Management Board
Trust Board

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M09 – December 2011

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Finance report M09 – December 2011

Summary:

- **Risk to delivery of the £6.1m forecast deficit remains high, although the year to date financial performance is on plan. The deficit at month 9 is £4.5m (before a small technical impairment) and the forecast outturn remains £6.1m deficit (the Plan).**
- **The Trust is now accelerating its 18 week RTT compliance delivery and that impacts on cost control actions previously in place and will require additional funding (which is being agreed).**
- **The two main risks to the £6.1m deficit are contract challenge from NHS Surrey, which we expect to manage through the contract process – but this risk is estimated at £2m, and the displacement of elective activity by Non Elective activity which is being discussed as part of the delivery of the accelerated 18 week clearance plan, and is likely to require external support. This risk is estimated at £1.3m. Other risks and mitigations are expected to be managed.**
- **As previously reported, 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 – which is being pursued with the SHA.**

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

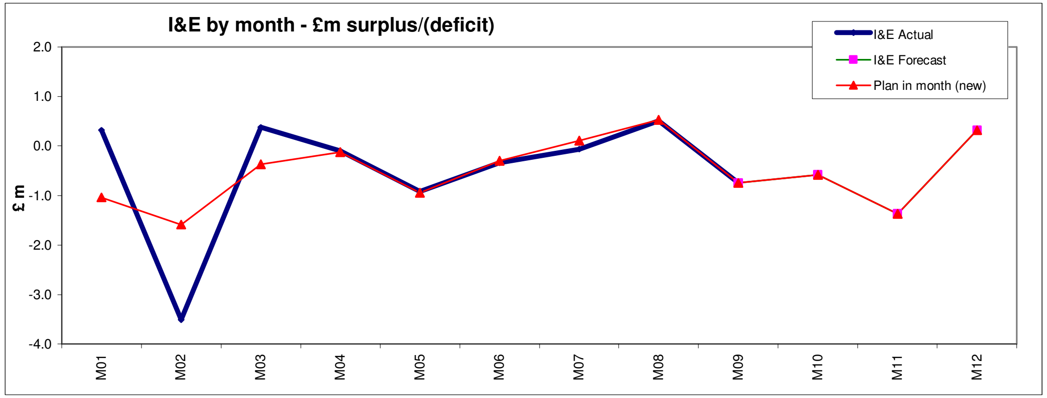
Trust objective:	**Priority 3: Develop an effective organisation:** Deliver 2011/12 financial plan (*note: this objective has been adapted with the revised financial plan, which is a deficit*) Deliver 4% savings target
Notes: **Legal:**	NHS Trust financial performance is subject to Schedule 5 of the 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: M09 2011/12

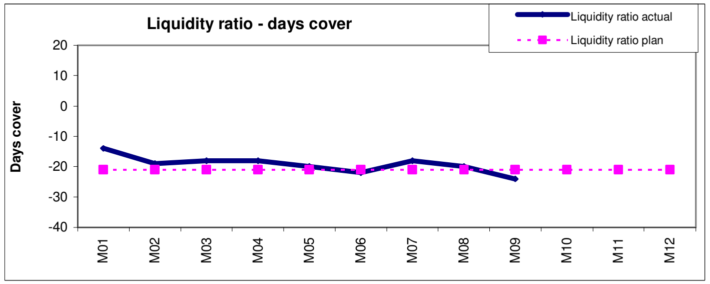
	Key financial indicators at Month 9	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1	In month surplus/(deficit) *	(0.7)	(0.7)	0.0	green
2	YTD surplus/(deficit) *	(4.5)	(4.5)	0.0	green
3	Forecast outturn surplus/(deficit)*	(6.1)	(6.1)	0.0 *	green
	Technical impairment of £0.2m excluded. The Trust has a deficit plan				
4	YTD recurrent surplus/(deficit)		(9.1)		red
5	Risk assessment fav/(adv)		(3.3)		red
6	Cash position (in month)		4.7		amber
7	Liquidity ratio (days)		-24		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%	57%	(38)%	amber
	BPPC: cum overall (value)	95%	65%	(30)%	amber
11	Performance rating in month#	Underperforming			red

#NB: The performance rating is a Trust estimate

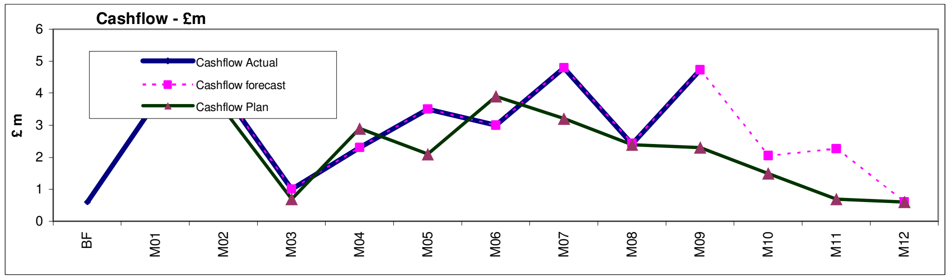


The Trust remains very slightly favourable to its revised plan by (£17k) at M09 with a £4.5m deficit (before the estimated technical adjustment of £0.2m from an impairment). The forecast outturn remains £6.1m (before the technical adjustment) which reflects the deficit target in the new plan.

