Sherwood Forest Hospitals NHS
NHS Foundation Trust

Board of Directors

Subject: **Board Performance Report**
Date: **24 April 2014**
Author: **Jonathan Clements, Financial Planning and Strategy Manager**
Lead Director: **Fran Steele, Chief Finance Officer**

Executive Summary

The key headlines are:

- The 2013/14 financial deficit is £21.7m which is ahead of plan but the normalised deficit remains at over £23m..
- Pay expenditure average run rate has reduced slightly in March to £13.8m per month from £13.9m per month at February. We continue to incur significant levels of premium rate variable pay expenditure despite proactive workforce recruitment.
- CIP savings delivery for 2013/14 was £13.5m, against a plan of £13.3m. The inability to deliver some of the premium pay reduction schemes means that a significant proportion of the CIP savings are non-recurrent and the full year effect is £11.5m.
- For 2014/15 CIP schemes with a value totalling £5.9m, risk adjusted to £4.5m, (against a target of £8.7m), have already been initiated through the PMO process.
- The cash balance at end of March was £0.9m, in line with expected balance following the receipt of Public Dividend Capital cash support.
- Temporary PDC cash support of £2.4m has been received for April 2014 and a full year forecast of 2014/15 cash support requirements is due for submission on 22 April 2014.
- The 2014/15 clinical contract discussions are concluded and the formal contract has being finalised and signed.
- We are continuing to work closely with Monitor on both our liquidity and sustainability issues.

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, 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

M12: April 2013 - March 2014

Sherwood Forest Hospitals NHS
NHS Foundation Trust

1.0 Overview and Key Risks

- The year to date financial deficit is £21.7m, which is £1.6m better than plan and consequently our EBITDA is also better than plan. (Appendix A) This compares with a forecast of c. £21.5m in February.

- Pay expenditure is below plan by £1.0m in-month but is above plan by £1.8m cumulatively. The in-month improvement is non-recurrent and relates to the release of balance sheet provisions and revenue accruals. The average run rate has reduced slightly to £13.8m compared with the £13.9m per month reported in February, a consistent position as we continue to incur significant levels of premium rate variable pay expenditure despite proactive workforce recruitment. (Appendix B)

- CIP savings delivery to March was £13.5m, which is £0.2m above plan. The full year effect of these savings is £11.5m. (Appendix C)

- For 2014/15 CIP schemes with a value totalling £5.8m have already been identified and the PMO has risk adjusted these to £4.5m. The CIP target for 2014/15 is £8.7m so the priority is identifying and initiating further savings as soon as possible. (Appendix C)

- The cash balance at end of March was £0.9m, in line with expected balance following the receipt of Public Dividend Capital cash support. (Appendix D - 26 week cash forecast)

- Temporary PDC cash support of £2.4m has been received for April 2014 and a full year forecast of 2014/15 cash support requirements is due for submission on 22 April. As in 2012/13 a letter of support for the preparation of the Trust's 2013/14 accounts on a going concern basis is being discussed with Monitor.

- The 2014/15 clinical contract discussions are concluded and the contract has been signed.

