Northern Lincolnshire and Goole NHS
NHS Foundation Trust

NLG(15)548

DATE	**22 December 2015**
REPORT FOR	**Trust Board of Directors – Public**
REPORT FROM	**Marcus Hassall, Director of Finance**
CONTACT OFFICER	**Marcus Hassall, Director of Finance**
SUBJECT	**Month 8 Finance Update**
BACKGROUND DOCUMENT (IF ANY)	**-**
REPORT PREVIOUSLY CONSIDERED BY & DATE(S)	**Resources Committee, 11 December 2015**
EXECUTIVE COMMENT (INCLUDING KEY ISSUES OF NOTE OR, WHERE RELEVANT, CONCERN AND / OR NED CHALLENGE THAT THE BOARD NEED TO BE MADE AWARE OF)	**This report highlights the financial position after the first eight months of the 2015/16 financial year, identifying key variances and risks, and presenting a forecast for year end.**
HAVE THE STAFF SIDE BEEN CONSULTED ON THE PROPOSALS?	**N/A**
HAVE THE RELEVANT SERVICE USERS/CARERS BEEN CONSULTED ON THE PROPOSALS?	**N/A**
ARE THERE ANY FINANCIAL CONSEQUENCES ARISING FROM THE RECOMMENDATIONS?	**Contained within the report**
IF YES, HAVE THESE BEEN AGREED WITH THE RELEVANT BUDGET HOLDER AND DIRECTOR OF FINANCE, AND HAVE ANY FUNDING ISSUES BEEN RESOLVED?	**-**
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	**-**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	**-**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO SUSTAINABILITY IMPLICATIONS QUALITY & FINANCIAL) & CLIMATE CHANGE?	**-**
THE PROPOSAL OR ARRANGEMENTS OUTLINED IN THIS PAPER SUPPORT THE ACHIEVEMENT OF THE TRUST OBJECTIVE(S) AND COMPLIANCE WITH THE REGULATORY STANDARDS LISTED	**-**
ACTION REQUIRED BY THE BOARD	**The Trust Board is requested to review the reported financial position, identify key areas for challenge and review, and suggest further actions that they consider appropriate.**

Finance Update Report: Month 08: Year to 30th November 2015

Report Outline:

This report covers the Trust's financial performance for month 8 of the financial year 2015/16. The variances, trends and forecasts outlined in this report are assessed against the detailed financial plans contained within the current Forward Plan submissions made to Monitor.

The financial report contains the following sections:

1) Financial Headlines – Including Forecast Position and Cash Projection
2) Income & Expenditure Account at Month 8
3) Contracting & Income
4) Expenditure & Savings Programme Delivery
5) Capital Programme Expenditure
6) Balance Sheet and Working Capital
7) Budget Management Performance
8) Reserve Drawings and Plan Changes
9) Conclusion - Key Themes, Key Risks & Key Actions

This report is supplemented by separate reports, as required by the Committee, covering the following areas:

- Developments in the Healthy Lives Healthy Futures strategic review process;
- Performance, Activity and Contracting;
- Delivery of the Trust's Sustainability Programme;
- Updates on the Capital Investment Programme and other strategic developments;
- Progress on the Trust's Business Governance Review.

1. Financial Headlines

Month 8 Headline Financial Position:

	Month 8 £mil
I & E Account Surplus/(Deficit)	**(16.98)**
Re -Plan I & E Surplus/(Deficit)	(18.47)
Variance From Plan – I&E Surplus/(Deficit)	**1.49**
Cash Balance at 30th November	**7.49**
Set Minimum Cash Balance (after IRSL support)	1.77
Variance From Minimum Cash Balance	**5.72**
Continuity of Service Rating	**1**

At the end of month 8 the Trust recorded an **I&E deficit of (£16.98m).** This is £1.49m better than the re-plan deficit for month 8 of (£18.47m).

This continues the Trust task of pushing for further progress through the year. It provides some further encouragement that an end of year position slightly ahead of the re-plan deficit of £25.8m is deliverable. Risks remain on income, in delivering the Sustainability Programme, and resolving underdelivery on planned care activity. We also have winter to come, which retains the potential to inflict damage on our finances.

The Trust's externally imposed stretch target deficit of £20.1m remains unattainable. There are no routes available to deliver the £5m upside assumption on income that accounts for the gap between the stretch target and the Trust re-plan, since CCG surpluses will not be released in year.

This puts the focus on liquidity. The Trust has secured £15.0m of support loan funding, and is now drawing this money down month by month, based on national cash forecasting protocols. This amount is only sufficient to support the Trust plan to the deficit laid out in the stretch target – which we cannot meet. So we had a £4.7m liquidity gap. Our focus has been on closing this through the following means:

1) Optimising our underlying I&E position - £0.6m
2) Securing managed slippage in the capital programme where appropriate - £2.5m
3) Tight management of working capital balances - £0.8m

That is £3.9m - £0.8m short of full delivery, and short of the "minimum cash value" of £1.8m, as set by Monitor. But that still gives us a **forecast positive cash balance at year end of £1.0m.** This means that we could ***potentially* be able to maintain liquidity to the end of the year, without further drawdown beyond the £15.0m.** This would be a major achievement. Note that this would not be due to plan being too pessimistic – the Trust have taken specific liquidity support actions – primarily non recurrent. Such measures need a robust safety net to be available from the start of Q1 of 2016/17.

Note also the risks to this goal – **income disruption**, **savings failure**, and **activity pressures**. The game is not over yet.

Income and Expenditure – Full Year Forecast:

Given a further month of data, there is no evidence base for a material change to forecast I&E performance against plan. The forecast end of year position therefore remains at £25.2m.

We still forecast small adverse variances on income against replan, reflecting net income risk at a mid range value, with positive variances on plan on expenditure, both pay and non pay, based on tight controls.

The adverse variance on "post EBITDA" items reflects the decision to allow depreciation to naturally rebase to a more appropriate level over time – so this is a non cash variance. We will work up for next month a revised reporting approach that separately identifies such technical and non cash items.

	Forecast Actual £mil	Forecast Variance £mil
Income	333.22	(0.21)
Expenditure – Pay	(237.58)	0.57
Expenditure – Non Pay	(109.79)	0.89
EBITDA	**(14.14)**	**1.25**
Post EBITDA items	(11.04)	(0.63)
Surplus/(Deficit)	**(25.18)**	**0.62**

Forecast – Scenario Analysis:

The "best case/worst case" analysis reflects the resubmitted plan, adjusted for latest projections. Downside risks reflected in the worst case scenario do remain very real – the worst case remains a possible outturn. We also see tightening of the forecast range – as might be expected as we move through the year.

