

# Board of Directors

## Agenda Item: Bo.3.20.27

### Finance Report to the Board of Directors Period Ending 31.01.20

<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

Key points	For Decision, Discussion or Information
1. The reported YTD deficit is £5.9m, which is £-5.3m behind plan and generates a Use of Resources Risk Rating of 3 .	Information
2. The EBITDA position is £-5.9m is behind 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 £25.1m which is ahead of plan by £7.8m	Information
	Information
5. Capital Expenditure is £6.2m, which is £5.2m 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)

## Jan-20

Key Financial Indicators As at 31.01.20	YTD Plan £m	YTD Actual £m	YTD Var £m	YTD Var %	RAG
<b>Statement of Comprehensive Income (I &amp; E)</b>					
Operating Revenue	355.3	356.9	1.6	0%	
Operating Expenditure	-343.1	-350.6	-7.5	-2%	
<b>EBITDA</b>	<b>12.3</b>	<b>6.4</b>	<b>-5.9</b>	<b>-</b>	
Non-Operating Items	-13.1	-12.5	0.6	5%	
<b>Net Surplus</b>	<b>-0.8</b>	<b>-6.1</b>	<b>-5.3</b>	<b>-</b>	
Impairments / Donations	-0.2	-0.2	0.0	-	
<b>Post-PSF Surplus / (Deficit)</b>	<b>-0.6</b>	<b>-5.9</b>	<b>-5.3</b>	<b>-</b>	
<b>Other Indicators</b>					
BIP Delivery	12.2	10.4	-1.9	-15%	R
Net Current Assets (NCA)	-0.6	10.5	11.1	-1866%	
Capital Expenditure	11.3	6.2	-5.1	-45%	
<b>Monitor Financial Sustainability Risk Rating (FSRR)</b>					
	Plan YTD	Actual YTD	Last Month		RAG
<b>As at 31.01.20</b>					
Capital Servicing Capacity	3	4	3		
Liquidity	2	1	1		
I & E Margin	3	4	3		
Variance from plan (I & E Margin)	1	3	1		
Agency Spend	1	1	1		
<b>Combined UoR (after triggers)</b>	<b>2</b>	<b>3</b>	<b>2</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 10, the Trust has an overall rating of 3 which is worse than Plan due to the impact of the WOS cancellation.</p>					

<b>Commentary</b>	
<b>Statement of Comprehensive Income</b>	
<p>The bottom line I &amp; E position at the end of January is a £5.9m deficit which is £5.3 off plan, reflecting both the impact of the decision not to progress with the WOS and the £0.5m bonus PSF received relating to 2018/19. The position excluding PSF/FRF also reflects this.</p>	
<p>Operating revenue is £1.9m behind plan for clinical activity contracts with non-Bradford commissioners. There has been a reduction in Income of £5.8m relating to the Bradford CCGs Fixed Income Contract, this is £3.2m better than planned due to reduced level of activity.</p>	
<p>The income shortfall against clinical contracts is partially offset by £3.5m of surplus non-clinical revenue.</p>	
<p>Pay expenditure is £2.3m 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. This position also reflects decisions taken by some CBUs to non-recurrently use vacant pay budgets to offset their CIP targets.</p>	
<p>Operating Non-pay items in total are overspent by £7.5. This is a reflection of the impact of the WOS decision (£5.8m) and overspending in other non pay areas</p>	
<p>Agency Expenditure is £7.2m against a ytd ceiling of £10.4m.</p>	
<p>CIP efficiency delivery year to date is £10.4m against a target of £12.2m, however a significant proportion of the CIP savings recorded relate to unplanned non-recurrent underspends on vacancies.</p>	

