



Report Cover Sheet

Report to:	Board of Directors	
Date of the Meeting:	25 September 2019	
Agenda Item:	P1/177/19	
Title:	Financial Report Month 5	
Report prepared by:	John Andrews, Deputy Director of Finance	
Executive Lead:	James Thomson, Director of Finance	
Status of the Report:	Public	Private
	X	

Paper previously considered by:	N/A
Date & Decision:	N/A

Purpose of the Paper/Key Points for Discussion:	<p>To present the Trust's financial performance for the two months ending August 2019, noting the following:</p> <ul style="list-style-type: none"> - NHSI risk rating (Strategic Outcomes Framework) - Income and expenditure position - Cost Improvement Programme delivery - Capital and cash profile - Risks to the financial position
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Action Required:	Discuss	X
	Approve	
	For Information/Noting	X

Next steps required	The Trust Board will be informed of progress against the plan on a regular basis in accordance with the Board Reporting Cycle.
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The paper links to the following strategic priorities (please tick)

Deliver outstanding care locally	X	Collaborative system leadership to deliver better patient care	X
Retain and develop outstanding staff	X	Be enterprising	
Invest in research & innovation to deliver excellent patient care in the future		Maintain excellent quality, operational and financial performance	X

The paper relates to the following Board Assurance Framework (BAF) Risks

BAF Risk	Please Tick
1. If we do not optimise quality outcomes we will not be able to provide outstanding care	
2. If we do not prioritise the costs of the delivering the Transforming Cancer Care Programme we will not be able to maintain our long-term financial strength and make appropriate strategic investments.	
3. If we do not have the right infrastructure (estate, communication & engagement, information and technology) we will be unable to deliver care close to home.	X
4. If we do not have the right innovative workforce solutions including education and development, we will not have the right skills, in the right place, at the right time to deliver the outstanding care.	
5. If we do not have an organisational culture that promotes positive staff engagement and excellent health and well-being we will not be able to retain and attract the right workforce.	
6. If we fail to implement and optimise digital technology we will not deliver optimal patient outcomes and operational effectiveness.	
7. If we fail to position the organisation as a credible research partner we will limit patient access to clinical trials and affect our reputation as a specialist centre delivering excellent patient care in the future.	
8. If we do not retain system-wide leadership, for example, SRO for Cancer Alliance and influence the National Cancer Policy, we will not have the right influence on the strategic direction to deliver outstanding cancer services for the population of Cheshire & Merseyside.	
9. If we do not support and invest in entrepreneurial ideas and adapt to changes in national priorities and market conditions we will stifle innovative cancer services for the future.	
10. If we do not continually support, lead and prioritise improved quality, operational and financial performance, we will not provide safe, efficient and effective cancer services.	X

Equality & Diversity Impact Assessment

Equality & Diversity Impact Assessment	YES	NO
Are there concerns that the policy/service could have an adverse impact on:		
Age		X
Disability		X
Gender		X
Race		X
Sexual Orientation		X
Gender Reassignment		X
Religion/Belief		X
Pregnancy and Maternity		X

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

**Trust Board
September 2019
Finance Report**

1. Introduction

1.1 This paper provides a summary of the Trust's financial performance for August 2019, which is the fifth month of the 2019-20 year.

Colleagues are asked to note the content of the report, and the associated risks.

2. Summary Financial Performance

2.1 For August the key financial headlines are:

Metric	M5 Actual	M5 Plan	Variance	YTD Actual	YTD Plan	Variance	Risk RAG
NHSI SoF	3	1	2	3	1	2	
NHSI Control Total (£000)	649	459	190	2518	2296	222	
Cost Improvement Programme (£000)	148	149	-1	739	739	0	
Cash holding (£000)	51,389	45,148	6,241	51,389	45,148	6,241	
Capital Expenditure (£000)	4,311	4,204	107	26,102	21,321	4,781	

2.2 The key drivers of the positions are:

- **Income has overachieved plan by £4.030m (£0.770m in month).** This is due to clinical income being £4.208m over plan, of which £2.974m relates to drug income, matched by expenditure.
- **Expenditure is overspent by £4.079m (£0.605m in month).** Consistent with the income position, mostly due to drug expenditure being £3.720m (£1.023m in month) above plan.
- **Cash held is ahead of plan by £6.241m.** This is due to slippage from 2018-19.
- **Capital expenditure is £4.781m above plan.** As noted previously, this relates to TCC and a catch up in expenditure slipped from 2018/19.

