Quality for all

Sherwood Forest Hospitals NHS
NHS Foundation Trust

Agenda Item:

Board of Directors

Meeting Report

Subject:	**Board Performance Report**
Date:	**26 June 2014**
Author:	**Jonathan Clements, Financial Planning and Strategy Manager**
Lead Director:	**Fran Steele, Chief Finance Officer**

Executive Summary

The key headlines are

- Whilst the Trust's I&E deficit is close to plan there are some significant underlying issues that are causing adverse variances and have been offset by non-recurrent gains
- The 3 factors causing most concern in terms of financial risk are clinical income, overall pay expenditure and delivery of the CIP programme. Escalation meetings have taken place and action plans identified to address each of these areas
- Cash and liquidity plans are on track with our PDC requirements being agreed via Monitor on a monthly basis
- The capital programme spend is currently behind plan although the forecast for Q1 shows the Trust as being within the +/- 15% tolerance levels

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 the cost improvement programme
- Note that the contents of this report will have been shared with Monitor on 23rd June 2014
- Approve the Reference Costs submission due on 30th July 2013

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 *(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 month
Is a QIA required/been completed? If yes provide brief details	Not applicable

Board Financial Performance Report
M2: May 2014

Sherwood Forest Hospitals NHS
NHS Foundation Trust

1.0 Overview and Key Risks

- **Overall financial position** – The financial position at Month 02 is an overall deficit of £5.0m which is back in line with plan **(Appendix A**). However there have been some non-recurrent gains and an upside in depreciation which are contributing to the bottom line and masking a more significant underlying deficit. The two key factors creating the greatest financial risk are:

    - Clinical income has a £290k adverse variance at month 02. This is an improvement on the £490k adverse variance reported at M01 and a lot of work has been undertaken to validate the activity and how it is being captured in SLAM. Whilst we are more confident the SLAM upgrade issues have been sorted the Trust has remained very busy during this period, particularly on elective activity and this does not seem to align with the reported variance. The full year impact of the move of vascular surgery to NUH during 2013/14 is a key factor as is the level of bank holidays during the first 2 months. The Trust is confident the overall clinical income position will be back on trajectory by the end of July.

    - Pay expenditure is above plan by £420k with increasing expenditure on medical and nursing premium rate variable pay **(Appendix B).** Key drivers for these increases are:

        - Medical locum usage in addressing increased case complexity presenting at the front door, achieving the 4-hour wait target and seeking to sustainably deliver referral to treatment (RTT) targets in surgery.

        - Increased nurse requirement in order to care for patients that need 1:1 monitoring.

        - The levels of non-clinical variable pay have seen a reduction since the peak in March; however the Trust is having difficulty in recruiting substantive project management resource particularly to support delivery of CIP schemes. This category of spend may see increases in future months.

    - Escalation meetings have taken place to focus on these financial risks and a series of actions have been agreed and are now being taken forward at pace. Quality service delivery remains a priority but there are some areas where inconsistent approaches are potentially having unnecessary financial consequences and these need to be addressed.

- **Cost Improvement Programme (CIP)** – The 3rd key financial risk is the in-year CIP target of £8.7m which is being tracked through the Programme Management Office and schemes with a value of £8m FYE have now been identified. However the level of confidence to be able to realise the full financial benefits in 14/15 varies scheme by scheme. The risk adjusted value of the schemes as at 19th June 14 is £6.6m FYE **(Appendix C).**

  A CIP programme board escalation meeting took place on Monday 16th June, in order to continue to identify and deliver against the efficiency challenge. A series of actions were agreed and are being expedited, supported by an overarching commitment from the CEO to lead a weekly steering group to keep a top level focus on achievement.

Delivery of on-going efficiencies remains an integral challenge across the NHS and is a key element of the Trust's financial plans. As a consequence it remains a strategic risk captured on the Board Assurance Framework and was discussed in detail at the recent Finance Committee. During that debate there was concern expressed about the loss of recent project management support and whether there was sufficient financial resource being focused on identification and tracking of schemes. Both these issues are being addressed as part of driving forward the action plans.

- The **cash balance** at end of April was £0.22m, in line with expected balance following the receipt of Public Dividend Capital cash support. To date, whilst the Trust is reliant on this liquidity support, its receipt and the timing of other income is not impacting on payments due. **(Appendix D - 26 week cash forecast).**

- **Cash and liquidity** - The Trust has submitted its capital and revenue Public Dividend Capital (PDC) liquidity support requirements to Monitor / DOH. Payments totalling £4.89m have been received during April and May and the next drawdown of £3.39m was received on 2 June 2014. Currently pending National sign off, all revenue liquidity support is still being received on a temporary basis. DOH is aiming to have permanent PDC allocations agreed during June 2014.

