

2016/17 Financial Performance

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Trust Board paper P

Executive Summary

Context

The Trust is planning for a deficit of £8.3m in 2016/17 with a capital plan of £82.0m

Questions

1. What is our financial performance for the period end 31st August 2016?
2. What is our forecast financial performance for the 2016/17 financial year?
3. What is our performance against the planned agency ceiling guidance?

Conclusion

1. We have recorded a year to date deficit of £9.1m, £0.7m adverse to plan. Although financial performance is adverse to plan, STF has been recognised based on forecast performance delivery for Q2
2. We are forecasting to deliver our planned year end deficit of £8.3m
3. Agency expenditure year to date is £10.8m compared to planned expenditure of £9.7m representing a £1.1m adverse variance to plan

Input Sought

Note the financial performance at Month 5

For Reference

Edit as appropriate:

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

Safe, high quality, patient centred healthcare	[Yes / No / Not applicable]
Effective, integrated emergency care	[Yes / No / Not applicable]
Consistently meeting national access standards	[Yes / No / Not applicable]
Integrated care in partnership with others	[Yes / No / Not applicable]
Enhanced delivery in research, innovation & ed'	[Yes / No / Not applicable]
A caring, professional, engaged workforce	[Yes / No / Not applicable]
Clinically sustainable services with excellent facilities	[Yes / No / Not applicable]
Financially sustainable NHS organisation	[Yes / No / Not applicable]
Enabled by excellent IM&T	[Yes / No / Not applicable]

2.This matter relates to the following governance initiatives:

Organisational Risk Register	[Yes / No / Not applicable]
Board Assurance Framework	[Yes / No / Not applicable]

3.Related Patient and Public Involvement actions taken, or to be taken: **Considered but not applicable**

4.Results of any Equality Impact Assessment, relating to this matter: **Considered but not applicable**

5.Scheduled date for the next paper on this topic: **03/11/16**

6.Executive Summaries should not exceed 1 page. **[My paper does/~~does not~~ comply]**

7.Papers should not exceed 7 pages. **[My paper does/~~does not~~ comply]**

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Executive Summary

Financial performance

Statutory duties

- Delivering the planned deficit: on track
- Achieving the External Funding Limit: on track
- Achieving the Capital Resource Limit: on track

Financial Performance

- **Deficit of £9.1m, £0.7mA to Plan:** underlying performance is adverse to plan with over delivery of Patient Care Income offset by the cost to deliver higher levels of activity including additional theatre sessions and use of the Independent Sector. Non-recurrent benefits and non-operating costs are helping to close the gap and support the Trust financial position.
- **Patient Care Income, £3.6mF to plan:** Non elective, ED and ECMO over-performance offset by underperformance in Elective and Day Case presenting an on-going risk to performance standards. The main driver of under-delivery in elective activity and Day Case is Orthopaedic Surgery with General Surgery also driving under-performance in Day Case. Adverse rate continues to be driven by the specialty mix in admitted patient care
- **Operating Costs, £2.1mA to Plan:** with £1.6m pay overspend, £1.1m of which is driven by agency and a £0.5mA variance on non pay including seasonal underspend on Utilities.
- **CIP, £1.2mF to Plan:** included in Plan was CIP delivery through non-pay reductions where efficiency has been delivered through income.
- **Forecast Outturn, £8.3m in line with Plan:** bottom up outturn is £12.4mA including continued over-performance of activity to absorb cost pressures. Mechanisms are being implemented to support areas of the business not forecasting financial plan delivery. This leaves limited capacity for additional investments including Winter or further funding requirements in relation to business cases approved.

Cash

- **Cash balance of £9.1m, £6.1m higher than target** stipulated by Interim Capital Support Loan driven by income received in advance from local CCGs.

Net deficit funded by drawing down Interim Revolving Working Capital Facility which includes the timing difference on the receipt of STF funds. Improvement in working capital has enabled interest payments and capital expenditure.

- **Liquidity:** Opening cash deficit due to 2015/16 actions to achieve £3m cash balance. The impact of the lack of certainty on utilisation of working capital facility, STF and Capital drawdowns means the Trust is unable to pay creditors within Better Payments Practice Code (BPPC) standards.

Capital

- **August:** Total capital expenditure of £24.2m
- **Annual Plan:**
 - **Capital Plan:** total capital expenditure of £82m.
 - **External funding:** The external borrowing required to execute this plan is £46.4m of which £21.7m is secured for the Emergency Floor development and £16.0m is required for reconfiguration schemes including Vascular and ICU business cases plus £8.7m CRL for EPR.

August 2016: Year to Date - Key Facts



Patient Income
£321.3m

Other Income
£54.6m



Substantive pay
£224.3m

Agency
£10.8m



Non-pay
£142.5m

Non-Operating Costs
£17.3m



EBITDA
£1.7m

CIP
£13.5m



Liquidity Indicators

Capital Spend
£24.2m

- Key**
- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
 - Colour indicates status of variance on planned position (Green is Favourable, Amber is In Line and Red is Adverse)
 - Number relates to value in month

Financial Performance: YTD Deficit £9.1m, £0.7mA to Plan

Value Drivers	Aug-16				YTD			
	Plan	Actual	F / (A)		Plan	Actual	F / (A)	
				%				%
Day Case	8,535	8,486	(49)	(0.6%)	42,972	42,541	(431)	(1.0%)
Elective Inpatient	1,869	1,748	(121)	(6.5%)	9,230	8,775	(455)	(4.9%)
Emergency / Non-elective Inpatient	8,927	8,785	(142)	(1.6%)	44,079	45,054	975	2.2%
Emergency Department	21,753	24,052	2,299	10.6%	107,359	119,281	11,922	11.1%
Outpatient Procedures	74,442	78,490	4,048	5.4%	373,945	380,721	6,776	1.8%
Critical Care Services	4,779	4,634	(145)	(3.0%)	23,178	23,232	55	0.2%
Renal Dialysis & Transplant	15,035	15,037	2	0.0%	73,733	73,221	(512)	(0.7%)
Other	692,355	664,684	(27,671)	(4.0%)	3,488,177	3,635,819	147,641	4.2%
WTE Total	13,596	13,056	(540)	(4.0%)	13,354	12,691	(663)	(5.0%)
WTE Agency	257	361	104	40.5%	292	336	44	15.2%

I&E £'000	Aug-16				YTD			
	Plan	Actual	F / (A)		Plan	Actual	F / (A)	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Patient Care Income	65,150	66,195	1,045	1.6%	317,759	321,330	3,571	1.1%
Non Patient Care Income	565	328	(238)	(42.0%)	2,818	2,324	(494)	(17.5%)
Other Operating Income	11,105	9,495	(1,610)	(14.5%)	54,369	52,269	(2,100)	(3.9%)
Total Income	76,820	76,018	(802)	(1.0%)	374,947	375,923	977	0.3%
Pay Costs	(45,391)	(46,267)	(876)	(1.9%)	(223,796)	(224,304)	(508)	(0.2%)
Pay Costs: Agency	(1,817)	(2,248)	(432)	(23.8%)	(9,702)	(10,829)	(1,127)	(11.6%)
Non-Pay	(27,833)	(26,543)	1,290	4.6%	(141,991)	(142,465)	(474)	(0.3%)
Total Operating Costs	(75,040)	(75,058)	(18)	(0.0%)	(375,489)	(377,598)	(2,110)	(0.6%)
EBITDA	1,780	960	(821)	(46.1%)	(542)	(1,675)	(1,133)	209.0%
Non-Operating Costs	(3,495)	(3,401)	94	2.7%	(17,636)	(17,331)	306	1.7%
Retained Deficit	(1,715)	(2,441)	(726)	(42.4%)	(18,179)	(19,006)	(828)	(4.6%)
Adjustments for Donated Assets	(17)	16	33		(3)	161	164	
Net Deficit Excluding STF	(1,731)	(2,425)	(694)	(40.1%)	(18,181)	(18,845)	(663)	(3.6%)
Sustainability & Transformation Funding	1,950	1,950	0	0.0%	9,750	9,750	0	0.0%
Net Deficit Including STF	219	(475)	(694)	(317.3%)	(8,431)	(9,095)	(663)	(7.9%)

Ratios	Plan	Actual	F / (A)	YTD Plan	YTD Actual	YTD F / (A)
Agency: Total Pay	3.8%	4.6%	0.8%	4.2%	4.6%	0.5%
EBITDA: Income	2.3%	1.3%	(1.1%)	(0.1%)	(0.4%)	(0.3%)
Net Deficit: Income	(2.3%)	(3.2%)	(0.9%)	(4.8%)	(5.0%)	(0.2%)

