Sherwood Forest Hospitals NHS
NHS Foundation Trust

# Board of Directors

**Subject:** Board Performance Report
**Date:** 27 March 2014
**Author:** Jonathan Clements, Financial Planning and Strategy Manager
**Lead Director:** Fran Steele, Chief Finance Officer

Executive Summary

The key headlines are:

- The year to date financial deficit is £20.4m.
- Further certainty has reduced our forecast year end position to c. £21m deficit from the plan level of £23.3m deficit. This includes an agreed 2013/14 SLA outturn of £216m with our commissioners, encompassing all penalties and activity issues.
- Pay expenditure run rate has reduced slightly in February to £13.7m compared with an average of £13.9m per month, we continue to incur significant levels of premium rate variable pay expenditure despite proactive workforce recruitment.
- CIP savings delivery to January was £12.2m and the PMO risk adjusted forecast outturn as at 28 February is £16.3m. 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 forecast is £12.4m.
- For 2014/15 CIP schemes with a value totalling £3.4m (against a target of £8.9m) have already been initiated through the PMO process.
- The cash balance at end February was £0.4m, this balance includes the receipt of £11.6m of Public Dividend Capital cash support. The cash balance includes cash payments in advance of expenditure being incurred (including contract payments from our commissioners). Taking these payments into account, the underlying cash balance is now minus £18.4m. Further Public Dividend Capital cash support of £15.3m will be received during March and the Trust's expects to achieve a year end cash balance of c. £1.5m, this is an increase of £1.0m due to the receipt of NHS England capital bids.
- A liquidity support application has been submitted to Monitor for our 14/15 requirements (see below). Formal agreement is still awaited and this will be key to informing our year end accounts view from external audit. As in 12/13 a letter of support for the preparation of the Trust's 13/14 accounts on a going concern basis is being discussed with DoH.
- Agreement has been reached with commissioners regarding the £3.5m ICR programme funding which has now been returned to the Trust.
- The 2014/15 clinical contract discussions are on-going and contract signature remains outstanding as at 19 March 2014.

**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:<br>Financial and commercial sustainability.<br><br>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 Performance Report
## M10: April 2013 - February 2014

### 1.0 Overview and Key Risks

- The year to date financial deficit is £20.4m, which is £1.8m better than plan and consequently our EBITDA is also better than plan. **(Appendix A)** Our year-end forecast deficit has improved to c. £21.5m against plan of £23.3m deficit. This includes an agreed 2013/14 SLA outturn of £216m with our commissioners, encompassing all penalties and activity issues.

- Pay expenditure is above plan by £0.6m in-month and £2.8m cumulatively. There has been a small reduction in the expenditure run-rate in February at £13.7m against the 2013/14 average run rate of £13.9m per month, 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 February was £12.2m, which is £0.5m above plan. The PMO risk adjusted forecast outturn as at 28 February is £16.3m. 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 forecast is £12.4mThis is a slight deterioration from what was reported last month and on-going identification of recurrent CIP schemes remains a priority. (The CIP figures are subject to regular review and update and **Appendix C** reflects the position as at **20 March 2014**).

- For 2014/15 CIP schemes with a value totalling £3.4m have already been initiated through the PMO process.

- The cash balance at end February was £0.4m, this balance includes the receipt of £11.6m of Public Dividend Capital cash support. The cash balance includes cash payments in advance of expenditure being incurred (including contract payments from our commissioners). Taking these payments into account, the underlying cash balance is now minus £18.4m. Further Public Dividend Capital cash support of £15.3m will be received during March and the Trust's expects to achieve a year end cash balance of c. £1.5m, this is an increase of £1.0m due to the receipt of NHS England capital bids. **(Appendix D - 26 week cash forecast and available cash graph)**

- A liquidity support application has been submitted to Monitor for our 2014/15 requirements (see below). Feedback is still awaited and this will be key to informing our year end accounts view from external audit. As in 12/13 a letter of support for the preparation of the Trust's 13/14 accounts on a going concern basis is being discussed with DoH.

- Agreement has been reached with commissioners regarding the £3.5m ICR programme funding which has now been returned to the Trust.

