

Finance Report – Month 5 August 2016

Date of report:	04 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 August 2016
Strategic Objective:	Efficient use of resources
Situation	1) Report of Trust financial performance as at the end of August, month 5
	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 – August 2016 (Month 5)

Measure	Plan to date	Actual to date	Annual Plan	RAG
Financial Sustainability Risk Rating	1	2	1	
EBITDA (£'m)	-14	-14.3	-29.6	
Net surplus (£'m)	-21.2	-21.1	-47.9	
Cash (£'m)	1	9.7	1	
Revenue Support Grant (£'m)	-79.9	-82.9	-103.4	
Capital Expenditure (£'m)	8	4.7	16.7	

Performance

- Year to date deficit is £21.1m compared to plan of £21.2m
- Cash holdings at the end of August are £9.7m with RSG of £82.9m
- Year to date efficiency is £6.2m c.f. plan of £5.6m
- Capex is £4.7m c.f. plan of £8.0m

Forecast

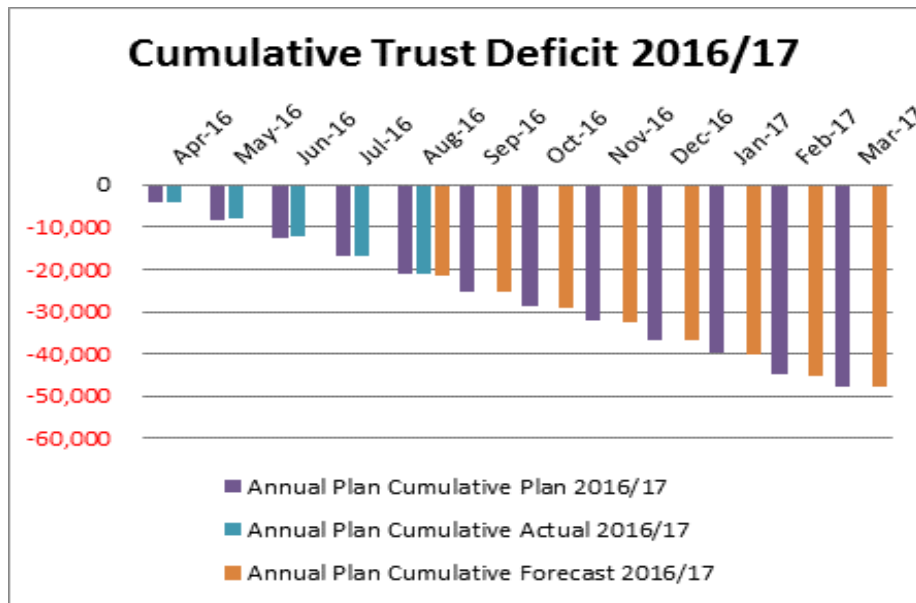
The Trust is forecasting to achieve it's financial plan, with a slightly reduced capital plan, in line with a reduced value of capital resource available in year

Summary

The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 5 position is a deficit of £4.2m, leading to a year to date deficit position of £21.1m. The performance to date is slightly (+0.5%) better 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 £0.8m of the £16.1m Sustainability and Transformation Fund

