

Finance Report – Month 9 December 2016

Date of report:	07 February 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 December 2016, and full year forecast
Strategic Objective:	Efficient use of resources
Situation	1) Report of Trust financial performance as at the end of December, month 9
	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 – December 2016 (Month 9)

Measure	Plan to date	Actual to date	Annual Plan	RAG
Use of resources	3	3	3	Green
Income	337.6	330.8	450.7	Red
EBITDA (£'m)	-23.2	-25.4	-29.6	Red
Net surplus (£'m)	-36.9	-37.8	-47.9	Red
Efficiency	12.6	12.7	19	Green
Cash (£'m)	1.1	1.4	1	Green
Revenue Support Grant (£'m)	-100.3	-94.7	-103.4	Green
Capital Expenditure (£'m)	13.6	8	16.7	Red

Performance

- Year to date deficit is £37.8m compared to plan of £36.9m
- Cash holdings at the end of October are £1.4m with RSG of £94.7m
- Year to date efficiency is £12.7m c.f. plan of £12.6m
- Capex is £8.0m c.f. plan of £13.6m

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

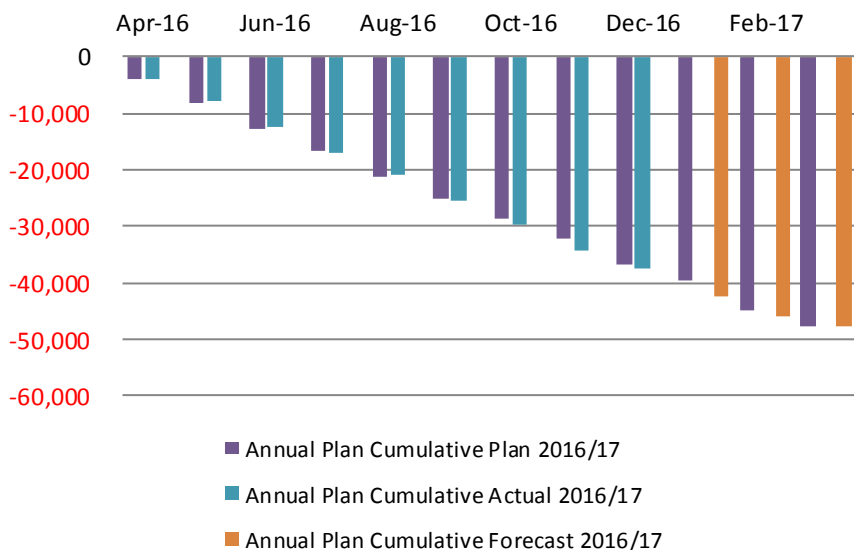
Summary

The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 9 position is a deficit of £3.4m, leading to a year to date deficit position of £37.8m. 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 £1.2m. 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 a number of financially led solutions and the ability to obtain STF through the appeals process together with some efficiency improvement. The Trust is at risk of under achieving £3.1m of the £16.1m Sustainability and Transformation Fund however £1.5m of this is assumed to be recovered through the appeals process. A Control Total delivery Plan is in place to ensure we meet our control total requirement, and relies on £2m income via the STF appeals process and incentive scheme.

