

EXECUTIVE SUMMARY

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|---|---|
| TITLE: | BOARD/GROUP/COMMITTEE: |
| Finance Report – March 2010 | Trust Board - for information |
| 1. KEY ISSUES: | REVIEWED BY (BOARD/COMMITTEE) and DATE: |
| <p>The Trust ended the year with a £22.3m deficit, £2.6m adverse against the agreed NHS London control total of £19.7m. This position includes the £21m adverse impact of the Finnermore review but excludes technical adjustments in respect of Impairments (£31.9m) and IFRS (£2.1m).</p> <p>Total Income for the year was £1.6m adverse against budget. There was £6.6m over performance on Other Divisional income, largely from recovery items such as the commercial deals, which partially offset Central Income under performance of £8.2m. Central income included reductions of £21m from Finnermores partially mitigated by £8m of PCT support.</p> <p>CIP / Turnaround - The organisation had a £33.3m target, after £2.6m of shortfall reserve. Against the original plan the Divisions delivered £22.7m of savings, leaving a £10.6m shortfall. A recovery programme of £15.2m was delivered in the final 3 months of the year to offset this and other shortfalls against the control total. A further £2.6m of accrued income over-performance has been provided against within the final position, since it has been disputed by the PCTs. Including this income, the Trust would have met its control target.</p> <p>Expenditure – Pay under spent in the month by £0.8m, mostly from capitalisation and review of accruals. The year end position on pay was £3.2m adverse, mostly on Medical staffing from agency and extra sessions, particularly around A&E and 18 week pressures. Ancillary staff was also significantly over spent. Non Pay was £2.9m under spent in month, primarily as a result of capitalisation and stock adjustments. This reduced the YTD over spend to £0.5m, which related mostly to Clinical and General supplies, related to activity and previous year invoices.</p> | <p><input type="checkbox"/> S&SIB <input type="checkbox"/> EPB.....</p> <p><input type="checkbox"/> FINANCE <input type="checkbox"/> AUDIT</p> <p><input type="checkbox"/> CLINICAL GOVERNANCE</p> <p><input type="checkbox"/> CHARITABLE FUNDS</p> <p><input type="checkbox"/> TRUST BOARD</p> <p><input type="checkbox"/> REMUNERATION</p> <p><input type="checkbox"/> OTHER(please specify)</p> <p>CATEGORY:</p> <p><input type="checkbox"/> NATIONAL TARGET <input type="checkbox"/> CNST</p> <p><input type="checkbox"/> STANDARDS FOR BETTER HEALTH</p> <p><input type="checkbox"/> ASSURANCE FRAMEWORK</p> <p><input type="checkbox"/> TARGET FROM COMMISSIONERS</p> <p><input checked="" type="checkbox"/> CORPORATE OBJECTIVE To monitor the Trust's progress in achieving its financial turnaround, achieving control targets and meeting its statutory financial duties going forward.</p> <p><input type="checkbox"/> OTHER (please specify)</p> <p>AUTHOR/PRESENTER:</p> <p>David Wragg, Director of Finance</p> <p>DATE:</p> |
| 2. FINANCIAL IMPLICATIONS/IMPACT ON CURRENT FORECAST: | |
| Set out under key issues | |

| | |
|--|--|
| 3. ALTERNATIVES CONSIDERED/REASONS FOR REJECTION: | |
| N/A | |
| 4. DELIVERABLES: | |
| N/A | |
| 5. EVIDENCE : | |
| N/A | |
| 6. RECOMMENDATION/ACTION REQUIRED: | |
| The Board is asked to note this report. | |
| AGREED AT MEETING _____ OR REFERRED TO: _____ | DATE: _____ DATE: _____ |
| REVIEW DATE _____ (if applicable) | |

**Barking, Havering and Redbridge
University Hospitals NHS Trust**

Finance Report

March 2010

Finance Report for Twelve Months Ended 31st March 2010

1. Financial Summary

| Full Year Budget | | Current Period Actual | Current Period Variance | Year To Date Actual | Year To Date Variance |
|------------------------|---|-----------------------------|-------------------------------|---------------------------|-----------------------------|
| £000 | | £000 | £000 | £000 | £000 |
| (399,852) | Total Operating Income | (46,259) | (11,835) | (398,272) | 1,580 |
| 267,724 | Pay Expenditure | 21,535 | (780) | 270,967 | 3,242 |
| 115,436 | Non Pay Expenditure | 6,868 | (2,863) | 115,954 | 517 |
| (13,840) | CIP / Turnaround Target | - | 1,106 | - | 13,840 |
| 5,374 | Reserves | (52) | (1,491) | (227) | (5,601) |
| (25,158) | EBITDA | (17,908) | (15,863) | (11,578) | 13,578 |
| 12,066 | Depreciation | 742 | (264) | 12,677 | 611 |
| 4,300 | Capital Dividends | 607 | 249 | 4,549 | 249 |
| (271) | Interest Income | (708) | (686) | (1,111) | (837) |
| 19,873 | Interest Payable - PFI | 1,636 | (20) | 19,844 | (30) |
| 13,890 | Impairment | 17,478 | 17,478 | 31,862 | 17,972 |
| 24,700 | Deficit before Impairment | 1,847 | 894 | 56,243 | 31,543 |
| Less | | | | | |
| (13,890) | Impairment | (17,478) | (17,478) | (31,862) | (17,972) |
| (2,800) | IFRS | - | - | (2,050) | 750 |
| 8,010 | Net Deficit | 1,847 | (16,584) | 22,331 | 14,321 |
| | In year adjustments to control target: | | | | |
| 21,000 | Finnamore review | | | 0 | (21,000) |
| (8,000) | PCT risk pool support | | | 0 | 8,000 |
| (1,300) | IFRS adjustment | | | 0 | 1,300 |
| 19,710 | Net deficit / control total | | | 22,331 | 2,621 |

2. Income

This section reports on the Trust income position, primarily in relation to PCT contract income. Income performance is an important element of the monthly performance review meetings with the clinical divisions and forms part of the overall assessment of financial performance of each division.

The following table summarises the overall Trust income position:

| Full Year Budget | | Current Period Actual | Current Period Variance | Year To Date Actual | Year To Date Variance |
|------------------|-----------------------------|-----------------------|-------------------------|---------------------|-----------------------|
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| (363,569) | NHS Clinical Income | (37,491) | (6,493) | (356,461) | 7,108 |
| (2,055) | Non NHS Clinical Income | (160) | 12 | (1,914) | 141 |
| (3,214) | Other Income | (168) | 99 | (2,223) | 981 |
| (368,838) | Total Central Income | (37,819) | (6,382) | (360,608) | 8,230 |
| (31,013) | Other Divisional Income | (8,440) | (5,453) | (37,664) | (6,650) |
| (399,851) | Total Trust Income | (46,259) | (11,835) | (398,272) | 1,580 |

Note: Bracketed variances are favourable (under spends or over achievement of income targets).

The overall position shows a £1.6m adverse variance year to date, including an £8.2m adverse variance on central income (still referred to as 'central' income here, to distinguish from other income that has always formed part of the Divisional budgets).

It should be noted that the year to date reported central income position is based on:

- The final billed position to month eleven (February). Month twelve (March) is still under review regarding PCT challenges (final bills are issued by the end of the following month, thus at the end of March we will have the final billed position for February)
- A provision for PCT challenges and other risks

Divisional Income – Over performance is largely in month and due to: £2m of commercial deals; £1m of High Cost Area payments and release of income previously deferred. The majority of this sits within the Corporate Division.

Based on PCT challenges of billed activity to date, a net provision of £32.1m has been made against the month twelve year to date accrued income position. This primarily comprises the following items:

- £27.5m Fynamore decisions (including £21m recognised by SHA in the control total)
- (£0.6)m – Additional Maternity Matters Income.
- £2.0m – SCBU double count.
- £0.2m – A&E Activity Change – Loss of 'minors' activity.
- £0.9m – PSD non PbR 50% price reduction
- £2.1m CQUIN's & KPIs – Trust estimate of income implications of under-performance against targets

Effectively £27.5m of the £32.1 provision relates to technical issues raised by the Fynamore review in its final report, details of which have been previously reported. The two main issues relate to:

- Chemotherapy and other high cost drugs excluded from PbR tariff. Fynamore based its recommendations on advice from the NEL Cancer Network (Bob Park), which is that the general tariff uplift for drugs on top of the 2007/08 non-PbR block contract value should be sufficient. However, this falls short of the actual level of expenditure growth in the Trust, by £9m.
- With regard to out-patient income, Fynamore referred to guidance issued by NHS London, that out-patient income levels should be capped at 2008/09 levels, whereas the Trust believed its had agreement with the PCTs (as part of the out-patient scaling adjustment) that real over-performance in out-patients will be funded (impact £9.7m)

The full year position for central income has been increased by £8m compared with the performance position reported last month due to additional risk pool support being made available by local PCTs, in part mitigation of the adverse impact of the Fynamore review.

