

Airedale NHS Foundation Trust

Council of Governors: 26 April 2018

Title: Finance Report for the Council of Governors for the Period Ending 31 March 2018

Author: Amy Whitaker, Deputy Director of Finance

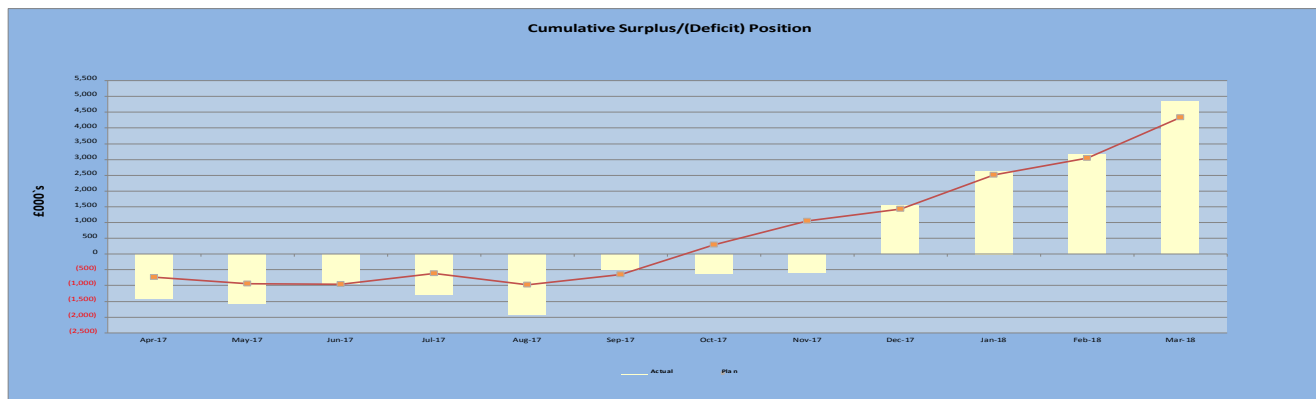
Action required by the Council of Governors

To receive and note the financial report and associated appendices.

FINANCE REPORT FOR THE BOARD OF DIRECTORS FOR THE PERIOD ENDING 31 MARCH 2018

Financial Performance Summary

Area of Review	Key Highlights	Year to date Monitor Financial		
		Mar Plan	Mar Actual	Q4 Plan
Liquidity Ratio	The liquidity ratio shows that working capital (cash + debtors - creditors) is ahead of 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 in line with plan.	1	1	1
Agency Spend	Agency Spend is monitored in relation to the cumulative agency cap given to the Trust by NHSI. Expenditure is currently £1.47m lower than the maximum level allowed by the cap.	1	1	1
Weighted Average Use of Resource (UOR Metric)	Overall the Financial 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 £8.8m at the end of March, which is behind plan.	11,443	8,790	11,443
Right Care & Tactical CIP £'000	In March, CIP achieved is £9.838m against a target of £9.838m.	9,838	9,838	9,838
EBITDA £'000	EBITDA is £8,547k against a plan of £10,454k, £1,907k behind plan.	10,454	8,547	10,454



Income and Expenditure

Summary/Overview

The unaudited underlying position, before the release of non-recurrent support is a deficit of £946k. After support the position is a surplus of £1,089k, £869k better than plan.

In 2017/18 the Trust is also subject to achieving a control total with NHSI. The control total excludes donated assets and includes STF funding, therefore will be different to the underlying position. At the end of March the control total position is a surplus of £4,520k, £96k better than plan. Due to delivery of the plan, STF related to financial performance is included in full, however the performance element was not delivered in quarter 4, leading to non-achievement of £432k. The overall STF included in the position is £3,684k.

The table below shows the summary performance:

	Mar-18	Year to date	
	Budget	Actual	Variance
	£,000	£,000	£,000
Operating Income	168,125	165,651	(2,474)
Operating Expenditure	(157,672)	(157,197)	475
EBITDA	10,454	8,454	(1,999)
Non Operating items	(6,118)	(9,833)	(3,716)
I&E Surplus/(Deficit)	4,336	(1,379)	(5,715)
STF	(4,116)	(3,684)	432
Underlying Surplus/(Deficit) excluding STF	220	(5,063)	(5,283)
Add back exceptional items		6,152	6,152
Underlying Surplus/(Deficit) excluding Exceptional Items	220	1,089	869
NHSI Control Total Position	4,424	4,520	96

The underlying position is driven by Junior Doctor, Middle Grade, and Nursing pressures, Consultant premium costs, and income under trades, offset by non-recurrent support, depreciation reductions relating to revaluation, and donated asset income.

EBITDA performance is £1,999k worse than plan, driven by staffing pressures in nursing, junior doctors, and middle grade, and income under trades, offset by non-recurrent support and donated asset income.

The 30% Non-Elective threshold adjustment is unchanged from the month 11 position as the billing position was based on estimates at that date. Therefore, the position above that agreed in the plan is £964k. Bradford CCGs have continued to reinvest their 30% into Telemedicine provision for 2017/18. East Lancs have also agreed to reinvest. £996k relates to AWC CCG, offset by Leeds CCGs.

Actions Being Taken

The Annual Plan for 2018/19 will be submitted to NHS Improvement on 30th April. The plan is subject to a separate paper.

The Trust Executive and Senior Managers continue to review the position on a weekly basis to enable quick recovery of any risks at the start of the financial year.

Tighter controls remain around bank, agency and overtime with sign off at Executive level. Increased controls are also in place around discretionary spend.

