

Report to: TRUST BOARD –1ST November 2012

Enclosure 8

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|--------------------------------------|--|
| Title | Finance Director Report Month 06 |
| Sponsoring Executive Director | Neil Nisbet, Finance Director |
| Author(s) | Neil Nisbet, Finance Director |
| Purpose | To update the Board on financial performance and the forecast outturn for 2012/13. |
| Previously considered by | Hospital Executive Committee 23 rd October 2012 |

Executive Summary

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 2012 – September 2012 and provides a forecast outturn for the 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.

The Trust is presently in the process of reshaping the Income and Expenditure budgets, so as to enable achievement of the planned surplus in the 2012/13 year of £1.9m. The revised Income and Expenditure Budget is to be presented as a separate report to the Board. The revised Income and Expenditure Budgets will then form the basis of reporting for the period commencing the 1st of October onwards.

The position therefore presented in this paper provides a description of financial performance as compared with the Income and Expenditure budgets as approved by the Board at the March 2012 Trust Board.

| Related SATH Objectives | SATH Sub-Objectives |
|---|--|
| Financial Strength: We will develop and deliver robust services that generate surpluses to reinvest in quality | Develop and grow services which make a positive financial contribution. Maximise the productivity and efficiency of our services. |

| | |
|---|--|
| Risk and Assurance Issues (including resilience risks) | |
| Equality and Diversity Issues | |
| Legal and Regulatory Issues | |

Action required by the Trust Board

To **DISCUSS** the Month 06 position.

FINANCE DIRECTOR REPORT – MONTH 06

TRUST BOARD – 1ST November 2012

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 outturn for the year.

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The Trust is presently in the process of reshaping the Income and Expenditure budgets, so as to enable achievement of the planned surplus in the 2012/13 year of £1.9m. The revised Income and Expenditure Budget is to be presented as a separate report to the Board. The revised Income and Expenditure Budgets will then form the basis of reporting for the period commencing the 1st of October onwards.

The position therefore presented below provides a description of financial performance as compared with the Income and Expenditure budgets as approved by the Board at the March 2012 Trust Board.

2. Month 06 Cumulative Position

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

| | Months 1-6 Budget | Month 1- 6 Actual | Variance | Planned Forecast Outturn | Forecast Outturn | Variance |
|--|----------------------|----------------------|----------|--------------------------------|---------------------|----------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Income | 146,216 | 145,554 | (662) | 299,810 | 294,896 | (4,914) |
| Expenditure | | | | | | |
| Pay | (98,326) | (100,670) | (2,344) | (192,601) | (202,373) | (9,772) |
| Non Pay | (43,700) | (42,756) | 944 | (90,586) | (87,257) | 3,329 |
| Reserves | (563) | 629 | 1,192 | (5,215) | 1,358 | 6,573 |
| Finance Cost | (6,907) | (6,983) | (76) | (14,408) | (14,408) | - |
| Total Expenditure | (149,496) | (149,780) | (284) | (302,810) | (302,680) | 130 |
| Under / Over spend | (3,280) | (4,226) | (946) | (3,000) | (7,784) | (4,784) |
| Transitional support | 3,349 | 3,349 | - | 4,900 | 4,900 | - |
| Phased spending – to agree with SHA Finance Plan | 88 | 88 | - | | | |
| Actions to address overspend | | | | - | 4,784 | 4,784 |
| | 157 | (789) | (946) | 1,900 | 1,900 | - |

As can be seen from the above at the end of September the Trust had recorded a cumulative deficit amounting to £789,000. The Trust had planned to record a cumulative surplus at the end of September amounting to £157,000. It is forecast that by the year end, without management actions the Trust will record a deficit amounting to £2.884 million. Revised budgets for the year are presently being constructed to enable the Trust to return a surplus for the year of £1.9 million.

3. Monthly Analysis – September

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

| | Budget Position £000s | Actual £000s | Variance £000s |
|-------------------|--------------------------|-----------------|-------------------|
| Income | 25,073 | 23,842 | (1,231) |
| Expenditure | | | |
| Pay | 16,191 | 16,561 | (370) |
| Non Pay | 7,356 | 6,881 | 475 |
| Reserves | 228 | (629) | 857 |
| Finance Cost | 955 | 839 | 116 |
| Phased spend | 178 | 178 | - |
| Total Expenditure | 24,908 | 23,830 | 1,078 |
| Planned surplus | 165 | 12 | (153) |

The Trust planned to deliver a surplus in the month of £165,000 and actually recorded a surplus of £12,000.

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 £000's | Sept £000's | Total April - Sept £000s |
|-------------------------|----------------|--------------|---------------|---------------|---------------|----------------|-----------------------------------|
| Income | 22,817 | 24,667 | 24,191 | 25,833 | 24,586 | 23,460 | 145,554 |
| Expenditure | | | | | | | |
| Pay | 17,033 | 16,869 | 16,567 | 16,898 | 16,742 | 16,561 | 100,670 |
| Non Pay | 7,241 | 7,162 | 6,919 | 7,211 | 7,342 | 6,881 | 42,756 |
| Reserves | | | | 196 | (196) | (629) | (629) |
| Phased spend | | (266) | 140 | 126 | (266) | 178 | (88) |
| Finance Cost | 1,291 | 1,212 | 1,163 | 1,086 | 1,392 | 839 | 6,983 |
| Total Expenditure | 25,565 | 24,977 | 24,789 | 25,517 | 25,014 | 23,830 | 149,692 |
| | (2,748) | (310) | (598) | 316 | (428) | (370) | (4,138) |
| Transitional Funding | 774 | 709 | 643 | 450 | 391 | 382 | 3,349 |
| Under / Over spend | (1,974) | 399 | 45 | 766 | (37) | 12 | (789) |
| Planned Position | (1,566) | 332 | 33 | 1,209 | (16) | 165 | 157 |
| Variation from plan | (408) | 67 | 12 | (443) | (21) | (153) | 946 |

Income and Expenditure Position – Key Messages

- *The Trust recorded a deficit at the end of September amounting to £789,000; the Trust had planned to record a surplus at this stage in the financial year of £157,000.*
- *In the month of September a surplus of £12,000 was recorded, the budget for the month of September was to present a surplus of £165,000.*
- *The financial position at the end of September is made possible because of the release of transitional funding in the first half of the year amounting to £3.349 million.*

5. Explanation of Position recorded to date

5.1 Income

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

| | Budget Months 1- 6 £000s | Actual Months 1- 6 £000's | Variance £000s |
|------------------------------|--------------------------------|---------------------------------|-------------------|
| Shropshire County PCT | 64996 | 64,763 | (233) |
| Telford and Wrekin PCT | 46,509 | 45,583 | (926) |
| Powys LHB | 11,390 | 10,748 | (642) |
| Other PCTs | 2,947 | 2,916 | (31) |
| Specialised services | 7,176 | 7,874 | 698 |
| Non Contracted Activity | 1,123 | 1,505 | 382 |
| Other Clinical Income | 2,011 | 2,035 | 24 |
| Total Clinical Income | 136,152 | 135,356 | (728) |
| Non Clinical Income | 10,132 | 10,198 | 66 |
| Transitional support | 3,349 | 3,349 | 0 |
| Total Income | 146,216 | 145,554 | (662) |

