

## FINANCE UPDATE

TRUST BOARD  
Thursday 27<sup>th</sup> October 2011

### 1. Introduction

The Trust is required to deliver a balanced Income and Expenditure position in the year. This paper provides a description of the performance over the period April – September and provides a forecast outcome for the year.

In addition, in constructing the paper a series of scenarios have been constructed to provide an indication of the risks associated with the delivery of the plan for the 2011/12 year.

Recognising the impact such plans has upon the working capital of the Trust, the paper also contains a description of how the cash position is expected to alter through the year and the impact upon the level of debtor and creditor working balances.

### 2. Month 6 Position

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

	Months 1- 6 Plan £000s	Months 1 – 6 Actual £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Income	139,694	141,698	2,004	282,182	289,144	6,962
Expenditure						
Pay	97,809	98,630	(821)	198,578	201,126	(2,548)
Non Pay	37,799	39,326	(1,527)	75,746	79,820	(4,074)
Reserves					2,440	(2,440)
Finance Cost	7,406	7,403	3	14,358	14,658	(300)
Total Expenditure	143,014	145,359	(2,345)	288,682	298,044	(9,362)
	(3,320)	(3,661)	(341)	(6,500)	(8,900)	(2,400)
SHA Funding	2,750	2,750	-	6,500	6,500	-
Under / Over spend	(570)	(911)	(341)	-	(2,400)	(2,400)
Actions to address overspend				-	2,400	2,400
Under / Overspend after management actions				-	-	-

As can be seen from the above at the end of September the Trust had recorded an overspend amounting to £911,000. The Trust had planned to record a deficit at the end of September amounting to £570,000. It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £2.4 million.

### 3. Month by Month analysis

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

	April £000s	May £000s	June £000s	July £000s	Aug £000s	Sept £000s	Total April - Sept £000s
Income	22,078	22,927	23,697	24,502	23,687	24,807	141,698
Expenditure							
Pay	16,244	16,478	16,575	16,261	16,363	16,709	98,630
Non Pay	6,613	6,169	6,069	7,023	6,711	6,741	39,326
Reserves							
Finance Cost	1,146	1,220	1,179	1,185	1,269	1,404	7,403
Total Expenditure	24,003	23,865	23,825	24,569	24,343	24,854	145,359
	(1,925)	(938)	(128)	33	(656)	(47)	(3,661)
SHA Funding	458	458	458	458	459	458	2,750
Under / Over spend	(1,467)	(480)	330	491	(197)	411	(911)
Planned Position	(1,486)	(261)	665	338	41	135	(570)
Variation from plan	19	(219)	(335)	153	(238)	276	(341)

The table shows that over the period April – September the Trust is presently recording a deficit in excess of the planned position by £341,000. At the end of September the Trust financial position had improved by £276,000 when compared with the previous month.

### 4. Explanation of Overspend recorded to date

#### 4.1 Income

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

	Plan Months 1- 6 £000s	Actual Months 1-6 £000s	Variance £000s	Planned Forecast Outturn £000s	Forecast Outturn £000s	Variance £000s
Shropshire County PCT	63,606	63,832	226	128,266	131,124	2,858
Telford and Wrekin PCT	43,920	44,516	596	88,474	90,513	2,039
Powys LHB	10,462	10,679	217	21,167	21,579	412
Other PCTs	2,853	3,134	281	5,758	6,335	577
Specialised services	5,259	5,487	228	10,522	10,979	457
Non Contracted Activity	774	1,359	585	1,562	2,785	1,223
Other Clinical Income	2,085	1,920	(165)	4,162	3,808	(354)
Total Clinical Income	128,960	130,927	1,967	259,911	267,123	7,212
Non Clinical Income	10,736	10,771	35	22,271	22,021	(250)
SHA Funding	2,750	2,750	-	6,500	6,500	-
Total Income	142,446	144,448	2,002	288,682	289,144	6,962

In the period April – September the Trust had generated a surplus in respect of Income amounting to £2.002 million.

#### 4.1.1 In month performance

The table below provides a description of the performance in the month of September. The level of over recovery in Income increased by comparison with the period ending August by £818,000.