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
			Dec-16				Nov-16	Oct-16	Sep-16	Aug-16	Jul-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	-4.4	-3.4	1	Green	-4.5	-4.2	-4.4	-4.2	-4.5
		YTD	-36.9	-37.8	-0.9	Red	-34.2	-29.7	-25.5	-21.1	-16.9
	Forecast	-47.9	-47.9	0	Green	-47.9	-47.9	-47.9	-47.9	-47.9	
	EBITDA (£'m)	In Month	-2.9	-2	0.9	Green	-3.3	-2.8	-3	-2.8	-3.1
		YTD	-23.2	-25.4	-2.2	Red	-23.4	-20.1	-17.3	-14.3	-11.5
		Forecast	-29.6	-30.9	-1.3	Red	-30.9	-30.9	-30.9	-30.9	-30.9
FIP	Efficiency Achievement (£m)	In Month	2	2.5	0.5	Green	1	0.9	1.8	2.5	0.8
		YTD	12.6	12.7	0.1	Green	10.2	9.2	8	6.2	3.7
		Forecast	19	19	0	Green	19	19	19	19	19
Liquidity	Cash (£m)	YTD	1.1	1.4	0.3	Green	4	1.3	1.4	9.7	7.2
		Forecast	1	1.2	0.2	Green	1.2	1.2	1.2	1.2	1.2
	Revenue Support Loan (£m)	YTD	-100.3	-94.7	5.6	Red	0	-85	-81.5	-79.8	-77.9
		Forecast	-103.4	-103.4	0	Green	-103.4	-103.4	-103.4	-103.4	-103.4
	Capital Expenditure (£m)	YTD	13.6	8	-5.6	Red	7.3	7.1	5.2	4.7	2.4
		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	216.8	214.2	-2.6	Green	190.3	166.3	142.2	118.8	95.5
	Agency & Locum Staff (WTE)	YTD	18.5	20.5	2	Red	18.2	15.8	13.7	11.6	9.2
	Total	YTD	235.3	234.7	-0.6	Green	208.5	182.1	155.9	130.4	104.7

Cumulative Trust Deficit 2016/17



The Trust has an agreed control total deficit of £47.9m for 2016/17. The Month 9 position is a deficit of £3.4m, leading to a year to date deficit position of £37.8m. The performance to date is £0.9m worse than plan.

The underlying trading position shows a position in line with plan but by not achieving the performance targets of A&E, RTT and Cancer, the Trust has lost £2.1m of STF monies. However, the position includes an assumption that £1.0m relating to Q2 and Q3 performance will be obtained through the appeals process. Verbal confirmation has been obtained that Q2 appeal will result in £0.5m being returned.

The forecast year end position is largely reliant on further financial technical efficiencies and recovering the lost STF income as a result of performance targets being missed.

The Trust is at risk of under achieving £1.5m of the £16.1m Sustainability and Transformation Fund but due to an improved underlying forecast, are including a forecast £1.0m of STF incentive funding.

Financial Performance – Income & Expenditure

9 months ending 31 December 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	417,043	312,068	305,418	(6,650)
36,450	Other Operating Revenue	40,358	32,419	24,499	25,402	903
138	Receipt of govt granted /donated	120	120	23	22	(1)
423,428	Total Income	450,737	449,582	336,590	330,843	(5,748)
	Expenditure					
(305,876)	Pay	(312,134)	(316,235)	(236,922)	(234,700)	2,222
(157,204)	Non Pay	(168,112)	(164,491)	(124,028)	(121,489)	2,538
(463,080)	Total Expenditure	(480,246)	(480,726)	(360,949)	(356,189)	4,760
	Earnings before interest,tax,depreciation and					
(39,652)	Profit/Loss(-) on disposals	(29,509)	(31,144)	(24,359)	(25,347)	(988)
(50)	Depreciation	0	20	20	20	0
(11,448)	Impairment	(12,870)	(11,700)	(8,572)	(8,547)	24
(8,557)	PDC Dividend	0	0	0	0	0
(5,258)	Interest Receivable	(4,266)	(3,322)	(2,492)	(2,491)	0
70	Other interest payable	42	64	44	41	(3)
(905)	Surplus / (Deficit) for period	(48,230)	(48,233)	(36,886)	(37,846)	(960)
(15.5)%	Net Margin	(10.7)%	(10.7)%	(11.0)%	(11.4)%	(0.5)%

Income below plan due to underperformance on patient activity.

Expenditure budgets are £4.7m below plan due to significant underspends in vacancies and also reflecting reduced activity levels. The actual position has been supported by non recurring technical financial savings.

Mitigation plans include a number of further technical savings together with the assumption that the appeals process will deliver a further element of STF funding that is not being received through performance.

