

## FINANCE UPDATE

TRUST BOARD  
Thursday 24<sup>th</sup> November 2011

### 1. Introduction

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

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

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

### 2. Month 7 Position

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

	Months 1- 7 Plan £000s	Months 1 – 7 Actual £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	163,535	166,062	2,527	282,182	289,244	7,062
Expenditure						
Pay	114,536	115,329	(793)	198,578	201,948	(3,370)
Non Pay	43,991	45,821	(1,830)	75,746	79,070	(3,324)
Reserves					2,368	(2,368)
Finance Cost	8,509	8,627	(118)	14,358	14,658	(300)
Total Expenditure	167,036	169,777	(2,741)	288,682	298,044	(9,362)
	(3,501)	(3,715)	(214)	(6,500)	(8,800)	(2,300)
SHA Funding	3,208	3,208	-	6,500	6,500	-
Under / Over spend	(293)	(507)	(214)	-	(2,300)	(2,300)
Actions to address overspend				-	2,300	2,300
Under / Overspend after management actions				-	-	-

As can be seen from the above at the end of October the Trust had recorded an overspend amounting to £507,000. The Trust had planned to record a deficit at the end of October amounting to £293,000. It is forecast that by the year end, without management actions, the Trust will record a deficit amounting to £2.3 million.

### 3. Month by Month analysis

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

	April £000s	May £000s	June £000s	July £000s	Aug £000s	Sept £000s	Oct £000s	Total April - Oct £000s
Income	22,078	22,927	23,697	24,502	23,687	24,807	24,364	166,062
Expenditure								
Pay	16,244	16,478	16,575	16,261	16,363	16,709	16,699	115,329
Non Pay	6,613	6,169	6,069	7,023	6,711	6,741	6,495	45,821
Reserves								
Finance Cost	1,146	1,220	1,179	1,185	1,269	1,404	1,224	8,627
Total Expenditure	24,003	23,865	23,825	24,569	24,343	24,854	24,418	169,777
	(1,925)	(938)	(128)	33	(656)	(47)	(54)	(3,715)
SHA Funding	458	458	458	458	459	458	458	3,208
Under / Over spend	(1,467)	(480)	330	491	(197)	411	404	(507)
Planned Position	(1,486)	(261)	665	338	41	135	277	(293)
Variation from plan	19	(219)	(335)	153	(238)	276	127	(214)

The table shows that over the period April – October the Trust recorded a deficit in excess of the planned position by £214,000. The Trust financial position improved by £127,000 when compared with the previous month.

Having recorded a deficit in the opening two months of the year of £1.947 million, in the period June – October the Trust generated surpluses amounting to £1.44 million and so reduced the overall deficit to £507,000. In four of these five months the Trust has presented a positive run rate.

### 4. Explanation of Overspend recorded to date

#### 4.1 Income

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

	Plan Months 1- 7 £000s	Actual Months 1-7 £000s	Variance £000s		Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Shropshire County PCT	74,460	74,665	205		128,266	131,124	2,858
Telford and Wrekin PCT	51,409	52,434	1,025		88,474	90,513	2,039
Powys LHB	12,251	12,477	226		21,167	21,630	463
Other PCTs	3,340	3,539	199		5,758	6,191	433
Specialised services	6,184	6,414	230		10,522	11,016	494
Non Contracted Activity	904	1,543	639		1,562	2,989	1,427
Other Clinical Income	2,431	2,255	(176)		4,162	3,759	(403)
Total Clinical Income	150,980	153,327	2,347		259,911	267,223	7,312

	Plan Months 1- 7 £000s	Actual Months 1-7 £000s	Variance £000s		Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Non Clinical Income	12,555	12,735	180		22,271	22,021	(250)
SHA Funding	3,208	3,208	-		6,500	6,500	-
Total Income	166,743	169,270	2,527		282,182	289,244	7,062

In the period April – October the Trust had generated a surplus in respect of Income amounting to £2.527 million.

#### 4.1.1 In month performance

The table below provides a description of the performance in the month of October. By comparison with September Income over performance has increased by £525,000.

