

**Finance Report to the Board of Directors**  
**Period Ending 31.07.19**

<b>Presented for:</b>	Information
<b>Presented by:</b>	Matthew Horner, Director of Finance
<b>Author</b>	Chris Smith, Deputy Director of Finance
<b>Corporate objective:</b>	Delivery of the agreed financial plan
<b>Previously considered by:</b>	Not applicable

<b>Key points</b>	<b>For Decision, Discussion or Information</b>
1. The reported YTD deficit is £2m, which is £0.6m ahead of plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position is £0.3m is ahead of 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 £21.3m is behind plan.	Information
5. Capital Expenditure is £1.7m, which is £-0.7m behind plan.	Information

**The following papers make up this report:**

1. Finance Report to the Board of Directors

<b>Regulatory Relevance</b>	
NHSI	Financial Sustainability Risk Rating
CQC Registration	None
Equality Impact/Implications	None
Other	None

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# 1. Financial Scorecard & Overview (1) Jul-19

Key Financial Indicators As at 31.07.19	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
<b>Statement of Comprehensive Income (I &amp; E)</b>					
Operating Revenue	139.5	139.8	0.3	0%	
Operating Expenditure	-136.8	-136.7	0.1	0%	
<b>EBITDA</b>	<b>2.7</b>	<b>3.1</b>	<b>0.3</b>	-	
Non-Operating Items	-5.2	-5.0	0.2	4%	
<b>Net Surplus</b>	<b>-2.5</b>	<b>-2.0</b>	<b>0.6</b>	-	
Impairments / Donations	0.0	0.0	0.0	-	
<b>Post-PSF Surplus / (Deficit)</b>	<b>-2.5</b>	<b>-2.0</b>	<b>0.6</b>	-	
<b>Other Indicators</b>					
BIP Delivery	3.4	2.9	-0.5	-15%	R
Net Current Assets (NCA)	3.3	12.7	9.4	286%	
Capital Expenditure	2.4	1.7	-0.7	-29%	
<b>Monitor Financial Sustainability Risk Rating (FSRR)</b>	<b>Plan YTD</b>	<b>Actual YTD</b>	<b>Last Month</b>		<b>RAG</b>
<b>As at 31.07.19</b>					
Capital Servicing Capacity	4	4	4		
Liquidity	2	1	1		
I & E Margin	4	4	4		
Variance from plan (I & E Margin)	1	1	1		
Agency Spend	1	1	1		
<b>Combined UoR (after triggers)</b>	<b>3</b>	<b>3</b>	<b>3</b>		
<b>Commentary</b>					
<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 inline with Plan</p>					

## Commentary

### Statement of Comprehensive Income

The bottom line I & E position at the end of July is a £2.0m deficit which is £0.6m ahead of plan, reflecting year to date control total delivery and £0.5m bonus PSF received relating to 2018/19. The position excluding PSF/FRF is in line with the £5.2m deficit plan.

Operating revenue is £0.6m behind plan for clinical activities. Pay expenditure is £0.8m adverse to plan due to a combination of over spending on substantive staff and under spending on agency staff. Operating Non-pay items in total are underspent by £0.8m which comprises a drugs underspend of £0.3m and a £0.5m underspend on other supplies.

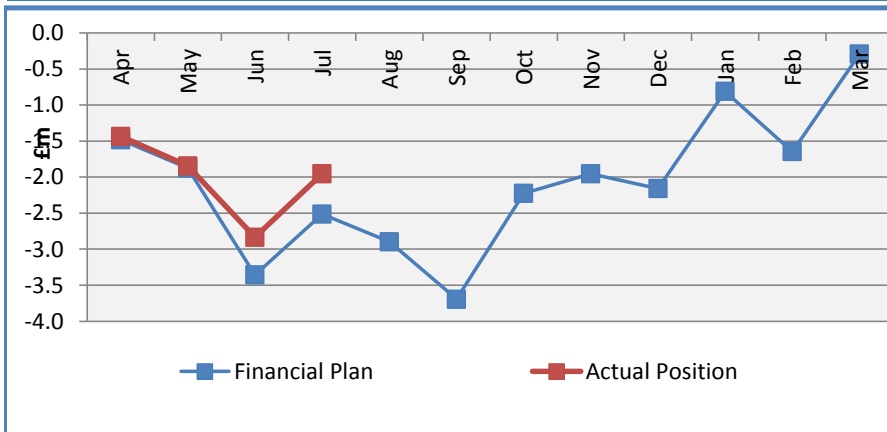
Agency Expenditure is £3.1m against an internal plan of £4.4m ytd.

