GOING CONCERN STATEMENT 2015-16

Author: Nick Sone – Financial Controller **Sponsor**: Paul Traynor – Director of Finance **Date**: 04/06/2015

Executive Summary

Paper N

Context

Going concern is a fundamental principle in the preparation of financial statements as it provides a view to our ability to remain in operation for the foreseeable future with no necessity of liquidation or to cease operation. Financial Statements should be prepared on a going concern basis unless management intends to either liquidate the entity or cease trading, or has no realistic alternative but to do so.

Questions

1. Has an assessment been undertaken of our future prospects, taking a forward look for a minimum of 12 months?
2. Are we financially stable for the next 12 months?
3. Should our 2014-15 accounts be prepared on the going concern basis?

Conclusion

1. We have assessed our future prospects for 2015-16 as reflected in the Going Concern Statement.
2. We delivered our financial plans and CIPs in 2014-15. We are financially stable for 2015-16 as a result of a positive contracting outcome for the year and underpinned by robust financial plans and strategies.
3. Our accounts should be prepared on the going concern basis and there are no plans to liquidate the entity or cease trading.

Input Sought

We require the Board to approve the Going Concern Statement for 2015-16.

For Reference

Edit as appropriate:

1. The following objectives were considered when preparing this report:

Safe, high quality, patient centred healthcare	Not applicable
Effective, integrated emergency care	Not applicable
Consistently meeting national access standards	Not applicable
Integrated care in partnership with others	Not applicable
Enhanced delivery in research, innovation & ed'	Not applicable
A caring, professional, engaged workforce	Not applicable
Clinically sustainable services with excellent facilities	Not applicable
Financially sustainable NHS organisation	Yes
Enabled by excellent IM&T	Not applicable

2. This matter relates to the following governance initiatives:

Organisational Risk Register	No
Board Assurance Framework	No

3. Related Patient and Public Involvement actions taken, or to be taken: None

4. Results of any Equality Impact Assessment, relating to this matter: None

5. Scheduled date for the next paper on this topic: June 2016

6. Executive Summaries should not exceed 1 page. My paper complies

7. Papers should not exceed 7 pages. My paper does not comply

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: **TRUST BOARD**

FROM: **PAUL TRAYNOR – DIRECTOR OF FINANCE**

DATE: **4TH MAY 2015**

SUBJECT: **GOING CONCERN STATEMENT 2015-16**

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1. INTRODUCTION

1.1 This report presents the Trust's Going Concern Statement (the 'Statement') or 2015-16.

2. BACKGROUND

2.1 International Accounting Standard 1 (IAS 1) sets out the Director's responsibilities to carry out an annual assessment to satisfy themselves that it is appropriate for the financial statements to be prepared on the going concern basis.

2.2 Going concern is a fundamental principle in the preparation of financial statements as it provides a view to our ability to remain in operation for the foreseeable future with no necessity of liquidation or to cease operation.

2.3 Financial Statements should be prepared on a going concern basis unless management intends to either liquidate the entity or cease trading, or has no realistic alternative but to do so.

3. NEXT STEPS

3.1 A Going Concern Statement has been prepared and is included as Appendix 1. This is intended to assist the Directors in assessing our going concern position.

RECOMMENDATIONS

4.1 The Board is asked approve the Going Concern Statement.

PAUL TRAYNOR
DIRECTOR OF FINANCE

APPENDIX 1

University Hospitals of Leicester NHS Trust

Going Concern Statement 2015-16

1. Introduction

1.1 This paper is intended to assist the Directors in assessing our going concern position. Going concern is a fundamental principle in the preparation of financial statements as it provides a view to our ability to remain in operation for the foreseeable future with no necessity of liquidation or to cease operation.

1.2 The paper is not intended to reproduce all the evidence that exists to support its conclusion, but identify what does exist and has previously been considered by the Trust Board.

2. Going Concern Assessment

2.1 International Accounting Standard 1 (IAS 1) sets out the Director's responsibilities to carry out an annual assessment to satisfy themselves that it is appropriate for the financial statements to be prepared on the going concern basis. Financial Statements should be prepared on a going concern basis unless management intends to either liquidate the entity or cease trading, or has no realistic alternative but to do so.

