

## FINANCE UPDATE

TRUST BOARD  
Thursday 29<sup>th</sup> September 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 – August 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 5 Position

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

	Months 1- 5 Plan £000s	Months 1 – 5 Actual £000s	Variance £000s		Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	115,707	116,891	1,184		282,458	282,208	(250)
Expenditure							
Pay	81,448	81,921	(473)		197,565	199,226	(1,661)
Non Pay	31,344	32,585	(1,241)		75,404	77,926	(2,522)
Reserves					(1,781)		1,781
Finance Cost	5,912	5,999	(87)		14,208	14,208	-
Total Expenditure	118,704	120,505	(1801)		288,958	291,360	(2,402)
	(2,997)	(3,614)	(617)		(6,500)	(9,152)	(2,652)
SHA Funding	2,292	2,292	-		6,500	6,500	-
Under / Over spend	(705)	(1,322)	(617)		-	(2,652)	(2,652)
Actions to address overspend					-	2,652	2,652
Under / Overspend after management actions					-	-	-

As can be seen from the above at the end of August the Trust had recorded an overspend amounting to £1.322 million. The Trust had planned to record a deficit at the end of August amounting to £705,000.

It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £2.652 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	Total April - August £000s
Income	22,078	22,927	23,697	24,502	23,687	116,891
Expenditure						
Pay	16,244	16,478	16,575	16,261	16,363	81,921
Non Pay	6,613	6,169	6,069	7,023	6,711	32,585
Reserves						
Finance Cost	1,146	1,220	1,179	1,185	1,269	5,999
Total Expenditure	24,003	23,865	23,825	24,569	24,343	120,505
	(1,925)	(938)	(128)	33	(656)	(3,614)
SHA Funding	458	458	458	458	459	2,292
Under / Over spend	(1,467)	(480)	330	491	(197)	(1,322)
Planned Position	(1,486)	(261)	665	338	41	(705)
Variation from plan	19	(219)	(335)	153	(238)	(617)

The table shows that over the period April – August the Trust is presently recording a deficit in excess of the planned position by £617,000. At the end of August the position of the Trust financial position had deteriorated by £238,000 by comparison with the previous month.

### 4. Explanation of Overspend recorded to date

#### 4.1 Income

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

	Plan Months 1- 5 £000s	Actual Months 1-5 £000's	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s
Shropshire County PCT	52,757	52,599	(157)	128,628	128,628
Telford and Wrekin PCT	36,419	36,805	385	88,722	88,722
Powys LHB	8,674	8,830	156	21,223	21,223
Other PCTs	2,359	2,443	84	5,780	5,780
Specialised services	4,352	4,476	124	10,552	10,552
Non Contracted Activity	647	1,123	476	1,557	1,557

Total Clinical Income	105,209	106,276	1,067		256,463	256,463
Non Clinical Income	10,498	10,615	117		25,996	25,746
Total Income	115,707	116,891	1,184		282,459	282,209

In the period April – August the Trust had generated a surplus in respect of Income amounting to £1.184 million. As compared with previous months, in computing the Income figure, funding has now been included to cover the cost of High Cost Specialist Drugs. These drugs are funded on an Individual request basis by the PCTs. The value of these Drugs amounts to £310,000.

Contractual Performance, as measured in units of activity, of the Trusts two main local commissioners is presented in the table below.

	Shropshire County			Telford and Wrekin		
	Planned	Year to date	Variance	Planned	Year to date	Variance
Elective Inpatients – spells	1,702	1,667	(35)	1,306	1,182	(124)
Elective Day Cases	10,171	10,200	29	5,900	5,960	60
Emergency – spells	8,689	8,640	(49)	5,775	5,825	50
Maternity – spells	1,387	1,278	(109)	1,178	1,272	94
And E attendances	25,045	25,465	420	18,554	18,678	124
First Outpatient attendances	23,665	21,434	(2,231)	16,975	15,854	(1,121)
Follow up Outpatient attendances	32,034	32,945	911	28,824	27,945	(1,329)
Outpatient Procedures	8,494	11,623	3,129	6,287	8,107	1,820

As can be seen the Trust is presently under performing in respect of completed Elective Inpatient activity and has also seen a sizeable reduction in the volume of first Outpatient attendances. Conversely the Trust is over performing in respect of Day Case activity and is being required to accommodate a growth in the volume of A and E attendances.

