

FINANCE DIRECTOR REPORT – MONTH 02

TRUST BOARD - 28TH June 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 – May 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 2012/13 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 02 Cumulative Position

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

	Months 1- 2 Plan £000s	Month 1- 2 Actual £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	47,738	47,484	(254)	303,020	303,020	-
Expenditure						
Pay	33,707	33,902	(195)	(191,863)	(196,293)	(4,430)
Non Pay	14,511	14,403	108	(88,656)	(87,656)	(1,000)
Reserves				(6,194)	(6,194)	-
Finance Cost	2,413	2,413	-	(14,408)	(14,408)	-
Total Expenditure	50,365	50,452	(87)	(301,120)	(304,551)	(3,430)
Under / Over spend	(2,893)	(3,234)	(341)	1,900	(1,530)	
Transitional support	1,483	1,483	-			
Phased spending – to agree with SHA Finance Plan	266	266	-			
Actions to address overspend				-	2,500	2,500
	(1,144)	(1,485)	(341)	1,900	970	(930)

As can be seen from the above at the end of May the Trust had recorded a cumulative deficit amounting to £1.485 million. The Trust had planned to record a cumulative deficit at the end of May amounting to £1.144 million. It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £1.53 million. Management actions enable the Trust to return a surplus for the year of £970,000.

3. Monthly Analysis – May

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

	Planned Position £000s	Actual £000s	Variance £000s
Income	25,282	25,376	94
Expenditure			
Pay	16,678	16,869	(191)
Non Pay	7,326	7,162	164
Reserves			
Finance Cost	1,212	1,212	-
Phased spend	(266)	(266)	-
Total Expenditure	24,950	24,977	(27)
Planned surplus	332	399	67

The Trust planned to deliver a surplus in the month of £332,000 and actually recorded a surplus of £399,000.

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	Total April - May £000s
Income	22,817	24,667	47,484
Expenditure			
Pay	17,033	16,869	33,902
Non Pay	7,241	7,162	14,403
Reserves			
Phased spend		(266)	(266)
Finance Cost	1,201	1,212	2,413
Total Expenditure	25,475	24,977	50,452
	(2,658)	(310)	(2,968)
Transitional Funding	774	709	1,483
Under / Over spend	(1,884)	399	(1,485)
Planned Position	(1,476)	332	(1,144)
Variation from plan	(408)	67	(341)

Income and Expenditure Position – Key Messages

- The Trust recorded a deficit at the end of May amounting to £1.485 million; the Trust had planned to record a deficit at this stage in the financial year of £1.144 million.
- In the month of May a surplus of £399,000 was recorded, the plan for the month of May was to present a surplus of £322,000.
- The financial position at the end of May is made possible because of the release of transitional funding in the first two months of the year amounting to £1.483 million.

5. Explanation of Position recorded to date

5.1 Income

The Income generated by the Trust in the months of April - May is presented in the table below.

	Plan Months 1- 2	Actual Months 1- 2	Variance
	£000s	£000s	£000s
Shropshire County PCT	20,955	21,310	355
Telford and Wrekin PCT	14,986	14,902	(84)
Powys LHB	3,685	3,366	(320)
Other PCTs	1,265	1,129	(136)
Specialised services	2,377	2,364	(13)
Non Contracted Activity	366	392	26
Other Clinical Income	616	624	8
Total Clinical Income	44,251	44,087	(164)
Non Clinical Income	3,487	3,397	(90)
Transitional support	1,483	1,483	-
Total Income	49221	48,967	(254)

In the period April - May the level of Income received was less than planned by £254,000. The under recovery of Income is explained as follows:

Income by Point of Delivery

£'s	April - May Period			Previous month variance		
	Variance	vol	price	Variance	vol	price
A&E	135,379	127,251	8,128	-457	-14941	14484
Consultant Led/Responsible First Attendance	70,620	35,711	34,909	73708	64205	9503
Consultant Led/Responsible Follow Up Attendance	113,613	62,055	51,559	40721	26720	14001
Consultant Led/Responsible Outpatient Procedure	60,332	58,989	1,343	-62136	-14881	-47255
Contingency	-259,373	-259,373	0	-122252	-122252	
Elective DC	97,838	48,210	49,628	-226062	-195600	-30462
Elective IP	-311,055	-222,511	-88,544	-404166	-306152	-98014
Emergency	202,223	1,277,938	-1,075,715	95538	349997	-254459
Maternity	-141,427	-74,050	-67,377	-74720	-79766	5046
Other Services	-140,177	-140,177	0	-95072	-95072	
SaTH Total	-172,026	914,042	-1,086,068	-774898	-387742	-387156

In presenting the April board paper a potential under recovery of Income was presented amounting to £774,898. In doing so, it was acknowledged that the volume under recovery could be attributed to disproportionate levels of annual leave occurring in the month of April. The expectation being that such a level of under recovery could be expected to reverse in future months. By the end of May the level of under recovery of Income had reduced to £172,026, which appears to support this case.