2.0 Monitor update

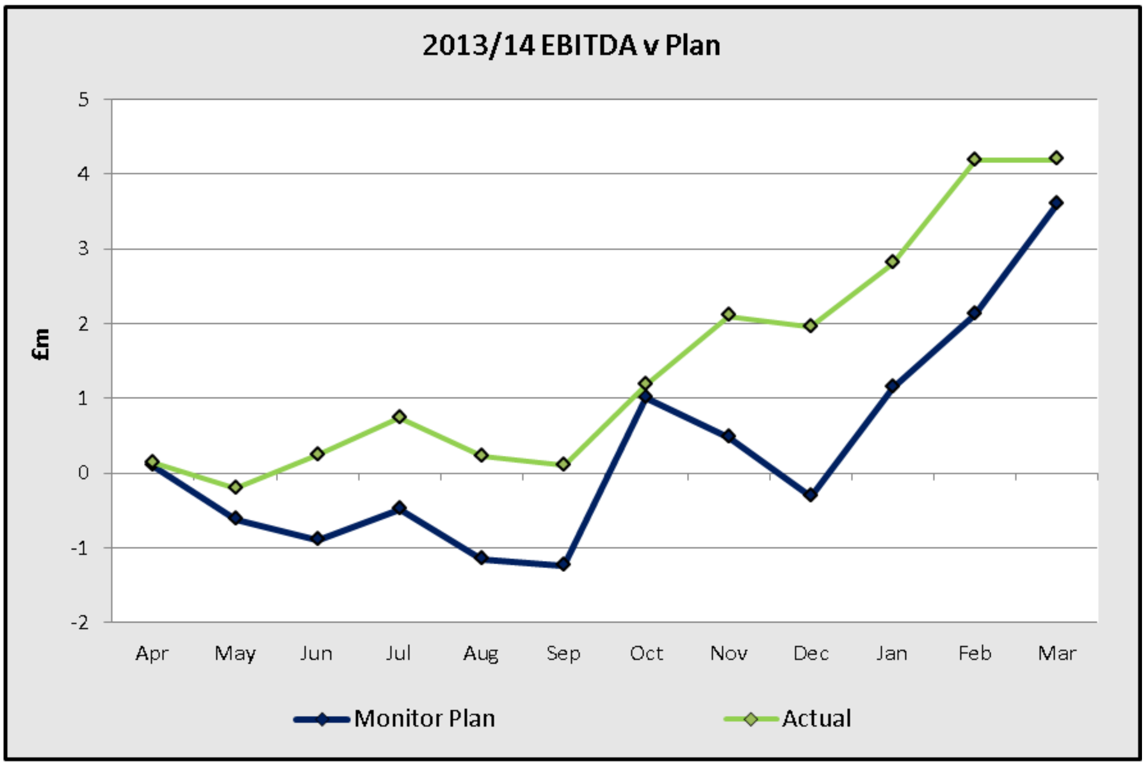
Discretionary requirements – these are provided at Appendix E. This information forms part of the monthly information set required by Monitor to support our license conditions. Amongst other things the table tracks the Trust I&E position in terms of before and after potential PFI support.

Annual plan – the Trust's Operational Plan covering 2014/15 and 2015/16 was submitted to Monitor on 4 April. Initial feedback from Monitor was that the Trust should not include any PFI Premium income support in its submission and that the presentation of our PFI costs should be amended. The Trust has therefore been requested to resubmit its plan and revised financial templates were submitted on 16 April. The Trust has also been invited to review its plan narrative and this is being discussed under a separate Board agenda item.

Attention is now moving to the longer term Strategic Plan covering 2016/17 to 2018/19, which is due for submission by 30 June. As part of that submission Monitor would like to understand what other strategic components are being explored to support a move to financial balance.

