Barking, Havering and Redbridge University Hospitals NHS Trust

EXECUTIVE SUMMARY

<table>
<tr><th>TITLE:</th><th>BOARD/GROUP/COMMITTEE:</th></tr>
<tr><td>Finance Report – November 2010</td><td></td></tr>
<tr><th>1. KEY ISSUES:</th><th>REVIEWED BY (BOARD/COMMITTEE) and DATE:</th></tr>
<tr><td rowspan="7">The overall I&E position to the end of October showed a net deficit of £24.3m, which represented an £9.5m adverse variance against profiled plan to date and exceeds the Annual Plan deficit of £19.5m. In month there was a deficit of £2m against a plan of £1.7m, giving an adverse variance of £0.3m in the month.

In month, income continued to over perform, by £2.2m overall, with central income £1.7m favourable, primarily driven by continued over performance on Elective In-patients/day cases and on Outpatients. This is more than offset, however, by continued overspendings on pay (£1.2m), non-pay (£1.1m) and unidentified CIP (£0.7m), less uncommitted reserves of £0.4m.

For the year to date the main components of the £9.5m adverse variance are; shortfall from unidentified CIP of £7.4m, pay overspending of £6.6m and non-pay overspending of £8.9m, each partly attributable to activity over-performance, and exacerbated by associated CIP shortfall resulting from failure of PCT Demand Management plans and the consequent temporary staffing costs incurred at premium rates. The other major factor is continued overall use of temporary staffing, despite pockets of improvement in month, and CIP slippage (aside from demand management), notably Length of Stay. These are only partly offset by an income over-performance of £10.0m to date and a net under spending on reserves and other central items of £3.4m.

The overall forecast is for a £29.3m deficit, including estimated redundancy costs arising from the restructure of £4.35m (i.e. £25.0m net of redundancy). This represents a gap of £5.5m from control total (excluding redundancies). Although there has been little absolute movement in the forecast from Month 7, there has been a £1.8m deterioration in the forecast from the Clinical Divisions, some of which is activity related and offset by an increase in income of £0.7m. There are also further plans to restrict agency and Non Pay totalling £1.1m.</td><td>☐ S&SIB ………………☐ EPB…..…………..

☐ FINANCE ……………☐ AUDIT ……….…..

☐ CLINICAL GOVERNANCE ………..……...

☐ CHARITABLE FUNDS ………………………

☐ TRUST BOARD ………………………………

☐ REMUNERATION ……………………………

☐ OTHER ………………………(please specify)</td></tr>
<tr><th>CATEGORY:</th></tr>
<tr><td>☐ NATIONAL TARGET ☐ CNST

☐ STANDARDS FOR BETTER HEALTH

☐ ASSURANCE FRAMEWORK

☐ TARGET FROM COMMISSIONERS

☑ CORPORATE OBJECTIVE To monitor the Trust’s progress in achieving its financial turnaround, achieving control targets and meeting its statutory financial duties going forward.

☐ OTHER …………………….. (please specify)</td></tr>
<tr><th>AUTHOR/PRESENTER:</th></tr>
<tr><td>David Wragg, Director of Finance</td></tr>
<tr><th>DATE:</th></tr>
<tr><td></td></tr>
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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 8 Months Ended 30th November 2010

1. Financial Summary

Annual Budget £'000	I&E Description	Bdgt WTE	Actual WTE	Var WTE	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
	Income									
(394,379)	**Total Income**				**(32,939)**	**(35,110)**	**2,171 (F)**	**(262,349)**	**(272,343)**	**9,995 (F)**
	Pay Expenditure									
76,303	Medical Staff	900	885	14	6,380	7,000	(620) A	50,983	57,688	(6,705) A
40,344	Scientific, Therap & Technical	940	848	91	3,340	3,469	(129) A	26,929	27,482	(553) A
87,380	Nursing & Midwifery - Qual.	1942	2139	-197	7,100	7,489	(390) A	58,873	58,712	161 (F)
18,756	Nursing & Midwifery - Unqual.	741	796	-56	1,543	1,589	(46) A	12,564	12,739	(175) A
8,414	Ancillary Staff	332	340	-8	632	668	(35) A	5,603	5,331	272 (F)
38,651	Management & Admin Staff	1146	1092	54	3,238	3,227	11 (F)	25,986	25,548	437 (F)
269,848	**Pay Total**	**5999**	**6101**	**-102**	**22,232**	**23,441**	**(1,209) A**	**180,938**	**187,501**	**(6,563) A**
	Non Pay Expenditure									
24,744	Drugs				2,106	2,568	(463) A	16,626	18,717	(2,091) A
27,325	Clinical Supplies & Appliances				2,416	2,583	(167) A	18,306	19,834	(1,529) A
15,589	General Supplies & Services				1,308	1,484	(176) A	10,428	11,499	(1,072) A
15,452	Premises & Fixed Plant				1,312	1,292	20 (F)	10,101	10,660	(559) A
32,673	Other Non Pay				2,835	2,853	(18) A	22,709	24,295	(1,586) A
115,783	**Non Pay Total**				**9,976**	**10,781**	**(804) A**	**78,169**	**85,005**	**(6,836) A**
	Unidentified CIP									
(5,454)	CIP Target Pay				(212)	-	(212) A	(3,236)	-	(3,236) A
(4,374)	CIP Target Non Pay				(496)	-	(496) A	(4,136)	-	(4,136) A
(9,828)	**CIP Target Total**				**(707)**	**-**	**(707) A**	**(7,372)**	**-**	**(7,372) A**
2,385	**Reserves**				**165**	**-**	**165 (F)**	**1,661**	**(96)**	**1,757 (F)**
(16,117)	**EBITDA**				**(1,267)**	**(888)**	**(379) A**	**(8,903)**	**67**	**(8,970) A**
12,644	Depreciation				1,054	987	67 (F)	8,429	8,953	(523) A
-	F Asset Impairements				-	25	(25) A	-	25	(25) A
3,216	Capital Dividends				268	248	20 (F)	2,144	2,041	103 (F)
-	Net Interest				1,649	1,646	3 (F)	13,188	13,252	(64) A
19,525	**Net (Deficit)/Surplus**	**6000**	**6101**	**-101**	**1,703**	**2,020**	**(317) A**	**14,858**	**24,337**	**(9,479) A**

The overall income and expenditure position for the Trust at Month Eight showed a cumulative deficit of £24.3m, £9.5m adverse against Plan. In the month, there was a deficit of £2m, £0.3m adverse against Plan. The in month movement is brought about by a number of factors but predominantly due to income over performance. Income over performance is £2.2m in month and £10.0m YTD. Central income over performance was £1.8m in month, which includes £0.3m adjustment for M07 actuals and is net of £0.5m increase in YTD CQUIN provisions. Divisional income also over performed in month to reduce the YTD adverse variance to £0.9m. The activity M08 over performance is broadly evenly split across points of delivery but is heavily related to the Surgical Division, particularly ENT and T&O. There is further slippage against planned CIP, particularly Length of Stay and Demand Management. So whilst Income continues to over perform against plan this additional activity is being met with temporary staffing arrangements, often incurred at premium costs, thereby impacting on the pay overspending and consumables in Non Pay. There was some improvement in Medical staffing run rate, but these have been off set by a further increase primarily in nursing associated with the additional wards from demand and LOS programme failures.

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	265,760	279,548	13,788	23,832	1,685	186,401	9,228
Non PbR	94,841	95,567	726	7,730	(173)	64,872	1,645
Central Income	**360,601**	**375,115**	**14,514**	**31,562**	**1,512**	**251,273**	**10,872**
Other Income				23	23	660	660
Divisional Income	33,794			3,261	372	20,411	(1,537)
Trust Income	**394,394**			**34,846**	**1,907**	**272,343**	**9,995**
Prior Period Adj	0			264	264	0	0
Trust Income	**394,394**			**35,110**	**2,171**	**272,343**	**9,995**

The overall position shows a £10m favourable variance year to date, including a £10.9m 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). The forecast outturn position is based on an extrapolation of the months 1 to 8 year to date position (net of provisions) through to month 12, although a further £1.7m has been provided in the forecast in respect of PCT initiatives, including outsourcing to alternative providers, transfers to ISTC, limiting Choose & Book availability and POLCE implementation. This makes a total of £4.8m provided for in the forecast (i.e. £2m to date extrapolated to £3.1m plus £1.7m). The increase in the YTD provisions of £0.7m are mainly due to £0.4m for possible CQUIN failure and £0.2K for the challenge on the abated rehab tariff.

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	Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k	%
A&E	17,577	18,833	1,256	1,600	135	12,558	840	7.17%
Critical Care	23,207	22,674	(533)	1,946	12	15,115	(357)	-2.31%
DC & EL	51,425	54,953	3,528	4,808	523	37,742	3,459	10.09%
NEL	128,970	131,394	2,425	11,161	413	87,603	1,623	1.89%
XBD	10,730	10,463	(267)	963	69	6,975	(179)	-2.50%
Direct Access	14,081	15,359	1,279	1,305	132	10,243	856	9.12%
OP 1sts	29,175	33,543	4,367	2,859	428	22,440	2,990	15.37%
OP Follow Ups	34,960	36,497	1,537	3,100	187	24,335	1,029	4.41%
OP Procedures	3,936	5,352	1,416	455	127	3,572	948	36.13%
Other	46,540	46,047	(493)	3,364	(514)	30,690	(336)	-1.08%
Total	**360,601**	**375,115**	**14,514**	**31,562**	**1,512**	**251,273**	**10,872**	4.52%

There are two main areas of focus in month 8. Daycase and Elective activity over performed by 1,883 spells over the plan (10.09%). This equates to a £3.46m over performance at month 8.

