

Report to:	Public Board of Directors	Agenda item:	11
Date of Meeting:	22 February 2017		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Sarah Truelove, Director of Finance & Deputy Chief Executive
Author:	Simon Wade, Assistant Director of Finance
Appendices	None

1. Executive Summary of the Report
The purpose of this report is to set out the Trust's financial performance for the period to 31 January 2017.

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position for January 2017 and understand the key risks and the actions being taken to mitigate them. Action: All

3. Legal / Regulatory Implications
Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.

4. Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)
In line with the Risk Assessment Framework : The Trust fails to deliver its financial plan which leads to the Trust having a Continuity of services risk rating of two or less, representing a material level of financial risk. This results in a lack of confidence from the Trust's commissioners and the regulator. This increases their level of scrutiny which places additional resource pressures on the Trust and degrades the Trust's reputation.









5. Resources Implications (Financial / staffing)
Not Applicable

6. Equality and Diversity
Not Applicable

7. References to previous reports
Standing Item

8. Freedom of Information
Private

Key performance Indicators

Area of review	Key Highlights	YTD Rating	Year end Rating
Income & Expenditure position	<ul style="list-style-type: none"> At Month 10, the plan was to achieve £7.6m surplus including £7.3m of Sustainability & Transformation Funding (STF). The Trust reported a deficit of £1.2m at the end of Month 10 which is £8.8m adverse to plan. This includes an impairment of £8.3m. The control total plan was £1.2m surplus at Month 10. The Trust did not meet this and therefore £0.7m STF funding has not been achieved. 		
QIPP programme	<ul style="list-style-type: none"> £11.5m achieved against plan of £12.3m, 93% delivery to date. A significant proportion of this (£2.5m) relates to the benefit of reduced depreciation. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at month end is £14.7m. NHS Improvement have moved to reporting under the Single Oversight Framework from October 2016. Under this, the Trust is reporting a 1 for liquidity (1 being maximum autonomy, 4 resulting in special measures) 		
Use of Resources	<ul style="list-style-type: none"> At the end of Month 10 the Trust is reporting a rating of 1. 		

Income and Expenditure Summary

Statement of Comprehensive Income	Year to date profile		
	Budget	Actual	Variance
Period to January 2017	£'000	£'000	£'000
Income from Commissioners	(237,013)	(228,358)	8,655
Sustainability & Transformation funding	(7,333)	(6,050)	1,283
Other Income	(27,477)	(28,229)	(752)
Income Total	(271,823)	(262,637)	9,186
Pay	161,648	158,337	(3,311)
Non Pay	87,273	86,711	(562)
Expenditure Total	248,921	245,048	(3,873)
EBITDA	(22,902)	(17,589)	5,313
Finance Charges	14,066	10,517	(3,549)
(Surplus)/Deficit before Impairments	(8,836)	(7,072)	1,764
Impairments	1,218	8,272	7,054
(Surplus)/Deficit	(7,618)	1,200	8,818
Margin	8%	7%	

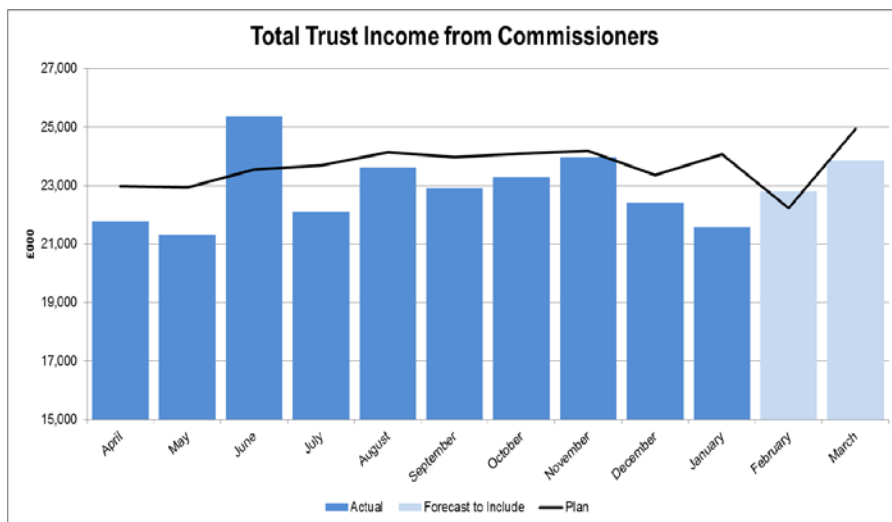
I&E position used to calculate position against STF control total	Plan	Actual	Variance
		£'000	£'000
(Surplus)/Deficit	(7,618)	1,200	8,818
Less anticipated STF funding	7,333	6,050	(1,283)
Less impairments	(1,218)	(8,272)	(7,054)
Less (Gains)/Losses on asset disposal		(44)	(44)
Less Donated income	1,200	1,551	351
Less Donated depreciation	(899)	(630)	269
Position against control total	(1,202)	(145)	1,057

