

# United Lincolnshire Hospitals

NHS Trust

<b>To:</b>	Trust Board
<b>From:</b>	Jason Burn, Interim Director of Finance & Corporate Affairs
<b>Date:</b>	7 June 2016

<b>Title:</b>	<b>Confirmation of 2016/17 Annual Budget</b>		
<b>Author/Responsible Director:</b> Neil Morton, Interim Deputy Director of Finance Jason Burn, Interim Director of Finance & Corporate Affairs			
<b>Purpose of the Report:</b> To confirm the Annual Budget for 2016/17.			
<b>The Report is provided to the Board for:</b>			
Information		✓	Assurance
Discussion		✓	Decision
<b>Summary/Key Points:</b>			
<ul style="list-style-type: none"> <li>The detailed budget is within the control total of £47.9m as agreed by the Board in February 2016</li> <li>Main risks remain delivery of the activity and the efficiency programme</li> <li>Clinical Directors are being asked to sign up to the detailed budget for 2016/17 by 10 June 2016</li> </ul>			
<b>Recommendations:</b>			
The Board is asked to:			
<ul style="list-style-type: none"> <li>Note the Annual Budget for 2016/17</li> <li>Note the key assumptions and risks in relation to the budget for 2016/17</li> <li>Formally approve the budget for 2016/17, noting that it has remained within the financial framework agreed by the Board in April and May, and is consistent with the Operational Planning submission made to the TDA (NHS Improvement) on 18 April</li> </ul>			
<b>Strategic Risk Register</b>		<b>Performance KPIs year to date</b>	
<b>Resource Implications (eg Financial, HR)</b>			
<b>Assurance Implications</b>			
<b>Patient and Public Involvement (PPI) Implications</b>			
<b>Equality Impact</b>			
<b>Information exempt from Disclosure - Yes</b>			
<b>Requirement for further review? – Yes</b>			

# Confirmation of 2016/17 Annual Budget

## 1. Introduction

The report sets out to formally present the annual budget for 2016/17 that forms the basis for the plan submitted to the TDA on 18 April, particularly:

- 2016/17 contracting process
- 2016/17 planned financial position
- Business Unit Budgets
- Budget sign off
- Capital programme
- Cash

## 2. 2016/17 Contracting Process

The Trust has worked closely with its Commissioners and together have agreed activity baselines and demand assumptions for the 2016/17 contracts. This was agreed and signed off within the national deadline for contract agreement.

The total contract income has formed the basis of the Trust's financial plan, being overlaid with income from Associate Commissioners and non-contract income.

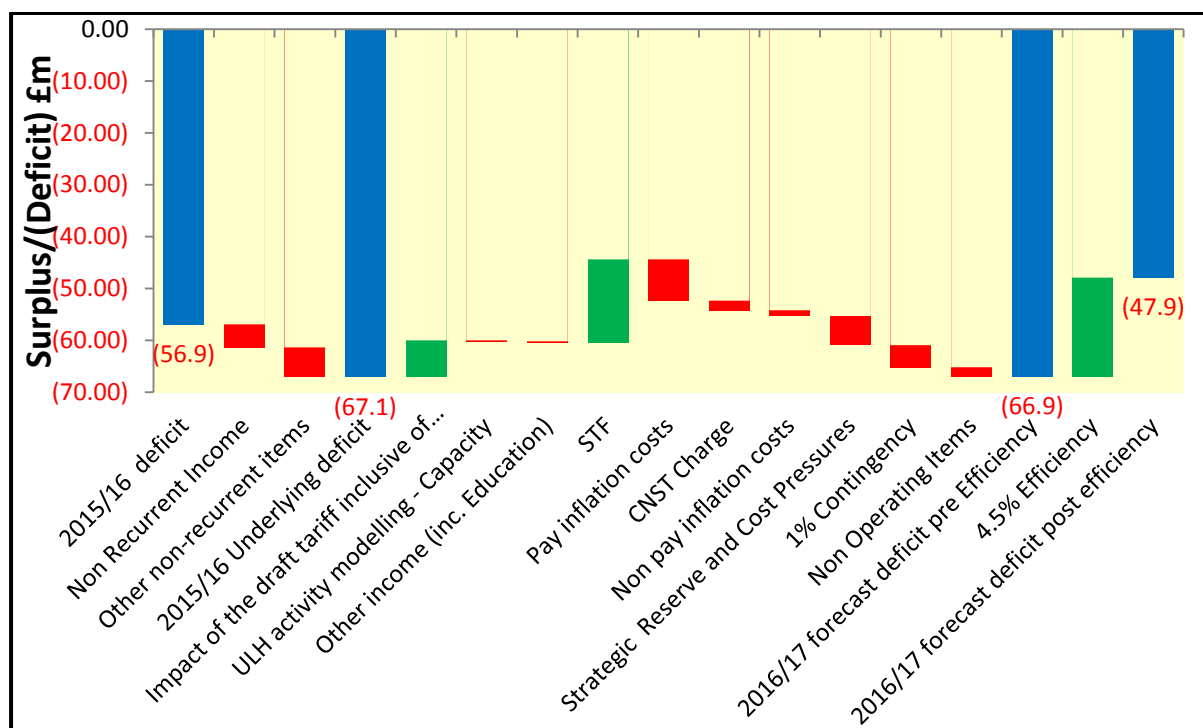
## 3. 2016/17 Planned Financial Position and Budget Setting Process

