

Report to:	Public Board of Directors	Agenda item:	13
Date of Meeting:	30 January 2019		

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 December 2018.

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position at the end of quarter 3 and the significant risks to delivering the year end position. 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. Failure to deliver the financial plan results in a loss of national provider sustainability funding.











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 9 was a deficit of £0.3m. The Trust has a positive variance to this plan of £3.2m in month and is therefore breakeven for the year. As a result of this the finance element of the Provider Sustainability Fund (PSF) allocation for Quarter 2 and Quarter 3 has been assumed in the position. The key movement in the month reflects the income negotiations with Commissioners as we move towards agreeing a year end income position. There continue to be pressures within the position including the level of spend on pay and under delivery against the original QIPP programme within Divisions. In order to achieve the financial control total at year end the financial recovery plan which is expecting to deliver a reduction of £1m of expenditure in the final quarter of the year must be delivered. There also remains a further £1.1m of income which the Trust is working with BSW STP to resolve in the final quarter of the year and a further £0.5m of income from Somerset CCG for re-investment of the marginal rate tariff which they are currently disputing. 	 	 
QIPP programme	<ul style="list-style-type: none"> £9.1m achieved against plan of £9.8m, 93% delivery for the year to date. The level of achievement has increased due to central non-recurrent items. There remains £0.3m of QIPP plans to be identified and £0.4m of schemes are red rated. This includes elements of the financial recovery plan to show how these contribute to the overall achievement. 	 	 
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of December was £16.5m, which is £0.3m below plan. Capital expenditure continues to be below plan (£10.9m year to date) due to slippage in schemes. Cash is below plan due to the income and expenditure position being less than planned and the Q2/Q3 PSF not being paid to date. The liquidity metric score remains as 1, which is the highest rating possible. 	 	

Income and Expenditure Summary

Statement of Comprehensive Income Period to December 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(222,110)	(223,373)	(1,263)
Provider Sustainability Fund	(7,123)	(4,986)	2,137
Other Income	(27,090)	(30,394)	(3,304)
Income Total	(256,323)	(258,753)	(2,430)
Pay	152,717	158,855	6,138
Non Pay	81,776	80,754	(1,022)
Expenditure Total	234,493	239,609	5,116
EBITDA	(21,830)	(19,144)	2,686
Finance Charges	12,657	11,896	(761)
(Surplus)/Deficit before Impairments	(9,174)	(7,248)	1,926
Impairments	0	0	0
(Surplus)/Deficit	(9,174)	(7,248)	1,926
Margin	9%	7%	

I&E position used to calculate position against PSF control total			
	Plan	Actual £'000	Variance £'000
(Surplus)/Deficit	(9,174)	(7,248)	1,926
Less anticipated PSF funding	7,123	4,986	(2,137)
Less impairments	(369)		369
Less Donated income	888	675	(213)
Less Donated depreciation	(595)	(544)	51
Position against control total	(2,128)	(2,131)	(4)

The Month 9 position was £3.2m positive to plan. This was driven by the agreement of commissioner income year end positions and the use of central provisions.

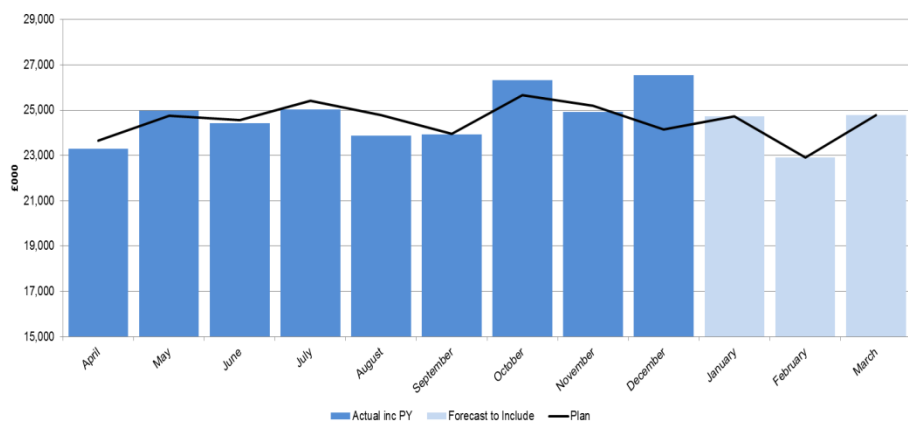
The overspend on pay has continued, however December saw a reduction in spend on the trend of past months. The main area of over spend continues to be within the Medicine Division, however agency usage dropped in month.

