

FINANCE UPDATE

TRUST BOARD – 29th March 2012

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 – February and provides a forecast outturn for the year.

In addition, in constructing the paper a series of scenarios have been provided to indicate 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 11 Cumulative Position

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

	Months 1- 11 Plan £000s	Month 1- 11 Actual £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	258,588	264,213	5,625	284,158	290,294	6,136
Expenditure						
Pay	182,117	182,325	(208)	199,215	199,938	(723)
Non Pay	69,592	74,367	(4,775)	76,785	82,634	(5,849)
Reserves						
Finance Cost	13,419	13,288	131	14,658	14,658	-
Total Expenditure	265,128	269,980	(4,852)	290,658	297,230	(6,572)
	(6,540)	(5,767)	773	(6,500)	(6,936)	(436)
SHA Funding	5,043	5,043	-	6,500	6,500	-
Under / Over spend	(1,497)	(724)	773	-	(436)	(436)
Re-phased SHA funding	836	836				
Actions to address overspend				-	436	436
Under / Overspend after management actions	(661)	112	773	-	-	-

As can be seen from the above at the end of February the Trust had recorded a cumulative deficit amounting to £724,000. The Trust had planned to record a cumulative deficit at the end of February amounting to £1.497 million. It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £436,000.

In presenting information to the SHA, a re-phasing of the SHA funding was included. This has the effect of transferring 836,000 into the period April – February, from March 2012. Re-phasing in this way

reduces the planned deficit to £661,000 and actual Income and Expenditure for the year to date to a surplus of £112,000.

3. Monthly Analysis – February

The “in month” position for the month of February is presented in the table below.

	Planned Position £000s	Actual £000s	Variance £000s
Income	23,620	24,697	1,077
Expenditure			
Pay	16,776	17,056	(280)
Non Pay	6,226	7,388	(1,162)
Reserves			
Finance Cost	1,219	1,100	119
Total Expenditure	24,221	25,544	(1,323)
Planned surplus	(601)	(847)	(246)

The Trust planned to deliver a deficit in the month of £601,000 and actually recorded a deficit of £246,000.

4. 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	Aug £000s	Sept £000s	Oct £000s	Nov £000s	Dec £000s	Jan £000s	Feb £000's	Total April - Jan £000s
Income	22,078	22,927	23,697	24,502	23,687	24,807	24,364	24,874	24,616	24,424	24,237	264,213
Expenditure												
Pay	16,244	16,478	16,575	16,261	16,363	16,709	16,699	16,752	16,675	16,513	17,056	182,325
Non Pay	6,613	6,169	6,069	7,023	6,711	6,741	6,495	7,082	7,004	7,072	7,388	74,367
Reserves												
Finance Cost	1,146	1,220	1,179	1,185	1,269	1,404	1,224	1,225	1,162	1,174	1,100	13,288
Total Expenditure	24,003	23,865	23,825	24,569	24,343	24,854	24,418	25,059	24,841	24,759	25,544	269,980
	(1,925)	(938)	(128)	33	(656)	(47)	(54)	(185)	(225)	(335)	(1,307)	(5,767)
SHA Funding	458	458	458	458	459	458	458	459	458	458	460	5,043
Under / Over spend	(1,467)	(480)	330	491	(197)	411	404	274	233	123	(847)	(724)
Planned Position	(1,486)	(261)	665	338	41	135	277	241	(374)	(470)	(601)	(1,497)
Variation from plan	19	(219)	(335)	153	(238)	276	127	33	607	593	(246)	773

Income and Expenditure Position – Key Messages

- The Trust recorded a deficit at the end of February amounting to £724,000; the Trust had planned to record a deficit at this stage in the financial year of £1.497 million.
- In the month of February a deficit of £847,000 was recorded, the plan for the month of February was to present a deficit of £601,000.

5. Explanation of Position recorded to date

5.1 Income

The Income generated by the Trust in the period April – February is presented in the table below.

	Plan Months 1- 11	Actual Months 1-11	Variance	Planned Forecast Outturn	Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Shropshire County PCT	118,046	119,638	1,592	129,490	131,874	2,384
Telford and Wrekin PCT	81,428	83,600	2,172	89,317	90,969	1,652
Powys LHB	19,298	19,505	207	21,122	21,401	279
Other PCTs	5,242	5,548	306	5,752	6,156	404
Specialised services	9,552	10,430	878	10,502	11,681	1,179
Non Contracted Activity	1,413	2,132	719	1,550	2,525	975
Other Clinical Income	3,809	3,500	(309)	4,155	3,739	(415)
Total Clinical Income	238,788	244,353	5,565	261,887	268,343	6,456
Non Clinical Income	19,801	19,860	(59)	22,271	21,951	(321)
SHA Funding	5,043	5,043	-	6,500	6,500	-
Total Income	263,631	269,256	5,625	290,659	296,794	6,135

In the period April – February the Trust had generated a surplus Income amounting to £5.625 million, and is forecast to increase to £6.135 million by the year end.

