Royal United Hospital Bath NHS Trust

	Public Trust Board	Agenda item:	9
Date of Meeting:	26 June 2013		

Title of Report:	Finance report
Status:	Discussion
Board Sponsor:	Sarah Truelove, Director of Finance and Deputy Chief Executive
Author:	Lynne Abbott, Head of Financial Management
Appendices	none

1. Purpose of Report (Including link to objectives)

The purpose of this report is to set out the Trust's financial performance for the period to 31st May 2013.

2. Summary of Key Issues for Discussion

This report details the current performance against the Trust's main financial duties and the key risks and assumptions in the delivery of those financial targets, and includes recommendations where further action is required.

3. Recommendations (Note, Approve, Discuss etc.)

The Board should note the financial position for May 2013
To understand the key risks and the actions being taken to mitigate them. **Action: All**

4. Care Quality Commission Regulations (which apply)

Care Quality Commission Outcome 26 : Financial position
'People can be confident that the provider has the financial resources needed to provide safe and appropriate services.

5. Legal / Regulatory Implications (NHSLA / Value for money conclusion)

Not achieving financial duties will impact on the ability and sustainability to achieve the Value for money conclusion.

6. NHS Constitution

NHS Constitution principle 6

“The NHS is committed to providing best value for taxpayers’ money and the most effective, fair and sustainable use of finite resources”.

7.	Risk (Threats or opportunities link to risk on register etc.)
In line with the BAF risk 6 The Trust fails to deliver its financial plan which leads to the Trust having a financial risk rating of two or less, resulting in a lack of confidence from the Trust’s commissioners and the regulator. This increases their level of scrutiny which places additional resource pressures on the Trust and degrades the Trust’s reputation.	

8.	Resources Implications (Financial / staffing)
Not applicable	

9.	Equality and Diversity
Not applicable	

10.	Communication
Not applicable	

11.	References to previous reports
Standing item	

12.	Freedom of Information
Public	

1. Executive Summary

1.1. Introduction

As at the 31st May 2013 (month 2), the Trust is reporting a surplus of £149k to date, which is £198k adverse to plan. The key reasons for this variance are the underperformance of elective income against plan, and the slippage against delivery on QIPP schemes.

The current forecast outturn, based on agreed actions, is delivery of the planned surplus of £3.7 (including accounting for donated assets and impairments).

2. Overview of Financial Performance

2.1. Statement of Comprehensive Income

The Trusts overall income and expenditure position is outlined in the table below:

Statement of Comprehensive Income Period to 31 May 2013	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	Last Year Actual £'000
SLA Performance Income	(33,330)	(32,500)	830	(31,063)
Other Income	(5,245)	(5,130)	115	(5,556)
Income Total	**(38,575)**	**(37,629)**	**945**	**(36,619)**
Pay	24,502	24,099	(403)	23,164
Non Pay	11,374	11,033	(341)	10,866
Expenditure Total	**35,876**	**35,132**	**(744)**	**34,029**
EBITDA	**(2,699)**	**(2,497)**	**201**	**(2,590)**
Depreciation	1,370	1,370	0	1,354
Dividend Payment & Interest	885	882	(3)	925
Finance Charges	**2,255**	**2,252**	**(3)**	**2,279**
(Surplus)/Deficit	**(444)**	**(245)**	**198**	**(311)**
Margin	**7%**	**7%**		**7%**
Donated Asset Income	(50)	(50)		
Donated Asset Depreciation	147	147		
Donated Assets	**97**	**97**	**0**	**0**
Grand Total	**(347)**	**(149)**	**198**	**(311)**

2.1.1. Income

Income year to date is £945k below plan, of this SLA income is under-recovering against plan by £830k.

The main driver of this underperformance is income from elective activity, predominantly within Trauma & Orthopaedics and General Surgery. Although there was an increase in elective activity in May, this remains significantly below plan, with £833k underperformance year to date. However it is anticipated that elective activity levels will increase in future months, as the Trust formulates and delivers a revised RTT plan.

Due to the lower levels of non-elective activity, income loss under the non-elective threshold is £155k year to date, with a further £298k lost, due to the readmissions threshold penalty.

2.1.2. Expenditure

Expenditure year to date is £744k below plan. However this does not fully offset current income underperformance levels and therefore the EBITDA is adverse to plan by £198k.

