

Board of Directors (in Public)
Item 4.2

Subject: Finance Report for the period ending 31ST March 2017
Date of meeting: 25th April 2017
Prepared by: Sheila Fowler, Interim Deputy Chief Finance Officer
Presented by: Claire Wilson, Chief Finance Officer

BAF Ref	Impact on BAF
3.1,3.2	n/a

1. Executive Summary

This paper provides an update to Board of Directors on the financial performance of the Trust for the period ending 31st March 2017 (Month 12). The provisional year end position (subject to finalisation of the accounts and audit) shows a performance against our control total of a £901k deficit against a planned deficit of £927k and is therefore £27k better than plan.

Following a year end revaluation of assets, the Trust has made a favourable technical adjustment in its accounts of £1.5m for the reversal of an impairment which brings the overall reported position for the year to a surplus of £674k; however, technical adjustments do not count towards our financial performance as measured by the regulators and therefore the position reported for performance purposes remains at a £901k deficit.

This position includes £1.2m non-recurrent slippage set aside to support the delivery of the revised control total, together with £600k contingency reserve and slippage against reserves of £823k, which together support the in-year under-achievement of the Cost Improvement programme (CIP).

The Board of Directors are asked to:

- Note the financial position of the Trust for the year ending 31st March 2017;








2. Background

The Board approved a financial plan for 2016/17 with a deficit of £4.3m at its board meeting in March 2016.

On June 24th 2016, in response to the overall provider sector deficit in 2016/17, the Trust was required to agree to a revised financial plan of a £927k deficit in return for £2.2m of Sustainability and Transformation Funding (STF). The affordability for delivering this improvement was predicated on release of £1.2m of non-recurrent of slippage and contingency to support the delivery of the new control total:

3. Key Financial Performance Indicators

The Key Performance Indicators (KPI) for the period are set out below:

KPI	RAG rating	Comments
Overall financial position		Cumulative normalised deficit of £901 for the year ending 31 st March 2017, which is £26k better than plan. Includes £2,624k of non-recurrent slippage / contingency
Income		Total income is £276k below plan in March and £99k below plan for the year ;
Agency costs		£1.595m year to date spend compared to £3.320m for the same period last year.
Cash		Cash balances of £4.9m are below the planned position of £6.2m by £1.3m.
CIP		Actual CIP achieved for the year was £2.5m against a plan of £3.7m, a shortfall of £1.2m.
Capital expenditure		Capital expenditure at £5.954m was below the year end plan by just £7k.
Use of Resources Rating (UORR)		The UORR rating was 3 against a plan of 3

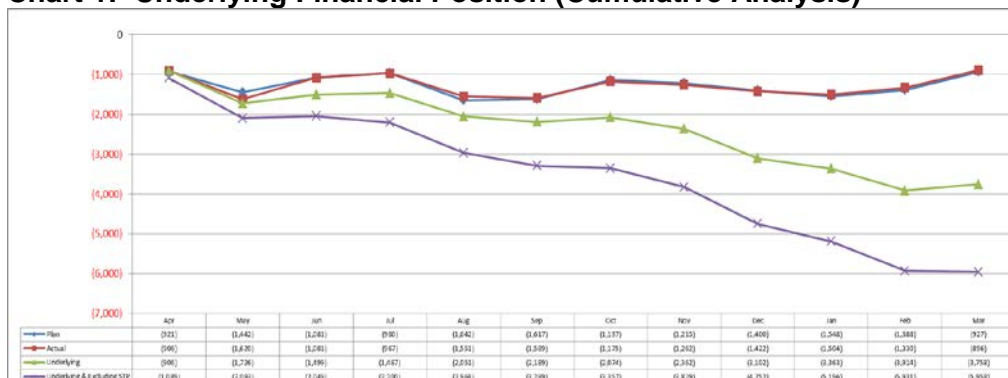
4. Financial Position for the period ending 31st March 2017 (Month 12)

The financial position for Month 12 (March) was a normalised surplus of £901k against a planned surplus of £927k and was therefore £26k better than planned. This position includes £1.2m of non-recurrent slippage set aside to support the delivery of the revised control total, together with the £600k contingency reserve and further slippage against reserves of £823k; which together support the in-year under-achievement of the Cost Improvement programme (CIP).