In the period April - September the level of Income received was less than planned by £662,000. The under recovery of Income is explained as follows:

| | YTD Planned | YTD Actual | Variance | Volume | Price |
|---|---------------------|---------------------|------------------|-----------------|--------------------|
| A&E | £5,000,983 | £5,103,158 | £102,175 | £88,698 | £13,477 |
| Welsh A&E | £300,071 | £386,120 | £86,049 | £52,227 | £33,822 |
| Consultant Led/Responsible First Attendance | £9,081,335 | £8,762,497 | -£318,838 | -£386,667 | £67,823 |
| Consultant Led/Responsible Follow Up Attendance | £8,275,331 | £8,322,205 | £46,875 | -£84,014 | £130,887 |
| Consultant Led/Responsible Outpatient Procedure | £5,773,179 | £6,660,808 | -£85,371 | -£52,209 | -£33,165 |
| Elective DC | £13,336,622 | £12,796,299 | -£540,324 | -£728,128 | £187,806 |
| Elective IP | £10,265,975 | £9,026,966 | -£1,239,009 | -£823,914 | -£415,094 |
| Emergency | £39,729,983 | £41,687,604 | £2,016,470 | £3,204,617 | -£1,188,148 |
| Maternity | £5,861,702 | £5,555,992 | -£305,710 | -£340,199 | £34,488 |
| Other Services | £39,798,087 | £38,560,352 | -£323,583 | -£323,583 | £0 |
| Contingency | £0 | -£166,948 | -£166,948 | -£166,948 | |
| SaTH Total | £137,423,267 | £136,737,053 | -£728,215 | £439,879 | -£1,168,104 |

As can be seen in the period April – September the Trust has recorded a significant over performance in respect of Emergency activity, however the level of Income received from Elective Inpatient and Day Case activity is substantially lower than planned.

The levels of activity recorded in the months April – September are shown in the table below:

Activity Volumes

| Activity | YTD Planned | YTD Actual | Variance | % Variance |
|---|----------------|----------------|---------------|------------|
| A&E | 52,733 | 53,668 | 935 | 2% |
| Welsh A&E | 3,042 | 3,572 | 530 | 17% |
| Consultant Led/Responsible First Attendance | 53,433 | 50,956 | -2,477 | -5% |
| Consultant Led/Responsible Follow Up Attendance | 92,450 | 91,317 | -1,133 | -1% |
| Consultant Led/Responsible Outpatient Procedure | 37,218 | 38,133 | 915 | 2% |
| Elective DC | 20,004 | 18,775 | -1,229 | -6% |
| Elective IP | 4,075 | 3,601 | -474 | -12% |
| Emergency | 22,295 | 23,021 | 726 | 3% |
| Maternity | 3,449 | 3,343 | -106 | -3% |
| SaTH Total | 288,699 | 286,386 | -2,313 | |

During the period April – September, the level of emergency activity has exceeded planned levels by 3%, and the volume of Accident & Emergency attendances has increased beyond contracted levels by 2%. Significantly the volume of Elective Inpatient work is however 12% below planned levels and Day Case activity is 6% below plan.

Performance in September

In the month of September, activity levels appear to have reduced substantially as illustrated in the table below.

| | April | May | June | July | August | Sept | Reduction in Month 6 by comparison with the average across months 1 -5 |
|-------------------------------|-------|-------|-------|-------|--------|-------|--|
| Elective In patient (Spells) | 557 | 712 | 628 | 624 | 612 | 523 | (104) |
| Elective Day Case (Spells) | 3,654 | 4,369 | 3,809 | 3,904 | 3,825 | 3,626 | (268) |
| Emergency In patient (Spells) | 4,000 | 4,281 | 4,057 | 4,231 | 4,034 | 3,856 | (265) |
| A and E attendances | 8,973 | 9,905 | 9,457 | 9,950 | 9,576 | 9,379 | (193) |

An evaluation of the variation in September activity levels, when compared with the Average level of activity in the months April - August, by Clinical Centre, highlights :

| | Elective In patient Spells | Elective Day Case Spells | Emergency spells |
|-------------------------------|----------------------------|--------------------------|------------------|
| General Surgery | (33) | 58 | (2) |
| MSK | (24) | (29) | (6) |
| Head and Neck | (37) | (68) | (13) |
| Ophthalmology | (2) | (18) | (5) |
| General Medicine | (7) | (65) | (227) |
| Womens and Children | (2) | (15) | (9) |
| Oncology | 1 | (131) | (3) |
| Reduction in September | (104) | (268) | (265) |

Reduced activity in respect of the Head and Neck Centre reflects the effect of transferring services from the RSH site to the PRH site. Further work is being undertaken to understand the scale of Day Case activity reduction within General Medicine, occurring principally within the Gastroenterology speciality and Oncology.

The deterioration in recorded activity has led to an Income variance in the month of £1.2 million.

Income – Key Messages

- At the end of September the Trust had recorded an under recovery of Income, across both Clinical and Non Clinical areas amounting to £662,000.
- The cumulative Income position at the end of September compares unfavourably with the performance as recorded at the end of August, and has occurred because volumes of Emergency and Elective Activity reduced significantly in the month.
- In the period Shropshire County PCT, Telford and Wrekin PCT and Powys LHB are each under performing, this is being compensated by Specialised Services activity which is over performing as compared to plan.

5.2 Pay Budgets

In the period April - September of the year the Trust has committed spending amounting to £100.67 million, and had planned to commit funds during the period amounting to £98.326 million.

In setting the Budget for the 2012/13 financial year, the Trust put in place a Cost Improvement Programme to substantially reduce the monthly Pay run rate.

| | April | | May | | June | | July | | August | | Sept | |
|--------------------|--------------|---------|----------|---------|--------------|---------|--------------|---------|---------|---------|-------------|-------------|
| | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Plan |
| £000s | 17,033 | 17,013 | 16,869 | 16,674 | 16,567 | 16,272 | 16,898 | 16,169 | 16,742 | 16,008 | 16,561 | 16,191 |
| WTE | 4,937.3 1 | 4870.23 | 4,840.66 | 4773.26 | 4,836.6 4 | 4658.03 | 4,804.6 1 | 4628.59 | 4851.13 | 4582.45 | 4792.2 2 | 4540.9 1 |
| Variance £000's | | 20 | | 195 | | 295 | | 729 | 734 | | | 370 |
| | | 67.08 | | 67.40 | | 178.61 | | 176.02 | | 268.86 | | 251.31 |

An examination of the movement of staffing levels between Month 10 (the base month for the construction of budgets) and actual staffing levels in Month 6 has been undertaken to provide an indication of the progress made in reducing the levels of staffing within the Trust.

| Month 6 | | | | | | | | |
|----------------|-------------------|---------------------------|--------------------|-----------------|-----------------|-----------------|----------------|-------------------|
| Trust | Contracted wte | Contracted Not Worked wte | Net Contracted wte | Bank wte | Agency wte | Add'l Hours wte | Overtime wte | Worked wte |
| Consultants | (210.45) | (4.15) | (214.60) | | (9.27) | | | (223.87) |
| Medical Staff | (341.97) | 26.66 | (315.31) | | (24.61) | (0.76) | (0.11) | (340.79) |
| Nursing | (1,918.99) | 80.32 | (1,838.67) | (161.95) | (53.20) | (38.65) | (11.30) | (2,103.77) |
| Other Clinical | (703.43) | 27.00 | (676.43) | (15.41) | (3.29) | (4.47) | (2.57) | (702.17) |
| Non Clinical | (1,301.45) | 26.41 | (1,275.04) | (103.00) | (15.26) | (20.09) | (8.23) | (1,421.62) |
| Total | (4,476.29) | 156.24 | (4,320.05) | (280.36) | (105.63) | (63.97) | (22.21) | (4,792.22) |
| Month 10 11/12 | | | | | | | | |
| Trust | Contracted wte | Contracted Not Worked wte | Net Contracted wte | Bank wte | Agency wte | Add'l Hours wte | Overtime wte | Worked wte |
| Consultants | (196.80) | (9.45) | (206.25) | | (10.70) | | | (216.95) |
| Medical Staff | (310.41) | 2.60 | (307.81) | | (31.44) | | | (339.25) |
| Nursing | (1,985.08) | 68.70 | (1,916.38) | (119.27) | (51.52) | (39.77) | (17.15) | (2,144.09) |
| Other Clinical | (680.09) | 29.87 | (650.22) | (16.77) | (5.87) | (7.00) | (2.12) | (681.98) |
| Non Clinical | (1,348.63) | 27.50 | (1,321.13) | (101.22) | (28.06) | (22.06) | (8.08) | (1,480.55) |
| Total | (4,521.01) | 119.22 | (4,401.79) | (237.26) | (127.59) | (68.83) | (27.35) | (4,862.82) |

