

Finance Report to the Board of Directors
Period Ending 31.05.18

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 £-3m, which is £0m ahead of plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position of £0.1m 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 £14.2m is behind plan.	Information
5. Capital Expenditure is £0.5m, which is £-0.8m 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
 2. Statement of Comprehensive Income
 3. Divisional Performance
 4. BIP Delivery
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- Annex 1 - NHSI Financial Risk Ratings
Annex 2 – Forecast Outturn scenarios

1. Financial Scorecard & Overview (1)

May-18

Key Financial Indicators As at 31.05.18	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	66.69	64.48	-2.21	-3%	
Operating Expenditure	-66.39	-64.35	2.05	3%	
EBITDA	0.30	0.13	-0.16	-	
Non-Operating Items	-3.28	-3.11	0.18	5%	
Net Surplus	-2.99	-2.98	0.01	-	
Impairments / Donations	0.00	0.00	0.00	-	
Post-PSF Surplus / (Deficit)	-2.99	-2.98	0.01	-	
Other Indicators					
CIP Delivery	4.27	1.75	-2.52	-59%	
Net Current Assets (NCA)	8.61	9.19	0.58	7%	
Capital Expenditure	1.26	0.53	-0.73	-58%	
Monitor Financial Sustainability Risk Rating (FSRR)		Plan YTD	Actual YTD	Last Month	RAG
As at 31.05.18					
Capital Servicing Capacity		4	4	4	
Liquidity		1	1	1	
I & E Margin		4	4	4	
Variance from plan (I & E Margin)		1	2	1	
Agency Spend		2	1	2	
Combined UoR (after triggers)		3	3	3	
Commentary					
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 2, the Trust has an overall rating of 3 which is in line with the plan.					

Commentary

Statement of Comprehensive Income

The bottom line I & E position at the end of May is a £3.0m deficit which is in line with plan.

NHSI performance manages Trusts against the **pre-PSF control total**, which is also in line with plan at £4m deficit.

Operating revenue is behind plan for clinical activities. Pay expenditure is slightly in above plan with vacancy savings not adequately offsetting agency costs and premium rate activity. Operating Non-pay items in total are underspent by £1.2m which comprises a drugs underspend of £0.8m and a £1.4m underspend on other supplies.

Agency Expenditure is £1.1m against a YTD ceiling of £1.2m.

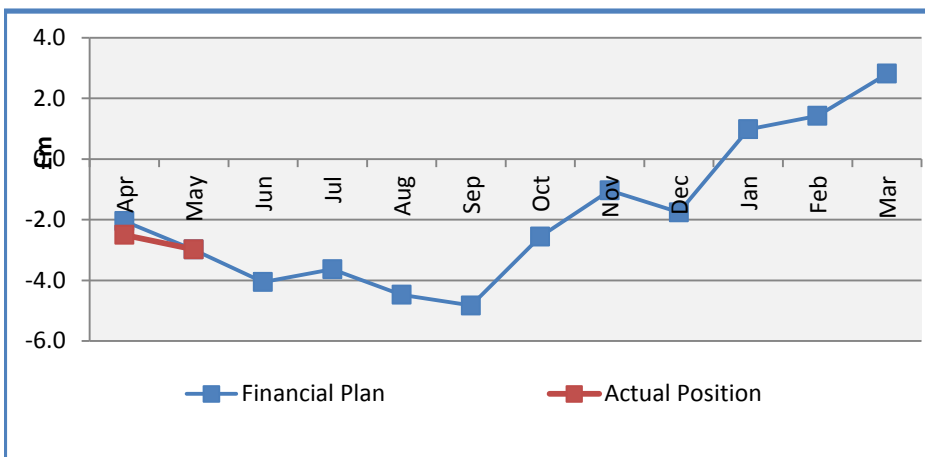
Capital expenditure up to the end of May is £0.5m which is £0.7m below plan.

