

Report to:	Public Board of Directors	Agenda item:	13
Date of Meeting:	30 May 2018		

Title of Report:	Finance Board 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 30 April 2018.

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position.

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. Failure to deliver the operating surplus will require curtailment of the capital programme.

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
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 for Month 1 was a deficit of £0.6m. The Trust's actual position was a deficit of £1.3m, £0.7m below plan. Income from commissioners was below plan; whilst pay was greater than plan. The full anticipated STF allocation has been included in the position; however if the Trust does not achieve the control total by the end of Month 3, the finance element of this will be lost for Q1. 		
QIPP programme	<ul style="list-style-type: none"> £0.5m achieved against plan of £0.9m, 61% delivery for the year to date. The forecast QIPP position for 2018/19 is now £1.4m below plan. 		
Liquidity	<ul style="list-style-type: none"> Cash balance at the end of March was £28.2m, which is £0.2m above plan. The liquidity metric is scored as 1, which is the highest rating possible. 		

Income and Expenditure Summary

Statement of Comprehensive Period to April 2018	Year to date profile		
	Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(23,646)	(23,294)	352
Sustainability & Transformation funding	(548)	(548)	(0)
Other Income	(2,711)	(2,634)	77
Income Total	(26,905)	(26,476)	429
Pay	16,795	17,254	458
Non Pay	8,908	8,765	(143)
Expenditure Total	25,703	26,019	316
EBITDA	(1,202)	(457)	745
Finance Charges	1,251	1,236	(15)
Impairments			
Finance Charges	1,251	1,236	(15)
(Surplus)/Deficit	49	779	730
Margin	4%	2%	

I&E position used to calculate position against STF control total			
	Plan	Actual £'000	Variance £'000
(Surplus)/Deficit	49	779	730
Less anticipated STF funding	548	548	0
Less impairments	0		
Less Donated income	68	35	(33)
Less Donated depreciation	(66)	(66)	0
Position against control total	599	1,296	697

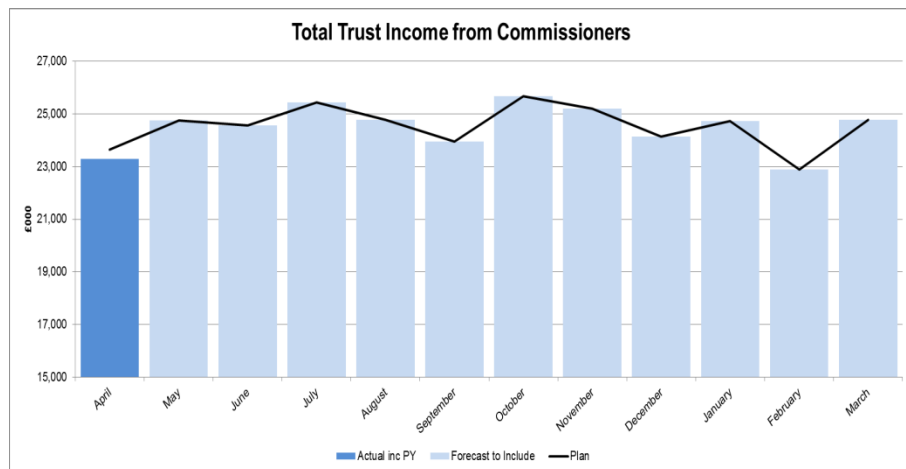
The Month 1 position was a deficit to plan, driven by a number of key factors, specifically around Income from Commissioners and pay spend.

The Trust has not agreed its main CCG contracts which is currently being escalated.

The level of Elective activity in April was below plan; whilst Non-Elective activity was high, this has driven an over performance against the assumption for the Emergency Marginal Rate Threshold.

The key drivers of the Pay position are high levels of agency spend, in addition to the non-achievement of QIPP assumptions relating to pay.

Income



- The income position as at the end of April is £0.3m below plan. High Cost Drugs are marginally over plan and is offset by expenditure, and therefore the underlying trust position is £0.4m below plan.
- Increased activity within Gastroenterology and Oncology have driven Day Cases to be above planned levels in month, offset by lower than planned activity levels in ENT and Pain Management.
- Elective income is under plan by £0.2m due to continued lower levels of activity mainly within the Surgical specialities of Trauma and Orthopaedics, General Surgery and Urology.
- Non Elective income has over performed against plan. In April this has been driven mainly by Geriatric Medicine, Respiratory, Critical Care Medicine and Paediatrics. The impact of the Marginal Rate Emergency Threshold (MRET) is £0.7m in April, £0.2m above plan.
- Outpatient activity has underperformed against plan in April. Trauma and Orthopaedics, Cardiology and Oncology have underperformed, offset by an over performance in Ophthalmology, Gastroenterology and Pain Management.