	Variance at end of Sept £000s	Variance at the end of August £000s	Variance £000s
Shropshire County PCT	226	(157)	383
Telford and Wrekin PCT	596	385	211
Powys LHB	217	156	63
Other PCTs	281	84	197
Specialised services	228	124	84
Non Contracted Activity	585	476	109
Other Clinical Income	(165)		(165)
Total Clinical Income	1,967	1,067	900
Non Clinical Income	35	117	(82)
SHA Funding	-		-
Total Income	2,002	1,184	818

A review of activity levels identifies:

	Planned	Year to date	Variance
Elective Inpatients – spells	4,216	4,047	(169)
Elective Day Cases	22,311	22,181	(130)
Emergency – spells	19,961	20,249	288
Maternity – spells	3,401	3,386	(25)
And E attendances	54,806	56,666	1,860
First Outpatient attendances	56,617	51,508	(5,109)
Follow up Outpatient attendances	84,750	86,206	1,456
Outpatient Procedures	19,672	28,525	8,853

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

#### 4.1.2 Forecast Outturn Income

In constructing the Forecast Outturn position in respect of Income, a series of issues have needed to be considered:

- the impact of seasonal variation
- delivery of RTT
- Commissioner queries in respect of activity over performance

### Seasonal variation

In constructing the budgeted Income profile, the Trust has sought to recognise seasonal variation by incorporating into the profile:

- Historical trends; and also
- Capacity availability by reference to the number of available working days (this being particularly so in respect of Outpatient and Elective activity).

The table below provides a description of the distribution of seasonal variation, across the various Income categories, and compares with a budget where seasonal variation has been included:

	Budgeted Income for the period April – September £000s	Budgeted Income – excluding seasonal variation £000s	Variation in Budgeted profile £000s
Shropshire County PCT	63,606	64,133	(527)
Telford and Wrekin PCT	43,920	44,237	(317)
Powys LHB	10,462	10,584	(122)
Other PCTs	2,853	2,879	(26)
Specialised services	5,259	5,261	(2)
Non Contracted Activity	774	781	(7)
Other Clinical Income	2,085	2,081	4
Total Clinical Income	128,960	129,956	(996)
Non Clinical Income	10,736	11,135	(399)
SHA Funding	2,750	3,250	(500)
Total Income	142,446	144,341	(1,895)

As can be seen the Trust has, in allowing for seasonal variation, assumed a level of Income disproportionately smaller in the first half of the year than in the second half of the year. Two risks emerge from this:

- firstly, the over performance in Income recorded in the period April – September may be overstated ( a concern raised by KPMG in their recent review of the month 5 position); and
- Secondly, the gain recorded in the period April to September may disappear if activity levels in the second half of the year are undeliverable.

### Delivery of Referral to Treatment Target (RTT)

In setting the Income budget for the year the Trust had assumed increased income arising from addressing the Pending list and delivering the Referral to Treatment targets. This sum amounted to £4.2 million.

	Elective Inpatient and Day Cases £000s	First and Follow up Outpatient £000s
Shropshire County PCT	478	302
Telford and Wrekin PCT	610	115
Powys LHB	34	87
Other PCT's	(56)	209
50% Marginal rate adjustment	(283)	(108)
<b>Total</b>	<b>783</b>	<b>605</b>
Target	906	823

In the period April – September the Trust had planned to generate increased income arising from Pending and waiting list target amounting to £1.729 million. The actual level of increased income generated through additional Elective Inpatient, Day Case and First and Follow up outpatient activity

amounted to £1.384 million. This suggests, that the Trust is not presently recording a level of activity consistent with the levels required to generate the £4.2 million increased Income assumed within Trust Income budgets.

Given the significance to the health economy of delivering the RTT target, an internal exercise has been undertaken across operational centres to determine the volume of activity necessary to ensure achievement of the RTT Target by the required date of the 31<sup>st</sup> December 2011. This exercise indicates that because of:

- the inability to establish anticipated capacity levels, particularly within the specialities ENT, Gastroenterology, Maxillo-facial and Orthopaedics; and
- issues impacting upon the scheduling of outpatient activity

the Trust will be unable to deliver a volume of activity consistent with the achievement of the target and in doing so can expect to suffer an Income shortfall in the year estimated at £3.34 million.

### ***Commissioner queries in relation to Contractual performance***

The two local commissioners, have raised concerns in respect of the over performance recorded in year in respect of the service contracts, these concerns being in two specific areas, notably:

- Accident and Emergency attendances – where the Trust, following the implementation of the revised pricing structure for Accident and Emergency activity, appeared to be adopting a more aggressive position in respect of the coding of activity performed; and
- Emergency activity – where despite a level of activity that was consistent with plan, the Trust was presenting to Commissioners a sizeable financial over performance. Once again, the position of Commissioners being that such an over performance was associated with coding drift.

The estimated value of over performance in the 2011/12 financial year within these two areas amounts to £2.9 million.

