Performance Committee 25 January 2010
Management Board 19 January 2010

Surrey and Sussex NHS
Healthcare NHS Trust

Finance report M09- December 2010

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Finance report M09 – December 2010

Summary:

- **The year to date deficit at Month 9 is £1.1m (adverse to original plan by £4.5m, and adverse to the revised forecast profile by £0.2m). The adverse performance to original plan is overspending in clinical divisions and non delivery of the original savings plan.**
- **The forecast remains at breakeven, following discussions with PCTs and SHA over the level of activity income and non recurrent support – this reduces the risk reported previously from £3.1m to £0.2m). The impairment is forecast at £1.0m (which provides a technical deficit of that amount in addition).**
- **The Trust was categorised formally by the Department of Health (DoH) as "performing" at Quarter 2 despite the Trust not delivering its plan and with the need to restructure its loan repayment.**
- **The Trust is using external cash sources in the short term to maintain a safe cash position, but the cash position has improved in the short term with further improvement from a significant receipt expected in January.**

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.

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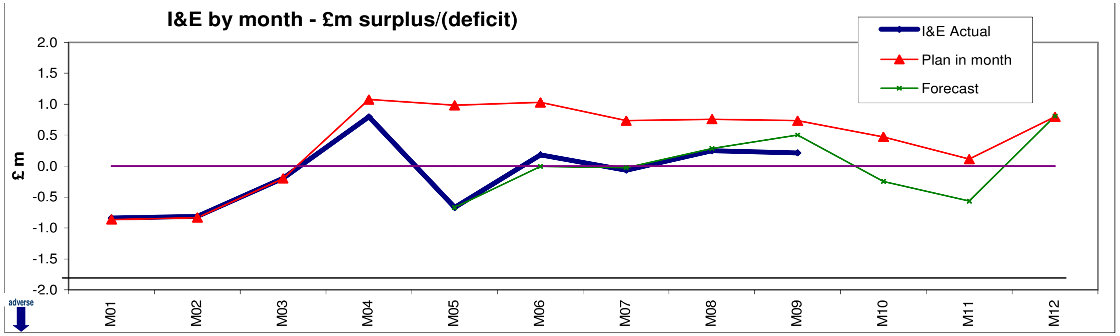
Surrey and Sussex Healthcare NHS Trust

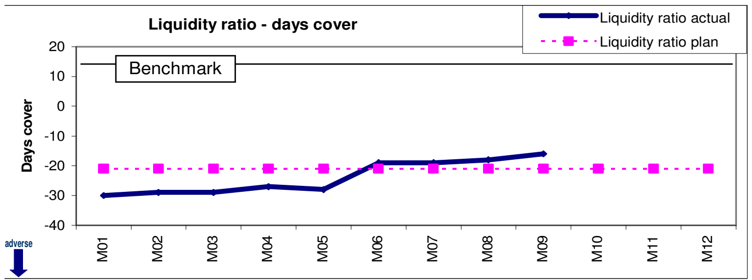
Key financial indicators: M09 2010/11

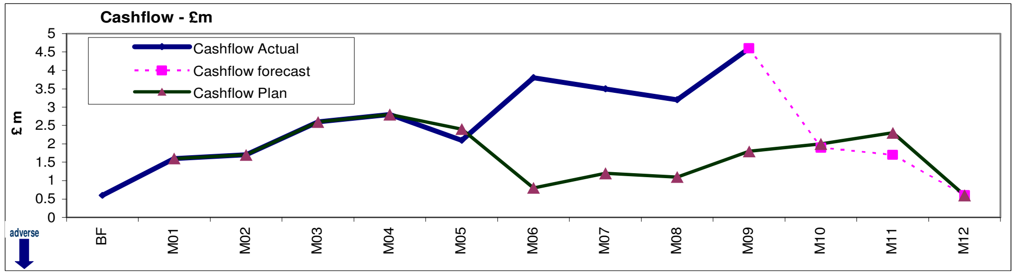
Key financial indicators at Month 9	Plan/ target (£m)	Actual/ forecast (£m)	Var (adv)/ fav (£m)	Traffic light
1 In month surplus/(deficit)	0.7	0.2	(0.5)	red
2 YTD surplus/(deficit)	3.4	(1.1)	(4.5)	red
3 Forecast outturn surplus/(deficit)*	4.8	0.0	(4.8)	red
*Note: technical deficit of £1.0m is likely from asset sale				
4 YTD recurrent surplus/(deficit)		(0.9)		red
5 Risk assessment fav/(adv)		(0.2)		amber
6 Cash position (in month)		4.6		green
7 Liquidity ratio (days)		-16		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%	46%	(49)%	red
BPPC: cum overall (value)	95%	45%	(50)%	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 9 the year to date deficit has improved to £1.1m (£1.4m deficit at M07) because the Trust has now agreed income positions with its two main PCTs and the SHA, and income (including non recurrent payment) will set off under achievement of the recovery plan. M09 is £0.2m adverse to the YTD revised forecast submitted to the SHA, and significantly adverse (by £4.5m) 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. The forecast outturn remains at breakeven and the Trust will have a recurrent (underlying deficit) of about £3.0m at year end.
The Trust was categorised formally as "performing" for DoH finance metrics at Q2 despite its adverse variance to forecast plan and the need for the final loan repayment of £4.8m. It is thought (but not certain) this reflects the expected year end position for the Trust.





