

Report to:	Public Board of Directors	Agenda item:	11
Date of Meeting:	30 October 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 September 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 month 6 for the Trust is a surplus of £2.27million which is marginally higher than plan. This position includes £2.04 million of Provider Sustainability Funding. QIPP savings of £4.9 million have been delivered which is £194,000 lower than planned levels. There remain £1.2 million of savings still to be identified for the year. The key financial risks for the year include the delivery of the QIPP and delivery of the elective activity plan.

2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of month 6 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 6 Month Period Ending the 30 September 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 6 for the Trust is a surplus of £2.27million which is marginally higher than plan. This position includes the achievement of Provider Sustainability Funding for Quarter 2, totalling £1.16 million. QIPP savings of £4.9 million have been delivered which is £194,000 lower than planned levels. There remain £1.2 million of savings still to be identified for the year. 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	1	1	-
Net Surplus/ (Loss)	(2,984)	(2,923)	61
Surplus/(Loss) on a control total basis	2,205	2,266	61
Elective Income performance	9,010	8,902	(108)
Pay costs	(111,515)	(112,216)	(702)
Non Pay costs (excl. high cost drugs)	(38,412)	(38,726)	(314)
QIPP target against delivery	5,057	4,865	(193)
Agency staff utilisation	(2,270)	(3,162)	(892)
Cash balance	11,064	24,542	13,478
Capital Expenditure	18,073	13,552	(4,521)

3.0 Activity and Income

Contract income at the end of month 6 is £889,000 below plan; an improvement of £431,000 from the position at the end of August. The underspend in High Cost Drugs continues, which is a pass-through and therefore is offset in expenditure. The non-elective position has improved in month as significant long stay high cost patients have been identified and accrued.

4.0 Expenditure

At the end of month 6 pay costs were £702,000 high than plan which was due to they payment of the Medical Pay Award and Clinical Excellence Awards, back dated to April 2019. Non-pay was £314,000 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 Forecast outturn and Risks

The Trust is currently still aiming to achieve its financial control total at the year end. There are however a number of risks associated with the delivery of this plan. These include:

- Negotiations with commissioners on year end agreements to reflect Trust activity and cost base
- Agency pressures for both Medical and Nursing staff
- Divisional financial positions, particularly within Medicine and Estates and Facilities
- Delivery of the savings and efficiency plan

The Trust is continuing to develop and refine mitigation plans to ensure the outturn position enables the achievement of the finance control total.

6.0 Statement of Financial Position

As at month 6, Property, Plant and Equipment is £1.8 million behind plan. This relates to capital slippage as described below, offset by the planned impairment of £2.7 million within month 6 not being reflected in actuals.

The variance on Trade Receivables is driven by 2018/19 bonus PSF and VAT, this is reflected in the variance on cash as described below. The variance on Trade Payables relates to late payment of invoices and a reduction in the level capital expenditure accruals expected compared to plan.

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

7.0 Capital

At the end September Capital expenditure is £4.5 million behind plan. As in previous months the underspend relates to slippages in redevelopment schemes to relocate services from the RNHRD, the Local Healthcare Records project, the Radiology scanner replacement (and associated works) and the SAU Ward Upgrade.

The position reflects known cost pressures relating to the Therapies build, SSD upgrade, the OMFS relocation, R&D Relocation, Power Upgrade for Therapies & Radiology and the Modular ward.

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

8.0 Summary and recommendations

The position at month 6 shows an improvement from previous months which has therefore given the Trust access to Quarter 2 Provider Sustainability Funding (PSF). This is vital cash to support the estate redevelopment programme.

The Board is asked to note the financial position as at month 6.

