

Finance Report – Month 5 August 2016

Date of report:	21 st September 2016
Lead Director:	Simon Crowther, Executive Director of Finance
Purpose of report:	Assurance and information
Strategic Objective:	Efficient use of resources
Situation:	<ul style="list-style-type: none"> • Report on various aspects of Trust performance as they relate to the financial position at period 5, for the financial year ending March 2017 • Ensure the Trust will continue to maintain a Financial Sustainability risk rating of at least 3 over the next 12 months • To confirm an exception report required to NHS Improvement regarding agency expenditure for month 5.
Background:	<ul style="list-style-type: none"> • NHSI Risk Assurance Framework

The Board of Directors are asked to note the above and the following detail:

High Level Financial Summary – August 2016 (Month 5)

Measure	Plan to date	Actual to date	Forecast Outturn	Annual Plan	RAG
Financial Sustainability Risk Rating (FSRR)	4	4	4	4	4
EBITDA (£'m)	13.7	14.1	32.0	32.0	4
EBITDA %	7.3%	7.5%	7.1%	7.1%	4
Net surplus before impairments (£'m)	3.8	4.2	8.1	8.1	4
Net I&E Margin %	2.0%	2.2%	1.8%	1.8%	4
Cash (£'m)	44.5	43.0	35.7	35.7	4
Capital Expenditure (£'m)	5.5	5.4	17.0	17.0	4

Financial Sustainability Risk Rating (FSRR)	Weight	Rating Categories				F'cast
		4	3	2	1	
NHSI						
Capital Servicing Capacity (x)	25%	2.5	1.75	1.25	<1.25	
Liquidity (days)	25%	0	-7	-14	<-14	
I&E Margin (%)	25%	>1.0%	0-1%	(1)-0%	<(1)%	
I&E Margin variance % of income	25%	>0%	(1)-0%	(2)-1%	<(2)%	
NHCFT Performance - Month 5 YTD						
Capital Servicing Capacity (x)	25%		2.37	-	-	3
Liquidity (days)	25%	20.5	-	-	-	4
I&E Margin %	25%	2.2%				4
I&E Margin variance % of income	25%	0.2%				4

Performance

- Year to date (YTD) surplus is £4.2m vs. plan of £3.8m.
- Cash holdings at the end of August are £43.0m.
- YTD Capex is £5.4m vs. plan of £5.5m.
- YTD CIP is £4.7m vs. plan of £4.7m.
- The Trust's Risk Rating (FSRR) is 4.

Forecast

- Surplus outturn on plan at £8.1m.
- Cash outturn on plan at £35.7m.
- Capital outturn on plan at £17.0m.
- CIP outturn on plan at £14.5m.
- The Risk Rating (FSRR) outturn is 4.

NHSI financial sustainability risk framework aims to identify whether the financial situation of a provider could place key NHS services at risk. To be deemed financially viable and avoid potential enhanced monitoring Foundation Trusts need to demonstrate a FSRR of 4. There is the potential for an investigation if the FSRR falls below 3. At August 2016, the Trust is reporting a predicted rating overall of 4 as shown above.

The capital servicing capacity measure score is 3 as per plan. The remaining measures all have actual and forecast ratings of 4. This leads to an overall forecast FSRR rating of 4 at year end in line with plan.

NHSI have consulted on a single operating framework that will be in place from October. The September report will explain the changes and shadow report our position at month 6.

Financial Scorecard

Rolling monthly performance (past 6 months includes part of 15/16 financial year)

Category	Metric	Period of Measure	Plan	Actual	Variance	RAG
			Aug-16			

Month minus 1	Month - 2	Month - 3	Month - 4	Month - 5	Month - 6
Jul-16	Jun-16	May-16	Apr-16	Mar-16	Feb-16

Governance	Financial Sustainability Risk Rating	YTD	4	4	-	GREEN
		Forecast	4	4	-	GREEN

4	4	4	4	4	4
4	4	4	4	4	4

I&E and Profitability	I&E Surplus (£'m)	In-Month	0.7	0.8	0.1	GREEN
		YTD	3.8	4.2	0.4	GREEN
		Forecast	8.1	8.1	0.0	GREEN
	EBITDA (£'m)	In-Month	2.7	2.7	0.0	GREEN
		YTD	13.7	14.1	0.4	GREEN
		Forecast	32.0	32.0	0.0	GREEN

1.5	0.5	0.5	0.9	-2.9	-0.4
3.4	1.9	1.4	0.9	4.7	7.6
8.1	8.1	4.6	4.6	4.5	4.5
3.5	2.5	2.5	2.9	-1.5	1.9
11.4	7.9	5.4	2.9	27.4	28.9
32	32	28.4	28.4	27.4	27.7

