

Trust Board Meeting – 27th January 2011

FINANCE REPORT for the period ending 31st December 2010 (Month 9)

EXECUTIVE RESPONSIBLE	David Gilbert Interim Finance Director
AUTHOR (if different from above)	Tony Brown Assistant Director Financial Performance Jill Price Assistant Director Financial Management Chris Benham Assistant Director Financial Accounting
CORPORATE OBJECTIVE	Ensuring a clinically viable and financially sustainable organisation

EXECUTIVE SUMMARY	<p>December 2010 (Month 9) financial performance shows :</p> <p>Actual surplus of £109k; plan surplus £503k.</p> <ul style="list-style-type: none"> Year to date income includes £2.332m reduction for Emergency threshold adjustment (£638k in December). Pay run rate £16m. Medical staff agency spend increased by £70k in month. Nursing agency increased by £32k. Interim Finance Director reviewing forecast assumptions, and ongoing discussion with Shropshire County PCT in respect of forecast outturn.
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KEY FACTS

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

	Month					Year to Date				
	Plan £'000	Actual £'000	Variance £'000	L Year £'000		Plan £'000	Actual £'000	Variance £'000	L Year £'000	Annual Budget
	21,922	23,876	1,954	22,281	Income	197,660	204,904	7,244	193,521	261,883
	(14,359)	(16,025)	(1,666)	(14,949)	Pay	(131,029)	(138,010)	(6,981)	(131,882)	(174,222)
	(5,932)	(6,488)	(556)	(6,149)	Non Pay	(53,982)	(57,354)	(3,372)	(53,133)	(71,488)
	1,631	1,363	(268)	1,183	EBITDA	12,649	9,540	(3,109)	8,506	16,173
	(1,128)	(1,254)	(126)	(832)	Finance Costs	(10,175)	(10,238)	(63)	(10,576)	(13,606)
	503	109	(394)	351	Total	2,474	(698)	(3,172)	(2,070)	2,567

- The Better Payments Practice Code (BPPC) target is to pay 95% of creditors within 30 days. In December the Trust showed the following performance:
60% for Non-NHS invoices (YTD 58%)
34% for NHS invoices (YTD 40%)
- Marginal improvement in liquidity, however pressures in cash position continue as a consequence of current performance.

RECOMMENDATIONS

The Board is asked to **NOTE** and **APPROVE** at month 9:

- An Income and Expenditure deficit of £0.698m against planned surplus of £2.474m.
- Ongoing review of forecast position and discussions with Shropshire County PCT.
- Better Payment Practice code performance.

