

Report to:	Public Board of Directors	Agenda item:	13
Date of Meeting:	25 September 2019		

Title of Report:	Finance Board Report
Status:	Approval
Board Sponsor:	Libby Walters, Director of Finance and Deputy Chief Executive
Author:	Elizabeth Poskitt, Head of Financial Management
Appendices	Appendix 1: Control Total Performance Appendix 2: Key Performance Graphs Appendix 3: Statement of Financial Position Appendix 4: Capital expenditure Appendix 5: Cash Flow

1. Executive Summary of the Report
<p>The purpose of this report is to set out the Trust's financial performance for the period to 31 August 2019.</p> <p>For the financial year 2019/20, the Trust has been set a control total of a £7.83 million surplus with access to a further £5.82 million of Provider Sustainability Funding (PSF) if this is achieved, taking the potential surplus to £13.65 million. To deliver this level of surplus, savings of £12.9 million are planned through the Quality, Innovation, Productivity and Prevention Programme (QIPP).</p> <p>As illustrated in Appendix 1 the year to date position at the end of month 5 for the Trust is a breakeven position which is £1.79 million lower than planned. Of this £776,000 relates to Provider Sustainability Funding not achieved due to underachievement against the Control Total of £1.0 million. QIPP savings of £4.0 million have been delivered which is £169,000 lower than planned levels. There remain £1.0 million of savings still to be identified for the year, which is a reduction from the prior month of £1.0 million. The key financial risks for the year include the delivery of the QIPP and management of elective activity due to increases in emergency demand.</p>

2. Recommendations (Note, Approve, Discuss)
The Board should note the financial position at the end of month 5 of the 2019/20 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)
<p>In line with the Risk Assessment Framework :</p> <p>The Trust fails to deliver its financial plan which leads to the Trust having a Single</p>

Oversight Framework rating of three or higher, representing a material level of financial risk. This results in a lack of confidence from the Trust's commissioners and the regulator and increases the level of scrutiny which utilises significant resources and can damage the reputation of the Trust. Failure to deliver the financial plan results in a loss of national provider sustainability funding which we are dependent upon for the Trust's Estate Redevelopment Programme.

5.	Resources Implications (Financial / staffing)
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Not Applicable

6.	Equality and Diversity
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Not Applicable

7.	References to previous reports
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Standing Item

8.	Freedom of Information
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Public

Finance Report for the 5 Month Period Ending the 31 August 2019

1.0 Executive Summary

For the financial year 2019/20, the Trust has been set a control total of a £7.83 million surplus with access to a further £5.82 million of Provider Sustainability Funding (PSF) if this is achieved, taking the potential surplus to £13.65 million. To deliver this level of surplus, savings of £12.90 million are planned through the Quality, Innovation, Productivity and Prevention (QIPP) programme.

As illustrated in Appendix 1 the year to date position at the end of month 5 for the Trust is a breakeven position which is £1.79 million lower than planned. Of this £776,000 relates to Provider Sustainability Funding not achieved due to underachievement against the Control Total of £1.0 million. QIPP savings of £4.0 million have been delivered which is £169,000 lower than planned levels. There remain £1.0 million of savings still to be identified for the year, which is a reduction from the prior month of £1.0 million. The key financial risks for the year include the delivery of the QIPP and delivery of the elective activity plan.

2.0 Key Financial Indicators

The key financial indicators for the year to date are illustrated in the table below:

	2019/20 Year to Date Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Single oversight financial score	2	2	-
Net Surplus/ (Loss)	(2,513)	(3,522)	(1,009)
Surplus/(Loss) on a control total basis	1,762	(23)	(1,785)
Elective Income performance	7,485	7,466	(19)
Pay costs	(93,018)	(92,639)	379
Non Pay costs (excl. high cost drugs)	(32,164)	(33,410)	(1,246)
QIPP target against delivery	4,217	3,993	(224)
Agency staff utilisation	(1,892)	(2,669)	(778)
Cash balance	15,427	28,609	13,182
Capital Expenditure	16,000	11,843	(4,157)

3.0 Activity and Income

Contract income at the end of month 5 is £1.32 million below plan; a deterioration of almost £657,000 from the position at the end of July. Non-elective income was significantly behind plan in the month due to the increased length of stay of patients in the month. Whilst outpatient activity improved in the month, it still continues to be below plan.

Discussions are ongoing with Commissioners within the STP footprint around reaching viable financial solutions for the system in 2019/20 and avoiding volatility in the latter half of the year to enable partners to focus on transformation of services.

