Trust Board - Public – 29th September 2011
Agenda item: 5.1

Surrey and Sussex Healthcare NHS Trust

Finance report M05 – August 2011

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Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M05 – August 2011

Summary:

- **Performance is slightly favourable to Plan, at a deficit of £3.8m. The forecast outturn is a £6.1m deficit (the Plan).**
- **Although the Department of Health has not responded to the revised plan, it has been used for 3 months in the FIMS. The Trust and SHA are therefore regarding it as accepted – as such the Trust is not categorised as "challenged" under the NHS Performance Framework, but underperforming.**
- **The full year recurrent deficit will be between £10.0m and £15.0m (£7.2m of non recurrent income is in the forecast).**
- **New schemes have been confirmed to deliver the previous £1.6m gap in the savings plan. There are now plans in place for the totality of the £7.7m savings plan.**
- **Risks are: overspending in divisions (mainly escalation & nursing), contractual challenges and activity reductions happen as PCT's intended. The newly identified savings of £1.6m are also included within the risks.**
- **Feedback from the Dept of Health and the SHA is expected imminently regarding the requested support for £7.6m operational PDC (required to support the capital programme) and the allocation of £2.8m capital to pay for the modular wards. The balance of the Trusts liquidity issue remains an area under discussion with the SHA.**

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

Trust objective: Please list number and statement. this paper relates to. **Notes:**	**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
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.

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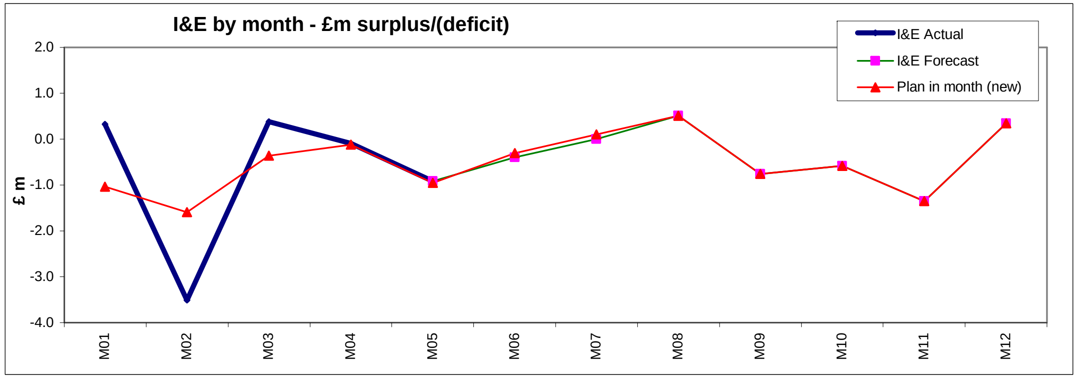
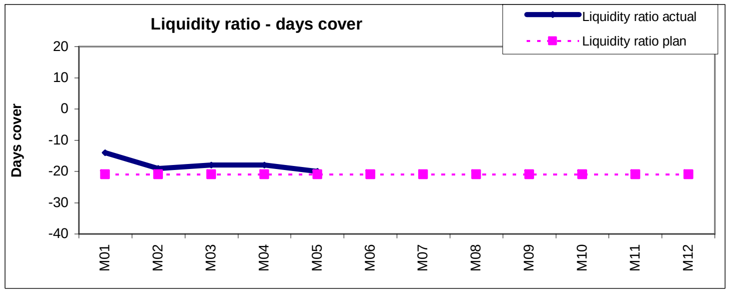
Key financial indicators: M05 2011/12

Key financial indicators at Month 5	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1 In month surplus/(deficit)	(1.0)	(0.9)	0.1	green
2 YTD surplus/(deficit)	(4.1)	(3.8)	0.3	green
3 Forecast outturn surplus/(deficit)*	(6.1)	(6.1)	(0.0)	red
*Technical impairment of £0.2m excluded				
4 YTD recurrent surplus/(deficit)		(3.2)		red
5 Risk assessment fav/(adv)		(1.6)		red
6 Cash position (in month)		3.5		amber
7 Liquidity ratio (days)		-20		red
8 Forecast capital outturn	13.0	13.0	0.0	green
9 Return on assets	3.5%	3.5%	0.0%	green
BPPC: cum overall (volume)	95%	53%	(42)%	amber
BPPC: cum overall (value)	95%	60%	(35)%	amber
11 Performance rating in month#	Underperforming			red

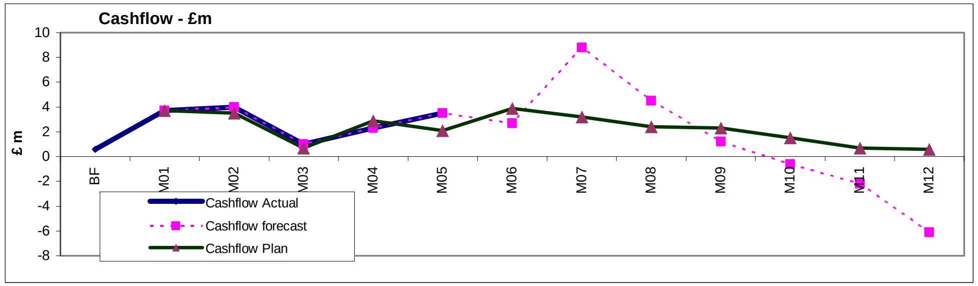
#NB: The performance rating is a Trust estimate



