

## EXECUTIVE SUMMARY

<b>TITLE:</b>	<b>BOARD/GROUP/COMMITTEE:</b>	
Finance Report – January 2010	Trust Board – 23 February 2010	
<b>1. KEY ISSUES:</b>	<b>REVIEWED BY (BOARD/COMMITTEE) and DATE:</b>	
<ul style="list-style-type: none"> <li>• Deficit for January 2010 of £7.1m, £4.2m worse than budget. Year to date deficit of £55.4m, including £14.4m of impairments against the Queens Hospital land and buildings. Excluding the impairment, the net deficit is £41m, £32m worse than budget.</li> <li>• The in month adverse variance of £4.2m reflects income under performance of £3.3m (primarily due to further impacts from the Fynamore review) and pay under spends of £0.5m, offset by a £1.2m adverse variance relating to unfound CIP / Turnaround scheme.</li> <li>• The year to date adverse variance of £32.7m is primarily represented by a shortfall against the CIP / Turnaround target of £12.4m and an adverse variance for Income of £13.7m. Other variances include £5.1m adverse non pay including £1.3m of late outsourcing invoices relating to 2008/09 referrals, a pay adverse variance of £4.3m, mainly around medical and temporary staffing and an adverse variance of £0.7m for depreciation, offset by the release of £3.9m of the central reserves budgets.</li> <li>• Central income is reporting a deficit of £14.9m year to date (after provisions of £26.2m) and a full year forecast under performance of £17.8m (after £31.4m of provisions, of which £25.4m relates to Fynamore, i.e. a gross over-performance of £7.6m before Fynamore).</li> <li>• The current risk assessed forecast for the CIP / Turnaround Programme is savings of £32.5m against the target of £33.5m, giving an under achievement of £1.0m (after the release of the remaining £2.4m shortfall reserve and the inclusion of £10.1m of additional schemes proposed by the Turnaround team). Additionally £1.1m of the original identified schemes is showing as risk, as it is still to be vired into positions.</li> </ul>	<input type="checkbox"/> <b>S&amp;SIB</b> ..... <input type="checkbox"/> <b>EPB</b> ..... <input type="checkbox"/> <b>FINANCE</b> ..... <input type="checkbox"/> <b>AUDIT</b> ..... <input type="checkbox"/> <b>CLINICAL GOVERNANCE</b> ..... <input type="checkbox"/> <b>CHARITABLE FUNDS</b> ..... <input type="checkbox"/> <b>TRUST BOARD</b> ..... <input type="checkbox"/> <b>REMUNERATION</b> ..... <input type="checkbox"/> <b>OTHER</b> .....(please specify)	
	<b>CATEGORY:</b>	
	<input type="checkbox"/> <b>NATIONAL TARGET</b> <input type="checkbox"/> <b>CNST</b> <input type="checkbox"/> <b>STANDARDS FOR BETTER HEALTH</b> <input type="checkbox"/> <b>ASSURANCE FRAMEWORK</b> <input type="checkbox"/> <b>TARGET FROM COMMISSIONERS</b> <input checked="" type="checkbox"/> <b>CORPORATE OBJECTIVE</b> To monitor the Trust's progress in achieving its financial turnaround, achieving control targets and meeting its statutory financial duties going forward. <input type="checkbox"/> <b>OTHER</b> ..... (please specify)	
	<b>AUTHOR/PRESENTER:</b>	
	David Wragg, Director of Finance	
<b>DATE:</b>		
19 Decemeber 2009		

<ul style="list-style-type: none"> <li>• Before impairments, the bottom line forecast outturn is showing an overspending of £28.4m, against the net £10.8m deficit control total before impairment. This is mainly due to £11.0m of over spends on Divisional / Directorate budgets (incorporating unbudgeted spend of £1.3m on 2008/09 outsourcing invoices), £5.4m additional impairment and a £0.9m expected over spend on capital charges and depreciation. These are partially mitigated by uncommitted central budget reserves of £5.3m, forecast under performance on income of £18.9m, under achievement of CIP / Turnaround by £3m before allocated reserves. and additional interest income from land sale debtors of £0.2m.</li> <li>• Further actions to reduce the forecast overspend of £7.2m against the control total include firming up payment of income over performance with the PCT's, especially relating to Whipps Cross Noravirus, New to Follow Up Ratios and ENT 18 Weeks. It will also have to come from additional cost savings coming from the Resource Control Group and discretionary spend reductions.</li> </ul>	
<b>2. FINANCIAL IMPLICATIONS/IMPACT ON CURRENT FORECAST:</b>	
Set out under key issues	
<b>3. ALTERNATIVES CONSIDERED/REASONS FOR REJECTION:</b>	
N/A	
<b>4. DELIVERABLES:</b>	
N/A	
<b>5. EVIDENCE :</b>	
N/A	
<b>6. RECOMMENDATION/ACTION REQUIRED:</b>	
The Board is asked to note this report.	
<b>AGREED AT _____ MEETING</b> <b>OR</b> <b>REFERRED TO: _____</b>	<b>DATE: _____</b> <b>DATE: _____</b>
<b>REVIEW DATE</b> _____ (if applicable)	

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

**Finance Report**

**January 2010**

# Finance Report for Ten Months Ended 31st January 2010

## 1. Financial Summary

The Trust recorded a deficit of £7.1m for the month of January, £4.2m worse than budget. The year to date deficit is £55.4m, £32.7m worse than budget. Excluding the £14.4m impairment relating to the revaluation of the Queen's site the underlying deficit for the year to date is £41m, £32.2m worse than budget. This is primarily related to the impact of the Fynamore review on income (overall £13.7m adverse YTD) and CIP / Turnaround shortfall of £9.5m. There were also adverse variances in Pay and Non Pay of £2.9m and an adverse variance of £0.7m for Depreciation, partially offset by release of central budget reserves of £4.0m.

The forecast out turn is a deficit of £58.6m, £33.9m worse than budget (£20m after allowing for budgeted impairments). This is mainly due to £10.8m of over spends on Divisional / Directorate budgets (incorporating unbudgeted spend of £1.3m on 2008/09 outsourcing invoices), £5.6m additional impairment on Queen's and a £1.1m expected over spend on capital charges. These are partially mitigated by uncommitted central budget reserves of £5.3m, forecast under performance on income of £18.9m, under achievement of CIP / Turnaround by £4.3m and additional interest income from land sale debtors of £0.2m.

The Revenue Account is summarised below and detailed in Appendix 1.

Full Year Forecast	Full Year Budget		Current Period Actual	Current Period Variance	Year To Date Actual	Year To Date Variance
£000	£000		£000	£000	£000	£000
(380,959)	(399,852)	Total Operating Income	(27,859)	3,213	(318,137)	13,688
272,808	267,724	Pay Expenditure	22,163	(544)	227,342	4,289
121,130	115,436	Non Pay Expenditure	9,701	32	101,225	5,128
(10,764)	(13,840)	CIP / Turnaround Target	-	1,276	-	12,399
91	5,374	Reserves	-	105	-	(3,908)
<b>2,306</b>	<b>(25,158)</b>	<b>EBITDA</b>	<b>4,005</b>	<b>4,082</b>	<b>10,430</b>	<b>31,596</b>
12,954	12,066	Depreciation	929	(77)	10,715	660
4,546	4,300	Capital Dividends	358	-	3,583	-
(535)	(271)	Interest Income	(54)	(32)	(399)	(173)
19,893	19,873	Interest Payable - PFI	1,695	39	16,659	98
<b>39,164</b>	<b>10,810</b>	<b>Deficit before Impairment</b>	<b>6,933</b>	<b>4,012</b>	<b>40,988</b>	<b>32,181</b>
19,473	13,890	Impairment	196	196	14,384	494
<b>58,637</b>	<b>24,700</b>	<b>Net Deficit</b>	<b>7,129</b>	<b>4,208</b>	<b>55,372</b>	<b>32,675</b>

Note: Negative variances are favourable (under spends or over achievement of income targets) and positive variances are unfavourable per Shared Business Services reporting.

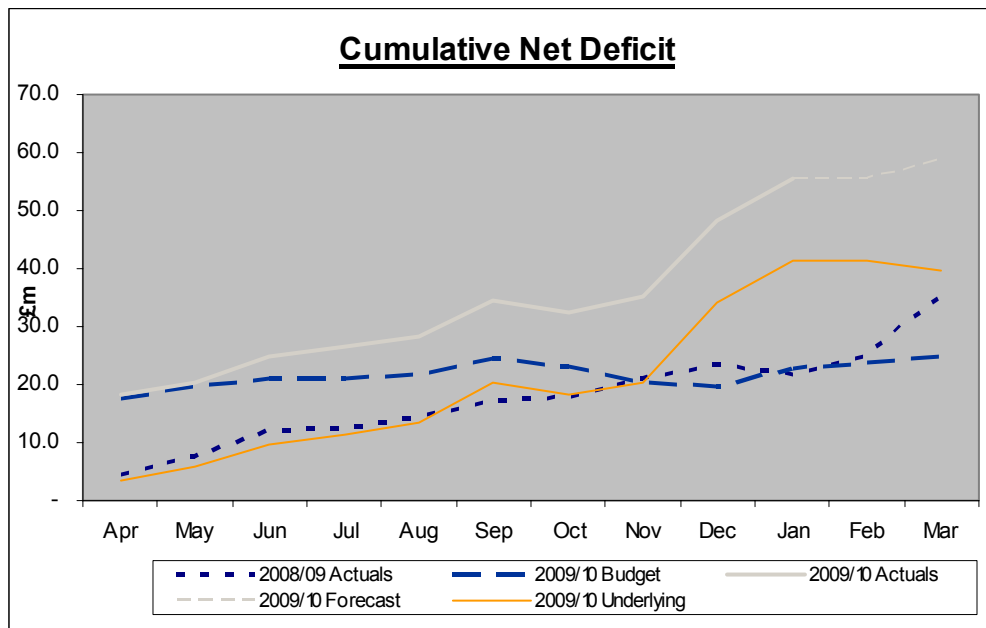
The key points to note in the year to date variances against budget are as follows:

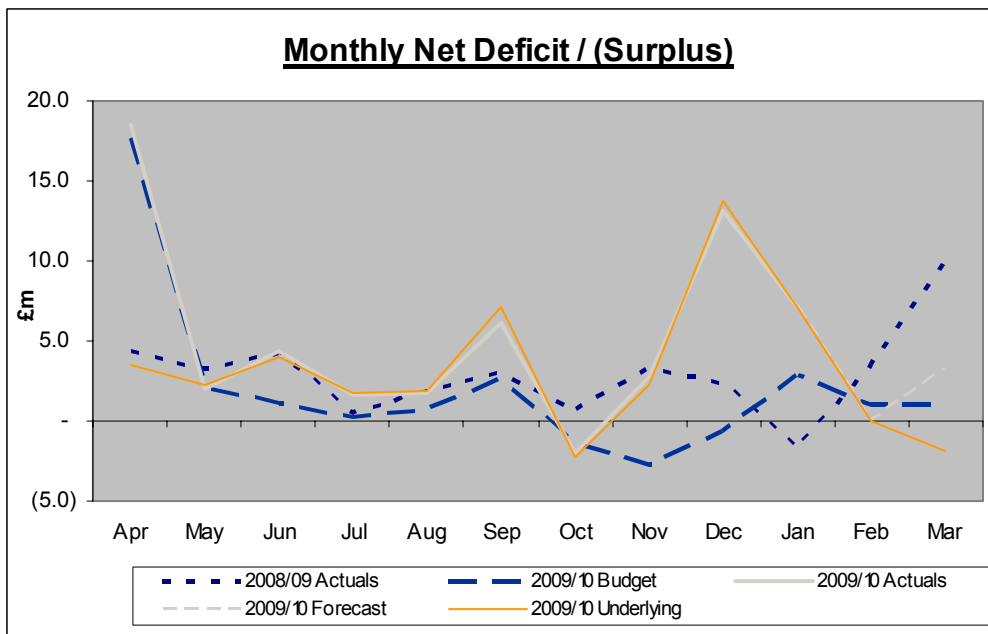
- Total operating income under performance year to date is £13.7m (£13.5m under performance from central income and £0.2m under performance from Divisional income)

which gives under performance in month of £3.2m. The forecast outturn is expected to be £18.9m worse than budget, primarily due to the under performance in non PBR elements brought about through the review undertaken by Finnamore Consultancy. These are partially offset by benefit from finalisation of the 2008/09 SLA's of £0.9m and additional training income being received.

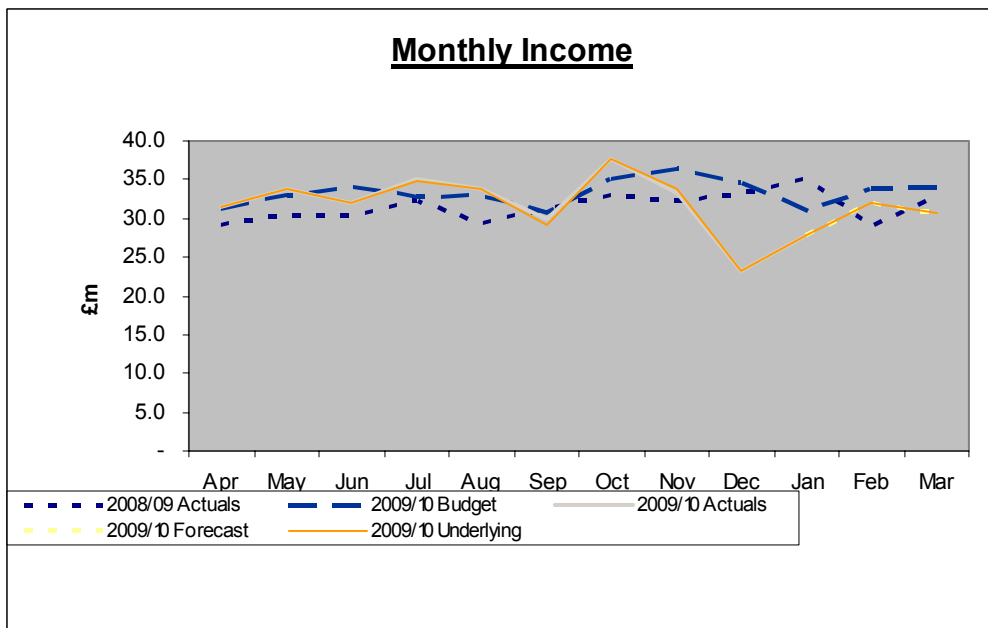
- The CIP / Turnaround targets have been phased across the year according to the expected delivery dates of the individual schemes, giving a monthly target for January of £1.2m. Of the total £22.0m of schemes vired into budgets, with nothing being vired in the month, leaving a shortfall of £1.2m against the in month budget. The current forecast outturn within the Divisions is for savings of £22.9m against the net target of £33.3m (including reduction from the remaining Turnaround shortfall reserve of £2.6m), giving a shortfall of £10.4m. The Turnaround team have proposed additional schemes totalling £10.1m which should give an under achievement of the CIP target by £0.3m net of CIP Reserves. These additional schemes are described in the Turnaround section.
- On the 1<sup>st</sup> April 2009 the Trust's fixed assets were re-valued in accordance with the indices issued by the Department of Health. The result of this has been a £14.4m impairment of the Queen's Hospital site assets (now on balance sheet following implementation of IFRS on 1 April), which has been charged to the income and expenditure account. An additional revaluation of land and buildings has been undertaken, which has resulted in a further impairment charge of £5.4m, increasing the total forecast impairment to £19.3m. This does not count against the Trust breakeven duty target.

