

FINANCE UPDATE

TRUST BOARD – 31 MAY 2012

1. Introduction

The 2012/13 financial year is critical for the financial well being of the Trust, with the stated aim of delivering:

- a surplus in the year amounting to £1.9 million; and
- implementing a substantial Cost Improvement Programme, so as to carry forward into the 2013/14 a recurrent surplus amounting to £15 million.

This paper provides a description of the performance of the Trust in the month of April, with the intention of highlighting progress towards achieving these two objectives.

The paper commences with a presentation of the planned Income and Expenditure position for the year scheduled on a monthly basis. The Income and Expenditure position of the Trust for the month of April is then provided, accompanied by an early indication of the forecast outturn for the year.

As a basis for assessing the risk of the Forecast outturn, three scenarios are provided that judge the outturn based upon three scenarios, Most Likely, Best Case and Worst Case.

Income and Expenditure Plan

The monthly Income and Expenditure profiled position for the Trust is presented as follows:

Income and Expenditure - Monthly Analysis													
	April	May	June	July	August	September	October	November	December	January	February	March	Total
Revised Income	23939	24525	25650	25354	24718	25490	25557	25662	25092	25110	24750	27033	302879
Total Pay	-17029	-16687	-16177	-16140	-15979	-15960	-15849	-15822	-15826	-15799	-15722	-15691	-192682
Total Non Pay	-7185	-7100	-7139	-7197	-7256	-7314	-7289	-7466	-7525	-7583	-7641	-7700	-88395
Reserves	-2	-18	-35	-51	-167	-282	-398	-514	-630	-746	-862	-977	-4682
Balance sheet write off	108	108	108	108	108	108	108	108	108	108	108	108	1300
Powys write off unused reserves	-83	-83	-83	-83	-83	-83	-83	-83	-83	-83	-83	-83	-1000
Total Reserves	-23	-46	-70	-93	-116	-139	-163	-186	-209	-232	-256	-279	-1813
Total Expenditure	0	-40	-79	-119	-258	-397	-536	-675	-814	-953	-1092	-1231	-6195
Total Expenditure	-24214	-23827	-23395	-23456	-23493	-23671	-23675	-23963	-24165	-24335	-24455	-24623	-287272
EBITDA	-276	697	2255	1897	1225	1819	1882	1698	928	775	295	2410	15607
Depreciation and Dividends	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-1201	-14408
Planned Surplus/ (Deficit)	-1476	-503	1055	697	25	619	681	498	-273	-426	-906	1211	1200
Cumulative Position	-1476	-1980	-925	-229	-204	415	1096	1594	1321	895	-11	1200	
MARS Scheme savings						100	100	100	100	100	100	100	700
In Month Position Surplus / (deficit)	-1476	-503	1055	697	25	719	781	598	-173	-326	-806	1311	1900
Cumulative position	-1476	-1980	-925	-229	-204	515	1296	1894	1721	1395	589	1900	

As can be seen the Trust is predicting a deficit in the month of April amounting to £1.476 million. At the end of the first quarter the deficit is expected to reduce to £0.925 million. By the end of Quarter 2 the Trust is projected to post a surplus amounting to £515,000 and the surplus increases to £1.721 million by the end of Quarter 3. At the end of the year the Trust plans to record a surplus amounting to £1.9 million.

In order for the profiled Income and Expenditure position to be achieved, the Trust is required to:

- Close escalation beds associated with the 2011/12 bed closure programme by the end of June,
- Ensure that savings associated with the revised contractual arrangements in respect of Agency Doctors, signed in February 2012, are implemented fully from the end of May; and
- Deliver upon a revised Cost Improvement Programme for the year amounting to £12.1 million, as described in the table below.

