

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 May 2017?

The Trust has achieved a year to date deficit of £13.6m which is in line with our plan to this point. Although this is a solid start to the financial year, 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) for the first 2 months of the year. 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?

The forecast continues to be in line with our plan for the year (I&E deficit of £26.7m). As noted above and very explicitly in the main report, there are risks to delivery of the target but we believe the plan, including the various mitigations, remains robust and achievable. At the end of Q1, a detailed forecast exercise will be

undertaken to establish the extent of the risk and to identify any additional actions which may be necessary to maintain our trajectory.

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

To date, £3.6m of the total £33m has been delivered. This is £0.3m ahead of plan at this stage, noting the points made regarding the profiling of CIP in answer to 1. above. Of the £33m this year, £3m is still unidentified. This is better than at this point last year and an improvement on last month (£6m) but nevertheless, it presents a risk to the programme and the overall delivery of the I&E plan. Weekly 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.

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 2

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: **03/08/17**

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**]

Contents

Executive Summary	Page 2
I&E: Overall Position	
• May 2017: Key Facts	Page 3
• Financial Performance	Page 4
• I&E Bridge	Page 5
Patient Income	
• NHS Patient Income	Page 6
• Activity & Income: Performance versus Contract	Page 7
Pay Costs	
• Pay Costs	Page 8
• Pay Cost Run Rates	Page 9
I&E: Other	
• Non-Pay	Page 10
• CIP	Page 11
• Financial Improvement and Technical	Page 12
• I&E Run Rates	Page 13
• May Performance by CMGs and Corporate Directorates	Page 14
Forecast Outturn	Page 15
Assets & Liabilities	
• May 2017: Statement of Financial Position	Page 16
• Cash	Page 17
• Liquidity	Page 18
• Better Payments Practice Code	Page 19
• Capital	Page 20
Finance and use of resources metrics	Page 21
Risks & Opportunities	Page 22

Executive Summary

Financial performance

Statutory duties

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

Financial Performance

- **Deficit of £13.6m, in line with Plan:** representing strong over-performance on income partially offset by the additional cost to deliver the additional activity. Emerging cost pressures are currently being absorbed by release of Central reserves in line with plan reducing available funds for investments.
- **Patient Care Income, £3.0mF to Plan:** Over-performance driven by Emergency/ Non-Elective, Outpatients and ECMO together with drugs and devices excluded from tariff which is offsetting on-going under-performance in Critical Care.
- **Operating Costs, £3.1mA to Plan:** with pay £0.9mA to Plan with underlying overspend in all staff groups. Non-pay overspend of £2.1m in non-pay including £0.6mA relating to drugs and devices excluded from tariff and offset within income together with marginal cost of over-delivering patient activity.
- **CIP £0.3mF to Plan:** driven by CHUGGS and ESM due to over-delivery of income schemes.
- **Finance Improvement and Technical:** currently delivering actions in line with Plan.
- **Forecast Outturn:** The Trust is currently forecasting to deliver outturn with Plan. However, as detailed on page 21 there are risks associated with achieving the Plan together with mitigation which need on-going proactive monitoring and resolution.

Cash

- **Closing cash balance at May of £8.3m**, which is higher than Plan as cash held back due to uncertainty of receipts from commissioners due in early June.

Funded YTD Planned net deficit of £13.6m by drawing down £10.7m of our Interim Revolving Working Capital Facility (IRWC).

Capital

- **May:** Total capital expenditure of £3.6m, £0.6mF to Plan
 - Year to date spend driven by Re-configuration projects predominantly related to Emergency Floor spend of £2.0m and MES Finance Leases.
 - Underspend driven by Estates and Facilities, IM&T Infrastructure and Medical Equipment Executive due by uncertainties to the availability of external funding driving only critical spend at this point in the year

May 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 £13.6m, in line with Plan

	May-17			YTD			
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)	%
Day Case	8,898	9,100	202	16,620	16,993	373	2%
Elective Inpatient	1,760	1,877	117	3,341	3,588	247	7%
Emergency / Non-elective Inpatient	9,628	9,633	4	18,887	18,747	(140)	(1%)
Emergency Department	20,819	20,094	(725)	40,961	41,849	888	2%
Outpatient Procedures	79,531	83,558	4,027	150,416	151,487	1,070	1%
Critical Care Services	4,629	4,727	98	9,182	9,256	74	1%
Renal Dialysis and Transplant	14,703	15,021	318	28,904	29,113	209	1%
Other Activity	752,132	741,281	(10,851)	1,402,131	1,342,757	(59,374)	(4%)
WTE Total	13,734	13,268	466	13,734	13,268	466	3%
WTE Agency	227	234	(7)	235	234	1	0%

	May-17			YTD			
	Plan £'000	Actual £'000	Vs Plan £'000	Plan £'000	Actual £'000	F/(A) £'000	%
Patient Care Income	67,322	68,375	1,053	129,074	132,061	2,987	2%
Non Patient Care Income	533	602	69	1,065	1,077	12	1%
Other Operating Income	10,579	11,176	597	21,157	21,360	203	1%
Total Income	78,434	80,153	1,719	151,296	154,498	3,202	(2%)
Pay Costs	(47,682)	(48,604)	(922)	(95,560)	(96,517)	(957)	(1%)
Pay Costs: Agency	(1,916)	(1,974)	(58)	(3,881)	(3,870)	11	0%
Non Pay	(30,014)	(30,614)	(600)	(58,423)	(60,556)	(2,133)	(4%)
Total Operating Costs	(79,612)	(81,191)	(1,579)	(157,864)	(160,943)	(3,079)	(2%)
EBITDA	(1,178)	(1,038)	140	(6,568)	(6,446)	122	(2%)
Non Operating Costs	(3,538)	(3,611)	(73)	(7,059)	(7,144)	(85)	(1%)
Retained deficit	(4,716)	(4,649)	67	(13,627)	(13,589)	38	0%
Adjustments for Donated Assets	5	(44)	(49)	10	(5)	(15)	146%
Net Deficit	(4,711)	(4,693)	18	(13,617)	(13,594)	23	0%

	Plan	Actual		Plan	Actual		
Agency: Total Pay	4.02%	4.06%		4.06%	4.01%		
EBITDA: Income	(1.50%)	(1.30%)		(4.34%)	(4.17%)		
Net Deficit: Income	(6.01%)	(5.86%)		(9.00%)	(8.80%)		

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: £132.1m, £3.0mF** including £0.7mF from excluded drugs and devices with offset in non-pay together with the creation of £0.5mF income provision in relation to clinical coding. Underlying over-performance of £1.8m predominantly within Inpatients, Outpatients and ECMO offsetting under-performance in Critical Care.
- **Non Patient Care Income & Other Income: £22.4m, £0.2mF** with additional income in Pathology and Imaging together with Compulsory Recovery Unit income partially offset by under-delivery of LDA driven by less medical students.
- **Pay Costs: £96.5m, £0.9mA** which includes £0.5mF release of reserves including £0.3m relating to costs incurred in ESM due to additional bed capacity.

