Management Board
Trust Board

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M11 – February 2011

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Finance report M11 – February 2011

Summary:

- **The year to date deficit at Month 11 is £1.5m (adverse to original plan by £5.5m but favourable to the revised forecast profile by £0.3m). It is favourable after PCT contract renegotiation and non recurrent income due from the SHA setting off underachievement of the recovery plan. Divisions are not delivering to forecasts and action plans due to operational pressures.**
- **The forecast remains at breakeven, but with an impairment forecast at £1.0m (which provides a technical deficit of that amount in addition).**
- **There is a £0.6m risk to the breakeven position, including £0.3 relating to divisional overspends linked to the operational pressures. The risk is expected to be managed.**
- **Cash will be managed to achieve the year end required balance of £0.6m. There is no requirement in the short term for further cash, but discussions continue with the SHA regarding the medium and long term cash plan.**

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

Trust objective: Please list number and statement. this paper relates to.	**6: An effective organisation:** 6.2: Deliver all financial targets – 6.2.1 surplus of £4.8m; 6.2.2 cost improvement plan of £12.0m

Notes:

Legal: What are the legal considerations & implications linked to this item? Please name relevant Act	NHS Trust financial performance is subject to Schedule 5 of the NHS Act 2006 which provides the “breakeven duty”. The Trust breached this in 2007/08 and has since received “permission to spend” by virtue of the loan settlement agreement issued by DoH in March 2008. Legal aspects impact on individual parts of spend and income according to the nature of the spend & source of income but no other material disclosures are appropriate.
Regulation: What aspect of regulation applies and what are the outcome implications? This applies to any regulatory body.	Financial information is reported according to IFRS (International Financial Reporting Standards) and NHS conventions in guidance. The Audit Commission reviews compliance in its audit activities, including against key lines of enquiry that deal with control & supporting functions that impact on financial management in the Auditor’s Local Evaluation (ALE). Data here is presented in an EBITDA format to allow comparison with Monitor metrics.

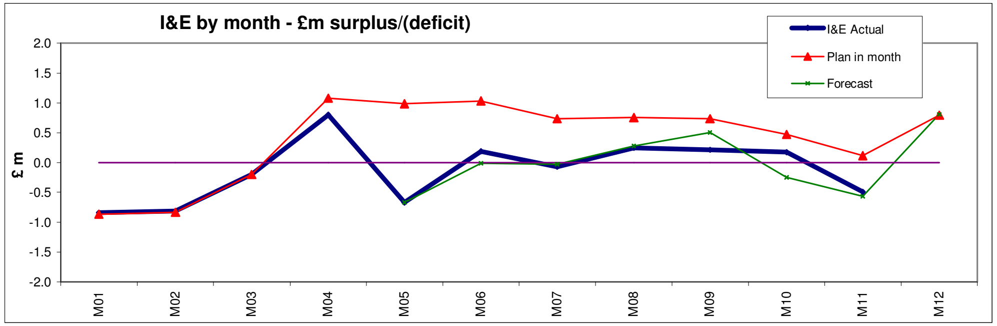
Contents

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

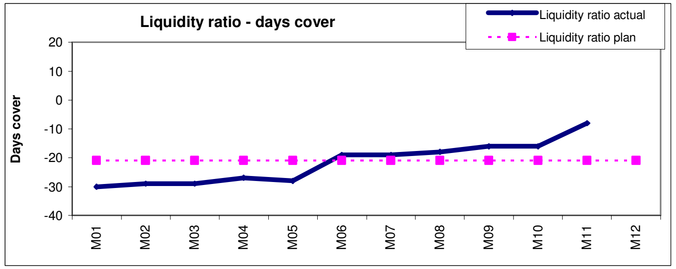
Key financial indicators: M11 2010/11

Key financial indicators at Month 11	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1 In month surplus/(deficit)	0.1	(0.5)	(0.6)	red
2 YTD surplus/(deficit)	4.0	(1.5)	(5.5)	red
3 Forecast outturn surplus/(deficit)*	4.8	0.0	(4.8)	red
*Note: technical deficit of £1.0m is likely from asset sale				
4 YTD recurrent surplus/(deficit)		(2.8)		red
5 Risk assessment fav/(adv)		(0.2)		amber
6 Cash position (in month)		5.8		green
7 Liquidity ratio (days)		-8		red
8 Forecast capital outturn	6.0	6.0	0.0	green
9 Return on assets	3.5%	3.5%	0.0%	green
BPPC: cum overall (volume)	95%	50%	(45)%	red
BPPC: cum overall (value)	95%	49%	(46)%	red
11 Performance rating in month	Underperforming#			red

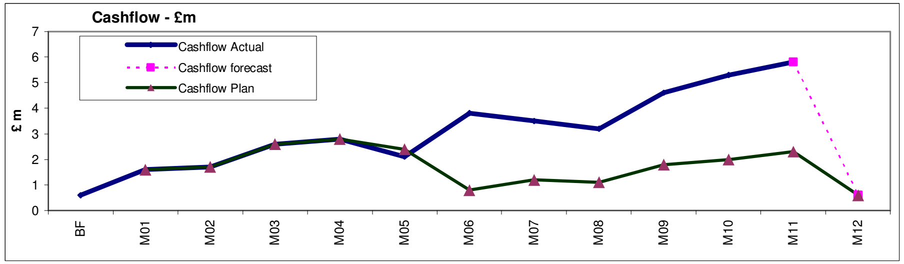
#NB: The performance rating is a Trust estimate and at Q2 the DoH rated the Trust "**Performing**", which is thought to reflect its forecast breakeven..