The underlying position to Month 12, excluding the impact of this transfer from reserves, is a deficit of (£3,758). This is further illustrated in Chart 1 below, which shows the planned and actual positions, together with the underlying position after discounting the non-recurrent benefits described and STF funding.

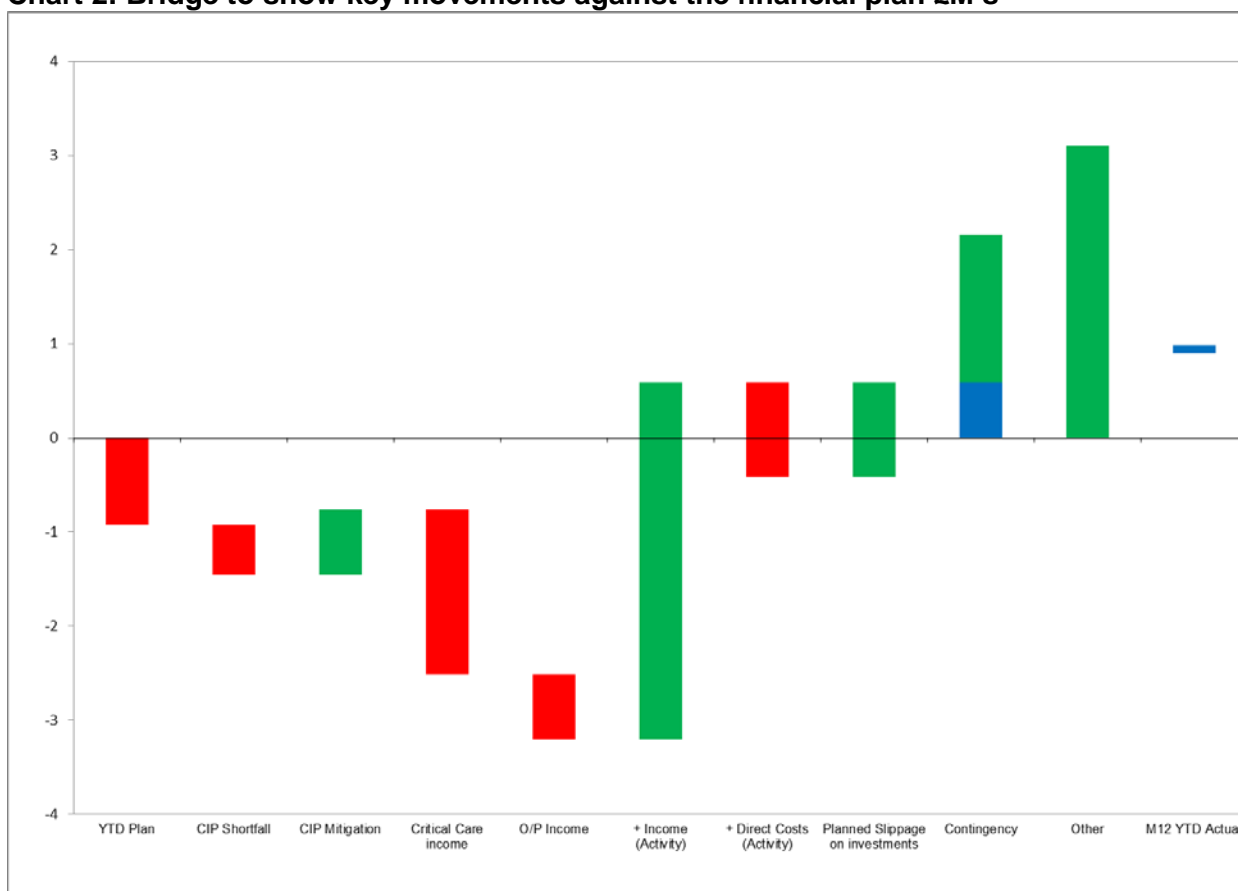
This underlying position should be considered in the context of the under-funding of Cardiac Surgical activity under existing national tariff structures, which are corrected in HRG4+ being implemented from 1 April 2017. The revised tariff means that the Trust moves into a recurrent surplus position of £3m from next year as set out in its 2017/19 financial plan.

