

Report to:	Public Board of Directors	Agenda item:	10
Date of Meeting:	28 November 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 October 2018.

2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of October 2018. **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 7 was a surplus of £1.7m. The Trust was £0.2m adverse variance to this plan in month and is £2.8m adverse to plan for the year. As a result of this the Provider Sustainability Fund (PSF) allocation for Month 7 has not been assumed in the position. The position in the month is in line with the financial recovery plan. The main pressure in month is the continuing spend on pay above the planned levels and the failure to delivery QIPP savings. 		
QIPP programme	<ul style="list-style-type: none"> £5.7m achieved against plan of £7.1m, 80% delivery for the year to date. There remains £0.1m of QIPP plans to be identified and £0.7m of schemes are red rated. It is forecast that the QIPP will be delivered in full by the end of the financial year. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of October was £20.6m, which is £1.7m above plan. Capital expenditure continues to be below plan (£11m year to date) due to slippage on a number of schemes. Due to the income and expenditure position being less than planned and the PSF not being achieved this has reduced the planned cash balance. The liquidity metric is scored as 1, which is the highest rating possible. 		

Income and Expenditure Summary

Statement of Comprehensive Period to October 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(172,774)	(171,856)	918
Provider Sustainability Fund	(4,931)	(1,151)	3,780
Other Income	(20,949)	(22,559)	(1,611)
Income Total	(198,654)	(195,566)	3,088
Pay	119,308	123,449	4,142
Non Pay	63,487	63,202	(285)
Expenditure Total	182,795	186,651	3,857
EBITDA	(15,860)	(8,915)	6,945
Finance Charges	9,699	8,989	(711)
Impairments			
Finance Charges	9,699	8,989	(711)
(Surplus)/Deficit	(6,160)	74	6,234
Margin	8%	5%	

I&E position used to calculate position against PSF control total			
	Plan	Actual £'000	Variance £'000
(Surplus)/Deficit	(6,160)	74	6,234
Less anticipated PSF funding	4,931	1,151	(3,780)
Less impairments	(369)		369
Less Donated income	568	489	(79)
Less Donated depreciation	(458)	(426)	32
Position against control total	(1,488)	1,288	2,776

The Month 7 position was £0.2m adverse to plan; this was predominately driven by a continuing over spend in pay partly offset by non-pay, commissioner and other income being higher than plan.

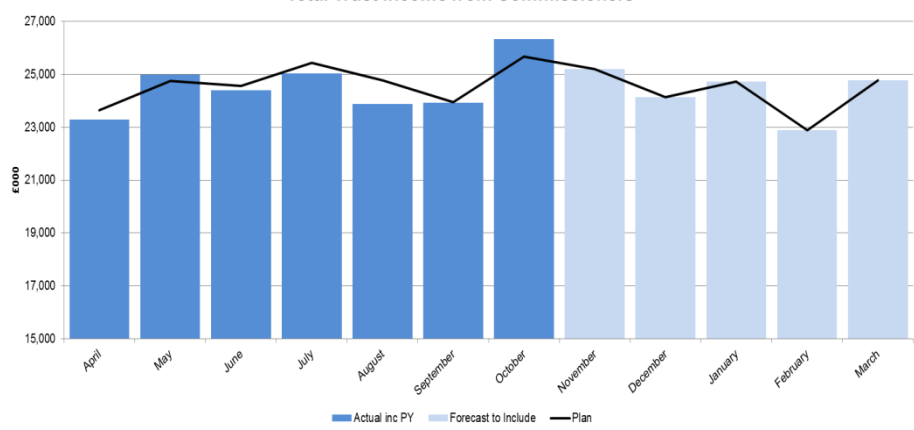
The level of overspend on pay by the Medicine Division over the past few months has continued and this is main driver behind the adverse pay variance. The level of junior doctor spend, Healthcare Assistant posts above budgeted establishment and non-delivery of QIPP within the Division are contributing to the position, in addition to the continuing high use of agency staff. Whilst High Cost Drugs was higher than plan this is off-set in contract income.

The Commissioning income has over-performed this month, this is as a result of an increase in Non-Elective activity and spend on High Cost Drugs.

