

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>13</b>
<b>Date of Meeting:</b>	<b>24 May 2017</b>		

<b>Title of Report:</b>	<b>Finance Board Report</b>
<b>Status:</b>	<b>Approval</b>
<b>Board Sponsor:</b>	<b>Sarah Truelove, Director of Finance &amp; Deputy Chief Executive</b>
<b>Author:</b>	<b>Simon Wade, Assistant Director of Finance</b>
<b>Appendices</b>	<b>None</b>

<b>1. Executive Summary of the Report</b>
The purpose of this report is to set out the Trust's financial performance for the period to 30 <sup>th</sup> April 2017.

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

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

<b>4. Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)</b>
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.









<b>5. Resources Implications (Financial / staffing)</b>
Not Applicable

<b>6. Equality and Diversity</b>
Not Applicable

<b>7. References to previous reports</b>
Standing Item

<b>8. Freedom of Information</b>
Public

# Key performance Indicators

Area of review	Key Highlights	Current month Rating	Forecast Year end Rating
Income & Expenditure position	<ul style="list-style-type: none"> <li>The control total plan was to achieve a deficit of £1.7m at Month 1. The Trust was in line with the control total plan and is therefore anticipating receiving the STF allocation related to April.</li> <li>Due to bank holidays there was a lower number of working days during April which was the key driver for planning the deficit in month.</li> </ul>		
QIPP programme	<ul style="list-style-type: none"> <li>£0.4m achieved against plan of £0.6m, 62% delivery for the month</li> <li>Over 90% of the QIPP plan for 2017/18 has been identified</li> </ul>		
Liquidity	<ul style="list-style-type: none"> <li>Cash balance at month end is £15.6m, £0.5m above plan.</li> <li>The liquidity metric is scored as 1, which is the highest rating possible</li> </ul>		
Use of Resources	<ul style="list-style-type: none"> <li>Use of Resources metric is scored as 2 indicating that the Trust is managing it's finances well and as expected at month 1</li> </ul>		

# Income and Expenditure Summary

Statement of Comprehensive Income Period to April 2017	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(21,150)	(20,779)	371
Sustainability & Transformation funding	(390)	(390)	
Other Income	(2,717)	(2,384)	333
<b>Income Total</b>	<b>(24,257)</b>	<b>(23,553)</b>	<b>704</b>
Pay	16,799	16,264	(535)
Non Pay	7,979	7,840	(139)
<b>Expenditure Total</b>	<b>24,778</b>	<b>24,103</b>	<b>(675)</b>
<b>EBITDA</b>	<b>521</b>	<b>550</b>	<b>29</b>
Finance Charges	1,181	1,169	(12)
<b>(Surplus)/Deficit before Impairments</b>	<b>1,702</b>	<b>1,719</b>	<b>18</b>
Impairments	1		(1)
<b>(Surplus)/Deficit</b>	<b>1,703</b>	<b>1,719</b>	<b>17</b>
<b>Margin</b>	<b>-2%</b>	<b>-2%</b>	

I&E position used to calculate position against STF control total	Plan	Actual £'000	Variance £'000
	<b>(Surplus)/Deficit</b>	<b>1,703</b>	<b>1,719</b>
Less anticipated STF funding	390	390	
Less impairments	(1)		1
Less Donated income	61	20	(41)
Less Donated depreciation	(65)	(65)	0
<b>Position against control total</b>	<b>2,088</b>	<b>2,064</b>	<b>(23)</b>

