Management Board: 25 July 2012
Board: 3 August 2012

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M03 - June 2012

Presented by: **Paul Simpson (Chief Financial Officer)**
Author: **Lorraine Clegg (Deputy Chief Financial Officer)**

An Associated University Hospital of Brighton and Sussex Medical School

Putting people first
Delivering excellent, accessible healthcare

Finance report M03 – June 2012

Summary:

- **The Trust is on plan at M03, with income favourable to plan that balances costs adverse to plan, and the core of those costs driven by activity.**
- **The forecast is breakeven, but the position gives concern, as the high activity level is not what the health system (including the Trust) plan expects and provides financial risk in respect of the capped contract with Sussex CCGs.**
- **Apart from the capped contract, the overspending provides a risk as does savings non delivery (noting that currently savings are on Plan). The overspend within the nursing and escalation budgets is being mitigated and managed through the performance review process.**
- **The full year savings plan is £10.0m – at M03 budgeted savings have been delivered. The savings plan has been reviewed and mitigations for red rated risks (totalling £1.8m) are now largely scoped, but not in place.**
- **The Trust and local CCGs have resolved the "contract gap", although SHA sign off is awaited.**
- **There are no immediate cash problems.**

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

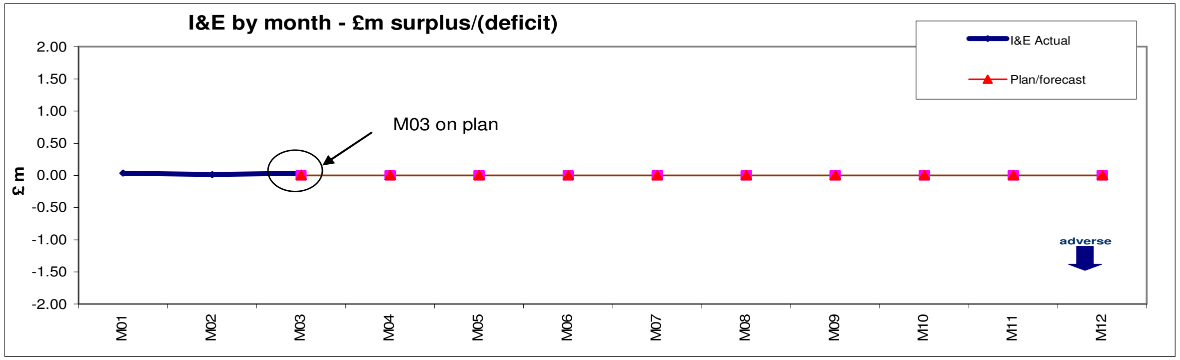
Trust objective:	**Objective 4 – Become a Sustainable, Effective Organisation – live within our means both in year and sustainably into the future.** Delivery of agreed financial budget and improve productivity in line with targets (deliver 4.8% savings target)
Notes: **Legal:**	NHS Trust financial performance 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.

Contents

Key financial indicators: M03 2012/13

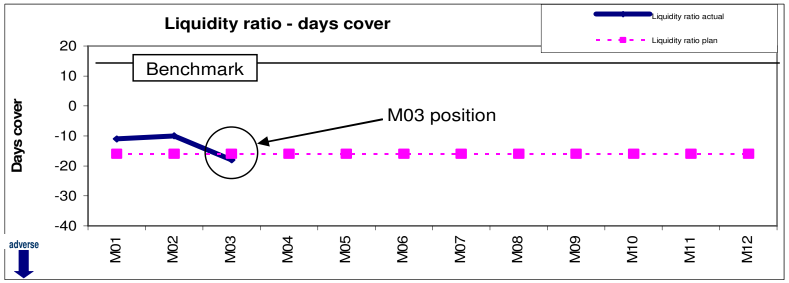
	Key financial indicators at Month 3	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1	In month surplus/(deficit)	0.0	0.0	0.0	green
2	YTD surplus/(deficit)	0.0	0.0	0.0	green
3	Forecast surplus/(deficit)		0.0		green
4	YTD recurrent surplus/(deficit)		(4.5)		red
5	Risk assessment fav/(adv)		(6.1)		red
6	Cash position		5.3		green
7	Liquidity ratio (days)		-18		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%	86%	(9)%	amber
	BPPC: cum overall (value)	95%	87%	(8)%	amber
11	Performance rating in month#	Performing			green

#NB: The performance rating is a Trust estimate

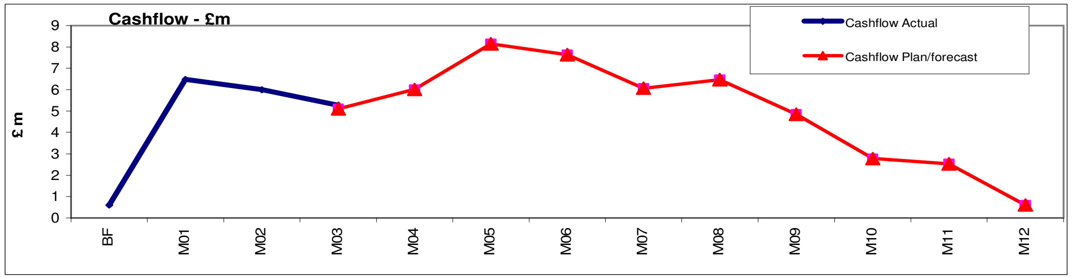


The Trust is on plan at M03, and forecasts a full year breakeven. The position is however based on higher levels of activity than the health system plan expected - that gives concern, and provides financial risk to the Trust in respect of the capped contract with Sussex CCGs (neither should the income position suggest that the increased spend is acceptable, which provides additional risk).