Efficiency	CIP Achievement (£'m)	In-Month	1.1	1.1	0.0	GREEN
		YTD	4.7	4.7	0.0	GREEN
		Forecast	14.5	14.5	0.0	GREEN
	CQUIN (£'m)	YTD	3.2	3.2	0.0	GREEN
		Forecast	7.6	7.6	0.0	GREEN

1.0	0.8	0.9	0.9	1.4	1.5
3.6	2.6	1.8	0.9	14.7	13.3
14.5	14.5	14.5	14.5	14.7	14.7

Liquidity	Cash (£'m)	YTD	44.5	43.0	-1.5	AMBER
		Forecast	35.7	35.7	0.0	GREEN
	Capital Expenditure (£'m)	YTD	5.5	5.4	-0.1	GREEN
		Forecast	17.0	17.0	0.0	GREEN

42.4	40.5	38.2	39.1	38.0	48.4
35.7	35.7	33.0	33	37.2	37.2
4.3	3.0	1.8	0.8	10.3	8.8
17.0	17.0	17.0	17	10.5	10.5

Workforce	Substantive, bank and overtime (WTE)	YTD	8,564.0	8,447.7	-116.3
	Agency Staff (WTE)	YTD	159.2	186.0	26.8
	Total (WTE)	YTD	8,723.2	8,633.7	-89.5
	Total Agency Spend % of total pay	YTD	3.5%	3.6%	0.1%
	Nursing Agency Spend % of nursing pay	YTD	2.9%	2.5%	-0.4%

8,417.4	8,430.2	8,480.1	8,452.4	8,575.6	8,513.2
174.0	186.3	165.4	184.0	239.5	216.0
8,591.4	8,616.5	8,645.5	8,636.4	8,815.1	8,650.1
3.7%	3.7%	3.7%	3.9%	5.2%	5.1%
2.5%	2.7%	2.8%	2.6%	4.0%	4.0%

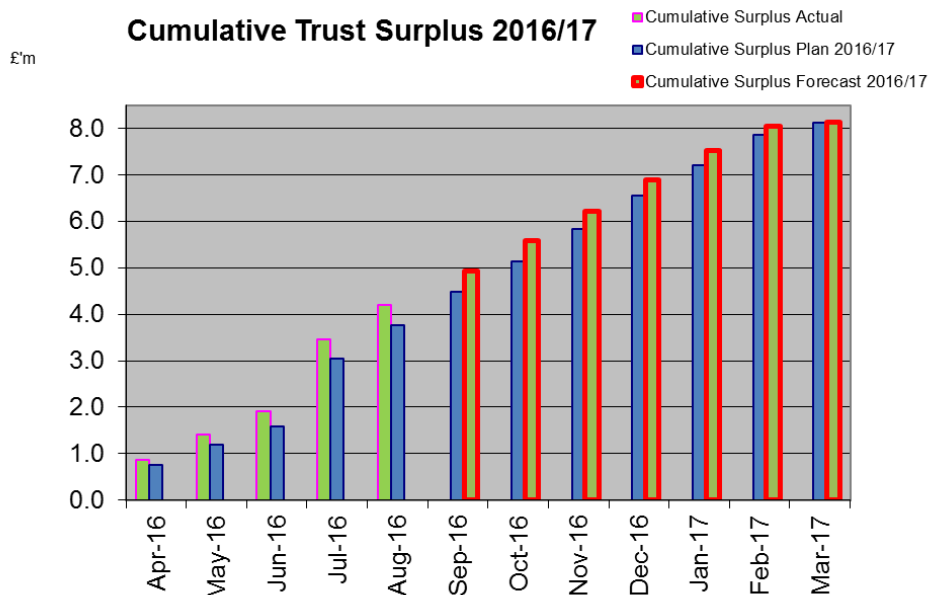
RAG RATING :

GREEN	Position favourable or On target to date / forecast
AMBER	Under target but expected to achieve plan
RED	Under target and risk of non achievement

The Trust has been set a total agency cap for 2016/17 of £11.082m. At month 5 the Trust is £55k over the month 5 cap set. Based on current run rates the Trust forecasts to exceed the cap by £335k. The Trust has applied to NHSI for an increase in the cap of £385k to allow for the agency related CNCS expenditure.

Financial Performance and forward look

Cumulative Trust Surplus 2016/17



Forecast Performance

As previously reported, the revised and agreed control total is now included in all financial reporting. At month 5 Surplus, Cash, Capital & FSRR are all forecast to achieve the revised plan as submitted in June. CIP forecast is for achievement although an increasing portion of this will be met non-recurrently.

