

Finance Report Month 9

Trust Board	Item: 8
26 January 2022	Enclosure: E
<p>Purpose of the Report / Paper: To update the Trust on the Trust's Financial Position at the end of Month 9. Key points of the report are:</p>	
<p>Financials The Trust has reported a breakeven position for month 9 of 2021/22. This is favourable to plan by £0.9m as expected due to the inclusion of elective plus income, which is £2.7m YTD and will be £5.3m for H2. The YTD position is a £0.8m deficit. Forecast position for H2 is a deficit of £1.0m and a deficit of £2.3m for the year.</p> <p>ERF for Q3 is in line with plan at £3.4m.</p> <p>Pay expenditure is £0.2m above plan in month with increased costs from pay enhancements and medical overspends due to the need to cover vacancies and other absences with locums continues. Non-pay expenditure is favourable due to a one-off benefit offset in income.</p> <p>Trust Capital spend cumulative to Month 9 was £9.4m, £3.1m below plan.</p>	
For Information	
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Financial / Resource Implications:	See below
Quality Governance:	N/A
Risk Implications - Link to Assurance Framework or Corporate Risk Register:	To deliver the 2021/22 financial plan
Legal / Regulatory / Reputation Implications:	None
Link to Relevant CQC Standard:	None
Link to Relevant Corporate Objective:	To deliver the 2021/22 financial plan
Impact on Patients and Carers:	
Document Previously Considered By:	
<p>Recommendations & Action required:</p> <p>The Committee is asked to note the Trust's performance against the three key objectives: I&E £2.3m deficit plan for H2 of 21/22. Deliver elective activity to achieve ERF in H2 of 21/22 of £5.8m. Achieve Capital Delegated limit</p>	

Enc E - Finance Report Month 9 December 2021



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1. Executive Summary

Metric		In Month			Year To Date			Variation
		Actual	Plan	Variance	Actual	Plan	Variance	Current Month
£m	Income	30.4	29.8	0.5	277.0	269.1	8.0	
	Expenditure	30.4	30.7	0.4	277.9	272.7	(5.2)	
	Total I&E (Control Total Equivalent)	(0.0)	(0.9)	0.9	(0.8)	(3.6)	2.8	
	Temporary Staffing Spend	3.4	3.3	(0.1)	25.6	14.3	(11.2)	
	Capital Expenditure	0.7	3.9	(3.2)	9.4	12.5	(3.1)	

- The YTD position is a deficit of £0.8m which is £0.1m favourable to the revised forecast position, which includes Elective Plus funding for H2 (£5.3m in total and £2.7m YTD).
- Expenditure in the current month of £30.4m, although below plan is a “Special Cause – Concern” on the SPC tool which compares monthly expenditure from April 20 and the mean average expenditure is £29.7m. The increase in expenditure is due to winter pressure and ITU investment. Higher pay rates were offered for clinical and admin staff to deal with demand. Costs related to clinical supplies, consultancy services, building and engineering is significantly higher than at the start of the FY year.
- Temporary staffing costs at £3.4m are £0.6m above YTD average and £0.1m above plan in month.

2. Scorecard

Financial Strategy

1. Planning guidance for 22/23 has been issued and the financial impact is being worked through including the following:

- a. Establishing reduction to block income at organisational level for the convergence adjustment.
- b. Reviewing recurrent Covid related expenditure as funding to reduce by c.60%.
- c. Revised Elective Recovery Funding (£20m reduction in sector total).
- d. Service Development Fund (SDF) allocations inc. virtual ward, Ockenden review, community diagnostic hubs.

2. A proposed approach for achieving and monitoring productivity and efficiency has been developed including a governance structure to capture transformation schemes at Place level as well as KHT schemes. An initial target of 1.1% with a stretch target of 0.5% is to be applied to all expenditure budgets.

3. The Trust submitted a revised Capital Plan in May 2021 including £10.5m for Roehampton project but removing the Critical Infrastructure funding as agreed at sector level to fund the Estates Modernisation Programme. Now that it has been confirmed that the Roehampton project and SGH CCU will be funded by national funding via the Targeted Investment Fund (TIF) there is sufficient CDEL at sector level to cover the critical infrastructure in the original plan.