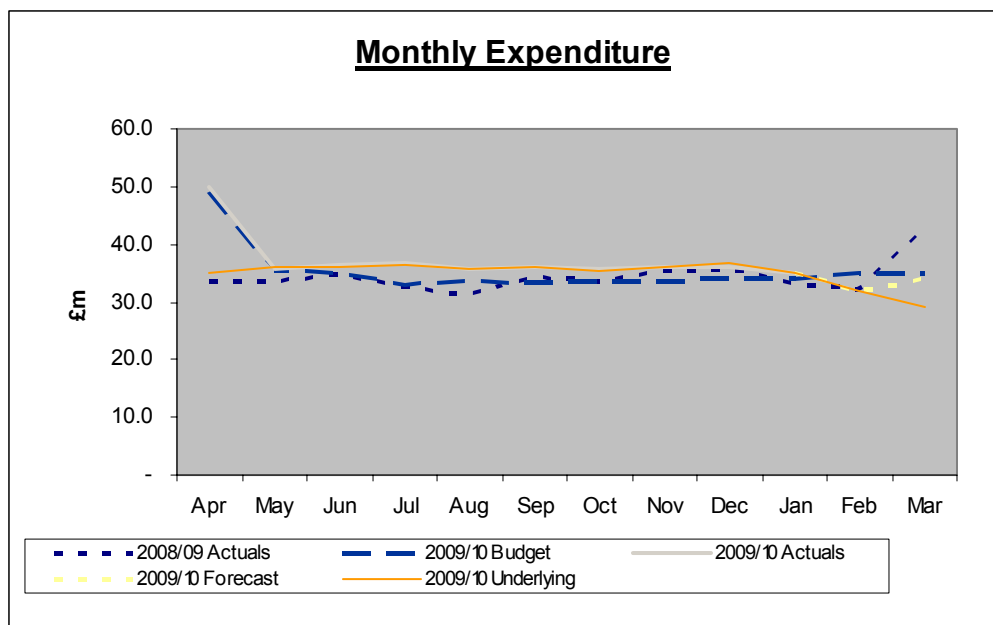
The year to date actual and full year forecast trend on the bottom-line I&E deficit is as follows:





It can be seen from the graphs below that the monthly fluctuations in the planned net deficit / surplus position are primarily driven by the monthly income profile, which peaks in the autumn period and dips in August and January:





## 2. Income

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

The following table summarises the overall Trust income position:

Full Year Forecast	Full Year Budget		Current Period Actual	Current Period Variance	Year To Date Actual	Year To Date Variance
£'000	£'000		£'000	£'000	£'000	£'000
(346,844)	(363,569)	NHS Clinical Income	(25,167)	2,281	(289,041)	14,023
(1,919)	(2,055)	Non NHS Clinical Income	79	387	(1,595)	117
(2,256)	(3,214)	Other Income	(184)	84	(1,880)	798
<b>(351,019)</b>	<b>(368,838)</b>	<b>Total Central Income</b>	<b>(25,272)</b>	<b>2,752</b>	<b>(292,516)</b>	<b>14,938</b>
(29,940)	(31,013)	Other Divisional Income	(3,508)	(200)	(25,621)	(1,250)
<b>(380,959)</b>	<b>(399,851)</b>	<b>Total Trust Income</b>	<b>(28,780)</b>	<b>2,553</b>	<b>(318,137)</b>	<b>13,688</b>

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

The overall position shows a £13.7m adverse variance year to date, including a £14.9m adverse variance on central income (still referred to as 'central' income here, to distinguish from other income that has always formed part of the Divisional budgets).

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

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

Other divisional income is based on actual income billed or accrued up to month eight.

Based on PCT challenges of billed activity to date, a net provision of £26.2m has been made against the month ten year to date accrued income position. This primarily comprises the following items:

- £21.2m Finnamore decisions.
- £1.7m out-patients PbR risk (Nurse-led and multi-disciplinary clinics) – prices in SLAM are incorrect and the provision reflects the Trust estimate of the real prices (50% of tariff – to be negotiated & agreed with PCTs).
- (£1.75)m – Additional Maternity Matters Income.
- £1.7m – SCBU double count.
- £0.42m – A&E Activity Change – Loss of ‘minors’ activity.
- £1.3m – PSD no PbR 50% price reduction
- £1.75m CQUIN's & KPIs – Trust estimate of income implications of under-performance against targets

Effectively £21m of the £26m provision relates to technical issues by the Finnamore review. These are being reviewed by the London.

The full year forecast for central income has been reduced by £3.9m compared with the performance position reported last month due to assumptions made in the Finnamore review regarding PbR outpatient underperformance not being funded to plan. The full year provision also has increased to £25.4m for the Finnamore review since month 8 following the final draft report on the proposed non-PbR SLA, issued on 9 December. The latest Finnamore recommendations vary vastly from their 9<sup>th</sup> October initial draft, on which basis the Trust had reported its forecast outturn position for non-PbR income until the Month 7 position.

The total risk of £31.4m itemised above, primarily relates to two key issues:

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

## Income by PCT

Central income performance by PCT commissioner is summarised as follows:

Full Year Forecast	Full Year Budget		Current Period Actual	Current Period Variance	Year To Date Actual	Year To Date Variance
£'000	£'000		£'000	£'000	£'000	£'000
(88,014)	(84,341)	Barking & Dagenham PCT	(5,728)	577	(73,345)	(3,857)
(128,426)	(123,144)	Havering PCT	(8,414)	831	(107,021)	(4,899)
(85,746)	(79,929)	Redbridge PCT	(6,186)	(191)	(71,455)	(5,389)
(35,677)	(35,535)	Essex PCTs	(2,965)	(281)	(29,731)	(172)
(7,012)	(7,688)	Inner NEL PCTs	(429)	170	(5,843)	611
(4,415)	(3,798)	NICU Consortia	(403)	(89)	(3,679)	(437)
7,745	(22,469)	Non PCT specific accruals and provisions	(412)	1,508	6,455	27,009
<b>(341,545)</b>	<b>(356,904)</b>	<b>SLA Sub total</b>	<b>(24,537)</b>	<b>2,525</b>	<b>(284,619)</b>	<b>12,866</b>
(3,595)	(3,761)	Non contract activity	(260)	24	(2,996)	161
(1,407)	(3,087)	Transitional funding	(117)	140	(1,172)	1,400
<b>(346,547)</b>	<b>(363,752)</b>	<b>NHS Clinical Income</b>	<b>(24,914)</b>	<b>2,689</b>	<b>(288,787)</b>	<b>14,427</b>
(2,217)	(1,872)	Non NHS Clinical Income	(173)	(17)	(1,847)	(287)
(2,256)	(3,214)	Other Income	(184)	84	(1,880)	798
<b>(351,020)</b>	<b>(368,838)</b>	<b>Total Central Income</b>	<b>(25,271)</b>	<b>2,756</b>	<b>(292,514)</b>	<b>14,938</b>

## Income by Point of Delivery

Income by point of delivery is as follows:

Full Year Forecast	Full Year Budget	Point of Delivery (POD)	Current Period Actual	Current Period Variance	Year To Date Actual	Year To Date Variance
£'000	£'000		£'000	£'000	£'000	£'000
(18,119)	(17,107)	A&E Attendance	(1,328)	86	(15,099)	(499)
(49,575)	(52,397)	Elective and Day Case	(3,046)	349	(41,313)	1,631
(130,763)	(124,451)	Non Elective	(11,462)	(1,171)	(108,969)	(2,755)
(10,845)	(10,752)	Excess Bed Days	(1,173)	(306)	(9,038)	96
(28,323)	(29,508)	Outpatient 1 <sup>st</sup> Attendance	(2,450)	(533)	(23,602)	584
(32,333)	(34,533)	Outpatient Follow Up	(2,915)	(675)	(26,944)	1,358
(5,563)	(8,231)	Outpatient Procedures	1,929	2,373	(4,636)	951
(75,499)	(91,859)	Non-PbR Cost & Vol/Other	(4,826)	2,629	(62,914)	13,572
<b>(351,020)</b>	<b>(368,838)</b>	<b>Total Central Income</b>	<b>(25,271)</b>	<b>2,754</b>	<b>(292,515)</b>	<b>14,938</b>

## Income by Division

Income performance by Division is as follows (please note this does not adjust for marginal costs – see Like for Like section later in report):

Full Year Forecast	Full Year Budget	Division	Current Period Actual	Current Period Variance	Year To Date Actual	Year To Date Variance
£'000	£'000		£'000	£'000	£'000	£'000
(115,778)	(117,094)	Medical	(9,181)	114	(96,481)	2,537
(112,159)	(115,586)	Surgical	(7,655)	607	(93,466)	1,367
(72,217)	(72,536)	Women and Children	(5,664)	(192)	(60,181)	586
(43,720)	(51,355)	Clinical Support	(3,028)	949	(36,434)	6,182
(7,146)	(12,267)	Corporate	254	1,278	(5,956)	4,268
-	-	Central Income	-	-	-	-
<b>(351,020)</b>	<b>(368,838)</b>	<b>Total Central Income</b>	<b>(25,274)</b>	<b>2,756</b>	<b>(292,518)</b>	<b>14,940</b>

## Non NHS Clinical Income

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

## Other Income

This relates to clinical support and facilities services provided to the ISTC. Forecast year end performance for Other Income is £1.0m less than budget due to reductions in the number and value of SLA's and reduction in the number of seconded staff.

## Other Divisional Income

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

### 3. Revenue Expenditure

#### Pay Expenditure

Pay costs were £0.5m under budget for the month and £4.3m over year to date. Actual whole time equivalents (WTE) in the Trust were 6,271 (5,355 [85%] permanent and 916 [14.6%] temporary staff) compared with a budget of 6,134 WTE. This shows an increase in the level of agency staffing compared to December, mostly in Surgical, although it is anticipated that this is primarily due to timing differences associated with implementation of the new medical locum system. The actual total temporary pay cost in month was marginally higher than December, with a decrease on permanent pay, largely from some capitalisation.

The forecast outturn is expected to be £272.9m, £5.1m worse than budget. This does rely on significant reductions in the use of temporary staffing over the last 2 months of the financial year and does not include a further £7.4m decrease in pay expenditure included in the additional Turnaround schemes.

The following table shows the expenditure and variance to budget by staff group:

Full Year Forecast	Full Year Budget	Staff Group	Current Period Actual	Current Period Over / (Under) Spend	Year to Date Actual	Year to Date Over / (Under) Spend
£000	£000		£000	£000	£000	£000
81,686	77,268	Medical Staff	6,886	411	67,956	3,689
40,764	40,555	Scientific, Therapy & Tech	3,253	(132)	34,099	311
84,054	84,468	Nursing & Midwifery - Qual	7,067	(264)	70,068	(244)
18,243	17,738	Nursing & Midwifery - Unqual	1,537	(80)	15,205	424
9,143	7,709	Ancillary Staff	598	(6)	7,700	1,195
38,918	39,986	Management & Admin	2,822	(473)	32,314	(1,086)
<b>272,808</b>	<b>267,724</b>	<b>Total Pay</b>	<b>22,163</b>	<b>(544)</b>	<b>227,342</b>	<b>4,289</b>

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

Medical staffing budgets continue to have a significant adverse variance due to agency and locum use to cover vacancies and sickness, and additional activity, mainly within the junior and middle grade doctors. This usage attracts a higher premium which is not budgeted for resulting in an over spend. The main specialties showing significant overspends in medical staffing are General Medicine, A&E, Anaesthetics, Orthopaedics, ENT, Neurosciences, Radiology, Pathology and Paediatrics. However it is anticipated that part of the increase in the monthly movement is due to retro payments from the new medical locum system being implemented, subject to investigation.

The Trust has under spent in month against nursing budgets by £0.3m. However the under spend is mostly against Nurse Education. Each of the 3 Clinical Divisions continue to over spend YTD, but in month saw Medicine break even and Womens & Childrens improve their run rate still further. However whilst the Surgical Division run rate increased in month it remains the least over spent YTD. Overall further vacancies have been filled in month but there has not been a corresponding reduction in agency usage. The year to date over spend is now £0.2m. The nursing WTE's are 136 above funded establishment.

