

Summary
The Trust is reporting a £23.7m year to date deficit at the end of September 2016. The Trust has assumed £3.6m of STF income for the year to date, which is £3.6m behind the planned position. The forecast for the year has now been revised to a £59.7m deficit following analysis of the key risks facing the trust. The financial plan requires significant improvement in performance from quarter 2 onwards. The revised forecast reflects the assessment of how much of the planned improvements will be delivered and of additional risks to the organisation.

Financial Sustainability Risk Rating R				Surplus (Deficit) £k R				Cash £k R			
Current Month Metrics											
Financial Metric	Plan	Actual	Variance		Actual /				Actual /		
Liquidity Ratio Metric	1	1	0	Year to Date £k	Plan	Forecast	Variance	Year to Date £k	Plan	Forecast	Variance
Capital Servicing Capacity metric	1	1	0		(14,055)	(23,666)	9,611		7,563	4,668	2,894
I&E Margin rating	1	1	0	Year End Forecast £k	(15,570)	(59,700)	44,130	Year End Forecast £k	3,167	3,668	(501)
I&E Margin Variance From Plan rating	1	1	0	The Trust is behind plan for the year to date position. This is partly due to the stepped increases in the efficiency programme to date not being achieved due to delays in both identifying detailed schemes and implementation. Further information on the progress to the Financial Improvement Programme (FIP) is covered below. The forecast has been reviewed in depth over recent weeks and the forecast outcome is now assessed as an overspend of £44.1m, comprising both income underachievement and overspends on pay and non pay.				The cash holding is behind plan because of the continuing pressure on working capital. The revised revenue deficit of £59.7m will require additional cash support of £44.1m. Currently the Trust has received £15.6m cash funding to back the initial revenue deficit. This cash support underpins the revenue deficit but does not cover the working capital shortfall which relates to the large commissioning income accrual from last year. An application for working capital support of £9.9m to cash back the 15/16 local commissioning debtors has been made and agreed by NHSI. If this is agreed by DH it will be drawn down in October, but will be repayable on settlement of the 15/16 debts. The year end level of cash holding is aligned with the DH maximum cash holding assumed for an organisation with revenue support and is dependent on achievement of the planned control total and planned revenue funding.			
Financial Sustainability Risk Rating	1	1	0								
Forecast Outturn Metrics											
Financial Metric	Plan	Actual /	Variance								
Liquidity Ratio Metric	1	Forecast	0								
Capital Servicing Capacity metric	1	1	0								
I&E Margin rating	1	1	0								
I&E Margin Variance From Plan rating	1	1	0								
Financial Sustainability Risk Rating	1	1	0								
The Financial Sustainability Risk Rating plan of 1 is the lowest possible rating and mirrors the revenue and liquidity pressures faced by the Trust. The forecast calculation now reflects the submitted projection that the control total deficit will not be met, hence the rating of 1 for variance to plan and 1 overall.											

Income £k A				Operating Costs £k R				Capital £k G			
	Plan	Actual /	Variance		Plan	Actual /	Variance		Plan	Actual /	Variance
Year to Date £k	274,640	Forecast	(110)	Year to Date £k	271,357	281,240	9,883	Year to Date £k	54,858	38,747	16,111
Year End Forecast £k	549,636	542,783	6,853	Year End Forecast £k	531,476	568,689	37,212	Year End Actual £k	95,453	95,708	(255)
Overall the Trust is reporting a year to date income position £0.1m above plan and forecasting £6.8m under performance for the full year, relating mainly to an under performance against CCG contract activity, provision for the settlement of 15-16 invoicing with CCG's, a shortfall in CQUIN delivery, a provision for challenges and penalties relating and non-delivery of STF of £10.8m.				Overall the Trust is £9.9m overspent against operating costs. Pay is overspending by £1.9m compared to plan and non-pay expenditure is overspent by £8.0m. The pay overspend is largely as a result of delays to delivering the planned efficiency savings. The non pay variance is partly attributable to drugs which are PBR excluded items and offset with income and partly due increases in expenditure on disposable items, outsourcing and slippage in non-pay savings. The forecast position assumes that these overspends on pay and non-pay will not be recovered in the remaining months of the year. The agency spend year to date is £4.5m, against the annual ceiling for the Trust of £12.8m.				The Strategic Capital programme is behind plan, with delays on both the decant programme and the Radiotherapy East scheme but it is expected to be completed in line with plan by the year end. The Operational Capital programme is similarly behind plan but forecast to be completed by the year end. The Operational Capital funding has been restricted in 2017; the current Operational Capital programme shows a forecast spend of £20.2m, with an over programming level to allow for slippage and changed priorities in year.			

Cost Improvement Plans £k R				Key Performance Metrics R				Key Risks:
	Plan	Actual /	Variance		Year to Date	Forecast		
Year to Date £k	6,630	Forecast	2,202	NHS Financial Performance	R	R	The key risks to forecast outturn for 2016/17 are Income – the Trust has set a plan higher than Commissioner contracts on the basis that QIPP schemes will not materially reduce Trust activity. The Trust has yet to finalise the payment of 15-16 year end contract income, with the value disputed up to £15m. SIFT income is a risk - the latest schedule from HEE KSS advises that we will receive £3.6m less than last year. Operational costs – continued overspends are impacting on the current and projected financial position. Full delivery of the £25.1m Efficiency Programme is at risk, work is ongoing to move the plans worked up alongside McKinsey's into implementation to ensure delivery.	
Year End Forecast £k	25,104	14,247	10,856	Financial Efficiency	R	R		
The Trust is currently under performing against the efficiency programme. The key shortfall is against pay savings, where there is a year to date adverse variance of £2.2m and a forecast adverse variance of £8.3m. Pay savings are being developed as part of the Phase 3 FIP process. Income savings are exceeding plan by £0.7m year to date and the variance is expected to grow to £2.0m by year end. Non-pay savings are behind plan by £0.7m year to date and the adverse variance is expected to grow to £4.5m by year end because of unidentified savings plans.				Underlying Surplus / Deficit	R	R		
				Capital and Cash	R	R		
				Trust Overall RAG Rating	R			
				The Trust has an overall RAG rating of RED.				

The Trust is reporting an adverse variance to budget of £9.6m at the end of Q2. This is partly due insufficient reductions in the run rate, as well as the stepped increase in the efficiency programme of £1.2m from July, further exacerbated by no income for sustainability and transformation plan funding for Q2 which equates to £3.6m. The forecast position has been significantly revised this month and takes account of the current run rate, shortfalls in income, and slippage in the progress of achieving the Financial Improvement Programme (FIP). A suite of further financial controls is being considered separately by the Board, to enable the Trust to meet improve its forecast outturn.