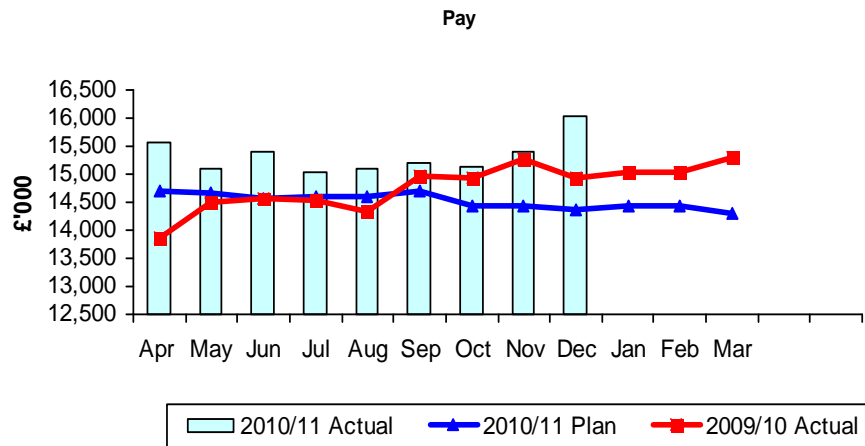
Section One- EXECUTIVE SUMMARY

	Position		Monthly Performance	Direction of Travel	2010/11 Actual	Comment	Sheet Ref
I & E Position	In month	£0.109m surplus	Green	=	Red	£0.394m deficit to plan	1
	2010/11 Actual ytd	£0.698m deficit	Red	=	Red	£3.172m deficit to plan	1
	Pay Costs	£16.025m	Red	=	Red	11.6% above plan for the month	4-6
	WTE Worked	4564	Amber	=	Amber	Below plan	4-6
	Agency WTE	106	Red	=	Red	Increase in both Medical Staffing and Nursing agency	5
	Agency Costs	£0.756m	Red	=	Red	Increase in both Medical Staffing and Nursing agency	5
	Non Pay Costs	£6.488m	Red	=	Red	£0.556m over plan	12
Improvement Programme	CIP's delivered	£2.326m	Amber	=	Red	Shortfall against ytd forecast saving £1,296k.	8
Balance Sheet	Debtors		Red	=	Red	£2,603m decrease; significant prior year NHS amounts outstanding	13
	Creditors		Red	=	Red	58% Non-NHS invoices and 40% NHS invoices paid within 30 days	14-15
Cash	In Month Movement	£0.213m increase	Red	=	Red	£0.465m balance at Month 9 against plan of £0.252m	7
Capital Expenditure	In month	£0.720m	Green	=	Amber	The Capital Programme forecast for 2010/11 has been revised to £7.433m.	16
Key Metrics & Ratios	Liquidity	7	Red	=	Red	Impact of I & E position on working capital	9
	EBITDA Margin %	4.7%	Red	=	Red	Below plan level of 6.2%	9
	Financial Risk Rating	2	Red	=	Red		9

Summary Information

- YTD position including Strategic Change Reserve funding £698k deficit.
- Month 9 **surplus** including Strategic Change Reserve funding £109k
- Forecast outturn review by Finance Director, discussions ongoing with Shropshire County PCT in respect of outturn position.
- Emergency Threshold adjustment £2.3m YTD, forecast £2.9m.
- 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. This is expected to speed up the recruitment process and reduce reliance on premium cost cover for vacancies.
- Executive review of recruitment to new posts in Quarter 4.
- Divisions actioning cost management and CIP acceleration initiatives drawn up in December.
- Divisional proposals for other reasonable run rate reductions to be reviewed.

Section Two – Expenditure - Pay

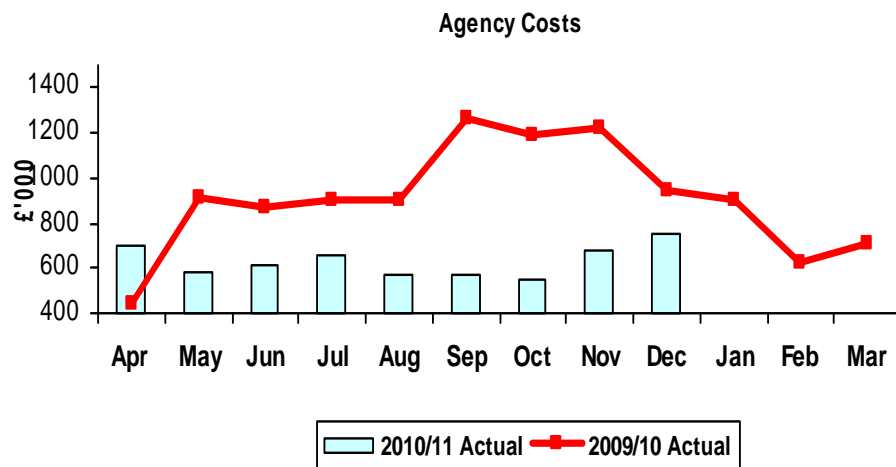


PAY

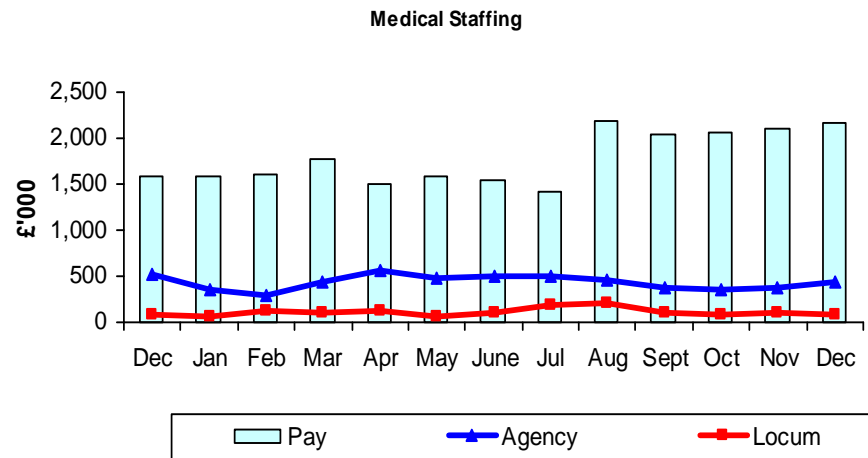
- **Month 9 Pay overspend £1,666k**, across all staff groups. Efficiencies required to cover the pay award continue to be the main cost pressure.
- **Pay cost in Month 9 was £16.0m.**