Chart 1: Underlying Financial Position (Cumulative Analysis)



The Chart below provides detail of the key variances against the financial plan in the form of a bridge chart.

Chart 2: Bridge to show key movements against the financial plan £M's



The "other column includes a positive variance of £0.649m re. depreciation and also the additional stretch of £1.2m.

4.1 Income

Overall income is £276k (2.4%) below plan in Month 12 and £99k (0.2%) below plan for the year. This is further illustrated in Table 1 below:

Table 1: Overall income performance for the period ending 31st March 2017

	In Month				YTD			
	Plan £000's	Actual £000's	Variance £000's	Variance %	Plan £000's	Actual £000's	Variance £000's	Variance %
NHS Income	10,512	9,995	-517	-5%	114,528	114,340	-188	0.16%
Private Patients Income	294	269	-25	-8.5%	3,524	3,363	-161	-4.6%
Non Patient Related Income	837	1,102	265	32%	10,005	10,255	250	2.49%
Total Income	11,607	11,337	-276	-2.38%	128,057	127,958	-99	0.08%

The key issues are as follows:

- NHS patient related income under-performed in March by £517k (%) and under performed by £161k (4.6%) for the year;
- Private patient income in March under performed by £25k (8.5%) and underperformed by £162k for the year.
- Non patient related income up by £250k for the year relating to increases in the number of radiology tests performed for other Trusts.

Chart 3: Income and financial position profile April-March 2016/17

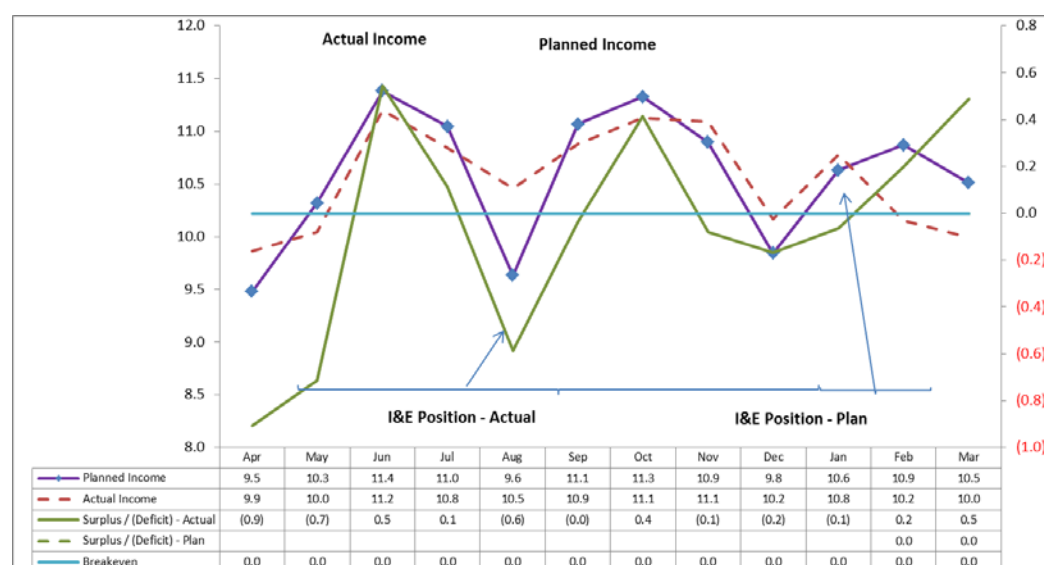


Chart 3 shows the income position against plan for the year to date, together with the overall income and expenditure plan.

4.1.1 Clinical Income

A divisional analysis of clinical income for the month is provided in the table below.

