

Trust Board Meeting – 24th February 2011

FINANCE REPORT for the period ending 31st January 2011 (Month 10)

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>January 2011 (Month 10) financial performance shows :</p> <p>Trading deficit £882k SHA Support of £1,200k Actual surplus of £318k Plan deficit £286k.</p> <ul style="list-style-type: none"> Income actual month includes £903k reduction for Emergency threshold adjustment (£3.235m YTD). Pay costs actual month £15.9m. Pay costs actual month overspend to plan by £1.471m. Agency spend actual month increase of £196k compared to prior month spend - nursing agency £97k, consultant £62k.
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KEY FACTS

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

Month				Year to Date					
Plan	Actual	Variance	L Year	Plan	Actual	Variance	L Year	Annual	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Budget	
21,050	22,178	1,128	23,002	Income	218,710	225,532	6,822	216,523	261,883
(14,426)	(15,897)	(1,471)	(15,024)	Pay	(145,458)	(153,907)	(8,449)	(146,907)	(174,222)
(5,782)	(6,033)	(251)	(6,113)	Non Pay	(59,761)	(63,387)	(3,626)	(59,245)	(71,488)
842	248	(594)	1,865	EBITDA	13,491	8,238	(5,253)	10,371	16,173
(1,128)	(1,130)	(2)	(1,090)	Finance Costs	(11,303)	(11,368)	(65)	(11,666)	(13,606)
(286)	(882)	(596)	775	Trading position	2,188	(3,130)	(5,318)	(1,295)	2,567
0	1200	1200	0	SHA Support	0	2750	2750	0	0
(286)	318	604	775	Total	2,188	(380)	(2,568)	(1,295)	2,567

- The Better Payments Practice Code (BPPC) target is to pay 95% of creditors within 30 days. In January the Trust showed the following performance:
 - 66% for Non-NHS invoices (YTD 59%)
 - 63% for NHS invoices (YTD 42%)
- Marginal improvement in liquidity, however pressures in cash position continue as a consequence of current performance.

RECOMMENDATIONS

The Committee is asked to **NOTE** and **APPROVE** at Month 10:

- Actual trading YTD deficit of £3.130m.
- SHA Support YTD of £2,750m
- Actual YTD deficit of £0.380m
- Planned YTD surplus of £2.188m.
- Better Payment Practice code performance.

