Trust Board – Public – 24 November 2011
Agenda item: 5.1

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M07 – October 2011

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

Putting people first
Delivering excellent, accessible healthcare

Finance report M07 – October 2011

Summary:

- **Year to date financial performance is marginally favourable to plan. The deficit is £4.2m (before a small technical impairment) and the forecast outturn remains £6.1m deficit (the Plan).**
- **There is significant financial risk from the un-budgeted costs of escalation and increased risk from the outsourcing cost of elective work not being "covered" by the income from the non elective activity that has taken up the Trust's beds. There are plans in place for the totality of the £7.7m savings plan, however, risks remain around the delivery of some schemes. At M07, 42% of the total savings required for the year have been delivered.**
- **The Trust is categorised as "underperforming" under the NHS Performance Framework for Finance. The full year recurrent deficit will be between £10.0m and £15.0m (£7.2m of non recurrent income is in the forecast).**
- **Risks are as above, but added to by sizeable contractual challenge from NHS Surrey. As the risk level has increased significantly, there is a tightening of financial control (compliance and cost authorisation processes) in the Trust in response, which is continually balanced against safety considerations.**
- **As reported last month, cash to support the deficit and capital programme has been secured and the Trust has started to draw down that cash in advance of full formal confirmation.**

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

Trust objective: Please list number and statement. this paper relates to.	**Priority 3: Develop an effective organisation:** Deliver 2011/12 financial plan (*note: this objective has been adapted with the revised financial plan, which is a deficit*) Deliver 4% savings target
Notes:	
Legal: What are the legal considerations & implications linked to this item? Please name relevant Act	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: What aspect of regulation applies and what are the outcome implications? This applies to any regulatory body.	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.

Surrey and Sussex NHS
Healthcare NHS Trust

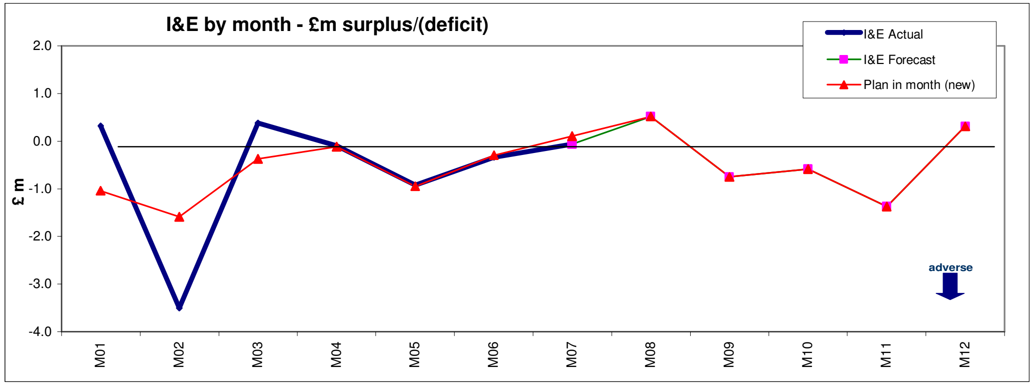
Contents

Putting people first
Delivering excellent, accessible healthcare

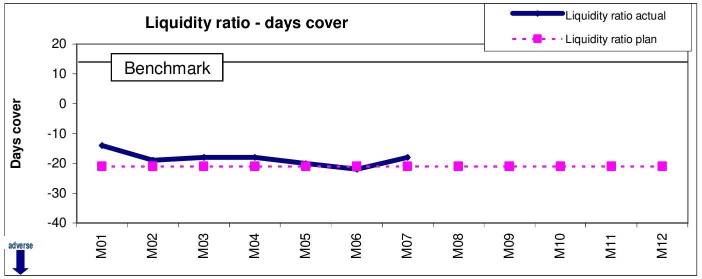
Key financial indicators: M07 2011/12

	Key financial indicators at Month 7	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1	In month surplus/(deficit) *	0.1	0.1	0.0	green
2	YTD surplus/(deficit) *	(4.2)	(4.2)	0.0	green
3	Forecast outturn surplus/(deficit)*	(6.1)	(6.1)	0.0 *	green
	*Technical impairment of £0.2m excluded.				
	* Forecast: NOTE: Green but Trust has a deficit plan				
4	YTD recurrent surplus/(deficit)		(3.8)		red
5	Risk assessment fav/(adv)		(3.4)		red
6	Cash position (in month)		3.0		amber
7	Liquidity ratio (days)		-18		red
8	Forecast capital outturn	15.3	15.3	0.0	green
9	Return on assets	3.5%	3.5%	0.0%	green
	BPPC: cum overall (volume)	95%	46%	(49)%	amber
	BPPC: cum overall (value)	95%	56%	(39)%	amber
11	Performance rating in month#	Underperforming			red

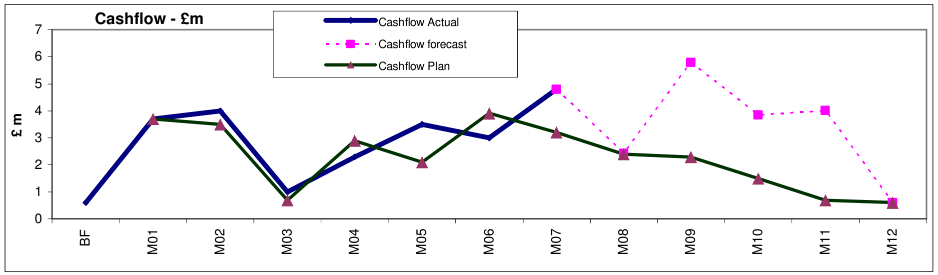
#NB: The performance rating is a Trust estimate



The Trust is very slightly favourable to its revised plan at M07 with a £4.2m deficit (before the estimated technical adjustment of £0.2m from an impairment). The forecast outturn remains £6.1m deficit (before the technical adjustment) which reflects the Plan target. However, risk is increasing.
The main risk is from the on-going outsourcing of elective activity to meet the 18 weeks target, which is now unbudgeted as income gains from other non elective activity cannot support the additional cost (eg. the Trust is paid 30% of tariff for additional non elective activity above 2008 levels). There is also gretater risk from financial challenge from NHS Surrey (nb: but not NHS Sussex) over contract technicalities, and the ongoing risk from savings delivery (noting that YTD performance here is OK).