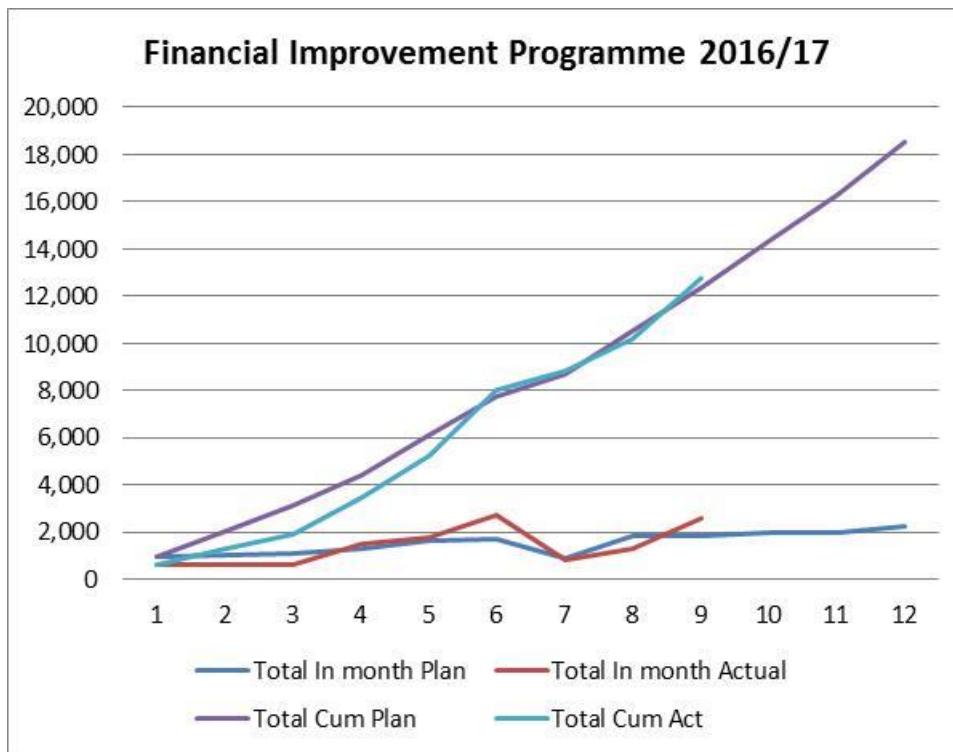
Summary Statement of Financial Position

Statement of Financial Position					
	March 2016	Dec-16			Mar 2017 Forecast
	Final Accounts	Plan	Actual	Variance	Actual
	£000s	£000s	£000s	£000s	£000s
NON-CURRENT ASSETS:					
Property, Plant and Equipment	215,768	243,970	215,637	(28,333)	220,717 +
Intangible Assets	5,607	4,274	5,211	937	4,907
Trade and Other Receivables	1,477	1,250	1,072	(178)	1,477 +
Total Non-Current Assets	222,852	249,494	221,920	(27,574)	227,101 +
CURRENT ASSETS:					
Inventories	7,130	7,738	7,483	(255)	7,430 +
Trade and Other Receivables	21,127	31,953	28,571	(3,382)	21,741 +
Cash and cash equivalents	1,166	1,050	1,499	449	1,218 +
Subtotal	29,423	40,741	37,553	(3,188)	30,389 +
Non-Current Assets Held for Sale	1,075	0	1,075	1,075	1,075 +
Total Current Assets	30,498	40,741	38,628	(2,113)	31,464 +
Total Assets	253,350	290,235	260,548	(29,687)	258,565 +
CURRENT LIABILITIES:					
Trade & Other Payables	(42,020)	(43,667)	(45,062)	(1,395)	(41,579) -
Other Liabilities	(503)	(503)	(503)	(0)	(503) -
Provisions for Liabilities and Charges	(1,364)	(833)	(1,465)	(632)	(1,465) -
Borrowings	(299)	(119)	(118)	1	(119) -
Liabilities arising from PFIs / LIFT / Finance Leases	0	(46)	(46)	(0)	0 -
Total Current Liabilities	(44,186)	(45,168)	(47,195)	(2,027)	(43,666) -
Net Current Assets /(Liabilities)	(13,688)	(4,427)	(8,567)	(4,140)	(12,202) +/-
Total Assets less Current Liabilities	209,164	245,067	213,353	(31,714)	214,899 +/-
NON-CURRENT LIABILITIES					
Other Liabilities	(14,591)	(14,213)	(14,214)	(1)	(14,087) -
Provisions for Liabilities and Charges	(2,484)	(2,494)	(2,977)	(483)	(2,819) -
Borrowings	(178)	(118)	(118)	(0)	(58) -
Working capital support facility	(18,382)	(16,782)	(52,000)	(35,218)	(52,000) -
DH Revenue Support Loan	(35,618)	(83,518)	(42,719)	40,799	(51,351) -
Total Non-Current Liabilities	(71,253)	(117,125)	(112,027)	5,098	(120,315) -
Total Assets Employed	137,911	127,942	101,325	(26,617)	94,584 +
FINANCED BY: TAXPAYERS EQUITY					
Public dividend capital	251,746	254,990	253,006	(1,984)	256,746 +
Retained Earnings	(157,029)	(184,065)	(194,160)	(10,095)	(204,404) +/-
Revaluation reserve	43,004	56,827	42,290	(14,537)	42,052 +
Other reserves	190	190	190	0	190 +/-
Total Taxpayers Equity	137,911	127,942	101,325	(26,617)	94,584 +

