BOARD OF DIRECTORS	Guy's and St Thomas' NHS Foundation Trust
Financial Report for the nine months to 31st December 2015	**27th January 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 Trust is planning to deliver an overall surplus of £8.1M for the financial year 2015/16, comprising an underlying deficit of £19.1M and donated capital receipts, currently budgeted at £27.2M

1.2 The financial report shows a loss of £16.0M on income and expenditure against a planned loss of £14.3M for the nine months to 31st December 2015. This is an adverse variance to plan of £1.7M, compared to a £6.9M variance at month eight, this is an improvement against the underlying plan of £0.5M and a further £4.7M where the Trust has secured retrospective agreement with Lambeth, Southwark and Lewisham (LS&L) commissioners that contracts originally under block arrangements will now be treated as cost and volume.

1.3 An impairment relating to the revaluation of EU emission credits of £0.7M and Donated Capital receipts of £11.1M 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
Performance against Plan	**(19.1)**	**(14.3)**	**(16.0)**	**(1.7)**
Impairment	0.0	0.0	(0.7)	(0.7)
Sub Total	**(19.1)**	**(14.3)**	**(16.7)**	**(2.4)**
Donated capital receipts	27.2	20.4	11.1	(9.3)
Surplus \ (Deficit)	8.1	6.1	(5.6)	(11.7)

2. Request to the *Board of Directors*

The Board of Directors is asked to:

- Note the reported current financial position a loss of £16.0M, which is £1.7M adverse to plan
- Note the assumptions made and the potential risks high-lighted in 3.1 and 3.2 that under-pin the year to date loss of £16.0M
- Note the new Financial Sustainability Risk Rating and the achievement of a FSRR of 2.
- Note the potential risk high-lighted in 4.1 regarding expenditure currently recognised as capital being transferred to revenue

3. Detail/ Commentary

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 November and an early view of December which is reflected in directorate positions indicates the Trust is some £20.2M 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 £3.0M to the end of December.
- 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 £17.0M 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 £2.7M. The remaining outstanding debt of £4.0M 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 £33.1M of as yet unidentified savings, £24.8M of which is included in the reported position. The fact the reported position is £1.7M adverse to plan and not £24.8M 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

3.2 The reported position assumes that five outstanding invoices from KCL in respect of their contribution to the Cancer Treatment Centre will be paid and that the provisions against these invoices are not required.

3.3 A surplus of £3.7M was recorded in December which is £5.2M better than plan, the significant drivers include:

- Commissioning income £8.7M above plan, £4.7M of which is attributable to the retrospective agreement with Lambeth, Southwark and Lewisham (LS&L) commissioners that contracts originally under block arrangements will now be treated as cost and volume. The remainder relates to continuing growth in activity, the majority of which has been allocated to Clinical Directorates and is included within their reported position.
- The performance of Clinical Directorates improved by £145K, the increased income noted above, covered the increased drug costs incurred to achieve this and also off-set the unidentified CIPs for the month.
- No significant benefits were realised from the balance sheet in December
- The performance of Essentia deteriorated by £0.5M, driven by income shortfalls, in month slippage on CIPs where some were delivered in earlier months
- The performance of other Corporate Directorates were £0.6M better than plan
- Whilst progress continues to be made in the Fixed Cost Challenge, in December the identified savings were £0.6M less than plan
- Other income gains and reserves released of £0.9M

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 nine is a 3. The rating achieved YTD is a 2, rounded from 2.25.

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 £32.7M 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 projected CIPs of £55.0M.

5.3 In addition to the CIP target Directorates were 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 £18.2M of income, gross of costs to deliver this.

6.0 Availability of Operational Capital (Page 1)

6.1 The reported performance to date indicates a year to date reduction of £5.9M against planned operational capital after adjusting for non cash items.

Appendices:

Integrated Performance Report