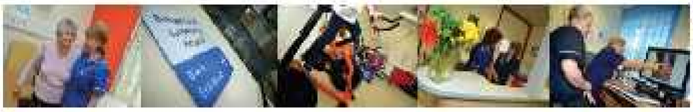

SUMMARY REPORT	Meeting Date:	24 November 2016
	Agenda Item:	10.1
	Enclosure Number:	9

Meeting:	**Trust Board**		
Title:	**Financial Performance for the Period Ended 31 October 2016 (Month 7 2016/17)**		
Authors:	**Andy Turnock, Head of Management Accounting**		
Accountable Directors:	**Ros Preen** (Formally Francké), **Director of Finance**		
Other meetings presented to or previously agreed at:	**Committee**	**Date Reviewed**	**Key Points/Recommendation from that Committee**

Purpose of the report

To update the Trust Board on financial performance to 31 October 2016 (month 7).	**Consider for Action**	✓
	Approval	
	Assurance	✓
	Information	✓

Strategic goals this report relates to:

To deliver high quality care	To support people to live independently at home	To deliver integrated care	To develop sustainable community services
			✓

Summary of key points in report

- The Trust is reporting an Adjusted Financial Position surplus of £210k at month 7, against a planned surplus of £198k, which is a favourable variance of £12k.
- The Trust has agreed to a revised 'control total' of £800k surplus as a result of an expected Sustainability & Transformation Funding (STF) of £700k and an improvement to the Trusts performance of £28k.
- The forecast outturn as at month 7 is reflective of the revised and agreed 'Control Total' of £800k surplus.
- The Trusts cash balance as 31 October 2016 is £8,107k.
- On a year to date basis CIP savings delivered and validated total £1,058k against a target of £1,510k, with £321k being delivered on a non-recurrent basis,.
- The Trust's annual Capital Resource Limit and External Financing Limit have now been confirmed.
- The latest iteration of the Sustainability and Transformation Plan (STP) was submitted on 21 October 2016.

- As part of the 2017-2019 NHS Operational Planning and Contracting the Trust has now received a revised Control Total for each financial year from NHSI, which is a reduction of £284k for each year to that previously issued.

Key Recommendations

The Board is asked to:

- consider the issues arising in the year to date adjusted financial position at 31 October 2016 of £210k surplus which reflects a favourable variance to plan of £12k
- note that this report has been prepared based on delivery of a £800k surplus, which is in line with the NHSI return due to be submitted on 15 November 2016
- note the cash position remains healthy with a balance of £8,107k as at 31 October 2016
- consider the degree of risk associated with the in-year delivery of CIP due to the majority being categorised as high risk, particularly as the shortfall remains high at £999k
- consider the impact of recurrent CIP delivery falling behind plan by £773k as of October 2016, affecting the Trust's underlying financial position. This will impact upon the Trust's 2017/18 efficiency requirement unless rectified in year
- consider the risks to the assumptions in the forecast outturn

Is this report relevant to compliance with any key standards? YES OR NO		**State specific standard or BAF risk**
CQC	NO	
IG Governance Toolkit	NO	
Board Assurance Framework	YES	Entry 1996 Trust Sustainability Entry 1997 Meeting Financial Targets
Impacts and Implications?	**YES or NO**	**If yes, what impact or implication**
Patient safety & experience	YES	
Financial (revenue & capital)	YES	Failure to achieve financial targets could lead to intervention by NHSI.
OD/Workforce	NO	
Legal	YES	

Title	Finance Report for the Period Ended 31 October 2016 (Month 7 2016/17)

1. Financial Plan

1.1 The Trust is measured on its financial performance by its regulator in a number of ways, but the principle measure is at total Income & Expenditure (I&E) level and at adjusted performance level. Adjusted performance excludes a number of technical accounting adjustments (donated assets and government grants) and is the level at which performance is reported to and managed by NHS Improvement (NHSI).

1.2 As previously reported, the Trust submitted a plan for the year to NHS Improvement (NHSI) to achieve a 'control total' of £72k surplus (forecast outturn on Adjusted Financial Performance), with a planned retained surplus of £33k. The Trust subsequently agreed to a revised 'control total' of £800k surplus. This is a result of expected Sustainability & Transformation Funding (STF) of £700k and an improvement to the Trusts performance of £28k. Table 1 below demonstrates this revision.