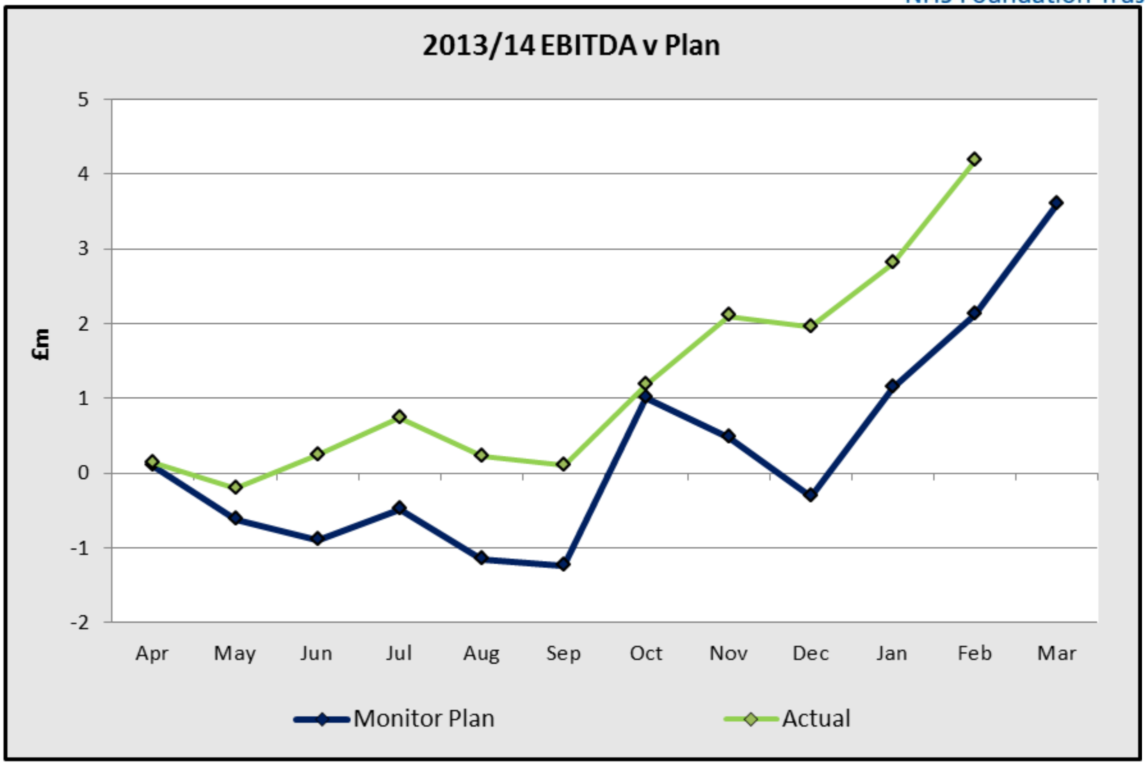
- The 2014/15 clinical contract discussions are on-going and contract signature remains outstanding as at 19 March 2014.

## 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.

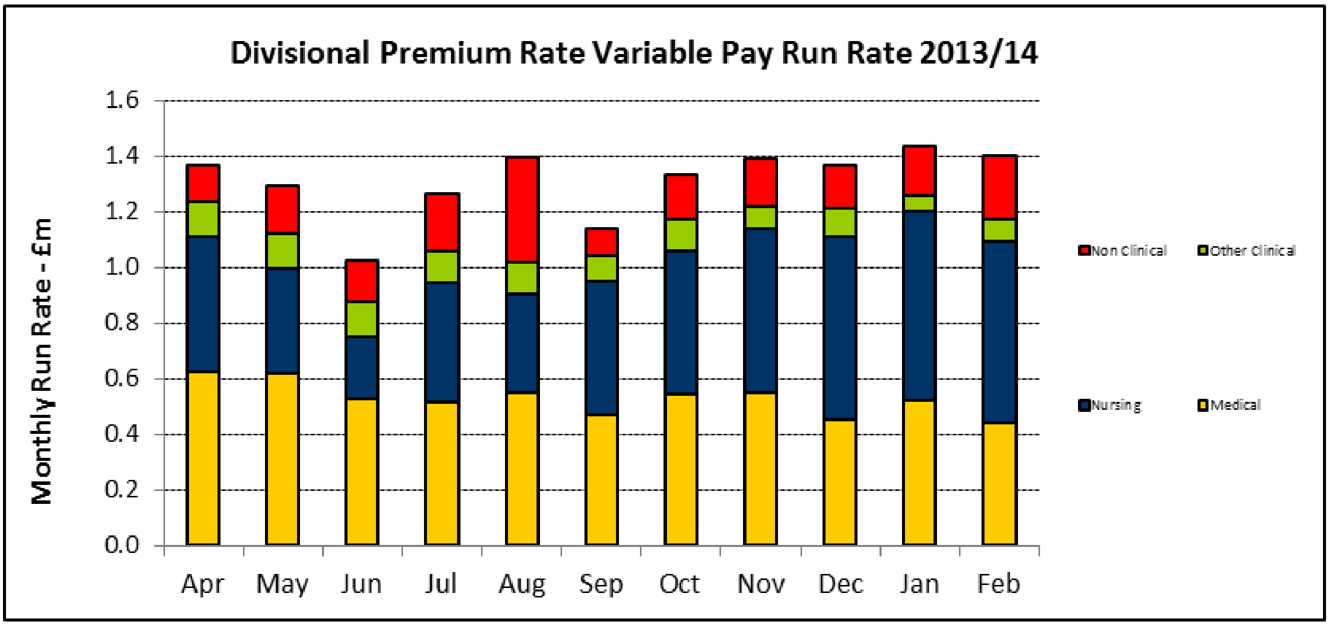
### Appendix A – Month 11 Income and Expenditure statement and EBITDA trend