#### **4.1.3 Outturn settlement with the two local PCTs.**

An agreement has now been reached with local commissioners, this agreement;

- commits the Trust to the delivery of a block contract for the year, and as a result removes the potential risk associated with seasonal variation,
- requires the Trust to deliver a restated RTT trajectory. In doing so, the marginal cost tolerance level incorporated within existing contract has been relaxed; and
- the computed level of over performance for the 2011/12 year as presented by SATH in respect of Accident and emergency attendances and Non Elective activity is to be resourced in full.

As a result the Trust is to receive an increase in funding from the two PCTs in the 2011/12 year amounting to £9.0 million. After allowing for £3.67 million already assumed within Income budgets by the Trust in respect of the delivery of RTT, the effect of the agreement is to increase Income by £5.33 million.

Accordingly the contract values for the two local commissioners for the 2011/12 financial year have been reset as:

Shropshire County PCT - £131,124; and  
Telford and Wrekin PCT - £90,513.

## 4.2 Pay Budgets

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

	Actual April – September £000s	Budgeted April – September £000s	Variance £000s	Previous month Variance £000s	Movement in the month £000s
Core Pay	93,256	93,913	657	241	416
Premium costs					
Escalation	54	31	(23)	(23)	-
Agency Medical	2,888	977	(1,912)	(1,416)	(498)
Agency Nursing	802	247	(555)	(472)	(83)
Agency – Other	179	37	(142)	(98)	(44)
Waiting List Initiative	1,451	792	(659)	(262)	(397)
	98,630	95,997	(2,663)	(2,030)	(603)
Pay reserves		1,812	1,558	1,558	254
	98,630	97,809	(821)	(472)	(349)

In the month of September the level of overspending increased from the levels as recorded at the end of the previous month by £349,000.

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 £657,000.

The continued reliance upon Agency staff as opposed to appointment to substantive positions or the use of Bank staff has resulted in considerable excess premium costs. The effect of these premium costs has been to generate an overspend in Pay budgets during this period amounting to £2.609 million. Significantly, a comparison with overspending recorded in the previous month in respect of Agency staff shows an increase of £625,000 of which £498,000 relates to medical staff.

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

	Average overspend April – June £000s	Monthly overspend July £000s	Monthly overspend August £000s	Monthly overspend Sept £000s
Agency medical	480	507	450	498
Agency Nursing	173	97	104	83
Agency other	23	33	34	44

In reconstructing the Pay budgets for the 2011/12 year it had been identified that the assumptions in respect of staff numbers employed and the mix of Agency to permanent staff were both understated. As a result Pay reserves amounting to £3.52 million have been established. A sum amounting to £1.812 million has been released from the Pay reserve. In doing so this then reduces the cumulative overspend to £821,000.

Significantly the level of underlying Pay spending has in the month of September been distorted because of a number of spending commitments relating to previous periods in the month, being charged into the month of September. Adjusting for these items produces the following levels of spending per month.

	Previously notified £000s	Incorrectly charged against September £000s	Revised Monthly spending £000s
April	16,244	49	16,293
May	16,478	59	16,537
June	16,575	2	16,575
July	16,261	2	16,263
August	16,363	127	16,490
September	16,709	(239)	16,470

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

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	Budget Sept WTE	Variance in the month of Sept WTE
Substantive staff	4344.91	4300.64	4330.54	4322.14	4345.32	4381.63	4520.30	(138.67)
Bank –Nursing	140.70	122.43	135.64	138.32	134.52	153.87	84.68	69.19
Bank – Other	95.80	98.94	112.09	124.16	133.35	127.60	81.43	46.17
<b>Total Bank staff</b>	<b>236.50</b>	<b>221.37</b>	<b>247.73</b>	<b>262.48</b>	<b>267.87</b>	<b>281.47</b>	<b>166.11</b>	<b>115.36</b>
Agency – Medical	59.62	66.37	68.14	68.35	70.43	61.61	44.60	17.01
Agency – Nursing	102.82	129.37	114.18	80.83	28.90	36.23	61.66	(25.43)
Agency – Other	21.55	15.71	23.27	25.81	27.43	27.97	12.91	15.06
<b>Total Agency</b>	<b>183.99</b>	<b>211.45</b>	<b>205.59</b>	<b>174.99</b>	<b>126.76</b>	<b>125.81</b>	<b>119.17</b>	<b>(6.64)</b>
<b>Total</b>	<b>4765.40</b>	<b>4733.46</b>	<b>4783.86</b>	<b>4,759.61</b>	<b>4,739.95</b>	<b>4788.91</b>	<b>4788.96</b>	<b>(16.67)</b>
<b>Budgeted level WTE</b>	<b>4679.90</b>	<b>4741.50</b>	<b>4758.12</b>	<b>4803.46</b>	<b>4,788.96</b>	<b>4805.48</b>		
<b>(Under) / Over budget WTE</b>	<b>85.50</b>	<b>(8.04)</b>	<b>25.74</b>	<b>(43.85)</b>	<b>(49.01)</b>	<b>(16.67)</b>		

