

'You matter, we care'

Trust Board meeting, Part 1	Date: 29 th January 2014
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Title:	Finance Report to 31 st December 2013 – Month 9
Item:	BD/13/305

Executive Director lead and presenter	Interim Director of Finance
Report author(s)	Deputy Director of Finance

History:	N/A
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This report is for:	
Decision	X
Discussion	X
To Note	X

Executive Summary of Key Issues
<p>The report presents the Trust's financial position as at Month 9 and resulting actions.</p> <ul style="list-style-type: none"> In month 9 we have an actual surplus of £13k which is £40k behind our plan increasing the year to date adverse variance to £420k in Month 9. We had planned for the surplus to be £443k at Month 9. Actual pay spend is broadly the same as Month 8. <p>Temporary staff spend has shown a further reduction in month. There is a risk that agency is still being spent so will not make the required cash reduction.</p> <ul style="list-style-type: none"> The Cash Balance at 31st December is £7.6m. This is lower than the planned in month cash balance due mainly to timing differences on block income receipts. The actual Capital spent at Month 9 is £2.6m against planned spend of £4.7m (55%) but the Trust is forecasting to spend its full allocation for the year.

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Recommendations:

- To approve the move of £500k contingency reserve into the future forecast position.
- To approve the changes to the 2013/14 capital programme:

Wiltshire Pharmacy Supply Chain	▲ £21k
Mobile & Desktop Infrastructure	▼ £70k
Secure Services AWOL Recommendation	▲ £7k
NHS Mail (N3 Upgrade)	▼ £17k
Wireless Site	▲ £195k
Siston Capital Works	▲ £20k

- To approve the new capital allocation for £40k of feasibility monies to be used for Bristol Tender work.
- To approve the revision of the year end cash target to £7.3m (changing from £10.3m) per the accompanying report.

This report addresses these Strategic Priorities:

We will deliver the best care	
We will support and develop our staff	
We will continually improve what we do	
We will use our resources wisely	X
We will be future focussed	

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1. Overall Trust Financial Indicators

Financial Indicators - Dashboard Report			
	Q1	Q2	Q3
EBITDA margin	4	3	3
I&E surplus margin	3	3	3
Return on Capital	3	3	3
Liquidity Ratio (days)	4	4	4
Capital Servicing Capacity (times)	3	3	3
Unplanned decrease in Qtly EBITDA	No	No	No
Planned FRR of 2 or less in any one Qtr	No	No	No
Two or more changes in Finance Director	No	No	No
Interim Finance Director in place > 1 Qtr	No	No	No
Qtr end Cash Balance < 10 days of operating exp	No	No	No
Capital Expenditure < 85% of plan for YTD	Yes	Yes	Yes
Capital Expenditure > 115% of plan for YTD	No	No	No

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2. Income and Expenditure Position

2.1. The income and expenditure position to the end of December 2013 (Month 9) is summarised below:

Trust wide position	Budget Month	Actual Month	Variance Month	Budget YTD	Actual YTD	Variance YTD	Full Year Budget	Full Year Forecast	Full Year Variance	2012/13 Full Year Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct Income	15,774	16,752	978	141,947	145,666	3,720	189,269	194,560	5,291	5,501
Total Operating Income	15,774	16,752	978	141,947	145,666	3,720	189,269	194,560	5,291	5,501
Pay costs	(10,887)	(12,287)	(1,399)	(105,479)	(108,043)	(2,564)	(138,141)	(141,919)	(3,778)	(6,868)
Non pay costs	(3,392)	(3,104)	288	(23,141)	(24,648)	(1,507)	(33,320)	(34,738)	(1,418)	1,379
Total Operating Expenditure	(14,280)	(15,391)	(1,111)	(128,621)	(132,691)	(4,071)	(171,461)	(176,658)	(5,196)	(5,490)
EBITDA	1,494	1,361	(134)	13,326	12,975	(351)	17,807	17,902	95	11
Depreciation	(498)	(511)	(12)	(4,448)	(4,557)	(108)	(5,944)	(6,062)	(119)	10
Amortisation	0	0	0	0	0	0	0	0	0	0
Interest Receivable	3	3	0	24	26	2	32	35	3	8
Interest Payable	(2)	0	2	(18)	(3)	15	(24)	(66)	(42)	(11)
Profit/(Loss) on disposal of assets	0	104	104	50	102	52	50	102	52	43
Interest element of PFI Unitary Charge	(454)	(457)	(2)	(4,128)	(4,132)	(4)	(5,491)	(5,502)	(11)	5
PDC Dividends payable	(306)	(304)	2	(2,727)	(2,763)	(36)	(3,646)	(3,635)	11	(61)
Trust Operating Surplus / (Deficit) [NTDA control total]	236	196	(40)	2,079	1,649	(430)	2,785	2,774	(11)	6
Impairments	(148)	(148)	0	(1,332)	(1,332)	0	(1,776)	(1,776)	0	(276)
IFRIC 12 *	(35)	(35)	(0)	(304)	(293)	10	(408)	(398)	11	8
Donated Asset Reserve elimination	0	0	0	0	0	0	0	0	0	16
Financial Surplus / (Deficit)	53	13	(40)	443	23	(420)	600	600	0	(248)