The Trust is favourable to its revised plan by £0.3m at M05 with a £3.8m deficit. The forecast outturn remains £6.1m which reflects the deficit target in the new plan. The £6.1m deficit plan has now been used for 3 months and is deemed as accepted by the Department of Health - that means the Trust is not formally categorised as "challenged" for finance under the NHS Performance Framework, but is underperfoming.
Risks to the plan are from the new savings schemes of £1.6m (plugging the previous gap) which are phased in later in the year, ongoing escalation costs, continued pressures on divisional nursing budgets and the potential of contractual fines from PCTs or activity reductions later in the year.



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. In addition to action over the I&E position the Trust is also exploring actively with the SHA and PCTs additional cash support measures.



The cash forecast has been adjusted to match the I&E forecast deficit. Temporary cash cover has been agreed with PCTs and the Trust is currently reviewing the extent of that in light of the revised financial plan. That cash cover runs to December 2011 after which cash will tighten and run out unless the remaining deficit is resolved. The cash plan factors in planned savings for both pay and non-pay and includes planned proceeds from the disposal of surplus property (Kibblewhite, £0.5m). The Trust does not, currently, intend to overpay on its working capital loan (the DoH has not yet confirmed the level of loan payment expected and is also considering the award of £7.6m of operational PDC).

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.**

ESTIMATED PERFORMANCE YTD

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*	-2.0%	*20%*	1	red
	YTD EBITDA Margin	-0.2%	*5%*	1	red
Forecast Outturn	*Forecast Operating Performance*	-3.1%	*20%*	0	red
	Forecast EBITDA Margin	1.4%	*5%*	2	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	2	amber
Underlying Financial Position	*Underlying Position %*	-8.6%	*5%*	1	red
	EBITDA Margin %	-5.6%	*5%*	1	red
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	60.0%	*2.5%*	2	amber
	BPPC % by Volume	53.0%	*2.5%*	1	red
	Current Ratio	0.7	*5%*	2	amber
	Receivable days	12	*5%*	3	green
	Payable days	132	*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 M5 the unvalidated Trust score is“underperforming” as a result of the forecast year end deficit of £6.1m.
- The Trust has not heard any word from the Department of Health since it submitted its revised plan, but it has now been reporting against it in FIMS for 3 months. The Trust is therefore treating the Plan as formal, which means the Trust is “underperforming” and not “challenged”.

Monitor risk rating (below)

Summary Monitor ratings	M5
EBITDA Margin	2
EBITDA % Achieved	5
ROA	2
I&E Surplus Margin	1
Liquid Ratio	2
Weighted Average	1.4
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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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 August 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	75.1	75.5	0.4	0.5%	
Contract Income - NHS	**75.1**	**75.5**	**0.4**	0.5%	
Impairment			-		
Other operating income	6.1	6.1	(0.0)	0.0%	
Non-rec income			-		
Other income			-		
Total Income	**81.2**	**81.6**	**0.4**	0.5%	
Expenses					
Pay (incl agency)	(56.5)	(56.6)	(0.1)	-0.2%	
Non-Pay (excl Depreciation)	(25.2)	(25.2)	-	0.0%	
	(81.7)	**(81.8)**	**(0.1)**	-0.1%	
EBITDA (pre-exceptionals)	**(0.5)**	**(0.2)**	**0.3**	-60.0%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**(0.5)**	**(0.2)**	**0.3**	-60.0%	(0.2)%
					% of income
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.1)	(0.1)	-		
Depreciation	(2.2)	(2.2)	-	0.0%	
Impairment	-	-	-		
PDC	(1.3)	(1.3)	-	0.0%	
	(3.6)	**(3.6)**	**-**	0.0%	
					YTD Op Perf:
Net Surplus/ (Deficit)	**(4.1)**	**(3.8)**	**0.3**	-7.4%	(7.4)%
					(adv)/fav to plan

Memoranda			
Net reported surplus	(3.8)		
Plan surplus YTD	(4.1)		
Variance (fav)/adv to target	**0.2**		
Net surplus	(3.8)		
Non recurrent items	0.6		Underlying position
Adjusted recurrent position	**(3.2)**		(8.6)%

Summary

The Trust's position is favourable to Plan at M05, but it has a £3.8m deficit.

The underlying position is a £3.2m deficit because of the partial set off of non recurring spend (around consultancy for savings work - the recurrent anlaysis is on the next page). Savings are slightly adverse (just £16k), and the Trust has identified savings to fill the £1.6m gap in the Plan.

Overall, the Trust is on Plan, delivering its savings and managing those areas that are overspending. It is forecast to be on target to deliver its £6.1m deficit plan.

Income

Contract income is £0.4m above plan. The adverse elective and favourable non elective income mix continues, although with more from both areas in the month (noting August is a longer month). This variance includes increased high cost drug and excluded device usage which are both set off by costs.