A finance recovery plan is in place and the performance in month 7 is in line with the recovery plan.

Income

Total Trust Income from Commissioners



- The income position as at the end of October continues to be £1.6m below plan, driven by lower than planned income in Elective and Outpatient activities.
- Day case income and activity has over performed against plan within the General Surgery, Trauma and Orthopaedics and Gastroenterology specialties, partly offset by lower than planned activity levels in Cardiology and Oncology.
- The elective income underperformance continues to be driven by lower than planned levels of activity within Trauma & Orthopaedics and Pain Management.
- General Surgery, Trauma and Orthopaedics, Stroke Medicine and Geriatric Medicine have under performed against plan in non-electives. This continues to be offset by over performances in a number of Medical specialties, Critical Care and Paediatrics. The impact of the Marginal Rate Emergency Threshold (MRET) is £4.3m year to date, £0.6m above plan, excluding reinvestment.
- Outpatient activity continues to under perform against plan within the Oncology, Rheumatology Breast Surgery, Cardiology and Dermatology specialties.

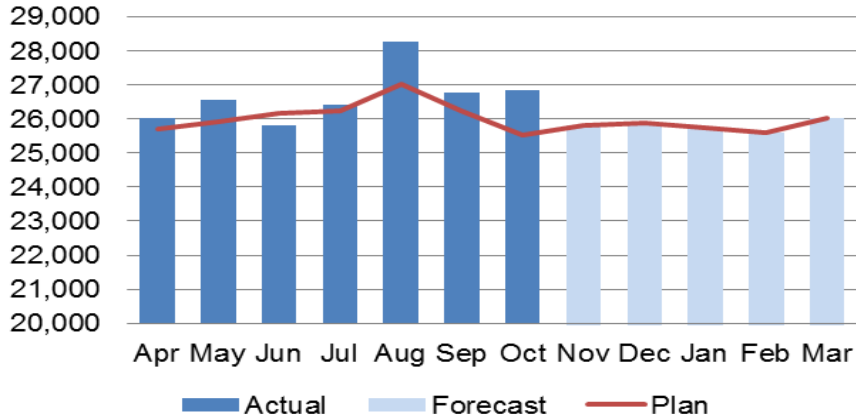
Income Performance	Annual Plan	YTD Plan	YTD Actual	YTD Variance
31 October 2018	£000	£000	£000	£000
A&E Attendance	(11,597)	(6,799)	(6,813)	(14)
Daycase	(22,297)	(13,120)	(13,463)	(343)
Elective Inpatient	(18,671)	(11,535)	(10,738)	797
High Cost Drugs	(35,966)	(20,616)	(20,533)	83
Non Elective Inpatient	(113,425)	(66,418)	(66,694)	(276)
Outpatient	(75,483)	(44,357)	(43,678)	680
Other	(17,057)	(9,930)	(9,937)	(7)
Total	(294,495)	(172,774)	(171,856)	918

SLA Performance - Commissioner	Annual Plan	YTD Plan	YTD Actual	YTD Variance
31 October 2018	£000	£000	£000	£000
Banes CCG	(88,203)	(51,797)	(52,700)	(903)
Wiltshire CCG	(97,350)	(57,232)	(57,534)	(302)
Somerset CCG	(32,579)	(19,135)	(19,044)	91
SW Specialised Commissioning	(47,386)	(27,595)	(26,825)	769
Bristol, North Somerset & South Glos CCG	(12,385)	(7,298)	(7,444)	(146)
Other South West CCGs	(1,656)	(967)	(921)	46
South West Area Teams & LA s	(5,355)	(3,200)	(1,155)	2,045
Wessex Area Team (Cancer Drugs)	(1,938)	(1,112)	(1,079)	34
Non Contract Activity	(7,645)	(4,439)	(5,154)	(715)
Total	(294,495)	(172,774)	(171,856)	918

Activity Performance	Annual Plan	YTD Plan	YTD Actual	YTD Variance
31 October 2018	Activity	Activity	Activity	Activity
A&E Attendance	74,806	43,859	43,919	60
Daycase	29,175	17,170	18,026	856
Elective Inpatient	5,639	3,469	3,192	(277)
Non Elective Inpatient	48,283	28,039	29,264	1,225
Outpatient	511,468	299,853	300,352	499
Total	669,371	392,391	394,753	2,362

