

## FINANCE UPDATE

TRUST BOARD  
Thursday 25<sup>th</sup> August 2011

### 1. Introduction

The Trust is required to deliver a balanced Income and Expenditure position in the year. This paper provides a description of the performance over the period April – July and provides a forecast outcome for the year.

In addition, in constructing the paper a series of scenarios have been constructed to provide an indication of the risks associated with the delivery of the plan for the 2011/12 year.

Recognising the impact such plans has upon the working capital of the Trust, the paper also contains a description of how the cash position is expected to alter through the year and the impact upon the level of debtor and creditor working balances.

### 2. Month 4 Position

The Income and Expenditure position of the Trust is presented in the table below:

	Months 1- 4 Plan £000s	Months 1 – 4 Actual £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	92,737	93,204	467	282,681	282,681	-
Expenditure						
Pay	65,170	65,558	(388)	198,277	199,477	(1,200)
Non Pay	25,416	25,874	(458)	77,722	79,122	(1,400)
Reserves				(727)	(383)	(344)
Finance Cost	4,730	4,730	-	13,908	13,908	-
Total Expenditure	95,416	96,262	(846)	289,180	292,124	(2,944)
	(2,579)	(2,958)	(379)	(6,500)	(9,444)	(2,944)
SHA Funding	1,833	1,833	-	6,500	6,500	-
Under / Over spend	(746)	(1,125)	(379)	-	(2,944)	(2,944)
Actions to address overspend				-	2,600	2,600
Under / Overspend after management actions				-	-	(344)

As can be seen from the above at the end of July the Trust had recorded an overspend amounting to £1.125 million. The Trust had planned to record a deficit at the end of July amounting to £746,000. It is

forecast that by the year end, without management actions the Trust will record a deficit amounting to £2.94 million.

### 3. Month by Month analysis

The table below provides a description of the Income and Expenditure position of the Trust on a monthly basis.

	April £000s	May £000s	June £000s	July £000s	Total April - July £000s
Income	22,078	22,927	23,697	24,502	93,204
Expenditure					
Pay	16,244	16,478	16,575	16,261	65,558
Non Pay	6,613	6,169	6,069	7,023	25,874
Reserves					
Finance Cost	1,146	1,220	1,179	1,185	4,730
Total Expenditure	24,003	23,865	23,825	24,569	96,262
	(1,925)	(938)	(128)	33	(2,958)
SHA Funding	458	458	458	458	1,833
Under / Over spend	(1,467)	(480)	330	491	(1,125)
Planned Position	(1,486)	(261)	665	338	(746)
Variation from plan	19	(219)	(335)	153	(379)

The table shows that over the period April – July the Trust is presently recording a deficit in excess of the planned position by £379,000. This being so because the monthly planned position had not been achieved in the months of May and June. At the end of July the position of the Trust had improved because the level of surplus achieved in the month exceeded the planned level by £153,000.

### 4. Explanation of Overspend recorded to date

#### 4.1 Income

The Income generated by the Trust in the opening four months of the year is presented in the table below.

	Plan Months 1- 4 £000s	Actual Months 1-4 £000's	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s
Income					
Shropshire County PCT	42,178	42,311	133	128,738	128,738
Telford and Wrekin PCT	29,122	29,274	152	88,798	88,798
Powys LHB	6,924	7,113	188	21,241	21,241
Other PCTs	1,875	2,012	137	5,785	5,785

Specialised services	3,554	3,615	61		10,561	10,561
Non Contracted Activity	518	756	238		1,559	1,559
Total Clinical Income	84,171	85,080	909		256,682	256,682
Non Clinical Income	8,566	8,124	(442)		25,999	25,999
Total Income	92,737	93,204	467		282,681	282,681

In the first quarter of the year the Trust had generated a surplus in respect of Income amounting to £467,000. This surplus has occurred because:

- Shropshire County PCT – Surplus generated as a consequence of over performance in respect of Accident and Emergency attendances and delivery of activity associated with the Pending list,
- Telford and Wrekin PCT – Increased level of Non Elective and Pending list activity,
- Specialised services – Over performance attributable to renal activity provided for Health Commission Wales. It is expected that the over performance will reduce in the remaining months of the year.
- Non Contracted Clinical Activity – The level of over performance is greater than anticipated. The volatility of this income is such however that it is not assumed that the Non Contracted Activity budget will over perform by the year end.