Financial Scorecard – Rolling monthly performance

Category	Metric	Period of Measure	Plan	Actual	Variance	RAG	Month minus 1	Month minus 1	Month minus 2	Month minus 3
			Aug-16				Jul-16	Jun-16	May-16	Apr-16
Governance	Financial Sustainability Risk Rating	YTD	1	2	1	Green	2	2	2	2
		Forecast	1	2	1	Green	2	2	2	2
I&E and Profitability	I&E Surplus/(Deficit) (£'m)	In Month	-4.6	-4.2	0.4	Green	-4.5	-4.4	-4	-4
		YTD	-21.2	-21.1	0.1	Green	-16.9	-12.4	-8	-4
	Forecast	-47.9	-47.9	0	Green	-47.9	-47.9	-47.9	-47.9	
	EBITDA (£'m)	In Month	-3.1	-2.8	0.3	Green	-3.1	-3	-2.9	-2.5
		YTD	-14	-14.3	-0.3	Red	-11.5	-8.4	-5.4	-2.5
	Forecast	-29.6	-30.9	-1.3	Red	-30.9	-30.9	-30.9	-30.9	
FIP	Efficiency Achievement (£m)	In Month	1.1	2.5	1.4	Green	0.8	1	1	0.9
		YTD	5.6	6.2	0.6	Green	3.7	2.9	1.9	0.9
		Forecast	19	19	0	Green	19	19	19	19
Liquidity	Cash (£m)	YTD	1	9.7	8.7	Green	7.2	5.1	3	3
		Forecast	1	1.2	0.2	Green	1.2	1	1	1
	Revenue Support Loan (£m)	YTD	-79.9	-82.9	-3	Red	-77.9	-71.6	-66	-60.3
		Forecast	-103.4	-103.4	0	Green	-103.4	-103.4	-103.4	-103.4
	Capital Expenditure (£m)	YTD	8	4.7	-3.3	Red	2.4	1.6	0.9	0.4
		Forecast	17.6	16.7	-0.9	Green	16.7	16.7	16.7	17.6
Workforce	Substantive, bank and overtime (WTE)	YTD	119.1	118.8	-0.3	Green	95.5	72	48.1	24.3
	Agency & Locum Staff (WTE)	YTD	12.8	11.6	-1.2	Green	9.2	7	4.6	2.1
	Total	YTD	131.9	130.4	-1.5	Green	104.7	79	52.7	26.4



The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 5 position is a deficit of £4.2m, leading to a year to date deficit position of £21.1m. The performance to date is £0.1m (+0.5%) better 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 £0.8m 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	
	Income					
386,840	Revenue from Patient Care Activities	410,259	420,313	173,430	169,526	(3,904)
36,450	Other Operating Revenue	40,358	32,230	13,466	13,999	533
138	Receipt of govt granted /donated	120	120	50	22	(28)
423,428	Total Income	450,737	452,662	186,945	183,547	(3,398)
	Expenditure					
(305,876)	Pay	(312,134)	(317,753)	(132,772)	(130,402)	2,370
(157,204)	Non Pay	(168,112)	(165,611)	(68,265)	(67,457)	808
(463,080)	Total Expenditure	(480,246)	(483,364)	(201,037)	(197,858)	3,179
	Earnings before interest,tax,depreciation and					
(39,652)	Profit/Loss(-) on disposals	(29,509)	(30,702)	(14,092)	(14,311)	(219)
(50)	Depreciation	0	0	0	18	18
(11,448)	Impairment	(12,870)	(12,034)	(5,013)	(4,711)	302
(8,557)	PDC Dividend	0	0	0	0	0
(5,258)	Interest Receivable	(4,266)	(3,681)	(1,534)	(1,527)	7
70	Other interest payable	42	42	15	30	15
(905)	Surplus / (Deficit) for period	(1,627)	(1,858)	(751)	(760)	(9)
(65,800)		(48,230)	(48,233)	(21,375)	(21,261)	114
(15.5)%	Net Margin	(10.7)%	(10.7)%	(11.4)%	(11.6)%	(0.1)%

Income below plan due to underperformance on patient activity

Pay budgets £2.4m below plan due to significant underspends relating to vacancies in Women’s & Children and Clinical Support services

