

Finance Report to the Board of Directors
Period Ending 31.07.18

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 £-4.1m, which is £-0.4m behind plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position of £-0.7m is behind plan.	Information
3. Finance Risk Register – The main risks are:	Information
a) Delivery of Budgetary Control Totals and BIP Targets.	Information
b) Delivery of obligations / indicators with contracts with Commissioners and their ability to pay for contract overtrades.	Information
4. Cash position of £23.9m is behind plan.	Information
5. Capital Expenditure is £1.4m, which is £-1m 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
 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) Jul-18

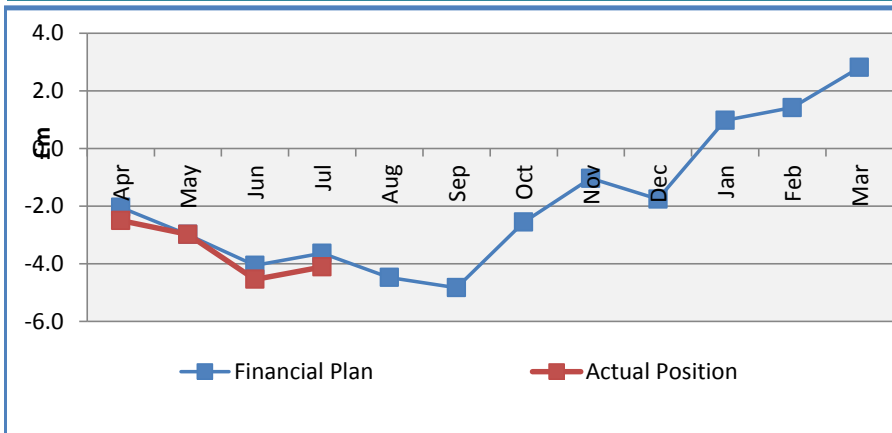
Key Financial Indicators As at 31.07.18	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	133.8	131.0	-2.8	-2%	
Operating Expenditure	-131.0	-128.9	2.1	2%	
EBITDA	2.8	2.1	-0.7	-	
Non-Operating Items	-6.6	-6.2	0.4	5%	
Net Surplus	-3.7	-4.1	-0.4	-	
Impairments / Donations	0.0	0.0	0.0	-	
Post-PSF Surplus / (Deficit)	-3.7	-4.1	-0.4	-	
Other Indicators					
CIP Delivery	5.7	4.1	-1.6	-29%	R
Net Current Assets (NCA)	9.0	9.3	0.3	3%	
Capital Expenditure	2.4	1.4	-0.9	-39%	
Monitor Financial Sustainability Risk Rating (FSRR)					
	Plan YTD	Actual YTD	Last Month		RAG
As at 31.07.18					
Capital Servicing Capacity	4	4	4		
Liquidity	1	1	1		
I & E Margin	4	4	4		
Variance from plan (I & E Margin)	1	2	2		
Agency Spend	2	2	2		
Combined UoR (after triggers)	3	3	3		
Commentary					
<p>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.</p> <p>At month 4, the Trust has an overall rating of 3 which is in line with the plan.</p>					

Commentary
<p>Statement of Comprehensive Income</p> <p>The bottom line I & E position at the end of July is a £4.1m deficit which is off plan by £0.4m.</p> <p>NHSI performance manages Trusts against the pre-PSF control total, performance against which is in line with the £6.0m pre-PSF plan.</p> <p>Operating revenue is behind plan for clinical activities. Pay expenditure is £1m better than plan with vacancy savings not adequately offsetting agency costs and premium rate activity. Operating Non-pay items in total are underspent by £3.1m which comprises a drugs underspend of £1.4m and a £1.7m underspend on other supplies.</p> <p>Agency Expenditure is £4.1m against a YTD ceiling of £4.6m.</p> <p>Capital expenditure up to the end of July is £1.4m which is £1.0m below plan.</p> <p>BIP efficiency delivery year to date is £4.1m which is £1.6m behind the £5.7m phased YTD plan and £4.5m and behind the internal target of delivering the BIP in even 12ths.</p>