2.2 In making such an assessment management are required to take into account all the information available about our future prospects, taking a forward look for a minimum of twelve months. The extent and nature of this assessment will be driven by the historical financial position of the organisation and the knowledge of the challenges it faces. The wider factors used by the NTDA in its risk assessment of Trusts are:

- The quality of care provided.
- Ability to deliver against key standards.
- Financial stability.

2.3 The Trust Board receives details of risks recorded through the Board Assurance Framework informed by local risk registers held across the Trust. The key risks included in the current Board Assurance Framework as reported to the Board are set out below:

- Failure to achieve financial sustainability.
- Failure to transform the emergency care system.
- Inability to recruit; retain; develop; and motivate staff.
- Ineffective organisational transformation.
- Ineffective strategic planning and response to external influences.
- Failure to achieve FT status.
- Failure to maintain productive and effective relationships.
- Failure to achieve and sustain quality standards.
- Failure to achieve and sustain high standards of operational performance.
- Inadequate reconfiguration of buildings and services.

2.4 The Annual Governance Statement for 2014-15 will detail all significant risks brought to the attention of the Board.

3. Overview of the 2014-15 Financial Year

3.1 We experienced a challenging financial year in 2014-15 driven by the requirement to deliver a £45m CIP programme set against the backdrop of an opening underlying deficit of £44.5m and the following factors:

- An increase to recurrent budgets of £8.0m to support service delivery and quality.
- Recurrent costs of £11.5m relating to winter pressures and 7 day working.
- A reduction of £11.8m in tariff income.
- Transformation costs of £6.8m to support the delivery of urgent efficiencies.
- Inflation £11.5m including assumed costs for incremental drift and pay awards.
- Unavoidable costs £10.5m required to deliver the activity plan.
- Other price related pressures of £2.3m.
- Transformation funding of £11.1m.
- RTT contribution of £1.5m.
- Counting & coding income of £5.3m.

3.2 We also established a contingency of £7.8m in our plan, assuming a cost contingency of £4.3m (0.5% of turnover) to cover unexpected costs and £3.5m for in-year contractual penalties.

3.3 We achieved a £40.6m deficit against a plan of £40.7m for 2014-15. Our income has risen by £64.0m (8.3%) from £770.4m to £834.4m. The key components of this increase are:

- £21.1m increase from the LLR Alliance contract;
- £17.3m increase in research and development income primarily due to us becoming the East Midlands Clinical Research Network (EMCRN) host in 2014/15;
- £12.0m for inpatient and outpatient activity;
- £9.4m due to counting and coding; and
- £8.0m for excluded drugs and devices; net of
- a tariff deflator of (£9.8m) and other movements of £6.0m.

3.4 Our expenditure has increased by £72m (8.9%) from £809.9m to £881.9m. This increase reflects:

- An increase in pay spend of £23.2m. This is primarily due to the following:

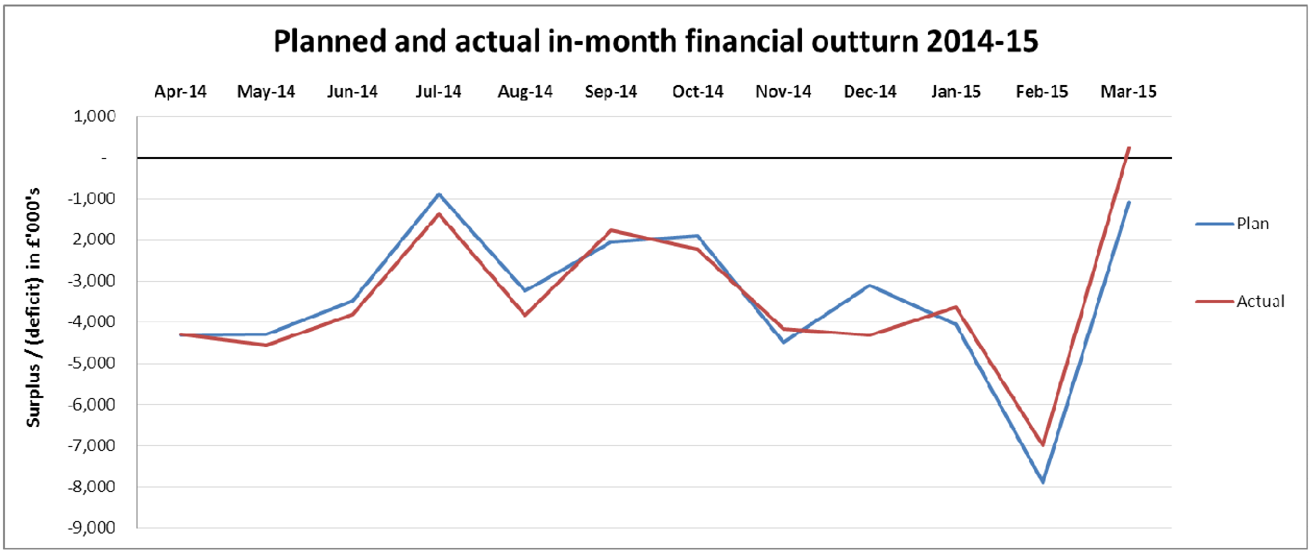
    - £7.8m in relation to additional staff working on the hosted LLR Alliance;
    - £3.2m increases in the costs of consultants across many specialties providing additional activity and RTT backlog clearance;
    - £5.8m in relation to incremental drift and a 1% pay award for 2014-15 for certain staff at the top of their pay scale;
    - £3.9m related to an increase in nursing staff RTT costs in theatres and recruitment to vacant posts associated with safer staffing investment; and
    - £1.9m in medical locums costs to deliver additional activity including RTT backlog clearance, cover of vacant posts, and support of emergency flow.

