

Board of Directors

Agenda Item: Bo.1.20.32

Finance Report to the Board of Directors Period Ending 30.11.19

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 £1.3m, which is £0.5m ahead of plan and generates a Use of Resources Risk Rating of 2 .	Information
2. The EBITDA position is £0m is ahead of plan.	Information
3. Finance Risk Register – The main risk is	Information
a) Delivery of Budgetary Control Totals and BIP Targets.	Information
	Information
4. Cash position of £23.6m which is ahead of plan by £4.8m	Information
	Information
5. Capital Expenditure is £4.5m, which is £3.5m 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)

Nov-19

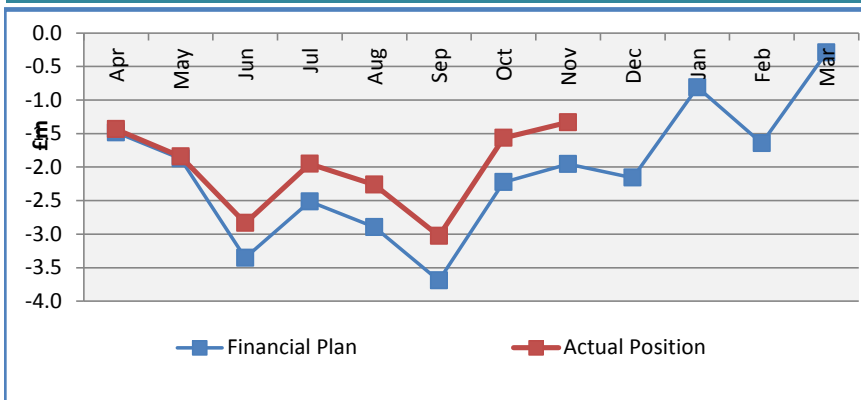
Key Financial Indicators As at 30.11.19	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
Statement of Comprehensive Income (I & E)					
Operating Revenue	282.6	282.2	-0.4	0%	
Operating Expenditure	-274.1	-273.6	0.4	0%	
EBITDA	8.5	8.6	0.0	-	
Non-Operating Items	-10.5	-10.0	0.5	5%	
Net Surplus	-1.9	-1.4	0.5	-	
Impairments / Donations	0.1	0.1	0.0	-	
Post-PSF Surplus / (Deficit)	-1.8	-1.3	0.5	-	
Other Indicators					
BIP Delivery	8.5	8.1	-0.4	-4%	
Net Current Assets (NCA)	-0.3	10.7	11.0		
Capital Expenditure	8.0	4.5	-3.5	-44%	
Monitor Financial Sustainability Risk Rating (FSRR)					
	Plan YTD	Actual YTD	Last Month		RAG
As at 30.11.19					
Capital Servicing Capacity	4	3	3		
Liquidity	2	1	1		
I & E Margin	4	3	3		
Variance from plan (I & E Margin)	1	1	1		
Agency Spend	1	1	1		
Combined UoR (after triggers)	3	2	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 2 which is better than plan.</p>					

Commentary	
Statement of Comprehensive Income	
<p>The bottom line I & E position at the end of November is a £1.3m 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.</p>	
<p>Operating revenue is £1.6m behind plan for clinical activity contracts with non-Bradford commissioners. Income from the Bradford CCGs is in line with plan due to the fixed income contractual arrangement.</p>	
<p>The income shortfall against clinical contracts is partially offset by £1.2m of surplus non-clinical revenue.</p>	
<p>Pay expenditure is £1.5m in excess of plan plan due to a combination of over spending on bank and substantive staff and offset in part by under spending on agency staff.</p>	
<p>Operating Non-pay items in total are underspent by £1.9m with all of the underspend on non-clinical supplies (reflecting slippage on planned reserves expenditure). Drugs are in line with plan.</p>	
<p>Agency Expenditure is £6.0m against a ytd ceiling of £8.3m.</p>	
<p>CIP efficiency delivery year to date is £8.1m against a target of £8.5m, however a significant proportion of the CIP savings recorded relate to unplanned non-recurrent underspends on vacancies.</p>	

