

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>11</b>
<b>Date of Meeting:</b>	<b>26 July 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> June 2017.

<b>2. Recommendations (Note, Approve, Discuss)</b>
The Board should note the financial position for June 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 £2.9m at quarter 1. The Trust was slightly above the control total plan and is therefore anticipating receiving the STF allocation related to the 70% financial element but not the 30% performance element due to ED performance. This equates to achievement of £0.8m for quarter 1.</li> </ul>		
QIPP programme	<ul style="list-style-type: none"> <li>£1.5m achieved against plan of £1.9m, 82% delivery for the first quarter of the year</li> <li>Around 91% 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 £21.7m, £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 3 indicating that the Trust has room for improvement. However this is in line with the plan.</li> </ul>		

# Income and Expenditure Summary

Statement of Comprehensive Income Period to June 2017	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(69,054)	(68,152)	902
Sustainability & Transformation funding	(1,168)	(818)	350
Other Income	(8,173)	(7,731)	442
<b>Income Total</b>	<b>(78,395)</b>	<b>(76,701)</b>	<b>1,695</b>
Pay	50,371	49,600	(771)
Non Pay	26,173	25,674	(499)
<b>Expenditure Total</b>	<b>76,544</b>	<b>75,275</b>	<b>(1,270)</b>
<b>EBITDA</b>	<b>(1,851)</b>	<b>(1,426)</b>	<b>425</b>
Finance Charges	3,570	3,552	(18)
<b>(Surplus)/Deficit before Impairments</b>	<b>1,719</b>	<b>2,126</b>	<b>407</b>
Impairments			
<b>(Surplus)/Deficit</b>	<b>1,719</b>	<b>2,126</b>	<b>407</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>1,719</b>	<b>2,126</b>	<b>407</b>
Less anticipated STF funding	1,168	818	(350)
Less impairments			
Less Donated income	182	106	(76)
Less Donated depreciation	(195)	(195)	0
<b>Position against control total</b>	<b>2,875</b>	<b>2,855</b>	<b>(20)</b>

The Month 3 position was a very small surplus against plan on a control total basis, which allows the Trust to access £0.8m of Sustainability and Transformation Funding for the first quarter of the year. The performance element of the STF was not achieved in Q1 due to ED performance, however an appeal has been submitted in relation to this.

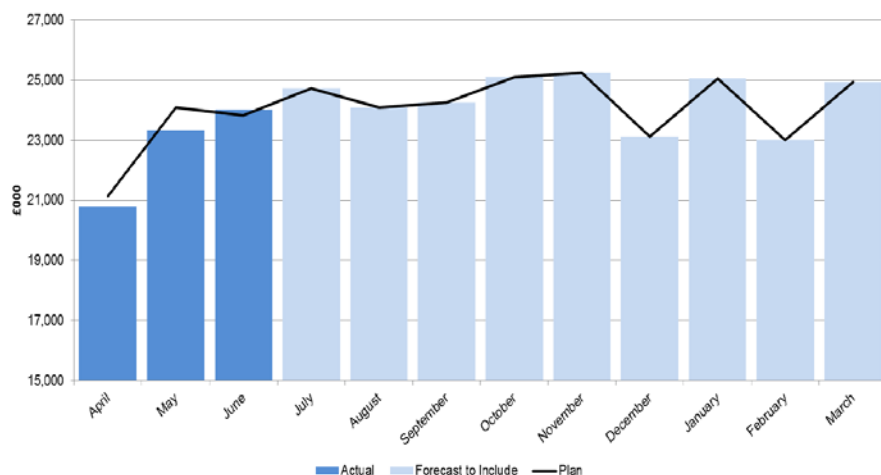
Within the position there was an underspend against both the pay and non pay plans in month, which is offset by a corresponding under recovery of planned income, both commissioning and operating.

In month expenditure on both pay and non pay increased from the previous month, due to increased activity levels and additional contract payments in month.

QIPP delivery was not at the required levels again in month though delivery was around 27% higher in month as plans began to have the desired impact.

