

2017/18 Financial Performance

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Trust Board paper Q

Executive Summary

Context

The Trust is planning for an income and expenditure deficit of £26.7m in 2017/18 with a capital plan of £54.4m. Delivery of the financial plan in 2017/18 is essential in order to maintain our position as an organisation with good financial control; effectively a pre-requisite to access the extremely limited national capital resource for reconfiguration.

Questions

1. What is our financial performance for the period ending 31st July 2017?

The Trust has achieved a year to date deficit of £20.9m which is in line with our plan to this point, although there is significant risk in Quarters 2-4 particularly associated with CIP delivery as the profile of savings increases through the year. This CIP profile is illustrated on Page 11 of the report and the corresponding impact of the savings on pay and non-pay run rates is on Page 13.

2. What is our performance against the agency ceiling?

Agency expenditure is within the required level (as per the NHSI agency cap for UHL). The cap essentially mandates a 30% reduction on 2015/16 agency spend. This is very positive news especially given our startpoint as a relatively low use of agency compared to our acute peer group.

3. What is our forecast I&E position for 2017/18?

As outlined on Page 15 of the report, the Month 4 detailed forecast indicated a deficit of £37m, £10.3m adverse to the Planned I&E deficit of £26.7m. Following mitigating actions and assumptions, the forecast was brought back in line with Plan which needs prompt execution and on-going monitoring to ensure delivery of the Trust's financial

commitment. As noted above and very explicitly in the main report, there are risks to delivery of the target.

4. What is the performance against the Trust's Cost Improvement Programme?

The Trust Cost Improvement Programme target has increased from £33m to £44.2m with the inclusion of £3.5m for supplementary CIP and £7.6m from financial improvement and technical schemes being re-aligned as CIP. To date, £10.8m of the total £44.2m has been delivered. This is £0.6m ahead of plan at this stage, noting the points made regarding the profiling of CIP in answer to 1. above. Of the £44.2m this year, £4.1m is still unidentified of which £3.5m relates to supplementary CIP representing a risk to the programme and the overall delivery of the I&E plan. Escalation meetings will continue with the CMGs concerned.

5. How are we managing unfunded cost pressures this year?

In setting budgets appropriately and in accordance with 2016/17 spend levels, the Trust has little additional (reserve) funding to allocate to CMGs to fund any further cost pressures this year. To ensure that this does not impact negatively on the quality of our services, the Chief Executive is chairing a specific Executive Board meeting (Star Chamber) as necessary to consider any such pressures which potentially cannot be avoided. This will ensure that we have senior oversight and transparency regarding such decisions in 2017/18.

As at the end of Q1, the Star Chamber has identified unavoidable cost pressures totalling a further £10m which creates a £3.5m in-year funding gap for the Trust. To help close the overall budget gap, the Trust has targeted an additional £3.5m reduction in the pay bill through a structured supplementary CIP programme which is in addition to the existing CIP target of £33m referenced in answer 4 above.

6. What risk mitigation strategies are in place for 2017/18?

Page 22 of the report provides information on the key risks and their mitigations, some of which have already been mentioned in this summary.

Input Sought

Note the financial performance at Month 4.

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: **5th October 2017**

6.Executive Summaries should not exceed 1 page. **[My paper 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: Achieved
- Achieving the Capital Resource Limit: Exceeded, forecasting to achieve

Financial Performance

- **Deficit of £20.9m, in line with Plan:** Reporting in line with Plan representing over-performance on emergency and critical care income offset by the additional cost to deliver the additional activity. Over-spend in Medical workforce and emerging cost pressures are currently being mitigated by release of Central reserves.
- **Patient Care Income, £3.6mF to Plan:** Underlying over-performance of £2.7m predominantly within Emergency/Non-elective and elective inpatients. All point of delivery are below plan in month excluding emergency and critical care activity. This underperformance reverses the year to date over performance trend for Emergency Department attendance and outpatients.
- **Operating Costs, £4.1mA to Plan:** with pay £2.4mA to Plan with underlying overspend in all staff groups. Non-pay overspend of £1.7m partly due to the marginal cost of over-delivering patient activity.
- **CIP £0.6mF to Plan:** driven by non-recurrent schemes with recurrent schemes in line with Plan.
- **Finance Improvement and Technical:** currently delivering actions in line with Plan.
- **Forecast Outturn:** in line with Plan with the detailed forecast being £10.3mA to Plan. This represents a risk to achieving the full year planned deficit with mitigation embedded which needs prompt execution and ongoing monitoring to ensure delivery of the Trust planned deficit.

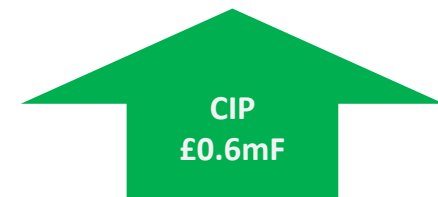
Cash

- **Closing cash balance at July of £8.7m,** which is higher than Plan. Contract SLA cash for August received in July and held for August payment run.
- Trust Med Pharmacy cash balance was £1.6m.
- Funded YTD net deficit of £20.9m by drawing down £13.6m of the Interim Revolving Working Capital Facility (IRWC).

Capital

- **July:** Total capital expenditure of £8.9m, £0.2mA to Plan
 - Year to date spend driven by:
 - Re-configuration projects
 - Emergency Floor
 - Managed Equipment Service Finance Leases
 - Estates, backlog maintenance
 - Overspend driven by Vascular and ED Project IT issues with work underway in order to ensure the annual plan is not exceeded.

July 2017: Key Facts



Key

- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- Colour indicates status of variance on planned position (Green is Favourable/In Line and Red is Adverse)
- Number relates to variance YTD

Financial Performance: YTD Deficit of £20.9m, in line with Plan

	Jul-17			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)		
						%		
Value Drivers	Day Case	9,109	8,731	(378)	34,976	34,587	(389)	(1%)
	Elective Inpatient	1,913	1,893	(20)	7,076	7,328	252	4%
	Emergency / Non-elective Inpatient	9,574	9,635	61	37,696	38,485	789	2%
	Emergency Department	20,945	17,976	(2,969)	82,041	81,255	(786)	(1%)
	Outpatient Procedures	81,833	76,145	(5,689)	314,291	310,685	(3,606)	(1%)
	Critical Care Services	4,658	5,007	350	18,386	18,865	478	3%
	Renal Dialysis and Transplant	14,728	14,539	(189)	57,857	58,143	286	0%
	Other Activity	754,047	677,845	(76,202)	2,944,874	2,734,708	(210,165)	(7%)
	WTE Total	13,841	13,364	477	13,841	13,364	477	3%
	WTE Agency	314	311	2	314	311	3	1%

	Jul-17			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)		
	£'000	£'000	£'000	£'000	£'000	£'000	%	
I&E £'000	Patient Care Income	67,928	68,609	681	264,780	268,420	3,640	1%
	Non Patient Care Income	533	748	215	2,130	2,244	114	5%
	Other Operating Income	10,579	10,594	15	42,314	42,746	432	1%
	Total Income	79,040	79,951	911	309,224	313,410	4,186	1%
	Pay Costs	(47,288)	(47,929)	(641)	(190,332)	(192,755)	(2,423)	(1%)
	Pay Costs: Agency	(1,821)	(1,807)	14	(7,571)	(7,507)	64	1%
	Non Pay	(29,703)	(29,985)	(282)	(118,103)	(119,794)	(1,691)	(1%)
	Total Operating Costs	(78,812)	(79,721)	(909)	(316,006)	(320,056)	(4,050)	(1%)
	EBITDA	228	230	2	(6,782)	(6,646)	136	(2%)
	Non Operating Costs	(3,536)	(3,581)	(45)	(14,138)	(14,300)	(162)	(1%)
	Retained deficit	(3,308)	(3,352)	(44)	(20,920)	(20,946)	(26)	(0%)
	Adjustments for Donated Assets	5	17	12	20	52	32	(160%)
Net Deficit	(3,303)	(3,335)	(32)	(20,900)	(20,893)	7	0%	

	Jul-17			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)		
						%		
Ratios	Agency: Total Pay	3.85%	3.77%		3.98%	3.89%		
	EBITDA: Income	0.29%	0.29%		(2.19%)	(2.12%)		
	Net Deficit: Income	(4.18%)	(4.17%)		(6.76%)	(6.67%)		

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: £268.4m, £3.6mF** including £0.9mF in relation to drugs and devices excluded from tariff with the offset in non-pay. With the exception of emergency and critical care activity all points of delivery are below plan in month. This underperformance reverses the year to date over performance trend for Emergency Department attendance and outpatients. Underlying over-performance of £2.7m predominantly within Emergency/Non-elective and Elective Inpatients.
- **Non Patient Care Income & Other Income: £45m, £0.5mF** with additional income in Pathology and Imaging.
- **Pay Costs: £192.8m, £2.4mA** which includes £0.3mF release of reserves to fund additional investments and overspend. Underlying overspend of £2.8m driven by :