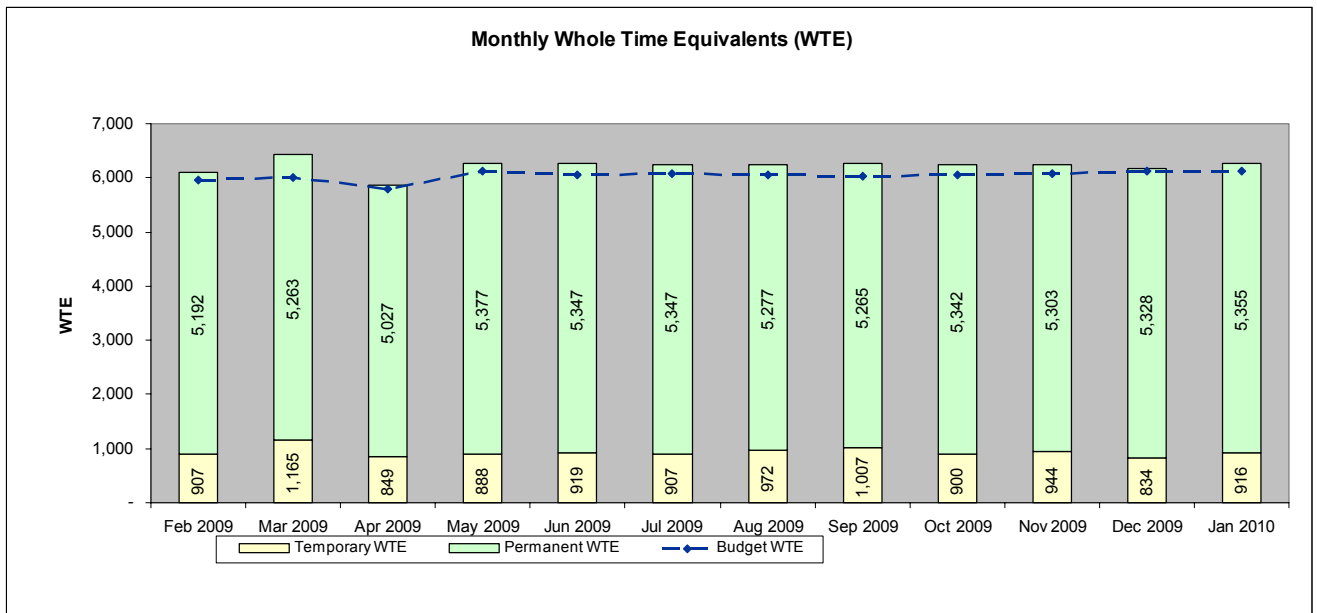
In Ancillary staff the Laundry staff have not all been redeployed and hence the adverse variance in month, although there is a significant adverse variance year to date prior to redeployment and increased staffing from the PFI due to Sky A still being open.

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

Staff Group	Curr. Perm. WTE	Curr. Temp. WTE	Temp %age	Curr. Total WTE	Budget WTE	Prior Perm WTE	Prior Temp. WTE
Medical Staff	755	138	15%	893	882	752	107
Scientific, Therapy & Tech	824	87	10%	911	975	821	116
Nursing & Midwifery - Qual	1,802	325	15%	2,127	2,045	1,760	305
Nursing & Midwifery - Unqual	616	165	21%	780	725	610	160
Ancillary Staff	381	3	1%	383	324	381	4
Management & Admin	978	199	17%	1,177	1,182	975	217
<b>Total</b>	<b>5,355</b>	<b>916</b>		<b>6,271</b>	<b>6,134</b>	<b>5,299</b>	<b>908</b>
Percentage	85%	15%				85%	15%

As can be seen there is still a high usage of temporary staff across all staff types except ancillary. It can be seen that the total actual WTE exceeds the budget by 137 WTE (2.2%), primarily in respect of the qualified / unqualified nursing establishment and ancillary staff.

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



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

### Non-Pay Expenditure

Non Pay costs were £0.32m over budget for the month and £5.1m year to date. The forecast out turn is expected to be £121.6m, £5.7m worse than budget.

The following table shows the expenditure and variance against budget by type:

Full Year Forecast	Full Year Budget	Expenditure Type	Current Period Actual	Current Period Over / (Under) Spend	Year to Date Actual	Year to Date Over / (Under) Spend
£000	£000		£000	£000	£000	£000
25,138	26,303	Drugs	2,069	(221)	20,817	(907)
29,645	27,561	Clinical Supplies	2,218	(43)	24,586	1,531
16,570	15,356	General Supplies	1,430	173	13,900	1,056
14,755	14,496	Premises & Fixed Plant	1,082	(119)	12,183	90
35,022	31,720	Other Non Pay	2,902	242	29,739	3,358
<b>121,130</b>	<b>115,436</b>	<b>Total</b>	<b>9,701</b>	<b>32</b>	<b>101,225</b>	<b>5,128</b>

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

The in month movement is due to some run rate reduction but mostly due to variability in drugs and capitalisation. The most significant area of over spend is in other non pay, primarily due to the £1.3m of 2008/09 outsourcing invoices.

The other significant areas of overspend are in Clinical and General Supplies, both primarily due to activity being higher than planned. Movement in Premises & Fixed Plant in month was due to capitalisation of capital programmes previously charged to I&E.

Drugs expenditure is under spent in the month and year to date. Pharmacy is still reviewing to understand the exact reasons but it would appear to be due to over funding at budget setting for various schemes. In month is also largely due to variation in HIV provision which is expected to increase next month.

### Divisional Performance

The following table shows overall performance by division against budget.

Full Year Forecast	Full Year Budget	Division	Current Period Actual	Current Period Over / (Under) Spend	Year to Date Actual	Year to Date Over / (Under) Spend
£000	£000		£000	£000	£000	£000
(48,046)	(60,528)	Medical	(3,667)	2,826	(39,904)	11,547
(22,902)	(32,455)	Surgical	29	(463)	(19,530)	6,317
(28,222)	(29,051)	Women & Children	(2,189)	(365)	(23,132)	1,444
39,497	30,631	Clinical Support Services	3,488	682	34,152	8,319
69,702	60,978	Corporate	6,251	1,197	58,970	7,912
		Central Income & Exp.				
2,477	-	Central Income	-	-	-	-
12,845	11,921	Depreciation	920	(73)	10,623	690
19,473	13,890	Fixed Asset Impairment	196	196	14,384	494
19,893	19,873	Interest Payable - PFI	1,695	39	16,659	98
(483)	(272)	Net Interest Income	(2)	21	(347)	(120)
4,546	4,300	Capital Dividend	358	-	3,583	-
(134)	39	Other Non Operating	50	43	(86)	(119)
(1,095)	1,931	Specific Reserves	-	(175)	-	(1,577)
121	1,084	General Reserves	-	566	-	(543)
(9,035)	2,359	Turnaround Shortfall	-	(286)	-	(1,787)
<b>58,637</b>	<b>24,700</b>	<b>Total</b>	<b>7,129</b>	<b>4,208</b>	<b>55,372</b>	<b>32,675</b>

Note: Negative variances are favourable (under spends or over achievement of income targets) and positive variances are unfavourable.

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

The **Medical Division** over spend of £11.5m year to date and full year forecast of £12.5m. The largest part of the shortfall against CIP year to date is £5.6m, £4.4m of which relates to Pay. £2.4m is associated with Pay mostly on Medical Staff, agency and extra sessions especially around A&E. £1m is on Non Pay - medical consumables usage (activity related) and outsourcing costs for Endoscopy and £2.5m income under performance, mostly on central income. The major issues have been around dealing with A&E activity and not achieving LOS performance, to facilitate the closing of 3 wards.

The over spend in the **Surgical Division** is primarily related to its CIP / Turnaround shortfall of £0.3m in month and £3.2m year to date. There is also £0.3m of outsourced 2009/10 activity. The forecast outturn is an over spend of £9.5m, primarily due to: a forecast shortfall against the Turnaround target of £3.8m; £3.1m shortfall against income largely as a result of Finnamos; £2.0m of Pay mostly Medical Staff, then nursing; and £0.7m of Non Pay around supplies, both largely due to delivering over performance on activity. Run rate reduction was achieved on Non Pay through drugs but was outstripped by an increase in pay expenditure, anticipated to be one off from the implementation of the BSMS system.

The over spend in the **Women and Children Division** is primarily due to under performance against Central Income mainly in Midwifery, Gynaecology, Sexual Health and spend on agency midwives. The forecast outturn is a £0.8m over spend mainly due to under over spends on Medical Staffing £0.27m to cover rotas; Nursing and Midwifery staff £0.16m and Management and A&C £0.24m to cover vacancies and high sickness levels. Additionally there is failure against Pay CIP off £0.14m. The division has implemented some action plans, which have seen some reduction in pay run rate, but non pay is due to variation in drug spend, expected to reverse and non recurrent capitalisation.

In **Clinical Support** the year to date over spend of £8.3m is mostly due to Central Income under performance £6.3m – largely as a result of £5.9m central income, specifically from the Finnamos offer on Chemo drugs, outpatients, Direct Access and Breast Screening which is significantly lower than expected. Although Pay is only slightly over spent against budget over all, there is a £1.2m shortfall on Pay CIP. Non Pay is £0.6m over spent mostly due to Pathology activity, cancer drugs, orthotics and wheelchair services. The forecast outturn variance is £8.9m over spent.

The **Corporate Directorates** are £7.9m over spent year to date is from: £3.7m underperformance on income; £2.6m on Non Pay; and whilst Pay is under spent by £0.5m there is a £2.1m CIP / Turnaround shortfall year to date of which Pay is a large element. Sources of over spend stem from £1.1m in ancillary staff relating to ex laundry staff awaiting redeployment and PFI staff due to Sky A & B and external consultancy for Turnaround, HR and the Healthcare Campuses programme, and the non payment by the PCT's of the £1.8m ISTC transitional funding. Offsetting these is additional medical training income relating to 12 additional training posts. The forecast outturn is an over spend of £8.7m.

**Central Income & Expenditure** has favourable YTD and forecast variances due the release of the non pay inflation, invest to save and other centrally held reserves, partially offset by the £1.3m of prior year outsourcing invoices.

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

By the end of January, Turnaround and CIP savings had delivered £16.1m against a budget of £26.8m, an adverse variance of £10.7m. The forecast savings against budget is now £22.9m with the majority of attention on delivery of significant run-rate cost reduction in the final quarter, which is recorded in the overall financial out-turn. This includes the results of the review of project management resource which relates to capital projects previously recorded in expenditure, and controls to significantly reduce staff costs for both temporary staff and additional payments to permanent staff. The Trust forecast includes £7.0m of "Additional Activities" in expenditure reductions as part of these recovery plans as shown below. This has now been replaced by schemes totalling £10.1m as below:

Spend Area	Comment	Associated Risk	Overall Delivery Risk Level (H/M/L)	High Risk of Non-Delivery £M	Medium Risk of Non-Delivery £M	Low Risk of Non-Delivery £M	Risk Mitigation	Identified Likely @ 11/2/10
Stationery	Complete Ban on Stationery	Implementation delay	L			0.1	Implement immediately	0.1
Printing	Complete Ban on Printing for all non-essential clinical reasons	Implementation delay	L			0.1	Implement immediately	0.1
Hospitality	Complete ban on Hospitality	Implementation delay	L			0.0	Implement immediately	0.0
Turnaround and Corporate	Complete ban on all support management	Knock on effect of other schemes to be determined	M		0.1	0.3	Accept risks on turnaround and transformation schemes from resourcing inside directorates and Corporate	0.2
AHP	Complete ban on all AHP bookings at Trust	Potential effect on targets and diagnostic waits	H	0.8	0.2	0.2	Prioritise to cover cancer & A&E targets, and elective where clear business case exists	0.3
Nursing	Additional Session associated costs to be reduced for outpatients	Some risk of nurses being unwilling to work blitz clinics	M		0.0	0.0	Target willing workforce on most profitable clinics, push as much activity into existing clinic templates, create capacity by reducing Fus	0.3
Other A&C	Complete Ban on other A&C bookings	Potential effect on targets in relation to medical records and secretaries - prioritisation	H	0.3	0.1	0.1	Target available resources to ensure cancer letters and urgent reports to GPs are prioritised	0.1
Medical Staffing	Transfer of SPAs to PAs	Assumes 1 month and 66% uptake, which is not yet known.	H	0.3	0.1		DDs to lead major push to offer extra sessions to Drs who are willing to work for extra PAs	0.4
Medical contract change	Transfer of 0.5 SPA to DCC	Assumes 1 month & smooth consultation, whilst + PAs = reduces additional sessions	M	0.1	0.1		Implement consultation by 1st March - target released sessions at blitz lists etc, or reduce paid PAs by 0.5	0.0
Additional Session Rate	Enhance policy	Potential missed targets if doctors unwilling to work for normal PA rate	H	0.7	0.1		Enforce existing policy, and offer extra PAs to Drs willing to work at PA rate	0.0
Outpatient Procedures	Review of recoverability of procedures income and reduction in temporary sessions	PCTs veto change	M		0.1		Implement at risk	0.0
Theatre Usage	Use of theatres during clinical audit time for certain specialties	N/A	L			0.1	Implement immediately - where extra PAs/sessions are paid at £500, withdraw payment	0.1
PFI Small Works Ban	Delay of all small works until new year	Some urgent works not undertaken	L			0.0	Implement immediately	0.0
HCA	Increased milestone payments	N/A	L			0.8	Implement immediately	0.3
Stock	Communication on counting, substituting and utilising	None	L		0.2	0.5	Immediate action plan to address under-counted and priced areas	1.0
Capital Review Tranche 1	Review revenue for capitalisation	Full work not undertaken to identify thus far	M		1.5	1.0	Immediate and aggressive review of expended revenue - survey of staff to identify time spent on asset related projects.	2.0
Capital Review Tranche 2	Review revenue for capitalisation	Full work not undertaken to identify thus far	L		1.2	1.3	Immediate and aggressive review of expended revenue - survey of staff to identify time spent on asset related projects.	2.0
Telephony IT Outsourcing	Contract signature timing	Accounting to be agreed with external audit	H	2.0			Proceed at legal risk (to be quantified)	1.0
Soft FM Contract Extension	Milestone Payment	Negotiations to be carried out.	M		1.0		Proceed at legal risk (to be quantified)	1.0
Balance Sheet	Review Creditors Process and Other BS review	Full work not undertaken to identify thus far	M		1.2	0.3	Full review of all credit balance control accounts, review of provisions and accruals	0.8
Commercial R&D	Review Accrual	Full work not undertaken to identify thus far	L			0.1	Also review non-commercial R&D, and carry overall surplus to '10/11 as budget	0.1
Agency Rebate Negotiation	Negotiate 3% rebate from agencies	Commitment to agencies required	M	0.2	0.3		Engage external agency - Liaison or Bacon associates	0.2
High Cost Devices	Additional devices to be billed	PCT disputes	M	0.1	0.2		Bill full year, and accept risk of dispute	0.1
Depreciation	Review	Full work not undertaken to identify thus far	M		0.2		Review of asset lives and KGH asset value	0.1
				4.4	6.5	4.8		10.1
			Weight	0.1	0.5	0.9		
			Risk Value	0.4	3.3	4.3		
			Total Risk Assessed CIPS @ 31/12/10			8.0	Total Risk Assessed CIPS @ 11/2/10	10.1
			Q4 Target CIPS			15.1	Q4 Target CIPS	15.1
			Unidentified CIPS			7.1	Unidentified CIPS	5.0

Actual savings for the month of £2.3m were £700k below the divisional forecasts and did not include £1.8m relating to the recognition of run rate savings. The divisional forecasts included reductions of £105k relating to income plans in Medical division, £350k in Surgery arising from a reduction from coding (£160k), equipment (£114k), and £48k previously included for savings on anaesthetic on call costs, £20k in W&C and £215k across Corporate directorates.

