

Finance Report to the Board of Directors
Period Ending 31.01.19

Presented for:	Information
Presented by:	Matthew Horner, Director of Finance
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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 £-1.2m, which is £-1.9m behind plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position is £-11.8m 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 £13.2m is behind plan.	Information
5. Capital Expenditure is £6.7m, which is £-3.9m 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
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 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) Jan-19

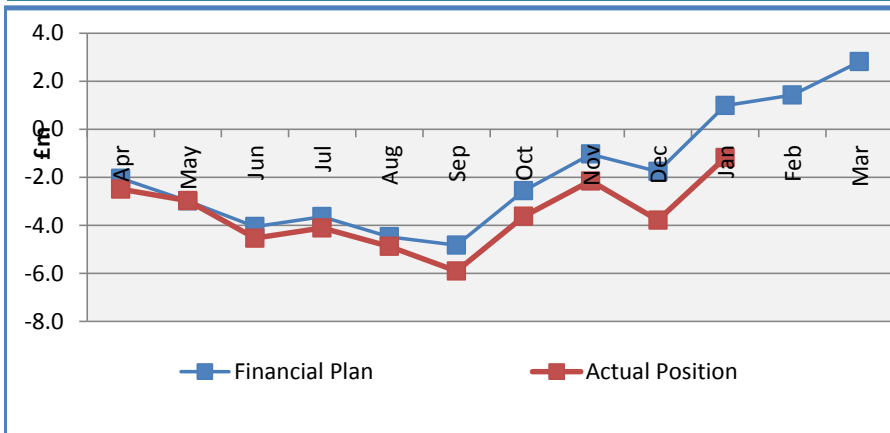
Key Financial Indicators As at 31.01.19	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	345.5	336.1	-9.4	-3%	
Operating Expenditure	-328.4	-330.8	-2.4	-1%	
EBITDA	17.1	5.3	-11.8	-	
Non-Operating Items	-16.4	-6.5	9.9	60%	
Net Surplus	0.7	-1.2	-1.9	-	
Impairments / Donations	0.0	0.0	0.0	-	
Post-PSF Surplus / (Deficit)	0.7	-1.2	-1.9	-	
Other Indicators					
BIP Delivery	23.8	19.1	-4.7	-20%	R
Net Current Assets (NCA)	10.7	3.9	-6.9	-64%	
Capital Expenditure	10.6	6.7	-3.9	-37%	
Monitor Financial Sustainability Risk Rating (FSRR)		Plan YTD	Actual YTD	Last Month	RAG
As at 31.01.19					
Capital Servicing Capacity		4	4	3	
Liquidity		1	2	1	
I & E Margin		4	3	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 10, 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 January is a £1.2m deficit which is below the post-PSF bottom line plan by £1.9m.</p> <p>NHSI performance manages Trusts against the pre-PSF control total, performance against which is £0.1m behind the £7.2m pre-PSF plan.</p> <p>Operating revenue is behind plan for clinical activities. Pay expenditure is £0.4m behind plan with vacancy savings offsetting agency costs and premium rate activity. Operating Non-pay items in total are overspent by £2.0m which comprises a drugs underspend of £2.8m and a £4.8m overspend on other supplies.</p> <p>Agency Expenditure is £8.7m against a YTD internal plan of £10.5m.</p> <p>Capital expenditure up to the end of January is £6.7m which is £3.9m below plan.</p> <p>BIP efficiency delivery year to date (including Financial Recovery Plan) is £19.1m which is £4.7m behind the £23.8m phased YTD annual plan and £2.2m behind the internal target of delivering the BIP in even 12ths.</p>