# Income

Total Trust Income from Commissioners



- The income position as at June is £0.9m under plan. High cost drugs is marginally over plan, therefore the normalised Trust position is £1m underperformance.
- Elective income has seen a deterioration of £0.3m in Month 3 due to lower levels of actual activity compared to planned levels, mainly within Trauma and Orthopaedics, General Surgery, Colorectal Surgery and Cardiology.
- Outpatient income has deteriorated by £0.2m in Month 3 due to reduced activity levels across all divisions. Some of the main specialities under performing are CFS Paediatrics, Trauma and Orthopaedics, Rheumatology and Colorectal Surgery, the reasons for this are being investigated with Divisions.
- Non elective activity in Month 3 continued to increase, predominantly within Care of the Elderly and General Medicine. Concerningly, the impact of the marginal rate emergency threshold is now £1.9m, £1.2m above plan.

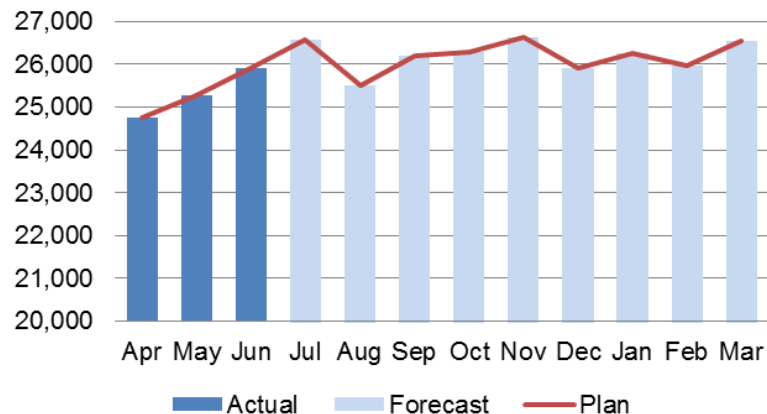
Income Performance 30 June 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,126)	(2,774)	(2,814)	(40)
Daycase	(21,016)	(5,106)	(5,216)	(110)
Elective Inpatient	(20,600)	(5,006)	(4,452)	554
High Cost Drugs	(40,074)	(8,293)	(8,352)	(59)
Non Elective Inpatient	(104,820)	(25,763)	(26,644)	(881)
Outpatient	(75,079)	(18,072)	(17,896)	176
Other	(15,853)	(4,040)	(2,778)	1,262
	<b>(288,568)</b>	<b>(69,053)</b>	<b>(68,152)</b>	<b>902</b>

SLA Performance - Commissioner 30 June 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(79,114)	(19,143)	(20,215)	(1,072)
Wiltshire CCG	(91,211)	(21,968)	(22,269)	(301)
Somerset CCG	(30,079)	(7,232)	(7,427)	(194)
SW Specialised Commissioning	(57,854)	(13,387)	(12,390)	997
Other South West CCGs	(11,729)	(2,781)	(3,328)	(546)
South West Area Teams & LA s	(6,206)	(1,481)	(1,604)	(123)
Wessex Area Team (Cancer Drugs)	(4,460)	(921)	(570)	352
Non Contract Activity	(7,915)	(2,140)	(350)	1,790
	<b>(288,568)</b>	<b>(69,053)</b>	<b>(68,152)</b>	<b>902</b>

Activity Performance 30 June 2017	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,869	18,666	18,528	(138)
Daycase	29,219	7,099	7,061	(38)
Elective Inpatient	6,606	1,605	1,348	(257)
Non Elective Inpatient	43,288	10,688	11,336	648
Outpatient	504,792	122,544	120,026	(2,518)
	<b>658,774</b>	<b>160,602</b>	<b>158,299</b>	<b>(2,303)</b>

# Expenditure

## Operating Expenditure



## Issues:

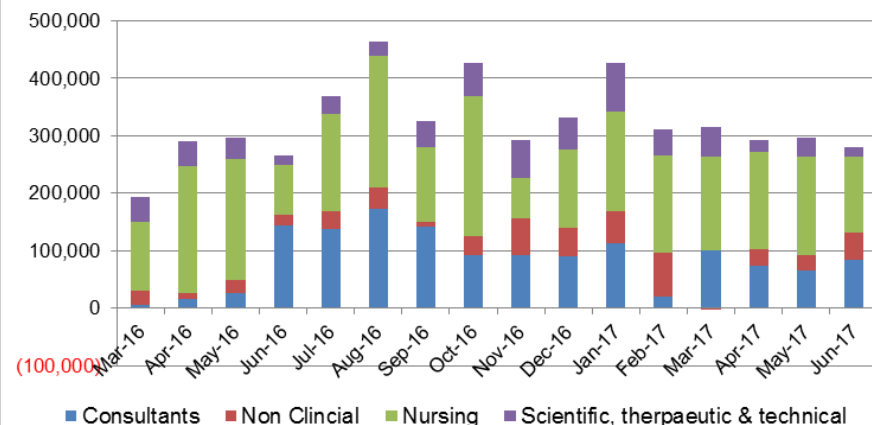
Month 3 expenditure again increased from the prior month position due to a number of issues.

