

Finance Report – Month 11 February 2017

Date of report:	22 nd March 2017
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 11 for the financial year ending March 2017 • Ensure the Trust will continue to maintain a Use of Resource metric rating of at least 2 over the next 12 months • To confirm an exception report required to NHS Improvement regarding agency expenditure for month 11.
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 – February 2017 (Month 11)

Measure	Plan to date	Actual to date	Forecast Outturn	Annual Plan	RAG
Finance and Use of Resources (UOR)	1	1	2	1	Green
EBITDA (£'m)	29.7	29.7	32.0	32.0	Green
EBITDA %	7.2%	7.1%	7.0%	7.1%	Green
Net surplus before impairments (£'m)	7.9	8.0	8.1	8.1	Green
Net I&E Margin %	1.9%	1.9%	1.8%	1.8%	Green
Cash (£'m)	40.7	46.3	35.7	35.7	Green
Capital Expenditure (£'m)	15.3	14.7	17.0	17.0	Green

Finance and Use of Resources Metric	NHSI Definition	Weight	Rating Categories				Fcast
			1	2	3	4	
Capital Servicing Capacity (x)	degree to which the providers generated EBITDA covers its financial obligations	20%	2.5	1.75	1.25	<1.25	
Liquidity (days)	days of operating costs held in cash form, including credit available for drawdown	20%	0	-7	-14	<-14	
I&E Margin (%)	I&E Surplus or deficit / total revenue	20%	>1.0%	0-1%	(1)-0%	<(1)%	
Distance from financial plan	YTD I&E surplus/deficit actual in comparison to YTD I&E surplus/deficit plan	20%	>0%	(1)-0%	(2)-1%	<(2)%	
Agency Spend	Distance from provider's cap	20%	<0%	0%-25%	25-50%	>50%	
Month 11 Performance - YTD							
Capital Servicing Capacity (x)		20%		2.3	-	-	2
Liquidity (days)		20%	20.3	-	-	-	1
I&E Margin %		20%	1.9%				1
Distance from financial plan		20%	0.01%				2
Agency Spend		20%		9.3%			2

Performance

- Year to date (YTD) surplus is £8.0m vs. plan of £7.9m.
- Cash holdings at the end of February are £46.3m.
- YTD Capex is £14.7m vs. plan of £15.3m.
- YTD CIP is £12.9m vs. plan of £13m.
- The Trust's Use of Resources Rating (UOR) is 1.

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 Use of Resources Rating (UOR) outturn is 2.

From October 1st NHSI replaced the financial sustainability risk framework with the Single Oversight Framework. Finance and Use of Resources is one of the 5 key themes considered. NHS providers are segmented from 1 to 4 according to the scale of issues they face across the 5 themes. It is important to note that 1 is now the optimum score as opposed to 4 as it was previously.

At February 2017, the Trust is reporting a UOR of 1, with an overall forecast score of 2. The capital servicing and agency metric both have a metric score of 2. The calculation of the distance from financial plan at year end is also a 2 despite the Trust forecasting to meet its surplus plan. This is due to the fact the Trust has an increased forecast income above its plan, and the measure subtly expects any increase in income to be matched with an increase in surplus at the I&E margin %, all other metrics are at the optimum level of 1 at M11 YTD and forecast.

Financial Scorecard

Rolling monthly performance (including past 6 months)

Category	Metric	Period of Measure	Plan	Actual	Variance	RAG
			Feb-17			

Month minus 1	Month - 2	Month - 3	Month - 4	Month - 5	Month - 6
Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16

Governance	Use of Resource	YTD	1	1	-	GREEN
		Forecast	1	2	-	

1	1	1	1	4	4
1	1	2	2	4	4

I&E and Profitability	I&E Surplus (£'m)	In-Month	0.6	0.6	0.0	GREEN
		YTD	7.9	8.0	0.1	
		Forecast	8.1	8.1	0.0	
	EBITDA (£'m)	In-Month	2.6	2.6	0.0	GREEN
		YTD	29.7	29.7	0.0	
		Forecast	32.0	32.0	0.0	