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 Trust secured additional PCT cash support (of £3.8m) in Oct and with further cash injections totalling £13.7m liquidity will improve temporarily until the Trust uses the cash to pay backlog payables.



Cash remains OK currently. The fluctuations above the plan describe the draw down of the newly agreed cash support. The cash forecast therefore includes Modular Ward funding (£2.8m - received Oct), working capital cash totalling £13.7m (this finances the capital programme and deficit and is technically not fully signed off yet, but we are accessing the cash) and £3.8m sourced from NHS Sussex (part of the non recurrent I&E support due to the Trust, also received in Oct). The cash plan now excludes planned proceeds from the disposal of surplus property (Kibblewhite, £0.5m) as this is unlikely to be sold by the year end. The Trust does not, currently, intend to overpay on its working capital loan.

NHS Performance Framework: financial performance rating

Surrey and Sussex Healthcare NHS Trust

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

Performance Framework metrics		Recorded perf	Weighting	Score	Traffic light
Initial Planning	*Planned Outturn as propn of Turnover*	-3.1%	*5%*	**0**	red
Year to Date	*YTD Operating Performance*	-2.2%	*20%*	**1**	red
	YTD EBITDA Margin	0.8%	*5%*	**1**	red
Forecast Outturn	*Forecast Operating Performance*	-3.1%	*20%*	**0**	red
	Forecast EBITDA Margin	1.5%	*5%*	**2**	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	**2**	amber
Underlying Financial Position	*Underlying Position %*	-8.4%	*5%*	**1**	red
	EBITDA Margin %	-5.2%	*5%*	**1**	red
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	56.0%	*2.5%*	**1**	amber
	BPPC % by Volume	46.0%	*2.5%*	**1**	red
	Current Ratio	0.8	*5%*	**2**	amber
	Receivable days	17	*5%*	**3**	green
	Payable days	119	*5%*	**1**	red
Weighted score				**1**	red
Overriding Rules	*Forecast year end deficit*		YES		
	Planned year end deficit		YES		
	adverse ytd deficit to plan		NO		
	failure to make loan repayment		NO		
Financial performance score			**Underperforming**	1	red

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 M7 the unvalidated Trust score is"underperforming" as a result of the forecast year end deficit of £6.1m.
- The £6.1m has been reported by DH in The Quarter and therefore is regarded as accepted. The Trust is therefore treated as "underperforming".

Monitor risk rating (below)

Summary Monitor ratings	M7
EBITDA Margin	2
EBITDA % Achieved	5
ROA	1
I&E Surplus	1
Liquid Ratio	1
Weighted Average	2
OVERALL RISK RATING *	**1**

- The Monitor financial risk rating is a score of "1" because of the performance reported (the deficit impacts the margin metrics adversely).

Putting people first
Delivering excellent, accessible healthcare

Surrey and Sussex NHS
Healthcare NHS Trust

Contents

Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 October 2011

Surrey and Sussex NHS
Healthcare NHS Trust

Year to Date vs Budget (figures in £m)

	2011/12 *budget*	2011/12 *actual*	2011/12 *var (adv)/fav*	% var (adv)/fav	Perf indicator %
Income from PCT contract	106.5	107.1	0.6	0.6%	
Contract Income - NHS	**106.5**	**107.1**	**0.6**	0.6%	
Impairment			-		
Other operating income	8.6	8.7	0.1	1.2%	
Non-rec income			-		
Other income			-		
Total Income	**115.1**	**115.8**	**0.7**	0.6%	
Expenses					
Pay (incl agency)	(79.2)	(79.4)	(0.2)	-0.3%	
Non-Pay (excl Depreciation)	(34.9)	(35.5)	(0.6)	-1.7%	
	(114.1)	**(114.9)**	**(0.8)**	-0.7%	
EBITDA (pre-exceptionals)	**1.0**	**0.9**	**(0.1)**	-10.0%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**1.0**	**0.9**	**(0.1)**	-10.0%	0.8%
					% of income
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.2)	(0.2)	-		
Depreciation	(3.2)	(3.1)	0.1	-3.1%	
Impairment	-	(0.2)	(0.2)		
PDC	(1.8)	(1.8)	-	0.0%	
	(5.2)	**(5.3)**	**(0.1)**	1.9%	
					YTD Op Perf:
Net Surplus/ (Deficit)	**(4.2)**	**(4.4)**	**(0.1)**	2.4%	2.4%
					(adv)/fav to plan

Memoranda		
Net reported surplus	(4.4)	
Plan surplus YTD	(4.2)	
Variance (fav)/adv to target	**(0.2)**	
Net surplus	(4.4)	
Non recurrent items	0.6	Underlying position
Adjusted recurrent position	**(3.8)**	(8.4)%

Summary

The Trust's position is slighly favourable to plan at M07 (before the estimated technical adjustment relating to an asset that is due to be sold), but has a £4.4m deficit (including the technical impairment - it is £4.2m without it and for NHS financial monitoring), with increased risks to the forecast year end position of £6.1m deficit.

The risk relating to the outsourced elective work not being "covered" by income from non elective work is more evident in M07 and as a result, we have been unable to allocate budget for the additional outsourcing spend in the month (£0.4m). This is reported as a separate line in the Divisional analysis and until new capacity comes on line (3 months) remains a significant risk to the year end forecast.

The underlying position is a £3.8m deficit because of the partial set off of non recurring costs relating to consultancy for savings work (the recurrent anlaysis is on the next page). Savings are slightly adverse to plan (£0.1m). The technical adjustment is an impairment of £0.2m, reflecting the loss in value of the asset.

Income & costs

Contract income is £0.6m favourable to plan but includes increased high cost drug and excluded devices charges (£0.7m adverse to budget).

Pay costs are higher than the previous couple of months (noting that pay increments tend to impact in October). Nursing & HCA overall costs increased, relating to the additional areas open and operational pressures. Overall, agency costs are 17.5% favourable to this point last year, however this is an adverse movement from last month.This is putting further pressure on savings delivery. Additional budget has been allocated for increments.