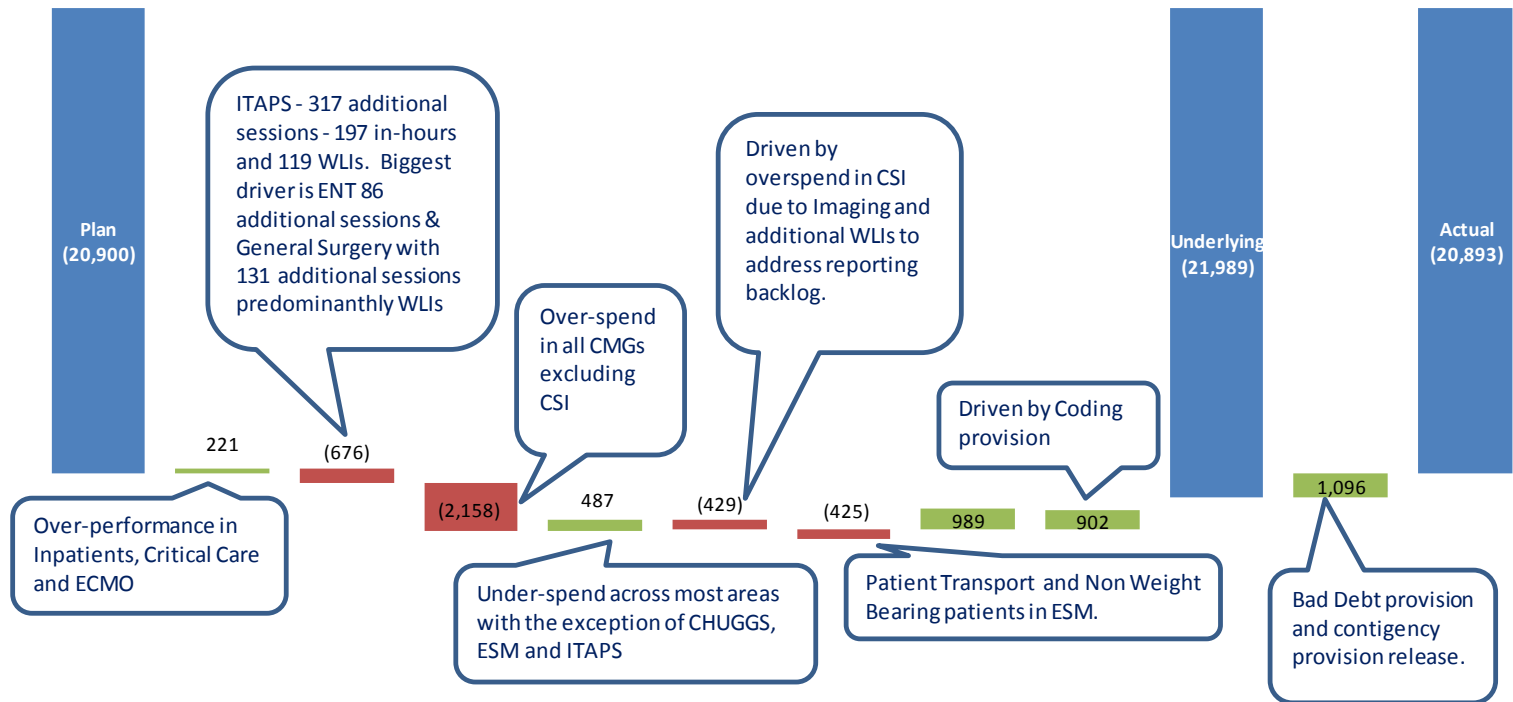
- Medical: £1.9mA across all CMGS except CSI
- Nursing: £0.3mF although overspends within CHUGGS, ESM and ITAPS
- Other Clinical £0.6mA in CSI driven by Pathology to reduce reporting backlog

Of particular concern is pay spend within ED, Nursing enhancements and premium spend in E&F.

- **Agency: £7.5m, in line with Plan.**
- **Non-Pay: £119.8m, £1.7mA** including £1.8mF due to release of central reserves and £0.9mA in relation to drugs and devices excluded from tariff. Underlying overspend of £2.6m is predominantly driven by marginal cost to deliver activity together with costs in relation to patient transport, Non Weight Bearing pathway and unidentified CIP.
- **EBITDA: deficit of £6.6m, £0.1mF.**
- **Non-Operating Costs: £14.3m, £0.2mA to Plan** in relation to interest costs.

I&E Bridge: in line with Plan

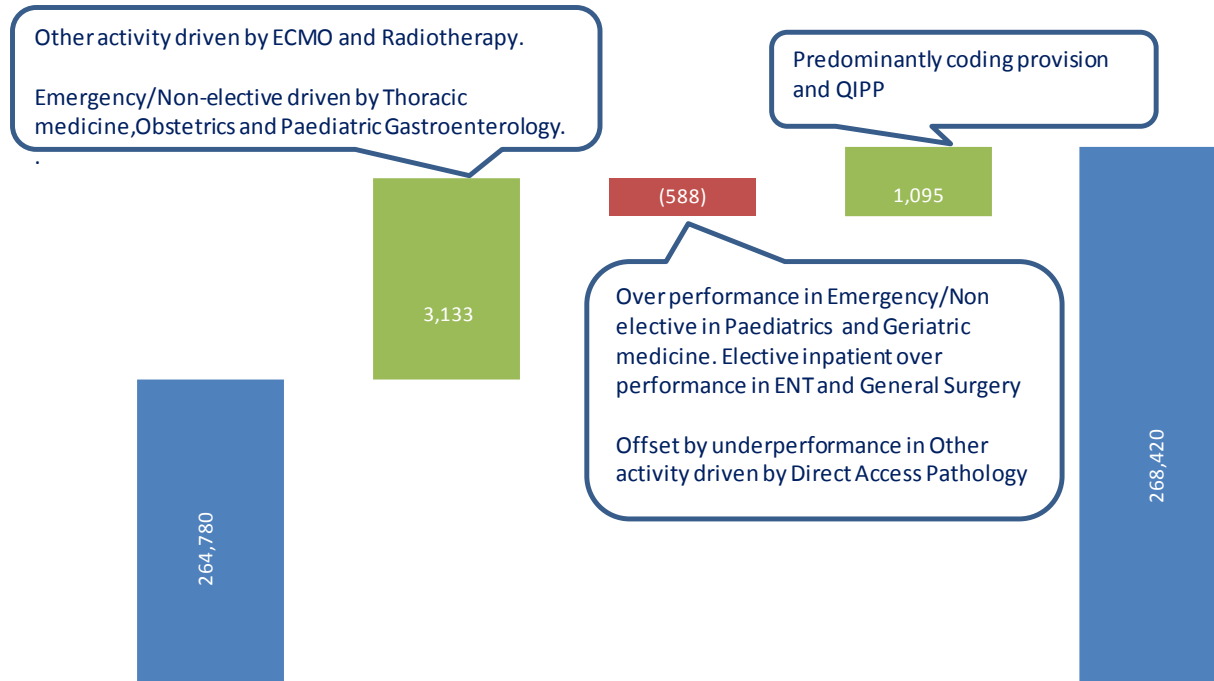
Reporting in line with Plan representing over-performance on emergency and critical care income offset by the additional cost to deliver the additional activity. Over-spend in Medical workforce and emerging cost pressures are currently being mitigated by release of Central reserves.



£(000)	Plan	Activity	Theatres	Medical Pay	Nursing Pay	Other Pay	Cost Pressures	Reserves	Other	Underlying	Non-recurrent Items	Actual	Var F/(A)
NHS PCI	264,615	2,342							417	268,255		268,255	3,640
Other Income	44,444	411							193	45,048		45,048	604
Pay	(190,332)		(514)	(1,474)	2	(692)		255		(192,755)		(192,755)	(2,423)
Pay: Agency	(7,571)			(685)	485	263				(7,507)		(7,507)	64
Non Pay	(118,103)	(2,532)	(162)				(425)	734	481	(120,891)	1,096	(119,794)	(1,691)
Non-Operating Costs	(13,953)								(188)	(14,141)		(14,141)	(188)
Net Deficit	(20,900)	221	(676)	(2,158)	487	(429)	(425)	989	902	(21,989)	1,096	(20,893)	7

NHS Patient Income: July £268.4m, £3.6mF to Plan

Over-performance predominantly driven by Emergency/Non-elective and Elective Inpatients, offset by under delivery across most areas.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	20,133	(72)	(223)	0	19,837	(296)
Elective Inpatient	26,302	(886)	905	0	26,321	19
Emergency / Non-elective Inpatient	68,902	1,188	1,468	0	71,558	2,656
Marginal Rate Emergency Threshold	(2,158)	0	0	(555)	(2,712)	(555)
Emergency Department	10,397	(155)	(98)	0	10,143	(253)
Outpatient	36,714	671	(429)	0	36,956	242
Drugs and Devices excluded from Tariff	32,521	0	0	882	33,403	882
Critical Care Services	17,688	(465)	448	0	17,672	(16)
Renal Dialysis and Transplant	9,191	(200)	44	0	9,035	(156)
CQUIN	5,420	0	0	(621)	4,799	(621)
Other Activity	34,815	3,053	(2,702)	0	35,165	350
Other Financial Values	4,856	0	0	1,388	6,245	1,388
Total	264,780	3,133	(588)	1,095	268,420	3,640

