

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>14</b>
<b>Date of Meeting:</b>	<b>27 September 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 31 <sup>st</sup> August 2017.

<b>2. Recommendations (Note, Approve, Discuss)</b>
The Board should note the financial position for August 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 £3.3m at month 5. The Trust was slightly below the deficit control total plan and is therefore anticipating receiving the STF allocation related to the first 5 months of the year totalling £1.9m.</li> </ul>		
QIPP programme	<ul style="list-style-type: none"> <li>£3.2m achieved against plan of £3.2m, 99% delivery for the first 5 months of the year</li> <li>The QIPP plan for 2017/18 has been identified in full. With additional mitigations included QIPP identification is £0.5m over plan</li> </ul>		
Liquidity	<ul style="list-style-type: none"> <li>Cash balance at month end is £24.5m, £9m 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 August 2017	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(117,860)	(113,549)	4,311
Sustainability & Transformation funding	(2,207)	(1,877)	330
Other Income	(13,672)	(13,217)	455
<b>Income Total</b>	<b>(133,739)</b>	<b>(128,642)</b>	<b>5,096</b>
Pay	83,948	82,413	(1,536)
Non Pay	44,886	43,532	(1,355)
<b>Expenditure Total</b>	<b>128,835</b>	<b>125,944</b>	<b>(2,891)</b>
<b>EBITDA</b>	<b>(4,904)</b>	<b>(2,698)</b>	<b>2,206</b>
Finance Charges	6,024	4,185	(1,839)
<b>(Surplus)/Deficit before Impairments</b>	<b>1,120</b>	<b>1,487</b>	<b>367</b>
Impairments			
<b>(Surplus)/Deficit</b>	<b>1,120</b>	<b>1,487</b>	<b>367</b>
<b>Margin</b>	<b>4%</b>	<b>2%</b>	

I&E position used to calculate position against STF control total	Plan	Actual	Variance
		£'000	£'000
<b>(Surplus)/Deficit</b>	<b>1,120</b>	<b>1,487</b>	<b>367</b>
Less anticipated STF funding	2,207	1,877	(330)
Less impairments			
Less Donated income	303	241	(62)
Less Donated depreciation	(327)	(327)	0
<b>Position against control total</b>	<b>3,304</b>	<b>3,278</b>	<b>(25)</b>

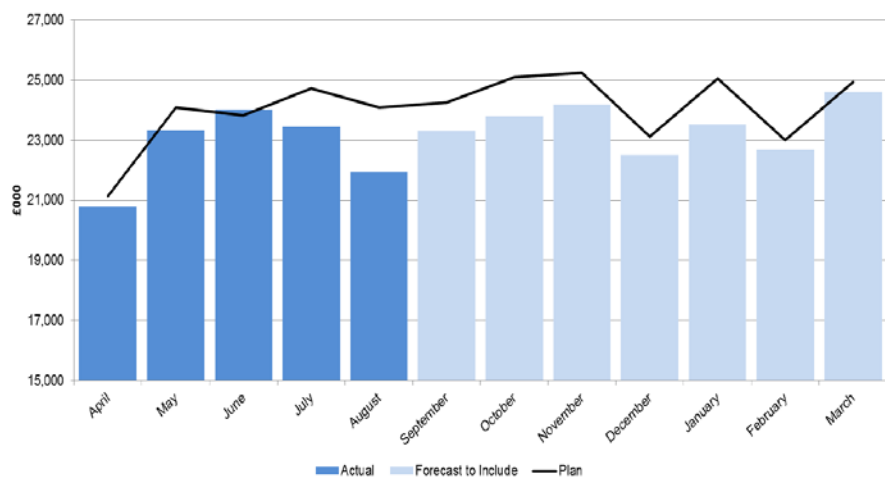
The Month 5 position was again a very small surplus against plan on a control total basis, which will allow the Trust to access £1.9m of Sustainability and Transformation Funding for the first five months of the year. The deficit financial plan set for the early part of the year now moves towards achievement of a planned surplus in month 6.

