Enablers - Finance

Finance: Overview

The Trust has a surplus of £1.2m as its planned financial outturn in 2016-17. However, the first two quarters of the financial year have a deficit plan aligned to the 2015-16 final run rate with staged improvements required from July 2016 onwards.

The Trust's I&E position at the end of August is an actual deficit of £6.5m. This is £0.1m behind the planned deficit of £6.4m. The deficit position has been driven by continued use of temporary staff to maintain urgent care services and additional capacity that has remained open due to the volume of patients that have remained in hospital. Non-pay costs are higher than planned due to the use of the private sector to support RTT delivery and out of hospital purchase of beds.The Trusts plan by the end of quarter 2 year to date is a deficit position of £5.9m. Therefore to deliver this position the Trust is required to achieve a small surplus in September. There is a delivery risk and a review of potential adjustments relating to non-operating expenditure are being investigated to mitigate the position in the shortterm. Significant improvements in financial performance are required from quarter 3 of 2016-17.

The Trust has completed a Quarter 1 review of the forecast year end position. Under a potential realistic scenario this was shown to be challenging and with considerable risk. However, based on the number of variables and opportunities identified, it was considered still to be a deliverable objective at this point in the financial year. A Quarter 2 review will provide an update to this position in due course.

The Trust has spent £3.6m of capital against a programme for the year to date of £6.0m. The Trust has a cash balance of £5.1m at the end of August. The minimum level of cash holding was expected to be £2.5m. Currently the trust has drawn down £37.3m of its working capital facility. The Trust has been advised that the cash support application submitted to the Independent Trust Financing Facility (ITFF) meeting in February was not taken forward and the Trust continues to be in discussion with the NHSI about the implications and management of this.

Enablers - Finance

Finance: Overview

Finance Report Month 05 2016/17

Financial Sustainability Risk Rating — R

	Liquidity	Capital Servicing	Overall
Year to Date	1	1	2
Year End Forecast	1	2	2

The Financial Sustainability Risk Rating adds 2 further metrics to Monitor's Continuity of Services Risk Rating (CoSRR). The trust's risk rating at the end of June is a '1', which is in line with plan. The end of year forecast indicates a risk rating is a 2, this is because the trust is forecasting achievment of the I&E plan.

NB - a NHS trust is rated as Red for its Financial Sustainability Risk Rating unless it achieves a score below 2.5.

(Surplus)/Deficit £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	6,374	6,489	(115)
Year End Forecast £	(1,200)	(1,200)	(0)

The Trust is reporting a £6.5m year to date deficit at the end of August; this is £0.1m adverse to the Financial Plan submitted to NHS Improvement. The Trust continues to review its forecast position and CSC's have all completed forecast scenarios, highlighting the risk and opportunities to improve financial performance. These are currently being reviewed and will be presented to Executives through the performance review framework. The financial position reflects the Trusts assessment of activity and income levels delivered for the year to date position.

Cash £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	2,500	5,103	(2,603)
Year End Forecast £k	2,500	2,500	0

The plan reflects the July 2016 TDA submission and is based on the receipt of Sustainability and Transformation Plan funding and the achievement of the planned control total for the year. The Trust has made request to draw against it's temporary financing facility in September, which will result in the limit being increased to £40.9m.

Income £k — G

	Plan	Actual / Forecast	Variance
Year to Date £k	218,787	222,516	(3,729)
Year End Forecast £k	544,399	544,399	0

Overall the Trust is reporting a favourable variance of the income plan year to date. The Trust SLA income has an over performance of £4.0m. This is offset by equivalent pressures of £0.2m in Private Patient income recovery and in Non clinincal income of £0.1m. Conversations with the CCGs on perfomance issues are on-going relating to the treatment of CQUINs and payment for activity and this carries a risk. The Trust's estimate of activity related income for 2016/17 is significantly higher than Commissioners. Therefore, there is a risk of securing the levels of planned income. The Trust continues to work with Commissioners to find effective plans to mitigate these risks and find a joint position in relation to this.The financial position reflects the Trusts assessment of activity and income levels delivered for the year to date position and includes the relevant propotion of STP funding (£6.1m). The Trust had agreed Payment by Results (PbR) contracts with both Local Clinical Commissioning Groups and NHS England.

Operating Costs £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	209,828	213,817	3,989
Year End Forecast £	506,206	506,106	(100)

At the end of August the Trust is reporting a £3.989m overspend against operating expenditure. Pay is £2.0m adverse to plan year to date. The pay overspend against profiled budget year to date links to a continued reliance on premium rate staff costs to both unscheduled and scheduled care to maintaiin capacity. The variance also links to an under-delivery of the workforce CIP plans. In addition, the on-going costs of additional capacity assumed to be closed as part of the Trusts Unscheduled Care Improvement Plan have further impacted on the expenditure trends against pay budgets. The non-pay variance links to higher than planned levels of clinical supplies of £0.7m, Outsourcing in Gastro of £0.6m, in Urology of £0.1m and for Out of hospital services of £0.2m.

Capital £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	5,969	3,610	2,359
Year End Forecast £k	18,500	18,360	140

The has trust spent £0.7m capital in August and £3.6m year to date. This is less than plan YTD due to a linear capital profile being included in the original plan.

The Trust is to establish a Capital Investment Group, with associated sub committees for Medical Devices, IT, Estates and Service Development. The sub committees will be responsible for the reprioritisation of the programme during the year. This will strengthen the governance around capital and ensure progress against plans is monitored and reported regularly.

Cost Improvement Plans £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	6,081	6,521	(440)
Year End Forecast £k	32,200	32,200	0

The total value of the savings programme is £32.2m in 2016-17. The process of developing saving workplans is ongoing but to date potential opportunities have been identified of £31.2m. Savings requirements escalate within the plan in the course of the year. In month 5 the savings plan was for £1.87m. Delivery against this was valued at £1.45m. There remain material risks associated with the full delivery of CIP targets and this will be covered in a separate report to the Finance Committee. The savings figure reported of £6.521m is gross of investments.

Key Risks:

The key financial risks relate to controlling the deficit position encountered in the first two quarters of the year and tranforming this position into a subsequent surplus. Any difficulties related to this action is likely to adversely affect cash flow resulting in debtor and creditor management, and potential revisions to the capital plan. The key risks are: (a) Maintaining the performance of the budgetary control enviroment (b) Achieving income targets (c) The identification and delivery of a full financial improvement plan (d) The delivery of performance trajectories. The financial risk associated with delivering the quarter 2 plan and the year end surplus plan for the financial year is in progress.