

Board of Directors (Public)

Item 5.5

Subject: Quarter 1 Monitor return
Date of meeting: 28th July 2015
Prepared by: Neil Morris, Finance Manager
Presented by: David Jago, Chief Financial Officer

Board Report

Data Quality Rating	BAF Ref	Impact on BAF Risk Rating
Silver	3,6	None

1. Executive Summary

This paper constitutes the first quarter's narrative report to accompany the quarter 1 performance report to Monitor. The Board of Directors are asked to note the content of the report and approve prior to submission to Monitor.

2. Background

The Board of Directors approved the financial plan for 2015/16 as part of the operational plan presented at the March 2015 Board meeting that was subsequently submitted to Monitor.

3. Issues

The Trust has delivered an overall Continuity of Services Risk Rating (CoSRR) of 3 at the end of quarter one. Capital Service Cover is on plan at 3, but liquidity is behind plan by 0.6 days and delivering a rating of 2 compared to a plan of 3.

The Governance Rating is also on plan and reported as Green for the end of the first quarter, with breaches of the RTT 18 week target for admitted patients at 80.0% against a target of 90%, and the RTT 18 week target for non-admitted patients at 89.7% against a target of 95%. Incomplete pathway performance was compliant as planned at 92.8% against a target of 92%.

A year to date net deficit has been reported of (£0.46m), £0.11m below the plan figure of (£0.35m). This is driven largely by underperformance against CIP targets totalling £0.12m to the end of quarter 1.

The liquidity rating is behind plan at 2 compared to plan of 3, with liquid days 0.6 behind plan; cash balances at quarter one are reported as £0.82m below plan.

4. Conclusion

The key risk indicators, set out under the Risk Assessment Framework continue to be achieved against planned levels to the end of the first quarter of 2015/16.

5. Recommendations

The Board of Directors are asked to consider and approve the quarter one return ahead of the submission deadline to Monitor of 31st July 2015.

1.0 Overview Year To Date (YTD) Performance

- 1.1** The Trust's financial performance to 30th June 2015 delivers a capital service cover rating of 3 and a liquidity rating of 2. These ratings are combined and weighted to give an overall Continuity of Service Risk Rating (CoSRR) of 3 which is on plan at the end of the quarter.
- 1.2** Inpatient activity (NHS) is ahead of plan cumulatively to the end of June by 76 spells (6.9%). For the year to date, Cardiology is ahead of plan by 66 spells (8.9%), with over-performance against Pacing, EP, EBUS, Catheter, Cardiology Other and Cardiac Disorders offsetting below plan performance against Angioplasty. Surgery is above plan cumulatively by 7 spells (2.2%), with over-performance on complex thoracic surgery in addition to over-performance on Cardiac other procedures, with offsetting below plan performance against CABG and CABG & Valve.
- 1.3** The financial performance for the year to date is a net deficit of (£0.46m), which compares to a planned net deficit of (£0.35m).
- 1.4** The closing cash position is £7.23m and is behind plan by £0.82m driven largely by adverse working capital movements.

2.0 Comments on the Statement of Comprehensive Income (SoCI)

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

Table 1: Key SoCI Variances by Category

SoCI Variances: Actual vs Plan	2015/16			
	Qtr 1 (Apr-Jun) £m	YTD Variance £m	In Quarter Variance	YTD Variance
Operating Revenue for EBITDA Variance	-0.488	-0.488	Adverse	Adverse
Pay Variance	-0.094	-0.094	Adverse	Adverse
Non Pay - Direct Costs Variance	-0.131	-0.131	Adverse	Adverse
Non Pay - Overheads Variance	0.454	0.454	Favourable	Favourable
EBITDA Variance	-0.259	-0.259	Adverse	Adverse
Operating Expenses excluded from EBITDA	0.000	0.000	n/a	n/a
Non Operating Income	0.001	0.001	Favourable	Favourable
Donations and Grants Received	0.140	0.140	Favourable	Favourable
Non Operating Expenses	0.004	0.004	Favourable	Favourable
Net Surplus/(Deficit) Variance	-0.114	-0.114	Adverse	Adverse

- 2.2** The Trust has reported a deficit in the quarter of (£0.46m), which compares to a planned deficit of (£0.35m).
- 2.3** Operating revenue for the purposes of calculating EBITDA is **£0.49m** adverse in the quarter at £29.35m set against a plan of £29.84m and is discussed in more detail in the following paragraphs.
- 2.4** NHS Clinical Revenue is below plan by **£0.44m** for the quarter at £26.58m compared to a plan of £27.03m.