5.1.1 In month Income performance

The table below provides a description of the performance in the month of February . The level of over recovery in Income increased by comparison with the period ending December by £1.088 million.

	Forecast Outturn Variance £000s	Variance at end of Jan £000s	Variance at end of Jan £000s	Movement in the month £000s
Shropshire County PCT	2,384	1,592	1,162	430
Telford and Wrekin PCT	1,652	2,172	1,786	386
Total Shropshire / Telford and Wrekin PCT's	4,036	3,764	2,948	816
Powys LHB	279	207	83	124
Other PCTs	404	306	162	144
Specialised services	1179	878	718	170
Non Contracted Activity	975	719	676	43
Other Clinical Income	(415)	(309)	(278)	(31)
Non Clinical Income	(321)	(59)	240	(299)
SHA Funding	-	-	-	-
Total other – exc Shropshire/ Telford and Wrekin PCT's	2,099	1,861	1,600	(261)
Total Income	6,135	5,625	4,548	1,088

The Trust has reached agreement with the Shropshire and Telford and Wrekin PCTs in respect of the forecast outturn position, as such risk is limited to income obtained from other sources.

In order to deliver the Trust forecast outturn it is necessary for the Trust to over perform across these Income areas by £2.1 million. At the end of the February the Trust had recorded an over achievement amounting to £1.9 million. It is anticipated that full £2.1 million over performance will be recorded by the year end.

Income – Key Messages
<ul style="list-style-type: none"> Over achievement by 5.625 million at the end of February, forecast to increase to £6.135 million by the year end Trust has end of year agreement with Shropshire County and Telford and Wrekin PCTs which generates an over achievement amounting to £4.036 million. To achieve financial balance the Trust is required to over achieve by £2.1 million from all other Income sources, at the end of February an over achievement of £1.861 million had been recorded, an increase of £261,000 by comparison with the previous month.

5.2 Pay Budgets

Analysis of Pay overspending in the Trust in the period April – February

	Actual April – February £000s	Budgeted April – February £000's	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	173,104	175,319	2,215	2,602	(387)
Premium costs					
Agency Medical	4,666	1,758	(2,908)	(2,750)	(158)
Agency Nursing	1,100	269	(831)	(742)	(89)
Agency – Other	388	77	(311)	(271)	(40)
Waiting List Initiative	3,067	1,487	(1,580)	(1,659)	79
	182,325	178,910	(3415)	(2,821)	(594)
Pay reserves		3,207	3,207	2,893	314
	182,325	182,117	208	72	290

In the month of February the level of overspending increased from the levels as recorded at the end of the previous month by £208,000.

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). In the period to date the Trust has recorded an underspend when actual costs are compared with the anticipated or budgeted level. The underspend amounts to £2.215 million.

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 £4.05 million, an increase by comparison with the previous month of £287,000.

In reconstructing the Pay budgets for the 2011/12 year it had been identified that the assumptions in respect of staff numbers employed and the mix of Agency to permanent staff were both understated. As a result Pay reserves amounting to £3.52 million have been established. A sum amounting to £3.207 million has been released from the Pay reserve.

Analysis of Staffing levels in the period April – February

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	Actual August WTE	Actual Sept WTE	Actual Oct WTE	Actual Nov WTE	Actual Dec WTE	Actual Jan WTE	Actual Feb WTE	Budget Feb WTE	Variance in the month of Feb WTE
Substantive staff	4344.91	4300.64	4330.54	4322.14	4345.32	4381.63	4427.19	4479.40	4477.89	4497.97	4520.20	4760.76	(240.56)
Bank – Nursing	140.70	122.43	135.64	138.32	134.52	153.87	148.58	138.98	133.89	119.27	148.09	22.51	125.58
Bank – Other	95.80	98.94	112.09	124.16	133.35	127.60	135.05	126.08	131.18	117.99	132.98	48.66	84.32
Total Bank staff	236.50	221.37	247.73	262.48	267.87	281.47	283.63	265.06	265.07	237.26	281.07	71.17	209.90
Agency – Medical	59.62	66.37	68.14	68.35	70.43	61.61	65.63	68.44	55.33	42.14	43.12	24.92	18.20
Agency – Nursing	102.82	129.37	114.18	80.83	28.90	36.23	27.89	24.75	24.58	51.52	43.54	1.07	42.47
Agency – Other	21.55	15.71	23.27	25.81	27.43	27.97	25.34	23.53	23.94	33.93	35.83	4.22	31.61
Total Agency	183.99	211.45	205.59	174.99	126.76	125.81	118.86	116.72	103.85	127.59	122.49	30.21	92.28
Total	4765.40	4733.46	4783.86	4,759.61	4,739.95	4788.91	4829.68	4861.18	4,846.81	4,862.82	4923.76	4862.14	61.62
Budgeted level WTE	4679.90	4741.50	4758.12	4803.46	4,788.96	4805.48	4946.29	4946.99	4882.58	4862.14			
(Under) / Over budget WTE	85.50	(8.04)	25.74	(43.85)	(49.01)	(16.67)	(116.61)	(85.81)	(35.77)	0.68			

