

**Finance Report to the Board of Directors**  
**Period Ending 31.3.18**

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

<b>Key points</b>	<b>For Decision, Discussion or Information</b>
1. The reported YTD surplus is £6.4m, which is £4.4m ahead of plan and generates a Use of Resources Risk Rating of 2 .	Information
2. The EBITDA position of £23.4m is ahead of 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 £25.6m is behind plan.	Information
5. Capital Expenditure is £19.5m, which is £-3.6m behind plan.	Information

**The following papers make up this report:**

1. Finance Report to the Board of Directors

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

**Report Contents**

1. Financial Scorecard & Overview
  2. Statement of Comprehensive Income
  3. Divisional Performance
  4. CIP Delivery
  5. Statement of Financial Position & Cashflow
  6. Capital Expenditure
- Annex 1 - Monitor Financial Risk Ratings  
Annex 2 - Forecast Outturn scenarios

# 1. Financial Scorecard & Overview (1)

## Mar-18

Key Financial Indicators As at 31.3.18	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
<b>Statement of Comprehensive Income (I &amp; E)</b>					
Operating Revenue	400.67	402.09	1.42	0%	
Operating Expenditure	-381.43	-378.65	2.78	1%	
<b>EBITDA</b>	<b>19.23</b>	<b>23.43</b>	<b>4.20</b>	-	
Non-Operating Items	-17.27	-31.06	-13.79	-80%	
<b>Net Surplus</b>	<b>1.96</b>	<b>-7.62</b>	<b>-9.58</b>	-	
Impairments / Donations	0.00	14.00	14.00	-	
<b>Post-STF Surplus / (Deficit)</b>	<b>1.96</b>	<b>6.38</b>	<b>4.42</b>	-	
<b>Other Indicators</b>					
CIP Delivery	26.87	26.83	-0.04	0%	
Net Current Assets (NCA)	9.61	11.65	2.04	21%	
Capital Expenditure	23.05	19.51	-3.53	-15%	
<b>Monitor Financial Sustainability Risk Rating (FSRR)</b>		<b>Plan YTD</b>	<b>Actual YTD</b>	<b>Last Month</b>	<b>RAG</b>
<b>As at 31.3.18</b>					
Capital Servicing Capacity		2	2	3	
Liquidity		2	2	2	
I & E Margin		2	2	3	
Variance from plan (I & E Margin)		1	2	2	
Agency Spend		2	2	2	
<b>Combined UoR (after triggers)</b>		<b>2</b>	<b>2</b>	<b>2</b>	
<b>Commentary</b>					
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 12, the Trust has an overall rating of 2 which is in line with the original plan, although liquidity and the I&E margin are both behind plan with ratings of 2 against planned ratings of 1.					

### Commentary

#### Statement of Comprehensive Income

The bottom line I & E position at the end of March is a £7.6m deficit which is £9.6m behind the post-STF control total. This figures includes £14m of impairment charges and charitable donations that NHSI exclude from their control total calculations. On a control total basis, the bottom line surplus is £6.4m which is £4.4m ahead of the post-STF plan.

NHSI performance manages Trusts against the pre-STF control total. At this level, the reportable £7.1m deficit is £0.7m ahead of the pre-STF control total and as such the Trust has exceeded its financial targets for the year.

A total of £5.8m of bonus and incentive STF cash was allocated to the Trust as a result of meeting and exceeding the control total in 2018/19. This is reflected in the 2017/18 accounts but will be physically paid at some point in 2018/19.

Operating revenue is behind plan for clinical activities. Pay expenditure is overspent by £7.1m with agency costs exceeding vacancy savings. Operating Non-pay items in total are underspent by £9.9m which comprises a drugs underspend of £5.2m and a £4.7m underspend on other supplies.

The CIP plan has been reprofiled to factor in Improvement Plan requirements. Full year efficiencies of £26.8m were delivered in 2017/18.

