

## Trust Board Meeting – 28<sup>th</sup> April 2011

### FINANCE REPORT for the period ending 31<sup>st</sup> March 2011 (Month 12)

<b>EXECUTIVE RESPONSIBLE</b>	Neil Nisbet <b>Finance Director</b>
<b>AUTHOR (if different from above)</b>	Tony Brown <b>Assistant Director Financial Performance</b> Jill Price <b>Assistant Director Financial Management</b> Chris Benham <b>Assistant Director Financial Accounting</b>
<b>CORPORATE OBJECTIVE</b>	Ensuring a clinically viable and financially sustainable organisation

<b>EXECUTIVE SUMMARY</b>	<p><b>March 2011 (Month 12) financial performance shows :</b></p> <ul style="list-style-type: none"> <li>• <b>Trading deficit £685k</b></li> <li>• <b>SHA Support of £1,025k</b></li> <li>• <b>Actual surplus of £340k</b></li> <li>• <b>Plan surplus of £1,008k</b></li> <li>• March pay costs £16.5m</li> <li>• Agency cost in March £1.4m. Key causes in the month are escalation, high sickness levels, and covering vacant consultant posts to ensure service delivery and safety.</li> <li>• Non pay expenditure pressures due to outsourcing WLI work, high cost drugs and other clinical supplies.</li> </ul> <p><b>Key Actions:</b></p> <ul style="list-style-type: none"> <li>• Devolution of replacement post approval to Divisions. Note that benefits have not been realised at the expected pace.</li> <li>• Executive review of all <u>new</u> posts prior to proceeding to advertisement.</li> </ul>
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**KEY FACTS**

The table below summarises the Income and Expenditure position for March.

Month				Year to Date					
Plan	Actual	Variance	L Year		Plan	Actual	Variance	L Year	Annual
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	Budget
22,316	24,495	2,179	24,178	<b>Income</b>	261,883	272,980	11,097	262,882	261,883
(14,286)	(16,493)	(2,207)	(15,298)	<b>Pay</b>	(174,222)	(186,547)	(12,325)	(177,233)	(174,222)
(5,847)	(7,647)	(1,800)	(6,185)	<b>Non Pay</b>	(71,488)	(77,894)	(6,406)	(71,078)	(71,488)
<b>2,183</b>	<b>355</b>	<b>(1,828)</b>	<b>2,695</b>	<b>EBITDA</b>	<b>16,173</b>	<b>8,539</b>	<b>(7,634)</b>	<b>14,571</b>	<b>16,173</b>
(1,175)	(1,040)	135	(1,124)	<b>Finance Costs</b>	(13,606)	(13,513)	93	(13,859)	(13,606)
<b>1,008</b>	<b>(685)</b>	<b>(1,693)</b>	<b>1,571</b>	<b>Trading position</b>	<b>2,567</b>	<b>(4,974)</b>	<b>(7,541)</b>	<b>712</b>	<b>2,567</b>
0	1,025	1,025	0	<b>SHA Support</b>	0	5,000	5,000	0	0
<b>1,008</b>	<b>340</b>	<b>(668)</b>	<b>1,571</b>	<b>Total</b>	<b>2,567</b>	<b>26</b>	<b>(2,541)</b>	<b>712</b>	<b>2,567</b>

- **The Better Payments Practice Code (BPPC) target is to pay 95% of creditors within 30 days. In March the Trust showed the following performance:**
  - 52% for Non-NHS invoices (YTD 43%)**
  - 62% for NHS invoices (YTD 42%)**

**RECOMMENDATIONS**

The Committee is asked to **NOTE** and **APPROVE** at Month 12:

- **March trading deficit £0.685m**
- **March surplus, post support, £340k**
- **2010/11 trading deficit £4.974m**
- **2010/11 Outturn post support, £26k surplus**
- **BPPC performance**
- **Liquidity improvement, due to Strategic Change Reserve funding receipt.**

