

EXECUTIVE SUMMARY

TITLE:	BOARD/GROUP/COMMITTEE:
Finance Report – September 2010	
1. KEY ISSUES:	REVIEWED BY (BOARD/COMMITTEE) and DATE:
<p>The overall I&E position to the end of September showed a net deficit of £18.2m against a profiled plan deficit of £12m and against the Annual Plan deficit of £19.5m. In Month Six only there was a deficit of £3.8m against a plan of £1.4m, giving an adverse variance of (£2.4m) in the month.</p> <p>Income continued to over perform in the month, by £0.5m, driven by increased elective and out-patient activity, although this is net of a -£0.7m adjustment for prior period accrued income. This is more than offset, however, by continued overspendings on pay (£1.3m), non-pay (£1.2m) and unidentified CIP (£0.8m).</p> <p>For the year to date the main components of the £6.2m adverse variance are; shortfall from unidentified CIP of £5.8m, pay overspending of £3.6m and non-pay overspending of £6.8m, each partly attributable to activity over-performance and exacerbated by associated CIP failure resulting from PCT Demand Management failure and the resulting temporary staffing costs incurred at premium rates. The other major factor is CIP slippage (aside from demand management), notably Length of Stay. These are only partly offset by an income over-performance of £7.5m and a net under spending on reserves and other central items of £2.4m.</p> <p>The forecast outturn is still to meet the control total of £19.5m, although there is an extremely high degree of risk associated with this. This assumes a forecast budget overspending of £23.1m, which is net of an income over-performance of £12.7m, continued delivery of current CIP, additional delivery of CIP Schemes identified but not yet delivered totalling £7.8m, and delivery of the £13.7m of identified PEQ Recovery Programme. This leaves £1.6m of further CIP to still be identified.</p>	<p><input type="checkbox"/> S&SIB <input type="checkbox"/> EPB.....</p> <p><input type="checkbox"/> FINANCE <input type="checkbox"/> AUDIT</p> <p><input type="checkbox"/> CLINICAL GOVERNANCE</p> <p><input type="checkbox"/> CHARITABLE FUNDS</p> <p><input type="checkbox"/> TRUST BOARD</p> <p><input type="checkbox"/> REMUNERATION</p> <p><input type="checkbox"/> OTHER(please specify)</p> <p>CATEGORY:</p> <p><input type="checkbox"/> NATIONAL TARGET <input type="checkbox"/> CNST</p> <p><input type="checkbox"/> STANDARDS FOR BETTER HEALTH</p> <p><input type="checkbox"/> ASSURANCE FRAMEWORK</p> <p><input type="checkbox"/> TARGET FROM COMMISSIONERS</p> <p><input checked="" type="checkbox"/> CORPORATE OBJECTIVE To monitor the Trust's progress in achieving its financial turnaround, achieving control targets and meeting its statutory financial duties going forward.</p> <p><input type="checkbox"/> OTHER (please specify)</p> <p>AUTHOR/PRESENTER:</p> <p>David Wragg, Director of Finance</p> <p>DATE:</p>

2. FINANCIAL IMPLICATIONS/IMPACT ON CURRENT FORECAST:	
Set out under key issues	
3. ALTERNATIVES CONSIDERED/REASONS FOR REJECTION:	
N/A	
4. DELIVERABLES:	
N/A	
5. EVIDENCE :	
N/A	
6. RECOMMENDATION/ACTION REQUIRED:	
The Board is asked to note this report.	
AGREED AT _____ MEETING OR REFERRED TO: _____	DATE: _____ DATE: _____
REVIEW DATE _____ (if applicable)	

Finance Report for 6 Months Ended 30th September 2010

1. Financial Summary

Annual Bdgt £'000	I&E Description	Bdgt WTE	Actual WTE	Var WTE	M06 Bdgt £'000	M06 Actual £'000	M06 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
	Income									
(394,008)	Total Income				(32,893)	(33,382)	489	(196,308)	(203,802)	7,494
	Pay Expenditure									
76,180	Medical Staff	895	868	-26	6,354	7,280	(927)	38,258	43,277	(5,019)
40,235	Scientific, Therap & Technical	937	906	-31	3,385	3,477	(92)	20,182	20,571	(389)
87,386	Nursing & Midwifery - Qual.	1,960	2,092	132	6,933	7,432	(498)	44,761	43,690	1,072
18,777	Nursing & Midwifery - Unqual.	743	802	59	1,694	1,602	92	9,470	9,530	(60)
8,536	Ancillary Staff	331	348	18	711	656	56	4,258	4,007	250
38,600	Management & Admin Staff	1,148	1,131	-17	3,247	3,178	69	19,588	19,025	563
269,714	Pay Total	6,012	6,147	135	22,324	23,625	(1,300)	136,517	140,100	(3,583)
	Non Pay Expenditure									
24,789	Drugs				2,040	2,582	(542)	12,551	13,866	(1,315)
23,776	Clinical Supplies & Appliances				1,969	2,373	(405)	12,009	14,616	(2,608)
15,585	General Supplies & Services				1,368	1,498	(130)	7,827	8,599	(772)
15,417	Premises & Fixed Plant				1,170	1,294	(124)	7,503	7,993	(490)
32,646	Other Non Pay				2,731	2,730	1	17,050	18,649	(1,600)
112,213	Non Pay Total				9,277	10,476	(1,199)	56,939	63,723	(6,783)
	Unidentified CIP / Targets									
(5,575)	CIP Target Pay				(276)	-	(276)	(2,523)	-	(2,523)
(4,343)	CIP Target Non Pay				(480)	-	(480)	(3,250)	-	(3,250)
(9,918)	CIP Target Total				(755)	-	(755)	(5,773)	-	(5,773)
5,881	Reserves				476	-	476	2,810	(96)	2,906
(16,117)	EBITDA				(1,452)	(637)	(815)	(4,244)	(791)	(3,453)
12,644	Depreciation				1,054	1,182	(128)	6,322	6,896	(574)
3,216	Capital Dividends				268	205	63	1,608	1,545	63
19,782	Net Interest				1,649	1,696	(47)	9,891	9,874	17
19,525	Net (Deficit)/Surplus	6014	6147	134	1,400	3,802	(2,402)	12,007	18,240	(6,233)

The overall income and expenditure position for the Trust at Month Five showed a cumulative deficit of £18.0m, £6.2m adverse against Plan. In the month, there was a deficit of £3.8m, £2.4m adverse against Plan. The in month movement is brought about by a number of factors. There is yet further slippage against planned CIP, particularly LOS and Demand Management. So whilst Income continues to over perform against plan this activity is being met with temporary staffing arrangements at premium costs, thereby impacting on the pay overspending. Although there was a favourable in month variance on income of £0.5m, driven by ongoing over-performance of activity against contract, this is net of an adverse adjustment of £746k in the month, to correct the year to date position for prior period seasonality corrections and new information. Pay has deteriorated overall despite some specific improvements. Non Pay expenditure run rate marginally improved in month but due to CIP phasing deteriorated against budget.

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 month 5 YTD position has been re-stated at month 6 due to improved data capture. The PbR position was not as high as forecast due to the seasonal variation impacting more than expected. As a result the reported income position is less due to the prior period adjustment. The non PbR increase is due to agreement with commissioners of the stroke and HASU income for this year. The position also includes adjustments as part of the Q1 settlement.

Income Type	Original M5	Restated M5	Prior Period Adjustment
PbR	118,993	117,694	(1,299)
Non PbR	38,985	39,538	553
Central Income	157,978	157,232	(746)

The following table summarises the overall Trust income position: For Central Income this has been represented against a re-phased plan (equal twelfths).

