

To: Trust Public Board

From: Executive Directors

Date: 28 October 2010

FINANCE REPORT MONTH 06 (PERIOD ENDING 30 SEPTEMBER 2010) (CHIEF FINANCIAL OFFICER)

1. Introduction

This section of the integrated performance report summarises the financial position of the Trust to the end of September 2010. The report focuses on the statement of comprehensive income, statement of position and cashflow reports. A detailed pack of financial information is presented to the Private section of the Board for review. This ensures the whole Trust Board remains informed of financial performance and the actions being taken to ensure agreed plans are delivered.

2. Statement of comprehensive income

The reported in month deficit of £ 0.9m is in line with plan. Year to date the Trust is reporting a deficit of £9.5m, £0.6m adverse to plan. SUS data indicates higher than budgeted levels of activity year to date. The cost impact of this is reflected in the results, however it is not considered appropriate at this point to recognise any income above plan, pending finalization of negotiations with Commissioners.

The following table summarises the income and expenditure position.

Income & expenditure by category - 2010/11
As at month 06 (September 2010)

	2010-11	2010-11			In Month			2010-11		
	Revised plan	Month 04	Month 05	Month 06	Plan in month	Actual in month	Variance in month	Plan to date	Actual to date	Variance to date
Total income	218,525	18,601	18,419	18,364	18,421	18,364	(57)	109,517	108,856	(661)
Total Pay	146,916	13,016	12,952	12,890	12,371	12,890	(519)	77,230	78,035	(805)
Total non-pay	72,366	6,194	5,701	5,608	6,162	5,608	555	36,406	35,631	775
Total Expenditure	219,282	19,210	18,653	18,497	18,534	18,497	36	113,635	113,666	(30)
EBITDA	(757)	(609)	(234)	(134)	(113)	(134)	(21)	(4,005)	(4,677)	(691)
Total financing costs	9,828	803	796	792	824	792	33	4,791	4,680	111
Net Surplus/ (deficit)	(10,584)	(1,412)	(1,030)	(925)	(937)	(925)	12	(8,909)	(9,489)	(581)

EBITDA - Earnings Before Interest Dividends & Amortisation

* The Reported Annual Plan Excludes any Provisions for Redundancies

The table clearly illustrates there are pressures within income, pay and non-pay. The main points to note are:

- £0.3m of the increase in month is a direct result of additional planned lists and clinics to address the Trust's 18 week backlog within most Surgical specialties, Obs and Gynae and Neurophysiology.
- Nursing pay expenditure has continued to increase as dual running costs have been incurred within Midwifery. New substantive members of staff have commenced employment but there still is a requirement initially to provide agency cover.
- Admin and clerical vacancies are the remaining key driver. This pay group delivers a £0.9m year to date underspend versus plan which currently offsets some of the pay pressures noted above.
- Non pay was £0.6m below plan in month and £0.8m favourable versus plan year to date. This is due mainly to the phasing of IT spend.

Slippage against planned savings are also acting to drive the variance from plan at the end of September. However, the slippage against planned savings is expected to be recovered within the current year.

Detailed plans are being developed to ensure that the current adverse position is recovered across the remainder of the year. This work is being led by the Chief Finance Officer and the Chief Restructuring Officer. Actions are focusing on;

- Maximising income recovery for work undertaken for the PCT by tackling residual data quality issues.
- Ensuring activity that our commissioners do not require is not undertaken, and adjusting capacity accordingly.
- Reviewing controls on pay costs to ensure they are effective; notable areas of focus will include nursing and medical staff which are currently in excess of plan.
- The Turnaround plan is being refreshed to reflect changes in levels of activity and the granting of a loan by the DH, realigning actions to deliver the planned result for the year. This has been reported to Part 2 of the Trust Board. The final version is expected to be published in November.

3. Statement of position (balance sheet)

The following summarises the Statement of Position for the Trust to the end of September 2010.

