

Board of Directors

Subject: Board Performance Report
Date: 29 May 2014
Author: Jonathan Clements, Financial Planning and Strategy Manager
Lead Director: Fran Steele, Chief Finance Officer

Executive Summary.

The key headlines are:

M01 reporting has been difficult due to technical issues in respect of collating clinical income information as well as resource constraints

The draft position at M01 is showing a £200k adverse variance although this may be a result of clinical income

Premium pay levels are £200k less than the value incurred in March but are still running at significant levels

CIP schemes are still to be identified and Programme Board in June is seen as a key milestone to help close the gap

Liquidity support continues to be provided on a monthly basis in line with our operational plan submission

The finance transformation is still causing some issues although the year end accounts process has been fully delivered and to a high standard

Incorrect treatment of a debtor in the operational plan upload means that our Q1 and Q2 plan for cash will be out of synch with Monitor.

Recommendation

Board members are recommended to note the key headlines and risks and the actions being taken.

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,	Not applicable

<i>NHSLA, NHS Constitution)</i>	
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

- **Month 1 reporting** – as in previous years month 1 reporting has been difficult due to the embedding of year end changes to financial systems. Additional difficulties have been experienced this year due to a national clinical income costing and pricing system (SLAM) upgrade causing on-going problems with our clinical income reporting. The system suppliers have informed us that to remedy the fault, a rebuild is required which is being undertaken over the next 3 to 4 days. We are therefore aiming to have the final month 1 position to table at the meeting. Based on the information we have Clinical income first cut is showing a £0.4m shortfall against plan in month despite all the extra activity undertaken.

Due to the above issues month 01 reporting should be seen as indicative, the real benefit of which is the discipline of processing a month end with the opportunity to review systems and ensure that systems and procedures are fit for purpose.

- **Overall financial position** - Based on the Clinical income first cut the year to date financial deficit is £2.9m, which is £0.2m worse than plan. **(Appendix A)**
- **Pay expenditure** is above plan by £0.1m as a result of continued use of agency/locum staff although the April levels are £200k from March usage **(Appendix B)**
- **For 2014/15 CIP schemes** with a value totalling £5.6m have been identified and the PMO has risk adjusted these to £3.8m. The in-year CIP target for 2014/15 is £8.7m and in addition the Clinical Divisions have been tasked to cover 30% of their underachievement of 13/14 schemes (c£1.7m) in line with principles signed up to in 13/14.. All Divisions are presenting at the Programme Board in June with their short and medium CIP plans to focus on closing the gap. **(Appendix C)**
- **The cash balance** at end of April was £0.67m, 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 for April and May and the next drawdown of £3.39m is due to be 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 by June 2014
- **Clinical contract** - Following discussion at the executive team 2 escalations have been made to the CCG contract executive. These were:
 - A challenge on the effectiveness of the ambulance and patient transport contracts and how the Trust can get more leverage from these arrangements. As a result it has been agreed to undertake a 2 week audit of the type of transport requests being made by the Trust, to provide a richer evidence set for the CCG to use in their discussions

- Recognition of the shift in mix of patients presenting to Emergency Department in terms of majors/minors and the time of day when they present. The Trust is seeking to use this information to help revisit the calculation of the Non Elective threshold used within the PbR contract.
- The **annual report and accounts**, including the quality accounts are due for submission to Monitor on 29 May 2014. These have been reviewed by the Audit committee and subject to external audit, and are separate agenda items.
- **Finance transformation** – the process to embed the changes continue and there have been difficulties servicing all year end/year start up activities. The Accounts have been prepared in a very short timescale and have been issued an unqualified opinion which is really positive. However the budget setting processes have been slower than in previous years and not all budgets are yet signed off. These issues are been addressed but are clearly causing organisational frustrations. On a more positive note some substantive appointments have now been made and our reliance on interims has been reduced. We have also released office space which is now being utilised by the PAS testing teams.

2.0 Monitor update

Discretionary requirements - The Trust has been advised by Monitor that the additional financial reporting requirements may no longer be required. We have excluded the detailed table from this report and wait for formal clarification from monitor.