Income by PCT

Central income performance by PCT commissioner is summarised as follows:

| Full Year Budget | | Current Period Actual | Current Period Variance | Year To Date Actual | Year To Date Variance |
|------------------|--|-----------------------|-------------------------|---------------------|-----------------------|
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| (84,341) | Barking & Dagenham PCT | (7,399) | 708 | (87,526) | (3,185) |
| (123,144) | Havering PCT | (11,623) | (549) | (126,504) | (3,360) |
| (79,929) | Redbridge PCT | (7,603) | (157) | (84,020) | (4,091) |
| (35,535) | Essex PCTs | (2,148) | 940 | (35,082) | 453 |
| (7,688) | Inner NEL PCTs | (192) | 418 | (6,893) | 795 |
| (3,798) | NICU Consortia | (292) | (35) | (4,278) | (480) |
| (22,469) | Non PCT specific accruals and provisions | (8,042) | (8,168) | (6,850) | 15,619 |
| (356,904) | SLA Sub total | (37,299) | (6,843) | (351,153) | 5,751 |
| (3,761) | Non contract activity | (117) | 183 | (3,610) | 152 |
| (3,087) | Transitional funding | (117) | 140 | (1,407) | 1,680 |
| (363,752) | NHS Clinical Income | (37,533) | (6,520) | (356,170) | 7,583 |
| (1,872) | RTA Income | (118) | 38 | (2,206) | (334) |
| (3,214) | Other Income | (168) | 100 | (2,233) | 981 |
| (368,838) | Total Central Income | (37,819) | (6,382) | (360,609) | 8,230 |

Income by Point of Delivery

Income by point of delivery is as follows:

| Full Year Budget | Point of Delivery (POD) | Current Period Actual | Current Period Variance | Year To Date Actual | Year To Date Variance |
|------------------|---------------------------------------|-----------------------|-------------------------|---------------------|-----------------------|
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| (17,107) | A&E Attendance | (1,564) | (407) | (18,041) | (934) |
| (52,397) | Elective and Day Case | (4,896) | 186 | (50,154) | 2,243 |
| (124,451) | Non Elective | (10,179) | (1,763) | (130,732) | (6,281) |
| (10,752) | Excess Bed Days | (911) | (147) | (10,933) | (181) |
| (29,508) | Outpatient 1 st Attendance | (1,964) | 894 | (26,598) | 2,910 |
| (34,533) | Outpatient Follow Up | (2,089) | 1,257 | (29,963) | 4,570 |
| (8,231) | Outpatient Procedures | (240) | 1,836 | (9,218) | (987) |
| (91,859) | Non-PbR Cost & Vol/Other | (15,976) | (8,239) | (84,969) | 6,890 |
| (368,838) | Total Central Income | (37,819) | (6,382) | (360,608) | 8,230 |

The two main areas of underperformance in 0910 are Outpatients and Drugs income. The Finnermore decision to cap PCT expenditure at 0910 plan for the Non PbR outpatients means that income reduced £10m from the expected M7 position.

Non PbR other includes chemotherapy drugs and high cost drugs. The Finnermore decision to not pay chemo drugs and less than half of high cost drugs, means that the income reduced by £10m from the expected M7 position.

Income by Division

Income performance by Division is as follows (please note this does not adjust for marginal costs):

| Full Year Budget | Division | Current Period Actual | Current Period Variance | Year To Date Actual | Year To Date Variance |
|------------------|-----------------------------|-----------------------|-------------------------|---------------------|-----------------------|
| £'000 | | £'000 | £'000 | £'000 | £'000 |
| (117,094) | Medical | (8,145) | 338 | (116,934) | 160 |
| (115,586) | Surgical | (8,712) | 2,872 | (113,911) | 1,675 |
| (72,536) | Women and Children | (7,606) | (1,726) | (70,814) | 1,722 |
| (50,541) | Clinical Support | (5,716) | (1,315) | (44,747) | 5,793 |
| (13,082) | Corporate | (7,643) | (6,551) | (14,204) | (1,121) |
| - | Central Income | - | - | - | - |
| (368,839) | Total Central Income | (37,821) | (6,382) | (360,610) | 8,230 |

The Clinical support division variance can be primarily explained by the following: The Finnamore decision to not pay chemo drugs and less than half of high cost drugs, means that the income reduced £10m from the expected M7 position.

Non NHS Clinical Income

Relates to Road Traffic Accident Income and is currently forecast to slightly over perform at year end.

Other Income

This relates to clinical support and facilities services provided to the ISTC. Year end performance for Other Income was £1.0m less than budget due to reductions in the number and value of SLAs and reduction in the number of seconded staff.

Other Divisional Income

The main components of other divisional income are doctor and nurse training income, overseas and private patients, pharmacy production and SLAs, car parking charges, patient transport, building rental and the plastics contract.

3. Revenue Expenditure

Pay Expenditure – The final position showed an overspending of £3.2m, net of £10.1m of unidentified CIP plans. There was a marginal under spending in the month, primarily due to back-dated capitalisation of pay expenditure and reduction in accruals.

| Staff Group | Full Year Budget | Current Period Actual | Current Period Over / (Under) Spend | Year to Date Actual | Year to Date Over / (Under) Spend |
|------------------------------|------------------|-----------------------|-------------------------------------|---------------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Medical Staff | 77,268 | 6,534 | 26 | 81,218 | 3,950 |
| Scientific, Therapy & Tech | 40,555 | 3,286 | -95 | 40,681 | 125 |
| Nursing & Midwifery - Qual | 84,468 | 6,886 | -172 | 84,012 | -457 |
| Nursing & Midwifery - Unqual | 17,738 | 1,526 | 50 | 18,229 | 490 |
| Ancillary Staff | 7,709 | 591 | -13 | 9,103 | 1,395 |
| Management & Admin | 39,986 | 2,712 | -576 | 37,724 | -2,261 |
| Total Pay | 267,724 | 21,535 | -780 | 270,967 | 3,242 |

Medical Staffing

The main areas of overspend at year end were Medicine £2.2m and Surgery £1.5m. These were mostly due to A&E, General Medicine, Anaesthetics, ENT and Neuro. Most areas have been successful in reducing or maintaining expenditure levels through the recovery plan, except for A&E, ENT and Paediatrics. Much of this is attached to the delivery of targets. Bank and Agency spend in year accounted for 15.8% of total spend. Although this increased in month 12 to 18.5%, this does not account for additional add hoc payments that will be within permanent spend.

Scientific, Therapeutic and Technical

The main areas of overspend have been and continue to be Radiology, A&E, Theatres and Neuro. These are mainly mitigated by under spends in Oncology, Pharmacy in Clinical Support and some other areas within Surgery. Agency spend accounts for 14.4% of overall expenditure for covering of vacant posts. This had reduced to 10.5% in month 12.

Nursing

Medical Division has under spent by £98k in Month 12 and over spent by £180k year to date. This masks a considerable under spend £780k YTD on Qualified and £960K adverse on Unqualified. Most of the overspend is in relation to Care of the Elderly, General Medicine and Endoscopy additional activity. Under spends are largely in relation to cardiology and A&E. Surgery was £29k adverse in month and £414k adverse YTD, mostly in Theatres and Critical Care, partially offset by under spends in Neuro qualified. Women's & Children's were £54k Adverse in month and £513k Adverse YTD. This is mostly in Midwifery, but with significant amounts also in Paediatrics and NICU, all partially offset by £307k under spend in Sexual Health and Gynae. CSS was £11k under in month and £212k under YTD, with Bed and site Management being the only overspending area. Bank and Agency accounted for 16.7% of expenditure.

Ancillary

Most of the £1.4m overspend is on Laundry from delayed redeployment, redundancy and PFI (agenda for change issues and additional service provision above contract), with some on Logistics (absence cover for LT sickness and increase costs associated from in house services).

Management & Admin – under spent by £579k in month and £2.2m YTD. Much of this is due to recharge to Capital projects with some from vacancies across the divisions and savings on Medical Secretaries.

The following table shows the Pay run rate spend. Whilst there has generally been some marginal improvement, the main improvements have been brought about through Capital Programme recharges.

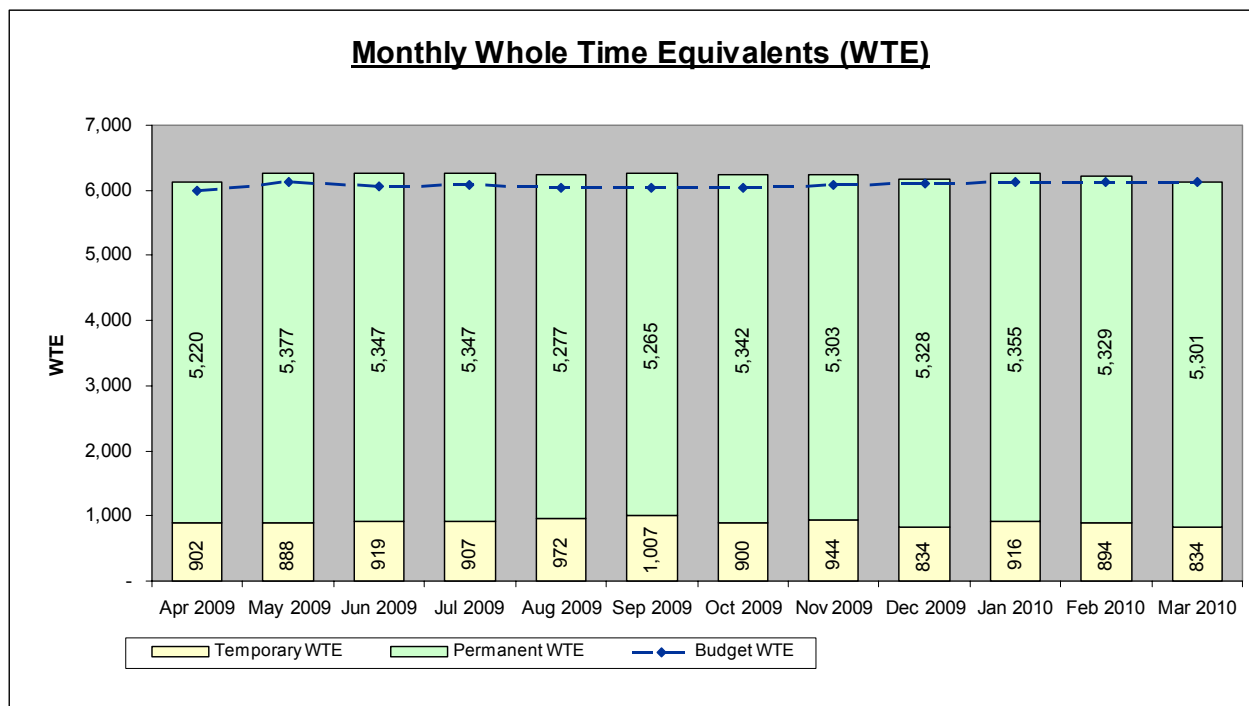
| Pay Type | Monthly Average Spend £'000 | Recovery Average Spend £'000 |
|---------------------------|--|---|
| Medical Staff | 6,768 | 6,716 |
| Scientific, Therap & Tech | 3,390 | 3,278 |
| Nursing & Midwifery - Q | 7,001 | 7,004 |
| Nursing & Midwifery - UQ | 1,519 | 1,520 |
| Ancillary Staff | 759 | 667 |
| Management & Admin | 3,144 | 2,745 |
| | 22,581 | 21,929 |

The following table breaks down the whole time equivalent (WTE) staff numbers by staff group and between permanent and temporary staff

| Staff Group | Curr. Perm. WTE | Curr. Temp. WTE | Temp %age | Curr. Total WTE | Budget WTE | Prior Perm WTE | Prior Temp. WTE |
|------------------------------|-----------------|-----------------|-----------|-----------------|--------------|----------------|-----------------|
| Medical Staff | 733 | 154 | 17% | 886 | 886 | 752 | 141 |
| Scientific, Therapy & Tech | 847 | 127 | 13% | 974 | 974 | 821 | 68 |
| Nursing & Midwifery - Qual | 1,752 | 292 | 14% | 2,044 | 2,044 | 1,788 | 339 |
| Nursing & Midwifery - Unqual | 612 | 113 | 16% | 725 | 725 | 619 | 150 |
| Ancillary Staff | 375 | (51) | -16% | 324 | 324 | 371 | 6 |
| Management & Admin | 982 | 200 | 17% | 1,181 | 1,181 | 978 | 190 |
| Total | 5,301 | 834 | | 6,135 | 6,135 | 5,329 | 894 |
| Percentage | 86% | 14% | | | | 86% | 14% |

As can be seen there is still a high usage of temporary staff across all staff types except ancillary.

