

Report to:	Public Board of Directors	Agenda item:	10
Date of Meeting:	24 April 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

<b>1.</b>	<b>Executive Summary of the Report</b>
The purpose of this report is to set out the Trust's financial performance for the period to 31 March 2019.	

<b>2.</b>	<b>Recommendations (Note, Approve, Discuss)</b>
The Board should note the financial position at the end of 2018/19 and the achievement of the Control Total. <b>Action: All</b>	

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

<b>4.</b>	<b>Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)</b>
<p>In line with the Risk Assessment Framework :</p> <p>The Trust fails to deliver its financial plan which leads to the Trust having a Single Oversight Framework rating of three or higher, 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.</p>	







<b>5.</b>	<b>Resources Implications (Financial / staffing)</b>
Not Applicable	

<b>6.</b>	<b>Equality and Diversity</b>
Not Applicable	

<b>7.</b>	<b>References to previous reports</b>
Standing Item	

<b>8.</b>	<b>Freedom of Information</b>
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"> <li>The Trust has achieved its Control Total for 2018/19. This is a surplus of £1.8m before Provider Sustainability Funding.</li> <li>The control total plan for Month 12 was a surplus of £0.3m. The Trust has a favourable variance to this plan of £1.1m in month. As a result of this the finance element of the Provider Sustainability Fund (PSF) allocation has been assumed for Quarter 4 at £2.7m, thus achieving £7.7m PSF for the year.</li> <li>The key movement in the month reflects the final contract agreements with Commissioners included in the year end position. In addition to this there has been pressure in month from increased spend on non-pay.</li> </ul>		
QIPP programme	<ul style="list-style-type: none"> <li>The plan for savings for 2018/19 was £13.9m and this has been achieved.</li> <li>The delivery of savings to ensure that the Control Total has been met has come predominantly as a result of Financial Recovery and central actions during the latter part of the financial year.</li> </ul>		
Liquidity	<ul style="list-style-type: none"> <li>Cash balance at the end of March was £18.9m, which is in line with plan. Capital expenditure for the year was below plan due to slippage.</li> <li>The liquidity metric score remains as 1, which is the highest rating possible.</li> </ul>		

# Income and Expenditure Summary

Statement of Comprehensive Income Period to March 2019	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(294,495)	(297,000)	(2,505)
Provider Sustainability Fund	(10,958)	(7,671)	3,287
Other Income	(38,288)	(42,369)	(4,081)
<b>Income Total</b>	<b>(343,741)</b>	<b>(347,041)</b>	<b>(3,299)</b>
Pay	202,802	211,965	9,163
Non Pay	109,033	108,310	(723)
<b>Expenditure Total</b>	<b>311,835</b>	<b>320,275</b>	<b>8,440</b>
<b>EBITDA</b>	<b>(31,906)</b>	<b>(26,766)</b>	<b>5,140</b>
Finance Charges	17,213	18,737	1,524
<b>(Surplus)/Deficit before Impairments</b>	<b>(14,694)</b>	<b>(8,029)</b>	<b>6,664</b>
Impairments	0	0	0
<b>(Surplus)/Deficit</b>	<b>(14,694)</b>	<b>(8,029)</b>	<b>6,664</b>
<b>Margin</b>	<b>9%</b>	<b>8%</b>	

I&E position used to calculate position against PSF control total			
	Plan	Actual £'000	Variance £'000
<b>(Surplus)/Deficit</b>	<b>(14,694)</b>	<b>(8,029)</b>	<b>6,664</b>
Less anticipated PSF funding	10,958	7,671	(3,287)
Less impairments	(641)	(2,734)	(2,092)
Less Donated income	3,366	1,965	(1,402)
Less Donated depreciation	(795)	(717)	79
<b>Position against control total</b>	<b>(1,806)</b>	<b>(1,844)</b>	<b>(38)</b>