These risks replace the contract gap risk (now resolved) - other risks are the delivery of the challenging £10.0m savings plan and the continuation of overspends now being seen in nursing budgets and medical agency costs, which are subject to action through the Trust's performance management process.



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.

NHS Performance Framework: financial performance rating

Surrey and Sussex Healthcare NHS Trust NHS

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

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	85.0%	*2.5%*	2	0.05	amber
	Current Ratio	0.9	*5%*	2	0.10	amber
	Receivable days	6	*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

Overriding rules	
1. Forecasting a year end deficit less than or equal to plan	*max 2*
2. Forecasting a year end deficit greater than plan	*max 1*
3. YTD deficit adverse to plan by >2% of FY income or £5m	*max 2*
4. Unable to make loan repayment	*max 1*

Performance Categories	
Performing	3
Performance Under review	2
Underperforming	1

Performance framework metrics (left)

- At M03 the unvalidated Trust score is“Performing”, despite the underlying position.

Monitor risk rating (below)

Summary Monitor ratings	M3
EBITDA Margin	1
EBITDA % Achieved	1
ROA	1
I&E Surplus	1
Liquid Ratio	2
Weighted Average	1
OVERALL RISK RATING *	**1**

- The Monitor financial risk rating is a score of “1”, using the normalised position.

Contents

Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 30 June 2012

Surrey and Sussex NHS 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	49.8	50.7	0.9	1.8%	
Contract Income - NHS	**49.8**	**50.7**	**0.9**	1.8%	
Impairment			-		
Other operating income	4.4	4.5	0.1	2.3%	
Non-rec income			-		
Other income			-		
Total Income	**54.2**	**55.2**	**1.0**	1.8%	
Expenses					
Pay (incl agency)	(36.1)	(36.6)	(0.5)	-1.4%	
Non-Pay (excl Depreciation)	(15.5)	(16.1)	(0.6)	-3.9%	
	(51.6)	**(52.7)**	**(1.1)**	-2.1%	
EBITDA (pre-exceptionals)	**2.6**	**2.5**	**(0.1)**	-3.8%	
Contingency removed			-		EBITDA margin
EBITDA (post-exceptionals)	**2.6**	**2.5**	**(0.1)**	-3.8%	4.5% *% of income*
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.1)	(0.1)	-		
Depreciation	(1.7)	(1.6)	0.1	-5.9%	
Impairment/tech adj re donated deprec	-	-	-		
PDC	(0.8)	(0.8)	-	0.0%	
	(2.6)	**(2.5)**	**0.1**	-3.8%	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	(4.5)	Underlying position
Adjusted recurrent position	**(4.5)**	(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 M03 £4.8m of non recurring funding has been assumed in the plan, and accrued in the actual position.

The Trust is on plan at M03, with income favourable to plan that balances costs adverse to plan, and the core of those costs driven by activity (notably agency costs supporting escalation beds and the need to use agency to fill nursing vacancies while activity remains high).

The forecast is breakeven, but the position gives concern, as the activity is not what the health system plan expects and provides financial risk (over half the income variance) to the Trust in respect of the capped contract with Sussex CCGs (neither should the income position suggest that the increased spend is acceptable).

The differences to health system (nb: counting the Trust in that grouping) expectations remain i) an increase in the average number of non elective spells (activity) over the past few months and ii) a continued level of elective activity higher than the CCG Contract estimates (although activity is adverse to the Trust activity plan).

There are two other points to make:
i) levels of non elective activity have disrupted Trust services, with more escalation open longer and more elective beds filled. This is acting against the hospital "running better" and the expected financial benefits of that.
ii) The vacancy levels in nursing budgets would help the Trust deliver the planned savings from non elective activity reductions - as it is they are driving additional agency spend.

None of this is to say that the increased costs are at all acceptable. Savings are being delivered, but there are overspends in the Divisions, as mentioned, from nursing and medical agency spend. Agency spend is better this month but still some 46% higher than this time last year. Exception reports have been provided for two divisions (as opposed the three at M02).