#### 4.2 Delivery of the Pending list.

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

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

	Elective Inpatient and Day Cases £000s	First and Follow up Outpatient £000s
Shropshire County PCT	371	196
Telford and Wrekin PCT	479	26
Powys LHB	14	68
Other PCT's	(55)	164
50% Marginal rate adjustment	(221)	(58)
<b>Total</b>	<b>588</b>	<b>396</b>
Target	687	624

In the period April – August the Trust had planned to generate increased income arising from Pending and waiting list target amounting to £1.311 million. The actual level of increased income generated through additional Elective Inpatient, Day Case and First and Follow up outpatient activity amounted to £984,000. This suggests, that the Trust is not presently recording a level of activity consistent with the levels required to generate the £4.2 million increased Income assumed within Trust Income budgets.

#### 4.3 Pay Budgets

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

	Actual April – August £000s	Budgeted April – August £000s	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	77,565	77,806	241	16	225
Premium costs					
Escalation	54	31	(23)	(23)	-
Agency Medical	2,393	977	(1,416)	(1,126)	(290)
Agency Nursing	719	247	(472)	(408)	(64)
Agency – Other	135	37	(98)	(71)	(27)
Waiting List Initiative	1,054	792	(262)	(127)	(135)
	81,920	79,890	(2,030)	(1,739)	(432)
Pay reserves		1,558	1,558	1,352	347
	81,920	81,448	(472)	(387)	(85)

In the month of August the level of overspending increased from the levels as recorded at the end of the previous month by £85,000.

In the above table “core spend” is defined as the costs associated with the appointment of staff (either permanently as substantive staff or temporary as Agency or Bank staff). As can be seen, in the period to date the Trust has recorded an underspend when actual costs are compared with the anticipated or budgeted level. The underspend amounts to £241,000.

The continued reliance upon Agency staff as opposed to appointment to substantive positions or the use of Bank staff has resulted in considerable excess Premium costs. The effect of these premium costs has been to generate an overspend in Pay budgets during this period amounting to £1.986 million. Significantly, a comparison with overspending recorded in the previous month in respect of Agency staff shows an increase of £381,000 of which £290,000 relates to medical staff.

The introduction of tighter controls over the use of Nursing Agency staff, has however reduced the scale of Agency spending, as shown in the table below, it is anticipated that further reductions in Agency spending will occur through the establishment of the improved management controls being introduced in respect of Medical staffing.

	Average overspend April – June £000s	Monthly overspend July £000s	Monthly overspend August £000s
Agency medical	480	507	450
Agency Nursing	173	97	104
Agency other	23	33	34

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 £1.558 million has been released from the Pay reserve. In doing so this then reduces the cumulative overspend to £472,000.

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

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	Budget August WTE	Variance in the month of August
Substantive staff	4344.91	4300.64	4330.54	4322.14	4345.32	4463.87	(118.55)
Bank –Nursing	140.70	122.43	135.64	138.32	134.52	105.85	28.67
Bank – Other	95.80	98.94	112.09	124.16	133.35	81.43	51.92
<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>187.28</b>	<b>80.59</b>
Agency – Medical	59.62	66.37	68.14	68.35	70.43	44.60	25.83
Agency – Nursing	102.82	129.37	114.18	80.83	28.90	77.07	(48.17)
Agency – Other	21.55	15.71	23.27	25.81	27.43	16.14	11.29
<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>137.81</b>	<b>(11.05)</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>4788.96</b>	<b>(49.01)</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>(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>		

Key observations from the above table are:

- Numbers employed – the total number of staff employed both permanently and temporarily reduced in August by comparison with the month of July by 19.66 posts.
- Comparison with budget – In the month of August the numbers of staff employed were lower than budgets levels by 49.01 posts.
- Temporary staffing – The numbers of staff employed temporarily either as Bank or Agency members of staff has reduced significantly in the month of August.

