

EXECUTIVE SUMMARY

TITLE:	BOARD/GROUP/COMMITTEE:
Finance Report – July 2010	
1. KEY ISSUES:	REVIEWED BY (BOARD/COMMITTEE) and DATE:
<p>The overall I&E position to the end of July showed a net deficit of £12.0m against a profiled plan deficit of £9.1m and against the Annual Plan deficit of £19.5m. In Month Four there was a deficit of £1.2m against a plan of £1.6m, giving a favourable variance of £0.4m in month.</p> <p>The main reason for the favourable in month variance is due to a significant improvement in the income position of £3.4m in the month, driven by increased elective and out-patient activity. However, most of this improvement has been taken up continued overspendings, primarily on non-pay (£1.5m) and unidentified CIP (£1.0m)</p> <p>For the year to date the main components of the adverse variance of £2.9m are; CIP shortfall of £4.2m, pay overspending of £1.0m and non-pay overspending of £4.6m, each partly attributable to activity over-performance, which are partly offset by income over-performance of £4.8m and unspent reserves of £2.4m.</p> <p>The forecast outturn is to meet the control total of £19.5m, although there is a high degree of risk associated with this. This assumes a budget overspending of £9.5m, which is net of income over-performance of £7.0m, further identified mitigation of £5.9m and unidentified mitigation of £3.6m.</p> <p>The cash position has improved, largely as a result of SLA advances from the local PCTs, in lieu of the planned PDC funding from the Department of Health, which has still be formally approved. This has enabled the Trust to significantly improve (reduce) its overdue creditors position.</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>
	CATEGORY:
	<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>
	AUTHOR/PRESENTER:
	David Wragg, Director of Finance
	DATE:
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)	

Finance Report for 4 Months Ended 31st July 2010

1. Financial Summary

Annual Bdgt £'000	I&E Description	Bdgt WTE	Actual WTE	Var WTE	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Income										
(393,721)	Total Income				(32,758)	(36,176)	3,418	(130,500)	(135,300)	4,800
Pay Expenditure										
75,740	Medical Staff	895	895	0	6,347	7,116	(769)	25,397	28,548	(3,151)
40,492	Scientific, Therap & Technical	944	921	22	3,401	3,437	(36)	13,531	13,604	(73)
87,160	Nursing & Midwifery - Qual.	2,005	2,037	-31	7,183	6,924	259	30,575	28,864	1,711
18,634	Nursing & Midwifery - Unqual.	744	778	-33	1,536	1,500	36	6,243	6,266	(24)
8,377	Ancillary Staff	324	43	281	698	559	139	2,792	2,599	193
38,962	Management & Admin Staff	1,161	1,096	65	3,240	3,065	175	13,008	12,636	372
269,365	Pay Total	6,073	5,769	304	22,405	22,600	(196)	91,546	92,518	(972)
Non Pay Expenditure										
24,744	Drugs				2,075	2,338	(263)	8,427	9,059	(632)
24,069	Clinical Supplies & Appliances				2,054	2,396	(342)	8,163	9,855	(1,692)
15,575	General Supplies & Services				1,347	1,521	(174)	5,157	5,670	(512)
15,597	Premises & Fixed Plant				1,114	1,331	(217)	5,027	5,375	(348)
32,110	Other Non Pay				2,920	3,474	(553)	11,203	12,657	(1,455)
112,094	Non Pay Total				9,511	11,060	(1,549)	37,977	42,616	(4,639)
CIP / Turnaround										
(6,480)	CIP Target Pay				(529)	0	(529)	(1,921)	0	(1,921)
(4,713)	CIP Target Non Pay				159	0	159	(2,335)	0	(2,335)
(11,193)	CIP Target Total				(370)	0	(370)	(4,256)	0	(4,256)
7,338	Reserves				463	515	(52)	2,441	12	2,429
(16,117)	EBITDA				(749)	(2,001)	1,252	(2,791)	(154)	(2,638)
12,644	Depreciation				1,054	1,519	(465)	4,215	4,680	(465)
3,216	Capital Dividends				268	268	0	1,072	1,072	0
19,782	Net Interest				1,649	1,411	237	6,594	6,422	172
19,525	Net (Deficit)/Surplus	6,073	5,769	304	2,221	1,197	1,024	9,089	12,021	(2,931)

The overall income and expenditure position for the Trust at Month Four showed a cumulative deficit of £12.0m, £2.9m adverse against Plan. In the month, there was a deficit of £1.2m, £1m favourable against Plan. The main reason for the in month favourable variance is due to a significant increase in the income position, which showed an in month favourable variance of £3.4m, increasing the year to date favourable variance to £4.8m. ONEL ACU activity is now at £5.2m over performance against plan year to date. The value in month is primarily due to an increase in actual billed activity, compared with the value accrued in Month Three. This value of over performance obviously carries with it significant risk, given the position of the ACU which is to fund no more than the annual contract value. The over-performance is also responsible for an inability in some areas to reduce expenditure and achieve CIP, as activity is continuing to be delivered above plan often through premium rate out of hours and/or agency staff. Whilst the pay overspend trend has marginally improved over the month, this has been offset by a deterioration in the non-pay overspend trend, partly related to additional outsourcing costs.

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: For Central Income this has been represented against a re-phased plan (equal twelfths).

Income Type	Annual £ Plan	£ FOT	£ FOT Var	Monthly £ Actual	Monthly £ Var	YTD £ Actual	£ Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
PbR	269,061	273,464	4,403	24,697	3,079	94,090	4,403
Non PbR	91,540	92,397	857	9,202	504	31,343	830
Central Income	360,601	365,862	5,261	33,899	3,583	125,434	5,234
Other Income	0	453	453	133	133	453	453
Divisional Income	33,120	32,591	(590)	2,410	(298)	9,412	(887)
Trust Income	393,721	398,906	5,124	36,442	3,418	135,299	4,800

The overall position shows a £5,234K favourable variance year to date, including a £5,234K favourable 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).

Income by Point of Delivery

Income by point of delivery is as follows:

POD	Annual £ Plan	£ FOT	£ FOT Var	Monthly £ Actual	Monthly £ Var	YTD £ Actual	£ Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
A&E	17,577	17,904	327	1,547	70	6,186	327
Critical Care	23,207	22,939	(268)	1,867	(83)	7,468	(268)
DC & EL	51,425	53,518	2,093	4,809	417	19,235	2,093
NEL	128,970	129,349	379	10,842	5	43,369	379
XBD	10,730	10,730	0	904	(0)	3,577	0
Direct Access	14,081	14,149	68	1,210	9	4,761	68
OP 1sts	29,175	30,668	1,493	2,804	314	11,218	1,493
OP Follow Ups	34,960	35,431	472	3,031	47	12,125	472
OP Procedures	3,936	4,428	492	451	115	1,804	492
Other	46,540	46,718	178	3,898	(7)	15,692	178
Total	360,601	365,834	5,234	31,363	886	125,434	5,234

There are two main areas of focus in month 4. Day Case and Elective activity over performed by 1,269 spells over the plan. This equates to a £2.09m over performance at Month 4.

Outpatient activity has not seen the reductions required by the Outer North East London PCTs (ONEL). Therefore outpatient activity is over performing by £2.5m at Month 4. A contract

variation is currently being discussed with the ONEL PCT's who have in principal agreed a variation up to and including September 2010.

Finally a provision against all excess bed day over performance has been made as PCTs will impose KPI penalties against length of stay reductions not achieved. Also provision against the London stroke top up income has been made till further discussions with the PCTs are concluded.

