surrey and Sussex Healthcare NHS Trust

**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 | 83.6 | 84.9 | 1.3 | 1.6% | |
| **Contract Income - NHS** | **83.6** | **84.9** | **1.3** | 1.6% | |
| Impairment | | | - | | |
| Other operating income | 6.4 | 6.9 | 0.5 | 7.8% | |
| Non-rec income | | | - | | |
| Other income | | | - | | |
| **Total Income** | **90.0** | **91.8** | **1.8** | 2.0% | |
| **Expenses** | | | | | |
| Pay (incl agency) | (60.5) | (60.3) | 0.2 | 0.3% | |
| Non-Pay (excl Depreciation) | (25.3) | (27.5) | (2.2) | -8.5% | |
| | **(85.8)** | **(87.8)** | **(2.0)** | -2.3% | |
| **EBITDA (pre-exceptionals)** | **4.2** | **4.0** | **(0.2)** | -3.6% | |
| Contingency removed | | | - | | |
| | | | | | EBITDA margin |
| **EBITDA (post-exceptionals)** | **4.2** | **4.0** | **(0.2)** | -3.6% | 4.4% |
| | | | | | *% of income* |
| Profit/ Loss on Asset Disposals | | | - | | |
| Interest Receivable | - | - | - | | |
| Interest Payable | (0.1) | (0.1) | - | | |
| Depreciation | (2.8) | (2.6) | 0.2 | -7.1% | |
| Impairment/tech adj re donated deprec | - | - | - | | |
| PDC | (1.3) | (1.3) | - | 0.0% | |
| | **(4.2)** | **(4.0)** | **0.2** | -4.8% | |
| | | | | | YTD Op Perf: |
| **Net Surplus/ (Deficit)** | **-** | **-** | **0.0** | | 0.0% |
| | | | | | *(adv)/fav to plan* |

| **Memoranda** | | |
|---|---|---|
| Net reported surplus | - | |
| Plan surplus YTD | - | |
| **Variance (fav)/adv to target** | **-** | |
| Net surplus | - | |
| Non recurrent items | (6.5) | Underlying position |
| **Adjusted recurrent position** | **(6.5)** | (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 M05 £7.1m of non recurring funding has been assumed in the plan, and accrued in the actual position.

The Trust is on plan at M05, with income favourable to plan that balances costs adverse to plan, and the core of those costs driven by activity (notably non pay but also, despite pay slipping below budget now, agency costs to fill nursing vacancies that would have been lost if activity had reduced). Income assumptions include contingency for CCG financial challenge, which currently is only from Surrey (East Surrey CCG and Surrey Downs CCG).

The forecast is breakeven, again with Contract income offsetting additional costs to deliver the activity. The Trust is in the process of agreeing a recovery plan with Sussex CCGs intended to bring the health economy back, or at least closer, to the original financial plan balance through additional actions to make demand management schemes work better. There remains risk about CCGs funding Contract overperformance, and South of England SHA has escalated performance management of both the Sussex and Surrey health systems..

The year to date underlying position is a £6.5m deficit. That point is emphasised repeatedly to Trust Divisions, as on the ground financial control is feeling tight while activity levels are demanding additional resource.

The risk to income and the risk around the recurrent deficit are the reasons why the Trust has embarked on cost control measures internally, and also to protect its savings delivery, which is adversely affected by activity levels. That action is, after 3 months now, proving effective, and indeed savings are slightly ahead of the original profile. Nursing overspends are reducing and escalation was within budget this month. Agency spend reduced in August (spend year to date is now 25% higher than last year, 32% last month, but this is still 7.5% of the paybill). Even with this high agency level, pay has fallen slightly (0.3%) below budget (with some contribution from vacancies held in anticipation of the activity reduction offsetting the costs). Non pay, which is "more" of a direct cost with the activity is less easy to reduce and overspends are primarily from outsourcing, drugs and clinical supplies (notably in theatres).

Exception reports have been provided for two divisions.

# Comprehensive income (income & expenditure) recurrent position

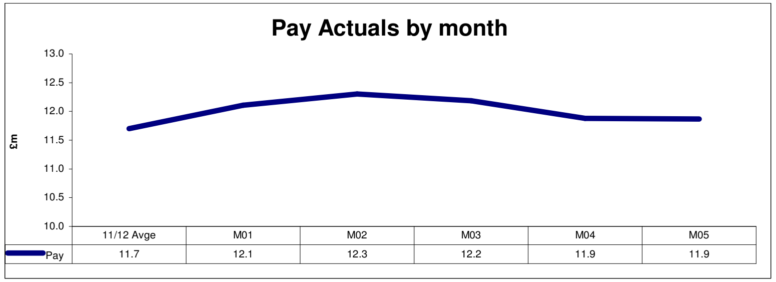
Surrey and Sussex NHS
Healthcare NHS Trust

