


Agenda Item 6

		THE HEALTH SCRUTINY COMMITTEE FOR LINCOLNSHIRE	
Boston Borough Council	East Lindsey District Council	City of Lincoln Council	Lincolnshire County Council
North Kesteven District Council	South Holland District Council	South Kesteven District Council	West Lindsey District Council

Open Report on behalf of Kevin Turner, Acting Chief Executive,
United Lincolnshire Hospitals NHS Trust

Report to	Health Scrutiny Committee for Lincolnshire
Date:	16 September 2015
Subject:	United Lincolnshire Hospitals NHS Trust – Financial Position

Summary:

The purpose of this item is to provide the Health Scrutiny Committee for Lincolnshire with information on the financial position of United Lincolnshire Hospitals NHS Trust. It was reported to the Trust's Board on 1 September 2015 that the Trust had recorded a deficit of £21.679 million for the period 1 April to 31 July 2015.

Actions Required:

- (1) To consider and comment on the actions proposed by United Lincolnshire Hospitals NHS Trust in response to their financial position for 2015/2016, in particular ascertaining the extent of the impact of the financial position on patients.
- (2) In the light of any impact on patients, to determine whether the Committee would wish to receive further reports on the Trust's financial position during the course of the year.

1. Background

On 1 September, the Board of United Lincolnshire Hospitals NHS Trust, which meets every month, considered its standard report on its financial position. The report's highlights included the following: -

- A deficit for the year to date (ending 31 July 2015) of £21.679 million.
- The July 2015 position is £7.825 million worse than the planned position at this point in the year, and that is consistent with a £40.3 million deficit for 2015/2016.

The report to the Trust Board is attached at Appendix A to this report

2. Conclusion

The Health Scrutiny Committee for Lincolnshire is requested to consider and comment on the actions proposed by United Lincolnshire Hospitals NHS Trust in response to their financial position for 2015/2016, in particular ascertaining the extent of the impact of the financial position on patients.

The Committee is also asked to determine whether the Committee would wish to receive further reports on the Trust's financial position during the course of the year.

3. Consultation

This is not a consultation item.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Report to United Lincolnshire Hospitals NHS Trust Board – 1 September 2015: Finance Report.

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Pen Anderson, Deputy Director of Finance, United Lincolnshire Hospitals NHS Trust, 01522 573573 Pen.Anderson@ulh.nhs.uk

UNITED LINCOLNSHIRE HOSPITALS NHS TRUST
Financial Performance Report – July 2015

1. Introduction

- 1.1 This paper presents the financial performance of the Trust for the first four months of the 2015/16 financial year.

2. Corporate Income and Expenditure Position

- 2.1 A deficit of £21.679m for the period to 31st July 2015 is reported. The in-month deficit was £4.140m, as opposed to £4.993m in June, £6.255m in May and £6.291m in April.
- 2.2 The position at the end of July was £7.825m worse than budget.
- 2.3 Income was £0.464m above plan whilst expenditure showed a £8.260m adverse variance. Depreciation, dividend and interest were collectively £30k adverse.

3. Income

- 3.1 Income receivable was £137.659m and £0.464m above plan.
- 3.2 NHS patient care income was £0.175m below target. Appendix 3 provides more detail on the variances by point of delivery and shows over performance to date in A&E, day cases, outpatient follow ups and outpatient procedures. This is counter-balanced by the under performance in the first three months on elective activity and outpatient firsts.
- 3.3 Other income was £0.636m above plan as a result of over performance on non-clinical service level agreements.

4. Expenditure

- 4.1 Pay expenditure was £102.132m, £5.934m over budget.
- 4.2 The pay position included an adverse variance of £3.109m on nurse staffing budgets, resulting mainly from agency cover for vacancies, sickness and staffing additional beds open through the month. The monthly overspend on nursing fell from £700k in June to £535k in July.
- 4.3 The pay position also included an adverse variance of £2.914m on doctors. Whilst the monthly over spend on doctors fell from £1.015m in June to £0.673m in July, this largely reflected the removal in July of shifts from prior months which were not worked. Continued high levels of medical post cover give a year to date expenditure of £7.549m on agency and extra duty payments.
- 4.4 Non-pay expenditure was £50.943m, £2.326m over budget. After accounting for drugs and non-clinical contract expenditure reflected in income and for unmet

savings budgets, the position was £1.084m overspend across the remainder of non-pay.

