



Report Cover Sheet

Report to:	Board of Directors	
Date of the Meeting:	26 February 2020	
Agenda Item:	P1-031-20 a	
Title:	Financial Report Month 10	
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

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
February 2020**

Financial Performance

1. Introduction

- 1.1 This paper provides a summary of the Trust's financial performance for January 2020, the tenth month of the 2019-20 financial year.

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

2. Summary Financial Performance

- 2.1 For January the key financial headlines are:

Metric (£000)	M10 Actual	M10 Plan	Variance	YTD Actual	YTD Plan	Variance	Risk RAG
NHSI SoF	3	1	2	3	1	2	
NHSI Control Total (£000)	423	374	49	4,008	3,498	510	
Cost Improvement Programme (£000)	173	150	23	1,626	1,492	134	
Cash holding (£000)	33,952	25,028	8,924	33,952	25,028	8,924	
Capital Expenditure (£000)	2,612	6,074	-3,462	42,348	45,921	-3,573	

- 2.2 The key drivers of the positions are:

- **Income has overachieved plan by £12.4m, £1.4m in month.** This is due to clinical income being £8.9m over plan, of which £9.0m relates to drug income.
- **Expenditure is overspent by £12.4m, £1.3m in month.** Consistent with the income position, mostly due to drug expenditure being £8.9m above plan.
- **Cash held is ahead of plan by £8.9m**
- **Capital expenditure is £3.6m 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 January, 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	M10 Actual	M10 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 £1,709k against ceiling cap of £949k YTD	4

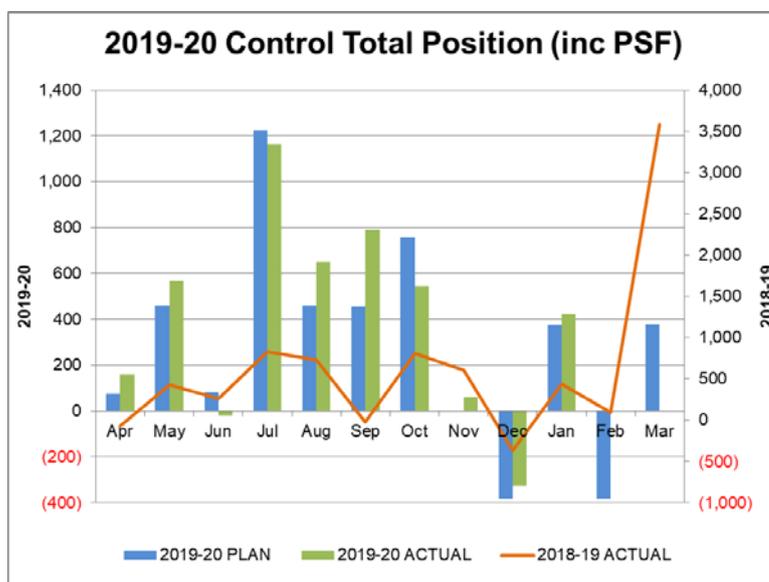
4. Operational Financial Profile – Income and Expenditure

4.1 Overall Income and Expenditure Position

4.1.1 The cumulative consolidated financial position of the Trust and subsidiaries for January is a surplus above the NHSI control total of £510k. The in month position is showing a surplus of £49k.

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

Metric (£000)	M10 Actual	M10 Plan	Variance	YTD Actual	YTD Plan	YTD Variance	Annual Plan
Clinical Income	14,588	13,124	1,464	135,437	126,527	8,909	151,597
Other Income	1,072	1,153	(81)	15,108	11,607	3,501	18,579
Total Operating Income	15,660	14,277	1,384	150,544	138,134	12,410	170,176
Total Operating Expenditure	(14,862)	(13,541)	(1,322)	(143,414)	(131,014)	(12,400)	(162,337)
Operating Surplus	798	736	62	7,131	7,121	10	7,839
Finance Costs	(448)	(397)	(51)	(4,272)	(3,970)	(303)	(4,764)
Surplus/Deficit	350	339	11	2,859	3,151	(292)	3,075
NHSI Control Total	423	374	49	4,008	3,498	510	3,492



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

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

January'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 January.