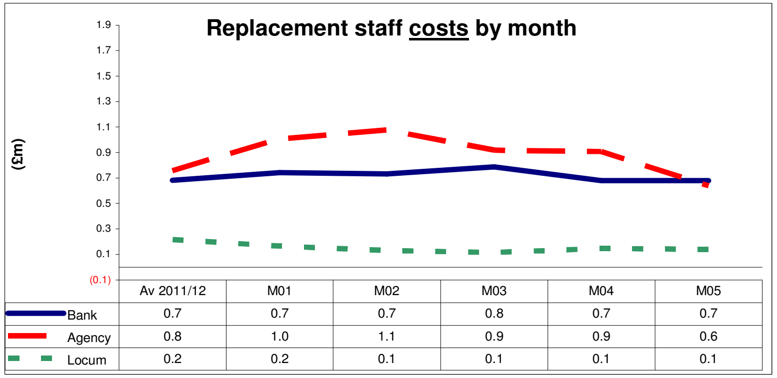
| Recurrent I&E Calculation | | | |
|---|---|---|---|
| | | YTD @ M05 | |
| | | £m | £m |
| **Net Surplus/(deficit)** | | | **0** |
| | | | |
| **Deduct N/R income** | i) non rec income support | 7.1 | |
| | ii) Stranded Costs | - | |
| | Total N/R income | | **(7.1)** |
| **Add N/R Spend** | i) Turnaround/ restructuring costs | 0.7 | |
| | ii) Stranded Costs | - | |
| | Total N/R spend | | 0.7 |
| **Deduct N/R savings** | i) | | |
| | ii) | | |
| | iii) | | |
| | iv) | | |
| | Total N/R savings | | |
| | | | |
| **Recurrent Surplus/(deficit)** | | | **(6.5)** |

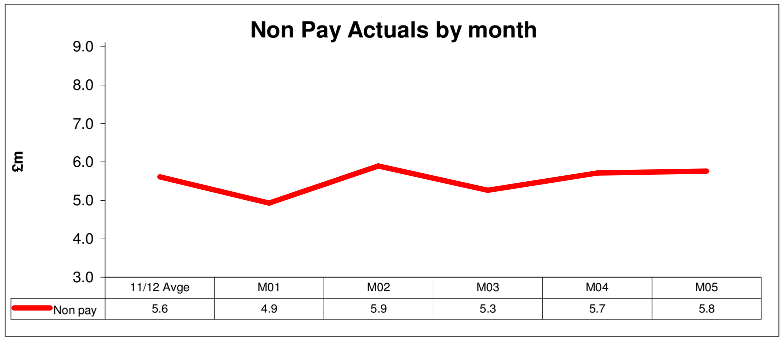
### Recurrent position

- 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 5 the underlying deficit is £6.5m, reflecting the phasing of the £15.9m non recurring income.
- The full year recurrent position is a £13.0m deficit.

# Financial performance – operating spend YTD




**Key points:**

1) Total Pay costs in August were in line with the previous month, and the chart describes a change from levels of spend earlier in the year, following agency costs (below). This describes effective recovery action to control costs against income risk. Recovery action includes work on the granularity of the agency cost estimate (and the accrual is reduced as a result). Pay costs are now dipping slightly below budget - but agency costs are 7.5% of the paybill (the average nationally is 3.5%) .

2) Agency costs remain higher than this time last year - but that has improved to 25% higher (32% at M04). Nursing agency costs fell because of reduced usage in ED together with the better analysis described above. Medical agency also saw an improvement.

3) Non pay costs: are 9% above budget, noting that activity describes a similar percentage increase (the overspend is mainly from drugs & clinical supplies driven by activity). Budget may be adjusted depending on recovery plans around theatres/surgical spend. £0.3m was spent on the outsourcing of elective work to other providers in August (£1.6m YTD).

| 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 | 60.5 | 60.3 | 0.2 | 0.3% |
| Drugs | 4.9 | 5.5 | (0.6) | -11.5% |
| Clinical supplies | 7.8 | 8.6 | (0.8) | -10.2% |
| General supplies | 0.8 | 0.9 | (0.1) | -18.0% |
| Establishment | 1.5 | 1.6 | (0.1) | -5.4% |
| Premises & utilities | 1.6 | 1.7 | (0.1) | -4.3% |
| Healthcare recharges | 4.8 | 5.0 | (0.2) | -4.1% |
| Fees & consultancy | 3.3 | 3.4 | (0.1) | -2.6% |
| Misc | 0.4 | 0.5 | (0.1) | -19.7% |
| Recharges | 0.2 | 0.2 | (0.0) | |
| **Total non pay spend** | 25.3 | 27.5 | (2.2) | -8.8% |
| **Total operating spend** | **85.8** | **87.8** | **(2.0)** | -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 | 8.9 | 8.1 | 0.8 | 9.1% |
| Other medical | 8.2 | 8.3 | (0.1) | -1.7% |
| Nursing & Midwifery | 21.2 | 21.7 | (0.5) | -2.5% |
| Healthcare assistants | 6.2 | 6.7 | (0.5) | -8.4% |
| AHPs | 6.5 | 6.3 | 0.2 | 3.7% |
| Directors & NEDs | 0.5 | 0.5 | 0.0 | 8.6% |
| Senior mgrs (8a+) | 1.9 | 2.0 | (0.1) | -7.3% |
| Admin & clerical | 6.6 | 6.6 | 0.0 | 0.8% |
| Estates & FM | 0.4 | 0.3 | 0.1 | 15.6% |
| **Total Pay spend** | **60.5** | **60.3** | **0.2** | 0.3% |