Costs

Pay costs fell in month after the July peak (the blame on agency costs flowing from junior doctors' absence as their term in the Trust came to an end looks accurate with medical agency falling considerably) but are still higher than earlier months in the year, noting that nursing agency costs were high in the month (and nursing budgets increased their overspend in month despite escalation usage falling - this is probably linked to the summer holiday period). Overall, however, agency usage costs remain less than last year with the variance improved (it is now back to 22% favourable).

Escalation areas were closed during much of August and the Trust delivered its A&E access target during the month as attendances reduced to manageable levels. It might be noted that the Medical Division (which is overspent year to date) delivered an underspend in the month, reducing the amount of their overspend. CSS and Estates continue their overspends.

Non pay costs increased in the month around the use of drugs and clinical supplies but remain within budget overall. The Trust continues to deliver its procurement savings workstream.

Comprehensive income (income & expenditure) recurrent position

Surrey and Sussex NHS
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Recurrent I&E Calculation

		YTD @ M05	
		£m	£m
Net Surplus/(deficit)			(3.8)
Deduct N/R income	i) non rec income support	-	
	ii) 18 weeks backlog income	1.1	
	iii) FYE sch 7 income increase		
	iv) NR slippage/delay to PCT QIPP plans		
	Total N/R income		(1.1)
	i) 18 weeks backlog spend	1.1	
	ii) Consultancy	0.6	
	iii)		
	iv)		
	Total N/R spend		1.7
Deduct N/R savings	i)		
	ii)		
	iii)		
	iv)		
	Total N/R savings		-
Recurrent Surplus/(deficit)			(3.2)

Recurrent position

- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At month 5 the underlying deficit is £3.2m 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.

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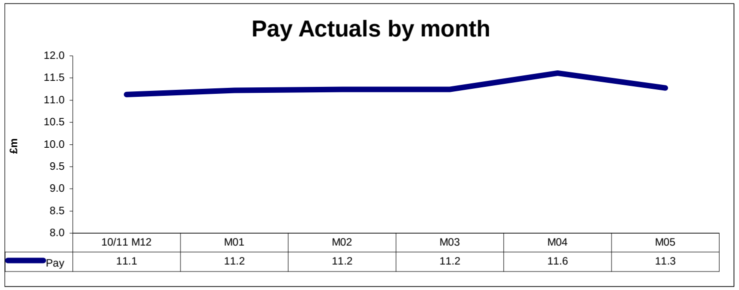
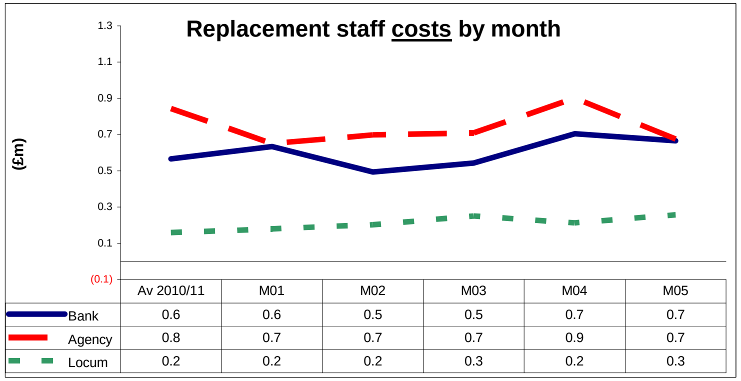
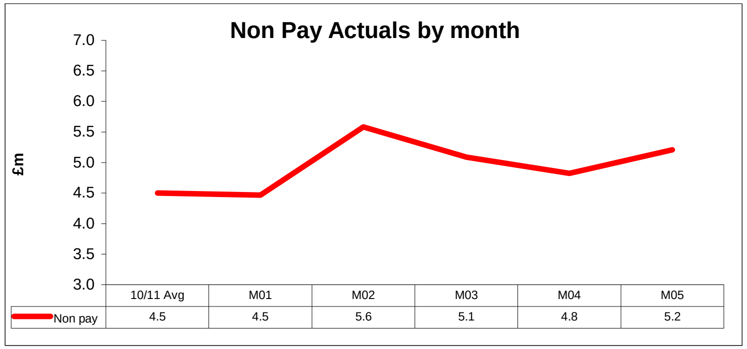
Financial performance – operating spend YTD







Key points:

1) Pay costs have decreased by £0.3m in month. This is from reduced use of medical staff agency and nursing bank cost. Nursing agency costs increased in month, driving an increased overspend against nursing and healthcare assistant budgets in all clinical divisions - this is probably linked to the holiday period.

2) Temporary staff: agency hours for nursing staff increased from last month with usage continuing to be high in ED, while escalation spend saw a reduction due to the closure of areas, with nursing bank spend stable. The Medical agency usage fell in August back to pre junior doctor handover levels. Agency costs are 22% lower then this time last year.

3) Non pay costs: Non pay costs have increased from last month's spend, due mainly to additional spend on high cost drugs, clinical supplies (theatres & blood bank) and outsourcing of inpatient work (£0.5m in August). The increased spend since the begining of the year due to the outsourcing is £1.1m YTD which is matched by increased income (additional budget is applied so it does not appear as a variance). Procurement savinsg are delivering.

