Board of Directors
Public Report

Subject: Monitor Compliance Quarterly Finance Report
Date: 30th April 2015
Author: Jonathan Clements – Financial Planning and Strategy Manager
Lead Director: Paul Robinson – Chief Financial Officer

Executive Summary

Attached is the Trust's quarterly finance report to Monitor for Q4 2014/15.

In addition to the attached a detailed quarterly financial template will also be submitted which reflects the Trust's 2014/15 outturn position.

Recommendation

Board members are requested 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 Priorities (please mark in bold)	
To consistently deliver a high quality patient experience safely and effectively	To develop extended clinical networks that benefit the patients we serve
To eliminate the variability of access to and outcomes from our acute services	**To provide efficient and cost-effective services and deliver better value healthcare**
To reduce demand on hospital services and deliver care closer to home	

How has organisational learning been disseminated	Not applicable
Links to the BAF and Corporate Risk Register	PR3 - Financial sustainability
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 M12: March 2015

1.0 Overview and Key Risks

- **2014/15 Outturn**

  - The Trust's 2014/15 deficit is £32.6m (before revaluation gain), which is £0.1m ahead of the forecast position of £32.7m, but is £6.2m worse than the Trust's 2014/15 plan deficit of £26.4m.

  - The 5 year revaluation of the Trust's land and buildings assets resulted in an Income and Expenditure gain of £18.7m, reducing the Trust's reported deficit to £13.9m.

- **31st March 2015 Land and Buildings Revaluation**

  The impact of the 5 year land and buildings valuation is a revaluation gain of £18.7m. The calculations used by the District Valuer have been reviewed by the Trust and the increase in the land and buildings value is reflective of the national picture. Informal discussions with the Trust's external auditors also confirm that the movement in percentage terms is consistent with their experience elsewhere (regional increase c.11.5%, SFH increase c.9.5%).

  As Monitor view revaluation gains and losses as technical adjustments and discount them when considering financial performance, **the remainder of this paper has been written excluding the revaluation gain.**

- **Income and Expenditure (I&E) statement (Appendix A)** – The financial outturn position for the Trust excluding the revaluation gain is a deficit of £32.59m which is worse than plan by £6.22m. The key factors to highlight are:

  - Clinical income was above plan by £4.69m in March and by £5.81m cumulatively for the year. The Trust has over-performed on its contract throughout the year and has received additional funding of £2.7m for winter resilience funding, £1.1m to enable the use of the independent sector to achieve access targets and £1.2m for enhancements to the Emergency Department.

  - Other operating income was above plan by £0.46m in March and £4.63m cumulatively. This is primarily due the Trust hosting the Nottinghamshire Health Informatics Service (NHIS) who received additional income of £4.36m above that planned to undertake additional non recurrent projects on behalf of partner organisations. This additional income is directly offset by costs.

- The level of pay overspend continues to remain high, and is £11.09m above plan at the end of March **(Appendix A**). A key driver of this overspend is the continued high use of premium rate variable pay which is outlined in **Appendix B**.

- Outturn Non pay costs are £6.20m above plan.
  - £4.36m relates to NHIS projects (offset by income)
  - £0.96m relates to high cost drugs pass-through costs (offset by clinical income)
  - £0.41m relates to use of independent sector to achieve access targets (offset by clinical income)

- **Cost Improvement Programme (CIP)**

  - Actual outturn CIP delivery is £2.71m and this is compared against the CIP plan of £8.69m in the table below:

	Monitor	Actual	Variance
£m	**Plan**	**M12**	**M12**
Pay	6.76	1.62	(5.14)
Non pay	1.20	0.87	(0.33)
Income	0.73	0.22	(0.51)
Total	**8.69**	**2.71**	**(5.98)**

- **Cash**
  - As at 31st March the Trust has drawn down £31.23m of Capital and Revenue Distressed Public Dividend Capital support and £6.21m in the form of working capital facility (WCF). It is expected that the WCF will be converted to a loan in Q2 of 2015/16.

  - The cash balance at 31st March was £0.74m.

- **Capital programme** – Outturn capital expenditure is £8.68m (£8.89m including donated) against a plan of £8.51m (£8.81m including donated).

