

# Council of Governors

# Financial Performance Report

September 2021

Richard Mills, NED, Chair of Finance and  
Performance Committee



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# Executive Summary

## Summary at September 2021:

- Trust wide surplus of £2.3m at the end of M6/H1 (Sept 21) as expected.
- Draft H2 income allocations received. Initial indication around £73m, in line with H1 allocation.
- The Trust has submitted a breakeven plan to the ICS. This position relies on a significant amount of recruitment. An upside position reflecting recruitment challenges is currently being prepared and will be shared shortly.
- MHIS spend shows initial signs of increasing as plans to repurpose slippage take effect. The underspend at H1 is around £1m as expected. The forecast underspend for the year has reduced to £1.1m.
- Covid underspend is £2.3m as expected. Covid funding for H2 confirmed at £3.3m, in line with the H1 allocation and £6.6m estimate for the year. Covid costs remain low and support an estimated £4.8m surplus at year end.
- Agency and Out of Area Costs remain high risk. Out of Area costs show early signs of stabilising, due to the contracts put in place to provide additional capacity while estates projects are completed.
- Agency costs now show a significant trend of sustained high levels of spending. Costs are forecast to hit £5.9m by year end.

KPI	Annual Plan £'000	Year to Date Plan £'000	Year To Date Actual £'000
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>2,336</b>
<b>Covid Expenditure</b>	<b>6,596</b>	<b>3,298</b>	<b>968</b>
<b>Agency</b>	<b>2,959</b>	<b>2,700</b>	<b>2,959</b>
<b>Cash</b>	<b>62,279</b>	<b>62,860</b>	<b>61,538</b>
<b>Efficiency Savings</b>	<b>3,028</b>	<b>1,514</b>	<b>1,818</b>
<b>Capital</b>	<b>7,707</b>	<b>4,470</b>	<b>2,509</b>
<b>Better Payments Practice Code</b>	<b>99.1% by Number 99.5% by Value</b>		

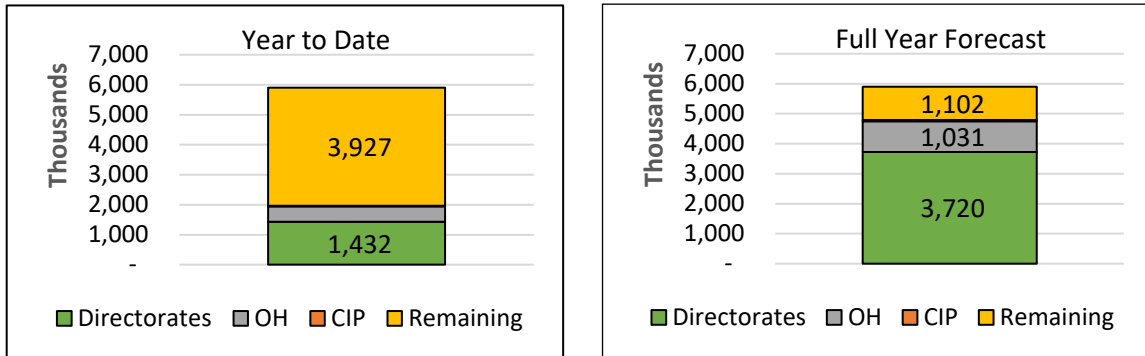
SPC Metrics	SPC Variation	SPC Target
Covid Costs	• L •	n/a
Agency Staff £	• H •	F
Out of Area £	• H •	?

SPC variation	
• • •	Common cause
• L •	Improvement - where low is good
• H •	Improvement - where high is good
• L •	Concern - where high is good
• H •	Concern - where low is good
• ? •	Special cause - where neither high nor low is good

SPC target	
?	Target Indicator – Pass/Fail
P	Target Indicator – Pass
F	Target Indicator – Fail

# Financial Overview

## MHIS Slippage



## Summary at M6 September 2021:

- Operating **surplus of £2,336k** (£2.3m) at Month 6/Half 1
- Material increase in pay costs between M5 and M6 due to pay increase and arrears.
- Agency and Out of Area placements remain risks to the Trusts underlying position. See *Risks and Recovery* slide for detail.
- Covid continues to drive Trust surplus position. Funding to continue at this level into H2. See *Covid* slide for detail
- Strong cash position continues.
- Capital programme remains behind schedule. Slippage at H1 of £1.9m

## Income & Expenditure Summary

### H1 POSITION

	H1 Plan £000	H1 Actual £000	H1 Variance £000	%
Income	71,028	72,858	1,830	3%
Pay	55,829	56,033	204	0%
Non Pay	12,848	12,156	(692)	(5%)
<b>Total Expenditure</b>	<b>68,677</b>	<b>68,189</b>	<b>(488)</b>	<b>(1%)</b>
EBITDA	2,351	4,669	2,318	
Post EBITDA	2,369	2,351	(18)	
<b>Surplus after adjustm</b>	<b>0</b>	<b>2,336</b>	<b>(2,336)</b>	
<b>KPI's</b>				
Out of Town (OOT)	4,344	4,769	(425)	(10%)
Agency	2,700	2,959	(259)	(10%)
Covid	3,298	968	2,330	71%
CIPs	1,514	1,818	(304)	(20%)

## Directorate Year To Date Position

		Trust Wide £000	Clinical £000	Corporate £000	GP Surgeries £000	Medical £000	Central Budgets £000	Central Reserves £000
Pay	Plan	55,829	42,365	8,787	0	4,416	(734)	997
	Actual	56,033	42,474	8,378	7	5,173	(49)	50
	Var	(204)	(109)	408	(7)	(758)	(685)	947
Non Pay	Plan	12,848	6,525	5,709	0	837	(146)	(78)
	Actual	12,156	9,250	4,023	2	706	(1,855)	30
	Var	692	(2,724)	1,686	(2)	132	1,709	(107)