CIP Plan	April	May	June	July	August	September	October	November	December	January	February	March	Total	REC	NREC	TOTAL
Medical Consultants					125	125	125	125	125	125	125	125	1000	1000		1000
WLI Payments	43	43	91	91	91	91	91	91	91	91	91	91	1000	1000		1000
Nursing	25	25	25	25	25	25	25	25	25	25	75	75	400	1100	-700	400
Bed Reductions													0	3500	-3500	0
Theatres							83	83	83	83	83	83	500	1000	-500	500
Admin and outpatients													0	1700	-1700	0
Pathology reconfiguration													0	1300	-1300	0
Allied Health Professionals												0	0	700	-700	0
On Call Payments	6	13	19	26	32	38	45	51	58	64	71	77	500	1000	-500	500
Estates and Corporate services							67	67	67	67	67	67	400	800	-400	400
Temporary staff reduction	0	100	420	420	420	420	420	420	420	420	420	420	4300	5040	-740	4300
Diagnostic tests		0	0	0	0	0	0	0	0	0	0	0	0	600	-600	0
Coding alterations	0	0	18	36	55	73	91	109	127	145	164	182	1000	1000		1000
Procurement	13	26	38	51	64	77	90	103	115	128	141	154	1000	2000	-1000	1000
Centre identified Non Pay savings	87	87	87	87	87	87	87	87	87	87	87	87	1047	1047		1047
VAT Changes - Locum Doctors			30	30	30	30	30	30	30	30	30	30	300		300	300
Reduce Non Pay to Month 10 level	110	110	110	110	110	110	110	110	110	110	110	110	1325	1325		1325
Slippage 2011/12 schemes	-253	-173	-69	-43	-17	-17	-17	-17	-17	-17	-17	-17	-670		-670	-670
Total	33	231	771	835	1023	1060	1248	1285	1323	1360	1448	1485	12102	24112	-12010	12102

An immediate milestone for the Trust is to reduce Temporary staffing levels, so as to realise savings from the month of June amounting to £420,000.

2. Month 1 Income and Expenditure Position

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

	Months 1 Plan	Months 1 Actual	Variance	Planned Forecast	Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Income	23,939	23,204	(735)	302,879	302,379	-
Expenditure						
Pay	17,029	17,033	(4)	192,097	191,522	-
Non Pay	7,185	7,241	(56)	88,395	88,395	-
Reserves	-	-	-	6,080	6,195	-
	(24,214)	(24,274)	(60)	286,572		-
EBITDA	(276)	(1,071)	(795)	16,307	14,678	-
Finance Cost	1,201	1,201	-	14,408	14,408	-
Management Actions					1,150	
Surplus / (deficit)	(1,476)	(2,271)	(795)	1,900	920	-
Case Mix Income distortion adjustment		387	387			
Surplus/ (deficit) after Phasing adjustment	(1,476)	(1,884)	(408)			

In the month of April the Trust had recorded a deficit amounting to £2.27 million, this position is distorted by case mix variation (described more fully below), valued at £387,000 that appears likely to be misrepresenting the Income position in the month of April. Discounting for this sum reduces the deficit in the month to £1.884 million. It is forecast that by the year end, the Trust will achieve a surplus amounting to £920,000.

Income and Expenditure Position – Key Messages	
•	<i>The Trust recorded a deficit in the month of April amounting to £2.27 million, adjusting for a distortion caused by Case mix variation in the month of April, reduces the deficit in the month to £1.884 million.</i>
•	<i>The Trust had planned to record a deficit in the month of £1.476 million.</i>

3. Explanation of Position recorded in the month of April.

3.1 Income

The Income generated by the Trust in the month of April is presented in the table below.

	Plan Months 1	Actual Months 1	Variance
	£000s	£000s	£000s
Shropshire County PCT	10,218	9,949	(268)
Telford and Wrekin PCT	7,296	7,020	(276)
Powys LHB	1,803	1,686	(117)
Other PCTs	547	429	(118)
Specialised services	1,095	1,086	(9)
Non Contracted Activity	182	170	(12)
Other Clinical Income	306	332	26
Total Clinical Income	21,447	20,672	(775)
Non Clinical Income	1,718	1,758	40
Transitional support	774	774	-
Total Income	23,939	23,204	(735)

In the month of April the level of Income received was less than planned by £735,000. The under recovery of Income is explained as follows:

Income by Point of Delivery

£'s	price	volume	Total
A&E	£14,484	-£14,941	-£457
Consultant Led/Responsible First Attendance	£9,503	£64,205	£73,708
Consultant Led/Responsible Follow Up Attendance	£14,001	£26,720	£40,721
Consultant Led/Responsible Outpatient Procedure	-£47,255	-£14,881	-£62,136
Contingency	£0	-£122,252	-£122,252
Elective DC	-£30,462	-£195,600	-£226,062
Elective IP	-£98,014	-£306,152	-£404,166
Emergency	-£254,459	£349,997	£95,538
Maternity	£5,046	-£79,766	-£74,720
Other Services	£0	-£95,072	-£95,072
SaTH Total - clinical activity	-£387,156	-£387,742	-£774,898

Two observations exist from the above table:

Case mix – a substantial proportion of the under performance in the month is attributable to price variation. This suggests that the level of complexity of work undertaken in the month has been less severe than levels performed on average through the year. The case mix variation amounts to £387,156. It is not possible based upon a single month of data to determine whether this change is likely to result in financial difficulty in the 2012/13 year.