0.6	0.8	0.6	0.7	0.5	0.8
7.4	6.8	6.0	5.4	4.7	4.2
8.1	8.1	8.1	8.1	8.1	8.1
2.5	2.7	2.7	2.6	2.5	2.7
27.1	24.6	21.9	19.2	16.6	14.1
32.0	32.0	32.0	32.0	32.0	32.0

Efficiency	CIP Achievement (£'m)	In-Month	1.6	1.5	-0.1	AMBER
		YTD	13.0	12.9	-0.1	
		Forecast	14.5	14.5	0.0	
	CQUIN (£'m)	YTD	7.0	6.6	-0.4	RED
		Forecast	7.6	7.2	-0.4	

1.4	1.4	1.4	1.4	1.1	1.1
11.4	10	8.6	7.2	5.8	4.7
14.5	14.5	14.5	14.5	14.5	14.5

Liquidity	Cash (£'m)	YTD	40.7	46.3	5.6	GREEN
		Forecast	35.7	35.7	0.0	
	Capital Expenditure (£'m)	YTD	15.3	14.7	-0.6	GREEN
		Forecast	17.0	17.0	0.0	

46.7	45.7	39.9	41.4	42.1	43.0
35.7	35.7	35.7	35.7	35.7	35.7
13.4	11.9	10.0	8.4	7.0	5.4
17.0	17.0	17.0	17.0	17.0	17.0

Workforce	Substantive, bank and overtime (WTE)	YTD	8,488.9	8,498.2	9.3
	Agency Staff (WTE)	YTD	141.7	137.7	-4.0
	Total (WTE)	YTD	8,630.6	8,635.9	5.3
	Total Agency Spend % of total pay	YTD	3.3%	3.7%	0.3%
	Nursing Agency Spend % of nursing pay	YTD	2.8%	2.6%	-0.2%

8,510.6	8,491.2	8,511.2	8,503.8	8,482.6	8,447.7
148.4	178.0	178.0	195.2	195.8	186.0
8,659.0	8,669.2	8,689.2	8,699.0	8,678.4	8,633.7
3.8%	3.8%	3.7%	3.6%	3.6%	3.6%
2.5%	2.5%	2.5%	2.4%	2.5%	2.5%

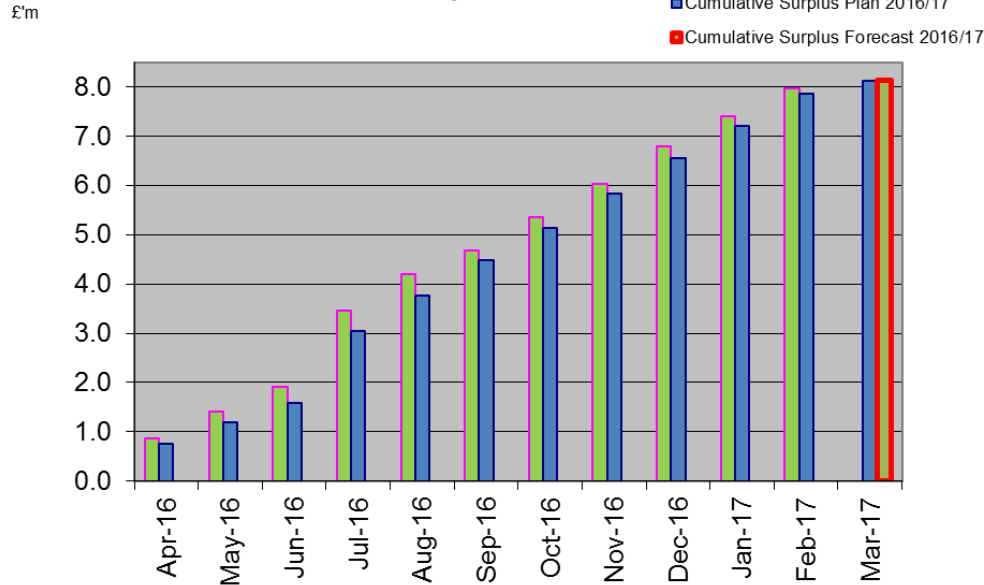
RAG RATING :

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 11 the Trust is £951k over the cap set.

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 11 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.

Emerging pressures and risks requiring mitigation and corrective action are shown below and highlighted throughout the report where appropriate.