BIP efficiency delivery year to date is £2.9m against a target of £3.4m.

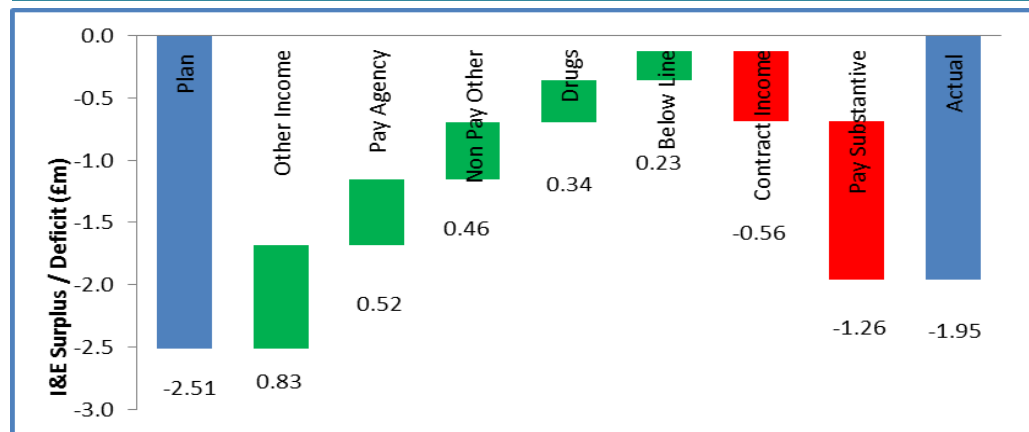
# 1. Financial Scorecard & Overview (2)

## Jul-19

Surplus Trend July 2019



Income & Expenditure Bridge July 2019



### Director of Finance Conclusions & Recommendations

The month 4 position is a pre-PSF deficit of £5.2m which is in line with the plan and control total.

100% of the PSF available for month 4 has been assumed in the position, equating to £3.2m. An additional bonus relating to 18/19 has been received in June of £0.5m. This therefore shows that the Trust is ahead of plan on PSF cash. This results in a post-PSF deficit of £2.0m which is ahead of plan by the £0.6m, however NHSI discount this bonus PSF from their assessment of control total delivery.

The CIP efficiency programme has underachieved against the £3.4m cumulative CIP target by £0.5m, delivering £2.9m of savings in 4 months. This position is then supplemented by £0.5m of non-recurrent underspends which have allowed the Trust to delivery its year to date control total. There remains a significant unaddressed savings gap which must be resolved if the control total is to be delivered. Current projections are that £8.7m of CIP savings will be delivered by year end, supported by £2.1m of non-recurrent underspends to give a total CIP contribution of £10.7m against the £16.2m target. This scenario would leave a £5.7m shortfall against the savings target for the year and would result in failure to deliver the control total.

The weekly CIP meetings introduced by the COO and DoF have resulted in improved projections from the CBUs, however the pace of progress remains inadequate to give assurance that the control total will be delivered. Equally, the required £3m system savings contribution from collaboration with local NHS partners has not yet been clearly identified.

The pre-PSF I&E forecasts currently range from a deficit of £19m as per the individual budget holders (£6.5m adverse variance), to a top down forecast which results in a £17.3m deficit (£4.8m adverse variance). In both scenarios, delivery of the Quarter 2 and Quarter 3 control totals is dependent on the timing of reserves expenditure, some of which is outside of the Trust's control.

The formal forecast shared with NHSI at Month 4 is full delivery of the £12.5m pre-PSF control total deficit and recovery of the full £12.5m PSF to achieve the breakeven post-PSF control total. Achieving this scenario will require a step change in the delivery of efficiencies and control of run rates and wider engagement across the Trust in the efficiency programme to improve the forecast by £4.8m - £6.5m.

