

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>12</b>
<b>Date of Meeting:</b>	<b>26 February 2020</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 January 2020.

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. The Trust has reforecast its year end position, which has been agreed with NHS Improvement and NHS England, to be £6.5 million away from the £7.83 million target which will also result in the loss of £2.04 million of possible Provider Sustainability Funding.

As illustrated in Appendix 1 the year to date position at the end of month 10 for the Trust is a surplus of £190,000 which is £9.22 million below plan including £2.42 million of lost Provider Sustainability Funding for Quarter 3 and Month 10. QIPP savings of £8.80 million have been delivered which is £1.01 million lower than planned levels. The deterioration in the level of QIPP delivered and forecast is reflected in the deterioration of the overall Trust position.

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

The Board should note the financial position at the end of month 10 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 10 Month Period Ending the 31 January 2020

### 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. The Trust has reforecast its year end position, which has been agreed with NHS Improvement and NHS England, to be £6.5 million away from the £7.83 million target which will also result in the loss of £2.04 million of possible Provider Sustainability Funding.

As illustrated in Appendix 1 the year to date position at the end of month 10 for the Trust is a surplus of £190,000 which is £9.22 million below plan including £2.42 million of lost Provider Sustainability Funding for Quarter 3 and Month 10. QIPP savings of £8.80 million have been delivered which is £1.01 million lower than planned levels. The deterioration in the level of QIPP delivered and forecast is reflected in the deterioration of the overall Trust position.

### 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)	(301)	(7,100)	(6,800)
Surplus/(Loss) on a control total basis	9,414	190	(9,224)
Elective Income performance	15,113	14,703	(410)
Pay costs	(185,172)	(187,803)	(2,631)
Non Pay costs (excl. high cost drugs)	(61,929)	(67,282)	(5,353)
QIPP target against delivery	9,802	8,797	(1,005)
Agency staff utilisation	(3,784)	(5,833)	(2,049)
Cash balance	15,125	22,310	7,185
Capital Expenditure	29,028	22,609	(6,419)

### 3.0 Activity and Income

Contract income at the end of month 10 is £2.05 million below plan; a deterioration of £378,000 from the position at the end of December. £1.07m of the year to date variance to plan is 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 is ahead of plan year-to-date although deteriorated slightly in month.

#### 4.0 Expenditure

At the end of month 10 pay costs were £2.63 million higher than planned levels. This is due to continuing high levels of spend on agency staff. Non-pay was £5.35 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

Following the extensive review of the financial position and sign off of the reforecast position at Trust Board in December the Trust is now working to the revised financial forecast of an overall surplus position of £3.3 million against the control total of £13.6m. This is an adverse variance from plan of £10.3 million. The key drivers of this are the operating position (without MRET funding) which is a £5 million deficit therefore £6.5 million adrift of the planned position, and a loss of Provider Sustainability Funding (PSF) for Q3 and Q4 totalling £3.8m.

This revised position was signed off by the STP and NHSI regional team and the expectation is that this will not move again as this will trigger a loss of confidence with the regulator.

There are a number of risks still associated with the revised forecast outturn. These include the following

- Lack of available support funding local healthcare system
- Continued increases in pay expenditure, specifically within Medicine
- Non pay expenditure increases not in line with activity
- Failure to deliver QIPP

The Trust continues to negotiate with commissioners around providing additional support to meet the fixed costs of the services provided, but there remains limited, if any, funding flexibility in the local system. At the current stage there remains no indication of any national funding being made available.

#### 6.0 Statement of Financial Position

At month 10, non-current assets, which are the buildings and equipment within the Trust, are £2.9 million below the planned level, a variance driven by the underspend against the capital plan.

There is a variance on other liabilities of £2.5 million relating to an increase in deferred income. £1.0 million of the variance relates to Health Education funding which was planned to be received monthly and is now received quarterly in advance. The remaining variance relates to deferred income for medical equipment of £222,000, an insurance rebate of £340,000 and £900,000 of MRET relating to the timing of receipt of the payment.

PDC is behind plan by £1.0 million. The variance is explained by £1.7 million planned PDC funding for the Local Healthcare Records project which has not been drawn down due to the forecast expenditure and additional PDC funding of £700,000 for the first tranche of winter funding which was not in the 2019/20 plan.

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

## **7.0 Capital**

At the end of January Capital expenditure is £6.4 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 £6.3 million behind plan, which is a further £1.2 million behind plan from last month's forecast. This relates to further slippage related to a number of schemes which will not now complete until next year.