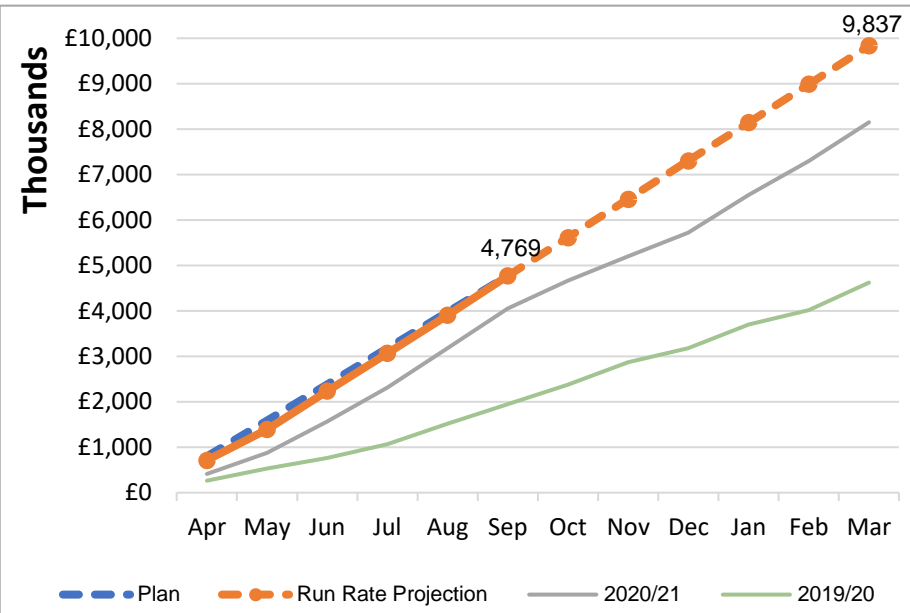
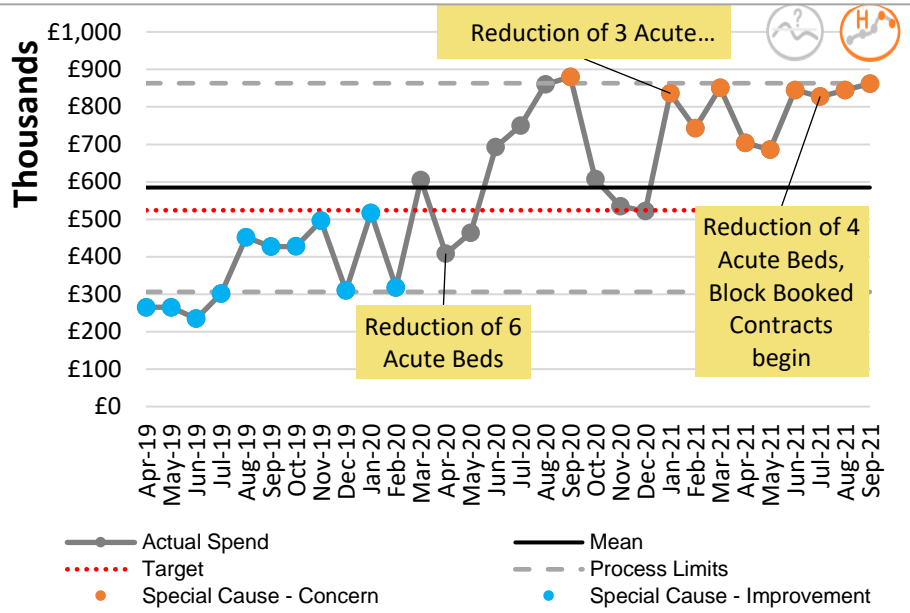
# Forecast

	Prior Year £'000	Actual												H1 Out- turn	H1 Plan	Variance
		Apr-21 £'000	May-21 £'000	Jun-21 £'000	Jul-21 £'000	Aug-21 £'000	Sep-21 £'000	Oct-21 £'000	Nov-21 £'000	Dec-21 £'000	Jan-22 £'000	Feb-22 £'000	Mar-22 £'000	£'000	£'000	£'000
<b>Income</b>																
Income from Patient Care Activities	118,174	10,072	9,691	10,586	10,296	10,219	12,110							62,974	61,320	1,654
Other Operating Income	35,537	1,726	1,579	1,634	1,711	1,723	1,511							9,884	9,708	176
<b>Total Income</b>	<b>153,711</b>	<b>11,798</b>	<b>11,270</b>	<b>12,220</b>	<b>12,007</b>	<b>11,942</b>	<b>13,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>72,858</b>	<b>71,028</b>	<b>1,830</b>
<b>Expenditure</b>																
Substantive	105,189	7,997	8,096	8,044	7,960	8,074	9,411							49,582	49,226	356
Bank	6,006	662	393	581	503	586	561							3,286	3,621	(335)
Agency	4,638	389	403	503	503	593	568							2,959	2,700	259
Other (Apprenticeship Levy)	411	38	39	39	38	39	13							206	282	(76)
<b>Total Pay</b>	<b>116,244</b>	<b>9,086</b>	<b>8,931</b>	<b>9,167</b>	<b>9,004</b>	<b>9,292</b>	<b>10,553</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,033</b>	<b>55,829</b>	<b>204</b>
Purchase of Healthcare	8,149	710	680	845	827	845	862							4,769	4,344	425
Drugs	850	75	75	74	83	76	90							473	498	(25)
Other non pay	18,011	972	960	1,271	1,325	1,162	1,224							6,914	8,006	(1,092)
<b>Total Non Pay</b>	<b>27,010</b>	<b>1,757</b>	<b>1,715</b>	<b>2,190</b>	<b>2,235</b>	<b>2,083</b>	<b>2,176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,156</b>	<b>12,848</b>	<b>(692)</b>
<b>Total Expenditure</b>	<b>143,254</b>	<b>10,843</b>	<b>10,646</b>	<b>11,357</b>	<b>11,239</b>	<b>11,375</b>	<b>12,729</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,189</b>	<b>68,677</b>	<b>(488)</b>
<b>EBITDA</b>	<b>10,457</b>	<b>955</b>	<b>624</b>	<b>863</b>	<b>768</b>	<b>567</b>	<b>892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,669</b>	<b>2,351</b>	<b>2,318</b>
<b>Post EBITDA</b>	<b>7,827</b>	<b>395</b>	<b>395</b>	<b>395</b>	<b>389</b>	<b>388</b>	<b>389</b>							<b>2,351</b>	<b>2,369</b>	<b>(18)</b>
<b>Net Surplus / (Deficit)</b>	<b>2,630</b>	<b>560</b>	<b>229</b>	<b>468</b>	<b>379</b>	<b>179</b>	<b>503</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,318</b>	<b>(18)</b>	<b>2,336</b>
Technical Adjustments	35	3	3	3	3	3	3							18	18	0
<b>Adjusted Net Surplus / (Deficit)</b>	<b>2,665</b>	<b>563</b>	<b>232</b>	<b>471</b>	<b>382</b>	<b>182</b>	<b>506</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,336</b>	<b>0</b>	<b>2,336</b>