	Jan YTD Actual	Jan YTD Budget	Variance	Full Year Div Forecast	Additional Activities	Current Forecast	Full Year Budget	Variance
<b>Efficiency</b>								
<b>Length of Stay</b>	400	2,618	-2,217	565	300	865	3,464	-2,599
<b>Outpatients</b>	0	188	-188	0	800	800	226	574
<b>Surgery Efficiency</b>	0	416	-416	0	300	300	531	-231
<b>Total Efficiency</b>	<b>400</b>	<b>3,222</b>	<b>-2,822</b>	<b>565</b>	<b>1,400</b>	<b>1,965</b>	<b>4,221</b>	<b>-2,256</b>
<b>Cost Reduction - Pay</b>								
<b>Temporary Staff</b>	2,665	3,646	-980	3,441	1,620	5,061	4,572	489
<b>Structure</b>	3,000	2,504	497	4,013	1,895	5,908	3,008	2,900
<b>Service Delivery</b>	0	0	0	0	0	0	0	0
<b>Total Cost Reduction Pay</b>	<b>5,666</b>	<b>6,149</b>	<b>-484</b>	<b>7,454</b>	<b>3,515</b>	<b>10,969</b>	<b>7,580</b>	<b>3,389</b>
<b>Cost Reduction - Non-Pay</b>								
<b>Procurement</b>	1,916	2,855	-940	2,454	770	3,224	3,454	-230
<b>Estates</b>	3,090	3,671	-581	4,150	65	4,215	4,405	-191
<b>Other</b>	75	825	-750	270	630	900	1,193	-293
<b>Total Cost Reduction - Non-Pay</b>	<b>5,081</b>	<b>7,351</b>	<b>-2,270</b>	<b>6,874</b>	<b>1,465</b>	<b>8,339</b>	<b>9,053</b>	<b>-714</b>
<b>Income</b>								
<b>Clinical Coding</b>	2,225	5,764	-3,539	2,946	0	2,946	7,135	-4,189
<b>Private Partnerships</b>	901	735	165	2,647	200	2,847	1,046	1,801
<b>Service Delivery</b>	333	0	333	410	0	410	0	410
<b>Overdelivery (18 week)</b>	0	0	0	0	400	400	0	400
<b>Commercialisation</b>	184	87	97	241	0	241	104	137
<b>Other</b>	1,357	705	652	1,723	0	1,723	846	876
<b>Total Income</b>	<b>5,000</b>	<b>7,291</b>	<b>-2,291</b>	<b>7,967</b>	<b>600</b>	<b>8,567</b>	<b>9,131</b>	<b>-564</b>
<b>Sub-total</b>	<b>16,147</b>	<b>24,014</b>	<b>-7,867</b>	<b>22,860</b>	<b>6,980</b>	<b>29,841</b>	<b>29,986</b>	<b>-145</b>
<b>Gap to Achieve Budget</b>	0	4,672	-4,672	0	0	0	5,883	-5,883
<b>sub-total</b>	<b>16,147</b>	<b>28,686</b>	<b>-12,539</b>	<b>22,860</b>	<b>6,980</b>	<b>29,841</b>	<b>35,869</b>	<b>-6,028</b>
<b>less Reserve included in Budget</b>	0	-2,042	2,042	0	0	0	-2,568	2,568
<b>Total</b>	<b>16,147</b>	<b>26,644</b>	<b>-10,497</b>	<b>22,860</b>	<b>6,980</b>	<b>29,841</b>	<b>33,300</b>	<b>-3,459</b>

\*\*\* £6,980K Additional Activities is now superseded by the £10,100K.

The actual deliverables to date and key confirmed forecast actions for each of the programmes are as follows:

- **Length of Stay**
  - The additional length of stay savings in the 4<sup>th</sup> quarter supplement the forecast reductions included the closure of 1 ward which has not happened due to additional pressures on demand. Any continued pressure on demand will put delivery of savings arising from this first ward under threat for February, and the plans for 2 additional wards to close by the end of March.
  
- **Outpatients**
  - The additional £800k arising from the improvements in 1<sup>st</sup> to follow up rates remains in the forecast although there is still a delay in finalising agreement with the PCT's on confirming the methodology for measuring the improvement. Levels continue show an improvement to more than 7%, and remain stable.
  - Capital investment for the delivery of self-service check-in telephony services continue on track for March 2010.
  - This project has now moved back into a business as usual environment, but will be tracked from a financial perspective until the end of the year.
  
- **Surgery Efficiency**
  - January efficiency levels rose to 86% in January following a small dip in December. The target was to achieve 85%, but further effort is now being made to review specific sessions where operational productivity is falling below expectations
  - Clinical audit time continues to be used to provide additional operating time.
  - Additional sessions continue for key 18 week target specialties, including ENT and Orthopaedics.
  
- **Cost Reduction - Pay**
  - Pay expenditure procedures have been tightened for approval of sessions, requests for temporary staff. The Resource Control Group (RCG) imposed a requirement to ban all temporary staff which did not have full justification and executive approval. Those impacted are now in the process of serving notice.
  - The divisions have been working to increase the number of sessions paid at normal rates through the use of SPA's for clinical sessions, offering additional PA's, and ensuring that any additional session payments are clearly tied to incremental income activity.
  - New policies have been developed for approving additional costs through the Resource Control Group and for the use of payments for additional sessions.
  
- **Cost Reduction – Non-Pay**
  - Non-pay expenditure continues to be scrutinised daily by the RCG. Authorisation levels have been reduced to ensure greater management visibility of expenditure requests prior to review by the RCG. All stationery and printing requests now require divisional manager approval before submission.
  - Action plans are now being implemented to reduce procurement and drugs expenditure and held stock levels.
  - The cabinet trials at KGH have highlighted that the stock carried in the trials represents 65 days stock, highlighting the fact that further significant improvement can be made through the better use of automation.
  
- **Income generation**
  - The building work for HCA has been completed on schedule, with the unit set to open on 15<sup>th</sup> February. The income from the milestone payments has now been finalised with a resultant increase of £200k over initial expectations..
  - No new divisional income schemes have been added in the month and outstanding medical and surgical income CIP's have been removed from targets although there is still the expectation that additional income will be generated from additional work for 18 week waiting targets. Whilst this activity will deliver some additional

efficiency, e.g. in theatres, this has been removed from the Turnaround/PEQ forecasts.

## Divisional Analysis

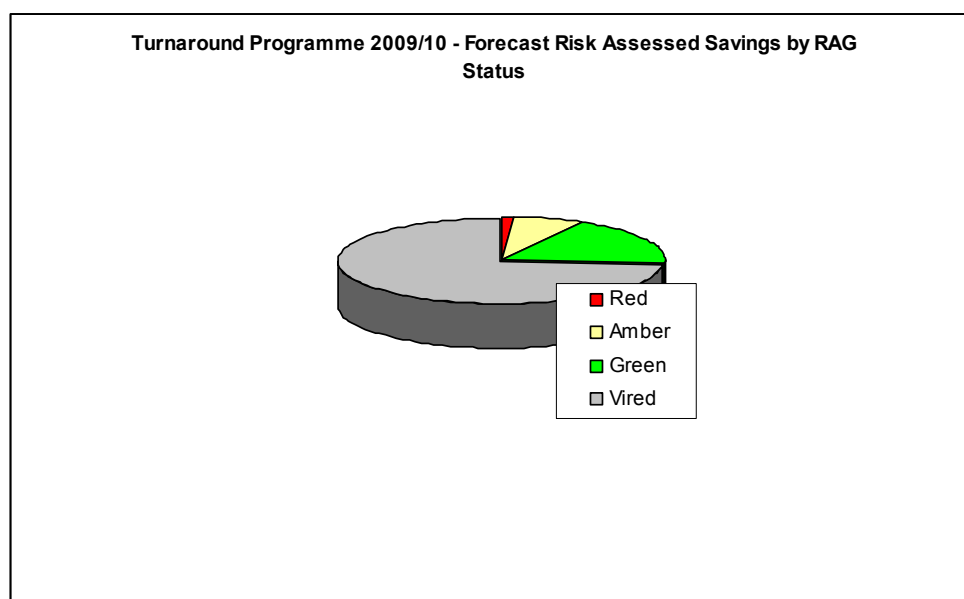
The breakdown of the year to date and forecast outturn position by Clinical Division and Corporate Directorate is set out in the table below:

(£'000)	Jan YTD Actual	Jan YTD Budget	Variance	Full Year Div Forecast	Additional Activities	Current Forecast	Full Year Budget	Variance
<b>Medical</b>	924	6,447	-5,523	1,147	1,767	2,914	8,257	-5,343
<b>Surgical</b>	2,983	6,075	-3,092	3,898	1,752	5,650	7,484	-1,834
<b>Women &amp; Children</b>	3,287	3,617	-330	4,110	1,022	5,132	4,538	593
<b>Clinical Support</b>	3,584	4,828	-1,244	6,011	435	6,446	5,976	469
Corporate:								
<b>Chief Executive</b>	408	402	6	490	0	490	483	7
<b>Head of Turnaround</b>	395	1,112	-717	750	1,315	2,065	1,316	749
<b>Director of Finance</b>	282	662	-380	482	183	665	805	-141
<b>Head of Estates</b>	3,764	4,672	-909	5,026	465	5,491	5,799	-308
<b>Director of Human Resources</b>	153	181	-28	184	42	226	220	6
<b>Director of Performance &amp; Planning</b>	36	63	-27	71	0	71	116	-45
<b>Medical Director</b>	89	391	-302	400	0	400	588	-188
<b>Director of Nursing</b>	242	236	6	291	0	291	286	5
<b>Sub-total</b>	<b>16,147</b>	<b>28,686</b>	<b>-12,539</b>	<b>22,860</b>	<b>6,980</b>	<b>29,841</b>	<b>35,869</b>	<b>-6,028</b>
<b>less Reserve included in Budget</b>	0	-2,042	2,042	0	0	0	-2,568	2,568
<b>Total</b>	<b>16,147</b>	<b>26,644</b>	<b>-10,497</b>	<b>22,860</b>	<b>6,980</b>	<b>29,841</b>	<b>33,300</b>	<b>-3,459</b>

\*\*\* £6,980K Additional Activities is now superseded by the £10,100K.

## Assessment of Risk Ratings for Schemes

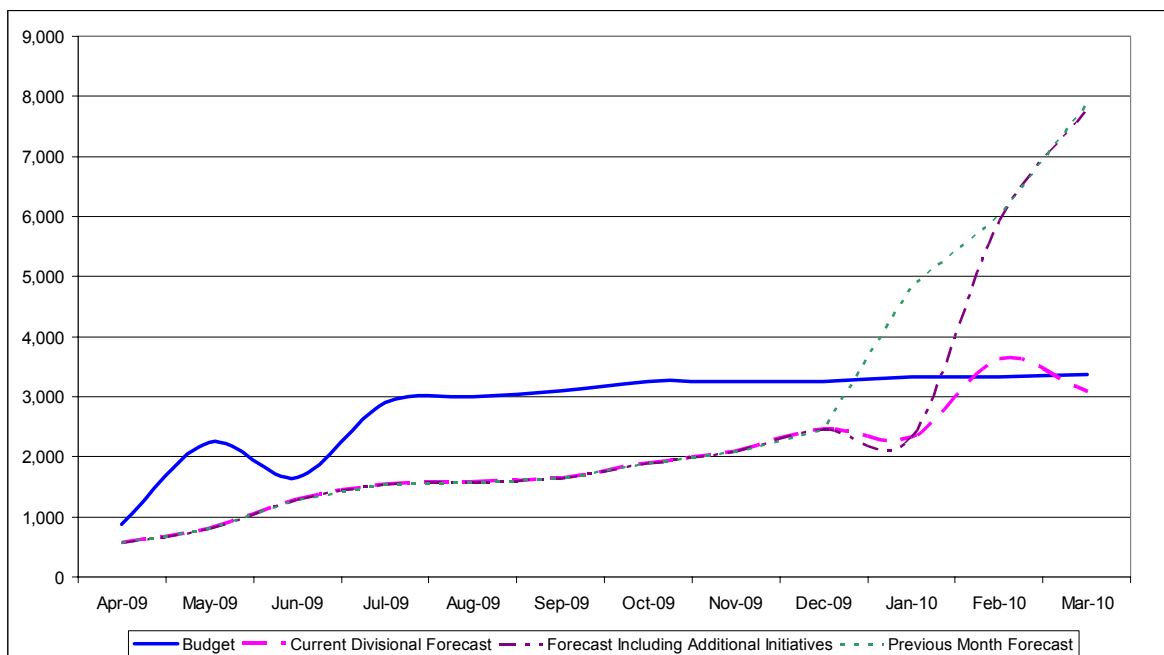
The current forecast of £29.8 shows that 74% of schemes have been vired against budgets, and, of the remaining 26%, for the remainder of the year, 18% are considered green. Delivery of these activities still carries some risk, including the need to achieve further significant run-rate expenditure reductions.