- An increase in non-pay spend of £48.9m predominantly due to the following:

    - £10.4m increase in research and development expenditure following us becoming host of the EMCRN, this increase relates to payments to research organisations in the region;
    - £8.3m general increase due to the LLR Alliance;
    - £6.8m of impairments (none in 2013-14);
    - £5.9m increase in drugs costs reflecting activity increases around high cost therapies;
    - £3.5m consultancy costs to support the delivery of efficiencies and strategic planning;

- £2.1m increase with the IM&T managed business partner;
- £1.9m increase in depreciation; and
- a £10.0m increase relating to inflation and general activity related increases across all main categories of spend.

3.5 Performance across the year has been generally consistent with our plan as demonstrated by the following graph which compares the planned and actual monthly surplus or deficit across 2014-15. This demonstrates accurate financial planning in 2014-15.



3.6 Our year-end outturn on CIPs was £48.04m, exceeding the original plan by £3.03m. Seven out of eight of our Clinical Management Groups (CMGs) over performed against their CIP target for 2014-15.

CMG	Target	Actual	Variance	% CIP Identified
CHUGGS	5,262	5,415	153	103%
CSI	5,507	5,868	361	107%
ESM	6,540	7,591	1,051	116%
ITAPS	4,328	4,107	-221	95%
MSS	5,111	5,169	58	101%
RRC	5,961	6,124	163	103%
W&C	6,335	6,483	148	102%
Corporate	5,966	7,286	1,321	122%
UHL Total	45,010	48,044	3,034	107%

3.7 Although we planned accurately and over delivered on our CIP programme in 2014-15, we still have a considerable deficit. As a consequence of this we are graded at risk level 4 by the NTDA, which is reserved for those Trusts that either submitted a deficit AOP or are reporting material adverse deficits year-to-date.

2014-15 cash outturn

3.8 We planned to reduce cash from £515k at the end of 2013-14 to £277k at the end of 2014-15. This was line with the Department of Health expectation that we should be working to a minimum level of cash of less than £500k.

Balance sheet as at 2014-15 plan	Actual Opening Balance 01/04/14 £000s	Planned Closing Balance 31/03/15 £000s	Movement £000s
Cash and Cash Equivalents	515	277	(237)

3.9 Due to changes in the funding regime, primarily for our capital programme, we increased our 2014-15 year-end cash balance. Our original 2014-15 plan included capital expenditure of £50.5m, a deficit of £40.7m and brought forward unpaid and overdue creditor invoices of £12.7m.

3.10 We prepared an application for Public Dividend Capital (PDC) funding for the TDA to review and submit to the Department of Health's (DH) Independent Trust Financing Facility's (ITFF) October Board meeting. Following their initial review, the TDA advised us to reduce the value of the application to a more realistic which was more likely to be approved.

3.11 We reduced the value of the capital programme by removing elements which were directly related to Full Business Cases (FBCs) to be submitted in 2015-16 (primarily the Emergency Floor). We were unlikely to receive any funding for these areas until the FBCs had been approved.

