

## TRUST BOARD

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Title:	<b>Finance Performance at Month 8 - 2017/18</b>
Action:	<b>FOR DISCUSSION</b>
Meeting:	<b>10 January 2018</b>

### **Purpose:**

This paper reports the financial performance to Month 8 2017/18 and highlights key messages to bring to the Board's attention.

- The Trust delivered an in month operating surplus of £220k for Month 7 and £222k for Month 8.
- The cumulative position to Month 8 is a £1,070k surplus.
- The cash balance at 30 November 2017 was £5.1m.
- The Use of Resources (UOR) Metric continues to be level 1 for the reporting period.
- The Trust's Cost Improvement Plan (CIP) delivered cumulative savings of £1.419m against a plan of £1.633m in Month 8.
- Board to discuss Executives decision not to stretch the current forecast surplus for 2017/18 beyond the current control total

### **Recommendation:**

The Trust Board is asked to discuss and note the information contained within the report and to accept the findings included in the finance report.

	Name	Title
Author:	Paul Spencer	Head of Statutory Accounting
Executive sponsor:	Mark Robbins	Director of Finance and Resources



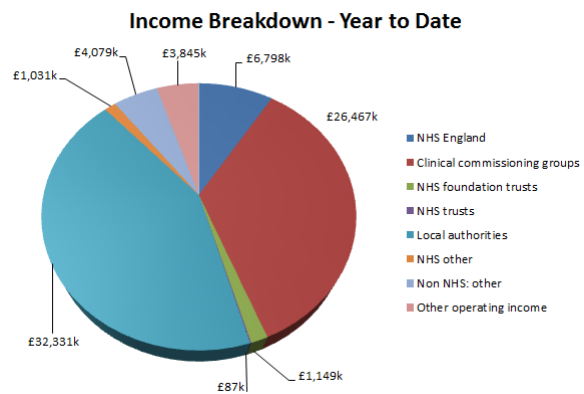
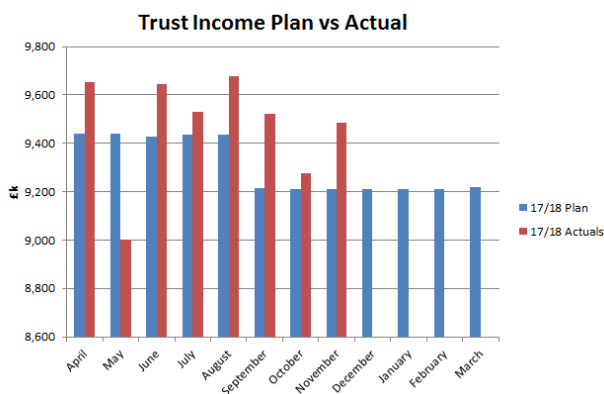
# 1. Executive Summary

## 1.1 Key Messages for the Trust's financial performance for Month 8:

- The Trust delivered an in month operating surplus of £220k for Month 7 and £222k for Month 8, against a planned surplus of £217k and £218k respectively.
- The cumulative position to Month 8 is a £1,070k surplus, against a year to date plan of £1,052k.
- The cash balance at 30 November 2017 was £5.1m.
- The Use of Resources (UOR) Metrics for Month 7 and Month 8 was 1.
- The Trust's Cost Improvement Plan (CIP) delivered savings of £1.419m cumulative in Month 8 against a plan of £1.633m.