e liquid ratio gives a better view of the Trust's working capital position than just looking at sh. The poor perfromance is the price of the Trust's past deficits and the Trust will remain, ınificantly below the 15 day cover benchmark until it can reinvest cash in the balance sheet. is provides one of the largest corporate risks (see risk page) for the Trust as there is no ancial flexibility and payables and cash require constant careful management. The provement from September to December is due to the external cash injection received which l erode away as payables are paid.

The cash position benefits from the provision of external cash which has been sourced from a capital loan (of £4.6m), that will need to be recovered at the start of the new financial year to fund the projects it is intended for. The Trust is discussing how that is funded with the SHA and for the moment is a holding a sizeable cash balance, but the intention is to use this to pay payables in the last quarter. The dispute over an asset sale has now been resolved and the payment from that will further improve the cash position (significantly). This, plus cash management (not as sophisticated as that sounds, but effective) has also reduced the immediate problem and the need for cash borrowing in 2010/11 is receding.

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NHS Performance Framework: financial performance rating

Surrey and Sussex NHS 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*	2.5%	*5%*	3	green
Year to Date	*YTD Operating Performance*	-0.6%	*20%*	1	red
	YTD EBITDA Margin	3.6%	*5%*	2	amber
Forecast Outturn	*Forecast Operating Performance*	0.0%	*20%*	3	amber
	Forecast EBITDA Margin	4.4%	*5%*	2	amber
	Rate of Change in Forecast Surplus/(Deficit)	0.0%	*15%*	3	green
Underlying Financial Position	*Underlying Position %*	-0.1%	*5%*	2	amber
	EBITDA Margin %	3.1%	*5%*	2	amber
Financial Processes & Balance Sheet Efficiency	*BPPC % by Value*	45.0%	*2.5%*	1	red
	BPPC % by Volume	46.0%	*2.5%*	1	red
	Current Ratio	0.8	*5%*	2	amber
	Receivable days	15	*5%*	3	green
	Payable days	126	*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 M09 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 2 (Month 6) 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	**M09**
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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- ❑ Key financial indicators
- ❑ Comprehensive income (income & expenditure) Position
- ❑ Statement of financial position (balance sheet) & cashflow

Surrey and Sussex **NHS**
Healthcare NHS Trust

Net surplus/(deficit) from comprehensive income (income & expenditure) statement to 31 December 2010

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	132.0	134.1	2.1	1.6%	
Contract Income - NHS	**132.0**	**134.1**	**2.1**	1.6%	
Impairment			-		
Other operating income	12.5	11.6	(0.9)	-7.2%	
Non-rec income			-		
Other income			-		
Total Income	**144.5**	**145.7**	**1.2**	0.8%	
Expenses					
Pay (incl agency)	(93.9)	(98.0)	(4.1)	-4.4%	
Non-Pay (excl Depreciation)	(40.9)	(42.5)	(1.6)	-3.9%	
	(134.8)	**(140.5)**	**(5.7)**	-4.2%	
EBITDA (pre-exceptionals)	**9.7**	**5.2**	**(4.5)**	-46.4%	
Contingency removed			-		
					EBITDA margin
EBITDA (post-exceptionals)	**9.7**	**5.2**	**(4.5)**	-46.4%	3.6%
					% of income
Profit/ Loss on Asset Disposals			-		
Interest Receivable	-	-	-		
Interest Payable	(0.2)	(0.2)	-		
Depreciation	(3.9)	(3.8)	0.1	-2.6%	
Impairment	-	-	-		
PDC	(2.2)	(2.3)	(0.1)	4.5%	
	(6.3)	**(6.3)**	**0.0**	0.0%	YTD Op Perf:
Net Surplus/ (Deficit)	**3.4**	**(1.1)**	**(4.5)**	-132.4%	(132.4)%
					(adv)/fav to plan

Memoranda		
Net reported surplus	(1.1)	
Plan surplus YTD	3.4	
Variance (fav)/adv to target	**(4.5)**	
Net surplus	(1.1)	
Non recurrent items	0.3	Underlying position
Adjusted recurrent position	**(0.9)**	(0.1)%

Summary

The year to date deficit has improved in December by £0.2m from last month, and now sits at £1.1m, with an in month surplus. This is encouraging, but it must be remembered that this is significantly adverse to the original surplus plan, by £4.5m.