Income by Division

Central Income performance split by Division is as follows:

Division	Annual £ Plan	£ FOT	£ FOT Var	Monthly £ Actual	Monthly £ Var	YTD £ Actual	£ Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
A&E	23,082	23,612	530	2,056	116	8,224	530
Corporate	12,142	12,884	742	1,182	170	4,789	742
Clinical Support	35,017	34,936	(81)	2,919	(59)	11,591	(81)
Medicine	93,459	92,869	(590)	7,646	(231)	30,563	(590)
Surgery	122,045	126,626	4,580	11,318	974	45,262	4,580
Women & Children	74,856	74,935	79	6,258	(67)	25,031	79
Total	360,601	365,862	5,261	31,379	903	125,461	5,261

The main area of over performance at Month 4 is in the Surgical Division. As most of the PCT outpatient reduction plans focused on the surgical specialties, their aim to decommission activity of 70,000 attendances in year does not appear to have worked in Months 1 to 3. The plan is profiled on working days for outpatients. Therefore for PCTs to achieve their targets activity greater reductions could happen in the latter part of the year.

Non PbR Income

Non PbR Income includes other income not strictly related to healthcare income. Road Traffic Act Income and ISTC income is included here, as well as Non Clinical income as part of the main SLA contracts.

Other Divisional Income

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

3. Revenue Expenditure

Pay - £0.2m adverse in month and £1.0m) Adverse YTD. Month Four saw a continuation of the pattern seen in previous months, with medical staff overspendings mainly offset by under-spending in other staff groups. Encouragingly, actual in month pay expenditure was £0.7m lower than the average run rate to Month Three, although this still exceeded budget by £0.2m. The reduction has largely been across the board through a combination of reduced bookings of temporary staff, reduced rates on Bank and Agency and adjustments to prior month accruals.

Medical Staff continues to overspend in each of the Divisions but predominantly Surgery (£0.4m adverse in month / £1.7m adverse YTD : 14% of budget) and A&E (£0.1m adverse in month / £0.6m adverse YTD : 22% of budget). Surgery is predominantly due to Bank & Agency and additional sessions in order to meet the additional activity against plan, which unmet CIP is also aligned to. PCT Demand management schemes do not appear to have been effective in many areas, although these are now working to firm these up. The main specialties with over performance and correlating overspends are within ENT, Orthopaedics and Neurosciences, often related to 18 week pressures. A&E is largely due to the reliance on temporary staff at a premium, due to the national shortage of staffing and the inability to fill posts permanently. However although activity is high it appears to be lower than 2009/10 levels and achievement of the 4hr wait target is also down, whilst expenditure is up. Women's & Childrens also showed an overspend, due to Paediatric Medical staff shortages and pressure relating to A&E breach prevention.

Nursing remains under spent, but largely as a result of the additional funding to increase ward staffing and Maternity staffing levels. The actual nursing expenditure decreased slightly in most areas, with Surgery being the largest reduction. These reductions are mostly due to lower Bank & Agency usage and better pay rates. The only real exception was Clinical Support which reported a small adverse variance in month, however they need to continue their previous monthly under spend of £25k a month as part of their recovery plan.

Non Pay – £1.5m adverse in month and £4.6m adverse YTD.

Annual Budget £000	Summary Level	Month Actual £000	Month Variance £000	YTD Actual £000	YTD Variance £000	YTD Variance £000	YTD Var % of Budget
24,744	Drugs	2,338	(263)	9,059	632	(632)	-7.50%
24,069	Clinical Supplies & Appliances	2,396	(342)	9,855	1,692	(1,692)	-20.73%
15,575	General Supplies & Services	1,521	(174)	5,670	512	(512)	-9.93%
15,597	Premises & Fixed Plant	1,331	(217)	5,375	348	(348)	-6.92%
32,110	Other Non Pay	3,474	(553)	12,657	1,455	(1,455)	-12.98%
112,094	Net (Deficit) / Surplus	11,060	(1,549)	42,616	4,639	(4,639)	112,094

There were over spends across all Non Pay headings, with the largest being on Clinical Supplies and Other Non Pay. There was a £0.5m increase in the monthly Non Pay expenditure run rate in the month, mostly on Other Non Pay, General Supplies and Drugs.

- Drugs overspends are mostly within: Oncology (£110k) Adv in month / (£246k) Adv YTD due to activity and the cost of drugs, though a usage review is under way; Rheumatology (£79k) Adv / (£216k) Adv YTD mostly due to guidance and drug regimes; Pharmacy (£73k) Adv / (£139k) Adv YTD mostly due to FP10 prescribing (Recovery process in place); and some pressures within General Medicine, Neurology and HIV.
- Clinical Supplies & Appliances are predominantly overspent due to: Medical & Surgical Equipment (£646k) Adv YTD, mostly in Surgery through Theatres, neurosciences and Critical Care, but also in Midwifery. Prosthesis and Patient Appliances within Theatres & Therapies account for (£111k) Adv YTD. Contractual Clinical Services within the Surgical

Division also account for a (£56k) Adv YTD Variance. All of these are associated with additional activity above plan and in instances high product costs.

- General Supplies & Services are (£174k) Adv in month and (£512k) Adv YTD. Most of this is due to Staff Recruitment (£231k) Adverse YTD and Patient Transport (£146k) Adverse YTD. The latter being due to often late and unplanned nature of discharges, requiring expensive short notice out of hours ambulance transport.
- Premises and fixed plant, contains a number of offsetting under and overspends on various running costs but the major adverse variance is on Photocopier rental from managed print.
- Other Non Pay – The adverse variance is mostly attributable to: Commercial Sector Outsourcing and services received related to additional activity (£454k) Adv in month / (£1M) Adv YTD, mostly in Surgery but also Radiology and some in Pathology; Legal & Professional Fees totalling (£154k) Adv YTD, though this should come down through the year as a result of profiling; and External Consultancy Fees (£191k) Adverse YTD, mostly as a result of various project work but predominantly in HR due to cover for various advisory posts and Occupational Health.

CIP / Turnaround Target: CIP delivery in month was £1.4m, which was 50% of plan. Year to date delivery totals £4.8m against a budget of £9.0m, which included £1.6m schemes which were unidentified at the time of the budget. In order to deliver full year budget of £35.9m a further £6.4m needs to be delivered from further mitigating and recovery actions. Continued shortfall exists in staffing schemes, (£1.6m adverse), due in part from continued temporary staff usage to support vacancies and additional activity, but also from a non-delivery of efficiency related savings. Further mitigating actions need to be established in particular for medical staffing costs, reduction in admin and clerical costs, and a reduction in consumable costs. The CIP forecast does not yet include further mitigating actions which may result in additional one-off income opportunities, nor any reorganisation costs associated with further workforce reform initiatives. See the PEQ Programme section below for further detail.

Reserves – was breakeven in month and £2.4m Favourable YTD. The in month movement was due to a number of specific calls on reserves but also due to the Clinical Excellence Awards (CEAs). The CEAs are above budget and significantly up on last year.

Depreciation – the YTD position shows an overspend of £0.47m, primarily as a result of the additional capitalisation of revenue expenditure at the end of 2009/10, as part of the recovery programme. A review of asset lives and values is underway, which should reduce this overspending.

4. Divisional Summary

Annual Budget £000	Division	Budget WTE	Current Actual WTE	Var. WTE	M04 Budget £000	M04 Actual £000	M04 Var £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
44,976	Medical	998	1,059	-(61)	3,749	3,964	(215)	15,751	16,140	(389)
17,430	Emergency	316	416	-(99)	1,399	1,715	(315)	6,334	7,462	(1,127)
85,069	Surgical	1,451	1,421	30	7,113	7,725	(611)	28,839	31,670	(2,831)
43,117	Women & Children	911	845	66	3,680	3,783	(103)	14,972	15,407	(435)
75,737	Clinical Support	1,546	1,509	37	6,313	7,078	(765)	25,711	28,078	(2,366)
73,980	Corporate	851	508	343	6,197	6,490	(292)	24,414	26,301	(1,886)
(320,784)	Central Income & Expenditure	0	12	-(12)	(26,881)	(29,557)	2,676	(106,933)	(113,037)	6,104
19,525	Net Deficit / (Surplus)	6,074	5,769	305	1,570	1,197	374	9,089	12,021	(2,931)

MEDICINE:

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(458)	(426)	(32)	(1,828)	(1,657)	(171)
Pay	3,708	3,796	(87)	15,593	15,192	401

Non Pay	603	595	8	2,466	2,605	(139)
CIP / Turnaround	(104)	0	(104)	(480)	0	(480)
Total	3,749	3,964	(215)	15,751	16,140	(389)

Income

In month and year to date deficit mostly reflects failure of divisional income CIP, for example underperformance on PET Scans and Sleep Apnoea.