Activity & Income: Performance versus Contract

Activity	Case Mix	City	East	West	Specialised	Other	Alliance	Total	%
	Day Case		21	(90)	355	471	(474)	(672)	(389)
Elective Inpatient		171	132	54	(28)	(78)		252	4%
Emergency / Non-elective Inpatient		(45)	162	193	490	(11)		789	2%
Marginal Rate Emergency Threshold (MRET)		0	0	0	0	0		0	0%
Emergency Department		(201)	763	(122)		(1,226)		(786)	(1%)
Outpatient		(258)	1,766	1,050	7,465	(11,569)	(2,059)	(3,606)	(1%)
Excluded Drugs and Devices		0	0	0	0	0	0	0	0%
Critical Care Services		(337)	120	(133)	321	508		478	3%
Renal Dialysis and Transplant		0	0	0	(375)	661		286	0%
CQUIN		0	0	0	0	0	0	0	0%
Other Activity		(44,563)	(116,869)	(44,825)	2,342	(3,865)	(2,386)	(210,165)	(7%)
Other Financial Values		94	159	401	(1)	313	(183)	783	n/m

Financial	Case Mix	City	East	West	Specialised	Other	Alliance	Total	%
		(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	
Day Case		172	60	244	72	(334)	(510)	(296)	(1%)
Elective Inpatient		196	(30)	84	1	(231)	0	19	0%
Emergency / Non-elective Inpatient		355	389	446	1,763	(297)	0	2,656	4%
Marginal Rate Emergency Threshold (MRET)		(163)	(173)	(197)	0	(22)	0	(555)	(26%)
Emergency Department		(53)	(68)	(67)	0	(64)	0	(253)	(2%)
Outpatient		267	360	280	839	(1,307)	(197)	242	1%
Excluded Drugs and Devices		(10)	25	46	1,420	(608)	10	882	3%
Critical Care Services		(450)	154	23	(190)	447	0	(16)	(0%)
Renal Dialysis and Transplant		0	0	0	(174)	18	0	(156)	(2%)
CQUIN		(46)	(28)	(22)	93	(598)	(20)	(621)	(11%)
Other Activity		264	(9)	32	(378)	627	(185)	350	1%
Other Financial Values		1,545	1,254	1,146	486	(3,074)	30	1,388	29%
Grand Total		2,077	1,934	2,015	3,931	(5,444)	(872)	3,640	1%

• CCG Contracts:

- **Day Case:** Over-performance predominantly relates to ENT, Orthopaedic Surgery and Cardiology
 - **Emergency/Non Elective Inpatient:** Over performance within Integrated and Geriatric Medicine
 - **Outpatients:** Over-performance driven by Integrated Medicine, Urology and Gynecology
 - **Other Financial Values:** Predominantly QIPP, clinical coding provision and non-weight bearing pathway
 - **Excluded drugs and devices:** Over performance within Rheumatology and Dermatology
- ## • Specialised Services:
- **Non-elective / Emergency:** Over performance within Thoracic Medicine and Cardiac Surgery
 - **Excluded Drugs and Devices:** Over performance in Clinical Oncology and Cardiology TAVI
 - **Other Activity:** Predominantly under performance within Neurology rehab
 - **Other Financial Values:** Predominantly clinical coding provision
 - **Outpatients:** Over performance within Trauma and ENT

Pay: YTD £200.3m, £2.4mA to Plan

	Jul-17						YTD					
	£'000			WTE			£'000			WTE		
	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)
Agency												
Medical	793	956	(163)	20	74	(54)	3,271	3,836	(565)	20	74	(54)
Nursing & Midwifery	720	656	64	0	176	(176)	3,068	2,582	485	0	176	(176)
Other Clinical	213	188	24	67	31	36	851	892	(41)	67	31	36
Non Clinical	95	7	88	35	31	4	382	197	184	35	31	4
Total: Agency	1,821	1,807	14	121	311	(190)	7,571	7,507	64	121	311	(190)
Other Non-contracted												
Medical		1,408	(1,408)		10	(10)		5,127	(5,127)		10	(10)
Nursing & Midwifery		1,483	(1,483)		439	(439)		6,017	(6,017)		439	(439)
Other Clinical		318	(318)		63	(63)		1,268	(1,268)		63	(63)
Non Clinical		545	(545)		287	(287)		2,200	(2,200)		287	(287)
Total: Other Non-contracted	0	3,755	(3,755)	0	800	(800)	0	14,612	(14,612)	0	800	(800)
Total Non-contracted												
Medical	793	2,364	(1,571)	20	84	(65)	3,271	8,962	(5,692)	20	84	(65)
Nursing & Midwifery	720	2,139	(1,419)	0	615	(615)	3,068	8,599	(5,532)	0	615	(615)
Other Clinical	213	507	(294)	67	94	(27)	851	2,159	(1,308)	67	94	(27)
Non Clinical	95	552	(457)	35	318	(283)	382	2,398	(2,016)	35	318	(283)
Total: Non-contracted	1,821	5,562	(3,741)	121	1,112	(990)	7,571	22,119	(14,548)	121	1,112	(990)
Substantive												
Medical	14,972	13,976	997	1,817	1,768	49	59,875	56,122	3,754	1,817	1,768	49
Nursing & Midwifery	17,009	15,372	1,638	5,729	4,975	754	67,895	62,099	5,796	5,729	4,975	754
Other Clinical	6,506	6,326	180	2,176	2,046	129	25,885	25,148	736	2,176	2,046	129
Non Clinical	8,801	8,501	299	3,998	3,775	223	36,677	34,774	1,903	3,998	3,775	223
Total: Substantive	47,288	44,175	3,113	13,720	12,564	1,156	190,332	178,143	12,189	13,720	12,564	1,156
Total												
Medical	15,765	16,340	(575)	1,837	1,852	(15)	63,146	65,084	(1,938)	1,837	1,852	(15)
Nursing & Midwifery	17,729	17,511	219	5,729	5,590	139	70,963	70,698	265	5,729	5,590	139
Other Clinical	6,719	6,833	(114)	2,243	2,140	102	26,736	27,308	(572)	2,243	2,140	102
Non Clinical	8,896	9,053	(157)	4,032	4,093	(61)	37,058	37,172	(114)	4,032	4,093	(61)
TOTAL: Pay	49,109	49,736	(627)	13,841	13,676	165	197,903	200,261	(2,358)	13,841	13,676	165

Note

Other non-contracted medical pay is not represented by a WTE value as it represents an aggregate of payments like Waiting List Initiatives (WLI), on call, acting down payments across different grades of medical workforce where individuals often already represent 1 WTE in a substantive, contracted, role.

Agency Pay

- Year to date cost of £7.5m, in line with Plan. Overspend of £0.4m in CHUGGS and MSS offset by underspend in other areas particularly ESM.

Other Non-contracted Pay

- Year to date expenditure of £14.6m with Medical and Nursing driving 76% of spend. Whilst premium pay shows an overspend this needs to be taken into account with Substantive Pay as budgets are held at Established levels.

Substantive Pay

- Combined with other non-contracted, expenditure of £193m, £2.4mA with Plan.
- Pay position includes £0.3mF in relation release of contingency to fund additional investments including Demand and Capacity requirements.

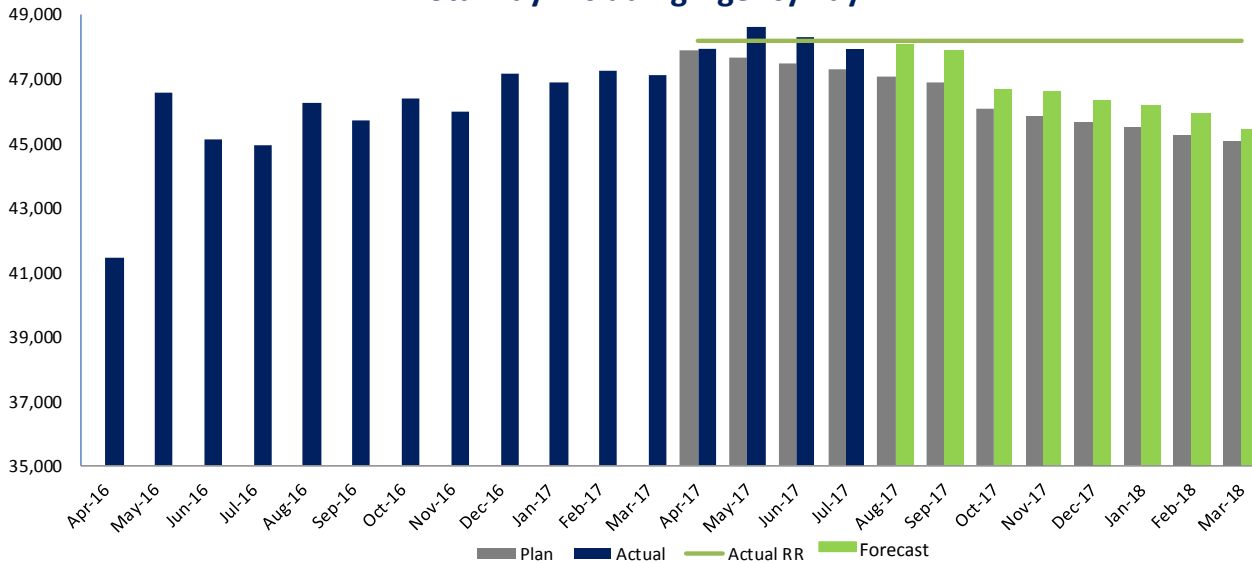
Excluding this, the CMGs have an underlying overspend of £2.7m predominantly driven by:

- Nursing in CHUGGS, ESM and ITAPS;
- Medical across most CMGs; and
- Non-clinical in CSI due to additional WLIs incurred to clear the reporting backlog

- Lack of control of pay costs is a key risk to the delivery of the 2017/18 Financial Plan with current concerns around Nursing enhancements, Medical spend, ED Floor and premium spend in E&F.