3.12 We also removed the funding for unpaid creditor invoices and instead included a lower amount for improved liquidity financing of £5.3m. We made it explicit in the application that this level of funding would only allow us to make an incremental improvement in our payments performance and achieve 72% against the BPPC target by value. This was accepted by the DH. A comparison between the original plan, final ITFF application and final received amounts is shown in the table below.

Source of funding	Original plan £'000	Final ITFF application £'000	Final amount receivable £'000
Revenue PDC - ITFF To fund the Trust's deficit	40,700	40,700	40,700
Revenue PDC - ITFF To fund improved liquidity	12,700	5,300	5,300
Capital PDC - ITFF To fund essential capital developments	16,300	12,000	-
Capital PDC - Non ITFF Non-ITFF funded capital schemes	1,200	-	-
Capital Investment Loan To fund essential capital developments	-	-	12,000
Total External Financing	**70,900**	**58,000**	**58,000**

3.13 The £12m of capital funding was finally confirmed as a loan rather than PDC in February 2015. We will incur interest of 2.11% and repayments will need to be made every six months, with the loan being repayable over 22 years. We will repay £545k of this loan during 2015-16.

3.14 An implication of loan financing is that we only receive CRL cover for our capital expenditure when we draw down the cash. The CRL is a limit on the amount of capital expenditure we incur in a year and we must not incur expenditure in excess of the CRL.

3.15 As we achieved the full capital programme for 2014-15 we needed the full CRL in 2014-15. We therefore drew down the whole loan in March even though we did not spend all of the cash.

3.16 We therefore had a cash balance of £8.5m at the year-end instead of the planned £0.3m.

Balance sheet as at 2014-15 plan	**Opening Balance 01/04/14 £000s**	**Closing Balance 31/03/15 £000s**	**Movement £000s**
Original plan Cash and Cash Equivalents	515	277	(237)
Revised outturn Cash and Cash Equivalents	515	8,498	7,983

3.17 This excess cash has been used to pay capital invoices in 2015-16 which related to 2014-15 and were outstanding at the year-end. We agreed this approach with the TDA in advance of the year-end.

3.18 Our cash outturn was in line with the reforecast amount and we ensured that we maintained sufficient operational cash during the year in line with TDA requirements.

4. Financial Plans

4.1 We have submitted the final version of our annual plan for 2015-16 to the NTDA. This includes income of £842.0m and expenditure of (£878.1m) to achieve a total retained deficit of (£36.1m). The key details relating to the plan for 2015-16 are as follows:

- £43m CIP programme.
- An underlying recurrent deficit of £44.3m
- Tariff deflator of £8.6m as per the ETO.
- MRET is rebased to 70% (£4.6m).
- NHSE growth of £3.7m including high cost drugs and devices.
- Reduction to education and training income of £2m as new tariffs for this area are introduced and transitional funding is reduced.
- Winter monies of £5.5m which have been made recurrent.
- Demographics, RTT and internally approved business cases mean growth of £20m with equal cost to deliver. Any contribution from growth is included within the CIP plan.
- Inflation costs of £9.7m for pay and non-pay.
- Cost pressures of £15.4m, including quality investments (see 3.6), financing costs, IBM costs, reconfiguration costs and other unavoidable costs.

4.2 The NTDA have provided feedback on the two draft versions of the plan submitted prior to the final plan and we have taken their feedback into account when producing our final plan.

2015-16 Contracts

4.3 A major element of the 2015-16 planning round has been the lengthy negotiation period for the Trust's contracts due to the rejection of the initial national tariff. In the current financial climate the agreements that we have reached with CCGs and NHS England represent a positive outcome for UHL. After inflation, growth on both contracts has been secured at around 5%.

4.4 The activity plans that underpin the respective contracts have been calculated using the Enhanced Tariff Option (ETO) for 2015-16.

4.5 The agreed financial outturn for contracted activity with CCGs for 2015/16 is £434m (£428m – 2014-15). The activity plan agreed with CCGs includes elements that are block, cost and volume and block with risk-share. This contract arrangement is designed to promote financial stability to enable transformation and it has removed significant liability that would have been incurred from penalties. Similarly, CQUIN income has also been protected.