# 2. Trust Wide Financial Performance for Month 8 2017/18

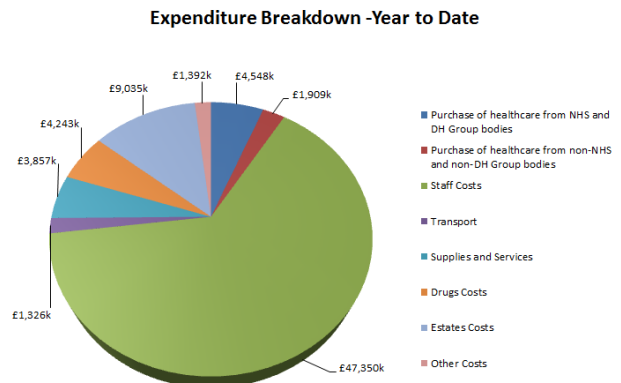
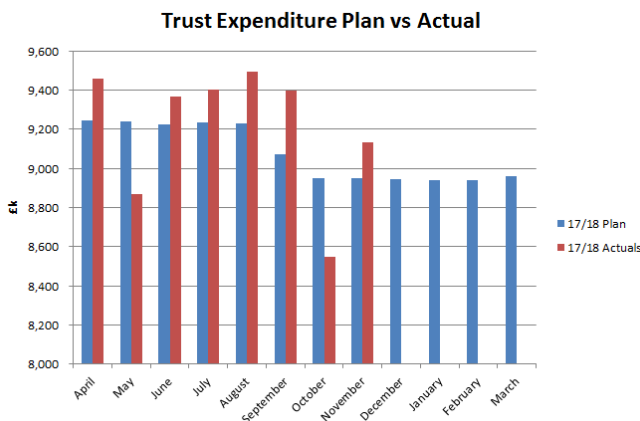
## 2.1 Income



Additional income was received above plan for HIV drugs in Bedfordshire iCaSH and Flu and Immunisation test income which is recognised at the point of delivery. Both of these income streams are offset by corresponding expenditure.

Sustainability and transformation fund (STF) allocation and CQUIN are expected to be achieved. See Appendix 1 for CQUIN details.

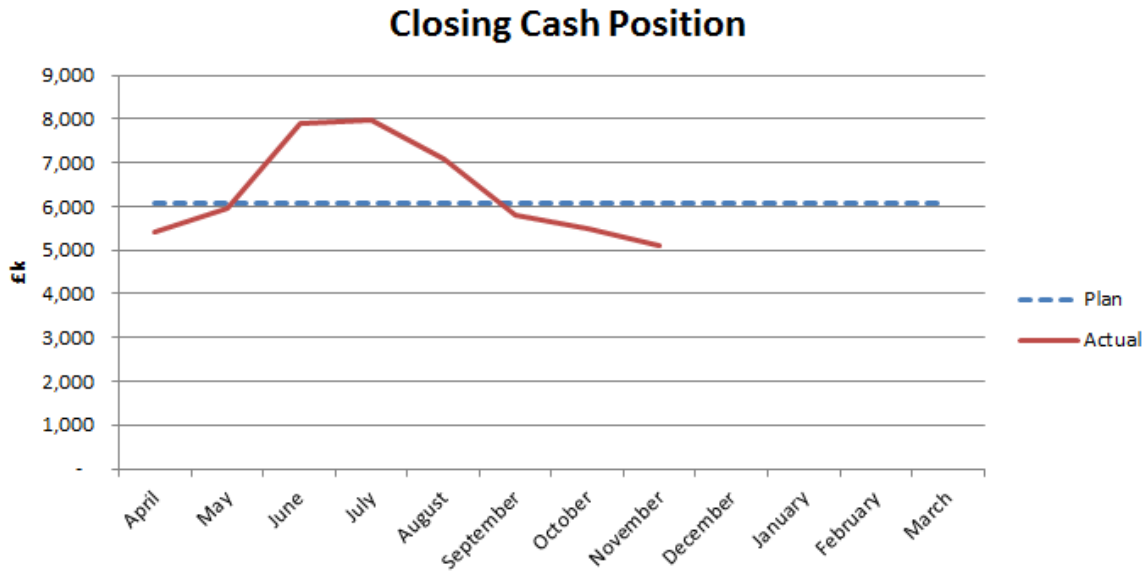
## 2.2 Expenditure



Trust expenditure is currently higher than plan due to new HIV drugs costs in Bedfordshire iCaSH, premises costs, IT services and an increase in the impairment of receivables. The HIV drugs costs are offset by income, premises costs are higher than plan due to increased minor works. The process for minor works requests is currently under review to ensure works support the estates capital plan. IT costs are higher than expected due to software and licence fees. A prudent approach has been taken with the Trust's outstanding receivables and the impairment provision

