

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>12</b>
<b>Date of Meeting:</b>	<b>27 November 2019</b>		

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

### 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 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 7 for the Trust is a surplus of £2.74million which is £1.35 million below plan, including £582,000 of lost Provider Sustainability Funding for the month. This position includes the achievement of Provider Sustainability Funding for Quarter 1 and Quarter 2, totalling £2.04 million. QIPP savings of £5.7 million have been delivered which is £405,000 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, escalating pay costs and securing income to cover the costs of our projected activity, including delivery of the elective activity plan.

### 2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of month 7 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.

<b>5.</b>	<b>Resources Implications (Financial / staffing)</b>
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Not Applicable
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<b>6.</b>	<b>Equality and Diversity</b>
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Not Applicable
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<b>7.</b>	<b>References to previous reports</b>
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Standing Item
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<b>8.</b>	<b>Freedom of Information</b>
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Public
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## Finance Report for the 7 Month Period Ending the 31 October 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 7 for the Trust is a surplus of £2.74million which is £1.35 million below plan, including £582,000 of lost Provider Sustainability Funding for the month. This position includes the achievement of Provider Sustainability Funding for Quarter 1 and Quarter 2, totalling £2.04 million. QIPP savings of £5.7 million have been delivered which is £405,000 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, escalating pay costs and securing income to cover the costs of our projected activity, including 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	2	-
Net Surplus/ (Loss)	(1,683)	(2,449)	(767)
Surplus/(Loss) on a control total basis	4,088	2,740	(1,349)
Elective Income performance	10,679	10,310	(369)
Pay costs	(130,006)	(131,143)	(1,137)
Non Pay costs (excl. high cost drugs)	(44,876)	(45,525)	(649)
QIPP target against delivery	6,122	5,717	(405)
Agency staff utilisation	(2,648)	(3,888)	(1,240)
Cash balance	13,951	24,537	10,586
Capital Expenditure	20,517	15,648	(4,869)

### 3.0 Activity and Income

Contract income at the end of month 7 is £1.05 million below plan; a deterioration of £159,000 from the position at the end of September. The under spend in High Cost Drugs continues, which is a pass-through and therefore is offset in expenditure. Elective and Outpatient activity continue to run behind plan, with Non-Elective activity and income ahead of plan, however total Non-Elective income is impacted by blended tariffs arrangements agreed with commissioners.

#### 4.0 Expenditure

At the end of month 7 pay costs were £1.14 million higher than planned levels. This is due to increased spend in month on agency staff, together with the level of substantive staff expenditure also increasing as vacancies are filled. Non-pay was £649,000 higher than plan, excluding High Cost Drugs, due predominately to planned QIPP schemes not being delivered in line with plan. Over 25% of QIPP has been delivered through non-recurrent vacancies and other one off items rather than planned schemes that will deliver recurrent benefits to the Trust and improve financial sustainability.

The graphs in Appendix 2 illustrate performance against the pay, non-pay and agency expenditure 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 QIPP, the productivity 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

The Cash balance at the end of Month 7 was £24.5 million, £10.0 million higher than planned. This is primarily due to 2018/19 bonus PSF (£7.7 million) and VAT reclaim (£1.0 million) that was not included in the plan.

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

#### 7.0 Capital

At the end of October Capital expenditure is £4.9 million below plan. This is primarily driven by delays in the ward upgrade programme and the Estates Redevelopment programme, as well as slippage on IM&T and Medical equipment. The forecast outturn is £3.6 million behind plan, which has reduced from last month's forecast by £1.6 million. Of the slippage £1.4 million relates to the Local Health Care Records program which is funded by external PDC funding which will only now be drawn

down in line with revised forecast expenditure. In addition the lease agreed for the replacement CT was lower than planned and the drug fridge monitoring system has been deferred to 2020/21.

As in previous months the forecast position reflects known cost pressures for 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 7 shows deterioration from previous months, which is in line with the forecast position. The actions to mitigate the risk of not achieving the financial Control Total at year end continue to be a priority.

The Board is asked to note the financial position as at month 7.