The variation between these two periods is then shown in the table below.

| Month 10 to 6 Movement | | | | | | | | |
|------------------------|----------------|---------------------------|--------------------|----------------|--------------|-----------------|--------------|--------------|
| Trust | Contracted wte | Contracted Not Worked wte | Net Contracted wte | Bank wte | Agency wte | Add'l Hours wte | Overtime wte | Worked wte |
| Consultants | (13.65) | 5.30 | (8.35) | | 1.43 | | | (6.92) |
| Medical Staff | (31.56) | 24.06 | (7.50) | | 6.83 | (0.76) | (0.11) | (1.54) |
| Nursing | 66.09 | 11.62 | 77.71 | (42.68) | (1.68) | 1.12 | 5.85 | 40.32 |
| Other Clinical | (23.34) | (2.87) | (26.21) | 1.36 | 2.58 | 2.53 | (0.45) | (20.19) |
| Non Clinical | 47.18 | (1.09) | 46.09 | (1.78) | 12.80 | 1.97 | (0.15) | 58.93 |
| Total | 44.72 | 37.02 | 81.74 | (43.10) | 21.96 | 4.86 | 5.14 | 70.60 |

As can be seen the total level of staffing reduction achieved by comparison with the budget amounts to 70.60 WTE posts. During this period the number of permanent staff reduced by 44.72 posts and the level of Agency staff by 21.96 WTE posts. Payments in respect of additional hours and overtime reduced staffing levels by the equivalent of 10.00 posts. The volume of staff employed through the Trust Bank however increased by 43.10 posts.

Analysing by staffing group, over this period the number of nursing staff employed within the Trust has reduced by 40.32 WTEs. In setting a plan for the year, the Trust had assumed the closure of escalation beds and a corresponding reduction in Nursing staff of circa 100 WTE posts.

Movement in the period August and September.

Pay spending in the month of September amounted to £16.561 million, this level of spending is the lowest level recorded in the year. When compared with the previous month, Pay spending has reduced by £181,000 and the number of Whole Time Equivalent staff employed within the Trust has reduced by 58.91 posts.

| Month 5 to 6 Movement | | | | | | | | |
|-----------------------|----------------|---------------------------|--------------------|--------------|--------------|-----------------|---------------|--------------|
| Trust | Contracted wte | Contracted Not Worked wte | Net Contracted wte | Bank wte | Agency wte | Add'l Hours wte | Overtime wte | Worked wte |
| Consultants | (4.15) | (1.81) | (5.96) | | 4.98 | | | (0.98) |
| Medical Staff | (12.41) | 19.79 | 7.38 | | 19.13 | (0.76) | 0.09 | 25.84 |
| Nursing | 19.74 | 25.98 | 45.72 | 8.64 | (9.50) | (2.09) | 1.50 | 44.27 |
| Other Clinical | (18.67) | 1.54 | (17.13) | (0.44) | (1.29) | 0.12 | (0.81) | (19.55) |
| Non Clinical | 0.18 | 8.57 | 8.75 | 4.44 | (0.53) | (1.86) | (1.47) | 9.33 |
| Total | (15.31) | 54.07 | 38.76 | 12.64 | 12.79 | (4.59) | (0.69) | 58.91 |

Agency Spending

A key area targeted for greater financial control over the past twelve months has been with regard to Agency spending.

In September the level of Agency spend amounted to £737,000. The average monthly level of spend in the quarter July – September amounted to £855,000. When compared with the same period in the previous financial year this amounts to a spending reduction of £333,000 per month.

| | Average – April – June 2011 | Average July – Sept 2011 | Average Oct – Dec 2011 | Average Jan – March 2012 | Average Apr – Jun 2012 | July 2012 | Aug 2012 | Sept 2012 |
|------------------------------------|-----------------------------|--------------------------|------------------------|--------------------------|------------------------|------------|------------|------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Consultants | 302 | 267 | 288 | 204 | 154 | 210 | 163 | 141 |
| Medical staff | 538 | 583 | 394 | 428 | 457 | 462 | 516 | 258 |
| Nursing | 375 | 206 | 109 | 178 | 121 | 140 | 182 | 232 |
| Other Clinical | 54 | 72 | 51 | 52 | 18 | 7 | 3 | 30 |
| Other | 26 | 60 | 86 | 130 | 55 | 75 | 72 | 76 |
| Total Agency staff spending | 1,295 | 1,188 | 927 | 993 | 806 | 894 | 935 | 737 |

Waiting List Initiative Payments

The Trust has also sought to introduce greater control over the level of WLI Payments.

| | 2011/12 Spend £'s | 2011/12 Average Mthly Spend £'s | Apr £'s | May £'s | June | July | Aug | Sept | Total | Apr – Sept Average Mthly Spend £'s |
|------------------------|----------------------|------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|------------------|---------------------------------------|
| Womens and Childrens | 49,707 | 4,142 | 2,485 | 773 | (11) | - | 3,381 | 2,606 | 9,234 | 1,539 |
| Emergency | - | - | - | -- | 683 | 670 | - | - | 1,353 | 226 |
| Ophthalmology | 95,921 | 7,993 | 12,833 | 16,525 | 13,327 | 11,465 | 16,515 | (551) | 70,114 | 11,686 |
| Head and Neck | 590,483 | 49,207 | 25,548 | (72,365) | (9,559) | 11,053 | 3,697 | 6,280 | (35,346) | (5,891) |
| Oncology | 974 | 81 | - | - | - | - | - | - | - | - |
| Medicine | 296,467 | 24,706 | 20,428 | 26,948 | 5,038 | 97,023 | 6,920 | 20,585 | 176,942 | 29,490 |
| Surgical | 1,457,939 | 121,495 | 144,099 | 11,667 | 50,622 | 95,958 | 91,356 | 35,388 | 429,090 | 71,515 |
| MSK | 709,505 | 59,125 | 109,289 | 114,236 | 82,462 | 70,058 | 29,264 | (6,016) | 399,293 | 66,549 |
| Diagnostics | 238,792 | 19,899 | 22,673 | 17,227 | 7,591 | 12,787 | 20,170 | 9,821 | 90,269 | 15,045 |
| Total WLI Spend | 3,439,788 | 286,649 | 337,355 | 115,011 | 150,153 | 299,014 | 171,303 | 68,113 | 1,140,949 | 190,158 |

As can be seen average levels of WLI spending are presently £190,000 per month as compared with £287,000 per month in the previous financial year. In setting its budget for the year had assumed a level of spending equivalent to £190,000 per month.

Pay Expenditure – Key Messages

- Pay spending in the month of September amounted to £16.561 million, the lowest level of spending recorded in this financial year.
- The number of Whole Time Equivalent staff employed within the Trust has reduced by 70.60 WTE posts when compared with the base budget.
- Spending in respect of Agency staff amounted to £737,000. The average level of spending per month in the quarter July – September 2012 amounted to £855,000 a reduction of £333,000 when compared with the same period in the previous financial year.
- Spending in respect of Waiting List Initiatives amounts to £190,000 per month, which is consistent with the budget for the year. In the previous financial year WLI spending amounted to £287,000 per month.
- Despite the above, the Trust continues to show a significant cumulative level of Pay overspending because the Trust had failed to reduce its staffing levels at a rate consistent with it's CIP Programme.
- In the month of September the Trust planned to employ 4,541 WTE staff and instead employed 4,792 posts, a difference of 251 posts.
- The inability to close escalation beds has meant that whilst the Trust had planned to reduce Nursing staffing levels by circa 100 WTE posts, over the period Month 10 to Month 6, the actual number reduced to date amounts to 40 WTE posts.