	Variance at end of Oct £000s	Variance at the end of Sept £000s	Variance £000s
Shropshire County PCT	205	226	(21)
Telford and Wrekin PCT	1,025	596	429
Powys LHB	226	217	9
Other PCTs	199	281	(82)
Specialised services	230	228	2
Non Contracted Activity	639	585	54
Other Clinical Income	(176)	(165)	(11)
Total Clinical Income	2,347	1,967	380
Non Clinical Income	180	35	145
SHA Funding	-	-	-
Total Income	2,527	2,002	525

## 4.2 Pay Budgets

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

	Actual April – October £000s	Budgeted April – October £000s	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	109,143	110,296	1,153	657	496
Premium costs					
Escalation	-	96	96	(23)	119
Agency Medical	3,338	1,338	(2,000)	(1,912)	(88)
Agency Nursing	876	264	(612)	(555)	(57)
Agency – Other	212	61	(151)	(142)	(9)
Waiting List Initiative	1,761	878	(883)	(659)	(224)
	115,329	112,933	(2,396)	(2,634)	237
Pay reserves		1,603	1,603	1,813	210
	115,329	114,536	(793)	(821)	28

In the month of October the level of overspending decreased from the levels as recorded at the end of the previous month by £28,000.

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 £1.153 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 £2.763 million, an increase by comparison with the previous month of £154,000.

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 £1.812 million has been released from the Pay reserve. In doing so this then reduces the cumulative overspend to £821,000.

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

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	Budget Oct WTE	Variance in the month of Oct WTE
Substantive staff	4344.91	4300.64	4330.54	4322.14	4345.32	4381.63	4427.19	4844.91	(417.72)
Bank –Nursing	140.70	122.43	135.64	138.32	134.52	153.87	148.58	22.51	126.07
Bank – Other	95.80	98.94	112.09	124.16	133.35	127.60	135.05	48.66	86.39
<b>Total Bank staff</b>	<b>236.50</b>	<b>221.37</b>	<b>247.73</b>	<b>262.48</b>	<b>267.87</b>	<b>281.47</b>	<b>283.63</b>	<b>71.17</b>	<b>212.46</b>
Agency – Medical	59.62	66.37	68.14	68.35	70.43	61.61	65.63	24.92	40.71
Agency – Nursing	102.82	129.37	114.18	80.83	28.90	36.23	27.89	1.07	26.82
Agency – Other	21.55	15.71	23.27	25.81	27.43	27.97	25.34	4.22	21.12
<b>Total Agency</b>	<b>183.99</b>	<b>211.45</b>	<b>205.59</b>	<b>174.99</b>	<b>126.76</b>	<b>125.81</b>	<b>118.86</b>	<b>30.21</b>	<b>88.65</b>
<b>Total</b>	<b>4765.40</b>	<b>4733.46</b>	<b>4783.86</b>	<b>4,759.61</b>	<b>4,739.95</b>	<b>4788.91</b>	<b>4829.68</b>	<b>4946.29</b>	<b>(116.61)</b>
<b>Budgeted level WTE</b>	<b>4679.90</b>	<b>4741.50</b>	<b>4758.12</b>	<b>4803.46</b>	<b>4,788.96</b>	<b>4805.48</b>	<b>4946.29</b>		
<b>(Under) / Over budget WTE</b>	<b>85.50</b>	<b>(8.04)</b>	<b>25.74</b>	<b>(43.85)</b>	<b>(49.01)</b>	<b>(16.67)</b>	<b>(116.61)</b>		

Key observations from the above table are:

- Numbers employed – the total number of staff employed permanently within the Trust has increased in the last two months by 81.87 posts.
- Temporary staffing – The numbers of staff employed temporarily as Bank and Agency members of staff has increased in the last two months from 394.63 whole time equivalent posts in August to 402.49 posts in October.
- Vacant posts – Delays in the appointment to planned development posts has meant that the net level of vacancies within the Trust (after allowing for bank and Agency staff) amounts to 116.61 posts.