The following graph shows the movement of permanent and temporary whole time equivalents across the last twelve months.



There have been actions by each Division to reduce the temporary staffing levels, especially the more expensive Agency staff and also to reduce the staffing levels in order to mitigate the shortfalls in the CIP / Turnaround plans.

Non Pay Expenditure – was £2.9m under spent in month, reducing the over spend to £517k for the full year. The following table shows the expenditure and variance against budget by type:

| Expenditure Type | Full Year Budget | Current Period Actual | Current Period Over / (Under) Spend | Year to Date Actual | Year to Date Over / (Under) Spend |
|------------------------|------------------|-----------------------|-------------------------------------|---------------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Drugs | 26,303 | 2,234 | -55 | 24,813 | -1,490 |
| Clinical Supplies | 27,561 | 1,222 | -1,031 | 28,310 | 749 |
| General Supplies | 15,356 | 1,086 | -170 | 16,375 | 1,019 |
| Premises & Fixed Plant | 14,496 | 14 | -1,187 | 13,302 | -1,194 |
| Other Non Pay | 31,720 | 2,312 | -420 | 33,154 | 1,433 |
| Total | 115,436 | 6,868 | -2,863 | 115,954 | 517 |

Note: Negative variances represent under spends and positive variances over spends.

The in month movement is due to some run rate reduction but mostly due to £2m of Capitalisation, stock adjustments and release of accruals. The most significant area of over spend year to date is in other non pay, primarily due to the £1.3m of 2008/09 outsourcing invoices. The other significant areas of overspend are in Clinical and General Supplies, both primarily due to activity being higher than planned.

Drugs expenditure is under spent in the month and year to date. The main reason would appear to be through prudent planning assumptions leading to over funding at budget setting for various schemes.

Divisional Performance

The following table shows overall performance by division against budget.

| Division | Full Year Budget | Current Period Actual | Current Period Over / (Under) Spend | Year to Date Actual | Year to Date Over / (Under) Spend |
|---------------------------|------------------|-----------------------|-------------------------------------|---------------------|-----------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Medical | (60,528) | (3,454) | 2,006 | (50,179) | 10,349 |
| Surgical | (32,455) | (1,782) | 994 | (25,543) | 6,912 |
| Women & Children | (29,051) | (3,987) | (1,450) | (26,509) | 2,541 |
| Clinical Support Services | 31,445 | (888) | (3,340) | 35,785 | 4,340 |
| Corporate | 60,164 | (3,549) | (8,395) | 60,494 | 331 |
| Central Income & Exp. | | | | | |
| Central Income | - | - | - | - | - |
| Depreciation | 11,921 | 733 | (260) | 12,569 | 457 |
| Fixed Asset Impairment | 13,890 | 17,478 | 17,478 | 31,862 | 17,972 |
| Interest Payable - PFI | 19,873 | 1,636 | (20) | 19,844 | (30) |
| Net Interest Income | (272) | (891) | (868) | (1,241) | (969) |
| Capital Dividend | 4,300 | 607 | 249 | 4,549 | 249 |
| Other Non Operating | 39 | (4,056) | (4,061) | (5,390) | (5,427) |
| Specific Reserves | 1,931 | - | (169) | - | (1,931) |
| General Reserves | 1,084 | - | (984) | 2 | (1,082) |
| Turnaround Shortfall | 2,359 | - | (286) | - | (2,359) |
| Total | 24,700 | 1,847 | 894 | 56,243 | 31,353 |

The most significant variances in the Divisional year to date and full year forecast figures are the shortfalls against the CIP / Turnaround targets.

Medical Division over spend of £2m in month taking outturn to £10.3m adverse. The largest part of the shortfall is against CIP year to date of £7.1m, including length of stay. Pay overspent by £2.5m, mostly on Medical Staff, agency and extra sessions especially around A&E. Non-pay overspent by £0.6m, with the main areas medical consumables usage (activity related) and outsourcing costs for Endoscopy. Overall income after the release of deferred income was break even. The major issues have been around dealing with A&E activity and not achieving LOS performance, to facilitate the closing of 3 wards.

Surgical Division in month is largely consistent with outturn which finished at £6.9m over spent. This is as a result of: £3.8m CIP slippage; £1.7m of central income underperformance, largely as a result of Finnamos and ARMD; £1.5m on medical staffing surrounding ENT and Anaesthetics 18 Week pressures and Neurology additional activity. Whilst there was a non pay over spend on Theatre supplies from additional sessions, these are offset by drugs under spends mostly in Ophthalmology.

Women and Children Division over spend is primarily due to Income under performance (Midwifery, Gynaecology, and Sexual Health) and temporary staffing spend, mainly in Midwifery and Paediatric Medical staffing. The outturn over spend of £2.5m is from £1.7m of Central Income underperformance, primarily as a result of Finnamos, under recovery of income from Q1 Home

Visit under recording, reduced Maternity Matters investment from compromise agreement., and under performance in Sexual Health - Family Planning. Expenditure over spends were primarily on Medical Staffing (£0.4m) mainly Paediatric Junior Doctors agency vacancy cover and additional costs to address A&E breeches; Nursing and Midwifery staff (£0.5m); and Management and A&C (£0.2m) to cover vacancies and sickness. Additionally there was a CIP shortfall of 0.4m.

Clinical Support reported a year to date deficit of £4.3m, driven largely by a shortfall in commissioning income of £5.8m following the Finnamore review, £0.8m overspend in Radiology/Radiography reflecting additional sessions, agency and outsourcing, partially mitigated by benefits through Divisional Manpower controls and capitalisation of £1.1m, Blood Contract under-performance of £0.5m and new stock realisation of £360k.

Corporate Directorates were £0.3m over spent year to date. This is from: £2.6m Trust over-performance on income; £2.0m overspend on Non Pay; Pay under spent by £1.5m; and a £2.5m CIP / Turnaround shortfall. The main causes of over spend stem from £1.1m in ancillary staff relating to ex laundry staff awaiting redeployment, PFI staff due to Sky A & B wards remaining open, external consultancy for Turnaround, HR and the Healthcare Campuses programme, and the non payment by the PCTs of the £1.8m ISTC transitional funding. This has been offset by capitalization of Corporate staffing in support of a number of projects.

4. Turnaround Programme (Productivity, Efficiency and Quality Programme)

The PEQ initiatives, comprising, CIP, turnaround and recovery initiatives delivered total savings in the year of £40.5m, (£22.7m for CIP/turnaround, and £17.8m gross total for recovery schemes), against an initial turnaround budget of £33.3m. Also the Trust has provided £2.6m against income as part of closing the year end of position with the Acute Commissioning Unit.

| | Mar YTD Actual | Recovery Schemes | Total | Mar YTD Budget | Variance |
|--|-------------------|---------------------|---------------|-------------------|---------------|
| Efficiency | | | | | |
| Length of Stay | 565 | 0 | 565 | 3,464 | -2,899 |
| Outpatients | 0 | 0 | 0 | 226 | -226 |
| Surgery Efficiency | 0 | 0 | 0 | 531 | -531 |
| Total Efficiency | 565 | 0 | 565 | 4,221 | -3,656 |
| Cost Reduction - Pay | | | | | |
| Temporary Staff | 3,441 | 1,890 | 5,331 | 4,572 | 759 |
| Structure | 3,960 | 0 | 3,960 | 3,008 | 951 |
| Service Delivery | 0 | 0 | 0 | 0 | 0 |
| Total Cost Reduction Pay | 7,401 | 1,890 | 9,291 | 7,580 | 1,711 |
| Cost Reduction - Non-Pay | | | | | |
| Procurement | 2,394 | 2,120 | 4,514 | 3,454 | 1,059 |
| Estates | 4,150 | 0 | 4,150 | 4,405 | -256 |
| Other | 270 | 300 | 570 | 1,193 | -623 |
| Total Cost Reduction - Non-Pay | 6,814 | 2,420 | 9,234 | 9,053 | 180 |
| Income | | | | | |
| Clinical Coding | 2,929 | 0 | 2,929 | 7,135 | -4,205 |
| Private Partnerships | 2,625 | 300 | 2,925 | 1,046 | 1,879 |
| Service Delivery | 410 | 0 | 410 | 0 | 410 |
| Overdelivery (18 week) | 0 | 0 | 0 | 0 | 0 |
| Commercialisation | 241 | 1,950 | 2,191 | 104 | 2,087 |
| Other | 1,684 | 650 | 2,334 | 846 | 1,488 |
| Partially Completed Spells | 0 | 1,100 | 1,100 | 0 | 1,100 |
| 1st to Follow Up Ratio | 0 | 1,500 | 1,500 | 0 | 1,500 |
| Interest | 0 | 300 | 300 | 0 | 300 |
| Total Income | 7,890 | 5,800 | 13,690 | 9,131 | 4,558 |
| Balance Sheet | | | | | |
| Capitalisation | 0 | 3,600 | 3,600 | 0 | 3,600 |
| Stock | 0 | 950 | 950 | 0 | 950 |
| Balance Sheet Review | 0 | 3,140 | 3,140 | 0 | 3,140 |
| Total Balance Sheet | 0 | 7,690 | 7,690 | 0 | 7,690 |
| Sub-total | 22,669 | 17,800 | 40,469 | 29,986 | 10,484 |
| Gap to Achieve Budget | 0 | 0 | 0 | 5,883 | -5,883 |
| sub-total | 22,669 | 17,800 | 40,469 | 35,869 | 4,601 |
| less Reserve included in Budget | 0 | 0 | 0 | -2,568 | 2,568 |
| Total | 22,669 | 17,800 | 40,469 | 33,300 | 7,169 |