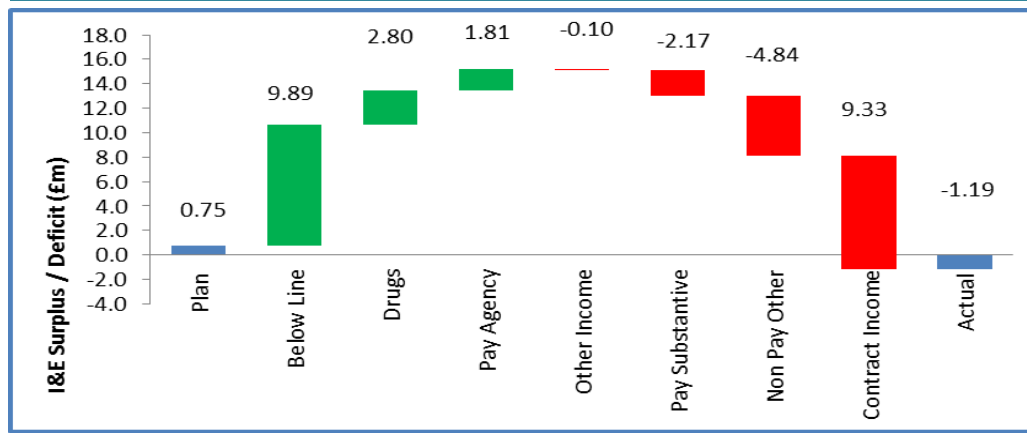
1. Financial Scorecard & Overview (2)

Jan-19

Surplus Trend January 2019



Income & Expenditure Bridge January 2019



Director of Finance Conclusions & Recommendations

The month 10 position is a pre-PSF deficit of £7.1m which is £0.1m behind plan with the planned deficit of £7.2m. 70% of the PSF available for quarter 1,2 and quarter 3, equating to £5.9m being reported in the position. £2.0m of PSF available for quarter 1, 2 and quarter 3 cannot be recovered due to A&E performance shortfalls. This results in a post-PSF deficit of £1.2m which is £1.9m behind the post-PSF plan.

The reported position includes the £3.75m overtrade agreed with the Bradford and Airedale CCG.

The year end forecast submitted to NHSI on 23 January 2019 was full delivery of the £7.5m pre-PSF control total deficit and recovery of £8.3m of the £10.3m PSF available to achieve a post-PSF control total surplus of £0.8m (£2.0m behind plan) for 2018/19.

However, the underlying run rate is such that the 2018/19 control total will not be delivered without the implementation in full of the Recovery Plan submitted to NHSI in late 2018. The Recovery Plan targets sufficient cost reductions to deliver the I&E control total in 2018/19, however it must be recognised that there remains a significant risk to some elements of this plan and that delivery of the 2018/19 control total remains uncertain.

Meeting the control total in 2018/19 is contingent upon;

- Recovery of the forecast £7m benefits from the Wholly Owned Subsidiary for Estates and Facilities. This is contingent on a favourable outcome to NHSI's review of the Trust's business case (submitted January 2019).
- Delivery in full of the cost reductions targeted by the Financial Recovery Plan over the final two months of the financial year.
- Controlling costs to ensure no additional cost pressures arise in Quarter 4 to place further pressure on the requirement for non-recurrent measures to support I&E delivery.