Risks to delivery of forecast financial position

- The current surplus performance to date is £101k above plan at month 11.
- As at month 11 the Trust continues to forecast achievement of its plan and control total. There has been a further increase in private bed expenditure in month 11. Vanguard income and expenditure assumptions have now been revised resulting in an increase in both non-patient income and expenditure and Learning & Development income has increased.

Financial Performance – Income & Expenditure

I&E Summary @February'17	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	377,564	374,118	-3,446	-0.9%	409,569
Education & Training	10,643	9,475	10,045	570	6.0%	11,456
Research	5,851	5,158	5,608	450	8.7%	6,347
Other Operating Income	24,238	22,306	27,575	5,269	23.6%	30,835
Total Non Clinical Income	40,732	36,939	43,228	6,289	17.0%	48,638
TOTAL Income	452,562	414,503	417,346	2,843	0.7%	458,207
EXPENDITURE						
Pay Expenditure - Substantive	322,961	295,952	292,533	-3,419	-1.2%	319,564
Pay Expenditure - Agency	11,082	10,223	11,174	951	9.3%	12,042
Total Pay Expenditure	334,043	306,175	303,707	-2,468	-0.8%	331,606
Drugs & Supplies	17,306	15,702	16,698	996	6.3%	18,513
Purchase of Healthcare Services	12,705	11,685	14,576	2,891	24.7%	16,004
Other Non Pay Expenses	56,533	51,224	52,624	1,400	2.7%	60,083
Total Operating Expenditure	420,587	384,786	387,605	2,819	0.7%	426,206
EBITDA	31,975	29,717	29,741	24	0.1%	32,001
Depreciation	10,400	9,524	9,495	-29	-0.3%	10,380
Net Finance Costs	2,010	1,851	1,804	-47	-2.5%	2,055
PDC Dividends Payable	11,435	10,483	10,482	-1	0.0%	11,436
Surplus / (Deficit) Pre Impairments	8,130	7,859	7,960	101	1.3%	8,130
Impairments	0	0	-3,709	-3,709	0.0%	-3,709
Retained Surplus	8,130	7,859	4,251	-3,608	-45.9%	4,421
Surplus Margin %	1.8%	1.9%	1.9%	0.0%		1.8%
EBITDA Margin %	7.1%	7.2%	7.1%	0.0%		7.0%

Overall clinical income is behind plan, although £1.2m of this relates to the secondary commissioning of the Nottingham Recovery Network (NRN) service which is therefore now shown within other operating income. In Month 9 NHSI changed the treatment of STF funding with it now being treated as other operating income, this has resulted in a £2.2m movement between Clinical & Other Operating Income.

Pay costs overall are 0.8% below plan at month 11, reflecting vacancies and lower proportion of pay costs from the new contracts for IAPT and community services. Agency costs have reduced slightly in the period yet remain above the cap set by NHSI.

The primary Non-pay variance above plan relates to out of area bed placements at £2.2m over plan. With the remainder a result of timing & changes in assumed expenditure.

The additional £2.8m impairment in January related to the pending demolition of Fir's & Juniper at Rampton, and the changes in C&D block. Including the £951k already recognised for Calverton House this brings the total impairment to £3.71m