| Agency costs YTD to this month | 2011/12 YTD Actuals (£m) | 2012/13 YTD Actuals (£m) | Var fav/(adv) (£m) | |
|---|---|---|---|---|
| Agency costs | 3.6 | 4.5 | **(0.9)** | 25.1% |

# I&E – Divisional analysis

- This analysis provides a view of Divisional performance – please note that some income is incorporated in the Divisions' budgets and is not shown separately here.

## Key points

- Two Divisions continue to overspend above tolerance and are therefore red rated in the performance management process (CSS is green within the performance rating) – the costs of escalation were within budget this month reflecting the increased control and management of this budget. Two exception reports follow.

- Action is also taking place with Divisions over spend - spend control is necessary with the level of risk from income payment and risk to the savings plan, which is adversely affected by activity levels. That action is, after 3 months now, proving effective, and indeed savings are slightly ahead of the original profile. Nursing vacancies would have been helpful when activity reductions allowed ward closures (no redundancies), but currently are presenting a significant problem because of agency usage while activity remains higher than expected. Vacancies are now being recruited to and there are weekly management meetings to manage nursing spend.

- The outsourcing of surgical work to private providers to meet the 18 week target continued in M05 and now totals £1.6m

| Divisional analysis (I&E) | 12/13 ANNUAL BUDGET £000'S | YTD BUDGET £000's | YTD ACTUAL £000's | YTD VARIANCE (£000) (adv)/fav |
|---|---|---|---|---|
| **Income (excl Divisional income)** | | | | |
| Contract income (incl MFF) | 180,057 | 76,424 | 77,767 | 1,343 |
| High Cost Drugs | (7,015) | (2,998) | (3,257) | (259) |
| Excluded devices | (697) | (295) | (372) | (76) |
| Bad debt provision | (81) | (34) | (34) | 0 |
| Donated Assets | 235 | 98 | 91 | (7) |
| Non-rec income | 15,900 | 7,131 | 7,131 | 0 |
| Other Income | 7,954 | 3,314 | 3,539 | 225 |
| **Total income** | **196,352** | **83,641** | **84,866** | **1,225** |
| **Divisions (inc Divisional income)** | | | | |
| Surgical | 54,953 | 23,128 | 23,533 | (405) |
| 18 Weeks outsourcing | 1,936 | 1,264 | 1,626 | (362) |
| Medical | 43,394 | 18,133 | 18,430 | (297) |
| WaCH | 21,643 | 8,935 | 8,891 | 44 |
| CSS | 26,775 | 11,330 | 11,465 | (134) |
| E&F | 12,902 | 5,372 | 5,348 | 24 |
| HR | 2,687 | 1,171 | 1,147 | 24 |
| CEO | 1,493 | 691 | 685 | 6 |
| Restructuring and PMO | 3,000 | 665 | 665 | (0) |
| Finance | 3,107 | 1,323 | 1,303 | 21 |
| Nursing | 3,315 | 1,393 | 1,370 | 23 |
| IMT | 2,320 | 981 | 976 | 5 |
| Clinical Services (Escalation) | 2,051 | 987 | 1,339 | (352) |
| Overheads | 9,579 | 4,006 | 3,990 | 16 |
| Other Central | (100) | (42) | 21 | (63) |
| CQUINS costs | 500 | 13 | 13 | 0 |
| Unallocated reserves | (3,897) | 34 | (1) | 35 |
| **Total Divisional I&E** | **185,658** | **79,385** | **80,800** | **(1,416)** |
| **Post EBITDA** | | | | |
| P/L on Asset Disposals | -95 | 0 | 0 | 0 |
| Interest Payable | 288 | 124 | 124 | (1) |
| Interest Receivable | -18 | (8) | (11) | 4 |
| Depreciation | 7,147 | 2,736 | 2,530 | 206 |
| Depreciation - donated | 235 | 98 | 91 | 7 |
| PDC | 3,100 | 1,292 | 1,281 | 10 |
| unwinding of discounts | 37 | 15 | 10 | 6 |
| **Total post EBITDA** | **10,694** | **4,257** | **4,024** | **232** |
| **Net Surplus / (Deficit)** | **0** | **(0)** | **41** | **41** |

# Exception report Surgery

**Surgery DIVISION: £779k adverse to budget**

The financial position for Surgery is £779k adverse year to date and £525k adverse in month.