	£'000
Original 'Control Total' (surplus) / deficit per Plan	(72)
Expected increase via Trust performance	(28)
Revised 'Control Total'	**(100)**
STF - General	(200)
STF - Targeted	(500)
Agreed 'Control Total' (surplus) / deficit	**(800)**

Table 1: Revision to 'Control Total' for 2016-17

1.3 The Cost Improvement Programme (CIP) target for the year is £4,541k with £864k being delivered from the full year effects of schemes implemented in 2015/16, leaving £3,677k to deliver from new 2016/17 schemes.

2. Income & Expenditure

2.1 Performance to Date

At adjusted performance level, the Trust is reporting a surplus of £210k as at month 7, against a planned surplus of £198k, therefore a £12k favourable variance from plan. This position is summarised in Table 2 below.

	Plan £'000	YTD £'000	Variance £'000
Income	(44,839)	(44,650)	189
Expenditure excl. adjusting items	44,641	44,440	(201)
Adjusted performance total	**(198)**	**(210)**	**(12)**
Adjusting items	26	22	(4)
Retained (surplus) / deficit	**(172)**	**(188)**	**(16)**

Table 2: Income and Expenditure (Surplus) / Deficit Position as at 31 October 2016

The year to date position, together with the plan for the financial year is illustrated in Table 3.

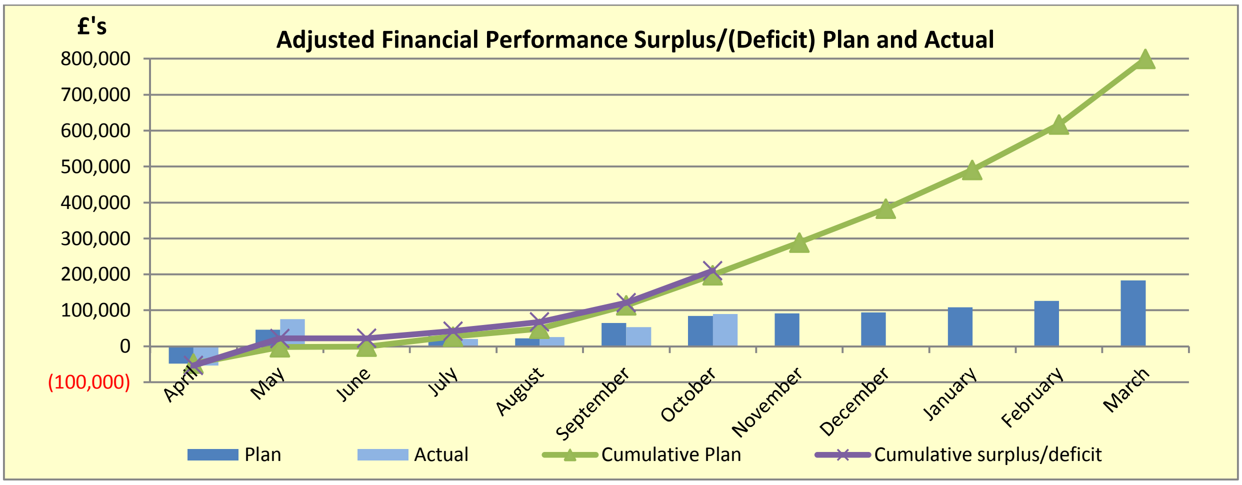

Table 3: Monthly Income and Expenditure Surplus / (Deficit) Position as at 31 October 2016

2.2 Income – adverse variance to plan £189k

A summary of total income is shown in Table 4.

	Annual Plan £000	YTD Budget £000	YTD Actual £000	Variance £000
Total Healthcare Income	(75,331)	(43,519)	(43,275)	244
Non-Healthcare Income	(2,120)	(1,319)	(1,375)	(55)
Total Income	**(77,451)**	**(44,839)**	**(44,650)**	**189**

Table 4: Income Summary as at 31 October 2016

2.2.1 **Healthcare Income – adverse variance to plan £244k**

Key adverse variances include:

- Income for Out of County contracted activity - £88k adverse
- Non Contracted Activity - £73k favourable
- Telford CAMHS Tier 2 contract - £38k adverse
- Estimated CQUIN failure - £156k adverse

Out of County contract activity is showing an adverse variance of £88k. This is based on month 6 contract monitoring information, after adjusting for tolerances and marginal rates. The under-performance predominately relates to community activity for Powys and Betsi Cadwaladr LHBs, and South East Staffordshire and Seisdon Peninsular CCG.

Non Contracted Activity £73k favourable variance is based on actual activity to month 6 and an estimate for month 7.

