

# Finance Report – Month 10 January 2017

Date of report:	07 March 2017
Lead Director:	Peter Hollinshead, Interim Director of Finance
Purpose of Report:	An update on the Trust's financial position as at the end of January 2017, and full year forecast
Strategic Objective:	1) Efficient use of resources
	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 main points:

- The likelihood that the Trust will deliver a deficit of £54.9m compared to the control total of £47.9m
- The significant operational pressures in January have resulted in increased agency expenditure and a reduction in elective activity and income

High Level Financial Summary – January 2016 ( Month 10)

Measure	Plan to date	Actual to date	Annual Plan	RAG
Income	376.1	367.1	450.7	Red
EBITDA (£'m)	-24.7	-29.3	-29.6	Red
Net surplus (£'m)	-39.8	-42.9	-47.9	Red
Efficiency	14.7	14.5	19	Red
Cash (£'m)	1.8	1.1	1	Red
Revenue Support Grant (£'m)	-100.3	-98.8	-103.4	Green
Capital Expenditure (£'m)	13	8.9	16.7	Red

**Summary**

The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 10 position is a deficit of £5.3m, leading to a year to date deficit position of £42.9m. The performance to date has been impacted as a result of a high monthly spend on agency (£2.8m) to deal with the winter pressures and a resultant loss in elective income in month as beds are used to cope with the demands of winter.

The revised Income and Expenditure forecast (£54.9m) is based on performance to date with a projected run rate including the continuation of winter pressures (£3.7m).

As a consequence, the Trust will not be eligible for the Q4 STF funding of £3.9m.

The Trust is forecasting it will deliver its Capital Resource Limit (CRL) and its External Funding (EFL).

**Performance**

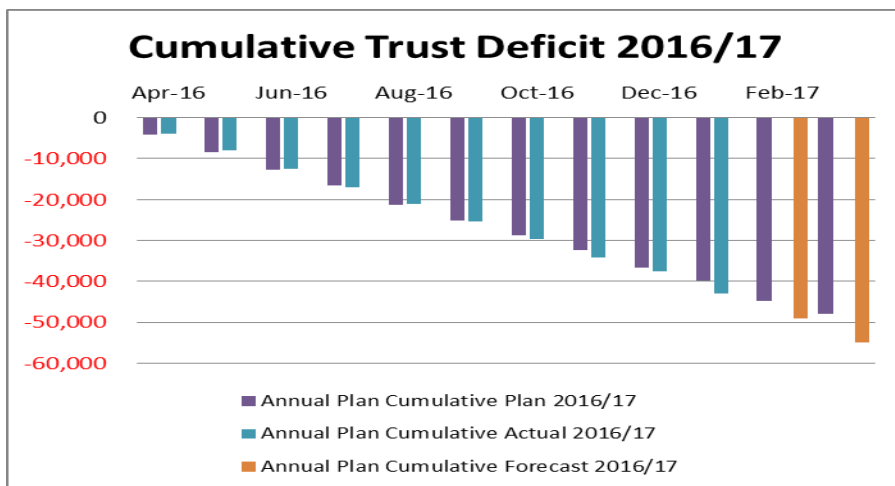
- Year to date deficit is £42.9m compared to plan of £39.8m
- Cash holdings at the end of October are £1.1m with RSG of £98.8m
- Year to date efficiency is £14.5m c.f. plan of £14.7m
- Capex is £8.9m c.f. plan of £13.0m

**Forecast**

The Trust is forecasting a deficit of £54.9m. This is a result of reduced elective income coupled with an increase in agency expenditure and reduced STF funding.

