NHS
Northern Lincolnshire and Goole
NHS Foundation Trust

NLG(18)075a

DATE OF MEETING	**22 February 2018**
REPORT FOR	**Trust Board of Directors – PUBLIC**
REPORT FROM	**Marcus Hassall, Director of Finance**
CONTACT OFFICER	**Marcus Hassall, Director of Finance**
SUBJECT	**Finance Report – Month 10**
BACKGROUND DOCUMENT (IF ANY)	**-**
PURPOSE OF THE PAPER:	**For Assurance**
EXECUTIVE SUMMARY **(PLEASE INCLUDE A BRIEF SUMMARY OF THE PAPER, KEY POINTS & ANY RISK ISSUES AND MITIGATING ACTIONS WHERE APPROPRIATE)**	**This report highlights the reported financial position at Month 10 of the 2017/18 reporting period.**
HAVE 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?	**N/A**
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	**N/A**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	**Yes**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO SUSTAINABILITY IMPLICATIONS (QUALITY & FINANCIAL) & CLIMATE CHANGE?	**N/A**
THE PROPOPSALS OR ARRANGEMNTS OUTLINED IN THIS PAPER SUPPORT THE ACHIEVEMENT OF THE TRUST OBJECTIVE(S)	**Yes**
THE PROPOSAL OR ARRANGEMENTS OUTLINED IN THIS PAPER ENDORSE COMPLIANCE WITH THE REGULATORY OR GOVERNANCE REQUIREMENTS LISTED	**N/A**
THE PROPOSALS OR ARRANGEMENTS OUTLINED IN THIS PAPER TAKE ACCOUNT OF REQUIREMENTS IN RESPECT OF EQUALITY & DIVERSITY	**N/A**
ACTION REQUIRED BY THE BOARD	**The 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 2017/18: Month 10

Report Outline:

This report covers the Trust's financial performance to the end of month 10 (January 2018). It covers the following areas:

- Financial Position Overview;
- I&E Position – including Full Year Forecast;
- Activity, Contracting and Income;
- Expenditure and Savings Programme;
- Winter Planning Summary;
- Capital Programme;
- Balance Sheet, Cash and Working Capital;
- Budgetary Management;
- Reserve Drawings and Plan Changes;
- Financial Special Measures Update;
- Conclusion - Key Themes, Key Risks & Key Actions

The Trust is now monitoring its performance against the £40.0m deficit limit for the year agreed in December through the Financial Special Measures process. This plan was set based upon month 6 actuals, projected forward and adjusted for recovery plan actions.

This target deficit limit was agreed with NHSI in December following work over a number of months to agree a Financial Recovery Plan. It should be noted that this deficit limit is higher than the outturn for the previous year. NHSI have signed off this value only because of the delayed progress on FRP planning – though the Trust was placed in Special Measures in March, planning work only commenced in earnest in July, due to a number of delaying factors both external to and within the Trust.

Work continues on developing a target deficit limit for 2018/19, though NHSI have been clear that a very significant improvement in headline deficit is required moving in to next year.

1. Financial Position - Overview:

	M10 £m
In Month I&E Surplus/(Deficit)	**(4.31)**
YTD I & E Account Surplus/(Deficit)	**(36.96)**
YTD Reset Target I & E Surplus/(Deficit)	(35.25)
YTD Variance From Target – I&E Surplus/(Deficit)	**(1.71)**
Full Year I&E Forecast –Without Further Recovery Action:	**(44.47)**
Formal Full Year I&E Forecast – After All Recovery Action:	**(42.30)**
Cash Balance at 31st January	**9.17**
Set Minimum Cash Balance (after IRSL support)	1.90
Variance From Minimum Cash Balance	**7.27**
In Month Net Loans (Drawdown)/Repayment	**(7.56)**
YTD Net Loans (Drawdown)/Repayment	**(34.93)**
Total Loans Balance	**(107.11)**

The Trust ran with an increased I&E deficit of £4.31m in month. This included £0.4m of technical accounting, therefore the underlying deficit in month was actually £4.7m representing a sharp deterioration in run rate compared to recent months.

The year to date deficit total of £36.96m is now falling behind the trajectory required to deliver the £40.0m deficit target. This is reflected in deterioration in the headline full year forecast by £0.6m to £44.47m and also in the "best case" deliverable forecast from £40.0m to £42.3m. Clearly further corrective action will be required in year, though time for improvement is of course now limited.

Income risks remain a potential threat over the final quarter for PbR driven contracts. Proposed year end settlements with the two main Commissioners under the Aligned Incentive Contracts have impacted on the headline forecast by a further £0.35m but have limited any further reductions that the Trust could potentially have faced further challenge on.

The full savings and expenditure control measures relating to clinical staff expenditure are not projected to be delivered without further management action. Other savings areas are also showing further potential risks.

The technical savings programme set out as part of the FRP continues to support the bottom line and is exceeding plan. But these are not cash backed, are non-recurrent and nearing exhaustion – meaning difficulties for next year.

Cash drawdowns continue to provide a critical liquidity lifeline to the Trust. This dependence is forecast to continue for the foreseeable future.

2. I&E Position Month 10:

Headline Financial Position:

	YTD Actual £mil	Variance from Plan £mil
Income (excluding STF)	285.28	(0.72)
STF	0.00	0.00
Expenditure – Pay, Clinical	(172.21)	(0.75)
Expenditure – Pay, Other	(43.04)	(0.18)
Expenditure – Non Pay, Clinical	(55.05)	(0.59)
Expenditure – Non Pay, Other	(46.27)	(1.14)
Technical Savings Programme	2.95	1.46
EBITDA	**(28.35)**	**(1.19)**
Post EBITDA Items	(8.61)	0.21
Trading Surplus/(Deficit)	**(36.96)**	**(1.71)**
Exceptional Items	0.00	0.00

At the end of month 10 the Trust deficit is £36.96m, following an in month deficit of £4.31m. This represents a significant deterioration in both the headline run rate and the underlying run rate. Once technical items are discounted the deficit run rate has increased to £4.74m. This is £0.91m worse than the December underlying position.

A degree of deterioration in the run rate is to be expected for seasonal factors – December pay enhancements are paid in January, and equate to £0.25m of the deterioration in month. However, the savings delivery trajectory should have seen reductions in expenditure to offset this.

Drug and clinical supplies spend was particularly low in December (as is normally the case), but higher than expected in January – this accounts for £0.42m of the deterioration. Activity dynamics do not fully explain this increase – and again, savings delivery should have been stronger.
Around £0.2m of one off expenditure items also contributed – backdated management cost adjustments, and consultancy costs.

Premises costs increased sharply – estates maintenance the key driver (£0.24m). This may represent a one off blip – but we know our estate suffers from major backlog maintenance issues, which drive up revenue costs.

Additional bought in services (diagnostic scanner rental and reporting) added £0.08m to the run rate, though this was expected given winter plans.

In year, technical savings are making up a significant proportion of the difference. However, these savings are non-recurrent, not cash backed, and close to exhaustion. This increases concerns over 2018/19.