	Red	Amber	Green	Vired	Total
<b>Efficiency</b>					
Length of Stay	0	375	30	537	942
Outpatients	0	0	842	0	842
Surgery Efficiency	0	0	316	0	316
<b>Total Efficiency</b>	<b>0</b>	<b>375</b>	<b>1,188</b>	<b>537</b>	<b>2,100</b>
<b>Cost Reduction - Pay</b>					
Temporary Staff	100	0	1,668	3,441	5,209
Structure	115	1,054	1,198	3,859	6,226
Service Delivery	0	0	0	0	0
<b>Total Cost Reduction Pay</b>	<b>215</b>	<b>1,054</b>	<b>2,867</b>	<b>7,300</b>	<b>11,436</b>
<b>Cost Reduction - Non-Pay</b>					
Procurement	571	59	653	2,357	3,640
Estates	0	123	163	3,962	4,248
Other	0	325	573	96	994
<b>Total Cost Reduction - Non-Pay</b>	<b>571</b>	<b>507</b>	<b>1,388</b>	<b>6,415</b>	<b>8,881</b>
<b>Income</b>					
Clinical Coding	245	152	0	2,825	3,221
Private Partnerships	0	0	234	2,607	2,841
Service Delivery	0	0	0	410	410
Overdelivery (18 week	0	500	0	0	500
Commercialisation	0	0	0	241	241
Other	0	0	33	1,651	1,684
<b>Total Income</b>	<b>245</b>	<b>652</b>	<b>267</b>	<b>7,734</b>	<b>8,897</b>
<b>Total</b>	<b>1,031</b>	<b>2,587</b>	<b>5,710</b>	<b>21,985</b>	<b>31,314</b>
<b>Total Risk Weighted</b>	<b>361</b>	<b>2,070</b>	<b>5,425</b>	<b>21,985</b>	<b>29,841</b>
<b>% of Total</b>	<b>1.2%</b>	<b>6.9%</b>	<b>18.2%</b>	<b>73.7%</b>	<b>100%</b>

## Turnaround Profile

The dependence on the delivery between now and the end of March 2010 includes a number of non-recurrent savings which are included in February or March, including Outpatient first to follow up income and IT delivery changes. Pressure remains to deliver significant increases in monthly savings during the 4<sup>th</sup> quarter.



## 5. Reference Costs 2008/09

The 2008/09 Reference Cost results for England have now been published.

BHRUT's overall index score, MFF adjusted, is 102. This is the same as last year's overall score. At first sight this is a little disappointing, as we had almost 10% more patient episodes (FCEs) than last year, for only a 3% real-terms increase in cost. Indeed this is reflected in improved scores for Non-electives and excess beddays. And we also have significant improvements in many of the other scores.

The main problems lie in the OAS (Other acute services) and Unbundled services. OAS consists of Direct Access, regular Day Patients, plus the Coronary Care Unit, and Audiology. The unbundled contains outpatient diagnostic imaging, Chemotherapy, Radiotherapy, Rehab, and high cost drugs.

Reference costs scores are measured against a national average of 100, and express our actual cost divided by the "expected" (national average) cost for that volume of activity. Scores below 100 indicate better than average performance. Inpatient activity is still measured in Finished Consultant Episodes (FCEs) rather than spells for this purpose. The MFF-adjusted scores take account of regional cost variations.

Considering BHRUT's MFF-adjusted scores for each of the reporting categories:

- Daycases/Elective inpatients, Nonelective inpatients, excess bed days, Critical Care beddays and Outpatients are all between 98 and 100. So our costs for these services are up to 2% below average. The increase in activity might have led us to expect to be a couple of points better than this, but evidently the national standard has risen. Note that the excess bedday score relates to the cost per day rather than the number of days incurred.
- Our score for A&E services has improved, though still poor. It now stands at 118 (MFF adjusted), implying that our cost of £23.5m is still some £3.6m too high. Nationally, there was such a wide variation in the reported detail that the costing team still regard the results in this area to not be reliable enough to use for tariff –setting, though this has more to do with the detailed split of costs than the overall costs of the service. (Note that the Observation wards are now reported in Nonelectives, not the A&E category)
- Other Acute services had an overall score of 109. This comprises several different elements: Direct Access Pathology & Physiological measurement, regular Day Patients, Coronary Care Unit, and Audiology. The biggest part of this, and that with the poorest score of 129, is Direct Access Pathology. That area has long suffered difficulties with data definitions nationally, and for which we had incomplete data that year.
- Unbundled services had an overall score of 122. This consists of Outpatient diagnostic imaging, Rehab beddays, Chemotherapy, Radiotherapy and high cost drugs. Some of the unbundled services are relatively new categories in Reference costs so the results tend to be more volatile as organisations develop their ability to report them. Our poorest scores relate to Chemotherapy and high cost drugs, both of which involve matching of drug costs to activity which is recorded in different systems. This trust has included the full pharmacy on-costs & overheads in its drug & chemotherapy costs, but we also struggle to identify all of the related activity. Consequently our costs may be higher than those who report the basic drug cost only, while our activity measure may be short.
- Patient Transport has a score of 110. This measure is of the cost per attendance (for those patients requiring transport)
- For Community services we had a score of 78. This relates almost entirely to the community midwives. This is a further improvement on last year; our score in this area has been below 91 since 2005/06

Further analysis of our results will be undertaken. It is hoped to provide an analysis of the inpatient & daycase activity which will create an index score for each specialty, and to identify for each specialty their most significant "high & low cost" HRGs.

Comparison of Reference Cost Index Scores for BHRUT (National Average = 100)													Total inc XBDS		Total exc XBDS		Statistics	
Year	Category	EL	NEL	XBDs	CCS	OP	OAS	CMMTY	ACC	TrI	A&E	UB	MFF	FCEs	£ Quantum			
2003/04	gross	106	97	116	98	93	105	216					100.51	99.79	122169	248,136,863		
	MFF adjusted	102	94	112	95	90	102	210					<b>97</b>	<b>97</b>	1.03333			
2004/05	gross	106	91	109	104	103	118	120					102	101	134491	289,242,310		
	MFF adjusted	102	88	105	100	99	113	116					<b>98</b>	<b>98</b>	1.03632			
2005/06	gross	103	86	107	104	102	112	88					98	97	145942	313,202,710		
	MFF adjusted	100	84	103	100	99	108	86					<b>95</b>	<b>94</b>	1.03267			
2006/07	gross	115.9	95.9	138.1	120.8	123.8	124.7	77.5	104.8			100.5	111	110	145484	326,178,256		
	Revised 20/12/07 MFF adjusted	112.3	92.9	133.9	117.1	120.0	120.9	75.1	101.6			97.4	<b>107</b>	<b>106</b>	1.03175			
2007/08	gross	107.3	112.4	114.2	115.3	113.1	113.3	99.4	-	133.6	134.5	121.3	112	112	139163	348,210,983		
	MFF adjusted	97.8	102.5	104.1	105.1	103.1	103.3	90.6	-	121.8	122.5	110.5	<b>102</b>	<b>102</b>	1.09717			
2008/09	gross	108.6	107.7	108.9	109.0	108.5	119.6	86.0		120.2	129.5	134.3	112	112	152698	371,760,829		
	MFF adjusted	99.0	98.1	99.3	99.3	98.9	109.0	78.4		109.6	118.0	122.4	<b>102</b>	<b>102</b>	1.09720			
Change in index 2008/09 vs 2007		-1.19	4.37	4.79	5.76	4.18	-5.73	12.24		12.19	4.51	-11.89	0.20	-0.02				

## 6. Balance Sheet

A detailed balance sheet is shown below : £000							Note
	← Y/E Bal		Actual →		Movements		
	Y/E Bal	Y/E Bal	Prior Mth	Current	Mth	YTD	
	Mar 09	Mar 09	Dec-09	Jan-10			
	GAAP	IFRS	IFRS	IFRS			
<b>Fixed Assets</b>							
Intangible	1,485	1,528	1,235	1,754	519	226	
Tangible	187,532	407,490	377,533	377,881	347	(29,609)	1
<b>Total</b>	<b>189,017</b>	<b>409,018</b>	<b>378,768</b>	<b>379,635</b>	<b>866</b>	<b>(29,383)</b>	
<b>Current Assets</b>							
Inventories	5,608	5,608	5,915	5,839	(75)	231	
NHS Debtors	10,271	10,271	18,485	3,167	(15,318)	(7,104)	2
Non NHS Trade Debtors	4,092	4,092	4,791	4,433	(358)	341	
Provision for Irrec debts	(2,355)	(2,355)	(2,543)	(2,311)	232	44	
Other Debtors	37,704	38,014	11,053	18,159	7,106	(19,855)	3
Cash in hand and at Bank	1,370	1,370	4,603	4,357	(247)	2,987	
	56,690	57,000	42,303	33,644	(8,660)	(23,356)	
<b>Current Liabilities</b>							
NHS Creditors	(8,654)	(8,654)	(10,776)	(13,089)	(2,313)	(4,435)	4
Non NHS Trade Creditors	(14,698)	(14,699)	(16,883)	(18,328)	(1,445)	(3,629)	4
Other Creditors	(706)	(706)	(1,763)	(2,142)	(379)	(1,436)	
Taxes and Social Sec. Costs	(5,071)	(5,071)	(5,272)	(5,264)	8	(193)	
Accruals	(5,355)	(5,355)	(9,167)	(14,729)	(5,562)	(9,374)	
Other PFI Liabilities	-	(8,557)	(8,644)	(4,795)	3,848	3,762	
Deferred Income	(1,180)	(1,180)	(7,859)	(3,674)	4,185	(2,494)	5
Temporary Loan - DH	-	-	(5,000)	(5,000)	-	(5,000)	
	(35,664)	(44,222)	(65,363)	(67,021)	(1,658)	(22,799)	
<b>Net Current Assets/Liabilities</b>	<b>21,026</b>	<b>12,778</b>	<b>(23,060)</b>	<b>(33,377)</b>	<b>(10,318)</b>	<b>(46,155)</b>	
Debtors > 1 year	31,474	29,031	29,836	29,846	11	815	
<b>Total Assets less Liabilities</b>	<b>241,517</b>	<b>450,827</b>	<b>385,544</b>	<b>376,104</b>	<b>(9,441)</b>	<b>(74,723)</b>	
<b>Creditors &gt; 1 year</b>							
Long term Loans-SBS	(470)	(470)	(470)	(470)	-	-	
PFI Liabilities and Finance Leases	-	(267,608)	(265,573)	(263,809)	1,765	3,799	
Provisions for liabilities	(7,992)	(7,990)	(7,471)	(7,284)	188	706	
Deferred Income	(5,555)	(5,555)	(5,396)	(5,591)	(195)	(36)	
<b>Net Assets</b>	<b>227,500</b>	<b>169,204</b>	<b>106,634</b>	<b>98,950</b>	<b>(7,684)</b>	<b>(70,254)</b>	
<b>Financed by:-</b>							
Public Dividend Capital	285,574	285,574	285,574	285,574	-	-	
Revaluation Reserve	16,148	17,209	3,043	2,497	(546)	(14,712)	
Donated Asset Reserve	1,100	1,100	938	929	(9)	(171)	
Income & Expenditure Reserve	(75,322)	(134,679)	(182,922)	(190,051)	(7,129)	(55,372)	6
<b>Total Taxpayers Equity</b>	<b>227,500</b>	<b>169,204</b>	<b>106,634</b>	<b>98,950</b>	<b>(7,684)</b>	<b>(70,254)</b>	

## Opening Balance Sheet

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

## Balance Sheet Movements

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

1. Tangible Assets deduction of £347k. This consists of normal in-month changes for additions, depreciation and adjustments in respect of the IFRS opening balance restatement.
2. NHS Debtors have gone down by £15.3m mainly due to advance payments (£11.8m) received from PCTs, to alleviate the cash flow difficulties.
3. Other Debtors have decreased by £7.1m this month mainly due to the prepayment on the PFI Unitary payment - Catalyst invoice for the fourth quarter.
4. December's NHS Creditors and Non NHS Trade Creditors have increased by £3.8m from prior month level of £27m, £10.5m of which is overdue for payment, due to the adverse cash position.
5. The Deferred Income has decreased by £4.2m after taking into I&E income for the first month of this quarter on Medical and Professional Education Training fees (MPET)
6. This month the Trust has reported an overall deficit of £7.1m (see detailed explanation in the I&E report)

## Balance Sheet KPIs

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

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

## 7. Cashflow

The cash flow tables below present the actual cash flow to end of January 2010 and monthly forecast cash flow to year-end, on both a cash inflow/outflow basis (Table 1) and an Income and Expenditure basis (Table 2):

Table 1 – Monthly Cash flow – Actual and Forecast (2009/10)

<b>Barking, Havering &amp; Redbridge University Hospitals NHS Trust</b>						
<b>Monthly Cash Flow Forecast (2009/10)</b>						
	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>TOTAL</b>
	<b>Cum'tive</b>	<b>Actual</b>	<b>Actual</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash Inflows</b>						
Host PCT Income	196,145	23,495	31,135	27,824	6,924	285,523
Other PCT Income	26,996	4,133	4,186	4,633	3,591	43,539
SLA Overperformance	2,983	-	-	-	-	2,983
Other Income	33,497	2,636	3,358	2,224	2,853	44,568
VAT Recovered	6,228	2,142	-	271	1,841	10,482
Temporary Loan (DH)	-	5,000	-	-	-	5,000
Land Sale Receipts	27,825	-	-	-	5,760	33,585
Interest Received	34	-	-	-	-	34
	<b>293,708</b>	<b>37,406</b>	<b>38,679</b>	<b>34,952</b>	<b>20,969</b>	<b>425,714</b>
<b>Cash Outflows</b>						
<i>Pay</i>						
Monthly payroll	(88,537)	(10,767)	(11,085)	(10,952)	(10,951)	(132,292)
Weekly payroll	(471)	(87)	(88)	(95)	(80)	(821)
PAYE	(41,643)	(5,362)	(5,274)	(5,300)	(5,300)	(62,879)
Superannuation	(20,535)	(2,604)	(2,603)	(2,600)	(2,600)	(30,942)
	<b>(151,186)</b>	<b>(18,820)</b>	<b>(19,050)</b>	<b>(18,947)</b>	<b>(18,931)</b>	<b>(226,934)</b>
<i>Non-Pay</i>						
PFI Payment	(38,041)	-	(12,352)	-	-	(50,393)
Creditor Payments	(104,588)	(13,097)	(7,522)	(15,666)	(220)	(141,093)
PDC Dividend	(2,150)	-	-	-	(2,420)	(4,570)
Temporary Loan - Repayment	-	-	-	-	-	-
	<b>(144,779)</b>	<b>(13,097)</b>	<b>(19,874)</b>	<b>(15,666)</b>	<b>(2,640)</b>	<b>(196,056)</b>
<i>Net Cash in/(out) Flow</i>	<b>(2,257)</b>	<b>5,489</b>	<b>(245)</b>	<b>339</b>	<b>(602)</b>	<b>2,724</b>
<i>Balance b/fwd</i>	<b>1,370</b>	<b>(887)</b>	<b>4,602</b>	<b>4,357</b>	<b>4,696</b>	<b>1,370</b>
<b>Cash Balance C/Fwd</b>	<b>(887)</b>	<b>4,602</b>	<b>4,357</b>	<b>4,696</b>	<b>4,094</b>	<b>4,094</b>

The increase in the Trust's deficit has led to further strains on the cash position. Consequently the current situation remains the same. Even though large amount of creditors were paid in February; it is unlikely we could be able to pay more than 14m in total for February and March without the receipt of the additional loan of 5m as expected.