- Agency staffing – In the month of June the number of Agency staff employed amounted to 205.59 posts and had reduced to 118.86 posts by the month of October. As presented in the table below, the reduction in Agency staffing has reduced the monthly run rate by £306,000.

	Month 3		Month 7		£000s
	WTE	£000s	WTE	£000s	
Medical staff	68.14	910	65.57	178	(122)
Nursing	114.18	381	27.95	155	(226)
Other	23.27	78	25.34	120	42
Total	205.59	1,369	118.86	1,063	(306)

- Growth in Monthly Pay Core/Bank staff – The level of Pay spending in respect of Core and Bank staff has increased from £16.575 million in June to £16.696 million in October. The overall level of growth in Pay spending is described as follows:

	Month 3		Month 7		Movement	
	WTE	£000s	WTE	£000s	Variance WTE	Variance £000s
Consultants	189.57	2,177	199.03	2,395	9.46	218
Medical staff	293.42	1,633	303.53	1,696	10.11	63
Nursing	2029.93	6,007	2080.37	5,961	50.44	(46)
Other – Clinical	658.06	2,053	674.12	2,087	16.06	34
Other	1407.29	3,091	1453.77	3,184	46.48	93
Waiting list Initiative		245		310		65
Total Cost	4578.27	15,206	4710.82	15,633	132.55	427
Agency costs savings						(306)
Underlying increased cost						121

The underlying monthly pay run rate has increased between the months of June and October by £427,000, this increase is being funded by cost savings from a monthly reduction in Agency costs amounting to £306,000.

### **Analysis of Pay overspending by Clinical Centre**

As a basis for improving understanding of pay budgets, the Pay analysis has been disaggregated into Clinical Centres. The results of this analysis are presented in the tables below.

	April – Oct under / (over)spend £000s
Diagnostics	(82)
Ophthalmology and Patient Access	288
Emergency and Critical Care	(454)
Pharmacy	144
Head and Neck	16
Surgery	(1,090)
Medicine	(1,578)
Therapy	(41)
Musculoskeletal	(730)
Women and Childrens	898
Oncology	145
Corporate services	243
Reserves	1,603
	(793)

### 4.3 Non Pay

Non Pay overspending is summarised in the table below.

	Total month Over/ (under)spend £000s	Total Last month Over/(under) spend £000s	Variance Over/ (under)spend £000s
Drugs	559	497	62
Clinical supplies	1,461	1,310	151
General supplies and establishment costs	124	34	90
	2,144	1,841	303
Over activity budget	(314)	(314)	-
<b>Total Monthly Non Pay overspend</b>	<b>1,830</b>	<b>1,527</b>	<b>303</b>

The level of overspending within non pay budgets has increased within the month by £303,000. Contained within this sum are costs associated with High Cost specialist Drugs. These Drugs are funded in full by the PCTs as such an equivalent amount has therefore been included within the Income figure.

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 amounting to £680,000. The cumulative level of overspend at the end of October amounted to £559,000.

**Renal Patients** – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids and Consumables. Overspend to date - £54,000.

**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 - £266,000

**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. Overspend to date - £93,000

**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 – Overspend to date - £289,000.

**Blood Products** – Over the period April – October the consumption of blood products has increased significantly. Overspend to date - £84,000,

**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 October the Trust had failed to deliver targeted savings amounting to £178,000.

**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 £66,000.

**Consultancy Costs** – During the year the Trust has commissioned external consultancy support to assist in the improvement of operational services, these services commissioned by the Chief Operating Officer have resulted in overspending amounting to £86,000.

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

#### 4.4 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	282,182	289,244	7,062
Expenditure			
Pay	198,578	201,948	(3,370)
Non Pay	75,746	79,070	(3,324)
Reserves		2,368	(2,368)
Finance Cost	14,358	14,658	(300)
Total Expenditure	288,682	298,044	(9,362)
	(6,500)	(8,800)	(2,300)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(2,300)	(2,300)
Actions to address overspend	-	2,300	2,300
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 five months of the year at a rate consistent with the levels recorded in the first half of the financial year, and in doing so the Trust over recovers as compared with the base budget for the year by £2.95 million. The outturn position for the two local commissioners is contained within a capped level as described in the previous board paper.