Pay Run Rates

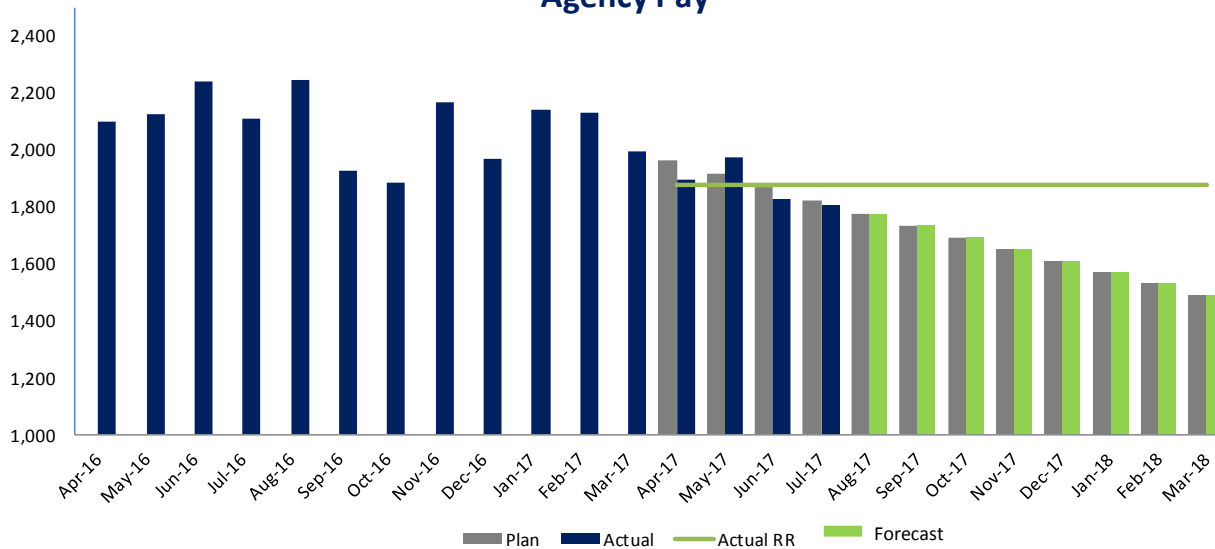
Total Pay Excluding Agency Pay



Total Pay excluding Agency Pay

- Plan and forecast reflects a downward trajectory which requires full CIP delivery and tight discipline throughout the organisation to ensure this is delivered.
- Year to date run rate of £48.2m needs to reduce by £1.5m to £46.6m in order to achieve Forecast. This includes the financial impact from the supplementary CIP of £3.5m from Month 7 onwards.
- This remains a key risk to the Financial Plan especially in relation to ED Floor, Nursing enhancements, Medical spend and premium spend within E&F.

Agency Pay



Agency Pay

- The planned trajectory is supported by specific actions identified and tracked through the Premium Pay group.
- Year to date costs are in line with Plan but this needs continued focus and control to ensure the planned reduction is achieved.
- Year to date run rate of £1.9m needs to reduce by £0.2m to £1.6m in order to achieve Forecast.

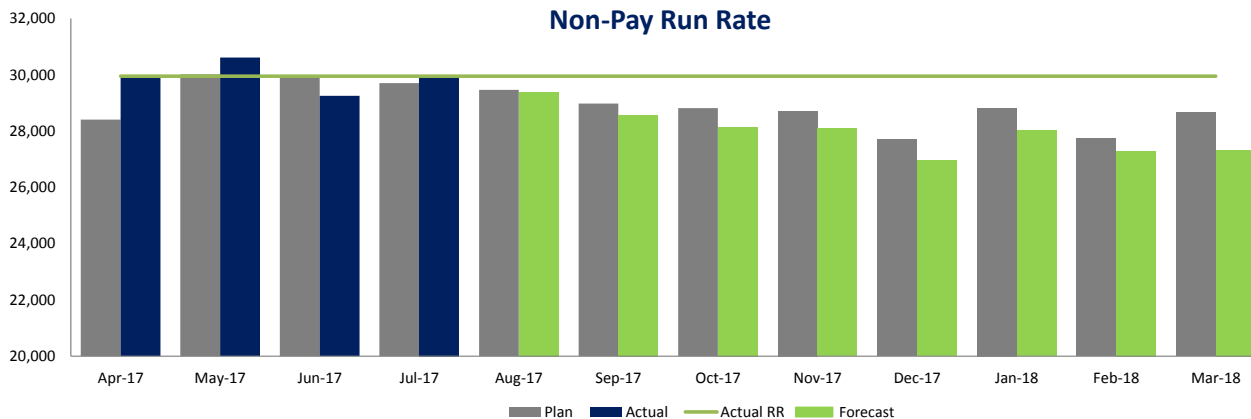
Non-Pay: YTD £119.8m, £1.7mA to Plan

	Jul-17				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	109	71	37	34%	426	511	(85)	(20%)
	Drugs	8,480	9,639	(1,159)	(14%)	33,386	34,783	(1,396)	(4%)
	Clinical Supplies & Services	8,688	9,276	(588)	(7%)	34,705	36,997	(2,292)	(7%)
	Transport	305	319	(14)	(5%)	1,055	1,040	15	1%
	Recharges	192	428	(237)	(123%)	890	1,158	(268)	(30%)
	Misc & General Supplies	3,598	2,199	1,400	39%	14,154	12,544	1,610	11%
External Providers	Healthcare	998	997	1	0%	3,855	3,789	66	2%
	Non Healthcare	1,196	1,255	(59)	(5%)	4,795	4,840	(45)	(1%)
Overheads	Establishment, Premises & Plant	-	-	-	-	-	-	-	-
	Consultancy	3,805	3,444	361	9%	15,509	14,662	847	5%
	Clinical Negligence	49	73	(24)	(49%)	195	338	(143)	(73%)
Total: Non Pay		29,703	29,985	(282)	(1%)	118,103	119,794	(1,691)	(1%)

- **Direct Costs: £87m, £2.4mA to Plan** including £2.1Fm release of central reserves and 0.9mA relating to drugs and devices excluded from tariff .

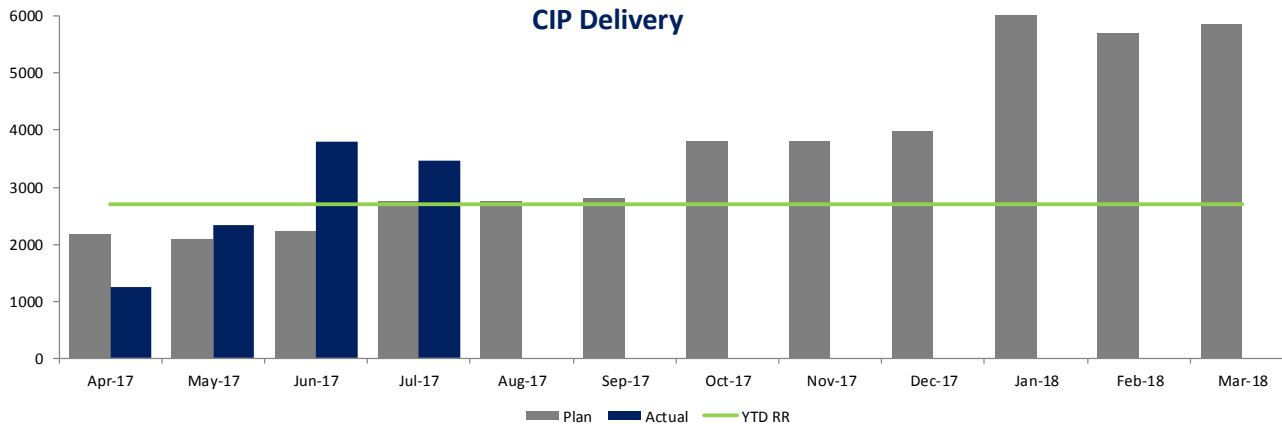
Underlying overspend predominantly relates to incremental cost to deliver additional activity together with CIP under-delivery from M4 and cost pressures connected to the emergency pathway.