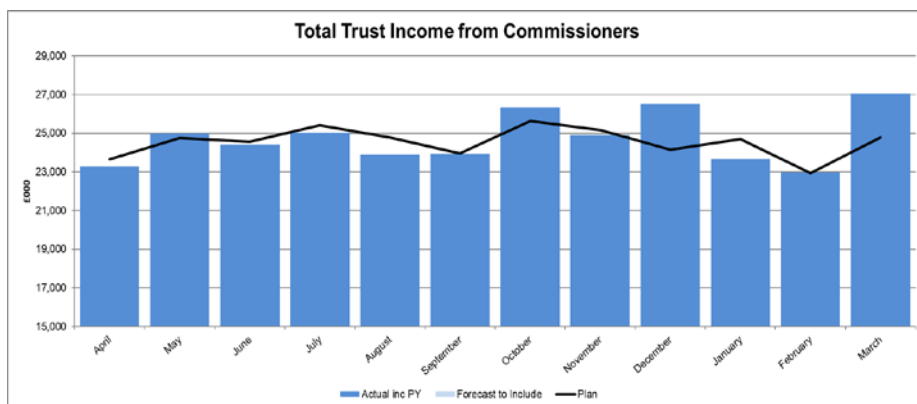
The Month 12 position was £2.5m favourable to plan, including the impact of PSF. This was driven by the achievement of the finance element of PSF for the final quarter and over-achievement of commissioner income through final year end contract agreements.

Pay continued to over-spend, however excluding elements related to year end provisions, the overall pay bill was in line with the level in February and is a reduction in the run rate seen prior to Christmas. This is in contrast to the usual trend of an increase in pay spend over the Winter period.

The non-pay position in month, reflects the impact of year end provisions and adjustments as a result of the stock take. Additionally, there was a high level of spend on transport and maintenance within the month.

Other Income was above plan due to higher levels of Education income which is partially offset with spend in non-pay in that area.

# Income



- The income position as at the end of March is above plan, with a variance of £2.5m over performance. This has been driven by an agreed year end contract positions with commissioners reflecting costs incurred. The activity position continues to underperform in Elective and Outpatients.
- Day case income and activity have continued to be strong through the year with several specialties over performing against plan.
- Elective income underperformance continues to be driven by lower than planned levels of activity within General Surgery, Trauma & Orthopaedics and Pain Management and Cardiology.
- Non elective activity and income is significantly above plan for the year and consistent with previous years. The impact of the Marginal Rate Emergency Threshold (MRET) is £8.6m for the year, £2.3m above plan, excluding reinvestment. This will be addressed by changes in the tariff for 2019/20
- Outpatient activity continues to under perform against plan mainly within the Medicine Division.

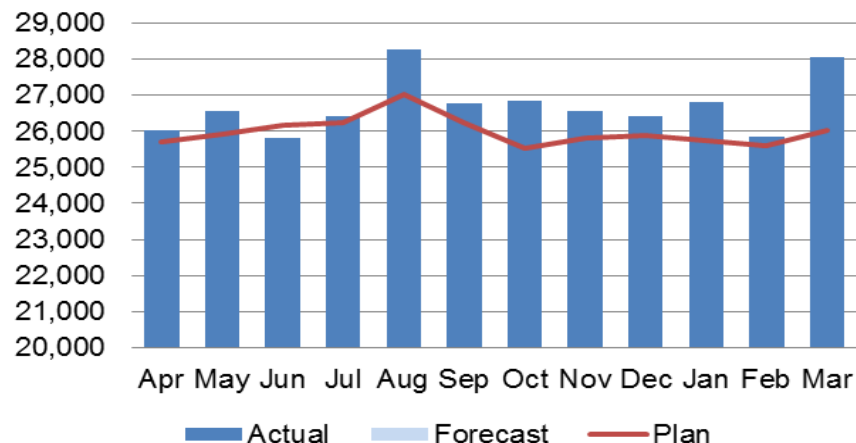
Income Performance 31 March 2019	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,597)	(11,597)	(11,623)	(26)
Daycase	(22,297)	(22,297)	(23,049)	(752)
Elective Inpatient	(18,671)	(18,671)	(16,857)	1,815
High Cost Drugs	(35,966)	(35,966)	(34,165)	1,800
Non Elective Inpatient	(113,425)	(113,425)	(115,818)	(2,393)
Outpatient	(75,483)	(75,483)	(74,913)	569
Other	(17,057)	(17,057)	(20,582)	(3,525)
	<b>(294,495)</b>	<b>(294,495)</b>	<b>(297,007)</b>	<b>(2,512)</b>