4.6 The agreed contract value for contracted activity with NHS England is £222.7m in 2015-16 (£214.5m -2014-15). Items funded outside of the contract are £8.4m giving a total quantum of £231.1m. The stated baseline value under the ETO tariff is set at 2014-15 outturn and any activity over performance against this will be paid at 70% of tariff.

4.7 Both of the main contracts aim to promote strategic change and share risk on transformation projects.

2015-16 Cost Improvement Programme

4.8 We have delivered a successful Cost Improvement Programme (CIP) in 2014-15 and now all attention is on delivering 2015/16 to ensure the same outcome. The CIP for 2015/16 assumes in year savings of £41m plus a further £2.3m requirement to fund cost pressures.

4.9 Although progress is being made, and represents a far stronger position than the same time a year ago, as at the end of April 2015 £35.92m (88% of the target) has been identified. The Trust still has significant work to do in order to ensure the full target is identified; ensure all schemes deliver in full; and reduce the delivery risk associated with schemes which are still either red or amber (£4.1m and £10.0m respectively).

4.10 There is a wide reaching programme of work underway and to ensure delivery in excess of £41m the Trust must continue work in the following areas:

- **Closing the gap**: The remaining CIP gap of £5.1m plus the £2.3m of cost pressures will be achieved through a number of strategies, including the conversion of CMG pipeline opportunities into schemes; the continuation of monthly Executive CIP Board meetings with CMGs and the delivery of the five high impact cross cutting workstreams.

- **RAG conversion**: Work on red and amber schemes is expected to reach a final conclusion in Q1 of 2015-16. To support the RAG conversion process all schemes have a 'go green' date agreed by CMGs and are being held to account through the CIP Boards. Green schemes are currently valued at £21.8m and represent 53% of the target.

- **Monitoring**: Forecast and actual savings will be monitored closely, and rapid remedial action will be taken where required to ensure all green schemes deliver in full.

- **Quality and service reviews** All schemes will be approved through the quality review process. Service reviews are continuing in loss-making specialties.

- **PMO team**: a robust handover is planned between EY and the new UHL substantive team to ensure no loss of pace. Recruitment is near complete to establish permanent PMO support to CMGs with their Cost Improvement Programmes. A Programme Director has now commenced and six of the seven Transformation Managers have been appointed, with four of these being fully independent following a formal EY skills transfer and handover process.

Capital

4.11 The Trust has a major capital plan in 2015-16 of £101.7m, £67.9m of which will be funded through external capital cash and £33.8m through internally generated capital.

4.12 The £67.9m includes £24.4m for the Electronic Patient Record (EPR) project; £17.7m for the Emergency Floor project; and £11.4m for the ICU interim solution and Vascular Hybrid Theatre. Internally funded schemes include £11.0m for Estates and Facilities schemes and £9.8m for IM&T schemes.

5 Assessment of going concern

5.1 For the purposes of concluding on whether it is appropriate for the Trust to prepare its accounts as a going concern there are a number of general factors that require consideration, and these are covered in this section.

Ability to generate an operating surplus

5.2 We delivered a net surplus in each year between our inception in 2000 and 2012-13. The Trust delivered a £39.7m deficit in 2013-14 and £40.6m deficit in 2014-15.

5.3 The Trust has a statutory duty to break even over a three year period, taking one year with another, to within 0.5% of turnover. At the end of 2014-15 the Trust has delivered a deficit for the year of £40.6m which leaves the Trust with a cumulative deficit of £75.1m (9% of turnover) meaning that we will not achieve the statutory break even duty in-year or cumulatively I 2015-16.

5.4 The table below shows the annual cumulative position against the break-even duty between 2011-12 and 2015-16.

Performance against the Break Even duty (subject to 2014-15 accounts audit)

	Actual				Planned
Breakeven performance	**2011-12 £000s**	**2012-13 £000s**	**2013-14 £000s**	**2014-15 £000s**	**2015-16 £000s**
Turnover	719,154	758,665	770,393	834,376	842,578
Retained surplus/(deficit) for the year	(27,985)	1,177	(39,514)	(47,493)	(36,747)
Adjustments for impairments	28,073	0	0	6,761	0
Adjustments for impact of policy change re donated/government grants assets	0	(1,086)	(141)	84	647
Break-even in-year position	88	91	(39,655)	(40,648)	(36,100)
Break-even cumulative position	**5,062**	**5,153**	**(34,502)**	**(75,150)**	**(111,250)**
Break-even in-year position as a % of turnover	0.01%	0.01%	-5.14%	-4.87%	-4.28%
Break-even cumulative position as a % of turnover	0.70%	0.68%	-4.52%	-9.01%	-13.20%

5.5 The above figures (up to 2014-15) will be reported in the final financial statements, which are currently subject to audit finalisation. The planned deficit for 2015-16 will lead to a cumulative break-even position for 2015-16 of £111.3m.

