

Board of Directors (in Public)

Item 8.2

Subject: Finance report for the period ending 30th June 2017
Date of meeting: 25th July 2017
Prepared by: Frankie Morris, 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 sets out the financial position of the Trust at 30th June 2017 (Month 3). As this is a quarter-end, the Trust must achieve the Quarter 1 Control Total to secure the Sustainability and Transformation Funding (STF).

The year to date (YTD) overall financial position for Quarter 1 is a surplus of £753k against a planned surplus of £766k, showing an adverse variance of £12k. The variance is primarily related to slippage on donated asset transactions, which does not affect the STF monies. To secure the £383k, Q1 STF monies, non-recurrent slippage from reserves of £130k has been used.

Q1 Financial Position	Plan £000s	Actual £000s	Variance £000s
Pre STF	386	388	2
STF	383	383	0
Post-STF	769	771	2
Donated asset related transactions	(3)	(18)	(14)
Overall Financial Position	766	753	(12)

Key issues to note:

- Inclusion of £0.6m income from Wales LHB related to HRG4+ dispute. This is a key risk (£2.4m FYE)
- Over performance of £119k not paid for due to the "Acting as One" contract
- Planned use of £189k reserves non-recurrently to meet NHSI required Control Total
- Under achievement of CIP of £189k YTD, with a forecast recurrent shortfall of £475k
- Use of £137k non-recurrent slippage to secure STF funding but £800k contingency still intact
- Continued use of Agency; £449k against a ceiling of £562k (full year ceiling - £2.251m)

The Trust remains on target to deliver its control total subject to the resolution of the HRG4+ tariff issue with our Welsh commissioners being resolved nationally. This is subject to national discussions between the Department of Health and Welsh Government.

The Board of Directors are asked to:

- Note the financial position of the Trust for the period ending 30th June 2017









2. Background

The Trust has an agreed annual financial plan to deliver its externally set financial target of a £6.863m surplus. This surplus position includes £2.554m of Sustainability and Transformation funding (STF) which is national funding received on the condition of delivering the financial plan each quarter.

The Cost Improvement Programme (CIP) required to deliver this surplus is £3.7m (3%).

3. Key Financial Performance Indicators

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

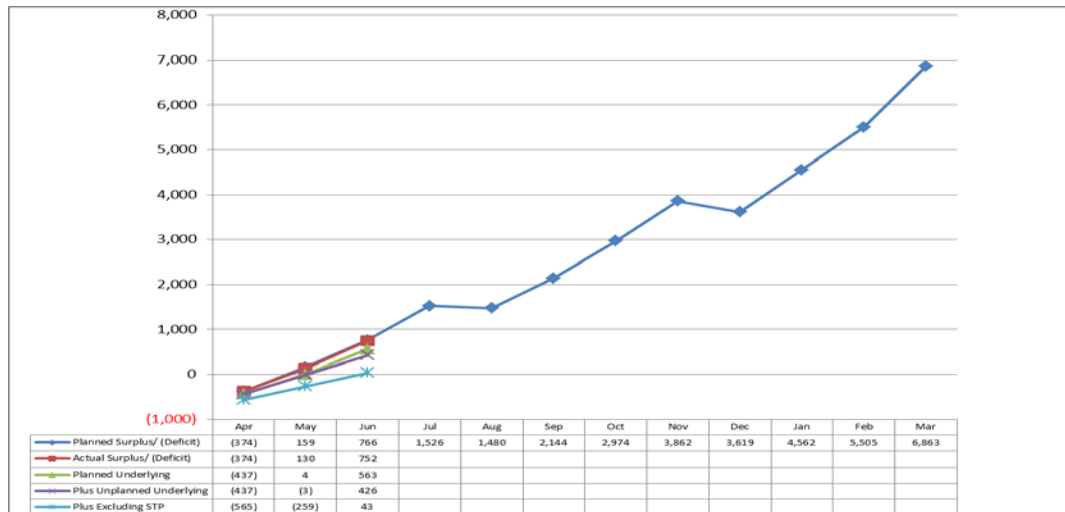
KPI	RAG rating	Comments
Control Total		Cumulative surplus of £388k against a planned surplus £386k to secure the Q1 STF monies. Includes £130k of non-recurrent slippage.
Overall financial position		Cumulative normalised surplus for Q1, which is £12k adverse to plan. Includes £130k of non-recurrent slippage.
Income		Total income is £91k above plan in June
Agency costs		£0.451m year to date spend compared to £0.518m for the same period last year.
Cash		Cash balances of £4.257m are below the planned position of £6.210m by £1.953m.
CIP		Actual Cumulative CIP achieved for the month was £0.673m against a plan of £0.863m, a shortfall of £0.189m.
Capital expenditure		Capital expenditure at £0.696m was below the YTD plan of £2.028m by £1.332m.
Use of Resources Rating (UORR)		The UORR rating is 3 against a plan of 3