The key areas of focus for the recovery plans included short term remedial actions to:

- Reduce pay costs arising from temporary staff and additional payments to permanent staff.
 - Delivered against all main areas except for medical staffing
- Stringent restrictions on non-pay expenditure, controlled through the Resource Control Group

- Delivered
- Forensic review of potential overpayments to agency and permanent staff
 - Net recoverable amount of £300k
- Closure of commercial negotiations relating to IT infrastructure with Siemens. The soft FM services discussions with Sodexo did not conclude before 31st March due to issues concerning payments between Catalyst and Sodexo
- Review of all I&E expenditure to accurately reflect capital investment
 - Delivered
- Non-recurrent I&E benefits arising from ensuring all stock in the Trust is fully accounted for at the end of the year
 - Less than targeted, existing stock levels were being consumed as a result of the stringent procurement controls as part of the Resource Control Group
- Rigorous review of all balance sheet accruals and provisions
 - Delivered
- Income recognition
 - Primarily from Partially Completed Spells, 1st to Follow-up outpatient ratio improvement, interest recognition on land sale debtor.

Details are shown on the following page.

A significant element of the recovery savings and additional income are likely to be non-recurrent, and have been estimated at £10.4m of the £17.8m, arising from:

- Commercial Activity (Siemens and HCA) - £2.3m
- Non-Recurrent Stock and Capital Adjustments - £3.6m
- Balance Sheet Adjustments - £1.9m
- Part of Partially Completed Spells Accrual - £0.8m
- 1st to Follow up Outpatients improvement £1.5m
- Other items - £0.3m

| Scheme | Total Target (£M) | Actual | Variance Vs Original Plan |
|--|----------------------|--------------|------------------------------------|
| Recovery Plans | | | |
| Run Rate Reductions | | | |
| - Pay | | | |
| <u>Staff Savings</u> | | | |
| Turnaround and A&C | 0.42 | 0.44 | -0.02 |
| AHP Staff | 0.30 | 0.33 | -0.03 |
| Nursing | 0.27 | 0.36 | -0.09 |
| Medical Staffing | 0.92 | 0.30 | 0.62 |
| Divisional Stretch | | 0.05 | -0.05 |
| Ward Closures Stretch | 0.10 | 0.10 | 0.00 |
| Stationery | 0.10 | 0.10 | 0.00 |
| Printing | 0.10 | 0.10 | 0.00 |
| Hospitality | 0.02 | 0.02 | 0.00 |
| Theatre Usage | 0.10 | 0.10 | 0.00 |
| | 2.32 | 1.89 | 0.43 |
| - Non-Pay | | | |
| Agency Rebates | 0.70 | 0.30 | 0.40 |
| Other Non-Pay | 0.70 | 1.65 | -0.95 |
| Non-Pay Stretch | 0.70 | 0.47 | 0.23 |
| HCA | 0.30 | 0.30 | 0.00 |
| Soft FM Contract | 1.50 | 0.00 | 1.50 |
| Telephony | 2.00 | 1.95 | 0.05 |
| | 5.90 | 4.67 | 1.24 |
| Balance Sheet | | | |
| Capital | 4.00 | 3.60 | 0.40 |
| Stock | 1.50 | 0.95 | 0.55 |
| Stock Stretch | 0.48 | 0.00 | 0.48 |
| Balance Sheet Review | 0.80 | 3.14 | -2.34 |
| | 6.78 | 7.69 | -0.91 |
| Total Recovery Plan | 15.00 | 14.25 | 0.76 |
| Existing CIP | | | |
| Achieved Original CIP | | | |
| Efficiency | 0.56 | 0.56 | 0.00 |
| Cost Reduction Pay | 7.45 | 7.40 | 0.05 |
| Cost Reduction Non-Pay | 6.88 | 6.81 | 0.07 |
| Income | 5.49 | 5.26 | 0.23 |
| HCA | 2.63 | 2.63 | 0.00 |
| | 23.01 | 22.66 | 0.35 |
| Total CIP & Recovery Plan | 38.01 | 36.91 | 1.10 |
| Income: | | | |
| | | | 0 |
| Partially Completed Spells Accrual | | 1.10 | -1.10 |
| Income Provisions UCC | | 0.00 | 0.00 |
| 1st to follow up income recovery | | 1.50 | -1.50 |
| | 0.00 | 2.60 | -2.60 |
| Further Recovery Schemes to meet new control total: | | | |
| Interest | | 0.30 | -0.30 |
| R&D | | 0.35 | -0.35 |
| PDC Dividend | | 0.30 | -0.30 |
| | | 0.95 | -0.95 |
| Total Recovery Savings | | 17.80 | |
| Total Turnaround & Recovery Savings | | 22.66 | |
| | | 40.46 | |
| Target | | -2.60 | |
| | | 37.86 | |

Divisional Analysis

The breakdown of the full year outturn position by Clinical Division and Corporate Directorate is set out in the table below. The divisional forecasts analysis against budget does not include the impact of the recovery plans. Of the total recovery plans, savings from pay and an element of non-pay of approximately £4.3m would be directly attributable to the divisions. The reported divisional positions will however include largely non-recurrent savings from actions such as capitalisation and stock adjustments

| (£'000) | Mar YTD Actual | Mar YTD Budget | Variance |
|---|-------------------|-------------------|----------------|
| Medical | 1,130 | 8,257 | -7,127 |
| Surgical | 3,898 | 7,484 | -3,585 |
| Women & Children | 4,110 | 4,538 | -428 |
| Clinical Support | 5,989 | 5,976 | 12 |
| Corporate: | | | |
| Chief Executive | 490 | 483 | 7 |
| Head of Turnaround | 623 | 1,338 | -715 |
| Director of Finance | 457 | 805 | -349 |
| Head of Estates | 5,026 | 5,801 | -775 |
| Director of Human Resources | 184 | 220 | -36 |
| Director of Performance & Planning | 71 | 92 | -21 |
| Medical Director | 400 | 588 | -188 |
| Director of Nursing | 291 | 286 | 5 |
| Sub-total | 22,669 | 35,869 | -13,199 |
| less Reserve included in Budget | 0 | -2,568 | 2,568 |
| Total | 22,669 | 33,300 | -10,631 |

5. Balance Sheet

| A detailed balance sheet is shown below : £000 | | | | | | | Note |
|--|----------------|----------------|-----------------|-----------------|-----------------|-----------------|----------|
| | ← Y/E Bal | | Actual | → Movements | | | |
| | Y/E Bal | Y/E Bal | Prior Mth | Current | Mth | YTD | |
| | Mar 09 | Mar 09 | Feb-10 | Mar-10 | | | |
| | GAAP | IFRS | IFRS | IFRS | | | |
| Fixed Assets | | | | | | | |
| Intangible | 1,485 | 1,528 | 1,582 | 3,327 | 1,745 | 1,799 | |
| Tangible | 187,532 | 407,490 | 378,465 | 354,984 | (23,481) | (52,506) | |
| Total | 189,017 | 409,018 | 380,047 | 358,312 | (21,735) | (50,706) | 1 |
| Current Assets | | | | | | | |
| Inventories | 5,608 | 5,608 | 5,667 | 6,033 | 366 | 425 | |
| NHS Debtors | 10,271 | 10,271 | (2,529) | 24,962 | 27,491 | 14,691 | 2 |
| Non NHS Trade Debtors | 4,092 | 4,092 | 4,963 | 7,146 | 2,183 | 3,054 | 2 |
| Provision for Irrec debts | (2,355) | (2,355) | (1,307) | (1,567) | (260) | 788 | |
| Other Debtors | 37,704 | 38,014 | 15,949 | 6,489 | (9,460) | (31,525) | 3 |
| Cash in hand and at Bank | 1,370 | 1,370 | 7,804 | 2,098 | (5,707) | 728 | |
| | 56,690 | 57,000 | 30,547 | 45,162 | 14,614 | (11,838) | |
| Current Liabilities | | | | | | | |
| NHS Creditors | (8,654) | (8,654) | (10,895) | (10,272) | 623 | (1,618) | 4 |
| Non NHS Trade Creditors | (14,698) | (14,699) | (17,138) | (20,744) | (3,606) | (6,045) | 4 |
| Other Creditors | (706) | (706) | (2,661) | (1,307) | 1,354 | (601) | 4 |
| Taxes and Social Sec. Costs | (5,071) | (5,071) | (5,344) | (5,305) | 39 | (234) | |
| Accruals | (5,355) | (10,334) | (14,634) | (13,055) | 1,579 | (2,721) | |
| Other PFI Liabilities | - | (3,578) | (4,795) | (4,755) | 41 | (1,177) | |
| Deferred Income | (1,180) | (1,180) | (2,740) | (1,259) | 1,482 | (79) | |
| Temporary Loan - DH | - | - | (5,000) | (5,000) | - | (5,000) | |
| | (35,664) | (44,222) | (63,208) | (61,696) | 1,512 | (17,474) | |
| Net Current Assets/Liabilities | 21,026 | 12,778 | (32,661) | (16,534) | 16,125 | (29,312) | |
| Debtors > 1 year | 31,474 | 29,031 | 29,891 | 26,425 | (3,466) | (2,606) | 5 |
| Total Assets less Liabilities | 241,517 | 450,827 | 377,277 | 368,202 | (9,076) | (82,625) | |
| Creditors > 1 year | | | | | | | |
| Long term Loans-SBS | (470) | (470) | (470) | (470) | - | - | |
| PFI Liabilities and Finance Lease: | - | (267,608) | (263,759) | (263,815) | (55) | 3,793 | |
| Provisions for liabilities | (7,992) | (7,990) | (7,266) | (7,450) | (184) | 540 | |
| Deferred Income | (5,555) | (5,555) | (5,573) | (5,555) | 18 | (0) | |
| Net Assets | 227,500 | 169,204 | 100,209 | 90,912 | (9,297) | (78,292) | |
| Financed by:- | | | | | | | |
| Public Dividend Capital | 285,574 | 285,574 | 285,574 | 271,375 | (14,199) | - | |
| Revaluation Reserve | 16,148 | 17,209 | 2,497 | 9,547 | 7,050 | (7,662) | 6 |
| Donated Asset Reserve | 1,100 | 1,100 | 921 | 912 | (9) | (188) | |
| Government grant | | | 292 | | (292) | - | 7 |
| Income & Expenditure Reserve | (75,322) | (134,679) | (189,075) | (190,922) | (1,847) | (56,243) | 8 |
| Total Taxpayers Equity | 227,500 | 169,204 | 100,209 | 90,912 | (9,297) | (64,093) | |