**Agency Expenditure** is £14.8m against a YTD ceiling of £12.3m.

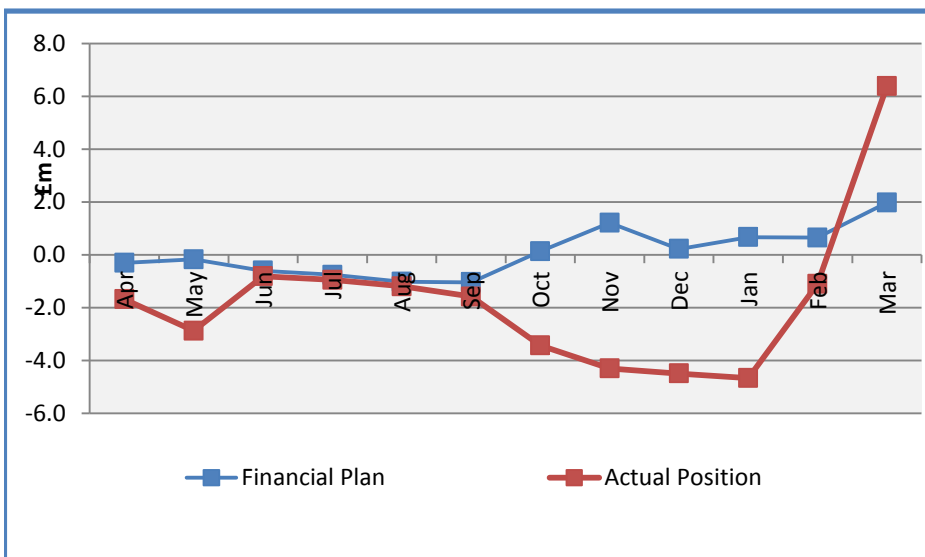
#### Capital Expenditure

Capital expenditure up to the end of March is £19.5m which is £3.5m behind plan.

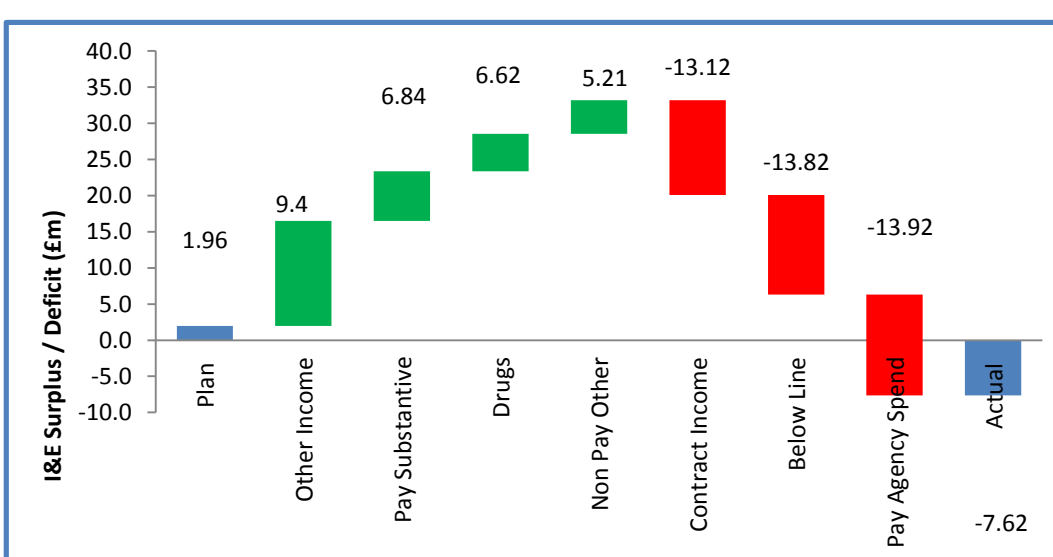
# 1. Financial Scorecard & Overview (2)

## Mar-18

Surplus Trend March 2018



Income & Expenditure Bridge March 2018



### Director of Finance Conclusions & Recommendations

The figures presented in this report are the interim unaudited year end results for the financial year 2017/18. The statutory audit has not yet been completed at the time of this report's production, although no material changes are envisaged. The report should therefore be accepted as an interim report and is presented on this basis.

The interim position suggests the Trust has exceeded its pre-STF control total for 2017/18 and has therefore met the financial target allocated by NHS Improvement (NHSI).

The pre-STF position net of impairments is a deficit of £7.1m against a £7.8m control total deficit, resulting in a favourable variance of £0.7m.