Non pay costs decreased in the month because of a reduction in the outsourcing of elective work compared to M06 and the validated KPMG savings costs are lower than anticipated, resulting in a reduced accrual for consultancy costs due.

Divisions: Surgery and WACH continued underspending in month while Medical was slightly adverse to budget in month (halting recent improvement). CSS and E&F continue to be areas of concern.

Putting people first
Delivering excellent, accessible healthcare

Comprehensive income (income & expenditure) recurrent position

Surrey and Sussex NHS Healthcare NHS Trust

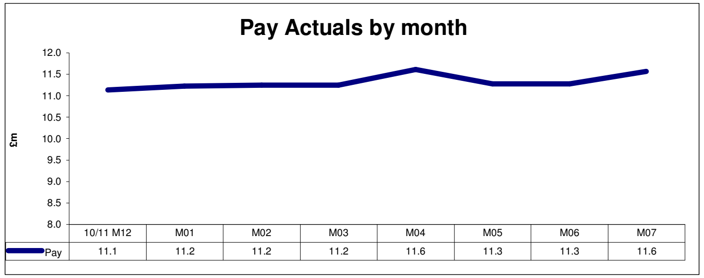
Recurrent I&E Calculation

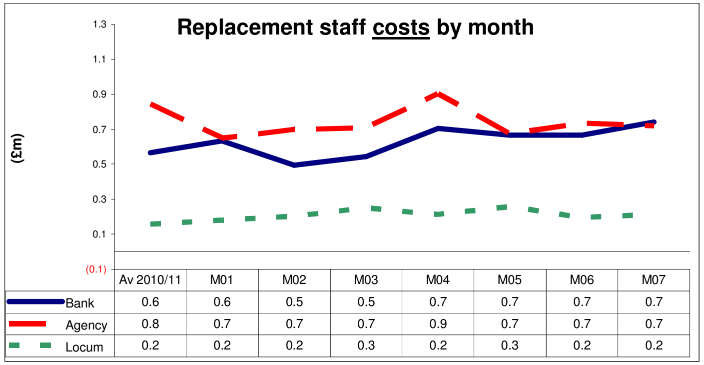
		YTD @ M07	
		£m	£m
Net Surplus/(deficit)			**(4.4)**
Deduct N/R income	i) non rec income support	-	
	ii) 18 weeks backlog income	2.2	
	iii) FYE sch 7 income increase		
	iv) NR slippage/delay to PCT QIPP plans		
	Total N/R income		(2.2)
	i) 18 weeks backlog spend	2.2	
	ii) Consultancy	0.4	
	iii) Technical Impairment	0.2	
	iv)		
	Total N/R spend		2.8
Deduct N/R savings	i)		
	ii)		
	iii)		
	iv)		
	Total N/R savings		-
Recurrent Surplus/(deficit)			**(3.8)**

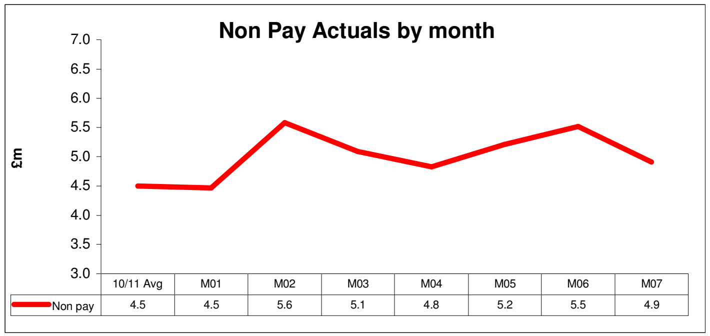
Recurrent position

- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At month 7 the underlying deficit is £3.8m reflecting the non recurring income, less non recurrent costs – spend on consultancy to support savings work improves the position in comparison to the net deficit reported.

Financial performance – operating spend YTD







Key points:

1) Pay costs have increased from the last couple of months, with increments and increases predominantly in nursing & HCA spend. Nursing permanent staffing increased as a result of on-going recruitment drives and this trend is expected to continue with the additional capacity coming on line over the next few months. Increment funding has been allocated to budgets (£0.9m for the full year).

2) Temporary staff: agency hours for nursing staff decreased slightly from last month, with continued escalation costs partially offset by a reduction in the use of agency within the Medical division (particularly "specials"). Medical agency usage remained static. Agency costs are 17.5% lower than this time last year - nb: last year's rate of spend changed at this point and accounts for the adverse percentage change from this comparative figure at M06.

3) Non pay costs: Non pay costs have decreased from last month's spend, due mainly to a reduction in the outsourcing of inpatient work (£0.37m this month compared to £0.68 in Sept) and a reduction in the cost of KPMG savings work, which has now been validated. The increase in spend from the begining of the year remains due to the outsourcing to independant providers.

	YTD Spend Vs BUDGET			
Cost type variances year to date	YTD Budget (£m)	YTD Actual (£m)	YTD Var fav/(adv) (£m)	YTD Var fav/(adv) (%)
Pay costs	79.2	79.4	(0.2)	-0.3%
Drugs	6.7	6.9	(0.2)	-3.6%
Clinical supplies	10.2	10.5	(0.3)	-2.7%
General supplies	1.1	1.1	(0.0)	0.0%
Establishment	2.4	2.4	(0.0)	-0.1%
Premises & utilities	2.2	2.1	0.1	4.1%
Healthcare recharges	7.0	7.4	(0.4)	-6.1%
Fees & consultancy	4.2	4.3	(0.1)	-2.4%
Misc	1.0	0.5	0.5	49.0%
Recharges	0.1	0.2	(0.1)	
Total non pay spend	34.9	35.5	(0.5)	-1.6%
Total operating spend	**114.1**	**114.9**	**(0.8)**	-0.7%

	YTD Spend Vs BUDGET			
Pay costs year to date	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	11.3	11.0	0.3	2.8%
Other medical	11.2	11.4	(0.2)	-1.6%
Nursing & Midwifery	31.5	32.0	(0.5)	-1.7%
Healthcare assistants	3.8	4.1	(0.3)	-6.7%
AHPs	8.1	8.4	(0.3)	-4.0%
Directors & NEDs	0.8	0.6	0.2	27.0%
Senior mgrs (8a+)	2.7	2.6	0.1	3.5%
Admin & clerical	9.2	8.8	0.4	4.4%
Estates & FM	0.5	0.5	0.1	11.0%
Total Pay spend	**79.2**	**79.4**	**(0.2)**	-0.2%

Agency costs YTD to this month	2010/11 YTD Actuals (£m)	2011/12 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	6.2	5.1	**1.1**	17.5%

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

- Reserve budget of £1.1m (42% of the total full year reserves budget) have been released to offset Divisional pressures (although, as in previous months, these are not allocated specifically to any division). This includes VAT and other non pay pressures within positions.