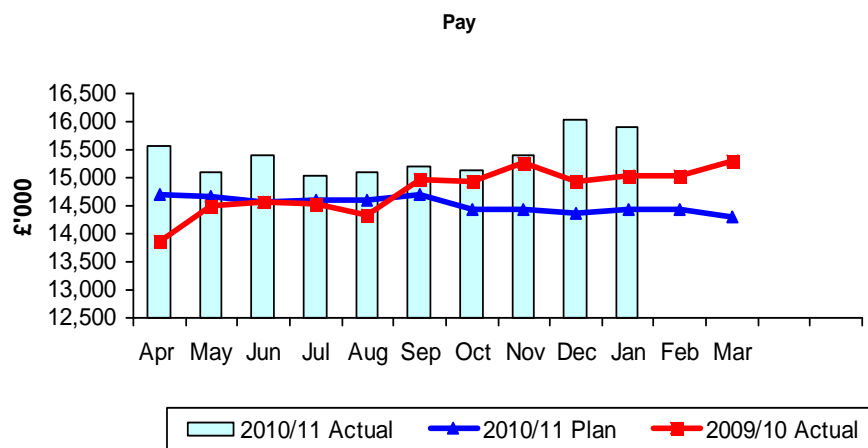
Section One- EXECUTIVE SUMMARY

	Position		Monthly Performance	Direction of Travel	2010/11 Actual	Comment	Sheet Ref
I & E Position	In month	£0.318m surplus	Green	=	Green	£0.604m surplus to plan	1
	2010/11 Actual ytd	£0.380m deficit	Red	=	Red	£2.568m deficit to plan	1
	Pay Costs	£15.897m	Red	=	Red	10.2% above plan for the month	4-6
	WTE Worked	4556	Amber	=	Amber	Below plan	4-6
	Agency WTE	121	Red	=	Red	Increase in both Medical Staffing and Nursing agency	5
	Agency Costs	£0.952m	Red	=	Red	Increase in both Medical Staffing and Nursing agency	5
	Non Pay Costs	£6.033m	Red	=	Red	£0.251m over plan	12
Improvement Programme	CIP's delivered	£2.793m	Red	=	Red	Shortfall against ytd forecast saving £1.570m.	8
Balance Sheet	Debtors		Red	=	Red	£0.278m decrease; significant prior year NHS amounts outstanding	13
	Creditors		Red	=	Red	59% Non-NHS invoices and 42% NHS invoices paid within 30 days	14-15
Cash	In Month Movement	£0.427m decrease	Red	=	Red	£0.038m balance at Month 10 against plan of £0.175m	7
Capital Expenditure	In month	£0.620m	Green	=	Amber	The Capital Programme forecast for 2010/11 has been revised to £7.558m.	16
Key Metrics & Ratios	Liquidity	8.2	Red	=	Red	Impact of I & E position on working capital	9
	EBITDA Margin %	3.7%	Red	=	Red	Below plan level of 6.2%	9
	Financial Risk Rating	2	Red	=	Red		9

Summary Information

- In Month Trading Deficit £882k, YTD £3.130m deficit.
- YTD position including SHA support assumption £0.380m deficit.
- Month 10 surplus including SHA support £318k
- Emergency Threshold adjustment £3.2m YTD
- 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 view 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

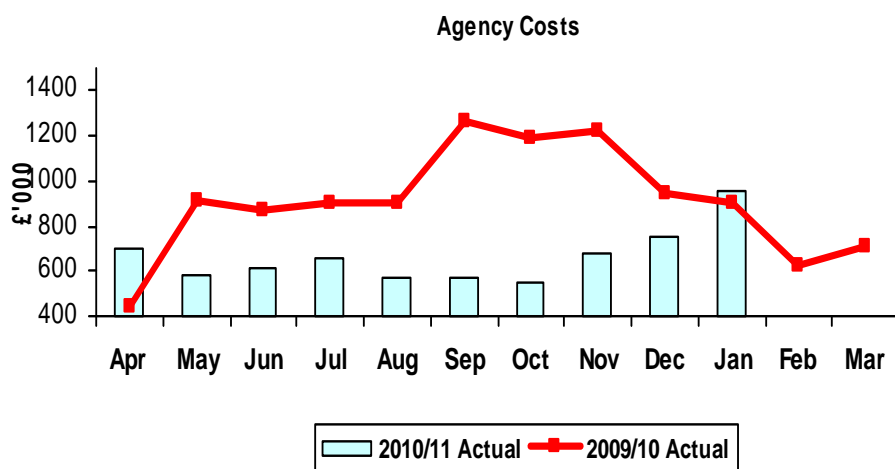
- **Month 10 Pay overspend £1,471k**, across all staff groups. Efficiencies required to cover the pay award continue to be the main cost pressure.
- **Pay cost in Month 10 was £15.897m, the average for months 1 to 9 was £15.427m.** It should be noted that the Month 9 pay spend included a £0.5m provision for the costs of reorganisation.

The pay spend in Month 10 shows an increase of £372k on the Month 9 level (after adjusting Month 9 level for the reorganisation costs) due partly to payment of preceptorship costs of £111k.

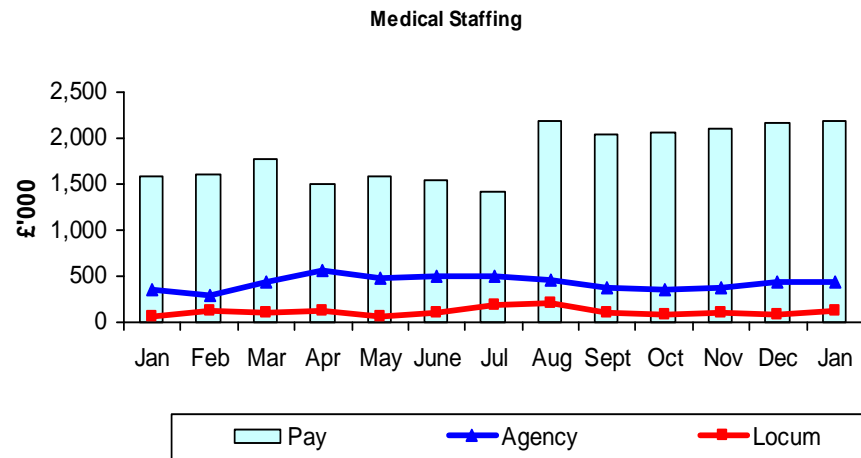
- The tables opposite show the actual workforce position against plan for month 10 and the agency wte position for month 10.