Income Type	Annual £ Plan	£ FOT	£ FOT Var	Monthly £ Actual	Monthly £ Var	YTD £ Actual	£ Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
PbR	269,061	279,868	10,807	23,949	1,527	141,643	7,112
Non PbR	91,540	94,107	2,567	7,614	-14	47,152	1,382
Central Income	360,601	373,974	13,374	31,563	1,513	188,795	8,494
Other Income	0			72	72	613	613
Divisional Income	33,407			2,498	-345	14,394	-1,613
Trust Income	394,007			34,133	1,240	203,801	7,494
Prior Period Adj	0			-746	-746	0	0
Trust Income	394,007			33,387	494	203,801	7,494

The overall position shows a £7.5m favourable variance year to date, including a £8.5m 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 assumes over-performance to month 9.

Income by Point of Delivery

Income by point of delivery is as follows:

POD	Annual £ Plan	£ FOT	£ FOT Var	Monthly £ Actual	Monthly £ Var	YTD £ Actual	£ Var
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
A&E	17,577	18,566	989	1,615	150	9,449	660
Critical Care	23,207	22,571	(636)	1,644	(290)	11,079	(524)
DC & EL	51,425	55,244	3,820	4,829	544	28,262	2,550
NEL	128,970	130,448	1,478	11,187	440	65,472	987
XBD	10,730	10,926	195	668	(226)	5,394	29
Direct Access	14,081	14,675	594	1,271	97	7,437	397
OP 1sts	29,175	32,619	3,443	2,885	454	16,886	2,298
OP Follow Ups	34,960	36,192	1,232	3,127	214	18,302	823
OP Procedures	3,936	5,027	1,092	461	133	2,697	729
Other	46,540	47,706	1,166	3,875	(3)	23,816	546
Total	360,601	373,974	13,374	31,563	1,513	188,795	8,494

There are two main areas of focus in month 6. Daycase and Elective activity over performed by 1,635 spells over the plan. This equates to a £2.6m over performance at month 6.

Outpatient activity has not seen the reductions required by the Outer North East London PCTs (ONEL). Therefore outpatient activity is over performing by £3.9m at month 6.

Finally a provision against almost all excess bed day over performance has been made, as PCT's 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, 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	25,023	1,941	2,202	278	12,840	1,299
Corporate	12,142	13,654	1,512	1,594	583	7,080	1,010
Clinical Support	35,017	35,298	281	2,976	58	17,678	170
Medicine	93,459	91,716	(1,743)	7,834	45	45,490	(1,240)
Surgery	122,045	132,946	10,900	10,883	713	68,098	7,075
Women & Children	74,856	75,338	482	6,074	(164)	37,608	181
Total	360,601	373,974	13,374	31,563	1,513	188,795	8,494

The main area of over performance at month 6 is in the Surgical directorate. Most of the PCT outpatient reduction plans focused on the surgical areas and their aim to decommission activity of 70,000 attendances in year does not appear to have worked in the 6 months to date. Therefore for PCT's to achieve their targets activity greater reductions could happen in the latter part of the year.

Non PbR Income

Non PbR Income includes other income not strictly related to healthcare income. Road traffic Accident Income and ISTC income is included here as well as non-clinical income included in the main PCT 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 – (£1.3m) adverse in month and (£3.6m) Adverse YTD. The deterioration in the Month Six Pay position is due mainly on Nursing from the LOS Programme slippage. Medical staffing also worsened but Scientific & Therapeutic and Management & Admin improved.

Medical Staff continues to overspend in each of the clinical Divisions, totalling (£1m) adverse in month and (£5m) adverse YTD:

Division	Bdgt WTE	Actual WTE	Var WTE	M06 Bdgt £'000	M06 Actual £'000	M06 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000	% of Budget
Medical	217.18	220.93	3.75	1,394	1,473	(79)	8,274	8,777	(503)	-6%
Emergency	79.12	84.34	5.22	534	710	(176)	3,379	4,373	(994)	-29%
Surgical	370.23	344.78	-25.45	2,586	3,229	(643)	15,660	18,524	(2,864)	-18%
Women & Children	140.34	139.3	-1.04	1,004	1,082	(78)	6,035	6,469	(434)	-7%
Clinical Support	80.94	73.77	-7.17	771	757	14	4,527	4,754	(227)	-5%
Total	887.81	863.12	-24.69	6,290	7,251	(961)	37,875	42,897	(5,022)	-13%

It can be seen that overall staff in post WTE (including locum & agency staff) are within the budgeted establishment, but that costs are significantly over budget. This is primarily due to the significant agency premia incurred as well as additional sessional rates paid to medical staff. 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 overspending in the Surgical Division is predominantly due to additional locum and premium sessions required to meet the additional activity above plan. It has also had an adverse impact on achievement of the Divisional CIP target. 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, Orthopaedics 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.

Nursing remains under spent by £953k YTD but had another adverse movement in month, of (£402k). The in month movement is primarily due to slippage on the LOS programmes within Medicine and Emergency, further exacerbated by premium rate cover at CQC funded levels and (£145k) in Midwifery, mostly associated with slippage on CIP and some prior period invoices.

Scientific, Therapeutic & Technical Staff are over spent (£88k) in month and (£414k) YTD. This is mostly within Radiology, Neuro and Therapies, from additional activity and high reliance on temporary staffing.

Non Pay – (£1.2m) adverse in month and (£6.7m) adverse YTD.

Annual Budget £000	Non Pay Description	M06 Actual £000	M06 Variance £000	M06 Var % of Budget	YTD Actual £000	YTD Variance £000	YTD Var % of Budget
24,789	Drugs	2,582	(542)	-27%	13,866	(1,315)	-10%
23,776	Clinical Supplies & Appliances	2,373	(405)	-21%	14,616	(2,607)	-22%
15,585	General Supplies & Services	1,498	(130)	-9%	8,597	(770)	-10%
15,417	Premises & Fixed Plant	1,294	(124)	-11%	7,993	(490)	-7%
32,646	Other Non Pay	2,730	1	0%	18,649	(1,600)	-9%
112,213	Total	10,476	(1,199)	-13%	63,721	(6,781)	-12%
	Major Other Non Pay Variances						
-	<i>Bad Debt Provisions</i>	28	(28)	-	88	(88)	
1,683	<i>External Consultancy Fees</i>	(27)	61	182%	1,075	(220)	-26%
2,130	<i>Hcare Srv Rec Other NHS</i>	182	(4)	-2%	1,048	(134)	-15%
387	<i>Legal / Prof Fees</i>	49	(21)	-71%	327	(162)	-98%
14,741	<i>Miscellaneous Expenditure</i>	1,235	114	8%	6,450	224	3%
280	<i>Commercial Sector</i>	88	(65)	-277%	1,043	(927)	-795%
301	<i>IntRcg Recd Estates</i>	57	(32)	-127%	309	(183)	-146%
-	<i>Late Payment Interest</i>	-	-	-	107	(107)	-

There were over spends across all Non Pay headings, with the largest being on Drugs and Clinical Supplies as well as Other Non Pay YTD. Overall the Non Pay expenditure run rate in the month improved slightly.