4. Financial Position for the period ending 30th June 2017 (Month 3)

The year to date (YTD) overall financial position for Quarter 1 is a surplus of £753k against a planned surplus of £766k, showing an adverse variance of £12k. The variance is primarily related to slippage on donated asset transactions, which does not affect the STF monies. To secure the £383k, Q1 STF monies, non-recurrent slippage from reserves of £137k has been used by the £800k contingency remains intact.

The in-month position is a normalised surplus of £607k against a planned surplus of £622k, an adverse variance of £15k.

Chart 1: Underlying Financial Position (Cumulative Analysis)



4.1 Income

Income in June is £5k below plan and year to date is £91k better than plan. Income is over plan for the block CCG contracts agreed with Liverpool (£92k), Knowsley (£37k) and South Sefton (£35k) but below plan for Southport and Formby (-£45k) resulting in a total of £119k over-performance being excluded. This needs to be monitored very closely each month and action taken if the over-performance continues.

Table 1: Overall income performance for the period ending 30th June 2017

	In Month				YTD			
	Plan	Actual	Variance	Variance	Plan	Actual	Variance	Variance
	£000's	£000's	£000's	%	£000's	£000's	£000's	%
NHS Income	10,921	10,912	-9	0%	31,087	31,226	139	0%
Private Patients Income	273	270	-3	-1%	818	767	-51	-6%
Non Patient Related Income	646	653	7	1%	2,158	2,160	2	0%
Total Income	11,840	11,835	-5	0%	34,063	34,153	90	0%