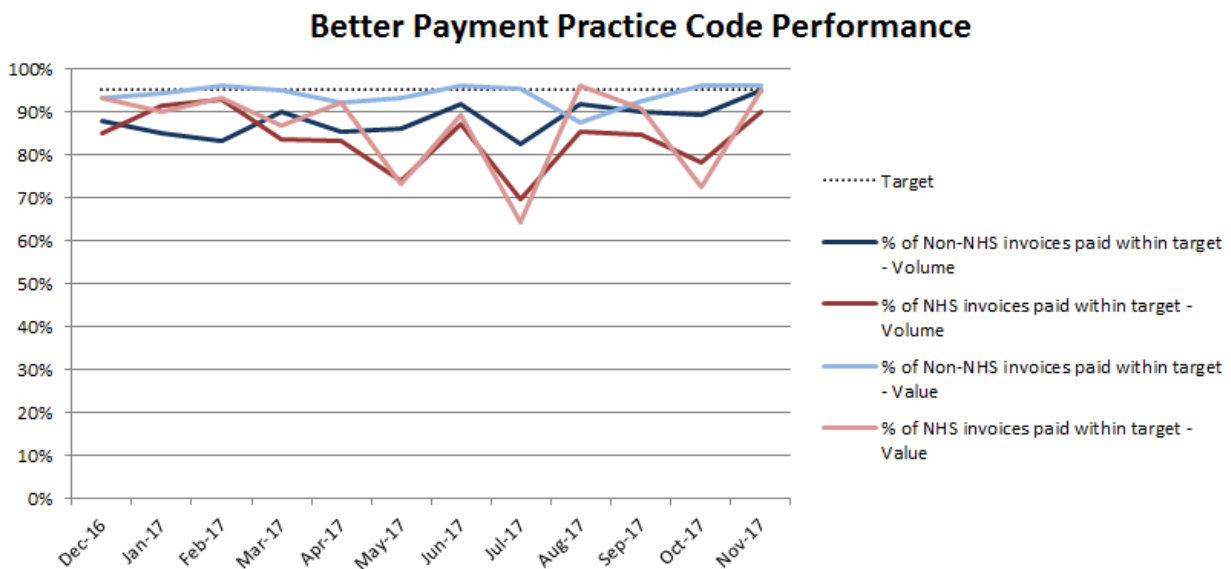
has been increase to mitigate the potential risk. A resolution to the outstanding invoices is underway with payments expected in the coming weeks.

### 2.3 Cash Balance



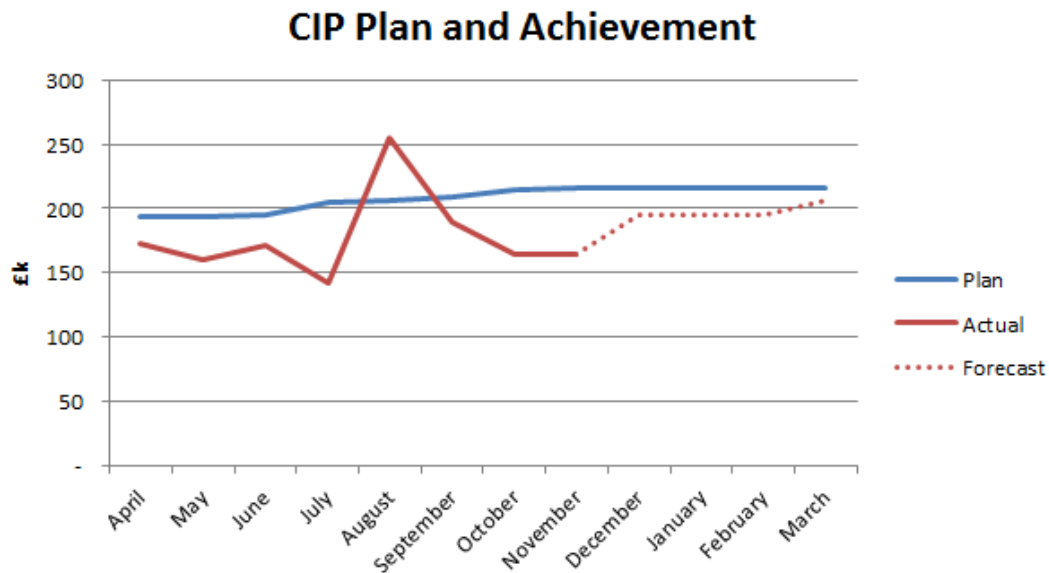
The cash balance of £5.1m at Month 8 represents an overall net reduction of £0.7m from the Month 6 cash balance. The movement over the period is due to a reduction in trade payables which did not correlate to a similar reduction in trade receivables, due to a delayed receipt from Cambridgeshire County Council.

