Sheffield Health and Social Care NHS Foundation Trust

Board of Directors – Public

Date:	26 May 2021	Item Ref:	16

TITLE OF PAPER	Detailed Report of the Director of Finance for the Period Ending 31st March 2021.
TO BE PRESENTED BY	Phillip Easthope, Executive Director of Finance.
ACTION REQUIRED	This report is provided for information, discussion and assurance.

OUTCOME	To ensure the Board is fully informed of the financial position and performance against key financial targets. Key points: • Outturn improved to surplus of £2.483m following receipt of additional non recurrent national funding. • Underspending on investments continues, representing a risk on delivery into 21/22. • CIP – non recurrent delivery for 20/21 with significant carry forward of £1.6m, refreshed approach received at May FPC to improve controls to mitigate risk of non-delivery in 21/22.
TIMETABLE FOR DECISION	This report is provided as a monthly standing agenda item.
LINKS TO OTHER KEY REPORTS / DECISIONS	Delivery of the Trust's financial plan and objectives 20/21.
STRATEGIC AIM STRATEGIC OBJECTIVE **BAF RISK NUMBER & DESCRIPTION**	Strategic aim 3 – Improve our use of resources Transformation: Changing things that will make a difference BAF 0006 Inability to deliver a breakeven position resulting in a failure to deliver financial sustainability
LINKS TO NHS CONSTITUTION /OTHER RELEVANT FRAMEWORKS, RISK, OUTCOMES ETC	Long term plan, Trust Strategy, Annual Plan CRR, 2175,4396
IMPLICATIONS FOR SERVICE DELIVERY & FINANCIAL IMPACT	Financial implications in relation to delivery of financial plan and objectives.
CONSIDERATION OF LEGAL ISSUES	NA

Author of Report	Phillip Easthope
Designation	Director of Finance
Date of Report	19th May 2021

Report of the Director of Finance for the Period Ending 31st March 2021

1. Purpose

For approval	For assurance	For collective decision	To seek input	To report progress	For information	Other (Please state)
	X			X		
This report is prepared for the Board of Directors following review of the detailed finance report at Finance and Performance Committee (FPC) to provide an overview of the financial performance of the Trust.						

2. Summary

The forecast out-turn position has improved from a surplus of £0.754m at February 2021 to an actual £2.483k surplus as at the end of March 2021. A favourable movement of £1.7m.

As anticipated, the significant improvement is largely the result of the recognition of national and local system funding flowing in Month 12; this was largely exceptional (£0.4m) or related to the temporary regime (£1.2m).

Throughout the year delays in recruitment, and recruitment from within have driven lower than expected staff costs resulting in the year end position being £2.9m (3%) less than plan. In addition, Non-Pay Costs were £2.3m (7%) less than plan, which was predominately driven by reduced spend on Out of Town (OOT) costs (£1.3m), stabilisation of Covid costs and delays in returning to BAU.

The Cost Improvement Target of £2.5m was achieved in part, £1.7m (68%). Of the achieved target £0.8m was non-recurrent and therefore leaving £1.6m not met recurrently, and so is taken forward into 2021/22. The key to success in 2021/22 will be to develop long term plans to transform clinical and non-clinical services that improve patient care, satisfaction and safety whilst balancing the quality and resources available.

The year-end position recognises a total impairment of £3.4m against the Acute Care Modernisation project (£2.6m) and EPR Insight 2 project (£0.8m), no further impairment risk remains going into 2021/22.

The Trust fully utilised Public Divided Capital (PDC) monies received totalling £4m. This covered a variety of Capital projects and allowed the Trust to reduce some key organisational risks in backlog maintenance and the dormitories project at MCC. Overall, the Trust spent a total of £7.4m on Capital expenditure which was broadly in line with the target of £7.2m.

The Trust ended the financial year with strong financial standing evidenced by its cash position (£62m), no debt facility and in compliance with the Better Payments Practice Code (BPPC).

3. Next Steps

Develop cost improvement plans for the £1.6m carried forward into 2021/22 in addition to the 2021/22 target.

On-going monitoring of the recovery plans within Finance reporting and the wider Performance Management Framework.

4. Required Actions

- To review the financial position.

5. Monitoring Arrangements

Through routine governance and financial reporting via FPC and Board.

Performance oversight in accordance with the performance framework.

6. Contact Details

Mr Phillip Easthope, Executive Director of Finance

Financial Performance Report

March 2021

Contents Sheet

Executive Summary

PERFORMANCE INDICATORS		Annual Plan £000s	Year to Date £000s
1	**Reported Surplus/ (Deficit) Position**	(4,625)	2,483
2	**Covid-19 reimbursement**	7,216	6,199
3	**Agency**	5,025	4,721
4	**Cash**	47,385	62,075
4	**Efficiency Savings (1% Cost Improvement from M7)**	638	638
5	**Capital**	15,557	7,359
6	**Better Payments Practice Code (BPPC) - % of bills paid in target**	by number	98.6%
		by value	99.1%

NARRATIVE

The forecast out-turn position has improved from a surplus of £0.754m at February 2021 to an actual £2.483k surplus as at the end of March 2021. A favourable movement of £1.7m.

As anticipated, the significant improvement is largely the result of recognition of national and local system funding flowing in Month 12. Material elements of this are largely exceptional and/or related to the temporary finance regime: such as £1.2m received for lost income, £0.2m annual leave carry forward funding and £0.18m of Flowers income. At the end of the year, income received (when the pension adjustment discussed below is removed) was £6m (4%) higher than originally planned.

The trust was required to reflect the notional cost of £4.5m re the increase in employers pension contribution in Month 12. This pay cost is centrally funded and is fully offset by additional income so has no impact on the bottom line surplus. This is consistent with the approach taken in 2019/20.

Throughout the year, longer timescales for recruitment have driven lower than anticipated staff costs. There are known difficulties recruiting within the sector and internal recruitment also delays increases to the staff base and the associated costs being incurred. With significant MHIS funded recruitment planned, this has a material impact. At the end of the year, when the pension cost above has been removed, staff costs were £2.9m (3%) less than originally planned.

Non pay costs also remained at lower than expected levels, primarily due to recovery plans for Out of Town (OOT) costs which supported reduced spend in Quarter three and Quarter four. Alongside this, continued stabilisation of Covid costs and lower non pay costs were experienced trust wide due to extended period of remote working and delays in returning to BAU. In total, non pay costs were £2.3m (7%) lower than originally planned, with the majority (£1.3m) relating to reduced spend on OOT costs.

