

Report to:	Public Board of Directors	Agenda item:	12
Date of Meeting:	28 March 2018		

Title of Report:	2017/18 Month 11 Finance Report
Status:	Approval
Board Sponsor:	Peter Hollinshead, Interim Director of Finance
Author:	Elizabeth Poskitt, Head of Financial Management
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 28th February 2018.

2. Recommendations (Note, Approve, Discuss)
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The Board should note the financial position for February 2018 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
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Standing Item

8. Freedom of Information

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"> The control total plan was to achieve a surplus of £5.2m at the month 11 and it has been delivered. Income from commissioners continues to be below plan, with an offset in pay and non-pay expenditure. The full anticipated STF allocation has not been achieved due to performance targets related to ED performance being missed. 		
QIPP programme	<ul style="list-style-type: none"> £7.8m achieved against plan of £7.2m, 108% delivery for the year to date. The forecast QIPP position for 2017/18 is now £0.5m above plan. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of February was £32.1m, which is £15.2m above plan. The liquidity metric is scored as 1, which is the highest rating possible. 		
Use of Resources	<ul style="list-style-type: none"> Use of Resources metric is scored as 3 indicating that the Trust has room for improvement. However this is in line with the plan. 		

Income and Expenditure Summary

Statement of Comprehensive Income Period to February 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(263,634)	(253,211)	10,423
Sustainability & Transformation funding	(6,883)	(5,463)	1,420
Other Income	(30,473)	(30,837)	(364)
Income Total	(300,990)	(289,512)	11,478
Pay	184,674	183,226	(1,448)
Non Pay	101,207	96,977	(4,230)
Expenditure Total	285,881	280,203	(5,678)
EBITDA	(15,109)	(9,308)	5,801
Finance Charges	2,837	(2,069)	(4,906)
(Surplus)/Deficit before Impairments	(12,272)	(11,378)	895
Impairments	0	1315	1315
(Surplus)/Deficit	(12,272)	(10,062)	2,210
Margin	5%	3%	

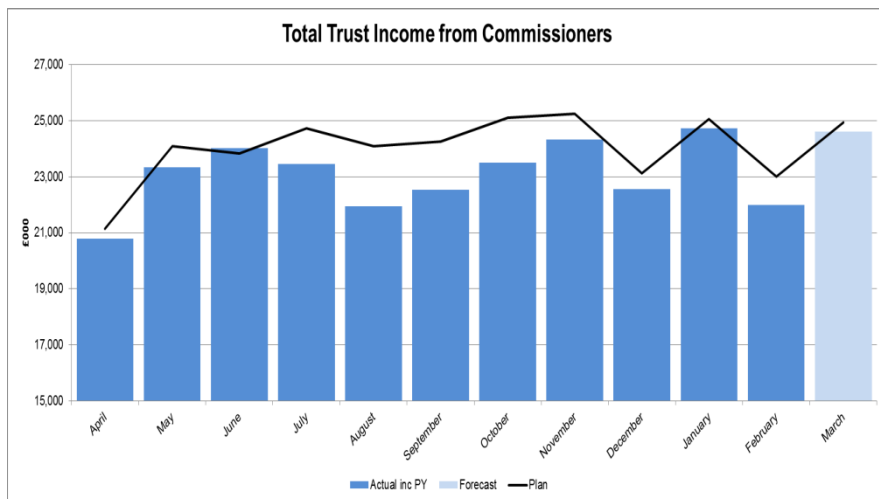
I&E position used to calculate position against STF control total			
	Plan	Actual £'000	Variance £'000
(Surplus)/Deficit	(12,272)	(10,062)	2,210
Less anticipated STF funding	6,883	5,463	(1,420)
Less impairments	0	(1,315)	(1,315)
Less Donated income	880	718	(162)
Less Donated depreciation	(714)	(712)	1
Position against control total	(5,223)	(5,909)	(686)

The Month 11 position was a surplus against plan on a control total basis, which should allow the Trust to access £5.5m of Sustainability and Transformation Funding for the year to date. It is anticipated the financial element of the STF will be achieved, though achievement of performance targets has not been at the required levels meaning an element of the STF will not be received. This position includes £0.6m income for Winter where an expectation of an improved forecast outturn is required by NHS Improvement.