	Plan £k	Actual £k	Variance £k
(Surplus)/Deficit	14,055	23,666	9,611

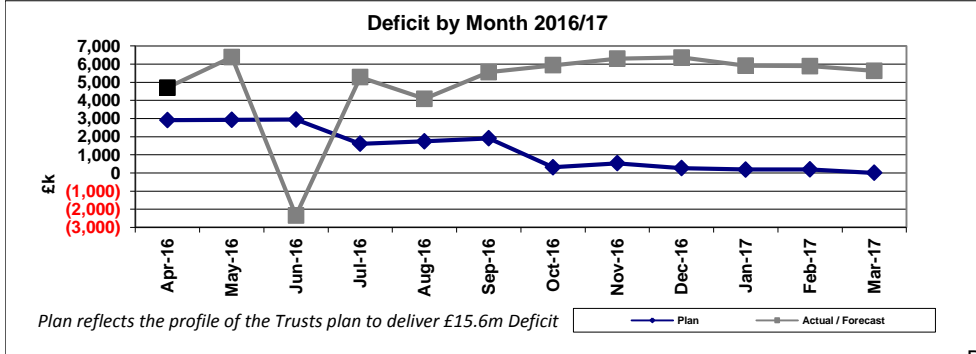
	Plan £k	Forecast £k	Variance £k
(Surplus)/Deficit	15,570	59,700	44,130

The Trust has an unfavourable variance to September partly due to delays in the development and implementation of savings plans. The non achievement of the STF over the last three months as well as SIFT income being lower than planned also contributes to lower income than planned. In addition there continues to be an overspend on nursing pay, disposable items, which needs addressing, and high levels of overspend on drugs, particularly PBR excluded drugs, and outsourcing. The last two costs are offset with income.

The year end position now assumes that the Trust will not achieve planned performance, and will overspend compared to plan by £44.1m. The planned reducing levels of monthly expenditure in the year to date are not being achieved for a variety of factors...

	Plan £k	Actual £k	Variance £k
Income	(274,640)	(274,750)	(110)
Pay	170,624	172,538	1,913
Non-Pay	100,733	108,702	7,969
EBITDA *	(3,283)	6,490	9,772
EBITDA %	1.2	-2.4	
Profit / Loss on Disposal of Fixed Assets	-	-	-
Interest Payable	2,769	2,756	(13)
Interest Receivable	(24)	(20)	4
Depreciation	10,857	10,889	32
Impairments	-	-	-
Public Dividend Capital	3,926	3,926	-
Net (Surplus) / Deficit	14,245	24,041	9,794
Reverse Impairment	-	-	-
Other Adjustments	(190)	(375)	(185)
Reverse IFRS technical charge	-	-	-
Performance against Control Total	14,055	23,666	9,611
Surplus %	-5.1	-8.6	

	Plan £k	Actual £k	Variance £k
Income	(549,636)	(542,783)	6,853
Pay	334,279	350,617	16,338
Non-Pay	197,197	218,072	20,875
EBITDA *	(18,160)	25,905	44,065
EBITDA %	3.3	-4.8	
Profit / Loss on Disposal of Fixed Assets	-	-	-
Interest Payable	5,617	6,333	716
Interest Receivable	(48)	(42)	6
Depreciation	20,997	20,981	(16)
Impairments	15,500	15,500	-
Public Dividend Capital	7,385	6,790	(595)
Net (Surplus) / Deficit	31,291	75,467	44,176
Reverse Impairment	(15,500)	(15,500)	-
Other Technical Adjustments	(221)	(267)	(46)
Reverse IFRS technical charge	-	-	-
Performance against Control Total	15,570	59,700	44,130
Surplus %	-2.8	-11.0	



The plan reflects the April 2016 NHSI submission and is based achievement of the planned control total for the year. Capital funding for 3Ts and the Radiotherapy East scheme are in place for the year and is being drawn down to match capital expenditure. The year end level of cash holding is aligned with the DH maximum cash holding assumed for an organisation with revenue support and is dependent on achievement of the planned control total and planned revenue funding. The Cash Committee manages the risks around liquidity.

	Plan £k	Actual £k	Variance £k
Cash Balance	7,563	4,668	(2,894)

Year End Forecast			
	Plan £k	Actual £k	Variance £k
Cash Balance	3,167	3,668	501

The September cash holding is below plan.

The plan and actual cash holding has been aligned to the DH maximum cash holding assumed for an organisation with revenue support.

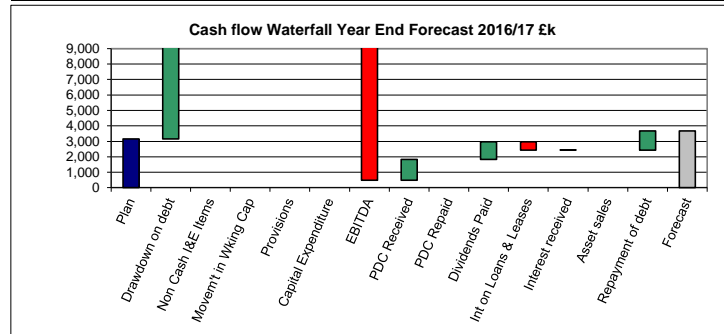
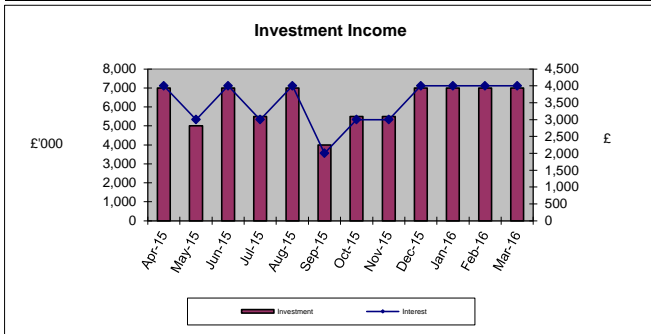
Year to Date			
	Plan £k	Actual £k	Variance £k
EBITDA	3,283	(6,490)	(9,772)
Non Cash I&E Items	-	-	-
Movement in Working Capital	1,241	1,597	356
Provisions	141	(38)	(179)
Cashflow from Operations	4,665	(4,931)	(9,595)
Capital Expenditure	(52,251)	(36,676)	15,575
Cash receipt from asset sales	-	-	-
Cashflow before financing	(47,586)	(41,607)	5,980
PDC Received	36,309	28,990	(7,319)
PDC Repaid	-	-	-
Dividends Paid	(3,693)	(3,133)	560
Interest on Loans and leases	(2,538)	(2,507)	31
Interest received	24	20	(4)
Drawdown on debt	26,174	23,314	(2,860)
Repayment of debt	(4,470)	(3,752)	718
Cashflow from financing	51,806	42,932	(8,874)
Net Cash Inflow / (Outflow)	4,220	1,325	(2,894)
Opening Cash Balance	3,343	3,343	-
Closing Cash Balance	7,563	4,668	(2,894)