The key YTD variances from the revised plan target are:

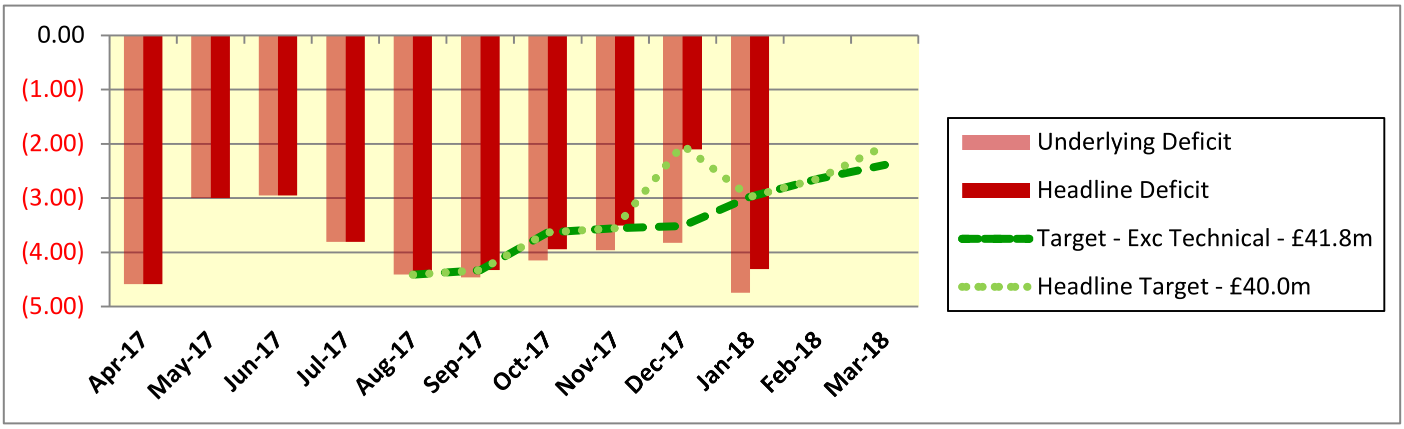
1) Income has deteriorated to behind plan as the slowdown in planned care work affects PbR contracts;
2) Further shortfall on savings delivery on clinical staffing costs particularly in Nursing;
3) Activity driven pressures in non-pay, as non elective activity continues to rise;
4) Winter pressures expenditure above run rate – Receipt of funding is still to be confirmed and therefore not included in the year to date position;
5) Consultancy costs linked to Special Measures and Estates related maintenance costs;
6) A positive contribution from technical measures – releases from balance sheet.

The full year forecast at this point shows a full year deficit of £44.47m - £4.47m adrift of the target. The potential "best case" deficit has now deteriorated from the planned £40.0m to £42.30m as the limited time left in the year restricts potential improvement on this forecast. Efforts will be focussed on mitigating pressures and delivering an outturn as close as possible to this best case. This will be critical in terms of impacting on the opening run rate in 2018/19.

I&E Run Rate Position:

The following table sets out the run rate by month, showing both the headline I&E position against target, and also the underlying position excluding technical action from the balance sheet:

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	FY
Headline Deficit	(4.59)	(3.00)	(2.95)	(3.81)	(4.41)	(4.33)	(3.94)	(3.51)	(2.10)	(4.31)			
Balance Sheet Support	0.00	0.00	0.00	0.00	0.00	0.14	0.21	0.45	1.72	0.43			
Underlying Deficit	**(4.59)**	**(3.00)**	**(2.95)**	**(3.81)**	**(4.41)**	**(4.46)**	**(4.15)**	**(3.96)**	**(3.83)**	**(4.74)**			
Target - Exc Technical - £41.8m					(4.41)	(4.33)	(3.64)	(3.55)	(3.51)	(2.98)	(2.65)	(2.39)	**(41.81)**
Headline Target - £40.0m					(4.41)	(4.33)	(3.64)	(3.55)	(2.02)	(2.98)	(2.65)	(2.04)	**(39.97)**



The sharp deterioration in the headline and underlying deficit in month is a significant concern two fold. In securing the required run rate for the remaining months of 2017/18 but also as the opening run rate for 2018/19.

Full Year Forecast:

The latest forecast ranges from the M10 position are set out in the table below, as variances from £40.0m:

	M10 YTD Position £m	Worst Case Forecast £m	Primary Forecast £m	Best Case Forecast £m
17/18 Plan Surplus/(Deficit)	(35.2)	(40.0)	(40.0)	(40.0)
Northern Lincolnshire CCG Block Income	0.0	(1.8)	(1.8)	(1.8)
Other Contract Income	(0.5)	(1.1)	(0.6)	(0.5)
Non Clinical Income	0.1	(0.2)	(0.0)	0.1
Core Savings Programme (£13.2m)	(0.3)	(2.5)	(1.9)	(1.4)
Brought Forward Savings (£1.6m)	(0.5)	(1.6)	(1.6)	(1.2)
Technical Savings - Balance Sheet Review (£1.7m)	1.5	2.1	2.1	2.9
Pay Cost Pressures (offsetting savings)	(0.5)	(0.3)	(0.1)	(0.2)
Non Pay Cost Pressures (activity)	(0.6)	(1.3)	(1.1)	(0.9)
Winter Pressures Funding	(0.5)	(1.5)	0.0	0.0
Winter Pressures Additional Expenditure	0.0	0.0	0.0	0.2
Other Expenditure Variation	(0.4)	0.4	0.4	0.4
Forecast Surplus/(Deficit)	(37.0)	(47.6)	(44.5)	(42.3)
Variance to Plan (exc STF)	(1.7)	(7.7)	(4.5)	(2.3)

Core Income:
Core income variations have shifted to negative year to date, as the slowdown in planned care work affects PbR contracts. This was already a feature of full year forecasts. NEL/NL CCG contracts have also deteriorated in terms of full year forecast – the "year end deal" had been projected as a £1.4m shortfall against FRP levels, but will in fact be closer to £1.8m. This is not yet included in the year to date position.

Savings Delivery:
Core savings actions now highlight a shortfall year to date. The shortfall full year is also increased given the adverse position seen in January, and early indicator information from February.
There has been limited progress on the "going further" actions which were to balance the plan to the £40.0m deficit target. This reflects the difficulties in core programme delivery – we have been pushed back in terms of initial savings delivery, so have not been able to progress to next steps actions.

The technical savings programme, is providing coverage, and delivering additional gains, but this is non recurrent.

Cost pressures are emerging on clinical pay, but more substantially now on clinical non pay and on non-pay spend – particularly estates related maintenance spends, and additional consultancy costs. Links can be made to the additional efforts made under special measures (for example, additional expenditure incurred in month on an income and coding review), but also to the state of the Trust's estate. Capital investment will be critical to ensuring longer term reductions.

Winter Pressures:
The Trust assumed within the re-plan that additional expenditure beyond the base run rate would be supported by additional income. At this stage, planned spend levels do fit within the funding allocated.

The Trust has not yet received any element of the additional funding. Therefore no funds are included in the year to date position. However, the primary forecast includes the full £1.5m winter funding. This remains at risk.

3. Activity, Contracting and Income:

Northern Lincolnshire CCGs:

As outlined previously regarding concerns over the overall affordability of the Aligned Incentive Contract and the potential health economy income gap of £4.8m, further discussion with Commissioner colleagues and NHS England have resulted in the provisional 3 way allocation of risk that had been proposed crystallising with NLAG's element rising from £1.4m to £1.75m. For NLAG, this is likely to be more advantageous than falling back upon a PbR value for these contracts, but still represents a further blow to I&E nor reflected in the FRP, or in prior agreements with CCGs.

Other Contract Clinical Income Flows:

At present, a minimal positive change on other contracts reflects accelerated non elective throughput. At this stage further risks may still materialise from the continued cancellation of non-urgent planned care work, to support management of winter urgent care demand.

Some degree of assessment is included in forecasts – but this may not reflect the full scale of activity losses across these contracts.