AGENCY

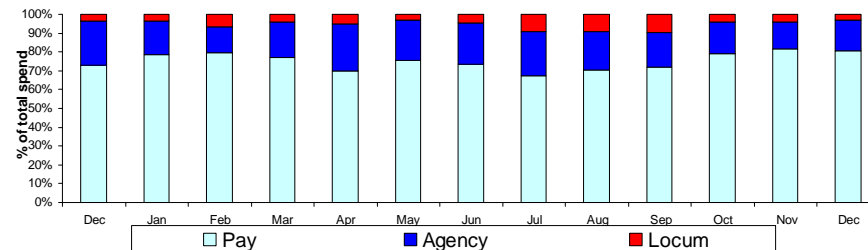
- **Month 9 agency costs increased to £756k** (November £673k). This is equivalent to 106 wte.
- The in month agency spend per wte is £7.2k. The month 8 average was £8.9k.
- Consultant agency utilisation shows an increase in the month. This is largely due to Locums in Radiology (linked to reducing external reporting costs), Oncology, Ophthalmology and Haematology covering sickness and vacancies.
- Medical staffing agency spend shows an increase in December.
- Use of nursing agencies has risen again in the month. The key driver for this has been the need to open escalation beds.
- Agency usage increase is reported to be partly due to high levels of sickness.



Section Two – Expenditure – Pay – Medical Staffing



- **Medical Staff overspend £293k (November £223k).** Agency overspend within this is £208k which as reported previously is due to the premium cost of providing cover to ensure continuity and safety of service and compliance with EWTD 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 December to £435k (£365k in November).
- The graphs opposite show the trend in medical staffing expenditure over the past 12 months. In October 2009 agency was 29.5% of the total medical staffing spend, in December 2010 this has reduced to 20.1% (17.3% November)
- The December expenditure includes £72k for arrears paid to doctors for changes relating to the new Associate Specialist pay scale.