At Month 11 the year to date deficit has increased to £1.5m (£1.0m deficit at M10) with a shorter month and less income, but is £0.3m favourable to the recovery forecast submitted to the SHA, reflecting renegotiated income arrangements with PCTs and the SHA. However, as in previous months this position does not show the full picture as the position is again adverse to revised forecasts last month where Divisions have not kept to their action plans. This continues to provide risk to the breakeven forecast.That risk is expected to be managed.
The position is significantly adverse (by £5.5m) to the original surplus plan. The forecast outturn will be impacted by an impairment of c£1.0m, (and providing a technical deficit of this amount) mainly from asset sales. Finally the Trust will have a recurrent (underlying deficit) of about £3m at year end.



The liquid ratio gives a better view of the Trust's working capital position than just looking at cash. The poor performance is the price of the Trust's past deficits and the Trust will remain, significantly below the 15 day cover benchmark until it can reinvest cash in the balance sheet. The position in this month is improved because of the cash balance at this point and reclassification of the loan repayment. Please see later page.



The cash position benefits from the provision of external cash which has been sourced from a capital loan (of £4.6m) and settlement of a dispute from the sale of Fairfields (of £3.2m). This will need to be recovered in the new financial year to fund the capital projects it is intended for. The Trust is holding a sizeable cash balance in month 11 but will meet its end of year cash target as planned. There is no requirement for further injections of cash within the current year. However, the current cash position will not be sustainable in 11-12 and the trust is currently discussing cash funding requirements, with the SHA, for next year.

NHS Performance Framework: financial performance rating

Surrey and Sussex Healthcare NHS Trust NHS

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

Performance Framework metrics		Recorded perf	Weighting	Score	Traffic light
Initial Planning	*Planned Outturn as propn of Turnover*	2.5%	*5%*	3	green
Year to Date	*YTD Operating Performance*	-0.5%	*20%*	1	red
	YTD EBITDA Margin	3.7%	*5%*	2	amber
Forecast Outturn	*Forecast Operating Performance*	0.0%	*20%*	3	amber
	Forecast EBITDA Margin	4.3%	*5%*	2	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	3	green
Underlying Financial Position	*Underlying Position %*	-1.7%	*5%*	2	amber
	EBITDA Margin %	1.4%	*5%*	2	amber
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	45.0%	*2.5%*	1	red
	BPPC % by Volume	44.0%	*2.5%*	1	red
	Current Ratio	0.8	*5%*	2	amber
	Receivable days	16	*5%*	3	green
	Payable days	111	*5%*	1	red
Weighted score				2	amber
Overriding Rules	*Forecast year end deficit*		NO		
	Planned year end deficit		NO		
	adverse ytd deficit to plan		YES		
	failure to make loan repayment		YES		
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 M11 the unvalidated Trust score remains "underperforming" as a result of the forecast year end position and the overriding condition requiring the Trust to meet its loan repayment.
- However, this was the position at Quarter 3 (Month 9) and the DoH formally classified the Trust as "Performing". It is not clear why this was, and it is assumed that there is a further overriding rule being applied and reflecting the Trust's forecast breakeven outturn..

Shadow FT metric performance (below)

- The risk rating would be "2" using Monitor metrics (before overriding rule)
- The SHA is measuring performance using adapted Monitor metrics to assess preparedness for FT status. The Trust's performance is indicated below. A score of "3" is required to be an FT.

Summary Monitor ratings	**M11**
EBITDA Margin	2
EBITDA % Achieved	1
ROA	2
I&E Surplus Margin	2
Liquid Ratio	2
Weighted Average	1.9
OVERALL RISK RATING*	**2**

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Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 28 February 2011

Year to Date vs Budget (figures in £m)

	2010/11 *budget*	2010/11 *actual*	2010/11 *var (adv)/fav*	% var (adv)/fav	Perf indicator %
Income from PCT contract	159.8	164.2	4.4	2.8%	
Contract Income - NHS	**159.8**	**164.2**	**4.4**	2.8%	
Impairment			-		
Other operating income	15.5	14.2	(1.3)	-8.4%	
Non-rec income			-		
Other income			-		
Total Income	**175.3**	**178.4**	**3.1**	1.8%	
Expenses					
Pay (incl agency)	(113.9)	(120.6)	(6.7)	-5.9%	
Non-Pay (excl Depreciation)	(49.6)	(51.6)	(2.0)	-4.0%	
	(163.5)	**(172.2)**	**(8.7)**	-5.3%	
EBITDA (pre-exceptionals)	**11.8**	**6.2**	**(5.6)**	-47.5%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**11.8**	**6.2**	**(5.6)**	-47.5%	3.5%
					% of income
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.3)	(0.3)	-		
Depreciation	(4.8)	(4.6)	0.2	-4.2%	
Impairment	-	-	-		
PDC	(2.7)	(2.8)	(0.1)	3.7%	
	(7.8)	**(7.7)**	**0.1**	-1.3%	YTD Op Perf:
Net Surplus/ (Deficit)	**4.0**	**(1.5)**	**(5.5)**	-137.5%	(137.5)%
					(adv)/fav to plan

Memoranda			
Net reported surplus	(1.5)		
Plan surplus YTD	4.0		
Variance (fav)/adv to target	**(5.5)**		
Net surplus	(1.5)		
Non recurrent items	(1.3)		Underlying position
Adjusted recurrent position	**(2.8)**		(1.7)%

Summary

The year to date deficit has worsened in February by £0.5m from last month, and now stands at £1.5m YTD. This position is supported by the accrual of non-recurrent income from renegotiated contracts with PCTs.

