

Board of Directors

Agenda Item: Bo.1.19.15

Finance Report to the Board of Directors Period Ending 31.11.18

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 £-2.2m, which is £-1.1m behind plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position of £-2m 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 £13.8m is behind plan.	Information
5. Capital Expenditure is £5.3m, which is £-0.2m 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) Nov-18

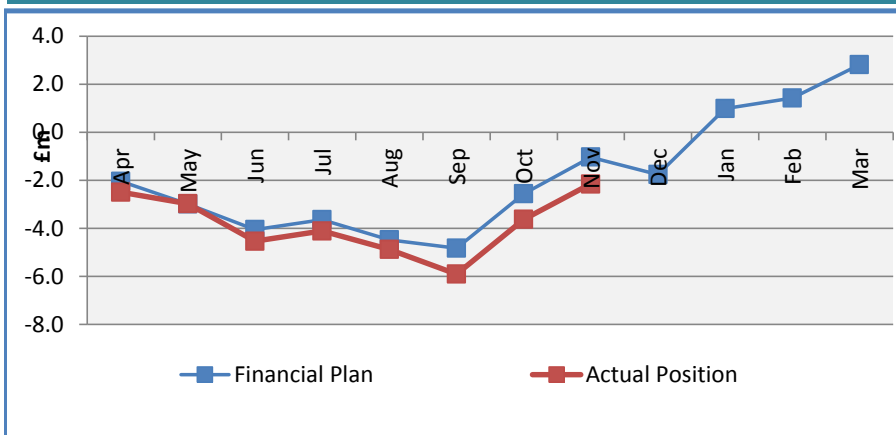
Key Financial Indicators As at 31.11.18	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	277.1	274.0	-3.1	-1%	
Operating Expenditure	-265.0	-263.9	1.1	0%	
EBITDA	12.1	10.1	-2.0	-	
Non-Operating Items	-13.1	-12.2	0.9	7%	
Net Surplus	-1.0	-2.2	-1.1	-	
Impairments / Donations	0.0	0.0	0.0	-	
Post-PSF Surplus / (Deficit)	-1.0	-2.2	-1.1	-	
Other Indicators					
BIP Delivery	13.7	9.3	-4.4	-32%	R
Net Current Assets (NCA)	11.5	9.5	-2.0	-18%	
Capital Expenditure	5.5	5.3	-0.2	-3%	
Monitor Financial Sustainability Risk Rating (FSRR)					
	Plan YTD	Actual YTD	Last Month		RAG
As at 31.11.18					
Capital Servicing Capacity	4	3	3		2
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		2
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 8, 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 November is a £2.2m deficit which is off plan by £1.1m.</p> <p>NHSI performance manages Trusts against the pre-PSF control total, performance against which is in line with the £6.7m pre-PSF plan.</p> <p>Operating revenue is behind plan for clinical activities. Pay expenditure is slightly behind plan with vacancy savings not adequately offsetting agency costs and premium rate activity. Operating Non-pay items in total are underspent by £1.1m which comprises a drugs underspend of £2.1m and a £1.0m underspend on other supplies.</p> <p>Agency Expenditure is £7.4m against a YTD ceiling of £7.9m.</p> <p>Capital expenditure up to the end of November is £5.3m which is £0.2m below plan.</p> <p>BIP efficiency delivery year to date is £8.3m which is £3.4m behind the £11.7m phased YTD plan and £6.6m behind the internal target of delivering the BIP in even 12ths.</p>	