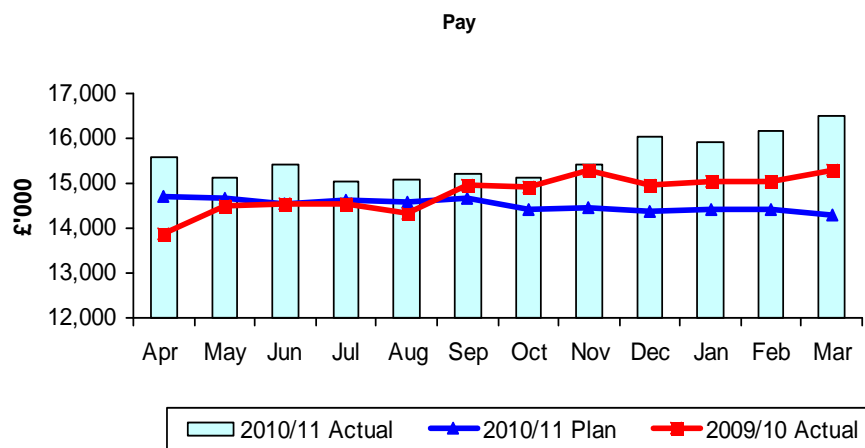
## Section One- EXECUTIVE SUMMARY

	Position		Monthly Performance	Direction of Travel	2010/11 Actual	Comment	Sheet Ref
I & E Position	In month	£0.340m surplus	Green	=	Red	£0.668m deficit to plan	1
	2010/11 Actual ytd	£0.026m surplus	Green	=	Red	£2.541m deficit to plan	1
	Pay Costs	£16.493m	Red	=	Red	15.5% above plan for the month	4-6
	WTE Worked	4682	Amber	=	Amber	Above plan	4-6
	Agency WTE	175	Red	=	Red	Increase in Consultant, Medical Staffing and Nursing agency	5
	Agency Costs	£1.408m	Red	=	Red	Increase in Consultant, Medical Staffing and Nursing agency	5
	Non Pay Costs	£7.647m	Red	=	Red	£1.8m over plan	12
Improvement Programme	CIP's delivered	£3.732m	Red	=	Red	Shortfall against year end forecast saving £2.342m. Shortfall against year end plan saving £3.060m.	8
Balance Sheet	Debtors		Red	=	Red	£0.113m increase in debtors	13
	Creditors		Red	=	Red	43% Non-NHS invoices and 42% NHS invoices paid within 30 days	14-15
Cash	In Month Movement	£0.167m increase	Red	=	Red	£0.233m balance at Month 12 against plan of £0.200m	7
Capital Expenditure	In month	£0.846m	Green	=	Green	The Capital Programme for 2010/11 has achieved CRL of £8.505m.	16
Key Metrics & Ratios	Liquidity	8.2	Red	=	Red	Impact of I & E position on working capital	9
	EBITDA Margin %	3.1%	Red	=	Red	Below plan level of 6.2%	9
	Financial Risk Rating	2	Red	=	Red		9

# Summary Information

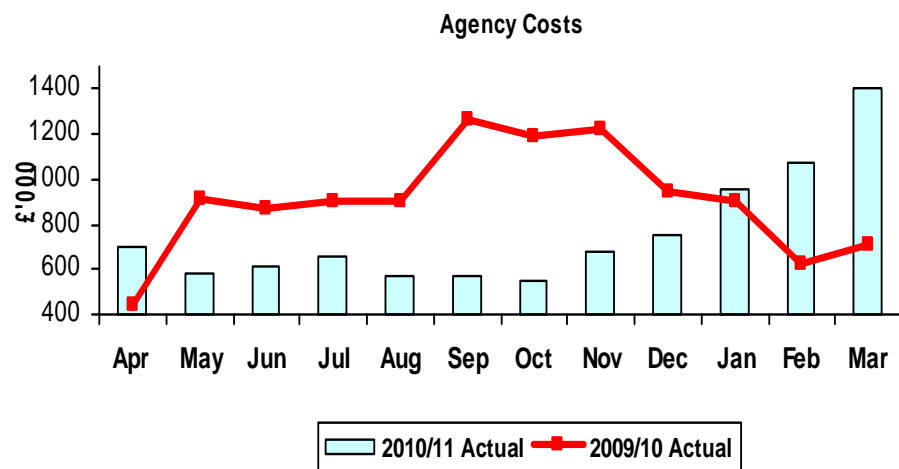
- In Month Trading Deficit £685k, 2010/11 outturn £4.974m deficit.
- 2010/11 outturn position including SHA support £26k surplus.
- Month 12 surplus, including SHA support, £340k
- Emergency Threshold adjustment £3.5m 2010/11 outturn – reduction to income.
- Agency usage increase due to ensuring quality and safety, escalation, higher than expected levels of one to one nursing and high sickness levels.
- Approval to appoint to replacement posts devolved to Divisions.

## Section Two – Expenditure - Pay



### PAY

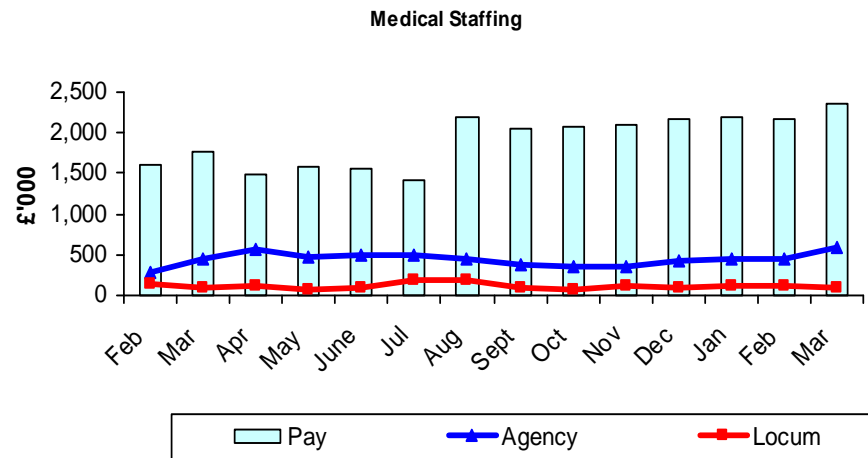
- **Month 12 Pay overspend £2,207k**, across all staff groups. Efficiencies required to cover the pay award continue to be the main cost pressure.
- **Pay cost in Month 12 was £16.493m.**  
The pay spend in Month 12 shows an increase of £346k on the Month 11 level. Agency spend was £333K above month 11.
- The tables opposite show the actual workforce position against plan for month 11 and the agency wte position for month 12. The actual wte increase is reflected in the overall pay spend increase.