2. Statement of Comprehensive Income (I & E) Jan-19

Period Ending 31.01.19	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
NHS Clinical Revenue				
Elective Inpatient Revenue	26.2	21.8	18.2	-3.6
Planned Same Day Revenue	30.6	25.3	24.0	-1.4
Non Elective Revenue	82.7	68.4	79.6	11.2
Outpatient Revenue	49.3	38.7	39.8	1.1
Other Activity Revenue	86.5	77.9	66.3	-11.5
Community Services Revenue	12.1	10.0	10.1	0.1
A&E Revenue	16.0	12.1	13.6	1.5
CQUINS	6.9	5.7	5.7	-0.1
Cost per Case items	41.6	32.4	28.7	-3.8
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	3.0	0.0	-3.0
Sub-Total NHS Clinical Revenue	355.5	295.3	285.9	-9.3
Other Operating Revenue				
Private Patients	1.6	1.4	0.9	-0.4
Education & Training	15.3	12.9	11.9	-1.0
Research & Development	11.7	9.7	9.4	-0.3
Provider Sustainability Fund	10.3	7.9	5.9	-2.0
Other Income	22.0	18.4	22.1	3.7
Sub-Total Other Operating Rev.	60.9	50.3	50.2	-0.1
TOTAL OPERATING REVENUE	416.4	345.5	336.1	-9.4
Operating Expenses				
Employee Expenses - Permanent	-249.4	-207.9	-210.1	-2.2
Employee Expenses - Agency	-12.4	-10.5	-8.7	1.8
Drugs	-43.8	-36.5	-33.7	2.8
Clinical Supplies	-43.3	-36.1	-35.9	0.2
Non-Clinical Supplies	-44.4	-37.4	-42.4	-5.0
Sub-Total Operating Expenses	-393.3	-328.4	-330.8	-2.4
EBITDA	23.2	17.1	5.3	-11.8
Non-Operating Items				
Depreciation	-13.9	-11.6	-1.8	9.8
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.5	-0.4	-0.4	-0.0
Interest Receivable	0.1	0.1	0.2	0.1
PDC Dividend	-5.3	-4.5	-4.5	0.0
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
Sub-Total Non-Operating Items	-19.7	-16.4	-6.5	9.9
NET SURPLUS/(DEFICIT)	3.5	0.7	-1.2	-1.9
Impairments / Donations	0.0	0.0	0.0	0.0
Control Total Surplus / (Deficit)	3.5	0.7	-1.2	-1.9

Commentary

NHS Clinical Revenue

The contract income position at the end of January is £9.3m behind the plan including unmet BIP expectations. Elective Inpatient and Daycase activity is behind plan by £3.6m and £1.4m, Outpatient income is £1.1m ahead of plan. Cost per case items are £3.8m behind plan, this includes Pass Through Drugs which is offset by expenditure budget underspends. Non Elective activity is £11.2m ahead of plan and A&E is £1.5m ahead of plan. An agreement with the three main local CCGs is reflected in this months figures.

Other Operating Revenue

Other operating income is behind plan by £0.1m. YTD PSF recovery is £2.0m behind plan due to the A & E target being missed resulting in a 30% reduction of PSF income for Quarters 1, 2 & 3.

Operating Expenses - Employee Expenses

The net pay position is overspent by £0.4m at the end of January

Operating Expenses - Drugs

The drugs budget is underspent at the end of January by £2.8m, including reduced expenditure on pass though drugs.

Operating Expenses - Clinical Supplies

This is slightly below plan by £0.2m at the end of January

Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies expenditure is overspent by £5.0m at the end of January

Non-Operating Expenses

The Non-Operating expenses is £9.9m behind plan due to depreciation being £9.8m underspent. This is due to the benefit of the Wholly owned subsidiary being released into the position of £7m.

Variance Key: Favourable / (Adverse)

3. Divisional Performance

Jan-19

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	-100.6	-101.9	-1.3	-0.8	-0.3	-0.1	-1.3	-7.5	0.0	-8.8	-8.7%	1
Medicine	-97.0	-98.9	-1.9	-0.1	-1.9	0.1	-1.9	12.0	0.0	10.1	10.4%	5
Women's & Children's	-35.2	-35.4	-0.2	0.3	-0.6	0.0	-0.2	1.1	0.0	0.9	2.4%	5
Sub-Total Clinical Divisions	-232.9	-236.3	-3.4	-0.5	-2.8	0.0	-3.4	5.6	0.0	2.2	0.9%	
Support Divisions												
Pharmacy	-3.4	-3.8	-0.4	0.0	-0.4	0.0	-0.4	0.1	0.0	-0.3	-9.0%	1
Estates & Facilities	-21.7	-22.0	-0.3	0.2	-0.4	0.0	-0.3	0.0	0.0	-0.3	-1.2%	3
Sub-Total Support Divisions	-25.2	-25.8	-0.6	0.2	-0.8	0.0	-0.6	0.1	0.0	-0.6	-2.2%	

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)

