

Trust Board

3 May 2017

Title:	March (Month 12) 2016/17 – Financial Performance						
Agenda item:	17/067		Paper			7	
Action requested:	To agree corrective actions to ensure financial targets are achieved and monitor the on-going improvements and trends.						
Executive Summary:	<p>The Trust's initial financial position for March is a £0.2m surplus in-month and a £6.3m deficit for the full year.</p> <p>As part of the national Sustainability & Transformation Funding (STF), incentive and bonus payments could be earned if Trusts had bettered their control total requirement for the year. In making this assessment Trusts are required to exclude STF already earned/received from the calculation.</p> <p>The Trust's Month 12 position includes £6.2m of STF, therefore its underlying position is a £12.5m deficit compared to a control total of £12.9m deficit (also exc. STF). As a result the Trust has been informed that it will qualify for a £0.4m incentive payment together with a £2.2m bonus payment. These amounts are to be recognised in the current financial year and as a result the finalised I&E position will be a £3.7m deficit.</p>						
Summary of recommendations:	To note the financial results relating to performance during March 2017						
Fit with WH strategy:	Delivering efficient, affordable and effective services. Meet statutory financial duties.						
Reference to related / other documents:	Previous monthly finance reports to the Trust Board. Operational Plan papers. Board Assurance Framework (Section 3).						
Date paper completed:	26 April 2017						
Author name and title:	Anis Choudhury Head of Financial Planning and Analysis			Director name and title:		Stephen Bloomer Chief Financial Officer	
Date paper seen by EC	n/a	Equality Impact Assessment complete?	n/a	Quality Impact Assessment complete?	n/a	Financial Impact Assessment complete?	n/a

Use of Resources Metric

The Use of Resources Rating forms part of NHSI's Single Oversight Framework, replacing the previous Financial Sustainability Risk Rating (FSRR). It adds to the FSRR by introducing a metric for agency spend as part of the assessment of financial controls.

Scoring is still based on a scale of 1 to 4, although 4 is now seen as worst performing/highest risk, rather than lowest risk as was previously the case.

Use of Resources Metric	Current Period Plan	Current Period Actual	Current Period Variance
Liquidity Ratio (days)	4	3	(1)
Capital Servicing Capacity (times)	4	4	0
I&E Margin	4	4	0
I&E Margin Variance from Plan		1	
Agency	2	3	1
Use of Resources Rating after overrides		3	

The table above shows that as at Month 12 the Trust's Use of Resources Rating is a 3, which under the Single Oversight Framework would trigger a 'potential support need' on review by NHSI.

Financial Overview

The Trust's initial reporting for March (Month 12) highlighted a £0.2m surplus in month and a full year deficit position of £6.3m. As a result the Trust achieved a favourable variance against its control total for the year, which qualified for both an incentive and bonus payment of Sustainability & Transformation Funding (STF).

The combined value of the additional STF that will be paid to the Trust is £2.6m, and is reflected in the closing I&E position for 2016/17 shown below, being a £2.8m surplus in-month and a deficit of £3.7m for the full year.

Main issues of note:

- Pay expenditure was £0.8m adverse against plan in month and £3.7m adverse for the year. In total the pay bill for March was £18.4m which is £0.1m higher than February and below the average for the year, despite having additional beds open. Other key points that should be noted, include:
 - Total agency costs for March were £1.0m, a decrease of c. £0.1m compared to February. Despite the decrease in agency costs the overall pay costs increased due to an increase in permanent staffing across all clinical staff types.
 - There was an increase in nursing agency costs offset by a reduction in medical and scientific and therapeutic staffing. Overall agency spend was 5.3% of the monthly pay bill down from 5.8% in February. When assessed in relation to total qualified nursing spend, nursing agency equates to 8.8%, an increase from the 7.3% in February and exceeding the Trust's regulatory limit of 6%.
- Non Pay expenditure exceeded plan by £0.8m in month but was underspent by £3.9m for the year.
- The Trust's full year income was £309m, inclusive of the additional incentive/bonus STF payment. Particular points of note include:
 - Clinical income was £0.9m adverse against plan;
 - SLA clinical income was £1.6m favourable against plan;
 - The STF income figure improved in month 12 due to successful appeals by the Trust for quarter 3 against the A&E target, changes to national guidance which allowed full collection of Q4 STF if the control target was reached.
 - The Trust received £2.6m of incentive/bonus STF for bettering its agreed control target.

