Royal United Hospitals Bath
NHS Foundation Trust

Report to:	Public Board of Directors	Agenda item:	13
Date of Meeting:	31 July 2019		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Libby Walters, Director of Finance and Deputy Chief Executive
Author:	Elizabeth Poskitt, Head of Financial Management
Appendices	Appendix 1: Control Total Performance Appendix 2: Key Performance Graphs Appendix 3: Statement of Financial Position Appendix 4: Capital expenditure Appendix 5: Cash Flow

1. Executive Summary of the Report

The purpose of this report is to set out the Trust's financial performance for the period to 30 June 2019.

For the financial year 2019/20, the Trust has been set a control total of a £7.83 million surplus with access to a further £5.82 million of Provider Sustainability Funding (PSF) if this is achieved, taking the potential surplus to £13.65 million. To deliver this level of surplus, savings of £12.9 million are planned through the Quality, Innovation, Productivity and Prevention Programme (QIPP).

As illustrated in Appendix 1 the year to date position at the end of the first quarter of the year is a surplus position of £135,000 which is £165,000 better than planned. £2.24 million of QIPP savings have been delivered which is £331,000 less than planned. There remain £2.4 million of savings still to be identified for the year. Contracts with the primary Commissioners have been signed. The key financial risk for the year is the delivery of the QIPP.

2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of month 3 of the 2019/20 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 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 and increases the level of scrutiny which utilises significant resources

and can damage the reputation of the Trust. Failure to deliver the financial plan results in a loss of national provider sustainability funding which we are dependent upon for the Trust's Estate Redevelopment Programme.

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	

Finance Report for the 3 Month Period Ending the 30 June 2019

1.0 Executive Summary

For the financial year 2019/20, the Trust has been set a control total of a £7.83 million surplus with access to a further £5.82 million of Provider Sustainability Funding (PSF) if this is achieved, taking the potential surplus to £13.65 million. To deliver this level of surplus, savings of £12.90 million are planned through the Quality, Innovation, Productivity and Prevention (QIPP) programme.

As illustrated in Appendix 1 the year to date position at the end of month 3 for the Trust is a surplus position of £135,000 which is £165,000 better than planned. QIPP savings of £2.2 million have been delivered which is £0.3 million lower than planned levels. There remain £2.4 million of savings still to be identified for the year. Contracts with the primary Commissioners have been signed following the agreement of non-elective blended tariff approach and the Outpatient block arrangements. The key financial risks for the year include the delivery of the QIPP and delivery of the elective activity plan.

2.0 Key Financial Indicators

The key financial indicators for the year to date are illustrated in the table below:

	2019/20 Year to Date Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Single oversight financial score	2	2	-
Net Surplus/ (Loss)	(2,479)	(2,314)	165
Surplus/(Loss) on a control total basis	(30)	135	165
Elective Income performance	4,433	4,400	(33)
Pay costs	(56,045)	(55,565)	481
Non Pay costs (excl. high cost drugs)	(19,011)	(19,747)	(736)
QIPP target against delivery	2,496	2,236	(259)
Agency staff utilisation	(1,135)	(1,341)	(206)
Cash balance	13,405	13,527	122
Capital Expenditure	10,796	7,829	(2,967)

3.0 Activity and Income

Contracts with Commissioners have been agreed for the year and the two largest contracts with the primary local commissioners have been signed. At the end of month 3 the Contract Income position was £67,000 under plan which was primarily due to High Cost Drugs activity being lower, this was offset by higher than planned non-elective activity.

4.0 Expenditure

At the end of month 3 pay costs were £481,000 less than planned which was due to a high number of vacancies. Non-pay was £736,000 higher than plan, excluding High Cost Drugs, due predominately to planned QIPP schemes not being delivered in line with plan. QIPP has been delivered elsewhere through unplanned mitigating items.

The graphs in Appendix 2 illustrate performance against the pay, non-pay and agency cost plans.

5.0 Statement of Financial Position

For the year to date receivables are £1.9m higher than planned levels and creditors are £1.6m lower than plan which has resulted in a negative cash impact of £3.5m. This is offset by capital expenditure being £3.0m lower than plan and an increased in other liabilities of £0.4m against planned levels, resulting in the cash position being slightly above plan. Inventories have reduced by £0.5 million following the completion of the Outpatient Pharmacy dispensing project, which has now transferred the service to a commercial provider.

The full Statement of Financial Position is shown in Appendix 3.

6.0 Capital

At the end of the first quarter capital spend is £3.0 million behind planed spend, of which £1.1m relates to donated funding schemes. The underspend on capital is predominantly due to slippage on major schemes. This includes the continued expenditure on the new RNHRD & Therapies building, the modular ward and associated costs, the ward upgrade programme and IM&T expenditure.

