

MAIN BOARD

REPORT OF THE FINANCE DIRECTOR: NOVEMBER 2008

Executive Summary

The main points to highlight in the November 2008 Finance report are:-

- income to date exceeds plan by £417,000, but this margin is reducing as expenditure incurred in delivering the additional activity is funded.
- devolved Divisional budgets are overspent by £1,361,000 at the end of October; an adverse variance of £556,000 in the month. Rising energy costs and high levels of other works expenditure are the main contributors to this position, particularly in the last month.
- funding release plans are weighted towards the second half of the year. The current underachievement of £356,000 will therefore increase quickly in the coming months if these plans are not delivered.
- the bottom line Income & Expenditure (I&E) position at the end of October is a deficit of £750,000; an adverse variance of £70,000 from the original plan of a deficit of £680,000.
- remedial action plans, with clearly defined “leads” for ensuring delivery, continue to be developed. A “high level” view of these plans has recently been circulated to Main Board members.
- the capital programme is progressing well.
- debtor levels are higher than normal, with significant amounts outstanding from PCT commissioners.

T D Smith
Director of Finance

17.11.08

MAIN BOARD

REPORT OF THE FINANCE DIRECTOR: NOVEMBER 2008

Items of Report or Information

1. Financial Performance 2008/09

1.1 Income & Expenditure (I&E) Summary Position

1.1.1 The April 2008 Main Board meeting received a report on financial plans for 2008/09 and approved revenue income and expenditure budgets for the year. As any outstanding contract discussions with PCT commissioners are finalised and as in year contract amendments, particularly with Gloucestershire PCT, are confirmed the Income budgets will be updated accordingly, with corresponding amendments to Reserves. The various sections below monitor performance to date against detailed figures which are consistent with the latest revised budgets.

1.1.2 Performance to date against the summarised Income & Expenditure budgets is as follows:-

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- devolved service budgets (see Section 1.3)
- anticipated underspending
- capital financing costs

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** Any excess of income over budget will be utilised to support the Trust's capital expenditure programme

- 1.1.3 The cumulative position to the end of October 2008 is a deficit of £750,000, an adverse variance of £70,000 from originally projected outcome (£680,000 deficit) for this period. The significant points arising are:-

- Recent activity levels result in an excess of income to date over plan of £417,000, after allowing for directly related increased expenditure. This excess does not, however, cover fully other expenditure pressures etc which are highlighted below. Equally PCT commissioners who are faced with the opposite impact of excess contract expenditure over plan continue to challenge the Trust's detailed requests for reimbursement.
- Devolved service budgets show a cumulative overspending of £1,361,000 a significant further deterioration from the position at the end of September. Following an underspending of £3,350,000 in 2007/08, particularly driven by significant underspendings (c£300k to £400k per month) in the latter half of the year, the Trust's financial plans for 2008/09 anticipated an underspending of £2m on devolved budgets for the year. The significant variances arising in recent months are of particular concern. Divisions had already been appraised in mid September of the general financial position through Trust Management Team. The Director of Service Delivery, Director of Nursing, Medical Director, Director of Corporate Governance & Facilities and the Director of Finance have subsequently held both individual meetings with Divisions and a combined session with a view to ensuring detailed positions are understood and that the necessary remedial actions are being identified with clear lead responsibilities for ensuring their delivery. These meetings will need to continue until these objectives are achieved.
- In considering the Annual Plan for 2008/09 the Board recognised the "window of opportunity" afforded by a relatively low in year Funding Release target (£5.155m) to enable the Trust to position itself to meet future challenges (3% year on year real terms reduction in national tariff etc). The Funding Release plans were deliberately weighted towards the end of 2008/09 to reflect the need to develop Trustwide plans over and above an initial 1% in year target for Divisions. Whilst cumulative figures to the end of September were broadly in line with plan it has been highlighted for some time that this will rapidly turn into a significant shortfall if Divisional 1% targets (c£3.1m) are not delivered fully and Trustwide plans to deliver the required balance (c£2.0m in 08/09; c£6.4m by 1/4/09) are not developed and delivered. The cumulative figures to the end of October accordingly now reflect an under achievement of £356,000.
- A "high level" view of action plans to ensure that the Trust meets its financial targets in 08/9 has been circulated to Main Board members. Confirming the detail behind these plans, including quantification of projected outcomes and assigned "leads" for delivery, continues to be a prime focus for Executive Directors / Divisions.

1.2 Revenue Income

- 1.2.1 The Board is aware from previous experience that the timing of monthly Board meetings relative to month end means that detailed income figures for the previous month will not have been finalised at the time of writing this report. Verbal updates will therefore be provided as appropriate each month.
- 1.2.2 Actual income to the end of September 2008 is detailed in Appendix A and compared with profiled plan figures. The attachment shows an overrecovery of £1,068,200 for the first six months of the year. It is important to recognise, however, that ongoing contract monitoring discussions with PCT commissioners consider challenges to monthly outcomes in terms of both activity / finance currencies and understanding underlying activity changes. Some provision has been made in the overall I & E position to reflect potential reductions in the Trust's projected income as a result of these discussions.

1.2.3 A summary of contract performance by individual service area, e.g. elective spells, non-elective spells, outpatients etc, to September 2008, for all commissioners, is attached as Appendix B.

1.2.4 The main patient activity figures compare against 2007/08 outturn figures and 2008/09 plans as follows:-

Service	Actual Activity To September 2008			Activity v Plan (Profiled)	
	2007	2008	% Var.	Plan	% Var.
Elective Spells	27481	30604	11.4	31291	-2.2
Non-elective Spells	26715	28011	4.9	27165	3.1
Outpatient Attendances	191360	194501	1.6	199683	-2.6

1.2.5 At the time of writing the report little information in respect of the impact of activity in October on income budgets is available. For the purposes of the Summary Income & Expenditure position outlined in 1.1.2 above it has been assumed that for all income sources an overrecovery of c£150,000 has occurred in that month, which after allowing for the potential outcome of ongoing contract monitoring discussions referred to in paragraph 1.2.2, and a need to fund directly related expenditure, leads to a cumulative overrecovery of c£417,000.

1.3 Devolved Expenditure Budgets

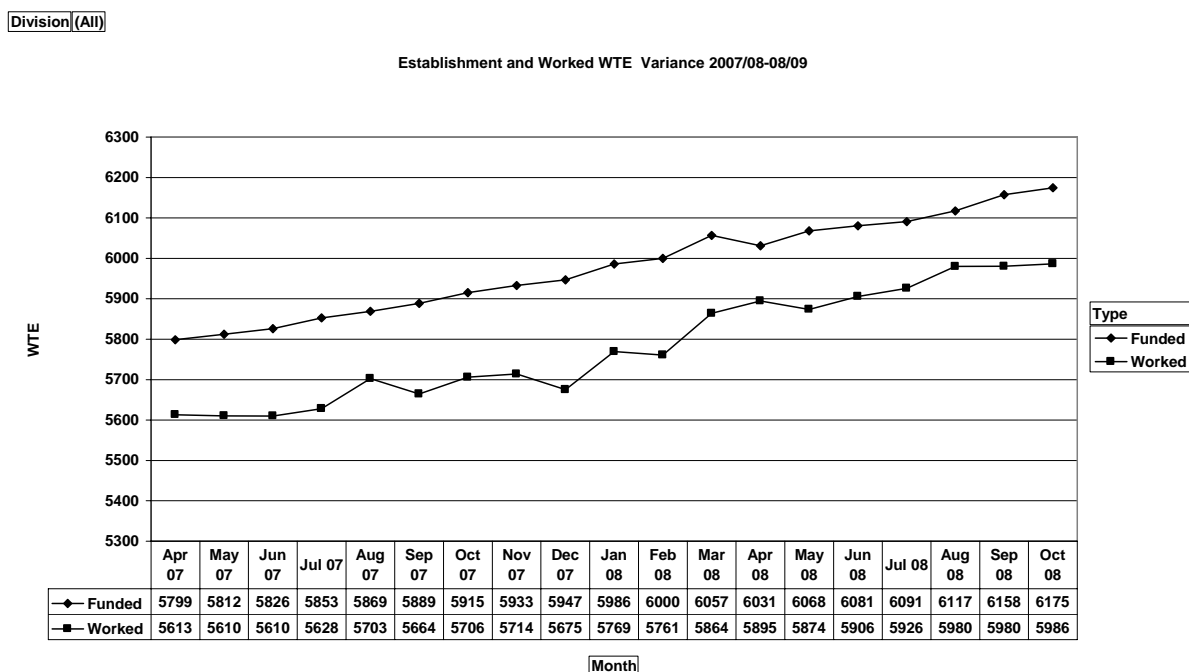
1.3.1 The cumulative budget/expenditure position to the end of October 2008 on budgets devolved to Divisions can be summarised as follows:-