The planned financial position submitted to the TDA on 18 April was a deficit of £47.9m, including receipt of £16.1m Sustainability and Transformation Funding (STF). This is in line with the report considered at the February Board meeting, where the offer of £16.1m STF linked to a £47.9m control total was approved.

The financial plans have been based upon the following key assumptions:

- Taking the control total deficit run rates for 2015/16 adjusted for non-recurrent items and agreed service developments and cost pressures.
- Inflation based on tariff and planning guidance contained within the assumptions
- An efficiency target totalling £19m or 4.5%
- Reserves and contingencies (risk mitigation) have been held for a general 1% contingency and an element for strategic change. These will not be released until there is confidence that the efficiency and income targets are going to be achieved.
- Winter costs are in line with those agreed as part of the contract negotiations with commissioners

The overall budget is summarised in the bridge analysis below:



#### 4. Business Unit Budgets

Business Units have been involved with the budget setting process since October, through presentations regarding the process and developing detailed budgets as they worked through the annual planning cycle.

The financial framework has been derived from a high level assessment of the 2015/16 underlying expenditure of the Trust. Detailed budgets were built up from the control total expenditure for 2015/16, taking into account the vacancies that were being held within the 2015/16 budgets. The approved service developments and cost pressures have been overlaid as additional budget items within the detailed budgets.

The Clinical Directors have reviewed the efficiency targets and the schemes being put forward to achieve these targets to ensure that the budgets have engagement from the Business Units.

The Annual Budget for 2016/17 is summarised as follows:

	<b>2016-17 Annual Plan £k</b>
Income	
Revenue from Patient Care Activities	384,250
Other Operating Revenue	64,239
Receipt of govt granted /donated	120
<b>Total Income</b>	<b>448,609</b>
Expenditure	
Pay	(312,365)
Non Pay	(165,756)
<b>Total Expenditure</b>	<b>(478,121)</b>
<b>Earnings before interest,tax,depreciation and amortisation (EBITDA)</b>	<b>(29,512)</b>
Depreciation	(12,537)
PDC Dividend	(4,266)
Interest Receivable	42
Other interest payable	(1,627)
<b>Surplus / (Deficit) for period</b>	<b>(47,900)</b>

## 5. Budget Sign Off

The formal sign off process for 2016/17 budgets is in progress. A letter from the Interim Director of Finance has been sent to all Clinical Directors for each Clinical Business Unit and the relevant Corporate Directors for all other areas.

This letter provides an overview of the 2016/17 planning assumptions, formalising the Business Unit budget, and outlines the cost pressures and service developments that have been approved.

Directors have been advised that the signed budget statements are to be returned to Finance by 10 June 2016.

## 6. Capital Programme

The Trust's capital programme for 2016/17 will be used primarily to commit to essential works and equipment replacement, which totals £19.551m

The detailed capital programme has been reviewed at the Clinical Executive Committee and at Executive Team meetings after it had been through a detailed prioritisation process. A full list of the schemes is shown in Appendix 1 and a summary of the totals by subgroup is shown below.

<b>Category</b>	<b>Annual Plan £000s</b>
<b>Medical Equipment</b>	<b>5,062</b>
<b>IT Development</b>	<b>1,997</b>
<b>IT Service Development and Modernisation</b>	<b>1,600</b>
<b>Backlog Maintenance Subtotal</b>	<b>6,126</b>
<b>Service Development &amp; Modernisation Subtotal</b>	<b>3,039</b>
<b>Contingency and Developments In Progress Subtotal</b>	<b>1,727</b>
<b>2016/17 Capital Programme - Total</b>	<b>19,551</b>

The capital programme will be funded through internally generated resources and through anticipated capital receipts associated with the sale of land. If the sale of land does not materialise during the year, scheme progress will be scaled back to ensure that the Trust only commits to resources it has available.

## **7. Cash**

The financial plan submitted in April made the following assumptions around cash requirements in 2016/17.

- Loan financing £47.9m – Interest rate 1.5% - No repayments 2016/17
- Revolving Working Capital Facility (RWCF) – to be utilised as required up to agreed limits, then repaid using term loan. Net increase in year £1.5m – Interest rate 3.5%.
- PDC Capital cash £5m to support the capital programme, representing the carry forward of funds from 2015/16 as part of the national capital to revenue transfer.