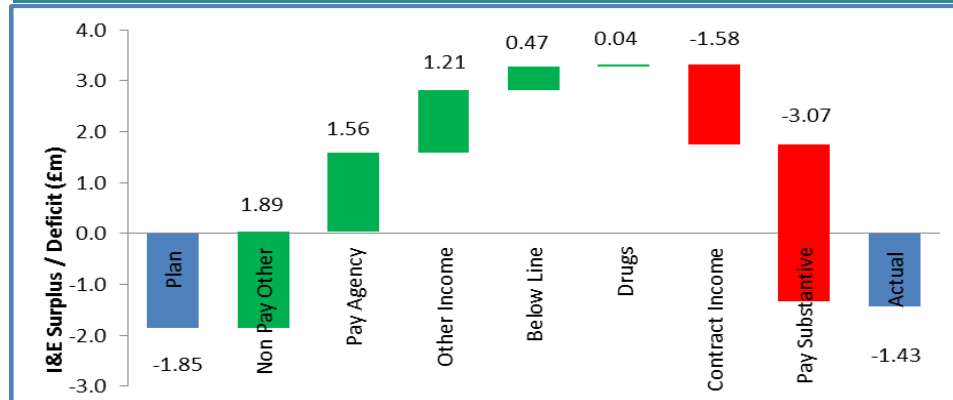
1. Financial Scorecard & Overview (2)

Nov-19

Surplus / Deficit Trend November 2019



Income & Expenditure Bridge November 2019



Director of Finance Conclusions & Recommendations

The Month 8 position is a pre-PSF deficit of £8.7m which is in line with the plan and control total.

100% of the PSF available in the 8 months to the end of November has been assumed in the position, equating to £7.4m. 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 £1.3m which is ahead of plan by the £0.4m, however NHSI discount this bonus PSF from their assessment of control total delivery.

The CIP efficiency programme has not been fully delivered against the £8.5m cumulative CIP target in the 8 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 £12.3m of CIP savings will be delivered by year end against the £16.2m target. This scenario would leave a £3.9m 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 best case forecast shared with NHSI at Month 8 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 mid case pre-PSF I&E forecast based on Month 8 (excluding the impact of the Wholly Owned Subsidiary) is a deficit of £15m (£2.5m adverse variance). The trajectory of this latest forecast suggests that the Quarter 3 control total will be secured with the Quarter 4 control total not being achieved, resulting in a loss to the Trust of £4.4m PSF cash. The Care Groups have developed detailed recovery plans for executive review and implementation, however the risk to control total delivery in 2019/20 remains significant.

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

Period Ending 30.11.19	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
NHS Clinical Revenue				
Elective Revenue	54.4	36.4	32.9	-3.5
Non Elective Revenue	112.4	74.9	73.7	-1.3
Outpatient Revenue	61.8	41.3	41.2	-0.1
Other Activity Revenue	71.6	47.8	48.6	0.8
Community Services Revenue	12.7	8.4	8.4	0.0
A&E Revenue	19.1	12.7	12.7	-0.1
CQUINS	4.1	2.7	2.7	-0.0
Cost per Case items	39.9	26.7	26.6	-0.1
Contract Penalties	0.0	0.0	-0.0	-0.0
Fixed Income Contract Adjustment	-10.8	-7.2	-4.5	2.7
Sub-Total NHS Clinical Revenue	365.1	243.8	242.2	-1.6
Other Operating Revenue				
Private Patients	1.4	0.9	0.4	-0.5
Education & Training	17.3	11.5	11.6	0.1
Research & Development	11.5	7.7	7.6	-0.1
Provider Sustainability Fund	12.5	6.9	7.4	0.5
Other Income	17.9	11.8	12.9	1.1
Sub-Total Other Operating Rev.	60.6	38.8	40.0	1.2
TOTAL OPERATING REVENUE	425.7	282.6	282.2	-0.4
Operating Expenses				
Employee Expenses - Permanent	-260.4	-173.3	-176.4	-3.1
Employee Expenses - Agency	-10.9	-7.6	-6.0	1.6
Drugs	-39.4	-26.3	-26.3	0.0
Clinical Supplies	-42.9	-28.6	-28.8	-0.2
Non-Clinical Supplies	-56.6	-38.2	-36.1	2.1
Sub-Total Operating Expenses	-410.2	-274.1	-273.6	0.4
EBITDA	15.5	8.5	8.6	0.0
Non-Operating Items				
Depreciation	-10.2	-6.7	-7.0	-0.3
Impairment	0.0	0.0	0.0	0.0
Interest Payable	-0.4	-0.3	-0.3	0.0
Interest Receivable	0.1	0.1	0.2	0.1
PDC Dividend	-5.3	-3.6	-2.9	0.7
Profit / Loss on Asset Disposal	0.0	0.0	0.0	0.0
Unwinding of Discounts on Provisions	0.0	0.0	0.0	0.0
Sub-Total Non-Operating Items	-15.8	-10.5	-10.0	0.5
NET SURPLUS/(DEFICIT)	-0.3	-1.9	-1.4	0.4
Impairments / Donations	0.3	0.1	0.1	0.0
Control Total Surplus / (Deficit)	-0.0	-1.7	-1.3	0.4