Key issues included:

- Pay was up across all Divisions as payments for Consultant Excellence Awards and other one off payments were paid in month
- Agency costs reduced slightly from the prior month overall and within this there was an increase in Medical agency and a reduction in Nursing agency
- Non pay expenditure increased from the prior month mainly due to expenditure on clinical supplies & services within T & O and Pathology together with increased Drug costs in Rheumatology, Dermatology and Oncology

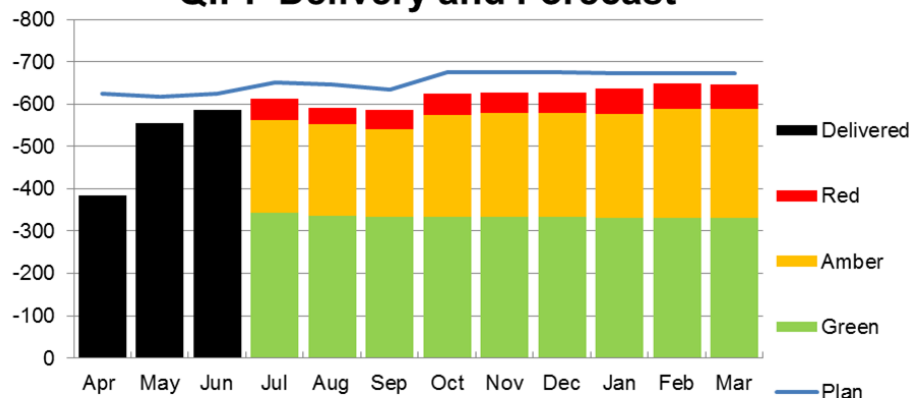
	Prior year average	M2	M3
Divisional Pay run rate	£'000	£'000	£'000
Surgical	4,912	5,090	5,100
Medical	6,180	6,442	6,511
Women's & Children	2,171	2,280	2,284
Facilities	906	907	916
Corporate	1,405	1,670	1,801
<b>TOTAL</b>	<b>15,574</b>	<b>16,389</b>	<b>16,612</b>
<b>Included above</b>			
Agency	341	296	275
<b>Non Pay</b>			
Surgical	2,053	2,014	2,091
Medical	4,208	4,022	4,346
Women's & Children	402	478	530
Facilities	925	884	892
Corporate	933	1,109	1,160
<b>TOTAL</b>	<b>7,997</b>	<b>8,506</b>	<b>9,018</b>

## Rolling monthly agency expenditure



# 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. To date £0.4m of transformational QIPP has been delivered, which is slightly below plan.
- Of the full plan for the year, schemes totalling £7.1m have been identified to date, which is an improvement of £0.2m from the prior month and now leaves a gap of £0.7m for the year.
- Delivery across the Divisions improved significantly during month 3, with an over delivery against planned levels in month. This improved year to date delivery to 82% from the prior month position of 66%.
- The major area of concern after quarter 1 is the Surgery division position. Further work is being undertaken to understand the drivers of the activity position and ensure the planned efficiencies are delivered through the Surgical recovery chairs.
- The current risk assessment of schemes shows a significant proportion are rated as green or delivered £4.6m (59%), £2.1m rated Amber (27%) with the remaining £1.1m (14%) rated Red or unidentified. The improvement in month was possible through the use of some non recurrent schemes, which though contributing to the overall target need to be kept to a minimum to ensure the focus is on recurrent savings.