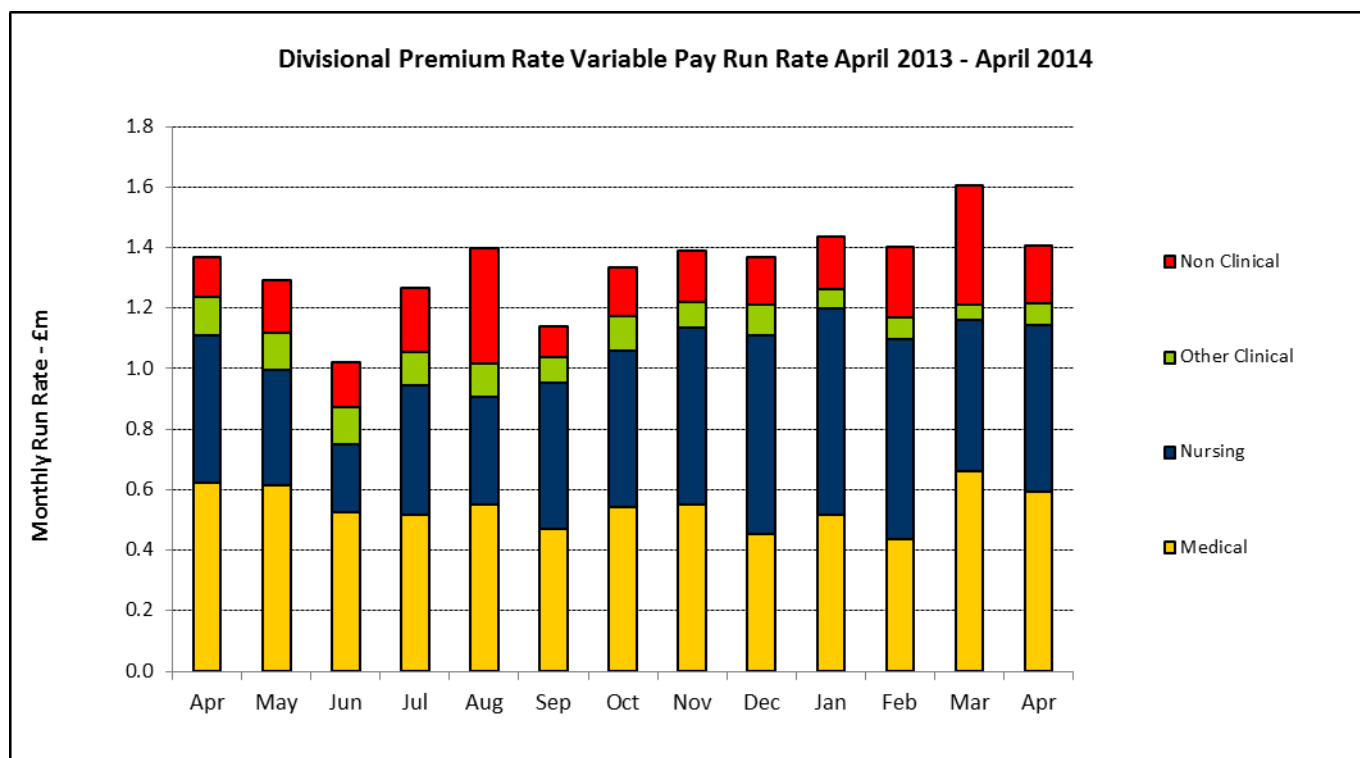
Operational Plan - Following re-submission of the Trust's Operational Plan in order to exclude PFI support, the associated debtor for Q1 and 2 of 2014/15 was not removed. As a result the planned cash flow and cash balance in the Q1 and Q2 plan is incorrect. This issue has been discussed with Monitor who has advised that they do not wish to amend the plan as it does not impact our continuity of services rating (COS). For Q1 and Q2 reporting the Trust's cash reporting will be out of synch with the Monitor plan reporting but we will continue to highlight the differences

Strategic Plan submission - A timeline is currently being shaped by the Director of Strategic Planning and Commercial Development and the Financial Planning and Strategy Manager. A draft assumptions log has been created and this will be updated throughout the process. A strategy time out day to inform the strategic plan submission has been arranged with the wider Trust leadership team on 23 May 2014. A more detailed update will be provided under the private agenda.