	Actual April WTE	Actual May WTE	Actual June WTE	Actual July WTE	Actual August WTE
Temporary staff	420.49	432.82	453.32	437.47	394.63

- Agency staffing – Whilst the Trust continued to employ substantial numbers of high cost Agency staff, for the first time during the year the actual number of Agency staff employed was less than the budgeted level.

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

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

	April – August under / overspend £000s	Previous month Under / (over)spend £000s	Movement in the month
Division 1	(2,066)	(1,739)	(327)
Division 2	393	168	225
Division 3	(215)	(187)	(28)
Corporate Services	(203)	(50)	(153)
Facilities	61	69	(8)
Reserves	1,558	1,352	206
	(472)	(387)	(85)

At the end of August total Pay overspending had increased within Division 1 by £327,000 to £2.066 million.

	Critical Care £000s	Emergency Care £000s	General Medicine £000s	Management £000s	Total April – July £000s	Total Previous month £000s	
Core Pay	305	(75)	(536)	7	(299)	(348)	49
Agency – Medical	(199)	(530)	(412)		(1,141)	(931)	(210)
Agency – Nursing	(73)	(134)	(141)		(348)	(293)	(55)
Agency – Other		(11)	10	(1)	(2)	1	(3)
Waiting List Initiative Payments	(65)	(131)	(80)		(276)	(168)	(108)
Total April – July	(32)	(881)	(1,159)	6	(2,066)	(1,739)	(331)
Total Previous month	(78)	(712)	(950)	1	(1,739)		
	46	(169)	(209)	5	(327)		

In the month overspending within Critical care had reduced from £78,000 to £32,000. Emergency Care and General Medicine continue to record sizeable increases in the level of overspending in the month, as a consequence of continuing high usage of Agency medical and nursing staff.

#### 4.4 Non Pay

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

	Division 1 Over/ (under) spend £000s	Division 2 Over/ (under) spend £000s	Division 3 Over/ (under) spend £000s	Corporate services Over/ (under) spend £000s	Estates and Facilities Over/ (under) spend £000s	High Cost Drugs Over/ (under) spend £000s	Total Over/ (under) spend £000s	Total Last month Over/ (under) spend £000s	Variance Over/ (under) spend £000s
Drugs	135	86	104	(3)	-	310	632	(231)	(401)
Clinical supplies	349	(167)	611	44	(8)		829	425	(424)
General supplies	34	14	37	(18)	(44)		23	39	16
Establishment costs	48	(56)	(24)	13	(1)		(20)	144	124
Other	22	26	(50)	5	129		132	19	113
	588	(97)	678	41	80	310	1600	458	783
Over activity budget	(80)	(132)	(117)	(7)	(23)		(359)		
	508	(229)	561	34	57		1241		
	580	(491)	331	65	(27)		458		
Last month over/(under) spend	(72)	262	230	(31)	84	310	783		

The level of overspending within non pay budgets has increased within the month by £783,000. 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:

*Renal Patients* – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids. Work is being undertaken to determine whether such an overspend can be recovered from commissioners. – Overspend to date - £49,000.

*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 - £176,000

*Energy costs* – Increased consumption across the Trust has resulted in increased costs of energy bills. Work is being undertaken to determine options for reducing consumption levels. – Overspending to date - £115,000

*Clinical consumables* – An examination of spending across the theatres has identified a substantial increase in the level of spending in respect of Clinical consumables. Discussions are taking place with the Theatre managers to determine the basis for the increased level of spending – Overspending to date - £174,000.