- The outsourcing of surgical work to private providers has now been separated out from the Surgical Division as there has not been sufficient income in non-elective activity to fund the allocation of expenditure and income budget and it is inappropriate to set this adverse performance against the Surgical financial target. The outsourcing of elective activity is anticipated to continue as it is necessary to meet the 18 weeks target however, this cost is a significant risk for the next 3 months (until the new capacity comes on line). The total cost year to date from outsourcing is £2.2m.

- An exception report is provided for Medicine, CSS and E&F. The Clinical Services (Escalation) overspend remains high due to Medihome virtual beds costs and on-going escalation areas open in the month.

Directorate analysis (I&E)	11/12 ANNUAL BUDGET £000'S	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav	YTD Variance % (adv)/ fav
Income (excl Directorate income)					
Contract income (incl MFF)	179,873	105,114	105,891	777	0.7%
CQUINS income	2,438	1,422	1,179	(243)	(17.1)%
Bad debt provision	(81)	(50)	(50)	(0)	0.0%
Donated Assets	220	115	115	0	0.0%
Other Income	6,669	3,882	3,925	43	1.1%
Total income	**189,119**	**110,483**	**111,060**	**577**	0.5%
Directorates (inc Directorate income)					
Surgical	53,336	30,977	30,608	370	1.2%
18 Weeks outsourcing	1,797	1,797	2,195	(399)	
Medical	39,168	22,581	22,777	(196)	(0.9)%
WaCH	21,167	12,285	12,111	174	1.4%
CSS	26,303	15,306	15,526	(220)	(1.4)%
E&F	12,024	7,086	7,278	(192)	(2.7)%
HR	2,748	1,566	1,571	(5)	(0.3)%
CEO	1,419	793	774	19	2.5%
Restructuring and PMO	458	458	449	9	2.0%
Finance	3,267	1,908	1,827	81	4.2%
Nursing	3,154	1,781	1,778	2	0.1%
IMT	2,299	1,393	1,370	22	1.6%
Clinical Services (Escalation)	1,202	680	1,305	(625)	(92.0)%
Overheads	9,207	5,371	5,343	28	0.5%
Other Central	521	615	615	0	0.0%
High Cost Drugs	6,072	3,575	4,088	(513)	(14.3)%
Excluded devices	506	295	441	(146)	(49.5)%
CQUINS costs	500	193	193	(0)	(0.0)%
Unallocated reserves	2,610	1,130	0	1,130	100.0%
Amber savings	(1,502)	(153)	(48)	(105)	68.9%
Red savings	0	0	0	0	
Total Directorate I&E	**186,256**	**109,638**	**110,203**	**(564)**	(0.5)%
Post EBITDA					
P/L on Asset Disposals	0	0	0	0	
loan interest payable	309	180	192	(12)	(6.6)%
interest recievable	(18)	(11)	(10)	(1)	9.5%
Depreciation	5,432	3,036	2,966	70	2.3%
Depreciation - donated	220	115	115	(0)	(0.0)%
PDC	2,996	1,748	1,795	(47)	(2.7)%
unwinding of discounts	37	22	21	0	0.0%
Total post EBITDA	**8,976**	**5,090**	**5,079**	**10**	0.2%
Net Surplus / (Deficit)	**(6,113)**	**(4,246)**	**(4,222)**	**23**	(0.5)%
Techinical Adjustment	0	0	200	(200)	
Adjusted Net Surplus / (Deficit)	**(6,113)**	**(4,246)**	**(4,422)**	**(177)**	

Exception Report

MEDICAL DIVISION: **£196k adverse to budget**

- The financial position for the Medical Division at month 7 is £196K overspent YTD against budget, however the controls and actions within the Division are now taking effect.
- The adverse variance includes:
  - Continuing high drug spend of £122k overspent YTD (£22k in month) which includes the impact of medical outliers.
  - Continuing use of nursing specials £77k overspent YTD (£10k in month). In month spend has reduced due to the lower use of unqualified agency staff.
  - New £21k ytd overspend in relation to Out of Hours CT scans arising from the transfer of this budget with costs from Radiology
  - High use of agency in ED for both nursing and medical staff specifically due to high levels of vacancies
  - High non pay spend due to increased activity particularly in ED

Actions:

- Work continues with Pharmacy in relation to providing challenge on consultant ward rounds,restricting use of IV paracetamol, reviewing ward stock levels and improving TTO dispensing.
- CSS to attend Divisional meetings to review Pathology, Radiology and Pharmacy spends
- Admin and medical secretary cover restricted
- No maternity leave cover in non ward areas
- Restriction on ordering of consumables
- Non essential vacancies frozen
- Improved controls on temporary medical staff usage
- Discussions are underway with Commissioners to obtain RMN support for sectioned patients. To date there has been engagement with Sussex Commissioners but not Surrey .

Nurse specific actions: These actions are on-going as reported last month and the Division is managing robustly any deviations from this action plan.