Pay

Medical Staff continues to overspend reporting a (£127k) Adverse M04 / (£343k) Adverse YTD position. This is largely due to CIP Failure and temporary staff cover associated with covering - Middle/Training Grade vacancies, Endoscopy additional activity and AAU. This is being partially off set by Nursing under spends arising from unfilled CQC funded posts. Nursing is £33k (F) M04 / £713k (F) YTD. The main reason for the negative in month movement is due to underperformance on the CIP - LOS ward closure programme, thereby reducing the amount of nursing under spend available from CQC to offset the overall position.

Non Pay

This is mostly due to Clinical Supplies & Appliances (£13k) Adv M04 / (£85k) Adv YTD primarily as a result of additional activity in Endoscopy, Stenting and Pacing. The favourable in month movement is due to Drugs £57k (F) M04 / £(£29k) Adv YTD. This is due to a reduction in high cost Hepatology and Infliximab clinics in month (currently under review) as well as a £10k credit note. Other sources of overspend are as a result of externally provided Upper GI and PET scanning.

EMERGENCY:

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(69)	(72)	4	(259)	(271)	12
Pay	1,340	1,587	(248)	6,080	6,954	(874)
Non Pay	191	200	(8)	792	779	13
CIP / Turnaround	(63)	0	(63)	(278)	0	(278)
Total	1,399	1,715	(315)	6,334	7,462	(1,127)

Pay

The overspending was predominantly from Medical staffing which is (£77k) Adv in M04 / (£648k) Adv YTD and Nursing which is (£162k) Adv M04 / (£162k) Adv YTD. Medical Staff is mostly due to the number of difficult to recruit vacancies within A&E being covered by expensive Temporary staff. Nursing is as a result of additional agency cover, CIP under performance of (£189k) and (£24k) on Bed & Site, partially mitigated by £40k rate reduction benefits from Staff Bank.

Non Pay

Has some small overspends on Drugs and Medical Agency Recruitment Fees offset by other Non Pay under spends.

SURGERY:

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(499)	(405)	(94)	(1,777)	(1,716)	(60)
Pay	6,108	6,178	(69)	24,841	25,643	(802)
Non Pay	1,601	1,952	(351)	6,576	7,744	(1,167)
CIP / Turnaround	(96)	0	(96)	(801)	0	(801)
Total	7,113	7,725	(611)	28,839	31,670	(2,831)

The in month position as described below continues the trend YTD.

Income

The majority of this relates to under achievement in Chronic Fatigue Syndrome, as on average only three of the beds were utilised throughout the month.

Pay

Medical Staff over-spent by (£432k) Adv / (£1,710) Adv YTD. Much of this can be associated with failure of Demand Management Schemes impacting both on the ability to deliver activity related CIP and the continuing overspends on temporary staff and additional sessions in providing activity beyond plan and establishment. The table below shows a breakdown by specialty and how temporary staff relates to each within their totals.

Specialty Med Staff	WTE Var	M04 Temporary WTE as % of Total Actual	M04 Spend £'000	M04 Var £'000	Var as % of Budget	Temp Spend % of Total	YTD Spend £'000	YTD Var £'000	YTD Var as % of Budget	Temp Spend % of Total
Anaesthetics	18.96	4.43%	873	(23)	-2.69%	14.24%	3,653	(254)	-7.47%	16.41%
Dermatology	0.07	20.96%	55	(12)	-29.23%	29.42%	207	(36)	-21.26%	36.22%
Ear, Nose & Throat	16.19	17.36%	223	(65)	-41.71%	3.27%	733	(104)	-16.64%	18.40%
General Surgery	(5.24)	8.64%	567	(12)	-2.22%	10.96%	2,337	(215)	-10.11%	17.50%
MaxFax	3.01	-	75	(17)	-29.87%	-	271	(41)	-17.82%	28.25%
Neurology	(1.06)	15.15%	102	(1)	-0.97%	4.20%	452	(47)	-11.55%	15.33%
Neurosciences	8.20	17.37%	298	(17)	-5.96%	18.11%	1,204	(79)	-6.98%	20.88%
Ophthalmology	4.33	7.06%	156	(22)	-16.40%	6.12%	514	1	0.10%	14.82%
Orthodontics	0.73	-	18	2	9.58%	-	42	39	48.25%	-
Orthopaedics	4.90	10.85%	417	(8)	-1.93%	14.36%	1,658	(23)	-1.42%	16.19%
Rheumatology	1.27	6.01%	53	27	33.99%	7.29%	284	38	11.82%	7.00%
Surgical Management	(26.77)	-	-	(278)	100.00%	-	-	(1,012)	100.00%	-
Urology	1.74	17.52%	200	(5)	-2.50%	32.38%	757	24	3.01%	22.02%
	26.33	9.15%	3,036	(432)	-16.57%	13.02%	12,111	(1,710)	-16.44%	17.72%

Nursing Staff under-spent by £359k M04 / and £806k YTD, as the Wards have received significant investment of around £1m to address the previous low Nurse to bed Ratios and Qualified to Unqualified skill mix. Theatres is however (£36k) Adverse YTD, due to Agency and overtime relating to activity and Overnight Recovery area. The in month improvement is due to CQC budget re-profiling and revised accruals from new information.

Non Pay

Clinical Supplies & Appliances (£130k) Adv M04 / (£498k) Adv YTD. Most of this relates to additional Theatre work which accounts for (£351k) Adverse YTD. Expensive Neuro work accounts for (125k) Adverse YTD, with Critical Care at (£51k) Adverse and CIP slippage of £82k.

Drugs over-spent by (£101k) Adv M04 / (£214k) Adv YTD. This is entirely due to the high cost regimes with Rheumatology and small overspends in Ophthalmology and Neurology are off set by under spends elsewhere.

General Supplies and Appliances followed a similar trend to Clinical in that they are over spent by (£25k) Adv in month and (£151k) Adv YTD. This again is largely as a result of Theatre activity (£63k) Adv YTD, and Neuro and Orthopaedic work each accounting for (£22k) Adv YTD.

Additionally there is overspend on Other Non Pay as a result of Outsourcing Dermatology and ENT work due to demand. ENT accounts for (£285k) Adv YTD and Dermatology (£29k) Adv YTD, both of which have Medical Staffing cost pressures for the same reason.

CIP Overall unidentified CIP for the year is £1m of which (£0.1m) Adv in month and (£0.8m) Adv YTD is within the position.

CLINICAL SUPPORT SERVICES:

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(520)	(373)	(147)	(2,079)	(1,675)	(404)
Pay	5,323	5,245	78	21,220	21,173	47
Non Pay	2,055	2,205	(150)	8,221	8,580	(359)
CIP / Turnaround	(545)	0	(545)	(1,650)	0	(1,650)
Total	6,313	7,078	(765)	25,711	28,078	(2,366)

Income

The underperformance is largely related to lost commercial activity and SLAs within Pharmacy. There was also a small recorded underperformance HCA to date.

Pay

The in month movement is largely due to a revision to YTD accruals based on further information from the Staff Bank system. However set within this there is significant under spends on A&C posts £141k M04 / and £236k YTD mostly within Outpatients and Medical Secretaries. These are off setting overspend on Radiology Technical staff (£66k) Adv M04 / (£234k) Adv YTD and Therapies (£66k) Adv M04 / (£116k) Adv YTD and Medical staff within Radiology of (£12k) Adv M04 and (£123k) Adv YTD and Pathology of (£21k) Adv M04 / (£105k) Adv YTD. Both Radiology and Pathology are related to activity though Radiology as part of its recovery plan is planning to manage demand down. Therapies is partly related to new support for Fractured NoF and early discharge LOS work but there are recovery plans underway.