Opening Balance Sheet

As reported in previous months, International Financial Reporting Standards (IFRS) were introduced into NHS accounting with effect from 1st April 2009. The final adjusted 1st April 2009 IFRS opening balance sheet was submitted to the Department in September and this is reflected in March 09 IFRS column of the above balance sheet.

Balance Sheet Movements

The main movements in the balance sheet at the end of year compared to the previous month are as follows:

1. Total Move in assets is mainly due to the net effect of impairment relating to revaluation
2. Increase in Debtors is mainly due to the invoices raised in March for over performance (6.2m), PCT risk pool support(8.0m) and First to follow up out-patient incentives (1.2m)
3. The classification of Other Debtors between current and non-current has been adjusted to reflect the amount receivable from the land sale debtors in the next financial year
4. The YTD NHS Creditors, Non NHS Trade Creditors and other creditors in total have increased by £6.6m, which resulted in 17m increase in year to date current liability .
5. Debtors over one year primarily include outstanding capital of 21m receivable from Countryside.
6. YTD Revaluation reserve is currently revised to reflect the revaluation reserve move under IFRS effect.
7. Grant receipts to meet the capital spend on single sex ward was transferred to income accrual
8. This month the Trust has reported an overall deterioration of £1.8m (see detailed explanation in I&E report).

Balance Sheet KPIs

The brief table below shows Trust performance against the key Balance Sheet KPIs, included in the financial risk rating metrics being applied by the SHA in 2009/10 (see section 9 below for further detail).

| Measure | Apr-09 | May-09 | Jun-09 | Jul-09 | Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 | Jan-10 | Feb-10 | Mar-10 |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Debtors days | 14 | 22 | 24 | 22 | 25 | 26 | 26 | 27 | 31 | 19 | 8 | 29 |
| Average Creditors days | 216 | 151 | 89 | 63 | 43 | 39 | 39 | 34 | 31 | 32 | 26 | 77 |
| Current Ratios | | | | | | | | | | | | |
| Current Assets/ Current Liabilities | 116% | 115% | 108% | 96% | 93% | 82% | 86% | 80% | 70% | 54% | 52% | 79% |

6. Cashflow

The tables below present the Year to Date Cash flow, on both a cash inflow/outflow basis (Table 1) and an Income and Expenditure basis (Table 2):

Table 1 – Monthly Cash flow – Actual 2009/10

| Barking, Havering & Redbridge University Hospitals NHS Trust | | | | | | |
|---|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Monthly Cash Flow Forecast (2009/10) | | | | | | |
| | Nov | Dec | Jan | Feb | Mar | TOTAL |
| | Cum'tive | Actual | Actual | Actual | Actual | Forecast |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash Inflows | | | | | | |
| Host PCT Income | 196,145 | 23,495 | 31,135 | 27,401 | 6,924 | 285,100 |
| Other PCT Income | 26,996 | 4,133 | 4,186 | 4,633 | 3,591 | 43,539 |
| SLA Overperformance | 2,983 | - | - | 3,652 | 4,495 | 11,130 |
| Other Income | 33,497 | 2,636 | 3,358 | 3,355 | 6,218 | 49,064 |
| VAT Recovered | 6,228 | 2,142 | - | 271 | 2,646 | 11,287 |
| Temporary Loan (DH) | - | 5,000 | - | - | - | 5,000 |
| Land Sale Receipts | 27,825 | - | - | - | 8,395 | 36,220 |
| Interest Received | 34 | - | - | - | - | 34 |
| | 293,708 | 37,406 | 38,679 | 39,312 | 32,269 | 441,374 |
| Cash Outflows | | | | | | |
| <i>Pay</i> | | | | | | |
| Monthly payroll | (88,537) | (10,767) | (11,085) | (11,019) | (11,446) | (132,854) |
| Weekly payroll | (471) | (87) | (88) | (109) | (200) | (955) |
| PAYE | (41,643) | (5,362) | (5,274) | (5,265) | (5,344) | (62,888) |
| Superannuation | (20,535) | (2,604) | (2,603) | (2,616) | (2,673) | (31,031) |
| | (151,186) | (18,820) | (19,050) | (19,009) | (19,663) | (227,728) |
| <i>Non-Pay</i> | | | | | | |
| PFI Payment | (38,041) | - | (12,352) | - | - | (50,393) |
| Creditor Payments | (104,588) | (13,097) | (7,522) | (16,856) | (16,039) | (158,102) |
| PDC Dividend | (2,150) | - | - | - | (2,273) | (4,423) |
| Temporary Loan - Repayment | - | - | - | - | - | - |
| | (144,779) | (13,097) | (19,874) | (16,856) | (18,312) | (212,918) |
| <i>Net Cash in/(out) Flow</i> | (2,257) | 5,489 | (245) | 3,447 | (5,706) | 728 |
| <i>Balance b/fwd</i> | 1,370 | (887) | 4,602 | 4,357 | 7,804 | 1,370 |
| Cash Balance C/Fwd | (887) | 4,602 | 4,357 | 7,804 | 2,098 | 2,098 |

Table 2 – Cash Flow on Income & Expenditure basis

Summary Cashflow - I&E

| | APR- Nov | Dec | Jan | Feb | Mar | TOTAL |
|--|-----------------|---------------|---------------|---------------|----------------|--------------|
| | M1-M8 | Actual | Actual | Actual | Actual | TOTAL |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| EBITDA | 3,298 | (9,723) | (4,173) | 4,101 | 15,907 | 9,410 |
| Post adjustment | - | 168 | - | - | - | 168 |
| Transfer from donated reserve | (74) | (9) | (37) | (9) | (9) | (139) |
| Dec/(Incr) in land sale debtors | 27,825 | - | - | - | 8,395 | 36,220 |
| Dec/(Incr) in sale of equipment | - | - | - | - | 2,100 | 2,100 |
| Dec/(Incr) in Trade prepayment and debtors | (19,825) | (2,950) | 9,751 | 21,876 | (27,414) | (18,562) |
| Dec/(Incr) in other debtors | 3,331 | 5,420 | 2,054 | (4,623) | 225 | 6,407 |
| DH Temporary Loan | - | 5,000 | - | - | - | 5,000 |
| (Dec)/Incr in creditors | 12,640 | 6,492 | 1,299 | (16,713) | (351) | 3,367 |
| (Dec)/Incr in provisions | (499) | (19) | (187) | (18) | 51 | (672) |
| Dec/(Incr) in stock | (100) | (206) | 75 | 173 | (366) | (424) |
| CAPEX | (5,866) | (838) | (2,288) | (1,634) | (2,856) | (13,482) |
| Interest paid on PFI/leases | (14,938) | - | (4,978) | - | - | (19,916) |
| Interest receivable | 340 | 5 | 2 | 3 | 891 | 1,241 |
| Repayment of PFI/leases | (4,089) | - | (1,764) | - | (6) | (5,859) |
| Payment PDC dividends | (2,150) | - | - | - | (2,273) | (4,423) |
| Grant Received | - | - | - | 292 | - | 292 |
| Loan Repayment | - | - | - | - | - | - |
| Net increase / (decrease in cash) | (107) | 3,339 | (245) | 3,448 | (5,706) | 728 |
| Opening Cash Balance | 1,370 | 1,263 | 4,602 | 4,357 | 7,804 | 1,370 |
| Closing Cash Balance | 1,263 | 4,602 | 4,357 | 7,804 | 2,098 | 2,098 |

7. Capital Programme

A summary of the capital programme spend for the month of March is shown below:

| Description | | Capital Resources Allocation | Program Schemes Expenditure to date | |
|--------------------------------------|-------|------------------------------|-------------------------------------|-------------------|
| | | £'000 | | |
| Capital Resources | | | | |
| 2008-09 B/Fwd Schemes | 4,849 | 13,100 | 13,482 | Trust Spend |
| 2009-10 Capital Schemes | 8,251 | | | |
| PFI- MES Capitalisation- IFRS Impact | 1,100 | 1,100 | 2,318 | PFI Finance lease |
| | | 14,200 | 15,800 | |

The Trust's gross capital expenditure limit is £14.2m.

The expenditure to date is 15.8m, which consists of £13.4m the Trust spend and £2.3m funded by PFI-Finance lease. Please note the resource allocated for MES capitalisation was only £1.1 but spend has exceeded this by £1.2 m. The spend in this month is higher than expected as it is due to the review of revenue expenditure resulted and considerable amount of capitalisation was processed

Furthermore, there is a carry forward commitment of £7.9m to 2010-11.

8. Better Payment Practice Code (“BPPC”)

Under the better payment practice code, invoices received from trade creditors should be paid within 30 days of the receipt of goods or a valid invoice (whichever is later), unless other payment terms have been agreed. The target is to pay 95% of such sums due.