5.6 We will be producing a recovery plan to achieve a balanced financial position by 2019-20. Given the size of the expected cumulative deficit for 2015-16 the recovery plan does not guarantee a cumulative break even position within three years, rather that the Trust will be recurrently delivering an in-year break even position within that timescale.

Cash flow impact on net current assets and meeting liabilities as they fall due

5.7 We require a total of £109m of external financing in 2015-16 as follows:

Total financing required for 2015-16	**£'000**
Revenue deficit funding	36,100
Capital Funding	67,921
Improvement in liquidity / working capital	5,000
Total external financing required	**109,021**

5.8 We have a Working Capital Strategy in place which outlines how we manage cash and other elements of our working capital. All long term external financing is obtained from the Department of Health and we are required to submit detailed financing applications to the ITFF Committee for approval. As well as revenue and capital financing we will also require an additional £5m to further improve our liquidity and payment performance. It is vitally important that we improve the level of supplier payments made against the 30 day BPPC target.

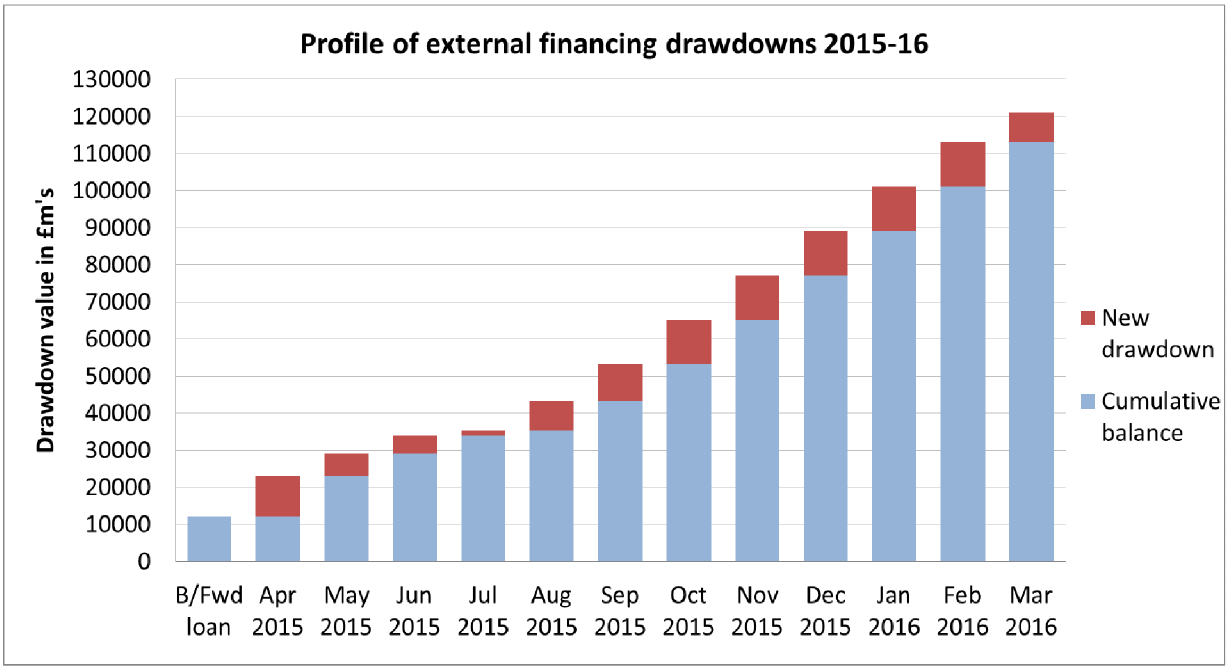
5.9 New procurement regulations have also come into force which makes it a mandatory requirement to pay valid invoices within 30 days. As we will also be making significant loan repayments during 2015-16 there will be additional pressure on our cash balances. We will need further cash support to ensure that we can continue to pay suppliers within the regulations whilst also repaying our loans.

