

Board of Directors

Meeting

Report

Subject: Board Performance Report
Date: 30 October 2014
Author: Sandra Chapman, Head of Management Accounts
Lead Director: Margaret Ashworth, Chief Financial Officer

Executive Summary

The key headlines are:

- The summary I & E position is a £16.41m deficit. This is £1.19m worse than plan of £15.23m and pay pressures remain high. The Executive is identifying and delivering at pace actions to support delivery of the 2014/15 Plan.
- The CIP forecast for 2014/15 is £4.7m (£3.8m risk adjusted) in year against the in year target of £8.7m. The full year effect saving is £7.1m (£5.7m risk adjusted). The actual CIP delivered at month 6 stands at £0.7m against Monitor phased plan of £2.9m.
- Full year agreement to the revenue PDC has now been received. As at M06 we have drawn down £19.2m Capital and Revenue support which is in line with the planned profile. This is 61.4% of the total support of £31.2m. (£21.8m as at 6/10/14) Delivery of the CIP programme and planned over-performance remain key to ensuring a balanced liquidity position throughout 2014/15 and cash balances continue to be closely monitored.
- The capital programme spend at the end of period 6 is £3.71m (£3.75m including donated) against a plan of £4.27m (£4.42m including donated).
- Monitor was made aware of the month 6 I&E position on 15th October and the supporting narrative along with the quarterly monitoring submission is due by 31st October.

Recommendation

The Board of Directors are asked to

- Note the current financial position in terms of trading, liquidity and capital.
- Be aware of the key financial risks and the actions being taken particularly in respect of pay spend and achievement of the cost improvement programme.
- Note that the contents of this report will be shared with 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: Financial and commercial sustainability. Risk Register – Financial Risks
Details of additional risks associated with this paper (<i>may include CQC Essential Standards, NHSLA, NHS Constitution</i>)	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 month
Is a QIA required/been completed? If yes provide brief details	Not applicable

1.0 Overview and Key Risks

- **Income and Expenditure (I&E) statement (Appendix A)** – The financial position for the Trust at Month 06 is an overall Income and Expenditure deficit of £16.41m which is worse than the Trust's internal plan by £1.19m. The key factors to highlight are:

- Clinical income has improved in month by £0.42m to a position of £1.02m above plan at the end of September.

Finance is continuing to review and improve the process for calculating the Trust's clinical income. An Access based system to input to SLAM has been partially implemented for M06 and will be fully implemented for M07.

The review process is continuing over the next quarter to:

- Work with the Information Department to improve the activity data flow to Finance, to remove as far as possible the need for manual intervention to generate the Trust's clinical income position.
- Use the SLAM system rather than external spreadsheets to calculate New to Follow Up ratios and any associated penalties.
- Review the process for invoicing Maternity Pathway activity and agree apportionment of tariff between provider Trust's and CCGs.
- Review the process for the recording and coding of Best Practice Tariff activity to ensure we are receiving the correct tariff.

The above will give greater certainty, resilience and confidence in our collection and reporting of clinical income.

- The level of pay overspend continues to remain high, and is £3.17m above plan at the end of month 6 (**Appendix B**).

Key drivers for this continued pressure are as previously reported, in particular:

- Whilst pay CIP continues to be identified and transacted a balance of £4.80m of the original pay CIP is not yet allocated to specific schemes, of this £1.40m is included in the current pay overspend. CIP delivery is subject to a detailed weekly review in order to ensure that over the year the full value of the CIP is delivered. The latest CIP forecast is attached at **Appendix C**.

- Planned medical locum usage to address increased case complexity presenting at the front door to achieve the 4-hour wait target.
 - Planned premium rate pay to deliver referral to treatment (RTT) targets in surgery, which is reflected in the YTD activity and income over performance.
 - Increased nurse requirements across a number of areas, with EAU continuing to face particular cost pressures.
- Escalation meetings have taken place to focus on the financial risks associated with pay costs and a series of actions have been agreed and are now being taken forward at pace.
 - YTD non pay expenditure is £0.22m below plan, however there remains a risk around increased drugs and consumables cost linked to increased activity to deliver referral to treatment (RTT) targets in surgery.

A review of discretionary spend is currently being undertaken and all budget holders are tasked with reducing spend by a minimum of 20% in such areas for the remainder of the financial year.