3. Regulator Profile (Strategic Outcomes Framework)

3.1 The Trust is regulated by NHS Improvement, and a series of financial metrics are used every month to determine financial risk (Strategic Outcomes Framework assessment). The Trust aims to achieve an overall financial risk assessment of less than 2.

3.2 For August, the Trust's performance against these metrics are detailed in the following table. The agency expenditure metric is significantly below plan. This is due to the operational requirement to employ locum clinicians to deliver patient care. The medical agency usage covers all of the clinical directorates. Due to the costs incurred in August, the agency rating has remained as a 4 (highest risk). The Trust recognises the risks associated with the agency expenditure position.

- 3.3 It should be noted that because the agency metric is a 4, the overall Trust metric cannot be higher than a 3. However, given the underlying positive financial and operational position, NHSI will continue to rate the Trust as 'Segment 1', least risk.

Metric	M5 Actual	M5 Plan	Comment	Previous Period
Overall Rating	3	1	Risk Rating worse than planned - due to agency	3
Capital Service Cover Ratio	2	2	As expected	2
Liquidity	1	1	Based on Trust cash holding	1
I&E Margin	1	1	As expected	1
Variance from Control Total	1	1	M5 actuals above plan	2
Agency	4	1	Spend of £941k against ceiling cap of £475k	4

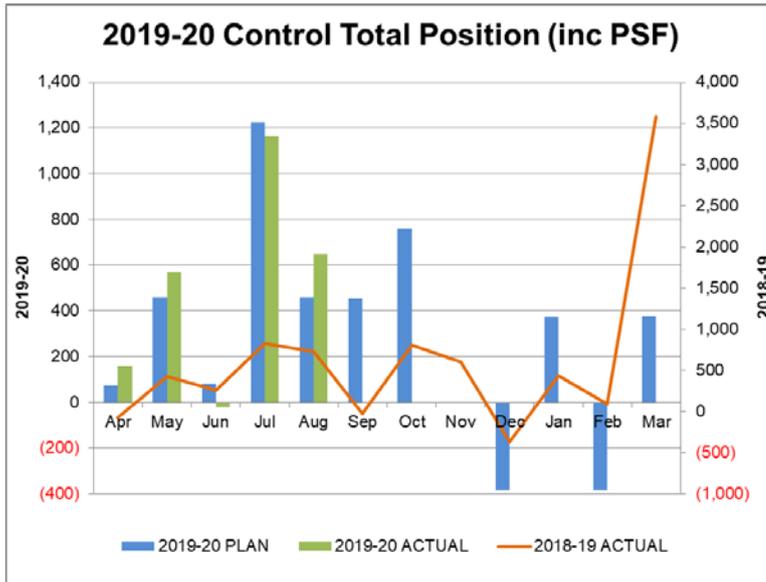
4. Operational Financial Profile – Income and Expenditure

4.1 Overall Income and Expenditure Position

4.1.1 The cumulative consolidated financial position of the Trust and subsidiaries for is a surplus above the NHSI control total of £222k. The in-month August position also shows a surplus of £190k above plan.

4.1.2 The table and chart below summarises the position. Please see Appendix 1 for the more detailed Income & Expenditure position.

Metric (£000)	M5 Actual	M5 Plan	Variance	YTD Actual	YTD Plan	YTD Variance	Annual Plan
Clinical Income	13,468	12,535	933	66,882	62,674	4,208	151,596
Other Income	987	1,150	(163)	5,595	5,772	(177)	18,438
Total Operating Income	14,455	13,685	770	72,477	68,446	4,031	170,034
Total Operating Expenditure	(13,470)	(12,864)	(606)	(68,419)	(64,340)	(4,079)	(162,194)
Operating Surplus	985	821	164	4,058	4,106	(48)	7,840
Finance Costs	(457)	(397)	(60)	(2,133)	(1,985)	(148)	(4,764)
Surplus/Deficit	528	424	104	1,925	2,121	(196)	3,076
NHSI Control Total	649	459	190	2,518	2,296	222	3,492



This chart shows monthly planned and actual surplus position for 2019-20.