Telford CAMHS Tier 2 adverse variance of £38k is due to non-delivery of the full service due to staffing shortages as a result of turnover and sickness. This will remain an issue in the short term while the recruitment to vacancies is completed. Whilst the income is under achieving against plan, this remains cost neutral as the full costs are not being incurred and pay budgets show a favourable variance to plan for this service.

The year to date position assumes receipt of the full value of STF (£175k) covering quarter 1 but only partial receipt for quarter 2 and month 7. This under recovery is due to RTT performance not meeting the agreed trajectory in months 4 to 6, with 7 still to be determined. The forecast assumes this performance will improve to the required level by the end of the year resulting in receipt of the full STF.

Table 5 below shows the STF income assumptions in the year to date position by metric, including the performance to date against the targets/trajectories. It should be noted that there is a 1% tolerance in quarter 2 against RTT and Accident & Emergency trajectories, which reduces to 0.5% tolerance in quarter 3.

	Annual Target	YTD Target	YTD Actual	Qtr 1 £000	Qtr 2 £000	Qtr 3 £000	YTD £000	Percentage of funding
Financial Control Total	£800k surplus	£198k surplus	£210k surplus	175	131	44	**350**	75.00%
RTT *	92%	91.5%	89.98%	0	0	0	**0**	12.50%
Accident & Emergency *	99.95%	99.45%	99.98%	0	22	7	**29**	12.50%
Diagnostics	-	-	-	0	0		**0**	0.00%
Total				**175**	**153**	**51**	**379**	**100%**

Table 5: STF Performance and Income Assumptions

* including tolerances associated with quarter 2.

The year to date position also assumes that there is some risk to delivering all of the requirements for our CQUIN schemes. This is a prudent position and all is being done to remove the year to date risk and ensure the trajectories for Q3 and Q4 are deliverable.

2.2.2 Non-Healthcare Income – favourable variance to plan £55k

Non-healthcare income shows a favourable variance to plan of £55k. Key favourable variances include:

- Catering income at Whitchurch and Ludlow hospitals £20k
- NMET/NPET income £29k
- Training income (mainly diabetes and tissue viability) £14k

2.3 Expenditure – favourable variance to plan £205k

A summary of total expenditure is shown in Table 6.

	Annual Budget £000	YTD Budget £000	YTD Actual £000	YTD Variance £000
Substantive	54,375	31,463	28,287	(3,176)
Bank	193	107	599	492
Agency	69	38	2,374	2,337
Employee Termination Benefits	0	0	3	3
Total Pay	**54,637**	**31,608**	**31,264**	**(344)**
Supplies & Services Clinical	5,215	2,991	3,212	222
Prison Escort and Bedwatch	235	137	136	(1)
Drugs	855	475	593	118
Premises	5,211	3,129	3,541	411
Travel	1,828	1,071	792	(279)
Other	7,890	4,383	3,910	(473)
Total Non-Pay	**21,235**	**12,185**	**12,183**	**(2)**
Cost Improvement Programme	(3,097)	(1,038)	0	1,038
Centrally Held Budgets	2,097	852	0	(852)
Non-Operational Costs	1,819	1,059	1,015	(44)
Total Central	**819**	**873**	**1,015**	**142**
Total Expenditure	**76,690**	**44,667**	**44,462**	**(205)**

Table 6: Expenditure Summary as at 31 October 2016

2.3.1 **Pay & Staffing Establishment - favourable variance to plan £344k**

The £344k favourable variance includes £16k adverse variance in Operations and £360k favourable in Corporate areas.
Bank and agency costs total £2,973k (£599k bank and £2,374k agency), of which £3,317k is funded by a pay underspend generated by vacancies, as well as a relatively small budget for bank and agency. This results in a net year to date underspend on pay of £344k (£3,317k - £2,973k).

Further details on agency expenditure are also included within Section 3 of this report.

2.3.2 **Non-Pay - favourable variance to plan £2k**

Table 6 shows the key non-pay variances resulting in a year to date favourable variance to budget of £2k.

The adverse variance of £222k against Supplies & Services Clinical includes Wheelchairs £143k and Community Equipment Store £124k.

There is an adverse variance of £411k against Premises. The majority of this is associated with charges from NHS Property Services (NHSPS), a number of which are being disputed. The Director of Finance has now met with NHSPS in order to progress this matter and agreement has been reached that whilst we continue to seek resolution a suitable payment on account has been made, and a detailed audit on bills that show a significant variance to those received historically will be undertaken. We also will be pursing the CCG with regard to indicative funding that they will be getting for the change to market rent in 16/17.

