

2018/19 Financial Performance

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Executive Summary

Paper M1

Context

The Trust originally planned for a 2018/19 income and expenditure deficit of £29.9m with a capital plan of £50.4m. The Trust Board approved a revision to the income and expenditure deficit of £21.2m in line with NHS Improvement's revised Control Total. If delivered, this revised Control Total would have given the Trust access to provider sustainability funding (PSF) of £21.9m giving a reported surplus of £0.8m.

At Quarter Two, following the cessation of FM LLP together with a risk assessment of the Control Total, the Trust revised its financial outturn to a deficit of £51.8m excluding Provider Sustainability Funding (PSF). This represented a deterioration from Plan of £30.6m with £21.9m driven by the impact of the cessation of FM LLP and £8.7m representing the underlying risk assessment of the plan.

Delivery of the 2018/19 revised financial outturn 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 December 2018?

M9 Financial Performance

The Trust has achieved a year to date deficit of £53.2m excluding PSF which is £29.9m adverse to Plan driven by the cessation of FM LLP and the crystallisation of the unmitigated Financial Recovery Board risk together with financial deterioration within the CMGs. Including PSF, the Trust has achieved a year to date deficit of £50.9m representing a £41.9m adverse position to plan due to non-recognition of PSF due to the impact of FM LLP from Quarter Two reporting.

From Quarter Two, the financial position and forecast reflects the underlying impact due to the cessation of FM LLP which is valued at a full year adverse impact of £21.9m.

Underlying performance is adverse to Plan with over-performance within Emergency and Outpatients offset by under-performance in Elective Activity together with the marginal cost to deliver activity and pay cost pressures. The adverse position in underlying performance is driven by the crystallisation of the unmitigated Financial Recovery Board risk together with financial deterioration within CMGs.

2. What is our performance against the agency ceiling?

Agency expenditure is below 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 start point as a relatively low use of agency compared to our acute peer group.

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

The Trust's Cost Improvement Programme target is £51.5m. To date, £25.4m has been delivered against a plan of £27.6m which is £2.2mA to Plan. The forecast outturn is £49.7m reflecting a gap of £1.8m with £7.9m driven by the cessation of FM LLP partially off-set through FRB actions classified as CIP.

4. What is our forecast I&E position for 2018/19?

As outlined on Page 17 of the report, the Month 7 submitted forecast of £51.8m, which is £30.6m adverse to Plan, represents the full year impact of FM LLP (£21.9m) together with a risk assessment of the underlying forecast (£8.7m). There remains a further risk of £2m-£6m which is intended to be addressed through increased pay controls to reduce the current run rate together with pro-active management of Risks and Opportunities to ensure the best financial outturn for the Trust with primary focus on CMG financial performance.

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

In setting budgets appropriately and in accordance with 2017/18 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 has chaired a specific Executive Board meeting (Star Chamber) to consider any such pressures which potentially cannot be avoided. This ensures that we have senior oversight and transparency regarding such decisions in 2018/19.

6. What risk mitigation strategies are in place for 2018/19?

Page 23 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 9.

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: **7th March 2019**

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: Off track YTD and Forecast
- Achieving the External Funding Limit: On track
- Achieving the Capital Resource Limit: On track

Financial Performance

- **Deficit of £53.2m, £29.9m adverse to Plan excluding Provider Sustainability Funds (PSF):** Over-performance within Emergency and Outpatients offset by under-performance in Elective Activity together with the marginal cost to deliver activity and pay cost pressures. The adverse position is driven by deterioration within CMGs together with the crystallisation of the residual planning risk within the Financial Recovery Board (FRB) and the impact of FM LLP.
- **Including PSF: Deficit of £50.9m, £41.9mA to plan:** with the additional adverse position driven by non-recognition of any PSF.
- **In Month deficit of £6.3m in line with the re-submitted forecast.**
- **Patient Care Income, £7.2mF to Plan :** Includes Agenda for Change funding together with over-performance within Emergency and Outpatients partially offset by under performance in Day Case and Elective Inpatients.
- **Operating Costs, £40.8mA to Plan:** with pay £16.4mA to Plan including Agenda for Change together with underlying overspend within the CMGs in all staff groups. Non-pay overspend of £24.4m driven by additional cost to deliver activity together with cost pressures within the CMGs and the, financial impact of FM LLP £15.3m partially offset by implementation of FRB actions.
- **CIP £2.2mA to Plan** driven by crystallisation of CIP non-delivery in relation to FM LLP.
- **Forecast:** Net deficit of £51.8m , £30.6mA to Plan driven by FM LLP and a risk assessment of the underlying forecast. Remaining risk of £2m-£6m is being managed by the FRB through pay controls combined with other mitigating actions.

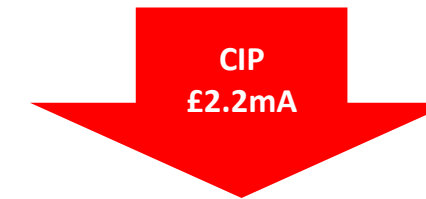
Cash

- Closing cash position at December of £15.1m including Trust Group Holdings (TGH)
- TGH cash balance was £2.7m
- Funded YTD operating deficit and movement in working capital by securing £44.7m of external financing.

Capital

- **December:** Total capital expenditure of £15.5m, £8.9mF to Plan driven by most capital projects being underspent predominantly Interim ICU Projects.

December 2018: 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 £53.2m Excluding PSF

	Dec-18					YTD			
	Plan	FOT	Actual	Vs Plan	Vs FOT	Plan	Actual	F/(A)	%
Day Case	8,075	7,817	7,831	(244)	14	81,298	78,817	(2,481)	(3%)
Elective Inpatient	1,581	1,447	1,466	(115)	19	16,415	15,406	(1,009)	(6%)
Emergency / Non-elective Inpatient	10,288	10,146	9,912	(377)	(234)	89,869	89,094	(775)	(1%)
Emergency Department	20,238	21,255	21,536	1,298	281	179,531	185,697	6,166	3%
Outpatient Procedures	73,951	75,576	71,891	(2,059)	(3,684)	723,458	735,335	11,877	2%
Critical Care Services	4,727	4,832	4,609	(118)	(223)	43,222	42,683	(540)	(1%)
Renal Dialysis and Transplant	15,223	15,662	15,800	577	138	134,024	134,742	718	1%
Other Activity	637,451	665,006	631,191	(6,261)	(33,815)	6,335,044	6,400,866	65,822	1%
WTE Total	14,530	14,367	14,367	163	0	14,530	14,367	163	1%
WTE Agency	74	247	247	(173)	0	74	247	(173)	(234%)

	Dec-18					YTD			
	Plan £'000	FOT £'000	Actual £'000	Vs Plan £'000	Vs FOT £'000	Plan £'000	Actual £'000	F/(A) £'000	%
Patient Care Income	67,239	68,360	69,264	2,025	904	629,753	636,925	7,172	1%
Non Patient Care Income	593	577	276	(317)	(301)	5,451	3,901	(1,550)	(28%)
Other Operating Income	10,189	10,792	10,644	455	(149)	91,445	94,048	2,603	3%
Total Income	78,021	79,729	80,184	2,163	455	726,648	734,874	8,226	1%
Pay Costs	(50,292)	(52,166)	(52,882)	(2,590)	(716)	(448,582)	(465,434)	(16,852)	(4%)
Pay Costs: Agency	(1,492)	(1,602)	(1,205)	287	397	(14,448)	(13,947)	501	3%
Non Pay	(26,552)	(29,460)	(29,480)	(2,928)	(21)	(257,754)	(282,187)	(24,433)	(9%)
Total Operating Costs	(78,336)	(83,227)	(83,567)	(5,231)	(340)	(720,784)	(761,568)	(40,784)	(6%)
EBITDA	(315)	(3,498)	(3,383)	(3,068)	115	5,864	(26,694)	(32,559)	(555%)
Non Operating Costs	(3,269)	(2,890)	(2,979)	291	(88)	(29,302)	(26,659)	2,642	9%
Retained deficit	(3,584)	(6,388)	(6,362)	(2,778)	26	(23,437)	(53,354)	(29,916)	(128%)
Adjustments for Donated Assets	16	31	21	5	(10)	145	150	5	(3%)
Net Deficit	(3,568)	(6,357)	(6,341)	(2,773)	16	(23,292)	(53,204)	(29,911)	(128%)
Provider Sustainability Fund (PSF)	2,195	0	0	(2,195)	0	14,265	2,304	(11,961)	84%
Net Deficit Including PSF	(1,373)	(6,357)	(6,341)	(4,968)	16	(9,027)	(50,900)	(41,872)	(464%)