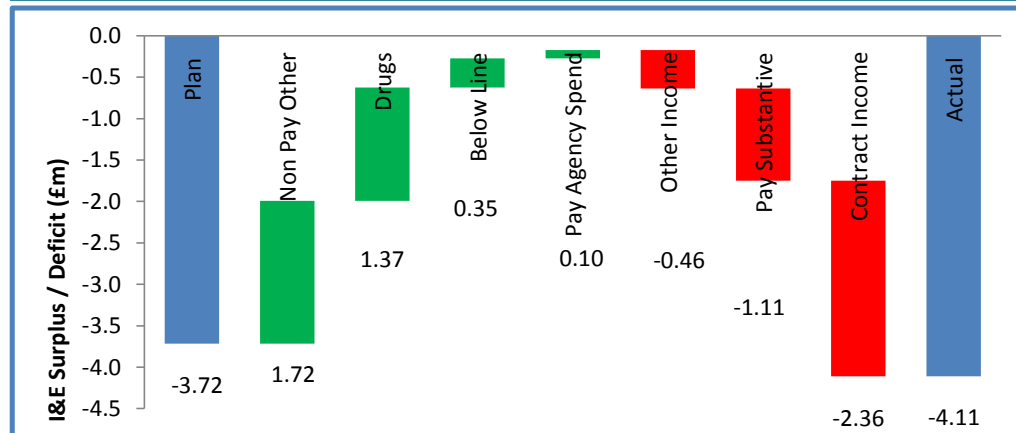
1. Financial Scorecard & Overview (2)

Jul-18

Surplus Trend July 2019



Income & Expenditure Bridge July 2019



Director of Finance Conclusions & Recommendations

The month 4 position is a pre-PSF deficit of £5.9m which is in line with the planned deficit of £6.0m. 70% of the PSF available for quarter 1 and 100 % PSF available for month 4 has been assumed in the position, equating to £1.8m. £0.5m of PSF available for quarter 1 cannot be recovered due to A&E performance shortfalls. This results in a post-PSF deficit of £4.1m which is £0.5m behind the post-PSF plan.

In line with NHSI's 2017/18 guidance (no updated guidance for 2018/19) the year end forecast submitted to NHSI on 15th July 2018 was full delivery of the £7.5m pre-PSF control total deficit and recovery of £9.8m of the £10.3m PSF available to achieve a post-PSF control total surplus of £2.3m (£0.5m behind plan) for 2018/19.

However, internal modelling suggests that based on current run rates and the BIP efficiency plans currently in place, the Trust will fall short of its control total at the begin of Quarter 4 and will not recover this position in 2018/19. The latest forecast suggests the Trust will end the financial year with a pre-PSF deficit of £10.3m. This is approximately £2.8m below the pre-PSF control total and in this scenario the Trust would as a consequence forfeit the £3.6m of PSF cash available for Quarter 4. This scenario would impact materially on the Trust's cash position and would have implications for both the capital programme as well as inviting regulatory intervention.

The year end forecast has improved by £5.8m from forecast at Month 3. This reflects the benefits due from the decision to progress with the Alternative Delivery Model. It should be noted that due to the ongoing data issues, the Trust's income position remains an estimate at this stage. The lack of a definitive income position presents a risk to both the year end forecast and recovery of CCG payments for income generating productivity plans.

There are three main drivers for the forecast deficit position and action plans are progressing to address each of them. The areas which are being addressed to bring the Trust's forecast back in line with plan are:

1. Lower than planned baseline activity and income levels, notably for Outpatient and Elective work;
2. Projected BIP shortfall of at least £3m;
3. Data issues impacting on the Trust's ability to substantiate its income to the satisfaction of commissioners.

The Trust must implement improvements in these areas at pace and scale if the current adverse financial forecast and related consequences are to be avoided.