The Month 10 position was £1.1m below plan on a control total basis. This was a deterioration from Month 9 where the Trust position was in line with the plan.

As a result of not achieving the control total in Month 10, £0.7m STF funding has not been achieved. The remaining variance of STF (£0.55m) relates to A&E performance not meeting the required target in Q2 and Q3.

There was a significant under performance of Daycase and Elective activity in Month 10 due to Trust wide pressures which was only partially offset by reductions in expenditure.

Income



- The income position as at January is £8.6m under plan. This is a £2.5m deterioration during month 10. High cost drugs equate to £4.2m under plan which is offset by an expenditure reduction. Trust position is an underperformance of £4.4m year to date.
- During M10, Day Cases and Elective saw a significant reduction in activity due to operational pressures, resulting in an underperformance of £1.0m against the plan. This reduction in activity was mainly within Surgical specialities including Trauma and Orthopaedics, General Surgery, Ophthalmology and Oral Surgery.
- As at M10, Outpatients is underperforming by £3.3m against the annual plan. This is an improvement of £0.1m compared to M9 due to increased levels of Outpatient activity. Specialities which continue to underperform include Dermatology, Rheumatology, General Surgery, Oncology, General Medicine and Paediatrics.
- Income in non elective has slightly improved in M10 by £0.1m. The main area of growth is within Geriatric Medicine.

Income Performance 31 January 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(9,732)	(8,159)	(8,315)	(157)
Daycase	(23,033)	(19,149)	(17,290)	1,859
Elective Inpatient	(19,981)	(16,612)	(15,928)	684
High Cost Drugs	(38,511)	(32,122)	(27,877)	4,245
Non Elective Inpatient	(98,379)	(82,484)	(83,384)	(900)
Outpatient	(79,552)	(66,182)	(62,843)	3,339
Other	(14,984)	(12,305)	(12,721)	(416)
	(284,171)	(237,013)	(228,358)	8,655

SLA Performance - Commissioner 31 January 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(81,410)	(67,984)	(67,167)	817
Wiltshire CCG	(91,112)	(75,934)	(76,162)	(228)
Somerset CCG	(30,401)	(25,387)	(24,406)	981
SW Specialised Commissioning	(47,823)	(39,881)	(39,166)	715
Other South West CCGs	(12,256)	(10,230)	(10,016)	213
South West Area Teams & LA s	(5,971)	(4,969)	(5,070)	(101)
Wessex Area Team (Cancer Drugs)	(5,320)	(4,438)	(2,961)	1,478
Non Contract Activity	(9,879)	(8,189)	(3,409)	4,779
	(284,171)	(237,013)	(228,358)	8,655

Activity Performance 31 January 2017	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	72,025	60,383	60,866	483
Daycase	31,474	26,166	23,901	(2,265)
Elective Inpatient	6,447	5,360	5,240	(120)
Non Elective Inpatient	38,950	32,654	37,456	4,802
Outpatient	516,180	428,757	412,329	(16,428)
	665,076	553,319	539,792	(13,527)

