

Report to:	Public Board of Directors	Agenda item:	12
Date of Meeting:	31 October 2018		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Libby Walters, 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 September 2018.

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position at the halfway point of the 2018/19 financial year 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 control total plan for Month 6 was a deficit of £0.2m. The Trust was £0.2m adverse variance to this plan in month and is £2.6m adverse to plan for the year. As a result of this the Provider Sustainability Fund (PSF) allocation for Quarter 2 has not been assumed in the position. The main pressure in month is the continuing spend on pay above planned level and the failure to delivery QIPP savings. 		
QIPP programme	<ul style="list-style-type: none"> £4.3m achieved against plan of £5.7m, 75% delivery for the year to date. Elements of the Financial Recovery Plan have been included in the QIPP forecast as a result of these Recovery measure the forecast position for 2018/19 is now only £0.4m below plan. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of August was £22.4m, which is £2.5m above plan. Capital expenditure of £2.5m in month was a drop from August and is £8.3m less than plan for the year to date due to slippage on a number of schemes. The liquidity metric is scored as 1, which is the highest rating possible. 		

Income and Expenditure Summary

Statement of Comprehensive Income Period to September 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(147,105)	(145,531)	1,575
Provider Sustainability Fund	(3,835)	(1,151)	2,684
Other Income	(17,873)	(19,125)	(1,252)
Income Total	(168,814)	(165,807)	3,007
Pay	102,603	105,626	3,024
Non Pay	54,667	54,185	(482)
Expenditure Total	157,270	159,811	2,542
EBITDA	(11,544)	(5,996)	5,549
Finance Charges	7,914	7,601	(313)
(Surplus)/Deficit before Impairments	(3,630)	1,606	5,236
Impairments	0	0	0
(Surplus)/Deficit	(3,630)	1,606	5,236
Margin	7%	4%	

I&E position used to calculate position against PSF control total	Plan	Actual	Variance
		£'000	£'000
(Surplus)/Deficit	(3,630)	1,606	5,236
Less anticipated PSF funding	3,835	1,151	(2,684)
Less impairments	0	0	0
Less Donated income	408	441	33
Less Donated depreciation	(389)	(366)	23
Position against control total	224	2,832	2,608

The Month 6 position was £0.2m adverse to plan; this was predominately driven by a continuing over spend in pay partly offset by non-pay and other income being higher than plan.

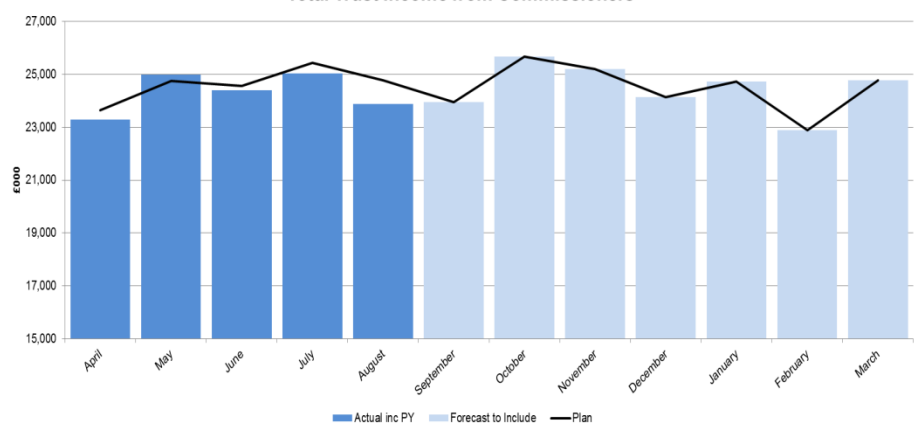
The level of overspend on pay seen last month by the Medicine Division has continued and this is main driver behind the variance. The agency spend, particularly around nursing, is growing each month. Additionally the level of junior doctor spend, nursing posts above budgeted establishment and non-delivery of QIPP within the Division are contributing to the position.

Non-pay spend dropped in month, mainly due to High Cost drugs, which are offset in commissioner income. Other income increased due to an increase in Education funding.

The commissioning income is broadly in line with plan this month, this is as a result of an increase in Non-Elective activity, offset by lower spend on High Cost Drugs than planned.

