Royal United Hospitals Bath
NHS Foundation Trust

Report to:	Public Board of Directors	Agenda item:	13
Date of Meeting:	25 July 2018		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Libby Walters, 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 June 2018.	

2.	Recommendations (Note, Approve, Discuss)
The Board should note the financial position following the first quarter of the 2018/19 financial year **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
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	• The control total plan for Month 3 was a deficit of £0.6m and the Trust was in line with that plan. Therefore the financial element STF allocation will have been achieved for Q1. • Whilst the Trust has broken even in for the quarter, there are still significant overspends on pay across a number of areas.		
QIPP programme	• £1.9m achieved against plan of £2.9m, 66% delivery for the year to date. • The forecast QIPP position for 2018/19 is now £1.4m below plan.		
Liquidity	• Cash balance at the end of June was £20.5m, which is £6.5m below plan. However, this is mostly due to 17/18 STF monies not received on time. We received our 17/18 settlement of £7.2m in early July. • The liquidity metric is scored as 1, which is the highest rating possible.		

Income and Expenditure Summary

Statement of Comprehensive Income Period to June 2018	Year to date profile Budget £'000	Actual £'000	Variance £'000
Income from Commissioners	(72,950)	(72,690)	259
Sustainability & Transformation funding	(1,644)	(1,644)	0
Other Income	(8,143)	(8,728)	(585)
Income Total	**(82,737)**	**(83,063)**	**(326)**
Pay	50,385	51,690	1,305
Non Pay	27,397	26,691	(706)
Expenditure Total	**77,783**	**78,381**	**598**
EBITDA	**(4,954)**	**(4,681)**	**273**
Finance Charges	3,922	3,683	(239)
(Surplus)/Deficit before Impairments	**(1,032)**	**(998)**	**34**
Impairments	0	0	0
(Surplus)/Deficit	**(1,032)**	**(998)**	**34**
Margin	**6%**	**6%**	

I&E position used to calculate position against STF control total	Plan	Actual £'000	Variance £'000
(Surplus)/Deficit	**(1,032)**	**(998)**	**34**
Less anticipated STF funding	1,644	1,644	0
Less impairments	0	0	0
Less Donated income	204	166	(38)
Less Donated depreciation	(198)	(198)	0
Position against control total	**618**	**613**	**(5)**

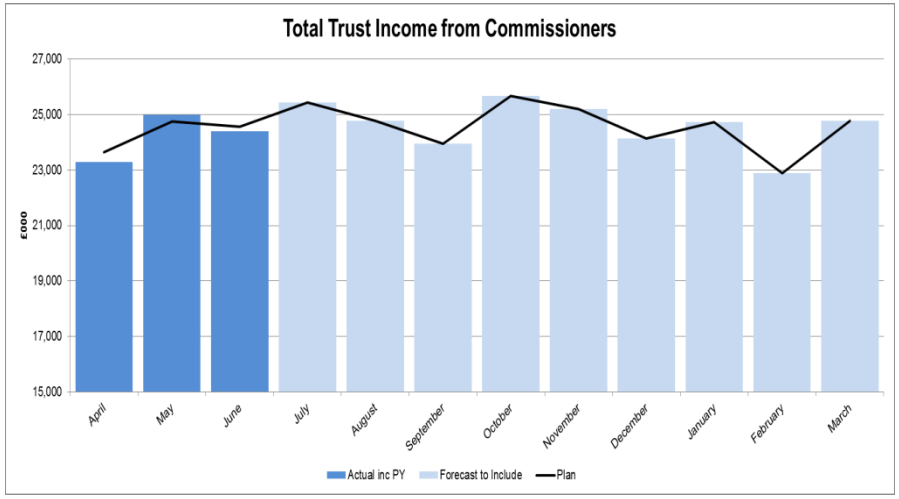
The Month 3 position was in line with plan, however, there are a number of one-off benefits in month which have driven this position.

Pay has remained higher than planned levels, with the position static for the past three months, which is significantly higher than budget. Spend on agency saw a small decrease from previous months but remains at levels not seen for nearly 18 months with nursing continuing to drive the position. The non-achievement of QIPP relating to pay, again particularly within the Medical Division, is also a significant element of the over spend.

The commissioning income variance from plan increased in month due mainly to High Cost Drugs being below plan. Non-Elective activity and Day Case are above plan.

Benefits to the position in month include a revision of the depreciation charge based on the current capital programme forecast and income relating to Provider to Provider agreements.