Financial Governance

- 1. Forecast for H2 remains at £1.0m deficit and for the full year a £2.3m deficit.
- 2. Principles for budget setting and planning to be presented at January Finance & Investment Committee (FIC).
- 3. Draft of 22/23 I&E financial plan will be presented at the February FIC.
- 4. Report in to the Trusts underlying deficit from PWC to be presented at FIC in March.
- 5. The Trust's capital plan was presented and approved by the Executive Management Committee and FIC during April.

Financial Performance

1. Month 9 position is breakeven, YTD the position is a £0.8m deficit (£1.3m deficit in H1 and a surplus of £0.5m in Q3). Although this position is £2.8m favourable to the submitted plan, it is only £0.1m favourable to the updated forecast position which includes £2.7m of the additional "Elective Plus" funding (£5.3m for H2 confirmed after submission of the plan).

2. Income is £0.5m above plan. The overperformance of £0.9m for the "Elective Plus" funding is fully offset this month by a £0.9m reduction in income relating to the resolution of a debt with the CCG which is also offset by a reduction in corresponding expenditure accrual. The underlying £0.5m income overperformance includes £0.1m for PPU, £0.1m for recovery of other income generation and £0.3m of project funding mainly non-recurrent funding for H2 only.

3. ERF income reported for Q3 is in line with plan at £3.4m.

4. Pay expenditure at £18.8m is £0.2m above plan in month. Enhanced pay incentives increased over the holiday period as part of the plan to ensure adequate clinical cover. Medical pay continues to overspend across both clinical divisions due to high locum costs covering vacancies and other absences. The Trust has recently gone out to tender for medical recruitment expertise to help fill Consultant and middle grade vacancies. Administrative and AHP vacancies continue to partially offset the medical pay overspend and agency RMN nurse costs have decreased compared to last month.

5. Non-Pay and Depreciation costs of £11.0m are £0.6m below plan in month. This position includes a £0.9m one off benefit due to the release of an accrual offset by a corresponding reduction in income. Drugs expenditure is back in line with budget this month. The underlying overspend on non-pay of £0.3m is therefore driven by premises costs in estates. The recurrent pressure of these costs will need to be addressed in planning for 22/23.

6. Temporary staffing spend in month is £3.4m is £0.1m above plan and £0.6m above the average per month YTD. This increase is split evenly with £0.3m on bank and £0.3m on agency, and is across medical and nursing staff groups.

7. Trust Capital spend cumulative to Month 9 is £9.4m, £3.1m behind plan including Estates £2.3m behind plan, and Medical Equipment £0.1m above. The estates plan is below plan mainly due to delays on the Roehampton Modular Builds project.

Financial Risk

1. ERF income performance for Q3 is based on draft figures for December and relies on final sector wide position. Delivery in Q4 remains at risk of being impacted by the current surge in Covid patients.

2. Pay costs have risen to £0.2m above plan in month inclusive of further pay enhancements. The need to extend these incentivised pay rates and the Trusts reliance on expensive locums to fill medical vacancies and other absences is a risk to the current H2 plan.

3. Mitigations continue to be sought including review of the balance sheet to find the £2.0m included in the plan but also to cover the planned reduction in annual leave accrual included in the H2 plan. A sample audit of annual leave is being completed in January as it is now thought the provision will need to be kept the same.

4. Planning guidance for 22/23 has been issued. In addition to the mandated waste reduction requirement of 1.1%, to be built into block income changes, the reduction in non-recurrent income, the impact of convergence adjustment and setting up a transformation fund, create a far larger financial gap for 22/23 and a need for a greater % efficiency. Work is ongoing at both organisation and sector level to identify the size of this gap and efficiency requirement.

