

BOARD OF DIRECTORS MEETING

Agenda Item	P1-189-17	6 th September 2017
Subject /title	Finance Report - Month 4	
Author	Paul Corbett, Assistant Director of Finance	
Responsible Director	Yvonne Bottomley, Deputy Chief Executive / Finance Director	
Executive summary and key issues for discussion		
<p>This report and the attached appendices detail the financial performance of the Trust for the first four months of the financial year.</p> <p>The Trust is reporting a surplus of £813k against a planned surplus of £781k, a favourable variance of £32k. The main driver behind the decrease in surplus from month 3, is activity which sits outside of the block contract being overestimated by circa £250k.</p> <p>Areas to note include:</p> <p><u>Haemato-Oncology</u></p> <p>The new Haemato-Oncology service became operational from 1st July 2017. The expectation is for Trust turnover to increase by £15,572k for the remaining nine months of the financial year (July 17 to March 18), matched by direct expenditure and part of the pre-payment paid to the Royal Liverpool University Hospital.</p> <p><u>Activity data</u></p> <p>There is an activity report (excluding Haemato-Oncology) which shows actual activity for April to July (Months 1-4). Usually, due to the timing of the preparation of this report estimated activity for the most recent month has to be used, however as the month 4 actual data is now available, it is reflected in the financial statements. The monthly financial submission to NHSI has to be prepared earlier in the month and was based on estimated data. Due to actual clinical activity being below that estimated £98k has been released from reserves to ensure the internally reported surplus is consistent with the NHSI submission.</p> <p>For Haemato-Oncology (HO), as no clinical data is currently available from the Royal Liverpool, in the financial statements HO income has been matched to plan. HO is understood to be an area of growing activity, so assuming activity is in line with plan at this stage is not considered to be unreasonable.</p> <p>At month 4 overall clinical activity (excluding drugs) is almost exactly on plan (£2k above plan).</p> <p>A contract has been signed for 2017/18 – 2018/19 with NHS England – Specialised Commissioning. The contracts with CCG's have now been signed. The four 'acting as one' CCGs (covering Liverpool, Knowsley, South Sefton and Southport & Formby) have agreed a block contract. The other 9 CCG's have cost per case contracts.</p> <p>Haemato-Oncology contract values have been agreed with NHS England and CCG's, but they have not yet been signed off. For NHS England, this is proposed to be on a</p>		

cost and volume basis as per previously agreed with the Royal, for the four 'acting as one' CCG's this would be on a block basis. The other 9 CCG's will be on a cost per case contract.

Capital

Capital expenditure is £5,450k against a plan of £14,598k. The underspend is due to slippage on the Building for the Future project as a result of the delayed stage 4 contract sign off. The revised capital expenditure forecast for the year is circa £20,263k and the Trust is on target to deliver this.

Cost Improvement Programme

The CIP programme has achieved savings of £632k, which is £25k above plan.

Agency spend

The Trust has been issued with a 'cap' for 2017-18 of £1.2m by NHS Improvement, This is the same as 2016-17.

In July, total agency spend was £0.061m, which is below the monthly run rate of £0.100m.

Control Total

The Trust has delivered against its control total of £580k, with an actual year to date comparator of £1,068k.

All other key indicators are above target or within acceptable limits.

Strategic context and background papers (if relevant)

Delivery of financial plans and complying with NHS Improvements Risk Assessment Framework.

Recommendations

- Note the satisfactory financial performance and surplus for month 4.
- Note the overall financial risk rating of a 1 under the risk assessment framework.
- Note the Trust has delivered against its control total of £580k, with an actual year to date comparator of £1,068k

N/A

Link to CQC Regulations

Regulation 12: Safe Care and Treatment

Resource Implications

N/A

Key communication points (internal and external)

N/A

Freedom of Information Status

FOI exemptions must be applied to specific information within documents, rather than documents as a whole. Only if the redaction renders the rest of the document non-sensical

Please tick the appropriate box below:

<p>should the document itself be redacted.</p> <p>Application Exemptions:</p> <ul style="list-style-type: none"> • Prejudice to effective conduct of public affairs • Personal Information • Info provided in confidence • Commercial interests • Info intended for future publication 	<table border="1"> <tr> <td><input type="checkbox"/></td> <td>A. This document is for full publication</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>B. This document includes FOI exempt information</td> </tr> <tr> <td><input type="checkbox"/></td> <td>C. This whole document is exempt under FOI</td> </tr> </table> <p>IMPORTANT:</p> <p>If you have chosen B above, highlight the information that is to be redacted within the document, for subsequent removal.</p> <p>Confirm to the Trust Secretary, which applicable exemption(s) apply to the whole document or highlighted sections.</p>	<input type="checkbox"/>	A. This document is for full publication	<input checked="" type="checkbox"/>	B. This document includes FOI exempt information	<input type="checkbox"/>	C. This whole document is exempt under FOI
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Equality & Diversity impact assessment

Are there concerns that the policy/service could have an adverse impact because of:	Yes	No
Age		√
Disability		√
Sex (gender)		√
Race		√
Sexual Orientation		√
Gender reassignment		√
Religion / Belief		√
Pregnancy and maternity		√
Civil Partnership & Marriage		√

If YES to one or more of the above please add further detail and identify if full impact assessment is required.

Next steps

N/A

Appendices

Appendix 1 Statement of Comprehensive Income
Appendix 2 Statement of Financial Position
Appendix 3 SOPF & cash flow

Corporate Objectives supported by this report

Improving Quality		Maintaining financial sustainability	√
Transforming how cancer care is provided across the Network		Continuous improvement and innovation	
Research		Generating Intelligence	

Link to the NHS Constitution

Patients		Staff	
Access to health care		Working environment Flexible opportunities, healthy and safe working conditions, staff support	

Quality of care and environment		<i>Being heard:</i> <ul style="list-style-type: none"> • Involved and represented • Able to raise grievances • Able to make suggestions • Able to raise concerns and complaints 	
Nationally approved treatments, drugs and programmes			
Respect, consent and confidentiality			
Informed choice		Fair pay and contracts, clear roles and responsibilities	
Involvement in your healthcare and in the NHS		Personal and professional development	
Complaint and redress		Treated fairly and equally	

THE CLATTERBRIDGE CANCER CENTRE

TITLE: FINANCE REPORT FOR MONTH 4– 2017-18

AUTHOR: PAUL CORBETT, ASSISTANT DIRECTOR OF FINANCE

RESPONSIBLE DIRECTOR: YVONNE BOTTOMLEY, DEPUTY CHIEF EXECUTIVE/
FINANCE DIRECTOR

FOR: DISCUSSION / DECISION

1. Executive Summary

This report and the attached appendices detail the financial performance of the Trust for the first four months of the financial year.

The Trust is reporting a surplus of £813k against a planned surplus of £781k, a favourable variance of £32k. The main driver behind the decrease in surplus from month 3, is activity which sits outside of the block contract being overestimated by circa £250k.

There is an activity report (excluding Haemato-Oncology), which shows actual activity for April to July (Months 1-4). Usually, due to the timing of the preparation of this report estimated activity for the most recent month has to be used, however as the month 4 actual data is now available, it is reflected in the financial statements. The monthly financial submission to NHSI has to be prepared earlier in the month and was based on estimated data. Due to actual clinical activity being below that estimated £98k has been released from reserves to ensure the internally reported surplus is consistent with the NHSI submission.

For Haemato-Oncology (HO), as no clinical data is currently available from the Royal Liverpool, in the financial statements HO income has been matched to plan. HO is understood to be an area of growing activity, so assuming activity is in line with plan at this stage is not considered to be unreasonable.

At month 4 overall clinical activity (excluding drugs) is almost exactly on plan (£2k above plan)

A contract has been signed for 2017/18 – 2018/19 with NHS England – Specialised Commissioning. The contracts with CCG's have now been signed. The four 'acting as one' CCGs (covering Liverpool, Knowsley, South Sefton and Southport & Formby) have agreed a block contract. The other 9 CCG's have cost per case contracts.

Haemato-Oncology contract values have been agreed with NHS England and CCG's, but they have not yet been signed off. For NHS England, this is proposed to be on a cost and volume basis as per previously agreed with the Royal, for the four 'acting as one' CCG's this would be on a block basis. The other 9 CCG's will be on a cost per case contract.

The CIP programme has achieved savings of £632k, which is £25k above plan.

Capital expenditure is £5,450k against a plan of £14,598k. The underspend is due to slippage on the Building for the Future project as a result of the delayed stage 4 contract sign off. The revised capital expenditure forecast for the year is circa £20,263k and the Trust is on target to deliver this.

All other key indicators are above target or within acceptable limits.