Income

Total Trust Income from Commissioners



- The income position as at the end of September is £1.6m below plan. High Cost Drugs are £0.1m under plan and is offset by reduced expenditure, with the underlying Trust position £1.5m below plan.
- Day case income and activity continue to over perform against plan within the General Surgery, Trauma and Orthopaedics and Gastroenterology specialties, partly offset by lower than planned activity levels in Cardiology and Oncology.
- Lower than planned levels of activity within Trauma & Orthopaedics, Pain Management and Cardiology have continued to drive the Elective income under performance.
- Below plan Non Elective activity levels in General Surgery, Trauma and Orthopaedics and Stroke Medicine has been offset by over performance in a number of Medicine specialties, Critical Care and Paediatrics. The impact of the Marginal Rate Emergency Threshold (MRET) is £3.8m year to date, £0.6m above plan.
- The Trust has agreed a block with BANES for Non-Elective and Accident and Emergency. Activity sits below the level agreed within the block resulting in an additional £0.3m income adjustment into the position as per the agreement.
- Outpatient activity continues to under perform against plan, notably in Oncology, Breast Surgery, Cardiology and Dermatology in September.

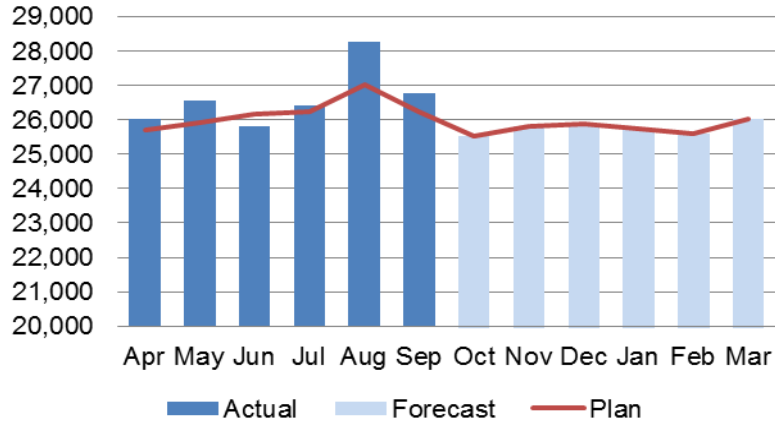
Income Performance 30 September 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,597)	(5,814)	(5,832)	(18)
Daycase	(22,297)	(11,130)	(11,376)	(246)
Elective Inpatient	(18,671)	(9,690)	(9,177)	513
High Cost Drugs	(35,966)	(17,811)	(17,340)	471
Non Elective Inpatient	(113,425)	(56,657)	(56,674)	(18)
Outpatient	(75,483)	(37,605)	(36,703)	902
Other	(17,057)	(8,398)	(8,428)	(30)
	(294,495)	(147,105)	(145,531)	1,575

SLA Performance - Commissioner 30 September 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(88,203)	(44,062)	(44,502)	(440)
Wiltshire CCG	(97,350)	(48,698)	(48,799)	(100)
Somerset CCG	(32,579)	(16,286)	(16,108)	178
SW Specialised Commissioning	(47,386)	(23,564)	(22,882)	682
Bristol, North Somerset & South Glos CCG	(12,385)	(6,208)	(6,237)	(29)
Other South West CCGs	(1,656)	(825)	(773)	52
South West Area Teams & LA s	(5,355)	(2,730)	(993)	1,737
Wessex Area Team (Cancer Drugs)	(1,938)	(961)	(995)	(34)
Non Contract Activity	(7,645)	(3,770)	(4,242)	(472)
	(294,495)	(147,105)	(145,531)	1,575

Activity Performance 30 September 2018	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,806	37,505	37,550	45
Daycase	29,175	14,555	15,310	755
Elective Inpatient	5,639	2,916	2,749	(167)
Non Elective Inpatient	48,283	23,902	24,701	799
Outpatient	511,468	253,715	254,467	752
	669,371	332,593	334,777	2,184

