

Board of Directors

Agenda Item: Bo.11.19.41

Finance Report to the Board of Directors Period Ending 30.09.19

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 £3m, which is £0.5m ahead of plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position is £0.2m is ahead of plan.	Information
3. Finance Risk Register – The main risks is	Information
a) Delivery of Budgetary Control Totals and BIP Targets.	Information
4. Cash position of £23.2m which is ahead of plan by £5m	Information
5. Capital Expenditure is £2.8m, which is £1.9m 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
 3. Care Groups & CBUs
 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)

Sep-19

Key Financial Indicators As at 30.09.19	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	210.1	209.3	-0.8	0%	
Operating Expenditure	-205.9	-204.9	1.0	0%	
EBITDA	4.2	4.4	0.2	-	
Non-Operating Items	-7.9	-7.5	0.4	4%	
Net Surplus	-3.6	-3.1	0.5	-	
Impairments / Donations	0.1	0.1	0.0	-	
Post-PSF Surplus / (Deficit)	-3.5	-3.0	0.5	-	
Other Indicators					
BIP Delivery	5.3	5.5	0.1	3%	G
Net Current Assets (NCA)	0.5	11.8	11.3	2251%	
Capital Expenditure	-1.1	4.7	5.8	-542%	
Monitor Financial Sustainability Risk Rating (FSRR)	Plan YTD	Actual YTD	Last Month		RAG
As at 30.09.19					
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		
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 6, the Trust has an overall rating of 3 which is inline with Plan.</p> <p>The aggregated risk score is actually 2, however the presence of a rating of 4 against any of the metrics triggers a minimum overall risk rating of 3.</p>					

Commentary

Statement of Comprehensive Income

The bottom line I & E position at the end of September is a £3.1m deficit which is £0.5m 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 plan.

Operating revenue is £1.6m behind plan for clinical activity contracts with non-Bradford commissioners. Activity against contracts with the Bradford CCGs is £1.8m below plan but the Fixed Income Contract arrangement means the Trust's income quantum was reduced at the planning stage and the Trust does not actually suffer this reduction in income in year.

At the time of reporting for Month 6 in early October, 5,646 Inpatient spells remained uncoded (57% of monthly total activity for September and 9% of the cumulative total). As a consequence, the income position presented includes an estimate for the month of September's activity and is therefore subject to potentially material changes once the coding is completed.

The income shortfall against clinical contracts is partially offset by £0.8m of surplus non-clinical revenue.

Pay expenditure is £0.5m in excess of plan due to a combination of over spending on bank and substantive staff, under spending on agency staff and budget holder decisions to use £1.1m of vacancy savings to offset CIP shortfalls.

Operating Non-pay items in total are underspent by £1.4m which comprises a drugs underspend of £0.3m and a £1.1m underspend on other items (reflecting slippage on planned reserves expenditure).

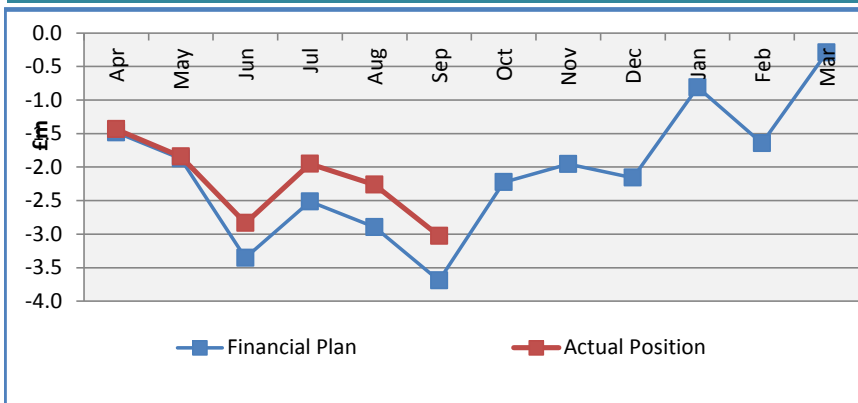
Agency Expenditure is £4.6m against a ytd ceiling of £6.5m.

CIP efficiency delivery year to date is £5.5m against a target of £5.3m, however a significant proportion of the CIP savings recorded relate to unplanned non-recurrent underspends on vacancies.