Summary by Division 7 Months to October 2008					
	Budget £000	Actual £000	Variance £000	%	
Pay					
Diagnostic & Specialist	24,600	24,140	-460	-1.9%	
Medicine	31,561	31,242	-319	-1.0%	
Surgery	46,188	45,828	-360	-0.8%	
Women & Children	14,399	14,638	239	1.7%	
Corporate Governance & Facilities	6,989	6,982	-7	-0.1%	
Corporate Services	10,634	10,526	-108	-1.0%	
Total Pay	134,371	133,356	-1,015	-0.8%	
Non Pay					
Diagnostic & Specialist	17,061	17,251	190	1.1%	
Medicine	10,931	11,280	349	3.2%	
Surgery	15,534	15,891	357	2.3%	
Women & Children	1,236	1,464	228	18.4%	
Corporate Governance & Facilities	16,938	18,314	1,376	8.1%	
Corporate Services	19,278	19,154	-124	-0.6%	
Total Non Pay	80,978	83,354	2,376	2.9%	
Total					
Diagnostic & Specialist	41,661	41,391	-270	-0.6%	
Medicine	42,492	42,522	30	0.1%	
Surgery	61,722	61,719	-3	-0.0%	
Women & Children	15,635	16,102	467	3.0%	
Corporate Governance & Facilities	23,927	25,296	1,369	5.7%	
Corporate Services	29,912	29,680	-232	-0.8%	
Total Expenditure	215,349	216,710	1,361	0.6%	

1.3.2 The cumulative position on devolved Divisional budgets to the end of October 2008 is an overspending of £1,361,000 (+0.6%). This compares with an overspending of £805,000 (+0.4%) to the end of September. The agreed financial plan assumed an underspending of £1,167,000 at this stage. The Surgical, Diagnostic & Specialist and Corporate Divisions are underspent with the remaining Divisions being overspent; significantly so in the case of Women & Children and Corporate Governance & Facilities. Pay budgets remain underspent in all Divisions apart from Women and Children. The number of agency staff used during the month increased marginally over September levels, the resultant expenditure was however disproportionately high reflecting the need for the use of more expensive agencies. Expenditure on Drugs and Medical & Surgical equipment (MSE) has followed the trends of previous months. Further increases in energy prices and continued high expenditure within other Estates areas are a significant concern to the overall position of the Trust. A detailed analysis of the cumulative position for each Division, across subjective headings, is included in Appendix C attached.

1.3.3 Divisional commentary on their respective positions is set out in Appendix D and should be read against the background that all Divisions are expected to contain total expenditure within budget. Additionally requirements within the agreed Financial Plan assume Divisions will deliver an overall underspending of £2,000,000 in 2008/09; in 2007/08 the final outturn position was an overall underspending of £3,350,000.

1.3.4 Staff in post (including Bank and Agency) in October was c189 whole time equivalents (WTEs) below funded establishment compared to c178 below establishment in September. The October establishment of 6175 WTEs includes c320 posts that are funded non recurrently. This will include posts resulting from unfunded beds, waiting list initiatives and training allocations, together with developments that have only been agreed on a non recurring basis. The following graph shows the Trustwide movements in total Funded WTEs and Worked WTEs for the period since April 2007.



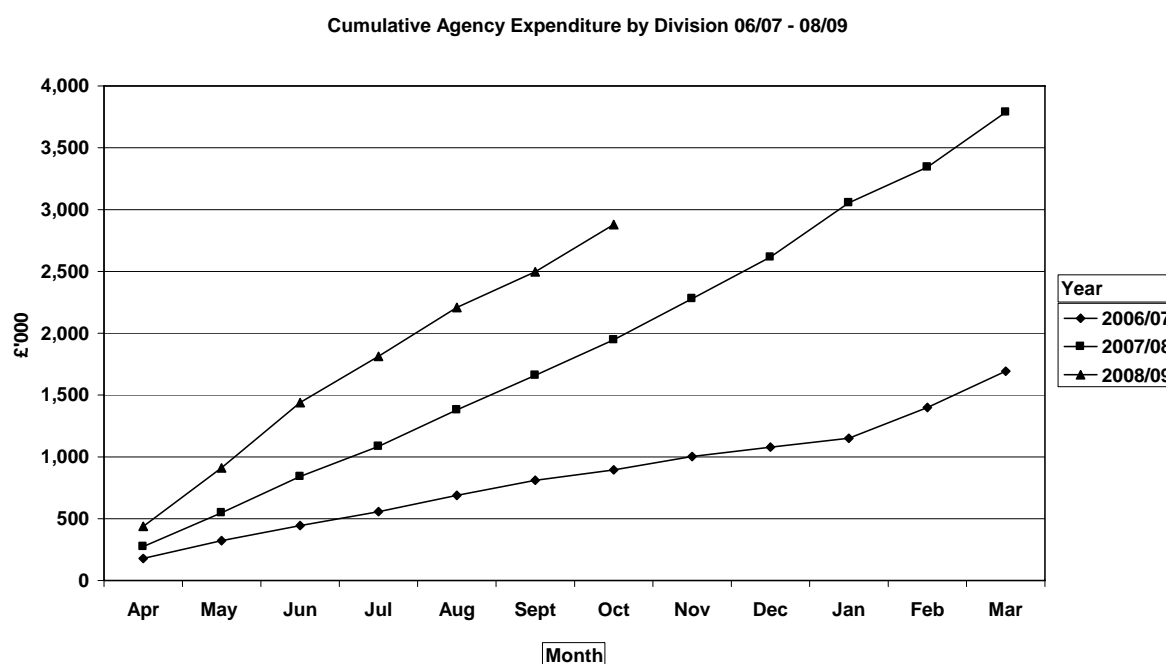
Similar graphs for individual Divisions are included in Appendix E attached. Individual charts have been updated to ensure like for like comparisons with previous years where the management of services has changed.

1.3.5 Cumulative agency expenditure to the end of October was £2,879,000. This compares with expenditure of £1,945,000 for the same period in 2007/08 and £894,000 in 2006/07. The number of agency staff used in October was c44 WTE, compared with c40 in September. This represents around half of the usage in the first three months of the year, albeit the reduced usage reflects higher average costs given the remaining requirement is often at very short notice. The details by Division and by staff group are as follows:-

Division	Medical £'000	Nursing £'000	Other £'000	Total £'000
Diagnostic & Specialist	62	81	121	264
Medicine	398	952	9	1,359
Surgery	129	209	96	434
Women & Children	109	180	7	296
Corporate Governance & Facilities	-	-	233	233
Corporate Services	-	2	291	293
Total	698	1,424	757	2,879

The graph comparing expenditure with the last two financial years is as follows: -

Division(All)



Similar graphs for individual Divisions are included in Appendix F attached.

1.4 Revenue Expenditure Reserves

1.4.1 The Main Board approved the creation of a number of revenue expenditure reserves at its April 2008 meeting. Utilisation of these reserves is subject to the agreed scheme of delegation and will be reported to the Main Board each month. The latest details of the movements on reserves, including an increase in the funding available from the Activity Delivery Reserve to reflect the additional direct costs of delivering activity levels in excess of the original plan, are attached as Appendix G.

2. Balance Sheet Items 2008/09

2.1 Summary Balance Sheet

- 2.1.1 The Trust's Balance Sheet details are shown in Appendix H attached. There are no specific issues to bring to the Main Board's attention other than those outlined in sections 2.2 to 2.6 below.

2.2 Capital Programme

- 2.2.1 Capital programme expenditure for the seven months to 31st October 2008 totalled £18.047m (50.7% of plan). This continues to represent significantly more advanced progress than has been the case at this stage in recent years and particularly reflects the ongoing position of a number of building schemes at the beginning of 2008/09. Details of the performance to date are included in Appendix I attached.

2.3 Stock

- 2.3.1 Details of stock balances are included in Appendix J attached.

2.4 Debtors

- 2.4.1 There was a significant reduction (-524) in the number of invoices outstanding during October but a significant increase (c£4.007m) in their value. The value of outstanding invoices is particularly high (c£12.008m), principally as a result of a number of outstanding high value invoices raised both against Gloucestershire PCT and other commissioners in line with the Q1 national deadlines for activity reconciliation and other local quarterly / half yearly billing timetables. Further details regarding Debtors are included in Appendix K attached.

2.5 Cash Balances

- 2.5.1 As in the last two financial years, the Main Board will receive monthly details of actual cash balances against plan, with a 12 month rolling projection of month end cash balances being provided on a quarterly basis, subsequent to the submission of quarterly financial monitoring returns to Monitor.
- 2.5.2 At the end of October 2008 the Trust held a cash balance of £18.4m. This was £15.5m less than had previously been projected (in conjunction with completion of the Quarter 1 monitoring submission to Monitor at the end of July 2008), principally as a result of the delayed receipt of income referred to in paragraph 2.4.1 above. Other factors driving this outcome are the advanced progress of the capital programme relative to previous experience and the general revenue position.

2.6 Better Payment Practice Code (Creditors)

- 2.6.1 For the seven months to 31st October 2008 the Trust paid 87% (92% by value) of invoices within the 30 day target. Details are included in Appendix L attached.