Key observations from the above table are:

- Numbers employed – the total number of staff employed both permanently and temporarily increased in September by comparison with the month of August by 48.96 posts.
- Comparison with budget – In the month of September the total numbers of staff employed were lower than budgets levels by 16.67 posts.
- Temporary staffing – The numbers of staff employed temporarily as Bank members of staff has increased in the month of September.

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

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

	April – Sept under / (over) spend £000s	Previous month Under / (over) spend £000s	Movement in the month
Division 1	(2,613)	(2,066)	(547)
Division 2	293	393	(100)
Division 3	(188)	(215)	27
Corporate Services	(199)	(203)	4
Facilities	74	61	13
Reserves	1,812	1,558	264
	(821)	(472)	(339)

At the end of September total Pay overspending had increased within Division 1 by £547,000 to £2.613 million.

	Critical Care £000s	Emergency Care £000s	General Medicine £000s	Management £000s	Total April – Sept £000s	Total Previous month £000s	
Core Pay	367	(27)	(607)	9	(258)	(299)	41
Agency – Medical	(320)	(684)	(522)		(1,526)	(1,141)	(385)
Agency – Nursing	(85)	(165)	(164)		(414)	(348)	(66)
Agency – Other		(14)	9	(2)	(7)	(2)	(5)
Waiting List Initiative Payments	(105)	(202)	(101)		(408)	(276)	(132)
Total April – Sept	(143)	(1,092)	(1,385)	7	(2,613)	(2,066)	(547)
Total Previous month	(32)	(881)	(1,159)	6	(2,066)		
	(111)	(211)	(226)	1	(547)		

Division 1 continues to record sizeable increases in the level of overspending in the month, as a consequence of high usage of Agency medical and nursing staff.

#### 4.3 Non Pay

Non Pay overspending is summarised in the table below.

	Total month Over/ (under)spend £000s	TotalLast month Over/(under) spend £000s	VarianceOver/ (under)spend £000s
Drugs	497	632	(135)
Clinical supplies	1,310	829	481
General supplies	46	23	13
Establishment costs and other	89	112	(33)
	1,841	1600	241
Over activity budget	(314)	(314)	-
<b>Total Monthly Non Pay overspend</b>	<b>1,527</b>	<b>1,286</b>	<b>241</b>

The level of overspending within non pay budgets has increased within the month by £241,000. Contained within this sum are costs associated with High Cost specialist Drugs. These Drugs are funded in full by the PCTs as such an equivalent amount has therefore been included within the Income figure.



The main areas identified to explain the non pay overspend are:

**High Cost Drugs** – The Trust has an agreement to provide new highly specialised drugs within a budgeted envelope for the year amounting to £680,000. At the end of the year the Trust had spent £510,000 of this sum.

**Renal Patients** – Increased activity within Renal care has led to an overspend in respect of CAPD Fluids and Consumables. – Overspend to date - £97,000.

**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 - £253,000

**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 - £111,000

**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 - £138,000.

**Blood Products** – Over the period April – September the consumption of blood products has increased significantly – overspend to date - £105,000,

**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 September the Trust had failed to deliver targeted savings amounting to £128,000.

#### 4.4 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	282,182	289,144	6,962
Expenditure			
Pay	198,578	201,126	(2,548)
Non Pay	75,746	79,820	(4,074)
Reserves		2,440	(2,440)
Finance Cost	14,358	14,658	(300)
Total Expenditure	288,682	298,044	(9,362)
	(6,500)	(8,900)	(2,400)
SHA Funding	6,500	6,500	-
Under / Over spend	-	(2,400)	(2,400)
Actions to address overspend	-	2,400	2,400
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) at a rate consistent with the levels recorded in the first half of the financial year. The outturn position for the two local commissioners is as described in 4.1.3 above.

**Pay** - Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – September, without the implementation of corrective management actions. Resulting in a pay overspend at the year end of £1.9 million. In addition the Trust is unable to deliver ward closures until January 2012, and in doing so the level of savings achieved in the year is reduced by £600,000.

**Non Pay** - Non-Pay budgets are assumed to overspend at a rate consistent with the levels as recorded in the period April – September.