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
			Jan-17				Dec-16	Nov-16	Oct-16	Sep-16	Aug-16
I&E and Profitability	I&E Surplus/(Deficit) (£'m)	In Month	-3.2	-5.3	-2.1		-3.4	-4.5	-4.2	-4.4	-4.2
		YTD	-39.8	-42.9	-3.1		-37.8	-34.2	-29.7	-25.5	-21.1
		Forecast	-47.9	-54.9	-7		-47.9	-47.9	-47.9	-47.9	-47.9
	EBITDA (£'m)	In Month	-1.5	-3.9	-2.4		-2	-3.3	-2.8	-3	-2.8
		YTD	-24.7	-29.3	-4.6		-25.4	-23.4	-20.1	-17.3	-14.3
		Forecast	-29.6	-30.9	-1.3		-30.9	-30.9	-30.9	-30.9	-30.9
FIP	Efficiency Achievement (£m)	In Month	2.1	1.8	-0.3		2.5	1	0.9	1.8	2.5
		YTD	14.7	14.5	-0.2		12.7	10.2	9.2	8	6.2
		Forecast	19	19	0		19	19	19	19	19
Liquidity	Cash (£m)	YTD	1.8	1.4	-0.4		1.4	4	1.3	1.4	9.7
		Forecast	1	1	0		1.2	1.2	1.2	1.2	1.2
	Revenue Support Loan (£m)	YTD	-100.3	-98.8	1.5		0	0	-85	-81.5	-79.8
		Forecast	-103.4	-103.4	0		-103.4	-103.4	-103.4	-103.4	-103.4
	Capital Expenditure (£m)	YTD	13	8.9	-4.1		0	7.3	7.1	5.2	4.7
		Forecast	17.6	16.7	-0.9		16.7	16.7	16.7	16.7	16.7
Workforce	Substantive, bank and overtime (WTE)	YTD	241.6	237.9	-3.7		214.2	190.3	166.3	142.2	118.8
	Agency & Locum Staff (WTE)	YTD	19.3	23.3	4		20.5	18.2	15.8	13.7	11.6
	Total	YTD	260.9	261.2	0.3		234.7	208.5	182.1	155.9	130.4



The Trust has a control deficit as follows:-

	£m
Trading deficit	64.0
Less STF funding	<u>16.1</u>
Planned deficit	<u>47.9</u>

The continued winter pressures resulting in increased agency to staff escalation areas and the reduction in elective activity and income has resulted in a revised forecast trading position of £66.1m deficit, which results in the loss of STF funding for Q4.

The main risks to the forecast:-

- CCG activity challenges
- Continued winter pressures
- Delivery of CQUIN
- Delivery of the efficiency programme
- STF appeals

	Forecast Outturn		
	Best Case	Most Likely	Worst Case
	£k	£k	£k
Income Non STF	428,972	427,230	426,092
Income STF	11,169	11,169	11,169
Pay	-313,943	-314,443	-314,943
Non Pay	-165,164	-164,528	-164,525
Deprn, Dividend & IFRIC12	-17,129	-17,129	-17,129
Financial Flexibilities	2,709	2,709	2,709
	<b>-53,385</b>	<b>-54,991</b>	<b>-56,627</b>
Made up of:			
Trading Position	-64,555	-66,161	-67,797
Income STF	11,169	11,169	11,169
	<b>-53,385</b>	<b>-54,991</b>	<b>-56,627</b>