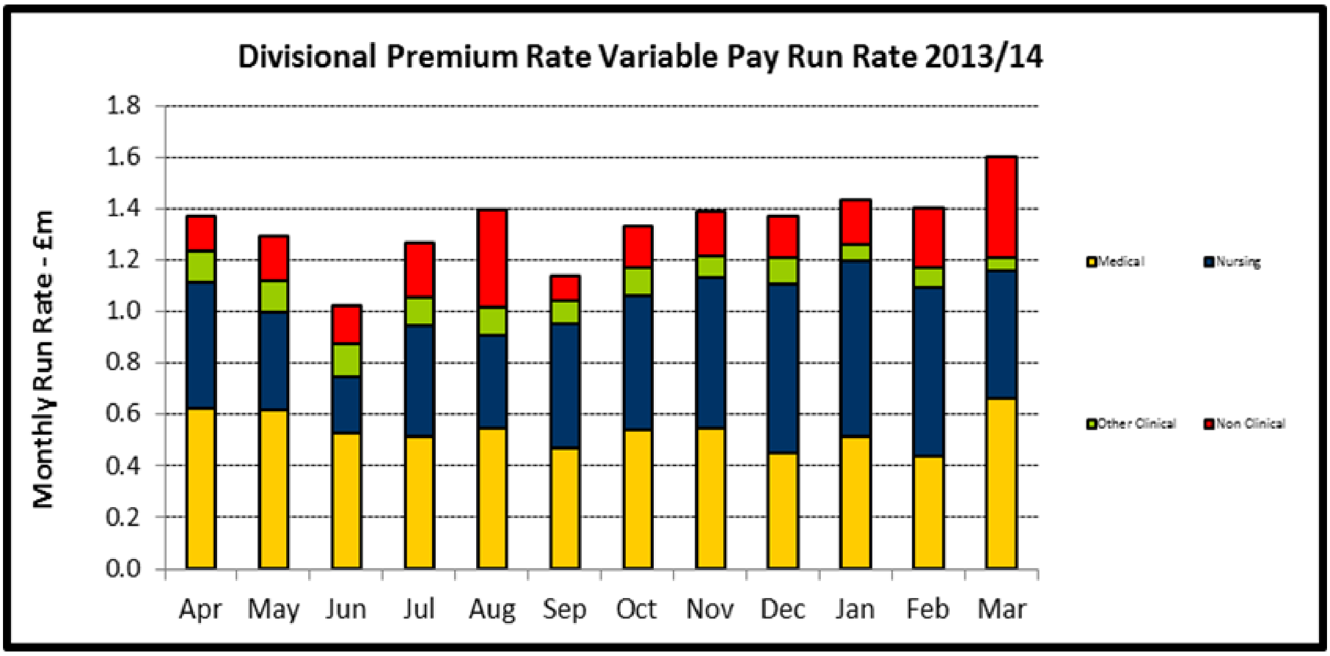
Appendix A – Month 12 Income and Expenditure statement and EBITDA trend

	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	216.18	18.76	17.52	(1.24)	216.18	217.95	1.77
Other Operating Income	46.31	3.76	0.52	(3.24)	46.31	42.78	(3.53)
Total Operating Income	262.49	22.51	18.04	(4.48)	262.49	260.72	(1.76)
Pay	(163.68)	(13.83)	(12.74)	1.09	(163.68)	(165.44)	(1.75)
Non Pay	(94.98)	(7.60)	(5.17)	2.43	(94.98)	(90.41)	4.57
Operating Costs Excl. from EBITDA	(9.04)	(0.66)	0.16	0.82	(9.04)	(8.06)	0.98
Total Operating Expenditure	(267.70)	(22.09)	(17.75)	4.34	(267.70)	(263.90)	3.80
Profit/(Loss) from Operations	**(5.22)**	**0.42**	**0.28**	**(0.14)**	**(5.22)**	**(3.18)**	**2.03**
Non Operating Income	0.63	0.49	0.18	(0.31)	0.63	(0.15)	(0.78)
Non Operating Expenditure	(18.67)	(2.02)	(1.77)	0.25	(18.67)	(18.32)	0.34
Surplus/(Deficit)	**(23.25)**	**(1.10)**	**(1.31)**	**(0.20)**	**(23.25)**	**(21.65)**	**1.60**



Outturn EBITDA is £4.19m, which is better than both the Monitor plan of £3.59m and the internal plan of £3.03m. Year to-date EBITDA margin is 1.6% and when adjusted for the PFI premium of £18.3m increases to 8.8%.The Foundation Trust medium acute sector EBITDA margin average (at Q3 13/14) was 4.3%.

Appendix B – Premium rate pay spend analysis



Appendix C – Cost improvement Programme position statement from PMO

13/14 Cost Improvement Programme savings delivery to March was £13.5m against a plan of £13.3m, with a FYE of £11.5m.

The Divisions are developing their CIP ideas for 2014/15 into projects and have initiated £5.8m through the programme board, this has been risk adjusted to £4.5m. This leaves a gap of £4.2m still to be identified. Divisions have also been tasked with identifying a rolling programme of CIP schemes which will contribute toward future year savings. It is envisaged that in later years these will be contributed to as financial benefits are realised from the Integrated Improvement Programme.