- Drugs overspends are mostly within: Oncology (£445k) Adv YTD due to activity and the increased cost of drugs, though a usage review is under way; Rheumatology (£345k) Adv YTD mostly due to guidance and drug regime costs; Pharmacy (£269k) Adv YTD mostly due to FP10 prescribing (Recovery process in place); and some pressures within General Medicine, Neurology. In month HIV drugs expenditure led to a (£168k) adverse spend YTD.
- Clinical Supplies & Appliances are predominantly overspent due to: Medical & Surgical Equipment, mostly in Surgery through: Theatres; Neurosciences and Critical Care; but also in Midwifery, and to a lesser extent Radiology & General Medicine. Prosthesis and Patient Appliances within Theatres & Therapies account for (£157k) Adv YTD. Contractual Clinical Services within the Surgical Division also account for a (£64k) Adv YTD Variance. Most of these are impacted by additional activity above plan and in instances high product costs.
- General Supplies & Services are (£130k) Adv in month and (£770k) Adv YTD. Most of this is due to Staff Recruitment Adverse YTD and Patient Transport Adverse YTD. The latter being due to often late and unplanned nature of discharges, requiring expensive short notice out of hours ambulance transport.
- Premises and fixed plant, contains a number of offsetting under and overspends on various running costs but the major adverse variance is on Photocopier rental from managed print.
- Other Non Pay – The adverse variance is mostly attributable to: Commercial Sector Outsourcing and services received related to additional activity (£1.1M) Adv YTD, mostly in Surgery (ENT) and Radiology, but with some in Pathology and Midwifery; Legal & Professional Fees totalling (£182k) Adv YTD, though this should come down through the year as a result of profiling; and External Consultancy Fees (£159k) 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 £1.9m, which was 59% of plan. Year to date delivery totals £8.4m against a target of £15.3m, 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

In order to deliver of control total the PEQ Board has identified a recovery plan, currently totalling £13.7m from a range of recurrent and non- recurrent savings. These will include significant reductions in temporary staffing. This is in addition to delivery of the current CIP forecast totalling £25.4m, of which £7.8m relates to schemes identified but not yet implemented. See the PEQ Programme section below for further detail.

Depreciation – the YTD position shows an overspend of £0.6m, primarily as a result of the additional capitalisation of revenue expenditure at the end of 2009/10, as part of the recovery programme. A review of asset lives and values is underway, which should reduce this overspending.

4. Divisional Summary

Annual Bdgt £'000	Division	Bdgt WTE	Actual WTE	Var WTE	M06 Bdgt £'000	M06 Actual £'000	M06 Var £'000	YTD Bdgt £'000	YTD Actual £'000	YTD Var £'000
45,129	Medical	975	1,080	105	3,652	4,081	(429)	23,086	24,318	(1,232)
17,787	Emergency	324	394	71	1,426	1,952	(526)	9,305	11,435	(2,130)
85,399	Surgical	1,413	1,476	62	7,043	8,198	(1,155)	43,205	47,956	(4,751)
43,159	Women & Children	914	862	-52	3,540	4,011	(472)	22,089	23,343	(1,254)
75,781	Clinical Support	1,539	1,511	-28	6,302	7,000	(698)	38,340	42,460	(4,121)
74,586	Corporate	849	824	-25	6,312	6,334	(22)	37,271	39,228	(1,957)
(322,315)	Central I&E	0	0	0	(26,874)	(27,775)	901	(161,288)	(170,497)	9,209
19,525	TOTAL	6,014	6,147	134	1,400	3,802	(2,402)	12,007	18,243	(6,236)

MEDICINE:

Medical	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(470)	(424)	(46)	(2,760)	(2,546)	(214)
Pay	3,666	3,884	(218)	22,948	22,982	(33)
Non Pay	564	621	(57)	3,594	3,882	(288)
CIP / Turnaround Target	(108)	-	(108)	(697)	-	(697)
Total	3,652	4,081	(429)	23,086	24,318	(1,232)

(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:

The in month and year to date deficit mostly reflects failure of divisional income CIP related to PCT Demand management on Outpatients (£210k) YTD and Sleep Apnoea (£42k) YTD, partially offset by Gray's Court over performance.

Pay:

Medical Staff continues to overspend reporting a (£79k) Adverse M05 / (£503k) Adverse YTD position. This is largely due to CIP Failure and temporary staff cover associated with covering - Middle/Training Grade vacancies, Endoscopy additional activity and AAU.

Slippage against the Length of Stay / Bed Closure programme worsened in month, due to the part re-opening of another ward, with slippage totalling £141k in M06 and £232k YTD. This is exacerbated by the requirement to cover with temporary staff often at premium rates. Nursing therefore lies at (£141k) Adverse in month and £421k Favourable YTD. There has been a year to date benefit from £819k slippage against CQC funding and Specialist Nursing vacancies.

Non Pay:

This is mostly due to Drugs with Drug Management CIP slippage in month and YTD being due to the effect of Hepatology prescribing £38k and CIP slippage £82k. YTD is also due to spend on Clinical Supplies & Appliances, primarily as a result of additional activity in Endoscopy (£34k), Stenting and Pacing (£66k).

CIP Gap:

The largest part of the Planned CIP failure is around the Length of Stay programme. However the unidentified gap relates to unidentified and undelivered Local CIP targets.

EMERGENCY:

Emergency	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(65)	(67)	3	(389)	(420)	31
Pay	1,369	1,821	(452)	8,938	10,644	(1,707)
Non Pay	191	198	(8)	1,174	1,211	(37)
CIP / Turnaround Target	(70)	-	(70)	(418)	-	(418)
Total	1,426	1,952	(526)	9,305	11,435	(2,130)

Income:

YTD over performance on Local Authority Income for DTOC activity. There have been a total of 946 bed days year to date.

Pay:

The overspending was predominantly from Medical staffing which is (£176k) Adv / (£994k) Adv YTD and Nursing which is (£232k) Adv / (£563k) Adv YTD. Management & Admin is (£42k) Adv / (£146k) Adv YTD, mostly due to the temporary premium of management structure.

In month £526k deficit reflects; Medical Staff CIP failure £68k; ongoing premium rate Medical cover £117k through unsuccessful recruitment and unfilled deanery placements; Unrealised Admission avoidance CIP programme £189k through staggered implementation and recruitment delays; increased A&E Nurse temporary staff bookings £72k with further pressures in interim Management cover £42k and CIP gap £70k.

Non Pay

This relates mostly to Drugs overspend of (£26k) YTD and Recruitment & Agency fees totalling (£55k) YTD.

SURGERY:

Surgical	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(564)	(458)	(106)	(2,891)	(2,580)	(312)
Pay	6,037	6,670	(632)	37,079	38,917	(1,838)
Non Pay	1,596	1,986	(391)	9,881	11,619	(1,738)
CIP / Turnaround Target	(27)	-	(27)	(864)	-	(864)
Total	7,043	8,198	(1,155)	43,205	47,956	(4,751)

Income

Failed CIP relating to Absorbing Back Surgery, HCA, Diabetic Retinopathy & Neurophysiology, partly offset non-recurrently in Month by Chronic Fatigue income.

Pay

Medical Staff overspends mostly relate to activity over plan matched to the 2010-11 Cost Improvement Programme (£259k) Adv / (£1,549k) 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	M06 £'000	YTD £'000
Anaesthetics	(179)	(485)
Dermatology	(11)	(59)

Ear, Nose & Throat	(13)	(148)
General Surgery	(25)	(251)
Neurology	(24)	(97)
Neurosciences	(136)	(295)
Orthopaedics	(6)	(59)

Scientific & Technical Staff are (£38k) Adv and (£70k) Adv YTD as a result of mostly in Neurosciences with some in Theatres and General Surgery.

Nursing is under spending as a result of CQC investment £55k Fav / and £1,005k Fav YTD, though this is diminishing as posts are become filled.

Non Pay

Drugs (£143k) adv / and (£376k) Adv YTD, mostly in Rheumatology and partly related to Neuro, due to the high cost of guidance regimes.

Clinical Supplies (£209k) Adv / and (£733k) Adverse YTD due to Theatre and Neuro work.

Other Theatre consumables account for (£101k) YTD and Other Non Pay relating to ENT outsourcing which has now ceased accounts for (£432k) Adverse YTD.

CIP

Slippage continues, mainly around the demand management schemes and medical staff which are around £240k a month. There is still £864k 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)	(422)	(98)	(3,119)	(2,475)	(644)
Pay	5,343	5,317	27	31,800	32,049	(249)
Non Pay	2,048	2,105	(57)	12,323	12,886	(563)
CIP / Turnaround Target	(570)	-	(570)	(2,665)	-	(2,665)
Total	6,302	7,000	(698)	38,340	42,460	(4,121)

Income

Pharmacy production unit income continues to fall short of its commercial production targets. Part mitigation is planned from KGH production unit closure and associated reduction of posts.