- Weekly bank and agency meetings continue between ward managers and matrons with the Divisional Chief Nurse.
- Wards working under template when possible.
- Strict controls continue for Specials. This includes a Special policy and log on all wards and all specials being authorised by a matron only if wards are at full staffing template.
- All ward managers and matrons reminded that where substantive staff are to be rostered as a band 5 when working bank then a bank band 5 assignment number must be on the timesheet. Payments that do not fall into this are being challenged
- The Bank assignment numbers obtained from HR to be reviewed by matrons with ward managers to ensure that all staff have an appropriate bank band 5 assignment number. Amendment forms completed where required. Issues remain with substantive staff being paid at grade whilst working bank despite the right assignment number.
- Divisional chief nurse to monitor areas causing concern to review current actions and agree actions for improving trend.
- All rota's are authorized by matron and divisional chief nurse.
- Active recruitment campaign with Irish nurses coming into post shortly
- All sickness being managed in line with policy.

Exception Report

CLINICAL SERVICES DIVISION: £220k adverse to budget

- The financial position for the CSS division at month 7 is £220K overspent YTD against budget – a £9k adverse swing in month (after the funding of increments at £42k YTD). The adverse variance includes:
  - Radiology: The overspend in month 7 has increased by £31k, YTD £331K:
    - Agency usage (sonagraphers and radiographers)
    - Medica Night Hawk costs remain above budgeted
    - CT out of hours scans have now been recharged to the Divisions and this has improved the YTD position by £25k
    - Income is YTD £36k adverse to budget
  - Pathology: Overall in month overspend of £3k, YTD £44k overspend due to:
    - Maternity cover for consultant in Histopathology
    - Lab reagent spend is £72k adverse YTD
    - Blood usage is high at £56k YTD – reflecting the operational pressures
    - Sendaway spend is running at £92K adverse to month 7

Action Plan

- Radiology:
  - To appoint vacant Sonographer posts, currently covered by Agency. The Division has appointed to one of the 3 substantive vacant posts available. Recruitment is proving to be difficult – skill shortage. The posts are out to advert again. Once new appointments are in place the overspend is likely to reduce/cease. A detailed analysis of staffing is being undertaken to inform the next steps.
  - Appoint to 1 of the vacant Consultant posts as some of the sonographer overspend relates to covering consultant U/S lists
  - Income shortfall - Further investigation is required to determine the reason for the remaining unfavourable variance
  - Service Lead to attend other Divisional meetings to discuss activity and how they may be able to help control demand
- Pathology:
  - Service Lead to attend other Divisional meetings to discuss activity and how they may be able to help control demand

The Division is providing a 5 point action plan to inform the forecast and determine the next steps.

Exception Report

- **ESTATES & FACILITIES DIVISION: £192k adverse to budget**

- The financial position for the E&F division at month 7 is £192k overspent YTD against budget.
- The adverse variance includes:
  - £72k YTD over spend on Portering pay due to pressures on rota, suspensions and high levels of sickness earlier in the financial year. There is a decrease in the overspend in the month. The level of spending is significantly lower than at the beginning of the year and is close to the monthly budget.
  - £112k YTD over spend on Post Room pay and non pay. The pay overspend has not increased in month. Non pay continues to over spend with increased volumes through the franking machine and pre franked mail; the value and regularity of credit top ups to the franking machine have been reviewed and found to be in order. It is estimated that the overspend at year end could be as much as £139k if demand is maintained
  - £30k YTD over spend on Switchboard pay mainly due to the annual leave cover required being greater than the budgeted absence cover (15%) within the budget running at £2k per month. The overspend on mobile phones is being investigated.
  - The transport budget is overspent on both pay and other non pay transport costs (£15k YTD and improvement of £2k from last month), temporary extra routes have added to the departments workload ref transport of records £39k adverse.
  - Car parks £19k overspent. Income is above plan by £10k, however, costs of maintenance/repairs are higher than anticipated.
  - Over spends are partially offset by under spends generally in Estates (£65k) mainly due to vacancy factors and the ad-hoc pattern of non pay expenditure (such as minor works)

Action Plan

- Portering – The new logistics manager has now identified underlying issues and a plan is underway to turn this budget around. The budget is back on track this month.
- Post Room – Mail costs have been investigated and found to be correct. Further investigation is underway to understand the reasons for the increase in usage.
- Post - A number of opportunities are being investigated to save monies, eg reducing first class post
- Transport issues – the major cost element is the extra runs Transport was asked to provide given the extra volumes of patient records. This was supposed to be for a pilot/temporary period but there is no end in sight.
- Inflationary increase in fuel is also a factor and is being reviewed pending a request for inflationary funding.

Financial performance: Savings

Savings	Annual Target £000's	Month target £000's	Month actuals £000's	Variance at Month £000's	Variance Fav/(adv) %
By Transformation Programme Workstream					
Modernising Pathways (Chief Operating Officer)	2,126	967	1,217	250	26%
CSS (Chief Operating Officer)	730	368	377	9	2%
Outpatients (Director of Strategy and Transformation)	0	0	0	0	0%
Estates and Facilities (Director of Information and Facilities)	232	135	110	(25)	(18%)
Medical Staffing (Chief Medical Officer)	827	373	297	(76)	(20%)
Nursing and Midwifery (Chief Nurse)	771	448	134	(314)	(70%)
Corporate (Chief Financial Officer)	844	262	387	125	48%
Procurement (Chief Financial Officer)	1,389	594	559	(35)	(6%)
Income and Provision (Chief Financial Officer)	214	125	73	(52)	0%
OD and Strategy (Director of Strategy and Transformation)	0	0	0	0	0%
	567	121	121	0	0%
TOTALS	**7,700**	**3,392**	**3,274**	**(118)**	(3%)
By Directorate					
Surgical	1,614	1,088	1,088	0	0%
Medical	1,511	716	543	(174)	(24%)
WaCH	1,154	445	445	0	0%
CSS	846	444	452	8	2%
E&F	234	136	111	(25)	(18%)
Corporate	499	213	338	125	59%
Sub total	**5,857**	**3,044**	**2,977**	**(66)**	(2%)
Procurement savings	600	134	143	10	7%
Trustwide savings	1,243	215	154	(62)	0%
	0	0	0	0	0%
TOTALS	**7,700**	**3,392**	**3,274**	**(118)**	(3%)

Key points

The Savings target for 2011/12 is £7.7m (4% of turnover).