5.3 **Non Pay**

Spending in respect of Non Pay over the last nine months has reduced significantly.

| | Total Non Pay Spend £000s | 3 month moving average £000's |
|----------|------------------------------|----------------------------------|
| November | 7,523 | |
| December | 7,518 | |
| January | 7,607 | 7,549 |
| February | 7,917 | 7,681 |
| March | 7,826 | 7,783 |
| April | 7,257 | 7,667 |
| May | 7,162 | 7,415 |
| June | 6,919 | 7,113 |
| July | 7,211 | 7,097 |

| | Total Non Pay Spend £000s | 3 month moving average £000's |
|-----------|------------------------------|-------------------------------------|
| August | 7,342 | 7,157 |
| September | 6,881 | 7,145 |

The budget for the month of September assumed spending at a rate of £7.356 million, in the month the actual level of spending amounted to £6.881 million. Over the period April – September Non Pay budgets have underspent by £944,000.

In setting the budget for the year, the Trust adopted an approach based upon the use of a three month moving average. Budgets for the 2012/13 year were based upon a three month moving average based upon the period Month 8 – 10 in the 2011/12 year, amounting to £7.549 million per month. The three month average spend for the period July – September amounts to £7.145 million per month. This level of reduction can in part be explained by seasonal factors, such as reduced Utility costs (estimated at an additional £160,000 per month over the winter period).

Non Pay Expenditure – Key Messages

- Over the period April – September Non Pay budgets underspent cumulatively by £944,000,
- The three month average spending covering the period July – September is approximately £400,000 per month lower than the period (November – January) used to set budgets for the 2012/13 year.

6. Cost Improvement Programme - progress

In presenting the financial position of the Trust at the end of September and a forecast Outturn position, an analysis of the progress of the Cost Improvement Programme has been undertaken. This is summarised in the table below.

| Revised CIP Plan | REC | NREC | TOTAL | Most Likely Case | | Status Rec | |
|-------------------------------------|--------------|---------------|--------------|------------------|--------------|---------------|-------------|
| | | | | Rec | In year | | |
| Medical Consultants | 1000 | | 1000 | 300 | 100 | Amber | Green 10480 |
| WLI Payments | 1000 | | 1000 | 1000 | 0 | Amber | Amber 5200 |
| Nursing | 1100 | -1100 | 0 | 1100 | 0 | Amber | Red 2600 |
| Bed Reductions | 3500 | -3500 | 0 | 0 | 0 | | |
| Theatres | 1000 | -500 | 500 | 1000 | 400 | Amber | Total 18280 |
| Admin and outpatients | 1700 | -1700 | 0 | 1700 | 0 | Red | |
| Pathology reconfiguration | 1300 | -1300 | 0 | 500 | 0 | Amber | |
| Allied Health Professionals | 700 | -700 | 0 | 700 | 117 | Amber | |
| On Call Payments | 1000 | -500 | 500 | 500 | 241 | Red | |
| Estates and Corporate services | 800 | -400 | 400 | 800 | 400 | Green | |
| Temporary staff reduction | 3828 | -740 | 3088 | 400 | 200 | Red | |
| Temporary staff reduction - Medical | 1212 | | 1212 | 1212 | 1212 | Green | |
| Diagnostic tests | 600 | -600 | 0 | 600 | 0 | Amber | |
| Coding alterations | 1000 | | 1000 | 1000 | 491 | Green | |
| Procurement | 2000 | -1000 | 1000 | 2000 | 1000 | Green | |
| Centre identified Non Pay savings | 1019 | | 1019 | 1019 | 1019 | Green | |
| VAT Changes - Locum Doctors | | 300 | 300 | 0 | 300 | | |
| Reduce Non Pay to Month 10 level | 1325 | | 1325 | 1325 | 1325 | Green | |
| Nuffield / Prof Fees Redn | 700 | | 700 | 700 | 700 | Green | |
| MARS Scheme | 1200 | -500 | 700 | 0 | 0 | | |
| Non Recurrent savings | | | | | 1358 | | |
| Inflation Reserves | | | | 2424 | 2629 | Green | |
| Slippage 2011/12 CIP | | -670 | -670 | | -670 | | |
| Total | 25984 | -12910 | 13074 | 18280 | 10822 | | |
| Revised CIP Level | | | | 25984 | 13074 | | |
| Variance | | | | -7704 | -2252 | | |

It is presently estimated that the level of savings achieved in the 2012/13 year will amount to £10.822 million, and in doing so this underachieves against the in year targeted position by £2.252 million. Recurrently based upon this scenario the level of savings amounts to £18.280 a shortfall when compared with Plan of £7.704 million.

7. Scenario Analysis

A forecast outturn position for the Trust based upon performance in the opening six months of the year, and expected progress in respect of the Cost Improvement Programme, has been computed and presented in the table below.

| | Planned Outturn £000s | Forecast Outturn £000s |
|---|-----------------------------|------------------------------|
| Income | 304,709 | 299,796 |
| Expenditure | | |
| Pay | (192,601) | (202,373) |
| Non Pay | (90,586) | (87,257) |
| Reserves | (5,215) | 1,358 |
| EBITDA | 16,308 | 11,524 |
| Finance charges | (14,408) | (14,408) |
| Surplus / (deficit) without Management Actions | | (2,884) |
| Management Actions | - | 4,784 |
| Surplus / deficit | 1,900 | 1,900 |

As can be seen without management actions it is now predicted that the Trust will record a deficit in the 2012/13 financial year amounting to £2.884 million. The Trust is developing a revised budget for the period November to March 2013, aimed at addressing the forecast deficit and producing the planned surplus for the year of £1.9 million.

Forecast Outturn – Key Messages

- *The Trust is required to deliver a surplus for the year amounting to £1.9 million,*
- *A review of the status of the Cost Improvement Programme, suggests that the Trust will underachieve against the targeted level of savings by £2.252 million,*
- *A most likely forecast outturn position that recognises the under achievement of CIP savings and the impact of financial penalties arising as a consequence of failure to achieve National Performance levels and a continuation of existing budgetary performance is expected to result in the delivery of a deficit for the year amounting to £2.884 million. Corrective actions are presently being constructed, resulting in the establishment of revised Income and Expenditure Budgets for the year, effective from the 1st November to improve the forecast Outturn position, resulting in a surplus for the year of £1.9 million.*

8. 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 5.