This position is also adverse to the revised forecast profile YTD by £0.2m, due to the non delivery of the recovery plan and other cost pressures. However, the Trust has now confirmed income positions with its two main PCTs and additional non-recurrent income will be sourced to cover specific costs and any remaining gap to achieve breakeven at year end, assuming the Trust maintains its current tight expenditure controls and manages risk through the winter.

As reported in previous months the recovery plan is only delivering a small proportion of the required savings and additional risks are being realised, including a provider to provider adverse cost. The recurrent position at M09 (please see later page) is a £0.9m deficit and will worsen to an estimated £3.0m recurrent deficit at year end, as in latter months non recurrent income increases.

Financial performance and recovery action

Both pay and non pay spend continue to show a generally flat trend (but spend is adverse to forecast - primarily from non-delivery of recovery plan savings - and income favourable to forecast). Spend patterns remain as before - overspending in clinical directorates and corporate directorates continuing to underspend.

Spend on temporary staff remains significant, although overall agency spend has again reduced slightly against the prevous month and is now 13% better than this period last year (and although not delivering the original recovery plan amount, describing a continued lower level of spend).

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

Surrey and Sussex NHS
Healthcare NHS Trust

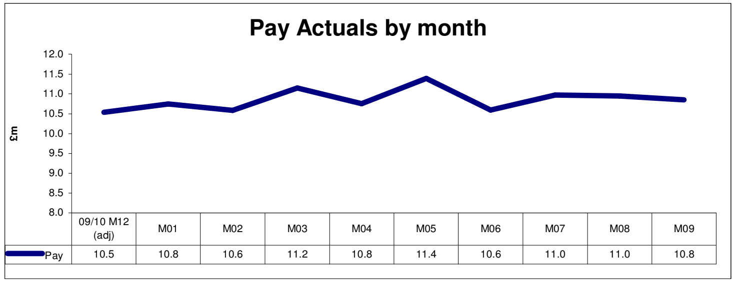
Recurrent I&E Calculation

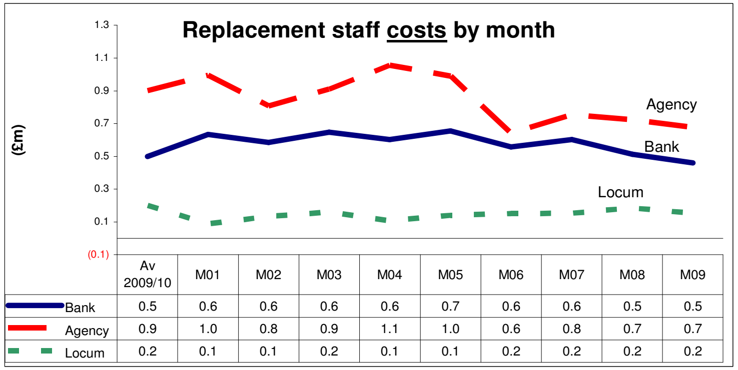
		YTD @ M09	
		£m	£m
Net Surplus/(deficit)			**(1.1)**
Deduct N/R income	i) CRS income	0.5	
	ii) 18 week backlog patients	0.8	
	iii) non recurrent activity income		
	iv) non recurrent support		
	Total N/R income		(1.3)
	i) CRS costs	0.5	
	ii) HCD	0.5	
	iii) 18 week backlog patients	0.8	
	iv) MRI costs	0.0	
	Total N/R spend		1.8
Deduct N/R savings	i) FD saving	0.3	
	ii) Coporate savings		
	iii)		
	iv) other non recurring savings		
	Total N/R savings		(0.3)
Recurrent Surplus/(deficit)			**(0.9)**

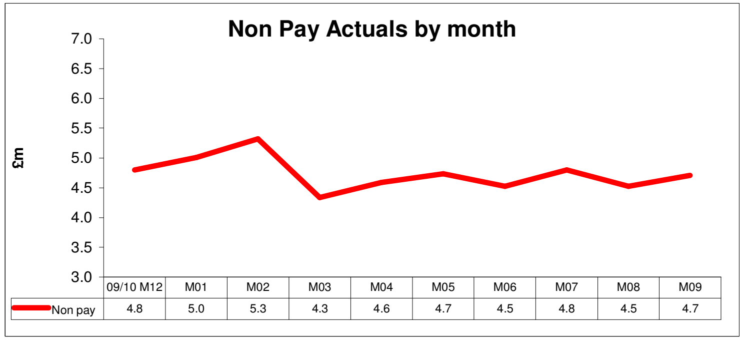
Recurrent position

- 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 M09 the position has been adjusted for items now classified as recurrent.
- The underlying year to date position is a deficit of £0.9m. This is expected to deteriorate to about £3.0m for the full year (reflecting the level of recurrent non-achievement of the recovery plan and the realisation of other risks).