At M07 achieved savings were £3.3m, which is slightly adverse to plan and a worsening position from last month. This is because central savings targets which were phased later in the year are now "catching up" with delivery. The underspending in central budgets (£0.2m) continues to mitigate non-achievement elsewhere in the savings plan.

The majority of the KPMG savings plans have now been removed from the relevant budgets and this is reflected in the reduction in the value of trustwide savings schemes. Procurement savings are being removed from budgets as they are identified.

Non delivery of nursing savings continues to be the single main problem in the savings plan. On-going monitoring of the situation is taking place with the Chief Nurse & CEO, recognising the operational position of the Trust.

The favourable variance on the modernising pathways workstream is due to the continued mitigation by Surgical and WaCH Divisions for their non-achieving savings plans and offsets some of the adverse position on nursing schemes.

Delivery is monitored by the Programme Management Office as part of the Trust's Transformation Programme and the monthly savings position is agreed with Project Leads as part of the process.

Financial performance: Income

come	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	YTD Var fav/(adv) (£m)
ntract income				
PbR: Elective inpatients	21.3	19.6	(1.6)	-8%
PbR: Non elective inpatients	43.4	45.6	2.3	5%
PbR: Outpatients	18.5	19.6	1.1	6%
A&E Attendance	3.9	3.7	(0.1)	-4%
Sub total: PbR Income	**86.9**	**88.6**	**1.6**	2%
Non PbR income	17.5	17.8	0.3	2%
Non-Recurrent Income	0.6	0.6	0.0	0%
Sub total other contract income	**18.1**	**18.5**	**0.4**	2%
Contract penalty above budget		(1.2)	(1.2)	0%
CQUIN	1.4	1.2	(0.2)	-17%
Sub total: contract adjustments	**1.4**	**0.0**	**(1.4)**	
Total Contract Income	**106.5**	**107.1**	**0.6**	1%
Non clin NHS SLA	0.6	0.6	0.0	0%
Education & training	3.9	4.0	0.1	3%
Cat C - Other	4.1	4.1	(0.0)	-1%
Total other income	**8.6**	**8.7**	**0.1**	1%
Total Income	**115.1**	**115.8**	**0.7**	1%

Contract income - key points

Overall, Contract income is £0.6m favourable to plan, but all of this can be accounted for (once you net everything else off) by increases in high cost drugs and similar, which is set off by matching cost.

Elective activity income variance against plan has improved against the straight line trend which is due to the elective plan assuming (based on the trend in 10/11) that elective activity would slow in October - work on the Trust's 18 week recovery plan however sees activity consistent with the YTD trend reported in M06.

The favourable variance between planned non-elective and actual activity has narrowed again in M07 - this is driving the risk to the Trust from its elective outsourcing costs. In numbers, non-elective income is adverse to the original trend by £0.5m as excess bed days and the 30% payment for volume above 2008 levels hits hard.

Outpatient activity has stayed broadly in line with the trend reported in M06 although income for outpatient procedures does not mirror the activity volume trend (so an adverse price variance - activity in the 'higher tariff' procedures is slowing against others). PCTs have confirmed Q2 CQUIN payments.

Non-PbR income includes provision for charges which are due to be levied on comissioners in relation to therapies activity and the rebasing of radiology prices (there is risk here as this is a new charge).

The Quarter 1 Contract reconciliation process with PCTs has still not been completed. There are substantial financial challenges from NHS Surrey which are being rebutted.

Non Contract income - no material issues.

Financial performance: Service line variance presentation

Overall summary of service line trading position	Budget (£000)	Actuals (£000)	Variance fav/(adv) (£000)	Price Variance (Casemix) fav/(adv) (£000)	Price Variance (Volume) fav/(adv) (£000)	Variance (Other) fav/(adv) (£000)	TOTAL Variance fav/(adv) (£000)
Income	109,466	110,083	617	1,956	(1,135)	(203)	617
Direct Costs	31,478	31,294	184			184	184
Support Service Costs	67,529	68,983	(1,454)			(1,454)	(1,454)
Contribution to Overheads	10,459	9,807	(652)	1,956	(1,135)	(1,472)	(652)
Overheads	13,678	14,028	(351)			(351)	(351)
Unallocated Savings / Reserves / Technical Impairment	1,027	200	827			827	827
Trading Position fav/(adv)	(4,246)	(4,422)	(176)	1,956	(1,135)	(996)	(176)

				Variance Analysis			
Divisional service line trading position	Budget (£000)	Actuals (£000)	Variance fav/(adv) (£000)	Price Variance (Casemix) fav/(adv) (£000)	Price Variance (Volume) fav/(adv) (£000)	Variance (Other) fav/(adv) (£000)	TOTAL Variance fav/(adv) (£000)
Surgical Care	(1,331)	(2,054)	(722)	(312)	(1,070)	659	(722)
Medical Care	(3,146)	(3,531)	(385)	2,199	367	(2,951)	(385)
WACH	947	977	30	74	(522)	478	30
Clinical Support	312	387	75	(6)	90	(9)	75
Unallocated Savings / Reserves / Technical Impairment	1,027	(200)	1,227	0	0	827	827
Trading Position fav/(adv)	(4,246)	(4,422)	(176)	1,956	(1,135)	(996)	(176)

Note: the income variance reported in this SLR position is different to the income reported in the Comprehensive Income (Income & Expenditure) Statement figure, as some income is reported (and offset) within Support Services and Overhead Costs .

Key points

This presentation provides an additional view combining income and expenditure to see:

a) the trading position (surplus/deficit) for Trust Divisions;
b) the split of direct and other costs, and;
c) a variance analysis that provides a little more information than a single figure.

In summary, Support Services and Overhead costs are overspending, partly offset by favourable income performance overall and the phasing in of unallocated reserves (for inflationary pressures etc). £0.2m of technical impairment is also shown below the line in the actuals reflecting the fact these charges are not considered in performance measurement nationally.