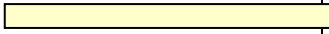
Non NHS creditor performance slightly deteriorated compared to the previous month, with 81.0% (prior month YTD: 82%) by value and 68% (prior month YTD: 70%) by volume being settled within 30 days.

The Trust performance has remained at similar levels compared to previous months in respect of non-NHS creditors, settling 82.0% (prior month YTD: 86.13%) by value and 70.0% (prior month YTD: 74.88%) by volume. Notwithstanding this, unapproved invoices do not appear in these figures.

NHS creditor performance has also slightly deteriorated compared to the previous month, with 60.0% (prior month YTD: 62%) by value and 67.0% (prior month YTD: 66%) by volume being settled within 30 days.

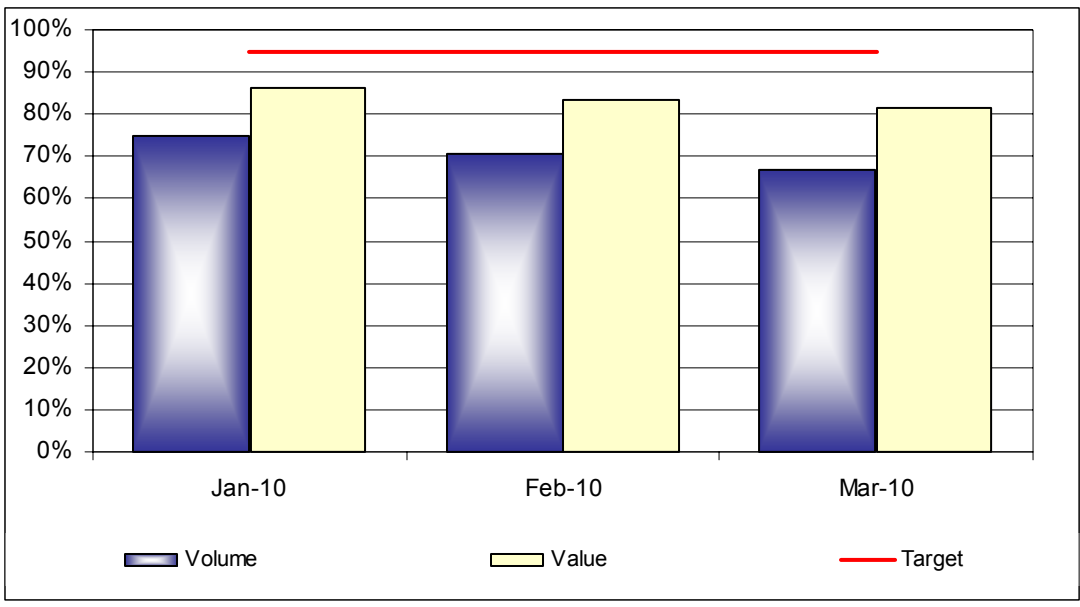
This period's overall performance (on both Non-NHS creditors and NHS creditors) highlights the cash flow constraints which the Trust is continuously experiencing.

The tables below show the performance for the last three months, together with the 95% target.

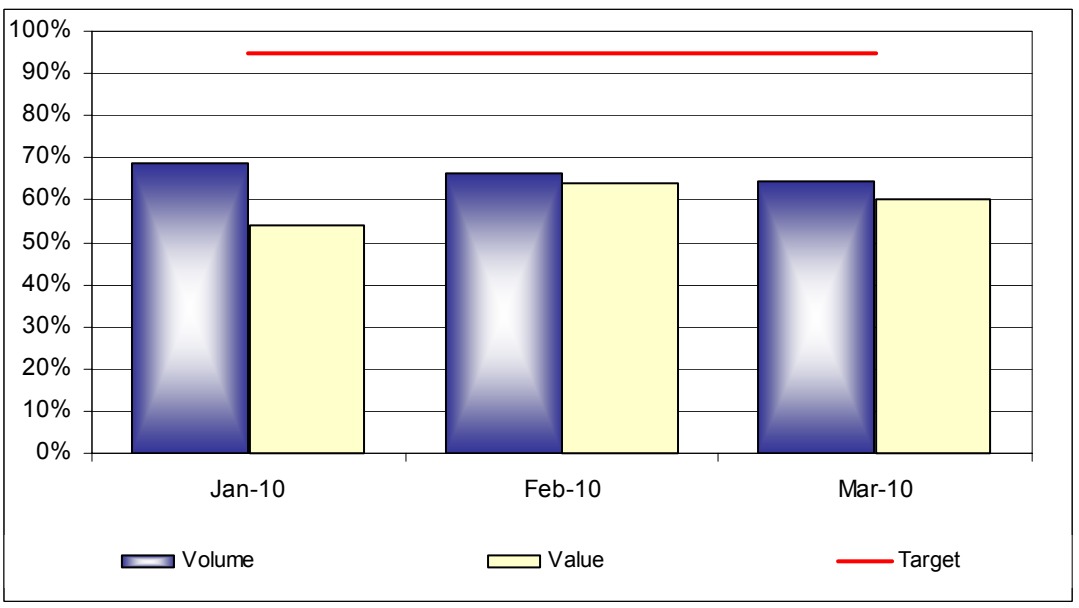
| Key to tables | |
|---|---|
|  | % of invoices paid within 30 days by volume |
|  | % of invoices paid within 30 days by value |

Target 95% of invoices paid within 30 days

Non-NHS Trade Suppliers



NHS Suppliers



9. Financial Risk Rating

The Department of Health have a methodology by which NHS organisations are to be financially risk-assessed. The assessment is prepared across a number of key areas of financial discipline, such as initial planning, year to date performance, underlying financial position, and strength of balance sheet. Within each key area are a number of indicators which are each given a raw risk score of between 1 and 3, where 1 denotes the highest risk and 3 denotes the lowest risk. Each key area is weighted, and an overall organisation financial risk rating is computed between 1.00 and 3.00. The best performing or least 'risky' organisations will have a weighted risk factor approaching 3.0, with organisations having the highest financial risk scoring nearer a 1.0.

BHRUT's weighted risk factor for March is 1.35, (February 1.20). The change in month was due to the favourable change in EBITDA in month. The main points to note across the five main components are:

1. **Initial planning.** The score is 1 (lowest), due to the size of the Trust's planned deficit of £10.8m (2.7% of income – threshold for a 2 being below 2%)
2. **Year to date position.** This is measured against both the Trust's bottom line position and EBITDA (Earnings before Interest, Tax, Depreciation & Interest) year to date position, as a % of income. The Trust has a year to date bottom line deficit which is 6.2% of income, attracting a score of 1 (threshold between 1 and 2 is 2%) and a positive EBITDA of 2.4%, which attracts a score of 2. (threshold is positive 1%).
3. **Forecast Outturn.** This has 3 elements; forecast outturn (actual outturn in March) for the bottom line position (actual outturn in March), forecast outturn for EBITDA, and consistency of forecasting of the bottom line position. The Trust scores 1 on forecast outturn bottom line due to the operating deficit at 14.3% of income, 2 on EBITDA, which was 2.4% of income and 1 for forecast consistency as the March forecast reduced to £56.3m from £69.0m
4. **Underlying financial position.** This is measured on both bottom line and EBITDA and the Trust scores 1 on bottom line and 2 respectively on EBITDA.
5. **Finance Processes & Balance Sheet Efficiency.** This measures performance against 5 metrics:
 - a. Volume and value (2 metrics) of invoices paid within the 30 day target. The Trust performance is 76% and 67% respectively in March, which gives a score of 2 (thresholds being 60% and 95%)
 - b. Current ratio, i.e. current assets divided by current liabilities (an indicator of liquidity). The Trust's ratio is 0.79 (i.e. current assets are 79% of current liabilities), which gives it a score of 2 (thresholds are 0.5 and 1.0)
 - c. Debtor days, i.e. the value of debtors expressed as the number of days of income. The Trust's March performance is 29 days, i.e. debtors represent 29 days of forecast annual income as at the end of March. This scores a 2 (threshold being 30 days for a 3).
 - d. Creditor days, i.e. the value of creditors expressed as number of day's expenditure. The Trust's March performance is 77 days, i.e. creditors represent 77 days non-pay expenditure as at the end of March. This scores a 1 (threshold being 60 days for a 2).

The detailed breakdown for March is found at appendix 4.

Appendix 5 replicates the Finance Dashboard which is also contained within the monthly Trust Board Performance report. The Dashboard summarises on one page all the key financial data, indicators and metrics for the month, including the financial risk rating.

