

Finance Report – Month 7 October 2016

Date of report:	29 November 2016
Lead Director:	John Barber, Director of Finance
Purpose of Report:	An update on the Trust's financial position as at the end of October 2016, and full year forecast
Strategic Objective:	Efficient use of resources
Situation	1) Report of Trust financial performance as at the end of October, month 7
	2) Ensure the Trust is in 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 – October 2016 (Month 7)

Measure	Plan to date	Actual to date	Annual Plan	RAG
Use of resources	3	3	3	Green
Income	262.7	256.2	450.7	Red
EBITDA (£'m)	-18.3	-20.1	-29.6	Red
Net surplus (£'m)	-28.7	-29.7	-47.9	Red
Efficiency	8.7	9.2	19	Green
Cash (£'m)	2	1.3	1	Red
Revenue Support Grant (£'m)	-88	-85	-103.4	Green
Capital Expenditure (£'m)	10	7.1	16.7	Red

Summary

The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 7 position is a deficit of £4.2m, leading to a year to date deficit position of £29.7m. The performance to date is slightly worse than plan. The position to date reported here highlights the shortfall in performance based Sustainability and Transformation Funds of £1.6m. 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 £3.1m of the £16.1m Sustainability and Transformation Fund and a mitigation plan is being put in place to recover the situation.

Performance

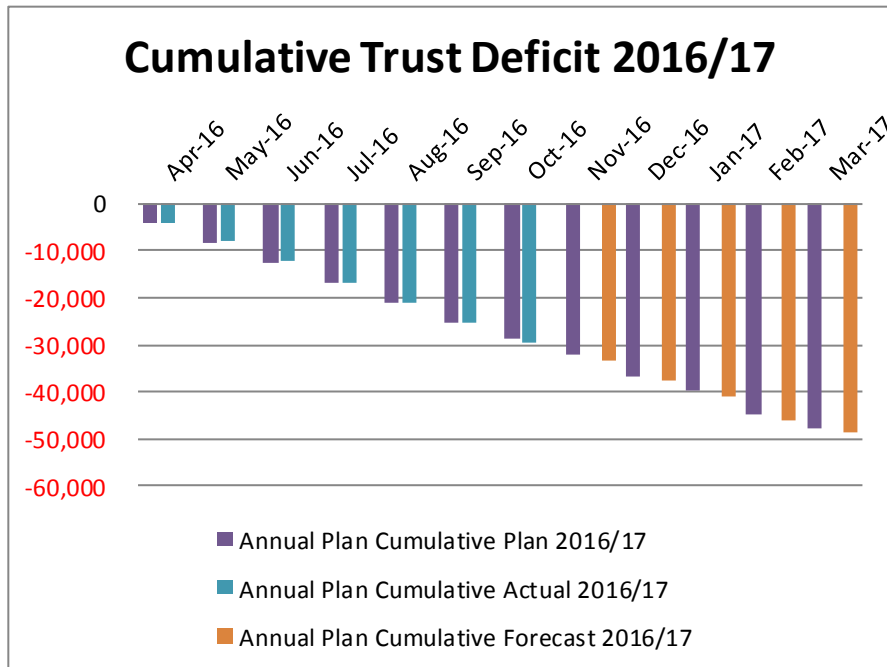
- Year to date deficit is £29.7m compared to plan of £28.7m
- Cash holdings at the end of September are £1.3m with RSG of £85.0m
- Year to date efficiency is £9.2m c.f. plan of £8.7m
- Capex is £7.1m c.f. plan of £10.0m