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

The commissioning income variance from plan increased in month due to the settling of outstanding data challenges relating to the 2016/17 financial year. The normalised under recovery of commissioning income, excluding high cost drugs and 16/17 issues, now stands at £1.7m. This is due mainly to under performance on elective activity.

# Income

Total Trust Income from Commissioners



- The income position as at August is £4.3m under plan. High cost drugs is currently under plan by £1.1m however this is offset by expenditure, therefore the normalised Trust position is £3.2m underperformance.
- Day Cases continue to perform above planned levels and are £0.3m above plan. This is mainly due to increased activity in Cardiology.
- Elective income has seen a deterioration of £0.2m in Month 5 due to lower levels of activity compared to plan. This has been mainly within Surgical specialities of Trauma and Orthopaedics, General Surgery and Pain Management.
- Outpatient income has significantly deteriorated in M5 which equates to £0.5m decrease in August. Activity levels have been below average and planned levels particularly within the Surgical Division.
- Non Elective activity in month continues to increase with further £0.2m increase in August. The activity increases are within Care of the Elderly and General Medicine. The impact of the Marginal Rate Emergency Threshold (MRET) is now £3.3m, £2m above plan.
- The full value of the 16/17 agreements is now recognised within Other.

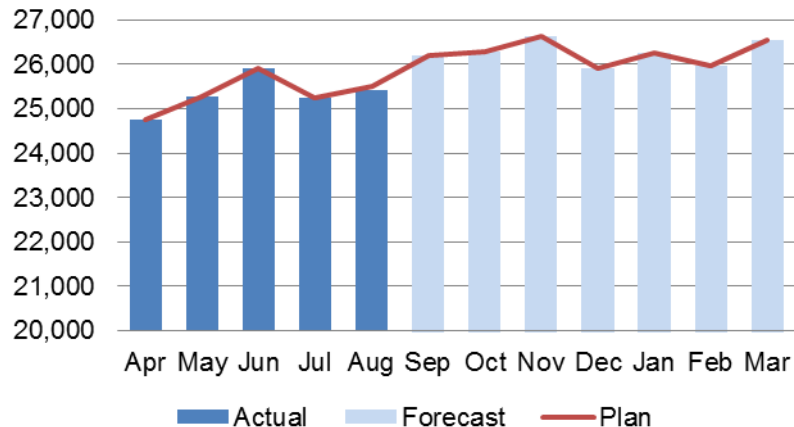
Income Performance 31 August 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,126)	(4,664)	(4,648)	16
Daycase	(21,016)	(8,703)	(9,045)	(342)
Elective Inpatient	(20,600)	(8,534)	(7,570)	964
High Cost Drugs	(40,074)	(15,006)	(13,941)	1,065
Non Elective Inpatient	(104,820)	(43,414)	(44,644)	(1,230)
Outpatient	(75,079)	(30,836)	(30,075)	760
Other	(15,853)	(6,703)	(3,625)	3,078
<b>Total</b>	<b>(288,568)</b>	<b>(117,860)</b>	<b>(113,549)</b>	<b>4,311</b>

SLA Performance - Commissioner 31 August 2017	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(79,114)	(32,545)	(34,389)	(1,844)
Wiltshire CCG	(91,211)	(37,417)	(37,501)	(84)
Somerset CCG	(30,079)	(12,329)	(12,522)	(193)
SW Specialised Commissioning	(57,854)	(23,149)	(20,171)	2,978
Other South West CCGs	(11,729)	(4,773)	(5,482)	(709)
South West Area Teams & LA s	(6,206)	(2,546)	(2,594)	(48)
Wessex Area Team (Cancer Drugs)	(4,460)	(1,670)	(860)	810
Non Contract Activity	(7,915)	(3,433)	(30)	3,402
<b>Total</b>	<b>(288,568)</b>	<b>(117,860)</b>	<b>(113,549)</b>	<b>4,311</b>

Activity Performance 31 August 2017	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,869	31,384	30,702	(682)
Daycase	29,219	12,102	12,080	(22)
Elective Inpatient	6,606	2,735	2,302	(433)
Non Elective Inpatient	43,288	17,934	19,031	1,097
Outpatient	504,792	208,792	202,422	(6,370)
<b>Total</b>	<b>658,774</b>	<b>272,947</b>	<b>266,537</b>	<b>(6,410)</b>