	Plan	FOT	Actual	Vs Plan	Vs FOT	Plan	Actual	F/(A)	%
Agency: Total Pay	2.97%	3.07%	2.28%	0.69%	0.79%	3.22%	3.00%	0.22%	
EBITDA: Income	(0.40%)	(4.39%)	(4.22%)	(3.82%)	0.17%	0.81%	(3.63%)	(4.44%)	
Net Deficit: Income	(4.57%)	(7.97%)	(7.91%)	(3.33%)	0.07%	(3.21%)	(7.24%)	(4.03%)	

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: £636.9m, £7.2mF** including £5.4mA in relation to drugs and devices excluded from tariff with the offset in non-pay and £8.0mF funding in relation to Agenda For Change. Underlying over-performance of £4.6m predominantly within Emergency and Outpatients supporting CIP delivery. This over-performance is currently absorbing under-delivery of Elective Activity particularly within MSS and W&C.
- **Other Income: £97.9m, £1.1mF** driven by release of income provisions in line with FRB Plan offset by Trust Med Pharmacy which is offset in non-pay.
- **Pay Costs: £479.4m, £16.4mA** which includes £8.2mA in relation to Agenda For Change and £2.9mA driven by non-delivery of planned pay CIP. Underlying overspend in all staff groups and CMGs.

Whilst agency pay remains under the Agency expenditure ceiling, pay remains an area of concern to ensure appropriate control and optimum use of financial resources to support the Trust's financial commitments. This is supported by enhanced pay controls implemented through the Financial Recovery Board.

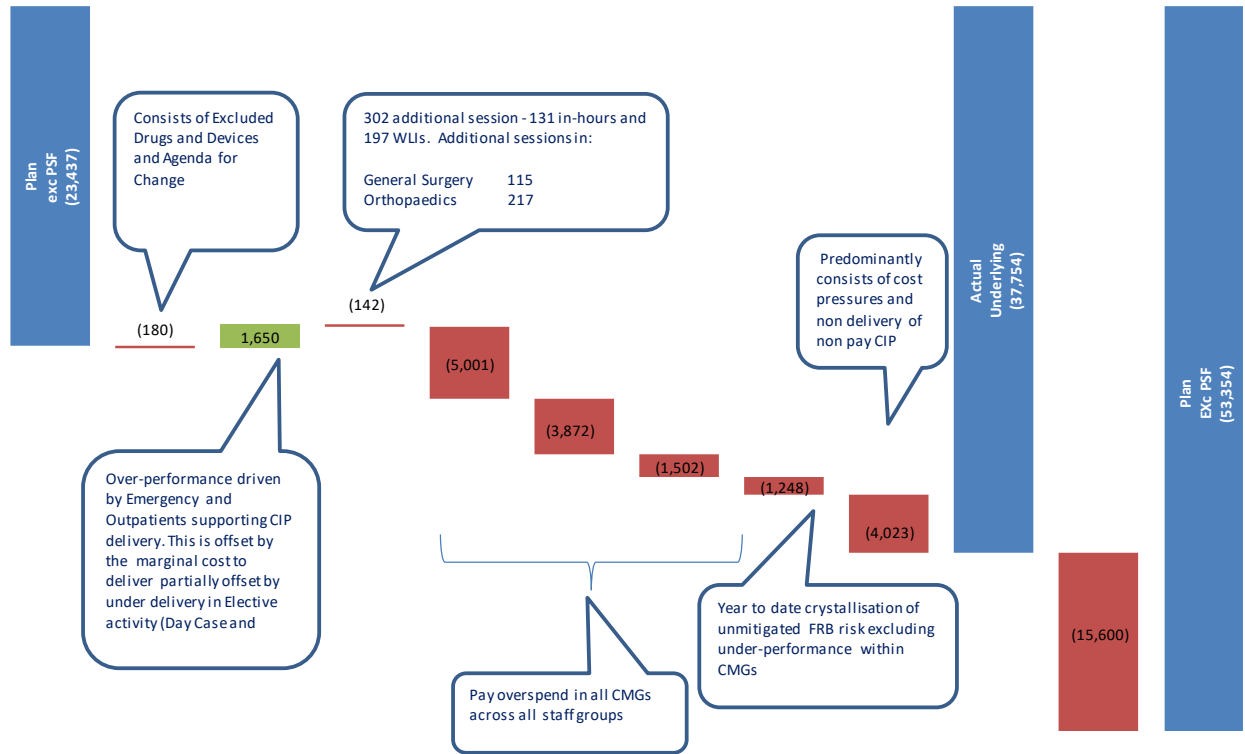
- **Non-Pay: £282.2m, £24.4mA** including £5.4mF relating to drugs and devices excluded from tariff. The financial impact of the cessation of FM LLP £15.3mA is a significant part of the over spend. Underlying overspend is predominantly driven by the marginal cost to deliver additional activity, under-delivery of CIP and general cost pressures.

Non-pay needs to be continuously controlled in order to maximise the opportunity from over-delivery of activity.

- **EBITDA: deficit of £26.7m, £32.6mA Plan.**
- **Non-Operating Costs: £26.7m, £2.6Fm** driven by depreciation due to pro-active management of asset base as part of the Trusts financial recovery.
- **Provider Sustainability Fund (PSF): £2.3m, £11.9mA** – recognition of quarter one only.
- **Forecast** : Performance is in line with M6 submitted forecast with a full year outturn of £51.8 (deficit).

I&E Bridge: £29.9mA to plan driven by performance risk and FM LLP

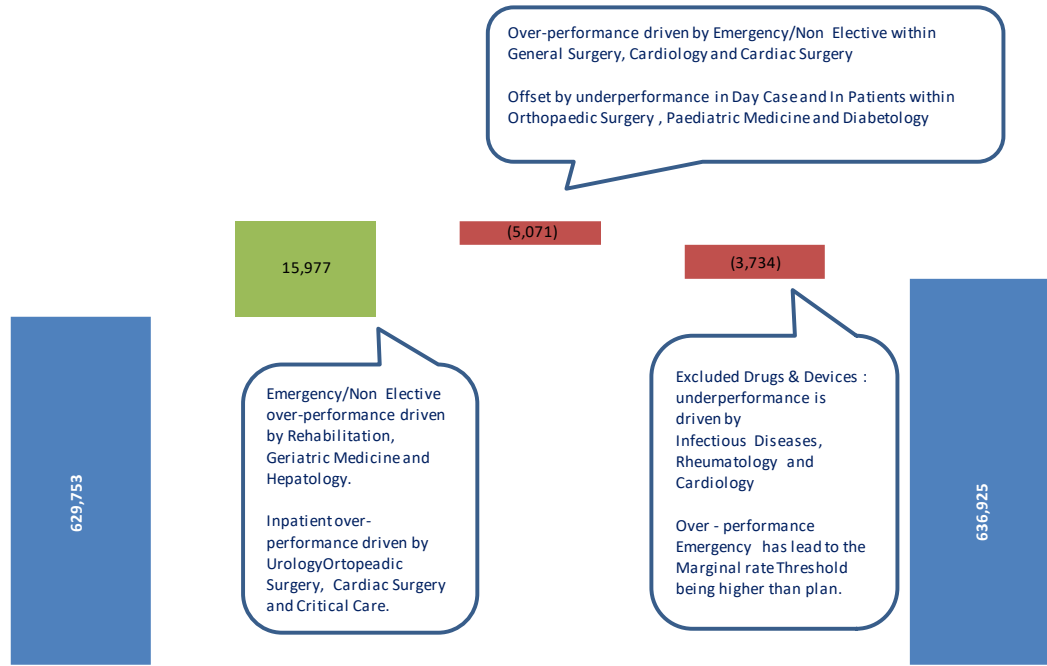
Over-performance within Emergency and Outpatients offset by under-performance in Elective Activity together with the marginal cost to deliver activity and pay cost pressures. The adverse position is driven by deterioration within CMGs together with the crystallisation of the unmitigated risk within the Financial Recovery Board (FRB) and the impact of FM LLP in line with the submitted forecast as at Month 6.