The end of year position includes the application of balance sheet treatments which were previously discussed at Audit Committee and benefits from the continued use of the enhanced financial controls.

The month end cash balance of £3.2m was £0.1m above plan. The Trust drew down all of its available £8.9m cash support. The Trust materially improved both its debtors and creditors position following escalated discussions whilst hitting its cash target.

At month 9, the Trust was asked to renegotiate its forecast capital outturn by NHSI. We agreed a revised forecast outturn of £6.0m, largely resulting from the postponement of the Trust's proposed maternity redevelopment scheme. As at month 12 the Trust has met the revised forecast outturn.

Statement of Comprehensive Income

Statement of comprehensive income

2016/17, Month 12 (March 2017)						
Statement of Comprehensive Income	In Month Budget (£000s)	In Month Actual (£000s)	Variance (£000s)	YTD Budget (£000s)	Ytd Actuals (£000s)	Variance (£000s)
Nhs Clinical Income	21,407	20,831	(576)	258,361	254,035	(4,325)
Non-Nhs Clinical Income	1,896	2,375	479	22,744	24,253	1,509
Other Non-Patient Income	2,268	4,714	2,446	26,562	28,377	1,815
STF - Incentive & Bonus Income	0	2,590	2,590	0	2,590	2,590
Total Income	25,571	30,510	4,939	307,666	309,255	1,589
Non-Pay	6,870	7,605	(734)	79,754	75,821	3,933
Pay	17,595	18,440	(845)	217,671	221,392	(3,721)
Total Operating Expenditure	24,465	26,044	(1,579)	297,425	297,214	212
EBITDA	1,105	4,465	3,360	10,241	12,041	1,800
Depreciation	690	641	49	8,280	7,991	289
Dividends Payable	354	785	(431)	4,243	4,503	(260)
Interest Payable	282	268	14	3,238	3,180	58
Interest Receivable	(3)	(1)	(2)	(36)	(20)	(16)
P/L on Disposal of Assets					7	(7)
Total	1,323	1,694	(371)	15,725	15,661	64
Net Surplus / (Deficit) - before IFRIC 12 adjustment	(218)	2,772	2,990	(5,484)	(3,619)	1,865
Add back impairments and adjust for IFRS & Donate	(7)	22	(29)	916	51	865
Adjusted Net Surplus / (Deficit) - including IFRIC 12 adjustments	(211)	2,750	2,961	(6,400)	(3,670)	2,730

Sustainability & Transformation Funding

As highlighted above the Trust has qualified for both incentive and bonus STF payments as a result of bettering its control total for the year.

In making the assessment, Trusts were required to exclude core STF payments received during the year and compare this to their control total, exclusive of STF. For the Trust this resulted in comparing an achieved deficit of £12.5m against a control total deficit of £12.9m. As a result the Trust qualified for both incentive and bonus STF payments.

- Incentive STF £0.4m (£ for £ based on improvement against control total)
- Bonus STF £2.4m

These payments are included within the end of year position, and so reflected within the Trust's reported deficit of £3.7m

Monthly Run Rates – Expenditure

As previously reported the forecasts provided by ICSUs, at Month 7, have become their control totals for the remainder of the financial year, and are being monitored on a monthly basis.

The table below provides the Month 12 actual results against the ICSU control totals, together with the results from the previous month.

ICSU Monthly Run Rates

	Previous Month (Month 11)			Current Month (Month 12)			Cumulative Variance to CT £000s
	Forecast Control Total £000s	Actual	Variance £000s	Forecast Control Total £000s	Actual £000s	Variance £000s	
Children's & Young People	3,919	3,975	-56 ↑	3,919	3,934	-15 ↑	-274
Clinical Support Services	1,279	1,334	-55 ↑	1,279	1,352	-73 ↑	-371
Emergency & Urgent Care	1,937	2,036	-99 ↑	1,937	2,042	-105 ↑	-388
Integrated Medicine	2,795	3,239	-444 ↑	2,795	2,936	-141 ↑	-1,152
Patient Access, Prevention & Planned Care	1,046	1,025	21 ↓	1,046	1,038	8 ↓	22
Surgery & Cancer	2,918	2,796	122 ↓	2,918	3,124	-206 ↑	-789
Women's Health	1,533	1,619	-86 ↑	1,533	1,565	-32 ↑	-389
Total Pay - Clinical ICSUs	15,427	16,024	-597 ↑	15,427	15,991	-564 ↑	-3,341

