Action required by the Council of Governors

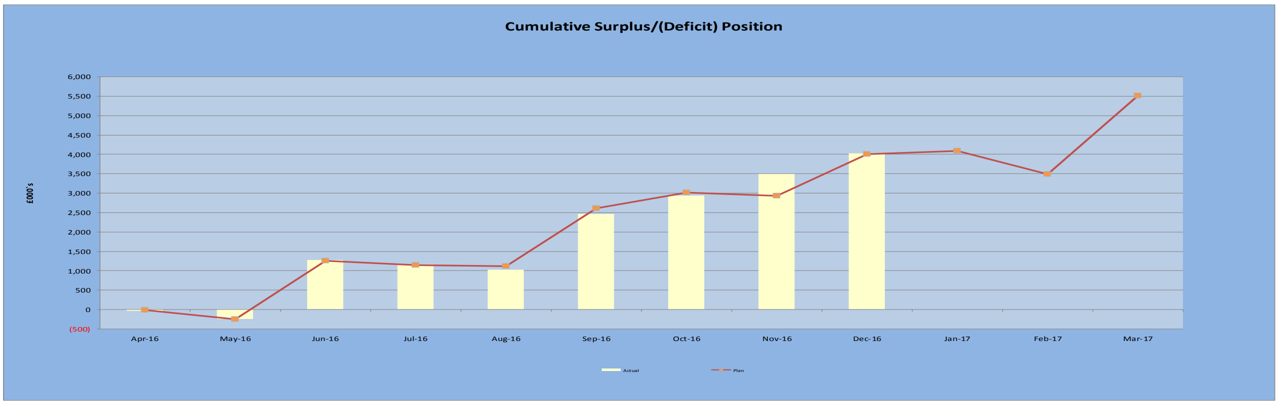
To receive and note the financial report and associated appendices.

FINANCE REPORT FOR THE BOARD OF DIRECTORS FOR THE PERIOD ENDING 31 DECEMBER 2016

Financial Performance Summary

The below table has updated the Financial Sustainability Risk Rating (FSRR) to the new Use of Resource (UOR) metric, which the Trust is now measured against from the 1st September. Note that the new metric has reversed the ratings so that 1 equals Strong Performance and a rating of 4 would lead to special measures. Please see glossary for more information.

		Year to date Monitor Financial		
Area of Review	**Key Highlights**	**December Plan**	**December Actual**	**Q3 Plan**
Liquidity Ratio	The liquidity ratio shows that working capital (cash + debtors - creditors) is in line with plan.	2	1	2
Capital Service Capacity	Capital Service Capacity looks at the level of debt we are required to service, i.e. PDC expense, interest on loans, and other finance costs, against the level of revenue we are generating to determine whether we can continue to service that debt. Capital Service Capacity is in line with plan.	1	1	1
I&E Margin	I&E Margin looks at the return the Trust makes on it's activities. It is in line with plan.	1	1	1
I&E Variance from Plan	I&E Variance from plan looks at the planned I&E margin and compares this to the actual position. It is behind plan.	1	2	1
Agency Spend	Agency Spend is monitored in relation to the cumulative agency cap given to the Trust by NHSI. Expenditure is currently above the maximum level allowed by the cap.	1	2	1
Weighted Average Use of Resource (UOR Metric)	Overall the UoR Risk Rating is in line with plan. The key risks to this are CIP shortfall, unachievement of income, and Increased Medical and Nursing Agency costs.	1	1	1
Cash Balance £'000	Cash was £12.2m at the end of December which is behind plan.	14,414	12,172	14,414
Right Care & Tactical CIP £'000	In December CIP achieved is £4,542k against a target of £6,609k, £2,067k behind plan. This position is £976k worse than the contingency set aside.	6,609	4,542	6,609



Income and Expenditure

Summary/Overview

The overall position at the end of December is a surplus of £4,027k which is £54k better than plan. In 2016/17 the Trust is also subject to achieving a control total with NHSI. The control total excludes donated assets and therefore will be different to the underlying position. At the end of December the control total position is a surplus of £2,072k, £9k better than plan.