Non pay costs £0.8m below plan due to reduction in activity levels

Deficit has improved and is now £0.3m better than plan

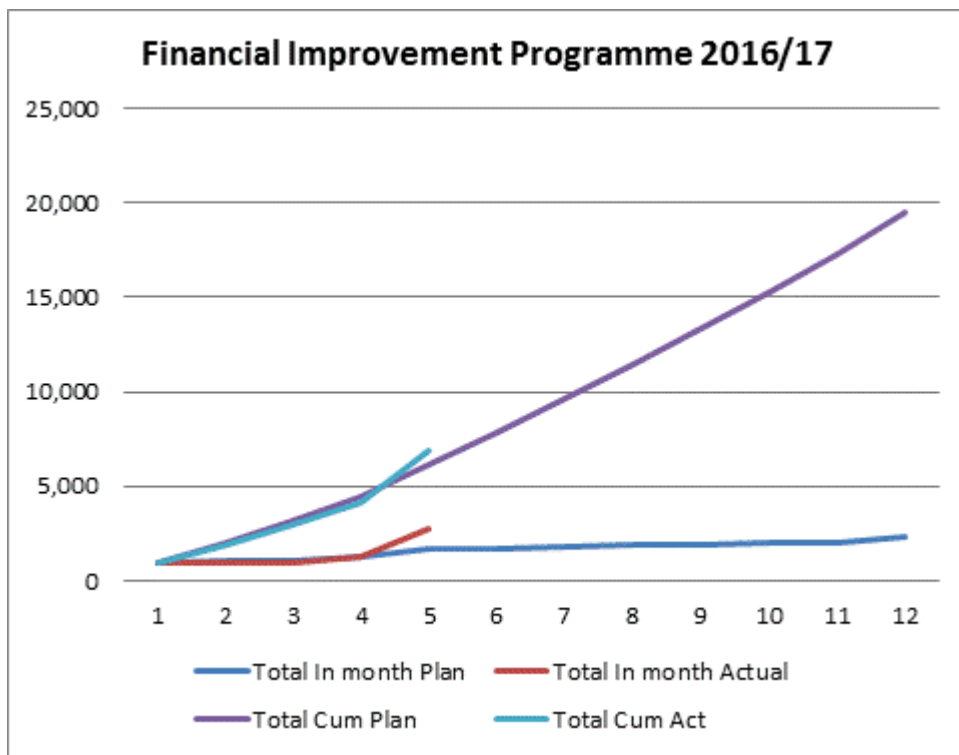
Summary Statement of Financial Position

	March 2016	Aug 2016			March 2017 Forecast
	Final Accounts	Plan	Actual	Variance	Actual
	£000s	£000s	£000s	£000s	£000s
NON-CURRENT ASSETS:					
Property, Plant and Equipment	215,768	244,292	215,784	(28,508)	221,267
Intangible Assets	5,607	4,651	5,576	925	4,848
Trade and Other Receivables	1,477	1,250	1,312	62	1,477
Total Non-Current Assets	222,852	250,193	222,672	(27,521)	227,592
CURRENT ASSETS:					
Inventories	7,130	7,738	7,236	(502)	7,430
Trade and Other Receivables	21,127	27,907	28,418	511	20,719
Cash and cash equivalents	1,166	1,047	9,706	8,659	1,179
Subtotal	29,423	36,692	45,360	8,668	29,328
Non-Current Assets Held for Sale	1,075	0	1,075	1,075	1,075
Total Current Assets	30,498	36,692	46,435	9,743	30,403
Total Assets	253,350	286,885	269,108	(17,777)	257,995
CURRENT LIABILITIES:					
Trade & Other Payables	(42,020)	(44,532)	(50,131)	(5,599)	(40,941)
Other Liabilities	(503)	(503)	(503)	(0)	(503)
Provisions for Liabilities and Charges	(1,364)	(1,223)	(1,395)	(172)	(1,634)
Borrowings	(299)	(119)	(118)	1	(119)
Liabilities arising from PFIs / LIFT / Finance Leases	0	(106)	(107)	(1)	0
Total Current Liabilities	(44,186)	(46,483)	(52,254)	(5,771)	(43,197)
Net Current Assets /(Liabilities)	(13,688)	(9,791)	(5,819)	3,972	(12,794)
Total Assets less Current Liabilities	209,164	240,402	216,853	(23,549)	214,798
NON-CURRENT LIABILITIES					
Other Liabilities	(14,591)	(14,381)	(14,381)	(0)	(14,087)
Provisions for Liabilities and Charges	(2,484)	(2,541)	(2,770)	(229)	(2,621)
Borrowings	(178)	(177)	(178)	(1)	(58)
Working capital support facility	(18,382)	0	(47,257)	(47,257)	(19,833)
DH Revenue Support Loan	(35,618)	(79,850)	(35,618)	44,232	(83,518)
Total Non-Current Liabilities	(71,253)	(96,949)	(100,204)	(3,255)	(120,117)
Total Assets Employed	137,911	143,453	116,650	(26,803)	94,681
FINANCED BY: TAXPAYERS EQUITY					
Public dividend capital	251,746	254,990	251,746	(3,244)	256,746
Retained Earnings	(157,029)	(169,018)	(177,893)	(8,875)	(204,307)
Revaluation reserve	43,004	57,291	42,607	(14,684)	42,052
Other reserves	190	190	190	0	190
Total Taxpayers Equity	137,911	143,453	116,650	(26,803)	94,681