Cost Improvement Plan Performance for Month 12 ending 31 March 2018

	Savings to Mar-18 (to date)			Forecast to end of 2017/18			Forecast
	Target	Achieved	Variance	Target	Forecast*	Variance	WTE
	£'000	£'000	£'000	£'000	£'000	£'000	Reduction
Improving Patient Flow & Transform	190	0	(190)	190	0	(190)	-
Reducing Variation	0	0	0	0	0	0	-
Improving Outpatients	159	17	(142)	159	17	(142)	-
Workforce	1,538	1,136	(402)	1,538	1,136	(402)	27.78
Estates & Facilities	918	843	(74)	918	843	(74)	3.00
Corporate	1,161	646	(515)	1,161	646	(515)	2.00
Diagnostics	370	506	136	370	506	136	-
Women & Children's	901	782	(118)	901	782	(118)	-
ICG Tactical	1,323	1,673	350	1,323	1,673	350	-
Surgical Tactical	1,707	1,477	(230)	1,707	1,477	(230)	-
Business Development	625	443	(183)	625	443	(183)	0.67
Procurement	902	862	(41)	902	862	(41)	-
Closing the Gap Contingency	(526)	1,452	1,978	(526)	1,452	1,978	-
Improving Theatres & Acute Surgery	569	0	(569)	569	0	(569)	-
Trust Total	9,838	9,838	(0)	9,838	9,838	(0)	33.45

CIP performance for month 12 is £9,838k against a plan of £9,838k, in line with plan. £1.7m of this CIP has been delivered non recurrently, increasing the CIP requirement for 2018/19.

PBR Contract CCG Performance

	Year to date			
	Annual Plan £000's	Plan £000's	Actual £000's	Variance £000's
NHS ENGLAND YORKSHIRE & HUMBER - SPEC COMM	10,512	10,512	10,381	(131)
NHS ENGLAND YORKSHIRE & HUMBER	1,152	1,152	960	(193)
NHS LEEDS WEST CCG	803	803	838	35
NHS LEEDS NORTH CCG	339	339	293	(46)
ENGLISH NCA CCGs	3,916	3,916	1,602	(2,314)
NHS EAST LANCASHIRE CCG	12,815	12,815	13,248	433
NHS MORECAMBE BAY CCG	454	454	441	(12)
NHS BRADFORD DISTRICTS CCG	17,097	17,097	18,661	1,564
NHS BRADFORD CITY CCG	1,039	1,039	1,108	69
NHS AIREDALE, WHARFEDALE AND CRAVEN CCG	80,793	80,793	82,020	1,228
NCA - CROSS BORDER LHB'S	22	22	15	(7)
Total - Balance to Commissioner Plan	128,941	128,941	129,568	627
CIP Income	3,125	3,125	0	(3,125)
Total Including CIP Plan	132,065	132,065	129,568	(2,498)

Balance Sheet – Areas and Performance

The Balance Sheet as at 31st March 2018

	Opening	Plan	Actual	Variance	Plan	Forecast	Variance
	Mar-17	Mar-18	Mar-18	Mar-18	Mar-18	Mar-18	Mar-18
	£000s	£000s	£'000s	£'000s	£'000s	£'000s	£'000s
Total Non Current Assets	65,772	65,807	58,019	(7,788)	65,807	58,019	(7,788)
Inventories	2,191	2,269	2,184	(85)	2,269	2,184	(85)
Current Receivables	10,164	7,183	17,817	10,634	7,183	17,817	10,634
Cash	10,500	10,059	8,790	(1,269)	10,059	8,790	(1,269)
Current Liabilities	(19,239)	(17,349)	(23,551)	(6,202)	(17,349)	(23,551)	(6,202)
Long Term Liabilities	(7,437)	(5,692)	(8,425)	(2,733)	(5,692)	(8,425)	(2,733)
Taxpayers Equity	(61,951)	(62,277)	(54,833)	7,444	(62,277)	(54,833)	7,444
Balance	(1)	0	0	1	0	1	1

Total Non-Current Assets

The Trust revalued its land and buildings as at the 31/3/2017 giving rise to an increased valuation which was reflected in the 2016/17 Annual Accounts and in the variation to plan.

A valuation was undertaken on the 1/4/2017 and the 31/3/2018, with a reduction in the value of the buildings. This valuation has been done on a Modern Equivalent Asset basis taking into account expectations around changes that would occur if the hospital was re-built and how would affect assets lives, as a result, the valuation excludes VAT and has extended asset lives. The result of revaluation has seen a reduction in the depreciation charged to expenditure and an estimated technical impairment to expenditure of approx. £6.2m.

The Capital expenditure planned for 2017/18 is £7,941k, plus additional schemes carried forward from the previous year (an element of car parking was not included in 2016/2017 expenditure £128k). Donated assets have been received to date of £115k towards the upgrade of the Coronary Care Unit from Charitable funds, an additional value of approx. £205k has been contributed by Bradford Council toward the Day Nursery.

The infrastructure of the Pathology department, used by integrated Pathology Solutions is being paid for by the company supplying the Laboratory equipment, the cost is being recharged and therefore will not increase the capital forecast.

AAU spend is £4,186k to the end of March 2018.

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

Inventories

Stock has decreased by £11k during the month giving a stock figure of £2,195k.

Cash

Cash levels is above plan. Payments on trade invoices have been extended, the expectation is that they will be paid within the terms on the order (45 days) or less if the agreed contractual terms require. 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. Issues with the implementation of the financial ledger upgrade have impacted on the Trusts ability to pay suppliers in an efficient manner.

STF cash of £370k of the expected Q3 value plus £1,009k for Q4 is not yet paid.

Capital expenditure is below 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 Use 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.