Year End Forecast			
	Plan £k	Actual £k	Variance £k
EBITDA	18,160	(25,905)	(44,065)
Non Cash I&E Items	-	-	-
Movement in Working Capital	3,809	(4,765)	(8,574)
Provisions	(1,350)	(1,529)	(179)
Cashflow from Operations	20,619	(32,199)	(52,818)
Capital Expenditure	(90,357)	(84,653)	5,704
Cash receipt from asset sales	-	-	-
Cashflow before financing	(69,738)	(116,852)	(47,114)
PDC Received	62,916	64,260	1,344
PDC Repaid	-	-	-
Dividends Paid	(7,386)	(6,231)	1,155
Interest on Loans and leases	(5,344)	(5,886)	(542)
Interest received	48	42	(6)
Drawdown on debt	26,574	71,002	44,428
Repayment of debt	(7,246)	(6,010)	1,236
Cashflow from financing	69,562	117,177	47,615
Net Cash Inflow / (Outflow)	(176)	325	-
Opening Cash Balance	3,343	3,343	-
Closing Cash Balance	3,167	3,668	501

The Revolving Working Capital Facility has been extended by a further £1m draw down in September to bring the balance on the facility to £19.2m. This facility underpins the revenue deficit but does not cover the working capital shortfall which relates to the commissioning debts outstanding from 15-16. Debtors and accrued income remains high because of this legacy debt. With little improvement in debtors and the revenue position the backlog of overdue creditor accounts continues to increase and this places enormous pressure on creditor payments as well as impacting on day to day operations.

The revised revenue deficit of £59.7m will require additional cash support of £44.1m. Currently the Trust has received £15.6m cash funding to back the initial revenue deficit. An application for working capital support of £9.9m to cash back the 15/16 locked commissioning debtors has been made and agreed by NHSI. If this is agreed by DH it will be drawn down in October, but will be repayable on settlement of the 15/16 debts.

The 3Ts funding for this year is all PDC backed, and amounts to £64.2m. The monthly drawdown is based on the overall capital funding requirement for that month. This means that any shortfall in operational capital expenditure releases operational capital funding before PDC can be drawn down. The Radiotherapy East loan of £11.2m will be drawn down in year as required.



Risks.

The cashflow is based on the assumption that the forecast control total is achieved, the Trust is paid for the agreed level of performance and the outstanding commissioning income for 15-16 is resolved without loss.

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Rolling Cashflow

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The rolling cashflow spans two financial years and starts with the current month's actual results which are forecast forward another eleven months, to provide a full forward year cashflow forecast.

Year To Date	Plan	Actual	Variance	Year End Forecast			Year End Forecast 16/17			Plan		
	£k	£k	£k	Plan	Actual	Variance	Plan	Actual	Variance	£k		
	7,563	4,668	(2,894)	3,167	3,668	501				3,168		
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
	Act	For	For	For	For	For	For	For	For	For	For	For
EBITDA	(2,522)	(3,217)	(3,444)	(3,518)	(3,132)	(2,991)	(3,113)	(104)	(110)	(123)	1,235	1,108
Non Cash I&E Items	-	-	-	-	-	-	-	-	-	-	-	-
Movement in Working Capital	10,491	(2,868)	(17,624)	2,249	10,687	(3,129)	4,323	4,155	(2,578)	(1,853)	(6,704)	3,009
Provisions	36	(1,538)	57	35	-	-	(45)	127	4	(20)	(18)	12
Cashflow from Operations	8,005	(7,623)	(21,011)	(1,234)	7,555	(6,120)	1,165	4,178	(2,684)	(1,996)	(5,487)	4,129
Capital Expenditure	(5,002)	(4,531)	(3,083)	(15,807)	(8,651)	(5,771)	(10,134)	(8,648)	(14,247)	(10,039)	(1,038)	(13,002)
Cash receipt from asset sales	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow before financing	3,003	(12,154)	(24,094)	(17,041)	(1,096)	(11,891)	(8,969)	(4,470)	(16,931)	(12,035)	(6,525)	(8,873)
PDC Received	3,662	5,153	6,656	5,314	4,751	7,265	6,131	7,024	8,504	8,000	4,631	3,905
PDC Repaid	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid	(3,133)	-	-	-	-	-	(3,098)	-	-	-	-	-
Interest on Loans and leases	(1,176)	(222)	(444)	(222)	(223)	(406)	(1,862)	(220)	(445)	(221)	(223)	(222)
Interest received	2	3	3	4	4	4	4	4	4	4	4	4
Drawdown on debt	1,057	9,975	16,523	12,365	(2,848)	5,889	5,784	1,938	9,176	4,374	2,163	6,740
Repayment of debt	(2,376)	(128)	(552)	(128)	(128)	(440)	(882)	(128)	(552)	(128)	(128)	(440)
Cashflow from financing	(1,964)	14,781	22,186	17,333	1,556	12,312	6,077	8,618	16,687	12,029	6,447	9,987
Net Cash Inflow / (Outflow)	1,039	2,627	(1,908)	292	460	421	(2,892)	4,148	(244)	(6)	(78)	1,114
Opening Cash Balance	3,629	4,668	7,295	5,387	5,679	6,138	6,560	3,668	7,816	7,572	7,566	7,488
Closing Cash Balance	4,668	7,295	5,387	5,679	6,138	6,560	3,668	7,816	7,572	7,566	7,488	8,602

Overall the Trust is reporting a year to date position of £0.1m above plan. This is £0.5m lower than last month, with income from PbR exclusions continuing to be higher than commissioned levels. The over performance is offset by an increase in the provision for contract adjustments/challenges to £2.4m. Commissioner activity is over performing against non-elective, critical care, outpatients and PbR excluded items. There is a shortfall in SIFT funding of £1.2m in the year to date position; the Trust was expecting a reduction, but not to this level and is discussing this with HEE. The Trust is forecasting a year-end under performance of £6.8m due to the provision for known risks, which are listed in the section below.