The Capital plan for the year has now been adjusted by a further £4m following a request from NHSI/E to reduce plans across STP's by 20% in order to hit the national Capital Expenditure Delegated Limit (CDEL). The impact of this national request has been worked through and was submitted on July 15. Subject to acceptance of the revised plan the new figure of £28.8m will be reflected in the Capital monitoring for future months.

A further analysis of the capital positon can be found in Appendix 4.

7.0 Summary and recommendations

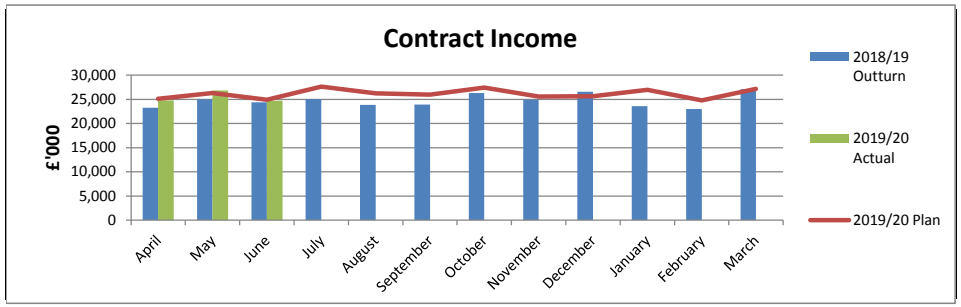
The position at month 3 shows a continuing positive performance for the start to the new financial year which has resulted in the achievement of Quarter 1 Provider Sustainability Funding (PSF). The phasing of the financial plan allows the Trust to ensure QIPP schemes are implemented and embedded to deliver the maximum benefit in the latter half of the year, so it is essential this good overall financial performance is maintained and the gaps in the QIPP programme are addressed.

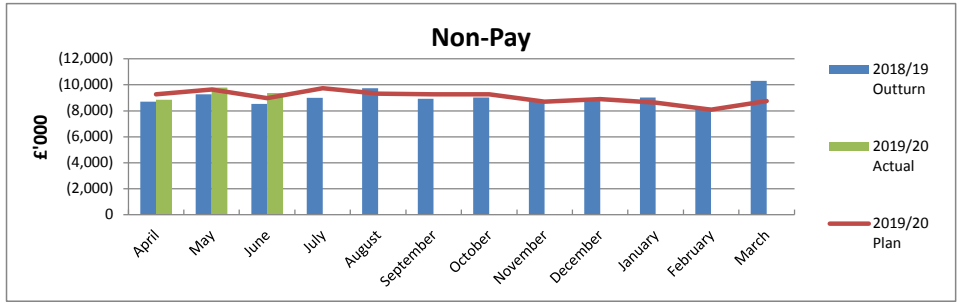
The Board is asked to note the financial position as at month 3.