SLA Performance - Commissioner 31 March 2019	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(88,224)	(88,224)	(92,773)	(4,548)
Wiltshire CCG	(97,350)	(97,350)	(99,221)	(1,871)
Somerset CCG	(32,582)	(32,582)	(32,781)	(200)
SW Specialised Commissioning	(47,386)	(47,386)	(46,044)	1,342
Bristol, North Somerset & South Glos CCG	(12,385)	(12,385)	(12,497)	(112)
Other South West CCGs	(1,656)	(1,656)	(1,526)	129
South West Area Teams & LA s	(492)	(492)	(1,040)	(548)
Wessex Area Team (Cancer Drugs)	(1,938)	(1,938)	(1,869)	69
Non Contract Activity	(12,483)	(12,483)	(9,256)	3,227
	<b>(294,495)</b>	<b>(294,495)</b>	<b>(297,007)</b>	<b>(2,512)</b>

Activity Performance 31 March 2019	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,806	74,806	74,149	(657)
Daycase	29,175	29,175	30,359	1,184
Elective Inpatient	5,639	5,639	5,096	(543)
Non Elective Inpatient	48,283	48,283	51,619	3,336
Outpatient	511,468	511,468	513,478	2,010
	<b>669,371</b>	<b>669,371</b>	<b>674,701</b>	<b>5,330</b>

# Expenditure

## Operating Expenditure



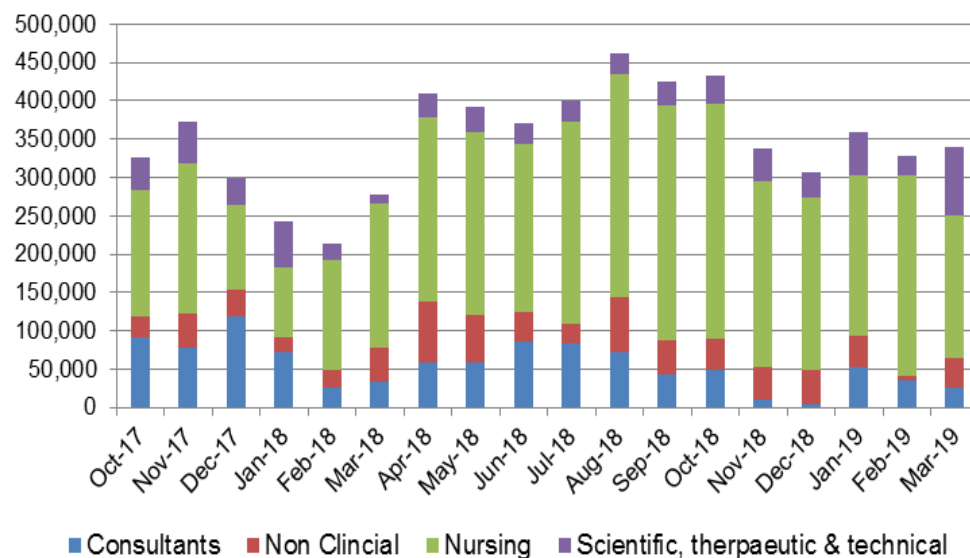
## Issues:

The Month 12 actual expenditure position increased from prior months. This includes increases in provisions which are included in the year end position. Key drivers for the Month 12 position included:

- The underlying pay run rate remained consistent, however there was an increase in pay expenditure from February levels mainly due to year end provisions allowed for.
- Non-pay spend has increased across all divisions from the prior month, including increases in drugs spend and the impact of year end provisions and stocktakes. Specific areas such as transport and maintenance were higher than planned.