AGENCY

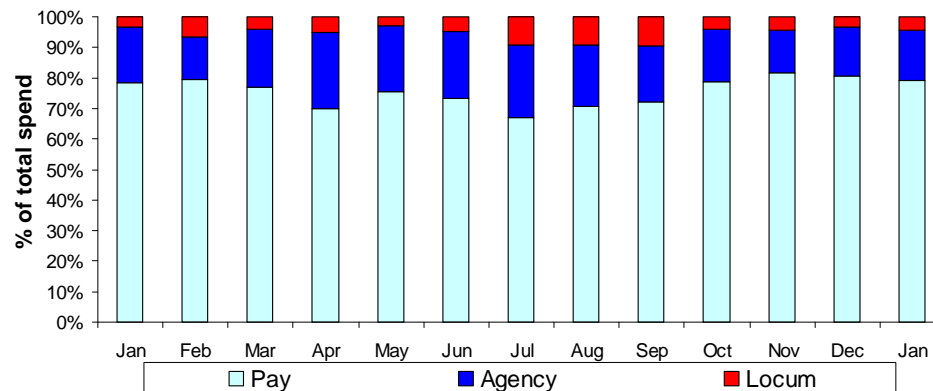
- **Month 10 agency costs increased to £952k** (December £756k). This is equivalent to 121 wte.
- The in month agency spend per wte is £7.9k. The month 9 average was £7.2k.
- Consultant agency utilisation shows an increase in the month. This is partly due to Locums in Ophthalmology where appointments are due in April.
- Medical staffing agency spend shows an increase in month of £11k.
- 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.
- 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 increases. As the demand has increased the use of non-PASA agencies has occurred to ensure cover for short-notice and specialist shifts.



Section Two – Expenditure – Pay – Medical Staffing



- **Medical Staff overspend £307k (December £293k). 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 month to £446k (£435k in December).
- 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 January 2011 this has reduced to 20.4% (20.1% December)