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	56.5	56.6	(0.1)	-0.1%
Drugs	4.8	4.9	(0.1)	-1.1%
Clinical supplies	7.4	7.5	(0.1)	-1.4%
General supplies	0.8	0.8	0.0	4.9%
Establishment	1.8	1.8	(0.0)	-1.8%
Premises & utilities	1.6	1.5	0.1	7.7%
Healthcare recharges	5.0	5.0	(0.0)	-0.1%
Fees & consultancy	3.3	3.4	(0.1)	-1.6%
Misc	0.5	0.4	0.1	14.6%
Recharges	(0.0)	0.0	(0.0)	
Total non pay spend	25.2	25.2	(0.0)	-0.2%
Total operating spend	**81.8**	**81.8**	**0.0**	0.1%

Pay costs year to date	YTD Spend Vs BUDGET			
	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	8.3	7.9	0.4	5.3%
Other medical	7.9	8.1	(0.2)	-3.1%
Nursing & Midwifery	22.3	22.7	(0.4)	-1.7%
Healthcare assistants	2.7	2.9	(0.2)	-7.0%
AHPs	5.8	6.1	(0.3)	-5.1%
Directors & NEDs	0.6	0.4	0.2	28.8%
Senior mgrs (8a+)	1.9	1.8	0.1	3.8%
Admin & clerical	6.6	6.3	0.3	4.8%
Estates & FM	0.4	0.3	0.1	37.3%
Total Pay spend	**56.5**	**56.6**	**(0.1)**	-0.1%

Agency costs YTD to this month	2010/11 YTD Actuals (£m)	2011/12 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	4.7	3.6	**1.0**	22.1%

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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 £0.6m (that is 14% of the total full year reserves budget) have been released to offset Divisional pressures (although, as in earlier 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 again increases in month, and the Surgical budget has been increased in M05 by £0.5m to cover costs incurred (the income target has been increased too). The total increase year to date from outsourcing is £1.1m. A review of the 18 weeks income and spend budgets has been undertaken this month and the final outcome is being agreed – there is a risk that additional spend budget is allocated that cannot be covered by Trust income overall.

- The Medical Division underspent in the month (the first time the CFO has seen an overspending trend in Medicine reverse in his time in the Trust). An exception report is provided for Medicine, CSS and E&F, while other Divisions are within their overspend tolerance. The Clinical Services (Escalation) overspend has increased from M04 due to the Medihome costs for July and August, while having fewer escalation areas open in the month has reduced the level of agency spend.

2011/12 MONTH 05 YTD PERFORMANCE

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)	178,380	74,101	74,662	561	0.8%
CQUINS income	2,438	1,016	805	(211)	(20.8)%
Bad debt provision	(81)	(36)	(36)	(0)	0.0%
Donated Assets	220	82	82	0	0.0%
Other Income	6,669	2,767	2,753	(14)	(0.5)%
Total income	**187,626**	**77,930**	**78,267**	**337**	0.4%
Directorates (inc Directorate income)					
Surgical	54,140	23,156	22,906	250	1.1%
Medical	39,349	16,195	16,401	(207)	(1.3)%
WaCH	21,059	8,742	8,639	104	1.2%
CSS	26,331	10,978	11,155	(177)	(1.6)%
E&F	12,005	5,068	5,163	(94)	(1.9)%
HR	2,726	1,094	1,090	4	0.4%
CEO	1,400	545	527	18	3.3%
Restructuring and PMO	600	601	601	0	0.1%
Finance	3,292	1,404	1,326	78	5.6%
Nursing	3,024	1,278	1,247	31	2.4%
IMT	2,272	1,046	997	49	4.7%
Clinical Services (Escalation)	409	170	588	(417)	(244.7)%
Overheads	9,097	3,790	3,751	39	1.0%
Other Central	600	865	865	0	0.0%
High Cost Drugs	6,072	2,550	2,838	(288)	(11.3)%
Excluded devices	506	211	268	(57)	(27.0)%
CQUINS costs	500	128	128	0	0.2%
Unallocated reserves	4,140	607	0	607	100.0%
Amber savings	(1,194)	(42)	0	(42)	100.0%
Red savings	(1,565)	0	0	0	
Total Directorate I&E	**184,763**	**78,387**	**78,489**	**(102)**	(0.1)%
Post EBITDA					
P/L on Asset Disposals	0	0	0	0	
loan interest payable	309	129	127	2	1.4%
interest recievable	(18)	(8)	(7)	0	0.0%
Depreciation	5,432	2,138	2,105	33	1.5%
Depreciation - donated	220	82	82	0	0.0%
PDC	2,996	1,248	1,275	(27)	(2.1)%
unwinding of discounts	37	15	15	0	0.0%
Total post EBITDA	**8,976**	**3,605**	**3,598**	**8**	0.2%
Net Surplus / (Deficit)	**(6,113)**	**(4,063)**	**(3,820)**	**243**	(6.0)%

Exception Report

MEDICAL DIVISION: **£207k adverse to budget**

- The financial position for the Medical division at month 5 is £207k overspent YTD against budget. This is a reduction from the month 4 overspend by £25k, mainly as a result of reduced medical staffing agency costs (the Division underspent in the month)
- The adverse variance includes:
  - High drug YTD spend of £78k which includes the impact of medical outliers.
  - Continuing use of nursing specials £47k YTD, the in month spend being consistent with last month
  - High use of locum doctors in part due to high levels of sickness absence
  - High use of agency in ED due to high levels of vacancies and the continued use of ED escalation
  - High non pay spend due to increased activity particularly in ED

Action Plan

- 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.
- 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 spend particularly medical staff
- Setup meeting with both commissioners to agree provision of RMNs for sectioned patients.