Year to Date: M10	Actual £'000s
Trust Surplus	2,859
Add back Donated Depreciation	382
Add back CPL Profit	245
Add back PropCare Profit	522
NHSI Control Total Delivered	4,008
Control Total Plan	3,498
Variance to NHSI Control Total	510

4.1.4 The Trust has assumed that it will receive its notified Provider Sustainability Funding for the year to date period of £354k, £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 £135.4m of clinical income, and £14.6m clinical income in month. This is cumulatively ahead of plan by £8.9m (in month £1.5m). The primary driver for this performance is drug income above plan of £9.0m, of which £1.5m relates to January.

4.2.3 The financial position is based on actual activity data for April to January for drugs and bone marrow transplant. Solid Tumour information is based on actual activity data for April to December and forecast for January. Haemato-Oncology activity is based on actuals for April to November and forecast for December and January. 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 (£1.3m or 7.5%) and chemotherapy (£0.8m or 4.3%), is not financially realisable due to the block nature of the contract with NHS England Specialised Commissioning. £0.5m of the radiotherapy over performance relates to proton activity, which is high cost, low volume activity.

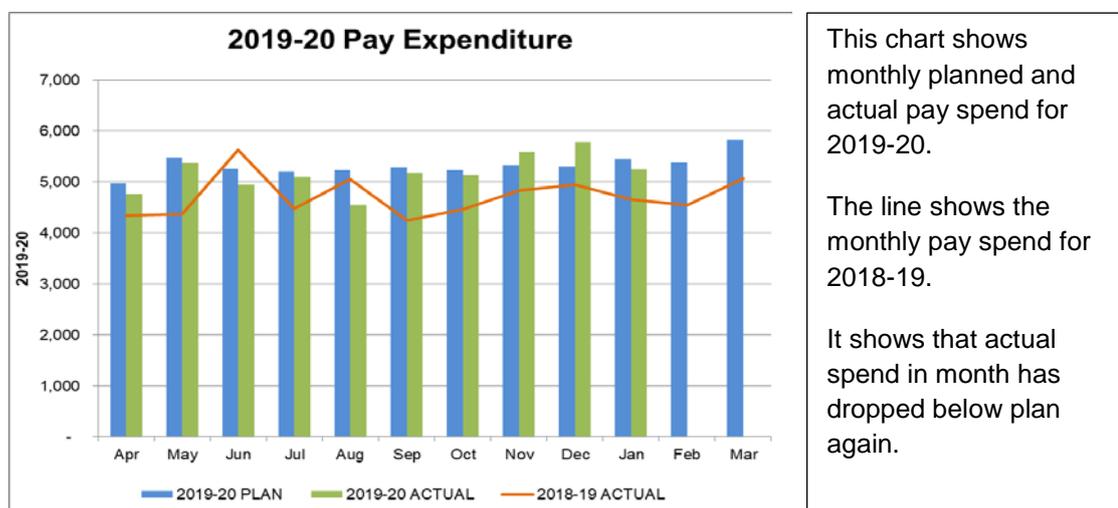
4.3 Expenditure Profile

4.3.1 Pay

Pay year to date is underspent to plan by £1.1m, in month is underspent by £206k. The underlying year to date Trust pay variance excluding hosted services, Cancer Alliance, R&I and Charity, is an under spend of £342k, an under spend of £22k in month.

The value of investment included in the pay budget relating to the workforce investments is £247k for the month of January, with the cumulative value of investments in the plan of £1,513k.