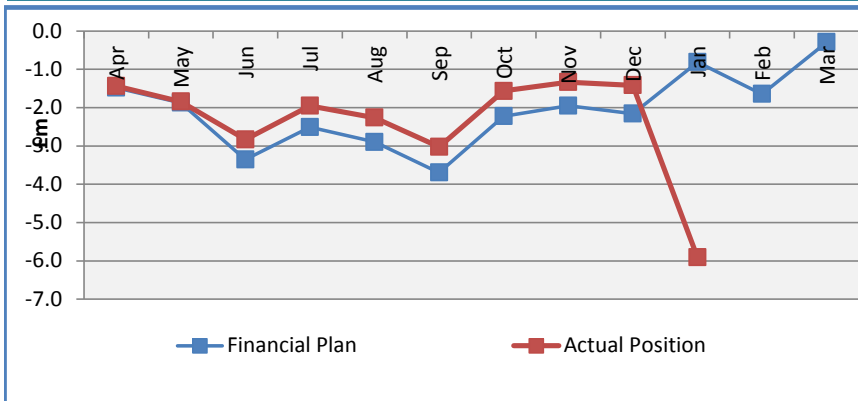
# 1. Financial Scorecard & Overview (2)

Jan-20

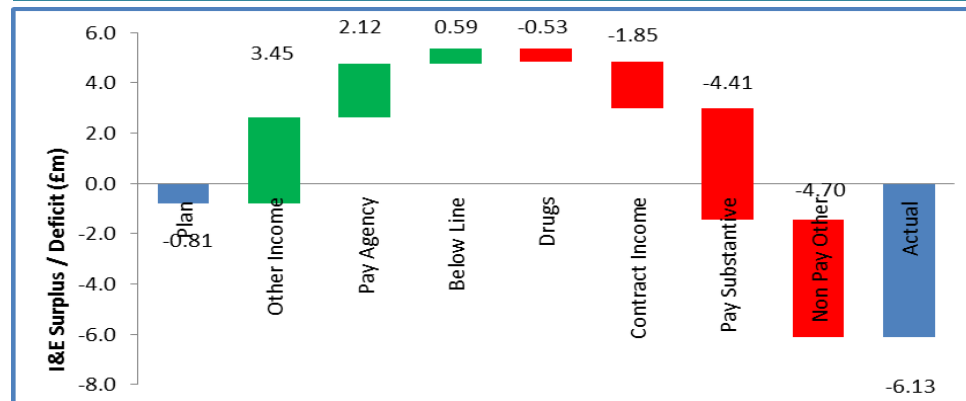


Bradford Teaching Hospitals  
NHS Foundation Trust

Surplus Trend January 2019



Income & Expenditure Bridge January 2019



## Director of Finance Conclusions & Recommendations

The month 10 position is a pre-PSF deficit of £16m which is adverse to plan. The £5.8m represents the adverse financial impact of not progressing with the WOS. The regulators have confirmed that dispensation will be given to exclude the impact of the WOS cancellation from the 19/20 Control total. 100% of the PSF available in the 10 months to the end of January has been assumed in the position, equating to £10.1m. 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 £5.9m which is behind plan by £5.3m, however NHSI discount this bonus PSF from their assessment of control total delivery.

The mid-case year end forecast excluding the adverse £6.1m I&E impact of the cancellation of the WOS is a pre-PSF I&E deficit of £12.5m, which would mean full control total delivery in 2019/20. This remains the same as the previous month's forecast and represents increased confidence in the delivery of non-recurrent technical measures. There remains a significant degree of risk to this forecast, relating to:

- delivery of some of the less certain non-recurrent measures
- ability of Care Groups to deliver their agreed recovery plans in full
- ability to control expenditure run rates within projected levels over winter, particularly within the clinical departments
- ability to balance costs of improving performance against access standards with the need to deliver the control total
- impact of potential emergent cost pressures, including unnotified NHS Business Services pensions invoices

The downside forecast reflecting the above risks is a year end pre-PSF deficit of £20.6m which would be £8.1m below the control total (£2m below plan excluding the WOS impact). To mitigate these risks as far as possible, all departments are being closely managed with a clear expectation of budget holders that run rates should not deteriorate in the final quarter of the year.

In summary, there is now increased confidence that the 2019/20 control total will be delivered but there remain risks to be managed. The reliance on non-recurrent measures will have a direct impact on the financial challenge in 2020/21, however at this stage in the financial year this is an unavoidable issue that must be addressed by increased rigour and improved financial performance in the CBUs as they continued to mature.