### 2.4 Better Payment Practice Code



The average in month prompt payments results across the four categories was 84% in Month 7 and 94% in Month 8. In Month 8, the Trust achieved the 95% target in three categories and 90% in the other. The overall Trust average across the four categories for the last 12 months has remained at 88%. For Non-NHS invoices, the Finance team have focused on invoices that have escalated from authorisers, to ensure queries are resolved quickly. The NHS figures have improved following resolution of SLA and activity data queries. The Finance team will continue to work closely with the teams and services to ensure all invoices are processed promptly.

## 2.5 Cost Improvement (CIP)



The Trust's Cost Improvement Plans (CIP's) have delivered cumulative savings year to date of £1.419m against the target of £1.633m. The full year target for the Trust is £2.1m and it has planned schemes totalling £2.495m which will deliver £2.211m for 2017/18. A small number of estates and income schemes will not deliver the expected savings.

## 2.6 Capital Spend

	17/18 Annual Estates Plan	17/18 Cost	17/18 Commitment
All Sites	£131k	-	-
Bedford	£200k	-	-
Brookfield HC	£10k	-	-
Brookfield Hosp	£1,335k	£964k	£977k
Doddington	£30k	-	-
Hinchingbrooke	£75k	£60k	£60k
Luton	£55k	-	-
Norfolk	£101k	£59k	£59k
North Cambs	£50k	£42k	-
Oak Tree	£20k	-	-
Peterborough	£350k	£14k	£14k
POW	£65k	£47k	£77k
Suffolk	£10k	£13k	£13k
IT Equipment	-	£97k	-
Medical Equipment	-	£24k	-
<b>Grand Total (net)</b>	<b>£2,431k</b>	<b>£1,200k</b>	<b>£1,201k</b>

The capital project at Brookfields Hospital to create the Peacock Centre is nearing completion and projects have begun at Rivergate, North Cambs Hospital and Princess of Wales Hospital.

### 3. Finance Scorecard

Finance Dashboard - Month 8	Section in Report	Plan 30/11/17	Actual 30/11/17	Variance 30/11/17	Trend Variance From Month 7
Operating income from patient care activities	2.1	£71,854k	£71,942k	£88k	↑
Other operating income	2.1	£3,548k	£3,845k	£297k	↑
Employee expenses	2.2	(£47,600k)	(£47,306k)	£294k	↓
Operating expenses excluding employee expenses	2.2	(£25,544k)	(£26,354k)	(£810k)	↑
Trust Surplus/(Deficit)		£1,052k	£1,070k	£18k	↑
Closing Cash Balance	2.3	£6,077k	£5,088k	(£989k)	↓
Cost Improvement Plan (CIP)	2.5	£1,633k	£1,419k	(£214k)	↓
Capital Programme	2.6	£1,534k	£1,573k	(£39k)	↑
Use of Resources Metric	4.3	1	1	-	-
Agency Spend	4.5	£2,205k	£1,690k	£515k	↓
Bank Spend	4.6	£174k	£671k	(£497k)	↓
Sustainability & Transformation Funding (STF)		£588k	£588k	£0k	-

