Northern Lincolnshire and Goole NHS
NHS Foundation Trust

NLG(16)319

DATE	**26 July 2016**
REPORT FOR	**Trust Board of Directors – Public**
REPORT FROM	**Marcus Hassall, Director of Finance** **Wendy Booth, Director of Performance Assurance & Trust Secretary**
CONTACT OFFICER	**Marcus Hassall, Director of Finance** **Wendy Booth, Director of Performance Assurance & Trust Secretary**
SUBJECT	**Monitor Quarterly Update – Q1**
BACKGROUND DOCUMENT (IF ANY)	**-**
REPORT PREVIOUSLY CONSIDERED BY & DATE(S)	**-**
EXECUTIVE COMMENT (INCLUDING KEY ISSUES OF NOTE OR, WHERE RELEVANT, CONCERN AND / OR NED CHALLENGE THAT THE BOARD NEED TO BE MADE AWARE OF)	**The report sets out the Trust's financial and governance positions at the end of Q1.**
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 asked to note the report and to consider any additions or amendments which may be required prior to its submission to Monitor**

Finance Update Report:
Month 3: Year to 30th June 2016

Report Outline:

This report covers the Trust's financial performance for the first quarter of the 2016/17 financial year. 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 NHS Improvement.

1. Financial Headlines

Month 3 Headline Financial Position:

	Month 3 £mil
I & E Account Surplus/(Deficit)	**(4.66)**
Plan I & E Surplus/(Deficit)	(4.83)
Variance From Plan – I&E Surplus/(Deficit)	**0.17**
Cash Balance at 30th June	**6.51**
Set Minimum Cash Balance (after IRSL support)	1.90
Variance From Minimum Cash Balance	**4.61**
Financial Sustainability Risk Rating	**2**

The **deficit for the first quarter of the year was £4.66m**. This remains slightly ahead of the plan for this point in the year.

Income and contracting showed some improvement, reflecting improved activity delivery. Capacity building and activity recovery were key elements of the plan, given the need to meet waiting time trajectories for RTT performance, Cancer waiting times, and A&E response.

Expenditure increased in June, partly on the back of activity pressures, but also highlighting the difficulties in controlling clinical pay spend under such circumstances.

This position assumes full receipt of Sustainability and Transformation income, and also that the Trust will be able to control any fines and penalties that CCGs might attempt to levy for the quarter. This income remains at some risk, therefore.

The headline end of year I&E forecast remains outside the control total limit, reflecting the service and financial risks we face. We have assumed within our forward projections that recovery actions on activity, performance, income and cost controls can and will be improved. These **recovery actions must bring the Trust into a fully compliant position by the end of the year.**

The cash position is stable, but we still have to secure a fully defined liquidity support package with NHSI to cover our capital and cash plans. This is still unconfirmed at the point of writing. In the meantime, we **continue to restrict discretionary spend**, particularly on the capital programme.

Income and Expenditure Summary and Full Year Forecast:

The summary I&E shows a reduced income shortfall compared to month 2. However, the expenditure underspend against plan is also reduced, primarily because activity levels have pushed up key non pay costs – drugs and diagnostic capacity support being key drivers of non-pay variance.

	M3 Plan £mil	M3 Actual £mil	M3 Variance £mil
Income - NHS Clinical	79.16	78.52	(0.63)
Income - Other	8.90	8.68	(0.22)
Expenditure – Pay	(62.30)	(60.94)	1.36
Expenditure – Non Pay	(27.68)	(28.34)	(0.66)
EBITDA	**(1.93)**	**(2.07)**	**(0.14)**
Post EBITDA items	(2.90)	(2.59)	0.31
Surplus/(Deficit)	**(4.83)**	**(4.66)**	**0.17**

The position is slightly ahead of plan, but not at the required run rate for the year, particularly given the need to accelerate activity levels further to hit performance targets. **A straight line projection of the deficit would be £18.6m.**

Forecast – Scenario Analysis:

The "best case/worst case" analysis reflects variance against the provisional plan, adjusted for latest projections, based upon outline assessment of risks. The initial updated forecast for I&E is as follows:

	Worst Case Forecast £m	Primary Forecast £m	Best Case Forecast £m
16/17 Plan Surplus/(Deficit)	**(11.8)**	**(11.8)**	**(11.8)**
Income - Securing Base Contract/Plan	(3.5)	(1.0)	1.4
Income - S&T Income	(8.6)	0.0	0.0
Income - Other	0.0	0.5	0.6
Expenditure Commitments linked to Activity	0.0	(0.8)	(1.0)
Savings Plan Delivery - Pre Recovery Action	(3.8)	(3.2)	(3.2)
Savings Plan Delivery - Recovery Action	0.0	1.6	3.2
Inflation - Pay	(0.3)	0.0	0.0
Inflation - Non Pay	(0.4)	0.0	0.0
Release of Earmarked Funds	0.0	0.0	0.2
Other	(2.5)	0.0	0.0
Forecast Surplus/(Deficit)	**(30.9)**	**(14.7)**	**(10.6)**
Variance to Plan	**(19.1)**	**(2.9)**	**1.2**

The projected most likely deficit at this point, without recovery action, is £14.7m - £2.9m adrift of plan. Key variances are:

1) Contract Income Risks – through failure to deliver activity or through non-payment by CCGs using penalties or other claw back mechanisms - this is reduced as activity levels have started to recover;

2) Activity pressures on expenditure – increased as activity levels have started to recover;

3) Savings delivery risks, against an ambitious programme.

The overall gap to plan is reduced further in June, primarily as a result of improved activity information which gives greater assurance over income levels. This forecast assumes full receipt of S&T income of £11.5m. This remains a potential area of further risk.

Overall, we must commit to recovery actions on savings delivery and on income to maintain a forecast at plan:

- Ensuring activity levels are appropriately increased;
- Meeting performance trajectories;
- Delivering savings mitigation to secure the full in year value of £13.85m;
- Controlling or mitigating all other cost pressures.

Cash Forecasting:

At this point, cash forecasting remains subject to plan confirmation currently still under consideration with NHS Improvement. **We may well need to significantly change our capital and working capital management plans** significantly once we get a clear conclusion to the funding requirements.

At that point we will be able to take stock of changes to plan, and reset cash management arrangements to match that plan. This will allow us to start to map out any remaining liquidity risks.

Assuming release of S&T income, the current emergency working capital loan should last until at least October.

2. Activity, Contracting and Income:

The Trust plan for the year assumed some degree of demand growth on outturn levels, and also included a requirement to increase planned care activity levels to counter increases in waiting times seen in 2015/16.

Underlying demand levels continue to track these assumptions reasonably closely. Emergency admissions may have dropped slightly below the forecast level, but the drift is small, and activity remains increased on last year.

Planned care demand continues to exceed activity delivery, reflected in further waiting list increases in month. The Trust plan remains to deliver the majority of planned care activity increases over Q2 and Q3, following work to improve administrative and job planning systems, finish work to refurbish theatres, and throw off the adverse impact of industrial action.

The activity position is summarised below:

	2015/16 Full Year Outturn	2015/16 Outturn to M03	2016/17 Outturn to M03	Variance vs 2015/16	%
Non Elective Spells (exc Maternity)	37,518	9,211	9,295	84	0.9%
Non Elective Spells (Maternity)	8,405	2,099	1,841	(258)	(12.3%)
Elective & Daycase Spells	59,035	14,852	15,027	175	1.2%
Outpatient Attendances (F2F) - New	122,317	30,517	32,234	1,717	5.6%
Outpatient Attendances (F2F) - Review	260,513	65,106	63,322	(1,784)	(2.7%)
Critical Care Days	21,516	4,996	5,794	798	16.0%
A&E Attendances	150,290	37,715	38,631	916	2.4%

Further catch up on planned care activity remains critical over the next two quarters, to manage the waiting time position. The Trust 18 Week RTT position remains adrift of target.

Contract agreements are based on cap and floor limited PbR contracts with our two principal CCGs, and full PbR contracts with others. Activity throughput is therefore critical to deliver planned income levels.

Affordability remains a concern for local CCGs – this may have an impact on Trust income, but at this stage the contractual position is most vulnerable to data disputes, penalties or CQUINs claw back.

3. Expenditure and Savings Delivery:

The year to date position remains ahead of plan, but the plan has a significant weighting towards the tail end of the year. The forecast position is therefore important. We still project a significant shortfall, updated to £3.17m. There is no plan contingency, so we need to recover this shortfall in year through recovery, pipeline schemes, or mitigation.