Year To Date	Plan £k	Actual £k	Variance £k
Total Income	(274,640)	(274,750)	(110)

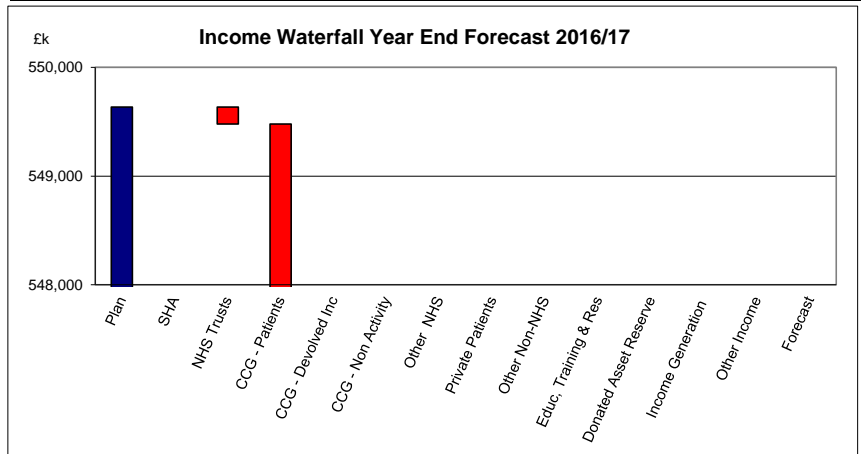
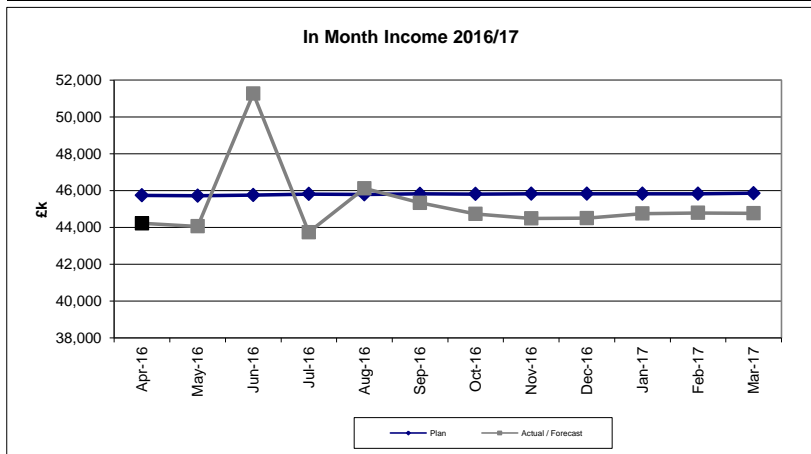
Year End Forecast	Plan £k	Forecast £k	Variance £k
Total Income	(549,636)	(542,783)	6,853

Overall the Trust is reporting an over-achievement year to date of £0.1m. The STF has not been included for Quarter 2. Income from activity is over performing for non elective, critical care, outpatients and PbR excluded drugs/devices. The Trust has increased its provision for contract adjustments and challenges to £2.4m, an increase of £1.2m in month. There is a shortfall on SIFT of £1.7m and research projects of £0.7m.

The Trusts income forecast has moved from a surplus of £5m to a deficit of £6.9m. Within this the revised forecast for income from Commissioners includes provisions for: the 15/16 settlement £2.7m, CQIUN shortfall £1.2m, Readmissions/Non-elective marginal rate £4.2m and challenges/penalties £3m. The shortfall on SIFT has increased by £1.5m to £2.7m.

Year To Date	Plan £k	Actual £k	Variance £k
Income			
NHS Trusts	(4,118)	(4,152)	(34)
Clinical Commissioning Groups	(240,757)	(243,218)	(2,461)
Other NHS	(38)	(18)	20
Private Patients	(2,282)	(2,388)	(106)
Other Non-NHS	(855)	(953)	(98)
Other Patient Related Income	(1,103)	(633)	470
Local Authority Income	(2,153)	(2,249)	(96)
Overseas Visitors Income	(115)	(164)	(49)
Income From Activities	(251,422)	(253,776)	(2,354)
Education & Training Income	(16,237)	(14,490)	1,747
Research & Development Income	(3,289)	(2,562)	728
Transfers from Donated Asset Reserve	0	0	0
Income Generation	(1,085)	(1,280)	(195)
Other Income	(2,608)	(2,643)	(35)
Other Operating Income	(23,219)	(20,975)	2,244
Total Income	(274,640)	(274,750)	(110)

Year End Forecast	Plan £k	Forecast £k	Variance £k
Income			
NHS Trusts	(8,403)	(8,245)	158
Clinical Commissioning Groups	(481,601)	(478,216)	3,385
Other NHS	(76)	(30)	46
Private Patients	(4,592)	(4,476)	116
Other Non-NHS	(1,710)	(1,808)	(98)
Other Patient Related Income	(2,205)	(1,393)	813
Local Authority Income	(4,306)	(4,391)	(85)
Overseas Visitors Income	(247)	(273)	(25)
Income From Activities	(503,141)	(498,832)	4,309
Education & Training Income	(32,459)	(29,793)	2,666
Research & Development Income	(6,579)	(5,981)	597
Transfers from Donated Asset Reserve	0	0	0
Income Generation	(2,173)	(2,534)	(361)
Other Income	(5,284)	(5,643)	(358)
Other Operating Income	(46,495)	(43,951)	2,544
Total Income	(549,636)	(542,783)	6,853



Risks

The Trust has set an income plan higher than the value of the signed contracts by £4.4m. The difference is due to the assessment of QIPP plans & the impact of the Clinical Networks workstream. Some elements of the NHSE plan have still to be finalised such as RTT activity, the Radiotherapy plan and its QIPP program