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 10 shows a further deterioration. 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 10.

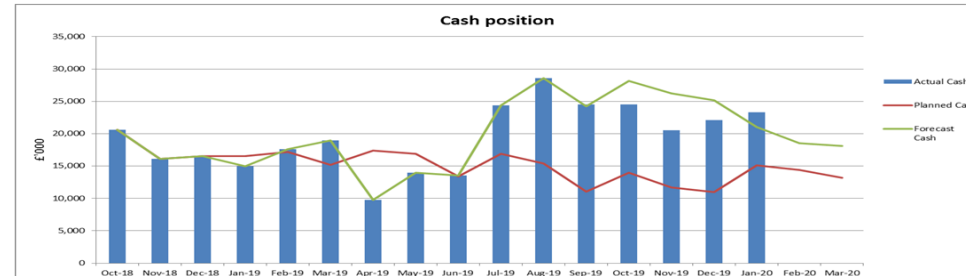
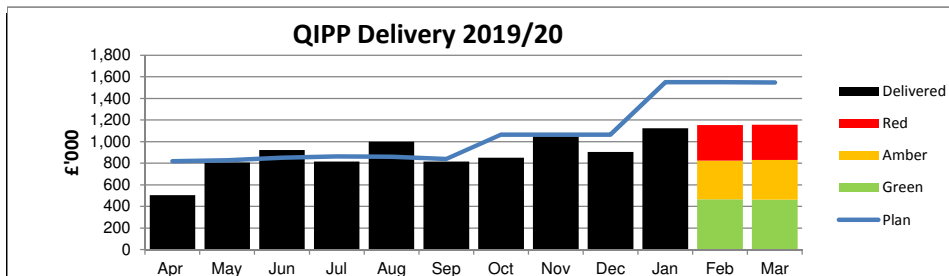
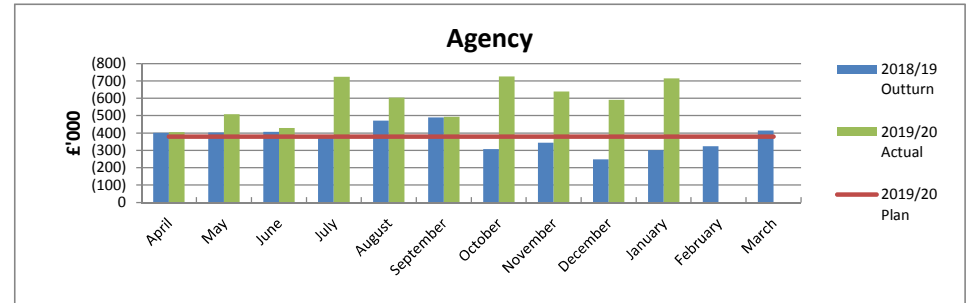
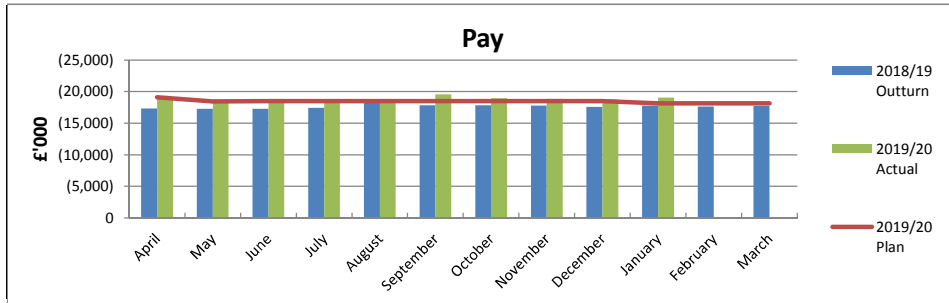
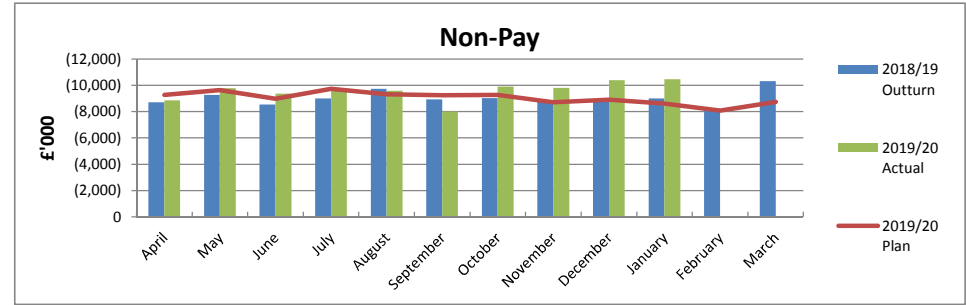
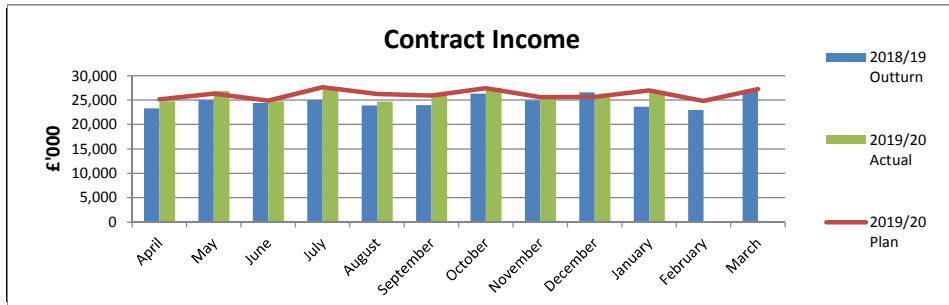
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APPENDIX 1 - CONTROL