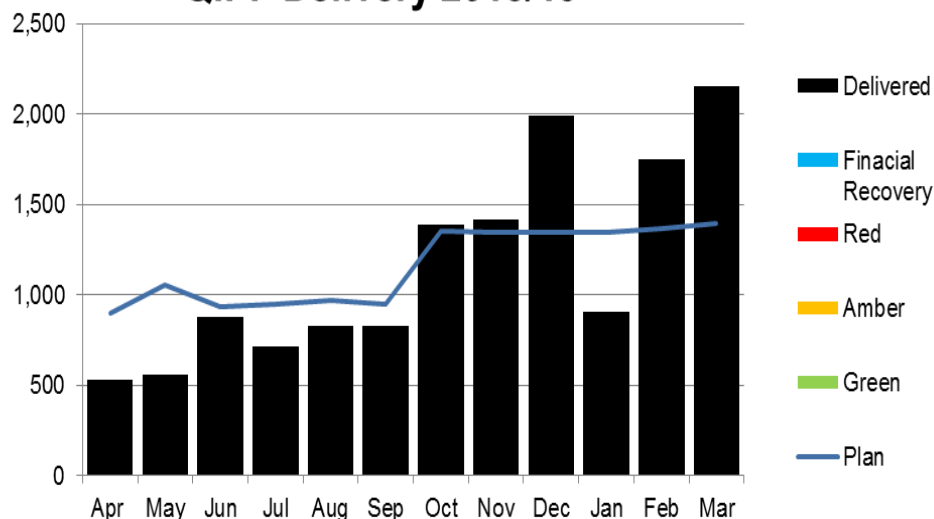
Divisional Pay run rate	Prior year average £'000	M11 £'000	M12 £'000
Surgical	5,055	5,023	5,022
Medical	6,518	7,084	7,028
Women's & Children	2,308	2,516	2,540
Facilities	911	1,014	1,012
Corporate	1,559	1,594	1,789
<b>TOTAL</b>	<b>16,351</b>	<b>17,231</b>	<b>17,391</b>
<b>Included above</b>			
Agency	278	323	340
<b>Non Pay</b>			
Surgical	2,019	1,783	1,905
Medical	4,014	3,477	4,413
Women's & Children	523	430	627
Facilities	898	964	1,166
Corporate	1,340	1,448	1,860
<b>TOTAL</b>	<b>8,793</b>	<b>8,102</b>	<b>9,971</b>

## Rolling monthly agency expenditure



# QIPP

## QIPP Delivery 2018/19



- The Trust set a savings plan of £13.9m for 2018/19. This level of savings was required in order to meet the Control Total.
- Within Divisions there were a number of areas which fell short of their targets. Most notably within the Medicine Division who achieved only 60% of their target and Facilities who achieved only 54% of theirs.
- Only the Surgical and Corporate divisions achieved their QIPP target in year.
- The QIPP delivery in March increased from the level seen in previous month, due a number of one-off items to support the financial recovery plan were included.
- The level of QIPP delivery earlier in 2018/19 was significantly lower than plan and work was required to recover the position through a combination of mainly income generating and non recurrent measures from October onwards.
- This included a number of central actions were also taken to ensure that financial recovery was achieved and that QIPP was delivered.
- As a result of the remedial actions necessary a significant proportion of the delivery in 2018/19 has been non-recurrent.

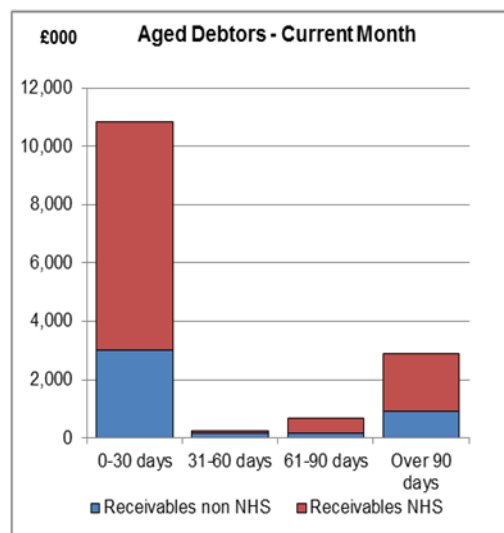
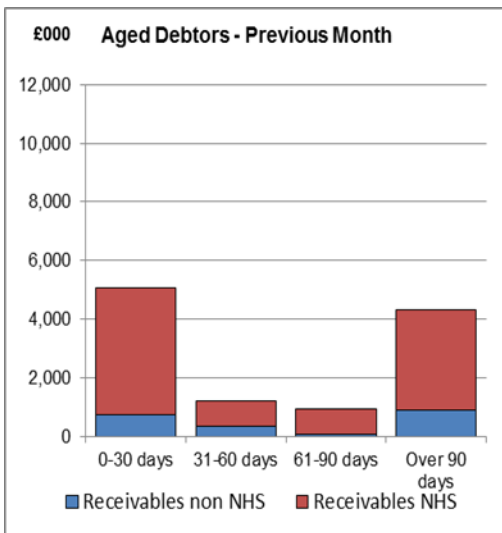
	Full year		
	Target	Forecast	Variance
	£'000	£'000	£'000
Medical	5,000	3,012	(1,988)
Surgical	4,075	4,092	17
W & C	1,642	1,574	(68)
Facilities	1,101	597	(504)
Corporate	1,119	1,219	100
Trustwide	956	3,433	2,477
<b>TOTAL</b>	<b>13,894</b>	<b>13,927</b>	<b>33</b>