The line shows the monthly surplus position for 2018-19.

August's actual position is ahead of plan.

4.1.3 The plan and surplus for the Trust NHS Control Total and Trust group position are different because the NHSI Control Total includes subsidiaries and excludes donated asset depreciation. The following table reconciles the two positions for August.

Year to Date: M5	Actual £000
Trust Surplus	1925
Add back Donated Depreciation	191
Add back CPL Profit	134
Add back PropCare Profit	268
NHSI Control Total Delivered	2,518
Control Total Plan	2,296
Variance to NHSI Control Total	222

4.1.4 The Trust has assumed that it will receive its notified Provider Sustainability Funding for the year to date period of £116k, (£412k total for 2019-20).

4.2 Income and Activity

4.2.1 For 2019-20, the Trust has agreed a block contract arrangement with NHS England Specialist Commissioning Team. This represents 80% of clinical income. The Trust has a cost and volume contract for CCG commissioned activity, which relates to inpatient services and some outpatient activity. For non-English commissioners, e.g. Wales and Isle of Man, the Trust has a cost per case contract for all activity. Activity and income values are monitored through the year.

4.2.2 Year to date, the Trust has generated £66.882m of clinical income, and £13.468m clinical income in month. This is cumulatively ahead of plan by £4.208m (in month £0.933m). The primary driver for this performance is drug income above plan of £3.587m, of which £613k relates to August.

4.2.3 The financial position is based on actual activity data for April to August for drugs and bone marrow transplant. Solid Tumour information is based on actual activity data for months 1 to 4 and plan for month 5. Haemato-Oncology activity is based on actuals for month 1 and 3 and plan for months 4 and 5. Using 1st Out-patient appointments as a proxy for future demand in the short term, forecasting to plan seems reasonable, as actual 1st attends were very close to plan in Months 1 to 4. The Trust is reviewing data flows with the aim to bring forward the reporting timeline for clinical activity to remove the need for estimates.

4.2.4 The majority of the over performance in radiotherapy (£605k or 7.3%) and chemotherapy (£329k or 3.4%), is not financially realisable due to the block nature of the contract with NHS England Specialised Commissioning. £412k of the radiotherapy over performance relates to proton activity.

4.3 Expenditure Profile

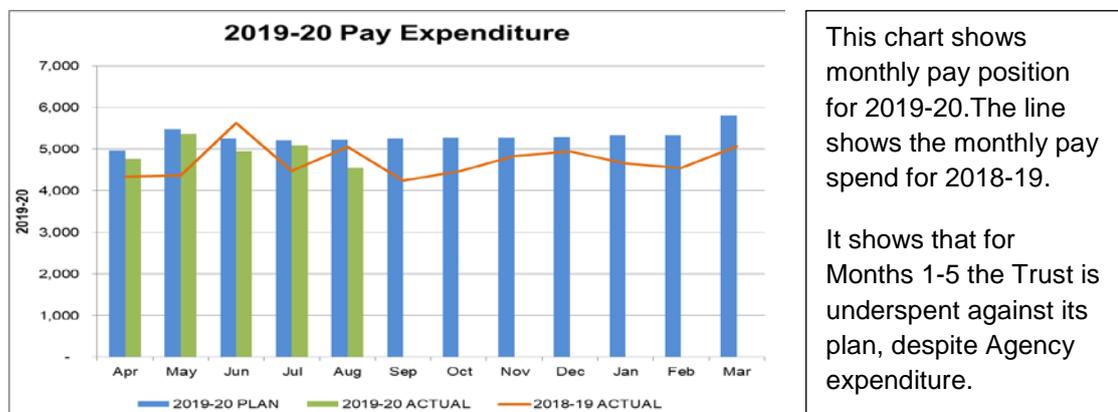
4.3.1 Pay

Pay year to date is underspent to plan by £1,441k (in month £689k). The underlying Trust pay variance excluding hosted services, Cancer Alliance, R&D and Charity, is £563k (£62k in month). This shows an increased cost run-rate, compared to previous months.