	Year to date		
	Plan	Actual	Variance
	£'000	£'000	£'000
Surgical	616	439	177
Medical	685	549	136
W & C	164	265	(101)
Facilities	159	132	27
Corporate	242	138	104
<b>TOTAL</b>	<b>1,866</b>	<b>1,523</b>	<b>343</b>

Full year		
Target	Forecast	Variance
£'000	£'000	£'000
2,504	2,243	261
2,840	2,667	173
902	1,037	(135)
628	569	59
967	598	369
<b>7,841</b>	<b>7,114</b>	<b>727</b>

# NHS Single Oversight Framework - Use of Resources

	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	-0.360	0.006	0.365	1.204	1.204	0.000
Capital Service Cover Rating	4	4		4	1	
Liquidity Metric	4.758	5.633	0.875	7.725	7.497	-0.228
Liquidity Rating	1	1		1	1	
I&E Margin Metric	-2.0%	-2.4%	-0.4%	3.9%	3.9%	0.0%
I&E Margin Rating	4	4		1	1	
Variance from Control Metric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Variance from Control Rating	1	1		1	1	
Agency Metric	-76.6%	12.5%	89.1%	-75.6%	-75.6%	0.0%
Agency Rating	1	1		1	1	
Rounded Score	2	2		2	1	
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here		Trigger			No trigger	
Any ratings in table 6 with a score of 4 override - maximum score override of 3 if any rating in table 6 scored as a 4		3			1	

The Trust's month 3 overall finance score in is 3. While any of the five categories has a score of 4 the best overall score the Trust can achieve is 3 due to the trigger mechanism.

The Trust expects to remain on this score level until month 6, and this is in line with the plan submitted to NHS Improvement in March. The reason behind the scores of 4 on capital service cover and I&E margin is primarily due to activity and STF achievement being weighted more heavily to the end of year. The score is expected to improve at the end of Q2 when we anticipate receiving cash for the sale of the RNHRD building and Q2 STF.

The year end forecast to remain on plan to achieve a rating of 1.

# Statement of Financial Position

Statement of Financial Position	31-May-17 £000	30-Jun-17 £000	Movement £000
<b>Non-current assets</b>			
Intangible assets	4,956	4,892	(64)
Property, plant and equipment	164,131	164,186	55
Trade and other receivables	1,148	1,086	(62)
<b>Total non-current assets</b>	<b>170,235</b>	<b>170,164</b>	<b>(71)</b>
<b>Current assets</b>			
Inventories	3,294	3,432	138
Trade and other receivables	19,520	22,399	2,879
Assets held for sale and assets in disposal groups	3,575	3,575	0
Cash and cash equivalents	15,428	21,720	6,292
<b>Total current assets</b>	<b>41,817</b>	<b>51,126</b>	<b>9,309</b>
<b>Current liabilities</b>			
Trade and other payables	(20,126)	(22,589)	(2,463)
Other liabilities	(4,389)	(4,169)	220
Provisions	(846)	(726)	120
Borrowings	(2,958)	(2,958)	0
<b>Total current liabilities</b>	<b>(28,319)</b>	<b>(30,442)</b>	<b>(2,123)</b>
<b>Total assets less current liabilities</b>	<b>183,733</b>	<b>190,848</b>	<b>7,115</b>
<b>Non-current liabilities</b>			
Provisions	(812)	(812)	0
Borrowings	(17,453)	(24,112)	(6,659)
<b>Total non-current liabilities</b>	<b>(18,265)</b>	<b>(24,924)</b>	<b>(6,659)</b>
<b>Total Assets Employed</b>	<b>165,468</b>	<b>165,924</b>	<b>456</b>
<b>Financed by</b>			
Income and expenditure reserve	(27,714)	(27,706)	8
Public dividend capital	152,084	152,532	448
Revaluation reserve	41,098	41,098	0
<b>Total Equity</b>	<b>165,468</b>	<b>165,924</b>	<b>456</b>

The movement in the Statement of Financial Position is illustrated in the table showing the position from the prior and current months

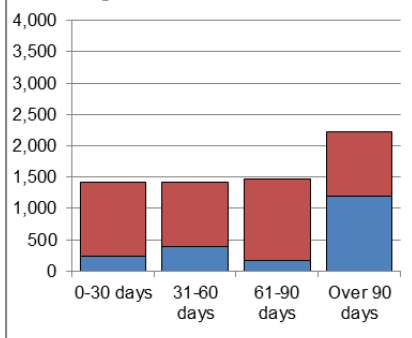
The key changes in month:

- The Trust drew down as planned £6.8m of our RNHRD loan in anticipation of the redevelopment on the RUH site. This is offset by loan repayments made relating to the Pharmacy build.
- The Trust has also received £448k PDC which relates to funding for RNHRD legacy deficit and due diligence costs. It is anticipated the trust will be entitled to claim similar values every quarter for this.
- Trade receivables has increased – this is driven by Q1 accruals including STF achievement (£0.4m for M3) and £2m of income accruals relating to contract payments.
- The increase in trade payables is a mixture of items including Q1 PHE invoices (£0.5m) and M3 PDC accrual (£0.5m).

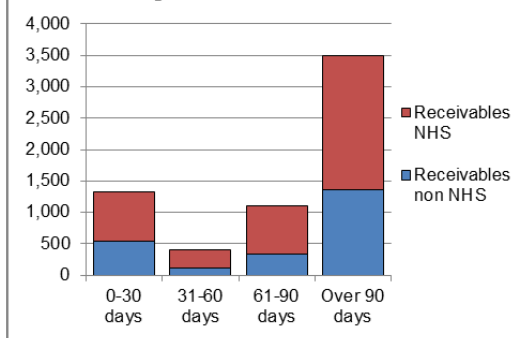


# Statement of Financial Position

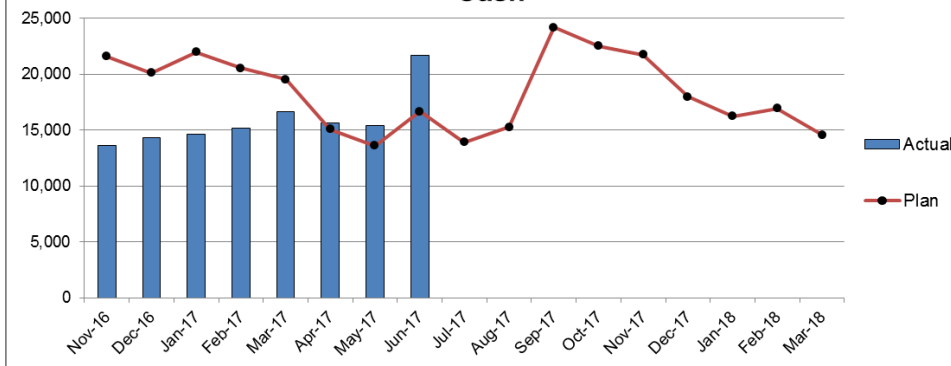
£000 Aged Debtors - Previous Month



£000 Aged Debtors - Current Month



Cash



## Better Practice Payment Code

The Trust has achieved an accumulated performance of 92% of debt paid within 30 days, slightly below the 95% target. The late payments include the resolution of a contract discussion with Cerner and payments to Great Western NHSFT following validation checks on maternity pathways payments.

## Aged Debt

- Total level of invoiced debt has reduced slightly by £0.2m from the previous month, and now stands at £6.3m.
- Debt from prior year stands at £4.2m, a slight drop of £0.3m from the previous month.
  - 2 outstanding invoices remain with SW Specialist Commissioning relating to 2016/17 worth £0.8m, of which the data challenges are currently being worked through.
  - There remains around £1m provider to provider debt from 16/17, about two thirds of which is shared by NBT, Virgin and Sirona. Finance and Contracting are working together to ascertain the reasons behind this debt and chasing up issues with the affected parties to ensure resolution.
- Total NCA debt stands at £1.8m, of which £1.3m is over 60 days old. This debt is being actively chased.