# NHS Single Oversight Framework - Use of Resources

	YTD Plan	YTD Actual	YTD Variance
Capital Service Cover Metric	3.134	2.799	-0.335
Capital Service Cover Rating	1	1	
Liquidity Metric	6.610	6.057	-0.553
Liquidity Rating	1	1	
I&E Margin Metric	3.8%	3.0%	-0.8%
I&E Margin Rating	1	1	
Variance from Control Metric		-0.8%	-0.8%
Variance from Control Rating		2	
Agency Metric	-38.4%	-4.1%	34.4%
Agency Rating	1	1	
<b>Rounded Score</b>	<b>1</b>	<b>1</b>	
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 12 overall finance score is 1. This is an improvement from Month 11 and is in line with the forecast for the year end position.

# Statement of Financial Position



## Better Practice Payment Code

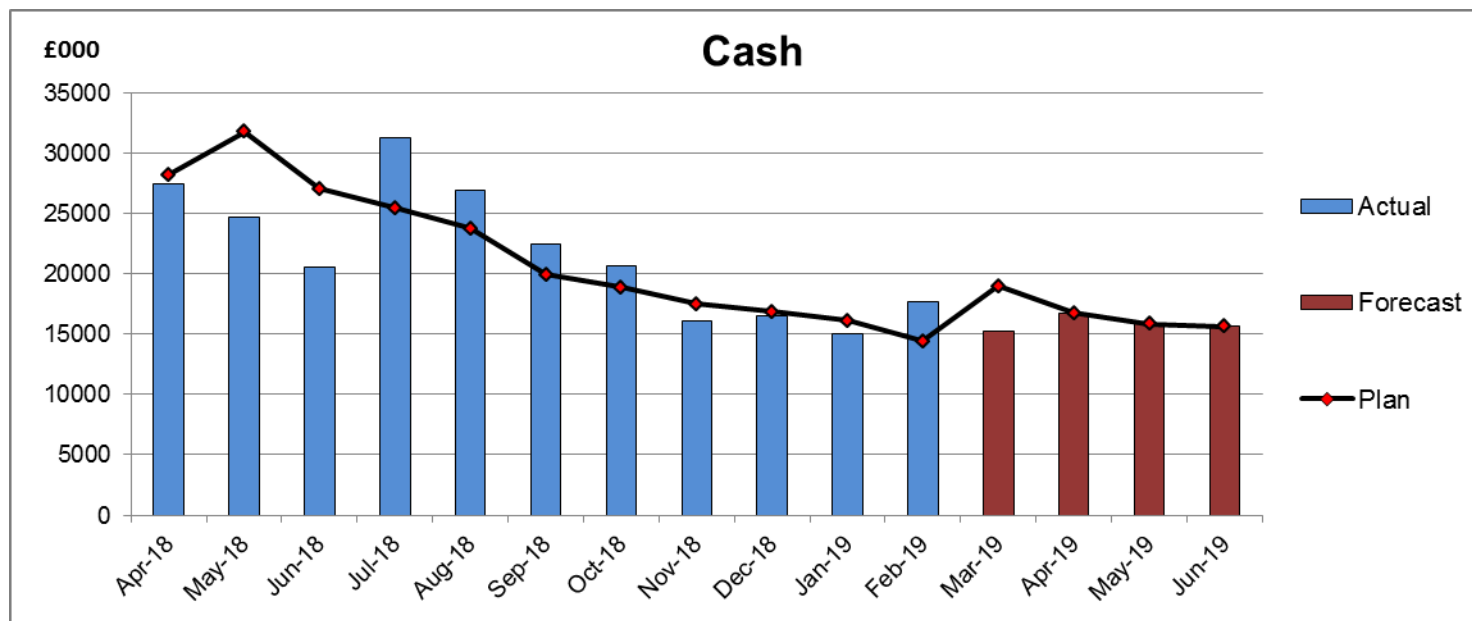
The Trust reports 95.1% achievement of number of invoices paid within 30 days, this is consistent with the previous month and meets the national target.

