Board of Directors
Agenda Item: Bo.01.18.21

Bradford Teaching Hospitals NHS
NHS Foundation Trust

Finance Report to the Board of Directors
Period Ending 30.11.17

Presented for:	Information
Presented by:	Matthew Horner, Director of Finance
Author	Chris Smith, Deputy Director of Finance
Corporate objective:	Delivery of the agreed financial plan
Previously considered by:	Not applicable

Key points	**For Decision, Discussion or Information**
1. The reported YTD deficit is £-4.3m, which is £-5.5m behind plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position of £6.6m is behind plan.	Information
3. Finance Risk Register – The main risks are:	Information
a) Delivery of Budgetary Control Totals and CIP Targets in 2017/18.	Information
b) Delivery of obligations / indicators with contracts with Commissioners and their ability to pay for contract overtrades in 2017/18.	Information
4. Cash position of £26.5m is behind plan.	Information
5. Capital Expenditure is £14.5m, which is £-4.3m behind plan.	Information

The following papers make up this report:

1. Finance Report to the Board of Directors

Regulatory Relevance	
NHSI	Financial Sustainability Risk Rating
CQC Registration	None
Equality Impact/Implications	None
Other	None

Report Contents

1. Financial Scorecard & Overview (1)
Nov-17

Bradford Teaching Hospitals NHS
NHS Foundation Trust

Key Financial Indicators As at 30.11.17	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	267.55	256.99	-10.56	-4%	
Operating Expenditure	-254.83	-250.37	4.46	2%	
EBITDA	**12.73**	**6.62**	**-6.11**	**-48%**	
Non-Operating Items	-11.51	-11.42	0.09	1%	
Net Surplus	**1.22**	**-4.80**	**-6.01**	**-495%**	
Impairments / Donations	0.00	0.50	0.50	-	
Control Total Surplus / (Deficit)	**1.22**	**-4.30**	**-5.51**	**-454%**	
Other Indicators					
CIP Delivery	11,112	12,226	1,113	10%	
Net Current Assets (NCA)	7.97	5.28	-2.69	-34%	
Capital Expenditure	18.81	14.52	-4.29	-23%	

Monitor Financial Sustainability Risk Rating (FSRR) As at 30.11.17	Plan YTD	Actual YTD	*Last Month*	RAG
Capital Servicing Capacity	2	4	*3*	
Liquidity	1	1	*1*	
I & E Margin	3	4	*3*	
Variance from plan (I & E Margin)	1	4	*2*	
Agency Spend	2	2	*2*	
Combined UoR (after triggers)	**2**	**3**	**2**	2

Commentary

The tables on this page set out the Finance and Use of Resources Metric which superseded the Financial and Sustainability Risk Ratings in October 2016.

These metrics are used by NHSI as high level indicators of an organisation's financial health. The higher the rating, the higher the risk to the organisation's financial stability.

At month 8, the Trust has an overall rating of 3 with three of the five metrics being rated 4, denoting significant risk in that area. The annual plan was to maintain a risk rating of 2 for each month of the financial year.

Commentary

Statement of Comprehensive Income

The I & E position at the end of November is a £4.80m deficit which is behind the planned £1.22m surplus. This figures includes £0.50m of impairment charges and charitable donations that NHSI exclude from their control total calculations. On a control total basis, the bottom line deficit is £4.30m which is £5.51m behind plan. This adverse variance is due to the loss of 15% STF funding related to the A&E target in Quarter 1 and failing to meet the planned surplus for October and November.

Operating revenue is behind plan for clinical activities. Pay expenditure is overspent by £3.56m with agency costs exceeding vacancy savings. Operating Non-pay items in total are underspent by £8m which comprises a drugs underspend of £2.85m and a £5.2m underspend on other supplies.

The **CIP** plan has been reprofiled to factor in Improvement Plan requirements. The YTD position is ahead of the reprofiled plan but there are major risks to full year delivery.

Agency Expenditure is £9.74m against a YTD ceiling of £8.01m.

Capital Expenditure

Capital expenditure up to the end of November is £14.52m which is £4.3m behind plan.