*Blood Products* – Over the period April – August the consumption of blood products has increased significantly – overspend to date - £107,000,

*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 August the Trust had failed to deliver targeted savings amounting to £150,000.

### **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	282,458	282,208	(250)
Expenditure			
Pay	197,565	199,226	(1,61)
Non Pay	75,404	77,726	(2,522)
Reserves	(1,781)		1,781
Finance Cost	14,208	14,208	-
Total Expenditure	288,958	291,360	(2,402)
	(6,500)	(9,152)	(2,652)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(2,652)	(2,652)
Actions to address overspend	-	2,652	2,652
Under / Overspend after management actions	-	-	-

The assumptions contained within the forecast outturn are as follows:

**Income** - Whilst the Trust has an over achievement within its Income budget at the end of Month 5, it is assumed that this over achievement will reduce in the remaining seven months of the year. The targeted funding associated with the Pending list, amounting to £4.2 million, is fully achieved. The Trust under achieves as compared with the targeted level of Income arising from Car Parking charges by £250,000.

**Pay** - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – August, without the implementation of corrective management actions. Resulting in a pay overspend at the year end of £1.044 million. In addition the Trust is unable to deliver Ward closures until January 2012, and in doing so the level of savings achieved in the year is reduced by £617,000.

**Non Pay** - Non - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – August, without the implementation of corrective management actions. Resulting in a pay overspend at the year end of £2.1 million. In addition, the delay in the delivery of ward closures results in an inability to deliver non pay cost savings of 75,000.



**Reserves** - It is assumed that the Trust is able to avoid the cost of redundancies arising from the Management restructuring amounting to £1.0 million. Further savings are also realised from Trust reserves amounting to £781,000.

Applying these assumptions then produces a forecast deficit for the year amounting to £2.652 million.

#### 4.5 Actions to address the Projected Overspend

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

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

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

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

In order to achieve a break even position the Trust needs to identify further cost savings amounting to £652,000.

### 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	282,208	283,208	281,208
Expenditure			
Pay	(199,226)	(198,876)	(200,126)
Non Pay	(77,926)	(77,926)	(78,926)
Reserves	-	-	
EBITDA	5,056	6,406	2,156
Finance charges	(14,208)	(14,208)	(14,208)
Contribution from SHA	6,500	6,500	6,500
Management Actions	2,652	2,652	2,000
Surplus / deficit	-	1,350	(3,552)
Probability	-	25%	25%

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

#### 5.1 *Best Case scenario*

- Income – the level of over performance as recorded in quarter 1 continues throughout the financial year generating increased Income of £1.0 million.
- Pay Costs – Ward closures are completed by December increasing the level of savings by £150,000. Controls in respect of Medical and Nursing Pay spending generate additional savings of £200,000.

#### 5.2 *Worst Case scenario*

- Income – the level of over performance in the year reduces in the remaining seven months of the financial year resulting in reduced Income amounting to £1.0 million.
- Pay Costs - 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 £1.017 million. Additionally the Trust is required to cover management restructuring costs amounting to £0.5 million.
- Non Pay – Delays in ward closures result in an inability to secure non pay savings amounting to £75,000. 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 to £2.6 million.
- Management Actions – The Trust fails to identify actions to deliver savings amounting to £652,000.