The non-pay position includes High Cost Drugs spend being lower than planned. Whilst the Other Income position includes the continuing over achievement of Education income.

The commissioning income improvement is as a result of year end positions being agreed, however December saw lower than planned levels of Outpatient and Elective activity; off-set by higher than planned levels of Non-Electives within Medicine.

Income

Total Trust Income from Commissioners



- The income position as at the end of December is above plan, with a variance of £1.2m over performance. This has been driven by an agreed year to date position with commissioners leading to an additional £3.4m income to cover our activity costs. The activity position continues to underperform in Elective and Outpatients.
- Day case income and activity has over performed against plan within the T&O, Oral Surgery 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 General Surgery, Trauma & Orthopaedics and Pain Management.
- General Surgery, T&O, 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 £5.8m year to date, £1.0m above plan, excluding reinvestment.
- Outpatient activity continues to under perform against plan mainly within the Medicine Division.

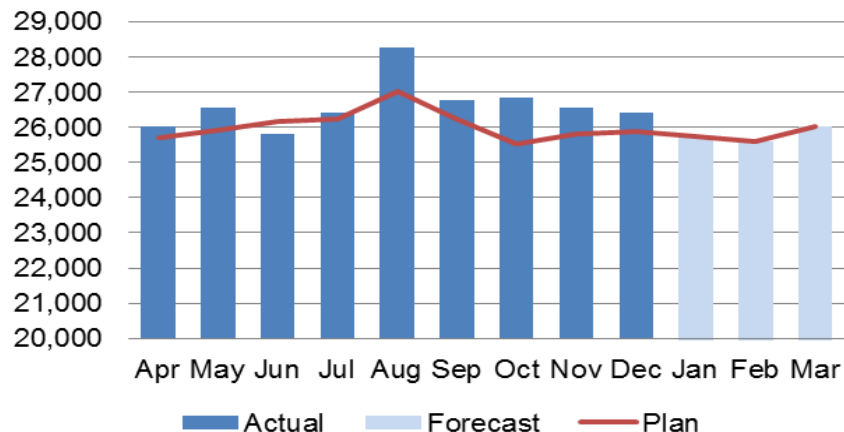
Income Performance 31 December 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,597)	(8,737)	(8,692)	45
Daycase	(22,297)	(16,749)	(17,105)	(356)
Elective Inpatient	(18,671)	(14,845)	(13,657)	1,188
High Cost Drugs	(35,966)	(26,783)	(26,043)	739
Non Elective Inpatient	(113,425)	(85,427)	(87,232)	(1,806)
Outpatient	(75,483)	(56,788)	(55,509)	1,280
Other	(17,057)	(12,781)	(15,073)	(2,292)
	(294,495)	(222,110)	(223,312)	(1,202)

SLA Performance - Commissioner 31 December 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(88,224)	(66,587)	(68,467)	(1,880)
Wiltshire CCG	(97,350)	(73,540)	(76,141)	(2,601)
Somerset CCG	(32,582)	(24,591)	(24,445)	145
SW Specialised Commissioning	(47,386)	(35,535)	(33,948)	1,586
Bristol, North Somerset & South Glos CCG	(12,385)	(9,382)	(9,456)	(74)
Other South West CCGs	(1,656)	(1,244)	(1,178)	66
South West Area Teams & LA s	(5,355)	(4,078)	(1,481)	2,597
Wessex Area Team (Cancer Drugs)	(1,938)	(1,444)	(1,449)	(5)
Non Contract Activity	(7,620)	(5,710)	(6,746)	(1,036)
	(294,495)	(222,110)	(223,312)	(1,202)