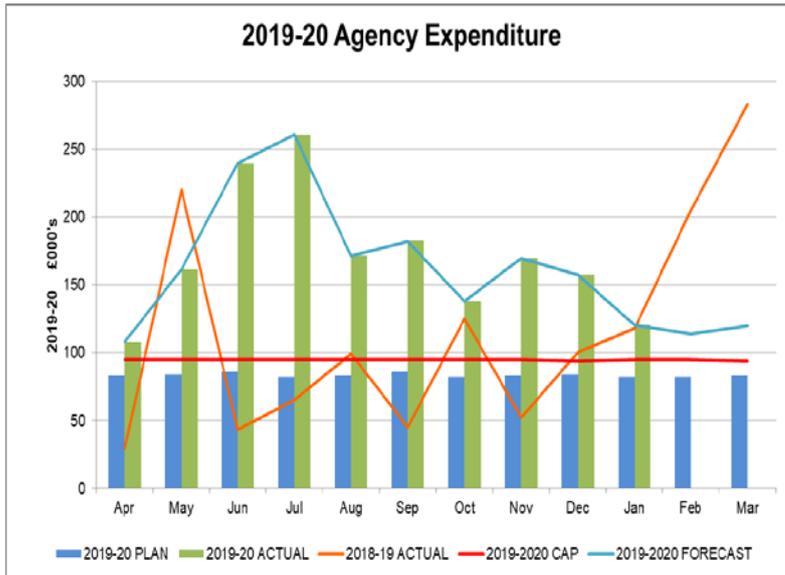
The graph below summaries the total pay spend to date against the monthly plan (compared to 2018-19 actuals).



Agency expenditure continues to be a key focus for the Trust. In January, the total expenditure was £120k. The cumulative position of £1,708k expenditure for the first ten months of the financial year is above the annual ceiling of £1,138k, (£949k year to date ceiling).

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.

It is important to note that the forecast annual expenditure has not increased significantly from December to January, the forecast is £1.954m. The original agency forecast in June was £1.681m. 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.

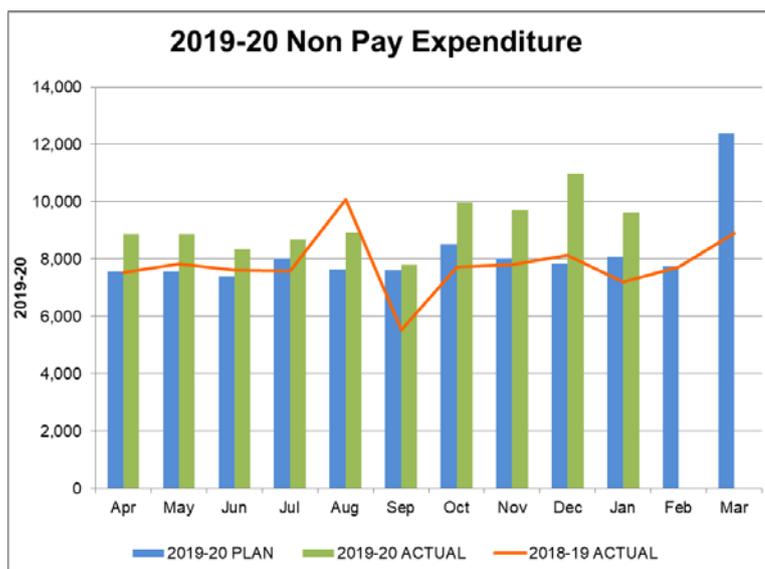
The blue line is the forecast for 2019-20.

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 £13,511k, in month £1,322k. Of this £8,758k is drug related, in month £1,256k, which is matched by additional income.

The non-drug related costs are adverse against plan year to date by £4,753k. The most significant non-drug variance £1,435k relates to Cancer Alliance where we've paid 3rd party Trusts this month. Depreciation and amortisation are also contributing £268k to the cumulative adverse variance. IM&T expenditure is £310k 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.