BIP efficiency delivery was £1.7m which is ahead of the phased annual plan but £2.5m behind the internal target of delivering the BIP in even 12ths.

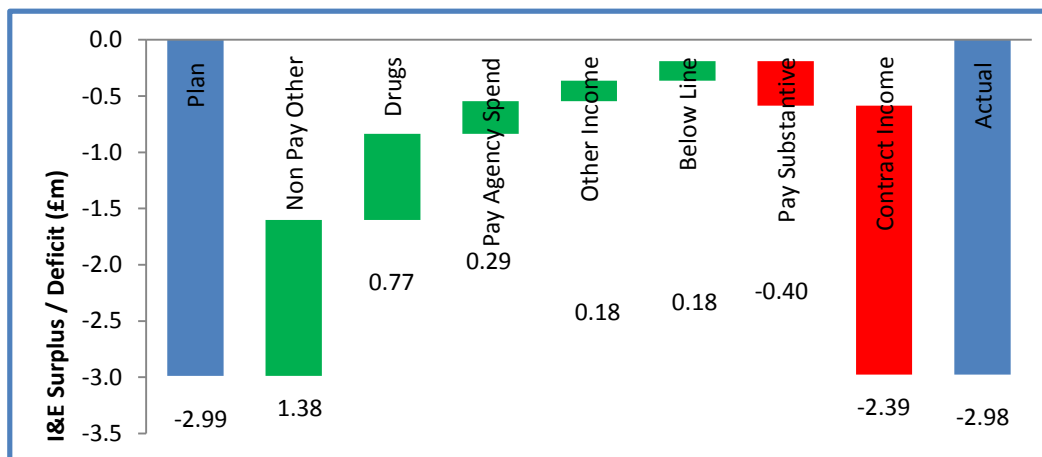
1. Financial Scorecard & Overview (2)

May-18

Surplus Trend May 2019



Income & Expenditure Bridge May 2019



Director of Finance Conclusions & Recommendations

The month 2 position is a pre-PSF deficit of £4m which is in line with the planned deficit of £4m. 100% of the PSF available for month 2 has been assumed in the position, equating to £1m. This results in a post-PSF deficit of £3m which is in line with plan.

In line with NHSI's 2017/18 guidance (no updated guidance for 2018/19) the year end forecast submitted to NHSI on 15th June 2018 was full delivery of the £7.5m pre-PSF control total deficit and recovery of the full £10.3m PSF to achieve the £2.8m post-PSF control total surplus for 2018/19. However, subsequent analysis and modelling of the Trust's run rate and BIP forecasts suggests that the Trust is unlikely to deliver this forecast without urgent action to address the run rate.

The phasing of the Trust's annual financial plan set relatively unchallenging targets for months 1 - 3. The pre-PSF target at month 2 was to deliver a cumulative deficit of £4m. This was achieved only by the deployment of £1m of non-recurrent measures in Month 2. The underlying run rate in both months 1 and 2 was a pre-PSF deficit of £2.5 and there are no indications that sufficient measures have been put in place to improve this adequately to continue to meet the control total plan after Month 3.

The most up to date forecast suggests the Trust will have sufficient flexibility to deliver the Quarter 1 control total and recover the £1m financial element of Q1 PSF (the remaining £0.5m PSF is subject to Q1 AED performance). However, it is now a probability that the Trust will fall behind its financial plan from Month 4 onwards and will fail to meet its control total in subsequent months and quarters.

Unless urgent remedial measures are put in place, the Trust is forecast to be £2m behind its pre-PSF control total at the end of Quarter 2 and to end the financial year up to £12m behind the pre-PSF plan. In this scenario, none of the £8.8m PSF funding available in Quarter 2 - 4 would be recoverable, meaning cash would be in the region of £20m lower than planned. This will materially curtail planned capital investments and may result in external working capital borrowing requirements, in addition to some form of regulatory intervention.

Urgent action is required if this scenario is to be avoided.