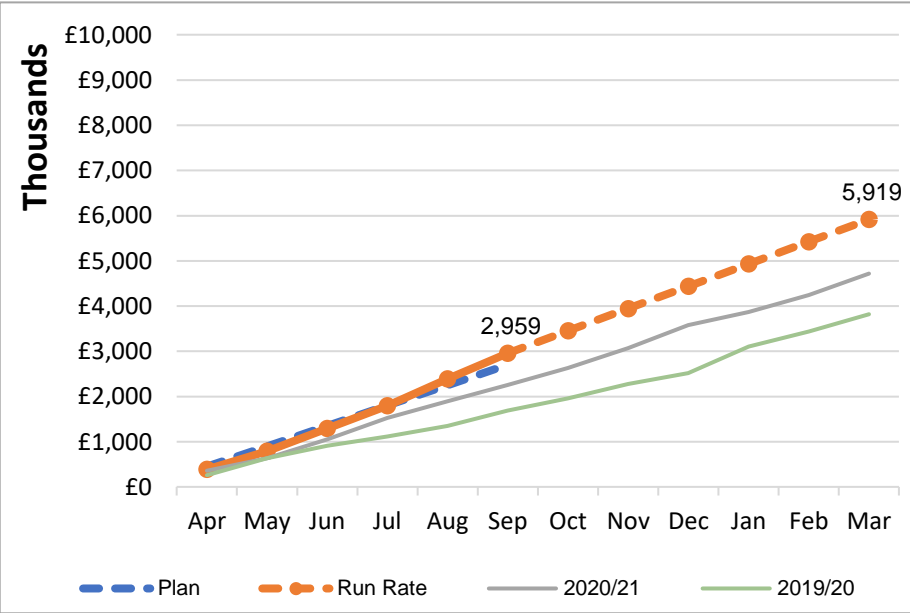
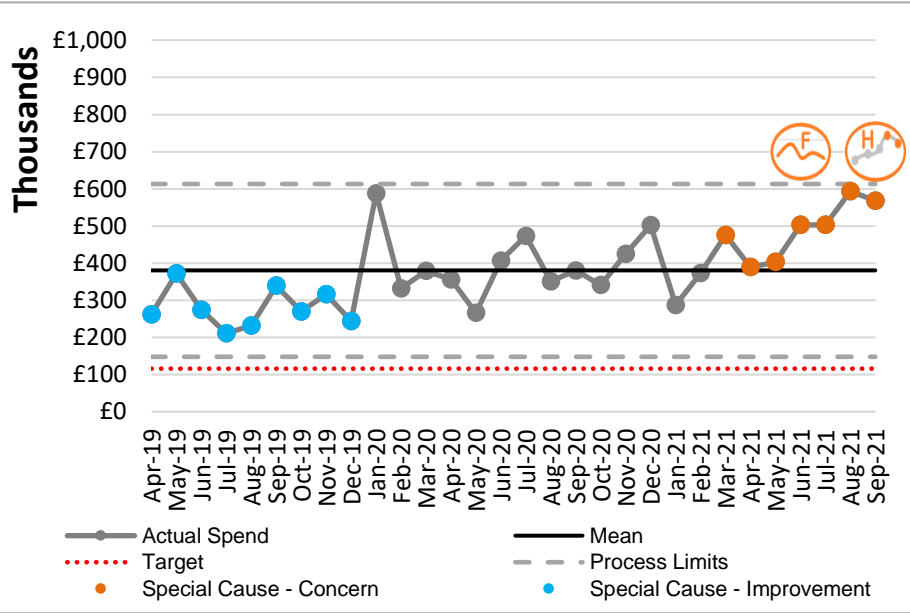
## Commentary:

- The Trust surplus at H1 is at the upper end of the forecast range of £1.8m - £2.25m. The surplus is driven primarily by the Covid funding which is non recurrent. Analysis of the Trusts underlying position suggests expenditure could exceed income when the Covid funding ceases. Key drivers are out of area placements and pay costs in acute inpatient settings.
- From M7 a full year forecast will be in place. The Trust submitted a break even forecast based on ambitious recruitment plans that boost pay spend significantly in H2. Alternative scenario's are being modelled and details of these will be available next month.