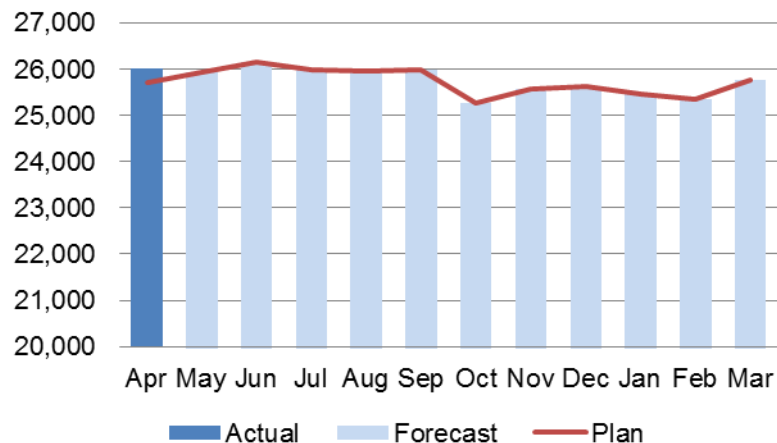
Income Performance 30 April 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,597)	(953)	(881)	72
Daycase	(22,297)	(1,772)	(1,784)	(12)
Elective Inpatient	(18,671)	(1,444)	(1,203)	241
High Cost Drugs	(35,966)	(2,795)	(2,831)	(36)
Non Elective Inpatient	(113,425)	(9,261)	(9,238)	23
Outpatient	(75,483)	(6,071)	(6,056)	16
Other	(17,057)	(1,349)	(1,301)	48
	(294,495)	(23,646)	(23,294)	352

SLA Performance - Commissioner 30 April 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(86,761)	(6,988)	(7,084)	(96)
Wiltshire CCG	(97,350)	(7,847)	(7,705)	142
Somerset CCG	(32,521)	(2,618)	(2,643)	(25)
SW Specialised Commissioning	(47,107)	(3,721)	(3,305)	416
Other South West CCGs	(1,656)	(131)	(189)	(58)
South West Area Teams & LA s	(5,355)	(469)	(419)	50
Wessex Area Team (Cancer Drugs)	(1,938)	(151)	(124)	27
Non Contract Activity	(21,808)	(1,721)	(1,825)	(104)
	(294,495)	(23,646)	(23,294)	352

Activity Performance 30 April 2018	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,806	6,148	6,150	2
Daycase	29,175	2,316	2,509	194
Elective Inpatient	5,639	437	403	(34)
Non Elective Inpatient	48,283	3,914	4,049	135
Outpatient	511,468	41,175	41,155	(20)
	669,371	53,990	54,266	276

Expenditure

Operating Expenditure



Issues:

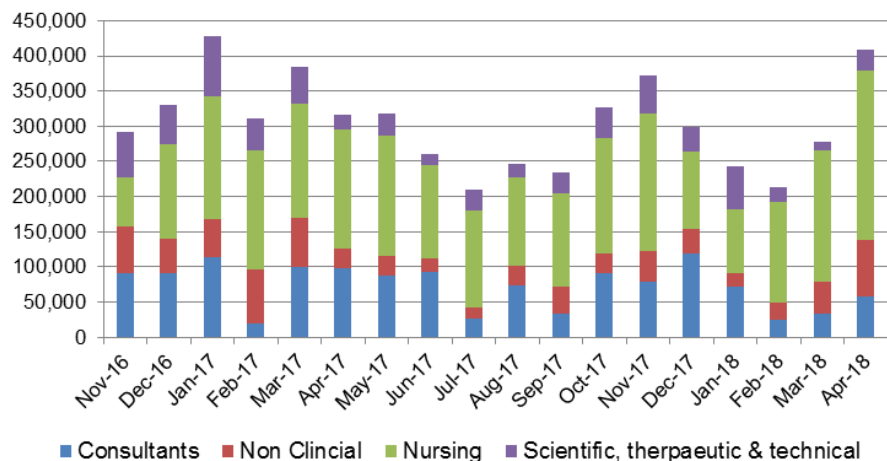
Whilst the Month 1 position for both pay and non-pay was a reduction from Month 12, it was significantly higher than the average for 2017/18. The Month 12 position included a number of one-off adjustments related to year end closedown.