Comprehensive income (income & expenditure) recurrent position

Surrey and Sussex Healthcare NHS Trust

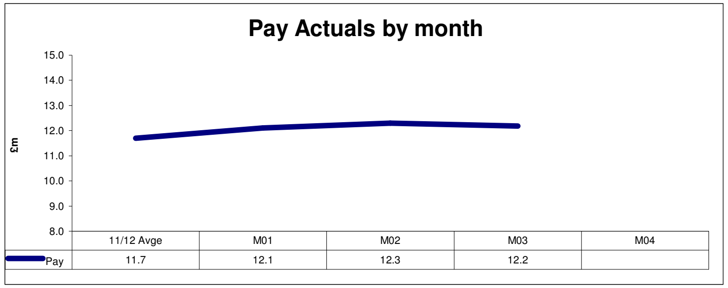
Recurrent I&E Calculation		YTD @ M03 £m	YTD @ M03 £m
Net Surplus/(deficit)			**0**
Deduct N/R income	i) non rec income support	4.8	
	ii) Stranded Costs	-	
	Total N/R income		**(4.8)**
Add N/R Spend	i) Turnaround/ restructuring costs	0.3	
	ii) Stranded Costs	-	
	iii) Technical Impairment		
	iv)		
	Total N/R spend		0.3
Deduct N/R savings	i)		
	ii)		
	iii)		
	iv)		
	Total N/R savings		
Recurrent Surplus/(deficit)			**(4.5)**

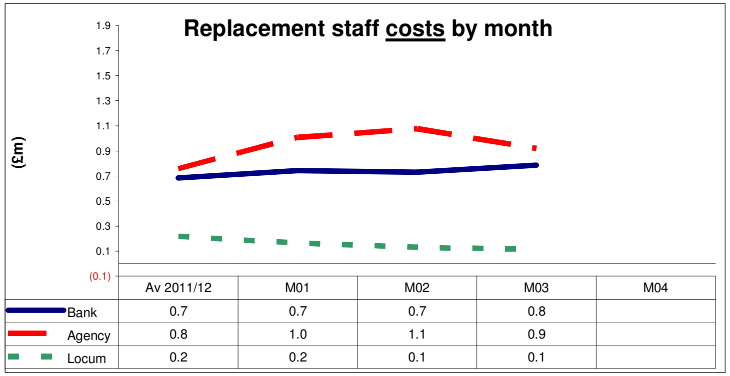
Recurrent position

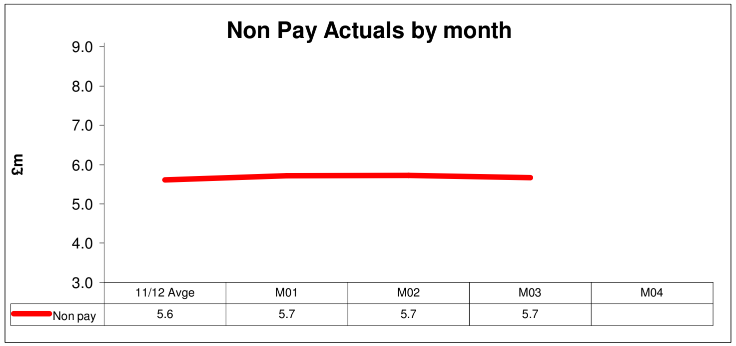
- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At month 3 the underlying deficit is £4.5m, reflecting the phasing of the £15.9m non recurring income.
- The full year recurrent position is a £13.0m deficit.

Surrey and Sussex NHS
Healthcare NHS Trust

Financial performance – operating spend YTD







Key points:

1) Pay costs in June were slightly lower than in May, with the first reduction this year in agency costs (medical and nursing - see below, but from a high base). The overspending is all in front line staff (nurses, doctors and HCAs) with connection to activity pressures.

2) Agency costs are now higher than this time last year - although have reduced, they are still 46% higher. Nursing agency costs show a slight drop from last month (the reasons for the usage are escalation areas open, use of specials and continued high vacancy rates), but the main reduction over M02 is due to a substantial reduction in medical agency usage, which has reduced by 41% in the month to below M01 levels.

3) Non pay costs: remain in line with the average for 11/12, but are above budget. Savings are being delivered. However, and as with staff costs, activity is driving theatre non pay costs and drugs costs are higher than expected. £0.4m was spent on the outsourcing of elective work to other providers in June - an increase on April and May (£1.0m 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	36.1	36.6	(0.5)	-1.3%
Drugs	3.0	3.2	(0.2)	-7.0%
Clinical supplies	4.8	5.0	(0.2)	-4.7%
General supplies	0.5	0.5	(0.0)	-6.2%
Establishment	0.8	1.1	(0.3)	-38.0%
Premises & utilities	0.9	1.0	(0.1)	-8.2%
Healthcare recharges	3.2	3.1	0.1	1.9%
Fees & consultancy	1.9	1.8	0.1	6.4%
Misc	0.3	0.3	(0.0)	-1.0%
Recharges	0.1	0.1	0.0	
Total non pay spend	15.5	16.1	(0.6)	-3.6%
Total operating spend	**51.6**	**52.7**	**(1.1)**	-2.2%