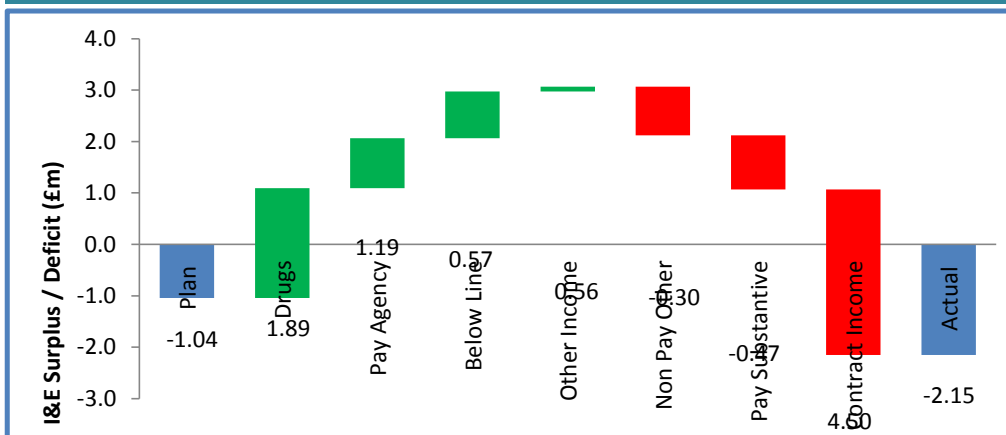
1. Financial Scorecard & Overview (2)

Nov-18

Surplus Trend November 2019



Income & Expenditure Bridge November 2019



Director of Finance Conclusions & Recommendations

The month 8 position is a pre-PSF deficit of £6.7m which is in line with the planned deficit of £6.7m. 70% of the PSF available for quarter 1 and quarter 2, equating to £2.2m is reported in the position. £1.1m of PSF available for quarter 1 and quarter 2 cannot be recovered due to A&E performance shortfalls. This results in a post-PSF deficit of £2.2m which is £1.1m 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 November 2018 was full delivery of the £7.5m pre-PSF control total deficit and recovery of £9.2m of the £10.3m PSF available to achieve a post-PSF control total surplus of £1.1m (£1.1m 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 in Quarter 4 without the implementation of urgent cost control measures. This scenario would also place great pressure on the Trust's cash balance.

A recovery plan has been developed which targets sufficient cost reductions to deliver the I&E control total in 2018/19. Meeting the control total in 2018/19 is contingent upon;

- Recovery of a significant element of the estimated contract income overtrade with local commissioners. There remains a high degree of risk to this assumption and to the estimated income position reported for Month 7.
- Recovery of the forecast £7m benefits from the Alternative Delivery Model for Estates and Facilities. This is contingent on a favourable outcome to the NHSI consultation or failing that a possible adjustment to the Trust's control total.
- Delivery in full of the cost reductions targeted by the Financial Recovery Plan over the final four months of the financial year.

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

Period Ending 31.11.18	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
NHS Clinical Revenue				
Elective Inpatient Revenue	26.2	17.6	14.9	-2.7
Planned Same Day Revenue	30.6	20.4	18.4	-2.0
Non Elective Revenue	82.7	54.4	59.3	4.9
Outpatient Revenue	49.3	31.3	34.5	3.2
Other Activity Revenue	86.5	63.1	61.1	-2.1
Community Services Revenue	12.1	8.1	8.1	-0.0
A&E Revenue	16.0	9.6	11.1	1.5
CQUINS	6.9	4.6	3.4	-1.2
Cost per Case items	41.6	26.3	23.8	-2.5
Contract Penalties	0.0	0.0	0.0	0.0
Plan Income Phasing	0.0	0.0	0.0	0.0
BIP Target unidentified	3.6	2.4	0.0	-2.4
Sub-Total NHS Clinical Revenue	355.5	237.8	234.5	-3.2
Other Operating Revenue				
Private Patients	1.6	1.1	0.7	-0.4
Education & Training	15.3	10.4	10.9	0.4
Research & Development	11.7	7.8	7.6	-0.2
Provider Sustainability Fund	10.3	5.7	4.6	-1.1
Other Income	21.2	14.4	15.7	1.3
Sub-Total Other Operating Rev.	60.1	39.3	39.4	0.1
TOTAL OPERATING REVENUE	415.7	277.1	274.0	-3.1
Operating Expenses				
Employee Expenses - Permanent	-249.3	-166.3	-167.3	-1.1
Employee Expenses - Agency	-12.2	-8.4	-7.4	1.0
Drugs	-43.8	-29.2	-27.1	2.1
Clinical Supplies	-43.3	-28.9	-28.9	-0.0
Non-Clinical Supplies	-44.7	-32.2	-33.2	-0.9
Sub-Total Operating Expenses	-393.2	-265.0	-263.9	1.1
EBITDA	22.5	12.1	10.1	-2.0
Non-Operating Items				
Depreciation	-13.9	-9.3	-8.4	0.8
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.5	-0.3	-0.3	0.0
Interest Receivable	0.1	0.1	0.1	0.1
PDC Dividend	-5.3	-3.6	-3.6	0.0
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
Sub-Total Non-Operating Items	-19.7	-13.1	-12.2	0.9
NET SURPLUS/(DEFICIT)	2.8	-1.0	-2.2	-1.1
Impairments / Donations	0.0	0.0	0.0	0.0
Control Total Surplus / (Deficit)	2.8	-1.0	-2.2	-1.1