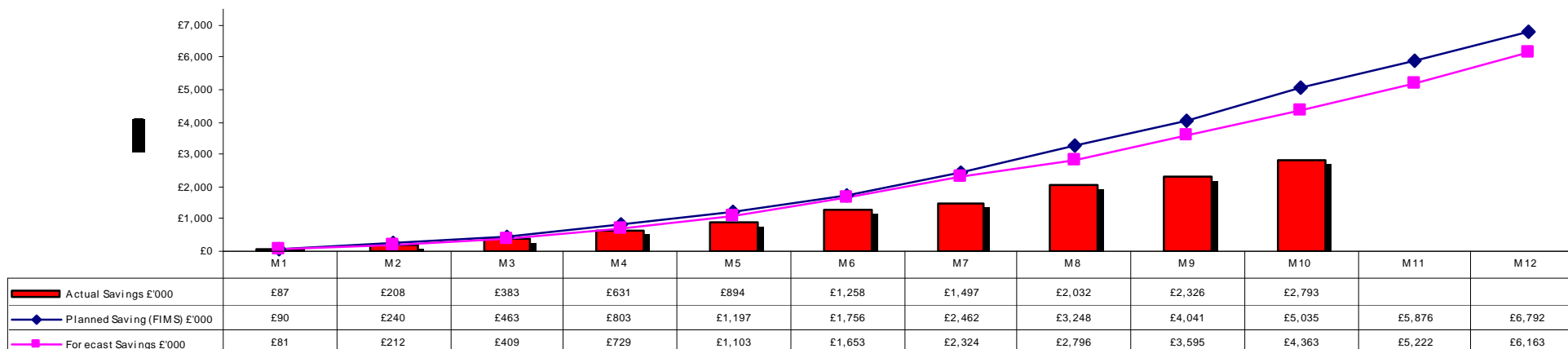
Section Three - Cash

	Plan M10	Actual M10	Plan YTD	Actual YTD
Opening cash balance	252	465	441	441
EBITDA	794	1,376	12,485	9,941
Impairments	0	0	500	351
Working capital movement	0	(947)	(4,705)	2,157
Operating cash flow	794	429	8,280	12,449
Capital expenditure	(872)	(858)	(11,144)	(10,718)
Proceeds from sale of assets	0	0	0	0
Operating cash flow after net capital expenditure	(78)	(429)	(2,864)	1,731
Net interest paid	1	1	(12)	13
Provisions movement	0	1	(30)	(119)
Loan received	0	0	5,400	0
Loan repayment	0	0	(240)	0
Lease payment	0	0	0	0
PDC received	0	0	0	500
PDC dividend paid	0	0	(2,520)	(2,528)
Cash flow for period	(77)	(427)	(266)	(403)
Closing cash balance	175	38	175	38

- Closing cash balance of £38k is an decrease of £427k to the prior month.
- EBITDA shortfalls (YTD £2,544k) 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 balance of £500k for the strategic change reserve monies received through SC PCT was received on 7 January 2011.
- Updated cash position papers have been submitted to Finance and Performance Committee and Trust Board. As a result, the Trust will not be pursuing an application for a working capital loan and will manage the current cash position by securing a balanced I&E position, requesting that PCTs accelerate over-performance payments and managing a 'one-off' reduction in the capital programme for 2010/11.

Section Four - Improvement Programme

SaTH Improvement Programme Status Report



The summary position is as follows:

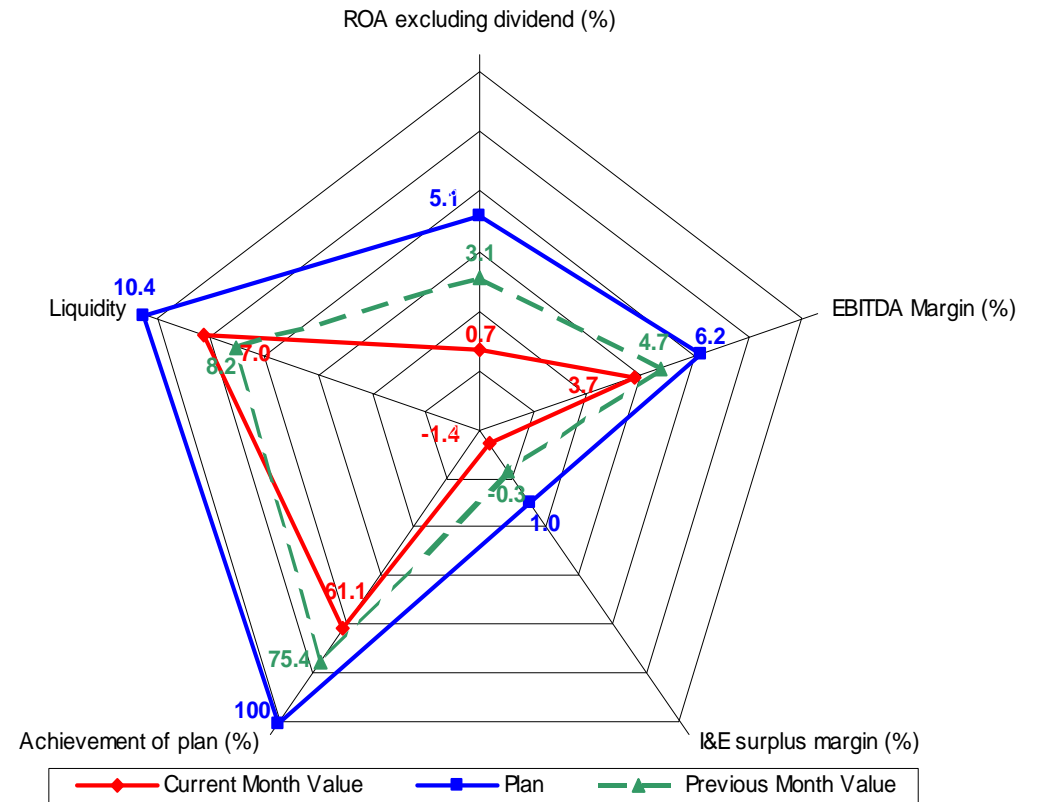
- IP target for 2010/11 is £6.8 million.
- At Month 10 £2.793m has been delivered against a target of £5.035m. This equates to 55.5%. Against the revised forecast of £4.363m delivery equates to 64%.
- The current forecast outturn assumption is that delivery will be at **60.1%**
- For a detailed analysis 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%	61.1%	75.4%
Underlying Performance	25%	EBITDA Margin (%)	11%	9%	5%	1%	<1%	3.7%	4.7%
Financial Efficiency	20%	Return on assets excluding dividend (%)	6%	5%	3%	-2%	<-2%	0.7%	3.1%
	20%	I&E Surplus Margin net of dividends (%)	3%	2%	1%	-2%	<-2%	-1.4%	-0.3%
Liquidity	25%	Liquidity Ratio (days)	35	25	15	10	<10	8.2	7
Weighted Financial Risk Rating								1.9	1.9
Overall Rating								2	2