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	5.3	4.9	0.4	8.1%
Other medical	4.8	5.0	(0.2)	-3.4%
Nursing & Midwifery	12.6	13.2	(0.6)	-4.5%
Healthcare assistants	3.8	4.2	(0.3)	-7.3%
AHPs	3.8	3.7	0.2	4.7%
Directors & NEDs	0.3	0.3	(0.0)	-0.3%
Senior mgrs (8a+)	1.1	1.1	0.0	4.3%
Admin & clerical	4.0	3.9	0.0	0.4%
Estates & FM	0.2	0.2	0.0	11.2%
Total Pay spend	**36.1**	**36.6**	**(0.5)**	-1.4%

Agency costs YTD to this month	2011/12 YTD Actuals (£m)	2012/13 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	2.1	3.0	(0.9)	46.0%

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 are now overspending above tolerance (Surgical is technically within that tolerance) – as well as a continued overspend within the escalation budgets (two exception reports follow).
- Nursing vacancies would have been helpful when activity reductions allowed ward closures, 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. Action is also taking place with Assistant Directors in Divisions over other areas of spend. Spend control is necessary with the level of risk from income payment.
- Reserves have been released to offset Divisional pressures and total £0.1m (as in previous months, these are not allocated specifically to any division), but it is the favourable variance on income that is balancing the spend position..
- The outsourcing of surgical work to private providers to meet the 18 week target continued in M03 and at a greater level than in previous months.
- Please note, the spend on high cost drugs and excluded devices is now shown setting off the income position (which is a more appropriate presentation).

Dvisional analysis (I&E)	12/13 ANNUAL BUDGET £000'S	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav	YTD Variance % (adv)/ fav
Income (excl Divisional income)					
Contract income (incl MFF)	179,057	44,945	45,836	890	2.0%
High Cost Drugs	(7,015)	(1,795)	(1,942)	(148)	8.2%
Excluded devices	(697)	(177)	(283)	(106)	59.8%
Bad debt provision	(81)	(20)	(20)	0	(1.6)%
Donated Assets	235	59	59	0	0.0%
Non-rec income	15,900	4,833	4,833	0	
Other Income	7,650	2,565	2,569	4	0.1%
Total income	**195,049**	**50,410**	**51,051**	**641**	1.3%
Divisions (inc Divisional income)					
Surgical	54,689	13,860	13,996	(136)	(1.0)%
18 Weeks outsourcing	2,063	991	991	0	0.0%
Medical	42,750	10,605	10,971	(366)	(3.5)%
WaCH	21,565	5,305	5,390	(85)	(1.6)%
CSS	26,900	6,913	6,929	(16)	(0.2)%
E&F	12,768	3,285	3,269	16	0.5%
HR	2,358	639	622	17	2.7%
CEO	1,483	389	389	0	0.0%
Restructuring and PMO	3,000	305	305	(0)	(0.0)%
Finance	3,085	795	788	7	0.8%
Nursing	3,259	819	812	7	0.8%
IMT	2,299	595	582	13	2.1%
Clinical Services (Escalation)	2,008	673	978	(305)	(45.4)%
Overheads	9,776	2,463	2,437	26	1.0%
Other Central	(100)	(25)	(36)	11	(43.3)%
CQUINS costs	500	125	125	(0)	(0.3)%
Unallocated reserves	(4,049)	156	(1)	158	100.8%
Red savings				0	
Total Divisional I&E	**184,355**	**47,894**	**48,549**	**(655)**	(1.4)%
Post EBITDA					
P/L on Asset Disposals	-95				
Interest Payable	288	74	74	0	0.5%
Interest Receivable	-18	-5	-7	2	(48.2)%
Depreciation	7,147	1,604	1,582	22	1.4%
Depreciation - donated	235	59	36	23	38.3%
PDC	3,100	775	775	0	0.0%
unwinding of discounts	37	9	6	3	
Total post EBITDA	**10,694**	**2,516**	**2,466**	**50**	2.0%
Net Surplus / (Deficit)	**0**	**(0)**	**37**	**37**	

Exception report WaCH

WaCH DIVISION: £85k adverse to budget

- The financial position for the Women and Child Health Division at Month 3 is £85k overspent YTD against budget. This represents a deterioration in month of
- £13k, but a 64% improvement in the run rate of overspend following actions already taken.

- ***The adverse variances are***:
  - High medical locum usage in Paeds and Obs and Gynae to cover gaps in the Deanery rota and maternity leave - £19k adverse on Medical Pay
  - High use of paediatric nursing specials £10k adverse and cost of opening escalation areas due to bed and A&E pressures
  - Drug usage - £24k adverse
  - Brockham ward/GAU £15k adverse on pay due to vacancies and agency use and the non funded GAU rota