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

Period Ending 31.07.19	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
<b>NHS Clinical Revenue</b>				
Elective Revenue	54.4	18.0	16.8	-1.2
Non Elective Revenue	107.9	37.5	37.3	-0.1
Outpatient Revenue	66.3	20.4	20.7	0.3
Other Activity Revenue	65.6	17.5	20.9	3.4
Community Services Revenue	12.6	4.2	4.2	-0.0
A&E Revenue	19.1	6.4	6.3	-0.1
CQUINS	4.0	4.1	1.3	-2.7
Cost per Case items	35.2	13.2	13.1	-0.1
Contract Penalties	0.0	0.0	0.0	0.0
<b>Sub-Total NHS Clinical Revenue</b>	<b>365.1</b>	<b>121.3</b>	<b>120.7</b>	<b>-0.6</b>
<b>Other Operating Revenue</b>				
Private Patients	1.4	0.5	0.2	-0.3
Education & Training	17.3	5.8	5.7	-0.1
Research & Development	11.5	3.8	3.5	-0.3
Provider Sustainability Fund	12.5	2.7	3.2	0.5
Other Income	17.3	5.5	6.4	0.9
<b>Sub-Total Other Operating Rev.</b>	<b>59.9</b>	<b>18.2</b>	<b>19.1</b>	<b>0.8</b>
<b>TOTAL OPERATING REVENUE</b>	<b>425.0</b>	<b>139.5</b>	<b>139.8</b>	<b>0.3</b>
<b>Operating Expenses</b>				
Employee Expenses - Permanent	-261.2	-86.8	-88.1	-1.3
Employee Expenses - Agency	-10.4	-3.7	-3.2	0.5
Drugs	-39.3	-13.1	-12.8	0.3
Clinical Supplies	-43.6	-14.9	-14.5	0.4
Non-Clinical Supplies	-54.8	-18.3	-18.2	0.1
<b>Sub-Total Operating Expenses</b>	<b>-409.3</b>	<b>-136.8</b>	<b>-136.7</b>	<b>0.1</b>
<b>EBITDA</b>	<b>15.7</b>	<b>2.7</b>	<b>3.1</b>	<b>0.3</b>
<b>Non-Operating Items</b>				
Depreciation	-10.0	-3.3	-3.5	-0.1
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.4	-0.2	-0.2	0.0
Interest Receivable	0.1	0.0	0.1	0.0
PDC Dividend	-5.3	-1.8	-1.4	0.3
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
<b>Sub-Total Non-Operating Items</b>	<b>-15.7</b>	<b>-5.2</b>	<b>-5.0</b>	<b>0.2</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>0.0</b>	<b>-2.5</b>	<b>-2.0</b>	<b>0.6</b>
Impairments / Donations	0.0	0.0	0.0	0.0
<b>Control Total Surplus / (Deficit)</b>	<b>0.0</b>	<b>-2.5</b>	<b>-2.0</b>	<b>0.6</b>

### Commentary

#### NHS Clinical Revenue

The contract income position at the end of July is £0.6m behind of plan. Elective Inpatient which includes Daycase £1.2m behind plan, Outpatient income is £0.3m ahead of plan. Cost per case items are £0.1m behind of plan. Non Elective is £0.1m behind of plan and A&E activity is £0.1m behind plan. The 2019/20 agreements with the local CCGs is reflected in the figures.

#### Other Operating Revenue

Other operating income is ahead of plan by £0.8m. PSF recovery is currently ahead of plan for AP4 due to the £0.5m bonus received in 19/20 relating to 18/19. However the total PSF will be reduced if we do not meet the financial targets.

#### Operating Expenses - Employee Expenses

The net pay position is overspent by £0.8m at the end of July

#### Operating Expenses - Drugs

The drugs budget is underspent at the end of July by £0.3m.

#### Operating Expenses - Clinical Supplies

This is slightly below plan by £0.4m at the end of July.

#### Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies expenditure is in line with plan at the end of July.

#### Non-Operating Expenses

Non-Operating expenses are currently in balance at the end of July.