Outpatient activity has not seen the reductions required by the Outer North East London PCTs (ONEL). Therefore outpatient activity is over performing in total by £4.97m at month 8 (9.9%). 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.

It should also be noted that non-elective in-patient activity is over-performing by £1.6m at M8. The Trust only receives 30% of the full tariff for these admissions, for any activity above the 2008-09 outturn position. The Trust will therefore 'lose' £1.88m (i.e. 70% of income at full tariff), as a result of this policy.

Finally a provision against almost all excess bed day over performance has been made, as PCTs will impose KPI penalties against length of stay reductions not achieved. Also provisions against the London Ambulance and Length of Stay targets have been made against the income position in anticipation of PCT fines being imposed.

Income by Division

Income performance 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	25,615	2,533	2,174	250	17,083	1,695
Corporate	12,142	11,915	(227)	592	(419)	7,937	(158)
Clinical Support	35,017	36,367	1,349	3,112	194	24,248	903
Medicine	90,746	89,748	(997)	7,424	(138)	59,821	(676)
Surgery	124,758	135,632	10,873	11,767	1,370	91,623	8,450
Women & Children	74,856	75,838	983	6,493	255	50,561	658
Total	**360,601**	**375,115**	**14,514**	**31,562**	**1,512**	**251,273**	**10,872**

The main area of over performance at month 8 is in the surgical directorate. As most of the PCT outpatient reduction plans focused on the surgical areas, their aim to decommission activity of 70,000 attendances in year does not appear to have worked in the first 8 months of this year. The plan is profiled on working days for outpatients. Therefore for PCT's to achieve their targets activity greater reductions could happen in the latter part of the year. The YTD over-performance in A&E includes c.£1.2m income that is attributable to the Medical Division but is yet to be agreed as a change.

Non PbR Income

Non PbR Income includes other income not strictly related to healthcare income. Road traffic Accident Income and ISTC income is valued 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 – (£1.2m) adverse in month and (£6.6m) Adverse YTD. The overall pay run rate remains largely unchanged with the continued size of the adverse variance being primarily due to the phasing of planned CIP. There was a £0.25m improvement in the Medical Staffing run rate in month but this was largely off set by increased nursing expenditure. The increase in Nursing expenditure mostly derives from A&E, further slippage on LOS and additional beds opening in Medicine and Surgery including Critical Care. The other pay run rate adverse movements of note are Therapists and Pharmacists as well as Management and A&C within Strategy and Planning and Performance and Planning.

The table below shows the expenditure and variance against budget for each staff group:

Staff Type	Bdgt WTE	Actual WTE	Var WTE	M08 % of WTE	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	M08 % of Spend	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000	YTD % of Spend
Medical Staff	900	885	**14 F**	**2% F**	6,380	7,000	**(620) A**	**(10%) A**	50,983	57,688	**(6,705) A**	**(13%) A**
Scientific, Therapeutic & Technical	940	848	**91 F**	**10% F**	3,340	3,469	**(129) A**	**(4%) A**	26,929	27,482	**(553) A**	**(2%) A**
Nursing & Midwifery - Qual.	1,942	2,139	**(197) A**	**(10%) A**	7,100	7,489	**(390) A**	**(5%) A**	58,873	58,712	**161 F**	**0% F**
Nursing & Midwifery - Unqual.	741	796	**(56) A**	**(8%) A**	1,543	1,589	**(46) A**	**(3%) A**	12,564	12,739	**(175) A**	**(1%) A**
Ancillary Staff	332	340	**(8) A**	**(3%) A**	632	668	**(35) A**	**(6%) A**	5,603	5,331	**272 F**	**5% F**
Management & Admin Staff	1,146	1,092	**54 F**	**5% F**	3,238	3,227	**11 F**	**0% F**	25,986	25,548	**437 F**	**2% F**
TOTAL	**5,999**	**6,101**	**(102) A**	**(2%) A**	**22,232**	**23,441**	**(1,209) A**	**(5%) A**	**180,938**	**187,501**	**(6,563) A**	**(4%) A**

Below shows a sub analysis breakdown of the major overspending staffing groups by source of staffing with the %showing the proportion of each as a total of that staff group.

Staff Type	Bdgt WTE	Actual WTE	Var WTE	M08 % of WTE	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	M08 % of Spend	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000	YTD % of Spend
Medical Staff												
Permanent	902	764	138 F	86%	6,503	5,673	830 F	81%	51,604	45,417	6,187 F	79%
Bank	-11	52	(63) A	6%	(131)	597	(728) A	9%	(871)	5,520	(6,391) A	10%
Agency	8	69	(61) A	8%	7	729	(722) A	10%	249	6,751	(6,502) A	12%
Scientific, Therap & Technical												
Permanent	938	848	90 F	100%	3,323	3,109	214 F	90%	26,861	24,892	1,969 F	91%
Bank	0	0	-	0%	(0)	6	(6) A	0%	(0)	12	(12) A	0%
Agency	2	1	1 F	0%	17	355	(337) A	10%	69	2,578	(2,509) A	9%
Nursing & Midwifery - Qual.												
Permanent	2,122	1,849	273 F	86%	7,506	6,316	1,190 F	84%	60,864	49,253	11,610 F	84%
Bank	-55	209	(264) A	10%	(80)	668	(748) A	9%	367	5,318	(4,951) A	9%
Agency	-124	81	(205) A	4%	(327)	506	(832) A	7%	(2,358)	4,141	(6,499) A	7%

Medical Staff continues to overspend in each of the clinical Divisions, totalling (£0.6m) adverse in month and (£6.7m) adverse YTD:

In month there was a reduction in Temporary Staffing and in additional session payments. Temporary Staffing accounts for 14% of the total WTE and 19% of the expenditure in the month (£10.9m YTD). The position has also benefited from the rate reductions made on this temporary staffing group. Note - There are also additional sessional rates paid to permanent medical staff within the position. A key priority for the Trust therefore is to drive these excess costs down, through improved recruitment, revised rotas, utilised new roles and ways of working and other means

The main overspending areas are Surgery (£349k) / (£3.7m) adverse in month/YTD and A&E which is (£124k) / (£1.3m) adverse. Much of the Surgical Division overspend is derived from additional activity above plan, often delivered through agency staff employed at premium rates. It therefore also represents the largest contributing factor toward failed CIP within the Division. PCT Demand management schemes still do not appear to have been effective in many areas. The main specialties with over performance and correlating overspends are within ENT, T&O and Neurosciences, often related to 18 week pressures. The overspending in A&E is largely due to the reliance on temporary staff at premium rates, due to the national shortage of staffing and the inability to fill posts permanently.

At a corporate level, action has been agreed to address the medical staff position through:

- Caps on medical agency rates paid
- Negotiations with medical agencies to recruit fixed term locums for the Trust, for a negotiated placement fee, and thus avoid extremely high agency staff rates
- Agreement to pay additional consultant PA sessions at standard rates and conversion of non-clinical to clinical sessions
- Review of consultant job plans
- Specific A&E Workforce Recruitment Plan
- Implementation of tighter controls / restrictions

Nursing continues to overspend and has deteriorated in month with an adverse variance of £436k. As a result the YTD position is now slightly over spent. This is due primarily to additional activity and slippage on the LOS programmes within Medicine and Emergency, further exacerbated by premium rate agency staff to cover ward vacancies funded at CQC funded levels. Temporary staffing spend totals £1.4m in month and £11.9m YTD.

Scientific, Therapeutic & Technical Staff are over spent (£129k) in month and (£553k) YTD. This is mostly within Radiology, Neuro and Therapies, from additional activity and high reliance on temporary staffing. The in month movement is within Therapies and Pharmacy some of which is in support of the additional wards.

The Below table shows the divisional Pay split and the Trust Wide split of expenditure between permanent and temporary staff groups.