The trend for the year has continued in Month 11 with both pay and non-pay remaining underspent against plan. Pay expenditure has increased slightly from January, with increases across a number of Divisions. Non-pay expenditure saw a drop in the High Cost Drugs spends driving the position.

The commissioning income variance from plan increased in month due mainly to the Elective and Outpatient performance further deteriorating and lower than planned usage of High Cost Drugs. However, Non-Elective activity was significantly above plan.

Income



- The income position as at the end of February is £10.4m below plan. Of this £5.5m relates to High Cost Drugs which is offset by expenditure and £1.8m is in relation to prior year agreements. The underlying Trust position is therefore £3.1m under plan.
- Day Cases continue above planned levels and are £0.7m above plan year to date. This is mainly due to increased activity in Cardiology.
- Elective income has reduced against plan by a further £0.6m in February due to continued lower levels of activity mainly within the Surgical specialities of Trauma and Orthopaedics, General Surgery, Colorectal and Urology.
- Non Elective income continues to over perform significantly against plan and currently stands at £5.8m above planned levels. In February this is driven mainly by Geriatric Medicine, General Medicine, Stroke and Respiratory. The impact of the Marginal Rate Emergency Threshold (MRET) is now £5.4m, £2.7m above plan.
- Outpatient activity continues to underperform with a further £0.1m deterioration in Month 11. In February both Surgery and Medicine activity is below the monthly average.
- The Month 11 position includes the impact of year end agreements with BANES, Wiltshire and Specialised Commissioning.

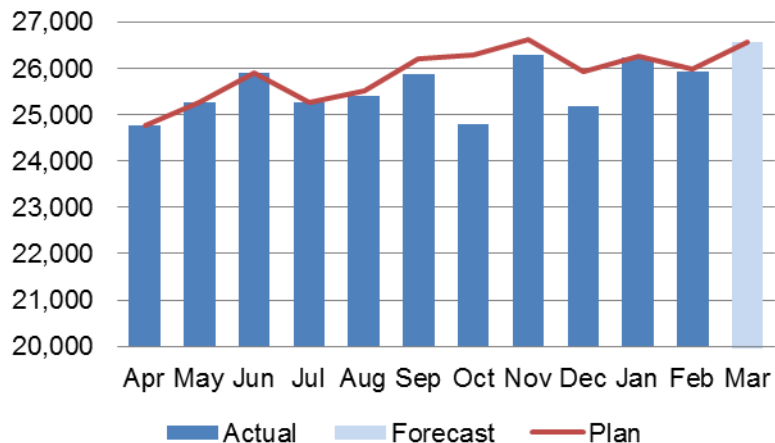
Income Performance	Annual Plan	YTD Plan	YTD Actual	YTD Variance
28 February 2018	£000	£000	£000	£000
A&E Attendance	(11,126)	(10,181)	(9,894)	287
Daycase	(21,016)	(19,254)	(20,008)	(754)
Elective Inpatient	(20,600)	(18,875)	(15,580)	3,295
High Cost Drugs	(40,074)	(36,257)	(30,736)	5,521
Non Elective Inpatient	(104,820)	(95,796)	(101,644)	(5,848)
Outpatient	(75,079)	(68,732)	(66,574)	2,158
Other	(15,853)	(14,539)	(8,776)	5,763
Total	(288,568)	(263,634)	(253,211)	10,423

SLA Performance - Commissioner	Annual Plan	YTD Plan	YTD Actual	YTD Variance
28 February 2018	£000	£000	£000	£000
Banes CCG	(80,779)	(73,865)	(76,817)	(2,952)
Wiltshire CCG	(92,834)	(84,884)	(86,187)	(1,303)
Somerset CCG	(30,855)	(28,204)	(28,681)	(477)
SW Specialised Commissioning	(53,001)	(48,268)	(40,361)	7,906
Other South West CCGs	(12,419)	(11,343)	(12,276)	(933)
South West Area Teams & LA s	(6,206)	(5,682)	(5,291)	391
Wessex Area Team (Cancer Drugs)	(4,460)	(4,036)	(1,661)	2,375
Non Contract Activity	(8,014)	(7,351)	(1,937)	5,414
Total	(288,568)	(263,634)	(253,211)	10,423