Key

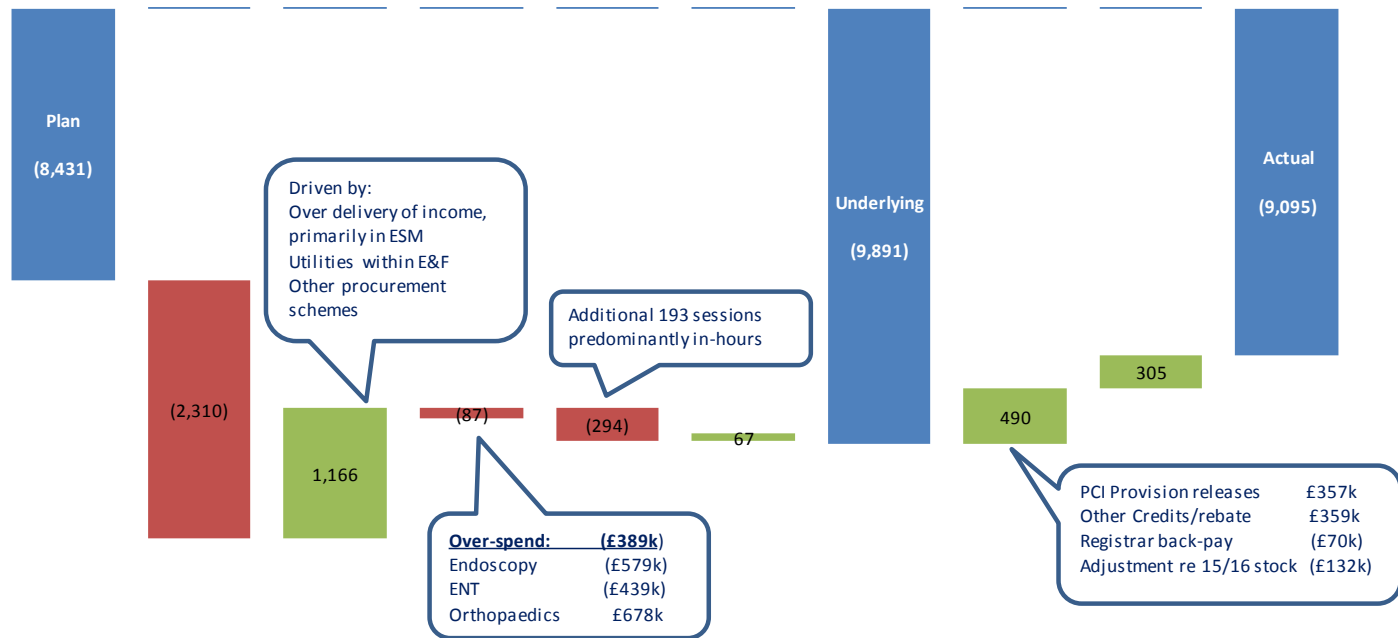
- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- F refers to a Favourable variance to plan
- A refers to an Adverse variance to plan

- **NHS Patient Care Income: £321.3m, £3.6mF** with over-performance in Emergency, Non-elective, ECMO and Outpatients offsetting under-performance in Elective activity particularly MSS & RRCV. In addition, this includes £0.7m under-performance relating to drugs and devices excluded from tariff and £1.7m continued over delivery of income where CIP was planned in non pay and is delivered through income.
- **Non Patient Care Income & Other Income: £54.6m, £2.6mA** with £1.8m in Estates and Facilities (E&F) due to a misalignment in budget between income & non-pay due to the complexity of the services integration. Underlying adverse position due to £0.6m shortfall in Private Patient income.
- **Pay Costs: £224m, £0.5mF** unplanned expenditure in all CMGs and E&F with the exception of CSI and MSS offset by planned release of contingency.
- **Agency: £10.8m, £1.1mA** unplanned expenditure predominantly in ESM across medical and nursing together with CSI relating to sonographers. The trust is forecast to spend £23.7m and therefore breach the £20.6m NHSI ceiling.
- **Non-Pay: £142.5m, £0.5mA** including under-spend on drugs and devices excluded from tariff and £2.5mF in E&F from budget misalignment and underspend on Utilities. There is continued non pay CIP shortfall where efficiency improvement is delivered through income over delivery.

- **EBITDA: deficit of £1.7m, £1.1mA**
- **Non-Operating Costs: £17.3m, £0.3mF**
- **Sustainability and Transformation Funding: £9.8m** has been recognised in relation to STF target delivery – see slide 13.

I&E Bridge: August 2016, £0.7mA to Plan

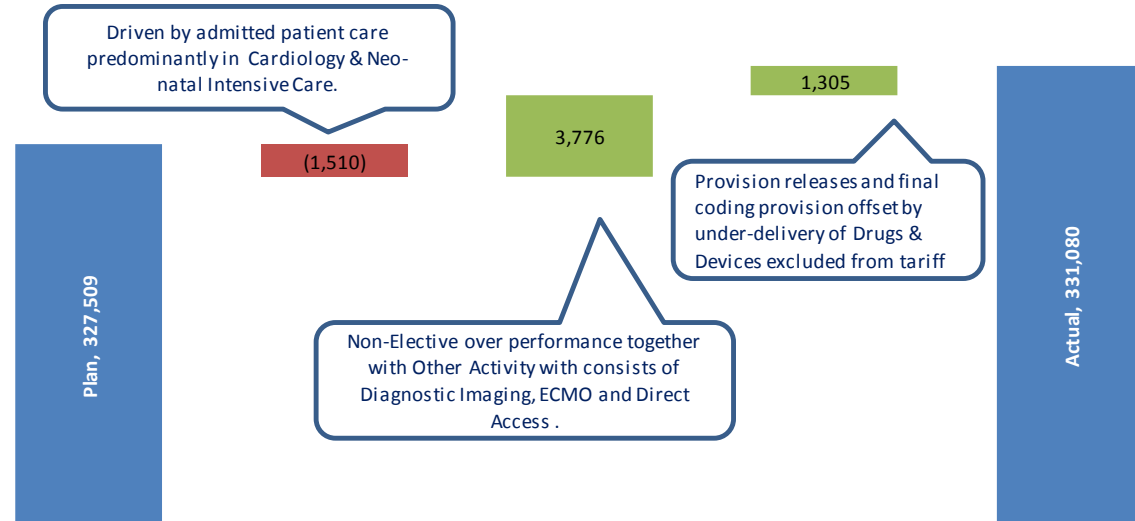
Combined with CIP delivery, underlying performance is adverse to plan with over delivery of Patient Care Income offset by the cost to deliver higher levels of activity including additional theatre sessions and use of the Independent Sector. Non-recurrent benefits and non-operating costs are helping to close the gap and support the Trust financial position.



£(000)	Plan	Underlying	CIP Delivery	Independent Sector	Theatre Sessions	Other	Underlying	Non-recurrent Items	Non-Operating Costs	Actual	Var F/(A)
NHS PCI	327,509	1,251	1,663	302		1	330,725	357		331,082	3,573
Other Income	56,958	(1,959)	(374)			(195)	54,430	97		54,527	(2,431)
Pay	(223,796)	(722)	197		(204)	295	(224,229)	(64)		(224,293)	(498)
Pay: Agency	(9,702)	(1,174)				22	(10,854)	15		(10,839)	(1,137)
Non Pay	(141,991)	294	(320)	(389)	(90)	(56)	(142,552)	86		(142,466)	(476)
Non-Operating Costs	(17,410)					(0)	(17,410)		305	(17,105)	305
Net Deficit	(8,431)	(2,310)	1,166	(87)	(294)	67	(9,891)	490	305	(9,095)	(664)

NHS Patient Income: YTD £331.1m, £3.6mF to Plan

Non elective, ED and ECMO over-performance offset by under-performance in Elective and Day Case presenting an on-going risk to performance standards. The main driver of £2.1mA in elective activity and £1mA in Day Case is due to Orthopaedic Surgery with General Surgery also driving the under-performance in Day Case. Adverse rate continues to be driven by the specialty mix in admitted patient care.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	24,944	(785)	(243)	0	23,917	(1,027)
Elective Inpatient	30,789	(626)	(1,488)	0	28,675	(2,114)
Emergency / Non-elective Inpatient	78,162	(429)	1,719	0	79,451	1,290
Marginal Rate Emergency Threshold	(1,871)	0	0	(181)	(2,052)	(181)
Emergency Department	10,289	(301)	1,109	0	11,098	809
Outpatient	47,214	(355)	849	0	47,708	494
Drugs and Devices excluded from Tariff	39,364	0	0	(671)	38,693	(671)
Critical Care Services	22,625	(278)	53	0	22,399	(226)
Renal Dialysis and Transplant	11,641	(33)	(81)	0	11,528	(114)
CQUIN	6,583	0	0	282	6,865	282
Other Activity	42,591	1,296	1,858	0	45,745	3,154
Other Financial Values	15,177	0	0	1,875	17,052	1,875
Total	327,509	(1,510)	3,776	1,305	331,080	3,571

Activity & Income: Performance versus Contract

Activity	Point of Delivery	City	East	West	Specialised Services	Other	Alliance	Total
	Day Case		264	500	858	(62)	(13)	(1,978)
Elective Inpatient		(103)	(43)	(136)	(144)	(29)		(455)
Emergency / Non-elective Inpatient		422	964	320	(109)	(622)		975
Marginal Rate Emergency Threshold (MRET)		-	-	-	-	-		0
Emergency Department		6,397	1,429	1,671		2,426		11,922
Outpatient		4,206	4,434	2,813	(64)	(1,979)	(2,634)	6,776
Excluded Drugs and Devices		-	-	-	-	-		0
Critical Care Services		150	(421)	688	(219)	(143)		55
Renal Dialysis and Transplant		-	-	-	(390)	(122)		(512)
CQUIN		-	-	-	-	-		0
Other Activity		59,273	65,032	18,694	2,926	(622)	2,338	147,641
Other Financial Values		307	57	(105)	(34)	2,663	601	3,488