Risk rating of 2.

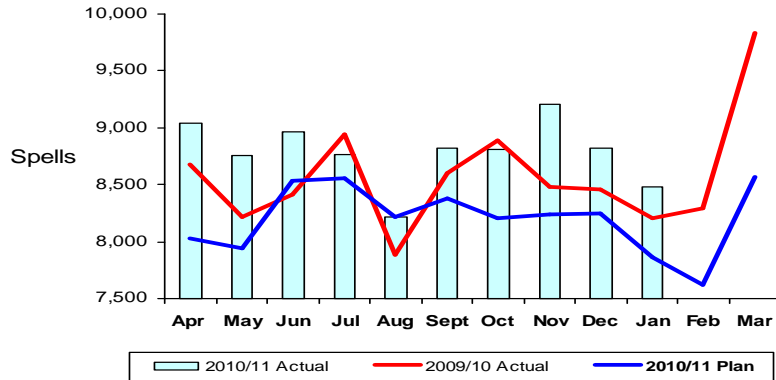
- Deterioration in each of the FRR performance metrics except for minor improvement in liquidity.
- Liquidity metric shows rating of 1. Net current asset reduction mainly linked to increased NHS and capital creditors and accrual for PDC dividend



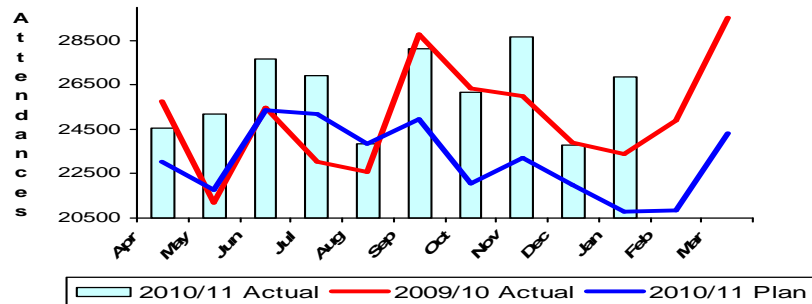
- Performance below plan continues to impact on the liquidity position
- The diagram above illustrates the Trust position in each metric of the FRR against the full year plan position and illustrates the in-month improvement against each of the metrics, other than liquidity.
- The Trust is currently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