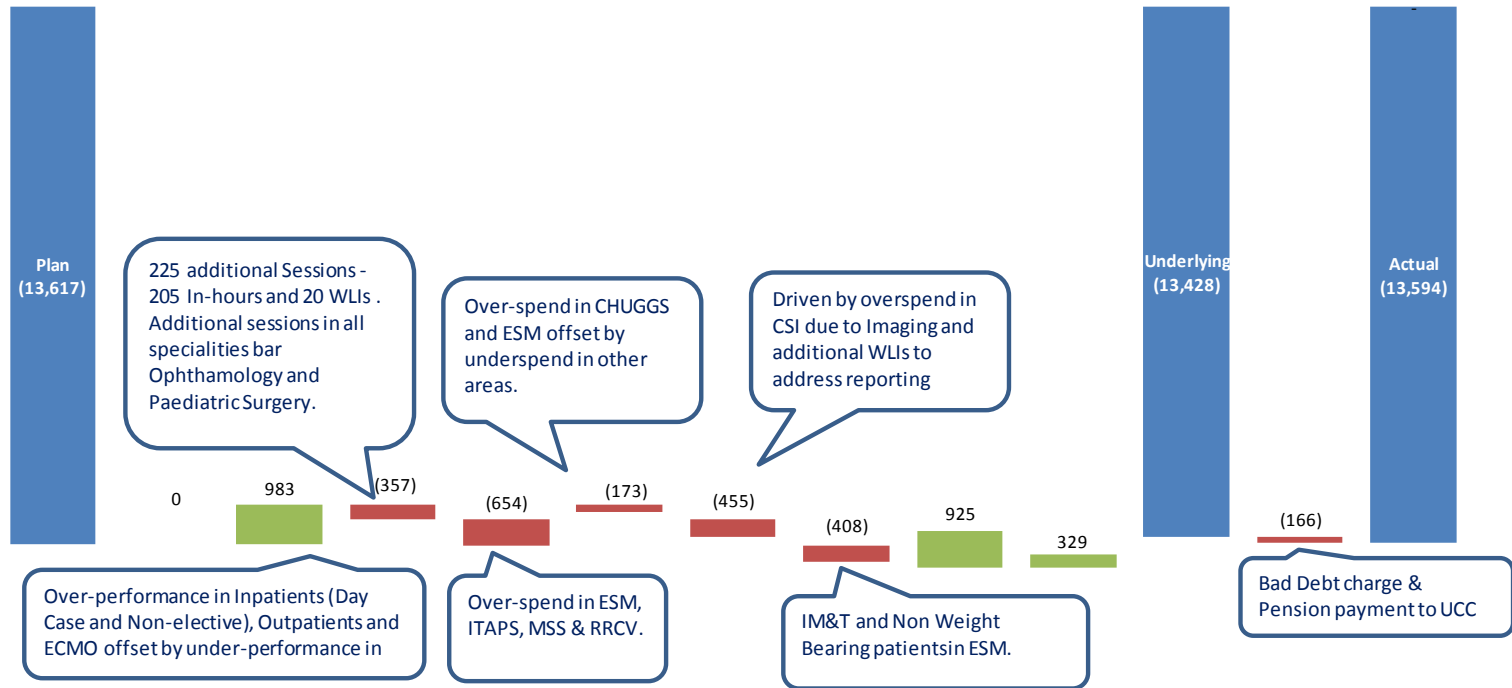
Underlying overspend of £1.2m driven by £0.7mA in Medical predominantly in ESM, ITAPS, MSS and RRCV and £0.2mA in Nursing with overspend in ESM and CHUGGS being partially offset by underspend elsewhere.

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

- **Agency: £3.9m, in line with Plan.**
- **Non-Pay: £60.6m, £2.1mA** including £0.7mA from excluded drugs and devices with the offset in Patient Care Income. Underlying overspend is predominantly driven by marginal cost to deliver activity together with some non-recurrent costs.
- **EBITDA: deficit of £6.4m, £0.1mF.**
- **Non-Operating Costs: £7.1m, £0.1mA** to Plan in relation to interest costs.

I&E Bridge: in line with Plan

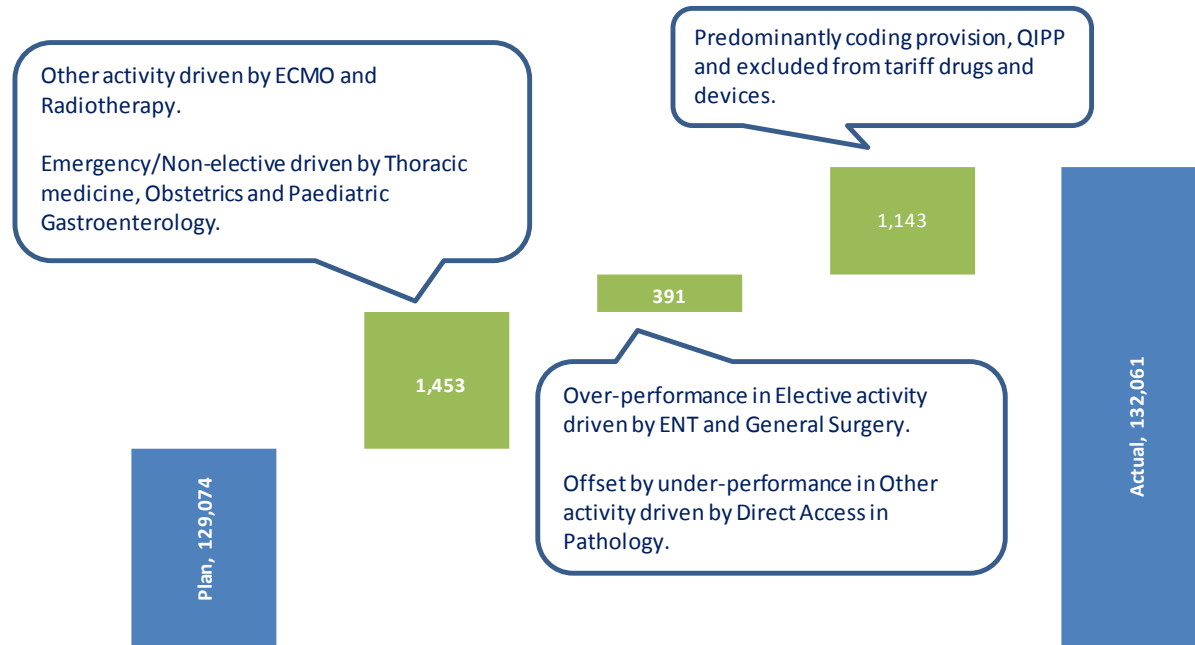
Whilst reporting in line with Plan representing strong over-performance on income partially offset by the additional cost to deliver the additional activity. Emerging cost pressures are currently being absorbed by release of Central reserves in line with plan reducing available funds for investments.



£(000)	Plan	EDD	Activity	Theatres	Medical Pay	Nursing Pay	Other Pay	Cost Pressures	Reserves	Other	Underlying	Non-recurrent Items	Actual	Var F/(A)
NHS PCI	129,074	682	1,844							462	132,061		132,061	2,987
Other Income	22,139		546							(333)	22,353		22,353	213
Pay	(95,560)			(200)	(269)	(356)	(668)		536	0	(96,517)		(96,517)	(957)
Pay: Agency	(3,881)				(385)	183	213			0	(3,870)		(3,870)	11
Non Pay	(58,423)	(682)	(1,407)	(158)				(408)	389	298	(60,390)	(166)	(60,556)	(2,133)
Non-Operating Costs	(6,966)									(99)	(7,065)		(7,065)	(99)
Net Deficit	(13,617)	0	983	(357)	(654)	(173)	(455)	(408)	925	329	(13,428)	(166)	(13,594)	23

NHS Patient Income: April £132.1m, £3.0mF to Plan

Over-performance driven by Emergency/ Non-Elective, Outpatients and ECMO together with drugs and devices excluded from tariff which is offsetting on-going under-performance in Critical Care.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	9,577	160	218	0	9,955	378
Elective Inpatient	12,576	(813)	869	0	12,631	56
Emergency / Non-elective Inpatient	34,323	1,028	(261)	0	35,090	767
Marginal Rate Emergency Threshold	(1,079)	0	0	0	(1,079)	0
Emergency Department	5,208	(214)	108	0	5,103	(105)
Outpatient	17,524	267	127	0	17,918	393
Drugs and Devices excluded from Tariff	15,610	0	0	682	16,292	682
Critical Care Services	8,820	(205)	69	0	8,684	(136)
Renal Dialysis and Transplant	4,588	(41)	33	0	4,580	(8)
CQUIN	2,710	0	0	(457)	2,253	(457)
Other Activity	16,963	1,271	(772)	0	17,462	499
Other Financial Values	2,253	0	0	918	3,172	918
Total	129,074	1,453	391	1,143	132,061	2,987