Financial	Point of Delivery	City (£000)	East (£000)	West (£000)	Specialised Services (£000)	Other (£000)	Alliance (£000)	Total (£000)
	Day Case		(19)	(29)	103	65	(200)	(948)
Elective Inpatient		(390)	(55)	(515)	(1,022)	(131)	-	(2,114)
Emergency / Non-elective Inpatient		508	1,484	153	(221)	(635)	-	1,290
Marginal Rate Emergency Threshold (MRET)		4	(193)	49	-	(40)	-	(181)
Emergency Department		430	168	140	-	71	-	809
Outpatient		361	552	332	(65)	(383)	(303)	494
Excluded Drugs and Devices		(279)	(382)	83	(644)	552	-	(671)
Critical Care Services		(74)	(556)	676	(290)	19	-	(226)
Renal Dialysis and Transplant		-	-	-	(74)	(40)	-	(114)
CQUIN		20	38	26	(61)	287	(28)	282
Other Activity		327	339	412	1,696	307	73	3,154
Other Financial Values		(3)	59	0	(279)	2,036	62	1,875
Grand Total		884	1,425	1,459	(895)	1,842	(1,144)	3,571

• CCG Contracts:

- **Non-elective:** over-performance where the majority of QIPP schemes are included in the plans and is reflective of the demands upon the emergency pathway.
- **Elective:** under-performance predominantly relates to Orthopaedic surgery being behind plan.
- **Other Activity:** over-performance driven by Direct Access Pathology and Diagnostic Imaging.

• Specialised Services:

- **Elective:** under-performance in Cardiothoracic surgery activity.
 - **Drugs and devices excluded from tariff** under-performance in cardiology implantable defibrillators.
 - **Other Activity:** over-performance relates to ECMO which is favourable to plan.
- ## • Other:
- **Drugs and devices excluded from tariff** performance is due to increased income on new Hepatitis C therapies which are funded outside of the main Specialised contract
 - **Other Financial Values:** includes provision for final coding in line with normal practice and an offset to compensate for the Alliance underperformance against contract plan.

Pay Costs: YTD £235.1m, £1.6mA to Plan

	Aug-16						YTD						
	£'000			WTE			£'000			WTE			
	Plan	Actual	F / (A)	Plan	Actual	F / (A)	Plan	Actual	F / (A)	Plan	Actual	F / (A)	
Agency	Medical	664	707	(44)	26	63	(37)	3,337	4,228	(891)	27	74	(46)
	Nursing & Midwifery	832	1,081	(250)	164	213	(49)	4,817	4,701	116	195	190	5
	Other Clinical	217	302	(85)	67	46	21	1,086	1,468	(383)	70	55	14
	Non Clinical	104	158	(54)	0	39	(39)	461	431	30	0	17	(17)
	Total: Agency	1,817	2,248	(432)	257	361	(104)	9,702	10,829	(1,127)	292	336	(44)
Other Non-contracted	Medical		1,171	(1,171)		0	(0)		5,528	(5,528)		0	(0)
	Nursing & Midwifery		1,005	(1,005)		301	(301)		5,182	(5,182)		299	(299)
	Other Clinical		205	(205)		47	(47)		1,058	(1,058)		43	(43)
	Non Clinical		449	(449)		146	(146)		1,871	(1,871)		97	(97)
	Total: Other Non-Contractual	0	2,829	(2,829)	0	495	(495)	0	13,640	(13,640)	0	439	(439)
Total Premium	Medical	664	1,878	(1,214)	26	63	(37)	3,337	9,757	(6,419)	27	74	(47)
	Nursing & Midwifery	832	2,086	(1,255)	164	515	(350)	4,817	9,884	(5,066)	195	489	(294)
	Other Clinical	217	506	(289)	67	93	(26)	1,086	2,527	(1,441)	70	98	(28)
	Non Clinical	104	607	(503)	0	185	(185)	461	2,302	(1,841)	0	114	(114)
	Total: Premium	1,817	5,077	(3,261)	257	856	(599)	9,702	24,469	(14,767)	292	775	(483)
Substantive	Medical	14,130	13,594	536	1,805	1,732	73	70,311	67,017	3,294	1,806	1,677	1,677
	Nursing & Midwifery	16,624	15,260	1,365	5,777	4,930	847	82,303	77,220	5,084	5,761	5,040	722
	Other Clinical	5,946	5,315	631	1,931	1,791	140	29,316	26,652	2,664	1,913	1,777	137
	Non Clinical	8,690	9,269	(579)	3,826	3,747	79	41,866	39,776	2,090	3,582	3,422	160
	Total: Substantive	45,391	43,438	1,953	13,339	12,200	1,139	223,796	210,664	13,132	13,062	11,915	2,695
Total	Medical	14,794	15,472	(678)	1,831	1,796	35	73,648	76,773	(3,125)	1,833	1,751	82
	Nursing & Midwifery	17,456	17,346	110	5,941	5,445	497	87,121	87,103	18	5,956	5,529	427
	Other Clinical	6,163	5,822	342	1,998	1,884	114	30,402	29,179	1,222	1,983	1,875	108
	Non Clinical	8,794	9,876	(1,082)	3,826	3,932	(106)	42,327	42,078	249	3,582	3,536	46
	Total: Pay	47,207	48,515	(1,308)	13,596	13,056	540	233,498	235,133	(1,636)	13,354	12,691	663

Agency Pay

- Year to date cost of £10.8m, £1.1mA to Plan.
- Overspend driven by Medical staff particularly in ESM and Other Clinical staff driven by sonographers.

Other Non-contracted Pay

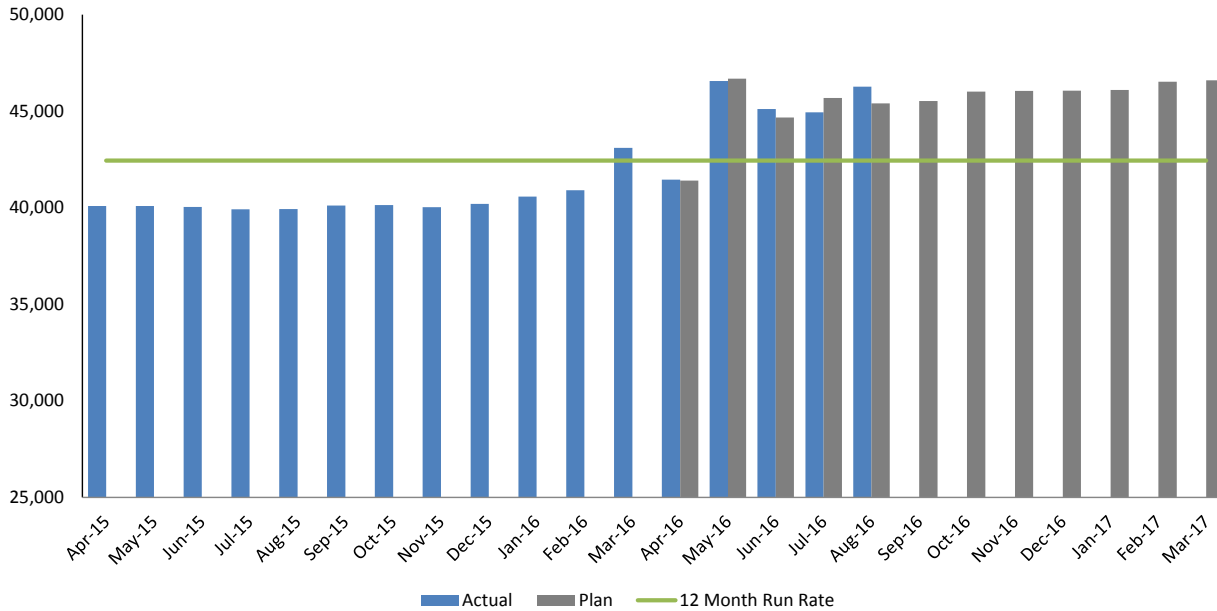
- Year to date expenditure of £13.6m. Whilst this is adverse to plan, this is offset in Substantive Pay as the Plan assumes a fully established position. See below.

Substantive Pay

- Combined with other non-contracted, expenditure of £224m, £0.5mA to Plan including planned release of central contingency to absorb underlying pay pressures across most CMGs offset by vacancies in MSS and CSI together with E&F pay pressures from services integration.