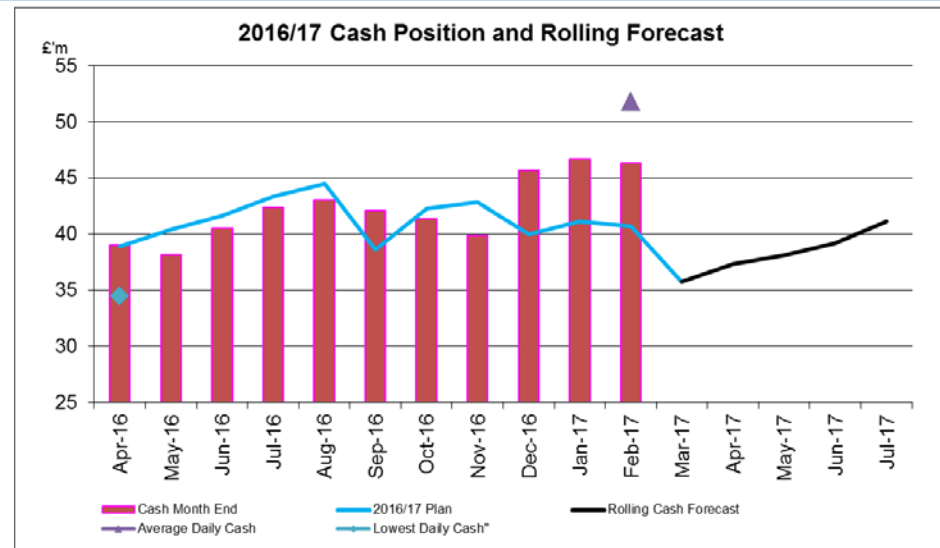
Summary Statement of Financial Position

	Mar'16 Actual £000	Feb'17 Plan £000	Feb'17 Actual £000	Feb'17 Variance £000	Mar'17 Forecast £000
NON CURRENT ASSETS					
Property, Plant & Equipment	372,158	377,926	373,732	-4,194	374,828
Intangible Assets	1,773	1,774	1,509	-265	1,768
	373,931	379,700	375,241	-4,459	376,596
CURRENT ASSETS					
Stocks	466	466	239	-227	391
Trade and other receivables	17,839	22,466	22,103	-363	18,981
Cash at bank and in hand	38,006	40,719	46,332	5,613	35,730
Non-Current Assets Held for Sale	0		0	0	0
	56,311	63,651	68,674	5,023	55,102
CURRENT LIABILITIES					
Trade and other payables	-33,389	-39,300	-43,181	-3,881	-30,868
Borrowings	-729	-780	-787	-7	-744
Provisions for Liabilities and Charges< 1 year	-722	-721	-578	143	-578
	-34,840	-40,801	-44,546	-3,745	-32,190
NET CURRENT ASSETS/ LIABILITIES	21,471	22,850	24,128	1,278	22,912
NON CURRENT LIABILITIES					
Creditors: Amounts falling due over one year	-203	-203	-191	12	-203
Borrowings	-20,901	-20,190	-20,173	17	-20,155
Provisions for Liabilities and Charges> 1 year	-5,001	-5,001	-5,432	-431	-5,432
	-26,105	-25,394	-25,796	-402	-25,790
TOTAL ASSETS EMPLOYED	369,297	377,156	373,573	-3,583	373,718
FINANCED BY:					
Public Dividend Capital	240,537	240,537	240,562	25	240,537
Revaluation Reserve	152,079	152,080	151,913	-167	151,927
Income & Expenditure Reserve	-23,319	-15,461	-18,902	-3,441	-18,746
TOTAL TAXPAYERS EQUITY	369,297	377,156	373,573	-3,583	373,718

- Impairment charge to Income and Expenditure noted on page 5 above is reflected in the Income and Expenditure Reserve on the Statement of Financial Position, and is matched by reduction in the value of non current assets
- Healthy cash position at month 11 and above plan by £5.6m. Of the £22m debtor balance, £9.7m relates to collectable debt. The remainder consists of prepayments and accrued income.
- Forecast cash is in line with revised plan at £35.7m.

Summary Statement of Cash Flow

DETAILED CASHFLOW FOR THE PERIOD 1 APRIL 2016 to 28 FEBRUARY 2018	Actual	Forecast	Forecast
	YTD	Annual	Rolling
	Feb'17	Mar'17	Feb'18
	£000	£000	£000
Total operating surplus	20,246	21,620	22,675
Depreciation	9,495	10,380	10,507
Movement in working capital & non cash entries	569	-4,947	-11,871
Net cash inflow from operating activities	30,310	27,053	21,311
Interest received	115	119	135
Interest element of finance lease rental payments	-1,858	-2,113	-2,136
Net cash inflow from returns on investments and servicing of finance	-1,743	-1,994	-2,001
Cash payments to acquire fixed assets	-14,048	-15,363	-20,665
Proceeds from disposals	175	175	0
Dividends Paid	-5,724	-11,435	-11,461
NET CASH INFLOW BEFORE FINANCING	8,970	-1,564	-12,816
FINANCING:			
Public Capital Dividend repaid	0	0	0
New public dividend capital received	25	25	0
Capital element of finance lease rental payments	-669	-737	-790
Net cash outflow from financing	-644	-712	-790
increase (decrease) in cash	8,326	-2,276	-13,606
opening balance	38,006	38,006	46,332
closing balance	46,332	35,730	32,726

