

Report to:	Public Board of Directors	Agenda item:	11
Date of Meeting:	25 April 2018		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Peter Hollinshead, Interim Director of Finance
Author:	Elizabeth Poskitt, Head of Financial Management
Appendices	None

1. Executive Summary of the Report
The purpose of this report is to set out the Trust's financial performance for the period to 31 st March 2018.

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position for the financial year end Action: All

3. Legal / Regulatory Implications
Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.

4. Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)
In line with the Risk Assessment Framework : The Trust fails to deliver its financial plan which leads to the Trust having a Continuity of services risk rating of two or less, representing a material level of financial risk. This results 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.









5. Resources Implications (Financial / staffing)
Not Applicable

6. Equality and Diversity
Not Applicable

7. References to previous reports
Standing Item

8. Freedom of Information
Public

Key performance Indicators

Area of review	Key Highlights	Current month Rating	Forecast Year end Rating
Income & Expenditure position	<ul style="list-style-type: none"> The Trust delivered a position £1.1m above its Control Total for 2017/18, excluding Sustainability and Transformation Funding. The over delivery relates to Winter monies received and for the positive movement in Finance Charges during month 12. The full anticipated STF allocation has not been achieved due to performance targets related to ED performance being missed. 		
QIPP programme	<ul style="list-style-type: none"> £8.4m achieved against plan of £7.8m, 107% delivery for the year. This delivery was £5.8m recurrent savings and £2.5m non-recurrent. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of March was £32.9m, which is £18.3m above plan. The liquidity metric is scored as 1, which is the highest rating possible. 		
Use of Resources	<ul style="list-style-type: none"> Use of Resources metric is scored as 3 indicating that the Trust has room for improvement. However this is in line with the plan. 		

Income and Expenditure Summary

Statement of Comprehensive Income Period to March 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(288,568)	(278,354)	10,214
Sustainability & Transformation funding	(7,792)	(6,097)	1,695
Other Income	(33,353)	(34,877)	(1,524)
Income Total	(329,713)	(319,328)	10,385
Pay	201,471	200,509	(962)
Non Pay	110,899	108,025	(2,874)
Expenditure Total	312,371	308,534	(3,836)
EBITDA	(17,342)	(10,794)	6,548
Finance Charges	4,230	(1,425)	(5,655)
(Surplus)/Deficit before Impairments	(13,113)	(12,219)	894
Impairments	0	-1852	-1852
(Surplus)/Deficit	(13,113)	(14,071)	(959)
Margin	5%	3%	

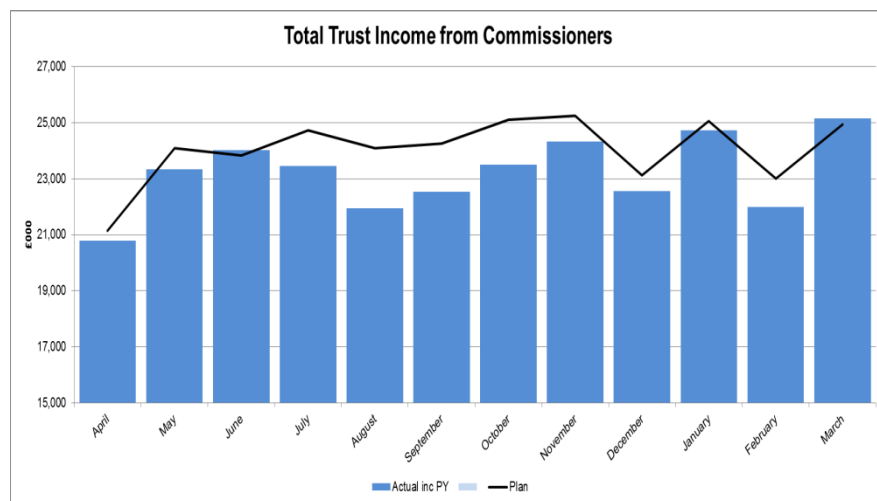
I&E position used to calculate position against STF control total	Plan	Actual £'000	Variance £'000
	(Surplus)/Deficit	(13,113)	(14,071)
Less anticipated STF funding	7,792	6,097	(1,695)
Less impairments	0	1,852	1,852
Less Donated income	1,047	735	(312)
Less Donated depreciation	(778)	(755)	23
Position against control total	(5,051)	(6,141)	(1,090)

The Month 12 position was a surplus against plan on a control total basis. The surplus against plan is as a result of £0.8m Winter funding which NHS Improvement expect to see as a positive variance against the original plan. Additionally, there is a further £0.3m positive movement, resulting primarily from movements relating to Public Divided Capital payments.