2014/15 Cost Improvement Programme

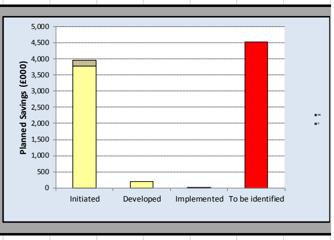
Sherwood Forest Hospitals NHS Foundation Trust

Scheme Status Report

Last Updated: 10 April 2014

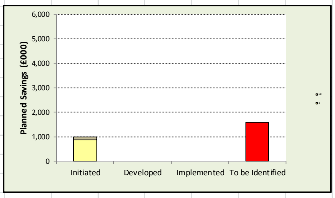
Trust Total

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	3,788	166	3,953	5,600	260
Developed	204	0	204	270	0
Implemented	10	0	10	10	0
Total (Developed & Implemented)	214	0	214	280	0
Total (All Schemes)	4,002	166	4,167	5,880	260
Savings Target			8,700	8,700	0
To be Identified	0	0	4,533	2,820	(260)



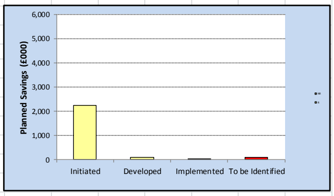
Planned Care & Surgery

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	860	116	976	1,206	10
Developed	0	0	0	0	0
Implemented	0	0	0	0	0
Total (Developed & Implemented)	0	0	0	0	0
Total (All Schemes)	860	116	976	1,206	10
Savings Target			2,559	2,559	0
To be Identified			1,583	1,353	(10)



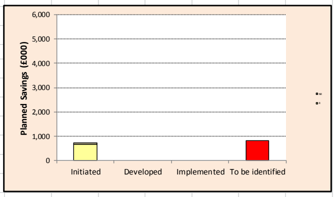
Emergency Care & Medicine

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	2,247	0	2,247	3,049	0
Developed	95	0	95	125	0
Implemented	10	0	10	10	0
Total (Developed & Implemented)	105	0	105	135	0
Total (All Schemes)	2,352	0	2,352	3,184	0
Savings Target			2,461	2,461	0
To be Identified			109	(723)	0



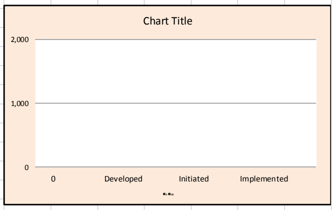
Diagnostics & Rehabilitation

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	681	49	730	1,344	250
Developed	0	0	0	0	0
Implemented	0	0	0	0	0
Total (Developed & Implemented)	0	0	0	0	0
Total (All Schemes)	681	49	730	1,344	250
Savings Target			1,549	1,549	0
To be Identified			819	205	(250)