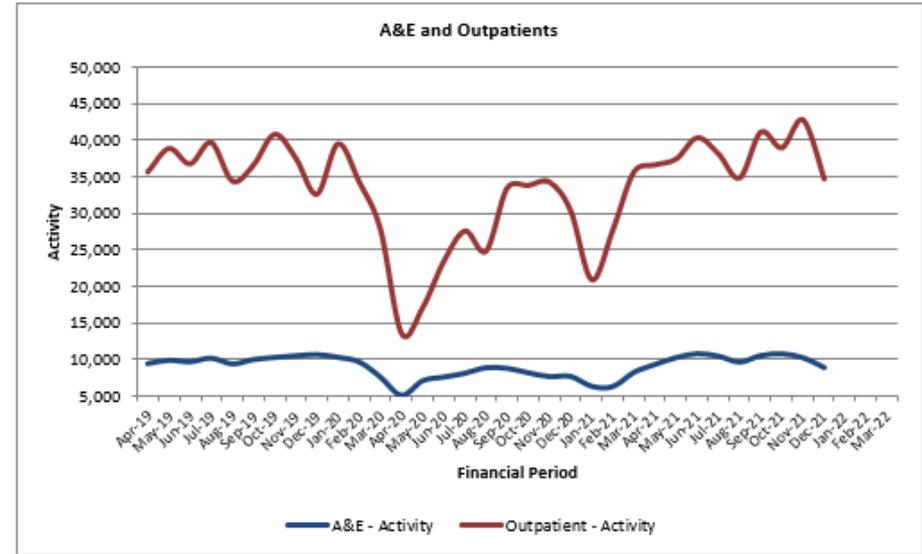
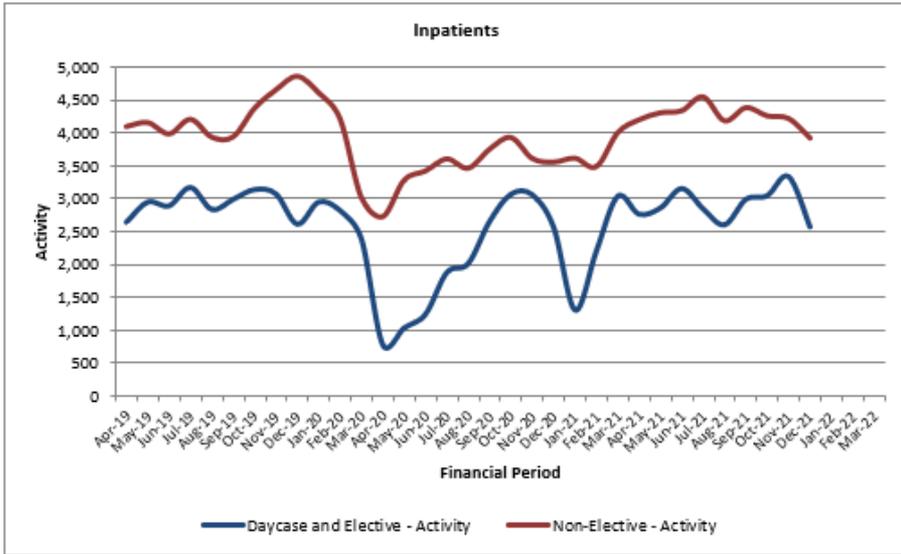
5. The cost of the modular build capital project are coming in above initial estimates but mitigations have been identified to keep overall expenditure within 21/22 capital limits, with further work required to assess the impact on the 22/23 plan.



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3. Patient Care Activity



Point of Delivery	In Month			Year to Date		
	Plan	Actual	Variance	Plan	Actual	Variance
A&E	11,136	8,935	(2,201)	82,857	91,683	8,826
Daycase and Elective	2,733	2,575	(158)	26,721	26,228	(493)
Non-Elective	4,839	3,920	(919)	38,312	38,330	18
Outpatient	37,982	34,719	(3,263)	361,097	345,061	(16,036)
Maternity	1,183	1,073	(110)	10,684	10,793	109
Critical Care	892	737	(155)	6,813	6,720	(93)
High Cost Drugs	1,850	1,776	(74)	16,147	19,974	3,827
Other	309,978	294,471	(15,507)	2,943,381	2,754,791	(188,590)
Total	370,593	348,206	(22,387)	3,486,013	3,293,580	(192,433)

1. All activity values are recorded in the month that the activity took place. The year to date figure will include any adjustments to prior months. The majority of activity in 'Other' is Direct Access Pathology and Radiology. Direct Access Pathology tests are back to normal levels following the tube shortage. Historic values for REU Casualty have been transferred from A&E to Outpatients in the graphs above.
2. The plan values are showing the H2 activity as per the November H2 SWL Sector planning submission.