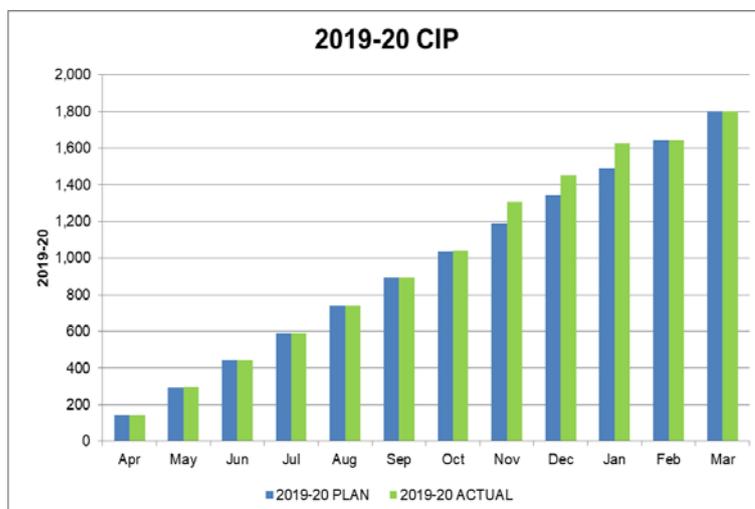
This chart shows monthly planned and actual non pay spend for 2019-20.

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

In M1-10 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 90% of its CIP requirement at the end of January and is forecasting to deliver the full £1.8m by March. At this stage, this is not considered a significant risk.



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

It shows that up to M10 the Trust is meeting its CIP Plan and forecasting to meet the 2019-20 target.

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.

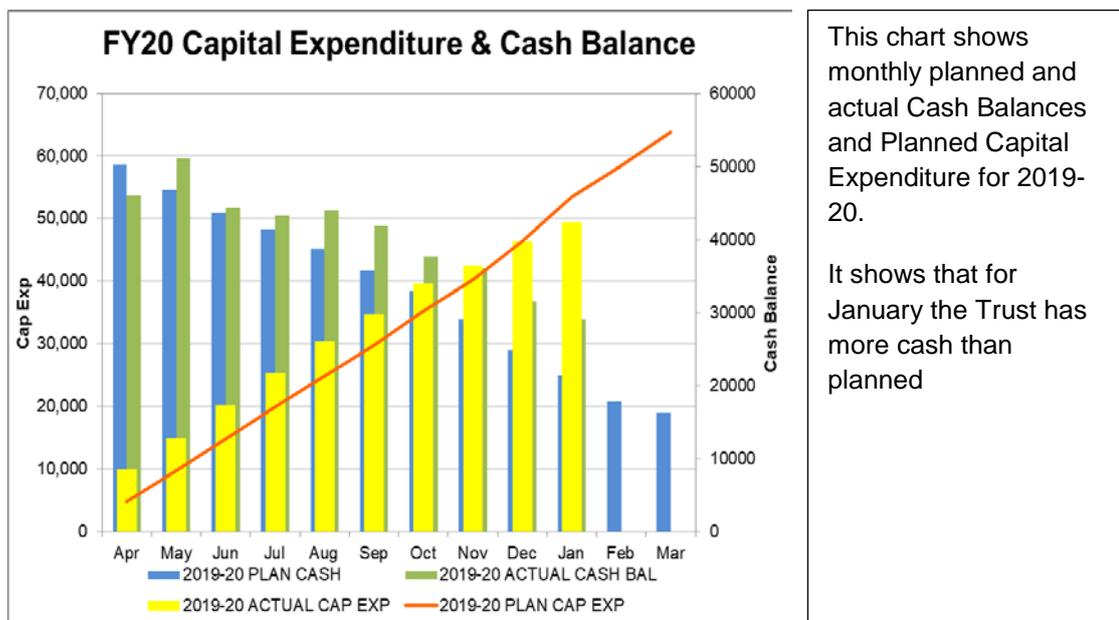
5. Revenue Forecasting 2019-20

5.1 The current forecast outturn remains the Trust plan of a 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 £42.3m has been incurred to the end of January against a year to date plan of £45.9m, of which £2.6m was incurred in January against the in-month plan of £6.1m.
- 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 £60.1m compared to the original plan of £54.663m.
- 6.4 The capital programme is supported by the organisation’s cash position. The Trust has a current cash position of £34.0m, which is a positive variance of £9.0m to the cashflow plan of £25.0m.
- 6.5 In addition to the Trust cash holding of £34.0m, the subsidiaries were holding £5.2m and the Charity £8.5m at the end of January. Total Group Cash was therefore £47.7m.
- 6.6 The Balance Sheet (Statement of Financial Position) is included in Appendix B, Cashflow in Appendix C.