Commentary

NHS Clinical Revenue

The contract income position at the end of November is £1.6m below plan. This reflects a £1.6m under-trade against commissioners outside of Bradford CCGs. There is no variance against the Bradford CCGs' fixed income contract.

Activity and income is low across the majority of points of delivery.

Elective activity (which includes Daycases) is £3.5m below plan and Outpatient income is £0.1m below plan. Cost per case items are £0.1m below plan. Non Elective activity is £1.3m below plan and A&E activity is £0.1m below plan.

Other Activity is £0.8m above plan due mainly to being ahead of plan on Diagnostic Imaging and Neonatal Critical Care.

These activity and income shortfalls are partially mitigated by the fixed income contractual arrangement with the local CCGs, however the £1.6m undertrade against other contracts remains problematic for delivery of the control total.

Other Operating Revenue

Other operating income is ahead of plan by £1.2m. PSF recovery is currently ahead of plan for AP8 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.

Operating Expenses - Employee Expenses

The net pay position is overspent by £1.5m at the end of November.

Operating Expenses - Drugs

The drugs budget is in line with spend at the end of November.

Operating Expenses - Clinical Supplies

Clinical supplies budgets are overspent by £0.2m at the end of November.

Operating Expenses - Non-Clinical Supplies

Non-Clinical supplies budgets are underspent by £2.1m at the end of November. This position includes slippage on planned reserves expenditure.

Non-Operating Expenses

Non-Operating expenses are currently ahead of plan by £0.5m at the end of November.

Variance Key: Favourable / (Adverse)

5. CIP Delivery (Efficiency Programme)

Nov-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	132	100	-32	253	202	-51	80%
2 - Children's Services	498	442	-56	954	683	-271	72%
3 - Women's Services	658	433	-225	1,260	644	-616	51%
4 - Urinary Tract & Vascular	434	494	59	831	845	14	102%
5 - Musculo-skeletal, Plastics, Breast, Skin	621	451	-169	1,189	626	-563	53%
6 - Head & Neck	562	566	4	1,076	933	-143	87%
7 - Theatres, & day case	336	436	100	643	570	-73	89%
8 - Critical Care/Anaesthesia & Pain	417	273	-144	798	420	-378	53%
Planned Care Group Total	3,657	3,195	-462	7,004	4,923	-2,081	70%
Unplanned Care Group							
9 - Urgent & Emergency Care	384	494	110	736	608	-128	83%
11 - Elderly & Intermediate Care	470	636	166	901	899	-2	100%
12 - Digestive Diseases & General Surgery	567	322	-245	1,086	558	-528	51%
13 - Specialist Medicine	354	342	-12	679	494	-185	73%
14 - Radiology and Imaging	235	294	59	450	452	1	100%
15 - Haematology, Cancer & Palliative Care	428	588	160	820	724	-96	88%
16 - Therapies	152	195	43	291	279	-12	96%
Unplanned Care Group Total	2,592	2,872	280	4,963	4,014	-950	81%
Pharmacy	112	11	-101	214	32	-182	15%
Estates & Facilities	355	48	-307	680	71	-609	10%
Corporate Depts	641	459	-182	1,228	780	-448	64%
Trust Central	1,103	1,501	398	2,112	2,495	383	118%
Total Efficiencies Identified	8,460	8,085	-374	16,202	12,315	-3,887	76%

Commentary

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

The annual plan requires £8.5m of efficiencies to be delivered by Month 8. This has not been achieved however the Trust has delivered the year to date control total using other measures. The CBUs and corporate departments have recorded only £4.9m of recurrent CIP savings to date. The balance of £3.2m has been delivered via non-recurrent savings both within CBUs and corporate departments and against planned reserves expenditure.