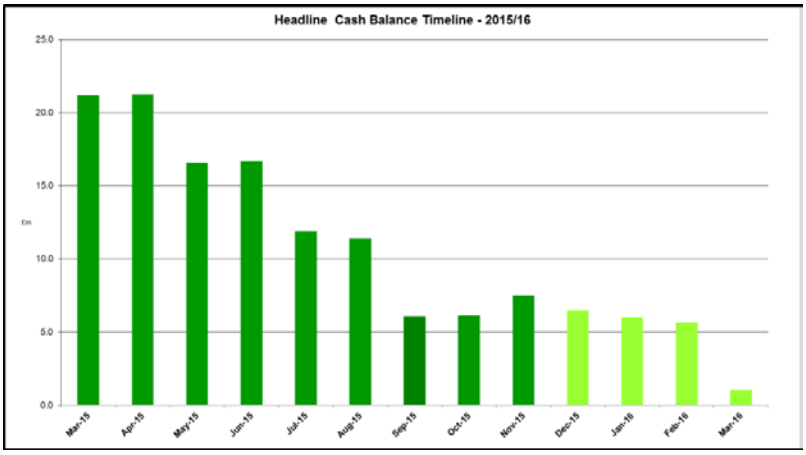
	Worst Case Forecast £m	Primary Forecast £m	Best Case Forecast £m
15/16 Plan Surplus/(Deficit)	**(25.8)**	**(25.8)**	**(25.8)**
Income - Securing Base Contract/Plan	(1.6)	0.0	0.0
Income - Additional Services	(0.2)	0.0	0.0
Income - Other	(0.2)	(0.2)	0.0
Expenditure Commitments linked to Additional Services	1.7	2.7	2.9
Expenditure Commitments linked to Activity Above Base Forecast	(0.5)	0.0	0.0
Savings Plan Delivery - Pre Recovery Action	(2.4)	(2.4)	(2.4)
Savings Plan Delivery - Recovery Action	0.0	1.3	1.5
Other Workforce Pressures	0.0	0.0	0.0
Inflation - Pay	0.0	0.0	0.0
Inflation - Non Pay	0.0	0.0	0.0
Release of Earmarked Funds	0.0	0.0	0.0
Other	(0.6)	(0.6)	(0.6)
Forecast Surplus/(Deficit)	**(29.6)**	**(25.2)**	**(24.6)**
Variance to Plan	**(3.8)**	**0.6**	**1.2**

	Worst Case Forecast £m	Primary Forecast £m	Best Case Forecast £m
15/16 Re-Plan – Full Year Cash Support Requirement	**(19.7)**	**(19.7)**	**(19.7)**
Trading Variation From Plan:			
Variation in Forecast I&E	(3.8)	0.6	1.2
Working Capital Variation From Plan:			
Debtors/Deferred Income	0.0	0.0	0.0
Revenue Creditors, Accruals and Provisions	(0.5)	0.2	0.5
Stock	0.0	0.0	0.0
Investing Activity Variation From Plan:			
Capital Expenditure	1.8	2.0	2.0
Capital Creditors	0.0	0.5	0.6
Other Variation From Plan:			
Other	0.6	0.6	0.6
15/16 Forecast – Full Year Cash Support Requirement	**(21.6)**	**(15.8)**	**(14.8)**
Variance to Re-Plan	(1.9)	3.9	4.9
IRSL Secured	15.0	15.0	15.0
Working Capital Top Up Requirement	**(6.6)**	**(0.8)**	**0.2**

The cash assessment identifies that though we have made some further progress, we still anticipate needing £0.8m of working capital support, in addition to the full £15.0m IRSL already agreed, to maintain the minimum cash level set by Monitor of £1.8m. We have now signed off on a package of capital slippage, and worked through working capital options for short term cash management – with obvious implications for Q1 of next year. These are now built in to the liquidity forecast, hence the improvement on last month.

Forecast Cash Timeline:

The forward cash projection includes the assumed drawdown profile for the £15.0m IRSL support, based on a more detailed cashflow analysis. This is sufficient to preserve the Trust above the minimum cash balance level of £1.77m until the end of February, with a positive cash balance in March – but at £1.04m, below the Monitor “minimum”. **The Trust would now potentially be able to maintain liquidity** to the end of the year without further working capital support funding under this projection – but would remain **vulnerable to I&E risks, and dependent upon Q1 cashflow support**:



We have done what we can to mitigate risks arising from the national cash crisis in NHS finances – but there are limits to what we can manage locally, and within the Trust. We will need to remain clear about in year cash risk and open with Monitor as to the risks rolling forward into Q1 of next year.

2. Income & Expenditure Account for period ending 30th November (Month 8)

The table below summarises the key I&E headings:

	Annual Plan £m	YTD Plan £m	YTD Actual £m	Variance Fav/(Adv) £m
INCOME:				
Clinical Income	298.37	198.59	198.45	(0.14)
Other Income	34.54	22.81	23.10	0.29
Donations Income	0.52	0.24	0.09	(0.15)
TOTAL INCOME	**333.43**	**221.64**	**221.65**	**0.01**
PAY EXPENDITURE:				
Medical Staff	(65.28)	(43.72)	(43.89)	(0.16)
Nursing Staff	(88.08)	(58.71)	(58.24)	0.47
Scientific Therapeutic & Technical Staff	(39.24)	(25.73)	(25.08)	0.65
Total Clinical Pay	**(192.60)**	**(128.16)**	**(127.20)**	**0.96**
Total Other Pay	**(45.54)**	**(30.54)**	**(30.78)**	**(0.24)**
TOTAL PAY	**(238.14)**	**(158.71)**	**(157.98)**	**0.72**
NON PAY EXPENDITURE:				
Drugs	(31.31)	(20.95)	(20.79)	0.15
Clinical Supplies & Services	(30.76)	(20.86)	(20.22)	0.63
Total Clinical Non Pay	**(62.07)**	**(41.81)**	**(41.01)**	**0.78**
Total Other Non Pay	**(48.61)**	**(32.49)**	**(32.28)**	**0.22**
TOTAL NON PAY	**(110.68)**	**(74.30)**	**(73.29)**	**1.00**
OPERATING EXPENDITURE	**(348.82)**	**(233.01)**	**(231.27)**	**1.73**
EBITDA	**(15.39)**	**(11.36)**	**(9.63)**	**1.73**
POST EBITDA ITEMS	**(10.42)**	**(7.11)**	**(7.35)**	**(0.24)**
I&E SURPLUS/(DEFICIT)	**(25.81)**	**(18.47)**	**(16.98)**	**1.49**

Key variances:

- Income – we still highlight some shortfall risks against plan – we may face further clinical income disruption.
- Clinical non pay spend is below plan – but so is activity, so this cannot be extrapolated through the rest of the year.
- We still have further work to do to pull back pay spend, with pressure on admin costs and support staff spend – which we need to further address through the Sustainability Programme.
- We will continue to keep a tight grip on revenue investments to support delivery of the corporate finance plan.
- The post EBITDA variance is driven by our revised plans to let depreciation (a non-cash cost) exceed plan.