Financial performance – operating spend YTD







Key points:

1) Pay costs overall have reduced slightly compared to last month's spend with a minor reduction in temporary staff costs. Pay costs are, however significantly over budget with overspending and, primarily, the non-realisation of savings.

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2) Temporary staff: costs for agency staff have decreased very slightly from M08. Nursing agency spend has increased again from the previous month (and is therefore still significantly adverse to the reduction required in the recovery plan), offset by reductions in both medical agency usage and locum spend, as well as a reduction in bank spend on nursing & admin staff. Agency usage year to date is favourable to spend in 2009/10 (by 13.5%).

The adverse weather in December was extremely disruptive, despite this temporary staff levels continued to be controlled.

3) Non pay costs: Non pay costs have overall increased by £0.2m from Month 8, mainly around spend on clinical supplies, but the trend remains as before.

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	93.9	98.0	(4.1)	-4.3%
Drugs	8.2	8.5	(0.4)	-4.3%
Clinical supplies	13.0	13.8	(0.8)	-6.5%
General supplies	1.1	1.1	0.0	1.8%
Establishment	2.6	2.8	(0.1)	-4.2%
Premises & utilities	3.0	2.8	0.1	4.4%
Healthcare recharges	7.4	8.1	(0.7)	-10.0%
Fees & consultancy	5.0	4.9	0.1	2.1%
Misc	0.7	0.5	0.2	28.0%
Recharges	(0.0)	0.0	(0.0)	
Total non pay spend	40.9	42.5	(1.6)	-4.0%
Total operating spend	**134.8**	**140.5**	**(5.7)**	-4.2%

Pay costs year to date	YTD Spend Vs BUDGET			
	YTD Budget (£m)	YTD Actuals (£m)	YTD Var fav/(adv) (£m)	
Pay costs (incl. bank/agency)				
Consultants	13.0	14.2	(1.2)	-9.6%
Other medical	13.8	14.6	(0.7)	-4.8%
Nursing & Midwifery	37.5	39.5	(2.0)	-5.4%
Healthcare assistants	4.6	4.6	0.0	0.6%
AHPs	9.3	9.6	(0.2)	-2.6%
Directors & NEDs	0.8	0.7	0.0	6.2%
Senior mgrs (8a+)	3.0	2.6	0.4	13.6%
Admin & clerical	11.3	11.6	(0.4)	-3.2%
Estates & FM	0.6	0.6	(0.0)	-5.7%
Total Pay spend	**93.9**	**98.0**	**(4.1)**	-4.3%

Agency costs YTD to this month	2009/10 YTD Actuals (£m)	2010/11 YTD Actuals (£m)	Var fav/(adv) (£m)	
Agency costs	8.7	7.6	1.2	13.5%

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 this month are explained against the forecast (not original plan) for clarity.

c) Exception reports are provided for all clinical divisions.

d) The clinical divisions are all adverse to their forecast, partially set off by the assumed risk included in the forecast. Continued operational pressures are contributing strongly to the current spending levels.