Pay Costs: Run Rates, Agency spend driving risk

Total Pay Excluding Agency Pay



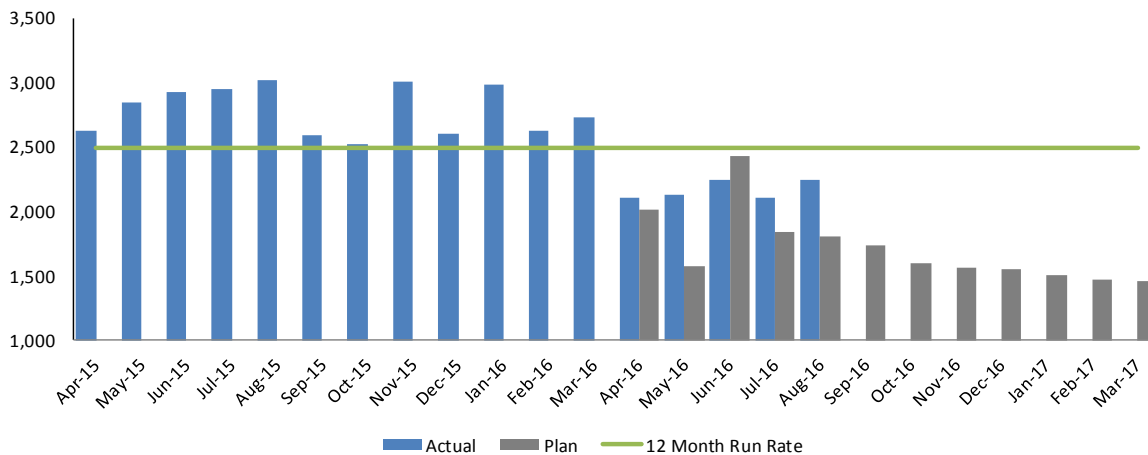
Total Pay excluding Agency Pay

- Year to date cost of £224m, £0.5mA to Plan.
- Plan and Actuals reflect an increase in pay from May due to the impact of E&F services integration where costs were previously reflected within in non-pay.
- Actuals include the release of central contingency in line with plan.

Agency Pay

- Year to date cost of £10.8m , £1.1mA to Plan.
- Phasing of agency plan is prescribed by NHSI.
- Whilst 2016/17 expenditure is lower than both the 12 month run-rate and prior year cost the current run-rate is still in excess of that required to achieve planned annual ceiling of £20.6m.
- Current monthly run-rate has remained stable at £2.1m compared to a decreasing trajectory. Compared to forecast this presents a £3m risk.

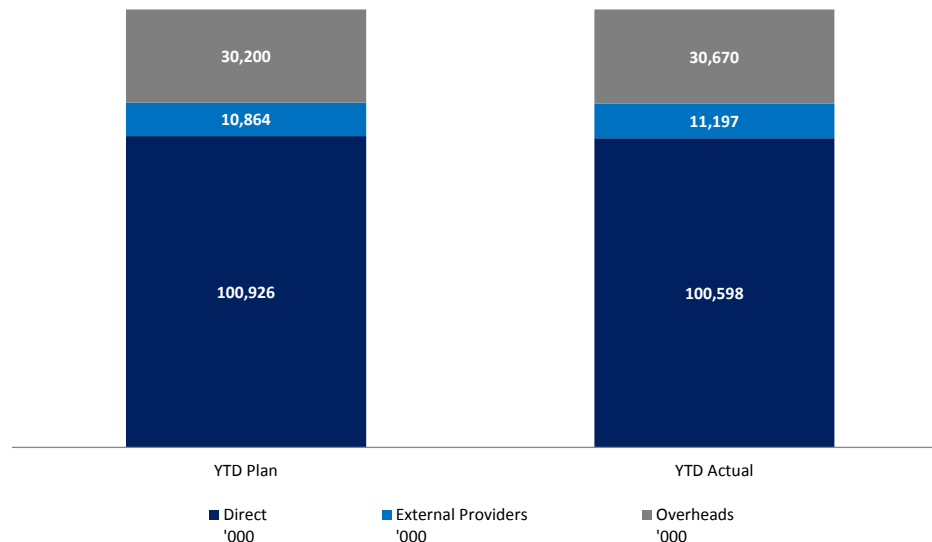
Agency Pay



Non-Pay: YTD £142m, £0.5mA to Plan

	Month				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	96	208	(112)	(116%)	482	554	(72)	(15%)
	Drugs	8,020	9,036	(1,016)	(13%)	39,519	41,304	(1,785)	(5%)
	Clinical Supplies & Services	8,273	9,161	(888)	(11%)	42,565	43,624	(1,059)	(2%)
	Transport	185	343	(158)	(85%)	926	1,297	(371)	(40%)
	Recharges	166	276	(110)	(67%)	579	1,025	(446)	(77%)
	Misc & General Supplies	3,424	(192)	3,615	106%	16,854	12,793	4,061	24%
External Providers	Healthcare	798	892	(94)	(12%)	3,991	4,356	(365)	(9%)
	Non Healthcare	1,264	1,168	96	8%	6,873	6,841	32	0%
Overheads	Establishment, Premises & Plant	3,374	3,394	(19)	(1%)	19,067	19,322	(255)	(1%)
	Consultancy	255	278	(23)	(9%)	1,249	1,463	(215)	(17%)
	Clinical Negligence	1,977	1,977	-	0%	9,885	9,885	-	0%
Total: Non Pay	27,833	26,543	1,290		141,991	142,465	(474)		

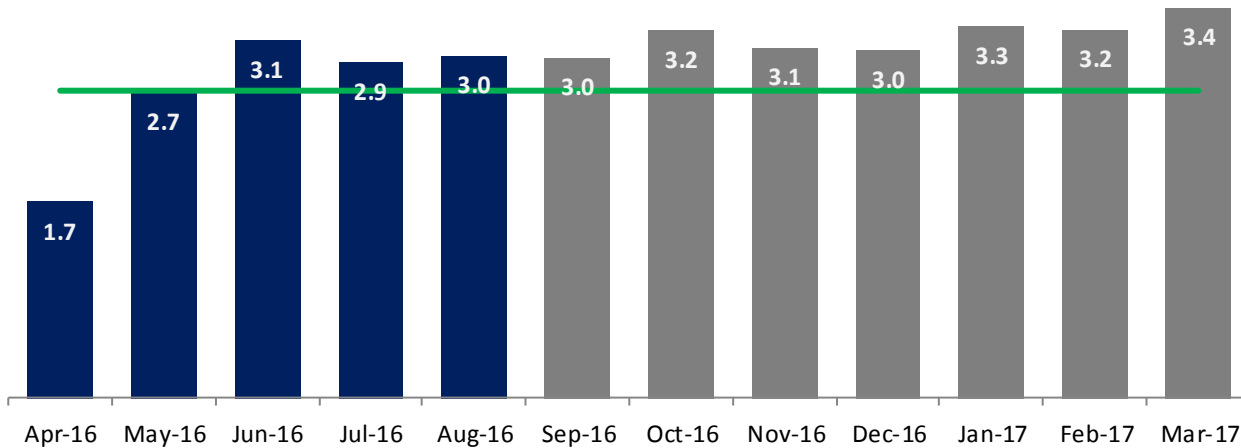
- **Direct Costs:** YTD expenditure of £100.6m, £0.3F including £0.7mF relating to drugs and devices excluded from tariff. Underlying overspend is driven by Drugs , recharges and clinical supplies incurred to delivery additional activity.
- **External Providers:** YTD cost of £11.2m, £0.3mA to plan due to continued use of the IS by MSS and CHUGGS.
- **Overheads:** YTD expenditure of £30.6m, £0.5mA to plan.
- **CIP:** included in Plan was CIP delivery through non-pay where efficiency has been delivered through income.



CIP: YTD £13.5, £1.2mF to Plan

	Aug-16				Aug-16				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	335	361	26	8%	1,429	1,526	97	7%	3,810
CSI	355	525	169	48%	1,503	1,649	146	10%	4,370
ESM	543	518	(25)	(5%)	2,184	2,739	555	25%	5,845
FACILITIES	133	177	44	33%	650	926	276	42%	5,845
ITAPS	344	381	37	11%	1,102	1,288	186	17%	3,795
MSS	351	249	(102)	(29%)	1,375	1,199	(176)	(13%)	4,011
RRCV	464	371	(93)	(20%)	2,354	2,150	(204)	(9%)	5,814
Womens & Childrens	273	220	(53)	(19%)	880	891	11	1%	3,924
Total: CMG	2,799	2,802	3	0%	11,477	12,367	890	8%	37,414
Corporate Total	169	200	31	18%	837	1,113	276	33%	(2,373)
Total CIP	2,968	3,002	34	1%	12,314	13,480	1,166	9%	35,040

CIP Delivery

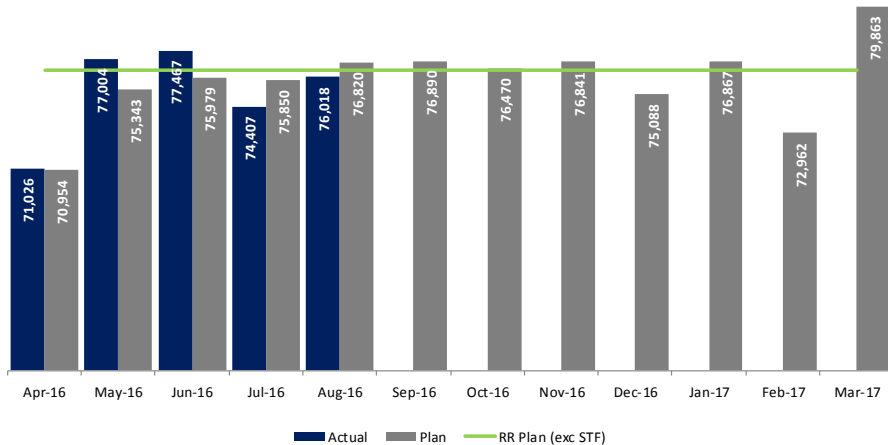


- Within Income and Costs there is year to date delivery of £13.5m, a variance of £1.2mF.
- Under-delivery in RRCV and MSS combined, is offset by over-delivery in other areas especially in ESM from Emergency activity and E&F from Utilities.
- The specific CIP Paper provides further insight into the performance of CIP.