Activity & Income: Performance versus Contract

Activity	Case Mix	City	East	West	Specialis ed	Other	Alliance	Total	%
	Day Case		158	151	193	233	(160)	(203)	373
Elective Inpatient		94	76	56	29	(7)		247	7%
Emergency / Non-elective Inpatient		(285)	(57)	(32)	236	(2)		(140)	(1%)
Marginal Rate Emergency Threshold (MRET)		0	0	0	0	0		0	0%
Emergency Department		227	922	222		(483)		888	2%
Outpatient		1,764	1,936	2,097	(470)	(4,222)	(34)	1,070	1%
Excluded Drugs and Devices		0	0	0	0	0	0	0	0%
Critical Care Services		(189)	171	(182)	102	171		74	1%
Renal Dialysis and Transplant		0	0	0	(119)	328		209	1%
CQUIN		0	0	0	0	0	0	0	0%
Other Activity		(14,016)	(39,679)	(2,209)	298	(2,619)	(1,149)	(59,375)	(4%)
Other Financial Values		(23)	100	106	(3)	556	(127)	610	n/m

Financial	Case Mix	City (£000)	East (£000)	West (£000)	Specialis ed (£000)	Other (£000)	Alliance (£000)	Total (£000)	%
	Day Case		254	166	135	61	(113)	(124)	378
Elective Inpatient		149	26	88	(149)	(59)	0	56	1%
Emergency / Non-elective Inpatient		272	(25)	113	794	(387)	0	767	4%
Marginal Rate Emergency Threshold (MRET)		0	0	0	0	(0)	0	0	0%
Emergency Department		(8)	(26)	(26)	0	(46)	0	(105)	0%
Outpatient		401	348	361	(316)	(377)	(24)	393	(1%)
Excluded Drugs and Devices		43	195	33	591	(195)	14	682	16%
Critical Care Services		(246)	203	(168)	(89)	163	0	(136)	2%
Renal Dialysis and Transplant		0	0	0	(16)	8	0	(8)	(2%)
CQUIN		(124)	(142)	(143)	(28)	(10)	(9)	(456)	n/m
Other Activity		32	158	(30)	553	(137)	(77)	499	(1%)
Other Financial Values		737	625	540	345	(1,340)	11	918	3%
Grand Total		1,511	1,530	901	1,747	(2,493)	(209)	2,987	3%

• CCG Contracts:

- **Day Case:** Over-performance predominantly relates to Gastroenterology and General Surgery
- **Outpatients:** Over-performance driven by Integrated Medicine, Transplant and Gynecology
- **ED:** activity is favourable due to Eye Casualty and UCC offset by under-delivery in A&E. Financially in line with Plan due to the block arrangement for quarter one.
- **Critical Care:** continued under-performance of ITU within ITAPS
- **Other Financial Values:** Predominantly QIPP and clinical coding provision offset by non-weight bearing patients

• Specialised Services:

- **Non-elective / Emergency:** Over performance within Paediatric Gastroenterology and Cardiac Surgery
- **Excluded Drugs and Devices:** Over performance in Infectious Diseases and Clinical Oncology
- **Other Activity:** Relating to Adult and Cardiac ECMO and BMT.

- **Other:** predominantly relates to Central provisions.

Pay: YTD £100.4m, £0.9mA to Plan

	May-17						YTD						
	£'000			WTE			£'000			WTE			
	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	
Agency	Medical	866	901	(35)	20	74	(54)	1,778	1,943	(165)	20	74	(54)
	Nursing & Midwifery	742	714	28	0	125	(125)	1,486	1,303	183	0	125	(125)
	Other Clinical	213	276	(63)	67	23	44	426	468	(43)	67	23	44
	Non Clinical	95	83	13	35	12	22	191	156	35	35	12	22
	Total: Agency	1,916	1,974	(58)	121	234	(113)	3,881	3,870	11	121	234	(113)
Other Non-contracted	Medical		1,113	(1,113)		2	(2)		2,420	(2,420)		2	(2)
	Nursing & Midwifery		1,631	(1,631)		500	(500)		3,095	(3,095)		500	(500)
	Other Clinical		317	(317)		67	(67)		613	(613)		67	(67)
	Non Clinical		553	(553)		298	(298)		1,127	(1,127)		298	(298)
	Total: Other Non-contracted	0	3,614	(3,614)	0	867	(867)	0	7,255	(7,255)	0	867	(867)
Total Non-contracted	Medical	866	2,014	(1,148)	20	75	(56)	1,778	4,363	(2,584)	20	75	(56)
	Nursing & Midwifery	742	2,345	(1,603)	0	625	(625)	1,486	4,398	(2,912)	0	625	(625)
	Other Clinical	213	593	(381)	67	90	(23)	426	1,081	(656)	67	90	(23)
	Non Clinical	95	636	(541)	35	311	(276)	191	1,283	(1,092)	35	311	(276)
	Total: Non-contracted	1,916	5,588	(3,672)	121	1,101	(980)	3,881	11,125	(7,244)	121	1,101	(980)
Substantive	Medical	14,993	14,297	696	1,804	1,760	44	29,957	27,941	2,016	1,804	1,760	44
	Nursing & Midwifery	16,975	15,705	1,270	5,688	4,942	747	33,806	31,135	2,671	5,688	4,942	747
	Other Clinical	6,476	6,278	198	2,151	2,043	108	12,857	12,470	387	2,151	2,043	108
	Non Clinical	9,238	8,709	528	3,970	3,656	314	18,940	17,716	1,223	3,970	3,656	314
	Total: Substantive	47,682	44,989	2,693	13,613	12,400	1,212	95,560	89,262	6,298	13,613	12,400	1,212
Total	Medical	15,859	16,310	(452)	1,823	1,835	(12)	31,736	32,304	(568)	1,823	1,835	(12)
	Nursing & Midwifery	17,717	18,050	(333)	5,688	5,567	122	35,292	35,533	(241)	5,688	5,567	122
	Other Clinical	6,689	6,871	(182)	2,217	2,133	84	13,282	13,551	(269)	2,217	2,133	84
	Non Clinical	9,333	9,345	(12)	4,005	3,967	38	19,131	18,999	132	4,005	3,967	38
	TOTAL: Pay	49,598	50,577	(979)	13,734	13,502	232	99,441	100,387	(946)	13,734	13,502	232

Agency Pay

- Year to date cost of £3.9m, in line with Plan. Overspend of £0.3m in CHUGGS, MSS and W&C offset by underspend in other areas particularly ESM of £0.2m.

Other Non-contracted Pay

- Year to date expenditure of £7.3m 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 £96.4m, £0.9mA with Plan.
- Pay position includes £0.5mF in relation release of contingency including £0.25m in relation to fund the additional beds within ESM (Ward 21).

Excluding this, the CMGs have an underlying overspend of £1.25m predominantly within Nursing in CHUGGS and ESM and Medical in ESM, ITAPS, MSS and RRCV.