Cash position marginally better than plan and still in line with the requirement of minimum £1m balance.

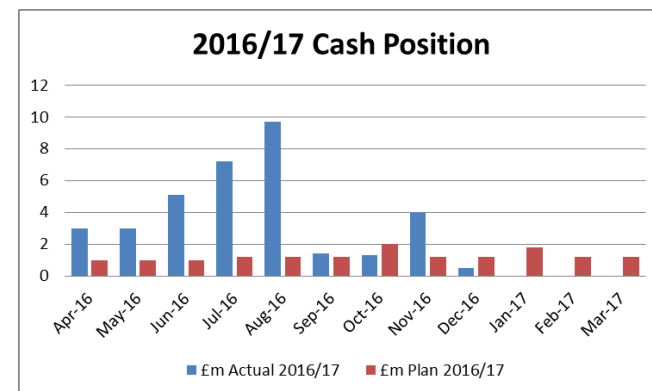
Property value less than plan due to year end reduction in actuarial valuation, compensating reduction in revaluation reserve and retained earnings-

Financial Efficiency Programme – as at December 2016

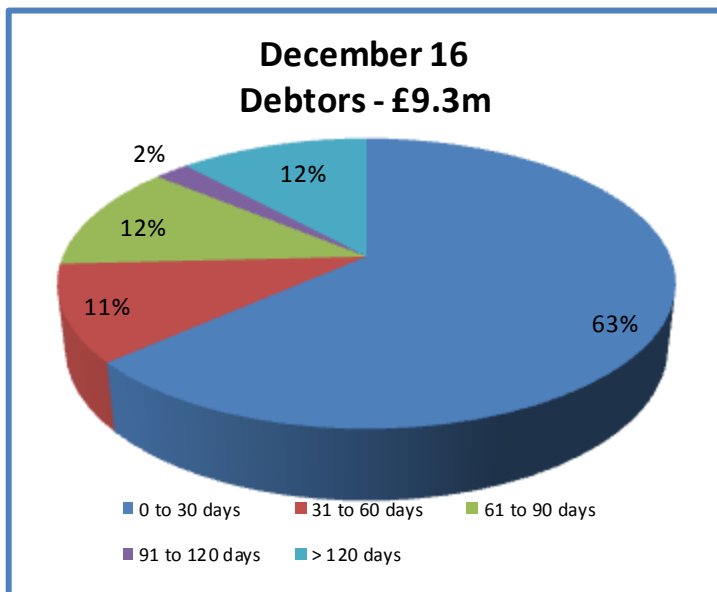


The original financial improvement plan required delivery against a total plan of £19m. As at month 9, the Trust had delivered £12.7m against an original £12.6 plan. The delivery of this years efficiency programme is reliant on technical solutions to deliver the control total. This is a combination of non recurrent underspends and financial technical solutions.

