

Enclosure 6

TRUST BOARD - 26 January 2012

FINANCE UPDATE

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 – December and provides a forecast outturn for the year.

In addition, in constructing the paper a series of scenarios have been provided to indicate the risks associated with the delivery of the plan for the 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 9 Cumulative Position

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

	Months 1-9 Plan	Months 1 – 9 Actual	Variance	Planned Forecast Outturn	Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Income	212,122	215,552	3,440	284,158	289,594	5,436
Expenditure						
Pay	148,537	148,756	(219)	199,215	199,963	(748)
Non Pay	57,146	59,907	(2,761)	76,785	80,526	(3,741)
Reserves					2,035	(2,035)
Finance Cost	10,980	11,014	(34)	14,658	14,658	-
Total Expenditure	216,663	219,677	(3,015)	290,658	297,182	(6,524)
	(4,551)	(4,125)	426	(6,500)	(7,588)	(1,088)
SHA Funding	4,125	4,125	-	6,500	6,500	-
Under / Over spend	(426)	-	426	-	(1,088)	(1,088)
Actions to address overspend				-	1,088	1,088
Under / Overspend after management actions				-	-	-

As can be seen from the above at the end of December the Trust had recorded a cumulative break even position. The Trust had planned to record a cumulative deficit at the end of December amounting to £426,000. It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £1.088 million.

3. Monthly Analysis – December

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

	Planned Position £000s	Actual £000s	Variance £000s
Income	24,250	25,074	824
Expenditure			
Pay	16,964	16,675	289
Non Pay	6,439	7,004	(565)
Reserves			
Finance Cost	1,221	1,162	59
Total Expenditure	24,624	24,841	(218)
Planned surplus	(374)	233	607

The Trust planned to deliver a deficit in the month of £374,000 and actually recorded a surplus of £233,000.

4. Month by Month analysis

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

	April £000s	May £000s	June £000s	July £000s	Aug £000s	Sept £000s	Oct £000s	Nov £000s	Dec £000s	Total April - Dec £000s
Income	22,078	22,927	23,697	24,502	23,687	24,807	24,364	24,874	24,616	215,552
Expenditure										
Pay	16,244	16,478	16,575	16,261	16,363	16,709	16,699	16,752	16,675	148,756
Non Pay	6,613	6,169	6,069	7,023	6,711	6,741	6,495	7,082	7,004	59,907
Reserves										
Finance Cost	1,146	1,220	1,179	1,185	1,269	1,404	1,224	1,225	1,162	11,1014
Total Expenditure	24,003	23,865	23,825	24,569	24,343	24,854	24,418	25,059	24,841	219,677
	(1,925)	(938)	(128)	33	(656)	(47)	(54)	(185)	(225)	(4,125)
SHA Funding	458	458	458	458	459	458	458	459	458	4,125
Under / Over spend	(1,467)	(480)	330	491	(197)	411	404	274	233	-
Planned Position	(1,486)	(261)	665	338	41	135	277	241	(374)	(426)
Variation from plan	19	(219)	(335)	153	(238)	276	127	33	607	426

The table shows that having recorded a deficit in the opening two months of the year of £1.947 million, in the period June – December the Trust has recovered the overspend and is able to post a cumulative break even position at the end of December. In six of these seven months the Trust has presented a positive run rate.

Income and Expenditure Position – Key Messages

- The Trust recorded a break even position for the first time in the year at the end of December; the Trust had planned to record a deficit at this stage in the financial year of £426,000
- In the month of December a surplus of £233,000 was recorded, an over achievement against plan by £607,000.
- The Trust has recorded a positive run rate in six of the last seven months

5. **Explanation of Position recorded to date**

5.1 **Income**

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

	Plan Months 1- 9	Actual Months 1-9	Variance	Planned Forecast Outturn	Forecast Outturn	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Shropshire County PCT	96,955	97,183	228	129,490	131,424	1,934
Telford and Wrekin PCT	66,895	68,363	1,468	89,317	90,719	1,402
Powys LHB	15,820	16,062	242	21,122	21,469	347
Other PCTs	4,308	4,570	262	5,752	6,119	367
Specialised services	7,890	8,316	426	10,502	11,112	610
Non Contracted Activity	1,162	1,873	711	1,550	2,578	1,028
Other Clinical Income	3,115	2,843	(272)	4,154	3,764	(390)
Total Clinical Income	196,145	199,210	3,065	261,887	267,185	5,298
Non Clinical Income	15,967	16,342	375	22,271	22,409	137
SHA Funding	4,125	4,125	-	6,500	6,500	-
Total Income	216,237	219,677	3,440	290,759	296,094	5,435

In the period April – December the Trust had generated a surplus Income amounting to £3.44 million, and is forecast to increase to £5.435 million by the year end.

5.1.1 **In month Income performance**

The table below provides a description of the performance in the month of December. The level of over recovery in Income increased by comparison with the period ending November by £824,000.