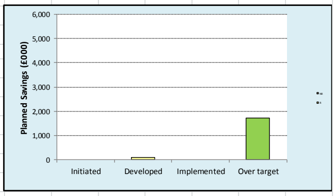
Newark

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

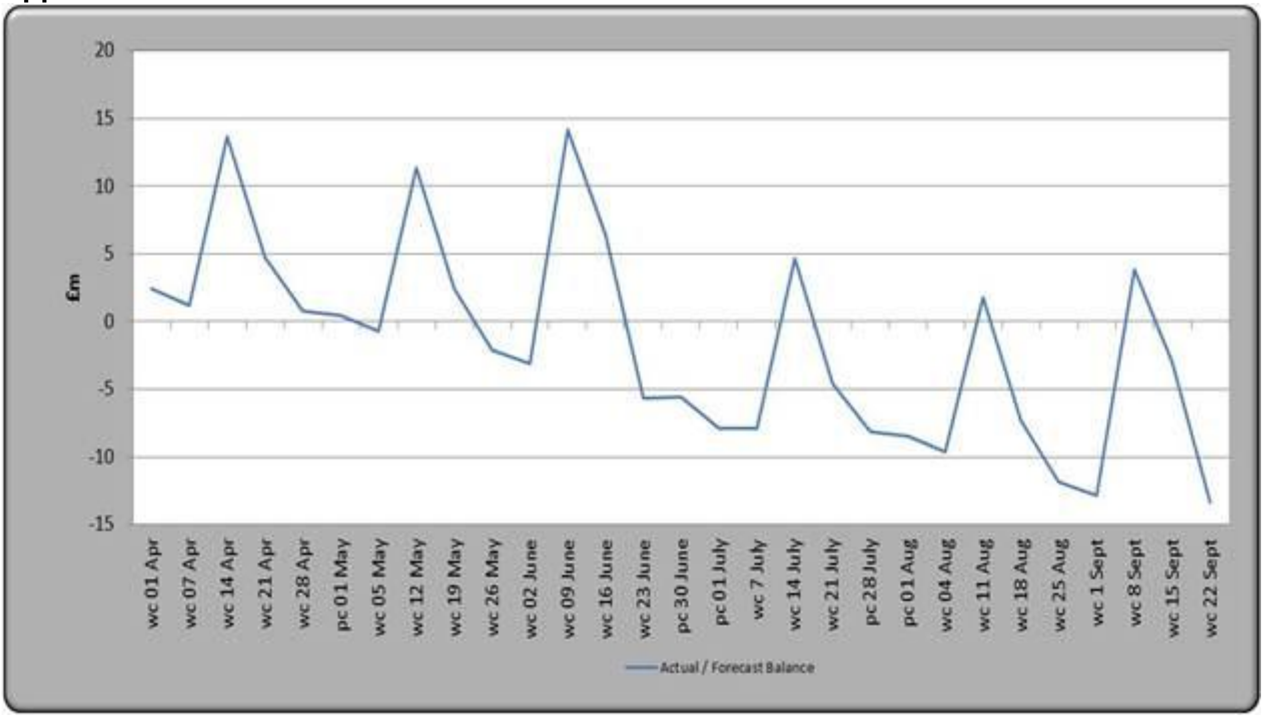


Corporate Services

Scheme Status	2014/15 In-Year Savings R £000	NR £000	Total £000	2014/15 FYE £000	2015/16 FYE £000
Initiated	0	0	0	0	0
Developed	109	0	109	145	0
Implemented	0	0	0	0	0
Total (Developed & Implemented)	109	0	109	145	0
Total (All Schemes)	109	0	109	145	0
Savings Target			1,823	1,823	0
To be Identified			1,714	1,678	0



Appendix D – 26 week cash flow forecast



The above graph excludes planned PDC drawdown in May to September 2014/15, and the cash impact of the CIP programme for 14/15.
The cash balance at end of March was £0.9m.
Temporary PDC cash support of £2.4m has been received for April 2014 and a full year forecast of cash support requirements is due for submission on 22 April.
It is likely that PDC cash support will initially be agreed for Quarters 1 and 2, with a further review of need undertaken during this period to confirm the PDC requirement for Q3 and Q4.

Appendix E – Monitor discretionary requirements

Metric		Annual Plan	Outturn	Variance
Revenue	£m	258.86	260.57	1.71
EBITDA	£m	3.59	4.19	0.60
Net Surplus/(Deficit)	£m	(23.26)	(21.66)	1.60
Underlying Surplus/(Deficit)	£m	(21.78)	(20.86)	0.92
Underlying Surplus/(Deficit) excluding £18.3m PFI premium impact	£m	(3.48)	(2.56)	0.92
Total CIP/Revenue Generation	£m	13.30	13.50	0.20
Recurrent CIP/Revenue Generation	£m	12.39	6.52	(5.87)
Cash	£m	(27.19)	0.94	28.13
Impact of PFI on EBITDA	£m	20.31	20.31	0.00
EBITDA adjusted for £18.3m PFI Premium Income and PFI Impact on EBITDA	£m	23.90	24.50	0.60
Revenue plus £18.3m PFI Premium	£m	277.16	278.87	1.71
Revised EBITDA Return	%	8.6%	8.8%	0.2%

Please note that the plan reported here refers to the Annual Plan submitted to Monitor at the end of May 2013. 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.