## Financial Performance – Income & Expenditure

### Financial Performance - January 2017

### Trading Position

10 months ending 31 January 2017

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	417,098	347,932	339,143	(8,789)
36,450	Other Operating Revenue	40,358	32,419	27,136	27,989	853
138	Receipt of govt granted /donated	120	120	43	28	(15)
<b>423,428</b>	<b>Total Income</b>	<b>450,737</b>	<b>449,637</b>	<b>375,112</b>	<b>367,160</b>	<b>(7,951)</b>
	<b>Expenditure</b>					
(305,876)	Pay	(312,134)	(316,634)	(263,610)	(261,232)	2,378
(157,204)	Non Pay	(168,112)	(164,317)	(137,575)	(135,178)	2,397
<b>(463,080)</b>	<b>Total Expenditure</b>	<b>(480,246)</b>	<b>(480,951)</b>	<b>(401,185)</b>	<b>(396,410)</b>	<b>4,775</b>
	<b>Earnings before interest,tax,depreciation and</b>					
<b>(39,652)</b>	<b>Profit/Loss(-) on disposals</b>	(29,509)	(31,314)	(26,073)	(29,250)	(3,176)
(50)	Depreciation	0	20	20	20	0
(11,448)	Impairment	(12,870)	(11,700)	(9,547)	(9,512)	34
(8,557)	PDC Dividend	0	0	0	0	0
(5,258)	Interest Receivable	(4,266)	(3,322)	(2,768)	(2,774)	(5)
70	Other interest payable	42	64	51	42	(9)
(905)	<b>Surplus / (Deficit) for period</b>	<b>(1,627)</b>	<b>(1,981)</b>	<b>(1,738)</b>	<b>(1,734)</b>	<b>4</b>
<b>(65,800)</b>	<b>Net Margin</b>	<b>(48,230)</b>	<b>(48,233)</b>	<b>(40,055)</b>	<b>(43,207)</b>	<b>(3,152)</b>
<b>(15.5)%</b>		<b>(10.7)%</b>	<b>(10.7)%</b>	<b>(10.7)%</b>	<b>(11.8)%</b>	<b>(1.1)%</b>
	Surplus / (Deficit) adjusted for impairment & impact of donated / govt granted assets					
<b>(56,917)</b>		<b>(47,927)</b>	<b>(47,930)</b>	<b>(39,745)</b>	<b>(42,888)</b>	<b>(3,143)</b>

- Income below plan due to underperformance on patient activity.
- Expenditure budgets are £4.7m below plan due to underspends which partly offset increased agency
- The outcome of the STF appeals process in respect of performance is still pending

