



Report Cover Sheet

Report to:	Board of Directors	
Date of the Meeting:	29 January 2020	
Agenda Item:	P1-011-20	
Title:	Financial Report Month 9	
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 month ending December 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		
Are there concerns that the policy/service could have an adverse impact on:	YES	NO
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
29th January 2020

Financial Performance

1. Introduction

- 1.1 This paper provides a summary of the Trust's financial performance for December 2019, the ninth month of the 2019-20 financial year.

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

2. Summary Financial Performance

- 2.1 For December the key financial headlines are:

Metric (£000)	M9 Actual	M9 Plan	Variance	YTD Actual	YTD Plan	Variance	Risk RAG
NHSI SoF	3	1	2	3	1	2	
NHSI Control Total (£000)	-326	-383	57	3,585	3,124	461	
Cost Improvement Programme (£000)	145	153	-8	1,452	1,342	110	
Cash holding (£000)	36,763	28,969	7,794	36,763	28,969	7,794	
Capital Expenditure (£000)	3,407	5,315	-1,908	39,736	39,847	-111	

- 2.2 The key drivers of the positions are:

- **Income has overachieved plan by £11.0m, £3.6m in month.** This is due to clinical income being £7.6m over plan, of which £6.7m relates to drug income.
- **Expenditure is overspent by £11.1m, £3.6m in month.** Consistent with the income position, mostly due to drug expenditure being £7.5m above plan.
- **Cash held is ahead of plan by £7.8m**
- **Capital expenditure is £0.1m behind plan.**

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 at least a 2.
- 3.2 For December, 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 December, 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	M9 Actual	M9 Plan	Comment	Previous Period
Overall Rating	3	1	Due to agency override	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	As expected	1
Agency	4	1	Spend of £1,587k against ceiling cap of £854k YTD	4

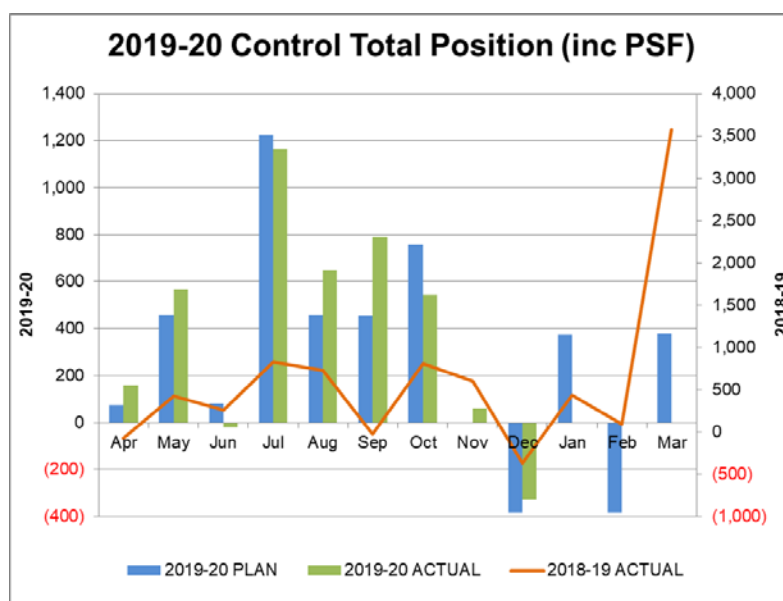
4. Operational Financial Profile – Income and Expenditure

4.1 Overall Income and Expenditure Position

4.1.1 The cumulative consolidated financial position of the Trust and subsidiaries for October is a surplus above the NHSI control total of £461k. The in month position is showing a surplus of £57k.

4.1.2 The table below summarises. Please see Appendix 1 for the more detailed Income & Expenditure position, which includes a forecast out-turn position for 2019-20.

Metric (£000)	M9 Actual	M9 Plan	Variance	YTD Actual	YTD Plan	YTD Variance	Annual Plan
Clinical Income	13,433	11,948	1,485	120,985	113,421	7,563	150,463
Other Income	3,258	1,174	2,084	13,899	10,436	3,463	19,713
Total Operating Income	16,690	13,122	3,568	134,884	123,858	11,026	170,176
Total Operating Expenditure	(16,744)	(13,142)	(3,602)	(128,533)	(117,473)	(11,060)	(162,337)
Operating Surplus	(54)	(20)	(34)	6,351	6,385	(34)	7,840
Finance Costs	(407)	(397)	(10)	(3,824)	(3,573)	(252)	(4,764)
Surplus/Deficit	(461)	(417)	(44)	2,527	2,812	(285)	3,076
NHSI Control Total	(326)	(383)	57	3,585	3,124	461	3,492



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

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

December's actual position is slightly 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 December.