This position includes STF funding for meeting financial targets in all four quarters and AED targets in quarters 2 & 3 amounting to £7.7m. A further £0.7m of STF incentive cash can be recognised due to exceeding the pre-STF control total and the Trust has been allocated a further £5.1m of bonus and incentive STF. This means a total of £13.5m STF is recognised in the bottom line position.

The post-STF control total position excluding impairments is therefore a surplus of £6.4m against a post-STF control total target surplus of £2m.

The reported bottom line position includes £14m of asset impairments and charitable donations for capital purchases which NHSI excludes from its assessment of control total delivery. The absolute reported bottom line is therefore a deficit of £7.6m, although this includes £14m of non-operating items described above and excluded from the control total.

Delivery of the 2017/18 pre-STF control total has relied heavily upon non-recurrent measures. These measures are now exhausted and will not be available to offset the Trust's underlying deficit position in 2018/19.

## 2. Statement of Comprehensive Income (I & E) Mar-18

Period Ending 31.3.18	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
<b>NHS Clinical Revenue</b>				
Elective Revenue	27.78	27.78	22.19	-5.59
Planned Same Day Revenue	29.16	29.16	24.73	-4.43
Non Elective Revenue	68.55	68.55	83.94	15.39
Outpatient Revenue	52.31	52.31	44.78	-7.53
Other Activity Revenue	136.48	136.48	125.63	-10.85
Community Services Revenue	12.03	12.03	11.91	-0.12
A&E Revenue	16.69	16.69	15.89	-0.80
CQUINS	5.20	5.20	6.05	0.85
Contract Penalties	0.00	0.00	-0.04	-0.04
<b>Sub-Total NHS Clinical Revenue</b>	<b>348.20</b>	<b>348.20</b>	<b>335.08</b>	<b>-13.12</b>
<b>Other Operating Revenue</b>				
Private Patients	1.40	1.40	1.46	0.07
Education & Training	14.36	14.36	15.03	0.66
Research & Development	11.71	11.71	13.43	1.72
Sustainability & Transformation Fund	9.78	9.79	13.47	3.68
Other Income	15.21	15.21	23.62	8.40
<b>Sub-Total Other Operating Rev.</b>	<b>52.46</b>	<b>52.47</b>	<b>67.01</b>	<b>14.54</b>
<b>TOTAL OPERATING REVENUE</b>	<b>400.66</b>	<b>400.67</b>	<b>402.09</b>	<b>1.42</b>
<b>Operating Expenses</b>				
Employee Expenses - Permanent	-243.43	-243.43	-236.59	6.84
Employee Expenses - Agency	-0.85	-0.85	-14.77	-13.92
Drugs	-45.13	-45.13	-39.92	5.21
Clinical Supplies	-41.97	-41.97	-41.40	0.56
Non-Clinical Supplies	-50.06	-50.06	-45.97	4.09
<b>Sub-Total Operating Expenses</b>	<b>-381.43</b>	<b>-381.43</b>	<b>-378.65</b>	<b>2.78</b>
<b>EBITDA</b>	<b>19.23</b>	<b>19.23</b>	<b>23.43</b>	<b>4.20</b>
<b>Non-Operating Items</b>				
Depreciation	-12.12	-12.12	-11.12	1.00
Impairment	0.00	0.00	-14.60	-14.60
Interest Payable	-0.70	-0.70	-0.58	0.12
Interest Receivable	0.15	0.15	0.11	-0.04
PDC Dividend	-4.60	-4.60	-4.74	-0.15
Profit / Loss on Asset Disposal	0.00	0.00	-0.12	-0.12
Unwinding of Discounts on Provisions	0.00	0.00	0.00	-0.00
<b>Sub-Total Non-Operating Items</b>	<b>-17.27</b>	<b>-17.27</b>	<b>-31.06</b>	<b>-13.79</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>1.96</b>	<b>1.96</b>	<b>-7.62</b>	<b>-9.58</b>
Impairments / Donations	0.00	0.00	14.00	14.00
<b>Control Total Surplus / (Deficit)</b>	<b>1.96</b>	<b>1.96</b>	<b>6.38</b>	<b>4.42</b>