Patient activity through HCA continues to impact with shortfalls of £72k in month and £184k YTD.

Pay

Expenditure on medical staffing, nursing and management/admin staff reduced in month through not covering vacancies. This offsets the continued overspends on scientific, therapeutic and technical staff spend in Therapies and Radiology. YTD overspends, which also includes Medical staffing, particularly around Radiology, is due to delivering increased activity as well as inefficiencies in off site delivery of services.

Ultrasonography overspend from agency staffing accounts for - £48k in month and £276k YTD and is reflective of the national shortage.

Agency therapists have been used to support LOS programmes which have failed to yield benefits so are likely to be withdrawn.

Non-pay

Drugs £218k in month adverse variance and £681k YTD mostly from Oncology and FP10 activity. Also increased outsourcing of CT/MRI reporting, due to increased radiology activity, accounts for the majority of the remaining adverse variance on non-pay.

CIP

Plans have slipped by £570k this month on a number of schemes and failure to implement and deliver all additional M4 recovery Plans.

WOMENS & CHILDRENS:

Women & Children	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(342)	(289)	(53)	(1,649)	(1,542)	(107)
Pay	3,384	3,580	(196)	20,737	21,244	(507)
Non Pay	520	721	(200)	3,152	3,641	(489)
CIP / Turnaround Target	(23)	-	(23)	(151)	-	(151)
Total	3,540	4,011	(472)	22,089	23,343	(1,254)

Income

The in month movement is due to continued CIP slippage on Transitional Care and Satellite IVF Satellite Income. YTD this has been partly mitigated by over performance on Private and Non NHS Overseas patients in Obstetrics and Gynaecology.

Pay

Medical Staff accounts for most of this (£78k) Adv / (£434k) Adv YTD. The Medical staffing overspend is mainly in Paediatrics due to Agency SPR costs being substantially higher (premium 90%) due to backfilling the vacant posts in order to maintain clinical safety, and other issues. This run rate will be mostly redressed after the reconfiguration of the service.

YTD nursing remains under spent but is the main reason for the in month adverse movement is due to increased agency expenditure on Midwifery, arising from slippage on recovery plans, but also some Non Recurrent corrections to prior months including rates and volumes.

Management & A&C staff are also (£22k) Adv M04 / (£69k) Adverse YTD. There are a number of under and overspends within this but the main recurrent overspending is incurred from CIP slippage, Sexual Health vacancy cover and additional digitising of records. There are plans to restructure the latter in order to mitigate this pressure.

Non Pay

The 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.

CIP

The gap due to unidentified CIP after risk rating stands at £0.67m from the target of £4.0m. This includes additional non-recurrent recovery plans, including keeping vacancies in HDU/Theatre and also further reductions in Agency costs and Paediatric workforce reconfiguration.

CORPORATE

Corporate	Month Budget £000	Month Actual £000	Month Variance £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Income	(883)	(838)	(45)	(5,200)	(4,831)	(369)
Pay	2,530	2,352	178	15,053	14,308	744
Non Pay	4,623	4,820	(197)	28,397	29,750	(1,353)
CIP / Turnaround Target	42	-	42	(979)	-	(979)
Total	6,312	6,334	(22)	37,271	39,228	(1,957)

The main areas of overspend within Corporate are:

- **Human Resources – (£73k) Adverse in month and (£457k) YTD.** This is largely due to CIP slippage, Pay overspend of (£251k) YTD predominantly associated with agency cover for vacancies and Advisors which is now stopping. Non Pay is (£180k) Adv YTD, mostly from External Consultancy usage and Recruitment fees.
- **Education – Break even in month and (£334k) Adverse YTD.** The in month movement is due to billing for YTD Flexible Trainees and releasing deferred income relating to YTD expenditure. The YTD position is from under performance against 09/10 outturn on PGMDE and Modernising Medic Careers Income.
- **Director of Finance – (£31k) Adverse in month and (£676k) Adverse YTD.** The main overspends are related to Photocopier contracts and Stationary 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 - £47k Favourable in month and (£183k) Adverse YTD.** The in month movement is due to YTD capitalisation and VAT recovery within IT. The YTD variance is due to an over spend in IT on pay from under delivery of CIP. Non-pay overspent by £138k, primarily due to Phone Rental pressures and Computer maintenance.
- **Head of Estates – (£30k) Adverse in month and (£368k) Adverse YTD.** This is due mostly due to cost pressures on Sterile Services and to some extent Estates utilities and Laundry. £150k relates to a Queen's variation Contract payment.
- **Director of Performance & Planning – (£15k) Adverse in month and (£19k) Adverse YTD.** There are under spends from Information Services and Healthcare Campuses but these are being off set by overspends on Clinical Coding, External Consultancy Fees and CIP failure.

5. PEQ Programme

September PEQ schemes delivered £1.9m in month compared to a budget of £3.2m. As in August additional activity continued to restrict delivery of PEQ schemes, with ongoing use of temporary resource, ward closures not achieved as originally planned and theatre efficiency savings being offset by additional staff and consumable costs from more patients. Year to date delivery has now reached £8.4m against a budget of £15.3m.

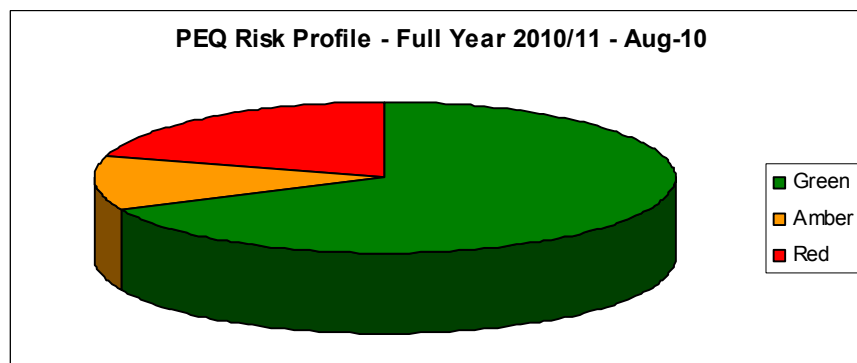
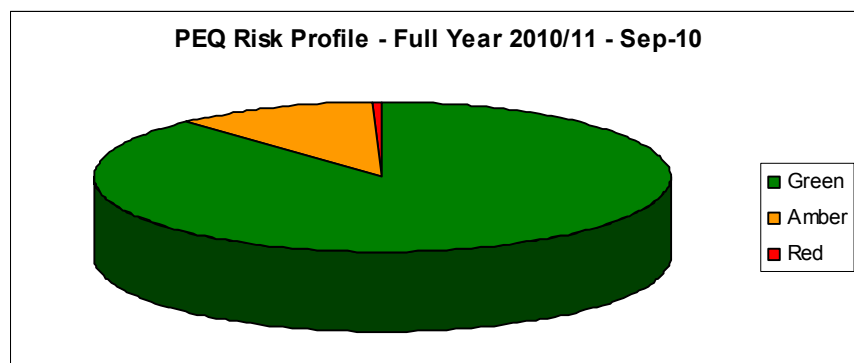
The PEQ board undertook a review to establish additional recovery schemes during September for delivery primarily in the 4th quarter. These schemes have identified an additional £13.7m of savings from staff savings, and a range of recurrent and non-recurrent non-pay savings. A number of these schemes carry a degree of risk, and are still subject to full implementation plans. Where these relate to Cost Improvement Schemes, as opposed to non-scheme run rate reductions, they have been built into the PEQ forecast for the remainder of the year.