### 4. Summary of Financial Performance

#### 4.1 Net Income & Expenditure

Division Level	Nov-17					
	Income £'000	Pay £'000	Non-Pay £'000	Net Total £'000	Net Budget £'000	Variance £'000
Ambulatory Care Services	1,105	(11,433)	(7,430)	(17,758)	(18,283)	526
Childrens & Younger Peoples Services	1,734	(20,308)	(3,335)	(21,909)	(22,421)	512
Luton Community Unit	241	(11,478)	(1,862)	(13,099)	(13,002)	(96)
Other Services						
- Contract Income & Reserves	65,735	(108)	(5,886)	59,741	60,316	(574)
- Corporate Services	3,706	(3,942)	(5,076)	(5,312)	(5,053)	(259)
- Health Centres	3,267	(83)	(3,776)	(593)	(502)	(91)
<b>CCS Total @ 30 November 2017</b>	<b>75,788</b>	<b>(47,351)</b>	<b>(27,366)</b>	<b>1,071</b>	<b>1,053</b>	<b>18</b>

#### Ambulatory Care Services

- In month 7 the division was £82k underspent and in month 8 delivered a £54k underspend, giving a cumulative underspend of £526k.
- Dental Service had a £1k underspend in month 7 and a £18k underspend in month 8, giving a cumulative underspend of £145k. The current position is due to establishment vacancies and savings, and additional MOS income.
- The MSK Service had a £45k underspend in month 7 and a £2k underspend in month 8 to give a cumulative underspend of £167k. The underspend is due to establishment vacancies and savings, and additional income.
- The Sexual Health Service had a £34k underspend in month 7 and a £49k underspend in month 8, giving a cumulative underspend of £243k. The underspend is due to establishment vacancies and savings in Cambs, Non Pay savings in Bedford and additional income in Norfolk.
- Other areas in the division had immaterial variances in month.

## Childrens & Younger Peoples Services

- The Childrens & Younger Peoples Services had an in underspend of £117k in month 7 and a £8k underspend in month 8, giving a cumulative underspend of £512k.
- In month 7, Healthy Child Programme (HCP) Cambs underspent by £78k due to establishment savings, Acute Services overspent by £41k due to establishment pressures, Specialist Services had an underspend of £13k, HCP Norfolk underspent by £50k and Flu and Immunisation Service had an underspend of £17k all due to establishment vacancies and savings. In month 8 this trend continued for Acute services with an overspend of £56k, Specialist Services with an underspend of £40k and Norfolk HCP with an underspend of £50k. HCP Cambs had an overspend of £21k due to estates costs and Flu and Immunisation Service had an overspend of £5k due to Non Pay costs.

## Luton Community Unit (including Luton Childrens Services)

- In month 7 the division had an overspend of £11k and in month 8 the overspend was £23k, giving a cumulative overspend of £96k.
- The Luton Community Unit (excluding Childrens Services) had a month 7 underspend of £94k and a month 8 underspend of £22k, giving a cumulative underspend of £218k. This was primarily due to establishment vacancies and savings in District Nursing.
- The Luton Childrens Services had an overspend of £105k in month 7 and an overspend of £45k in month 8, giving a cumulative overspend of £314k.
- The cumulative overspend position in Childrens Services is primarily due to agency spend to cover vacancies in Medical Staffing.

## Other Services

- Other Services had a month 8 overspend of £39k and a cumulative overspend of £927k. This is due to premises and IT costs and an increase in the impairment of receivables.

## 4.2 CIP Dashboard

OVERALL STATUS AS AT : **M8 - 15th December 2017**

TARGET (£'000)

2,100

PLAN

FYE (£'000s)

PYE (£'000s)

17/18 PLAN :

2,578

2,495

VARIANCE FROM TARGET: 478

395

DELIVERED (YTD)

PLANNED SAVINGS YTD (£000):

1,633

SAVINGS DELIVERED YTD (£000):