Activity Performance 31 December 2018	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,806	56,361	55,739	(622)
Daycase	29,175	21,914	22,846	932
Elective Inpatient	5,639	4,461	4,030	(431)
Non Elective Inpatient	48,283	36,170	38,244	2,074
Outpatient	511,468	384,185	380,384	(3,801)
	669,371	503,090	501,243	(1,847)

Expenditure

Operating Expenditure



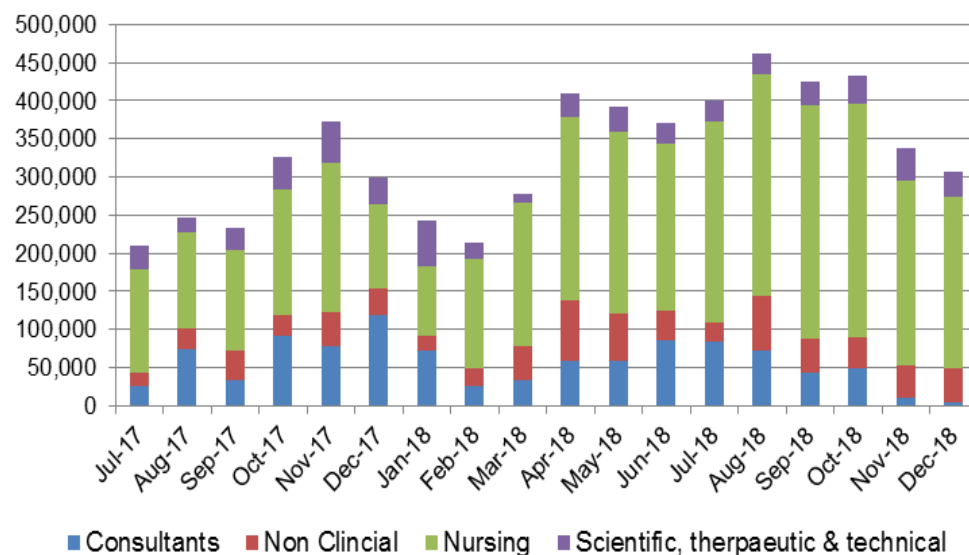
Issues:

The Month 9 actual expenditure position was slightly lower than the Month 8 position. Key drivers for the Month 9 position included:

- Pay spend saw a decrease in month, driven by lower agency and bank usage than previous months.
- The level of spend on High Cost drugs dropped in month, as well as the usage of in tariff drugs.
- Utilities spend continues to be high which is mostly driven by price increases.

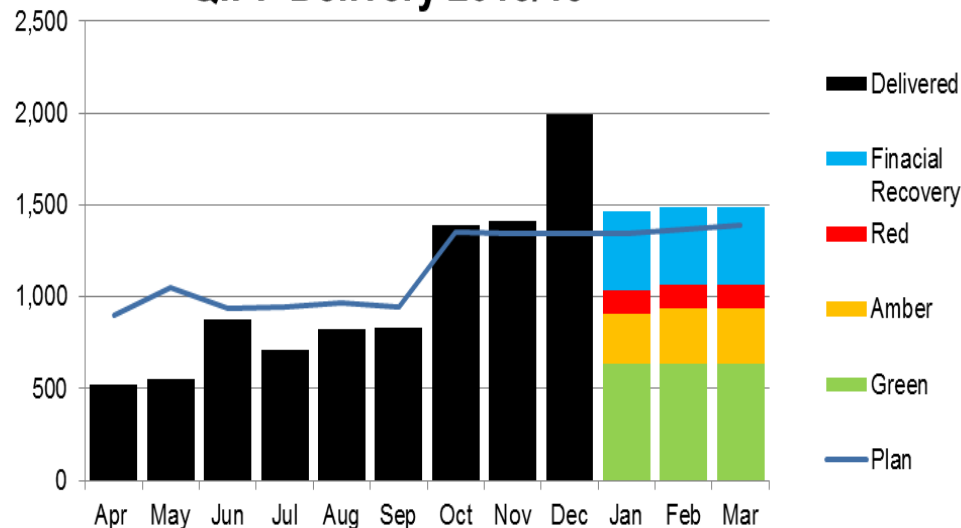
	Prior year average	M8	M9
Divisional Pay run rate	£'000	£'000	£'000
Surgical	5,055	5,067	4,963
Medical	6,518	7,050	7,107
Women's & Children	2,308	2,544	2,492
Facilities	911	1,018	992
Corporate	1,559	1,729	1,652
TOTAL	16,351	17,407	17,206
Included above			
Agency	278	368	241
Non Pay			
Surgical	2,019	2,216	1,851
Medical	4,014	4,163	3,905
Women's & Children	523	484	473
Facilities	898	942	845
Corporate	1,340	786	1,503
TOTAL	8,793	8,591	8,576

