

Council of Governors

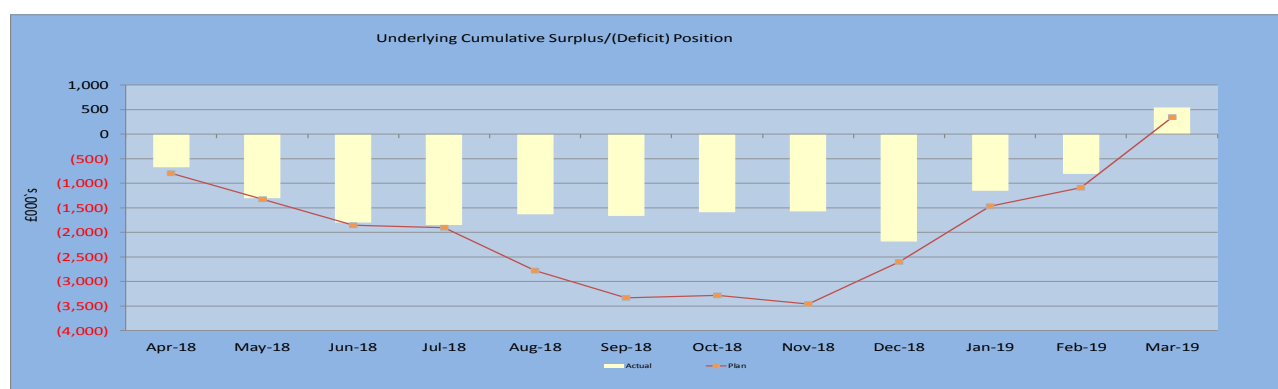
Date:	2 May 2019	Attachment Number:	6(i)																
Title of Report:	Finance Report for the Council of Governors for the Period Ending 31 March 2019																		
Purpose of the report and the key issues for consideration/decision:	<p>To provide the Council of Governors with an overview of the financial position, key areas of risk, CIP position, and forecast.</p> <p>Key Considerations:</p> <ul style="list-style-type: none"> The unaudited position shows the underlying position is a surplus of £543k, £198k better than plan; There has been a technical adjustment relating to revaluation of assets of £3,818k. The position including this is a deficit of £3,276k, £3,621k worse than plan; Within the position there is a 30% of non-elective threshold abatement equating to £3,046k that has not been reinvested into services; EBITDA performance is £1,752k worse than plan. This position delivers a UoR rating of 2 against a plan of 1; PbR Income is £1,071k above plan; CIP has under achieved to month 12, delivering £7,232k against a target of £8,187k, £955k behind plan; 																		
Prepared by:	Amy Whitaker, Deputy Director of Finance Gillian Elsworth, Assistant Director of Finance Neil Helm, Senior Financial Accountant																		
Presented by:	Andrew Copley, Director of Finance																		
Strategic Objective(s) supported by this paper:	<table border="1"> <tr> <td>Financial Sustainability</td> <td>X</td> <td>Empower & Engage Staff</td> <td></td> </tr> <tr> <td>Quality of Care</td> <td></td> <td></td> <td></td> </tr> </table>			Financial Sustainability	X	Empower & Engage Staff		Quality of Care											
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Is this on the Trust's risk register:	<table border="1"> <tr> <td>No</td> <td></td> <td>Yes</td> <td>X</td> <td>If Yes, Score</td> <td>16</td> </tr> </table>			No		Yes	X	If Yes, Score	16										
No		Yes	X	If Yes, Score	16														
Which CQC Standards apply to this report:	Use of Resources																		
Have all implications related to this report been considered: (please X)	<table border="1"> <tr> <td>Finance Revenue & Capital</td> <td>X</td> <td>Equality & Diversity</td> <td></td> </tr> <tr> <td>National Policy/Legislation</td> <td>X</td> <td>Patient Experience</td> <td></td> </tr> <tr> <td>Human Resources</td> <td></td> <td>Terms of Authorisation</td> <td>X</td> </tr> <tr> <td>Governance & Risk Management (BAF)</td> <td>X</td> <td>Other:</td> <td></td> </tr> </table>			Finance Revenue & Capital	X	Equality & Diversity		National Policy/Legislation	X	Patient Experience		Human Resources		Terms of Authorisation	X	Governance & Risk Management (BAF)	X	Other:	
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Action Required: (please X)	<table border="1"> <tr> <td>Approve</td> <td></td> <td>Discuss</td> <td>X</td> <td>Receive for information</td> <td></td> <td>Decision</td> <td></td> </tr> </table>			Approve		Discuss	X	Receive for information		Decision									
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Previously Considered By:	<table border="1"><tr><td data-bbox="486 280 1094 344"></td><td data-bbox="1094 280 1469 344">Date: <input data-bbox="1217 280 1469 344" type="text"/></td></tr></table>		Date: <input data-bbox="1217 280 1469 344" type="text"/>
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Recommendations:	To receive and note the financial report and associated appendices.		