**Income Statement
to MARCH 2010**

| Full Year Budget £'000 | MARCH 2010 | | | Year to date | | |
|--|-----------------|-----------------|-------------------|------------------|------------------|-------------------|
| | Actual £'000 | Budget £'000 | Variance £'000 | Actual £'000 | Budget £'000 | Variance £'000 |
| INCOME | | | | | | |
| (368,964) NHS Clinical Income | (38,791) | (31,484) | (7,307) | (363,101) | (368,964) | 5,863 |
| (2,872) Non NHS Clinical Income | (301) | (218) | (83) | (3,630) | (2,872) | (758) |
| (28,015) Other operating income | (2,579) | (2,722) | 143 | (26,953) | (28,015) | 1,062 |
| (399,852) | (41,671) | (34,424) | (7,247) | (393,684) | (399,852) | 6,168 |
| EXPENSES | | | | | | |
| 258,146 Pay - NHS | 19,991 | 22,719 | (2,728) | 248,472 | 258,146 | (9,674) |
| 1,145 Non NHS Pay | 1,493 | 28 | 1,464 | 22,268 | 1,145 | 21,123 |
| 259,291 Total Pay | 21,483 | 22,747 | (1,264) | 270,740 | 259,291 | 11,449 |
| 30,628 Drugs | 2,475 | 2,650 | (175) | 28,910 | 30,628 | (1,719) |
| 23,235 Clinical Services (exc Drugs) | 982 | 1,892 | (910) | 24,213 | 23,235 | 978 |
| 61,540 Other Non Pay (exc depreciation) | 824 | 5,091 | (4,267) | 60,243 | 61,540 | (1,297) |
| 115,404 Total Non Pay (exc depreciation) | 4,280 | 9,633 | (5,353) | 113,366 | 115,404 | (2,038) |
| 374,695 Total Exp (exc depreciation) | 25,764 | 32,380 | (6,616) | 384,106 | 374,695 | 9,411 |
| Earnings before interest, tax (25,157) depreciation, amortisation | (15,907) | (2,044) | (13,864) | (9,578) | (25,157) | 15,578 |
| 12,066 Depreciation | 742 | 1,006 | (264) | 12,677 | 12,066 | 612 |
| Other Non Operating Items | | | | | | |
| 0 Profit/Loss on disposals | (1,950) | 0 | (1,950) | (2,002) | 0 | (2,002) |
| 0 Exceptional Items | 0 | 0 | 0 | 0 | 0 | 0 |
| 19,873 Finance Lease interest | 1,636 | 1,656 | (20) | 19,844 | 19,873 | (30) |
| (272) Interest | (891) | (23) | (868) | (1,241) | (272) | (969) |
| 13,890 Fixed asset impairments | 17,478 | 0 | 17,478 | 31,862 | 13,890 | 17,972 |
| 0 Other Financing Costs | 133 | 0 | 133 | 133 | 0 | 133 |
| 4,300 PDC dividends payable | 607 | 358 | 249 | 4,549 | 4,300 | 249 |
| 37,791 Total Other Non Operating items | 17,013 | 1,992 | 15,021 | 53,144 | 37,791 | 15,353 |
| 24,700 Net (surplus)/Deficit | 1,847 | 954 | 894 | 56,243 | 24,700 | 31,543 |

Appendix 1

Statement of Financial Position
As at 31 MARCH 2010

| MAR 10 Plan IFRS £'000 | MARCH 2010 | | | FEB 10 | MAR 09 | MAR 09 |
|---|-------------------------|-----------------------|---------------------------|-------------------------|-------------------------|----------------------------|
| | Actual IFRS £'000 | Plan IFRS £'000 | Variance IFRS £'000 | Actual IFRS £'000 | Actual IFRS £'000 | Actual UK GAAP £'000 |
| 366,620 Fixed Assets | 358,312 | 366,620 | (8,308) | 380,047 | 409,019 | 189,017 |
| 0 Long Term Receivables | 26,556 | 0 | 26,556 | 29,891 | 29,410 | 31,474 |
| 366,620 NON CURRENT ASSETS | 384,868 | 366,620 | 18,248 | 409,939 | 438,429 | 220,491 |
| 2,608 Cash at hand and at bank | 2,098 | 2,608 | (510) | 7,804 | 1,370 | 1,370 |
| 24,300 Other Current Assets | 42,933 | 24,300 | 18,633 | 22,743 | 55,251 | 55,320 |
| 26,908 CURRENT ASSETS | 45,031 | 26,908 | 18,123 | 30,547 | 56,621 | 56,690 |
| 0 Bank Overdraft | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 Finance Leases | (4,755) | 0 | (4,755) | (4,845) | (8,557) | 0 |
| (45,400) Other Current liabilities | (51,941) | (45,400) | (6,541) | (53,364) | (35,664) | (35,664) |
| (45,400) CURR LIABILITIES :due within one year | (56,696) | (45,400) | (11,296) | (58,208) | (44,221) | (35,664) |
| 348,128 TOTAL ASSETS LESS CURRENT LIABS | 373,202 | 348,128 | 25,074 | 382,277 | 450,829 | 241,517 |
| (264,100) Finance Leases PFI | (263,815) | (264,100) | 285 | (263,759) | (267,608) | 0 |
| (6,500) Provisions > 1 yr | (7,450) | (6,500) | (950) | (7,266) | (7,990) | (7,990) |
| (5,686) Other Creditors (incl loans) > 1 yr | (6,025) | (5,686) | (339) | (6,043) | (6,025) | (6,025) |
| (276,286) NON CURRENT LIABS > 1 yr | (277,290) | (276,286) | (1,004) | (277,068) | (281,624) | (14,016) |
| 71,842 Total Assets employed | 95,912 | 71,842 | 24,070 | 105,209 | 169,206 | 227,502 |
| Financed by | | | | | | |
| (222,774) Public dividend Capital | (276,375) | (222,774) | (53,601) | (290,574) | (285,574) | (285,574) |
| 160,632 Retained earnings | 190,922 | 160,632 | 30,290 | 189,075 | 134,679 | 75,322 |
| (8,700) Revaluation reserve | (9,547) | (8,700) | (847) | (2,497) | (17,209) | (16,148) |
| (1,000) Donated asset reserve | (912) | (1,000) | 88 | (921) | (1,101) | (1,101) |
| 0 Government Grant reserve | (95,912) | 0 | (95,912) | (105,209) | (169,206) | (227,502) |
| (71,842) TAXPAYER'S EQUITY | (95,912) | (71,842) | (24,070) | (104,917) | (169,206) | (227,502) |

Appendix 2

**Statement of Cash Flows
to MARCH 2010**

| MAR 10 Plan £'000 | MAR 10 | | | Year to date | | |
|---|-----------------|----------------|-------------------|-----------------|---------------|-------------------|
| | Actual £'000 | Plan £'000 | Variance £'000 | Actual £'000 | Plan £'000 | Variance £'000 |
| Operating activities | | | | | | |
| Earnings before interest, tax, | | | | | | |
| 25,157 Depreciation and amortisation | 15,907 | 2,044 | 13,864 | 9,578 | 25,157 | (15,578) |
| 500 Transfer from donated asset reserve | (9) | 300 | (309) | (137) | 500 | (637) |
| 0 Transfer from Government Grant reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 Less other non-operating cash-flows | (1,148) | 0 | (1,148) | (1,519) | 0 | (1,519) |
| (19,900) Interest paid on leases incl PFI | 0 | (1,600) | 1,600 | (19,919) | (19,900) | (19) |
| 0 Interest paid on loans | (0) | 0 | (0) | (1) | 0 | (1) |
| (4,300) Dividends paid | (2,273) | (2,150) | 0 | (4,423) | (4,300) | 0 |
| 100 (Increase)/Decrease in Inventories | (366) | 0 | (366) | (425) | 100 | (525) |
| 58,100 (Incr)/Decr in Receivables and prepayments | (18,203) | 42,000 | (60,203) | 15,594 | 58,100 | (42,506) |
| 1,981 Incr/(Decr) in Payables and other liabilities | (301) | 2,100 | (2,401) | 11,140 | 1,981 | 9,159 |
| 61,638 Outflow (inflow) from operating activities | (6,392) | 42,694 | (48,963) | 9,888 | 61,638 | (51,627) |
| Investing activities | | | | | | |
| 0 Interest Received on cash balances | 891 | 0 | 891 | 1,241 | 0 | 1,241 |
| (14,200) Payments for Property Plant and Equipment | (1,254) | (1,300) | 46 | (10,910) | (14,200) | 3,290 |
| 21,200 Proceeds from Disposl of Property, Plant and E | 16,199 | 0 | 16,199 | 16,252 | 21,200 | (4,948) |
| 0 Payments for intangible assets | (1,813) | 0 | (1,813) | (2,203) | 0 | (2,203) |
| 0 Revenue rental income | 1,148 | 0 | 1,148 | 1,519 | 0 | 1,519 |
| 7000000 (Outflow) inflow from Investing activities | 15,171 | (1,300) | 16,471 | 5,899 | 7,000 | (1,101) |
| 68637731 (Outflow) inflow before financing | 8,779 | 41,394 | (32,492) | 15,787 | 68,638 | (52,728) |
| Financing activities | | | | | | |
| 13,000 Public Dividend Capital received | 0 | 0 | 0 | 5,000 | 13,000 | (8,000) |
| (75,800) Public Dividend Capital repaid | (14,199) | (41,000) | 26,801 | (14,199) | (75,800) | 61,601 |
| 0 Other Capital Receipts | (292) | 0 | (292) | 0 | 0 | 0 |
| (4,600) PFI Lease Payments | 6 | 0 | 6 | (5,860) | (4,600) | (1,260) |
| 0 Other Finance Lease Payments | 0 | 0 | 0 | 0 | 0 | 0 |
| Appendix 3 | | | | | | |
| 13,000 Public Dividend Capital Received | 0 | 0 | 0 | 5,000 | 0 | 5,000 |
| (75,800) Public Dividend Capital Repaid | 0 | 0 | 0 | 0 | 0 | 0 |
| (4,300) Dividends paid | 0 | 0 | 0 | (2,150) | 0 | 0 |
| (67,100) | 0 | 0 | 0 | 2,850 | 0 | 5,000 |
| 1,239 (Decrease) / increase in cash | (246) | (1,924) | 1,679 | 2,987 | 19,165 | (14,028) |