Based upon these assumptions, in the *Best Case* scenario a surplus for the year is presented amounting to £1.3 million. In the *Worst case* scenario a deficit amounting to £3.552 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	M5 F'cast £000s	Plan To M5 £000s	FIMS M5 Actual £000s	M5 Var To Plan £000s
<b>Trust Budget CIPs</b>					
Pharmacy	485	485	195	195	0
Private Patients	250	250	125	95	(30)
Procurement	100	0			0
Medical Records	30	0			0
Water	30	30			0
Waste	15	13			0
Tiger Bags	40	35	5	0	(5)
Medical Gases	5	0			0
Estates : Staffing	120	81			0
Beverages	39	39	16	16	0
Telecoms Maintenance	40	40	16	17	1
7 Day Menu	46	43	18	18	0

	Plan £000s	M5 F'cast £000s	Plan To M5 £000s	FIMS M5 Actual £000s	M5 Var To Plan £000s
Standardised Recipes	10	10	4	4	0
Catering Procurement	10	10	4	4	0
Energy		19		19	19
Menu Summariser	28	3	8	3	(5)
Catering VAT Claims	5	5			0
Food Waste	5	5			0
Telecoms : Lines	10	12	5	5	0
SAS pod Cleaning	24	0			0
<b>Sub-Total</b>	<b>1,292</b>	<b>1,080</b>	<b>396</b>	<b>376</b>	<b>(20)</b>
<b>Other CIPs</b>					
Pharmacy Staffing	220	220	100	97	(3)
Car Park Income	500	400			0
Income : Prices	300	150			0
Oncology WLI Payments	84	143	35	59	24
Medical Physics SLA	62	62	26	26	0
Catering Restructure	32	32			0
Div 3 Posts Disestablished	16	0	16	0	(16)
Clean Mail	30	30	9	13	4
Menu Printing	9	9	3	3	0
Close Dining Room at 8:30pm	6	6			0
Close Dining Room at w/ends	12	12			0
Estate Review (Cap Charges)	300	0			0
<b>Sub-Total</b>	<b>1,571</b>	<b>1,064</b>	<b>189</b>	<b>198</b>	<b>9</b>
<b>Sub-Total</b>	<b>2,863</b>	<b>2,144</b>	<b>585</b>	<b>574</b>	<b>(11)</b>
<b>PMO/PwC Schemes</b>					
Ward Closures	1,542	925	133	0	(133)
Theatre Productivity	83			0	0
Medical / Nursing Agency	250	1,700		200	200
Review of developments	1,643	1,941	650	730	80
Procurement	500	800	150	0	(150)
<b>Sub-Total</b>	<b>4,018</b>	<b>5,366</b>	<b>933</b>	<b>930</b>	<b>(3)</b>
<b>Total</b>	<b>6,881</b>	<b>7,512</b>	<b>1,518</b>	<b>1,504</b>	<b>(14)</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 August the Trust had planned to deliver savings amounting to £1.518 million. The actual level of savings delivered amounted to £1.504 million.

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 2015/16. 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 5 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	183	(183)	-		-	-	-
2012/13	7,800	(1,400)	6,400		10,900	(3,000)	7,900
2013/14	3,100	-	3,100		4,300	(1,000)	3,300
2014/15	3,000	-	3,000		4,400	-	4,400
2016/17	3,000	-	3,000		4,700	-	4,700

As can be seen the most up to date version of the financial model has deteriorated marginally. This is so because the revised financial model now incorporates increased non recurrent cost pressures within Non Pay budgets.

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

As detailed last month the £6,500k cash backed support was invoiced with the cash received on 22 August. This has removed the requirement for the Trust to 'smooth' any creditors at the month end with an element of this support being used to pay all prior month approved outstanding creditors. As a result it is anticipated that improvements within the payment practice code will be seen in the months of September and October and will only be sustainable if the I&E position improves to offset the forecast increase and 'catch-up' in capital expenditure that is due to occur within the latter six months of the year.

The month end actual cash balance was £4,603k against a prior month forecast of £4,177k.

The forecast position is detailed below and has been prepared given the dividend payment of £2,594k being made on the 15 September 2011. The second and final dividend payment of c£2,600k is due 15 March 2012.