Year to Date: M9	Actual £'000s
Trust Surplus	2,527
Add back Donated Depreciation	344
Add back CPL Profit	226
Add back PropCare Profit	488
NHSI Control Total Delivered	3,585
Control Total Plan	3,124
Variance to NHSI Control Total	461

- 4.1.4 The Trust has assumed that it will receive its notified Provider Sustainability Funding for the year to date period of £309k, £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 £121.0m of clinical income, and £13.4m clinical income in month. This is cumulatively ahead of plan by £7.6m (in month £1.5m). The primary driver for this performance is drug income above plan of £6.7m, of which £1.3m relates to December.

- 4.2.3 The financial position is based on actual activity data for April to December for drugs and bone marrow transplant. Solid Tumour information is based on actual activity data for months 1 to 8 and forecast for month 9. Haemato-Oncology activity is based on actuals for month 1 and 7 and forecast for months 8 and 9. The Trust is reviewing data flows with the aim to bring forward the reporting timeline for clinical activity to remove the need for estimates.

The majority of the over performance in radiotherapy (£1.1m or 7.5%) and chemotherapy (£0.9m or 4.9%), is not financially realisable due to the block nature of the contract with NHS England Specialised Commissioning. £0.6k of the radiotherapy over performance relates to proton activity, which is high cost, low volume activity.

4.3 Expenditure Profile

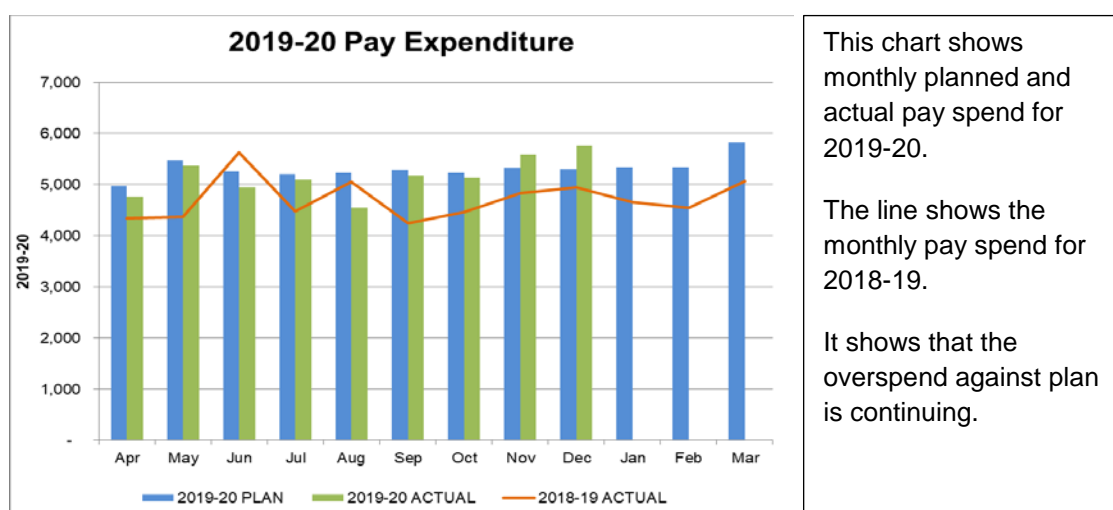
4.3.1 Pay

Pay year to date is underspent to plan by £924k, in month is overspent by £459k. The underlying year to date Trust pay variance excluding hosted services, Cancer Alliance, R&I and Charity, is an under spend of £339k, an over spend of £113k in month. This shows an increased cost run-rate, compared to previous months.

The value of investment included in the pay budget relating to the workforce investments is £169k for the month of December, with the cumulative value of investments in the plan of £1,265k.

December's Trust position reflects that the current level of vacancies do not cover the associated premium costs of agency staffing. This impact reduces the positive variance from vacant posts.

