

Board of Directors (Public)

SUMMARY

Meeting Date: 23 March 2022

Agenda Item: 11

Report Title:	Financial Performance Report	
Author(s):	Matt White, Deputy Director of Finance	
Accountable Director:	Phillip Easthope, Executive Director of Finance, IMST & Performance	
Other Meetings presented to or previously agreed at:	Committee/Group:	-
	Date:	-
Key Points recommendations to or previously agreed at:	Routine reporting of financial performance. Currently no major risks or concerns other than the continued need to identify CIPs. Non-recurrent underspends to date driven by reduced Covid-19 Costs and delays in recruitment linked to MHIS investment and expansion.	

Summary of key points in report

Summary at January 2022:

- The Organisation wide surplus of £2.4m at the end of M10 (Jan 22), £1.2m favourable to plan. This is a £200k adverse movement on M9's underspend of £2.6m. The organisation continues to spend greater amounts in H2 than H1.
- Non-recurrent spending plans are now materialising resulting in an adverse movement in the financial position for January.
- MHIS spend has remained consistent in M10 with minimal deviations from M9 spend.
- Covid underspend is £3.9m as expected. Covid costs remain low and support an estimated £4.8m underspend at year end.
- Agency and Out of Area Costs remain high risk. Total spend to date on these areas stands at £12.4m which equates to 10% of the total organisational spend.
- Capital spend is currently underspending against plan, however a large increase in spend is anticipated in the final few months of the financial year.

Recommendation for the Board/Committee to consider:						
Consider for Action		Approval		Assurance	x	Information
Continue to progress the identification of FY21/22 CIP (and address the Clinical CIP gap in particular) through the newly-established CIP Working Group.						
Continue working up of H2 Plan refresh in advance of the NHSI timetable, identifying new cost pressures, investment opportunities, deliverable CIP, and other risks/opportunities to be managed in reaching a balanced position at the end of March 2022.						
This report was received for assurance at the Finance & Performance Committee meeting held on 10 March 2022, who were assured by the current financial position and expected forecast underspend at year-end.						
Following receipt of the draft Financial Plan 2022/23 and the expected move to a forecast deficit for next year, the Finance & Performance Committee gave initial consideration to the impact on BAF Risk 0022 (failure to deliver a break-even position). It was noted that this risk would be updated as part of the BAF transition from 2021/22 to 2022/23.						

Please identify which strategic priorities will be impacted by this report:						
Covid-19 Recovering Effectively				Yes	X	No
CQC Getting Back to Good				Yes	X	No
Transformation – Changing things that will make a difference				Yes	X	No
Partnerships – working together to have a bigger impact				Yes		No X
Is this report relevant to compliance with any key standards ?				State specific standard		
Care Quality Commission Fundamental Standards	Yes	X	No		Regulation 17: Good Governance Regulation 13: Financial Position	
Data Security & Protection Toolkit	Yes		No	X		
Any other specific standard	Yes		No	X		
Have these areas been considered ? YES/NO				If Yes, what are the implications or the impact? If no, please explain why		
Service user and carer safety and Experience	Yes		No	X	Out of scope	
Financial (revenue & capital)	Yes	X	No		Identification of financial sustainability risks	
OD/Workforce	Yes		No	X	Out of Scope	
Equality, Diversity & Inclusion	Yes		No	X	Please complete section 4.2 in the content of your report	
Legal	Yes		No	X	Out of Scope	

Financial Performance Report

January 2022

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Executive Summary

KPI	Annual Plan £'000	Year to Date Plan £'000	Year To Date Actual £'000
Surplus/Deficit	0	1,186	2,434
Covid Expenditure	6,596	5,497	1,586
Agency	5,904	4,866	4,909
Cash	62,075	60,976	59,740
Efficiency Savings	2,650	2,249	2,286
Capital	8,584	7,071	4,859
Better Payments Practice Code	99.5% by Number 99.7% by Value		

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- Non-recurrent spending plans are now materialising resulting in an adverse movement in the financial position for January.
- MHIS spend has remained consistent in M10 with minimal deviations from M9 spend.
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- Agency and Out of Area Costs remain high risk. Total spend to date on these areas stands at £12.4m which equates to 10% of the total organisational spend.
- Capital spend is currently underspending against plan, however a large increase in spend is anticipated in the final few months of the financial year.

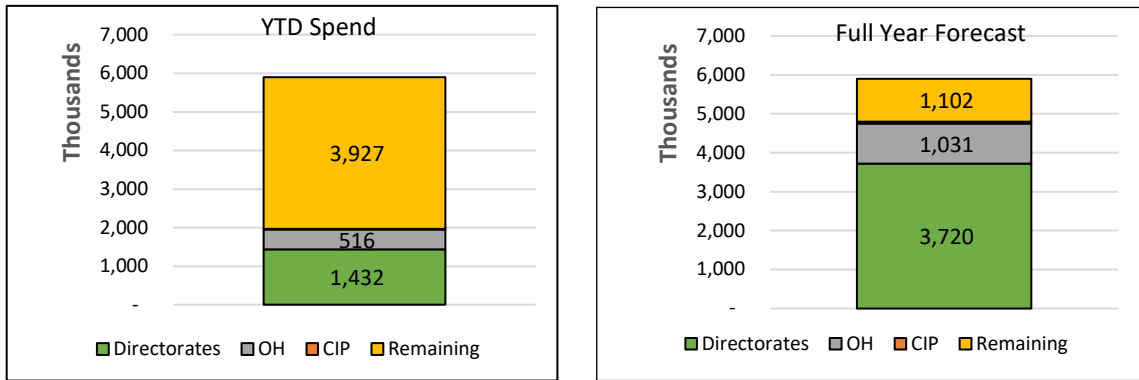
SPC Metrics	SPC Variation	SPC Target
Covid Costs	● L ●	n/a
Agency Staff £	● H ●	F
Out of Area £	● H ●	F

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 M10 January 2022:

- Operating **surplus of £2,434k** (£2.4m) at Month 9 (Month 9: £2,560k).
- Increase in non-recurrent spend
- Agency and Out of Area placements remain risks to the Organisation's underlying position. See *Risks and Recovery* slide for detail.
- Low Covid spend and underspends against investments continues to drive Trust surplus position.
- High vacancy rate strengthening financial position. Estimated contribution for the year is £18m, partly offset by bank and agency use.
- Strong cash position
- The Capital programme spending plan has been revised to accurately forecast spend. The underspend against in year plan has increased significantly to £411k.
- The NHSI plan currently differs from the Ledger plan due to technical abnormalities employed by NHSI.
 - Variance and Trust reporting is based on Ledger Plan and actual reported position.

