

Board of Directors (Public)

Item 5.4

Subject: Quarter 2 Monitor return
Date of meeting: 20th October 2015
Prepared by: Ian Cartwright, Head of Financial Accounts
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 second quarter's narrative report to accompany the quarter two 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 Financial Sustainability Risk Rating (FSRR) of level 2 at the end of quarter two, driven by the year to date reported deficit of £1.05m. In terms of the respective metrics Capital Service Cover is behind plan at level 3, liquidity is behind plan at level 2, I&E Margin rating is behind plan at level 1 and the I&E Margin variance is behind plan at level 2.

The Governance Rating is on plan and reported as Green for the end of the second quarter. RTT for 18 weeks incomplete pathways is above plan at 93.5% in quarter two.

A year to date net deficit has been reported of (£1.05m), £0.88m below the plan figure of (£0.18m). This is driven materially by higher than planned spend on agency and additional waiting list sessions.

The liquidity rating is behind plan at 2 compared to plan of 3, with liquid days 3.9 behind plan; cash balances at quarter one are reported as £0.227m above plan.

4. Conclusion

The key risk indicators, set out under the Risk Assessment Framework are not fully being met to the end of the second quarter of 2015/16, due to the financial performance delivering a financial sustainability risk rating of 2.

5. Recommendations

The Board of Directors are asked to consider and approve the quarter two return ahead of the submission deadline to Monitor of 30th September 2015.

1.0 Overview Year To Date (YTD) Performance

- 1.1** The Trust's financial performance to 30th September 2015 delivers a capital service cover rating of 3, a liquidity rating of 2, I&E margin rating of 1 and an I&E margin variance rating of 2. These ratings are combined and weighted to give an overall Financial Sustainability Risk Rating (FSRR) of 2 which is below plan at the end of the quarter. Where any one metric is scored at a level 1 overall risk rating is capped to a level 2.
- 1.2** Inpatient activity (NHS) is onplan cumulatively to the end of September.. For the year to date, Cardiology is ahead of plan by 29 spells (1%), with over-performance against Pacing, Catheters, Cardiology Other and Cardiac Disorders offsetting below plan performance against Angioplasty and EP Studies. Surgery is below plan cumulatively by 42 spells (2%), with over-performance on Thoracic Surgery in addition to over-performance on Cardiac other procedures, with offsetting below plan performance against CABG, Valve and Aneurysm procedures.
- 1.3** The financial performance for the year to date is a net deficit of (£1.05m), which compares to a planned net deficit of (£0.18m).
- 1.4** The closing cash position is £8.0m and is above plan by £0.23m driven largely by positive 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	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	-0.487	-0.220			-0.707	Adverse	Adverse
Pay Variance	-0.094	-0.267			-0.361	Adverse	Adverse
Non Pay - Direct Costs Variance	-0.132	-0.424			-0.555	Adverse	Adverse
Non Pay - Overheads Variance	0.455	0.154			0.610	Favourable	Favourable
EBITDA Variance	-0.258	-0.756	0.000	0.000	-1.014	Adverse	Adverse
Operating Expenses excluded from EBITDA	0.000	0.043			0.043	Adverse	Favourable
Non Operating Income	0.001	-0.001			0.000	Favourable	Favourable
Donations and Grants received	0.140	-0.015			0.124	Favourable	Favourable
Non Operating Expenses	0.004	-0.033			-0.028	Favourable	Adverse
Net Surplus/(Deficit) Variance	-0.113	-0.762	0.000	0.000	-0.875	Adverse	Adverse

- 2.2** The Trust has reported a deficit in the quarter of (£0.59m), which compares to a planned surplus of £0.17m, resulting in a **(£0.76m)** adverse variance.
- 2.3** Operating revenue for the purposes of calculating EBITDA is **(£0.22m)** adverse in the quarter at £30.47m set against a plan of £30.69m and is discussed in more detail in the following paragraphs.
- NHS Clinical Revenue is slightly above plan by **£0.002m** for the quarter at £27.88m compared to a plan of £27.88m.
 - Private patient revenue is **(£0.18m)** below plan for the quarter at £0.81m compared to a plan of £0.999m.

- Other Operating Revenue is behind plan in the quarter by **(£0.04m)** at £1.78m compared to a plan of £1.82m.

2.4 Total pay costs are above plan by **(£0.27m)** for quarter two at £16.78m compared to a plan of £16.51m. Substantive pay costs were behind plan by **£0.60m** in quarter 2, at £15.90m against a plan of £16.502. At the end of September there were 107.89WTE vacancies, some of which are being covered at premium rates with locum and agency spend in the quarter above plan by **(£0.87m)**, totalling £0.88m against the planned figure of £0.01m.

There is an adverse variance against pay CIP schemes to quarter one at £0.31m, with slippage against job planning and sickness review schemes. This is largely offset through the application of the CIP mitigation reserve.

2.5 Direct non-pay costs are **(£0.42m)** adverse for the quarter at £10.838m compared to a plan of £10.41m and reflect above plan activity performance.

