

Report Title

Financial Performance Report - Period to 31st March

Sponsor and Author(s)

Author: Tony Brown, Senior Financial Advisor

Sponsoring Director: Sarah Stansfield, Acting Director of Finance

Executive Summary

Purpose

This report provides an overview of the financial performance of the Trust as at the end of the 2016/17 financial year. All figures in this report remain subject to finalisation as part of the annual accounts process and audit.

It provides the three primary financial statements for information.

It also provides a summary of the variance against the planned position to NHS Improvement.

Key issues to note

- The financial position of the Trust at the end of the 2016/17 financial year is an operational deficit of £18.0m. This represents a favourable variance to the forecast position of £32k. This variance is the same against the original FRP forecast produced at Month 7. It represents an adverse variance to the original NHSI plan of £36.2m
- There has been an impairment to fixed asset carrying values as a result of the final year-end valuation work, of which £14.3m has been charged to the I&E. This gives an overall deficit of £32.3m for the 2016/17 financial year. Whilst this is shown in the report for completeness (and will be in the final accounts position) it is not taken into account when measuring performance against control total
- The NHSI Plan and the planning process that created it is not as robust as would be expected. The Plan lacks granular supporting detail and as such comparisons are not necessarily to be relied upon in isolation for decision making or performance management purposes. The Trusts internal budget does not reconcile, either by cost category or phasing, to the NHSI plan. The figures presented in this report as 'plan' reflect the figures as submitted to NHSI unless explicitly stated otherwise

Conclusions

The financial position for 2016/17 shows a favourable variance to forecast of £32k, with a significant adverse variance to plan of £36.2m (inclusive of the STF funding for Q1 of the financial year).

No further STF funding has been accounted for in the final position other than that received in Q1.

Implications and Future Action Required

The Trust has delivered the annual forecast position with a favourable £32k variance.

**GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST
PUBLIC BOARD MEETING WEDNESDAY 10th MAY 2017**

Recommendations					
The Board is asked to note the report, pending finalisation of accounts and audit.					
Impact Upon Strategic Objectives					
The financial position presented will meet the targeted forecast for 2016/17.					
Impact Upon Corporate Risks					
None.					
Regulatory and/or Legal Implications					
The adverse variance to plan year-to-date of the financial position presented in this paper should lead to increased regulatory activity by NHS Improvement around the financial position of the Trust.					
Equality & Patient Impact					
None.					
Resource Implications					
Finance	✓	Information Management & Technology			
Human Resources		Buildings			
Action/Decision Required					
For Decision		For Assurance	✓		
		For Approval			
		For Information			
Date the paper was presented to previous Committees					
Quality & Performance Committee	Finance Committee	Audit Committee	Remuneration & Nomination Committee	Senior Leadership Team	Other (specify)

Financial Performance Report Year to 31st March 2017

Note: All figures subject to annual accounts finalisation and audit

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Introduction and Overview

In order to reflect the focus on delivery of the required outturn as per the Financial Recovery Plan this report is now written in such a way as to provide an overview of the financial performance of the Trust, **against forecast**, as at the end of Month 12 of the 2016/17 financial year. It should be noted that the report shows the **unaudited** Month 12 position. This position has been submitted to NHSI in the key data return submission. The position reported here is that which formed the basis of the unaudited Final Accounts submission to DoH on Wednesday 26th April 2017. This report presents the three primary statements for information.