£(000)	Plan exc PSF	Pass Through	Activity	Theatres	Medical Pay	Nursing Pay	Other Pay	FRB	Other	Actual Underlying	FM LLP	Plan exc PSF	Var F/(A)
NHS PCI	629,753	2,552	8,545					(4,356)	431	636,924		636,924	7,172
Other Income	96,895	(1,314)	75					2,297	(5)	97,949		97,949	1,053
Pay	(448,582)	(8,158)		(322)	(3,693)	(5,526)	(1,657)	2,504		(465,434)		(465,434)	(16,852)
Pay: Agency	(14,448)				(1,308)	1,654	155			(13,947)		(13,947)	501
Non Pay	(257,754)	6,741	(6,970)	180				(4,585)	(4,448)	(266,836)	(15,351)	(282,187)	(24,433)
Non-Operating Costs	(29,302)							2,891		(26,410)	(249)	(26,659)	2,642
Net Deficit	(23,437)	(180)	1,650	(142)	(5,001)	(3,872)	(1,502)	(1,248)	(4,023)	(37,754)	(15,600)	(53,354)	(29,916)

NHS Patient Income: December £636.9m, £7.2mF to Plan

Over-performance predominantly driven by Emergency/Non-elective within General Surgery, Geriatric Medicine, Rehabilitation and Outpatients offsetting under-performance in Elective Inpatients and Day Case.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	46,587	710	(1444)		45,853	(733)
Elective Inpatient	60,999	2678	(3914)		59,763	(1,236)
Emergency / Non-elective Inpatient	169,110	10882	(1552)		178,440	9,329
Marginal Rate Emergency Threshold	(5,252)			(1,487)	(6,739)	(1,487)
Emergency Department	24,224	(190)	825		24,859	635
Outpatient	85,254	1418	1423		88,095	2,841
Drugs and Devices excluded from Tariff	79,548			(5,438)	74,110	(5,438)
Critical Care Services	40,536	1096	(520)		41,112	576
Renal Dialysis and Transplant	21,266	(617)	111		20,760	(507)
CQUIN	12,687			907	13,594	907
Other Activity	80,431			1,117	81,548	1,117
Other Financial Values	14,361			1,168	15,529	1,168
Total	629,753	15,977	(5,071)	(3,734)	636,925	7,172

Activity & Income: Performance versus Contract

Activity	Case Mix	City	East	West	Specialised	Other	Alliance	Total	%
	Day Case	(1,066)	239	(381)	213	(1,399)	(88)	(2,481)	(3%)
	Elective Inpatient	(413)	(224)	(207)	(228)	63		(1,009)	(6%)
	Emergency / Non-elective Inpatient	(498)	4	232	126	(639)		(775)	(1%)
	Marginal Rate Emergency Threshold (MRET)	0	0	0	0	0		0	0%
	Emergency Department	2,131	1,138	2,550		347		6,166	3%
	Outpatient	2,879	3,439	7,257	8,537	(9,671)	(563)	11,877	2%
	Excluded Drugs and Devices					0		0	0%
	Critical Care Services	(336)	49	282	(889)	354		(540)	(1%)
	Renal Dialysis and Transplant	0	0	0	724	(6)		718	1%
CQUIN	0	0	0	0	0	0	0	0%	
Other Activity	33,863	36,936	669	1,958	(7,323)	(282)	65,822	1%	
Other Financial Values	2,482	3,084	2,425	295	4,779	376	13,441	0%	

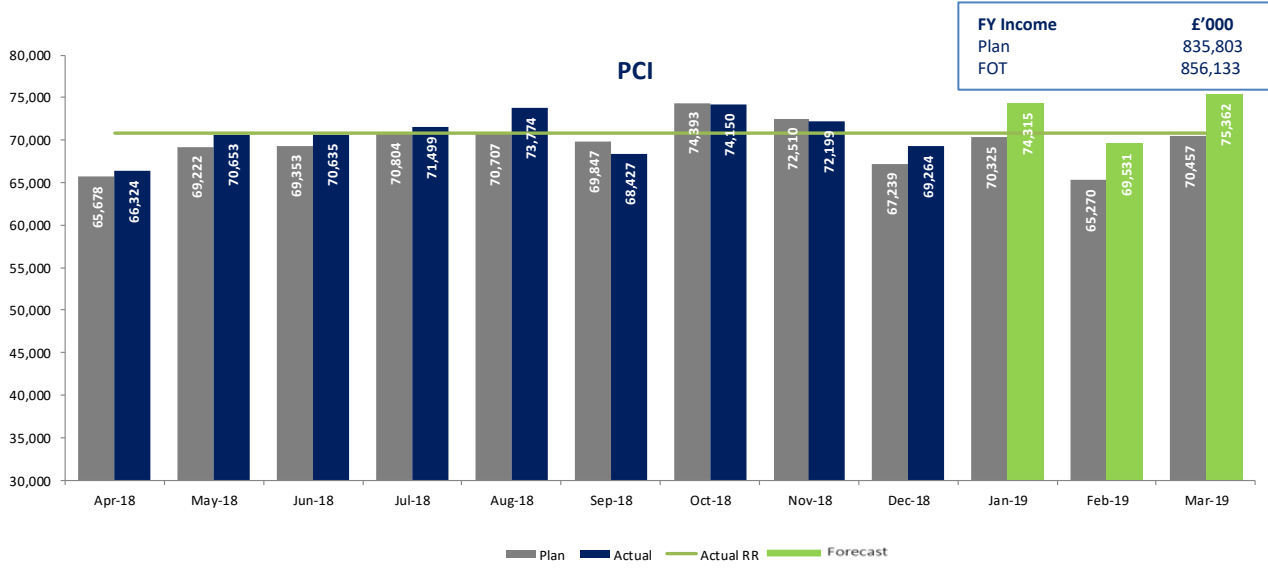
Financial	Case Mix	City (£000)	East (£000)	West (£000)	Specialised (£000)	Other (£000)	Alliance (£000)	Total (£000)	%
	Day Case	(484)	37	343	605	(1,161)	(73)	(733)	(2%)
	Elective Inpatient	(292)	(49)	(702)	(1,041)	848	0	(1,236)	(2%)
	Emergency / Non-elective Inpatient	2,598	2,618	4,003	2,325	(2,215)	0	9,329	6%
	Marginal Rate Emergency Threshold (MRET)	(1,098)	(187)	(408)	0	206	0	(1,487)	(28%)
	Emergency Department	446	203	356	0	(370)	0	635	3%
	Outpatient	889	601	1,095	1,369	(1,063)	(50)	2,841	3%
	Excluded Drugs and Devices	(690)	(908)	(684)	(1,874)	(1,263)	(19)	(5,438)	(7%)
	Critical Care Services	(246)	(23)	546	199	100	0	576	1%
	Renal Dialysis and Transplant	0	0	0	(492)	(14)	0	(507)	(2%)
	CQUIN	(13)	36	78	199	605	1	907	7%
	Other Activity	(271)	(395)	(90)	1,470	385	18	1,117	1%
Other Financial Values	1,744	240	525	(22)	(914)	(406)	1,168	8%	
Grand Total	2,584	2,173	5,059	2,739	(4,855)	(528)	7,172	1%	

Contracts:

- **Day Case & Elective Inpatient:** Day case under-performance predominantly within Orthopaedic Surgery. Elective Inpatient underperformance is driven by Paediatric Cardiothoracic Surgery and Orthopaedic Surgery partially offset by Cardiac Surgery.
- **Emergency / Non Elective:** Over performance across a wide range of specialties with Geriatric Medicine, Hepatology and Rehabilitation. This is partially offset by underperformance in Diabetology, Gastroenterology and Paediatric Medicine.
- **Outpatients:** There are a range of Specialties which are over performing including Paediatric Congenital Surgery Integrated Medicine and Dermatology.
- **Excluded Drugs and Devices:** The underperformance is driven by Infectious Diseases, Rheumatology and Cardiology.
- **Alliance:** Driven by underperformance in Day Case within Orthopaedic Surgery and Urology partially offset by over-performance in Podiatric Surgery.

