

BOARD OF DIRECTORS MEETING

Agenda Item	P1/215/17	Date: 1st November 2017
Subject /title	Finance Report - Month 6	
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 six months of the financial year. Please note this will be the last Finance Board report in the current format, as the reporting requirements to the Board, Finance & Business Development Committee and Finance Sub-committee are being reviewed following approval of the new Trust governance structure.</p> <p>The Trust is reporting a surplus of £1,756k against a planned surplus of £1,726k, a favourable variance of £30k.</p> <p>Areas to note include:</p> <p><u>Activity data</u> This clinical income position is based on using estimated activity for month 6 for solid tumour contracts (actual activity month 1 to 5, estimate for month 6). Actual activity for Haemato-Oncology (HO) has been used for month 4 and estimated for months 5 and 6.</p> <p>At month 6, overall clinical activity (excluding drugs and HO) remains close to plan being £171k (or -0.5%) under plan.</p> <p><u>Capital</u> Capital expenditure is £9,199k against a plan of £21,358k, a variance of £12,159k. 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 full year is £21,196k, and the Trust is on target to deliver this revised forecast.</p> <p><u>Cost Improvement Programme</u> At month 6, the CIP programme has achieved savings of £951k, which is £42k above plan (recurrent CIP £46k below plan, non-recurrent CIP £89 above plan).</p> <p><u>Agency spend</u> The Trust has been issued with a 'cap' for 2017/18 of £1.2m by NHS Improvement, This is the same as 2016/17. The Trust has spent £404k in six months which is below plan by £109k and also £207k below the agency cap of £611k for year to date. In September, total agency spend was £52k, which is below the monthly run rate of £100k.</p> <p><u>Control Total</u> The Trust has delivered against its control total of £1,698k, with an actual year to date comparator of £2,153k.</p>		

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							
<ul style="list-style-type: none"> Note the satisfactory financial performance and surplus for month 6. Note the overall financial risk rating of a 1 under the risk assessment framework, Note the Trust has delivered against its control total of £1,698k, with an actual year to date comparator of £2,153k. Approve the declaration to NHSI for quarter 2 that the board anticipates the Trust will maintain a financial risk rating of at least 1 over the next 12 months. 							
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							
<p>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 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 	<p>Please tick the appropriate box below:</p> <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
<input type="checkbox"/>	A. This document is for full publication						
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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		<i>Working environment</i> Flexible opportunities, healthy and safe working conditions, staff support	
Quality of care and environment		<i>Being heard:</i>	
Nationally approved treatments, drugs and programmes		<ul style="list-style-type: none"> Involved and represented Able to raise grievances Able to make suggestions Able to raise concerns and complaints 	
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 6– 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 six months of the financial year. Please note this will be the last Finance Board report in the current format, as the reporting requirements to the Board, Finance & Business Development Committee and Finance Sub-committee are being reviewed following approval of the new Trust governance structure.

The Trust is reporting a surplus of £1,756k against a planned surplus of £1,726k, a favourable variance of £30k. This is the financial position for the year to date reported to NHS Improvement earlier in the month.

Nationally the NHS Providers' position for Quarter 1 was a year to date deficit of £736m (£30m worse than expected). The quarter 2 performance is due to be reported shortly. The forecast year end position is a deficit of £523m (£27m worse than plan).

Whereas more locally, the latest published Cheshire and Merseyside STP financial position at Month 6 is a year to date deficit of £92.6m (£38.7m worse than expected) with a year end forecast deficit of £65.1m (£12.1m worse than Plan). Of the 20 C&M providers only seven are in a surplus position at month 6, three of which are specialist trusts. All CCGs are reporting a deficit position at Month 6.

For CCC, at month 6, overall clinical activity (excluding drugs and HO) remains close to plan being £171k (or -0.5%) under plan.

This clinical income position is based on using estimated activity for month 6 for solid tumour contracts (actual activity month 1 to 5, estimate for month 6). Actual activity for Haemato-Oncology (HO) has been used for month 4 and estimated for months 5 and 6. Clinical activity data has subsequently been received for month 5 (August) for HO but is currently being reviewed.