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
			Oct-16				Sep-16	Aug-16	Jul-16	Jun-16	May-16
Governance	Use of Resources	YTD	3	3	0	Green	3	3	3	3	3
		Forecast	3	3	0	Green	3	3	3	3	3
I&E and Profitability	I&E Surplus/(Deficit) (£'m)	In Month	-3.6	-4.2	-0.6	Red	-4.4	-4.2	-4.5	-4.4	-4
		YTD	-28.7	-29.7	-1	Red	-25.5	-21.1	-16.9	-12.4	-8
		Forecast	-47.9	-47.9	0	Green	-47.9	-47.9	-47.9	-47.9	-47.9
Profitability	EBITDA (£'m)	In Month	-2	-2.8	-0.8	Red	-3	-2.8	-3.1	-3	-2.9
		YTD	-18.3	-20.1	-1.8	Red	-17.3	-14.3	-11.5	-8.4	-5.4
		Forecast	-29.6	-30.9	-1.3	Red	-30.9	-30.9	-30.9	-30.9	-30.9
FIP	Efficiency Achievement (£m)	In Month	0.7	0.9	0.2	Green	1.8	2.5	0.8	1	1
		YTD	8.7	9.2	0.5	Green	8	6.2	3.7	2.9	1.9
		Forecast	19	19	0	Green	19	19	19	19	19
Liquidity	Cash (£m)	YTD	2	1.3	-0.7	Red	1.4	9.7	7.2	5.1	3
		Forecast	1	1.2	0.2	Green	1.2	1.2	1.2	1	1
	Revenue Support Loan (£m)	YTD	-88	-85	3	Red	0	0	-77.9	-71.6	-66
		Forecast	-103.4	-103.4	0	Green	-103.4	-103.4	-103.4	-103.4	-103.4
Capital Expenditure (£m)	YTD	10	7.1	-2.9	Red	5.2	4.7	2.4	1.6	0.9	
	Forecast	17.6	16.7	-0.9	Green	16.7	16.7	16.7	16.7	16.7	
Workforce	Substantive, bank and overtime (WTE)	YTD	167.6	166.3	-1.3	Green	142.2	118.8	95.5	72	48.1
	Agency & Locum Staff (WTE)	YTD	16.3	15.8	-0.5	Green	13.7	11.6	9.2	7	4.6
	Total	YTD	183.9	182.1	-1.8	Green	155.9	130.4	104.7	79	52.7



The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 7 position is a deficit of £4.2m, leading to a year to date deficit position of £29.7m. The performance to date is £1.0m worse than plan.

The underlying trading position shows a position £0.6m better than plan but by not achieving the performance targets of A&E, RTT and Cancer, the Trust has lost £1.6m of STF monies.

The forecast year end position is reliant on the reduction of pay and recovering the lost income as a result of performance targets being missed.

The Trust is at risk of under achieving £3.6m of the £16.1m Sustainability and Transformation Fund

Financial Performance – Income & Expenditure

7 months ending 31 October 2016

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	
	Income					
386,840	Revenue from Patient Care Activities	410,259	420,740	244,409	236,508	(7,902)
36,450	Other Operating Revenue	40,358	32,742	19,310	19,738	428
138	Receipt of govt granted /donated	120	120	70	22	(48)
423,428	Total Income	450,737	453,602	263,790	256,268	(7,521)
	Expenditure					
(305,876)	Pay	(312,134)	(317,079)	(184,937)	(182,100)	2,837
(157,204)	Non Pay	(168,112)	(167,242)	(97,475)	(94,291)	3,184
(463,080)	Total Expenditure	(480,246)	(484,321)	(282,412)	(276,391)	6,021
	Earnings before interest,tax,depreciation and					
(39,652)	Profit/Loss(-) on disposals	(29,509)	(30,719)	(18,622)	(20,123)	(1,500)
(50)	Depreciation	0	17	17	20	3
(11,448)	Impairment	(12,870)	(12,034)	(7,020)	(6,643)	377
(8,557)	PDC Dividend	0	0	0	0	0
(5,258)	Interest Receivable	(4,266)	(3,681)	(2,147)	(2,133)	14
70	Other interest payable	42	42	23	37	14
(905)	Surplus / (Deficit) for period	(1,627)	(1,858)	(1,120)	(1,127)	(7)
(65,800)		(48,230)	(48,233)	(28,869)	(29,968)	(1,099)
(15.5)%	Net Margin	(10.7)%	(10.6)%	(10.9)%	(11.7)%	(0.8)%

Income below plan due to; underperformance on patient activity, cancelled activity due to cyber terrorists and a reduction in STP funding

Pay budgets £2.8m 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 £1.1m 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.