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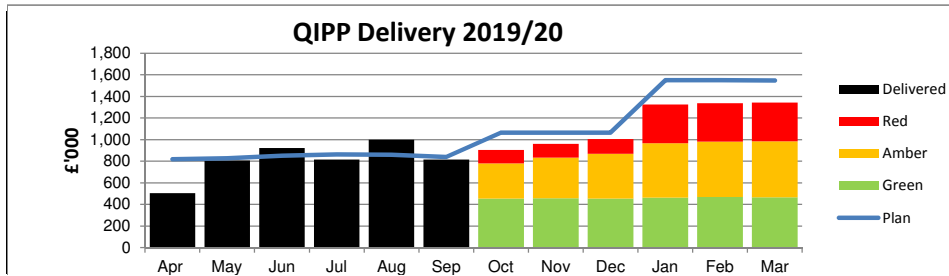
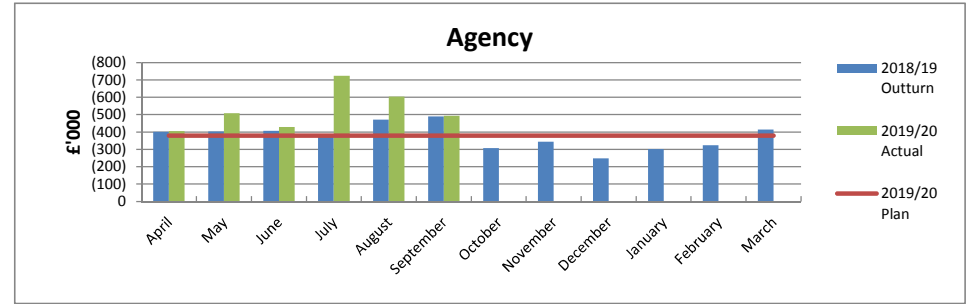
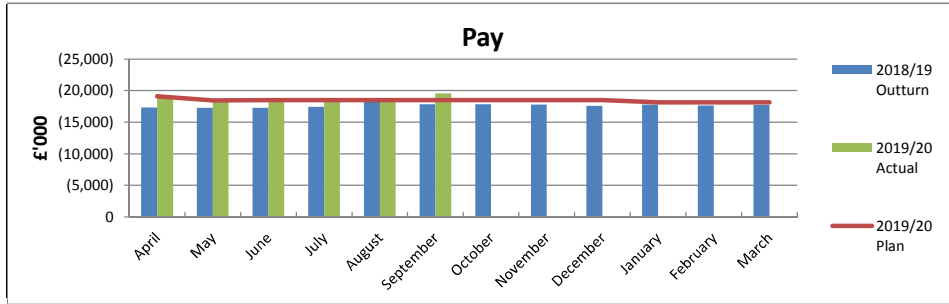
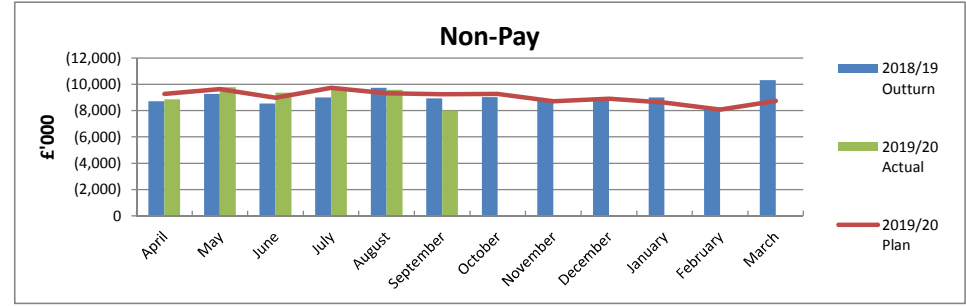
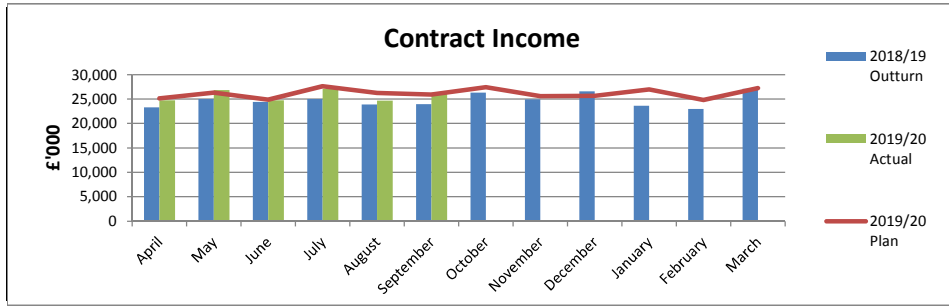
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APPENDIX 1 - CONTROL TOTAL PERFORMANCE

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Annual Plan £'000	Actual £'000	Variance £'000
Contract Income	155,258	154,370	(889)	313,894	313,894	0
Operating Income	19,288	20,072	783	38,465	38,465	0
Pay	(111,515)	(112,216)	(702)	(221,493)	(221,493)	0
Non Pay	(38,412)	(38,726)	(314)	(72,569)	(72,569)	0
High Cost Drugs and Devices	(17,778)	(16,685)	1,093	(35,950)	(35,950)	0
EBITDA	6,842	6,814	(28)	22,347	22,347	0
Interest payable/receivable	(90)	(54)	36	(180)	(180)	0
Depreciation	(5,929)	(5,959)	(30)	(12,599)	(12,599)	0
PDC	(3,167)	(3,167)	(0)	(6,334)	(6,334)	0
Other Finance Charges	(2,752)	261	3,014	(2,752)	(2,752)	0
Net Surplus/(Deficit)	(5,097)	(2,105)	2,992	481	481	0
Donated Asset income	(1,050)	(943)	107	(2,525)	(2,525)	0
Donated Asset depreciation	410	385	(25)	821	821	0
Impairment	2,752	(250)	(3,002)	2,752	2,752	0
Gain / loss on disposal of an asset	0	(11)	(11)	0	0	0
Control total (excl PSF/MRET)	(2,984)	(2,923)	61	1,529	1,529	0
PSF	2,037	2,037	0	5,819	5,819	0
MRET	3,152	3,152	0	6,304	6,304	0
Control total (incl PSF/MRET)	2,205	2,266	61	13,652	13,652	0

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APPENDIX 2 - KEY PERFORMANCE GRAPHS