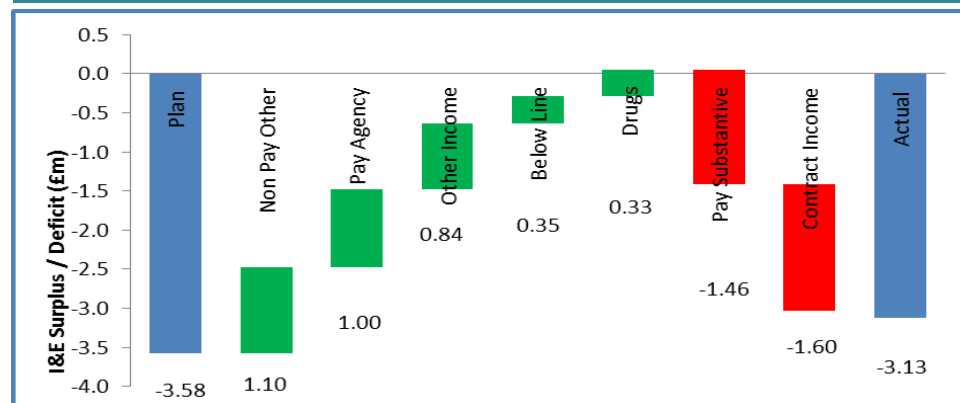
1. Financial Scorecard & Overview (2)

Sep-19

Surplus Trend September 2019



Income & Expenditure Bridge September 2019



Director of Finance Conclusions & Recommendations

The month 6 position is a pre-PSF deficit of £7.9m which is in line with the plan and control total.

100% of the PSF available for month 6 has been assumed in the position, equating to £4.9m. An additional £0.5m of bonus PSF relating to 18/19 was received in June. This therefore shows that the Trust is ahead of plan on PSF cash. This results in a post-PSF deficit of £3.1m which is ahead of plan by the £0.5m, however NHSI discount this bonus PSF from their assessment of control total delivery.

The CIP efficiency programme has been achieved against the £5.3m cumulative CIP target in the first 6 months of the financial year. There remains a significant forecast unaddressed savings gap which must be resolved if the control total is to be delivered. Current projections are that £10.8m of CIP savings will be delivered by year end against the £16.2m target. This scenario would leave a £5.4m 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 formal forecast shared with NHSI at Month 6 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 would 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 underlying forecast.

The internal worst case pre-PSF I&E forecast has been revised at Month 6 to a deficit of £19.5m (£7.0m adverse variance). The trajectory of this latest forecast suggests that the Quarter 3 and Quarter 4 control totals will not be achieved, resulting in a loss to the Trust of £8.1m PSF cash. The Care Groups have been tasked with developing detailed recovery plans for executive review and implementation in early November, however the risk to control total delivery in 2019/20 is now significant.

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

Period Ending 30.09.19	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
NHS Clinical Revenue				
Elective Revenue	54.4	27.0	24.9	-2.1
Non Elective Revenue	112.4	56.2	54.9	-1.3
Outpatient Revenue	61.8	30.6	30.4	-0.2
Other Activity Revenue	71.6	35.8	36.5	0.7
Community Services Revenue	12.7	6.3	6.3	-0.0
A&E Revenue	19.1	9.5	9.4	-0.1
CQUINS	4.1	2.0	2.1	0.1
Cost per Case items	39.9	19.8	19.4	-0.4
Contract Penalties	0.0	0.0	-0.0	-0.0
Fixed Income Contract Adjustment	-10.8	-5.4	-3.6	1.8
Sub-Total NHS Clinical Revenue	365.1	181.9	180.3	-1.6

Other Operating Revenue				
Private Patients	1.4	0.7	0.3	-0.4
Education & Training	17.3	8.7	8.6	-0.0
Research & Development	11.5	5.7	5.1	-0.6
Provider Sustainability Fund	12.5	4.4	4.9	0.5
Other Income	17.7	8.7	10.1	1.4
Sub-Total Other Operating Rev.	60.3	28.2	29.0	0.8
TOTAL OPERATING REVENUE	425.4	210.1	209.3	-0.8

Operating Expenses				
Employee Expenses - Permanent	-260.8	-130.4	-131.8	-1.5
Employee Expenses - Agency	-10.6	-5.6	-4.6	1.0
Drugs	-39.3	-19.7	-19.4	0.3
Clinical Supplies	-43.2	-21.6	-21.5	0.1
Non-Clinical Supplies	-55.9	-28.6	-27.6	1.0
Sub-Total Operating Expenses	-409.9	-205.9	-204.9	1.0