The favourable variance of £279k against travel has now been reviewed, following which £200k year to date is being recorded as CIP. Work remains on-going to identify the specific budgets to transact this cost improvement and agree these changes in line with the Trusts virement policy, and that this will be completed by the end of November.

The favourable variance of £473k against 'Other' comprises a number of favourable variances, for example, telephone and communication charges (£46k), training (£60k), MSK MDT clinics (£151k) and books and subscriptions (£74k). The majority of the remainder (circa £309k) is where budgets have been set for service developments but have not been allocated to specific budget lines. As such this underspend compensates for adverse variances in other non-pay expenditure. Work remains ongoing to realign budgets accordingly. One notable area of overspend within 'other' is for external consultancy fees which total £146k. These relate to PWC, in relation to the Sustainability and Transformation Plan, and Meridian costs which relate to the current productivity work. It is anticipated that the savings generated by the Meridian work will, as a minimum, cover the project costs incurred and as such the overspend will be addressed in future months.

2.4 Centrally Held Budgets

The closing balance of CHB at month 7 totals £2,097k which is inclusive of the Trust's contingency budget of £383k.

Centrally held budgets not committed for specific projects total £2,150k, of which £852k (40%) has been profiled into the month 7 position (see Table 6) to offset adverse variances in the operational position, including under delivery of CIP. The expectation is that management actions will reduce cost pressures across the Trust in addition to non-specific centrally held budgets being allocated to fund some cost pressures.

3. Agency

3.1 As at month 7, the expenditure on all agency staff equated to £2,374k. This represents an adverse variance of £11k compared to the plan of £2,363k. Not all service areas are delivering a reduction in line with CIP targets.

Table 7 shows the control total, plan and actual performance for the Trust in respect of agency costs.

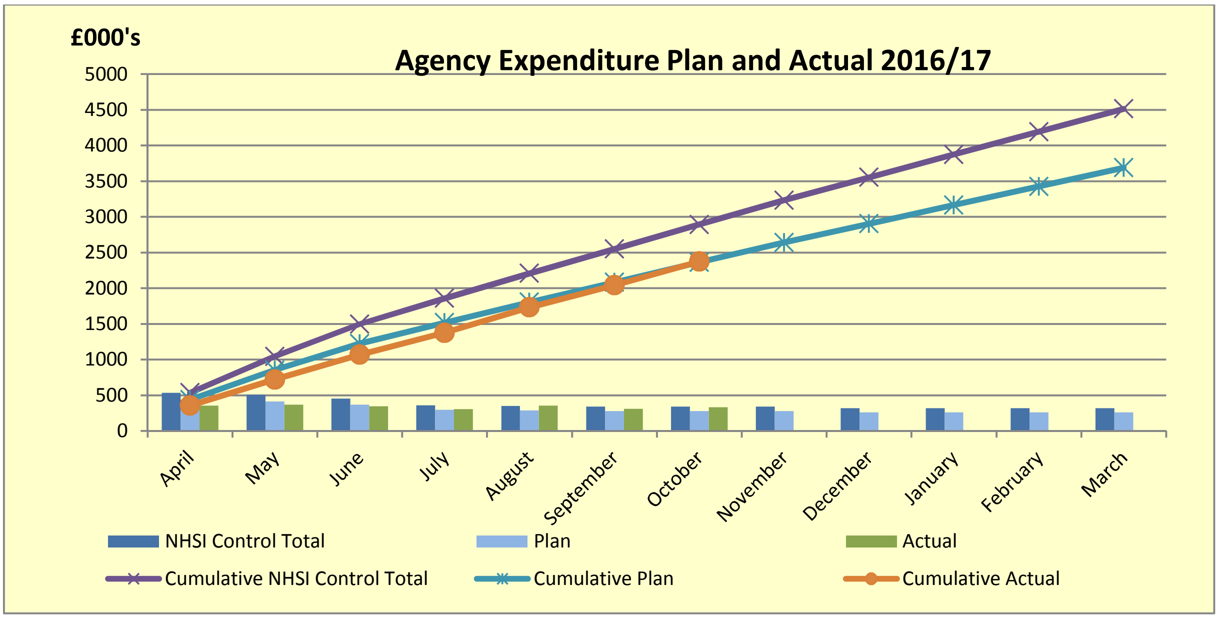

Table 7: Agency Expenditure / Control Total / Plan

As previously reported, a Control Total for agency was set by NHSI at £4,513k and it is envisaged that this will not be exceeded, with forecast expenditure associated with agency being £3,916k, which is above the NHSI plan of £3,688k.