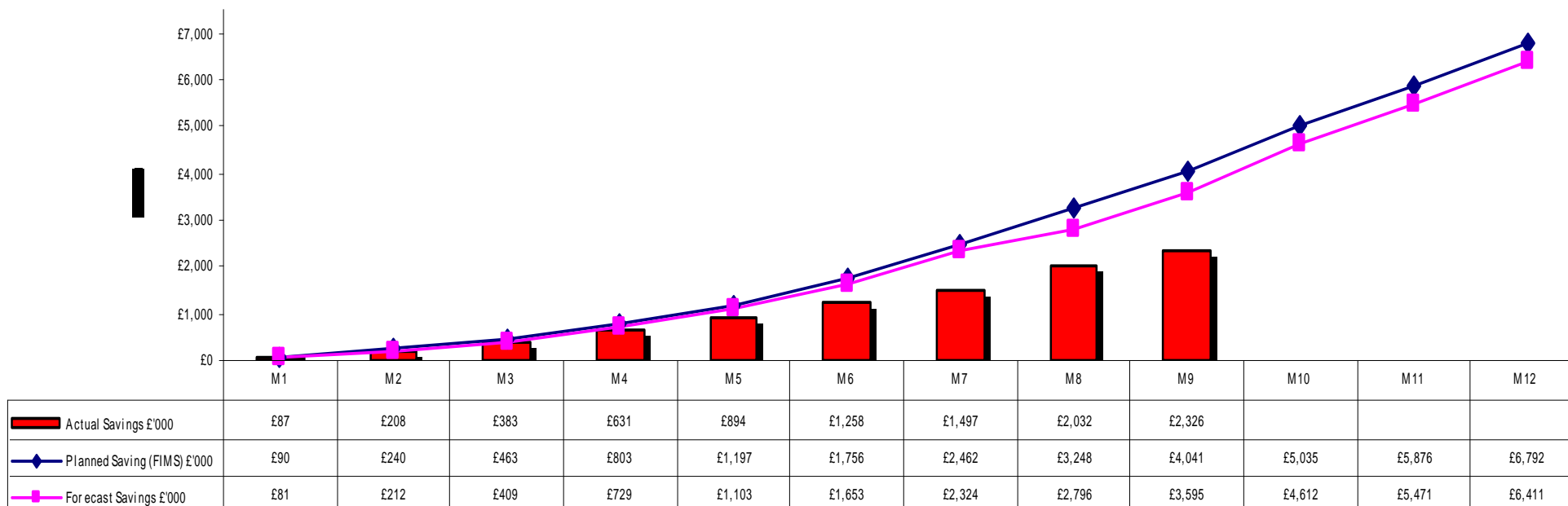
Section Three - Cash

	Plan M9	Actual M9	Plan YTD	Actual YTD
Opening cash balance	249	55	441	441
EBITDA	1,582	1,287	11,691	8,565
Impairments	0	0	500	351
Working capital movement	(500)	(541)	(4,705)	3,104
Operating cash flow	1,082	746	7,486	12,020
Capital expenditure	(1,070)	(818)	(10,272)	(9,860)
Proceeds from sale of assets	0	0	0	0
Operating cash flow after net capital expenditure	12	(72)	(2,786)	2,160
Net interest paid	1	1	(13)	12
Provisions movement	(10)	(19)	(30)	(120)
Loan received	0	0	5,400	0
Loan repayment	0	0	(240)	0
Lease payment	0	0	0	0
PDC received	0	500	0	500
PDC dividend paid	0	0	(2,520)	(2,528)
Cash flow for period	3	410	(189)	24
Closing cash balance	252	465	252	465

- Closing cash balance of £465k is an increase of £410k to the prior month.
- EBITDA shortfalls (YTD £3,126k) 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 received £500k PDC during December in respect of Patient Status at a Glance (PSAG).

Section Four - Improvement Programme

SaTH Improvement Programme Status Report



The summary position is as follows:

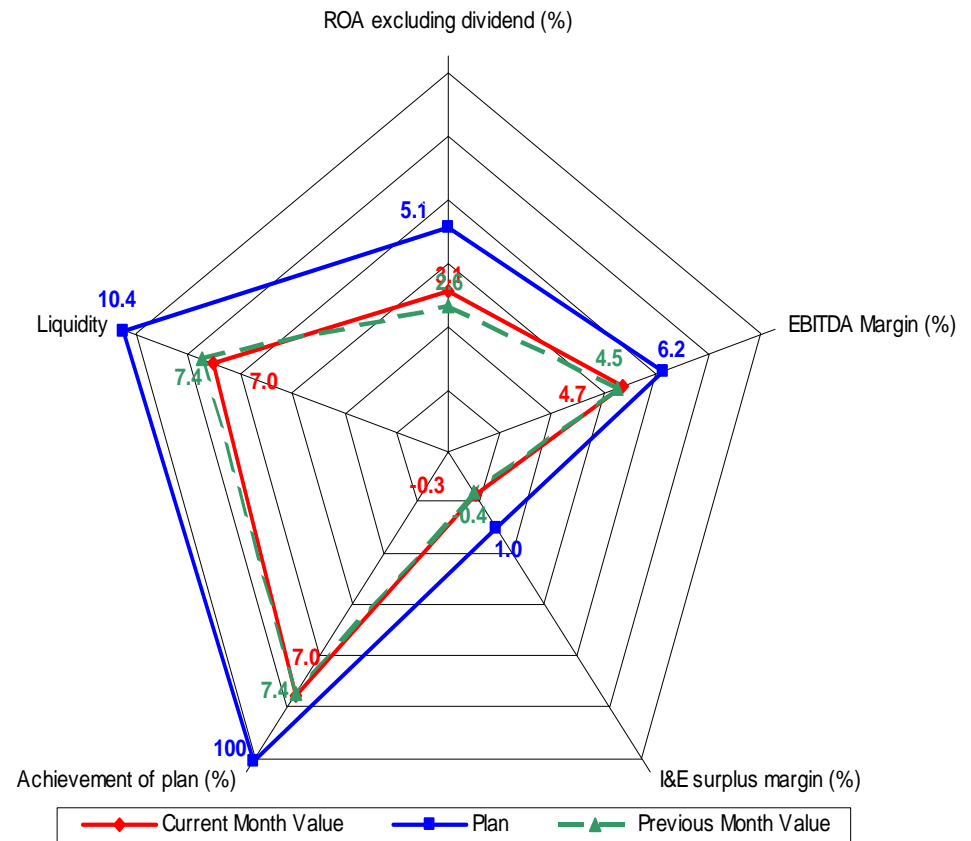
- IP target for 2010/11 is £6.8 million.
- At Month 9 £2.326m has been delivered against a target of £4.041m. This equates to 57.5%. Against the revised forecast of £3.494m delivery equates to 67%.
- The current forecast outturn assumption is that delivery will be at 60.1%