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 equal to plan
- Risks identified and potential mitigations

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

	January 2020			Cumulative YTD				Annual Plan £000
	Plan £000	Actual £000	Variance £000	Plan £000	Actual £000	Variance £000	%	
Clinical Income:								
Elective	380	379	(1)	3,661	4,189	528	14.4%	4,386
Non-Elective	531	353	(178)	5,115	4,202	(913)	-17.9%	6,129
Out-patient Attends	2,142	2,120	(22)	20,641	21,499	858	4.2%	24,730
Radiotherapy Attends	1,746	1,948	202	16,827	18,153	1,327	7.9%	20,160
Chemotherapy Attends	2,019	1,998	(21)	19,454	20,294	840	4.3%	23,308
Impact of Contract Tolerances / Agreed Outturn	0	378	378	0	(2,009)	(2,009)	0%	0
Drugs	5,364	6,715	1,350	51,693	59,750	8,057	15.6%	61,935
Drugs - Private Patients	108	226	118	1,075	1,980	905	84.2%	1,290
Diagnostic Imaging	210	217	7	2,021	2,070	50	2.5%	2,421
Bone marrow transplants	493	121	(371)	4,748	4,069	(679)	-14.3%	5,688
Other Currencies	76	76	0	763	760	(3)	-0.4%	915
Private Patients (excluding drug sales)	55	57	2	530	479	(51)	-9.6%	635
Sub-Total: Total Clinical Income	13,124	14,588	1,464	126,528	135,436	8,910	7.0%	151,597
Other Income	573	1,013	440	5,812	8,477	2,665	45.9%	8,959
Hosted Services	580	59	(521)	5,795	6,631	836	14.4%	9,620
Total Operating Income	14,277	15,660	1,384	138,134	150,544	12,410	9.0%	170,176
Pay: Trust (excluding Hosted)	(4,976)	(4,954)	22	(48,044)	(47,701)	342	-0.7%	(57,840)
Pay: Hosted	(473)	(289)	184	(4,723)	(3,954)	769	-16.3%	(6,139)
Drugs expenditure	(4,993)	(6,249)	(1,256)	(48,477)	(57,235)	(8,758)	18.1%	(58,100)
Other non-pay: Trust (excluding Hosted)	(2,999)	(3,600)	(601)	(28,742)	(31,873)	(3,131)	10.9%	(36,833)
Non-pay: Hosted	(100)	230	330	(1,028)	(2,650)	(1,622)	157.8%	(3,425)
Total Operating Expenditure	(13,541)	(14,862)	(1,322)	(131,014)	(143,413)	(12,400)	9.5%	(162,337)
Operating Surplus	736	798	62	7,121	7,131	10	0.1%	7,840
Profit /(Loss) from Joint Venture	52	52	0	520	520	0	0.0%	624
Interest receivable (+)	8	393	385	82	3,555	3,474	4253.2%	98
Interest payable (-)	(57)	(493)	(436)	(571)	(4,347)	(3,776)	661.0%	(686)
PDC Dividends payable (-)	(400)	(400)	0	(4,000)	(4,000)	0	0.0%	(4,800)
Retained surplus/(deficit)	339	350	11	3,151	2,859	(292)	-9.3%	3,076
NET I&E Margin (%)	2.4%	2.2%	-0.1%	2.3%	1.9%	-0.4%	-16.8%	1.8%
Operating Surplus Margin (%)	5.2%	5.1%	-0.1%	5.2%	4.7%	-0.4%	-8.1%	4.6%

Appendix B – Balance Sheet (Statement of Financial Position)