	Forecast Outturn Variance £000s	Variance at end of Dec £000s	Variance at end of Nov £000s	Movement in the month £000s
Shropshire County PCT	1,934	228	(16)	244
Telford and Wrekin PCT	1,402	1,468	1,092	376
Total Shropshire / Telford and Wrekin PCT's	3,336	1,696	1,076	620

Powys LHB	347	242	248	(6)
Other PCTs	367	262	227	35
Specialised services	610	426	303	123
Non Contracted Activity	1,028	711	636	75
Other Clinical Income	(390)	(272)	(174)	(98)
Non Clinical Income	137	375	300	75
SHA Funding		-	-	-
Total other – exc Shropshire/ Telford and Wrekin PCT's	2,099	1,744	1,540	204
Total Income	5,435	3,440	2,616	824

The Trust has reached agreement with the Shropshire and Telford and Wrekin PCTs in respect of the forecast outturn position, as such risk is limited to income obtained from other sources.

In order to deliver the Trust forecast Outturn it is necessary for the Trust to over perform across these Income areas by £2.1 million. At the end of the December the Trust had recorded an over achievement amounting to £1.74 million.

Income – Key Messages
<ul style="list-style-type: none"> • Over achievement by £3.44 million at the end of December, forecast to increase to £5.435 million by the year end • Trust has end of year agreement with Shropshire County and Telford and Wrekin PCTs which generates an over achievement amounting to £3.36 million • To achieve financial balance Trust is required to over achieve by £2.1 million from all other Income sources, at the end of December an over achievement of £1.74 million had been recorded, an increase of £204,000 by comparison with the previous month.

5.2 Pay Budgets

Analysis of Pay overspending in the Trust in the period April – December

	Actual April – December £000s	Budgeted April – December £000s	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	140,954	142,890	1,935	1,358	577
Premium costs					
Agency Medical	3,999	1,548	(2,452)	(2,258)	(194)
Agency Nursing	952	267	(684)	(652)	(32)
Agency – Other	293	69	(224)	(188)	(34)
Waiting List Initiative	2,557	1,183	(1,374)	(1,036)	(338)
	148,756	145,957	(2,799)	(2,775)	(24)
Pay reserves		2,580	2,580	2,267	313
	148,756	148,537	(219)	(508)	289

In the month of December the level of overspending decreased from the levels as recorded at the end of the previous month by £289,000.

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 £1.935 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 £3.36 million, an increase by comparison with the previous month of £260,000.

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 £2.58 million has been released from the Pay reserve. In doing so this then reduces the cumulative overspend to £219,000.

Analysis of Staffing levels in the period April – November

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	Actual Nov WTE	Actual Dec WTE	Budget Dec WTE	Variance in the month of Dec WTE
Substantive staff	4344.91	4300.64	4330.54	4322.14	4345.32	4381.63	4427.19	4479.40	4477.89	4,782.03	(304.14)
Bank –Nursing	140.70	122.43	135.64	138.32	134.52	153.87	148.58	138.98	133.89	22.51	111.38
Bank – Other	95.80	98.94	112.09	124.16	133.35	127.60	135.05	126.08	131.18	48.66	82.52
Total Bank staff	236.50	221.37	247.73	262.48	267.87	281.47	283.63	265.06	265.07	71.17	193.90
Agency – Medical	59.62	66.37	68.14	68.35	70.43	61.61	65.63	68.44	55.33	24.92	30.41
Agency – Nursing	102.82	129.37	114.18	80.83	28.90	36.23	27.89	24.75	24.58	0.24	24.34
Agency – Other	21.55	15.71	23.27	25.81	27.43	27.97	25.34	23.53	23.94	4.22	19.72
Total Agency	183.99	211.45	205.59	174.99	126.76	125.81	118.86	116.72	103.85	29.38	74.47
Total	4765.40	4733.46	4783.86	4,759.61	4,739.95	4788.91	4829.68	4861.18	4,846.81	4,882.58	(35.77)
Budgeted level WTE	4679.90	4741.50	4758.12	4803.46	4,788.96	4805.48	4946.29	4946.99	4882.58		
(Under) / Over budget WTE	85.50	(8.04)	25.74	(43.85)	(49.01)	(16.67)	(116.61)	(85.81)	(35.77)		

Key observations from the above table are:

- Funded Establishment – The Budgeted establishment reduced by 84.41 nursing posts as a result of the closure of beds across the Trust.
- Nursing posts – In reducing the number of funded posts, the Trust aimed to reduce spending through a reduction in Agency and Bank Nursing staff. A comparison with the month of October (before the bed closure programme had been delivered) shows a reduction in the number of temporary nursing staff of 18.00 posts. This suggests that despite closing beds the Trust has been unable to deliver the required levels of associated staff reductions.
- Numbers employed – the total number of staff employed permanently within the Trust has increased by comparison with the month of October (before the beds had been closed) by 50.70 posts. This increase has arisen principally because displaced nursing staff have been appointed into vacant posts.
- Temporary staffing – In the month of December the numbers of staff employed temporarily as Bank and Agency members of staff amounted to 368.92 whole time equivalent posts.