* Value of net change from UK GAAP / ESA95 to IFRS for IFRIC12 schemes included in Plan (excluding impairments)

2.2. Trust direct income is explained in the following table:

Income Analysis	Current Month			Year to Date			Forecast		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Outturn	Variance
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Block Income	15,220	15,701	481	136,965	137,540	575	182,626	184,263	1,637
Education, Training & Research	498	575	77	4,478	5,222	744	5,971	7,024	1,053
Income Generation	6	18	12	50	263	213	67	308	241
Out of Area Income	0	366	366	0	1,434	1,434	0	1,414	1,414
Other Income	51	92	41	454	1,208	754	605	1,551	946
Total Operating Income	15,774	16,752	978	141,947	145,666	3,720	189,269	194,560	5,291

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- 2.3. The Banes IAPT Income was not budgeted for as the contract was awarded after the budget was set so this accounts for £880k of the £1.6m variance on Block Income.
- 2.4. Budgets for Education, Training and Research Income were set prior to the actual allocations being known. The Trust has since been informed that this income will be approximately £1m higher than these budgets.
- 2.5. The Trust is meeting its CQUIN targets and at Month 9 is forecasting a year end income of £3,822k in line with budget. Any risks inherent with delivery are being monitored monthly at the Performance and Contract Management meeting.
- 2.6. The full year variance on pay of £3.8m also reflects the additional staffing we are incurring that is related to winter pressure funding and s136 income included in the variance of £1.6m on block income. The pay relating to the Banes IAPT contract is also contributing to the variance.

Out of Area summary						
OOA type	Budget	costs incurred	of which	Net cost to	Forecast cost	
	YTD	YTD	recharged	AWP	to AWP	
	£ 000	£ 000	YTD	YTD	Year	£ 000
			£ 000	£ 000	£ 000	£ 000
PICU	265	1,016	659	92		380
Non PICU	72	898	775	51		71
Total	338	1,914	1,434	142		452

- 2.7. Since the summer there has been use of OOA for acute service users, reflecting the pressure on mental health beds felt across the country. The forecast assumes that the commissioners will pay for this additional volume if the Trust can prove the increased charges are valid.

3. Trust Contingency

- 3.1. The Trust Contingency for 2013/14 has been set at £1,000k. As at Month 9 the planned use of this contingency is shown in the following table:

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	£ 000	£ 000
2013/14 Trust Contingency		1,000
<u>Planned usage of contingency</u>		
support to the Bristol tender	(100)	
support of organisational change	(49)	
Additional costs associated with the disposal of Windswept	(18)	
2013 MARS scheme released in Month 8	(164)	
Other HR change / transition costs	(169)	(500)
Contingency remaining		500

4. Balance Sheet

4.1. The Balance Sheet to the end of December 2013 is summarised below / over:

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	As at 31st December 2013 Actual	Full Year at 31st March 2014		
		Plan	Forecast	Variance
<u>NON CURRENT ASSETS</u>	156,043	156,748	160,030	3,282
<u>CURRENT ASSETS</u>				
Assets Held for Sale	438	325	438	113
Inventories (Stock)	579	227	579	352
Receivables (Debtors): Other	9,746	3,866	8,147	4,281
Prepayments	4,698	2,739	4,698	1,959
Cash and Cash Equivalents	7,024	10,330	10,330	0
Cash and Cash Equivalents on deposit	0	0	0	0
Total current assets	22,485	17,487	24,192	6,705
TOTAL ASSETS	178,528	174,235	184,222	9,987
<u>TAXPAYERS EQUITY</u>				
Public Dividend Capital	99,552	99,552	99,552	0
Revaluation Reserve	25,159	25,618	25,066	(552)
Retained Earnings	(9,580)	(10,043)	(9,580)	463
IFRIC 12 Reserve	(1,109)	(1,109)	(1,109)	0
Surplus for 2013/14	23	600	600	0
Total Taxpayers Equity	114,045	114,618	114,529	(89)
<u>NON CURRENT LIABILITIES</u>				
PFI Borrowings due after 1 Yr	46,114	45,896	45,896	0
Provisions payable after 1 yr	1,372	1,453	1,450	(3)
Total Non Current Liabilities	47,486	47,349	47,346	(3)
<u>CURRENT LIABILITIES < 1 YEAR</u>				
Payables (Creditors)	5,679	6,109	11,993	5,884
Accruals	7,905	4,561	6,993	2,432
Deferred income	1,882	508	1,557	1,049
PFI Borrowings due within 1 year	805	874	874	0
Provisions payable within 1 year	727	216	930	714
Total Current Liabilities	16,998	12,268	22,347	10,079
TOTAL EQUITY & LIABILITIES	178,528	174,235	184,222	9,987

- 4.2. The Statement of Financial Position (Balance Sheet) remains strong as at Month 9. In Month 8 we advised the Board of a change in the year end forecast position for cash from the original plan of £10.3m down to £7.3m.