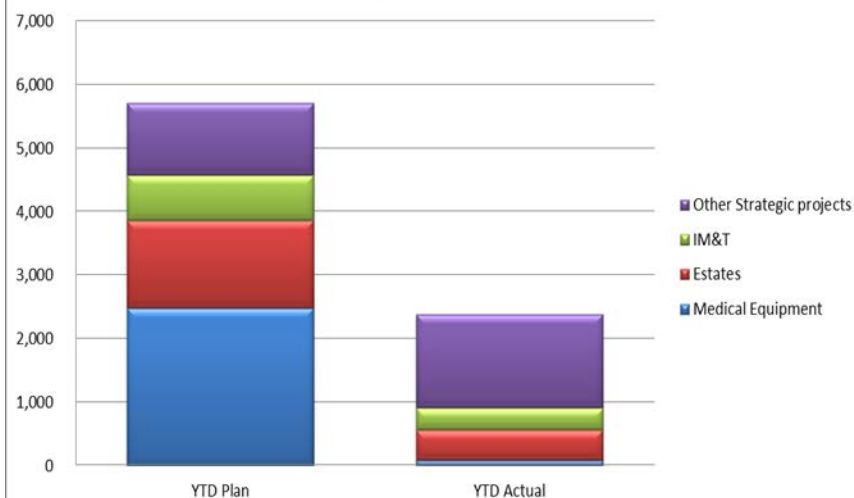
## Cash

The cash balance at the end of June is £20.7m which is £5m above the year to date plan. About half of this is due to the capital plan being £3.3m behind expectation. The rest is driven by a higher level of cash received from debtors that anticipated in the plan.

Cash generation from operating activities was profiled at higher levels to towards the end of the year with the cash benefits of delivering QIPP and the receipt of STF. The planned cash increase in September is the anticipated sale of the RNHRD, which will be used to fund the building of the RNHRD and Therapies Centre over the remainder of the financial year.

# Capital Expenditure

Capital Spend - Year to Date



## Capital Expenditure & Performance

Capital expenditure to the end of June totals £2.4m, resulting in an underspend of £3.3m. It is expected that expenditure will move closer to plan over the coming months.

- Estates expenditure is £0.9m below plan, mainly due to the SSD upgrade. The order for the replacement disinfectant washers was raised in June,
- IM&T expenditure is £0.4m underspent, mainly due to Mobile Devices and EPR enablers.
- Medical Equipment (including leases) is underspent by £2.4m, of which £1.7m relates to Radiology equipment, including the replacement CT. The Dynamic mattresses purchase has been delayed due to storage and infection control issues which need to be resolved.
- Strategic Capital is £0.3m overspent, this relates to the RNHRD & Therapies project build costs which are ahead of schedule but this is offset by slippage in the other site redevelopment projects.

Capital Report as at 30th June 2017	Annual Plan £000s	YTD Plan £000s	YTD Actual £000s	YTD Variance £000s	YTD Actual %
Medical Equipment (donated)	749	107	41	(67)	38%
Strategic Capital (RUH Redevelopment)	298	74	66	(9)	88%
<b>Donated Funded Total</b>	<b>1,047</b>	<b>182</b>	<b>106</b>	<b>(75)</b>	<b>59%</b>
<b>Estates</b>					
Estates - Theatre, Ward & SSD Upgrades	1,981	855	369	(485)	43%
Other Estates Projects	2,995	526	116	(411)	22%
<b>Estates Total</b>	<b>4,976</b>	<b>1,381</b>	<b>485</b>	<b>(896)</b>	<b>35%</b>
<b>IM&amp;T</b>					
Electronic Patient Records & Enablers	2,985	206	123	(83)	60%
Clinical Systems	1,771	111	89	(22)	81%
Other IM&T	1,719	402	128	(274)	32%
<b>IM&amp;T Total</b>	<b>6,474</b>	<b>719</b>	<b>340</b>	<b>(379)</b>	<b>47%</b>
<b>Medical Equipment</b>	<b>6,294</b>	<b>1,467</b>	<b>46</b>	<b>(1,421)</b>	<b>3%</b>
<b>Strategic Capital schemes</b>					
RNHRD & Therapies Build	6,241	353	934	581	265%
RUH Redevelopment	1,529	612	344	(269)	56%
Radiology Upgrade	2,392	92	127	35	138%
<b>Strategic Total</b>	<b>10,162</b>	<b>1,058</b>	<b>1,405</b>	<b>347</b>	<b>133%</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>4,625</b>	<b>2,276</b>	<b>(2,348)</b>	<b>49%</b>
Medical Equipment (Radiology Upgrade)	3,462	910	0	(910)	0%
<b>Lease Purchase Total</b>	<b>3,462</b>	<b>910</b>	<b>0</b>	<b>(910)</b>	
<b>TOTAL</b>	<b>32,916</b>	<b>5,716</b>	<b>2,383</b>	<b>(3,334)</b>	<b>42%</b>