- **External Providers:** YTD cost of £8.6m which is £21kF to Plan.
- **Overheads:** YTD expenditure of £24.1m, £0.7mF to Plan



CIP: YTD £10.8m, £0.6mF to Plan

	Jul-17				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	317	296	(21)	(7%)	974	1,164	190	19%	3,763
CSI	255	285	30	12%	911	1,073	162	18%	3,923
ESM	473	197	(276)	(58%)	1,121	1,412	291	26%	5,477
ITAPS	324	135	(189)	(58%)	938	739	(198)	(21%)	4,124
MSS	282	250	(32)	(11%)	788	915	127	16%	3,635
RRCV	386	411	25	6%	1,437	1,377	(60)	(4%)	5,061
Womens & Childrens	171	148	(23)	(13%)	585	729	144	25%	5,165
Total: CMG	2,208	1,722	(485)	(22%)	6,754	7,410	656	10%	31,149
Facilities	168	58	(109)	(65%)	670	548	(122)	(18%)	3,380
Corporate Total	527	1,685	1,158	220%	2,766	2,876	109	4%	9,624
Total CIP	2,902	3,465	563	19%	10,191	10,834	643	6%	44,153

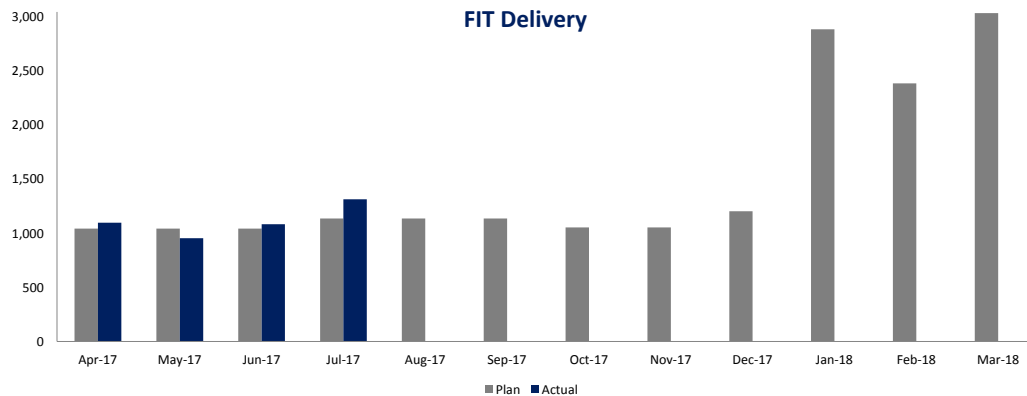


- CIP delivery is favourable to Plan driven by non-recurrent schemes with recurrent schemes in line with Plan.
- Achieving CIP is critical to delivering the financial plan with the key risks being:
 - Unidentified CIP – currently £4.1m of which £3.5m relates to supplementary CIP
 - Identified schemes not yet been through the quality assurance process
- In order to fund the additional costs in relation to Demand and Capacity and approved investments, there is an additional requirement of £3.5m supplementary CIP in relation to in-year pay bill and workforce reductions.
- Supplementary CIP of £3.5m and re-badging of Finance Improvement and Technical schemes have been included from Month 4 into the CIP programme, giving a revised total of £44.2m compared to £33m. This does not change the control total as it represents moving actions from baseline and into CIP.
- The specific CIP Paper provides further insight into the performance of CIP.

Finance Improvement and Technical (FIT)

	Plan FY £'000	YTD		Variance £'000	
		Plan £'000	Actual £'000		
Strategic	HEEM: NR Funding	500	0	0	0
	Strategic review of subsidiary company: Depreciation & Dividend savings - CIP	4,000	0	0	0
	Total Value: Strategic	4,500	0	0	0
Statement of Financial Position Management	Accruals: apply policy of £10k de-minimus - CIP	500	0	0	0
	Deferred Income (inc Research): release - CIP	150	0	0	0
	Revenue to Capital transfer	1,000	333	333	(0)
	Duplicate invoices / VAT review - CIP	150	0	0	0
	Depreciation: extending lives and pausing charges for assets not in use - CIP	2,086	695	895	199
Total Value: Statement of Financial Position	3,886	1,029	1,228	199	
Contingency and Reserves	Investment Slippage - CIP	741	574	556	(18)
	Release of contingency to fund approved investments	5,972	1,991	1,991	0
	Junior Doctors: manage to best case of £2m	300	100	100	0
	Total Value: Contingency and Reserves	7,013	2,665	2,647	(18)
Technical	Defer NHSE settlement over 2 years	1,217	406	406	0
	QIPP EDD - 100% pass through	784	87	87	0
	CIP PCI Schemes alignment	780	87	87	0
	Total Value: Technical Actions	2,781	579	579	0
All Actions	CIP Related Actions	7,627	1,270	1,451	181
	Technical Actions	10,553	3,003	3,003	(0)
	Total Value: All Actions	18,180	4,273	4,454	181

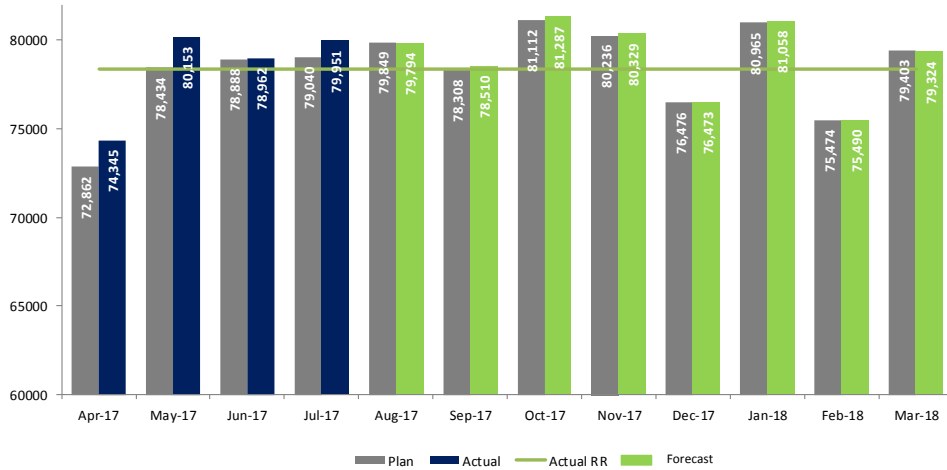
- 2017/18 Plan identified £18.2m of Finance Improvement and Technical actions in order to help meet the planned deficit.
- Month 4 is in line with Plan but this needs on-going monitoring to ensure the actions are executed and delivered in line with planning assumptions.
- A specific Finance Improvement and Technical work-stream has been set up to track deliverables, risk and mitigations.
- £7.6m has now been re-aligned as CIP and £10.6m as Technical improvements.



I&E Run Rates

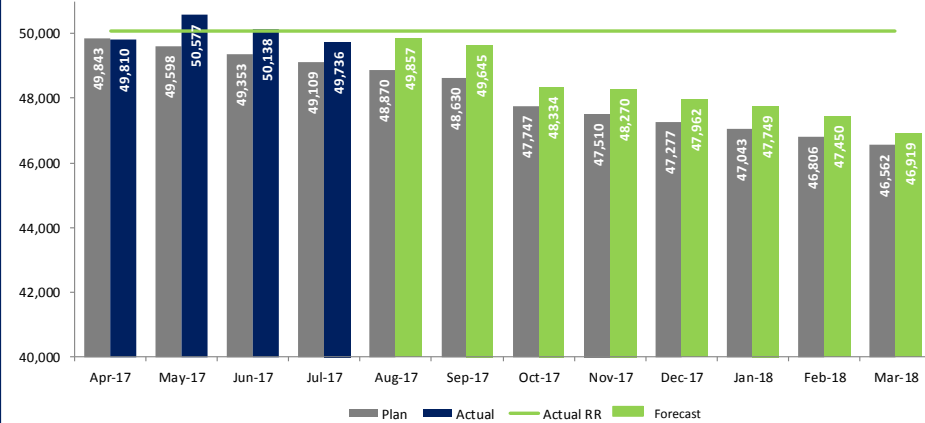
Income

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



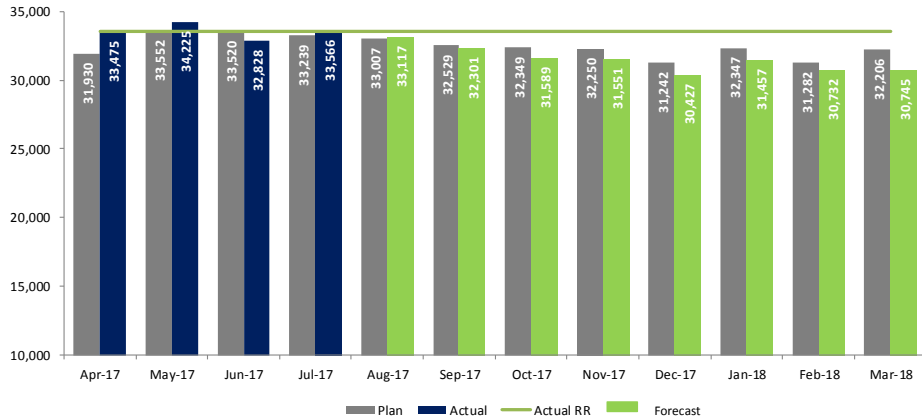
Pay

Trajectory is dependent upon CIP (including supplementary CIP) and Workforce actions which remains a key risk which needs tight discipline.