A key feature of the pay position is that recruitment to approved workforce investments has not yet occurred. The value of investment included in the pay budget is £126k for the month of August, with the cumulative value of investments in the plan of £632k.

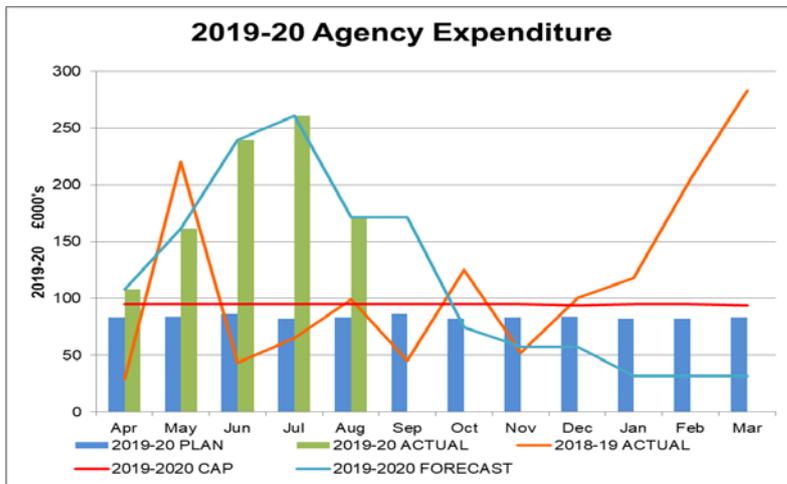
The position also reflects that the current level of vacancies may not cover the associated premium costs of agency staffing. This impact reduces the positive variance from vacant posts.

The graph below summaries the total pay spend to date against the monthly plan (compared to 2018-19 actuals).



Agency expenditure is a key focus for the Trust. In August, the total expenditure was £171k. The cumulative position of £941k expenditure for the first five months of the

financial year is almost double the ceiling of £475k. Although the agency expenditure is currently contained within the overall pay budget, there is the non-financial risk of the potential adverse impact on the NHSI risk assessment of the Trust.



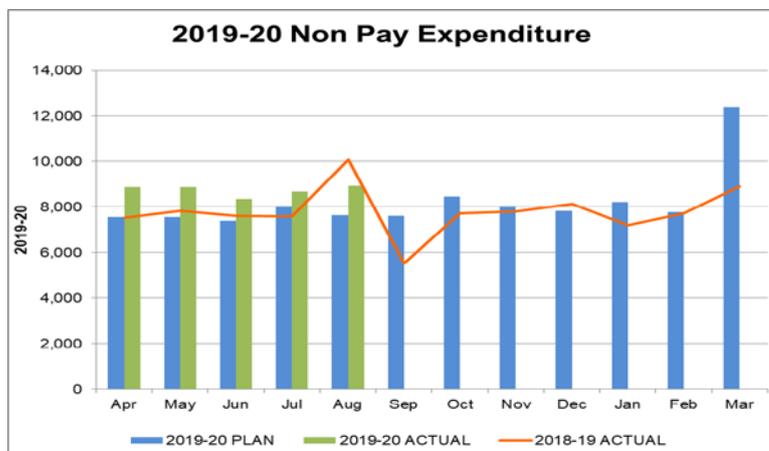
The red line shows the 2019-20 agency cap.

The blue line is the forecast for 2019-20. Although the Trust is above the cap the forecast is that the run rate will drop below the cap by Oct. However cumulatively we expect to breach the cap for the year.

4.3.2 Non Pay

Non-pay is overspent by £5,520k (in month £1,294k). Of this £3,720k is drug related (in month £1,023k), and matched by additional income.

The non-drug related costs are adverse against plan by £1,800k. The most significant non-drug variance relates to IM&T expenditure, which is £303k over plan. The majority of the items are non-recurrent and it is expected that the department will operate within its budget for the year. £361k is due to Haemato-Oncology costs associated with Bone Marrow Transplant cell matching expenditure. Depreciation and amortisation is also contributing £240k to the cumulative adverse variance. Other non pay overspends across the departments are offset by additional income or underspends on pay and do not have a significant adverse impact on the bottom line.