The Trust is now accelerating its 18 week RTT compliance delivery and that is impacting on cost control actions previously in place. The two main risks to the £6.1m deficit are contract challenge from NHS Surrey, which we expect to manage through the contract process – this risk is estimated at £2m, and the displacement of elective activity by Non Elective activity which is being discussed as part of the delivery of the accelerated 18 week clearance plan, and is likely to require external support. This risk is estimated at £1.3m. Other risks and mitigations are expected to be managed.



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. Liquidity has deteriorated from M08 due to the further draw down of temporary borowing (until the permanent support is confirmed).



Cash continues to be manageable on a day to day basis. Resolution on cash support this year has been achieved, and draw down of temporary borrowing has been actioned. The cash forecast includes this - notably capital cash for the Modular ward build (£2.8m - received Oct), working capital cash totalling £13.7m (and £3.8m sourced from NHS Sussex, part of the non recurrent 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*	-2.3%	*20%*	1	red
	YTD EBITDA Margin	1.5%	*5%*	2	amber
Forecast Outturn	*Forecast Operating Performance*	-3.0%	*20%*	0	red
	Forecast EBITDA Margin	4.5%	*5%*	2	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	2	amber
Underlying Financial Position	*Underlying Position %*	-8.1%	*5%*	1	red
	EBITDA Margin %	-4.9%	*5%*	1	red
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	65.0%	*2.5%*	2	amber
	BPPC % by Volume	57.0%	*2.5%*	1	red
	Current Ratio	0.7	*5%*	2	amber
	Receivable days	22	*5%*	3	green
	Payable days	112	*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			1 Underperforming		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 M9 the unvalidated Trust score is“underperforming” as a result of the forecast year end deficit of £6.1m.
- The £6.1m has been accepted by the DH as the Trust control total. The Trust is therefore treated as “underperforming”.

Monitor risk rating (below)

Summary Monitor ratings	M9
EBITDA Margin	2
EBITDA % Achieved	4
ROA	1
I&E Surplus	1
Liquid Ratio	1
Weighted Average	1.6
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).

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Healthcare NHS Trust

Contents

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

Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 December 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	137.4	139.0	1.6	1.2%	
Contract Income - NHS	**137.4**	**139.0**	**1.6**	1.2%	
Impairment			-		
Other operating income	11.0	11.1	0.1	0.9%	
Non-rec income			-		
Other income			-		
Total Income	**148.4**	**150.1**	**1.7**	1.1%	
Expenses					
Pay (incl agency)	(102.0)	(102.2)	(0.2)	-0.2%	
Non-Pay (excl Depreciation)	(44.3)	(45.6)	(1.3)	-2.9%	
	(146.3)	**(147.8)**	**(1.5)**	-1.0%	
EBITDA (pre-exceptionals)	**2.1**	**2.3**	**0.2**	9.5%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**2.1**	**2.3**	**0.2**	9.5%	1.5%
					% of income
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.3)	(0.3)	-		
Depreciation	(4.1)	(4.2)	(0.1)	2.4%	
Impairment	-	(0.2)	(0.2)		
PDC	(2.2)	(2.3)	(0.1)	4.5%	
	(6.6)	**(7.0)**	**(0.4)**	6.1%	
					YTD Op Perf:
Net Surplus/ (Deficit)	**(4.5)**	**(4.7)**	**(0.2)**	4.4%	4.4%
					(adv)/fav to plan

Memoranda		
Net reported surplus	(4.7)	
Plan surplus YTD	(4.5)	
Variance (fav)/adv to target	**(0.2)**	
Net surplus	(4.7)	
Non recurrent items	(4.4)	Underlying position
Adjusted recurrent position	**(9.1)**	(8.1)%

Summary

Although on plan at month 9, significant risk to the £6.1m year end forecast deficit remains - as flagged in previous months.

The year to date position is slightly favourable to plan at M09 (before the estimated technical adjustment - impairment - relating to an asset that is due to be sold), and is a £4.5m deficit (for NHS reporting purposes, £4.7m including the impairment). The underlying YTD position is a £9.1m deficit.

The two main risks to the £6.1m deficit are Contract challenge from NHS Surrey (estimated at £2m) and the risk of elective activity being displaced by non elective activity (outsourcing and escalation spend), which is estimated at a net £1.3m (£3.1m less £1.8m of internal mitigation).

The Trust expects to manage the contract challenge risk through the contract process.
The displacement of elective activity by Non Elective activity risk (outsourcing and escalation spend) is likely to require external support, and is being discussed with the SHA as part of the accelerated 18 week RTT delivery discussions.

Savings are now on plan, with non pay reserves being allocated against savings delivery (as Divisions have managed VAT and other non pay increases within existing budgetary positions).

Income & costs

Contract income is £1.6m favourable to plan but includes increased high cost drug and excluded devices charges (£0.9m fav to income/adv to cost budget). Pay costs are slightly lower than last month. Agency costs are now only 13.9% favourable to this point last year, this being an adverse movement from last month. Non pay costs reduced slightly in the month

Divisions: WACH and Surgical (excluding 18 weeks outsourcing costs)continued underspending in month, while Medical was slightly over budget. CSS came in with a favourable variance in the month. E&F continues to be an area of concern, however the division did underspend in the month.