Actions:
- £100k of activity funding has been released to the Division. The allocation and phasing of recruitment will be managed to create slippage in order to reduce the
- adverse position.
  - **Medical Locum Usage: Obs and Gynae rota £1k adverse in month, an improvement on the previous run rate of £11k/month**
  - Recruit into vacant SHO and Clinical Fellow positions
  - SHO now position filled and active
  - Clinical Fellow appointed and due to commence in service Aug 12 owing to the need to complete 3 month denary rotation at the time of appointment.
  - Agency Locum cover until August 12 to be replaced by NHS Locum.
  - **Medical Locum Usage: Paediatric rota**
  - Day to day management of the rota by lead clinician to limit agency locum spend
  - Recruitment of doctors to Bank to limit the use of agency
  - Continuation of recruitment of post CCT fellows to cover vacant middle grade positions
  - SHO rota to be operating at full compliment end Aug 12
  - **Nursing Paediatric**
  - All specials to be reviewed and monitored by Matron to minimise the requirement for agency
  - Increased level of parental education to assist in early and safe discharge of these complex children
  - All sickness absence is being managed in line with Trust Policy
  - Use of agency to cover sickness halted
  - Tight control of opening escalation, decision to be made by the ADS in conjunction with the COO
  - **Drug Usage**
  - Review being undertaken
  - **Brockham Ward/GAU**
  - All posts except ward manager recruited to, commencing September
  - Additional controls on the current rota to reduce the use of agency
  - Additional cover for the GAU out of hours rota being restricted and risk managed week by week

Exception report - Medicine

MEDICAL DIVISION: £366k adverse to budget

- The financial position for the Medical Division at Month 3 is £366k overspent YTD against budget.
- ***The ytd adverse variances are***:
  - High use of nursing specials £140k Ytd. It should be noted that spend on specials has dropped significantly this month
  - Medical staff £90k Ytd mainly a result of middle grade locum spend in ED.
  - Pharmacy drugs including FP10s £55k Ytd relating to activity
  - Out of hours CT scans is overspent by £26k Ytd
  - Appliances and Med & surgical £100k Ytd. Of this £38k is offset against Respiratory income whilst £28k of Excluded devices is awaiting the outcome of the old invoices being recovered.

Actions:

- ***Nurse specific actions:***
  - All specials are being reviewed by Chief Nurse in order to minimise agency usage.
  - Ward rotas are being reviewed at weekly meetings led by Directors. This includes the review of recruitment, sickness and other leave
- ***Medical staffing:***
- Review of locum usage in all areas
- All short notice locums reviewed by AD
- ***Other actions:***
  - Timely input of data for Excluded devices and services
  - Review of Pharmacy savings

Financial performance: Savings

Savings - Month 3	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
By Transformation Programme Workstream					
Administration Structure	478	44	31	(13)	(30%)
Back Office redesign	1,062	191	186	(5)	(3%)
Clinical Services Redesign	847	153	153	0	0%
Estates Rationalisation	290	38	0	(38)	(100%)
Job Planning	758	84	59	(25)	(30%)
Medicines Management	323	70	77	7	10%
Nusing Skillmix	310	16	4	(12)	(75%)
Pathology	309	46	46	0	0%
Procurement	1,275	206	192	(14)	(7%)
Other	2,330	296	396	100	34%
Theatre Utilisation	305	0	0	0	0%
unallocated	1,762	0	0	0	0%
TOTALS	**10,049**	**1,144**	**1,144**	**0**	0%
By Directorate					
Surgical	1,083	83	74	(9)	(11%)
Medical	651	94	85	(9)	(10%)
WaCH	255	52	10	(42)	(81%)
CSS	1,185	138	145	7	5%
E&F	521	76	76	0	0%
Corporate	2,477	444	442	(2)	(0%)
Sub total	**6,172**	**887**	**832**	**(55)**	(5%)
Procurement savings	527	54	54	0	0%
Trustwide savings	1,588	203	258	55	27%
unallocated	1,762	0	0	0	0%
TOTALS	**10,049**	**1,144**	**1,144**	**0**	0%

Key Points:

The Trust has a savings target of £10m for 2012/13, 4.8% of income, compared with that of £7.7m (4.0%) in 2011/12.

Savings are on Plan at M03.

The savings are profiled to reflect project plans, and with greater savings due to be delivered later in the year (this follows the trend across South East Coast and also within the 2011/12 plan, which was delivered).

Certain areas did underachieve at M03, but these were offset by mitigating underspends.

Red rated savings plans total £1.8m and mitigating plans are being developed (new Divisional plans are being reviewed as part of the M03 internal performance review).

The new Performance management process will review savings at Divisional level and ensure delivery. At M03, two (an improvement from last month) Clinical Divisions were "red" rated from savings delivery, with Surgical on the cusp by 1% point.

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 Spells	8.7	9.4	0.7	8%	(0.2)	0.9
PbR: Non Elective Spells	17.5	18.4	1.0	5%	1.3	(0.3)
PbR: Outpatients	7.9	8.0	0.1	2%	0.1	0.0
A&E Attendance	2.1	2.2	0.1	6%	0.0	0.1
Sub total: PbR Income	**36.1**	**38.0**	**1.9**	**5%**	0.5	1.4
Non PbR Income	9.2	9.0	(0.3)	(3%)	(0.6)	0.3
Non-Recurrent Income	4.9	4.9	0.0	0%		
Sub total: Other Contract Income	**14.2**	**13.9**	**(0.3)**	**(2%)**	(0.9)	0.6
Contract Provision	(1.6)	(1.9)	(0.3)	(18%)		
CQUIN	1.1	0.7	(0.4)	(36%)		
Sub total: Contract Adjustments	**(0.5)**	**(1.2)**	**(0.7)**	(136%)		
Total Contract Income	**49.8**	**50.7**	**0.9**	**2%**		
Non clin NHS SLA	1.1	1.1	0.0	0%		
Education & training	1.5	1.5	0.0	0%		
Cat C - Other	1.8	1.9	0.1	6%		
Total other income	**4.4**	**4.5**	**0.1**	2%		
Total Income	**54.2**	**55.2**	**1.0**	**2%**		

Note: The variances here are against the Trust plans for income and activity - PCTs have not provided correctly profiled plans for 2012/13 so it is not possible to say the extent of over performance against the Contract year to date . The obvious expectation is that all "favourable" variances will be above Contract values.