Month 12 Unaudited Financial Position	M12 F'cast £000's	M12 Actual £000's	YTD Variance £000's
SLA & Commissioning Income	433,648	433,665	17
PP, Overseas and RTA Income	5,010	4,604	(406)
Operating Income	63,612	65,311	1,699
FRP Savings	1,048	1,077	29
Total Income	503,318	504,657	1,339
Pay	330,512	329,809	703
Non-Pay	174,876	174,906	(30)
FRP Savings	(2,444)		(2,444)
Total Expenditure	502,944	504,716	(1,772)
EBITDA	374	(59)	(433)
EBITDA %age	0.1%	(0.0%)	(0.1%)
Depreciation	10,502	10,284	218
Public Dividend Capital Payable	6,661	6,457	204
Interest Receivable	(36)	(36)	(0)
Interest Payable	4,472	4,430	42
Total Non Operating Costs	21,599	21,135	464
Surplus/(Deficit)	(21,225)	(21,193)	32
STF Funding	3,225	3,225	0
Surplus/(Deficit) (inc. STF)	(18,000)	(17,968)	32
Fixed Asset Impairment		14,302	(14,302)
Surplus/(Deficit) (inc. STF)	(18,000)	(32,270)	(14,270)

The Trust is reporting, prior to final accounts audit, an operating deficit of £17.968m (including the Q1 STF funding of £3.225m). This represents a **favourable** variance to forecast of £32k for the year. The Month 12 position against the original NHSI financial recovery plan forecast is shown on page 5. The Month 12 position against the NHSI Plan is shown page 6.

The table summarises (at a high level) the Trust position for Month 12 of the 2016/17 financial year against the forecast prepared last month. The deficit of £21.2m has been mitigated by receipt of Q1 STF funding of £3.2m.

FRP savings not already assimilated into pay and non-pay lines were forecast to be £2.4m, included as a bottom line adjustment to forecast. Actual delivery of savings within pay, non-pay and income come to a value of £3.5m at M12.

There has been an impairment to fixed asset carrying values as a result of the final year-end valuation work. Whilst this is shown for completeness (and will be in the final accounts position) it is not taken into account when measuring performance against control total.

The previously reported TrakCare backlog input, data quality issues and reductions in activity due to operational pressures have continued into March.

Balance Sheet(1)

Trust Financial Position	Opening Balance 31st March 2016 £000	Balance as at M12 £000	B/S movements from 31st March 2016 £000
Non-Current Assets			
Intangible Assets	3,585	7,393	3,808
Property, Plant and Equipment	308,601	295,935	(12,666)
Trade and Other Receivables	4,505	5,005	500
Total Non-Current Assets	316,691	308,333	(8,358)
Current Assets			
Inventories	8,036	7,400	(636)
Trade and Other Receivables	30,611	17,696	(12,915)
Cash and Cash Equivalents	3,950	7,974	4,024
Total Current Assets	42,597	33,070	(9,527)
Current Liabilities			
Trade and Other Payables	(63,726)	(46,445)	17,281
Other Liabilities	(497)	(274)	223
Borrowings	(5,283)	(5,283)	0
Provisions	(186)	(182)	4
Total Current Liabilities	(69,692)	(52,184)	17,508
Net Current Assets	(27,095)	(19,114)	7,981
Non-Current Liabilities			
Other Liabilities	(7,987)	(7,338)	649
Borrowings	(54,538)	(83,197)	(28,659)
Provisions	(1,396)	(1,524)	(128)
Total Non-Current Liabilities	(63,921)	(92,059)	(28,138)
Total Assets Employed	225,675	197,160	(28,515)
Financed by Taxpayers Equity			
Public Dividend Capital	166,519	166,519	0
Reserves	67,543	71,411	3,868
Retained Earnings	(8,387)	(40,770)	(32,383)
Total Taxpayers' Equity	225,675	197,160	(28,515)

The table shows the **unaudited** Month 12 balance sheet and the variance between movements from the 2015/16 closing balance sheet, supporting narrative is on the following page.

Balance Sheet (2)

Commentary below reflects the Month 12 balance sheet position against the prior year outturn

Note: The opening balance sheet has been restated for the prior period adjustment impacting on the trade and other payables balance in total assets employed and the income and expenditure reserve balance in reserves. As work continues on assessment of bad debt and baselining we expect the prior period adjustment to increase, although this should have minimal impact on the current year's I&E position from this point forward.

Non-Current Assets

- There is a reduction in non-current assets which reflects the revaluation exercise undertaken as part of year-end accounts, asset disposals and depreciation charges above capital additions for the year.