Significantly, in setting the Income budget for the year the Trust had assumed increased income arising from addressing the Pending list and delivering waiting list targets. This sum amounted to £4.2 million. Given the uncertainty over the level of activity associated with the Pending and waiting list target, a potential risk to the Trust is that the actual level of activity recorded in the 2011/12 year is lower than anticipated and as a result the Trust is unable to recover the £4.2 million sum.

Given this risk, an exercise has been undertaken to assess, based upon existing contract performance, whether the Trust is delivering a level of performance consistent with the achievement of increased Income of £4.2 million.

#### Delivery of the £4.2 million Increased Income

	Elective Inpatient and Day Cases £000s	First and Follow up Outpatient £000s
Shropshire County PCT	440	272
Telford and Wrekin PCT	365	71
Powys LHB	55	73
Other PCT's	(44)	134
50% Marginal rate adjustment	(209)	(89)
<b>Total</b>	<b>607</b>	<b>461</b>
Target	468	425

In the period April – July the Trust had planned to generate increased income arising from Pending and waiting list target amounting to £893,000. The actual level of increased income generated through additional Elective Inpatient, Day Case and First and Follow up outpatient activity amounted to £1.068 million. This suggests, that the Trust is presently recording a level of activity consistent with the levels required to generate the £4.2 million increased Income assumed within Trust Income budgets.

## 4.2 Pay Budgets

### ***Analysis of Pay overspending in the Trust in the period April – July***

	Actual April – July £000s	Budgeted April – June £000s	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	61,974	62,131	157	(208)	365
Premium costs					
Escalation	54	31	(23)	(23)	-
Agency Medical	1,943	817	(1,126)	(792)	(334)
Agency Nursing	655	247	(408)	(271)	(137)
Agency – Other	101	30	(71)	(45)	(26)
Waiting List Initiative	830	703	(127)	(166)	39
	65,557	63,959	(1,598)	(1,505)	(93)
Pay reserves		1,211	1,211	994	217
	65,557	65,170	(387)	(511)	124

In the month of July the level of overspending reduced from the levels as recorded at the end of the previous month by £124,000.

In the above table “core spend” is defined as the costs associated with the appointment of staff (either permanently as substantive staff or temporary as Agency or Bank staff). As can be seen, in the period to date the Trust has recorded an underspend when actual costs are compared with the anticipated or budgeted level amounting to £157,000.

The continued reliance upon Agency staff as opposed to appointment to substantive positions or the use of Bank staff has resulted in considerable excess Premium costs. The effect of these premium costs has been to generate an overspend in Pay budgets during this period amounting to £1.598 million. Significantly, a comparison with overspending recorded in the previous month in respect of Agency staff shows an increase of £497,000 of which £334,000 relates to medical staff.

In reconstructing the Pay budgets for the 2011/12 year it had been identified that the Base pay budgets could be expected to overspend because the assumptions in respect of staff numbers employed were under estimated and the mix of Agency to Permanent staff understated. As a result Pay reserves amounting to £3.52 million have been established. A sum amounting to £1.211 million has been released from the Pay reserve. In doing so this then reduces the cumulative overspend to £387,000.

### ***Analysis of staffing levels in the period April – July***

In order to understand the Cost position as presented within Pay budgets more fully, it is necessary to understand the numbers of staff employed during this period.

	Actual April WTE	Actual May WTE	Actual June WTE	Actual July WTE	Budget July WTE	Variance in the month of May
Substantive staff	4344.91	4300.64	4330.54	4322.14	4424.85	(102.71)
Bank –Nursing	140.70	122.43	135.64	138.32	127.02	11.30
Bank – Other	95.80	98.94	112.09	124.16	86.22	37.94
<b>Total Bank staff</b>	<b>236.50</b>	<b>221.37</b>	<b>247.73</b>	<b>262.48</b>	<b>213.24</b>	<b>49.24</b>
Agency – Medical	59.62	66.37	68.14	68.35	53.52	15.15
Agency – Nursing	102.82	129.37	114.18	80.83	92.49	(11.66)
Agency – Other	21.55	15.71	23.27	25.81	19.36	6.45