## 2. Statement of Comprehensive Income (I & E) Jan-20

Period Ending 31.01.20	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Budget v Actual				
<b>NHS Clinical Revenue</b>				
Elective Revenue	54.9	45.8	41.4	-4.4
Non Elective Revenue	112.4	93.9	92.7	-1.3
Outpatient Revenue	61.8	51.5	51.3	-0.2
Other Activity Revenue	71.6	59.8	60.8	1.0
Community Services Revenue	12.7	10.6	10.6	0.0
A&E Revenue	19.1	16.0	15.9	-0.1
CQUINS	4.1	3.4	3.3	-0.1
Cost per Case items	40.3	33.6	33.6	0.0
Contract Penalties	0.0	0.0	-0.0	-0.0
Fixed Income Contract Adjustment	-10.8	-9.0	-5.8	3.2
<b>Sub-Total NHS Clinical Revenue</b>	<b>366.0</b>	<b>305.7</b>	<b>303.8</b>	<b>-1.9</b>

<b>Other Operating Revenue</b>				
Private Patients	1.4	1.1	0.5	-0.7
Education & Training	17.4	14.5	14.7	0.2
Research & Development	11.6	9.7	10.1	0.4
Provider Sustainability Fund	12.5	9.6	10.1	0.5
Other Income	18.0	14.8	17.8	3.0
<b>Sub-Total Other Operating Rev.</b>	<b>60.8</b>	<b>49.7</b>	<b>53.1</b>	<b>3.5</b>
<b>TOTAL OPERATING REVENUE</b>	<b>426.8</b>	<b>355.3</b>	<b>356.9</b>	<b>1.6</b>

<b>Operating Expenses</b>				
Employee Expenses - Permanent	-260.1	-216.6	-221.0	-4.4
Employee Expenses - Agency	-11.0	-9.4	-7.2	2.1
Drugs	-39.5	-33.0	-33.5	-0.5
Clinical Supplies	-43.0	-35.8	-36.4	-0.5
Non-Clinical Supplies	-57.6	-48.2	-52.4	-4.2
<b>Sub-Total Operating Expenses</b>	<b>-411.3</b>	<b>-343.1</b>	<b>-350.6</b>	<b>-7.5</b>

<b>EBITDA</b>	<b>15.5</b>	<b>12.3</b>	<b>6.4</b>	<b>-5.9</b>
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<b>Non-Operating Items</b>				
Depreciation	-9.8	-8.2	-8.5	-0.3
Impairment	-0.2	-0.2	-0.2	-0.0
Interest Payable	-0.4	-0.4	-0.4	0.0
Interest Receivable	0.1	0.1	0.2	0.1
PDC Dividend	-5.3	-4.5	-3.6	0.9
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
<b>Sub-Total Non-Operating Items</b>	<b>-15.7</b>	<b>-13.1</b>	<b>-12.5</b>	<b>0.6</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-6.1</b>	<b>-5.4</b>
Impairments / Donations	0.2	0.2	0.2	0.0
<b>Control Total Surplus / (Deficit)</b>	<b>0.0</b>	<b>-0.5</b>	<b>-5.9</b>	<b>-5.4</b>

Commentary
<p><b>NHS Clinical Revenue</b></p> <p>The contract income position at the end of January is £1.9m below plan. This reflects a £1.9m under-trade against commissioners outside of Bradford CCGs. Bradford CCGs overall variance is zero. The Fixed Income Contract has resulted in income being £5.8m lower compared to a PbR (activity multiplied by price) contract. Whilst lower than if the Trust were on a PBR contract, the FIC is £3.2m better than the Trust had planned for.</p> <p>Activity and income is low across the majority of points of delivery.</p> <p>Elective activity (which includes Daycases) is £4.4m below plan and Outpatient income is £0.2m below plan. Non Elective activity is £1.3m below plan and A&amp;E activity is £0.1m below plan.</p> <p>Other Activity is £1.0m above plan driven by Diagnostic Imaging and Neonatal Critical Care.</p> <p><b>Other Operating Revenue</b></p> <p>Other operating income is ahead of plan by £3.5m, largely due to non-recurrent measures taken to support the financial position. PSF recovery is currently ahead of plan for AP10 due to the £0.5m bonus received in 19/20 relating to 18/19. However if the Trust does not meet the year end control total the PSF available will be reduced.</p> <p><b>Operating Expenses - Employee Expenses</b></p> <p>The net pay position is overspent by £2.3m at the end of January, which largely reflects the ad hoc recognition of vacancies as non-recurrent CIP contributions in the Care Groups.</p> <p><b>Operating Expenses - Drugs</b></p> <p>The drugs budget is £0.5m adverse to plan at the end of January.</p> <p><b>Operating Expenses - Clinical Supplies</b></p> <p>Clinical supplies budgets are overspent by £0.5m at the end of January.</p> <p><b>Operating Expenses - Non-Clinical Supplies</b></p> <p>Non-Clinical supplies budgets are overspent by £4.2m at the end of January. This position includes slippage on planned reserves expenditure and the financial consequences of not going ahead with the WOS.</p> <p><b>Non-Operating Expenses</b></p> <p>Non-Operating expenses are currently ahead of plan by £0.6m at the end of January, however this position will worsen due to the recurrent impact of the WOS cancellation on the accrued PDC position for 2019/20.</p> <p><b>Variance Key:</b> Favourable / (Adverse)</p>