Division	Bdgt WTE	Actual WTE	Var WTE	M08 % of WTE	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	M08 var % of Budget	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000	YTD Var % of Budget
Medical	954	1,086	(132) A	(14%) A	3,675	3,857	(182) A	(5%) A	30,141	30,764	(622) A	(2%) A
Emergency	324	405	(82) A	(25%) A	1,358	1,747	(389) A	(29%) A	11,653	14,206	(2,553) A	(22%) A
Surgical	1,422	1,520	(98) A	(7%) A	6,119	6,540	(421) A	(7%) A	49,284	52,072	(2,788) A	(6%) A
Women & Children	908	857	51 F	6% F	3,377	3,442	(65) A	(2%) A	27,491	28,201	(710) A	(3%) A
Clinical Support	1,539	1,428	111 F	7% F	5,293	5,384	(91) A	(2%) A	42,389	42,867	(478) A	(1%) A
Corporate	852	804	48 F	6% F	2,416	2,469	(52) A	(2%) A	20,029	19,271	757 F	4% F
Trust Wide								**% of Spend**				**% of Spend**
Permanent	6,179	5,437	742 F	89%	22,977	19,987	2,990 F	85%	184,133	158,055	26,077 F	84%
Bank	-67	492	(559) A	8%	(220)	1,725	(1,944) A	7%	(611)	14,601	(15,212) A	8%
Agency	-113	172	(285) A	3%	(519)	1,728	(2,247) A	7%	(2,534)	14,725	(17,259) A	8%
Other	0	0	-		(6)	1	(8) A		(50)	120	(170) A	
TRUST TOTAL	**5,999**	**6,101**	(102) A	**(0)**	**22,232**	**23,441**	(1,209) A	(5%) A	**180,938**	**187,501**	(6,563) A	(4%) A

It can be seen that the most significant pay cost pressure is within Emergency, driven primarily by the high use of agency and associated premium costs, particularly of Medical Staff. Surgery is also high in absolute terms and both are discussed above.

Non Pay – (£1.1m) adverse in month and (£8.9m) adverse YTD.

Annual Budget £'000	I&E Description	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	M08 % of Spend	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000	YTD % of Spend
24,744	Drugs	2,106	2,568	(463) A	-22%	16,626	18,717	(2,091) A	-13%
27,325	Clinical Supplies & Appliances	2,416	2,583	(167) A	-7%	18,306	19,834	(1,529) A	-8%
15,589	General Supplies & Services	1,308	1,484	(176) A	-13%	10,428	11,499	(1,072) A	-10%
15,452	Premises & Fixed Plant	1,312	1,292	20 F	1%	10,101	10,660	(559) A	-6%
32,673	Other Non Pay	2,835	2,853	(18) A	-1%	22,709	24,295	(1,586) A	-7%
115,783	**TOTAL**	**9,976**	**10,781**	**(804) A**	**-8%**	**78,169**	**85,005**	**(6,836) A**	**-9%**
	Major Other Non Pay Variances								
1,694	*External Consultancy Fees*	*132*	*171*	*(39) A*	*-30%*	*1,165*	*1,305*	*(140) A*	*-12%*
2,130	*Hcare Srv Rec Other NHS*	*173*	*197*	*(24) A*	*-14%*	*1,438*	*1,560*	*(121) A*	*-8%*
387	*Legal / Prof Fees*	*32*	*44*	*(12) A*	*-36%*	*258*	*452*	*(194) A*	*-75%*
14,757	*Miscellaneous Expenditure*	*1,356*	*1,337*	*18 F*	*1%*	*10,711*	*10,193*	*518 F*	*5%*
280	*Commercial Sector*	*23*	*53*	*(30) A*	*-128%*	*186*	*940*	*(753) A*	*-404%*
1,381	*SrvcsRecd-Other NHS*	*115*	*98*	*17 F*	*15%*	*921*	*980*	*(60) A*	*-6%*
301	*IntRcg Recd Estates*	*25*	*57*	*(32) A*	*-127%*	*200*	*479*	*(32) A*	*-16%*

Drugs and Clinical Supplies continue to be the major areas of Non Pay over spend and both of these have seen another run rate deterioration in the month.

- Drugs overspends are mostly within areas of over performance and growth areas that involve high cost drugs: Oncology (£191k) / (£702k) Adv in month/YTD due to activity and the increased cost of drugs; Rheumatology (£102k) / (£467k) Adv mostly due to NICE guidance and drug regime costs; Endoscopy (£204k) Adv YTD; Pharmacy (£58k) / (£365k) Adv, mostly due to FP10 prescribing (Recovery process in place); Sexual Health (predominantly HIV) accounts for (£167k) adverse YTD.

- Clinical Supplies & Appliances are predominantly overspent due to: Medical & Surgical Equipment, mostly in Surgery through: Theatres largely prosthesis and patient appliances, accounts for (£139k) / (£808k) Adv YTD; Neurosciences (£50k) / (£253k) Adv YTD; Midwifery (£265k) adv YTD, and Radiology (£239k) Adv YTD. . Most of these are impacted by additional activity above plan and in instances high product costs.

- General Supplies & Services are (£176k) Adv in month and (£1.1m) Adv YTD. Although there is a small overspend in Theatres (£150k) Adv YTD due to activity most of this is in Corporate areas and relates to Staff Recruitment, managed print and dual running in Procurement and Patient Transport. 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 (£240k) adv YTD; Estates from PFI minor works and Sterile Services (£157k) Adv YTD; Computer related expenditure in IT totalling (£91k) Adv YTD.

- Other Non Pay – The adverse variance is mostly attributable to: Commercial Sector Outsourcing and services received related to additional activity (£1,049) Adv YTD, mostly in Surgery (ENT) and Radiology, but with some in Pathology and Midwifery; Legal & Professional Fees totalling (£197k) Adv YTD, though this should come down through the year as a result of profiling; and External Consultancy Fees (£199k) Adverse YTD, mostly as a result of various project work, predominantly in HR, due to cover for various advisory posts and Occupational Health, though these have been reduced.

CIP / Turnaround Target: CIP delivery in month was £2.1m, which was 64% of plan. Year to date delivery totals £10.5m against a target of £18.6m, which included £2.1m schemes which were unidentified at the time of the budget. The shortfall continues to arise primarily 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 income (see section 5. below for further detail)

Depreciation – the YTD position shows an overspend of (£523k), 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 has been completed, which will reduce the FOT position.

4. Divisional Summary

Annual Bdgt £'000	Division	Bdgt WTE	Actual WTE	Var WTE	M08 Bdgt £'000	M08 Actual £'000	M08 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
45,039	Medical	956	1,086	(131) A	3,668	3,952	(284) A	30,279	32,300	(2,020) A
17,787	Emergency	324	405	(82) A	1,414	1,880	(466) A	12,132	15,262	(3,130) A
85,633	Surgical	1,422	1,520	(98) A	7,155	8,111	(956) A	57,474	64,115	(6,641) A
43,084	Women & Children	908	857	51 F	3,522	3,393	128 F	29,143	30,574	(1,431) A
75,772	Clinical Support	1,539	1,428	111 F	6,255	7,098	(844) A	50,851	56,573	(5,722) A
74,784	Corporate	852	804	48 F	6,604	6,565	39 F	49,956	52,439	(2,483) A
(322,574)	Central Income & Expenditure	0	0	-	(26,915)	(28,985)	2,070 F	(214,978)	(226,926)	11,948 F
19,525	**Total**	**6,000**	**6,101**	**(101) A**	**1,703**	**2,014**	**(312) A**	**14,858**	**24,337**	**(9,479) A**

MEDICINE:

Medical	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(469)	(568)	99	(3,696)	(3,637)	(59)
Pay	3,674	3,857	(183)	30,141	30,763	(622)
Non Pay	560	663	(103)	4,687	5,173	(486)
CIP / Turnaround Target	(97)	-	(97)	(853)	-	(853)
Total	**3,668**	**3,952**	**(284)**	**30,279**	**32,299**	**(2,020)**

(Note: forecast outturn variances shown in this section are gross of any mitigating actions identified by Divisions, which are reflected in the net summary forecast outturn position section below)

Income:
Unachieved CIP target for outpatient PCT demand management scheme (£35k) as Division continues to over-perform (over-performance recorded in central income) mitigated by estimated KGH DTOC income £57k, Bowel Cancer income £15k, Overseas patients income £11k and Junior Doctor Training £74k. Year to date (£59k) Adverse being CIP pressure from Outpatient Demand Management (£280k) against Grays Court and Heron Contract increases £122k, Junior Doctors income £78k and estimated DTOC income of £57k.

Pay:
Medical staff (£26k) Adverse being Temporary staff CIP failure (£73k), partially offset by in-month benefits from departure of high cost staff £9k, cessation of temporary sessions £9k and recovery of previous Salary overpayments £15k. Year to date (£658k) deficit reflects unachieved CIP (£585k), Additional Ward Cover (£78k), AAU Secondment (£64k) and Endoscopy Blitz (£153k) against Divisional Vacancies £101k

Nursing Staff (£142k) Adverse movement is driven by Ward closure CIP slippage (£123k), reopening of Erica/Sky Ward (£88k) and (£31k) Endoscopy Blitz payments being partially covered by CQC Slippage/Specialty Nurse vacancies £100k. Year to date £3k Favourable outcome reflects unutilised CQC resources and specialty vacancies being in excess of the (£719k) Ward Closure slippage, reopening of Erica/Sky (£245k) and Endoscopy Blitz (£208k).

Non Pay:
Drugs (£59k) Adverse being Drug Management CIP slippage £38k and continued prescribing growth in high cost excluded Drugs (£22k). Year to date (£251k) adverse deficit reflects effect of High Cost prescribing (£190k), CIP slippage (£138k) against downturn across all specialties £77k.

Clinical Supplies & Services (£52k) Adverse is mainly due to Length of Stay CIP failure (£10k), White cell products (£20k) and Pacemaker (£8k) procurement. Year to date (£180k) deficit reflects Pacemaker activity pressure (£65k), White cell products (£20k) and Ward procurement (£93k).