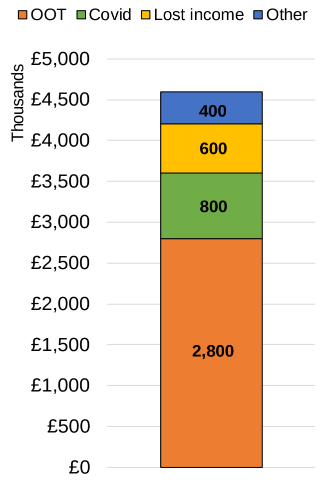
The surplus position was in part offset by the realisation of impairments for the Acute Care Modernisation project (£2,629k) and the EPR Insight 2 project (£754k) due to their abandonment in the course of construction. These impairments totalling £3,383k are part of the Trust accounts 2020/21.

The actual capital expenditure out turn was £171k higher than planned at £7,359k (FOT £7,188k) which includes the full utilisation of external PDC funding or £4,062k. These are reflected on the year-end Trust accounts along with the results of the desktop revaluation of the Trust properties which produced a net increase of £7,249k at 31 March 2021.

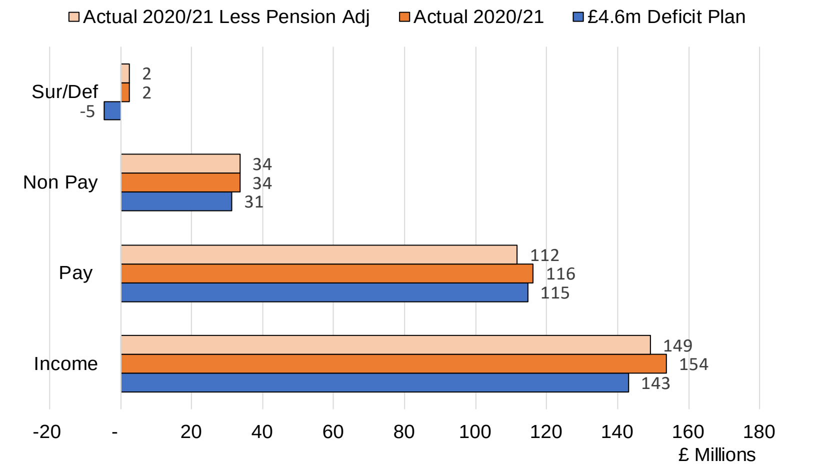
The Trust remains in a strong financial standing evidenced by its cash position, no debt facility and compliance with the Better Payments Practice Code (BPPC).

Financial Overview

PLAN DEFICIT £4.6M



FORECAST CHANGE - FROM £4.6M DEFICIT TO £2.7M Surplus



NARRATIVE

The Plan position at month 6 was a forecast **deficit of £4.6m** (see Plan Deficit Bar). The final position for 2020/21 has swung favourably to a **surplus of £2.483m.**

Last month's forecast surplus for the year was c.**£0.754m.** The key changes this month are **additional income recognised of £8.8m** and **additional expenditure of £7.3m.**

The majority of the income and expenditure increases relates to the 6.3% notional employers **pension contribution** of **£4.5m**. Other income increases relate to **income recognised** late in the year**; £1.2m** for the **loss of income reimbursement**, CCG contract income winter £0.72m, HEE Education & Training funding £0.4m, Annual Leave carry forward funding £0.2m and Flowers additional leave income of £0.181m.

Additional income is not offset in full with matching expenditure, increasing the final surplus significantly. **Non pay** costs remain at lower than plan levels as **Covid costs remain stable** (see Covid Financial Analysis) and remote models of service delivery remain in place. **Pay** costs also remain lower than planned as **slippage** on recruitment pushes increased MHIS funded costs into the next financial year.

The chart opposite shows the final position (orange) against the original deficit plan (blue), with the light orange showing the position when the material pension adjustment is removed.
A much more detailed analyitical review is being prodcued on the year end position for ARC. A seperate

NHSI REPORTED POSITION - INCOME & EXPENDITURE SUMMARY

	Year to Date				Forecast			
	Plan	Actual	Variance to plan		Plan	F'cast	Variance to plan	
	£000	£000	£000	%	£000	£000	£000	%
Income - Patient Care Activities	111,812	118,174	(6,362)	(6%)				
Other Income	31,224	35,537	(4,313)	(14%)				
Total Income	**143,036**	**153,711**	(10,675)					
Staff Pay Costs	(114,681)	(116,244)	1,563	(1%)				
Operating Costs	(31,263)	(33,569)	2,306	(7%)				
Total Operating Costs	**(145,944)**	**(149,813)**	3,869	**(3%)**				
Operating Surplus/ (Deficit)	**(2,908)**	**3,898**	**(6,806)**					
Finance Costs & Other Gains	(1,717)	(1,415)	(302)	18%				
Surplus/ (Deficit)	**(4,625)**	**2,483**	**(7,108)**	**154%**				
Technical Adjustments	36	182	(146)	-406%				
Adjusted Surplus / (Deficit)	**(4,589)**	**2,665**	**(7,254)**	**158%**				
KPI's								
Purchase of Healthcare (PoHC)	9,455	8,149	1,306	14%				
Agency	5,025	4,721	304	6%				
Key Ratios								
Staff Pay as a % of Total Costs	78.6%	77.6%						
Operating Costs as % Total Costs	21.4%	22.4%						
Agency as % of Staff Costs	4.4%	4.1%						
PoHC as a % of Op Costs	30.2%	24.3%						

DIRECTORATE - YEAR TO DATE PERFORMANCE

Directorate	Year to Date Variance £000	RAG
Rehab & Specialist Services	721	
Acute & Community Services	(2,093)	
Clinical Directorate Management	584	
GP Surgeries	(123)	
Medical	133	
Trust Executive	1,149	
People Directorate	122	
Nursing, Professions & Care Standards	36	
Finance	325	
Special Projects	(103)	
Corporate Turnover Factor	370	
Central Budgets	1,133	
Central Reserves	354	
Trust Total	**2,609**	
Clinical Directorate Total*	**(911)**	
Non-Clinical Directorate total	**2,033**	
Total Central	**1,486**	