EBITDA	15.5	4.2	4.4	0.2
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Non-Operating Items				
Depreciation	-10.2	-5.0	-5.2	-0.2
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.4	-0.2	-0.2	0.0
Interest Receivable	0.1	0.1	0.1	0.1
PDC Dividend	-5.3	-2.7	-2.2	0.5
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
Unwinding of Discounts on Provision	0.0	0.0	0.0	0.0
Sub-Total Non-Operating Items	-15.8	-7.9	-7.5	0.4
NET SURPLUS/(DEFICIT)	-0.3	-3.6	-3.1	0.5
Impairments / Donations	0.3	0.1	0.1	0.0
Control Total Surplus / (Deficit)	-0.0	-3.5	-3.0	0.5

Commentary
<p>NHS Clinical Revenue</p> <p>The contract income position at the end of September is £1.6m below plan. This reflects a £1.6m shortfall against contracts with CCGs outside of Bradford and NHS England and a zero variance against the Fixed Income Contract with the Bradford CCGs.</p> <p>On a traditional PbR basis, the Trust has delivered £1.8m less activity than contracted with the Bradford & Airedale CCGs. In total, the Trust has therefore delivered £3.4m less activity than planned across all contracts.</p> <p>However, the Fixed Income Contract with the host CCGs means the Trust does not suffer the £1.8m income loss from the Bradford & Airedale undertrade (as the income quantum was reduced at the planning stage), resulting in the reported overall £1.6m adverse variance which relates entirely to the non-Bradford commissioners.</p> <p>Activity and income is low across the majority of points of delivery.</p> <p>Elective activity (which includes Daycases) is £2.1m below plan and Outpatient income is £0.2m below plan. Cost per case items are £0.4m below plan. Non Elective activity is £1.3m below plan and A&E activity is £0.1m below plan.</p> <p>Other Activity is £0.7m above plan, notably within diagnostic imaging for outpatient services (£0.4m above plan).</p> <p>Other Operating Revenue</p> <p>Other operating income is ahead of plan by £0.8m. PSF recovery is currently ahead of plan for AP6 due to the £0.5m bonus received in 19/20 relating to 18/19. However if the Trust does not meet the financial targets in future months the total PSF available will be reduced.</p> <p>Operating Expenses - Employee Expenses</p> <p>The net pay position is overspent by £0.5m at the end of September. This chiefly reflects budget holders' decisions to transfer of £1.1m of YTD pay budgets relating to vacant posts to offset CIP targets non-recurrently.</p> <p>Operating Expenses - Drugs</p> <p>The drugs budget is underspent at the end of September by £0.3m. This broadly mirrors the contract income shortfall on cost per case income.</p> <p>Operating Expenses - Clinical Supplies</p> <p>Clinical supplies budgets are overspent by £0.1m at the end of September.</p> <p>Operating Expenses - Non-Clinical Supplies</p> <p>Non-Clinical supplies budgets are underspent by £1.0m at the end of September. This position includes slippage on planned reserves expenditure.</p> <p>Non-Operating Expenses</p> <p>Non-Operating expenses are currently ahead of plan by £0.4m at the end of September.</p> <p>Variance Key: Favourable / (Adverse)</p>

5. CIP Delivery (Efficiency Programme)

Sep-19

CBU Summary

Department	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
Planned Care Group							
1 - Access	83	35	-48	253	201	-51	80%
2 - Children's Services	314	399	84	954	638	-316	67%
3 - Women's Services	415	286	-129	1,260	569	-691	45%
4 - Urinary Tract & Vascular	274	325	51	831	607	-225	73%
5 - Musculo-skeletal, Plastics, Breast, Skin	392	208	-184	1,189	468	-721	39%
6 - Head & Neck	354	347	-7	1,076	705	-370	66%
7 - Theatres, & day case	212	203	-9	643	361	-282	56%
8 - Critical Care/Anaesthesia & Pain	263	176	-87	798	363	-435	45%
Planned Care Group Total	2,308	1,978	-330	7,004	3,912	-3,092	56%
Unplanned Care Group							
9 - Urgent & Emergency Care	243	408	166	736	608	-128	83%
11 - Elderly & Intermediate Care	297	338	41	901	850	-51	94%
12 - Digestive Diseases & General Surgery	358	230	-128	1,086	438	-648	40%
13 - Specialist Medicine	224	238	15	679	482	-197	71%
14 - Radiology and Imaging	148	172	24	450	358	-92	80%
15 - Haematology, Cancer & Palliative Care	270	376	106	820	511	-309	62%
16 - Therapies	96	132	36	291	278	-14	95%
Unplanned Care Group Total	1,636	1,895	260	4,963	3,525	-1,438	71%
Pharmacy	71	14	-57	214	45	-169	21%
Estates & Facilities	224	48	-176	680	80	-600	12%
Corporate Depts	405	283	-121	1,228	773	-455	63%
Trust Central Schemes	696	1,254	558	2,112	2,495	383	118%
Total Efficiencies Identified	5,339	5,473	134	16,202	10,831	-5,371	67%