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APPENDIX 3 - STATEMENT OF FINANCIAL POSITION

	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>	<u>Plan £'000</u>	<u>Forecast Actual £'000</u>	<u>Variance £'000</u>
Non current assets						
Intangible assets	9,916	9,608	(308)	9,939	10,045	(106)
Property, Plant & Equipment	209,543	208,045	(1,498)	217,485	216,327	1,158
Trade and other receivables	1,182	1,155	(27)	1,182	1,182	0
Non current assets total	220,641	218,808	(1,833)	228,606	227,554	1,052
Current Assets						
Inventories	3,000	3,460	460	3,000	3,000	0
Trade and other receivables	29,584	21,126	(8,458)	31,684	21,075	10,609
Cash and cash equivalents	11,064	24,542	13,478	13,154	25,495	(12,341)
Current Assets total	43,648	49,128	5,480	47,838	49,570	-1,732
Current Liabilities						
Trade and other payables	(28,373)	(29,144)	(771)	(28,387)	(28,387)	0
Other liabilities	(5,691)	(6,001)	(310)	(5,691)	(5,691)	0
Provisions	(335)	(290)	45	(335)	(335)	0
Borrowings	(3,424)	(3,354)	70	(3,424)	(3,424)	0
Current Liabilities total	(37,823)	(38,789)	1,277	(37,837)	(37,837)	0
Total assets less current liabilities	226,466	229,147	2,681	238,607	239,287	-680
Non current liabilities						
Provisions	(763)	(763)	0	(763)	(763)	0
Borrowings	(12,292)	(12,094)	198	(10,813)	(10,813)	0
TOTAL ASSETS EMPLOYED	213,411	216,290	2,879	227,031	227,711	-680
Financed by:						
Public Dividend Capital	159,670	159,070	(600)	160,790	161,470	(680)
Income and Expenditure Reserve	9,139	12,619	3,480	21,640	21,640	0
Revaluation reserve	44,602	44,601	(1)	44,601	44,601	0
Total Equity	213,411	216,290	2,879	227,031	227,711	-680

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APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE

Source of Funds	Year to date			Forecast		
	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Actual £000s	Variance £000s
Depreciation	5,929	5,959	30	12,600	12,659	59
Loan Repayments	(984)	(984)	0	(2,958)	(2,958)	0
Charitable Funds	1,380	802	(578)	2,525	2,525	0
Donations	0	43	43	300	300	0
Cash reserves/Other	11,748	7,733	(4,015)	20,923	18,860	(2,063)
	18,073	13,552	(4,521)	33,390	31,386	(2,003)
Application of Funds						
Medical Equipment (donated)	305	143	(162)	500	500	0
Strategic Capital (donated)	1,075	800	(275)	2,325	2,325	0
Ward upgrades	1,876	473	(1,403)	2,541	2,509	(32)
Other Estates projects	1,173	1,432	259	2,723	3,104	381
Clinical Systems	1,027	598	(429)	2,241	1,907	(334)
Other IM&T	937	230	(707)	3,456	3,055	(401)
Medical Equipment	2,031	1,197	(833)	4,776	4,322	(454)
RNHRD & Therapies build	2,556	2,777	221	2,556	2,825	269
Cancer Centre	1,530	1,825	296	5,003	4,158	(845)
Other Redevelopment works	5,564	4,077	(1,487)	7,270	6,682	(588)
	18,073	13,552	(4,521)	33,390	31,386	(2,003)

APPENDIX 5 - STATEMENT OF CASHFLOWS

	Year to Date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Operating Surplus/(deficit)	3,366	6,541	3,175	19,119	19,762	712
Depreciation & Amortisation	5,929	5,960	31	12,600	12,600	0
Working Capital movement	5,041	10,578	5,537	425	8,115	7,621
Provisions	(3)	(45)	(42)	(3)	(45)	(42)
Cashflow from/(used in) operations	14,333	23,034	8,701	32,141	40,432	8,291
Capital Expenditure	(18,072)	(12,615)	5,457	(30,183)	(26,336)	3,847
Cash receipts from asset sales	0	18	18	0	18	18
Cashflow before financing	(18,072)	(12,597)	5,475	(30,183)	(26,318)	3,865
Public dividend capital received	600	0	(600)	1,720	2,400	680
Movement in loans from the DHSC	(1,479)	(1,479)	0	(2,958)	(2,958)	0
Capital element of finance lease rental payments	0	(212)	(212)	0	(495)	(495)
Interest received	48	81	33	100	100	0
Interest paid	(128)	(128)	0	(247)	(247)	0
Interest element of finance lease	(18)	(10)	8	(33)	(33)	0
PDC dividend (paid)/refunded	(3,166)	(3,093)	73	(6,332)	(6,332)	0
Net cash generated from/(used in) financing activities	(4,143)	(4,841)	(698)	(7,750)	(7,565)	185
Increase/(decrease) in cash and cash equivalents	(7,882)	5,596	13,478	(5,792)	6,549	12,341
Opening Cash balance	18,946	18,946	0	18,946	18,946	0
Closing cash balance	11,064	24,542	13,478	13,154	25,495	12,341