Run Rates

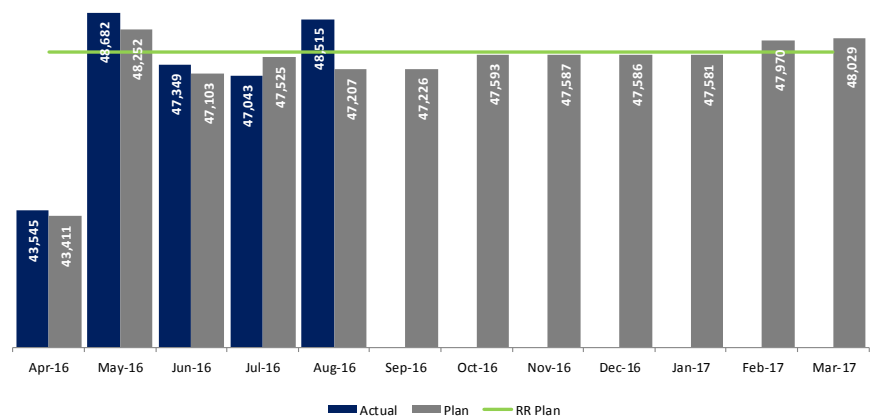
Income excluding STF

Underlying income fluctuates in line with working days and calendar days.



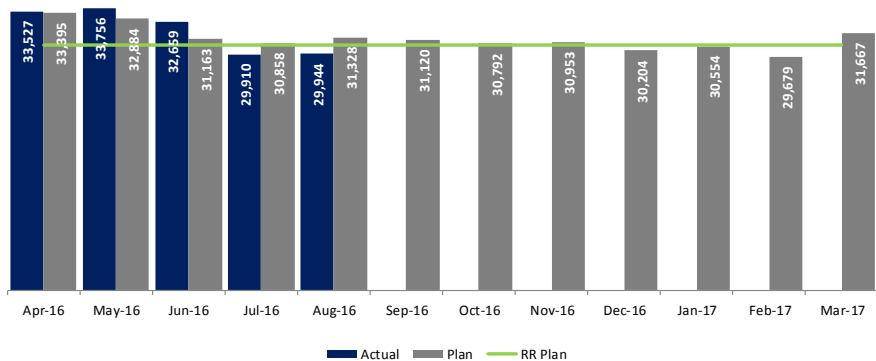
Pay

The step-change in May reflects the impact of E&F services integration. On-going stable cost base planned.



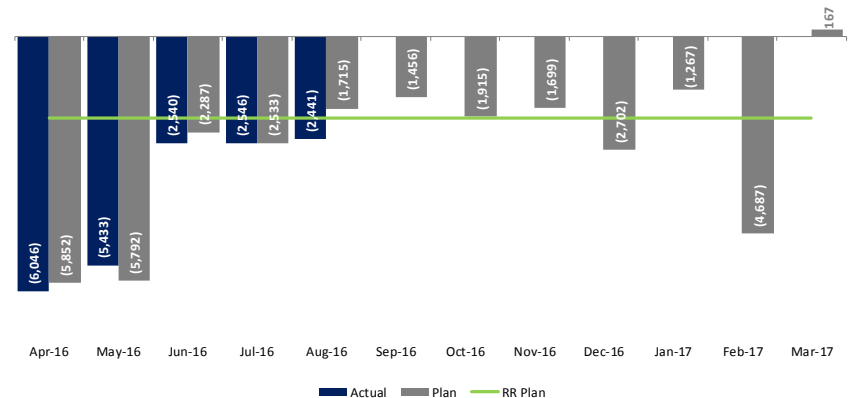
Non-Pay

High non-pay year to date due to over-performance in activity. Plan reflects an overall downward trend in non-pay which needs on-going control.



Net Deficit excluding STF

Cumulative deficit of £19m (£9.1m with STF) is not sustainable which needs on-going monitoring and tight financial discipline over costs and non-essential spend



STF: Financial & Operational Trajectories

Reported Sustainability and Transformation Fund (STF) performance measures have driven recognition of quarter 1 STF (£5.9m) due to Q1 financial performance being delivered and performance trajectories being agreed by quarter end.

Although Month 5 financial performance is adverse to Plan, STF has been recognised based on forecast performance delivery for Q2.

Full year forecast (£23.4m) remains in Trust trajectory.

	Quarter 1 ¹			Quarter 2			Quarter 3			Quarter 4		
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Financial performance (70%, £16.4m)												
YTD Trajectory (£k)	(5,823)	(11,561)	(8,090)	(8,650)	(8,431)							
YTD Actual (£k)	(6,003)	(11,368)	(8,070)	(8,620)	(9,095)							
ED: 4 hour turnaround (12.5%, £2.9m)												
Monthly Trajectory ²	78.00%	78.00%	79.00%	79.00%	80.00%	85.00%	85.00%	85.00%	85.00%	89.00%	89.00%	91.20%
Monthly Actual	81.20%	79.90%	80.60%	76.90%	80.10%							
RTT: 18 Week Pathway (12.5%, £2.9m)												
Monthly Trajectory ³	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%
Monthly Actual	92.70%	92.70%	92.40%	92.40%	92.10%							
Cancer: 62 Day Pathway (5%, £12m)												
Monthly Trajectory ⁴	70.20%	74.00%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%
Monthly Actual	75.90%	74.90%	77.30%	83.70%								
Diagnostics: 6 week wait (0%, £0.0m)												
Monthly Trajectory	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%
Monthly Actual	0.70%	0.60%	0.70%	0.60%	1.40%							

Notes

¹ Quarter 1 operational trajectories were delivered (green) by virtue of agreeing a trajectory with NHSI, regardless of performance

² Trajectory submitted on a “best endeavours basis” for the full year

³ Trajectory submitted on a “best endeavours basis” April to June

⁴ Trajectory submitted on a “best endeavours basis” June to August

Forecast Outturn: In line with Plan with delivery risk

	FOT				
	Plan	Outturn	F / (A)		
Value Drivers	Day Case	103,500	104,797	1,297	1.3%
	Elective Inpatient	22,459	22,304	(155)	(0.7%)
	Emergency / Non-elective Inpatient	106,432	108,396	1,964	1.8%
	Emergency Department	256,108	282,446	26,338	10.3%
	Outpatient Procedures	901,976	936,541	34,565	3.8%
	Critical Care Services	56,989	57,360	370	0.6%
	Renal Dialysis & Transplant	178,494	173,908	(4,586)	(2.6%)
	Other	8,394,785	10,505,704	2,110,918	25.1%
	WTE Total	12,101	12,982	881	7.3%
	WTE Agency	93	176	83	89.2%

	FOT			
	Plan £'000	Outturn £'000	F / (A) £'000	%
Patient Care Income	770,569	780,008	9,439	1.2%
Non Patient Care Income	138,751	132,870	(5,881)	(4.2%)
Other Operating Income	608	637	30	4.9%
Total Income	909,928	913,516	3,588	0.4%
Pay Costs	(546,449)	(549,026)	(2,577)	0.5%
Pay Costs: Agency	(20,620)	(23,668)	(3,048)	14.8%
Non-Pay	(332,443)	(332,050)	393	(0.1%)
Total Operating Costs	(899,512)	(904,744)	(5,232)	0.6%
EBITDA	10,416	8,772	(1,644)	(15.8%)
Non-Operating Costs	(42,155)	(40,511)	1,644	(3.9%)
Retained Deficit	(31,739)	(31,739)	(0)	0.0%
Adjustments for Donated Assets	39	39	0	
Net Deficit Excluding STF	(31,700)	(31,700)	(0)	0.0%
Sustainability & Transformation Funding	23,400	23,400	0	0.0%
Net Deficit Including STF	(8,300)	(8,300)	(0)	0.0%

Ratios				
Agency: Total Pay	3.6%	4.1%	0.5%	
EBITDA: Income	1.1%	1.0%	(0.2%)	
Net Deficit: Income	(3.5%)	(3.5%)	0.0%	