- **Cost Improvement Programme (CIP). (Appendix C)** – The in-year CIP target of £8.7m remains a high financial risk, the Board needs to be made aware of the following changes since the last meeting:
 - The Divisions continue to develop their CIP ideas into projects and to date have initiated schemes that will deliver in year savings (non risk adjusted) of £4.7m; leaving a deficit still to be identified and initiated for 2014/15.
 - The risk adjusted forecast for 2014/15 CIP projects is £3.8m in year, with a full year effect of £5.7m.
 - The CIP target for 2015/16 is £10.9m, which will be allocated to the divisions. The divisions have commenced the work on next year's schemes, and to date have identified schemes totalling £3.0m.
- Full year agreement to the revenue PDC has now been received. As at M06 we have drawn down £19.2m Capital and Revenue support which is in line with the planned profile. This is 61.4% of the total support of £31.2m. (£21.8m as at 6/10/14) Delivery of the CIP programme and planned over-performance remain key to ensuring a balanced liquidity position throughout 2014/15. (see separate slide for 26 week forecast)
- **Capital programme** - Capital spend at M06 is £3.71m (£3.75m including donated) against a plan of £4.27m (£4.42m including donated) and is within the Monitor tolerance of +/- 15%. The latest full year forecast is predicting full delivery of the capital plan.

2.0 Monitor update

Discretionary requirements - Monitor has informed the Trust that their Discretionary Requirements will change, and have committed to confirm to us by September the revised requirements. As we are still awaiting a formal response we have included the existing table at **Appendix E**.

3.0 Recommendations

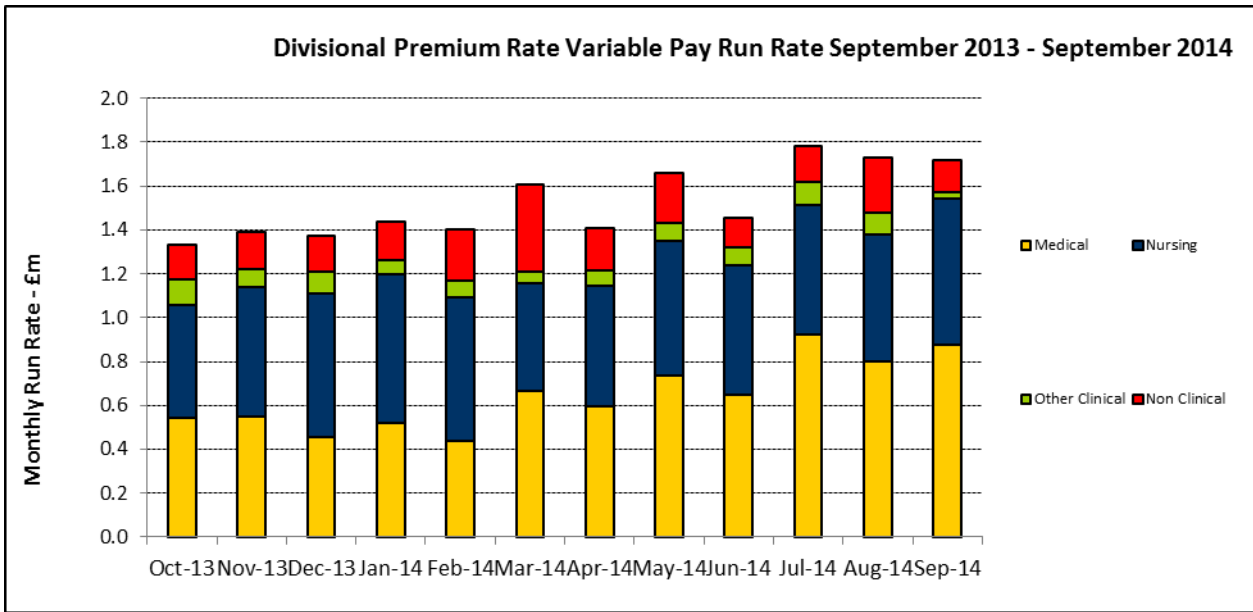
The Board of Directors are asked to:

- Note the current financial position in terms of trading, liquidity and capital.
- Be aware of the key financial risks and the actions being taken particularly in respect of the cost improvement programme.
- Note that in accordance with Monitor's request, summary financial tables have been submitted to Monitor on 15th October, and this narrative (but with the income and expenditure analysis reflecting the Monitor plan) will be submitted by 31st October 2014.