Variance Key: Favourable / (Adverse)

## 5. CIP Delivery (Efficiency Programme)

Jul-19

### CBU Summary

Row Labels	YTD Target 19/20	YTD Actuals 19/20	YTD Target vs YTD Actuals	Target 19/20	Forecast 19/20	Target vs Forecast Variance	Forecast % Delivery
<b>Planned Care Group</b>							
1 - Access	53	21	-31	253	201	-51	80%
2 - Children's Services	199	107	-92	954	398	-556	42%
3 - Women's Services	263	10	-253	1,260	569	-691	45%
4 - Urinary Tract & Vascular	173	147	-26	831	357	-475	43%
5 - Musculo-skeletal, Plastics, Breast, Skin	248	129	-118	1,189	468	-721	39%
6 - Head & Neck	224	232	8	1,076	686	-390	64%
7 - Theatres, & day case	134	152	18	643	347	-296	54%
8 - Critical Care/Anaesthesia & Pain	166	47	-119	798	163	-635	20%
<b>Planned Care Group Total</b>	<b>1,461</b>	<b>846</b>	<b>-615</b>	<b>7,004</b>	<b>3,189</b>	<b>-3,815</b>	<b>38%</b>
<b>Unplanned Care Group</b>							
9 - Urgent & Emergency Care	153	275	121	736	507	-229	69%
11 - Elderly & Intermediate Care	188	148	-39	901	252	-649	28%
12 - Digestive Diseases & General Surgery	226	70	-157	1,086	219	-867	20%
13 - Specialist Medicine	142	187	45	679	466	-213	69%
14 - Radiology and Imaging	94	84	-10	450	239	-212	53%
15 - Haematology, Cancer & Palliative Care	171	128	-43	820	253	-567	31%
16 - Therapies	61	70	9	291	97	-194	33%
<b>Unplanned Care Group Total</b>	<b>1,035</b>	<b>962</b>	<b>-73</b>	<b>4,963</b>	<b>2,033</b>	<b>-2,930</b>	<b>30%</b>
<b>Pharmacy</b>	<b>45</b>	<b>3</b>	<b>-41</b>	<b>214</b>	<b>45</b>	<b>-169</b>	<b>21%</b>
<b>Estates &amp; Facilities</b>	<b>142</b>	<b>14</b>	<b>-128</b>	<b>680</b>	<b>87</b>	<b>-592</b>	<b>13%</b>
<b>Corporate Depts</b>	<b>256</b>	<b>162</b>	<b>-94</b>	<b>1,228</b>	<b>813</b>	<b>-415</b>	<b>66%</b>
<b>Trust Central Schemes</b>	<b>440</b>	<b>883</b>	<b>443</b>	<b>2,112</b>	<b>2,495</b>	<b>383</b>	<b>216%</b>
<b>Total Recognised Recurrent CIP</b>	<b>3,379</b>	<b>2,870</b>	<b>-509</b>	<b>16,202</b>	<b>8,662</b>	<b>-7,539</b>	<b>53%</b>
<b>Other underspends not confirmed as CIP by CBUs</b>	<b>0</b>	<b>509</b>	<b>509</b>	<b>0</b>	<b>2,068</b>	<b>2,068</b>	
<b>Total Efficiencies Delivered</b>	<b>3,379</b>	<b>3,379</b>	<b>0</b>	<b>16,202</b>	<b>10,731</b>	<b>-5,471</b>	<b>66%</b>

### Commentary

This table shows the year to date and full year forecast performance against CIP targets by department.

The annual plan requires £3.4m of efficiencies to be delivered by Month 4. This has been achieved and the Trust has delivered the year to date control total. However, CBU and corporate management teams have recorded only £2.8m of recurrent CIP savings to date. The balance of £0.5m has been delivered via non-recurrent savings both within CBUs and corporate departments and against planned reserves expenditure.

As at Month 4, a total of £10.7m of projected efficiency plans have been forecast by budget holders which is supplemented by an expected £2.1m of non-recurrent underspends. If this position remains unchanged, this would leave the Trust £5.5m short of its efficiency target for 2019/20 and would jeopardise delivery of the control total.

A number of outline opportunities from the planning stage remain available to the Trust and CBU management teams have been tasked with working through these opportunities to bridge the savings gap. To ensure visibility for the F&P Committee of the most up to date position, these savings will not be included in the CIP forecast until they have been signed off by the relevant budget holders.

The Bradford and Airedale NHS System continues to work on options to address the £3m system savings target included in the Trust's overall £16.2m target, however until further clarity on the scope and timing of these savings is available, the Trust cannot rely on them to bridge the CIP gap.