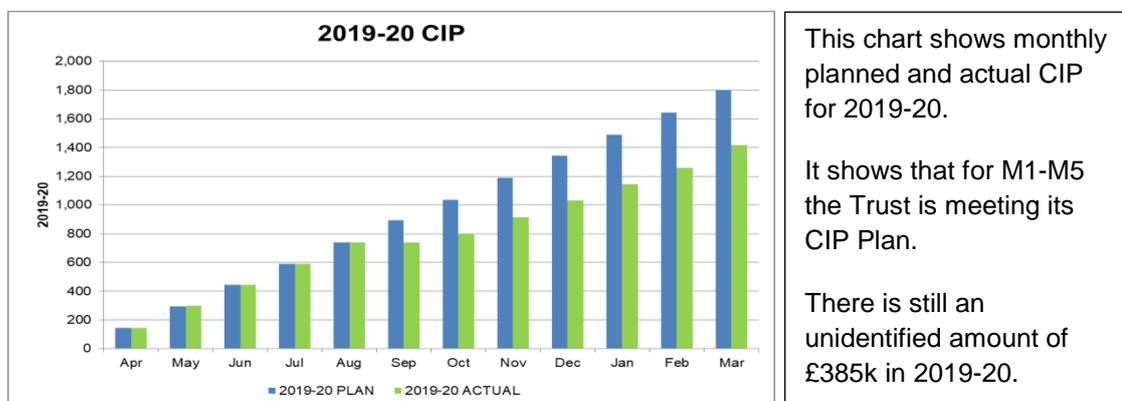
This chart shows monthly planned and actual non pay spend for 2019-20.

The line shows the monthly non pay spend for 2018-19.

In M1-5 the Trust is overspent against its plan.

4.4 Cost Improvement Programme (CIP)

4.4.1 As part of the Trust's financial plan, a cost improvement plan of £1.8m is required to meet target financial performance. The organisation has delivered 41% of its CIP requirement at the end of August. The Trust is planning to achieve the CIP target by Q3 in the financial year. At this stage, this is not considered a significant risk.



4.4.2 Areas under current review for efficiency improvements include:

- Chemotherapy – The Directorate have been tasked with identifying areas for further, non-drug, CIP opportunities. Progress has been made to reduce costs for the wig service, rationalise the Isle of Man clinical resource and services received from host NHS Trusts through SLAs.
- Drugs – there are likely to be further CIP opportunities due to significant anticipated expansion of immunotherapy drugs and increase in the reuse of vials.
- Haemato-Oncology – work is ongoing to realise the reduced costs of blood products, sourced through the Royal Liverpool SLA.
- Radiation Services – Maintenance contracts have been reviewed, and efficiencies have been identified, non-recurrently. The directorate are confident that they will achieve their target.