Key

Surplus

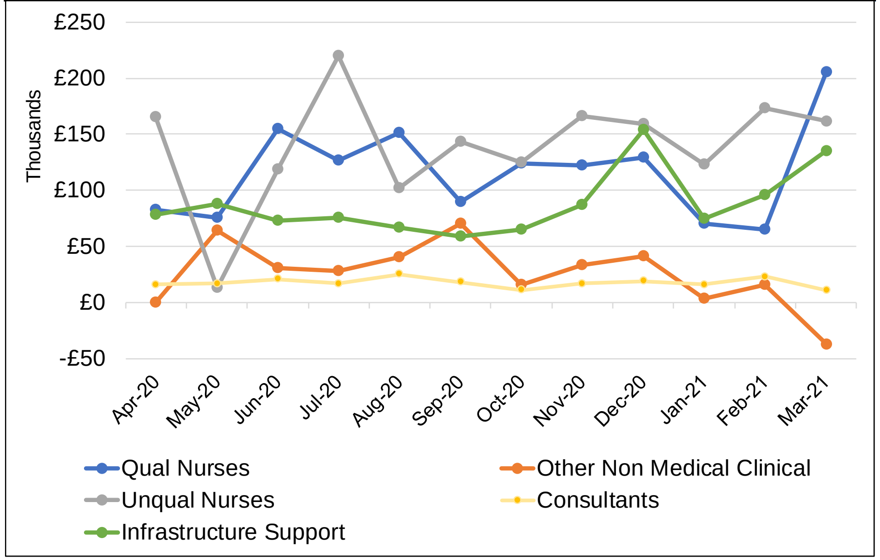
Deficit of up to £50k

Deficit of over £50k

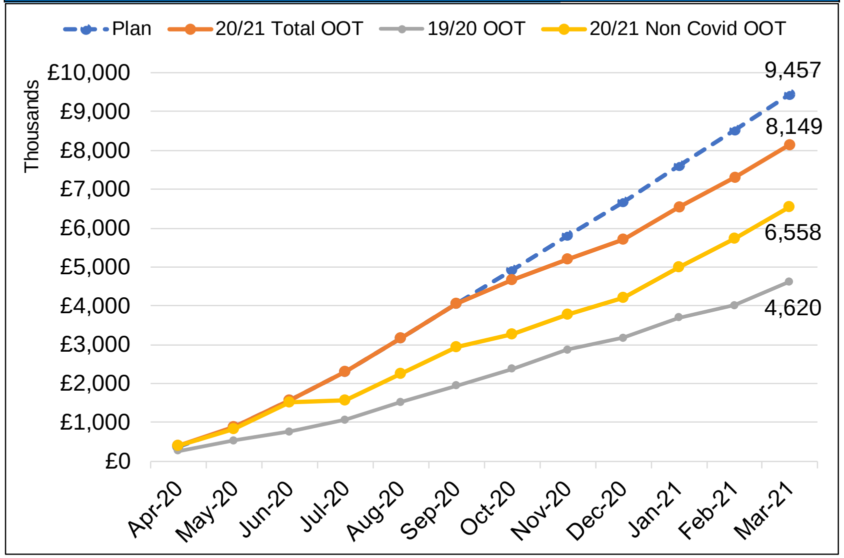
** Includes GP Surgeries*

Key Cost Drivers, Risks & Recovery Plans

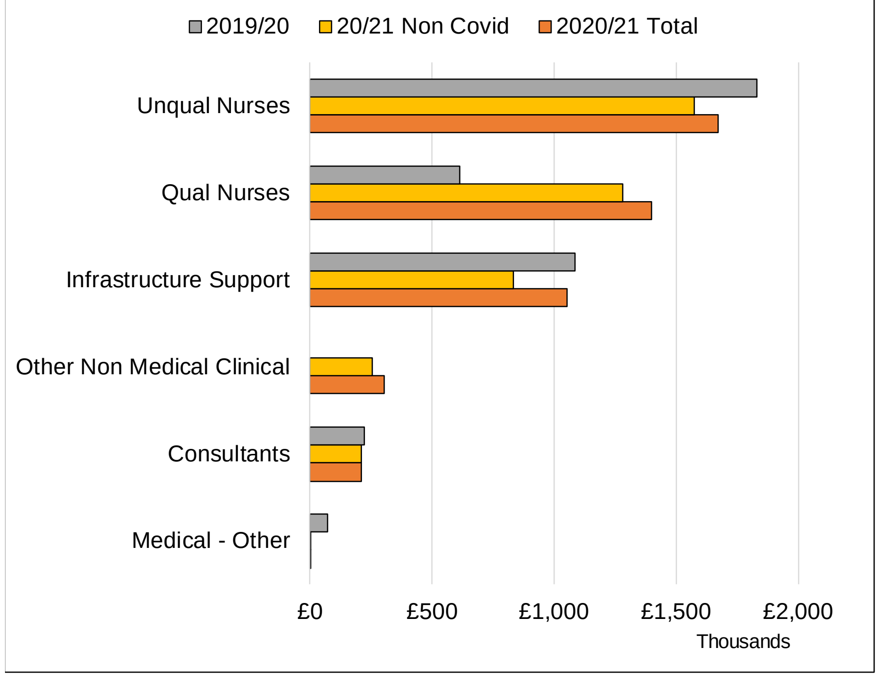
AGENCY TRENDS BY STAFF TYPE



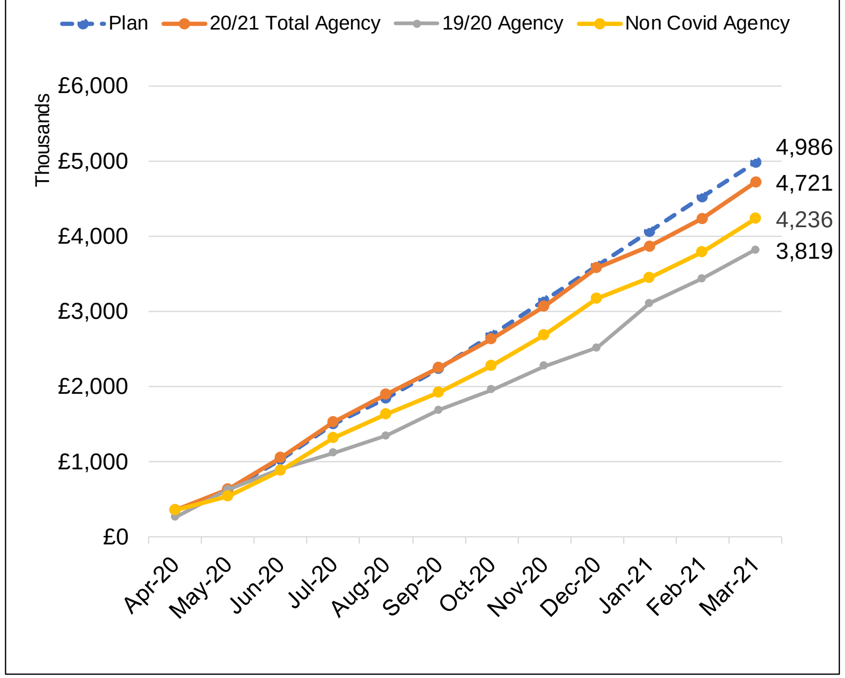
OOT- IMPACT OF MITIGATIONS



YTD AGENCY - BIGGEST SPEND UNQUAL NURSES



AGENCY - FORECAST SPEND £4.8m



NARRATIVE

Purchase of Health Care/Out of Town

Out of Town spend (OOT) for the year is **£8.1m**, £1.3m less than original planned spend of £9.5m.