Chart 1: Income and financial position profile 2017/18

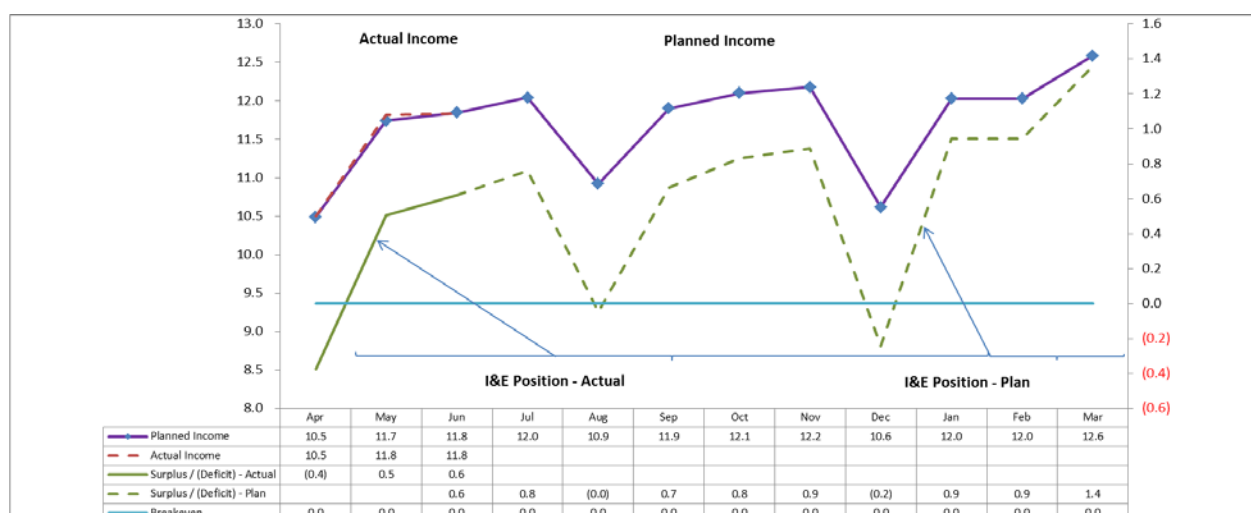


Chart 1 above shows the income position against plan for the year to date, together with the overall financial position. The charge also shows the planned position for the remaining 9 months of the year which incorporate a stepped increase in the income and surplus positions in February and March

4.1.1 Clinical Income

Table 2 shows income by Division at month 3.

Table 2 Income by Division month 3

Division	Month 3			YTD		
	Plan	Actual	Variance	Plan	Actual	Variance
	£000's	£000's	£000's	£000's	£000's	£000's
Medicine	6,002	5,707	-295	16,748	16,474	-274
Surgery	3,691	3,664	-27	10,650	10,783	133
Clinical Services	1,502	1,823	321	4,728	4,912	184
Other	645	641	-4	1,937	1,984	47
Total Income	11,841	11,835	-6	34,063	34,153	90

The key points to note are:

- The Medicine Division are £274k below plan. This is mainly due to the following:
 - Catheters, EBUS and Pacing are over-performing by £262k, £131k and £128k respectively. This is offset by an under-recovery of EP Studies income of £233k and the required adjustment in respect of the CCG block contract of £119k.
 - Income from devices is behind plan by £289k; and £116k and £46k above plan in relation to high cost drugs and Cystic Fibrosis respectively. The High Cost Devices are a pass through payment and therefore expenditure will offset this variance.
 - In relation to the Knowsley COPD block contract, 30% of the income is subject to performance against a number of KPIs; performance measurement against these targets is subject to a time delay and cannot yet be fully estimated. To prudently manage the risk of non-achievement of this income, only half (15%) has been realised to income position, resulting in a £70k under-recovery in the year to date. However, service will need to be closely monitored to minimise performance issues impacting on delivery of this income.
- The Surgery Division income is over plan by £133k. This is mainly due to over-performance in CABG (£98k), Aneurysm (£164k), Cardiac Other Procedures (£152k) and surgical outpatients (£155k) which partially off-set by under-recovery of income in Cardiac Valve and Thoracic Complex procedures by £212k and £218k respectively.
- The Clinical Services' Division income is £184k ahead of plan. This is mainly due to over achievement of income from external Radiology referrals and Critical Care by £115k and £41k respectively.
- Other income mainly comprises CQUIN, STF income, Education & Training income and research & development grants. The over-performance of £47k is mainly attributable to realisation of 100% of CQUIN income (£36k) for Q1. No concerns have been raised regarding CQUIN performance, but also, as part of the 'Acting As One' arrangements, financial penalties associated with CQUIN will be reinvested.

Appendix 1 outlines NHS clinical income detailed by Procedure type and by Division. Appendix 2 sets out income by POD and Commissioner, Private Patients and other income.

4.2 Expenditure

Expenditure was favourable in month by £29k (0.27%), Year to date £75k Adverse (0.24%) ,

The key issues are as follows:

4.2.1 Pay (£77k underspent spent in month / £63k under Year to Date.)

- Under achieved on CIP delivery across pay budgets of £40k in Month, £129 YTD ;
- Offset by non recurrent pay slippage on investments, £38k in Month, £105 YTD
- Current vacancies / staff on Long Term Sickness (LTS): 96 posts
- In month agency costs £53k less than planned (£112k YTD), however bank is £76k over in month (£299k) and overtime £15k adverse (£47k YTD).

Appendix 3 shows pay costs by type of staff including agency and overtime.

4.2.2 Non Pay expenditure (£46k Overspent in month / £138k Year to date.)

- Non pay CIP under achieved by £21k in month, £60k Adverse YTD for June.
- Failing non pay CIPs and cost pressures include catering contract £23k YTD and decontamination £39k YTD
- Rental of an additional X-Ray capacity and consumables £28k adverse in Radiology, supported by an increase in activity.
- Devices such as AICD's were down by 13 in month, TAVI's were 4 above plan for the Trust in total, this will be reflected in Income. Directorate budgets have been flexed to match activity.