4.0 Expenditure

At the end of month 5 pay costs were £379,000 less than planned which was due to a high number of vacancies. Non-pay was £1.25 million higher than plan, excluding High Cost Drugs, due predominately to planned QIPP schemes not being delivered in line with plan. QIPP has been delivered elsewhere through unplanned mitigating items.

The graphs in Appendix 2 illustrate performance against the pay, non-pay and agency cost plans.

5.0 Statement of Financial Position

At the end of month 5 the closing cash balance was £28.6 million which is £13.2million more than planned. The increase in cash is due to the unplanned additional national funding from 2018/19 being received this financial year and capital expenditure is less than planned.

The full Statement of Financial Position is shown in Appendix 3.

6.0 Capital

At the end of month 5 Capital expenditure is £4.2 million behind plan. The underspend relates to slippages in redevelopment schemes to relocate services from the RNHRD the Radiology scanner replacement (and associated works) and the ward upgrade programme.

The request from NHS Improvement to reduce planned capital expenditure by 20% has been reversed. The forecast outturn position has been reviewed in light of this and work is underway to re-instate a number of schemes that previously had been held.

A further analysis of the capital position can be found in Appendix 4.

7.0 Summary and recommendations

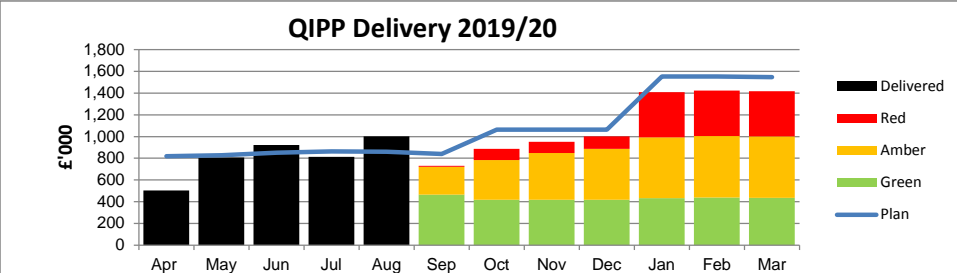
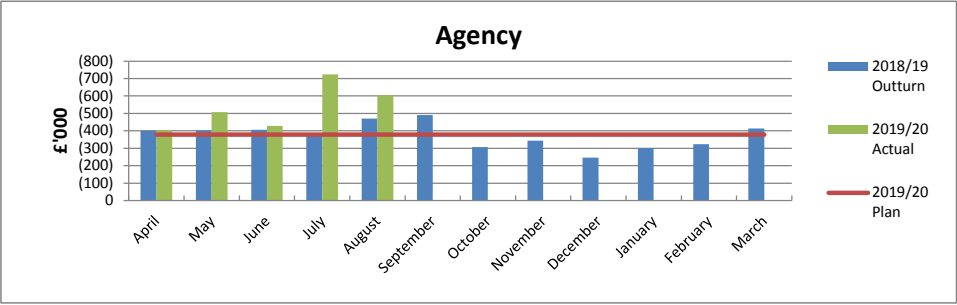
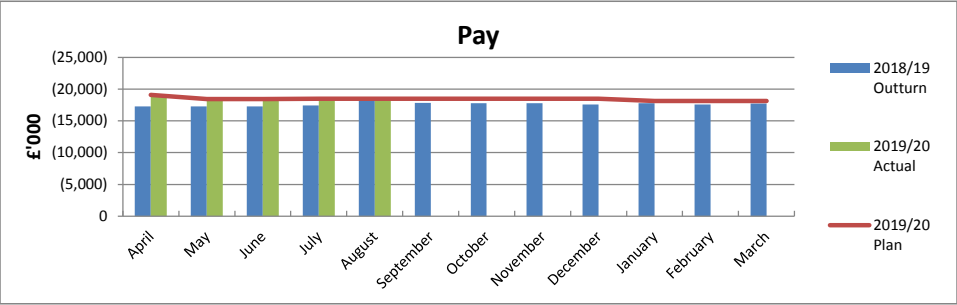
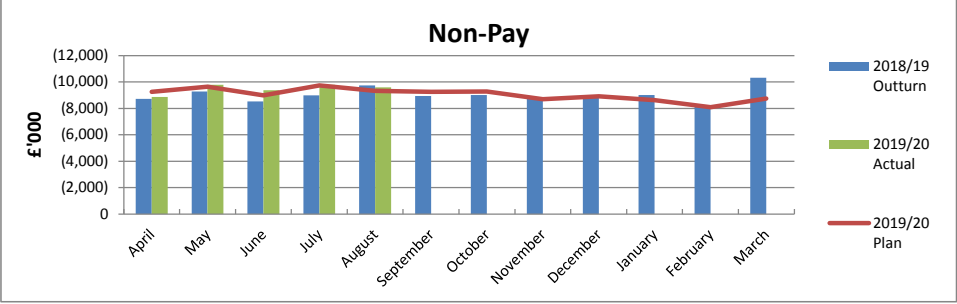
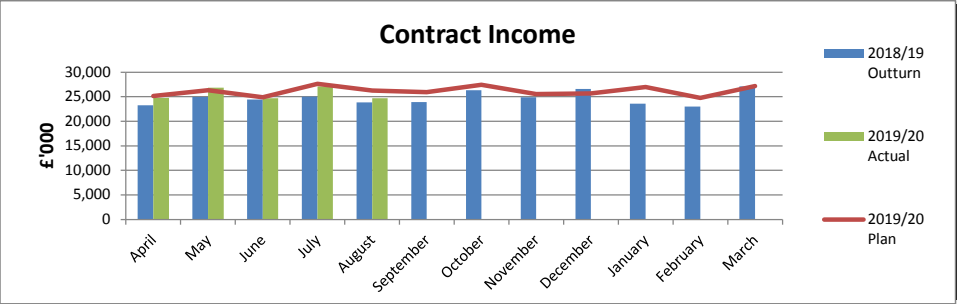
The position at month 5 shows a deteriorating performance for the second month in a row, following the over-delivery at Quarter 1 which enabled the Trust to achieve Quarter 1 Provider Sustainability Funding (PSF). Financial performance need to improve in order to access the PSF money at the end of quarter 2.

