

# Finance Report – Month 6 September 2016

Date of report:	25 October 2016
Lead Director:	John Barber, Director of Finance
Purpose of Report:	An update on the Trust's financial position as at the end of September 2016
Strategic Objective:	Efficient use of resources
Situation	1) Report of Trust financial performance as at the end of September, month 6
	2) Ensure the Trust is line with delivery of it's key financial duties

The Board of Directors are asked to note the above and the following detail:

High Level Financial Summary – September 2016 ( Month 6)

Measure	Plan to date	Actual to date	Annual Plan	RAG
Financial Sustainability Risk Rating	1	2	1	Green
Income	225.1	219	450.7	Red
EBITDA (£'m)	-16.3	-17.3	-29.6	Red
Net surplus (£'m)	-25.3	-25.7	-47.9	Green
Efficiency	6.7	8	19	Green
Cash (£'m)	1	1.4	1	Green
Revenue Support Grant (£'m)	-88	-81.1	-103.4	Green
Capital Expenditure (£'m)	8.8	5.2	16.7	Red

**Summary**

The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 6 position is a deficit of £4.4m, leading to a year to date deficit position of £25.7m. The performance to date is slightly worse than plan. The position to date reported here highlights the key risks to the delivery of the plan, potential underachievement of efficiency savings (particularly in business units) and the current shortfall (and likely future continuing trends) on income growth. The forecast year end position is reliant on the reduction of pay and growth in income. The Trust is at risk of under achieving £2.6m of the £16.1m Sustainability and Transformation Fund and a mitigation plan is being put in place to recover the situation.

**Performance**

- Year to date deficit is £25.7m compared to plan of £25.3m
- Cash holdings at the end of September are £1.4m with RSG of £81.1m
- Year to date efficiency is £8.0m c.f. plan of £6.7m
- Capex is £5.2m c.f. plan of £8.8m

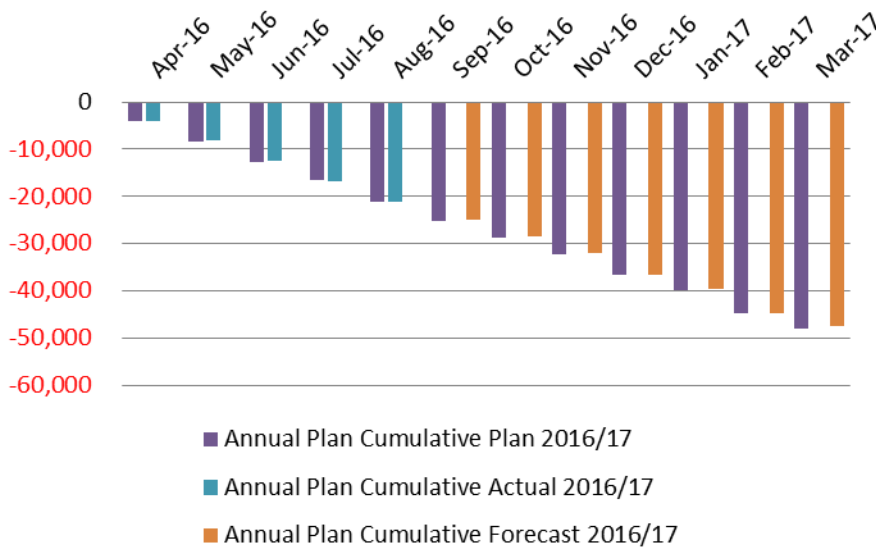
**Forecast**

The Trust is forecasting to achieve it's financial plan, with a slightly reduced capital plan, in line with a reduced value of capital resource available in year