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

Period Ending 31.07.18	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
NHS Clinical Revenue				
Elective Inpatient Revenue	26.2	8.5	7.2	-1.3
Planned Same Day Revenue	30.6	10.0	9.9	-0.0
Non Elective Revenue	82.7	26.3	29.3	3.0
Outpatient Revenue	49.3	15.3	14.6	-0.7
Other Activity Revenue	86.5	31.4	30.3	-1.1
Community Services Revenue	12.1	4.0	4.0	-0.0
A&E Revenue	16.0	5.4	5.7	0.3
CQUINS	6.9	2.3	1.8	-0.5
Cost per Case items	41.6	12.4	11.6	-0.8
Contract Penalties	0.0	0.0	0.0	0.0
BIP Target unidentified	3.6	1.2	0.0	-1.2
Sub-Total NHS Clinical Revenue	355.5	116.8	114.4	-2.4
Other Operating Revenue				
Private Patients	1.8	0.6	0.4	-0.2
Education & Training	14.5	4.9	4.9	0.0
Research & Development	11.3	3.8	3.8	0.0
Provider Sustainability Fund	10.3	2.2	1.8	-0.5
Other Income	16.7	5.6	5.7	0.1
Sub-Total Other Operating Rev.	54.6	17.1	16.6	-0.5
TOTAL OPERATING REVENUE	410.1	133.8	131.0	-2.8
Operating Expenses				
Employee Expenses - Permanent	-246.0	-80.6	-81.8	-1.1
Employee Expenses - Agency	-11.7	-4.2	-4.1	0.1
Drugs	-44.1	-14.7	-13.3	1.4
Clinical Supplies	-43.2	-14.4	-14.1	0.3
Non-Clinical Supplies	-42.7	-17.1	-15.7	1.5
Sub-Total Operating Expenses	-387.6	-131.0	-128.9	2.1
EBITDA	22.5	2.8	2.1	-0.7
Non-Operating Items				
Depreciation	-13.9	-4.6	-4.3	0.3
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.5	-0.2	-0.2	-0.0
Interest Receivable	0.1	0.0	0.1	0.0
PDC Dividend	-5.3	-1.8	-1.8	-0.0
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
Unwinding of Discounts on Provisions	0.0	0.0	0.0	0.0
Sub-Total Non-Operating Items	-19.7	-6.6	-6.2	0.4
NET SURPLUS/(DEFICIT)	2.9	-3.7	-4.1	-0.4
Impairments / Donations	0.0	0.0	0.0	0.0
Control Total Surplus / (Deficit)	2.9	-3.7	-4.1	-0.4

Commentary

NHS Clinical Revenue

The contract income position at the end of July is £2.4m behind plan. Elective Inpatient, activity is behind plan by £1.3m with Other income £1.1m under. Cost per case items have been split out onto their own line and are £0.8m behind plan, this includes Pass Through Drugs which is offset by expenditure budget underspends. Non Elective activity is £3m ahead of plan and A&E is £0.3m ahead of plan.

Other Operating Revenue

Other operating income is behind plan of £0.5m. YTD PSF recovery is behind plan due to the A & E target being missed resulting in a 30% of PSF income for Quarter 1.

Operating Expenses - Employee Expenses

The net pay position is behind plan in July by £1.0m

Operating Expenses - Drugs

The drugs budget is underspent at the end of July by £1.4m.

Operating Expenses - Clinical Supplies

This is slightly below plan by £0.3m at the end of July.

Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies expenditure is underspent by £1.5m at the end of July.

Non-Operating Expenses

Are broadly in line with plan with depreciation being slightly underspent.