<b>Total Agency</b>	<b>183.99</b>	<b>211.45</b>	<b>205.59</b>	<b>174.99</b>	<b>165.37</b>	<b>9.62</b>
<b>Total</b>	<b>4765.40</b>	<b>4733.46</b>	<b>4783.86</b>	<b>4,759.61</b>	<b>4803.46</b>	<b>(43.85)</b>
<b>Budgeted level WTE</b>	<b>4679.90</b>	<b>4741.50</b>	<b>4758.12</b>	<b>4803.46</b>		
<b>(Under) / Over budget WTE</b>	<b>85.50</b>	<b>(8.04)</b>	<b>25.74</b>	<b>(43.85)</b>		

Key observations from the above table are:

- Numbers employed – the total number of staff employed both permanently and temporarily reduced in July by comparison with the month of June by 24.25 posts,
- Comparison with budget – In the month of July the numbers of staff employed were lower than budgeted levels by 43.85 posts. Significantly however the budgeted number of staff increased in the month by 45.34 posts to 4803.46 WTE's.
- Temporary staffing – The numbers of staff employed temporarily either as Bank or Agency members of staff continues to be significant.

	Actual April WTE	Actual May WTE	Actual June WTE	Actual July WTE
Temporary staff	420.49	432.82	453.32	437.47

- Agency staffing – The Trust has throughout the period employed substantial numbers of high cost Agency staff. In the month of July the number of Agency staff exceeded budgeted levels by 9.62 posts. Further within medical staffing groups, where the premium rate is most significant, Agency staffing levels exceeded budget by 15.15 whole time equivalent posts.

From the above analysis it appears that the improved budgetary position in respect of Pay Budgets has arisen principally because:

- the number of budgeted posts has increased considerably in the month of July; and
- the number of agency nursing staff employed by the Trust has reduced.

### ***Analysis of Pay overspending by Division***

As a basis for improving understanding of pay budgets, the Pay analysis has also extended to incorporate a review of Pay spending at both a Divisional and speciality level. The results of this analysis are presented in the tables below.

	April – July under / overspend £000s	Previous month Under / (over)spend £000s	Movement in the month
Division 1	(1,739)	(1,408)	(331)
Division 2	168	164	4
Division 3	(187)	(191)	4
Corporate Services	94	(114)	208
Facilities	69	44	25
Reserves	1,211	994	217
	(387)	(511)	124

It can be seen from the table above that whilst across the Trust Pay overspending has reduced by £124,000 within Division 1 the level of overspend has increased still further. At the end of July total Pay overspending had increased within Division 1 by £331,000 to £1.739 million.

	Critical Care £000s	Emergency Care £000s	General Medicine £000s	Management £000s	Total April – July £000s	Total Previous month £000s	
Core Pay	196	(87)	(459)	2	(348)	(440)	92
Agency – Medical	(169)	(419)	(343)		(931)	(694)	(237)
Agency – Nursing	(63)	(106)	(124)		(293)	(179)	(114)
Agency – Other		(6)	8	(1)	1	3	(2)
Waiting List Initiative Payments	(42)	(94)	(32)		(168)	(98)	(70)
Total April – July	(78)	(712)	(950)	1	(1739)	(1408)	(331)
Total Previous month	(140)	(570)	(693)	(5)	(1408)		
	62	(142)	(257)	6	(331)		

In the month overspending within Critical care had reduced from £140,000 to £78,000. Emergency Care and General Medicine continue to record sizeable increases in the level of overspending in the month, as a consequence of continuing high usage of Agency medical and nursing staff.

#### 4.3 Non Pay

Non Pay overspending has been reviewed at a Divisional level and is summarised in the table below.

	Division 1	Division 2	Division 3	Corporate services	Estates and Facilities	Total
Drugs	97	(241)	(85)	(2)	-	(231)
Clinical supplies	376	(245)	264	37	(7)	425
General supplies	27	15	35	(9)	(29)	39
Establishment costs	71	(19)	64	26	2	144
Other	9	1	(11)	13	7	19
	580	(491)	331	65	(27)	458
% overspend	13.1%	(7.0%)	5.0%	1.3%	(0.8%)	

As can be seen the non pay overspending is principally associated with overspending in respect of Clinical supplies. Whilst further work is being undertaken to determine fully the reason for the overspend, areas immediately identified are:

Renal Patients – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids. Work is being undertaken to determine whether such an overspend can be recovered from commissioners.