Expenditure

Operating Expenditure



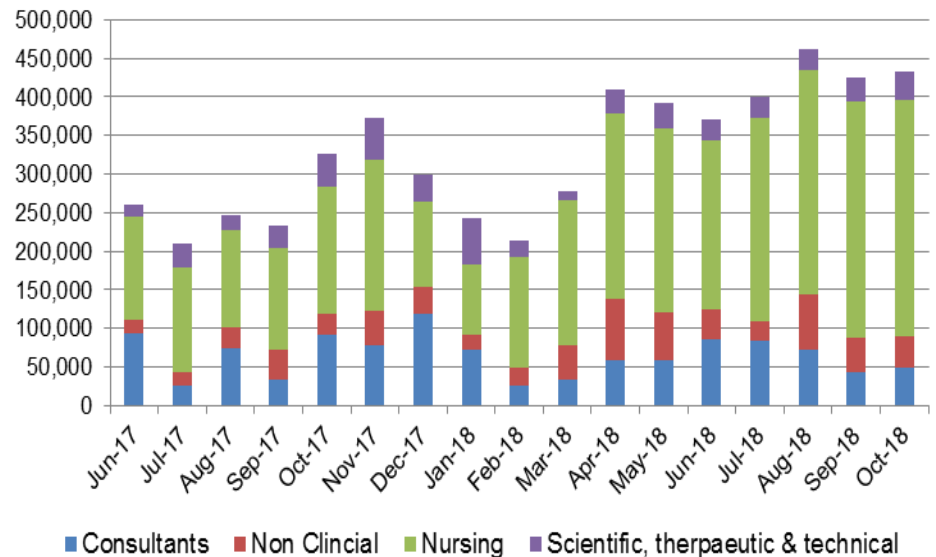
Issues:

The Month 7 actual expenditure position was slightly higher than the Month 6 position. Key drivers for the Month 7 position included:

- Pay spend, was broadly in line with previous months, however this is still significantly above planned levels and 7% above last year's average.
- This month saw the inclusion of the Medical Staff pay award.
- The level of spend on drugs, both within tariff and High Cost drugs rechargeable to commissioners increased this month compared to previous months.

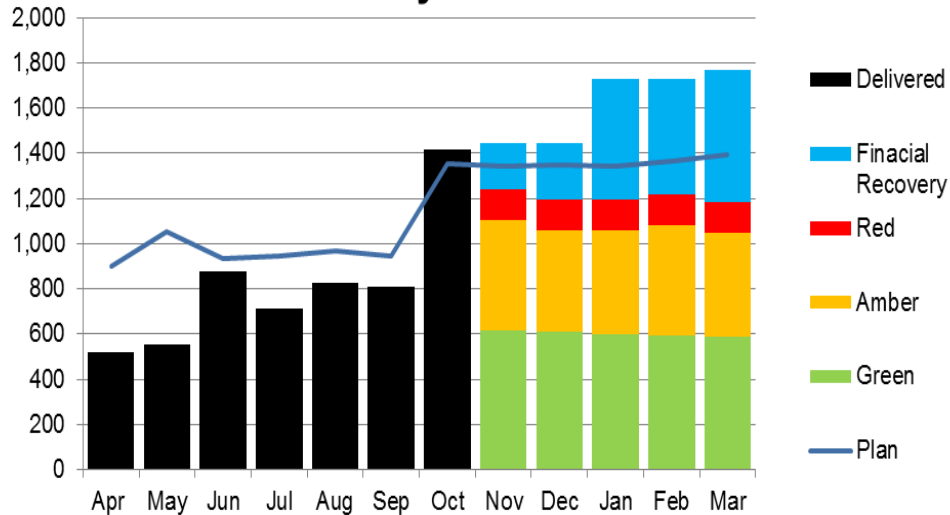
	Prior year average	M6	M7
Divisional Pay run rate	£'000	£'000	£'000
Surgical	5,055	5,034	5,060
Medical	6,518	7,150	7,084
Women's & Children	2,308	2,486	2,547
Facilities	911	1,074	1,036
Corporate	1,559	1,718	1,665
TOTAL	16,351	17,462	17,393
Included above			
Agency	278	425	430
Non Pay			
Surgical	2,019	1,950	2,109
Medical	4,014	3,899	4,402
Women's & Children	523	405	575
Facilities	898	838	1,023
Corporate	1,340	1,633	709
TOTAL	8,793	8,725	8,819