# Risk & Recovery | Out of Area & Agency



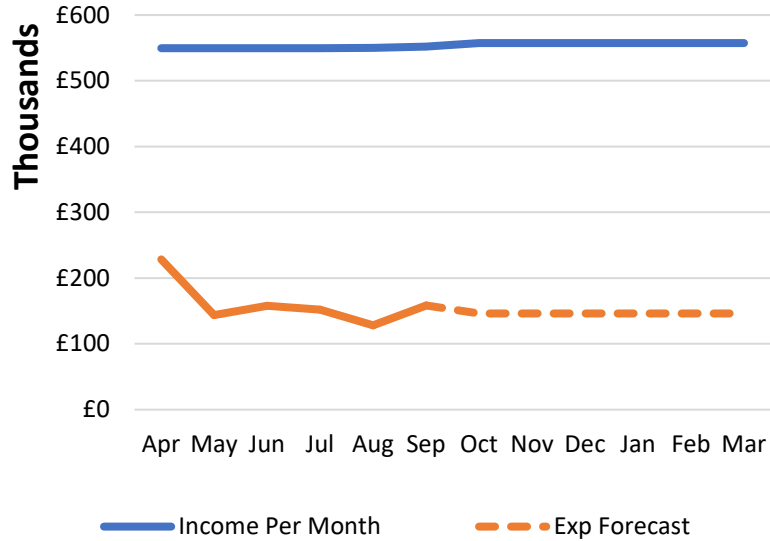
- Out of Area:**
- YTD Spend of £4.8m (orange line adjacent graph).
  - Contracts for 12 Acute Beds in place. This increases the SHSC bed base by 8 beds, when offsetting closures due to estates work are accounted for.
  - Early signs of more stable costs (at higher level) due to contracts “fixing” costs.
  - Additional spend this month is Covid related.



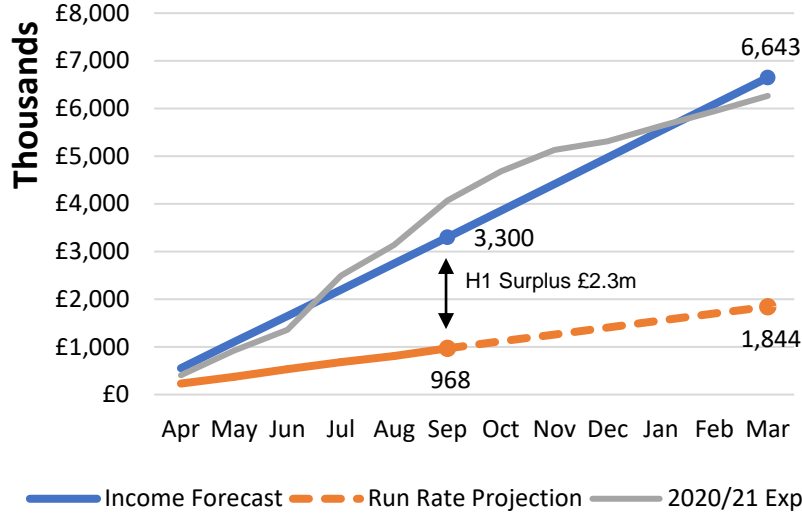
- Agency:**
- YTD Spend of £2.96m (orange line adjacent graph)
  - SPC shows spend is consistently above average and represents a significant increase in cost.
  - Biggest spend on Health Care Assts within Acute & Community (£1.1m), Qualified Nurses within Acute & Community (£0.6m) and Admin within Finance (£0.2m)

