

Meeting Title	Board of Directors Meeting in Public		
Date	10 November 2022	Agenda item	Bo.11.22.37

FINANCE REPORT – MONTH 6

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Lead Director	Matthew Horner, Director of Finance		
Purpose of the paper	To provide an update on the financial position at Month 6		
Key control			
Action required	To note		
Previously discussed at/informed by	Finance & Performance Academy 26 October 2022		
Previously approved at:	Committee/Group	Date	

Key Options, Issues and Risks

This paper provides an update on the Trust's performance against the annual financial plan as at the end of September 2022 (Month 6).

The paper contains three sections:

- A – Trust Level Income & Expenditure (I&E) Performance
- B – CBU and Directorate Level I&E Performance
- C - Balance sheet metrics, cash position and summary capital programme delivery

The Trust has reported a cumulative breakeven Income & Expenditure (I&E) position for the year to Month 6, which is in line with the plan. The organisation continues to forecast delivery of a breakeven position at year end.

The underlying position is a cumulative surplus of £1.1m. The underlying position is the true run rate net of any non-recurrent interventions and is important for understanding future forecasts. A moderate monthly underlying surplus has been delivered consistently to Month 6.

The underlying surplus position means that, as in previous months, the planned deployment of non-recurrent flexibilities to deliver a breakeven position has not been necessary up to Month 6. However, the rate of expenditure is expected to increase in the latter half of the year due to inflationary pressures, planned recruitment, winter pressures and approved investments coming on line.

Commissioner contracts were increased by £7.4m in Month 6 to provide funding for the national pay award costs in excess of the original national planning assumptions. It is estimated that there is an annualised shortfall of approximately £0.5m between the funding and the total cost of the pay award. Although this does not impact on the forecast breakeven position for 2022/23, it potentially constitutes a cost pressure for future financial years.

The annual plan requires the Trust's CSUs and corporate departments to deliver recurrent run rate improvements in Quarters 3 & 4. At 30 September, the projected level of recurrent financial improvements remains significantly below plan and the forecast exit expenditure run rate in Quarter 4 significantly higher than the planned sustainable level. The lack of recurrent solutions developed to date will present a major financial challenge in the next financial year if it is not addressed in the coming months.

The Finance department is reviewing the existing approach and will be engaging with the new CSU management teams to reinvigorate the process in the latter half of the year. A key focus for cost

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reductions will be on identifying strategies to maximise activity delivery within core budgets and minimising increased variable expenditure without impacting on core establishments - primary examples would be the reliance on insourcing and outsourcing which has been funded non-recurrently in 2022/23.

The Trust was notified in August that NHSEI has imposed an annual ceiling for agency spend of £9.1m, which is a reduction on 2021/22 agency spend. The current forecast is full year agency spend of £10.7m. It is not clear what the consequences of breaching the ceiling would be, although the waiting list recovery plan and safe staffing will not be compromised to comply with it.

NHSEI have informally communicated that there will be no clawback of the £6.1m ESRF funding in Half 2. While clawback remains a risk until this is formally confirmed, this is positive news which suggests the risk is largely mitigated.

The year end breakeven forecast is subject to the satisfactory resolution of the ESRF funding risk and an improvement in departmental contributions to the Financial Improvement Programme, together with a requirement for winter pressures and growth investments not to exceed planned levels.

The Trust's cash balance of £81.9m is £13.6m higher than plan at Month 6, and is forecast to remain above planned levels at year end.

Slippage on a number of major schemes means the Capital Programme is £7m behind plan at Month 6. The Trust is forecasting a £1m capital underspend at year end, although the scale of the required delivery by March 2023 means it should be recognised that there is a risk this slippage may increase.

Recommendation

The Board of Directors is asked to note the content of the report.

Risk assessment

Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients						
To deliver our financial plan and key performance targets						
To be in the top 20% of NHS employers						
To be a continually learning organisation						
To collaborate effectively with local and regional partners						
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
	Risk (*)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

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Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Risk Implications (see section 5 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance
NHS Improvement: (please tick those that are relevant) <input type="checkbox"/> Risk Assessment Framework <input type="checkbox"/> Quality Governance Framework <input type="checkbox"/> Code of Governance <input checked="" type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain: Well Led
Care Quality Commission Fundamental Standard: Good Governance
NHS Improvement Effective Use of Resources: Finance
Other (please state):

Relevance to other Board of Director's Committee: (please select all that apply)					
Workforce	Quality	Finance & Performance	Partnerships	Major Projects	Other (please state)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>