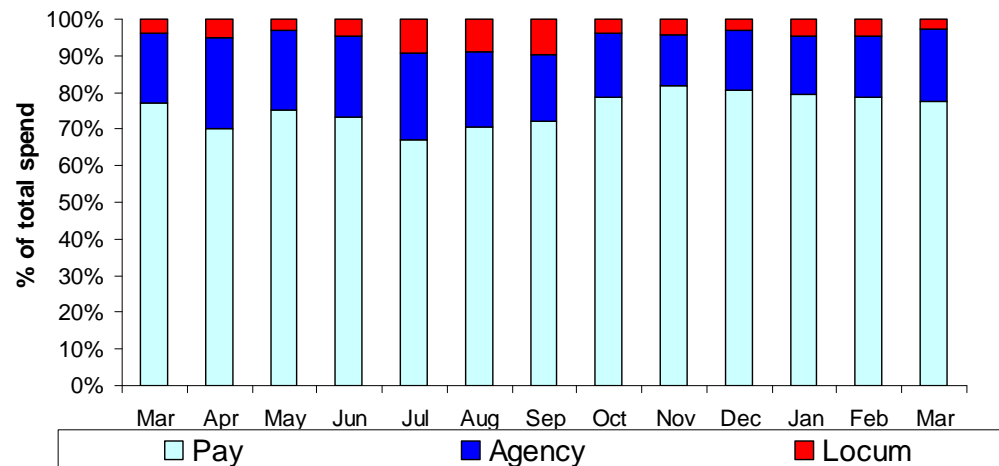
### AGENCY

- **Month 12 agency costs increased to £1,408k** (February £1,075k). This is equivalent to 175 wte.
- The in month agency spend per wte is £8.0k. The month 11 average was £7.6k reflecting a change in the mix between staff groups.
- Consultant agency utilisation shows an increase in the month. This is due to Locums in Ophthalmology, Oncology and Haematology. These are all areas where cover is required to meet safety and waiting time targets. Appointments to these posts are to be made in the first quarter of 2011/12.
- Medical staffing agency spend shows an increase in month of £143k.
- Reliance on agency nursing has increased in March.
- The table opposite shows the rise in total demand for temporary nurse staffing cover. It also shows that bank average is fairly constant but agency reliance continues to increase. As the demand has increased the use of non-PASA agencies has increased so as to ensure cover for short-notice and specialist shifts. Data not yet available for March.

## Section Two – Expenditure – Pay – Medical Staffing



- **Medical Staff overspend £485k (February £288k).** Agency overspend within this is £370k which as reported previously is due to the premium cost of providing cover to ensure continuity and safety of service and compliance with EWTB requirements. Where safe and possible, Divisions only provide agency cover for out of hours and weekend periods.
- Medical staff agency cover costs have increased in month to £596k (£453k in February).
- The graphs opposite show the trend in medical staffing expenditure over the past 12 months. In March 2010 agency was 19.8% of the total medical staffing spend, in March 2011 this has increased to 25.4% (20.9% February)



## Section Three - Cash

	Plan M12	Actual M12	Plan YTD	Actual YTD
<b>Opening cash balance</b>	<b>141</b>	<b>66</b>	<b>441</b>	<b>441</b>
EBITDA	2,089	1,329	15,025	12,364
Impairments	0	0	500	351
Working capital movement	2,067	1,445	(2,138)	3,078
<b>Operating cash flow</b>	<b>4,156</b>	<b>2,774</b>	<b>13,387</b>	<b>15,793</b>
Capital expenditure	(975)	(823)	(13,105)	(12,082)
Proceeds from sale of assets	0	0	0	0
<b>Operating cash flow after net capital expenditure</b>	<b>3,181</b>	<b>1,951</b>	<b>282</b>	<b>3,711</b>
Net interest paid	(46)	3	(57)	21
Provisions movement	(11)	713	(41)	588
Loan received	0	0	5,400	0
Loan repayment	(540)	0	(780)	0
Lease payment	(5)	(5)	(5)	(5)
PDC received	0	0	0	500
PDC dividend paid	(2,520)	(2,495)	(5,040)	(5,023)
<b>Cash flow for period</b>	<b>59</b>	<b>167</b>	<b>(241)</b>	<b>(208)</b>
<b>Closing cash balance</b>	<b>200</b>	<b>233</b>	<b>200</b>	<b>233</b>