Appendix A – Month 1 Income and Expenditure statement

	Annual Plan	Year to Date		
		Plan	Actual	Variance
	£m	£m	£m	£m
Clinical Income	216.90	18.06	17.63	(0.43)
Other Operating Income	38.05	3.29	3.21	(0.08)
Total Operating Income	254.95	21.35	20.84	(0.50)
Pay	(163.68)	(14.02)	(14.10)	(0.08)
Non Pay	(91.68)	(7.86)	(7.59)	0.27
Operating Costs Excl. from EBITDA	(8.10)	(0.67)	(0.56)	0.11
Total Operating Expenditure	(263.47)	(22.56)	(22.25)	0.31
Profit/(Loss) from Operations	(8.51)	(1.21)	(1.41)	(0.20)
Non Operating Income	0.49	0.00	0.00	0.00
Non Operating Expenditure	(18.35)	(1.47)	(1.47)	0.00
Surplus/(Deficit)	(26.37)	(2.68)	(2.87)	(0.19)

Appendix B – Premium rate pay spend analysis



Appendix C – Cost improvement Programme position statement from PMO

2014/15 Cost Improvement Programme Scheme Status Report

Sherwood Forest Hospitals NHS Foundation Trust
Last Updated: 22 May 2014

Trust Total	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
Initiated	4,993	166	5,158	6,918	295	
Developed	159	0	159	195	0	
Implemented	261	0	261	334	0	
Total (Developed & Implemented)	2,704	0	2,704	529	0	
Total (All Schemes)	5,413	166	5,578	7,447	295	
Savings Target			8,700	8,700	0	
To be Identified	0	0	3,122	1,253	(295)	

Planned Care & Surgery	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
Initiated	924	116	1,040	1,333	10	
Developed	35	0	35	35	0	
Implemented	0	0	0	0	0	
Total (Developed & Implemented)	35	0	35	35	0	
Total (All Schemes)	959	116	1,075	1,368	10	
Savings Target			2,559	2,559	0	
To be Identified			1,484	1,191	(10)	

Emergency Care & Medicine	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
Initiated	2,284	0	2,284	3,099	35	
Developed	15	0	15	15	0	
Implemented	38	0	38	66	0	
Total (Developed & Implemented)	2,337	0	2,337	81	0	
Total (All Schemes)	2,337	0	2,337	3,181	35	
Savings Target			2,461	2,461	0	
To be Identified			124	(720)	(35)	

Diagnostics & Rehabilitation	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
Initiated	789	49	838	1,490	250	
Developed	0	0	0	0	0	
Implemented	223	0	223	268	0	
Total (Developed & Implemented)	223	0	223	268	0	
Total (All Schemes)	1,013	49	1,062	1,758	250	
Savings Target			1,549	1,549	0	
To be Identified			487	(209)	(250)	

Newark	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£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	