The position shows further positive progress, but we know we hold some risks for the rest of the year.

3. Contracting & Income:

The outline numbers set out below show the year to date performance against the equivalent last year and the plan forecast used to set the Trust's financial plan for 2015/16 (note that this is **not** equivalent to contract targets set by commissioners):

Activity to Month 8:

	2014/15 Outturn to M08	2015/16 Trust Plan to M08	2015/16 Outturn to M08	Variance vs 2014/15	%	Variance vs Trust Plan	%
Non Elective Spells (exc Maternity)	24,371	24,737	24,834	463	1.9%	97	0.4%
Non Elective Spells (Maternity)	5,627	5,683	5,761	134	2.4%	78	1.4%
Elective & Daycase Spells	40,486	40,891	39,521	(965)	(2.4%)	(1,370)	(3.4%)
Outpatient Attendances (F2F) - New	81,487	82,710	81,768	281	0.3%	(942)	(1.1%)
Outpatient Attendances (F2F) - Review	178,614	174,863	175,067	(3,547)	(2.0%)	204	0.1%
Critical Care Days	12,671	12,925	14,244	1,573	12.4%	1,319	10.2%
A&E Attendances	98,978	100,463	100,474	1,496	1.5%	11	0.0%

Non elective activity has nudged slightly ahead of trust forecast for this point of the year. Within this overall total, it is medical admissions which are increasing fastest, and which exceed forecast by the greatest extent. This highlights the stresses facing operational capacity this winter. A&E activity also for the first time moved ahead of the trust forecast, further indications of pressure.

Elective activity again fell back form the forecast – though demand remains very close overall to the forecast position. List increases highlight the impact of underdelivery of planned care activity. However, corrective action has started to have an impact in outpatients, with new outpatient throughput increased, and the shortfall gap closed from 1.6% at month 7 to 1.1% at month 8. Activity to control elective, new outpatient and follow up outpatient list growth will be a fine balancing act.

Diagnostic activity continues to exceed outturn, but strong operational management planning has done much to deliver the necessary capacity and contain costs - a great achievement by that team.

18 week wait and sensible stage of treatment waiting times are important to longer term strategies for local services, and we need to keep control through to the end of 2015/16, with a difficult urgent care and workforce scenario to deal with. We are also managing the rebuilding of our clinical administration function, and have planned maintenance work in theatres too. This will be a difficult to manage period.

We still hold a number of downside income risks – though our forecast full year position reflects still the "full delivery of plan" scenario that Monitor agreed with us.

Risks include possible push back from commissioners for elective activity shortfalls, potential affordability risks from specialist commissioning, and non-payment of the medical staffing premium for Goole MIU by East Riding. We also may face community wide risks with NEL and NL CCGs through the local "Memorandum of Understanding". We hold ourselves jointly accountable for managing finance risks across the community, which has served us well in understanding and tackling risks, but we may face further challenges in the final quarter. We are actively and jointly managing these risks, but at this stage they are not eliminated.

4. Expenditure and Savings Delivery:

November saw further improved delivery against the Sustainability Programme financial savings target, and also the end of year forecast. This remains positive news, but we still have a lot of work to do to lay firmer foundations for next year.

Savings Projection (Prior to Further Recovery Action) As At Month 8:

PROGRAMME	2015/16 PLAN	2015/16 YTD PLAN	2015/16 YTD DELIVERY	2015/16 YTD VARIANCE	2015/16 RISK ADJUSTED DELIVERY	2015/16 FORECAST VARIANCE
MEDICAL STAFFING CONTROLS	3,800	1,985	2,000	15	3,264	(536)
NURSING STAFFING CONTROLS	3,450	2,002	617	(1,385)	1,534	(1,916)
OPERATIONS	1,300	599	775	176	1,170	(130)
NON-PAY & PROCUREMENT PROJECTS	2,600	1,527	1,615	88	2,875	275
CONTRACT FRAMEWORK	1,010	472	90	(382)	170	(840)
CENTRAL CORPORATE & COMMERCIAL PROJECTS	1,873	1,237	1,585	348	2,505	631
ESTATES & FACILITIES	1,067	654	602	(52)	1,003	(64)
CONTRACTING & SERVICE DEVELOPMENT	700	334	754	419	884	184
Grand Total	**15,800**	**8,811**	**8,038**	**(773)**	**13,404**	**(2,396)**

The 2015/16 forecast needs to reach £14.50m for the year to match with plan and forecast expectations – the remaining £1.30m needed to offset the full year target of £15.80m to be found from slippage on investment reserves. At this point, the quantified forecast stands at £13.40, increased by £0.10m from a month ago, and still short by £1.10m. This gap must be closed through the recovery actions agreed in November. The key areas still falling short of savings projections at the CEO Challenge sessions are nursing costs (though progress is being made here) and Contract Framework, where delivery continues to slip, and actions are not sufficiently well developed at this point.

Key variances to note are:

- Nursing – we have further work to do to deliver the next steps on agency rate controls, and extract full gains from better recruitment in the autumn.
- Medical Staffing – progress this year has been strong, but we still have to firm up the job planning rules and process as the key preparatory action for improved spend control next year.
- Contract Framework – the revised plan needs to be agreed and relaunched early in Q4 in at least some further pilot areas.
- Operations – we need to act widely on clinical admin changes to protect savings while improving the teams in this area, and lay important groundwork for next year in theatres and outpatients systems.

Project management in some workstreams is still an area for potential improvement, and we are beefing up some of the resourcing for this aspect of delivery support.

The initial target proposed for 2016/17 is £13.30m. There is still much to do to build the plan detail behind this figure.