Expenditure

Operating Expenditure



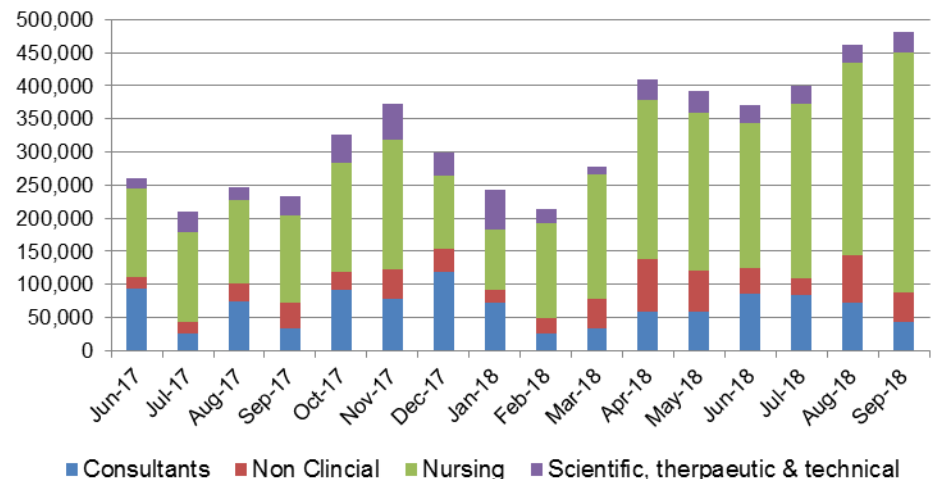
Issues:

The Month 6 position saw a decrease in spend from last month. However, Month 5 included the Agenda for Change pay arrears. Key drivers for the Month 6 position included:

- Pay spend, particularly agency within Medicine, continues to grow. Agency spend was the highest it has been in the past 18 months.
- The level of spend on drugs, both within tariff and High Cost drugs rechargeable to commissioners, has reduced from last month.
- The level of spend on Medical and Surgical Consumables has decreased.
- Increased spend relating to maternity pathway recharges and IT contracts.

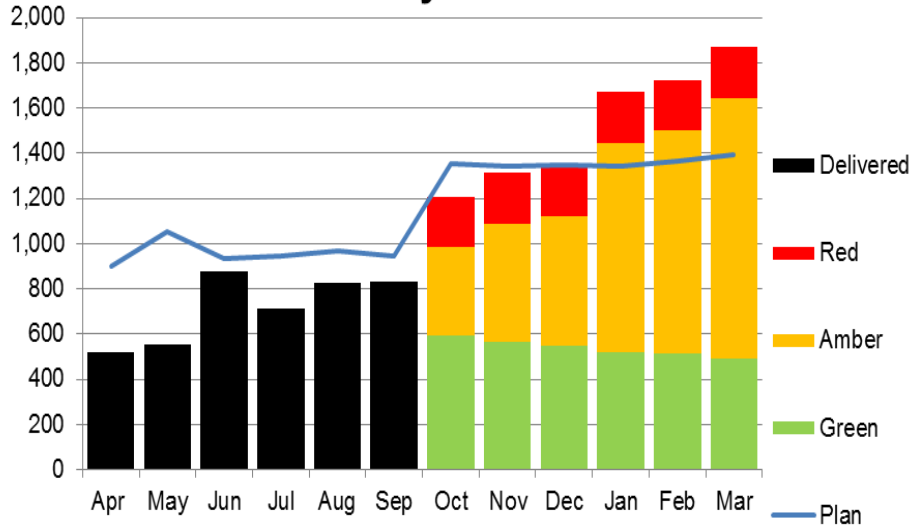
	Prior year average	M5	M6
Divisional Pay run rate	£'000	£'000	£'000
Surgical	5,055	5,241	5,034
Medical	6,518	7,585	7,150
Women's & Children	2,308	2,686	2,486
Facilities	911	1,253	1,074
Corporate	1,559	1,875	1,718
TOTAL	16,351	18,640	17,462
Included above			
Agency	278	424	463
Non Pay			
Surgical	2,019	2,387	1,950
Medical	4,014	4,442	3,899
Women's & Children	523	490	405
Facilities	898	942	838
Corporate	1,340	1,322	1,633
TOTAL	8,793	9,584	8,725