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.
- Work over the past two months 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 months of the year. These schemes have been highlighted in blue.
- The Divisions have undertake a full review of their QIPP schemes and their forecasts are at a level that they believe is deliverable.
- 80% of the year to date plan has been achieved and of this 25% has been delivered non-recurrently.
- The individual Divisional positions are described in the following pages.
- The forecast delivery includes schemes which are rated as red for £0.7m and unidentified of £0.1m. The total for red and unidentified savings is £0.8m or 5% 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	2,386	1,475	(911)	5,000	3,649	(1,351)
Surgical	2,367	2,178	(190)	4,075	4,206	130
W & C	958	725	(232)	1,642	1,822	180
Facilities	642	320	(323)	1,101	771	(331)
Corporate	589	504	(85)	1,119	1,072	(48)
Trustwide	159	514	0	956	2,312	1,356
TOTAL	7,101	5,715	(1,741)	13,894	13,831	(62)

NHS Single Oversight Framework - Use of Resources

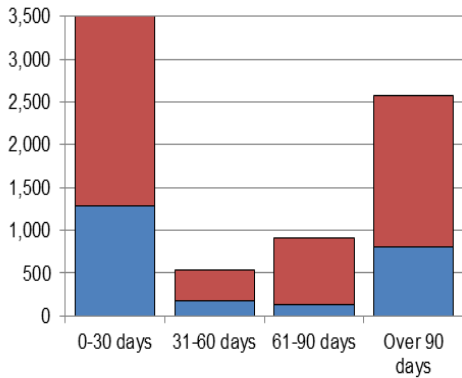
	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	3.054	1.718	-1.199	3.134	3.041	-0.120
Capital Service Cover Rating	1	3		1	1	
Liquidity Metric	10.537	9.909	-0.841	9.675	9.574	-0.101
Liquidity Rating	1	1		1	1	
I&E Margin Metric	3.3%	-0.1%	-3.2%	3.8%	3.5%	-0.4%
I&E Margin Rating	1	3		1	1	
Variance from Control Metric		-3.4%	-3.2%		-0.3%	-0.4%
Variance from Control Rating		4			2	
Agency Metric	-16.5%	-3.1%	18.2%	-20.2%	-20.2%	0.0%
Agency Rating	1	1		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 7 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.

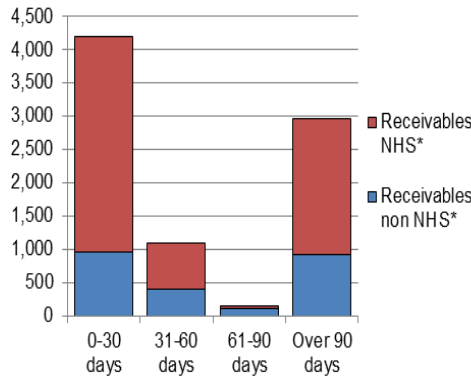
The rating of 4 on the category variance from control rating is because the year to date actual I&E margin in comparison to the year to date plan is greater than 2%. It is anticipated that by the year end this will be less than 1% and the score will be reduced to 2 this will enable the Trust to have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

Statement of Financial Position

£000 Aged Debtors - Previous Month



£000 Aged Debtors - Current Month



Better Practice Payment Code

The Trust has achieved 95% achievement of number of invoices paid within 30 days, meeting the national target.