Key Financial Risks & Mitigations

The on-going financial risks relate to the delivery of contracted activity and income levels and divisional budgetary control targets (including CIP targets). It may be necessary to re-assess the affordability of committing to reserves in 2017/18 if underlying run-rates are not controlled and CIP targets are not achieved.

The economic outlook heightens the risk to the organisation of maintaining the balance between quality, performance and finances.

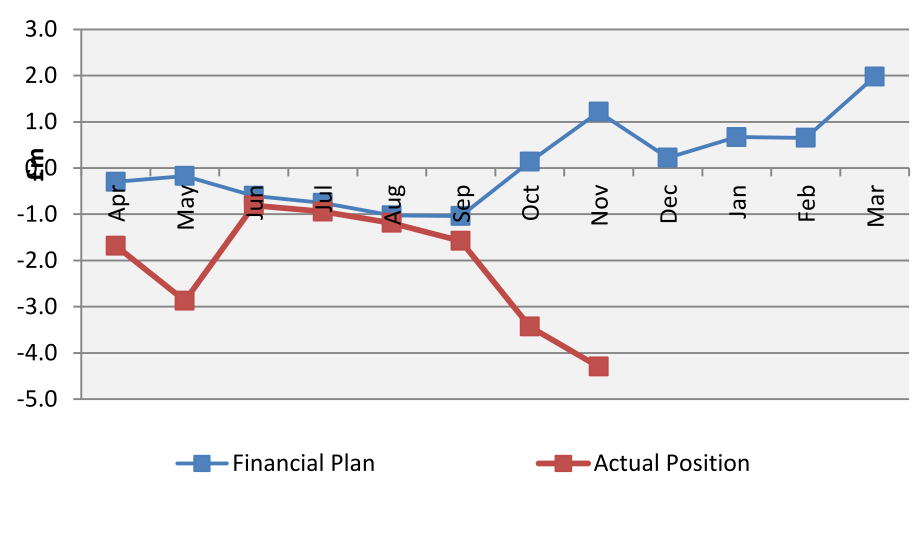
Budgetary performance is monitored on a monthly basis with necessary escalations and requiring the formulation of recovery plans. Regular discussions are held with Commissioners regarding activity volumes and in respect of potential contract penalties.