- **Capital programme** – capital spend at M02 is £0.08m against a plan of £0.60m. Forecast Q1 outturns have been discussed with all capital leads (19th June 2014) which predict expenditure of 102% of plan. This will be monitored to ensure planned delivery is achieved.

- **2014/15 forecast outturn** currently remains in line with the planned £26.37m deficit. As in previous years detailed forecasts will be produced in year to identify any variances that may significantly impact on outturn and identify any opportunities to mitigate or improve outturn. Finance Committee have requested that a more detailed forecast is provided at the meeting in July.

2.0 Monitor update

Monthly reporting – Monitor have bought forward our monthly reporting date to Monday 23rd June which is a week earlier than usual. As a result the Board of Directors has not been able to consider this financial report before it is submitted. Monitor will be made aware that changing the dates does impact our overall governance cycle.

Discretionary requirements – following the last Performance Review Meeting clarity has been received from Monitor that the monthly discretionary requirements table remains a reporting requirement. The table does require the Trust to make assumptions on the level of potential PFI support which has not been finalised. Further discussions with Monitor are taking place to ensure there is common understanding on how this table should be approached for 2014/15 reporting **(Appendix E).**

Strategic Plan submission – Work is well underway to complete the Trust's strategic plan submission due for submission by 30th June. Monitor has advised the trust that the 30th June submission is seen as a critical milestone and that they have a clear expectation that the updated plan will show a financial improvement trajectory with significant improvement by the end of the 5 years (2018/19).

Reference Costs – The annual Reference Costs submission is due on 30th July 2014 and the approach adopted by the Trust for collating and submitting the information has to be signed off by the Board of Directors before submission. As the July submission date is the day before the July Board we require approval from this meeting of the Board of Directors. A detailed paper on the Trust's approach was reviewed by the Finance Committee and a recommendation has been made by that Committee for the Board of Directors to approve the July submission.

Annual accounts – Following review by the Audit and Assurance Committee and external audit scrutiny, the annual report and accounts, including the quality accounts were submitted to Monitor and Parliament by the required dates. Following Parliamentary approval these will be re-submitted to Monitor by 11th July.

3.0 Recommendations

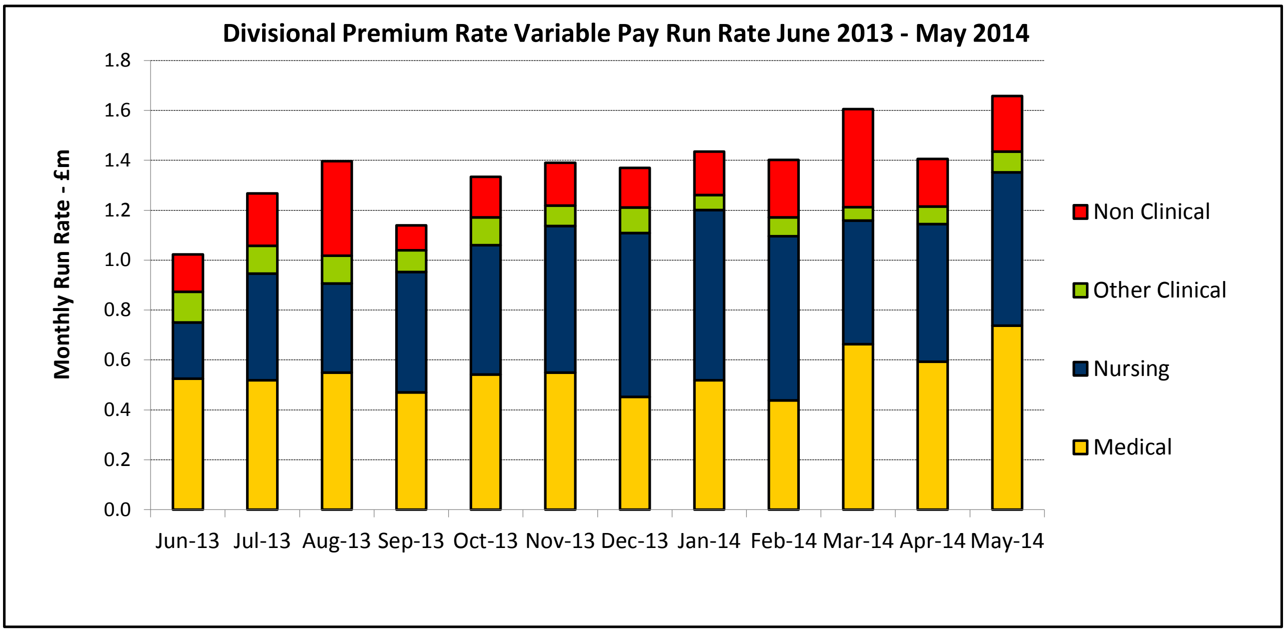
The Board of Directors are asked to:

- 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 the contents of this report will have been shared with Monitor on the 23rd June 2014.
- Approve the Reference Costs submission due on 30th July 2013.