4. Year End Forecast

4.1 The forecast outturn as at month 7 is reflective of the revised and agreed 'Control Total' of £800k surplus. This is in line with that reported in the month 7 NHSI return due to be submitted on 15 November 2016 and assumes delivery of a £4,541k CIP (inclusive of the full year effect of 2015/16 schemes).

4.2 Key assumptions within the forecast above are as follows:

- The forecast assumes delivery of all identified CIPs to the value of £2,678k. In addition, it is assumed the balance of CIP will either be met by new schemes or by underspends which are assumed to continue within the forecast outturn position. For example underspends relating to travel as well as vacancies within community teams being held in advance of the conclusion of the Meridian work have been posted as CIP this month.
- Current under and over performance against main contracts continue (excluding MSK).
- A partial non-recovery of CQUIN income associated with the main contracts (£0.3m of £1.3m).
- MSK underperformance to date is curtailed over the forthcoming months and activity increases resulting in an annual under achievement of circa £400k.
- NCA over performs against plan in line with previous years, which is consistent with current levels of activity.
- Agency expenditure reduces as a result of CIP schemes and is under the agency control total set by NHSI.
- Electronic Patient Record system implementation expenditure is in line with planned costs.

- Delivery of all key metrics and targets associated with the STF, including recovery of the RTT position, resulting in receipt of the full value of £700k.

4.3 Key risks to delivering the planned surplus are as follows:

- Delivery of CIP in full, particularly mitigating the £999k now classed as shortfall as well as delivering the £2,678k of which the majority is high risk.
- Performance against cost and volume activity contracts, particularly MSK – this service remains a key financial risk and careful management is essential so that the financial performance of the Trust is not adversely affected.
- Achievement of CQUIN targets.
- Change in NHS Property services charging methodology.
- Reduction in Agency expenditure – predominately linked to CIP delivery.
- Delivery of the access trajectories associated with the STF, in particular achievement of the RTT trajectory

5. Statement of Financial Position

5.1 The Trust's Statement of Financial Position (SoFP) for the period ended 31 October is shown in Table 8.

	Opening Balance 1 Apr 2016 £'000	Closing Balance 30 Sep 2016 £'000	Closing Balance 31 Oct 2016 £'000	Movement in Month £'000
NON-CURRENT ASSETS				
Land & Buildings	19,593	19,319	19,267	(52)
Equipment	2,176	2,255	2,292	37
Assets under Construction	0	1	0	(1)
Total Property, Plant and Equipment	**21,769**	**21,575**	**21,559**	**(16)**
Trade and Other Receivables	68	33	37	4
TOTAL NON-CURRENT ASSETS	**21,837**	**21,608**	**21,596**	**(12)**
CURRENT ASSETS				
Inventories	448	314	314	0
Trade and Other Receivables	3,798	2,438	1,764	(674)
Cash and Cash Equivalents	5,747	7,826	8,107	281
TOTAL CURRENT ASSETS	**9,993**	**10,578**	**10,185**	**(393)**
TOTAL ASSETS	**31,830**	**32,186**	**31,781**	**(405)**
CURRENT LIABILITIES				
Trade and Other Payables	(7,010)	(7,262)	(6,776)	486
Provisions for Liabilities and Charges	(146)	(143)	(143)	0
TOTAL CURRENT LIABILITIES	**(7,156)**	**(7,405)**	**(6,919)**	**486**
NET CURRENT ASSETS/(LIABILITIES)	**2,837**	**3,173**	**3,266**	**93**
TOTAL ASSETS LESS CURRENT LIABILITIES	**24,674**	**24,781**	**24,862**	**81**
TOTAL NON-CURRENT LIABILITIES	0	0	0	0
TOTAL ASSETS EMPLOYED	**24,674**	**24,781**	**24,862**	**81**
FINANCED BY TAXPAYERS' EQUITY:				
Public Dividend Capital	589	589	589	0
Retained Earnings	18,546	18,653	18,734	81
Revaluation Reserve	5,539	5,539	5,539	0
TOTAL TAXPAYERS' EQUITY	**24,674**	**24,781**	**24,862**	**81**

Table 8: Statement of Financial Position for the period ended 31 October 2016

The key movements during the month are:

- **Trade & Other Receivables** have reduced by £674k, due to NHS England paying previous months outstanding invoices totalling £729k.
- **Trade & Other Payables** have reduced by £486k, largely due to a payment on account of £1m to NHS Property Services (NHSPS) relating to 2015/16 invoices currently being queried, offset by a further month's accruals for NHSPS 2016/17 invoices not received.
- **Cash & Cash Equivalents** have increased by £281k, due to the movements in receivables and payables detailed above.