	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	155,760	155,602	155,128	155,110	154,913	154,400	155,104	(2,089)
Current Assets	16,837	14,329	14,176	14,992	17,302	15,877	14,500	14,500	14,500	14,500	14,500	14,500	15,000	(1,837)
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(28,028)	(27,028)	(26,028)	(25,528)	(25,028)	(24,528)	(24,028)	(24,528)	1,574
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,603	2,603	1,603	1,203	1,187	1,166	1,042	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,603	2,603	1,603	1,203	1,187	1,166	1,042	1,200	967

### Better Payment Practice Code

**Non-NHS** – The month on month performance shows a reduction in compliance for volume and value. The cumulative position for both measures is relatively static. Due to the timing of the receipt of the £6,500k (as detailed above) this has had little effect within the month but will enable compliance improvement within the month of September and October.

Although at the month end there are no approved outstanding creditors the required catch-up within the month is reflected within the fall in compliance for the month. The Trust is still struggling with its own internal approval process relating to agency staff (nursing and medical within various periods). This process continues to be reviewed by the Finance team with the following updates: Medical agency spend to follow the standard process if and when the 'centralised' medical staffing model is adopted and a reduction in nursing agency shifts to allow effective administration within Oracle.

<b>NON NHS</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</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>By Volume</b>							
Total Volume	79,843	7,781	6,254	8,164	7,597	10,015	<b>39,811</b>
BPPC compliant volurr	28,605	6,994	5,261	6,641	5,916	7,426	<b>32,238</b>
BPPC compliant %	36%	90%	84%	81%	78%	74%	<b>81%</b>
<b>By Value</b>							
Total value (£000)	77,157	7,997	6,437	8,282	7,031	9,845	<b>39,592</b>
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	6,816	<b>30,502</b>
BPPC compliant %	43%	88%	77%	75%	78%	69%	<b>77%</b>

<b>Current Month</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
<b>Payment made</b>				
0-30 days	7,426	74%	6,816	69%
31-35 days	1,140	11%	1,286	13%
36-40 days	641	6%	406	4%
41-45 days	299	3%	272	3%
46-50 days	148	1%	115	1%
51-55 days	53	1%	164	2%
56-60 days	55	1%	129	1%
over 60 days	253	3%	655	7%
<b>Total invoices paid</b>	<b>10,015</b>	<b>100%</b>	<b>£9,845</b>	<b>100%</b>

**NHS** –The month on month performance shows a small decrease in compliance for volume and value. The cumulative position for both measures is static. As with Non-NHS suppliers the ‘catch-up’ effect is reflected within the fall in compliance for the month.

<b>NHS Spend</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</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>By Volume</b>							
Total Volume	2,259	179	188	206	90	207	<b>870</b>
BPPC compliant volume	798	166	180	159	73	158	<b>736</b>
BPPC compliant %	35%	93%	96%	77%	81%	76%	<b>85%</b>
<b>By Value</b>							
Total value (£000)	22,361	1,196	3,034	952	1,449	1,543	<b>8,174</b>
BPPC compliant value (£)	9,412	1,125	3,007	797	1,221	1,262	<b>7,412</b>
BPPC compliant %	42%	94%	99%	84%	84%	82%	<b>91%</b>

<b>Current Month</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>
<b>Payment made</b>				
0-30 days	158	76%	£1,262	82%
31-35 days	5	2%	£4	0%
36-40 days	33	16%	£204	13%
41-45 days	1	0%	£55	4%
46-50 days	0	0%	£0	0%
50-55 days	2	1%	£0	0%
56-60 days	1	0%	£0	0%
over 60 days	7	3%	£18	1%
<b>Total invoices paid</b>	<b>207</b>	<b>100%</b>	<b>£1,543</b>	<b>100%</b>