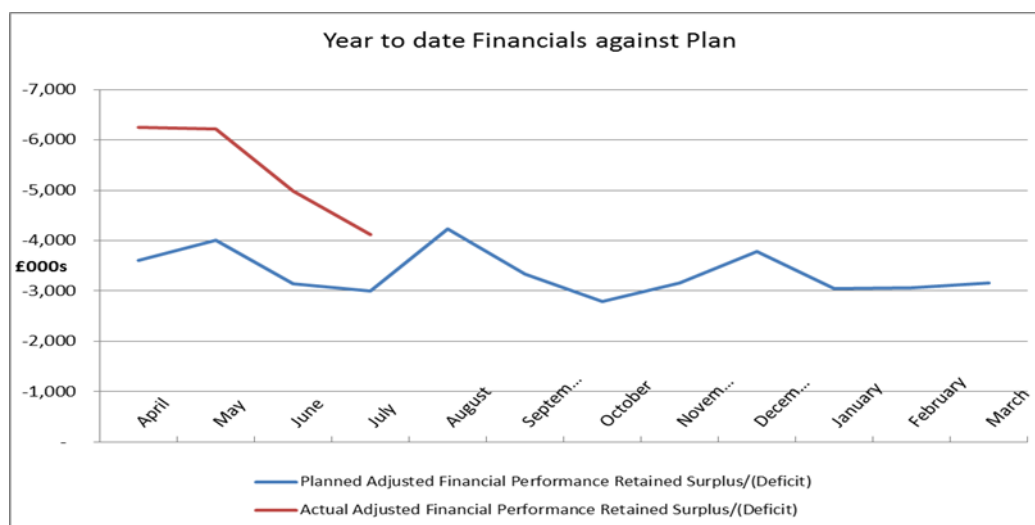
5. Savings

5.1 Savings totalling £0.851m were delivered in July. This was £460k behind the targeted level for the month. The programme has now delivered savings totalling £3.955m and is £0.954m behind the year to date targeted level, mainly due to there being no savings realised against non-permanent pay costs and the trajectory for the year increasing month on month.

5.2 Progress has been made in identifying schemes to the full programme value with around £5m arising since Month 2 and a similar sum still to find.

7. Overall Position Summary

7.1 The July financial position saw a further substantial in month deficit, albeit lower than the previous three months as shown in the graph below. Overspending, particularly on medical and nursing staff, continues to drive the in-month financial position. The in-month position in July improved because of a combination of reduced over spending and a higher income level.



7.2 Behind the numbers, the Trust continued to have higher than planned numbers of beds open, due to maintained increases in delays to discharging medically fit patients, at a level covering both the additional beds and a significant element of the elective bed base.

7.3 In order to achieve the planned level of deficit for the year, recovery needs to be focused around large reductions in pay costs in particular, accompanied by savings delivery and continued income performance at contracted levels.

8. Recovery Plan

- 8.1 It is acknowledged that the month 4 position is not acceptable and significant management and leadership time is being given to recovering the in-year additional monthly run rate to return to the original plan.
- 8.2 A full list of identified schemes can be found in the table below. The delivery of these schemes in full would fall short of the requirement by circa £4m and work is still on going to risk assess each scheme in terms of quality and safety impact and financial contribution. It is anticipated that following a robust risk assessment process the likelihood of full delivery will diminish. Concurrently with this risk assessment further actions are being considered to explore if any of the delivery risks could be mitigated further thereby realising additional savings.