5.2 **Cash Flow**

The cash balance of £8,107k has increased by just £281k in the month.

The forecast cash balance at 31 March 2017 is £5,220k. This is a strong cash balance and covers the Trust in cash terms in case of any I&E risks.

5.3 **Aged Debt**

As at 31 October there are 31 invoices (totalling £319k) which are over £2k and which have been outstanding for more than 90 days.

The Trust reports the percentage of receivables older than 90 days within the monthly NHSI monitoring. As at October 2016 this value stands at 22% for NHS and 13% for Non-NHS.

The most significant outstanding debts over 90 days old relate to:

- An invoice for £82k to Shropshire CCG for Oswestry Primary Care Centre estates charges. This continues to be pursued.
- Two invoices totalling £68k to Telford & Wrekin Council for CAMHS service provision. Trust service managers are to meet with the Council to resolve this.
- Four invoices totalling £53k to SATH for new-born hearing screening. These invoices have been disputed by SATH. This was escalated to their Deputy Director of Finance, the receipt of the escalation has been acknowledged and a response is awaited.
- Thirty-seven invoices totalling £53k to South Staffordshire & Shropshire FT (SSSFT) for a variety of charges. These invoices are approved for payment, but will remain unpaid whilst we continue to underpay their Estates SLA invoices. The Director of Strategy has been negotiating with SSSFT Estates and it is expected that this should result in cancellation of some of the Estates invoices.

6. Other Financial Targets

6.1 A number of additional financial targets are summarised in Table 9. All areas remain on plan however detailed narrative will be included within this report if this position changes.

6.2 The Trust has now received confirmation of our Capital Resource Limit (CRL) and External Financial Limit (EFL) for the year. The Trust has now received last year's capital to revenue transfer of £900k back; this results in a CRL of £171k less than originally requested but given the capital position nationally, it is unlikely that this would be approved. In addition the Trust's agreed CRL is considered sufficient to progress its annual capital programme. The Capital and Estates Group will be considering further capital bids to ensure the CRL is fully spent.

6.3 As described last month, the Financial Sustainability Risk Rating (FSRR) has now been replaced with the Use of Resources (UOR) rating. It should be noted that no target figure was calculated on the original Plan submission, however the Trust's score of 1 is the best possible outcome.

	Year to Date		Forecast Outturn	
	Target	Actual	Target	Forecast
Better Payment Practice Code				
Number of invoices paid within 30 days	95%	99%	95%	98%
Value of invoices paid within 30 days	95%	97%	95%	97%
External Financing Limit (EFL)				
To remain within EFL	N/A	N/A	£527k	£527k
(note : positive EFL as we are reducing our cash balance)				
Capital Resource Limit (CRL)				
To remain within CRL	N/A	N/A	£2,179k	£2,179k
Use of Resources Rating (UORR)				
Range from 1-4, 1 being the best	N/A	1	N/A	1

Table 9: Other Financial Targets as at 31 October 2016

7. CIP Performance

7.1 As previously mentioned, the total CIP target for the year is £4,541k, however £864k of this will be delivered by schemes which commenced in 2015/16. As a result, the in-year target is £3,677k which was planned to be delivered recurrently. Table 10 demonstrates the planned delivery profile for the schemes commencing in 2016/17, i.e. excluding the full year effects from 2015/16.

7.2 As at month 7, operational and corporate directorates have been allocated the targets associated with their plans however the majority of the negative CIP budget has yet to be allocated to individual budget lines where CIP delivery is planned. In some cases this is because the CIP scheme relates to a reduction in spend e.g. agency, where there is no budget to remove. As such, the CIP annual budget is currently £3,097k (see Table 6).