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%	75.4%	74.2%
Underlying Performance	25%	EBITDA Margin (%)	11%	9%	5%	1%	<1%	4.7%	4.5%
Financial Efficiency	20%	Return on assets excluding dividend (%)	6%	5%	3%	-2%	<-2%	3.1%	2.6%
	20%	I&E Surplus Margin net of dividends (%)	3%	2%	1%	-2%	<-2%	-0.3%	-0.4%
Liquidity	25%	Liquidity Ratio (days)	35	25	15	10	<10	7	7.4
Weighted Financial Risk Rating								1.9	1.9
Overall Rating								2	2

Risk rating of 2.

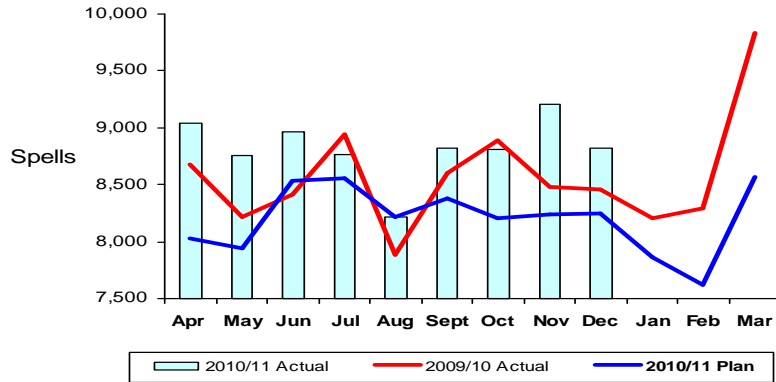
- Improvement in each of the FRR performance metrics other than liquidity.
- Liquidity metric shows rating of 1. Net current asset reduction mainly linked to increased NHS and capital creditors and accrual for PDC dividend



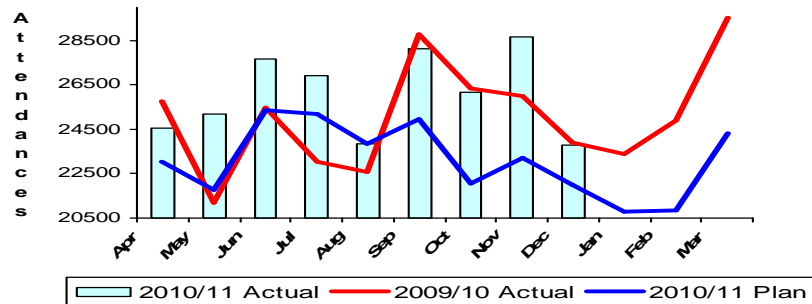
- Performance below plan continues to impact on the liquidity position
- The diagram above illustrates the Trust position in each metric of the FRR against the full year plan position and illustrates the in-month improvement against each of the metrics, other than liquidity.
- The Trust is currently underperforming in each area.