The position should allow the Trust to access £6.1m of Sustainability and Transformation Funding for the year. This is as a result of achieving the financial element of the Fund; there is a variance from plan of £1.7m relating to non-achievement of the ED Performance element.

Both Pay and Non-pay saw increases from previous months. The Non-pay spend included increases in spend on drugs and medical supplies and consumables.

Income



- The income position as at the end of March is £10.2m below plan. Of this £6.5m relates to High Cost Drugs which is offset by expenditure and £1.8m is in relation to prior year agreements. The underlying Trust position is therefore £1.9m under plan.
- Day Cases continue above planned levels and are £0.8m above plan with Elective income at £3.8m below plan due to continued lower levels of activity mainly within the specialities of T&O, General Surgery, Urology and Gynaecology.
- Non Elective income continues to over perform significantly against plan and currently stands at £5.8m above planned levels. The impact of the Marginal Rate Emergency Threshold (MRET) is now £5.1m, which is £2.2m above plan.
- Outpatient activity continues to underperform with a further £1.2m deterioration in Month 12. In March, Surgery and Medicine activity is below the monthly average as a result of adverse weather conditions.

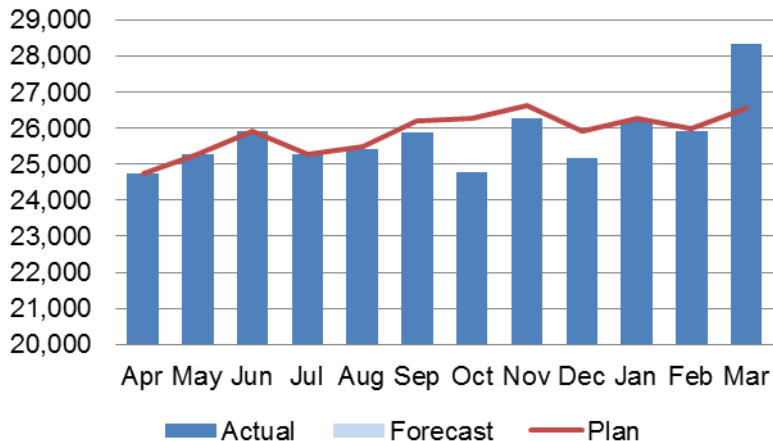
Income Performance 31 March 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,126)	(11,126)	(10,882)	243
Daycase	(21,016)	(21,016)	(21,818)	(802)
Elective Inpatient	(20,600)	(20,600)	(16,748)	3,852
High Cost Drugs	(40,074)	(40,074)	(33,524)	6,550
Non Elective Inpatient	(104,820)	(104,820)	(110,696)	(5,875)
Outpatient	(75,079)	(75,079)	(71,683)	3,396
Other	(15,853)	(15,853)	(13,003)	2,850
Total	(288,568)	(288,568)	(278,354)	10,214

SLA Performance - Commissioner 31 March 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(80,779)	(80,779)	(84,608)	(3,830)
Wiltshire CCG	(92,834)	(92,834)	(94,230)	(1,396)
Somerset CCG	(30,855)	(30,855)	(31,309)	(454)
SW Specialised Commissioning	(53,001)	(53,001)	(43,935)	9,066
Other South West CCGs	(12,419)	(12,419)	(13,268)	(849)
South West Area Teams & LA s	(6,206)	(6,206)	(5,726)	480
Wessex Area Team (Cancer Drugs)	(4,460)	(4,460)	(1,830)	2,630
Non Contract Activity	(8,014)	(8,014)	(3,447)	4,567
Total	(288,568)	(288,568)	(278,354)	10,214

Activity Performance 31 March 2018	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,869	74,869	71,890	(2,979)
Daycase	29,219	29,219	29,193	(26)
Elective Inpatient	6,606	6,606	5,157	(1,449)
Non Elective Inpatient	43,288	43,288	47,507	4,219
Outpatient	504,792	504,792	492,351	(12,440)
Total	658,774	658,774	646,098	(12,676)

