

Report to:	Public Board of Directors	Agenda item:	9
Date of Meeting:	29 January 2020		

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 31 December 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 9 for the Trust is a surplus of £220,000 which is £5.74 million below plan including £1.75 million of lost Provider Sustainability Funding for Quarter 3. QIPP savings of £7.67 million have been delivered which is £578,000 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 delivery of the elective activity plan.

2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of month 9 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 9 Month Period Ending the 31 December 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.

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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	3	-
Net Surplus/ (Loss)	(2,025)	(6,019)	(3,994)
Surplus/(Loss) on a control total basis	5,960	220	(5,740)
Elective Income performance	13,515	13,145	(370)
Pay costs	(167,011)	(168,728)	(1,717)
Non Pay costs (excl. high cost drugs)	(56,292)	(59,944)	(3,652)
QIPP target against delivery	8,250	7,673	(578)
Agency staff utilisation	(3,406)	(5,118)	(1,712)
Cash balance	10,972	22,091	11,119
Capital Expenditure	26,683	20,224	(6,459)

3.0 Activity and Income

Contract income at the end of month 9 is £1.68 million below plan; a deterioration of £164,000 from the position at the end of November. This is largely attributable to the under spend in High Cost Drugs, which is a pass-through and therefore is offset in expenditure. Elective activity continues to run behind plan and the position deteriorated further in month. Non-Elective and Outpatient income are both ahead of plan, although impacted by blended tariff arrangements, and Daycase income moved ahead of plan in month.

4.0 Expenditure

At the end of month 9 pay costs were £1.71 million higher than planned levels. This is due to continuing high levels of spend on agency staff. Non-pay was £3.65 million higher than plan, excluding High Cost Drugs, due predominately to planned QIPP schemes not being delivered in line with plan and higher than planned levels of spend on medical and surgical consumables. Nearly a third 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 has made the decision to reforecast its year-end financial position at quarter 3. The revised position will be a surplus of £5 million which is a £6.5 million deterioration from the original financial plan.

There are a number of factors that have driven the deterioration in the financial position and these include:

- Increased pay costs due to issues experienced with recruitment and retention of Nurses, which reflects the national picture on Nursing
- An increase in Agency costs for both Nursing and Medical staffing
- Activity and income being below planned levels due to increases in length of stay and the number of stranded patients
- A failure to deliver the full efficiency and productivity programme (QIPP) on a recurrent basis
- Non Pay expenditure increasing due to a number of internal and external factors

The Trust is continuing to develop and refine mitigation plans to improve the year-end financial position whilst ensuring the safety of services is maintained. These measures include:

- Finalisation of income with Commissioners
- Reduction in Agency pressures through a regional project
- Divisional financial recovery plans, particularly within Medicine and Estates and Facilities
- Further delivery of QIPP, through both recurrent and non-recurrent measures

6.0 Statement of Financial Position

At month 9, non-current assets, which are the buildings and equipment within the Trust, are £3.1 million below the planned value which is driven by the underspend against the capital plan.

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

7.0 Capital

At the end of December Capital expenditure is £6.5 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 £5.2 million behind plan, which is a further £508,000 behind plan from last month's forecast. This is following an increase in the plan of £1.0 million for additional PDC funding for Winter Pressures and digital schemes, alongside further slippage related to a number of schemes which will not now complete until next year due to changes in the Trust priorities and subsequent allocation of resources.

As in previous months the forecast position reflects known cost pressures for the Therapies build, Sterile Services upgrade, the Oral and Maxillofacial Surgery relocation, Research & Development 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 9 shows a further deterioration, which is in line with the reforecast position. The actions to mitigate the risk of not achieving the revised financial control total at year end continue to be a priority.

The Board is asked to note the financial position as at month 9.