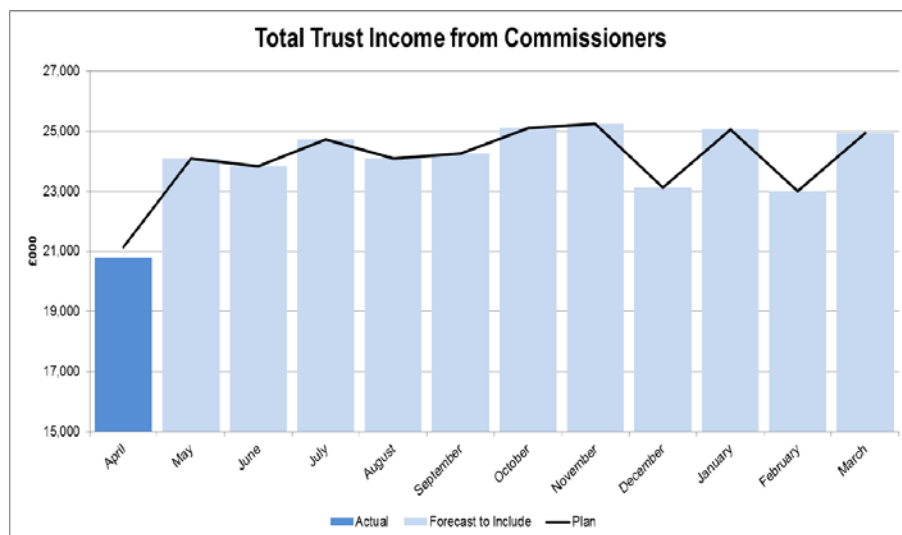
The Month 1 position was a small surplus against plan of £23k on a control total basis. The financial plan was set to take into account the lower number of working days in the month, hence the deficit plan. In April there were only 18 working days compared with 23 days in March.

Within the position there was an underspend against both the pay and non pay plans in month, this was offset by a corresponding under recovery of planned income.

In month expenditure on non pay items, such as drugs and clinical supplies, was down due to the lower levels of activity resulting from the short month in terms of working days.

QIPP delivery was not at the required levels in month as plans were finalised and beginning to have the desired impact.

# Income



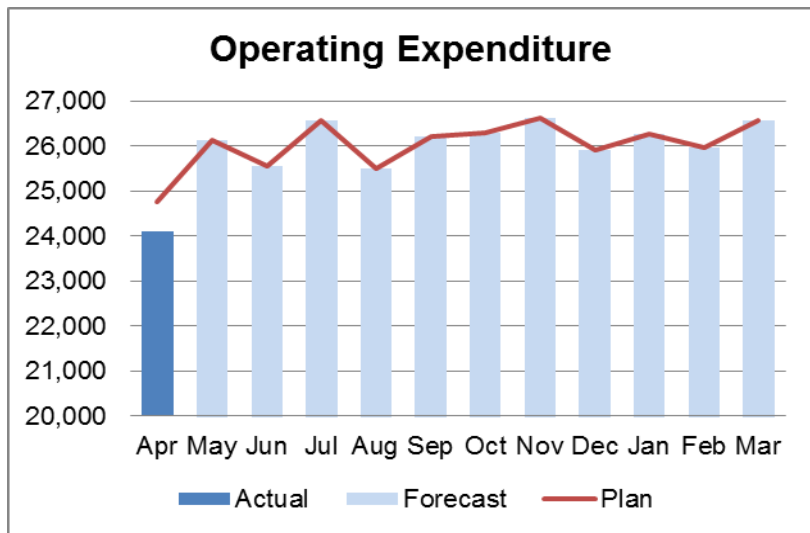
- The income position as at April is £0.4m under plan. High cost drugs are £0.6m over plan mainly within Oncology and Rheumatology which is offset within the expenditure position. The normalised Trust position is £1m underperformance.
- Non elective activity is greater than planned levels giving an over performance in Month 1. The main specialities which have over performed are;
  - Geriatric Medicine
  - Paediatrics
  - Trauma and Orthopaedics
  - Stroke Medicine.
- From a commissioner perspective there were significant over performances against BANES and Wiltshire in month, due to the high number of non elective patients. It is anticipated commissioner QIPP schemes will lead to a reduction in activity numbers as the financial year continues.

Income Performance 30 April 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,126)	(914)	(931)	(17)
Daycase	(21,016)	(1,508)	(1,513)	(6)
Elective Inpatient	(20,600)	(1,477)	(1,407)	71
High Cost Drugs	(40,074)	(2,064)	(2,632)	(568)
Non Elective Inpatient	(104,820)	(8,519)	(8,847)	(328)
Outpatient	(75,183)	(5,459)	(5,512)	(53)
Other	(15,749)	(1,207)	62	1,270
<b>Total</b>	<b>(288,568)</b>	<b>(21,150)</b>	<b>(20,779)</b>	<b>370</b>