1. Financial Scorecard & Overview (2)

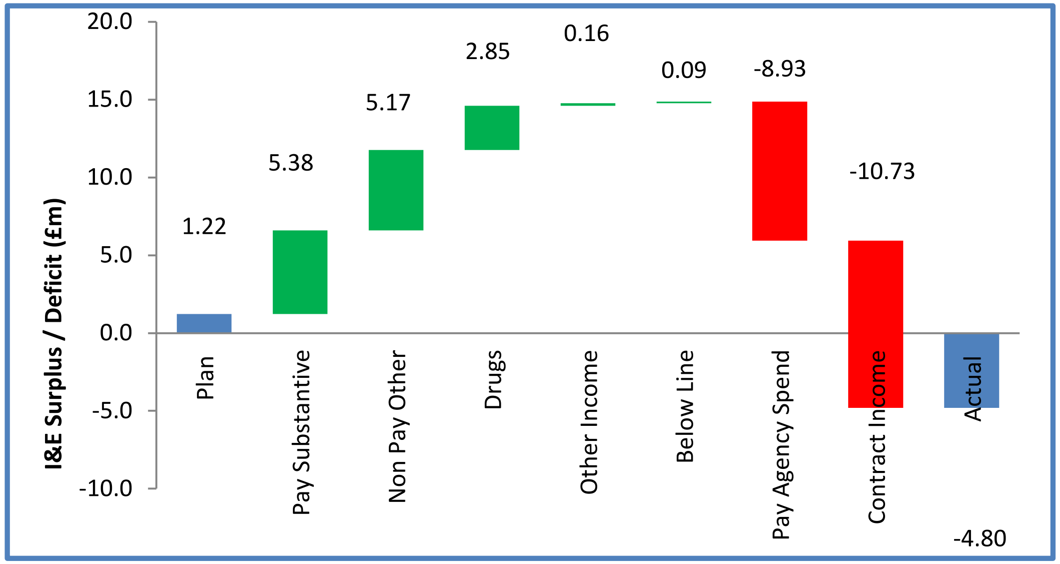
Nov-17

Bradford Teaching Hospitals NHS
NHS Foundation Trust

Surplus Trend November 2017



Income & Expenditure Bridge November 2017



Director of Finance Conclusions & Recommendations

The Trust reported an adjusted pre-STF deficit of £7.5m at the end of Month 8 which is £3.3m behind the pre-STF control total. None of the £2m STF cash can be recovered for Months 7 and 8. Including STF recovered for Q1 & Q2, the YTD post-STF position is a defict of £4.3m against a planned £1.2m surplus, meaning the Trust is £5.5m behind the cumulative post-STF control total. The in-month position is an adverse pre-STF variance of almost £1m. An surplus of £0.4m was forecast in the revised Improvement Plan, which means the Trust is £1.3m behind the Improvement Plan trajectory.

The Month 8 position results in a Use of Resources Risk Rating of 3 compared to the planned rating of 3 which is off plan.

It must be recognised that the cumulative Month 8 position was only delivered by the deployment of £8.8m of non-recurrent measures which will not be available in future quarters. The outlook for Month 9 and Quarter 3 and 4 delivery as a whole in light of current run rates remains worrying. The current run rate suggests the Trust will fall short of its financial targets by the end of Quarter 3 and will post a very substantial deficit in 2017/18 unless the measures identified in the Improvement Plan are deployed in full. The work to implement the Improvement Plan is ongoing, with crucial months for initial delivery being December and January to ensure the savings requirement in Quarter 4 remains manageable. The timeline for financial recovery in 2017/18 contains very little leeway, and consequently any delays to any of the implementation schedules would prove to be extremely difficult to manage within the current financial year. At present, the schemes in place would result in a pre-STF shortfall in the region of £4.7m.

Idenitifying sufficient supplementary measures to deliver the year end control total remains the Trust's clear objective for the remainder of this financial year. In this context, revised governance structures and increased supporting resources have been put in place to support delivery of the Improvement Plan.

In summary, the outlook for 2017/18 remains extremely challenging and financial stability depends entirely on the delivery of the Improvement Plan in full and the identification of supplementary measures to offset the current forecast shortfall.

2. Statement of Comprehensive Income (I & E)
Nov-17

Bradford Teaching Hospitals NHS Foundation Trust

Period Ending 30.11.17 Budget v Actual	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
NHS Clinical Revenue				
Elective Revenue	28.07	18.67	15.36	-3.31
Planned Same Day Revenue	29.24	19.62	16.53	-3.09
Non Elective Revenue	68.36	45.84	52.30	6.46
Outpatient Revenue	52.43	35.60	31.16	-4.44
Other Activity Revenue	136.19	91.46	85.67	-5.80
Community Services Revenue	12.03	8.02	8.02	0.00
A&E Revenue	16.69	11.16	10.61	-0.55
CQUINS	5.20	3.47	3.44	-0.03
Contract Penalties	0.00	0.00	0.03	0.03
Sub-Total NHS Clinical Revenue	**348.20**	**233.84**	**223.11**	**-10.73**
Other Operating Revenue				
Private Patients	1.40	0.93	0.99	0.06
Education & Training	13.98	9.27	9.70	0.43
Research & Development	12.14	8.09	7.04	-1.05
Sustainability & Transformation Fund	9.78	5.38	3.21	-2.18
Other Income	14.97	10.04	12.94	2.90
Sub-Total Other Operating Rev.	**52.27**	**33.72**	**33.88**	**0.16**
TOTAL OPERATING REVENUE	**400.47**	**267.55**	**256.99**	**-10.56**
Operating Expenses				
Employee Expenses - Permanent	-241.99	-162.01	-156.63	5.38
Employee Expenses - Agency	-1.17	-0.81	-9.74	-8.93
Drugs	-45.13	-30.33	-27.48	2.85
Clinical Supplies	-41.00	-27.63	-28.03	-0.40
Non-Clinical Supplies	-52.17	-34.05	-28.48	5.56
Sub-Total Operating Expenses	**-381.47**	**-254.83**	**-250.37**	**4.46**
EBITDA	**19.00**	**12.73**	**6.62**	**-6.11**
Non-Operating Items				
Depreciation	-12.12	-8.08	-7.56	0.53
Impairment	0.00	0.00	-0.38	-0.38
Interest Payable	-0.70	-0.47	-0.40	0.07
Interest Receivable	0.15	0.10	0.06	-0.04
PDC Dividend	-4.60	-3.06	-3.06	-0.00
Profit / Loss on Asset Disposal	0.00	0.00	-0.08	-0.08
Unwinding of Discounts on Provisions	0.00	0.00	0.00	0.00
Sub-Total Non-Operating Items	**-17.27**	**-11.51**	**-11.42**	**0.09**
NET SURPLUS/(DEFICIT)	**1.73**	**1.22**	**-4.80**	**-6.01**
Impairments / Donations	0.00	0.00	0.50	0.50
Control Total Surplus / (Deficit)	**1.73**	**1.22**	**-4.30**	**-5.51**