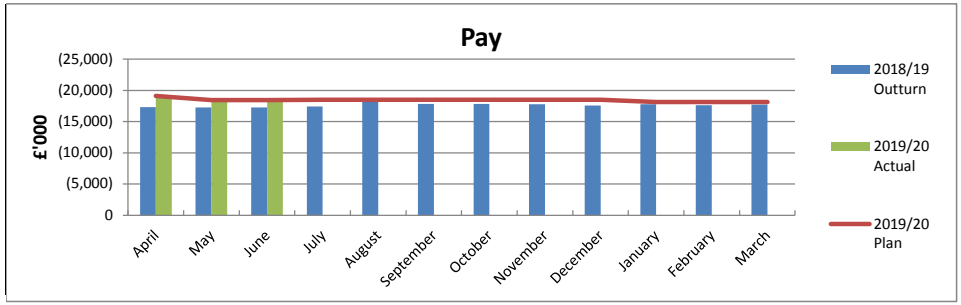
APPENDIX 1 - CONTROL TOTAL PERFORMANCE

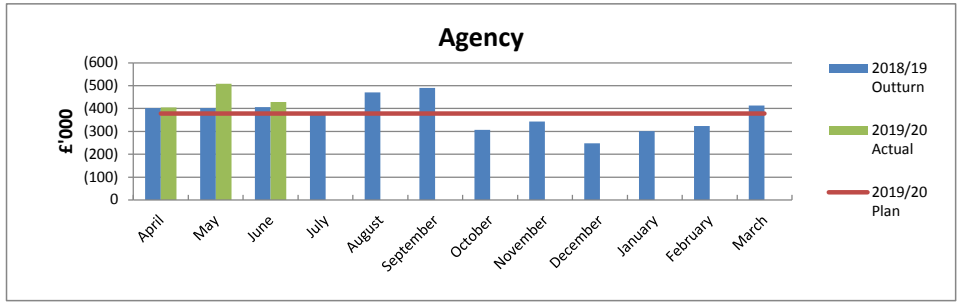
	Year to date			Forecast		
	Plan £'000	**Actual £'000**	**Variance £'000**	**Annual Plan £'000**	**Actual £'000**	**Variance £'000**
Contract Income	76,370	76,303	(67)	313,894	313,894	0
Operating Income	9,422	9,346	(76)	38,465	38,465	0
Pay	(56,045)	(55,565)	481	(221,494)	(221,494)	0
Non Pay	(19,011)	(19,747)	(736)	(72,569)	(72,569)	0
High Cost Drugs and Devices	(8,858)	(8,263)	595	(35,950)	(35,950)	0
EBITDA	**1,878**	**2,074**	**196**	**22,346**	**22,346**	**0**
Interest payable/receivable	(45)	(32)	13	(180)	(180)	0
Depreciation	(2,934)	(2,934)	(0)	(12,599)	(12,599)	0
PDC	(1,582)	(1,582)	0	(6,334)	(6,334)	0
Other Finance Charges	0	14	14	(2,752)	(2,752)	0
Net Surplus/(Deficit)	**(2,684)**	**(2,461)**	**223**	**480**	**480**	**0**
Donated Asset income	0	(44)	(44)	(2,525)	(2,525)	0
Donated Asset depreciation	205	205	0	821	821	0
Impairment	0	0	0	2,752	2,752	0
Gain / loss on disposal of an asset	0	(14)	(14)	0	0	0
Control total (excl PSF/MRET)	**(2,479)**	**(2,314)**	**165**	**1,528**	**1,528**	**0**
PSF	873	873	0	5,819	5,819	0
MRET	1,576	1,576	0	6,304	6,304	0
Control total (incl PSF/MRET)	**(30)**	**135**	**165**	**13,651**	**13,651**	**0**

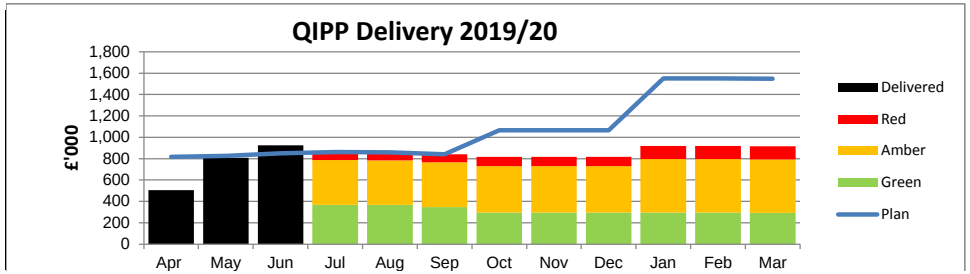
Month 2 2019/20 Finance Report
APPENDIX 2 - KEY PERFORMANCE GRAPHS