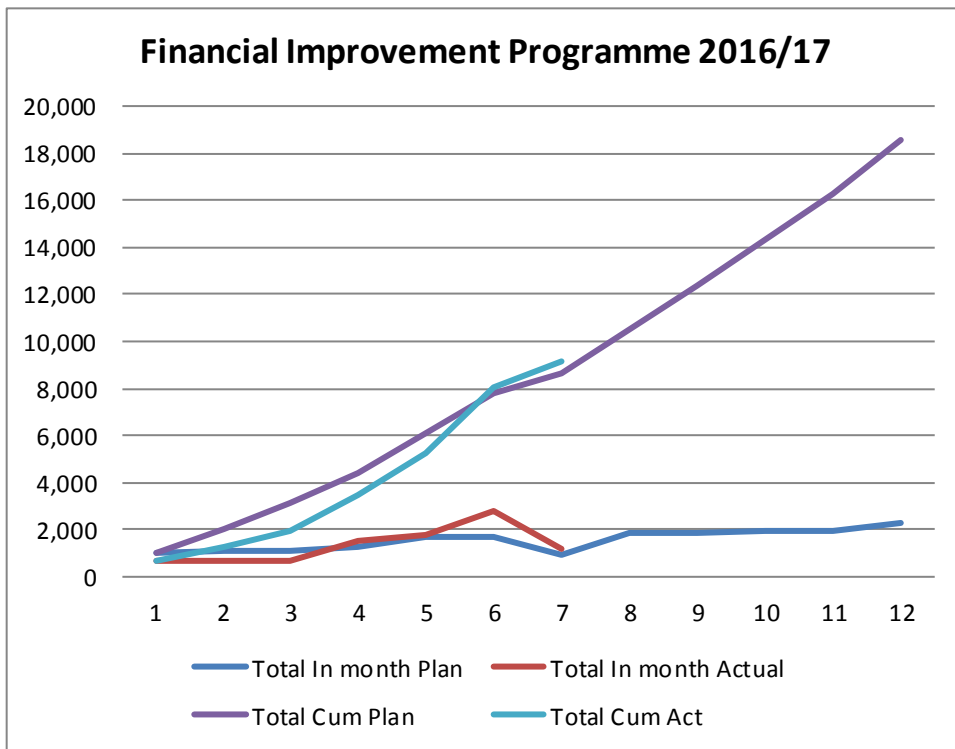
Summary Statement of Financial Position

Statement of Financial Position						
	March 2016		Oct 2016			March 2017
	Financial Plan submission April 16	Final Accounts	Plan	Actual	Variance	Actual
	£000s	£000s	£000s	£000s	£000s	£000s
NON-CURRENT ASSETS:						
Property, Plant and Equipment	239,285	215,768	242,401	216,336	(26,065)	220,717
Intangible Assets	5,124	5,607	4,462	5,427	965	4,907
Trade and Other Receivables	1,250	1,477	1,250	1,283	33	1,477
Total Non-Current Assets	245,659	222,852	248,113	223,045	(25,068)	227,101
CURRENT ASSETS:						
Inventories	7,738	7,130	7,738	7,419	(319)	7,430
Trade and Other Receivables	21,914	21,127	28,092	27,790	(302)	20,719
Cash and cash equivalents	1,000	1,166	2,084	1,298	(786)	1,240
Subtotal	30,652	29,423	37,914	36,508	(1,406)	29,389
Non-Current Assets Held for Sale	0	1,075	0	1,075	1,075	1,075
Total Current Assets	30,652	30,498	37,914	37,583	(331)	30,464
Total Assets	276,311	253,350	286,027	260,628	(25,399)	257,565
CURRENT LIABILITIES:						
Trade & Other Payables	(43,099)	(42,020)	(43,187)	(48,442)	(5,255)	(41,318)
Other Liabilities	(503)	(503)	(503)	(503)	(0)	(503)
Provisions for Liabilities and Charges	(1,218)	(1,364)	(1,223)	(1,490)	(267)	(1,428)
Borrowings	(118)	(299)	(119)	(118)	1	(119)
Liabilities arising from PFIs / LIFT / Finance Leases	(182)	0	(76)	(77)	(1)	0
Total Current Liabilities	(45,120)	(44,186)	(45,108)	(50,630)	(5,522)	(43,368)
Net Current Assets /(Liabilities)	(14,468)	(13,688)	(7,194)	(13,047)	(5,853)	(12,904)
Total Assets less Current Liabilities	231,191	209,164	240,919	209,998	(30,921)	214,197
NON-CURRENT LIABILITIES						
Other Liabilities	(14,591)	(14,591)	(14,297)	(14,297)	(0)	(14,087)
Provisions for Liabilities and Charges	(2,485)	(2,484)	(2,494)	(2,602)	(108)	(2,507)
Borrowings	(178)	(178)	(118)	(118)	(0)	(58)
Working capital support facility	(18,382)	(18,382)	(4,532)	(49,418)	(44,886)	(19,833)
DH Revenue Support Loan	(35,618)	(35,618)	(83,518)	(35,618)	47,900	(83,518)
Total Non-Current Liabilities	(71,254)	(71,253)	(104,959)	(102,054)	2,905	(120,003)
Total Assets Employed	159,937	137,911	135,960	107,944	(28,016)	94,194
FINANCED BY: TAXPAYERS EQUITY						
Public dividend capital	251,746	251,746	254,990	251,746	(3,244)	256,746
Retained Earnings	(148,225)	(157,029)	(176,279)	(186,441)	(10,162)	(204,794)
Revaluation reserve	56,226	43,004	57,059	42,448	(14,611)	42,052
Other reserves	190	190	190	190	0	190
Total Taxpayers Equity	159,937	137,911	135,960	107,944	(28,017)	94,194