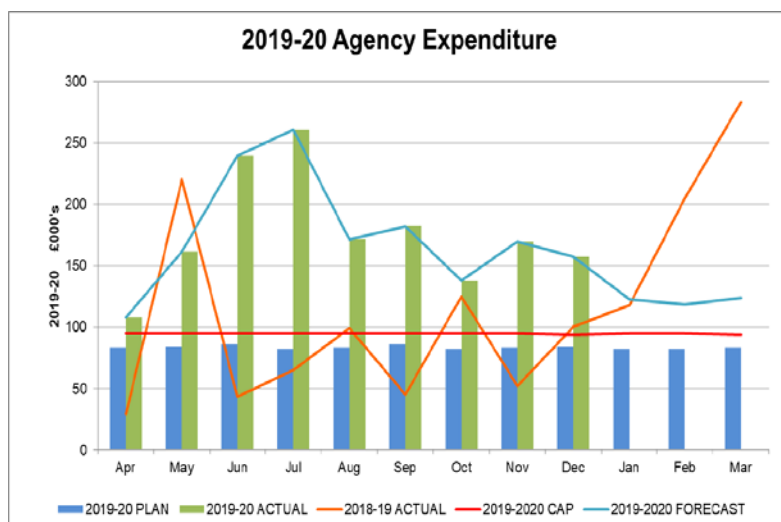
The graph below summaries the total pay spend to date against the monthly plan and compares to 2018-19 actuals.



Agency expenditure continues to be a key focus for the Trust. In December, the total expenditure was £157k. The cumulative position of £1,587k expenditure for the first nine months of the financial year is above the annual ceiling of £854k.

Although the agency expenditure is currently contained within the overall pay budget, year to date, there is the non-financial risk of the adverse impact on the NHSI risk assessment of the Trust.

It is important to note that the forecast annual expenditure has increased by c.£63k to £1,952k from November to December for 2019-20. The original agency forecast in June was £1,681k. The increase is due to additional HO, radiologists, medical and clinical oncologists required due to medical staffing vacancies.



The red line shows the 2019-20 agency cap.

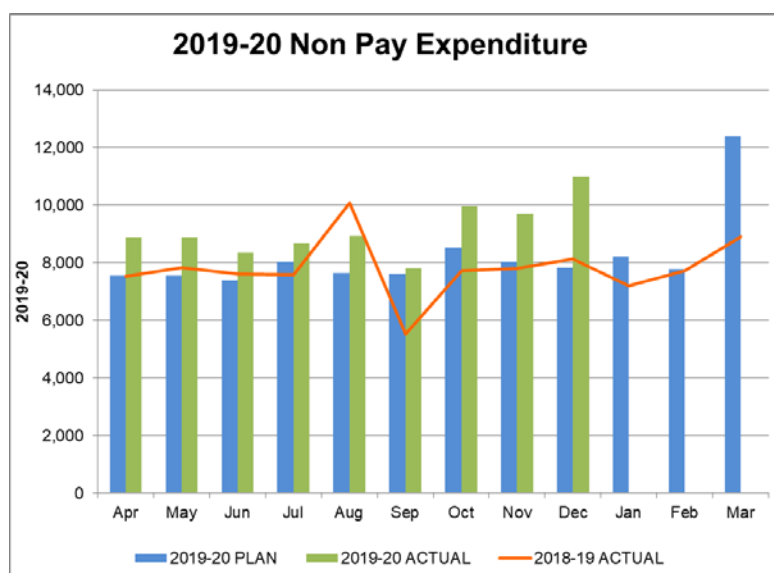
The blue line is the forecast for 2019-20.

The forecast is that the run rate will not drop below the cap in this financial year. The annual cap of £1,138k was breached in October.

4.3.2 Non-Pay

Non-pay is overspent by £11,984k, in month £3,144k. Of this £7,502k is drug related, in month £1,461k, which is matched by additional income.

The non-drug related costs are adverse against plan year to date by £4,482k. The most significant non-drug variance £1,767k relates to Cancer Alliance where we've paid 3rd party Trusts this month. Depreciation and amortisation are also contributing £270k to the cumulative adverse variance. IM&T expenditure is £144k over plan. The majority of the items are non-recurrent and the IM&T and Finance team are working together to ensure that all GDE costs are appropriately charged. 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 surplus position.