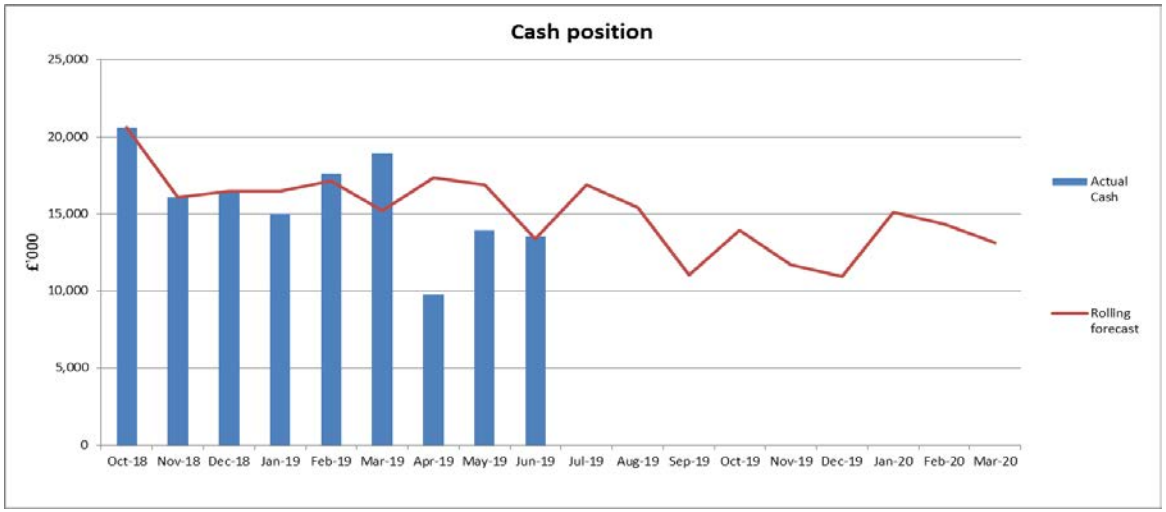
Month 3 2019/20 Finance Report

APPENDIX 3 - STATEMENT OF FINANCIAL POSITION

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Non current assets						
Intangible assets	9,975	9,805	(170)	9,939	9,939	0
Property, Plant & Equipment	207,955	205,157	(2,798)	217,485	217,485	0
Trade and other receivables	1,182	1,149	(33)	1,182	1,182	0
Non current assets total	**219,112**	**216,111**	**(3,001)**	**228,606**	**228,606**	**0**
Current Assets						
Inventories	3,000	2,406	(594)	3,000	3,000	0
Trade and other receivables	30,221	32,178	1,957	31,684	31,684	0
Cash and cash equivalents	13,405	13,527	122	13,154	13,154	0
Current Assets total	**46,626**	**48,111**	**1,485**	**47,838**	**47,838**	**0**
Current Liabilities						
Trade and other payables	(29,963)	(28,354)	1,609	(28,387)	(28,387)	0
Other liabilities	(5,691)	(5,808)	(117)	(5,691)	(5,691)	0
Provisions	(335)	(563)	(228)	(335)	(335)	0
Borrowings	(3,424)	(3,354)	70	(3,424)	(3,424)	0
Current Liabilities total	**(39,413)**	**(38,079)**	**1,334**	**(37,837)**	**(37,837)**	**0**
Total assets less current liabilities	**226,325**	**226,143**	**(182)**	**238,607**	**238,607**	**0**
Non current liabilities						
Provisions	(763)	(763)	0	(763)	(763)	0
Borrowings	(12,787)	(12,688)	99	(10,813)	(10,813)	0
TOTAL ASSETS EMPLOYED	**212,775**	**212,692**	**(83)**	**227,031**	**227,031**	**0**
Financed by:						
Public Dividend Capital	159,370	159,070	(300)	160,790	160,790	0
Income and Expenditure Reserve	8,804	9,021	217	21,640	21,640	0
Revaluation reserve	44,601	44,601	0	44,601	44,601	0
Total Equity	**212,775**	**212,692**	**(83)**	**227,031**	**227,031**	**0**

APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE

	Year to date			Forecast		
	Plan £'000	**Actual £'000**	**Variance £'000**	**Plan £'000**	**Actual £'000**	**Variance £'000**
Source of Funds						
Depreciation	2,934	2,934	0	12,600	12,600	0
Loan Repayments	(984)	(984)	0	(2,958)	(2,958)	0
Charitable Funds	0	(2)	(2)	2,525	2,525	0
Donations	1,190	43	(1,147)	300	300	0
Cash reserves/Other	7,656	5,837	(1,819)	20,243	20,243	0
	10,796	**7,829**	**(2,967)**	**32,710**	**32,710**	**0**
Application of Funds						
Medical Equipment (donated)	253	44	(208)	500	500	0
Strategic Capital (donated)	937	0	(937)	2,325	2,325	0
Ward upgrades	952	304	(648)	2,141	2,109	(32)
Other Estates projects	809	990	181	2,723	3,304	581
Clinical Systems	544	378	(165)	2,241	2,339	99
Other IM&T	470	124	(345)	3,176	3,176	0
Medical Equipment	1,015	266	(749)	4,776	4,776	0
RNHRD & Therapies build	2,493	3,110	617	2,556	3,225	669
Cancer Centre	462	567	105	5,003	4,744	(259)
Other Redevelopment works	2,861	2,044	(818)	7,270	7,153	(116)
	10,796	**7,829**	**(2,967)**	**32,710**	**32,710**	**942**

APPENDIX 5 - STATEMENT OF CASHFLOWS

	Year to Date		
	Plan £'000	**Actual £'000**	**Variance £'000**
Operating Surplus/(deficit)	1,399	1,587	188
Depreciation & Amortisation	2,934	2,934	0
Working Capital movement	1,702	2,732	1,030
Provisions	(3)	228	231
Cashflow from/(used in) operations	**6,032**	**7,481**	**1,449**
Capital Expenditure	(10,796)	(11,751)	(955)
Cash receipts from asset sales	0	13	13
Cashflow before financing	**(10,796)**	**(11,738)**	**(942)**
Public dividend capital received	300	0	(300)
Movement in loans from the DHSC	(984)	(984)	0
Capital element of finance lease rental payments	0	(112)	(112)
Interest received	24	36	12
Interest paid	(108)	(108)	0
Interest element of finance lease	(9)	6	15
PDC dividend (paid)/refunded	0	0	0
Net cash generated from/(used in) financing activities	**(777)**	**(1,162)**	**(385)**
Increase/(decrease) in cash and cash equivalents	**(5,541)**	**(5,419)**	**122**
Opening Cash balance	**18,946**	**18,946**	**0**
Closing cash balance	**13,405**	**13,527**	**122**