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Meeting:	**Brighton and Sussex University Hospitals NHS Trust Board of Directors**
Date:	**31 May 2016**
Board Sponsor:	**Spencer Prosser, Chief Financial Officer**
Paper Author:	**Bill Stronach, Deputy Chief Financial Officer**
Subject:	**Finance Report M1 2016/17**

Executive summary
Month 1 Performance
At month 1 the trust is reporting an in month deficit of £4,703k and a forecast deficit in line with the planned deficit of £15,570k.

The April 2016 in month deficit is above the 2015/16 average monthly deficit of £3.3m, this is due to the national pay award and changes to the NI Rebate as well as the increase to the CNST premium.

The deficit position is leading to cash flow pressures which are being mitigated through working capital management. Capital spend is below plan for the month because of delays to projects and the need to conserve funds.

The key risks to the 2016/17 are:

- Income – the Trust activity plan is higher than the Commissioner contracts on the basis that QIPP schemes will not materialise. CQUIN payments are assumed at 100% and penalties/fines are reinvested in the Trust. SIFT income is higher than the current schedule, which is £3.6m less than 2015/16.
- Operational costs – there are risks relating to nursing expenditure and the current overspend cannot continue without having an impact on the full year position, if it continues at the same rate the overspend on nursing will be £6m.
- Delivery of the planned efficiency programme in full totalling £25.1m.

Links to corporate objectives	The report concerns the objective ***high performing***
Identified risks and risk management actions	Noted in Executive Summary.
Resource implications	Annual revenue budget £550m
Legal implications	The Trust has a duty to break even taking one year with another.
Report history	None

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Appendices	Appendix 1 – Subjective Analysis Appendix 2 – Organisational Analysis
Action required by the Board	• Note the contents of this report • Ask any questions of the Chief Financial Officer

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Report to the Board of Directors, 31st May 2016
Financial Performance Month 1 2016/17

1. Introduction

1.1. This report provides an update on the financial performance of the Trust for the month of April 2016.

2. Key Financial Metrics

Metric	In Month			Year to Date		
	Plan	Actual	Variance	Plan	Actual	Variance
	£000's	£000's	£000's	£000's	£000's	£000's
(Surplus)/Deficit	2,918	4,703	1,785	2,918	4,703	1,785
Income	(45,741)	(44,229)	1,512	(45,741)	(44,229)	1,512
Expenditure	45,844	46,356	513	45,844	46,356	513
Capital	10,833	9,215	1,618	10,833	9,215	1,618
Cash				7,491	4,341	3,150
CIPs	521	737	(215)	521	737	(215)

The figures shown in the plan columns above deliver the Trust's I/E control total of £15.6m deficit.

3. Summary

3.1. The Trust is reporting an in month and year to date deficit of £1,785k The position reflects the advice from NHS Improvement not to include any of the £14,400k Sustainability and Transformation Plan funding in the month, there was £1,200k included in the April plan. The balance of the variance is made up of a shortfall on SIFT income, Research income being lower than planned as well as an overspend on Nursing pay costs.

3.2. The Trust's cash position, whilst manageable at month-end, remains extremely challenging and is dependent on the achievement of the planned level of deficit and revenue support funding from the NHS Improvement.

3.3. Delivery of the efficiency programme is ahead of plan in the month by £215k, this is largely attributable to Pharmacy starting to deliver in April, but the plan assumed July. There is still a lot of work to do to ensure the plans are robust and McKinsey's are supporting the development of the plan and its delivery.

3.4. The delivery of the efficiency programme will become more challenging during the year as there are stepped increases to the plan with a £1,200k increase per month from July and a further £1,200k increase per month from October.

3.5. A detailed analysis of the Trust's financial Income and Expenditure performance by subjective category is shown in Appendix 1 and by organisational unit in Appendix 2.

3.6. The key risks to the 2016/17 are:

- Income – the Trust activity plan is higher than the Commissioner contracts on the basis that QIPP schemes will not materialise. CQUIN payments are assumed at 100% and penalties/fines are reinvested in the Trust. SIFT income is higher than the current schedule, which is £3.6m less than 2015/16.

- Operational costs – there are risks relating to nursing expenditure and the current overspend cannot continue without having an impact on the full year position, if it continues at the same rate the overspend on nursing will be £6m.

- Delivery of the planned efficiency programme in full totalling £25.1m.

4. Income

4.1. The Trust is reporting year to date income under achievement of £1.5m in the month. This is predominantly driven by the NHS Improvement advice not to include any of the £14,400k Sustainability and Transformation Plan funding in the month, there was £1,200k included in the April plan. In line with advice from NHS Improvement this has been assumed that the full amount will be received for the year.

4.2. There is a variance on SIFT income due to the schedule from HEE KSS being £3.6m lower for the year than the value that was received in 2015/16. There is also an under achievement of Research income in the month, it is expected that this will be mitigated through a reduction in costs over the rest of the year.