Income & Expenditure Summary

	Year to Date				Forecast			
	Plan	Actual	Variance		H2 Plan	H2 Fcast	H2 Variance	
	£000	£000	£000	%	£000	£000	£000	%
Clinical Income	103,203	104,375	1,172	1%	125,317	125,446	129	0%
Other Income	16,186	16,855	669	4%	19,976	20,384	408	2%
Total Income	119,389	121,230	1,841		145,293	145,830	537	0%
Pay	94,605	93,531	(1,074)	(1%)	114,796	112,794	(2,002)	(2%)
Non Pay	24,543	23,897	(646)	(3%)	25,549	26,070	521	2%
Total Expenditure	119,148	117,428	(1,720)		140,345	138,864	(1,481)	
Post EBITDA	1,421	1,399	(22)	(2%)	6,235	7,024	789	13%
Net Surplus / (Deficit)	(1,180)	2,403	3,583		(1,287)	(58)	1,229	
Technical Adjustments	30	31	1	3%	1,287	2,295	1,008	78%
Adjusted Net Surplus / (Deficit)	(1,150)	2,434	3,584		0	2,237	2,237	
KPI's								
Out of Town (OOT)	7,412	7,998	(586)	(8%)	9,563	9,198	365	4%
Agency	4,866	4,909	(43)	(1%)	7,434	6,003	1,431	19%
Covid	5,497	1,586	3,911	71%	6,596	1,898	4,698	71%
CIPs	2,249	2,286	(37)	(2%)	2,650	2,650	0	0%

See right for Directorate split

Directorate Year To Date Position

		GP					Central Budgets £000	Central Reserves £000
		Trust Wide £000	Clinical £000	Corporate £000	Surgeries £000	Medical £000		
Pay	NHSI Plan	94,605	69,893	15,002	0	8,435	659	616
	Ledger Plan	96,228	71,092	15,259	0	8,580	671	626
	Actual	93,531	70,833	14,236	7	8,799	(94)	(249)
	Var	2,697	259	1,023	(7)	(219)	765	875
Non Pay	Plan	24,543	11,940	11,026	0	1,527	197	(147)
	Ledger Plan	21,572	10,495	9,691	0	1,343	173	(130)
	Actual	23,897	15,887	7,536	3	1,157	(592)	(93)
	Var	(2,325)	(5,392)	2,155	(3)	186	765	(36)

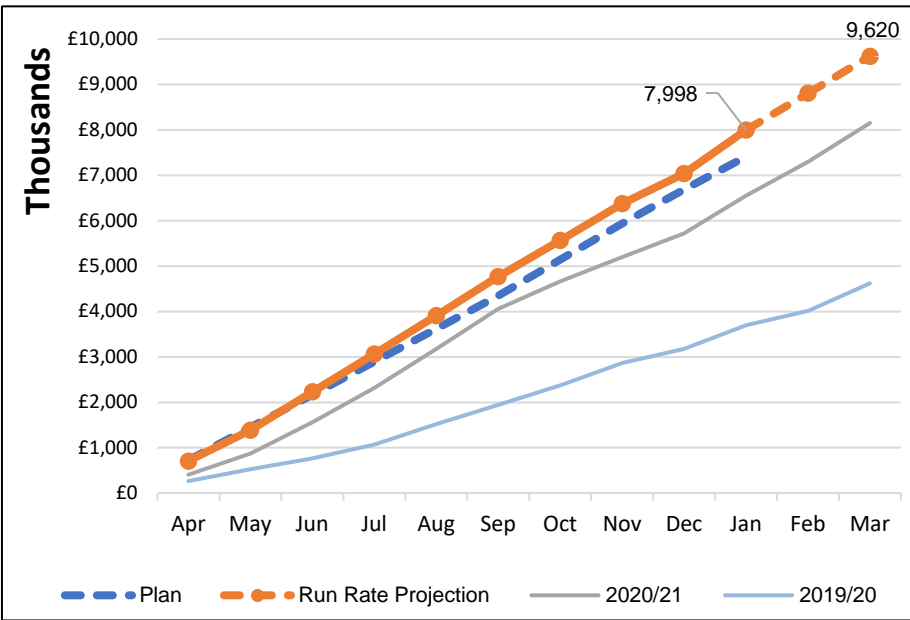
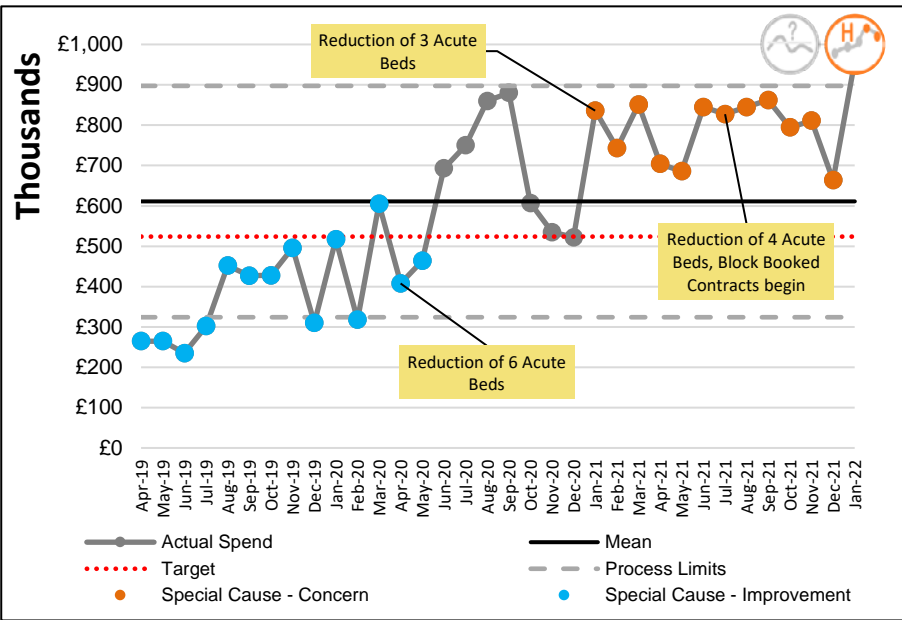
Forecast