Non Clinical Income:

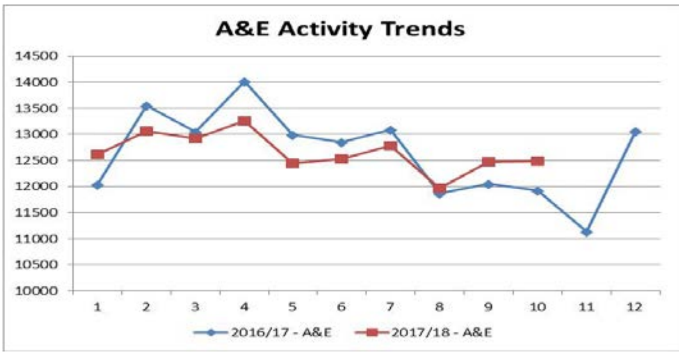
At this stage, no material variations against the revised target levels have materialised.

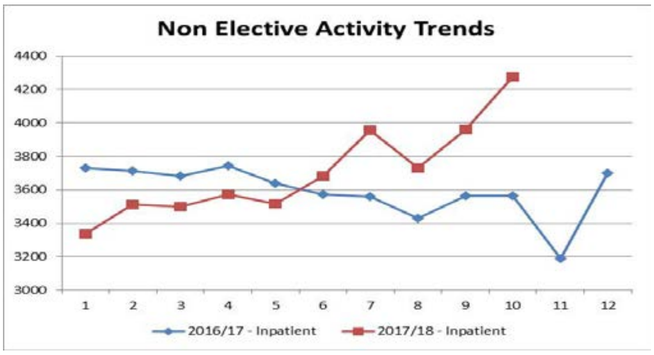
Activity Position:

The outturn to outturn summary of activity is shown in the following table (note that these numbers are not adjusted for service changes in Dermatology, Orthodontics and MIU, but are comprehensive headlines):

Activity Type	2016/17 YTD Activity	2017/18 YTD Activity	Year on Year YTD Variance	Year on Year YTD Variance %
A&E DPoW Attendances	55,096	56,027	931	1.7%
A&E SGH Attendances	56,704	56,833	129	0.2%
MIU Attendances	15,622	13,672	(1,950)	(12.5%)
Attendances Total	**127,422**	**126,532**	**(890)**	**(0.7%)**
Non Elective Spells	**36,191**	**37,044**	**853**	**2.4%**
Daycase	43,296	44,594	1,298	3.0%
Elective	6,188	5,486	(702)	(11.3%)
Planned Care Spells	**49,484**	**50,080**	**596**	**1.2%**
Outpatients - New	105,503	101,739	(3,764)	(3.6%)
Outpatients - Review	216,800	205,942	(10,858)	(5.0%)
Outpatients Total	**322,303**	**307,681**	**(14,622)**	**(4.5%)**

This data highlights a continuation of urgent care demand, with both DGH A&E numbers and non-elective admissions continuing at the higher levels seen since:

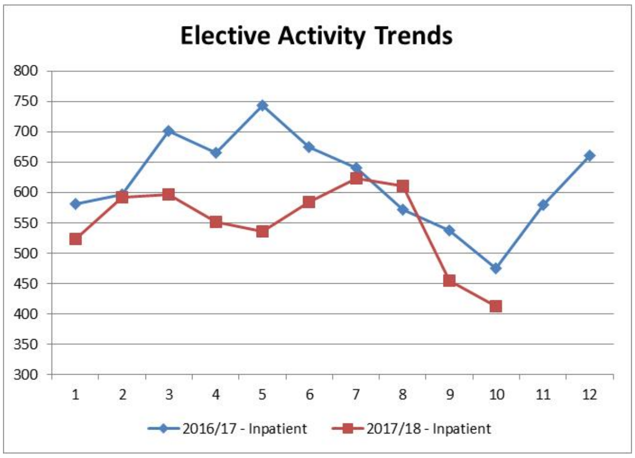


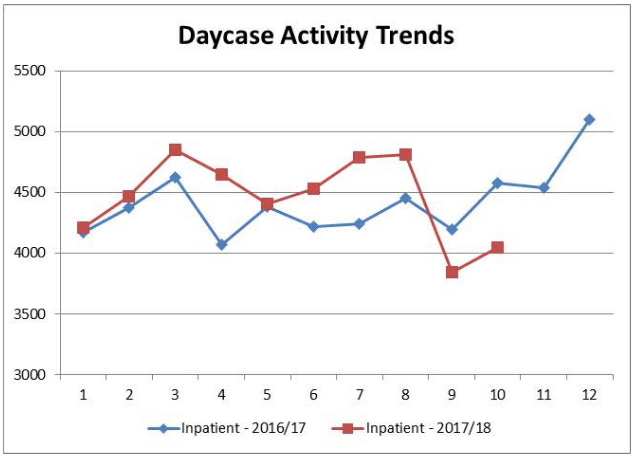


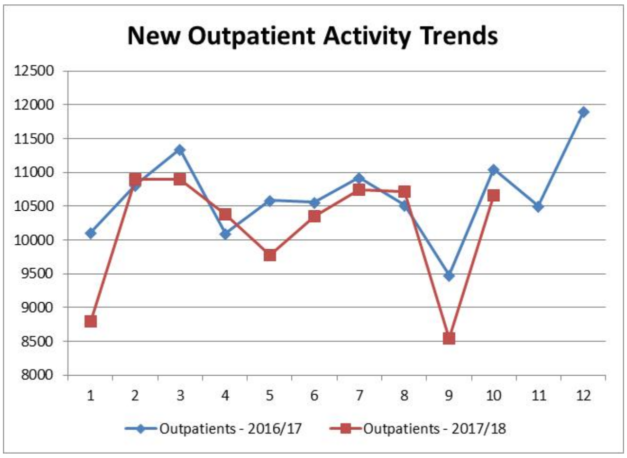
NLAG has responded to this pressure with a significant improvement in its use of Ambulatory Care pathways, particularly at the Diana site, which in turn has improved emergency length of stay.

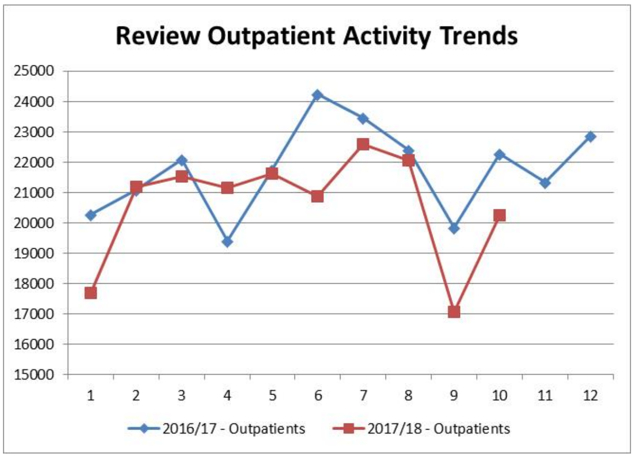
However, when the Non Elective demand is normalised for the increased ambulatory admissions there has been limited progress in length of stay reduction resulting in continued pressures on bed capacity and the use of escalation beds.

Planned care activity continues to run below last year's outturn and remains at reduced December levels as cancelled activity continued to support urgent care delivery. Activity on daycases remains above last year but also has not reverted to previous levels.









Clearly, there are balances and trade-offs between planned care cancellations to support urgent care, and the clinical harm, performance, and income implications of reduced planned care throughput. The Trust will need to consider what recovery actions will be required in 2018/19 for the impact this has had on its Waiting Lists.