Key drivers for the Month 1 position included:

- Agency pay, particularly within nursing, increasing to the highest point in over a year.
- Continuing increases in junior doctor pay costs; particularly in Surgery and Women & Children's.
- Whilst non-pay was under plan there were individual areas with high levels of spend, including maintenance and utilities.

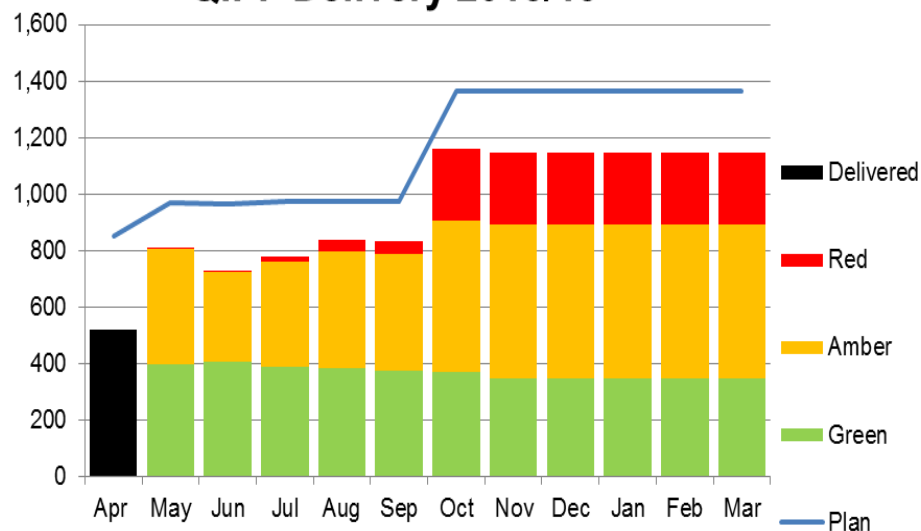
	Prior year average	M12	M1
Divisional Pay run rate	£'000	£'000	£'000
Surgical	5,055	4,882	4,931
Medical	6,518	6,456	6,695
Women's & Children	2,308	2,457	2,531
Facilities	911	916	1,019
Corporate	1,559	2,094	1,587
TOTAL	16,351	16,805	16,763
Included above			
Agency	278	278	409
Non Pay			
Surgical	2,019	2,351	1,846
Medical	4,014	4,130	3,801
Women's & Children	523	633	540
Facilities	898	781	935
Corporate	1,340	2,821	1,463
TOTAL	7,997	10,716	8,585