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 few months has identified a number of recovery plan 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 identified QIPP schemes and their forecasts are at a level that they believe is deliverable. There has been a deterioration in the level of savings expected from the Medicine Division by year end.
- The QIPP delivery in December was an increase due to non recurrent savings as part of the finance recovery plan.
- 93% of the year to date plan has been achieved and of this 23% has been delivered non-recurrently.
- The forecast delivery includes schemes which are rated as red for £0.4m and unidentified of £0.3m. The total for red and unidentified savings is £0.7m or 5% of the total required.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	3,403	2,134	(1,269)	5,000	3,495	(1,505)
Surgical	3,051	2,894	(157)	4,075	3,992	(83)
W & C	1,231	1,096	(136)	1,642	1,733	92
Facilities	826	467	(359)	1,101	730	(371)
Corporate	805	842	37	1,119	1,197	78
Trustwide	478	1,678	1,200	956	2,409	1,453
TOTAL	9,794	9,110	(684)	13,894	13,557	(337)

NHS Single Oversight Framework - Use of Resources

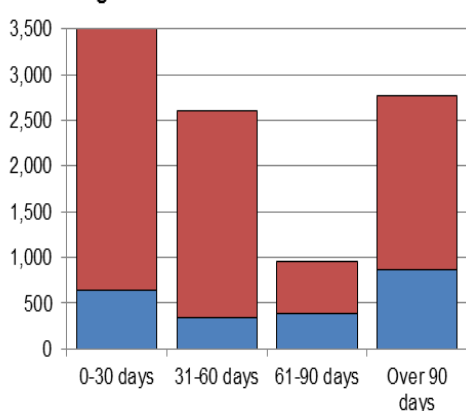
	YTD Plan	YTD Actual	YTD Variance
Capital Service Cover Metric	2.516	1.881	-0.635
Capital Service Cover Rating	1	2	
Liquidity Metric	14.771	19.441	4.669
Liquidity Rating	1	1	
I&E Margin Metric	2.4%	0.8%	-1.6%
I&E Margin Rating	1	2	
Variance from Control Metric		0.0%	0.0%
Variance from Control Rating		1	
Agency Metric	-8.6%	-5.5%	-3.1%
Agency Rating	1	1	
Rounded Score	1	2	
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here		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		0	

The Trust's Month 9 overall finance score is 2. This has improved from Month 8 as a result of the control total being met.

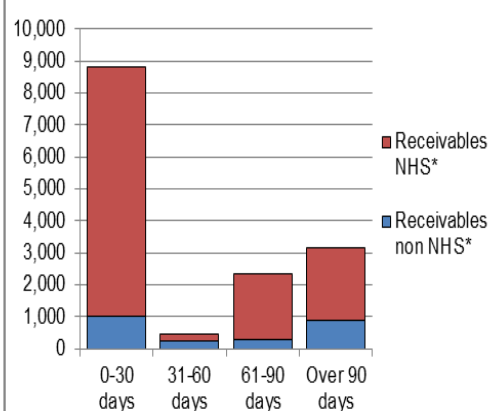
It is forecast that the Trust will meet its control total at Month 12, therefore a rounded score of 2 is expected at year end.

Statement of Financial Position

Aged Debtors - Previous Month



Aged Debtors - Current Month



Better Practice Payment Code

The Trust reports 95.6% achievement of number of invoices paid within 30 days, meeting the national target.