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

Directorate analysis (I&E)	YTD BUDGET £000's	YTD ACTUALS £000's	VAR YTD £000's (adv)/fav	YTD Variance % (adv)/ fav	M9 Forecast (adv)/fav £000's	M9 VAR to Forecast (adv)/fav £000's	NOTES
Income (excl Directorate income)							
Contract income (incl MFF)	130,073	132,182	2,109	1.6%	131,597	585	Reduction in challenges & data quality issues
CQUINS income	1,924	1,924	0		1,924	(1)	
Bad debt provision	(83)	(83)	0	0.0%	(87)	4	
Donated Assets	173	173	0	0.0%	170	3	
Other Income	5,481	5,104	(377)	(6.9)%	5,275	(171)	Risk on P2P
Total income	**137,568**	**139,299**	**1,732**	1.3%	**138,879**	**421**	
Directorates (inc Directorate income)							
Surgical	40,501	41,184	(683)	(1.7)%	41,146	(38)	
Medical	28,135	29,320	(1,185)	(4.2)%	28,749	(571)	See exception reports for details
WaCH	14,717	15,269	(553)	(3.8)%	14,970	(299)	See exception reports for details
CSS	18,667	19,585	(917)	(4.9)%	19,204	(380)	See exception reports for details
E&F	8,620	8,609	12	0.1%	8,629	20	
HR	2,182	2,039	144	6.6%	2,083	44	
CEO	586	551	35	6.0%	550	(1)	
Restructuring and PMO	324	324	0	0.0%	355	31	
Finance	2,515	2,432	83	3.3%	2,479	48	
Nursing	1,976	1,953	23	1.2%	1,940	(13)	
IMT	1,607	1,539	68	4.2%	1,575	37	
Overheads	5,676	5,765	(89)	(1.6)%	5,725	(39)	Losses & comps difference to phasing
Other Central	600	797	(197)	(32.8)%	702	(95)	Medical staff back pay & fav on PAYE forecast (£188k)
High Cost Drugs	4,160	4,611	(451)	(10.8)%	4,378	(234)	
Unbundling	250	160	90	36.1%	189	29	
CQUINS costs	163	163	0	0.0%	175	13	phasing of spend
Directorate overspend risk	0	0	0	#DIV/0!	307	307	
Management Structure costs					0	0	
Unallocated reserves	527	84	443	84.1%	399	315	Phasing of PAYE additional costs &CQC costs
Amber savings	(3,114)	0	(3,114)	100.0%	0	0	
Red savings	0				0	0	
Total Directorate I&E	**128,093**	**134,384**	**(6,292)**	(4.9)%	**133,557**	**(827)**	
Post EBITDA							
P/L on Asset Disposals	0	0	0		0	0	
loan interest payable	203	195	8	3.9%	204	9	Delayed receipt of capital investment loan
interest recievable	(15)	(13)	(2)	13.3%	(13)	(0)	
Depreciation	3,717	3,607	110	3.0%	3,714	107	Delayed spend on capital
Depreciation - donated	173	173	0	0.0%	170	(3)	
PDC	2,205	2,325	(120)	(5.4)%	2,325	(1)	
unwinding of discounts	28	28	0	0.0%	28	(0)	
FD's savings	(400)	(253)	(147)	36.8%	(128)	125	Phasing of achieved saving
FD budget savings	147		147		0	0	
Total post EBITDA	**6,058**	**6,062**	**(4)**	(0.1)%	**6,299**	**237**	
Net Surplus / (Deficit)	**3,417**	**(1,147)**	**(4,564)**	(133.6)%	**(977)**	**(169)**	

Exception Reports (1)

SURGICAL DIVISION: £38k adverse to Forecast

- The financial position for Surgical is £683k overspent YTD against budget with an adverse movement in the month of £72k.
- The adverse variance to forecast includes £187k from the unachievement of the temporary staffing workstream.
- Favourable variances against the forecasts for Critical Care (due to additional income) and urology medical staffing (reduction in pay costs from earlier in the year) are partly offsetting the non achievement of the temporary staffing savings plan.

Action Plan

- The following actions are in progress to reduce spend between now and the end of the year:
  - Buy back clincal staff annual leave that is un used in this financial year
  - Continue Agency and Bank spend controls in place for Nursing
  - Reviewing how uncovered sessions within theatres are managed
  - Stop rental of Laser equipment from "Mobile Health Systems" (£2,242.50 per session)
  - Maintain controls on ordering of stationary limiting it to essential orders only
  - All non Clincial non pay orders to be stopped unless essential
  - Matrons to undertake stock reviews on wards to ensure stock levels are correct and if alternative consumables could be used

MEDICAL DIVISION: £571k adverse to Forecast

- The financial position for the Medical Directorate is £1,185k overspent YTD against budget with an adverse movement in the month of £171k.
- The temporary staffing work stream is underachieving by £338k in YTD.
- Adverse variances to forecast are centred around:
  - The use of Escalation
  - COE Medical staff cover (decision on suspension expected March)
  - Higher use of drugs
  - Cardiology has high costs for both services received from external providers and costs for excluded devices. However it should be noted that under SLR Cardiology is profitable.
  - Pay costs have caused Abinger and Capel to be overspent

Action Plan

- The following actions are in progress:
  - New nurse recruits from Ireland have begun to come into post with 19 nurses having started Nov, 9 in Jan and another 5 with offers expected to start in March. It should be noted that these posts are supernumerary for 2 weeks in general areas and up to 4 weeks in Specialist areas. However some of the Nov starters are still having to be treated as supernumerary as their NMC Pin numbers are awaited.
  - Practice Development Nurses job plan being reviewed
  - Minimise outsourcing of Radiology investigations where possible
  - Monitor clinical ordering and approve only essential stationery stock
  - Double authorisation of Locum spend (to include a clinical lead)
  - Continue agency and bank nursing spend controls
  - Buy back clinical staff leave