The Board is asked to note the financial position as at month 5.

APPENDIX 1 - CONTROL TOTAL PERFORMANCE

	Year to date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Annual Plan £'000	Actual £'000	Variance £'000
Contract Income	129,402	128,082	(1,320)	313,894	313,894	0
Operating Income	16,367	16,600	232	38,465	38,465	0
Pay	(93,018)	(92,639)	379	(221,494)	(221,494)	0
Non Pay	(32,164)	(33,410)	(1,246)	(72,569)	(72,569)	0
High Cost Drugs and Devices	(14,770)	(13,986)	784	(35,950)	(35,950)	0
EBITDA	5,818	4,647	(1,171)	22,346	22,346	0
Interest payable/receivable	(75)	(52)	23	(180)	(180)	0
Depreciation	(4,909)	(4,934)	(25)	(12,599)	(12,599)	0
PDC	(2,639)	(2,639)	0	(6,334)	(6,334)	0
Other Finance Charges	0	257	257	(2,752)	(2,752)	0
Net Surplus/(Deficit)	(1,805)	(2,720)	(916)	480	480	0
Donated Asset income	(1,050)	(866)	184	(2,525)	(2,525)	0
Donated Asset depreciation	342	321	(21)	821	821	0
Impairment	0	(250)	(250)	2,752	2,752	0
Gain / loss on disposal of an asset	0	(7)	(7)	0	0	0
Control total (excl PSF/MRET)	(2,513)	(3,522)	(1,009)	1,528	1,528	0
PSF	1,649	873	(776)	5,819	5,819	0
MRET	2,626	2,626	0	6,304	6,304	0
Control total (incl PSF/MRET)	1,762	(23)	(1,785)	13,651	13,651	0