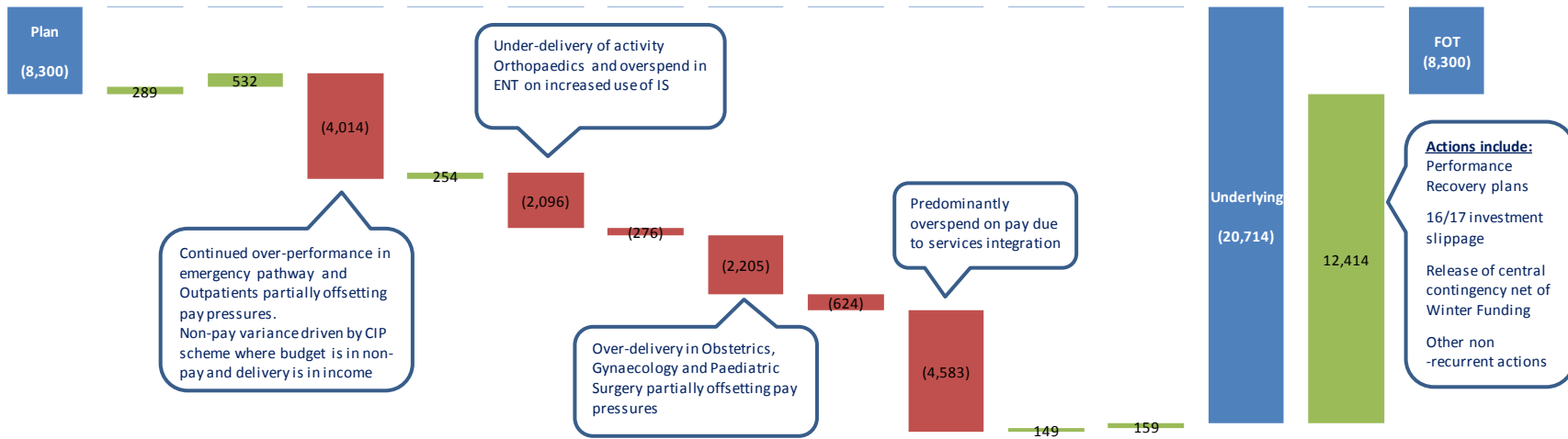
Key

- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- F refers to a Favourable variance to plan
- A refers to an Adverse variance to plan

- **Overall: Net Deficit of £8.3m in line with Plan** which embeds bottom up forecasting assumptions which have led to focus on the following CMGs/Corporate areas:
 - **ESM** driven by continued pay and non-pay pressures
 - **MSS** with under-delivery forecast due to costly increased use of the Independent Sector and under-delivery of core activity
 - **RRCV** driven by continuation of year to date pay pressures combined with additional investment in ANPs and consultants
 - **W&C** continued pay expenditure in excess of plan without offsetting income to support it
 - **Estates & Facilities** due to overspend in pay from the services integration
- **Bottom up forecast: Net deficit of £20.7m, £12.4mA to Plan** representing a delivery risk to the financial plan. Support to areas of the business not forecasting delivery is in place, interventions to close the gap include:
 - Execution of recovery plans including fortnightly Performance Recovery meetings led by Finance, Performance and CIP Directors
 - Slippage of 2016/17 approved investments
 - Release of remaining Central Contingency to absorb underlying cost pressures net of Winter funding
 - Non-recurrent benefits including lower depreciation through non-current asset management and management of ICS provision
- **Additional investments:** due to the above actions taken to deliver a forecast outturn in line with plan without any further improvement there is minimal headroom to fund additional investments including business cases or over-spend associated with Winter.

Forecast Outturn: CMG and Directorates

Underlying Outturn is £12mA to Plan including continued over-performance of activity to absorb cost pressures and £5mA within E&F driven by pay pressures. Additional actions have been identified which need prompt execution and careful monitoring to ensure delivery of the Trust planned deficit.



£(000)	Plan	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Underlying	Intervention	FOT	Var F/(A)
NHS PCI	793,969	2,440	2,065	2,119	1,347	(383)	(32)	2,130	40	0	0	(2,875)	800,822	2,587	803,408	9,439
Other Income	138,857	(194)	124	639	156	(254)	(614)	(993)	458	(5,752)	(89)	(65)	132,272	733	133,006	(5,851)
Pay	(546,449)	(156)	443	(1,025)	(1,234)	88	(1,369)	(2,396)	(452)	(3,183)	254	2,125	(553,354)	3,622	(549,732)	(3,283)
Pay: Agency	(20,620)	14	24	(2,909)	10	739	194	97	29	(308)	65	(134)	(22,799)		(22,799)	(2,179)
Non Pay	(332,443)	(1,815)	(2,125)	(2,838)	(25)	(2,285)	1,545	(1,043)	(698)	4,659	(81)	795	(336,354)	4,121	(332,232)	210
Non-Operating Costs	(41,614)											313	(41,301)	1350	(39,951)	1,663
Net Deficit	(8,300)	289	532	(4,014)	254	(2,096)	(276)	(2,205)	(624)	(4,583)	149	159	(20,714)	12,414	(8,300)	0

August 2016: Statement of Financial Position

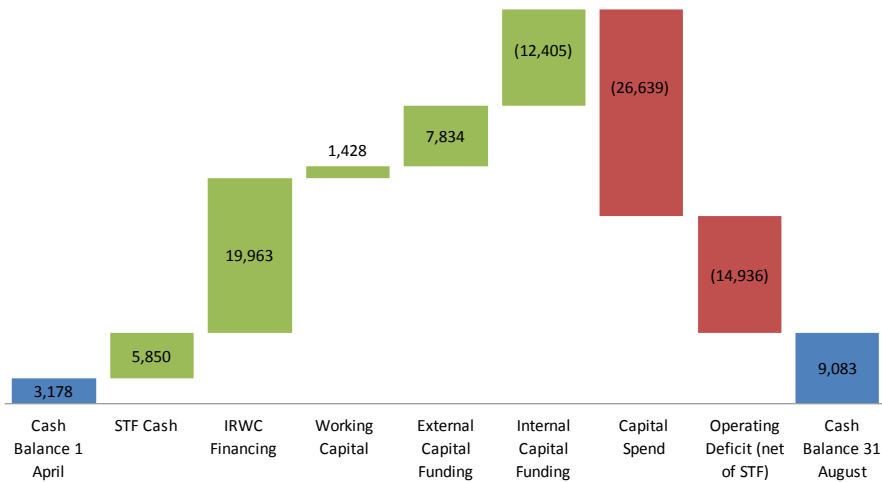
	Mar-16 £000's Actual	Aug-16 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	391,358	404,279	12,921
Intangible assets	10,452	9,332	(1,120)
Trade and other receivables	2,727	2,947	220
TOTAL NON CURRENT ASSETS	404,537	416,558	12,021
Current Assets			
Inventories	18,605	19,928	1,323
Trade and other receivables	45,106	42,487	(2,619)
Cash and cash equivalents	3,178	9,083	5,905
TOTAL CURRENT ASSETS	66,889	71,498	4,609
Current Liabilities			
Trade and other payables	(120,985)	(116,480)	4,505
Dividend payable	0	(3,610)	(3,610)
Borrowings / Finance Leases	(4,315)	(3,280)	1,035
Other Liabilities / Loan	(545)	(545)	0
Provisions for liabilities and charges	(633)	(120)	513
TOTAL CURRENT LIABILITIES	(126,478)	(124,035)	2,443
NET CURRENT ASSETS (LIABILITIES)	(59,589)	(52,537)	7,052
TOTAL ASSETS LESS CURRENT LIABILITIES	344,948	364,021	19,073
Non Current Liabilities			
Borrowings / Finance Leases	(3,930)	(4,077)	(147)
Other Liabilities / Loan	(55,010)	(82,807)	(27,797)
Provisions for liabilities and charges	(1,678)	(2,063)	(385)
TOTAL NON CURRENT LIABILITIES	(60,618)	(88,947)	(28,329)
TOTAL ASSETS EMPLOYED	284,330	275,074	(9,256)
Public dividend capital	329,856	329,856	0
Revaluation reserve	81,133	81,133	0
Retained earnings	(126,659)	(135,915)	(9,256)
TOTAL TAXPAYERS EQUITY	284,330	275,074	(9,256)
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(33)	(29)	(31)
Liquidity Ratio Metric	1	1	1

- **Total Assets Employed:** Movement of £9.3m representing year to date Trust deficit (before donated asset adjustment).
- **Non-Current Assets :** Increased by £12.0m reflecting spend on the emergency floor, vascular scheme and Robert Kilpatrick building.
- **Working capital:**
 - Stock growth in non pharmacy stock holding locations
 - Receivables have decreased by £2.6m
 - Payables have decreased by £4.5m
- **Cash:** August balance of £9.1m is above the £3m minimum stipulated by our loan agreements. We received £3.2m income in advance from local CCGs late on the 31st August.
- **Dividend payable:** £3.6m represents five months PDC dividend accrued with cash payments due in September and March.
- **Non-current liabilities:**
 - Drawdown of £20.0m revolving working capital facility
 - Drawdown of £7.8m emergency floor capital loan.
- **Liquidity Ratio:** We continue to be high risk in terms of our continuity of service risk rating relating to liquidity days and have achieved a score of 1, which is in line with our plan.