	Balance as at 31st Mar 2010	Balance			September 2010			Plan for 31st Mar 2010
		July	August	September	Plan	Actual	Variance	
Assets Non Current								
Tangible assets	110,165	106,132	105,647	105,328	109,371	105,328	4,043	108,481
Intangible assets	397	2,559	2,505	2,450	297	2,450	-2,153	198
Other assets	1,304	1,426	1,397	1,411	678	1,411	-733	678
		0						
Fixed Assets	111,866	110,117	109,549	109,189	110,346	109,189	1,157	109,357
Assets Current								
Inventory	4,747	4,411	4,264	4,409	4,747	4,409	338	4,747
NHS Debtors	8,291	10,230	10,316	11,111	10,775	11,111	-336	10,294
Trade Debtors	496	432	495	678	1,274	678	596	1,233
Other Debtors	646	508	411	438	732	438	294	719
Accrued income	904	855	1,107	823	972	823	149	910
Prepayments	491	1,383	2,108	1,777	1,692	1,777	-85	492
Cash	9,037	7,476	8,454	7,400	1,313	7,400	-6,087	5,354
Current Assets	24,612	25,295	27,155	26,636	21,505	26,636	-5,131	23,749
Liabilities Current								
Loans - due within 1 yr	1,142	1,142	1,142	1,142	1,142	1,142	0	1,000
Dividend and interest payable	2,059	2,938	3,192	3,420	2,066	3,420	-1,354	219
Trade Creditors including NHS	24,193	18,237	18,936	17,791	10,955	17,791	-6,836	15,784
Non-NHS Capital creditors	895	309	656	472	954	472	482	704
Obligations under finance lease	71	72	72	72	72	72	0	71
Other credits inc Tax & Social Security	6,755	6,916	6,111	6,371	11,301	6,371	4,930	6,341
Accruals	1,587	4,262	5,900	3,549	2,284	3,549	-1,265	1,290
Deferred income	267	815	-448	1,685	888	1,685	-797	784
Current Liabilities	36,969	34,691	35,561	34,502	29,662	34,502	-4,840	26,193
Net current assets	-12,357	-9,396	-8,406	-7,866	-8,157	-7,866	-291	-2,444
Deferred Government Grant	626	626	626	626	352	626	-274	351
Creditors - amounts falling > 1 yr	6,096	15,036	16,537	17,665	18,245	17,665	580	34,816
Provisions for liabilities and charges	1,702	1,583	1,554	1,549	544	1,549	-1,005	544
Total Assets Employed	91,085	83,476	82,426	81,483	83,048	81,483	1,565	71,202
Tax payers equity								
Public Dividend Capital (PDC)	94,703	94,703	94,703	94,703	94,703	94,703	0	94,703
Revaluation Reserve	22,180	22,180	22,180	22,180	23,225	22,180	1,045	23,225
Donation Reserve	9,535	9,460	9,440	9,422	9,360	9,422	-62	9,193
Income & Expenditure Reserve	-35,333	-42,867	-43,897	-44,822	-44,240	-44,822	582	-55,919
Total Tax Payers Equity	91,085	83,476	82,426	81,483	83,048	81,483	1,565	71,202

The main points to note are:

- Fixed assets are lower than plan due to the revised timing of the capital programme. This has been a reflection of the need to agree funding and develop a comprehensive plan. The plan is now in place and capital expenditure is expected to move forward quickly over the coming months.
- Cash balances are ahead of plan primarily as a consequence of reducing other current asset balances (stocks, prepayments and debtors), and increased creditors.
- NHS Debtors are below plan as a number of outstanding actions have been resolved in month with NHS Berkshire East. Remaining issues have been discussed with the PCT to ensure prompt resolution.
- Creditors are ahead of plan due to higher than planned accruals for provisions and continued active management of the timing of payments to suppliers.

4. Cashflow

The following table summarises the cashflow position of the Trust for the period ending 30 September 2010.

	Annual Plan	Run rate			Year to date		
		Jul	Aug	Sep	Plan	actual	Variance
Opening cash balance	9,104	9,228	7,476	8,454	9,104	9,037	-67
Outflow from operations	-11,072	-613	-246	-144	-4,202	-4,880	-678
Decrease in working capital	-11,370	-589	-615	-1,656	-12,009	-7,184	4,825
Net outflow from operations	-13,338	8,026	6,615	6,654	-7,107	-3,027	4,080
Net outflow from investing	-5,177	-552	336	-360	-2,468	-857	1,611
Net inflow from financing							
Monies received	30,000	2	1,503	1,502	13,000	12,019	-981
Monies repaid	-4,205	0	0	-396	-2,112	-735	1,377
Net	25,795	2	1,503	1,106	10,888	11,284	396
Closing cash balance	7,280	7,476	8,454	7,400	1,313	7,400	6,087

As indicated in the balance sheet section cash remains ahead of plan, this results from a favourable movement on working capital being partly offset by planned loans not being drawn at this time.

However, during September the DoH confirmed that they would offer the Trust a loan totalling £18m in 2010/11 to support the Trust in the implementation of its turnaround plan. The loan agreement is subject to certain conditions and is based on commercial principles.

5. Conclusion

The Trust is reporting a variance from plan of £0.6m within the statement of comprehensive income. Actions are in place to remedy this variance.

The Trust Board maintains regular scrutiny of the financial performance of the Trust. A detailed finance report is reviewed by the full Trust Board in its private meeting each month.