- Additional costs associated with recruitment of international staff for £11k.

5. CIP Performance

The position in Month 3 shows recurrent CIP delivery of £673k against a target of £863k, providing a shortfall of £189k (78% achievement).

The forecast CIP position shows a projected **recurrent** shortfall of £475k. However, non-recurrent mitigations are being identified to bridge this gap in year to cover slippage on agreed schemes. To date Medicine have identified £126k of Non Recurrent CIP's to cover delayed in year CIP's. This reduces the risk in year but the agreed schemes will need to delivery savings recurrently in order for the exit run rate to be protected.

At the time of writing, a further £80k mitigation had been confirmed by the Corporate division in relation to Internal Audit fees.

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	Annual Plan	Forecast Delivery	Forecast Shortfall	+ Non Rec Cost Reductions
Category	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	0	0	0	0	0	0	0	58
Pay	470	341	-129	0	2,018	1,617	-401	68
Non Pay	393	333	-60	0	1,702	1,628	-74	0
Total	863	673	-189	0	3,720	3,245	-475	126

Plus a further £80k from Corporate division as described above

Table 4: CIP delivery by Division

	Plan YTD	Actual YTD	Var. YTD	+ Non Rec Cost Reductions	Annual Plan	Forecast Delivery	Forecast Shortfall	+ Non Rec Cost Reductions
Category	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Medicine	295	231	-64	0	1,285	1,019	-267	126
Surgery	157	111	-46	0	792	701	-90	0
Clinical Services	226	182	-44	0	902	831	-72	0
Corporate	185	150	-35	0	741	694	-47	0
Total	863	673	-189	0	3,720	3,245	-475	126

***Plus a further £80k from Corporate division as described above*

Operational delivery of the CIP plan is being overseen through the Business Transformation Steering Group, chaired by the Chief Finance Officer.

6. Sustainability and Transformation Funding (STF)

In order to secure the Trust's STF allocation of £2.554m for the year, the Trust must deliver against its financial plan. The STF allocation for Q1 is £383k. It is worth noting that the STF allocations are weighted in to the later quarters as shown in the table below:

STP Allocation	Q1	Q2	Q3	Q4	Total
£000's	383	511	766	894	2,554

The 2016/17 Q4 and Bonus STF allocation has been paid in July 2017 totalling £1.059m.

7. NHS Improvement Metrics

In line with the Single Oversight Framework the Trust now reports the Use of Resources Rating (UORR). At Month 3 this was 3, which is in line with the Trust's YTD plan score of 3. The plan is for the rating to a 1 at the end of 2017/18 through improvement of the liquidity metric resulting from the planned surplus. Please refer to Appendix 4 for further details.

8. 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.