Section Six- Activity and Income

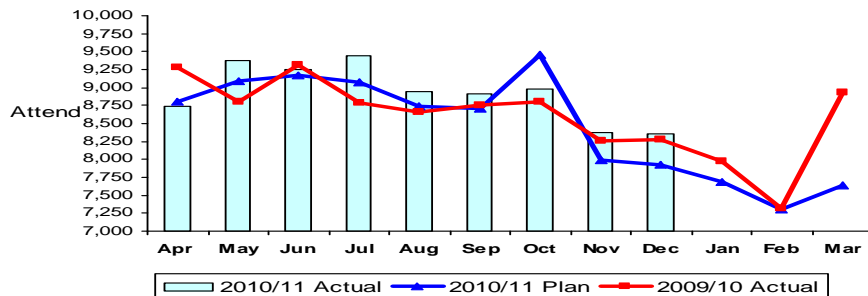
Inpatients



Outpatients



Accident & Emergency



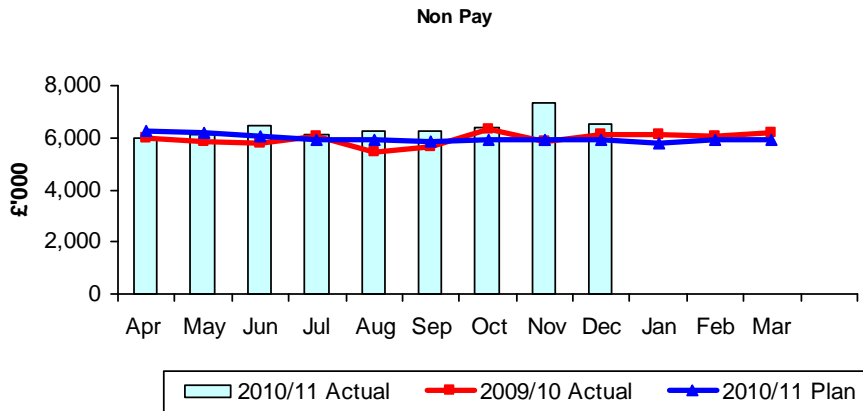
In Patient

- Total elective and day case activity was 185 spells above plan in December. This has given rise to an income over-recovery of £265k in December.
- Overall Day Cases show an over performance of 143 spells in December. Over performance in Day Case is reported in most specialties. This is offset by underperformance in other specialties notably General medicine, Oral Surgery, Urology and Cardiology
- Elective inpatient activity was 42 above plan in December. The most notable areas of over performance being General Surgery, Trauma and Orthopaedics and Nephrology.
- Non elective activity is 415 spells above plan in December, 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 £638k (£2,332k YTD).
- Non elective activity in total including maternity is £505k above plan in December.
- Maternity activity is below plan 26 spells in December.

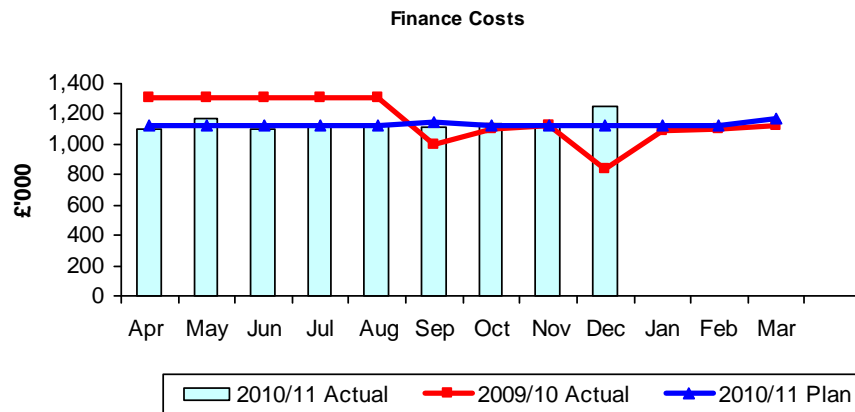
Out Patient

- In December outpatients were 1,762 attendances above plan, the income over recovery for the nine months is £3,328k, (December £204k).
- In December new outpatients are 1,294 attendances above plan and 2,014 attendances below the November level. This includes Outpatient Procedures overperformance in the month of 1,378. The underlying new outpatient activity is 84 below plan.
- New outpatient over performance is reported for most specialties. Areas of underperformance include Dermatology, ENT, Oral Surgery, General Medicine, Rheumatology, Geriatric Medicine and Gynaecology.
- Outpatient procedure activity shows notable over performance in Orthodontics, Oral Surgery, Gynaecology and Obstetrics. Some of this offsets new outpatient underperformance.
- Follow up outpatients are 468 attendances above plan and 2,751 attendances below the November level.
- A & E attendances are 432 above plan in December (2,427 YTD).
- In month activity analysis shows a 50/50 split between RSH and PRH. Income shows 52% PRH and 48% RSH.

Section Seven - Expenditure – Non-Pay and Finance Costs



- Non pay shows an overspend of £556k in month. All non-clinical non-pay expenditure requisitions continue to be reviewed and scrutinised for validity and necessity before being approved.
- The Divisional Report highlights specific areas of non pay over spend including:
 - Cancer/ Oncology/ Haematology drugs offset, by income recovery
 - Theatres Orthopaedic products, hip, knee and trauma related. Division 3 are undertaking a baseline review to identify expenditure linked to activity above baseline.
 - Patient Transport Costs, offset by income.



- Finance costs are £126k overspent in December, due to recoding of redevelopment costs from non-pay to loss on disposal of fixed assets following SHA advice. Forecast outturn is in line with plan.

Section Eight - Debtors

All	Current £'000	+ 30 days £'000	+ 60 days £'000	Total £'000
NHS	1,481	502	1,146	3,129
Private Patients	104	60	57	221
Other *	272	231	119	622
Total	1,857	793	1,322	3,972

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

- Trade debtors have increased by £960k compared to prior month with a decrease in accrued revenue of £3,563k. Total debtors have therefore decreased by £2,603k.