- There is an adverse variance on drugs expenditure of **(£0.14m)** in quarter two. 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 **(£0.24m)** above plan in the quarter. This is driven by activity and case mix performance.
- General supplies costs are **(£0.04m)** above plan in the quarter.

2.6 Operating expenses (excluded from EBITDA) are **£0.04m** favourable for the quarter at (£1.26m). This is driven largely by slippage on the profiling of the larger building schemes for outpatients and the main entrance.

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	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	-0.133	-0.044			-0.176	Adverse	Adverse
Current Assets	1.499	-0.084			1.416	Favourable	Favourable
Current Liabilities	-1.476	-0.637			-2.113	Adverse	Adverse
Non Current Liabilities	-0.004	0.001			-0.002	Adverse	Adverse
Total Assets Employed	-0.113	-0.763	0.000	0.000	-0.876	Adverse	Adverse
Retained Earnings	-0.113	-0.763			-0.876	Adverse	Adverse
Revaluation Reserve	0.000	0.000			0.000	Adverse	Adverse
Public Dividend Capital	0.000	0.000			0.000	Favourable	Favourable
Total Taxpayers Equity	-0.113	-0.763	0.000	0.000	-0.876	Adverse	Adverse

3.2 Non-Current assets are **£0.18m** below plan to the end of quarter two which is largely due to:

- The capital programme is underspent year to date by **(£0.20m)** against an original plan of £2.36m;
- Depreciation is below plan by **£0.04m**.

3.3 Current assets are **£1.42m** above plan at the end of quarter two, the key variances include:

- 3.3.1** Inventories are **£0.56m** above plan, mainly within Pacing, Cath Labs and Theatres reflecting increases in levels of activity and changes in casemix;
- 3.3.2** NHS Trade receivables are **(£2.17m)** behind plan. The level of aged debt with RLBUHT has been significantly reduced in September. This also includes an offsetting below plan variance for the reversal of impaired receivable of £0.54m.
- 3.3.3** Non NHS receivables are **(£0.05m)** below plan. Despite being below plan a significant amount of the Non NHS aged debt is with BUPA and AXA. The Trust continues to work to reduce the level of aged debt with these organisations.
- 3.3.4** Other receivables are **£0.23m** above plan, relating to amounts due to be transferred from Charitable Funds, amounts due from the ICMS Joint Venture and VAT reclaims.
- 3.3.5** Current prepayments are above plan by **£0.38m**, at £1.20m compared to plan of £0.83m. The variance is due to differences in the timing of maintenance contract invoices for 2015/16.
- 3.3.6** 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.
- 3.3.7** Accrued income is above plan by **£1.70m**. This largely relates to variances in levels of contractual performance against cash payments to quarter two (offset by reductions in deferred income), combined with an SLA for services provided to RLBUHT which is currently in the process of being finalised for agreement.
- 3.3.8** Cash balances at £8.0m are **£0.23m** above plan. This is driven by the following:
- Below plan operating cash flows (£1.56m)
 - Favourable Working Capital movements £1.83m;
 - Adverse variance on Capital Investment and movement on Capital Payables of (£0.15m);
 - Above plan capital expenditure Costs £0.1m due to higher than planned donated additions in month;

3.4 Current Liabilities are **(£2.11m)** above plan at the end of quarter two. The key variances within this are outlined below:

- 3.4.1** Provisions are **(£0.13m)** above plan, utilisation of provision has been less than planned in quarter two.
- 3.4.2** Deferred income is **£1.15m** below plan. This is due to the variances in levels of contractual performance against cash payments (offset by increases in accrued income).
- 3.4.3** Capital Payables are **£0.35m** below plan, driven in part by the below plan capital investment.
- 3.4.4** Accruals are **(£1.08m)** above plan, and are reflective of increases in activity and timing of receipt of invoices for services received, largely from RLBUHT for utilities, pathology and blood products.
- 3.4.5** Payables are above plan by (£2.4m) at the end of quarter two. Further payments to RLBUHT will be made in October, which will significantly reduce the level of NHS Payables.

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

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	0.000	0.000			0.000	Favourable	Favourable
Operating Cashflows	-0.801	-0.756			-1.557	Adverse	Adverse
Increase/(Decrease) in Working Capital	-0.305	2.139			1.834	Adverse	Favourable
Capital Investment	0.140	-0.287			-0.147	Favourable	Adverse
Financing Costs	0.145	-0.049			0.096	Favourable	Favourable
Total Cashflow Variance	-0.821	1.047	0.000	0.000	0.225	Adverse	Favourable

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 Board 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 Four seats that were contested in quarter one, have now been elected in quarter two:

Public Constituency

One Seat – Merseyside

One Seat – North Wales

Staff Constituency

One Seat – Non Clinical

One Seat – Registered and Non-registered nurses

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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.

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 Monitor (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

Capacity

Date

Signature 

Name

Capacity

Date

Responses still to complete:

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 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