Activity Performance	Annual Plan	YTD Plan	YTD Actual	YTD Variance
28 February 2018	Activity	Activity	Activity	Activity
A&E Attendance	74,869	68,510	65,865	(2,645)
Daycase	29,219	26,771	26,624	(147)
Elective Inpatient	6,606	6,052	4,805	(1,247)
Non Elective Inpatient	43,288	39,489	43,307	3,818
Outpatient	504,792	462,299	451,959	(10,339)
Total	658,774	603,121	592,560	(10,561)

Expenditure

Operating Expenditure



Issues:

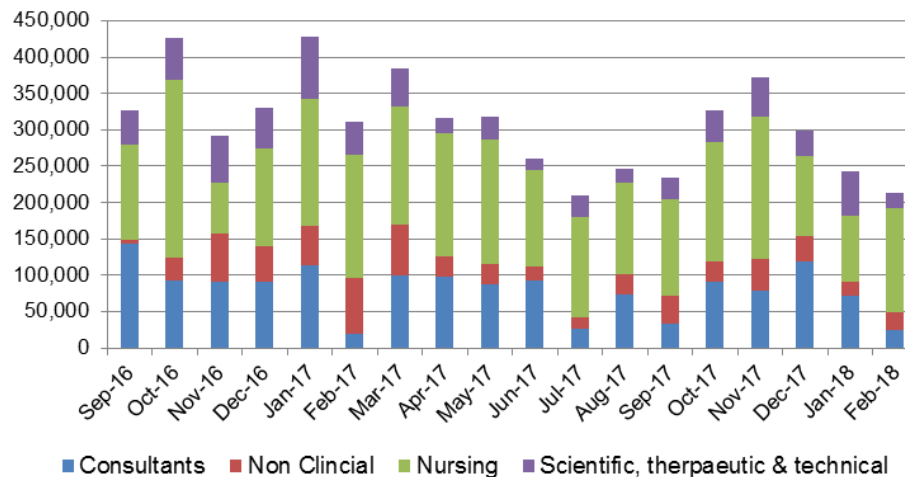
Month 11 pay increased from the Month 10 position, whilst non-pay saw a drop.

Key drivers included:

- Increases in substantive spend, particularly within the clinical divisions across almost all staff groups.
- Agency medical and nursing staff costs have seen a reduction.
- Non pay expenditure decreased due to lower spend on drugs than previous months. However, there has been increased spend on Pathology tests relating to flu and norovirus.
- The level of expenditure on cleaning equipment and external cleaning contractors has also increased.

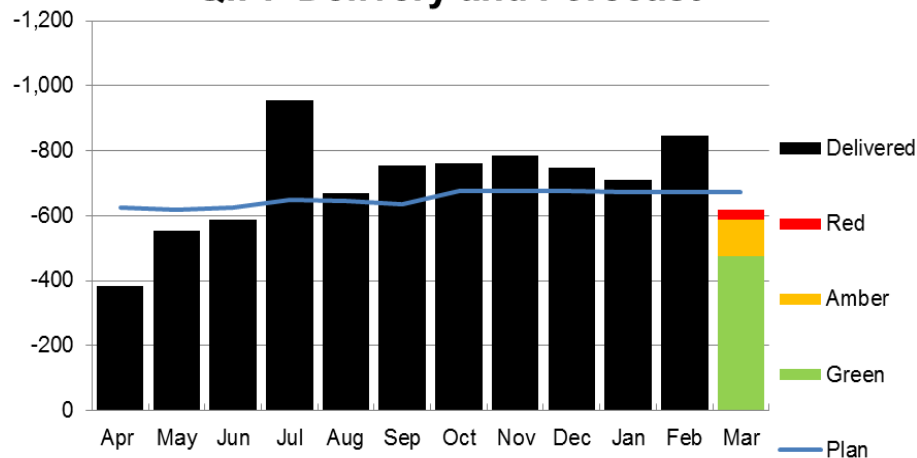
	Prior year average	M10	M11
Divisional Pay run rate	£'000	£'000	£'000
Surgical	4,912	5,000	5,013
Medical	6,180	6,733	6,776
Women's & Children	2,171	2,298	2,323
Facilities	906	934	907
Corporate	1,405	1,723	1,725
TOTAL	15,574	16,689	16,743
Included above			
Agency	327	242	214
Non Pay			
Surgical	2,053	1,992	2,148
Medical	4,208	4,289	3,785
Women's & Children	402	516	534
Facilities	925	977	931
Corporate	933	1,351	1,525
TOTAL	7,997	9,126	8,924