Significantly, however the distribution of the under recovery has altered markedly from the position as presented in April, in particular:

- Volume variation – increased activity beyond planned levels has led to a volume over recovery of Income amounting to £914,042. This over recovery whilst existing across all areas of the Trusts activity, is particularly noticeable within emergency care and A and E attendances.

- Price variation – conversely despite increasing activity levels, the unit price of activity performed is much lower than planned resulting in an adverse price variation of £1.086 million. This price variation is almost entirely attributable to emergency care and is a reflection of the rules relating to increased emergency activity, where the level of payment for over performance is set at 30% of tariff.

The levels of activity recorded in the months April – May are shown in the table below:

Activity Volumes

Activity	YTD Planned	YTD Actual	Variance	% variance
A&E	17,535	18,877	1,342	7.65
Consultant Led/Responsible First Attendance	17,588	17,654	66	0.38
Consultant Led/Responsible Follow Up Attendance	30,568	31,147	579	1.89
Consultant Led/Responsible Outpatient Procedure	11,826	12,704	878	7.42
Elective DC	6,464	6,598	134	2.07
Elective IP	1,347	1,262	-85	-6.34
Emergency	7,402	8,262	860	11.61
Maternity	1,151	1,107	-44	-3.79

As can be seen in this period the level of emergency activity has exceeded planned levels by 11.61%, and the volume of Accident & Emergency attendances has increased beyond contracted levels by 7.65%.

Income – Key Messages

- *At the end of May the Trust had recorded a under recovery of Income, across both Clinical and Non Clinical areas amounting to£254,000.*
- *Clinical activity Income is lower than planned by a £172,000, despite very significant over performance of activity as compared with contracted levels.*
- *The volume of work completed as Elective Day Case and Inpatient work was lower than planned, Over performance of activity as compared with contracted activity has occurred predominantly within Emergency Care. The under recovery of Income appears attributable to the pricing rules relating to excess Emergency Care*
- *In the period Shropshire County PCT is over performing significantly, whereas Powys UHB is showing a contract under performance.*

5.2 Pay Budgets

In the opening two months of the year the Trust has committed spending amounting to £33.902 million, and had planned to commit funds during the period amounting to £33.707 million.

In setting the plan for the 2012/13 financial year, the Trust has put in place a Cost Improvement Programme that is expected to substantially reduce the monthly Pay run rate. A key first milestone in the delivery of this financial plan is the achievement of a sizeable reduction in Pay spending between the months of April and June. In order to do so requires the levels of staff employed within the Trust to reduce substantially over this three month period.

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 2 has been undertaken to provide an indication of the progress made in reducing the levels of staffing within the Trust.

	Month 10 WTE	Actual May WTE	Movement between May and Month 10
Substantive staff	4497.47	4,492.46	(5.01)
Bank –Nursing	119.27	142.00	21.73
Bank – Other	117.99	114.00	(3.99)
Total Bank staff	237.26	256.00	18.74

Agency – Medical	42.14	52.00	9.86
Agency – Nursing	51.52	24.00	(27.52)
Agency – Other	33.93	16.00	(17.93)
Total Agency	127.59	92.00	(35.59)
Total	4877.87	4840.66	(37.21)

As can be seen the Trust has reduced staffing levels by comparison with month 10 (the budget period) by 37.21 posts. To assess the Trust's ability to achieve savings consistent with the Cost Improvement Programme it is necessary to consider the extent to which staffing level reductions are progressing at a rate congruent with the Trust's Plans.