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Annual Plan £'000	Actual £'000	Variance £'000
Contract Income	261,549	259,496	(2,053)	313,894	309,879	(4,015)
Operating Income	31,118	33,397	2,279	38,465	40,700	2,235
Pay	(185,172)	(187,803)	(2,631)	(221,493)	(224,150)	(2,657)
Non Pay	(61,929)	(67,282)	(5,353)	(72,569)	(77,933)	(5,363)
High Cost Drugs and Devices	(29,770)	(28,699)	1,071	(35,950)	(34,026)	1,923
<b>EBITDA</b>	<b>15,797</b>	<b>9,110</b>	<b>(6,687)</b>	<b>22,347</b>	<b>14,470</b>	<b>(7,877)</b>
Interest payable/receivable	(150)	(75)	75	(180)	(108)	73
Depreciation	(10,303)	(10,329)	(26)	(12,599)	(12,482)	117
PDC	(5,279)	(5,279)	0	(6,334)	(6,334)	0
Other Finance Charges	(2,752)	262	3,014	(2,752)	262	3,014
<b>Net Surplus/(Deficit)</b>	<b>(2,687)</b>	<b>(6,311)</b>	<b>(3,624)</b>	<b>481</b>	<b>(4,192)</b>	<b>(4,673)</b>
Donated Asset income	(1,050)	(1,171)	(121)	(2,525)	(1,156)	1,369
Donated Asset depreciation	684	643	(41)	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)
<b>Control total (excl PSF/MRET )</b>	<b>(301)</b>	<b>(7,100)</b>	<b>(6,800)</b>	<b>1,529</b>	<b>(5,032)</b>	<b>(6,561)</b>
PSF	4,462	2,037	(2,425)	5,819	2,037	(3,782)
MRET	5,252	5,253	1	6,304	6,304	0
<b>Control total (incl PSF/MRET)</b>	<b>9,414</b>	<b>190</b>	<b>(9,224)</b>	<b>13,652</b>	<b>3,309</b>	<b>(10,343)</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 2019/20 Actual £'000</u>	<u>Variance £'000</u>
<b>Non current assets</b>						
Intangible assets	9,932	9,167	(765)	9,939	11,224	1,285
Property, Plant & Equipment	215,364	213,170	(2,194)	217,485	213,251	(4,234)
Trade and other receivables	1,182	1,213	31	1,182	1,182	0
<b>Non current assets total</b>	<b>226,478</b>	<b>223,550</b>	<b>(2,928)</b>	<b>228,606</b>	<b>225,657</b>	<b>(2,949)</b>
<b>Current Assets</b>						
Inventories	3,000	3,364	364	3,000	3,000	0
Trade and other receivables	28,869	24,079	(4,790)	31,684	22,978	(8,706)
Cash and cash equivalents	15,125	22,311	7,186	13,154	18,095	4,941
<b>Current Assets total</b>	<b>46,994</b>	<b>49,754</b>	<b>2,760</b>	<b>47,838</b>	<b>44,073</b>	<b>(3,765)</b>
<b>Current Liabilities</b>						
Trade and other payables	(30,488)	(34,170)	(3,682)	(28,387)	(32,093)	(3,706)
Other liabilities	(5,691)	(8,282)	(2,591)	(5,691)	(5,691)	0
Provisions	(335)	(275)	60	(335)	(265)	70
Borrowings	(3,424)	(3,440)	(16)	(3,424)	(3,424)	0
<b>Current Liabilities total</b>	<b>(39,938)</b>	<b>(46,167)</b>	<b>(6,229)</b>	<b>(37,837)</b>	<b>(41,473)</b>	<b>(3,636)</b>
<b>Total assets less current liabilities</b>	<b>233,534</b>	<b>227,137</b>	<b>(6,397)</b>	<b>238,607</b>	<b>228,257</b>	<b>(10,350)</b>
<b>Non current liabilities</b>						
Provisions	(763)	(763)	0	(763)	(763)	0
Borrowings	(11,308)	(11,508)	(200)	(10,813)	(10,813)	0
<b>TOTAL ASSETS EMPLOYED</b>	<b>221,463</b>	<b>214,866</b>	<b>(6,597)</b>	<b>227,031</b>	<b>216,681</b>	<b>(10,350)</b>
<b>Financed by:</b>						
Public Dividend Capital	160,790	159,749	(1,041)	160,790	161,010	220
Income and Expenditure Reserve	16,072	11,053	(5,019)	21,640	44,601	22,961
Revaluation reserve	44,601	44,064	(537)	44,601	11,070	(33,531)
		0	0			
<b>Total Equity</b>	<b>221,463</b>	<b>214,866</b>	<b>(6,597)</b>	<b>227,031</b>	<b>216,681</b>	<b>(10,350)</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	10,303	10,329	26	12,600	12,626	26
Loan Repayments	(984)	(2,463)	(1,479)	(2,958)	(2,958)	0
Charitable Funds	2,018	802	(1,217)	2,525	1,546	(979)
Donations	0	369	369	300	354	54
Cash reserves/Other	17,691	13,573	(4,118)	21,883	16,412	(5,471)
	<b>29,028</b>	<b>22,609</b>	<b>(6,419)</b>	<b>34,350</b>	<b>27,979</b>	<b>(6,370)</b>
<b>Application of Funds</b>						
Medical Equipment (donated)	435	371	(64)	500	500	0
Strategic Capital (donated)	1,583	802	(782)	2,325	850	(1,475)
Ward upgrades	2,541	1,906	(635)	2,941	2,909	(32)
Other Estates projects	2,203	2,265	62	2,823	2,858	35
Clinical Systems	1,885	934	(951)	2,241	1,186	(1,055)
Other IM&T	3,027	412	(2,615)	3,766	1,864	(1,902)
Medical Equipment	4,231	2,999	(1,231)	4,926	4,071	(855)
RNHRD & Therapies build	2,556	2,993	437	2,556	2,975	419
Cancer Centre	3,732	3,390	(342)	5,003	4,085	(918)
Other Redevelopment works	6,835	6,537	(298)	7,270	6,682	(588)
	<b>29,028</b>	<b>22,609</b>	<b>(6,419)</b>	<b>34,350</b>	<b>27,979</b>	<b>(6,370)</b>