***Summary of Variance***:

- Outsourcing is £362k adverse to budget as at the 31st August 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.
- Theatres has a £166k adverse variance in month and £526k year to date. Non-pay is the pressure for Theatres with increased activity from less cancelled lists and weekend Trust Health lists. Theatres has demonstrated an increased throughput of activity at reduced costs and the over spend is driven by a 22% increase in activity not being cancelled or sent externally

**Actions**:

- Outsourcing: Work continues through the Theatre improvement group to maximise theatre utilisation and therefore minimise the need for outsourcing. The theatre template is also being reconfigured from 1 October to help address capacity gaps.
- Through job planning any underlying capacity gaps are also being confirmed and addressed. In the case of General Surgery, a new Upper GI Consultant is in the process of being recruited and options are being reviewed for T&O.
- Theatres: As theatre efficiency improves, and more work can be done theatre spend will increase but outsourcing should reduce. The Productive Operating Theatre project aim is to maximise contribution per procedure to mitigate part of the activity driven costs.
- **[CFO note: the activity driven nature of theatre spend is acknowledged within the Trust, and the two Assistant Directors responsible, respectively for theatres and the rest of Surgery are providing a forecast and recovery plan to minimise the financial impact. Once this is done, and accepted, budget may be allocated if income is payable by CCGs].**

Areas for review:

- Improve theatre utilisation to reduce impact of fixed costs
  - Specialty based reports
  - Pathway work-stream
- Reduce pay cost
  - restructuring of the senior team taking place
  - sickness absence rates targeted, with on-going action
- Reduce non-pay cost
  - Reduce variation in equipment used across specialties
  - Managed service and procurement work-streams

# Exception report - Medicine

**MEDICAL DIVISION: £297k adverse to budget**

- The financial position for the Medical Division at Month 5 is £297k overspent YTD against budget.
- ***The ytd adverse variances are***:
  - Nursing spend is £166k adverse ytd. Nursing specials accounts for £156k of this. There was a noticeable reduction in the agency hours used this month.
  - Pharmacy drugs including FP10s £84k ytd which relates to increased activity
  - Out of hours CT scans is overspent by £41k Ytd.

**Actions**:

- ***Nurse specific actions:***
  - All specials continue to be reviewed by Chief Nurse
  - Ward rotas are being reviewed at weekly meetings led by Directors.
- ***Medical staffing:***
  - Review of locum usage in all areas
  - Review of GP practice based Medics and associated income sources being investigated with medical staffing
  - Review of Medical agency rates and associated accruals to be done
  - All short notice locums reviewed by AD, generally only short notice night shifts approved to cover sick leave.
- ***Other actions:***
  - Oncology invoices - additional funding given this month but this may be adjusted if invoices are challenged
  - Savings to be allocated out to cost centres and risks taken forward.
  - Costs relating to unbudgeted Costs for equipment for Bariatric patients have been moved out of the Division but future costs need to be identified to Finance by managers for recharge
  - Excluded devices and services – timely inclusion for income receipt

# Financial performance: Savings

| Savings at Month 5 | Annual Target £000's | YTD target £000's | YTD actuals £000's | Variance at Month £000's | Variance Fav/(adv) % |
|---|---|---|---|---|---|
| By Programme Workstream | | | | | |
| Administration Structure | 659 | 103 | 90 | (13) | (13%) |
| Back Office redesign | 1,069 | 334 | 328 | (6) | (2%) |
| Clinical Service Redesign | 757 | 255 | 255 | 0 | 0% |
| Estate Rationalisation | 290 | 68 | 50 | (18) | (27%) |
| Job Planning and Medical Productivity | 930 | 142 | 69 | (73) | (51%) |
| Medicines Management | 595 | 198 | 187 | (11) | (5%) |
| Nursing Skillmix | 244 | 26 | 10 | (16) | (61%) |
| Pathology | 309 | 76 | 76 | 0 | 0% |
| Procurement / Non Pay | 1,319 | 285 | 278 | (7) | (2%) |
| Other | 3,279 | 903 | 1,341 | 437 | 48% |
| Theatre Utilisation | 305 | 25 | 0 | (25) | (100%) |
| UNALLOCATED | 293 | 0 | 0 | 0 | 0% |
| **TOTALS** | **10,049** | **2,417** | **2,685** | **268** | 11% |
| By Division | | | | | |
| Surgery | 1,204 | 163 | 93 | (70) | (43%) |
| Medicine | 843 | 231 | 215 | (16) | (7%) |
| WaCH | 308 | 88 | 88 | 0 | 0% |
| CSS | 1,144 | 284 | 282 | (2) | (1%) |
| E&F | 521 | 140 | 140 | 0 | 0% |
| Corporate | 5,211 | 1,227 | 1,590 | 363 | 30% |
| **Sub total** | **9,230** | **2,132** | **2,407** | **275** | 13% |
| Procurement savings centrally held | 526 | 285 | 278 | (7) | (2%) |
| Unallocated/Trust wide savings | 293 | | 0 | 0 | 0% |
| **TOTALS** | **10,049** | **2,417** | **2,685** | **268** | 11% |

**Key points**

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

Despite that, at Month 5 the Trust has delivered £2.4m of savings, a favourable variance to the year to date plan of £0.3m and a straight extrapolation projects delivery of nearly 60% 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.