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

Period Ending 31.05.18 Budget v Actual	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
NHS Clinical Revenue				
Elective Inpatient Revenue	26.15	4.16	2.72	-1.44
Planned Same Day Revenue	30.62	4.89	4.71	-0.18
Non Elective Revenue	82.70	13.24	14.85	1.61
Outpatient Revenue	49.32	7.99	7.73	-0.26
Other Activity Revenue	86.46	14.02	14.83	0.81
Community Services Revenue	12.10	2.01	2.02	0.01
A&E Revenue	16.03	2.68	2.29	-0.39
CQUINS	6.90	1.15	0.96	-0.19
Cost per Case items	41.65	6.75	5.78	-0.97
Contract Penalties	0.00	0.00	0.00	0.00
BIP Target unidentified	3.62	1.39	0.00	-1.39
Sub-Total NHS Clinical Revenue	355.55	58.28	55.89	-2.39
Other Operating Revenue				
Private Patients	1.77	0.29	0.12	-0.18
Education & Training	14.50	2.44	2.39	-0.05
Research & Development	11.74	1.96	1.98	0.02
Provider Sustainability Fund	9.78	1.03	1.03	0.00
Other Income	16.11	2.69	3.08	0.39
Sub-Total Other Operating Rev.	53.90	8.41	8.59	0.18
TOTAL OPERATING REVENUE	409.45	66.69	64.48	-2.21
Operating Expenses				
Employee Expenses - Permanent	-240.80	-40.13	-40.53	-0.40
Employee Expenses - Agency	-12.36	-2.20	-1.91	0.29
Drugs	-44.94	-7.47	-6.70	0.77
Clinical Supplies	-42.89	-7.10	-7.08	0.02
Non-Clinical Supplies	-46.48	-9.50	-8.13	1.37
Sub-Total Operating Expenses	-387.48	-66.39	-64.35	2.05
EBITDA	21.97	0.30	0.13	-0.16

Commentary
<p>NHS Clinical Revenue</p> <p>The contract income position at the end of May is £2.4m behind plan. Elective Inpatient, and Daycase activity are behind plan by £1.4m and £0.2m respectively with Other income above plan by £0.8m. 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 £1.6m ahead of plan, however A&E is £0.4m behind plan.</p>
<p>Other Operating Revenue</p> <p>Other operating income is slightly ahead of plan of £0.2m. YTD PSF recovery is on plan.</p>
<p>Operating Expenses - Employee Expenses</p> <p>The net pay position is slightly behind plan</p>
<p>Operating Expenses - Drugs</p> <p>The drugs budget is underspent at the end of May by £0.8m.</p>
<p>Operating Expenses - Clinical Supplies</p> <p>At the end of May this is on line.</p>
<p>Operating Expenses - Non-Clinical Supplies</p> <p>Non-Clinical supplies expenditure is underspent by £1.4m at the end of May.</p>
<p>Non-Operating Expenses</p> <p>Is broadly in line with plan. Only depreciation is slightly underspent.</p>
<p>Variance Key: Favourable / (Adverse)</p>

Non-Operating Items				
Depreciation	-13.89	-2.31	-2.16	0.15
Impairment	0.00	0.00	0.00	0.00
Interest Payable	-0.51	-0.09	-0.09	0.00
Interest Receivable	0.08	0.01	0.03	0.02
PDC Dividend	-5.35	-0.89	-0.89	-0.00
Profit / Loss on Asset Disposal	0.00	0.00	0.01	0.01
Unwinding of Discounts on Provisions	0.00	0.00	0.00	0.00
Sub-Total Non-Operating Items	-19.67	-3.28	-3.11	0.18
NET SURPLUS/(DEFICIT)	2.30	-2.99	-2.98	0.01
Remove Impairments / Donations	0.0	0.0	0.0	0.0
Post-PSF Surplus / Deficit	2.3	-3.0	-3.0	0.0
Remove PSF funding	-9.8	-1.0	-1.0	0.0
Pre-PSF Surplus / Deficit	-7.5	-4.0	-4.0	0.0