The shortfall continues to arise in staffing savings not being delivered at a sufficient rate, although the recovery plans are targeting a significant change to this for the remainder of the year, to cover off the savings which were unidentified in the budget and the shortfall in the bed reconfiguration programme.

The forecast no longer assumes additional schemes will make up the shortfall to budget, especially as the Trust's overall forecast now assumes additional over-performance income (in effect offsetting some productivity savings) and further cost reductions against expenditure not directly linked to PEQ schemes.

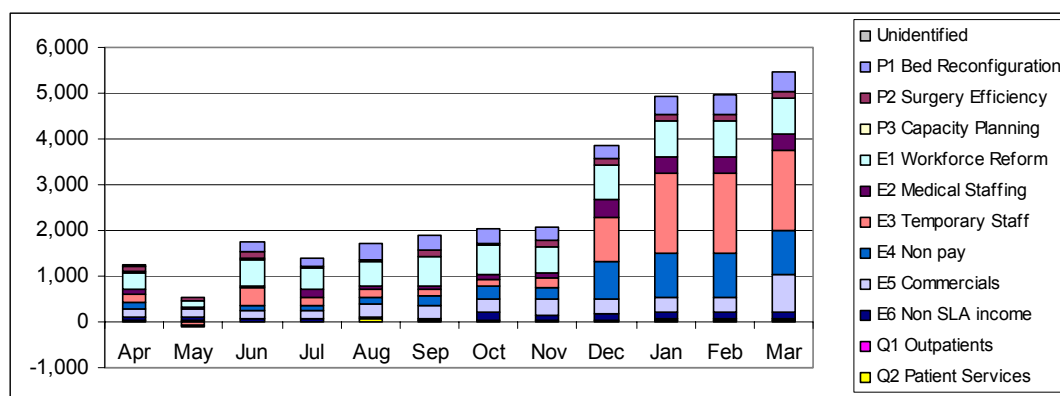
	Plan YTD	Actual		Full Year	
		Actual YTD	Var YTD	Budget	Forecast
P1 Bed Reconfiguration	1,373	998	(375)	4,332	3,066
P2 Surgery Efficiency	564	564	0	1,128	1,380
P3 Capacity Planning	534	33	(501)	1,809	34
E1 Workforce Reform	3,095	2,766	(329)	6,974	7,057
E2 Medical Staffing	823	478	(345)	1,738	2,159
E3 Temporary Staff	2,908	1,021	(1,887)	6,140	7,578
E4 Non pay	1,191	712	(479)	3,363	4,955
E5 Commercials	1,092	1,301	209	2,268	3,754
E6 Non SLA income	1,015	335	(680)	2,915	1,233
Q1 Outpatients	12	0	(12)	36	88
Q2 Patient Services	345	183	(162)	807	370
Unidentified	2,326	0	(2,326)	4,377	0
Total	15,278	8,391	(6,887)	35,887	31,673

The current risk profile of schemes is as below. As unidentified schemes have now been removed from the forecast, the overall risk profile has changed with the overall reduction in value.



Turnaround Profile

The forecast now highlights the importance of delivery of the recovery plans from December 2010 through to the end of the year, with significant staff cost reductions from December and activity levels returning to plan for the final quarter.



The forecast now includes mitigating actions for:

- Admin and clerical staff reductions and medical temporary staff reductions of up to £6.2m
- Stock, consumables and other non-pay actions - £2.2m
- Commercial contract benefits - £0.5m

Divisional Summary (N.B. These exclude additional recovery actions)

Medicine

The medical division shortfall continues to highlight a lack of sufficient schemes to mitigate unidentified actions in the plan. Much of this was expected to be delivered through the length of stay programme and capacity capping initiatives.

	Plan YTD	Actual YTD	Var YTD
Total Expenditure	25,958	26,625	(668)
CIP (By Scheme)	(2,364)	(2,307)	(56)
Unidentified CIP	(508)	0	(508)
Total	23,086	24,318	(1,232)

	Plan YTD	Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	1,093	1,089	(4)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	200	0	(200)
E1 Workforce Reform	241	448	207
E2 Medical Staffing	243	314	72
E3 Temporary Staff	349	317	(32)
E4 Non pay	154	91	(63)
E5 Commercials	0	0	0
E6 Non SLA income	85	48	(37)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	508	0	(508)
Total CIP	2,872	2,307	(564)

Emergency Care

Emergency Care CIP schemes have delivered very limited non-pay savings, but no pay savings. Whilst additional agency medical staff costs have now been capped, the high use of temporary staff costs continue to drive costs over budget.

	Actual		
	Plan YTD	Actual YTD	Var YTD
Total Expenditure	10,121	11,562	(1,441)
CIP (By Scheme)	(755)	(127)	(628)
Unidentified CIP	(61)	0	(61)
Total	9,305	11,435	(2,130)

	Actual		
	Plan YTD	Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	38	0	(38)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	271	0	(271)
E1 Workforce Reform	0	0	0
E2 Medical Staffing	0	0	0
E3 Temporary Staff	334	0	(334)
E4 Non pay	112	127	15
E5 Commercials	0	0	0
E6 Non SLA income	0	0	0
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	61	0	(61)
Total CIP	816	127	(689)

Surgery

Surgery central income YTD has exceeded plan by £5.8m, of which a 60% apportionment to the division would equate to £3.5m. This has been reflected as non-achievement of CIP schemes, in particular around medical temporary staff costs and additional staff payments. Theatre Efficiency plans show some gains, but total cost savings are being are not being realised in the division. The full year CIP delivery will continue to be risk if activity levels remain high, but currently assumes that demand management schemes will take effect by the final quarter.

	Actual		
	Plan YTD	Actual YTD	Var YTD
Total Expenditure	47,646	48,852	(1,206)
CIP (By Scheme)	(3,655)	(896)	(2,759)
Unidentified CIP	(786)	0	(786)
Total	43,205	47,956	(4,751)

	Actual		
	Plan YTD	Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	60	0	(60)
P2 Surgery Efficiency	565	200	(365)
P3 Capacity Planning	0	0	0
E1 Workforce Reform	815	652	(163)
E2 Medical Staffing	93	0	(93)
E3 Temporary Staff	1,628	36	(1,591)
E4 Non pay	158	8	(150)
E5 Commercials	0	0	0
E6 Non SLA income	336	0	(336)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	786	0	(786)
Total CIP	4,441	896	(3,545)

Womens and Children

Paediatric reconfiguration has slipped and is now scheduled from November, along with further recruitment of midwives which will start in October to reduce expenditure on temporary staffing.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	23,488	24,272	(784)
CIP (By Scheme)	(1,288)	(929)	(359)
Unidentified CIP	(111)	0	(111)
Total	22,089	23,343	(1,254)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	0	0	0
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	0	0	0
E1 Workforce Reform	393	844	451
E2 Medical Staffing	195	0	(195)
E3 Temporary Staff	303	71	(232)
E4 Non pay	95	0	(95)
E5 Commercials	0	0	0
E6 Non SLA income	302	13	(289)
Q1 Outpatients	0	0	0
Q2 Patient Services	0	0	0
Unidentified	111		(111)
Total CIP	1,399	929	(470)

Clinical Support Services

Clinical Support Services expenditure on not PEQ schemes continues to exceed plan, and CIP schemes themselves are £1.1m short of target year to date. A number of cross divisional recovery plans will directly impact CSS in the 4th quarter and these are not yet in the divisional forecasts.