Orthopaedic Implants – New NICE guidance has been released in respect of Orthopaedic Implants. The overspending appears to relate to the cost of following this guidance.

Energy costs – Increased consumption across the Trust has resulted in increased costs of energy bills. Work is being undertaken to determine options for reducing consumption levels.

Clinical consumables – An examination of spending across the theatres has identified a substantial increase in the level of spending in respect of Clinical consumables. Discussions are taking place with the Theatre managers to determine the basis for the increased level of spending.

#### 4.4 Progress of Financial Recovery Plan

At the June board meeting the Trust approved a financial recovery plan in response to a projected deficit for the year amounting to £10.6 million. In order to deliver upon this plan a number of activities needed to be delivered. The table below provides an update of the progress made in respect of these activities.

		Progress review
Receipt of SHA Funding	£6.5 million	Funds approved at the July SHA board and transferred to West Mercia Cluster in August
Funding to support Pending list	£4.2 million	Contract agreed with Cluster for the 2011/12 year – performance to date suggests activity consistent with plan
Reduce costs of Planned clinical developments	£1.6 million	Review completed - £1.6 million reduced from budgets.
Theatre utilisation savings	- £1 million recurrent - £83k in 2011/12	Savings identified within the completed PWC Improvement Programme
PWC Improvement Programme	£1 million recurrent - £250k in 2011/12	PWC review completed savings identified in excess of the targeted sum
August and January ward closures	£3.8 million recurrent and £1.7 million in 2011/12	PWC review confirms the ability to deliver savings consistent with the targets. Closure of wards planned for August and January is outstanding.

#### Forecast outturn

The forecast Outturn position for the Trust is presented in the table below.

	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	282,681	282,681	-
Expenditure			
Pay	198,277	199,477	(1,200)
Non Pay	77,722	79,122	(1,400)
Reserves	(727)	(383)	(344)
Finance Cost	13,908	13,908	-

Total Expenditure	289,180	292,124	(2,944)
	(6,500)	(9,444)	(2,944)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(2,944)	(2,944)
Actions to address overspend	-	2,944	2,944
Under / Overspend after management actions	-	-	-

The assumptions contained within the forecast outturn are as follows:

**Income** - Whilst the Trust has an over achievement within its Income budget at the end of Month 4, it is assumed that this over achievement will reduce in the remaining eight months of the year. The targeted funding associated with the Pending list, amounting to £4.2 million, is fully achieved.

**Pay** - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – July, without the implementation of corrective management actions. Resulting in a pay overspend at the year end of £1.2 million

**Non Pay** - Non - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – July, without the implementation of corrective management actions. Resulting in a pay overspend at the year end of £1.4 million

**Reserves** - It is assumed that the closure of beds will be delayed by two months, resulting in an inability to deliver costs savings amounting to £344,000.

Applying these assumptions then produces a forecast deficit for the year amounting to £2.944 million.

#### 4.5 Actions to address the Projected Overspend

**Agency Medical staffing** – The establishment of a dedicated medical staffing team has commenced in August and will become fully operational from November. The responsibility of this team is to review all requests for Medical Agency staff, secure more appropriate Pay rates and more actively manage the employment practices in respect of vacant medical staffing positions. In addition the Trust is actively working with PricewaterhouseCoopers to introduce new contractual arrangements to allow VAT recovery in respect of Agency staff. These arrangements are planned to commence from November 2011.

The combination of these two actions is calculated to generate full year savings amounting to £3.5 million, and reduce costs in this year by £800,000.

**Nursing staffing** – In the month of July actions were taken to reduce the level of nursing support provided across wards in respect of “bed watching”. The effect of doing so led to a reduction in costs in the month as compared with the previous months in the year. Maintaining this practice is expected to reduce the pay costs by £110,000 per month, and the outturn pay spend by £800,000.