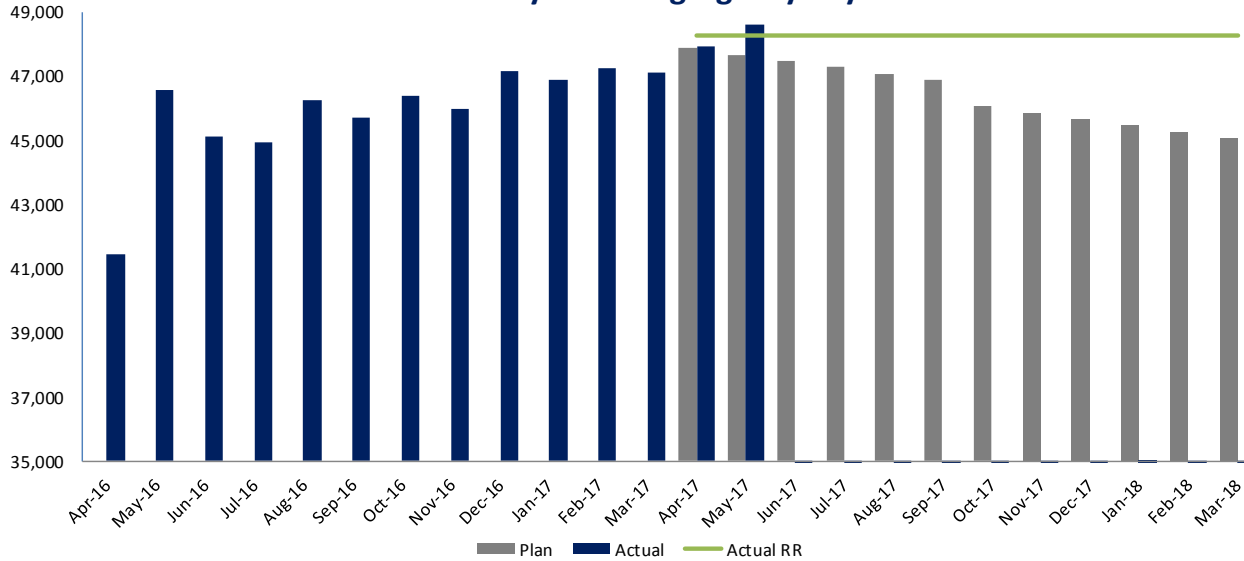
- Control of pay costs is a key risk to the delivery of the 2017/18 Financial Plan with current concerns around Nursing enhancements, ED Floor and premium pay control in E&F.

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.

Pay Run Rates

Total Pay Excluding Agency Pay



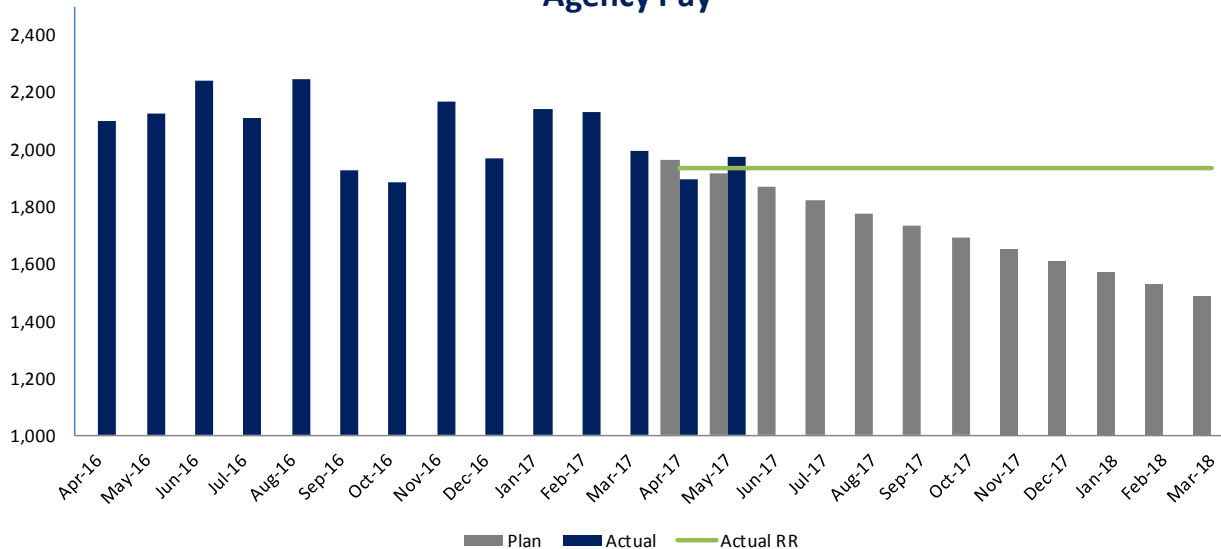
Total Pay excluding Agency Pay

- Plan reflects a downward trajectory which requires CIP delivery and tight discipline throughout the organisation to ensure this is delivered.
- This remains a key risk to the Financial Plan especially in relation to ED Floor, Nursing enhancements and premium pay control within E&F.

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.

Agency Pay



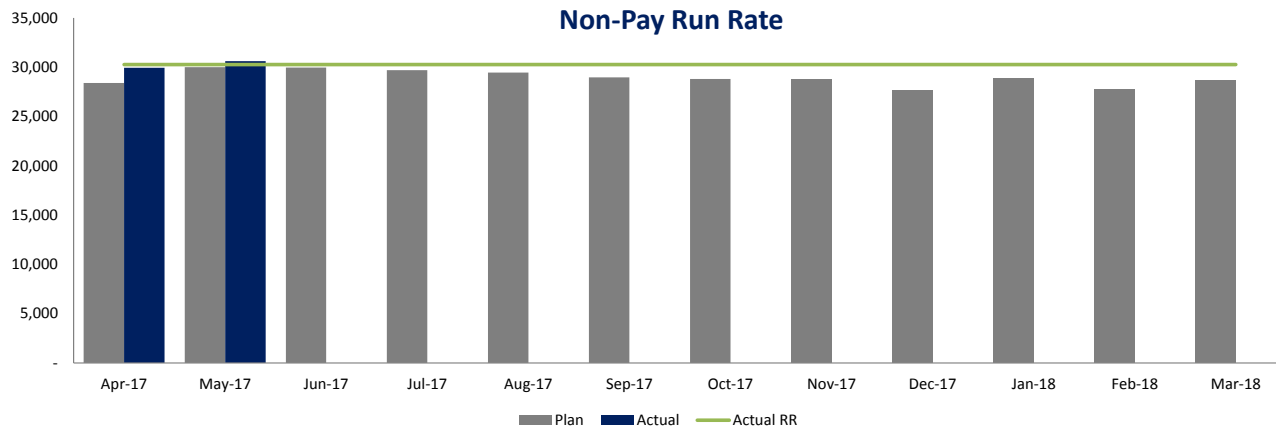
Non-Pay: YTD £60.6m, £2.1mA to Plan

	May-17				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	109	225	(117)	(108%)	205	304	(99)	(48%)
	Drugs	8,537	8,503	34	0%	16,063	17,094	(1,031)	(6%)
	Clinical Supplies & Services	8,811	9,979	(1,168)	(13%)	17,075	18,799	(1,724)	(10%)
	Transport	257	202	55	21%	501	486	15	3%
	Recharges	218	242	(24)	(11%)	577	441	136	24%
	Misc & General Supplies	3,677	2,992	685	19%	7,219	6,682	537	7%
External Providers	Healthcare	965	926	39	4%	1,910	1,804	106	6%
	Non Healthcare	1,203	1,215	(12)	(1%)	2,403	2,463	(60)	(2%)
Overheads	Establishment, Premises & Plant	3,905	3,939	(33)	(1%)	7,806	7,677	129	2%
	Consultancy	49	108	(59)	(119%)	98	241	(143)	(147%)
	Clinical Negligence	2,283	2,283	0	0%	4,566	4,566	(0)	(0%)
Total: Non Pay	30,014	30,614	(600)	(2%)	58,423	60,556	(2,133)	(4%)	

- **Direct Costs: £43.8m, £2.2mA to Plan** including £0.7m overspend in drugs and devices excluded from tariff which is offset in Patient Care Income.

Underlying overspend of £1.5m which predominantly relates to over-performance of patient activity.