5. Capital Programme Expenditure:

The capital programme again shows slippage in month 8:

Capital Programme at Month 8:

	YTD Actual £mil	Full Year Forecast £mil	Original Plan £mil
Major Schemes			
Major Equipment Replacement	0.31	0.32	
DPoW Reconfiguration Programme	1.72	2.76	
SGH & GDH Reconfiguration Programme	0.68	1.23	
Community Equipment Facility	0.33	0.34	
DPOW Estates Rationalisation	0.16	0.42	
Residences Development	0.01	0.51	
Energy Collaborative	3.45	4.57	
Planning and Feasibility Fees	0.01	0.02	
Facilities Maintenance Programme	0.65	1.35	
IM&T Programme	0.83	2.07	
Equipment Renewal Programme	1.31	1.67	
Capital Programme Total	**9.46**	**15.27**	**17.22**

The programme has been adjusted to reflect the slippage package agreed during November of £2.5m (inclusive of £0.5m of capital creditor management), and spend in month 8.

The slippage package is a major element of liquidity management, as the Trust attempts to live within the £15.0m IRSL confirmed in the summer, without use of additional working capital support.

Slippage means extra spend in Q1 – we have alerted Monitor to this, and also built revised projections into the plans to be submitted at the end of December for the coming 3 years. Capital is a major part of the finance storyline in this submission, with a need to continue spending above depreciation levels to support transformation and savings delivery.

6. Balance Sheet and Working Capital:

Balance Sheet at 30th November 2015:

	Last Month £mil	This Month £mil	Variance From Plan £mil
Total Fixed Assets	**144.37**	**144.22**	**(3.50)**
Stocks & WIP	2.50	2.55	(0.03)
Debtors	12.83	14.40	3.51
Prepayments	4.47	4.46	0.10
Cash	6.12	7.50	12.08
Total Current Assets	**25.92**	**28.90**	**15.66**
Creditors : Revenue	18.51	21.12	3.72
Creditors : Capital	2.54	2.82	0.04
Accruals	11.14	10.37	(1.54)
Deferred Income	6.44	5.78	0.40
Finance Lease Obligations	0.00	0.01	(0.00)
Loans < 1 year	1.02	0.36	(0.00)
Provisions	4.07	4.07	0.27
Total Current Liabilities	**43.72**	**44.53**	**2.88**
Net Current Assets/(Liabilities)	**(17.80)**	**(15.63)**	**12.78**
Debtors Due > 1 Year	0.02	0.02	0.00
Creditors Due > 1 Year	0.00	0.00	0.00
Loans > 1 Year	22.77	27.13	7.79
Finance Lease Obligations > 1 Year	0.06	0.06	(0.00)
Provisions - Non Current	5.26	5.26	0.00
TOTAL ASSETS/(LIABILITIES)	**98.50**	**96.15**	**1.49**
TOTAL CAPITAL & RESERVES	**98.50**	**96.15**	**1.49**

Cash stayed in the same range as October, with a further drawdown of cash through the IRSL agreement, with drawdown showing as the variance on cash and on loans due beyond 1 year.

We have again seen a slight upward movement in debtors, but have been working specifically on the major areas of concern, including GNRC and Care Plus Group. We cannot be left in a position where non-payment can affect services delivered by NLAG, and will if necessary use the support of regulators to resolve any issues.

Creditors remain relatively stable, reflecting the management arrangements we have in place to keep at optimum levels. An increase in month was partly offset by accruals reductions, reflecting some of the systems improvements we are making which are allowing greater certainty in our accounting processes.

The fixed asset value variance reflects the slowed capital and our current approach of running higher depreciation levels, rather than applying any mitigation strategy to this non-cash cost. We want to see depreciation levels increased over time so that I&E reflects more accurately real capital maintenance requirements.

7. Budget Management Performance:

The key principles are still unchanged - with budgets reset to reflect the corporate plan, any material variation on budgets will link directly back to variation in delivery of the corporate financial plan objectives. This is in line with supporting the re-launched Performance Management Framework, and ensuring robust oversight, challenge and action in areas where financial objectives are not being achieved. **There is no excuse for material adverse budgetary variances.**

Budget Position at Month 8:

Directorate	Sub-Directorate	YTD Budget £m	YTD Actual £m	YTD Variance £m
Operations	Operations – Central Directorate	(0.20)	(0.24)	(0.04)
	Surgery and Critical Care	(45.01)	(45.56)	(0.55)
	Medicine	(64.10)	(64.69)	(0.59)
	Women and Children's Services	(21.43)	(21.83)	(0.40)
	Therapy & Community Services	(17.70)	(17.34)	0.36
	Clinical Support Services	(20.32)	(19.99)	0.33
Operations Total		**(168.76)**	**(169.65)**	**(0.88)**
Path Links		**(9.75)**	**(9.18)**	**0.57**
Corporate Functions	Trust Management	(0.24)	(0.24)	0.00
	Deputy CEO Office	(0.75)	(0.75)	0.00
	Medical Directors Office	(1.39)	(1.36)	0.03
	Governance and Performance	(1.35)	(1.26)	0.09
	Finance	(2.18)	(2.14)	0.04
	Chief Nurses Office	(1.86)	(1.84)	0.02
	Organisational Dev & Workforce	(1.46)	(1.42)	0.04
	Strategy & Planning	(4.36)	(4.19)	0.17
	Estates and Facilities	(12.93)	(13.99)	(1.06)
Corporate Total		**(26.53)**	**(27.19)**	**(0.66)**
Technical & Capital Charges	Capital Charges	(6.66)	(6.97)	(0.31)
	Central Non Recurrent	(0.08)	(0.09)	(0.01)
	Financial & Technical Controls	(0.35)	(0.46)	(0.11)
	Governance & Licencing Controls	(7.35)	(7.30)	0.05
	IM&T Central Controls	(1.04)	(1.02)	0.02
	Non Recurrent Programme	(1.75)	(1.75)	0.00
	Postage	(0.19)	(0.29)	(0.10)
	Seconded Staff	(0.22)	(0.22)	0.00
Technical & Capital Charges Total		**(17.65)**	**(18.11)**	**(0.46)**
Total Department Budget Expenditure		**(222.69)**	**(224.13)**	**(1.43)**
Reserves		**(3.75)**	**0.00**	**3.75**
Central Income		**207.97**	**207.15**	**(0.82)**
TOTAL		**(18.47)**	**(16.98)**	**1.49**

We continue to work with Operations Groups with overspends, to help them clarify their corrective action plans.

Surgery remains an area of concern, given the combination of increased costs and reduced activity throughput in high cost areas. A tighter Performance Management process has been constituted to help mobilise more assistance for the management team.

Women and Children's and Medicine also run overspends, but have been able to make progress on recovery action plans in recent weeks.