Cash position marginally worse than plan due to Lincs CCG withholding payment of NCAs. Cash is still in line with the requirement of minimum £1m balance.

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 7, the Trust had delivered £9.2m against an original £8.7 plan. The Business Units have reworked the efficiency plans and the revised plans total £21.7m. There are reductions in plans from both Surgical and Boston are being managed through Performance Management review meetings. A number of the schemes are non recurrent, which will add to the challenge for 2017/18. Further detail is provided within the efficiency report to FSID.

Income Position – as at October 2016

Table 2

	YTD £000s Plan	YTD £000s Actual	YTD £000s Var	YTD £ % Var
NHS LINCOLNSHIRE EAST CCG	63,318.2	65,770.0	2,451.8	4%
NHS LINCOLNSHIRE WEST CCG	61,709.1	61,345.4	- 363.7	-1%
NHS SOUTH WEST LINCOLNSHIRE CCG	33,983.8	33,788.7	- 195.1	-1%
NHS SOUTH LINCOLNSHIRE CCG	13,961.0	14,058.8	97.7	1%
CENTRAL MIDLANDS SPECIALISED	27,807.3	26,984.4	- 822.9	-3%
PLANNED ACTIVITY OVERPERFORMANCE	805.2	-	- 805.2	
EFFICIENCY PROGRAMME	3,767.8	-	- 3,767.8	
Other (Inc Associates and Non Contract Activity)	19,956.9	19,316.4	- 640.5	-3%
	<u>225,309.2</u>	<u>221,263.6</u>	<u>- 4,045.6</u>	<u>-2%</u>

Main contract Income is ahead of the contract plan by £2.0m (1.1%)

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

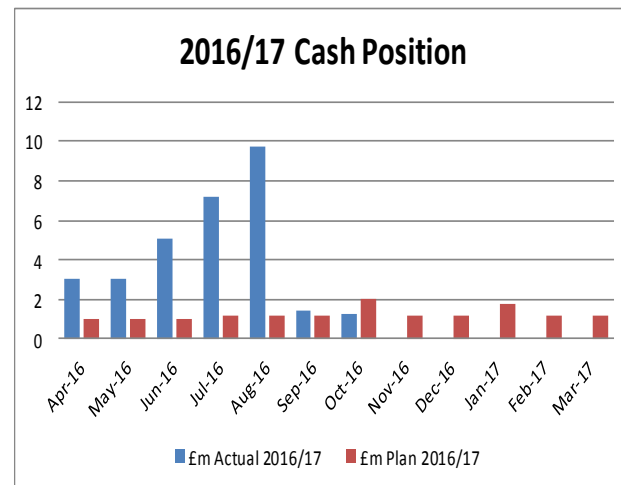
Patient Care Activities also includes the STF – currently accrued at £1.6m less than budget and forecasted to be £3.1m at year end.