Volume of activity delivered as Elective Day Cases and Inpatients - in setting a profile for activity within the year, the monthly plan has been adjusted to reflect the number of working days prevalent within each month, doing so then enables the plan to accommodate reductions in activity associated with bank holidays. The profiled plan does not however seek to reflect disproportionate levels of annual leave, an examination of annual leave in the month of April indicates that the volume of capacity available to support Elective care was below contracted levels. In the month of April the Trust also sponsored the delivery of additional activity through the use of Waiting List Initiatives.

The levels of activity delivered in the month are shown below.

Activity Volumes

Activity	Month's Planned	Month's Actual	Variance	% variation
A&E	9,131	8,973	-158	-1.73
Consultant Led/Responsible First Attendance	8,118	8,497	379	4.67
Consultant Led/Responsible Follow Up Attendance	14,109	14,408	299	2.12
Consultant Led/Responsible Outpatient Procedure	5,459	5,363	-96	-1.75
Contingency				
Elective DC	3,222	2,931	-291	-9.02
Elective IP	672	550	-122	-18.10
Emergency	3,312	3,619	307	9.25
Maternity	969	901	-68	-6.98

Income – Key Messages

- *Under achievement of £735,000 in the month of April*
- *Complexity of case mix lower than planned, contributing £387,000 of the under achievement*
- *The volume of work completed as Elective Day Case and Inpatient work lower than planned, as a consequence of disproportionate levels of annual leave,*
- *Trust committed significant funds (£285,000) in the anticipation of activity beyond contracted levels to enable RTT performance targets to be met.*

3.2 Pay Budgets

During the month of April the Trust committed spending amounting to £17.033 million, and had planned to commit funds during the period amounting to £17.029 million, inclusive of Waiting List Initiative funds amounting to £265,000.

In setting the plan for the month of April, a prudent position had been adopted in respect of Cost Improvement Programme delivery, as such whilst it is satisfactory to have a balanced budget in the month, in order to gauge the relevance of the position in the month it is necessary to consider the numbers of staff employed by reference to the planned numbers of whole time equivalents for the month and how this compares with the levels of staff that are required in the month of June. Doing so then enables an understanding as to whether the levels of staffing are consistent with expectations contained within the Trust Cost Improvement Programme.

The table below compares the number of staff employed with the estimated numbers of staff expected to be employed in the months of April to June 2012.

	Plan April WTE	Actual May WTE	Actual June WTE	Actual April WTE	Variance in the month of Apr WTE
Substantive staff	4537.40	4523.67	4512.50	4,546.48	(9.08)
Bank –Nursing	135.27	105.08	75.28	165.03	(29.76)
Bank – Other	117.99	117.99	44.99	139.95	(21.96)
Total Bank staff	253.26	223.07	120.27	304.98	(51.72)
Agency – Medical	42.14	22.14	22.14	41.66	0.48
Agency – Nursing	11.14	11.14	11.14	22.88	(11.74)
Agency – Other	33.93	33.93	-	19.87	14.06
Total Agency	87.21	67.21	33.28	84.41	(2.80)
Total	4877.87	4813.95	4666.05	4,935.87	(58.00)

From the above table it can be seen that the levels of staff employed has exceeded the planned level of staff for the month of April by 58.00 wte posts. During the month the number of temporary nursing staff exceeded planned levels by 41.50 posts.

Further, an examination of the movement of staffing levels between month 10 (the base month for the construction of budgets) and actual staffing levels in month 1 has been undertaken to provide an indication of the staff groups where the excess staffing levels are located.

	Total	Agency	Bank	Core
Consultants	(4.51)	(1.69)		(2.82)
Medical staff	(5.73)	1.21		(6.94)
Nursing	35.35	(28.64)	45.76	18.23
Other Clinical	17.44	(2.18)	(0.62)	19.00
Non Clinical	30.50	(11.88)	21.34	21.04
	73.05	(43.18)	67.72	48.51
Assumed reduced staff from Bed closures	40.37			
Increased staff to reflect Posts commenced after month 10	55.43			
	58.00			

As can be seen during the period the number of employed nursing staff (temporary and permanent) increased by 35.35 posts.