	Prior Year £'000	Actual											Forecast		Forecast Out-turn	M12 Plan	Variance
		Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	£'000	£'000	£'000	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Income																	
Income from Patient Care Activities	118,174	10,072	9,691	10,586	10,296	10,219	12,110	10,296	10,274	10,442	10,389	10,536	10,536	125,446	125,317	129	
Other Operating Income	35,537	1,726	1,579	1,634	1,711	1,723	1,511	1,633	1,800	1,736	1,802	1,765	1,765	20,384	19,976	408	
Total Income	153,711	11,798	11,270	12,220	12,007	11,942	13,621	11,929	12,074	12,178	12,191	12,300	12,300	145,830	145,293	537	
Expenditure																	
Substantive	105,189	7,997	8,096	8,044	7,960	8,074	9,411	8,230	8,495	8,172	8,362	8,477	8,477	99,795	100,178	(383)	
Bank	6,006	662	393	581	503	586	561	503	566	576	507	574	574	6,585	6,771	(186)	
Agency	4,638	389	403	503	503	593	568	538	507	346	559	547	547	6,003	7,434	(1,431)	
Other (Apprenticeship Levy)	411	38	39	39	38	39	13	34	35	34	34	34	34	411	413	(2)	
Total Pay	116,244	9,086	8,931	9,167	9,004	9,292	10,553	9,305	9,603	9,128	9,462	9,632	9,632	112,794	114,796	(2,002)	
Purchase of Healthcare	8,149	710	680	845	827	845	862	795	811	664	959	600	600	9,198	9,563	(365)	
Drugs	850	75	75	74	83	76	90	73	80	79	83	79	79	946	939	7	
Other non pay	18,011	972	960	1,271	1,325	1,162	1,224	1,383	1,178	1,684	1,461	1,653	1,653	15,926	15,047	879	
Total Non Pay	27,010	1,757	1,715	2,190	2,235	2,083	2,176	2,251	2,069	2,427	2,503	2,332	2,332	26,070	25,549	521	
Total Expenditure	143,254	10,843	10,646	11,357	11,239	11,375	12,729	11,556	11,672	11,555	11,965	11,964	11,964	138,864	140,345	(1,481)	
EBITDA	10,457	955	624	863	768	567	892	373	402	623	226	336	336	6,966	4,948	2,018	
Post EBITDA	7,827	395	395	395	389	388	389	386	386	384	383	1,567	1,567	7,024	6,235	789	
Net Surplus / (Deficit)	2,630	560	229	468	379	179	503	(13)	16	239	(157)	(1,231)	(1,231)	(58)	(1,287)	1,229	
Technical Adjustments	35	3	3	3	3	3	3	3	3	(24)	31	1,132	1,132	2,295	1,287	1,008	
Adjusted Net Surplus / (Deficit)	2,665	563	232	471	382	182	506	(10)	19	215	(126)	(99)	(99)	2,237	0	2,237	

Commentary:

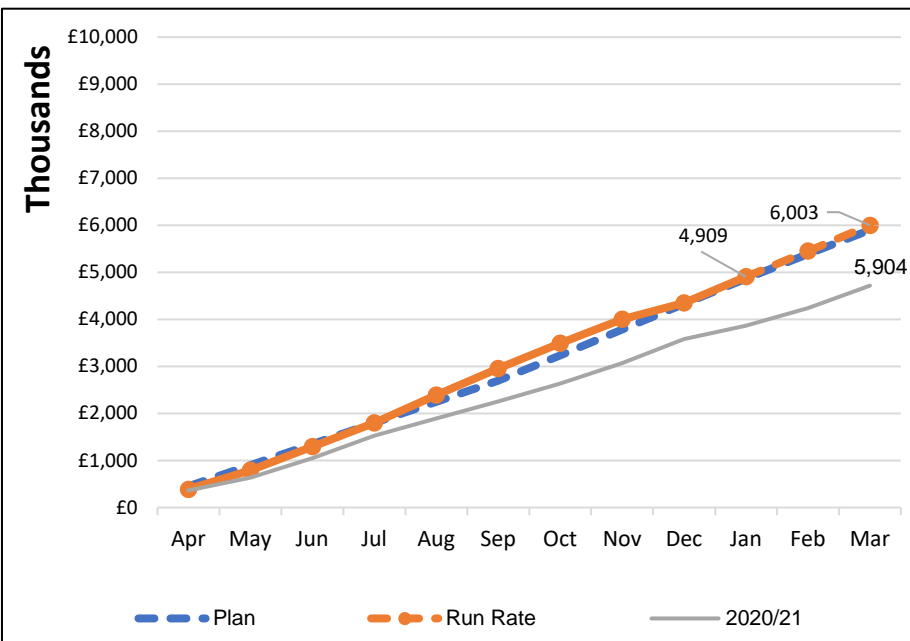
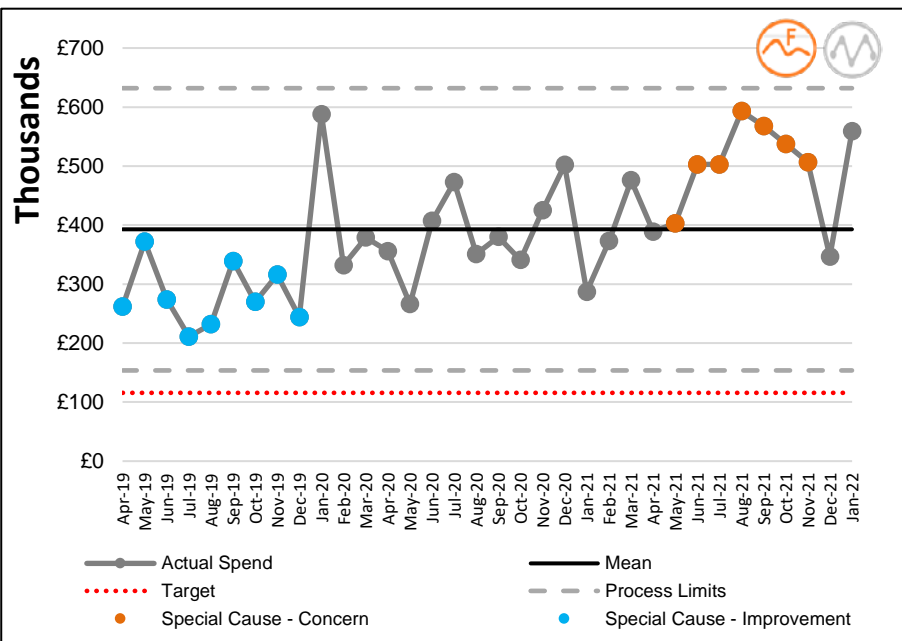
- The Organisational surplus at M10 of £2.4m is above revised H2 plans of £1.2m. This is largely driven by underspends against Covid funds and Investments.
- The non-recurrent underspends are partially offset by overspends in out of area placements and temporary staffing on in-patient wards.
- The Organisation's full year plan is has been revised upwards from a breakeven position to a likely underspend of £2.2m. This is largely due to prolonged vacancies and underspends against newly awarded funding (Winter pressures).