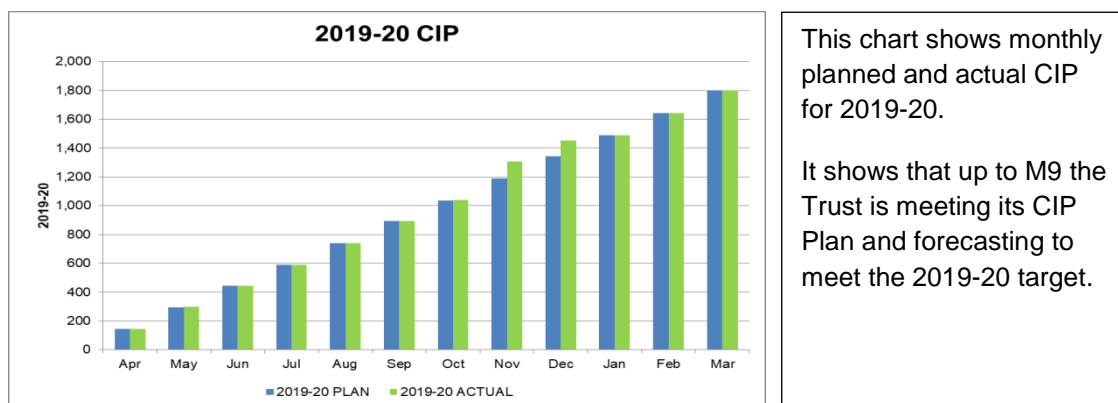
This chart shows monthly planned and actual non pay spend for 2019-20.

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

In M1-9 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 80% of its CIP requirement at the end of December and is forecasting to deliver the full £1.8m by March. 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.
- 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. Revenue Forecasting 2019-20

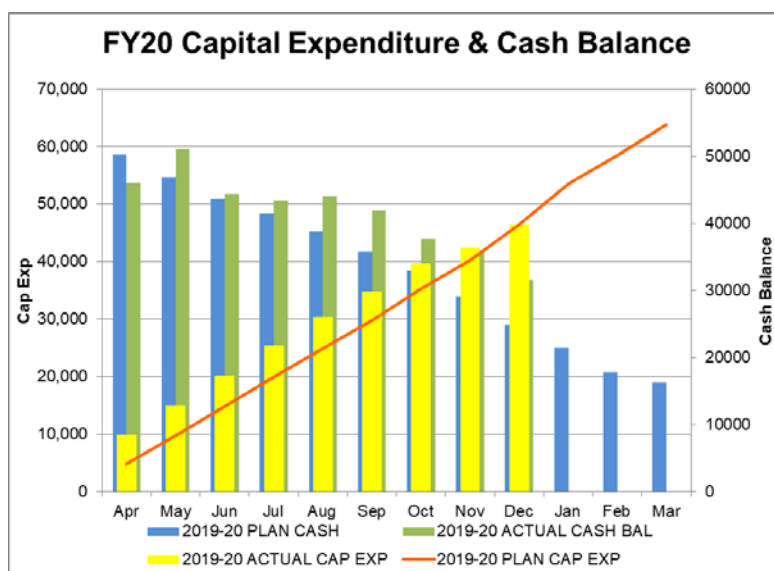
5.1 The current forecast outturn demonstrates that the Trust will achieve its planned surplus of £3,076k. The forecast is being reviewed on a monthly basis.

6. Cash and Capital

6.1 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.

6.2 Capital expenditure of £39.7m has been incurred to the end of December against a year to date plan of £39.8m, of which £3.4m was incurred in December against the in-month plan of £5.3m.

- 6.3 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 £63.5m compared to the original plan of £54.7m. The forecast has not changed from M8 to M9.
- 6.4 The capital programme is supported by the organisation's cash position. The Trust has a current cash position of £36.8m, which is a positive variance of £7.8m to the cashflow plan of £28.9m.
- 6.5 In addition to the Trust cash holding of £36.7m, the subsidiaries were holding £6.2m and the Charity £8.1m at the end of December. Total Group Cash was therefore £51.0m.
- 6.6 The Balance Sheet (Statement of Financial Position) is included in Appendix B, Cashflow in Appendix C.



This chart shows monthly planned and actual Cash Balances and Planned Capital Expenditure for 2019-20.