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 aim is to allow divisions the opportunity to focus on the development of transformational schemes that change the way hospital services will be provided in the future.
- The Corporate areas continue to deliver well above their target, however this is through pay savings and the non-recurrent element of this will cause pressure for the 2018/19 plan.
- The Surgical division was in line with their plan this month and it is forecast to remain at that level next month. This remains some distance from their target.
- The balance between recurrent and non-recurrent QIPP saw a slight deterioration to 70% recurrent and 30% non recurrent. The forecast shows that there will be £2.4m non-recurrent savings by the end of March which need to be found in 2018/19.
- The process to identify the QIPP plan for 2018/19 is ongoing in order to establishment the balance of divisional and trust wide schemes. This is being regularly addressed through the Business Planning Working group.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	2,594	2,747	(153)	2,840	2,948	(108)
Surgical	2,294	1,968	326	2,504	2,181	323
W & C	819	1,068	(248)	902	1,138	(236)
Facilities	574	560	14	628	612	17
Corporate	886	1,411	(525)	967	1,493	(526)
TOTAL	7,168	7,754	(587)	7,841	8,372	(531)

NHS Single Oversight Framework - Use of Resources

	YTD Plan	YTD Actual	YTD Variance	M12 Plan	M12 Forecast	M12 Variance
Capital Service Cover Metric	1.803	1.135	-0.668	1.204	0.629	-0.575
Capital Service Cover Rating	2	4		4	4	
Liquidity Metric	15.445	30.193	14.748	7.725	16.568	8.843
Liquidity Rating	1	1		1	1	
I&E Margin Metric	4.0%	3.9%	-0.1%	3.9%	3.8%	-0.1%
I&E Margin Rating	1	1		1	1	
Variance from Control Metric		0.1%	0.1%		-0.1%	-0.1%
Variance from Control Rating		1			2	
Agency Metric	-75.6%	-35.7%	39.9%	-75.6%	-31.7%	43.9%
Agency Rating	1	1		1	1	
Rounded Score	1	2		1	2	
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here		Trigger			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			3	

The Trust's Month 11 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 performance against control total excluding STF remains in line with the NHS Improvement plan following the adjustments made centrally post submission in March. The year to date scores of 4 on Capital Service Cover is due to lower activity levels driving an under-achievement in commissioner income.

Discussions are underway with NHS Improvement to clarify the treatment of the cash received in relation to the RNHRD sale and the impact it has on the Capital Service Cover metric.