Table 2 – Cash Flow on Income & Expenditure basis

**Summary Cashflow - I&E**

	<u>APR- Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>TOTAL</u>
	<u>M1-M8</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>£000</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>EBITDA</b>	3,298	(9,723)	(4,173)	3,187	5,397	(2,014)
Post adjustment	-	168				168
Transfer from donated reserve	(74)	(9)	(37)	(9)	(9)	(139)
Dec/(Incr) in land sale debtors	27,825				5,760	33,585
Dec/(Incr) in Trade prepayment and debtors	(19,825)	(2,950)	9,751	1,927	2,500	(8,597)
Dec/(Incr) in other debtors	3,331	5,382	2,054	1,500	(6,500)	5,767
DH Temporary Loan	-	5,000				5,000
(Dec)/Incr in creditors	12,071	6,492	1,299	(5,919)	(5,485)	8,458
(Dec)/Incr in provisions	(499)	19	(187)		385	(283)
Dec/(Incr) in stock	(100)	(206)	75		(12)	(243)
CAPEX	(5,866)	(838)	(2,288)	(350)	(350)	(9,692)
Interest paid on PFI/leases	(14,938)		(4,978)			(19,916)
Interest receivable	340	5	2	4	133	483
Repayment of PFI/leases	(3,520)		(1,764)			(5,284)
Payment PDC dividends	(2,150)				(2,419)	(4,569)
Loan Repayment						-
<b>Net increase / (decrease in cash)</b>	<b>(107)</b>	<b>3,339</b>	<b>(245)</b>	<b>339</b>	<b>(601)</b>	<b>2,724</b>
<b>Opening Cash Balance</b>	<b>1,370</b>	<b>1,263</b>	<b>4,602</b>	<b>4,357</b>	<b>4,696</b>	<b>1,370</b>
<b>Closing Cash Balance</b>	<b>1,263</b>	<b>4,602</b>	<b>4,357</b>	<b>4,696</b>	<b>4,094</b>	<b>4,094</b>

## 8. Capital Programme

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

<b>Description</b>		<b>Capital Resources Allocation</b>	<b>Program Schemes Expenditure to date</b>	
	£'000			
<b>Capital Resources</b>				
2008-09 B/Fwd Schemes	4,849	13,100	8,347	Trust Spend
2009-10 Capital Schemes	8,251			
PFI- MES Capitalisation- IFRS Impact	1,100	1,100	2,116	PFI Finance lease
		<b>14,200</b>	<b>10,463</b>	

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

Currently the approved Schemes total £17.1m which exceeds the Trust's total capital resource limit of 14.2m. However the expenditure to date is £10.5m, which consists of £8.3m the Trust spend and £2.1m funded by PFI-Finance lease. Please note the resource allocated for MES capitalisation was only £1.1 but spend has exceed this by £1.0 m.

Furthermore, a number of schemes will be completing in the next financial year resulting in a carry forward commitment of £6.9m to 2010-11.

The capital programme also includes the HCA Ward Conversion scheme for £1.6m, which is funded by the HCA and also Privacy and dignity fund of 292k for Single Sex Work.

## 9. Better Payment Practice Code (“BPPC”)


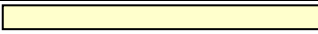

Under the better payment practice code, invoices received from trade creditors should be paid within 30 days of the receipt of goods or a valid invoice (whichever is later), unless other payment terms have been agreed. The target is to pay 95% of such sums due.

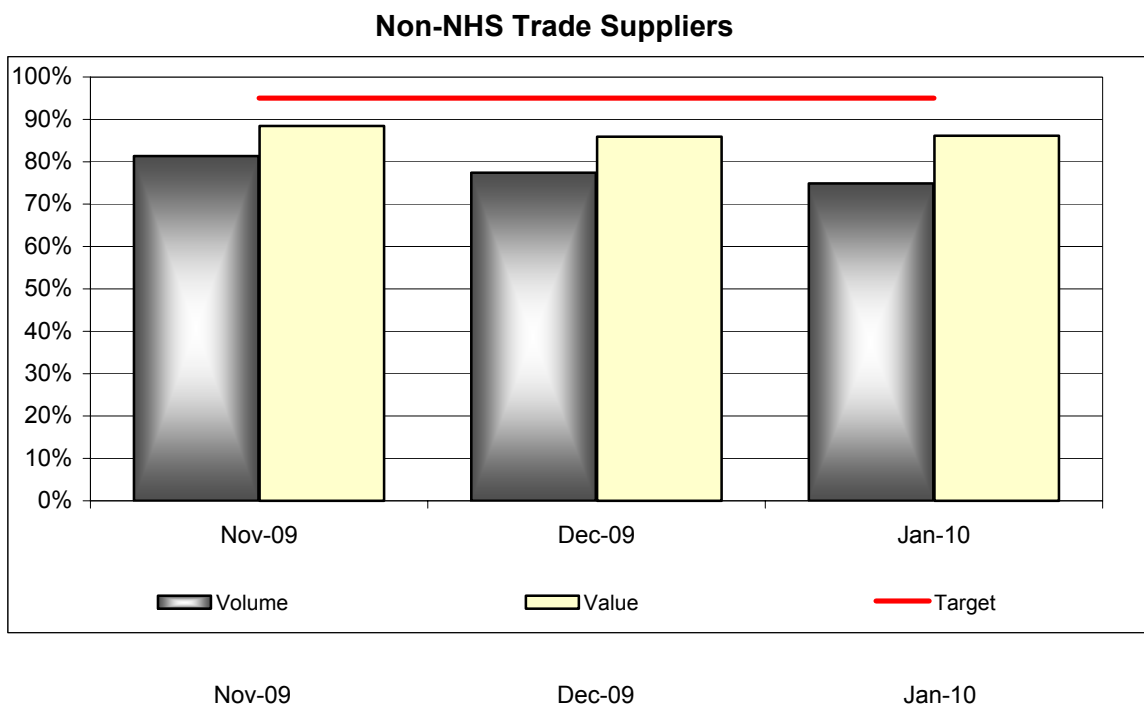
The Trust performance has remained at similar levels compared to previous months in respect of non-NHS creditors, settling 86.13% (prior month YTD: 85.93%) by value and 74.88% (prior month YTD: 77.40%) by volume. Notwithstanding this, unapproved invoices do not appear in these figures.

NHS creditor performance slightly deteriorated compared to the previous month, with 54.08% (prior month YTD: 54.86%) by value and 68.88% (prior month YTD: 69.19%) by volume being settled within 30 days.

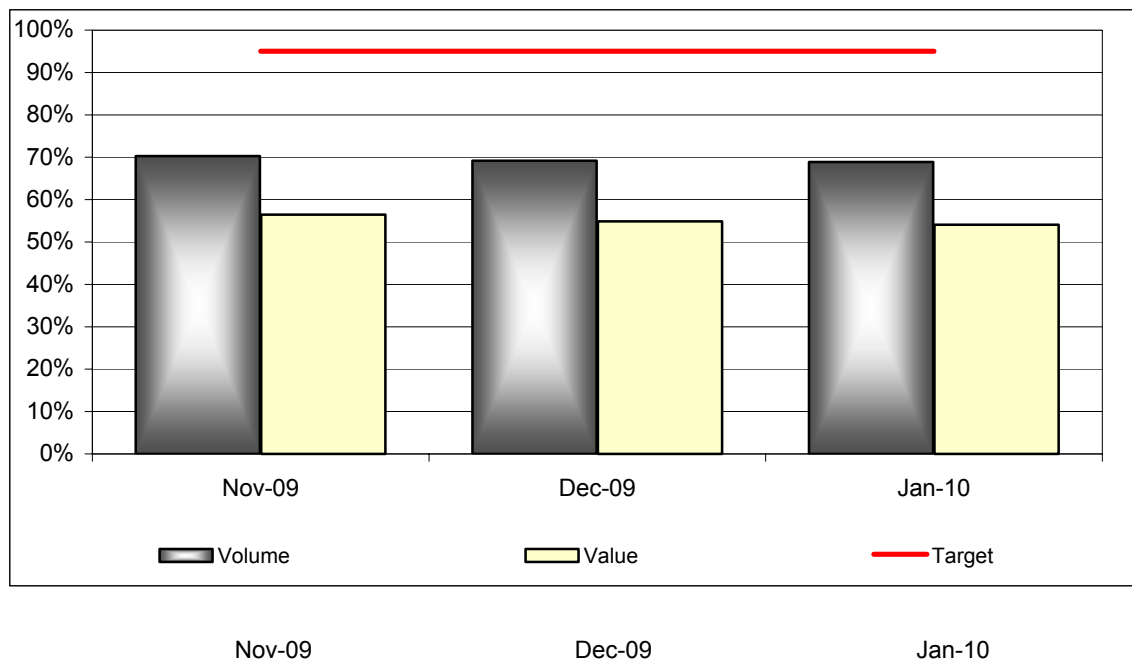
This period’s overall performance (on both Non-NHS creditors and NHS creditors) highlights the cash flow constraints which the Trust is continuously experiencing.

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

Key to tables	
	% of invoices paid within 30 days by volume
	% of invoices paid within 30 days by value
	Target 95% of invoices paid within 30 days



## NHS Suppliers



## 10. Financial Risk Rating

The Department of Health have a methodology by which NHS organisations are to be financially risk-assessed. It is similar to the risk ratings previously used by the Provider Agency at NHS London and by Monitor for Foundation Trusts, but adapted for applicability to NHS Trusts. 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 January is 1.40, (unchanged from December). The main points to note across the five main components are:

1. **Initial planning.** The score is 1 (lowest), due to the size of the Trust's planned deficit of £10.8m (2.7% of income – threshold for a 2 being below 2%)
2. **Year to date position.** This is measured against both the Trust's bottom line position and EBITDA (Earnings before Interest, Tax, Depreciation & Interest) year to date position, as a % of income. The Trust has a year to date bottom line deficit which is 12.9% of income (threshold between 1 and 2 is 2%) and a negative EBITDA of 3.3% (threshold is positive 1%), which both attract a score of 1.
3. **Forecast Outturn.** This has 3 elements; forecast outturn for both the bottom line position and EBITDA. The third element relates to consistency of forecasting of the bottom line position. The Trust scores a 1 this month for the first two and a 2 for the consistency of forecast score.
4. **Underlying financial position.** This is measured on both bottom line and EBITDA and the Trust scores 1 and 1 respectively on both.
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 80% and 75% respectively in January, which gives a score of 2 (thresholds being 60% and 95%)

- b. Current ratio, i.e. current assets divided by current liabilities (an indicator of liquidity). The Trust's ratio is 0.54 (i.e. current assets are 70% 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 January performance is 18 days, i.e. debtors represent 18 days of forecast annual income as at the end of January. This scores a 3 (threshold being 30 days for a 3). The particularly favourable result here is influenced by prepayments by PCTs of contract income.
- d. Creditor days, i.e. the value of creditors expressed as number of days expenditure. The Trust's January performance is 32 days, i.e. creditors represent 32 days expenditure as at the end of January. This scores a 2 (threshold being 30 days for a 3).

The detailed breakdown for January is found at appendix 7.

Appendix 8 replicates the Finance Dashboard which is also contained within the monthly Trust Board Performance report. The Dashboard summarises on one page all the key financial data, indicators and metrics for the month, including the financial risk rating.

## 11. Financial Risks and Opportunities

The key outstanding risks in January are:

### Income and Activity performance.

- Fynamores has been finalised at £21.3m.
- Outpatient First to Follow Up potential upside (£1.2m)
- Over performance upside from Whipps Cross Norovirus.
- PCT challenges to be formally resolved (provision made and in the position for assessed risk, referred to in income section).

### Expenditure

- There is a Turnaround CIP to be achieved of £10.1m and some further run rate reductions to be achieved over the remaining 2 months.
- It is now imperative that all non essential discretionary spend is curtailed for the remainder of 2009/10. Part of this will be to identify and appropriately cease all activity relating to unpaid over performance especially where it doesn't impact on targets and where we are incurring marginal costs.

### Cash

- Receipt of outstanding contracted land sale receipts during the year (Countryside) of £5m expected in March.

There are some potential opportunities / surpluses, not currently factored in to the forecast outturn position, which would help to mitigate the forecast overspend:

- Potential historic VAT claim ('Conde Naste') £1.0m.