Nurse specific actions:

- Weekly bank and agency meetings continue between ward managers and matrons.
- Wards working under template when possible.
  - May – 3,091 hrs, June – 3,414 hrs, July-3,609 and August 2934 hrs not filled to reduce spend
- Strict controls continue for Specials. This includes there being a Special policy and log on all wards and all specials being authorised by a matron only if wards are at full staffing template. A process to access Mental Health Support for Inpatients from West Sussex PCT is now being pursued.
- All ward managers and matrons have been 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.
- 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.
- Divisional chief nurse to monitor areas causing concern to review current actions and agree actions for improving trend.
- All rotas are authorised by the matron and then the divisional chief nurse
- All ward managers have reviewed their annual leave request systems in place, all sickness is being managed in line with policy and there is an active recruiment campaign to fill vacancies.

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Exception Report

CLINICAL SERVICES DIVISION: £177k adverse to budget

- The financial position for the CSS division at month 5 is £177k overspent YTD against budget - £30K adverse movement in month 5.
- The adverse variance includes:
  - Radiology: Whilst Radiology is £35k favourable in month 5, mainly due to central investment in two substantive sonographers (annual budget £98k and YTD budget £40.8k) and income from ICATS (annual budget £45k and YTD budget £18.7k), the Department remains overspent at £239k. The underlying overspend includes:
    - Agency usage (sonographers and radiographers) - £43.5k in-month spend and a YTD spend of £217.6k.
    - Medica Night Hawk costs remain above budgeted - £32k in-month spend driven by activity and ED plain film backlog reporting.
    - Income is YTD £35k adverse to budget – including risk around income target re Neurology that needs to be mitigated
    - Pathology: £55K overspent in month 5 – pathology to this point has been underspent. The overspend is due to:
    - Maternity cover for a consultant in Histopathology.
    - YTD Mortuary pay being adverse to budget.
    - Microbiology SpR training post, funded by the Deanery – the budgets are being reviewed to identify funding to support the post.
    - Send-away spend - £21K adverse in month - £48k YTD, lab reagent spend - £24K adverse in month - £7k YTD and blood usage spend - £19K adverse in month - £44k YTD.

Action Plan

- Radiology:
  - Appoint to vacant sonographer posts, currently covered by Agency. Recruitment is looking positive. This will have the effect of reducing/eliminating the agency spend. Dorking have been given notice re onsite radiology services as of 01.11.11 with the intention of the radiographer assigned to working there being repatriated to ESH and therefore reducing the need for agency. There is another option for Dorking to consider, which will involve providing the radiographer to Dorking at full cost which will enable the Division to use that income to backfill the radiographers' training to be sonographers
  - Excessive requests for OOH CT is driving the overspend related to Medica – this is largely from ED. Activity through ED has been very high and some of the requests are inappropriate. The Division are working with their clinical colleagues across the Trust to address this. The referral criteria needs to be tightened and the division needs to implement consultant to Medica referrals OOHs.
  - Income shortfall - Further investigation is required to determine the reason for the remaining unfavourable variance.
- Pathology:
  - Investigate mortuary establishment and resolve
  - Complete review of SpR funding and resolve.
  - 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.
  - Lab reagent spend varies from month to month. This is expected to go down in month 6.
  - Blood usage has increased due to high trauma activity – which is not in the Divison's control.

Exception Report

- **ESTATES & FACILITIES DIVISION:** **£94k adverse to budget**

- The financial position for the E&F division at month 5 is £94k overspent YTD against budget.
- The adverse variance includes:
  - £68k YTD over spend on Portering Pay due to pressures on rota, suspensions and high levels of sickness. This is an increase in the overspend from the previous month, however, the level of spending is significantly lower than at the beginning of the year.
  - £49k YTD over spend on Post Room. The pay overspend has not worsened in month, however non pay continues to over spend due to increased volumes through the franking machine, though the regularity of top ups is under review.
  - The transport budget is overspent on both pay and other non pay transport costs (£26k YTD)
  - Over spends are partially offset by under spends generally in Estates (£61k) mainly due to vacancy factors and the adhoc pattern of non pay expenditure (such as minor works).

Action Plan

- Catering – The effect of inflationary price increases has been funded from reserves in month 5 (£155k full year) and this has brought the budget back almost within budget. An exercise is also ongoing in getting the best prices from suppliers (such as the reduced sandwich prices recently obtained) to mitigate any further price rises. Every way to reduce provisions costs without reducing quality has been explored through a bench marking exercise resulting in three new suppliers to the Trust. All new suppliers are clear that this exercise will be conducted 6 monthly and prices monitored on a monthly basis. The provision of sandwiches in a different format has also realised savings
- Portering – The new logistics manager has now identified underlying issues and a plan is underway to turn this budget around. The budget will be back on track by M7. HR issues around suspensions and sickness need urgent resolution.
- Post Room – Mail costs are being investigated for possible over charge and looking at where the Trust appears to provide free postal service for other organisations on-site.
- Transport/Post Room/Car Park staffing issues – work is underway to fully breakdown establishment usage, particularly in relation to the transport activity and requirement for additional journeys.