Aged Debt

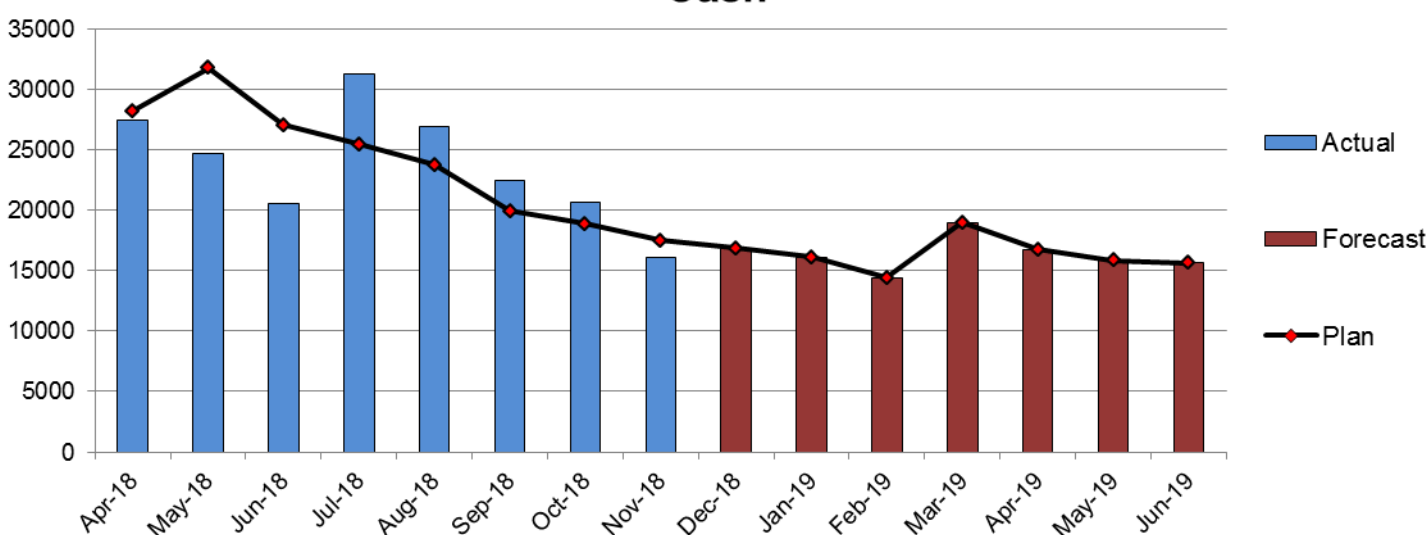
Invoiced debt is £14.8m at the end of December, of which £8.8m is not yet due. A significant proportion of this sits with the primary Commissioners and is expected to reduce next month. Maternity Pathways and NCA debts are on-going issues and these are being actively chased. The team are also working to resolve a queries with NHS England Area Teams to ensure correct billing.