The loan financing is required in order to support the planned financial deficit for the year.

The Trust currently has an agreed RWCF equivalent to 30 days cash - £36.6m.

NHS Improvement have notified Trusts that borrowing limits through the RWCF will be extended to 40 days cash as required. ULHT will require extension to the 30 day cash limit in July 2016, and based upon current projections reach the 40 day limit in October.

## **8. Recommendations**

The Board is asked to:

- Note the Annual Budget for 2016/17
- Note the key assumptions and risks in relation to the budget for 2016/17
- Formally approve the budget for 2016/17, noting that it has remained within the financial framework agreed by the Board in April and May, and is consistent with the Operational Planning submission made to the TDA (NHS Improvement) on 18 April

## Appendix 1 – Detailed Capital Programme 2016/17

Category	Scheme	Annual Plan £000s
Medical Equipment	Anaesthetic machines Phase 1	429
Medical Equipment	Theatre endoscopic video systems - replace non HD systems	112
Medical Equipment	Theatre orthopaedic power tools delete	185
Medical Equipment	Theatre operating tables LCH and PHB	150
Medical Equipment	Theatre electrosurgical generators	100
Medical Equipment	Intensive Care ventilators	240
Medical Equipment	Coronary Care monitoring PHB	170
Medical Equipment	Diagnostic ECG machines	50
Medical Equipment	Neonatal incubators	108
Medical Equipment	Antenatal fetal monitor	30
Medical Equipment	Intrapartum fetal monitor	26
Medical Equipment	Endoscopy Scopes + Stacks + electrosurgical generators	651
Medical Equipment	Nasendoscopes	11
Medical Equipment	Patient Trolleys	76
Medical Equipment	Brachytherapy replacement machine	204
Medical Equipment	Fibroscan - in Gastroenterology	90
Medical Equipment	Electronic maternity beds	12
Medical Equipment	MRI Pumps	30
Medical Equipment	General X-ray Rooms/ Mobile Eqt	1,440
Medical Equipment	Image Intensifiers	240
Medical Equipment	Ultrasound	160
Medical Equipment	DEXA	100
Medical Equipment	Dental X-ray	120
Medical Equipment	Critical care vents	50
Medical Equipment	Lung Function	35
Medical Equipment	DR Mobiles	215
Medical Equipment	Video Bronchoscope	28
Medical Equipment	Hoist	0
Medical Equipment	Cardiac Ultrasound Paediatric Probes	0
Medical Equipment	Procedure Ultrasound EAU	0
Medical Equipment	Arthroscopy stack	0
<b>Medical Equipment Subtotal</b>		<b>5,062</b>
IT development	E-Cobs	708
IT development	Ormis theatre system renewal	359
IT development	Maternity IT system	830
IT development	Upgrade to Medway	100
<b>IT Development Subtotal</b>		<b>1,997</b>
IT Service Development & Modernisation	Datix - 3545 PC Laptop replacements	800
IT Service Development & Modernisation	Upgrade to Lincoln Exchange EOL	300
IT Service Development & Modernisation	SAN Storage system	50
IT Service Development & Modernisation	Server Replacement	50
IT Service Development & Modernisation	Datix 361 -Water Risk/Pilgrim Machine Room	200
IT Service Development & Modernisation	SAN resilience linked to recent failure	200
<b>IT Service Development and Modernisation Subtotal</b>		<b>1,600</b>
Estates Backlog Maintenance	Aseptic Isolators	262
Estates Backlog Maintenance	Specialised Rehabilitation	933
Estates Backlog Maintenance	Neonates	1,900
Estates Backlog Maintenance	Lincoln Backlog Maintenance	609
Estates Backlog Maintenance	Pilgrim Backlog Maintenance	609
Estates Backlog Maintenance	Grantham Backlog Maintenance	609
Estates Backlog Maintenance	Schemes in Development Backlog Maintenance	1,204
<b>Backlog Maintenance Subtotal</b>		<b>6,126</b>
Service Development & Modernisation	Radiotherapy Linac phase 3	2,015
Service Development & Modernisation	JAG accreditation	500
Service Development & Modernisation	Coding Move	30
Service Development & Modernisation	Clinical Outcomes	53
Service Development & Modernisation	Clinic 9	386
Service Development & Modernisation	Dimex Machines - PACS	41
Service Development & Modernisation	Ophthalmology	14
<b>Service Development &amp; Modernisation Subtotal</b>		<b>3,039</b>
Contingency and Developments in progress	Contingency and Developments in progress	1,727
<b>Contingency and Developments In Progress Subtotal</b>		<b>1,727</b>
<b>2016/17 Capital Programme - Total</b>		<b>19,551</b>