Savings Projection As At Month 03:

WORKSTREAM	2016/17 Plan	2016/17 YTD Plan	2016/17 YTD Delivery	2016/17 YTD Variance	2016/17 Forecast Delivery	2016/17 Forecast Variance
Capacity & Demand	2,905	163	568	405	1,522	(1,382)
Medical Staffing	401	37	94	57	385	(16)
Nursing	2,200	110	590	480	1,866	(334)
Operations	694	134	97	(37)	408	(286)
Non Pay & Procurement	2,750	504	496	(7)	2,754	4
Estates & Facilities	750	139	168	30	685	(65)
HR	800	32	45	13	312	(488)
Central Corporate & Commercial	2,000	367	444	78	1,586	(414)
Contracting & Service Development	800	152	84	(68)	611	(189)
Programme Controls	550	138	138	0	550	0
Grand Total	**13,850**	**1,775**	**2,724**	**950**	**10,679**	**(3,171)**

Major issues still cluster around the work to improve governance systems around clinical pay, and effective use of clinical workforce to deliver optimum activity levels. This has a far more robust structure to it than last year, as we planned, but there are still significant challenges to bring to fruition the plan to reset and refocus medical staff job plans. This work is significantly behind schedule, but must not be done in a slapdash way – it has to be correct.

Key issues elsewhere are:

- Capacity and Demand – productivity improvement plans for theatres, outpatients, and endoscopy are developing, but still have a long way to go. Medstaff recruitment, for substantive, training grade and locum staff, will remain challenging;
- Medical Staffing – setting in place the necessary policy and pay rate changes is facing anticipated push back from the BMA;
- Nursing – reconfiguration changes are moving forward, but controls over staffing deployments remain incomplete, with issues locking down rosters to give a full record;
- Commercial Projects – these have been downgraded following a review of forecasts, prior to the new commercial manager taking up post.
- HR/T&C Changes – this remains only part worked up as a plan.

There is still an elevated delivery risk on the Programme. Shortfall against the plan must be recovered, as will be discussed at the next CEO Challenge review scheduled for 29th July.

4. Capital Programme Expenditure:

The capital programme again shows slippage in month 3. The capital programme remains in restricted commitment phase, pending agreement of liquidity support for the Trust for 2016/17. Spend was as follows, against a revised plan for this point of £5.06m:

Capital Programme at Month 3:

	YTD Actual £mil	Full Year Forecast £mil
Major Schemes		
Major Equipment Replacement	0.00	0.00
DPoW Reconfiguration Programme	1.12	2.80
SGH & GDH Reconfiguration Programme	0.12	2.33
DPOW Estates Rationalisation	0.00	0.54
Residences Development	0.28	2.93
Energy Phase 2	(0.01)	0.45
Planning and Feasibility Fees	0.00	0.19
Facilities Maintenance Programme	0.04	1.49
IM&T Programme	0.18	2.15
Equipment Renewal Programme	0.37	1.60
Donated Assets	0.00	0.00
Capital Programme Total	**2.11**	**14.47**

The Trust will continue to restrict capital spend until liquidity agreements are in place. We have submitted a revised plan inclusive of significant slippage in timescales for the residential accommodation redevelopment project, and will continue to work with NHS Improvement as to determine the parameters for capital and cash for 2016/17.

5. Balance Sheet and Working Capital:

Balance Sheet at 30th June 2016:

	Last Month £mil	This Month £mil	Variance From Plan £mil
Total Fixed Assets	**143.64**	**144.46**	**(2.83)**
Stocks & WIP	2.64	2.60	0.16
Debtors	13.38	15.28	1.92
Prepayments	3.32	3.69	0.25
Cash	4.61	6.51	4.61
Total Current Assets	**23.95**	**28.08**	**6.94**
Creditors : Revenue	20.62	20.49	(1.17)
Creditors : Capital	3.35	3.29	(1.18)
Accruals	10.68	11.62	2.57
Deferred Income	1.38	1.34	(0.03)
Finance Lease Obligations	0.10	0.08	(0.00)
Loans < 1 year	1.20	1.20	0.00
Provisions	2.84	3.05	0.76
Total Current Liabilities	**40.16**	**41.07**	**0.94**
Net Current Assets/(Liabilities)	**(16.21)**	**(12.99)**	**5.99**
Debtors Due > 1 Year	0.01	0.01	0.00
Creditors Due > 1 Year	0.00	0.00	0.00
Loans > 1 Year	39.00	44.46	2.87
Finance Lease Obligations > 1 Year	0.16	0.16	0.12
Provisions - Non Current	5.49	5.49	0.00
TOTAL ASSETS/(LIABILITIES)	**82.80**	**81.37**	**0.17**
TOTAL CAPITAL & RESERVES	**82.80**	**81.37**	**0.17**

Debtors are above plan, and increased given the improved income projection pushing up income accruals and as we account for the drawdown of the Sustainability and Transformation income. We will continue to work with commissioners and provider to provider contract customers to secure prompt payment.