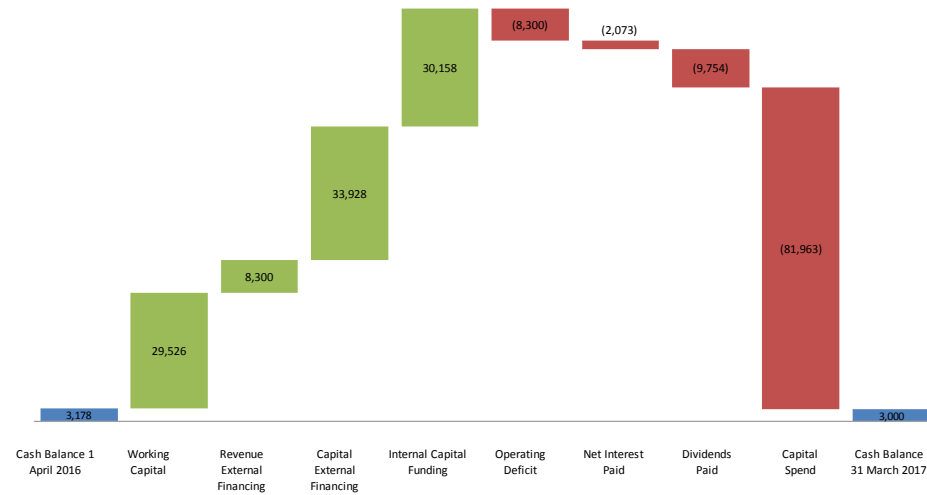
Score range from 1 (High Risk) to 4 (Low Risk).

Cash

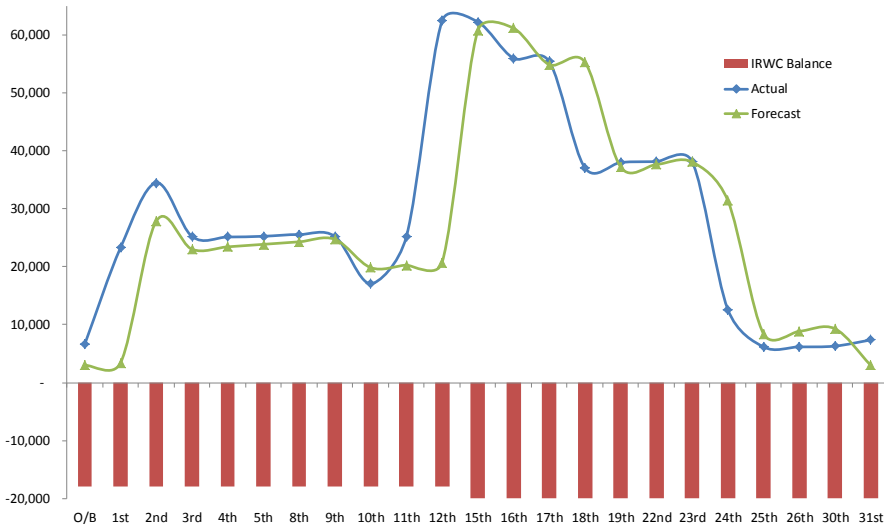
Year to Date Cash Bridge



Cash Forecast £'000



Daily Cash Balance



Comments

Cash Bridge:

- Opening cash balance of £3.2m, in line with our plan.
- Funded YTD net deficit of £9.3m by drawing down £20.0m of our Interim Revolving Working Capital Facility (IRWC), which also covers the timing difference on the receipt of STF funding.
- Improvement in working capital and internal capital funding enabled interest payment and capital expenditure of £26.6m.

Full Year Forecast

- Forecast of £3m in line with Plan after funding of Trust deficit, Capital Expenditure, Dividends and interest.

Daily Cash Balance

- In line with forecast with mid-month peak driven by receipt of SLA income. Staff are paid on the last Thursday of each month reflected by the cash reduction on 25th August.

Liquidity

	Liquidity			Ageing				% over	
	Opening £'000	YTD £'000	Movement £'000	0 - 30 Days £'000	31 - 60 Days £'000	61 - 90 Days £'000	Over 90 days £'000	90 days %	
Accounts Receivable	NHS receivables - revenue	25,351	18,250	7,101	13,336	745	1418	2751	15%
	Non-NHS receivables - revenue	13,097	14,506	(1,409)	7,257	1614	1014	4621	32%
	Provision for the impairment of receivables	(764)	(1,042)	278	(1,042)				0%
	Non-NHS prepayments and accrued income	3,068	8,622	(5,554)	8,622				0%
	PDC dividend prepaid to DH	1,307	1,307	0	1,307				0%
	VAT	2,622	587	2,035	587				0%
	Other receivables	425	257	168	257				0%
	TOTAL	45,106	42,487	2,619	30,324	2,359	2,432	7,372	17%
Accounts Payable	NHS payables - revenue	(9,502)	(23,323)	13,821	(14,043)	(1,495)	(793)	(6,992)	30%
	NHS accruals and deferred income	(5,889)	0	(5,889)	0				#DIV/0!
	Non-NHS payables - revenue	(43,305)	(36,178)	(7,127)	(17,544)	(9,481)	(7,318)	(1,835)	5%
	Non-NHS payables - capital	(14,052)	(5,690)	(8,362)	(5,294)	(269)	(80)	(47)	1%
	Non-NHS accruals and deferred income	(31,368)	(30,995)	(373)	(30,995)				0%
	Social security costs	(4,740)	(6,027)	1,287	(6,027)				0%
	Dividends payable	0	(3,610)	3,610	(3,610)				0%
	Accrued Interest on DH Loans	(126)	(482)	356	(482)				0%
	Tax	(5,054)	(5,189)	135	(5,189)				0%
	Other	(6,949)	(8,596)	1,647	(8,596)				0%
TOTAL	(120,985)	(120,090)	(895)	(91,780)	(11,245)	(8,191)	(8,874)	7%	
Total Liquidity	(75,879)	(77,603)	1,724						

Liquidity: movement of £1.7m from opening position driven by:

- Accounts receivable: decreased by £2.6m driven by decrease of £7.1m in NHS receivables offset by increase in Non-NHS prepayments and accrued income.
- Accounts payable: decrease of £0.9m with material movement in Non-NHS payables and NHS accruals and deferred income offset by increase in NHS payables and Dividend payable.

Ageing: NHSI target of 5% or less within over 90 days, key areas of under-performance:

- NHS receivables: 15% representing £2.7m being over 90 days with Leicestershire Partnership NHS Trust at £0.9m; NHS West Leicestershire CCG at £0.6m; and NHS East Leicestershire and Rutland CCG at £0.4m.
- Non-NHS receivables: 32% representing £4.6m being over 90 days with the largest component being Overseas Visitors at £1.8m (40%). The balance consists of various items which in isolation are not material.
- NHS payables-revenue: £6.9m, representing 30% in excess of 90 days with NHS Business Services Authority at £6.5m (94%).
- Further analysis of receivables is provided in the separate cash report.

Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	August YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	57,515	341,227	44,325	279,555
Total Invoices Paid Within Target	11,682	235,455	8,631	200,152
Percentage Invoices Paid Within Target (target 95%)	20%	69%	19%	72%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	53,658	280,874	40,847	229,236
Total Non-NHS Invoices Paid Within Target	10,967	190,281	7,953	162,189
Percentage of Non-NHS Invoices Paid Within Target	20%	68%	19%	71%
Local SME payables				
Total SME Invoices Paid in the Year	2,177	5,635	2,004	4,100
Total SME Invoices Paid Within Target	569	1,488	554	1,261
Percentage of Local SME Invoices Paid Within Target	26%	26%	28%	31%
NHS Payables				
Total NHS Invoices Paid in the Year	1,680	54,718	1,474	46,220
Total NHS Invoices Paid Within Target	146	43,687	124	36,702
Percentage of NHS Invoices Paid Within Target	9%	80%	8%	79%

- **Cash:** Year to date cash availability has been affected by lack of clarity surrounding:

- Utilisation of working capital facility restricted to in-month planned deficit;
- Timing of STF drawdowns; and
- Capital drawdown for pre-approved Emergency Floor.

- **BPPC performance:** As a result of cash constraints the Trust is unable to achieve the BPPC performance target of 95%.

The low volume compliance has been driven by the requirement to settle high value invoices, impacting our ability to pay the larger volume of small invoices within 30 days.

- **Actions:** the Cash Committee has been established to take forward actions previously described. The last IFPIC meeting agreed to the prioritisation of supplier payments and we are working with Procurement on this. This is likely to increase the priority of smaller suppliers and improve performance by volume.