Exception Report (2)

WaCH DIVISION: £299k adverse to Forecast

- The financial position for WaCH is £553k overspent YTD against budget with an adverse movement in the month of £105k.
- £145k of the adverse variance to forecast is due to the unachievement of the temporary staffing workstream.
- The remaining adverse variance to forecast is centred around:
  - Paediatrics medical staff - there is continued additional costs on consultants acting down to cover CAU and gaps in the on-call rota.
  - Midwifery – increase in pay costs resulting from additional recruitment into vacant post, these were not previously all back-filled with temporary staff

Action Plan

- The following actions are in progress:
  - Review of all directorate A&C posts planned with an aim to reduce to funded establishment and approval of all bank spend by Service Manager prior to booking
  - Paeds Medical Staff - Review of CAU evening service and how it is staffed for January and February with a plan to pay internal locum rates to junior substantive staff or contract directly with a previous SaSH employee
  - Active recruitment to vacancies continues and weekly review of temporary staffing
  - Review of all division staff to identify clinical staff in non clinical roles and consider redeployment into vacant clinical shifts
  - Division wide review of all consumables with particular focus on dressings
  - Directorate is exploring a plan to purchase annual leave back from clinic staff to ensure continuity of service and minimise the need for the use of agency staff
  - Stop put on the ordering of all easily available stationery items

CLINICAL SUPPORT SERVICES DIVISION: £380k adverse to forecast

- The financial position for CSS is £917k overspent YTD with an adverse movement in month of £112k
- The main adverse variances to forecast are:
  - Radiology – Service need requires medical locum spend for 2 wte to cover maternity leave and an unavoidable medical absence. Also existing unfunded relocation expenses and continuing MRI expenses.
  - Pathology – reagents continue to be higher than predicted.

Action Plan

- 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.
  - Examining options for weekend list to replace some Medica work.
  - Looking at option to move plain film reporting from Medica to a locum.
  - Looking also at the option of allocating Medica budget to Medical and Surgical directorates to manage demand.
- HSDU - Looking into the possibility of changing the detergent supplier at Crawley Hosp to reduce costs.
- HSDU - Consumables are being reviewed for cheaper options.
- Pathology – Stopped printing path reports for wards and departments.
- Pathology – Looking to change to NHS locums in Feb 10.
- Pharmacy – Drug prescribing projects continue.
- Pharmacy - New contracts for new cheaper branded drugs to reduce procurement costs.

Financial performance: savings

Savings	Annual Target £000's	YTD target £000's	YTD actuals £000's	Variance at Month 9 £000's	Variance Fav/(adv) %
By Director Lead					
Director of Clinical Services	5,926	3,598	890	(2,707)	(75%)
Director of Nursing	158	105	296	191	181%
Director of Business Intelligence	1,873	983	160	(823)	(84%)
Director of Env Services and Facilities	522	297	236	(61)	(21%)
Director of HR	226	161	239	77	48%
Director of Finance	2,236	1,317	1,151	(166)	(13%)
Unallocated savings	1,059	0	0	0	
TOTALS	**12,000**	**6,461**	**2,972**	**(3,489)**	(54%)
By Directorate					
Surgical	1,665	951	513	(438)	(46%)
Medical	1,100	749	195	(554)	(74%)
WaCH	261	194	116	(78)	(40%)
CSS	556	413	249	(165)	(40%)
E&F	522	297	236	(61)	(21%)
Corporate	643	467	914	447	96%
Sub total	**4,747**	**3,072**	**2,223**	**(849)**	(28%)
Procurement savings	430	287	349	62	22%
FD savings	600	400	400	0	0%
Trustwide savings	5,164	2,702		(2,702)	(100%)
Unallocated savings	1,059	0		0	
TOTALS	**12,000**	**6,461**	**2,972**	**(3,489)**	(54%)

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 M09 against the plan is shown opposite and is adverse by £3.5m, reflecting the overspending in clinical areas and unachievement of central savings schemes.

The performance against the refreshed savings plan is adverse by £171k. This is due to the under achievement of the temporary staffing project (£663k adverse), offset by additional procurement savings from the HUB and the purchasing team, Finance Director savings achieved earlier than forecast (£125k) and corporate underspends.