Cash position better 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 August 2016



The original financial improvement plan required delivery against a total plan of £19m. As at month 5, the Trust had delivered £6.8m against an original £6.1m plan. The Trust now has ideas and schemes totally £24.5m. 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.

Income Position – as at August 2016

Main Contract Income	Plan	Actual	Varuance
	£m	£m	£m
NHS LINCOLNSHIRE EAST CCG	44.8	46.4	1.6
NHSLINCOLNSHIRE WEST CCG	44	43.9	-0.1
NHS SOUTH WEST LINCOLNSHIRE CCG	24.1	24.1	0
NHS SOUTH LINCOLNSHIRE CCG	19.8	20.2	0.4
CENTRAL MIDLANDS SPECIALISED COMMISSIONING	19.8	20.1	0.3
MAIN CONTRACT SUBTOTAL	152.5	154.7	2.2

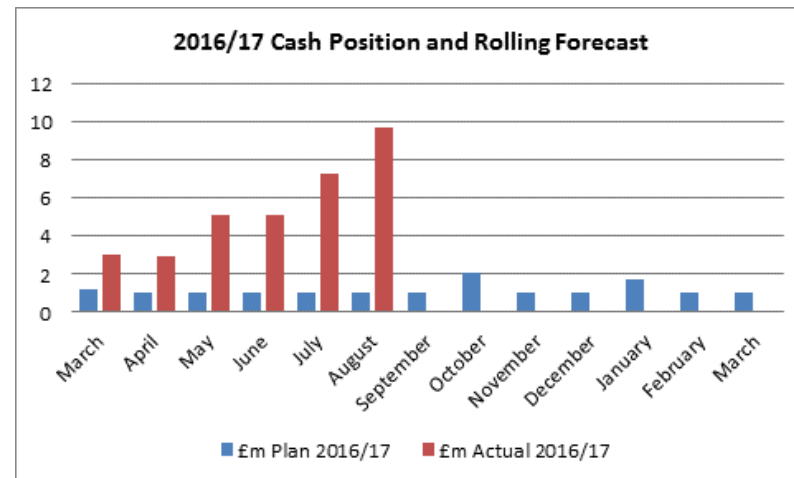
Main contract Income is ahead of the contract plan by £2.2m (1.4%)

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

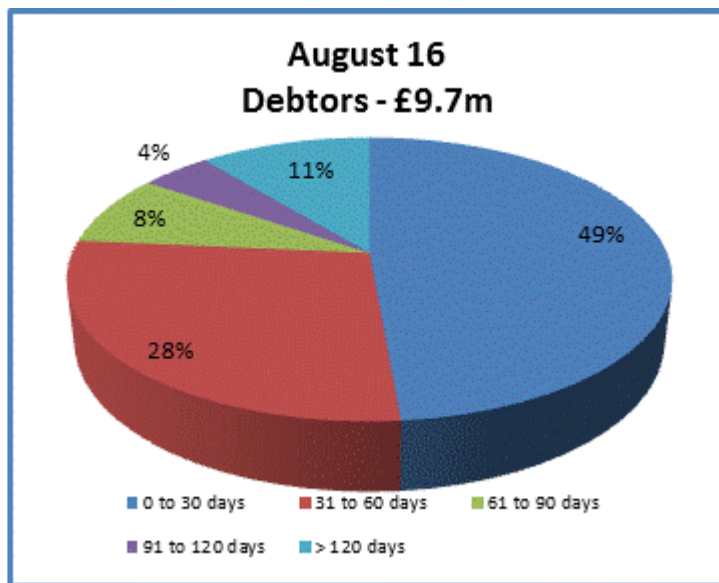
Patient Care Activities also includes the STF – currently accrued at £0.8m less than budget.