Terry Smith
Director of Finance

17 November 2008

INCOME 2008/09
PCTs etc

Cumulative to September 2008				Full Year Budget	
Budget	Actual	Variance		Original	Revised
£000	£000	£000		£000	£000
141,230.8	142,067.2	836.5	Gloucestershire PCT	278,114	282,390
8,831.1	9,295.5	464.5	Worcestershire PCT	16,777	17,688
3,205.6	3,784.5	578.9	Herefordshire PCT	6,890	6,418
491.8	601.4	109.6	Wiltshire Health Community	975	980
225.5	197.2	-28.3	Warwickshire PCT	471	451
159.9	180.4	20.5	Oxfordshire PCT	320	321
57.5	116.4	58.9	Shropshire Health Community	115	115
220.9	277.3	56.4	Avon Health Community	443	443
31.9	44.6	12.7	Somerset PCT	112	64
926.4	854.0	-72.5	Gwent Health Community	1,759	1,848
430.5	430.7	0.3	Powys Health Community	965	861
2,815.3	3,375.7	560.4	South West Specialist Commissioning Group	5,616	5,616
93.1	104.4	11.3	West Midlands Specialist Commissioning Group	186	186
33.8	15.9	-17.9	Health Commission Wales	67	67
11,217.9	11,254.3	36.5	Department of Health - Market Forces Factor	22,098	22,437
1,500.0	-0.0	-1,500.0	Additional anticipated PCT income	4,000	3,000
2,829.5	2,214.3	-615.2	Paying Patients (i)	5,659	5,659
1,124.1	1,116.8	-7.3	Non Contractual Agreements (NCAs)	2,180	2,180
14,711.5	15,274.5	563.0	Non-patient treatment (Postgrad Medical Education, other misc income) (ii)	29,423	29,423
190,136.9	191,205.1	1,068.2	Total Income	376,170	380,147

- (i) As part of the Trust's authorisation as an NHS Foundation Trust there is a cap on the total Private Patient income that the Trust can achieve, based on 2002/03 proportions relative to total clinical income. The revised budget complies with this cap.
- (ii) Actual income to the end of September 2008 includes £9,300 in respect of delayed discharges.

Total – PCTs / LHBs				Month 6 - September 2008						
Service		Full Year		Activity			Contract Value £000			
		Plan - Activity	Plan £	Plan	Actual	% Var	Plan £	Actual £	Variation £	% Var
PbR										
Elective Spells	V	62079	75588.9	31288	30604	-2.2	38096.8	36332.9	-1763.9	-4.6
Non-elective Spells (inc Home Births)	V	55056	87948.2	27159	28011	3.1	43384.8	44752.8	1368.0	3.2
Outpatients	V	396213	43402.9	199691	194501	-2.6	21875.1	21828.5	-46.5	-0.2
CRC Outpatients	V	91964	9708.3	46350	52386	13.0	4893.0	5601.5	708.5	14.5
A&E Attendances	V	95995	6795.0	48967	48497	-1.0	3466.1	3507.7	41.6	1.2
Non-PbR										
Audiology – Hearing Aids	V	27792	1811.6	14007	14131	0.9	913.0	970.2	57.1	6.3
BMTs	V	13	319.5	7	5	-23.1	159.8	122.9	-36.9	-23.1
Chemotherapy Drugs	V	0	10099.2	0	0		4982.0	5396.3	414.3	8.3
Herceptin	V	0	750.0	0	0		370.0	113.3	-256.6	-69.4
Chemotherapy Spells	V	21852	9057.3	10780	12564	16.6	4468.0	5339.5	871.5	19.5
Cystic Fibrosis Inpatient	V	50	146.3	25	34	34.9	73.8	107.1	33.3	45.2
Cystic Fibrosis Outpatients	V	244	127.6	123	131	6.5	64.3	68.7	4.4	6.8
Dietetics - Direct Access	V	3003	270.4	1514	1376	-9.1	136.3	125.9	-10.4	-7.6
Excluded CLC OP Attendances	V	35084	4063.2	17682	17730	0.3	2047.8	2268.1	220.3	10.8
Excluded Devices - ICDs/ Bi-Vents & PAP/BiPAP	V	0	572.6	0	233		286.3	371.6	85.3	29.8
Excluded Drugs – Lucentis (under query)	V	0	1000.0	0	0		500.0	336.9	-163.1	-32.6
Excluded HRG Spells	V	746	2437.5	368	414	12.5	1202.4	1505.8	303.4	25.2
Excluded Outpatients (CRC)	V	20010	1967.2	10085	10967	8.7	991.5	1010.0	18.6	1.9
ITU/HDU	V	5164	8394.7	2589	2408	-7.0	4209.1	3843.2	-365.9	-8.7
Neurophysiology	V	1783	127.3	899	1072	19.3	64.2	76.1	11.9	18.6
Pathology Tests Direct Access (excl LBC)	V	4259798	9259.9	2146938	2165989	0.9	4667.0	4663.3	-3.7	-0.1
Physio - Direct Access	V	67875	1417.7	34209	37468	9.5	714.5	766.4	51.9	7.3
Radiology - Direct Access	V	77930	2433.2	39277	46041	17.2	1226.4	1452.7	226.3	18.5
Radiotherapy	V	43582	5913.6	21965	20860	-5.0	2980.5	2894.2	-86.3	-2.9
Rehabilitation Bed Days	V	87154	12426.1	43699	46697	6.9	6230.5	6763.8	533.4	8.6
Renal Dialysis	V	42888	5422.8	21615	20389	-5.7	2733.1	2533.7	-199.4	-7.3
SCBU/NICU	V	8102	5565.5	4062	4816	18.6	2790.5	3364.0	573.4	20.5
Breast Screening	B	0	975.1	0	0		487.6	487.6	0.0	0.0
Community Paediatric	B	0	211.5	0	0		105.7	105.7	0.0	0.0
Community Midwifery	B	0	2308.3	0	0		1154.2	1154.2	0.0	0.0
Community Palliative Care	B	0	1204.6	0	0		602.3	602.3	0.0	0.0
Continence Service	B	0	1023.6	0	0		511.8	511.8	0.0	0.0
Day Care	B	0	492.1	0	0		246.0	246.0	0.0	0.0
Diabetic Retinopathy Screening	B	0	632.4	0	0		316.2	316.2	0.0	0.0
Excluded Devices - All Others	B	0	377.3	0	0		188.7	188.7	0.0	0.0
Excluded Drugs	B	0	6235.4	0	0		3117.7	3161.4	43.7	1.4
Excluded Procedures	B	0	72.7	0	0		36.4	36.4	0.0	0.0
Tissue Viability Service	B	0	38.2	0	0		19.1	19.1	0.0	0.0
Liquid-based Cytology	B	0	811.0	0	0		405.5	405.5	0.0	0.0
Pain Management Programme	B	0	129.0	0	0		64.5	64.5	0.0	0.0
Total			321537.9				160782.2	163416.3	2634.1	1.6

V = Variable B = Block

Variance by Division by Subjective Heading

	7 Months to October 2008													
	Diag & Spec		Medicine		Surgery		Women&Children		Corp Gov&Facil		Corporate Servs		Total	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Pay														
Consultants	-236	-4.8%	-15	-0.3%	-178	-1.5%	58	2.1%	0	0.0%	36	24.7%	-335	-1.4%
Other medical	-41	-3.8%	-156	-3.4%	-109	-1.4%	92	4.0%	0	0.0%	4	0.9%	-210	-1.3%
Nursing	-27	-1.1%	-8	0.0%	-223	-1.2%	56	0.6%	3	0.0%	11	0.3%	-188	-0.4%
Admin & Clerical	-22	-1.0%	-1	0.0%	87	3.2%	27	4.2%	-27	-2.2%	-94	-2.6%	-30	-0.2%
Management	-15	-17.0%	-44	-27.8%	-4	-2.3%	6	15.8%	9	2.8%	-78	-2.8%	-126	-3.5%
Professions Allied to Medicine (e.g. radiographers, therapists)	89	2.0%	1	3.8%	-47	-1.6%	-8	-100.0%	0	0.0%	0	0.0%	35	0.5%
Professional & Technical (e.g. pathology staff)	-234	-3.5%	-69	-8.3%	122	4.0%	0	0.0%	0	0.0%	7	87.5%	-174	-1.6%
Scientific & Professional (e.g. pharmacists)	32	1.2%	0	0.0%	-9	-100.0%	0	0.0%	0	0.0%	15	7.5%	38	1.3%
Ancillary etc	-6	-31.6%	-27	-34.2%	1	0.0%	8	29.6%	8	0.1%	-9	-39.1%	-25	-0.4%
Total Pay	-460	-1.9%	-319	-1.0%	-360	-0.8%	239	1.7%	-7	-0.1%	-108	-1.0%	-1,015	-0.8%
Non-Pay														
Drugs	109	1.6%	252	4.2%	-98	-3.3%	77	18.8%	-9	-112.5%	0	0.0%	331	2.1%
Medical & surgical equipment, reagents etc	-10	-0.2%	-18	-0.6%	325	3.4%	59	15.9%	-16	-34.0%	24	19.0%	364	1.9%
Printing, stationery, advertising, telephones etc.	12	5.5%	52	20.3%	54	26.0%	20	37.7%	-68	-19.8%	-130	-11.9%	-60	-2.8%
Accommodation costs	-4	-40.0%	5	100.0%	2	100.0%	-1	-100.0%	788	14.6%	16	3.0%	806	13.5%
Other non pay	83	2.2%	58	3.7%	74	2.6%	73	18.2%	681	6.1%	-34	-0.2%	935	2.5%
Total Non-Pay	190	1.1%	349	3.2%	357	2.3%	228	18.4%	1376	8.1%	-124	-0.6%	2,376	2.9%
Total Expenditure	-270	-0.6%	30	0.1%	-3	0.0%	467	3.0%	1369	5.7%	-232	-0.8%	1,361	0.6%