Commentary

NHS Clinical Revenue

The contract income position at the end of November is £10.73m behind plan. Elective Inpatient, Daycase and Outpatient activity are behind plan by £3.31m, £3.09m and £4.44m respectively and Other income is behind plan by £5.80m. This "other" category includes Pass Through Drugs which is offset by expenditure budget underspends and elements of commissioner QIPP which will be allocated across other activity areas once the CCGs communicate their detailed QIPP plans. Emergency work is £6.46m ahead of plan, however A&E is behind plan by £0.55m.

The November income position includes the impact of EPR implementation.

Other Operating Revenue

Other operating income is behind plan by £0.2m. Unplanned CQUIN Risk Reserve income of £1.25m is included in this position. YTD STF recovery is £2.18m behind plan due to A&E performance in Quarter 1 and failure to achieve the planned surplus for October and November.

Operating Expenses - Employee Expenses

The net pay position is overspent by £3.55m comprising a favourable variance of £5.38m due to vacancies and an adverse variance of £8.93m on agency staff costs. There was a reduction in reported agency spend in September due to technical adjustments, although this returned to a higher level of spend for November and it remains likely that the Trust will exceed the full year ceiling of £12.30m.

Operating Expenses - Drugs

The drugs budget is underspent at the end of November by £2.85m which is offset by a shortfall in pass through drugs income.

Operating Expenses - Clinical Supplies

Overall expenditure on clinical supplies is overspent by £0.40m at the end of November.

Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies expenditure is underspent by £6.31m at the end of November which largely reflects the allocation of non-recurrent benefits into the I&E account.

Non-Operating Expenses

At the end of November non-operating items are slightly overspent, mainly due to the planned impairment.

Variance Key: Favourable / (Adverse)