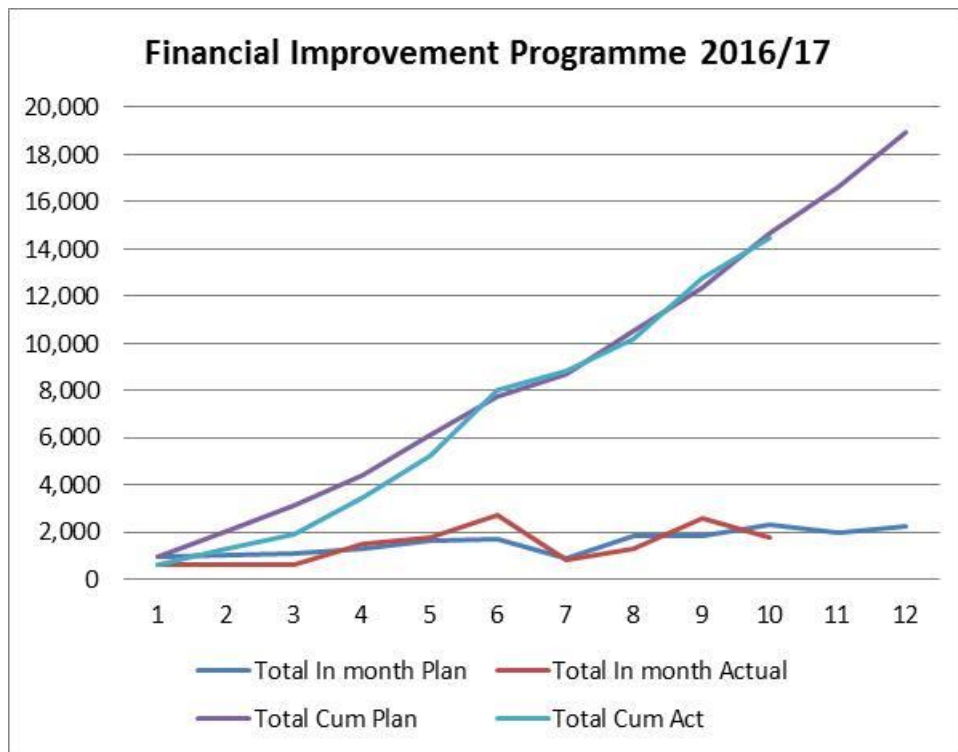
Summary Statement of Financial Position

Statement of Financial Position

	March 2016	Jan-17			Mar 2017 Forecast	
	Final Accounts	Plan	Actual	Variance	Actual	
	£000s	£000s	£000s	£000s	£000s	
<b>NON-CURRENT ASSETS:</b>						
Property, Plant and Equipment	215,768	244,347	215,644	(28,703)	219,408	+
Intangible Assets	5,607	4,181	5,103	922	4,907	
Trade and Other Receivables	1,477	1,250	1,296	46	1,477	+
<b>Total Non-Current Assets</b>	<b>222,852</b>	<b>249,778</b>	<b>222,042</b>	<b>(27,736)</b>	<b>225,792</b>	<b>+</b>
<b>CURRENT ASSETS:</b>						
Inventories	7,130	7,738	7,336	(402)	7,430	+
Trade and Other Receivables	21,127	28,815	27,991	(824)	21,741	+
Cash and cash equivalents	1,166	1,768	1,100	(668)	1,218	+
Subtotal	29,423	38,321	36,427	(1,894)	30,389	+
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>38,321</b>	<b>37,502</b>	<b>(819)</b>	<b>31,464</b>	<b>+</b>
<b>Total Assets</b>	<b>253,350</b>	<b>288,099</b>	<b>259,544</b>	<b>(28,555)</b>	<b>257,256</b>	<b>+</b>
<b>CURRENT LIABILITIES:</b>						
Trade & Other Payables	(42,020)	(44,826)	(45,346)	(520)	(41,420)	-
Other Liabilities	(503)	(503)	(503)	(0)	(503)	-
Provisions for Liabilities and Charges	(1,364)	(813)	(1,517)	(704)	(1,517)	-
Borrowings	(299)	(119)	(118)	1	(119)	-
Liabilities arising from PFIs / LIFT / Finance Leases	0	(30)	(31)	(1)	0	-
<b>Total Current Liabilities</b>	<b>(44,186)</b>	<b>(46,291)</b>	<b>(47,516)</b>	<b>(1,225)</b>	<b>(43,559)</b>	<b>-</b>
<b>Net Current Assets /(Liabilities)</b>	<b>(13,688)</b>	<b>(7,970)</b>	<b>(10,014)</b>	<b>(2,044)</b>	<b>(12,095)</b>	<b>+/-</b>
<b>Total Assets less Current Liabilities</b>	<b>209,164</b>	<b>241,808</b>	<b>212,028</b>	<b>(29,780)</b>	<b>213,697</b>	<b>+/-</b>
<b>NON-CURRENT LIABILITIES</b>						
Other Liabilities	(14,591)	(14,171)	(14,172)	(1)	(14,087)	-
Provisions for Liabilities and Charges	(2,484)	(2,446)	(2,974)	(528)	(2,926)	-
Borrowings	(178)	(118)	(118)	(0)	(58)	-
Working capital support facility	(18,382)	(16,782)	(52,000)	(35,218)	(4,551)	-
DH Revenue Support Loan	(35,618)	(83,518)	(46,800)	36,718	(98,800)	-
<b>Total Non-Current Liabilities</b>	<b>(71,253)</b>	<b>(117,035)</b>	<b>(116,064)</b>	<b>971</b>	<b>(120,422)</b>	<b>-</b>
<b>Total Assets Employed</b>	<b>137,911</b>	<b>124,773</b>	<b>95,964</b>	<b>(28,809)</b>	<b>93,275</b>	<b>+</b>
<b>FINANCED BY: TAXPAYERS EQUITY</b>						
Public dividend capital	251,746	254,990	253,006	(1,984)	255,437	+
Retained Earnings	(157,029)	(187,118)	(199,442)	(12,324)	(204,404)	+/-
Revaluation reserve	43,004	56,711	42,210	(14,501)	42,052	+
Other reserves	190	190	190	0	190	+/-
<b>Total Taxpayers Equity</b>	<b>137,911</b>	<b>124,773</b>	<b>95,964</b>	<b>(28,809)</b>	<b>93,275</b>	<b>+</b>