Last months report noted an emerging number of pressures and risks requiring mitigation and corrective action. These are shown below and highlighted throughout the report where appropriate.

National Position

The national position for Q1 has been reported. At Q1, the current deficit for the provider sector is £462m. Whilst this is ahead of plan by £5m, it includes £450m from the £1.8bn Sustainability Fund set aside to bring the sector back to financial balance. To date the national forecast outturn has not been reported.

Risks to delivery of forecast financial position

- The current surplus performance to date is £442k above plan, although the differences are marginal at this early stage in the financial year.
- As at Month 5 the Trust is reporting achievement of its revised plan but the following key risks to achievement of financial targets are flagged for the attention of the Board:

Area	Risks/Overspends £'000
Local Services	3,005 Pressures due to out of area placements, agency and bank expenditure, & IAPT AQP income
CIP recurrent carry forward	1,678 Relating to Local Services and Corporate schemes. See page 10

- As reported on page 3 the Trust is currently forecasting a risk of exceeding its agency cap set by NHSI by £335k. There is potential that this could result in some loss of the Sustainability & Transformation Fund.

Financial Performance – Income & Expenditure

I&E Summary @ August'16	Annual Plan	Plan to date	Actual to date	Variance to date	Variance to date	Forecast
	£'000	£'000	£'000	£'000	%	£'000
INCOME						
Total Clinical Income	411,830	171,852	170,857	-995	-0.6%	410,316
Education & Training	10,643	4,057	4,333	276	6.8%	11,105
Research	5,851	2,344	2,366	22	0.9%	5,791
Other Operating Income	24,238	10,514	10,842	328	3.1%	26,238
Total Non Clinical Income	40,732	16,915	17,541	626	3.7%	43,134
TOTAL Income	452,562	188,767	188,398	-369	-0.2%	453,450
EXPENDITURE						
Pay Expenditure - Substantive	322,961	134,321	132,448	-1,873	-1.4%	322,039
Pay Expenditure - Agency	11,082	4,931	4,986	55	1.1%	11,417
Total Pay Expenditure	334,043	139,252	137,434	-1,818	-1.3%	333,456
Drugs & Supplies	17,306	7,149	7,464	315	4.4%	18,123
Purchase of Healthcare Services	12,705	5,584	6,427	843	15.1%	14,008
Other Non Pay Expenses	56,533	23,058	22,950	-108	-0.5%	55,865
Total Operating Expenditure	420,587	175,043	174,275	-768	-0.4%	421,453
EBITDA	31,975	13,724	14,123	399	2.9%	31,997
Depreciation	10,400	4,296	4,311	15	0.3%	10,473
Net Finance Costs	2,010	905	847	-58	-6.4%	1,959
PDC Dividends Payable	11,435	4,765	4,765	0	0.0%	11,435
Surplus / (Deficit) Pre Impairments	8,130	3,758	4,200	442	11.8%	8,130
Impairments	0	0	-951	-951	0.0%	-951
Retained Surplus	8,130	3,758	3,249	-509	-13.5%	7,179
Surplus Margin %	1.8%	2.0%	2.2%	0.2%		1.8%
EBITDA Margin %	7.1%	7.3%	7.5%	0.2%		7.1%

Overall clinical income is marginally behind plan, due to lower cost per case and non contract activity. There are minor variances in non-clinical income mainly due to timing along with ad-hoc non recurrent income that was not assumed in the plan.

Pay costs overall are 1.4% below plan at month 5, reflecting vacancies and lower proportion of pay costs from the new contracts for IAPT and community services. Agency costs exceed the YTD cap at August by £55k, and the current forecast is for this to increase £335k by the end of the year. The Trust has applied to NHSI for an increase of £385k to the cap set, in relation to the agency costs incurred by the Trust following the demise of CNCS. Without this exceptional cost for a service that was not anticipated in our plan the Trust agency forecast would be within the cap set.

Non-pay costs are 3% above plan due to timing, and high out of area bed costs when compared to plan.

EBITDA & Surplus both above plan.

The impairment of £951k recognises the effect of the impairment of Calverton House at Highbury Hospital, which was revalued prior to demolition. This does not form part of the control total target set.