The Sustainability Programme targets, particularly for Medicine and Nursing, are a contributor to the budget overspends, and we still have work to do to ensure Groups continue to stay engaged in workstreams. They remain the budget holders, and they have responsibility to ensure budget control and savings delivery are in place.

Facilities also show a material overspend, and there is some work to do to separate the key issues:

1) Issues concerning maintenance spend for urgent work;
2) Savings delivery shortfalls, including the reversal of non A4C contracts in Support Services;
3) Mechanisms relating to the Energy Partnership Guarantee;
4) The impact of Legionella works (which will be covered from earmarked reserves).

Pressures for both the Directorate team and in Finance have again delayed final calculation of budget drawdowns for maintenance programme and Legionella, and accounting treatments of the guarantee for energy cost reduction. These will offset in part the overspend. Work has progressed, and should be completed for month 9.

Corporate Directorates continue to show tight budgetary control. Central budgets also show small variances, aside from financing and Capital Charges, relating to the decision to not take action to increase depreciation charges (which are non cash) for technical accounting reasons.

Reserve phasings continue to reflect the slower than plan trajectory for drawdown of reserves, as we maintain tight release controls. We will continue to maintain this robust approach through the budget setting round, which has now commenced.

8. Reserve Drawings and Plan Changes:

The Trust plan includes a number of specific earmarked reserves. These are not contingencies, but are allocated to specific purposes in the plan. It is important that clear oversight is provided for commitments made against those reserves, to identify potential risks (or opportunities) early. Also, a transparent reporting process will support effective sign off of material changes to plan by the Trust Board.

The reserve analyses reflect the reforecast plan. The available flexibility matches closely to the required support to cover the likely shortfall against the full £15.80m target for the Sustainability Programme. Therefore we expect little further contribution to bottom line performance, and we have little or no coverage for risks crystalising in Q4.

We will continue to review all reserve positions each month as we move forward, and build the likely flexibility (or over commitment) into corporate forecasts.

Earmarked Reserve 1: Pay and Inflation:

This reserve was earmarked for pay and non pay inflationary pressures against the 2014/15 outturn baseline position:

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Planning Reserve	(11,620)		(11,620.0)
Loan Interest	(196)		(196.0)
2014/15 Energy Inflation Devolved	(245)		(245.0)
2014/15 CEA	(176)		(176.0)
Devolved at Budget Setting -Incremental Drift - Medical Staff	210		210.0
Devolved at Budget Setting -Incremental Drift - A4C Staff	738		737.7
Devolved at Budget Setting -Agency Staff Inflation - Medical Staff	380		380.0
Devolved at Budget Setting -Agency Staff Inflation - A4C Staff Groups	190		190.0
Devolved at Budget Setting -Employers Pension Contribution	378		378.0
Devolved at Budget Setting -Drugs Inflation	1,048		1,048.0
Devolved at Budget Setting -Clinical Non Pay Inflation	705		705.5
Devolved at Budget Setting -General Inflation Uplifts	742		742.0
Opening Allocation	(7,845.8)	0.0	(7,845.8)
In Year Agreed Claims:			
AP01 - Clinical Excellence Award Controls	150.0		150.0
AP01 - 2015/16 Pay Awards Afc	1,755.9		1,755.9
AP01 - 2015/16 Pay Awards Medical & Dental	93.6		93.6
AP01 - Medical Director Secondment NR	16.9		16.9
AP01 - CNST Uplift to Revised Contract	3,590.1		3,590.1
AP01 - Energy Inflation 2014/15 Baseline	276.1		276.1
AP01 - PES Inflation	0.2		0.2
AP01 - Loan Interest	196.0		196.0
AP01 - LTPS Inflation	22.8		22.8
AP01 - RMLS Medico Legal Contract Uplift	30.0		30.0
AP01 - NR Project Cost Inflation	16.0		16.0
AP01 - NR Project Cost Inflation	27.9		27.9
AP02 - Increase in Education Income	(33.2)		(33.2)
AP02 - Rates Uplift	86.5		86.5
AP02 - Medical Director Secondment NR	29.0		29.0
AP02 - Medical Director Secondment NR	135.4		135.4
AP03 - CQC Membership	10.0		10.0
AP03 - NR Project Cost Inflation	9.8		9.8
AP04 - Discretionary points 14/15	10.7		10.7
AP04 - Clinical Excellence Awards Control Reversal	(150.0)		(150.0)
AP04 - Pay award correction	(2.5)		(2.5)
AP04 - NR Project Cost Inflation	15.7		15.7
AP05 - 2013-14 Clinical Excellence Awards	159.7		159.7
AP05 - Energy Inflation 2015/16	68.6		68.6
AP05 - NR Project Cost Inflation	7.2		7.2
AP05 - Increase in Education Income	(54.6)		(54.6)
			0.0
AP06 - NR Project Cost Inflation	(0.9)		(0.9)
AP06 - Nursing Retention - Bakers Dozen	4.6		4.6
AP06 - Nursing Retention - Specialist Enhanced Rates	13.5		13.5

AP06 - Discretionary points 1516	0.9		0.9
AP06 - Re-alignment to Monitor Plan	830.0		830.0
AP07 - NR Project Cost Inflation	16.0		16.0
AP07 - Increase in Education Income	(13.5)		(13.5)
AP08 - Nursing Retention - Bakers Dozen	6.5		6.5
AP08 - Nursing Retention - Bakers Dozen	7.7		7.7
AP08 - Nursing Retention - Specialist Enhanced Rates	10.2		10.2
AP08 - Nursing Retention - Specialist Enhanced Rates	10.6		10.6
AP08 - NR Project Cost Inflation	0.3		0.3
In Year Balance	**(492.2)**	**0.0**	**(492.2)**
Provision for further claims:			
CEA Awards	170.3		170.3
Pay Incentives - Retention Initiatives (Nursing/AHP)	291.9		291.9
Forecast Balance	**(30.0)**	**0.0**	**(30.0)**

After the replan impact, this reserve is currently holding £492k, with future commitments anticipated to utilise all but £30k of this amount.