| | Surgical | Musculo-skeletal | Head and Neck | Ophthalmology | Women and Childrens | Emergency and Critical Care Centre | Medicine | Oncology | Total |
|-----------------------------------|----------|------------------|---------------|---------------|---------------------|------------------------------------|----------|----------|----------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Total Income | £22,977 | £10,979 | £5,131 | £4,769 | £21,110 | £9,804 | £34,715 | £12,610 | £122,094 |
| Total Direct/Indirect Cost | | | | | | | | | |
| Direct Costs | | | | | | | | | |
| Direct Pay Costs | | | | | | | | | |
| Nursing | £2,702 | £1,056 | £306 | £243 | £6,326 | £2,773 | £8,258 | £750 | £22,414 |
| Consultants | £2,672 | £1,349 | £918 | £629 | £1,755 | £1,223 | £2,356 | £569 | £11,472 |
| Other Clinical | £3,106 | £1,944 | £1,155 | £890 | £2,833 | £1,801 | £4,476 | £833 | £17,038 |
| Non-clinical | £742 | £197 | £320 | £239 | £705 | £558 | £1,160 | £482 | £4,403 |
| Total: Direct Pay Costs | £9,222 | £4,545 | £2,699 | £2,001 | £11,621 | £6,355 | £16,250 | £2,633 | £55,327 |
| Direct Non Pay Costs | | | | | | | | | |
| Drug Costs | £1,231 | £266 | £81 | £123 | £608 | £188 | £3,219 | £4,616 | £10,331 |
| Supplies | £354 | £208 | £454 | £130 | £548 | £424 | £1,597 | £412 | £4,127 |
| Other Direct Costs | £133 | £331 | £64 | £137 | £272 | £230 | £557 | £73 | £1,796 |
| Total: Direct Non Pay Costs | £1,718 | £805 | £599 | £390 | £1,427 | £842 | £5,372 | £5,101 | £16,254 |
| Total: Direct Costs | £10,940 | £5,350 | £3,298 | £2,390 | £13,048 | £7,198 | £21,622 | £7,734 | £71,581 |
| Indirect Costs | | | | | | | | | |
| Allied Healthcare Professionals | £344 | £297 | £49 | £51 | £129 | £86 | £1,394 | £283 | £2,633 |
| Radiology | £738 | £700 | £134 | £59 | £280 | £1,308 | £1,328 | £232 | £4,780 |
| Pathology | £1,016 | £354 | £235 | £213 | £771 | £605 | £1,712 | £359 | £5,265 |
| Theatre | £2,753 | £1,627 | £698 | £476 | £587 | £1 | £47 | £1 | £6,189 |
| Other Services | £1,910 | £657 | £322 | £581 | £553 | £333 | £1,078 | £227 | £5,660 |
| Prosthetics | £46 | £265 | £14 | £9 | £11 | £1 | £6 | £1 | £352 |
| Hotel Services | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Pharmacy | £243 | £86 | £36 | £26 | £272 | £22 | £701 | £292 | £1,679 |
| Other Costs | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Total: Indirect Costs | £7,051 | £3,986 | £1,488 | £1,414 | £2,604 | £2,355 | £6,267 | £1,394 | £26,559 |
| Total: Total Direct/Indirect Cost | £17,991 | £9,336 | £4,786 | £3,805 | £15,652 | £9,553 | £27,889 | £9,129 | £98,139 |
| Contribution | £4,986 | £1,643 | £345 | £964 | £5,458 | £251 | £6,827 | £3,481 | £23,954 |
| Contribution % | 22% | 15% | 7% | 20% | 26% | 3% | 20% | 28% | 20% |
| Overhead Costs | | | | | | | | | |
| Site Costs | £1,590 | £810 | £462 | £488 | £1,540 | £988 | £2,375 | £716 | £8,969 |
| Corporate Costs | £1,695 | £1,029 | £584 | £474 | £1,790 | £1,142 | £2,716 | £830 | £10,260 |
| CNST Contribution | £333 | £182 | £43 | £40 | £1,748 | £177 | £81 | £12 | £2,615 |
| Total: Overhead Costs | £3,618 | £2,021 | £1,088 | £1,003 | £5,077 | £2,307 | £5,172 | £1,558 | £21,844 |
| Cost | £21,610 | £11,357 | £5,874 | £4,807 | £20,729 | £11,860 | £33,060 | £10,687 | £119,983 |
| EBITDA | £1,368 | £-378 | £-743 | £-39 | £381 | £-2,056 | £1,655 | £1,923 | £2,110 |
| EBITDA % | 6% | -3% | -14% | -1% | 2% | -21% | 5% | 15% | 2% |
| Finance Costs | £1,116 | £589 | £300 | £264 | £1,060 | £675 | £1,569 | £571 | £6,144 |
| Total Profit | £251 | £-967 | £-1,043 | £-303 | £-679 | £-2,732 | £86 | £1,352 | £-4,034 |
| Profitability | 1.09% | -8.81% | -20.32% | -6.35% | -3.22% | -27.86% | 0.25% | 10.72% | -3.30% |
| SHA Support | | | | | | | | | 3,233 |
| Trust Surplus/(Deficit) | | | | | | | | | (801) |

Service Line Reporting – Key Messages

- Five centres recorded a loss in the period April – August, these being Musculoskeletal, Head and Neck, Ophthalmology and Patient Access, Women and Children and Emergency and Critical Care.
- Collectively the Centres generated a contribution percentage of 20% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 23%. Benchmarked data recommends a percentage achievement of 25%.
- Emergency and Critical Care achieved a small contribution of less than 3%, whilst Head and Neck achieved less than 7%.
- The logic has been revised from last year for the recharging of Pharmacy and Therapy costs. The format has also changed to allow the separate identification of CNST costs.

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 2012/13 to 2017/18 updated to reflect:

- amendments made to the 2012/13 budget and incorporated within the most recent Long Term Financial Model (LTFM)
- the month 6 Income and Expenditure position; and
- the most recent review of savings delivered through the 2012/13CIP Programme

| | LTFM Revised Budget Recurrent Surplus /(deficit) £000s | LTFM Budget Non Recurrent Surplus/ (deficit) £000s | LTFM Budget Total Surplus /(deficit) £000s | Revised Recurrent Surplus /(deficit) £000s | Revised Non Recurrent Surplus/ (deficit) £000s | Revised Total Surplus /(deficit) £000s |
|---------|---|---|---|---|---|--|
| 2010/11 | (14,400) | 14,426 | 26 | (14,400) | 14,426 | 26 |
| 2011/12 | - | - | - | 200 | (200) | - |
| 2012/13 | 15,700 | (13,800) | 1,900 | 9,700 | (7,800) | 1,900 |
| 2013/14 | 8,600 | (2,300) | 6,300 | 2,600 | (1,000) | 1,600 |
| 2014/15 | 8,900 | (600) | 8,300 | 2,900 | (600) | 2,300 |
| 2015/16 | 8,900 | (600) | 8,300 | 2,900 | (600) | 2,300 |
| 2016/17 | 7,600 | (600) | 7,000 | 1,600 | (600) | 1,000 |
| 2017/18 | 3,300 | (1,300) | 2,000 | (2,700) | (1,300) | (4,000) |

As can be seen:

- the recurrent surplus carried forward into the 2013/14 year declines by £6.0 million from £15.7 million to £9.7 million, and
- Cumulative surpluses generated have reduced over the period 2012/13 to 2017/18 by £30 million.

The above position continues to assume that:

- Schemes taken forward in 2012/13 delivering recurrent savings amounting to £4.6 million are progressed for implementation in the first quarter of the 2013/14 year.

10. **Impact upon the External Financing Limit (EFL)**

The Trust had a £2m drawdown of PDC within 2011/12 to support the initial stages of the reconfiguration programme with a further drawdown of £33m planned for 2012/13 and 2013/14. The timing and phasing of this drawdown has been clarified with the SHA to enable a phasing in-line with the capital expenditure profile of the capital works over the two years of 2012/13 and 2013/14. This phasing has been updated for the latest cash flow forecast received from the principle supply chain partner (Balfour Beatty) and has been submitted to the treasury team of the Department of Health to facilitate the drawdown of PDC. This drawdown commenced in September 2012 with the Trust drawing down £850k.

As detailed last month, the cash position remains under pressure due to the depressed position within the I&E statement. This will increase significantly over the coming months as the Trust has confirmed the PDC dividend payment of £2,885k was made on 17 September 2012. This pressure is being partially offset by a cash receipt of £1,500k in the last week of August representing 50% of the financial support from Shropshire County PCT with discussions ongoing to secure the same 50% portion from Telford and Wrekin PCT (c£900k).

The Trust is taking further action to mitigate this situation through the slow-down of capital expenditure and through the management of working capital to grow the cash position.

Although the Better Payment Practice Code (BPPC) performance remains strong and consistent with prior year performance it has declined in September given the position highlighted above.

Within the month the overall cash balance increased by £213k to £614k, with a forecast outturn closing balance of £2,200k in line with the EFL.