Jan-19

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	6,693	4,092	-2,601	7,762	4,092	-3,670
DOMIC	5,361	3,327	2,937	-390	4,468	2,937	-1,531
W&C	2,220	1,733	1,870	137	1,850	1,870	20
E&F	379	109	73	-36	316	73	-243
Corporate Depts	8,341	11,932	10,151	-1,781	6,951	10,151	3,200
Grand Total	25,616	23,793	19,123	-4,670	21,346	19,123	-2,223

Full Year Forecast vs Targets by Division

Division / Corporate Depts	Annual Target	Total Forecast 18/19	Sum of Forecast Variance 18/19
DADS	9,314	6,455	-2,859
DOMIC	5,361	3,721	-1,640
W&C	2,220	1,905	-315
E&F	379	89	-290
Corporate Depts	8,341	19,151	10,810
Grand Total	25,616	31,321	5,705

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	3,525	3,525	0	3,358	3,525	166
Delivering Efficient Care	1,358	0	0	0	1,131	0	-1,131
Divisional	2,911	4,326	2,637	-1,689	2,426	2,637	210
Elective Care	5,683	2,798	918	-1,881	4,736	918	-3,818
Estates & Facilities	1,951	7,211	8,750	1,539	1,626	8,750	7,124
Going Digital	1,620	930	362	-568	1,350	362	-988
Outpatients	1,675	416	713	296	1,396	713	-683
Procurement	140	125	130	5	117	130	13
Technical accounting	0	1,600	800	-800	0	800	800
Workforce Efficiency	4,668	2,288	836	-1,452	3,890	836	-3,054
Workforce Improvement	0	135	81	-55	0	81	81
Medicines Spend	1,580	378	314	-65	1,317	314	-1,003
Other income generation	0	60	60	0	0	60	60
Grand Total	25,616	23,793	19,123	-4,670	21,346	19,123	-2,223

Commentary

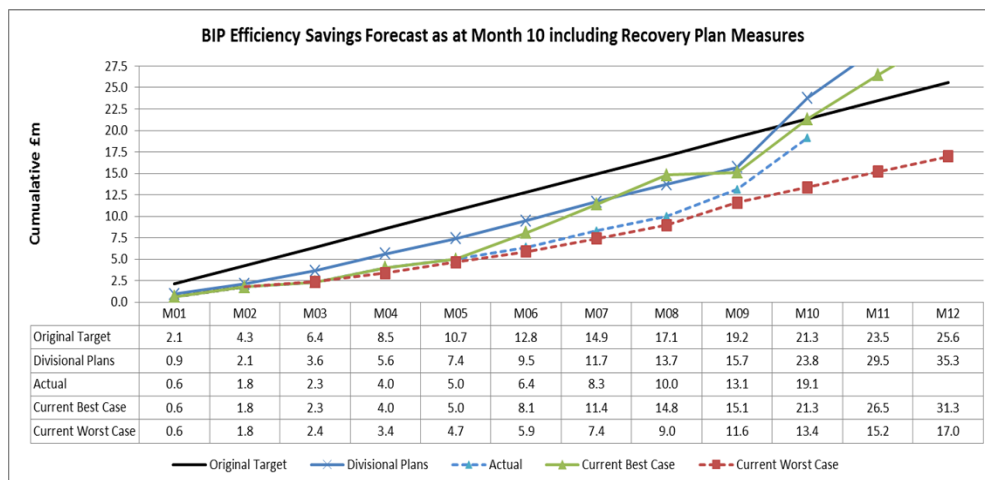
The Trust has delivered £19.1m of efficiencies at the end of Month 10. This is £4.7m behind the phased plans submitted by the divisions and corporate departments and £2.2m ahead at an even monthly apportionment of the annual target, which would have required £21.3m of savings to be delivered by Month 10. A total of £4m of the year to date efficiencies were delivered via technical non-recurrent adjustments, Modern Equivalent Asset Valuation (MEAV) of £1.75m, and a further £7m relates to accrued benefits from the ADM implementation which is now subject to NHS Improvement approval of the Trust's business case.