CIP Gap:
Outstanding CIP target has caused current month (£59k) and year to date (£756k) adverse positions.

EMERGENCY:

Emergency	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(65)	(66)	1	(519)	(540)	21
Pay	1,358	1,747	(389)	11,653	14,206	(2,553)
Non Pay	191	199	(8)	1,555	1,596	(42)

CIP / Turnaround Target	(70)	-	(70)	(557)	-	(557)
Total	**1,414**	**1,880**	**(466)**	**12,132**	**15,262**	**(3,130)**

Income:
In month income practically break-even with the year to date over-performance relating to an over-recovery against plan in DTOC Local Authority.

Pay:
Medical staff (£124k) in month Adverse position being recruitment and Deanery deployment pressures resulting in failure of Temporary Staff CIP (£68k) and ongoing agency premiums (£56k). Year to date being (£545k) unachieved CIP and (£725k) Temporary staff bookings/premiums.

Nursing Staff (£241k) being Admission avoidance and EDMU slippage through staggered implementation and unrealised bed opportunity (£201k), bed & site team CIP failure (£24k) and ongoing temporary staff bookings in A&E teams (£16k). Year to date reflects Admission/EDMU (£971k) and Bed & Site (£192k) CIP shortfall.

Management & Clerical (£24k) adverse in month deficit relates to unfunded Director, premium rate Divisional Manager cover. Year to date (£205k) deficit reflects current.

Non Pay
This relates mostly to Drugs overspend of (£7k) adv / (£36k).

<u>SURGERY:</u>

Surgical	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(613)	(470)	(143)	(4,074)	(3,581)	(493)
Pay	6,119	6,540	(421)	49,284	52,072	(2,788)
Non Pay	1,676	2,041	(365)	13,181	15,624	(2,443)
CIP / Turnaround Target	(27)	-	(27)	(917)	-	(917)
Total	**7,155**	**8,111**	**(956)**	**57,474**	**64,115**	**(6,641)**

Income
Failed CIP relating to Absorbing Back Surgery, HCA, Diabetic Retinopathy & Neurophysiology, partly offset by Deanery back fill funding and overseas patient income.

Pay
Medical Staff overspends mostly relate to activity over plan matched to the 2010-11 Cost Improvement Programme (£279k) Adv / (£2,108k) YTD. The predominant over spending specialties are highlighted in the variance table below. Again the majority of these have been associated with additional activity provided at premium rates, though some are around rota issues.

Speciality	M08 £'000	YTD £'000
Anaesthetics	6	(506)
Neurosciences & Neurology	(61)	(518)
Ear, Nose & Throat	(3)	(167)
General Surgery	15	(259)
Orthopaedics	(41)	(160)

Nursing (£74k) adv / and £866k F all areas under-spend as a result of CQC investment however Nursing overall over-spends in the month as the areas are spending closer to budget as recruitment and agency usage increases meaning that they are no longer offsetting against the Cost Improvement plans around Length of Stay and Theatres that have not been successful (£116k) adv / (£508k) adv.

Non Pay
Drugs (£109k) adv / and (£621k) Adv YTD, mostly in Rheumatology and partly related to Neuro, due to the high cost of guidance regimes.
Clinical Supplies (£194k) Adv / and (£1,123k) Adverse YTD due to Theatre and Neuro work.
Other Non Pay relating to ENT & Pain outsourcing which has now ceased accounts for (£38k) adv / (£428k) adv.

CIP
Slippage continues, mainly around the demand management schemes and medical staff which are around £240k a month. There is still £917k of unidentified savings YTD.

CLINICAL SUPPORT SERVICES:

Clinical Support	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(520)	(509)	(11)	(4,158)	(3,545)	(613)
Pay	5,293	5,384	(91)	42,389	42,867	(478)
Non Pay	2,048	2,224	(176)	16,420	17,251	(831)
CIP / Turnaround Target	(566)	-	(566)	(3,800)	-	(3,800)
Total	**6,255**	**7,099**	**(844)**	**50,851**	**56,573**	**(5,722)**

Income
Income (£10k) Adverse reflects Retrospective PCT recovery for Docette Box service £66k against under-recovery of HCA targets (£20k) and Production Unit Commercial operations (£47k). Year to date (£613k) adverse outcome being under performance of Production Unit commercial operations (£424k) and HCA contracts (£203k).

Pay
Medical staff (£57k) Adverse variance reflects Radiologist delivery of diagnostic waiting times (£66k) and unfunded Locum Pathologist (£19k) being partially mitigated by Oncology Junior Doctor Vacancies £22k. Year to date (£375k) adverse deficit being Radiologist (£338k) and Pathologist (£228k) pressures being partial financed by £186k Oncology vacancies.

Scientific Therapeutic and Technical staff (£124k) Adverse position reflects Therapy project support (AAU, Care for the Elderly and Length of stay) (£58k), Radiographer diagnostic waiting time and Polyclinics support (£84k). Year to date over spend of (£567k) arising from Therapy (£380k) and Radiographer (£573k) staff being partially mitigated by vacancies in Pharmacy £230k, Oncology £75k and Pathology £85k.

Management and Admin £77k favourable outcome being Outpatient vacancies £26k and in line with Divisional recovery plans a drop in Medical Secretary temporary staff £34k. Year to date £332k favourable position is due to Outpatient £157k, Medical Secretary £112k, Radiology £57k and Pathology £70k vacancies.

Non-pay
Drugs (£245k) adverse in month deficit created by Pharmacy FP10 (£35k) (requires some budgetary re-alignment with Hospital Divisions following OPD prescribing change), Oncology prescribing growth (£191k) and Pharmacy Dispensary cost (£22k) through breakages and commercial drug procurement. Year to date £1.0m adverse pressure reflects Oncology prescribing growth (£700k), FP10 (£247k) and Pharmacy dispensary (£117k).

Clinical Supplies & Services (£4k) adverse due to Coiling (£44k) service, X-ray Tube (£17k) replacement, Radiology Licence and speech microphones (£10k) being offset by under spend in blood products £77k. Year to date under spend £41k being Blood £186k against Coiling (£214k) costs.

Other Non-Pay £11k favourable reflects reduction in Radiology Outsourcing £21k being dampened down by (£15k) invoice in respect of HCA PET service. Year to date (£424k) adverse deficit being Radiology Outsourcing (£300)k and Pathology Sent Away (£80k).

CIP

The annual unfound CIP target is £4.85m with plans to recover £0.6m of the shortfall phased across the remainder of the financial year. Achievement of these savings depends on the ability of the Divisional management team to influence demand and reduce reliance on temporary staffing.

WOMENS & CHILDRENS:

Women & Children	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(353)	(660)	307	(2,343)	(2,464)	121
Pay	3,377	3,442	(65)	27,491	28,201	(710)
Non Pay	520	611	(90)	4,193	4,837	(645)
CIP / Turnaround Target	(23)	-	(23)	(197)	-	(197)
Total	**3,522**	**3,393**	**128**	**29,143**	**30,574**	**(1,431)**

Income

The in month favourable variance of £307k and the YTD favourable variance of £121k is mainly due to the income for HIV out of London Patients raised this month which had been assumed in the forecast , and also income received from the Deanery for Academic funding for Paediatrics and Gynaecology medical staff of £57k. over performance on Private and Non NHS Overseas patients mainly in Obstetrics and Gynaecology .

Pay

The in month adverse variance in month of (£65k) and (£710k) adverse variance YTD . The in month variance is mainly due to Medical staffing overspends mainly in Paediatrics mainly driven by SPR gap backfilled with Agency which is substantially higher (premium 90%), also Gynaecology SPR Locum and Agency costs due to gaps driven by 4 wte on Maternity Leave offset against under spend in Sexual Health Medical Consultant vacant post. The run rate will be mostly addressed after the reconfiguration of the service.
The Nursing Spend on Qualified and Non Qualified is under spend by £23k in month and break even YTD . Temporary staffing costs in Midwifery has been significantly lower than last month showing a downward trend which was expected to decrease from November as per plan .
There is also overspend in Management and Admin mainly on Sexual Health which is a cost pressure driven by the call centre currently offset against vacancies in Nursing. There are plans to restructure the latter in order to mitigate this pressure.

Non Pay

The in month movement is mostly due to fluctuation in HIV activity. Clinical Supplies in Midwifery and other non pay continue to be the other areas of overspend. The latter relates to Consultancy fees for the Paediatric Workforce Review.
Mitigating actions that are underway include: Review of Generic Products; Sent away tests; and reducing storage expenditure, review of Ward Stocks and review of high cost drugs in Paediatrics(growth hormones)

CIP

The gap due to unidentified CIP after risk rating stands at £1.49m against the target of £4.0m. This includes additional non-recurrent recovery plans, including keeping vacancies open in HDU/Theatre and also further reductions in Agency costs and savings from the Paediatric workforce reconfiguration.