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	Plan May WTE	Plan June WTE	Actual April WTE	Actual May WTE	Variance between the months of April and May Actual WTE	Variance between the plan MAY Plan and May actual WTE
Substantive staff	4537.40	4523.67	4512.50	4,546.48	4,492.46	54.02	31.21
Bank –Nursing	135.27	105.08	75.28	165.03	142.00	25.03	(36.92)
Bank – Other	117.99	117.99	44.99	139.95	114.00	25.95	3.99
Total Bank staff	253.26	223.07	120.27	304.98	256.00	50.98	(32.93)
Agency – Medical	42.14	32.14	22.14	41.66	52.00	(10.34)	(19.86)
Agency – Nursing	11.14	11.14	11.14	22.88	24.00	(1.12)	(12.86)
Agency – Other	33.93	23.93	-	19.87	16.00	3.87	7.93
Total Agency	87.21	67.21	33.28	84.41	92.00	(7.59)	(24.79)
Total	4877.87	4813.95	4666.05	4,935.87	4840.66	(95.21)	26.71
Pay Run rate £000's	17,029	16,678	16,160	17,033	16,869	(164)	

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 May by 26.71 WTE posts. During the month the number of temporary nursing staff exceeded planned levels by 49.78 posts. and the number of Agency Medical staff exceeded planned levels by 19.86 posts.

Between the months of April and May, whilst the total number of staff (both Temporary and Permanent) working within the trust reduced by 95.21 WTE posts, significantly the number of Agency medical staff increased by 10.34 posts.

In order for the Trust to have achieved its target of reducing Pay spending at a rate consistent with achieving the Cost Improvement Programme, the Trust would have expected to have seen:

- Bank Nursing staffing – A substantial reduction of Bank and Agency Nursing staffing levels as a consequence of the closure of Escalation beds – since month 10 Bank and Agency Nursing has reduced by 5.79 WTE posts, (it was anticipated that circa 60 Whole Time equivalent posts would have reduced by the end of May – based upon the closure of 60 escalation beds),

- Agency Medical – Since month 10 the number of Agency Medical staff has increased by 9.86 posts – as a consequence whilst the Trust is benefiting from the existence of tighter controls over the procurement of Agency Medical staff, savings are being mitigated by the increased number of staff employed.

The growth in Agency Medical staffing has occurred in the following areas:

	Month 10 WTE	Month 2 WTE	INCREASE / (Decrease) WTE
Ophthalmology	3.40	1.00	(2.40)
Emergency and Critical Care	10.01	14.00	3.99
Head and Neck	1.15	-	(1.15)
Surgery	5.41	5.00	(0.41)
Medicine	7.67	19.00	9.33
Musculoskeletal	2.70	2.00	(0.70)
Women's and Children	1.15	2.00	0.85
Oncology	3.11	3.00	(0.11)
Diagnostics	0.84	1.00	0.16

As can be seen two Centres have increased Agency Medical support since Month 10, Emergency and Critical Care and General Medicine.

To enable the Trust to achieve the Pay run rate in June all escalation beds have to be closed and agreed fixed term posts to have been terminated. In doing so the Trust needs to reduce staffing levels from the levels recorded in May by 174.61 posts.

A key area targeted for greater financial control over the past twelve months has been with regard to Agency spending. The table below illustrates that the Trust has through a programme of recruitment and scrutiny over usage, been able to significantly reduce its level of spending per month. In the opening two months of the 2012 year, levels of spending have reduced still further.

	Average – April – June 2011	Average July – Sept 2011 £000s	Average Oct – Dec 2011 £000's	Average Jan – March 2012 £000's	April 2012	May 2012
Consultants	302	267	288	204	182	134
Medical staff	538	583	394	428	424	492
Nursing	375	206	109	178	115	109
Other Clinical	54	72	51	52	28	12
Other	26	60	86	130	77	45
Total Agency staff spending	1,295	1,188	927	993	826	793

Pay Expenditure – Key Messages

- Pay has over spent in the months April – May by £195,000.
- The number of staff employed as permanent and temporary staff exceeded the planned levels by 26.71 whole time equivalents.
- By comparison with Month 10 (the period used for setting the 2012/13 budget) total staffing levels have reduced by 37.21 posts, over the same period however the number of Agency medical staff has increased by 9.86 posts.
- Spending in May reduced by comparison with April by £164,000 and 95.21 Whole Time Equivalent Posts.
- In order for the Trust to deliver Pay savings consistent with the Cost Improvement Plan, the number of staff employed as Temporary or Permanent staff is required to reduce by 174.61 posts in the month of June.