Income analysis and Subcontracting

As part of the Month 10 review of Outpatient activity, Trustwide activity is 16,428 below plan. The areas of significant concern sit within Medicine (14,761 below plan) and Surgery (5,296 below plan). This is an improvement in activity compared to M9 (17,035 below plan). The following specialities are the main areas of under delivery :

- **Dermatology** – 3,912 below plan at Month 8, 6,177 below plan at Month 9, 6,432 below plan at Month 10
2016/17 plan based on 2015/16 outturn, Business case for Consultant and Nurse Specialist and QIPP schemes
Activity has seen an improvement in M10. Agency Locum started in January for a short period. Clinical Nurse Specialist started at the end of January and activity is expected to improve once the postholder has completed training.
- **General Medicine** – 3,292 below plan at Month 8, 3,629 below plan at Month 9, 3,940 below plan Month 10
Underperformance continues to be related to non delivery of QIPP to date, this is being captured but not yet realised at planned levels
- **General Surgery** –1,897 below plan in Month 8, 2,036 below plan at Month 9, 2,209 below plan Month 10
2016/17 plan based on 2015/16 outturn and QIPP schemes
There is now a full Junior doctors rota as of October and activity has improved in the last quarter compared to earlier this financial year. The speciality continue to review activity
- **Ophthalmology** –1,982 below plan at Month 8, 2,555 below plan at Month 9, 2,798 below plan Month 10
Ophthalmology activity has improved in M10, this is partly as a result of additional clinics.

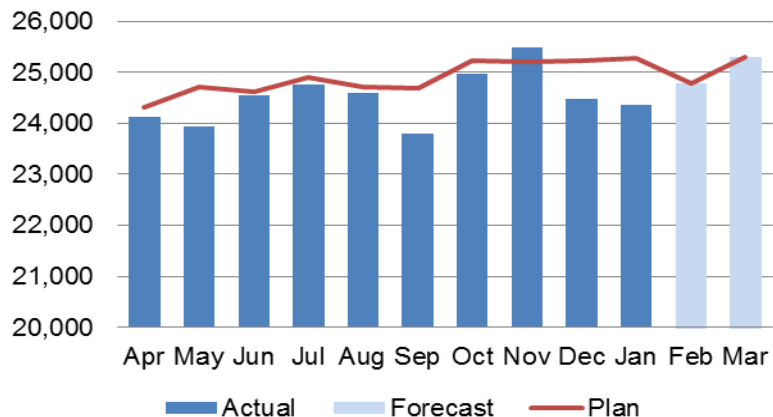
Subcontracting

The Trust has formally subcontracted clinical activity to private providers in varying quantities since early 2014. The Trust currently has a number of clinical sub-contracts in place, and work is progressing on two additional arrangements which are expected to come online during Q3 of 2016/17. As at January 17, the Trust has ceased sending elective surgery activity to private providers. To date in 2016/17 the Trust has subcontracted 4,163 cases across its existing arrangements (see table below). The overall value of sub-contracted activity at Month 10 is c£1.2m and is projected to be c£1.5m during 2016/17.

Subcontract Activity 2016-17																	
	Bath Clinic	Bath Clinic Inter-provider transfers	Circle	IHG	Devides NHS Treatment Centre (cataracts)	NHS Treatment Centres	Devides Treatment Centre (X-Ray only)	Shepton Mallet (Ultrasound)	Shepton Mallet (MRI)	Nuffield Health (Radiology)	Spire Southampton (Cardiology)	Dental Implant Clinic (NHSE)	Grey Giddens Hand and Elbow	MSI Group Ltd	Spire Bristol (Radiology)	Spire Bristol (Cardiology)	
Apr-16	0	0	23	10	8	14	155	14	0	0	0	47	0	0	Sub-contract In Progress	Sub-contract In Progress	
May-16	0	0	21	4	5	19	136	7	0	0	0		0	569			
Jun-16	0	0	36	2	0	26	127	0	0	0	0		0	0			
Jul-16	0	0	29	0	0	21	138	0	0	2	24		0	586			
Aug-16	0	16	22	0	0	13	125	0	0	46	27		6	567			
Sep-16	0	28	17	0	0	14	166	0	0	52	28		7	0			
Oct-16	0	19	15	0	0	23	137	0	0	73	13		11	6			0
Nov-16	0	8	14	0	0	20	127	0	0	12	16		4	10			0
Dec-16	0	3	15	0	0	12	90	0	0	24	17		2	1			0
Jan-17	0	13	6	0	0	26	173	0	0	38	TBC		TBC	12			0
Total	0	87	198	16	13	188	1374	21	0	247	125	64	92	1722	16	0	