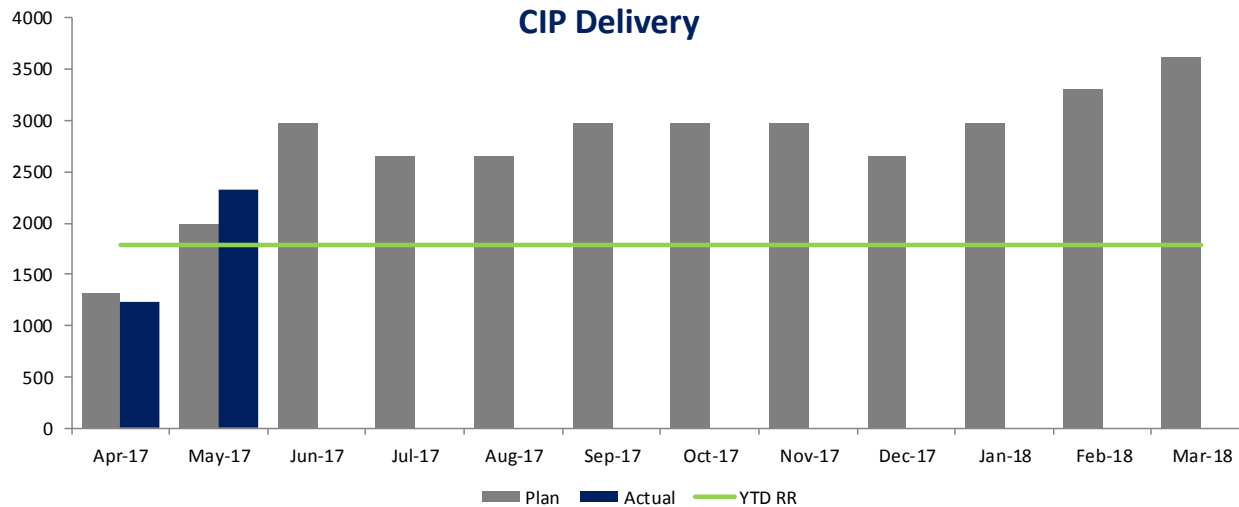
- **External Providers: YTD cost of £4.3m** which is in line with Plan.
- **Overheads: YTD expenditure of £12.5m**, in line with Plan.



CIP: YTD £3.6m, £0.3mF to Plan

	May-17				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	201	318	116	58%	394	494	100	25%	3,443
CSI	208	286	77	37%	418	496	78	19%	3,461
ESM	216	382	165	76%	432	593	161	37%	4,971
ITAPS	203	119	(84)	(41%)	413	349	(64)	(15%)	3,750
MSS	148	172	24	16%	346	375	28	8%	3,331
RRCV	351	408	57	16%	701	672	(28)	(4%)	4,621
Womens & Childrens	123	113	(10)	(8%)	252	242	(10)	(4%)	4,678
Total: CMG	1,451	1,797	346	24%	2,955	3,220	265	9%	28,255
Facilities	168	168	0	0%	335	335	0	0%	3,170
Corporate Total	130	131	1	1%	303	304	1	0%	1,601
Adjustment to NHSI Pl:	232	232	0	0%	(293)	(293)	0	0%	0
Total CIP	1,980	2,327	347	18%	3,300	3,567	267	8%	33,026

- CIP delivery is favourable to Plan driven by CHUGGS and ESM due to over-delivery of income schemes.
- Achieving CIP is critical to delivering the financial plan with the key risks being:
 - Unidentified CIP – currently £3m
 - Identified schemes not yet been through the quality assurance process
- The specific CIP Paper provides further insight into the performance of CIP.

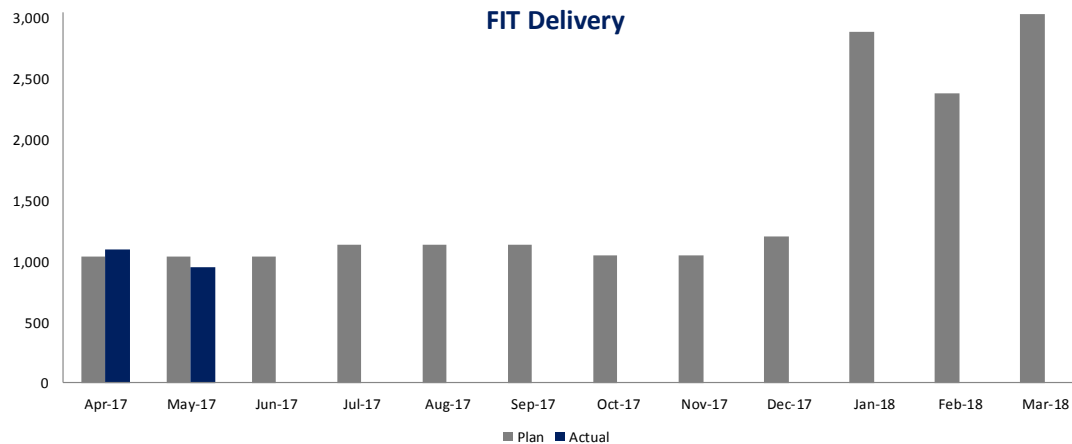


Finance Improvement and Technical (FIT)

		Plan FY £'000	Plan May-17 £'000	Actual May-17 £'000	Variance May-17 £'000
Strategic	HEEM: NR Funding	500	0	0	0
	Strategic review of subsidiary company	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	500	0	0	0
	Deferred Income (inc Research): release	150	0	0	0
	Revenue to Capital transfer	1,000	167	167	(0)
	Duplicate invoices / VAT review	150	0	0	0
	Depreciation: review of asset lives	2,086	348	355	7
Total Value: Statement of Financial Position	3,886	514	521	7	
Contingency and Reserves	Investment Slippage	741	327	285	(42)
	Release of contingency to fund approved investments	5,972	995	995	0
	Junior Doctors: manage to best case of £2m	300	50	50	0
Total Value: Contingency and Reserves	7,013	1,373	1,330	(42)	
Technical	Defer NHSE settlement over 2 years	1,217	203	203	0
	QIPP EDD - 100% pass through	784			0
	CIP PCI Schemes alignment	780	0	0	0
	Total Value: Technical Actions	2,781	203	203	0
All Actions	Strategic	4,500	0	0	0
	Statement of Financial Position	3,886	514	521	7
	Contingency and reserves	7,013	1,373	1,330	(42)
	Technical	2,781	203	203	0
	Total Value: All Actions	18,180	2,090	2,054	(35)

- 2017/18 Plan identified £18m of Finance Improvement and Technical actions in order to help meet the planned deficit
- Month 2 is in line with Plan but this needs on-going monitoring to ensure the actions are executed and delivered in line with planning assumptions.

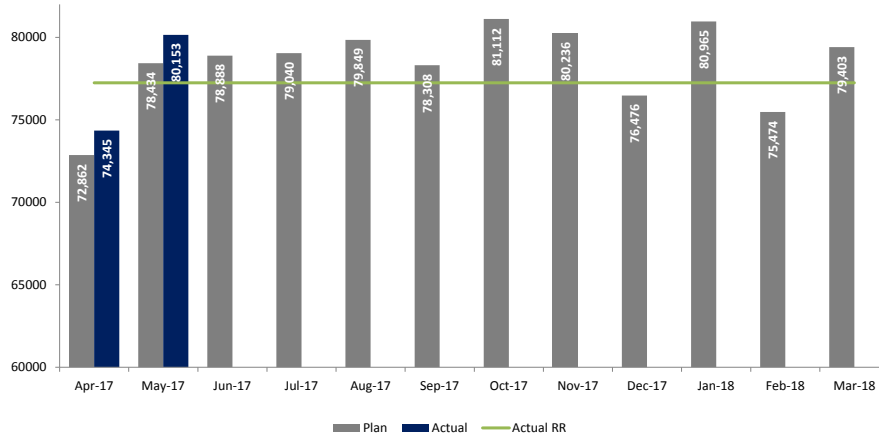
A specific Finance Improvement and Technical work-stream is being set up to track deliverables, risk and mitigations.