Risk & Recovery | Out of Area & Agency



Out of Area:

- YTD Spend of £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.
- Current levels expected to be remain for duration of financial period.

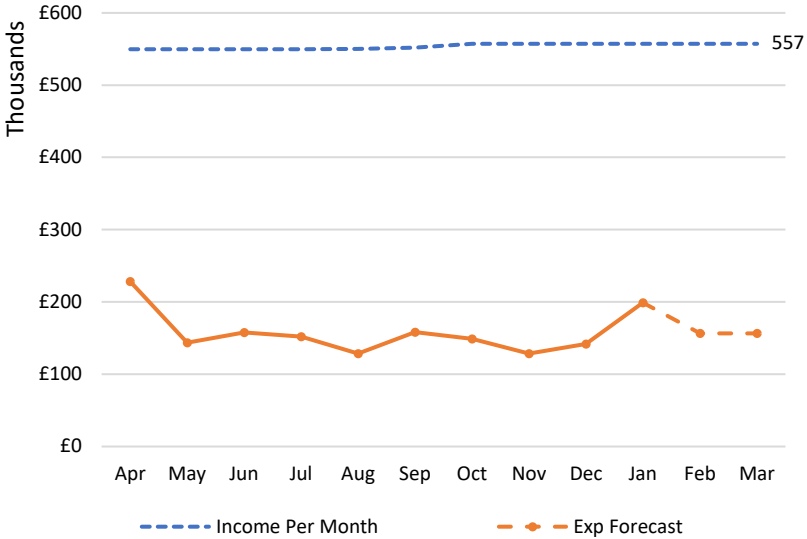


Agency:

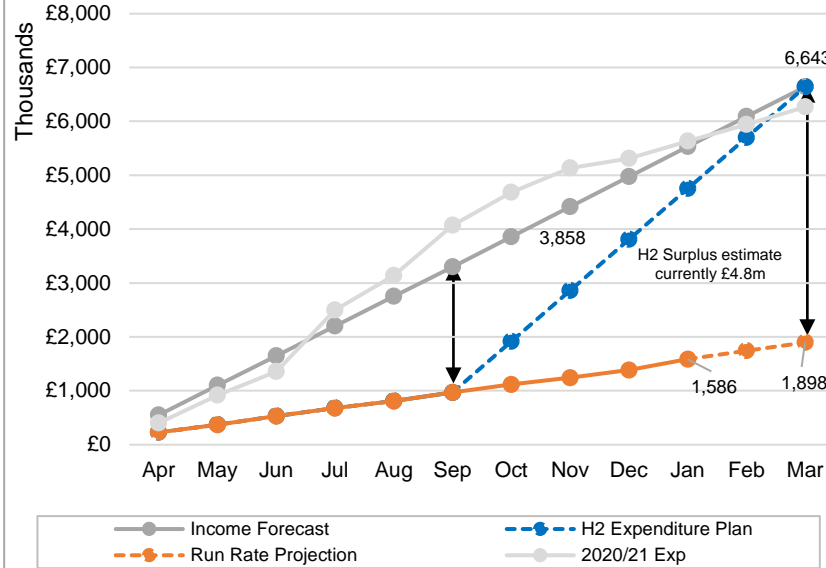
- YTD Spend of £4.9m (orange line adjacent graph)
- Increased spend expected in the final months of the financial year against non-recurrent funds.
- Costs remain well above the two year average level and volatile.
- At M10 G1, Burbage and Stange remain the top 3 cost drivers.
- While agency use has increased over the previous 12 months it should be considered that increased investments have increased vacancies and agency staff play a vital role in helping to cover these.