# Covid

### 2021/22 Covid Income v Exp Forecast

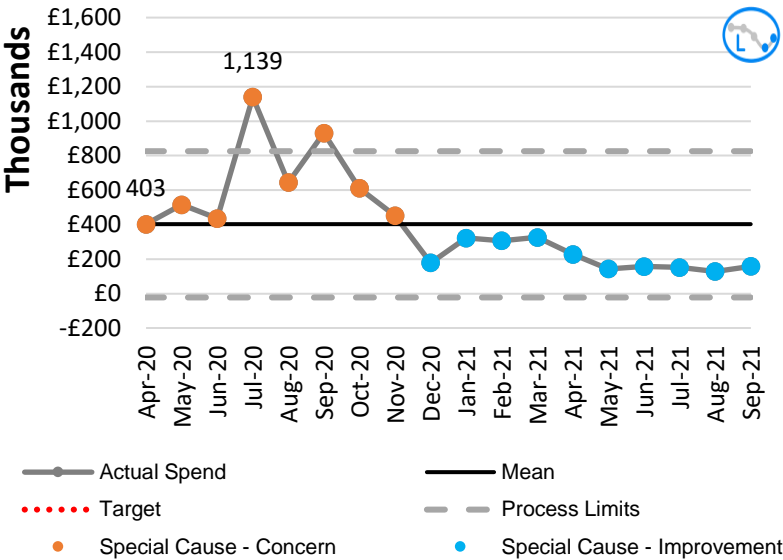


### 2021 Full Year Forecast

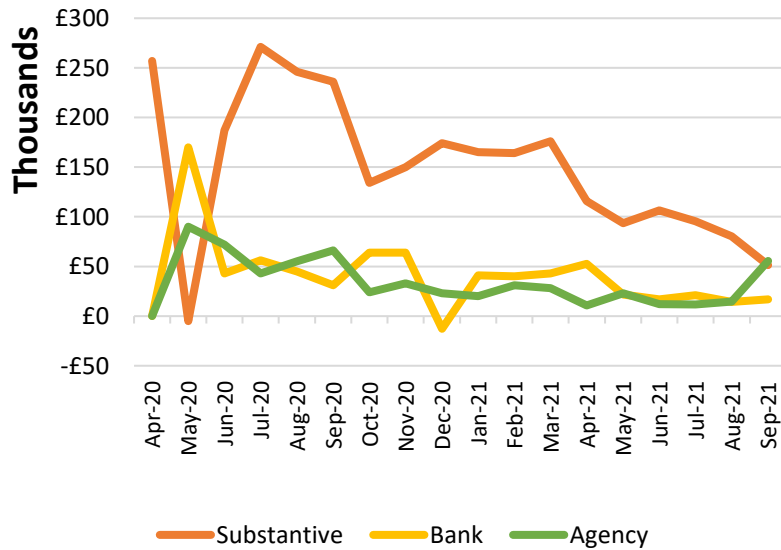


- Covid Funding for H2 confirmed and in line with assumed £6.6m for the year. No claw back of surplus.
- Covid spend remains low and the H1 Surplus is in line with expectation at £2.3m
- Forecast surplus for the year, at this level of spend is £4.8m. Plans required to repurpose this non recurrently to support break even position this year.
- Planning guidance is clear that a separate covid funding stream will be phased out in 22/23.

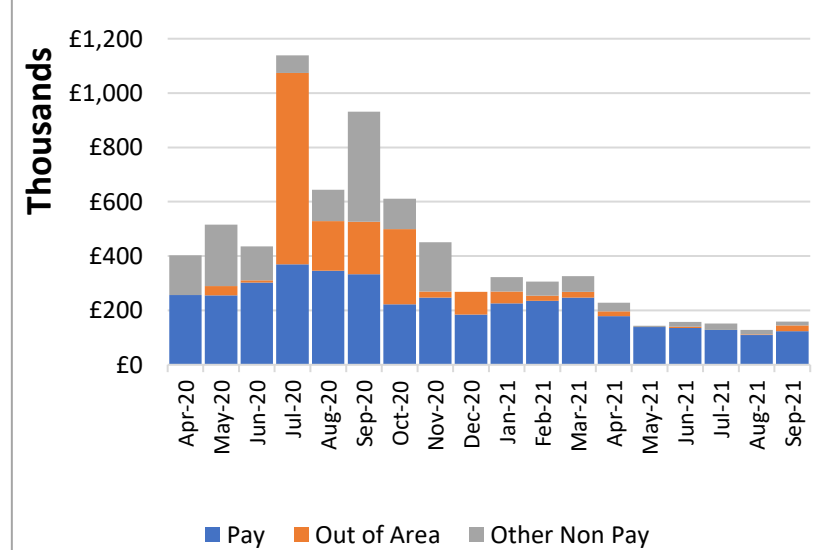
### SPC Chart – Covid Expenditure



### Monthly Staff Costs



### Covid Expenditure Split



# Cost Improvement Programme

## CIP PERFORMANCE

Care Group	Target £'000	Identified Recurrently £'000	Non Recurrent £'000	No Plan £'000
Clinical	1,453	117	627	709
Reserves	1,191	-	695	496
Strategy & Estates	136	111	26	-
Director of Finance	86	113	-	28
Nursing & Professions	52	52	-	-
People	49	17	-	32
Medical	38	38	-	-
Corporate Governance	23	23	-	-
<b>Total</b>	<b>3,028</b>	<b>471</b>	<b>1,347</b>	<b>1,210</b>
% of Target		16%	44%	40%

- Areas having the most difficulty identifying long term cost reductions are Clinical areas.
- Within the Acute and Community area plans have been drawn up and are progressing through governance routes.
- While in year savings have been identified and processed in Rehab and Specialist Services, it is recognised that additional work is needed to create longer term savings that support sustainability.

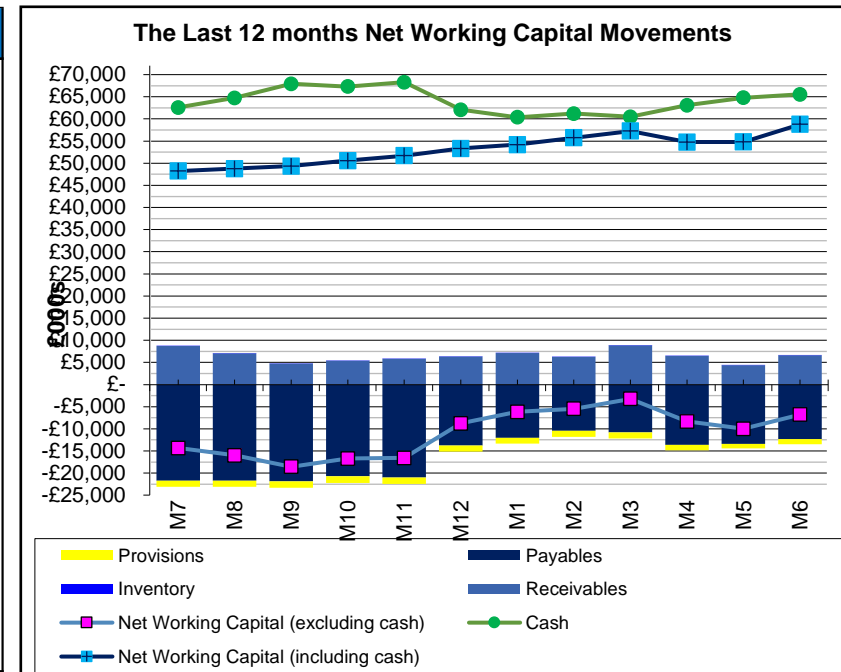
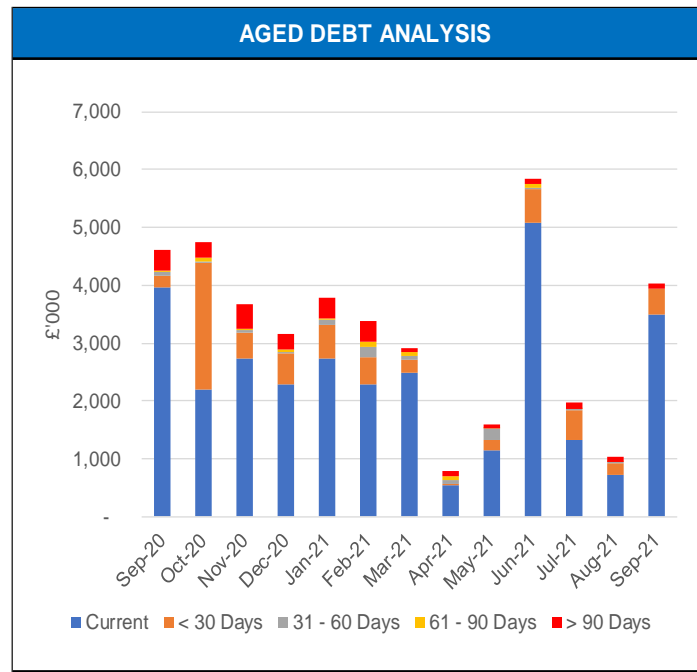
- Minimal change this month.
- Additional £99k Non Recurrent savings added to Reserves this month, relates to Covid underspending.