Appendix A – Month 2 Income and Expenditure statement

	Annual Plan	Year to Date		
		Plan	Actual	Variance
	£m	£m	£m	£m
Clinical Income	216.87	36.57	36.28	(0.29)
Other Operating Income	38.41	6.44	6.64	0.20
Total Operating Income	255.28	43.01	42.92	(0.09)
Pay	(163.61)	(27.97)	(28.39)	(0.42)
Non Pay	(92.09)	(15.73)	(15.40)	0.33
Operating Costs Excl. from EBITDA	(8.10)	(1.35)	(1.13)	0.22
Total Operating Expenditure	(263.79)	(45.05)	(44.92)	0.13
Profit/(Loss) from Operations	**(8.51)**	**(2.04)**	**(2.00)**	**0.04**
Non Operating Income	0.49	0.00	(0.05)	(0.05)
Non Operating Expenditure	(18.35)	(2.99)	(2.99)	(0.00)
Surplus/(Deficit)	**(26.37)**	**(5.02)**	**(5.04)**	**(0.02)**

Appendix B – Premium rate pay spend analysis



Appendix C – Cost improvement Programme position statement from PMO

2014/15 Cost Improvement Programme

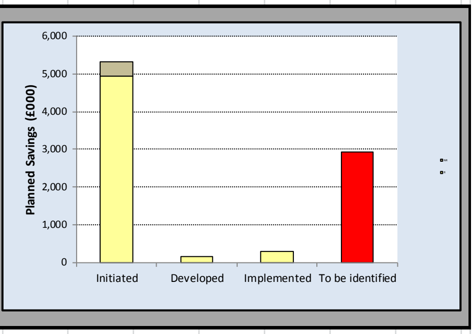
Sherwood Forest Hospitals NHS
NHS Foundation Trust

Scheme Status Report

Last Updated: 20 June 2014

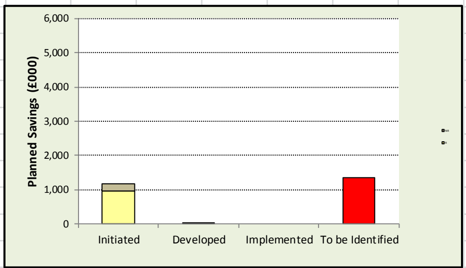
Trust Total

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	4,942	387	5,329	7,500	610
Developed	159	0	159	195	0
Implemented	294	0	294	340	0
Total (Developed & Implemented)	2,403	20	2,423	535	0
Total (All Schemes)	5,395	387	5,782	8,035	645
Savings Target			8,700	8,700	0
To be Identified	0	0	2,918	665	(645)



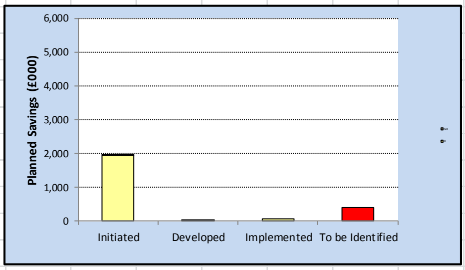
Planned Care & Surgery

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	964	218	1,182	1,373	10
Developed	35	0	35	35	0
Implemented	0	0	0	0	0
Total (Developed & Implemented)	35	0	35	35	0
Total (All Schemes)	999	218	1,217	1,408	10
Savings Target			2,559	2,559	0
To be Identified			1,342	1,151	(10)



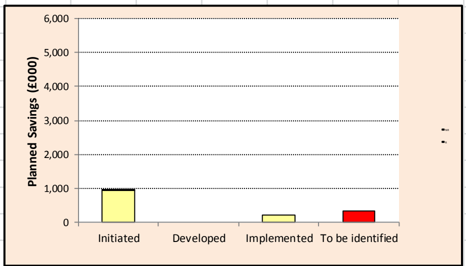
Emergency Care & Medicine

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	1,950	20	1,970	3,372	385
Developed	15	0	15	15	0
Implemented	71	0	71	72	0
Total (Developed & Implemented)	2,036	20	2,056	87	0
Total (All Schemes)	2,036	20	2,056	3,459	385
Savings Target			2,461	2,461	0
To be Identified			406	(998)	(385)