Income



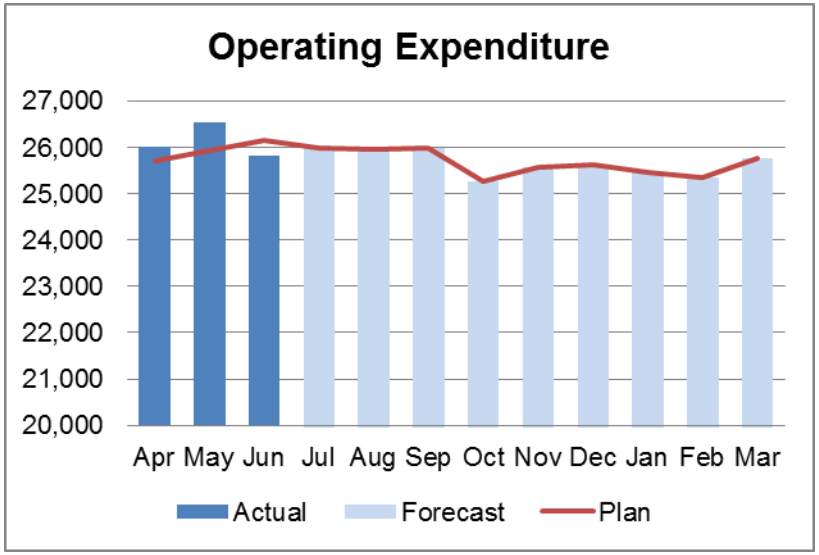
- The income position as at the end of June is £0.3m below plan. High Cost Drugs are £0.3m under plan and is offset by reduced expenditure.
- Increased activity within the General Surgery specialties and Oncology have driven Day Cases to be above planned levels. Lower than planned activity levels in Pain Management and Cardiology have offset some of this over performance.
- The Surgical specialties of General Surgery, Urology and Pain Management have continued to have levels of activity lower than plan, causing elective income to be under plan by £0.3m.
- Non Elective income continues to over perform against plan in the Geriatric Medicine, Respiratory, Critical Care Medicine and Paediatrics specialties. The impact of the Marginal Rate Emergency Threshold (MRET) is £1.9m year to date, £0.5m above plan.
- Outpatient activity has slightly underperformed against plan in June, driven by underperformances in Cardiology, Rheumatology, Oncology and Genito-Urinary Medicine. This has been offset by over performances in Urology, Gynaecology and ENT.

Income Performance 30 June 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
A&E Attendance	(11,597)	(2,891)	(2,904)	(13)
Daycase	(22,297)	(5,478)	(5,595)	(117)
Elective Inpatient	(18,671)	(4,810)	(4,544)	266
High Cost Drugs	(35,966)	(8,861)	(8,513)	348
Non Elective Inpatient	(113,425)	(28,172)	(28,285)	(113)
Outpatient	(75,483)	(18,646)	(18,631)	15
Other	(17,057)	(4,091)	(4,219)	(128)
	(294,495)	**(72,950)**	**(72,690)**	**259**

SLA Performance - Commissioner 30 June 2018	Annual Plan £000	YTD Plan £000	YTD Actual £000	YTD Variance £000
Banes CCG	(86,761)	(21,502)	(22,048)	(546)
Wiltshire CCG	(97,350)	(24,155)	(23,897)	258
Somerset CCG	(32,521)	(8,063)	(8,113)	(50)
SW Specialised Commissioning	(47,107)	(11,605)	(11,341)	264
Other South West CCGs	(1,656)	(409)	(420)	(11)
South West Area Teams & LA s	(5,355)	(1,422)	(499)	922
Wessex Area Team (Cancer Drugs)	(1,938)	(478)	(420)	58
Non Contract Activity	(21,808)	(5,316)	(5,952)	(636)
	(294,495)	**(72,950)**	**(72,690)**	**259**

Activity Performance 30 June 2018	Annual Plan Activity	YTD Plan Activity	YTD Actual Activity	YTD Variance Activity
A&E Attendance	74,806	18,650	18,764	114
Daycase	29,175	7,163	7,602	439
Elective Inpatient	5,639	1,446	1,401	(45)
Non Elective Inpatient	48,283	11,888	12,260	372
Outpatient	511,468	125,705	128,727	3,021
	669,371	**164,852**	**168,754**	**3,901**

