Quality for all

Sherwood Forest Hospitals NHS
NHS Foundation Trust

**Agenda Item:**

# Board of Directors

# Meeting Report

| | |
|---|---|
| **Subject:** | **Monitor Compliance – Quarterly Finance Report Q3: December 2014** |
| **Date:** | **29th January 2015** |
| **Author:** | **Sandra Chapman, Head of Management Accounts** |
| **Lead Director:** | **Margaret Ashworth, Chief Financial Officer** |


**Executive Summary**

Monitor was advised of the Q3 I&E position and revised forecast deficit following Q3 financial close.

The detailed Monitor Compliance – Quarterly Finance Report attached will accompany the quarterly monitoring templates and be submitted to monitor by 31st January.

The key headlines in the report are:

- Following Q3 financial close the year end forecast has been reviewed and has increased by £1.8m to £32.7m.
- The Q3 I & E position is a £24.6m deficit. This is £3.3m worse than plan of £21.3m and pay pressures remain high.
- The CIP forecast for 2014/15 is £2.5m in-year against the in-year target of £8.7m. The actual CIP delivered at Q3 is £1.2m against Monitor phased plan of £5.8m.
- The capital programme expenditure at the end Q3 is £5.7m against plan of £6.7m.


**Recommendation**

The Board of Directors is asked to

- Review the attached detailed report for submission to Monitor advising any required amendments.
- Authorise the report for submission to Monitor as part of the quarterly monitoring submission.

| **Relevant Strategic Objectives (please mark in bold)** | |
|---|---|
| Achieve the best patient experience | **Achieve financial sustainability** |
| Improve patient safety and provide high quality care | **Build successful relationships with external organisations and regulators** |
| Attract, develop and motivate effective teams | |

| | |
|---|---|
| **Links to the BAF and Corporate Risk Register** | BAF - Strategic Objective 4:<br>Financial and commercial sustainability.<br><br>Risk Register – Financial Risks |
| **Details of additional risks associated with this paper** *(may include CQC Essential Standards, NHSLA, NHS Constitution)* | Not applicable |
| **Links to NHS Constitution** | Not applicable |
| **Financial Implications/Impact** | Not applicable |
| **Legal Implications/Impact** | Not applicable |
| **Partnership working & Public Engagement Implications/Impact** | Not applicable |
| **Committees/groups where this item has been presented before** | None |
| **Monitoring and Review** | Report is standing item each quarter |
| **Is a QIA required/been completed? If yes provide brief details** | Not applicable |

**Monitor Compliance – Quarterly Finance Report**
**Q3: December 2014**

Sherwood Forest Hospitals NHS
NHS Foundation Trust

## 1.0 Overview and Key Risks

- **Forecast Outturn**

    - Following the Q3 financial close the Trust has reviewed its year-end forecast and increased the deficit by £1.8m to £32.7m. The main reason is an increase in demand for non elective and emergency activity (reflected in the Trust being on "Black Alert"), which is expected to continue during Q4, resulting in:
        - Increased premium costs of additional capacity to manage increased non-elective activity.
        - An inability to undertake planned levels of elective activity (due to additional non-elective and emergency activity), consequently reducing expected income and contribution levels.

- **Income and Expenditure (I&E) statement (Appendix A)** – The financial position for the Trust at Q3 is an overall Income and Expenditure deficit of £24.63m which is worse than the Trust's plan by £3.31m. The key factors to highlight are:

    - Clinical income improved by £0.65m in December leading to a cumulative position of £2.00m above plan at the end of Q3.

    - The level of pay overspend continues to remain high, and is £6.75m above plan at the end of Q3 **(Appendix A**), however this remains in line with forecast.

- **Cost Improvement Programme (CIP).**

    - The overall Trust forecast outturn deficit of £32.7m includes forecast 2014/15 CIP delivery of £2.5m in year against target of £8.7m. The actual CIP delivered at Q3 is £1.2m against phased plan of £5.8m.

    - The CIP target for 2015/16 is £10.9m. The divisions have commenced the work on next year's schemes and to date schemes totalling £4.2m have been initiated and developed.

- **Cash**
    - As at 31st December the Trust has drawn down **£27.6m** Capital and Revenue support which is in line with the planned profile. This is 88% of the total agreed support of £31.2m.

    - The agreed cash support of £31.2m is based on the plan deficit of £26.4m. The increased forecast deficit of £32.7m means that additional cash support will be required and the revenue element (£25.9m) of the current agreed support of £31.2m will (as agreed with Monitor and the DH) be drawn down and fully utilised in January.

    - The cash balance at 31st December 2014 was £0.18m. However the level of trade creditors due continues to increase.

- **Capital programme** - Capital spend at Q3 is **£5.68m** (£5.76m including donated) against a plan of £6.65m (£6.87m including donated). This is within the Monitor tolerance of +- 15% at the end of Q3 and full delivery of the capital plan is forecast by the end of Q4.