Clinical Area	Target £'000	Identified Recurrently £'000	Non Recurrent £'000	No Plan £'000
Acute & Community Services	795	87	-	709
Rehab & Specialist Services	628	1	627	0
Central Management	30	30	-	-
<b>Total</b>	<b>1,453</b>	<b>117</b>	<b>627</b>	<b>709</b>
% of Target		8%	43%	49%



# SOFP | Statement of Financial Position

	OPENING 2021/22	ACTUAL	MOVEMENT	YEAR END PLAN
	£'000	£'000	£'000	£'000
<b>Non-Current Assets</b>				
Property, Plant & Equipment (PPE)	57,810	58,877	1,067	49,384
Intangible Assets	1,062	997	(65)	1,998
Other Non-Current Assets	4,554	4,417	(137)	4,617
<b>Non-Current Assets Total</b>	<b>63,426</b>	<b>64,291</b>	<b>865</b>	<b>55,999</b>
<b>Current Assets</b>				
Receivables	3,541	4,179	638	7,699
Cash and Cash Equivalents	62,075	61,538	(537)	55,741
Other Current Assets	2,876	2,525	(351)	105
<b>Total Current Assets</b>	<b>68,492</b>	<b>68,242</b>	<b>(250)</b>	<b>63,545</b>
<b>Current Liabilities</b>				
Provisions	(613)	(416)	197	(704)
Payables	(8,580)	(6,313)	2,267	(10,694)
Other Current Liabilities	(5,204)	(5,984)	(780)	(29)
<b>Total Current Liabilities</b>	<b>(14,397)</b>	<b>(12,713)</b>	<b>1,684</b>	<b>(11,427)</b>
<b>Net Current Assets/(Liabilities)</b>	<b>54,095</b>	<b>55,529</b>	<b>1,434</b>	<b>52,118</b>
<b>Total Non-Current Liabilities</b>	<b>(6,039)</b>	<b>(6,020)</b>	<b>19</b>	<b>(5,441)</b>
<b>Total Net Assets</b>	<b>111,482</b>	<b>113,800</b>	<b>2,318</b>	<b>102,676</b>
<b>Total Taxpayers Equity</b>	<b>111,482</b>	<b>113,800</b>	<b>2,318</b>	<b>102,676</b>



## STATEMENT OF FINANCIAL POSITION COMMENTARY

Overall the Trust reports a healthy cash position which is in general terms a normalised position. The Trust has no working capital concerns, no debt facility, and continues to meet the Better Payment Practice Code. The Trust current ratio of current assets to current liabilities remains at 5:1 at the end of September 2021, being Cash 90% 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. The cash inflow from this transaction will take over 3 years as per on-going negotiations with the developer, being the first expected once full planning permission is granted by SCC.

The Trust is in the process of refreshing its Long Term Financial Plan (LTFM). This is also influenced by understanding the financial regime in place, specifically around income and internally the impact of the Estate's strategy in terms of capital investments and disposal of assets. Once the EPR OBC is approved this will also be fed into the LTFM.

## HIGHLIGHTS FOR THE REMAINDER OF THE YEAR

The new EPR which business cases is being developed, will bring a new type of Intangible asset to the Trust, which economic life might be beyond the current 7 years life span. A review of the accounting policy will be required to reflect this accordingly.

The increased 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 calculation of the PDC charge, which in year 2021/22 is expected to reach £1,691k compared to £1,374k in 2020/21

The Trust is expected to receive £1,124k of external capital funding to partly complete the work in the eradication of dormitories at MCC. Any other possibility of external funding will be an upside to the position, but none are known or pending at the reporting date.

## NET WORKING CAPITAL

At the end of September 2021 the Trust reports a positive cash balance of £61,538k.

The negative working capital balance of £6,764k is the combination of an increase in receivables and decrease of payables including Tax, NI and Pension. There are higher creditors accruals than debtors for a net balance of £4,401k.

Overall there is a positive net working capital balance including cash of £58,774k this is after meeting the negative working capital balance of £6,764k including deferred income.

The Trust's high liquidity ratio of 5:1 will allow the Trust to continue without the need for any working capital loan facility in the near future while progressing the 5 years Capital Programme.