This was not linked to the mitigation requirement to meet the Trust financial position

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but was more about managing the working capital to a realistic position at 31st March 2014.

- 4.3 In this month's paper we have reverted the forecasted cash target back to the £10.3m in order to give the Board more detail of this in a separate cash appraisal paper that accompanies this report. The Board will be able to review our current forecast cash position and recommend an option for the cash to be managed per the accompanying paper.
- 4.4 The forecast payables are now higher from Month 8 due to reverting back to the £10.3m year end cash forecast. The Trust is therefore not as able to accelerate its forecast payments of non-pay invoices if £10.3m has to be achieved at year end. As previously reported, we have requested the NTDA to look at the potential for an adjustment to the External Financing Limit (EFL) to enable a lower cash year-end target to be retained at 31st March 2013.
- 4.5 The forecast provisions payable within one year remains higher than planned and this may continue to increase if additional liabilities are identified in the coming months.
- 4.6 PSPP performance for the year to date is 95% of invoices paid for non NHS (92% in Month 8) and 93% for NHS. (87% in Month 8) therefore an overall improvement from Month 8. The target is still 95%. The addressing of previous system issues has progressed, enabling the Trust to move back towards its target on this metric as predicted last month.

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5. Cash Liquidity Position

5.1. The year to date cash flow and forecast are shown in the table below:

	Plan	Actual	Variance	Forecast
	December	December		Mar
	£'000	£'000		£'000
Opening Balance	10,431	9,146	(1,285)	11,075
Revenue				
NHS Block Total	12,851	10,685	(2,166)	126,770
Local Authority Block Total	2,233	1,143	(1,090)	14,261
MPET & R&D Total	471	400	(71)	6,052
Invoiced Income Total	0	2,587	2,587	42,899
Other Income Total	82	380	298	4,640
Total	15,637	15,195	(442)	194,622
Expenditure				
Salaries & Wages	(7,206)	(7,045)	161	(79,911)
TAX & NI	(2,638)	(2,615)	23	(31,125)
Pensions	(2,004)	(1,988)	16	(23,100)
Non Pay Expenditure	(3,432)	(5,505)	(2,073)	(56,347)
Miscellaneous Expenditure	0	(102)	(102)	(1,231)
Total	(15,280)	(17,255)	(1,975)	(191,714)
Net Cash Flow before Financing	357	(2,060)	(2,417)	2,908
Financing				
Fixed Asset Disposals	0	573	573	589
PDC Paid	0	0	0	(3,674)
PFI Charges	(50)	(50)	(0)	(602)
Total Financing	(50)	523	573	(3,687)
Cash	0	35	35	36
Closing Balance (inc deposits)	10,738	7,644	(3,094)	10,330
FIMS PLAN*	10,738	10,738	0	10,330
Variance to plan ahead/(behind)	0	(3,094)	(3,094)	0

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- 5.2 Cash is £3,094k lower than planned at £7,644k. Note that this figure differs from the cash balance in the Balance Sheet (ledger position) of £7,024k due to a timing difference on BACS payments which occurs most months. The Cash is circa £3m lower due mainly to the timing of the NHS Commissioning Board payment of its block invoices – there were two receipts of this income in Month 8 but none in Month 9. The non-pay expenditure is higher than the initial plan but is at an expected level in terms of the current cash flow forecast trend.
- 5.3 The Trust has now received CQUIN monies from Swindon CCG which addresses the risk previously reported in the Month 7 and 8 report.
- 5.4 The Trust is forecasting to achieve a 31st March 2014 cash balance of £10,330k in order to meet its External Financing Limit (EFL) target subject to the possible decision to hold less cash and move to an adjusted EFL. The Trust has a current score of 4 for the new metric for the current year in terms of its liquidity and debt service. There is an accompanying paper to this report relating to the year end cash forecast.
- 5.5 The cash position and forecast can only be achieved if the Trust financial position as reported is achieved. It is therefore assumed in these cash forecasts that the Trust will deliver on its current plans to address its underlying overspend.
- 5.6 The Trust's long term (five year planning) position on cash remains that it will increase yearly cash balances through steadily rising EBITDA balances and the impact of asset disposals and that capital spend will be limited to depreciation. This again assumes that the Trust has effective Cost Improvement Plans that are delivered in future years.