2. Key Financial Performance Indicators

KEY: Better than target		Green
Below target		Red
Below target but within acceptable limits		Amber
Key Indicator		
EBITDA surplus of £3,239k vs a planned surplus of £3,310k		Amber
EBITDA margin of 8.3% vs a planned margin of 8.5%		Amber
Net surplus of £813k vs a planned surplus of £781k		Green
Net I&E margin of 2.1% vs a planned margin of 2.0% (excludes impairments per NHS Improvement risk assessment framework)		Green
Total Operating Income above plan by £30k		Green
Total Contracted activity(excluding drugs) is in line with plan		Green
Total expenditure is overspent by £101k		Amber
Total expenditure excluding drug variance is underspent by £537k		Green
Actual CIP achieved £632k against a plan of £607k		Green
Capital expenditure at £5,450k against a plan of £14,598k		Amber
Cash balances at £57,705k are 2,132k below planned balances of £59,837k		Amber
Liquidity ratio of 190 days vs plan of 185 days		Green
Debtors > £5k and 90 days £401k		Amber
Non NHS Creditors > 90 days £20k		Amber
Use of resources – risk rating of 1		Green

EBITDA - The Trust is reporting an operating surplus (before Depreciation, Public Dividend Capital and Interest) in month 4 of £3,239k, against a plan of £3,310k, an adverse variance of £71k.

EBITDA Margin (%) The Trust is reporting an operating margin at month 4 of 8.3%, against a plan of 8.5%.

Activity

There is an activity report (excluding Haemato-Oncology), which shows actual activity for April to July.

Haemato-Oncology

The new Haemato-Oncology (HO) service became operational from 1st July 2017. The revised plan reflects the impact of HO on the Trusts Statement of Comprehensive Income (Income & Expenditure).

	Annual	Plan	Actual	
	Budget	YTD	YTD	Variance
	(9 Mths)			
	£'000's	£'000's	£'000's	£'000's
Total Income	15,572	1,730	1,730	0
Less :				
Pay expenditure	(3,320)	(368)	(320)	48
Non pay expenditure	(10,254)	(1,138)	(1,138)	0
Sub total	(13,574)	(1,507)	(1,459)	48
Less:				
Increase in Reserves	(586)	(65)	(65)	0
Write back of pre-payment	(1,411)	(158)	(206)	(48)
Total	0	0	0	0

The Trust has not yet received any activity data or non-pay cost information from the Royal Liverpool University Hospital (RLUH) due to initial problems with separating the data and transferring to CCC. Activity is reported to different timescales at the Royal and involves an external provider for drug information. This means activity information will be one month in arrears with current month having to be estimated until HO patients are recorded directly onto CCC's clinical system. Up to date non-pay information is expected to be available from month 5.

HO is understood to be an area of growing activity, so assuming activity is in line with plan at this stage is not unreasonable.

For month 4 (July), the Trust has matched income and non pay expenditure to budget. Actual pay expenditure is underspent by £48k which is across all clinical areas of the service.

The budget (July 17 to March 18) of £586k for reserves is a contribution towards Management costs and IM&T and expenditure has been matched against the monthly budget profile of £65k.

The write back of £206k against the prepayment of £10m which was made to the RLUH in 2016-17, ensures there is no impact on the Trust surplus. However it is £48k higher than planned due to the £48k underspend on pay.

Operating Expenditure

Total operating expenditure is overspent by £101k, of which £152k relates to an overspend on non-pay and £638k overspend on drugs, which is offset by an underspend on pay of £689k.

Due to the actual clinical income being lower than the previous estimate used for the NHSI submission earlier in the month, £98k has been released from the general contingency

reserve to ensure the financial position reported to the Finance & Business Development Committee and Trust Board is consistent with the NHSI return.

Capital Programme

Capital expenditure is £5,450k against a plan of £14,598k, a variance of £9,148k. The majority of this spend relates to Building for the Future (£4,314k), Papillion (£184k) and EPR (£916k). The underspend to date is due to the phasing of Building for the Future project as a result of the delayed stage 4 contract sign off. The revised capital expenditure forecast for the full year is £20,263k and the Trust is on target to deliver this.

Cost Improvement Programme

At month 4, the CIP programme has achieved savings of £632k, which is £25k above plan (recurrent CIP £52k below plan, non-recurrent CIP £77k above plan).