3. Divisional Performance May-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		
Clinical Divisions												
Surgery	-19.73	-19.94	-0.21	0.13	-0.26	-0.08	-0.21	-3.01	0.00	-3.22	-16.3%	1
Medicine	-19.25	-19.56	-0.31	0.21	-0.56	0.04	-0.31	1.40	0.00	1.09	5.7%	5
Women's & Children's	-6.75	-6.87	-0.12	0.17	-0.30	0.02	-0.12	0.09	0.00	-0.03	-0.4%	4
Sub-Total Clinical Divisions	-45.72	-46.36	-0.64	0.50	-1.12	-0.02	-0.64	-1.51	0.00	-2.16	-4.7%	
Support Divisions												
Pharmacy	-0.65	-0.76	-0.10	-0.01	-0.16	0.06	-0.10	-0.00	0.00	-0.11	-16.4%	1
Estates & Facilities	-4.02	-4.05	-0.03	0.01	-0.06	0.02	-0.03	0.00	0.00	-0.03	-0.8%	4
Sub-Total Support Divisions	-4.67	-4.81	-0.14	0.00	-0.22	0.08	-0.14	0.00	0.00	-0.14	-3.0%	

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. BIP Delivery (Efficiency Programme)

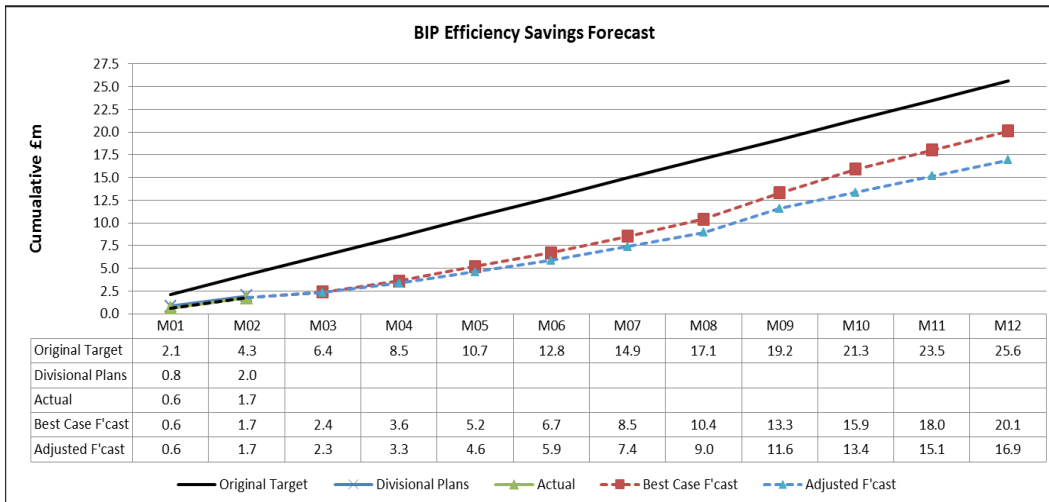
May-18

YTD Performance vs Original Target and Submitted Plans - by Division / Dept

Division / Corporate Dept2	Annual Target	YTD Divisional Plans	YTD Actual	YTD Variance to divisional plans	Original Target - even 12ths	YTD Actual	YTD Variance to Original Target
DADS	11,797	655	551	-104	1,966	551	-1,415
DOMIC	6,791	159	144	-16	1,132	144	-988
W&C	2,812	158	94	-64	469	94	-375
E&F	860	11	11	0	143	11	-132
Corporate Depts	1,779	50	32	-18	297	32	-264
Trust Savings Plans	1,576	925	917	-8	263	917	654
Grand Total	25,616	1,958	1,748	-210	4,269	1,748	-2,521