Noting that the variance is apportioned differently to the earlier I&E reports, contract income to Month 7 is £0.8m favourable to Plan, which can be broken down to show a £2.0m favourable Price Variance on Casemix (i.e. a higher casemix of activity performed compared to Plan) offset by a £1.1m adverse Price variance on Volume (i.e. a large underperformance on activity) and a £0.2m additional adverse variance in respect of other income.

The adverse performance on activity is from elective services primarily (see Divisional split) reflecting the reduced volume of elective activity against what was planned. At the same time the Surgical Division is performing favourably against its expenditure budgets as reported on the previous pages, and this is visible in its "other" variance. Meanwhile there is a £2.2m favourable casemix variance for the activity flowing into the Medical Division reflecting a trend of greater acuity amongst admitted medical patients.

The Position reported by Division shows that Surgical (overall) and Medical Divisions are both underperforming to Plan, while WACH and CSS show marginal favourable performances to plan.

Risks and mitigation

	Risk reg no.	Risk rating score (likelihood * impact)	Annual (risk)/ benefit (£m)	Change from previous month	Notes	Action points	Who
Risks							
Income:							
Contract income risks	1230	3*3=9	(3.0)	worse	The Trust forecast and Plan assumptions that activity reductions notified in the Contract will not now happen in 2011/12 appear increasingly correct as each month passes - the Scheduled & unscheduled care risks may therefore be removed next month. However, the risk from the contract challenge process (where PCTs "fine" the Trust for adverse contractual performance) has been increased to reflect the level of challenges from Surrey PCT (there is no similar level from Sussex PCT).. The Trust will vigorously resist any inappropriate challenges, or operation of cash restrictions. NB: the major risk from displacement of elective work by non elective activity provides a cost (rather than income) risk.	Robust contract management and action plans to deliver CQUIN income targets and quality improvements.	Chief Financial Officer
Scheduled care activity reduction in 2011/12			(3.0)				
Unscheduled care activity reduction in 2011/12			(2.3)				
Mitigation			6.3				
Net Risk			**(2.0)**				
Savings/recovery Plan							
Possible savings non delivery	1231	3*3=9	(1.4)	Better	Risk around the delivery of the savings plan reflects the non delivery mainly of the nursing savings and the impact of operational pressures on budgets - cost control must not override safety concerns. There remains some risk from the newly identified savings schemes	i) Delivery of savings is monitored through the PMO and action sits with Divisions and cost centres over delivery (ongoing) ii) All Divisions expected to look for further savings to balance the position (ongoing)	Divisional Chiefs
						iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
Net savings plan risk			**(1.4)**				
Costs:							
Overspend re escalation costs	1232	3*3=9	(1.0)	No change overall	Escalation usage in the Trust (the use of additional beds to cope with emergency cases arriving through the Emergency Deprtament (ED) that cannot be accommodated on existing wards), remains the main overspending pressure, now being caught up by the risk that spend on outsoourcing of elective work will not be "covered" by the income generated by the non elective activity displacing it - this is reflected as a new risk of £1m. Escalation is now accepted as an unavoidable cost, but clearly it could worsen if not managed. Actions do not list those around ED pressures, just internal financially related actions.	i) Divisions to implement action plans and contingencies to control/or recover overspending ii) 18 weeks management plan, validation of activity profile and review of available resources internally to be reviewed monthly iii) Internal bed management reviewed by Divisions with agreed action plan.	Chief Operating Officer
Overspend re outsourcing costs		**New**	(1.0)				
Mitigating actions and planning for escalation/ recovery actions		**Increased**	2.0				
			-				
Total risks			**(3.4)**	**increase from £1.6m risk last month**			
Surplus/(deficit) risk forecast			**(3.4)**				

Other Finance risks in the risk register

- **Liquidity problem: Rating** (likelihood * impact): **25** (risk register 1134). This risk is visible in the balance sheet'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.

Contents

Statement of Financial Position (Balance sheet)

Statement of Financial Position_ - This is presented on a later page.

Property, Plant and Equipment - The Trust now has a revised gross capital expenditure limit of £15.3m (reduced by £0.5m as the sale of Kibblewhite has been deferred to 2012-13). The resource limit includes modular wards project at £4.8m financed by £2m internal funding and £2.8m by DH and has approved schemes totalling £15m. The schemes also include improvements to the Emergency Department, Theatres refurbishment, and works to the Main Entrance. It is likely that the value of Kibblewhite (held for sale asset) will fall in value by £0.2m. The Trust has reported this to the SHA as a technical impairment at M06.

Aged Receivables (Debtors) – Overall aged debt remains stable. However over 30 days increased in the main due to CQUINS invoice £101k to Surrey PCT which is disputed and invoices in respect of unscheduled care £116k also to Surrey PCT (which were subsequently paid in November 2011). The Trust is also implementing a new overseas patient policy, which describes more clearly rules about treatment in the hospital, and which should assist in reducing some of the difficulties in managing this area.

SUMMARISED AGED DEBTORS	Within term	1-30 days	1 month over due	2 month over due	3 month over due	OCTOBER	SEPTEMBER	AUGUST
			31-60 days	61-90 days	over 90 days	Over 30 days	Over 30 days	Over 30 days
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
NHS PCTS	347	367	156	172	486	1,181	934	971
NHS TRUST	171	194	132	37	89	451	419	323
OTHER DEBTORS	149	108	69	41	457	674	619	586
Total Debts	668	669	357	249	1,032	2,306	1,972	1,880

Payables (Creditors) - The September position for the Better Payment Practice Code is shown below, with a comparison to the previous month as well as to the 2010/11 year end position. October position, against target, continues to worsen from previous months as backlog creditors are paid in priority to current invoices.