Commentary

NHS Clinical Revenue

The contract income position at the end of November is £3.2m behind the plan including unmet BIP expectations. Elective Inpatient and Daycase activity is behind plan by £2.7m and £2.0m, Outpatient income is £3.2m ahead of plan. Cost per case items are £2.5m behind plan, this includes Pass Through Drugs which is offset by expenditure budget underspends. Non Elective activity is £4.9m ahead of plan and A&E is £1.5m ahead of plan.

Other Operating Revenue

Other operating income is behind plan by £0.1m. YTD PSF recovery is £1.1m behind plan due to the A & E target being missed resulting in a 30% reduction of PSF income for Quarters 1 & 2.

Operating Expenses - Employee Expenses

The net pay position is overspent by £0.1m at the end of November.

Operating Expenses - Drugs

The drugs budget is underspent at the end of November by £2.1m, including reduced expenditure on pass through drugs.

Operating Expenses - Clinical Supplies

This is on plan at the end of November

Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies expenditure is overspent by £0.9m at the end of November

Non-Operating Expenses

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

Variance Key: Favourable / (Adverse)

3. Divisional Performance

Nov-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	-80.3	-81.1	-0.8	-0.7	0.0	-0.1	-0.8	-5.5	0.0	-6.3	-7.9%	1
Medicine	-77.9	-79.4	-1.5	-0.1	-1.5	0.1	-1.5	6.6	0.0	5.0	6.5%	5
Women's & Children's	-28.1	-28.2	-0.2	0.3	-0.5	0.0	-0.2	0.4	0.0	0.3	1.0%	5
Sub-Total Clinical Divisions	-186.3	-188.8	-2.5	-0.5	-2.0	0.0	-2.5	1.5	0.0	-1.0	-0.5%	
Support Divisions												
Pharmacy	-2.7	-3.1	-0.3	0.0	-0.4	0.0	-0.3	0.0	0.0	-0.3	-12.7%	1
Estates & Facilities	-17.3	-17.4	-0.1	0.1	-0.3	0.0	-0.1	0.0	0.0	-0.1	-0.8%	4
Sub-Total Support Divisions	-20.0	-20.5	-0.5	0.1	-0.7	0.1	-0.5	0.0	0.0	-0.5	-2.5%	

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)

Nov-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	9,314	4,887	3,077	-1,809	5,433	3,077	-2,356
DOMIC	5,361	2,438	2,149	-289	3,127	2,149	-978
W&C	2,220	1,278	1,268	-11	1,295	1,268	-28
E&F	379	74	58	-17	221	58	-163
Corporate Depts	8,341	5,042	2,777	-2,265	4,866	2,777	-2,089
Grand Total	25,616	13,720	9,329	-4,391	14,942	9,329	-5,614