This position is favourable to the revised forecast profile submitted to the SHA by £0.3m, with the additional income offsetting the non delivery of the recovery plan.

However, there was contined overspending by Divisions in the month with action plans not being realised in the main. Operational pressures continue in February with full escalation areas open again for most of the month.

As reported in previous months the recovery plan is only delivering a small proportion of the required savings and with additional risks are being realised and there still remains a significant level of risk to the year end forecast. The recurrent position at M11 (please see later page) is a £2.8m deficit and will worsen to an estimated £3.1m recurrent deficit at year end, due to the level of non recurrent income in the YTD and forecast year end position.

Spend on temporary staff remains significant, but better than last year following the recovery plan actions initiated in October. Agency spend decreased against the prevous month, mainly as a result of the shorter month, and this saw an improvement in the performance against last years spend to 12.2%.

Note: The Directorate budgets have now been flexed to reflect the forecast and recovery plan savings and will now be monitored against these revised targets.The integrity of the original Board approved budgets has been maintained and actual performance against those will be reported at the year end. Reporting in the Board report will try to ensure a view of both, although for clarity exception reports describe performance to forecast target.

Comprehensive income (income & expenditure) recurrent position

Recurrent I&E Calculation

		YTD @ M011	
		£m	£m
Net Surplus/(deficit)			**(1.5)**
Deduct N/R income	i) CRS income	0.6	
	ii) 18 week backlog patients	1.0	
	iii) non recurrent activity income	1.4	
	iv) non recurrent support		
	Total N/R income		(3.0)
	i) CRS costs	0.6	
	ii) HCD	0.5	
	iii) 18 week backlog patients	1.0	
	iv) MRI costs	0.0	
	Total N/R spend		2.1
Deduct N/R savings	i) FD saving	0.4	
	ii) Coporate savings		
	iii)		
	iv) other non recurring savings		
	Total N/R savings		(0.4)
Recurrent Surplus/(deficit)			**(2.8)**

Recurrent position

- The table describes how the recurrent position (the underlying surplus/(deficit) after adjustment for one-off items) is calculated.
- The in-month position fluctuates according to the actual balance of income and expenditure.
- At M11 the position has been adjusted for items now classified as recurrent.
- The underlying year to date position is a deficit of £2.8m due to additional external non recurrent income supplementing PCT contract agreements. This is expected to deteriorate to about £3.1m for the full year (reflecting the level of recurrent non-achievement of the recovery plan and the realisation of other risks).

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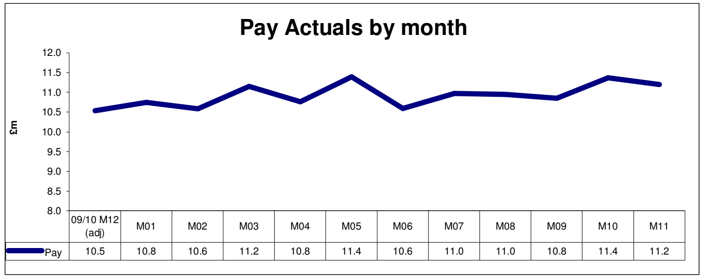
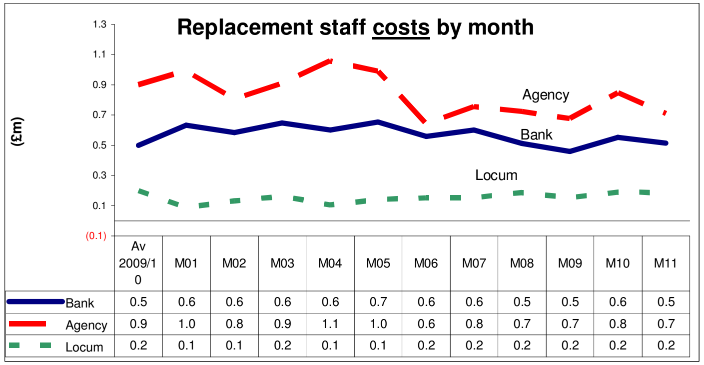
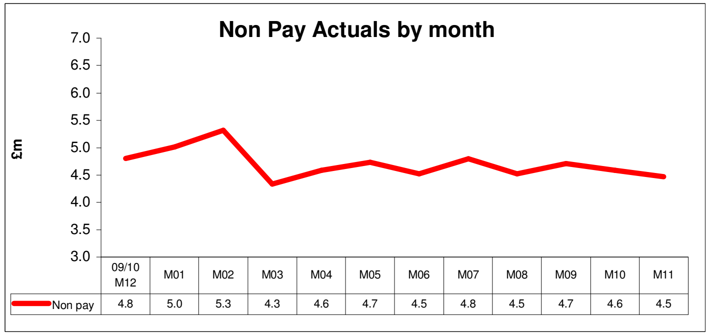
Financial performance – operating spend YTD







Key points:

1) Pay costs overall have decreased compared to last month's spend, however this is due to the one off PAYE adjustment included in January spend. (To note: the £188k is now in dispute and may not be incurred).

The decrease in temporary staff spend, primarily due to February being a shorter month, has been offset by an increase in substantive staff costs for both medical & nursing staff groups.

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2) Temporary staff: costs for nursing agency staff have decreased from M10, with reductions in most ward areas. Nursing usage continues to be high in escalation areas, ED and ICU, reflecting continued operation pressures. Admin & clerical agency use continues at the lower levels.