# 12 Months Cash Flow Forecast

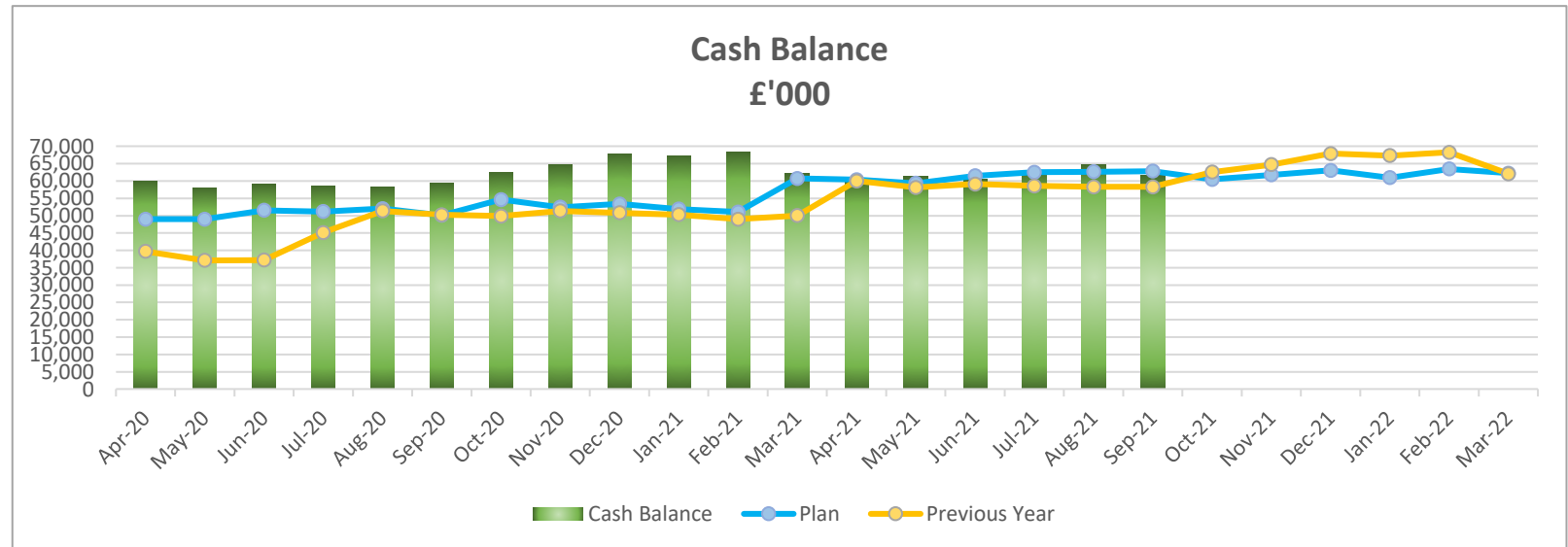
Cash flow as at September 2021	Prior Year Mar-21 £000s	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		2021/22 Apr-21 £000s	2021/22 May-21 £000s	2021/22 Jun-21 £000s	2021/22 Jul-21 £000s	2021/22 Aug-21 £000s	2021/22 Sep-21 £000s	2021/22 Oct-21 £000s	2021/22 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	560	510	608	520	319	644	590	590	590	590	590	590
Net cash generated from / (used in) operations	9,881	(2,196)	748	(1,134)	2,737	1,765	(2,302)	(960)	435	1,583	(1,717)	140	1,011
Net cash inflow/(outflow) from investing activities, Total	(5,574)	(76)	(408)	(216)	(644)	(378)	(787)	(718)	(528)	(871)	(971)	(346)	163
Net cash inflow/(outflow) before financing	8,205	(1,712)	850	(742)	2,613	1,706	(2,445)	(1,088)	497	1,302	(2,098)	384	1,764
Net Cash inflow/(outflow) from financing activities, Total	2,852	0	0	0	0	0	(807)	0	825	0	0	0	(461)
Increase/(decrease) in cash and cash equivalents	11,057	(1,712)	850	(742)	2,613	1,706	(3,252)	(1,088)	1,322	1,302	(2,098)	384	1,303
Cash and cash equivalents at start of period	51,018	62,075	60,363	61,213	60,471	63,084	64,790	61,538	60,450	61,772	63,074	63,074	60,976
Increase/(decrease) in cash and cash equivalents	11,057	(1,712)	850	(742)	2,613	1,706	(3,252)	(1,088)	1,322	1,302	(2,098)	384	1,303
Cash and cash equivalents at end of period	62,075	60,363	61,213	60,471	63,084	64,790	61,538	60,450	61,772	63,074	60,976	63,458	62,279

## NARRATIVE

The Trust is expected to meet its Capital Programme target of £7,707k which has been reduced by £877k to contribute with the over committed ICS's CDEL for this financial year.

The Cash FOT has been revised in line with the results at Q2 and it is now expected to be around £62,279k by the end of March 2022.

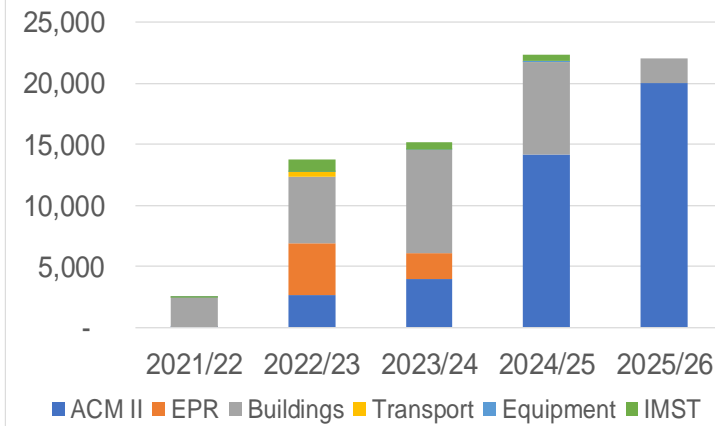
The projected 2021/22 closing balance includes external PDC funding for the eradication of Dormitories £1,124k.