Full Year Forecast vs Targets by Division

Division / Corporate Depts	Annual Target	Total Forecast 18/19	'Forecast Variance 18/19
DADS	9,314	6,732	-2,582
DOMIC	5,361	3,796	-1,565
W&C	2,220	1,876	-344
E&F	379	89	-290
Corporate Depts	8,341	10,151	1,810
Grand Total	25,616	22,644	-2,971

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

BIP Programme	Target	Divisional	YTD Actual	Variance to	Target - even	YTD Actual	to Original
Better Notes, Better Care	4,030	2,686	2,686	0	2,351	2,686	335
Delivering Efficient Care	1,358	0	0	0	792	0	-792
Divisional	2,911	4,172	2,394	-1,778	1,698	2,394	696
Elective Care	5,683	2,024	512	-1,512	3,315	512	-2,803
Estates & Facilities	1,951	141	1,240	1,099	1,138	1,240	102
Going Digital	1,620	705	262	-443	945	262	-683
Outpatients	1,675	266	315	49	977	315	-662
Procurement	140	97	102	5	82	102	20
Technical accounting	0	1,600	800	-800	0	800	800
Workforce Efficiency	4,668	1,677	662	-1,015	2,723	662	-2,061
Workforce Improvement	0	69	57	-13	0	57	57
Medicines Spend	1,580	262	279	17	922	279	-643
Planned Care Recovery	0	0	0	0	0	0	0
Other income generation	0	20	20	0	0	20	20
Grand Total	25,616	13,720	9,329	-4,391	14,942	9,329	-5,614

Commentary

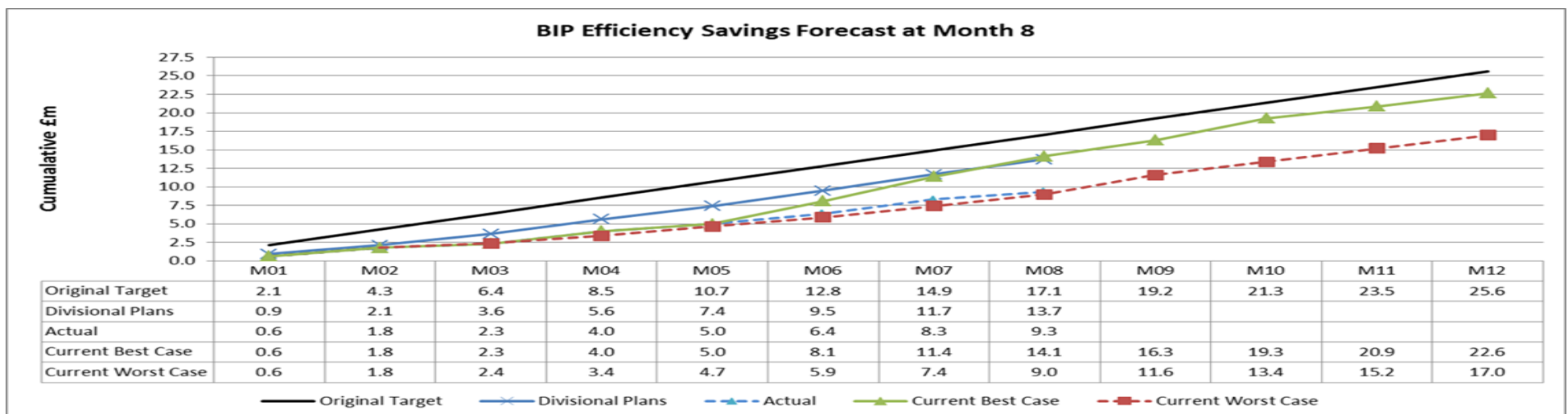
The Trust has delivered £9.3m of efficiencies at the end of Month 8. This is £4.4m behind the phased plans submitted by the divisions and corporate departments and £7.8m behind an even monthly apportionment of the annual target, which would have required £17.1m of savings to be delivered by Month 8. A total of £0.8m of the YTD efficiencies were delivered via technical non-recurrent adjustments and a further £1.2m relates to accrued benefits from the ADM implementation which are now subject to NHSI consultation.