Although expenditure levels remain below plan in clinical supplies and drugs, reflecting the lower than planned levels of activity, the Trust has recently recruited to some vacancies and this has led to increased pay expenditure in month.

2.1.3. Finance Charges

The capital plan has been approved at the Capital Prioritisation Group and planned finance charges, consisting of depreciation, and PDC, have been calculated. These are expected to deliver in line with plan by year end, subject to any unforeseen slippage in the capital programme in year.

3. QIPP Programme (Savings)

The year to date QIPP position shows that the Trust has delivered savings of £444k against a year to date plan of £760k, an achievement of 58% of the planned year to date target.

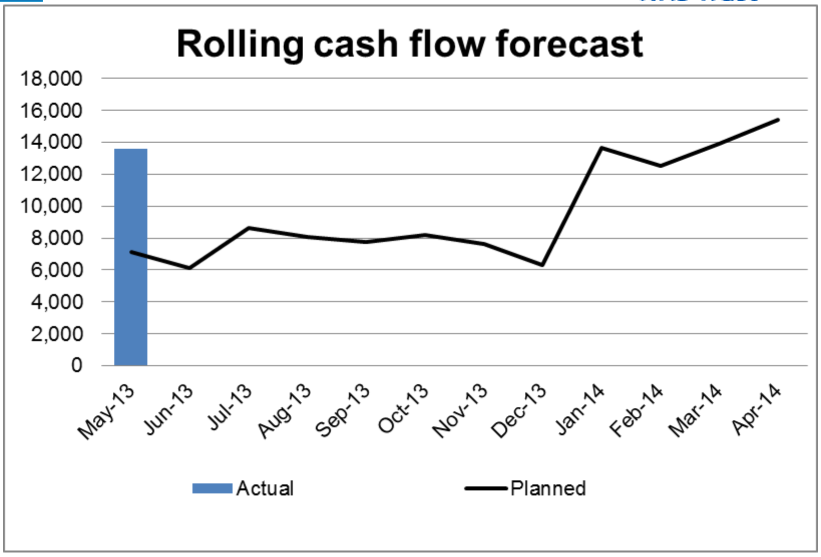
The QIPP plan for 2013/14 is to deliver £11m savings and all plans are currently being subject to robust scrutiny to ensure that this target can be achieved. However there are some schemes which have red rated risks, with the key areas of concern being reduction in length of stay and bed reduction schemes. Options to facilitate delivery of these schemes are being further developed, alongside the identification of additional schemes and it is expected that this will help to mitigate the risks currently associated with these schemes.

4. Statement of Cash flow and Financial Position

The table below shows the current cash flow for the Trust

Statement of cash flows	Plan to date £'000	Actual to date £'000	Variance to date £'000
Operating surplus/(deficit)	2,722	2,543	(179)
Movements in:			
Inventories	0	6	6
Receivables	(2,081)	(517)	1,564
Payables	(1,886)	1,690	3,576
Provisions	0	661	661
Cashflow from operations	**(1,245)**	**4,383**	**5,628**
Capital expenditure	(2,323)	(1,926)	397
Cashflow before financing	**(3,568)**	**2,457**	**6,025**
Net interest paid	4	6	2
Dividend paid	0	0	0
Repayment of borrowings	0	0	0
Loan Received	0	0	0
Net in/(out)flow	**(3,564)**	**2,463**	**6,027**
Opening cash balance	10,697	10,697	0
Closing cash balance	**7,133**	**13,160**	**6,027**

The cash balance as outlined in the graph below is above plan. The main reason for this is that, although levels of trade payables are higher than planned, this is due to increased accruals; whilst the low volume of invoices received in month (particularly NHS) has led to an increased cash balance. There is also currently some slippage on the capital programme. As the lower than anticipated invoice volumes are likely to be due to the changes in NHS bodies from the 1st April, it is anticipated that cash will decrease in future months, as the new NHS bodies become more established and invoicing arrangements are fully embedded. The cashflow forecast is currently being reviewed alongside forecast outturn predictions on income, expenditure and payment trends



5. Statement of Financial Position

Non-Current Assets: have increased by £0.4m year to date. This is driven by capital spend of £1.9m (discussed in more detail below) being offset by depreciation of £1.5m.