## 5. Statement of Financial Position, Cashflow and Liquidity Jul-19

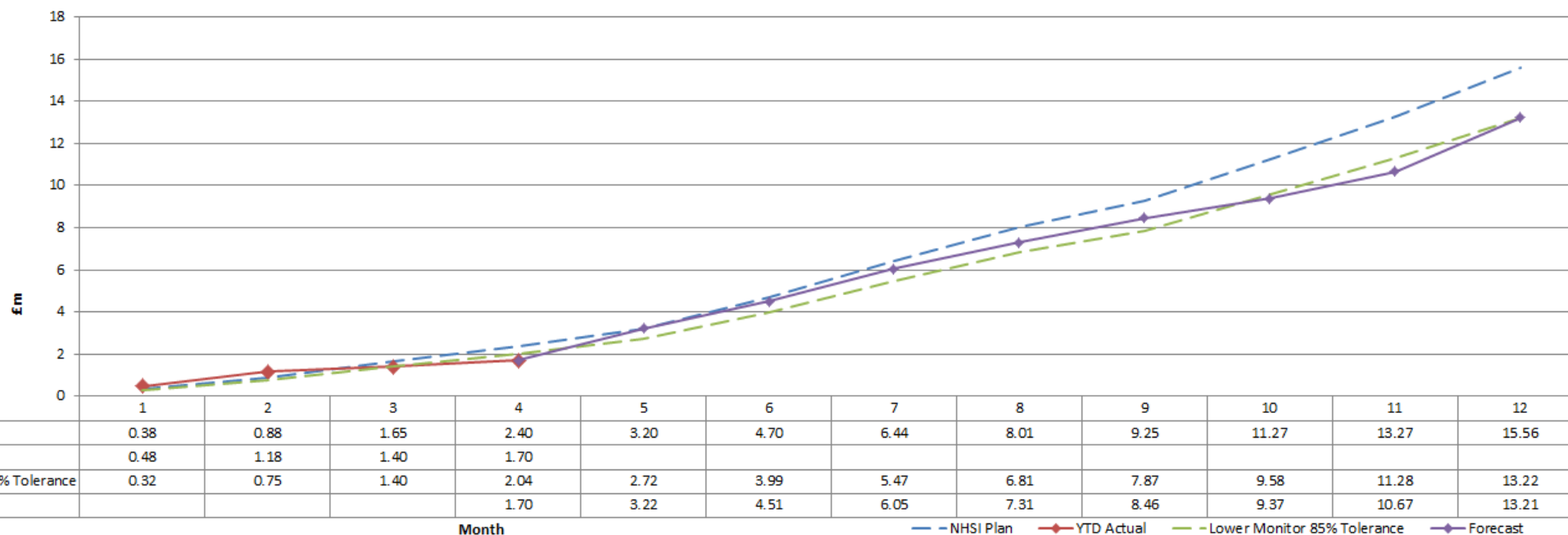
Summary Statement of Financial	Actual Performance					Planned Movement				
	Year to date Actual £m	In month movement		Year to date movement		Year to date		Year end forecast		
		Jun 19 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	12.023	12.025	(0.002)	11.776	0.247	11.529	0.494	12.605	13.137	0.532
Property, plant and equipment	162.280	162.843	(0.563)	164.315	(2.035)	163.429	(1.149)	168.885	166.060	(2.825)
Trade and other receivables	5.878	5.852	0.026	5.978	(0.100)	5.604	0.274	5.604	5.478	(0.126)
<b>Total Non-Current Assets</b>	<b>180.181</b>	<b>180.720</b>	<b>(0.539)</b>	<b>182.069</b>	<b>(1.888)</b>	<b>180.562</b>	<b>(0.381)</b>	<b>187.094</b>	<b>184.675</b>	<b>(2.419)</b>
Inventories	8.428	8.377	0.051	7.413	1.015	7.140	1.288	7.140	7.140	0.000
Cash	21.346	15.732	5.614	21.203	0.143	24.523	(3.177)	11.934	21.805	9.871
Trade and other receivables	29.740	36.269	(6.529)	27.017	2.723	20.252	9.488	24.675	23.069	(1.606)
<b>Total Current Assets</b>	<b>59.514</b>	<b>60.378</b>	<b>(0.864)</b>	<b>55.633</b>	<b>3.881</b>	<b>51.915</b>	<b>7.599</b>	<b>43.749</b>	<b>52.014</b>	<b>8.265</b>
Trade and other payables	(36.652)	(39.472)	2.820	(33.367)	(3.285)	(36.175)	(0.477)	(34.395)	(33.536)	0.859
Borrowings	(3.224)	(3.186)	(0.038)	(3.138)	(0.086)	(3.226)	0.002	(3.130)	(3.129)	0.001
Deferred Income	(6.569)	(6.152)	(0.417)	(4.952)	(1.617)	(8.679)	2.110	(8.679)	(6.569)	2.110
Provisions	(0.355)	(0.355)	0.000	(0.355)	0.000	(0.542)	0.187	(0.542)	(0.355)	0.187
<b>Total Current Payables</b>	<b>(46.800)</b>	<b>(49.165)</b>	<b>2.365</b>	<b>(41.812)</b>	<b>(4.988)</b>	<b>(48.622)</b>	<b>1.822</b>	<b>(46.746)</b>	<b>(43.589)</b>	<b>3.157</b>
<b>Total Net Current Assets</b>	<b>12.714</b>	<b>11.213</b>	<b>1.501</b>	<b>13.821</b>	<b>(1.107)</b>	<b>3.293</b>	<b>9.421</b>	<b>(2.997)</b>	<b>8.425</b>	<b>11.422</b>
Borrowings	(24.792)	(24.792)	0.000	(25.792)	1.000	(24.792)	0.000	(22.740)	(22.740)	0.000