Month 2 2019/20 Finance Report
APPENDIX 2 - KEY PERFORMANCE GRAPHS



Month 3 2019/20 Finance Report

APPENDIX 3 - STATEMENT OF FINANCIAL POSITION

	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>	<u>Plan £'000</u>	<u>Forecast Actual £'000</u>	<u>Variance £'000</u>
Non current assets						
Intangible assets	9,892	9,551	(341)	9,939	9,939	0
Property, Plant & Equipment	211,266	207,418	(3,848)	217,485	213,528	(3,957)
Trade and other receivables	1,182	1,159	(23)	1,182	1,182	0
Non current assets total	222,340	218,128	(4,212)	228,606	224,649	-3,957
	0	0	0			
Current Assets	0	0	0			
Inventories	3,000	3,307	307	3,000	3,000	0
Trade and other receivables	28,732	20,153	(8,579)	31,684	31,684	0
Cash and cash equivalents	15,427	28,609	13,182	13,154	22,501	9,347
Current Assets total	47,159	52,069	4,910	47,838	57,185	9,347
	0	0	0			
Current Liabilities	0	0	0			
Trade and other payables	(31,013)	(31,983)	(970)	(28,387)	(33,777)	(5,390)
Other liabilities	(5,691)	(7,298)	(1,607)	(5,691)	(5,691)	0
Provisions	(335)	(543)	(208)	(335)	(335)	0
Borrowings	(3,424)	(3,354)	70	(3,424)	(3,424)	0
Current Liabilities total	(40,463)	(43,178)	(2,715)	(37,837)	(43,227)	(5,390)
	0	0	0			
Total assets less current liabilities	229,036	227,019	(2,017)	238,607	238,607	0
	0	0	0			
Non current liabilities	0	0	0			
Provisions	(763)	(763)	0	(763)	(763)	0
Borrowings	(12,787)	(12,622)	165	(10,813)	(10,813)	0
	0	0	0			
TOTAL ASSETS EMPLOYED	215,486	213,634	(1,852)	227,031	227,031	0
	0	0	0			
Financed by:	0	0	0			
Public Dividend Capital	159,370	159,069	(301)	160,790	160,790	0
Income and Expenditure Reserve	11,515	9,964	(1,551)	21,640	21,640	0
Revaluation reserve	44,601	44,601	0	44,601	44,601	0
	0	0	0			
Total Equity	215,486	213,634	(1,852)	227,031	227,031	0

APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE

Source of Funds	Year to date			Forecast		
	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Actual £000s	Variance £000s
Depreciation	4,909	4,934	25	12,600	12,659	59
Loan Repayments	(984)	(984)	0	(2,958)	(2,958)	0
Charitable Funds	1,317	802	(515)	2,525	2,525	0
Donations	0	43	43	300	300	0
Cash reserves/Other	10,758	7,048	(3,710)	20,243	18,201	(2,042)
	16,000	11,843	(4,157)	32,710	30,727	(1,983)
Application of Funds						
Medical Equipment (donated)	288	66	(221)	500	500	0
Strategic Capital (donated)	1,029	800	(229)	2,325	2,325	0
Ward upgrades	1,794	381	(1,414)	2,141	2,109	(32)
Other Estates projects	1,052	1,310	258	2,723	2,954	231
Clinical Systems	832	453	(379)	2,241	1,857	(384)
Other IM&T	585	188	(396)	3,176	3,025	(151)
Medical Equipment	1,884	528	(1,356)	4,776	4,276	(500)
RNHRD & Therapies build	2,533	3,219	686	2,556	2,825	269
Cancer Centre	1,174	1,497	323	5,003	4,331	(672)
Other Redevelopment works	4,831	3,401	(1,430)	7,270	6,525	(745)
	16,000	11,843	(4,157)	32,710	30,727	(1,983)

Key Issues include:

- The request by NHS Improvement to reduce the plan by 20% has been withdrawn and the plan reflects this position.

- Overall expenditure to the end of August is £4.2 million behind plan. This underspend relates to slippages redevelopment schemes to relocate services from the RNHRD, the Local Healthcare Records project, the Radiology MRI scanner upgrades and associated works and the ward upgrade programme.

APPENDIX 5 - STATEMENT OF CASHFLOWS

	Plan £'000	Actual £'000	Variance £'000
Operating Surplus/(deficit)	5,198	3,720	(1,478)
Depreciation & Amortisation	4,909	4,934	25
Working Capital movement	3,143	16,933	13,790
Provisions	(3)	208	211
Cashflow from/(used in) operations	13,247	25,795	12,548
Capital Expenditure	(15,999)	(14,965)	1,034
Cash receipts from asset sales	0	14	14
Cashflow before financing	(15,999)	(14,951)	1,048
Public dividend capital received	300	0	(300)
Movement in loans from the DHSC	(984)	(984)	0
Capital element of finance lease rental payments	0	(145)	(145)
Interest received	40	61	21
Interest paid	(108)	(104)	4
Interest element of finance lease	(15)	(9)	6
PDC dividend (paid)/refunded	0	0	0
Net cash generated from/(used in) financing activities	(767)	(1,181)	(414)
Increase/(decrease) in cash and cash equivalents	(3,519)	9,663	13,182
Opening Cash balance	18,946	18,946	0
Closing cash balance	15,427	28,609	13,182