9. Cash and Investments

9.1 Cash Balance

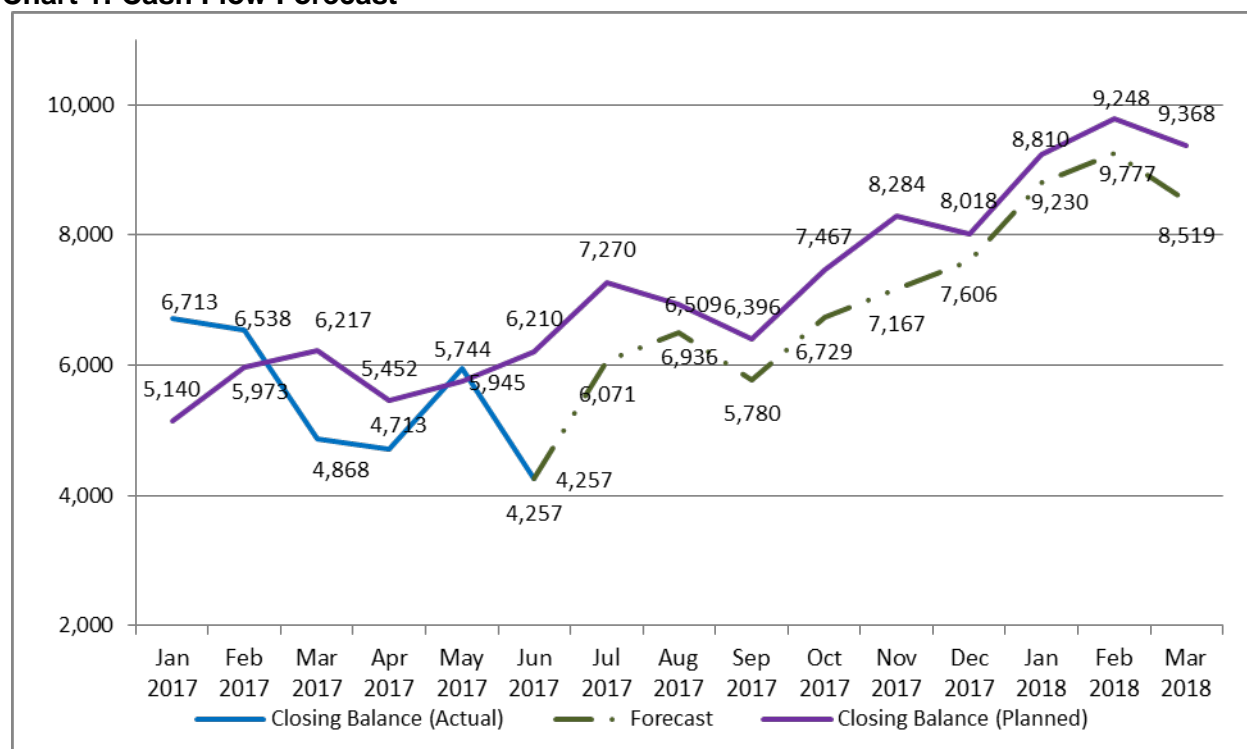
Cash balances decreased by £1.688m in month. The overall cash position of £4.257m is £1.953m below the plan of £6.210m, which is largely driven by:

- The opening balance at 31/03/17 being £1.349m below the plan due to lower operating cash-flows and movements in working capital in 2016/17
- An adverse movement in working capital balances compared to plan of £0.966m
- Capital expenditure being £1.333m below plan
- Financing cash outflows being £1.0m above plan to secure discounts.

9.2 Cash Flow Forecast

The Trust's cash flow forecast is illustrated in Chart 1 below. The cash flow forecast assumes full delivery of the income & expenditure plan, except for receipt of Q4 STF monies, which is now forecast to be received in 2018/19.

Chart 1: Cash Flow Forecast



The 2016/17 Q4 and bonus STF funding amounts, totalling £1.059m had not been received by the end of June. They have now been paid in July 2017.

9.3 Investments

At the end of May the Trust had £4.252m deposited in the GBS account. Details of interest received can be found in Appendix 8. Interest rates for both GBS and National Loans remain low since the cut in base rates in 2016.

10 Capital

Total year to date capital expenditure was £0.696 against forecast expenditure of £2.028m. The year to date underspend was driven by the Bedside Monitoring project where spend was brought forward into the 2016/17 capital programme, and the Cath Labs replacement project which is being revised and is expected to slip into 2018/19. In addition a number of IT and medical equipment projects are running behind expectation. The slippage on the above schemes has been allocated to the next level of prioritised schemes, with the full £5.4m to be spent by the end of the year.

A breakdown of capital expenditure by scheme can be found in Appendix 9.

11 Conclusion

In the year to date the Trust has reported a position in line with the Control Total agreed with NHS Improvement (NHSI) and remains on target to deliver its control total by the year end provided that the HRG4+ tariff issue with our Welsh commissioners is resolved. This is subject to national discussions between the department of health and Welsh Government.

Key issues to note:

- Inclusion of £0.6m income from Wales LHB related to HRG4+ dispute. This is a key risk (£2.4m FYE)
- Over performance of £119k not paid for due to the "Acting as One" contract
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The Board of Directors are asked to:

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