Cash

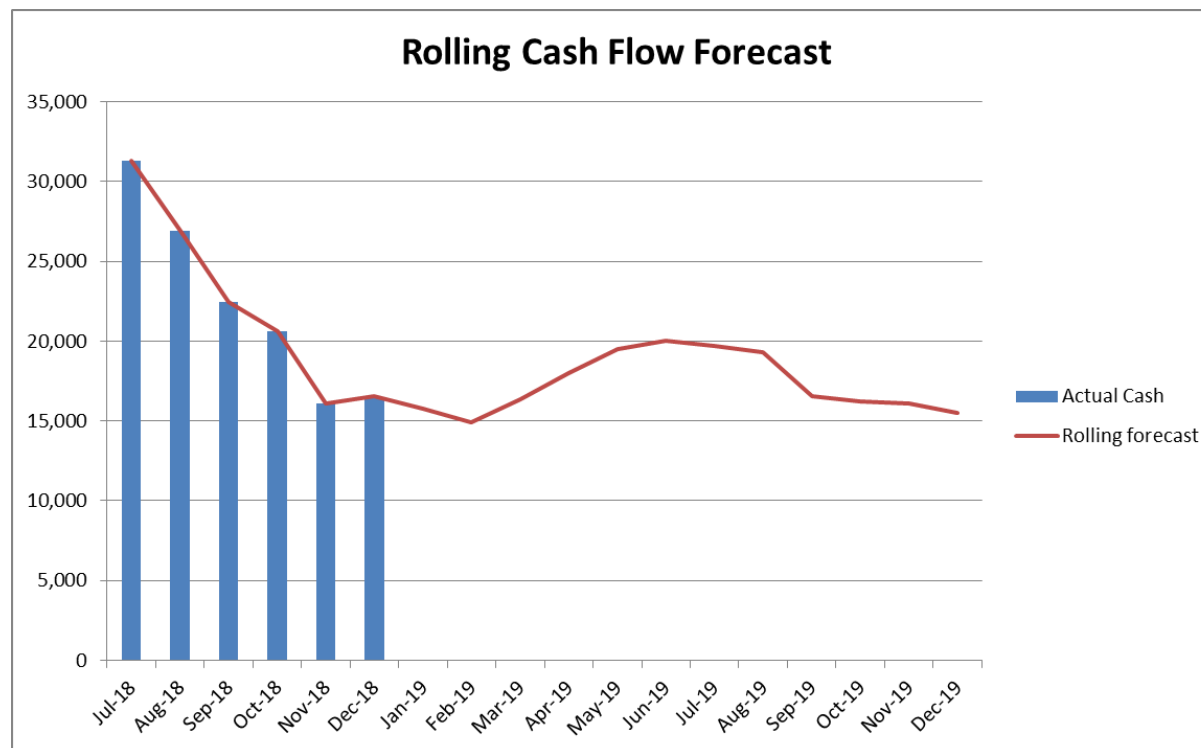
The cash balance at the end of December is £16.5m which is in line with plan. Whilst capital expenditure is behind plan, the operating position and non achievement of PSF relating to ED performance is having an adverse impact on the cash balance.

£000

Cash



Cash Flow Forecast



A paper was shared with the Board in December 2018 giving an overview of the Cash position, forecast and risks.

The above forecast is based on achieving the financial control total for 2018/19 and accessing the PSF funding, with the exception of ED performance to date.

2019/20 is modelled assuming a £9.5m surplus as per the financial strategy presented to the Board in November 2018.

Cash surpluses are necessary to ensure the Trust can deliver its long term strategy, including the extensive capital programme.

Statement of Financial Position

Statement of Financial Position	30-Nov-18 £000	31-Dec-18 £000	Movement £000
Non-current assets			
Intangible assets	8,771	8,909	138
Property, plant and equipment	190,209	191,812	1,603
Trade and other receivables	1,129	1,122	(7)
Total non-current assets	200,109	201,843	1,734
Current assets			
Inventories	3,756	3,267	(489)
Trade and other receivables	22,749	31,352	8,603
Cash and cash equivalents	16,076	16,508	432
Total current assets	42,581	51,127	8,546
Current liabilities			
Trade and other payables	(24,710)	(26,700)	(1,990)
Other liabilities	(4,372)	(5,228)	(856)
Provisions	(76)	(69)	7
Borrowings	(3,233)	(3,234)	(1)
Total current liabilities	(32,391)	(35,231)	(2,840)
Total assets less current liabilities	210,299	217,739	7,440
Non-current liabilities			
Provisions	(784)	(784)	-
Borrowings	(14,679)	(14,490)	189
Total non-current liabilities	(15,463)	(15,274)	189
Total Assets Employed	194,836	202,465	7,629
Financed by			
Income and expenditure reserve	(4,752)	2,077	6,829
Public dividend capital	157,351	158,151	800
Revaluation reserve	42,237	42,237	-
Total Equity	194,836	202,465	7,629