Key observations from the above table are:

- Over establishment posts – During February the Trust (after allowing for bank and Agency staff) employed 61.62 posts in excess of budgeted levels.
- Numbers of staff employed – In this month the number of staff employed both as Temporary and Substantive employees amounted to 4923.76 posts, an increase of 60.94 posts when compared with January and the highest number employed in a month during the financial year.
- Increased staff in February – the number of substantive staff employed within the Trust increased by comparison with January by 22.23 posts, and by 38.71 Temporary (Bank and Agency) posts. Temporary Nursing staff increased by 20.84 posts and Temporary other staff by 16.89 posts.
- Savings from Bed closures - In reducing the number of beds, the Trust aimed to reduce spending through a reduction in Agency and Bank Nursing staff. A comparison with the month of October (before the bed closure programme had been delivered) shows a increase in the number of temporary nursing staff of 15.16 posts. Further, during this period whilst the number of Nursing staff employed through the Bank reduced by 0.49 posts the number of staff employed through Agencies increased by 15.65 posts. As a result the level of spending in respect of temporary Nursing staff exceeded the levels recorded in the month of October. Accordingly despite closing beds the Trust has been unable to deliver the required levels of associated staff reductions.
- Agency staffing – The Trust has introduced tighter controls over the employment of Agency staff. These controls were introduced in respect of Nursing staff from May. Controls in respect of Agency Medical staff have become fully operational in the month of November as a result of the establishment of a dedicated team to support the management of temporary medical staff. The effect of these controls has been to reduce Agency medical spending per month by approximately £200,000 over the period November to February. In respect of Nursing whilst Agency costs have fallen since May, in the last two months the level of spending has increased

and in the same period the number of Bank Nursing staff has increased from 122.48 posts in May to 148.09 posts in February.

	April £000s	May £000s	June £000s	July £000s	August £000s	Sept £000s	Oct £000s	Nov £000s	Dec £000's	Jan £000's	Feb £000s	Total spend Apr – Jan £000s	Average Annualised cost per WTE
Consultants	283	253	370	274	249	277	274	294	295	187	140	2,895	240k
Medical staff	453	620	540	617	527	606	514	340	327	246	478	5,267	120k
Nursing	338	405	381	300	153	165	154	100	72	124	196	2,390	44k
Other Clinical	78	36	47	73	77	66	52	52	48	28	57	614	81k
Other	18	30	31	46	43	92	68	92	99	137	133	789	44k
Total Agency staff spending	1,171	1,344	1,369	1,309	1,049	1,206	1,062	878	840	722	1003	11,954	

- Principal users of Agency Medical staff – The main users of Agency Medical staff in the month of February are :

	Whole Time Equivalents
Ophthalmology	3.40
Emergency and Critical Care	10.01
Head and Neck	1.15
Surgery	5.41
Medicine	7.67
Musculoskeletal	9.40
Womens and Children	1.15
Oncology	3.11
Diagnostics	0.84
	42.14

Pay Expenditure – Key Messages

- Pay over spent against the Budget in the month of February by £208,000.
- In the year to date the Trust has incurred premium costs associated with the employment of Agency staff amounting to £6.15 million. £4.67million of the excess is attributable to the employment of Medical staff. The average annualised cost for Consultant staff amounts to £240,000 and for other medical staff £120,000.
- In February the Trust operated with 61 62 posts in excess of budgeted level.
- In the month of February to support escalation the Trust increased Temporary Nursing Staffing levels by 12.32 posts, in February the number of Temporary Nurse increased by a further 20.84 posts .As a consequence of the bed closure programme the Trust retained 65 nursing posts to support escalation. Given these levels of staffing it is apparent that the Trust has been unable to generate savings from the closing of beds.
- Agency spending amounted to £1.003 million in the month – levels previously recorded in the month of October.

5.3 Non Pay

The level of Non Pay spending (after discounting for the phased write off of deferred Income) has increased significantly during the course of the year. In order to obtain an understanding of the underlying level of growth in Non Pay spending, a three monthly average has been computed. The results of which are presented below:

	April – June £000s	May – July £000s	June – Aug £000s	July – Sept £000s	Aug – Oct £000s	Sept – Nov £000s	Oct – Dec £000s	Nov – Jan £000s	Dec – Feb £000's
Average monthly spending	6,491	6,730	6,966	7,074	6,980	7,159	7,322	7,549	7,731
Movement	-	231	236	38	(94)	179	173	227	184

As can be seen Non Pay spending increased progressively at the beginning of the year and then stabilised. Significantly the rate of Non Pay expenditure has increased progressively by approximately £180 - £200,000 per month. Spending in the last four periods has increased principally because of:

- High Cost Drugs - particularly in respect of Cancer and Neurology drugs – £120,000.
- Referral to Treatment Times – to deliver improved performance in waiting times; -£130,000
- External Consultancy support – to support the achievement of Cost Improvement Programmes; - £160,000 and
- Utility Costs.-£120,000

At the end of February Non pay budget s had recorded a cumulative overspend amounting to £4.775 million.