In Month Performance vs Original Target and Submitted Plans - by BIP Programme

BIP Programme	Annual Target	YTD Divisional Plans	YTD Actual	YTD Variance to divisional plans	Original Target - even 12ths	YTD Actual	YTD Variance to Original Target
Elective Care	5,683	442	0	-442	947	0	-947
Workforce Efficiency	4,668	226	453	227	778	453	-325
Better Notes, Better Care	4,030	0	233	233	672	233	-438
Divisional	2,911	190	154	-35	485	154	-331
Estates & Facilities	1,951	11	11	0	325	11	-314
Outpatients	1,675	19	2	-18	279	2	-278
Going Digital	1,620	124	27	-97	270	27	-243
Pharmacy	1,580	99	68	-31	263	68	-195
Delivering Efficient Care	1,358	0	0	0	226	0	-226
Procurement	140	0	0	0	23	0	-23
Workforce Improvement		0	0	0	0	0	0
Technical accounting		800	800	0	0	800	800
Grand Total	25,616	1,910	1,748	-162	4,269	1,748	-2,521



Full Year Forecast vs Targets by Division

Division / Corporate Dept2	Original Annual Target	Forecast 18/19	Forecast Variance	F'cast Variance %
DADS	11.8	7.8	-4.0	-34%
DOMIC	6.8	3.6	-3.2	-47%
W&C	2.8	2.3	-0.5	-19%
E&F	0.9	0.1	-0.8	-89%
Corporate Depts	1.8	0.5	-1.3	-74%
Trust Savings Plans	1.6	6.0	4.4	279%
Grand Total	25.6	20.1	-5.5	-21%

Commentary

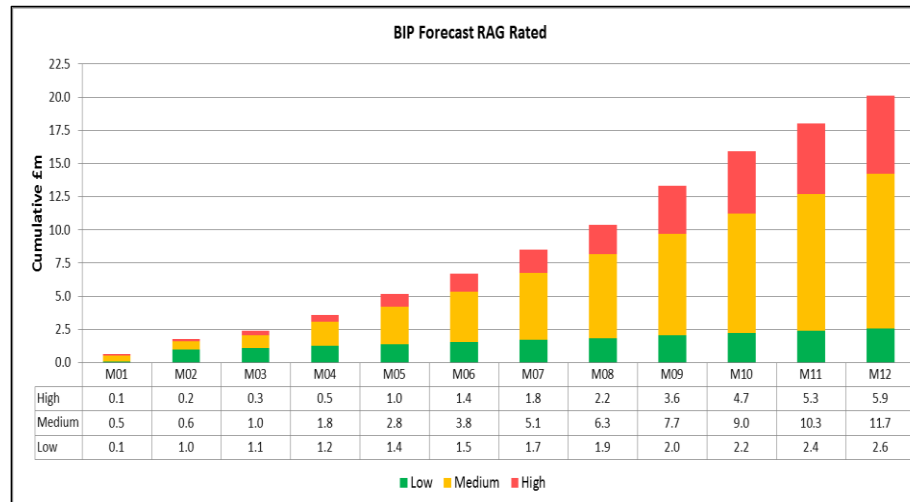
The Trust has delivered £1.75m of efficiencies at the end of Month 2. This is £0.2m behind the phased plans submitted by the divisions and corporate departments and £2.5m behind an even monthly apportionment of the annual target, which would have required £4.3m of savings to be delivered by Month 2. A total of £0.8m of the YTD efficiencies were delivered via technical non-recurrent adjustments.

The divisions and corporate depts are currently forecasting delivery of £20.1m efficiencies, which would leave the Trust £5.5m short of the required £25.6m annual savings. A very substantial element of these divisional plans requires significant additional work to be implemented, and there is therefore a high degree of risk in this best case scenario forecast. Removing some of the riskier plans from this forecast results in total projected savings of £16.9m, which would leave the Trust £8.7m short of its target.

