

Board of Directors (Public)

Item 4.4

Subject: Quarter 1 Monitor return
Date of meeting: 26th July 2016
Prepared by: Ian Cartwright
Presented by: Claire Wilson, Chief Financial Officer

BAF Ref	Impact on BAF
6	none

1. Executive Summary

This paper incorporates the final quarterly narrative report to accompany the quarter one performance report to NHS Improvement and should be read in conjunction with the month 3 financial performance report submitted to the Trust Board at its July 2016 meeting.

In summary, the Trust is reporting delivery against its financial plan, and whilst it has not delivered the quarter one target for RTT (due to April performance which was affected by the Junior Doctor industrial action), or against the 62 day wait for cancer target – the overall governance target for the quarter delivers a green rating as it remains within the tolerances set out in the standard.

The Board of Directors are asked to:

- Note the contents of the report and approve submission of the governance statement certificates to NHS Improvement in accordance with the Board declarations set out in the paper
- Note the position in relation to the financial submission which was submitted by the required deadline of 22nd July 2016.
- Note the update in respect of membership elections.

2. Background

The Board of Directors approved the financial plan for 2016/17 as part of the operational plan presented at the March 2016 Board meeting that was subsequently submitted to Monitor. The month 3 position includes an updated annual plan which reflects the agreement of a revised control total with NHS Improvement; the updated annual plan includes a deficit of £927k, which reflects an improvement of £3,420k on the original deficit plan (£4,349k) but supports access to £2.2m of Strategic Transformation Funding (STF).

3. Overview of Performance Rating

The Trust has delivered an overall Financial Sustainability Risk Rating (FSRR) of 2 at the end of quarter one. In overall terms the FSRR and each of the individual components are in line with plan (capital service capacity 1, liquidity rating 1, I&E Margin 1 and Variance in I&E margin 3).

A year to date net deficit has been reported of (£1.080m), £0.002m better the plan figure of (£1.081m).

The liquidity rating is in line with plan at level 1, with liquid days slightly above plan at 0.8 days; cash balances at quarter one are reported as £2.3m above plan.

The Governance Rating is also on plan and reported as Green for the end of quarter one. RTT for 18 weeks in aggregate, in respect of incomplete pathways, is above the 92.05% target at 92.07%. The Trust has, however, failed the quarter one target due to the April performance which was affected by the Junior Doctors industrial action. We also failed the 62 day wait for cancer with performance of 83.72% against a target of 85.0%. However, this underperformance on performance targets is within the agreed tolerances of an overall Green governance rating.

4. Overview Year To Date Financial Performance

The Trust's financial performance to 30th June 2016, delivers a capital service cover rating of 1, a liquidity rating of 1, I&E margin rating of 1 and an I&E margin variance rating of 3. These ratings are combined and weighted to give an overall Financial Sustainability Risk Rating (FSRR) of 2 which is on plan at the end of the quarter. It should be noted that the overall rating which can be achieved by the Trust is capped so that if the Trust scores a "1" on any metric, the overall rating will be capped at a 2.

Inpatient activity (NHS) is below plan cumulatively to the end of June by 47 spells (1.00%). For the year to date, Medicine is below plan by 6 spells, with below plan performance on Respiratory, EP Studies and angioplasty being offset by above plan performance against catheters, EBUS and cardiac disorders. Surgery is below plan cumulatively by 23 spells (3%), with under performance on CABG & Valve, Cardiac Valves, TAVI and upper GI.

The financial performance for the year to date is a net deficit of (£1.080m), which compares to a planned net deficit of (£1.081m).

The closing cash position for quarter one is £6.3m and is above plan by £2.3m. This is driven by favourable opening cash balances. The baseline for the plan was set at forecast levels and actual closing cash balances exceeded forecast by £1.6m. In addition there are favourable working capital movements.

5. Comments on the Statement of Comprehensive Income (SoCI)

Table 1 below summarises the high level SoCI variances against plan.