**Reserves** – The Trust has established a reserve to cover the costs associated with introducing further capacity to enable the RTT target to be delivered. This reserve amounts to £2.44 million.

Applying these assumptions then produces a forecast deficit for the year amounting to £2.4 million.

#### 4.5 Actions to address the Projected Overspend

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

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

**Nursing staffing** – In the month of July actions were taken to reduce the level of nursing support provided across wards in respect of “bed watching”. The effect of doing so led to a reduction in costs in the month as compared with the previous months in the year. Maintaining this practice is expected to reduce the pay costs by £110,000 per month, and the outturn pay spend by £600,000.

**Bed Reductions** – The Trust delivers the first phase of bed reductions in November, and the second phase of bed reductions in February, and in doing so generates further savings in the year amounting to £600,000.

**Non Pay costs** – The Trust has introduced PriceWaterhouseCoopers to construct a comprehensive cost reduction plan across non pay budgets. This work combined with spending controls being introduced within Theatre non pay budgets is estimated to realise savings in year amounting to £400,000.

## 5. Scenario Analysis

Within the financial position of the Trust there exist substantial risks to the delivery of the Income and Expenditure position. As a basis for describing the risk within the Trust, scenario analysis has been undertaken to enable a *best* and *worst* case position to be plotted against the Forecast balanced Income and Expenditure position. The results of which are presented below

	Forecast Outturn £000s	Best Case Scenario £000s	Worst Case £000s
Income	289,144	289,844	288,644
Expenditure			
Pay	(201,126)	(201,126)	(200,626)
Non Pay	(82,260)	(82,060)	(83,260)
Reserves		-	
EBITDA	5,758	6,558	3,758
Finance charges	(14,658)	(14,658)	(14,658)
Contribution from SHA	(6,500)	6,500	6,500
Management Actions	2,400	2,800	1,800
Surplus / deficit	-	1,300	(2,600)
Probability	60%	20%	20%

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

#### 5.1 Best Case scenario

- Income – the level of over performance increases in the remaining six months of the year, generating additional Income amounting to £700,000.
- Management Actions – Controls in respect of Medical and Nursing Pay spending generate additional savings of £400,000.
- Non Pay – Review of stock levels across the Trust identifies further savings amounting to £200,000.

#### 5.2 Worst Case scenario

- Income – the level of over performance in the year reduces in the remaining six months resulting in Income losses of £500,000.
- Pay Costs - . The Trust is required to cover management restructuring costs amounting to £0.5 million.
- 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.
- Management Actions – the Trust is unable to deliver Ward closures until February 2012, and in doing so the level of savings achieved in the year is reduced by £600,000.

Based upon these assumptions, in the *Best Case* scenario a surplus for the year is presented amounting to £1.3 million. In the *Worst case* scenario a deficit amounting to £2.6 million occurs.

#### 6. Progress of the Cost Improvement Programme.

In support of the Income and Expenditure position for the 2011/12 financial year, the Trust is presently seeking to deliver a substantial cost Improvement Programme. The full list of schemes is presented in the table below.

	Plan £000s	M6 F'cast £000s	Plan To M5 £000s	FIMS M5 Actual £000s	M5 Var To Plan £000s
<b>Trust Budget CIPs</b>					
Pharmacy	485	485	236	236	0
Private Patients	250	250	150	123	(27)
Procurement	100	0			0
Medical Records	30	0			0
Water	30	30	5	1	(4)
Waste	15	13	2		(2)
Tiger Bags	40	35	10	0	(10)
Medical Gases	5	0			0
Estates : Staffing	120	81			0
Beverages	39	39	19	19	0
Telecoms Maintenance	40	40	20	21	1
7 Day Menu	46	43	22	22	0
Standardised Recipes	10	10	5	5	0
Catering Procurement	10	10	4	4	0
Energy		19		19	19
Menu Summariser	28	3	10	3	(7)
Catering VAT Claims	5	5			0
Food Waste	5	5	1		0
Telecoms : Lines	10	12	6	6	0
SAS pod Cleaning	24	0			0
<b>Sub-Total</b>	<b>1,292</b>	<b>1,080</b>	<b>490</b>	<b>459</b>	<b>(31)</b>
<b>Other CIPs</b>					
Pharmacy Staffing	220	220	117	120	3
Car Park Income	500	400			0
Income : Prices	300	150			0
Oncology WLI Payments	84	143	42	71	29
Medical Physics SLA	62	62	31	31	0
Catering Restructure	32	32	4		(4)
Div 3 Posts Disestablished	16	0	16	0	(16)
Clean Mail	30	30	12	16	4
Menu Printing	9	9	4	4	0
Close Dining Room at 8:30pm	6	6			0
Close Dining Room at w/ends	12	12	2		0
Estate Review (Cap Charges)	300	0			0
<b>Sub-Total</b>	<b>1,571</b>	<b>1,064</b>	<b>228</b>	<b>242</b>	<b>14</b>