- 2.5** Private patient revenue is **£0.17m** below plan for the quarter at £0.82m compared to a plan of £0.99m.
- 2.6** Miscellaneous Other Operating Revenue is above plan in the quarter by **£0.12m** at £1.94m compared to a plan of £1.82m This largely relates to the receipt of skills for health funding £0.05m and revenue generating CIP schemes over-performing by £0.1m.
- 2.7** Total pay costs are above plan by **(£0.1m)** for quarter 1 at £16.6m compared to a plan of £16.51m. Substantive pay costs were behind plan by **£0.84m** in quarter 1, at £15.65m against a plan of £16.50m. At the end of June there were 155.81WTE vacancies, some of which are being covered at premium rates with locum and agency spend in the quarter above plan by **(£0.94m)**, totalling £0.95m against the planned figure of £0.01m.

There is an adverse variance against pay CIP schemes to quarter one at £0.15m, with slippage against job planning and sickness review schemes.

- 2.8** Direct non-pay costs are **£0.13m** adverse for the quarter at £10.25m compared to a plan of £10.17m and reflect above plan activity performance.

There is an adverse variance on drugs expenditure of **(£0.16m)** in quarter 1. This is driven by activity, with increases in pass through costs such as Ivacaftor, which will be offset with increases in clinical income.

Clinical supplies are **(£0.08m)** above plan in the quarter. This is driven by activity and case mix performance.

General supplies costs are **£0.10m** behind plan in the quarter.

- 2.9** Operating expenses (excluded from EBITDA) are on plan for the quarter at **(£1.27m)**, with no significant variations from the capital plan or impact of revaluations at this stage of the year.

3.0 Comments on the Statement of Financial Position (SoFP)

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

Table 2: Key SoFP Variances by Category

SoFP Variances: Actual vs Plan	2015/16			
	Qtr 1 (Apr-Jun) £m	YTD Variance £m	In Quarter Variance	YTD Variance
Non-Current Assets	-0.132	-0.132	Adverse	Adverse
Current Assets	1.501	1.501	Favourable	Favourable
Current Liabilities	-1.478	-1.478	Adverse	Adverse
Non-Current Liabilities	-0.004	-0.004	Adverse	Adverse
EBITDA Variance	-0.113	-0.113	Adverse	Adverse
Retained Earnings	-0.114	-0.114	Adverse	Adverse
Revaluation Reserve	0.000	0.000	n/a	n/a
Public Dividend Capital	0.000	0.000	n/a	n/a
Net Surplus/(Deficit) Variance	-0.114	-0.114	Adverse	Adverse

3.2 Non-Current assets are **£0.1m** below plan to the end of Quarter 1 which is due to:

- The capital programme is underspent year to date by £0.1m against an original plan of £1.26m;

3.3 Current assets are **£1.50m** above plan at the end of quarter 1, the key variances include:

3.3.1 NHS Trade receivables are (£0.19m) behind plan; The level of aged debt with RLBUHT is currently being reviewed and a reciprocal payment in the process of being agreed to reduce respective receivables/payables.

3.3.2 Inventories are £0.19m above plan, mainly within Pacing, Cath Labs and Theatres reflecting increases in levels of activity;

3.3.3 Current prepayments are above plan by £0.74m, at £1.87m compared to plan of £1.13m. The variance is due to differences in the timing of maintenance contract invoices for 2015/16.

3.3.4 Non NHS receivables are (£0.26m) below plan. Despite being below plan a significant amount of the Non NHS aged debt is with BUPA and AXA. The Trust is working to reduce the level of aged debt with these organisations.