As at Month 8, a total of £12.3m of projected efficiency savings have been forecast by budget holders by year end. If this position remains unchanged, this would leave the Trust £3.9m 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 presented a recovery plan for 2019/20 for executive review in November and the Care Groups are overseeing delivery of these plans.

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.

Despite these potential mitigations, as with previous months, 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

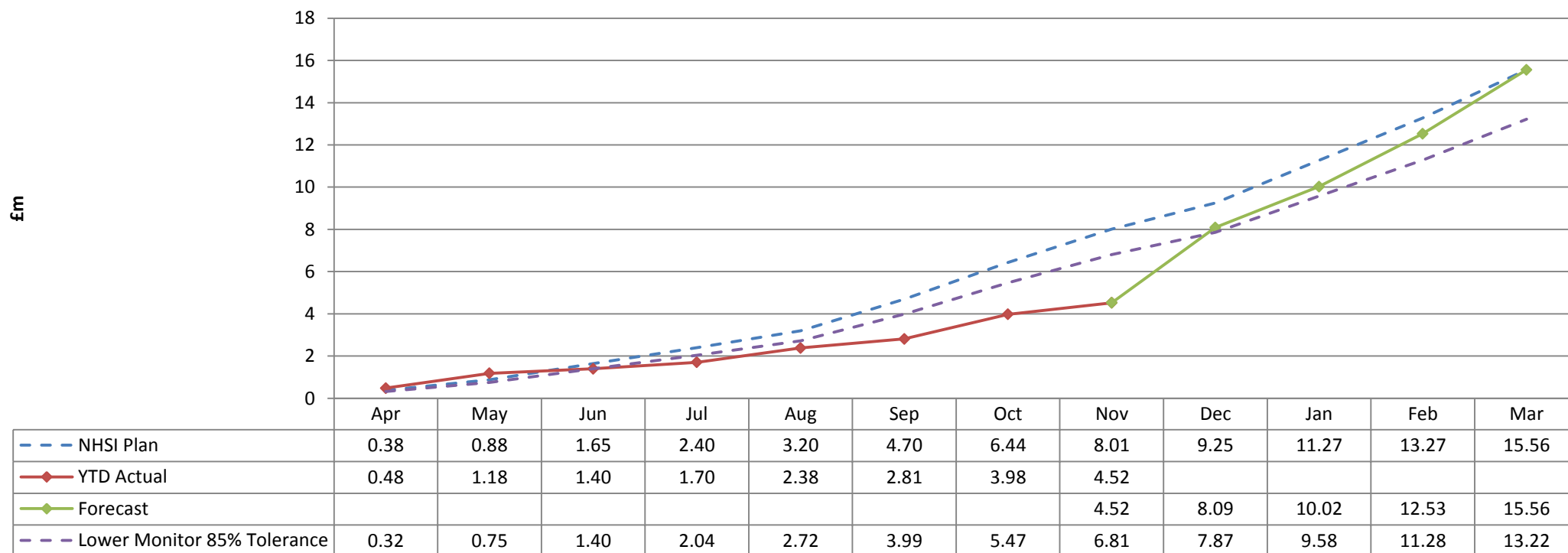
Nov-19

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		
		Oct 19 £m	Variance £m	Mar 19 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	11.997	11.900	0.097	11.776	0.221	12.588	(0.591)	12.605	13.137	0.532
Property, plant and equipment	161.631	162.057	(0.426)	164.315	(2.684)	165.022	(3.391)	168.885	168.116	(0.769)
Trade and other receivables	7.394	5.704	1.690	5.978	1.416	5.604	1.790	5.604	7.260	1.656
Total Non-Current Assets	181.022	179.661	1.361	182.069	(1.047)	183.214	(2.192)	187.094	188.513	1.419
Inventories	8.361	8.371	(0.010)	7.413	0.948	7.140	1.221	7.140	7.413	0.273
Cash	23.577	22.515	1.062	21.203	2.374	18.783	4.794	11.934	18.235	6.301
Trade and other receivables	23.343	27.165	(3.822)	27.017	(3.674)	21.029	2.314	24.675	22.955	(1.720)
Total Current Assets	55.281	58.051	(2.770)	55.633	(0.352)	46.952	8.329	43.749	48.603	4.854
Trade and other payables	(33.410)	(33.619)	0.209	(33.367)	(0.043)	(34.836)	1.426	(34.395)	(33.016)	1.379
Borrowings	(3.146)	(3.172)	0.026	(3.138)	(0.008)	(3.148)	0.002	(3.130)	(3.129)	0.001
Deferred Income	(7.670)	(8.024)	0.354	(4.952)	(2.718)	(8.679)	1.009	(8.679)	(7.670)	1.009
Provisions	(0.355)	(0.355)	0.000	(0.355)	0.000	(0.542)	0.187	(0.542)	(0.355)	0.187
Total Current Payables	(44.581)	(45.170)	0.589	(41.812)	(2.769)	(47.205)	2.624	(46.746)	(44.170)	2.576
Total Net Current Assets	10.700	12.881	(2.181)	13.821	(3.121)	(0.253)	10.953	(2.997)	4.433	7.430
Borrowings	(23.266)	(24.266)	1.000	(25.792)	2.526	(23.266)	0.000	(22.740)	(22.740)	0.000
Deferred Income	(1.611)	(1.664)	0.053	(1.819)	0.208	0.000	(1.611)	0.000	(1.611)	(1.611)
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	(27.830)	(28.883)	1.053	(30.564)	2.734	(26.336)	(1.494)	(25.810)	(27.304)	(1.494)
Total Assets Employed	163.892	163.659	0.233	165.326	(1.434)	156.625	7.267	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	(6.999)	(7.232)	0.233	(5.565)	(1.434)	(1.907)	(5.092)	(0.245)	(5.331)	(5.086)
Total Taxpayers Equity	163.892	163.659	0.233	165.326	(1.434)	156.625	7.267	158.287	165.642	7.355

6. Capital Expenditure Nov-19

Capital Expenditure Trends & Commentary