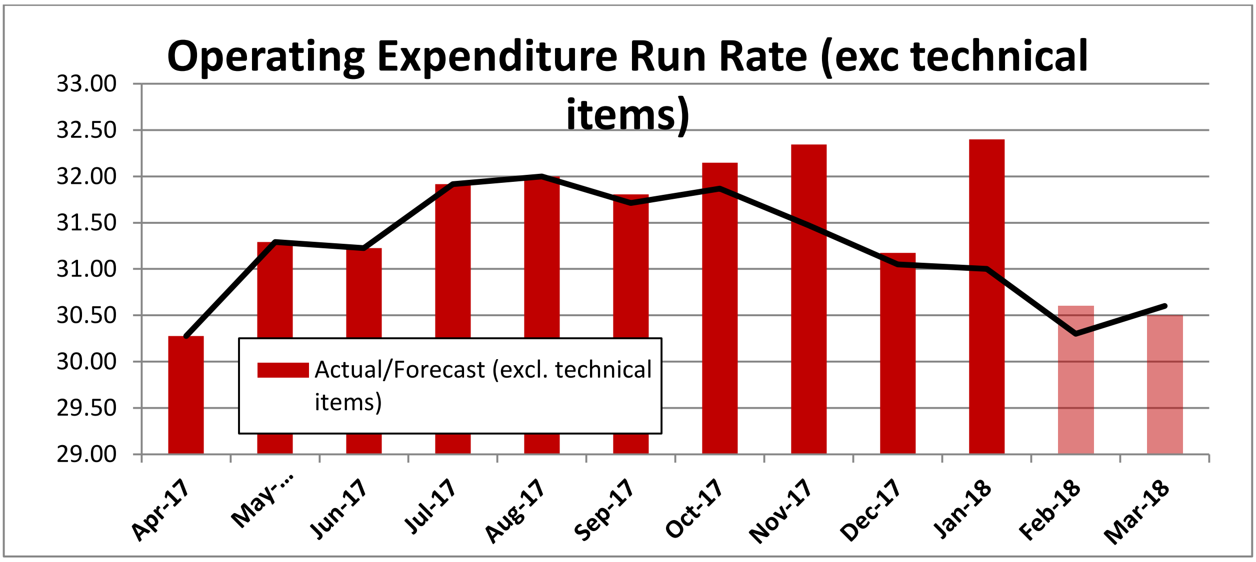
The Trust will need to be able to demonstrate to Commissioners and Regulators that appropriate controls have been in place to ensure effective management of clinical risk, use of available capacity, and redeployment of clinical staff freed up to support urgent care.

4. Expenditure and Savings Plan Delivery:

Total Operating Expenditure:

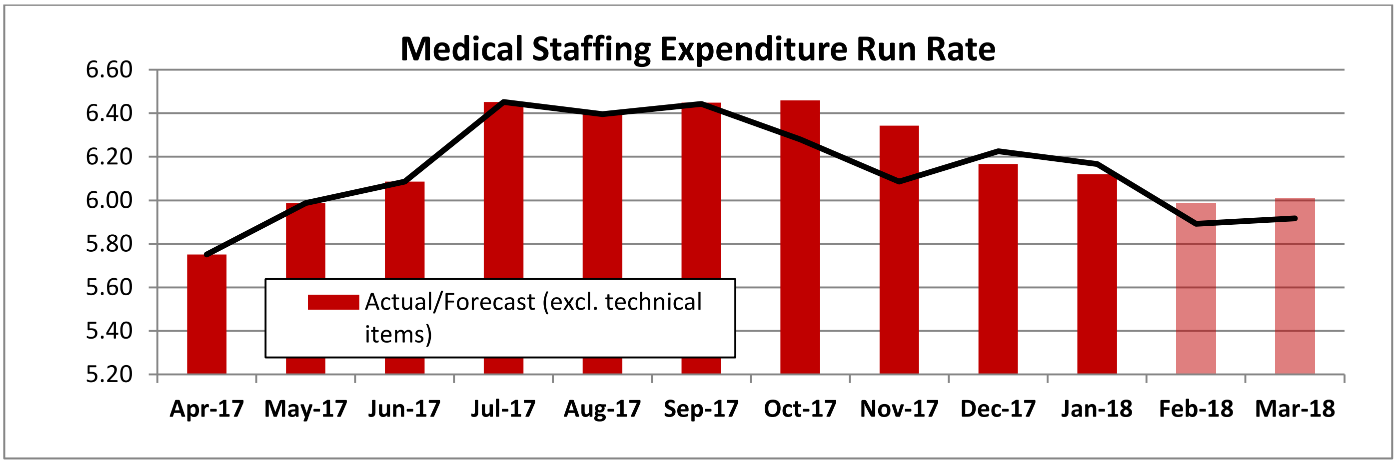
The Total Operating Expenditure Position, projected forward as per the primary forecast, highlights the anticipated slowing of progress on savings delivery:

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Operating Expenditure - Base Target	30.3	31.3	31.2	31.9	32.0	31.7	31.8	31.3	30.8	30.7	30.0	30.3
Winter Pressures Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.3	0.3	0.3
Operating Expenditure - Full Target	30.3	31.3	31.2	31.9	32.0	31.7	31.9	31.5	31.0	31.0	30.3	30.6
Actual/Forecast (excl. technical items)	30.3	31.3	31.2	31.9	32.0	31.8	32.1	32.3	31.2	32.4	30.6	30.5



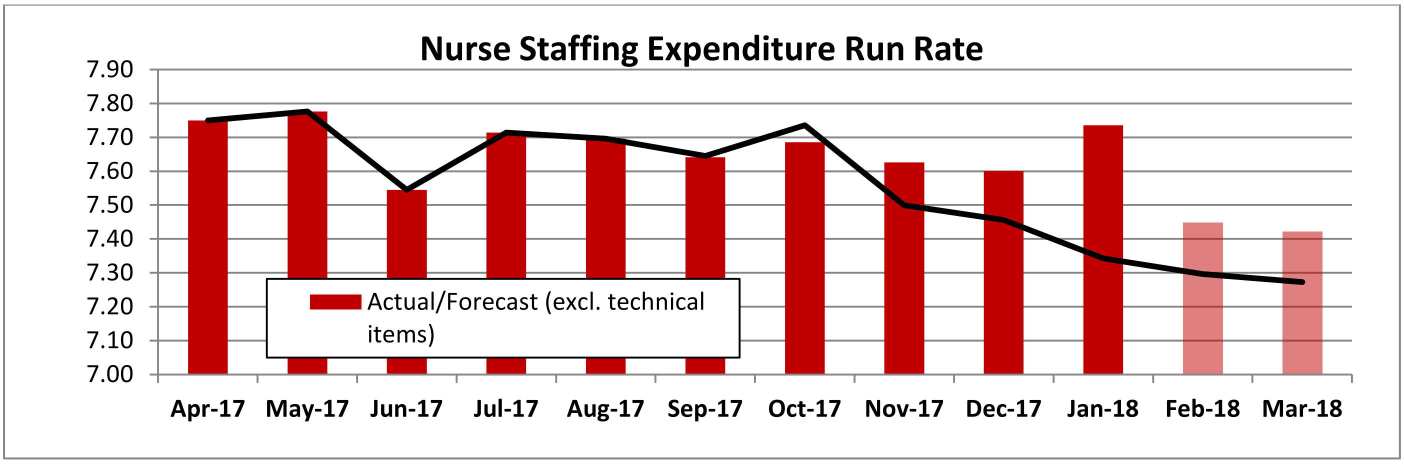
Medical Staffing – Potential FY Pressure: £0.57m:

January continued the positive run rate seen in December and is in line with plan. Continuation of the increased controls on temporary agency bookings and longer term locum engagements and the conversion of pipeline starters in the remaining months will be key in maintaining pace with the target spend levels.