Significantly, in setting the budget it had been assumed that 40.37 posts temporary staff would be removed as part of the process of scaling down escalation beds. It was also recognised that by adopting month 10 as a basis for setting the budget that this would understate the level of budget required because of the existence of posts commencing after month 10.

After Adjusting for these two items, at the end of Month 1 the Trust operated with 57.59 nursing posts in excess of budget. This demonstrates that despite closing beds in the month the Trust has failed to deliver cost savings.

To enable the Trust to achieve the Pay run rate in June all escalation beds have to be closed and the number of nursing staff employed within the Trust reduced from April staffing levels by 118 whole time equivalent posts.

Pay Expenditure – Key Messages
<ul style="list-style-type: none"> • <i>Pay over spent against the Budget in the month by £4,000.</i> • <i>The number of staff employed as permanent and temporary staff exceeded the planned levels by 58 whole time equivalents.</i> • <i>The number of nursing staff employed in the month of April exceeded budgeted levels by approximately 57.59 post; to achieve the June run rate nursing staffing levels are required to reduce by 118 posts.</i>

3.3 Non Pay

In setting the budget for the 2012/13 year the Trust had originally based the construction of the budget using a three month average based upon the period November 2011 to January 2012, adjusted to reflect excess spending in respect of Professional advisors and usage of the local Nuffield Hospital. The level of spending amounted to £7.319 million. A substantial increase in spending, in the month of February, led to the budget being rescaled based upon an average monthly spend amounting to £7.44 million.

The budget for the month of April, has allowed for:

- the requirement to achieve planned Cost Improvements deliverable in April, and
- Inflationary cost pressures.

The effect of which is to establish a budget for the month of April amounting to £7.185 million

In the month of April spending amounted to £7.241 million. Contained within this sum are non recurrent cost items in respect of recruitment fees relating to the appointment of a replacement Chief Executive and the recently completed Private Patients Review by Deloitte Management Consultants. These non recurrent costs amount to £ 55,000. Discounting for these cost items suggest that underlying non pay spending is consistent with the budget.

A review of Non pay spending illustrates that a sizeable reduction in the level of spending has occurred in the month of April as compared with spending levels recorded in the previous five months.

	Total Non Pay Spend £000s
November	7,523
December	7,518
January	7,607
February	7,917
March	7,826
April	7,257

Non Pay Expenditure – Key Messages

- *Non Pay over spent against the Budget in the month of April by £56,000.*
- *Non recurrent spending was recorded in the month amounting to £55,000,*
- *The level of Non Pay spending has reduced substantially when compared with levels of spending recorded in the previous five months.*

4. Cost Improvement Programme - progress

The delivery of the financial position for the 2012/13 is dependant upon the successful achievement of the Cost Improvement Programme. Progress in respect of the Programme is summarised in the table below:

	Board Approved Savings in year	Revised Planned Savings in year	Most Likely savings	Best Case	Worst Case
2011/12 Schemes					
Bed Closures	3,080	3,080	2,500	2780	2,000
Agency Medical spend	750	750	750	1,000	750
Total 2011/12 schemes	3,830	3,830	3,250	3,780	2,750
2012/13 Schemes					
Medical staffing	1,000	1000	1000	1000	1000
Waiting List Initiative	1,000	1,000	750	1,000	500
Nursing Ward staffing arrangements	900	400	-	400	-
Non Pay savings – Thetraes	167	700	700	700	500
Temporary staffing – Medical	1,100	1,100	1,100	1,100	1,100
Temporary staffing – Non Medical	3,200	3,200	3,000	3,200	2,000
Coding changes	1,000	1,000	1,000	1,000	1,000

	Board Approved Savings in year	Revised Planned Savings in year	Most Likely savings	Best Case	Worst Case
Procurement savings	1,000	1,000	1,000	1,000	1,000
Centre identified Non Pay	1,080	1,047	1,047	1,047	1,047
Non Pay savings – remove excess Month 11 budget	1,325	1,925	1,925	1,925	1,925
On Call Payments	500	500	300	500	100
Corporate Services and Estates	400	400	400	400	400
VAT Scheme – Medical Agency	300	300	-	-	-
Ward closures	875				
Allied Health Professionals review	117				
Administration and Outpatients	142			600	
Diagnostic Tests	150				
Agency medical		-	300	300	-
Staff Reduction – MARS Scheme		700	700	700	500
Total 2012/13 schemes	14,256	14,272	13,222	14,872	11,072
Total Savings	18,086	18,102	16,472	18,652	13,822
Under achievement			(1,630)	550	(4,280)

As can be seen based upon an assessment of progress to date in respect of the CIP schemes and also spending practices in the month of April, the most likely position is that the Trust will under achieve against the Cost Improvement target by £1.63 million unless corrective action is put into place. An analysis of a worst case position would see the under achievement increase to £4.28 million.