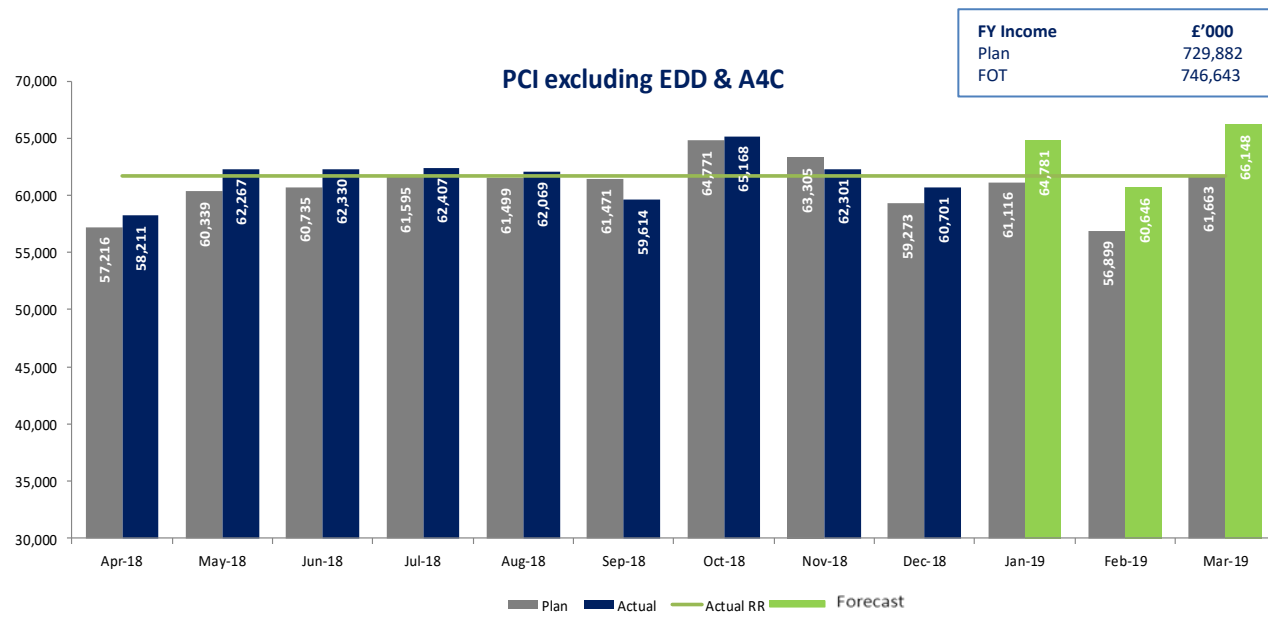
The CCG contracts are significantly over performing and we are working with them to get to a common understanding of forecast outturn. The significant contract challenges around emergency activity and activity coding have now been resolved, although new challenges continue to be raised by commissioners in other areas. Meetings are on going to mitigate and resolve these issues where possible.

Patient Income Run Rates

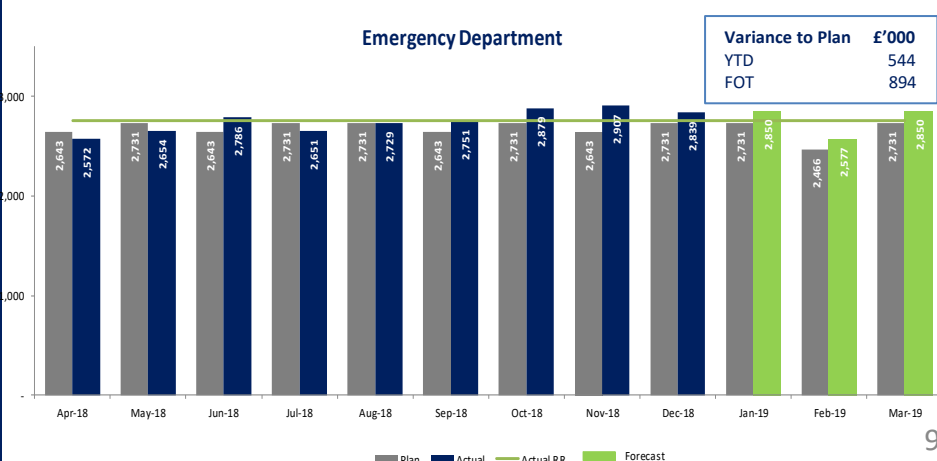
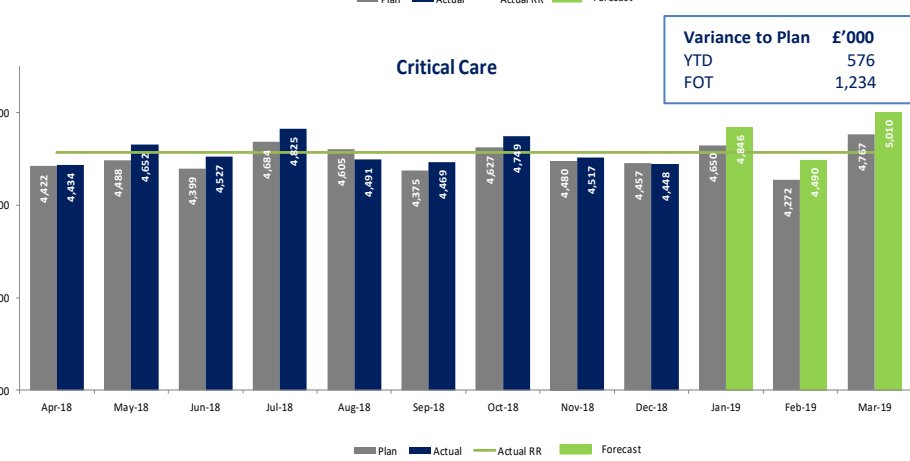
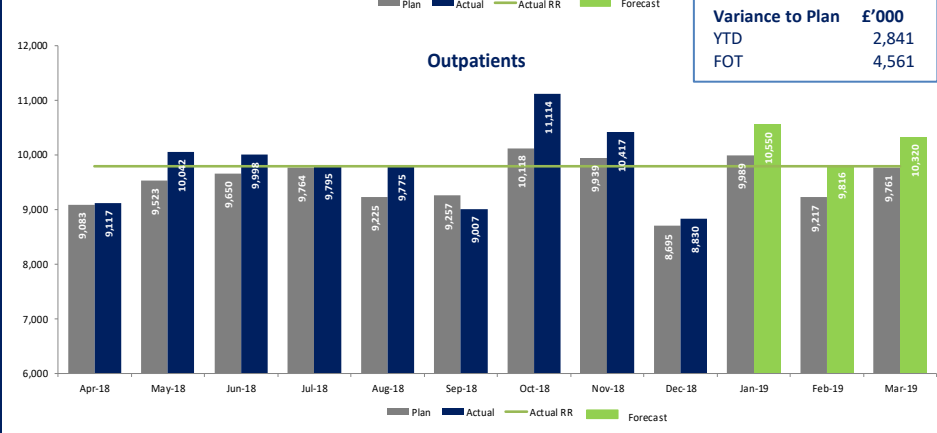
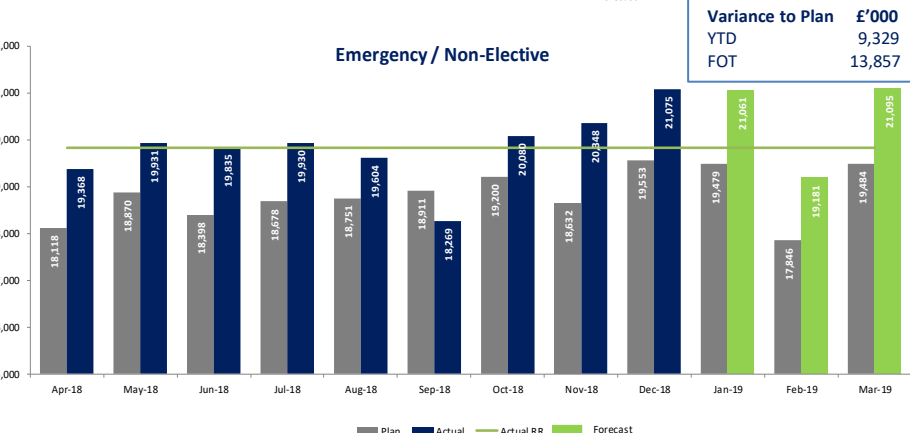
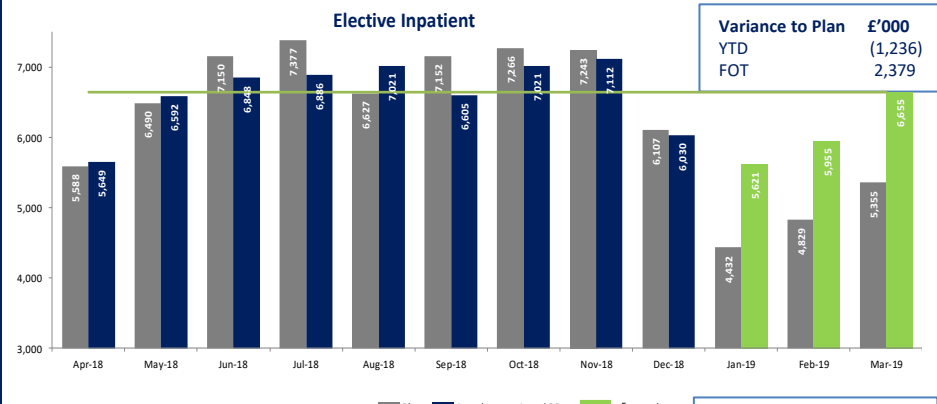
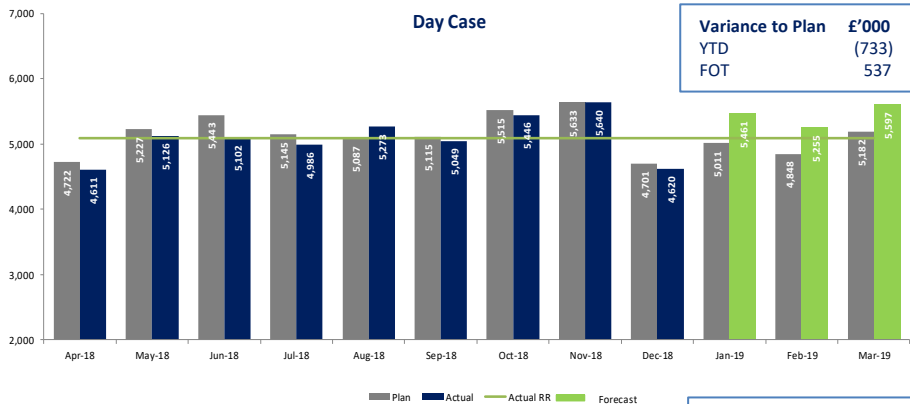