Commentary
<p><b>NHS Clinical Revenue</b></p> <p>The contract income position at the end of March is £13.1m behind plan. Elective Inpatient, Daycase and Outpatient activity are behind plan by £5.6m, £4.4m and £7.5m respectively and Other income is behind plan by £10.9m. 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 £15.4m ahead of plan, however A&amp;E is behind plan by £0.8m.</p>
<p><b>Other Operating Revenue</b></p> <p>Other operating income is ahead of plan by £14.5m. This reflects the allocation of bonus and incentive STF and other unplanned income streams, a number of which were non-recurrent in 2017/18.</p>
<p><b>Operating Expenses - Employee Expenses</b></p> <p>The net pay position is overspent by £7.1m comprising a favourable variance of £6.8m due to vacancies and an adverse variance of £13.9m on agency staff costs. The Trust exceeded it's target of £12.3m on agency spend.</p>
<p><b>Operating Expenses - Drugs</b></p> <p>The drugs budget is underspent at the end of March by £5.2m which is offset by a shortfall in pass through drugs income.</p>
<p><b>Operating Expenses - Clinical Supplies</b></p> <p>Overall expenditure on clinical supplies is overspent by £0.6m at the end of March.</p>
<p><b>Operating Expenses - Non-Clinical Supplies</b></p> <p>Non-Clinical supplies expenditure is underspent by £4.1m at the end of March which largely reflects the allocation of non-recurrent benefits into the I&amp;E account.</p>
<p><b>Non-Operating Expenses</b></p> <p>At the end of March non-operating items are £0.8m under spent, excluding the Impairment which NHSI do not include in control total assessments. This largely reflects the impact of Asset Live revaluations.</p> <p>Variance Key: Favourable / (Adverse)</p>

### 3. Divisional Performance

#### Mar-18

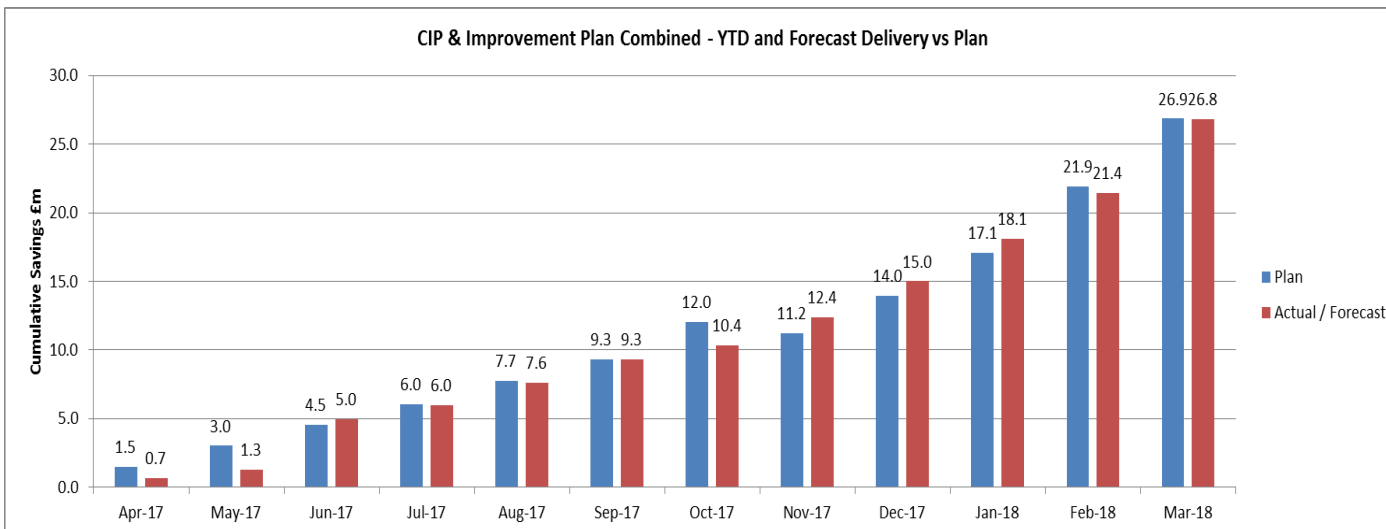
Division/Directorate	YTD Plan	YTD Actual	YTD Variance	YTD Pay Variance	YTD Non-Pay Variance	YTD Income Variance	YTD Total Variance	Income Allocation	Contract Penalties	Revised Variance	% Variance to Plan	Financial Risk Rating
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
<b>Clinical Divisions</b>												
Surgery	-115.99	-124.55	-8.55	-3.30	-5.23	-0.03	-8.55	-14.92	0.00	-23.48	-20.2%	1
Medicine	-105.59	-113.84	-8.25	-4.52	-3.40	-0.33	-8.25	4.56	-0.04	-3.73	-3.5%	2
Women's & Children's	-39.63	-41.52	-1.89	-0.90	-1.03	0.05	-1.89	2.80	0.00	0.91	2.3%	5
<b>Sub-Total Clinical Divisions</b>	<b>-261.22</b>	<b>-279.91</b>	<b>-18.69</b>	<b>-8.71</b>	<b>-9.66</b>	<b>-0.32</b>	<b>-18.69</b>	<b>-7.57</b>	<b>-0.04</b>	<b>-26.30</b>	<b>-10.1%</b>	
<b>Support Divisions</b>												
Pharmacy	-4.10	-3.41	0.69	0.09	-0.50	1.10	0.69	-0.03	0.00	0.66	16.1%	5
Estates & Facilities	-24.59	-24.89	-0.30	0.16	-0.41	-0.06	-0.30	0.00	0.00	-0.30	-1.2%	3
<b>Sub-Total Support Divisions</b>	<b>-28.69</b>	<b>-28.30</b>	<b>0.39</b>	<b>0.25</b>	<b>-0.90</b>	<b>1.04</b>	<b>0.39</b>	<b>-0.03</b>	<b>0.00</b>	<b>0.36</b>	<b>1.2%</b>	