6. Continuity of service risk rating (New Monitor Risk Rating)

6.1 We have calculated the metrics for the new continuity of service risk rating for:

- The financial year 2012/13
- Months 6 to 9 of the 2013/14 financial year
- An outturn forecast for 2013/14

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Continuity of service risk rating						
	2012-13	2013-14	2013-14	2013-14	2013-14	2013-14
	Full Year	Month 6	Month 7	Month 8	Month 9	Forecast
Liquidity ratio (days)	(0.4)	6.7	6.8	6.8	6.7	6.7
Liquidity ratio score	4	4	4	4	4	4
Capital servicing capacity (times)	1.7	1.8	1.8	1.8	1.8	1.9
Capital servicing capacity score	2	3	3	3	3	3
Overall risk rating	3	4	4	4	4	4

- 6.2 It can be seen that the overall new risk rating for 2012/13 was a 3 and for 2013/14 we are currently achieving a 4, which is now the highest score that can be achieved, however this is dependent upon the Trust achieving its original forecast plan.
- 6.3 Under the old Monitor risk rating methodology, which has been replaced by the Continuity of Service rating with effect from 1st October 2013, we are currently running at an overall risk rating of 3 out of 5.

7. 2013/14 Capital Programme update from Investment Planning Group.

7.1. The table below shows the current position on the 2013/14 capital programme:

Schemes in Authorised Capital envelope				
	Authorised Operating plan £'000	Envelope Authorised Expenditure £'000	Actual Spend 2013/14 £'000	Schemes Rolling into 2014_15 £'000
Sub total of Authorised Capital envelope	4,623	5,654	2,633	2,457
Schemes not yet authorised by Trust Board at Month 9:				
Feasibility for Bristol Tender Project Work	0	40	0	0
Total bids awaiting approval	0	40	0	0
Schemes not yet authorised	1,675	40	0	5,780
Current forecast under / (overcommitment) on capital envelope	(294)	310	0	(2,093)
Grand Total	6,004	6,044	2,633	6,144

7.2 Schemes in Authorised capital envelope

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At Month 9 the Investment Planning Group have recommended a few changes to the authorised envelope at its meeting on 9th January 2014 and this has resulted in a net additional requirement of £406k to the authorised expenditure total. The changes from the latest authorised envelope are shown as below:

Wiltshire Pharmacy Supply Chain	▲ £21k
Mobile & Desktop Infrastructure	▼ £70k
Secure Services AWOL Recommendation	▲ £7k
NHS Mail (N3 Upgrade)	▼ £17k
Wireless Site	▲ £195k
Siston Capital Works	▲ £20k

7.3 Schemes recommended outside of the Capital programme

There were no new bids received by the Investment Planning Group at its latest meeting but a call on the already authorised feasibility study envelope was made. This related to £40k of feasibility monies to be used for the Bristol Tender project.

With an anticipated total under commitment of £310k it is intended that all schemes approved and awaiting approval are phased accordingly, to ensure the capital programme is fully utilised to meet the Trust's objectives.

7.4 Capital schemes awaiting approval

Feasibility for the Bristol Tender (£40k, 2013/14)

To allow the Trust to consider its options if successful on Lots 1 and 2. This may also support the Trust in its disposal options going forward.

7.5 2014/15 capital programme

The Capital program for 2014/15 is currently overcommitted with authorised schemes at £2,457k as shown in the table above. The over-commitment will need to be reviewed to decide whether the Trust reinvests future planned disposals into the capital programme. This would allow the Trust to spend above its current planned depreciation for 2014/15 of £6,144k.

7.6 Current disposal programme

2013/14 Disposal Programme						
Property	NBV	Proceeds	Disposal Costs	Realised Profit/(Loss)	Anticipated Profit/(Loss)	
Windswept	463	585	(22)	0	100	
Total	463	585	(22)	0	100	

Note: Disposal of Fairview now deferred until 2014/15 financial year

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At Month 9, the sale of Windswept can now be confirmed as completed in December 2013 realising a net profit in the region of £100k as above.

A recently approved disposal is at risk due to additional requirements being placed on the buyer by the local planning department. More information relating to this can be shared in part two of the board meeting, but is commercially sensitive for part one. There are options to be decided on this and the disposal has therefore been deferred to happen in the 2014/15 financial year.

7.7 Capital Programme Decisions

The Trust Board are approve the recommendations of:

- The revised changes to the authorised capital schemes for 2013/14
- Feasibility for Bristol Tender work (£40k, 2013/14)