The line graph shows the significant increase in costs between 19/20 (grey) and 20/21 (orange line). A total of **£3.5m** or **76%** increase.

£1.6m of the increase relates to Covid, a known cost pressure this year. However **£1.9m** of the increase is **not related to Covid**.

Non Covid OOT (yellow line) is **40% higher** than last year. The reasons for this are likely to be a product of both increased demand coupled with fluctuating capacity due to estates work.

Work continues to manage capacity via block purchase of 9 out of area beds.

Agency Staff

Total Agency spend for the year is **£4.7m**, in line with the original plan of £4.9m.

The line graph shows that the Covid impact is much smaller than on OOT. Agency spend has increase by around **24%** or **£0.9m** on 2019/20 levels. Just over half of the cost increase between years relates to Covid.

The remaining **£0.41m,** is a result of Agency use to support waiting list reductions and back fill for vacancies and MHIS roles while they are filled substantively. This is reflected in the large increase in Agency Qualified Nurses which increased by **£0.8m** on the prior year.

Cost Improvement Programme (CIP)

CIP PERFORMANCE

Care Group	Target	Identified Recurrently	Identified Non Recurrently	No plans
Clinical	1,823	390	672	761
Medical (split as follows)	102	102	-	-
Quality	35	35	-	
management	14	14	-	
Pharmacy	33	33		
Research & Development	21	21	-	
Chair / Chief Exec	42	42	-	
Nursing & Prof.	17	-	17	
People Directorate	95	6	45	45
Finance (Split as follows)	419	318	100	-
Finance	46	46	-	
Facilities	147	147		
IMST	201	101	100	
Finance Other	25	25	-	
Reserves	14	14	-	
	2,511	**872**	**834**	**805**
% of Target		34.7%	33.2%	32.1%

IN MONTH UPDATE

Overall £1.706m (68%) of the £2.511m annual target was met, leaving £805k (32%) outstanding.

Of the £1.706 achieved £872k was met through re-current plans and £834k via non-recurrent.

The breakeven financial arrangement for M01 - M06 contributed to the majority of the non-recurrent CIPs achievement in the areas where recurrent plans had not been developed.

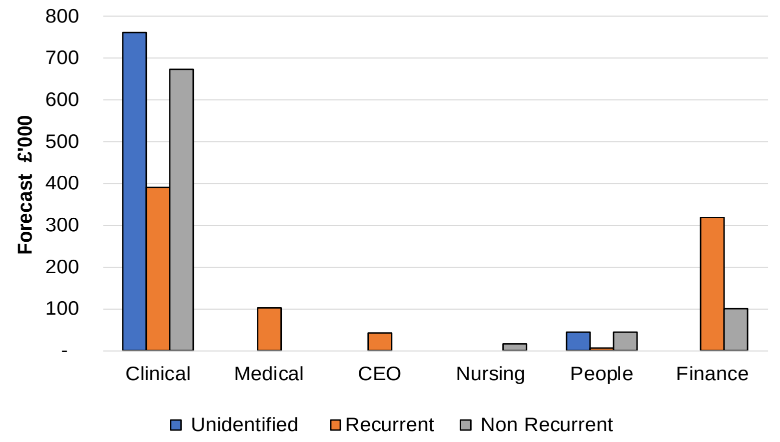
KEY RISKS

The financial risk carried forward into 2021/22 totals £1.638m: the detail can be appreciated in the table below.

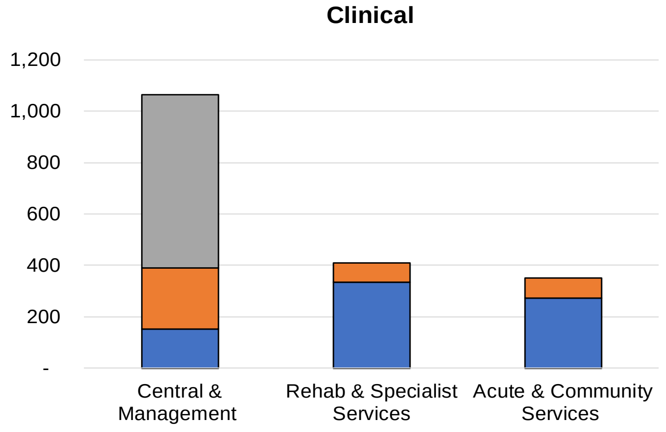
The key to success in 2021/22 will be to develop long term plans to transform clinical and non-clinical services that improve patient care, satification and safety whilst balancing the quality and resources available.

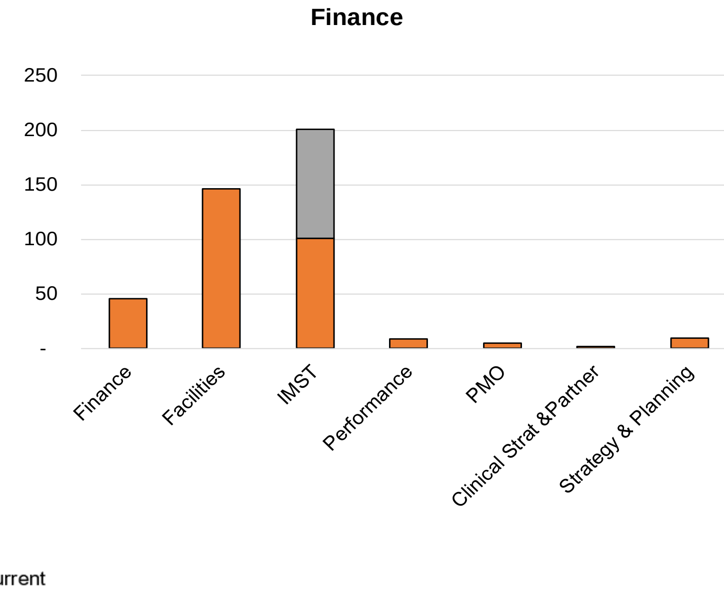
The impact of Covid on CIP planning has been unfortunate. However, this needs to be reinstated as a priority regardless of when the financial regime guidance and expectations for 21/22 are published.