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

Mar-18



**CIP Summary**

This chart shows that the Trust made efficiencies against the original income and expenditure plan totalling £26.8m in 2017/18.

This was sufficient to allow full delivery of the pre-STF control total.

### 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	354	-281	73	3,294	940	-2,354	3,294	940	-2,354
Divisional	82	-74	8	936	67	-869	936	67	-869
EPR	89	-89	0	254	0	-254	254	0	-254
Outpatients	17	-68	-51	133	251	118	133	251	118
Urgent Care	4	53	57	219	689	470	219	689	470
Workforce	338	-153	186	4,046	2,051	-1,995	4,046	2,051	-1,995
Housekeeping	140	187	327	3,004	2,548	-456	2,632	2,548	-84
Elective Care	228	-508	-280	1,689	-893	-2,582	1,689	-893	-2,582
In Year Additions	35	-35	0	208	0	-208	208	0	-208
Non Recurrent Items	0	0	0	0	5,267	5,267	0	5,267	5,267
Improvement Plan	3,631	3,058	5,085	9,844	10,828	984	13,454	15,905	2,451
Grand Total	4,919	2,091	5,407	23,628	21,749	-1,879	26,866	26,825	-41

**CIP Delivery by Programme and Project**

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

This table shows that the vast majority of the efficiencies delivered in 2017/18 were either non-recurrent measures taken before the initiation of the Improvement Plan in October 2017 or non-recurrent measures introduced under the Improvement Plan heading.

The level of delivery of recurrent efficiencies in 2017/18 was extremely low and this is a key factor driving the increased £25.3m efficiency target for 2018/19.