DIVISIONAL COMMENTARY

1. Division of Surgery (£3k underspent, 0.0%)

(a) Pay (£360k underspent, -0.8%)

Key Variances

	Variance	
	£000	%
Consultants	-178	-1.5
Other Medical Staff	-109	-1.4
Nursing	-223	-1.2
Professional and Technical Staff	+122	+4.0

Issues

1. Consultants – the Division is now reporting 5 WTE's below the funded establishment (as previously reported this is entirely within Anaesthetics, 3 at Gloucester and 2 at Cheltenham). At Gloucester there are vacancies of 1.6 WTE's (partially covered through flexible working arrangements and locum cover) and maternity leave of 1.5 WTE's. At Cheltenham there are vacancies of 1.5 WTE's (1 substantive post and 0.5 locums).
2. Other Medical Staffing – during the month Other Medical Staff underspent by £15k and is now underspent cumulatively by £109k. The cumulative underspend is mainly attributable to Orthopaedics which currently has 2 Staff Grade (Trust Doctors) and 1 Associate Specialist vacancies. There is also an Associate Specialist vacancy in Ophthalmology.
3. Nursing - the Division is now 53 WTE's below the funded establishment (compared with 27 at the end of September). For the Division overall the number of worked WTE's has reduced from 964 in September to 945 in October. Theatres (linked to the pressures on Professional and Technical Staff) and General Surgery are reporting the largest reductions in worked WTE's. Agency expenditure during October was £20k resulting in year to date expenditure of £209k (compared to £335k for the same period last year).
4. Professional and Technical Staff overspent by £23k during October, and is cumulatively overspent by £122k. The cumulative overspend is attributable to Theatres (+£105k), General Surgery (+£65k) and ENT (+£28k).

The Theatre pressure is at Gloucester and the Modern Matron has developed a plan to manage this pressure.

The ENT pressure is linked to agency usage (£95k to date) which is due to recruitment difficulties in Audiology.

The General Surgery pressure is entirely attributable to the Vascular Laboratory and Leg Ulcer Clinic at Cheltenham. Further work is currently underway to split these two areas and to more fully understand the cause of this pressure.

(b) Non Pay (£357k overspent, +2.3%)

Key Variances

	Variance	
	£000	%
Medical & Surgical Equipment	+325	+3.4
Other Non Pay	+74	+2.6

Issues

1. Medical and Surgical Equipment (MSE) – during October MSE deteriorated by a further £30k and is now reporting a cumulative overspend of £325k (3.4%). The Division overall reported MSE expenditure of £1,506k during the month compared with an average monthly spend of £1,377k (an increase of 9.4%). In particular expenditure for knee implants was £211k, £59k greater than average. As previously reported this pressure should be viewed in the context of an increase in total inpatient and day case activity of 1,872 cases (6.2%) against the same period last year.
2. Other Non Pay – as previously reported this consists mainly of pressure on disposable bedding and linen, cleaning materials and staff uniforms.

2. Women and Children Division (£467k overspent, +3.0%)

(a) Pay (£239k overspent, +1.7%)

Key Variances

	Variance	
	£000	%
Consultants	+58	+2.1
Other Medical	+92	+4.0
Nursing	+56	+0.6
Admin & Clerical	+27	+4.2

Issues

1. Consultants
This overspending is the result of expenditure on sickness cover in the early part of the year including recent backdated payments relating to those incidents.
2. Other Medical

A significant part of the overspend relates to locum / agency staff employed to cover vacancies due to maternity leave and sickness in both Community Paediatrics and Obstetrics. Further expenditure has been incurred to cover maternity leave affecting on call rotas.
3. Nursing

Expenditure on agency staff continues to be a pressure within the Neonatal Intensive Care Units, where there are currently in excess of 7 WTE full time vacancies at month 7. Agency expenditure amounts to £180k so far this year across the Division.

Incremental drift and maternity leave continue to be pressures within Midwifery

4. Admin & Clerical

The rate of overspending has reduced following the allocation of the expected additional funding.

(b) Non Pay (£228k overspent, +18.4%)

Key Variances

	Variance	
	£000	%
Drugs	+77	+18.8
Medical and Surgical equipment	+59	+15.9
Other non-pay	+73	+18.2

Issues

1. The Neonatal Intensive Care Units and Maternity Units continue to have the most significant overspends on non-pay across the Division to month 7, with a combined overspend in excess of £145k. Discussions are being held over funding bids submitted for a proportion of the overspend in these two areas based upon Quarter 1 activity levels.
2. The Division is currently investigating the reasons for increased Drug and MSE expenditure where the changes cannot be explained by workload growth.

3. **Medical Division (£30k overspent, +0.1%)**

(a) Pay (£319k underspent, -1.0%)

Key Variances

	Variance	
	£000	%
Nursing	-8	-0.0

Issues

1. Nursing - the overall position includes:-

Hazelton Ward, the CGH cohort ward, remains at the previous months level of overspend. They have previously been over-establishment compared with the levels requested on the IPF; however, the worked establishment over the last few months has been within the funded level.

Ward 6b at GRH has also remained at last months overspend position. They had been working over the establishment requested for the 6th Floor within the cohort wards IPF. The ward successfully reduced the amount per month between April and June; July to September returned to working over establishment; October is now back within the funded establishment. The Divisional Nursing Director, Lead Nurse and Ward nursing manager continue to focus on the relevant issues.

Fairview Annexe in CGH has previously used expensive Agency Nursing, although working with fewer numbers than the requested IPF. Recently, there has been an increase in substantive staff in post; and the ward has a richer skill mix.

Southam Ward at Delancey was funded on a monthly basis as an unfunded bed area earlier in the year. The funding added per day was not sufficient to cover the amount of expensive Agency staff working here.

Ward 4b at GRH was partially funded as an unfunded bed area from June to August. The worked establishment remained at the higher level, although the ward was not open at full capacity. This area is now fully open and funded as per the agreed IPF for September, with staffing costs within the agreed budget.

Birdlip and Deerhurst Wards in Delancey are overspending due to the need for expensive agency staff to fill vacancies.

Other areas in the Division (including Outpatients and Emergency Depts) are underspending on Nursing pay due to vacancies, which offset these overspends.

(b) Non Pay (£349k overspent, +3.2%)

Key Variances

	Variance	
	£000	%
Drugs	+252	+4.2
Cleaning/Bedding & Linen	+71	+47.0
Printing/Stationery etc	+49	+21.1

Issues

1. Drugs - the overspending includes:

Especially high drug costs continue for Wards 8a and 8b, and 6th Floor at GRH, Hazelton (cohort) Ward and Guiting Ward - mainly microbiology approved antibiotics.

Overspends continue on the unfunded bed areas - Ward 4b at GRH and Fairview Annexe at CGH - mainly antibiotics and haemarginate.

Antibiotics, dermatology treatments, botox, tenecteplase, along with workload growth account for much of the overspend; all of which were included on an IPF which has not received funding.

Following the Divisional Financial position meeting with Directors, work is being done to examine the link between activity growth, both in outpatients and admissions, and increased drug costs.

There is an audit planned to look at the use of tazocin in General & Old Age Medicine across the wards at GRH.

These areas mentioned above, along with other issues, are regularly examined in greater detail through the Medical Division Drugs & Therapeutics Committee.

2. Cleaning/Bedding & Linen - the overspending includes:

There are small overspends generally throughout the Division. Particular areas with higher overspends include the Renal Ward at GRH, Endoscopy GRH, both Emergency Depts, Short Stay Ward at CGH, and also the unfunded bed areas (Ward 4b and Fairview).

3. Printing/Stationery etc - the overspend includes:

Storage charges in Health Records/Outpatients at GRH and the Emergency Dept at CGH; printing costs in Health Records/Outpatients at CGH and the Booking Office, and the Admissions Units on both sites.

4. Diagnostic and Specialist Division (£270k underspent, -0.6%)

(a) Pay (£460k underspent, -1.9%)

Key Variances

	Variance	
	£000	%
Medical	-277.0	-4.6
Nursing	-27.0	-1.1
Admin. & Clerical	-22.0	-1.0
Allied Health Professionals	+89.0	+2.0
Prof & Technical	-234.0	-3.5
Scientific & Professional	+32.0	+1.2

Issues

Pay

1. Medical - The current underspending is the result of temporary vacancies within Pathology and Radiology.
2. Nursing - There is an underspending which is the result of holding vacancies within the Oncology departments. This is a significant turnaround from the overspend of last month as action has been taken to minimise the level of agency usage.
3. Admin & Clerical - An underspend is the result of current vacancies within the Radiology department.
4. Allied Health Professionals – Temporary over-establishment in Radiology at CGH to service increased workload to meet performance targets, primarily in Trauma and Orthopaedics has resulted in an overspending. This issue was identified in the Trust's Capacity Plan and an IPF has been raised to seek the required funding.
5. Professional & Technical - Staff vacancies within areas of Pathology (Haematology, Chem. Path., Blood Transfusion and Microbiology), Pharmacy and Radiotherapy (engineers) have led to the current underspend.
6. Scientific & Professional - Staff vacancies within Medical Physics and Pharmacy have partially off-set the overspend within Health Psychology, funding for which has previously been sourced by income generation. The source of income is no longer available, promoting a review of the Health Psychology service and the Division has submitted an IPF to identify the issues and seek funding.