Table 2: Clinical income by division to Month 12

	Month 12			Year to Date		
	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's
Medicine (I/P)	2,446	2,361	-85	25,878	26,256	378
Surgery (I/P)	2,390	2,553	-163	25,589	26,699	1,110
Clinical Services	2,846	2,745	-102	31,284	28,845	-2,439
Other (All Other)	2,478	2,243	-235	27,546	28,374	827
Total	10,160	9,902	-258	110,297	110,174	-123

The key points to note are as follows:

- Surgery inpatient income over performed in month by £163k and is over performing by £1,110k (4.0%) for the year to date. Within this:
 - Cardiac surgery was above plan by 14 spells in March, with an over achievement against the income plan of £160k (9.0%) in month. The cumulative position shows activity as being above plan by 30 spells (1%) and £822k (4%) in income;
 - Thoracic surgery was 9 spells (7.0%) below plan and £2k (0.4%) below plan in Month 12. The cumulative position shows activity as being 156 spells below plan and £230k above plan on income;
- The Medicine Division was 1 spells below plan and £85k (3%) on inpatient income. The cumulative position shows activity as being 51 spell above plan and £377k on income;
- Critical care activity under-performed against plan by 50 bed-days in March and £63k (4%) below on income. The cumulative position shows activity as being 1,357 bed days below plan and £1,750k (10%);
- Further detail of the activity and income position is included at Appendix 1 and 2.

4.2 Expenditure

Expenditure under-spent by £169k (1.6%) in March (£496k over spent year to date, 0.4%). However, this includes slippage in the implementation of agreed investments/pressures and release of contingency, estimated to be £2,746k in the year to date.

The key issues are as follows:

4.2.1 Pay (£258k over spent in month, £512k under spent YTD)

- Under achieved on CIP delivery across pay budgets of £641k cumulative;
- Shortfall on CIP has been offset by slippage in planned investments
- There is also non recurring pay underspends within the directorates of £0.8m.
- Agency costs have reduced significantly in 16.17 (£1,595k) when compared to the same period last year (£3,320k). A detailed analysis of in month and year to date expenditure is included at Appendix 3.
- Bank costs have increase over the same time period; £1,941k in 16/17 compared to £1,685k in 2015/16.

4.2.2 Non Pay expenditure (£427k under spent in month, £1,008k over spent YTD)

- Shortfall on CIP delivery of £586k cumulative;
- Direct activity related costs have over spent by £1,320k in the year to date (Drugs £182k , Non Clinical Supplies (£78k) and clinical supplies £965k).

- These pressures have been in part offset by slippage against planned investments (cumulative).

5. Technical adjustments

Following a year end revaluation of assets, the Trusts asset base has increased in value in line with a general trend across the economy. The Trust has made a favourable technical adjustment in its accounts of £1.5m for the reversal of an impairment applied in previous years. This is a 'below the line' adjustment which is not counted towards the Trusts financial position when being measured against its control total target.

6. CIP Performance

The cumulative position to Month 12 shows recurrent CIP delivery of £2,506k against a target of £3,720k, providing a shortfall of £1,214k.

However, non-recurrent mitigations of £958k have been identified to bridge this gap in year whilst more robust recurrent plans are being developed. This reduces the risk in year but has an adverse impact on the exit run rate.

This is further illustrated in tables 3 and 4 below;

Table 3: CIP delivery by type

	Plan YTD	Actual YTD	Var. YTD	+ Non Rec Cost Reductions
Category	£'000	£'000	£'000	£'000
Income	305	318	13	0
Pay	1,359	718	-641	813
Non Pay	2,056	1,470	-586	145
Total	3,720	2,506	-1,214	958

Table 4: CIP delivery by Division

	Plan YTD	Actual YTD	Var. YTD	+ Non Rec Cost Reductions
Category	£'000	£'000	£'000	£'000
Medicine	1,333	972	-362	334
Surgery	1,075	759	-316	116
Clinical Services	740	322	-418	419
Corporate	572	453	-118	89
Total	3,720	2,506	-1,214	958

7. Sustainability and Transformation Funding (STF)

In order to secure the Trusts STF allocation of £2.2m for the year, the Trust must deliver against its financial plan and also meet RTT and Cancer 62 day access standards. Access standards are subject to certain tolerances but the financial criteria is not.