3) Non pay costs: Non pay costs have overall decreased by £0.1m from Month 10, mainly around spend on general supplies.

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	113.9	120.6	(6.7)	-5.9%
Drugs	10.0	10.5	(0.5)	-4.9%
Clinical supplies	16.0	17.0	(1.0)	-6.4%
General supplies	1.3	1.3	(0.0)	-0.5%
Establishment	3.3	3.4	(0.1)	-2.5%
Premises & utilities	3.7	3.4	0.2	6.1%
Healthcare recharges	8.8	9.8	(1.0)	-11.3%
Fees & consultancy	6.1	5.8	0.3	4.9%
Misc	0.4	0.4	0.0	
Recharges	0.0	0.0	0.0	
Total non pay spend	49.6	51.6	(2.0)	-4.1%
Total operating spend	**163.6**	**172.2**	**(8.6)**	-5.3%

Pay costs year to date	YTD Spend Vs BUDGET: YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	15.3	17.6	(2.3)	-15.2%
Other medical	16.8	17.6	(0.7)	-4.1%
Nursing & Midwifery	45.4	48.7	(3.3)	-7.2%
Healthcare assistants	5.7	5.8	(0.1)	-1.3%
AHPs	11.6	11.9	(0.3)	-2.6%
Directors & NEDs	1.0	0.9	0.1	8.8%
Senior mgrs (8a+)	3.7	3.2	0.5	13.3%
Admin & clerical	13.6	14.2	(0.6)	-4.2%
Estates & FM	0.7	0.8	(0.0)	-4.4%
Total Pay spend	**113.9**	**120.6**	**(6.7)**	-5.9%

Agency costs YTD to this month	2009/10 YTD Actuals (£m)	2010/11 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	10.4	9.1	**1.3**	12.2%

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I&E – Divisional analysis

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

Key points

a) Income – see later page.

b) The exception reports continue to be against the forecast (not original plan) for clarity.

c) Exception reports are provided for all clinical divisions (see next pages).

d) M11 Divisional performance was again worse than forecast with significant overspends. Levels of spend are on a par with the last couple of months, however, we would expect spend in February to be lower, due to the shorter month. There is ongoing challenge to the Divisions to reduce spend in March.

e) Over achievement of Contract income and underspends in the corporate areas continue to balance the position against the forecast.

Directorate analysis (I&E)	10/11 ANNUAL BUDGET £000'S	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav	YTD Variance % (adv)/ fav	M11 Forecast (adv)/fav £000's	M11 VAR to Forecast (adv)/fav £000's	NOTES
Income (excl Directorate income)								
Contract income (incl MFF)	173,108	157,428	162,249	4,821	3.1%	159,635	2,614	Reduction in challenges & data quality issues & additional n/rec income
CQUINS income	2,565	2,351	1,924	(427)		1,924	(1)	
Bad debt provision	(81)	(62)	(62)	(0)	0.1%	(123)	61	
Donated Assets	220	207	207	0	0.2%	204	4	
Other Income	7,317	6,708	6,342	(366)	(5.5)%	6,479	(137)	Risk on P2P
Total income	**183,129**	**166,632**	**170,660**	**4,028**	2.4%	**168,119**	**2,541**	
Directorates (inc Directorate income)								
Surgical	52,369	49,231	50,245	(1,014)	(2.1)%	49,790	(455)	See exception reports for details
Medical	37,635	34,337	36,142	(1,805)	(5.3)%	34,936	(1,206)	See exception reports for details
WaCH	19,584	17,979	18,702	(723)	(4.0)%	18,240	(462)	See exception reports for details
CSS	24,598	22,863	24,208	(1,345)	(5.9)%	23,410	(798)	See exception reports for details
E&F	11,490	10,552	10,540	12	0.1%	10,565	25	
HR	3,068	2,747	2,592	155	5.6%	2,579	(13)	
CEO	716	757	762	(5)	(0.7)%	706	(56)	
Restructuring and PMO	1,000	338	313	24	7.2%	403	89	
Finance	3,465	3,025	2,924	101	3.4%	2,996	72	
Nursing	2,747	2,416	2,390	26	1.1%	2,358	(32)	
IMT	2,165	1,959	1,844	115	5.9%	1,917	73	
Overheads	7,309	6,922	7,087	(165)	(2.4)%	6,963	(124)	Losses & comps difference to phasing
Other Central	600	600	986	(386)	(64.3)%	890	(96)	Medical staff back pay
High Cost Drugs	5,547	5,085	5,746	(662)	(13.0)%	5,350	(396)	
Unbundling	334	306	148	158	51.7%	232	84	
CQUINS costs	1,897	213	213	(0)	(0.0)%	211	(2)	
Directorate overspend risk	0	0	0	0	#DIV/0!	368	368	
Management Structure costs			0			0	(0)	
Unallocated reserves	2,525	794	0	794	100.0%	436	436	Phasing of additional costs (inc CQC)
Amber savings	(6,330)	(4,444)	0	(4,444)	100.0%	0	0	
Red savings	(500)	(505)				0	0	
Total Directorate I&E	**170,219**	**155,174**	**164,843**	**(9,164)**	(5.9)%	**162,353**	**(2,490)**	
Post EBITDA								
P/L on Asset Disposals	0	0	0	0		0	0	
loan interest payable	281	257	251	6	2.5%	259	9	Delayed receipt of capital investment loan
interest recievable	(20)	(18)	(16)	(2)	12.7%	(17)	(1)	
Depreciation	5,026	4,593	4,426	167	3.6%	4,590	164	Delayed spend on capital
Depreciation - donated	220	207	207	(0)	(0.2)%	204	(4)	
PDC	2,940	2,695	2,816	(121)	(4.5)%	2,816	0	
unwinding of discounts	37	34	27	7	20.2%	34	7	
FD's savings	(600)	(533)	(433)	(100)	18.8%	(332)	101	Phasing of achieved saving
FD budget savings	226	220		220		0	0	
Total post EBITDA	**8,110**	**7,454**	**7,277**	**178**	2.4%	**7,553**	**276**	
Net Surplus / (Deficit)	**4,800**	**4,003**	**(1,460)**	**(4,958)**	(123.8)%	**(1,787)**	**328**	