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	617	773	156	25%
CSS (Chief Operating Officer)	232	97	90	(7)	(7%)
Outpatients (Director of Strategy and Transformation)	730	260	253	(6)	0%
Estates and Facilities (Director of Information and Facilities)	844	113	261	148	131%
Medical Staffing (Chief Medical Officer)	771	319	95	(224)	(70%)
Nursing and Midwifery (Chief Nurse)	1,389	382	333	(50)	(13%)
Corporate (Chief Financial Officer)	827	232	232	0	0%
Procurement (Chief Financial Officer)	214	89	56	(33)	(37%)
Income and Provision (Chief Financial Officer)	567	0	0	0	0%
OD and Strategy (Director of Strategy and Transformation)	0	0	0	0	0%
TOTALS	**7,700**	**2,110**	**2,093**	**(16)**	**(1%)**
By Directorate					
Surgical	1,595	812	812	0	0%
Medical	1,495	468	335	(133)	(28%)
WaCH	1,141	254	254	0	0%
CSS	858	313	286	(27)	(9%)
E&F	232	97	90	(7)	(7%)
Corporate	272	113	261	148	131%
Sub total	**5,593**	**2,056**	**2,037**	**(19)**	**(1%)**
Procurement savings	600	54	57	3	6%
Trustwide savings	1,507	0	0	0	0%
TOTALS	**7,700**	**2,110**	**2,093**	**(16)**	**(1%)**

Key points

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

At M05 achieved savings were £2.1m, adverse to plan by £16k. The underspending in central budgets (£148k) continues to mitigate unachievements in clinical divisions, particulary relating to nursing savings.

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.

The £1.6m unidentified savings gap now had identified schemes, relating to the cost controls, additional procurement and increased efficiency.

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	15.2	13.7	(1.5)	-10%
PbR: Non elective inpatients	30.6	32.8	2.2	7%
PbR: Outpatients	13.0	13.8	0.8	6%
A&E Attendance	2.6	2.8	0.2	6%
Sub total: PbR Income	**61.4**	**63.1**	**1.7**	3%
Non PbR income	12.7	12.2	(0.5)	-4%
Sub total other contract income	**12.7**	**12.2**	**(0.5)**	-4%
Contract penalty above budget		(0.6)	(0.6)	0%
CQUIN	1.0	0.8	(0.2)	-21%
Sub total: contract adjustments	**1.0**	**0.2**	**(0.8)**	
Total Contract Income	**75.1**	**75.5**	**0.4**	0%
Non clin NHS SLA	0.5	0.5	0.0	0%
Education & training	2.6	2.7	0.1	3%
Cat C - Other	3.0	2.9	(0.1)	-3%
Total other income	**6.1**	**6.1**	**(0.0)**	0%
Total Income	**81.2**	**81.6**	**0.4**	0%

Key points

The SHA has noted that activity overall in the region is where it was last year, but there appears to be a consistent story in Surrey and Sussex in all Trusts where elective activity is reduced and non elective increased (note Foundation Trusts also have a different target for referral to treatment of 23 weeks instead of 18).

Elective activity continues to be adverse to plan, but the extra working day in August slows the rate against the trend from previous months. Inpatient Trauma & Orthopaedics is the main contributor to this position being currently £1.1m below planned income levels.

The favourable variance for non-elective income has increased very slightly (£0.2m) in August. Non elective short stay (i.e. below 2 days) activity is significantly below plan by £0.2m (which is 10%) whilst non-elective admissions for longer than 2 days are above plan by £2.1m (7%). The reported position contains a provision of £0.8m in relation to the 30% non-elective marginal rate (so although the Trust is getting non elective activity that covers the elective shortfall, it is only being paid 30% of the value). Work is underway to evaluate the value of re-admissions (according to national guidance) although it has been agreed that value of the re-admissions will be re-invested with the Trust.

Outpatient activity is slightly ahead (£0.1m) of the trend up to and including July, and favourable perfromance is driven by outpatient procedures which are £0.6m ahead of plan (62%) and consultant led follow ups which are £0.2m ahead of plan.

Contractual fines from misreported/mis-priced activity is, as reported in July, running at less than £10k per PCT per month with the only residual risk related to Low Priority Procedures for Sussex Patients.