5.3 Non Pay

Spending in respect of Non Pay over the last six months has reduced significantly.

	Total Non Pay Spend £000s
November	7,523
December	7,518
January	7,607
February	7,917
March	7,826
April	7,257
May	7,162

The budget for the month of May assumed spending at a rate of £7.326 million, as can be seen in the month the actual level of spending amounted to £7.162 million. Over the period April – May Non Pay budgets underspent by £108,000.

In setting the budget for the year, the Trust adopted an approach based upon the use of a three month moving average. In particular budgets for the 2012/13 year were based upon a three month moving average based upon the period Month 8 – 10 in the 2011/12 year. The table below provides a description of spending across key spending areas, by applying a moving average to the period Month 12 – Month 2 and then comparing with the period used as part of budget setting.

	Moving Average 8,9&10	Moving Average 12,1&2	Variance from month 10
Centre			
Chief Executive	(65,644)	(26,716)	38,927
Clinical Coding	(1,509)	(2,959)	(1,449)
Contracting	(362)	(513)	(151)
Diagnostics	(653,034)	(663,883)	(10,849)
DISUSED COST CENTRES	21,826	(21,968)	(43,794)
Emergency and Critical Care	(205,827)	(260,645)	(54,818)
Estates and Facilities Centre	(1,057,523)	(1,107,592)	(50,069)
Financial Accounting	(53,473)	(10,176)	43,297
Financial Performance	(1,141,880)	(821,841)	320,039
Financial Planning	(22,142)	(32,145)	(10,003)
Flow Management and Unscheduled Care	33	(54)	(87)
Head and Neck	(131,739)	(115,954)	15,785
Information Management and Technology	(98,300)	(102,709)	(4,409)
Innovation, Research and Development	(7,212)	(16,265)	(9,053)
Legal Services and Security	(45,121)	(54,904)	(9,783)
Medical Education and Training	(48,030)	(41,015)	7,015
Medicine Centre	(772,964)	(889,352)	(116,388)
Musculoskeletal	(217,050)	(180,565)	36,485
Oncology & Haematology Centre	(1,004,193)	(1,099,811)	(95,618)
Ophthalmology	(275,690)	(232,220)	43,471
Pharmacy	36,437	114,492	78,055
Professional Leadership and Development for the Medical Workforce	(60)	(1,489)	(1,429)
Quality and Safety/Chief Nurse	(98,104)	(58,095)	40,009
Risk and Compliance	(25,903)	(32,584)	(6,681)
Service Delivery Director	(11,458)	(26,031)	(14,573)
Shared Services.	(7,568)	(10,259)	(2,691)
Strategic Workforce Planning	(44,428)	(64,422)	(19,994)
Strategy Centre	(1,138)	(15,440)	(14,302)
Surgical	(1,287,359)	(1,056,492)	230,867
Therapy Centre	(28,415)	(27,882)	533
Womens and Childrens	(295,409)	(323,490)	(28,081)
Workforce Development, Redesign and Management	(6,044)	(6,861)	(816)
other		0	0
Grand Total	(7,549,285)	(7,189,839)	359,446

As can be seen over the period the level of spending, has reduced substantially, when compared with the month 8 – 10 period. This is to be expected because, the month 8 -10 period incorporated

significant non recurrent sums in respect of professional advisors and also energy and utility costs, amounting to approximately £390,000 per month. That said, it appears that a number of areas across the Trust have altered their spending over the last three months, notably Surgery where costs on average per month have reduced by £230,867 whereas Medicine has increased costs by £116,388.

Non Pay Expenditure – Key Messages
<ul style="list-style-type: none"> • Non Pay under spent against the Budget in the month of May by £164,000. • Over the period April – May Non Pay budgets underspent collectively by £108,000, • The three month average spending covering the period March – May has reduced by comparison with the base period used for setting budgets, at a rate that appears consistent with expectations.