5. Scenario Analysis

Given the Income and Expenditure position in the month of April and an analysis of the Progress of the Cost Improvement Programme, 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	302,379	302,879	300,379
Expenditure			
Pay	(193,522)	(191,432)	(196,262)
Non Pay	(88,395)	(88,395)	(88,395)

	Forecast Outturn £000s	Best Case Scenario £000s	Worst Case £000s
Reserves	(6,195)	(6,195)	(6,195)
EBITDA	14,678	16,858	9,528
Finance charges	(14,408)	(14,408)	(14,408)
Management Actions	1,150		1,150
Surplus / deficit	920	2,450	(3,730)
Probability	50%	15%	35%

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

5.1 *Most Likely Case scenario*

- Income – the level of under achievement in the month of April is recovered in full over the remaining months of the financial year. Failure to deliver Performance Targets results in Financial Penalties in year amounting to £500,000
- Pay – The continued existence of escalation beds in the early months of the 2012/13 year reduces savings from the 2011/12 beds closure programme by 500k, additional waiting list initiative payments are required to address the shortfall of activity recorded in April (250k), savings from revised nursing levels on wards are unable to be achieved because the new working arrangements are unable to be implemented until November 2012 (400k) The level of savings arising from the removal of Temporary staff is reduced by 200k,
- Management Actions – Actions are taken in year to ensure that Performance Targets are achieved in full throughout the year (500k), consultation commences immediately so as to enable savings from revised ward nursing arrangements to be achieved (400k), waiting list Initiative payments made in month 1 are compensated through increased income in future months without additional pay costs (250k),

5.2 *Worst Case scenario*

- Income – the level of under achievement in the month of April is recovered in full over the remaining months of the financial year and failure to deliver Performance Targets results in Financial Penalties in year amounting to £500,000. The Powys contract is agreed based upon a revised contracted level and reduces Income by £2 million.
- Pay – The continued existence of escalation beds reduces savings from the beds closed in the 2011/12 year by £1 million, additional waiting list initiative payments are required to address the shortfall of activity recorded in April (250k), savings from revised nursing levels on wards are unable to be achieved because implemented from November (400k) Savings from the removal of Temporary staff is reduced by £1.2 million,
- Management Actions – Consultation commences immediately so as to enable savings from revised ward nursing arrangements to be achieved (400k), waiting list Initiative payments made in month 1 are compensated through increased income in future months without additional pay costs (250k), Savings from the reduction of temporary staff increases savings to £2.5 million (500k)

Based upon these assumptions, the most likely scenario leads to a surplus in the year amounting to £920,000, in the *Best Case* scenario a surplus for the year is presented amounting to £2.15 million. In the *Worst case* scenario a deficit amounting to £1.2 million occurs.

Forecast Outturn – Key Messages

- The Trust is required to deliver a surplus for the year amounting to £1.9 million,
- A review of the status of the Cost Improvement Programme, suggests that the Trust will underachieve against the targeted level of savings by £1.63 million,
- A most likely forecast outturn position that recognises the under achievement of CIP savings and the impact of financial penalties arising as a consequence of failure to achieve National Performance levels is expected to result in the delivery of a deficit for the year amounting to £230,000. Corrective actions improve the forecast Outturn position, resulting in a surplus for the year of £920,000.

6. 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 11.