## 5. Statement of Financial Position, Cashflow and Liquidity

### Mar-18

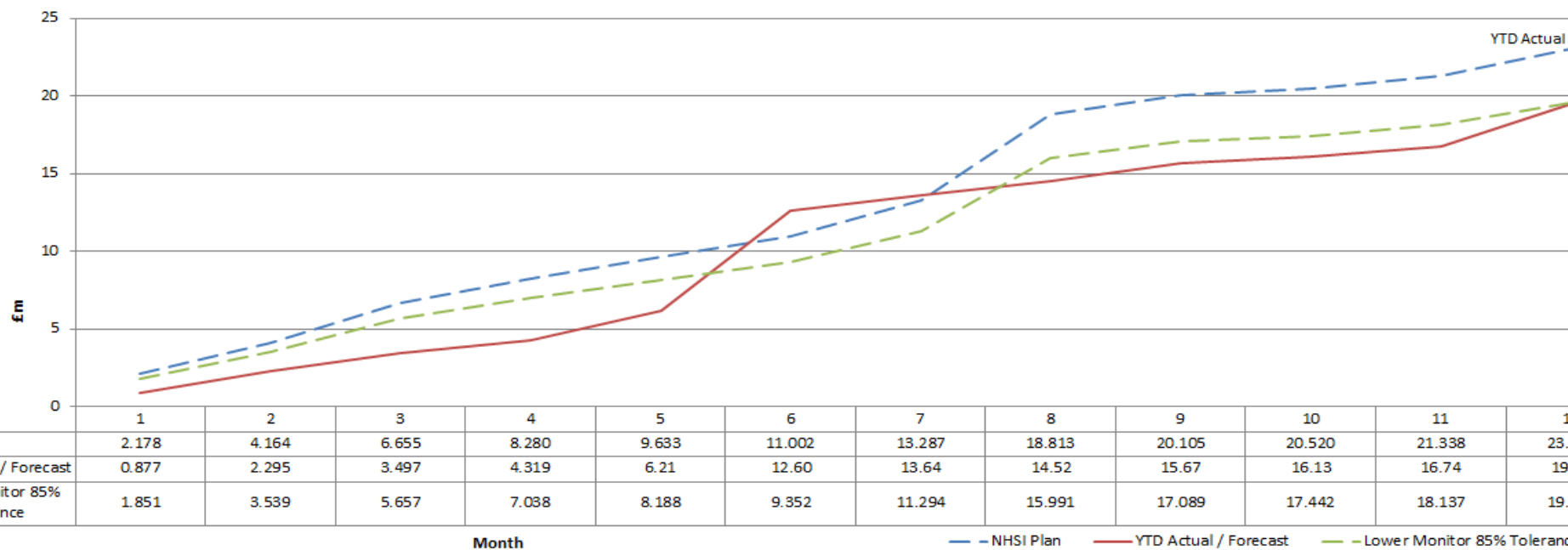
Summary Statement of Financial Position as at 31.10.16	Actual Performance					Planned Movement				
	Year to date Actual £m	In month movement		Year to date movement		Year to date		Year end forecast		
		Feb 18 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	11.257	8.486	2.771	12.282	(1.025)	10.660	0.597	10.660	11.257	0.597
Property, plant and equipment	206.181	191.973	14.208	191.262	14.919	191.439	14.742	191.439	206.181	14.742
Trade and other receivables	1.254	1.245	0.009	0.893	0.361	0.893	0.361	0.893	1.254	0.361
<b>Total Non-Current Assets</b>	<b>218.692</b>	<b>201.704</b>	<b>16.988</b>	<b>204.437</b>	<b>14.255</b>	<b>202.992</b>	<b>15.700</b>	<b>202.992</b>	<b>218.692</b>	<b>15.700</b>
Inventories	6.588	4.636	1.952	4.670	1.918	4.670	1.918	4.670	6.588	1.918
Cash	25.646	22.480	3.166	50.366	(24.720)	36.140	(10.494)	36.140	25.646	(10.494)
NHS Receivables	20.806	16.197	4.609	14.443	6.363	14.443	6.363	14.443	20.806	6.363
Trade and other receivables	8.973	11.834	(2.861)	6.649	2.324	6.649	2.324	6.649	8.973	2.324
<b>Total Current Assets</b>	<b>62.013</b>	<b>55.147</b>	<b>6.866</b>	<b>76.128</b>	<b>(14.115)</b>	<b>61.902</b>	<b>0.111</b>	<b>61.902</b>	<b>62.013</b>	<b>0.111</b>
NHS Payables	(7.972)	(5.724)	(2.248)	(10.051)	2.079	(10.051)	2.079	(10.051)	(7.972)	2.079
Trade and other payables	(28.298)	(30.461)	2.163	(29.076)	0.778	(27.181)	(1.117)	(27.181)	(28.298)	(1.117)
Capital payables	(3.441)	(2.459)	(0.982)	(2.955)	(0.486)	(2.255)	(1.186)	(2.255)	(3.441)	(1.186)
Borrowings	(4.052)	(4.052)	0.000	(4.090)	0.038	(4.052)	0.000	(4.052)	(4.052)	0.000
Deferred Income	(5.290)	(5.997)	0.707	(6.396)	1.106	(6.396)	1.106	(6.396)	(5.290)	1.106
Provisions	(1.311)	(1.004)	(0.307)	(2.362)	1.051	(2.362)	1.051	(2.362)	(1.311)	1.051
<b>Total Current Payables</b>	<b>(50.364)</b>	<b>(49.697)</b>	<b>(0.667)</b>	<b>(54.930)</b>	<b>4.566</b>	<b>(52.297)</b>	<b>1.933</b>	<b>(52.297)</b>	<b>(50.364)</b>	<b>1.933</b>
<b>Total Net Current Assets</b>	<b>11.649</b>	<b>5.450</b>	<b>6.199</b>	<b>21.198</b>	<b>(9.549)</b>	<b>9.605</b>	<b>2.044</b>	<b>9.605</b>	<b>11.649</b>	<b>2.044</b>
Borrowings	(28.844)	(28.844)	0.000	(32.896)	4.052	(28.844)	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	(3.070)	(3.449)	0.379	(6.516)	3.446	(6.516)	3.446	(6.516)	(3.070)	3.446
<b>Total Non-Current Payables</b>	<b>(31.914)</b>	<b>(32.293)</b>	<b>0.379</b>	<b>(39.989)</b>	<b>8.075</b>	<b>(35.937)</b>	<b>4.023</b>	<b>(35.937)</b>	<b>(31.914)</b>	<b>4.023</b>
<b>Total Assets Employed</b>	<b>198.427</b>	<b>174.861</b>	<b>23.566</b>	<b>185.646</b>	<b>12.781</b>	<b>176.660</b>	<b>21.767</b>	<b>176.660</b>	<b>198.427</b>	<b>21.767</b>
Public Dividend Capital	121.244	121.085	0.159	121.085	0.159	121.085	0.159	121.085	121.244	0.159
Revaluation Reserve	75.333	55.221	20.112	55.089	20.244	55.089	20.244	55.089	75.333	20.244
Income and Expenditure Reserve	1.850	(1.445)	3.295	9.471	(7.621)	(1.514)	3.364	(1.514)	1.850	3.364
<b>Total Taxpayers Equity</b>	<b>198.427</b>	<b>174.861</b>	<b>23.566</b>	<b>185.645</b>	<b>12.782</b>	<b>174.660</b>	<b>23.767</b>	<b>174.660</b>	<b>198.427</b>	<b>23.767</b>