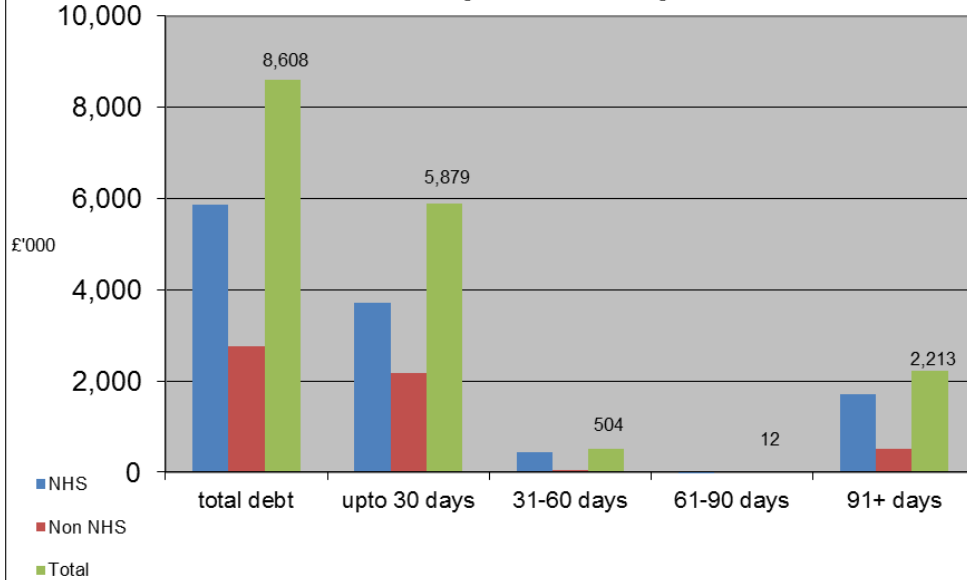


- Trust liquidity remains significantly above the maximum metric score of 1 with headroom of c.£20.9m, before this metric would reduce to a score of 2.
- Lowest daily cash balance - £34.5m (15 Apr)
- Highest daily cash balance - £79.4m (17 Jan)
- Average daily cash balance - £51.8m

Financial Performance – Working Capital

• Debtors

Debt Analysis February'17



Trade Debtors aged over 90 days has increased to 25.7%. NHS England remains in the top 5. The amount overdue related to a single invoice from our Offender Health contracts and has been paid in March. The top 5 below represent 74.8% 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	864,695
NHS ENGLAND Q76	Nov'16	433,292
NOTTINGHAM UNIVERSITY HOSPITALS	Jan'17	179,611
CARILLION (AMBS) LTD	Sep'15	89,658
BARCHESTER HEALTHCARE	Sep'15	88,123

Capital Expenditure

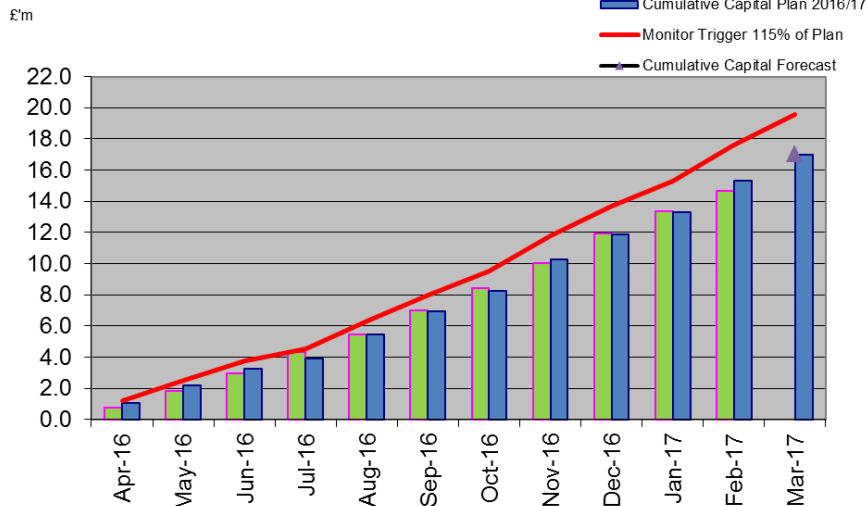
Category	Annual Plan	Plan to date	Actual to date	Forecast Outturn
	£ 000's	£ 000's	£ 000's	£ 000's
C&D Block	3,099	3,099	2,910	2,910
Arnold Lodge Phase 3	102	68	26	26
CAMHS and Perinatal reprovion	9,998	8,401	7,154	8,304
Sub total Major Capital	13,199	11,568	10,090	11,240
Local Services Backlog	213	213	405	933
Forensic Services Backlog	142	142	1,219	1,309
Misc minor schemes	2,073	2,062	1,790	1,791
IT & Communications infrastructure	1,180	1,165	829	1,291
Equipment var	193	143	225	325
Unallocated and contingencies	0	0	111	111
Sub total minor capital etc	3,801	3,725	4,579	5,760
Total	17,000	15,293	14,669	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.