Key points:

Contract income:

There is a 2% favourable performance against the money value for total Contract income. What is being described is as follows:

a) a significant favourable Non Elective activity (volume) variance of 7% against the Trust's plan (note which was suppressed in line with health economy plans, so it is not all growth);

b) a favourable price variance in respect of elective activity, where the volume is adverse to the Trust plan (but slightly improved to last month);

The M01 formal reconciliation process with CCGs is in train, but will not complete until 10 August, therefore there is no formalised final agreed income position between the Trust and CCGs.

The data here includes contingency for anticipated fines for performance and data quality changes, that will not be paid for and the non elective threshold deduction (reducing payment to 30% of tariff, which at M03 is a loss of £1.2m, some £0.8m greater than the Trust had planned for).

The I&E summary page describes the issues connected with this level of favourable (over) performance, and the risk it provides from the "capped" Sussex Contract. There is a clause in the Contract that allows the Trust to agree with CCGs the removal of the cap should "financial distress" be experienced - but that allows the discussion not the automatic payment.

Discussions over the "Contract gap" (CCG plans being different from Trust plans) are completed and an agreed resolution has been submitted to the SHA.It is anticipated that the gap will be closed, removing this risk.

Other income

The £0.1m favourable variance is due to higher levels of RTA and Deanery income than planned for at this stage of the year.

Activity	YTD Budget (units)	YTD Actuals (units)	YTD Var fav/(adv) (units)	YTD Var fav/(adv) (units)
Contract Activity				
PbR: Elective Spells	8,123	7,906	(217)	(3%)
PbR: Non Elective Spells	9,578	10,289	711	7%
PbR: Outpatients	58,707	59,355	648	1%
A&E Attendance	19,973	20,226	253	1%
Non PbR Activity	224,086	209,288	(14,798)	(7%)
Non-Recurrent Activity				

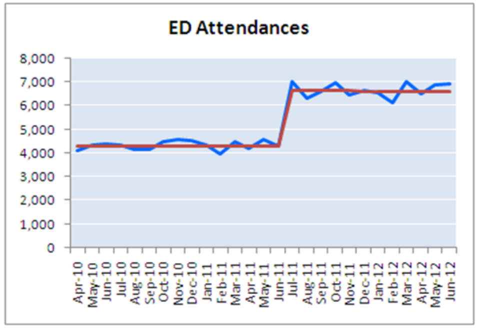
Activity Trends (all commissioners) from April 2010

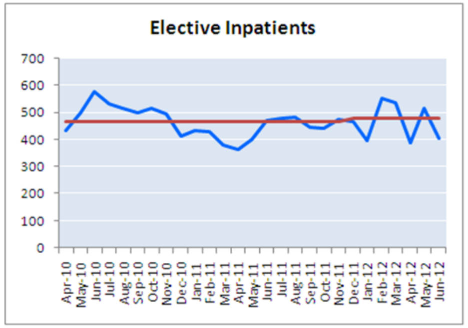
Key points:

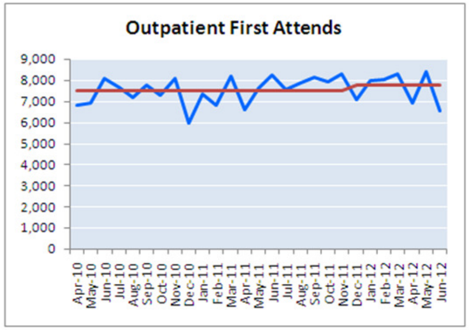
- Non elective activity continues its upward trajectory which is contrary to the audacious goals strategy and commissioners' activity plans for 2012/13.
- Critical care activity remains variable, but on an upward trajectory (recognised by CCU network, and subject to discussion with PCTs).
- Outpatients with procedures have fluctuated and currently are below YTD activity plan.
- June was a shorter month which impacts on elective work, although activity volumes were closer to (but still below) plan.

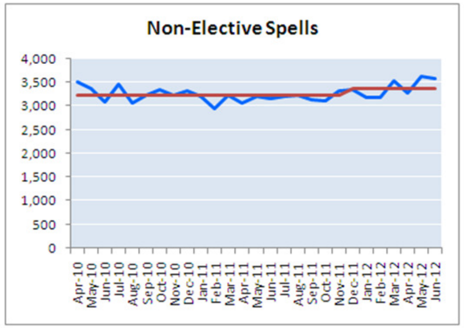
Activity trends for April 2010 to June 2012 - the trend line describes the average over the last 6 months and the period before to emphasise any recent change.