Financial performance: Service line variance presentation

Overall summary of service line trading position	Budget (£000)	Actuals (£000)	Variance fav/(adv) (£000)	Variance Analysis: Price Variance (Casemix) fav/(adv) (£000)	Price Variance (Volume) fav/(adv) (£000)	Variance (Other) fav/(adv) (£000)	TOTAL Variance fav/(adv) (£000)
Income	77,203	77,627	423	2,814	(2,253)	(137)	423
Direct Costs	22,639	22,548	91			91	91
Support Service Costs	47,726	48,430	(704)			(704)	(704)
Contribution to Overheads	6,838	6,649	(189)	2,814	(2,253)	(750)	(189)
Overheads	10,065	10,469	(404)			(404)	(404)
Unallocated Savings / Reserves	836	0	836			836	836
Trading Position fav/(adv)	(4,063)	(3,820)	243	2,814	(2,253)	(318)	243

Divisional service line trading position	Budget (£000)	Actuals (£000)	Variance fav/(adv) (£000)	Variance Analysis: Price Variance (Casemix) fav/(adv) (£000)	Price Variance (Volume) fav/(adv) (£000)	Variance (Other) fav/(adv) (£000)	TOTAL Variance fav/(adv) (£000)
Surgical Care	(1,391)	(1,869)	(478)	540	(1,918)	900	(478)
Medical Care	(2,441)	(2,480)	(40)	1,953	297	(2,290)	(40)
WACH	434	338	(96)	335	(673)	242	(96)
Clinical Support	171	191	20	(15)	41	(7)	20
Unallocated Savings / Reserves	836	0	836	0	0	836	836
Trading Position fav/(adv)	(4,063)	(3,820)	243	2,814	(2,253)	(318)	243

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 providing 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).

Noting that the variance is apportioned differently to the earlier I&E reports, contract income to Month 5 is £0.6m favourable to Plan, which can be broken down to show a £2.8m favourable price variance (i.e. a higher casemix - more higher priced spells of activity performed compared to plan) offset by a £2.3m adverse volume variance (i.e. a large underperformance on activity) and a £0.1m additional 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 the plan. 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 £2.0m favourable casemix variance for the activity flowing into the Medical Division reflecting, it would appear, a trend of greater acuity amongst admitted medical patients.

The Position reported by Division shows that Surgical (overall) and Medical are all in deficit and all 3 main clinical Divisions are adverse to their Plan.

CSS shows a marginal surplus trading poisition, driven by direct access (from GPs) Radiology activity giving a favourable income volume variance and Pathology being underspent on its planned YTD expenditure.

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	(1.0)	No change	The Trust forecast and Plan now assumes that activity reductions notified in the Contract will not now happen in 2011/12. This judgement has been reviewed by the Board and is based on the fact that none of the schemes (bar dermatology) has been implemented yet, PCTs are describing slippage and, in respect of individual schemes it is clearer to the Trust that the activity reduction although helping the demand issue faced will not lose the Trust income. Additional risk remains from the contract challenge process (where PCTs "fine" the Trust for adverse contractual performance. The Trust will vigorously resist any inappropriate challenges, or operation of cash restrictions.	i) Establsihment of a PCT/Trust PMO with agreement at CEO level of any activity reductions or service changes (although an "operational PMO" has been created this one has not been). ii) Robust contract management and, through the Trust's internal PMO, 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			-				
Savings/recovery Plan							
Newly identified savings plans	1231	3*3=9	(1.6)	No change	The Trust has reviewed its savings plan and has now identified deliverable schemes for the remaining £1.6m gap, however there is still risks around the Trust savings plan.	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
Net savings plan risk			**(1.6)**			iii) Management of consultancy support to deliver additional savings (ongoing weekly review)	Chief Financial Officer
Costs:							
Overspend re escalation costs	1232	3*3=9	(1.0)	No change	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), is the main overspending at Month 5. This is not set off by income because the Trust has a limited capacity and elective work is displaced. The cost is covered by reserves in the month but that cannot continue.	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 completed by M02.	Chief Operating Officer
Mitigating actions and planning for escalation/ recovery actions			1.0				
			-				
Total risks			**(1.6)**	**no change**			
Surplus/(deficit) risk forecast			**(1.6)**				

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

- 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 is awaiting confirmation of its revised capital resource limit and has approved schemes totalling £11.7m, against a capital budget of £13.0m. These are detailed in the Capital Report, but the schemes include improvements to the Emergency Department, Theatres refurbishment, works to the Main Entrance and additionally the procurement of modular wards to increase capacity later in the winter. It is likely that the value of Kibblewhite (held for sale asset) will fall in value by £200k and the Trust will be applying for this to be treated as a technical impairment.

Aged Receivables (Debtors) – August's overdue debt increased slightly from July. Invoice disputes from 2010/11 with PCTs are currently being discussed ahead of the national agreement of balances exercise in Sept. The Trust's risk around debt owed by overseas patients is about £0.3m and the Trust is working assiduously with SBS to recover this. 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.

	Within term	1-30 days	1 month over due	2 month over due	3 month over due	AUGUST	JULY	JUNE
			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	339	364	169	15	423	971	867	965
NHS TRUST	255	105	85	43	90	323	327	253
OTHER DEBTORS	134	88	27	29	442	586	622	678
Total Debts	728	557	281	87	955	1,880	1,816	1,896

Payables (Creditors)

- The August 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. August position, against target, worsened from July as older aged invoices were paid in priority to current invoices. The position against target will not improve without a cash injection but also by approval of invoices on time.