However, even this lower forecast does not fully reflect the degree of risk to delivery of the 2018/19 efficiency programme. The table below allocates a RAG rating to each line in the efficiency plan based on an assessment of the current state of maturity and implementation. This shows that the £20.1m efficiencies forecast by budget holders at the end of Month 2 are risk stratified as follows:

1. Low risk to delivery = £2.6m
2. Medium risk to delivery = £11.7m
3. High risk to delivery = £5.9m

Should some of the high and medium risk plans not deliver, the actual delivery may be lower than £16.9m.



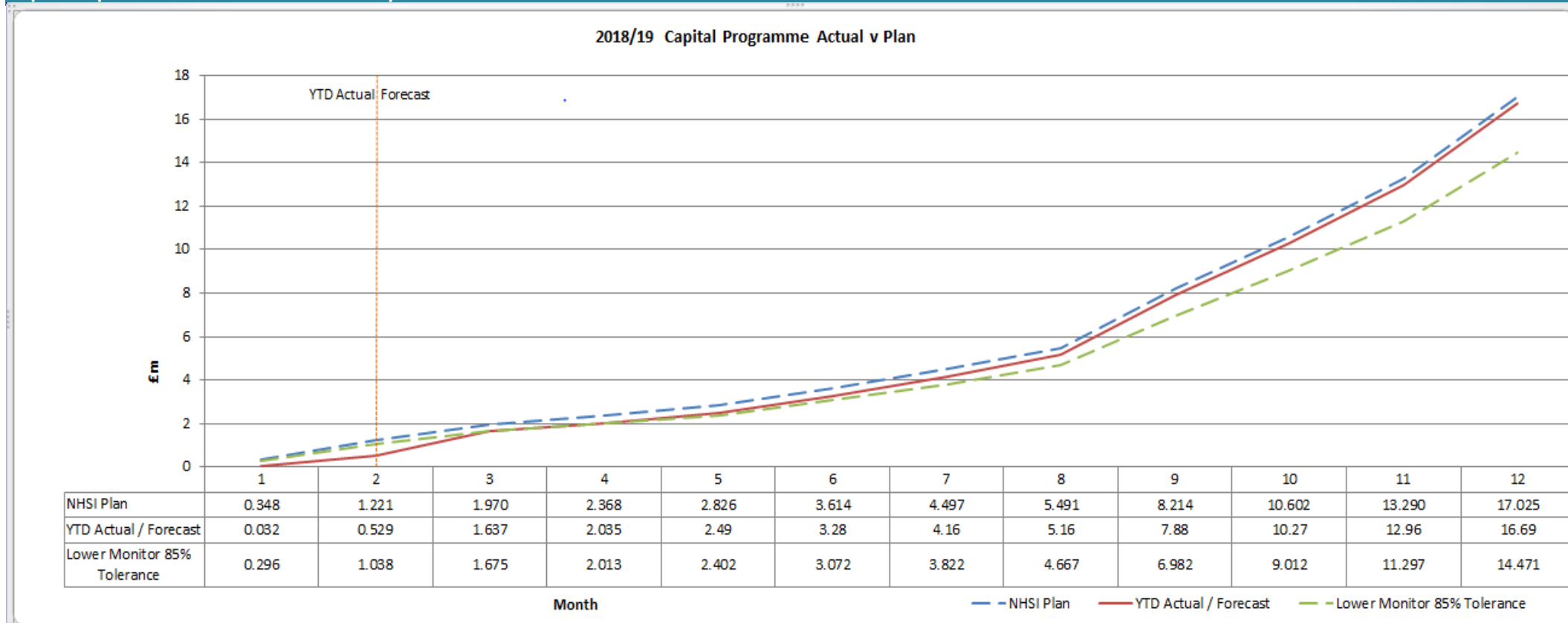
5. Statement of Financial Position, Cashflow and Liquidity