# Expenditure

## Operating Expenditure



## Issues:

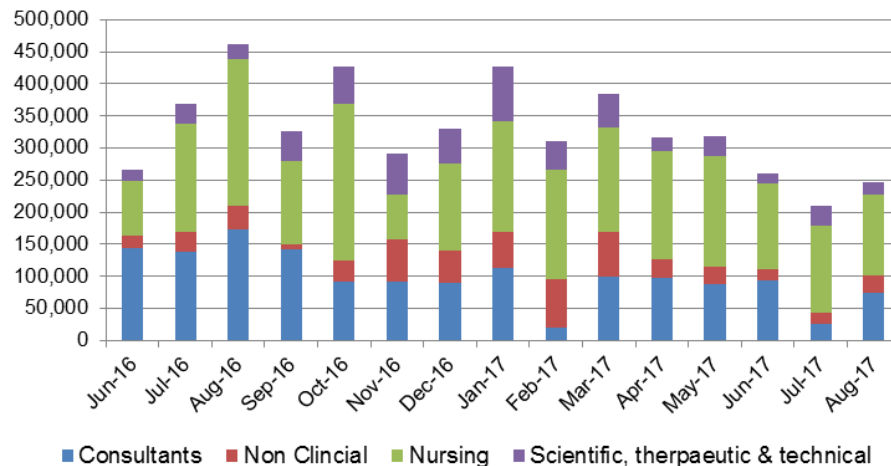
The month 5 combined pay and non pay expenditure was in line with the prior month position due to a number of issues.

Key issues included:

- Pay was up across all staff groups, particularly within Nursing and Medical pay in the Surgical and Medical divisions.
- Agency costs increased in month due to an increased in Medical agency expenditure. Nursing agency expenditure reduced from the previous month and was at the lowest level it has been in the current financial year.
- Non pay expenditure was again slightly lower than the prior month due to reduced high cost drugs and clinical supplies expenditure, mainly within the Medicine Division.

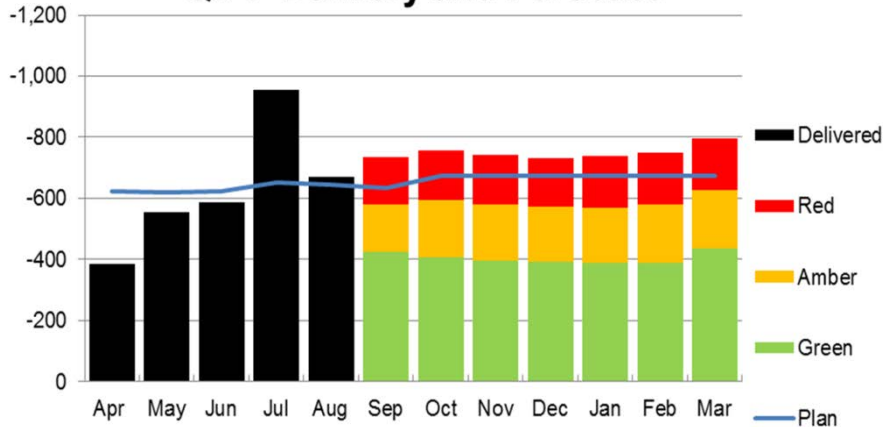
	Prior year average	M4	M5
<b>Divisional Pay run rate</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surgical	4,912	4,995	5,120
Medical	6,180	6,272	6,464
Women's & Children	2,171	2,217	2,271
Facilities	906	887	926
Corporate	1,405	1,706	1,648
<b>TOTAL</b>	<b>15,574</b>	<b>16,077</b>	<b>16,428</b>
<b>Included above</b>			
Agency	327	210	247
<b>Non Pay</b>			
Surgical	2,053	2,143	2,110
Medical	4,208	4,114	3,728
Women's & Children	402	557	538
Facilities	925	953	950
Corporate	933	1,126	1,231
<b>TOTAL</b>	<b>7,997</b>	<b>8,893</b>	<b>8,557</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 just £0.3m of transformational QIPP has been delivered, which is just 40% of plan.
- Of the full plan for the year, schemes totalling £8.4m have now been identified, which is an improvement of £1.3m from the prior month and projects a QIPP overachievement of £0.5m for the year.
- Within the actual and projected delivery across all Divisions there has been an increase in non recurrent QIPP. For the Corporate and Women's & Children's divisions over 55% of delivery is non recurrent
- The major area of concern remains the Surgical division position. Though a significant amount of the plan has been identified, the planned elective efficiencies are not being delivered putting pressure on both the QIPP and overall financial positions
- The current risk assessment of schemes shows an increased number still rated Red £1.2m (15%) and there remains concern around the £1.3m (16%) classified as Amber. As the financial year progresses the plan is reliant on these schemes converting to Green and/or delivered, particularly within the Surgical division.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	1,137	1,026	111	2,840	2,767	73
Surgical	1,036	737	299	2,504	2,437	67
W & C	331	482	(151)	902	1,059	(157)
Facilities	256	229	27	628	648	(20)
Corporate	403	667	(264)	967	1,465	(498)
<b>TOTAL</b>	<b>3,163</b>	<b>3,141</b>	<b>22</b>	<b>7,841</b>	<b>8,376</b>	<b>(535)</b>