- Vacant posts – The net level of vacancies within the Trust (after allowing for bank and Agency staff) amounts to 35.77 posts.
- Agency staffing – The Trust has introduced tighter controls over the employment of Agency staff. These controls were introduced in respect of Nursing staff from May. Controls in respect of Agency Medical staff have become fully operational in the month of November as a result of the establishment of a dedicated team to support the management of temporary medical staff.

	April £000s	May £000s	June £000s	July £000s	August £000s	Sept £000s	Oct £000s	Nov £000s	Dec £000's	Total spend Apr – Dec £000s	Average Annualised cost per WTE
Consultants	283	253	370	274	249	277	274	294	295	2,568	240k
Medical staff	453	620	540	617	527	606	514	340	327	4,543	120k
Nursing	338	405	381	300	153	165	154	100	72	2,070	44k
Other Clinical	78	36	47	73	77	66	52	52	48	529	81k
Other	18	30	31	46	43	92	68	92	99	519	44k
Total Agency staff spending	1,171	1,344	1,369	1,309	1,049	1,206	1,062	878	840	10,229	

- Principal users of Agency Medical staff – The main users of Agency Medical staff in the month of December are :

	Whole Time Equivalents
Ophthalmology	4.60
Emergency and Critical Care	11.97
Head and Neck	1.48
Surgery	4.88
Medicine	16.17
Musculoskeletal	10.64
Womens and Children	2.32
Oncology	2.40
Diagnostics	0.87
	55.33

Pay Expenditure – Key Messages

- Pay under spent against the Budget in the month of December by £289,000.
- In the year to date the Trust has incurred premium costs associated with the employment of Agency staff amounting to £3.36 million. £2.5 million of the excess is attributable to the employment of Medical staff. The average annualised cost for Consultant staff amounts to £240,000 and for other medical staff £120,000.
- In the month of December the Trust reduced the number of beds and disestablished 84 nursing posts. Nursing staff displaced have been redeployed into vacant nursing posts across the Trust.
- Temporary Nursing Staffing levels in the month reduced by 18.00 posts, indicating that savings associated with the bed closure programme have not been realised.
- Agency spending amounted to £840,000 in the month – the lowest monthly level recorded in the year.

5.3 Non Pay

The level of Non Pay spending (after discounting for the phased write off of deferred Income) has increased significantly during the course of the year. In order to obtain an understanding of the underlying level of growth in Non Pay spending, a three monthly average has been computed. The results of which are presented below:

	April – June £000's	May – July £000's	June – Aug £000's	July – Sept £000's	Aug – Oct £000's	Sept – Nov £000's	Oct – Dec £000's
Average monthly spending	6,491	6,730	6,966	7,074	6,980	7,159	7,322
Movement	-	231	236	38	(94)	179	173

As can be seen Non Pay spending increased progressively at the beginning of the year and then stabilised. Significantly it now appears that the rate of Non Pay has begun to increase. Spending in the last two periods has increased principally because of:

- High Cost Drugs - particularly in respect of Cancer and Neurology drugs.
- Referral to Treatment Times – to deliver improved performance in waiting times; and
- External Consultancy support – to support the achievement of Cost Improvement Programmes; and
- Utility Costs.

At the end of December Non pay budgets had recorded a cumulative overspend amounting to £2.761 million.

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, inclusive of a budgetary overspend in the year amounting to £680,000. The cumulative level of overspend at the end of December in respect of these drugs amounted to £1.146 million. Adjusting for an increased budget of £510,000 generates an overspend relating to High Cost Drugs of £636,000. Information has now been presented to the two Local Primary Care Trusts to determine the level of additional funding to be made available to the Trust in this financial year. In addition to High Cost Drugs the Trust has also recorded overspending in the year to date, in respect of general drugs, amounting to £214,000.

Renal Patients – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids and Consumables. – Overspend to date - £76,000.

Renal Patient Transport – The Trust has introduced bespoke transport arrangements to support travelling arrangements for Renal Patients requiring ongoing hospital treatment. These travel arrangements are presently being reviewed – Overspend to date - £77,000.

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 - £383,000

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 - £147,000

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 - £358,000.

Ophthalmology products – The combination of increased activity and a variation in case mix, arising from the employment of additional Consultant staffing has resulted in increased spending in respect of Ophthalmology consumables – Overspending to date - £125,000

Blood Products – Over the period April – December the consumption of blood products has increased significantly – overspend to date - £31,000,

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 November the Trust had failed to deliver targeted savings amounting to £141,000.