**Income Statement  
to JANUARY 2010**

Full Year Budget £'000	JANUARY 2010			Year to date		
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
<b>INCOME</b>						
(368,964) NHS Clinical Income	(25,403)	(28,058)	2,655	(293,970)	(307,512)	13,542
(2,872) Non NHS Clinical Income	(262)	(242)	(21)	(2,997)	(2,436)	(560)
(28,015) Other operating income	(2,193)	(2,772)	578	(21,169)	(21,876)	706
<b>(399,852)</b>	<b>(27,859)</b>	<b>(31,072)</b>	<b>3,213</b>	<b>(318,137)</b>	<b>(331,824)</b>	<b>13,688</b>
<b>EXPENSES</b>						
258,142 Pay - NHS	20,325	21,466	(1,141)	207,955	213,318	(5,362)
1,149 Non NHS Pay	1,838	30	1,808	19,387	1,087	18,300
<b>259,291</b> Total Pay	<b>22,163</b>	<b>21,496</b>	<b>667</b>	<b>227,342</b>	<b>214,405</b>	<b>12,937</b>
30,628 Drugs	2,269	2,650	(381)	24,304	25,328	(1,025)
23,235 Clinical Services (exc Drugs)	2,017	1,900	117	21,099	19,450	1,648
61,540 Other Non Pay (exc depreciation)	5,582	4,950	632	55,822	51,476	4,346
<b>115,404</b> Total Non Pay (exc depreciation)	<b>9,868</b>	<b>9,500</b>	<b>368</b>	<b>101,225</b>	<b>96,255</b>	<b>4,970</b>
<b>374,695</b> Total Exp (exc depreciation)	<b>32,031</b>	<b>30,996</b>	<b>1,035</b>	<b>328,567</b>	<b>310,659</b>	<b>17,908</b>
<b>Earnings before interest, tax depreciation, amortisation</b>						
<b>(25,157)</b>	<b>4,173</b>	<b>(76)</b>	<b>4,248</b>	<b>10,430</b>	<b>(21,165)</b>	<b>31,595</b>
12,066 Depreciation	929	1,006	(77)	10,715	10,054	660
<b>Other Non Operating Items</b>						
0 Profit/Loss on disposals	(52)	0	(52)	(52)	0	(52)
0 Exceptional Items	0	0	0	0	0	0
19,873 Finance Lease interest	1,695	1,656	39	16,659	16,561	98
(272) Interest	(2)	(23)	21	(347)	(227)	(121)
13,890 Fixed asset impairments	28	0	28	14,384	13,890	494
0 Other Financing Costs	0	0	0	0	0	0
4,300 PDC dividends payable	358	358	0	3,583	3,583	0
<b>37,791</b> Total Other Non Operating items	<b>2,028</b>	<b>1,992</b>	<b>36</b>	<b>34,227</b>	<b>33,808</b>	<b>419</b>
<b>24,700</b> Net (surplus)/Deficit	<b>7,129</b>	<b>2,922</b>	<b>4,208</b>	<b>55,372</b>	<b>22,697</b>	<b>32,675</b>

Appendix 1

**Statement of Financial Position**  
As at 31 JANUARY 2010

MAR 10 Plan IFRS £'000	JANUARY 2010			DEC 09	MAR 09	MAR 09
	Actual IFRS £'000	Plan IFRS £'000	Variance IFRS £'000	Actual IFRS £'000	Actual IFRS £'000	Actual UK GAAP £'000
366,620 Fixed Assets	379,635	365,317	14,318	378,756	409,019	189,017
0 Long Term Receivables	29,846	0	29,846	29,836	29,410	31,474
<b>366,620 NON CURRENT ASSETS</b>	<b>409,481</b>	<b>365,317</b>	<b>44,164</b>	<b>408,591</b>	<b>438,429</b>	<b>220,491</b>
2,608 Cash at hand and at bank	4,357	2,170	2,187	4,603	1,370	1,370
24,300 Other Current Assets	29,288	67,600	(38,312)	37,701	55,251	55,320
<b>26,908 CURRENT ASSETS</b>	<b>33,645</b>	<b>69,770</b>	<b>(36,125)</b>	<b>42,303</b>	<b>56,621</b>	<b>56,690</b>
0 Bank Overdraft	0	0	0	0	0	0
0 Finance Leases	(4,845)	0	(4,845)	(8,693)	(8,557)	0
(45,400) Other Current liabilities	(57,177)	(43,633)	(13,544)	(51,671)	(35,664)	(35,664)
<b>(45,400) CURR LIABILITIES :due within one year</b>	<b>(62,022)</b>	<b>(43,633)</b>	<b>(18,388)</b>	<b>(60,364)</b>	<b>(44,221)</b>	<b>(35,664)</b>
<b>348,128 TOTAL ASSETS LESS CURRENT LIABS</b>	<b>381,104</b>	<b>391,453</b>	<b>(10,350)</b>	<b>390,531</b>	<b>450,829</b>	<b>241,517</b>
(264,100) Finance Leases PFI	(263,809)	(264,100)	291	(265,573)	(267,608)	0
(6,500) Provisions > 1 yr	(7,284)	(6,200)	(1,084)	(7,471)	(7,990)	(7,990)
(5,686) Other Creditors (incl loans) > 1 yr	(6,061)	(5,588)	(473)	(5,866)	(6,025)	(6,025)
<b>(276,286) NON CURRENT LIABS &gt; 1 yr</b>	<b>(277,153)</b>	<b>(275,888)</b>	<b>(1,266)</b>	<b>(278,910)</b>	<b>(281,624)</b>	<b>(14,016)</b>
<b>71,842 Total Assets employed</b>	<b>103,950</b>	<b>115,566</b>	<b>(11,615)</b>	<b>111,621</b>	<b>169,206</b>	<b>227,502</b>
<i>Financed by</i>						
(222,774) Public dividend Capital	(290,574)	(263,774)	(26,800)	(290,574)	(285,574)	(285,574)
160,632 Retained earnings	190,051	157,908	32,142	182,922	134,679	75,322
(8,700) Revaluation reserve	(2,497)	(8,700)	6,203	(3,030)	(17,209)	(16,148)
(1,000) Donated asset reserve	(929)	(1,000)	71	(938)	(1,101)	(1,101)
<b>(71,842) TAXPAYER'S EQUITY</b>	<b>(103,950)</b>	<b>(115,566)</b>	<b>11,615</b>	<b>(111,621)</b>	<b>(169,206)</b>	<b>(227,502)</b>

Appendix 2

**Statement of Cash Flows  
to JANUARY 2010**

MAR 10 Plan £'000	JAN 10			Year to date		
	Actual £'000	Plan £'000	Variance £'000	Actual £'000	Plan £'000	Variance £'000
<i>Operating activities</i>						
Earnings before interest, tax, 25,157 depreciation and amortisation	(4,173)	76	(4,248)	(10,430)	21,165	(31,595)
500 Transfer from donated asset reserve	(37)	0	(37)	(120)	0	(120)
<i>Movements in working capital</i>						
100 Inventories	75	0	75	(232)	0	(232)
58,100 Receivables and prepayments	11,620	1,000	10,620	29,455	1,000	28,455
1,982 Payables and other liabilities	1,112	2,000	(888)	15,661	2,000	13,661
<b>85,839</b> Net outflow (inflow) from operating activities)	<b>8,598</b>	<b>3,076</b>	<b>5,522</b>	<b>34,334</b>	<b>24,165</b>	<b>10,169</b>
<i>Capital Expenditure</i>						
(14,200) Payments to acquire fixed assets	(2,288)	(2,200)	(88)	(8,992)	(2,200)	(6,792)
21,200 Receipts from sale of fixed assets	(0)	0	(0)	52	0	52
7,000	(2,288)	(2,200)	(88)	(8,940)	(2,200)	(6,740)
<b>92,839</b> Cashflow before financing	<b>6,309</b>	<b>876</b>	<b>5,434</b>	<b>25,394</b>	<b>21,965</b>	<b>3,429</b>
0 Movement in Long term payables	195	0	195	35	0	35
0 Movement in Long term receivables	(11)	0	(11)	(436)	0	(436)
<b>0</b>	<b>185</b>	<b>0</b>	<b>185</b>	<b>(401)</b>	<b>0</b>	<b>(401)</b>
<i>Interest</i>						
(19,900) Interest paid on leases incl PFI	(4,978)	(1,600)	(3,378)	(19,919)	(1,600)	(18,319)
0 Interest paid on loans	(0)	0	(0)	(0)	0	(0)
0 Interest Receivable on cash balances	2	0	2	347	0	347
<b>(19,900)</b>	<b>(4,976)</b>	<b>(1,600)</b>	<b>(3,376)</b>	<b>(19,572)</b>	<b>(1,600)</b>	<b>(17,972)</b>
<i>Loans and Leases</i>						
(4,600) Repayment of leases	(1,764)	(1,200)	(564)	(5,285)	(1,200)	(4,085)
<b>(4,600)</b>	<b>(1,764)</b>	<b>(1,200)</b>	<b>(564)</b>	<b>(5,285)</b>	<b>(1,200)</b>	<b>(4,085)</b>
<i>Other</i>						
13,000 Public Dividend Capital Received	0	0	0	5,000	0	5,000
(75,800) Public Dividend Capital Repaid	0	0	0	0	0	0
(4,300) Dividends paid	0	0	0	(2,150)	0	0
<b>(67,100)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,850</b>	<b>0</b>	<b>5,000</b>
<b>1,239</b> (Decrease) / increase in cash	<b>(246)</b>	<b>(1,924)</b>	<b>1,679</b>	<b>2,987</b>	<b>19,165</b>	<b>(14,028)</b>

Appendix 3

**Like for Like Summary Position  
Month Ten (January) 2009/10**

**Month Ten Forecast (£'000)**

	Central Income (Over) / Under Perf.	Adjustment to income performance for marginal rate	Net income performance	Net Expenditure Over / (Under) Spends £'000	Unfound Turnaround / CIP	Release of Reserves / Accruals £'000	Full Year Forecast Variance £'000
Medical Division	1,316	(658)	658	4,034	7,132	-	11,824
Surgical Division	3,427	(1,714)	1,714	2,304	3,822	-	7,839
Womens' & Children Division	319	(160)	160	81	428	-	669
Clinical Support Services Division	7,635	506	8,141	1,266	(34)	-	9,373
<b>Total Clinical Divisions</b>	<b>12,697</b>	<b>(2,025)</b>	<b>10,672</b>	<b>7,685</b>	<b>11,347</b>	<b>-</b>	<b>29,705</b>
Corporate Directorates	5,121	-	5,121	1,774	1,829	-	8,724
Central I&E							
Central Income	800	2,025	2,825	1,350	-	-	4,175
Depreciation	-	-	-	889	-	-	889
PDC Charge	-	-	-	246	-	-	246
Interest Income	-	-	-	(191)	-	-	(191)
Interest Expense	-	-	-	0	-	-	0
PFI Interest Charge	-	-	-	-	-	-	-
Reserves	-	-	-	-	(10,100)	(5,040)	(15,140)
Finance Adjustments	-	-	-	-	-	5,531	5,531
<b>Trust Total</b>	<b>18,618</b>	<b>-</b>	<b>18,618</b>	<b>11,753</b>	<b>3,076</b>	<b>491</b>	<b>33,939</b>

NB: Only 50% of income over performance attributable to Clinical Divisions. 10% goes to Clinical Support and 40% to Central I&E.

**Month Nine Forecast**

Medical Division	1,005	(503)	503	3,996	6,797	-	11,296
Surgical Division	1,761	(880)	880	2,039	3,822	-	6,741
Womens' & Children Division	326	(163)	163	297	379	-	838
Clinical Support Services Division	6,818	309	7,127	1,805	(34)	-	8,898
<b>Total Clinical Divisions</b>	<b>9,910</b>	<b>(1,237)</b>	<b>8,673</b>	<b>8,136</b>	<b>10,964</b>	<b>-</b>	<b>27,773</b>
Corporate Directorates	3,988	-	3,988	2,188	1,764	-	7,939
Central I&E							
Central Income	2,038	1,237	4,953	944	-	-	4,953
Depreciation	-	-	-	1,035	-	-	1,035
PDC Charge	-	-	-	202	-	-	202
Interest Income	-	-	-	(211)	-	-	(211)
Interest Expense	-	-	-	0	-	-	0
PFI Interest Charge	-	-	-	48	-	-	48
Reserves	-	-	-	-	(8,805)	(5,384)	(14,190)
Finance Adjustments	-	-	-	-	-	5,143	5,143
<b>Trust Total</b>	<b>17,614</b>	<b>-</b>	<b>17,614</b>	<b>11,398</b>	<b>3,922</b>	<b>(241)</b>	<b>32,693</b>

**Movement between Months Nine and Ten**

Medical Division	311	(155)	155	38	335	-	528
Surgical Division	1,667	(833)	833	265	265	-	1,098
Womens' & Children Division	(6)	3	(3)	(216)	49	-	(169)
Clinical Support Services Division	817	197	1,014	(539)	-	-	475
<b>Total Clinical Divisions</b>	<b>2,788</b>	<b>(788)</b>	<b>1,999</b>	<b>(451)</b>	<b>384</b>	<b>-</b>	<b>1,932</b>
Corporate Directorates	1,133	-	1,133	(414)	-	-	785
Central I&E							
Central Income	(1,238)	-	(450)	406	-	-	(44)
Depreciation	-	-	-	(146)	-	-	(146)
PDC Charge	-	-	-	44	-	-	44
Interest Income	-	-	-	20	-	-	20
Interest Expense	-	-	-	-	-	-	-
PFI Interest Charge	-	-	-	(48)	-	-	(48)
Reserves	-	-	-	-	(1,295)	344	(950)
Finance Adjustments	-	-	-	-	-	388	388
<b>Trust Total</b>	<b>2,682</b>	<b>0</b>	<b>2,682</b>	<b>(589)</b>	<b>(846)</b>	<b>732</b>	<b>1,980</b>

Drop in A&E activity and OP Procedure provisions.

Agency Reduction on Specialist Nursing

Continued high expenditure in month on Medical staff anticipated to be due to retro catch up from implementing the new system.

Worsening against expected Finamores position.

Mostly Non Rec. £200k HCA income improvement and £170k Blood Credits

Mainly impact of Finamore review of unbundled Radiology to be reviewed.

Patient Transport.

Mostly from capitalisation.

Movement is due to divisionalising more of the Finamores impacts.