Deferred Income	(1.779)	(1.698)	(0.081)	(1.819)	0.040	0.000	(1.779)	0.000	(1.779)	(1.779)
Provisions	(2.953)	(2.953)	0.000	(2.953)	0.000	(3.070)	0.117	(3.070)	(2.953)	0.117
<b>Total Non-Current Payables</b>	<b>(29.524)</b>	<b>(29.443)</b>	<b>(0.081)</b>	<b>(30.564)</b>	<b>1.040</b>	<b>(27.862)</b>	<b>(1.662)</b>	<b>(25.810)</b>	<b>(27.472)</b>	<b>(1.662)</b>
<b>Total Assets Employed</b>	<b>163.371</b>	<b>162.490</b>	<b>0.881</b>	<b>165.326</b>	<b>(1.955)</b>	<b>155.993</b>	<b>7.378</b>	<b>158.287</b>	<b>165.628</b>	<b>7.341</b>
Public Dividend Capital	122.581	122.581	0.000	122.581	0.000	122.591	(0.010)	122.663	122.663	0.000
Revaluation Reserve	48.310	48.310	0.000	48.310	0.000	35.869	12.441	35.869	48.310	12.441
Income and Expenditure Reserve	(7.520)	(8.401)	0.881	(5.565)	(1.955)	(2.467)	(5.053)	(0.245)	(5.345)	(5.100)
<b>Total Taxpayers Equity</b>	<b>163.371</b>	<b>162.490</b>	<b>0.881</b>	<b>165.326</b>	<b>(1.955)</b>	<b>155.993</b>	<b>7.378</b>	<b>158.287</b>	<b>165.628</b>	<b>7.341</b>

## 6. Capital Expenditure Jul-19

### Capital Expenditure Trends & Commentary

#### 9. Capital Programme (2)

2019/20 Capital Programme Actual v Plan



#### Commentary

Year to date capital expenditure is £1.70m which is £0.70m less than the year to date plan submitted to NHSI of £2.40m.

Following a national capital funding shortage NHSI requested all NHS bodies to review their capital requirements. To support this exercise the Trust has made a reduction of £2.3m which has been reflected in the full year forecast. This represents a reduction of 15% of the original plan.

## 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%	1.2x	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 &amp; E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-1.70%	4
Variance from Plan - I & E	<u>Var in I &amp; E Operating Surplus/(Deficit)</u> Total Operating Income	> 0%	(1) - 0%	(2) - (1)%	< (2)%	20%	0.00%	1
Agency Spend	<u>Agency spend - Agency Ceiling</u> Agency Ceiling	<0%	0%-25%	25%-50%	>50%	20%	-29.00%	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 being a 4.