(b) Non Pay (£190k overspent, +1.1%)

Key Variances

	Variance	
	£000	%
Drugs	+109.0	+1.6
Other non-pay	+83.0	+2.2

Issues

1. There is an overspend on Drugs which is primarily within the Clinical Haematology and Oncology areas as a result of increased workload. The Division will be submitting IPFs which identify the workload pressures and seek appropriate funding.
2. Increased activity in Chemotherapy clinics held at Hereford and Worcester Hospitals has led to a projected over-performance on the contractual agreements with those two Trusts. The variance on other non-pay reflects the current level of that projected over-performance.

5. Corporate Governance and Facilities Division (£1,369k overspent, +5.7%)

(a) Pay (£7k underspent, -0.1%)

Key Variances

	Variance	
	£000	%

Issues

1. Pay

All pay areas remain close to budget as at month 7 with no particular areas of concern.

(b) Non Pay (£1,376k overspent, +8.1%)

Key Variances

	Variance	
	£000	%
Accommodation costs	+788	+14.6
Other non pay	+681	+6.1

Significant Pressures include:

1. The biggest change in the last month has been in utilities (electricity) and this has increased the overspend to £545K. A significant overspend of £545K for utilities. This reflects an unexpected further monthly increase in electricity prices in October. It is still anticipated that prices will fall in future months but the current overspending is based on a year end prediction that assumes no reduction.
2. An overspend of £160K on the waste contract resulting from increased amounts of waste leaving the Trust and increased prices resulting from Government tax policy.
3. As previously reported, additional work costing an estimated £140k involved in dealing with the Legionnaires case.
4. A developing pressure in Catering provisions caused by the recent sharp rise in prices. This is being closely monitored by the Catering manager who is working to vary menus if necessary to purchase as cost effectively as possible.

These pressures are likely to exist for the remainder of the financial year and the Division is continuing to look at other areas of expenditure which could be reduced to contribute to the unavoidable spending in these areas.

As previously reported, other issues include:-

1. Impact of retaining buildings which were originally planned to be released (Tower Annex, Wernicks and Elliott buildings).
2. The Trust's use of the Estates Shared Service has increased. Additional spending in Medical Engineering arising from new equipment (e.g. beds).
3. Recruitment problems and higher sickness levels (mainly long-term sickness) and prioritisation of critical work (e.g. Legionella) have led to an increased use of contractors.
4. Elements of the capital minor works programme are funded within Estates revenue budgets. The level of support for this work is currently being reviewed.

6. Corporate Services (£232k underspent, -0.8%)

(a) Pay (£108k underspent, -1.0%)

Key Variances

	Variance	
	£000	%
Admin & Clerical	-94	-2.6

Issues

1. This underspend is the result of vacancies across the Division

(b) Non Pay (£124k underspent, -0.6%)

Key Variances

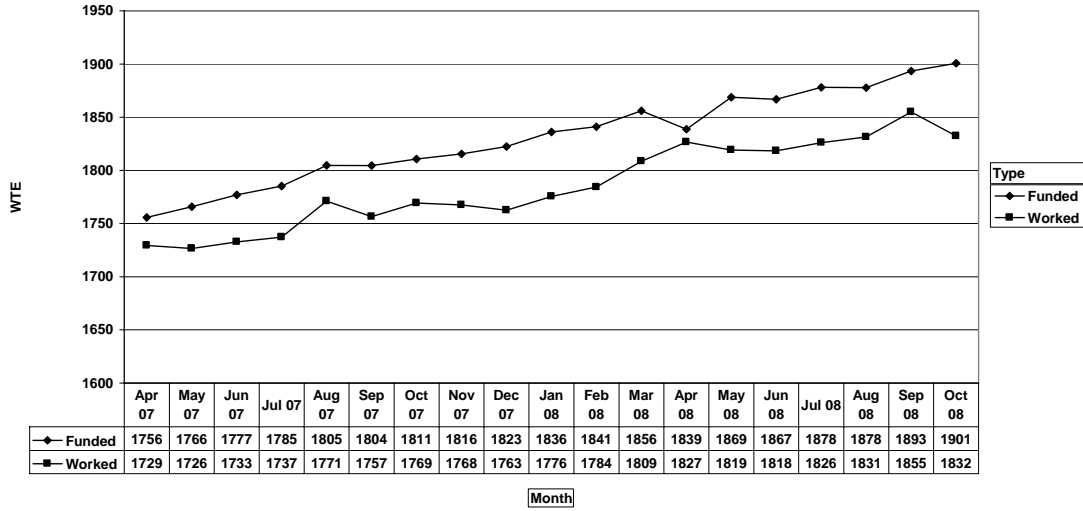
	Variance	
	£000	%
Printing & Stationary	-130	-11.9
Other Non-Pay	-34	-0.2

Issues

1. Printing, stationery etc. – this underspending incorporates several areas, including computer equipment, and includes the effects of changes in the implementation of major IT programmes.
2. Other Non-Pay – this underspending has reduced as a result of additional charges incurred by the Trust from the changes in use of Victoria Warehouse, i.e. the PCT has vacated one floor and replacement occupants have not yet been identified.