Expenditure

Operating Expenditure



Issues:

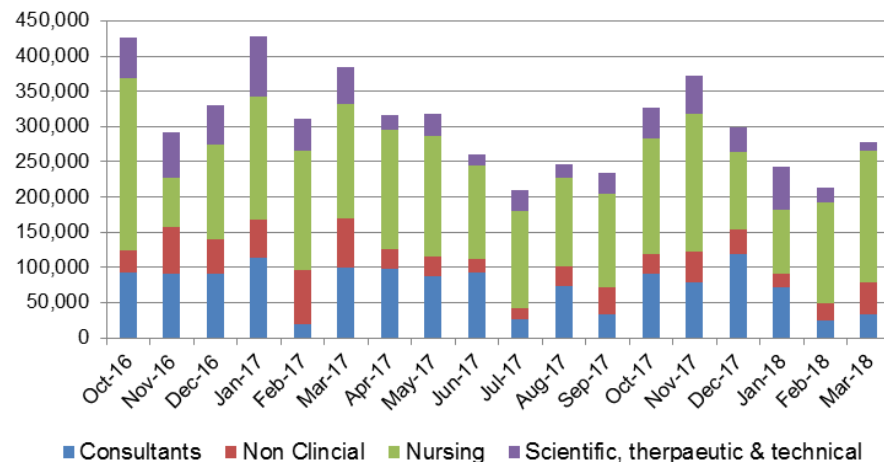
In Month 12 both the pay and non-pay expenditure increased from previous months.

Key drivers included:

- A provision has been included in the position related to an ongoing Health & Safety Executive case against the Trust. Additionally, year end provisions, such as an increase in the allowance for bad debt have been incorporated.
- Increases from the February level of non-pay spend, including drugs and medical consumables; however these have been in line with spend in previous months.
- Agency nursing staff costs have increased and was the second highest level of 2017/18.

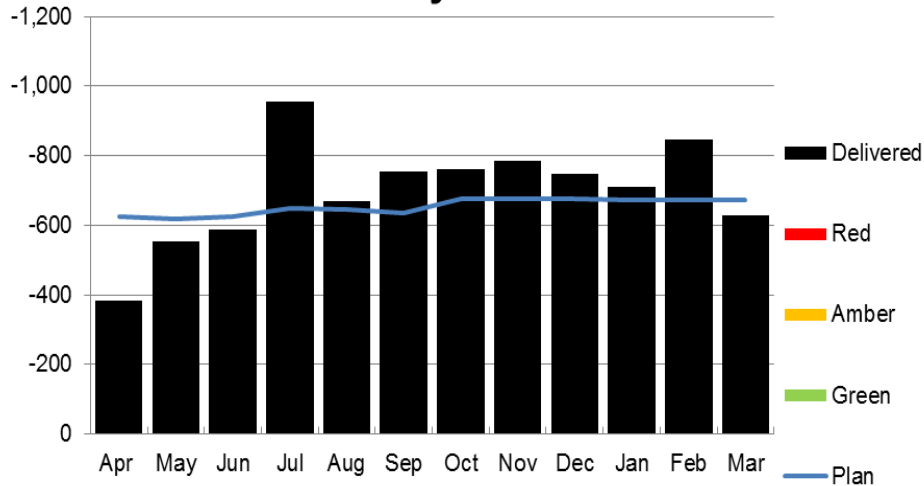
	Prior year average	M11	M12
Divisional Pay run rate	£'000	£'000	£'000
Surgical	4,912	5,013	5,043
Medical	6,180	6,776	6,456
Women's & Children	2,171	2,323	2,296
Facilities	906	907	916
Corporate	1,405	1,725	2,354
TOTAL	15,574	16,743	17,064
Included above			
Agency	327	214	278
Non Pay			
Surgical	2,053	2,148	2,362
Medical	4,208	3,785	4,130
Women's & Children	402	534	621
Facilities	925	931	781
Corporate	933	1,525	2,919
TOTAL	7,997	8,924	10,814