Commentary

The table above shows the year to date and full year forecast performance against CIP targets by CBU.

The annual plan requires £5.3m of efficiencies to be delivered by Month 6. This has been achieved and the Trust has delivered the year to date control total. However, the CBUs and corporate departments have recorded only £3.4m of recurrent CIP savings to date. The balance of £2.0m has been delivered via non-recurrent savings both within CBUs and corporate departments and against planned reserves expenditure.

As at Month 6, a total of £10.8m of projected efficiency savings have been forecast by budget holders by year end. If this position remains unchanged, this would leave the Trust £5.4m 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, CBU management teams have been tasked with working through these opportunities and conduct further deep-dives to bridge the savings gap. Each CBU is required to present a recovery plan for 2019/20 for executive review in early November.

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. The projected underperformance of the systems savings plans is highlighted in Annex 5.

Despite these potential mitigations, as at Month 6 there is an increasing risk that the Trust will fail to deliver its control total in 2019/20 due to CIP under-delivery.

5. Statement of Financial Position, Cashflow and Liquidity

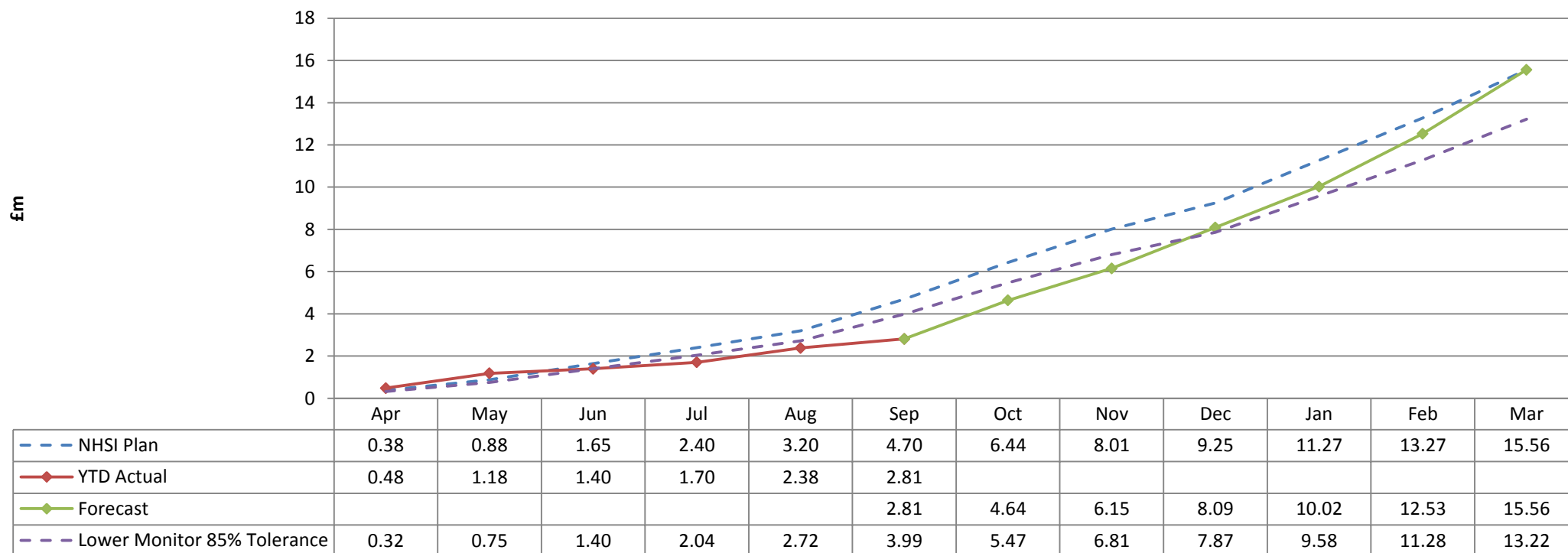
Sep-19

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		
		Aug 19 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	11.811	11.970	(0.159)	11.776	0.035	12.585	(0.774)	12.605	13.137	0.532
Property, plant and equipment	161.855	162.138	(0.283)	164.315	(2.460)	163.533	(1.678)	168.885	168.116	(0.769)
Trade and other receivables	5.676	5.591	0.085	5.978	(0.302)	5.604	0.072	5.604	5.521	(0.083)
Total Non-Current Assets	179.342	179.699	(0.357)	182.069	(2.727)	181.722	(2.380)	187.094	186.774	(0.320)
Inventories	7.934	8.207	(0.273)	7.413	0.521	7.140	0.794	7.140	7.413	0.273
Cash	23.220	23.936	(0.716)	21.203	2.017	18.203	5.017	11.934	18.357	6.423
Trade and other receivables	23.276	25.245	(1.969)	27.017	(3.741)	21.475	1.801	24.675	23.069	(1.606)
Total Current Assets	54.430	57.388	(2.958)	55.633	(1.203)	46.818	7.612	43.749	48.839	5.090
Trade and other payables	(33.089)	(35.311)	2.222	(33.367)	0.278	(33.962)	0.873	(34.395)	(33.016)	1.379
Borrowings	(3.134)	(3.097)	(0.037)	(3.138)	0.004	(3.135)	0.001	(3.130)	(3.129)	0.001
Deferred Income	(6.095)	(6.461)	0.366	(4.952)	(1.143)	(8.679)	2.584	(8.679)	(6.095)	2.584
Provisions	(0.355)	(0.355)	0.000	(0.355)	0.000	(0.542)	0.187	(0.542)	(0.355)	0.187