## Aged Debt

Inviced debt is £14.6m at the end of March, of which £7.8m is not yet due. Final performance invoices for 2018-19 have been raised to Commissioners causing an increase in inviced debt from Month 11.

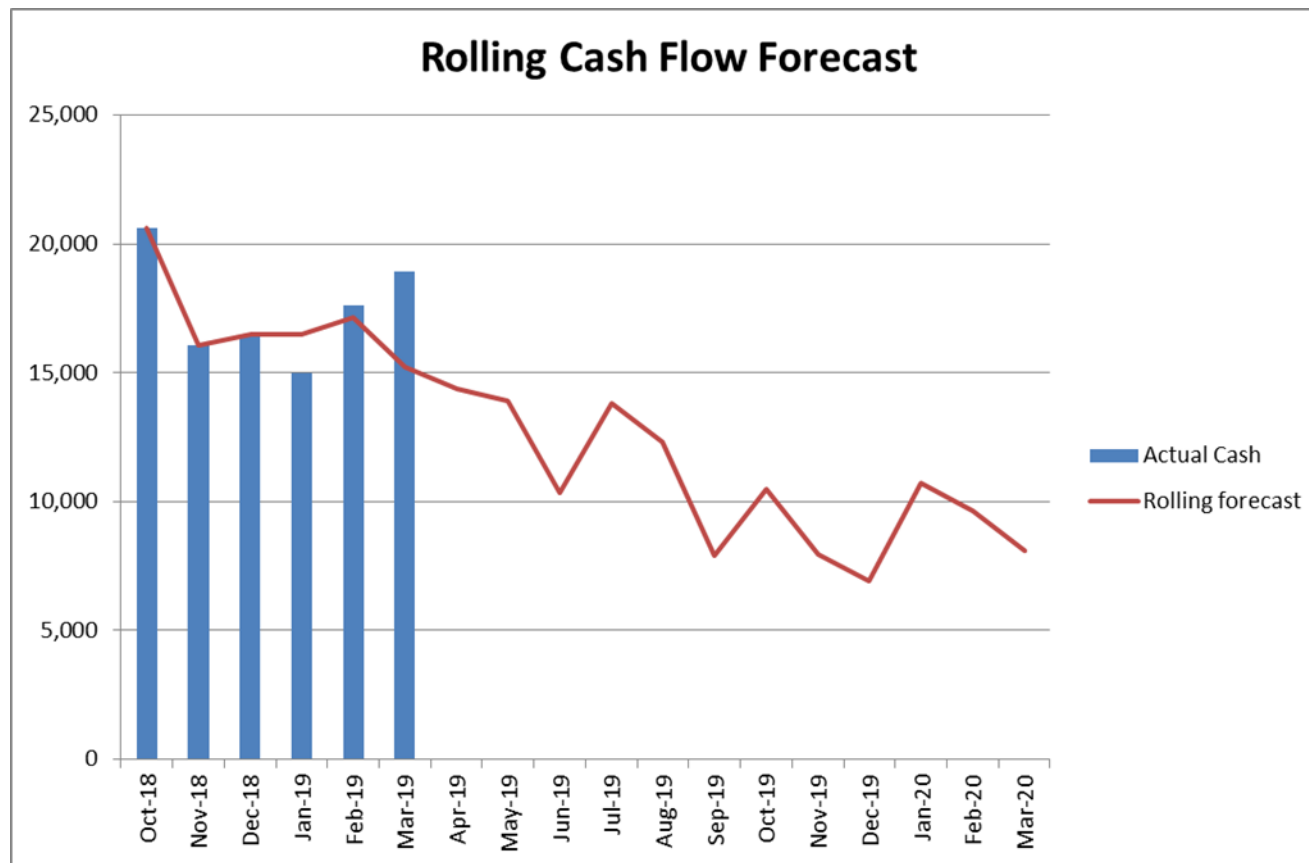
## Cash

The cash balance at the end of March is £18.9m which is in line with plan. This is higher than forecast due to the underspend on Capital.