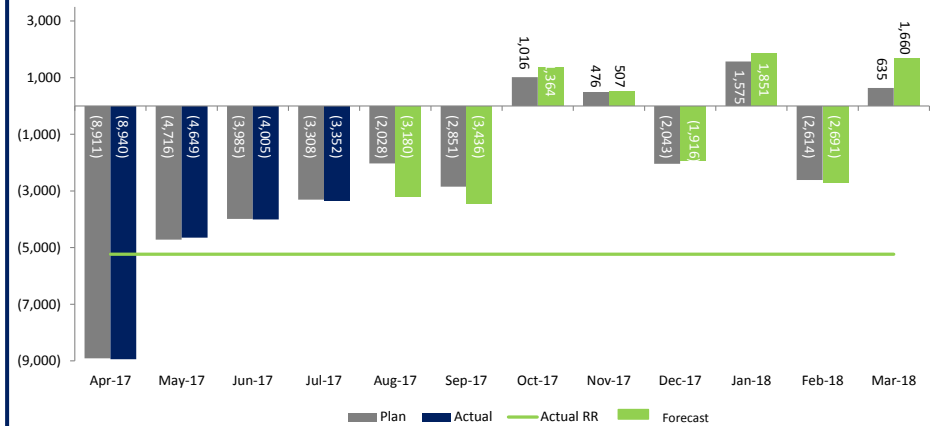
Non-Pay

Non-pay is stable representing existing cost base with fluctuations driven by activity assumptions. The second half of the year represents CIP delivery.



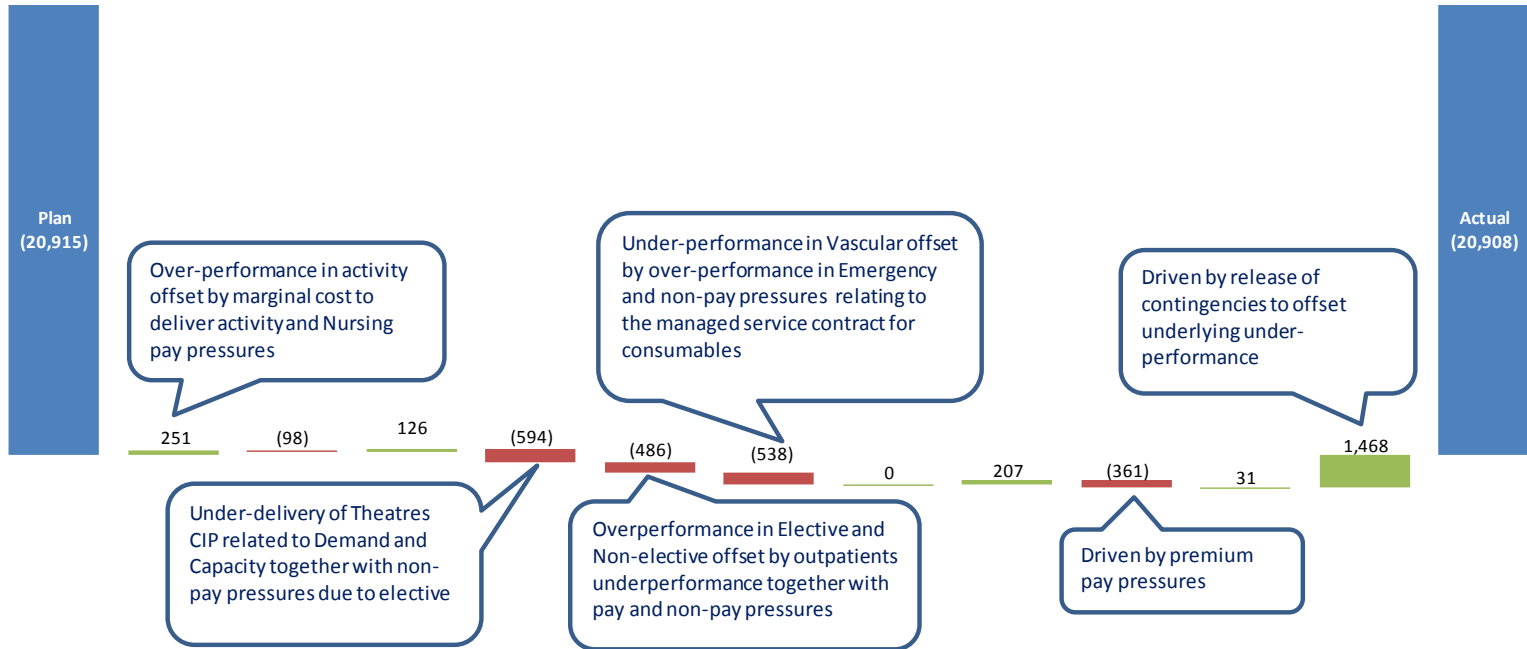
Net Deficit

Whilst similar to prior years the Month 4 deficit cannot be sustained which needs close monitoring and tight financial discipline over costs and non-essential spend.



July performance by CMG and Directorates

Significant underperformance within ITAPS, MSS, RRCV and Estates with formal recovery plans required as part of monthly finance and performance meetings.



£(000)	Plan	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Actual	Var F/(A)
NHS PCI	264,780	1,729	194	2,150	(12)	(13)	69	406	13	0	0	(896)	268,420	3,640
Other Income	44,403	(157)	300	60	(33)	26	(123)	113	252	(103)	119	151	45,007	604
Pay	(190,332)	(706)	(993)	(781)	(345)	(214)	99	(135)	(134)	(296)	65	1,018	(192,755)	(2,423)
Pay: Agency	(7,571)	(226)	98	414	41	(133)	114	15	111	13	3	(387)	(7,507)	64
Non Pay	(118,103)	(388)	302	(1,717)	(247)	(153)	(697)	(399)	(10)	26	(155)	1,746	(119,794)	(1,691)
Non-Operating Costs	(14,092)				2				(27)			(164)	(14,280)	(188)
Net Deficit	(20,915)	251	(98)	126	(594)	(486)	(538)	0	207	(361)	31	1,468	(20,908)	7

Forecast Outturn: In line with Plan with delivery risk

Value Drivers

	Outturn			
	Plan	Outturn	F / (A)	
Day Case	107,471	108,604	1,133	1%
Elective Inpatient	22,096	22,555	459	2%
Emergency / Non-elective Inpatient	115,913	117,158	1,244	1%
Emergency Department	245,952	233,555	(12,396)	(5%)
Outpatient Procedures	966,237	971,646	5,410	1%
Critical Care Services	56,507	56,532	25	0%
Renal Dialysis & Transplant	174,056	174,016	(41)	(0%)
Other	9,004,614	8,469,794	(534,820)	(6%)

I&E £'000

	Outturn			
	Plan £'000	Outturn £'000	F / (A) £'000	%
Patient Care Income	807,716	812,868	5,152	1%
Non Patient Care Income	133,331	132,807	(524)	0%
Total Income	941,047	945,674	4,627	0%
Pay Costs	(557,728)	(565,891)	(8,163)	(1%)
Pay Costs: Agency	(20,620)	(20,556)	64	0%
Non-Pay	(346,998)	(343,558)	3,440	1%
Total Operating Costs	(925,346)	(930,005)	(4,659)	-1%
EBITDA	15,701	15,669	(32)	0%
Non-Operating Costs	(42,455)	(42,455)	(0)	(0%)
Retained Deficit	(26,754)	(26,786)	(32)	(0)
Adjustments for Donated Assets	54	86	32	(1)
Net Deficit	(26,700)	(26,700)	(0)	(0)
Agency: Total Pay	3.57%	3.51%	(0.06%)	
EBITDA: Income	1.67%	1.66%	(0.01%)	
Net Deficit: Income	(2.84%)	(2.82%)	0.01%	

- **Overall:** Net deficit of £26.7m in line with Plan.
- **Run Rate Forecast:** At Month 4, extrapolating year to date run-rate analysis indicates a forecast deficit of £10.3mA to Plan. This can be mitigated through CMG recovery plans, full delivery of CIP including supplementary CIP and additional Finance and Technical Actions.
- Following mitigation of the above, there are a number of risks associated with the delivery of the Planned deficit predominantly:
 - Full delivery of CIP plus delivery of £3.5m Incremental CIP to fund the financial pressure driven by Demand and Capacity work stream and approved cost pressures
 - CMGs and Corporate Directorates to perform in line with Plan
 - Execution of Finance Improvement and Technical actions

See Page 21 for more detail on risks together with mitigation.