**Pay** - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – October, without the implementation of corrective management actions. In addition the Trust is unable to deliver ward closures until January 2012.

**Non Pay** - Non-Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – October.

**Reserves** – The Trust has established a reserve to cover the costs associated with introducing further capacity to enable the RTT target to be delivered. This reserve amounts to £2.368 million.

Applying these assumptions then produces a forecast deficit for the year amounting to £2.3 million.

#### 4.5 Actions to address the Projected Overspend

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

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

**Nursing staffing** – In the month of July actions were taken to reduce the level of nursing support provided across wards in respect of “bed watching”. The effect of doing so led to a reduction in costs in the month as compared with the previous months in the year. Maintaining this practice is expected to reduce the pay costs by £110,000 per month, and the outturn pay spend by £500,000.

**Bed Reductions** – The Trust delivers the first phase of bed reductions in November, and the second phase of bed reductions in February, and in doing so generates further savings in the year amounting to £600,000.

**Non Pay costs** – The Trust has introduced PriceWaterhouseCoopers to construct a comprehensive cost reduction plan across non pay budgets. This work combined with spending controls being introduced within Theatre non pay budgets is estimated to realise savings in year amounting to £400,000.

## 5. Scenario Analysis

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

	Forecast Outturn £000s	Best Case Scenario £000s	Worst Case £000s
Income	289,244	289,744	288,744
Expenditure			
Pay	(201,948)	(201,598)	(201,948)
Non Pay	(81,438)	(81,288)	(82,438)
Reserves		-	
EBITDA	5,858	6,858	4,358
Finance charges	(14,658)	(14,658)	(14,658)
Contribution from SHA	6,500	6,500	6,500
Management Actions	2,300	2,300	1,700
Surplus / deficit	-	1,000	(2,100)
Probability	60%	20%	20%

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

### 5.1 *Best Case scenario*

- Income – the level of over performance increases in the remaining five months of the year, generating additional Income amounting to £500,000.
- Management Actions – Controls in respect of Medical and Nursing Pay spending generate additional savings of £350,000.
- Non Pay – Review of stock levels across the Trust identifies further savings amounting to £150,000.



## 5.2 Worst Case scenario

- Income – the level of over performance in the year reduces in the remaining six months resulting in Income losses of £500,000.
- Non Pay – Revenue costs associated with the reconfiguration of hospital services are incurred amounting to £500,000. Non Pay overspending in the year increase by a further £500,000.
- Management Actions – the Trust is unable to deliver Ward closures until February 2012, and in doing so the level of savings achieved in the year is reduced by £600,000.

Based upon these assumptions, in the *Best Case* scenario a surplus for the year is presented amounting to £1.0 million. In the *Worst case* scenario a deficit amounting to £2.1 million occurs.

## 6. Progress of the Cost Improvement Programme.

In support of the Income and Expenditure position for the 2011/12 financial year, the Trust is presently seeking to deliver a substantial cost Improvement Programme. The full list of schemes is presented in the table below.

	Plan £000s	M7F'cast £000s	Plan To M7 £000s	FIMS M7 Actual £000s	M7 Var To Plan £000s
<b>Trust Budget CIPs</b>					
Pharmacy	485	485	283	283	0
Private Patients	250	250	175	175	0
Procurement	100	0			0
Medical Records	30	0			0
Water	30	30	10	1	(9)
Waste	15	13	4		(4)
Tiger Bags	40	35	15	0	(15)
Medical Gases	5	0			0
Estates : Staffing	120	81	20	25	5
Beverages	39	39	22	22	0
Telecoms Maintenance	40	40	23	25	2
7 Day Menu	46	43	26	26	0
Standardised Recipes	10	10	6	6	0
Catering Procurement	10	10	5	7	2
Energy		19		19	19
Menu Summariser	28	3	12	4	(8)
Catering VAT Claims	5	5	1		(1)
Food Waste	5	5	2		(2)
Telecoms : Lines	10	12	7	7	0
SAS pod Cleaning	24	0			0
<b>Sub-Total</b>	<b>1,292</b>	<b>1,080</b>	<b>611</b>	<b>600</b>	<b>(11)</b>
<b>Other CIPs</b>					