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Comprehensive income (income & expenditure) recurrent position

Surrey and Sussex NHS Healthcare NHS Trust

Recurrent I&E Calculation

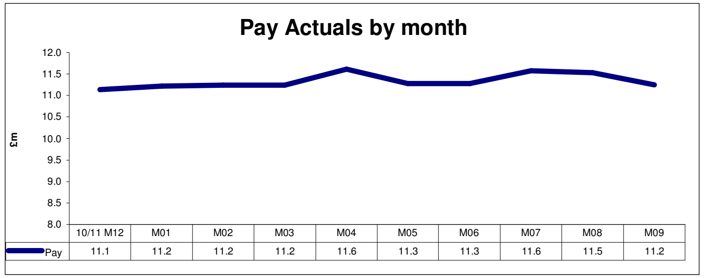
		YTD @ M09	
		£m	£m
Net Surplus/(deficit)			**(4.7)**
Deduct N/R income	i) non rec income support	3.6	
	ii) 18 weeks backlog income	3.3	
	iii) FYE sch 7 income increase	(0.4)	
	iv) NR slippage/delay to PCT QIPP plans	1.8	
	Total N/R income		(8.4)
Add N/R Spend	i) 18 weeks backlog spend	3.3	
	ii) Consultancy	0.4	
	iii) Technical Impairment	0.2	
	iv)		
	Total N/R spend		3.9
Deduct N/R savings	i)		
	ii)		
	iii)		
	iv)		
	Total N/R savings		-
Recurrent Surplus/(deficit)			**(9.1)**

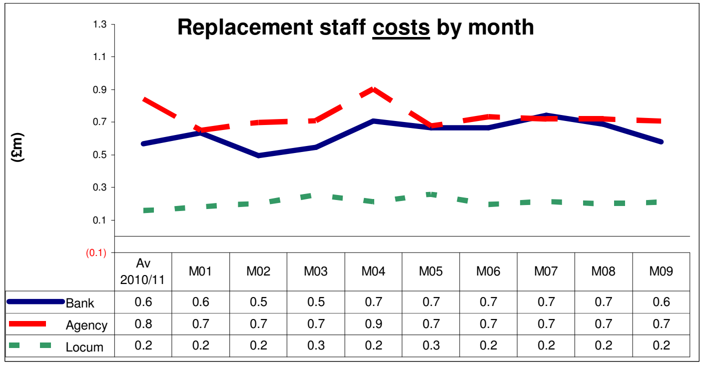
Recurrent position

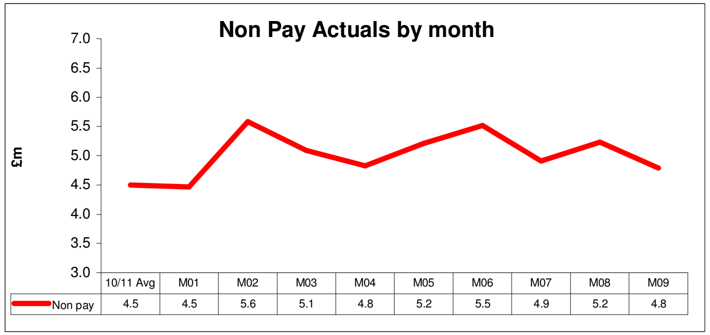
- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At month 9 the underlying deficit is £9.1m reflecting the non recurring income, less non recurrent costs – spend on consultancy to support savings work improves the position in comparison to the net deficit reported.
- Please note this recurrent deficit differs from the normalised position reported to the SHA. The normalised position is reported as a £7.7m deficit. The difference is because the schedule 7 income and slippage on QIPP (£1m) are not normalising adjustments as they form part of the regular trading position.

Financial performance – operating spend YTD

Surrey and Sussex NHS Healthcare NHS Trust







Key points:

1) Pay costs have decreased slightly from last month, with a reduction in Nursing & HCA bank and agency spend (compared to the high spend in those areas in month 8). There has been a significant increase in Medical staff agency costs in the month.

2) Temporary staff: Bank costs reduced from month 8. Agency costs remain static compared to month 8 overall, with nursing agency hours decreasing in M09, but the medical staff agency increasing significantly, namely in T&O, ED and Paediatrics. Agency costs are 13.9% lower than this time last year - this lower rate reflects comparison with the reduced rate achieved in November 2010.

3) Non pay costs: Non pay costs have decreased with outsourcing costs less than last month (£0.5m this month compared to £0.7m in M08). This reflects the Xmas period and patients not wishing to be booked as well as availability of capacity in other providers. £3.3m YTD has now been spent on the outsourcing to other providers.