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

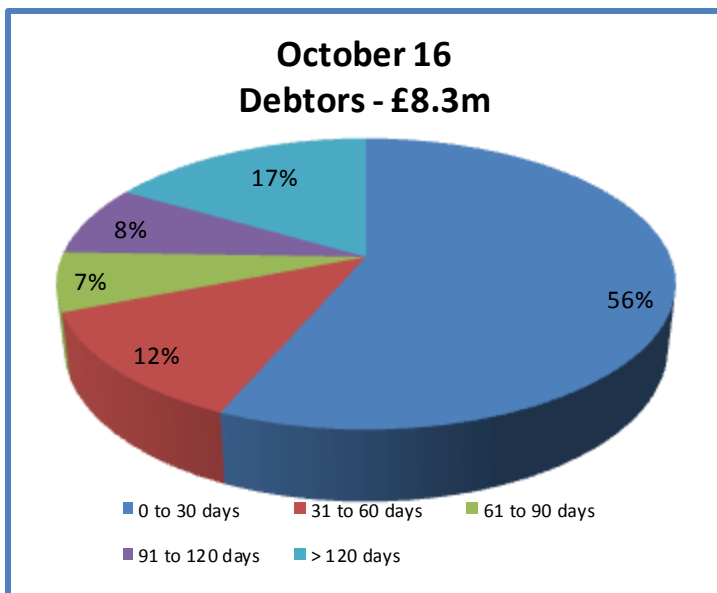
Further detail is provided in a separate income report to FSID.

Summary Statement of Cash Flow

	Oct 2016			March 2017
	Plan £000s	Actual £000s	Variance £000s	Forecast Actual £000s
Operating Surplus / (Deficit)	(25,555)	(26,765)	(1,210)	(42,993)
Non Cash items to be excluded				
Depreciation / Amortisation	7,301	6,642	(659)	11,700
Impairments & Reversals	0	0	0	512
Receipt of Donated Assets	(70)	(22)	48	(120)
Earnings before Interest Tax & Dividends (EBITDA)	(18,324)	(20,145)	(1,821)	(30,901)
Interest paid	(677)	(1,089)	(412)	(2,115)
Dividends (Paid) / Refunded	(1,610)	(1,425)	185	(3,248)
(Increase)/decrease in inventories	0	(288)	(288)	(299)
(Increase)/decrease in trade & other receivables	(6,182)	(6,469)	(287)	409
Increase/(decrease) in trade & other payables	1,573	7,863	6,290	933
Increase/(decrease) in other current liabilities	(294)	(294)	0	(504)
Increase/(decrease) in provisions	14	207	193	49
NET CASH IN/(OUT)FLOW FROM OPERATING ACTIVITIES	(25,500)	(21,639)	3,861	(35,676)
CASHFLOWS FROM INVESTING ACTIVITIES				
Interest received	21	36	15	63
(Payments) to acquire property, plant & equipment	(12,567)	(8,599)	3,968	(17,826)
(Payments) for intangible assets	0	(563)	(563)	(562)
Receipts from disposal of property, plant & equipment	2,000	24	(1,976)	24
NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES	(10,546)	(9,101)	1,445	(18,301)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(36,046)	(30,741)	5,305	(53,977)
CASHFLOWS FROM FINANCING ACTIVITIES:				
Revolving Working Capital Support Facility Accessed	21,582	31,036	9,454	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	(105)	(104)	1	(181)
Other loans repaid	(59)	(59)	(0)	(119)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	37,130	30,873	(6,257)	54,051
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	1,084	132	(952)	74
OPENING CASH BALANCE 1ST APRIL 2016	1,000	1,166	166	1,166
CLOSING CASH BALANCE	2,084	1,298	(786)	1,240