Financial Scorecard – Rolling monthly performance

Category	Metric	Period of Measure	Plan	Actual	Variance	RAG	Month minus 1	Month minus 2	Month minus 3	Month minus 4	Month minus 5
			Sep-16						Aug-16	Jul-16	Jun-16
Governance	Financial Sustainability Risk Rating	YTD	1	2	1	Green	2	2	2	2	2
		Forecast	1	2	1	Green	2	2	2	2	2
I&E and Profitability	I&E Surplus/(Deficit) (£'m)	In Month	-3.9	-4.4	-0.5	Red	-4.2	-4.5	-4.4	-4	-4
		YTD	-25.3	-25.7	-0.4	Red	-21.1	-16.9	-12.4	-8	-4
		Forecast	-47.9	-47.9	0	Green	-47.9	-47.9	-47.9	-47.9	-47.9
	EBITDA (£'m)	In Month	-2.3	-3	-0.7	Red	-2.8	-3.1	-3	-2.9	-2.5
		YTD	-16.3	-17.3	-1	Red	-14.3	-11.5	-8.4	-5.4	-2.5
		Forecast	-29.6	-30.9	-1.3	Red	-30.9	-30.9	-30.9	-30.9	-30.9
FIP	Efficiency Achievement (£m)	In Month	1.1	1.8	0.7	Green	2.5	0.8	1	1	0.9
		YTD	6.7	8	1.3	Green	6.2	3.7	2.9	1.9	0.9
		Forecast	19	19	0	Green	19	19	19	19	19
Liquidity	Cash (£m)	YTD	1	1.4	0.4	Green	9.7	7.2	5.1	3	3
		Forecast	1	1.2	0.2	Green	1.2	1.2	1	1	1
	Revenue Support Loan (£m)	YTD	-88	-81.1	6.9	Red	0	-77.9	-71.6	-66	-60.3
		Forecast	-103.4	-103.4	0	Green	-103.4	-103.4	-103.4	-103.4	-103.4
Capital Expenditure (£m)	YTD	8.8	5.2	-3.6	Red	4.7	2.4	1.6	0.9	0.4	
	Forecast	17.6	16.7	-0.9	Green	16.7	16.7	16.7	16.7	17.6	
Workforce	Substantive, bank and overtime (WTE)	YTD	142.9	142.2	-0.7	Green	118.8	95.5	72	48.1	24.3
	Agency & Locum Staff (WTE)	YTD	15.2	13.7	-1.5	Green	11.6	9.2	7	4.6	2.1
	Total	YTD	158.1	155.9	-2.2	Green	130.4	104.7	79	52.7	26.4

### Cumulative Trust Deficit 2016/17



The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 6 position is a deficit of £4.4m, leading to a year to date deficit position of £25.7m. The performance to date is £0.4m worse than plan. The forecast year end position is reliant on the reduction of pay and growth in income. The Trust is at risk of under achieving £2.6m of the £16.1m Sustainability and Transformation Fund

## Financial Performance – Income & Expenditure

2015-16 Year end		2016-17 Annual FIMS Plan	2016-17 Annual Internal Plan	Year to Date		
				Internal Plan	Actual	Surplus/ (Deficit)
£k		£k	£k	£k	£k	
	<b>Income</b>					
386,840	Revenue from Patient Care Activities	410,259	420,686	208,892	202,435	(6,457)
36,450	Other Operating Revenue	40,358	32,230	16,148	16,536	388
138	Receipt of govt granted /donated	120	120	60	22	(38)
<b>423,428</b>	<b>Total Income</b>	<b>450,737</b>	<b>453,035</b>	<b>225,100</b>	<b>218,993</b>	<b>(6,106)</b>
	<b>Expenditure</b>					
(305,876)	Pay	(312,134)	(316,551)	(158,033)	(155,938)	2,095
(157,204)	Non Pay	(168,112)	(167,186)	(83,581)	(80,355)	3,226
<b>(463,080)</b>	<b>Total Expenditure</b>	<b>(480,246)</b>	<b>(483,737)</b>	<b>(241,615)</b>	<b>(236,293)</b>	<b>5,322</b>
	<b>Earnings before interest,tax,depreciation and</b>					
<b>(39,652)</b>	<b>Profit/Loss(-) on disposals</b>	<b>(29,509)</b>	<b>(30,702)</b>	<b>(16,515)</b>	<b>(17,300)</b>	<b>(785)</b>
(50)	Depreciation	0	0	0	17	17
(11,448)	Impairment	(12,870)	(12,034)	(6,016)	(5,644)	372
(8,557)	PDC Dividend	0	0	0	0	0
(5,258)	Interest Receivable	(4,266)	(3,681)	(1,841)	(1,832)	8
70	Other interest payable	42	42	18	34	16
(905)	Surplus / (Deficit) for period	(1,627)	(1,858)	(930)	(937)	(7)
<b>(65,800)</b>	<b>Net Margin</b>	<b>(48,230)</b>	<b>(48,233)</b>	<b>(25,283)</b>	<b>(25,662)</b>	<b>(379)</b>
<b>(15.5)%</b>		<b>(10.7)%</b>	<b>(10.6)%</b>	<b>(11.2)%</b>	<b>(11.7)%</b>	<b>(0.5)%</b>