Expenditure

Operating Expenditure



Issues:

Month 10 Pay expenditure in Clinical Divisions is broadly in line with the previous month.

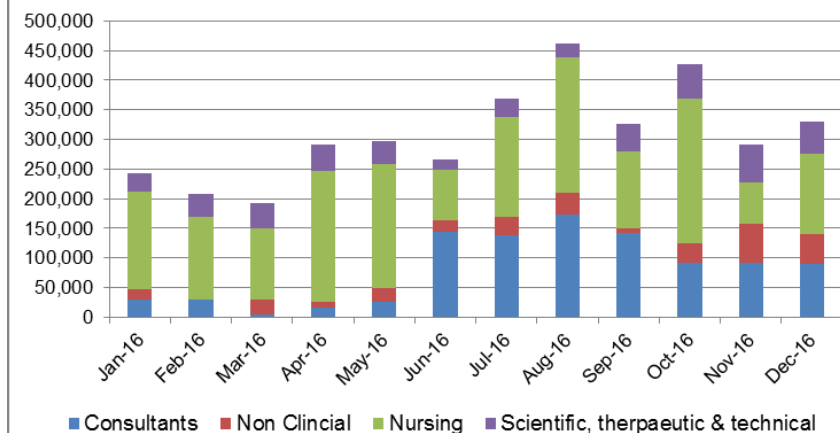
Corporate Pay in Month 9 was £0.8m lower than previous months, primarily due to a review of balance sheet provisions. Expenditure in Month 10 is comparable with the exception of this adjustment.

Non Pay expenditure has reduced further in Month 10.

- £0.4m reduction within Drugs - £0.3m relates to High Cost Drugs Expenditure which is offset by a reduction in income
- Clinical Supplies within the Surgical Division have reduced in month (£0.3m) primarily due to Prosthesis as a result of decreased activity and lower expenditure with Public Health England as a result of the CEPHID machine being operational.
- The accrual for APO costs has been removed from the position on the basis that Divisions are no longer sending activity out to alternative providers (£0.1m)

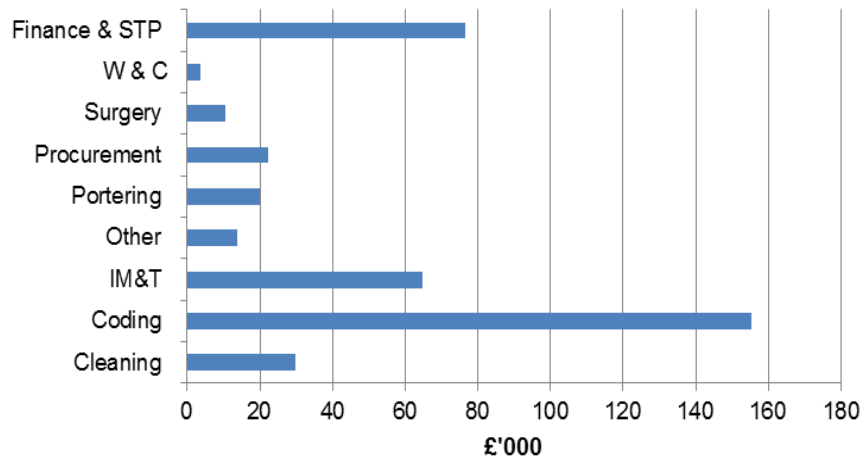
	Prior year average	M9	M10
Divisional Pay run rate	£'000	£'000	£'000
Surgical	4,671	4,931	4,949
Medical	5,760	6,270	6,333
Women's & Children	2,059	2,197	2,221
Facilities	869	899	923
Corporate	1,463	900	1,669
TOTAL	14,822	15,198	16,094
Included above			
Agency	281	426	292
Non Pay			
Surgical	2,020	2,133	1,726
Medical	3,956	4,338	3,728
Women's & Children	370	470	401
Facilities	899	913	879
Corporate	752	1,117	1,024
TOTAL	7,997	8,971	7,757