Year to Date

- Year to date over-performance of £7.2m which includes £5.4mA in relation to drugs and devices excluded from tariff and £8.0mF in relation to Agenda for Change funding.
- Over-performance predominantly driven by Emergency/Non-elective within Integrated Medicine, Rehabilitation and Outpatients.
- The forecast includes additional income in relation to the revised winter timetable and efficiencies in theatres and Outpatients.



Patient Income Run Rates: Point of Delivery



Pay: YTD £479.4m, £16.4mA to Plan

		Dec-18						YTD					
		£'000			WTE			£'000			WTE		
		Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)
Agency	Medical	377	500	(122)	3	55	(52)	4,071	5,710	(1,639)	3	55	(52)
	Nursing & Midwifery	873	671	202	24	165	(141)	8,110	6,456	1,654	24	165	(141)
	Other Clinical	193	84	109	32	27	5	1,785	1,565	220	32	27	5
	Non Clinical	48	(50)	99	15	0	15	482	216	266	15	0	15
	Total: Agency	1,492	1,204	288	74	247	(173)	14,448	13,947	501	74	247	(173)
Other Non-contracted	Medical	0	1,420	(1,420)	0	7	(7)	0	14,365	(14,365)	0	7	(7)
	Nursing & Midwifery	0	1,876	(1,876)	0	584	(584)	0	15,727	(15,727)	0	584	(584)
	Other Clinical	0	320	(320)	0	63	(63)	0	3,022	(3,022)	0	63	(63)
	Non Clinical	0	584	(584)	0	282	(282)	0	5,232	(5,232)	0	282	(282)
	Total: Other Non-contracted	0	4,200	(4,200)	0	936	(936)	0	38,345	(38,345)	0	936	(936)
Total Non-contracted	Medical	377	1,919	(1,542)	3	62	(59)	4,071	20,074	(16,003)	3	62	(59)
	Nursing & Midwifery	873	2,547	(1,674)	24	748	(725)	8,110	22,183	(14,073)	24	748	(725)
	Other Clinical	193	404	(211)	32	90	(58)	1,785	4,587	(2,802)	32	90	(58)
	Non Clinical	48	534	(486)	15	282	(268)	482	5,448	(4,966)	15	282	(268)
	Total: Non-contracted	1,492	5,405	(3,913)	74	1,182	(1,109)	14,448	52,292	(37,845)	74	1,182	(1,109)
Substantive	Medical	16,480	15,517	963	1,974	1,899	75	142,660	132,125	10,536	1,974	1,899	75
	Nursing & Midwifery	17,747	16,931	816	6,068	5,153	915	154,707	148,156	6,551	6,068	5,153	915
	Other Clinical	7,009	6,834	175	2,196	1,983	213	64,354	58,256	6,098	2,196	1,983	213
	Non Clinical	9,056	9,400	(344)	4,292	4,396	(104)	86,862	88,553	(1,691)	4,292	4,396	(104)
	Total: Substantive	50,292	48,682	1,610	14,530	13,432	1,098	448,582	427,089	21,494	14,530	13,432	1,098
Total	Medical	16,857	17,436	(578)	1,977	1,961	16	146,731	152,199	(5,468)	1,977	1,961	16
	Nursing & Midwifery	18,620	19,479	(859)	6,092	5,902	190	162,817	170,338	(7,521)	6,092	5,902	190
	Other Clinical	7,202	7,238	(36)	2,228	2,073	155	66,138	62,843	3,295	2,228	2,073	155
	Non Clinical	9,105	9,935	(830)	4,307	4,678	(372)	87,343	94,001	(6,657)	4,307	4,678	(372)
	TOTAL: Pay	51,784	54,087	(2,303)	14,604	14,614	(10)	463,030	479,381	(16,351)	14,604	14,614	(10)

Agency Pay

- Year to date cost of £13.9m, £0.5mF to Plan, driven by Nursing within ESM .

Other Non-contracted Pay

- Other non-contracted pay consists of overtime, bank, WLLs and internal locums.
- Year to date expenditure of £38.3m with Medical and Nursing driving 79% 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 £465.4m, £16.9mA to Plan which includes £8.2mA in relation to Agenda For Change and £2.8mF in relation to execution of FRB actions.
- Underlying overspend of £11.5m including non-delivery of planned pay CIP of £2.9m. Underlying overspend in all staff groups.
- In response to a perceived lack of control of pay costs, enhanced pay controls have been put in place together with a pay envelope provided to each CMG and Corporate Directorate to support financial recovery.