Directorate	Outstanding
Clinical	1,432
Finance (IMST)	100
People	89
Nursing, Professions and Care Standards	17
Total Outstanding Target 2020/21	**1,638**
Improvement on Prior Month	**0**



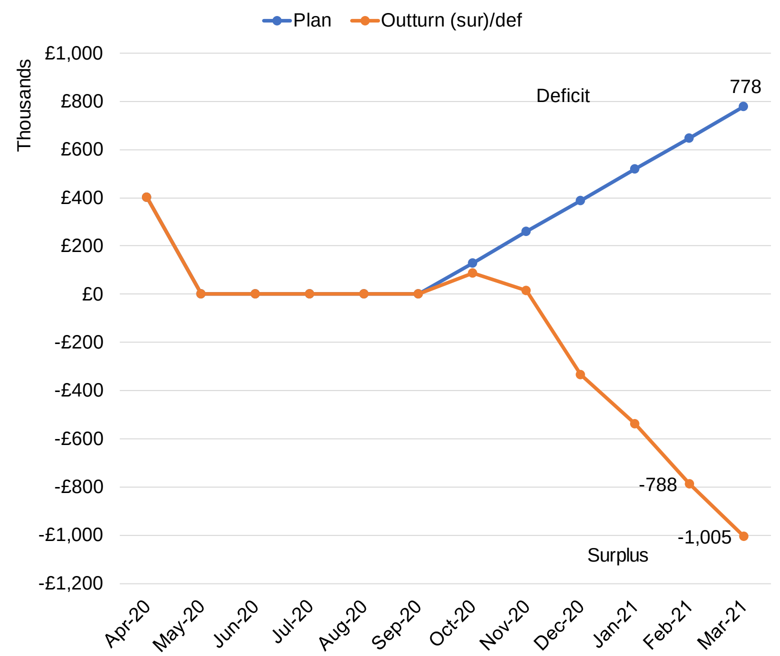
% of Target Achieved Recurrently	**21%**	**100%**	**100%**	**6%**	**76%**



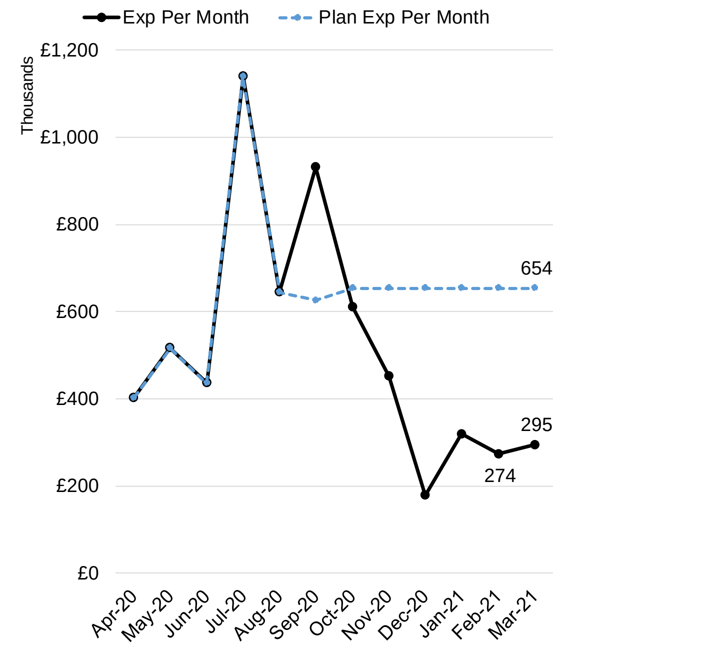


COVID19 - Financial Analysis

FORECAST DEFICIT - NOW FORECAST SURPLUS



COVID SPEND PER MONTH



COMMENTARY

Monthly expenditure remains stable and lower than the funded and planned level. Key figures are shown below:

(£1.00m) Surplus Final Position
£0.78m Deficit Plan for the year

£1.78m Favourable Movement on Plan.

Pay/Non Pay is c. 50/50 split, with both close to £3m for the year. The majority of pay spend (£2m) is on Nursing Staff, where c.60% relate to unqualified nurses (including Bank).

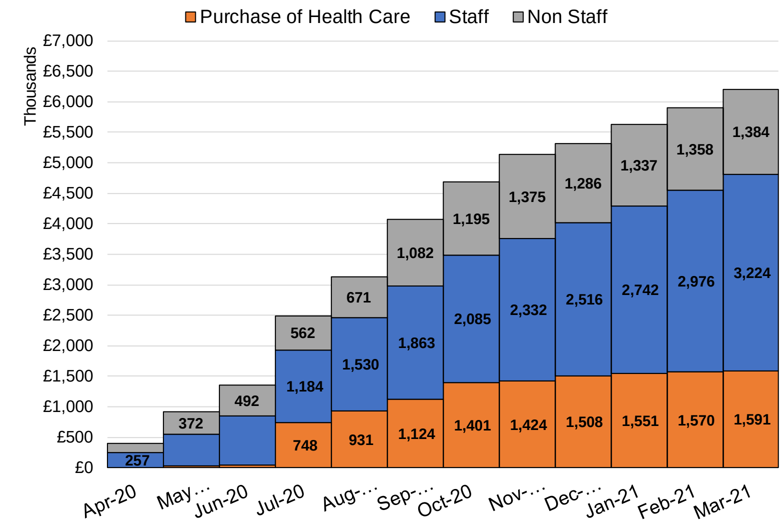
Majority of Non Pay (£1.7m) is Purchase of Health Care and related patient transport. With other material spend being:

- **£0.6m** Additional PPE and domestic/clinical supplies to support increased virus control measures. Some of these costs may need to remain at a higher level in future years and are likely to fluctuate with peaks in cases.

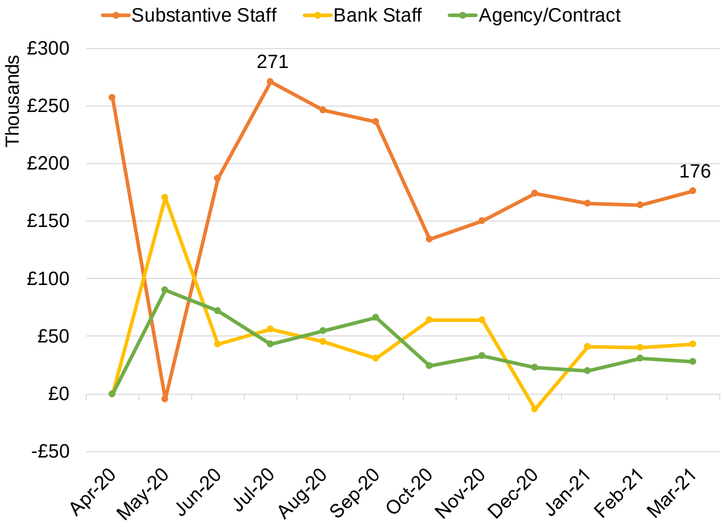
- **£0.5m** Computer Equipment costs related to the move to remote clinical and corporate service delivery. The additional cost of supporting, maintaining and replacing the expanded equipment base will require consideration in future years.