Table 1: Key SoCI Variances by Category

SoCI Variances: Actual vs Plan	Qtr 1 (Apr - Jun)	Qtr 2 (Jul - Sep)	Qtr 3 (Oct - Dec)	Qtr 4 (Jan - Mar)	YTD Variance	In Quarter Variance	YTD Variance
Operating Revenue for EBITDA Variance	-0.074				-0.074	Adverse	Adverse
Pay Variance	0.376				0.376	Favourable	Favourable
Non Pay - Direct Costs Variance	-0.250				-0.250	Adverse	Adverse
Non Pay - Overheads Variance	-0.112				-0.112	Adverse	Adverse
EBITDA Variance	-0.061	0.000	0.000	0.000	-0.061	Adverse	Adverse
Operating Expenses excluded from EBITDA	0.066				0.066	Favourable	Favourable
Non Operating Income	-0.006				-0.006	Adverse	Adverse
Donations and Grants received	0.000				0.000	Adverse	Adverse
Non Operating Expenses	0.002				0.002	Favourable	Favourable
Net Surplus/(Deficit) Variance	0.002	0.000	0.000	0.000	0.002	Favourable	Favourable

The Trust has reported a deficit in the quarter of £1.080m, which compares to a planned deficit of £1.081m.

Operating revenue for the purposes of calculating EBITDA is (£0.074m) adverse in the quarter at £31.082m set against a plan of £31.156m and is discussed in more detail in the following paragraphs.

- NHS Clinical Revenue is above plan by **£0.085m** for the quarter at £28.080m compared to a plan of £27.995m.
- Private patient revenue is **(£0.146m)** below plan for the quarter at £0.735m compared to a plan of £0.881m.
- Other Operating Revenue is slightly below plan in the quarter by **(£0.014m)** at £1.950m compared to a plan of £1.936m.

Total pay costs are below plan by **£0.376m** for quarter one at £17.480m compared to a plan of £17.856m. Substantive pay costs (including bank and overtime) were below plan by **£0.282m** in quarter one, at £16.927m against a plan of £17.209m. Locum and agency staff were also behind plan by **£0.094m** in the quarter totalling £0.553m against the planned figure of £0.647m.

There is an adverse variance against pay CIP schemes to quarter one at £0.023m, which includes a shortfall in delivery of CIP of £224k.

Direct non-pay costs are **(£0.250m)** adverse for the quarter at £10.802m compared to a plan of £10.603m.

- There is an adverse variance on drugs expenditure of **(£0.051m)** in quarter one. This is driven by activity, with increases in pass through costs such as Ivacaftor, which will be offset by increases in clinical income.
- Clinical supplies are **(£0.200m)** above plan in the quarter. This is driven by activity and case mix performance.
- Non clinical supplies costs are **£0.052m** below plan in the quarter.

Operating expenses (excluded from EBITDA) are **£0.066m** favourable for the quarter at (£1.167m). This is driven by a reduced value of depreciation following a revaluation exercise undertaken at year end.

6. Comments on the Statement of Financial Position (SoFP)

The table which follows summarises high level SoFP variances against plan:

Table 2: Key SoFP Variances by Category

SoFP Variances: Actual vs Plan	Qtr 1 (Apr - Jun)	Qtr 2 (Jul - Sep)	Qtr 3 (Oct - Dec)	Qtr 4 (Jan - Mar)	YTD Variance	In Quarter Variance	YTD Variance
Non Current Assets	0.215				0.215	Favourable	Favourable
Current Assets	3.098				3.098	Favourable	Favourable
Current Liabilities	-2.304				-2.304	Adverse	Adverse
Non Current Liabilities	-0.094				-0.094	Adverse	Adverse
Total Assets Employed	0.914	0.000	0.000	0.000	0.914	Favourable	Favourable
Retained Earnings	0.301				0.301	Favourable	Favourable
Revaluation Reserve	0.611				0.611	Favourable	Favourable
Public Dividend Capital	0.000				0.000	Favourable	Favourable
Total Taxpayers Equity	0.912	0.000	0.000	0.000	0.912	Favourable	Favourable

The year to date position in respect of Non-Current assets shows the overall value being **£0.215m** above the planned position to the end of quarter one which is largely due to:

- The capital programme is underspent year to date by **(£0.286m)** against a plan of **£1.862m**;
- Depreciation is below plan by **£0.066m**.

The full year position in respect of Current Assets shows the total value being **£16.933m**, **£3.098m** above plan. The key variances include:

- Inventories are above the planned level by **£0.162m**.
- NHS Trade receivables are **£0.563m** above plan. This is due to delays in receipts of income, for which there are corresponding delays in payments made to neighbouring Trusts (there are no material issues of challenge – and it is expected this position will be recovered).
- Non NHS receivables are **£0.049m** above plan.
- Accrued income is above plan by **£0.849m**. This largely relates to assumed levels of Strategic Transformation Funding, and other contractual payments.
- Cash balances at £6.312m are **£2.277m** above plan. This is driven by the following:
 - Favourable movement on opening balance £1.598m;
 - Below plan operating cash flows (£0.061m);
 - Favourable Working Capital movements £1.433m;
 - Adverse variance on Capital Investment (£0.688m) driven by a movement on Capital Payables;