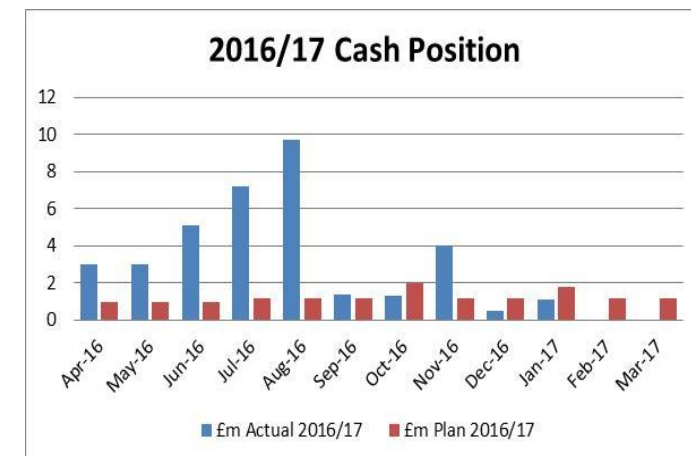
- Cash position slightly worse than plan but still in line with the requirement of minimum £1m balance.
- Property value less than plan due to year end reduction in actuarial valuation, compensating reduction in revaluation reserve and retained earnings.
- The working capital support loan has been extending during the year which offsets the requirement for the Revenue Support Loan

Financial Efficiency Programme – as at December 2016



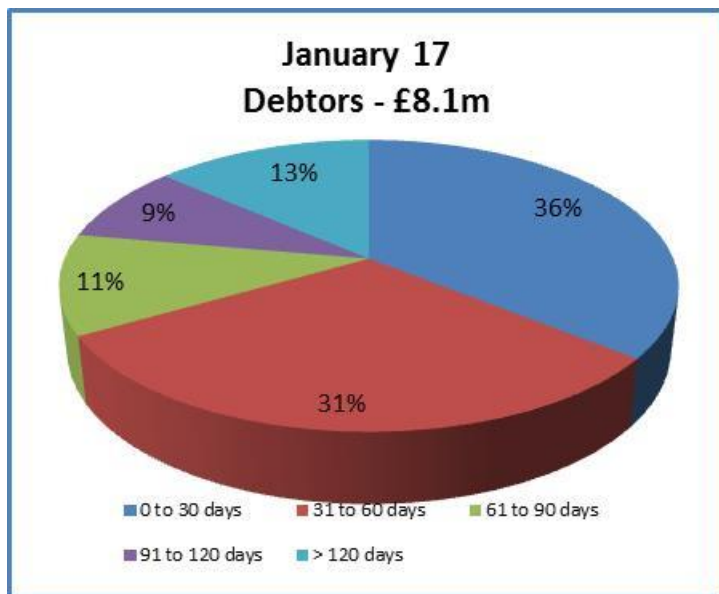
- The FIP plan totals £19m for 2016/17
- Month 10 year to date delivery of £14.5m, of which £5m is non recurrent
- £6m estimated carry forward to 2017/18