Exception Reports (1)

SURGICAL DIVISION: £455k adverse to Forecast

- The financial position for Surgical is £1,014k overspent YTD against budget with an adverse movement in the month of £157k.
- The adverse variance to forecast includes £441k from the unachievement of the temporary staffing workstream.
- The overspend in month 11 against forecast is around:
  - Anaesthetic medical staff overspent due to one anaesthetist being on long term sick and others on paid leave.
  - ENT medical - locum covering one consultant.
  - SAU due to non-pay spending on Medical patients.
  - £29k was spent in month on waiting list initiatives in Endoscopy to maintain cancer waiting time targets from inpatients occupying the recovery bays
  - Endoscopy hs moved adversely in month due to an increase in non-pay usage from the use of the extra beds by Medicine.
  - Overspends have been partially offset by a reduction in nursing agency in February compared to January

Action Plan

- The following actions are in progress to return spend back to forecast outturn.
  - Anaesthetics – payment has been stopped from 1st Feb for overpayment of salary (with reclaim of payments made)
  - Theatres non pay – from January rental of laser equipment has been replaced with own equipment (£25k)
  - Reduce bank and agency – continue with controls currently in place for nursing, review of locum doctors & consider option to buy back unused annual leave from nursing staff rather than paying temporary staff to cover their leave
  - Non pay – maintain controls in place on ordering of stationery, limiting it to essential items only. All non clinical orders to be stopped unless essential
  - Matrons to undertake stock reviews on wards to ensure levels are correct and if alternative consumables could be used

MEDICAL DIVISION: £1,206k adverse to Forecast

- The financial position for the Medical Directorate is £1,805k overspent YTD against budget with an adverse movement in the month of £273k.
- Adverse variances to forecast are centred around:
  - Continued use of Escalation
  - Ward expenditure related to specials
  - General Medicine medical staff

    Cardiology has high costs for both services received from external providers and costs for excluded devices

Action Plan

- The following actions are in progress to return spend back to forecast outturn:
  - Cardiology Medical Staff – secure payments of recharges from other hospitals, minimise additional clinics & review criteria for referrals
  - ECG – minimise further pacemaker purchases where possible
  - Capel/Abinger & Tilgate – limit agency working to 80% of shift, continue to recruit to establishment and increase control on use of specials
  - Escalation – reduce where possible, limit agency to 80% of shift & use approved agencies where possible. Conduct medical staff job planning to improve flow
  - Bank and agency spend – review locum doctors usage and increase controls, continue with nursing temporary staffing controls already in place
  - Non pay – maintain current controls in place on ordering of stationery and all non clinical orders to be stopped unless essential
  - Matrons to undertake stock reviews on wards to ensure levels are correct and if alternative consumables could be used

Exception Report (2)

CLINICAL SUPPORT SERVICES DIVISION: £798k adverse to forecast

- The financial budget position for CSS is £1,345k overspent YTD with an adverse movement in month of £238k.
- The main adverse variances to forecast are:
  - Radiology – Service need requires medical locum (and, where possible, sonographer and radiographer) spend for 2 WTE to cover maternity leave and an unavoidable medical absence. Also existing unfunded relocation expenses, and continuing Interventional Radiology costs - due to repatriation of previously outsourced work. This has impacted on medical and surgical devices costs as the new procedures require expensive items which although recoverable through the PCT come back into central budgets rather than radiology.
  - Pathology – reagents continue to be higher than predicted due to variable activity particularly on send away tests.
  - Pathology – locum spend on long term sickness (commenced Dec estimated to continue until April).
  - Pharmacy – increased FP10 expenditure in outpatient clinics due to dispensary vacancies.

Action Plan

There are a number of actions across all departments within the Division being taken to reduce spend that will not become effective until the new financial year and are included in the Division's 11/12 CIPs.

The actions below are those that should affect spend in this financial year.

- Radiology Outsourced on-call service:
  - There are finance recovery plans to reduce spend on CT Nighthawk which has reduced from £29k per month to less than £20k.
- Interventional Radiology :
  - Consider repatriating cost of expensive consumables to the appropriate cost centre or vire the budget to Radiology
- HSDU – Detergent supplier changed £3k reduction expected in 10/11 (Increasing to £14k for 11/12 CIPs).
- HSDU – Consider not filling vacancies until April
- Pathology – Stopped printing path reports for wards and departments.
- Pathology – Looking to change to NHS locums in Feb 10 (approx. £12k reduction).
- Pathology – The official stock take at the end of the year should reduce the in year costs charged to pathology.
- Pharmacy - New contracts for new cheaper branded drugs to reduce procurement costs.
- OPD/HR – Continue SLA negotiations re clinics/health record provision for 10/11 from QVH, BSUH, Dorking

The Division has introduced senior challenge to service leads when requesting additional expenditure e.g. locum / agency cover, new test requests from Clinical Divisions and additional unplanned activity e.g. patient recalls for Imaging.