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 £144,000.

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.

Non Pay Expenditure – Key Messages	
•	<i>Non Pay over spent against the Budget in the month of December by £565,000.</i>
•	<i>Non Pay budgets had recorded a cumulative overspend at the end of December as compared with budget of £2.761 million and is projected to increase to £3.741 million.</i>
•	<i>Overspending in respect of Specialist High Cost Drugs has exceeded a revised budget level, as agreed with the local PCTs, at the end of December by £636,000.</i>

5.4 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	284,158	289,594	5,436
Expenditure			
Pay	199,215	199,963	(748)
Non Pay	76,785	80,526	(3,741)
Reserves		2,035	(2,035)
Finance Cost	14,658	14,658	-
Total Expenditure	290,658	297,182	(6,524)
	(6,500)	(7,588)	(1,088)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(1,088)	(1,088)
Actions to address overspend	-	1,088	1,088
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 three months of the year at a rate consistent with the levels recorded in the year to date, and in doing so the Trust over recovers as compared with the base budget for the year by £2.1 million. The outturn position for the two local commissioners is contained within a capped level as agreed earlier in the year.

Pay – The level of Pay spending is assumed to increase to £17,076 million per month over the period January – March. The table below shows actual spending recorded during the year.

	Average Actual April – June £000s	Average Actual July – Sept £000s	Average Actual Oct - Dec £000s	Average Monthly spend Jan - March £000s	Est Total £000s
Monthly Pay spend	16425	16445	16,708	17,076	199,963

Non Pay - Non-Pay budgets is assumed to increase to £6.941 million per month over the period January – March. The table below shows actual spending recorded during the year.

	Average Actual April – June £000s	Average Actual July – Sept £000s	Average Actual Oct - Dec £000s	Average Monthly spend Jan - March £000s	Est Total £000s
Monthly Non Pay spend	6,524	6,584	6,860	6,941	80,526

Reserves – The Trust has established a reserve to cover the costs associated with introducing further capacity to enable the RTT target to be delivered. At the end of December the reserve amounted to £2.035 million. It is assumed that this reserve will be used in full.

Applying these assumptions then produces a forecast deficit for the year amounting to £1.088 million.

5.4.1 Actions to address the Projected Overspend

Agency Medical staffing – In constructing the Estimated Monthly Pay spend no allowance has been made for savings in each of the months January to March from the revised management arrangements in respect of medical staffing. Reduced Agency spending recorded in the months of November and December indicate that further savings will be realised in the remaining months of the year. A prudent estimate of savings delivered over this period amount to £400,000.

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. In addition the Trust had closed 84 beds at the end of December, allowing for the need to temporarily escalate into these beds, it is anticipated that this will ensure that further Nursing staff cost savings will occur in this financial year. A prudent estimate suggests savings amounting to £350,000 will be achieved in the remaining three months of the year.

Reserves – In setting a plan to deliver improved performance in respect of RTT the Trust established a reserve amounting to £2.63 million. The programme commenced in October and spending amounting to £596,000 has been committed. It is assumed that savings amounting to £338,000 will be achieved by the year end.

6. Scenario Analysis

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	289,594	290,094	289,394
Expenditure			
Pay	(199,963)	(199,963)	(199,963)
Non Pay	(80,526)	(80,026)	(81,526)
Reserves	(2,035)	(2,035)	(2,035)
EBITDA	7,070	8,070	5,870
Finance charges	(14,658)	(14,658)	(14,658)
Contribution from SHA	6,500	6,500	6,500
Management Actions	1,088	2,238	1,088
Surplus / deficit	-	2,150	(1,200)
Probability	70%	20%	10%

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

6.1 *Best Case scenario*

- Income – the level of over performance increases in the remaining three 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 £500,000, and the level of underspending in respect of the RTT reserve amounts to £1.0 million.
- Non Pay – Review of stock levels across the Trust identifies further savings amounting to £500,000.

6.2 *Worst Case scenario*

- Income – the level of over performance in the year reduces in the remaining three months resulting in Income losses of £200,000.
- 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.

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

Forecast Outturn – Key Messages

- The Trust is required to deliver savings amounting to £1.088 million, through management actions, in order to achieve a balanced Income and Expenditure position in the 2011/12 year.
- The Trust expects to achieve the savings associated with management actions from reduced pay spending in respect of Agency Medical and Nursing staff and through an under spend of the Trust RTT reserve.
- The likelihood of achieving a balanced Income and Expenditure position by the year end has increased to 70 per cent.
- A best Case Projection results in the Trust generating a surplus at the end of the year of £2.15 million.
- A worst case projection results in the Trust recording a deficit at the end of the year amounting to £1.2 million.