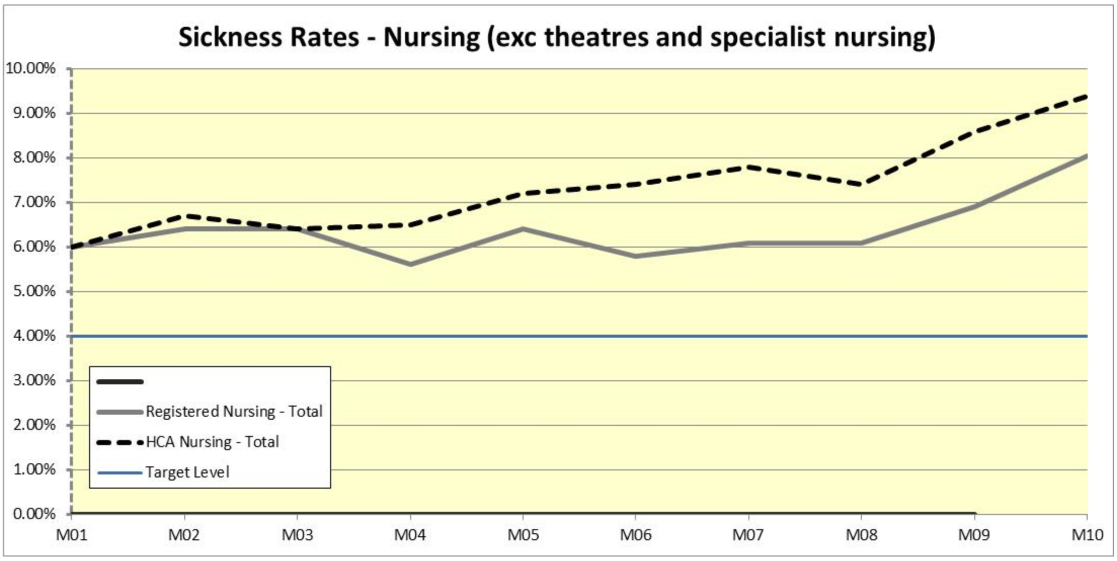


Nurse Staffing – Potential FY Pressure: £0.76m:

Progress in reducing the run rate in nursing spends continues to be difficult. Some progress had been made in turning the additional newly qualified cohort of nurses into reduced agency usage, but at this point the reduction in additional duties, bank and agency has not equated to the additional substantive staff in post – in effect, increased supply has increased total staff deployment.



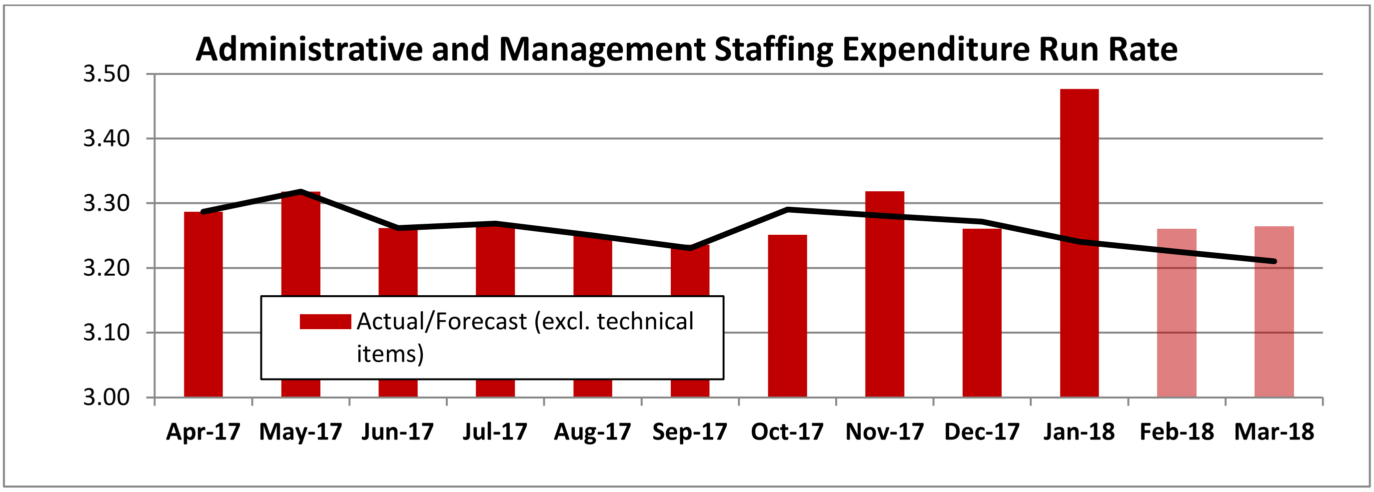
The high sickness rates seen in Quarter 3 have continued to rise in January exasperating further demand for premium agency and temporary staffing:



Pay, Non Clinical: Potential FY Pressure: £0.43m:

January saw a significant increase in spend offsetting gains in this area in previous periods where spend levels were consistent with plan. Whilst £0.12m of one of costs is included in month, the increase demonstrates a fundamental issue of control.

Further work is still needed to firm up plans to restructure non clinical areas, to support the process of vacancy control and natural wastage in reducing non clinical headcount. This will need to be a key feature of the 2018/19 plan.



Clinical Non Pay: Potential FY Pressure: £1.17m:

Activity increases in non-elective areas have pushed up clinical consumables costs, but there are also difficulties in delivering the full savings programme across clinical non pay.

Management and clinical engagement is proving difficult given the operational position and changes in management arrangements which are yet to be fully bedded down.

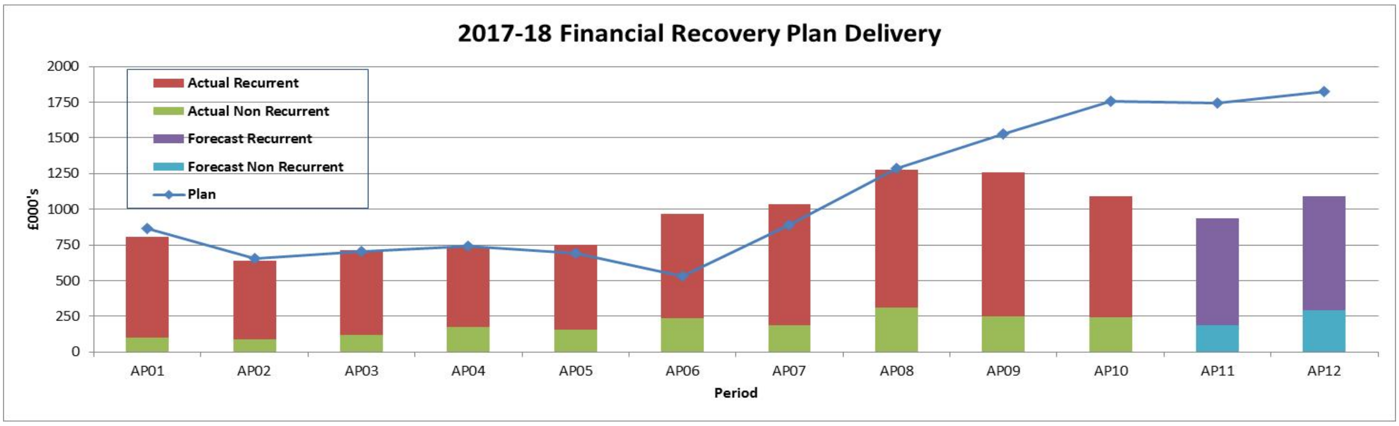
Savings Plan:

The Trust built into its FRP a core savings target of £13.2m, significantly weighted towards the second half of the year. Monitoring is now against the £13.2m value proposed for FRP. In addition, a further stretch target of £3.3m was built in to the recovery plan to close the gap to an overall deficit of £40.0m, made up of £1.6m of actions brought forward from 2018/19 to deliver in Q4, and a further £1.7m of technical balance sheet release measures. These items are currently being monitored separately, in order to support rather than confuse deliuvery on the core programme.