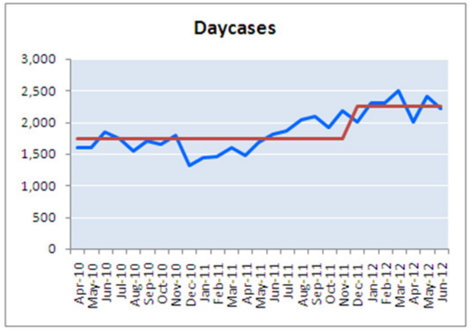
None of these charts describes any continuous downward trend in activity, and most describe an increase in the average in the last 6 months against the average from the previous period.

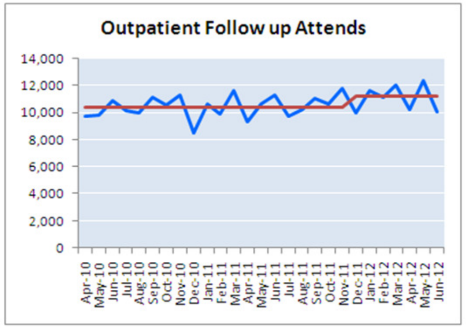


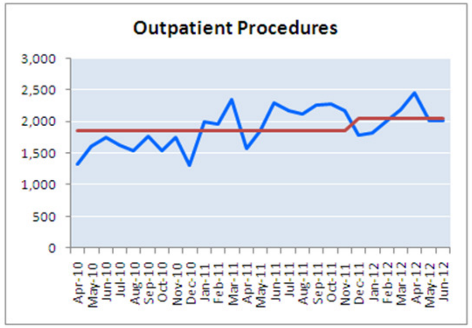


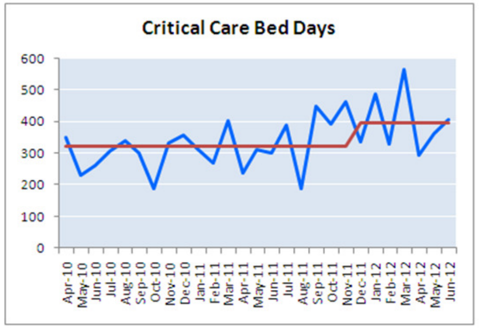












Surrey and Sussex NHS Healthcare NHS Trust

Risks and mitigation

	Risk reg no.	Risk rating	Annual (risk)/ benefit (£m)	RAG	Notes	Action points	Who
Income:							
CCG income reductions exceed Trust budget		3*4=12 - to be deleted	deleted	▲	Agreement has been reached. It is expected that this risk will be lost after the confirmation from the SHA of joint proposals.		
Scheduled care capacity not available (loss of elective income/ outsourcing cost)		3*4=12	(2.0)	►	The two core Divisions (Medical & Surgical) have implemented changes to ways of working/productivity that a) maximise capacity and b) will ring fence elective beds/minimise outsourcing. Current non elective demand acts against this	i) Effective implementation of additional capacity programme ii) 18 weeks management plan, validation of activity profile and review of available resources internally to be reviewed monthly ii) Delivery of joint health system work to reduce unscheduled care activity	Chief Operating Officer
CQUIN non payment		4*5=20	(1.6)	▲	SoE rules provide an additional gateway and £1.6m is set against unscheduled care reductions. There is minimal contingency set against this.	i) Create further contingency to mitigate shortfall ii) Clarify mechanism for CQUIN funds withheld	Chief Financial Officer
Contract overperformance		3*4=12	(1.8)	▼	The Sussex Contract is "capped". A clause in the Contract allows the Trust to agree with CCGs the removal of the cap should "financial distress" be experienced - but that allows the discussion not the automatic payment.	i) Complete reconciliation process to confirm activity and income position for M01 with PCTs and agree activity forecasts (July)	Chief Financial Officer
Contract overperformance - mitigation						ii) Begin negotiations with PCT and CCGs over action to address the "cap"	
Contract challenges			0.0	►		Complete reconciliation process with PCTs and manage challenges (July)	Chief Financial Officer
Net income risk			**(5.4)**				
Savings Plan							
Red risk rated items	1231	3*3=9	(1.8)	►	Savings plan includes contingency from redundancy programme.	i) Delivery of savings managed through PMO/perf improvement process (ongoing) ii) All Divisions looking for further savings to mitigate risk (ongoing)	Divisional Chiefs
Contingency savings			1.8			iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
Net savings plan risk			-				
Costs:							
Potential overspending from operational pressures			(4.6)	▼	The mitigation is to adjust for the contract overperformance risk above (so that it is not double counted). Divisions will need to manage within their budgets despite the operational pressure. The net risk is that not covered by income, but there is an opportunity here if costs can be managed and the income is received.	i) Divisions to implement action plans and contingencies to control/or recover overspending - includes Medical agency costs	Chief Operating Officer
Mitigation from additional income	1232	3*3=9	2.9			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			**(0.7)**				
Surplus/(deficit) risk forecast			**(6.1)**				