1,419

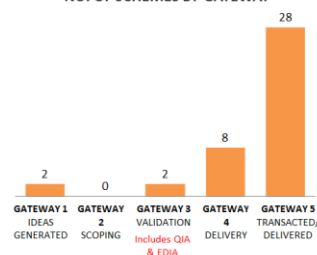
VARIANCE FROM TARGET: -214

SCHEMES

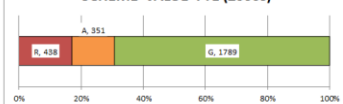
TOTAL NO. OF SCHEMES =

40

NO. OF SCHEMES BY GATEWAY

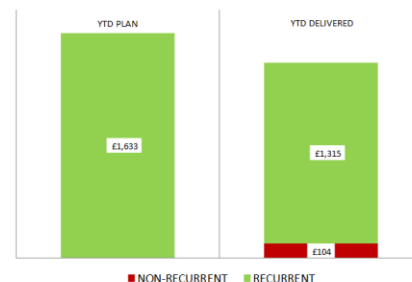


DELIVERY CONFIDENCE RAG RATING - SCHEME VALUE FYE (£000s)

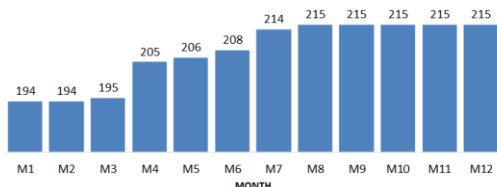


- RED** = Successful delivery of the savings appears to be in doubt or unachievable
- AMBER** = Delivery appears feasible however constant attention needed/Delivery of planned savings is affected - either the total sum or the phasing.
- GREEN** = Successful delivery of the savings within the planned timeframe appears highly likely

PLAN VS ACTUAL



PLANNED SAVINGS PROFILE (£'000)



SERVICE AREA



### 4.3 Use of Resources (UOR)

The Single Oversight Framework (SOF) sets out the NHS Improvement's approach to overseeing NHS providers. The SOF assesses the financial performance of providers via the "Use of Resources Metrics (UOR)" comprising the following five metrics:

- Liquidity Ratio
- Capital Servicing Capacity
- I&E Margin
- I&E Distance from Plan
- Agency

The table below illustrates the Trust's current score (please note the rating is 1 - 4, with 1 being the highest rating). The Trust is currently achieving a 1 rating in all metrics.

<b>(1) Liquidity Ratio</b>	<b>1</b>
<b>(2) Capital Servicing Capacity</b>	<b>1</b>
<b>(3) I&amp;E Margin</b>	<b>1</b>
<b>(4) I&amp;E Margin Distance from Plan</b>	<b>1</b>
<b>(5) Agency</b>	<b>1</b>
<b>Use Of Resources Rating</b>	<b>1</b>