The divisions and corporate depts are currently forecasting delivery of £22.6m efficiencies, which would leave the Trust £3m 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.

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 £23.4m efficiencies forecast by budget holders at the end of Month 7 are risk stratified as follows:

1. Low risk to delivery = £10.7m
2. Medium risk to delivery = £8.7m
3. High risk to delivery = £3.3m

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



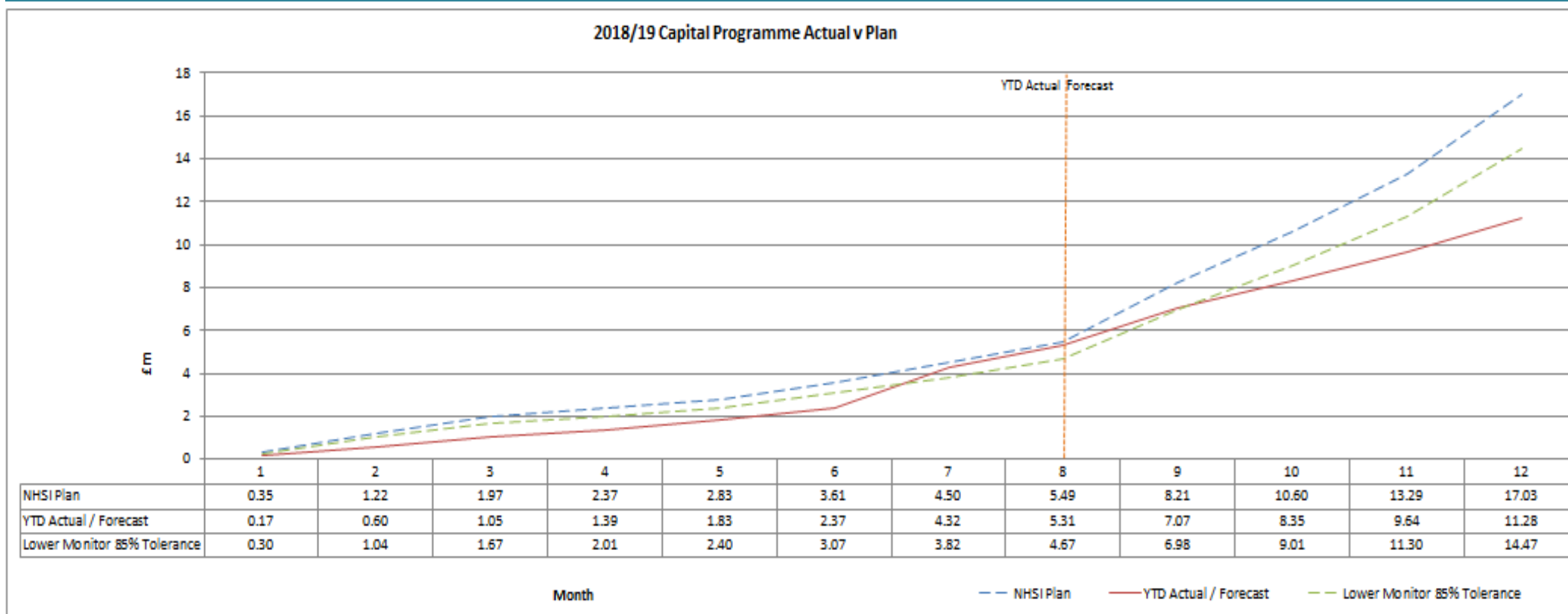
5. Statement of Financial Position, Cashflow and Liquidity

