Brighton and Sussex University Hospitals NHS Trust

To: Board of Directors

31st May 2017

From: Bill Stronach, Deputy CFO, on behalf of Karen Geoghegan, Executive Director of Finance

Agenda Item: 9

FOR INFORMATION AND APPROVAL

Finance Report on Month 1 2017/18 Position

Executive Summary
Month 1 Performance

The Trust is awaiting formal confirmation from NHS Improvement (NHSI) of agreement to a baseline control total deficit of £65.4m for 2017/18. This agreement is expected to include funding for the planned deficit. However, NHSI has confirmed that BSUH will be held accountable to this baseline figure and to set a plan on this basis.

Delegated budgets incorporating cost improvement plans are yet to be finalised and agreed with budget holders although this is anticipated to be completed by the end of Quarter 1.

At Month 1 the Trust is reporting a deficit of £7.8m against the baseline deficit plan of £7.9m.

The Month 1 planned deficit is greater than 1/12th of the annual total due to relatively low contract income in-month, associated with the low number of working days, and planned savings on expenditure being phased to increase through the year.

Cost improvements of £20m are included in the plan with £120k expected in Month 1. Processes for monitoring CIP delivery are not in place. For the purposes of this report we have assumed delivery to plan for Month 1 based on savings that are known, including carried forward savings from 16/17.

Forecast outturn is to deliver the agreed Control Total. The key risks to delivery are:

- Delivery of the CIP programme (£13m of schemes identified to date from £20m)
- Securing the level of contract income included in the plan (plan £10m higher than current contracts)
- Ability to deliver activity at budgeted cost
- Robust Financial Performance Framework is yet to be put in place

1. Introduction

1.1. This report covers the financial performance of the Trust to April 2017, and addresses income and expenditure, capital, cash management and key risks. Cost improvement plans are not reported at this time as they are in the process of being finalised and signed off.

1.2. The Trust is awaiting formal confirmation of its 2017/18 control total. Variances reported in this paper are against the Control Total plan except for in the Key Financial Metrics section which also includes comparison to the plan submitted in December 2016 as this is what has been included in the official monthly reporting return to NHSI in Month 1.

2. Key Financial Metrics

Metric (£000s)	*In-Month*			*In-Month v Dec '16 Plan*		
	Plan	**Actual**	**Variance**	**Plan**	**Actual**	**Variance**
(Surplus)/Deficit	7,885	7,776	(109)	6,350	7,776	1,426
Income	(43,597)	(43,262)	335	(44,369)	(43,262)	1,107
Operational Expenditure	48,343	47,924	(419)	48,971	47,924	(1,047)
Capital	(2,419)	(1,692)	(727)	(2,419)	(1,692)	(727)

The Plan in the first column delivers the Trust's assumed control total of £65.35m deficit.

3. Summary

3.1. The Month 1 position is a favourable variance to budget of £0.1m, with an actual deficit of £7.8m against a deficit plan of £7.9m.