# NHS Single Oversight Framework - Use of Resources

	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	1.350	0.740	-0.611	1.204	1.251	0.047
Capital Service Cover Rating	3	4		4	1	
Liquidity Metric	9.251	13.570	4.320	7.725	10.330	2.605
Liquidity Rating	1	1		1	1	
I&E Margin Metric	-0.8%	-2.5%	-1.7%	3.9%	4.2%	0.3%
I&E Margin Rating	3	4		1	1	
Variance from Control Metric		0.0%	0.0%		0.3%	0.3%
Variance from Control Rating		1			1	
Agency Metric	-69.4%	-18.1%	51.3%	-75.6%	-22.1%	53.5%
Agency Rating	1	1		1	1	
Rounded Score	2	2		1	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 5 overall finance score 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 forecast remains in line with the plan submitted to NHS Improvement in March. The year to date scores of 4 on capital service cover and I&E margin is due to lower activity levels year to date and the STF trajectory being weighted more heavily towards the end of year. The score is anticipated to recover over the year as delivery of the operating surplus improves due to the receipt of STF monies which will offset our loan repayments. This will improve our capital service rating and I&E margin in line with the forecast above.

# Statement of Financial Position

Statement of Financial Position	31-Jul-17 £000	31-Aug-17 £000	Movement £000
<b>Non-current assets</b>			
Intangible assets	5,829	5,730	(99)
Property, plant and equipment	165,032	164,816	(216)
Trade and other receivables	1,110	1,109	(1)
<b>Total non-current assets</b>	<b>171,971</b>	<b>171,655</b>	<b>(316)</b>
<b>Current assets</b>			
Inventories	3,158	3,141	(17)
Trade and other receivables	21,450	22,253	803
Assets held for sale and assets in disposal groups	3,575	3,575	0
Cash and cash equivalents	24,761	24,527	(234)
<b>Total current assets</b>	<b>52,944</b>	<b>53,496</b>	<b>552</b>
<b>Current liabilities</b>			
Trade and other payables	(25,326)	(23,272)	2,054
Other liabilities	(4,378)	(4,047)	331
Provisions	(694)	(694)	0
Borrowings	(2,958)	(2,958)	0
<b>Total current liabilities</b>	<b>(33,356)</b>	<b>(30,971)</b>	<b>2,385</b>
<b>Total assets less current liabilities</b>	<b>191,559</b>	<b>194,180</b>	<b>2,621</b>
<b>Non-current liabilities</b>			
Provisions	(812)	(812)	0
Borrowings	(24,709)	(24,709)	0
<b>Total non-current liabilities</b>	<b>(25,521)</b>	<b>(25,521)</b>	<b>0</b>
<b>Total Assets Employed</b>	<b>166,038</b>	<b>168,659</b>	<b>2,621</b>
<b>Financed by</b>			
Income and expenditure reserve	(27,592)	(27,417)	175
Public dividend capital	152,532	154,978	2,446
Revaluation reserve	41,098	41,098	0
<b>Total Equity</b>	<b>166,038</b>	<b>168,659</b>	<b>2,621</b>