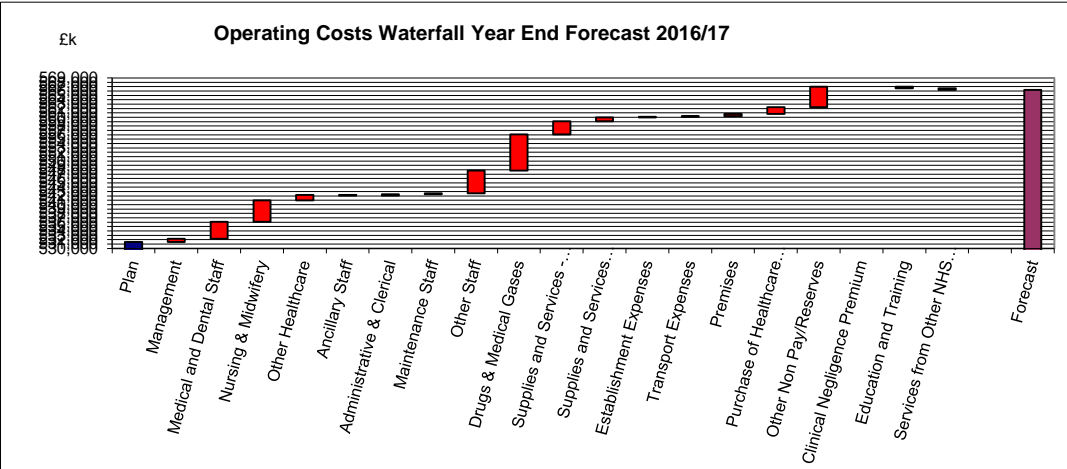
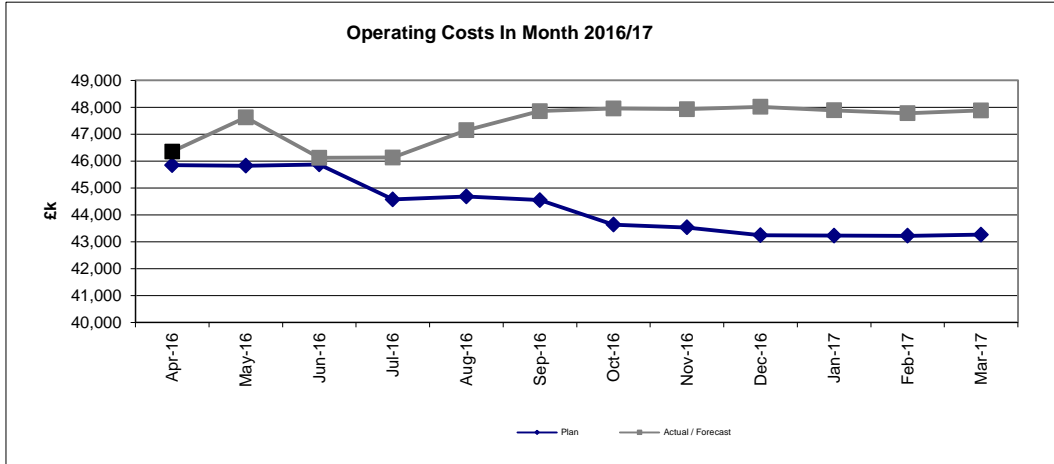
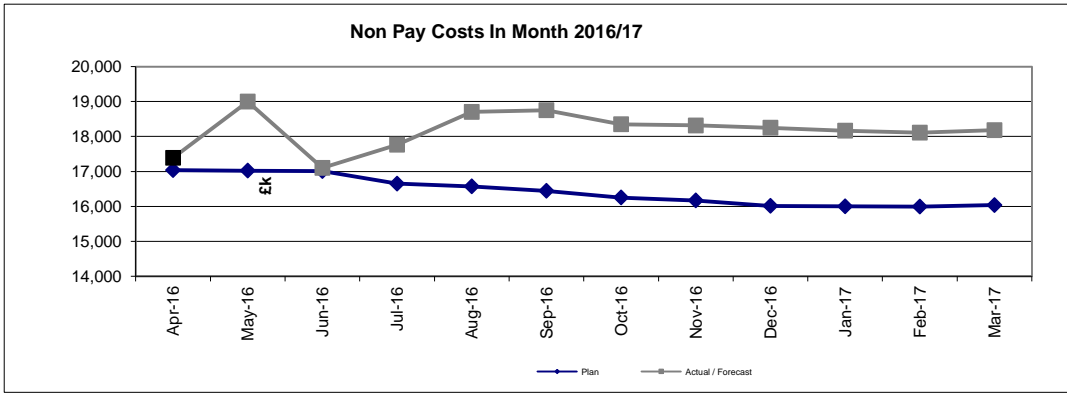
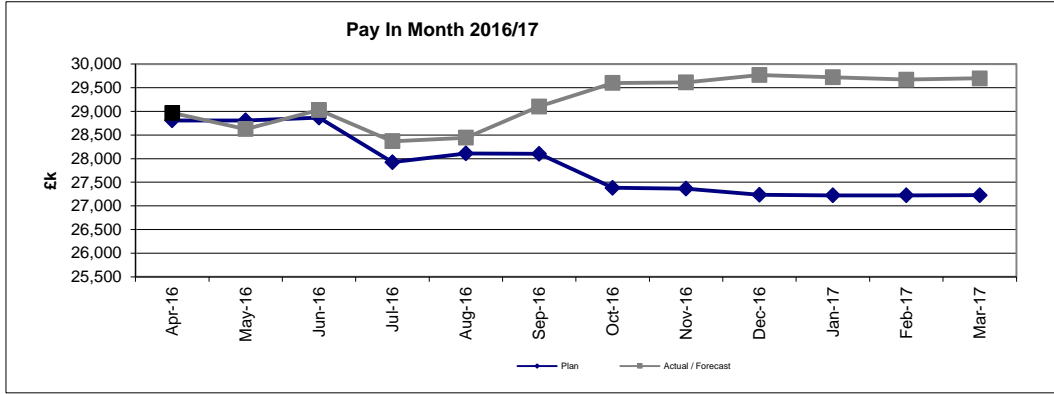
Overall the Trust is reporting a £9.9m overspend against operating costs. Pay expenditure is overspent by £1.9m and non-pay expenditure is overspent by £8.0m. The Trust has spent £4.5m on agency staff in the year-to-date against the annual ceiling of £12.8m. The target of further reducing costs through cost improvements continues to be a significant challenge; this is reflected in the forecast which now sees the trust exceeding its plan.