Variance Key: Favourable / (Adverse)

3. Divisional Performance Jul-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	-39.7	-40.3	-0.6	-0.2	-0.3	-0.1	-0.6	-2.8	0.0	-3.4	-8.5%	1
Medicine	-38.3	-39.2	-1.0	0.0	-1.0	0.1	-1.0	2.4	0.0	1.5	3.9%	5
Women's & Children's	-13.7	-13.8	-0.1	0.3	-0.4	0.0	-0.1	0.4	0.0	0.2	1.7%	5
Sub-Total Clinical Divisions	-91.7	-93.3	-1.7	0.1	-1.7	0.0	-1.7	0.0	0.0	-1.7	-1.8%	
Support Divisions												
Pharmacy	-1.3	-1.5	-0.2	0.0	-0.2	0.1	-0.2	0.0	0.0	-0.2	-13.5%	1
Estates & Facilities	-8.0	-8.3	-0.3	0.1	-0.3	0.0	-0.3	0.0	0.0	-0.3	-3.2%	2
Sub-Total Support Divisions	-9.3	-9.8	-0.4	0.1	-0.6	0.1	-0.4	0.0	0.0	-0.4	-4.7%	

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)

Jul-18

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

Division / Corporate Depts	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	1,882	1,214	-668	3,932	1,214	-2,718
DOMIC	6,791	624	522	-102	2,264	522	-1,742
W&C	2,812	532	423	-109	937	423	-515
E&F	860	22	20	-2	287	20	-267
Corporate Depts	3,355	2,618	1,876	-742	1,118	1,876	757
Grand Total	25,616	5,677	4,054	-1,623	8,539	4,054	-4,485

Full Year Forecast vs Targets by Division

Division / Corporate Depts	Annual Target	Total Forecast 18/19	Sum of Forecast Variance 18/19
DADS	11,797	7,255	-4,542
DOMIC	6,791	3,594	-3,197
W&C	2,812	1,958	-854
E&F	860	91	-768
Corporate Depts	3,355	9,729	6,374
Grand Total	25,616	22,628	-2,987

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
Better Notes, Better Care	4,030	1,010	938	-72	1,343	938	-406
Delivering Efficient Care	1,358	0	0	0	453	0	-453
Divisional	2,911	1,159	588	-571	970	588	-382
Elective Care	5,683	823	67	-756	1,894	67	-1,827
Estates & Facilities	1,951	0	727	727	650	727	77
Going Digital	1,620	289	74	-215	540	74	-466
Outpatients	1,675	50	12	-37	558	12	-546
Procurement	140	18	22	4	47	22	-24
Technical accounting	0	1,600	800	-800	0	800	800
Workforce Efficiency	4,668	591	708	117	1,556	708	-848
Workforce Improvement	0	7	0	-7	0	0	0
Medicines Spend	1,580	131	117	-14	527	117	-410
Grand Total	25,616	5,677	4,054	-1,623	8,539	4,054	-4,485

Commentary

The Trust has delivered £4.1m of efficiencies at the end of Month 4. This is £1.6m behind the phased plans submitted by the divisions and corporate departments and £4.5m behind an even monthly apportionment of the annual target, which would have required £8.5m of savings to be delivered by Month 4. A total of £0.8m of the YTD efficiencies were delivered via technical non-recurrent adjustments.

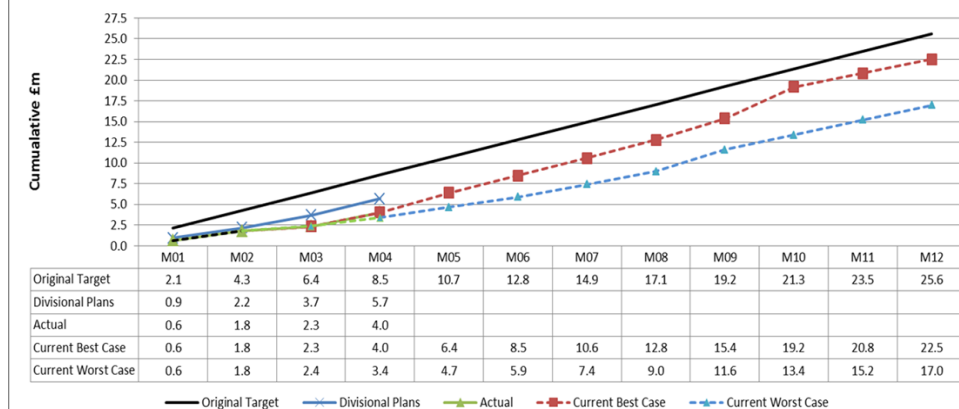
The divisions and corporate depts are currently forecasting delivery of £22.6m efficiencies, which would leave the Trust £3.0m short of the required £25.6m annual savings. A very substantial element of these divisional plans requires significant additional work to be implemented, and there is therefore 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 £17.0m, which would leave the Trust £8.6m 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 £22.5m efficiencies forecast by budget holders at the end of Month 4 are risk stratified as follows:

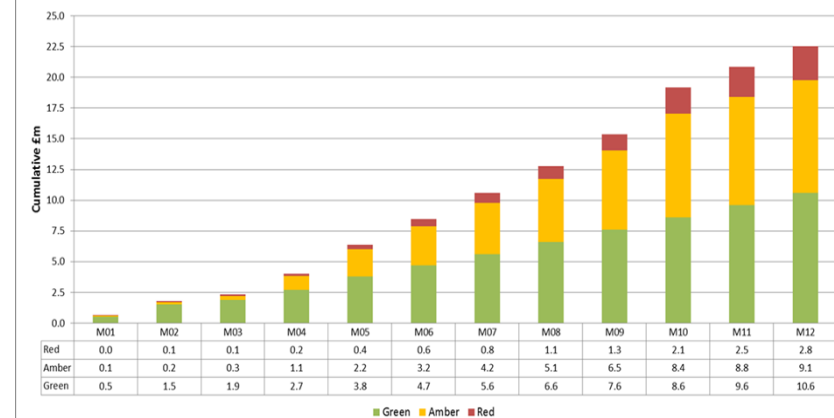
1. Low risk to delivery = £10.6m
2. Medium risk to delivery = £9.1m
3. High risk to delivery = £2.8m

Should some of the high and medium risk plans not deliver, the actual delivery may be lower than £17.0m.

BIP Efficiency Savings Forecast at Month 4



BIP Forecast RAG Rated



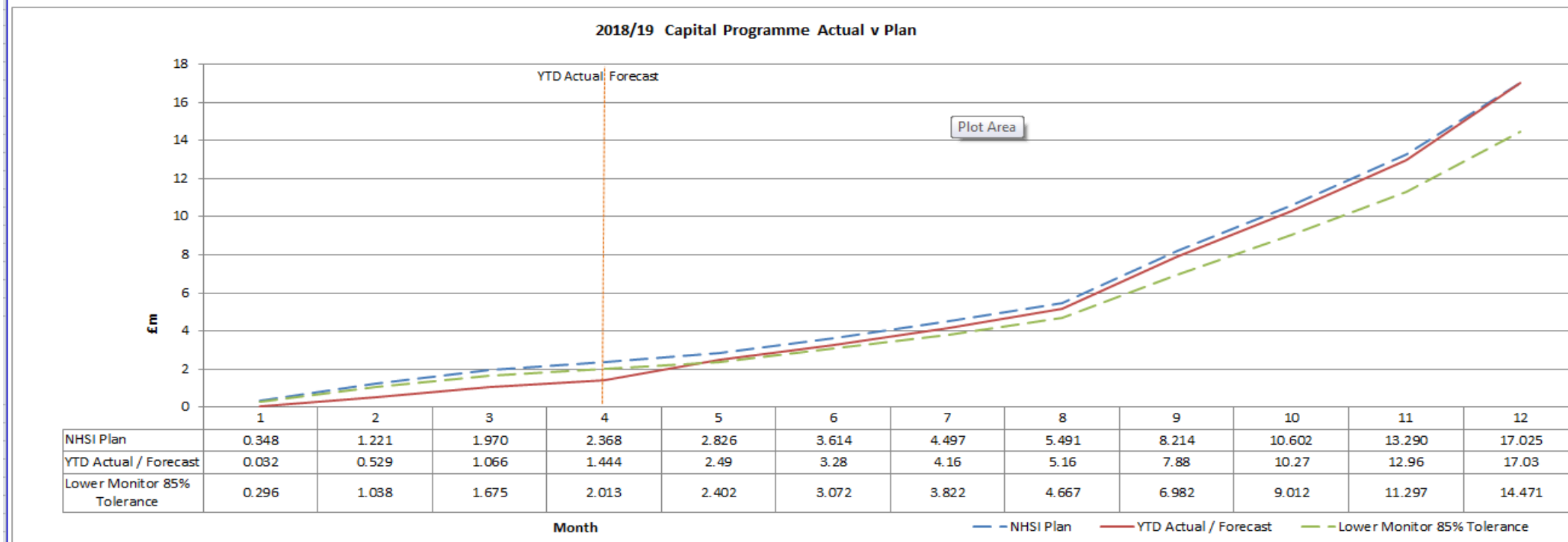
5. Statement of Financial Position, Cashflow and Liquidity Jul-18