	Post Audit	NHSI Plan	Dec-19			Jan-20		
	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	515	2,213	1,698	505	2,190	1,685
Property, plant & equipment	158,340	220,606	207,048	193,601	(13,447)	212,702	195,790	(16,912)
Investments in associates	1,174	1,920	1,764	1,042	(722)	1,816	344	(1,472)
Other financial assets	78,815	140,261	128,515	119,471	(9,044)	132,515	122,044	(10,471)
Trade & other receivables	1,667	277	2,812	32	(2,780)	2,587	28	(2,559)
Other assets	-	-	-	-	-	-	-	-
Total non-current assets	241,669	363,549	340,654	316,359	(24,295)	350,125	320,395	(29,730)
Current assets								
Inventories	1,263	1,000	1,000	1,651	651	1,000	1,116	116
Trade & other receivables								
NHS receivables	10,215	4,860	5,000	15,657	10,657	5,000	17,662	12,662
Non-NHS receivables	24,216	5,000	5,000	12,377	7,377	5,000	14,884	9,884
Cash and cash equivalents	72,963	19,035	28,969	36,763	7,794	25,028	33,952	8,924
Total current assets	108,658	29,895	39,969	66,448	26,479	36,028	67,613	31,585
Current liabilities								
Trade & other payables								
Non-capital creditors	36,043	15,000	15,000	29,540	14,540	15,000	26,710	11,710
Capital creditors	97	1,952	2,132	364	(1,768)	2,207	364	(1,843)
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	2,908	(1,092)	4,000	7,786	3,786
Other	-	700	700	-	(700)	700	-	(700)
Total current liabilities	40,592	24,023	24,203	34,864	10,661	24,278	36,912	12,634
Total assets less current liabilities	309,734	369,421	356,420	347,944	(8,476)	361,875	351,096	(10,779)
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	128,515	119,621	(8,894)	132,515	122,441	(10,074)
Total non current liabilities	122,059	177,273	165,652	156,453	(9,199)	169,652	159,272	(10,380)
Total net assets employed	187,675	192,148	190,768	191,491	723	192,223	191,823	(400)
Financed by (taxpayers' equity)								
Public Dividend Capital	55,364	57,158	56,042	56,653	611	57,158	56,653	(505)
Revaluation reserve	8,493	7,839	7,839	8,493	654	7,839	8,493	654
Income and expenditure reserve	123,818	127,151	126,887	126,345	(542)	127,226	126,677	(549)
Total taxpayers equity	187,675	192,148	190,768	191,491	723	192,223	191,823	(400)

Appendix C – Cash Flow

Movement from 1st April 2019	Plan (£000)	Actual (£000)	Variance (£000)
Cash flows from operating activities:			
Operating surplus	7,121	7,131	9
Depreciation	4,194	4,334	140
Amortisation	103	190	87
Impairments	0	0	0
Movement in Trade Receivables	13,861	3,525	(10,336)
Movement in Other Assets	(40,000)	(43,229)	(3,229)
Movement in Inventories	0	148	148
Movement in Trade Payables	(522)	(9,282)	(8,760)
Movement in Other Liabilities	40,000	44,258	4,258
Movement in Provisions	0	0	0
CT paid	0	0	0
Net cash used in operating activities	24,758	7,075	(17,683)
Cash flows from investing activities			
Purchase of PPE	(45,921)	(41,516)	4,405
Purchase of Intangibles	0	(707)	(707)
Interest received	81	3,555	3,474
Investment in associates	0	1,350	1,350
Net cash used in investing activities	(45,840)	(37,318)	8,522
Cash flows from financing activities			
Public dividend capital received	2,405	1,289	(1,116)
Public dividend capital repaid	0	0	0
Loans received	0	0	0
Movement in loans	(1,605)	(1,657)	(52)
Capital element of finance lease	(51)	(53)	(2)
Interest paid	(337)	(4,343)	(4,006)
Interest element of finance lease	(7)	(5)	2
PDC dividend paid	(2,400)	(4,000)	(1,600)
Finance lease - capital element repaid	0	0	0
Net cash used in financing activities	(1,995)	(8,768)	(6,773)
Net change in cash	(23,077)	(39,011)	(15,934)
Cash b/f	48,105	72,963	24,858
Cash c/f	25,028	33,952	8,924