Current Liabilities are (**£2.304m**) above plan at the end of quarter one. The key variances within this are outlined below:

- Provisions are (**£0.095m**) above plan.
- Capital Payables are **£0.457m** below plan. Due to slippage in cash payments expected as part of the capital programme in the first quarter.
- Accruals are **£1.149m** below plan, which is offset by the increase in payables.
- Trade and Other Payables are above plan by (**£3.996m**) at the end of quarter one. This relates to delays in payments of agency invoices (which are currently being reviewed), together with delays in payment of invoices, for which there are corresponding delays to income receipts.

7. Comments on the Statement of Cashflow

The table below summarises high level SoCF variances against plan.

Table 3: Key SoCF Variances by Category

SoCF Variances: Actual vs Plan	Qtr 1 (Apr - Jun)	Qtr 2 (Jul - Sep)	Qtr 3 (Oct - Dec)	Qtr 4 (Jan - Mar)	YTD Variance	In Quarter Variance	YTD Variance
Opening Cash	1.598				1.598	Favourable	Favourable
Operating Cashflows	-0.060				-0.060	Adverse	Adverse
Increase/(Decrease) in Working Capital	1.433				1.433	Favourable	Favourable
Capital Investment	-0.694				-0.694	Adverse	Adverse
Financing Costs	0.000				0.000	Favourable	Favourable
Total Cashflow Variance	2.277	0.000	0.000	0.000	2.277	Favourable	Favourable

8. Governance and Declarations

Under its licence conditions the Trust is required to prepare and submit a quarterly return to NHS Improvement, detailing its financial and governance risk ratings.

For the Quarter one submission to Monitor, the Trust is forecasting the following ratings:

Governance Rating: **Green**

The Board also confirms:-

- For governance, that the Committee are satisfied that plans in place are sufficient to ensure on-going compliance with all existing targets (after the application of thresholds) as set out in Appendix A of the Risk Assessment Framework; and a commitment to comply with all known targets going forwards.

However based on the revised plan submission, driven by the significant financial challenges faced in 2016/17:

- The Board is unable confirm that The Trust will continue to maintain a financial sustainability risk rating of at least 3 over the next 12 months.

9. Membership Update

There has been one public governor (rest of England and Wales) elected (uncontested) on 1st June 2016. Elections have also taken place for two staff Governor seats within the 'Registered Nurses and Non Registered Nurses' Class. The staff governor elections were contested, so the process is not yet concluded.

Please refer to separate election report presented to the July 2016 Trust Board

10. Recommendations

The Board of Directors are asked to:

- Note the contents of the report and approve submission of the governance statement certificates to NHS Improvement in accordance with the Board declarations set out in the paper
- Note the position in relation to the financial submission which was submitted by the required deadline of 22nd July 2016.
- Note the update in respect of membership elections.

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In Year Governance Statement from the Board of Liverpool Heart and Chest Hospital NH

The board are required to respond "Confirmed" or "Not confirmed" to the following statements (see notes below)

Board Response

For finance, that:

The board anticipates that the trust will continue to maintain a financial sustainability risk rating of at least 3 over the next 12 months.

Not Confirmed

The Board anticipates that the trust's capital expenditure for the remainder of the financial year will not materially differ from the amended forecast in this financial return.

Confirmed

For governance, that:

The board is satisfied that plans in place are sufficient to ensure: ongoing compliance with all existing targets (after the application of thresholds) as set out in Appendix A of the Risk Assessment Framework; and a commitment to comply with all known targets going forwards.

Confirmed

Otherwise:

The board confirms that there are no matters arising in the quarter requiring an exception report to NHS Improvement (per the Risk Assessment Framework, Table 3) which have not already been reported.

Confirmed

Consolidated subsidiaries:

Number of subsidiaries included in the finances of this return. This template should not include the results of your NHS charitable funds.

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Signed on behalf of the board of directors

Signature



Name

Jane Tomkinson

Capacity

Chief Executive

Date

29/07/2016

Signature



Name

Neil Large

Capacity

Chair

Date

29/07/2016

The board is unable to make one of more of the confirmations in the section above on this page and accordingly responds:

A Taking into consideration the revices plan and control total agreed with NHS Improvement and driven by the significant financial challenges faced in 2016/17 the Board of Dire

B

C