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

Project	Total Approved Sum (including prior years)	Expenditure to date (including prior years)	Expenditure committed - ordered	Total expenditure/ committed to date d=( b + c)	Expenditure committed - to be ordered	Forecast Outturn	Variance - (Overspend) / Underspend
	a	b	c	d	e	f=(d+e)	(a-f)
	£000	£000	£000	£000	£000	£000	£000
<b>Outstanding Commitments from 2010/11</b>							
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	85	48	0	48	37	85	0
Sanitary Facilities and Ward Kitchens Priority 1	113	116	(1)	116	0	116	(3)
MenuMark	67	63	0	63	4	67	0
Pharmacy Aseptic	3,251	3,159	0	3,159	5	3,164	87
Offsite accommodation	293	297	0	297	1	298	(5)
PSAG	500	23	70	93	407	500	0
Other less than £50k per individual project	136	94	13	107	30	136	0
<b>Agreed Commitments for 2011/12</b>							
Decontamination	7,616	7,344	60	7,404	212	7,616	0
Patient Monitoring	300	0	0	0	300	300	0
Project Management Fees - Reconfiguration	1,000	22	203	225	775	1,000	0
Telecoms Upgrade	431	199	131	330	101	431	0
PRH Dishwasher	90	0	0	0	90	90	0
Capital Salaries	125	26	0	26	99	125	0
Additional Obstetric Theatre (Under Discussion)	714	10	27	37	677	250	464
<b>Contingency Funds - Delegated</b>							
Contingency Fund Estates Issues/DDA	500	22	117	139	361	500	0
Contingency Fund for Medical Equipment Replacement	250	122	19	141	109	250	0
Contingency Fund for IT Equipment Replacement	250	100	0	100	150	250	0
Contingency Fund for Non-Patient Connected Equipment Replacement	45	22	3	25	20	45	0
<b>Corporate Contingency</b>							
Corporate Contingency Fund	1,000	88	11	99	901	1,000	0
Contingency for Capital additions identified through the budget process	992	46	10	56	936	992	0
<b>Total</b>	<b>17,758</b>	<b>11,801</b>	<b>663</b>	<b>12,464</b>	<b>5,216</b>	<b>17,215</b>	<b>543</b>

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

- (i) Sanitary facilities and ward kitchens – overspend £3k. Majority of works complete with outstanding quality issue around one bathroom.
- (ii) Offsite accommodation – overspend £5k. Scope change to enable wireless networking in meeting rooms.
- (iii) Aseptic unit – underspend £87k. Larger than anticipated VAT reclaim following finalisation of HMRC VAT claim and a Procure 21 gain share.
- (iv) Additional Obstetric Theatre – forecast release of £464k. The theatre element of this project has been through Risk Management Executive and the decision to commence has been delayed subject to the progress of the Reconfiguration Business Case. Equipment is still required and the Women and Children’s Centre are finalising their requirements with a forecast outturn of £250k included.

Significant projects on the horizon but are excluded from the above due to incomplete scoping and costings are:

- (i) ITU enhancements/refurbishment c£300k.
- (ii) Neo-natal requirements for space for parents and additional storage space c£210k.

9. **Conclusion**

- At the end of August 2011, the Trust had recorded an overspend of £1.322 million; the Trust had planned for a deficit amounting to £705,000 to be recorded at the end of August 2011.
- In the month of August, the Trust recorded a deficit of £197,000 which was £238,000 worse than anticipated.
- The weakened performance in the month of August 2011 has occurred principally because of overspending across non pay budgets. Pay budgets also overspent by £85,000 as a consequence of delay in the closure of wards planned for August 2011.
- Concerns remain over the level of cost incurred by the Trust in respect of Agency medical staffing. In the month of August the cost of Agency medical staff exceeded budget by £290,000 and as such, at the end of August, the Trust had overspent in respect of Agency medical staff by £1.416 million.
- Without management action the Trust is predicting an overspend at the year end amounting to £2.652 million. Management actions have been identified over the use of temporary nursing and medical staff which generate cost savings amounting to £2 million. The Trust needs to identify further savings amounting to £652,000 in order to achieve break even.

Neil Nisbet  
Finance Director  
20 September 2011