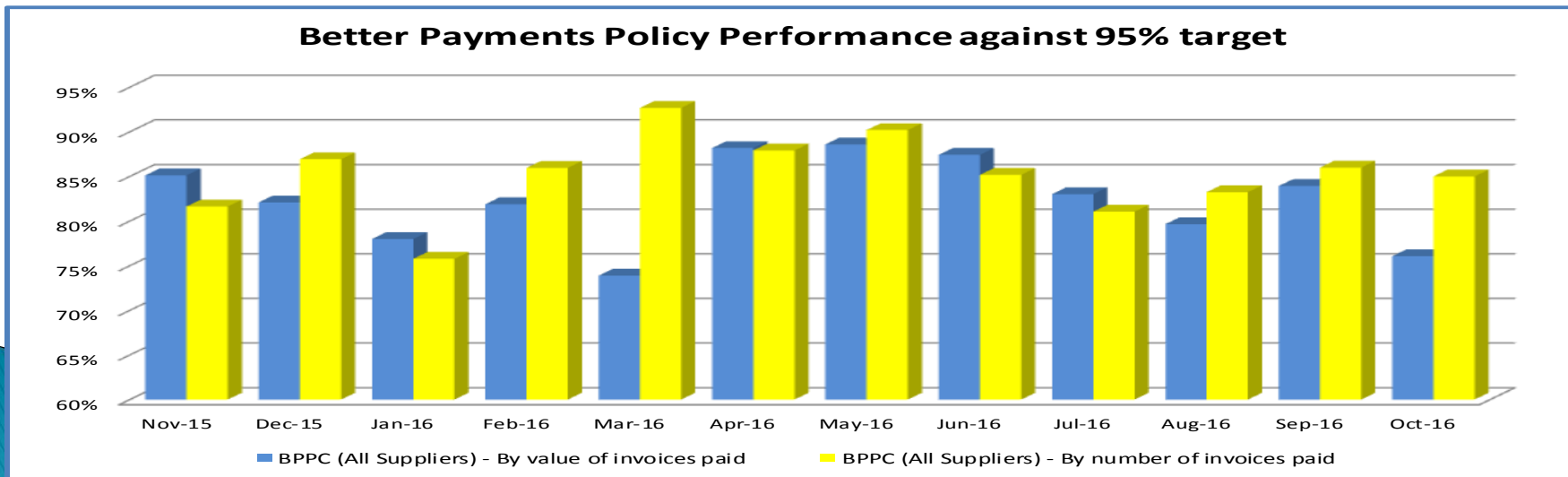


Cash position consistently ahead of plan up to Sept, slightly behind plan but ahead of year end target. Driven mainly from planned slippage on the capital programme. The Trust has drawn £49.4m against the current RWCF limit of £52.0m. Main issue is CCG non payment of additional activity.



Non NHS debt over 90 days totals £0.1m, excluding those on payment plans. NHS debt over 90 days totals £0.5m. This is split as follows:

	Over 90 day Total
CCGs - Lincolnshire	225
CCGs - Other	59
Trusts - Lincolnshire	84
Trusts - Other	90
Other NHS	76
Total	534



Capital Expenditure – as at October 2016

Programme	Annual Plan £000's	Plan to Date £000's	Actual to date £000's	Forecast Outturn £000's
Facilities	6,126	4,467	1,267	6,026
Medical Devices Group (Risk)	5,062	2,424	1,966	3,622
IM&T (Risk)	3,596	2,367	1,644	3,440
Service Development & Modernisation	2,998	483	2,134	3,235
Contingency/Other	1,768	365	-	22
Prior Year Schemes			10	-
Total	19,550	10,106	7,020	16,346

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 £1.8m. The spend to date of £7.0m is £3.1m behind the original plan as at October 2016.