Exception Report (3)

WaCH DIVISION: £462k adverse to Forecast

- The financial position for WaCH is £723k overspent YTD against budget with an adverse movement in the month of £95k.
- £277k of the adverse variance to forecast is due to the unachievement of the temporary staffing workstream.
- There are continued overspends in midwifery and Paeds medical staff from acting down of Consultants

Action Plan

- The following actions are in progress to reduce spend back to forecast levels.
  - Paeds Medical Staff - review of middle grade rota complete and consultants no longer ‘acting down’. Rota mostly covered with definitive staff, but some locum cover to backfill SHOs acting into middle grade rota. Claims from earlier months being chased to ensure submission prior to year end. Lead Clinician scrutinising all locum request before passing to AD.
  - Obs & Gynae Medical Staff – recruitment of substantive Consultants to fill vacancies, one long term locum in post from March. New consultant job plans providing prospective cover for leave
  - Admin & Clerical spend – Service Manager to continue to pre-approve all admin bank requests.
  - Central maternity store – standing order for drapes suspended. A call-off order being put in place.
  - Stationery & non clinical equipment – immedicate cessation of non essential stationery and non clinical equipment ordering
  - New recruitment approval process implemented in the Division to ensure closer scrutiny and challenge of all ‘Requests to Fill’.
  - ~ 30 members of staff identified with unacceptable attendance patterns. Actions plans being developed with line managers and the HR Business Partner for the formal management of all staff identified

Financial performance: savings

Savings	Annual Target £000's	YTD target £000's	YTD actuals £000's	YTD Variance £000's	Variance Fav/(adv) %
By Director Lead					
Director of Clinical Services	5,926	5,150	1,063	(4,088)	(79%)
Director of Nursing	158	140	127	(13)	(9%)
Director of Business Intelligence	1,873	1,575	228	(1,347)	(86%)
Director of Env Services and Facilities	522	447	318	(129)	(29%)
Director of HR	226	204	271	66	32%
Director of Finance	2,236	1,930	1,496	(433)	(22%)
Unallocated savings	1,059	0	0	0	
TOTALS	**12,000**	**9,447**	**3,503**	**(5,944)**	(63%)
By Directorate					
Surgical	1,665	1,428	539	(889)	(62%)
Medical	1,100	983	36	(947)	(96%)
WaCH	261	239	77	(162)	(68%)
CSS	556	508	343	(165)	(32%)
E&F	522	447	318	(129)	(29%)
Corporate	643	584	1,209	625	107%
Sub total	**4,747**	**4,190**	**2,522**	**(1,667)**	(40%)
Procurement savings	430	382	328	(54)	(14%)
FD savings	600	533	652	119	22%
Trustwide savings	5,164	4,342	0	(4,342)	(100%)
Unallocated savings	1,059	0	0	0	
TOTALS	**12,000**	**9,447**	**3,503**	**(5,944)**	(63%)

Key Points:

The Savings plan for 10/11 was £12.0m however following the revised trust forecast outturn and recovery plan, the new level of savings being monitored is £5.3m.

The Trust financial returns will continue to monitor savings against the original plan of £12m.

Year to date performance

The Performance at M11 against the plan is shown opposite and is adverse by £5.9m, reflecting the overspending in clinical areas and unachievement of central savings schemes.

The performance against the refreshed savings plan is adverse by £1m. This is due to the under achievement of the temporary staffing project (£1,481k adverse), offset by additional procurement savings from the HUB and the purchasing team, Finance Director savings achieved earlier than forecast (£119k) and corporate underspends.

Note:

The savings plan reported to the SHA assumed YTD £9.4m of savings would be achieved. Therefore the "gap" in the FIMS reporting will be £7.2m. The SHA plan is higher as this plan was submitted before the phasing of the savings plans were adjusted and approved by the Performance Committee.

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	30.7	29.8	(1.0)	-3%
PbR: Non elective inpatients	70.4	70.3	(0.1)	0%
PbR: Outpatients	27.5	29.5	2.0	7%
A&E Attendance	4.8	5.1	0.2	4%
Sub total: PbR Income	**133.5**	**134.6**	**1.1**	1%
Non PbR income	24.0	25.6	1.7	7%
Sub total other contract income	**24.0**	**25.6**	**1.7**	7%
Contract penalty above budget		2.0	2.0	0%
CQUIN	2.4	1.9	(0.4)	-18%
Sub total: contract adjustments	**2.4**	**4.0**	**1.6**	
Total Contract Income	**159.8**	**164.2**	**4.4**	3%
Non clin NHS SLA	1.5	1.3	(0.2)	-13%
Education & training	5.8	5.6	(0.2)	-4%
Cat C - Other	8.7	7.8	(0.9)	-10%
Non recurrent income	0.0	0.0	0.0	0%
Other Income	(0.5)	(0.5)	0.0	0%
Total other income	**15.5**	**14.2**	**(1.3)**	-9%
Total Income	**175.3**	**178.4**	**3.1**	2%

Key points

The Trust has moved to a negotiated contract agreement with West Sussex PCT and Surrey PCT to year end 2010/11. At month 11 the reported positon reflects 11/12ths of the agreed arrangements.

Elective inpatient activity/income in total continues to adversely perform, with the elective inpatient element £1.4m adverse set off by day cases at £0.4m favourable.