It is not all good news though, and with activity levels hitting savings adversely, particularly in the Surgical Division (theatres is now becoming the main cost pressure) and in terms of agency usage (which is higher than that last year) the Trust is operating significant cost controls on non pay, vacancy recruitment and with weekly nursing performance management.

Contingency savings are also now being identified and the Divisions have now completed actions to secure an additional £0.8m of savings, leaving a residual £0.3m to find which is now being pursued.

The risk to the saving plan full year delivery is estimated at £0.6m being the red rated risk plans .

# Financial performance: income and activity

| Income | YTD Budget (£m) | YTD Actuals (£m) | YTD Var fav/(adv) (£m) | YTD Var % | YTD Var VOLUME fav/(adv) | YTD Var PRICE fav/(adv) |
|---|---|---|---|---|---|---|
| Contract Income | | | | | | |
| PbR: Elective activity | 15.0 | 16.3 | 1.3 | 9% | (0.6) | 1.9 |
| PbR: Non Elective Inpatients | 28.8 | 31.3 | 2.5 | 9% | 2.1 | 0.4 |
| PbR: Outpatients | 13.6 | 13.4 | (0.2) | (1%) | (0.3) | 0.1 |
| A&E Attendance | 3.7 | 3.8 | 0.1 | 1% | 0.0 | 0.0 |
| PbR: Other Items | 0.0 | 0.4 | 0.4 | | 0.4 | 0.0 |
| **Sub total: PbR Income** | **61.2** | **65.2** | **4.0** | **7%** | 1.6 | 2.4 |
| Non PbR Income | 15.9 | 15.1 | (0.8) | (5%) | (1.2) | 0.4 |
| Non-Recurrent Income | 7.3 | 7.3 | 0.0 | 0% | | |
| **Sub total: Other Contract Income** | **23.2** | **22.4** | **(0.8)** | **(3%)** | (1.2) | 0.4 |
| Contract Provision | (2.6) | (3.9) | (1.2) | (5%) | | |
| Contract Profile Adjustment | 0.0 | 0.0 | 0.0 | 0% | | |
| CQUIN | 1.8 | 1.2 | (0.6) | 0% | | |
| **Sub total: Contract Adjustments** | **(0.8)** | **(2.7)** | **(1.9)** | **(3%)** | | |
| **Total Contract Income** | **83.6** | **84.9** | **1.3** | **2%** | | |
| Non clin NHS SLA | 1.5 | 1.5 | 0.0 | 0% | | |
| Education & training | 2.5 | 2.5 | 0.0 | 0% | | |
| Cat C - Other | 2.4 | 2.9 | 0.5 | 21% | | |
| **Total other income** | **6.4** | **6.9** | **0.4** | 6% | | |
| **Total Income** | **90.0** | **91.8** | **1.8** | **2%** | | |

| Activity | YTD Budget (units) | YTD Actuals (units) | YTD Var fav/(adv) (units) | YTD Var fav/(adv) (units) |
|---|---|---|---|---|
| Contract Activity | | | | |
| PbR: Elective activity | 14,079 | 13,489 | (590) | (4%) |
| PbR: Non Elective Inpatients | 15,960 | 17,101 | 1,141 | 7% |
| PbR: Outpatients | 101,759 | 99,260 | (2,499) | (2%) |
| A&E Attendance | 33,581 | 33,797 | 216 | 1% |
| PbR: Other Items | 0 | 6,529 | 6,529 | 100% |
| Non PbR Activity | 375,191 | 347,026 | (28,165) | (8%) |
| Non-Recurrent Activity | | | | |

**Contract Income**
Overall there is a 2% favourable performance against the financial plan, which is consistent with the previous month. Key points are as follows:

1) There is a £2.5m (9%) "favourable" variance on non elective activity income, even after the application of the emergency marginal tariff of 30% above the 2008/09 baseline. This is all volume and describes the non-delivery of admission avoidance schemes;

2) Elective activity provides a £1.3m (also 9%) favourable variance against plan. This is mainly within inpatients, daycases are close to plan and the variance is a price variance because of overperformance on higher price activity, noting underperformance on lower price activity (like endoscopies).