7. Service Line Reporting

The Trust is, through the use of its Patient Level Costing system, now able to provide Income and Expenditure positions for each of the Clinical Centres. In producing this information, because of time constraints associated with the apportionment of service charges and central overheads is presently producing this information in arrears by one month. The table below therefore produces a Clinical Centre financial position reconciled to the deficit as presented at Month 8.

	Surgical	Musculo-skeletal	Head and Neck	Ophthal-mology	Women and Childrens	Emergency and Critical Care Centre	Medicine	Oncology	All
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Income	£37,428	£20,157	£9,212	£7,471	£31,017	£14,482	£52,467	£18,702	£190,936
Direct Pay Costs									
Nursing	£3,971	£1,834	£417	£186	£9,880	£4,601	£12,302	£1,161	£34,352
Consultants	£4,076	£2,302	£1,791	£1,051	£2,499	£1,073	£3,489	£884	£17,164
Other Clinical	£4,679	£3,126	£2,301	£1,499	£4,536	£2,687	£8,149	£1,267	£28,244
Non-clinical	£1,114	£370	£266	£328	£1,172	£974	£1,912	£719	£6,855
Total: Direct Pay Costs	£13,840	£7,632	£4,776	£3,064	£18,087	£9,335	£25,852	£4,030	£86,616
Direct Non Pay Costs									
Drug Costs	£2,122	£252	£154	£974	£912	£582	£3,310	£6,063	£14,370
Supplies	£624	£344	£720	£175	£1,052	£789	£1,983	£577	£6,265
Other Direct Costs	£210	£590	£86	£180	£418	£454	£773	£97	£2,806
Total: Direct Non Pay Costs	£2,956	£1,186	£959	£1,329	£2,382	£1,826	£6,066	£6,737	£23,441
Total: Direct Costs	£16,795	£8,818	£5,735	£4,393	£20,469	£11,161	£31,918	£10,767	£110,056
Indirect Costs									
Allied Healthcare Professionals	£695	£358	£306	£281	£380	£391	£1,231	£846	£4,487
Radiology	£1,339	£1,514	£356	£232	£502	£2,420	£1,903	£348	£8,613
Pathology	£2,326	£682	£567	£356	£1,345	£957	£2,238	£716	£9,187
Theatre	£3,804	£3,148	£1,306	£842	£912	£1	£113	£18	£10,144
Other Services	£3,174	£1,127	£725	£712	£1,013	£610	£1,923	£458	£9,742
Prosthetics	£38	£1,090	£8	£155	£37	£14	£47	£1	£1,390
Hotel Services	£5	£4	£1	£1	£3	£2	£10	£1	£27
Pharmacy	£288	£46	£18	£290	£85	£28	£443	£1,634	£2,833
Total: Indirect Costs	£11,669	£7,968	£3,288	£2,868	£4,277	£4,424	£7,907	£4,024	£46,425
Total: Total Direct/Indirect Cost	£28,464	£16,786	£9,023	£7,260	£24,747	£15,584	£39,826	£14,791	£156,481
Contribution	£8,964	£3,372	£189	£210	£6,271	£-1,102	£12,641	£3,912	£34,455
Overhead Costs									
Site Costs	£2,676	£1,501	£761	£751	£2,317	£1,459	£4,114	£1,326	£14,904
Corporate Costs	£2,347	£1,293	£749	£552	£2,582	£1,315	£3,451	£1,310	£13,600
Total: Overhead Costs	£5,023	£2,793	£1,511	£1,303	£4,899	£2,774	£7,565	£2,636	£28,504
EBITDA	£3,941	£578	£-1,322	£-1,093	£1,371	£-3,876	£5,076	£1,276	£5,952
Finance Costs	£1,738	£1,051	£429	£413	£1,462	£1,121	£2,591	£1,047	£9,852
Total Profit	£2,203	£-473	£-1,751	£-1,506	£-91	£-4,997	£2,485	£229	£-3,900
Profitability	5.89%	-2.34%	-19.01%	-20.16%	-0.29%	-34.50%	4.74%	1.22%	-2.04%
SHA Support									£3,667
Trust Surplus/(Deficit)									£-233

Service Line Reporting – Key Messages

- Five centres recorded a loss in the period April – December, these being Musculo- skeletal Head and Neck, Ophthalmology, Womens and Childrens and Emergency and Critical Care.
- Collectively the Centres generated a contribution percentage of 18% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 20%. Benchmarked data recommends a percentage achievement of 25%.
- Emergency and Critical Care failed to deliver a Contribution, whilst Head and Neck and Ophthalmology achieved less than 1 per cent.

9. Underlying financial sustainability

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

- the month 9 Income and Expenditure position; and
- recent discussions with commissioners; and
- the phasing of the achievement of recurrent savings programmes.

The updated financial model is compared with the position as presented at the recent Board Development session.