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## APPENDIX 5- STATEMENT OF CASHFLOWS

	Plan £'000	Year to Date	
		Actual £'000	Variance £'000
Operating Surplus/(deficit)	12,470	6,825	(5,945)
Depreciation & Amortisation	10,301	10,328	27
Working Capital movement	5,778	16,485	11,006
Provisions	(3)	(60)	(57)
<b>Cashflow from/(used in) operations</b>	<b>28,546</b>	<b>33,578</b>	<b>5,031</b>
Capital Expenditure	(28,281)	(25,024)	3,257
Cash receipts from asset sales	0	23	23
<b>Cashflow before financing</b>	<b>(28,281)</b>	<b>(25,001)</b>	<b>3,280</b>
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	(332)	(332)
Interest received	82	147	65
Interest paid	(230)	(132)	98
Interest element of finance lease	(29)	(20)	9
PDC dividend (paid)/refunded	(3,166)	(3,093)	73
<b>Net cash generated from/(used in) financing activities</b>	<b>(4,086)</b>	<b>(5,213)</b>	<b>(1,127)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(3,821)</b>	<b>3,364</b>	<b>7,185</b>
<b>Opening Cash balance</b>	<b>18,946</b>	<b>18,946</b>	<b>0</b>
<b>Closing cash balance</b>	<b>15,125</b>	<b>22,310</b>	<b>7,185</b>