- Closing cash balance of £233k is an increase of £167k to the prior month.
- EBITDA shortfalls (YTD £2,661k) and the requirement to make capital expenditure payments have been managed through creditor payments within working capital. This management of working capital is reflected within the poor compliance status of the Better Payment Practice Code (BPPC).
- The Trust made a PDC dividend payment of £2,495k on 17 March to DH.
- Forecast outturn discussions with the two main PCTs resulted in additional cash being received in March 2011.
- Work continues with the main Commissioners to agree the cash phasing of mandate payments for 2011/12.
- Following year end commitments the 13 week rolling cash forecast processes will be re-instated.

# Section Four - Improvement Programme

SaTH Improvement Programme Status Report

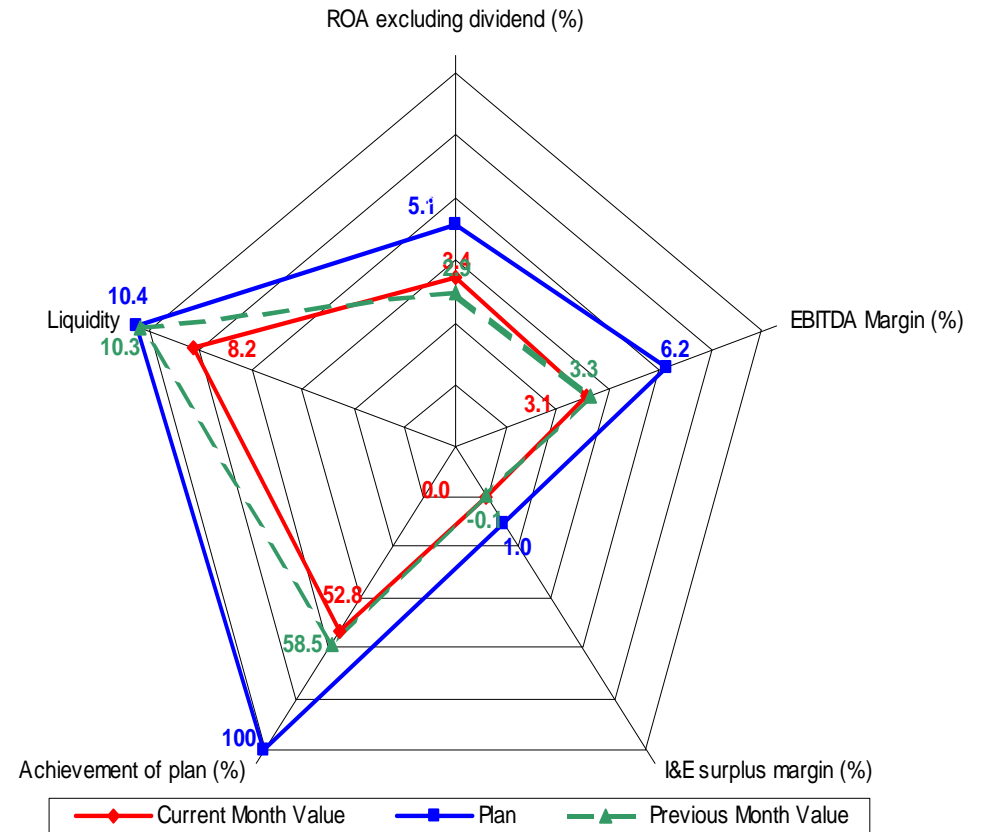


The summary position is as follows:

- IP target for 2010/11 is £6.8 million.
- At Month 12 £3.732m has been delivered against a target of £6.792m. This equates to 55%. Against the revised forecast of £6.074m delivery equates to 61.4%.
- For a detailed analysis of Divisional performance see Appendix A7.

# Section Five - Financial Risk Rating

Financial Criteria	Weight	Metric	Rating categories (min thresholds)					Current Month Value	Previous Month Value
			5	4	3	2	1		
Achievement of plan	10%	EBITDA Achieved (% of Plan)	100%	85%	70%	50%	<50%	52.8%	58.5%
Underlying Performance	25%	EBITDA Margin (%)	11%	9%	5%	1%	<1%	3.1%	3.3%
Financial Efficiency	20%	Return on assets excluding dividend (%)	6%	5%	3%	-2%	<-2%	3.4%	2.9%
	20%	I&E Surplus Margin net of dividends (%)	3%	2%	1%	-2%	<-2%	0.0%	-0.1%
Liquidity	25%	Liquidity Ratio (days)	35	25	15	10	<10	8.2	10.3
<b>Weighted Financial Risk Rating</b>								<b>2</b>	<b>2</b>
<b>Overall Rating</b>								<b>2</b>	<b>2</b>