This does not include the vaccine hub costs, which are minimal (£64k)

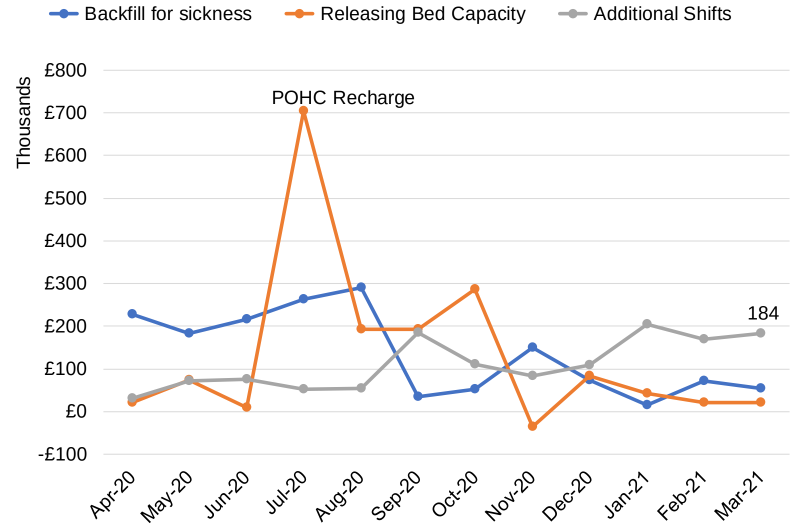
TOTAL YTD SPEND COVID



COVID - STAFF COSTS PER MONTH



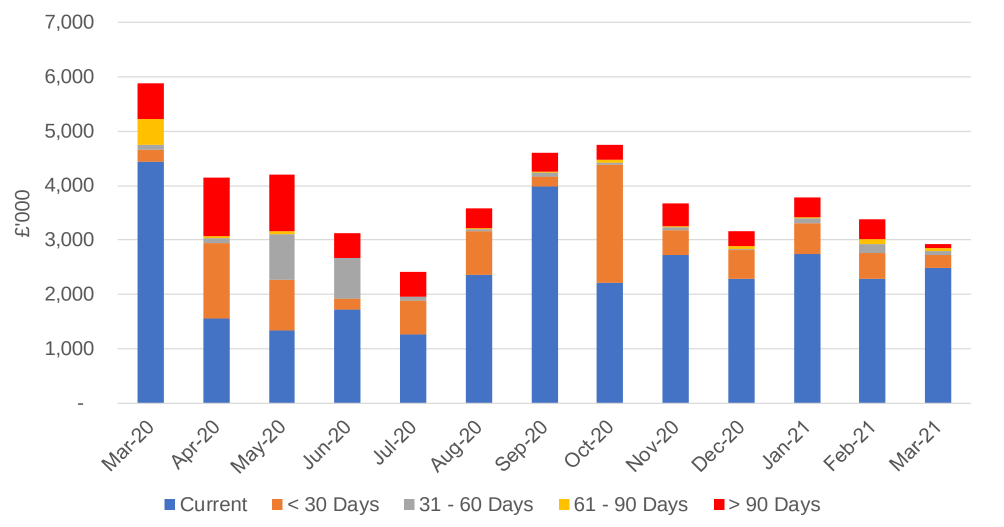
TOP 3 ACTIVITIES DRIVING SPEND



Statement of Financial Position - Summary

	OPENING 2020/21	ACTUAL	MOVEMENT	YEAR END PLAN
	£'000	£'000	£'000	£'000
Non-Current Assets				
Property, Plant & Equipment (PPE)	49,583	57,810	8,227	49,384
Intangible Assets	1,439	1,062	(377)	1,998
Other Non-Current Assets	4,666	4,554	(112)	4,617
Non-Current Assets Total	55,689	63,426	7,737	55,999
Current Assets				
Receivables	6,166	3,541	(2,625)	7,699
Cash and Cash Equivalents	51,019	62,075	11,056	55,741
Other Current Assets	1,769	2,876	1,107	105
Total Current Assets	58,954	68,492	9,538	63,545
Current Liabilities				
Provisions	(459)	(613)	(154)	(704)
Payables	(5,987)	(8,580)	(2,593)	(10,694)
Other Current Liabilities	(4,424)	(5,204)	(780)	(29)
Total Current Liabilities	(10,870)	(14,397)	(3,527)	(11,427)
Net Current Assets/ (Liabilities)	48,084	54,095	6,011	52,118
Total Non-Current Liabilities	(5,448)	(6,039)	(591)	(5,441)
Total Net Assets	98,325	111,482	13,157	102,676
Total Taxpayers Equity	98,325	111,482	13,157	102,676

AGED DEBT ANALYSIS



STATEMENT OF FINANCIAL POSITION COMMENTARY

Overall the Trust has a healthy cash position supported by receipts in advance under the current financial arrangements and delays in Capital expenditure. The Trust has no working capital concerns, no debt facility, and continues to meet the Better Payments Practice Code. The Trust current ratio of current assets to current liabilities improved from 3.4:1 as per previous month to 4.7:1 at the end of March 2021, being Cash 91% of current assets, denoting a high level of liquidity.

Fulwood's land has been deemed as "surplus asset" to the Trust requirements in line with the advanced relocation programme and the imminent sale of this property in the short term. In consequece Fulwood has been valued at "fair value", which is in effect the market value for this property. A full "desktop" revaluation of lands and buildings has also been completed for the remaining Trust properties in March 2021.

The Tax payers equity has moved by £13,157k by the end of the reporting period 2020/21. This comprises, a net increase on I&E reserve, or retained earnings of £1,846k which is the surplus offset by losses in the revaluation of the LGPS. There is a net increase on revaluation reserve of £7,249k further to the desktop revaluation of the Trust properties reflecting mainly the increased value of lands. And finally public dividend capital increased by £4,062k due to the cash receipt of external PDC funding for a variety of capital projects.