Rolling monthly agency expenditure



QIPP

QIPP Delivery 2018/19



- For the Trust to delivery its Control Total in 2018/19 it needs to achieve at least £13.9m of savings.
- The work in month has identified a number of measures which address the gap in the forecast outturn, this in turn will result in the delivery of greater levels of QIPP in the final six months of the year. These schemes have been rated as amber.
- The Clinical Divisions undertook a full review of their QIPP schemes in month and have revised their forecast to the level that they believe is deliverable. Financial Recovery measure have then been added to these.
- The QIPP delivery in September was a slight increase however this is due to non-recurrent vacancies included in the position.
- 75% of the year to date plan has been achieved and of this 27% is non-recurrent.
- The individual Divisional positions are described in the following pages.
- The forecast delivery includes schemes which are rated as red for £1.3m and unidentified of £0.4m. The total for red and unidentified savings is £1.7m or 13% of the total required.
- The balance of recurrent / non-recurrent delivery needs to be addressed as the future financial position is dependant on recurrent savings.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	1,868	1,237	(631)	5,000	4,431	(569)
Surgical	2,027	1,848	(179)	4,075	4,019	(56)
W & C	821	581	(239)	1,642	1,930	288
Facilities	551	271	(279)	1,101	947	(155)
Corporate	481	383	(98)	1,119	1,030	(89)
Trustwide	0	0	0	956	1,096	140
TOTAL	5,747	4,321	(1,426)	13,894	13,453	(441)

NHS Single Oversight Framework - Use of Resources

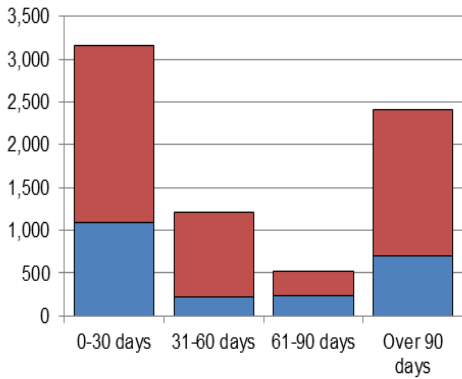
	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	2.471	1.272	-1.199	3.134	3.014	-0.120
Capital Service Cover Rating	2	3		1	1	
Liquidity Metric	10.638	9.796	-0.841	9.675	9.574	-0.101
Liquidity Rating	1	1		1	1	
I&E Margin Metric	2.2%	-1.0%	-3.2%	3.8%	3.4%	-0.4%
I&E Margin Rating	1	3		1	1	
Variance from Control Metric		-3.2%	-3.2%		-0.4%	-0.4%
Variance from Control Rating		4			2	
Agency Metric	-17.3%	1.0%	18.2%	-20.2%	-20.2%	0.0%
Agency Rating	1	2		1	1	
Rounded Score	1	3		1	1	
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here		Trigger			No 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			0	

The Trust's Month 6 overall finance score is 3, this is the best overall score that the Trust can achieve when any one of the five categories is rated as a 4, due to the trigger mechanism.

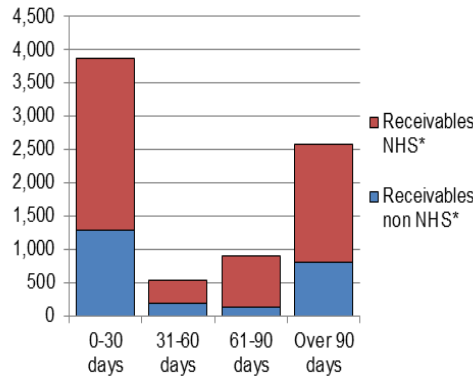
The rating of 4 on the category variance from control rating is because the year to date actual I&E margin in comparison to the year to date plan is greater than 2%. It is anticipated that by the year end this will be less than 1% and the score will be reduced to 2 this will enable the Trust to have a rounded overall score of 1.