Total Current Payables	(42.673)	(45.224)	2.551	(41.812)	(0.861)	(46.318)	3.645	(46.746)	(42.595)	4.151
Total Net Current Assets	11.757	12.164	(0.407)	13.821	(2.064)	0.500	11.257	(2.997)	6.244	9.241
Borrowings	(24.266)	(24.266)	0.000	(25.792)	1.526	(24.266)	0.000	(22.740)	(22.740)	0.000
Deferred Income	(1.683)	(1.683)	0.000	(1.819)	0.136	0.000	(1.683)	0.000	(1.683)	(1.683)
Provisions	(2.953)	(2.953)	0.000	(2.953)	0.000	(3.070)	0.117	(3.070)	(2.953)	0.117
Total Non-Current Payables	(28.902)	(28.902)	0.000	(30.564)	1.662	(27.336)	(1.566)	(25.810)	(27.376)	(1.566)
Total Assets Employed	162.197	162.961	(0.764)	165.326	(3.129)	154.886	7.311	158.287	165.642	7.355
Public Dividend Capital	122.581	122.581	0.000	122.581	0.000	122.663	(0.082)	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	(8.694)	(7.930)	(0.764)	(5.565)	(3.129)	(3.646)	(5.048)	(0.245)	(5.331)	(5.086)
Total Taxpayers Equity	162.197	162.961	(0.764)	165.326	(3.129)	154.886	7.311	158.287	165.642	7.355

6. Capital Expenditure Sep-19

Capital Expenditure Trends & Commentary

2019/20 Capital Programme Actual vs Plan



Commentary

Year to date capital expenditure is £2.81m which is £1.89m less than the year to date plan submitted to NHSI of £4.70m.

In July 2019, following a national capital funding shortage, NHSI requested all NHS bodies to review their capital requirements for the 2019/20 financial year. To support this exercise, the Trust reduced the value of its capital programme in 2019/20 from £15.556m to £13.210m, a reduction of £2.346m or approximately 15%. The reduction of £2.346m was deferred into the Trusts 2020/21 capital programme.

In a subsequent letter, received in August 2019, NHSI advised the Trust that the £2.346m may be reinstated into the 2019/20 capital programme.

Following approval from the Trusts Senior Leadership Team, identified capital pressures of £2.346m have now been funded from the reinstated £2.346m in the 2019/20 capital programme.

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%	3.4 days	1
I & E Margin	<u>I & 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 & 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 **3**

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 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			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. 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. At month 6, 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.
Regulatory Implications of Overall Rating			
Overall Rating	Description		
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	