HIGHLIGHTS FOR THE REMAINDER OF THE YEAR

- The sale of Heeley in relation to GP surgeries has been completed on 31 March 2021 for a net book value of £182.5k. Cash is due in April 2021.

- The incremental value of the Trust properties can be considered as "unrealised gains" until any properties are sold, which on the negative side, such increments have a direct impact on the calcualtion of the PDC charge, which in year 2020/21 was £1,374k.

- The Trust achieved its revised capital expenditrue goals comprising the full utilisation of £4,062k of external capital funding. The actual capex outturn was 7,359k recorded at the end of March 2021.

- A sharp decrease on aged debtors over 90 days is due to the full utilisation of the bad debt provisions against disputed sales invoices by SCC totalling £234k. This in turn portraits a more accurate position of the outstanding debtors balances considering the improved credit control actions after the SCC incident.

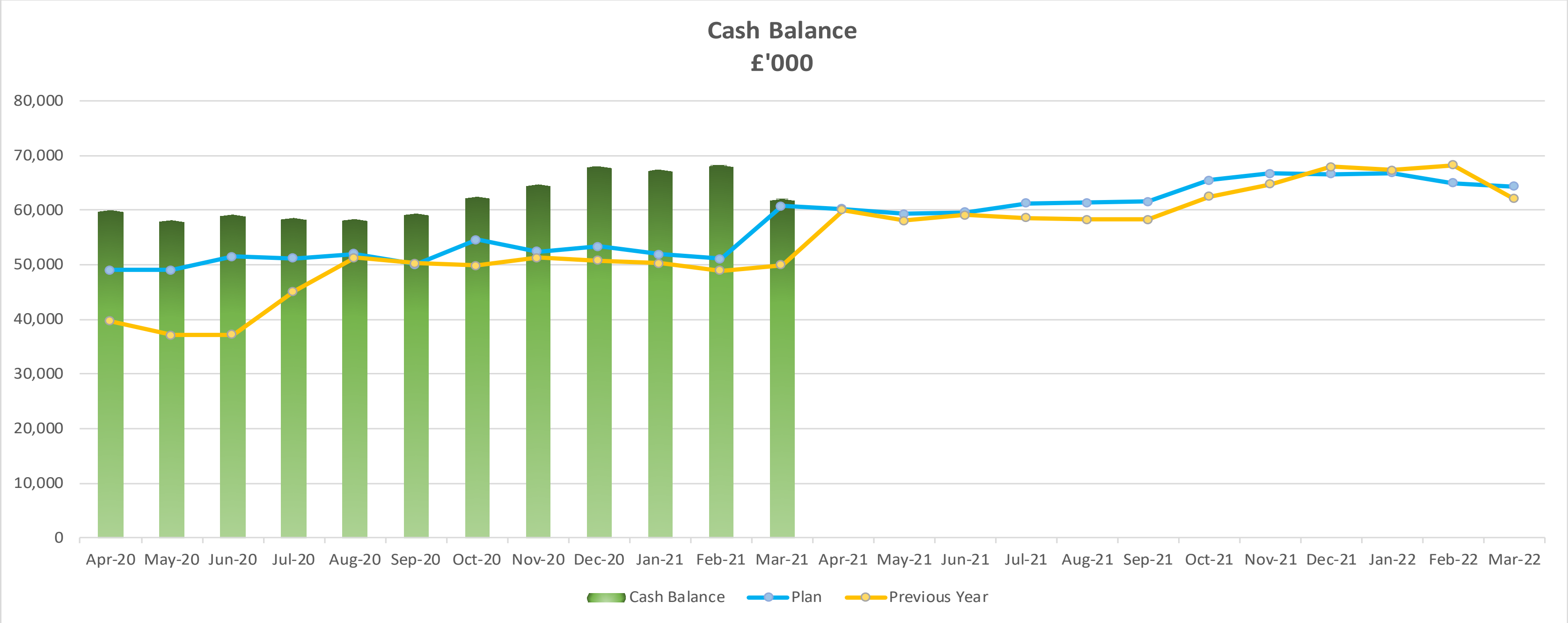
12 Months Cash Flow Forecast

Cash flow as at March 2021	YTD Actual Mar-21 £000s	2021/22 Apr-21 £000s	2021/22 May-21 £000s	2021/22 Jun-21 £000s	2021/22 Jul-21 £000s	2021/22 Aug-21 £000s	2021/22 Sep-21 £000s	2021/22 Oct-21 £000s	2021/22 Nov-21 £000s	2021/22 Dec-21 £000s	2021/22 Jan-22 £000s	2021/22 Feb-22 £000s	2021/22 Mar-22 £000s
Operating Surplus/(deficit)	3,898	208	208	208	208	208	208	208	208	208	208	208	208
Net cash generated from / (used in) operations	9,881	(1,684)	(794)	(355)	2,352	838	1,917	519	1,474	540	676	(1,232)	(1,032)
Net cash inflow/(outflow) from investing activities, Total	(5,574)	(301)	(376)	(697)	(890)	(940)	(1,066)	3,207	(543)	(797)	(668)	(668)	(845)
Net cash inflow/(outflow) before financing	8,205	(1,777)	(962)	(844)	1,670	106	1,059	3,934	1,139	(49)	216	(1,692)	(1,669)
Net Cash inflow/(outflow) from financing activities, Total	2,852	0	0	1,124	0	0	(846)	0	0	0	0	0	(808)
Increase/(decrease) in cash and cash equivalents	11,057	(1,777)	(962)	280	1,670	106	213	3,934	1,139	(49)	216	(1,692)	(2,477)
Cash and cash equivalents at start of period	51,018	62,075	60,298	59,336	59,616	61,286	61,392	61,605	65,539	66,678	66,629	66,629	66,845
Increase/(decrease) in cash and cash equivalents	11,057	(1,777)	(962)	280	1,670	106	213	3,934	1,139	(49)	216	(1,692)	(2,477)
Cash and cash equivalents at end of period	62,075	60,298	59,336	59,616	61,286	61,392	61,605	65,539	66,678	66,629	66,845	64,937	64,368

NARRATIVE

The favourable cash variance to plan at the end of March 2021 contains the receipt of £4,062k of external PDC funding for Capital projects.