- The over-performance invoice of £221k was paid on 9 December 2010.
- SC PCT have paid some of the over-performance that has previously been reflected within accrued debtors. An amount of £1,186k was requested with SCPCT settling £682k in early December. A provision for the balancing risk has been included within the Month 9 financial position. In addition, an amount of £1,300k was received in early December to correct the cumulative position for contract mandate payments.
- Powys +60 days has been agreed by commission teams (following receipt of credit note). The credit team are chasing for a confirmation of payment date. Given the timing of the agreement this is likely to be mid January 2011. The invoice of £170k in +30 days was paid 6 January 2011.

NHS	Current £'000	+ 30 days £'000	+ 60 days £'000	2009/10 £'000	Total £'000
Shropshire County PCT	1,125	47	39	533	1,744
Telford & Wrekin PCT	106	38	67	12	223
Powys	24	170	304		498
RJAH	63	55	102	1	221
Others	163	192	79	9	443
Total	1,481	502	591	555	3,129

Non NHS Debtors > £25k	£'000	NHS Debtors > £100k	£'000
Friends of the RSH	271	Shropshire County PCT	1,744
Overseas Visitor Z	56	Powys	498
Lingen Davies Appeal	48	Telford & Wrekin PCT	223
BUPA	40	RJAH	221
Norwich union	39	Western Sussex Hospitals	112
Total	454		2,798

- The Friends of the RSH amount of £271k relates to the recharge of the breast screening equipment (£152k) and maternity resuscitaires (£119k). The £152k was received on 4 January 2011 and the £119k will be received at the end of January due to monies being on term deposits.
- 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.

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	YTD 2010/11
By Volume											
Total Volume	75587	4240	7670	6614	6654	4503	5514	7188	7774	7939	58096
BPPC compliant volume	49629	1813	2135	2062	1318	1962	1921	2374	2063	2538	18186
BPPC compliant %	66%	43%	28%	31%	20%	44%	35%	33%	27%	32%	31%
By Value											
Total value (£000)	72097	5275	7056	11389	9671	8155	9066	10630	10124	11028	82394
BPPC compliant value (£000)	46040	2679	1850	7013	5234	6082	5590	6464	5993	6658	47563
BPPC compliant %	64%	51%	26%	62%	54%	75%	62%	61%	59%	60%	58%

Table 2

Payment made	Quantity	Quantity %	Value £000	Value %
0-30 days	2,538	32%	£6,658	60%
31-35 days	362	5%	£482	4%
36-40 days	641	8%	£531	5%
41-45 days	538	7%	£519	5%
46-50 days	413	5%	£322	3%
51-55 days	478	6%	£432	4%
56-60 days	771	10%	£633	6%
over 60 days	2,198	28%	£1,451	13%
Total invoices paid	7,939	100%	£11,028	100%

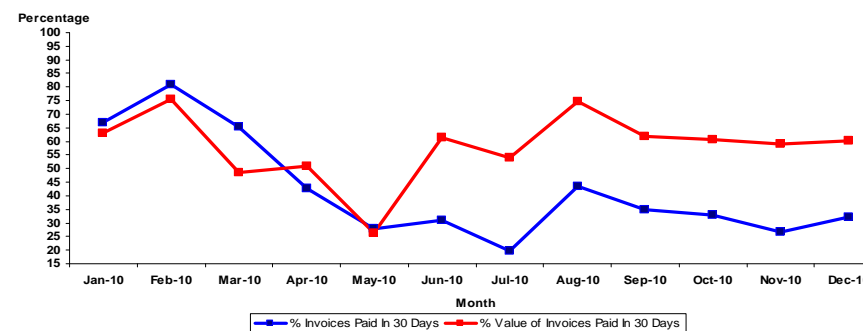
- Table 1 summarises the non-NHS creditor payment performance for the cumulative prior year, month 9 and year to date position. The graph shows the prior year by month with current month position.

- 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 on par with month 8 and is 31% for volume and 58% for value.

- Table 2 summarises the actual payment performance in the **month**.