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	102.0	102.2	(0.2)	-0.2%
Drugs	8.7	9.1	(0.4)	-4.5%
Clinical supplies	13.2	13.4	(0.2)	-1.5%
General supplies	1.4	1.4	0.0	0.1%
Establishment	3.1	3.1	(0.0)	0.0%
Premises & utilities	2.9	2.8	0.1	2.5%
Healthcare recharges	8.3	9.9	(1.6)	-19.4%
Fees & consultancy	5.3	5.4	(0.1)	-1.6%
Misc	1.5	0.3	1.2	80.2%
Recharges	0.1	0.2	(0.1)	
Total non pay spend	44.3	45.6	(1.3)	-2.9%
Total operating spend	**146.3**	**147.8**	**(1.5)**	-1.0%

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	14.4	14.2	0.2	1.6%
Other medical	14.5	14.6	(0.1)	-0.8%
Nursing & Midwifery	34.6	35.9	(1.3)	-3.8%
Healthcare assistants	11.0	10.6	0.4	3.4%
AHPs	10.5	10.8	(0.3)	-2.9%
Directors & NEDs	1.1	0.8	0.3	29.3%
Senior mgrs (8a+)	3.5	3.3	0.2	4.9%
Admin & clerical	11.9	11.3	0.6	4.8%
Estates & FM	0.7	0.6	0.1	9.5%
Total Pay spend	**102.0**	**102.2**	**(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	7.6	6.5	1.1	13.9%

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

- Reserves released to offset Divisional pressures remain at £1.5m (66% of the total full year reserves budget) - although, as in previous months, these are not allocated specifically to any division.
- The outsourcing of surgical work to private providers to meet the 18 week target continues to be one of the major risks to the Trusts financial position. The total cost year to date from outsourcing is £3.3m. The Trust is agreeing a revised 18 week RTT trajectory with the SHA and part of this agreement will be to secure additional funding to offset delivery costs.
- 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)	176,727	133,684	135,540	1,855	1.4%
CQUINS income	2,438	1,828	1,550	(279)	(15.2)%
Bad debt provision	(81)	(63)	(63)	(0)	0.0%
Donated Assets	220	147	147	0	0.0%
Non-rec income	3,800	1,900	1,900	0	
Other Income	6,669	4,997	5,067	71	1.4%
Total income	**189,772**	**142,493**	**144,140**	**1,648**	1.2%
Directorates (inc Directorate income)					
Surgical	53,467	39,925	39,576	349	0.9%
18 Weeks outsourcing	1,797	1,797	3,321	(1,525)	
Medical	39,513	29,252	29,471	(219)	(0.7)%
WaCH	21,166	15,858	15,676	182	1.1%
CSS	26,440	19,746	19,894	(149)	(0.8)%
E&F	12,099	9,045	9,226	(180)	(2.0)%
HR	2,766	2,060	2,084	(24)	(1.2)%
CEO	1,419	1,013	980	32	3.2%
Restructuring and PMO	458	458	451	8	1.7%
Finance	3,273	2,455	2,322	133	5.4%
Nursing	3,162	2,320	2,312	8	0.3%
IMT	2,289	1,759	1,746	13	0.7%
Clinical Services (Escalation)	1,202	888	1,690	(802)	(90.2)%
Overheads	9,207	6,906	6,842	64	0.9%
Other Central	497	527	505	22	4.3%
High Cost Drugs	6,072	4,588	5,318	(730)	(15.9)%
Excluded devices	506	379	555	(175)	(46.1)%
CQUINS costs	500	265	237	28	10.5%
Unallocated reserves	2,208	1,459	0	1,459	100.0%
Amber savings	(1,134)	(340)	(143)	(197)	58.1%
Red savings	0	0	0	0	
Total Directorate I&E	**186,909**	**140,360**	**142,062**	**(1,702)**	(1.2)%
Post EBITDA					
P/L on Asset Disposals	0	0	0	0	
loan interest payable	309	232	242	(11)	(4.5)%
interest recievable	(18)	(14)	(14)	0	0.0%
Depreciation	5,432	3,965	3,831	134	3.4%
Depreciation - donated	220	147	147	(0)	(0.0)%
PDC	2,996	2,247	2,301	(54)	(2.4)%
unwinding of discounts	37	28	26	1	3.6%
Total post EBITDA	**8,976**	**6,605**	**6,535**	**70**	1.1%
Net Surplus / (Deficit)	**(6,113)**	**(4,473)**	**(4,456)**	**16**	(0.4)%
Techinical Adjustment	0	0	200	(200)	
Adjusted Net Surplus / (Deficit)	**(6,113)**	**(4,473)**	**(4,656)**	**(184)**	