	Plan £000s	M7F'cast £000s	Plan To M7 £000s	FIMS M7 Actual £000s	M7 Var To Plan £000s
Pharmacy Staffing	220	220	140	140	3
Car Park Income	500	400			0
Income : Prices	300	150	25		(25)
Oncology WLI Payments	84	143	49	83	34
Medical Physics SLA	62	62	36	36	0
Catering Restructure	32	32	9	0	0
Div 3 Posts Disestablished	16	0	16	0	(16)
Clean Mail	30	30	15	19	4
Menu Printing	9	9	4	4	0
Close Dining Room at 8:30pm	6	6	1		(1)
Close Dining Room at w/ends	12	12	4	4	0
Estate Review (Cap Charges)	300	0			0
<b>Sub-Total</b>	<b>1,571</b>	<b>1,064</b>	<b>299</b>	<b>295</b>	<b>(4)</b>
<b>Sub-Total</b>	<b>2,863</b>	<b>2,144</b>	<b>910</b>	<b>895</b>	<b>(15)</b>
<b>PMO/PwC Schemes</b>					
Ward Closures	1,542	925	399	0	(399)
Theatre Productivity	83			0	0
Medical / Nursing Agency	250	1,700	400	500	100
Review of developments	1,643	1,941	900	1,022	122
Procurement	500	800	200	22	(178)
<b>Sub-Total</b>	<b>4,018</b>	<b>5,366</b>	<b>1,899</b>	<b>1,544</b>	<b>(355)</b>
<b>Total</b>	<b>6,881</b>	<b>7,512</b>	<b>2,809</b>	<b>2,439</b>	<b>(370)</b>

As can be seen the Trust has committed to delivering savings in the year amounting to £6.881 million. It is anticipated that these schemes will generate savings in the year amounting to £7.512 million. At the end of October the Trust had planned to deliver savings amounting to £2.809 million. The actual level of savings delivered amounted to £2.439 million. The shortfall is principally associated with delay in the closure of wards.

It is important to note that the savings performance as described in the above table have been incorporated, into the computed Income and Expenditure for the period to date and also the Forecast Outturn.

## 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. In doing so a comparison has been made with the

financial plan as constructed based upon the Month 3 financial position, with a revised position based upon the Month 7 Income and Expenditure position.

	Recurrent Surplus /(deficit) £000s	Non Recurrent Surplus/ (deficit) £000s	Total Surplus /(deficit) £000s	Planned Recurrent Surplus/deficit £000s	Planned Non Recurrent Surplus/deficit £000s	Total Surplus / deficit £000s
2010/11	(14,400)	14,426	26	(14,400)	14,426	26
2011/12	700	(700)	-	-	-	-
2012/13	8,200	(1,400)	6,800	10,900	(3,000)	7,900
2013/14	3,300	-	3,300	4,300	(1,000)	3,300
2014/15	3,200	-	3,200	4,400	-	4,400
2016/17	3,100	-	3,100	4,700	-	4,700

In constructing the recurrent surplus within the 2011/12 year, the Trust is assumed to have:

- (i) Reduced the number of beds by the end of the year, generating recurrent cost savings amounting to £4.2 million, and
- (ii) Introduced controls across medical staffing spending resulting in the delivery of recurrent savings of £2.8 million.

#### 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.

Due to operational requirements the Trust has made a formal request to increase the CRL limit by £1M to £8.2M. The approval for this is yet to be given but this would increase the pressure for the Trust to achieve its closing forecast cash balance to £1.2M. However, given the timing of the expenditure the effect of this is likely to crystallise in Q1 2012/13 rather than Q4 2011/12.

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 £6.5M 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 anticipated improvement within the BPPC has not been witnessed due to known issues with internal approval processes – see relevant section below for details.