Covid

2021/22 Covid Income

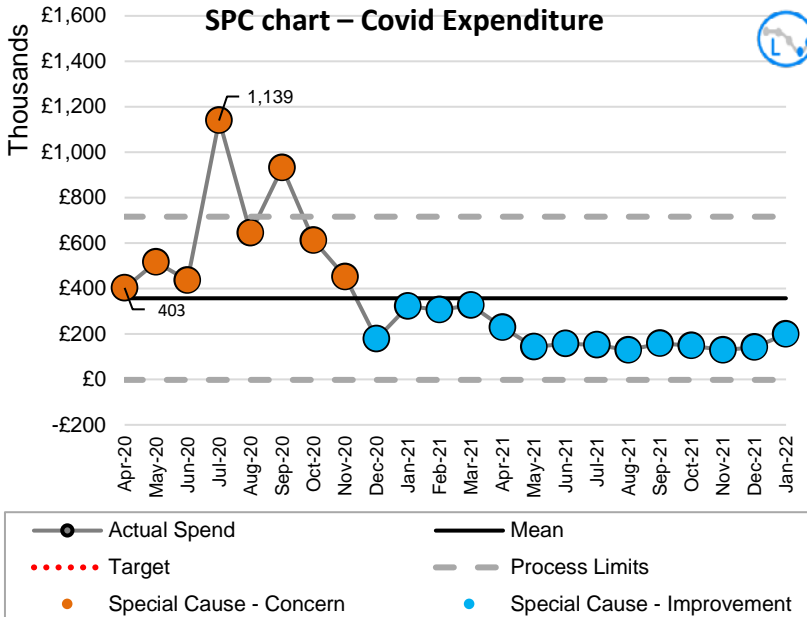


2021/22 Full Year Forecast

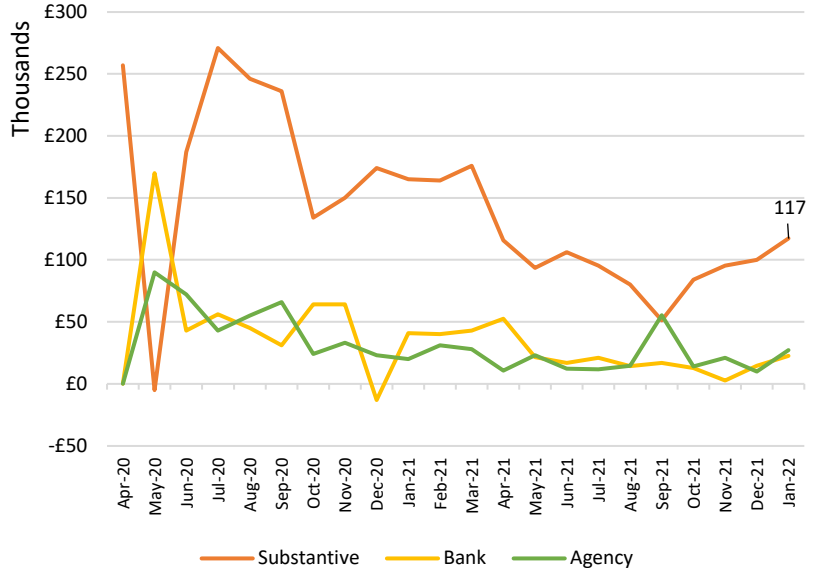


- Covid spend remains low and the M10 Surplus is in line with expectation at £3.9m.
- Forecast surplus for the year, at this level of spend is £4.8m. Plans required to repurpose this non recurrently to support break even position this year.
- Covid funds available in 22/23 will be significantly reduced. While they are forecast to be adequate to cover costs there will be minimal benefits realised from underspends as seen in the current financial year.
- Majority of monthly covid spend relates to staffing costs.