Year To Date				Year End Forecast			
	Plan £k	Actual £k	Variance £k		Plan £k	Forecast £k	Variance £k
Pay	170,624	172,538	1,913	Pay	334,279	350,617	16,338
Non Pay	100,733	108,702	7,969	Non Pay	197,197	218,072	20,875
Operational Costs	271,357	281,240	9,883	Operational Costs	531,476	568,689	37,212

The Trust is overspent by £9.8m on operating costs at month 6. The pay costs in the month are higher than the costs of previous months due to the cost of August bank holiday enhancements, a backdated compliance payment to junior doctors, the understatement of the bank staff provision in the prior month and increased volumes of bank staff. Action will be undertaken to address the last two points. The Trust is £8.0m overspent on Non Pay budgets, with the highest levels of overspend continuing to be on drugs. This is partially due £4.3m of expenditure on PBR excluded drugs & devices which is offset with income. The rest is a mixture of an increase in consumables in all areas, some of which relates to increased activity and some to an ongoing increase in disposable spend, continued outsourcing activity offset with income and slippage in the non pay efficiencies.

The forecast position have been thoroughly review this month and revised in line with the current run rate, the assumed cost pressures, income achievement and the slippage in the FIP programme. All the CIPS budget targets have been allocated to directorates so the true costs of the services compared to resources are now transparent. The forecast continues to assume that the PbR excluded drugs & devices is offset with income. Whilst the Financial Improvement Programme work done with McKinsey's has identified schemes to further reduce our costs, additional financial control measures have not yet been introduced to manage the pay and non-pay overspends down by the end of the year. The forecast now reflects impact of costs not reducing in line with budget reductions.

Year To Date				Full Year			
	Plan £k	Actual £k	Variance £k		Plan £k	Forecast £k	Variance £k
Pay				Pay			
Management	7,166	6,774	(392)	Management	14,331	15,075	743
Medical and Dental Staff	50,414	51,336	922	Medical and Dental Staff	99,634	103,525	3,891
Nursing & Midwifery	64,491	65,855	1,364	Nursing & Midwifery	128,006	132,915	4,908
Other Healthcare	23,262	23,589	327	Other Healthcare	46,219	47,428	1,210
Ancillary Staff	7,326	7,257	(68)	Ancillary Staff	14,651	14,504	(147)
Administrative & Clerical	16,538	16,017	(521)	Administrative & Clerical	33,076	33,369	293
Maintenance Staff	1,480	1,309	(171)	Maintenance Staff	2,960	3,212	252
Other Staff	(83)	375	458	Other Staff	(4,662)	532	5,194
Trust Chair & Non-Executive Directors	32	26	(5)	Trust Chair & Non-Executive Directors	63	56	(7)
Total Pay	170,624	172,538	1,913	Total Pay	334,279	350,617	16,338
Non-Pay				Non-Pay			
Drugs & Medical Gases	34,619	38,646	4,027	Drugs & Medical Gases	69,063	77,347	8,284
Supplies and Services - Clinical	28,128	30,324	2,196	Supplies and Services - Clinical	56,115	59,115	3,000
Supplies and Services General	3,351	4,033	682	Supplies and Services General	6,693	7,570	877
Establishment Expenses	3,256	2,926	(331)	Establishment Expenses	6,307	6,404	97
Transport Expenses	605	670	65	Transport Expenses	1,210	1,402	192
Premises	10,275	10,513	237	Premises	20,953	21,477	524
Purchase of Healthcare from Non NHS provider	3,039	3,817	778	Purchase of Healthcare from Non NHS provider	5,972	7,513	1,541
Consultancy	1,276	1,224	(52)	Consultancy	2,533	5,016	2,483
Other Non Pay/Reserves	(343)	391	734	Other Non Pay/Reserves	(4,218)	415	4,633
CNST Premium	9,639	9,638	(1)	CNST Premium	19,277	19,276	(1)
Education and Training	2,070	1,836	(234)	Education and Training	4,141	3,824	(316)
Services from Other NHS Bodies	4,670	4,551	(119)	Services from Other NHS Bodies	8,856	8,435	(422)
Audit Fees	148	135	(13)	Audit Fees	295	278	(17)
Total Non-Pay	100,733	108,702	7,969	Total Non-Pay	197,197	218,072	20,875
Total Expenditure	271,357	281,240	9,883	Total Expenditure	531,476	568,689	37,212



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Statement of Financial Position

The Trust Statement of Financial position is produced on a monthly basis, and reflects changes in the asset values, as well as movement in liabilities. The plan is the NHSI plan submitted in April 2016.

	1 April 16		Year to Date			Notes		Full Year		Notes	
	Actual	Plan	Actual	Variance	Plan			Forecast	Variance		
	£k	£k	£k	£k	£k			£k	£k		
Property, Plant and Equipment	351,733	400,666	379,657	(21,009)	1		Property, Plant and Equipment	406,803	409,339	2,536	1
Intangible Assets	425	407	407	-			Intangible Assets	389	389	-	
Other Assets	2,744	3,581	2,969	(612)			Other Assets	3,025	2,414	(611)	
Non Current Assets	354,902	404,654	383,033	(21,621)			Non Current Assets	410,217	412,142	1,925	
Inventories	7,118	7,049	7,430	381			Inventories	7,200	7,585	385	
Trade and Other Receivables	61,075	39,467	50,917	11,450	2		Trade and Other Receivables	45,320	51,873	6,553	2
Cash and Cash Equivalents	3,344	7,564	4,667	(2,897)	3		Cash and Cash Equivalents	3,168	3,668	500	3
Non Current Assets Held for Sale	63	-	63	63			Non Current Assets Held for Sale	-	63	63	
Current Assets	71,600	54,080	63,077	8,997			Current Assets	55,688	63,189	7,501	
Trade and Other Payables	(80,635)	(67,420)	(75,781)	(8,361)	2		Trade and Other Payables	(67,429)	(75,718)	(8,289)	2
Borrowings	(7,934)	(4,830)	(6,434)	(1,604)	4		Borrowings	(4,780)	(6,384)	(1,604)	
Other Financial Liabilities	-	-	-	-			Other Financial Liabilities	-	-	-	
Provisions	(236)	(339)	(231)	108			Provisions	(250)	(141)	109	
Other Liabilities	-	-	-	-			Other Liabilities	-	-	-	
Current Liabilities	(88,805)	(72,589)	(82,446)	(9,857)			Current Liabilities	(72,459)	(82,243)	(9,784)	
Borrowings	(121,934)	(146,742)	(142,996)	3,746	4		Borrowings	(144,416)	(188,480)	(44,064)	
Trade and Other Payables	-	(1,657)	-	1,657			Trade and Other Payables	(1,657)	-	1,657	
Provisions	(1,787)	(1,877)	(1,772)	105			Provisions	(1,943)	(1,840)	103	
TOTAL ASSETS EMPLOYED	213,976	235,869	218,896	(16,973)			TOTAL ASSETS EMPLOYED	245,430	202,768	(42,662)	
Financed by:							Financed by:				
Public Dividend Capital	(247,752)	(284,061)	(276,742)	7,319			Public Dividend Capital	(310,668)	(312,012)	(1,344)	
Retained Earnings	79,401	87,980	79,399	(8,581)			Retained Earnings	87,980	79,399	(8,581)	4
Surplus/(Deficit) for Year	-	14,245	24,071	9,826			(Surplus)/Deficit for Year	31,291	75,467	44,176	
Revaluation Reserve	(45,625)	(54,033)	(45,624)	8,409	4		Revaluation Reserve	(54,033)	(45,624)	8,409	4
TOTAL TAXPAYERS EQUITY	(213,976)	(235,869)	(218,896)	16,973			TOTAL TAXPAYERS EQUITY	(245,430)	(202,770)	42,660	

1. Capital expenditure is below plan because of slippage on all schemes; strategic capital is behind plan by £8.2m and operational capital by £7.9m.