	Recurrent Surplus /(deficit) £000s	Non Recurrent Surplus/(deficit) £000s	Total Surplus /(deficit) £000s	Recurrent Surplus /(deficit) £000s	Non Recurrent Surplus/(deficit) £000s	Total Surplus /(deficit) £000s
2010/11	(14,400)	14,426	26	(14,400)	14,426	26
2011/12	-	-	-	200	(200)	-
2012/13	6,400	(5,500)	900	7,800	(5,300)	2,500
2013/14	2,100	-	2,100	7,100	-	7,100
2014/15	(800)	-	(800)	2,500	-	2,500
2015/16	3,100	-	3,100	2,400	-	2,400
2016/17	6,900	-	6,900	2,100	-	2,100

As can be seen the surpluses recorded in each of the years over the period 2012/13 – 2014/15 has reduced substantially when compared with the model presented at the Board Development session. This situation has occurred because Commissioners have reduced the anticipated scale of funding to support the impact of Demographic growth from 2 per cent per annum over the period to a revised level set at 1.35 per cent. The effect of doing so is to reduce Income growth per year by £2.1 million.

Underlying Financial Stability – Key Messages

- The Trust entered the 2011/12 financial year with an underlying recurrent financial deficit of £14.4 million.
- The combination of – (1) Savings programmes, particularly ward closures and controls over Agency spending, (2) in year contract over performance and (3) obtaining funding from PCTs consistent with PBR guidance results in the Trust carrying forward into the 2012/13 year a balanced financial position.
- Successful delivery of recurrent savings in the 2012/13 year amounting to £15.7 million allows the Trust to take forward into the 2013/14 year a recurrent surplus of £6.4 million. The overall surplus in the year amounts to £900,000 as a consequence of the phased achievement of the savings programme.

- *The level of surpluses generated over the 2012/13 – 2014/15 financial period have been substantially reduced based upon notification that Commissioners expect to finance the impact of Demographic growth at a annual rate of 1.35 per cent. Previously growth had been assumed to increase by 2 per cent.*

10. 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.

As reported last month, the Trust's request for an additional £1M CRL has been approved at SHA level with formal transfer completed by DH in December 2011. Although this additional CRL was required for the planned bed closure programme, discussions held within January have indicated that this level of expenditure will not be required in this financial year but will be required in 2012/13 (subject to business case preparation and approval). Therefore, the Trust must consider reverting to the original plan and generate a cash release of £1M against the capital programme 2011/12. This will be discussed at the January Capital Planning Group when a review of the Centre capital aspiration lists is planned and will form the basis a draft 2012/13 plan. The required level of expenditure for the bed closure programme shall be included within this draft 2012/13 plan. The reported numbers within this report are consistent with the month 9 FIMS return and forecast the capital spend to be £8,200k.

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 £6,500k 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 month end actual cash balance was £1.4M against a prior month forecast of £2.6M, the key driver of this variance is the settlement of a significant amount of aged agency invoices and is detailed within the BPPC section below.

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	154,419	155,381	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	17,527	19,063	18,000	17,000	15,000	(1,837)
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(28,028)	(26,299)	(26,502)	(26,594)	(26,910)	(26,410)	(25,910)	(25,002)	1,100
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,603	1,988	3,258	2,761	1,440	1,040	240	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,603	1,988	3,258	2,761	1,440	1,040	240	1,200	967

£6,500k SHA support received 22 August

11. **Statement of Financial Position**

	March 11 £000	November 11 £000	December 11 £000	Variance to November 11 £000
Total Non Current Assets	159,582	155,862	155,381	(481)
Inventories	4,652	4,829	4,976	147
Current Trade and Other Receivables	12,757	12,893	14,087	1,194
Cash and Cash Equivalents	233	2,761	1,440	(1,321)
Total Current Assets	17,642	20,483	20,503	20
Current Trade and Other Payables	(26,667)	(25,725)	(25,604)	121
Finance Lease	(4)	(4)	(4)	0
PDC dividend Payable accrual	(3)	(869)	(1,306)	(437)
Provisions	(832)	(261)	(230)	31
Total Current Liabilities	(27,506)	(26,859)	(27,144)	(285)
Net Current Liabilities	(9,864)	(6,376)	(6,641)	(265)
Total Assets less Current Liabilities	149,718	149,486	148,740	(746)
Provisions	(478)	(478)	(478)	0
Total Assets Employed	149,240	149,008	148,262	(746)
Total Taxpayers' Equity	149,240	149,008	148,262	(746)

Total Assets Employed

The in month movement of Total Assets Employed is a negative £0.7M, with a smaller movement of a £0.3M increase in total current liabilities.

Total Non Current Assets

As reported last month the final report from the District Valuer was received on 16 December and stated an asset impairment of £978k compared to a budgeted amount of £1,000k. This has been recognised within the month 9 position and is the key driver for the negative movement within the month.

The amount of the impairments is recognised within the Statement of Comprehensive Income but is discounted for NHS income and expenditure performance purposes.