3. Divisional Performance
Nov-17

Bradford Teaching Hospitals NHS
NHS Foundation Trust

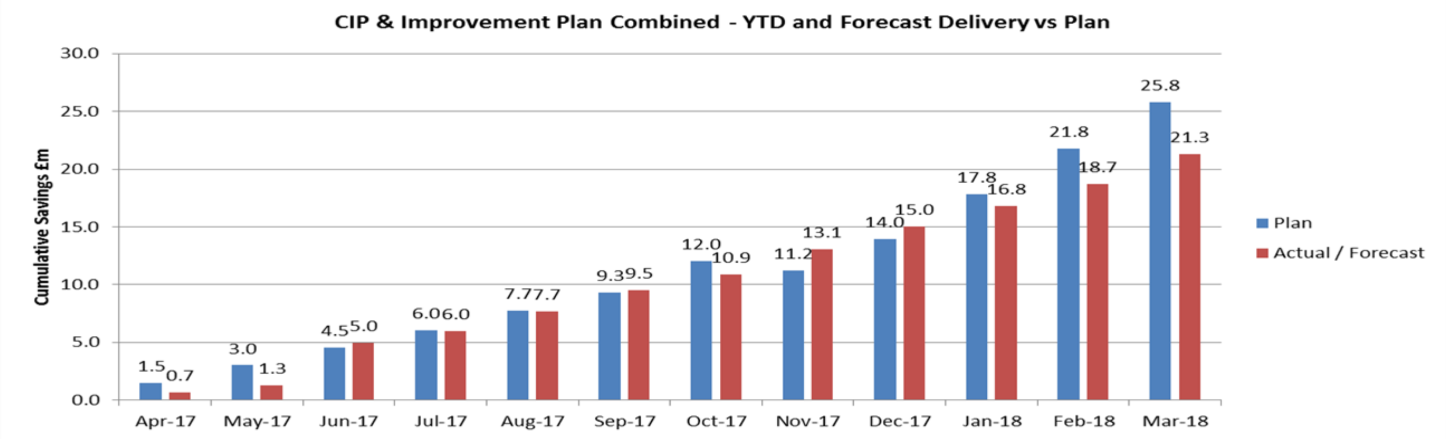
Division/Directorate	YTD Plan £m	YTD Actual £m	YTD Variance £m	YTD Pay Variance £m	YTD Non-Pay Variance £m	YTD Income Variance £m	YTD Total Variance £m	Income Allocation £m	Contract Penalties £m	Revised Variance £m	% Variance to Plan	Financial Risk Rating
Clinical Divisions												
Surgery	-77.40	-83.27	-5.87	-1.99	-3.80	-0.08	-5.87	-8.17	0.00	-14.05	-18.1%	1
Medicine	-70.42	-75.23	-4.80	-2.80	-1.80	-0.20	-4.80	0.37	-0.03	-4.47	-6.3%	1
Women's & Children's	-26.58	-28.04	-1.46	-0.64	-0.83	0.01	-1.46	1.66	0.00	0.20	0.7%	5
Sub-Total Clinical Divisions	**-174.40**	**-186.54**	**-12.14**	**-5.43**	**-6.43**	**-0.27**	**-12.14**	**-6.15**	**-0.03**	**-18.32**	**-10.5%**	
Support Divisions												
Pharmacy	-2.73	-2.70	0.03	0.12	-0.78	0.70	0.03	-0.02	0.00	0.01	0.4%	5
Estates & Facilities	-16.11	-16.12	-0.01	0.11	-0.06	-0.05	-0.01	0.00	0.00	-0.01	-0.0%	4
Sub-Total Support Divisions	**-18.84**	**-18.82**	**0.02**	**0.22**	**-0.85**	**0.65**	**0.02**	**-0.02**	**0.00**	**0.00**	**0.0%**	

Variance Key: Favourable / Adverse

FRR Rating	On Plan or Better	<1% over Plan	<3% over Plan	<5% over Plan	>5% over Plan
Rating	5	4	3	2	1

4. CIP Delivery

Nov-17



CIP Summary

The forecast delivery from the original CIP prorgammes have been amalgamated with the £12.2m Improvement Plan requirement to arrive at a projected combined efficiency requirement of £25.8m in 2017/18.

This target reflects deteriorations in the income and expenditure run rate in recent months and additional unplanned cost pressures arising in the year, as well as the reliance on non-recurrent measures to deliver the control total in Quarters 1 & 2.

At present, plans are in place to deliver £21m of efficiencies against this target, resulting in a shortfall of approximately £4.7m.

The Trust is investigating a number of options to address this shortfall, however delivery at present is not certain.