2. Debtors have decreased when compared to August as a result of the settlement of some legacy 15-16 debts, however the other legacy CCG debts (including the uninvoiced accrued income from August) remain outstanding and therefore in excess of plan. There is a possibility that the 15-16 CCG debts will go to arbitration, and if this is the case the current position is likely to remain unchanged for several months. The value of creditors (trade and other payables) remains excessively high because of the unpaid debtors and revenue deficit.

3. PDC of £3.7m was drawn down in month to support the 3Ts expenditure and a further £1.0m of revenue funding was drawn down which increases the Revolving Working Capital Facility provided in year to £19.2m. This facility is supporting the revenue deficit but cashflow remains very difficult because of the significant commissioning debts outstanding from last year.

4. The variance compared to plan for the Revaluation Reserve relates to the final valuation on the estate at last year end.

1. The full year capital expenditure plan assumes that the agreed PDC funding of £64.2m is released in year, there are no delays to the 3Ts work programme, the Radiotherapy East programme is completed in year, the balance of the capital investment loan (£9.2m) is drawn down in year; and that there is no slippage in the operational programme in year.

2&3. Debtors, creditors and cash are dependent on the Trust revenue performance for the year. The forecast is based on the achievement of the revised deficit of £59.7m. Revenue funding of £15.6m has already been drawn down in respect of the initial planned deficit. A further £44.1m will be required to cash back the revised deficit. Interim funding of £9.9m has been requested and approved by the NHSI as a short term working capital loan to support working capital and provide the cash that is locked up in unpaid 15-16 commissioning debtors.

5. The change in the revaluation reserve reflects the results of the annual estates valuation carried out at the end of last year by Gerald Eve and includes this transfer from the revaluation reserve to retained earnings.

The capital report shows Strategic and Operational capital expenditure for year to date and the full year outturn compared to the NHSI submitted plan.

	Plan £k	Actual £k	Variance £k	Year End Actual	Plan £k	Actual £k	Variance £k
Strategic Capital	43,295	35,093	8,202	Strategic Capital	75,556	75,556	-
Operational Capital	11,563	3,654	7,909	Operational Capital	19,897	20,152	(255)
Total	54,858	38,747	16,111	Total	95,453	95,708	(255)

Strategic Capital. The £3.7m underspend on 3Ts is mainly due to the delays in the Decant work. The Helideck and the Trauma Lift work is progressing; the site wide services and drainage diversions work are nearing completion. PDC funding of £3.7m was received in September and a further £5.2m has been requested for October. Work on the Radiotherapy East scheme work is underway. Operational Capital. There have been a number of delays to operational schemes, particularly the Medical equipment replacement and Estates schemes where design specifications have been reworked and access to areas denied; this has slowed expenditure on many of the schemes. These issues are being addressed and it is expected that work on schemes will accelerate from October through to the end of the year.

Strategic Capital. The Plan and Forecast of £64.25m for 3Ts is in line with the DH cashflow expectation and overall Capital requirement. Laing O'Rourke, the contractors are preparing an updated forecast for 16-17 based on the latest programme of works. The decant forecast reflects the NHSI instruction to include the additional Clinical Admin Building (CAB) works within 3Ts scope.

Operational Capital. The funding available in 2016-17 is severely restricted, particularly as much of the funding was pre-committed to the completion of schemes approved and started in the previous year. As a result the funds available for equipment replacement, estates backlog and IT infrastructure were less than requested. The programme has experienced some delays and re-phasing which has resulted in an overall reduction to the programme spend. The CRL limit shows a forecast overspend of £2.2m and this will be managed by changes and slippage in the programme so that the overall programme will be matched to the available capital funding (CRL).

	Plan £k	Actual £k	Variance £k		Plan £k	Actual £k	Variance £k
Income - (CRL excluding donated income)	(58,376)	(38,747)	(19,629)	Income - (CRL excluding donated income)	(92,449)	(93,536)	1,087
Strategic Capital				Strategic Capital			
3Ts Project Team	294	348	(54)	3Ts Project Team	588	616	(28)
3Ts Main Scheme - Design and Works	33,172	30,388	2,784	3Ts Main Scheme - Design and Works	59,087	59,059	28
3Ts Decant (incl St Marys)	4,178	3,161	1,017	3Ts Decant (incl St Marys)	4,576	4,576	-
Radiotherapy East	5,651	1,196	4,455	Radiotherapy East	11,305	11,305	-
Total Strategic Capital	43,295	35,093	8,202	Total Strategic Capital	75,556	75,556	-
Operational Capital				Operational Capital			
Major Projects (>£1m)				Major Projects (>£1m)			
SPECT CT Nuclear Medicine	1,000	-	1,000	SPECT CT Nuclear Medicine	1,000	1,000	-
Compact LINACS	1,000	413	587	Compact LINACS	1,000	501	499
Electrical Substation - TKT Services	2,000	-	2,000	Electrical Substation - TKT Services	2,300	2,300	-
EPR	486	421	65	EPR	1,008	1,016	(8)
Replacement CT PRH	150	-	150	Replacement CT PRH	1,300	1,100	200
Small Projects (<£1m)				Small Projects (<£1m)			
Medical Equipment Replacement	3,519	871	2,648	Medical Equipment Replacement	5,639	5,610	29
IM&T Infrastructure	648	167	481	IM&T Infrastructure	2,008	1,976	32
Estates Infrastructure	2,168	1,354	814	Estates Infrastructure	3,450	4,139	(689)
Service Development	592	428	164	Service Development	2,192	2,510	(318)
Total Operational Capital	11,563	3,654	7,909	Total Operational Capital	19,897	20,152	(255)
(Under)/Overspend against CRL	(3,518)	-	(3,518)	(Under)/Overspend against CRL	3,004	2,172	832

Finance Report Month 6 2016/17

Aged Debtors

The Trust debtors are a mixture of invoiced debtors, accrued income and prepayments. The level of invoiced debtors has increased by £18m since the end of August mainly due to the final invoicing of the 15/16 activity to Commissioners.