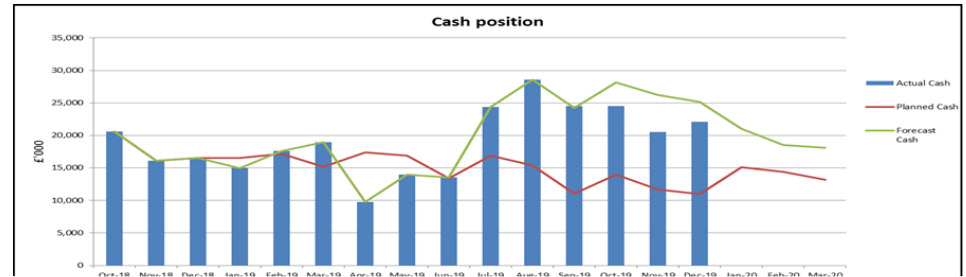
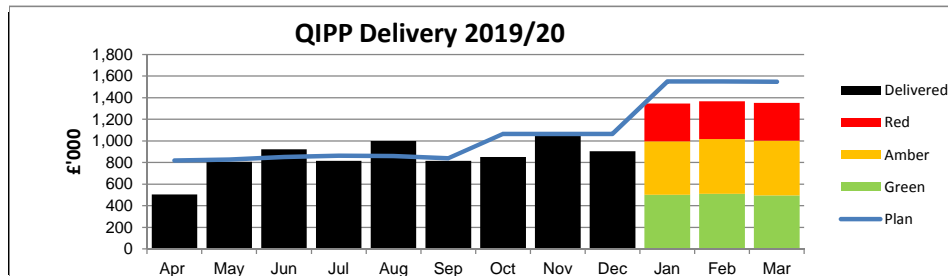
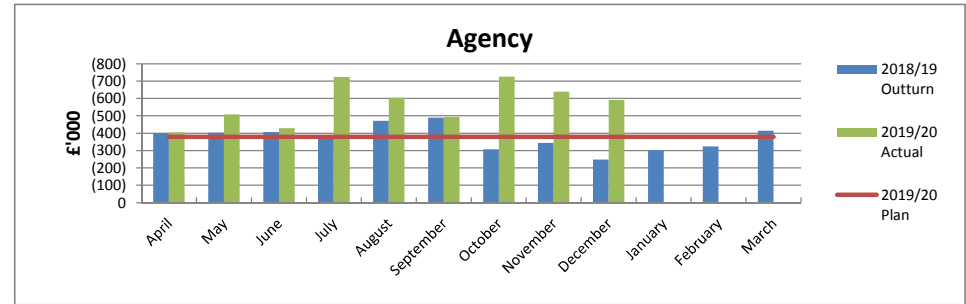
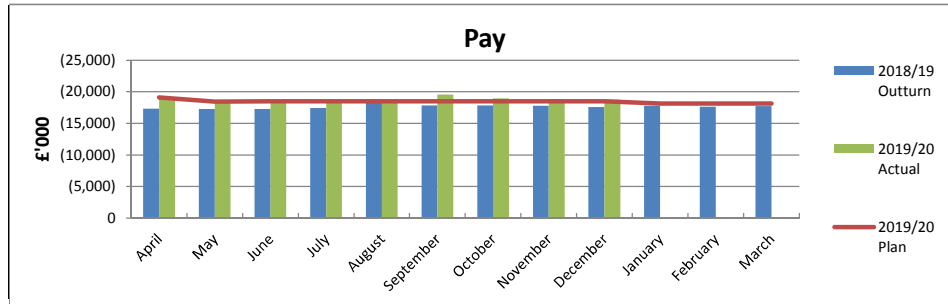
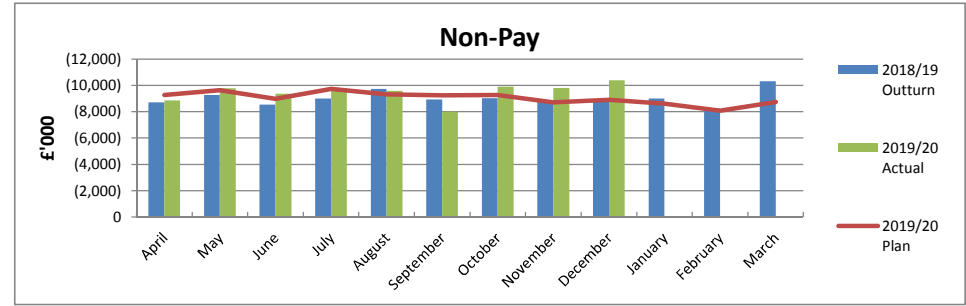
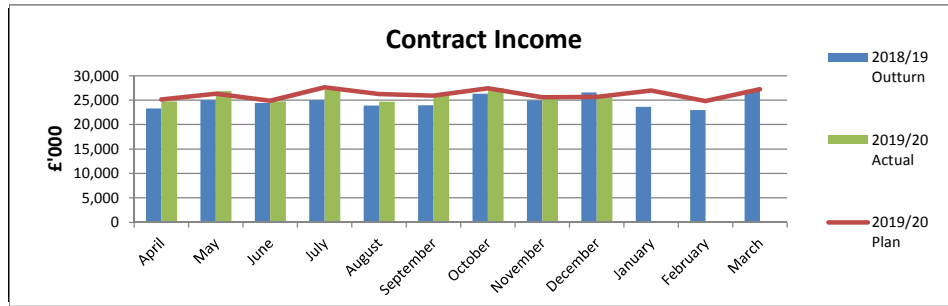
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APPENDIX 1 - CONTROL