Exception Report

- **MEDICAL DIVISION: £219k adverse to budget**
- The financial position for the Medical Division at month 9 is £219k overspent YTD against budget.
- The adverse variances continue to be:
  - High drug and FP10 spend, £188k overspent YTD (£42k in month). This is £22k greater than last month and partly relates to over activity into surgical beds and is reflected by a saving in surgery.
  - Continuing use of nursing specials £113k overspent YTD (£14k in month). This reflects the in month decrease of 506 agency hours from November.
  - Out of hours CT scans is overspent by £29k Ytd
  - Both ED nursing and medical staff has been influenced by high levels of vacancies. ED is currently adverse on nursing pay by £128k and this has been influenced by the use of this area for Escalation. It has now been agreed that the Division will be able to transfer out some of these costs.
  - High non pay spend due to increased activity particularly in ED
- **Actions**:
- Pathology, Radiology and Pharmacy managers have begun to attend the Divisional Meeting and action for both CSS and Medicine have been identified.
- Review of process and controls for medical staff is underway with HR.
- Admin and medical secretary cover restricted
- No maternity leave cover in non ward areas
- Restriction on ordering of consumables
- Non essential vacancies continue to be frozen
- Commissioners RMN support for sectioned patients still needs to be taken further forward. To date there has been engagement with Sussex Commissioners but not Surrey.
- Nurse specific actions: The previous months actions continue and the Division are now managing any deviations to plan.
- The recruitment campaign continues and now includes the provision for new medical beds.
- Wards working under template when possible.
- Weekly bank and agency meetings continue between ward managers and matrons with the Divisional Chief Nurse.
- 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.
- Bank payments other than at Band 5 or Band 2 are investigated
- 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.
- All sickness is being managed in line with policy.

Exception Report

- **CLINICAL SUPPORT SERVICES DIVISION:** **£149k adverse to budget**

- The financial position for the CSS division at **month 9** is £149K overspent YTD against budget – £10k less than last month. The overall overspend lies within Radiology, currently at (£431k):

- **Radiology:** The overall overspend has increased by £49k to £431k YTD
  - The main element continues to be Agency usage (sonographers and radiographers), although they are expected to reduce further in month 10 to reflect staffing reconfiguration which is using less agency.
  - Non pay is £27k under YTD of which includes an adverse in month swing of £14k for maintenance and repair costs
  - Income is YTD £58k adverse to budget. Further investigation is required to determine the reason for the remaining unfavourable variance on income
- **Pathology:** An overall in-month overspend of £1k, has reduced the YTD position to £43k underspent. Whilst the budget position is favourable overall, there are underlying overspent areas:
  - Sendaway spend has continued to increase from month 8, with adverse variances of £34k in-month 8 and £147k YTD
  - Income is overall £25k adverse YTD due to loss of Earnsdale, Ramsays Healthcare (North Downs) and Crawley Gum
  - £28k of funding still needs to be transferred to Histopathology for the backlog for Endoscopy

- **Action Plan**
- **Radiology:**
  - To appoint to vacant x 3 Sonographer posts, currently covered by Agency. The Division has appointed to one of the 3 substantive vacant posts available – expected start date is the end of Jan. 2012. Recruitment continues to be difficult due to a skill shortage. The posts are out to AD again. Once new appointments are in place the overspend is likely to reduce/cease. Additionally, the agency sonographers have agreed to convert to bank - £45/hr rather than £70 from mid December. Also, as a result of some reworking of rotas and pt. scheduling, agency usage has been reduced by 1.4wte as of 19.12.11
  - Appoint to x 1 of the vacant Consultant posts as some of the sonographer overspend relates to covering 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
  - An outline case is being developed to address the demand and capacity issues within Radiology and to mitigate the current overspends and pressures.
- **Pathology:**
  - The send-away spend is driven by the other Divisions – options for management could include them paying for tests outside of their allocated monthly spend
  - Service Lead to attend other Divisional meetings to discuss activity and how they may be able to help control demand

Exception Report

ESTATES & FACILITIES DIVISION: **£180k adverse to budget**

- The financial position for the E&F division at month 9 is £180k overspent YTD against budget, compared to an overspend of £233k as at month 8, a £53k favourable movement.
- The adverse variance includes:
  - £58k YTD over spend on Portering pay due to pressures on rota, suspensions and high levels of sickness earlier in the financial year. The overspend has now been arrested and is expected to be on budget for the remainder of the year
  - £101k YTD over spend on Post Room pay and non pay. The pay spend in now within the monthly budget. Non pay continues to over spend with increased volumes through the franking machine and pre franked mail. Inflationary budget has been put into the ledger, and 10/11 costs removed which has resulted in a favourable variance in the month of £18k
  - £42k YTD over spend on Switchboard/Telecomms is due to additional costs of mobiles & bleeps, and the additional pay spend required to cover annual leave and sickness
  - The transport budget is overspent on pay transport costs (£32k YTD and a worsening position from last month due to the continued need for bank staff and lease van costs). Temporary extra routes have added to the departments workload particularly in the transport of records.
  - Car parks £7k overspent. Income is above plan by £28k, however, costs of maintenance/repairs are higher than anticipated including civil work to set up for the introduction of staff charging.
  - Over spends are partially offset by under spends generally in Engineering & Facilities (£78k each) mainly due to vacancy factors and the ad-hoc pattern of non pay expenditure (such as minor works)

Action Plan

- Portering – The logistics manager has identified underlying issues and the plan put into place is continuing to correct the previous situation. The spend has been on budget for the past couple of months.
- 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, e.g. 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.