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

Key changes in month:

- Expenditure on non-current assets was very low in month (£0.4m), offset by £0.7m depreciation
- The Trust received £2.4m PDC which related to RNHRD restructuring and legacy deficit funding
- Trade payables has reduced by around £1.0m in month
- Receivables has increased by £0.8m which includes a recognition of £1.8m in relation to the sale to the RNHRD, offset by £1.0m movement relating to the settling of prior year income relating to data challenges



# Statement of Financial Position

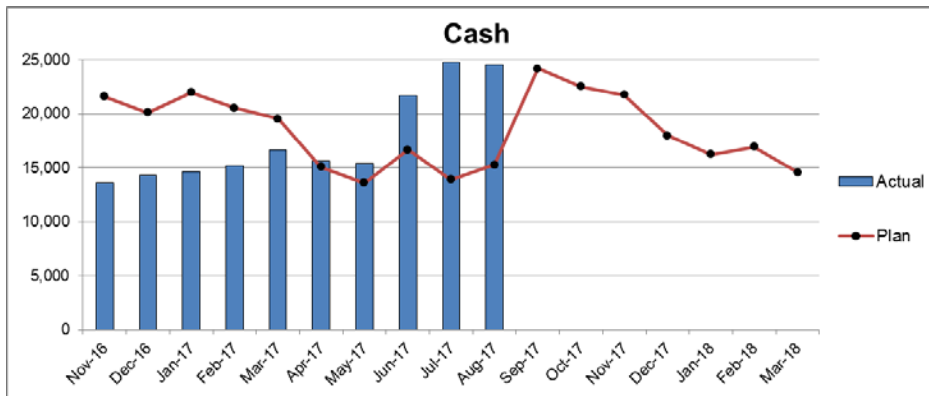


## Better Practice Payment Code

The Trust has achieved year to date performance of 94% of payments within 30 days, slightly below the 95% target. There are no late payments of significance.

## Aged Debt

- The level of invoiced debt has increased by £2.5m from the previous month to £12.9m.
- Debt relating to last year is now £3.3m, a reduction of £0.4m from the previous month which relates mainly to invoices paid by local NHS organisations.
  - Old year invoices with SW Specialist Commissioning have now been cleared subject to approval at their end.
  - Around £0.4m of the debt over 60 days old relating to Virgin Health and discussions are on going to resolve this. Sirona have cleared most of their aged debt.
  - Total NCA debt has increased by £0.7m to £2.5m. There is £1.4m over 90 days, which has not changed from last month although around 400 queries have been worked through which should lead to settled payments.



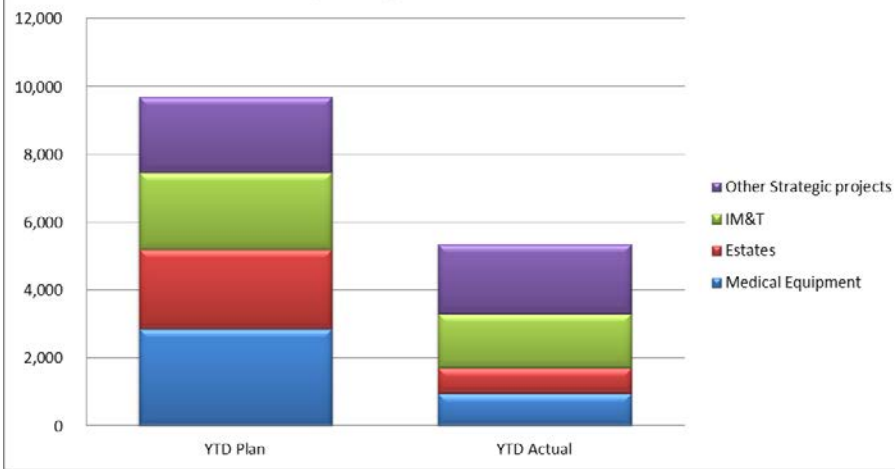
## Cash

The cash balance at the end of July is £24.5m which is £9m above the year to date plan. £4m is due to the capital expenditure being below plan (excluding leases), and the Trust has received £2.4m PDC which was not in the forecast. The balance is due to lower invoiced debt than anticipated.