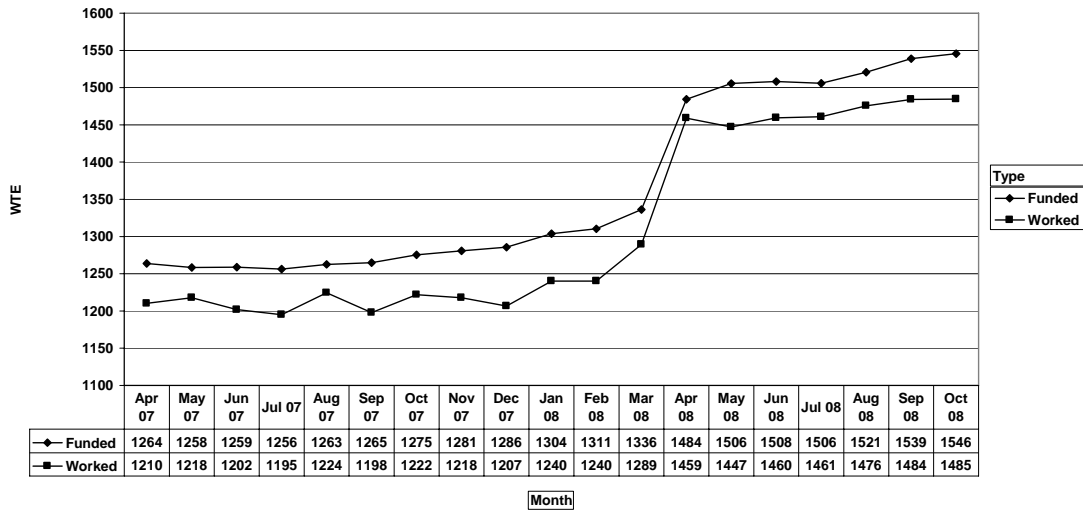
Division Surgery

Establishment and Worked WTE Variance 2007/08-08/09



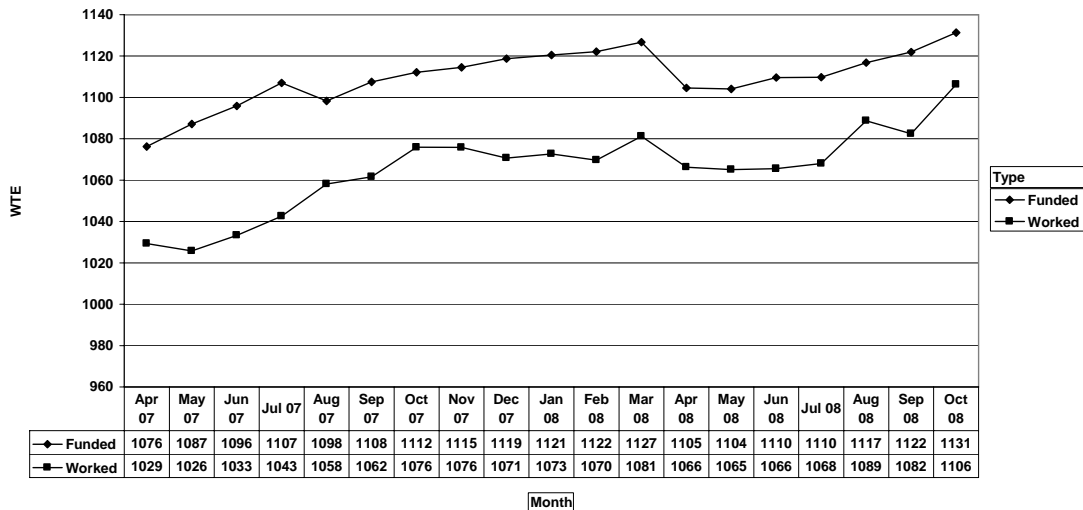
Division Medicine

Establishment and Worked WTE Variance 2007/08-08/09



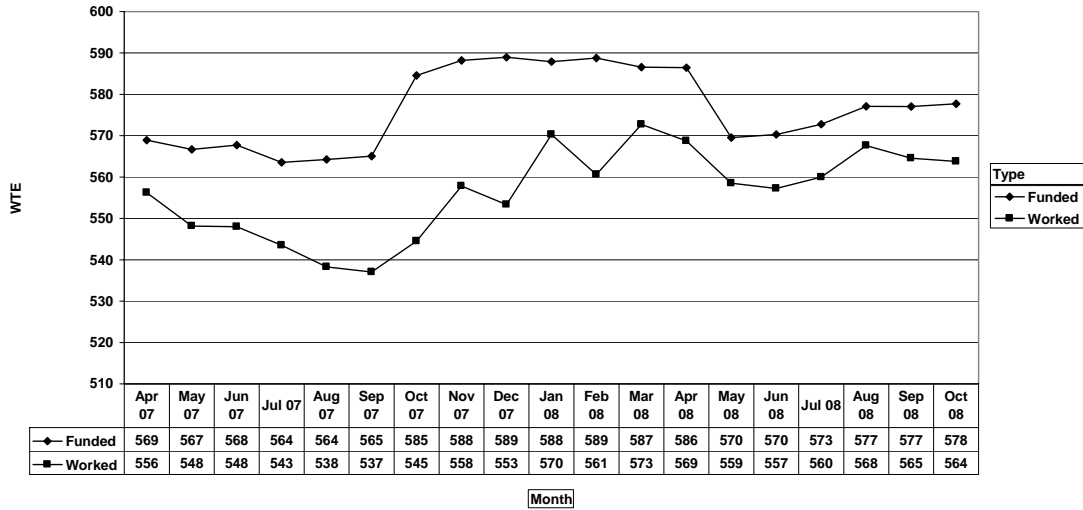
Division Diagnostics & Specialist

Establishment and Worked WTE Variance 2007/08-08/09



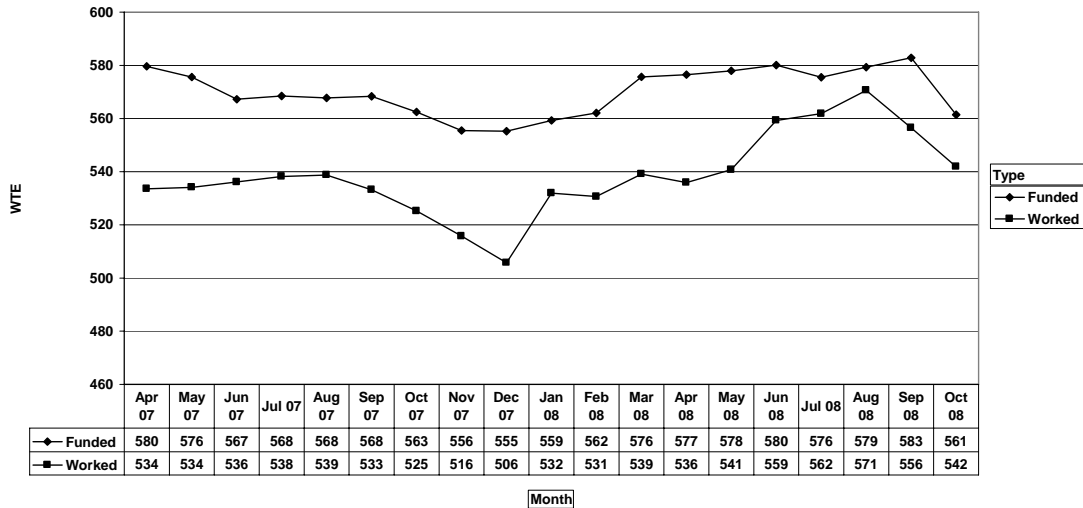
Division Women and Children

Establishment and Worked WTE Variance 2007/08-08/09



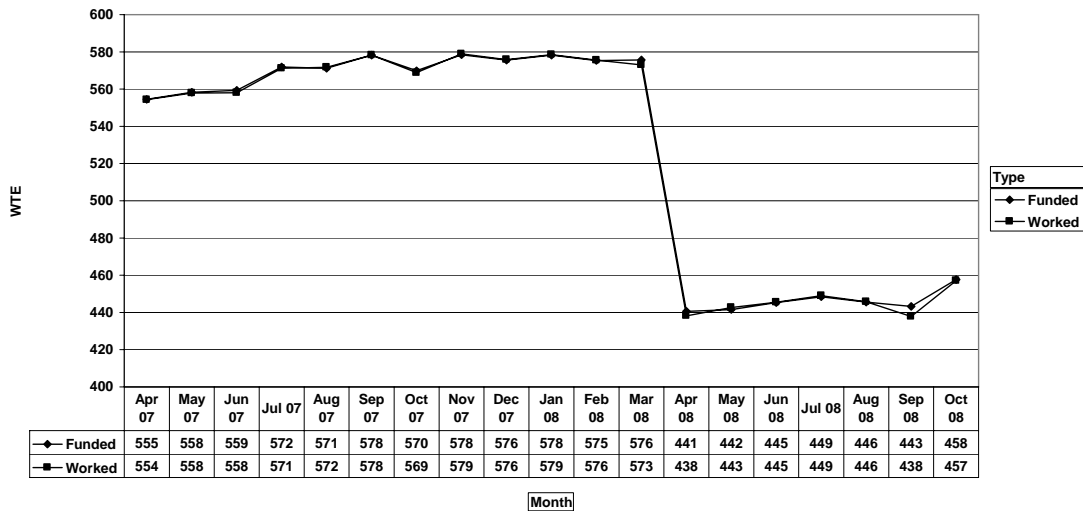
Division Corporate Governance & Facilities