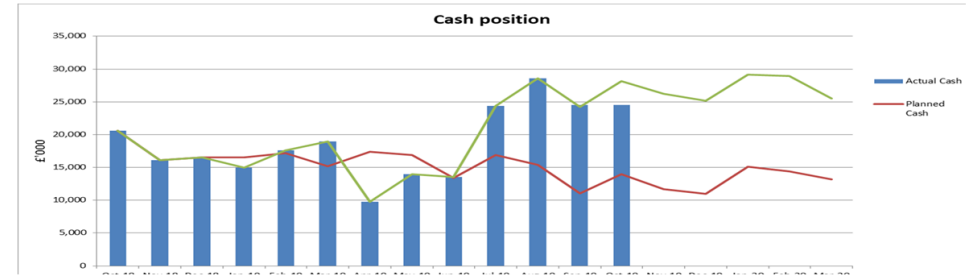
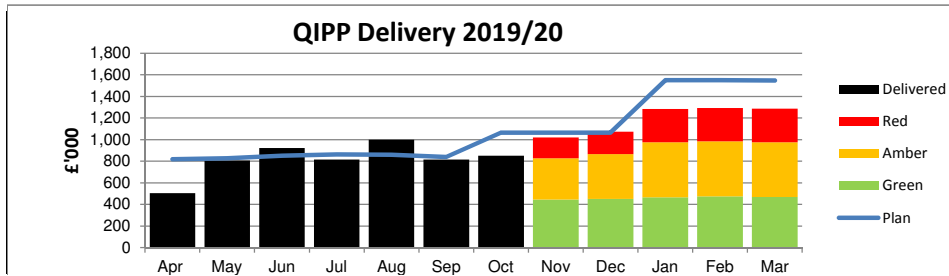
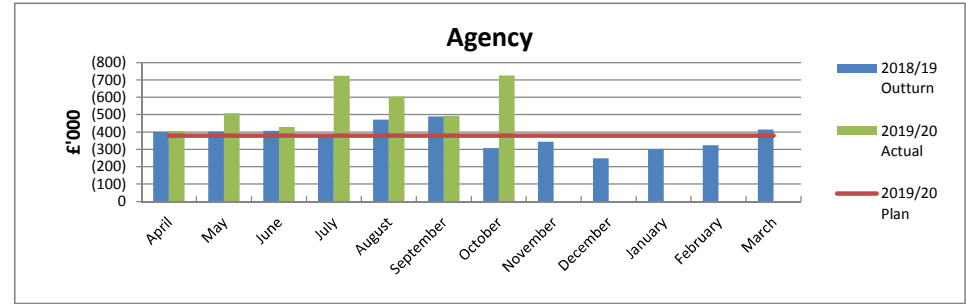
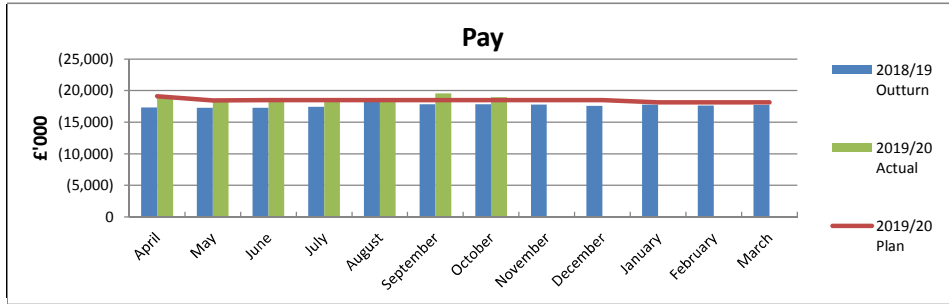
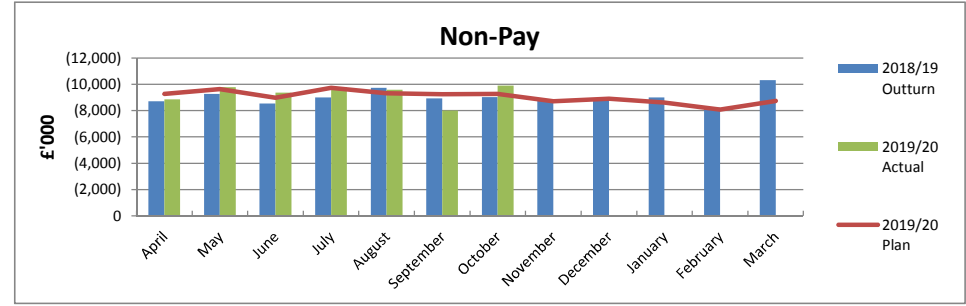
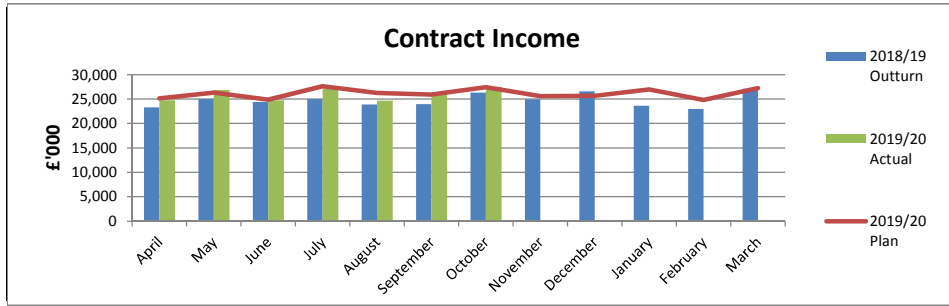
## Finance Report