The month end actual cash balance was £3.3M against a prior month forecast of £2.2M. The key driver of this variance was an in-month invoice and cash receipt of £1.6M from NHS Telford and Wrekin.

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	155,128	155,110	154,913	154,900	156,104	(1,089)
Current Assets	16,837	14,329	14,176	14,992	17,302	15,877	17,281	16,583	14,500	14,500	14,500	14,500	15,000	(1,837)
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(28,028)	(26,299)	(26,502)	(26,002)	(25,502)	(25,002)	(24,502)	(25,002)	1,100
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,603	1,988	3,258	2,758	2,558	2,158	1,358	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,603	1,988	3,258	2,758	2,558	2,158	1,358	1,200	967

£6,500k SHA support received 22 August

## Balance Sheet

	March 11 £000	September 11 £000	October 11 £000	Variance to September 11 £000
<b>Total Non Current Assets</b>	159,582	156,274	156,229	(45)
Inventories	4,652	4,701	4,768	67
Current Trade and Other Receivables	12,757	12,580	11,815	(765)
Cash and Cash Equivalents	233	1,988	3,258	1,270
<b>Total Current Assets</b>	17,642	19,269	19,841	572
<b>Current Trade and Other Payables</b>	(26,667)	(26,299)	(26,070)	229
Finance Lease	(4)	(4)	(4)	0
PDC dividend Payable accrual	(3)	0	(432)	(432)
Provisions	(832)	(432)	(352)	80
<b>Total Current Liabilities</b>	(27,506)	(26,735)	(26,858)	(123)
<b>Net Current Liabilities</b>	(9,864)	(7,466)	(7,017)	449
<b>Total Assets less Current Liabilities</b>	149,718	148,808	149,212	404
Provisions	(478)	(478)	(478)	0
<b>Total Assets Employed</b>	149,240	148,330	148,734	404
<b>Total Taxpayers' Equity</b>	149,240	148,330	148,734	404

### Total Assets Employed

The in month movement of Total Assets Employed is a positive £404k, with an equivalent movement of £449k reduction in total current liabilities.

### Total Non Current Assets

There is an immaterial movement in the month with capital expenditure (detailed below) closely matched to capital expenditure. Due to the specific and specialist nature of the assets the month 6 planned impairments based on the 'brought into use value' of the Aseptic unit and Decontamination is delayed and is due to be finalised within November. The budgeted amount of the impairments is £1M and is discounted for NHS income and expenditure performance purposes.

The table below represents the current position of live capital expenditure projects:

Project	Total Approved Sum (prior years)	Total Approved Sum (including prior years)	Expenditure to date (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
	£000	a £000	£000	b £000	c £000	d=( b + c) £000	e £000	f=(d+e) £000	(a-f) £000	
<b>Outstanding Commitments from 2010/11</b>										
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	57	85	47	59	2	61	14	75		10 Est - November 2011
Sanitary Facilities and Ward Kitchens Priority 1	76	113	81	115	2	117	1	118	(5)	Est - November 2011
MenuMark	62	67	63	63	0	63	5	68	(1)	Est - December 2011 Fully operational
Pharmacy Aseptic	3283	3,251	3,196	3,160	0	3,160	4	3,164		87 January 2011
Offsite accommodation	290	293	295	297	(0)	297	0	297	(4)	June 2011
PSAG		500		68	228	296	204	500		0 Est - March 2012
Other less than £50k per individual project	73.4	152	48	76	4	80	7	87		66 Est - December 2011
<b>Agreed Commitments for 2011/12</b>										
Decontamination	6733	7,616	6,733	7,403	29	7,432	184	7,616		RSH moved August 2011 - Receipts & Distribution
Patient Monitoring		300		0	0	0	300	300		0 outstanding
Project Management Fees - Reconfiguration		1,000		188	161	349	651	1,000		0 Est - March 2012
Telecoms Upgrade		431		238	120	358	73	431		0 On-going
PRH Dishwasher		90		0	83	83	7	90		0 Est - December 2011
Capital Salaries		125		28	0	28	97	125		0 Est - March 2012
Additional Obstetric Theatre - Build Element - deferred pending outcome of Recon BC		0		1	0	1	0	1	(1)	0 On-going
Additional Obstetric Theatre - Equipment		219		24	81	105	113	218		(1) Est - November 2011
Bed Reconfiguration		1,808		2	86	88	1,720	1,808		1 Est - December 2011
										0 Est - March 2012
<b>Contingency Funds - Delegated</b>										
Contingency Fund Estates Issues/DDA		500		92	166	258	242	500		0 On-going
Contingency Fund for Medical Equipment Replacement		250		146	31	177	73	250		0 On-going
Contingency Fund for IT Equipment Replacement		250		133	1	134	116	250		0 On-going
Contingency Fund for Non-Patient Connected Equipment Replacement		45		25	0	25	20	45		0 On-going
<b>Corporate Contingency</b>										
Corporate Contingency Fund		471		99	30	129	342	471		0 On-going
Contingency for Capital additions identified through the budget process		992		123	0	123	869	992		0 On-going
Referral To Treatment (RTT) Contingency Fund		100		23	0	23	77	100		0 On-going
VitalPac Contingency Fund		129		5	8	14	115	129		0 On-going
<b>Total</b>	<b>10,574</b>	<b>18,787</b>	<b>10,463</b>	<b>12,369</b>	<b>1,033</b>	<b>13,402</b>	<b>5,233</b>	<b>18,634</b>	<b>153</b>	
<b>Cancer Centre</b>		<b>4,862</b>	<b>839</b>	<b>839</b>	<b>0</b>	<b>839</b>	<b>4,023</b>	<b>4,862</b>		<b>0 Est Q2 2012</b>

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

- (i) Offsite accommodation – overspend £5k. Scope change to enable wireless networking in meeting rooms.
- (ii) Aseptic unit – underspend £87k. Larger than anticipated VAT reclaim following finalisation of HMRC VAT claim and a Procure 21 gain share.
- (iii) Additional Obstetric Theatre – Removal of build element has released £464k which remains as unallocated. Including the £1,000k additional CRL request this gives the Trust a total unallocated capital allocation of £1,464k that is planned to be used to enable recent changes to the Trust's bed base. Formal plans will be discussed at November's Capital Planning Group meeting.
- (iv) Cancer Centre approval is based on GMP with furniture and fixture items outstanding and subject to review and the November Cancer Centre Project Board. The construction phase has commenced with a payment profile having been agreed with the Charitable stakeholders to minimise the cash flow impacts for the Trust.

## Total Current Assets

**Inventories** remain relatively static with stock counts currently being performed within Theatres as part of an operational efficiency programme. Trust wide physical stock counts are due to be performed as part of the normal year end process in March 2012.

**Debtors** are aged as per the profile below:

	<b>Current</b>	<b>+ 30days</b>	<b>+ 60days</b>	<b>Total</b>
NHS	700	279	415	<b>1,394</b>
Private Patients	153	20	56	<b>229</b>
Other*	331	52	142	<b>525</b>
<b>Total</b>	<b>1,184</b>	<b>351</b>	<b>613</b>	<b>2,148</b>

Following the Q2 agreement of balances exercise renewed focus has been placed on the NHS +60 day category. The three main debtors within this section are, Shropshire County PCT, NHS Telford and Wrekin and University of North Staffordshire. The wider finance team are working with the respective clinical centres to ensure requested supporting documentation is forthcoming to clear the overdue debtors. Clear progress will need to be demonstrated before the Q3 reporting period.

\* Of the other debtors (non overseas) outstanding, £26k has been referred to a specialist collection agency with appropriate provisions for write off made based on expected collection success.

### **Total Current Liabilities and the Better Payment Practice Code**

**Non-NHS** – The month on month performance shows static performance for cumulative volume and value statistics.

Poor performance within agency invoice approval continues and together with delays in payments to management consultancy firms (£88k) and a 1 day delay in the approval of a £217k combined energy payment explains the non-compliance for the month.