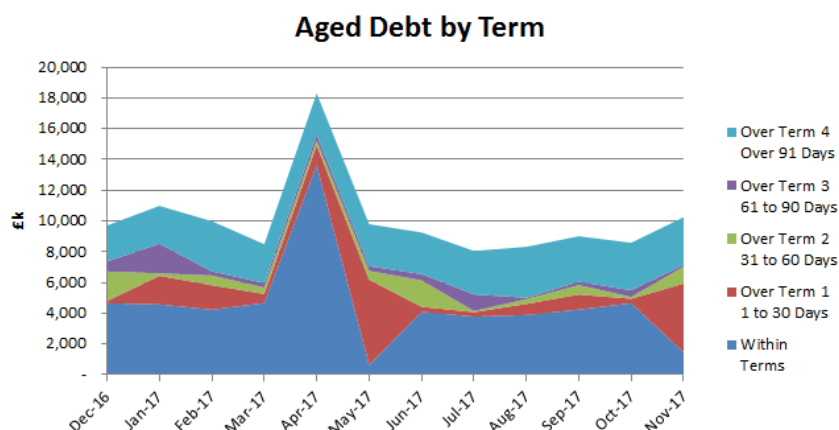
### 4.4 Statement of Financial Position

	November 2017	September 2017
	£'000	£'000
<b>Non-Current Assets</b>		
Property, plant and equipment	50,480	50,694
Intangible assets	217	233
<b>Total non-current assets</b>	<b>50,697</b>	<b>50,927</b>
<b>Current assets</b>		
Inventories	41	41
Trade and other receivables	13,775	13,786
Cash and cash equivalents	5,088	5,797
<b>Total current assets</b>	<b>18,904</b>	<b>19,624</b>
<b>Total assets</b>	<b>69,601</b>	<b>70,551</b>
<b>Current liabilities</b>		
Trade and other payables	(12,700)	(14,089)
Provisions	(443)	(443)
<b>Total current liabilities</b>	<b>(13,143)</b>	<b>(14,532)</b>
<b>Net current assets</b>	<b>5,761</b>	<b>5,092</b>
<b>Total assets less current liabilities</b>	<b>56,458</b>	<b>56,019</b>
<b>Non-current liabilities</b>		
Trade and other payables	(1,045)	(1,045)
Provisions	(1,559)	(1,559)
<b>Total non-current liabilities</b>	<b>(2,604)</b>	<b>(2,604)</b>
<b>Total assets employed</b>	<b>53,854</b>	<b>53,415</b>
<b>Financed by taxpayers' equity:</b>		
Public dividend capital	2,107	2,107
Retained earnings	36,118	35,679
Revaluation Reserve	17,282	17,282
Merger Reserve	(1,653)	(1,653)
<b>Total Taxpayers' Equity</b>	<b>53,854</b>	<b>53,415</b>

Trade and other payables have decreased over the reporting period by £1.4m. This is due to the resolution and subsequent payment of aged invoices which were previously in query. This is also reflective in the improved better payment practice code results achieved and has resulted in a



reduced cash balance over the period, which is expected to improve in coming months when the receivables position improves.



Total trade receivables decreased by £0.4m in October to £8.6m and then increased by £1.6m in November to £10.2m. The breakdown in November is £4.1m (40%) from NHS organisations; £5.5m (54%) from Local Authorities; and £0.6m (6%) from other parties.

Of the receivables over terms, the main organisations contributing to the balances are:-

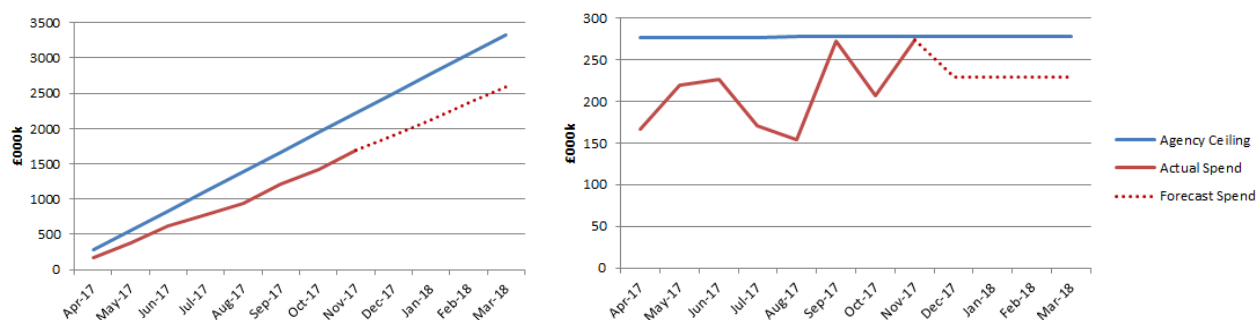
Cambridgeshire County Council	£2.3m
Norfolk County Council	£1.9m
Cambs and Peterborough FT	£0.6m
North West Anglia NHSFT	£0.5m
Luton Borough Council	£0.5m

For the debt over 90 days old, as this is predominantly due from NHS and Local Authority bodies it is not deemed necessary to provide against these balances as they are considered to be recoverable. The Trust continues to actively chase these debts for payment. Norfolk County Council, North West Anglia NHSFT and Luton Borough Council have subsequently paid £1.8m, £0.3m and £0.3m after the report date, to reduce their outstanding balance.

#### 4.5 Agency Ceiling

The Trust has an agency spend ceiling of £3,332k for 2017/18, and cumulative spend to Month 8 remains below the original planned trajectory, at £1,691k against a plan of £2,220k.