2019/20 Capital Programme Actual vs Plan



Commentary

Year to date capital expenditure is £4.5m which is £3.5m less than the year to date plan submitted to NHSI of £8.0m.

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 £15.6m to £13.2m, a reduction of £2.4m or approximately 15%. The reduction of £2.4m was deferred into the Trusts 2020/21 capital programme.

In a subsequent letter, received in August 2019, NHSI advised the Trust that the £2.4m may be reinstated into the 2019/20 capital programme.

Following approval from the Trust's Senior Leadership Team, identified capital pressures of £2.4m have now been funded from the reinstated £2.4m 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)	$\frac{\text{Revenue available for capital service } 1}{\text{Annual Operating Expenses } 2}$	>2.5x	1.75 - 2.5x	1.25 - 1.75x	<1.25x	20%	1.5x	3
Liquidity (days)	$\frac{\text{Working Capital Balance } 3 \times 360}{\text{Annual Debt Service } 4}$	>0	(7) - 0	(14) - (7)	<(14)	20%	2.1 days	1
I & E Margin	$\frac{\text{I \& E Operating Surplus/(Deficit)}}{\text{Total Operating Income}}$	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-0.60%	3
Variance from Plan - I & E	$\frac{\text{Var in I \& E Operating Surplus/(Deficit)}}{\text{Total Operating Income}}$	> 0%	(1) - 0%	(2) - (1)%	< (2)%	20%	0.00%	1
Agency Spend	$\frac{\text{Agency spend - Agency Ceiling}}{\text{Agency Ceiling}}$	<0%	0%-25%	25%-50%	>50%	20%	-28.00%	1

Finance and Use of Resource Metric Ratings before overrides (Weighted average rounded to the nearest whole number)	2
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Trigger for individual metric scores of 4	No Trigger
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Overall Finance and Use of Resource Risk Rating	2
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Finance and Use of Resources Metrics Explained			Commentary
<p>* scoring '4' on any metric gives a minimum UoR rating of 3, leading to potential investigation or enhanced monitoring</p> <p>1 Surplus/(Deficit) for the fin.year (pre-div)+dep'n+annual interest+re-structuring costs+other exceptionals</p> <p>2 All interest + principal payable on borrowings + annual PDC dividend payable</p> <p>3 Current Assets less Inventories - Current Liabilities + wholly committed lines of credit</p> <p>4 Operating Expenditure excluding depreciation</p> <p>Regulatory Implications of Overall Rating</p>			<p>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.</p> <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 2 due to the I & E margin now being 3 and the Capital Servicing Capacity being a 3.</p>
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	