Earmarked Reserve 2: Activity Variable Costs:

This reserve covers the variable costs (predominantly non pay) of activity above the outturn levels used as the benchmark for base budgets. There are routine allocation adjustment systems in place for the major items covered by this reserve:

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Planning Reserve	(4,010)		(4,010.0)
Support Services - 2014/15 Full Year Effect	146.9		146.9
Opening Allocation	(3,863.1)	0.0	(3,863.1)
In Year Agreed Claims:			
AP01 - Support Services - Ward 2	98.6		98.6
AP01 - High Cost Devices - Cardiology	(11.3)		(11.3)
AP01 - Cancer Drugs Fund	(22.5)		(22.5)
AP01 - Outturn Rebase - Pathology, Imaging & Audiology	(93.2)		(93.2)
AP01 - High Cost Drugs Activity	(133.3)		(133.3)
AP01 - Imaging Activity	24.4		24.4
AP01 - High Cost Devices - Insulin Pumps	(16.3)		(16.3)
AP01 - Pathology Activity	79.0		79.0
AP01 - Drugs - Virgin HIV	(30.3)		(30.3)
AP01 - Drugs - Virgin HIV	7.5		7.5
AP01 - Support Services - SGH Ward 19 7 Day	53.0		53.0
AP02 - Audiology Activity	13.3		13.3
AP02 - High Cost Devices - Cardiology	(21.7)		(21.7)
AP02 - High Cost Drugs Activity	72.2		72.2
AP02 - Imaging Activity	8.0		8.0
AP02 - High Cost Devices - Insulin Pumps	(1.5)		(1.5)
AP02 - High Cost Devices - Insulin Pumps (paediatrics)	(3.4)		(3.4)
AP02 - Pathology Activity	36.5		36.5
AP02 - Pathology Activity	(2.4)		(2.4)
AP02 - Drugs - Virgin HIV	(39.9)		(39.9)
AP02 - Drugs - Virgin HIV	73.0		73.0
AP03 - Audiology Activity	3.3		3.3
AP03 - High Cost Devices - Cardiology	7.6		7.6
AP03 - High Cost Drugs Activity	271.1		271.1
AP03 - Imaging Activity	11.8		11.8
AP03 - High Cost Devices - Insulin Pumps	(6.2)		(6.2)
AP03 - NCS service 1516 activity increase	19.7		19.7
AP03 - High Cost Devices - Insulin Pumps (paediatrics)	50.8		50.8
AP03 - Pathology Activity	60.3		60.3
AP03 - Pathology Activity	21.0		21.0
AP03 - Drugs - Virgin HIV	1.2		1.2
AP04 - Audiology Activity	1.2		1.2
AP04 - High Cost Devices - Cardiology	12.4		12.4
AP04 - Cancer Drugs Fund	(53.5)		(53.5)
AP04 - High Cost Drugs Activity	177.6		177.6
AP04 - Drugs - Virgin HIV	(8.8)		(8.8)
AP04 - Imaging Activity	45.0		45.0
AP04 - High Cost Devices - Insulin Pumps	(8.5)		(8.5)
AP04 - High Cost Devices - Insulin Pumps (paediatrics)	(9.5)		(9.5)

AP04 - Pathology Activity	39.6		39.6
AP04 - Pathology Activity	(1.5)		(1.5)
AP04 - Drugs - Virgin HIV	7.7		7.7
AP04 - Imaging Activity	5.8		5.8
AP05 - Audiology Activity	(11.8)		(11.8)
AP05 - High Cost Devices - Cardiology	(26.3)		(26.3)
AP05 - High Cost Drugs Activity	(234.2)		(234.2)
AP05 - Imaging Activity	73.6		73.6
AP05 - High Cost Devices - Insulin Pumps	(6.9)		(6.9)
AP05 - High Cost Devices - Insulin Pumps (paediatrics)	(10.6)		(10.6)
AP05 - Pathology Activity	38.4		38.4
AP05 - Pathology Activity	7.0		7.0
AP05 - Drugs - Virgin HIV	16.5		16.5
AP06 - Audiology Activity	(14.0)		(14.0)
AP06 - High Cost Devices - Cardiology	(6.7)		(6.7)
AP06 - High Cost Drugs Activity	553.8		553.8
AP06 - Imaging Activity	49.0		49.0
AP06 - High Cost Devices - Insulin Pumps	17.0		17.0
AP06 - Pathology Activity	47.6		47.6
AP06 - Pathology Activity	14.1		14.1
AP06 - Drugs - Virgin HIV	(22.9)		(22.9)
AP06 - High Cost Devices - Insulin Pumps (paediatrics)	(6.1)		(6.1)
AP06 - Private Patient Activity	3.2		3.2
AP07 - Audiology Activity	1.1		1.1
AP07 - High Cost Devices - Cardiology	11.9		11.9
AP07 - High Cost Drugs Activity	191.4		191.4
AP07 - Imaging Activity	(44.0)		(44.0)
AP07 - Cancer Drugs Fund	(35.5)		(35.5)
AP07 - Drugs - Virgin HIV	66.6		66.6
AP07 - Drugs - Virgin HIV	(66.2)		(66.2)
AP07 - Pathology Activity	17.5		17.5
AP07 - Pathology Activity	70.4		70.4
AP07 - High Cost Devices - Insulin Pumps (paediatrics)	5.9		5.9
AP07 - High Cost Devices - Insulin Pumps	(4.9)		(4.9)
AP07 - Private Patient Activity	0.8		0.8
AP08 - Audiology Activity	1.6		1.6
AP08 - High Cost Devices - Cardiology	28.8		28.8
AP08 - Cancer Drugs Fund	(65.0)		(65.0)
AP08 - High Cost Drugs Activity	395.7		395.7
AP08 - Drugs - Virgin HIV	(0.1)		(0.1)
AP08 - Imaging Activity	23.9		23.9
AP08 - High Cost Devices - Insulin Pumps (paediatrics)	(6.5)		(6.5)
AP08 - Pathology Activity	89.1		89.1
AP08 - Pathology Activity	25.8		25.8
AP08 - High Cost Devices - Cardiology	36.5		36.5
AP08 - High Cost Devices - Insulin Pumps	(6.3)		(6.3)
In Year Balance	**(1,906.0)**	**0.0**	**(1,906.0)**
Provision for further claims:			
Imaging & Pathology	478.9		478.9
High Cost Drug Activity Increases	227.8		227.8
High Cost Devices	51.8		51.8

Other Drugs	80.0		80.0
Clinical Non Pay	355.0		355.0
Purchase of Healthcare services	66.0		66.0
Facilities Costs / Catering & Ward Support	16.5		16.5
Synergy	31.0		31.0
Temporary Clinical Staffing (Medical Staffing)	220.0		220.0
Temporary Clinical Staffing (Other Clinical)	71.1		71.1
Sustainability Programme re-patriation & expansion	155.0		155.0
Forecast Balance	**(153.0)**	**0.0**	**(153.0)**

Latest projections maintain a total of £153k is potentially available flexibility, but with risks still around winter activity and elective and outpatient recovery.