6. 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	2,000	2580	1,500
Agency Medical spend	750	750	500	750	500
Total 2011/12 schemes	3,830	3,830	2,500	3,330	2,000
2012/13 Schemes					
Medical staffing	1,000	1000	1000	1000	500
Waiting List Initiative	1,000	1,000	500	500	500
Nursing Ward staffing arrangements	900	400	-	-	-
Non Pay savings – Theatres	167	500	500	500	500
Temporary staffing – Medical	1,100	1,100	1,100	1,100	1,100
Temporary staffing – Non Medical	3,200	3,200	1,000	1,200	1,000
Coding changes	1,000	1,000	1,000	1,000	1,000
Procurement savings	1,000	1,000	1,000	1,000	1,000
Centre identified Non Pay	1,080	1,019	1,019	1,019	1,019
Non Pay savings – remove excess Month 11budget	1,325	1,975	1,975	1,975	1,975
On Call Payments / Unsocial hours	500	500	500	500	100
Corporate Services and Estates	400	400	400	400	400
VAT Scheme – Medical Agency	300	300	-	-	-
Ward closures	875				
Allied Health Professionals	117				

	Board Approved Savings in year	Revised Planned Savings in year	Most Likely savings	Best Case	Worst Case
review					
Administration and Outpatients	142			200	
Diagnostic Tests	150				
Agency medical		-	300	300	-
Staff Reduction – MARS Scheme		700	700	1000	500
Total 2012/13 schemes	14,256	14,094	10,994	12,194	10,594
Total Savings	18,086	17,924	13,494	15,524	12,594
Under achievement			(4,430)	(2,400)	(5,330)

Based upon an assessment of progress to date in respect of the CIP schemes and also spending practices in the month of April and May, the most likely position is that the Trust will under achieve against the Cost Improvement target by £4.43 million unless corrective action is put into place. An analysis of a *worst case* position would see the under achievement increase to £5.33 million.

7. Scenario Analysis

Given the Income and Expenditure position in the month of May 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

	Planned Outturn £000s	Forecast Outturn £000s	Best Case Scenario £000s	Worst Case £000s
Income	303,020	303,020	303,020	303,020
Expenditure				
Pay	(191,863)	(196,293)	(194,263)	(197,193)
Non Pay	(88,656)	(87,656)	(86,656)	(88,656)
Reserves	(6,194)	(6,194)	(3,200)	(7,194)
EBITDA	16,308	12,878	18,901	9,978
Finance charges	(14,408)	(14,408)	(14,408)	(14,408)
Management Actions	-	2,500		3,500
Surplus / deficit	1,900	970	4,493	(930)
Probability		50%	10%	40%

Within the *Most Likely*, *Best* and *Worst Case* scenarios, the following assumptions are made:

7.1 *Most Likely Case scenario*

- 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 £1080k, increased usage of Medical Agency staff reduces savings arising from the new contractual arrangements by £250k, additional waiting list initiative payments are required £500k, 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 £2.2 million,

- Non Pay – Spending levels as recorded in the months of April and May continue, generating an underspend in the year of £1 million.
- Reserves – the Trust is required to consume reserves to underpin Income reduction arising from the successful delivery of local QIPP programmes and Penalty reductions.
- Management Actions – Actions are taken in year to ensure that Performance Targets are achieved in full throughout the year (£500k), Controls are put in place in respect of Nursing Bank and Agency usage to reduce spending by £500k, Controls are implemented to reduce Additional hours and Overtime Payments £500k, Controls are enforced to deliver further Non Pay savings £1 million.

7.2 *Best Case scenario*

- 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, 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 2.2 million, Savings from the implementation of the MARS scheme exceed planned levels by £300k.
- Non pay - Spending levels as recorded in the months of April and May continue, generating an underspend in the year of £2 million.
- Reserves – Local QIPP Programmes are undelivered and as a result the Trust is required to repay transitional support amounting to £3.2 million.

7.3 *Worst Case scenario*

- 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 £1580k, increased usage of Medical Agency staff reduces savings arising from the new contractual arrangements by £500k, additional waiting list initiative payments are required £500k, 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 2.2 million, MARS schemes delivers savings in year of £500k
- Non Pay – Spending levels as recorded in the months of April and May are unsustainable,
- Reserves – the Trust is required to consume reserves to underpin Income reduction arising from the successful delivery of local QIPP programmes and Penalty reductions and also to cover costs associated with the MARS scheme (£1 million)
- Management Actions – Actions are taken in year to ensure that Performance Targets are achieved in full throughout the year (£500k), Controls are put in place in respect of Nursing Bank and Agency usage to reduce spending by £500k, Controls are implemented to reduce Additional hours and Overtime Payments £500k, Controls are enforced to deliver Non Pay savings £2 million.