Appendix A – Month 6 Income and Expenditure statement (Trust Internal Plan)

	Annual Plan	September In-Month			Year to Date		
		Plan	Actual	Variance	Plan	Actual	Variance
	£m	£m	£m	£m	£m	£m	£m
Clinical Income	217.28	18.38	18.80	0.42	108.94	109.96	1.02
Other Operating Income	40.61	3.60	3.72	0.11	20.27	20.56	0.29
Total Operating Income	257.89	21.99	22.52	0.53	129.21	130.52	1.31
Pay	(163.58)	(13.45)	(14.21)	(0.75)	(82.45)	(85.62)	(3.17)
Non Pay	(94.73)	(8.65)	(8.57)	0.07	(48.99)	(48.78)	0.22
Operating Costs Excl. from EBITDA	(8.10)	(0.67)	(0.60)	0.07	(4.04)	(3.48)	0.56
Total Operating Expenditure	(266.41)	(22.77)	(23.38)	(0.61)	(135.48)	(137.88)	(2.39)
Profit/(Loss) from Operations	(8.51)	(0.79)	(0.87)	(0.08)	(6.27)	(7.36)	(1.08)
Non Operating Income	0.49	0.00	0.00	0.00	0.01	(0.08)	(0.08)
Non Operating Expenditure	(18.35)	(1.47)	(1.47)	(0.00)	(8.96)	(8.98)	(0.02)
Surplus/(Deficit)	(26.37)	(2.26)	(2.34)	(0.08)	(15.23)	(16.41)	(1.19)

Appendix B – Premium rate pay spend analysis



Appendix C – Cost improvement Programme position statement from PMO

2014/15 Cost Improvement Programme				Sherwood Forest Hospitals 		
Scheme Status Report				NHS Foundation Trust		
				Last Updated: 21 October 2014		
Trust Total	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	2,343	413	2,756	5,270	2442
	Developed	0	0	0	0	145
	Implemented	1,250	725	1,976	1,846	0
	Total (Developed & Implemented)	1,250	725	1,976	1,846	145
	Total (All Schemes)	3,593	1,139	4,732	7,116	3,936
Savings Target			8,692	8,692	0	
To be Identified	0	0	3,960	1,576	(3,936)	
Planned Care & Surgery	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	425	111	537	455	774
	Developed	0	0	0	0	0
	Implemented	97	41	138	112	0
	Total (Developed & Implemented)	97	41	138	112	0
	Total (All Schemes)	522	152	674	566	774
Savings Target			2,816	2,816	0	
To be Identified			2,141	2,249	(774)	
Emergency Care & Medicine	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	1,395	176	1,571	3,705	233
	Developed	0	0	0	0	0
	Implemented	491	25	515	850	0
	Total (Developed & Implemented)	491	25	515	850	0
	Total (All Schemes)	1,885	201	2,086	4,555	233
Savings Target			2,708	2,708	0	
To be Identified			622	(1,847)	(233)	
Diagnostics & Rehabilitation	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	465	27	492	941	2,533
	Developed	0	0	0	0	0
	Implemented	313	378	691	447	0
	Total (Developed & Implemented)	313	378	691	447	0
	Total (All Schemes)	778	405	1,183	1,388	2,533
Savings Target			1,709	1,709	0	
To be Identified			527	321	(2,533)	
Newark	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	53	81	134	63	0
	Developed	0	0	0	0	0
	Implemented	162	0	162	250	0
	Total (Developed & Implemented)	162	0	162	250	0
	Total (All Schemes)	215	81	296	313	0
Savings Target			333	333	0	
To be Identified			37	20	0	
Corporate Services	Scheme Status	2014/15 In-Year Savings			2014/15	2015/16
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
	Initiated	5	18	23	107	251
	Developed	0	0	0	0	145
	Implemented	187	282	469	187	0
	Total (Developed & Implemented)	187	282	469	187	145
	Total (All Schemes)	192	300	492	294	396
Savings Target			1,126	1,126	0	
To be Identified			634	833	(396)	

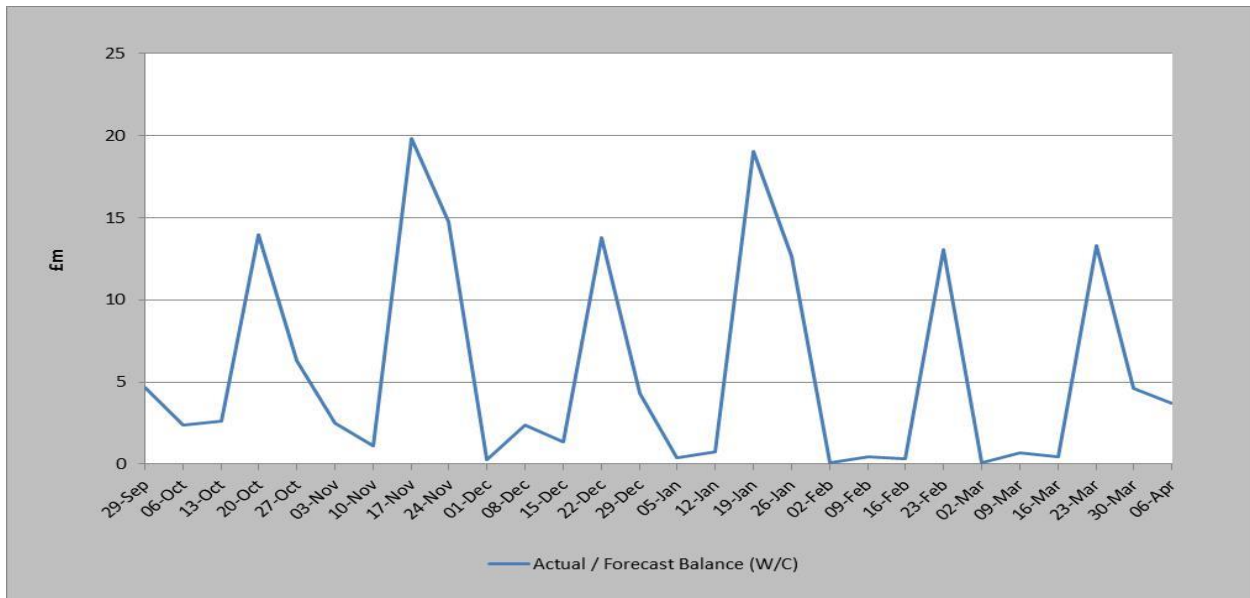
Appendix C (continued) - Risk Adjusted CIP Delivery