Establishment and Worked WTE Variance 2007/08-08/09



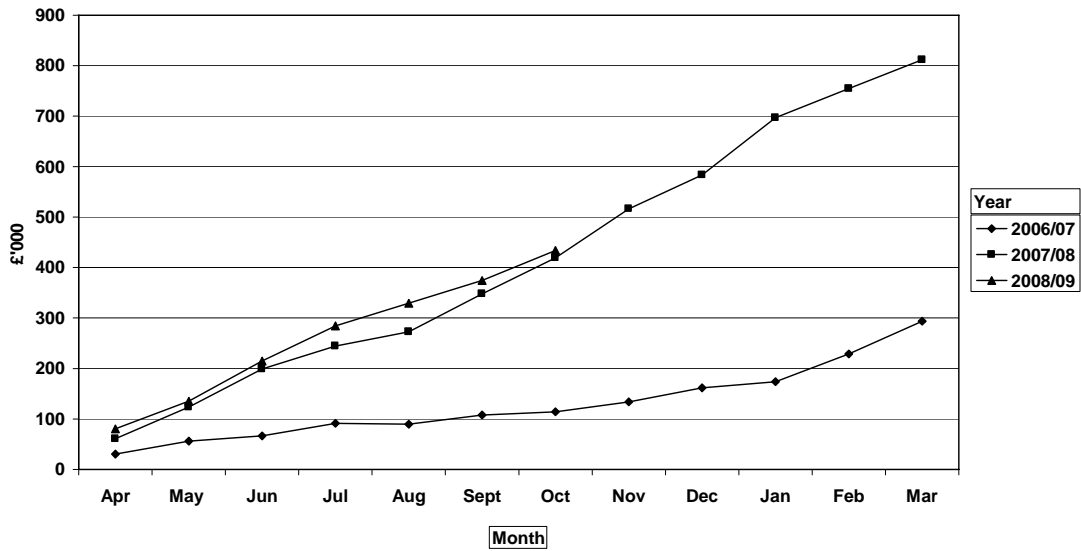
Division Corporate Services

Establishment and Worked WTE Variance 2007/08-08/09



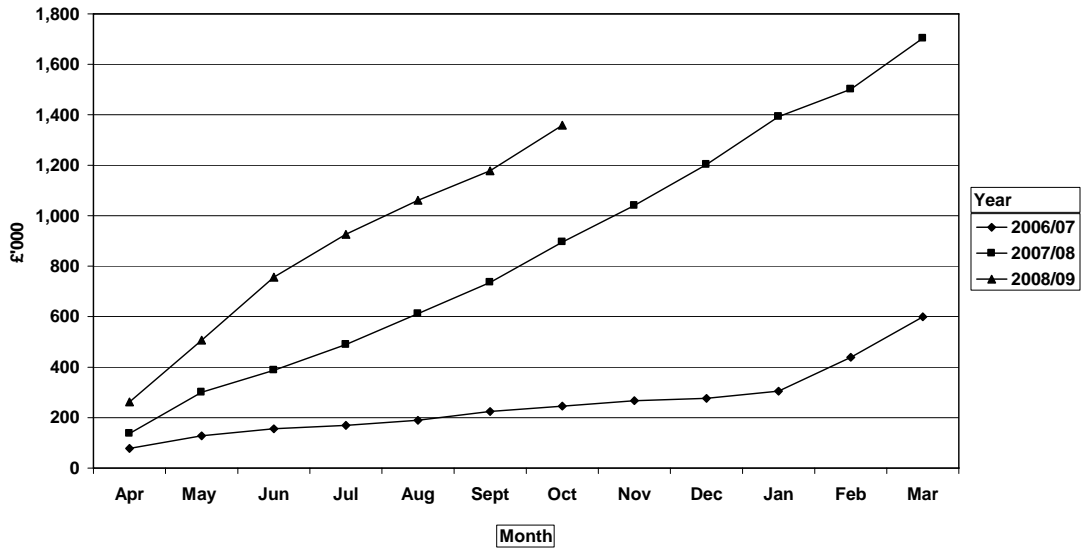
Division Surgery

Cumulative Agency Expenditure by Division 06/07 - 08/09



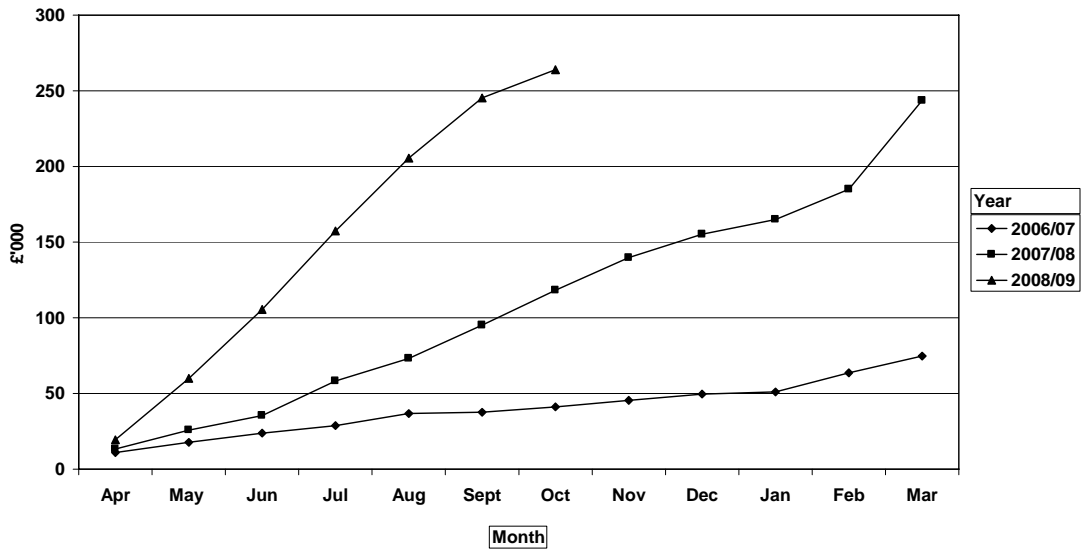
Division Medicine

Cumulative Agency Expenditure by Division 06/07 - 08/09



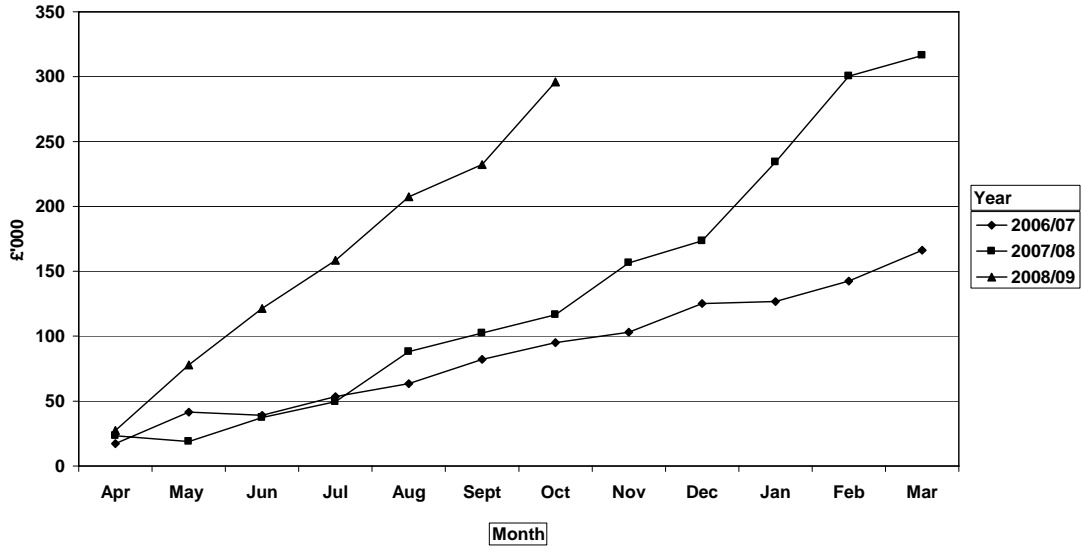
Division Diagnostics & Specialist

Cumulative Agency Expenditure by Division 06/07 - 08/09



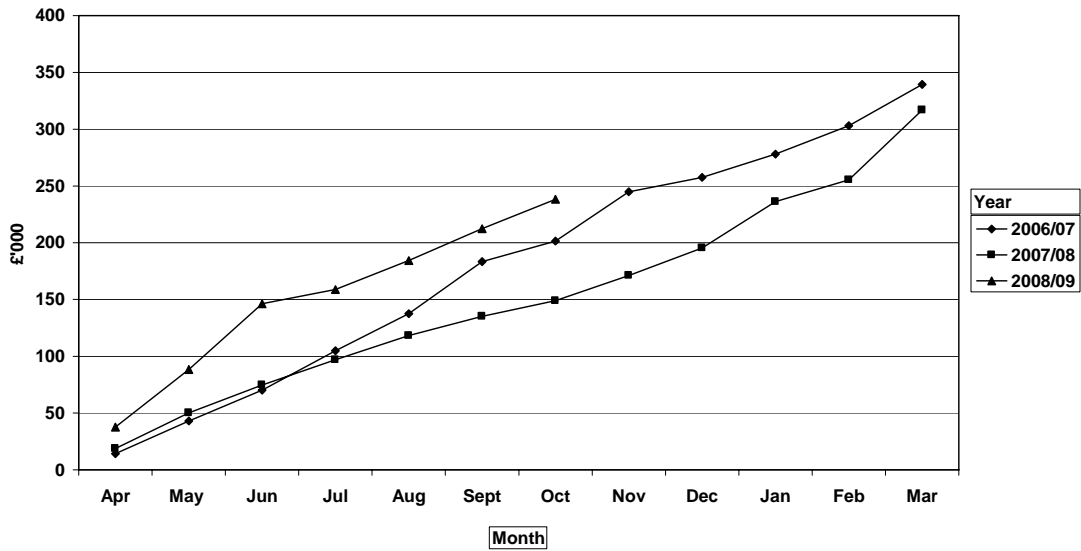
Division Women and Children

Cumulative Agency Expenditure by Division 06/07 - 08/09



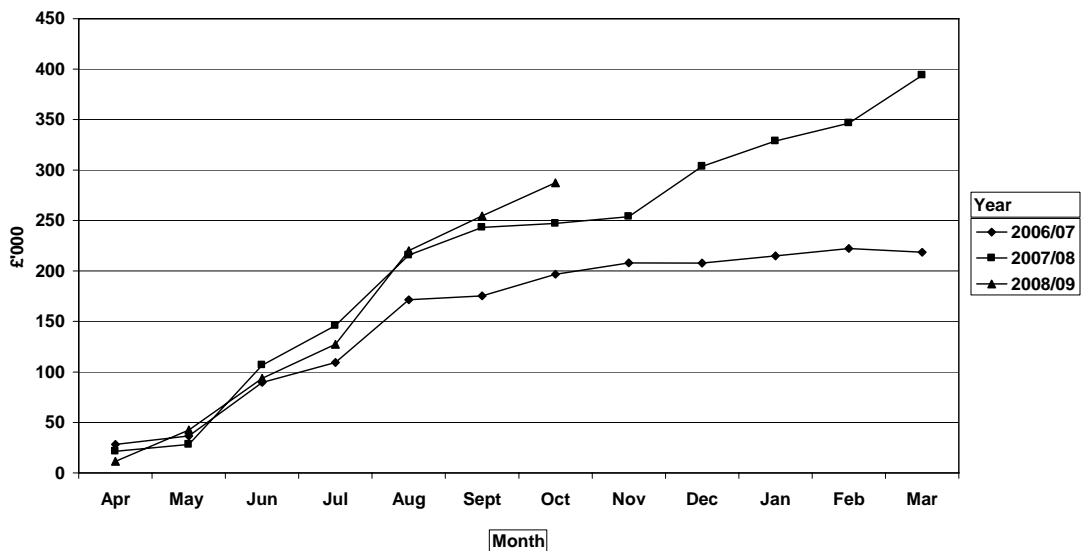
Division Corporate Governance & Facilities