**Overtime working** – Within a range of both clinical and non clinical areas it has been identified that administrative and clerical staffing have been offered opportunity to undertake overtime working. A decision to reduce overtime working by 50% can be expected to reduce costs by £40,000 per month so reducing pay spend in the year by 300,000 in the 2011/12 year.



**Tighter budgetary control practices** – Revised budgets have been produced for all ward managers within the Trust. Tighter review mechanisms are being introduced over spending practices and it is expected that by doing so this will reduce the existence of over establishment within budgets. Immediate opportunities have been identified to reduce over established posts, leading to cost savings in the year amounting to £300k.

**Non Pay costs** – Discussions are presently being undertaken to identify opportunities for reducing costs within Theatres. It is believed that savings amounting to £400,000 can be realised in the year.

**Ward closure – second phase** – The second tranche of bed closures is assumed to take place in January 2012. Rescheduling the ward closures so that the first phase commences in October and the second phase in November, enables the delay associated with the ward closures to be fully recovered.

## 5. Scenario Analysis

Within the financial position of the Trust there exist substantial risks to the delivery of the Income and Expenditure position. As a basis for describing the risk within the Trust, scenario analysis has been undertaken to enable a *best* and *worst* case position to be plotted against the Forecast balanced Income and Expenditure position. The results of which are presented below.

	Forecast Outturn £000s	Best Case Scenario £000s	Worst Case £000s
Income	282,681	284,181	282,581
Expenditure			
Pay	199,477	(198,138)	(199,477)
Non Pay	79,122	(76,941)	(79,222)
Reserves	(383)	1,617	(783)
EBITDA	4,464	7,964	3,864
Finance charges	(13,908)	(13,908)	(13,908)
Contribution from SHA	6,500	6,500	6,500
Management Actions	2,944	2,944	944
Surplus / deficit	-	3,500	(2,600)
Probability	50%	15%	35%

Within the *Best* and *Most likely* scenarios, the following assumptions are made:

### 5.1 *Best Case scenario*

- Income – the Trust is able to secure over performance as recorded in quarter 1 continues throughout the financial year generating increased Income of £1.5 million.
- Reserves – Plans are delivered within the Trust that enable contingency funds to be unused and the level of cost associated with the management reorganisation to be contained within a sum of £500,000.

## 5.2 Worst Case scenario

- Income – Delays in the decision to increase charges for non clinical services by two months reduce Income by £100,000.
- Reserves – Ward closures scheduled for January are delayed by three months resulting in a failure to deliver cost savings amounting to £0.4 million.
- Non Pay – Delays in ward closures result in an inability to secure non pay savings amounting to £100,000.
- Management Actions – The Trust fails to deliver actions on a timely basis – reducing savings from Management actions by £2.0 million.

Based upon these assumptions, in the *Best Case* scenario a surplus for the year is presented amounting to £3.5 million. In the *Worst case* scenario a deficit amounting to £2.6 million occurs.

## 6. Impact upon the External Financing Limit

The cash position of the Trust is forecast to grow by c£1M by the end of 2011/12. This is achieved through a breakeven income and expenditure position and a planned reduction in the capital programme by c£1M. The cash received at the start of the financial year relating to 2010/11 deferred income has now been exhausted but does explain the good performance within the BPPC (see below).

However, as forecast and reported in prior months, an increased level of creditor smoothing has occurred in month 4. Total smoothing at the end of July was £1,849k representing an increase of c£500k from June but £150k lower than the forecast of £2,000k made at month 3. This is split between non-NHS suppliers of £1,485k and NHS suppliers of £364k. Due to the timing of the monthly cash mandate receipt from the main commissioners at the last payment date of 15 August an approved amount of £136k remains outstanding. The Trust has been informed that the full amount of the SHA support of £6,500k has been received by the West Mercia cluster and the Trust has invoiced the relevant PCT for the full amount. The cash receipt is due before the end of August and therefore the Trust anticipates that creditor smoothing will not be required for the foreseeable future. This position is different from previous forecasts as the Trust had forecast a quarterly cash inflow.

A dividend payment of £2,600k will be required to be made in mid-September.