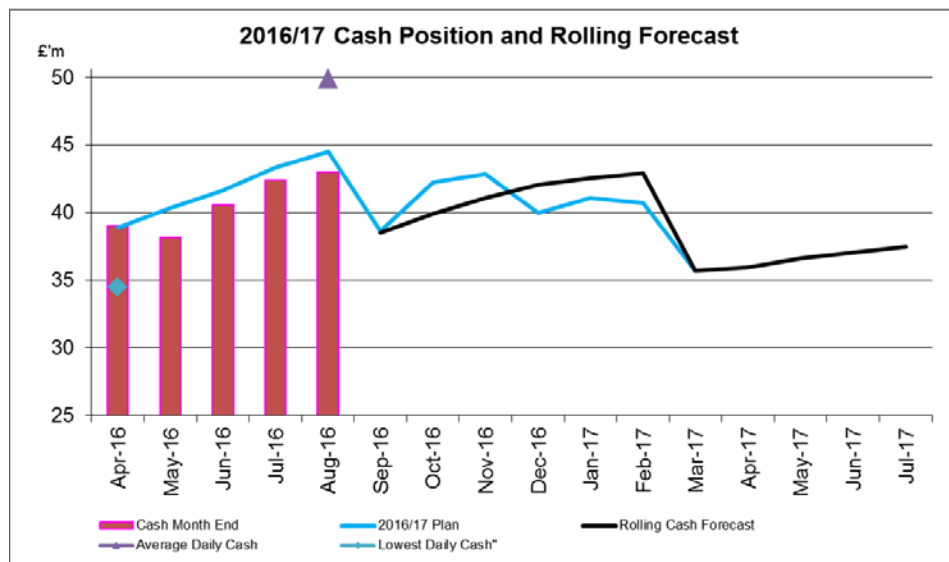
Summary Statement of Financial Position

	Mar'16 Actual £000	Aug'16 Plan £000	Aug'16 Actual £000	Aug'16 Variance £000	Mar'17 Forecast £000
NON CURRENT ASSETS					
Property, Plant & Equipment	372,158	373,326	372,444	-882	377,760
Intangible Assets	1,773	1,774	1,651	-123	1,745
	373,931	375,100	374,095	-1,005	379,505
CURRENT ASSETS					
Stocks	466	416	355	-61	391
Trade and other receivables	17,839	20,071	25,910	5,839	19,272
Cash at bank and in hand	38,006	44,531	43,037	-1,494	35,730
Non-Current Assets Held for Sale	0	0	0	0	0
	56,311	65,018	69,302	4,284	55,393
CURRENT LIABILITIES					
Trade and other payables	-33,389	-39,806	-43,774	-3,968	-31,767
Borrowings	-729	-780	-755	25	-743
Provisions for Liabilities and Charges < 1 year	-722	-721	-582	139	-582
	-34,840	-41,307	-45,111	-3,804	-33,092
NET CURRENT ASSETS/ LIABILITIES	21,471	23,711	24,191	480	22,301
NON CURRENT LIABILITIES					
Creditors: Amounts falling due over one year	-203	-203	-198	5	-203
Borrowings	-20,901	-20,552	-20,570	-18	-20,155
Provisions for Liabilities and Charges > 1 year	-5,001	-5,001	-4,972	29	-4,972
	-26,105	-25,756	-25,740	16	-25,330
TOTAL ASSETS EMPLOYED	369,297	373,055	372,546	-509	376,476
FINANCED BY:					
Public Dividend Capital	240,537	240,537	240,537	0	240,537
Revaluation Reserve	152,079	152,080	152,080	0	152,080
Income & Expenditure Reserve	-23,319	-19,562	-20,071	-509	-16,141
TOTAL TAXPAYERS EQUITY	369,297	373,055	372,546	-509	376,476

- Healthy cash position at month 5 though slightly below plan. Of the £25.9m debtor balance, £15.2m relates to collectable debt. The remainder consists of prepayments and accrued income.
- As these are replaced by invoices raised during August/September this will improve the cash position. Forecast cash in line with revised plan at £35.7m.

Summary Statement of Cash Flow

DETAILED CASHFLOW FOR THE PERIOD 1 APRIL 2016 to 31 AUGUST 2017	Actual	Forecast	Forecast
	YTD	Annual	Rolling
	Aug'16	Mar'17	Aug'17
	£000	£000	£000
Total operating surplus	9,812	21,523	16,861
Depreciation	4,311	10,474	10,663
Movement in working capital & non cash entries	-3,244	-4,329	-3,335
Net cash inflow from operating activities	10,879	27,668	24,189
Interest received	71	142	146
Interest element of finance lease rental payments	-844	-2,026	-2,032
Net cash inflow from returns on investments and servicing of finance	-773	-1,884	-1,886
Cash payments to acquire fixed assets	-4,771	-15,893	-15,272
Proceeds from disposals	0	0	0
Dividends Paid	0	-11,436	-11,436
NET CASH INFLOW BEFORE FINANCING	5,335	-1,544	-4,404
FINANCING:			
Public Capital Dividend repaid	0	0	0
New public dividend capital received	0	0	0
Capital element of finance lease rental payments	-304	-732	-733
Net cash outflow from financing	-304	-732	-733
increase (decrease) in cash	5,031	-2,276	-5,137
opening balance	38,006	38,006	43,037
closing balance	43,037	35,730	37,900