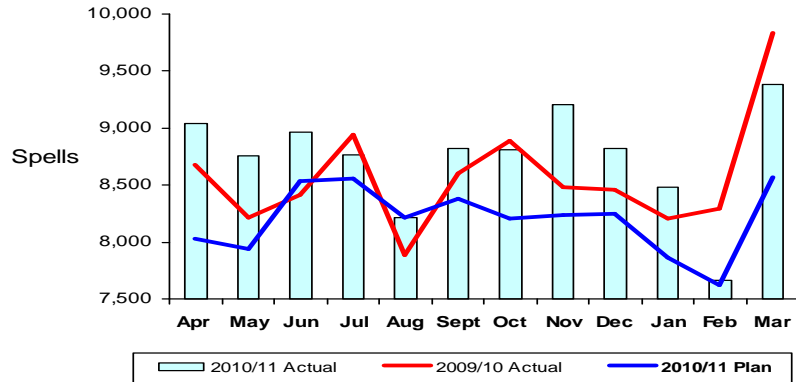
## Risk rating of 2.

- Performance below plan continues to impact on the overall liquidity position
- The diagram above illustrates the Trust position in each metric of the FRR against the full year plan position.

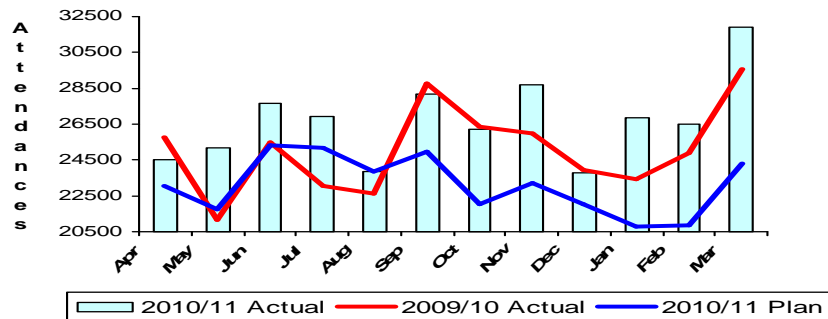


# Section Six- Activity and Income

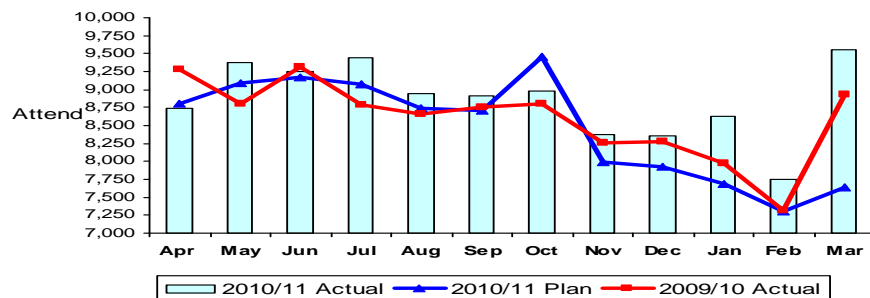
**Inpatients**



**Outpatients**



**Accident & Emergency**



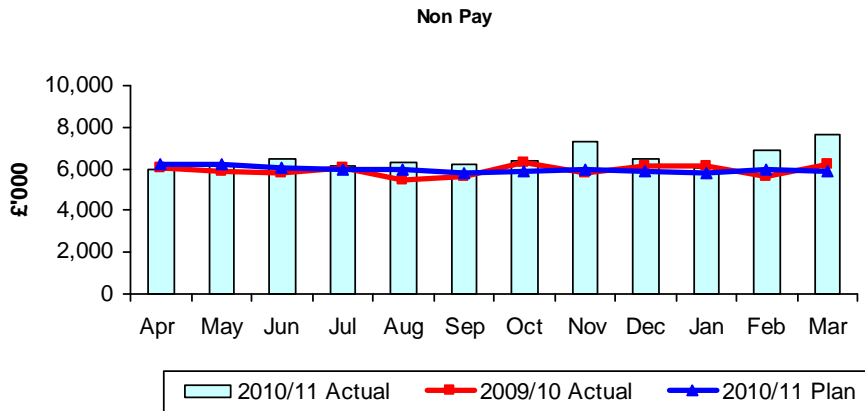
## In Patient Performance

- Total elective and day case activity was 341 spells above plan in month, the income over performance in the month was £434k.
- Overall Day Cases show an over performance of 315 spells in month. Over performance in Day Case is reported in most specialties. This is offset by underperformance in other specialties notably, General Medicine, Oral Surgery, Urology, Plastic Surgery, Ophthalmology, Cardiology, Colorectal Surgery, Anaesthetics and Nephrology.
- Elective inpatient activity was 26 above plan in month. The most notable areas of over performance being Trauma & Orthopaedics, General Surgery, ENT, Gynaecology, Medical Oncology and General Medicine.
- Non elective activity is 512 spells above plan in month, General Medicine being the main area of over performance. Reported income has been adjusted to reflect the emergency threshold tariff adjustment, this has reduced reported income by £2,780k YTD.
- Non elective activity in total including maternity is £554k above plan in month.
- Maternity activity is below plan 39 spells in month.