Income below plan due to underperformance on patient activity and reduction in STP funding

Pay budgets £2.1m below plan due to significant underspends relating to vacancies in Women's & Children and Clinical Support services

Non pay costs £3.2m below plan due to reduction in activity levels

Deficit has deteriorated and is now £0.4m worse than plan

Mitigation plans are being drawn up to demonstrate that the reduction in STF funding is not all within the Trust's control.

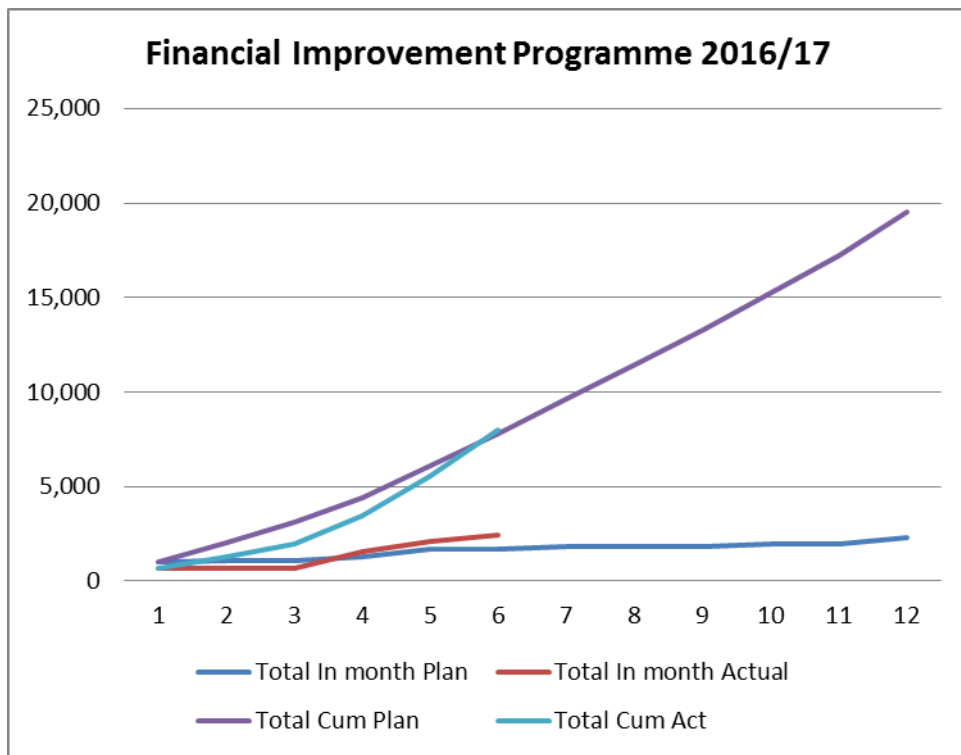
Summary Statement of Financial Position

Statement of Financial Position					
	March 2016	Sep 2016			2017 Forecast
	Final Accounts	Plan	Actual	Variance	Actual
	£000s	£000s	£000s	£000s	£000s
<b>NON-CURRENT ASSETS:</b>					
Property, Plant and Equipment	215,768	244,114	215,477	(28,637)	221,095
Intangible Assets	5,607	4,557	5,470	913	4,841
Trade and Other Receivables	1,477	1,250	1,349	99	1,477
<b>Total Non-Current Assets</b>	<b>222,852</b>	<b>249,921</b>	<b>222,296</b>	<b>(27,625)</b>	<b>227,413</b>
<b>CURRENT ASSETS:</b>					
Inventories	7,130	7,738	7,396	(342)	7,430
Trade and Other Receivables	21,127	30,008	26,232	(3,776)	20,719
Cash and cash equivalents	1,166	1,049	1,376	327	1,240
Subtotal	<b>29,423</b>	<b>38,795</b>	<b>35,003</b>	<b>(3,792)</b>	<b>29,389</b>
Non-Current Assets Held for Sale	1,075	0	1,075	1,075	1,075
<b>Total Current Assets</b>	<b>30,498</b>	<b>38,795</b>	<b>36,078</b>	<b>(2,717)</b>	<b>30,464</b>
<b>Total Assets</b>	<b>253,350</b>	<b>288,716</b>	<b>258,374</b>	<b>(30,342)</b>	<b>257,877</b>
<b>CURRENT LIABILITIES:</b>					
Trade & Other Payables	(42,020)	(42,177)	(45,674)	(3,497)	(41,280)
Other Liabilities	(503)	(503)	(503)	(0)	(503)
Provisions for Liabilities and Charges	(1,364)	(1,233)	(1,424)	(191)	(1,663)
Borrowings	(299)	(119)	(118)	1	(119)
Liabilities arising from PFIs / LIFT / Finance Leases	0	(91)	(92)	(1)	0
<b>Total Current Liabilities</b>	<b>(44,186)</b>	<b>(44,123)</b>	<b>(47,811)</b>	<b>(3,688)</b>	<b>(43,565)</b>
<b>Net Current Assets /(Liabilities)</b>	<b>(13,688)</b>	<b>(5,328)</b>	<b>(11,734)</b>	<b>(6,406)</b>	<b>(13,101)</b>