	Plan YTD	Actual Actual YTD	Var YTD
Total Expenditure	42,024	44,999	(2,975)
CIP (By Scheme)	(3,010)	(2,539)	(471)
Unidentified CIP	(674)	0	(674)
Total	38,340	42,460	(4,120)

	Plan YTD	Actual Actual YTD	Var YTD
CIP Schemes			
P1 Bed Reconfiguration	112	15	(97)
P2 Surgery Efficiency	0	0	0
P3 Capacity Planning	64	0	(64)
E1 Workforce Reform	775	524	(252)
E2 Medical Staffing	294	55	(239)
E3 Temporary Staff	150	78	(72)
E4 Non pay	111	32	(80)
E5 Commercials	1,092	1,748	656
E6 Non SLA income	53	0	(53)
Q1 Outpatients	13	0	(13)
Q2 Patient Services	345	89	(257)
Unidentified	674		(674)
Total CIP	3,684	2,539	(1,145)

6. Forecast Outturn Position

The table below provides a bridge reconciliation of the overall forecast outturn Income and Expenditure position, starting from a simple extrapolation of the M6 position:

Line item	£m	Analysis	Risk (£m)
M6 Straight line projection – total deficit	(36.5)	Starting projection reflects the YTD M6 position extrapolated on a straight line basis over the full financial year. No seasonality has been included in this position on the basis that it would be negligible. Included within this position is the straight line effect of those savings which have delivered to M6. The M5 savings were £7.8m and hence the full year effect is £15.6m. The basis for their inclusion is that these are already implemented and delivering savings and will continue to do so for the remainder of the financial year.	-
Non-recurrent & full-year effect adjustments to S/L projection	(10.3)	This adjustment removes one-off or exceptional items from the straight line extrapolation, with income being the most significant (£8.5m M6). The £36.5m straight line deficit notionally assumes a continuation of over performance income through the remainder of the year. At M6 this was £8.5m at M6 and £17.0m full year.	-
Continued income over performance M7-9	4.2	This represents the revised estimate of over performance income for the remainder of the year, and assumes that there is still 3 months of demand in the system with little evidence that demand reductions actions have been fully put in place.	-

Line item	£m	Analysis	Risk (£m)
		The Trust has already included potential claims/challenges within the YTD position as advised by the sector, but overall PCT affordability issues still remain.	
Expected Deficit Before Additional Savings	(42.6)	In month deterioration offset by expected continuation of additional income into December 2010	-
Additional CIP (low risk)	3.9	CIP savings identified and confirmed for delivery in the second half of the year, consisting of known contract renegotiations, posts filled with permanent staff rather than temporary/agency staff and vacant posts removed. Actions required to realise the savings have already been undertaken.	-
Additional CIP (high risk)	3.9	This relates to a series of schemes which still require considerable action to deliver or carry a degree of uncertainty. As noted above, the Trust expects activity to exceed plan for the next three months.	1.0
Recovery plan - staffing	6.2	<p>The staff costs savings were reviewed at PEQ on 13th October, and have identified a total of £6.2m. This reflects a number of cross divisional schemes and divisional actions, with an estimate of financial risk of approximately £1.6m.</p> <p>Included in this are approximately 80-85 posts currently filled with substantive staff within Corporate and Clinical Support Services which are potentially at risk and will be subject to a 30 day consultation period. Plans are being finalised for this in terms of selection criteria, structural changes and identification of potential redeployment opportunities.</p> <p>As part of this process so far, the estimate of total redundancy costs has been revised to £6.0m. Further work will be carried out throughout the consultation period to minimise this as far as possible.</p> <p>Divisional plans have identified a total of 140 WTE posts currently filled with temporary staff or paid at premium rates.</p> <p>A number of Trustwide plans have been identified as part of this process. In so far as they are delivered in the final quarter, the staff impact is expected to be minimal with the reduction in posts coming from temporary bank and agency staff.</p>	1.6
Recovery plan - other	7.5	Detail below.	6.0
Depreciation	0.7	Depreciation savings are based upon internal reviews of useful economic lives and consideration of residual values for assets still in use which are nearing the end of their accounting life.	-
Soft FM	0.5	Negotiations are underway with the facilities management providers to secure better rates and/or new services under existing contracts. The forecast saving here is the best estimate based upon its intentions.	-
Drugs	1.2	<p>The savings envisaged here relate to high cost drugs (and their funding). The trust and PCTs are currently in negotiation regarding funding of such drugs as there remains differing views on the arbitration and Finnermore rulings.</p> <p>The savings included here represent one of two things:</p> <ol style="list-style-type: none"> HCD over and above contract levels are funded by the PCTs and hence the saving is in fact income generation. HCD patients are restricted to contract levels and additional activity/drugs are not treated by the trust. <p>The former of these would be unaffordable to the PCTs, whilst the latter is a more sensitive proposal and hence there is considered risk around realisation of these savings.</p>	1.2
Stock	1.0	These savings would arise through inclusion of stock items on the wards at the year end and is based upon the experience of performing such counts at the 09/10 year end. That experience indicated that the trust could have gone further in taking such items onto the balance sheet rather than through the SOCI.	-
Consumables	0.25	Savings here represent even tighter management of discretionary spend.	-

Line item	£m	Analysis	Risk (£m)
Revenue to capital transfer	1.2	The Trust has earmarked £1.8m of its CRL for revenue to capital transfers and already contains c.£0.6m within its operating plan for such treatment. This saving represents more aggressive accounting and capitalisation and would be largely achieved through capitalisation of salary costs.	0.5
Balance sheet review	1.5	Savings here would be achieved through close management of balance sheet accounts, in particular accruals and provisions. The expectation of savings to be realised has been driven from the 09/10 experience of a similar exercise, rather than from a bottom-up process having been undertaken at this time.	-
Other	1.0	These are a number of smaller schemes which are individually immaterially and hence have been aggregated.	0.5
Expected Deficit After Additional Savings	(21.1)		10.8
Variance to Control Total	(1.6)		

In summary, therefore, the Trust needs to deliver additional savings of £23.1m, in the second half of the financial year, compared with the run rate to M6. This comprises; £7.8m of additional CIP savings at Divisional level; £6.2m of additional centrally driven staff savings; £7.5m of centrally driven non-pay savings, with a further £1.6m yet to be identified. Against this position, there are risks of £10.8m, most significantly potential redundancy costs of £6m.

7. Balance Sheet

A detailed balance sheet is shown below : £000

	<u>Actual</u>			<u>Movements</u>	
	Y/E Bal Mar10	Prior Mth Aug-10	Current Sep-10	Mth	YTD
Fixed Assets					
Intangible	3,529	3,152	3,077	(75)	(452)
Tangible	354,783	353,666	353,032	(634)	(1,751)
	358,312	356,817	356,108	(709)	(2,204)
Current Assets					
Inventories	6,033	5,930	6,062	132	29
NHS Debtors	22,374	(7,473)	(9,876)	(2,403)	(32,250)
Non NHS Trade Debtors	6,253	2,947	4,121	1,174	(2,132)
Provision for Irrec debts	(1,567)	946	900	(46)	2,467
Other Debtors	9,839	8,360	4,371	(3,989)	(5,468)
Cash in hand and at Bank	2,098	17,637	17,451	(187)	15,353
	45,030	28,347	23,029	(5,319)	(22,001)
Current Liabilities					
NHS Creditors	(10,272)	(9,461)	(8,670)	791	1,602
Non NHS Trade Creditors	(20,744)	(21,687)	(19,178)	2,509	1,566
Other Creditors	(1,307)	2,167	3,620	1,453	4,927
Taxes and Social Sec. Costs	(5,305)	(5,421)	(5,517)	(96)	(212)
Accruals	(13,055)	(14,031)	(13,883)	148	(828)
Other PFI Liabilities	(4,755)	(4,846)	(4,846)	-	(91)
Deferred Income	(1,258)	(2,819)	(5,580)	(2,761)	(4,322)
Temporary Loan - DH	(5,000)			-	5,000
	(61,696)	(56,099)	(54,054)	2,045	7,642
Net Current Assets/Liabilities	(16,666)	(27,752)	(31,025)	(3,274)	(14,359)
Debtors > 1 year	26,556	26,830	26,976	147	420
Total Assets less Liabilities	368,202	355,895	352,060	(3,836)	(16,142)
Creditors > 1 year					
Long term Loans-SBS	(470)	(470)	(470)	-	(0)
PFI Liabilities and Finance Leases	(263,815)	(261,495)	(261,495)	1	2,320
Provisions for liabilities	(7,450)	(7,156)	(7,130)	26	320
Deferred Income	(5,555)	(5,342)	(5,342)	-	213
Net Assets	90,912	81,432	77,623	(3,809)	(13,289)
Financed by:-					
Public Dividend Capital	271,375	276,375	276,375	-	5,000
Revaluation Reserve	9,547	9,547	9,547	(0)	(0)
Donated Asset Reserve	912	871	863	(8)	(49)
Government grant			-	-	-
Income & Expenditure Reserve	(190,922)	(205,361)	(209,162)	(3,802)	(18,240)
Total Taxpayers Equity	90,912	81,432	77,623	(3,810)	(13,289)