3) A&E attendances are flat, but above the plan (again no delivery of admission avoidance).

4) Non PbR activity is adverse to plan mainly because of data recording of community midwifery attendances and reduced activity coming into neonatal beds.

The data here includes contingency for anticipated fines for performance and data quality changes, that will not be paid for. There are three disputed areas with NHS Surrey from the M01 reconciliation process, none of which have been resolved. The disputes concern i) a claim for local prices for minors activity which was omitted from the signed contract, ii) differing calculations of the non elective threshold and iii) a claim for a deduction for inappropriate readmissions in lieu of the uncompleted audit for same. The non elective threshold deduction (reducing payment to 30% of tariff for activity above 2008/09 levels provides a loss of £2.192m at M05.

The I&E summary page describes the issues connected with the level of so stated "favourable" non elective performance, and the risk it provides. The Trust has, at the time of writing, partially agreed a recovery plan with Crawley CCG to recover the admission avoidance schemes, but with only (effectively) 6 months of the year to go, and in winter, the impact will not bring the activity levels back to plan. South of England SHA is now involved in escalated action with the Sussex, and recently Surrey, health systems.

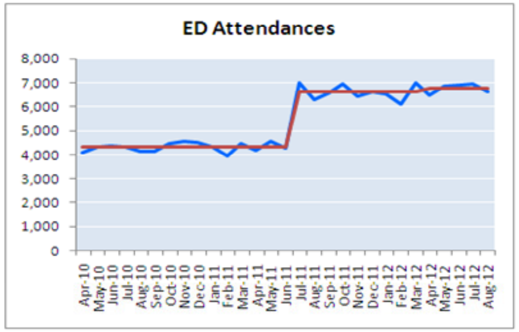
Other income
The £0.4m favourable variance is due to higher levels of RTA and Deanery income than expected.

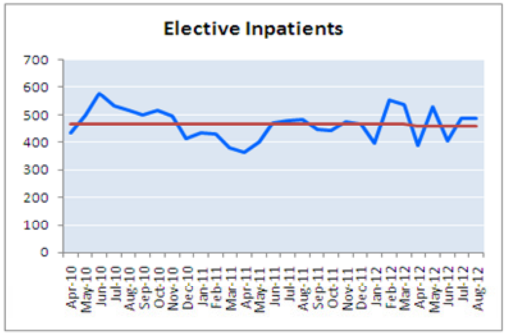
# Activity Trends (all commissioners) from April 2010

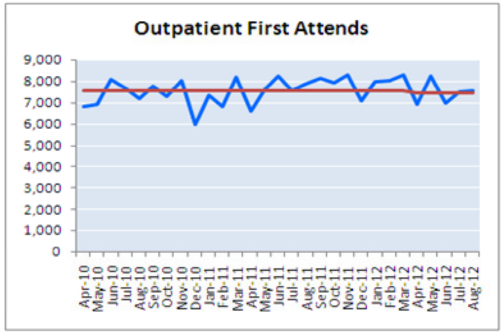
**Key points:**

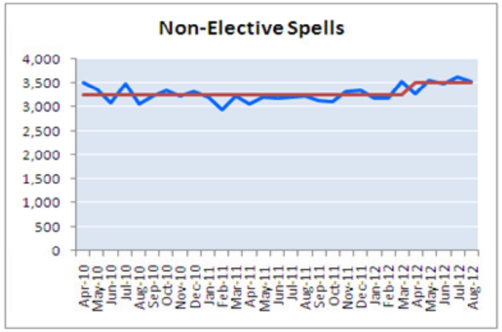
- The increasing non elective activity level is a demonstrable trend and recovery plan action has now been escalated with CCGs.
- The key is A&E attendances, which must reduce for non elective admissions to reduce.
- Critical care activity remains very variable, because of single individuals requiring long lengths of stay, but on an upward trajectory. That trajectory is recognised by the Critical Care Network.
- Elective activity is sufficient to deliver 18 weeks.

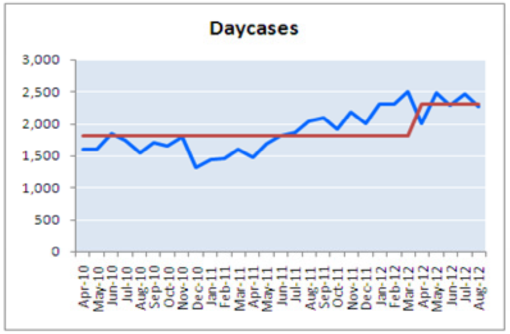
- **Activity trends for April 2010 to July 2012– The trend line describes the average from April 2010 to March 2012 compared with the current contract year**
- **None of these charts describe a continuous downward trend in activity, and most describe an increase in activity when comparing the two periods**