<b>Total Assets less Current Liabilities</b>	<b>209,164</b>	<b>244,593</b>	<b>210,563</b>	<b>(34,030)</b>	<b>214,312</b>
<b>NON-CURRENT LIABILITIES</b>					
Other Liabilities	(14,591)	(14,339)	(14,339)	(0)	(14,087)
Provisions for Liabilities and Charges	(2,484)	(2,541)	(2,769)	(228)	(2,622)
Borrowings	(178)	(118)	(118)	(0)	(58)
Working capital support facility	(18,382)	(4,532)	(45,468)	(40,936)	(19,833)
DH Revenue Support Loan	(35,618)	(83,518)	(35,618)	47,900	(83,518)
<b>Total Non-Current Liabilities</b>	<b>(71,253)</b>	<b>(105,048)</b>	<b>(98,312)</b>	<b>6,736</b>	<b>(120,118)</b>
<b>Total Assets Employed</b>	<b>137,911</b>	<b>139,545</b>	<b>112,250</b>	<b>(27,295)</b>	<b>94,194</b>
<b>FINANCED BY: TAXPAYERS EQUITY</b>					
Public dividend capital	251,746	254,990	251,746	(3,244)	256,746
Retained Earnings	(157,029)	(172,810)	(182,214)	(9,404)	(204,794)
Revaluation reserve	43,004	57,175	42,528	(14,647)	42,052
Other reserves	190	190	190	0	190
<b>Total Taxpayers Equity</b>	<b>137,911</b>	<b>139,545</b>	<b>112,250</b>	<b>(27,295)</b>	<b>94,194</b>

Cash position marginally better than plan and loan less than plan due to planned slippage on capital programme.

Property value less than plan due to year end reduction in actuarial valuation, compensating reduction in revaluation reserve and retained earnings.

Financial Efficiency Programme – as at September 2016



The original financial improvement plan required delivery against a total plan of £19m. As at month 5, the Trust had delivered £8.0m against an original £7.8m plan. The Trust will need to achieve 80% delivery against the £24.5m target in order to achieve the original plan target of £19m. The Business Units have reworked the efficiency plans and the revised plans total £22.3m. There are reductions in plans from both Surgical and Boston are being managed through Performance Mgt review meetings. A number of the schemes are non recurrent, which will add to the challenge for 2017/18 and this will be quantified and presented at the next meeting.