Year to date delivery in M10 has now fallen behind plan. Weaknesses in critical areas, clinical staffing and clinical procurement improvement, set the scene for shortfalls in the final quarter – these are areas with significant further savings to deliver and wil lbe the focus of recovery action in the remaining months of the year and form part of the 2018/19 plan.

Full year forecasts deterioated in month and now project a shortfall on delivery of £1.9m below the £13.2m core plan total:

Improving Together Summary	Improving Together Workstream	2017/18 PLAN	2017/18 YTD PLAN	2017/18 YTD DELIVERY	2017/18 YTD VARIANCE	2017/18 FORECAST DELIVERY	2017/18 FORECAST VARIANCE
1. Financial Control	Grip & Control	1,450	1,205	1,221	16	1,423	(27)
1. Financial Control Total		**1,450**	**1,205**	**1,221**	**16**	**1,423**	**(27)**
2. Workforce	Clinical Workforce - AHP Staff	523	384	271	(114)	331	(193)
	Clinical Workforce - Medical Staff	2,213	1,534	1,151	(384)	1,400	(812)
	Clinical Workforce - Nursing and Midwifery	1,913	1,107	719	(388)	890	(1,023)
	Non-Clinical Workforce - A&C (excl. Corporate)	49	43	51	8	60	11
2. Workforce Total		**4,699**	**3,068**	**2,192**	**(876)**	**2,681**	**(2,017)**
3. Efficiency	Clinical Productivity Improvement	2,120	1,522	1,962	440	2,508	388
3. Efficiency Total		**2,120**	**1,522**	**1,962**	**440**	**2,508**	**388**
4. Corporate	"Carter 7" - Corporate Structures and Roles	1,719	1,347	1,461	113	1,642	(77)
4. Corporate Total		**1,719**	**1,347**	**1,461**	**113**	**1,642**	**(77)**
5. Non-Pay	Non Pay and Procurement	2,854	2,176	2,019	(157)	2,473	(381)
5. Non-Pay Total		**2,854**	**2,176**	**2,019**	**(157)**	**2,473**	**(381)**
6. Income	Income Schemes	356	228	425	197	583	228
6. Income Total		**356**	**228**	**425**	**197**	**583**	**228**
Grand Total		**13,198**	**9,546**	**9,280**	**(266)**	**11,310**	**(1,888)**



Going Further Plan:

There remains scope to improve on the delivery position set out in the current core forecast, through tightening management controls, and also making progress on the “brought forward” actions over the remaining months of the year but time is a critical limiting factor.

Establishment redesign, linking to optimisation of bed capacity should be the focus for key clinical staff costs and deployment for both Nursing and Medical Staffing cost bases. This should contribute also to the 2018/19 planning cycle.

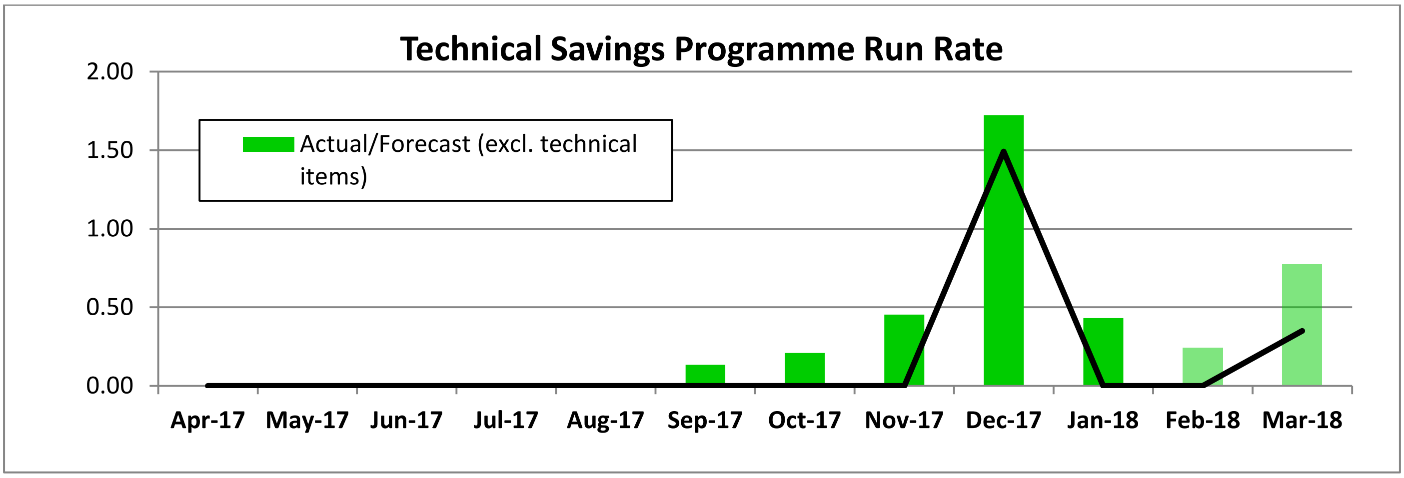
Redesign processes have suffered delays due to the operational pressures facing managers and clinical leaders, which have limited scope to undertake forward planning work.

Technical Balance Sheet Release Programme:

The Trust programme of balance sheet review has played back into I&E £2.95m already, the most significant items being £1.3m of historic restructuring and estates provisions. A review of accruals processes is also releasing significant amounts from the balance sheet, with a programme of work in this area expected to contribute up to £2.0m by the end of the financial year. At that point however, opportunities would be exhausted.

This non recurrent savings programme element provides time limited, non cash backed relief, to cover for shortfalls in other areas. However, it cannot offset the recurrent impact of non delivery of savings.

The major release points planned were at Q3 and Q4 quarter ends – when provisions would be released based upon revised assessment of future requirements. In addition, revisions of potential accrual procedures have been releasing smaller values each monyth since September.



5. Winter Planning:

The Trust had built into its pre FRP run rate a degree of winter plan response, based on service priorities to manage winter. This totalled £1.05m.

With the further development of the winter plan, and the increased priority placed nationally on A&E performance, it was anticipated that further funding would be made available, Additional expenditure plans within the winter plan were expected to live within the additional income made available. Income has been allocated to NLAG in two tranches, totalling £1.48m.