	Plan £000s	M6 F'cast £000s	Plan To M5 £000s	FIMS M5 Actual £000s	M5 Var To Plan £000s
<b>Sub-Total</b>	<b>2,863</b>	<b>2,144</b>	<b>718</b>	<b>701</b>	<b>(17)</b>
<b>PMO/PwC Schemes</b>					
Ward Closures	1,542	925	266	0	(266)
Theatre Productivity	83			0	0
Medical / Nursing Agency	250	1,700	200	300	100
Review of developments	1,643	1,941	770	876	106
Procurement	500	800	150	22	(128)
<b>Sub-Total</b>	<b>4,018</b>	<b>5,366</b>	<b>1,386</b>	<b>1,198</b>	<b>(188)</b>
<b>Total</b>	<b>6,881</b>	<b>7,512</b>	<b>2,104</b>	<b>1,899</b>	<b>(205)</b>

As can be seen the Trust has committed to delivering savings in the year amounting to £6.881 million. It is anticipated that these schemes will generate savings in the year amounting to £7.512 million. At the end of September the Trust had planned to deliver savings amounting to £2.104 million. The actual level of savings delivered amounted to £1.899 million.

It is important to note that the savings performance as described in the above table have been incorporated, into the computed Income and Expenditure for the period to date and also the Forecast Outturn.

## 7. Underlying financial sustainability

In order to understand the underlying financial sustainability of the Trust it is necessary to be aware of the recurrent financial position of the Trust. The table below provides a summary of the financial position of the Trust over the period 2011/12 to 2016/17. In doing so a comparison has been made with the financial plan as constructed based upon the Month 3 financial position, with a revised position based upon the Month 6 Income and Expenditure position.

	Recurrent Surplus/( deficit) £000s	Non Recurrent Surplus/( deficit) £000s	Total Surplus / (deficit) £000s	Planned Recurrent Surplus/deficit £000s	Planned Non Recurrent Surplus/ deficit £000s	Total Surplus / deficit £000s
2010/11	(14,400)	14,426	26	(14,400)	14,426	26
2011/12	-	-	-	-	-	-
2012/13	7,500	(1,400)	6,100	10,900	(3,000)	7,900
2013/14	2,600	-	2,600	4,300	(1,000)	3,300
2014/15	2,400	-	2,400	4,400	-	4,400
2016/17	2,400	-	2,400	4,700	-	4,700

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

## 8. Impact upon the External Financing Limit

The cash position of the Trust is forecast to grow by c£1M by the end of 2011/12. This is achieved through a breakeven income and expenditure position and a planned reduction in the capital programme by c£1M. The cash received at the start of the financial year relating to 2010/11 deferred income has now been exhausted but does explain the good performance at the start of the year within the better payment practice code (BPPC) (see below).

Due to operational requirements the Trust has made a formal request to increase the CRL limit by £1,000k to £8,200k. The approval for this is yet to be given but this would increase the pressure for the Trust to achieve its closing forecast cash balance to £1,200k. However, given the timing of the likely expenditure, the effect of this may become an issue for Q1 2012/13 rather than Q4 2011/12.

As stated last month 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 anticipated improvement within the BPPC has not been witnessed due to known issues with internal approval processes – see relevant section below for details.

The month end actual cash balance was £1,988k against a prior month forecast of £2,603k.

A dividend payment of £2,594k was made on 15 September and the remaining cash forecast is detailed below. The second and final dividend payment of c£2,600k is due 15 March 2012.

	2010/11	2011/12												2011/12
	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	Net Movement £001
Fixed Assets	157,193	156,491	155,868	155,460	155,449	155,228	155,025	155,602	155,128	155,110	154,913	154,400	155,104	(2,089)
Current Assets	16,837	14,329	14,176	14,992	17,302	15,877	17,281	14,500	14,500	14,500	14,500	14,500	15,000	(1,837)
Current Liabilities	(26,102)	(23,637)	(24,014)	(22,864)	(25,433)	(28,028)	(26,299)	(25,299)	(24,799)	(24,299)	(23,799)	(23,299)	(23,799)	2,303
Cash pre creditor smoothing	233	140	353	(1,153)	(1,672)	4,603	1,988	2,188	2,388	2,188	1,788	988	1,200	967
Creditor smoothing				1,376	1,849									
Cash	233	140	353	223	177	4,603	1,988	2,188	2,388	2,188	1,788	988	1,200	967

£6,500k SHA support received 22 August

### Better Payment Practice Code

**Non-NHS** – The month on month performance shows small improvements for volume and value with an equally small improvement within the cumulative position.