Expenditure



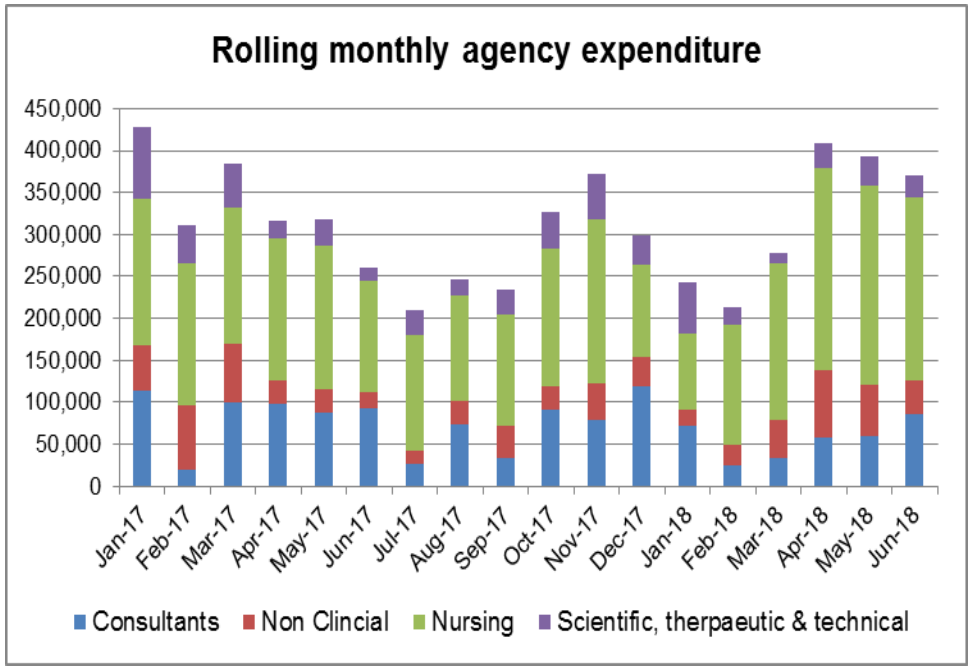
Divisional Pay run rate	Prior year average £'000	M2 £'000	M3 £'000
Surgical	5,055	4,864	4,914
Medical	6,518	6,786	6,757
Women's & Children	2,308	2,479	2,440
Facilities	911	991	991
Corporate	1,559	1,586	1,554
TOTAL	**16,351**	**16,705**	**16,656**
Included above			
Agency	*278*	*392*	*370*
Non Pay			
Surgical	2,019	2,052	1,874
Medical	4,014	4,186	3,584
Women's & Children	523	547	487
Facilities	898	927	880
Corporate	1,340	1,376	1,406
TOTAL	**7,997**	**9,087**	**8,231**

Issues:

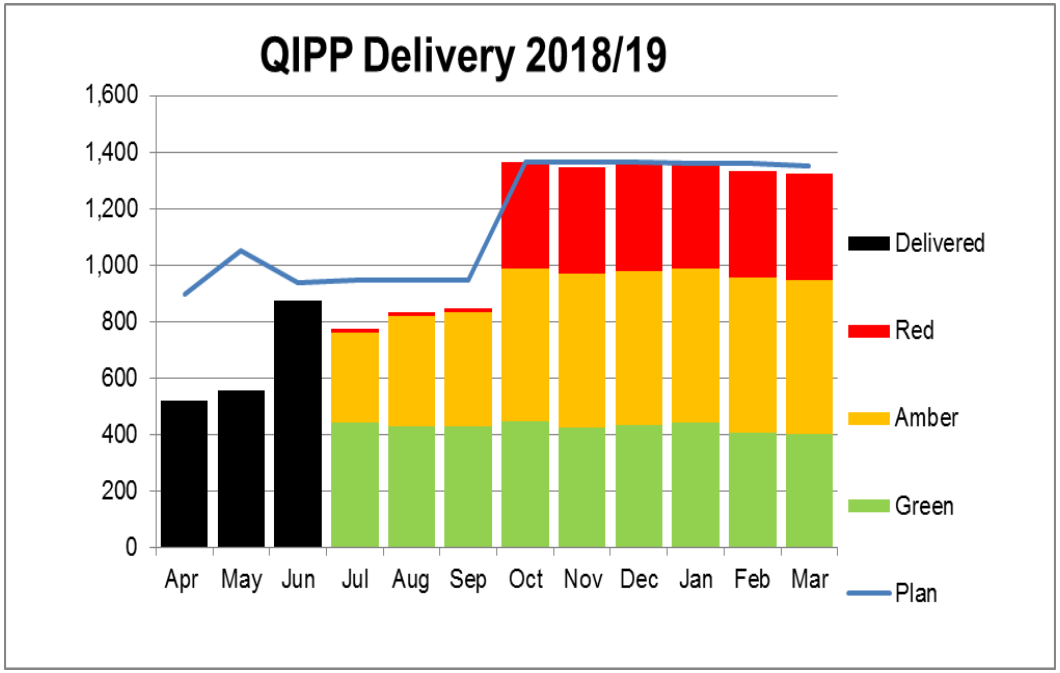
The Month 3 position saw a decrease in spend from Month 2.