## 2.0 Monitor update

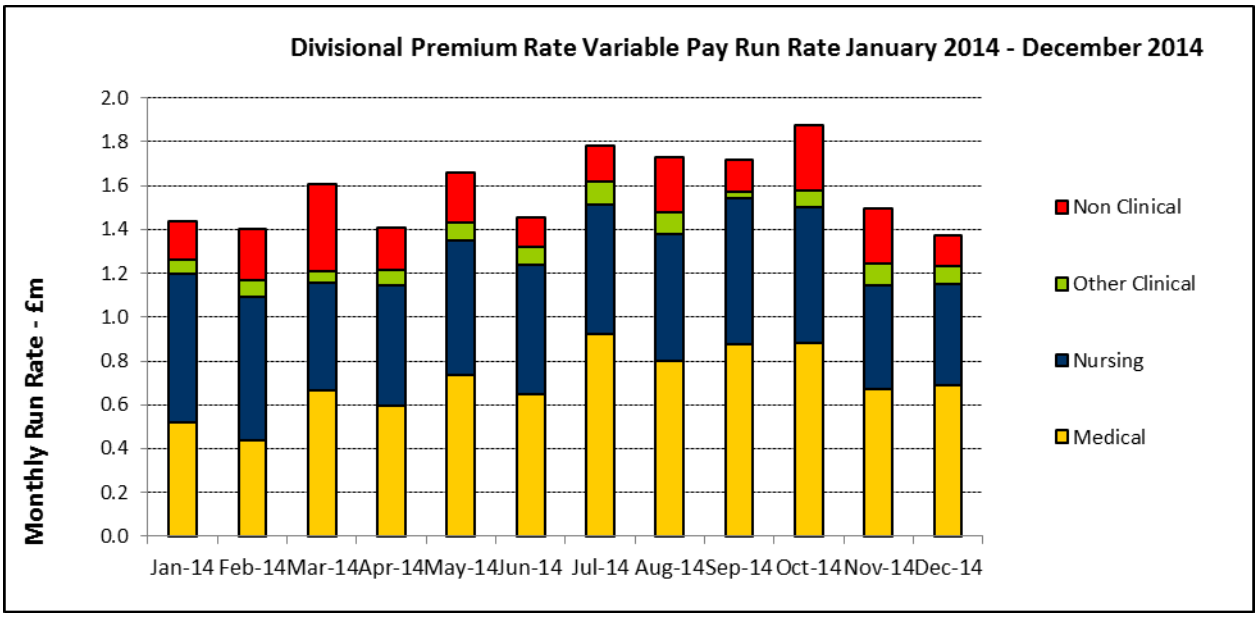
### Discretionary requirements

Monitor's discretionary reporting requirements are attached at **Appendix C.**

## Appendix A – Quarter 3 Income and Expenditure statement

| | Annual Plan | December In-Month | | | Year to Date | | |
|---|---|---|---|---|---|---|---|
| | | Plan | Actual | Variance | Plan | Actual | Variance |
| | £m | £m | £m | £m | £m | £m | £m |
| Clinical Income | 216.90 | 17.24 | 17.89 | 0.65 | 162.65 | 164.65 | 2.00 |
| Other Operating Income | 37.50 | 3.15 | 3.45 | 0.30 | 28.04 | 31.45 | 3.42 |
| Total Operating Income | 254.40 | 20.39 | 21.34 | 0.95 | 190.68 | 196.10 | 5.41 |
| Pay | (162.61) | (13.47) | (14.41) | (0.94) | (122.28) | (129.04) | (6.75) |
| Non Pay | (92.25) | (7.93) | (8.26) | (0.33) | (70.22) | (72.79) | (2.57) |
| Operating Costs Excl. from EBITDA | (8.05) | (0.68) | (0.63) | 0.05 | (6.05) | (5.31) | 0.73 |
| Total Operating Expenditure | (262.91) | (22.08) | (23.29) | (1.22) | (198.55) | (207.13) | (8.59) |
| | | | | | | | |
| **Profit/(Loss) from Operations** | **(8.51)** | **(1.69)** | **(1.96)** | **(0.27)** | **(7.86)** | **(11.04)** | **(3.17)** |
| Non Operating Income | 0.49 | 0.00 | (0.04) | (0.04) | 0.01 | (0.11) | (0.11) |
| Non Operating Expenditure | (18.35) | (1.52) | (1.52) | (0.00) | (13.46) | (13.48) | (0.02) |
| **Surplus/(Deficit)** | **(26.37)** | **(3.20)** | **(3.51)** | **(0.31)** | **(21.32)** | **(24.63)** | **(3.31)** |

## Appendix B – Premium rate pay spend analysis



## Appendix C – Monitor discretionary requirements

| Metric | | Annual Plan | YTD Plan | YTD Actual | YTD Variance |
|---|---|---|---|---|---|
| Revenue | £m | 254.89 | 190.69 | 195.99 | 5.30 |
| EBITDA | £m | (0.76) | (1.97) | (5.81) | (3.84) |
| Net Surplus/(Deficit) | £m | (26.37) | (21.32) | (24.63) | (3.31) |
| Underlying Surplus/(Deficit) | £m | (28.72) | (23.15) | (26.46) | (3.31) |
| Underlying Surplus/(Deficit) excluding £18.85m PFI premium impact | £m | (9.87) | (9.01) | (12.32) | (3.31) |
| Total CIP/Revenue Generation | £m | 8.69 | 5.81 | 1.20 | (4.61) |
| Recurrent CIP/Revenue Generation | £m | 7.13 | 4.77 | 0.83 | (3.94) |
| Cash | £m | 0.64 | 0.78 | 0.18 | (0.60) |
| Impact of PFI on EBITDA | £m | 21.66 | 16.25 | 16.25 | 0.00 |
| EBITDA adjusted for £18.85m PFI Premium Income | £m | 20.90 | 14.28 | 10.44 | (3.84) |
| Revenue plus £18.85m PFI Premium | £m | 273.74 | 204.83 | 210.13 | 5.30 |
| Revised EBITDA Return | % | 7.6% | 7.0% | 5.0% | -2.0% |

The PFI premium is the Trust's assessment of the additional cost burden of the PFI.

It should be noted that the calculation of these metrics reflect the detailed Monitor reporting templates and as such they cannot be calculated from the summary financial monitoring information shown in Appendix A of this report.