Poor performance within agency invoice approval continues and is the reason for the shortfall in compliance. As stated in previous months the Finance team continue to work with the relevant teams but aim to see large improvements when the 'centralised' medical staffing model is adopted and a reduction in nursing agency shifts to allow effective administration within Oracle.

<b>NON NHS</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>YTD</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>By Volume</b>								
Total Volume	79,843	7,781	6,254	8,164	7,597	10,015	7,697	<b>47,508</b>
BPPC compliant volurr	28,605	6,994	5,261	6,641	5,916	7,426	6,514	<b>38,752</b>
BPPC compliant %	36%	90%	84%	81%	78%	74%	85%	<b>82%</b>
<b>By Value</b>								
Total value (£000)	77,157	7,997	6,437	8,282	7,031	9,845	11,173	<b>50,765</b>
BPPC compliant value	33,104	7,039	4,943	6,203	5,501	6,816	9,566	<b>40,068</b>
BPPC compliant %	43%	88%	77%	75%	78%	69%	86%	<b>79%</b>

<b>Current Month</b>					
<b>Payment made</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>	
0-30 days	6,514	85%	£9,566	86%	
31-35 days	285	4%	£245	2%	
36-40 days	338	4%	£449	4%	
41-45 days	113	1%	£149	1%	
46-50 days	85	1%	£162	1%	
51-55 days	50	1%	£156	1%	
56-60 days	52	1%	£60	1%	
over 60 days	260	3%	£386	3%	
<b>Total invoices paid</b>	<b>7,697</b>	<b>100%</b>	<b>£11,173</b>	<b>100%</b>	

**NHS** –The month on month and cumulative performance remains static. The two areas causing non compliance relate to Laundry invoice approval (£69k) and an SLA invoice approval (£153k) due to changes in management structures – approval process changes due to management changes.

<b>NHS Spend</b>	<b>YTD</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>YTD</b>
	<b>2010/11</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>
<b>By Volume</b>								
Total Volume	2,259	179	188	206	90	207	175	<b>1,045</b>
BPPC compliant volume	798	166	180	159	73	158	163	<b>899</b>
BPPC compliant %	35%	93%	96%	77%	81%	76%	93%	<b>86%</b>
<b>By Value</b>								
Total value (£000)	22,361	1,196	3,034	952	1,449	1,543	1,464	<b>9,638</b>
BPPC compliant value (£)	9,412	1,125	3,007	797	1,221	1,262	1,218	<b>8,630</b>
BPPC compliant %	42%	94%	99%	84%	84%	82%	83%	<b>90%</b>

<b>Current Month</b>					
<b>Payment made</b>	<b>Quantity</b>	<b>Quantity %</b>	<b>Value</b>	<b>Value %</b>	
0-30 days	163	93%	£1,218	83%	
31-35 days	0	0%	£0	0%	
36-40 days	3	2%	£69	5%	
41-45 days	4	2%	£12	1%	
46-50 days	1	1%	£3	0%	
50-55 days	0	0%	£0	0%	
56-60 days	1	1%	£1	0%	
over 60 days	3	2%	£161	11%	
<b>Total invoices paid</b>	<b>175</b>	<b>100%</b>	<b>£1,464</b>	<b>100%</b>	