Balance Sheet Movements

The main movements in the balance sheet are as follows:

1. The year to date movement in Fixed assets consists of 6.9m depreciation for the six months less 4.7m of additional capital expenditure
2. NHS Debtors and other debtors have reduced by 5.5m reflecting advanced SLA payments to ease our cashflow position and the release of the quarterly PFI prepayment.
3. The year to date NHS and Non NHS Creditors have both marginally improved (i.e. reduced) with the additional cash received in late July, August and September, as a result of which the Trust has been able to make some significant payments to suppliers during August and September. Due to the timing of some large payments being made in early October (including the quarterly PFI payment), the Trust had to carry forward a substantial cash balance at the end of September. The Trust has continued to experience cashflow difficulties due to the I&E deficit and also the timescale in recovering PCT contract over-performance income from 2009-10 and 2010-11 year to date, although this largely 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.
4. The Trust has a reported year to date I & E deficit of £18.2m (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
Average Debtor Days	18	18	7	(1)	(2)
Average Creditor Days	185	125	74	53	105
Current Ratio					
Current Assets \ Current Liability	69%	65%	60%	51%	43%

8.Cashflow

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

Statement of Cash Flows (CF)	Apr - Aug 10 Actual	Sep 10 Actual	YTD Actual
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Surplus/(Deficit)	(£5,395)	(£1,963)	(£7,358)
Depreciation and Amortisation	£5,714	£1,182	£6,896
Impairments and Reversals (inc Change in Fair Value of Financial Instruments)	£88	£28	£116
Other gains/losses on foreign exchange	-	-	-
Transfer from the Donated Asset Reserve	(£41)	(£8)	(£49)
Transfer from the Government Grant Reserve	-	-	-
Interest Paid	(£10,458)	-	(£10,458)
Dividend Paid	£126	(£1,764)	(£1,638)
(Increase)/Decrease in Inventories	£103	(£132)	(£29)
(Increase)/Decrease in Trade and Other Receivables	£29,534	£3,387	£32,921
(Increase)/Decrease in Other Current Assets	-	-	-
Increase/(Decrease) in Trade and Other Payables	£2,124	(£486)	£1,638
Increase/(Decrease) in Other Current Liabilities	£0	-	£0
Increase/(Decrease) in Provisions	(£296)	(£26)	(£322)
Net Cash Inflow/(Outflow) from Operating Activities	£21,499	£218	£21,717
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received	£563	£6	£569
(Payments) for Property, Plant and Equipment	(£4,691)	(£461)	(£5,152)
Revenue Rental Income	£581	£62	£644
Net Cash Inflow/(Outflow)from Investing Activities	(£3,546)	(£393)	(£3,939)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	£17,953	(£175)	£17,778
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Public Dividend Capital Received	-	-	-
Public Dividend Capital Repaid	-	-	-
New Capital Investment Loans	-	-	-
Capital Element of Finance Leases and PFI	(£2,413)	(£12)	(£2,425)
Cash transferred to NHS Foundation Trusts	-	-	-
Net Cash Inflow/(Outflow)from Financing	(£2,413)	(£12)	(£2,425)
Net Increase/Decrease) in Cash and Cash Equivalents	£15,539	(£186)	£15,353
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	£17,637	(£186)	£17,451

The main point to note at Month Six is the significant decrease in trade and other receivables (i.e. Debtors), of £32.9m, which is primarily driven by receipt of the £8.0m PCT risk pool support funding agreed at the end of 2009/10 and SLA advances of £23.5m received in year from Havering, B&D and Redbridge PCTs

9. Capital Programme

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

Description	Fcast Capital Resources Allocation	Program Schemes Expenditure to date	
		Trust Spend	Finance Lease
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Capital Resources</u>			
2009-10 B/Fwd Schemes		-	
2009-10 B/Fwd Capital Accruals		655	
2010-11 Capital Schemes	8,373	4,331	-
Trust Variation Enquiries	-	-	
PFI- MES Capitalisation- IFRS Impact	1,600	-	
<u>Other Capital Expenditure</u>			
Purchase of Leased Medical Equipment		165	
Total Capital Expenditure - as per Cashflow	9,973	5,151	-
<u>PFI Purchases</u>			
2010-11 Capital Schemes		196	
Total PFI Expenditure	-	196	-
Total Capital Expenditure - as per Balance Sheet	9,973	4,693	-

Year to Date Capital expenditure is £5.151m.


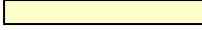

In light of the difficult cash position, the Trust's Capital Planning Group has decided to limit capital expenditure to £8.0m. The Group has assessed and re-prioritising existing and new capital schemes in order to manage within this limit. The Trust has also been asked by the SHA to limit its capital 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.

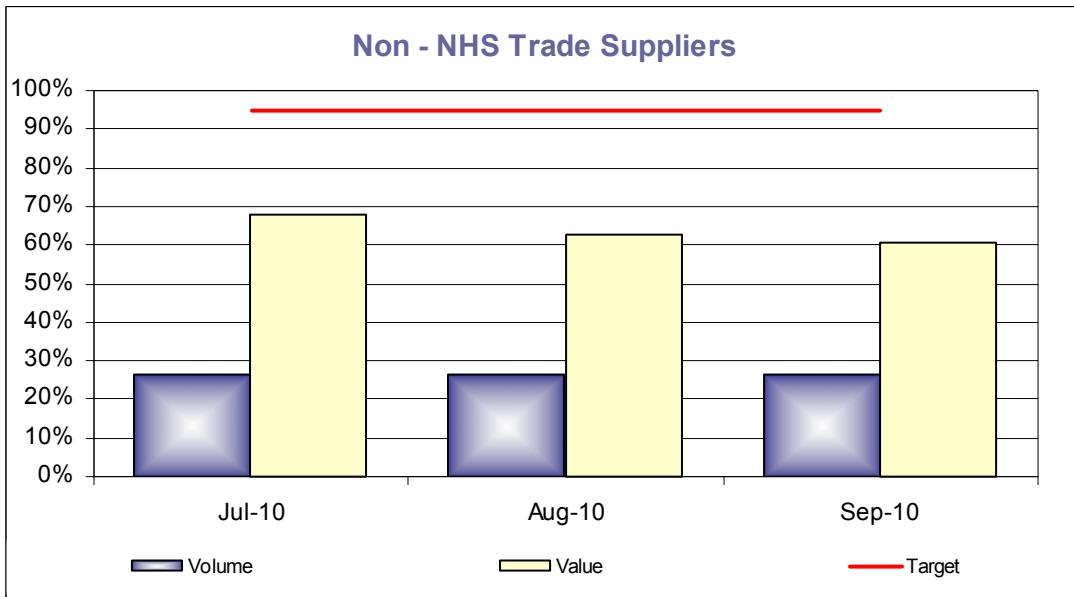
10. Better Payment Practice Code ("BPPC")