Current Assets

- Inventories have reduced year on year notably on drugs and in theatre areas.
- Receivables balances are now £12.9m below their closing March 2016 level.
- Cash has remained broadly in line with the previous year-end. This is due to the ongoing management of working capital balances alongside receipt of distress funding.

Current Liabilities

- Trade payables have reduced significantly due to the managed payment arrangements now in place following receipt of distress funding.

Non-Current Liabilities

- Borrowings show a significant increase due to 'distress funding' arrangements.

Reserves

- The I&E and revaluation reserves movement reflects the deficit and impairment.

Cashflow

Cashflow Analysis	Outturn £000s
Surplus (Deficit) from Operations	(22,494)
Adjust for non-cash items:	
Depreciation	10,284
Impairments within operating result	14,301
Gain/loss on asset disposal	0
Provisions	0
Other operating non-cash	(658)
Operating Cash flows before working capital	1,433
Working capital movements:	
(Inc.)/dec. in inventories	636
(Inc.)/dec. in current assets	8,310
(Inc.)/dec. in current provisions	104
(Inc.)/dec. in trade and other payables	(11,447)
(Inc.)/dec. in other financial liabilities	1,217
Net cash in/(out) from working capital	(1,180)
Capital investment:	
Capital expenditure	(15,233)
Capital receipts	2,790
Net cash in/(out) from investment	(12,443)
Funding and debt:	
PDC Received	0
Interest Received	36
DH loans - received	33,421
DH loans - repaid	(4,814)
Other loans	
Finance lease capital	(3,066)
PFI/LIFT etc capital	(2,835)
PDC Dividend paid	(6,726)
Other	198
Net cash in/(out) from financing	16,214
Net cash in/(out)	4,024
Cash at Bank - Opening	3,950
Closing	7,974

The unaudited cashflow for the 2016/17 financial year is shown in the table. The major movements are consistent with those already identified within income and expenditure and the balance sheet.

Key movements:

- **Inventories** – Stock movements reflect a year on year reduction notably on drugs and in theatre areas.
- **Current Assets** – Debtor balances have decreased significantly against their prior year carrying value, largely as a result of the significant focus on credit control over the past months.
- **Trade Payables** – have decreased significantly against their prior year carrying value and reflect the management undertaken as part of distress funding arrangements.
- **Capital expenditure** – the £15.2m cash outflow reflects the cash payments in year and is a combination of current year capital programme and prior year accruals. The charge to the 2016/17 capital programme is £11.7m.
- **DH Loans Received** – reflects the drawdown of distress funding from the DH
- **DH Loans Repaid** – reflects the annual payment of the existing ITFF loans

Financial Performance Against FRP (based on M7 forecast) Year to 31st March 2017

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Introduction and Overview

The analysis in this section of the report provides an overview of the Trust's financial performance against the trajectory initially developed at Month 7 as part of the Financial Recovery Plan (FRP) for information. The Trust produces a 'live' forecast on a monthly basis so the view is as current as practical and this is the analysis on which this report largely focuses. The Trust has delivered a deficit position of £17.968m (including the Q1 STF funding of £3.225m). This represents a favourable variance to the original FRP forecast (produced at M7) of £32k for the year-to-date.

Month 12 Unaudited Financial Position	M12 F'cast £000's	M12 Actual £000's	YTD Variance £000's
SLA & Commissioning Income	433,290	433,665	375
PP, Overseas and RTA Income	5,449	4,604	(845)
Operating Income	66,235	65,311	(924)
FRP Savings	1,048	1,077	29
Total Income	506,022	504,657	(1,365)
Pay	332,307	329,809	2,498
Non-Pay	177,032	174,906	2,126
FRP Savings	(4,700)		(4,700)
Total Expenditure	504,640	504,715	(76)
EBITDA	1,382	(58)	(1,440)
EBITDA %age	0.3%	(0.0%)	(0.3%)
Non Operating Costs	22,607	21,135	1,472
Surplus/(Deficit)	(21,225)	(21,193)	(32)
STF Funding	3,225	3,225	0
Surplus/(Deficit) (inc. STF)	(18,000)	(17,968)	(32)
Fixed Asset Impairment		14,302	(14,302)
Surplus/(Deficit) (inc. STF)	(18,000)	(32,270)	(14,270)

The table summarises (at a high level) the Trust position for Month 12 of the 2016/17 financial year against the forecast prepared to support the original FRP at M7.