Local items not under PbR continue to overperform, with a favourable variance at month 11 of £1.7m.

Other income:
Other income shows an adverse variance of £1.3m which includes £0.2m related to medical staff training costs, £0.2m relating to a provision for an income adjustment to the West Sussex Health P2P agreement, together with the income shortfalls within CSS, notably the shortfall against pharmacy income targets.

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:							
P2P risk	1126	4	(0.2)	No change	a)Provider to Provider negotiations continue - risk around P2P contracts now materialising. Negotiations continue but a realistic estimate of the likely impact is now a further £200k by the end of the year. b) The ICATs (musculoskeletal diagnostics) risk has now been resolved with the PCT. The year to date position reflects the agreement c) A new risk is included due to notification from NHS Surrey that Reablement funds will not now be issued to Trusts	a) CFO to discuss P2P issue with FD of Sussex Community Health Trust - if no resolution will go to arbitration.	Director of Finance & Contracting
Reablement Funds withdrawn from PCT	new risk		(0.2)				
Succesful negotiations with SHA and PCT over reinstatement of Reablement funds			0.2				
Net risk			**(0.2)**				
Savings/recovery Plan				No change	The revised savings outturn is now in the forecast year end position.	Recovery plan monitored weekly	Director of Finance & Contracting
Net savings plan risk			-				
Costs:							
a) additional operational overspending associated with operational pressures	1129	12	(0.3)	Better	The month 11 divisional overspend, and adverse to action plan positions provides further risk to the year end breakeven. Initial estimates of stock adjustments due at the end of the year are anticipated to mitigate this risk.	All overspending divisions producing action plans to address overspends - reviewed monthly.	Chief Operating Officer
b) Reduced stock adjustment end of year			0.3				
			-				
Total risks			(0.2)	Bette			
Surplus/(deficit) risk forecast			(0.2)		Was (£0.6m) at M10		

Additional 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.
- **Fairfield House impairment** (likelihood * impact): **5** (risk register 896). No longer detailed above as I&E impact and now within forecast.
- **Fraud** (likelihood * impact): **4** (risk register 1020). Generic risk applicable to all Trusts.

Contents

Statement of Financial Position (Balance sheet)

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

Property, Plant and Equipment

- Capital Programme - The Trust's proposed annual spend has been reduced to £6m as a result of projects deferred into next year. This is discussed in the Capital Report. Proceeds from the sale of Fairfield House were recovered in January. The Capital Resource Limit for the year is expected to be met.

SUMMARISED AGED DEBTORS	Within term	1 month over due	2 month over due	3 month over due	FEBRUARY	JANUARY	DECEMBER
	1-30 days	31-60 days	61-90 days	over 90 days	Over 30 days	Over 30 days	Over 30 days
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
NHS PCTS	983	119	39	475	633	736	656
NHS TRUST	451	38	53	81	172	192	128
OTHER DEBTORS	381	12	16	566	594	612	620
Total Debts	1815	169	108	1122	1,399	1,540	1,404

- Overdue debt remains at the previous month's levels, and is better than the normal variation the Trust sees. 1 to 30 day NHS debt is mainly monies due from PCTs. Non NHS over 90 days debt is mainly due from Overseas visitors which is traditionally difficult to recover. The Agreement Of Balances exercise is scheduled for the end of Q4.

Payables (Creditors)

- The cumulative Better Payment Practice Code (BPPC) performance is reported in the table. Performance has worsened from end of the prior year due to cash constrictions resulting in a backlog of payments. BPPC may improve slightly with external injections of cash but the target will remain unachievable for the remainder of this year. Plans to pay payables in February have not been realised because budget holders are holding invoices longer currently – that is being reviewed by the CFO to avoid unwarranted delays.

Key Financial Indicators year to 28 February 2011

	Plan/ target	Actual/ forecast	Var (adv)/ fav
BPPC: cum overall (value)	95%	49%	(46)%
BPPC: cum overall (volume)	95%	50%	(45)%

Statement of Financial Position (Balance Sheet) at 28 Feb 2011

	28-Feb-11		31-Jan-11		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		97.4		97.6	(0.2)
Intangible Assets		2.3		2.3	-
Trade & Other Receivables		4.4		4.4	-
Assets Held for Sale		0.7		0.7	-
CURRENT ASSETS					
Inventories	2.7		2.7		-
Trade & Other Receivables	8.2		9.0		(0.8)
Prepayments and Accrued Income	3.5		4.0		(0.5)
Cash and Cash Equivalents	4.8		4.9		(0.1)
Other	0.1		0.2		(0.1)
	19.3		20.8		(1.5)
CURRENT LIABILITIES					
Trade Payables	(7.9)		(10.1)		2.2
Other Payables	(2.9)		(3.1)		0.2
Accruals	(9.1)		(7.9)		(1.2)
Other Liabilities	(0.7)		(5.2)		4.5
Net Current Assets		(1.3)		(5.5)	4.2
Total Assets Less Current Liabilities		**103.5**		**99.5**	**4.0**
NON-CURRENT LIABILITIES					
Borrowings		(8.9)		(4.4)	(4.5)
Deferred income		(3.7)		(3.7)	-
Provisions		(1.8)		(1.8)	-
Total Net Assets Employed		**89.1**		**89.6**	**(0.5)**
TAX PAYERS EQUITY					
PDC		118.0		118.0	-
Revaluation Reserve		17.4		17.5	(0.1)
Donated Asset Reserve		1.4		1.4	-
I&E Reserve		(46.3)		(46.3)	-
I&E Current		(1.4)		(1.0)	(0.4)
Total Taxpayers Equity		**89.1**		**89.6**	**(0.5)**

- **Working Capital** – This has improved as the working capital loan is now reclassified as a long term liability - repayment is now confirmed as being deferred into future years.