Cashflow					
	Jan-17			Mar 2017	
	Plan £000s	Actual £000s	Variance £000s	Forecast Actual £000s	
<b>Operating Surplus / (Deficit)</b>	<b>(35,229)</b>	<b>(38,762)</b>	<b>(3,533)</b>	<b>(42,953)</b>	+/-
<b>Non Cash items to be excluded</b>					
Depreciation / Amortisation	10,601	9,511	(1,090)	11,700	+
Impairments & Reversals	0	0	0	512	+
Receipt of Donated Assets	(100)	(28)	72	(120)	-
<b>Earnings before Interest Tax &amp; Dividends (EBITDA)</b>	<b>(24,728)</b>	<b>(29,279)</b>	<b>(4,551)</b>	<b>(30,861)</b>	+/-
Interest paid	(677)	(1,170)	(493)	(2,062)	-
Dividends (Paid) / Refunded	(1,610)	(1,425)	185	(2,898)	-
(Increase)/decrease in inventories	0	(205)	(205)	(299)	+/-
(Increase)/decrease in trade & other receivables	(6,905)	(6,682)	223	(613)	+/-
Increase/(decrease) in trade & other payables	1,582	4,854	3,272	(560)	+/-
Increase/(decrease) in other current liabilities	(420)	(419)	1	(504)	+/-
Increase/(decrease) in provisions	(444)	605	1,049	557	+/-
<b>NET CASH IN/(OUT)FLOW FROM OPERATING ACTIVITIES</b>	<b>(33,202)</b>	<b>(33,721)</b>	<b>(519)</b>	<b>(37,240)</b>	+/-
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	34	42	8	62	+
(Payments) to acquire property, plant & equipment	(17,399)	(11,700)	5,699	(14,975)	-
(Payments) for intangible assets	0	(562)	(562)	(562)	-
Receipts from disposal of property, plant & equipment	2,000	24	(1,976)	24	+
<b>NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES</b>	<b>(15,365)</b>	<b>(12,195)</b>	<b>3,170</b>	<b>(15,451)</b>	+/-
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	<b>(48,567)</b>	<b>(45,917)</b>	<b>2,650</b>	<b>(52,691)</b>	+/-
<b>CASHFLOWS FROM FINANCING ACTIVITIES:</b>					
Revolving Working Capital Support Facility Accessed	33,832	33,618	(214)	38,169	+
Revolving Working Capital Support Facility Repaid	(35,432)	0	35,432	(52,000)	-
Public dividend capital received : Capital	3,244	1,260	(1,984)	3,691	+
Public dividend capital received: Revenue	0	2,818	2,818	2,818	+
Public dividend capital repaid: Revenue	0	(2,818)	(2,818)	(2,818)	-
Loans received from DH - Revenue Support Loans	47,900	11,182	(36,718)	63,182	+
Capital element of payments relating to PFI, LIFT and finance leases	(150)	(150)	0	(181)	-
Other loans repaid	(59)	(59)	(0)	(119)	-
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING</b>	<b>49,335</b>	<b>45,851</b>	<b>(3,484)</b>	<b>52,742</b>	+/-
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>768</b>	<b>(66)</b>	<b>(834)</b>	<b>51</b>	+/-
<b>OPENING CASH BALANCE - APRIL 2016</b>	<b>1,000</b>	<b>1,166</b>	<b>166</b>	<b>1,166</b>	
<b>CLOSING CASH BALANCE</b>	<b>1,768</b>	<b>1,100</b>	<b>(668)</b>	<b>1,217</b>	



- Cash position marginally below plan, driven by the underlying financial performance.
- The Trust has drawn up to the maximum £52.0m RWCF limit.
- The Trust has received notification that loan facility is available to replace the working capital facility and this has been accessed. This is, at 1.5%, slightly cheaper than the working capital facility.