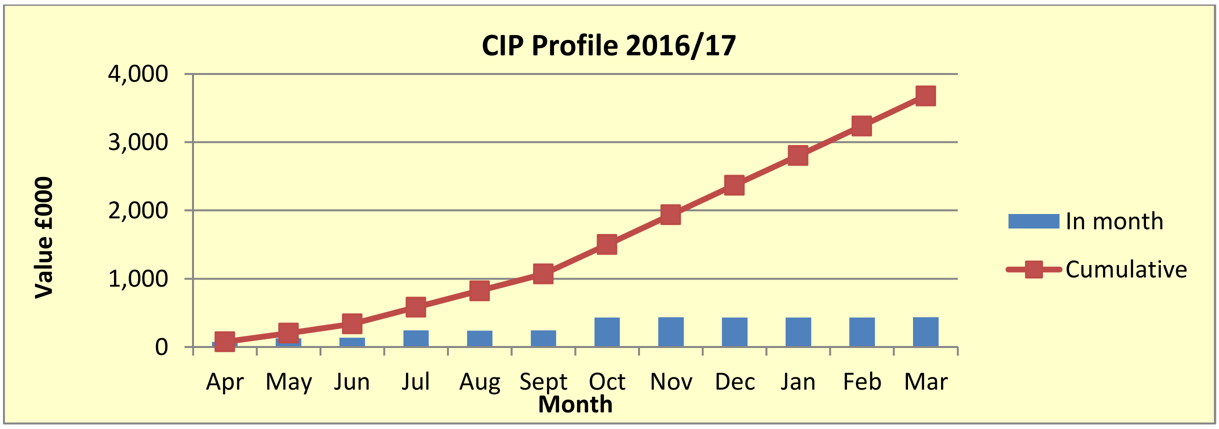

Table 10: 2016/17 CIP profile

7.3 On a year to date basis savings delivered and validated amount to £1,058, against a target of £1,510k, resulting in an under performance of £452k

7.4 Of the £1,058k savings achieved to date, £321k is delivered on a non-recurrent basis and £737k is delivered recurrently. Recurrent delivery is therefore £773k behind planned levels (£1,510k year to date plan - £737k recurrent delivery to date).

7.5 The shortfall in CIP delivery included within the forecast has decreased slightly during the month and now stands at £999k. It is assumed non-recurrent schemes will deliver this shortfall in full. The recurrent CIP forecast totals £2,200k and £1,477k is non recurrent; the forecast non-recurrent delivery will result in an increase to the 2017/18 CIP requirement and deteriorates the Trust's underlying financial position. The converse is true where there is a full year effect of a recurrent scheme then this will positively impact the requirements for CIP in 2017/18.

7.6 It should be noted that a significant proportion of schemes remain high risk (£2,020k including the £999k shortfall previously mentioned) which equates to 55% of the total CIP target. This is an improvement in the position since September when 72% of schemes were classified as high risk.

7.7 Table 11 below includes plan and savings per scheme in addition to showing the mitigations which are addressing some of the shortfall resulting from slippage and non-delivery. It also demonstrates the shortfall of £999k after taking into account those mitigations. This shortfall is a reduction of £123k compared to that reported in October 2016.

CIP Scheme	Division	Recurring (R)/ Non-recurring (NR)	Year to Date Plan £000's	Year to Date Actual £000's	Year to Date Variance £000's	Full Year Plan £000's	Full Year FOT £000's	Full Year Variance £000's
Community Equipment	Community Services	R	273	159	114	500	300	200
IDTs	Community Services	R	217	0	217	800	80	720
IDT's achieved through vacancies	Community Services	NR	0	200	(200)	0	200	(200)
Community Hospitals	Community Hospitals	R	350	24	326	600	230	370
Prisons	Community Hospitals	R	139	0	139	300	106	194
Prisons Medical Locum/other Agency saving	Community Hospitals	R	0	37	(37)	0	57	(57)
CAMHS	Children's & Families	R	83	80	3	500	318	182
Facilities & Estates	Corporate	R	164	76	88	400	400	0
Procurement	Procurement	R	87	32	55	150	78	72
Procurement	Procurement	NR	0	32	(32)	0	62	(62)
Other schemes	Various	R	197	129	68	427	331	96
Other schemes	Various	NR	0	6	(6)	0	10	(10)
Sub-Total			**1,510**	**774**	**735**	**3,677**	**2,172**	**1,505**
Mitigations								
Vacancies	Children's & Families	NR	0	56	(56)	0	98	(98)
Travel	Trust wide	R	0	200	(200)	0	300	(300)
PDC / Depreciation	Corporate	NR	0	28	(28)	0	108	(108)
Sub-Total			**0**	**284**	**(284)**	**0**	**506**	**(506)**
Shortfall to be addressed							999	(999)
Total			**1,510**	**1,058**	**452**	**3,677**	**3,677**	**0**

Table 11: 2016/17 CIP Scheme delivery as at 31 October 2016

8. External Reporting

8.1 Monthly Monitoring Return to NHSI

At the time of writing, the Month 7 performance, consistent with that set out in this report, is due to be submitted to NHSI by the deadline of noon on Tuesday 15 November 2016.