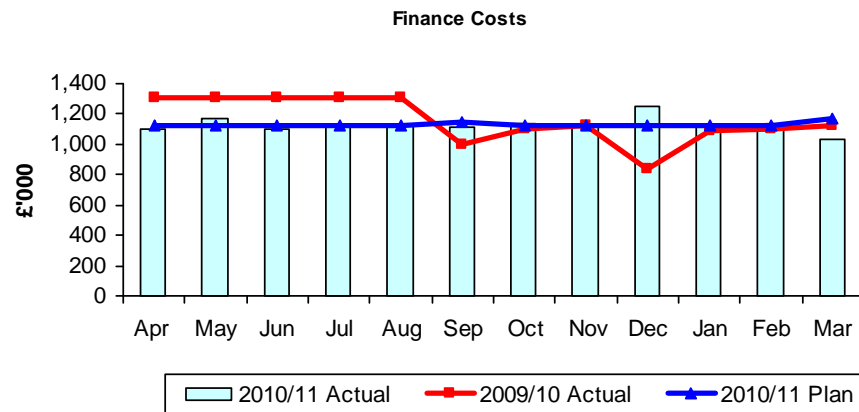
## Out Patient Performance

- In month outpatients were 7,603 attendances above plan, the income over recovery for the twelve months is £5,635k, (month £889k).
- In month new outpatients are 3,317 attendances above plan and 2,801 attendances above the February level. This includes Outpatient Procedures overperformance in the month of 1,651. The underlying new outpatient activity is 1,666 above plan.
- New outpatient over performance is reported for most specialties. Areas of underperformance include Trauma & Orthopaedics, Rheumatology, Oral Surgery, Geriatric Medicine, Orthodontics, ENT, Clinical Oncology, Plastic Surgery, Respiratory Physiology, Hepatology and Vascular Surgery.
- Outpatient procedure activity shows notable over performance in Orthodontics, Oral Surgery, Ophthalmology Obstetrics and Dermatology.
- In month follow up outpatients are 4,286 attendances above plan and 2570 attendances above the February level.
- A & E attendances are 913 above plan in month (4,728 YTD).
- In month activity analysis shows a 52/48 split between RSH and PRH. Income shows 50% PRH and 50% RSH.

# Section Seven - Expenditure – Non-Pay and Finance Costs



- Non pay shows an overspend to plan of £1,800k in month.
- All non-clinical non-pay expenditure requisitions continue to be reviewed at Assistant Finance Director level and scrutinised for validity and necessity before being approved.
- Key areas of non pay cost pressure to note are:
  - Outsourced work dealing with waiting lists (£166k).
  - Digital hearing aids (£81k).
  - Other clinical supplies (£229k) linked to increased activity.
  - Patient transport costs continue above contract levels, this is offset by income. The increase in utilisation is reflective of activity growth.
  - Drugs (including High Cost Drugs) (£411k).
  - NHSLA back to back provision (£142k).
  - External consultancy fees (£98k).



- Finance costs are £135k under spent in March, £93k under spent for 2010/11.

## Section Eight - Debtors

All	Current £'000	+ 30 days £'000	+ 60 days £'000	Total £'000
NHS	5,279	340	111	5,730
Private Patients	97	20	65	182
Other *	301	39	93	433
<b>Total</b>	<b>5,677</b>	<b>399</b>	<b>269</b>	<b>6,345</b>

\* Includes prescriptions, catering recharges, accommodation, telephones, overseas visitors and MES activity

- Trade debtors have increased by £3,018k compared to prior month with a decrease in accrued revenue of £2,905k. Total debtors have therefore increased by £113k.

NHS	Current £'000	+ 30 days £'000	+ 60 days £'000	2009/10 £'000	Total £'000
Shropshire County PCT	194	35	23	9	261
Telford & Wrekin PCT	4,238	65	43	12	4,358
RJAH	16	50	0	0	66
Others	670	155	100	0	925
<b>Total</b>	<b>5,118</b>	<b>305</b>	<b>166</b>	<b>21</b>	<b>5,610</b>

- Shropshire County PCT prior year invoices and £504k over-performance in +60 days have been cancelled as part of the 2010/11 year-end settlement. Overdue invoices challenged again as part of the year end agreement of balances exercise.

- Telford and Wrekin PCT – a payment profile of the current invoices is being sought from the PCT. Overdue invoices challenged again as part of the year end agreement of balances exercise.

