BOARD IN COMMITTEE	Guy's and St Thomas' NHS Foundation Trust
Financial Report for the ten months to 31st January 2016	**24th February 2016**

This paper is for:	
Decision	
Discussion	✓
Noting	✓
Information	

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Reviewed by:		
CEO*		
ED*		
Board Committee*		
TME*		
Other*		

* *Specify*

1. Summary

1.1 The financial report shows an underlying loss of £13.1M on income and expenditure, in addition to which £1.9M has been charged from capital to revenue giving a reported loss of £15.0M against a planned loss of £15.9M for the ten months to 31st January 2016. This is a positive variance to the year to date plan of £0.9M, compared to a £1.7M adverse variance at month nine.

1.2 An impairment relating to the revaluation of EU emission credits of £0.7M and Donated Capital receipts of £13.1M have been recorded. Donations year to date are still behind plan, but are projected to exceed plan by year end.

	Annual Plan £m	YTD Plan £m	YTD Actual £m	Variance £m
Underlying revenue position	**(19.1)**	**(15.9)**	**(13.1)**	**2.8**
DoH – PDC funding for capital slippage	0.0	0.0	0.0	0.0
Capital to Revenue Transfers	0.0	0.0	(1.9)	(1.9)
Performance against Plan	**(19.1)**	**(15.9)**	**(15.0)**	**0.9**
Capital Donations	27.2	22.7	13.1	(9.6)
Sub Total	**8.1**	**6.8**	**(1.9)**	**(8.7)**
Impairment	0.0	0.0	(0.7)	(0.7)
Disposals and Revaluations	0.0	0.0	0.0	0.0
Comprehensive (Expenditure) \ Income	**8.1**	**6.8**	**(2.6)**	**(9.4)**

1.3 The current year-end projection as at 31st January 2016 is a £15.1M loss on income and expenditure, which is £4.0M favourable to plan. This includes the receipt of £8.0M PDC funding from the DoH in respect of capital slippage and the current value of charges being re-classified from capital to revenue increase to £11.3M. The significant assumptions behind the projection are outlined in section four.

1.4 In addition, the projection assumes donated capital receipts of £34.0M which would be £6.8M above that planned, that the impairment noted above of £0.7M will increase to £48.4M and the Trust will now only be disposing of one property which is projected to realise proceeds in excess of its net book value (NBV) of £0.3M.

	Annual Plan £m	Projection £m	Variance £m
Underlying revenue position	**(19.1)**	**(11.8)**	**7.3**
DoH – PDC funding for capital slippage	0.0	8.0	8.0
Capital to Revenue Transfers	0.0	(11.3)	(11.3)
Performance against Plan	**(19.1)**	**(15.1)**	**4.0**
Capital Donations	27.2	34.0	6.8
Sub Total	**8.1**	**18.9**	**10.8**
Impairment	0.0	(48.4)	(48.4)
Disposals and Revaluations	0.0	0.3	0.3
Comprehensive (Expenditure) \ Income	**8.1**	**(29.2)**	**(37.3)**

2. Request to the *Board of Directors*

The Board of Directors is asked to:

- Note the reported current financial position a loss of £15.0M, which is £0.9M favourable to plan
- Note the assumptions made and the potential risks high-lighted in 3.1 that under-pin the year to date loss of £15.0M
- Note the new Financial Sustainability Risk Rating and the achievement of a FSRR of 3 and that the current projection would result in a FSRR of 4
- Note the current projected loss of £15.1M, which is £4.0M favourable to plan.