Invoiced Debtors	Within	1 Month	2 Months	3 Months	Total	Current	Prior	Notes	Other Receivables	Current	Prior
	Terms	Overdue	Overdue	Overdue		Month	Month				
	1-30 Days	31-60 Days	61-90 Days	Over 90 Days		Over 30 Days	Over 30 Days				
	£k	£k	£k	£k		£k	£k			£k	£k
CCG's	7,229	1,167	1,100	3,325	12,821	5,592	4,841	1	Accrued Income		
Trusts	741	826	225	2,497	4,289	3,548	3,750	2	Work In Progress	3,978	3,978
Other NHS	7,391	32	-	676	8,099	708	1,239	3	CCG Service Level Agreements	11,391	25,972
Other Debtors	460	241	87	1,092	1,880	1,420	1,355	4	Injury Cost Recovery Fund	2,040	2,040
Private Patients	410	91	89	713	1,303	893	903	5	Other	3,692	6,285
Overseas	23	5	36	326	390	367	370		Total Accrued Income	21,101	38,275
Total Invoiced Debtors	16,254	2,362	1,537	8,629	28,782	12,528	12,458		Prepayments		
Provision for Bad Debts (including RTA Provision)					(7,966)				Maintenance & Other Contracts	5,302	6,124
Accrued Income					21,101			6	NHS Litigation	1,959	1,632
Prepayments					7,261				Other	0	0
Other Debtors					1,739				Total Prepayments	7,261	7,756
Total Trade & Other Receivables					50,917						

1. CCGs. The CCGs overdue balance is a mixture of old year balances (£599k of the 3Ts transitional support, PBR exclusions costs of £688k, Dermatology costs of £337k and activity income of £390k) and in-year commissioning income shortfalls of £981k. One CCG is withholding £0.9m every month from their commissioning income (cumulative to date £3.5m) pending agreement of the 15/16 contracts. The increase in the current month debt relates to the issuance of the final invoices to CCGs for 15/16 activity. The NCA debtors over 30 days have decreased by £145k, and the over 90 days have decreased by £66k.

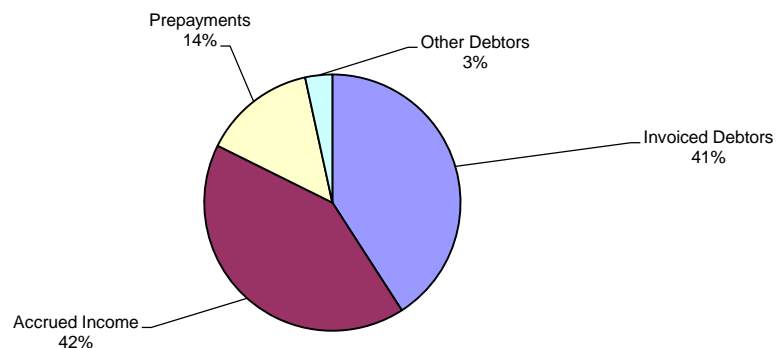
2. Trusts. The local organisations account for 94% of the total debt (Aug 94%). Back to back cash settlements of debtor and creditor balances are being used with several of the local organisations to manage the indebtedness but this is not working efficiently. The organisation that had placed a stop on settlements pending agreement of SLA contracts for services between the two organisations has agreed to make an on account payment while the SLA contracts are being agreed.

3. Other NHS. The over 90 days is relates to the EPR funding debt of £627k.

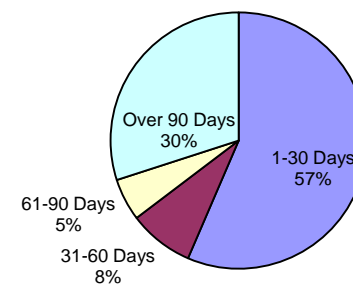
4. Other Debtors. The over 30 days balance has increased by £65k compared to August.

5. Private Patient overdue debts have decreased by £10 since last month.

Trade and Other Receivables



Invoiced Debtors Ageing



The efficiency programme is behind plan by £2.2m year to date and the forecast has been revised to recognise expected delivery. The latest estimate shows that the trust will not achieve £10.9m of the target £25.1m savings due to slippage and operational issues. There is some over performance on income schemes which maximise revenue capture through improved controls this has mitigated some of the under-achieving areas.

Cost Improvement Plans		Year to Date			Year End		
		Plan £k	Forecast £k	Variance £k	Plan £k	Forecast £k	Variance £k
		6,630	4,428	(2,202)	25,104	14,247	(10,856)

Themes		Year To Date			Year End		
		Plan £k	Actual £k	Variance £k	Plan £k	Forecast £k	Variance £k
Back Office & Commercial	Income	1,172	1,920	747	2,560	4,553	1,993
Back Office & Commercial	Non Pay	3,117	2,466	(651)	7,125	6,355	(770)
Clinical Workforce	Pay Skill	1,259	-	(1,259)	3,776	1,128	(2,648)
Major IT Programme	Non Pay	36	-	(36)	108	-	(108)
Medical Workforce	Pay Skill	852	-	(852)	2,557	-	(2,557)
Medical Workforce	Pay WTE	-	-	-	284	402	118
Operational Estate	Non Pay	25	25	(0)	50	50	(0)
Operational Productivity	Income	86	-	(86)	258	222	(36)
Operational Productivity	Pay WTE	-	-	-	3,889	1,266	(2,623)
Operational Productivity	Non Pay	-	-	-	3,662	-	(3,662)
Transformation	Income	-	-	-	18	18	-
Workforce	Pay Skill	83	18	(65)	316	50	(266)
Workforce	Pay WTE	-	-	-	500	203	(297)
Efficiency Plan Total		6,630	4,428	(2,202)	25,104	14,247	(10,856)

The efficiency plan is phased over the year with stepped increases to the monthly plan from July, where the plan increased by £1.2m per month and another £1.2m per month from October on top of the July value. While a number of initiatives are worked up and scoped, they have yet to start, reducing the chances of their being achieved in full in 16/17, hence the revised forecast.