Overall expenditure for the year to date is just under plan. Individual scheme performance differs from plan however, with Forensic Services Backlog continuing to offset some delayed expenditure within IT projects & CAMHS and Perinatal.

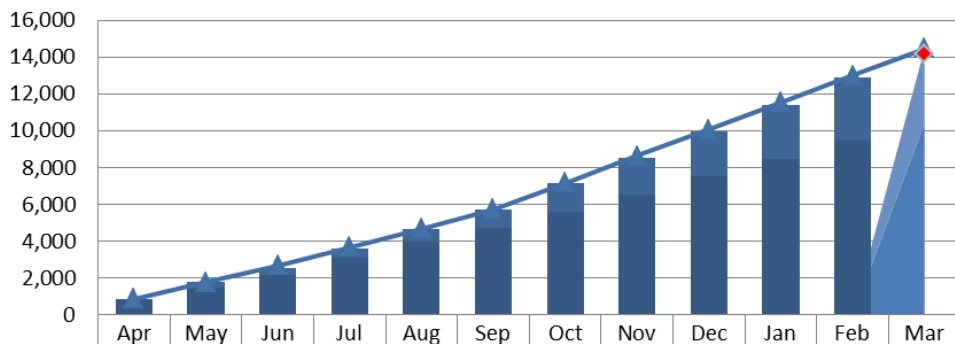
Following the re-allocation to other priorities of funds released from revisions to the CAMHS & Perinatal Re-provision scheme expenditure profile, the outturn forecast remains in line with plan at £17m.

Capital Spend 2016/17



Efficiency – CIP

CIP Delivery 16/17



Forecast Non-rec													4,069
Forecast Recurrent													10,436
Non-Rec Delivery	117	328	358	537	722	993	1,519	1,974	2,456	2,952	3,428		
Recurrent Delivery	781	1,468	2,206	3,092	3,972	4,762	5,634	6,580	7,539	8,495	9,475		
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												319	
Delivery Excl High risk												14,186	
Potential Carry Forward												3,320	