**Financial indicators for acute & amb trusts : BHRUT JANUARY 2010**

Criteria	Metric	Weight (%)	Measure	SCORING			BHRUT Raw Score JAN 10	BHRUT Weighted Score JAN 10	
				3	2	1			
Initial Planning	Planned Outcome as a proportion of turnover	<b>Formula for organisations with a planned operating breakeven or surplus</b>  $\frac{\text{SHA expected operating surplus or breakeven} - \text{planned operating surplus or breakeven}}{\text{Planned Income}} \times 100$	<b>Formula for organisations with a planned operating deficit</b>  $\frac{\text{Planned operating deficit}}{\text{Planned Income}} \times 100$	5	5	-2.7%	1	0.05	
				5	5	-2.7%			
Year to Date	YTD Operating Performance	<b>Formula for organisations with a YTD actual operating breakeven or surplus</b>  $\frac{\text{surplus/deficit} - \text{YTD actual operating}}{\text{Forecast Income}} \times 100$	<b>Formula for organisations with a YTD actual operating deficit</b>  $\frac{\text{YTD operating deficit}}{\text{Forecast Income}} \times 100$	25	20	-12.9%	1	0.20	
				5	5	-3.3%			
Forecast Outcome	Forecast Operating Performance	<b>Formula for organisations with a forecast operating breakeven or surplus</b>  $\frac{\text{Planned operating breakeven/surplus/deficit} - \text{Forecast operating breakeven or surplus}}{\text{Forecast Income}} \times 100$	<b>Formula to be used for organisations with a forecast operating deficit</b>  $\frac{\text{Forecast operating deficit}}{\text{Forecast Income}} \times 100$	40	20	-15.0%	1	0.20	
				5	5	-0.3%			
				15	15	-0.4%			
Underlying Financial Position	Rate of Change in Forecast Surplus or Deficit	$\frac{(\text{Current period forecast surplus/deficit}) - (\text{Prior period forecast surplus/deficit})}{\text{Forecast Income}} \times 100$		10	5	-15.0%	1	0.05	
		5	5	-0.3%					
Finance Processes & Balance Sheet Efficiency	EBITDA Margin (%)	$\frac{\text{Underlying Breakeven/Surplus/Deficit}}{\text{Underlying Income}} \times 100$		5	5	-15.0%	1	0.05	
		$\frac{\text{Underlying EBITDA}}{\text{Underlying Income}} \times 100$		5	5	-0.3%			
		Batter Practice Code Violent %	$\frac{\text{Value of ALL Bills paid within target}}{\text{Value of ALL Bills paid within the year}} \times 100$		2.5	2.5			80%
			$\frac{\text{Volume of ALL Bills paid within target}}{\text{Volume of ALL Bills paid within the year}} \times 100$		2.5	2.5			75%
			$\frac{\text{Current Assets}}{\text{Current Liabilities}}$		20	5			0.54
Debtor Days	$\frac{\text{Debtors as at current period}}{\text{Forecast Income}} \times 365$		5	5	18	3	0.15		
	$\frac{\text{Creditors as at current period}}{\text{Total Expenditure}} \times 365$		5	5	32	2	0.10		
				100	100		20	1.40	

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

FINANCE SUMMARY

JANUARY 2010

A:- Finance Summary JANUARY 2010	Current Month - JAN 10			Year to Date			Annual		
	Actual £	Budget £	Variance £	Actual £	Budget £	Variance £	Forecast £	Budget £	Variance £
Income	(27,858,814)	(31,071,887)	3,213,073	(318,136,554)	(331,824,265)	13,687,711	(380,958,733)	(399,851,514)	18,892,781
Pay	22,163,051	21,495,803	667,248	227,342,002	214,404,635	12,937,367	266,580,770	259,290,974	7,289,797
Non-Pay	9,868,404	9,500,294	368,111	101,224,933	96,254,712	4,970,221	117,888,467	115,403,809	2,484,657
Depreciation	928,925	1,005,614	(76,689)	10,714,710	10,054,334	660,376	12,954,253	12,065,564	888,689
Impairments	28,389		28,389	14,383,641	13,869,689	493,952	19,472,641	13,869,689	5,582,952
Other Non Operating Items	1,999,192	1,991,789	7,403	19,842,982	19,917,890	(74,908)	23,994,853	23,901,479	93,374
<b>Net (Surplus) / Deficit</b>	<b>7,129,147</b>	<b>2,921,612</b>	<b>4,207,535</b>	<b>55,371,714</b>	<b>22,696,995</b>	<b>32,674,719</b>	<b>59,932,251</b>	<b>24,700,001</b>	<b>35,232,250</b>
CIP/ Turnaround Programme	9,000	3,317,914	(3,308,914)	13,862,728	26,843,554	(9,671,912)	33,012,471	33,509,860	(497,389)
Capital Expenditure	2,288,363	2,200,000	88,363	10,477,697	2,200,000	8,277,697	14,200,000	14,200,000	-

Monthly Trend	JAN 10
Net (Surplus) / Deficit (Em)	Month 7,129
	YTD 55,372
	FY F'cast 57,393
Cash in bank, in hand and investment (Em)	YTD 4,357
Borrowings	YTD -
CIP/ Turnaround savings to date (Em)	YTD (13,854)
Bad debt provisions (Non-NHS) (Em)	YTD 2,31
EBITDA % achieved - YTD vs budget%	YTD (49.28)%
EBITDA margin YTD (%)	YTD (3.28)%
Return on assets (%)	YTD (5.08)%
I&E surplus - YTD (%)	YTD (17.41)%
Liquidity ratio (days)	YTD 354.9

	Manpower JAN 10		
	WTE	£ JAN 10	Year to date £
Bank staff	499.69	1,509,578	15,669,961
Agency staff	416.32	1,838,690	19,442,352
NHS staff	5,353.43	18,814,783	192,229,689
<b>Total</b>	<b>6,269.44</b>	<b>22,163,051</b>	<b>227,342,002</b>

Cost as % total pay cost	
% JAN 10	% YTD
6.8%	6.9%
8.3%	8.6%
84.9%	84.6%

Bank & Agency Staff (wte all staff)	916.01
% of pay budget spent on bank and agency staff (Ytd)	15.44%
% of pay budget spent on bank and agency staff (in mth)	15.11%

B:- Financial Risk Rating and Auditor's Evaluation

Initial Planning Metrics :-

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

Year To Date Metrics :-

Risk Metric : YTD Op surplus/ YTD Turnover %	YTD	-12.884%	
Risk Metric YTD EBITDA/YTD Turnover %	YTD	-3.279%	
Raw Risk Score : Year to Date	YTD	2.00	highest risk 2, lowest risk 6
Weighted Risk Score (25%) : Year to Date	YTD	0.25	highest risk 0.25, lowest risk 0.75

Forecast Out-Turn Metrics

Risk Metric : FOT Op surplus/ FOT Turnover %	YTD	-14.958%	
Risk Metric FOT EBITDA/FOT Turnover %	YTD	-0.289%	
Risk Metric : Mvt in Forecast Outturn in Mth	YTD	(0.00)	
Raw Risk Score : F'cast Out-Turn	YTD	4.00	highest risk 3, lowest risk 9
Weighted Risk Score (40%) : F'cast Out-Turn	YTD	0.55	highest risk 0.4, lowest risk 1.2

Underlying Financial Position Metrics

Risk Metric : UL Deficit/ UL income %	YTD	-14.958%	
Risk Metric UL EBITDA/UL Turnover %	YTD	-0.289%	
Raw Risk Score : Underlying Position	YTD	2.00	highest risk 2, lowest risk 6
Weighted Risk Score (10%) : Underlying Position	YTD	0.10	highest risk 0.1, lowest risk 0.3

Finance Processes and Balance Sheet efficiency

Risk Metric : Prompt Payment - all invs Value	YTD	79.963%	
Risk Metric : Prompt Payment - all invs Volume	YTD	74.769%	
Risk Metric : Current Assets/Current Liabs	YTD	54.247%	
Risk Metric : Debtor days	YTD	18	
Risk Metric : Creditor days	YTD	32	
Raw Risk Score : Balance Sheet	YTD	11.00	highest risk 5, lowest risk 15
Weighted Risk Score (20%) : Balance Sheet	YTD	0.45	highest risk 0.1, lowest risk 0.6

Overall Weighted Risk Score (100%)	YTD	1.40	highest risk 1.0, lowest risk 3.0
Overall Auditor's Local Evaluation Rating	2008/09	1	1=lowest score 4 = highest score

C:- Finance Processing KPI's

Average Debtor days	18.75
Average Creditor days	32.22
YTD PSPP by Volume - NHS	68.88 %
YTD PSPP by Volume - Non NHS	74.97 %
PO Invoices Received in Month %	38.600%
Unallocated Cash - Volume	12.150%
Unallocated Cash - Value	11,960.00
Contract Volumes - Annualised Volumes/Contract Volumes	98.914%

Savings Plan February and March 2009/10

Original Stretch Target - October Forecast	EM 09/10	Spend Area	Comment	Responsible	Deadline	EM 09/10	FYE 10/11 EM	Recurrent / Non-recurrent	Required Action	Associated Risk	Overall Delivery Risk Level (H/M/L)	High Risk of Non-Delivery EM	Medium Risk of Non-Delivery EM	Low Risk of Non-Delivery EM
Procurement	£ 0.50	Stationery	Complete Ban on Stationery	Resource Control Group	21/01/2010	£ 0.10	£ -	N/R	Communication to be issued to organisation	None	L			0.1
		Printing	Complete Ban on Printing for all non essential clinical reasons	Resource Control Group	21/01/2010	£ 0.10	£ -	N/R	Communication to be issued to organisation	None	L			0.1
Turnaround/Campus Team Closures	£ 0.18	Hospitality	Complete ban on Hospitality	Resource Control Group	21/01/2010	£ 0.01	£ 0.05	R	Communication to be issued to organisation	None	L			0.01
		Turnaround and Corporate	Complete ban on all support management	SD/DW	21/01/2010	£ 0.30	£ -	N/R	Organisation to decide direction	Knock on effect of other schemes to be determined	M		0.05	0.25
Temporary Staffing	£ 1.20	AHP	Complete ban on all AHP bookings at Trust	TBC	21/01/2010	£ 1.20	£ 1.20	R	Mandate decision required	Potential effect on targets and diagnostic waits	H	0.8	0.2	0.2
		Nursing	Additional Session associated costs to be reduced for outpatients	Di Heyes	22/01/2010	£ 0.05	£ 0.30	R	Withdrawal of rates required and communication necessary. Rota staff on the weekends	Some risk of nurses being unwilling to work blitz clinics	M		0.04	0.01
A&C Staffing	£ 0.80	Other A&C Medical Staffing	Complete Ban on other A&C bookings	TBC	21/01/2010	£ 0.50	£ 1.20	R	Mandate decision required	Potential effect on targets in relation to medical records and secretaries. E.g. prioritisation of cancer letters required.	H	0.3	0.1	0.1
		Medical Staffing	Transfer of SPAs to Pas	DMs to respond	21/01/2010	£ 0.38	£ -	N/R	DMs to agree with clinicians	Assumes 1 month and 66% uptake, which is not yet known.	H	0.3	0.08	
		Medical contract change	Transfer of 0.5 SPA to DCC	Out to consultation	28/02/2010	£ 0.19	£ 1.14	R	DMs to agree with clinicians	Assumes 1 month and consultation runs smoothly, whilst additional PA translates into reduced additional sessions	M	0.05	0.14	
		Additional Session Rate	Enhance policy	TBC	ASAP	£ 0.76	£ 0.66	N/R	Mandate decision required	Potential missed targets if doctors unwilling to work for normal PA rate	H	0.65	0.11	
Theatre Efficiency	£ 0.56	Outpatient Procedures	Review of recoverability of procedures income and reduction in temporary sessions	Eileen Moore	21/01/2010	£ 0.10	£ 0.60	R	Divisional Manager to implement within Surgery and achieve consultant buy in. PCTs do not object.	PCTs veto change	M		0.1	
		Theatre Usage	Use of theatres during clinical audit time for certain specialities	Stephen Burgess	ASAP	£ 0.12	£ 0.72	R	Change ongoing and planned	N/A	L			0.12
PFI Variations	£ 0.50	PFI Small Works Ban	Delay of all small works until new year	Jackie Doyle	21/01/2010	£ 0.02	£ -	N/R	Instruction to manager required	Some urgent works not undertaken	L			0.02
HCA Contribution	£ 0.20	HCA	Increased milestone payments	Steve Collins	N/A	£ 0.75	£ -	N/R	In progress	N/A	L			0.75
Stock	£ 0.50	Stock	Communication on counting, substituting and utilising	Steve Collins	21/01/2010	£ 0.70	£ -	N/R	Communication to be issued to organisation, to include wards borrowing from each other etc.	None	L		0.2	0.5
Capitalisation	£ 1.50	Capital Review Tranche 1	Review revenue for capitalisation	Financial Services	31/03/2010	£ 2.50	£ -	N/R	Head of Financial Services and Turnaround to meet to formulate plan week beginning 25/1/10	Full work not undertaken to identify thus far	M		1.5	1
		Capital Review Tranche 2	Review revenue for capitalisation	Financial Services	31/03/2010	£ 2.50	£ -	N/R	Head of Financial Services and Turnaround to meet to formulate plan week beginning 25/1/10	Full work not undertaken to identify thus far	L		1.2	1.3
Telephony IT Outsourcing	£ 0.98	Telephony IT Outsourcing	Contract signature timing	TBC	31/03/2010	£ 2.00	£ -	N/R	Contract to commence prior to end of financial year	Accounting to be agreed with external audit	H	2		
		Soft FM Contract Extension	Milestone Payment	TBC	31/03/2010	£ 1.00	£ -	N/R	Harmonise contract between sites for greater value for money	Negotiations to be carried out.	M		1	
NHSP Rebate	£ 0.10	Balance Sheet	Review Creditors Process and Other BS review	Financial Services	31/03/2010	£ 1.40	£ -	N/R	Head of Financial Services and Turnaround to meet to formulate plan week beginning 25/1/10	Full work not undertaken to identify thus far	M		1.15	0.25
		Commercial R&D Agency Rebate Negotiation	Review Accrual	Management Accounts	31/03/2010	£ 0.11	£ -	N/R	Head of Financial Services and Turnaround to meet to formulate plan week beginning 25/1/10	Full work not undertaken to identify thus far	L			0.11
		High C ost Devices	Negotiate 3% rebate from agencies	Steven Davies	31/03/2010	£ 0.50	£ -	N/R	Negotiations to be undertaken	Commitment to agencies required	M	0.2	0.3	
		Depreciation Review	Additional devices to be billed	Procurement	31/03/2010	£ 0.30	£ -	N/R	Further investigation to capture items	PCT disputes	M	0.1	0.2	
					31/03/2010	£ 0.15	£ -	N/R	Head of Financial Services and Turnaround to meet to formulate plan week beginning 25/1/10	Full work not undertaken to identify thus far	M		0.15	
Nursing Rotas	0.8	£0.5m included in Divisional Forecast, from Feb-10				£ 15.74	£ 5.87					4.4	6.52	4.82
Additional Length of Stay Savings	0.4	Considered High Risk due to pressure on ward closure savings already in forecast												
Additional Medicine Expenditure Review	1.4	Replaced									Weight	10%	50%	90%
Drug Expenditure Reduction	0.5	PASA savings already in forecast, other identified savings in divisional forecasts												
Outpatient - Improve 1st to Follow Up	1.0	Removed from Income forecast												
	11.12										Risk Value	0.44	3.26	4.34
														8.04