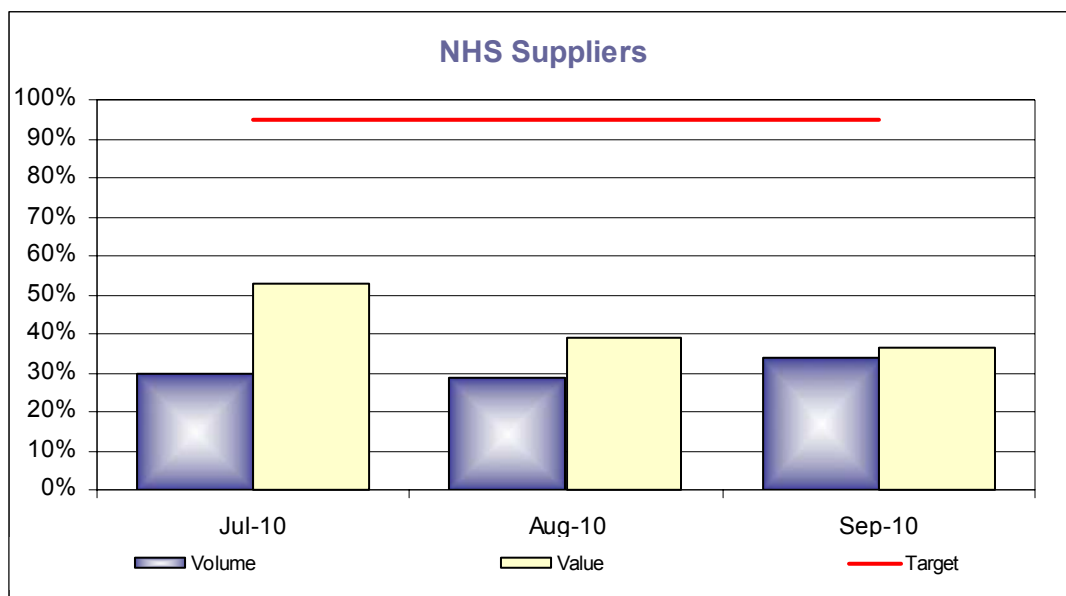
Under the better payment practice code, invoices received from trade creditors should be paid within 30 days of the receipt of goods or a valid invoice (whichever is later), unless other payment terms have been agreed. The target is to pay 95% of such sums due.

Non NHS creditor performance deteriorated in comparison to the previous month, with a decrease of 2% to 61.0% (Prior month: 63%) in value and the volume remaining practically the same at 26% (Prior month: 26%), being settled within 30 days.

Trust performance also deteriorated for NHS creditors with a reduction of 2% to 37% (prior month 39%) by value, although there was an increase of 5% to 34% (prior month 29%) by volume. Notwithstanding this, unapproved invoices do not appear in these figures.

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





11. Financial Risk Rating

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

BHRUT's weighted risk factor for September 2010 is 1.35, (1.45 from August). The worsening is mainly because of a lower level of creditor payments made. 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 9.0% of income, attracting a score of 1 (threshold between 1 and 2 is 2%) and an EBITDA ratio to income of 0.1%, which also attracts a score of 1. (threshold to get to 2 is +1%).
3. **Forecast Outturn.** This has 3 elements; forecast outturn for the bottom line position, forecast outturn for EBITDA, and consistency of forecasting of the bottom line position. The Trust scores 1 on forecast outturn bottom line due to the operating deficit at 5.00% of income, 2 on EBITDA, which was 3.7% of income and 2 for forecast consistency as the September forecast out-turn is unchanged from August.
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 27% and 57% respectively in September, which gives a score of 1 on volume and 1 on value (thresholds being 60%)

- b. Current ratio, i.e. current assets divided by current liabilities (an indicator of liquidity). The Trust's ratio is 0.43 (i.e. current assets are 43% of current liabilities), which gives it a score of 1 (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 September 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 September performance is 105 days, i.e. creditors represent 105 days non-pay expenditure.

The detailed breakdown for September is found at appendix 1.

12. Financial Risks and Opportunities

The key outstanding risks are:

Income and Activity performance.

- Central Income is over performing YTD by £8.5m mostly on PBR activity. Most of this over performance is related to PBR ONEL ACU activity. As such there is a high level of risk attached to recovering the full income values.

Expenditure

- The key expenditure risks are highlighted in the section on forecast outturn above

Financial indicators for acute & ambulance trusts : BHRUT SEP 2010

Financial Indicators for acute & ambulance trusts : BHRUT SEP 2010						SCORING			BHRUT Raw Score SEP 10	BHRUT Weighted Score SEP 10
Criteria	Metric	Weight (%)	Measure	3	2	1				
Initial Planning	Planned O/E as a proportion of Turnover	5	5	-5.0%	Planned operating breakeven or surplus that is either equal to 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	
					$\frac{\text{SHA expected operating surplus or breakeven} \times 100}{\text{Planned operating surplus or breakeven} \times \text{Planned Income}}$	$\frac{\text{Planned operating deficit}}{\text{Planned Income}} \times 100$				
Year to Date	YTD Operating Performance	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 forecast income	1	0.20	
					$\frac{\text{YTD planned operating breakeven}}{\text{Forecast Income}} \times 100$	$\frac{\text{YTD operating deficit}}{\text{Forecast Income}} \times 100$				
Forecast Outturn	Forecast Operating Performance	40	20	-4.9%	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	
					$\frac{\text{Planned operating breakeven/ surplus/deficit} - \text{Forecast operating breakeven or surplus}}{\text{Forecast Income}} \times 100$	$\frac{\text{Forecast operating deficit}}{\text{Forecast Income}} \times 100$				
Forecast Outturn	Forecast EBITDA	5	5	3.7%	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	
					$\frac{\text{Forecast EBITDA}}{\text{Forecast Income}} \times 100$					
Forecast Outturn	Change in Forecast Surplus/Deficit	15	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	
					$\frac{(\text{Current period forecast surplus/deficit}) - (\text{Prior period forecast surplus/deficit})}{\text{Forecast Income}} \times 100$					
Underlying Financial Position	Modeling Position %	10	5	-4.5%	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	
					$\frac{\text{Underlying Breakeven/Surplus/Deficit}}{\text{Underlying Income}} \times 100$					
Underlying Financial Position	EBITDA Margin (%)	5	5	3.2%	Underlying EBITDA equal to or greater than 5% of underlying income	Underlying EBITDA equal to or greater than 1% but less than 1% of underlying income	Underlying EBITDA less than 1% of underlying income	2	0.1	
					$\frac{\text{Underlying EBITDA}}{\text{Underlying Income}} \times 100$					
Finance Processes & Balance Sheet Efficiency	Value of ALL Bills paid within target	2.5	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	
					$\frac{\text{Value of ALL Bills paid within target}}{\text{Value of ALL Bills paid within the year}} \times 100$					
	Volume of ALL Bills paid within target	2.5	2.5	27%	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	
					$\frac{\text{Volume of ALL Bills paid within target}}{\text{Volume of ALL Bills paid within the year}} \times 100$					
	Current Ratio	20	5	5	0.43	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	1	0.05
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$										
Debtor Days	5	5	5	-2	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	
					$\frac{\text{Debtors as at current period}}{\text{Forecast Income}} \times 365$					
Creditor Days	5	5	5	105	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	
					$\frac{\text{Creditors as at current period}}{\text{Total Expenditure}} \times 365$					
		100	100					18	1.35	

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

Other Finance Processing KPI's	
Average Debtor days	-2.05
Average Creditor days	105.36
YTD PSPP by Volume - NHS	33.79 %
YTD PSPP by Volume - Non NHS	26.84 %
PO Invoices Received in Month %	36.900%
Unallocated Cash - Volume	5.300%
Unallocated Cash - Value £'k	920
Contract Volumes - Annualised Volumes/Contract Volumes	91.857%