Non Pay

The major overspending areas of Non Pay are Drugs (£176k) Adverse in month and (£360k) Adverse YTD, from expensive Oncology Drugs and patient growth and Pharmacy Drugs and FP10s. The latter is being reviewed as part of the recovery programme. The other major source of over spend is Other Non Pay which is (£73k) adverse YTD but includes overspends of (£246k) YTD on Radiology outsourcing to meet demand and (£148k) YTD on Oncology sent away tests.

CIP Overall CIP still to be identified has a full year value of £5.2m of which (£545k) Adverse in month and (£1,650k) Adverse YTD is already within the bottom line position.

WOMENS & CHILDRENS:

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(250)	(260)	10	(968)	(1,008)	40
Pay	3,431	3,431	1	13,931	14,048	(117)
Non Pay	521	612	(91)	2,114	2,367	(253)
CIP / Turnaround	(23)	0	(23)	(105)	0	(105)
Total	3,680	3,783	(103)	14,972	15,407	(435)

Income

This includes CIP slippage of (£17k) in month and (£40k) YTD around IVF Satellite and Neonatal Income. This is being off set however by over performance on Private and Non NHS Overseas patients in Obstetrics and Gynaecology.

Pay

In month saw some reductions in Nursing spend through a combination of rate benefits and reduced agency usage. Whilst unqualified nursing is over spending this is more than off set by the under spend on qualified nursing, thereby leaving a net under spend on nursing of £81k (F) M04 /

£211k (F) YTD. This is mostly as a result of unfilled Maternity Matters funded posts. Whilst this also enabled breakeven on pay overall for the month the YTD overspends still persist. Medical Staff accounts for most of this (£78k) Adv / (£296k) Adv YTD. The Medical staffing overspend is mainly in Paediatrics due to Agency SPR costs being substantially higher (premium 90%) due to backfilling the vacant SPR posts in order to maintain clinical safety, and other issues, such as additional payments to Consultants for temporary work to cover rotas, £38k non recurrent arrears, and CIP slippage of (£12k) Adv in month and (£40k) Adv YTD. Recovery plans are in place around restructuring to address the Medical staffing cost pressures.

Management & A&C staff are also (£10k) Adv M04 / (£35k) Adverse YTD. There are a number of under and overspends within this but the main recurrent overspending is incurred from CIP slippage (£17k) Adv / (£48k) Adv YTD and Sexual Health vacancy cover and additional digitising of records. There are plans to restructure the latter in order to mitigate this pressure.

Non Pay

The biggest over spend is on Clinical Supplies (£34k) Adv / (£120k) Adv YTD, mostly from CIP slippage, although this should be arrested in August with the move toward generic products.

Other Non Pay accounts for (£23k) Adv / (£85k) Adv YTD which is driven by: Paediatric task force Consultancy Fees; specialist tests and charges for outreach clinics; Safeguarding contributions; high cost perinatal autopsies; recruitment fees and £26k Sexual Health away day.

Drugs is now over spent (£31k) Adv / (£15k) Adv YTD predominantly due to HIV drugs which are in principal funded.

CORPORATE

	M04 Bdgt £'000	M04 Actual £'000	M04 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
Divisional Income	(912)	(873)	(39)	(3,388)	(3,085)	(303)
Pay	2,494	2,364	130	9,882	9,555	327
Non Pay	4,803	4,999	(196)	18,862	19,831	(969)
CIP / Turnaround	(188)	0	(188)	(941)	0	(941)
Total	6,197	6,490	(292)	24,414	26,301	(1,886)

The main sources of overspend within Corporate are :

- **IT & Telecoms (£110k) Adverse in month and (£426k) adverse YTD.** There is a YTD over spend on pay of £196k, partly related to under capitalisation of pay (£72k) and unmet CIP (£21k). Non-pay overspent by £230k, primarily due to Phone Rental pressures of £63k YTD and Computer maintenance £84k YTD and unmet CIP of £86k.
- **Human Resources - £116k Adverse in month and £362k YTD.** This is due to CIP slippage (£90k) Adv YTD, Pay overspend of (£41k) / (£185k) YTD predominantly associated with continued agency cover for vacancies and Advisors above establishment. Non Pay is (£49k) Adv / (£93k) Adv YTD, mostly from External Consultancy usage in HR which accounts for (£128k) YTD and Recruitment associated fees (£55k) Adv YTD.
- **Finance (£47k) Adverse in month and (£202k) Adverse YTD.** Pay accounts for (£29k) Adv YTD due to Agency cover on Vacancies whilst new work structure is been embedded. Non Pay accounts for (£203K) Adv YTD but within this, (£99k) is associated with External and Audit Fees which should be mitigated by in year benefits relating to them, not yet in the position. The majority of the remaining Non Pay adverse variance is associated with expected capitalisation and Charitable Funds work not yet charged, which should further mitigate the position.
- **Procurement – (£48k) Adverse in month and (£294k) Adverse YTD.** The main overspends are related to Photocopier contracts and Stationary due to slippage on Managed Print and dual contract running.

- **Logistics – (£7k) Adverse in month and (£154k) Adverse YTD.** This is in relation to increased Patient Transport hire largely related to short notice out of hours discharge requiring premium rate patient transport.
- **Medical Director – (£41k) Adverse in month and (£137k) adverse YTD.** This includes (£101k) YTD Adverse position on Modernising Medical Careers due to income under recovery to plan, Pay and Non Pay overspends. Also due to under recovery to budget of SIFT support (£89k) Adv YTD (currently under review).
- **Director of Nursing - £18k Favorable in month and (£87k) Adverse YTD.** This is due to R&D not yet being self funding (£50k) Adverse YTD and Education being (£87k) Adverse YTD due to under recovery against plan on NMET income and rotations. These are being partially off set by the £50k under spend YTD on Corporate Nursing.
- **Head of Estates – (£20k) Adverse in month and (£63k) Adverse YTD.** This is due to mostly due to cost pressures on Sterile Services and to some extent Estates utilities and Laundry.
- **Director of Performance & Planning – £25k Favourable in month and (£9k) Adverse YTD.** Within this are a number of under spends contributing to the net position, especially Information Services and Healthcare Campuses combined are £158k Favourable YTD. There are overspends on Clinical Coding (£24k) Adverse YTD and Planning (£28k) Adverse YTD from External Consultancy Fees. There is also (£112k) Adverse YTD being reported as CIP failure.
- **Chief Executive and Trust Board – (£81k) Adverse in Month and (£258k) Adverse YTD.** This variance is made up of the following: CIP (£126k) YTD; Recruitment related Fees (£41k) YTD; (£39k) Legal Fees, (£31k) YTD External Consultancy; and (£29k) YTD on Course Fees.

5. PEQ Programme

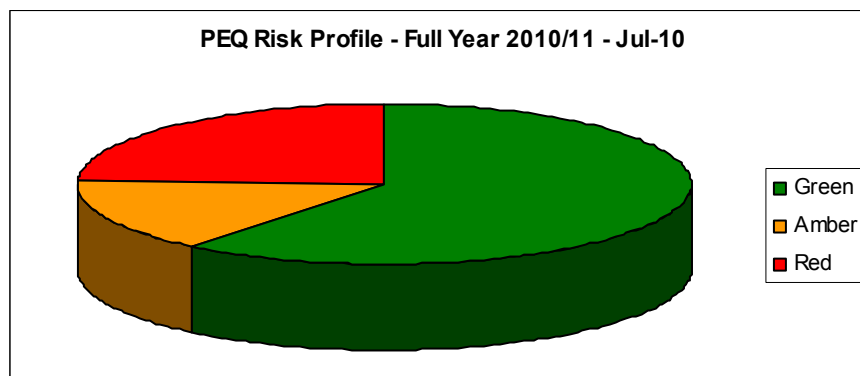
Despite increased income being recognised in July, expenditure and its associated identified PEQ cost reduction plans continued to fall short of targets in July. The monthly delivered savings were identified at £1.4m against a budget of £2.8m (inclusive of phased unidentified savings of £1.5m. Year to date delivery has now reached £4.8m against a budget of £9.0m.