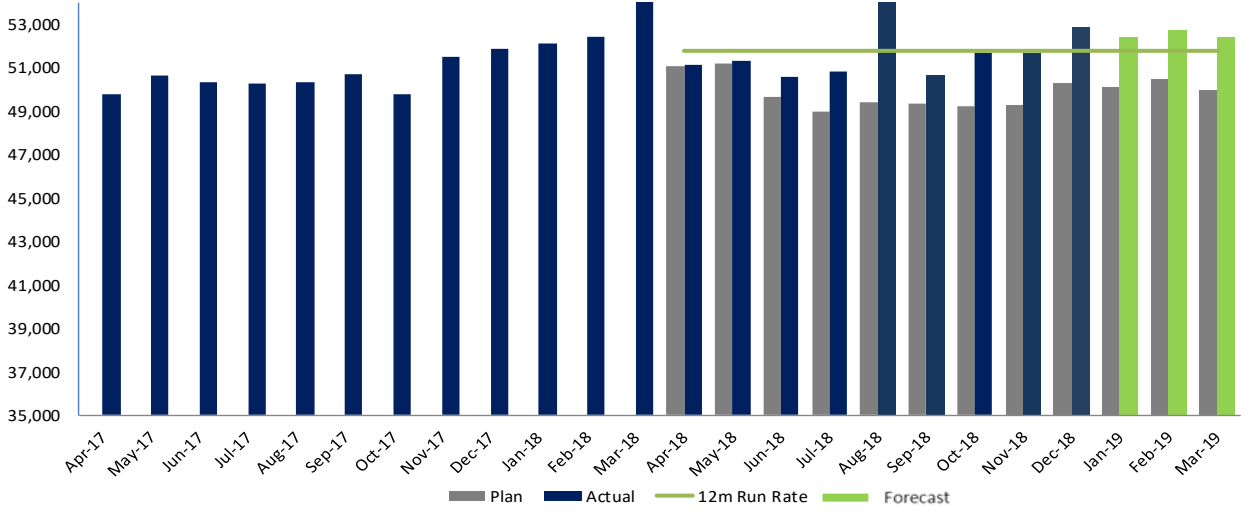
Note

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

Substantive Pay

	£'000
Plan	599,043
FOT	623,031

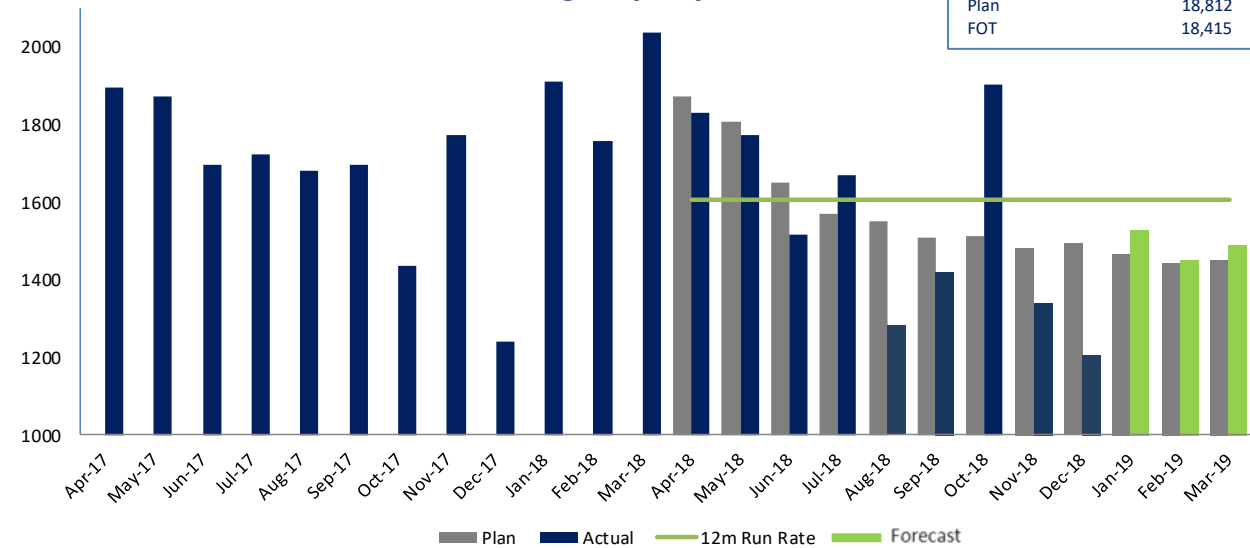


Total Pay excluding Agency Pay

- This remains a key risk to the Financial Plan driven by use of premium pay in relation to supporting core capacity, together with staff enhancements in excess of Agenda for Change and NHSI rates together with unfunded cost pressures.
- The increase in August pay is driven by year to date catch-up in relation to Agenda for Change of £3.4m.
- The forecast pay includes additional capacity to support Winter pressures together with the anticipated benefit from the workforce controls.

Agency Pay

	£'000
Plan	18,812
FOT	18,415



Agency Pay

- The planned trajectory is supported by specific actions identified and tracked through the Premium Pay group.
- The NHSI Agency Ceiling for 2018/19 is £18.8m.
- The increase in October is driven by nursing within ESM which is in line with forecast and CHUGGS which includes a year to date correction.

Non-Pay: YTD £282.2m, £24.4mA to Plan

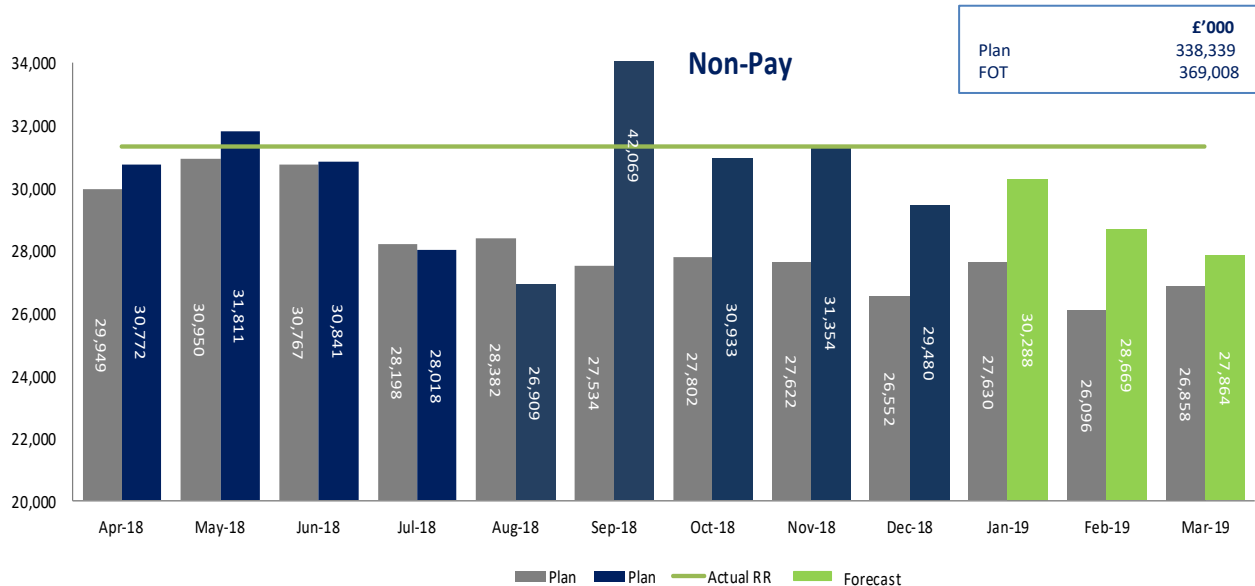
	Dec-18				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	120	196	(76)	(63%)	1,172	987	186	16%
	Drugs	8,743	7,941	802	9%	84,207	76,959	7,248	9%
	Clinical Supplies & Services	8,693	10,915	(2,222)	(26%)	81,727	87,167	(5,440)	(7%)
	Transport	315	651	(335)	(106%)	2,836	3,750	(913)	(32%)
	Recharges	732	649	84	11%	5,072	5,916	(844)	(17%)
	Misc & General Supplies	(1,008)	354	(1,362)	135%	3,088	26,631	(23,543)	(762%)
External Providers	Healthcare	867	833	34	4%	8,172	7,978	195	2%
	Non Healthcare	1,222	1,401	(180)	(15%)	10,997	11,425	(427)	(4%)
Overheads	Establishment, Premises & Plant	4,169	3,785	384	9%	36,176	37,010	(833)	(2%)
	Consultancy	38	95	(57)	(150%)	360	421	(61)	(17%)
	Clinical Negligence	2,661	2,661	-	0%	23,946	23,946	(0)	(0%)
Total: Non Pay	26,552	29,480	(2,929)	(11%)	257,754	282,187	(24,433)	(9%)	

- Direct Costs: £201.4m, £23.3mA to Plan** including £5.4mF in relation to drugs and devices excluded from tariff.

The financial impact from the cessation of FM LLP is driving a £15.4m of the over spend

Underlying overspend driven by additional cost to deliver activity together with cost pressures within the CMGs.

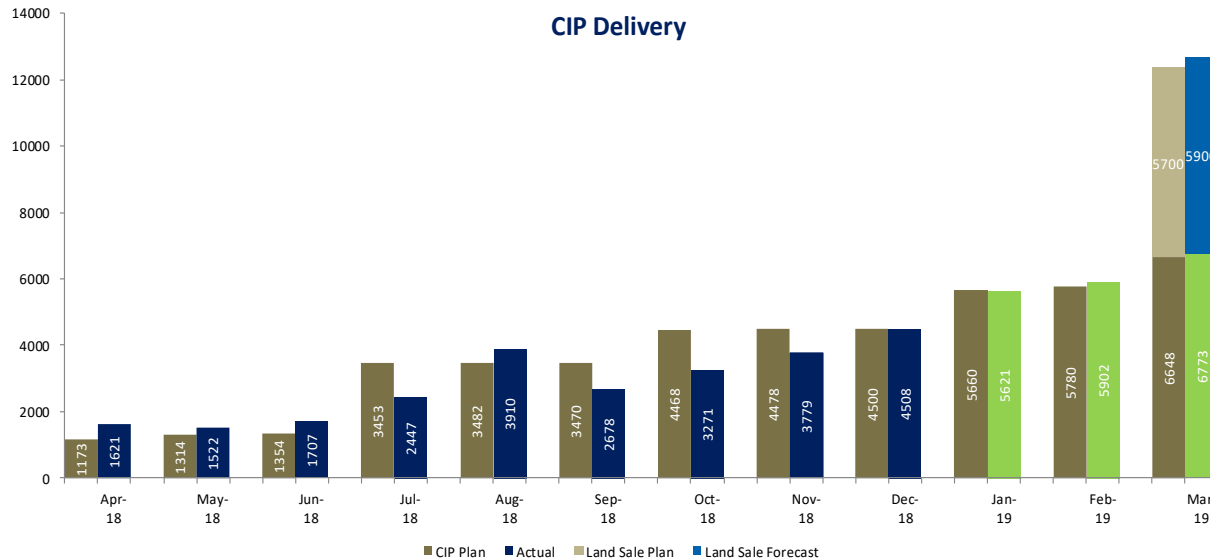
- External Providers: YTD cost of £19.4m** which in line with Plan.
- Overheads: YTD expenditure of £61.4m, £0.9mA to Plan** predominantly within Estates.
- Non-pay remains a critical area of spend to ensure tight cost control underpinned by activity performance.