Earmarked Reserve 3: Better Care Fund Developments:

This reserve covers plans to develop the specific services covered by the Better Care Fund in North Lincolnshire. It is separated from the main investment reserve to support North Lincolnshire CCG in maintaining effective governance of the whole BCF project.

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Planning Reserve	**(2,308.1)**		(2,308.1)
Balance to Final Plan	(12.1)		(12.1)
Opening Allocation	(2,320.2)	0.0	(2,320.2)
In Year Agreed Claims:			
AP04 - RATL	208.8		208.8
AP04 - Locality Team	123.4		123.4
AP04 - FEAST (therapies)	76.2		76.2
AP05 - FEAST (therapies)	68.3		68.3
AP05 - Locality Team	22.4		22.4
AP05 - RATL	25.6		25.6
AP05 - FEAST	7.0		7.0
AP06 - FEAST	317.9		317.9
AP06 - FEAST (therapies)	45.7		45.7
AP06 - RATL	24.9		24.9
AP06 - Locality Team	40.8		40.8
AP07 - RATL	18.3		18.3
AP07 - Locality Team	149.4		149.4
AP08 - Locality Team	21.1		21.1
In Year Balance	**(1,170.4)**	**0.0**	**(1,170.4)**
Provision for further claims:			
RATL	217.9	(193.6)	24.3
Locality Team & CES	498.1	(456.2)	41.9
FEAST	879.0	(754.3)	124.7
Forecast Balance	**424.6**	**(1,404.1)**	**(979.5)**

This reserve has been subject to a thorough review following agreement with the CCG that any slippage may be retained by the Trust to support cost coverage for slower progress on net activity reduction.

A total of up to £979.5k may be available in year from this slippage, again slightly reduced from last month.

Earmarked Reserve 4: General Investments:

This reserve was earmarked for semi fixed costs and capacity development to support activity, quality improvement (including 7 day service development), and investments required in corporate infrastructure to ensure effective management:

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Allocation	(4,310.0)		(4,310.0)
In Year Agreed Claims:			
AP01 - Emergency Theatre Lists	254.0		254.0
AP01 - Directorate of Operations Re-Structure (Surgery FYE)	165.0		165.0
AP01 - Business Intelligence Manager (Mortality)	37.2		37.2
AP01 - Clinical Simulation Project Lead	48.1		48.1
AP01 - Critical Care Improvements (Phase 1)	127.4		127.4
AP01 - B4/B6/B7 Confirm & Challenge	211.2		211.2
AP01 - GDH TOPS Service Infrastructure	122.1		122.1
AP01 - ICF Continuation (April only) NR	72.8		72.8
AP01 - SGH Ward 19 7 Day Opening	156.1		156.1
AP02 - Surgery 1st On Call Cover	120.0		120.0
AP02 - Clinical Coders - Mortality	3.6		3.6
AP02 - Directorate of Strategy & Planning Re-structure	44.4		44.4
AP02 - IT Asset Management technician	4.3		4.3
AP02 - Directorate of Operations Re-Structure (FYE)	52.8		52.8
AP02 - Maternity BirthRate+ Review	90.0		90.0
AP02 - GDH TOPS Service	5.9		5.9
AP02 - TRAC recruitment system	20.4		20.4
AP02 - Hand Hygiene Training Systems	18.3		18.3
AP02 - DMD and AMD remuneration	84.4		84.4
AP03 - IT asset management technician	1.9		1.9
AP04 - Ophthalmology Recovery	56.3		56.3
AP04 - DPOW HDU junior med staff post	65.0		65.0
AP04 - IT asset technician agency	2.6		2.6
AP04 - Assisted living centre NELincs funded by CCG	0.4		0.4
AP05 - Critical care Supernumary clinical coordinators	99.7		99.7
AP05 - CT and MRI forecast Growth	750.8		750.8
AP05 - DPOW Acute Oncology CNS	70.8	(44.9)	25.9
AP05 - DPOW Paeds Additional activity	32.9		32.9
AP05 - IT asset technician agency	2.4		2.4
AP05 - Medicine management structure	45.8		45.8
AP05 - Ophthalmology Recovery	7.3		7.3
AP06 - Clinical Decision making weekend enhancement	16.3		16.3
AP06 - CDCU Administration	10.5		10.5
AP06 - Nursing Support - Electronic Nursing Documentation	48.2	(27.1)	21.1
AP06 - Paediatric OPD Capacity - Medical Staffing	167.1		167.1
AP06 - Endoscopy recruitment plan	190.0		190.0
AP06 - IT Asset management technician	2.2		2.2
AP06 - Ophthalmology Recovery	52.1		52.1

AP07 - GI bleed rota October 15	1.3		1.3
AP07 - Weekend discharges Oct 15	3.9		3.9
AP07 - Endoscopy Clinical Lead	6.4		6.4
AP07 - DPoW Operations centre discharge post	16.2		16.2
AP07 - Ophthalmology Recovery	17.6		17.6
AP07 - Ward c2 ex ICF	18.8		18.8
AP07 - IT Asset management technician	29.8		29.8
AP07 - Medicine management structure	32.4		32.4
AP08 - CT and MRI forecast Growth	(64.8)		(64.8)
AP08 - External Carers Elite Care solutions	10.7		10.7
AP08 - GI bleed rota	2.7		2.7
AP08 - NHS Leadership Academy Dr Levison Keating	13.5		13.5
AP08 - Ophthalmology recovery m8	18.7		18.7
AP08 - Revalidation management system	12.0	(6.0)	6.0
AP08 - Weekend discharges Nov 15	12.1		12.1
In Year Balance	**(918.4)**	**(78.0)**	**(996.4)**
Provision for further claims:			
Operations Management Re-Structure (Medicine)	33.0	(33.0)	0.0
Critical Care/HDU Improvements (SGH)	118.4	(49.3)	69.1
IT Asset Management	19.5	(19.5)	0.0
Med Staffing - Winter Resilience Acute Medicine 7 Day	680.3		680.3
Ophthalmology Capacity Expansion	75.4		75.4
Upper GI Bleed Cover Arrangements	122.4	(102.4)	20.0
Bereavement Service	16.8	(9.8)	7.0
8C Deputy Director of OD&W	92.6	(61.7)	30.9
Head of Patient Admin - Band 8A	54.4	(40.8)	13.6
Practice Development Midwife - Band 7	43.9	(32.9)	11.0
Lead Nurse Professional Development - Band 8A	54.4	(40.8)	13.6
Revalidation Project Lead - Band 6	18.3	(18.3)	0.0
Care Camp - Clinical Skills Tutors - Band 6 x2	73.2	(54.9)	18.3
Assistant Medical Director - Band 8C	17	(11.3)	5.7
Appraisal Lead - 2 PA's	24	(18.0)	6.0
Forecast Balance	**525.2**	**(570.8)**	**(45.6)**

Further planning revisions have brought the forecast spend back within the total, with a forecast £45.6k uncommitted.