Rolling monthly agency expenditure



QIPP

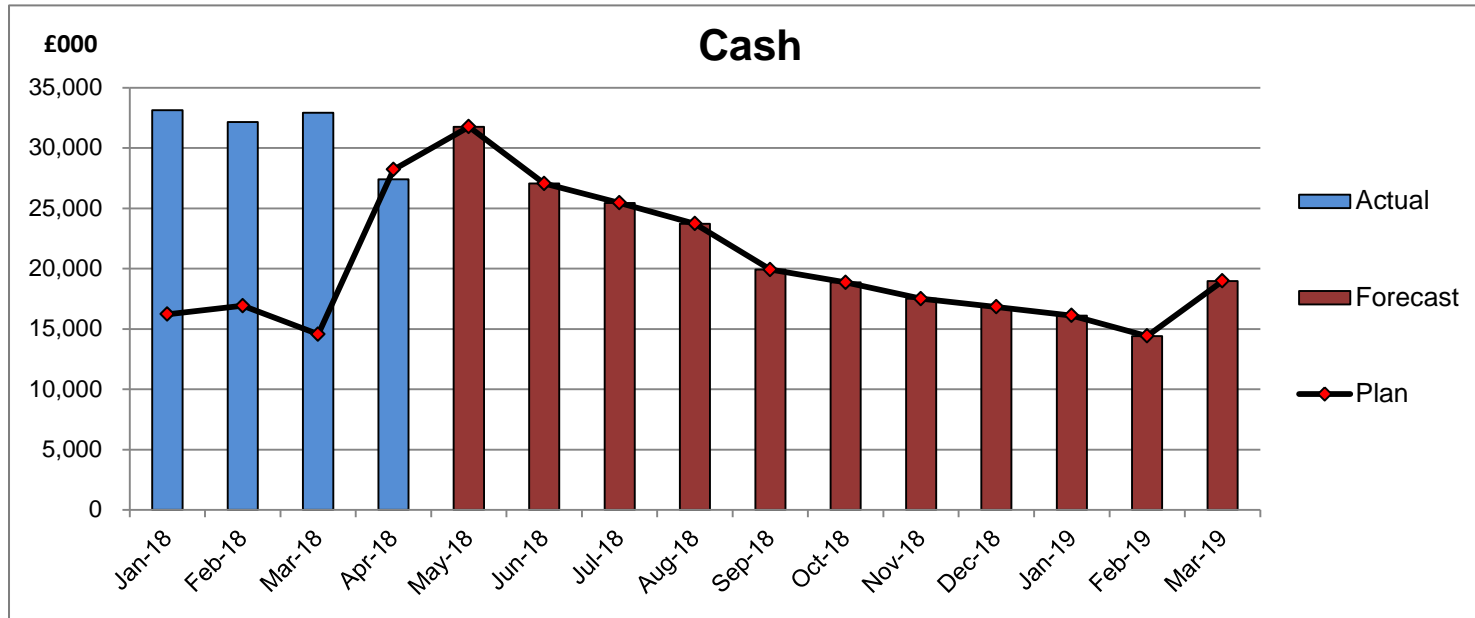
QIPP Delivery 2018/19



- For the Trust to deliver its Control Total in 2018/19 it needs to deliver at least £13.9m of savings.
- The plan for QIPP delivery is profiled, with the expectation of a step change in the rate of delivery in the last six months of the year. Therefore, the savings in April are the lowest of the year.
- The QIPP delivery in April was only £0.5m against a plan for £0.9m; delivering just over 60% of the plan. Of this only 68% was recurrent savings; therefore less than half the planned level of savings for the month were recurrently delivered.
- There is a considerable gap between forecast savings and the £13.9m requirement. There is a significant gap in the Medicine, Corporate and Facilities plans and, whilst other divisions show positions closer to their targets, these include a number of mitigations for which plans have not yet been developed.
- The forecast delivery includes schemes which are rated as red for £1.6m and unidentified of £2.5m.

	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	223	165	(59)	5,000	4,229	(771)
Surgical	317	250	(67)	4,075	4,197	122
W & C	137	38	(99)	1,642	1,606	(35)
Facilities	92	54	(38)	1,101	543	(558)
Corporate	82	15	(68)	1,325	594	(731)
Trustwide	0	0	0	750	250	(500)
TOTAL	852	521	(331)	13,894	11,419	(2,474)

Cash Flow



Cash in month is on plan. Through the year cash is expected to change as per the following:

- Operational income and expenditure - Increase by £33m
- Capital expenditure – Decrease of £38m
- Financing (loan repayments and PDC) – Decrease of £8m

Statement of Financial Position

Statement of Financial Position	31-Mar-18 £000	30-Apr-18 £000	Movement £000
Non-current assets			
Intangible assets	9,705	9,607	(98)
Property, plant and equipment	176,110	177,417	1,307
Trade and other receivables	1,134	1,139	5
Total non-current assets	186,949	188,163	1,214
Current assets			
Inventories	4,322	4,345	23
Trade and other receivables	24,742	23,601	(1,141)
Assets held for sale and assets in disposal groups	0	0	0
Cash and cash equivalents	32,911	27,392	(5,519)
Total current assets	61,975	55,338	(6,637)
Current liabilities			
Trade and other payables	(29,144)	(24,681)	4,463
Other liabilities	(4,756)	(4,606)	150
Provisions	(2,149)	(2,127)	22
Borrowings	(3,052)	(3,052)	0
Total current liabilities	(39,101)	(34,466)	4,635
Total assets less current liabilities	209,823	209,035	(788)
Non-current liabilities			
Provisions	(784)	(784)	0
Borrowings	(15,127)	(15,117)	10
Total non-current liabilities	(15,911)	(15,901)	10
Total Assets Employed	193,912	193,134	(778)
Financed by			
Income and expenditure reserve	(5,171)	(5,949)	(778)
Public dividend capital	156,846	156,846	0
Revaluation reserve	42,237	42,237	0
Total Equity	193,912	193,134	(778)