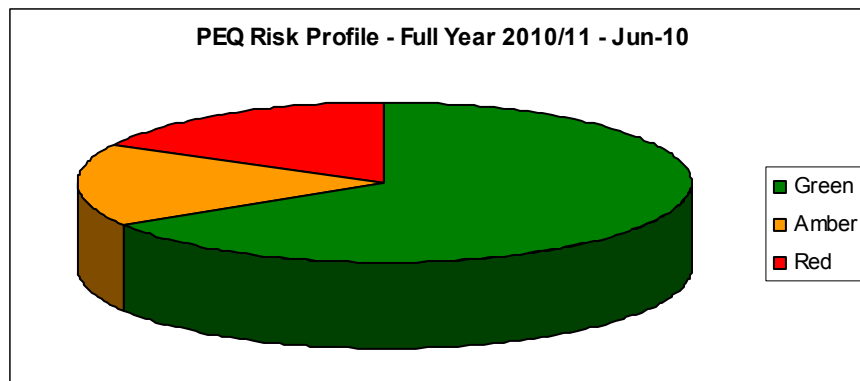
The shortfall continues to arise in staffing savings not being delivered at a sufficient rate, with additional payments to staff and agency medical staff costs continuing to create budgetary cost pressures and prevent the realisation of savings, although in practice some of this shortfall is mitigated by additional activity (see divisional split below). Nursing bank and agency staff costs continue to be within budget. Activity levels above plan have also restricted the ability to deliver savings relating to certain procurement savings on consumables and drugs. Workforce reform actions which are not directly related to activity levels have not delivered the required savings, and further work needs to be urgently undertaken to deliver in excess of 15% saving in administrative staff costs by the end of the year.

	Plan YTD	Actual		Full Year	
		Actual YTD	Var YTD	Budget	Forecast
P1 Bed Reconfiguration	571	379	(192)	4,332	4,428
P2 Surgery Efficiency	376	372	(4)	1,128	1,594
P3 Capacity Planning	154	33	(121)	1,809	1,267
E1 Workforce Reform	1,895	1,573	(322)	6,974	6,557
E2 Medical Staffing	535	353	(182)	1,738	2,112
E3 Temporary Staff	1,830	683	(1,147)	6,140	4,117
E4 Non pay	645	381	(264)	3,363	3,629
E5 Commercials	728	710	(18)	2,268	2,741
E6 Non SLA income	468	235	(233)	2,915	2,323
Q1 Outpatients	4	0	(4)	36	58
Q2 Patient Services	209	94	(115)	807	665
Unidentified	1,596	0	(1,596)	4,377	6,396
Total	9,011	4,813	(4,198)	35,887	35,887

The full year forecast continues to remain the same as plan, with the unidentified gap growing to £6m if activity levels are as predicted. New schemes continue to be sought to make up the shortfall, but it is evident that urgent and substantial steps are required. These need to be agreed and actioned quickly.

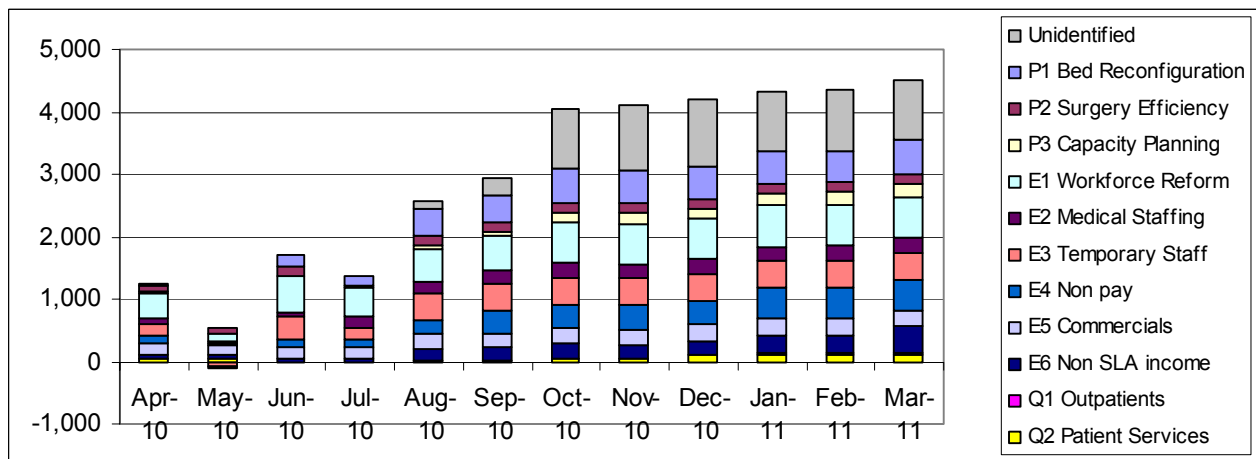
The current risk profile of schemes is as below, with unidentified schemes currently Red risk rated. Whilst the schemes previously amber have been firmed up, the growth in the value required from as yet unidentified schemes has increased by more than £1m.





Turnaround Profile

The forecast now profiles unidentified schemes later in the year which and continues to assume delivery of bed reconfiguration savings throughout the year to deliver a 7 ward reduction across the Trust. The In-House Bank went live on 1st July following the termination of the NHSP contract and expects to deliver further productivity and efficiency savings going forwards.



Not yet included in the forecast include:

- Further admin and clerical staff efficiencies and reductions
- Additional procurement savings from improved product switching
- Any one-off commercial benefits other than existing HCA plans

Divisional Summary

Medicine

The medical division shortfall relates to the inability to close the gap on unidentified schemes. Additional schemes found and delivered so far this year have mitigated shortfalls in length of stay delays and capacity capping savings. These schemes have primarily been around changes to some working procedures to release staff cost savings.

	Actual		
	Plan YTD	Actual YTD	Var YTD
Total Expenditure	17,515	17,424	91
CIP (By Scheme)	(1,256)	(1,284)	28
Unidentified CIP	(508)	0	(508)
Total	15,751	16,140	(389)

Gap remains for schemes to be identified

	Actual		
	Plan YTD	Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	503	485	(17)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	133	0	(133)
E1 Workforce Reform	124	299	175
E2 Medical Staffing	162	210	48
E3 Temporary Staff	233	211	(21)
E4 Non pay	55	47	(8)
E5 Commercials	0	0	0
E6 Non SLA income	46	32	(14)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	508	0	(508)
Total CIP	1,764	1,284	(480)

Variance arising from slippage in closures. Forecast will assume all remaining ward closures to be achieved on schedule

Budget included schemes relating to activity capping. Savings not readily identified in relation to specific areas of activity reduction.

Mitigating Actions to bridge the shortfall includes firm costing on nursing rota changes and individual headcount reductions from detailed line by line reviews

Emergency Care

Emergency Care CIP schemes have delivered limited non-pay savings, but not identifiable pay savings. In addition to this, additional costs continue to be incurred in medical and nursing temporary staffing.

	Actual		
	Plan YTD	Actual YTD	Var YTD
Total Expenditure	6,697	7,547	(850)
CIP (By Scheme)	(302)	(85)	(217)
Unidentified CIP	(61)	0	(61)
Total	6,334	7,462	(1,128)

Key cost pressure arising from temporary medical and nursing staff costs

	Actual		
	Plan YTD	Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	13	0	(13)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	0	0	(0)
E1 Workforce Reform	0	0	0
E2 Medical Staffing	0	0	0
E3 Temporary Staff	223	0	(223)
E4 Non pay	67	85	18
E5 Commercials	0	0	0
E6 Non SLA income	0	0	0
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	61	0	(61)
Total CIP	363	85	(278)

Savings relate to capitalisation of A&E records

Surgery

Surgery central income YTD has exceeded plan by £4.5m. This has had a detrimental impact on the delivery of CIP programmes, especially in regard to cost savings from theatre efficiency and temporary staff reduction.