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Annual Plan £'000	Actual £'000	Variance £'000
Contract Income	234,391	232,716	(1,675)	313,894	309,879	(4,015)
Operating Income	28,147	30,080	1,933	38,465	37,533	(932)
Pay	(167,011)	(168,728)	(1,717)	(221,493)	(223,169)	(1,676)
Non Pay	(56,292)	(59,944)	(3,652)	(72,569)	(75,747)	(3,177)
High Cost Drugs and Devices	(26,783)	(25,566)	1,218	(35,950)	(34,026)	1,923
EBITDA	12,452	8,558	(3,893)	22,347	14,470	(7,877)
Interest payable/receivable	(135)	(68)	67	(180)	(108)	73
Depreciation	(9,155)	(9,181)	(25)	(12,599)	(12,482)	117
PDC	(4,751)	(4,751)	0	(6,334)	(6,334)	0
Other Finance Charges	(2,752)	262	3,014	(2,752)	262	3,014
Net Surplus/(Deficit)	(4,342)	(5,180)	(837)	481	(4,192)	(4,673)
Donated Asset income	(1,050)	(1,156)	(106)	(2,525)	(1,156)	1,369
Donated Asset depreciation	615	578	(37)	821	578	(242)
Impairment	2,752	(250)	(3,002)	2,752	(250)	(3,002)
Gain / loss on disposal of an asset	0	(12)	(12)	0	(12)	(12)
Control total (excl PSF/MRET)	(2,025)	(6,019)	(3,994)	1,529	(5,032)	(6,561)
PSF	3,783	2,037	(1,746)	5,819	2,037	(3,782)
MRET	4,202	4,202	0	6,304	6,304	0
Control total (incl PSF/MRET)	5,960	220	(5,740)	13,652	3,309	(10,343)

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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>
Non current assets			
Intangible assets	9,865	9,153	(712)
Property, Plant & Equipment	214,299	211,946	(2,353)
Trade and other receivables	1,182	1,183	1
Non current assets total	225,346	222,282	(3,064)
Current Assets			
Inventories	3,000	2,632	(368)
Trade and other receivables	30,769	26,330	(4,439)
Cash and cash equivalents	10,969	22,092	11,123
Current Assets total	44,738	51,054	6,316
Current Liabilities			
Trade and other payables	(29,957)	(33,260)	(3,303)
Other liabilities	(5,691)	(8,596)	(2,905)
Provisions	(335)	(265)	70
Borrowings	(3,424)	(3,439)	(15)
Current Liabilities total	(39,407)	(45,560)	1,277
Total assets less current liabilities	230,677	227,776	(2,901)
Non current liabilities			
Provisions	(763)	(763)	0
Borrowings	(11,308)	(11,541)	(233)
TOTAL ASSETS EMPLOYED	218,606	215,472	(3,134)
Financed by:			
Public Dividend Capital	160,790	159,749	(1,041)
Income and Expenditure Reserve	13,215	11,659	(1,556)
Revaluation reserve	44,601	44,064	(537)
Total Equity	218,606	215,472	(3,134)

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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	9,155	9,181	25	12,600	12,626	26
Loan Repayments	(984)	(2,463)	(1,479)	(2,958)	(2,958)	0
Charitable Funds	1,615	802	(813)	2,525	1,546	(979)
Donations	0	354	354	300	354	54
Cash reserves/Other	16,897	12,350	(4,547)	21,883	17,591	(4,292)
	26,683	20,224	(6,459)	34,350	29,159	(5,191)
Application of Funds						
Medical Equipment (donated)	403	356	(47)	500	500	0
Strategic Capital (donated)	1,212	800	(412)	2,325	1,400	(925)
Ward upgrades	2,541	1,410	(1,131)	2,941	2,909	(32)
Other Estates projects	1,943	1,851	(92)	2,823	2,682	(141)
Clinical Systems	1,600	701	(900)	2,241	1,336	(905)
Other IM&T	2,756	391	(2,365)	3,766	1,864	(1,902)
Medical Equipment	3,958	2,388	(1,570)	4,926	4,232	(694)
RNHRD & Therapies build	2,556	2,955	399	2,556	2,975	419
Cancer Centre	3,096	3,110	13	5,003	4,241	(762)
Other Redevelopment works	6,617	6,262	(355)	7,270	7,021	(248)
	26,683	20,224	(6,459)	34,350	29,159	(5,191)

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APPENDIX 5- STATEMENT OF CASHFLOWS

	Year to Date		
	Plan £'000	Actual £'000	Variance £'000
Operating Surplus/(deficit)	9,072	6,899	(2,173)
Depreciation & Amortisation	9,155	9,180	25
Working Capital movement	3,895	15,660	11,765
Provisions	(3)	(71)	(68)
Cashflow from/(used in) operations	22,119	31,668	9,549
Capital Expenditure	(26,003)	(23,252)	2,751
Cash receipts from asset sales	0	22	22
Cashflow before financing	(26,003)	(23,230)	2,773
Public dividend capital received	1,720	680	(1,040)
Movement in loans from the DHSC	(2,463)	(2,463)	0
Capital element of finance lease rental payments	0	(299)	(299)
Interest received	73	132	59
Interest paid	(230)	(231)	(1)
Interest element of finance lease	(27)	(19)	8
PDC dividend (paid)/refunded	(3,166)	(3,093)	73
Net cash generated from/(used in) financing activities	(4,093)	(5,293)	(1,200)
Increase/(decrease) in cash and cash equivalents	(7,977)	3,145	11,122
Opening Cash balance	18,946	18,946	0
Closing cash balance	10,969	22,091	11,122