Rolling monthly agency expenditure



QIPP

QIPP Delivery 2017/18



- The final 2017/18 QIPP position shows delivery of £8.4m, which is £0.5m above plan.
- The plan for QIPP for 2017/18 was set lower than previous years, in order for transformation QIPP plans to be developed in order to ensure that the Trust would have long term sustainability. The plan of £7.8m is £6.1m lower in 2017/18 than it will be for 2018/19 at £13.9m.
- The Corporate areas delivered well above their target, however this was through pay savings and the non-recurrent element of this will cause pressure for the 2018/19 plan.
- Whilst the Surgical division finished the year £0.3m behind plan, they have achieved QIPP for the last three months of the year in line with their plan.
- The balance between recurrent and non-recurrent QIPP finished the year at 70% recurrent and 30% non-recurrent. This equates to £2.5m non-recurrent QIPP in 2017/18.
- The plans for QIPP delivery in 2018/19 are on going, with Divisions being asked to identify all savings by mid-April. Alongside this trustwide QIPP schemes are being explored. However, as a number of schemes remain 'red' rated and a gap between identified and required delivery of £13.9m remains.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	2,840	2,858	(18)	2,840	2,858	(18)
Surgical	2,504	2,181	323	2,504	2,181	323
W & C	902	1,160	(258)	902	1,160	(258)
Facilities	628	627	2	628	627	2
Corporate	967	1,558	(591)	967	1,558	(591)
TOTAL	7,841	8,383	(542)	7,841	8,383	(542)

NHS Single Oversight Framework - Use of Resources

	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	1.204	0.648	-0.556	1.204	0.648	-0.556
Capital Service Cover Rating	4	4		4	4	
Liquidity Metric	7.725	15.714	7.990	7.725	15.714	7.990
Liquidity Rating	1	1		1	1	
I&E Margin Metric	3.9%	3.8%	-0.1%	3.9%	3.8%	-0.1%
I&E Margin Rating	1	1		1	1	
Variance from Control Metric		-0.1%	-0.1%		-0.1%	-0.1%
Variance from Control Rating		2			2	
Agency Metric	-75.6%	-36.1%	39.5%	-75.6%	-36.1%	39.5%
Agency Rating	1	1		1	1	
Rounded Score	1	1		1	1	
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here		Trigger			Trigger	
Any ratings in table 6 with a score of 4 override - maximum score override of 3 if any rating in table 6 scored as a 4		3			3	

The Trust's Month 12 overall finance score is 3. While any of the five categories has a score of 4 the best overall score the Trust can achieve is 3 due to the trigger mechanism.

The rating of 4 on capital service cover is calculated as a ratio of how much operating revenue is available to cover financing arrangements. To improve on this score the ratio of available revenue needs to be more than 1.25 times that of finance repayment obligations. The score is driven by a lower operating surplus than expected; as well as high loan repayments relating in part to the bridging loan for the RNHRD acquisition, which is now paid in full.