Section Six- Activity and Income

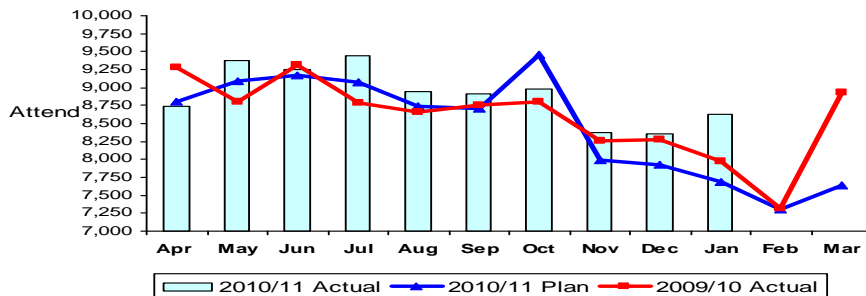
Inpatients



Outpatients



Accident & Emergency



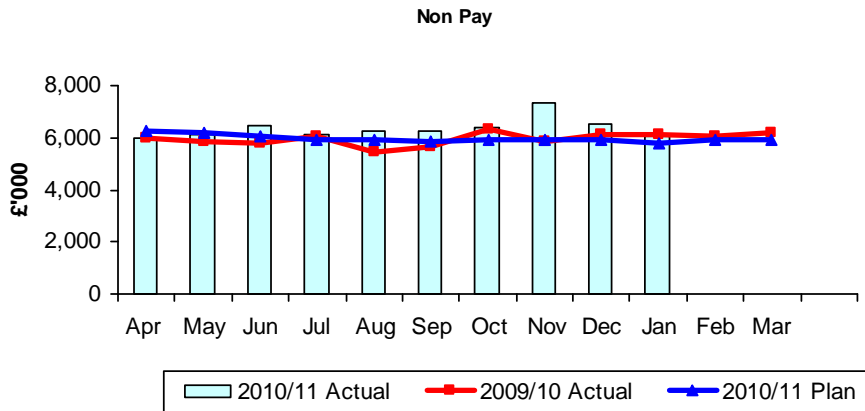
In Patient performance

- Total elective and day case activity was 241 spells above plan in month, however due to a lighter casemix being seen, an underperformance of income has been reported (£87k).
- Overall Day Cases show an over performance of 345 spells in month. Over performance in Day Case is reported in most specialties. This is offset by underperformance in other specialties notably Oral Surgery, General Medicine, Trauma & Orthopaedics, Pain Management, Urology and Gynaecology.
- Elective inpatient activity was 104 below plan in month. The most notable areas of under performance being Trauma and Orthopaedics, Gynaecology, Clinical Haematology and General Surgery.
- Non elective activity is 381 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 £903k (£3,235k YTD).
- Non elective activity in total including maternity is £519k above plan in month.
- Maternity activity is below plan 22 spells in month.

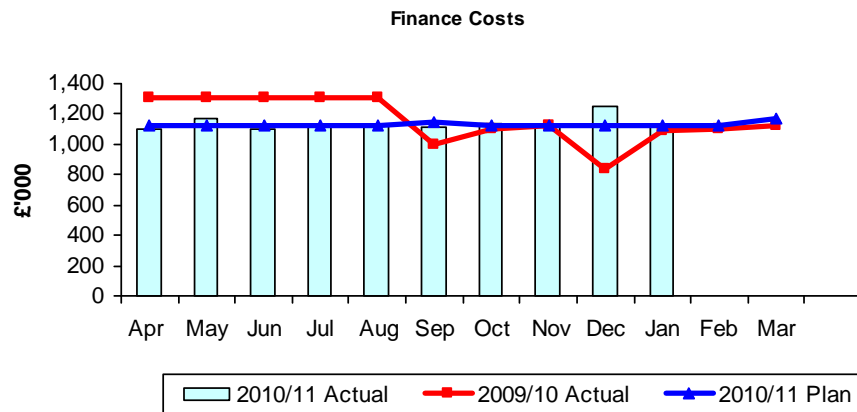
Out Patient performance

- In month outpatients were 6,058 attendances above plan, the income over recovery for the ten months is £4,005k, (month £667k).
- In month new outpatients are 2,231 attendances above plan and 376 attendances above the December level. This includes Outpatient Procedures overperformance in the month of 1,426. The underlying new outpatient activity is 805 above plan.
- New outpatient over performance is reported for most specialties. Areas of underperformance include ENT, Oral Surgery, Dermatology, Rheumatology, Geriatric Medicine, Orthodontics and Plastic Surgery.
- Outpatient procedure activity shows notable over performance in Orthodontics, Oral Surgery, Gynaecology, Obstetrics and Dermatology
- In month follow up outpatients are 3,828 attendances above plan and 2,690 attendances above the December level.
- A & E attendances are 939 above plan in month (3,367 YTD).
- In month activity analysis shows a 51/49 split between RSH and PRH. Income shows 51% PRH and 49% RSH.