## Income Position – as at September 2016

	YTD £000s Plan	YTD £000s Actual	YTD £000s Var	YTD £ % Var
NHS LINCOLNSHIRE EAST CCG	54,037.3	55,725.8	1,688.5	3%
NHS LINCOLNSHIRE WEST CCG	52,816.3	52,591.3	- 225.0	0%
NHS SOUTH WEST LINCOLNSHIRE CCG	29,022.5	28,788.0	- 234.5	-1%
NHS SOUTH LINCOLNSHIRE CCG	11,912.2	11,974.1	61.9	1%
CENTRAL MIDLANDS SPECIALISED	23,834.5	23,402.6	- 431.9	-2%
PLANNED ACTIVITY OVERPERFORMANCE	688.7	-	- 548.4	
EFFICIENCY PROGRAMME	3,134.3	-	- 3,134.3	
Other (inc Associates and Non Contract Activity)	17,109.4	16,926.6	- 323.1	-2%
	<u>192,555.3</u>	<u>189,408.4</u>	<u>- 3,146.9</u>	<u>-2%</u>

Main contract Income is ahead of the contract plan by £1.2m (0.7%)

Income budget assumes a level of income above plan of c£8.0m full year based on efficiency ideas.

Patient Care Activities also includes the STF – currently accrued at £1.2m less than budget and forecasted to be £2.6m at year end.

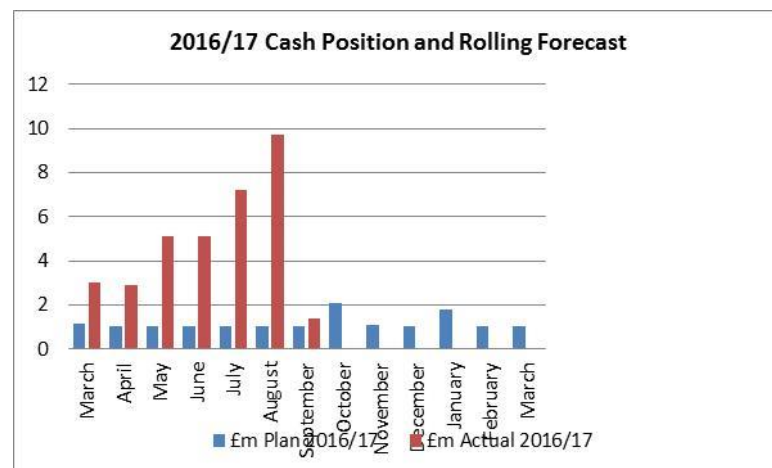
The efficiency increase in activity and STF not being delivered is driving the patient care activity income being behind plan