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

	Aug 2016			March 2017
	Plan £000s	Actual £000s	Variance £000s	Forecast Actual £000s
Operating Surplus / (Deficit)	(19,040)	(19,022)	18	(42,787)
Non Cash items to be excluded				
Depreciation / Amortisation	5,138	4,712	(426)	12,034
Receipt of Donated Assets	(50)	(22)	28	(120)
Earnings before Interest Tax & Dividends (EBITDA)	(13,952)	(14,332)	(380)	(30,873)
Interest paid	0	(274)	(274)	(1,822)
Dividends (Paid) / Refunded	0	0	0	(3,257)
(Increase)/decrease in inventories	0	(105)	(105)	(299)
(Increase)/decrease in trade & other receivables	(5,998)	(7,125)	(1,127)	409
Increase/(decrease) in trade & other payables	2,033	7,599	5,566	763
Increase/(decrease) in other current liabilities	(210)	(210)	0	(504)
Increase/(decrease) in provisions	61	279	218	369
NET CASH IN/(OUT)FLOW FROM OPERATING ACTIVITIES	(18,066)	(14,167)	3,899	(35,214)
CASHFLOWS FROM INVESTING ACTIVITIES				
Interest received	16	28	12	63
(Payments) to acquire property, plant & equipment	(10,922)	(5,640)	5,282	(18,405)
(Payments) for intangible assets	0	(500)	(500)	(500)
Receipts from disposal of property, plant & equipment	0	18	18	18
NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES	(10,906)	(6,094)	4,812	(18,824)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(28,972)	(20,261)	8,711	(54,038)
CASHFLOWS FROM FINANCING ACTIVITIES:				
Revolving Working Capital Support Facility Accessed	17,050	28,875	11,825	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	44,232	0	(44,232)	47,900
Capital element of payments relating to PFI, LIFT and finance leases	(75)	(74)	1	(181)
Other loans repaid	0	(0)	(0)	(119)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	29,019	28,801	(218)	54,051
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	47	8,540	8,493	13
OPENING CASH BALANCE 1ST APRIL 2016	1,000	1,166	166	1,166
CLOSING CASH BALANCE		9,706	8,659	1,179

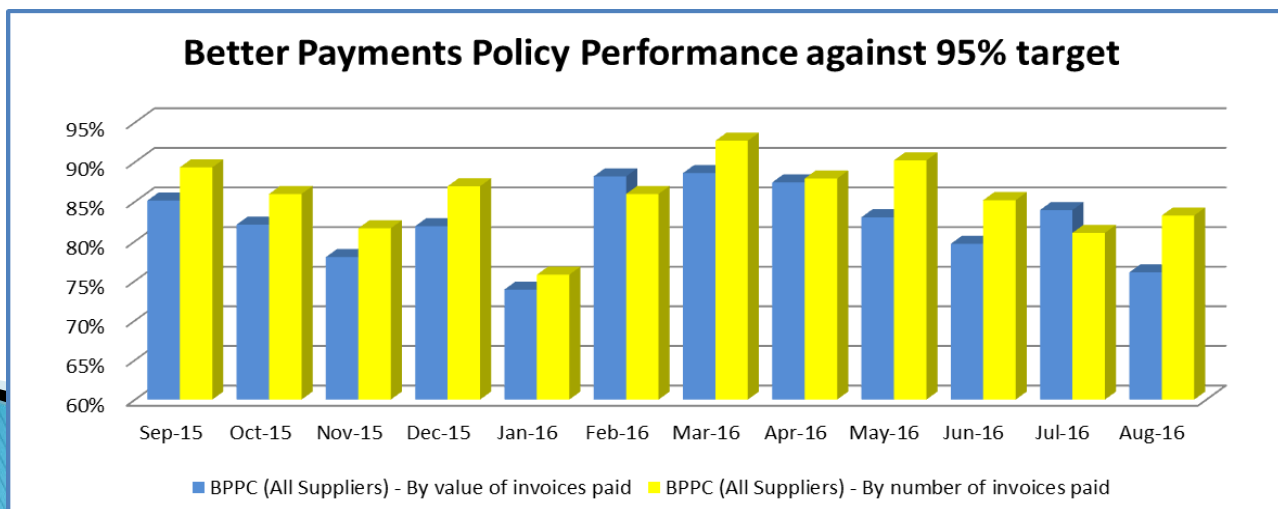


Cash position consistently ahead of plan.
 Driven mainly from planned slippage on the capital programme
 The Trust has drawn £47.3m against the current RWCF limit of £52.0m