Key Financial Indicators: Oct 11

	Plan/ target	Actual cum Oct-11	Var (adv)/ fav	Actual cum Sep-11	Actual 10-11
BPPC: cum overall (value)	95%	56%	(39)%	57%	55%
BPPC: cum overall (volume)	95%	46%	(49)%	50%	54%

Statement of Financial Position (Balance Sheet) at 31 October 2011

	31-Oct-11		30-Sep-11		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		94.0		93.4	0.6
Intangible Assets		2.3		2.2	0.1
Trade & Other Receivables		4.4		4.4	-
Assets Held for Sale		0.5		0.5	-
CURRENT ASSETS					
Inventories	3.8		3.9		(0.1)
Trade & Other Receivables	8.8		9.0		(0.2)
Prepayments and Accrued Income	3.6		3.7		(0.1)
Cash and Cash Equivalents	4.7		2.6		2.1
Other	0.3		0.2		0.1
	21.2		19.4		1.8
CURRENT LIABILITIES					
Trade Payables	(8.5)		(11.3)		2.8
Other Payables	(2.8)		(2.7)		(0.1)
Accruals	(12.2)		(13.3)		1.1
Other Liabilities	(4.3)		(0.7)		(3.6)
Net Current Assets		(6.6)		(8.6)	2.0
Total Assets Less Current Liabilities		**94.6**		**91.9**	**2.7**
NON-CURRENT LIABILITIES					
Borrowings		(8.7)		(8.7)	-
Deferred income		(3.5)		(3.5)	-
Provisions		(1.5)		(1.5)	-
Total Net Assets Employed		**80.9**		**78.2**	**2.7**
TAX PAYERS EQUITY					
PDC		120.8		118.0	2.8
Revaluation Reserve		13.5		13.5	-
Donated Asset Reserve		1.4		1.4	-
I&E Reserve		(50.4)		(50.4)	-
I&E Current		(4.4)		(4.3)	(0.1)
Total Taxpayers Equity		**80.9**		**78.2**	**2.7**

Key points

Assets Held For Sale - Kibblewhite House technical impairment of £0.2m is included.

Working Capital - Improved from September with non recurrent income of £3.8m but net effect reduced as the deficit grows and backlog creditors increase.

Creditors – the payables reduced with the injection of non recurrent funding.

Liquidity (An indicator of the working capital position) – the liquid ratio although improved from September remains poor at minus 18 days.

Outstanding working capital loan The balance of the loan outstanding at 31 March 2011 was £4.5m – the revised repayment schedule has yet to be agreed with the Department of Health, but the Trust is assuming it is as set out in the extant loan agreements.

Surrey and Sussex NHS
Healthcare NHS Trust

Cash flow 2011/12

	Apr 11	May 11	Jun 11	July 11	Aug 11	Sept 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
CASH INFLOWS													
Cash Inflow (SLA, Non-NHS)	16.00	15.80	14.40	17.90	17.90	17.80	13.30	13.59	14.31	15.60	15.80	15.80	**188.20**
18 weeks outsourcing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.90	0.90	0.90	0.80	**3.50**
Re-Admissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.90	0.90	0.90	**3.50**
Other Over Performance (To signed contracts)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.80	0.80	0.90	0.90	**3.40**
Sale of KibbleWhite	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Non-Rec Funding - West Sussex PCT	0.00	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**2.20**
Non-Repayable Funding (PDC)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.70	0.00	0.00	0.00	**13.70**
Non-Recurrent Funding - SHA	0.00	0.00	0.00	0.00	0.00	0.00	3.80	0.00	0.00	0.00	0.00	0.00	**3.80**
Non-Recurrent Funding - Modular Ward	0.00	0.00	0.00	0.00	0.00	0.00	2.80	0.00	0.00	0.00	0.00	0.00	**2.80**
Temporary Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	3.20	4.40	0.00	0.00	0.00	0.00	**7.60**
TOTAL CASH INFLOWS	**16.00**	**18.00**	**14.40**	**17.90**	**17.90**	**17.80**	**23.10**	**17.99**	**30.51**	**18.20**	**18.50**	**18.40**	**228.70**
CASH OUTFLOWS													
Backlog creditors	0.00	0.00	0.00	0.00	0.00	0.00	-4.60	-1.00	-1.00	-1.00	-1.00	-0.70	**-9.30**
Non Pay Cash Flow	-3.00	-5.70	-6.40	-5.70	-5.50	-5.10	-5.28	-5.84	-5.74	-5.54	-4.94	-5.36	**-64.10**
Pay Cash Flow	-9.50	-10.80	-10.70	-10.50	-10.70	-10.80	-10.67	-10.81	-10.81	-10.81	-10.89	-10.81	**-127.80**
Capital Cash Outflow	-0.40	-1.20	-0.30	-0.40	-0.50	-0.40	-0.76	-1.20	-1.50	-1.50	-1.50	-1.34	**-11.00**
Capital - Modular Ward	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.50	-0.50	-1.30	0.00	-1.50	**-4.80**
PDC	0.00	0.00	0.00	0.00	0.00	-1.50	0.00	0.00	0.00	0.00	0.00	-1.60	**-3.10**
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**
Repayment of Temporary Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-7.60	0.00	0.00	0.00	**-7.60**
TOTAL CASH OUTFLOWS	**-12.90**	**-17.70**	**-17.40**	**-16.60**	**-16.70**	**-18.30**	**-21.31**	**-20.35**	**-27.15**	**-20.15**	**-18.33**	**-21.81**	**-228.70**
NET CASH FLOW	3.10	0.30	-3.00	1.30	1.20	-0.50	1.79	-2.36	3.36	-1.95	0.17	-3.41	0.00
OPENING CASH BALANCE	0.60	3.70	4.00	1.00	2.30	3.50	3.00	4.79	2.43	5.79	3.84	4.01	0.60
CLOSING CASH BALANCE	**3.70**	**4.00**	**1.00**	**2.30**	**3.50**	**3.00**	**4.79**	**2.43**	**5.79**	**3.84**	**4.01**	**0.60**	**0.60**

- Resolution has been achieved for the Trust's cash problem for the year. Cash allocated by DH will not be repayable.
- The revised cash plan (left) includes these funding arrangements.
- £13.7m operational PDC has been awarded (£7.6m covering cash used for capital and £6.1m to fund the cash shortfall from the Trust deficit). This award is awaiting Secretary of State for Health approval. An advance (temporary borrowing) of £3.2m was drawn in October, draw down of £4.4m is planned for November and a further £6.1m in December to manage the cash position.
- Capital funding towards the modular ward of £2.8m was received in Oct along with additional PCT funding of £3.8m.

Putting people first
Delivering excellent, accessible healthcare