11. **Statement of Financial Position**

| | March 12 £000 | August 12 £000 | September 12 £000 | Variance to March 12 £000 | Variance to August 12 £000 |
|--|------------------|-------------------|----------------------|---------------------------------|----------------------------------|
| Total Non Current Assets | 170,545 | 170,502 | 171,367 | 822 | 865 |
| Inventories | 5,349 | 5,440 | 5,954 | 605 | 514 |
| Current Trade and Other Receivables | 12,827 | 16,478 | 17,324 | 4,497 | 846 |
| Cash and Cash Equivalents | 1,202 | 401 | 614 | (588) | 213 |
| Total Current Assets | 19,378 | 22,319 | 23,892 | 4,514 | 1,573 |
| Current Trade and Other Payables | (29,735) | (31,539) | (30,125) | (390) | 1,414 |
| PDC dividend Payable accrual | (111) | (2,422) | 0 | 111 | 2,422 |
| Provisions | (434) | (360) | (380) | 54 | (20) |
| Total Current Liabilities | (30,280) | (34,321) | (30,505) | (225) | 3,816 |
| Net Current Liabilities | (10,902) | (12,002) | (6,613) | 4,289 | 5,389 |
| Total Assets less Current Liabilities | 159,643 | 158,500 | 164,754 | 5,111 | 6,254 |
| Provisions | (512) | (388) | (340) | 172 | 48 |
| Total Assets Employed | 159,131 | 158,112 | 164,414 | 5,283 | 6,302 |
| Total Taxpayers' Equity | 159,131 | 158,112 | 164,414 | 5,283 | 6,302 |

Total Assets Employed

The in month movement of Total Assets Employed is a positive £6,477k, primarily due to the payment of PDC and a reduction in non – NHS accruals and deferred income with net current liabilities decreasing by £3,816k. Net current assets have increased in month by £1,573k primarily due to increased stock levels of £514k , an increase in prepayments and accrued income of £918k and an increase in cash of £213k

Total Non Current Assets

The increase in non-current assets relates to an increase of £720k within fixed assets and an increase in long term receivables of £145k.

Limited capital expenditure has occurred to date (as forecast) with the table below detailing the position for month 6 with forecasts for 2012/13 and future years.

THE SHREWSBURY & TELFORD HOSPITAL NHS TRUST
ANALYSIS OF CAPITAL EXPENDITURE AT 30th SEPTEMBER 2012 (MONTH 06 (2012/13))

| Project | Approved Sum | Expenditure to date | Expenditure committed - ordered | Total expenditure/ committed to date | Expenditure committed - to be ordered | Forecast Outturn | Variance | % of approved sum/ committed | % of approved sum remaining to be ordered |
|---|-------------------|---------------------|---------------------------------|--------------------------------------|---------------------------------------|-------------------|----------------|------------------------------|---|
| | a | b | c | d=(b + c) | e | f=(d+e) | (a-f) | (d/a) | (e/a) |
| | £ | £ | £ | £ | £ | £ | £ | % | % |
| Outstanding Commitments from 2011/12 | 350,000 | 60,397 | 251,459 | 311,857 | 50,993 | 362,850 | -12,850 | 89.10% | 14.57% |
| Agreed Commitments for 2012/13 | 2,029,000 | 132,075 | 1,366,531 | 1,498,606 | 361,937 | 1,860,543 | 168,457 | 73.88% | 17.84% |
| Reconfiguration | 15,985,000 | 951,018 | 2,988,871 | 3,939,889 | 11,581,111 | 15,521,000 | 464,000 | 24.65% | 72.45% |
| Capital Salaries | 500,000 | 270,306 | 220,449 | 490,755 | 9,245 | 500,000 | 0 | 98.15% | 1.85% |
| Contingency Fund Estates Issues/DDA | 372,000 | 42,884 | 92,887 | 135,772 | 236,228 | 372,000 | 0 | 36.50% | 63.50% |
| Contingency Fund for Medical Equipment Replacement | 293,000 | 173,190 | 0 | 173,190 | 119,810 | 293,000 | 0 | 59.11% | 40.89% |
| Contingency Fund for IT Equipment Replacement | 325,000 | 208,928 | 49,568 | 258,496 | 66,504 | 325,000 | 0 | 79.54% | 20.46% |
| Contingency Fund for Non-Patient Connected Equipment Replacement | 100,000 | 43,606 | 0 | 43,606 | 56,394 | 100,000 | 0 | 43.61% | 56.39% |
| VitalPac Contingency Fund | 126,000 | 0 | 0 | 0 | 126,000 | 126,000 | 0 | 0.00% | 100.00% |
| Total for Delegated Contingency Funds | 1,216,000 | 468,608 | 142,455 | 611,064 | 604,936 | 1,216,000 | 0 | 50.25% | 49.75% |
| Corporate Contingency Fund | 1,000,000 | 0 | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0.00% | 100.00% |
| Contingency for Capital additions identified through the budget process | 625,000 | 205,550 | 112,921 | 318,471 | 306,529 | 625,000 | 0 | 50.96% | 49.04% |
| Bed Reconfiguration | 1,805,000 | 1,503,383 | 9,284 | 1,512,667 | 292,333 | 1,805,000 | 0 | 83.80% | 16.20% |
| Capital Aspirations | 64,000 | 0 | 0 | 0 | 64,000 | 64,000 | 0 | 0.00% | 100.00% |
| Cancer Centre | 7,000 | 100,393 | 0 | 100,393 | 0 | 100,393 | -93,393 | | |
| Donated assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| TOTAL Allocated | 23,581,000 | 3,691,731 | 5,091,971 | 8,783,702 | 14,271,084 | 23,054,786 | 526,214 | 37.25% | 60.52% |
| Unallocated | -446,000 | | | | | | -446,000 | | |
| TOTAL Forecast CRL | 23,135,000 | 3,691,731 | 5,091,971 | 8,783,702 | 14,271,084 | 23,054,786 | 80,214 | 37.97% | 61.69% |
| CRL analysis: | | | | | | | | | |
| Estimated Depreciation Charge | 8,450,000 | | | | | | | | |
| DH PDC re Reconfiguration | 15,685,000 | | | | | | | | |
| Less Cash Release | -1,000,000 | | | | | | | | |
| Forecast CRL | 23,135,000 | | | | | | | | |

As consistent with the previous year the capital plan has been prepared on the basis of generating a further £1m cash release from under-spending against internally generated funds.

Total Current Assets

Inventories Increased by £514k in the month.

Debtors have increased by £846k in the areas of NHS invoiced revenue and prepayments & accrued income

Total Current Liabilities and the Better Payment Practice Code

Non-NHS – Year to date performance has worsened slightly in month, with cumulative performance continuing to be in line with 2011/12.

The areas of non-compliance primarily relate to:

- Over 60 days - £30k Dr Foster Ltd.
- All other categories – £110k Dell computers; £58k Hi/low beds, £37k month 5 drugs & £36k renal consumables. In addition, the Trust is still experiencing delays within the internal approval process of agency staffing invoices.