Key Financial Indicators: Aug 11

	Plan/ target	Actual cum Aug-11	Var (adv)/ fav	Actual cum Jul-11	Actual 10-11
BPPC: cum overall (value)	95%	60%	(35)%	62%	55%
BPPC: cum overall (volume)	95%	53%	(42)%	57%	54%

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

	31-Aug-11		31-Jul-11		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		92.7		92.5	0.2
Intangible Assets		2.0		2.1	(0.1)
Trade & Other Receivables		4.4		4.4	-
Assets Held for Sale		0.7		0.7	-
CURRENT ASSETS					
Inventories	3.8		3.8		-
Trade & Other Receivables	6.1		7.4		(1.3)
Prepayments and Accrued Income	3.8		3.6		0.2
Cash and Cash Equivalents	2.9		1.8		1.1
Other	0.2		0.2		-
	16.8		16.8		-
CURRENT LIABILITIES					
Trade Payables	(11.1)		(10.0)		(1.1)
Other Payables	(2.7)		(2.8)		0.1
Accruals	(9.1)		(9.1)		-
Other Liabilities	(1.3)		(1.3)		-
Net Current Assets		(7.4)		(6.4)	(1.0)
Total Assets Less Current Liabilities		**92.4**		**93.3**	**(0.9)**
NON-CURRENT LIABILITIES					
Borrowings		(8.7)		(8.7)	-
Deferred income		(3.5)		(3.5)	-
Provisions		(1.5)		(1.5)	-
Total Net Assets Employed		**78.7**		**79.6**	**(0.9)**
TAX PAYERS EQUITY					
PDC		118.0		118.0	-
Revaluation Reserve		13.5		13.5	-
Donated Asset Reserve		1.4		1.4	-
I&E Reserve		(50.4)		(50.4)	-
I&E Current		(3.8)		(2.9)	(0.9)
Total Taxpayers Equity		**78.7**		**79.6**	**(0.9)**

Working Capital - Worsened from July because of the growth in backlog creditors.

Creditors – Increase in goods received but not invoiced and also an accrual for the outsourcing of 18 weeks lists to private providers.

Liquidity (An indicator of the working capital position) – the liquid ratio remains low at minus 20 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.

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	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
CASH INFLOWS													
Cash Inflow (SLA, Non-NHS)	16.0	15.8	14.4	17.9	17.9	18.4	13.4	13.4	13.5	15.6	15.8	15.8	**187.9**
18 weeks outsourcing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.9	0.8	**3.5**
Re-Admissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.7	0.7	0.7	**3.5**
Other Over Performance (To signed contracts)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.7	0.7	0.6	**3.4**
Sale of KibbleWhite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Non-Rec Funding - West Sussex PCT	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**2.2**
Non-Repayable Funding (PDC)	0.0	0.0	0.0	0.0	0.0	0.0	7.6	0.0	0.0	0.0	0.0	0.0	**7.6**
Non-Recurrent Funding - SHA	0.0	0.0	0.0	0.0	0.0	0.0	3.8	0.0	0.0	0.0	0.0	0.0	**3.8**
Non-Recurrent Funding - Modular Ward	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0	**2.8**
TOTAL CASH INFLOWS	**16.0**	**18.0**	**14.4**	**17.9**	**17.9**	**18.4**	**27.6**	**14.8**	**15.8**	**17.9**	**18.1**	**17.9**	**214.7**
CASH OUTFLOWS													
Non Pay Cash Flow	-3.0	-5.7	-6.4	-5.7	-5.5	-5.8	-8.8	-6.0	-6.0	-6.5	-6.5	-6.5	**-72.4**
Pay Cash Flow	-9.5	-10.8	-10.7	-10.5	-10.7	-10.7	-10.7	-10.8	-10.8	-10.8	-10.8	-10.8	**-127.7**
Capital Cash Outflow	-0.4	-1.2	-0.3	-0.4	-0.5	-0.7	-2.0	-2.3	-2.3	-2.4	-2.3	-2.4	**-17.2**
PDC	0.0	0.0	0.0	0.0	0.0	-1.5	0.0	0.0	0.0	0.0	0.0	-1.6	**-3.1**
Loan Repayments (int + principal)	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	-0.5	**-1.0**
TOTAL CASH OUTFLOWS	**-12.9**	**-17.7**	**-17.4**	**-16.6**	**-16.7**	**-19.2**	**-21.5**	**-19.1**	**-19.1**	**-19.7**	**-19.6**	**-21.8**	**-221.4**
NET CASH FLOW	3.1	0.3	-3.0	1.3	1.2	-0.8	6.1	-4.3	-3.3	-1.8	-1.5	-3.9	-6.7
OPENING CASH BALANCE	0.6	3.7	4.0	1.0	2.3	3.5	2.7	8.8	4.5	1.2	-0.6	-2.2	0.6
CLOSING CASH BALANCE	**3.7**	**4.0**	**1.0**	**2.3**	**3.5**	**2.7**	**8.8**	**4.5**	**1.2**	**-0.6**	**-2.2**	**-6.1**	-6.1

- The revised cash plan (left) forecasts a cash shortfall of £6.1m which reflects the revised plan deficit.
- The Trust is already receiving interim help from PCTs in the form of Contract payment advances.
- The Trust will run out of cash in January unless the deficit is resolved.
- There is no assumption yet included in respect of any additional cash payments to deal with the underlying liquidity problem, but there is an assumption of £7.6m cash support for capital schemes and also £3.8m included in the cash flow. Anticipated receipt in Oct.