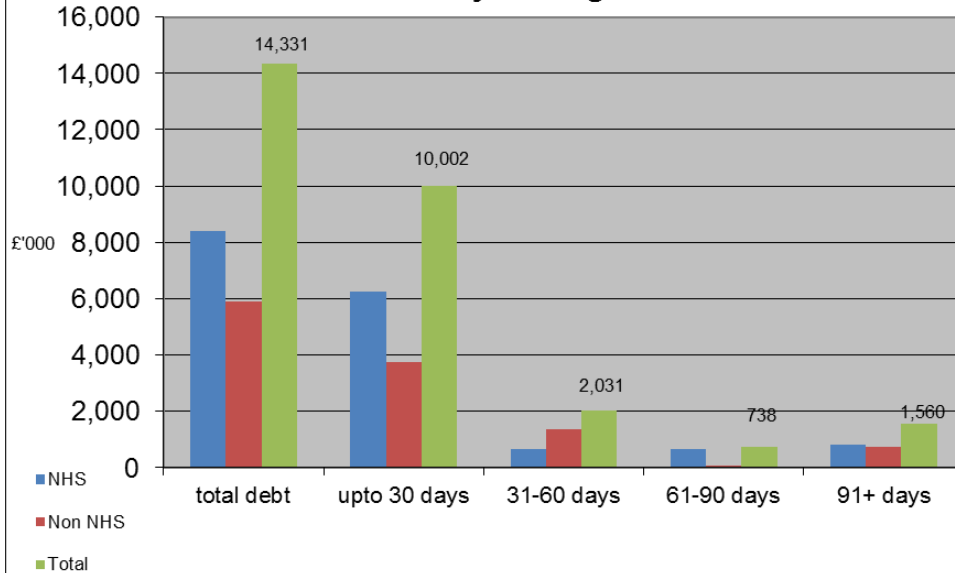


- Trust liquidity remains significantly above the maximum metric score of 4 with headroom of c.£21m, before this metric would reduce to a score of 3.
- Lowest daily cash balance - £34.5m (15 Apr)
- Highest daily cash balance - £76.0m (16 Aug)
- Average daily cash balance - £49.9m

Financial Performance – Working Capital

Debtors

Debt Analysis August'16



Trade Debtors aged over 90 days has reduced to 10.9%. NHS Property Services remain the single largest trade debtor with £481k of debt outstanding beyond 90 days, and no payments made this month. Nottingham City Council appear this month with debts totalling £168k, there is an agreement to pay however payment has yet to be received. The other top 5 debtors have seen very little movement. The top 5 below represent 58% of all debtors over 90 days.

<u>Top 5 Debtors over 90 days</u>	<u>90+ Since</u>	<u>Amount '£</u>
NHS PROPERTY SERVICES LTD	Mar'16	481,227
NOTTINGHAM CITY COUNCIL	this month	167,829
CARILLION (AMBS) LTD	Sep'15	93,831
BARCHESTER HEALTHCARE	Sep'15	88,123
SHERWOOD FOREST HOSPITAL	Jul'16	73,646

Creditors

<u>Better Payment Practice Code</u>	<u>Target</u>	<u>RAG</u>	<u>Aug'16 YTD</u>
BPPC - NHS (by value) %	95.0%	Green	99.2%
BPPC - NHS (by volume) %	95.0%	Red	93.9%
BPPC - Non NHS (by value) %	95.0%	Green	98.1%
BPPC - Non NHS (by volume) %	95.0%	Red	94.8%

Both targets not being achieved relate to volume rather than value of invoices.

The overall position has improved since month 4. The NHS volume target was met in month 5. The Non-NHS volume achieved was 94.7% in month 5.