The main areas identified to explain the non pay overspend are:

High Cost Drugs – The Trust has an agreement to provide new highly specialised drugs within a budgeted envelope for the year, inclusive of a budgetary overspend in the year amounting to £680,000. The cumulative level of overspend at the end of February in respect of these drugs amounted to £1.593 million. Adjusting for an increased budget of £623,000 generates an overspend relating to High Cost Drugs of £970,000. In addition to High Cost Drugs the Trust has also recorded overspending in the year to date, in respect of general drugs, amounting to £796,000.

Renal Patients – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids and Consumables. – Overspend to date - £113,000.

Renal Patient Transport – The Trust has introduced bespoke transport arrangements to support travelling arrangements for Renal Patients requiring ongoing hospital treatment. These travel arrangements are presently being reviewed – Overspend to date - £83,000.

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. Overspend to date - £436,000

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. – Overspending to date - £328,000

Nuffield Outsourced activity – In support of the RTT programme the Trust has committed spending amounting to £660,000.

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 – Overspending to date - £317,000.

Ophthalmology products – The combination of increased activity and a variation in case mix, arising from the employment of additional Consultant staffing has resulted in increased spending in respect of Ophthalmology consumables – Overspending to date - £78,000.

Blood Products – Over the period April – February the consumption of blood products has increased significantly – overspend to date - £31,000,

Procurement savings – Contained within the Trust Cost Improvement Programme is a requirement to deliver cost savings through price reductions in respect of services and consumables procured by the Trust. At the end of February the Trust had failed to deliver targeted savings amounting to £103,000.

Patient Transport Services – The level of usage of the Non Emergency Ambulance services has increased significantly in the year, resulting in a cost pressure to date of £220,000.

Consultancy Costs – During the year the Trust has commissioned external consultancy support to assist in the improvement of operational services and in the implementation of Cost Improvement Programmes; these services commissioned have resulted in overspending amounting to £765,000.

Postage – In delivering the RTT programme increased postage costs have been incurred, - overspend to date - £130,000.

Replacement equipment – the Trust has been required to purchase essential replacement equipment for use within Theatres and Diagnostic departments – overspend to date - £102,000.

Non Pay Expenditure – Key Messages

- Non Pay over spent against the Budget in the month of February by £1.162 million.
- Non Pay budgets had recorded a cumulative overspend at the end of February as compared with budget of £4.775 million and is projected to increase to £5.849 million.
- Overspending in respect of Specialist High Cost Drugs has exceeded a revised budget level, as agreed with the local PCTs, at the end of February by £970,000.

5.4 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	284,158	290,294	6,136
Expenditure			
Pay	199,215	199,938	(723)
Non Pay	76,785	82,634	(5,849)
Reserves			
Finance Cost	14,658	14,658	-
Total Expenditure	290,658	297,230	(6,572)
	(6,500)	(6,936)	(436)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(436)	(436)
Actions to address overspend	-	436	436
Under / Overspend after management actions	-	-	-

The assumptions contained within the forecast outturn are as follows:

Income - The Trust maintains a level of over performance with commissioners (excluding Shropshire PCT and Telford and Wrekin PCT) in the remaining month of the year at a rate consistent with the levels recorded in the year to date, and in doing so the Trust over recovers as compared with the base budget for the year by £2.1 million. The outturn position for the two local commissioners is contained within a capped level as agreed earlier in the year.

Pay – The level of Pay spending is assumed to increase to £17.635 million in the final month of the year.

	Average Actual April – June £000s	Average Actual July – Sept £000s	Average Actual Oct - Dec £000s	Actual Spend Jan £000s	Actual Spend Feb £000's	Estimated Jan - £000s	Est Total £000s
Monthly Pay spend	16425	16445	16,708	16,513	17,056	17,635	199,938

Non Pay - Non-Pay budgets is assumed to increase to £8.267 million in the month of March. The table below shows actual spending recorded during the year.

	Average Actual April – June £000s	Average Actual July – Sept £000s	Average Actual Oct - Dec £000s	Actual Spend Jan £000's	Actual spend Feb £000's	Average Monthly spend Jan - March £000s	Est Total £000s
Monthly Non Pay spend	6,524	6,584	6,860	7,073	7,388	8,267	84,791

Reserves – The Trust has established a reserve to cover the costs associated with introducing further capacity to enable the RTT target to be delivered. At the end of February the reserve amounted to £2.157 million. It is assumed that this reserve will underspend in full by the year end.

Applying these assumptions then produces a forecast deficit for the year amounting to £436,000.

5.4.1 Actions to address the Projected Overspend

Pay spending – The final sum available to support Pay in the 2012/13 year amounts to £17.635 million. Given the level of spending that has occurred in the year to date it is believed that the spending within the month of March will enable the projected deficit of £436,000 to be recovered.