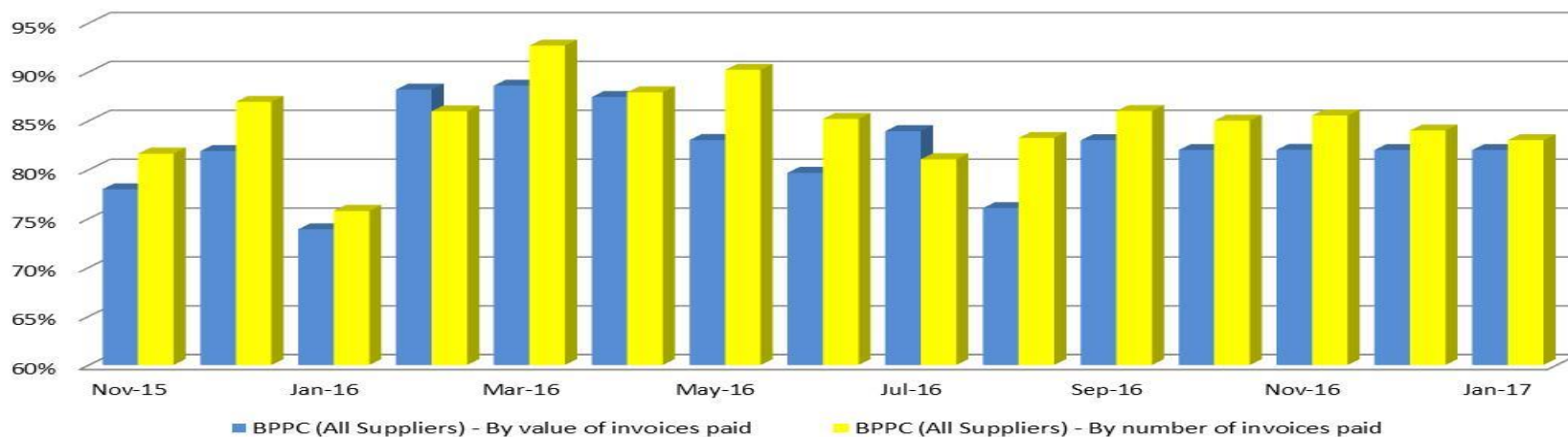




Non NHS debt over 90 days totals £0.2m, excluding those on payment plans. NHS debt over 90 days totals £1.7m. This is split as follows:

	Over 90 day Total
CCGs - Lincolnshire	139
CCGs - Other	98
Trusts - Lincolnshire	391
Trusts - Other	430
Other NHS	616
<b>Total</b>	<b>1674</b>

### Better Payments Policy Performance against 95% target



## Capital Expenditure – as at January 2017

Programme	FIMS	Plan to date	Spend	forecast
	£000's	£000's	£000's	
Facilities	6126.0	4720	1711.5	4894.0
Additional £12m	0.0	0	0.70	0.0
Medical Devices Group (Risk)	5062.00	2638	2247.69	3637.2
IM&T (Risk)	3596.0	3436	2204.1	2964.6
Service Development & Modernisation	2998.0	4277	2698.8	3541.0
Contingency/Other	1768.0		0.0	0.0
Prior Year Schemes			10.3	0.0
Unallocated/(over allocated)				
	19550.0	15071	8873.2	15037

- 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 £0.9m. The spend to date of £8.9m leaves £6.2m to be spend by the end of the year. All of this is committed, with delivery of the estates requirement ( including the Neonates project) comprising the largest element. The medical equipment is all ordered for delivery by the end of march, the largest item being £0.4m for anesthetic machines.
- The forecast remains to deliver the CRL