Capital Expenditure

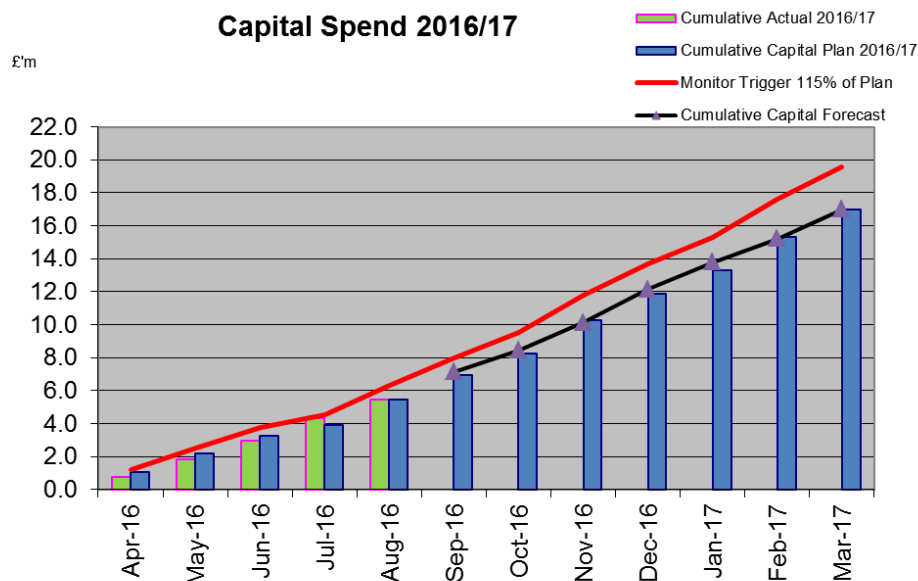
Category	Annual Plan	Plan to date	Actual to date	Forecast Outturn
	£ 000's	£ 000's	£ 000's	£ 000's
C&D Block	3,099	2,784	2,385	2,895
Arnold Lodge Phase 3	102	0	17	17
CAMHS & Perinatal reprovion	9,998	1,195	2,698	8,340
Subtotal Major Capital	13,199	3,979	5,100	11,252
Local Services Backlog	213	10	46	186
Forensic Services Backlog	142	92	171	232
Misc minor schemes	2,073	413	64	2,130
IT & Communications infrastructure	1,180	878	2	1,277
Equipment various	193	93	15	199
Unallocated and contingencies	0	0	28	1,724
Subtotal minor capital etc	3,801	1,486	326	5,748
Total	17,000	5,465	5,426	17,000

As a Foundation Trust Nottinghamshire Healthcare is not subject to a Capital Resource Limit currently. Instead NHSI have treated divergence from Plan (up or down) of 15% or more as a trigger for scrutiny and possible action including a requirement to resubmit Plans. Within this limit there is flexibility to underspend against Plan or increase capital expenditure should the Trust choose and have the resource to do so.

Expenditure is approximately 1% behind Plan at the end of month 5. This reflects accelerated progress on the CAMHS & Perinatal Re-provision offsetting delayed expenditure in other areas including IT and C&D Block.

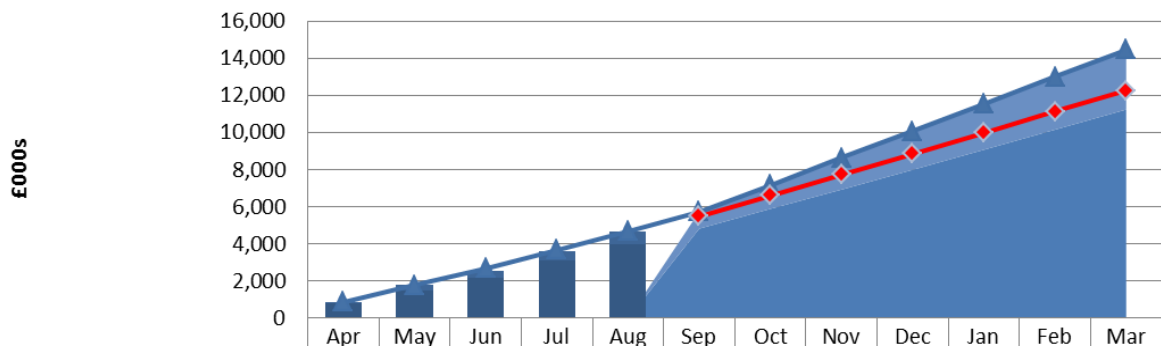
The expenditure profile for the CAMHS and Perinatal re-provision has been revised reducing this years commitment on the scheme. Options for bringing forward alternative prioritised schemes are being explored and the outturn forecast remains in line with plan at £17.0m.

Capital Spend 2016/17



Efficiency – CIP

CIP Delivery 16/17



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Forecast Non-rec						915	1,286	1,704	2,088	2,472	2,856	3,238
Forecast Recurrent						4,840	5,909	6,948	8,018	9,100	10,185	11,267
Non-Rec Delivery	117	328	358	537	722							
Recurrent Delivery	781	1,468	2,206	3,092	3,972							
Plan	898	1,796	2,703	3,688	4,694	5,755	7,195	8,652	10,106	11,572	13,041	14,505
High Risk						241	568	899	1,229	1,562	1,896	2,228
Delivery Excl High risk						5,514	6,627	7,753	8,877	10,010	11,145	12,277
Potential Carry Forward												1,678