Key drivers for the Month 3 position included:

- Agency pay, particularly within nursing, which has remained high all quarter.
- The Medicine pay position continuing to be significantly higher than the last financial year as well as plan.
- The level of spend on drugs has dropped in month and this has particularly impacted on the Medicine position, although this will be off-set with less CCG income on pass through drugs.



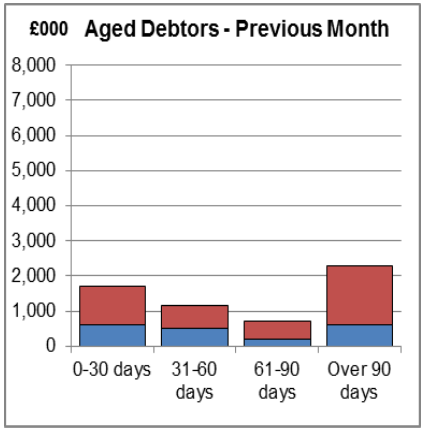
QIPP

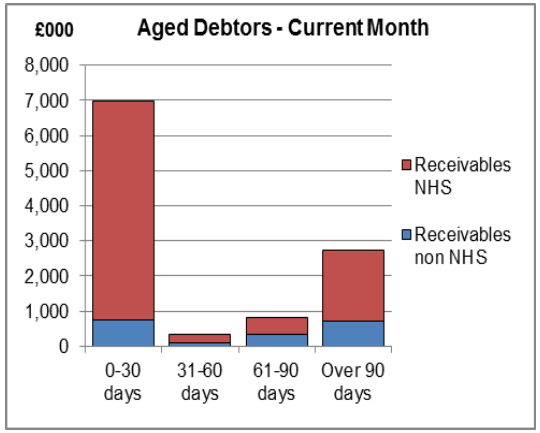


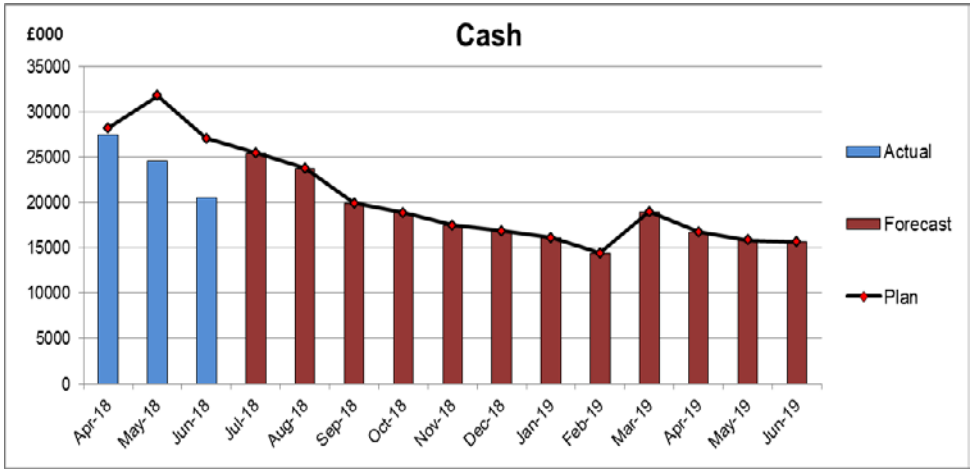
	Year to date			Full year		
	Plan	Actual	Variance	Target	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Medical	963	622	(341)	5,000	4,469	(531)
Surgical	990	904	(87)	4,075	4,270	194
W & C	410	196	(215)	1,642	1,513	(129)
Facilities	275	138	(137)	1,101	624	(478)
Corporate	247	92	(155)	1,119	519	(600)
Trustwide	0	0	0	956	1,096	140
TOTAL	**2,887**	**1,952**	**(935)**	**13,894**	**12,490**	**(1,404)**

