Presented for: Position Statement

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Previous Committees

Trust Goals

| The best for patient safety, quality and experience | ✓ |
| The best place to work |
| A centre for excellence for research, education and innovation |
| Seamless integrated care across organisational boundaries |
| Financial sustainability | ✓ |

Key points

To update the Board on the financial position for Month 1. For approval
1. **Summary Income and Expenditure Position**

The Trust delivered its financial target in Month 1, reporting an operational deficit of £7.2 million against a planned deficit of the same value. This year the Trust remains eligible to receive Sustainability and Transformation Funding (STF), and given delivery of the financial position maximum eligibility of £1.2 million has been assumed. This then reduces the post STF deficit down to £6 million, again in line with plan.

1.1 **Plan phasing**

As in 2016/17, in order to be eligible to receive STF this year the Trust must deliver against both operational and financial performance targets. Failure to deliver the latter overrules all other eligibility criteria, however, so in recognition of the level of unidentified savings plans that existed when the Trust submitted its revised financial plan to NHS Improvement in March, the phasing of the waste reduction programme (WRP) is set to be lower in the earlier part of the year, and increases throughout the year. This follows the same approach taken in 2016/17.

2. **Key I&E Variances**

2.1 **Contract Income**

Commissioner income excluding pass through blood and drugs had an adverse variance for April of £1.9 million. The key drivers behind the variance were elective inpatients, outpatients and critical care activity, all of which were below plan. This was partly offset by day case and non-elective activity, both of which were ahead of plan, but as in previous years the income receivable from non-elective activity is reduced due to the application of contracting sanctions; emergency re-admissions (£0.8 million) and the application of the emergency threshold (£0.5 million).

2.2 **Operating Expenditure**

Overall operational expenditure was £3 million better than plan, of which pay was £0.9 million adverse and non-pay £3.9 million favourable (£1.7 million of that relating to pass through blood and drugs which is offset by an adverse income variance).

In absolute terms the pay run rate reduced in April due to reductions in both bank and agency expenditure, but despite those reductions total pay spend was £0.9 million higher than plan.

Total operational non-pay expenditure was £3.9 million lower than budget, or £2.2 million after allowing for the favourable pass through variance. That underlying position was almost entirely driven by tariff drugs and clinical supplies, both of which were under-spent in the month.
3 Waste Reduction Programme

A total of £1.8 million savings were delivered in April against a plan of £1.7 million, resulting in over-performance of £0.1 million.

4. Statement of Financial Position

4.1 Receivables and Payables

Trade Receivables fell in the month by £4 million. The cash benefit was offset by a fall in payables of £6.6 million. There was a reduction of £0.3 million in debt greater than 90 days. Performance against the Better Payment Practice Code saw 91% of invoices paid within 30 days. The Trust is continuing to manage cash by slipping creditors by 2 or 3 days; particularly towards the month end.

4.2 Cash

The opening cash balance of £20 million reduced to £6.4 million at the end of April. A repayment of £7.5 million was made against the £15.1 million of working capital borrowing carried over from 2016/17. No loans were taken in the month. A draw down of £1 million against the agreed GSC capital investment loan is planned for June but no working capital borrowing is anticipated until August. NHS Improvement have confirmed that the working capital facility carries over into 2017/18.

5. Capital

The Trust has planned capital spend of £54.8 million for 2017/18 including an additional £0.7 million allocated for primary care streaming in April. Programme budgets have been allocated and business cases are being developed to progress required investment. Month 1 spend of £0.16 million is marginally behind the planned spend of £0.53 million. The £3 million included in the plan to be cash funded by a surplus remains unallocated. The general capital allocation will be managed and flexed in year to manage any emerging risks given the limited internally generated capital available.

6. Recommendation

The Board are asked to note the financial performance for Month 1.

7. Publication under Freedom of Information Act

This paper has been made available under the Freedom of Information Act 2000.

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