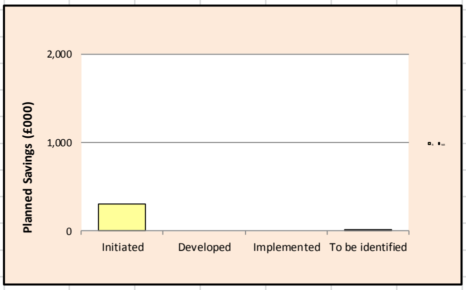
Diagnostics & Rehabilitation

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	933	49	983	1,660	250
Developed	0	0	0	0	0
Implemented	223	0	223	268	0
Total (Developed & Implemented)	223	0	223	268	0
Total (All Schemes)	1,157	49	1,206	1,927	250
Savings Target			1,549	1,549	0
To be Identified			343	(378)	(250)



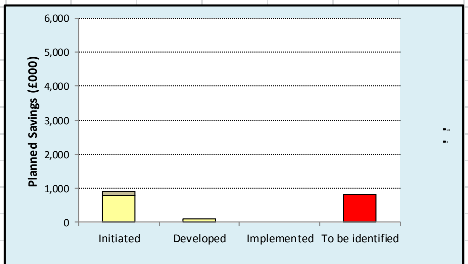
Newark

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	300	0	300	300	0
Developed					
Implemented					
Total (Developed & Implemented)	0	0	0	0	0
Total (All Schemes)	300	0	300	300	0
Savings Target			308	308	0
To be Identified			8	8	0



Corporate Services

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	795	100	895	795	0
Developed	109	0	109	145	0
Implemented	0	0	0	0	0
Total (Developed & Implemented)	109	0	109	145	0
Total (All Schemes)	904	100	1,004	940	0
Savings Target			1,823	1,823	0
To be Identified			819	883	0