Rolling 12 month agency expenditure



Non Clinical and Scientific Agency Expenditure

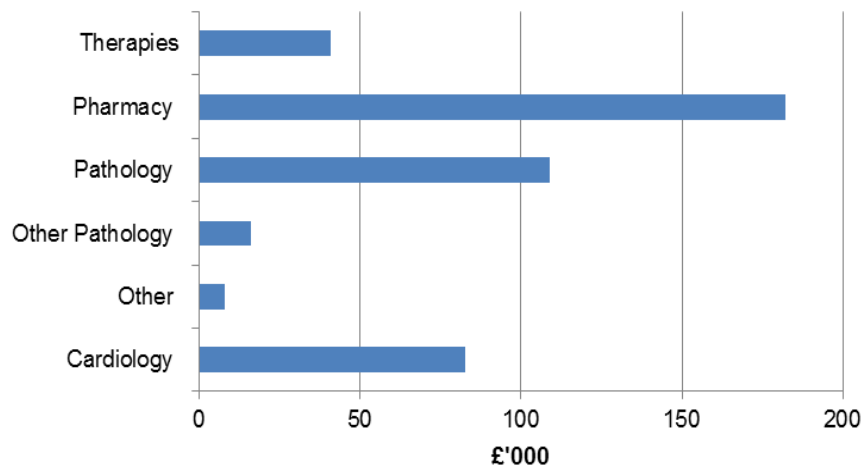
M10 YTD Non-Clinical Agency Expenditure



During the current financial year there has been an increase in the expenditure on Non Clinical Agency staff due to the following reasons;

- The national shortage of Clinical Coders that has led to backlog coding issues at the Trust
- Additional staffing within the Informatics team to support EPR implementation
- The implementation of the STP process and the need to support the data collection within Finance
- Covering an element of the work created by maternity leave and vacancies within Finance
- Additional Portering and Cleaning staff where required due to vacancies

M10 YTD S&T Agency Expenditure



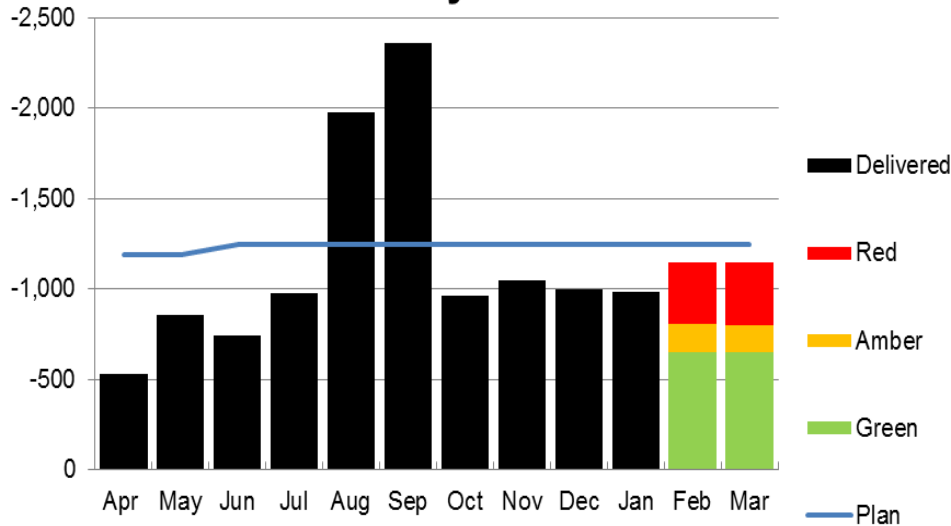
There has also been a slight rise in year related to agency expenditure on Scientific, Therapeutic and technical staff. In the main this relates to areas the Trust has struggled with recruitment and retention such as;

- Pathology disciplines
- Pharmacy
- Diagnostic Cardiology

Strategies are in place to reduce the reliance on agency staffing for these staff groups and are being discussed at the Strategic Workforce Committee.