Non NHS Debtors > £25k	£'000	NHS Debtors > £100k	£'000
Keele University	66	Telford & Wrekin PCT	4,358
CP Plus	64	Shropshire County PCT	261
BUPA	61	North Staffs University Hosp	136
Overseas Visitor Z	56	Herefordshire PCT	134
West Mid Brokerage	43	Worc PCT	106
Shropshire Council	40		
Staffs University	26		
<b>Total</b>	<b>356</b>		<b>4,995</b>

- Of the other debtors outstanding £32k has been referred to a specialist collection agency with appropriate provisions for write off made based on expected collection success.
- £56k in respect of an overseas visitor with no means to pay is shown in line with DH guidance – this debtor has been provided for in full. Following continued work by the credit control team this debtor has been recovered in full with a cheque received in early April 2011.

## Section Nine – Creditors (Non NHS)

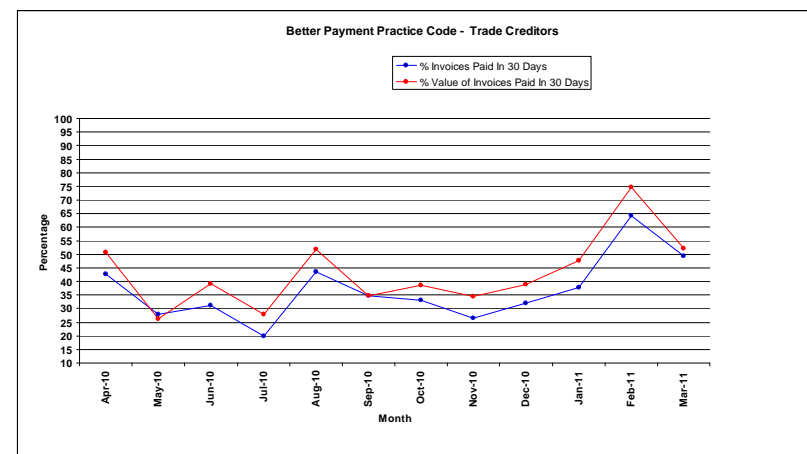
**Table 1**

NON NHS	YTD 2009/10	M1 2010/11	M2 2010/11	M3 2010/11	M4 2010/11	M5 2010/11	M6 2010/11	M7 2010/11	M8 2010/11	M9 2010/11	M10 2010/11	M11 2010/11	M12 2010/11	YTD 2010/11
<b>By Volume</b>														
Total Volume	75587	4240	7670	6613	6653	4502	5513	7187	7773	7938	8083	4211	9460	79843
BPPC compliant volume	49629	1813	2135	2061	1317	1961	1920	2373	2062	2537	3056	2699	4671	28605
BPPC compliant %	66%	43%	28%	31%	20%	44%	35%	33%	27%	32%	38%	64%	49%	36%
<b>By Value</b>														
Total value (£000)	72097	5275	7056	7210	6159	4305	5324	6793	6319	7168	7294	6234	8020	77157
BPPC compliant value (£000)	46040	2679	1850	2834	1722	2231	1848	2627	2189	2798	3488	4660	4178	33104
BPPC compliant %	64%	51%	26%	39%	28%	52%	35%	39%	35%	39%	48%	75%	52%	43%

Please note Months 3 - 10 figures have been restated to exclude Tax/NI payments.

**Table 2**

Payment made	Quantity	Quantity %	Value £000	Value %
0-30 days	4,671	49%	£4,178	52%
31-35 days	1,341	14%	£1,135	14%
36-40 days	725	8%	£631	8%
41-45 days	947	10%	£675	8%
46-50 days	778	8%	£503	6%
51-55 days	559	6%	£397	5%
56-60 days	211	2%	£116	1%
over 60 days	228	2%	£385	5%
<b>Total invoices paid</b>	<b>9,460</b>	<b>100%</b>	<b>£8,020</b>	<b>100%</b>



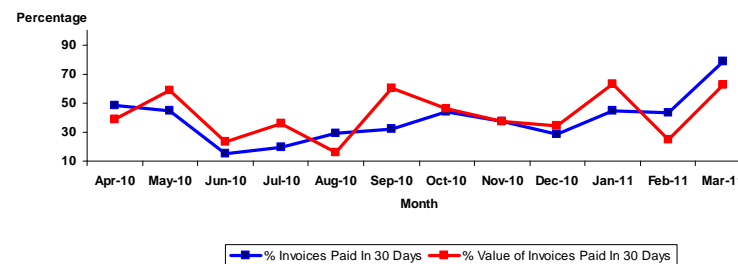
- Table 1 summarises the non-NHS creditor payment performance for the cumulative prior year, month 12 and year to date position. The graph shows the prior year by month with current month position.
- The Better Payment Practice Code stipulates a target of 30 days.
- Increase in monthly compliance position due to prioritisation of non-NHS payments. The current **cumulative** compliance is 36% for volume and 43% for value.
- Table 2 summarises the actual payment performance in the **month**.