Statement of Financial Position

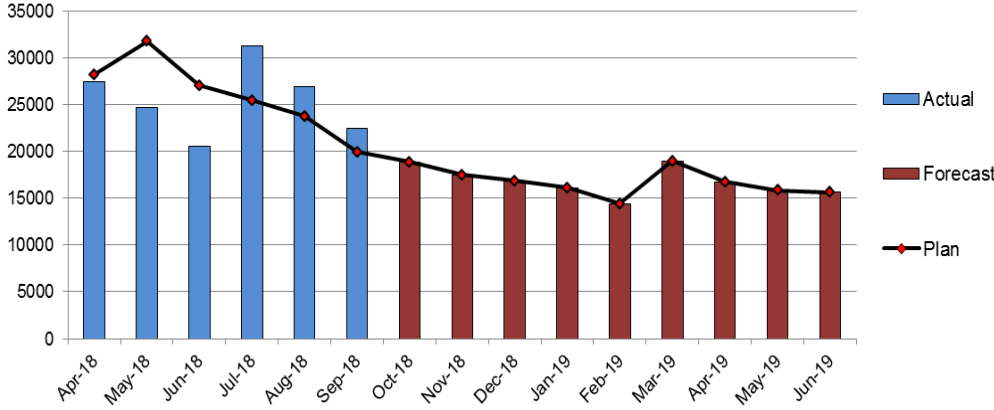
Aged Debtors - Previous Month



Aged Debtors - Current Month



Cash



Better Practice Payment Code

The Trust has achieved an accumulated performance of 95.8% of invoices paid by volume within 30 days, this is above the national target.

Aged Debt

Invoiced debt has increased by £0.5m from August to £7.9m of which £2.2m is not yet overdue. Of the remaining £5.7m, £2.6m is over 90 days which is an increase of £0.2m from August. The organisations of significance debt are as follows:

- Virgin debt over 30 days currently totals £0.8m. This is being actively pursued by the Trust.
- There are outstanding debts relating to the maternity pathway totalling £0.6m. The income team have set up a meeting with University Hospitals Bristol NHS FT to resolve outstanding issues.
- NHS Northern, Eastern and Western Devon CCG £0.2m. The income team have reviewed the outstanding balances and have resolved queries which will reduce the outstanding balance of the debt.
- Welsh Local Health Boards £0.1m. Disputes relate to lack of prior approval sought for treatments. Discussions progressing with Local Health Boards to reach a resolution.

£1.1m of the total aged debt relates to Non Contract Activity (NCA) which is a notable improvement from £1.8m in the previous month. £0.9m of this is over 180 days and the income team continue to proactively chase this debt.

Cash

The cash balance at the end of August is £22.4m which is £2.5m above plan.

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

Statement of Financial Position

Statement of Financial Position	31-Aug-18 £000	30-Sep-18 £000	Movement £000
Non-current assets			
Intangible assets	9,255	9,135	(120)
Property, plant and equipment	184,084	185,840	1,756
Trade and other receivables	1,107	1,106	(1)
Total non-current assets	194,446	196,081	1,635
Current assets			
Inventories	3,240	3,415	175
Trade and other receivables	19,596	18,965	(631)
Cash and cash equivalents	26,915	22,433	(4,482)
Total current assets	49,751	44,813	(4,938)
Current liabilities			
Trade and other payables	(25,990)	(24,305)	1,685
Other liabilities	(4,197)	(4,133)	64
Provisions	(1,297)	(1,165)	132
Borrowings	(3,236)	(3,236)	-
Total current liabilities	(34,720)	(32,839)	1,881
Total assets less current liabilities	209,477	208,055	(1,422)
Non-current liabilities			
Provisions	(784)	(784)	-
Borrowings	(15,198)	(14,664)	534
Total non-current liabilities	(15,982)	(15,448)	534
Total Assets Employed	193,495	192,607	(888)
Financed by			
Income and expenditure reserve	(5,888)	(6,776)	(888)
Public dividend capital	157,146	157,146	-
Revaluation reserve	42,237	42,237	-
Total Equity	193,495	192,607	(888)