3. Assumptions made in the Reported Position

3.1 The assumptions made in the reported position include a number of potential risks and opportunities:

- An assessment of Commissioning income to the end of December and an early view of January which is reflected in directorate positions indicates the Trust is some £22.5M above the over performance target.
- Whilst agreement has been reached with LS&L commissioners in respect of payment of over performance, there remains this assessment included over performance in respect of income under block contracts with other commissioners for which the Trust may not be paid. This has been estimated as £2.8M to the end of January.
- Other adjustments have been made in respect of potential fines and challenges
- The reported position for the trust as a whole has been adjusted for the above factors and assumes the Trust is £21.6M above the income plan with respect to Commissioning income.
- The final billing in respect of 2014/15 clinical activity and adjustments for fines are now finalised. Final billing was £4.6M more than the value estimated and which was accrued in the 2014/15 accounts, this benefit is now included in the reported position
- Payment by Commissioners of prior year invoices has enabled a reduction in the level of bad debt provisions of £3.3M. The remaining outstanding debt of £3.4M is being actively chased. This has been partly off-set by an increase in the level of current year provisions for invoices not yet paid.
- CIP plans are net of £33.3M of as yet unidentified savings, £27.7M of which is included in the reported position. The fact the reported position is £0.7M favourable to plan and not £27.7M reflects a significant number of largely non-recurrent benefits which are included in the reported position. These have accrued within the Commercial Directorate, prior year accruals released by Clinical Directorates, prior year rebates within Essentia, the revaluation and disposal of EU emission credits and benefits from the balance sheet and additional income secured from CCG's

3.2 The five invoices from KCL in respect of their contribution to the Cancer Treatment Centre, previously noted as outstanding have now been paid.

3.3 A surplus of £0.9M was recorded in January which is £2.6M better than plan, the significant drivers include:

- Commissioning income £4.6M above plan, due to continuing growth in activity by Directorates and additional income from commissioners, around half of the improved over performance has been allocated to Directorates.
- Whilst the performance of Clinical Directorates deteriorated by £1.6M, this is an improvement of £0.9M against previous run rates, primarily driven by a reduction in pay costs which has in part off-set the unidentified CIPs for the month.
- Benefits realised from the balance sheet in January of £0.6M relating to the payment of prior year CCG income
- The performance of Corporate Directorates, including Essentia were £0.5M better than plan, primarily driven by retrospective adjustments relating to costs transferred to capital, payment of outstanding invoices and income received for costs previously incurred
- The Commercial Directorate, continued to exceed its planned contribution levels, a further £0.7M in January
- Whilst progress continues to be made in the Fixed Cost Challenge, in January the identified savings were £0.9M less than plan
- Other income gains, reserves released and the re-classification of expenditure previously reported as capital have resulted in a net £0.6M favourable impact on the reported position

3.4 The projected loss of £15.1M is an improvement of £7.7M when compared to the projected loss of £22.8M at month nine, the significant drivers of which include:

- A significant improvement in commissioning income of £6.7M, the Trust is projecting to exceed the over performance target by £31.1M
- The in month reduction in pay costs noted above has driven an improvement in the pay projection of £2.7M
- The projected increase in capital to revenue transfers of £9.8M has been largely mitigated by the DoH PDC funding for capital slippage of £8.0M

4.0 Financial Sustainability Risk Rating (FSRR)

4.1 The FSRR has replaced the Continuity of Service Risk Rating. It comprises four metrics: Capital Service Cover, Liquidity, Underlying Performance and Variance from Plan, each with an equal weighting and the overall rating is derived from the average of the scores calculated.

4.2 The Trust plan at month ten is a 3. The rating achieved YTD is a 3, rounded from 2.5.

4.3 The current projection would result in an FSRR of 4, rounded from 3.5; this is compared to a plan of 3.

5.0 Cost improvement Plan (CIP) Delivery

5.1 Clinical and Corporate Directorates have been asked to deliver a CIP target of £72.5M. Directorates are projecting to deliver £32.0M of planned CIPs and a further £5.0M has been released from Reserves to mitigate the shortfall.

5.2 The projected £15.9M benefit to be realised from the balance sheet is further mitigating the Directorate shortfall, and is contributing to total CIPs of £53.6M.

5.3 In addition to the CIP target Directorates are planning to generate income growth with a net benefit of £20.0M. The current projection, above that included in the CIP tracker is for a further £18.8M of income, gross of costs.

6.0 Availability of Operational Capital (Page 1)

6.1 The reported performance to date indicates a year to date reduction of £3.3M against planned operational capital after adjusting for non cash items.

Appendices:

Integrated Performance Report