Following work with the Finance team and central procurement teams the temporary staffing department are aiming to move locum/agency booking onto the Oracle iProc solution for electronic purchase order and goods receipting, This process change has been delayed from the initial schedule date of end July 2012 to 1 October.

| Non NHS Spend | YTD | YTD | M1 | M2 | M3 | M4 | M5 | M6 | YTD |
|-----------------------------|-----------------|-------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2010/11 | 2011/12 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 |
| By Volume | | | | | | | | | |
| Total Volume | 35,191 | 47,508 | 7,245 | 7,465 | 8,159 | 6,891 | 6,540 | 2,859 | 39,159 |
| BPPC compliant volume | 11,207 | 38,752 | 6,173 | 6,493 | 6,639 | 6,283 | 5,048 | 1,981 | 32,617 |
| BPPC compliant % | 32% | 82% | 85% | 87% | 81% | 91% | 77% | 69% | 83% |
| By Value | | | | | | | | | |
| Total value (£000) | 30,005 | 39,592 | 10,174 | 9,878 | 8,590 | 7,761 | 8,593 | 3,701 | 48,697 |
| BPPC compliant value (£000) | 11,316 | 30,502 | 8,890 | 8,402 | 6,530 | 6,894 | 6,719 | 2,530 | 39,965 |
| BPPC compliant % | 38% | 77% | 87% | 85% | 76% | 89% | 78% | 68% | 82% |
| Current Month | | | | | | | | | |
| Payment made | Quantity | Quantity % | Value | Value % | | | | | |
| 0-30 days | 1,981 | 69% | £2,529,574 | 68% | | | | | |
| 31-35 days | 158 | 6% | £185,166 | 5% | | | | | |
| 36-40 days | 314 | 11% | £501,255 | 14% | | | | | |
| 41-45 days | 162 | 6% | £210,236 | 6% | | | | | |
| 46-50 days | 64 | 2% | £87,424 | 2% | | | | | |
| 51-55 days | 55 | 2% | £77,399 | 2% | | | | | |
| 56-60 days | 27 | 1% | £27,909 | 1% | | | | | |
| over 60 days | 98 | 3% | £81,622 | 2% | | | | | |
| Total invoices paid | 2,859 | 100% | £3,700,584 | 100% | | | | | |

NHS – In month performance has been exceptional and has worsened the year to date performance, this remains below the 2011/12 year end position.

The areas of non-compliance primarily relate to:
Over 30 days – £267k NHS Supply chain.

| NHS Spend | YTD | YTD | M1 | M2 | M3 | M4 | M5 | M6 | YTD |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2010/11 | 2011/12 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 | 2012/13 |
| By Volume | | | | | | | | | |
| Total Volume | 1,047 | 1,045 | 209 | 152 | 211 | 187 | 244 | 82 | 1,085 |
| BPPC compliant volume | 264 | 899 | 143 | 135 | 161 | 177 | 146 | 56 | 818 |
| BPPC compliant % | 25% | 86% | 68% | 89% | 76% | 95% | 60% | 68% | 75% |
| By Value | | | | | | | | | |
| Total value (£000) | 8,655 | 8,174 | 684 | 961 | 644 | 1,704 | 1,027 | 922 | 5,942 |
| BPPC compliant value (£000) | 3,235 | 7,412 | 414 | 635 | 489 | 1,692 | 655 | 624 | 4,509 |
| BPPC compliant % | 37% | 91% | 61% | 66% | 76% | 99% | 64% | 68% | 76% |

| Current Month | | | | |
|----------------------------|-----------------|-------------------|-----------------|----------------|
| Payment made | Quantity | Quantity % | Value | Value % |
| 0-30 days | 56 | 68% | £623,828 | 68% |
| 31-35 days | 11 | 13% | £16,528 | 2% |
| 36-40 days | 5 | 6% | £139,784 | 15% |
| 41-45 days | 9 | 11% | £141,069 | 15% |
| 46-50 days | 0 | 0% | £0 | 0% |
| 50-55 days | 0 | 0% | £0 | 0% |
| 56-60 days | 0 | 0% | £0 | 0% |
| over 60 days | 1 | 1% | £450 | 0% |
| Total invoices paid | 82 | 100% | £921,660 | 100% |

Provisions have moved as expected within the month.

12. Statement of Cash flow

The cash flow, as detailed below, demonstrates significant pressure will be felt over the coming months through the delay in making creditor payments (a net positive movement within working capital). The PDC dividend payment was made on the 17 September 2012 of £2,885k but as the I&E position continues to put pressure on the cash position the following additional actions are being taken to mitigate the effects of the dividend payment:

- Closer management of working capital positions to create a cash 'buffer'. As mentioned previously although the BPPC is still performing when compared to prior year performance this is expected to reduce significantly over the coming months.
- A cash receipt of £1,500k in the last week of August representing 50% of the financial support from Shropshire County PCT with discussions ongoing to secure the same 50% portion from Telford and Wrekin PCT (c£900k). The remaining 50% from both PCTs will be pursued within the coming weeks.
- The Trust is taking further action to slow-down the commitments of the capital expenditure programme.
- Continued monitoring of the rolling 13 week cash flow forecast and sensitised against any deviations in the forecast outturn position. Significant deviations will be reviewed with the Finance Director and appropriate cash management actions will take place.

Within the month the overall cash balance increased by £213k to £614k, with a forecast outturn closing balance of £2,200k in line with the EFL.