Adopting these assumptions, the most likely scenario, following the implementation of management actions, leads to a surplus in the year amounting to £970,000, in the *Best Case* scenario a surplus for the year is presented amounting to £4.493 million. In the *Worst case* scenario a deficit amounting to £930,000 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 £4.43 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 £1.53 million. Corrective actions improve the forecast Outturn position, resulting in a surplus for the year of £970,000.

8. 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 2012/13 to 2017/18 updated to reflect:

- amendments made to the 2012/13 budget and incorporated within the most recent Long Term Financial Model (LTFM)
- the month 2 Income and Expenditure position; and
- the Most Likely scenario view of delivering the 2012/13CIP Programme

The updated financial model is compared with the position as presented within the most recent LTFM for the 2012/13 year and is presented below.

	LTFM Revised Budget Recurrent Surplus /(deficit) £000s	LTFM Budget Non Recurrent Surplus/ (deficit) £000s	LTFM 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	15,700	(13,800)	1,900	12,500	(11,500)	1,000
2013/14	8,600	(2,300)	6,300	5,300	(2,300)	3,000
2014/15	8,900	(600)	8,300	5,500	(600)	4,900
2015/16	8,900	(600)	8,300	5,400	(600)	4,800
2016/17	7,600	(600)	7,000	4,100	(600)	3,500
2017/18	3,300	(1,300)	2,000	(400)	(1,300)	(1,700)

As can be seen incorporating the assumptions contained within *Most Likely* scenario, has the effect of reducing the level of:

- recurrent surplus carried forward into the 2013/14 year from £15.7 million to £12.5 million, and
- Cumulative surpluses generated over the period 2012/13 to 2017/18 by £17.3 million.

9. Impact upon the External Financing Limit

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 and 2013/14. The timing and phasing of this drawdown has been clarified with the SHA to enable a phasing in-line with the capital expenditure profile of the capital works over the two years of 2012/13 and 2013/14.

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 remains in a deficit position but will be offset by the 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 £620k to £251k.

10. **Statement of Financial Position**

	April 12 £000	May 12 £000	Variance to April 12 £000
Total Non Current Assets	169,146	168,946	(200)
Inventories	5,398	5,492	94
Current Trade and Other Receivables	13,780	13,504	(276)
Cash and Cash Equivalents	871	251	(620)
Total Current Assets	20,049	19,247	(802)
Current Trade and Other Payables	(30,919)	(28,827)	2,092
PDC dividend Payable accrual	(595)	(1,036)	(441)
Provisions	(393)	(262)	131
Total Current Liabilities	(31,907)	(30,125)	1,782
Net Current Liabilities	(11,858)	(10,878)	980
Total Assets less Current Liabilities	157,288	158,068	780
Provisions	(512)	(512)	0
Total Assets Employed	156,776	157,556	780
Total Taxpayers' Equity	156,776	157,556	780

Total Assets Employed

The in month movement of Total Assets Employed is a positive £0.78m, with net current liabilities decreasing by £0.98m.

Total Non Current Assets

The majority of the movement relates to the decrease within fixed assets (depreciation charge being higher than the levels of capitalisation) of £0.34m against an increase in long term debtors of £0.14m.

Limited capital expenditure has occurred to date (as forecast) with the table below detailing the position for month 2 with forecasts for 2012/13 and future years.

	Total authorised	Pre 12/13 expenditure	Allocations 12/13	Actual 12/13 to date (in year)	Commitments 12/13 (in year)	Total Expenditure and Committed 12/13 (in year)	Forecast					Forecast final cost	Variance
							12/13	13/14	14/15	15/16	16/17		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Projects ≥£250k													
PSAG	500	453	30	0	1	1	30					483	17
Patient monitoring	1,500	306	300			0	300	350	200			1,156	344
Telecoms	516	430	86		5	5	86					516	0
Linac	2,810	2,277	535		438	438	535					2,812	-2
Mammography	1,862	629	524			0	524					1,153	709
Reconfiguration	35,000	1,654	15,985	18	381	399	15,521	17,315				34,490	510
Bed Reconfiguration	2,176	492	1,684	4	1,395	1,399	1,690					2,182	-6
												0	0
Contingency Funds													
Capitalised Salaries	500		500	82	4	86	500	500	500	500	500		
Estates Contingency	500		500		23	23	500	250	250	250	250		
Medical Equipment	300		300	37	84	121	300	350	350	500	500		
IT - Replacement and additional	325		325	10	19	29	325	325	325	325	325		
Non Patient Connected Replacement Fund	100		100		23	23	100	100	100	100	100		
Vitalpac	126		126			0	126	100	100	100	100		
Corporate General	1,000		1,000			0	1,000	925	925	925	925		
Capital additions identified through budget process	625		625			0	625	625	625	625	625		
						0							
						0							
Projects ≤ £250k													
Outstanding from previous year	370		370	13	283	296	384	6,275	6,125	6,175	6,175		
Other	164		164		11	11	175						
Total		6,241	23,154	164	2,667	2,831	22,721	27,115	9,500	9,500	9,500	42,792	1,572