The CIP shortfall of £2.4m YTD is predicated on the additional activity being delivered with a total adverse variance to budget of £400k excluding CIP savings

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	31,746	32,151	(405)
CIP (By Scheme)	(2,283)	(481)	(1,802)
Unidentified CIP	(624)	0	(624)
Total	28,839	31,670	(2,831)

I&E overspend arising from areas of additional activity. Division not recognising CIP savings from productivity gains which are achieved with premium price additional staff costs and additional non-pay spend

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	0	0	0
P2 Surgery Efficiency	377	41	(335)
P3 Capacity Planning	0	0	0
E1 Workforce Reform	520	410	(110)
E2 Medical Staffing	54	0	(54)
E3 Temporary Staff	1,085	24	(1,061)
E4 Non pay	100	5	(95)
E5 Commercials	0	0	0
E6 Non SLA income	146	0	(146)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	624	0	(624)
Total CIP	2,907	481	(2,426)

Theatre usage has continued to support additional elective activity. Costs savings arising from productivity gains have not therefore arisen.

Savings planned against budgeted activity levels

Womens and Children

Medical staffing in paediatrics continues to restrict delivery of CIP plans, and identified schemes are not bridging the gap to achieve the full year target. Further work required, in particular in paediatrics form part of the division's mitigation and recovery plans.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	15,638	15,798	(160)
CIP (By Scheme)	(555)	(391)	(165)
Unidentified CIP	(111)	0	(111)
Total	14,972	15,407	(435)

Main reason relate to medical staffing overspend which exceeds this overspend and the planned CIP medical staffing savings, although offset by nursing savings

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	0	0	0
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	0	0	0
E1 Workforce Reform	183	213	29
E2 Medical Staffing	124	0	(124)
E3 Temporary Staff	96	147	50
E4 Non pay	63	13	(51)
E5 Commercials	0	0	0
E6 Non SLA income	88	18	(70)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	111	0	(111)
Total CIP	666	391	(275)

Plan assumed Paediatric savings. Currently overspending without taking into account CIP

Review needed on prices for procurement as initial reviews have not identified sufficient opportunities

Clinical Support Services

Clinical Support Services have continued to incur costs for outsourcing, drugs and STT staff. The shortfall on CIP YTD exceeds £1m and relates to targets relating to schemes to be identified which have not yet delivered savings and a planned target around outpatient delivery which requires alternative savings to be realised. Non-pay savings need to be identified and delivered, and the division needs to meet its staff cost savings expectations.

		Actual		
	Plan YTD	Actual YTD	Var YTD	
Total Expenditure	28,303	29,586	(1,283)	Overspends in outsourcing, drugs and STT staff
CIP (By Scheme)	(1,918)	(1,508)	(410)	
Unidentified CIP	(674)	0	(674)	
Total	25,711	28,078	(2,367)	

		Actual		
	Plan YTD	Actual YTD	Var YTD	
CIP Schemes				
P1 Bed Reconfiguration	56	0	(56)	Plans included further reform for oncology outpatients and radiology which are not fully delivered
P2 Surgery Efficiency	0	0	0	
P3 Capacity Planning	21	0	(21)	
E1 Workforce Reform	493	280	(212)	
E2 Medical Staffing	196	462	266	
E3 Temporary Staff	100	36	(64)	
E4 Non pay	74	0	(74)	Plan assumed opportunity for further 1st to Follow Up improvement. Not yet substituted
E5 Commercials	728	730	2	
E6 Non SLA income	36	0	(36)	
Q1 Outpatients	4	0	(4)	
Q2 Patient Services	210	0	(210)	
Unidentified	674		(674)	
Total CIP	2,592	1,508	(1,084)	

6. Forecast Outturn Position

The table below sets out the forecast outturn position, compared with the Month Four in month and year to date position:

Summary Forecast Outturn Position

(£'000)	Actual			Variance fav / (adv)			% var
	M4 Only	Year to date	Forecast Outturn	M4 Only	Year to date	Forecast Outturn	
Medicine	3,964	16,140	46,171	-215	-389	-1,195	-2.7%
Emergency	1,715	7,462	20,032	-315	-1,127	-2,602	-14.9%
Surgery	7,725	31,670	89,694	-612	-2,831	-4,625	-5.4%
W&CS	3,783	15,407	43,720	-102	-435	-603	-1.4%
CSS	7,078	28,078	79,286	-792	-2,366	-3,549	-4.7%
Sub-total clinical divisions	24,265	98,757	278,903	-2,036	-7,148	-12,574	-4.7%
Corporate	6,490	26,301	77,421	-265	-1,886	-3,441	-4.7%
Sub-total	30,755	125,058	356,324	-2,301	-9,034	-16,015	-4.7%
Central Income	-33,612	-125,173	-367,601	3,561	4,973	7,000	-1.9%
Depreciation	1,492	4,627	13,244	-439	-413	-600	-4.7%
Reserves	515	108	4,212	-316	1,278	-37	
Other non-operating	2,048	7,401	22,905	-131	265	93	
Net total	1,198	12,021	29,084	374	-2,931	-9,559	-49.0
<u>Further mitigation:</u>							
Management and A&C			-1,000			1,000	
Soft FM			-700			700	
Pathology			-500			500	
Outpatients			-500			500	
Drugs			-3,200			3,200	
Sub-total further mitigation			-5,900			5,900	
Net total after further mitigation			23,184			-23,184	
Further mitigation to be identified			-3,659			3,659	
Control Total			19,525			-19,525	

The forecast for the Clinical Divisions broadly assumes a reduction in patient activity performance down to contract levels before the end of September, thus enabling a reduction in the overspending and achievement of activity related CIPs. This reduces the average monthly adverse variance from £0.6m to less than £0.2m over the remainder of the year. The income position is broadly consistent with this position, and assumes a marginal further over-performance of £2m, in addition to the £5m over-performance at Month Four. The adverse position for Corporate is largely driven by unachieved CIP, overspends in HR and IT and training income shortfall. Urgent action is being taken to address the overspendings and improve CIP performance and the FOT reflects an improvement in the run rate position, although more needs to be done to improve on this.

The net position before further mitigation shows an over-spending of £9.5m. Further action is being taken to improve this position:

- Additional management & administrative cost savings (£1.0m)
- Soft FM cost improvements (£0.7m)
- Pathology outsourcing PYE (£0.5m)
- In addition the Outer North East London (ONEL) sector ACU is supporting the following actions to deliver further cost reductions within the Trust:

- Cost reductions from shifting elective and day case activity to the local ISTC (reflected in FOT)
- Reduction of expenditure on high cost drugs to the level of funding made available by PCTs (£3.2m)
- Out-patient cost reductions (£0.5m)
- Reduction in DToCs (reflected in FOT)
- Ward closure acceleration (reflected in FOT)

The aggregate of the mitigation identified improves the forecast outturn to £3.6m adverse to Plan, therefore further cost reductions need to be identified in order to bridge the bridge. These should include a focus on Corporate Divisions (in addition to the improvements identified above) and review of uncommitted reserves.