Other Metrics

There is a total of £401k of **debts** which are greater than £5k and over 90 days old; this represents 4.98% (June £294k or 3.35%) of the total debtors on the Balance Sheet as at 31 July 2017. This is split between NHS Debts of £216k and Non NHS debts of £190k, which relate mainly to debts within R&D where data relating to clinical trials is being validated and recharges to other NHS hospitals. The Finance team are working to chase all outstanding debts.

The Trust holds **cash** at the end of month 4 of £57.7 million, which is £2.1m below plan. The main reason cash is below plan is following recent negotiations with the Royal Liverpool University Hospital, the Trust agreed to pay £10m upfront to secure future cash flows for the newly acquired Haemato-Oncology service. This is offset by an underspend against the capital programme of circa £9m.

Under the **Public Sector Payment Policy**, performance for July Non NHS suppliers is 87% in terms of volume and 98% in terms of value. The Trust's target is 95%. All obvious invoices in query or in dispute have been excluded from the calculation.

NHS Improvement - Risk Assessment Framework

The NHSI risk ratings comprises of 5 metrics, each with an equal weighting (a rating of 1 being the best and a rating of 4 being the worst). They are; Capital Service Cover, Liquidity, I&E Margin, I&E Margin Variance and Agency spend.

Under the framework, the Trust has an overall risk rating of '1' for its 2017/18 plan. Actual performance based on month 4 data, compared to the submitted NHSI Trust plan, is:

- Capital Service Cover – rating of 1
- Liquidity – rating of 1
- I&E Margin – rating of 1
- I&E Margin Variance – rating of 1
- Agency spend - rating of 1

Overall the risk rating for the Trust remains at 1.

Agency Spend

The Trust has been issued with a 'cap' for 2017-18 of £1.2m by NHS Improvement, This is the same as 2016-17.

In July, total agency spend was £0.061m, which is below the monthly run rate of £0.100m.

Control total – NHS Improvement

The Trust has delivered against its control total of £580k, with an actual year to date comparator of £1,068k.

Financial Metrics after “normalising” cash balances

Source	£k
Net surplus	813
Cash Balances	£9m
Liquidity	35 days
Use of Resources	1

After “normalising” the significant cash holding relating to Building for the future, the Trust would still have a risk rating of 1 under the financial metrics.

Group position

The consolidated surplus at month 4 is £1,187k.

The Clatterbridge Cancer Centre Group Accounts:	£k
The Clatterbridge Cancer Centre NHS Foundation Trust	813
The Clatterbridge Cancer Charity	165
The Clatterbridge Pharmacy Ltd	121
Clatterbridge Prop Care Services Ltd	88
Total Group Surplus	1,187

There are no other major/critical issues to report this month.

Recommendations

- Note the satisfactory financial performance and surplus for month 4.
- Note the overall financial risk rating of a 1 under the risk assessment framework,
- Note the Trust has delivered against its control total of £580k, with an actual year to date comparator of £1,068k.