Following discussion at the Finance & Business Development Committee of 25th October, further work will be undertaken, as part of the business planning process, into the drivers behind activity being below expected for Radiotherapy, Admitted Patient Care and Bone Marrow Transplants.

The CIP programme has achieved savings of £951k, which is £42k above plan.

Capital expenditure is £9,199k against a plan of £21,358k. The underspend continues to be 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 full year is £21,196k and the Trust is on target to deliver this.

The Trust has delivered against its control total of £1,698k, with an actual year to date comparator of £2,153k.

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

2. Key Financial Performance Indicators

The key financial performance indicators, with RAG ratings, for the Trust are shown in the table below.

KEY: Better than target		Green
Below target		Red
Below target but within acceptable limits		Amber
Key Indicator		
EBITDA surplus of £5,360k vs a planned surplus of £5,520k		Amber
EBITDA margin of 8.6% vs a planned margin of 8.9%		Amber
Net surplus of £1,756k vs a planned surplus of £1,726k		Green
Net I&E margin of 2.8% vs a planned margin of 2.8% (excludes impairments per NHS Improvement risk assessment framework)		Green
Total Operating Income above plan by £236k		Green
Total Contracted activity is £171k below plan		Amber
Total expenditure is overspent by £397k		Amber
Total expenditure excluding drug variance is underspent by £728k		Green
Actual CIP achieved £951k against a plan of £909k		Green
Capital expenditure at £9,199k against a plan of £21,358k		Amber
Cash balances at £58,789k are £4,891 above planned balances of £53,898k		Green
Liquidity ratio of 180 days vs plan of 168 days		Green
Debtors > £5k and 90 days £494k		Amber
Non NHS Creditors > 90 days £351k		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 6 of £5,360k, against a plan of £5,520k, an adverse variance of £160k.

EBITDA Margin (%) The Trust is reporting an operating margin at month 6 of 8.6%, against a plan of 8.9%.

Activity

The financial value of income from clinical activity for Solid Tumour contracts has been calculated using actual activity for April to August and estimated for September. For Haemato-Oncology (HO) actual activity has been used for month 4 and estimated for

months 5 and 6. Clinical activity data has subsequently been received for month 5 (August) for HO but is currently being reviewed.

Haemato-Oncology

The Trust took over the management of Haemato-Oncology (HO) from 1st July 2017.

The table below shows the additional budget for the year, and performance up to 30th September 2017.

	Annual Budget (9 Mths)	Plan YTD	Actual YTD	Variance
	£'000's	£'000's	£'000's	£'000's
Total Income	15,572	5,190	5,187	(3)
Less :				
Pay expenditure	(3,320)	(1,106)	(1,106)	0
Non pay expenditure	(10,254)	(3,416)	(3,837)	(421)
Sub total	(13,574)	(4,522)	(4,943)	(424)
Less:				
Reserves (Management & IM&T costs)	(586)	(143)	(143)	0
Write back of pre-payment	(1,411)	(470)	(101)	369
Total	0	55	0	55

Actual pay expenditure is in line with plan. Actual non-pay is overspent by £421k, which is mainly due to a drugs overspend of £485k. Although drug income is over plan, by £359k, which offsets the drug overspend to a great extent, income for In-patients and Bone Marrow Transplants are currently both underplan (£166k and £223k respectively). This is the main reason for the reduced net contribution from the new HO service (being £369k).

The write back of £101k against the prepayment of £10m which was made to the RLUH in 2016/17, ensures there is no impact on the total Trust surplus. However, that write back is £369k lower than planned due to the reduced contribution.

Operating Expenditure

Total operating expenditure is overspent by £397k, of which £110k relates to an overspend on non-pay and £1,125k overspend on drugs, which is offset in part by an underspend on pay of £838k.

Capital Programme

Capital expenditure is £9,199k against a plan of £21,358k, a variance of £12,159k. The majority of this spend relates to Building for the Future (£7,979k), Papillion (£184k) and EPR (£916k). 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 full year is £21,196k, and the Trust is on target to deliver this revised forecast.