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 with the SHA have concluded on the phasing and allocation of the reconfiguration project and associated drawdown of PDC funding to support this scheme. It is planned 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 ie the funding will follow the expenditure planned for 2012/13 and 2013/14.

Total Current Assets

Inventories remained relatively static within the month.

Debtors have decreased by £276k primarily in the area of non-NHS debtors.

Total Current Liabilities and the Better Payment Practice Code

Non-NHS – Performance continues in line with 2011/12 and is consistent with Month 1.

The areas of non-compliance primarily relate to:

- Over 60 days - £54k Pathology IT System Support; £61k Renal drugs; £50k Telephony charges.
- All other categories – £90k Drugs (inc renal drugs) £50k power charges, £90k computer system support. In addition, the Trust is still experiencing 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	M2 2012/13	YTD 2012/13
By Volume					
Total Volume	79,843	89,887	7,245	7,465	14,710
BPPC compliant volume	28,605	75,177	6,173	6,493	12,666
BPPC compliant %	36%	84%	85%	87%	86%
By Value					
Total value (£000)	77,157	98,915	10,174	9,878	20,052
BPPC compliant value (£000)	33,104	78,743	8,890	8,402	17,292
BPPC compliant %	43%	80%	87%	85%	86%

Current Month Payment made	Quantity	Quantity %	Value	Value %
0-30 days	6,493	87%	£8,402	85%
31-35 days	145	2%	£241	2%
36-40 days	159	2%	£291	3%
41-45 days	119	2%	£264	3%
46-50 days	43	1%	£38	0%
51-55 days	53	1%	£117	1%
56-60 days	59	1%	£122	1%
over 60 days	394	5%	£403	4%
Total invoices paid	7,465	100%	£9,878	100%

NHS – performance has improved in the month from month 1 performance, but remains under-performing against 2011/12 year end position.

The areas of non-compliance primarily relate to:

- 56-60 days – £168k Q4 Medical Physics
- 36-40 days £65k Blood contract.

- 31-35 days £83k laundry.

NHS Spend	YTD 2010/11	YTD 2011/12	M1 2012/13	M2 2012/13	YTD 2012/13
By Volume					
Total Volume	2,259	2,170	209	152	361
BPPC compliant volume	798	1,921	143	135	278
BPPC compliant %	35%	89%	68%	89%	77%
By Value					
Total value (£000)	22,361	19,505	684	961	1,645
BPPC compliant value (£000)	9,412	17,716	414	635	1,049
BPPC compliant %	42%	91%	61%	66%	64%

Current Month Payment made	Quantity	Quantity %	Value	Value %
0-30 days	135	89%	£635	66%
31-35 days	6	4%	£90	9%
36-40 days	6	4%	£67	7%
41-45 days	3	2%	£0	0%
46-50 days	0	0%	£0	0%
50-55 days	0	0%	£0	0%
56-60 days	1	1%	£168	17%
over 60 days	1	1%	£1	0%
Total invoices paid	152	100%	£961	100%

Provisions have reduced in the month by £131k inline with the expected utilisation.

Statement of Financial Position – Key Messages
<ul style="list-style-type: none"> • <i>Cash position reduced by £620k to £251k</i> • <i>Capital expenditure is limited with process and principles of reconfiguration funding phasing agreed with SHA</i> • <i>Capital expenditure plan is limited to generate cash surplus of £1.0m.</i> • <i>BPPC for the month remains strong within non-NHS performance with limited improvement within NHS performance.</i> • <i>Total assets employed increased by £0.78m with net current liabilities decreasing by £0.98m</i>

Neil Nisbet
Finance Director
21st June 2012