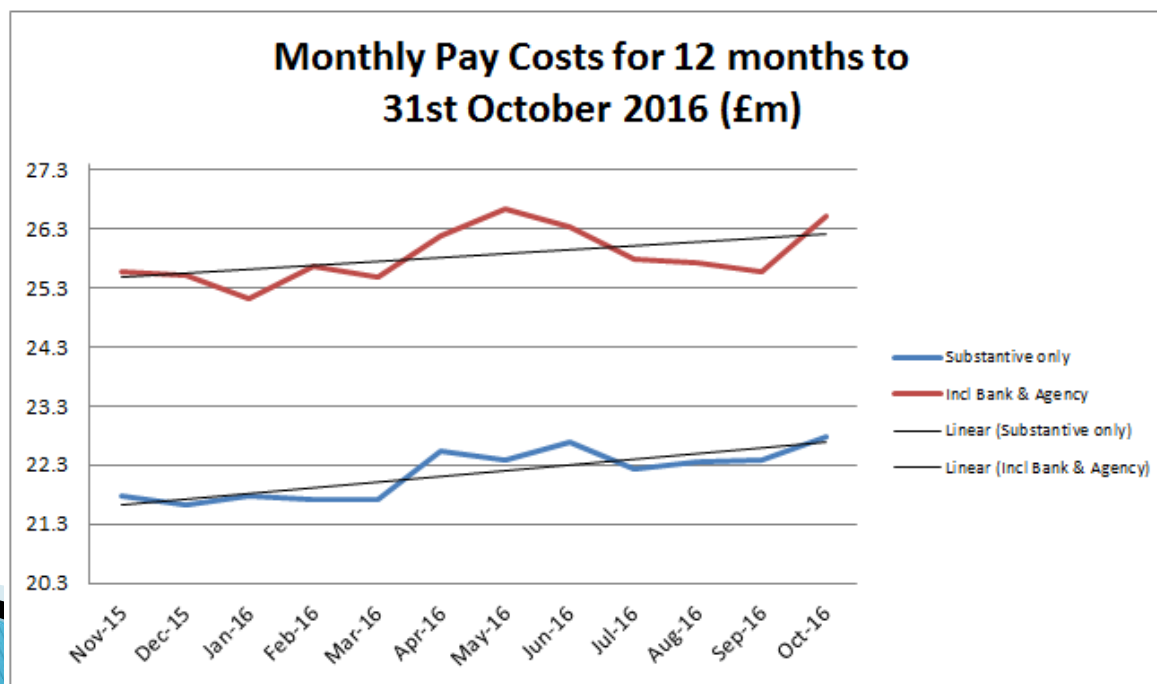
As per the previous month the underspent is primarily due to the planned delay of Neonates and Specialist Rehab which are progressing through to tender and implementation phases and both will deliver in this financial year.

Financial Performance – Pay and Workforce

WTE Analysis

Category	Oct	Jan	Apr	Jul	Oct	Movement Oct - Oct
Consultants	309	312	307	307	316	7
Medical Staff	496	487	481	482	487	-9
Other Support Staff	753	755	752	747	753	0
Scientific, Therapeutic & Technical	903	918	920	915	905	2
Non Clinical	1,106	1,110	1,112	1,128	1,146	40
Nurses & Midwives	2,765	2,770	2,766	2,753	2,790	25
Total	6,332	6,351	6,338	6,332	6,397	65

As at end October 16	Nursing	Medical	STT	Other	Total
Profile £	5,863	8,791	783	866	16,303
Actual £	6,614	7,699	791	680	15,784
Variance £	-751	1,092	-8	186	519
Variance %	-12.81%	12.42%	-1.02%	21.50%	3.18%



Financial Performance – Year end Forecast and Risks

	Worse case	Most likely	Best case
Forecast	Full Year £k	Full Year £k	Full Year £k
Income	437,739	437,739	439,162
Pay	-315,872	-314,472	-312,572
Non Pay	-162,120	-161,020	-161,020
Depn/PDC/Other	-13,704	-13,704	-13,704
IFRIC12/donated assets	405	405	405
Surplus/(Deficit)	-53,552	-51,052	-47,728

- Forecast is currently projecting a most likely case of £51.1m, £3.2m worse than plan
- This is based on reduction of income for activity over winter, reduction of STF of £3.2m, which is the prominent driver, offset by increased run rate on efficiencies from the current £1.3m a month to £2.2m in March. This is based on the RSM work and current projected starting to deliver.
- The worse case assumes we reduce income over winter but don't achieve a step change in efficiencies, or manage down our current run rate.
- The best case assumes we don't reduce the income over winter and still achieve a high level of success on the Efficiency Programme.
- Mitigation actions include the following:
 - opening discussions with CCGs around the reasons for failing STF trajectories, especially around the work, led by CCGs, to reduce demand.
 - Putting in controls to reduce discretionary spend and non-clinical pay
 - Review plans for winter activity and spend
 - Ensuring efficiency projects are delivered with pace.