The Trust has met the conditions of the STF allocation in 2016/17, and is due a cash allocation of £2,200k. We have received £1,650k in cash to date and expect to receive the balance of the cash after key data has been submitted on the 19th April 2017.

8. Reserves

The following table provides an analysis of Trust reserves for the end of year, and details where specific slippage has been included within 2016/17 final financial position.

Table 6: 2016/17 Reserves

	Reserve Value £'000	Recurrently funded in budgets £'000	Released to financial position £'000
Investment Reserves			
Radiology Consultant	120	(120)	0
Anaesthetic Support	120	-	120
Junior Doctors – Anaesthesia	533	-	533
B5 nurses SICU	650	-	650
Non Pay SICU	162	-	162
Other Reserves	1,141	(864)	277
Subtotal Investment Reserves	2,726	(984)	1,707
Contingency	800	-	800
Other	103	(21)	82
Grand Total	3,629	(1,005)	2,624

It should be noted that as part of the budget setting process for 2016/17, £2.7m worth of investments were approved. Of this total, it was agreed early on in the financial year that a total £1.2m of slippage in investments and contingency would be used to support the revised control total and this is reflected in the figures above.

9. Monitor Metrics

In line with The Single Oversight Framework the Trust now reports The Use of Resources Rating (UORR). At Month 12 this was 3, which is in line with the Trusts year-end plan.

10. Financial statements

The Statement of Comprehensive Income (SoCI) is attached at Appendix 5. The balance sheet (SoFP) and cash flow (SoCF) statements are attached at Appendices 6 and 7.

11. Cash and Investments

11.1 Cash Balance

Cash balances decreased by £750k in month. The overall cash position of £4,868k is £1,349k below the plan of £6,217k, which is largely driven by:

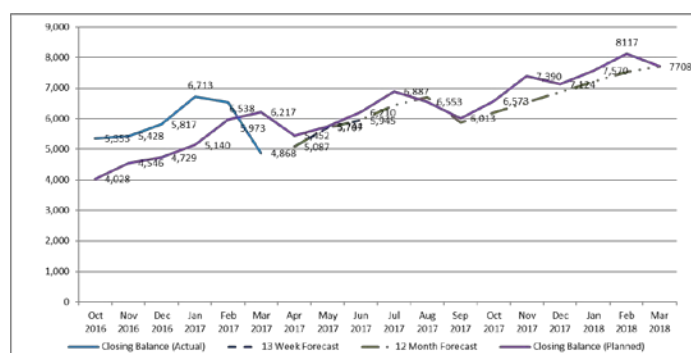
- Operating cash flows are £1,029k below plan;

- NHS receivable balance is £772k higher than plan, mainly due to STF £550K due in April rather than March.
- Other working Capital and investing activities a net inflow of £452k

11.2 Cash Flow Forecast

The Trusts cash flow forecast is illustrated in Chart 4 below. The cash flow forecast assumes delivery of the income & expenditure plan.

Chart 4: Cash Flow Forecast



11.3 Investments

At the end of March the Trust had £4.868m deposited in the GBS account. Details of interest received can be found in Appendix 8. Following the cut to the base rate, interest rates for both GBS and National Loans have reduced since August.

12. Working Capital

A detailed analysis of working capital is set out in Appendix 8. As reported at previous meetings, the level of overall debt continues to be significant, however, progress has been made over the last few months both in terms of payments made and agreed action plans. Updates will be provided throughout the remainder of the year to the Integrated Performance Committee (IPC).

13. Capital

Total capital expenditure was £5,954k against forecast expenditure of £5,961k for the year. This was per the revised plan with only a small £7k variance. Against the original Monitor plan of £5,338k the variance was £616k. A breakdown of capital expenditure by scheme can be found in Appendix 9

14. Conclusion

In the year 2016/17 the Trust has reported a forecast position, of a £901k deficit, that is broadly in line with the control total agreed with NHS Improvement (NHSI) of £927k.

15. Recommendation

The Board of Directors are asked to

- Note the financial position of the Trust for the year ending 31st March 2017.