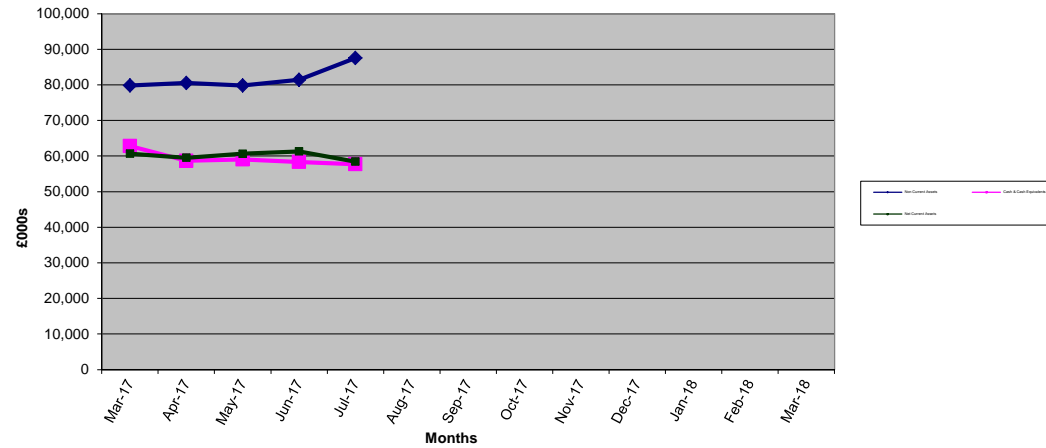
STATEMENT OF COMPREHENSIVE INCOME
2017-18

	NHSI Original Plan £k	Revised Plan inc HO £k	July 2017			Cumulative YTD			
			Plan £k	Actual £k	Variance £k	Plan £k	Actual £k	Variance £k	%
Clinical Income	103,980	119,552	10,429	10,396	(33)	35,712	35,741	29	0.1%
Other Income	10,490	10,490	860	908	48	3,410	3,411	1	-3.0%
Total Operating Income	114,470	130,042	11,289	11,305	15	39,121	39,151	30	0.1%
Pay expenditure	(46,990)	(50,311)	(4,178)	(4,057)	122	(15,883)	(15,193)	689	-16.4%
Non-pay expenditure	(55,709)	(67,960)	(6,158)	(6,661)	(503)	(19,928)	(20,718)	(790)	-25.5%
Total Operating Expenditure	(102,699)	(118,270)	(10,336)	(10,718)	(382)	(35,811)	(35,912)	(101)	0.3%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	11,771	11,771	953	587	(366)	3,310	3,239	(71)	-2.1%
Financing	(7,957)	(7,957)	(632)	(542)	90	(2,529)	(2,426)	103	-0.9%
Retained surplus/(deficit)	3,814	3,814	321	44	(276)	781	813	32	4.1%
NET I&E Margin (%)	3.3%	2.9%	2.8%	0.4%	-2.4%	2.0%	2.1%	0.1%	4.1%
EBITDA Margin (%)	10.3%	9.1%	8.4%	5.2%	-3.3%	8.5%	8.3%	-0.2%	-2.2%

STATEMENT OF FINANCIAL POSITION
2017-18

	Post Audit 2017 £k	NHSI Plan 2018 £k	YTD Plan	Jun-17 Actual YTD £k	Variance £k	YTD Plan	Jul-17 Actual YTD £k	Variance £k
Non-current assets								
Property, plant & equipment	67,842	108,367	78,912	70,086	(8,826)	81,901	71,778	(10,123)
Intangible assets	682	682	682	662	(20)	682	655	(27)
Investments in associates	895	401	401	331	(70)	401	447	46
Other financial assets	-	-	-	-	-	-	4,550	4,550
Prepayments	10,391	262	262	10,345	10,083	262	10,121	9,859
Total non-current assets	79,810	109,712	80,257	81,424	1,167	83,246	87,552	4,306
Current assets								
Inventories	898	800	800	797	(3)	800	792	(8)
Trade & other receivables:-	14,967	9,286	8,624	16,521	7,897	8,697	17,626	8,929
Cash and cash equivalents	62,830	35,903	62,125	58,360	(3,765)	59,837	57,705	(2,132)
Total current assets	78,695	45,989	71,549	75,678	4,129	69,334	76,122	6,788
Current liabilities								
Trade & other payables	13,932	11,571	11,095	11,144	49	11,518	13,611	2,093
Other liabilities	3,713	762	747	2,854	2,107	749	3,749	3,000
Borrowings	299	250	250	299	49	250	241	(9)
Provisions	60	-	-	60	60	-	60	60
Total current liabilities	18,004	12,583	12,092	14,356	2,264	12,517	17,661	5,144
Total assets less current liabilities	140,501	143,118	139,714	142,746	3,032	140,063	146,014	5,951
Non-current liabilities								
Other liabilities:-	-	-	-	1,476	1,476	-	4,699	4,699
Borrowings	3,160	2,750	3,000	3,160	160	3,000	3,160	160
Total non current liabilities	3,160	2,750	3,000	4,636	1,636	3,000	7,859	4,859
Total net assets employed	137,341	140,368	136,714	138,110	1,396	137,063	138,155	1,092
Financed by (taxpayers' equity)								
Public Dividend Capital	22,197	22,197	22,197	22,197	(0)	22,197	22,197	(0)
Revaluation reserve	3,584	3,896	3,896	3,584	(312)	3,896	3,584	(312)
Income and expenditure reserve	111,561	114,275	110,621	112,330	1,709	110,970	112,374	1,404
Total taxpayers equity	137,341	140,368	136,714	138,110	1,396	137,063	138,155	1,092

Statement of Financial Position 2017-18



Note:

- 1) Non current assets include: land, buildings, medical equipment, IM&T & motor vehicles
- 2) Net current assets include: current assets of debtors, pre-payments, accrued income and cash less current liabilities of creditors, accruals, loans & provisions.

Forecast vs Actual Cash Balances 2017-18