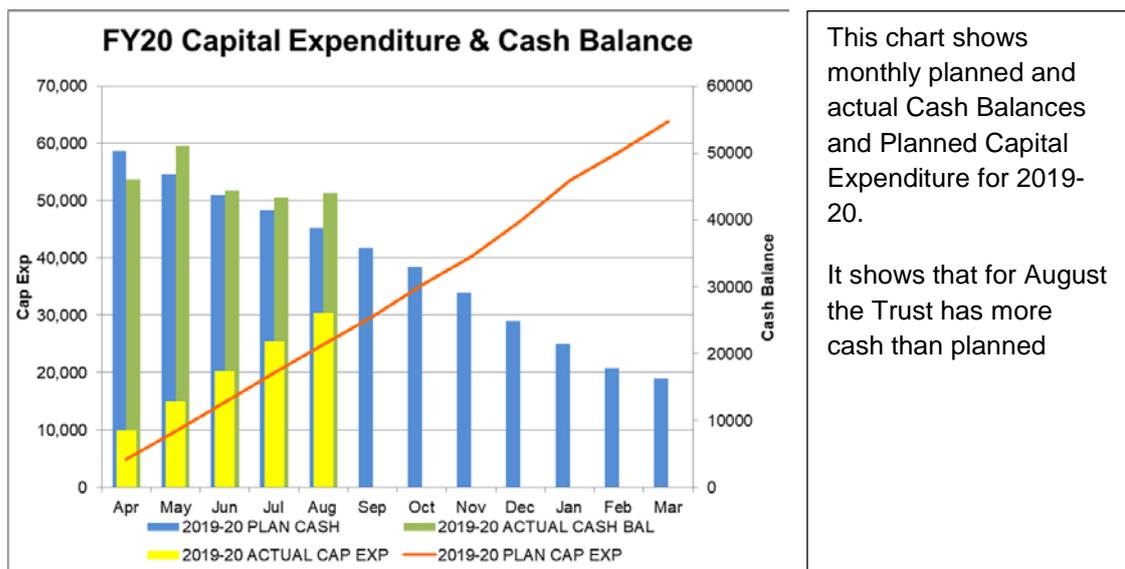
5. Cash and Capital

5.1 For 2019-20 the Trust has a capital programme that supports investment in the new Liverpool hospital, replacement of clinical equipment and development of IT infrastructure.

5.2 Capital expenditure of £26.102m has been incurred to the end of August against a year to date plan of £21.321m, of which £4.311m was incurred in August against the in-month plan of £4.204m. The key variance relates to TCC, with a catch up of expenditure in April slipped from 2018/19.

5.3 The Forecast Capital expenditure for the year reflects the latest potential time line for installing new equipment in the Centre in Liverpool. The overall forecast spend is £61.94m compared to the original plan of £54.66m. This has not increased the overall cost in the Board approved 5 year plan.

- 5.4 The capital programme is supported by the organisation's cash position. The Trust has a current cash position of £51.389m, which is a positive variance of £6.241m to the cashflow plan of £45.148m.
- 5.5 In addition to the Trust cash holding of £51.389m, the subsidiaries were holding £3.499m and the Charity £7.629m at the end of August. Total Group Cash was therefore £62.517m.
- 5.6 The Balance Sheet (Statement of Financial Position) is included in Appendix B, Cashflow in Appendix C and the capital programme at Appendix E.



6. Financial Risks

- 6.1 The Trust is currently reviewing its integrated approach to risk. As part of this process financial risks will be re-assessed so that they are consistent with the Trust framework. It is expected that this will be completed during Q2, following the revision to the Board Assurance Framework (BAF).
- 6.2 The current risk profile is captured in the following analysis.

Issue	Reason	Risk / Mitigation
Risk of non-delivery of CIP	Current unidentified CIP of £0.385m (21% of the total).	Directorates and departments have been tasked with identifying further CIP. Non-recurrent slippage can support CIP achievement in the short term.
Risk of non-delivery of CQUIN	The Trust could lose income if CQUIN targets not delivered (£1m).	Improved internal processes, coupled with a national reduction in CQUIN dependent income have reduced this risk for 2019-20.
Data Quality & Timeliness- possible loss of income	There remain issues with data timeliness and accuracy, particularly for HO (from RLUH). Month 1 - 4 Data received at start of Month 5	In year risk is mitigated in part by block contracts.
Agency spend and the NHSI risk rating	The Trust anticipates breaching the NHSI agency cap in 2019/20 due to use of locum and agency medical staff.	Although the financial risk is anticipated to be contained within the overall Trust budget, there is likely to be an adverse impact on the Trusts NHSI Financial Risk Rating. There is also an adverse impact risk to the financial position.

7. Recommendations

7.1 Trust Board is asked to note the contents of the report, with reference to:

- The financial risk rating of 3, which is below the plan of 1, due to agency expenditure
- Overachievement against the cumulative revenue control total
- Risks identified and potential mitigations

Appendix A – Income & Expenditure (Statement of Comprehensive Income)