M12 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	£58,126	£30,297	£14,132	£11,771	£48,262	£21,599	£80,290	£28,872	£293,349
Direct Costs									
Direct Pay Costs									
Nursing	£6,052	£2,743	£631	£384	£15,413	£6,689	£18,884	£1,808	£52,604
Consultants	£6,498	£3,299	£2,745	£1,637	£3,841	£1,656	£5,222	£1,334	£26,233
Other Clinical	£7,034	£4,689	£3,476	£2,210	£6,728	£4,093	£11,928	£1,915	£42,073
Non-clinical	£1,696	£525	£421	£624	£1,786	£1,442	£2,828	£1,090	£10,412
Total: Direct Pay Costs	£21,280	£11,256	£7,274	£4,855	£27,768	£13,880	£38,863	£6,146	£131,323
Direct Non Pay Costs									
Drug Costs	£3,190	£420	£198	£1,714	£1,362	£762	£4,729	£10,019	£22,393
Supplies	£922	£513	£1,151	£306	£1,507	£1,194	£2,911	£955	£9,459
Other Direct Costs	£675	£1,036	£149	£314	£679	£574	£1,271	£198	£4,895
Total: Direct Non Pay Costs	£4,787	£1,969	£1,497	£2,333	£3,548	£2,530	£8,911	£11,172	£36,747
Total: Direct Costs	£26,068	£13,224	£8,772	£7,189	£31,316	£16,410	£47,773	£17,318	£168,069
Indirect Costs									
Allied Healthcare Professionals	£1,056	£545	£464	£426	£578	£598	£1,862	£1,281	£6,809
Radiology	£2,038	£2,189	£547	£357	£775	£3,470	£2,865	£521	£12,763
Pathology	£3,576	£984	£855	£542	£2,040	£1,409	£3,560	£1,038	£14,004
Theatre	£5,827	£4,734	£2,036	£1,308	£1,370	£50	£204	£34	£15,564
Other Services	£4,995	£1,658	£1,105	£1,194	£1,575	£918	£2,750	£703	£14,898
Prosthetics	£60	£1,432	£10	£160	£39	£16	£50	£2	£1,769
Hotel Services	£26	£15	£6	£5	£17	£10	£44	£8	£131
Pharmacy	£759	£196	£74	£215	£366	£22	£1,499	£1,209	£4,340
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total: Indirect Costs	£18,338	£11,752	£5,098	£4,208	£6,761	£6,493	£12,834	£4,796	£70,278
Total: Total Direct/Indirect Cost	£44,405	£24,976	£13,870	£11,396	£38,077	£22,902	£60,607	£22,114	£238,347
Contribution	£13,721	£5,320	£262	£375	£10,184	£-1,303	£19,683	£6,758	£55,002
Contribution %	24%	18%	2%	3%	21%	-6%	25%	23%	19%
Overhead Costs									
Site Costs	£3,191	£1,686	£961	£956	£2,789	£1,644	£4,829	£1,466	£17,520
Corporate Costs	£3,948	£2,163	£1,321	£1,012	£4,785	£2,308	£5,702	£2,199	£23,438
CNST Contributions	£590	£535	£89	£73	£4,221	£281	£110	£21	£5,921
Total: Overhead Costs	£7,729	£4,383	£2,371	£2,040	£11,795	£4,232	£10,641	£3,687	£46,879
EBITDA	£5,992	£937	£-2,109	£-1,665	£-1,611	£-5,535	£9,042	£3,071	£8,122
Finance Costs	£2,627	£1,550	£679	£647	£2,221	£1,674	£3,615	£1,551	£14,564
Total Profit	£3,365	£-613	£-2,788	£-2,313	£-3,832	£-7,209	£5,427	£1,520	£-6,442
Profitability	5.79%	-2.02%	-19.73%	-19.65%	-7.94%	-33.38%	6.76%	5.27%	-2.20%
SHA Support									6,500
Trust Surplus/(Deficit)									58
Theatre Adjustment	£216	£177	£-158	£-97	£-119	£0	£-17	£-2	
Diagnostic Adjustment	£0	£0	£0	£0	£0	£-2,694	£2,694	£0	
Revised Profit	£3,150	£-790	£-2,629	£-2,216	£-3,714	£-4,515	£2,750	£1,522	£58
Profitability	5.42%	-2.61%	-18.61%	-18.83%	-7.69%	-20.90%	3.42%	5.27%	0.02%
Percentage of Total Income	19.81%	10.33%	4.82%	4.01%	16.45%	7.36%	27.37%	9.84%	

Service Line Reporting – Key Messages

- Five centres recorded a loss in the period April – March, these being Musculoskeletal, Head and Neck, Ophthalmology, Women and Children and Emergency and Critical Care.
- Collectively the Centres generated a contribution percentage of 19% 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 3 per cent
- The logic has been revised since January for the recharging of Pharmacy costs with a retrospective adjustment made for all previous Months. The format has also changed to allow the separate identification of CNST costs.