Creditors and accruals are slightly increased, and a little above plan at this stage, reflecting work to maximise cash and minimise PDC charges.

Fixed asset values remain lower then plan given capital programme restrictions slowing the process of asset construction and purchase.

Loans drawdown is slightly ahead of plan, but so are cash balances.

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

Though the year to date position is slightly ahead of plan, the position still contains some material and potentially difficult risks:

- Income risks arising from CCG affordability;
- Maintaining activity throughput;
- Costs of increased activity demand;
- Difficulties in managing savings delivery;
- Vulnerability of S&T income.

Current projections give a forecast position outside of the control total. Therefore this requires the Trust to deliver the following key recovery actions to deliver the outline plan:

1) Increase activity levels in planned care to secure base income and S&T income;
2) Continued engagement with Commissioners to avoid penalties;
3) Control further expenditure requirements outside of core plan unless absolutely necessary for patient care;
4) Deliver full replacement schemes or mitigation for any shortfall in savings delivery.

At this stage this is still achievable.

We also quickly need to clarify with NHS Improvment the position for capital and cash availability in year – this will set further challenges for the organisation.

2. Performance and Governance

2.1 Performance and Governance Rating

The Trust has not achieved the RTT waiting time Incomplete target for Q1 as anticipated. Achievement of this target remains extremely challenging with increased activity being a key factor. A programme of service reviews is in place including the development of capacity and demands plans to inform and influence achievement of this target.

The Trust has also not achieved the A&E 4 hour wait target, despite an improving position since December 2015 and achievement of 93.5% during June 2016 and 92.24% for the Quarter overall. Again, activity is a key factor with May 2016 seeing the highest ever number of patients attending both A&E departments in more than a two year period. A single A&E action plan is in place and being progressed and includes increasing the hours of consultant presence at a weekend, re-aligning the nurse establishment to match the peaks in activity and the implementation of the Acute Care Physician model at the DPOWH site to support flow through the acute phase.

Current provisional data also indicates that for Quarter 1 the Trust will not meet the 62 day GP referral to treatment waiting time target pre and post breach allocation (performance is currently at 81.8% and 76.0% respectively). The Task & Finish Group introduced to drive operational improvements in the management of patient pathways remains in place with oversight weekly at CEO level. The Trust has also sourced some external expertise to understand any additional actions required to ensure achievement of this target from Q2 onwards.

There were 3 reported episodes of hospital acquired Clostridium Difficile reported in June 2016.

2.2 Performance and Governance Update

Following feedback received, the Trust has re-submitted its action plan to the CQC and the final action plan and associated KPIs is due to be submitted to the Trust's Board at its meeting to be held on Tuesday, 26 July 2016. The Trust has also further strengthened its oversight and assurance arrangements in support of delivery of the CQC action plan. As part of these arrangements and in order to provide independent assurance in respect of the Trust's progress, the Trust has appointed an Improvement Director, Eric Morton. The Improvement Director will provide the following:

- challenge of the Trust's delivery of the CQC action plan including through individual challenge meetings with lead Executives;
- independent assurance – internally & externally (including to NHSI and the CQC) as to the progress being made; and / or
- escalation of risks to delivery.

The Improvement Director will provide a monthly formal written progress report to the Trust and that report will be included in future Board update reports which will also then be shared with relevant external stakeholders.

The Trust continues to work with the HSE to provide information and assurance in respect of the actions taken in response to the two cases of Legionella.

2.3 Board Changes:

Changes have been made to the Executive Team Structure following the departure of the Chief Operating Officer, Karen Griffiths and to re-align some other existing responsibilities. Details of the changes to the Executive Team Structure have been provided under separate cover to NHSI.

3. Conclusion:

The Trust has seen a slight deterioration in its performance position due to ongoing demand pressures in key areas but is working hard to reverse this position as outlined above.

Marcus Hassall
Director of Finance
July 2016

Wendy Booth
Director of Performance Assurance