	August 2019			Cumulative YTD				Previous Annual Plan (£000)	Revised Annual Plan (£000)
	Plan	Actual	Variance	Plan	Actual	Variance			
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	%		
Clinical Income:									
Elective	363	403	41	1,813	1,957	143	7.9%	4,386	4,386
Non-Elective	507	296	(210)	2,534	2,262	(272)	-10.7%	6,129	6,129
Out-patient Attends	2,043	2,060	17	10,213	10,495	282	2.8%	24,705	24,705
Radiotherapy Attends	1,667	1,784	117	8,334	8,939	605	7.3%	20,160	20,160
Chemotherapy Attends	1,927	1,898	(29)	9,635	9,964	329	3.4%	23,308	23,308
Impact of Contract Tolerances / Agreed Outturn	0	471	471	0	(1,016)	(1,016)	0.0%	0	0
Drugs	5,121	5,733	613	25,603	29,190	3,587	14.0%	61,935	61,935
Diagnostic Imaging	200	212	12	1,001	1,115	115	11.5%	2,421	2,421
Bone marrow transplants	470	256	(214)	2,351	2,347	(4)	-0.2%	5,688	5,688
Other Currencies	76	76	(0)	381	380	(1)	-0.4%	915	915
Private Patients / External Drug Sales	162	277	115	809	1,249	439	54.3%	1,949	1,949
Sub-Total: Total Clinical Income	12,535	13,468	933	62,674	66,882	4,208	6.7%	151,596	151,596
Other Income	552	781	229	2,782	3,478	696	25.0%	8,534	8,595
Hosted Services	598	206	(392)	2,990	2,117	(873)	-29.2%	3,543	9,843
Total Operating Income	13,685	14,455	770	68,447	72,477	4,030	5.9%	163,673	170,033
Pay: Trust (excluding Hosted)	(4,744)	(4,681)	62	(23,707)	(23,144)	563	-2.4%	(57,308)	(57,354)
Pay: Hosted	(491)	136	626	(2,451)	(1,573)	878	-35.8%	(3,119)	(6,361)
Drugs expenditure	(4,812)	(5,834)	(1,023)	(24,058)	(27,778)	(3,720)	15.5%	(58,100)	(58,100)
Other non-pay: Trust (excluding Hosted)	(2,715)	(2,747)	(31)	(13,608)	(15,381)	(1,773)	13.0%	(36,925)	(36,941)
Non-pay: Hosted	(103)	(343)	(240)	(517)	(544)	(27)	5.2%	(380)	(3,437)
Total Operating Expenditure	(12,864)	(13,470)	(605)	(64,340)	(68,419)	(4,079)	6.3%	(155,833)	(162,194)
Operating Surplus	821	985	164	4,107	4,058	(49)	-1.2%	7,840	7,840
Profit /(Loss) from Joint Venture	52	32	(20)	260	260	0	0.0%	624	624
Interest receivable (+)	8	342	334	41	1,610	1,570	3843.8%	98	98
Interest payable (-)	(57)	(430)	(373)	(286)	(2,003)	(1,718)	601.3%	(686)	(686)
PDC Dividends payable (-)	(400)	(400)	0	(2,000)	(2,000)	0	0.0%	(4,800)	(4,800)
Retained surplus/(deficit)	424	528	105	2,122	1,925	(197)	-9.3%	3,076	3,076
NET I&E Margin (%)	3.1%	3.7%	0.6%	3.1%	2.7%	-0.4%	-14.3%	1.9%	1.8%
Operating Surplus Margin (%)	6.0%	6.8%	0.8%	6.0%	5.6%	-0.4%	-6.7%	4.8%	4.6%

Appendix B – Balance Sheet (Statement of Financial Position)