7. Underlying financial sustainability

In order to understand the underlying financial sustainability of the Trust it is necessary to be aware of the recurrent financial position of the Trust. The table below provides a summary of the financial position of the Trust over the period 2011/12 to 2016/17 updated to reflect:

- the month 1 Income and Expenditure position; and
- the revised CIP Programme

The updated financial model is compared with the position as presented within the Budget for the 2012/13 year is presented below.

	Budget Recurrent Surplus /(deficit) £000s	Budget Non Recurrent Surplus/ (deficit) £000s	Budget Total Surplus /(deficit) £000s	Revised Recurrent Surplus /(deficit) £000s	Revised Non Recurrent Surplus/ (deficit) £000s	Revised Total Surplus /(deficit) £000s
2010/11	(14,400)	14,426	26	(14,400)	14,426	26
2011/12	-	-	-	200	(200)	-
2012/13	15,000	(14,800)	200	15,500	(14,600)	900
2013/14	2,500	(300)	2,200	3,000	(300)	2,700
2014/15	2,100	-	2,100	2,600	-	2,600
2015/16	2,100	-	2,100	2,600	-	2,600
2016/17	2,000	-	2,000	2,500	-	2,500

As can be seen the recurrent surplus position has improved by comparison with the levels presented within the 2012/13 budget paper. This is so because the revised plan:

- Increases the recurrent surplus by £1.7 million, as a consequence of introducing savings from the local QIPP programme,
- Reduces the recurrent surplus by £1.2 million because of the reconstruction of the 2012/13 CIP programme.

8. Impact upon the External Financing Limit

Following the completion of the year end accounts the Trust achieved the two statutory duties relating to capital expenditure and external financing requirements:

Capital Resource Limit (CRL) did not overspend – achieved an under-spend of £998k.

External Financing Limit (EFL) did not overshoot – achieved an under-shoot of £2k.

The Trust had a £2m drawdown of PDC within 2011/12 to support the initial stages of the reconfiguration programme with a further drawdown of £33m planned for 2012/13. The timing and phasing of this drawdown is subject to further discussion with the SHA to enable a phasing in-line with the capital expenditure profile of the capital works.

The Better Payment Practice Code (BPPC) performance remains strong although continued efforts within agency approvals is yet to achieve tangible benefits. The NHS performance has deteriorated due to approval delays and not through the requirements to manage the cash position.

However, pressure within the cash position is expected to be felt over the next few months as the income and expenditure position is in a deficit position but will be offset by the expected slow start within capital expenditure and the payment of the first tranche of PDC dividend due in September 2012.

The overall cash balance reduced by £331k to £871k.

9. Statement of Financial Position

	March 12 £000	April 12 £000	Variance to March 12 £000
Total Non Current Assets	170,545	169,146	(1,399)
Inventories	5,349	5,398	49
Current Trade and Other Receivables	12,827	13,780	953
Cash and Cash Equivalents	1,202	871	(331)
Total Current Assets	19,378	20,049	671
Current Trade and Other Payables	(29,735)	(30,919)	(1,184)
PDC dividend Payable accrual	(111)	(595)	(484)
Provisions	(434)	(393)	41
Total Current Liabilities	(30,280)	(31,907)	(1,627)
Net Current Liabilities	(10,902)	(11,858)	(956)
Total Assets less Current Liabilities	159,643	157,288	(2,355)
Provisions	(512)	(512)	0
Total Assets Employed	159,131	156,776	(2,355)
Total Taxpayers' Equity	159,131	156,776	(2,355)

Total Assets Employed

The in month movement of Total Assets Employed is a negative £2.4m, with net current liabilities increasing by £1.0m.

Total Non Current Assets

The majority of the movement relates to the reclassification of £1.3m of long term debtors to current debtors. This relates to Compulsory Recovery Unit (CRU) receivables and will continue to increase in the year on an incremental month by month basis.

Limited capital expenditure has occurred to date (as planned) with the table below detailing the Trust Board approved capital plan.

	2012/13
Agreed Commitments/Recurring Contingencies:	£000
Schemes carried forward from old year	350
Patient Monitoring	300
Reconfiguration	33,300
Telecoms Upgrade (including IT Network Resilience)	86
Capitalised Salaries	500
Estates Contingency	500
Medical Equipment	350
Information Technology (excluding VitalPAC)	250
Non Patient Connected Equipment Contingency Fund	100
VitalPAC Contingency Fund	126
Corporate Contingency Fund	1,000
Contingency for Capital additions identified through the budget process	625
Bed Reconfiguration	1,856
Linac - Replacement Enabling Works & Training	535
Final phase of delayed digital mamography replacement programme	408
Maternity Ultrasound Scanner Replacement Programme	100
Capital Aspirations:	
Risk Score 25	33
Risk Score 20	31
Total Allocations	<u>40,450</u>

As consistent with the previous year the capital plan has been prepared on the basis of generating a further £1m cash release from under-spending against internally generated funds.