QIPP

QIPP Delivery and Forecast



- The year to date position at Month 10 shows delivery of £11.5m against the plan of £12.3m, which is delivery against plan of 93%.
- The full £2.5m reduction in depreciation charge was included in the Month 6 position, therefore this has significantly helped the QIPP achievement year to date.
- The divisional delivery to date remains a significant concern. Medicine remains the main area of unidentified QIPP, and actions are in place to help the Division rectify this position through focusing on specific high value projects that will deliver benefits in the current and new financial years.
- Of the £14.8m plan there are plans to deliver £13.8m leaving a gap of £1m for the year. This is an improvement from the Month 9 forecast of £0.1m, however QIPP reviews and corrective action plans are still required to mitigate this gap by the year end.
- Divisions are finalising QIPP plans for 2017/18 for inclusion in budget setting, with a significant amount already identified.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Surgical	3,341	3,056	285	4,009	3,807	202
Medical	4,597	2,733	1,864	5,516	3,533	1,983
W & C	1,213	925	288	1,455	1,202	253
Facilities	1,035	1,012	23	1,264	1,295	(31)
Corporate	808	949	(141)	968	1,132	(164)
Trustwide	1,333	2,800	(1,467)	1,600	2,800	(1,200)
TOTAL	12,327	11,475	852	14,812	13,769	1,043

NHS Single Oversight Framework - Use of Resources

	Plan YTD ending 31-Jan-17	Actual YTD ending 31-Jan-17	Variance YTD ending 31-Jan-17	Plan Year ending 31-Mar-17	Adjusted Forecast Year ending 31-Mar-17	Forecast Variance Year ending 31-Mar-17
Capital service metric	3.212	2.381	(0.831)	3.150	4.216	1.067
Capital service rating	1	2		1	1	
Liquidity metric	11.069	8.238	(2.831)	11.035	11.035	-
Liquidity rating	1	1		1	1	
I&E Margin metric	3.14%	2.34%	(0.80%)	3.00%	5.56%	2.60%
I&E Margin rating	1	1		1	1	
I&E Variance from plan metric		(0.80%)			2.56%	
I&E Variance from plan rating		2			1	
Agency metric	10.09%	(10.86%)	(20.96%)	17.90%	17.90%	0.00%
Agency rating	2	1		2	2	
Rounded score		1			1	
Use Of Resources Rating before overrides		1			1	
4 Rating Trigger for Use Of Resources Rating		NO TRIGGER			NO TRIGGER	
Use Of Resources Rating after 4 rating override		1			1	

From Oct-16 NHS Improvement is measuring provider performance using the NHS Single Oversight Framework. Within the new framework there are five themes, of which “Finance and Use of Resources” is one. The Finance theme has five equally weighted metrics as follows:

1. Capital servicing capacity - degree to which generated income covers financial obligations
2. Liquidity - days of operating costs held as cash or cash equivalents
3. I&E margin - degree of surplus/(deficit)
4. Distance from financial plan - variance between the planned and actual I&E position
5. Agency spend – distance from cap

This is similar to the previous scoring framework, but the fifth metric (agency spend) is new.

As at Jan-17 the Trust is reporting an overall rating of 1.

Statement of Financial Position

Key balance sheet indicators			
	2016/17 Month 9	2016/17 Month 10	Movement from prior month
Better Practice Payment Code	95.05%	96.39%	1.3%
Aged Debt Analysis			
- <30 days	2,618,286	3,788,014	1,169,728
- 31-60 days	1,733,664	1,254,549	(479,116)
- 61-90 days	1,155,362	1,511,180	355,819
- 91-180 days	897,423	1,139,610	242,188
- >180 days	2,229,027	1,838,607	(390,420)
Movement in working capital	(6,823,186)	(5,201,186)	1,622,000
Stock days	11.4	9.9	(1.5)
NHS trade debtor days	16.1	13.5	(2.7)
Non NHS trade debtor days	23.7	19.6	(4.1)
Trade creditor days	17.3	17.5	0.2
Month end Cash position	14,324,445	14,658,105	333,660

Better Practice Payment Code

Performance has remained consistently above the 95% target in month as the Trust continues to manage cash carefully.