5.10 We are expecting to submit at least two ITFF applications in 2015-16. The first application will follow approval of the Emergency Floor FBC, as the ITFF will not consider an application if the business case has not been approved. The second application will follow later in the year to include funding for our deficit and liquidity improvement, as well as the Electronic Patient Record (EPR) FBC and potentially other FBCs.

5.11 In order to maintain our operational cash levels up to the receipt of our ITFF funding we have a Revolving Working Capital (RWC) facility which allows us to draw down funds as we need them up to a current maximum of £21.9m.

5.12 The RWC is one of five new financing facilities available to Trust's from 2015-16. These facilities include the RWC, Interim Revenue Support Loan; Interim Revenue Support PDC; Interim Capital Support Loan; and Interim Capital Support PDC. Further details of these facilities are provided in Appendix 1.

5.13 Our RWC limit of £21.9m has been calculated based upon 10 days of our 2013-14 operating expenditure. In the short term, the 10 day limit was put in place to enable us to access cash in the early part of the year whilst our final plan was being completed. The TDA's expectation is that once our plan is finalised the RWC limits will be reviewed and may be increased, to an amount equivalent to 20 days of operating expenditure. Our cashflow forecast indicates that we will need to drawdown external cash in the profile shown below:



5.14 The total interest for the year in relation to the new financing equates to £847k, plus £249k relating to the existing £12m capital investment loan brought forward from 2014-15.

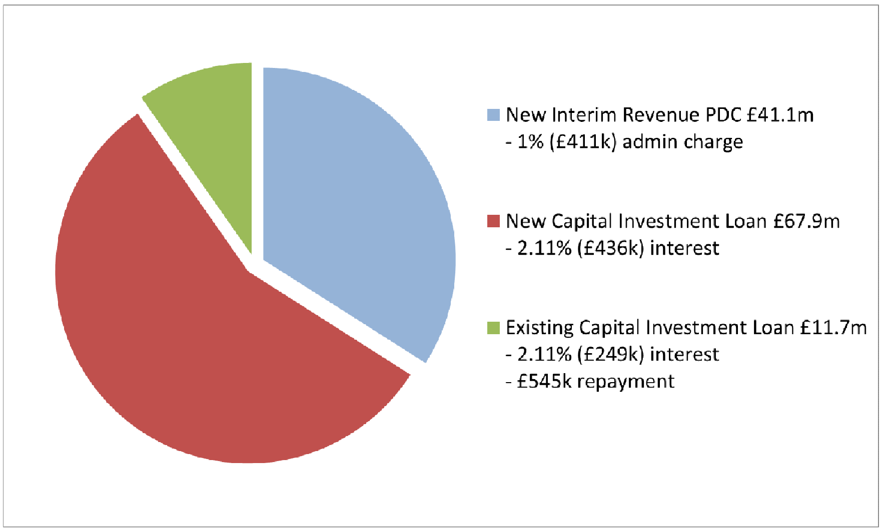
5.15 We have profiled these drawdowns in such a way as to cover our cash requirements whilst minimising the overall level of cash held at all times. It is a requirement of our loan financing that we should aim to maintain no less than £3m of cash at all times, and also not to hold excessive cash balances. It is in our interest to only draw down cash when we need it in order to minimise interest costs. Every £1m of our RWC that is drawn down will cost almost £3k per month in interest.

5.16 For 2015-16 capital financing will be in the form of Capital Investment Loans and revenue financing for 2015-16 will be in the form of Interim Revenue Support PDC. The RWC is simply available to us to maintain payroll and creditor payments until we receive such financing from the ITFF.

5.17 Once funding is received from the ITFF, we can use this funding to repay the RWC, which will then be reset and available to us to use again. The RWC has a maturity date of April 2020 and so would be available to the Trust for the next 5 years. We could alternatively decide to keep the RWC and use the cash to meet ongoing creditor/ payroll obligations.

5.18 We expect that we will receive the Interim revenue PDC and repay the RWC in the year. We therefore expect the year composition of our external financing (excluding permanent PDC) is shown in the chart overleaf.

Expected composition of our external financing at 31 March 2016



5.19 For our working capital management to be effective we also need to improve how we manage payables and receivables in order to maintain a satisfactory level of liquidity. It is vital for any ITFF application that we can demonstrate that we are taking action to improve our own internal processes in order to maximise cash.