	Previous Month (Month 11)			Current Month (Month 12)			Cumulative Variance to CT £000s
	Forecast Control Total £000s	Actual	Variance £000s	Forecast Control Total £000s	Actual £000s	Variance £000s	
Children's & Young People	190	142	48 ↓	190	215	-25 ↑	5
Clinical Support Services	1,348	1,214	134 ↓	1,348	1,580	-232 ↑	-511
Emergency & Urgent Care	206	203	3 ↓	206	265	-59 ↑	-214
Integrated Medicine	257	199	58 ↓	257	393	-136 ↑	-150
Patient Access, Prevention & Planned Care	261	172	89 ↓	261	287	-26 ↑	83
Surgery & Cancer	771	555	216 ↓	771	797	-26 ↑	299
Women's Health	184	131	53 ↓	184	223	-39 ↑	95
Total Non Pay - Clinical ICSUs	3,217	2,616	601 ↓	3,217	3,760	-543 ↑	-393

	Previous Month (Month 11)			Current Month (Month 12)			Cumulative Variance to CT £000s
	Forecast Control Total £000s	Actual	Variance £000s	Forecast Control Total £000s	Actual £000s	Variance £000s	
Children's & Young People	4,109	4,117	-8 ↑	4,109	4,149	-40 ↑	-269
Clinical Support Services	2,627	2,548	79 ↓	2,627	2,932	-305 ↑	-882
Emergency & Urgent Care	2,143	2,239	-96 ↑	2,143	2,307	-164 ↑	-602
Integrated Medicine	3,052	3,438	-386 ↑	3,052	3,329	-277 ↑	-1,302
Patient Access, Prevention & Planned Care	1,307	1,197	110 ↓	1,307	1,325	-18 ↑	105
Surgery & Cancer	3,689	3,351	338 ↓	3,689	3,921	-232 ↑	-490
Women's Health	1,717	1,750	-33 ↑	1,717	1,788	-71 ↑	-294
Total Expenditure - Clinical ICSUs	18,644	18,640	4 ↓	18,644	19,751	-1,107 ↑	-3,734

Key: ↑ Actual spend higher than forecast @ Month 7 - adverse performance
 ↔ Actual spend in line with forecast @ Month 7 - expected performance
 ↓ Actual spend lower than forecast @ Month 7 - favourable performance

In-month, across all ICSUs, a review of expenditure against the agreed control totals highlighted an adverse performance in both pay and non-pay. The chart below shows the variance to control total for each ICSU, expenditure only. NB – expenditure forecasts included an assessment of spend associated with system resilience.



It should be noted that whilst pay expenditure was adverse to control total, the variance has reduced compared to Month 11. Further, the movement on non-pay includes an element of pass through costs, particularly associated with drugs expenditure, together with end of year adjustments necessary to ensure expenditure is recorded in the correct financial year.

Cost Improvement Programme

As shown in the table below the Trust has achieved its full-year CIP target. However, it should be noted that delivery has been supported by non-recurrent schemes together with additional Trust-wide schemes. The non-recurrent schemes will require recurrent replacements to be identified in 2017/18.

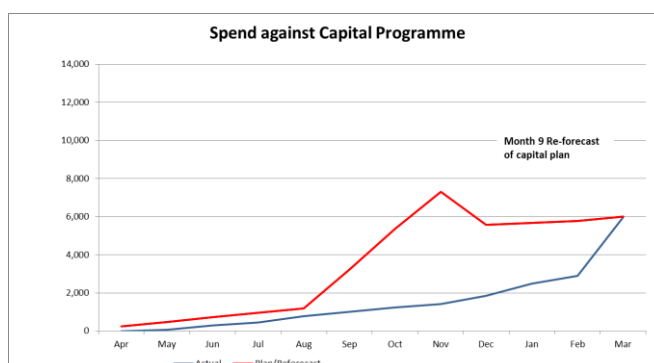
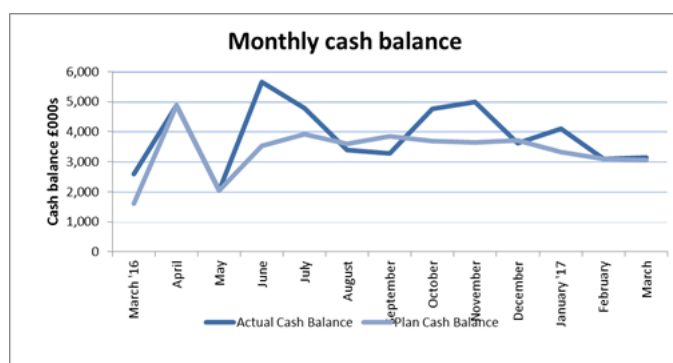
Integrated Clinical Service Unit	Annual Plan £'000	YTD			
		Plan £'000	Actual £'000	% achieved	Variance £'000
Children's services	602	602	405	67.3%	-197
Clinical Support Services	1,019	1,019	256	25.1%	-763
Emergency & Urgent Care	786	786	683	86.9%	-103
Medicine, Frailty & Network Services	1,673	1,673	1,278	76.4%	-395
Outpatients Prevention & LTC	526	526	877	166.7%	351
Surgery	2,613	2,613	1,371	52.5%	-1,242
Women's services	1,189	1,189	652	54.8%	-537
Corporate	1,592	1,592	1,573	98.8%	-19
Flow through from 2015/16			600		600
Trust-wide non pay			2546		2,546
Performance against operating plan	10,000	10,000	10,241	102.4%	241