Statement of Financial Position

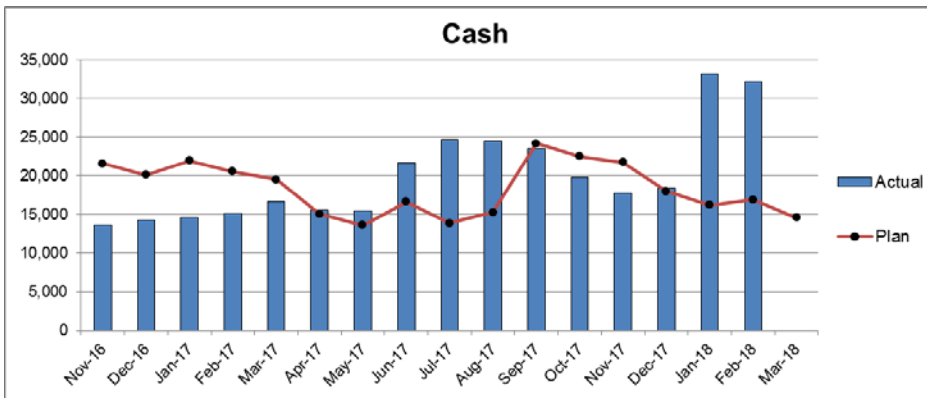
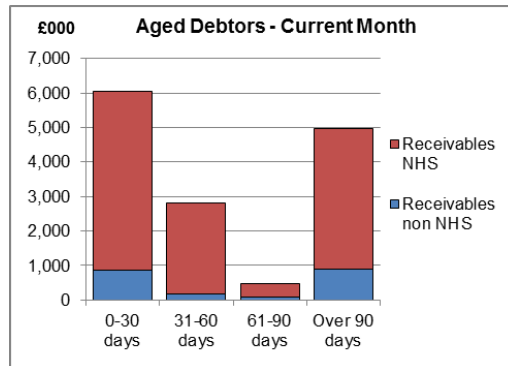
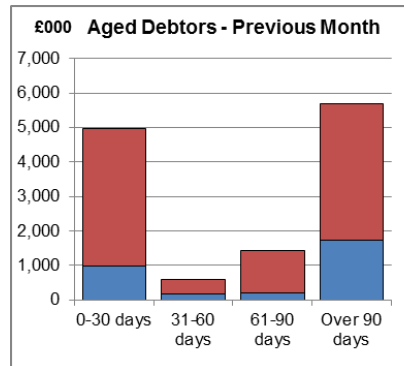
Statement of Financial Position	31-Jan-18 £000	28-Feb-18 £000	Movement £000
Non-current assets			
Intangible assets	6,065	5,957	(108)
Property, plant and equipment	168,470	168,708	238
Trade and other receivables	1,067	1,060	(7)
Total non-current assets	175,602	175,725	123
Current assets			
Inventories	3,855	3,856	1
Trade and other receivables	25,530	24,709	(821)
Assets held for sale and assets in disposal groups	0	0	0
Cash and cash equivalents	33,145	32,152	(993)
Total current assets	62,530	60,717	(1,813)
Current liabilities			
Trade and other payables	(24,697)	(23,970)	727
Other liabilities	(4,445)	(3,883)	562
Provisions	(637)	(623)	14
Borrowings	(3,055)	(3,055)	0
Total current liabilities	(32,834)	(31,531)	1,303
Total assets less current liabilities	205,298	204,911	(387)
Non-current liabilities			
Provisions	(812)	(812)	0
Borrowings	(23,136)	(23,136)	0
Total non-current liabilities	(23,948)	(23,948)	0
Total Assets Employed	181,350	180,963	(387)
Financed by			
Income and expenditure reserve	(14,859)	(15,246)	(387)
Public dividend capital	155,733	155,733	0
Revaluation reserve	40,476	40,476	0
Total Equity	181,350	180,963	(387)

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

Key changes in month:

- Non-current assets remain largely unchanged, with costs relating to the RNHRD build lower than expected and overall additions are largely offset by depreciation.
- Trade receivables have decreased by £0.8m. This is largely due to a reduction in non-NHS debtors, most notably the payments from Virgin Healthcare.
- Trade payables have decreased by £0.7m due mainly to a reduction in aged creditors, in particular the payment of £0.6m outstanding invoices from Public Health England for microbiology services.
- Other liabilities have decreased by £0.5m which is mostly the recognition of winter funding
- The cumulative I&E reserve deficit has increased by £0.4m in month reflecting the deficit in the Month 11 Income and expenditure account.
- Cash has reduced by £1m which is the net reduction in cash used in operating activities.

Statement of Financial Position



Better Practice Payment Code

The Trust has achieved an accumulated performance of 95% of invoices paid by value within 30 days, which is in line with the national target. There are no late payments of significance.

Aged Debt

Invoiced debt has increased by £1.6m from the previous month to £14.3m. Balances relating to invoices raised prior to 31st March 2017 are now well under £2m, a reduction of £0.6m from the previous month.

Year-end agreements with local commissioners will support the reduction of the outstanding debt, which currently is £6.7m combined for these organisations.

Virgin now has no outstanding debt over 30 days.

Aside from the above, of the Trust's total aged debt the following are the most significant balances:

- £1m with Somerset CCG which is expected to be resolved via a year end agreement.
- £2.3m relates to Non Contract Activity (NCA), of which £1.5m is over 90 days. NCA queries outstanding have increased to 468, and are being reviewed with a view to resolving promptly. These mostly relate to prior approval for Welsh patients. Of the over 180 days NCA debt that was reported at M9, £58k (6%) was resolved in month.