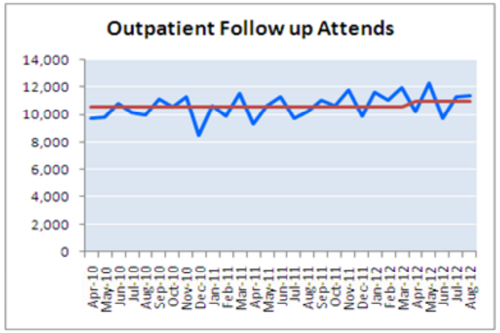


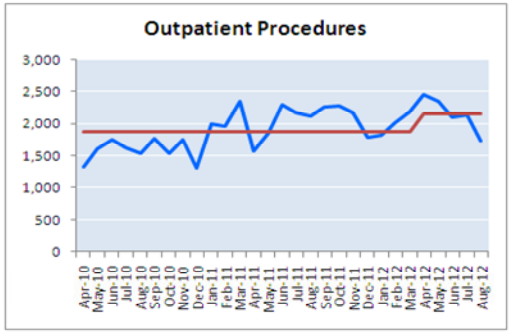



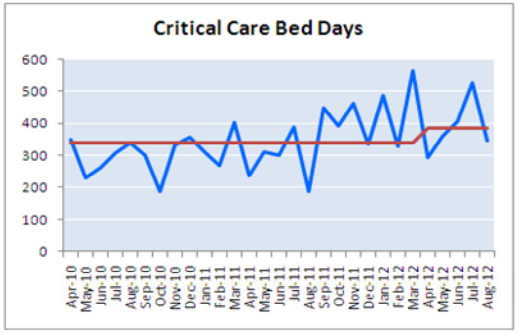



# Risks and mitigation

| | Risk reg no. | Risk rating | Annual (risk)/ benefit (£m) | RAG | Notes | Action points | Who |
|---|---|---|---|---|---|---|---|
| **Income:** | | | | | | | |
| CQUIN non payment | | removed | - | | The underrecovery of CQUIN income is now included within the forecast | | |
| Contract overperformance | | 3*4=12 | (7.7) | | This is the extrapolated overperformance against the Sussex contract after the assumed impact of the recovery plan. | Continue to work with the Sussex CCG's to resolve the overperformance | Chief Financial Officer |
| Contract challenges | | | 0.0 | | The forecast now includes the high level of challenge form NHS Surrey, and the treatment here is to describe potential benefit if the Trust position is held. | Complete reconciliation process with PCTs and manage challenges | Chief Financial Officer |
| Contract challenges mitigation | | | 2.4 | | Successful resolution of the contract challenges in the Trust's favour would result in a benefit agisnt forecast. 75% resolution has been assumed | Complete reconciliation process with PCTs and manage challenges | Chief Financial Officer |
| **Net income risk** | | | **(5.3)** | | | | |
| **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 have reduced from month 4 with that mitigation. | i) Delivery of savings managed through perf improvement process (ongoing)<br>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 | (1.2) | | Divisional overspends and escalation pressures resulting from increased activity - this applies in particular to theatres and surgical outsourcing | 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** | | | **(0.2)** | | | | |

## 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.

# 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 applied for Capital Resource Limit of £14.8m to be funded by £7.0m depreciation, £0.5m of Kibblewhite disposal income, £1.3m of undershoot from 2011-12 capital plan and £6.0m SHA funding (approved in June) for theatres refurbishment, site modernisation and LINACs project.
- **Aged Receivables (Debtors)** – Overdue trade receivables fell slightly from July as PCT invoices were settled. The Trust is prioritising the collection of over 90 day NHS debt as directed by the SHA, by the end of Q2. 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.

| | Within term | 1-30 days | 1 month over due | 2 month over due | 3 month over due | AUG | JUL | JUN |
|---|---|---|---|---|---|---|---|---|
| | | | 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 | 463 | 149 | 130 | 449 | 43 | 771 | 898 | 1,438 |
| NHS TRUST | 68 | 259 | 158 | 54 | 40 | 512 | 546 | 413 |
| OTHER DEBTORS | 68 | 121 | 78 | 84 | 598 | 881 | 848 | 811 |
| Total Debts | 599 | 529 | 366 | 587 | 681 | 2,164 | 2,292 | 2,662 |

- **Payables (Creditors) -** August position is slightly better than July. 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: Aug 12