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

July 2017: Statement of Financial Position

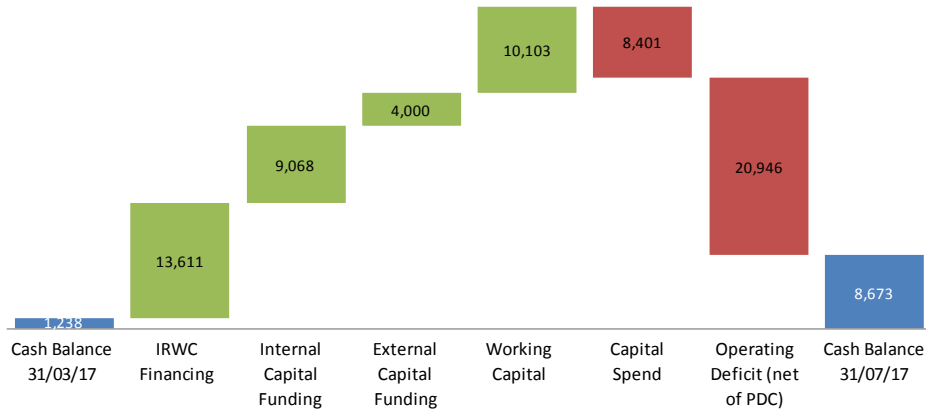
	Mar-17 £000's Actual	Jul-17 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	398,261	398,965	704
Intangible assets	11,467	10,906	(561)
Trade and other receivables	2,669	2,795	126
TOTAL NON CURRENT ASSETS	412,397	412,666	269
Current Assets			
Inventories	19,975	21,950	1,975
Trade and other receivables	55,953	55,751	(202)
Cash and cash equivalents	1,238	8,673	7,435
TOTAL CURRENT ASSETS	77,166	86,374	9,208
Current Liabilities			
Trade and other payables	(110,675)	(120,993)	(10,318)
Dividend payable	0	(2,452)	(2,452)
Borrowings / Finance Leases	(4,474)	(4,540)	(66)
Other Liabilities / Loan	(1,838)	(2,162)	(324)
Provisions for liabilities and charges	(475)	(362)	113
TOTAL CURRENT LIABILITIES	(117,462)	(130,509)	(13,047)
NET CURRENT ASSETS (LIABILITIES)	(40,296)	(44,135)	(3,839)
TOTAL ASSETS LESS CURRENT LIABILITIES	372,101	368,531	(3,570)
Non Current Liabilities			
Borrowings / Finance Leases	(7,531)	(7,630)	(99)
Other Liabilities / Loan	(132,235)	(149,521)	(17,286)
Provisions for liabilities and charges	(1,562)	(1,553)	9
TOTAL NON CURRENT LIABILITIES	(141,328)	(158,704)	(17,376)
TOTAL ASSETS EMPLOYED	230,773	209,827	(20,946)
Public dividend capital	331,956	331,956	0
Revaluation reserve	77,427	77,427	0
Retained earnings	(178,610)	(199,556)	(20,946)
TOTAL TAXPAYERS EQUITY	230,773	209,827	(20,946)
Ratios			
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(24)	(25)	
Liquidity Ratio Metric	1	1	

- **Total Assets Employed:** Adverse movement of £20.9m representing year to date Trust deficit (before donated asset adjustment).
- **Non-Current Assets :** Increased by £0.3m reflecting spend on the emergency floor offset by depreciation charges.
- **Working capital:**
 - Stock growth in TMP stock holding and non pharmacy stock holding locations
 - Receivables have decreased by £0.2m
 - Payables have increased by £10.3m
- **Cash:** July balance of £8.7m is above the £1m cash balance to support working capital due to the timing of August's SLA income and no revenue drawdown.
- **Dividend payable:** £2.5m represents four months' PDC dividend accrued with cash payment due in September.
- **Non-current liabilities:**
 - £13.6m revolving working capital facility and revenue support loan.
 - £4.0m 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 £'000



Cash Bridge:

- Opening cash balance of £1.2m, in line with our plan.
- Funded YTD net deficit of £20.9m by drawing down £13.6m of our Interim Revolving Working Capital Facility (IRWC) and revenue support loan.
- Improvement in working capital and internal capital funding enabled interest payment and capital payments.

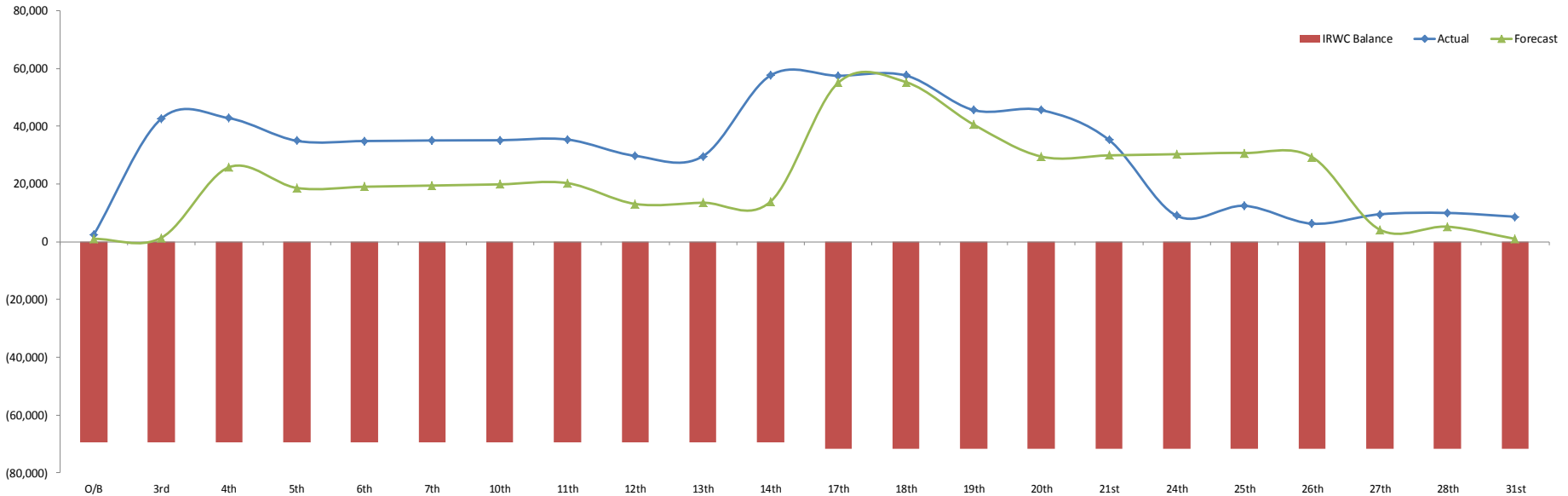
Full Year Forecast

- Forecast of £1m cash holding at the year end.

Daily Cash Balance

- In line with forecast the mid-month peak is driven by receipt of SLA income and reduction on 24th July is the monthly payroll run.

Daily Cash Balance



Liquidity

	Liquidity			Ageing				Total	
	Opening	YTD	Movement	0 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Over 90 Days	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	
Accounts Receivable	NHS receivables - revenue	37,100	24,636	12,464	16,240	2,613	582	5,201	21%
	Non-NHS receivables - revenue	12,498	15,436	(2,938)	8,388	1,386	999	4,663	30%
	Provision for the impairment of receivables	(1,024)	(964)	(60)	(964)				
	Non-NHS prepayments and accrued income	4,797	14,072	(9,275)	14,072				
	PDC dividend prepaid to DH	764	0	764	0				
	VAT	1,195	2,078	(883)	2,078				
	Other receivables	623	493	130	493				
	TOTAL	55,953	55,751	202	40,307	3,999	1,581	9,864	1
Accounts Payable	NHS payables - revenue	(9,327)	(31,774)	22,447	(14,134)	(1,697)	(1,552)	(14,391)	45%
	NHS accruals and deferred income	(5,584)	0	(5,584)	0				
	Non-NHS payables - revenue	(49,480)	(35,232)	(14,248)	(19,016)	(9,963)	(5,980)	(273)	1%
	Non-NHS payables - capital	(4,808)	(1,575)	(3,233)	(792)	(516)	(267)	0	0%
	Non-NHS accruals and deferred income	(21,449)	(28,359)	6,910	(13,664)	(5,655)	(1,579)	(7,461)	26%
	Social security costs	(6,439)	(6,552)	113	(6,552)				
	Accrued Interest on DH Loans	(123)	(1,192)	1,069	(1,192)				
	Tax	(5,584)	(5,650)	66	(5,650)				
	Other	(7,881)	(10,659)	2,778	(10,659)				
	TOTAL	(110,675)	(120,993)	10,318	(71,659)	(17,831)	(9,378)	(22,125)	1
Total Liquidity	(54,722)	(65,242)	10,520						

Liquidity: movement of £10.5m from opening position due to:

- Accounts receivable: decrease of £0.2m driven by a decrease in NHS receivables.
- Accounts payable: increase of £10.3m with material movement in NHS payables.