7. Balance Sheet

<i>A detailed balance sheet is shown below : £000</i>					
		<u>Actual</u>		<u>Movements</u>	
	Y/E Bal Mar10	Prior Mth Jun-10	Current Jul-10	Mth	YTD
Fixed Assets					
Intangible	3,529	3,298	3,146	(152)	(383)
Tangible	354,783	353,655	352,854	(800)	(1,929)
	358,312	356,952	356,000	(952)	(2,312)
Current Assets					
Inventories	6,033	5,894	6,035	141	2
NHS Debtors	22,374	12,506	205	(12,301)	(22,169)
Non NHS Trade Debtors	6,253	3,653	3,188	(464)	(3,065)
Provision for Irrec debts	(1,567)	900	969	69	2,536
Other Debtors	9,839	4,509	14,019	9,510	4,180
Cash in hand and at Bank	2,098	15,921	12,356	(3,566)	10,258
	45,030	43,383	36,773	(6,611)	(8,257)
Current Liabilities					
NHS Creditors	(10,272)	(16,194)	(11,316)	4,878	(1,044)
Non NHS Trade Creditors	(20,744)	(24,362)	(24,392)	(29)	(3,648)
Other Creditors	(1,307)	2,711	2,278	(433)	3,585
Taxes and Social Sec. Costs	(5,305)	(5,276)	(5,362)	(86)	(57)
Accruals	(13,055)	(13,304)	(13,538)	(235)	(483)
Other PFI Liabilities	(4,755)	(4,800)	(4,846)	(46)	(91)
Deferred Income	(1,258)	(5,126)	(3,995)	1,131	(2,737)
Temporary Loan - DH	(5,000)			-	5,000
	(61,696)	(66,351)	(61,172)	5,180	524
Net Current Assets/Liabilities	(16,666)	(22,969)	(24,399)	(1,432)	(7,733)
Debtors > 1 year	26,556	26,845	26,730	(115)	174
Total Assets less Liabilities	368,202	360,828	358,330	(2,499)	(9,872)
Creditors > 1 year					
Long term Loans-SBS	(470)	(470)	(470)	-	(0)
PFI Liabilities and Finance Leases	(263,815)	(262,590)	(261,495)	1,096	2,320
Provisions for liabilities	(7,450)	(7,361)	(7,182)	179	268
Deferred Income	(5,555)	(5,342)	(5,342)	-	213
Net Assets	90,912	85,065	83,842	(1,224)	(7,070)
Financed by:-					
Public Dividend Capital	271,375	276,375	276,375	-	5,000
Revaluation Reserve	9,547	9,547	9,547	(0)	(0)
Donated Asset Reserve	912	886	859	(27)	(53)
Government grant			-	-	-
Income & Expenditure Reserve	(190,922)	(201,743)	(202,940)	(1,197)	(12,018)
Total Taxpayers Equity	90,912	85,066	83,842	(1,224)	(7,070)

Balance Sheet Movements

The main movements in the balance sheet are as follows:

1. The year to date movement in Fixed assets consists of 4.7m depreciation for the four months less 2.4m of additional capital expenditure
2. NHS Debtors and other debtors have reduced by 6m reflecting the advanced SLA payments from Havering to ease our cashflow position. The advance from B&D PCT was received at the beginning of August.
3. The year to date NHS Creditors have improved and whilst Non NHS Trade Creditors have remained fairly static with the additional cash received in late July and early August are anticipate an improvement in the creditors position next month. The Trust has and will continue to experience cashflow constraints driven by the adverse I&E variance and have applied to the Department of Health for additional PDC cash support which will be utilised in repaying the PCT's advance payments.
4. The Trust has a reported year to date I & E deficit of £12.0m (see detailed explanation in I & E report).

Balance Sheet KPIs

The brief table below shows Trust performance against the key Balance Sheet KPIs, also included in the financial risk rating metrics (see section 10 below for further detail).

Measure	May-10	Jun-10	Jul-10
Average Debtor Days	18	18	7
Average Creditor Days	185	125	74
Current Ratio Curret Assets \ Current Liability	69%	65%	60%

8. Cashflow

The tables below present the Year to Date Cash flow, on an Income and Expenditure basis

Statement of Cash Flows (CF)	Apr - Jun 10 Actual	Jul 10 Actual	YTD Actual
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Surplus/(Deficit)	(£5,465)	£527	(£4,938)
Depreciation and Amortisation	£3,161	£1,519	£4,680
Impairments and Reversals (inc Change in Fair Value of Financial Instruments)	£55	£16	£71
Other gains/losses on foreign exchange	-	-	-
Transfer from the Donated Asset Reserve	(£26)	(£27)	(£53)
Transfer from the Government Grant Reserve	-	-	-
Interest Paid	(£4,960)	(£5,610)	(£10,570)
Dividend Paid	£126	-	£126
(Increase)/Decrease in Inventories	£139	(£141)	(£2)
(Increase)/Decrease in Trade and Other Receivables	£10,858	£7,063	£17,921
(Increase)/Decrease in Other Current Assets	-	-	-
Increase/(Decrease) in Trade and Other Payables	£12,953	(£5,494)	£7,458
Increase/(Decrease) in Other Current Liabilities	£11	-	£11
Increase/(Decrease) in Provisions	(£91)	(£179)	(£270)
Net Cash Inflow/(Outflow) from Operating Activities	£16,760	(£2,327)	£14,433
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received	£244	£314	£558
(Payments) for Property, Plant and Equipment	(£2,457)	(£422)	(£2,879)
Revenue Rental Income	£456	£63	£518
Net Cash Inflow/(Outflow) from Investing Activities	(£1,757)	(£45)	(£1,802)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	£15,003	(£2,372)	£12,631
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Public Dividend Capital Received	-	-	-
Public Dividend Capital Repaid	-	-	-
New Capital Investment Loans	-	-	-
Capital Element of Finance Leases and PFI	(£1,180)	(£1,194)	(£2,373)
Cash transferred to NHS Foundation Trusts	-	-	-
Net Cash Inflow/(Outflow) from Financing	(£1,180)	(£1,194)	(£2,373)
Net Increase/Decrease) in Cash and Cash Equivalents	£13,823	(£3,565)	£10,258
Cash (and) Cash Equivalents (and Bank Overdrafts) at the Beginning of the Financial Year	£2,098		£2,098
Effect of Exchange Rates Changes on the Balance of Cash Held in Foreign Currencies	-	-	-
Cash (and) Cash Equivalents (and Bank Overdrafts) at the End of the Financial Year/YTD	£15,921	(£3,565)	£12,356

The main points to note at Month Four are:

- Decrease in trade and other receivables (i.e. Debtors), of £17.9m, primarily driven by receipt of £8.0m PCT risk pool support funding and SLA advances received from Havering and Redbridge PCTs
- Increase in trade and other payables (i.e. creditors) of £7.5m, driven by the cash shortfall arising from the I&E deficit of £12.0m and the timing delay in receipt of PDC cash support from the DH. This figure should reduce further in August, due to further reduction in overdue creditors following advances received from Havering in late July and B&D at start of August.

The Trust has formally applied to the DH (via the SHA), for the £19.5m additional Public Dividend Capital (PDC) funding, to support the cash shortfall arising from the agreed I&E deficit control total. The Trust is still awaiting formal approval of this PDC by the DH, so given the acute cash position and with the support of the SHA, the Trust has agreed an advance of one month's SLA

from Havering and B&D PCTs (£18m in total), repayable once the Trust has drawn down the PDC from the DH.

9. Capital Programme

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

Description		Capital Resources Allocation	Program Schemes Expenditure to date	
	£'000			
Capital Resources				
2009-10 B/Fwd Schemes 2010-11 Capital Schemes		11,497	2,368	Trust Spend
PFI- MES Capitalisation- IFRS Impact	1,600	1,600		PFI Finance lease
		13,097	2,368	

The Trust's gross capital expenditure limit is £12.5m.

This capital resource limit is a working assumption, subject to confirmation of the Trust Capital Resource Limit (CRL) by the Department of Health.

The £1.6m represents a provision for the MES Capitalisation cost.

Year to Date Capital expenditure is £2.368m.

In light of the difficult cash position, the Trust's Capital Planning Group has decided to limit capital expenditure to £8.0m, with no more than £4.0m to be spent in the first half of the year. The Group has assessed and re-prioritising existing and new capital schemes in order to manage within this limit. The Trust has also been asked by the SHA to limit its capital programme, including the capital element of the PFI agreement (£4.9m) to no greater than the planned depreciation of £12.5m, effectively limiting other capital expenditure to £7.6m.