Aged Debt

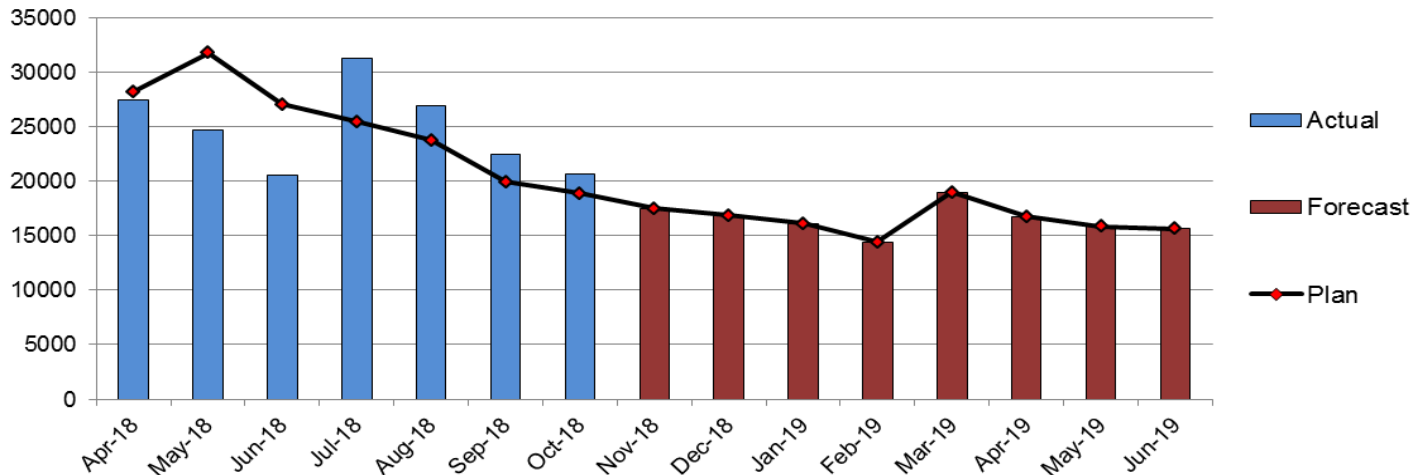
Invoice debt is £8.4m, of which £0.7m is not yet due. There has been an increase in debts over 90 days (£3m compared to £2.6m last month). Maternity Pathways and NCA debts are on-going issues and these are being actively chased by the team.

Cash

The cash balance at the end of October is £20.6m. This is higher than plan due to capital expenditure being behind plan, however the operating position and non achievement of PSF has had a detrimental effect on the cash position. A full review of cash flow and forecasting is being undertaken and will be reported to Board in December.

£000

Cash



Statement of Financial Position

Statement of Financial Position	30-Sep-18	31-Oct-18	Movement
	£000	£000	£000
Non-current assets			
Intangible assets	9,135	8,974	(161)
Property, plant and equipment	185,840	187,340	1,500
Trade and other receivables	1,106	1,109	3
Total non-current assets	196,081	197,423	1,342
Current assets			
Inventories	3,415	3,719	304
Trade and other receivables	18,965	21,754	2,789
Cash and cash equivalents	22,433	20,611	(1,822)
Total current assets	44,813	46,084	1,271
Current liabilities			
Trade and other payables	(24,305)	(25,568)	(1,263)
Other liabilities	(4,133)	(4,326)	(193)
Provisions	(1,165)	(595)	570
Borrowings	(3,236)	(3,233)	3
Total current liabilities	(32,839)	(33,722)	(883)
Total assets less current liabilities	208,055	209,785	1,730
Non-current liabilities			
Provisions	(784)	(784)	-
Borrowings	(14,664)	(14,658)	6
Total non-current liabilities	(15,448)	(15,442)	6
Total Assets Employed	192,607	194,343	1,736
Financed by			
Income and expenditure reserve	(6,776)	(5,245)	1,531
Public dividend capital	157,146	157,351	205
Revaluation reserve	42,237	42,237	-
Total Equity	192,607	194,343	1,736