6. Scenario Analysis

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	290,294	290,294	289,394
Expenditure			
Pay	(199,938)	(199,938)	(199,938)
Non Pay	(82,634)	(82,034)	(82,634)
Reserves	-	-	-
EBITDA	7,722	8,322	7,022
Finance charges	(14,658)	(14,658)	(14,658)
Contribution from SHA	6,500	6,500	6,500
Management Actions	436	600	436
Surplus / deficit	-	764	(700)
Probability	50%	20%	30%

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

6.1 *Best Case scenario*

- Management Actions – The final month pay figure is consistent with the February level of spending and in doing so generates savings amounting to £600,000.
- Non Pay – Review of stock levels across the Trust identifies further savings amounting to £600,000.

6.2 Worst Case scenario

- Income – the Trust is penalised for failure to deliver RTT and A and E performance and has a reduction in its Income amounting to £700,000.

Based upon these assumptions, in the *Best Case* scenario a surplus for the year is presented amounting to £764,000. In the *Worst case* scenario a deficit amounting to £700,000 occurs.

Forecast Outturn – Key Messages

- The Trust is required to deliver savings amounting to £436,000. Pay underspending in the month of March is expected to be sufficient to enable a balanced Income and Expenditure position to be achieved in the 2011/12 year.
- Given the scale of spending in the month of February the likelihood of achieving a balanced Income and Expenditure position by the year end has reduced to 50 per cent.
- A best case Projection results in the Trust generating a surplus at the end of the year of £764,000.
- A worst case projection results in the Trust recording a deficit at the end of the year amounting to £700,000.

7. Service Line Reporting

The Trust is, through the use of its Patient Level Costing system, now able to provide Income and Expenditure positions for each of the Clinical Centres. In producing this information, because of time constraints associated with the apportionment of service charges and central overheads is presently producing this information in arrears by one month. The table below therefore produces a Clinical Centre financial position reconciled to the deficit as presented at Month 10.

M10 YTD SLR position by Centre

Metrics	Surgical	Musculo-skeletal	Head and Neck	Ophthalmology	Women and Childrens	Emergency and Critical Care Centre	Medicine	Oncology	Total
Total Income	£47,320	£24,850	£11,520	£9,633	£39,284	£18,035	£65,943	£23,390	£239,976
Direct Costs									
Direct Pay Costs									
Nursing	£4,935	£2,252	£507	£263	£12,470	£5,747	£15,523	£1,452	£43,149
Consultants	£5,282	£2,779	£2,251	£1,341	£3,159	£1,360	£4,360	£1,102	£21,634
Other Clinical	£5,824	£3,860	£2,918	£1,887	£5,598	£3,378	£9,909	£1,560	£34,935
Non-clinical	£1,401	£458	£338	£470	£1,479	£1,199	£2,370	£897	£8,613
Total: Direct Pay Costs	£17,442	£9,350	£6,015	£3,961	£22,706	£11,684	£32,163	£5,011	£108,331
Direct Non Pay Costs									
Drug Costs	£2,648	£335	£174	£1,352	£1,183	£678	£4,033	£8,037	£18,439
Supplies	£740	£409	£929	£237	£1,268	£932	£2,427	£729	£7,670
Other Direct Costs	£529	£807	£108	£224	£519	£485	£972	£132	£3,776
Total: Direct Non Pay Costs	£3,917	£1,550	£1,212	£1,813	£2,970	£2,095	£7,432	£8,897	£29,886
Total: Direct Costs	£21,359	£10,900	£7,227	£5,773	£25,676	£13,779	£39,595	£13,909	£138,218
Indirect Costs									
Allied Healthcare Professionals	£870	£451	£387	£355	£479	£493	£1,533	£1,064	£5,633
Radiology	£1,672	£1,842	£451	£294	£632	£2,904	£2,366	£427	£10,589
Pathology	£2,892	£914	£692	£436	£1,637	£1,312	£2,909	£854	£11,644
Theatre	£4,840	£3,940	£1,673	£1,100	£1,121	£1	£139	£18	£12,832
Other Services	£4,142	£1,400	£926	£991	£1,305	£756	£2,363	£592	£12,475
Prosthetics	£52	£1,196	£9	£157	£37	£15	£49	£1	£1,516
Hotel Services	£15	£9	£4	£3	£10	£5	£27	£5	£78
Pharmacy	£658	£156	£60	£182	£291	£18	£1,173	£1,023	£3,562
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total: Indirect Costs	£15,142	£9,908	£4,200	£3,519	£5,513	£5,505	£10,559	£3,985	£58,330
Total: Total Direct/Indirect Cost	£36,501	£20,808	£11,427	£9,292	£31,188	£19,284	£50,154	£17,893	£196,547
Contribution	£10,819	£4,042	£93	£341	£8,096	£-1,249	£15,790	£5,496	£43,429
Contribution %	23%	16%	1%	4%	21%	-7%	24%	23%	18%
Overhead Costs									
Site Costs	£2,436	£1,266	£725	£723	£2,127	£1,151	£3,751	£1,093	£13,272
Corporate Costs	£3,024	£1,622	£991	£748	£3,276	£1,731	£4,414	£1,689	£17,495
CNST Contribution	£492	£446	£74	£61	£3,518	£234	£92	£18	£4,934
Total: Overhead Costs	£5,952	£3,334	£1,790	£1,531	£8,921	£3,117	£8,256	£2,800	£35,701
EBITDA	4,867	709	(1,698)	(1,190)	(825)	(4,365)	7,534	2,696	7,728
Finance Costs	2,158	1,299	545	534	1,788	1,480	3,079	1,305	12,188
Total Profit	2,709	(590)	(2,243)	(1,724)	(2,613)	(5,845)	4,455	1,391	(4,460)
Profitability	5.72%	-2.37%	-19.47%	-17.89%	-6.65%	-32.41%	6.76%	5.95%	-1.86%
SHA Support									4,583
Trust Surplus/(Deficit)									123