Statement of Financial Position

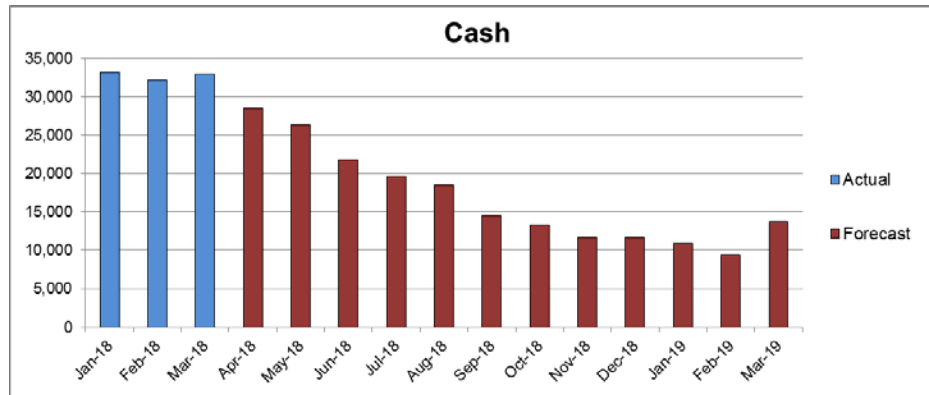
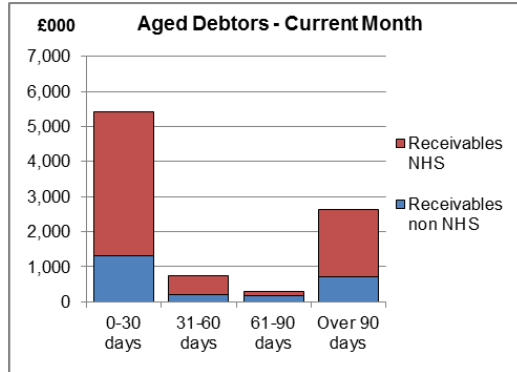
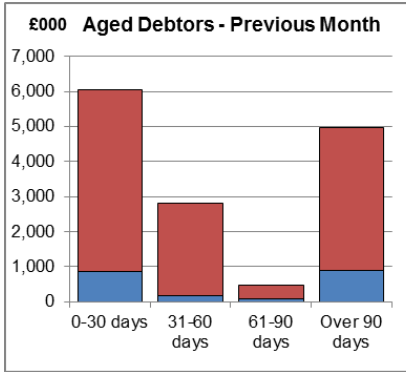
Statement of Financial Position	28-Feb-18 £000	31-Mar-18 £000	Movement £000
Non-current assets			
Intangible assets	5,957	9,705	3,748
Property, plant and equipment	168,708	176,110	7,402
Trade and other receivables	1,060	1,134	74
Total non-current assets	175,725	186,949	11,224
Current assets			
Inventories	3,856	4,322	466
Trade and other receivables	24,709	19,480	(5,229)
Assets held for sale and assets in disposal groups	0	0	0
Cash and cash equivalents	32,152	32,911	759
Total current assets	60,717	56,713	(4,004)
Current liabilities			
Trade and other payables	(23,970)	(29,072)	(5,102)
Other liabilities	(3,883)	(4,835)	(952)
Provisions	(623)	(2,141)	(1,518)
Borrowings	(3,055)	(3,052)	3
Total current liabilities	(31,531)	(39,100)	(7,569)
Total assets less current liabilities	204,911	204,562	(349)
Non-current liabilities			
Provisions	(812)	(784)	28
Borrowings	(23,136)	(15,127)	8,009
Total non-current liabilities	(23,948)	(15,911)	8,037
Total Assets Employed	180,963	188,651	7,688
Financed by			
Income and expenditure reserve	(15,246)	(10,432)	4,814
Public dividend capital	155,733	156,846	1,113
Revaluation reserve	40,476	42,237	1,761
Total Equity	180,963	188,651	7,688

The movement in the Statement of Financial Position is illustrated in the table opposite.

Key changes in month:

- Non-current assets have increased by £11.2m. This is made up of revaluation adjustments of £3.8m for indexation and a £1.3m impairment reversal. We also incurred £6m of capital expenditure in month.
- Inventory has increased by £0.5m as valued at the year-end stock take.
- Trade payables have increased by £5.1m due to increased aged creditors, mainly capital related with Receivables decreasing by £5.2m due to commissioners settlements.
- Other liabilities have increased by £1m which is mostly the deferral of additional income relating to the WEAHSN, as well as research funding for future projects.
- Provisions have increased overall by £1.5m in recognition of likely future obligations.
- Borrowings have reduced by £8m. This is due to the full repayment of the £7.5m RNHRD bridging loan.
- The cumulative I&E reserve deficit has decreased by £4.8m in month reflecting the surplus in the Month 12 income and expenditure account.
- PDC has increased by £1.1m. The Trust was successful in receiving three PDC funding bids, including one for £0.7m for cyber security. £0.3m was also received in relation to RNHRD transition.

Statement of Financial Position



Better Practice Payment Code

The Trust has achieved an accumulated performance of 96.8% of invoices paid by value within 30 days, which is above the national target.

Aged Debt

Invoiced debt has decreased by £5.3m from the previous month to £9m. Balances relating to invoices raised prior to 31st March 2017 are now under £1m, a reduction of £0.4m from the previous month.

Year-end agreements with local commissioners have supported the reduction of the outstanding debt. There are currently no organisations with aged debt over £0.3m.