Section Seven - Expenditure – Non-Pay and Finance Costs



- Non pay shows an overspend to plan of £251k 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.
- The Divisional Report highlights specific areas of non pay over spend including:
 - Cancer/ Oncology/ Haematology drugs overspend of £145k but offset by income recovery.
 - CRU provision movement of £80k.



- Finance costs are £2k overspent in January. Forecast outturn is in line with plan.

Section Eight - Debtors

All	Current £'000	+ 30 days £'000	+ 60 days £'000	Total £'000
NHS	88	650	671	1,409
Private Patients	91	23	79	193
Other *	265	19	136	420
Total	444	692	886	2,022

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

- Trade debtors have decreased by £1,950k compared to prior month with an increase in accrued revenue of £1,672k. Total debtors have therefore decreased by £278k.

- Shropshire County PCT prior year invoices remain unpaid with no movement within the month. Discussions at FD level have not resolved the issue. **A provision for this risk has been included within the Month 9 financial position.**

- SCPCT 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, there is still £504k outstanding.

- RJAH invoices for £122K relate to Payroll and Procurement SLAs that have only recently been signed off. The payroll element has now been settled.

NHS	Current £'000	+ 30 days £'000	+ 60 days £'000	2009/10 £'000	Total £'000
Shropshire County PCT	118	536	55	532	1,241
Telford & Wrekin PCT	122	23	75	12	232
Powys	7	2	12		21
RJAH	60	2	122	0	184
Others	-219	87	-137	0	-269
Total	88	650	127	544	1,409

Non NHS Debtors > £25k	£'000	NHS Debtors > £100k	£'000
CP Plus	64	Shropshire County PCT	1,241
Keele University	60	Telford & Wrekin PCT	232
Overseas Visitor Z	56	RJAH	184
BUPA	49	Western Sussex Hospitals	112
Norwich union	37	West Mids Special Services	-826
Total	266		943

- 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)

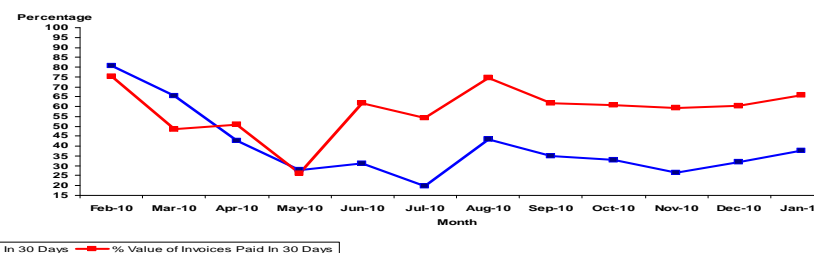
Table 1

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	M10 2010/11	YTD 2010/11
By Volume												
Total Volume	75587	4240	7670	6614	6654	4503	5514	7188	7774	7939	8084	66180
BPPC compliant volume	49629	1813	2135	2062	1318	1962	1921	2374	2063	2538	3057	21243
BPPC compliant %	66%	43%	28%	31%	20%	44%	35%	33%	27%	32%	38%	32%
By Value												
Total value (£000)	72097	5275	7056	11389	9671	8155	9066	10630	10124	11028	11151	93545
BPPC compliant value (£000)	46040	2679	1850	7013	5234	6082	5590	6464	5993	6658	7344	54907
BPPC compliant %	64%	51%	26%	62%	54%	75%	62%	61%	59%	60%	66%	59%

Table 2

Payment made	Quantity	Quantity %	Value £000	Value %
0-30 days	3,057	38%	£7,344	66%
31-35 days	289	4%	£208	2%
36-40 days	1,093	14%	£804	7%
41-45 days	854	11%	£670	6%
46-50 days	683	8%	£562	5%
51-55 days	874	11%	£610	5%
56-60 days	805	10%	£525	5%
over 60 days	429	5%	£428	4%
Total invoices paid	8,084	100%	£11,151	100%