5.20 The following table shows the ageing of NHS and Non-NHS receivables and payables as at the end of March 2015.

Aged Receivables/Payables:	Total As at end March 2015 £000s	0-30 days £000s	0-30 days %	30 - 60 Days £000s	30 - 60 Days %	60-90 Days £000s	60-90 Days %	Over 90 Days £000s	Over 90 Days %
Receivables Non NHS	**15,698**	9,234	59%	1,684	11%	632	4%	4,148	26%
Receivables NHS	**18,703**	15,695	84%	966	5%	235	1%	1,807	10%
Payables Non NHS	**(35,493)**	(22,769)	64%	(4,533)	13%	(1,537)	4%	(6,654)	19%
Payables NHS	**(8,116)**	(5,845)	72%	(302)	4%	(457)	6%	(1,512)	19%

5.21 The NTDA target is for us to have less than 5% of aged payables or receivables over 90 days.

5.22 In order to achieve this we have restructured the financial services team in order to give a better strategic management of accounts payable, accounts receivable and treasury management. We have also recently recruited some much needed additional resource into the team and filled a key vacancy.

5.23 We are also planning to improve the way we manage whole workstreams such as invoice to cash and procure to pay. In June we will be kicking off a joint project across the Financial Services and Procurement departments with a view to streamlining and improving the procure to pay process.

5.24 Further improvements will also be made to our finance systems and we will soon be implementing an online card payment solution and later in the year upgrading to a new version of the system which will improve functionality and management information within accounts receivable and accounts payable.

5.25 We will only withhold creditor payments if there is an adverse revenue position against plan and we are not subsequently able to secure additional external financing.

5.26 Sufficient liquidity therefore will exist or can be made available to support the operations of the Trust in the coming twelve months from the date of annual accounts.

Use and or breach of borrowing facilities

5.27 Our financial plans anticipate that we will need to secure temporary borrowing through our RWC. The RWC will be received from the DH and interest of 3.5% will be charged on a daily basis based on drawn amounts. New PDC to cover our financial deficit is also likely to be received during 2015-16 and this will either incur a 1% administration charge.

5.28 The repayment of loan capital; interest; and the increase in PDC dividends have been built into our financial plan for 2015-16. We have planned to manage our finances within the constraints of the External Financing Limit for that year.

5.29 We have included additional funding of £5m in our plan partly to cover the repayments of our loans. The risk of breaching terms of loan agreements is therefore considered minimal.

Adverse operating conditions

5.30 The Trust continually reviews, and takes steps to develop, contingency plans to address emergencies should they arise.

Loss of key management positions

5.31 The post of Director of Human Resources and Chief Nurse posts are currently being covered in an acting capacity whilst we await the new substantive employees to start in those posts. There are no other key managerial vacancies.

Compliance with statutory requirements

5.32 As far as management are aware the Trust has complied with its statutory requirements.

Pending or on-going legal action

5.33 On-going legal action relating to insured events is managed on the Trusts behalf by the NHS Litigation Authority. All other known litigation costs have been provided for at the balance sheet date. There is no other material on-going legal action.

Potential changes in legislative or government policy

5.34 The Trust continues to review its level of risk due to the on-going developments within the NHS in respect of finance, system reform and the application of statutory legislation. Whilst it is considered that there are significant risks presented by current policies, the Trust has measures in place to stay abreast of, respond and mitigate the challenges presented.

6 Conclusion

6.1 The above analysis supports the conclusion that we should prepare our financial statements on a going concern basis and have taken steps to ensure that this remains the case for at least 12 months from the date of preparation of the Annual Accounts.

- We achieved our planned financial position for 2014-15, and our in-year financial performance was consistent with plan.
- We delivered £3.0m more CIPs than planned.
- We delivered our capital plan.

- Our financial plan for 2015-16 shows a lower planned deficit than the previous year and we have more certainty over our income following a positive contracting outcome.

- We have maintained sufficient cash during 2014-15 and have experience of the ITFF application process and a clear understanding of the cash requirements for 2015-16, supported by our Working Capital Strategy.

7 Recommendation

7.2 Directors are requested to note the above information and assumptions in confirming their agreement with the positive Going Concern assessment.

PAUL TRAYNOR
DIRECTOR OF FINANCE