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 increased from the previous month and this is mainly due to prior year over-performance monies owed from Croydon PCT (£0.4m). The Trust received a direction from the SHA to manage all 90 day overdue debt downwards and the Trust will continue to work with SBS to reduce this level of debt.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	JUN	MAY	APRIL
			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	371	571	673	59	135	1,438	1,049	1,406
NHS TRUST	110	259	10	53	91	413	410	451
OTHER DEBTORS	86	168	44	15	585	812	908	816
Total Debts	567	998	727	127	811	2,663	2,367	2,673

- **Payables (Creditors) -** May's improved position was 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: Jun 12

	Plan/ target	Actual cum Jun-12	Var (adv)/ fav	Actual cum Mar-12	Actual 11-12
BPPC: cum overall (value)	95%	87%	(8)%	72%	72%
BPPC: cum overall (volume)	95%	86%	(9)%	66%	66%

Statement of Financial Position at 30 June 2012

	30-Jun-12		31-May-12		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		106.7		102.0	4.7
Intangible Assets		1.9		2.0	(0.1)
Trade & Other Receivables		4.4		4.5	(0.1)
Assets Held for Sale		0.5		0.5	-
CURRENT ASSETS					
Inventories	3.3		3.3		-
Trade & Other Receivables	3.5		3.8		(0.3)
Prepayments and Accrued Income	11.9		9.6		2.3
Cash and Cash Equivalents	5.2		6.1		(0.9)
Other	0.3		0.1		0.2
	24.2		22.9		1.3
CURRENT LIABILITIES					
Trade Payables	(16.4)		(10.4)		(6.0)
Other Payables	(2.9)		(2.9)		-
Accruals	(11.1)		(11.3)		0.2
Other Liabilities	(0.8)		(0.8)		-
Net Current Assets		(7.0)		(2.5)	(4.5)
Total Assets Less Current Liabilities		**106.5**		**106.5**	**-**
NON-CURRENT LIABILITIES					
Borrowings		(8.0)		(8.0)	-
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)	-
I&E Current		-		-	-
Total Taxpayers Equity		**93.9**		**93.9**	**-**

Key points

Assets Held For Sale – This relates to a nursing home (Kibblewhite House). Sale is expected to complete by the end of September.

Working Capital – Trade payables increased significantly from May with the accrual of capital payables.

Liquidity – (An indicator of the working capital position). The liquidity ratio is minus 18 days (significantly below the 15 day cover target). The accrual of capital referred to above returns the ratio to its base level, but as expected.

Outstanding long term loans The Trust is currently not intending to overpay on these 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.

Surrey and Sussex NHS
Healthcare NHS Trust

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	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CASH INFLOWS													
Cash Inflow (NHS)	18.76	18.15	16.39	17.19	21.93	16.38	16.18	18.16	16.38	16.18	18.16	18.42	**212.28**
Cash Inflow (Non-NHS)	0.63	0.58	0.65	0.62	0.63	0.58	0.58	0.58	0.58	0.58	0.58	0.63	**7.23**
Sale of KibbleWhite	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	**0.50**
External Capital Funding (SHA)	0.00	0.00	0.00	0.00	2.00	1.00	3.00	0.09	0.00	0.00	0.00	0.00	**6.09**
TOTAL CASH INFLOWS	**19.39**	**18.73**	**17.04**	**17.82**	**24.56**	**18.46**	**19.76**	**18.83**	**16.96**	**16.76**	**18.74**	**19.05**	**226.09**
CASH OUTFLOWS													
Non Pay Cash Flow	-6.04	-7.37	-6.01	-5.58	-7.51	-5.78	-5.58	-6.58	-5.58	-5.58	-5.95	-5.67	**-73.23**
Pay Cash Flow	-10.09	-11.36	-11.15	-11.27	-11.21	-11.21	-11.27	-11.21	-11.21	-11.27	-11.21	-11.21	**-133.67**
Capital Cash Outflow	-0.97	-0.47	-0.61	-1.11	-1.66	-1.76	-1.61	-1.61	-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**	**-17.96**	**-20.38**	**-20.90**	**-18.46**	**-19.40**	**-18.65**	**-19.24**	**-19.42**	**-21.19**	**-229.68**
NET CASH FLOW	2.29	-0.48	-0.73	-0.15	4.18	-2.44	1.30	-0.57	-1.69	-2.48	-0.68	-2.14	-3.59
OPENING CASH BALANCE	4.19	6.48	6.00	5.27	5.13	9.31	6.86	8.16	7.59	5.90	3.42	2.74	4.19
CLOSING CASH BALANCE	**6.48**	**6.00**	**5.27**	**5.13**	**9.31**	**6.86**	**8.16**	**7.59**	**5.90**	**3.42**	**2.74**	**0.60**	**0.60**

Key points

The cash position is currently OK. As long as income and expenditure remains on plan this will continue through the year, noting the very weak underlying position.

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]