Cash

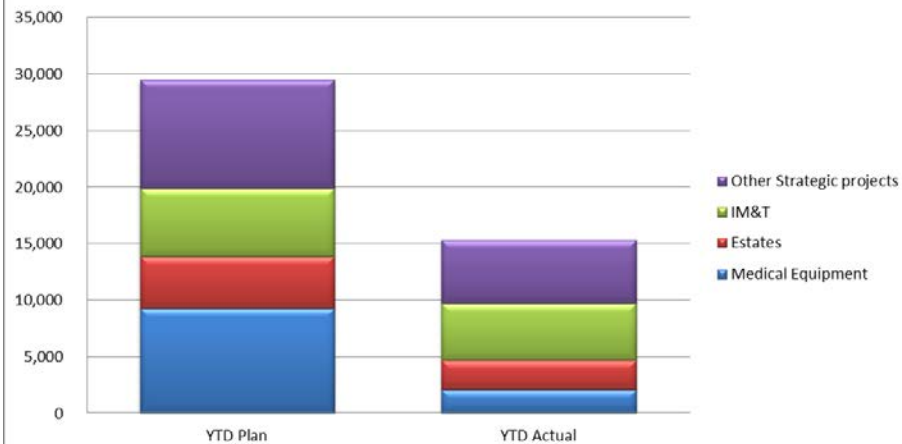
The cash balance at the end of February is £32.1m which is £15.2m higher than plan. The positive variance from plan is made up of the following:

- £2.4m additional RNHRD PDC
- £10.3m capital slippage
- £4.5m additional capital proceeds
- £2.5m working capital

This is offset by the lower than planned operating I&E position.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure to the end of February totals £15.3m, resulting in an underspend of £14.1m.

- Estates expenditure is £2.0m below plan, due to SSD upgrade and ward decant projects deferred to next year.
- IM&T expenditure is £1.0m underspent, which relates to e-observation, cardiology IT upgrade and blood traceability projects which have all been deferred.
- Medical Equipment is underspent by £7.1m. Other schemes have been brought forward to partially offset slippage and meet current needs. There are £1.7m of orders placed, which are expected to be delivered in March.
- Strategic Capital is £4.0m behind plan, with slippages in site redevelopment schemes including the Therapies build and Radiology Upgrade.

Capital Expenditure is forecast to be £12.8m behind plan at the end of the year due to the slippages in these various projects

Capital Summary as at 28th Feb 2018	Annual Plan £000s	YTD Plan £000s	YTD Actual £000s	YTD Variance £000s	YTD Actual %	Forecast Outturn £000s
Medical Equipment (donated)	749	607	354	(253)	58%	549
Strategic Capital (RUH Redevelopment)	298	273	368	95	135%	379
Donated Funded Total	1,047	880	722	(158)	82%	928
Estates						
Theatre, Ward & SSD Upgrades	1,981	1,735	897	(838)	52%	904
Other Estates Projects	2,995	2,867	1,688	(1,179)	59%	2,475
Estates Total	4,976	4,602	2,585	(2,018)	56%	3,379
IM&T						
Electronic Patient Records & Enablers	2,985	2,975	3,224	250	108%	3,220
Clinical Systems	1,771	1,394	60	(1,335)	4%	60
Other IM&T	1,719	1,612	1,733	122	108%	2,137
IM&T Total	6,474	5,981	5,017	(963)	84%	5,417
Medical Equipment	6,229	5,335	1,157	(4,178)	22%	2,911
Strategic Capital schemes						
RNHRD & Therapies Build	6,241	5,083	3,077	(2,006)	61%	4,235
RUH Redevelopment	1,594	1,536	936	(600)	61%	943
Radiology Upgrade	2,392	2,380	1,231	(1,150)	52%	1,615
Strategic Total	10,227	8,999	5,243	(3,756)	58%	6,793
Contingency	500	333	0	(333)	0%	0
Trust Funded Total	28,407	25,250	14,003	(11,248)	55%	18,500
Medical Equipment (Radiology Upgrade)	3,462	3,360	597	(2,763)	18%	620
Lease Purchase Total	3,462	3,360	597	(2,763)		620
TOTAL	32,916	29,490	15,322	(14,169)	52%	20,049