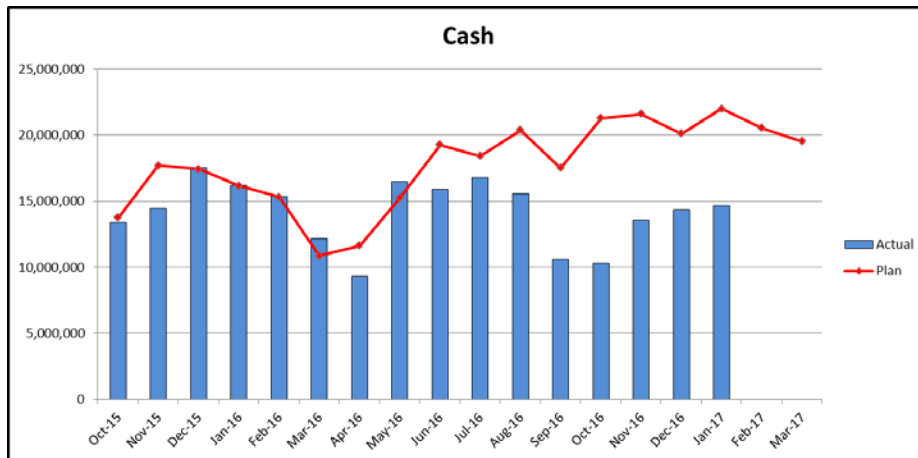
Aged Debt :

- Total level of debt has increased by £0.9m from the previous month, and now stands at £9.5m. The increase is mostly new debt falling into the <30 days bracket.
- £5.6m (about 60%) of the overall debt is with three organisations:
 - £1.9m of debt with South West Specialised Commissioning (SWSCG). Q1 is now resolved but there remains £1.4m over-performance for Q2 but the expectation is that all Q2 queries will be settled by end of the month.
 - £2.4m with BANES CCG, £0.6m relates to 15/16 and is subject to continued discussion. Q1 and Q2 is now resolved with £1.6m under discussion relating to Q3.
 - £1.3m with Wiltshire CCG. The majority of the issues with Wiltshire up to month 7 have been settled.
- There is a further £2.2m with other NHS organisations which is being addressed through the usual arrangements.

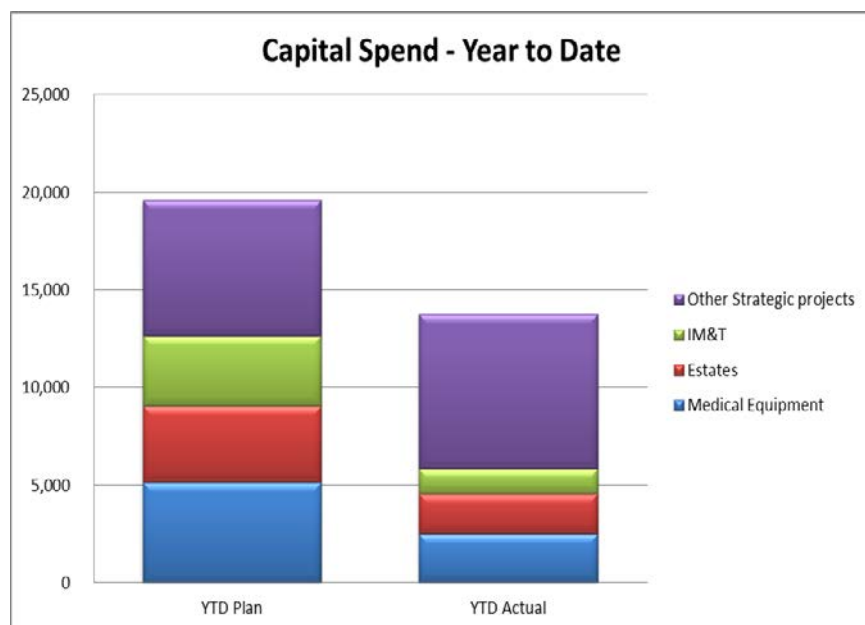
Cash remains £5.8m below plan. The Trust has generated £7.9m less cash from the operating position than expected.