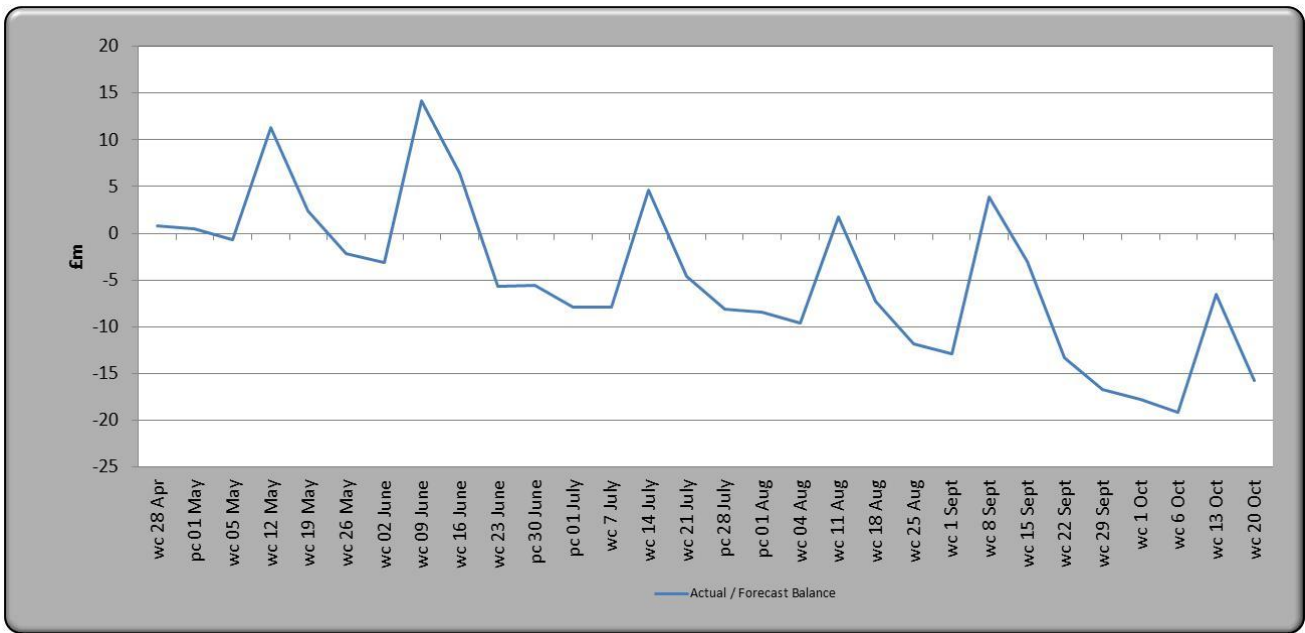
Corporate Services	Scheme Status	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
Initiated	695	0	695	695	0	
Developed	109	0	109	145	0	
Implemented	0	0	0	0	0	
Total (Developed & Implemented)	109	0	109	145	0	
Total (All Schemes)	804	0	804	840	0	
Savings Target			1,823	1,823	0	
To be Identified			1,019	983	0	

Confidence Level	Description	2014/15 In-Year Savings			2014/15	2015/15
		R	NR	Total	FYE	FYE
		£000	£000	£000	£000	£000
High Confidence (CIP will deliver in full on time)		967	116	1083	4196	
Medium Confidence (CIP will deliver at 70% of total)		2530	35	2565	1944	
Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)		155	0	155	219	
Total		3652	151	3803	5959	

Confidence Level	High Confidence (CIP will deliver in full on time)	Medium Confidence (CIP will deliver at 70% of total)	Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP)
Delivered	26.47%	69.29%	4.24%
Developed	77.10%	22.90%	0.00%
Implemented	28.47%	67.48%	4.07%
Total	70.42%	25.90%	3.69%

Divisional Risk Adjusted CIP Delivery	2014/15 In-Year Savings		2014/15	2015/15
	Recurrent	Non Recurrent	Total	FYE
	£000	£000	£000	£000
Emergency Care and Medicine				
Risk Adjusted Total CIP Delivery	1634	0	1634	3013
Target			2461	
Revised to be Identified			827	
Planned Care & Surgery				
Risk Adjusted Total CIP Delivery	780	116	896	1088
Target			2559	
Revised to be Identified			1663	
Diagnostics and Rehabilitation				
Risk Adjusted Total CIP Delivery	738	35	773	1287
Target			1549	
Revised to be Identified			777	
Newark				
Risk Adjusted Total CIP Delivery	90	0	90	90
Target			308	
Revised to be Identified			218	
Corporate				
Risk Adjusted Total CIP Delivery	501	0	501	573
Target			1823	
Revised identified over target			1322	

Appendix D – 26 week cash flow forecast



The above graph excludes planned PDC drawdown in May onwards, and the cash impact of the CIP programme for 14/15.

The cash balance at end of April was £0.68m after the receipt of £2.43m in liquidity support. A further £2.36m has been received in May, and the month end forecast cash balance is £0.41m.