# Capital Programme

## CAPITAL FORECAST 2020/21 TO 2025/26

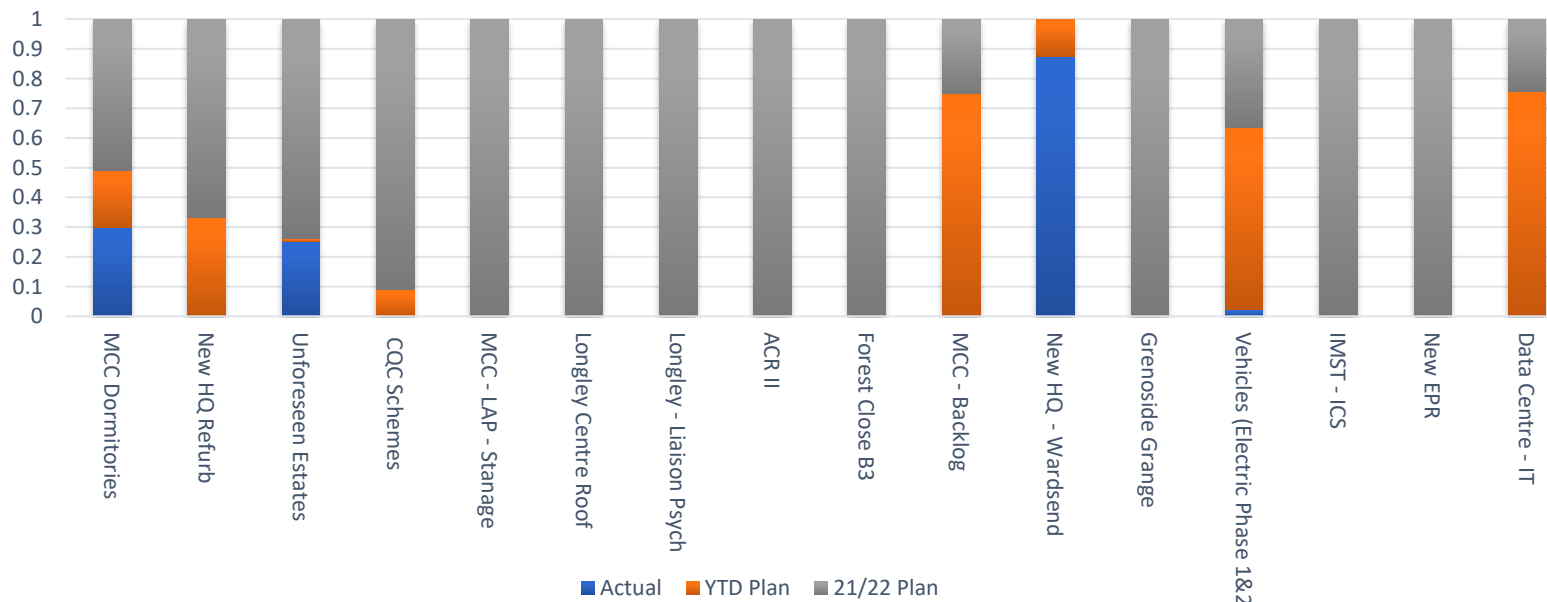
Category	2021/22		2022/23	2023/24	2024/25	2025/26	Total Programme Forecast
	YTD £000	FOT £000	Plan £000	Plan £000	Plan £000	Plan £000	
ACM II	22	300	2,650	3,958	14,136	20,000	41,044
EPR	-	300	4,300	2,136	-	-	6,736
Buildings	2,429	6,088	5,402	8,443	7,600	2,000	29,533
Transport	12	280	370	-	30	-	680
Equipment	11	50	50	50	30	-	180
IMST	35	689	949	625	497	-	2,760
<b>Total</b>	<b>2,509</b>	<b>7,707</b>	<b>13,721</b>	<b>15,212</b>	<b>22,293</b>	<b>22,000</b>	<b>80,933</b>



## POSITION SUMMARY 2021/22

Capital Position to Date	Revised Plan	Actual	Variance
In-month spend	1,266	788	(478) Amber
Cumulative spend	4,470	2,509	(1,961) Amber
Capital expenditure is <85% or >115% of plan for year to date Amber			
Capital Forecast Outturn	Plan	FOT	Variance
Cumulative spend	8,584	7,707	(877) Green
Capital expenditure is <85% or >115% of plan for year to date Green			

## CAPITAL PROJECT PORTFOLIO - YEAR TO DATE POSITION



## NARRATIVE

The current capital plan was refreshed in April 2021, however this is pre the Estates Strategy refresh, where the outcome will not be known until the end of October 2021.

The Estates Strategy is likely to impact the forecast moving forward and Business Cases are due to go to FPC in October 2021 to prioritise LAP, CQC & S29a schemes in 2021/22 in-line within the Trust capital CDEL limit.

At the end of September 2021, the Trust reports a total Capital expenditure including accruals of £2,509k, which is £1961k below M6 forecast out turn.

The disposal of Fulwood is progressing, it is expected for the negotiations to conclude before the end of 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 is expecting a cash inflow of £1,124k in PDC funding for the MCC Dormitories project. This must be fully utilised by the end of March 2022. No other further external capital funding is planned at present and no further bids are pending. We continue to explore national opportunities as these become available.