Monitoring of performance against CIP plans continues to be undertaken by the PMO via regular meetings. Although ICSUs had initial plans in place there were shortfalls which were made up by central schemes, and as highlighted above in-year delivery has been supplemented by additional non-recurrent actions.

As the Trust agreed a two year target with ICSUs the shortfalls are carried forward in to the new financial year. This has created a pressure and need to increase PMO effectiveness, support to the ICSUs, and give assurance to the Board that next year's target can be achieved. In order to support this, the Trust has taken advantage of the FIP2 national contract and is working with Boston Consulting Group for a four-month intensive support period.

Statement of Financial Position

	As at 1 April 2016 £000	Plan 31 March 2017 £000	Plan YTD 31 March 2017 £000	As at 31 March 2017 £000	Variance YTD 31 March 2017 £000
Property, plant and equipment	194,785	203,023	203,023	207,351	(4,328)
Intangible assets	4,583	2,831	2,831	2,733	98
Trade and other receivables	693	851	851	626	225
Total Non Current Assets	200,061	206,705	206,705	210,710	(4,005)
Inventories	1,403	1,500	1,500	1,702	(202)
Trade and other receivables	23,535	25,393	25,393	26,469	(1,076)
Cash and cash equivalents	2,598	3,060	3,060	3,161	(101)
Total Current Assets	27,536	29,953	29,953	31,332	(1,379)
Total Assets	227,597	236,658	236,658	242,042	(5,384)
Trade and other payables	39,112	43,391	43,391	36,096	7,295
Borrowings	376	2,455	2,455	1,845	610
Provisions	795	756	756	1,025	(269)
Total Current Liabilities	40,283	46,602	46,602	38,966	7,636
Net Current Assets (Liabilities)	(12,747)	(16,649)	(16,649)	(7,634)	(9,015)
Total Assets less Current Liabilities	187,314	190,056	190,056	203,076	(13,020)
Borrowings	52,934	61,419	61,419	60,112	1,307
Provisions	1,773	1,513	1,513	1,215	298
Total Non Current Liabilities	54,707	62,932	62,932	61,327	1,605
Total Assets Employed	132,607	127,124	127,124	141,749	(14,625)
Public dividend capital	62,404	62,404	62,404	62,404	0
Retained earnings	(7,873)	(13,356)	(13,356)	(11,491)	(1,865)
Revaluation reserve	78,076	78,076	78,076	90,836	(12,760)
Total Taxpayers' Equity	132,607	127,124	127,124	141,749	(14,625)
Capital cost absorption rate	3.5%	3.5%	3.5%	3.5%	3.5%



Property, Plant & Equipment (inc. Intangible Assets): As the Trust did not gain approval to go forward on the maternity development the forecast was revised from £14.8m to £6.0m, with total spending at year end in line with the revised target. Assets were revalued as at 31 March 2017. This resulted in a £13m increase.

Trade Receivables: The Trust improved collection from debtors following escalated processes by £11.5m, partially offset by raising a £2.5m debtor for STP incentive and bonus funding from NHSI.

Payables: The Trust has been able to pay off significant amounts of outstanding creditor balances prior to 31 March as a result of the debtor improvement, and reduced the balance by £9m in month.

Cash: The annual cash plan assumed that the Trust would receive £8.9m cash support. The trust has drawn down the full amount as at 31 March. The cash position at the close of month 12 was £3.2m, which was broadly on plan.