I&E Run Rates

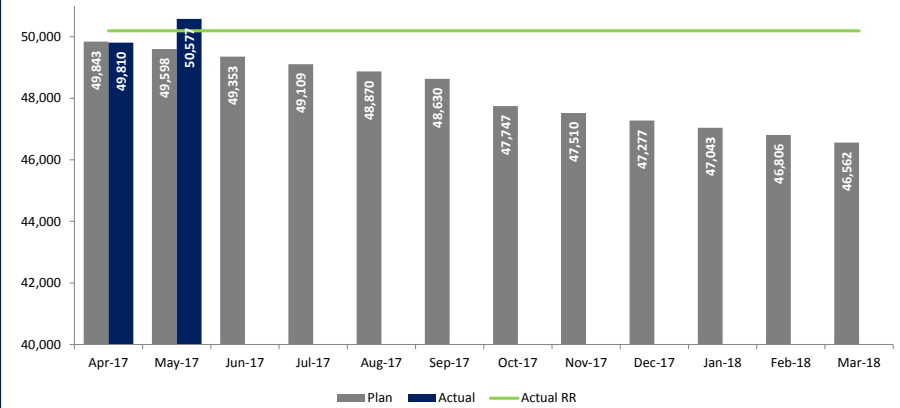
Income

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



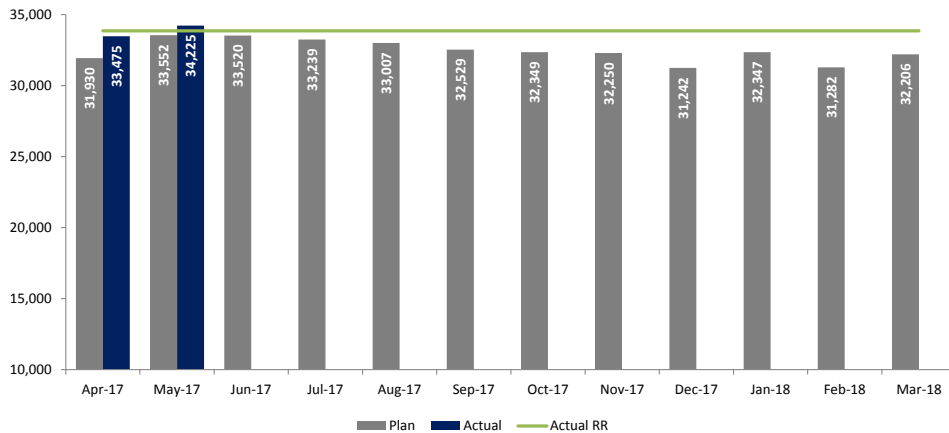
Pay

Delivery of pay trajectory is dependent upon CIP and Workforce actions. This remains a key risk which needs tight discipline.



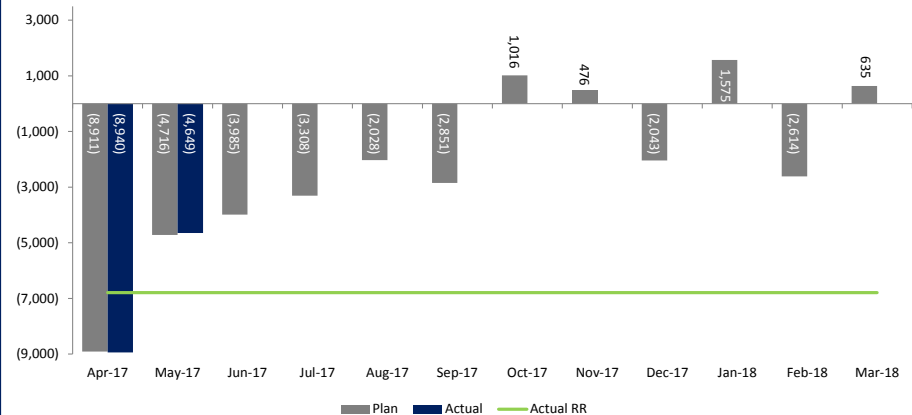
Non-Pay

Non-pay is stable representing existing cost base with fluctuations driven by activity assumptions.



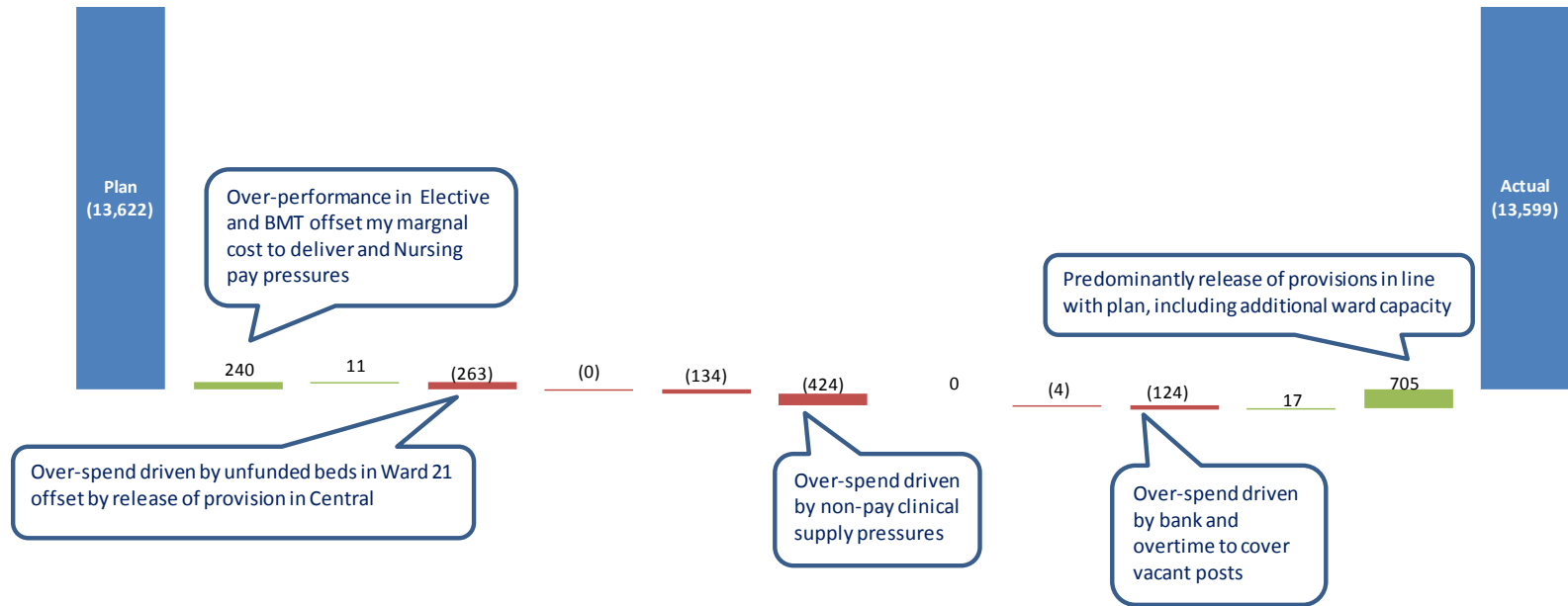
Net Deficit

Whilst similar to prior years the Month 2 deficit cannot be sustained which needs close monitoring and tight financial discipline over costs and non-essential spend.



May performance by CMG and Directorates

Most areas are performing in line with Plan together with underlying performance risk in MSS, RRCV and Estates. The overspend in ESM relates to additional bed capacity pending the Demand & Capacity business case which is offset by release of reserves in Central.