Further detail is provided in a separate income report

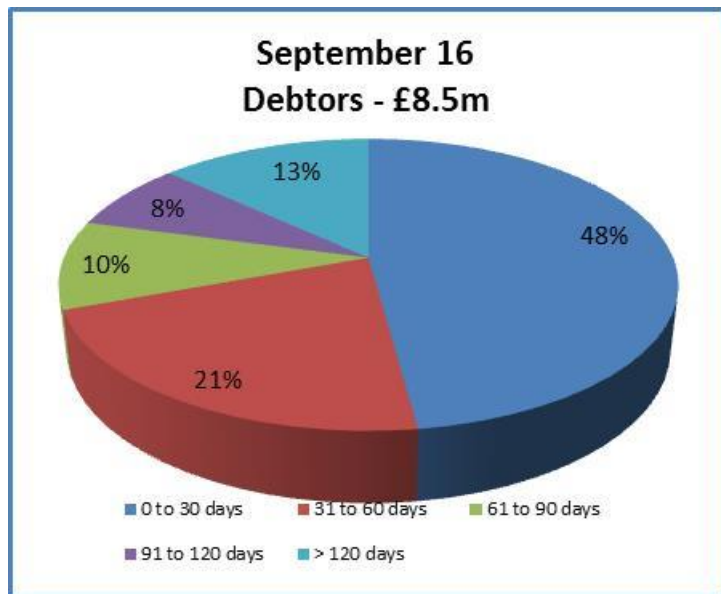


## Summary Statement of Cash Flow

	Sep 2016			March 2017
	Plan £000s	Actual £000s	Variance £000s	Forecast Actual £000s
<b>Operating Surplus / (Deficit)</b>	<b>(22,458)</b>	<b>(22,944)</b>	<b>(486)</b>	<b>(43,311)</b>
<b>Non Cash items to be excluded</b>				
Depreciation / Amortisation	6,213	5,644	(569)	11,700
Impairments & Reversals	0	0	0	512
Receipt of Donated Assets	(60)	(22)	38	(120)
<b>Earnings before Interest Tax &amp; Dividends (EBITDA)</b>	<b>(16,305)</b>	<b>(17,322)</b>	<b>(1,017)</b>	<b>(31,219)</b>
Interest paid	(677)	(899)	(222)	(1,794)
Dividends (Paid) / Refunded	(1,610)	(1,425)	185	(3,248)
(Increase)/decrease in inventories	0	(265)	(265)	(299)
(Increase)/decrease in trade & other receivables	(8,099)	(4,976)	3,123	409
Increase/(decrease) in trade & other payables	1,530	4,934	3,404	645
Increase/(decrease) in other current liabilities	(252)	(252)	0	(504)
Increase/(decrease) in provisions	71	308	237	399
<b>NET CASH IN/(OUT)FLOW FROM OPERATING ACTIVITIES</b>	<b>(25,342)</b>	<b>(19,896)</b>	<b>5,446</b>	<b>(35,611)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	20	33	13	63
(Payments) to acquire property, plant & equipment	(11,774)	(6,385)	5,389	(17,951)
(Payments) for intangible assets	0	(500)	(500)	(500)
Receipts from disposal of property, plant & equipment	0	21	21	22
<b>NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES</b>	<b>(11,754)</b>	<b>(6,831)</b>	<b>4,923</b>	<b>(18,366)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	<b>(37,096)</b>	<b>(26,728)</b>	<b>10,368</b>	<b>(53,977)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES:</b>				
Revolving Working Capital Support Facility Accessed	21,582	27,086	5,504	53,451
Revolving Working Capital Support Facility Repaid	(35,432)	0	35,432	(52,000)
Public dividend capital received : Capital	3,244	0	(3,244)	5,000
Loans received from DH - Revenue Support Loans	47,900	0	(47,900)	47,900
Capital element of payments relating to PFI, LIFT and finance leases	(90)	(89)	1	(181)
Other loans repaid	(59)	(59)	(0)	(119)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>	<b>37,145</b>	<b>26,938</b>	<b>(10,207)</b>	<b>54,051</b>
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>49</b>	<b>210</b>	<b>161</b>	<b>74</b>
<b>OPENING CASH BALANCE 1ST APRIL 2016</b>	<b>1,000</b>	<b>1,166</b>	<b>166</b>	<b>1,166</b>
<b>CLOSING CASH BALANCE</b>	<b>1,049</b>	<b>1,376</b>	<b>327</b>	<b>1,240</b>