| | Annual Plan | February In-Month | | | Year to Date | | |
|---|---|---|---|---|---|---|---|
| | | Plan | Actual | Variance | Plan | Actual | Variance |
| | £m | £m | £m | £m | £m | £m | £m |
| Clinical Income | 215.73 | 17.58 | 18.73 | 1.15 | 197.42 | 200.43 | 3.01 |
| Other Operating Income | 46.40 | 4.32 | 4.19 | (0.13) | 42.55 | 42.25 | (0.30) |
| Total Operating Income | 262.13 | 21.90 | 22.92 | 1.02 | 239.97 | 242.68 | 2.71 |
| Pay | (163.00) | (13.14) | (13.72) | (0.58) | (149.85) | (152.70) | (2.85) |
| Non Pay | (94.99) | (7.91) | (7.82) | 0.09 | (87.38) | (85.23) | 2.15 |
| Operating Costs Excl. from EBITDA | (9.35) | (0.66) | (0.57) | 0.09 | (8.37) | (8.22) | 0.15 |
| Total Operating Expenditure | (267.34) | (21.71) | (22.11) | (0.40) | (245.60) | (246.15) | (0.55) |
| **Profit/(Loss) from Operations** | **(5.21)** | **0.19** | **0.81** | **0.62** | **(5.63)** | **(3.47)** | **2.16** |
| Non Operating Income | 0.63 | 0.01 | (0.46) | (0.47) | 0.14 | (0.33) | (0.47) |
| Non Operating Expenditure | (18.67) | (1.39) | (1.39) | 0.00 | (16.65) | (16.55) | 0.10 |
| **Surplus/(Deficit)** | **(23.25)** | **(1.19)** | **(1.04)** | **0.15** | **(22.14)** | **(20.35)** | **1.79** |




Year-to-date EBITDA is £4.18m, which is more than £2m better than both the Monitor plan of £2.12m and the internal plan of £1.99m. Year to-date EBITDA margin is 1.7% and when adjusted for the PFI premium of £18.3m increases to 8.8%.The Foundation Trust medium acute sector EBITDA margin average is 4.3%.