- For the Trust to delivery its Control Total in 2018/19 it needs to achieve at least £13.9m of savings.
- The profile of the QIPP plan sees a step change in the rate of delivery in the last six months of the year.
- The QIPP delivery in June was an improvement on previous months but still is below planned levels at 68%. Of this 25% is non-recurrent.
- The June position includes elements which are one-off non-recurrent benefits, therefore the underlying run rate of recurrent delivery has yet to improve.
- There is a significant gap in the Medicine, Corporate and Facilities plans. Corrective actions are urgently required to ensure that this shortfall is mitigated.
- The individual Divisional positions are described in the following pages.
- The forecast delivery includes schemes which are rated as red for £2.3m and unidentified of £1.4m. The total for red and unidentified savings is £3.7m or 27% of the total required.

Statement of Financial Position







Better Practice Payment Code
The Trust has achieved an accumulated performance of 96.5% of invoices paid by volume within 30 days, which is above the national target.

Aged Debt

Invoiced debt has decreased by £5m from the previous month to £10.8m although most of this is not yet overdue. This includes balances relating to invoices raised prior to 31st March 2018 which total £3.4m, which is a reduction of £0.6m from the previous month in old-year debt.

Over 90 days debt includes £0.2m with Virgin Care and £0.3m outstanding with NHS England for Clinical Excellence Awards which are being actively chased.

£1.6m of aged debt relates to Non Contract Activity (NCA) which is a notable improvement from £2.2m in March. There have been some credit notes raised for invoice corrections but the majority of the improvement is due to payments received. Of the remainder, £1m is over 180 days, much of which relates to Maternity Charges. Of this £0.5m is with UHB and NBT. We have a further £0.2m relating to prior approval from Welsh Providers.

Cash
The cash balance at the end of June is £20.5m which is £6.5m lower than plan. This is largely due to the receipt of £7.2m 17/18 Q4 and Bonus STF arriving later than expected. We have also paid a substantial Cerner invoice of £3.2m. This is offset by £4.4m of capital slippage.

The forecast reduction in cash over the rest of the financial year is largely due to the anticipated spend on the RNHRD and Therapies Centre and associated enabling projects.

Statement of Financial Position

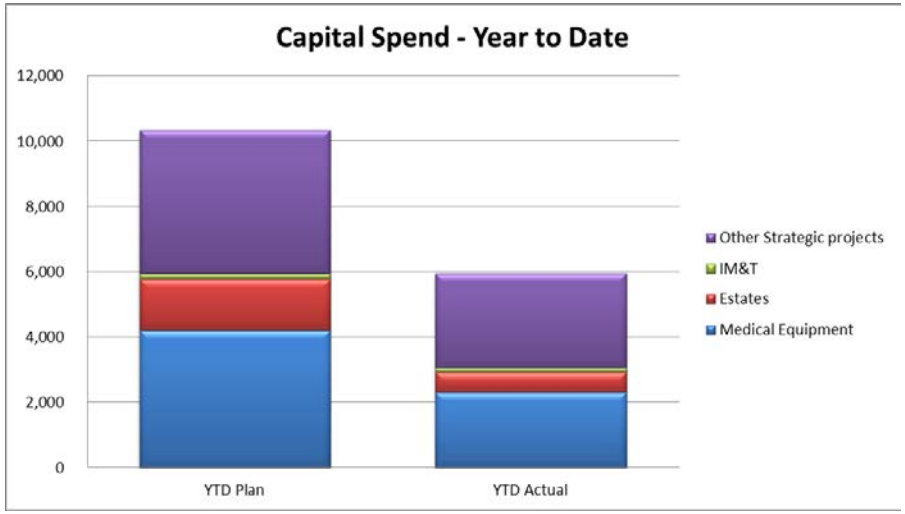
Statement of Financial Position	31-May-18 £000	30-Jun-18 £000	Movement £000
Non-current assets			
Intangible assets	9,518	9,428	(90)
Property, plant and equipment	178,289	180,077	1,788
Trade and other receivables	1,148	1,143	(5)
Total non-current assets	**188,955**	**190,648**	**1,693**
Current assets			
Inventories	4,017	3,654	(363)
Trade and other receivables	23,980	28,693	4,713
Cash and cash equivalents	24,621	20,508	(4,113)
Total current assets	**52,618**	**52,855**	**237**
Current liabilities			
Trade and other payables	(23,815)	(23,466)	349
Other liabilities	(4,295)	(4,292)	3
Provisions	(1,780)	(1,430)	350
Borrowings	(3,053)	(3,053)	-
Total current liabilities	**(32,943)**	**(32,241)**	**702**
Total assets less current liabilities	**208,630**	**211,262**	**2,632**
Non-current liabilities			
Provisions	(784)	(784)	-
Borrowings	(14,280)	(15,267)	(987)
Total non-current liabilities	**(15,064)**	**(16,051)**	**(987)**
Total Assets Employed	**193,566**	**195,211**	**1,645**
Financed by			
Income and expenditure reserve	(5,517)	(4,172)	1,345
Public dividend capital	156,846	157,146	300
Revaluation reserve	42,237	42,237	-
Total Equity	**193,566**	**195,211**	**1,645**