Appendix 3

Financial indicators for acute & amb trusts : BHRUT MARCH 2010

| Criteria | Metric | Weight (%) | Measure | SCORING | | | BHRUT Raw Score MAR 10 | BHRUT Weighted Score MAR 10 |
|--|---|---|---|---------|-----|--------|------------------------|-----------------------------|
| | | | | 3 | 2 | 1 | | |
| Initial Planning | Planned Outcome as a proportion of turnover | Formula for organisations with a planned operating breakeven or surplus $\frac{\text{SHA expected operating surplus or breakeven} - \text{planned operating surplus or breakeven}}{\text{Planned Income}} \times 100$ | Formula for organisations with a planned operating deficit $\frac{\text{Planned operating deficit}}{\text{Planned Income}} \times 100$ | 5 | 5 | -2.7% | 1 | 0.05 |
| | | | | 5 | 5 | | | |
| Year to Date | YTD Operating Performance | Formula for organisations with a YTD actual operating breakeven or surplus $\frac{\text{surplus/deficit} - \text{YTD actual operating}}{\text{Forecast Income}} \times 100$ | Formula for organisations with a YTD actual operating deficit $\frac{\text{YTD operating deficit}}{\text{Forecast Income}} \times 100$ | 25 | 20 | -6.2% | 1 | 0.20 |
| | | | | 5 | 5 | | | |
| | YTD EBITDA | | $\frac{\text{YTD EBITDA}}{\text{Actual YTD Income}} \times 100$ | 5 | 5 | 2.4% | 2 | 0.1 |
| Forecast Outcome | Forecast Operating Performance | Formula for organisations with a forecast operating breakeven or surplus $\frac{\text{Planned operating breakeven/surplus/deficit} - \text{Forecast operating breakeven or surplus}}{\text{Forecast Income}} \times 100$ | Formula to be used for organisations with a forecast operating deficit $\frac{\text{Forecast operating deficit}}{\text{Forecast Income}} \times 100$ | 40 | 20 | -14.3% | 1 | 0.20 |
| | | | | 5 | 5 | | | |
| | | | | 15 | 15 | | | |
| | Forecast EBITDA | | $\frac{\text{Forecast EBITDA}}{\text{Forecast Income}} \times 100$ | 5 | 5 | 2.4% | 2 | 0.1 |
| | Rate of Change in Forecast Surplus or Deficit | | $\frac{(\text{Current period forecast surplus/deficit}) - (\text{Prior period forecast surplus/deficit})}{\text{Forecast Income}} \times 100$ | 15 | 15 | -3.2% | 1 | 0.15 |
| Underlying Financial Position | Underlying Breakeven/Deficit Position % | $\frac{\text{Underlying Breakeven/Surplus/Deficit}}{\text{Underlying Income}} \times 100$ | | 10 | 5 | -14.3% | 1 | 0.05 |
| | | 5 | 5 | | | | | |
| | EBITDA Margin (%) | $\frac{\text{Underlying EBITDA}}{\text{Underlying Income}} \times 100$ | | 5 | 5 | 2.4% | 2 | 0.1 |
| Finance Processes & Balance Sheet Efficiency | Batter Practice Code Violent % | Value of ALL Bills paid within target Value of ALL Bills paid within the year | | 2.5 | 2.5 | 76% | 2 | 0.05 |
| | | Volume of ALL Bills paid within target Volume of ALL Bills paid within the year | | 2.5 | 2.5 | 67% | 2 | 0.05 |
| | | Current Assets Current Liabilities | | 20 | 5 | 0.79 | 2 | 0.10 |
| | | Debtors as at current period Forecast Income | | x365 | 5 | 29 | 3 | 0.15 |
| | | Creditors as at current period Total Expenditure | | x365 | 5 | 77 | 1 | 0.05 |
| | | | | 100 | 100 | | 21 | 1.35 |

*Operating Position = Retained Surplus/Breakeven/deficit less impairments

FINANCE SUMMARY

MARCH 2010

| A:- Finance Summary MARCH 2010 | Current Month - MAR 10 | | | Year to Date | | | Annual | | |
|--------------------------------|------------------------|----------------|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Actual £ | Budget £ | Variance £ | Actual £ | Budget £ | Variance £ | Forecast £ | Budget £ | Variance £ |
| Income | (41,671,024) | (34,423,806) | (7,247,218) | (393,683,892) | (399,851,512) | 6,167,620 | (393,683,892) | (399,851,512) | 6,167,620 |
| Pay | 21,483,449 | 22,746,975 | (1,263,526) | 270,739,800 | 259,290,972 | 11,448,828 | 270,739,800 | 259,290,972 | 11,448,828 |
| Non-Pay | 4,280,219 | 9,633,098 | (5,352,879) | 113,365,834 | 115,403,809 | (2,037,975) | 113,365,834 | 115,403,809 | (2,037,975) |
| Depreciation | 741,932 | 1,005,616 | (263,684) | 12,677,454 | 12,065,564 | 611,890 | 12,677,454 | 12,065,564 | 611,890 |
| Impairments | 17,478,214 | | 17,478,214 | 31,861,855 | 13,889,689 | 17,972,166 | 31,861,855 | 13,889,689 | 17,972,166 |
| Other Non Operating Items | (465,480) | 1,991,800 | (2,457,280) | 21,282,049 | 23,901,479 | (2,619,430) | 21,282,049 | 23,901,479 | (2,619,430) |
| Net (Surplus) / Deficit | 1,847,310 | 953,683 | 893,627 | 56,243,100 | 24,700,001 | 31,543,099 | 56,243,100 | 24,700,001 | 31,543,099 |
| CIP/ Turnaround Programme | 20,991,000 | 3,745,000 | 17,246,000 | 40,669,000 | 33,300,000 | 7,369,000 | 40,363,000 | 33,300,000 | 7,063,000 |
| Capital Expenditure | 3,683,902 | 1,300,000 | 2,383,902 | 15,795,321 | 14,200,000 | 1,595,321 | 15,795,321 | 14,200,000 | 1,595,321 |

| Monthly Trend | MAR 10 |
|---|------------------|
| Net (Surplus) / Deficit (£m) | Month 1.847 |
| | YTD 56.243 |
| | FY F'cast 56.243 |
| Cash in bank, in hand and investment (£m) | YTD 2.098 |
| Borrowings | YTD - |
| CIP/ Turnaround savings to date (£m) | YTD (40.669) |
| Bad debt provisions (Non-NHS) (£m) | YTD 1.57 |
| EBITDA % achieved - YTD vs budget(%) | YTD 38.07 % |
| EBITDA margin YTD (%) | YTD 2.43 % |
| Return on assets (%) | YTD (0.75)% |
| I&E surplus - YTD (%) | YTD (14.29)% |
| Liquidity ratio (days) | YTD 354.6 |

| | Manpower MAR 10 | | |
|--------------|-----------------|-------------------|--------------------|
| | WTE | £ MAR 10 | Year to date £ |
| Bank staff | 436.95 | 1,814,051 | 19,225,456 |
| Agency staff | 383.22 | 1,491,934 | 22,322,237 |
| NHS staff | 5,300.63 | 18,177,464 | 229,192,106 |
| Total | 6,120.80 | 21,483,449 | 270,739,800 |

| Cost as % total pay cost | |
|--------------------------|-------|
| % MAR 10 | % YTD |
| 8.4% | 7.1% |
| 6.9% | 8.2% |
| 84.6% | 84.7% |

| | |
|---|--------|
| Bank & Agency Staff (wie all staff) | 820.17 |
| % of pay budget spent on bank and agency staff (Ytd) | 15.35% |
| % of pay budget spent on bank and agency staff (in mth) | 15.39% |

B:- Financial Risk Rating and Auditor's Evaluation

| Initial Planning Metrics :- | | | |
|---|-----|---------|-------------------------------------|
| Risk Metric : Planned Deficit/Turnover % | YTD | -2.704% | |
| Raw Risk Score : Initial Planning | YTD | 1.00 | highest risk 1, lowest risk 3 |
| Weighted Risk Score (5%) : Initial Planning | YTD | 0.05 | highest risk 0.05, lowest risk 0.15 |

| Year To Date Metrics :- | | | |
|--|-----|---------|-------------------------------------|
| Risk Metric : YTD Op surplus/ YTD Turnover % | YTD | -6.193% | |
| Risk Metric YTD EBITDA/YTD Turnover % | YTD | 2.433% | |
| Raw Risk Score : Year to Date | YTD | 3.00 | highest risk 2, lowest risk 6 |
| Weighted Risk Score (25%) : Year to Date | YTD | 0.30 | highest risk 0.25, lowest risk 0.75 |

| Forecast Out-turn Metrics | | | |
|--|-----|----------|-----------------------------------|
| Risk Metric : FOT Op surplus/ FOT Turnover % | YTD | -14.286% | |
| Risk Metric FOT EBITDA/FOT Turnover % | YTD | 2.433% | |
| Risk Metric : Mvt in Forecast Outturn in Mth | YTD | (0.03) | |
| Raw Risk Score : F'cast Out-Turn | YTD | 4.00 | highest risk 3, lowest risk 9 |
| Weighted Risk Score (40%) : F'cast Out-Turn | YTD | 0.45 | highest risk 0.4, lowest risk 1.2 |

| Underlying Financial Position Metrics | | | |
|---|-----|----------|-----------------------------------|
| Risk Metric : UL Deficit/ UL income % | YTD | -14.286% | |
| Risk Metric UL EBITDA/UL Turnover % | YTD | 2.433% | |
| Raw Risk Score : Underlying Position | YTD | 3.00 | highest risk 2, lowest risk 6 |
| Weighted Risk Score (10%) : Underlying Position | YTD | 0.15 | highest risk 0.1, lowest risk 0.3 |

Finance Processes and Balance Sheet efficiency

| | | | |
|--|-----|---------|-----------------------------------|
| Risk Metric : Prompt Payment - all invs Value | YTD | 75.842% | |
| Risk Metric : Prompt Payment - all invs Volume | YTD | 66.964% | |
| Risk Metric : Current Assets/Current Liabs | YTD | 79.425% | |
| Risk Metric : Debtor days | YTD | 29 | |
| Risk Metric : Creditor days | YTD | 27 | |
| Raw Risk Score : Balance Sheet | YTD | 10.00 | highest risk 5, lowest risk 15 |
| Weighted Risk Score (20%) : Balance Sheet | YTD | 0.40 | highest risk 0.1, lowest risk 0.6 |

| | | | |
|------------------------------------|-----|------|-----------------------------------|
| Overall Weighted Risk Score (100%) | YTD | 1.35 | highest risk 1.0, lowest risk 3.0 |
|------------------------------------|-----|------|-----------------------------------|

| | | | |
|---|---------|---|----------------------------------|
| Overall Auditor's Local Evaluation Rating | 2008/09 | 1 | 1=lowest score 4 = highest score |
|---|---------|---|----------------------------------|

C:- Finance Processing KPI's

| | |
|--|---------|
| Average Debtor days | 29.77 |
| Average Creditor days | 77.33 |
| YTD PSPP by Volume - NHS | 64.43 % |
| YTD PSPP by Volume - Non NHS | 67.06 % |
| PO Invoices Received in Month % | 32.000% |
| Unallocated Cash - Volume | 6.610% |
| Unallocated Cash - Value | 910.00 |
| Contract Volumes - Annualised Volumes/Contract Volumes | 98.697% |