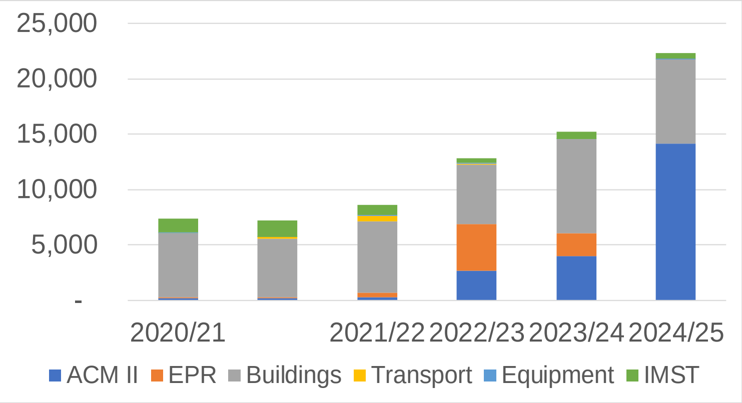
It is forecasted that by the end of the new financial year 2021/22 cash balances might remain at the same level seen in 2020/21 which are going to be subject also of capital receipts for the the disposal of Fulwood estimated at £4,000k in 2021/22 which is part 1/3 of the sale value.



Capital Programme

CAPITAL FORECAST 2020/21 TO 2024/25

Category	2020/21 YTD £000	2020/21 FOT £000	2021/22 Plan £000	2022/23 Plan £000	2023/24 Plan £000	2024/25 Plan £000	Total Programme Forecast
ACM II	196	200	300	2,650	3,958	14,136	**21,240**
EPR	40	40	400	4,200	2,136	-	**6,776**
Buildings	5,813	5,297	6,388	5,402	8,443	7,600	**33,646**
Transport	24	194	550	100	-	30	**704**
Equipment	97	30	50	50	50	30	**277**
IMST	1,189	1,427	896	442	625	497	**3,649**
Total	**7,359**	**7,188**	**8,584**	**12,844**	**15,212**	**22,293**	**66,292**

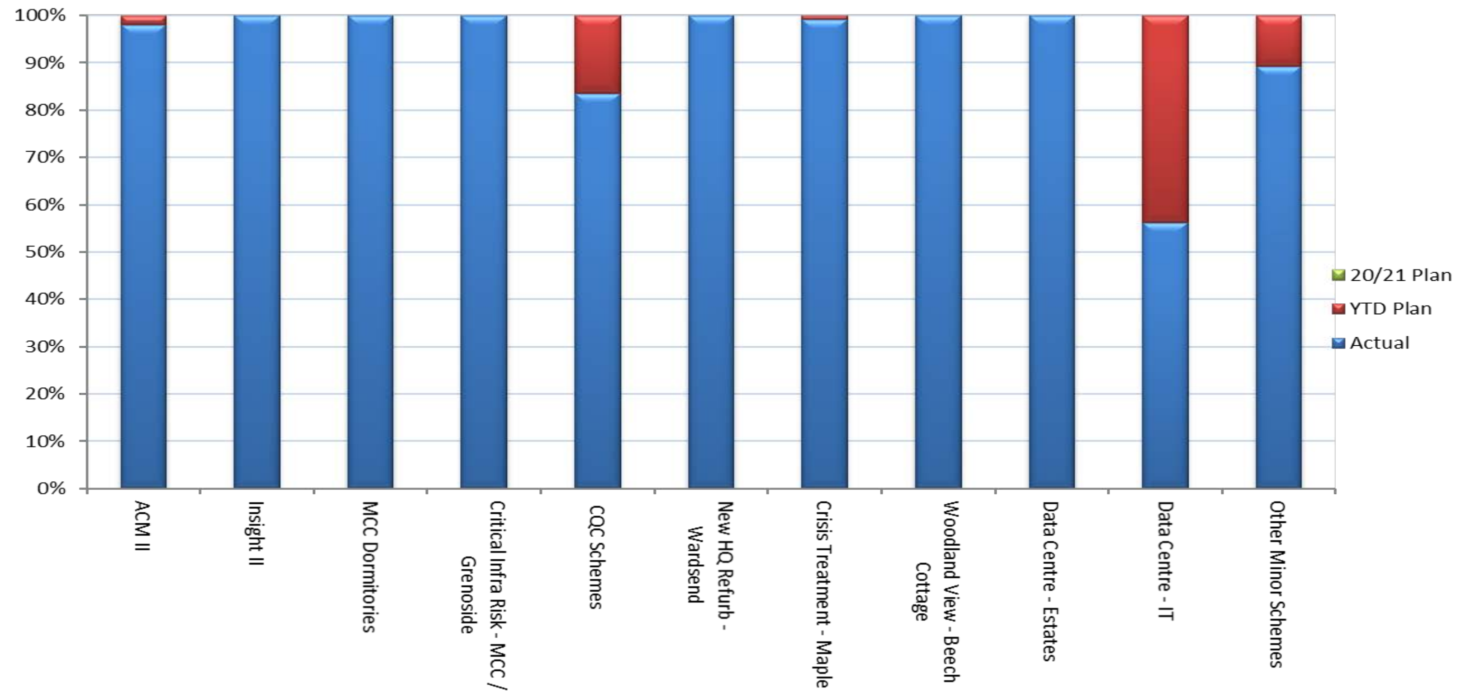


POSITION SUMMARY 2020/21

Capital Position to Date	Revised Plan	Actual	Variance	
In-month spend	3,223	3,856	633	Green
Cumulative spend	7,188	7,359	171	Amber
Capital expenditure is <85% or >115% of plan for year to date				Amber

Capital Forecast Outturn	Revised Plan	Actual	Variance	
Cumulative spend	7,188	7,359	171	Green
Capital expenditure is <85% or >115% of plan for year to date				Green

CAPITAL PROJECT PORTFOLIO - YEAR TO DATE POSITION



NARRATIVE

At the end of March 2021, the Trust reports a total Capital expenditure including accruals of £7,359k, which is £171k above M11 FOT; therefore it has achieved it revised target for 2020/21.

The Disposal of Fulwood is progressing, it is expected for the negotiations to conclude before the end of Q1 2021/22, the potential capital receipt is above the initial forecast which is positive for cash flows to fund the ambitious five years Capital Programme.

The Trust received in total cash inflows of £4,062k in PDC funding for multiple capital projects which have been fully utilised by the end of March 2021 including high risk backlog maintenance £899k, MCC dormitories £1,117k; Woodland View £875k as they main highlights and other IMST schemes totalling £898k.

A full desktop revaluation of the Trust properties including Fulwood have been completed in line with current accounting policies, The main highlights are the increase in land values including Fulwood which is a surplus asset to the Trust at present due to the advanced status of the leaving Fulwood programme.

The refreshed Estates Strategy is likely to impact the forecast moving foward for the next 5 financial years.