# Cash Flow Forecast



The closing cash position for 2018/19 is £18.9m which is higher than forecast due to slippage within the Capital programme.

2019/20 is shown as per the forecast included in the NHSI Planning return submitted on 4th April 2019. This assumes receipt of Q4 PSF in June 2019 and that the control total is achieved for the coming year. No assumption has been included for any potential bonus PSF funding relating to 2018/19 performance.

Cash surpluses are forecast to deteriorate in year as they are used to deliver the long term strategy, including the extensive capital programme.

# Statement of Financial Position

Statement of Financial Position	28-Feb-19 £000	31-Mar-19 £000	Movement £000
<b>Non-current assets</b>			
Intangible assets	8,955	9,921	966
Property, plant and equipment	197,615	199,257	1,642
Trade and other receivables	1,159	1,182	23
<b>Total non-current assets</b>	<b>207,729</b>	<b>210,360</b>	<b>2,631</b>
<b>Current assets</b>			
Inventories	2,989	3,000	11
Trade and other receivables	22,137	24,681	2,544
Cash and cash equivalents	17,627	18,946	1,319
<b>Total current assets</b>	<b>42,753</b>	<b>46,627</b>	<b>3,874</b>
<b>Current liabilities</b>			
Trade and other payables	(26,806)	(28,352)	(1,546)
Other liabilities	(4,350)	(5,760)	(1,410)
Provisions	(26)	(349)	(323)
Borrowings	(3,340)	(3,356)	(16)
<b>Total current liabilities</b>	<b>(34,522)</b>	<b>(37,817)</b>	<b>(3,295)</b>
<b>Total assets less current liabilities</b>	<b>215,960</b>	<b>219,170</b>	<b>3,210</b>
<b>Non-current liabilities</b>			
Provisions	(784)	(763)	21
Borrowings	(14,315)	(13,771)	544
<b>Total non-current liabilities</b>	<b>(15,099)</b>	<b>(14,534)</b>	<b>565</b>
<b>Total Assets Employed</b>	<b>200,861</b>	<b>204,636</b>	<b>3,775</b>
<b>Financed by</b>			
Income and expenditure reserve	473	3,707	3,234
Public dividend capital	158,151	159,069	918
Revaluation reserve	42,237	41,860	(377)
<b>Total Equity</b>	<b>200,861</b>	<b>204,636</b>	<b>3,775</b>

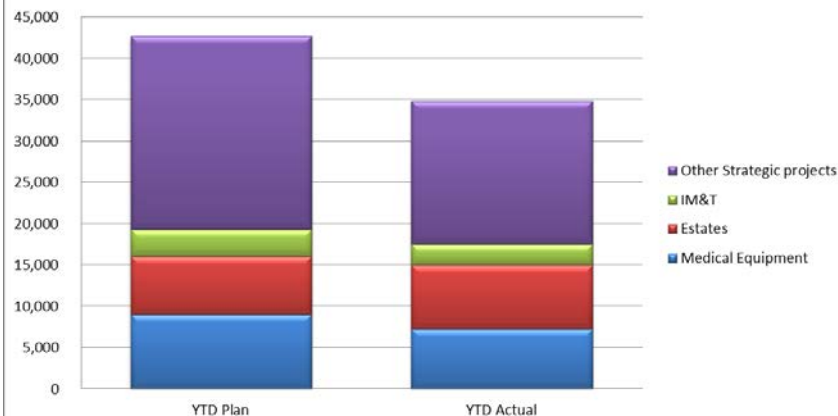
The movement in the Statement of Financial Position is illustrated in the table opposite showing the position for the prior and current month.

Key changes in Month 12:

- Property, plant and equipment have increased in line with the capital programme.
- A desktop valuation for Land & Buildings has been carried out and movements are reflected in Non Current Assets and Revaluation Reserve.
- Trade and other receivables have increased in month (£2.5m). This mainly relates to NHS debtors (£2.2m) in line with performance invoices being raised to reflect the year end position.
- Trade payables have increased by £1.5m in month, primarily relating to Capital expenditure.
- The increase in Other Liabilities mainly relates to AHSN deferred income
- Cash and equivalents is £18.9m at the end of March.
- The increase in PDC relates to:
  - £457k HSLI Digital Programme Funding
  - £450k LHCRF funding (hosted service for AHSN)
  - £11k Pharmacy Infrastructure

# Capital Expenditure

Capital Spend - Year to Date



## Capital Expenditure & Performance

Capital expenditure for the year totals £36.1m, with in month spend of £5.7m, resulting in an underspend of £6.6m year to date.