## Appendix B – Premium rate pay spend analysis



## Appendix C – Cost improvement Programme position statement from PMO

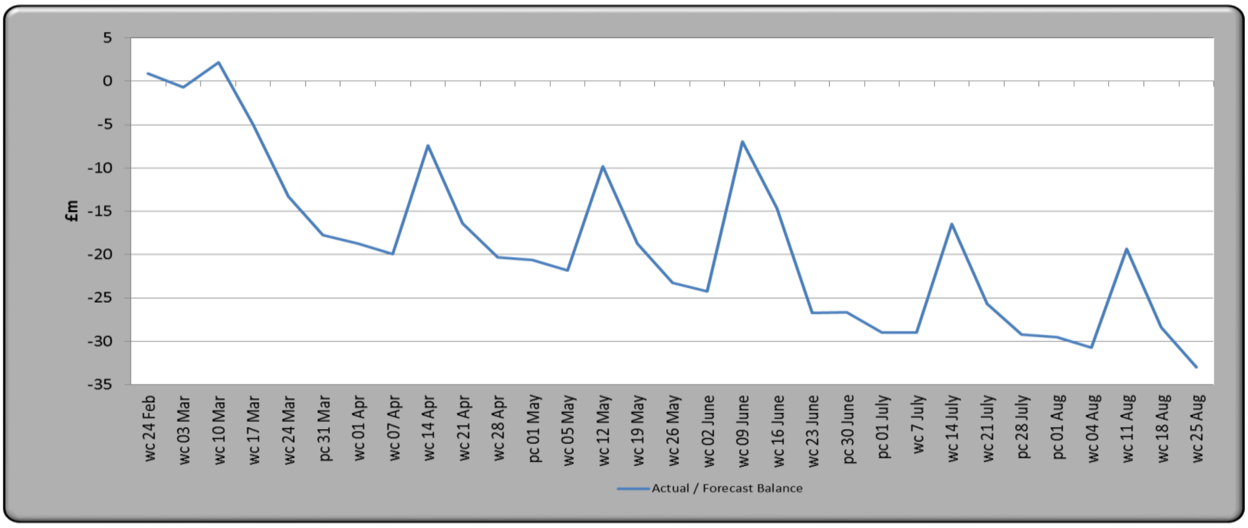
**At 20th March** the divisions have identified £17,663,000 CIP schemes for 2013/14, risk adjusted this figure decreases to £16,469,000 for delivery in year, the breakdown of recurrent and non-recurrent savings for 2013/14 (risk adjusted) is £9,177,000 recurrent and £7,292,000 non-recurrent. The full year effect of the recurrent savings total £12,506,000 risk adjusted.

| | | 2013/14 In-Year Savings | | | 2013/14 |
|---|---|---|---|---|---|
| | | R £000 | NR £000 | Total £000 | FYE £000 |
| ● (green) | High Confidence (CIP will deliver in full on time) | 7596 | 7161 | 14756 | 10438 |
| ● (amber) | Medium Confidence (CIP will deliver at 70% of total) | 1523 | 104 | 1626 | 1576 |
| ● (red) | Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP) | 59 | 28 | 86 | 491 |
| | | 9177 | 7292 | 16469 | 12506 |
| | | | | | |
| ● (green) | High Confidence (CIP will deliver in full on time) | 82.77% | 98.20% | 89.60% | 83.46% |
| ● (amber) | Medium Confidence (CIP will deliver at 70% of total) | 16.59% | 1.42% | 9.88% | 12.61% |
| ● (red) | Low Confidence (Significant risk to delivery CIP will deliver at 30% of total CIP) | 0.64% | 0.38% | 0.52% | 3.93% |

CIP schemes for 2014/15, including schemes moved from 2013/14 to 2014/15, and those approved by the Programme Board for development, total £6,361,100 some £2,538,900 short of the Trust Target of £8,900,000. The clinical divisions are continuing to develop projects to close the gap and these will be initiated through the Programme Board.

Procurement projects of £833,000 are included in the above figures. The team are working with clinical and corporate divisions to identify further areas for procurement savings.