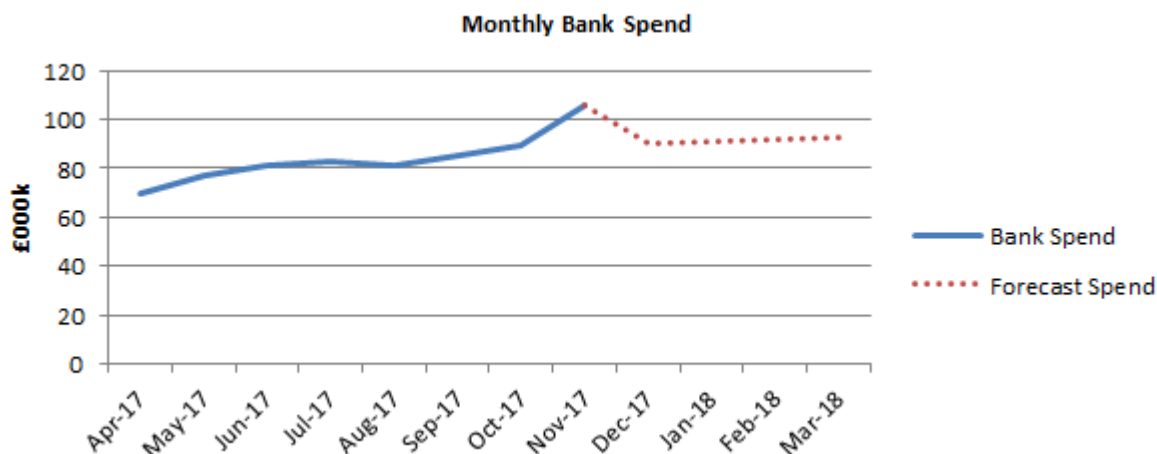
The tables below illustrate the monthly cumulative planned and actual performance of total agency spend. The forecast spend has been included to illustrate the expected position of the Trust at the end of the financial year. Spend is forecast to remain below the Trusts cumulative agency ceiling.



#### 4.6 Use of Bank Staff

To help the Trust remain within the agency spend ceiling, the services have the availability of bank staff to fill short term staffing pressures. Bank spend has been steadily increasing, with cumulative spend to Month 8 being £672k.

The table below illustrates the Trust's monthly bank spend.



## 5. Strategic Financial Risks

**2257** – There is a risk that the Trust becomes financially unsustainable through a combination of events such as:

- Failure to secure contract extensions
- Failure to secure new business opportunities
- Loss of business through procurement
- Decommissioning of services
- Unable to mitigate amber and red rated risk schemes
- The impact of the Public Health grant cuts without a corresponding change in contracted activity levels

The Trust continues to enter bids for new services and has recently been awarded as a subcontract with East London Foundation Trust, to provide Children's Community Services in Bedfordshire. This contract is in excess of £13m and helps ensure the Trust maintains financial sustainability, along with managing service reductions and cost improvements.

**2610** - There is a risk that the Trust doesn't fully identify plans to recurrently deliver the £3m savings target for 2018/19, and the result could be that this could contribute to the Trust being financially unsustainable in the future.

The current identified schemes have had their initial review and will be developed further as they go through the various Gateway processes. The identified schemes to date account for approximately in excess of 80% of the total target, however some of these schemes require further review and development. The aim is to have at least 100% of this target identified with deliverable schemes by 31<sup>st</sup> January 2018.

## 6. 2017/18 Sustainability & Transformation Fund (STF) and Control Totals

On 29 November 2017, all Trusts received a letter from NHS Improvement's Chief Finance Officer, outlining the plans for the use of the unallocated element of the STF. Taking the same approach as 2016/17, NHSI are incentivising Trusts to deliver a financial position that is better than their 2017/18 control total on a pound for pound basis bonus payment, meaning for every agreed £1 improvement above the control total, NHSI will award another £1 of STF revenue, resulting in an overall improvement of £2 in the 2017/18 performance.

The Trust Executives have reviewed the Trust's financial forecast and concluded it will not be possible to deliver an increased surplus in 2017/18. There are a number of transition and transformation projects still in progress and therefore the budgets set aside for these will be utilised by March 2018.