FINANCE REPORT FOR THE COUNCIL OF GOVERNORS FOR THE PERIOD ENDING 31 MARCH 2019

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 in line with plan.	1	1	1
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 behind plan.	1	1	1
I&E Margin	I&E Margin looks at the return the Trust makes on its activities. It is in currently behind 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	3	1
Agency Spend	Agency Spend is monitored in relation to the cumulative agency cap given to the Trust by NHSI. Expenditure is currently £1,967k above YTD than the maximum level allowed by the cap due cumulative adjustments to Pathology JV gross pay costs as instructed by Audit.	1	3	1
Weighted Average Use of Resource (UOR Metric)	Overall the Financial Risk Rating is behind plan The key risks to this are CIP shortfall, unachievement of income, and increased Medical and Nursing Agency costs.	1	2	1
Cash Balance £'000	Cash was £14.5m at the end of March, which is ahead of plan.	11,842	14,528	11,842
Right Care & Tactical CIP £'000	In March CIP achieved is £7,232k against a target of £8,187k, £955k behind plan.	8,187	7,232	8,187
EBITDA £'000	EBITDA is £8,321k against a plan of £10,072k, £1,752k behind plan.	10,072	8,321	10,072



Income and Expenditure

Summary/Overview

The unaudited underlying consolidated position at the end of March is a surplus of £543k which is £198k better than plan, before a technical adjustment for an impairment of an asset of £3,818k.

The Trust is also subject to achieving a control total with NHSI. The control total excludes donated assets and impairments, and includes PSF funding, therefore will be different to the underlying position. At the end of March the control total position is a surplus of £3,779k, £1,427k worse than plan related to the performance element of the PSF. Due to delivery of the financial plan, PSF related to financial performance is included in full. The performance element is not included. The overall PSF included in the position is £3,353k.

The table below shows the summary performance:

	Mar-19	Year to date	
	Budget	Actual	Variance
	£,000	£,000	£,000
Operating Income	171,512	182,300	10,788
Operating Expenditure	(161,440)	(173,979)	(12,539)
EBITDA	10,072	8,321	(1,751)
Non Operating items	(4,939)	(8,244)	(3,305)
I&E Surplus/(Deficit)	5,133	77	(5,056)
PSF	(4,788)	(3,353)	1,435
Add back exceptional items		3,818	3,818
Underlying Surplus/(Deficit) excluding PSF	345	543	198
NHSI Control Total Position	5,206	3,781	(1,425)

Consolidated EBITDA performance is £1,751k worse than plan.

The 30% Non-Elective threshold adjustment for month 12 is £3,046k. £2,418k relates to AWC CCG, £580k to Bradford CCGs, £30k Leeds CCG, and £18k Specialist Commissioning.

Actions Being Taken

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

The Integrated Care and Surgical Groups are subject to detailed scrutiny due to the significant adverse variance to their forecast positions. Support will be given to the Finance Managers and Operational teams to improve their forecasting techniques in 2019/20.

