BOARD OF DIRECTORS Board in Committee	Guy's and St Thomas' NHS NHS Foundation Trust
Financial Report for the ten months to 31st January 2017	**22nd February 2017**

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 Following communication from NHSI on the 22nd June 2016, the Trust submitted an updated plan within the required deadline of the 29th June 2016.

1.2 The reported position is based on the updated annual plan of an underlying loss of £2.4M and Donated capital receipts of £27.2M.

1.3 The financial report shows an underlying loss of £0.2M on income and expenditure against an YTD planned loss of £4.0M for the ten months to 31st January 2017. This is a favourable variance to plan of £3.8M.

1.4 Donated Capital receipts of £28.2M have been recorded, which is £5.5M ahead of the equally phased plan and a profit on disposal of land and buildings of £0.4M and an impairment charge of £0.4M.

	Annual Plan £m	YTD Plan £m	YTD Actual £m	Variance £m
Performance against Plan	**(2.4)**	**(4.0)**	**(0.2)**	**3.8**
* Incentive funding	0.0	0.0	0.0	0.0
Total Performance against Plan	**(2.4)**	**(4.0)**	**(0.2)**	**3.8**
Donated capital receipts	27.2	22.7	28.2	5.5
Total Surplus \ (Deficit)	**24.8**	**18.7**	**28.0**	**9.3**
Impairment	0.0	0.0	(0.4)	(0.4)
Profit \ (Loss) on Disposal	0.0	0.0	0.4	0.4
Comprehensive (Expenditure) \ Income	24.8	18.7	28.0	9.3

2. Request to the Board of Directors

The Board of Directors are asked to:

- Note the reported current financial position a surplus of £0.2M, which is £3.8M favourable to plan
- Note the receipt of capital donations of £28.2M, which is £5.5M more than plan
- Note the profit on disposal of £0.4M and the impairment also of £0.4M
- Note the assumptions made and the potential risks high-lighted in 3.1 that under-pin the year to date surplus of £0.2M
- Note the Finance and use of resources metrics and the achievement of a year to date overall rating of one, which is better than plan.
- Note the delivery of CIPs and income growth in 5.1 of £65.9M, which is £9.1M less than plan at the end of January.

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 indicates the Trust is some £0.2M above the over performance target against a plan phased in equal twelfths.
- Agreement has been reached with Lambeth and Southwark commissioners in respect of payment of over performance and this is being reflected within the year to date position
- Accrued income in respect of partially completed spells (patients not yet discharged) has reduced by £0.5M, above the accrual made at the end of last financial year and by £0.9M when compared to last month.
- The reported position assumes that at January the Trust will receive £13.2M of its planned £16.0M in respect of its agreed Sustainability and Transformation funding of £19.2M.
- Discussions with our commercial partner continue with regard to income receipts relating to the CTC.
- The assumptions underpinning the Public Dividend Capital payment (PDC) have been re-assessed; it is now expected that this will be some £3.0M less then plan, driven by higher cash balances and a reduction in taxpayer's equity, further analysis is being undertaken with regard to the impact of the impairment.
- Trust reserves of £3.0M are not required for their original purpose and have been released, £2.2M of which is reflected in the YTD position
- Slippage against the capital programme and a review of asset lives has resulted in a £5.4M under spend against planned depreciation
- The Trust plan assumes CIP delivery will not happen equally and that £2.0M of CIPs will happen later in the year.
- The final billing in respect of 2015/16 clinical activity now finalised. The final invoices raised were £4.3M higher than estimated at year end. This benefit is now included in the reported position.
- Whilst the full income is now recognised in respect of 2015/16 clinical activity, £2.2M of this remains unpaid. In line with the Trust's policy on outstanding prior year CCG \ NHSE debt, this has been fully provided; this position will improve further as outstanding debt is paid.

3.2 A surplus of £1.7M was recorded in January which is £0.9M better than plan, the significant drivers include:

- CCG \ NHSE income not allocated to Directorates was £0.8M above plan, primarily due to payment for activity previously under a block contract and a reduction in respect of the accrual for partially completed spells
- A significant increase in current year CCG \ NHSE provisions due to an increase in both the value and more significantly the age of outstanding debt, resulting in adverse performance of £0.7M for January
- Reserves and balance sheet benefits of £1.3M, where reserves are no longer required for their original purpose have been identified and have been released to improve current performance
- The review of the assumptions underpinning the PDC payment, and slippage on the capital programme against an equally phased plan have resulted in a favourable movement of £0.5M
- The performance of Clinical directorates in January was £1.6M worse than plan, this compares to a monthly average over spend of £1.6M between April and December
- The performance of corporate and the commercial directorate in January was £0.2M worse than plan, this compares to a monthly average over spend of £0.2M between April and December
- The un-winding of the CIP phasing adjustment resulted in a £1.0M adverse variance in month
- Other income not specifically allocated to Directorates deteriorated by £1.6M in January, the main drivers of which were:
    - Education and Training income £0.9M, the phasing of this is currently being reviewed
    - Sustainability and Transformation funding £0.1M less than plan, reflecting operational performance against trajectories. The outcome of the recent appeal has been adjusted for in the current projection.
    - Whilst discussions continue with our commercial partner on the CTC income receipts no income is currently being accrued, an adverse variance of £0.4M

4.0 Single Oversight Framework: Finance and Use of Resources Metrics (Page 2)

4.1 The single oversight framework, introduced in October 2016, segments providers based on the level of support each provider needs across five themes, one of which is finance and the use of resources.

4.2 The scoring has now reversed (compared with the FSRR ratings) so that one is now the highest score and four is now the lowest.

4.3 As before the overall weighted risk rating is calculated as an average of each of the five individual metrics with each being equally weighted. If any single metric is scored as a four (the lowest) then the highest weighted risk rating that can be scored is a three.

4.4 The Trust plan at month ten is a two. The rating achieved YTD is a one with no metrics rated as a four.

5.0 Cost Improvement Plan (CIP) Delivery (Page 5)

5.1 The Trust has delivered CIPs of £65.9M to the end of January, which after accounting for the CIP phasing adjustment of £2.0M is reported as £9.1M less than plan.

5.2 Clinical and Corporate Directorates have been asked to deliver a CIP and income growth target of £94.2M. Through FFF and local directorate initiatives £43.3M is projected to be achieved, in addition reserves of £20.0M have been released to Directorates to off-set their Unidentified CIPs thus increasing their overall contribution to £63.3M.

5.3 Directorates have £23.1M currently shown as unidentified CIPs ; opportunities through prior year income, reduced provisions, a review of asset lives and a reduction in the PDC payment are projected to realise £17.5M and to in part mitigate the shortfall.

6.0 Availability of Operational Capital (Page 1)

6.1 The reported performance to date indicates a year to date decrease of £1.7M against planned operational capital after adjusting for non cash items.

Appendix A – Financial Report for the nine months to 31st December 2016