## 5. CIP Delivery (Efficiency Programme)

Jan-20

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
<b>Planned Care Group</b>							
1 - Access	191	151	-40	253	202	-51	80%
2 - Children's Services	721	569	-152	954	683	-271	72%
3 - Women's Services	952	539	-414	1,260	644	-616	51%
4 - Urinary Tract & Vascular	628	669	41	831	845	14	102%
5 - Musculo-skeletal, Plastics, Breast, Skin	899	539	-360	1,189	626	-563	53%
6 - Head & Neck	813	731	-82	1,076	930	-146	86%
7 - Theatres, & day case	486	499	13	643	570	-73	89%
8 - Critical Care/Anaesthesia & Pain	603	346	-257	798	420	-378	53%
<b>Planned Care Group Total</b>	<b>5,294</b>	<b>4,044</b>	<b>-1,250</b>	<b>7,004</b>	<b>4,920</b>	<b>-2,084</b>	<b>70%</b>
<b>Unplanned Care Group</b>							
9 - Urgent & Emergency Care	556	561	5	736	608	-128	83%
11 - Elderly & Intermediate Care	681	797	116	901	949	48	105%
12 - Digestive Diseases & General Surgery	821	440	-381	1,086	558	-528	51%
13 - Specialist Medicine	513	425	-88	679	505	-173	74%
14 - Radiology and Imaging	340	376	36	450	452	2	100%
15 - Haematology, Cancer & Palliative Care	620	701	81	820	769	-51	94%
16 - Therapies	220	244	24	291	279	-12	96%
<b>Unplanned Care Group Total</b>	<b>3,752</b>	<b>3,545</b>	<b>-207</b>	<b>4,963</b>	<b>4,120</b>	<b>-843</b>	<b>83%</b>
<b>Pharmacy</b>	<b>162</b>	<b>21</b>	<b>-141</b>	<b>214</b>	<b>32</b>	<b>-182</b>	<b>15%</b>
<b>Estates &amp; Facilities</b>	<b>514</b>	<b>53</b>	<b>-461</b>	<b>680</b>	<b>66</b>	<b>-614</b>	<b>10%</b>
<b>Corporate Depts</b>	<b>928</b>	<b>805</b>	<b>-123</b>	<b>1,228</b>	<b>1,024</b>	<b>-204</b>	<b>83%</b>
<b>Trust Central Schemes</b>	<b>1,597</b>	<b>1,915</b>	<b>318</b>	<b>2,112</b>	<b>2,495</b>	<b>383</b>	<b>118%</b>
<b>Total Efficiencies Identified</b>	<b>12,246</b>	<b>10,382</b>	<b>-1,864</b>	<b>16,202</b>	<b>12,657</b>	<b>-3,545</b>	<b>78%</b>

### Commentary

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

The annual plan requires £12.2m of efficiencies to be delivered by Month 10. Only £10.4m of CIP savings have been recorded, however the Trust has delivered the year to date control total (excluding WOS impact) using other measures. The CBUs and corporate departments have recorded only £6.4m of recurrent CIP savings to date. The balance of £3.9m has been delivered via non-recurrent savings both within CBUs and corporate departments and against planned reserves expenditure.

At Month 10, a total of £12.7m of projected efficiency savings have been forecast by budget holders by year end. If this position remains unchanged, this would leave the Trust £3.5m short of its efficiency target for 2019/20.