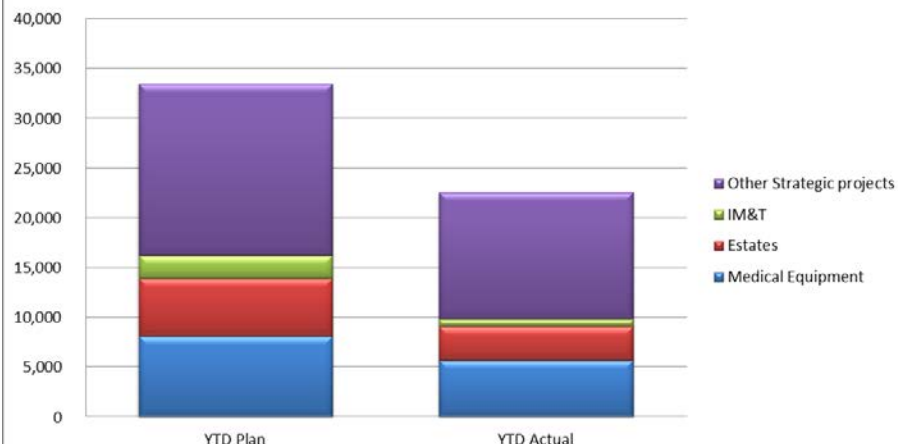
The movement in the Statement of Financial Position is illustrated in the table opposite showing the position for the prior and current month.

Key changes in Month 9:

- Inventories have reduced by £0.5m in month. This is mainly relating to the movement in drugs stock. A full stock take will be done ahead of year end.
- Trade and other receivables have increased significantly in month (£8.6m). This is mainly within NHS debtors:
 - £3.8m relates to PSF funding that the Trust can now access as a result of hitting the control total, this was not accrued in the month 8 position.
 - Agreement with Banes and Wiltshire Commissioners has resulted in additional income within the Month 9 position.
- Trade payables have increased by £2.0m in month, primarily relating to Capital invoice payments.
- Cash and equivalents is £16.5m at the end of December. This is an increase of £0.4m in month and is broadly in line with forecast.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure to the end of December totals £22.6m, with in month spend of £2.7m, resulting in an underspend of £10.9m year to date.

- **Medical Equipment** is underspent by £2.4m. A new Mammography was installed this month and the largest outstanding project is for the replacement of Trust Defibrillators with expected costs of £0.5m.
- **Strategic Capital** is £4.6m behind plan. This relates to delays in the OMFS relocation project, R&D and BCPS relocations from the RNHRD.
- **Estates** is £2.3m behind plan, this relates to the SSD Upgrade and Centralisation project delays.
- **IT** is £1.6m behind plan, in part this relates to delays in e-observations and bed management.

The forecast outturn is £4.8m less than plan, due mainly to the delays in starting the projects to relocate services from the RNHRD. It has been adjusted this month to reflect risk of delays in the current building projects and delivery of medical equipment.

Capital Summary as at 31st December 2018	Annual Plan £000s	YTD Plan £000s	Actual Spend £000s	Variance £000s	Actual %	Forecast Outturn £000s
Medical Equipment (donated)	564	373	139	(234)	37%	564
Strategic Capital (Therapies)	2,000	0	0	0		2,000
Strategic Capital (RUH Redevelop)	802	476	551	75	116%	802
Donated Funded Total	3,366	849	690	(160)	81%	3,366
Estates						
Theatre, Ward & SSD Upgrades	4,423	3,594	666	(2,928)	19%	3,787
Other Estates Projects	2,663	2,201	2,808	607	128%	3,338
Estates Total	7,086	5,796	3,474	(2,321)	60%	7,125
IM&T						
Clinical Systems	1,666	1,463	465	(998)	32%	1,121
Other IM&T	1,121	845	257	(588)	30%	1,317
IM&T Total	2,786	2,308	722	(1,585)	31%	2,438
Medical Equipment	6,006	5,313	3,339	(1,974)	63%	5,090
Strategic Capital schemes						
RNHRD & Therapies Build	12,181	10,014	8,595	(1,418)	86%	10,681
RUH Redevelopment	6,213	5,399	2,101	(3,297)	39%	4,382
Radiology Upgrade	1,384	1,384	1,471	86	106%	1,469
Strategic Total	19,778	16,797	12,167	(4,629)	72%	16,533
Contingency	283	0	0	0		0
Trust Funded Total	35,940	30,213	19,703	(10,510)	65%	31,186
Medical Equipment (Radiology)	2,450	2,450	2,218	(232)	91%	2,450
Lease Purchase Total	2,450	2,450	2,218	(232)	91%	2,450
TOTAL	41,756	33,512	22,611	(10,901)	67%	37,003