The surplus position is driven by sustainability income of £3,975k for the first nine months. The table below shows the summary performance:

	Dec-16	Year to date	
	Budget	Actual	Variance
	£,000	£,000	£,000
Operating Income	119,692	120,336	643
Operating Expenditure	(111,402)	(112,129)	(727)
EBITDA	**8,291**	**8,206**	**(84)**
Non Operating items	(4,317)	(4,179)	**138**
I&E Surplus/(Deficit)	**3,973**	**4,027**	**54**
STF	(3,975)	(3,975)	0
Underlying Surplus/(Deficit) excluding STF	**(2)**	**52**	**54**
Non Recurrent Support	0	(1,872)	(1,872)
Underlying Surplus/(Deficit) excluding non-recurrent support	**(2)**	**(1,820)**	**(1,818)**
NHSI Control Total Position	**4,063**	**4,072**	**9**

The financial position includes Sustainability & Transformation funding of £3,975k and non-recurrent support of £1,872k, therefore the underlying recurrent position is a deficit of £1,820k, which is £1,818k worse than the planned deficit of £2k. The position has been significantly affected by the number of beds that remain open due to delayed discharges. This is having an effect on the amount of elective activity that the Trust is able to do and although the Trust has implemented a recovery plan PBR income remains £983k behind plan.

EBITDA performance is £84k worse than plan driven by CIP underperformance above the contingency that was set aside during the planning process and income under performance. This is offset by non-recurrent support.

The 30% Non-Elective threshold adjustment, above that agreed in the plan, is £555k at the end of December.

Actions Being Taken

CIP performance and Clinical Income undertrades continue to be of significant concern. The Groups have signed up to delivering a recovery plan which will improve the position and the Executives are considering what else can be done to drive improvements in the financial position both in year, and recurrently. The recovery plan has delivered in line with expectations in October and November, however December was £89k worse than was expected driven by income performance in the Surgical and WCS Groups. Elective activity has been compromised by the increased non elective activity experienced in month.

Clinical Income under trade is now at £983k. This has improved in month, however the improvement is not as significant as would have been required to deliver the recovery plan.

Controls around Agency expenditure remain in place and costs have continued to be managed. The Trust is measuring its position against the NHSI cap of £4,870,000 for the year, as well as its internal plan for agency which was lower than this. To the end of December the cap target is £3,773k and the Trust has spent £3,822k, therefore the current position is £49k worse than cap. This is the first time that the Trust has breached the agency cap in year. The internal plan for agency at month 9 was £3,247k; therefore we are worse than the internal plan by £575k.

Cost Improvement Plan Performance for Month 9 ending 31 December 2016

	Savings to Dec-16 (to date)			Forecast to end of 2016/17			Forecast	Overspend against Contingency to Dec-16		Overspend against Contingency to end of 2016/17	
	Target £'000	Achieved £'000	Variance £'000	Target £'000	Forecast* £'000	Variance £'000	WTE Reduction	Forecast £'000	Variance £'000	Forecast £'000	Variance £'000
Improving Patient Flow & Transform	737	246	(491)	986	336	(650)	-	544	(298)	725	(389)
Improving Theatres & Acute Surgery	1,019	471	(548)	1,266	551	(715)	-	1,114	(643)	1,373	(823)
Improving Outpatients	377	256	(121)	451	303	(148)	-	397	(140)	475	(172)
Workforce	758	326	(432)	1,098	507	(591)	24.36	672	(346)	989	(482)
Estates Transformation	255	73	(182)	313	209	(104)	3.20	232	(159)	281	(72)
Business Development	375	110	(265)	500	282	(218)	-	205	(95)	273	8
Corporate & Procurement	553	698	144	727	860	133	-	552	145	725	135
Diagnostics	567	289	(278)	752	387	(365)	3.00	559	(270)	740	(353)
Women & Children's	354	70	(284)	449	70	(379)	-	74	(4)	74	(4)
Integrated Care Group Tactical	1,180	1,791	610	1,584	2,601	1,017	1.00	1,007	783	1,343	1,258
Surgical Tactical	434	213	(221)	579	308	(271)	-	163	50	218	91
Trust Total	**6,609**	**4,542**	**(2,067)**	**8,705**	**6,414**	**(2,291)**	**31.56**	**5,519**	**(976)**	**7,216**	**(802)**

Note: Performance gradings based on year-end forecast, see exception reports for risk grading.

**Forecast performance will be updated monthly.*

CIP performance for December is £4,542k against a plan of £6,609k, £2,067k worse than plan. CIP contingency of £1,090k was made available to support the position in December, therefore CIP has led to a deterioration to the position of £976k. This is offset by non-recurrent contingency.

The current forecast assumes slippage above contingency of £802k by year-end which mainly relates to the inability to deliver the activity plan in full. This position reflects the recovery plan.