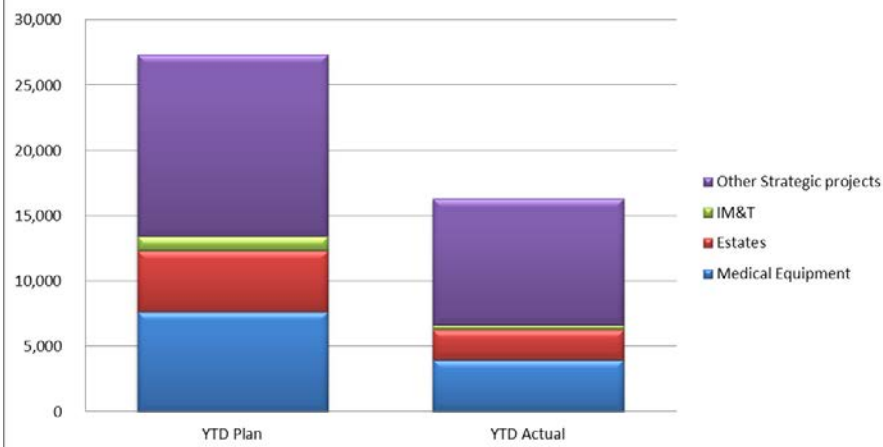
The movement in the Statement of Financial Position is illustrated in the table opposite showing the position for the prior and current months.

Key changes in Month 7:

- Non-current assets have increased in value by £1.3m. This largely relates to the Therapies build, OMFS refurbishment and Radiology Upgrade.
- Inventories have increased by a further £0.3m.
- Trade receivables has increased by £2.8m due to NHS debtors.
- Trade payables have increased by £1.3m, predominantly relating to Capital expenditure.
- Cash and equivalents is £20.6m at the end of October. This is a decrease of £1.8m in month and £12.3m since the start of the year. A full review of cash flow and forecasting is being undertaken and will be reported to Board in December.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure to the end of October totals £16.3m, with in month spend of £2.4m, resulting in an underspend of £11.0m year to date.

- Medical Equipment** is underspent by £3.7m, this includes the new lease CT expected this month but delayed until February. Orders awaiting delivery total £2.5m. MEC is working to ensure available funds are spent in year.
- Strategic Capital** is £4.2m behind plan. This relates to delays in the OMFS relocation project, R&D and Bath Chronic Pain Service (BCPS) relocations from the RNHRD. These projects along with Radiology Upgrade project have known or potential cost pressures.
- Estates** is £2.4m behind plan, this relates to the Sterile Services upgrade and centralisation project start delayed until January 19, the Therapies and Radiology power upgrade with works not expected to be completed until January 19 due to asbestos removal.
- IT** is £0.7m behind plan, in part this relates to delays in e-observations and patient flow, with external funding now secured for patient flow.

The forecast outturn is £2.5m less than plan, due mainly to the delays in starting the projects to relocate services from the RNHRD.

Capital Summary as at 31st October 2018	Annual Plan £000s	YTD Plan £000s	Actual Expend £000s	Variance £000s	Actual %	Forecast Outturn £000s
Medical Equipment (donated)	564	246	117	(129)	47%	564
Strategic Capital (Therapies)	2,000	0	0	0		2,000
Strategic Capital (RUH Redevelop)	802	292	374	82	128%	802
Donated Funded Total	3,366	538	491	(47)	91%	3,366
Estates						
Theatre, Ward & SSD Upgrades	4,423	2,931	463	(2,469)	16%	3,799
Other Estates Projects	2,663	1,751	1,850	99	106%	3,181
Estates Total	7,086	4,682	2,313	(2,370)	49%	6,980
IM&T						
Clinical Systems	1,666	528	103	(425)	19%	1,121
Other IM&T	1,121	543	228	(315)	42%	1,436
IM&T Total	2,786	1,071	330	(740)	31%	2,557
Medical Equipment	5,806	4,984	2,551	(2,433)	51%	5,312
Strategic Capital schemes						
RNHRD & Therapies Build	12,181	8,079	6,487	(1,591)	80%	12,181
RUH Redevelopment	6,413	4,161	1,366	(2,795)	33%	4,709
Radiology Upgrade	1,384	1,384	1,458	73	105%	1,698
Strategic Total	19,978	13,624	9,311	(4,313)	68%	18,588
Contingency	283	0	0	0		0
Trust Funded Total	35,940	24,360	14,505	(9,856)	60%	33,437
Medical Equipment (Radiology)	2,450	2,450	1,326	(1,124)	54%	2,450
Lease Purchase Total	2,450	2,450	1,326	(1,124)	54%	2,450
TOTAL	41,756	27,348	16,322	(11,026)	60%	39,253