The Trust has identified a range of non-recurrent measures to bridge the shortfall to give a degree of confidence that the control total can be met at year end. It must be noted that many of these measures will have direct adverse impact on the 2020/21 CIP challenge.

## 5. Statement of Financial Position, Cashflow and Liquidity

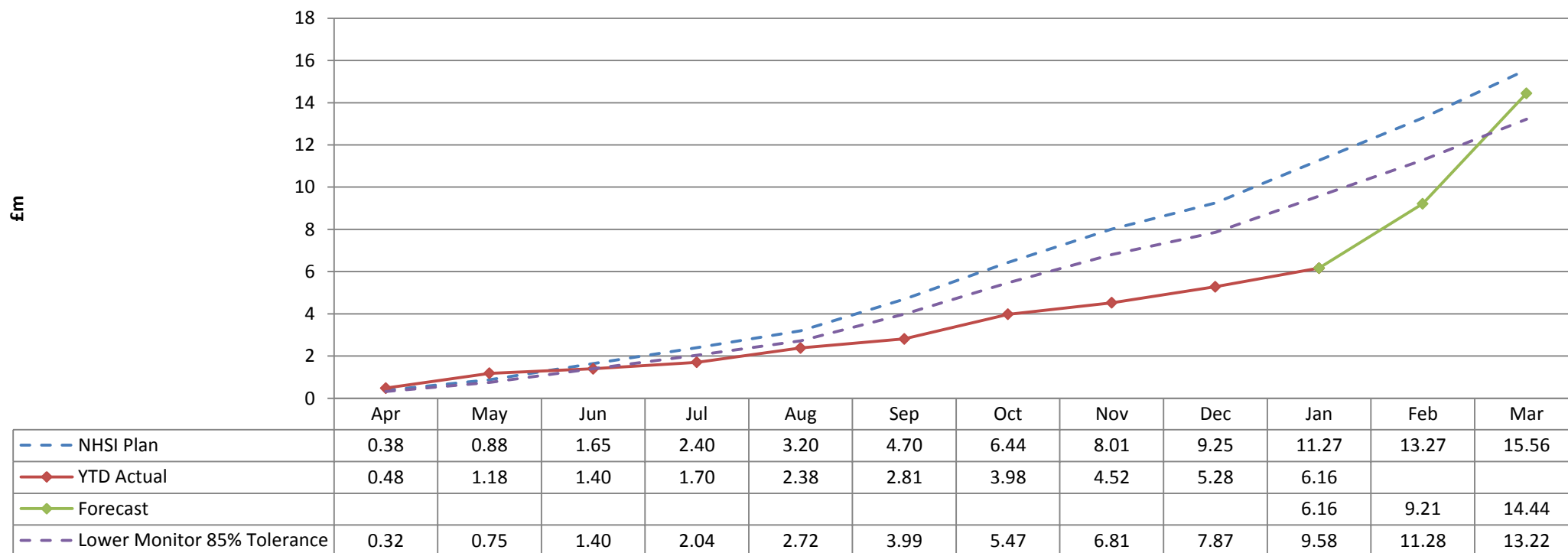
### Jan-20

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 19 £m	Variance £m	Jan 18 £m	Variance £m	Plan £m	Variance £m	Plan £m	Actual £m	Variance £m
Intangible assets	11.757	11.933	(0.176)	11.776	(0.019)	12.591	(0.834)	12.605	12.834	0.229
Property, plant and equipment	161.766	161.585	0.181	164.315	(2.549)	166.506	(4.740)	168.885	195.229	26.344
Trade and other receivables	3.027	8.105	(5.078)	5.978	(2.951)	5.604	(2.577)	5.604	1.629	(3.975)
<b>Total Non-Current Assets</b>	<b>176.550</b>	<b>181.623</b>	<b>(5.073)</b>	<b>182.069</b>	<b>(5.519)</b>	<b>184.701</b>	<b>(8.151)</b>	<b>187.094</b>	<b>209.692</b>	<b>22.598</b>
Inventories	8.067	8.471	(0.404)	7.413	0.654	7.140	0.927	7.140	7.413	0.273
Cash	25.051	24.138	0.913	21.203	3.848	17.239	7.812	11.934	25.603	13.669
Trade and other receivables	28.275	24.877	3.398	27.017	1.258	23.290	4.985	24.675	24.552	(0.123)
<b>Total Current Assets</b>	<b>61.393</b>	<b>57.486</b>	<b>3.907</b>	<b>55.633</b>	<b>5.760</b>	<b>47.669</b>	<b>13.724</b>	<b>43.749</b>	<b>57.568</b>	<b>13.819</b>
Trade and other payables	(37.504)	(35.425)	(2.079)	(33.367)	(4.137)	(35.824)	(1.680)	(34.395)	(36.013)	(1.618)
Borrowings	(3.220)	(3.183)	(0.037)	(3.138)	(0.082)	(3.221)	0.001	(3.130)	(3.130)	0.000
Deferred Income	(9.773)	(8.676)	(1.097)	(4.952)	(4.821)	(8.679)	(1.094)	(8.679)	(9.773)	(1.094)
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>(50.852)</b>	<b>(47.639)</b>	<b>(3.213)</b>	<b>(41.812)</b>	<b>(9.040)</b>	<b>(48.266)</b>	<b>(2.586)</b>	<b>(46.746)</b>	<b>(49.271)</b>	<b>(2.525)</b>
<b>Total Net Current Assets</b>	<b>10.541</b>	<b>9.847</b>	<b>0.694</b>	<b>13.821</b>	<b>(3.280)</b>	<b>(0.597)</b>	<b>11.138</b>	<b>(2.997)</b>	<b>8.297</b>	<b>11.294</b>
Borrowings	(23.266)	(23.266)	0.000	(25.792)	2.526	(23.266)	0.000	(22.740)	(22.740)	0.000
Deferred Income	(1.679)	(1.540)	(0.139)	(1.819)	0.140	0.000	(1.679)	0.000	(1.679)	(1.679)