## Appendix D – 26 week cash flow forecast

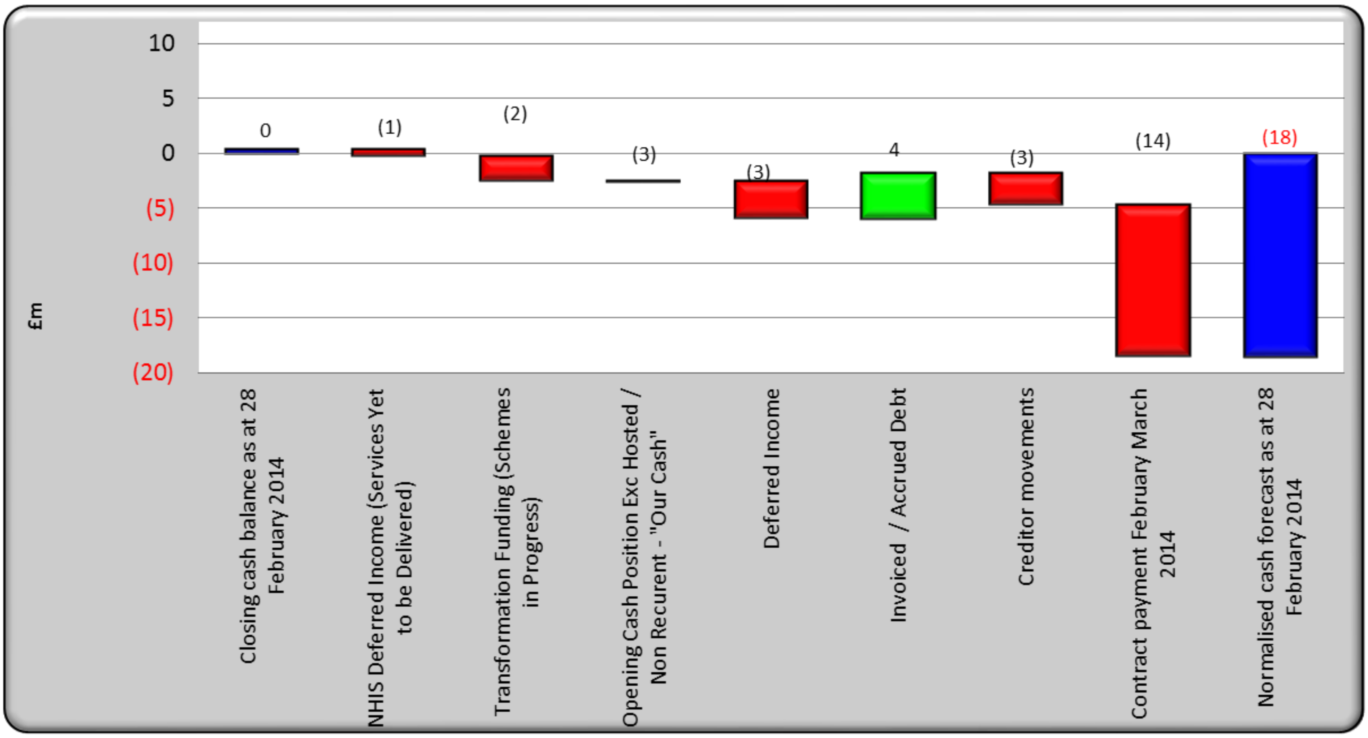


The above graph excludes the PDC drawdown in March 14, and the cash impact of the CIP programme for 14/15.

The cash balance at end February was £0.4m, this balance includes the receipt of £11.6m of Public Dividend Capital cash support. The cash balance includes cash payments in advance of expenditure being incurred (including contract payments from our commissioners). Taking these payments into account, the underlying cash balance is now minus £18.4m. Further Public Dividend Capital cash support of £15.3m will be received during March and the Trust's expects to achieve a year end cash balance of c. £1.5m, this is an increase of £1.0m due to the receipt of NHS England capital bids.

As of 19th March confirmation has still not been received regarding the full year PDC position for 2014/15. Presently it is likely that PDC will initially be agreed for Quarters 1 and 2, however, Monitor have indicated that a further review of need will be undertaken during this period to confirm the PDC requirement  for Q3 and Q4.

## Normalised /Available Cash



## Appendix E – Monitor discretionary requirements

| Metric | | Annual Plan | Year-to-Date Plan | Year-to-Date Actual | Variance |
|---|---|---|---|---|---|
| Revenue | £m | 258.86 | 236.57 | 242.36 | 5.79 |
| EBITDA | £m | 3.59 | 2.12 | 4.18 | 2.06 |
| Net Surplus/(Deficit) | £m | (23.26) | (21.63) | (20.35) | 1.28 |
| Underlying Surplus/(Deficit) | £m | (21.78) | (21.10) | (19.05) | 2.05 |
| Underlying Surplus/(Deficit) excluding £18.3m PFI premium impact | £m | (3.48) | (4.32) | (2.28) | 2.05 |
| Total CIP/Revenue Generation | £m | 13.30 | 11.71 | 12.22 | 0.52 |
| Recurrent CIP/Revenue Generation | £m | 12.39 | 10.82 | 5.81 | (5.01) |
| Cash | £m | (27.19) | (12.07) | 0.43 | 12.50 |
| Impact of PFI on EBITDA | £m | 20.31 | 18.62 | 18.62 | 0.00 |
| EBITDA adjusted for £18.3m PFI Premium Income and PFI Impact on EBITDA | £m | 23.90 | 20.74 | 22.80 | 2.06 |
| Revenue plus £18.3m PFI Premium | £m | 277.16 | 253.34 | 259.13 | 5.79 |
| Revised EBITDA Return | % | 8.6% | 8.2% | 8.8% | 0.6% |

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.