### APPENDIX 1 - CONTROL TOTAL PERFORMANCE

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Annual Plan £'000	Actual £'000	Variance £'000
Contract Income	182,887	181,839	(1,047)	313,894	313,894	0
Operating Income	22,253	23,416	1,163	38,465	38,465	0
Pay	(130,006)	(131,143)	(1,137)	(221,493)	(221,493)	0
Non Pay	(44,876)	(45,525)	(649)	(72,569)	(72,569)	0
High Cost Drugs and Devices	(20,593)	(19,784)	809	(35,950)	(35,950)	0
<b>EBITDA</b>	<b>9,665</b>	<b>8,804</b>	<b>(861)</b>	<b>22,347</b>	<b>22,347</b>	<b>0</b>
Interest payable/receivable	(105)	(58)	47	(180)	(180)	0
Depreciation	(6,976)	(7,008)	(31)	(12,599)	(12,599)	0
PDC	(3,695)	(3,695)	0	(6,334)	(6,334)	0
Other Finance Charges	(2,752)	261	3,013	(2,752)	(2,752)	0
<b>Net Surplus/(Deficit)</b>	<b>(3,864)</b>	<b>(1,696)</b>	<b>2,168</b>	<b>481</b>	<b>481</b>	<b>0</b>
Donated Asset income	(1,050)	(943)	107	(2,525)	(2,525)	0
Donated Asset depreciation	478	450	(29)	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
<b>Control total (excl PSF/MRET )</b>	<b>(1,683)</b>	<b>(2,449)</b>	<b>(767)</b>	<b>1,529</b>	<b>1,529</b>	<b>0</b>
PSF	2,619	2,037	(582)	5,819	5,819	0
MRET	3,152	3,152	0	6,304	6,304	0
<b>Control total (incl PSF/MRET)</b>	<b>4,088</b>	<b>2,740</b>	<b>(1,349)</b>	<b>13,652</b>	<b>13,652</b>	<b>0</b>

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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>
<b>Non current assets</b>						
Intangible assets	9,900	9,433	(467)	9,939	10,045	106
Property, Plant & Equipment	210,956	209,267	(1,689)	217,485	216,327	(1,158)
Trade and other receivables	1,182	1,162	(20)	1,182	1,182	0
<b>Non current assets total</b>	<b>222,038</b>	<b>219,862</b>	<b>(2,176)</b>	<b>228,606</b>	<b>227,554</b>	<b>(1,052)</b>
<b>Current Assets</b>						
Inventories	3,000	2,958	(42)	3,000	3,000	0
Trade and other receivables	28,168	22,168	(6,000)	31,684	19,655	(12,029)
Cash and cash equivalents	13,951	24,538	10,587	13,154	25,495	12,341
<b>Current Assets total</b>	<b>45,119</b>	<b>49,664</b>	<b>4,545</b>	<b>47,838</b>	<b>48,150</b>	<b>312</b>
<b>Current Liabilities</b>						
Trade and other payables	(28,900)	(28,818)	82	(28,387)	(28,387)	0
Other liabilities	(5,691)	(8,671)	(2,980)	(5,691)	(5,691)	0
Provisions	(335)	(271)	64	(335)	(335)	0
Borrowings	(3,424)	(3,355)	69	(3,424)	(3,424)	0
<b>Current Liabilities total</b>	<b>(38,350)</b>	<b>(41,115)</b>	<b>1,277</b>	<b>(37,837)</b>	<b>(37,837)</b>	<b>0</b>
<b>Total assets less current liabilities</b>	<b>228,807</b>	<b>228,411</b>	<b>(396)</b>	<b>238,607</b>	<b>237,867</b>	<b>(740)</b>
<b>Non current liabilities</b>						
Provisions	(763)	(763)	0	(763)	(763)	0
Borrowings	(12,292)	(12,060)	232	(10,813)	(10,813)	0
						0
<b>TOTAL ASSETS EMPLOYED</b>	<b>215,752</b>	<b>215,588</b>	<b>(164)</b>	<b>227,031</b>	<b>226,291</b>	<b>(740)</b>
<b>Financed by:</b>						
Public Dividend Capital	159,670	159,069	(601)	160,790	160,050	(740)
Income and Expenditure Reserve	11,480	11,918	438	21,640	21,640	0
Revaluation reserve	44,601	44,601	0	44,601	44,601	0
<b>Total Equity</b>	<b>215,751</b>	<b>215,588</b>	<b>(163)</b>	<b>227,031</b>	<b>226,291</b>	<b>(740)</b>