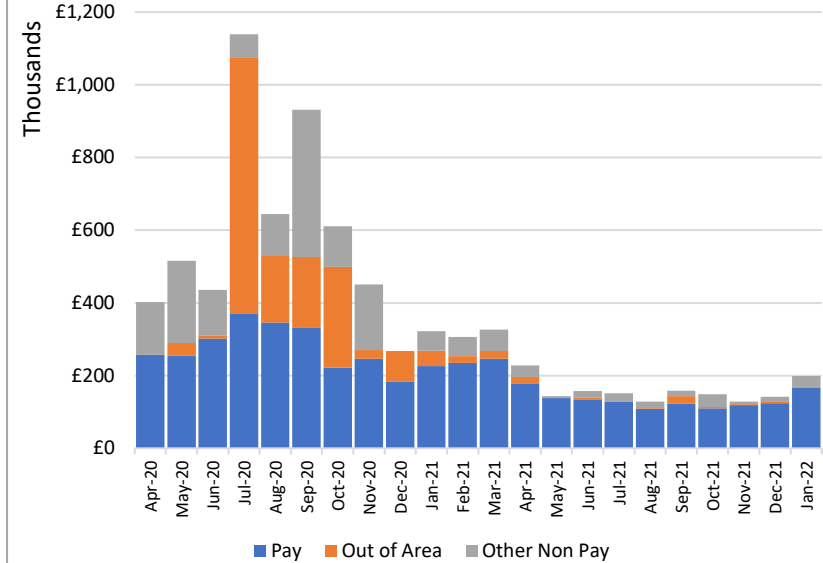
SPC chart – Covid Expenditure



Monthly Staff Costs



Covid Expenditure Split



Cost Improvement Programme

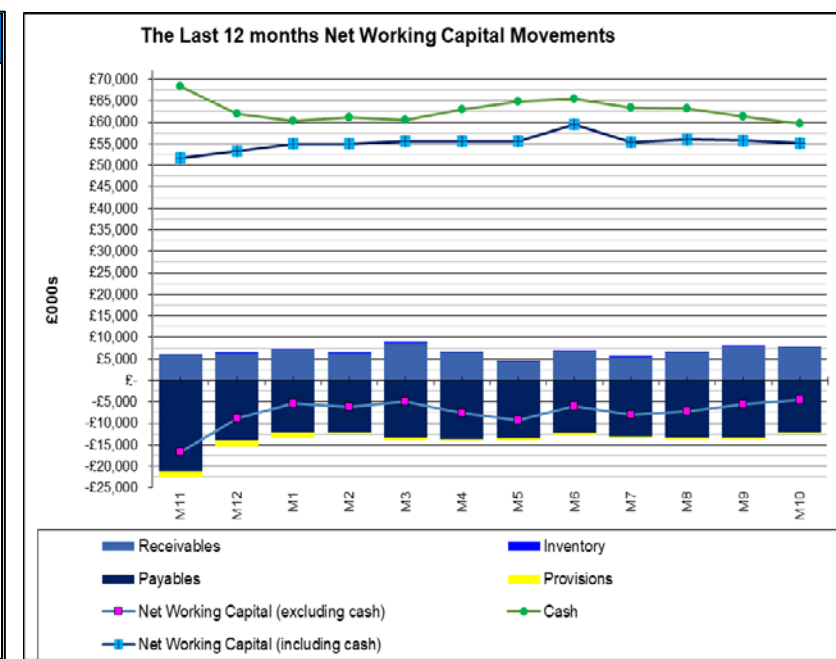
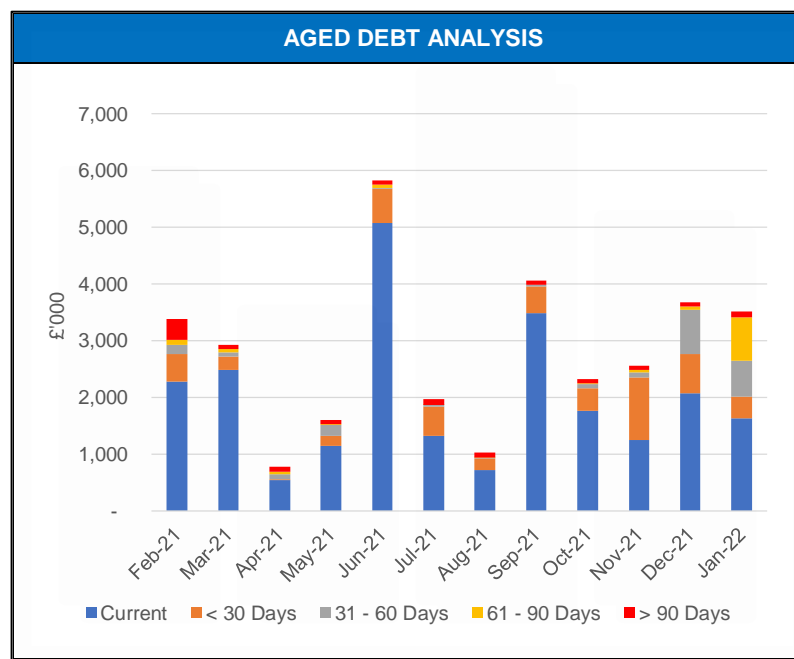
Directorate	Year to Date					Forecast Outturn				
	Target	Delivery			Gap to Target	Target	Delivery			Gap to Target
		R	NR	Total			R	NR	Total	
£	£	£	£	£	£	£	£	£	£	
Central Management	25	25		25		30	30		30	
Acute & Community Services	663	72		72	591	795	87		87	709
Rehab & Specialist Services	523		627	628	(104)	628	1	627	628	
Clinical Directorates	1,211	98	627	725	486	1,453	117	627	744	709
Medical	31	31		31		38	38		38	
Corporate Governance	19	19		19		23	23		23	
Special Projects & Facilities	114	92	21	114		136	111	26	136	
Nursing & Professions	43	43		43		52	52		52	
People	41	14		14	27	49	17		17	32
Finance	71	94		94	(23)	86	113		113	(28)
Corporate	320	295	21	316	4	384	354	26	380	4
Reserves	678		848	848	(170)	813		1,526	1,526	(713)
Grand Total	2,208	393	1,496	1,889		2,650	471	2,179	2,650	

- Majority of schemes delivering non-recurrently

- There are no changes this month

SOFP | Statement of Financial Position

	OPENING 2021/22	ACTUAL	MOVEMENT	YEAR END PLAN
	£'000	£'000	£'000	£'000
Non-Current Assets				
Property, Plant & Equipment (PPE)	57,810	60,320	2,510	49,384
Intangible Assets	1,062	922	(140)	1,998
Other Non-Current Assets	4,554	4,423	(131)	4,617
Non-Current Assets Total	63,426	65,665	2,239	55,999
Current Assets				
Receivables	3,541	3,711	170	7,699
Cash and Cash Equivalents	62,075	59,740	(2,335)	55,741
Other Current Assets	2,876	4,219	1,343	105
Total Current Assets	68,492	67,670	(822)	63,545
Current Liabilities				
Provisions	(613)	(477)	136	(704)
Payables	(8,580)	(5,402)	3,178	(10,694)
Other Current Liabilities	(5,204)	(6,549)	(1,345)	(29)
Total Current Liabilities	(14,397)	(12,428)	1,969	(11,427)
Net Current Assets/ (Liabilities)	54,095	55,242	1,147	52,118
Total Non-Current Liabilities	(6,039)	(5,994)	45	(5,441)
Total Net Assets	111,482	114,913	3,431	102,676
Total Taxpayers Equity	111,482	114,913	3,431	102,676



STATEMENT OF FINANCIAL POSITION COMMENTARY

SHSC reports a positive cash position of £59.7 million to the end of January 2022. There are no working capital concerns, and the Better Payment Practice expectations are met monthly. The current ratio (current assets to current liabilities) is still 5:1, with cash contributing 88% of current assets.

The contract for the sale of Fulwood land was signed in December 2021 and £50k of the initial payment for the contract was received in January 2022. Funds from the sale are expected to be reinvested in capital development and rebuilding SHSC asset base over the next 3 years.

Liabilities remained under control for the month.

HIGHLIGHTS FOR THE REMAINDER OF THE YEAR

- The new Electronic Patients Records (EPR) system was ordered in January 2022 with expected funding coming through from the Department of Health and Social Care over the next three years. This is expected to improve the operations of SHSC and improve the dissemination of patients information.
- Debt remains within expected levels. There is concerted effort to improve collections especially for debts involving former employees.
- Trust headquarters is expected to relocate from Fulwood before the end of April 2022
- Capital programmes are expected to run to plan - slight slippages might be experienced due to Covid.