It shows that for December the Trust has more cash than planned

7. Financial Risks

- 7.1 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. This is a work in progress agreed at the September Board.
- 7.2 The current risk profile is captured in the following analysis.

Issue	Reason	Risk / Mitigation
Risk of non-delivery of Recurrent CIP	Current CIP forecast consists of Non-Recurrent slippage. This is only a short term solution.	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).	In year risk is mitigated in part by block contracts.
Agency spend and the NHSI risk rating	The Trust has 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.

8. Recommendations

8.1 The Performance Committee 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
- Forecast Out-turn remains consistent to plan
- Risks identified and potential mitigations

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

	December 2019			Cumulative YTD				Annual Plan £000
	Plan £000	Actual £000	Variance £000	Plan £000	Actual £000	Variance £000	%	
Clinical Income:								
Elective	345	498	152	3,281	3,810	529	16.1%	4,386
Non-Elective	483	462	(20)	4,585	3,849	(736)	-16.0%	6,129
Out-patient Attends	1,947	2,278	331	18,499	19,379	880	4.8%	24,730
Radiotherapy Attends	1,587	1,944	357	15,080	16,205	1,124	7.5%	20,160
Chemotherapy Attends	1,835	2,057	221	17,435	18,296	860	4.9%	23,308
Impact of Contract Tolerances / Agreed Outturn	0	(857)	(857)	0	(2,387)	(2,387)	0%	0
Drugs	4,877	6,220	1,344	46,329	53,036	6,707	14.5%	61,935
Diagnostic Imaging	191	154	(36)	1,811	1,854	43	2.4%	2,421
Bone marrow transplants	448	388	(60)	4,255	3,947	(308)	-7.2%	5,688
Other Currencies	76	76	0	686	684	(3)	-0.4%	915
Private Patients (inc drug sales)	159	212	54	1,460	2,313	853	58.4%	791
Sub-Total: Total Clinical Income	11,948	13,433	1,485	113,421	120,985	7,563	6.7%	150,463
Other Income (inc drug sales)	594	888	294	5,221	7,327	2,107	40.4%	10,093
Hosted Services	580	2,369	1,790	5,216	6,572	1,356	26.0%	9,620
Total Operating Income	13,122	16,690	3,568	123,858	134,884	11,026	8.9%	170,176
Pay: Trust (excluding Hosted)	(4,834)	(4,947)	(113)	(43,068)	(42,729)	339	-0.8%	(57,693)
Pay: Hosted	(473)	(819)	(346)	(4,250)	(3,665)	585	-13.8%	(6,139)
Drugs expenditure	(4,630)	(6,091)	(1,461)	(43,485)	(50,987)	(7,502)	17.3%	(58,100)
Other non-pay: Trust (excluding Hosted)	(3,104)	(3,344)	(240)	(25,743)	(28,273)	(2,530)	9.8%	(36,980)
Non-pay: Hosted	(100)	(1,544)	(1,443)	(927)	(2,879)	(1,952)	210.5%	(3,425)
Total Operating Expenditure	(13,142)	(16,744)	(3,602)	(117,473)	(128,533)	(11,060)	9.4%	(162,337)
Operating Surplus	(20)	(54)	(34)	6,385	6,351	(34)	-0.5%	7,840
Profit /(Loss) from Joint Venture	52	52	0	468	468	0	0.0%	624
Interest receivable (+)	8	421	413	74	3,162	3,088	4201.7%	98
Interest payable (-)	(57)	(480)	(423)	(514)	(3,854)	(3,340)	649.6%	(686)
PDC Dividends payable (-)	(400)	(400)	0	(3,600)	(3,600)	0	0.0%	(4,800)
Retained surplus/(deficit)	(417)	(461)	(44)	2,812	2,527	(285)	-10.1%	3,076
NET I&E Margin (%)	-3.2%	-2.8%	0.4%	2.3%	1.9%	-0.4%	-17.5%	1.8%
Operating Surplus Margin (%)	-0.2%	-0.3%	-0.2%	5.2%	4.7%	-0.4%	-8.7%	4.6%

Appendix B – Balance Sheet (Statement of Financial Position)