	2010/11	2011/12												2011/12 Net Movement £001
	M12 £000	M1 £000	M2 £000	M3 £000	M4 £000	M5 £000	M6 £000	M7 £000	M8 £000	M9 £000	M10 £000	M11 £000	M12 £000	
Fixed Assets	157,193	156,491	155,868	155,460	155,449	155,242	155,760	155,602	155,128	155,110	154,913	154,400	155,104	(2,089)
Current Assets	16,837	14,329	14,176	14,992	17,302	14,500	14,500	14,500	14,500	14,500	14,500	14,500	15,000	(1,837)
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(20,933)	(20,933)	(20,933)	(20,933)	(20,933)	(20,933)	(20,933)	(24,433)	1,669
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,177	2,677	1,677	1,277	1,187	1,166	1,042	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,177	2,677	1,677	1,277	1,187	1,166	1,042	1,200	967

## Better Payment Practice Code

**Non-NHS** – The month on month performance shows a small reduction in compliance for volume with a small increase when comparing value. The cumulative position for both measures is static. The reasons for non-compliance relate to creditor smoothing of £1,485k worth 4% points and the remaining amounts around the previously highlighted area within the Trust's own internal approval process relating to a delay in the approval processes within agency staff (nursing and medical within various periods). This process continues to be reviewed by the Finance team with the following updates: Medical agency spend to follow the standard process if and when the 'centralised' medical staffing model is adopted and a reduction in nursing agency shifts to allow effective administration within Oracle.

<b>NON NHS</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>YTD</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>By Volume</b>						
Total Volume	79,843	7,781	6,254	8,164	7,597	<b>29,796</b>
BPPC compliant volume	28,605	6,994	5,261	6,641	5,916	<b>24,812</b>
BPPC compliant %	36%	90%	84%	81%	78%	<b>83%</b>
<b>By Value</b>						
Total value (£000)	77,157	7,997	6,437	8,282	7,031	<b>29,747</b>
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	<b>23,686</b>
BPPC compliant %	43%	88%	77%	75%	78%	<b>80%</b>

<b>Current Month</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
<b>Payment made</b>				
0-30 days	5,916	78%	5,501	78%
31-35 days	196	3%	203	3%
36-40 days	371	5%	365	5%
41-45 days	644	8%	401	6%
46-50 days	196	3%	150	2%
51-55 days	43	1%	54	1%
56-60 days	34	0%	88	1%
over 60 days	197	3%	269	4%
<b>Total invoices paid</b>	<b>7,597</b>	<b>100%</b>	<b>£7,031</b>	<b>100%</b>

**NHS** – The month on month performance shows a small increase in compliance for volume and a static position for value. The cumulative position for both measures is static. The reasons for non-compliance relate to creditor smoothing of £364k worth 3% points and the remaining amount primarily around the internal approval process of the Trust's laundry invoice of £64k (31-35 days) and to NHS Supply Chain of £143k.

<b>NHS Spend</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>YTD</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>By Volume</b>						
Total Volume	2,259	179	188	206	90	<b>663</b>
BPPC compliant volume	798	166	180	159	73	<b>578</b>
BPPC compliant %	35%	93%	96%	77%	81%	<b>87%</b>
<b>By Value</b>						
Total value (£000)	22,361	1,196	3,034	952	1,449	<b>6,631</b>
BPPC compliant value (£)	9,412	1,125	3,007	797	1,221	<b>6,150</b>
BPPC compliant %	42%	94%	99%	84%	84%	<b>93%</b>

<b>Current Month</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
<b>Payment made</b>				
0-30 days	73	81%	£1,221	84%
31-35 days	5	6%	£210	15%
36-40 days	1	1%	£10	1%
41-45 days	1	1%	£0	0%
46-50 days	6	7%	£6	0%
50-55 days	0	0%	£0	0%
56-60 days	3	3%	£1	0%
over 60 days	1	1%	£0	0%
<b>Total invoices paid</b>	<b>90</b>	<b>100%</b>	<b>£1,449</b>	<b>100%</b>