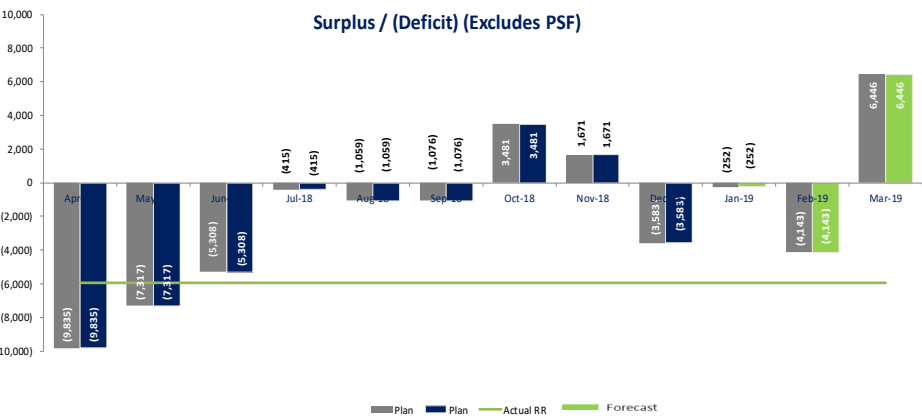
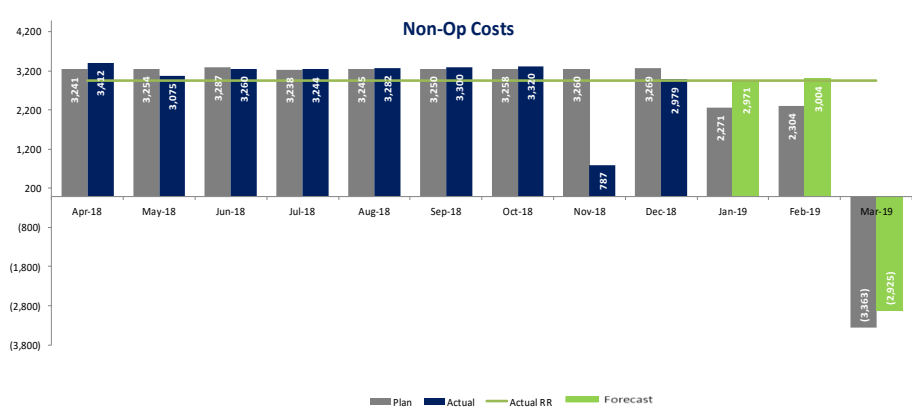
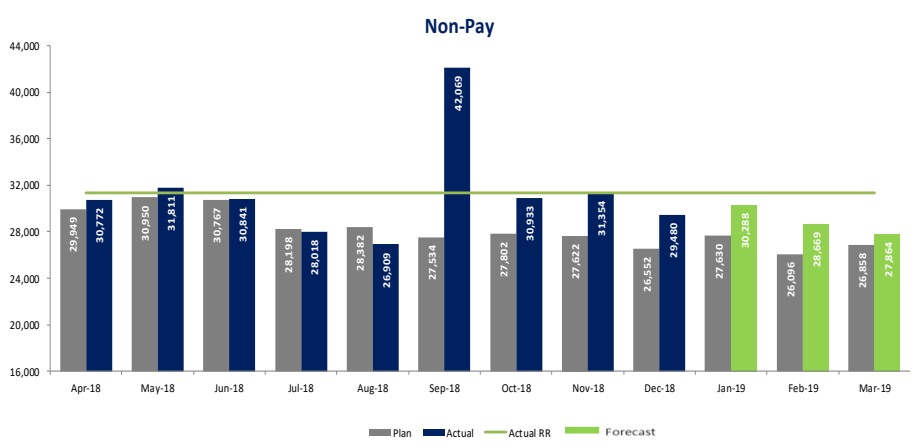
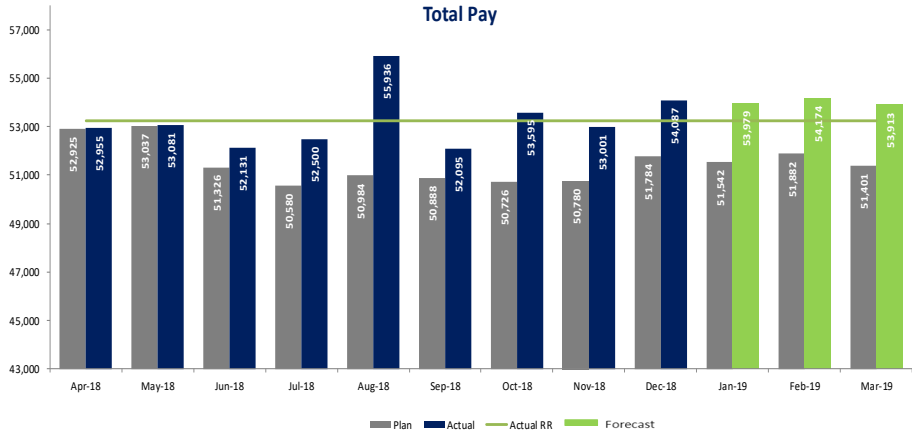
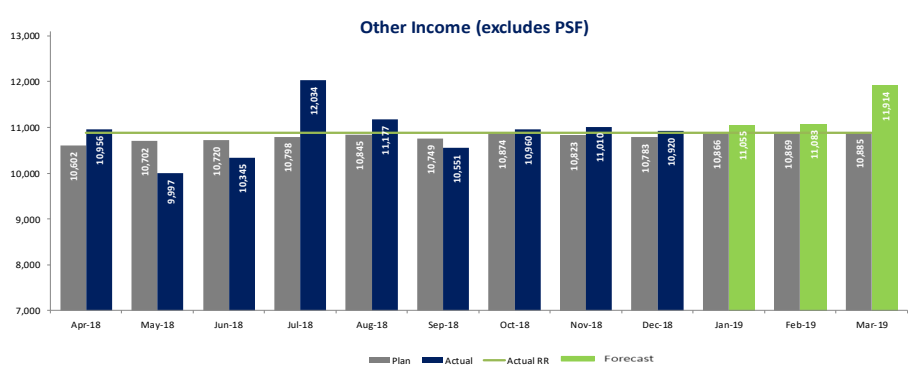
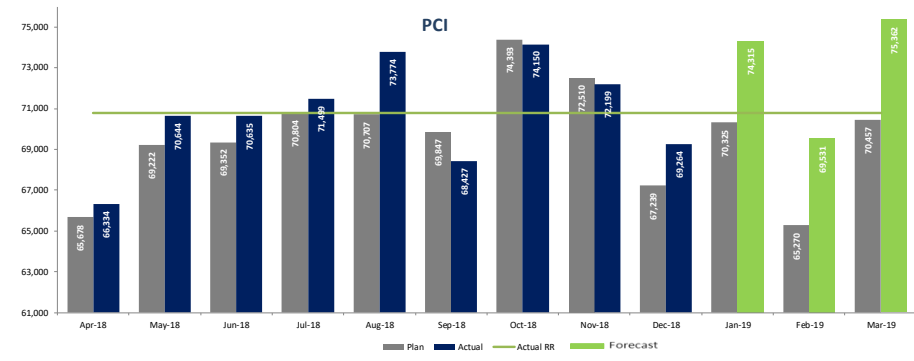
CIP: YTD £25.4m, £2.2mA to Plan

	Dec-18				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	355	329	(26)	(7%)	2,401	2,437	35	1%	3,467
CSI	189	227	38	20%	1,709	2,219	510	30%	2,287
ESM	510	682	172	34%	3,658	4,199	540	15%	5,189
ITAPS	298	240	(58)	(19%)	2,014	2,151	137	7%	2,908
MSS	357	332	(25)	(7%)	2,858	2,524	(334)	(12%)	3,911
RRCV	496	439	(57)	(12%)	3,774	3,621	(154)	(4%)	5,253
Womens & Childrens	628	419	(209)	(33%)	3,380	2,011	(1,369)	(40%)	5,268
Total: CMG	2,833	2,669	(164)	(6%)	19,795	19,161	(634)	(3%)	28,284
Facilities	282	118	(164)	(58%)	1,530	904	(626)	(41%)	2,377
Corporate Total	154	134	(20)	(13%)	932	751	(181)	(19%)	1,394
Central	1,231	1,587	356	29%	5,434	4,628	(806)	(15%)	19,426
Total CIP	4,500	4,508	8	0%	27,691	25,443	(2,247)	(8%)	51,480

- The CIP forecast outturn is £49.7m representing an unidentified gap of £1.8m driven by cessation of FM LLP offset by FRB actions driving an under-delivery of £1.8m
- Month 12 includes £5.9m for the sale of land.
- The specific CIP Paper provides further insight into the performance of CIP.