SLA Performance - Commissioner 30 April 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(79,114)	(5,983)	(7,278)	(1,295)
Wiltshire CCG	(91,211)	(6,846)	(7,288)	(442)
Somerset CCG	(30,079)	(2,239)	(1,782)	457
SW Specialised Commissioning	(619)	(46)	(57)	(11)
Other South West CCGs	(11,729)	(835)	(1,106)	(272)
South West Area Teams & LA s	(5,587)	(404)	(410)	(6)
Wessex Area Team (Cancer Drugs)	(4,460)	(228)	(182)	46
Non Contract Activity	(65,769)	(4,569)	(2,676)	1,894
<b>Total</b>	<b>(288,568)</b>	<b>(21,150)</b>	<b>(20,779)</b>	<b>370</b>

Activity Performance 30 April 2017	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,869	6,154	6,106	(48)
Daycase	29,219	2,096	2,128	32
Elective Inpatient	6,606	474	452	(22)
Non Elective Inpatient	43,288	3,512	3,600	88
Outpatient	506,304	36,339	36,537	198
<b>Total</b>	<b>660,287</b>	<b>48,574</b>	<b>48,823</b>	<b>249</b>

# Expenditure

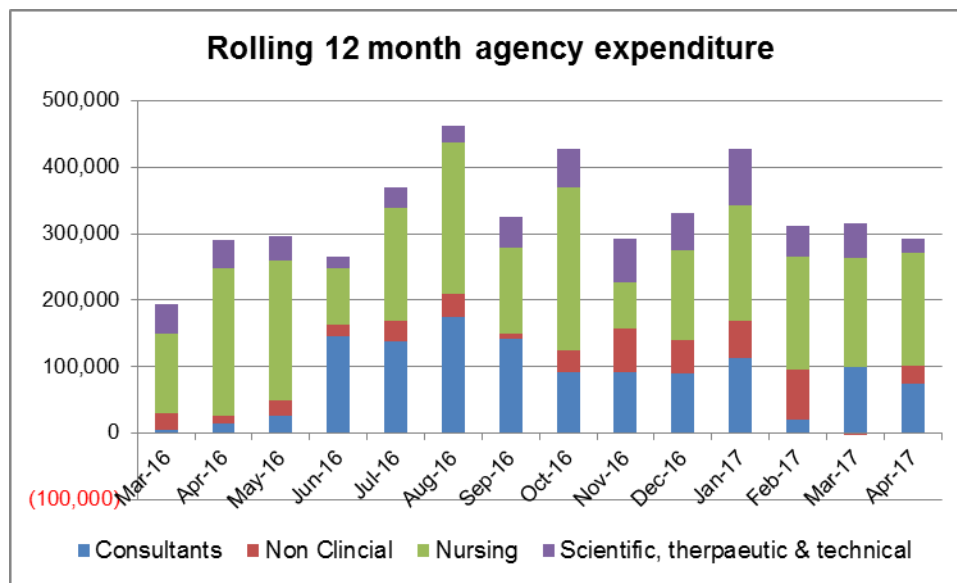


	Prior year average	M12	M1
Divisional Pay run rate	£'000	£'000	£'000
Surgical	4,912	4,938	4,973
Medical	6,180	6,355	6,307
Women's & Children	2,171	2,251	2,273
Facilities	906	884	898
Corporate	1,405	1,639	1,678
<b>TOTAL</b>	<b>15,574</b>	<b>16,068</b>	<b>16,130</b>
<b>Included above</b>			
Agency	341	339	293
<b>Non Pay</b>			
Surgical	2,053	2,058	1,868
Medical	4,208	4,969	3,581
Women's & Children	402	488	456
Facilities	925	1,040	780
Corporate	933	1,182	1,115
<b>TOTAL</b>	<b>7,997</b>	<b>9,738</b>	<b>7,801</b>

## Issues:

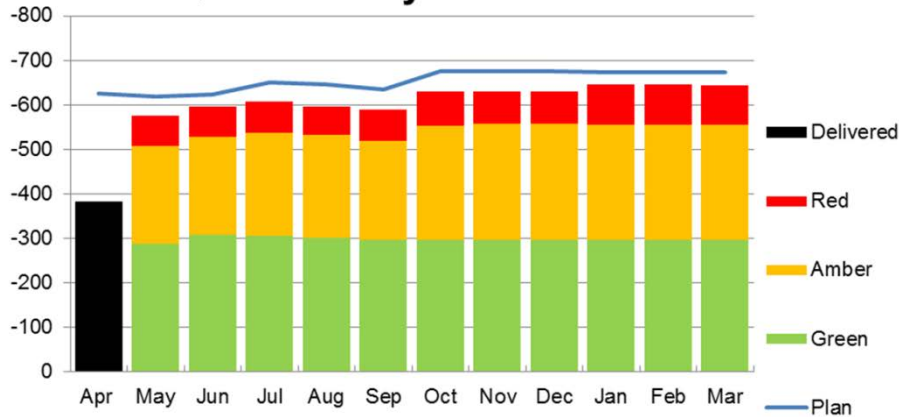
Month 1 expenditure reduced from the M12 position due to reduced activity arising from the lower number of working days and subsequent costs. Key issues included:

- Taking into account the pay award, pay expenditure was slightly down on the previous month. There was also a reduction in overall agency costs.
- Surgical division non pay reduced due to the lower elective activity and subsequent expenditure on Prosthesis and clinical supplies
- Drugs costs were significantly lower than the prior month, particularly within the Medicine division but also within Surgery.
- Most other non pay areas underspent in month



# QIPP

## QIPP Delivery and Forecast



- The QIPP plan for the current year is significantly lower than previous years at £7.8m. The plan has been set at a lower level to allow Divisions the opportunity to focus on the development of transformational schemes and reduce the reliance on incremental transactional savings schemes
- Of the full plan for the year, schemes totalling £7.2m have been identified to date, leaving a gap of £0.6m for the year.
- Further work is required on the relevant risk rating of the individual schemes to ensure delivery is on time and maximised during the financial year.
- The current risk assessment of schemes shows a significant proportion are rated as green or delivered £3.7m (47%), £2.7m rated Amber (34%) with the remaining £0.8m (19%) rated Red or unidentified. Based on month one delivery, further ratification is required to ensure this reflects an accurate position and to identify where mitigating action plans can be developed quickly.
- The biggest area of under delivery in month 1 is the Medicine Division, delivering 35% of the £0.2m plan in month.

Division	Plan	Delivery	Variance	%age delivery
	£'000	£'000	£'000	
Medicine	231	81	150	35%
Surgery	203	172	31	85%
Women's & Children's	52	69	(17)	133%
Facilities	57	25	32	44%
Corporate	81	37	44	46%
<b>TOTAL</b>	<b>624</b>	<b>384</b>	<b>240</b>	<b>62%</b>

# NHS Single Oversight Framework - Use of Resources

	M1 Plan	M1 Actual	M1 Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	-1.068	-1.168	-0.100	2.087	2.087	0.000
Capital Service Cover Rating	4	4		2	2	
Liquidity Metric	9.416	8.874	-0.542	1.094	1.094	0.000
Liquidity Rating	1	1		1	1	
I&E Margin Metric	-7.0%	-6.2%	0.8%	4.0%	4.0%	0.0%
I&E Margin Rating	4	4		1	1	
Variance from Control Metric	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
Variance from Control Rating	1	1		1	1	
Agency Metric	-75.5%	-25.8%	49.7%	-76.2%	-76.2%	0.0%
Agency Rating	1	1		1	1	
<b>Rounded Score</b>	<b>2</b>	<b>2</b>		<b>1</b>	<b>1</b>	

NHS Improvement measures provider performance and risk using the NHS Single Oversight 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

The Trust’s M1 score is 2. The reason behind the low scores on capital service cover and I&E margin is because the Trust expectation is primarily due to activity and STF achievement being weighted more heavily to the end of year.

# Statement of Financial Position

Statement of Financial Position	31-Mar-17 £000	30-Apr-17 £000	Movement £000
<b>Non-current assets</b>			
Intangible assets	3,646	3,623	(23)
Property, plant and equipment	165,197	165,191	(6)
Trade and other receivables	1,200	1,140	(60)
<b>Total non-current assets</b>	<b>170,043</b>	<b>169,954</b>	<b>(89)</b>
<b>Current assets</b>			
Inventories	3,666	3,365	(301)
Trade and other receivables	22,336	20,028	(2,308)
Assets held for sale and assets in disposal groups	3,575	3,575	0
Cash and cash equivalents	16,625	15,598	(1,027)
<b>Total current assets</b>	<b>46,202</b>	<b>42,566</b>	<b>(3,636)</b>
<b>Current liabilities</b>			
Trade and other payables	(21,959)	(20,199)	1,760
Other liabilities	(4,343)	(4,131)	212
Provisions	(869)	(846)	23
Borrowings	(2,968)	(2,958)	10
<b>Total current liabilities</b>	<b>(30,139)</b>	<b>(28,134)</b>	<b>2,005</b>
<b>Total assets less current liabilities</b>	<b>186,106</b>	<b>184,386</b>	<b>(1,720)</b>
<b>Non-current liabilities</b>			
Provisions	(813)	(812)	1
Borrowings	(18,281)	(18,281)	0
<b>Total non-current liabilities</b>	<b>(19,094)</b>	<b>(19,093)</b>	<b>1</b>
<b>Total Assets Employed</b>	<b>167,012</b>	<b>165,293</b>	<b>(1,719)</b>
<b>Financed by</b>			
Income and expenditure reserve	(26,170)	(27,890)	(1,720)
Public dividend capital	152,084	152,084	0
Revaluation reserve	41,098	41,098	0
<b>Total Equity</b>	<b>167,012</b>	<b>165,292</b>	<b>(1,720)</b>