CIP Delivery by Programme and Project

Programme / Project	In Month Plan	In Month Actual	In Month Variance	YTD Plan	YTD Actual	YTD Variance	Annual Target	Forecast Actual	Forecast Variance
Carter	296	73	-223	1,879	739	-1,139	3,294	1,076	-2,218
Divisional	-39	-14	-114	606	35	-572	936	242	-694
EPR	127	0	-124	254	0	-254	254	174	-80
Outpatients	17	-75	-93	64	154	91	133	300	167
Urgent Care	4	57	53	203	460	257	219	460	240
Workforce	-256	-86	-509	2,694	1,563	-1,130	4,046	2,991	-1,055
Housekeeping	-2,456	312	2,767	2,071	1,565	-506	2,632	2,632	0
Clinical Coding (now in Imp Plan)			0	0	0	0	0	0	0
Elective Care	-110	35	145	777	49	-728	1,689	269	-1,420
In Year Additions	35	0	-35	69	0	-69	208	0	-208
Non Recurrent Items			0	0	5,267	5,267	0	5,267	5,267
Improvement Plan	1,568	1,642	73	2,495	2,393	-102	12,213	7,506	-4,707
Grand Total	**-813**	**1,944**	**1,941**	**11,112**	**12,226**	**1,113**	**25,625**	**20,918**	**-4,707**

CIP Delivery by Programme and Project

This table shows the contribution from the original CIP schemes in more detail.

There is some cross-over between the original CIP schemes and the Improvement Plan measures. This is addressed presentationally by transferring both targets and projected benefits from the original CIP schemes to the Improvement Plan.

In practice, to ensure appropriate governance, the Improvement Plan schemes have each been allocated to one of the existing programmes and are being managed and monitored in this way via the Trust Improvement Committee (TIC).

The individual Improvement Plan schemes are discussed in more detail in the separate Improvement Plan update paper (Bo.1.18.22).

5. Statement of Financial Position, Cashflow and Liquidity
Nov-17

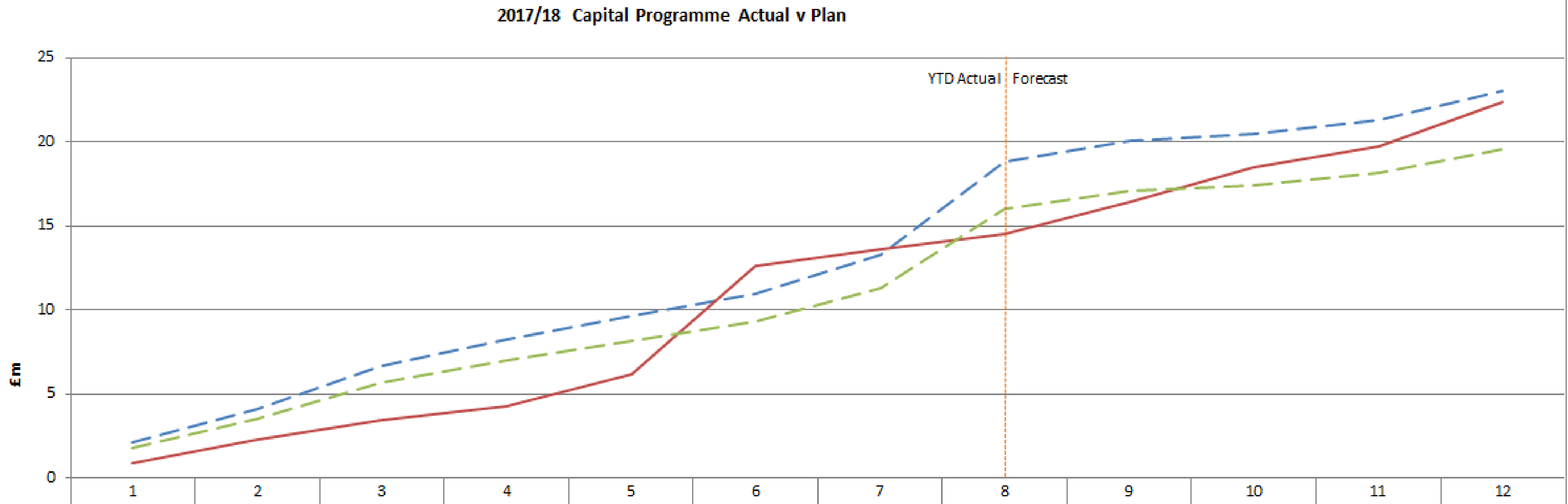
Bradford Teaching Hospitals NHS
NHS Foundation Trust