CORPORATE

Corporate	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(869)	(987)	118	(7,158)	(6,644)	(514)
Pay	2,416	2,469	(52)	20,029	19,271	757
Non Pay	4,982	5,084	(102)	38,133	39,812	(1,679)
CIP / Turnaround Target	76	-	76	(1,047)	-	(1,047)
Total	**6,604**	**6,565**	**(39)**	**49,956**	**52,439**	**(2,483)**

The main areas of overspend within Corporate are:

- ***Human Resources –*** (***£40k) Adverse in month and (£589k) YTD.*** This is largely due to CIP slippage and Pay overspend of (£315k) YTD predominantly associated with agency cover for vacancies and Advisors, which has now been stopped, but in month has been replaced by IHB agency and e-rostering spend as well as nursing support in Occ Health for the flu campaign. Non Pay is (£219k) Adv YTD, mostly from External Consultancy usage and Recruitment fees but is slowing down breaking even in line with budget in month.
- ***Education – £71k Favourable in month and (£257k) Adverse YTD.*** The in month movement is due to additional income billing and releasing deferred income relating to YTD expenditure. The YTD position is from under performance against 09/10 outturn in PGMDE and Modernising Medic Careers Income.
- ***Director of Finance – (£121k) Adverse in month and (£929k) Adverse YTD.*** The main overspends are related to Photocopier contracts and Stationery from slippage on Managed Print CIP and dual contract running in Procurement and increased Patient Transport hire, largely related to short notice out of hours discharge requiring premium rate patient transport within Logistics.
- ***Strategy & Planning – (£39k) Adverse in month and (£357k) Adverse YTD.*** The in month movement is due to Redundancy payments £50k and increased cost of Telecomms and Bleep charges , offset against the benefit of lower revised costs for PAS server. The YTD variance is due to an over spend in IT on pay from under delivery of CIP and redundancy payments. Non-pay overspent by £209k, primarily due to Phone Rental, PAS Server and IT Maintenance pressures.
- ***Head of Estates – (£86k) Adverse in month and (£477k) Adverse YTD.*** This is mainly due to PFI Queen's variation contract payment which contributes (£403k) of the total overspend to date. There are also cost pressures on Sterile Services and to some extent Estates utilities and Laundry.
- ***Director of Performance & Planning – £220k Favourable in month and £24k Favourable YTD.*** The in month movement is due to the re-phasing of the CIP budget, to match when it was actually achieved. However there are Non Pay overspends totalling (£177k) adverse YTD predominantly from External Consultancy relating to Length Of Stay.
- ***Director of Nursing – (£4k) Adverse in month and £76k Favourable YTD.*** This is due to cost pressure of Nursing staff in month but the year to date favourable position is due to staff vacancies being managed to achieve the CIP target.

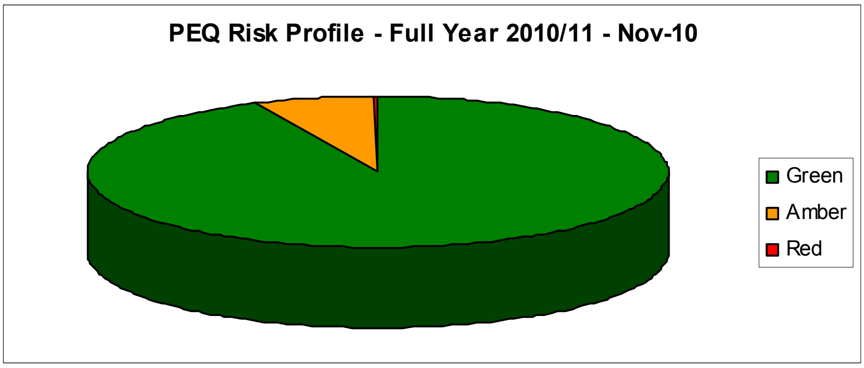
5. PEQ Programme

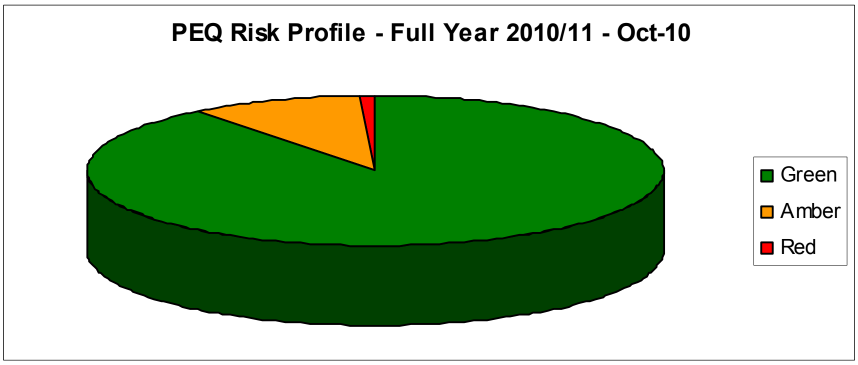
November PEQ schemes delivered £2.1m in month compared to a budget of £3.3m. This was marginally below the forecast for November set in the previous month of £2.2m. The in month increase of £200k in CIP delivery was primarily due to the significant reduction in agency midwifery costs planned to start in the month and sustained through the remainder of the year. The CIP related recovery actions (including the restructuring) were scheduled to take effect from December.

The full year forecast has been revised downwards from £28.4m to £26.3m taking into account the activity pressures so far seen through December. This has resulted in slippage to expectations in closing wards to until the end of the year and the reversal of savings previously forecasted to be recognised in December and January. Further mitigating recovery actions, including additional reductions in agency staff through the use of quotas are being sought, although are at risk in Emergency and Medical divisions. Previously reported recovery actions are still on target.

	Actual			Full Year	
	Plan YTD	Actual YTD	Var YTD	Budget	Forecast
P1 Bed Reconfiguration	2,315	1,522	(793)	4,332	3,242
P2 Surgery Efficiency	752	680	(72)	1,128	999
P3 Capacity Planning	914	345	(569)	1,809	392
E1 Workforce Reform	4,343	3,832	(511)	6,974	6,646
E2 Medical Staffing	1,123	787	(336)	1,738	1,301
E3 Temporary Staff	3,986	1,420	(2,566)	6,140	5,194
E4 Non pay	1,815	1,210	(605)	3,363	3,585
E5 Commercials	1,484	1,940	456	2,268	3,587
E6 Non SLA income	1,581	461	(1,120)	2,915	844
Q1 Outpatients	20	0	(20)	36	30
Q2 Patient Services	499	230	(269)	807	500
Unidentified	3,056	0	(3,056)	4,377	0
Total	**21,888**	**12,426**	**(9,462)**	**35,887**	**26,320**

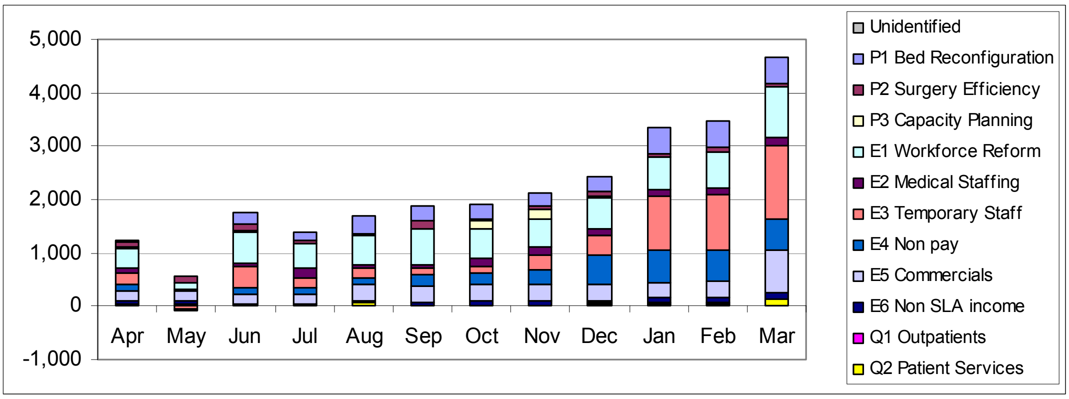
Schemes remaining in the forecast have now been risk rated as achievable, although there is still risk around the slippage relating to the A&C restructuring plans in Corporate and Clinical Support as the Consultations have not yet closed and staff notice periods will need to be taken into account. Delays will result in additional ongoing cost of approximately £50k per week.





Turnaround Profile

The recovery plans linked to cost improvement schemes are included in the phasing forecast below, with most being effective from December 2010 or January 2011.