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>(27.898)</b>	<b>(27.759)</b>	<b>(0.139)</b>	<b>(30.564)</b>	<b>2.666</b>	<b>(26.336)</b>	<b>(1.562)</b>	<b>(25.810)</b>	<b>(27.372)</b>	<b>(1.562)</b>
<b>Total Assets Employed</b>	<b>159.193</b>	<b>163.711</b>	<b>(4.518)</b>	<b>165.326</b>	<b>(6.133)</b>	<b>157.768</b>	<b>1.425</b>	<b>158.287</b>	<b>190.617</b>	<b>32.330</b>
Public Dividend Capital	122.580	122.581	(0.001)	122.581	(0.001)	122.663	(0.083)	122.663	125.808	3.145
Revaluation Reserve	48.310	48.310	0.000	48.310	0.000	35.869	12.441	35.869	76.310	40.441
Income and Expenditure Reserve	(11.697)	(7.180)	(4.517)	(5.565)	(6.132)	(0.764)	(10.933)	(0.245)	(11.501)	(11.256)
<b>Total Taxpayers Equity</b>	<b>159.193</b>	<b>163.711</b>	<b>(4.518)</b>	<b>165.326</b>	<b>(6.133)</b>	<b>157.768</b>	<b>1.425</b>	<b>158.287</b>	<b>190.617</b>	<b>32.330</b>

## 6. Capital Expenditure Jan-20

### Capital Expenditure Trends & Commentary

#### 2019/20 Capital Programme Actual vs Plan



### Commentary

Year to date capital expenditure is £6.2m which is £5.1m less than the year to date plan submitted to NHSI of £11.3m.

The Trust's Capital Departmental Expenditure Limit for 2019/20 has increased by £1.637m during month 10 as a result of receiving Public Dividend Capital for (Digital Funding £1.500m, Changing Places £0.017m and Cyber Resilience £0.120m).

## 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%	1.0.x	4
Liquidity (days)	<u>Working Capital Balance 3 x 360</u> Annual Debt Service 4	>0	(7) - 0	(14) - (7)	<(14)	20%	1.2 days	1
I & E Margin	<u>I &amp; E Operating Surplus/(Deficit)</u> Total Operating Income	> 1%	1 - 0%	0 - (1)%	< (1)%	20%	-0.60%	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%	3
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)	<b>3</b>
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Trigger for individual metric scores of 4	<b>Trigger</b>
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Overall Finance and Use of Resource Risk Rating	<b>3</b>
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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 10, 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	