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 £1.8m. This includes £1.1m relating to the new third MRI being recognised as operational. The remainder is largely due to the Therapies Build and Radiology Upgrade.
- Inventories have decreased by £0.4m due to drugs usage.
- Trade receivables increase is mostly due to the increase in new aged debtors.
- Trade payables have decreased by £0.3m as payments have been increased to both revenue and capital creditors.
- Provisions relating mostly to clinical excellence awards and performance related pay have been released.
- Non-current borrowings have increased by £1m which includes the recognition of the £1.1m finance lease for the MRI and £0.2m repayment of the Pharmacy loan.
- The cash position has reduced from the previous month largely as a result of the net movement between receivables and payables, and capital investment.
- PDC has increased by £0.3m which is the final drawdown relating to the acquisition of the RNHRD.

Capital Expenditure



Capital Expenditure & Performance

Capital expenditure to the end of June totals £6.0m, resulting in an underspend of £4.4m.

- **Medical Equipment** is underspent by £1.9m. £0.6m relates to the upgrade of one of the MRIs, this project has been delayed as additional enabling works are now required and £0.5m is due to the delayed start of the Cardiology Monoplane project, with works to start in August. The Theatre Stacks replacement has also been approved and the order placed. The new leased MRI became operational this month.

- **Strategic Capital** is £1.5m behind plan. This relates to delays in the OMFS relocation project, R&D and Bath Chronic Pain Service (BCPS) relocations from the RNHRD. These projects along with Radiology Upgrade project have known or potential cost pressures, CPMG will be looking at mitigations for this.

- **Estates** is £0.9m behind plan, this relates to the Sterile Services Upgrade and Centralisation project with construction start delayed until November, the Therapies and Radiology power upgrade project which is now due to complete in August and backlog maintenance reduction slippage

Capital Summary as at 30th June 2018	Annual Plan £000s	YTD Plan £000s	Actual Expend £000s	Variance £000s	Actual %
Medical Equipment (donated)	564	91	61	(30)	67%
Strategic Capital (Therapies)	2,000	0	0	0	
Strategic Capital (RUH Redevelopment)	802	100	95	(5)	95%
Donated Funded Total	**3,366**	**191**	**157**	**(34)**	**82%**
Estates					
Theatre, Ward & SSD Upgrades	3,923	655	65	(590)	10%
Other Estates Projects	3,170	911	557	(354)	61%
Estates Total	**7,093**	**1,565**	**621**	**(944)**	**40%**
IM&T					
Clinical Systems	845	11	0	(11)	0%
Other IM&T	923	145	124	(21)	85%
IM&T Total	**1,767**	**156**	**124**	**(33)**	**79%**
Medical Equipment	**5,813**	**2,932**	**1,099**	**(1,832)**	**37%**
Strategic Capital schemes					
RNHRD & Therapies Build	12,181	1,750	1,891	141	108%
RUH Redevelopment	6,413	1,508	109	(1,399)	7%
Radiology Upgrade	1,384	1,038	798	(241)	77%
Strategic Total	**19,978**	**4,297**	**2,798**	**(1,499)**	**65%**
Contingency	**283**	**0**	**0**	**0**	
Trust Funded Total	**34,935**	**8,950**	**4,642**	**(4,308)**	**52%**
Medical Equipment (Radiology Upgrade)	2,450	1,200	1,163	(37)	97%
Lease Purchase Total	**2,450**	**1,200**	**1,163**	**(37)**	
TOTAL	**40,751**	**10,341**	**5,962**	**(4,379)**	**58%**