Summary Statement of Financial Position as at 31.10.16	Actual Performance					Planned Movement				
	Year to date	In month movement		Year to date movement		Year to date		Year end forecast		
	Actual	Oct 17	Variance	Mar 16	Variance	Plan	Variance	Plan	Actual	Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Intangible assets	18.327	17.997	0.330	12.282	6.045	23.251	(4.924)	10.660	8.850	(1.810)
Property, plant and equipment	191.838	191.899	(0.061)	191.262	0.576	191.559	0.279	191.439	192.544	1.105
Trade and other receivables	0.862	0.820	0.042	0.893	(0.031)	0.893	(0.031)	0.893	0.893	0.000
Total Non-Current Assets	**211.027**	**210.716**	**0.311**	**204.437**	**6.590**	**215.703**	**(4.676)**	**202.992**	**202.287**	**(0.705)**
Inventories	5.118	4.666	0.452	4.670	0.448	5.433	(0.315)	4.670	4.670	0.000
Cash	26.465	34.085	(7.620)	50.366	(23.901)	32.236	(5.771)	36.140	27.032	(9.108)
NHS Receivables	14.122	11.432	2.690	14.443	(0.321)	16.401	(2.279)	14.443	14.443	0.000
Trade and other receivables	10.810	10.497	0.313	6.649	4.161	8.998	1.812	6.649	6.897	0.248
Total Current Assets	**56.515**	**60.680**	**(4.165)**	**76.128**	**(19.613)**	**63.068**	**(6.553)**	**61.902**	**53.042**	**(8.860)**
NHS Payables	(6.959)	(6.831)	(0.128)	(10.051)	3.092	(7.423)	0.464	(10.051)	(7.423)	2.628
Trade and other payables	(27.762)	(26.557)	(1.205)	(29.076)	1.314	(32.613)	4.851	(27.181)	(24.723)	2.458
Capital payables	(4.090)	(6.539)	2.449	(2.955)	(1.135)	(2.255)	(1.835)	(2.255)	(2.255)	0.000
Borrowings	(4.052)	(4.052)	0.000	(4.090)	0.038	(4.052)	0.000	(4.052)	(4.052)	0.000
Deferred Income	(6.997)	(7.851)	0.854	(6.396)	(0.601)	(6.396)	(0.601)	(6.396)	(6.396)	0.000
Provisions	(1.377)	(1.377)	0.000	(2.362)	0.985	(2.362)	0.985	(2.362)	(1.377)	0.985
Total Current Payables	**(51.237)**	**(53.207)**	**1.970**	**(54.930)**	**3.693**	**(55.101)**	**3.864**	**(52.297)**	**(46.226)**	**6.071**
Total Net Current Assets	**5.278**	**7.473**	**(2.195)**	**21.198**	**(15.920)**	**7.967**	**(2.689)**	**9.605**	**6.816**	**(2.789)**
Borrowings	(29.870)	(30.870)	1.000	(32.896)	3.026	(29.870)	0.000	(28.844)	(28.844)	0.000
Deferred Income	0.000	0.000	0.000	(0.577)	0.577	(0.577)	0.577	(0.577)	0.000	0.577
Provisions	(5.459)	(5.459)	0.000	(6.516)	1.057	(6.516)	1.057	(6.516)	(5.459)	1.057
Total Non-Current Payables	**(35.329)**	**(36.329)**	**1.000**	**(39.989)**	**4.660**	**(36.963)**	**1.634**	**(35.937)**	**(34.303)**	**1.634**
Total Assets Employed	**180.976**	**181.860**	**(0.884)**	**185.646**	**(4.670)**	**186.707**	**(5.731)**	**176.660**	**174.800**	**(1.860)**
Public Dividend Capital	121.085	121.085	0.000	121.085	0.000	121.085	0.000	121.085	121.085	0.000
Revaluation Reserve	55.221	55.221	0.000	55.089	0.132	55.089	0.132	55.089	55.221	0.132
Income and Expenditure Reserve	4.671	5.554	(0.883)	9.471	(4.800)	10.533	(5.862)	(1.514)	(1.506)	0.008
Total Taxpayers Equity	**180.977**	**181.860**	**(0.883)**	**185.645**	**(4.668)**	**186.707**	**(5.730)**	**174.660**	**174.800**	**0.140**