**Capital Expenditure** – The table below represents the current position of live capital expenditure projects:

Project	Total Approved Sum (including prior years)	Expenditure to date (including prior years)	Expenditure committed - ordered	Total expenditure/ committed to date d=( b + c)	Expenditure committed - to be ordered	Forecast Outturn	Variance - (Overspend) / Underspend
	a	b	c	d=( b + c)	e	f=(d+e)	(a-f)
	£000	£000	£000	£000	£000	£000	£000
<b>Outstanding Commitments from 2010/11</b>							
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	85	48	0	48	37	85	0
Sanitary Facilities and Ward Kitchens Priority 1	113	116	(1)	116	0	116	(3)
MenuMark	67	63	0	63	4	67	0
Pharmacy Aseptic	3,251	3,159	0	3,159	5	3,164	87
Offsite accommodation	293	297	0	297	1	298	(5)
PSAG	500	6	46	51	449	500	0
Other less than £50k per individual project	136	59	42	101	35	136	0
<b>Agreed Commitments for 2011/12</b>							
Decontamination	7,616	7,248	132	7,381	235	7,616	0
Patient Monitoring	300	0	0	0	300	300	0
Project Management Fees - Reconfiguration	1,000	19	15	34	966	1,000	0
Telecoms Upgrade	431	94	190	284	147	431	0
PRH Dishwasher	90	0	0	0	90	90	0
Capital Salaries	125	22	0	22	103	125	0
Additional Obstetric Theatre (Under Discussion)	714	8	11	19	695	714	0
<b>Contingency Funds - Delegated</b>							
Contingency Fund Estates Issues/DDA	500	15	106	122	378	500	0
Contingency Fund for Medical Equipment Replacement	250	34	73	106	144	250	0
Contingency Fund for IT Equipment Replacement	250	92	0	92	158	250	0
Contingency Fund for Non-Patient Connected Equipment Replacement	45	4	18	22	23	45	0
<b>Corporate Contingency</b>							
Corporate Contingency Fund	1,000	16	83	99	901	1,000	0
Contingency for Capital additions identified through the budget process	992	10	0	10	982	992	0
<b>Total</b>	<b>17,758</b>	<b>11,310</b>	<b>716</b>	<b>12,026</b>	<b>5,653</b>	<b>17,679</b>	<b>79</b>

Due to the timing of the approval of the capital programme the approved projects to date have limited progress and the forecast outturn of the majority of the projects is still believed to be equal to the approved value with the exception of the following:

- (i) Sanitary facilities and ward kitchens – overspend £3k. Majority of works complete with outstanding quality issue around one bathroom.
- (ii) Offsite accommodation – overspend £5k. Scope change to enable wireless networking in meeting rooms.
- (iii) Aseptic unit – underspend £87k. Larger than anticipated VAT reclaim following finalisation of HMRC VAT claim and a Procure 21 gain share.

## 7. **Conclusion**

- At the end of July 2011, the Trust had recorded an overspend of £1.125 million; the Trust had planned for a deficit amounting to £746,000 to be recorded at the end of July.
- In the month of July, the Trust recorded a surplus of £491,000 which was £153,000 better than anticipated and in doing so compensates for worse than planned results recorded in the months of May and June 2011.
- The improved performance in the month of July has occurred principally because pay budgets in the month were lower than budgeted levels by £124,000.
- Concerns remain over the level of cost incurred by the Trust in respect of Agency medical staffing. In the month of July the cost of Agency medical staff exceeded budget by £334,000, and as such, at the end of July the Trust had overspent in respect of Agency medical staff by £1.126 million.
- Without management action the Trust is predicting an overspend at the year end amounting to £2.944 million, as a consequence of pay overspending amounting to £1.2 million, non-pay overspend of £1.4 million and delay in the closure of ward beds (estimated at two months) costing the Trust £344,000.
- Management actions have been identified over the use of temporary nursing and medical staff, which, when combined with tighter budgetary controls over pay and non-pay budgets, generate cost savings amounting to £2.6million. Acceleration of the second phase of ward closures from January 2012 to November 2011 enables the Trust to recover £344,000.
- Short term liquidity concerns has led to a slight deterioration in the speed of payments to suppliers (from 81% paid within 30 days in June to 78% in July). The Trust is however to receive in full cash in respect of the support provided from the SHA which will enable these liquidity issues to be addressed.

Neil Nisbet  
Finance Director  
18<sup>th</sup> August 2011