The divisions and corporate depts are currently forecasting delivery of £31.3m efficiencies. This has increased due to the underlying run rate being higher than anticipated and the ability to achieve our financial position at the end of March 2019. 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 £31.3m efficiencies forecast by budget holders at the end of Month 10 are risk stratified as follows:

1. Low risk to delivery = £10.4m
2. Medium risk to delivery = £9.2m
3. High risk to delivery = £11.7m

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



	YTD	Forecast
WOS	7.0	7.0
MEAV	1.8	3.5
Other Recovery Plans	5.3	11.3
Sub-total	14.1	21.8
BIP - Income	3.8	3.8
BIP - Expenditure	1.3	5.7
BIP Sub-total	5.1	9.5
	19.1	31.3

Commentary

The table shows a high level summary of the year to date and forecast outturn of the BIP programme and the main drivers of the reported position

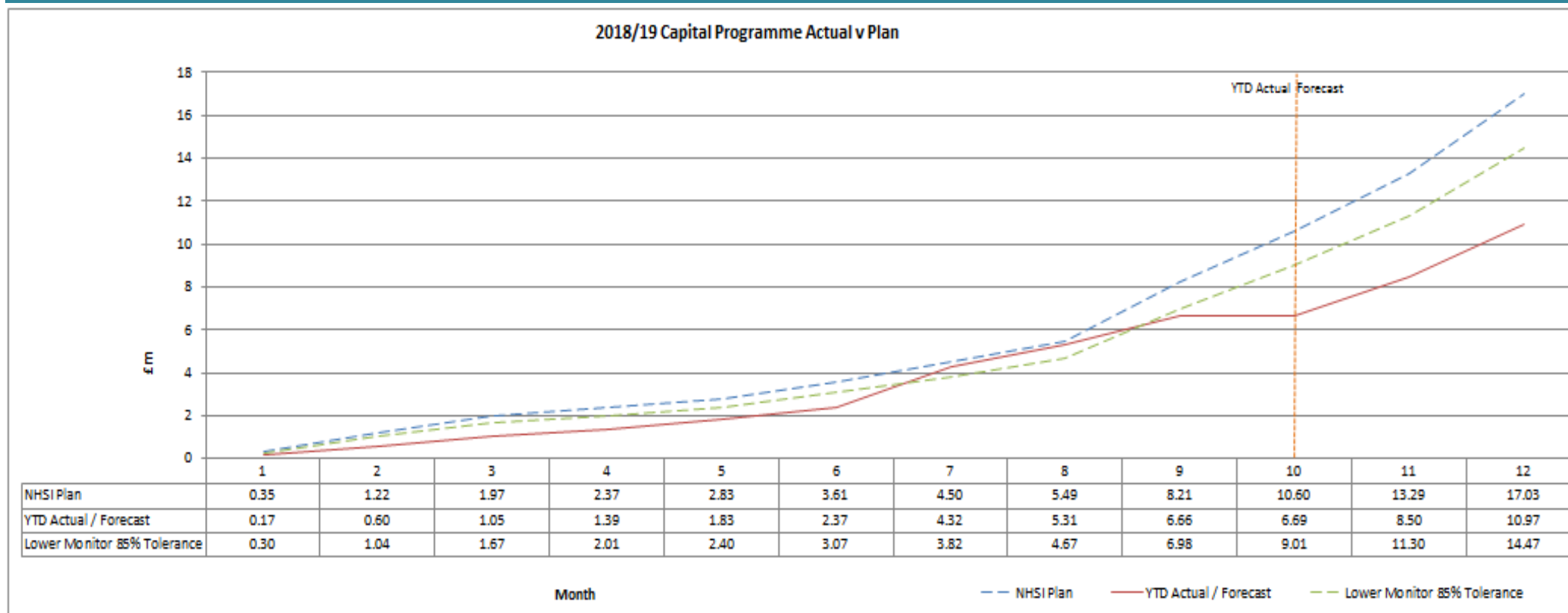
5. Statement of Financial Position, Cashflow and Liquidity