8.2 Sustainability & Transformation Plan

The final Sustainability & Transformation Plan (STP) for the local footprint was submitted on 21 October 2016. It should be noted that the Trusts element reflected the 'control totals' for 2017/18 and 2018/19 set out in the correspondence dated 30 September 2016 from NHSI. Those control totals have since been revised by NHSI and are explained in section 9.1 below.

8.3 Single Oversight Framework

As previously reported, The Single Oversight Framework has been issued by NHSI which provides one framework for overseeing provider organisations irrespective of their legal form. An element of this framework sees a change to the financial metrics that the Trust will be monitored and evaluated against. This change was introduced from month 6 in shadow form and has become operational from month 7 onwards (October 2016). This revision has had no impact on the Trust's financial performance when measured against these metrics.

9. Strategic Update

9.1 2017-2019 NHS Operational Planning and Contracting

As previously reported to the Trust Board, the 2017-2019 NHS Operational Planning and Contracting guidance has been published by NHS England (NHSE) and NHSI. This document explains how this process will change to support the Sustainability & Transformation Plans (STPs) as well as reaffirming national priorities and confirming the financial and business rules for the next two financial years.

The first draft submission deadline is 24 November 2016 and work remains ongoing to finalise the draft plan prior to its submission. Further key dates associated with the planning and contracting round are:

- National deadline for signing of contracts – 23 December 2016
- Submission of final Board approved 2017/18 to 2018/19 operational plans, aligned with contracts – 23 December 2016.

Also reported previously was the NHSI's communication dated 30 September 2016 in relation to the Trust's Sustainability and Transformation Fund and Financial Control Totals for 2017/18 and 2018/19. This outlined the Trusts proposed control totals and STF General Fund values for each of the two years. This has now been revised following correspondence from NHSI dated 1 November 2016 resulting in a reduction to the proposed control totals of £284k for both years and as such the revised values (inclusive of £596k STF each year) are as follows:

- 2017/18 - £855k surplus
- 2018/19 - £984k surplus

This reduction is in recognition of the impact on income of pricing changes on Community and Mental Health Trusts as well as the expected contributions of Clinical Negligence Scheme for Trusts (CNST) for 2017/18.

It should be noted that the STF Targeted fund element remains yet to be confirmed.

9.2 CQC Registration Fees

The Care Quality Commission (CQC) is consulting on plans to raise its registrations fees from April 2017, resulting in a 48 per cent rise for NHS trusts. The Trusts current fee is £108k compared to the proposed fee of £159k, an increase of £51k. The Trust is in the process of responding to the consultation which closes at noon on 11 January 2017.

9.3 NHS Litigation Authority (NHSLA) charges

The Trust has recently received notice of the 2017/18 contributions due to the NHSLA. This shows a change from £186k in 2016/17 to £237k in 2017/18, resulting in an increase of £51k. This represents a percentage increase of 28% which is considerably higher than the national average increase of 17.5%.

9.4 Segmentation of Providers

Under the Single Oversight Framework (SOF) which came into effect on 1 October 2016, NHSI have segmented Trusts according to the level of support each trust needs across the five themes, those being quality of care, finance and use of resources, operational performance, strategic change and leadership and improvement capability. Each trust is segmented into one of the following four categories:

1: Providers with maximum autonomy: no potential support needs identified. Lowest level of oversight; segmentation decisions taken quarterly in the absence of any significant deterioration in performance.

2: Providers offered targeted support: there are concerns in relation to one or more of the themes. We've identified targeted support that the provider can access to address these concerns, but which they are not obliged to take up. For some providers in segment 2, more evidence may need to be gathered to identify appropriate support.

3: Providers receiving mandated support for significant concerns: there is actual or suspected breach of licence, and a Regional Support Group has agreed to seek formal undertakings from the provider or the Provider Regulation Committee has agreed to impose regulatory requirements.

4: Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee has agreed it meets the criteria to go into special measures.

The Trusts indicative segment is a category 2.

10. Recommendations

10.1 The Board is asked to:

- consider the year to date adjusted financial position at 31 October 2016 of £210k surplus which reflects a favourable variance to plan of £12k

- note that this report has been prepared based on delivery of a £800k surplus, which is in line with the NHSI return due to be submitted on 15 November 2016

- note the cash position remains healthy with a balance of £8,107k as at 31 October 2016

- Consider the degree of risk associated with the in-year delivery of CIP due to the majority being categorised as high risk, particularly as the shortfall remains high at £999k.

- consider the impact of recurrent CIP delivery falling behind plan by £773k as of October, affecting the Trust's underlying financial position. This will impact upon the Trust's 2017/18 efficiency requirement unless rectified in year

- consider the risks to the assumptions in the forecast outturn.