The year-to-date deficit of £21.2m has been mitigated by receipt of Q1 STF funding of £3.2m.

There are some significant variances on operating income and non-pay which reflect movements between these categories for SmartCare related transactions. Non-operating expenditure shows a favourable variance due to the reforecasting of both depreciation and PDC (offset by an increase in interest charges) that have taken place since the Month 7 forecast was prepared.

FRP savings not already assimilated into pay and non-pay lines were forecast to be £4.7m, included as a bottom line adjustment to forecast. Actual delivery of savings within pay, non-pay and income come to a value of £3.5m at M12.

The impairment is shown for completeness (ref page 1 of this report for full explanation).

Financial Performance Against NHSI Plan Period to 28th February 2017

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Performance Against NHSI Plan

At the end of the 2016/17 financial year the Trust has delivered a year-to-date deficit position of £17.968m (including the Q1 STF funding of £3.225m). This represents an adverse variance to plan of £36.2m.

Month 12 Unaudited Financial Position	M12 F'cast £000's	M12 Actual £000's	YTD Variance £000's
SLA & Commissioning Income	431,287	433,665	2,378
PP, Overseas and RTA Income	5,722	4,604	(1,118)
Operating Income	62,518	65,311	2,793
FRP Savings		1,077	1,077
Total Income	499,527	504,657	5,130
Pay	317,703	329,809	(12,106)
Non-Pay	150,863	174,906	(24,043)
Total Expenditure	468,566	504,715	(36,149)
EBITDA	30,961	(58)	(31,019)
EBITDA %age	6.2%	(0.0%)	(6.2%)
Non Operating Costs	25,646	21,135	4,511
Surplus/(Deficit)	5,315	(21,193)	(26,508)
STF Funding	12,900	3,225	(9,675)
Surplus/(Deficit) (inc. STF)	18,215	(17,968)	(36,183)
Fixed Asset Impairment		14,302	(14,302)
Surplus/(Deficit) (inc. STF)	18,215	(32,270)	(50,485)

The table summarises (at a high level) the Trust position for 2016/17 financial year against the plan as submitted to NHSI in June 2016.

The year-to-date deficit of £21.1m has been mitigated by receipt of Q1 STF funding of £3.2m.

Actual delivery of FRP savings within pay, non-pay and income come to a value of £3.5m at M12.

The impairment is shown for completeness (ref page 1 of this report for full explanation).

NB: The NHSI Plan and the planning process that created it is not as robust as would be expected. The Plan lacks granular supporting detail and as such comparisons are not necessarily to be relied upon in isolation for decision making or performance management purposes. The Trusts internal budget does not reconcile, either by cost category or phasing, to the NHSI plan. The figures presented in this report as 'plan' reflect the figures as submitted to NHSI unless explicitly stated otherwise.

Recommendations

The Committee is asked to note:

- The unaudited financial position of the Trust at the end of the 2016/17 financial year is an operational deficit of £17.968m. This is a favourable variance to forecast of £32k.
- Against NHSI Plan the adverse variance is £36.2m.
- The NHSI Plan and the planning process that created it is not as robust as would be expected. The Plan lacks granular supporting detail and as such comparisons are not necessarily to be relied upon in isolation for decision making or performance management purposes. The Trusts internal budget does not reconcile, either by cost category or phasing, to the NHSI plan. The figures presented in this report as 'plan' reflect the figures as submitted to NHSI unless explicitly stated otherwise.

Author: Tony Brown, Senior Financial Advisor

Presenting Director: Sarah Stansfield, Acting Director of Finance

Date: April 2017