Note:
The savings plan reported to the SHA assumed YTD £8.1m of savings would be achieved. Therefore the "gap" in the FIMS reporting will be £5.1m. 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	25.6	24.8	(0.8)	-3%
PbR: Non elective inpatients	58.3	58.3	(0.0)	0%
PbR: Outpatients	22.8	24.1	1.3	6%
A&E Attendance	4.0	4.2	0.2	4%
Sub total: PbR Income	**110.7**	**111.3**	**0.6**	1%
Non PbR income	19.4	20.9	1.5	8%
Sub total other contract income	**19.4**	**20.9**	**1.5**	8%
Contract penalty above budget		(0.1)	(0.1)	0%
CQUIN	1.9	1.9	0.0	0%
Sub total: contract adjustments	**1.9**	**1.8**	**(0.1)**	
Total Contract Income	**132.0**	**134.1**	**2.1**	2%
Non clin NHS SLA	1.2	1.0	(0.2)	-13%
Education & training	4.7	4.5	(0.2)	-4%
Cat C - Other	7.1	6.5	(0.6)	-8%
Non recurrent income	0.0	0.0	0.0	0%
Other Income	(0.5)	(0.5)	0.0	0%
Total other income	**12.5**	**11.6**	**(0.9)**	-7%
Total Income	**144.5**	**145.7**	**1.2**	1%

Key points

The overall financial position at M9 comparing actual to SaSH plan is £2.1m favourable (+1.6%), up from £1.5m (+1.3%) at M8. The majority of the over performance (£1.7m) is attributable to Surrey PCT and takes into account the planned MOU.

The elective inpatient POD in total continues to under perform. The elective inpatient element is under performing, whilst day cases are over plan. The YTD position is impacted by M9 cancellations, primarily due to inclement weather.

Significant over performance of outpatients supports the overall position, but the level of over performance has weakened from the M8 position, again due to cancellations.

Local items continue to perform strongly with price variance at M9 of £1.5m.

Croydon PCT is over performing due to positive volume variance, whilst NCAs are over performing due to casemix.

Other income:
Other income shows an adverse variance of £0.9m 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	10	(0.2)	Better	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 is the last long running dispute the Trust has with NHS Surrey. the Trust has maintained a service for local GPs that NHS Surrey will not confirm payment for. Notice has been provided and the service may be suspended shortly.	a) Meetings re P2P have now been held with West Sussex, and resolution is excpected shortly. B) It was thought a resolution had been achieved and the ICATs charge may go to arbitration after the M09 agreement of balances exercise.	**Director of Finance & Contracting**
ICATS risk			(0.1)				
ICATS mitigation			0.1				
Net risk			**(0.2)**				
Savings/recovery Plan				Better	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 winter pressures re post op care and outsourcing	1129	16	(0.2)	Better	The forecast included clinical division projected overspending as projected at M05. Additional risk now comes from approval for essential interim clinical cover that Divisions are increasingly unlikely to be able to fund and extrapolation of current levels of spend in some areas - action is in train to create contingency to allow for the purchase of additional capacity during the next two months.	All overspending divisions producing action plans to address overspends - reviewed monthly.	**Chief Operating Officer**
a) Reduced divisional expenditure			0.2				
			-				
Total risks			**(0.2)**				
Surplus/(deficit) risk forecast			**(0.2)**		**Was (£3.1m) at M08**		

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

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

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 was recovered in January.

Aged Receivables (Debtors)

SUMMARISED AGED DEBTORS	Within term 1-30 days £000s	1 month over due 31-60 days £000s	2 month over due 61-90 days £000s	3 month over due over 90 days £000s	DECEMBER Over 30 days £000s	NOVEMBER Over 30 days £000s	OCTOBER Over 30 days £000s
NHS PCTS	802	173	147	336	656	1,267	510
NHS TRUST	157	33	32	63	128	114	156
OTHER DEBTORS	180	86	54	480	620	659	727
Total Debts	1139	292	233	879	1,404	2,040	1,393

- The fall in overdue debt is mainly because of the payment by Sussex PCTs of £650k inadvertently withheld in October (the CFO has discussed this with NHS West Sussex to ensure this does not happen again). Within term debt is mainly monies due from NHS Surrey and also monies due from NHS London relating to SIFT (medical training income) of £72k. Over 90 days debt is mainly due from Overseas visitors @ £300k which is traditionally difficult to recover.

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.