Jan-19

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		
		Dec 18 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	12.180	12.742	(0.562)	11.257	0.923	11.012	1.168	11.425	12.595	1.170
Property, plant and equipment	203.164	201.901	1.263	206.181	(3.017)	205.538	(2.374)	209.128	205.994	(3.134)
Trade and other receivables	8.394	5.628	2.766	1.254	7.140	1.254	7.140	1.254	8.394	7.140
Total Non-Current Assets	223.738	220.271	3.467	218.692	5.046	217.804	5.934	221.807	226.983	5.176
Inventories	6.719	6.823	(0.104)	6.588	0.131	6.588	0.131	6.588	6.719	0.131
Cash	13.177	14.508	(1.331)	25.646	(12.469)	30.054	(16.877)	28.386	12.609	(15.777)
Trade and other receivables	33.105	33.542	(0.437)	30.453	2.652	23.818	9.287	23.131	31.121	7.990
Total Current Assets	53.001	54.873	(1.872)	62.687	(9.686)	60.460	(7.459)	58.105	50.449	(7.656)
Trade and other payables	(36.152)	(36.494)	0.342	(39.935)	3.783	(40.071)	3.919	(40.468)	(35.330)	5.138
Borrowings	(3.052)	(3.698)	0.646	(4.052)	1.000	(3.052)	0.000	(3.052)	(3.052)	0.000
Deferred Income	(9.399)	(9.418)	0.019	(5.741)	(3.658)	(5.290)	(4.109)	(5.290)	(9.399)	(4.109)
Provisions	(0.542)	(0.542)	0.000	(1.311)	0.769	(1.311)	0.769	(1.311)	(0.542)	0.769
Total Current Payables	(49.145)	(50.152)	1.007	(51.039)	1.894	(49.724)	0.579	(50.121)	(48.323)	1.798
Total Net Current Assets	3.856	4.721	(0.865)	11.648	(7.792)	10.736	(6.880)	7.984	2.126	(5.858)
Borrowings	(26.318)	(26.318)	0.000	(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)	(29.388)	0.000	(31.914)	2.526	(29.388)	0.000	(28.862)	(28.862)	0.000
Total Assets Employed	198.206	195.604	2.602	198.426	(0.220)	199.152	(0.946)	200.929	200.247	(0.682)
Public Dividend Capital	122.211	122.211	0.000	121.244	0.967	121.244	0.967	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	0.662	(1.940)	2.602	1.850	(1.188)	2.576	(1.914)	4.353	2.392	(1.961)
Total Taxpayers Equity	198.206	195.604	2.602	198.426	(0.220)	199.152	(0.946)	200.929	200.247	(0.682)

6. Capital Expenditure Jan-19

Capital Expenditure Trends & Commentary



Commentary

Year to date capital expenditure is £6.7m. This is £3.9m behind planned expenditure which represents 63% of the plan submitted to NHSI. Year to date slippage in the capital programme reflects the in year reduction to the capital allocation. This includes the medical equipment replacement programme (£0.6m), Telephony PBX (£0.6m) and Estates Asset Maintenance (£0.6m) and Capital Strategy (£1.4m).

The full year capital expenditure forecast is £10.937m. 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. The forecast shortfall of expenditure against the revised budget is a result of slippage on Medical Records Storage (£360k), Ward 22 Refurbishment (£200K) and Network Refresh (£100k).

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%	0.68x	4
Liquidity (days)	<u>Working Capital Balance 3 x 360</u> Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	-2.6 days	2
I & E Margin	<u>I & E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-0.30%	3
Variance from Plan - I & E	<u>Var in I & E Operating Surplus/(Deficit)</u> Total Operating Income	> 0%	(1) - 0%	(2) - (1)%	< (2)%	20%	-0.60%	2
Agency Spend	<u>Agency spend - Agency Ceiling</u> Agency Ceiling	<0%	0%-25%	25%-50%	>50%	20%	-3.18%	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 10, 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.