Cost Improvement Programme

At month 6, the CIP programme has achieved savings of £951k, which is £42k above plan (recurrent CIP £46k below plan, non-recurrent CIP £89k above plan).

Other Metrics

There is a total of £494k of **debts** which are greater than £5k and over 90 days old; this represents 5.43% (August £535k or 4.18%) of the total debtors on the Balance Sheet as at 30th September 2017. This is split between NHS Debts of £329k and Non NHS debts of £165k, 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 6 of £58.8 million, which is £4.9m above plan. This is primarily due to capital expend being £12.16m under plan, offset in part by the £10m pre-payment made to the Royal Liverpool at the end of 2016/17.

Under the **Public Sector Payment Policy**, performance for September Non NHS suppliers is 76% in terms of volume and 93% 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 6 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. As part of this 'cap' the Trust is required to reduce its locum spend from £587k in 2016/17 to £511k in 2017/18, a reduction of £76k. The Trust has spent £404k in six months which is below plan by £109k and also £207k below the agency cap of £611k for year to date.

However Medical staffing is over plan by £201k and based on current projections is likely to exceed the NHSI target spend for the year of £511k by circa £150k.

In September, total agency spend was £52k, which is below the monthly run rate of £100k.

Control total – NHS Improvement

The Trust has delivered against its control total of £1,698k, with an actual year to date comparator of £2,153k.

Financial Metrics after “normalising” cash balances

Source	
Net surplus	£1,756k
Cash Balances	£13m
Liquidity	38 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 6 is £2,987k.

The Clatterbridge Cancer Centre Group Accounts:	£000
The Clatterbridge Cancer Centre NHS Foundation Trust	1,756
The Clatterbridge Cancer Charity	909
The Clatterbridge Pharmacy Ltd	196
Clatterbridge Prop Care Services Ltd	127
Total Group Surplus	2,987

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

Recommendations

- Note the satisfactory financial performance and surplus for month 6.
- Note the overall financial risk rating of a 1 under the risk assessment framework,
- Note the Trust has delivered against its control total of £1,698k, with an actual year to date comparator of £2,153k.
- Approve the declaration to NHSI for quarter 2 that the board anticipates the Trust will maintain a financial risk rating of at least 1 over the next 12 months.