With the assumptions already built in to expenditure projections, a total envelope of £2.53m sets a limit on expenditure. Current projected spend commitments equal £2.19m, with potential further expenditure required through Q4 to mitigate further operational pressures. The breakdown of spend is shown in the table below:

SCHEME	In Base FRP	Additional	TOTAL	Envelope	Balance
Primary Care GP Streaming	344.4		344.4		
Ambulatory Care Medicine DPoW	41.5		41.5		
Ambulatory Care Surgery DPoW & SGH	10.0		10.0		
Escalation Beds - Nursing	180.1	402.1	582.2		
Safer Red2 Green	23.7	23.7	47.3		
Discharge & Onward Care			0.0		
Elective Pacing			0.0		
Saturday Trauma List SGH			0.0		
ED Extended ENP		20.9	20.9		
ED Extended Weekend Cover		84.0	84.0		
Mobile CT Scanner		315.0	315.0		
Additional Outsourced Reporting		36.0	36.0		
ECC Establishment Review	451.9	0.0	451.9		
Silver On Call Managers		19.4	19.4		
Site Management			0.0		
Amvale Patient Transport		98.8	98.8		
Extended Discharge Lounge			0.0		
Extended Weekend Ward Round			0.0		
Frailty DPoW		39.9	39.9		
Rapid Influenza Testing		7.2	7.2		
Operational Management			0.0		
Operational Management		49.7	49.7		
Operational Management			0.0		
Operational Management		41.0	41.0		
NLAG Total	**1,051.5**	**1,137.5**	**2,189.0**	**2,535.5**	**346.5**

It should be noted that the expenditure commitments in this schedule formed the Trust's winter response, irrespective of funding, and reflect the plan judged by the Trust Board as necessary to maintain safe services.

Winter Planning income has yet to be confirmed – a result of the Trust's FSM status and reforecast position. Should this funding not be received, it will have a direct impact on the Trust's declared I&E position.

6. Capital Programme:

Capital expenditure is progressing slowly; with spend to date only £5.93m of a £12.55m full year revised programme. Though major schemes (DPoW Residences and site redevelopment) are weighted towards the tail end of the year, revised delivery timelines mean that a significant proportion of expenditure will be pushed back into 2018/19.

The plan is now based on a month 10 reforecast – hence there are no YTD variances.

	Current Full Year Plan £mil	YTD Plan £mil	YTD Actual £mil	YTD Variance £mil
Major Schemes				
Major Equipment Replacement	0.56	0.12	0.01	(0.11)
DPoW Reconfiguration Programme	0.49	0.04	0.04	0.00
SGH & GDH Reconfiguration Programme	1.03	0.15	0.14	(0.01)
Community Equipment Facility	0.00	0.00	0.00	0.00
DPOW Estates Rationalisation	0.54	0.79	0.98	0.19
Residences Development	4.47	2.89	2.47	(0.42)
Energy Collaborative	0.45	(0.01)	(0.01)	0.00
Planning and Feasibility Fees	0.00	0.00	0.00	0.00
Facilities Maintenance Programme	2.62	1.70	1.25	(0.45)
IM&T Programme	1.02	0.82	0.41	(0.41)
Equipment Renewal Programme	1.17	0.54	0.45	(0.10)
Discretionary Funding	0.00	0.00	0.00	0.00
Donated	0.20	0.15	0.20	0.05
Capital Programme Total	**12.55**	**7.18**	**5.94**	**(1.25)**
Net Shift In Capital Creditors	0.71	(1.17)	(1.09)	0.09
Total Cash Impact Of Investment programme	**(11.84)**	**6.01**	**(7.02)**	**(1.16)**

The Trust has new capital funding bids under review for both diagnostic capacity (£12m across both DGH sites), and for ward refurbishment and redesign at DPoW (£14m). The Trust has received notification of £4.0m of capital to support diagnostic scanner capacity - part approval of the full multi-year £12m plan.

The Trust are working with NHSI both to establish how best the £4m can be utilised, and how the remainder of the programme can be taken forward either through capital to revenue transfers and also the re-prioritisation and phasing of individual capital projects.

Further capital planning work for next year will need to resolve tensions between the base replacement and maintenance programmes, IM&T priorities, and new developments:

- The Trust's 5 year multi-phase CT/MRI redevelopment plan;
- Replacing the DPoW CCU Unit, removing the current "portakabin" facility from the hospital roof;
- Redeveloping ITU/HDU facilities at both DGH sites;
- Ward refurbishment;
- Theatres infrastructure improvements at SGH;
- Goole Endoscopy washer replacement;
- Buildings maintenance backlog catch up;
- Cyber Security.

This process will continue through to finalising a financial plan for 2018/19 in March.

7. Balance Sheet, Cash and Working Capital:

The balance sheet summary is as follows:

	Last Month £mil	This Month £mil	Variance From Plan £mil
Total Fixed Assets	**145.96**	**146.83**	**(1.22)**
Stocks & WIP	2.71	2.65	(0.05)
Debtors	18.44	17.59	1.49
Prepayments	5.29	5.25	0.45
Cash	6.59	9.17	4.99
Total Current Assets	**33.03**	**34.66**	**6.88**
Creditors : Revenue	29.17	28.29	2.89
Creditors : Capital	1.11	1.60	0.09
Accruals	14.54	15.95	4.67
Deferred Income	4.35	2.87	0.00
Finance Lease Obligations	0.06	0.06	0.05
Loans < 1 year	1.86	1.86	1.33
Provisions	1.23	0.97	0.15
Total Current Liabilities	**52.33**	**51.59**	**9.18**
Net Current Assets/(Liabilities)	**(19.30)**	**(16.93)**	**(2.30)**
Debtors Due > 1 Year	0.22	0.22	0.00
Creditors Due > 1 Year	0.00	0.00	0.00
Loans > 1 Year	97.69	105.25	(1.33)
Finance Lease Obligations > 1 Year	0.01	0.01	(0.05)
Provisions - Non Current	5.15	5.15	(0.43)
TOTAL ASSETS/(LIABILITIES)	**24.03**	**19.72**	**(1.71)**
TOTAL CAPITAL & RESERVES	**24.03**	**19.72**	**(1.71)**

- Renewed efforts to rebuild contracting relationships have helped reduced Debtor levels. Although further concentrated effort is required to alleviate longstanding disputes with local Commissioners and Providers.

- Cash balances are stable but only due to cash support drawdowns.

- Creditor levels have improved but still remain high, reflecting ongoing action to optimise cash balances and reduce the Trust's loans requirement.

The balance sheet continues to reflect the fundamental imbalance in the Trust's financial position through the steadily increasing support loan value.

8. Budgetary Management:

The budgetary compliance position at Month 10 is as follows:

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance Fav/(Adv) £m	In Month Movement Fav/(Adv) £m
Central Income:					
NHS Clinical Income	319.36	265.79	252.24	(13.55)	(2.63)
Other Clinical Income	2.07	1.74	1.45	(0.29)	(0.11)
Education Income	8.34	6.98	6.99	0.00	(0.02)
Other Agreement Income	6.90	5.95	5.84	(0.11)	(0.03)
Other Income	0.25	0.24	0.24	0.00	(0.00)
Total Central Income	**336.92**	**280.70**	**266.75**	**(13.94)**	**(2.79)**
Corporate Directorates:					
Trust Management	(0.56)	(0.47)	(0.47)	(0.00)	0.02
Medical Director's Office	(2.47)	(2.05)	(2.00)	0.05	0.05
Governance and Performance Assurance	(1.96)	(1.65)	(1.61)	0.05	0.01
Finance and Procurement	(6.70)	(5.58)	(5.51)	0.07	(0.03)
Human Resources	(4.21)	(3.43)	(3.38)	0.05	0.16
Chief Nurse's Office	(3.32)	(2.73)	(2.54)	0.19	0.03
Strategy and Planning	(7.74)	(6.41)	(6.55)	(0.15)	0.05
Total Corporate Directorates	**(26.96)**	**(22.31)**	**(22.06)**	**0.25**	**0.28**
Facilities Management & Soft Services:					
Facilities Management	(0.43)	(0.35)	(0.36)	(0.00)	0.00
Estates Services	(8.97)	(7.34)	(7.48)	(0.14)	(0.00)
Commercial Services	(0.64)	(0.53)	(0.51)	0.02	0.00
Compliance	(0.39)	(0.29)	(0.29)	0.00	0.01
Facilities Services	(12.79)	(10.65)	(10.70)	(0.05)	(0.02)
Facilities Management & Soft Services	**(23.22)**	**(19.17)**	**(19.34)**	**(0.17)**	**(0.01)**
Operations:					
Operations Directorate	(4.25)	(3.58)	(3.38)	0.20	0.06
Surgery & Critical Care	(73.23)	(61.20)	(63.74)	(2.54)	(0.31)
Medicine	(97.44)	(81.49)	(84.06)	(2.57)	(0.93)
Women & Children's Services	(34.66)	(28.88)	(29.17)	(0.30)	(0.07)
Therapy & Community Services	(25.86)	(21.80)	(21.71)	0.09	0.02
Clinical Support Services	(34.44)	(28.78)	(29.12)	(0.34)	(0.06)
Total Operations	**(269.88)**	**(225.74)**	**(231.19)**	**(5.45)**	**(1.31)**
Total Pathlinks	**(13.96)**	**(11.57)**	**(11.66)**	**(0.09)**	**(0.08)**
Corporate & Capital Charges:					
Corporate and Capital Charges Budgets:	(28.04)	(23.31)	(19.46)	3.85	2.27
Unallocated CIP	0.00	0.00	0.00	0.00	6.23
Trust Earmarked Reserves Not Yet Drawn	(14.84)	(13.85)	0.00	13.85	15.53
Total Corporate & Capital Charges	**(42.88)**	**(37.16)**	**(19.46)**	**17.70**	**24.02**

TRUST TOTAL	**(39.97)**	**(35.25)**	**(36.96)**	**(1.71)**	**20.11**

The budgetary position has been adjusted to match to the £40.0m deficit target – however, operational budgets have not been reset back to the beginning of the year – instead, budgets from mid-year have been adjusted to reflect the additional recovery actions set out in the FRP.

It is still important that each operational division and Directorate must hit its month by month budget targets, in order to demonstrate appropriate control in delivering their element of the FRP.

This reflects the fact that the Trust need to recover underlying budgetary variances in 2018/19. Other budget variances from the first half of the current year have therefore not been written off in full.

Operations breakdown by Division continue to highlight how savings slippage on clinical staffing and to a lesser degree other costs, and issues of cost pressure control have driven material budget overspends in month and year to date:

Division	Annual Budget £	Current Month Budget £	Current Month Actual £	Current Month Variance £	YTD Budget £	YTD Actual £	YTD Variance
Medicine	(97,439,152)	(8,087,794)	(8,641,157)	(553,363)	(81,493,384)	(84,063,080)	(2,569,696)
Surgery & Critical Care	(73,229,935)	(6,170,441)	(6,259,180)	(88,739)	(61,201,389)	(63,736,978)	(2,535,589)
Clinical Support Services	(34,442,515)	(2,972,077)	(3,022,357)	(50,180)	(28,783,301)	(29,122,811)	(339,510)
Women & Children's Services	(34,655,960)	(2,916,530)	(2,937,494)	(20,964)	(28,875,835)	(29,174,688)	(298,853)
Path Links	(13,961,800)	(1,148,601)	(1,185,828)	(37,227)	(11,573,297)	(11,662,551)	(89,254)
Therapy & Community Services	(25,860,762)	(2,087,367)	(2,022,617)	64,750	(21,803,954)	(21,713,404)	90,550
Operations Directorate	(4,249,075)	(453,063)	(424,893)	28,170	(3,579,823)	(3,375,189)	204,634
Grand Total	**(283,839,199)**	**(23,835,873)**	**(24,493,426)**	**(657,553)**	**(237,310,983)**	**(242,848,701)**	**(5,537,718)**

Budgets continue to be adjusted for known winter pressures investments. This may be subject to further alteration once a definitive summary of winter investments has been presented by the Operations Directorate for approval by Trust Management Board.

9. Reserve Drawings and Financial Plan Changes:

The Trust plan included specific earmarked reserves. Commitments made against those reserves are monitored closely, to identify potential risks early. Also, a transparent reporting process will support effective sign off of material changes to plan by the Trust Board. The table below shows the current clinical and non-clinical investments committed or forecast:

Commitments	Pay and Inflation:	Activity Above Outturn:	Clinical Investments:	Non-Clinical Investments	Sustainability	Total
	10,581.0	6,218.0	1,325.1	300.0	2,852.2	21,276.3
Total Commitments	(10,620.7)	(3,758.3)	(1,447.3)	(3,045.5)	(2,771.2)	(21,643.0)
Remaining/(Overcommitted)	(39.7)	2,459.7	(122.2)	(2,745.5)	81.0	(366.7)
Rec. Remaining/(Overcommitted)	(54.6)	2,620.6	(1,977.4)	(608.8)	81.0	60.8

The overall reserve position remains overcommitted, given investments in non-clinical infrastructure and the response to special measures. This has been offset by lower spending on activity capacity which has improved further in month – driven by the capped expenditure programme, and the use of winter pressures allocations to cover additional urgent care activity expenditure.

10. Financial Special Measures:

The Trust has now reset its projections to reflect the £40.0m deficit maximum set by NHSI for the year.

The Trust has been clear about the potential delivery risks inherent in the £40.0m target, but has committed to deliver the best feasibly deliverable position. Current forecasts predict a deficit to plan of £44.47m. Concentrated effort over the remaining two months of the year will be required to address the shortfall.

NHSI remain supportive, and recognise the significant difficulties facing the Trust – the quality and performance dynamics, the strategic issues, the wider community's problems, and the rebuilding work required internally.

The financial plan development for 2018/19 is now well underway. Initial assumptions outline a forecast deficit of £40.6m, even after a successful delivery of a £20.1m savings programme. This falls well short of the initial target set out by NHSI for a deficit range of £20.0 to £23.0m.

Concentrated effort now needs to focus on developing a robust savings programme that delivers a minimum £20.1m target.

11. Conclusion:

January was a challenging month, with not only a run-rate deterioration in month that makes the delivery of the 2017/18 financial target at further risk, but also how it effects of the opening run-rate for 2018/19.

The Trust faces affordability driven challenges to its income base from local CCGs, and cancelled planned care activity threatens PbR based contract income. The Trust is working to mitigate these risks, but at this stage it is extremely unlikely they will be fully eliminated.

Difficulties in savings delivery, centred primarily on the clinical staffing cost base and clinical non-pay programme, have already pushed expenditure projections adrift of the target levels. The Trust also still has a significant amount to do to repair its core management capacity and capability, and embed improved controls and planning processes. Until this process is complete, delivery risks will be increased.

Winter planning costs currently remains controlled, with a robust service plan backed by clear financial assumptions. However, the additional income allocations still have yet to be released – a further risk.

The technical accounting agenda is providing short term mitigation and relief to the Trust bottom line– but this resource will be exhausted by the end of Q4.

Initial scoping suggest that next year remains extremely challenging, with the financial position of commissioners due to further deteriorate, affecting income, and many of the underlying risks to expenditure reduction still in play and deteriorating. The Trust will have difficulty in delivering financial and service improvements within a challenged wider health economy.

Marcus Hassall
Director of Finance
February 2018

Appendix I: Corporate Finance Information Pack:

Corporate Finance
Pack January 2018.xl

Appendix II: Reserves Summary:

2017-18 Reserve
Summary Mth 10.xlsx

Appendix III: Summary Report Submitted to NHSI:

Finance Summary
Report M10.docx