- **Liquidity** – Consequently, liquidity has improved. This is also due to the remaining cash balance. It must be noted that this improvement will be short lived as capital spend will need to be funded in 2011/12.

The current requirement of cash to recover liquidity (and to meet Monitors +15 day target) as well as repayment of long term loans totals £23m and this is explained on the following page.

The Trusts Liquidity Position and Cash Requirement

The most useful judgement of the amount of working capital is the liquidity ratio.

Liquidity describes those balance sheet resources that are easily accessible quickly (and so excludes anything that requires complicated action to sell such as fixed assets and stock) in order to meet our short term payment obligations.

Table 1 - Details of the Trusts Liquidity for the Period to Feb.

Liquidity Ratio	Oct - 10	Nov - 10	Dec - 10	Jan - 11	Feb - 11
Net Current Assets/ (Liabilities)	(7,412)	(6,763)	(5,500)	(5,516)	(1,369)
Inventories	(2,656)	(2,649)	(2,739)	(2,676)	(2,679)
Other Assets	-	-	-	-	-
ADJ Net Current Assets/ (Liabs)	**(10,068)**	**(9,412)**	**(8,239)**	**(8,192)**	**(4,048)**
Total Operating Expenses (Actual YTD)	109,500	**124,989**	**140,545**	**156,500**	**172,175**
Cumulative No.of Days (Average 30 days per month)	210	240	270	300	330
Liquidity (No. of days)	**(19)**	**(18)**	**(16)**	**(16)**	**(8)**

- The table shows a steady improvement in liquidity upto January as externally sourced capital funding was used to settle a backlog of revenue creditors.
- In February the number of days taken to settle short term creditors halved as repayment of the working capital loan will be deferred over future years and consequently reclassified as a long term liability.
- This favourable position is unsustainable in 11-12 as capital expenditure will need to be funded.

Table 2 - Details of the Trusts Cash Requirements.

Cash Requirements	£m
Working Capital Loan	4.5
Capital Investment Loan	4.4
Capital Receipt - Fairfields settlement	3.2
Monitor Liquidity (+15 Days) - Backlog Creditors	5.1
Monitor Liquidity (+15 Days) - Cash Balance	6.0
Total Cash required	23.2

- The Trust will meet its External Financing Limit and the cash balance this year of £0.6m. However, as mentioned above, going forwards, there will be a serious cashflow problem.
- The Table details the cash required to meet Monitors +15 day liquidity target as well as repayment of other sources of cash.
- The trust is currently discussing with the SHA ways to meet the cash requirement.

Cash flow Forecast 2010/11

	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Total
	£m	£m	£m	£m	£m	£m	£m	£m
	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	
CASH INFLOWS								
SLA	14.7	13.9	14.7	15.5	13.9	16.0	15.5	**177.6**
Other Income (banking,vat etc)	0.4	0.5	0.5	0.3	0.2	0.4	0.4	**5.0**
Accomodation invoices - West Sussex/Surrey	0.0	0.1	0.0	0.2	0.1	0.1	0.1	**1.0**
NHS Variable (drug sales, salary recharges)	0.4	0.2	0.6	0.4	0.2	0.3	0.8	**5.5**
Non Nhs variable (private patients, RTA, other)	0.1	0.2	0.2	0.2	0.1	0.1	0.2	**2.2**
Training (Jnr Drs, NMET).	0.5	0.5	0.4	0.6	0.5	0.4	0.6	**5.6**
Capital External Funding	4.7	0.0	0.0	0.0	0.0	0.0	0.0	**4.7**
Sale of Fairfield House	0.0	0.0	0.0	0.0	3.2	0.0	0.0	**3.2**
TOTAL CASH INFLOWS	**20.8**	**15.4**	**16.4**	**17.2**	**18.2**	**17.3**	**17.6**	**204.8**
CASH OUTFLOWS								
Creditors	-6.8	-5.3	-6.4	-5.4	-7.1	-6.2	-6.8	**-70.6**
BACS - Capital	-0.2	-0.2	-0.1	-0.1	-0.1	-0.2	-0.5	**-5.9**
Payroll	-10.3	-10.2	-10.2	-10.3	-10.3	-10.4	-10.6	**-121.6**
Advance Tax/NI/Pensions	0.0	0.0	0.0	0.0	0.0	0.0	-3.0	**-3.0**
PDC	-1.6	0.0	0.0	0.0	0.0	0.0	-1.4	**-3.0**
WCL repayment (incl interest)	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2	**-0.4**
Capital investment loan (incl interest)	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	**-0.3**
								0.0
TOTAL CASH OUTFLOWS	**-19.1**	**-15.7**	**-16.7**	**-15.8**	**-17.5**	**-16.8**	**-22.8**	**-204.8**
NET CASH FLOW	1.7	-0.3	-0.3	1.4	0.7	0.5	-5.2	**0.0**
OPENING CASH BALANCE	2.1	3.8	3.5	3.2	4.6	5.3	5.8	0.6
CLOSING CASH BALANCE	**3.8**	**3.5**	**3.2**	**4.6**	**5.3**	**5.8**	**0.6**	**0.6**

- The Trust has used external cash sources to manage its cashflows. Payment for the sale of Fairfield was received in January.
- No further external cash is required for 2010/11.