Cumulative Agency Expenditure by Division 06/07 - 08/09



Division Corporate

Cumulative Agency Expenditure by Division 06/07 - 08/09



REVENUE EXPENDITURE RESERVES

	2008/09 £000	Recurring £000
1. Activity Delivery		
Opening balance	11,228.0	4,525.0
Increased provision re additional direct expenditure incurred in delivery of excess activity/income	3,000.0	-
Decisions taken up to and including October 2008 Main Board meeting	-9,938.9	-2,155.7
Decisions taken subsequent to October 2008 Main Board meeting		
- 2 wte Consultant Orthopaedic surgeons	-400.7	-2,408.5
- Orthopaedic and Theatre MSE costs re additional activity	-1,652.0	-1,652.0
- waiting list expenditure – October 2008	-675.00	-
Balance remaining	<u>1,561.4</u>	<u>-1,691.2</u>
2. Non activity related cost pressures (Corporate)		
Opening balance	1,000.0	1,000.0
Decisions taken up to and including October 2008 Main Board meeting	-834.2	-1,037.2
Decisions taken subsequent to October 2008 Main Board meeting		
- maintenance costs re Dinamaps (3 no), Doppler scanners (2 no), Sigmoidoscope light source and box	-0.3	-1.1
- additional Clinical Coding resource	-23.5	-93.9
- bio-decontamination of clinical areas	-149.9	-149.9
Balance remaining	<u>-7.9</u>	<u>-282.1</u>
3. Non recurring		
Opening balance	990.0	N/A
Decisions taken up to and including October 2008 Main Board meeting	-350.0	N/A
Decisions taken subsequent to October 2008 Main Board meeting		
- temporary closure of funded beds – October 2008	+13.7	N/A
- temporary opening of unfunded beds – October 2008	-10.7	N/A
Balance remaining	<u>643.0</u>	<u>N/A</u>

BALANCE SHEET ITEMS 2008/09

1. The Trust's Balance Sheet at 31st October 2008, together with comparative figures for 31st March 2008, is as follows:-

	Balance Sheet at			
	31/10/08		31/03/08	
	£000	£000	£000	£000
Fixed Assets		252,546		241,674
Stock	4,746		4,613	
Debtors	16,594		17,836	
Cash	18,387		34,855	
Creditors – within 1 year	<u>-26,171</u>		<u>-43,533</u>	
Net current liabilities		13,556		13,771
Creditors – after 1 year		-28,845		-17,851
Provisions		<u>-827</u>		<u>-1,057</u>
Total Assets Employed		<u>236,430</u>		<u>236,537</u>
Public Dividend Capital		164,219		163,779
Revaluation Reserve		57,063		56,604
Donation Reserve		2,773		3,029
Income & Expenditure Reserve		12,166		12,916
Other reserves		<u>209</u>		<u>209</u>
Total Taxpayers Equity		<u>236,430</u>		<u>236,537</u>

2. Given the relatively short period between 31st October 2008 and the production of this report, relative to the four week period previously available to close accounts at year end, a number of figures included above are best estimates. This particularly affects stock, debtors and creditors but it is not considered that further refinement would result in a materially different position. The Main Board will recall that it has been announced that there will be a further shortening of the period available to close accounts at the year end. The draft final accounts for 2008/09 are required to be submitted to Monitor and the Trust's external auditors by 23 April 2009.

CAPITAL PROGRAMME

1. The May 2008 Main Board meeting approved an updated capital programme for the period 2008/09 to 2012/13. As in 2007/08 known changes to the programme will be reflected on a monthly basis, with more thorough reviews occurring quarterly.
2. The following table shows the summarised figures for the initial approved 2008/09 capital programme expenditure, and actual expenditure to the end of October 2008.

	C a p i t a l P r o g r a m m e 2 0 0 8 / 0 9 O r i g i n a l £ 0 0 0	E x p e n d i t u r e t o 3 1 / 1 0 / 0 8
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STOCK

1. The figures for stock included in the Trust's Balance Sheet reflect a relatively limited number of areas, i.e. pharmacy, prosthetics, theatre stock, ward stock, fuel, X ray films and blood and blood products. Apart from pharmacy stock all other figures can only be obtained through manual stocktakes and hence are not available automatically on a monthly basis. Manual stocktakes are carried out both in the middle and at the end of the financial year.
2. The Pharmacy Stock Control System provides monthly figures. At the end of October 2008 Pharmacy Stock totalled £1.896m, compared to £1.763m at the end of March 2008 and £1.872m at the end of September 2008.

DEBTORS

1. An age analysis of outstanding debt at the end of October 2008, together with previously reported comparative figures to the end of September 2008, is as follows:-

	N o. of In v o i c e s	D e b t O u t s t a n d i n g
S e p t e m b e r	C S c t o b e r	C c t o b e r
2 0 0 8	2 0 0 8	2 0 0 8
		£
C	1	1
-	,	,
£	3	5
C	5	6
3	7	6
C	6	,
£	,	3
y	6	1
s	2	4
£	2	1
1	2	,
-	2	9
£	,	3
C	6	0
C	2	5
c	2	3
£	,	0
y	3	,
s	3	5
£	5	3
1	8	4
-	,	0
£	3	,
1	5	3
-	8	4
-	,	,
-	5	1
-	8	5
-	,	6
-	4	6

£			4	9
£			, 1	, 0
£			8	7
£			1	1
£	2	2	9	3
1	5	4	9	, 1
-	5	6	, 1	0
1			9	6
2			7	, 7
£				2
£				9
£				
£				
>	1	1	1	1
1	<u>7</u>	<u>3</u>	<u>2</u>	<u>1</u>
2	<u>8</u>	<u>8</u>	<u>6</u>	<u>9</u>
£	<u>7</u>	<u>6</u>	<u>0</u>	<u>4</u>
£			<u>3</u>	<u>5</u>
£			<u>5</u>	<u>2</u>
£			<u>8</u>	<u>4</u>
	<u>4</u>	<u>3</u>	<u>8</u>	<u>1</u>
	<u>3</u>	<u>8</u>	<u>0</u>	<u>2</u>
	<u>5</u>	<u>2</u>	<u>0</u>	<u>0</u>
	<u>2</u>	<u>8</u>	<u>0</u>	<u>8</u>
			<u>6</u>	<u>0</u>
			<u>7</u>	<u>6</u>
			<u>0</u>	<u>5</u>

- As highlighted in previous Board reports the figures in the above table have been extracted from the debtors system, i.e. they reflect invoices raised for which income is yet to be received. It is still common practice within certain sectors of the NHS not to raise invoices for interorganisational transactions; the main objective of this approach being to avoid unnecessary administration costs. Together with month end timing issues, i.e. where income due has not yet been invoiced, and other specific issues such as Road Traffic Act Income which is dealt with on a national basis, this leads to the debtors system figures understating the total debt outstanding to the Trust at any given time.
- The number of invoices outstanding has reduced significantly (-524) during October but there has been a significant increase of c£4,007,000 in their total value. This principally arises from a number (17) of high value invoices raised during October, in line with national deadlines for final Q1 activity reconciliations and other local quarterly / six months billing timetables, remaining unpaid at the end the month. An update will be provided at the meeting. It is relevant to note that, of the total debt

outstanding of £12,008,065, c£10.22m (c85%) relates to inter NHS transactions, of which over £6.5m is payable by Gloucestershire PCT

4. As highlighted in previous reports a limited number of individual invoices continue to account for a significant proportion of the total outstanding debt. For individual invoices raised for a figure in excess of £30,000 the position at the end of October 2008 is as follows (September figures are shown in brackets):-

	No. of Invoices	
0	17	(6)
–		
30		
da		
ys		
31	4	(3)
–		
60		
da		
ys		
61	2	(6)
–		
90		
da		
ys		
91	6	(1)
–		
12		
0		
da		
ys		
>	<u>4</u>	<u>(4)</u>
12		
0		
da		
ys		
	<u>33</u>	<u>(20)</u>

The value of these outstanding invoices is c79% of total debt outstanding on the debtors system. Of the 33 invoices, 31 are raised on NHS organisations. The principal reason for higher than normal levels is referred to in paragraph 3 above.

5. The March 2006 Main Board meeting considered a report on the progress which had been made in terms of reviewing existing practice for the recovery of outstanding debt and discussed a package of proposals aimed at improving outcomes in this area. Whilst recognising some of the difficulties inherent in specific debt categories, it was agreed that, in principle, no debt should remain outstanding for more than 90 days and that progress against this target should be reviewed after 6 months. A detailed review was presented to the October 2006 Main Board meeting. The latest summary position is outlined below, using the main categories of debt detailed in the March 2006 report.

	Debt Outstanding > 90 days	
	October 2008	February 2006 **
	£000	£000
NHS Organisations	3,772.8	1,206.2
Private patients / Overseas visitors	329.4	344.4
Prescription charges	4.8	4.7
Other	<u>194.2</u>	<u>344.2</u>
Total	<u>4,301.2</u>	<u>1,899.5</u>

** Reference point in March 2006 Main Board report.

These figures reflect an increase of c£2,942,000 in the total value of debt outstanding for greater than 90 days since the end of September. This principally relates to invoices raised against Gloucestershire PCT, which are the subject of ongoing discussions.

BETTER PAYMENT PRACTICE CODE

1. The Trust's performance against the Better Payment Practice Code for the 7 months to October 2008 was as follows:-

	Number	£
Total bills paid within period	67,334	91,745,804
Total bills paid within target	58,883	84,225,199
Percentage of bills paid within target	87%	92%

2. This performance compares with figures of 88% and 92% respectively for the six months to September 2008, as reported to the October 2008 Main Board meeting, and 91% and 90% for the whole of 2007/08.
3. The countywide procurement system rationalisation project, which is approaching the end of roll out within this Trust, should now start to have an impact. This will need to be closely monitored in order to ensure that the desired outcomes are achieved.