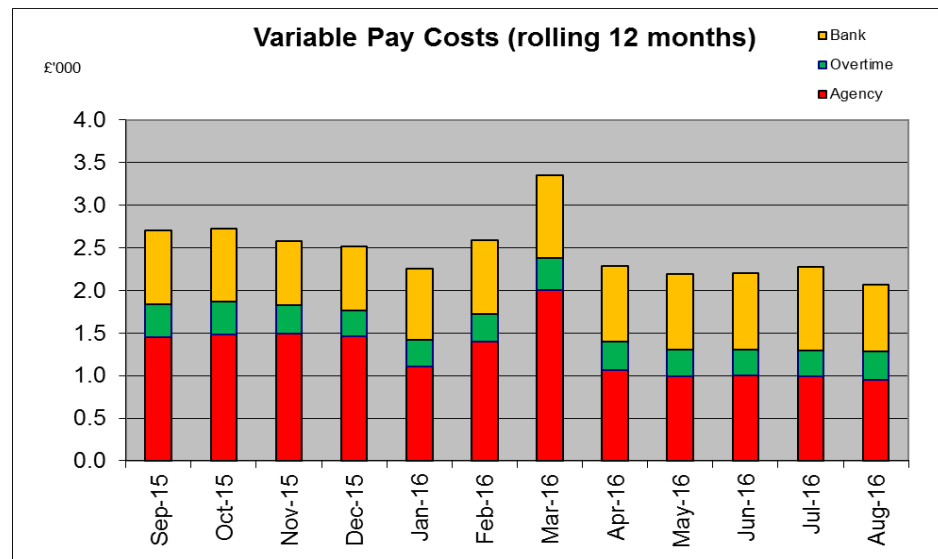
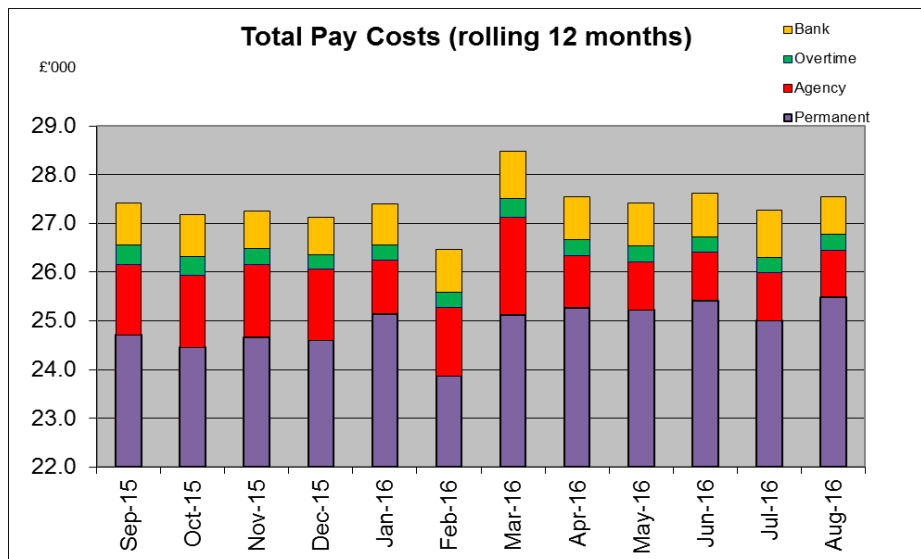
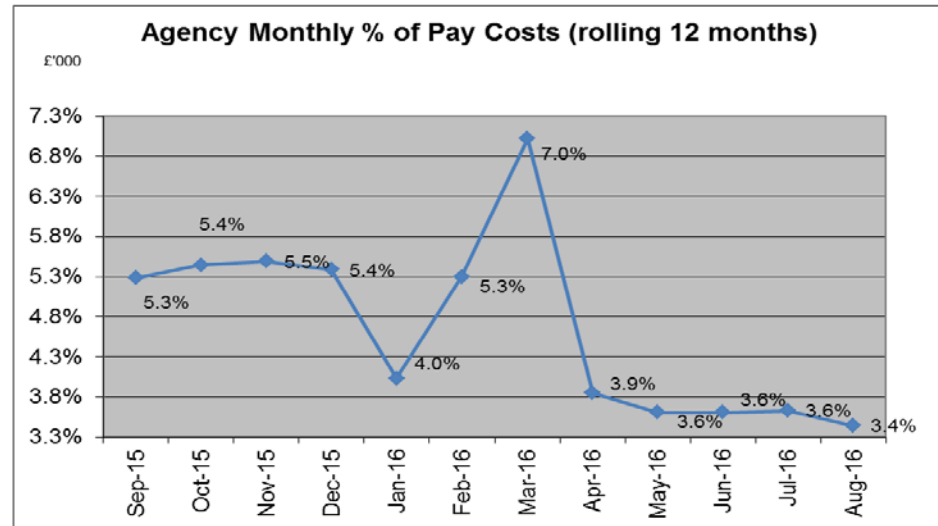
All schemes included within the annual plan for efficiency were rated for deliverability risk. 18% of those were rated high risk and 23% rated at medium risk. Following the conclusion of the contract round there is an additional level of risk and cost pressure that is primarily impacting on Health Partnerships. This is currently on track at month 5.