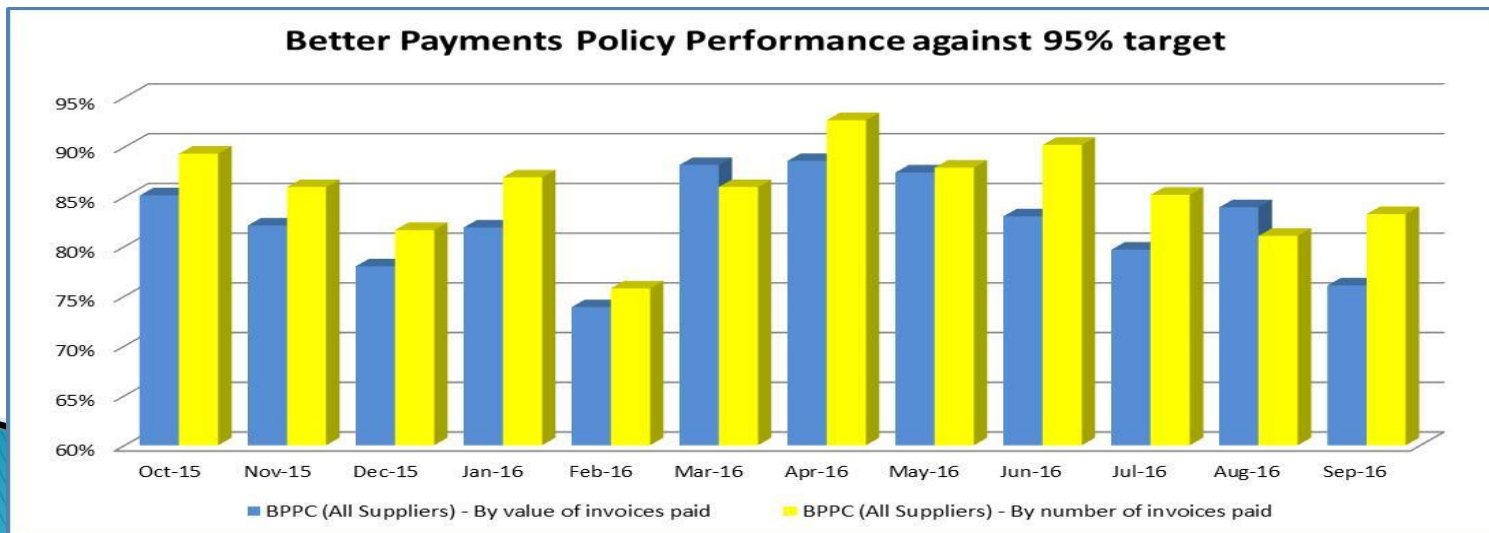


Cash position consistently ahead of plan.  
 Driven mainly from planned slippage on the capital programme  
 The Trust has drawn £45.5m against the current RWCF limit of £52.0m



Non NHS debt over 90 days totals £0.1m, excluding those on payment plans. NHS debt over 90 days totals £0.6m. This is split as follows:

	Over 90 day Total
CCGs - Lincolnshire	401
CCGs - Other	70
Trusts - Lincolnshire	152
Trusts - Other	28
Other NHS	8
<b>Total</b>	<b>659</b>



Capital Expenditure – as at September 2016

<b>Programme</b>	Annual Plan £000's	Plan to Date £000's	Actual to date £000's	Forecast Outturn £000's
Facilities	6,126	4,295	1,181	6,026
Medical Devices Group (Risk)	5,062	1,187	1,126	3,622
IM&T (Risk)	3,596	2,007	795	3,440
Service Development & Modernisation	2,998	483	2,095	3,235
Contingency/Other	1,768	-	-	-
Prior Year Schemes			10	-
<b>Total</b>	<b>19,550</b>	<b>7,972</b>	<b>5,207</b>	<b>16,324</b>

The forecast has been revised down by £3.2m to mitigate the impacts of the reductions to the funding sources mainly the delay in the sale of Welland Hospital.