## 6. Capital Expenditure Mar-18

### Capital Expenditure Trends & Commentary

#### 8. Capital Programme (3)

2017/18 Capital Programme Actual v Plan



#### Commentary

Total capital expenditure for 2017/18 was £19.5m. This is £3.5m below the planned expenditure of £23m with 85% of the total plan submitted to NHSI being achieved. The shortfall in expenditure is primarily a result of an underspend on EPR capital of £1.7m and slippages to Women's and Children's Improvements (£1.7m).



## Annex 1 (1)

### 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)	<u>Revenue available for capital service 1</u> Annual Operating Expenses 2	>2.5x	1.75 - 2.5x	1.25 - 1.75x	<1.25x	20%	1.8X	2
Liquidity (days)	<u>Working Capital Balance 3 x 360</u> Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	0	2
I & E Margin	<u>I &amp; E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-0.26%	2
Variance from Plan - I & E	<u>Var in I &amp; E Operating Surplus/(Deficit)</u> Total Operating Income	> 0%	(1) - 0%	(2) - (1)%	< (2)%	20%	-0.23%	2
Agency Spend	<u>Agency spend - Agency Ceiling</u> Agency Ceiling	<0%	0%-25%	25%-50%	>50%	20%	19.96%	2

**Finance and Use of Resource Metric Ratings before overrides** (Weighted average rounded to the nearest whole number) **2**

**Trigger for individual metric scores of 4** **No Trigger**

**Overall Finance and Use of Resource Risk Rating** **2**

Finance and Use of Resources Metrics Explained			Commentary
* 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			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 12, the Trust has an overall rating of 2 due to the I & E margin now being 3. The annual plan was to maintain a risk rating of 2 for each month of the financial year. Deviating from plan may be seen by NHSI as a significant cause for concern.
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	