Shrewsbury & Telford Hospital NHS Trust - Cashflow Forecast 2012/13

| | Actual April 2012 £000's | Actual May 2012 £000's | Actual June 2012 £000's | Actual July 2012 £000's | Actual August 2012 £000's | Actual September 2012 £000's | Forecast October 2012 £000's | Forecast November 2012 £000's | Forecast December 2012 £000's | Forecast January 2013 £000's | Forecast February 2013 £000's | Forecast March 2013 £000's |
|--|--------------------------------|------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------------------------|
| Balance B/fwd | 1,202 | 871 | 251 | 938 | 1549 | 401 | 614 | 1869 | 2242 | 1863 | 2136 | 1379 |
| Forecast adjustment to actual | | | | | | | | | | | | |
| Receipts | | | | | | | | | | | | |
| <i>Mandate Income</i> | | | | | | | | | | | | |
| SCPCT | 10524 | 10391 | 10458 | 10458 | 10458 | 10458 | 10524 | 10524 | 10524 | 10524 | 10524 | 10524 |
| TWPCT | 7402 | 7402 | 7402 | 7402 | 7402 | 7402 | 7502 | 7502 | 7502 | 7502 | 7502 | 7502 |
| West Midlands | 850 | 860 | 937 | 2592 | | | 2679 | | | 2679 | | |
| Powys | 1774 | 1774 | 1774 | 1774 | 1774 | 1767 | 1774 | 1774 | 1774 | 1774 | 1774 | 1774 |
| Others | 1498 | 1655 | 1711 | 1677 | 1614 | 1614 | 1591 | 1591 | 1591 | 1591 | 1591 | 1591 |
| Sub Mandate Income | 22049 | 22083 | 22283 | 23904 | 21249 | 21241 | 24071 | 21392 | 21392 | 24071 | 21392 | 21392 |
| <i>AR Invoiced Income</i> | | | | | | | | | | | | |
| NHS (inc addi activity & NCA) | 2347 | 4355 | 1473 | 2380 | 2815 | 1403 | 839 | 789 | 789 | 789 | 789 | 789 |
| Cashiers Banking | 316 | 750 | 418 | 1071 | 560 | 878 | 684 | 547 | 547 | 547 | 547 | 547 |
| Cashiers Banking C/F | | | | | | | | | | | | |
| Other Non-NHS | | | | | 312 | 162 | 218 | 2425 | 1408 | -413 | 1276 | 3408 |
| Sub AR Income | 2663 | 5105 | 1891 | 3451 | 3687 | 2443 | 1741 | 3762 | 2745 | 924 | 2613 | 4745 |
| <i>Other Income</i> | | | | | | | | | | | | |
| Car Park | | | | | 127 | | 64 | 64 | 64 | 64 | 64 | 64 |
| RTA | | | | | 74 | 116 | 100 | 100 | 100 | 100 | 100 | 100 |
| Other | | | | | 3 | 15 | 80 | 80 | 80 | 80 | 80 | 80 |
| Sub Other Income | | | | | 204 | 131 | 244 | 244 | 244 | 244 | 244 | 244 |
| Interest Rec'd | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| PDC Drawdown for Reconfiguration | | | | | | 850 | 1500 | 1500 | 2000 | 2000 | 2000 | 2000 |
| Total Receipts | 24714 | 27190 | 24176 | 27356 | 25142 | 24667 | 27558 | 26899 | 26382 | 27240 | 26250 | 28382 |
| Payments | | | | | | | | | | | | |
| Salaries | -9653 | -9632 | -9437 | -9455 | -9482 | -9519 | -9317 | -9344 | -9540 | -9558 | -9527 | -9535 |
| Paye/NI | -4150 | -4291 | -4166 | -4044 | -4006 | -4062 | -4200 | -4200 | -4200 | -4200 | -4200 | -4200 |
| Pension | | -2375 | -2390 | -2362 | -2353 | -2356 | -2400 | -2400 | -2400 | -2400 | -2400 | -2400 |
| Agency | -1033 | -1002 | -809 | -764 | -761 | -718 | -790 | -792 | -792 | -788 | -784 | -785 |
| Total Pay | -14835 | -17301 | -16802 | -16625 | -16603 | -16655 | -16707 | -16736 | -16932 | -16946 | -16911 | -16920 |
| Creditors - NHS | -1119 | -2247 | -923 | -1885 | -1035 | -880 | -1863 | -1491 | -1491 | -1491 | -1491 | -1863 |
| Creditors - Non NHS BACS | -7270 | -6922 | -4863 | -6790 | -7075 | -2365 | -8948 | -7256 | -6713 | -7658 | -7571 | -7454 |
| Creditor Suppression | | | | | | | 3746 | 1529 | 1471 | 2210 | 1501 | 3678 |
| Creditors - Non NHS Payable Orders | -184 | -106 | -144 | -45 | -87 | -59 | -149 | -119 | -119 | -119 | -119 | -149 |
| Direct Debit NHSLA | -652 | -652 | -652 | -652 | -652 | -652 | -652 | -652 | -652 | -652 | -652 | -652 |
| HMRC - VAT | | | | | 307 | 176 | 200 | 200 | 200 | 200 | 200 | 200 |
| Other Payments - CHAPS | -55 | -2 | -2 | -21 | -1 | -2 | | | | | | |
| Other Payments - Foreign | -1 | | | | | | | | | | | |
| Petty cash | -12 | -17 | -11 | -12 | -15 | -14 | -15 | -12 | -12 | -12 | -12 | -12 |
| Bank charges | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 |
| Total Non Pay | -9292 | -9947 | -6595 | -9406 | -8559 | -3798 | -7683 | -7802 | -7317 | -7522 | -7493 | -5602 |
| Reserve adjustment | | | | | | | 52 | 67 | 67 | 67 | 67 | 67 |
| PDC Dividends | | | | | | -2885 | | | | | | -2885 |
| Creditors - Capital (ex Reconfiguration) | -830 | -322 | -57 | -674 | -418 | -1085 | -465 | -555 | -580 | -586 | -670 | -3090 |
| Reconfiguration | -87 | -241 | -33 | -41 | -710 | 29 | -1500 | -1500 | -2000 | -2000 | -2000 | -2000 |
| Total Capital Payments | -917 | -562 | -91 | -715 | -1128 | -1115 | -1965 | -2055 | -2580 | -2566 | -2670 | -5090 |
| Total Payments | -25045 | -27810 | -23488 | -26746 | -26290 | -24453 | -26303 | -26526 | -26762 | -26967 | -27007 | -27545 |
| Net Movement | -331 | -620 | 688 | 611 | -1148 | 213 | 1255 | 373 | -380 | 273 | -756 | 837 |
| Closing Balance | 871 | 251 | 938 | 1549 | 401 | 614 | 1869 | 2242 | 1863 | 2136 | 1379 | 2216 |

Statement of Financial Position – Key Messages

- *Cash position increased £401k to £614k*
- *Pressure within the cash position to be experienced over the coming months and mitigated through working capital management and deferrals within the capital programme*
- *PDC dividend £2,885k paid 17 September 2012.*
- *Reconfiguration funding phasing agreed with SHA and submitted to DH Treasury team.*
- *Capital expenditure plan is limited to generate cash surplus of £1.0m.*
- *BPPC for the year to date remains strong and consistent with prior year performance.*
- *The in month movement of Total Assets Employed is a positive £6,302k, with net current liabilities decreasing by £5,389k.*

Neil Nisbet
Finance Director
22nd October 2012

TRUST BOARD – Thursday 1st November 2012

Finance Update – Key Messages

Income and Expenditure Position

- *The Trust recorded a deficit at the end of September amounting to £789,000; the Trust had planned to record a surplus at this stage in the financial year of £157,000.*
- *In the month of September a surplus of £12,000 was recorded, the budget for the month of September was to present a surplus of £165,000.*
- *The financial position at the end of September is made possible because of the release of transitional funding in the first half of the year amounting to £3.349 million.*

Income

- *At the end of September the Trust had recorded an under recovery of Income, across both Clinical and Non Clinical areas amounting to £662,000.*
- *The cumulative Income position at the end of September compares unfavourably with the performance as recorded at the end of August, and has occurred because volumes of Emergency and Elective Activity reduced significantly in the month.*
- *In the period Shropshire County PCT, Telford and Wrekin PCT and Powys LHB are each under performing, this is being compensated by Specialised Services activity which is over performing as compared to plan.*

Pay

- *Pay spending in the month of September amounted to £16.561 million, the lowest level of spending recorded in this financial year.*
- *The number of Whole Time Equivalent staff employed within the Trust has reduced by 70.60 WTE posts when compared with the base budget.*
- *Spending in respect of Agency staff amounted to £737,000. The average level of spending per month in the quarter July – September 2012 amounted to £855,000 a reduction of £333,000 when compared with the same period in the previous financial year.*
- *Spending in respect of Waiting List Initiatives amounts to £190,000 per month, which is consistent with the budget for the year. In the previous financial year WLI spending amounted to £287,000 per month.*
- *Despite the above, the Trust continues to show a significant cumulative level of Pay overspending because the Trust had failed to reduce its staffing levels at a rate consistent with it's CIP Programme.*
- *In the month of September the Trust planned to employ 4,541 WTE staff and instead employed 4,792 posts, a difference of 251 posts.*
- *The inability to close escalation beds has meant that whilst the Trust had planned to reduce Nursing staffing levels by circa 100 WTE posts, over the period Month 10 to Month 6, the actual number reduced to date amounts to 40 WTE posts.*

Non Pay

- *Over the period April – September Non Pay budgets underspent cumulatively by £944,000,*
- *The three month average spending covering the period July – September is approximately £400,000 per month lower than the period (November – January) used to set budgets for the 2012/13 year.*

Forecast outturn

- *The Trust is required to deliver a surplus for the year amounting to £1.9 million,*
- *A review of the status of the Cost Improvement Programme, suggests that the Trust will underachieve against the targeted level of savings by £2.252 million,*
- *A most likely forecast outturn position that recognises the under achievement of CIP savings and the impact of financial penalties arising as a consequence of failure to achieve National Performance levels and a continuation of existing budgetary performance is expected to result in the delivery of a deficit for the year amounting to £2.884 million. Corrective actions are presently being constructed, resulting in the establishment of revised Income and Expenditure Budgets for the year, effective from the 1st November to improve the forecast Outturn position, resulting in a surplus for the year of £1.9 million.*

Service Line Reporting

- *Five centres recorded a loss in the period April – August, these being Musculoskeletal, Head and Neck, Ophthalmology and Patient Access, Women and Children and Emergency and Critical Care.*
- *Collectively the Centres generated a contribution percentage of 20% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 23%. Benchmarked data recommends a percentage achievement of 25%.*
- *Emergency and Critical Care achieved a small contribution of less than 3% , whilst Head and Neck achieved less than 7%.*
- *The logic has been revised from last year for the recharging of Pharmacy and Therapy costs. The format has also changed to allow the separate identification of CNST costs.*

Statement of Financial Position

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- *Pressure within the cash position to be experienced over the coming months and mitigated through working capital management and deferrals within the capital programme*
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*Neil Nisbet
Finance Director
22nd October 2012*