The table below represents the month 9 position against the 2011/12 capital plan:

Scheme	Budget	Allocations	Revised Plan	Total Expenditure	Forecast Outturn
	2011/12	2011/12	2011/12	to Date	2011/12
	£000	£000	£000	2011/12	2011/12
				£000	£000
Schemes carried forward from old year	120		120	49	75
Decontamination	883		883	584	729
Capitalised Salaries	125		125	54	125
Patient Monitoring	300		300	291	300
Telecoms Upgrade	431		431	387	431
PRH Dishwasher	90		90	84	90
PSAG	500		500	310	500
Additional Maternity Theatre	714	(495)	219	111	219
Corporate Contingency	929	(534)	395	343	570
Bed Closure Schemes		1,808	1,808	253	1,808
Endoscopy Washers	63		63	0	53
Capital Additions identified through the budget process	1,000	(8)	992	165	992
Project Management fees relating to Reconfiguration	1,000		1,000	460	1,000
Unallocated/Underspend					34
Contingency Funds - Medical Equipment	250		250	232	250
Contingency Funds - Information Technology	250		250	236	250
Contingency Funds - Vital PAC		129	129	37	129
Contingency Funds - Estates	500		500	312	500
Contingency Funds - Non Patient Connected Equipment	45		45	25	45
Contingency Fund - RTT		100	100	29	100
Agreed Commitments/Recurring Contingencies Total	7,200	1,000	8,200	3,962	8,200
Additional CRL	1,000	(1,000)	0	0	0
Total Revised CRL	8,200	0	8,200	3,962	8,200

Following from the opening comments within section 10 there is some uncertainty around the forecast outturn position of the bed closure scheme. It is likely this project will underspend and enable the £1M cash release to be realised. The remaining expenditure required to achieve the target of £7.2M is forecast to deliver in the last quarter.

The table below details the status of all live capital projects and includes total expenditure over the life of the project:

Project	Total Approved Sum (including 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
	a	b	c	d=(b + c)	e	f=(d+e)	(a-f)	
	£000	£000	£000	£000	£000	£000	£000	
Outstanding Commitments from 2010/11								
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	85	59	2	61	14	75		10 Est - January 2012
Sanitary Facilities and Ward Kitchens Priority 1	113	115	2	117	1	118	(5)	Est - January 2012
MenuMark	67	63	0	63	5	68	(1)	Est - December 2011 Fully operational
Pharmacy Aseptic	3,251	3,160	0	3,160	0	3,160		91 January 2011
Offsite accommodation	293	297	(0)	297	0	297	(4)	June 2011
PSAG	500	77	234	310	190	500		0 Est - March 2012
Other less than £50k per individual project	140	77	4	81	5	87		54 Est - January 2012
Agreed Commitments for 2011/12								
								RSH moved August 2011 - Receipts & Distribution
Decontamination	7,616	7,310	6	7,317	145	7,462	154	outstanding
Patient Monitoring	300	0	292	292	8	300	0	Est - March 2012
Project Management Fees - Reconfiguration	1,000	444	16	460	540	1,000	0	On-going
Telecoms Upgrade	431	266	121	387	44	431	0	Est - December 2011
PRH Dishwasher	90	68	16	84	6	90	0	Est - March 2012
Capital Salaries	125	54	0	54	71	125	0	On-going
Additional Obstetric Theatre - Build Element - deferred pending outcome of R	0	1	0	1	0	1	(1)	Est - November 2011
Additional Obstetric Theatre - Equipment	219	104	6	110	108	218	1	Est - March 2012
Neonates Storage Solution (awaiting decision re source of funding)				0		0	0	Awaiting Decision
Bed reconfiguration plan (awaiting approval verification)	1,808	7	246	253	1,555	1,808	0	Est - March 2012
Contingency Funds - Delegated								
Contingency Fund Estates Issues/DDA	500	198	114	312	188	500	0	On-going
Contingency Fund for Medical Equipment Replacement	250	218	14	232	18	250	0	On-going
Contingency Fund for IT Equipment Replacement	250	196	39	236	14	250	0	On-going
Contingency Fund for Non-Patient Connected Equipment Replacement	45	25	0	25	20	45	0	On-going
Corporate Contingency								
Corporate Contingency Fund	471	105	238	343	280	623	(152)	On-going
Contingency for Capital additions identified through the budget process	992	140	25	165	827	992	0	On-going
Referral To Treatment (RTT) Contingency Fund	100	28	0	29	71	100	0	On-going
VitalPac Contingency Fund	129	15	22	37	92	129	0	On-going
Total	18,775	13,028	1,396	14,424	4,204	18,628	147	
Cancer Centre	4,862	1,608	3,254	4,862	0	4,862		

The following projects are forecast to generate the following variances:

- (i) Offsite accommodation – overspend £5k. Scope change to enable wireless networking in meeting rooms.
- (ii) Aseptic unit – underspend £91k. 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 has been reallocated towards the bed closure scheme, see previous comments.
- (iv) Cancer Centre approval is based on GMP with furniture and fixture items outstanding and subject to review. The equipment list has been prepared and final costings were discussed at the December Cancer Centre Project Board. Further work was completed with meetings arranged with the procurement team to progress further and confirm actual costs.