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

# Statement of Financial Position at 31 Aug 2012

| | 31-Aug-12 | | 31-Jul-12 | | Movement |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **NON CURRENT ASSETS** | | | | | |
| Property, Plant and Equipment | | 107.7 | | 106.7 | 1.0 |
| Intangible Assets | | 2.0 | | 1.9 | 0.1 |
| 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 | 3.2 | | 3.1 | | 0.1 |
| Prepayments and Accrued Income | 10.2 | | 8.8 | | 1.4 |
| Cash and Cash Equivalents | 5.2 | | 8.7 | | (3.5) |
| | 21.9 | | 23.9 | | (2.0) |
| **CURRENT LIABILITIES** | | | | | |
| Trade Payables | (14.7) | | (15.9) | | 1.2 |
| Other Payables | (2.9) | | (2.8) | | (0.1) |
| Accruals | (11.7) | | (11.5) | | (0.2) |
| Other Liabilities | (0.8) | | (0.8) | | - |
| **Net Current Assets** | | (8.2) | | (7.1) | (1.1) |
| **Total Assets Less Current Liabilities** | | **106.4** | | **106.4** | **-** |
| **NON-CURRENT LIABILITIES** | | | | | |
| Borrowings | | (7.9) | | (7.9) | - |
| Deferred income | | (3.4) | | (3.4) | - |
| Provisions | | (1.2) | | (1.2) | - |
| **Total Net Assets Employed** | | **93.9** | | **93.9** | **-** |
| **TAX PAYERS EQUITY** | | | | | |
| PDC | | 134.5 | | 134.5 | - |
| Revaluation Reserve | | 14.3 | | 14.3 | - |
| I&E Reserve | | (54.9) | | (54.9) | - |
| **Total Taxpayers Equity** | | **93.9** | | **93.9** | **-** |

**Assets Held For Sale** – This is a nursing home (Kibblewhite House). Negotiations continue with a potential buyer with completion anticipated in Nov.

**Working Capital** – Fall in cash is partially offset by an increase in SLA income accrual which will be invoiced once discussions with PCTs have been finalised.

**Liquidity** – (An indicator of the working capital position). The liquidity ratio is minus 19 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). Repayments are made in Sept and Mar, each year, in line with the agreed loan schedule.

**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 | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| **CASH INFLOWS** | | | | | | | | | | | | | |
| Cash Inflow (NHS) | 18.76 | 18.15 | 16.39 | 21.23 | 16.42 | 16.89 | 17.74 | 18.16 | 16.38 | 16.18 | 18.16 | 18.42 | **212.87** |
| Cash Inflow (Non-NHS) | 0.63 | 0.58 | 0.65 | 0.92 | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | 0.58 | 0.63 | **7.47** |
| Sale of KibbleWhite | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 | **0.50** |
| External Capital Funding (SHA) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.09 | 1.00 | 1.00 | 0.00 | 1.00 | 1.00 | 1.00 | **6.09** |
| | | | | | | | | | | | | | |
| **TOTAL CASH INFLOWS** | **19.39** | **18.73** | **17.04** | **22.15** | **17.00** | **18.56** | **19.32** | **20.24** | **16.96** | **17.76** | **19.74** | **20.05** | **226.94** |
| | | | | | | | | | | | | | |
| **CASH OUTFLOWS** | | | | | | | | | | | | | |
| Non Pay Cash Flow | -6.04 | -7.37 | -6.01 | -6.34 | -7.54 | -5.78 | -5.72 | -6.58 | -5.58 | -5.58 | -5.95 | -5.67 | **-74.16** |
| Pay Cash Flow | -10.09 | -11.36 | -11.15 | -11.19 | -11.21 | -11.21 | -11.27 | -11.21 | -11.21 | -11.27 | -11.21 | -11.21 | **-133.59** |
| Capital Cash Outflow | -0.97 | -0.47 | -0.61 | -1.11 | -1.60 | -1.76 | -1.61 | -1.67 | -1.86 | -2.39 | -2.26 | -2.16 | **-18.47** |
| PDC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -1.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -1.65 | **-3.30** |
| Loan Repayments (int + principal) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -0.50 | **-1.00** |
| | | | | | | | | | | | | | |
| **TOTAL CASH OUTFLOWS** | **-17.10** | **-19.21** | **-17.77** | **-18.64** | **-20.35** | **-20.90** | **-18.60** | **-19.46** | **-18.65** | **-19.24** | **-19.42** | **-21.19** | **-230.53** |
| | | | | | | | | | | | | | |
| **NET CASH FLOW** | 2.29 | -0.48 | -0.73 | 3.51 | -3.35 | -2.34 | 0.72 | 0.78 | -1.69 | -1.48 | 0.32 | -1.14 | -3.59 |
| | | | | | | | | | | | | | |
| **OPENING CASH BALANCE** | 4.19 | 6.48 | 6.00 | 5.27 | 8.78 | 5.43 | 3.09 | 3.81 | 4.59 | 2.90 | 1.42 | 1.74 | 4.19 |
| | | | | | | | | | | | | | |
| **CLOSING CASH BALANCE** | **6.48** | **6.00** | **5.27** | **8.78** | **5.43** | **3.09** | **3.81** | **4.59** | **2.90** | **1.42** | **1.74** | **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.

Inflows relating to over-performance on Contract payments (cash payments are different from the accrued I&E position) are phased to be received after each quarter.

Additional SHA capital resource is included within the cash flow.

[END]