Key Financial Indicators year to 31 December 2010

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

Statement of Financial Position (Balance Sheet) at 31 Dec 2010

	31-Dec-10		30-Nov-10		Movement
	£m	£m	£m	£m	£m
NON CURRENT ASSETS					
Property, Plant and Equipment		97.2		97.2	-
Intangible Assets		2.4		2.4	-
Trade & Other Receivables		5.4		5.4	-
Assets Held for Sale		0.7		0.7	-
CURRENT ASSETS					
Inventories	2.7		2.6		0.1
Trade & Other Receivables	10.8		10.9		(0.1)
Prepayments and Accrued Income	3.8		3.8		-
Cash and Cash Equivalents	4.6		3.1		1.5
Other	0.1		0.1		-
	22.0		20.5		1.5
CURRENT LIABILITIES					
Trade Payables	(11.4)		(10.3)		(1.1)
Other Payables	(2.9)		(3.1)		0.2
Accruals	(9.1)		(8.8)		(0.3)
Other Liabilities	(5.1)		(5.1)		-
Net Current Assets		(6.5)		(6.8)	0.3
Total Assets Less Current Liabilities		**99.2**		**98.9**	**0.3**
NON-CURRENT LIABILITIES					
Borrowings		(4.2)		(4.2)	-
Deferred income		(3.7)		(3.7)	-
Provisions		(1.8)		(1.8)	-
Total Net Assets Employed		**89.5**		**89.2**	**0.3**
TAX PAYERS EQUITY					
PDC		118.0		118.0	-
Revaluation Reserve		17.5		17.5	-
Donated Asset Reserve		1.5		1.4	0.1
I&E Reserve		(46.4)		(46.4)	-
I&E Current		(1.1)		(1.3)	0.2
Total Taxpayers Equity		**89.5**		**89.2**	**0.3**

- **Payables** - The SOFP currently shows a small improvement in working capital. This is mainly from external cash injection, but with planned reduction in payables.

Liquidity, overall, remains very weak, and is described on the KFI page (p4).

- **Receivables** - Our position on Trade receivables remains good and this is demonstrated by the short time it takes to recover debt (receivable days on the performance rating, p5).

Cash flow Forecast 2010/11

	Apr 10	May 10	Jun 10	July 10	Aug 10	Sept 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11
	£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												
SLA	14.0	15.2	14.8	14.7	14.7	14.7	13.9	14.7	15.5	13.9	15.1	15.2
Other Income (banking,vat etc)	0.4	0.3	0.6	0.5	0.5	0.4	0.5	0.5	0.3	0.3	0.3	0.4
Accomodation invoices - West Sussex/Surrey	0.0	0.0	0.2	0.2	0.0	0.0	0.1	0.0	0.2	0.1	0.1	0.1
NHS Variable (drug sales, salary recharges)	0.6	0.4	0.1	0.7	0.8	0.4	0.2	0.6	0.4	0.5	0.5	0.5
Non Nhs variable (private patients, RTA, other)	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Training (Jnr Drs, NMET).	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.4	0.6	0.5	0.5	0.6
Capital External Funding	0.0	0.0	0.0	0.0	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0
Sale of Fairfield House	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0
TOTAL CASH INFLOWS	**15.7**	**16.5**	**16.3**	**16.8**	**16.6**	**20.8**	**15.4**	**16.4**	**17.2**	**18.7**	**16.7**	**17.0**
CASH OUTFLOWS												
Creditors	-4.9	-5.4	-4.6	-5.5	-6.2	-6.8	-5.3	-6.4	-5.4	-7.2	-7.2	-7.3
BACS - Capital	-1.1	-1.0	-0.6	-0.9	-0.9	-0.2	-0.2	-0.1	-0.1	-0.6	-0.6	-0.8
Payroll	-8.7	-10.0	-10.2	-10.2	-10.2	-10.3	-10.2	-10.2	-10.3	-10.2	-10.2	-10.2
PDC	0.0	0.0	0.0	0.0	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	-1.6
WCL repayment (incl interest)	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2
Capital investment loan (incl interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
TOTAL CASH OUTFLOWS	**-14.7**	**-16.4**	**-15.4**	**-16.6**	**-17.3**	**-19.1**	**-15.7**	**-16.7**	**-15.8**	**-18.0**	**-18.0**	**-20.4**
NET CASH FLOW	1.0	0.1	0.9	0.2	-0.7	1.7	-0.3	-0.3	1.4	0.7	-1.3	-3.4
OPENING CASH BALANCE	0.6	1.6	1.7	2.6	2.8	2.1	3.8	3.5	3.2	4.6	5.3	4.0
CLOSING CASH BALANCE	**1.6**	**1.7**	**2.6**	**2.8**	**2.1**	**3.8**	**3.5**	**3.2**	**4.6**	**5.3**	**4.0**	**0.6**

- The Trust is experiencing cash pressure and consequently has an underlying liquidity problem.
- The cashflow reflects maintaining a payables backlog which has increased from last year into this year. Cash supporting the MOU is being finalised.
- The Trust is using external cash sources to support its cashflow and will end the year with a cash shortfall.
- The Trust is drawing up a cash plan to address this issue. The forecast includes receipts due from the sale of Fairfields House.