Cash generation from operating activities is expected to be at higher levels towards the end of the year due to cash benefits from delivering higher levels of QIPP and the receipt of Sustainability and Transformation Funding.

# Capital Expenditure

Capital Spend - Year to Date



## Capital Expenditure & Performance

Capital expenditure to the end of August totals £5.3m, resulting in an underspend of £4.3m. Expenditure has moved closer to plan over the past month.

- Estates expenditure is £1.6m below plan. £0.5m in relation to the SSD upgrade including replacement disinfectant washers. Other issues include the ward fire escape works, the redevelopment of the Facilities building and the rolling replacement programme.
- IM&T expenditure is £0.7m underspent, with £0.5m relating to Mobile Devices
- Medical Equipment (including leases) is underspent by £1.8m. £1.0m relates to the Radiology Upgrade and £0.4m related to the Dynamic mattresses purchase
- Strategic Capital is £0.2m underspent, an overspend on the RNHRD & Therapies project as design costs are ahead of schedule are offset by slippage in the other site redevelopment projects.

Capital Report as at 31st August 2017	Annual Plan £000s	YTD Plan £000s	YTD Actual £000s	YTD Variance £000s	YTD Actual %	Forecast Outturn £000s
<b>Medical Equipment (donated)</b>	749	179	140	(39)	78%	749
<b>Strategic Capital (RUH Redevelopment)</b>	298	124	101	(23)	81%	298
<b>Donated Funded Total</b>	<b>1,047</b>	<b>303</b>	<b>241</b>	<b>(62)</b>	<b>79%</b>	<b>1,047</b>
<b>Estates</b>						
Theatre, Ward & SSD Upgrades	1,981	1,098	415	(683)	38%	1,981
Other Estates Projects	2,995	1,254	334	(920)	27%	2,995
<b>Estates Total</b>	<b>4,976</b>	<b>2,352</b>	<b>749</b>	<b>(1,604)</b>	<b>32%</b>	<b>4,976</b>
<b>IM&amp;T</b>						
Electronic Patient Records & Enablers	2,985	1,314	1,213	(101)	92%	2,940
Clinical Systems	1,771	111	72	(39)	65%	1,271
Other IM&T	1,719	837	313	(524)	37%	1,957
<b>IM&amp;T Total</b>	<b>6,474</b>	<b>2,263</b>	<b>1,598</b>	<b>(665)</b>	<b>71%</b>	<b>6,168</b>
<b>Medical Equipment</b>	<b>6,294</b>	<b>1,771</b>	<b>238</b>	<b>(1,533)</b>	<b>13%</b>	<b>4,779</b>
<b>Strategic Capital schemes</b>						
RNHRD & Therapies Build	6,241	588	1,241	653	211%	6,241
RUH Redevelopment	1,529	888	461	(427)	52%	1,529
Radiology Upgrade	2,392	622	235	(387)	38%	2,392
<b>Strategic Total</b>	<b>10,162</b>	<b>2,097</b>	<b>1,937</b>	<b>(161)</b>	<b>92%</b>	<b>10,162</b>
<b>Contingency</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>500</b>
<b>Trust Funded Total</b>	<b>28,407</b>	<b>8,484</b>	<b>4,521</b>	<b>(3,962)</b>	<b>53%</b>	<b>26,585</b>
<b>Medical Equipment (Radiology Upgrade)</b>	<b>3,462</b>	<b>910</b>	<b>597</b>	<b>(313)</b>	<b>66%</b>	<b>2,212</b>
<b>Lease Purchase Total</b>	<b>3,462</b>	<b>910</b>	<b>597</b>	<b>(313)</b>		<b>2,212</b>
<b>TOTAL</b>	<b>32,916</b>	<b>9,697</b>	<b>5,359</b>	<b>(4,338)</b>	<b>55%</b>	<b>29,845</b>