Service Line Reporting – Key Messages

- *Five centres recorded a loss in the period April – February, these being Musculo- skeletal Head and Neck, Ophthalmology, Womens and Childrens and Emergency and Critical Care.*
- *Collectively the Centres generated a contribution percentage of 18% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 20%. Benchmarked data recommends a percentage achievement of 25%.*
- *Emergency and Critical Care failed to deliver a Contribution, whilst Head and Neck achieved less than 1 per cent*
- *The logic has been revised in January for the recharging of Pharmacy costs with a retrospective adjustment made for all previous Months.*

8. 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 was planned to be achieved through a breakeven income and expenditure position and a planned reduction in the capital programme by c£1M.

The Trust's request for an additional £1M CRL has been approved at SHA level with formal transfer completed by DH in December 2011. The additional CRL was required for the planned bed closure programme, however as detailed last month further discussions have taken place and this level of expenditure will not be required in this financial year. The expenditure is being planned for 2012/13 (subject to business case preparation and approval). Therefore, and following discussions at the January Capital Planning Group the Trust is planning to revert to the original plan and generate a cash release of £1M against the capital programme 2011/12.

As described in last month's report, the proposal to accelerate the purchase of the Linac machine was progressed and approved at the 1 March 2012 Trust Board. In conjunction with the review of the capital aspirations a draft capital programme for 2012/13 has been prepared and is subject to review as a separate report.

In addition, the Trust has been encouraged to accelerate the preparation of the Reconfiguration FBC in order to secure PDC funding. As such, an increase in CRL of £2M has been recognised within this paper taking the overall CRL to £10.2M – the cash funds will be received on 19 March 2012. In order to deliver a £1M cash release the Trust is therefore forecasting a capital spend in the year of £9.2M.

The cash received at the start of the financial year relating to 2010/11 deferred income has now been exhausted and explains the good performance at the start of the year within the better payment practice code (BPPC) (see below).

The £6,500k cash backed support was invoiced with the cash received on 22 August and has removed the requirement for the Trust to 'smooth' any approved for payment creditors at the month end.

The month end actual cash balance was £2.8M against a prior month forecast of £0.6M, this continued level of cash (prior month £2.1M) is driven by the financial system upgrade (Oracle R11 to R12) making 'large run' payments operationally difficult. The system support supplier continued to work on this throughout the month and has rectified the particular system problem for March.

As reported last month the anticipated poor performance within the BPPC has materialised for February with continued poor performance anticipated for March.

The current forecast for the year end is detailed below:

	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	155,228	155,025	154,096	154,419	155,381	156,375	156,550	156,250	(943)
Current Assets	16,837	14,329	14,176	14,992	17,302	15,877	17,281	16,583	17,527	19,063	19,470	16,688	17,500	663
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(28,028)	(26,299)	(26,502)	(26,594)	(26,910)	(27,185)	(25,967)	(27,000)	(898)
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,603	1,988	3,258	2,761	1,440	2,125	2,835	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,603	1,988	3,258	2,761	1,440	2,125	2,835	1,200	967

£6,500k SHA support received 22 August

9. Statement of Financial Position

	March 11 £000	January 12 £000	February 12 £000	Variance to January 12 £000
Total Non Current Assets	159,582	156,375	156,550	175
Inventories	4,652	4,918	4,853	(65)
Current Trade and Other Receivables	12,757	14,552	11,835	(2,717)
Cash and Cash Equivalents	233	2,125	2,835	710
Total Current Assets	17,642	21,595	19,523	(2,072)
Current Trade and Other Payables	(26,667)	(27,181)	(25,963)	1,218
Finance Lease	(4)	(4)	(4)	0
PDC dividend Payable accrual	(3)	(1,741)	(2,002)	(261)
Provisions	(832)	(181)	(108)	73
Total Current Liabilities	(27,506)	(29,107)	(28,077)	1,030
Net Current Liabilities	(9,864)	(7,512)	(8,554)	(1,042)
Total Assets less Current Liabilities	149,718	148,863	147,996	(867)
Provisions	(478)	(478)	(478)	0
Total Assets Employed	149,240	148,385	147,518	(867)
Total Taxpayers' Equity	149,240	148,385	147,518	(867)

Total Assets Employed

The in month movement of Total Assets Employed is a negative £0.9M.