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

Project	Total Approved Sum (prior years)	Total Approved Sum (including prior years)	Expenditure to date (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
	£000	a £000	£000	b £000	c £000	d=( b + c) £000	e £000	f=(d+e) £000	(a-f) £000	
<b>Outstanding Commitments from 2010/11</b>										
Breast Screening - Phase 3 b/f PRH Static Unit - Enabling Works	57	85	47	48	2	50	25	75	10	Operational awaiting final a/c
Sanitary Facilities and Ward Kitchens Priority 1	76	113	81	115	2	117	1	118	(5)	Operational awaiting final a/c
MenuMark	62	67	63	63	0	63	5	68	(1)	Est - December 2011
Pharmacy Aseptic	3283	3,251	3,196	3,160	0	3,160	4	3,164	87	Operational awaiting final a/c
Offsite accommodation	290	293	295	297	(0)	297	1	298	(5)	Operational awaiting final a/c
PSAG		500		64	34	99	401	500	0	Est - March 2012
Other less than £50k per individual project	73.4	152	48	71	4	76	13	88	64	Est - December 2011
<b>Agreed Commitments for 2011/12</b>										
Decontamination	6733	7,616	6,733	7,390	41	7,431	185	7,616	0	RSH moved 08/2011 - Receipts & Distribution o/s
Patient Monitoring		300		0	0	0	300	300	0	Est - March 2012
Project Management Fees - Reconfiguration		1,000		24	199	223	777	1,000	0	On-going
Telecoms Upgrade		431		228	106	334	97	431	0	Est - December 2011
PRH Dishwasher		90		0	68	68	22	90	0	Est - December 2011
Capital Salaries		125		33	0	33	92	125	0	On-going
Additional Obstetric Theatre - Build Element - deferred pending outcome of Recon BC		0		1	9	11	0	11	(11)	
Additional Obstetric Theatre - Equipment		238		24	2	26	212	238	0	Est - December 2011
Neonates Storage Solution (awaiting decision re source of funding)				0	0	0	0	0	0	Awaiting Decision
Post Anaesthetics Recovery and HDU (awaiting approval verification)				0	88	88	0	88	(88)	Est - March 2012
<b>Contingency Funds - Delegated</b>										
Contingency Fund Estates Issues/DDA		500		33	185	218	282	500	0	On-going
Contingency Fund for Medical Equipment Replacement		250		141	37	177	73	250	0	On-going
Contingency Fund for IT Equipment Replacement		250		120	1	121	129	250	0	On-going
Contingency Fund for Non-Patient Connected Equipment Replacement		45		25	0	25	20	45	0	On-going
<b>Corporate Contingency</b>										
Corporate Contingency Fund		771		88	41	129	642	771	0	On-going
Contingency for Capital additions identified through the budget process		992		56	7	63	929	992	0	On-going
Referral To Treatment (RTT) Contingency Fund		100		0	23	23	77	100	0	On-going
VitalPac Contingency Fund		129		0	0	0	129	129	0	On-going
<b>Total</b>	<b>10,574</b>	<b>17,298</b>	<b>10,463</b>	<b>11,981</b>	<b>849</b>	<b>12,830</b>	<b>4,417</b>	<b>17,247</b>	<b>51</b>	

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

- (i) Offsite accommodation – overspend £5k. Scope change to enable wireless networking in meeting rooms.
- (ii) Aseptic unit – underspend £87k. 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 remains as unallocated. Including the £1,000k additional CRL request this gives the Trust a total unallocated capital allocation of £1,464k that is planned to be used to enable recent changes to the Trust’s bed base. Formal plans will be discussed at October’s Capital Planning Group meeting.

The Cancer Centre construction phase has commenced with a payment profile having been agreed with the Charitable stakeholders to minimise the cash flow impacts for the Trust.

## 9. Conclusion

- During the period April - September 2011, the Trust had recorded a cumulative deficit of £911,000, which was £304,000 worse than anticipated.



- The “in month” performance within the month of September has however improved. During this month the Trust recorded a surplus of £411,000, and in doing so exceeded the planned surplus for the month by £276,000.
- The Trust is presently forecasting a balanced financial position by the year end. Doing so requires the delivery of management actions, in respect of Medical and Nursing Agency spending, the closure of beds in two phases from the middle of November 2011 and improved controls over non pay spending.
- Without management action the Trust is predicting an overspend at the year end amounting to £2.652 million. Management actions have been identified over the use of temporary nursing and medical staff which generate cost savings amounting to £2 million. The Trust needs to identify further savings amounting to £652,000 in order to achieve break even.
- The risk associated with the delivery of a balanced financial position by the year end has reduced as a consequence of recently completed contract negotiations with Shropshire County and Telford and Wrekin PCTs. These negotiations have resulted in the Trust receiving an increase in its level of funding for the 2011/12 year, amounting to £5.33 million and have through the agreement of a “block” contract removed risks in respect of:
  - seasonality of Income,
  - the failure to deliver against RTT targeted activity levels; and
  - disputed over performance in respect of Accident and Emergency and Non Elective activity.
- A key health economy requirement is to successfully deliver the RTT target. In order to do so the Trust has committed to increasing short term capacity at a cost of £2.44 million.
- The plan to improve the underlying financial strength of the Trust (as measured by the recurrent Income and Expenditure position) is expected to be delivered, with the Trust taking forward into the 2012/13 financial year a balanced Recurrent Income and Expenditure position.

Neil Nisbet  
 Finance Director  
 19<sup>th</sup> October 2011