Finance Report Month 11 2015/16

Brighton and Sussex University Hospitals NHS Trust

Summary

The Trust is reporting a £36.1m year to date deficit at the end of February 2016; this is £19m behind the trajectory that meets revised Trust Development Authority (TDA) plan of £16.7m. The Trust is forecasting £37.6m deficit for the full year. There are significant risks to delivering financial performance and there are financial recovery processes in place to mitigate these risks. The year to date position reflects the Trusts assessment of activity and income levels delivered for the year to date positions. The Trust has shared the forecast income position with Commissioners and the gross estimated risk to the achievement of the reported levels of income is £18m. E.g. the gross full year risk with CCGs on CQUIN is £4.9m and fines £6.2m. Discussions continue with commissioners to reduce these risks and agree full year positions as promptly as possible. The Trust had agreed Payment by Results (PbR) contracts with both Local Clinical Commissioning Groups and NHS England.

Continuity of Service Risk Rating (CoSRR) — R

	Liquidity	Capital Servicing	Weighted Average
Year to Date	1	1	1
Year End Forecast	1	1	1

Continuity of Service Risk Rating - The Trust is currently reporting an overall CoSRR rating of 1 for both the Year to Date and Forecast Positions. The deficit position is adversely affecting both the capital servicing ratio and liquidity.

Surplus (Deficit) £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	(17,078)	(36,052)	18,974
Year End Forecast £k	(16,704)	(37,612)	20,908

The net adverse variance of £19m is against the revised plan of £16.7m. Income over performance of £15.7m is more than offset by operational cost pressures.

Cash £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	9,398	5,456	3,942
Year End Forecast £k	3,166	3,168	(2)

The cash holding is lower than plan reflecting the pressure on cash from the cumulative revenue deficit, delays to the working capital funding and contract monitoring arrears. Cash therefore continues to be tightly controlled and restricted.

The working capital loan, now £17.9m (plus the residual Revolving Working Capital Support Facility of £19.9m) will be drawdown in March. The year end level of cash holding has been set to align with the TDA 10 days operating expenses which is the maximum cash holding assumed for an organisation with revenue support.

Income £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	467,107	482,794	(15,686)
Year End Forecast £k	510,430	526,927	(16,497)

Overall the Trust is reporting a year to date position of £15.7m above plan including £10.4m additional pass through payments. Based on our conversations with CCGs we are assuming that they will reinvest the income lost through contract adjustments, penalties, fines, pay for 100% of CQUINs and pay for more than the planned level of activity and this carries a risk. The Trust's estimate of activity related income for 2015/16 is significantly higher than Commissioners. Therefore, there is a significant gross risk of £18m of securing the levels of forecast income.

Operating Costs £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	450,462	489,809	39,347
Year End Forecast £k	490,644	534,033	43,389

Overall the Trust is forecasting a £43.4m overspend against operating costs. In the year to date position the Pay expenditure is overspent by £17.5m and non-pay expenditure is overspent by £21.9m including £10.4m of additional pass through costs for PbR excluded drugs and devices. Operational pressures are a significant contribution to the overspend, and are contributing to the underperformance on cost improvement plans. There is £4m of gross risk that could make the forecast position worse, please see risks section for further information.

Capital £k — G

	Plan	Actual / Forecast	Variance
Year to Date £k	68,176	51,785	16,391
Year End Forecast £k	82,396	62,934	19,462

Year to date is behind plan because of delays on 3T's work (strategic capital) and the slow progress on operational capital project schemes. PDC funding for 3Ts of £5m was received in February and the balance will be received in March. The first tranche of the funding for the Radiotherapy East scheme, £3.1m, is expected to be received in March.

The operational capital expenditure programme is under constant review to ensure that schemes continue to be affordable, are progressing and will be completed in year.

Cost Improvement Plans £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	23,811	12,098	11,713
Year End Forecast £k	26,399	13,478	12,921

The Trust is currently £11.7m behind plan for the efficiency programme. The continued operational pressures and use of additional capacity has resulted in delays to schemes. We are working on further mitigations but the opportunities are limited over the next few weeks. A particular focus is addressing the issues that are causing overspends including temporary staffing.

Key Performance Metrics — R

	Year to Date	Forecast Outturn
NHS Financial Performance	R	R
Financial Efficiency	R	R
Underlying Surplus / Deficit	R	R
Capital and Cash	A	A
Trust Overall RAG Rating	R	

The Trust has an overall RAG rating of RED.

Key Risks:

The key risks to forecast outturn for 2015/16 are

Income – gross commissioner income risk is £18m including CQUIN worth £4.9m and fines of £6.2m, forecast assumes the resolution of these risks and work continues with commissioners to this end.

Operational costs – there are gross risks of £4m relating to potential changes to estimates at year end, these relate to provisions, accruals, prepayments, and stock holding levels.

Depreciation – the forecast assumes a further depreciation saving of £3.8m arising from the fixed asset revaluation and revalidation exercise and the actual change will be known during March.