Non NHS debt over 90 days totals £0.1m, excluding those on payment plans. NHS debt over 90 days totals £1.3m. This is split as follows:

	Over 90 day Total
CCGs - Lincolnshire	390
CCGs - Other	268
Trusts - Lincolnshire	207
Trusts - Other	195
Other NHS	270
Total	1330



Capital Expenditure – as at August 2016

Programme	Annual Plan £000's	Plan to Date £000's	Actual to date £000's	Forecast Outturn £000's
Facilities	6,126	4,295	994	6,026
Medical Devices Group (Risk)	5,062	1,187	990	3,622
IM&T (Risk)	3,596	2,007	660	3,663
Service Development & Modernisation	2,998	483	2,029	3,254
Contingency/Other	1,768	-	-	90
Prior Year Schemes			10	-
Total	19,550	7,972	4,684	16,655

The forecast has been revised down by £2,897k to mitigate the impacts of the reductions to the funding sources mainly the delay in the sale of Welland Hospital.

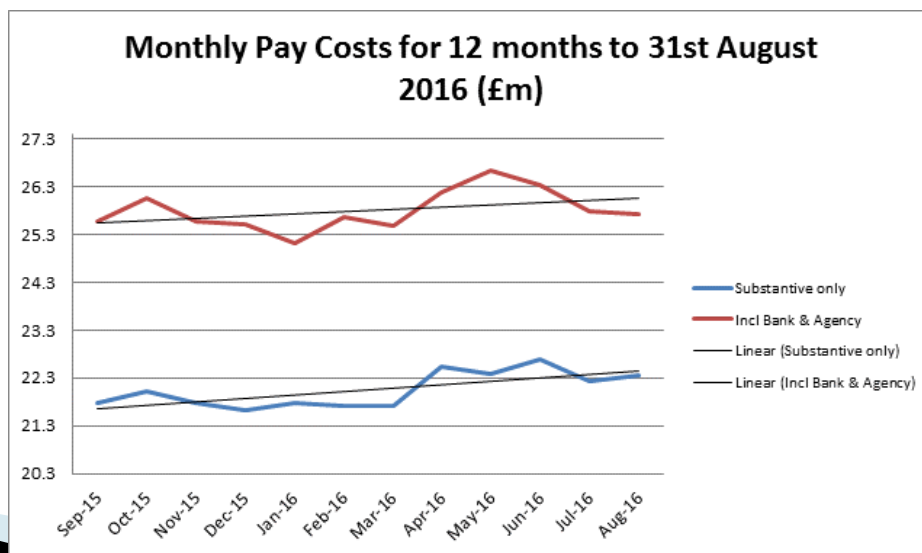
The in month spend was £2.1m. The spend to date of £4.7m is £3.3m behind the original plan as at August 2016 (reduced from £4.6m as at July 2016).

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	Aug	Nov	Feb	May	August	Movement Aug - Aug
Consultants	310	310	310	306	309	0
Medical Staff	491	496	486	476	495	3
Other Support Staff	765	756	757	751	746	-18
Scientific, Therapeutic & Technical	906	912	923	916	908	1
Non Clinical	1,101	1,101	1,113	1,118	1,134	34
Nurses & Midwives	2,718	2,774	2,774	2,763	2,726	8
Total	6,291	6,349	6,361	6,330	6,319	28

As at end August 16	Nursing	Medical	STT	Other	Total
Profile £	4,606	6,929	597	690	12,822
Actual £	4,939	5,604	612	475	11,630
Variance £	-333	1,325	-15	215	1,192
Variance %	-7.23%	19.12%	-2.51%	31.19%	9.30%



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

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.