Total Non Current Assets

The positive movement in the month reflects the increase in the capital spend that is normally witnessed in the last quarter of the year. A continued increase is expected in this area.

The District Valuer has been instructed and requested information to prepare the year end valuation report and should be available in early April.

The table below represents the month 11 position against the 2011/12 capital plan:

Scheme	Budget	Allocations	Revised	Total	Forecast
	2011/12	2011/12	Plan	Expenditure	Outturn
	£000	£000	2011/12	to Date	2011/12
			£000	2011/12	£000
Schemes carried forward from old year	120	0	120	11	11
Decontamination	883	0	883	615	615
Capitalised Salaries	125	0	125	63	68
Patient Monitoring	300	0	300	295	300
Telecoms Upgrade	431	0	431	405	431
PRH Dishwasher	90	0	90	84	84
PSAG	500	0	500	455	470
Additional Maternity Theatre	714	(495)	219	150	150
Corporate Contingency	929	(534)	395	540	599
Bed Closure Schemes	0	1,808	1,808	403	408
Endoscopy Washers	63	0	63	87	87
Capital Additions identified through the budget process	1,000	(8)	992	764	812
Project Management fees relating to Reconfiguration	2,000	0	2,000	1,673	1,700
Linac	0	0	0	2,276	2,276
Unallocated/Underspend	0	0	0	0	0
Contingency Funds - Medical Equipment	250	0	250	250	300
Contingency Funds - Information Technology	250	0	250	238	260
Contingency Funds - Vital PAC	0	129	129	129	129
Contingency Funds - Estates	500	0	500	430	430
Contingency Funds - Non Patient Connected Equipment	45	0	45	27	27
Contingency Fund - RTT	0	100	100	43	43
Agreed Commitments/Recurring Contingencies Total	8,200	1,000	9,200	8,938	9,200
DH PDC re Reconfiguration	2,000	(1,000)			
Total Revised CRL	10,200	1,000	9,200	8,938	9,200

Following from the opening comments within the previous section, the Trust has been able to accelerate the purchase of the Linac machine with forecast expenditure in year of £2.3M. The additional £2M CRL relating to the PDC for reconfiguration increases the total CRL to £10.2M with a total forecast outturn of £9.2M generating a £1.0M cash release.

The table below details the status of all live capital projects and includes total expenditure over the life of the project:

Project	Total Approved Sum (including prior years)	Expenditure to date (including prior years)	Expenditure committed ordered	Total expenditure/ committed to date	Expenditure committed - to be ordered	Forecast Outturn	Variance - (Overspend) / Underspend	Actual or Estimated Project Completion Date
	a	b	c	d=(b + c)	e	f=(d+e)	(a-f)	
	£000	£000	£000	£000	£000	£000	£000	
Outstanding Commitments from 2010/11								
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	85	58	0	58	0	58		27 January 2012
Sanitary Facilities and Ward Kitchens Priority 1	113	118	(0)	118	0	118	(5)	January 2012
Menumark	67	63	0	63	0	63		4 December 2011 Fully operational
Pharmacy Aseptic	3,251	3,160	0	3,160	0	3,160		91 January 2011
Offsite accommodation	293	299	(0)	299	0	299	(6)	June 2011
PSAG	500	99	356	455	15	470		30 Est - March 2012
Other less than £50k per individual project	140	41	2	43	0	43		97 Est - March 2012
Agreed Commitments for 2011/12								
Decontamination	7,616	7,275	73	7,348	0	7,348		RSH moved August 268 2011
Patient Monitoring	300	189	106	295	5	300		0 Est - March 2012
Project Management Fees - Reconfiguration	2,000	460	1,213	1,673	6	1,679		321 On-going
Telecoms Upgrade	431	279	126	405	26	431		0 Est - March 2012
PRH Dishwasher	90	80	4	84	0	84		6 Est - March 2012
Capital Salaries	125	63	0	63	6	68		57 On-going
Additional Obstetric Theatre - Build Element - deferred pending outcome of R	0	0	0	0	0	0		(0)
Additional Obstetric Theatre - Equipment	219	105	44	150	0	150		69 Est - March 2012
Neonates Storage Solution (awaiting decision re source of funding)				0		0		0 Awaiting Planning Permission
Linac	0	0	2,276	2,276	0	2,276		0
Bed reconfiguration plan (awaiting approval verification)	1,808	205	198	403	5	408		1,400 Est - March 2012
Contingency Funds - Delegated								
Contingency Fund Estates Issues/DDA	500	216	214	430	0	430		70 On-going
Contingency Fund for Medical Equipment Replacement	250	240	10	250	50	300		(50) On-going
Contingency Fund for IT Equipment Replacement	250	188	49	238	22	260		(10) On-going
Contingency Fund for Non-Patient Connected Equipment Replacement	45	27	0	27	0	27		18 February 2012
Corporate Contingency								
Corporate Contingency Fund	471	383	244	627	77	704		(233) On-going
Contingency for Capital additions identified through the budget process	992	707	57	764	48	812		180 On-going
Referral To Treatment (RTT) Contingency Fund	100	43	0	43	0	43		57 February 2012
VitalPac Contingency Fund	129	100	28	129	0	129		0 On-going
Total	19,775	14,398	5,002	19,401	260	19,661	2,391	