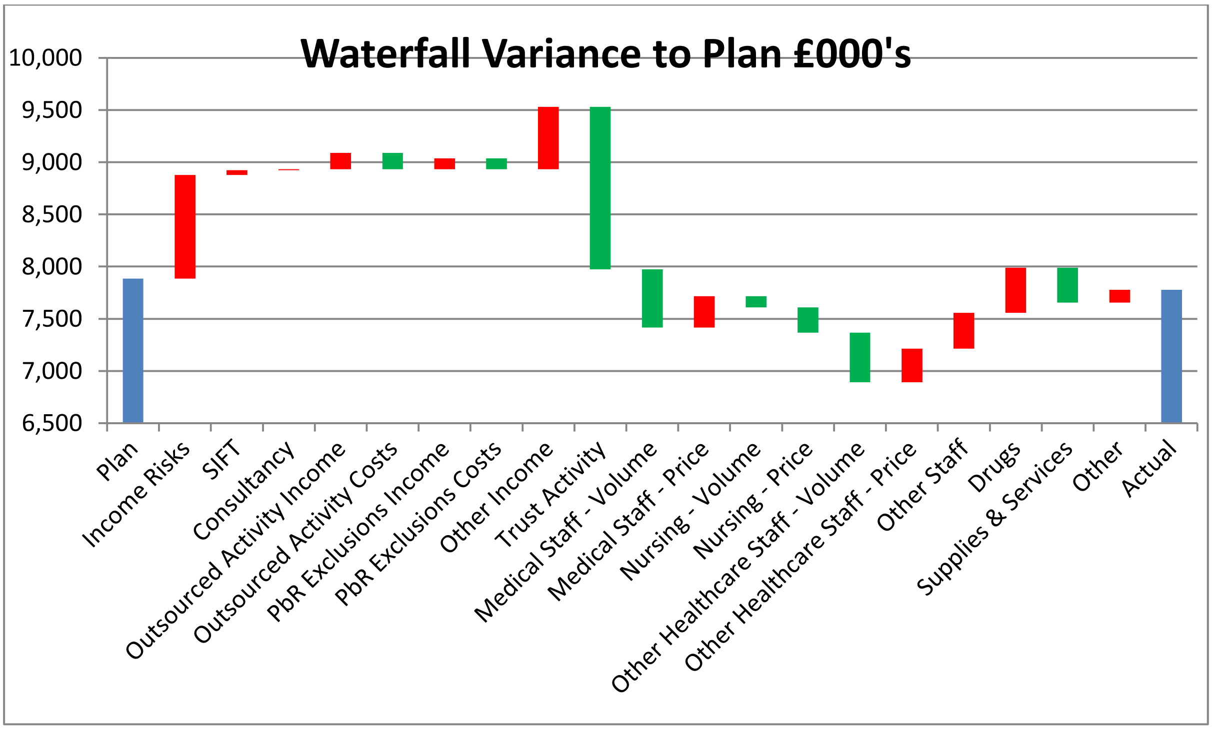
4. Month 1 Variance to Plan

4.1. Table 1 shows the key variances from plan in April.

Table 1

Key variances from plan	In-month variances £000's
Activity income	(1,556)
Challenges provision	994
PBR exclusions income	102
Outsourcing income	156
SIFT income	43
Other income (PP, R&D etc.)	596
Pay	(418)
FTI consultancy	12
Outsourcing	(156)
Drugs	435
PBR exclusions expenditure	(102)
Consumables expenditure	(335)
Other non-pay	120
Total variance	**(109)**

4.2. The waterfall chart below shows the breakdown of the April position. The majority of the variation in-month relates to income.



4.3. 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.

4.4. The Trust's cash position is supported by monthly revenue deficit funding from the Department of Health and this funding has stabilised the cashflow position. The April revenue funding was for £6.4m, the May funding will be £6.5m. Thereafter the funding will continue throughout the year up to the assumed control total value of £65.35m.

5. Income

5.1. Income for April reports an underperformance of £0.335m with the year-end forecast as per the plan. Income from patient activity for April is an estimate as coded actual information is not available at the time of reporting. For inpatients the estimate is based on early sight April activity priced at an average tariff. For other activity it is based on the average activity for the past 3 months, adjusted for calendar/working days and priced at an average. A provision is held for contract adjustments and challenges.

5.2. The underperformance against Commissioning - non activity is against the Cancer Drugs Fund which has reduced the number of drugs it funds and therefore costs will have reduced in line with this. Private Patient income is behind plan predominantly in Cardiac and Ophthalmology. The shortfall in research income is mainly due to commercial trials being lower than planned.

6. Expenditure

6.1. Operating Expenditure was underspent in-month by £0.4m which entirely relates to a pay underspend.

6.2. The Clinical Directorates were overspent by £0.07m and the Corporate Directorates by £0.02m – see Appendix 2.

Pay

6.3. The pay underspend comprises underspends in all areas except "Other staff", which has an overspend of £0.7m. This is the result of the attribution of funding across pay categories in the Plan still being finalised in Month 1 and is expected to be resolved for Month 2 reporting.

6.4. The pay costs this month include the estimated pay award of 1%, the Apprenticeship levy of 0.5% of payroll, and a provision for the additional costs of bank holiday enhancements during April. As the overall pay budget was profiled to incorporate these cost pressures, they are not causing an overspend.

6.5. The number nursing of shift requests for bank and agency staff was lower in April than in March. This has contributed to less Pay costs than Plan. In addition, there were 574 vacant posts (excluding bank and agency nurses, who are recorded in the actual figures), which contributes to the underspend.

6.6. Expenditure on bank and agency this month did not exceed the underspends in substantive pay. The use of a higher cost agency ceased at the end of March which also contributes to lower costs.