Financial performance: Savings

Savings	Annual Target £000's	YTD target £000's	YTD actuals £000's	YTD Variance £000's	Variance Fav/(adv) %
By Transformation Programme Workstream					
Modernising Pathways (Chief Operating Officer)	1,386	1,053	1,328	275	26%
CSS (Chief Operating Officer)	730	513	539	26	5%
Outpatients (Director of Strategy and Transformation)	0	0	0	0	0%
Estates and Facilities (Director of Information and Facilities)	232	174	153	(21)	(12%)
Medical Staffing (Chief Medical Officer)	827	554	387	(167)	(30%)
Nursing and Midwifery (Chief Nurse)	771	577	174	(403)	(70%)
Corporate (Chief Financial Officer)	844	482	621	139	29%
Procurement (Chief Financial Officer)	1,389	912	1,132	220	24%
Income and Provision (Chief Financial Officer)	954	531	469	(62)	0%
OD and Strategy (Director of Strategy and Transformation)	0	0	0	0	0%
KPMG savings	567	298	297	(1)	0%
TOTALS	**7,700**	**5,094**	**5,100**	**6**	0%
By Directorate					
Surgical	1,620	1,301	1,301	0	0%
Medical	1,511	1,034	806	(228)	(22%)
WaCH	1,154	721	721	0	0%
CSS	844	603	627	24	4%
E&F	234	175	154	(21)	(12%)
Corporate	501	329	514	185	56%
Sub total	**5,863**	**4,163**	**4,123**	**(40)**	(1%)
Procurement savings	600	320	597	277	87%
Trustwide savings	1,237	611	379	(232)	0%
	0	0	0	0	0%
TOTALS	**7,700**	**5,094**	**5,100**	**6**	0%

Key points

The Savings target for 2011/12 is £7.7m (4% of turnover). The budgeted savings between M08 and M09 increased, as profiled, by £0.9m, of which £1.1m were delivered. This difference corrects the previous adverse variance, bringing the actual into balance with the plan.

Non delivery of nursing savings continues to be the single main problem. The costs of escalation remain, recruitment needs to increase and ICU needs to improve control. Medical staff savings fell back also in month.

Central savings schemes phased in the later part of the year are now impacting on the position (particularly the central medical staffing & digital dictations schemes). The underspending in central budgets (£0.2m) continues to mitigate unachievements elsewhere in the savings plan. Unutilised Non Pay reserves (including VAT) have now been released against savings delivery to reflect the fact that divisions have absorbed non pay pressues within their current performance indicating that overall they have made savings.

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

Surrey and Sussex NHS Healthcare NHS Trust

Financial performance: income

Income	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	YTD Var fav/(adv) (£m)
Contract income				
PbR: Elective inpatients	26.1	25.7	(0.4)	-2%
PbR: Non elective inpatients	56.3	58.7	2.4	4%
PbR: Outpatients	23.6	25.4	1.8	8%
A&E Attendance	5.1	4.8	(0.3)	-6%
Sub total: PbR Income	**111.1**	**114.6**	**3.5**	3%
Non PbR income	22.4	23.4	1.0	4%
Non-Recurrent Income	1.9	1.9	0.0	0%
Sub total other contract income	**24.3**	**25.3**	**1.0**	4%
Contract penalty above budget		(2.4)	(2.4)	0%
CQUIN	1.9	1.6	(0.3)	-18%
Sub total: contract adjustments	**1.9**	**(0.9)**	**(2.8)**	
Total Contract Income	**137.4**	**139.0**	**1.6**	1%
Non clin NHS SLA	0.8	0.8	(0.0)	0%
Education & training	5.0	5.1	0.1	2%
Cat C - Other	5.2	5.2	(0.0)	-1%
Total other income	**11.0**	**11.1**	**0.1**	1%
Total Income	**148.4**	**150.1**	**1.7**	1%

Differences in variance with PCTs: PCTs may not have amended their budgets to match the settlement over the £6.1m deficit target for the Trust or for the additional activity to deliver 18 weeks - thus for NHS Surrey, the SaSH contract is £3.9m adverse to the PCT (spend) budget, but only £1.0m favourable to the SaSH income budget. The variance for Sussex is £3.9m against the Sussex budget, and £0.7m against SaSH's income budget.

Contract income - key points

Summary - YTD overall contract income is £1.6m (1%) higher than that planned. £0.9m of this is attributable to excluded and high cost drugs for which there is an equal offsetting spend.

Electives: There has been a £1.0m in month improvement in elective income against plan, resulting in a reduced YTD underperformance of £0.4m (2% of YTD plan).

There has been 3,179 (23%) more daycases than the YTD plan, resulting in a favourable variance of £2.5m. Inpatient elective activity is 1,196 (23%) less than the YTD plan, resulting in an adverse income variance of £2.9m. As the SLR page describes a lot of this is due to a price variance (higher acuity)

Non elective: non-elective income (including excess bed days) is £2.4m in excess of the YTD plan. There has been a £0.1m reduction in month.

Outpatient activity: YTD there have been 12,446 (7%) more outpatient attendances than planned, resulting in a favourable YTD income variance of £1.8m. YTD there have been 3,142 (5%) more first outpatient attendances than planned resulting in a £0.4m favourable income variance. There have been 1,570 (2%) more follow up attendances than that planned, resulting in a favourable variance of £0.4m. 7,732 (72%) more outpatient procedures have been carried out than that planned resulting in a favourable income variance of £0.9m YTD.

A&E income: YTD there have been 10,348 more A & E and UTC attendances than planned, however, income is cumulatively £0.3m less than that planned. The reasons for this includes medical staff in ED not recording diagnostic procedures correctly since July. There is an urgent need for the Division to resolve this.