Total Current Assets

Inventories remain relatively static with stock counts currently being finalised within Theatres as part of an operational efficiency programme and is to be recognised within the last quarter. 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:

All	Current	+ 30 days	+ 60 days	Total
	£'000	£'000	£'000	£'000
NHS	524	259	494	1,277
Private Patients	119	37	86	242
Other *	414	103	111	628
Total	1,057	399	691	2,147

Total debtors have decreased by £723k primarily in the area of NHS current debtors.

Following the Q3 agreement of balances exercise renewed focus has been placed on the NHS +60 day category with various meetings arranged within January with the Contracts and Performance team and the clinical centres. The three main debtors within this section are, Shropshire County PCT, NHS Telford and Wrekin and University of North Staffordshire.

* 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 the month relates to agency invoice approval but it is believed that the payments made within the +36 day categories clears a significant backlog of invoices previously awaiting approval. This is the key driver for the variance in actual cash compared to prior month forecast position.

As stated in previous months the Finance team continue to work with the relevant teams and will monitor the profiling of agency approvals and spend.

NON NHS	YTD	M1	M2	M3	M4	M5	M6	M7	M8	M9	YTD
	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
By Volume											
Total Volume	79,843	7,781	6,254	8,164	7,597	10,015	7,697	7,368	7,229	6,108	68,213
BPPC compliant volunn	28,605	6,994	5,261	6,641	5,916	7,426	6,514	6,675	6,515	5,499	57,441
BPPC compliant %	36%	90%	84%	81%	78%	74%	85%	91%	90%	90%	84%
By Value											
Total value (£000)	77,157	7,997	6,437	8,282	7,031	9,845	11,173	7,259	7,206	8,100	73,330
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	6,816	9,566	5,783	5,968	6,798	58,617
BPPC compliant %	43%	88%	77%	75%	78%	69%	86%	80%	83%	84%	80%

Current Month	Quantity	Quantity %	Value	Value %
Payment made				
0-30 days	5,499	90%	£6,798	84%
31-35 days	153	3%	£185	2%
36-40 days	64	1%	£350	4%
41-45 days	58	1%	£92	1%
46-50 days	44	1%	£58	1%
51-55 days	39	1%	£130	2%
56-60 days	37	1%	£210	3%
over 60 days	214	4%	£277	3%
Total invoices paid	6,108	100%	£8,100	100%

NHS –The cumulative performance shows a static position compared to last month. The area causing the material element of non compliance relates to a 4 day delay in the payment of a Welsh Ambulance invoice of £109k.

NHS Spend	YTD	M1	M2	M3	M4	M5	M6	M7	M8	M9	YTD
	2010/11	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12
By Volume											
Total Volume	2,259	179	188	206	90	207	175	184	156	217	1,602
BPPC compliant volume	798	166	180	159	73	158	163	169	151	203	1,422
BPPC compliant %	35%	93%	96%	77%	81%	76%	93%	92%	97%	94%	89%
By Value											
Total value (£000)	22,361	1,196	3,034	952	1,449	1,543	1,464	1,303	1,406	1,531	13,878
BPPC compliant value (£)	9,412	1,125	3,007	797	1,221	1,262	1,218	1,280	1,395	1,392	12,697
BPPC compliant %	42%	94%	99%	84%	84%	82%	83%	98%	99%	91%	91%

Current Month Payment made	Quantity	Quantity %	Value	Value %
0-30 days	203	94%	£1,392	91%
31-35 days	10	5%	£134	9%
36-40 days	1	0%	£4	0%
41-45 days	1	0%	£0	0%
46-50 days	0	0%	£0	0%
50-55 days	0	0%	£0	0%
56-60 days	0	0%	£0	0%
over 60 days	2	1%	£1	0%
Total invoices paid	217	100%	£1,531	100%

Provisions

Current provisions have reduced in the month by £31k inline with the expected utilisation.

Statement of Financial Position – Key Messages

- Fixed asset Impairment recognised of £978k but excluded for NHS performance purposes.
- Additional £1M CRL approved by SHA and transferred by DH to facilitate planned bed closure. Programme. Timing and scope of bed closure programme to be confirmed within 2011/12 or 2012/13.
- Cash position lower than forecast due to settlement of legacy agency invoices. Forecast still to grow cash by £1M
- BPPC for the month remains strong with consistent cumulative performance.
- Current liabilities increased in month by £0.3M and an in year reduction of £3.2M.

Neil Nisbet
Finance Director
17th January 2012