Nov-18

Summary Statement of Financial	Actual Performance					Planned Movement				
	Year to date Actual £m	In month movement		Year to date movement		Year to date		Year end forecast		
		Oct 18 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	12.496	11.659	0.837	11.257	1.239	10.739	1.757	11.425	13.725	2.300
Property, plant and equipment	201.816	202.518	(0.702)	206.181	(4.365)	203.086	(1.270)	209.128	201.155	(7.973)
Trade and other receivables	2.075	2.027	0.048	1.254	0.821	1.254	0.821	1.254	6.654	5.400
Total Non-Current Assets	216.387	216.204	0.183	218.692	(2.305)	215.079	1.308	221.807	221.534	(0.273)
Inventories	6.606	6.658	(0.052)	6.588	0.018	6.588	0.018	6.588	6.588	0.000
Cash	13.815	14.751	(0.936)	25.646	(11.831)	29.971	(16.156)	28.386	12.277	(16.109)
Trade and other receivables	39.350	35.139	4.211	30.453	8.897	23.646	15.704	23.131	36.925	13.794
Total Current Assets	59.771	56.548	3.223	62.687	(2.916)	60.205	(0.434)	58.105	55.790	(2.315)
Trade and other payables	(38.193)	(36.683)	(1.510)	(39.935)	1.742	(38.557)	0.364	(40.468)	(37.000)	3.468
Borrowings	(3.552)	(3.552)	0.000	(4.052)	0.500	(3.552)	0.000	(3.052)	(3.052)	0.000
Deferred Income	(8.004)	(6.768)	(1.236)	(5.741)	(2.263)	(5.290)	(2.714)	(5.290)	(6.768)	(1.478)
Provisions	(0.542)	(0.489)	(0.053)	(1.311)	0.769	(1.311)	0.769	(1.311)	(0.489)	0.822
Total Current Payables	(50.291)	(47.492)	(2.799)	(51.039)	0.748	(48.710)	(1.581)	(50.121)	(47.309)	2.812
Total Net Current Assets	9.480	9.056	0.424	11.648	(2.168)	11.495	(2.015)	7.984	8.481	0.497
Borrowings	(26.318)	(27.318)	1.000	(28.844)	2.526	(26.318)	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	(29.388)	(30.388)	1.000	(31.914)	2.526	(29.388)	0.000	(28.862)	(28.862)	0.000
Total Assets Employed	196.479	194.872	1.607	198.426	(1.947)	197.186	(0.707)	200.929	201.153	0.224
Public Dividend Capital	121.451	121.318	0.133	121.244	0.207	121.244	0.207	121.244	122.523	1.279
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	(0.305)	(1.779)	1.474	1.850	(2.155)	0.610	(0.915)	4.353	3.298	(1.055)
Total Taxpayers Equity	196.479	194.872	1.607	198.426	(1.947)	197.186	(0.707)	200.929	201.153	0.224

6. Capital Expenditure Nov-18

Capital Expenditure Trends & Commentary



Commentary

Year to date capital expenditure is £5.3m. This is £0.2m behind planned expenditure which represents 97% of the plan submitted to NHSI. This is primarily a result of expenditure on the Command Centre, which was not included in the annual plan, offsetting slippages across the capital programme including Radiology Replacement Programme, the estates asset maintenance programme and wayfinding Improvements.

The full year capital expenditure forecast is £11.3m. This is below the original planned capital expenditure of £17.025m. To safeguard the Trusts cash position the capital programme has been curtailed with a reduced budget allocation of £11.3m. This revised allocation needs to be reviewed and prioritised by Capital Committee.

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%	1.34x	3
Liquidity (days)	<u>Working Capital Balance 3 x 360</u> Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	2.3 days	1
I & E Margin	<u>I & E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-1.50%	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%	-0.40%	2
Agency Spend	<u>Agency spend - Agency Ceiling</u> Agency Ceiling	<0%	0%-25%	25%-50%	>50%	20%	4.06%	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 **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 November 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 7, 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 3.