The following projects are forecast to generate the following material variances:

- (i) Aseptic unit – underspend £91k. Larger than anticipated VAT reclaim following finalisation of HMRC VAT claim and a Procure 21 gain share.
- (ii) Decontamination – underspend £268k. VAT relief gained on build elements previously not forecast; finalisation of main contractor's accounts; application of full supplier discounts following payment of invoices and change of scoping of receipts and distribution works due to impact of reconfiguration of services.
- (iii) Reconfiguration of hospital services – underspend of £321k. Due to phasing of fees and spending profiles.
- (iv) Bed reconfiguration is planning to underspend within the year by £1.4M and has been forecast within the 2012/13 draft capital programme.

Total Current Assets

Inventories remain relatively static with stock counts currently being finalised within Theatres as part of an operational efficiency programme and is to be recognised within the last quarter. Communication was sent in February to give instruction for the Trust wide physical stock counts to be performed as part of the normal year end process in March 2012.

Debtors are detailed below:

Total debtors have decreased by £2.7M primarily in the area of NHS current debtors (£2M). This is a reflection of the local PCTs being able to make payments again following the Shropshire wide Oracle upgrade.

Total Current Liabilities and the Better Payment Practice Code

Non-NHS – As forecast in the previous month, the month on month performance shows a significant deterioration in performance within month with a small reduction in the cumulative volume and value statistics – moving from 85% for volume and 80% for value.

NON NHS	YTD	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	YTD
	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
By Volume													
Total Volume	79,843	7,781	6,254	8,164	7,597	10,015	7,697	7,368	7,229	6,108	5,815	8,103	82,131
BPPC compliant volum	28,605	6,994	5,261	6,641	5,916	7,426	6,514	6,675	6,515	5,499	5,300	5,370	68,111
BPPC compliant %	36%	90%	84%	81%	78%	74%	85%	91%	90%	90%	91%	67%	83%
By Value													
Total value (£000)	77,157	7,997	6,437	8,282	7,031	9,845	11,173	7,259	7,206	8,100	7,646	8,137	89,113
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	6,816	9,566	5,783	5,968	6,798	6,244	5,332	70,193
BPPC compliant %	43%	88%	77%	75%	78%	69%	86%	80%	83%	84%	82%	66%	79%

Current Month	Quantity	Quantity %	Value	Value %
Payment made				
0-30 days	5,370	67%	£5,332	66%
31-35 days	659	8%	£745	9%
36-40 days	330	4%	£420	5%
41-45 days	601	8%	£551	7%
46-50 days	496	6%	£393	5%
51-55 days	195	2%	£54	1%
56-60 days	31	0%	£57	1%
over 60 days	331	4%	£585	7%
Total invoices paid	8,013	100%	£8,137	100%

NHS – As forecast in the previous month, the month on month performance shows a significant deterioration in performance within month with a static position in the cumulative volume and a small reduction in the cumulative value moving from 92%.

NHS Spend	YTD	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	YTD
	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
By Volume													
Total Volume	2,259	179	188	206	90	207	175	184	156	217	143	188	1,933
BPPC compliant volum	798	166	180	159	73	158	163	169	151	203	116	154	1,692
BPPC compliant %	35%	93%	96%	77%	81%	76%	93%	92%	97%	94%	81%	82%	88%
By Value													
Total value (£000)	22,361	1,196	3,034	952	1,449	1,543	1,464	1,303	1,406	1,531	1,267	1,374	16,519
BPPC compliant value	9,412	1,125	3,007	797	1,221	1,262	1,218	1,280	1,395	1,392	1,199	900	14,796
BPPC compliant %	42%	94%	99%	84%	84%	82%	83%	98%	99%	91%	95%	65%	90%

Current Month	Quantity	Quantity %	Value	Value %
Payment made				
0-30 days	154	82%	£900	65%
31-35 days	0	0%	£0	0%
36-40 days	5	3%	£128	9%
41-45 days	1	1%	£101	7%
46-50 days	6	3%	£231	17%
50-55 days	1	1%	£0	0%
56-60 days	0	0%	£0	0%
over 60 days	21	11%	£14	1%
Total invoices paid	188	100%	£1,374	100%

Provisions

Current provisions have reduced in the month by £73k inline with the expected utilisation.

Statement of Financial Position – Key Messages

- Additional £2M CRL reflected within the capital programme. Slippage within Bed Closure Programme enabled an acceleration of the purchase of a replacement Linac machine.
- Cash position higher than forecast due to financial system upgrade. Forecast still to grow cash by £1M
- BPPC for the month deteriorates (as forecast) with small reductions in cumulative performance
- Current liabilities increased in month by £1.0M and an in year reduction of £1.3M.

Neil Nisbet
Finance Director
21st March 2012