Better Payment Practice Code - Trade Creditors



Section Nine – Creditors (NHS)

Table 1

NHS Spend	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	YTD 2010/11
By Volume											
Total Volume	2189	29	79	154	489	24	272	121	232	443	1843
BPPC compliant volume	1192	14	35	23	97	7	88	53	86	125	528
BPPC compliant %	54%	48%	44%	15%	20%	29%	32%	44%	37%	28%	29%
By Value											
Total value (£000)	20045	1776	1529	1487	3448	415	2371	1246	2818	4067	19157
BPPC compliant value (£000)	6993	687	892	347	1242	67	1424	573	1047	1391	7670
BPPC compliant %	35%	39%	58%	23%	36%	16%	60%	46%	37%	34%	40%

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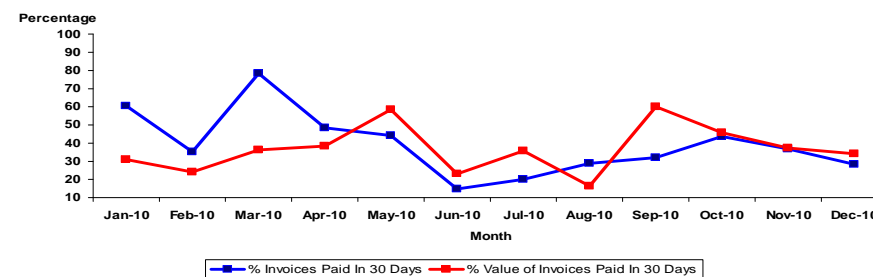
- The **cumulative** compliance position at Month 9 is on par with the prior month at 29% for volume and 40% for value.

- Table 2 summarises the actual payment performance in the month.

Table 2

Payment made	Quantity	Quantity %	Value £000	Value %
0-30 days	125	28%	£1,391	34%
31-35 days	17	4%	£10	0%
36-40 days	17	4%	£176	4%
41-45 days	38	9%	£398	10%
46-50 days	41	9%	£174	4%
50-55 days	6	1%	£281	7%
56-60 days	12	3%	£232	6%
over 60 days	187	42%	£1,405	35%
Total invoices paid	443	100%	£4,067	100%

Better Payment Practice Code - NHS Creditors



Section Ten - Capital

	Plan CRL 2010/11 £'000	Expenditure M09 YTD £'000	Committed M09 YTD £'000	Total Expenditure/ Committed M09 YTD £'000	Forecast	% of spend
					Outturn	/committed
					2010/11 £'000	against forecast
B/Fwd 2009/10 projects	546	339	72	411	420	97.9%
2010/11 projects						
CT Scanner PRH	800	630	43	673	673	100.0%
Bathroom refurbishment	350	0	0	0	0	0.0%
Decontamination Project	3,734	2,339	775	3,114	3,234	96.3%
Redevelopment of Women and Children Zone	3,000	0	0	0	0	0.0%
Electrical infrastructure	600	0	0	0	0	0.0%
Theatres Air Handling	450	290	59	349	349	100.0%
Breast Screening (Digital)	466	498	22	520	537	96.8%
Others	1,438	323	466	788	921	85.6%
	10,838	4,080	1,365	5,444	5,714	95.3%
2010/11 contingency funds	1,350	661	265	926	1,024	90.4%
2010/11 unallocated funds	371	0	0	0	275	0.0%
Total 2010/11	13,105	5,080	1,702	6,781	7,433	91.2%
Planned CRL consists of:						
Depreciation	7,705				7,705	
DH Loan for Decontamination	2,400				0	
DH Loan for W&C Zone	3,000				0	
					500	
					300	
Total 2010/11	13,105		Total 2010/11		8,505	

- The Capital Resource Limit (CRL) for 2010/11 remains at £8,505k. However the Capital Programme was reviewed by Executive Directors on 8.12.2010, and a revised reduced forecast expenditure of £7,433k was approved, resulting in a forecast underspend against CRL of £1,072k.
- Included in the forecast expenditure of £7,433k are:
 - £150k contingency for unplanned expenditure,
 - £125k for known projects, not yet approved by Capital Planning Group.
- Decontamination Project – Commissioning of specialist equipment completed. Procurement of additional instrumentation is ongoing and a further reduction in expenditure in the current financial year is assumed. Project is targeting 8 February as PRH service move date. RSH move planned for mid spring 2011, date to be confirmed.
- 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 – discussions held with League of Friends and confirmation received for funding of equipment. Estates/PACS costs have been prepared and will be presented to January CPG Meeting (nominal figure included in contingency for known projects).
 - Mobile Unit - RPA testing completed on mobile unit. Awaiting staff training in New Year ready for clinic use at end of February 2011.