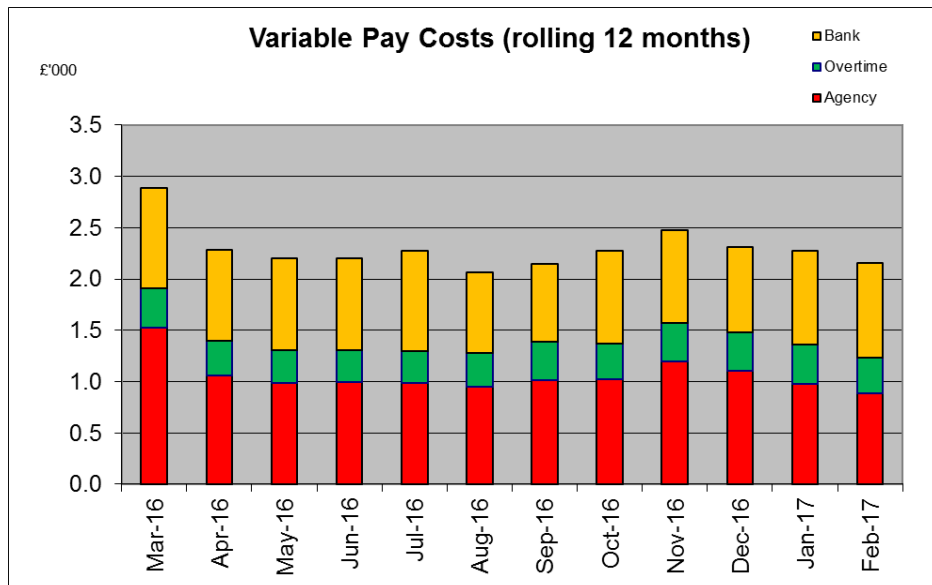
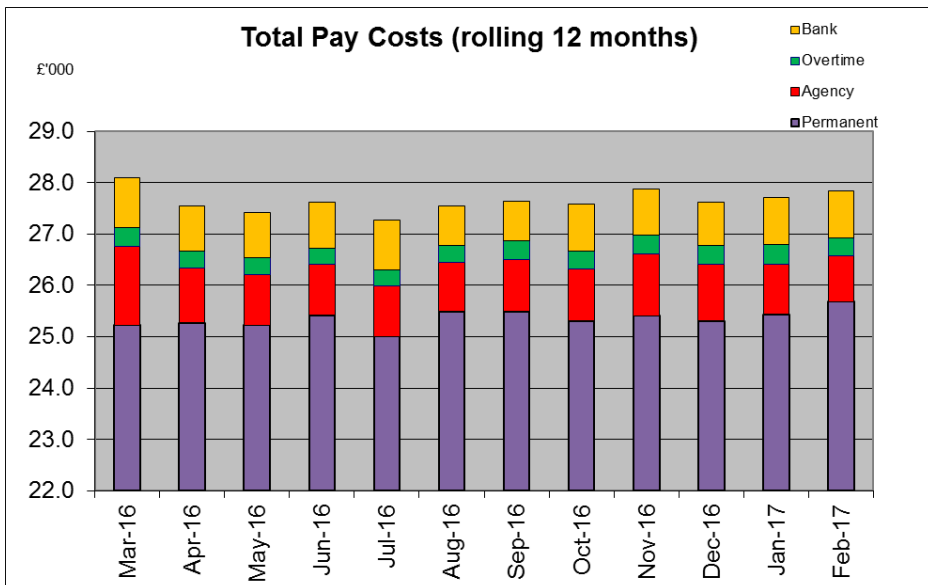
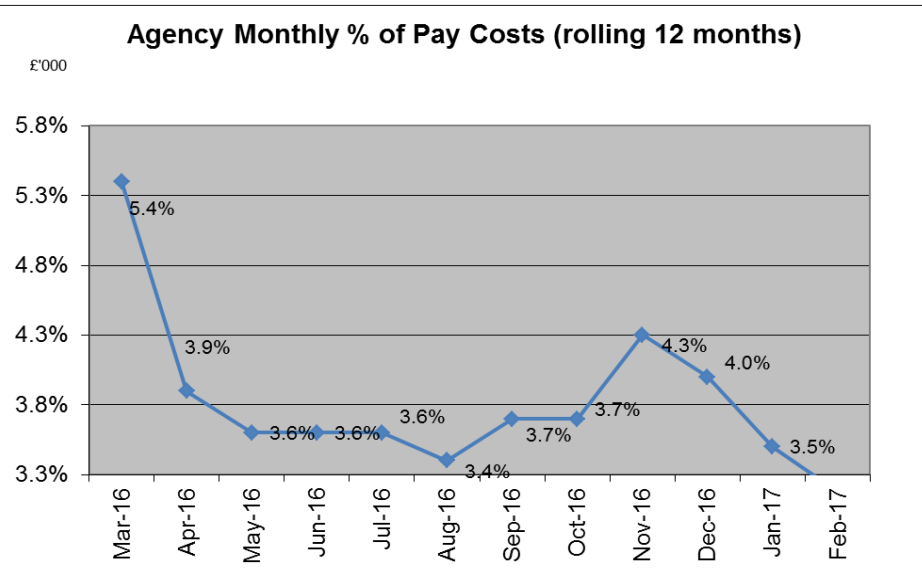
All schemes included within the annual plan for efficiency were rated for deliverability risk. 18% of those were rated high risk and 23% rated at medium risk. Following the conclusion of the contract round there was an additional level of risk and cost pressure that is primarily impacting on Health Partnerships. This is currently slightly behind at month 11.