	Post Audit 2019 (£000)	NHSI Plan 2020 (£000)	Nov-19			Dec-19		
			YTD Plan (£000)	Actual YTD (£000)	Variance (£000)	YTD Plan (£000)	Actual YTD (£000)	Variance (£000)
Non-current assets								
Intangible assets	1,673	485	525	2,232	1,707	515	2,213	1,698
Property, plant & equipment	158,340	220,606	202,152	190,628	(11,524)	207,048	193,601	(13,447)
Investments in associates	1,174	1,920	1,712	990	(722)	1,764	1,042	(722)
Other financial assets	78,815	140,261	124,515	116,364	(8,151)	128,515	119,471	(9,044)
Trade & other receivables	1,667	277	3,037	42	(2,995)	2,812	32	(2,780)
Other assets	-	-	-	-	-	-	-	-
Total non-current assets	241,669	363,549	331,941	310,255	(21,686)	340,654	316,359	(24,295)
Current assets								
Inventories	1,263	1,000	1,000	1,410	410	1,000	1,651	651
Trade & other receivables								
NHS receivables	10,215	4,860	5,000	15,778	10,778	5,000	15,657	10,657
Non-NHS receivables	24,216	5,000	5,000	14,190	9,190	5,000	12,377	7,377
Cash and cash equivalents	72,963	19,035	33,987	42,051	8,064	28,969	36,763	7,794
Total current assets	108,658	29,895	44,987	73,429	28,442	39,969	66,448	26,479
Current liabilities								
Trade & other payables								
Non-capital creditors	36,043	15,000	15,000	29,889	14,889	15,000	29,540	14,540
Capital creditors	97	1,952	2,020	378	(1,642)	2,132	364	(1,768)
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	5,215	1,215	4,000	2,908	(1,092)
Other	-	700	700	-	(700)	700	-	(700)
Total current liabilities	40,592	24,023	24,091	37,534	13,443	24,203	34,864	10,661
Total assets less current liabilities	309,734	369,421	352,837	346,150	(6,687)	356,420	347,944	(8,476)
Non-current liabilities								
Trade & other payables								
Capital creditors	-	301	301	-	(301)	301	-	(301)
Borrowings								
Loans	37,280	35,550	35,675	35,675	-	35,675	35,675	-
Obligations under finance leases	56	5	5	-	(5)	5	-	(5)
Other liabilities:-								
Deferred income	1,156	1,156	1,156	1,156	-	1,156	1,156	-
PropCare liability	83,567	140,261	124,515	117,366	(7,149)	128,515	119,621	(8,894)
Total non current liabilities	122,059	177,273	161,652	154,198	(7,454)	165,652	156,453	(9,199)
Total net assets employed	187,675	192,148	191,185	191,952	767	190,768	191,491	723
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	127,304	126,805	(499)	126,887	126,345	(542)
Total taxpayers equity	187,675	192,148	191,185	191,952	767	190,768	191,491	723

Appendix C – Cash Flow

Movement from 1st April 2019	Plan (£000)	Actual (£000)	Variance (£000)
Cash flows from operating activities:			
Operating surplus	6,385	6,351	(34)
Depreciation	3,774	2	(3,772)
Amortisation	93	67	(26)
Impairments	0	0	0
Movement in Trade Receivables	13,636	8,031	(5,605)
Movement in Other Assets	(36,000)	(40,656)	(4,656)
Movement in Inventories	0	(388)	(388)
Movement in Trade Payables	(140)	(10,845)	(10,705)
Movement in Other Liabilities	36,000	36,560	560
Movement in Provisions	0	0	0
CT paid	0	0	0
Net cash used in operating activities	23,748	(877)	(24,625)
Cash flows from investing activities			
Purchase of PPE	(39,847)	(34,996)	4,851
Purchase of Intangibles	0	(607)	(607)
Interest received	73	3,162	3,089
Investment in associates	0	600	600
Net cash used in investing activities	(39,774)	(31,841)	7,933
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	(1,605)	(1,605)	0
Capital element of finance lease	(51)	(53)	(2)
Interest paid	(337)	(600)	(263)
Interest element of finance lease	(7)	(5)	2
PDC dividend paid	(2,400)	(2,400)	0
Finance lease - capital element repaid	0	0	0
Net cash used in financing activities	(3,111)	(3,374)	(263)
Net change in cash	(19,137)	(36,092)	(16,955)
Cash b/f	48,105	72,963	24,858
Cash c/f	28,969	36,763	7,794