The Statement of Financial Position for Apr-17 is included alongside a comparison of the closing position for 2016/17.

The key changes to note between the two months include:

- A reduction of £2.31m in receivables primarily due to the payment of outstanding NHS contract invoices from the prior financial year. Although receivables have reduced, aged debt has increased (see next slide). This is due to invoices raised at the end of M12 classed as receivables in M12, but not aged debt as they were not due at the end of March.
- There is also a reduction of £1.76m in payables. About £1m of this relates to capital invoices which were accrued at year end and have now been paid
- Cash has reduced by £1m, although the cash balance is £0.5m higher than planned mainly due to reduced capital expenditure.
- The £1.72m decrease in the I&E reserve reflects the M1 I&E deficit.



# Statement of Financial Position

## Key balance sheet indicators

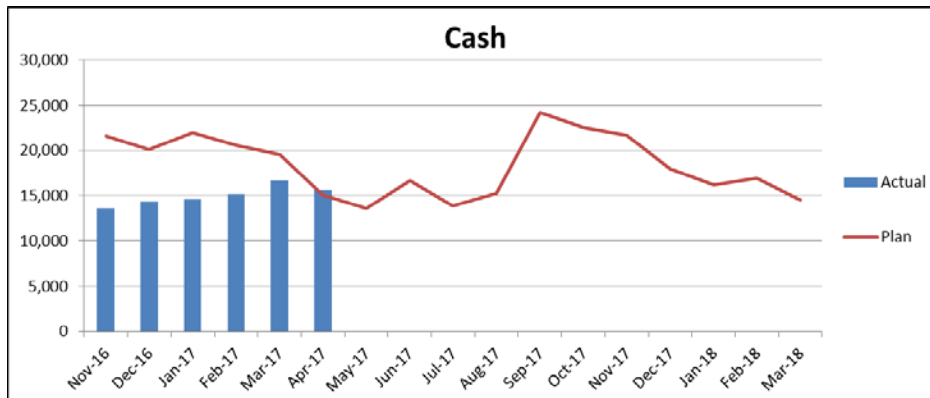
	2016/17 Month 12	2017/18 Month 1	Movement from prior month
Better Practice Payment Code	97.51%	93.33%	-4.2%
Aged Debt Analysis			
- <30 days	3,532,013	3,334,243	(197,771)
- 31-60 days	1,934,766	1,884,357	(50,408)
- 61-90 days	390,733	1,650,466	1,259,733
- 91-180 days	677,206	746,789	69,583
- >180 days	1,076,220	1,199,113	122,893
Month end Cash position	16,625,085	15,598,101	(1,026,984)

## Better Practice Payment Code

The Trust has achieved an accumulated performance of 93% in Apr-17 of debt paid within 30 days. This is slightly below the 95% target, a large proportion of which relates to pharmacy invoices. Finance are working closely with Pharmacy to expedite these payments.

## Aged Debt :

- Total level of debt has increased by £1.2m from the previous month, and now stands at £8.8m. Much of this relates to recently raised invoices to Health Education England (£0.8m relating to M1); BANES CCG (£0.4m relating to prior year); NHS England South (£0.4m relating to M1).
- With regards to prior year debt, the Trust is owed £1.2m from NHS England relating to Hep C – this is being actively followed up.
- Total NCA debt stands at £3m, of which £2m is over 60 days old. This debt is being actively chased.