PBR Contract PCT Performance

	Year to date			
	Annual Plan £000`s	Plan Dec-16 £000`s	Actual Dec-16 £000`s	Variance £000`s
NHS ENGLAND YORKSHIRE & HUMBER - SPEC COMM	10,519	7,893	7,768	(125)
NHS ENGLAND YORKSHIRE & HUMBER	1,045	783	799	17
NHS LEEDS WEST CCG	808	606	591	(15)
NHS LEEDS NORTH CCG	331	248	216	(32)
ENGLISH NCA CCGs	3,727	2,791	1,104	(1,688)
NHS EAST LANCASHIRE CCG	12,392	9,276	9,806	530
NHS CUMBRIA CCG	439	329	335	6
NHS BRADFORD DISTRICTS CCG	16,824	12,562	12,552	(10)
NHS BRADFORD CITY CCG	895	659	756	97
NHS AIREDALE, WHARFEDALE AND CRAVEN CCG	81,702	61,243	61,483	240
NCA - CROSS BORDER LHB'S	24	18	16	(3)
Total	**128,706**	**96,409**	**95,426**	**(983)**

Balance Sheet – Areas and Performance

The Balance Sheet as at 31st December 2016

`	Opening		Plan	Actual	Variance		Plan	Forecast	Variance
	Mar-16		Dec-16	Dec-16	Dec-16		Mar-17	Mar-17	Mar-17
	£000s		£000s	£'000s	£'000s		£'000s	£'000s	£'000s
Total Non Current Assets	63,404		62,378	61,544	(834)		63,286	62,349	(937)
Inventories	2,334		2,488	2,117	(371)		2,488	2,488	0
Current Receivables	5,593		5,424	10,392	4,968		4,830	4,830	0
Cash	11,656		13,804	12,198	(1,606)		15,519	12,768	(2,751)
Current Liabilities	(23,003)		(20,301)	(22,592)	(2,291)		(20,211)	(17,963)	2,248
Long Term Liabilities	(7,615)		(7,563)	(7,799)	(236)		(7,112)	(7,112)	0
Taxpayers Equity	(52,370)		(56,229)	(55,860)	369		(58,800)	(57,361)	1,439
Balance	(2)		1	0	(1)		0	(1)	(1)

Total Non-Current Assets

The original Capital expenditure planned was £2,115k for 2016/17, plus additional schemes carried forward from the previous year (the conversion of the old Laundry, including the relocation of the community Staff being the main scheme). The plan will be reforecast on completion. The Acute Assessment Unit is currently in the design stage and an additional element of £2,139k has been brought forward into the revised 2016/2017 plan sent to NHSI. This gave a new capital plan of £4,254k for 2016/2017.
The latest valuation of the AAU estimates that £1m will not be spent in 2016/2017 and will need to be included in the 2017/2018 plan, giving a revised plan of £3,254.

To date capital expenditure is £1,327k against a plan of £2,201k, which includes unplanned income of £148k.

The balance of the movement being in respect to Injury Cost Recovery schemes.

Inventories

Stock has increased by £251k during the month, Pacemakers have increased by £186k and Pharmacy Drugs have increased by £65k. The balance is an increase in local stock.

Cash

Cash levels are remain below plan. Trade invoices are being paid within their normal terms, and increases in creditors, in line with the increases in expenditure, will be monitored to ensure all due invoices are processed and paid in a timely manner.

An additional £2,456k of debtors is still to be raised as invoices. The information to raise these invoices becomes available after the month end closedown or is invoiced quarterly in line with contract agreements.

The second instalment of the control total was received December.

Capital expenditure is behind the original plan.

Glossary for Abbreviations and Terminology

EBITDA
Earnings before Interest, Tax, Depreciation and amortisation. This is an indication for the level of operating performance.

Surplus
Where income is greater than expenditure.

Liquidity Ratio
Gives a measure for monitoring the availability of cash the greater the ratio or number of days, the better the performance.

The Return on Assets
The level of surplus generated in proportion to the level of assets used to generate the surplus.

Overtrade
This refers to the level of performance on the contract with the PCTs indicating that the level of actual income is greater than the expected plan.

CIP
Cost Improvements Programmes for generating savings.

Capital Expenditure
Expenditure that supports the purchase of items that will have a useful life greater than one year and a value greater than £5,000.

Depreciation
The expenditure charge in the income and expenditure account for capital expenditure. The cost of the capital purchase is spread over the life of the asset.

Debtors
The value representing outstanding amounts still owed to the trust.

MFF
Market forces Factor is the uplift the Trust gets for unavoidable cost differences for providing healthcare.

STP
Sustainability & Transformation Plans – a 5 year sustainability plan at West Yorkshire level.

STF
Sustainability & Transformation Funds – the funds that have been included as part of a Trust's control total that are accessible dependent on performance against agreed trajectories.

UoR
NHS Improvement have changed their metric for measuring financial performance to the Utilisation of Resources (UoR) metric. This is similar to the previous measurement but includes variance on agency costs. One key thing to note is that the new metric has reversed the ratings so that 1 equals Strong Performance and a rating of 4 would lead to special measures.