- **Medical Equipment** is underspent by £1.7m, this is due to schemes including MRI upgrade deferring to next year
- **Strategic Capital** is £4.5m behind plan. This relates to delays in relocating services from the RNHRD, with completion dates for these schemes slipping to next year. The radiology upgrade project was £0.1m overspent due to additional works required.
- **Estates** is £0.4m overspent. Overspends relate to the Decant Ward project, Staff Car Park, Power Upgrade and Estates building upgrade which have been partial offset by delays in SSD and SAU upgrades
- **IT** is £0.8m behind plan, in part this relates to delays in e-observations and bed management and the Cardiology IT upgrade deferring to next year.

Capital Summary as at 31st March 2019	Annual Plan £000s	YTD Plan £000s	Actual Expend £000s	Variance £000s	Actual %	Forecast £000s	FOT V Actual £000s
Medical Equipment (donated)	564	564	231	(334)	41%	214	16
Strategic Capital (Therapies)	2,000	2,000	1,200	(800)	60%	1,200	0
Strategic Capital (RUH Redevelop)	802	802	567	(235)	71%	577	(10)
<b>Donated Funded Total</b>	<b>3,366</b>	<b>3,366</b>	<b>1,998</b>	<b>(1,368)</b>	<b>59%</b>	<b>1,991</b>	<b>7</b>
<b>Estates</b>							
Theatre, Ward & SSD Upgrades	4,423	4,423	3,959	(464)	90%	4,037	(78)
Other Estates Projects	2,946	2,946	3,792	846	129%	3,525	267
<b>Estates Total</b>	<b>7,369</b>	<b>7,369</b>	<b>7,751</b>	<b>382</b>	<b>105%</b>	<b>7,562</b>	<b>189</b>
<b>IM&amp;T</b>							
Clinical Systems	2,065	2,065	1,271	(794)	62%	1,282	(11)
Other IM&T	1,190	1,190	1,229	39	103%	1,215	14
<b>IM&amp;T Total</b>	<b>3,255</b>	<b>3,255</b>	<b>2,500</b>	<b>(755)</b>	<b>77%</b>	<b>2,497</b>	<b>3</b>
<b>Medical Equipment</b>	<b>6,006</b>	<b>6,006</b>	<b>4,836</b>	<b>(1,170)</b>	<b>81%</b>	<b>4,946</b>	<b>(110)</b>
<b>Strategic Capital schemes</b>							
RNHRD & Therapies Build	12,181	12,181	10,806	(1,376)	89%	10,681	124
RUH Redevelopment	6,213	6,213	3,997	(2,216)	64%	4,060	(64)
Radiology Upgrade	1,384	1,384	1,533	149	111%	1,469	64
<b>Strategic Total</b>	<b>19,778</b>	<b>19,778</b>	<b>16,336</b>	<b>(3,443)</b>	<b>83%</b>	<b>16,211</b>	<b>124</b>
<b>Local Healthcare Records</b>	<b>450</b>	<b>450</b>	<b>430</b>	<b>(20)</b>	<b>96%</b>	<b>430</b>	<b>0</b>
<b>Trust Funded Total</b>	<b>36,858</b>	<b>36,858</b>	<b>31,853</b>	<b>(5,005)</b>	<b>86%</b>	<b>31,647</b>	<b>206</b>
Medical Equipment (Radiology)	2,450	2,450	2,218	(232)	91%	2,270	(52)
<b>Lease Purchase Total</b>	<b>2,450</b>	<b>2,450</b>	<b>2,218</b>	<b>(232)</b>	<b>91%</b>	<b>2,270</b>	<b>(52)</b>
<b>TOTAL</b>	<b>42,675</b>	<b>42,675</b>	<b>36,069</b>	<b>(6,606)</b>	<b>85%</b>	<b>35,908</b>	<b>161</b>