4.3. The Trust has the following income risks; Trust activity plan is higher than the Commissioner contracts on the basis that QIPP schemes will not materialise. CQUINN payments are assumed to be received at 100% and penalties/fines reinvested in the Trust.

5. Expenditure

5.1. Expenditure in the month is overspent by £513k, this is made up of £160k on Pay and £353k on non pay, although this relates to PbR excluded drugs that is a pass through cost and therefore offset with income.

5.2. In the month of April nursing has overspent by £263k, this is offset by underspends in medical and other staff groups. The expenditure on nursing bank and agency outweighs the underspend on substantive budgets. Part of this is due to the Easter bank holiday enhancements that were paid in April. There are 2 Directorates that have significant overspends Acute Floor and Neuroscience & Stroke services, these areas need to reduce the amount they are spending on temporary staffing.

5.3. A breakdown of the nursing and medical staff spend profile is shown in the table 1 below.

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5.4. The Trust has been set an agency expenditure cap of £12.798m for the year and the expenditure in the month on agency totals £921k, so we are below the capped value. However, more needs to be done to reduce the amount spent on temporary staffing as this is a contributor to the nursing overspend in the month.

Table 1 Nursing & Medical Substantive, Bank & Agency

	In Month			Year to Date		
	Plan	Actual	Variance	Plan	Actual	Variance
	£000's	£000's	£000's	£000's	£000's	£000's
Nursing - Substantive	10,946	10,054	(892)	10,946	10,054	(892)
Nursing - Bank	19	878	859	19	878	859
Nursing - Agency	0	296	296	0	296	296
Nursing - Total	**10,965**	**11,228**	**263**	**10,965**	**11,228**	**263**
Medical - Substantive	8,418	8,018	(400)	8,418	8,018	(400)
Medical - Bank/Locum	29	151	122	29	151	122
Medical - Agency	110	327	218	110	327	218
Medical - Total	**8,557**	**8,497**	**(60)**	**8,557**	**8,497**	**(60)**

6. Cost Improvement Plans

6.1. The efficiency programme is ahead of plan for April by £215k. The actual delivery in the month is made up for FYE from last year as well as a few new schemes for this year. The over achievement is largely due to pharmacy delivering in April, but the plan was for it to commence in July.

6.2. The efficiency plan is phased over the year with stepped increases to the monthly plan in July, where the plan is increased by £1.2m per month and another £1.2m per month increase from October on top of the July value. There will need to be significant focus to deliver these savings and the development of robust plans is being supported by McKinsey's.

6.3. The efficiency programme target is currently being held centrally with the exception of 2 small schemes within the Corporate areas. Once the plans are developed the targets will be devolved out to the Directorates. The full year plan of £25.1m is currently forecast to be delivered in full.

7. Actions to improve

7.1. The Trust is currently forecasting to deliver the planned year end deficit of £15.6m. As discussed above, the biggest financial risks to delivering this are around the activity income plan being higher than commissioning contracts, nursing pay and delivery of the efficiency programme. Organisationally, whilst adverse financial performance is widespread, it is greatest in four Directorates; Abdominal , Acute Floor, Children's and Neurosciences.

7.2. Performance management arrangements have been refocused on these three cost drivers in the Directorates highlighted above. Focussed sessions have been undertaken by the Chief Financial Officer and the Chief Operating Officer to identify and agree specific actions that will improve the financial position in the short term and resolve some long standing issues and blockages. In addition, management arrangements are being reviewed and additional capacity identified where achievable.

7.3. Focused work is underway in the three subjective areas of expenditure, this covers nursing, medical and drugs.

7.4. Additional control mechanisms remain in place which whilst good practice, are taking some time to bed in to the culture of the organisation, although there are signs that the level of understanding is improving.

8. Cash

8.1. Whilst causing stress within the organisation, the strict adherence to controls such as "No PO=No pay" has assisted in the ability to manage cash-flow. Creditor levels are uncomfortably high and prioritised payments are being made to avoid running out of cash.

8.2. The Trust's cash position, whilst manageable at month-end, remains extremely challenging and is dependent on the achievement of the planned levels of deficit and revenue funding support from NHS Improvement.

9. Capital

9.1. Part of the overall cash management strategy has been to delay capital expenditure on a number of schemes from 2016/17 to 2017/18. This, coupled with unplanned delays on a number of schemes (including Eastbourne) has meant that the capital programme is underspent at Month 1.

10. Forecast Outturn

10.1 The Trust is forecasting a year end position of a £15.6m deficit, which is in line with the planned deficit. As mentioned above, there are risks relating to commissioner income, nursing expenditure and the efficiency programme.

11. The Committee is asked to:

- Note the contents of this report
- Ask questions of the Chief Financial Officer

Deputy Chief Financial Officer
May 2016