3.3.5 Impairment of receivables has reduced by £0.54m following the agreement of the year end settlement with NHS England at £0.58m, the provision was released in quarter one.

3.3.5 Accrued income is above plan by £0.34m. This represents increases in levels of contractual over-performance at quarter one.

3.3.6 Cash balances at £7.23m are £0.82m below plan. This is driven by the following:

- Below plan operating cash flows (£0.80m)
- Adverse Working Capital movements (£0.31m);
- Favourable variance on Capital Investment and movement on Capital Payables of £0.14m;
- Below plan Financing Costs £0.15m due to higher than planned donated additions.

3.4 Current Liabilities are **£1.48m** above plan at the end of quarter 1. The key variances within this are outlined below:

3.4.1 Provisions are £0.09m above plan, utilisation of provision has been less than planned in quarter one.

3.4.2 Deferred income is £1.42m below plan. This is due to utilisation of balances held for Wales to agree 2014/15 year end contracts and higher levels of over-performance on NHS England contract than anticipated therefore contract payments not needing to be deferred.

3.4.3 Capital Payables are £0.02m above plan.

3.4.4 Accruals are £0.37m above plan, and are reflective of increases in activity and timing of receipt of invoices.

4.0 Comments on the Statement of Cashflow

4.1 The table below summarises high level SoCF variances against plan.

Table 3: Key SoCF Variances by Category

Cashflow Variances: Actual vs Plan	2015/16			
	Qtr 1 (Apr-Jun) £m	YTD Variance £m	In Quarter Variance	YTD Variance
Opening Cash	0.000	0.000	Favourable	Favourable
Operating Cashflows	-0.785	-0.785	Adverse	Adverse
Increase/(Decrease) in Working Capital	-0.319	-0.319	Adverse	Adverse
Capital Investment	0.140	0.140	Favourable	Favourable
Financing Costs	0.145	0.145	Favourable	Favourable
Total Cashflow Variance	-0.819	-0.819	Adverse	Adverse

5.0 Governance

- 5.1** Under its licence conditions the Trust is required to prepare and submit a quarterly return to Monitor, detailing its financial and governance risk ratings.

For the Quarter 1 submission to Monitor, the Trust is forecasting the following ratings:
Governance Rating: **Green**

The Board also confirms:-

- For finance, that the Committee anticipates that the Trust will continue to maintain a Continuity of Service risk rating of at least 3 over the next 12 months;
- 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.

6.0 Membership

- 6.1** Five seats have been elected uncontested in quarter one:

Public Constituency

Two Seats – Cheshire

One Seat – Rest of England & Wales

Staff Constituency

One Seat – Allied Healthcare Professionals, Technical and Scientific

One Seat – Registered Medical Practitioners

All successful candidates commence their term following the Annual Members Meeting on 1st October 2015.

Appendix 1 – Governance Statement

In Year Governance Statement from the Board of Liverpool Heart and Chest Hospital NHS Foundation Trust

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 Continuity of Service risk rating of at least 3 over the next 12 months.

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 Monitor (per the Risk Assessment Framework, Diagram 6) 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.

1

Signed on behalf of the board of directors

Signature



Name

Jane Tomkinson

Capacity

Chief Executive

Date

27th July 2015

Signature



Name

David Jago

Capacity

Deputy Chief Executive/Chief Finance Officer

Date

27th July 2015

Responses still to complete:

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Notes:

Monitor will accept either 1) electronic signatures pasted into this worksheet or 2) hand written signatures on a paper printout of this declaration posted to Monitor to arrive by the submission deadline.

In the event that an NHS foundation trust is unable to confirm these statements it should NOT select 'Confirmed' in the relevant box. It must provide a response (using the section below) explaining the reasons for the absence of a full certification and the action it proposes to take to address it.

This may include include any significant prospective risks and concerns the foundation trust has in respect of delivering quality services and effective quality governance.

Monitor may adjust the relevant risk rating if there are significant issues arising and this may increase the frequency and intensity of monitoring for the NHS foundation trust.

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

A

B

C