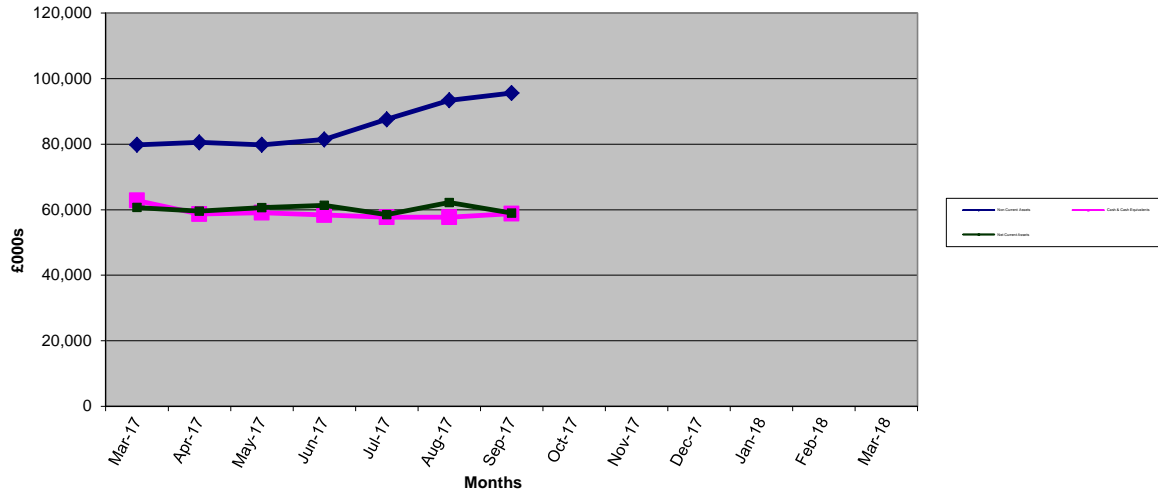
STATEMENT OF COMPREHENSIVE INCOME
2017-18

	NHSI Original Plan £k	Revised Plan inc HO £k	Sep-2017			Cumulative YTD			
			Plan £k	Actual £k	Variance £k	Plan £k	Actual £k	Variance £k	%
Clinical Income	103,980	119,552	10,429	10,717	288	56,977	56,915	(62)	-0.1%
Other Income	10,490	10,490	980	1,205	225	5,346	5,644	298	5.3%
Total Operating Income	114,470	130,042	11,409	11,922	513	62,323	62,559	236	0.4%
Pay expenditure	(46,990)	(50,311)	(4,337)	(4,267)	70	(24,509)	(23,671)	838	-14.4%
Non-pay expenditure	(55,709)	(67,960)	(6,104)	(6,694)	(590)	(32,294)	(33,529)	(1,235)	10.3%
Total Operating Expenditure	(102,699)	(118,270)	(10,441)	(10,961)	(520)	(56,803)	(57,200)	(397)	0.7%
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	11,771	11,771	968	961	(7)	5,520	5,360	(160)	-2.9%
Financing	(7,957)	(7,958)	(632)	(601)	31	(3,794)	(3,604)	190	315.5%
Retained surplus/(deficit)	3,814	3,814	336	360	24	1,726	1,756	30	1.7%
NET I&E Margin (%)	3.3%	2.9%	2.9%	3.0%	0.1%	2.8%	2.8%	0.0%	1.4%
EBITDA Margin (%)	10.3%	9.1%	8.5%	8.1%	-0.4%	8.9%	8.6%	-0.3%	-3.3%

STATEMENT OF FINANCIAL POSITION
2017-18

	Post Audit 2017 £k	NHSI Plan 2018 £k	YTD Plan	Aug-17 Actual YTD £k	Variance £k	YTD Plan	Sep-17 Actual YTD £k	Variance £k
Non-current assets								
Property, plant & equipment	67,842	108,367	84,890	75,741	(9,149)	87,881	78,263	(9,618)
Intangible assets	682	682	682	648	(34)	682	642	(40)
Investments in associates	895	401	401	469	68	401	469	68
Other financial assets	-	-	-	6,027	6,027	-	7,915	7,915
Prepayments	10,391	262	262	10,470	10,208	262	8,299	8,037
Total non-current assets	79,810	109,712	86,235	93,356	7,121	89,226	95,587	6,361
Current assets								
Inventories	898	800	800	1,013	213	800	896	96
Trade & other receivables:-	14,967	9,286	8,770	23,467	14,697	8,844	24,566	15,722
Cash and cash equivalents	62,830	35,903	57,982	57,713	(269)	53,898	58,789	4,891
Total current assets	78,695	45,989	67,552	82,192	14,640	63,542	84,251	20,709
Current liabilities								
Trade & other payables	13,932	11,571	11,941	15,894	3,953	10,698	20,567	9,869
Other liabilities	3,713	762	751	3,766	3,015	752	4,340	3,588
Borrowings	299	250	250	301	51	250	301	51
Provisions	60	-	-	60	60	-	60	60
Total current liabilities	18,004	12,583	12,942	20,021	7,079	11,700	25,269	13,569
Total assets less current liabilities	140,501	143,118	140,845	155,528	14,683	141,068	154,570	13,502
Non-current liabilities								
Other liabilities:-	-	-	-	10,270	10,270	-	9,077	9,077
Borrowings	3,160	2,750	3,000	3,109	109	2,875	2,984	109
Total non current liabilities	3,160	2,750	3,000	13,379	10,379	2,875	12,061	9,186
Total net assets employed	137,341	140,368	137,845	142,149	4,304	138,193	142,509	4,316
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	6,996	3,100	3,896	6,996	3,100
Income and expenditure reserve	111,561	114,275	111,752	112,956	1,204	112,100	113,316	1,216
Total taxpayers equity	137,341	140,368	137,845	142,149	4,304	138,193	142,509	4,316

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