£2.3m relates to Non Contract Activity (NCA), of which £1.5m is over 90 days. These mostly relate to prior approval for Welsh patients. There has been a significant improvement in the collection of the oldest Welsh debt, with a reduction in the 180+ day debt reported at M6 and tracked to M12 of 68%.

Cash

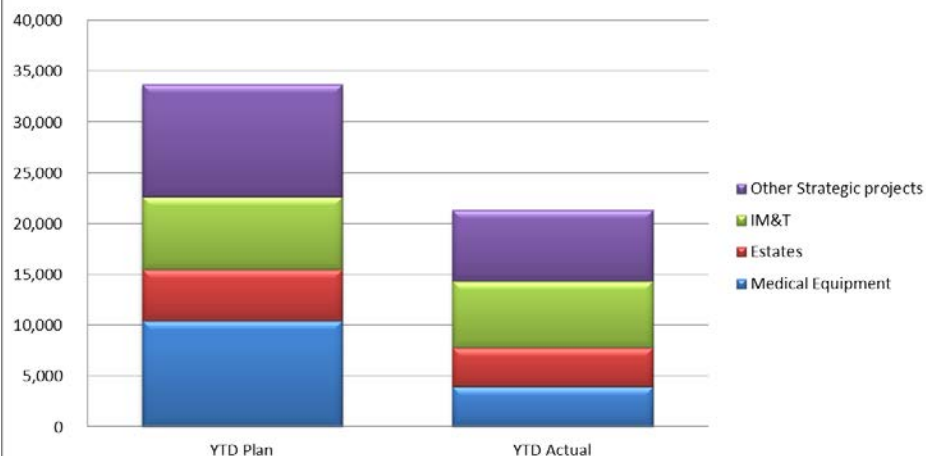
The cash balance at the end of March is £32.8m which is £18.3m higher than plan. The positive variance from plan is made up of the following:

- £3.5m additional PDC
- £9.5m capital slippage
- £4.5m additional capital proceeds
- £3.9m working capital

The cash forecast reduction next financial year is largely due to the anticipated spend on the RNHRD and Therapies Centre and associated enabling projects.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure for the year totals £21.4m, resulting in an underspend of £12.4m due to deferral and slippages of a number of schemes.

- Estates expenditure is £1.2m below plan, due to SSD upgrade and ward decant projects deferring to next year
- IM&T expenditure is £0.7m underspent, which relates to projects which have all been deferred. This partially offsets additional costs of the 'Big 3'.
- Medical Equipment is underspent by £6.5m due to slippage against Radiology equipment, the Cardiology Monoplane, bed replacement, dynamic mattresses, theatre stacks and ITU monitoring system.
- Strategic Capital is £4.0m behind plan, with slippage against site redevelopment schemes

Additional PDC funds were received in March: £662k for Cyber Security; £56k for Cancer Alliance (IT) and £98k for A&E streaming (for works to Ambulatory Care).

Capital Summary as at 31st March 2018	Annual Plan £000s	Actual Expend £000s	Variance £000s	Actual %
Medical Equipment (donated)	749	380	(369)	51%
Strategic Capital (RUH Redevelopment)	298	359	61	120%
Donated Funded Total	1,047	739	(308)	71%
Estates				
Theatre, Ward & SSD Upgrades	1,981	1,060	(921)	54%
Other Estates Projects	3,093	2,804	(289)	91%
Estates Total	5,074	3,865	(1,209)	76%
IM&T				
Electronic Patient Records & Enablers	2,985	3,550	566	119%
Clinical Systems	1,771	60	(1,711)	3%
Other IM&T	2,437	2,917	480	120%
IM&T Total	7,192	6,527	(665)	91%
Medical Equipment	6,229	2,973	(3,256)	48%
Strategic Capital schemes				
RNHRD & Therapies Build	6,241	3,674	(2,568)	59%
RUH Redevelopment	1,594	1,018	(576)	64%
Radiology Upgrade	2,392	1,972	(420)	82%
Strategic Total	10,227	6,663	(3,564)	65%
Contingency	500	0	(500)	0%
Trust Funded Total	29,223	20,028	(9,194)	69%
Medical Equipment (Radiology Upgrade)	3,462	597	(2,865)	17%
Lease Purchase Total	3,462	597	(2,865)	
TOTAL	33,732	21,364	(12,368)	63%