May-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		
		Apr 18 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	10.807	10.942	(0.135)	11.257	(0.450)	11.081	(0.274)	11.425	11.425	0.000
Property, plant and equipment	204.998	205.447	(0.449)	206.181	(1.183)	205.361	(0.363)	209.128	209.128	0.000
Trade and other receivables	1.365	1.284	0.081	1.254	0.111	1.254	0.111	1.254	1.254	0.000
Total Non-Current Assets	217.170	217.673	(0.503)	218.692	(1.522)	217.696	(0.526)	221.807	221.807	0.000
Inventories	6.597	6.583	0.014	6.588	0.009	6.588	0.009	6.588	6.588	0.000
Cash	14.172	23.013	(8.841)	25.646	(11.474)	20.648	(6.476)	28.386	27.501	(0.885)
Trade and other receivables	34.182	31.052	3.130	30.453	3.729	30.811	3.371	23.131	23.131	0.000
Total Current Assets	54.951	60.648	(5.697)	62.687	(7.736)	58.047	(3.096)	58.105	57.220	(0.885)
Trade and other payables	(35.992)	(40.448)	4.456	(39.935)	3.943	(38.785)	2.793	(40.468)	(40.468)	0.000
Borrowings	(4.052)	(4.052)	0.000	(4.052)	0.000	(4.052)	0.000	(3.052)	(3.052)	0.000
Deferred Income	(4.405)	(4.187)	(0.218)	(5.741)	1.336	(5.290)	0.885	(5.290)	(4.405)	0.885
Provisions	(1.311)	(1.311)	0.000	(1.311)	0.000	(1.311)	0.000	(1.311)	(1.311)	0.000
Total Current Payables	(45.760)	(49.998)	4.238	(51.039)	5.279	(49.438)	3.678	(50.121)	(49.236)	0.885
Total Net Current Assets	9.191	10.650	(1.459)	11.648	(2.457)	8.609	0.582	7.984	7.984	0.000
Borrowings	(27.844)	(28.844)	1.000	(28.844)	1.000	(27.844)	0.000	(25.792)	(25.792)	0.000
Deferred Income	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	(3.070)	(3.070)	0.000	(3.070)	0.000	(3.070)	0.000	(3.070)	(3.070)	0.000
Total Non-Current Payables	(30.914)	(31.914)	1.000	(31.914)	1.000	(30.914)	0.000	(28.862)	(28.862)	0.000
Total Assets Employed	195.447	196.409	(0.962)	198.426	(2.979)	195.391	0.056	200.929	200.929	0.000
Public Dividend Capital	121.244	121.244	0.000	121.244	0.000	121.244	0.000	121.244	121.244	0.000
Revaluation Reserve	75.333	75.333	0.000	75.332	0.001	75.332	0.001	75.332	75.332	0.000
Income and Expenditure Reserve	(1.130)	(0.168)	(0.962)	1.850	(2.980)	(1.185)	0.055	4.353	4.353	0.000
Total Taxpayers Equity	195.447	196.409	(0.962)	198.426	(2.979)	195.391	0.056	200.929	200.929	0.000

6. Capital Expenditure May-18

Capital Expenditure Trends & Commentary



Commentary

Year to date capital expenditure is £529k. This is £692k behind planned expenditure which represents 43% of the plan submitted to NHSI. This is primarily a result of slippages on the Radiology Replacement Programme and the Network Refresh. Both programmes are expected to be completed over the next couple of months.

The full year capital expenditure forecast is £17.025m. This is on plan with the original planned capital expenditure of £17.025m which includes £5m of extra funding from the STF bonus. Budget brought forward from 2017/18 include £1.7m for the Works to Women's & Children's, £0.45m for works to the Radiology fluoro-room, £0.26 for Network refresh, £0.2m for PACs 3 implementation, £0.3m on Renal Self Care and £0.12 for additional car parking spaces.

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%	-0.88x	4
Liquidity (days)	<u>Working Capital Balance 3 x 360</u> Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	3.8 days	1
I & E Margin	<u>I & E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-0.26%	4
Variance from Plan - I & E	<u>Var in I & 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%	1

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 **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			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.
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		At month 2, the Trust has an overall rating of 3 due to the I & E margin now being 4 and the Capital Servicing Capacity also being a 4.
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	