Fines from PCTs: NHS Surrey have submitted substantial financial challenges in respect of Q1 and Q2, negotiations are on-going with the PCT. There is no similar issue with NHS Sussex. .

Non-Contract Income: There is nothing to note.

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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	141,146	142,844	1,699	1,544	312	(158)	1,699
Direct Costs	40,504	40,570	(66)			(66)	(66)
Support Service Costs	86,818	89,329	(2,512)			(2,512)	(2,512)
Contribution to Overheads	13,825	12,945	(879)	1,544	312	(2,736)	(879)
Overheads	17,179	17,402	(223)			(223)	(223)
Unallocated Savings / Reserves / Technical Impairment	1,119	200	919			919	919
Trading Position fav/(adv)	(4,472)	(4,656)	(184)	1,544	312	(2,040)	(184)

				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	(769)	(2,521)	(1,752)	(626)	(339)	(788)	(1,752)
Medical Care	(4,409)	(3,966)	443	2,091	298	(1,946)	443
WACH	1,371	1,537	166	70	158	(62)	166
Clinical Support	453	494	41	9	195	(163)	41
Unallocated Savings / Reserves / Technical Impairment	1,119	(200)	919	0	0	919	919
Trading Position fav/(adv)	(4,472)	(4,656)	(184)	1,544	312	(2,040)	(184)

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, Direct Costs, 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).

Noting that the variance is apportioned differently to the earlier I&E reports, contract income to Month 9 is £1.9m favourable to Plan, which can be broken down to show a £1.6m favourable Price Variance on Casemix (i.e. a higher casemix of activity performed compared to Plan) compounded by a £0.3m favourable Price variance on Volume (i.e. a overperformance on activity) and a £0.2m additional adverse variance in respect of other central income.

The Position reported by Division shows that Surgical (overall) is underperforming to Plan, while Medical, WACH and CSS show favourable performances to plan. This is reflective of the reduced volume of elective activity against what was planned, offset by the favourable casemix variance for the activity flowing into the Medical Division, reflecting a trend of greater acuity amongst admitted medical patients.

CEO and CFO review meetings with selected Service lines will be taking place over the next month to review performance as part of the Business Planning process.

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*4=12	(3.0)	Better	The risks around activity reductions proposed by the PCT's have not materialised and therefore these risks have been removed. The displacement of elective work by non elective activity provides a cost (rather than income) risk. The risk from the contract challenge process (where PCTs "fine" the Trust for adverse contractual performance) reflects 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.	Robust contract management and action plans to deliver CQUIN income targets and quality improvements.	Chief Financial Officer
Scheduled care activity reduction in 2011/12	now removed		-				
Unscheduled care activity reduction in 2011/12	now removed		-				
Mitigation			1.0				
Net Risk			**(2.0)**				
Savings/recovery Plan							
Savings plans delivery	1231	3*3=9	(0.7)	Better	Risk around the delivery of the savings plan reflects the non delivery mainly of the nursing savings. This is currently being mitigated by other underspends. The improvement from last month is due to the unutillised non pay reserves, but there is increased confidence that savings will be delivered.	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
Mitigation			0.7			iii) Operation of cost control measures to manage spend (ongoing process)	Chief Financial Officer
Net savings plan risk			**0.0**				
Costs:							
Overspend re escalation costs	1232	5*4=20	(1.1)	Worse	This risk has increased from month 8 and the mitigation ability has decreased. The risk is that spend on outsourcing of elective work will not be "covered" by the income generated by the non elective activity displacing it. This is now larger in size than the Escalation overpend risk. 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		5*4=20	(2.0)				
Mitigating actions and planning for escalation/ recovery actions		**reduced mitigation**	1.8				
			(1.3)				
Total risks			**(3.3)**	**(£3.4m) month 8**			
Surplus/(deficit) risk forecast			**(3.3)**				

Note: The Trust expects to manage the contract challenge risk through the contract process, but external support is likely to be necessary in relation to the £1.3m displacement risk.

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.
- **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 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 costs of £4.8m financed by £2.0m internal funding and £2.8m by DH, and 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 has fallen from last month. This is due to receipt of CQUIN monies from Surrey PCT. The Trust is also working with SBS to reduce overall debt and we are on target to achieve the year end forecast for NHS Debt. Additionally, the AOB exercise was completed successfully for Q3 and no discrepancies arose. The Trust is also implementing a new overseas patient policy which will assist in reducing some of the difficulties in managing this area.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	DECEMBER	NOVEMBER	OCTOBER
			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	369	144	49	58	387	638	1,099	1,181
NHS TRUST	130	355	148	31	52	586	487	451
OTHER DEBTORS	25	108	52	45	536	741	790	674
Total Debts	524	607	249	134	975	1,965	2,376	2,306

Payables (Creditors) - The December 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. December position improved from previous months as both backlog and current creditors are paid with additional injections of cash. However, cumulative performance is still adverse against target. The Trust is taking action with cost centre managers to ensure prompt authorisation of invoices.