		2014/15 In-Year Savings			2014/15	2015/16	Initiated	Developed	Implemented	Total	
		R	NR	Total	FYE	FYE					
		£000	£000	£000	£000	£000	£000	£000	£000		
●	High Confidence (CIP will deliver in full on time)	2085	824	2909	4408	205	●	1322	0	1587	2909
●	Medium Confidence (CIP will deliver at 70% of total)	781	7	788	862	825	●	578	0	210	788
●	Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)	106	43	149	425	0	●	133	0	17	149
		2972	874	3846	5696	1030		2033	0	1814	3846

●	High Confidence (CIP will deliver in full on time)	70.15%	94.26%	75.63%	77.40%	19.90%	●	65.03%		87.51%
●	Medium Confidence (CIP will deliver at 70% of total)	26.28%	0.80%	20.48%	15.14%	80.10%	●	28.43%		11.58%
●	Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)	3.57%	4.94%	3.88%	7.47%	0.00%	●	6.54%		0.91%

DIVISIONAL RISK ADJUSTED CIP DELIVERY						
		Recurrent	Non Recurrent	Total	2014/15	2015/16
		£000	£000	£000	£000	£000
Emergency Care and Medicine						
	Risk Adjusted Total CIP Delivery	1448	58	1506	3379	35
	Target			2708		
	Revised to be Identified			1202		
Planned Care & Surgery						
	Risk Adjusted Total CIP Delivery	484	108	592	528	271
	Target			2816		
	Revised to be Identified			2224		
Diagnostics and Rehabilitation						
	Risk Adjusted Total CIP Delivery	675	402	1077	1226	724
	Target			1709		
	Revised to be Identified			633		
Newark						
	Risk Adjusted Total CIP Delivery	178	24	203	269	
	Target			333		
	Revised to be Identified			130		
Corporate						
	Risk Adjusted Total CIP Delivery	187	282	469	294	0
	Target			1126		
	Revised identified over target			657		
	Total	2972	874	3846	5696	1030

Appendix D – 26 week cash flow forecast



The above forecast assumes receipt of agreed PDC support, delivery of agreed cost reductions, delivery of clinical contract and Non Contracted Activity income of £217.8m and additional non recurrent income in quarter 4.

Appendix E – Monitor discretionary requirements

Metric		Annual Plan	YTD Plan	YTD Actual	YTD Variance
Revenue	£m	254.89	126.39	130.44	4.06
EBITDA	£m	(0.76)	(2.39)	(3.88)	(1.49)
Net Surplus/(Deficit)	£m	(26.37)	(15.36)	(16.41)	(1.05)
Underlying Surplus/(Deficit)	£m	(28.72)	(16.67)	(17.07)	(0.39)
Underlying Surplus/(Deficit) excluding £18.85m PFI premium impact	£m	(9.87)	(7.25)	(7.64)	(0.39)
Total CIP/Revenue Generation	£m	8.69	2.98	0.67	(2.32)
Recurrent CIP/Revenue Generation	£m	7.13	2.46	0.38	(2.08)
Cash	£m	0.64	(8.85)	0.41	9.26
Impact of PFI on EBITDA	£m	21.66	10.83	10.83	0.00
EBITDA adjusted for £18.85m PFI Premium Income	£m	20.90	8.44	6.95	(1.49)
Revenue plus £18.85m PFI Premium	£m	273.74	135.81	139.87	4.06
Revised EBITDA Return	%	7.6%	6.2%	5.0%	-1.2%

The PFI premium is the Trust's assessment of the additional cost burden of the PFI for which central support is being sought.

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.