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

- NHS receivables: 21% representing £5.2m being over 90 days with NHS West Leicester CCG at £3.0m.
- Non-NHS receivables: 30% representing £4.7m being over 90 days with the largest component being Overseas Visitors at £2.7m (57%). The balance consists of various items which in isolation are not material.
- NHS payables-revenue: £22.4m, representing 45% in excess of 90 days with NHS Business Services Authority at £11.8m (53%).
- Further analysis of receivables is provided in the separate cash report.

Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	July YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	50,296	224,622	36,769	167,516
Total Invoices Paid Within Target	15,307	148,009	11,693	109,390
Percentage Invoices Paid Within Target (target 95%)	30%	66%	32%	65%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	48,360	181,229	35,295	135,551
Total Non-NHS Invoices Paid Within Target	14,922	122,985	11,391	91,047
Percentage of Non-NHS Invoices Paid Within Target	31%	68%	32%	67%
Local SME payables				
Total SME Invoices Paid in the Year	344	3,316	268	2,578
Total SME Invoices Paid Within Target	122	719	110	614
Percentage of Local SME Invoices Paid Within Target	35%	22%	41%	24%
NHS Payables				
Total NHS Invoices Paid in the Year	1,592	40,077	1,206	29,387
Total NHS Invoices Paid Within Target	263	24,305	192	17,729
Percentage of NHS Invoices Paid Within Target	17%	61%	16%	60%

- **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.

- **Impact of additional financing:** We have undertaken analysis of the impact of expected additional financing on the BPPC performance.

This analysis is limited to non - NHS BPPC performance as we will not receive any additional financing for NHS creditors.

The forecast performance for the year without additional financing is 52% by volume (currently 30%) and 83% by value (currently 66%).

Capital: July £8.9m spend, £0.2mA to Plan

	Scheme Name	July-17			Annual	
		Plan £'000	Actual £'000	F / (A) £'000	Budget £'000	Commitments £'000
Reconfiguration	Emergency Floor	4,271	4,107	164	7,033	6,463
	ICU Beds	0	0	0	4,200	0
	LRI Beds	0	0	0	3,330	0
	GH Beds	0	0	0	6,485	0
	Imaging: GH & LRI	0	0	0	4,291	0
	Treatment Centre	21	25	(4)	600	23
	ITU LRI	20	24	(4)	100	0
	Women's Service	20	22	(2)	849	0
	Children's Hospital	33	46	(13)	1,000	0
	Theatres LRI	24	28	(4)	381	0
	Beds Workstream & DCP	41	57	(16)	0	0
	Additional Beds - GH	10	0	10	0	0
	Additional Beds - LRI	40	13	27	0	3
	Diagnostics & Clinical Support Services	10	4	6	0	0
	LRI Wards (EMCHC)	40	(10)	50	0	0
	Supporting Infrastructure	28	0	28	1,000	0
	Vascular	204	585	(381)	0	432
	ED Project IT Issues	90	429	(339)	0	20
	ED Access & Transport	54	38	16	0	32
	Other Reconfiguration	0	1	(1)	0	0
	Sub-total: Reconfiguration	4,906	5,369	(463)	29,269	6,973
Estates & Facilities	Estates & Facilities	948	998	(50)	8,520	1,186
	MES Installation Costs	226	195	31	1,500	33
	Other Estates & Facilities	100	(5)	105	480	4
		Sub-total: Estates & Facilities	1,274	1,188	86	10,500
IM&T	IM&T Infrastructure	110	302	(192)	3,526	84
	EDRM	0	(6)	6	0	0
	Nervecentre	0	0	0	474	0
	Heartsuite System	120	28	92	100	0
	Electronic Blood Tracking System	60	18	42	0	0
	Learning Mgt System	21	(12)	33	18	0
	Other IM&T	0	(4)	4	0	68
	Sub-total: IM&T Schemes	311	326	(15)	4,118	152
Medical Equipment	Medical Equipment Executive	100	37	63	4,371	6
	Radiotherapy CT Scanner	0	0	0	629	0
	CCU Monitoring	0	1	(1)	0	269
	Linear Accelerator	150	109	41	39	188
	Other Medical Equipment	0	0	0	0	0
	Sub-total: Medical Equipment	250	147	103	5,039	463
Finance Leases	Donations	250	107	143	300	0
	MES Finance Lease Additions	1,713	1,651	62	5,138	0
	Optimed	0	90	(90)	0	0
	Other Expenditure	0	61	(61)	0	55
	Sub-total: Finance Leases	1,963	1,909	54	5,438	55
	TOTAL CAPITAL EXPENDITURE	8,704	8,939	(235)	54,364	8,866

Year to date:

- Total Capital expenditure of £8.9m driven by Emergency Floor, Estates and MES.
- Emergency Floor:** Total spend of £4.1m with a further commitment of £6.5m
- Overspend driven by Vascular and ED Project IT issues with work underway in order to ensure the annual plan is not exceeded.
- Capital Plan:** Total expected capital expenditure of £54.4m funded by:
 - £26.1m depreciation;
 - £15.5m external loan for interim ICU schemes
 - £7.0m external borrowing for the Emergency Floor development;
 - £5.1m finance lease additions funded through revenue;
 - £0.7m donations.

Finance and use of resources metrics

In September 2016 NHSI 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 NHSI definitions. 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 generated income covers financial obligations <i>EBITDA + Interest receivable / Annual Debt Service (Interest Payable + Dividend + borrowings repaid)</i>	(1)	4
	Liquidity (days)	Days of operating costs held in cash or cash equivalent forms including wholly committed lines of credit available for drawdown <i>Working Capital Balance / Year to Date Operating Costs</i>	(25)	4
Financial efficiency	EBITDA margin	I&E Surplus or Deficit / Total Revenue	(6.67%)	4
Financial Controls	Distance from financial plan	Year to date actual I&E surplus/deficit in comparison to year to date planned I&E surplus/deficit <i>Difference between I&E Plan Margin and I&E Actual Margin</i>	0.09%	1
	Agency spend	Distance from agency ceiling <i>Year to date variance to Ceiling / Year to date Ceiling</i>	(0.90%)*	2
Overall	Total (weighted) score	All five metrics are equally weighted to give an overall mean score however scoring a 4 on any measure results in a 3 overall at best		3

* Per NHSI return which tracks Agency to NHSI phasing of ceiling versus Plan. Compared to Plan, Agency spend is 0.8% favourable and would score 1

Risks & Mitigation

RISK	MITIGATION
<ul style="list-style-type: none"> CIP: remains key to meeting income and expenditure commitments. 	<ul style="list-style-type: none"> An established PMO function and associated governance arrangements are in place. Full details of the 2017/18 programme are supplied within the separate CIP paper.
<ul style="list-style-type: none"> Demand and Capacity Funding requirements: managing recurrent Revenue funding of £4m compared to £2m contingency held in relation to funding capacity creating an ongoing cost pressure 	<ul style="list-style-type: none"> Combined with approved cost pressures there is a funding gap of £3.5m (£7m FYE) which is being addressed through Supplementary CIP allocated across the organisation including a specific programme for execution and monitoring.
<ul style="list-style-type: none"> Cost Pressures: Currently c£10m cost pressures not funded together with additional unidentified cost pressures that place pressure on delivering the Plan. 	<ul style="list-style-type: none"> Executive scrutiny through the Star Chamber to review all known cost pressures with a view to either managing, funding or not incurring costs and to monitor financial performance/improve control. Funding gap of £3.5m (£7m FYE) which is being addressed through Supplementary CIP allocated across the organisation including a specific programme for execution and monitoring.
<ul style="list-style-type: none"> CMG/ Directorate Financial Performance: potential under-performance and deterioration of CMGs and Corporate driving Trust level risk to deliver on planned deficit. 	<ul style="list-style-type: none"> CMG financial positions will be reported through monthly performance meetings, as well as Trust positions at EPB and IFPIC. Accountability Framework is currently in train to align financial responsibility with accountability including consequences of under and over performance.
<ul style="list-style-type: none"> Finance Improvement and Technical: ensuring that identified actions are delivered in line with Plan 	<ul style="list-style-type: none"> Finance Improvement and Technical working group to monitor and track performance Executive review through monthly Financial performance monitoring at EPB, IFPIC and Trust Board
<ul style="list-style-type: none"> Cash: The 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 expenditure requires further borrowing that is yet to be approved. 	<ul style="list-style-type: none"> The Trust is in the process of following Nationally defined process to access funding.
<ul style="list-style-type: none"> Commissioner affordability: increase likelihood of contractual challenges may result in the Trust not being paid for all the activity it completes. 	<ul style="list-style-type: none"> The Trust must ensure that a more disciplined approach and responsiveness to contract challenges and contract queries is adopted. The governance structure around Contract Management Performance with CCGs will continue to be in place.
<ul style="list-style-type: none"> Agency Pay: Reduction in agency expenditure of 17% is required to deliver the planned Agency ceiling 	<ul style="list-style-type: none"> The workforce and premium pay sub-work streams are concentrating on delivery of savings through the monitoring and compliance of recruitment initiatives, workforce planning and the application of internal controls.