Divisional Summary

Medicine

Medicine division achieved in month savings of £475k which was £50k unfavourable to budget, and additional mitigating actions have been identified to sustain delivery into the 4th quarter. Recent pressure on bed capacity has created additional delivery risk in December and January, and further opportunities need to be sought on temporary staff costs.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	34,778	35,645	(868)
CIP (By Scheme)	(3,484)	(3,345)	(138)
Unidentified CIP	(1,015)	0	(1,015)
Total	30,279	32,300	(2,021)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	1,690	1,581	(108)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	266	1	(265)
E1 Workforce Reform	358	656	298
E2 Medical Staffing	324	419	96
E3 Temporary Staff	466	423	(43)
E4 Non pay	256	121	(136)
E5 Commercials	0	0	0
E6 Non SLA income	125	145	20
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	1,015	0	(1,015)
Total CIP	4,499	3,345	(1,153)

Emergency

There have been no new savings delivered in month, and minimal additional actions for the remainder of the year. In addition, total expenditure continues to exceed budget excluding CIP savings.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	13,906	15,438	(1,532)
CIP (By Scheme)	(1,227)	(176)	(1,051)
Unidentified CIP	(547)	0	(547)
Total	12,132	15,262	(3,130)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	63	0	(63)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	543	0	(543)
E1 Workforce Reform	0	0	0
E2 Medical Staffing	0	0	0
E3 Temporary Staff	446	0	(446)
E4 Non pay	157	176	19
E5 Commercials	0	0	0
E6 Non SLA income	0	0	0
Q1 Outpatients	0	0	0
Q2 Patient Services	18	0	(18)
Unidentified	547		(547)
Total CIP	1,774	176	(1,598)

Surgery

Additional activity has continued to significantly restrict CIP delivery, and additional resource has been used at a premium price. Actions have been taken to address the level of additional sessions and agency staff with £100k in medical staff cost reductions in the month and further savings expected through to the year end.
Theatre efficiency savings are been seen in terms of reduced direct costs from reducing the number of theatre sessions, but non-pay and medical staff costs are not being achieved to the same extent.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	63,522	65,397	(1,875)
CIP (By Scheme)	(5,100)	(1,282)	(3,818)
Unidentified CIP	(948)	0	(948)
Total	57,474	64,115	(6,641)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	181	0	(181)
P2 Surgery Efficiency	753	316	(437)
P3 Capacity Planning	0	0	0
E1 Workforce Reform	1,110	908	(202)
E2 Medical Staffing	144	0	(144)
E3 Temporary Staff	2,170	48	(2,122)
E4 Non pay	215	10	(205)
E5 Commercials	0	0	0
E6 Non SLA income	526	0	(526)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	948		(948)
Total CIP	6,048	1,282	(4,766)

Womens and Children

The reconfiguration of the paediatric service commenced in November, and the division took significant actions to restrict its use of agency midwives. The latter action delivered a reduction in temporary midwifery costs in excess of £100k with November temporary nursing costs now £200k lower than they were in September.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	31,458	31,952	(494)
CIP (By Scheme)	(2,057)	(1,378)	(679)
Unidentified CIP	(258)	0	(258)
Total	29,143	30,574	(1,431)

	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	311	311
E1 Workforce Reform	602	844	242
E2 Medical Staffing	266	114	(152)
E3 Temporary Staff	510	90	(420)
E4 Non pay	127	0	(127)
E5 Commercials	28	6	(22)
E6 Non SLA income	524	13	(511)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	258		(258)
Total CIP	2,315	1,378	(937)

Clinical Support Services

Clinical Support Services expenditure on non-PEQ schemes continues to exceed plan by nearly £1m, due to continued use of agency staff in therapies, overspends in radiology and oncology and under-delivery of additional income in pharmacy. CIP schemes remain £1.9m below with main shortfalls in staffing reform (including temporary staff) and a lack of initiatives identified to meet the plan. A restructuring programme is in progress in the division, although slippage will restrict delivery of further savings in year. Additional restrictions and controls around temporary staff including admin and clerical are required in the fourth quarter.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	56,591	60,396	(3,806)
CIP (By Scheme)	(4,167)	(3,823)	(344)
Unidentified CIP	(1,573)	0	(1,573)
Total	50,851	56,573	(5,722)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	168	46	(122)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	107	0	(107)
E1 Workforce Reform	1,102	820	(282)
E2 Medical Staffing	392	146	(247)
E3 Temporary Staff	200	145	(56)
E4 Non pay	169	120	(49)
E5 Commercials	1,456	2,381	925
E6 Non SLA income	71	29	(42)
Q1 Outpatients	21	0	(21)
Q2 Patient Services	481	136	(344)
Unidentified	1,573		(1,573)
Total CIP	5,740	3,823	(1,916)

6. Forecast Outturn Position

The table below shows the current evaluation of the M08 overall forecast outturn I&E position, compared with the M07 forecast. The overall forecast is for a £29,303k deficit, including estimated redundancy costs arising from the restructure of £4,350k (i.e. £24,953k net or redundancy). This represents a gap of £5,428k from control total (excluding redundancies).

	M7 FOT	PEQ	M07 Net FOT	M8 S/L projection	M8 FOT	M08 FOT variance	Movement from M07 FOT	Comment on movement
	£,000	£,000	£,000	£,000	£,000	**£,000**	£,000	
Medical	48,121	-805	47,316	48,450	47,418	**2,379**	102	c£100k from full opening of Sky A. Assumed to close again 1 Jan, with further ward closures in Feb & Mar - action plan required by Division
Emergency	23,206	-105	23,101	22,893	22,865	**5,078**	-236	
Surgical	94,566	-695	93,871	96,173	94,545	**8,912**	674	£216k slippage on Amber B closure (assumes close 1 Jan + additional ward) + £300k slippage on Theatre efficiency + M8 run rate increase (critical care nursing + drugs Rheuma & Ophthal). Still includes £724k PCT demand mangt. Cost savings in M9-12.
Women & Children	45,674	-314	45,360	45,861	45,075	**1,991**	-285	Reduction of agency midwives above previous M7 FOT
Clinical Support	82,278	-293	81,985	84,860	83,104	**7,332**	1,119	Drugs £340k (incl. cancer) + expected demand mangt savings £417k not happening + consultation slippage £100k
sub-total	**293,845**	**-2,212**	**291,633**	**298,236**	**293,007**	**25,692**	**1,374**	
Corporate	77,736	-779	76,957	78,659	77,337	**2,553**	380	Further month slippage on consultation
Sub-total	**371,581**	**-2,991**	**368,590**	**376,895**	**370,344**	**28,245**	**1,754**	
Central I&E:								
Central Income	-374,437	0	-374,437	-376,661	-375,115	**-14,514**	-678	Includes provns of £4.8m in FOT (incl £1.7m PCT demand management)
Depreciation	13,282	-700	12,582	13,335	12,582	**-62**	0	
Reserves	1,051	0	1,051	0	1,051	**-1,334**	0	To confirm
Finance adj	0		0	-5		**0**	0	
Net interest	-868		-868	-857	-815	**194**	53	
PDC Dividend	3,033		3,033	3,062	3,033	**-183**	0	
PFI Interest	20,920		20,920	20,735	20,823	**32**	-97	
Recovery Plans		-5,850	-5,850	0	-5,850	**-5,850**	0	Includes Drugs, Soft FM, Balance Sheet review, Rev to Cap.
Further restrictions on agency & non-pay					-1,100	**-1,100**	-1,100	
Redundancies	0	4,350	4,350	0	4,350	**4,350**	0	
sub-total Central I&E	**-337,019**	**-2,200**	**-339,219**	**-340,391**	**-341,041**	**-18,467**	**-1,822**	
Grand Total	**34,562**	**-5,191**	**29,371**	**36,504**	**29,303**	**9,778**	**-68**	

In summary the overall forecast has not moved materially. However there has been a £1.8m deterioration in the operational position, £1.4m of which is in Clinical Areas. This is off set by an increase in income of £678k and further central plans to restrict agency and Non Pay expenditure totalling £1.1m, which are in the process of being firmed up with the Divisions.
The deterioration in clinical divisions is mostly around the opening of additional bed capacity from additional non-elective activity and LOS CIP slippage; slippage on Theatre efficiencies and increased Critical Care activity at premium rate cover. There has also been increases in drug expenditure in Oncology, Rheumatology and Ophthalmology.

It is important to note that the current position still includes £724k of PCT demand Management Plans which have yet to still materialise. If these continue to slip then there will be further slippage in the Clinical Divisions and improvements in Income. Income above plan is obviously at risk however. Despite the opening of additional bed capacity it is still expected that the planned recovery bed reductions in February and March will be achieved.