Cashflow					
	Dec-16			Mar 2017	
	Plan £000s	Actual £000s	Variance £000s	Forecast Actual £000s	
Operating Surplus / (Deficit)	(32,568)	(33,893)	(1,325)	(42,931)	+/-
Non Cash items to be excluded					
Depreciation / Amortisation	9,502	8,548	(954)	11,700	+
Impairments & Reversals	0	0	0	512	+
Receipt of Donated Assets	(90)	(22)	68	(120)	-
Earnings before Interest Tax & Dividends (EBITDA)	(23,156)	(25,367)	(2,211)	(30,839)	+/-
Interest paid	(677)	(1,170)	(493)	(2,062)	-
Dividends (Paid) / Refunded	(1,610)	(1,425)	185	(2,920)	-
(Increase)/decrease in inventories	0	(352)	(352)	(299)	+/-
(Increase)/decrease in trade & other receivables	(10,043)	(7,040)	3,003	(613)	+/-
Increase/(decrease) in trade & other payables	1,541	5,056	3,515	1,161	+/-
Increase/(decrease) in other current liabilities	(378)	(377)	1	(504)	+/-
Increase/(decrease) in provisions	(376)	556	932	398	+/-
NET CASH IN/(OUT)FLOW FROM OPERATING ACTIVITIES	(34,699)	(30,119)	4,580	(35,678)	+/-
CASHFLOWS FROM INVESTING ACTIVITIES					
Interest received	30	41	11	63	+
(Payments) to acquire property, plant & equipment	(16,631)	(10,835)	5,796	(17,846)	-
(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	(14,601)	(11,333)	3,268	(18,321)	+/-
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(49,300)	(41,452)	7,848	(53,999)	+/-
CASHFLOWS FROM FINANCING ACTIVITIES:					
Revolving Working Capital Support Facility Accessed	33,832	33,618	(214)	33,618	+
Revolving Working Capital Support Facility Repaid	(35,432)	0	35,432	0	-
Public dividend capital received : Capital / Revenue	3,244	1,260	(1,984)	5,000	+
Loans received from DH - Revenue Support Loans	47,900	7,101	(40,799)	15,733	+
Capital element of payments relating to PFI, LIFT and finance leases	(135)	(135)	0	(181)	-
Other loans repaid	(59)	(59)	(0)	(119)	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	49,350	41,785	(7,565)	54,051	+/-
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	50	333	283	52	+/-
OPENING CASH BALANCE 1ST APRIL 2016	1,000	1,166	166	1,166	
CLOSING CASH BALANCE	1,050	1,499	449	1,218	