Capital: £24.2m spend

	Scheme Name	YTD Spend	YTD Committed	Annual Budget
Funded	Estates & Facilities	1,207	1,843	3,776
	MES Installation Costs	117	332	1,000
	IFM Facilities Asset Purchase	1,565	0	1,376
	Paediatric Daycase / Dentistry	692	334	1,229
	Robert Kilpatrick	2,200	0	2,200
	Sub-total: Estates & Facilities	5,780	2,510	9,581
	IM&T Infrastructure	701	407	3,862
	Heartsuite System	0	0	272
	Electronic Blood Tracking System	114	72	696
	Renal Transplant Lab System	0	120	100
Learning Mgt System	72	0	70	
Sub-total: IM&T Schemes	887	599	5,000	
Medical Equipment Executive	834	292	4,000	
Linear Accelerator	48	2,695	798	
Sub-total: Medical Equipment	882	2,987	4,798	
Emergency Floor	7,792	8,646	21,700	
Vascular	4,451	4,685	8,908	
ICU	368	48	379	
EMCH Interim Solution	370	45	549	
Business Case Development	311	83	615	
Sub-total: Reconfiguration	13,293	13,508	32,151	
Diabetes Conversion of Ward 2	423	158	1,122	
Donations	66	0	300	
Paediatric & Genetic CRF	4	13	328	
MES Finance Lease Additions	1,156	0	2,774	
Hybrid Theatre Addition	0	0	1,200	
Total Secured Funding	22,491	19,775	57,254	
Planned but not yet funded	Estates & Facilities	500	136	1,982
	MES Installation Costs	0	0	347
	Ward 9 & 7 Change of Use	0	63	150
	EF EPR Plan B	0	0	500
	Medical Equipment Executive	0	0	500
	Linear Accelerator	0	0	2,502
	Business Case Development	0	0	1,363
	ICU	0	0	2,641
	Ward Capacity	0	0	4,091
	Infrastructure Costs	0	0	1,943
	EPR Programme	12	174	8,690
Planned Expenditure	512	373	24,709	
Unfunded	EDRM	222	0	0
	Other Expenditure	997	281	0
	TOTAL UNFUNDED EXPENDITURE	997	281	0
TOTAL CAPITAL EXPENDITURE	24,222	20,429	81,963	

- **August:** Total capital expenditure of £24.2m
- **Material spend:**
 - **Emergency Floor:** Total spend of £7.8m with a further commitment of £8.6m
 - **Vascular:** Spend of £4.4m and committed spend of a further £4.7m
 - **Estates and Facilities:** Spend of £5.8m with £2.5m further committed spend
- **Annual Plan:**
 - **Capital Plan:** Total capital expenditure of £82m.
 - **External funding:** The external borrowing requirement to execute this plan is £46.4m of which
 - £21.7m is secured for the Emergency Floor development
 - £16.0m is required for reconfiguration schemes including Vascular and ICU business cases; and £8.7m CRL is required for EPR.

Finance and use of resources metrics

In September 2016 NSHI published the final Single Oversight Framework. Within this there are a series of financial measures, below we have shown the Trust score against these measures based on our understanding of the guidance. Whilst each metric carries equal weighting if any metric scores a 4 the overall score cannot be any higher than 3.

	Metric	Definition	Actual	Score
Financial Sustainability	Capital service capacity	Degree to which income covers financial obligations	22	1
	Liquidity (days)	Days of operating costs held in cash or cash-equivalent forms, including wholly committed lines of credit available for drawdown	3.8	1
Financial Efficiency	I&E margin	I&E surplus or deficit/total revenue	(2.4%)	4
Financial Controls	Distance from financial plan	Year to date actual I&E surplus/deficit in comparison to year to date plan I&E surplus/deficit	(7.8%)	4
	Agency spend	Distance from agency ceiling	(11.6%)	2
Overall	Total (weighted) score	All 5 metrics weighted at 20% to give an overall average score		3

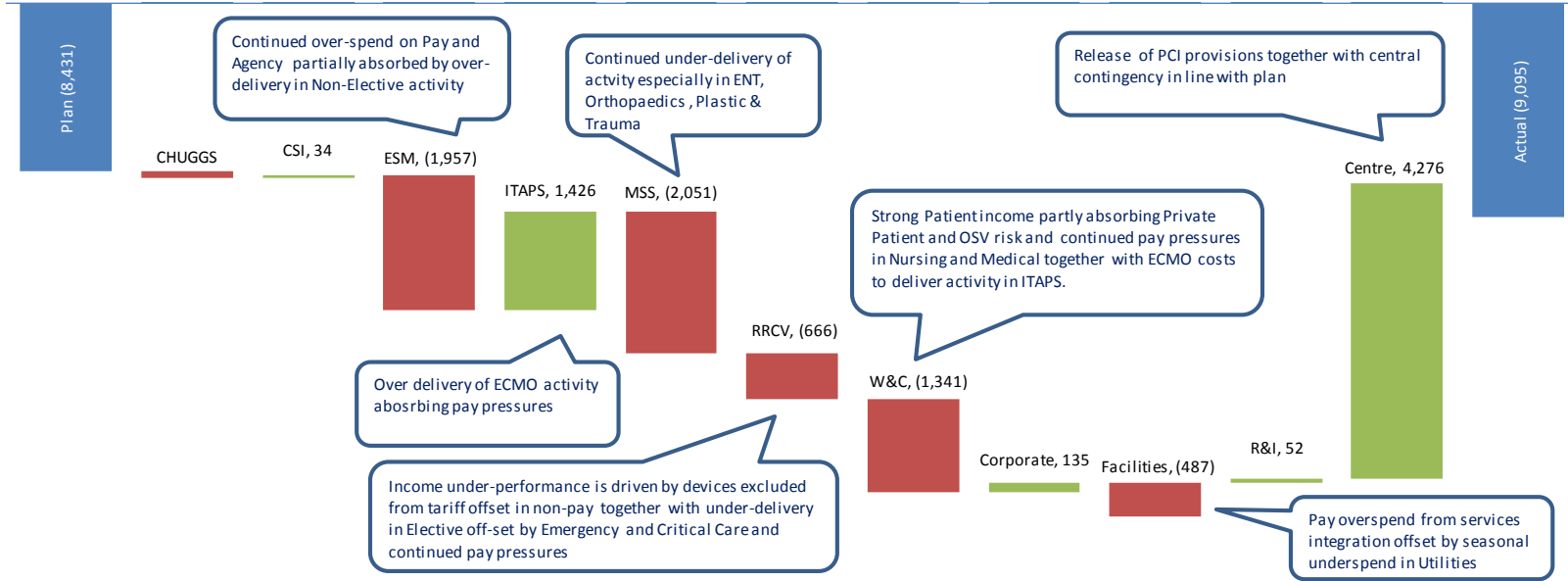
Risks & Mitigation

RISK	MITIGATION
<ul style="list-style-type: none"> • CMG Recovery plans: continued under-performance and deterioration of CMGs driving Trust level risk to deliver on planned deficit. 	<ul style="list-style-type: none"> • The “at risk” under-performing CMGs are in Performance Recovery with regular director oversight to ensure recovery plans are robust, executed and monitored.
<ul style="list-style-type: none"> • Contractual over performance: continued over-performance and associated financial pressures within local CCGs. 	<ul style="list-style-type: none"> • Close monitoring of contractual and financial performance at monthly Contract Performance Meeting. • Contractual mechanisms i.e. AQN have been followed
<ul style="list-style-type: none"> • CIP: remains key to meeting income and expenditure commitments. Whilst currently in line with plan CIP delivery remains a key dependency. 	<ul style="list-style-type: none"> • An established PMO function and associated governance arrangements are in place. Full details of the 2016/17 programme are supplied within the separate CIP paper.
<ul style="list-style-type: none"> • Sustainability & Transformation Funding: inability to achieve financial control total (70%) and operational performance target trajectory (30%) 	<ul style="list-style-type: none"> • Close monitoring of financial performance and operational performance targets through internal confirm and challenge meetings
<ul style="list-style-type: none"> • Agency Pay: Current over spend presents potential risk to achieve £20.6m ceiling. 	<ul style="list-style-type: none"> • The workforce work stream and premium pay sub-work stream are concentrating on delivery of savings through the monitoring and compliance of recruitment initiatives, workforce planning and the application of internal controls.
<ul style="list-style-type: none"> • Cost Pressures: Current over-delivery of activity and release of central contingency is offsetting underlying pay and non-pay pressures. 	<ul style="list-style-type: none"> • On-going tight financial discipline is required over costs and non-essential spend.
<ul style="list-style-type: none"> • Cash: planned deficit position means there is insufficient cash to support expenditure. 	<ul style="list-style-type: none"> • The Trust has access to an Interim Revolving Working Capital Support (temporary borrowing) to meet immediate cash requirements.
<ul style="list-style-type: none"> • Capital: Capital Plan requires further borrowing that is yet to be approved. 	<ul style="list-style-type: none"> • Alternative scenarios within the capital programme until additional borrowing is approved. This plan has been agreed at the Capital Management and Investment Committee.

Appendix

YTD: CMG and Directorates

The YTD performance by CMG and Corporate Directorate is shown below.



£(000)	Plan	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Actual	Var F/(A)
NHS PCI	327,509	1,498	838	731	1,580	(2,029)	(311)	550	17	0	(0)	697	331,080	3,571
Other Income	56,958	(152)	114	238	155	(114)	(338)	(549)	259	(1,809)	(194)	(42)	54,526	(2,431)
Pay	(223,796)	(11)	594	(424)	(286)	585	(435)	(1,073)	51	(1,128)	281	1,338	(224,304)	(508)
Pay: Agency	(9,702)	(99)	(297)	(1,402)	(23)	37	(96)	139	11	(84)	22	665	(10,829)	(1,127)
Non Pay	(141,991)	(1,321)	(1,214)	(1,100)	(1)	(530)	515	(409)	(195)	2,533	(56)	1,304	(142,465)	(474)
Non-Operating Costs	(17,410)								(7)			314	(17,103)	306
Deficit	(8,431)	(84)	34	(1,957)	1,426	(2,051)	(666)	(1,341)	135	(487)	52	4,276	(9,095)	(664)