6. Capital Expenditure
Nov-17

Bradford Teaching Hospitals NHS
NHS Foundation Trust

Capital Expenditure Trends & Commentary



	1	2	3	4	5	6	7	8	9	10	11	12
NHSI Plan	2.178	4.164	6.655	8.280	9.633	11.002	13.287	18.813	20.105	20.520	21.338	23.049
YTD Actual / Forecast	0.877	2.295	3.497	4.319	6.21	12.60	13.64	14.52	16.42	18.49	19.78	22.38
Lower Monitor 85% Tolerance	1.851	3.539	5.657	7.038	8.188	9.352	11.294	15.991	17.089	17.442	18.137	19.592

Month

NHSI Plan — YTD Actual / Forecast — Lower Monitor 85% Tolerance

Commentary

Year to date capital expenditure has reached £14.5m. This is £4.3m behind planned expenditure which represents 77% of the plan submitted to NHSI. This is primarily a result of an underspend on EPR capital showing a £1m shortfall against plan and slippages to Womens's and Childrens Improvements (£1.5m) and medical equipment replacement (£1m).

The full year capital expenditure forecast is £22.4m. This is £0.7m below the original planned capital expenditure of £23.049m and £2.2m below the revised budget of £24.5m which includes £1.3m of extra funding from the STF bonus. Major variances include slippage of £1.2m for the Works to Womens & Childrens which are scheduled to start in December but will be completed in 2018/19 and a forecast underspend of £1.66m for EPR implementation costs.

Annex 1 (1)

Bradford Teaching Hospitals NHS
NHS Foundation Trust

Single Oversight Framework - Finance and Use of Resource Metrics

Metric	Calculation	Individual Metric Rating Categories				Weighting	Metric Score	Rating
		1	2	3	4			
Capital Servicing Capacity (times)	Revenue available for capital service 1 / Annual Operating Expenses 2	>2.5x	1.75 - 2.5x	1.25 - 1.75x	<1.25x	20%	1.35 x	3
Liquidity (days)	Working Capital Balance 3 x 360 / Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	0.2 days	1
I & E Margin	I & E Operating Surplus/(Deficit) / Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-1.84%	4
Variance from Plan - I & E	Var in I & E Operating Surplus/(Deficit) / Total Operating Income	> 0%	(1) - 0%	(2) - (1)%	< (2)%	20%	-1.56%	3
Agency Spend	Agency spend - Agency Ceiling / Agency Ceiling	<0%	0%-25%	25%-50%	>50%	20%	18.07%	2

Finance and Use of Resource Metric Ratings before overrides (Weighted average rounded to the nearest whole number)	**3**
Trigger for individual metric scores of 4	**Trigger**
Overall Finance and Use of Resource Risk Rating	**3**

Finance and Use of Resources Metrics Explained

* scoring '4' on any metric gives a minimum UoR rating of 3, leading to potential investigation or enhanced monitoring
1 Surplus/(Deficit) for the fin.year (pre-div)+dep'n+annual interest+re-structuring costs+other exceptionals
2 All interest + principal payable on borrowings + annual PDC dividend payable
3 Current Assets less Inventories - Current Liabilities + wholly committed lines of credit
4 Operating Expenditure excluding depreciation

Regulatory Implications of Overall Rating

Overall Rating	Description	
1	Maximum autonomy	Universal support offered
2	Offered targeted support	Targeted support offered
3	Mandated support for significant concerns	Mandated support required
4	Special measures	Mandated support required plus increased scope of data requested

Commentary

The tables on this page set out the Finance and Use of Resources Metric which superseded the Financial and Sustainability Risk Ratings in October 2016.

These metrics are used by NHSI as high level indicators of an organisation's financial health. The higher the rating, the higher the risk to the organisation's financial stability.

At month 8, the Trust has an overall rating of 3 due to the I & E margin now being 4. The annual plan was to maintain a risk rating of 2 for each month of the financial year. Deviating from plan after 7 months may be seen by NHSI as a significant cause for concern.