Workforce Schemes	
1	Nursing Controls
2	Nursing Recruitment and Retention
3	Medical Staff Controls
4	Vacancy Control for all other staff
5	Sickness/Absence Reduction (all staff)
6	Remove unfunded posts
Income Schemes	
1	Reduction in LOS (Securing additional income)
2	Improve day case throughput
3	Negotiate return of Contractual Fines
4	Improvement in Best Practice Tariff
5	Improved Data Capture
Tactical Schemes	
1	Closure of Escalation Beds
2	Non Pay Controls
3	Funding for CNST
4	Control on Training and Travel Costs
5	Capital spend to reduce depreciation
6	Improve productivity of clinical sessions
7	Suspend OD work and other secondments

9. Cash and Capital

- 9.1 Cash held at 31st July 2015 was £2.9m. This was below plan, despite lower capital expenditure at £1.91m, due to impact of the income and expenditure position. The Trust must hold a minimum £2.3m cash balance under the new borrowing rules.
- 9.2 The new borrowing rules allow the Trust to draw up to a maximum of 30 days operating expenses in cash through the Interim Revolving Working Capital Facility which is effectively an overdraft for Trusts. This equates to a limit of £36.6m for the Trust. As at 31st July 2015 £20.1m had been drawn.

The Trust paid 81.41%, by value, and 83.13%, by volume, of its invoices within 30 days during the first four months of 2015/16.

10. Recommendation

- 10.1 The Board is asked to NOTE the Trust's financial position at 31st July 2015, which was a deficit of £21.679m and the need for substantial improvement on a month by month basis.

David Pratt
Director of Finance and Corporate Affairs
August 2015

Appendix 1

Financial Performance - July 2015

Trading Position

Four months ending 31 July 2015

2014-15 Year end		2015-16 Annual FIMS Plan	2015-16 Annual Internal Plan	Year to Date			Forecast Outturn		
				Internal Plan	Actual	Surplus/ (Deficit)	Plan	Actual	Surplus/ (Deficit)
£k		£k	£k	£k	£k	£k	£k	£k	£k
	Income								
395,007	Revenue from Patient Care Activities	377,747	377,747	125,498	125,323	(175)	377,747	377,747	0
37,895	Other Operating Revenue	38,379	38,379	11,657	12,292	636	38,379	38,379	0
348	Receipt of govt granted /donated	120	120	40	43	3	120	120	0
433,250	Total Income	416,246	416,246	137,194	137,659	464	416,246	416,246	0
	Expenditure								
(290,059)	Pay	(299,837)	(299,837)	(96,198)	(102,132)	(5,934)	(299,837)	(299,337)	500
(141,487)	Non Pay	(137,699)	(137,699)	(48,617)	(50,943)	(2,326)	(137,699)	(137,297)	402
(431,546)	Total Expenditure	(437,536)	(437,536)	(144,815)	(153,075)	(8,260)	(437,536)	(436,634)	902
	Earnings before interest,tax,depreciation and amortisation (EBITDA)	(21,290)	(21,290)	(7,620)	(15,416)	(7,796)	(21,290)	(20,388)	902
1,704	Profit/Loss(-) on disposals				16	16		0	0
(10,508)	Depreciation	(12,123)	(12,123)	(3,809)	(3,741)	68	(12,123)	(12,123)	0
2	Impairment				0	0		0	0
(6,448)	PDC Dividend	(7,148)	(7,148)	(2,383)	(2,383)	0	(7,148)	(7,148)	0
45	Interest Receivable	3	3	3	23	20	3	54	51
(84)	Other interest payable	(89)	(89)	(45)	(178)	(133)	(89)	(1,042)	(953)
(15,278)	Surplus / (Deficit) for period	(40,647)	(40,647)	(13,854)	(21,679)	(7,825)	(40,647)	(40,647)	0
(3.5)%	Net Margin	(9.8)%	(9.8)%	(10.1)%	(15.7)%	(5.7)%	(9.8)%	(9.8)%	0.0%
	Surplus / (Deficit) adjusted for impairment & impact of donated / govt granted assets	(40,284)	(40,284)	(13,738)	(21,572)	(7,834)	(40,301)	(40,301)	0

Risk Ratings

March 2015	Financial Risk Ratings	June 2015		Forecast	
		Plan	Actual	Plan	Actual
1	EBITDA Margin	1	1	1	1
1	EBITDA % Achieved	1	1	1	1
1	Return on Assets	1	1	1	1
1	I&E Surplus Margin	1	1	1	1
2	Liquid Ratio	3	1	3	3
1	Overall Financial Risk Rating (FRR)	1	1	1	1
	Continuity of Service Risk Rating				
1	Capital Servicing Capacity	1	1	1	1
1	Liquidity	3	1	2	2
1	Overall Continuity of Service Risk Rating	2	1	1.5	1.5

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