Capital expenditure is £6.2m lower than plan, and due to delays in the redevelopment programme we have drawn down £3.6m less finance than planned.

For the Trust to be able to maintain a strong cash position it is vital that operational performance improves and that disputes with regards over performance are resolved to enable the payment of the debt due to the Trust.



Capital Expenditure



Capital Report as at 31st January 2017	Annual Plan £000s	YTD Plan £000s	YTD Actual £000s	YTD Variance £000s	Forecast Outturn £000s
Medical Equipment	1,402	1,385	1,451	66	1,486
Strategic Capital (RUH Redevelopment)	400	0	100	100	100
Donated Funded Total	1,802	1,385	1,551	166	1,586
Estates					
Estates - Theatre, Ward & SSD Upgrades	2,525	2,500	876	(1,624)	1,650
Other Estates Projects	1,755	1,399	1,195	(204)	1,755
Estates Total	4,280	3,899	2,071	(1,828)	3,405
IM&T					
Electronic Patient Records	2,058	1,912	722	(1,190)	880
IM&T Other	1,972	1,699	574	(1,125)	1,723
IM&T Total	4,030	3,611	1,295	(2,316)	2,603
Medical Equipment	5,087	3,674	1,068	(2,606)	3,334
Strategic Capital schemes					
Pharmacy	3,877	3,777	4,827	1,049	4,862
Radiology Upgrade	1,281	682	82	(600)	175
RUH Redevelopment	1,792	1,288	1,337	49	2,110
Other Strategic projects	1,258	1,202	1,523	320	1,584
Strategic Total	8,209	6,949	7,768	819	8,731
Trust Funded Total	21,605	18,133	12,202	(5,931)	18,073
Medical Equipment					
Radiology Equipment Upgrade	2,552	102	0	(102)	0
Lease Purchase Total	2,552	102	0	(102)	0
TOTAL	25,959	19,621	13,753	(5,868)	19,659

Capital Expenditure and Performance

Capital expenditure is underspent by £5.9m to date. This is in line with the forecast outturn due to the slippage of a number of schemes

Medical Equipment is £2.6m behind plan. A lease option is being pursued for the Gastroenterology element of the scopes project resulting in the £0.6m costs being recognised as revenue. The laparoscopic equipment, stacking systems and cardiology equipment purchases totalling £1.1m will be deferred to 2017-18. The Medical Equipment Committee (MEC) is working to ensure other equipment required is purchased before year end and orders pending delivery total £0.9m.

Estates is £1.8m behind plan. Works are progressing on the upgrades of RUH South Electrical installations, Theatre 9c and boiler house chiller. Orders have also been placed for fire escape works relating to the ward upgrade project. The SSD upgrade project, budgeted to cost £0.9m will be deferred to next year.

IM&T expenditure is £2.3m underspent. £0.2m relates to purchase of client access licences which is expected in March and £0.4m relates to Laboratory system replacement which is now due for completion in February. There are savings of £0.4m for the Digital dictation project which will not now be undertaken and £0.2m relating to a VAT reclaim for the Wired & Wireless project. £1.1m relates to the EPR project, due to a 12 months slippage of the deployment of Order Communications and FirstNet to November 2018.

Strategic Capital is overspent by £0.9m. £0.3m is an overspend on the Car Park project and £0.1m on the PET-CT building works. The Pharmacy project is overspent by £1.0m year to date, with the final completion position likely to be at the same level, this cost includes an additional £0.1m in month relating to the capitalisation of loan interest (transferred from I&E in line with current accounting guidance). The Radiology project is underspent by £0.6m with the majority of the works expected to be deferred to next year.