# Section Nine – Creditors (NHS)

	YTD 2009/10	M1 2010/11	M2 2010/11	M3 2010/11	M4 2010/11	M5 2010/11	M6 2010/11	M7 2010/11	M8 2010/11	M9 2010/11	M10 2010/11	M11 2010/11	M12 2010/11	YTD 2010/11
<b>By Volume</b>														
Total Volume	2189	29	79	154	489	24	272	121	232	443	88	77	251	2259
BPPC compliant volume	1192	14	35	23	97	7	88	53	86	125	39	33	198	798
BPPC compliant %	54%	48%	44%	15%	20%	29%	32%	44%	37%	28%	44%	43%	79%	35%
<b>By Value</b>														
Total value (£000)	20045	1776	1529	1487	3448	415	2371	1246	2818	4067	1389	711	1104	22361
BPPC compliant value (£000)	6993	687	892	347	1242	67	1424	573	1047	1391	878	175	689	9412
BPPC compliant %	35%	39%	58%	23%	36%	16%	60%	46%	37%	34%	63%	25%	62%	42%

Better Payment Practice Code - NHS Creditors

	Quantity	Quantity %	Value £000	Value %
0-30 days	33	43%	£175	25%
31-35 days	2	3%	£0	0%
36-40 days	28	36%	£455	64%
41-45 days	0	0%	£0	0%
46-50 days	4	5%	£6	1%
50-55 days	4	5%	£8	1%
56-60 days	2	3%	£8	1%
over 60 days	4	5%	£58	8%
<b>Total invoices paid</b>	<b>77</b>	<b>100%</b>	<b>£711</b>	<b>100%</b>



- Table 1 summarises the NHS creditor payment performance for the cumulative prior year, month 12 and year to date position. The graph shows the prior year by month with current month position.
- The Better Payment Practice Code stipulates a target of 30 days.
- The **cumulative** compliance position at Month 12 is on par with the prior month at 35% for volume and 42% for value.
- Table 2 summarises the actual payment performance in the **month**.

## Section Ten - Capital

	Plan CRL Expenditure		Total Expenditure/Committed		Outturn 2010/11 £'000
	2010/11	M12	Committed M12	Committed M12	
	£'000	£'000	£'000	£'000	
<b>B/Fwd 2009/10 projects</b>	<b>546</b>	<b>586</b>	<b>0</b>	<b>586</b>	<b>586</b>
<b>2010/11 projects</b>					
CT Scanner PRH	800	670		670	670
Bathroom refurbishment	350	0	0	0	0
Decontamination Project	3,734	3,925		3,925	3,925
Redevelopment of Women and Children Zone	3,000	0	0	0	0
Electrical infrastructure	600	0	0	0	0
Theatres Air Handling	450	360	0	360	360
Breast Screening (Digital)	466	622	0	622	622
Others	1,438	1,204	0	1,204	1,204
	<b>10,838</b>	<b>6,781</b>	<b>0</b>	<b>6,781</b>	<b>6,781</b>
<b>2010/11 contingency funds</b>	<b>1,350</b>	<b>1,138</b>	<b>0</b>	<b>1,138</b>	<b>1,138</b>
<b>2010/11 unallocated funds</b>	<b>371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total 2010/11</b>	<b>13,105</b>	<b>8,505</b>	<b>0</b>	<b>8,505</b>	<b>8,505</b>
Planned CRL consists of:			Forecast CRL consists of:		
Depreciation	7,705		Depreciation	7,705	
DH Loan for Decontamination	2,400		DH Loan for Decontamination	0	
DH Loan for W&C Zone	3,000		DH Loan for W&C Zone	0	
			CRL Transfer - PSAG	500	
			CRL Transfer - Maty Refurbish	300	
<b>Total 2010/11</b>	<b>13,105</b>		<b>Total 2010/11</b>	<b>8,505</b>	

- The outturn for 2010/11 reverts to CRL of £8.505m following agreement of the Trust's forecast outturn (I&E) with the two main PCTs in which the Trust has received additional cash and can therefore utilise this cash to address some of the items that had been deferred into 2011/12.
- Decontamination Project – PRH service moved 21 March 2011; with a target date for RSH move of 9 May. Following some clarity on instrumentation requirements the project is currently **forecasting** an overspend of £465k – however detailed analysis work is continuing to finalise the required future expenditure.
- Breast Screening Service move to Digital – scheme ongoing;

RSH – Room 1 is installed and in clinical use. Staff training provided to 3 "super-users" with training now being cascaded to all radiographers.

PRH – Half of the enabling works completed pre-31.3.2011 to enable installation of equipment. (purchased by PRH LoF). Following commissioning of new equipment, work will proceed on the other rooms in new financial year.

Mobile Unit - RPA testing completed on mobile unit. Staff training taking place ready for clinic use from end of February 2011.