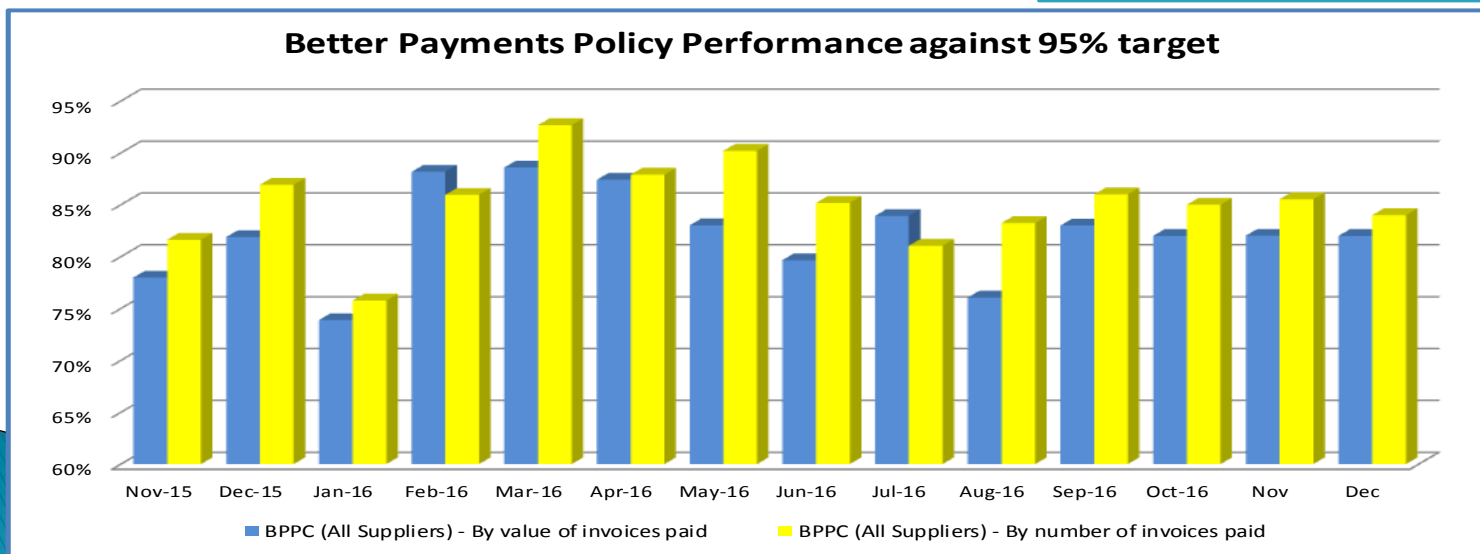


Cash position marginally ahead of plan, driven in part by slippage on the capital programme and movement in creditors and debtors. The Trust has drawn up to the maximum £52.0m RWCF limit. The Trust has just received notification that loan facility is available to replace the working capital facility. This is, at 1.5%, slightly cheaper than the working capital facility but is only available as a result of forecasting to achieve the control total for the year.



Non NHS debt over 90 days totals £0.2m, excluding those on payment plans. NHS debt over 90 days totals £1.1m. This is split as follows:

	Over 90 day Total
CCGs - Lincolnshire	65
CCGs - Other	323
Trusts - Lincolnshire	0
Trusts - Other	99
Other NHS	586
Total	1073



Capital Expenditure – as at December 2016

Programme	FIMS	Plan to date	Spend	forecast
	£000's	£000's	£000's	
Facilities	6126.0	4551.00	1629.0	6026.0
Additional £12m	0.0	0	5.30	0.0
Medical Devices Group (Risk)	5062.00	2474	1984.98	3637.2
IM&T (Risk)	3596.0	3320	1947.2	3440.4
Service Development & Modernisation	2998.0	3252	2438.6	3242.3
Contingency/Other	1768.0		0.0	0.0
Prior Year Schemes			10.3	0.0
Unallocated/(over allocated)				
	19550.0	13597	8015.4	16346

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 £0.7m. The spend to date of £8.0m is £5.5m behind the original plan as at December 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.