The above table shows current CIP delivery to date along with a forecast for the remainder of the year. The CIP assessed as high risk to deliver in the forecast has been shown separately to illustrate the forecast position should none of this high risk CIP be delivered. At month 5 delivery is in line with plan.

There is currently forecast a risk of £1.7m of carry-forward into 17/18, £1.3m relates to Local Services around new schemes that have yet to have had a timeline developed / gone through the appropriate authorisation process. The remaining £419k relates to Corporate Services.

Financial Performance – Pay & Workforce

Analysis of Workforce Numbers (WTE)	Mar'16 Actual	Aug'16 Plan	Aug'16 Actual
Medical and Dental staff	272.9	288.0	287.1
Registered Nurses, midwives & health visiting staff	2,784.2	2,769.2	2,723.4
Qualified Scientific, Therapeutic & Technical Staff	1,181.7	1,197.5	1,160.8
Support to clinical staff	2,141.3	2,081.1	2,139.5
Managers and Infrastructure Support	2,435.1	2,387.4	2,322.9
Total WTEs	8,815.2	8,723.2	8,633.7
Analysis of WTEs			
Substantive, bank and overtime staff	8,587.1	8,564.0	8,447.7
Agency staff	228.1	159.2	186.0
Total Trust WTEs	8,815.2	8,723.2	8,633.7



Financial Performance – Income Position

	Plan to Date £000	Actual to Date £000	Variance to Date £000	Annual Plan £000	Forecast Outturn £000	Forecast Variance £000
Local Services						
CCG contracts	50,647	50,231	-416	121,861	121,111	-750
NHS England contract	2,062	2,028	-34	4,948	4,868	-80
Cost per Case / Out of Area	1,474	1,594	120	3,537	3,767	230
Local Authority contracts	1,386	1,178	-208	3,176	2,113	-1,063
IAPT AQP	1,833	1,623	-210	4,185	3,815	-370
Other including directorate income	1,058	1,059	1	2,437	2,527	90
sub total clinical	58,460	57,713	-747	140,144	138,201	-1,943

Activity on the non-NTPS element of the Local MH/LD contract at M5 4.6% under plan. However most of the over-performance relates to the block element of the contract. The under performance on the cost per case elements create the year to date and forecast deficits on the CCG line.

For the NHSE contract for specialised non secure services, activity at M5 is at 7% under plan which equates to a £34k under-performance. AQP income is underperforming due to the disparity between patients in treatment and what can be invoiced. Detailed activity data and level of inappropriate referrals are under review as activity within the service is high.

	Plan to Date £000	Actual to Date £000	Variance to Date £000	Annual Plan £000	Forecast Outturn £000	Forecast Variance £000
Forensic Services						
NHS England Block - High Secure	39,968	39,916	-52	95,924	95,799	-125
Offender Healthcare	12,138	12,125	-13	28,375	28,467	92
Secure Cost and Volume	14,072	13,777	-295	33,772	33,065	-707
Secure Cost per Case/Out of Area	2,957	3,245	288	7,458	7,836	378
Community Forensic Block	914	918	4	2,194	2,204	10
Other including directorate income	791	647	-144	1,538	1,543	5
sub total clinical	70,840	70,628	-212	169,261	168,914	-347

The minor variance to date relates to lower cost per case income at Wells Road.

	Plan to Date £000	Actual to Date £000	Variance to Date £000	Annual Plan £000	Forecast Outturn £000	Forecast Variance £000
Health Partnerships						
County TCS	34,432	34,868	436	82,904	84,341	1,437
Bassetlaw TCS	6,373	5,584	-789	15,295	12,983	-2,312
Other incl directorate income	609	926	317	1,496	3,147	1,651
sub total clinical	41,414	41,378	-36	99,695	100,471	776
Childrens Centres NCFP	4,560	4,631	71	10,945	10,958	13

For HP, there has been a move since plan was set between CHP and BHP. This relates to Local Authority income coming through the one contract this year which is now all sat in CHP when the expectation at plan stage was that a contract split would continue.

There are minor income increases elsewhere from School Aged Immunisation team, and the City Podiatry tender.