Cost Improvement Plan Performance for Month 12 ending 31 March 2019

	Savings to Mar-19 (to date)			Forecast to end of 2018/19			Forecast
	Target	Achieved	Variance	Target	Forecast*	Variance	WTE
	£'000	£'000	£'000	£'000	£'000	£'000	Reduction
Improving Patient Flow	1,138	285	(853)	1,138	285	(853)	-
The Value Programme	347	70	(277)	347	70	(277)	-
Integrated Health Record	158	79	(79)	158	79	(79)	1.00
The People Programme	88	50	(39)	88	50	(39)	1.50
Corporate	323	149	(174)	323	149	(174)	-
Diagnostics	532	635	103	532	635	103	-
Women & Children's	634	652	18	634	652	18	7.64
ICG Tactical	1,856	2,258	402	1,856	2,258	402	-
Surgical Tactical	1,852	883	(968)	1,852	883	(968)	-
Business Development	360	8	(352)	360	8	(352)	-
Trust Total	7,287	5,935	(1,352)	7,287	5,935	(1,352)	10.14
AGH Solutions	900	1,297	397	900	1,297	397	-
Consolidated Total	8,187	7,232	(955)	8,187	7,232	(955)	10.14

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

*Forecast performance will be updated monthly.

CIP performance for month 12 is £7,232k against a plan of £8,187k, £955k worse than plan.

PBR Contract CCG Performance

	Annual Plan £000's	Plan £000's	Actual £000's	Variance £000's
NHS ENGLAND YORKSHIRE & HUMBER - SPEC COMM	11,072	11,072	10,449	(623)
NHS ENGLAND YORKSHIRE & HUMBER	1,157	1,157	1,075	(82)
NHS LEEDS CCG	1,298	1,298	1,372	74
				0
ENGLISH NCA CCGs	4,300	4,300	2,258	(2,042)
NHS EAST LANCASHIRE CCG	13,438	13,438	13,759	320
NHS MORECAMBE BAY CCG	477	477	409	(68)
NHS BRADFORD DISTRICTS CCG	18,472	18,472	19,746	1,274
NHS BRADFORD CITY CCG	1,158	1,158	1,358	200
NHS AIREDALE, WHARFEDAILE AND CRAVEN CCG	84,847	84,847	86,847	2,000
NCA - CROSS BORDER LHB'S	16	16	34	18
Total - Balance to Commissioner Plan	136,236	136,236	137,307	1,071

The Balance Sheet as at 31st March 2019

	Opening Mar-18 £000s	Plan Mar-19 £000s	Actual Mar-19 £'000s	Variance Mar-19 £'000s
Total Non Current Assets	58,019	61,138	56,152	(4,986)
Inventories	2,184	2,195	2,097	(98)
Current Receivables	20,825	9,535	14,047	4,512
Cash	8,790	11,842	14,528	2,686
Current Liabilities	(23,541)	(15,525)	(23,471)	(7,946)
Long Term Liabilities	(8,425)	(5,200)	(5,033)	167
Taxpayers Equity	(57,851)	(63,985)	(58,320)	5,665
Balance	0	(0)	0	0

Total Non-Current Assets

The Trust revalued its land and buildings as at the 31/3/2018. A full revaluation is not required each year, and so the next one is planned for 31/03/2020.

The Capital expenditure planned for 2018/19 is £6,018k. This includes £1,259k for theatres, £300k for IHR and £1,000k for telemedicine funded through the PDC facility. The balance of the plan is for the routine capital upkeep of the building, replacement of Medical Equipment and upgrade of the IT infrastructure. The plan was re-forecasted to £4.25m.

The final capital programme outturn in 2018/2019 is £4.60m, including £135k of donated assets. This exceeds the forecast by £352k mainly due to the car park scheme being ahead of plan, as a consequence of unseasonably good weather.

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

Inventories

Total value following year-end stocktakes is £2,097k.

Cash

Year-end cash levels are above both forecast and plan. A number of full year invoices CCG's, which will now be received in January. 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, which has led to an increase in creditors and consequently an increase in cash. A plan is in place to ensure that creditors are being paid within normal terms as quickly as possible

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.

PSF

Provider Sustainability Fund – (replaced STF – Sustainability & Transformation Fund) the funds that have been included as part of Trusts control totals that are accessible dependent on performance against agreed trajectories.

STP

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

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.