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 11 delivery is slightly behind plan attributable to Offender Healthcare. Delivery remains highly reliant on non-recurrent schemes.

There is currently forecast a risk of £3.32m of carry-forward into 17/18, Local Services carry forward has increased to £2.5m. Corporate Services is expected to carry-forward £533k primarily as a result of HIS schemes slipping and non-recurrent delivery, and Forensic Services are declaring £287k. Of this £137k relate to aspirational procurement savings not materialising & £150k Offender Healthcare reflecting cost overspends that are being covered non recurrently by CQUIN income.

Financial Performance – Pay & Workforce

Analysis of Workforce Numbers (WTE)	Mar'16 Actual	Feb'17 Plan	Feb'17 Actual
Medical and Dental staff	272.9	289.6	286.3
Registered Nurses, midwives & health visiting staff	2,784.2	2,745.0	2,722.0
Qualified Scientific, Therapeutic & Technical Staff	1,181.7	1,193.4	1,198.0
Support to clinical staff	2,141.3	2,064.5	2,143.0
Managers and Infrastructure Support	2,435.1	2,338.1	2,286.6
Total WTEs	8,815.2	8,630.6	8,635.9
Analysis of WTEs			
Substantive, bank and overtime staff	8,587.1	8,488.9	8,498.2
Agency staff	228.1	141.7	137.7
Total Trust WTEs	8,815.2	8,630.6	8,635.9



Financial Performance – Income Position

	Plan to Date	Actual to Date	Variance to Date	Annual Plan	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000	£000	£000
Local Services						
CCG contracts	111,691	110,771	-920	121,861	121,012	-849
NHS England contract	4,536	4,468	-68	4,948	4,875	-73
Cost per Case / Out of Area	3,243	3,516	273	3,537	3,832	295
Local Authority contracts	2,920	1,952	-968	3,176	2,105	-1,071
IAPT AQP	3,830	3,692	-138	4,185	4,146	-39
Other including directorate income	2,242	2,781	539	2,437	3,127	690
sub total clinical	128,462	127,180	-1,282	140,144	139,097	-1,047

Activity on the non-NTPS element of the Local MH/LD contract at M11 is 11.9% above plan. However, the over-performance relates to the block element of the contract.

Local Authority contracts is showing an adverse variance to plan mainly due to the RiN contract ending July 16, with this now shown as NRN under Non Clinical Income.

The adverse variance to plan on AQP income has reduced in recent months due to increased activity and a review of tariff data which addressed some inconsistencies between patients in treatment and what can be invoiced for under the contract.

	Plan to Date	Actual to Date	Variance to Date	Annual Plan	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000	£000	£000
Forensic Services						
NHS England Block - High Secure	87,930	87,816	-114	95,924	95,799	-125
Offender Healthcare	26,056	26,150	94	28,375	28,841	466
Secure Cost and Volume	30,958	30,391	-567	33,772	33,146	-626
Secure Cost per Case/Out of Area	6,836	7,737	901	7,458	8,523	1,065
Community Forensic Block	2,011	2,021	10	2,194	2,204	10
Other including directorate income	1,410	1,517	107	1,538	1,570	32
sub total clinical	155,201	155,632	431	169,261	170,083	822

The elements of variable income within Low Secure Wells Road have been a little volatile in the period to date. However, the recent months have shown an improvement and this is expected to continue for the remainder of the financial year. £40k Flu CQUIN failure has been assumed.

	Plan to Date	Actual to Date	Variance to Date	Annual Plan	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000	£000	£000
Health Partnerships						
County TCS	75,995	77,177	1,182	82,904	84,244	1,340
Bassetlaw TCS	14,021	12,110	-1,911	15,295	13,137	-2,158
Other incl directorate income	1,368	2,019	651	1,496	3,008	1,512
sub total clinical	91,384	91,306	-78	99,695	100,389	694
Childrens Centres NCFP	10,033	10,072	39	10,945	10,976	31

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 income increases elsewhere from the City Podiatry tender and the caretaking arrangement for the Care Homes service in Mid-Notts, and Continuing Care.