2.0 Monitor update

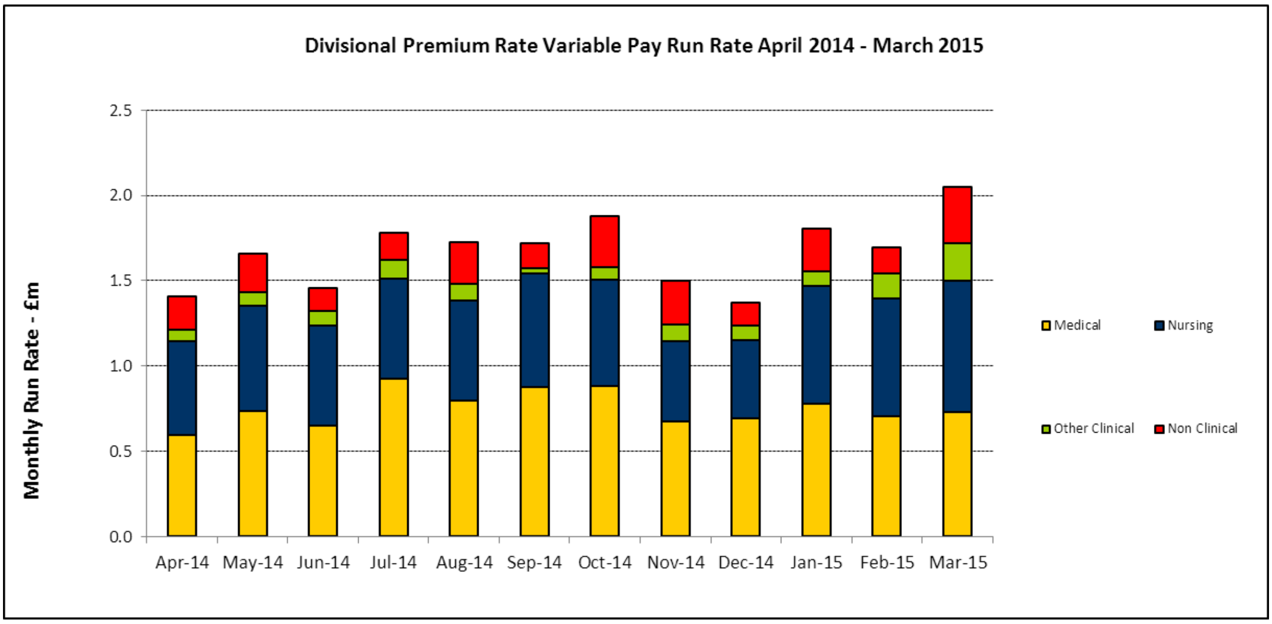
Discretionary requirements

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

Appendix A – Month 12 Income and Expenditure statement

	Annual Plan £m	March In-Month Plan £m	March In-Month Actual £m	March In-Month Variance £m	Year to Date Plan £m	Year to Date Actual £m	Year to Date Variance £m
Clinical Income	216.90	18.09	22.78	4.69	216.90	222.71	5.81
Other Operating Income	37.50	3.18	3.64	0.46	37.50	42.12	4.63
Total Operating Income	254.40	21.26	26.42	5.16	254.40	264.84	10.44
Pay	(162.61)	(13.45)	(15.26)	(1.81)	(162.61)	(173.70)	(11.09)
Non Pay	(92.25)	(7.34)	(11.38)	(4.04)	(92.25)	(98.45)	(6.20)
Operating Costs Excl. from EBITDA	(8.05)	(0.68)	(0.75)	(0.07)	(8.05)	(7.32)	0.73
Total Operating Expenditure	(262.91)	(21.47)	(27.39)	(5.92)	(262.91)	(279.47)	(16.56)
Profit/(Loss) from Operations	**(8.51)**	**(0.21)**	**(0.97)**	**(0.76)**	**(8.51)**	**(14.63)**	**(6.12)**
Non Operating Income	0.49	0.48	0.21	(0.27)	0.49	0.11	(0.39)
Non Operating Expenditure	(18.35)	(2.00)	(1.70)	0.30	(18.35)	(18.07)	0.28
Surplus/(Deficit)	**(26.37)**	**(1.72)**	**(2.46)**	**(0.74)**	**(26.37)**	**(32.59)**	**(6.22)**

Appendix B – Premium rate pay spend analysis



Appendix C – Monitor discretionary requirements

Monitor Discretionary Requirements - 2014/15
April 2014 to March 2015
£m

Metric		Annual Plan	YTD Plan	YTD Actual	YTD Variance
Revenue	£m	254.89	254.89	264.94	10.05
EBITDA	£m	(0.76)	(0.76)	(7.53)	(6.77)
Net Surplus/(Deficit)	£m	(26.37)	(26.37)	(32.60)	(6.23)
Underlying Surplus/(Deficit)	£m	(28.72)	(28.72)	(34.95)	(6.23)
Underlying Surplus/(Deficit) excluding £18.85m PFI premium impact	£m	(9.87)	(9.87)	(16.10)	(6.23)
Total CIP/Revenue Generation	£m	8.69	8.69	2.71	(5.99)
Recurrent CIP/Revenue Generation	£m	7.13	7.13	1.57	(5.55)
Cash	£m	0.64	0.64	0.74	0.11
Impact of PFI on EBITDA	£m	21.66	21.66	21.66	0.00
EBITDA adjusted for £18.85m PFI Premium Income	£m	20.90	20.90	14.13	(6.77)
Revenue plus £18.85m PFI Premium	£m	273.74	273.74	283.79	10.05
Revised EBITDA Return	%	7.6	7.6	5.0	(2.7)

Above table excludes revaluation gain of £18.7m

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 reflects 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.