## Financial Performance – Pay and Workforce

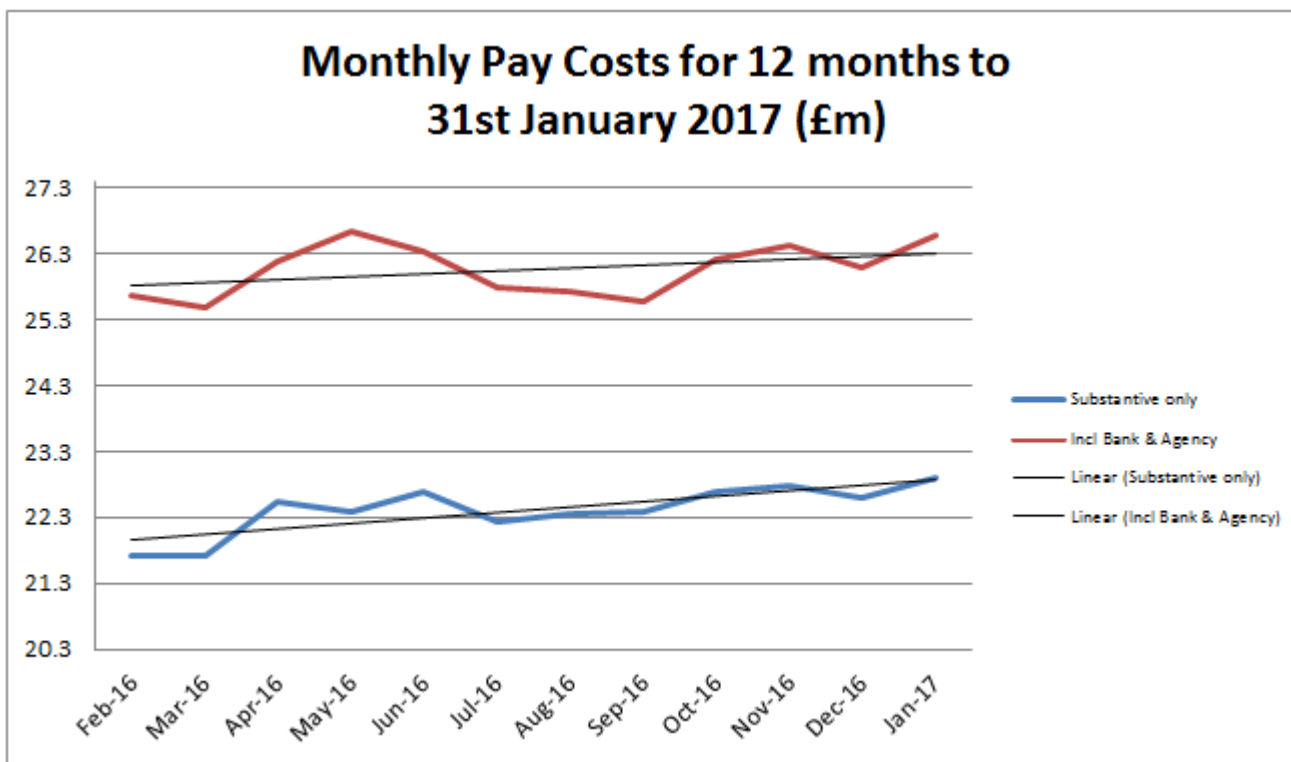
### WTE Analysis

Category	Jan	Apr	Jul	Oct	Jan	Movement Jan - Jan
Consultants	312	307	307	316	318	7
Medical Staff	487	481	482	487	489	2
Other Support Staff	755	752	747	753	766	11
Scientific, Therapeutic & Technical	918	920	915	905	908	-10
Non Clinical	1,110	1,112	1,128	1,146	1,176	66
Nurses & Midwives	2,770	2,766	2,753	2,790	2,804	34
<b>Total</b>	<b>6,351</b>	<b>6,338</b>	<b>6,332</b>	<b>6,397</b>	<b>6,461</b>	<b>109</b>

### Agency Staff Analysis

As at end January 17	Nursing	Medical	STT	Other	Total
Profile £	7,014	10,219	1,062	980	19,275
Actual £	9,202	11,916	1,204	984	23,306
Variance £	-2,188	-1,697	-142	-4	-4,031
Variance %	-31.19%	-16.61%	-13.37%	-0.36%	-20.91%

### Monthly Pay Costs for 12 months to 31st January 2017 (£m)



Financial Performance – Year end Forecast and Risks

	Forecast Outturn		
	Best Case	Most Likely	Worst Case
	£k	£k	£k
Income Non STF	428,972	427,230	426,092
Income STF	11,169	11,169	11,169
Pay	-313,943	-314,443	-314,943
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Financial Flexibilities	2,709	2,709	2,709
	<b>-53,385</b>	<b>-54,991</b>	<b>-56,627</b>
Made up of:			
Trading Position	-64,555	-66,161	-67,797
Income STF	11,169	11,169	11,169
	<b>-53,385</b>	<b>-54,991</b>	<b>-56,627</b>

- Forecast is currently projecting a most likely case of £54.9m.
- The revised Income and Expenditure forecast (£54.9m) is based on performance to date with a projected run rate including the continuation of winter pressures (£3.7m).
- Key risks are as follows:
  - a) CCG activity challenges
  - b) Continued winter pressures
  - c) Delivery of CQUIN
  - d) Delivery of the efficiency programme
  - e) STF appeals