

Meeting Title	Board of Directors		
Date	9 th May 2019	Agenda item	Bo.5.19.41

UNAUDITED YEAR END FINANCIAL POSITION 2018/19

Presented by	Matthew Horner, Director of Finance		
Author	Chris Smith, Deputy Director of Finance		
Lead Director	Matthew Horner, Director of Finance		
Purpose of the paper	To provide an interim report on the draft, unaudited year end financial position for 2018/19		
Key control	Identify if the paper is a key control for the Board Assurance Framework		
Action required	To note		
Previously discussed at/ informed by	n/a		
Previously approved at:	Committee/Group	Date	

Key Options, Issues and Risks

This paper provides an interim update on the draft, unaudited financial position for the end of the 2018/19 financial year.

Analysis

The unaudited, draft Income and Expenditure (I&E) position for 2018/19 is a deficit of £19.4m. This position includes an impairment of £19m relating to the revaluation of assets which NHS Improvement (NHSI) does not include in assessments of control total delivery.

On an NHS Improvement control total basis (ie excluding this Impairment) the draft I&E position for 2018/19 is a pre-Provider Sustainability Fund (PSF) deficit of £7.5m which is in line with the pre-PSF control total.

As the pre-PSF control total has been delivered in this draft position, PSF income of £7.2m can be recovered, which means the reported position including PSF but excluding the impairment is a post-PSF deficit of £0.3m. This is £3.1m below the £2.8m post-PSF surplus control total. This shortfall is the result of the loss of £3.1m PSF cash relating to performance against the Urgent Care Standard.

The Trust's cash balance at the end of March 2019 was £21.2m. This is £7.2m below the planned £28.4m balance. The shortfall is largely explained by the under-delivery of the BIP efficiency programme and consequent reliance on non-recurrent, non-cash releasing measures to meet the I&E control total.

The Trust submitted an interim report to NHS Improvement (NHSI) on 15 April 2019 which reflects the figures presented in this paper.

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Recommendation

The Board is asked to note the draft year end results for 2018/19 but is also asked to note that this position is the draft unaudited position and is therefore not the confirmed final position.

Risk assessment

Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients			g			
To deliver our financial plan and key performance targets			g			
To be in the top 20% of NHS employers			g			
To be a continually learning organisation				g		
To collaborate effectively with local and regional partners					g	
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
	Risk (*)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

Risk Implications (see section 5 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Performance implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance

NHS Improvement: (please tick those that are relevant)

- ☒ Risk Assessment Framework
 ☐ Quality Governance Framework
☒ Code of Governance
 ☒ Annual Reporting Manual

Care Quality Commission Domain: Well Led

Care Quality Commission Fundamental Standard: Good Governance

NHS Improvement Effective Use of Resources: Finance

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Other (please state):

Relevance to other Board of Director's Committee: (please select all that apply)					
Workforce	Quality	Finance & Performance	Partnerships	Major Projects	Other (please state)
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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1. Income & Expenditure Position

Table 1 – Summary Income & Expenditure Position 31 March 2019 (Draft)

Details	Plan £m	Actual £m	Variance £m
<u>Operating Income</u>			
NHS Clinical Income	354.8	340.7	(14.1)
Other Operating Income	51.3	55.4	4.1
PSF income	10.3	7.2	(3.1)
Total Operating Income	416.5	403.4	(13.1)
<u>Operating Expenditure</u>			
Pay Expenditure	(262.6)	(263.2)	(0.6)
Non-Pay Expenditure	(131.4)	(132.0)	(0.6)
Total Operating Expenditure	(394.0)	(395.2)	(1.2)
<u>Non-Operating Items</u>			
Depreciation	(13.9)	(3.3)	10.6
Other Operating Items	(6.1)	(5.3)	0.8
Impairment	-	(19.0)	(19.0)
Total Non-Operating Items	(19.9)	(27.5)	(7.6)
Net Surplus / (Deficit)	2.5	(19.4)	(21.9)
<u>Items Excluded from Control Total</u>			
Impairment	-	19.0	19.0
Depreciation on donated assets	0.3	0.1	(0.2)
Total Items Excluded from Control Total	0.3	19.1	18.8
Control Total Including PSF	2.8	(0.3)	(3.1)
Remove PSF income	(10.3)	(7.2)	3.1
Control Total Excluding PSF	(7.5)	(7.5)	0.0

- The unaudited, draft Income and Expenditure (I&E) position for 2018/19 is a deficit of £19.4m.

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- This position includes an impairment of £19m relating to the revaluation of assets which NHS Improvement (NHSI) does not include in assessments of control total delivery.
- On the basis for NHSI control total assessment (ie excluding the impairment), the Trust is reporting delivery in full of the £7.5m pre-PSF control total.
- The post-PSF deficit of £0.3m is £2.8m below the post-PSF control total.
- This post-PSF shortfall is the result of the loss of £3.1m PSF cash relating to performance against the Urgent Care Standard.

2. Efficiencies

The Trust has delivered the efficiencies summarised in Table 2 in the 2018/19 financial year.

Table 2 – Efficiencies delivered in 2018/19 (Draft)

Details	Recurrent £m	Non- Recurrent £m	Total £m
MEAV	2.5	1.1	3.6
Capital Goods Scheme	-	5.6	5.6
COS 14 IT VAT	-	0.7	0.7
Other Recovery Plans	1.5	10.4	11.9
Total Recovery Plans	4.0	17.8	21.8
BIP - contract income	3.8	-	3.8
BIP - expenditure	4.6	1.1	5.7
Total BIP Efficiencies	8.3	1.1	9.4
Total Efficiencies	12.3	18.9	31.2

- A total of £31.2m of efficiencies were reported in 2018/19, which is £5m higher than the £26m targeted by the annual financial plan.
- Additional efficiencies were required to offset run-rate deteriorations in clinical activity and income levels and increases in expenditure run rates.
- In total, £18.9m of non-recurrent measures were deployed, with £12.3m of recurrent income and expenditure efficiencies implemented.

3. Cash Balance

The Trust's cash balance at the end of March 2019 was £21.2m. This is £7.2m below the planned £28.4m balance. The shortfall is largely explained by the under-delivery of the BIP

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efficiency programme and consequent reliance on non-recurrent, non-cash releasing measures to meet the I&E control total. This shortfall has been partially offset by the curtailment to the 2018/19 capital programme agreed in December 2019.

Table 3 – Cash Balance at 31 March 2019 (Draft)

Details	Plan £m	Actual £m	Variance £m
Cash Balance at 31 March 2019	28.4	21.2	(7.2)

4. Recommendation

The Board is asked to note the draft year end results for 2018/19 but is also asked to note that this position is the draft unaudited position and is therefore not the confirmed final position.