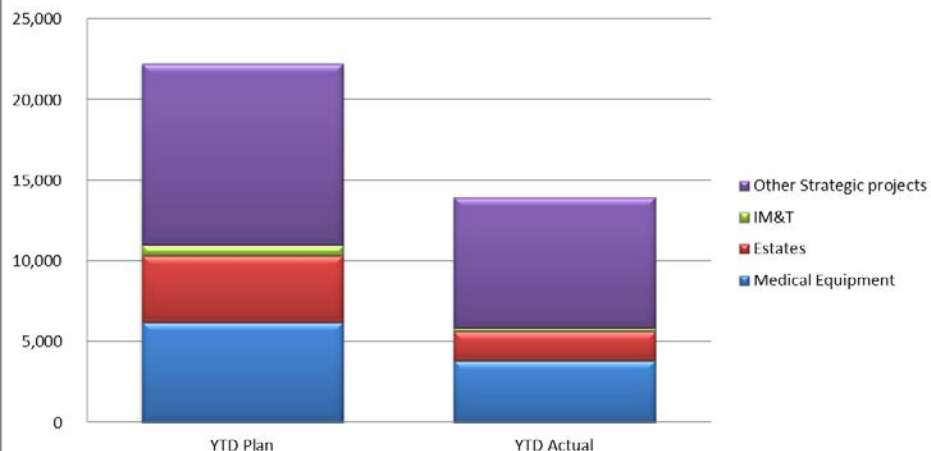
The movement in the Statement of Financial Position is illustrated in the table opposite showing the position for the prior and current months.

Key changes in Month 6:

- Non-current assets have increased in value by £1.6m. This largely relates to the Therapies Build, OMFS refurbishment and Radiology Upgrade.
- Inventories have increased by £0.2m. Pharmacy are now up to date with previous delays in booking in of stock identified earlier in the year.
- Trade receivables has seen a reduction of £0.6m in September. Predominantly this is due to a decreased non NHS debtors.
- As payments have been increased to both revenue and capital creditors, trade payables have decreased by £1.7m
- Other liabilities have broadly stayed the same as last month.
- The cash position currently stands at £22.4m which is a decrease of £4.5m compared to August 2018. Capital expenditure, detailed in the following slide, has been the main contributor.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure to the end of September totals £14.0m, resulting in an underspend of £8.2m year to date.

- Medical Equipment** is underspent by £2.5m, however orders awaiting delivery total £1.5m. MEC is working to ensure available funds are spent in year.
- Strategic Capital** is £3.0m behind plan. This relates to delays in the OMFS relocation project, R&D and Bath Chronic Pain Service (BCPS) relocations from the RNHRD..
- Estates** is £2.3m behind plan, this relates to the Sterile Services Upgrade and Centralisation project start delayed until January, the Therapies and Radiology power upgrade with works not expected to be completed to January due to asbestos removal
- IT** is £0.4m behind plan, in part this relates to delays in e-observations and bed management, with external funding now secured for bed management. The Cardiology system upgrade will potentially defer to mitigate for cost pressures.

Capital Summary as at 30th September 2018	Annual Plan £000s	YTD Plan £000s	Actual Expend £000s	Variance £000s	Actual %	Forecast Outturn £000s
Medical Equipment (donated)	564	182	100	(82)	55%	564
Strategic Capital (Therapies)	2,000	0	0	0		2,000
Strategic Capital (RUH Redevelop)	802	200	342	142	171%	802
Donated Funded Total	3,366	382	442	60	116%	3,366
Estates						
Theatre, Ward & SSD Upgrades	4,423	2,671	328	(2,343)	12%	4,302
Other Estates Projects	2,663	1,462	1,466	5	100%	3,079
Estates Total	7,086	4,133	1,794	(2,338)	43%	7,381
IM&T						
Clinical Systems	866	376	0	(376)	0%	316
Other IM&T	1,121	290	212	(78)	73%	1,354
IM&T Total	1,986	666	212	(455)	32%	1,669
Medical Equipment	5,806	4,826	2,413	(2,413)	50%	5,262
Strategic Capital schemes						
RNHRD & Therapies Build	12,181	6,194	5,293	(901)	85%	12,181
RUH Redevelopment	6,413	3,445	1,035	(2,410)	30%	6,948
Radiology Upgrade	1,384	1,384	1,454	70	105%	1,698
Strategic Total	19,978	11,023	7,782	(3,241)	71%	20,827
Contingency	283	0	0	0		0
Trust Funded Total	35,140	20,648	12,201	(8,447)	59%	35,139
Medical Equipment (Radiology)	2,450	1,200	1,326	126	111%	2,450
Lease Purchase Total	2,450	1,200	1,326	126	111%	2,450
TOTAL	40,956	22,230	13,969	(8,261)	63%	40,956