Key Financial Indicators: Dec 11

	Plan/ target	Actual cum Dec-11	Var (adv)/ fav	Actual cum Nov-11	Actual 10-11
BPPC: cum overall (value)	95%	65%	(30)%	62%	55%
BPPC: cum overall (volume)	95%	57%	(38)%	53%	54%

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

	31-Dec-11		30-Nov-11		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		99.7		95.4	4.3
Intangible Assets		2.1		2.2	(0.1)
Trade & Other Receivables		4.5		4.5	-
Assets Held for Sale		0.5		0.5	-
CURRENT ASSETS					
Inventories	3.9		3.8		0.1
Trade & Other Receivables	11.8		13.1		(1.3)
Prepayments and Accrued Income	4.5		3.7		0.8
Cash and Cash Equivalents	4.8		2.4		2.4
Other	0.3		-		0.3
	25.3		23.0		2.3
CURRENT LIABILITIES					
Trade Payables	(9.5)		(7.6)		(1.9)
Other Payables	(2.7)		(2.8)		0.1
Accruals	(13.1)		(11.2)		(1.9)
Other Liabilities	(12.5)		(8.9)		(3.6)
Net Current Assets		(12.5)		(7.5)	(5.0)
Total Assets Less Current Liabilities		**94.3**		**95.1**	**(0.8)**
NON-CURRENT LIABILITIES					
Borrowings		(8.7)		(8.7)	-
Deferred income		(3.5)		(3.5)	-
Provisions		(1.5)		(1.5)	-
Total Net Assets Employed		**80.6**		**81.4**	**(0.8)**
TAX PAYERS EQUITY					
PDC		120.8		120.8	-
Revaluation Reserve		13.5		13.5	-
I&E Reserve		(49.1)		(49.1)	-
I&E Current		(4.6)		(3.8)	(0.8)
Total Taxpayers Equity		**80.6**		**81.4**	**(0.8)**

Key points

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

Working Capital - £3.5m of SHA cash support was drawn down in Dec as temporary borrowing. This is shown within current liabilities until the permanent facility is confirmed.

Creditors – Payables increased due to commencement of large capital projects.

Liquidity (An indicator of the working capital position) – the liquid ratio deteriorated in December to 24 days as temporary cash injection is allocated to current liabilities where as the permanent facility would be credited to long term liabilities and would not have such impact on liquidity.

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

Donated Asset Reserve This has now been amalgamated with the I&E reserve resulting from the DH alignment exercise.

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	Actual	Actual	Forecast	Forecast	Forecast	
CASH INFLOWS													
Cash Inflow (SLA, Non-NHS)	16.00	15.80	14.40	17.90	17.90	17.80	13.30	13.40	13.58	16.91	15.48	17.06	**189.53**
Other Over Performance (To signed contracts)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.45	1.18	1.10	0.71	**6.44**
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-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 (1st draw down)	0.00	0.00	0.00	0.00	0.00	0.00	3.20	4.40	3.50	0.00	2.60	0.00	**13.70**
Temporary Borrowing (2nd draw down)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.70	**13.70**
TOTAL CASH INFLOWS	**16.00**	**18.00**	**14.40**	**17.90**	**17.90**	**17.80**	**23.10**	**17.80**	**20.53**	**18.09**	**19.18**	**31.47**	**232.17**
CASH OUTFLOWS													
Repayment Temp Borrowing (1st draw down)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-13.70	**-13.70**
Backlog creditors	0.00	0.00	0.00	0.00	0.00	0.00	-3.20	-1.10	-1.10	-1.00	-0.90	-0.80	**-8.10**
Non Pay Cash Flow	-3.00	-5.70	-6.40	-5.70	-5.50	-5.10	-6.68	-5.73	-4.77	-6.95	-3.90	-2.79	**-62.22**
Pay Cash Flow	-9.50	-10.80	-10.70	-10.50	-10.70	-10.70	-10.67	-10.80	-10.83	-10.82	-10.97	-10.96	**-127.95**
Capital Cash Outflow	-0.40	-1.20	-0.30	-0.40	-0.50	-0.50	-0.76	-1.00	-0.51	-1.00	-2.60	-2.13	**-11.30**
Capital - Modular Ward	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1.55	-1.00	-1.00	-0.60	-0.65	**-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**
TOTAL CASH OUTFLOWS	**-12.90**	**-17.70**	**-17.40**	**-16.60**	**-16.70**	**-18.30**	**-21.31**	**-20.18**	**-18.21**	**-20.77**	**-18.97**	**-33.13**	**-232.17**
NET CASH FLOW	3.10	0.30	-3.00	1.30	1.20	-0.50	1.79	-2.38	2.32	-2.68	0.21	-1.66	0.00
OPENING CASH BALANCE	0.60	3.70	4.00	1.00	2.30	3.50	3.00	4.79	2.41	4.73	2.05	2.26	0.60
CLOSING CASH BALANCE	**3.70**	**4.00**	**1.00**	**2.30**	**3.50**	**3.00**	**4.79**	**2.41**	**4.73**	**2.05**	**2.26**	**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, £4.4m was drawn down in November and a further £3.5m in December. The remaining £2.6m will be drawn down in February.
- Capital funding towards the modular ward of £2.8m was received in Oct along with additional PCT funding of £3.8m.