Earmarked Reserve 5: Non Recurrent Investment Programme - Revenue Reserve:

This reserve covers forecast changes to cost of capital resulting from the Capital Programme and other fixed asset changes, as well as the non recurrent revenue addendum to the Capital Investment programme:

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Planning Reserve	(830)		(830.0)
Budget Baseline - Cost of Capital	(1,192.0)		(1,192.0)
Opening Allocation	(2,022.0)	0.0	(2,022.0)
In Year Agreed Claims:			
AP01 - 2015/16 Cost of Capital	1,192.0		1,192.0
AP01 - NR Programme - CDCU	4.8		4.8
AP01 - NR Programme - EPR IM&T Prog	60.0		60.0
AP01 - NR Programme - Information Systems Support	100.0		100.0
AP01 - NR Programme - IT Support	110.0		110.0
AP01 - NR Programme - Microsoft Licences	160.0		160.0
AP01 - NR Programme - Web V	140.0		140.0
AP02 - NR Programme - CDCU	5.4		5.4
AP02 - NR Programme - Equipment	36.0		36.0
AP03 - NR Programme - CDCU	12.8		12.8
AP03 - NR Programme - Equipment	0.6		0.6
AP04 - NR Programme - CDCU	12.5		12.5
AP04 - NR Programme - Equipment	70.5		70.5
AP05 - NR Programme - CDCU	1.1		1.1
AP05 - NR Programme - Equipment	1.4		1.4
AP05 - NR Programme - Equipment	-15.7		(15.7)
AP06 - NR Programme - CDCU	3.6		3.6
AP06 - NR Programme - Equipment	22.0		22.0
AP06 - NR Programme - Equipment	30.5		30.5
AP07 - NR Programme - CDCU	0.9		0.9
AP07 - NR Programme - E&F	10.2		10.2
AP07 - NR Programme - Equipment	1.3		1.3
AP08 - NR Programme - CDCU	4.4		4.4
AP08 - NR Programme - Equipment	4.2		4.2
In Year Balance	**(53.6)**	**0.0**	**(53.6)**
Provision for further claims:			
AP08-AP12	53.6		53.6
Forecast Balance	**0.0**	**0.0**	**0.0**

The majority of the reserve was committed up front to cover fixed elements of the non recurrent revenue programme and the depreciation costs linked to capital investments. The remainder will be utilised over the remaining period on Facilities Maintenance and revenue components of major projects.

Earmarked Reserve 6: Sustainability Programme:

The plan set aside £1.70m in the plan to support the infrastructure and non recurrent programme costs linked to the Sustainability Programme. This was increased by £0.40m as part of the re-plan to support faster delivery of the full £15.80m savings plan programme:

	Recurrent Investments: Clinical:	Slippage	Updated Reserve Plan
Opening Planning Reserve	(1,700)		(1,700)
Additional Support - as per Loan submission	(400)		(400)
Opening Allocation	(2,100)	0.0	(2,100)
In Year Agreed Claims:			
Improvement Team	160.8		160.8
SPG	114.8		114.8
Central Medical Staffing Function	25.1		25.1
Support Staff - Medical Staffing	31.2		31.2
Support Staff - Nursing	95.5		95.5
Support Staff - Commercial Ventures	99.8		99.8
Support Staff - Operations (Clinical Admin)	12.1		12.1
Support Staff - Operations (OPD WLI)	30.2		30.2
Support Staff - On Boarding Team	26.1		26.1
Support Staff - Recruitment Hub	18.9		18.9
Computer Software - Medical Staffing	34.4		34.4
Consultancy - Medical Staffing	135.8		135.8
Consultancy - Clinical Admin	168.2		168.2
Consultancy - SPG Support	262.7		262.7
Consultancy - Terms & Conditions	49.4		49.4
Advisory Board Subscription	40.6		40.6
Recruitment - Care Camp	74.6		74.6
Recruitment - Advertising & Recruitment	408.1		408.1
Recruitment - Accommodation	69.4		69.4
Recruitment - Removal Expense	201.6		201.6
In Year Balance	**(40.7)**	**0.0**	**(40.7)**
Provision for further claims:			
Recruitment Initiatives - Remaining Flexibility	40.7		40.7
Forecast Balance	**0.0**	**0.0**	**0.0**

The majority of this reserve was committed to the programme budget at the start of the year, with only a marginal amount currently unallocated. No flexibility is currently identified.

This reserve also has a significant potential pre-commitment to build into the detailed plans for 2016/17.

9. Conclusion – Key Themes, Key Risks, Key Actions:

The Trust again made further progress, delivering marginal improvements on forecasts and delivery. However, the underlying financial position remains fundamentally broken, with a mismatch between income and expenditure which cannot be resolved by the organisation alone. This mirrors the national position for acute organisations.

The announcement of additional funds in 2016/17 represents government recognition of the wider systemic problem. The means by which this funding is distributed will be critical if we are to build a firm financing platform for the next stage of transformational improvement for the NHS.

Back in the here and now, the Trust may now be in a position to manage liquidity within the £15.0m IRSL confirmed earlier in the year, without further support. This follows a range of specific working capital and cash management actions in response to the developing national liquidity crisis. Living within this limit will only be possible if 3 very real risks can be eliminated managed or mitigated:

1) **Income:** The income position still has some active downside risks which will not be within the powers of the Trust to control alone.

2) **Sustainability Programme** – progress to date is still slightly short of where we need it to be, and structures of delivery still need to improve if we are to get close to what we need next year.

3) **Activity** – going into winter we have the typical pressures in urgent care to contend with, but also a recovery programme for elective and outpatient activity. This is going to be challenging.

The Trust has now come close to finalising a 3 year community strategy through Healthy Lives Healthy Futures with our local partners. We have also taken the lead role with regulators in preparing for the launch of what could be a hugely important phase for local health and care services.

This will be hugely challenging to deliver – and we will need strong local partnerships and robust regulator support to make the leap forward. However, if we do not seize the challenge, the workforce crisis will make next winter completely unmanageable throughout the local health system. We have to make the change now, or pay a heavy price later.

Marcus Hassall
Director of Finance
December 2015