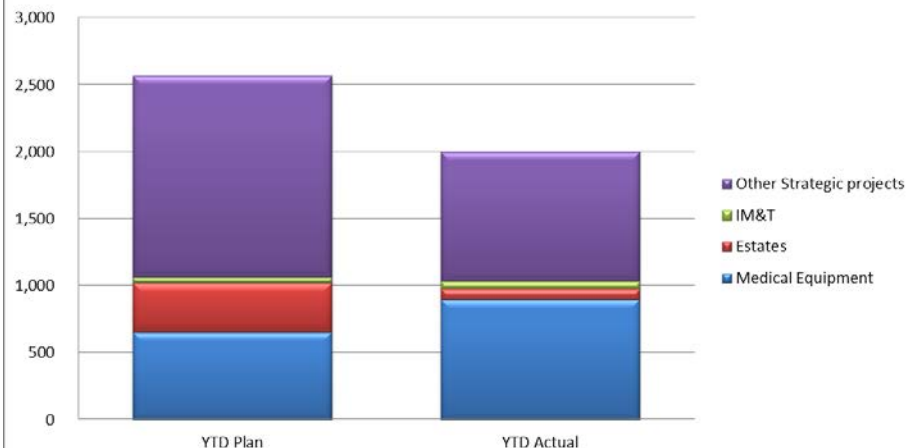
The movement in the Statement of Financial Position is illustrated in the table showing the position for the prior and current months.

Key changes in month:

- Non-current assets have increased in value by £1.2m largely resulting from the increase in Property Plant and Equipment of £1.3m. See Capital Spend of £2m less depreciation.
- Current assets have decreased by £6.6m due to the decrease in Trade receivables by £1.1m. With Cash and cash equivalents having decreased by £5.5m.
- Current Liabilities have decreased by £4.6m due mainly to a £4.5m decrease in Trade and other payables.
- Other liabilities have decreased by £0.5m which is mostly a reduction in deferred income which has been brought into the AHSN I&E position.
- The cumulative I&E reserve deficit has increased by £778k in month reflecting the deficit in the Month 1 Income and expenditure.

Capital Expenditure

Capital Spend - Year to Date



Capital Expenditure & Performance

Capital expenditure for April totals £2.0m, resulting in an underspend of £0.6m

- Estates expenditure is £0.3m below plan, due to slippage in power upgrade works.
- Medical Equipment is overspent by £0.2m, this relates to the beds all being delivered ahead of plan (costs are within full year plan)
- Strategic Capital is £0.5m behind plan, with site redevelopment schemes including the Therapies build and Radiology Upgrade being behind schedule of costs from cost advisors.

Capital Plan

Major schemes in year include the RNHRD & Therapies build, continuation of the Radiology Upgrade works along with new and upgraded diagnostic equipment, Sterile Services Unit Upgrade, provision of a decant ward, new Cardiology Monoplane and IT system for e-observations and Bed Management

Capital Summary as at 30th April 2018	Annual Plan £000s	YTD Plan £000s	Actual Spend £000s	Variance £000s	Actual %
Medical Equipment (donated)	564	30	13	(18)	41%
Strategic Capital (Therapies)	2,000	0	0	0	
Strategic Capital (RUH Redevelopment)	802	33	22	(11)	67%
Donated Funded Total	3,366	64	35	(29)	55%
Estates					
Theatre, Ward & SSD Upgrades	3,706	0	16	16	
Other Estates Projects	3,170	367	67	(300)	18%
Estates Total	6,876	367	82	(285)	22%
IM&T					
Clinical Systems	845	4	0	(4)	0%
Other IM&T	923	40	57	17	142%
IM&T Total	1,767	44	57	13	130%
Medical Equipment	5,813	626	885	259	141%
Strategic Capital schemes					
RNHRD & Therapies Build	12,181	803	661	(142)	82%
RUH Redevelopment	6,413	321	41	(280)	13%
Radiology Upgrade	1,384	346	236	(110)	68%
Strategic Total	19,978	1,470	938	(532)	64%
Contingency	500	0	0	0	
Trust Funded Total	34,935	2,507	1,962	(544)	78%
Medical Equipment (Radiology Upgrade)	2,450	0	0	0	
Lease Purchase Total	2,450	0	0	0	
TOTAL	40,751	2,570	1,997	(573)	78%