	Post Audit	NHSI Plan	Jul-19			Aug-19		
	2019	2020	YTD Plan	Actual YTD	Variance	YTD Plan	Actual YTD	Variance
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Non-current assets								
Intangible assets	1,673	485	566	1,813	1,247	556	1,794	1,238
Property, plant & equipment	158,340	220,606	186,415	178,182	(8,233)	190,199	182,058	(8,141)
Investments in associates	1,174	1,920	1,504	802	(702)	1,556	834	(722)
Other financial assets	78,815	140,261	108,515	102,883	(5,632)	112,515	105,643	(6,872)
Trade & other receivables	1,667	277	3,937	81	(3,856)	3,712	86	(3,626)
Other assets	-	-	-	-	-	-	-	-
Total non-current assets	241,669	363,549	300,937	283,761	(17,176)	308,538	290,415	(18,123)
Current assets								
Inventories	1,263	1,000	1,000	1,783	783	1,000	1,268	268
Trade & other receivables								
NHS receivables	10,215	4,860	5,000	20,400	15,400	5,000	20,660	15,660
Non-NHS receivables	24,216	5,000	5,000	10,893	5,893	5,000	12,032	7,032
Cash and cash equivalents	72,963	19,035	48,346	50,520	2,174	45,148	51,389	6,241
Total current assets	108,658	29,895	59,346	83,596	24,250	56,148	85,348	29,200
Current liabilities								
Trade & other payables								
Non-capital creditors	36,043	15,000	15,000	29,856	14,856	15,000	33,782	18,782
Capital creditors	97	1,952	2,041	377	(1,664)	2,020	377	(1,643)
Borrowings								
Loans	1,730	1,829	1,829	1,730	(99)	1,829	1,730	(99)
Obligations under finance leases	53	53	53	56	3	53	56	3
Provisions	267	489	489	267	(222)	489	267	(222)
Other liabilities:-								
Deferred income	2,402	4,000	4,000	3,997	(3)	4,000	3,610	(390)
Other	-	700	700	-	(700)	700	-	(700)
Total current liabilities	40,592	24,023	24,112	36,283	12,171	24,091	39,822	15,731
Total assets less current liabilities	309,734	369,421	336,171	331,074	(5,097)	340,595	335,942	(4,653)
Non-current liabilities								
Trade & other payables								
Capital creditors	-	301	301	-	(301)	301	-	(301)
Borrowings								
Loans	37,280	35,550	36,540	36,540	-	36,540	36,540	-
Obligations under finance leases	56	5	5	-	(5)	5	-	(5)
Other liabilities:-								
Deferred income	1,156	1,156	1,156	1,156	0	1,156	1,156	0
PropCare liability	83,567	140,261	108,515	103,017	(5,498)	112,515	107,356	(5,159)
Total non current liabilities	122,059	177,273	146,517	140,713	(5,804)	150,517	145,052	(5,465)
Total net assets employed	187,675	192,148	189,654	190,361	707	190,078	190,890	812
Financed by (taxpayers' equity)								
Public Dividend Capital	55,364	57,158	56,042	56,653	611	56,042	56,653	611
Revaluation reserve	8,493	7,839	7,839	8,493	654	7,839	8,493	654
Income and expenditure reserve	123,818	127,151	125,773	125,215	(558)	126,197	127,746	1,549
Total taxpayers equity	187,675	192,148	189,654	190,361	707	190,078	192,893	2,815

Appendix C – Cash Flow

Movement from 1st April 2019	Plan (£000)	Actual (£000)	Variance (£000)
Cash flows from operating activities:			
Operating surplus	4,107	4,096	(11)
Depreciation	2,097	2,172	75
Amortisation	52	90	38
Impairments	0	0	0
Movement in Trade Receivables	12,736	3,320	(9,416)
Movement in Other Assets	(20,000)	(26,828)	(6,828)
Movement in Inventories	0	(4)	(4)
Movement in Trade Payables	(1,159)	(5,989)	(4,830)
Movement in Other Liabilities	20,000	24,997	4,997
Movement in Provisions	0	0	0
CT paid	0	0	0
Net cash used in operating activities	17,833	1,855	(15,978)
Cash flows from investing activities			
Purchase of PPE	(21,321)	(25,610)	(4,289)
Purchase of Intangibles	0	(212)	(212)
Interest received	40	1,610	1,570
Investment in associates	0	600	600
Net cash used in investing activities	(21,281)	(23,611)	(2,330)
Cash flows from financing activities			
Public dividend capital received	1,289	1,289	(0)
Public dividend capital repaid	0	0	0
Loans received	0	0	0
Loans repaid	(740)	(740)	0
Capital element of finance lease	(51)	(53)	(2)
Interest paid	0	(271)	(271)
Interest element of finance lease	(7)	(5)	2
PDC dividend paid	0	0	0
Finance lease - capital element repaid	0	0	0
Net cash used in financing activities	491	220	(271)
Net change in cash	(2,957)	(21,537)	(18,580)
Cash b/f	48,105	72,963	24,858
Cash c/f	45,148	51,389	6,241