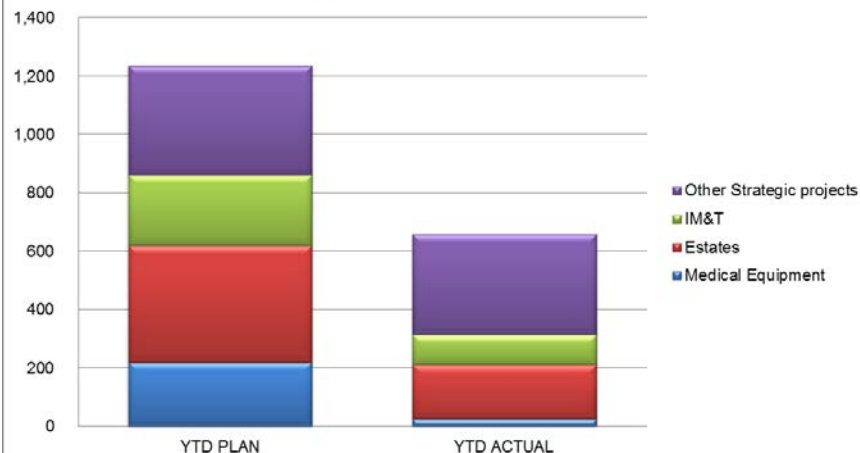


The **Cash** balance at year end is £15.6m which is £0.5m above the year to date plan. This is primarily due to lower than expected capital expenditure.

Cash generation from operating activities is expected to be more heavily weighted towards the end of the year, both due to activity profile and STF award. The sharp increase in the plan in Sep-17 is the expected cash sale of the RNHRD, which will be used to fund the building of the RNHRD and Therapies Centre, hence the subsequent cash reduction.

# Capital Expenditure

Capital Spend - Year to Date



## Capital Expenditure & Performance

Capital expenditure to the end of April totals £1.3m, resulting in an underspend of £0.6m.

- Estates expenditure is £0.2m behind plan, the underspend relates to replacement washers for SSD which have been approved but not yet ordered.
- IM&T expenditure is £0.1m underspent, this relates mainly to the rolling replacement programme for PCs and Mobile Devices. A pilot scheme is currently being evaluated for these devices.
- Medical Equipment is underspent by £0.2m, orders have been placed totalling £0.6m and MEC will be working to ensure equipment is purchased as required and within the plan allocated.
- Strategic Capital is on plan, though costs on the RNHRD project build are ahead of schedule but offset by slippage in the other site redevelopment projects.

Capital Report to Date	Annual Plan £000s	YTD Plan £000s	YTD Actual £000s	YTD Variance £000s
<b>Medical Equipment (donated)</b>	749	36	11	(25)
<b>Strategic Capital (RUH Redevelopment)</b>	298	25	9	(16)
<b>Donated Funded Total</b>	<b>1,047</b>	<b>61</b>	<b>20</b>	<b>(41)</b>
<b>Estates</b>				
Estates - Theatre, Ward & SSD Upgrades	1,981	285	151	(134)
Other Estates Projects	2,995	116	34	(81)
<b>Estates Total</b>	<b>4,976</b>	<b>400</b>	<b>185</b>	<b>(215)</b>
<b>IM&amp;T</b>				
Electronic Patient Records & Enablers	3,065	82	40	(42)
Clinical Systems	1,771	37	40	3
Other IM&T	1,639	122	24	(98)
<b>IM&amp;T Total</b>	<b>6,474</b>	<b>241</b>	<b>103</b>	<b>(137)</b>
<b>Medical Equipment</b>	<b>6,294</b>	<b>221</b>	<b>27</b>	<b>(194)</b>
<b>Strategic Capital schemes</b>				
RNHRD & Therapies Build	6,241	118	258	140
RUH Redevelopment	1,529	216	79	(136)
Radiology Upgrade	2,392	17	(1)	(18)
<b>Strategic Total</b>	<b>10,162</b>	<b>350</b>	<b>336</b>	<b>(14)</b>
<b>Contingency</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Trust Funded Total</b>	<b>28,407</b>	<b>1,212</b>	<b>651</b>	<b>(561)</b>
<b>Medical Equipment (Radiology Upgrade)</b>	3,462	0	0	0
<b>Lease Purchase Total</b>	<b>3,462</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>32,916</b>	<b>1,273</b>	<b>671</b>	<b>(601)</b>