Current Assets: year to date have increased by £3m. There has been an in-month increase in trade receivables due to provider-to-provider invoices being raised for the new year contract and prepayments for rates. The increase in cash of £2.5m reflects the increase in Trade Payables, due to the timing of invoices received and PDC accruals, as outlined in the cash section above.

Current Liabilities: year to date have increased by £3.2m, due predominately to accruals for: PDC, with is paid twice-yearly and energy, as well as a number of NHS invoices and drugs invoices being received at the end of the month.

As per 2012/13 £'000s	Statement of Financial Position as at 31 May 2013	Actual to Date £'000s	Movement YTD £'000s
	Non-Current Assets		
159,388	Property, Plant and Equipment	159,807	419
949	Intangible Assets	949	0
1,532	Trade and Other Receivables	1,504	(28)
161,869	**Total Non-Current Assets**	**162,260**	**391**
	Current Assets		
3,701	Inventories	3,695	(6)
10,068	Trade and Other Receivables	10,613	545
10,697	Cash and Cash Equivalents	13,160	2,463
24,466	**Total Current Assets**	**27,468**	**3,002**
	Current Liabilities		
(13,470)	Trade and Other Payables	(16,095)	(2,625)
(2,012)	Provisions	(2,672)	(660)
(186)	Borrowings	(145)	41
(990)	Capital Loan from Department	(990)	0
(16,658)	**Total Current Liabilities**	**(19,902)**	**(3,244)**
7,808	**Net Current Assets/(Liabilities)**	**7,566**	**(242)**
	Non-Current Liabilities		
(2,234)	Provisions	(2,234)	0
(190)	Borrowings	(190)	0
(7,925)	Capital Loan from Department	(7,925)	0
(10,349)	**Total Non-Current Liabilities**	**(10,349)**	**0**
159,328	**Total Assets Employed**	**159,477**	**149**
	Finance by Taxpayers' Equity		
(137,356)	Public Dividend Capital	(137,356)	0
15,652	Prior Year Retained Earnings	15,652	0
0	Current Year Retained Earnings	(149)	(149)
(37,624)	Revaluation Reserve	(37,624)	0
(159,328)	**Total Taxpayers' Equity**	**(159,477)**	**(149)**

6. Capital

The capital programme expenditure for May totalled £1.9m.

Capital Report as at 31st May 2013	Annual Plan 2013/2014			Year to Date Plan 2013/2014			Actual Year to Date 2013/2014			Variance Year to Date 2013/2014		
Capital Theme	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000	Total £'000	Donated £'000	Trust £'000
Estates Five Year Programme	1,100		1,100	100		100	50		50	50	0	50
IM & T inc leased assets	1,020		1,020	108		108	36		36	72	0	72
Medical Equipment	1,725	300	1,425	341	50	291	238	50	188	103	0	103
Stategic capital schemes	8,539		8,539	2,293		2,293	1,652	41	1,611	641	-41	682
Total Capital Plan 2013/2014	12,384	300	12,084	2,842	50	2,792	1,976	91	1,885	866	-41	907

The completion of the Pathology Laboratories building has been the main area of expenditure in period, at £1.5m and this will continue to be the main focus of the capital programme throughout 2013/14. There has also been spend against a number of smaller projects including the programme of rolling replacement and £0.1m on Medical Equipment. The underspend against the capital programme is due to phasing of the pathology build, which is currently under review, and is therefore is not expected to continue.

7. Financial Risks

A number of key risks to delivery of the financial plan for 2013/14 have been identified; mitigation plans are currently being developed to help manage these risks.

Risk	Description of risk	Included in Forecast
Income	Elective income trends continue in future months leaving income below planned levels.	√
Penalties within CCG contracts	Fined for 18-week performance and incomplete pathways	√
QIPP delivery	A number of the red rated QIPP schemes may not deliver in year.	√
Mitigating Actions		
CCG QIPP	Working with the PCT on community QIPP to mitigate the risk of rising Non Elective admissions.	√
Revised Activity plans	Ensure robust plans are in place to deliver appropriate levels of elective activity	√
Robust PMO Management	Ensure PMO function continues to provide rigour & challenge to ensure delivery of QIPP in year.	√