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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	12,653	53
Loan Repayments	(984)	(984)	0	(2,958)	(2,958)	0
Charitable Funds	1,458	802	(657)	2,525	2,525	0
Donations	0	43	43	300	300	0
Cash reserves/Other	14,114	9,828	(4,285)	20,923	17,301	(3,621)
	<b>20,517</b>	<b>15,648</b>	<b>(4,869)</b>	<b>33,390</b>	<b>29,822</b>	<b>(3,568)</b>
<b>Application of Funds</b>						
Medical Equipment (donated)	338	143	(195)	500	500	0
Strategic Capital (donated)	1,121	800	(321)	2,325	2,325	0
Ward upgrades	1,959	867	(1,092)	2,541	2,509	(32)
Other Estates projects	1,379	1,545	166	2,723	2,804	81
Clinical Systems	1,218	608	(610)	2,241	1,907	(334)
Other IM&T	1,080	238	(842)	3,456	1,555	(1,901)
Medical Equipment	2,503	1,614	(889)	4,776	4,108	(668)
RNHRD & Therapies build	2,556	2,864	308	2,556	2,975	419
Cancer Centre	2,167	2,146	(21)	5,003	4,158	(845)
Other Redevelopment works	6,196	4,823	(1,373)	7,270	6,981	(288)
	<b>20,517</b>	<b>15,648</b>	<b>(4,869)</b>	<b>33,390</b>	<b>29,822</b>	<b>(3,568)</b>

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## APPENDIX 5- STATEMENT OF CASHFLOWS

	Year to Date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Operating Surplus/(deficit)	6,251	8,260	2,009	19,119	19,762	712
Depreciation & Amortisation	6,976	7,009	33	12,600	12,600	0
Working Capital movement	6,435	9,908	3,473	425	8,115	7,621
Provisions	(3)	(65)	(62)	(3)	(45)	(42)
<b>Cashflow from/(used in) operations</b>	<b>19,659</b>	<b>25,112</b>	<b>5,453</b>	<b>32,141</b>	<b>40,432</b>	<b>8,291</b>
Capital Expenditure	(20,516)	(14,706)	5,810	(30,183)	(24,916)	5,267
Cash receipts from asset sales	0	19	19	0	18	18
<b>Cashflow before financing</b>	<b>(20,516)</b>	<b>(14,687)</b>	<b>5,829</b>	<b>(30,183)</b>	<b>(24,898)</b>	<b>5,285</b>
Public dividend capital received	600	0	(600)	1,720	980	(740)
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	56	99	43	100	100	0
Interest paid	(128)	(128)	0	(247)	(247)	0
Interest element of finance lease	(21)	(21)	0	(33)	(33)	0
PDC dividend (paid)/refunded	(3,166)	(3,093)	73	(6,332)	(6,332)	0
<b>Net cash generated from/(used in) financing activities</b>	<b>(4,138)</b>	<b>(4,834)</b>	<b>(696)</b>	<b>(7,750)</b>	<b>(8,985)</b>	<b>(1,235)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(4,995)</b>	<b>5,591</b>	<b>10,586</b>	<b>(5,792)</b>	<b>6,549</b>	<b>12,341</b>
<b>Opening Cash balance</b>	<b>18,946</b>	<b>18,946</b>	<b>0</b>	<b>18,946</b>	<b>18,946</b>	<b>0</b>
<b>Closing cash balance</b>	<b>13,951</b>	<b>24,537</b>	<b>10,586</b>	<b>13,154</b>	<b>25,495</b>	<b>12,341</b>