NET WORKING CAPITAL

- At the end of January 2022 SHSC had a cash balance of £59.7 million compared to £63 million the previous month due to capital payments that processed during the month.
- The Trust had a negative net working capital balance of £4,498k excluding cash (positive NWC of £55,242k including cash). This has been a stable trend over the last couple of months.
- The high liquidity ratio of 5:1 will give SHSC latitude to operate without the need to borrow to finance working capital. SHSC may be capable of financing the 5 years Capital Programme from internal funds if income from the sale of Fulwood land is released to fund the CDEL.

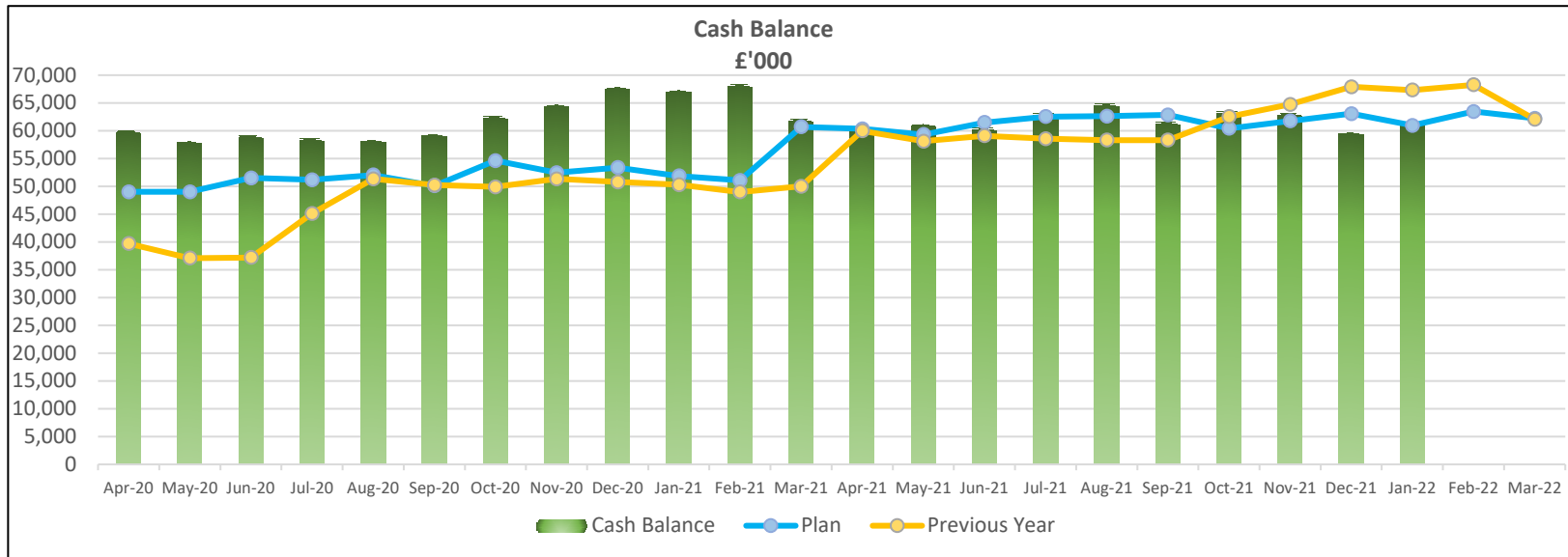
12 Months Cash Flow Forecast

	Prior Year Mar-21 £000s	Actual 2021/22 Apr-21 £000s	Actual 2021/22 May-21 £000s	Actual 2021/22 Jun-21 £000s	Actual 2021/22 Jul-21 £000s	Actual 2021/22 Aug-21 £000s	Actual 2021/22 Sep-21 £000s	Actual 2021/22 Oct-21 £000s	Actual 2021/22 Nov-21 £000s	Actual 2021/22 Dec-21 £000s	Actual 2021/22 Jan-22 £000s	Forecast 2021/22 Feb-22 £000s	Forecast 2021/22 Mar-22 £000s
Cash flow as at December 2021													
Operating Surplus/(deficit)	3,898	560	229	467	377	182	503	(13)	16	238	(157)	(150)	(200)
Net cash generated from / (used in) operations	9,881	(102)	753	(663)	2,841	1,701	(2,188)	2,571	(633)	(1,280)	(1,057)	1,949	174
Net cash inflow/(outflow) from investing activities, Total	(5,574)	(2,310)	(134)	(542)	(604)	(177)	(761)	(673)	(694)	(693)	(447)	(346)	(470)
Net cash inflow/(outflow) before financing	8,205	(1,852)	848	(738)	2,614	1,706	(2,446)	1,885	(1,311)	(1,735)	(1,661)	1,453	(496)
Net Cash inflow/(outflow) from financing activities, Total	2,852	139	1	(4)			(807)		1,029		(4)	600	962
Increase/(decrease) in cash and cash equivalents	11,057	(1,713)	849	(742)	2,614	1,706	(3,253)	1,885	(282)	(1,735)	(1,665)	2,053	466
Cash and cash equivalents at start of period	51,018	62,075	60,363	61,212	60,470	63,084	64,790	61,537	63,422	63,140	61,405	59,740	61,793
Increase/(decrease) in cash and cash equivalents	11,057	(1,713)	849	(742)	2,614	1,706	(3,253)	1,885	(282)	(1,735)	(1,665)	2,053	466
Cash and cash equivalents at end of period	62,075	60,363	61,212	60,470	63,084	64,790	61,537	63,422	63,140	61,405	59,740	61,793	62,259

NARRATIVE

The Trust has a capital programme of £7,897k to deliver before the end of the financial year. Part of the capital (£1,614k) will be funded through the Department of Health and Social Care programme for dormitory replacements and cyber security programmes. £6,583k will be funded internally.

The cash forecast was revised in line with trends so far to £62,259k by 31 March 2022.