6.7. Table 2 below shows the breakdown of Medical and Nursing variances between substantive, bank and agency which further illustrates the overall position.

Table 2: Nursing & Medical Substantive, Bank & Agency Expenditure

	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	11,438	9,918	(1,520)	11,438	9,918	(1,520)
Nursing - Bank	78	1,072	994	78	1,072	994
Nursing - Agency	78	257	178	78	257	178
Nursing - Total	**11,595**	**11,247**	**(348)**	**11,595**	**11,247**	**(348)**
Medical - Substantive	8,858	8,419	(438)	8,858	8,419	(438)
Medical - Bank/Locum	29	165	136	29	165	136
Medical - Agency	154	198	44	154	198	44
Medical - Total	**9,041**	**8,783**	**(258)**	**9,041**	**8,783**	**(258)**

6.8. The Trust's overall agency expenditure cap for 2017/18 is the same as last year, at £12.8m. The profiled cap for Month 1 is £1.07m and the expenditure was £0.77m.

Non-pay

6.9. The Month 1 non-pay position is on budget overall, but includes overspends in drugs, premises, consultancy and other non-pay. The drugs overspend relates to PbR exclusion drugs which are offset by income. Premises is overspent due to the costs of a generator needed following an oil tank contamination. Other non-pay includes the Month 1 CIP savings target of £0.12m which is yet to be allocated to specific budgets. The consultancy overspend is due to a 2016/17 bill relating to the pathology joint venture which we were not advised about by SASH.

7. Cost Improvement Plans

7.1. Full-year CIPs plans are currently being finalised and signed off by budget holders and targets are planned to be delegated to Directorates by the end of Quarter 1. The phasing assumes an increasing level of savings will be made as the year progresses; 34% in the first six months, 66% in the second six months.

7.2. While savings plans and the process for monitoring their delivery are being finalised, it is not possible give precise performance against the Month 1 target of £120k, but information on carry forward savings from 16/17 and regarding the progress of new schemes in 17/18 indicate that the target will have at least been met.

8. Key risks

8.1. There are a number of key risks to delivery of the assumed control total deficit. These are outlined below.

8.2. **Efficiency and Transformation Programme**
The plan requires delivery of £20.0m of CIP savings and schemes are yet to be identified that would deliver this in full. There is also risk associated with the actual delivery of savings plans; the Trust's recent record of delivering recurrent savings is not good.

8.3. **Commissioner Affordability**
There is a risk to securing the level of contract income included in the plan as this is c£10m in excess of the contract values currently signed-off with commissioners. However, these contract values are subject to variation based on the 16/17 M12 freeze level of activity which is expected to mitigate part of the gap. Discussion is also on-going to secure contract variations in relation to funding for specific issues.

8.4. **System Resilience and Management of Patient Flow**
Delivery of planned activity volumes is predicated on workforce and bed capacity plans. Changes in demand or patient throughput can significantly impact upon these with consequences for the cost base required to deliver emergency activity and the ability to achieve planned levels of elective activity.

9. Cash

9.1. The Trust received £6.4m revenue deficit funding in April. This is the first tranche of the 17/18 revenue deficit funding; the full year's value is equal to the Control Total of £65.35m. The monthly drawdowns are based on a review by NHSI of revenue results to date and the forecast revenue results for the remainder of the year. The final balance of the Radiotherapy East Loan (£2.0m) was received in April. 3Ts continues to be funded by PDC drawdowns requested from the pre-approved annual funding. Other strategic schemes are going through the approval process with NHSI (ED, Backlog Maintenance and Pathology).

10. Capital

10.1. The Strategic and Operational capital programme outturns are both subject to review and revision. The main contractors for 3Ts are preparing a revised capital expenditure forecast for 17/18 for presentation to the 3Ts Programme Board. There is an expectation that the expenditure for 17/18 will be reduced to reflect updated expected cash flows. The Radiotherapy East scheme will be completed in May. The other strategic capital schemes, ED, Backlog maintenance and Pathology, are subject to NHSI approval and a determination of the method of funding. These schemes are included in the overall forecasts for the year.

10.2. The Operational is undergoing a review to re-prioritise and align the projects with the organisations priorities for the year. The expenditure to date relates to carry schemes approved in the last year and carried over into 17-18.

11. The Board is asked to:

- Note the contents of this report

Bill Stronach
Deputy Chief Financial Officer
24/5/17