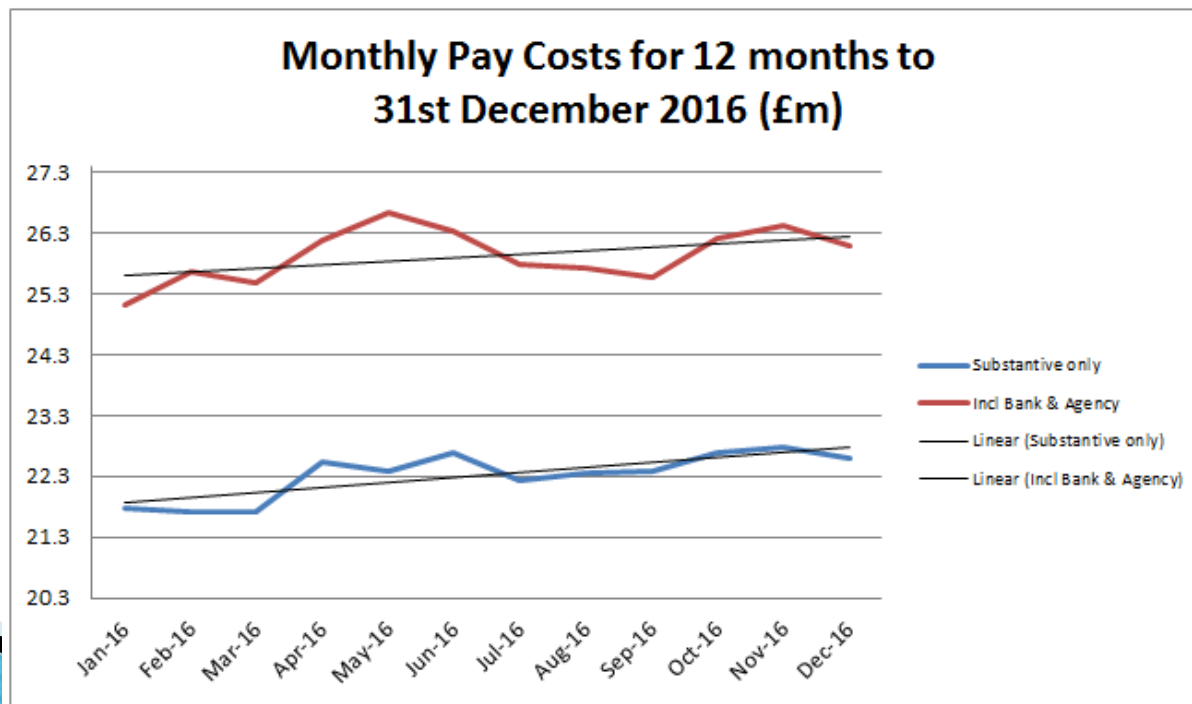
Financial Performance – Pay and Workforce

WTE Analysis

Category	Dec	Mar	Jun	Sep	Dec	Movement Dec - Dec
Consultants	309	310	304	312	317	8
Medical Staff	488	478	482	489	478	-10
Other Support Staff	755	758	753	749	753	-2
Scientific, Therapeutic & Technical	915	924	912	900	901	-15
Non Clinical	1,101	1,104	1,126	1,147	1,175	74
Nurses & Midwives	2,766	2,779	2,754	2,788	2,807	41
Total	6,335	6,352	6,330	6,385	6,430	95

Agency Staff Analysis

As at end	Nursing	Medical	STT	Other	Total
December 16					
Profile £	6,849	9,743	969	942	18,503
Actual £	8,272	10,299	1,039	862	20,472
Variance £	-1,423	-556	-70	80	-1,969
Variance %	-20.78%	-5.71%	-7.22%	8.47%	-10.64%



Financial Performance – Year end Forecast and Risks

	Worse case	Most likely	Best case
	Full Year	Full Year	Full Year
Forecast	£k	£k	£k
Income - Patient care	377,539	378,539	379,539
Income Other	46,057	46,057	46,057
STF Income	14,490	14,490	14,490
STF Incentive	0	1,000	2,500
Pay	-312,747	-312,447	-311,947
Non Pay	-161,725	-160,975	-160,975
Depn/PDC/Other	-14,761	-14,761	-14,761
IFRIC12/donated assets	412	412	412
Surplus/(Deficit)	-50,733	-47,683	-44,683

- Forecast is currently projecting a most likely case of £47.7m, £0.2m better 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 STF funding being recycled back to the Trust through the appeals process and then the STF incentive fund. It is also dependent on a number of financial solutions to supplement the efficiency programme, which is slipping in terms of delivery of recurrent schemes.
- The best case assumes we claw back some of the income lost in December through increased elective activity in Q4.
- Mitigation actions still 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.
- Key risk is regarding being able to agree a contract forecast settlement with CCGs. The Trust plans to reach agreement based on a month 10+ detailed income forecast.