7. Balance Sheet

A detailed balance sheet is shown below : £000

	Actual			Movements	
	Y/E Bal Mar10	Prior Mth Oct-10	Current Nov-10	Mth	YTD
Fixed Assets					
Intangible	3,529	3,003	**2,940**	(64)	(589)
Tangible	354,783	354,067	**353,497**	(570)	(1,286)
	358,312	**357,071**	**356,437**	**(634)**	**(1,875)**
Current Assets					
Inventories	6,033	5,960	**5,994**	35	(39)
NHS Debtors	22,374	(10,033)	**(2,009)**	8,024	(24,383)
Non NHS Trade Debtors	6,253	3,562	**3,576**	14	(2,677)
Provision for Irrec debts	(1,567)	907	**(1,678)**	(2,585)	(111)
Other Debtors	9,839	15,884	**10,727**	(5,157)	888
Cash in hand and at Bank	2,098	10,210	**5,780**	(4,431)	3,682
	45,030	**26,490**	**22,391**	**(4,100)**	**(22,639)**
Current Liabilities					
NHS Creditors	(10,272)	(9,735)	**(10,233)**	(498)	39
Non NHS Trade Creditors	(20,744)	(22,159)	**(21,772)**	387	(1,028)
Other Creditors	(1,307)	(550)	(1,018)	(468)	289
Taxes and Social Sec. Costs	(5,305)	(5,865)	**(5,909)**	(43)	(604)
Accruals	(13,055)	(15,316)	**(14,062)**	1,254	(1,007)
Other PFI Liabilities	(4,755)	(4,853)	**(4,853)**	-	(98)
Deferred Income	(1,258)	(4,127)	**(2,739)**	1,387	(1,481)
Temporary Loan - DH	(5,000)			-	5,000
	(61,696)	**(62,605)**	**(60,587)**	**2,018**	**1,109**
Net Current Assets/Liabilities	**(16,666)**	**(36,115)**	**(38,196)**	**(2,082)**	**(21,530)**
Debtors > 1 year	26,556	27,041	**27,179**	138	623
Total Assets less Liabilites	**368,202**	**347,996**	**345,420**	**(2,577)**	**(22,782)**
Creditors > 1 year					
Long term Loans-SBS	(470)	(470)	**-**	470	470
PFI Liabilities and Finance Leases	(263,815)	(261,824)	**(261,824)**	1	1,991
Provisions for liabilities	(7,450)	(6,846)	**(6,740)**	105	710
Deferred Income	(5,555)	(5,342)	**(5,342)**	-	213
Net Assets	**90,912**	**73,514**	**71,513**	**(2,001)**	**(19,399)**
Financed by:-					
Public Dividend Capital	271,375	276,375	**276,375**	-	5,000
Revaluation Reserve	9,547	9,527	**9,527**	1	(20)
Donated Asset Reserve	912	854	**847**	(7)	(65)
Government grant	-	-	**-**	-	-
Income & Expenditure Reserve	(190,922)	(213,242)	**(215,237)**	(1,995)	(24,315)
Total Taxpayers Equity	**90,912**	**73,514**	**71,513**	**(2,001)**	**(19,399)**

Balance Sheet Movements

The main movements in the balance sheet are as follows:

1. The year to date movement in Fixed assets consists of £9.0m depreciation for the seven months less £6.8m of additional capital expenditure
2. NHS Debtors and other debtors have increased by a net £3.5m, primarily reflecting the quarterly PFI prepayment in October.
3. The year to date NHS and Non NHS Creditors have both deteriorated (i.e. increased) as the benefits of the additional cash received in late July, August and September, has been utilised by the Trust to make some significant payments to suppliers during August and September. The Trust has continued to experience cashflow difficulties due to the I&E adverse variance against Plan and also the timescale in recovering PCT contract over-performance income from 2009-10 and 2010-11 year to date, although this largely has been mitigated by the PCT SLA advances. The Trust has applied to the Department of Health for £19.5m additional PDC cash support which will be utilised to repay the PCT advance payments, when received (anticipated January).
4. The Trust has a reported year to date I & E deficit of £22.3m (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	Aug-10	Sep-10	Oct-10
Average Debtor Days	18	18	7	(1)	(2)	(3)
Average Creditor Days	185	125	74	53	105	123
Current Ratio Curret Assets \ Current Liability	69%	65%	60%	51%	43%	42%

8.1.Cashflow

The tables below present the Year to Date Cash flow:

Statement of Cash Flows (CF)	Apr - Oct 10 Actual	Nov 10 Actual	YTD Actual
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Surplus/(Deficit)	(£9,568)	(£191)	**(£9,759)**
Depreciation and Amortisation	£7,966	£987	**£8,953**
Impairments and Reversals (inc Change in Fair Value of Financial Instruments)	£159	(£6)	**£153**
Other gains/losses on foreign exchange	-	-	**-**
Transfer from the Donated Asset Reserve	(£58)	(£7)	**(£65)**
Transfer from the Government Grant Reserve	-	-	**-**
Interest Paid	(£15,249)	-	**(£15,249)**
Dividend Paid	(£1,638)	-	**(£1,638)**
(Increase)/Decrease in Inventories	£73	(£35)	**£39**
(Increase)/Decrease in Trade and Other Receivables	£25,105	(£32,146)	**(£7,041)**
(Increase)/Decrease in Other Current Assets	-	-	**-**
Increase/(Decrease) in Trade and Other Payables	£9,935	£27,326	**£37,261**
Increase/(Decrease) in Other Current Liabilities	(£0)	-	**(£0)**
Increase/(Decrease) in Provisions	(£606)	(£105)	**(£712)**
Net Cash Inflow/(Outflow) from Operating Activities	**£16,119**	**(£4,178)**	**£11,941**
CASH FLOWS FROM INVESTING ACTIVITIES		-	**-**
Interest received	£569	£8	**£577**
(Payments) for Property, Plant and Equipment	(£5,579)	(£353)	**(£5,933)**
Revenue Rental Income	£737	£94	**£831**
Net Cash Inflow/(Outflow)from Investing Activities	**(£4,273)**	**(£252)**	**(£4,525)**
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**£11,846**	**(£4,430)**	**£7,417**
		-	**-**
CASH FLOWS FROM FINANCING ACTIVITIES		-	**-**
Public Dividend Capital Received	-	-	**-**
Public Dividend Capital Repaid	-	-	**-**
New Capital Investment Loans	-	-	**-**
Capital Element of Finance Leases and PFI	(£3,734)	-	**(£3,734)**
Cash transferred to NHS Foundation Trusts	-	-	**-**
Net Cash Inflow/(Outflow)from Financing	**(£3,734)**	**-**	**(£3,734)**
Net Increase/Decrease) in Cash and Cash Equivalents	**£8,112**	**(£4,430)**	**£3,682**
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	**£10,210**	**(£4,430)**	**£5,780**

The main point to note at Month Eight is the increase in Trade and Other receivables, which is mainly attributable to 10/11 PCT over-performance of £10.7m which has yet to be paid, partly offset by payment of £8m risk pool support funding from 2009/10.

The increase to date in trade and other payables includes £30m of PCT SLA advances.

8.2. Capital Programme

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

Description	Fcast Capital Resources Allocation	Program Schemes Expenditure to date	
		Trust Spend	Finance Lease
	£'000	£'000	£'000
Capital Resources			
2009-10 B/Fwd Schemes		-	
2009-10 B/Fwd Capital Accruals		655	
2010-11 Capital Schemes	8,373	4,758	-
Trust Variation Enquiries	-	-	
PFI- MES Capitalisation- IFRS Impact	1,600	-	
Other Capital Expenditure			
Purchase of Leased Medical Equipment		166	
Total Capital Expenditure - as per Cashflow	**9,973**	**5,579**	**-**
PFI Purchases			
2010-11 Capital Schemes		1,841	
Total PFI Expenditure	**-**	**1,841**	**-**
Total Capital Expenditure - as per Balance Sheet	**9,973**	**6,765**	**-**

Year to Date Capital expenditure is £5.579m.

In light of the difficult cash position, the Trust's Capital Planning Group has decided to limit capital expenditure to £8.0m. 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.

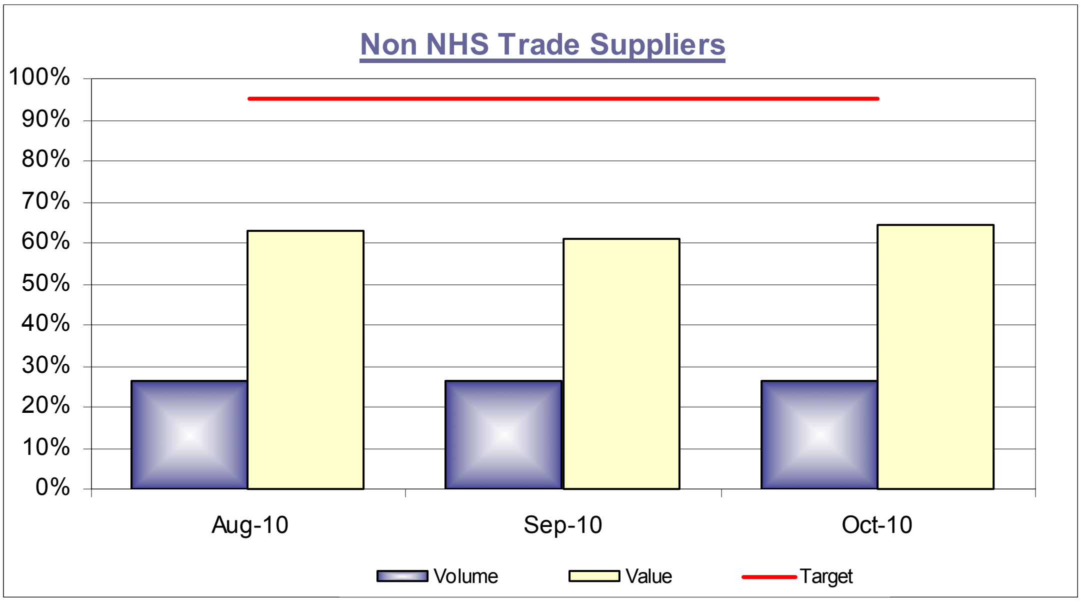
8.3 Better Payment Practice Code ("BPPC")