£(000)	Plan	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Actual	Var F/(A)
NHS PCI	129,074	1,238	65	1,517	93	12	(210)	157	0	0	0	115	132,061	2,987
Other Income	22,181	(51)	539	39	(19)	40	(35)	95	93	(140)	(53)	(294)	22,395	215
Pay	(95,560)	(442)	(484)	(610)	22	(57)	7	73	38	(145)	104	535	(96,517)	(957)
Pay: Agency	(3,881)	(43)	37	175	21	(80)	18	(134)	8	12	2	(4)	(3,870)	11
Non Pay	(58,423)	(462)	(146)	(1,385)	(118)	(50)	(203)	(192)	(143)	148	(36)	453	(60,556)	(2,133)
Non-Operating Costs	(7,013)				1				(0)			(100)	(7,111)	(99)
Net Deficit	(13,622)	240	11	(263)	(0)	(134)	(424)	0	(4)	(124)	17	705	(13,599)	23

Forecast Outturn: No change from Plan

	Plan		Outturn		
	Plan	Outturn	F / (A)		
Value Drivers	Day Case	107,394	107,394	0	0%
	Elective Inpatient	22,096	22,096	0	0%
	Emergency / Non-elective Inpatient	116,105	116,105	0	0%
	Emergency Department	245,952	245,952	0	0%
	Outpatient Procedures	964,125	964,125	0	0%
	Critical Care Services	56,507	56,507	0	0%
	Renal Dialysis & Transplant	174,056	174,056	0	0%
	Other	9,087,235	9,087,235	0	0%
	Plan		Outturn		
	£'000	£'000	£'000	%	
I&E £'000	Patient Care Income	807,716	807,716	0	0%
	Non Patient Care Income	133,331	133,331	0	0%
	Total Income	941,047	941,047	0	0%
	Pay Costs	(557,728)	(557,728)	0	0%
	Pay Costs: Agency	(20,620)	(20,620)	0	0%
	Non-Pay	(346,998)	(346,998)	0	0%
	Total Operating Costs	(925,346)	(925,346)	0	0%
	EBITDA	15,701	15,701	0	0%
	Non-Operating Costs	(42,455)	(42,455)	0	0%
	Retained Deficit	(26,754)	(26,754)	0	0
	Adjustments for Donated Assets	54	54	0	0
	Net Deficit	(26,700)	(26,700)	0	0
	Agency: Total Pay	3.57%	3.57%	0.00%	
	EBITDA: Income	1.67%	1.67%	0.00%	
Net Deficit: Income	(2.84%)	(2.84%)	0.00%		

- At Month 2, the Forecast Outturn is in line with Plan
- Whilst the full year plan is predicated on delivering CIP and strict cost management at this early stage of the year the focus is on ensuring the Plan can be delivered to ensure the Trust's financial commitments are met.
- There are a number of risks associated with the delivery of the Planned deficit predominantly:
 - Full delivery of CIP
 - CMGs and Corporate Directorates to perform in line with Plan
 - Execution of Finance Improvement and Technical actions
 - Resolution of Demand and Capacity work stream
 - Management of cost pressures

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

- The first detailed forecast will be done in Month 3 as part of the Quarter 1 close.

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

May 2017: Statement of Financial Position

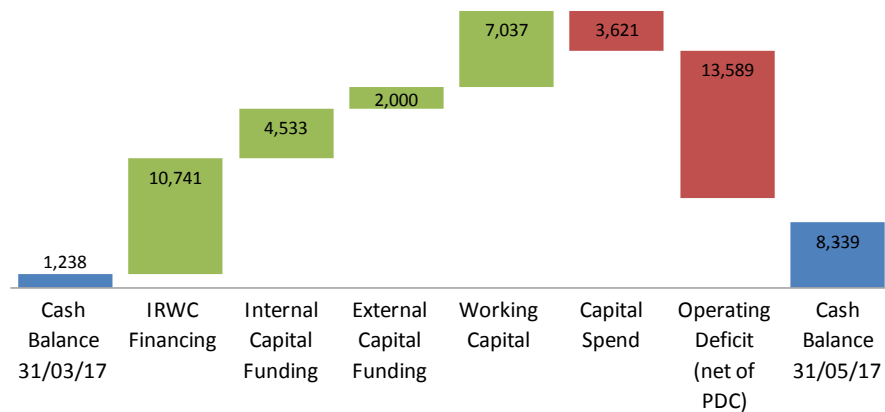
	Mar-17 £000's Actual	May-17 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	398,261	397,886	(375)
Intangible assets	11,467	10,941	(526)
Trade and other receivables	2,669	2,667	(2)
TOTAL NON CURRENT ASSETS	412,397	411,494	(903)
Current Assets			
Inventories	19,975	22,702	2,727
Trade and other receivables	55,953	52,833	(3,120)
Cash and cash equivalents	1,238	8,339	7,101
TOTAL CURRENT ASSETS	77,166	83,874	6,708
Current Liabilities			
Trade and other payables	(110,675)	(116,066)	(5,391)
Dividend payable	0	(1,226)	(1,226)
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)	(124,356)	(6,894)
NET CURRENT ASSETS (LIABILITIES)	(40,296)	(40,482)	(186)
TOTAL ASSETS LESS CURRENT LIABILITIES	372,101	371,012	(1,089)
Non Current Liabilities			
Borrowings / Finance Leases	(7,531)	(7,554)	(23)
Other Liabilities / Loan	(132,235)	(144,651)	(12,416)
Provisions for liabilities and charges	(1,562)	(1,623)	(61)
TOTAL NON CURRENT LIABILITIES	(141,328)	(153,828)	(12,500)
TOTAL ASSETS EMPLOYED	230,773	217,184	(13,589)
Public dividend capital	331,956	331,956	0
Revaluation reserve	77,427	77,427	0
Retained earnings	(178,610)	(192,199)	(13,589)
TOTAL TAXPAYERS EQUITY	230,773	217,184	(13,589)
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(24)	(30)	
Liquidity Ratio Metric	1	1	

- **Total Assets Employed:** Movement of £13.6m representing year to date Trust deficit (before donated asset adjustment).
- **Non-Current Assets :** Reduced by £0.9m reflecting spend on the emergency floor offset by depreciation charges.
- **Working capital:**
 - Stock growth in Trust Med Pharmacy (TMP) stock holding and non pharmacy stock holding locations
 - Receivables have decreased by £3.1m
 - Payables have decreased by £5.3m
- **Cash:** May balance of £8.3m is above the £1m cash balance to support working capital due to late cash received and TMP cash.
- **Dividend payable:** £1.2m represents two months' PDC dividend accrued with cash payment due in September.
- **Non-current liabilities:**
 - £10.7m revolving working capital facility and revenue support loan.
 - £2.0m 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 £13.6m by drawing down £10.7m 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 expenditure of £3.6m.