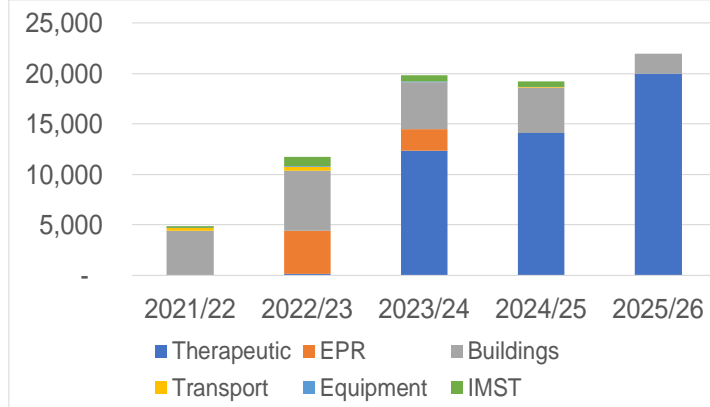


Capital Programme

CAPITAL FORECAST 2020/21 TO 2025/26

POSITION SUMMARY 2021/22

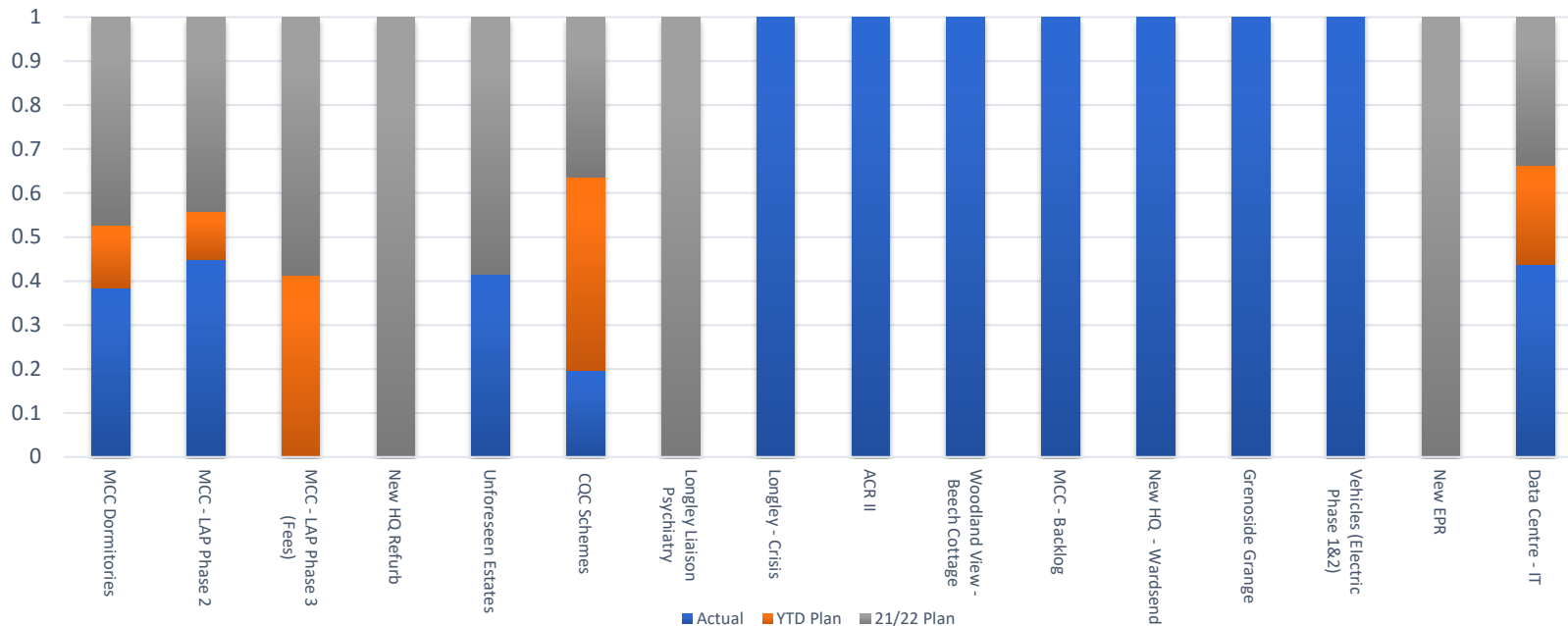
Category	2021/22		2022/23	2023/24	2024/25	2025/26	Total Programme Forecast
	YTD £000	FOT £000	Plan £000	Plan £000	Plan £000	Plan £000	
Therapeutic	22	-	150	12,330	14,136	20,000	46,616
EPR	-	300	4,300	2,136	-	-	6,736
Buildings	4,415	7,228	5,924	4,668	4,500	2,000	24,320
Transport	274	280	370	-	30	-	680
Equipment	45	50	50	50	30	-	180
IMST	103	339	949	625	488	-	2,401
Total	4,859	8,197	11,743	19,809	19,184	22,000	80,933



Capital Position to Date	Revised Plan	Actual	Variance
In-month spend	1,058	605	(453) Amber
Cumulative spend	5,270	4,859	(411) Amber
Capital expenditure is <85% or >115% of plan for year to date Amber			
Capital Forecast Outturn	Revised Plan	FOT	Variance
Cumulative spend	7,897	7,897	0 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 revised in October 2021 to accommodate ICS request for £877k to support the CDEL system. Additional funding for Cyber Security £190k was communicated in December 21 therefore the total capital available for 2021/22 has increased from £7,707k to £7,897k. This is expected to be spent by the end of financial year. Estates are reviewing other schemes to ensure the CDEL limit is achieved.

At the end of January 2022, the Trust reports a total Capital expenditure including accruals of £4,859k, which is £411k below the revised forecast outturn. This shortfall is due to scheduling reviews of some Estates schemes proposed to rectify CQC inspection defects. The rescheduling and review of the new Headquarters relocation also delayed planned expenditure over this period.

Successful delivery of the revised plan requires close monitoring over the coming weeks and months. Finance will be working closely with Estates to ensure key milestones are achieved and variances are communicated.