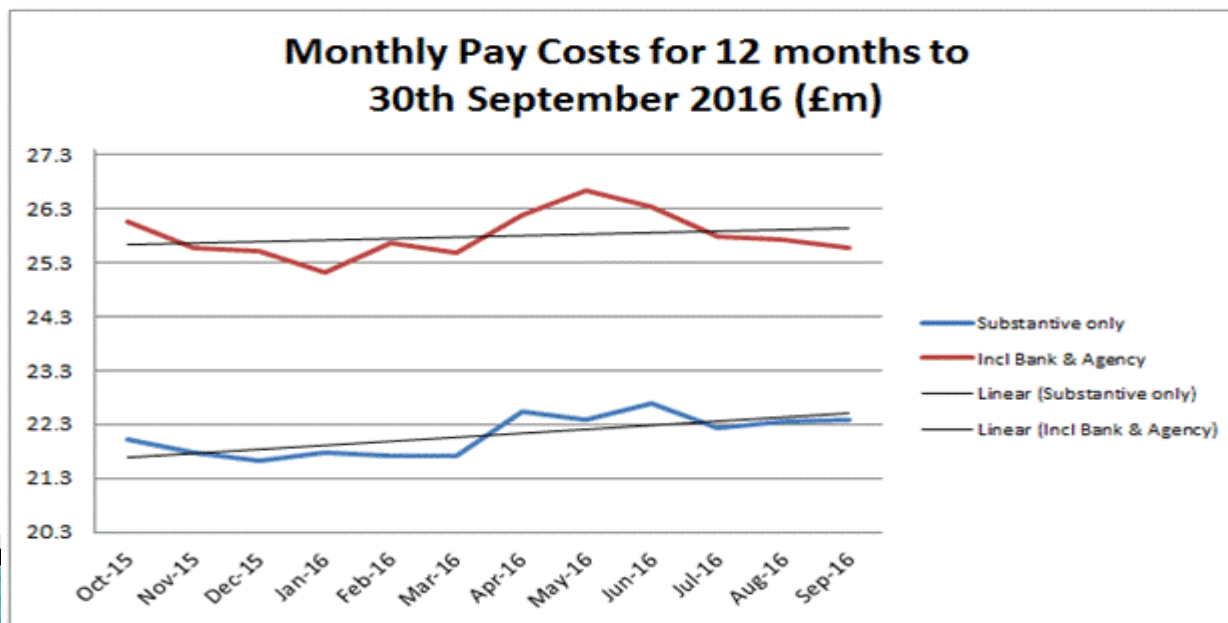
The in month spend was £0.5m. The spend to date of £5.2m is £3.6m behind the original plan as at September 2016).

As per the previous month the underspent is primarily due to the planned delay of Neonates and Specialist Rehab which are progressing through to tender and implementation phases and both will deliver in this financial year.

## Financial Performance – Pay and Workforce

Category	Sep	Dec	Mar	Jun	Sep	Movement Sep - Sep
Consultants	310	309	310	304	312	2
Medical Staff	494	488	478	482	489	-5
Other Support Staff	759	755	758	753	749	-10
Scientific, Therapeutic & Technical	908	915	924	912	900	-8
Non Clinical	1,098	1,101	1,104	1,126	1,147	49
Nurses & Midwives	2,755	2,766	2,779	2,754	2,788	32
<b>Total</b>	<b>6,324</b>	<b>6,335</b>	<b>6,352</b>	<b>6,330</b>	<b>6,385</b>	<b>61</b>

As at end September 16	Nursing	Medical	STT	Other	Total
<b>Profile £</b>	5,380	8,314	690	828	15,212
<b>Actual £</b>	5,815	6,568	738	551	13,672
<b>Variance £</b>	-435	1,746	-48	277	1,540
<b>Variance %</b>	<b>-8.09%</b>	<b>21.00%</b>	<b>-6.96%</b>	<b>33.41%</b>	<b>10.12%</b>



<b>Summary of risks</b>	<b>£m</b>
Delivery of the contract	2
Delivery of the STF trajectories	3
Delivery of efficiencies	3
<b>Total risks</b>	<b>8</b>
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<b>Mitigation of Risks</b>	<b>£m</b>
Withheld contingency & reserves	-5
	<b>-5</b>

Contract Recovery Plan – Management Actions to manage risks

Rebalancing efficiency programme – reduce income growth, increase pay savings

Set expectation that each business unit develops a new efficiency savings programme

Finalise agreement on corporate budget efficiency programme

Directors to refocus on their lead roles on efficiency

Paper summarizing current position, recovery actions and FIP to be communicated to clinicians, managers and business units

Implement FIP at scale and pace

Review of agency costs in September

Further discussions with NHSI re capital and cash

Maximise level of uncommitted reserves given overall contract income and efficiency savings shortfall.