9. Better Payment Practice Code ("BPPC")

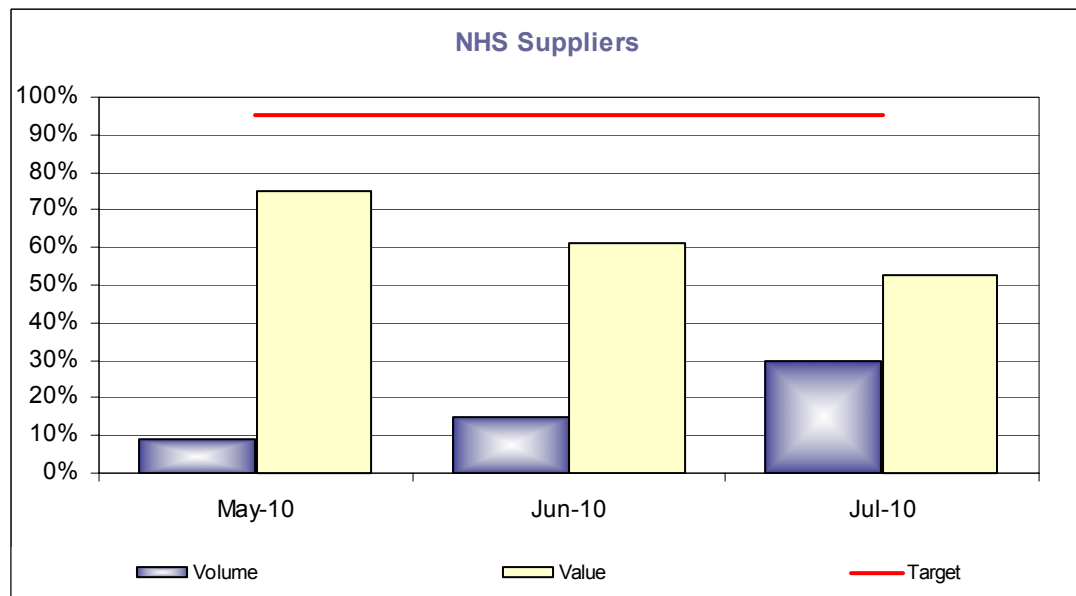
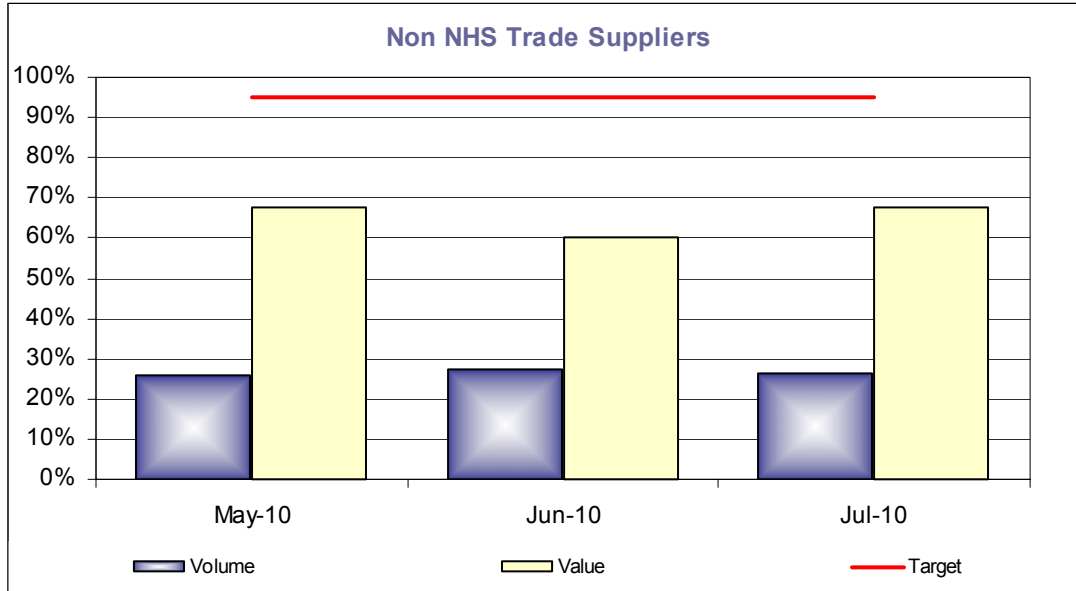
Under the better payment practice code, invoices received from trade creditors should be paid within 30 days of the receipt of goods or a valid invoice (whichever is later), unless other payment terms have been agreed. The target is to pay 95% of such sums due.

Non NHS creditor performance improved in comparison to the previous month, with an increase of 8% to 68.0% (Prior month: 60%) in value and the volume remaining practically the same at 26% (Prior month: 27%), being settled within 30 days.

The Trust performance has, however, deteriorated for NHS creditors with a reduction of 8% to 53% (prior month 61%) by value but a considerable increase of 15% to 30% (prior month 15.0%) by volume. Notwithstanding this, unapproved invoices do not appear in these figures.

This period's overall performance (on both Non-NHS creditors and NHS creditors) highlights the cash flow constraints which the Trust is continuously experiencing and although advanced funding was received in late July the benefits on the creditors position will not be reflected until August.

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



11. Financial Risk Rating

The Department of Health has a methodology by which NHS organisations are 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 July 2010 is 1.43, (June 2010 1.43). 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 £19.878m (5.04% 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 8.9% of income, attracting a score of 1 (threshold between 1 and 2 is 2%) and an EBITDA ratio to income of 0.19%, which also attracts a score of 1. (threshold to get to 2 is +1%).
3. **Forecast Outturn.** This has 3 elements; forecast outturn for the bottom line position, 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 5.03% of income, 1 on EBITDA, which was 4.2% of income and 2 for forecast consistency as the July forecast is unchanged from June.
4. **Underlying financial position.** This is measured on both bottom line and EBITDA and the Trust scores 1 on both as a result of performance to date.
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 27% and 65% respectively in July, which gives a score of 1 on volume and 2 on value (thresholds being 60%)
 - b. Current ratio, i.e. current assets divided by current liabilities (an indicator of liquidity). The Trust's ratio is 0.60 (i.e. current assets are 60% 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 July performance is 7 days, i.e. debtors represent 7 days of forecast annual income. This scores a 3 (threshold being 30 days for a 3). However this is affected by a number of PCTs paying their SLA bills in advance.
 - d. Creditor days, i.e. the value of creditors expressed as number of day's expenditure. The Trust's June performance is 74 days, i.e. creditors represent 74 days non-pay expenditure as at the end of July. Despite a big improvement in month in the level of creditors as a result of PCT advance payments, the score remains 1 (threshold being 60 days for a 2).

The detailed breakdown for July is found at appendix 1.

12. Financial Risks and Opportunities

The key outstanding risks are:

Income and Activity performance.

- Central Income is over performing YTD by £5.0 m mostly on PBR activity. Most of this over performance is related to PBR ONEL ACU activity. As such there is a high level of risk attached to recovering the full income values..

Expenditure

- The current recovery plan does not yet fully close the gap. As such its vital that CIP and recovery programmes identified are delivered without slippage and any that can be brought online sooner are. There is still much to be done to close the gap.
- Expenditure will need to be managed to budget especially as the current position is benefiting from Nursing under spends with an approximate YTD value of £1.4m following the various investments. Deployment of Medical Staff resource and use of temporary staffing radically needs to be addressed both at a strategic and operational level. A review of Non Pay and particularly discretionary spend should be undertaken.
- In addition to the CIP already discussed its imperative that LOS reductions are sustainably achieved and the ward closure programme delivered. Not only does this carry a significant part of the direct savings for the Trust but also indirect savings across support services. With the level of current nursing vacancies and the requirements attached to the CQC funding through the challenged Trust Board it is also the only realistic way that we will achieve the necessary permanent staffing levels.
- A&E is currently overspending and requires a sustainable and efficient short, medium and long term plan to be delivered.
- A number of high profile high cost projects continue to be operated within the Trust, with the risk is that these will not deliver Value for Money. These need to be reviewed and rationalised where necessary.