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4. Capital

	Capital Plan	Capital YTD Plan	YTD CDEL Spend	YTD plan Variance CDEL
	£000	£000	£000	£000
ESTATES	13,236	8,889	5,303	(3,586)
EQUIPMENT	2,392	520	676	156
IT	3,466	2,368	2,294	(74)
MES	1,289	750	-	(750)
PFI	467	-	-	-
HSLIP (brokered)	1,172	-	-	-
Wave 4 Procedure & Frailty SDEC	2,553	-	1,014	1,014
Charity Funded:	150	-	138	138
TOTAL APPROVED CAPITAL PROGRAMME	24,725	12,527	9,425	-3,102
Capital Funding:	Don funding £'000	Internal £'000	PDC funding £'000	Total £'000
Charity Donation	150	135	-	285
Depreciation (Internally funding)	-	9,022	-	9,022
TIF Estate (Roehampton)	-	-	10,500	10,500
Admissions on the Day and Frailty Approved PDC	-	-	2,553	2,553
CDH	-	-	982	982
Cyber Security	-	-	183	183
CIR	-	2,398	-	2,398
1 TIF-Digital bids	-	-	1,056	1,056
2 TIF-Digital bids	-	-	1,059	1,059
Digital Maternity Fund Unified Tech Funding	-	-	-	499
Digital Maternity Fund Unified Tech Funding LNMS	-	-	-	252
SWL Diagnostics Digital Capability PDC Capital Award	-	-	-	488
Estate /BF Medical Equipment	-	-	-	1,427
Total CDEL	-	-	-	30,704
SW expected CRL	-	-	-	30,053
Under/(Over) CRL	-	-	-	(651)

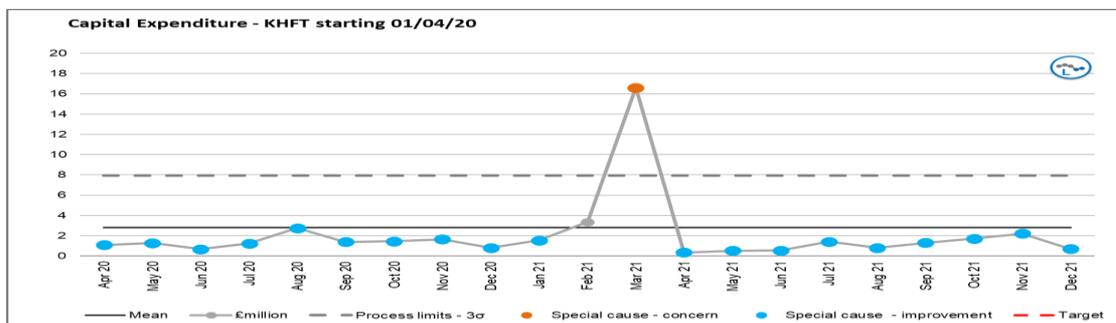
COMMENTARY

The expected CRL has been increased from £29.465m in November to £30.704m in December due to a further PDC approval of £0.750m Digital Maternity Fund Unified Tech Funding and £0.488m SWL Diagnostics Digital Capability PDC Capital Award

Estates year to date spend is £6.3m which is £(2.6m) below plan mainly due to delays on the Roehampton Modular Builds project. MES year to date spend is (£0.8m) has below plan. Medical Equipment year to date spend was £0.7m which is £0.m above plan. IMT year to date spend is £2.3m which is (£0.1m) below the plan.

Capital spend year to date includes :

- Esher Wing -Level 1 configuration - £1.3m.
- Main Chillier & Airedale - £0.8m
- IT Operation & Project Management - £0.9m
- Regent Wing Decant (ISS) - £0.7m
- Procedure Suites AOD - £1.0m
- REU Redevelopment - £0.5m



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