Better Payment Practice Code - Trade Creditors



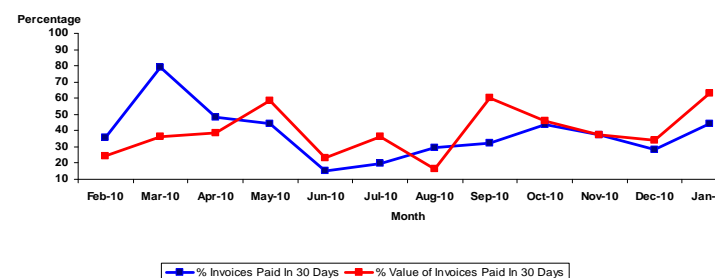
- Table 1 summarises the non-NHS creditor payment performance for the cumulative prior year, month 10 and year to date position. The graph shows the prior year by month with current month position.
- The Better Payment Practice Code stipulates a target of 30 days.
- Increase in monthly compliance position due to prioritisation of non-NHS payments. The current **cumulative** compliance is on par with month 9 and is 32% for volume and 59% for value.
- Table 2 summarises the actual payment performance in the **month**.

Section Nine – Creditors (NHS)

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	M10 2010/11	YTD 2010/11
By Volume												
Total Volume	2189	29	79	154	489	24	272	121	232	443	88	1931
BPPC compliant volume	1192	14	35	23	97	7	88	53	86	125	39	567
BPPC compliant %	54%	48%	44%	15%	20%	29%	32%	44%	37%	28%	44%	29%
By Value												
Total value (£000)	20045	1776	1529	1487	3448	415	2371	1246	2818	4067	1389	20546
BPPC compliant value (£000)	6993	687	892	347	1242	67	1424	573	1047	1391	878	8548
BPPC compliant %	35%	39%	58%	23%	36%	16%	60%	46%	37%	34%	63%	42%

Payment made	Quantity	Quantity %	Value £000	Value %
0-30 days	39	44%	£878	63%
31-35 days	2	2%	£1	0%
36-40 days	16	18%	£76	5%
41-45 days	6	7%	£3	0%
46-50 days	4	5%	£192	14%
50-55 days	3	3%	£79	6%
56-60 days	7	8%	£128	9%
over 60 days	11	13%	£32	2%
Total invoices paid	88	100%	£1,389	100%

Better Payment Practice Code - NHS Creditors



- Table 1 summarises the non-NHS creditor payment performance for the cumulative prior year, month 10 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 10 is on par with the prior month at 29% for volume and 42% for value.
- Table 2 summarises the actual payment performance in the **month**.

Section Ten - Capital

	Plan CRL 2010/11 £'000	Expenditure M10 YTD £'000	Committed M10 YTD £'000	Total		% of spend /committed against forecast
				Expenditure/ Committed M10 YTD £'000	Forecast Outturn 2010/11 £'000	
B/Fwd 2009/10 projects	546	402	21	423	427	99.1%
2010/11 projects						
CT Scanner PRH	800	655	9	664	664	100.0%
Bathroom refurbishment	350	0	0	0	0	0.0%
Decontamination Project	3,734	2,858	592	3,450	3,450	100.0%
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	507	64	571	629	90.8%
Others	1,438	476	473	949	1,490	63.7%
	10,838	4,786	1,197	5,983	6,582	90.9%
2010/11 contingency funds	1,350	773	222	995	1,024	97.2%
2010/11 unallocated funds	371	0	0	0	-475	0.0%
Total 2010/11	13,105	5,961	1,440	7,401	7,558	97.9%
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		
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. Forecast underspend at M10 stands at £947k without effect of projected overspend on Decontamination Project (see below)
- Decontamination Project – Commissioning of fixed specialist equipment completed. Project has delayed ‘go-live’ date due to delays regarding delivery of BT installations and specialist equipment. PRH service move date now 21.3.2011. RSH move still on target for end April – mid May. Commissioning continues with capital purchases. Instrumentation procurement ongoing – total outstanding requirements and split by site is currently being finalised. Overspend is currently being projected with figures currently being validated – projected overspend not built into M10 position.
- 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 – Meetings held with contractor – agreed approx half enabling works will be completed pre-31.3.2011 to enable installation of equipment. Following commissioning, 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 at end of February 2011.