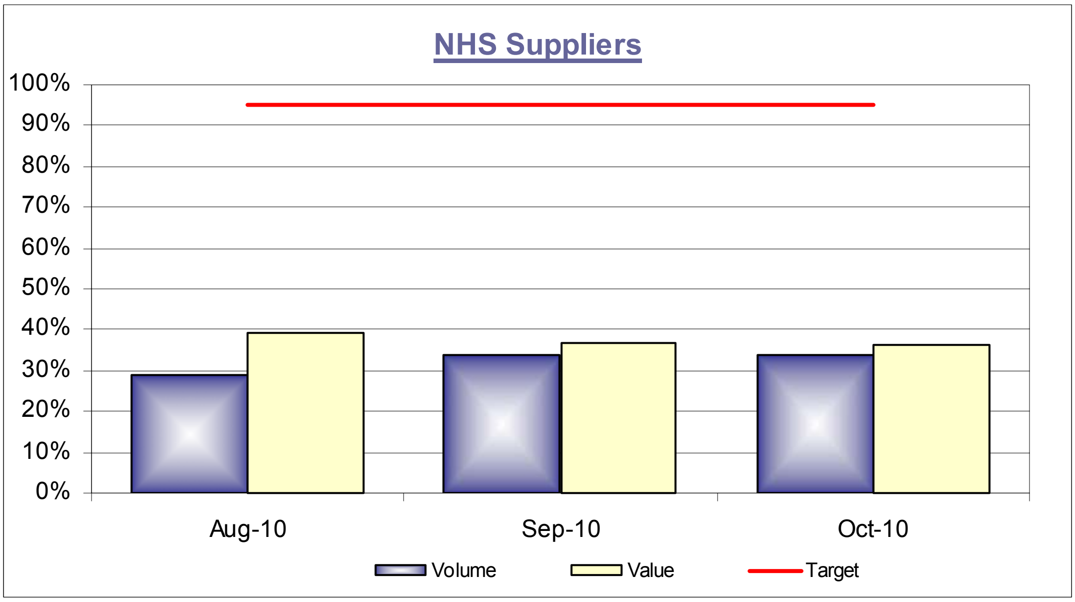
Under the better payment practice code, invoices received from trade creditors should be paid within 30 days of the receipt of goods or a valid invoice (whichever is later), unless other payment terms have been agreed. The target is to pay 95% of such sums due.

Non NHS creditor performance improved in comparison to the previous month, with an increase of 3% to 64.0% (Prior month: 61%) in value and the volume remaining practically the same at 26% (Prior month: 26%), being settled within 30 days.

Trust performance deteriorated for NHS creditors with a reduction of 1% to 36% (prior month 37%) by value and the volume remaining practically the same at to 34% (prior month 34%) by volume. Notwithstanding this, unapproved invoices do not appear in these figures.

Key to tables	
(purple/blue gradient bar)	% of invoices paid within 30 days by volume
(pale yellow bar)	% of invoices paid within 30 days by value
(red bar)	Target 95% of invoices paid within 30 days





8. 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 financial position. 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 November 2010 is 1.40, (1.38 from October). The improvement is due to a slightly improved current ratio on the Statement of Financial Position. 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 9.4% 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 7.22% of income, 2 on EBITDA, which was 1.6% of income and 2 for forecast consistency as the November forecast out-turn defict is a marginal £100k reduction from October.
4. **Underlying financial position.** This is measured on both bottom line, which the Trust scores 1, and EBITDA which it scores 2. (Trusts with PFI's have higher EBITDA's because much of the Unitary charge covers finance costs which are below the line).
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 26% and 57% respectively in October, which gives a score of 1 on both (thresholds being 60%)
    b. Current ratio, i.e. current assets divided by current liabilities (an indicator of liquidity). The Trust's ratio is 0.58 (i.e. current assets are 58% 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 reported November performance scores a 3 (threshold being 30 days for a 3). but 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 November performance is 108 days, i.e. creditors represent 108 days non-pay expenditure.

The detailed breakdown for November is found at appendix 1.

Appendix 1

Financial indicators for acute & ambulance trusts : BHRUT NOV 2010

Criteria	Metric	Formula for organisations with a breakeven or surplus	Formula for organisations with a deficit	Weight (%)		Measure	SCORING 3	SCORING 2	SCORING 1	BHRUT Raw Score NOV 10	BHRUT Weighted Score NOV 10
Initial Planning	Planned Outturn as a proportion of Turnover	**Formula for organisations with a planned operating breakeven or surplus** SHA expected operating surplus or breakeven planned operating surplus or breakever / Planned Income x 100	**Formula for organisations with a planned operating deficit** Planned operating deficit / Planned Income x 100	5	5	-5.0%	Planned operating breakeven or surplus that is either equal t or at variance to SHA expectations by no more than 3% of income.	Any operating deficit less than 2% of income OR an operating surplus/breakeven that is at variance to SHA expectations by more than 3% of planned income.	Operating deficit more than or equal to 2% of planned income	1	0.05
Year to Date	YTD Operating Performance	**Formula for organisations with a YTD actual operating breakeven or surplus** YTD planned operating breakeven/ / Forecast Income x 100	**Formula for organisations with a YTD actual operating deficit** YTD operating deficit / Forecast Income x 100	25	20	-8.9%	YTD operating breakeven or surplus that is either equal to or at variance to plan by no more than 3% of forecast income.	Any operating deficit less than 2% of income OR an operating surplus/breakeven that is at variance to plan by more than 3% of forecast income.	Operating deficit more than or equal to 2% of forecas income	1	0.20
	YTD EBITDA	YTD EBITDA / Actual YTD Income x 100			5	0.0%	Year to date EBITDA equal to or greater than 5% of actual year to date income	Year to date EBITDA equal to or greater than 1% but less than 5% of year to date income	Year to date EBITDA less than 1% of actual year to date income.	1	0.05
Forecast Outturn	Forecast Operating Performance	**Formula for organisations with a forecast operating breakeven or surplus** Planned operating breakeven/ surplus/deficit - Forecast operating breakeven or surplu / Forecast Income x100	**Formula to be used for organisations with a forecast operating deficit** Forecast operating deficit / Forecast Income x100	40	20	-7.2%	Forecast operating breakeven or surplus that is either equal to or at variance to plan by no more than 3% of forecast income.	Any operating deficit less than 2% of income OR an operating surplus/breakeven that is at variance to plan by more than 3% of income.	Operating deficit more than or equal to 2% of income	1	0.20
	Forecast EBITDA	Forecast EBITDA / Forecast Income x 100			5	1.6%	Forecast EBITDA equal to or greater than 5% of forecast income.	Forecast EBITDA equal to or greater than 1% but less than 5% of forecast income.	Forecast EBITDA less than 1% of forecast income.	2	0.1
	Rate of Change in Forecast Surplus or Deficit.	(Current period forecast surplus/deficit) - (Prior period forecast surplus/defici / Forecast Income x 100			15	0.0%	Still forecasting an operating surplus with a movement equal to or less than 3% of forecast income	Forecasting an operating deficit with a movement less than 2% of forecast income OR an operating surplus movement more than 3% of income.	Forecasting an operating deficit with a movement of greater than 2% of forecast income.	2	0.30
Underlying Financial Position	Underlying Position %	Underlying Breakeven/Surplus/Defici / Underlying Income x 100		10	5	-6.8%	Underlying breakeven or Surplus	An underlying deficit that is less than 2% of underlying income.	An underlying deficit that is greater than 2% of underlying income	1	0.05
	EBITDA Margin (%)	Underlying EBITDA / Underlying Income x 100			5	1.2%	Underlying EBITDA equal to or greater than 5% of underlying income	Underlying EBITDA equal to or greater than 5% but less than 1% of underlying income	Underlying EBITDA less than 1% of underlying income	2	0.1
Finance Processes & Balance Sheet Efficiency	Better Payment Practice Code Value %	Value of ALL Bills paid within target / Value of ALL Bills paid within the year x 100		20	2.5	57%	95% or more of the value of NHS and Non NHS bills are paid within 30days	Less than 95% but more than or equal to 60% of the value of NHS and Non NHS bills are paid within 30days	Less than 60% of the value of NHS and Non NHS bills are paid within 30 days	1	0.025
	Better Payment Practice Code Volume %	Volume of ALL Bills paid within target / Volume of ALL Bills paid within the year x 100			2.5	26%	95% or more of the volume of NHS and Non NHS bills are paid within 30days	Less than 95% but more than or equal to 60% of the volume of NHS and Non NHS bills are paid within 30days	Less than 60% of the volume of NHS and Non NHS bills are paid within 30 days	1	0.025
	Current Ratio	Current Assets / Current Liabilities			5	0.58	Current Ratio is equal to or greater than 1.	Current ratio is anything less than 1 and greater than or equal to 0.5	A current ratio of less than 0.5	2	0.10
	Debtor Days	Debtors as at current period / Forecast Income x365			5	30	Debtor days less than or equal to 30 days	Debtor days greater than 30 and less than or equal to 60 days	Debtor days greater than 60	3	0.15
	Creditor Days	Creditors as at current period / Total Expenditure x365			5	108	Creditor days less than or equal to 30	Creditor days greater than 30 and less than or equal to 60 days	Creditor days greater than 60	1	0.05
				100	100					19	1.40

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