As stated in previous months the Finance team continue to work with the relevant teams but aim to see large improvements when the 'centralised' medical staffing model is adopted and a reduction in nursing agency shifts to allow effective administration within Oracle.

<b>NON NHS</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>YTD</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>By Volume</b>									
Total Volume	79,843	7,781	6,254	8,164	7,597	10,015	7,697	7,368	<b>54,876</b>
BPPC compliant volurr	28,605	6,994	5,261	6,641	5,916	7,426	6,514	6,675	<b>45,427</b>
BPPC compliant %	36%	90%	84%	81%	78%	74%	85%	91%	<b>83%</b>
<b>By Value</b>									
Total value (£000)	77,157	7,997	6,437	8,282	7,031	9,845	11,173	7,259	<b>58,024</b>
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	6,816	9,566	5,783	<b>45,851</b>
BPPC compliant %	43%	88%	77%	75%	78%	69%	86%	80%	<b>79%</b>

<b>Current Month</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
<b>Payment made</b>				
0-30 days	6,675	91%	£5,783	80%
31-35 days	267	4%	£538	7%
36-40 days	71	1%	£124	2%
41-45 days	58	1%	£83	1%
46-50 days	29	0%	£58	1%
51-55 days	39	1%	£140	2%
56-60 days	55	1%	£85	1%
over 60 days	174	2%	£447	6%
<b>Total invoices paid</b>	<b>7,368</b>	<b>100%</b>	<b>£7,259</b>	<b>100%</b>

**NHS** –The cumulative performance shows a 1% point improvement compared to last month. The primary area causing non compliance relates to an aged NHS Supply Chain invoice of £12k.

NHS Spend	YTD	M1	M2	M3	M4	M5	M6	M7	YTD
	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
<b>By Volume</b>									
Total Volume	2,259	179	188	206	90	207	175	184	1,229
BPPC compliant volume	798	166	180	159	73	158	163	169	1,068
BPPC compliant %	35%	93%	96%	77%	81%	76%	93%	92%	87%
<b>By Value</b>									
Total value (£000)	22,361	1,196	3,034	952	1,449	1,543	1,464	1,303	10,941
BPPC compliant value (£)	9,412	1,125	3,007	797	1,221	1,262	1,218	1,280	9,910
BPPC compliant %	42%	94%	99%	84%	84%	82%	83%	98%	91%

<b>Current Month</b>				
<b>Payment made</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
0-30 days	169	92%	£1,280	98%
31-35 days	0	0%	£0	0%
36-40 days	7	4%	£1	0%
41-45 days	3	2%	£7	1%
46-50 days	1	1%	£1	0%
50-55 days	0	0%	£0	0%
56-60 days	0	0%	£0	0%
over 60 days	4	2%	£14	1%
<b>Total invoices paid</b>	<b>184</b>	<b>100%</b>	<b>£1,303</b>	<b>100%</b>

## Provisions

Current provisions have reduced in the month by £80k inline with the expected utilisation.

## 9. Conclusion

- During the period April - October, the Trust had recorded a cumulative deficit of £507,000, which was £214,000 worse than anticipated.
- The “in month” performance within the month of October has however improved. During this month the Trust recorded a surplus of £404,000, and in doing so exceeded the planned surplus for the month by £127,000.
- The Trust is presently forecasting a balanced financial position by the year end. Doing so requires the delivery of management actions, in respect of Medical and Nursing Agency spending, the closure of beds in two phases from the middle of November 2011 and improved controls over non pay spending.
- Without management action the Trust is predicting an overspend at the year end amounting to £2.3 million. Management actions have been identified which generate cost savings amounting to £2.3 million.
- The plan to improve the underlying financial strength of the Trust (as measured by the recurrent Income and Expenditure position) is expected to be delivered, with the Trust taking forward into the 2012/13 financial year a Recurrent surplus amounting to £700,000. The recurrent surplus assumes that the Trust successfully reduces beds and generates recurrent cost savings of £4.2 million and improves controls over the use of medical staffing realising recurrent cost reductions amounting to £2.8 million.

Neil Nisbet  
Finance Director  
14<sup>th</sup> November 2011