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		
		Jun 18 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	10.603	10.736	(0.133)	11.257	(0.654)	10.988	(0.385)	11.425	11.425	0.000
Property, plant and equipment	203.968	204.523	(0.555)	206.181	(2.213)	204.350	(0.382)	209.128	210.387	1.259
Trade and other receivables	1.395	1.325	0.070	1.254	0.141	1.254	0.141	1.254	1.254	0.000
Total Non-Current Assets	215.966	216.584	(0.618)	218.692	(2.726)	216.592	(0.626)	221.807	223.066	1.259
Inventories	6.760	6.683	0.077	6.588	0.172	6.588	0.172	6.588	6.588	0.000
Cash	23.922	13.836	10.086	25.646	(1.724)	30.063	(6.141)	28.386	26.999	(1.387)
Trade and other receivables	26.803	40.382	(13.579)	30.453	(3.650)	21.754	5.049	23.131	23.131	0.000
Total Current Assets	57.485	60.901	(3.416)	62.687	(5.202)	58.405	(0.920)	58.105	56.718	(1.387)
Trade and other payables	(38.993)	(42.141)	3.148	(39.935)	0.942	(39.242)	0.249	(40.468)	(40.468)	0.000
Borrowings	(3.552)	(4.052)	0.500	(4.052)	0.500	(3.552)	0.000	(3.052)	(3.052)	0.000
Deferred Income	(5.189)	(5.180)	(0.009)	(5.741)	0.552	(5.290)	0.101	(5.290)	(5.189)	0.101
Provisions	(0.489)	(1.311)	0.822	(1.311)	0.822	(1.311)	0.822	(1.311)	(0.489)	0.822
Total Current Payables	(48.223)	(52.684)	4.461	(51.039)	2.816	(49.395)	1.172	(50.121)	(49.198)	0.923
Total Net Current Assets	9.262	8.217	1.045	11.648	(2.386)	9.010	0.252	7.984	7.520	(0.464)
Borrowings	(27.844)	(27.844)	0.000	(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)	(30.914)	0.000	(31.914)	1.000	(30.914)	0.000	(28.862)	(28.862)	0.000
Total Assets Employed	194.314	193.887	0.427	198.426	(4.112)	194.688	(0.374)	200.929	201.724	0.795
Public Dividend Capital	121.244	121.244	0.000	121.244	0.000	121.244	0.000	121.244	122.503	1.259
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	(2.263)	(2.690)	0.427	1.850	(4.113)	(1.888)	(0.375)	4.353	3.889	(0.464)
Total Taxpayers Equity	194.314	193.887	0.427	198.426	(4.112)	194.688	(0.374)	200.929	201.724	0.795

6. Capital Expenditure Jul-18

Capital Expenditure Trends & Commentary

9. Capital Programme (3)



Commentary

Year to date capital expenditure is £1.444m. This is £924k behind planned expenditure which represents 61% 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 and £518k PDC funding for Aluminium Cladded Material works. 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		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.
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	
			At month 4, 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.