Discussions are ongoing with the SHA to confirm the phasing and allocation of the reconfiguration project and associated drawdown of PDC funding to support this scheme. It is anticipated that the amount of funding will be 'in line' with the expenditure profile of the capital spend and will require a reduction in expenditure in the current year to follow the actual expenditure profile of the capital works completed.

Improvements to the capital reporting section will be implemented from month 2.

Total Current Assets

Inventories increased by c£700k following the year end valuation and full stock count process and remain static for month 1.

Debtors have increased by £953k primarily in the area of non-NHS debtors following the reclassification of £1.3m from long term debtors relating to CRU debtors.

The Q4 agreement of balances exercise was completed in accordance with national guidance and the credit control team continue to liaise with their counterparties to settle these agreed amounts.

Total Current Liabilities and the Better Payment Practice Code

Non-NHS – The year end position of 2011/12 showed a significant improvement in year on year performance. Month 1 of 2012/13 is consistent with this performance.

The areas of non-compliance primarily relate to:

- Over 60 days - £124k Power; £23k Security

- All other categories – continued delays within the internal approval process of agency staffing invoices.

Following work with the Finance team and central procurement teams the temporary staffing department are aiming to move locum booking onto the Oracle iProc solution for electronic purchase order and goods receipting, This is process change is aimed for mid-end July 2012 and should improve the compliance within the approvals process.

Non NHS Spend	YTD 2010/11	YTD 2011/12	M1 2012/13	YTD 2012/13
By Volume				
Total Volume	79,843	89,887	7,245	7,245
BPPC compliant volume	28,605	75,177	6,173	6,173
BPPC compliant %	36%	84%	85%	85%
By Value				
Total value (£000)	77,157	98,915	10,174	10,174
BPPC compliant value (£000)	33,104	78,743	8,890	8,890
BPPC compliant %	43%	80%	87%	87%

Current Month				
Payment made	Quantity	Quantity %	Value	Value %
0-30 days	6,173	85%	£8,890	87%
31-35 days	392	5%	£444	4%
36-40 days	142	2%	£166	2%
41-45 days	75	1%	£100	1%
46-50 days	114	2%	£128	1%
51-55 days	26	0%	£35	0%
56-60 days	59	1%	£83	1%
over 60 days	264	4%	£329	3%
Total invoices paid	7,245	100%	£10,174	100%

NHS – The year end position of 2011/12 showed a significant improvement in year on year performance. Month 1 of 2012/13 has shown a deterioration in performance.

The areas of non-compliance primarily relate to:

- 56-60 days – £11k Pathology services
- 46-50 days £61k Blood contract M12.
- 31-35 days £43k blood products contract variation; £71k laundry and £11k pathology services.

NHS Spend	YTD 2010/11	YTD 2011/12	M1 2012/13	YTD 2012/13
By Volume				
Total Volume	2,259	2,170	209	209
BPPC compliant volume	798	1,921	143	143
BPPC compliant %	35%	89%	68%	68%
By Value				
Total value (£000)	22,361	19,505	684	684
BPPC compliant value (£000)	9,412	17,716	414	414
BPPC compliant %	42%	91%	61%	61%

Current Month				
Payment made	Quantity	Quantity %	Value	Value %
0-30 days	143	68%	£414	61%
31-35 days	56	27%	£195	29%
36-40 days	0	0%	£0	0%
41-45 days	0	0%	£0	0%
46-50 days	2	1%	£61	9%
50-55 days	1	0%	£0	0%
56-60 days	1	0%	£11	2%
over 60 days	6	3%	£2	0%
Total invoices paid	209	100%	£684	100%

Provisions increased at March 2012 and these have reduced in the month by £41k inline with the expected utilisation.

Statement of Financial Position – Key Messages

- *Year end 2011/12 financial duties achieved – CRL and EFL.*
- *Cash position reduced by £331k to £871k*
- *BPPC for the month remains strong within non-NHS performance but deteriorated within NHS performance.*
- *Total assets employed reduced by £2.4m with net current liabilities increasing by £1.0m*

Neil Nisbet
Finance Director
23rd May 2012