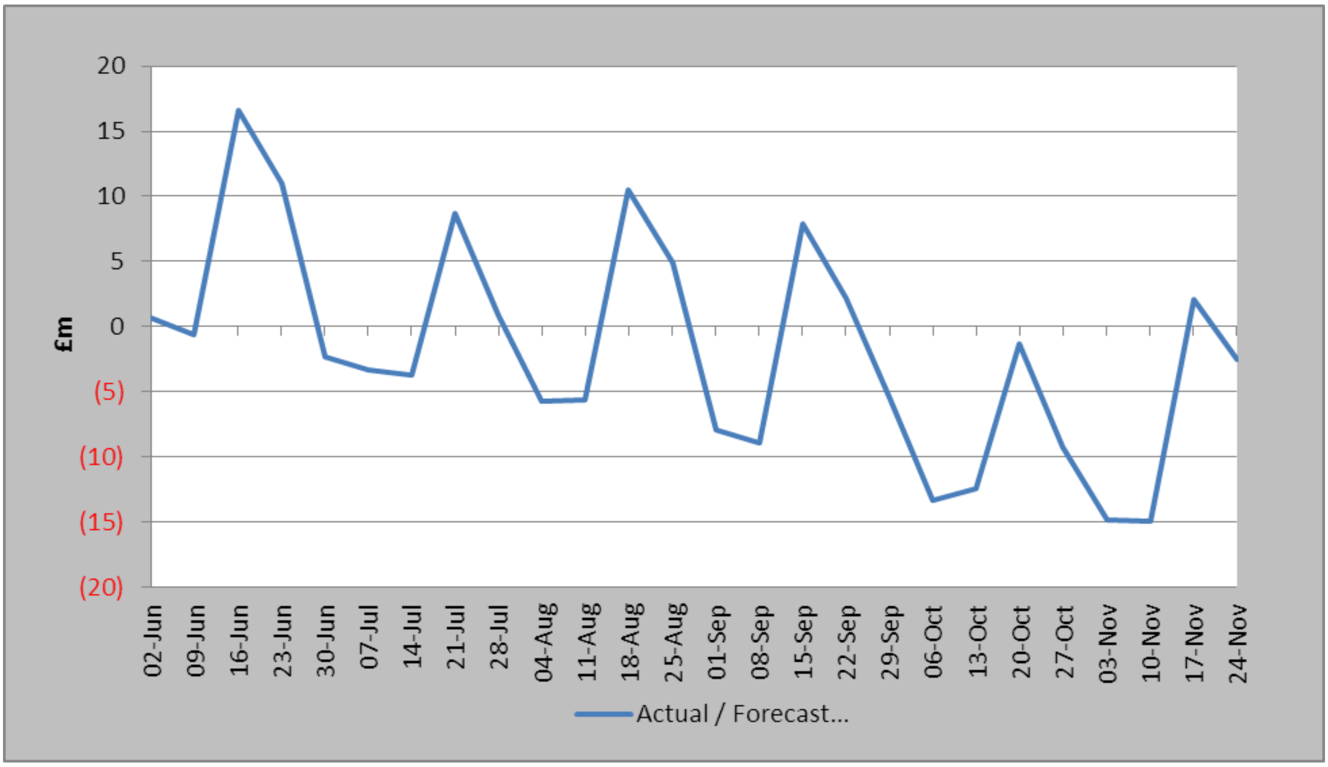
Risk Adjusted CIP Delivery

		2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000		Initiated £000	Developed £000	Implemented £000	Total £000
🟢	High Confidence (CIP will deliver in full on time)	2003	338	2340	4679	35	🟢	1996	50	294	2340
🟡	Medium Confidence (CIP will deliver at 70% of total)	1783	35	1817	1572	0	🟡	1817	0	0	1817
🔴	Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)	164	0	164	243	0	🔴	221	33	0	254
		3949	372	4321	6494	35		4034	83	294	4411

🟢	High Confidence (CIP will deliver in full on time)	50.71%	90.73%	54.16%	72.06%	100.00%	🟢	49.48%	60.50%	100.00%
🟡	Medium Confidence (CIP will deliver at 70% of total)	45.14%	9.27%	42.05%	24.20%	0.00%	🟡	45.04%	0.00%	0.00%
🔴	Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)	4.15%	0.00%	3.79%	3.74%	0.00%	🔴	5.48%	39.50%	0.00%

DIVISIONAL RISK ADJUSTED CIP DELIVERY	Recurrent £000	Non Recurrent £000	Total £000	2014/15 FYE £000	2015/16 FYE
Emergency Care and Medicine					
Risk Adjusted Total CIP Delivery	1685	20	1705	3280	35
Target			2461		
Revised to be Identified			756		
Planned Care & Surgery					
Risk Adjusted Total CIP Delivery	820	218	1037	1128	0
Target			2559		
Revised to be Identified			1522		
Diagnostics and Rehabilitation					
Risk Adjusted Total CIP Delivery	829	35	863	1400	0
Target			1549		
Revised to be Identified			686		
Newark					
Risk Adjusted Total CIP Delivery	90	0	90	90	
Target			308		
Revised to be Identified			218		
Corporate					
Risk Adjusted Total CIP Delivery	616	100	716	687	0
Target			1823		
Revised identified over target			1107		
Total	4039	372	4411	6584	35

Appendix D – 26 week cash flow forecast



The above graph excludes planned PDC drawdown from June onwards, and assumes full cash benefit of the CIP programme for 14/15.

The cash balance at end of May was £0.22m after the receipt of £4.89m in liquidity support.

Appendix E – Monitor discretionary requirements

Metric		Annual Plan	YTD Plan	YTD Actual	YTD Variance
Revenue	£m	254.89	42.83	42.87	0.04
EBITDA	£m	(0.76)	(0.60)	(0.87)	(0.26)
Net Surplus/(Deficit)	£m	(26.37)	(4.93)	(5.04)	(0.11)
Underlying Surplus/(Deficit)	£m	(28.72)	(5.36)	(5.47)	(0.11)
Underlying Surplus/(Deficit) excluding £18.85m PFI premium impact	£m	(9.87)	(2.22)	(2.33)	(0.11)
Total CIP/Revenue Generation	£m	8.69	0.15	0.03	(0.12)
Recurrent CIP/Revenue Generation	£m	7.13	0.13	0.03	(0.10)
Cash	£m	0.64	(2.44)	0.22	2.66
Impact of PFI on EBITDA	£m	21.66	3.61	3.61	0.00
EBITDA adjusted for £18.85m PFI Premium Income	£m	20.90	3.01	2.75	(0.26)
Revenue plus £18.85m PFI Premium	£m	273.74	45.97	46.01	0.04
Revised EBITDA Return	%	7.6%	6.5%	6.0%	-0.6%

Please note that the plan reported here refers to the Annual Plan submitted to Monitor in April 2014.

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.