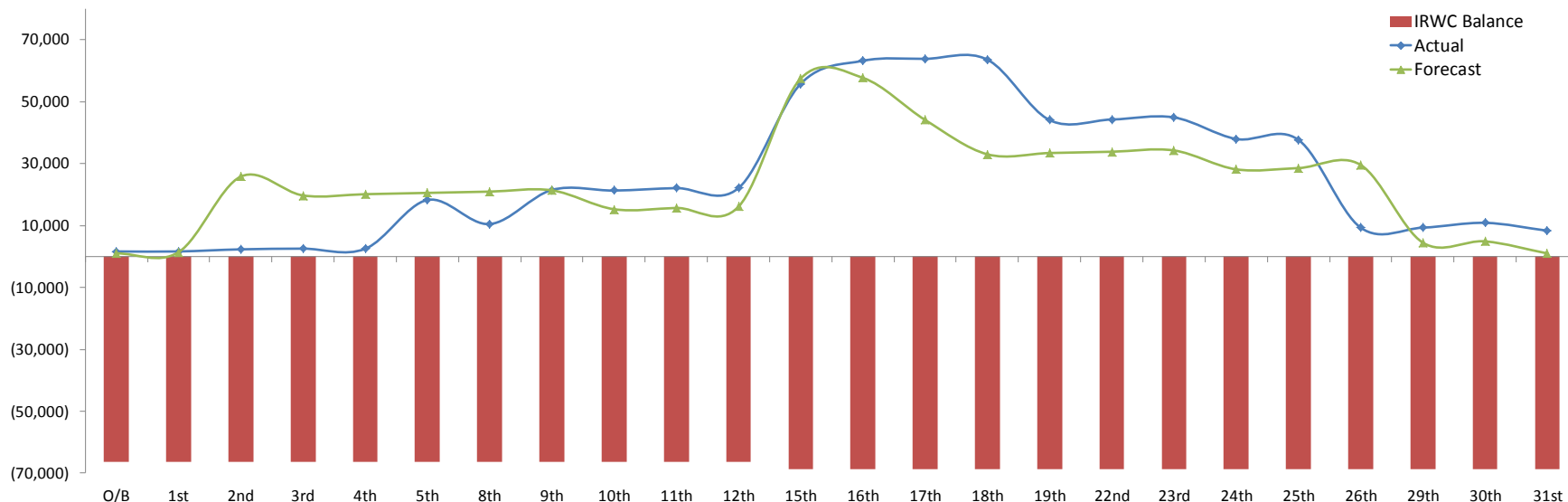
Full Year Forecast

- 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 27th May 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	25,719	11,381	5,285	12,447	1,598	6,389	25%
	Non-NHS receivables - revenue	12,498	13,707	(1,209)	7,781	551	837	4,538	33%
	Provision for the impairment of receivables	(1,024)	(1,103)	79	(1,103)				
	Non-NHS prepayments and accrued income	4,797	11,738	(6,941)	11,738				
	PDC dividend prepaid to DH	764	0	764	0				
	VAT	1,195	2,119	(924)	2,119				
	Other receivables	623	653	(30)	653				
	TOTAL	55,953	52,833	3,120	26,473	12,998	2,435	10,927	1
Accounts Payable	NHS payables - revenue	(9,327)	(32,406)	23,079	(21,765)	(1,873)	(2,217)	(6,551)	20%
	NHS accruals and deferred income	(5,584)	0	(5,584)	0				
	Non-NHS payables - revenue	(49,480)	(29,592)	(19,888)	(15,801)	(12,255)	(1,013)	(523)	2%
	Non-NHS payables - capital	(4,808)	(1,104)	(3,704)	(996)	(105)	0	(3)	0%
	Non-NHS accruals and deferred income	(21,449)	(31,875)	10,426	(7,454)	(7,696)	(5,455)	(11,270)	35%
	Social security costs	(6,439)	(6,632)	193	(6,632)				0
	Accrued Interest on DH Loans	(123)	(577)	454	(577)				
	Tax	(5,584)	(5,750)	166	(5,750)				
Other	(7,881)	(8,130)	249	(8,130)					
TOTAL	(110,675)	(116,066)	5,391	(67,105)	(21,929)	(8,685)	(18,347)	1	
Total Liquidity	(54,722)	(63,233)	8,511						

Liquidity: movement of £8.5m from opening position due to:

- Accounts receivable: reduced by £3.1 driven by reduction in NHS receivables.
- Accounts payable: increase of £5.4m with material movement in NHS payables.

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

- NHS receivables: 25% representing £6.4m being over 90 days with NHS Leicester City CCG £1.5m; NHS West Leicester CCG at £2.1m.
- Non-NHS receivables: 33% representing £4.5m being over 90 days with the largest component being Overseas Visitors at £2.7m (60%). The balance consists of various items which in isolation are not material.
- NHS payables-revenue: £6.6m, representing 20% in excess of 90 days with NHS Business Services Authority at £5.5m (83%).
- Further analysis of receivables is provided in the separate cash report.

Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	May YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	27,160	109,749	15,863	54,109
Total Invoices Paid Within Target	8,041	51,546	4,144	32,652
Percentage Invoices Paid Within Target (target 95%)	30%	47%	26%	60%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	26,012	90,489	15,051	45,019
Total Non-NHS Invoices Paid Within Target	7,859	40,571	4,055	28,840
Percentage of Non-NHS Invoices Paid Within Target	30%	45%	27%	64%
Local SME payables				
Total SME Invoices Paid in the Year	184	2,129	93	1,098
Total SME Invoices Paid Within Target	45	434	23	238
Percentage of Local SME Invoices Paid Within Target	24%	20%	25%	22%
NHS Payables				
Total NHS Invoices Paid in the Year	964	17,131	719	7,991
Total NHS Invoices Paid Within Target	137	10,541	66	3,574
Percentage of NHS Invoices Paid Within Target	14%	62%	9%	45%

- **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 likely performance for the year with additional financing is 31% by volume (currently 30%) and 68% by value (currently 47%).

Capital: May £3.6m spend, £0.6mF to Plan

	Scheme Name	YTD			Annual	Commitments
		Plan £'000	Actual £'000	F / (A) £'000	Budget £'000	£'000
Reconfiguration	Emergency Floor	1,701	2,004	(303)	7,033	9,130
	ICU Beds	0	0	0	4,200	0
	LRI Beds	0	0	0	3,330	5
	GH Beds	0	0	0	6,485	0
	Imaging: GH & LRI	8	0	8	4,291	0
	Treatment Centre	15	39	(24)	600	38
	ITU LRI	8	6	2	100	0
	Women's Service	12	11	1	849	0
	Children's Hospital	24	33	(9)	1,000	112
	Theatres LRI	15	16	(1)	381	0
	Additional Beds - GH	26	25	1	0	0
	Additional Beds - LRI	18	8	10	0	0
	LRI Wards (EMCHC)	50	(1)	51	0	0
	Supporting Infrastructure	14	0	14	1,000	0
	Vascular	123	215	(92)	0	806
	ED Project IT Issues	30	21	9	0	0
	ED Access & Transport	18	8	10	0	0
Other Reconfiguration	0	0	0	0	41	
	Sub-total: Reconfiguration	2,062	2,385	(323)	29,269	10,131
Estates & Facilities	Estates & Facilities	511	77	434	8,520	1,491
	MES Installation Costs	90	29	61	1,500	129
	Other Estates & Facilities	0	(7)	7	480	0
	Sub-total: Estates & Facilities	601	98	503	10,500	1,621
IM&T	IM&T Infrastructure	157	37	120	3,526	39
	EDRM	0	(6)	6	0	0
	Nervecentre	0	0	0	474	0
	Heartsuite System	40	16	24	100	106
	Electronic Blood Tracking System	30	9	21	0	20
	Renal Transplant Lab System	0	0	0	0	0
	Learning Mgt System	0	0	0	18	0
	Other IM&T	0	0	0	0	68
	Sub-total: IM&T Schemes	227	56	171	4,118	233
Medical Equipment	Medical Equipment Executive	250	5	245	4,371	28
	Radiotherapy CT Scanner	0	0	0	629	0
	Linear Accelerator	0	68	(68)	39	269
	Other Medical Equipment	0	0	0	0	0
	Sub-total: Medical Equipment	250	73	177	5,039	297
Finance Leases	Donations	250	83	167	300	0
	MES Finance Lease Additions	856	856	0	5,138	0
	Optimed	0	30	(30)	0	0
	Other Expenditure	0	39	(39)	0	0
	Sub-total: Finance Leases	1,106	1,008	98	5,438	0
	TOTAL CAPITAL EXPENDITURE	4,246	3,621	625	54,364	12,282

Year to date:

- Total Capital expenditure of £3.6m
- Emergency Floor:** Total spend of £2.0m with a further commitment of £9.1m
- Underspend driven by Estates and Facilities, IM&T Infrastructure and Medical Equipment Executive due by uncertainties to the availability of external funding driving only critical spend at this point in the year.
- Capital Plan:** Total expected capital expenditure of £54.4m funded by:
 - £31.5m depreciation;
 - £7.0m external borrowing for the Emergency Floor development;
 - £5.1m finance lease additions funded through revenue;
 - £0.3m 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>	3	1
	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>	(23)	4
Financial efficiency	EBITDA margin	I&E Surplus or Deficit / Total Revenue	(8.80%)	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>	0.20%	1
	Agency spend	Distance from agency ceiling <i>Year to date variance to Ceiling / Year to date Ceiling</i>	0.28%	1
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		2

Risks & Mitigation

RISK	MITIGATION
<ul style="list-style-type: none"> CIP: remains key to meeting income and expenditure commitments. M2 shows performance slightly favourable to Plan which needs to be maintained together with unidentified CIP. 	<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: utilisation of existing contingency held for funding Winter Pressures for non-funded beds which remain open. 	<ul style="list-style-type: none"> A business case is being developed which will need to go through the appropriate governance process including consideration of the financial impact.
<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. The Trust holds a small contingency for the support of unavoidable cost pressures and Business Cases. Any new costs above this will require identification of specific funding sources.
<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.
<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 income and expenditure position. 	<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.