I&E Run Rates



December performance by CMG and Directorates: Plan

Underperformance within CHUGGS, MSS, RRCV, and W&C driven by under-delivery of activity, CIP and cost overspend with the adverse position in Central driven by the cessation of FM LLP. All underperforming CMGs are in weekly financial recovery meetings led by the CFO together with pro-active management of Risks and Mitigations through the Financial Recovery Board.

	Dec-18			YTD			FOT			
	Plan	Actual	Vs Plan B/(W)	Plan	Actual	Vs Plan B/(W)	Plan	FOT	F / (A)	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
CMGs	CHUGGS	3,250	3,082	(168)	33,990	32,370	(1,619)	45,492	44,285	(1,207)
	CSI	(3,053)	(3,048)	4	(25,890)	(25,883)	8	(33,457)	(33,457)	0
	ESM	696	991	295	10,138	11,403	1,265	12,999	15,094	2,096
	ITAPS	(4,036)	(4,472)	(436)	(35,560)	(36,291)	(732)	(46,074)	(46,066)	8
	MSS	2,481	941	(1,540)	24,803	20,172	(4,631)	28,819	26,460	(2,360)
	RRCV	3,571	2,694	(877)	31,840	28,782	(3,058)	42,235	39,491	(2,744)
	W&C	3,586	3,168	(418)	33,805	27,630	(6,175)	45,227	38,033	(7,194)
	FACILITIES	(3,826)	(3,828)	(2)	(33,403)	(33,403)	0	(44,563)	(44,564)	(2)
	TOTAL CMGs	2,670	(471)	(3,141)	39,722	24,780	(14,942)	50,677	39,275	(11,402)
Corporate Directorates	Communications & Ext Relations	(60)	(60)	0	(541)	(535)	5	(722)	(722)	(0)
	Corporate & Legal	(261)	(247)	14	(2,428)	(2,448)	(20)	(3,211)	(3,316)	(105)
	Corporate Medical	(1,811)	(1,785)	26	(16,419)	(16,455)	(35)	(21,854)	(21,885)	(31)
	Operations	(337)	(368)	(31)	(3,207)	(3,058)	149	(4,227)	(4,227)	(0)
	Finance & Procurement	(569)	(578)	(8)	(5,431)	(5,371)	61	(7,140)	(7,138)	2
	Nursing	(416)	(424)	(8)	(4,335)	(4,481)	(146)	(5,582)	(5,783)	(201)
	Human Resources	(437)	(407)	30	(4,092)	(4,122)	(30)	(5,408)	(5,708)	(300)
	IM&T	(994)	(962)	31	(9,131)	(9,178)	(47)	(12,119)	(12,119)	(0)
	Strategic Development	(41)	(53)	(12)	(467)	(423)	44	(590)	(556)	34
	TOTAL CORPORATE DIRECTORATES	(4,924)	(4,883)	42	(46,052)	(46,070)	(18)	(60,852)	(61,453)	(601)
Trust	Research	(0)	4	4	(0)	30	30	0	30	30
	Trust Med Pharmacy	5	6	0	49	57	8	64	64	0
	Alliance	(34)	(247)	(213)	(3)	(652)	(649)	(0)	(0)	0
	Central	(1,301)	(770)	531	(17,155)	(31,499)	(14,344)	(11,275)	(29,948)	(18,673)
	Donated Assets Adjustment	16	21	5	145	150	5	193	232	39
UHL Total Excluding PSF	(3,568)	(6,341)	(2,773)	(23,292)	(53,204)	(29,911)	(21,193)	(51,800)	(30,607)	

December performance by CMG and Directorates: Forecast

Underperformance within CHUGGS, MSS, RRCV, and W&C driven by under-delivery of activity, CIP and cost overspend offset by Central actions representing a realisation of previous opportunities. All underperforming CMGs are in weekly financial recovery meetings led by the CFO together with pro-active management of Risks and Mitigations through the Financial Recovery Board.

	Dec-18			YTD			FOT	
	FOT £'000	Actual £'000	Vs FOT B/(W) £'000	FOT £'000	Actual £'000	Vs FOT B/(W) £'000	M9 FOT £'000	
CMGs	CHUGGS	3,081	3,082	2	32,369	32,370	2	44,285
	CSI	(3,048)	(3,048)	(0)	(25,883)	(25,883)	(0)	(33,457)
	ESM	601	991	390	11,013	11,403	390	15,094
	ITAPS	(4,012)	(4,472)	(460)	(35,831)	(36,291)	(460)	(46,066)
	MSS	1,323	941	(382)	20,554	20,172	(382)	26,460
	RRCV	2,968	2,694	(274)	29,056	28,782	(274)	39,491
	W&C	3,168	3,168	(0)	27,630	27,630	(0)	38,033
	FACILITIES	(3,827)	(3,828)	(1)	(33,402)	(33,403)	(1)	(44,564)
	TOTAL CMGs	254	(471)	(725)	25,505	24,780	(725)	39,276
Corporate Directorates	Communications & Ext Relations	(61)	(60)	1	(537)	(535)	1	(722)
	Corporate & Legal	(247)	(247)	0	(2,448)	(2,448)	0	(3,316)
	Corporate Medical	(1,785)	(1,785)	(0)	(16,455)	(16,455)	(0)	(21,885)
	Operations	(386)	(368)	18	(3,076)	(3,058)	18	(4,226)
	Finance & Procurement	(577)	(578)	(0)	(5,370)	(5,371)	(0)	(7,138)
	Nursing	(424)	(424)	0	(4,481)	(4,481)	0	(5,783)
	Human Resources	(407)	(407)	1	(4,122)	(4,122)	1	(5,708)
	IM&T	(962)	(962)	(0)	(9,178)	(9,178)	(0)	(12,119)
	Strategic Development	(53)	(53)	0	(423)	(423)	0	(556)
TOTAL CORPORATE DIRECTORATES	(4,903)	(4,883)	20	(46,090)	(46,070)	20	(61,453)	
Trust	Research	0	4	4	26	30	4	30
	Trust Med Pharmacy	5	6	0	57	57	0	64
	Alliance	(36)	(247)	(211)	(441)	(652)	(211)	(0)
	Central	(1,709)	(770)	939	(32,438)	(31,499)	939	(29,949)
	Donated Assets Adjustment	31	21	(10)	160	150	(10)	232
	UHL Total Excluding PSF	(6,357)	(6,341)	16	(53,220)	(53,204)	16	(51,800)

Forecast Outturn: Deficit of £51.8m (excluding PSF)

		Plan	Outturn	F / (A)
Value Drivers	Day Case	108,065	106,555	(1,510)
	Elective Inpatient	20,554	20,140	(414)
	Emergency / Non-elective Inpatient	120,243	119,252	(991)
	Emergency Department	238,286	247,659	9,373
	Outpatient Procedures	967,934	990,989	23,055
	Critical Care Services	57,743	57,386	(358)
	Renal Dialysis & Transplant	178,367	180,421	2,054
	Other	8,487,390	8,632,945	145,555
		Plan	Outturn	F / (A)
		£'000	£'000	£'000
I&E £'000	Patient Care Income	835,803	856,133	20,329
	Non Patient Care Income	129,517	132,001	2,484
	Total Income	965,320	988,133	22,813
	Pay Costs	(599,043)	(623,031)	(23,988)
	Pay Costs: Agency	(18,812)	(18,415)	396
	Non-Pay	(338,337)	(369,008)	(30,671)
	Total Operating Costs	(956,192)	(1,010,455)	(54,263)
	EBITDA	9,128	(22,322)	(31,449)
	Non-Operating Costs	(30,514)	(29,710)	804
	Retained Deficit	(21,386)	(52,032)	(30,646)
	Adjustments for Donated Assets	193	232	39
	Net Deficit	(21,193)	(51,800)	(30,606)
	Provider Sustainability Fund (PSF)	21,947	2,304	(19,643)
	Net Deficit Including PSF	754	(49,496)	(50,249)
Agency: Total Pay	3.04%	2.87%	(0.17%)	
EBITDA: Income	0.95%	(2.26%)	(3.20%)	
Net Deficit: Income	(2.20%)	(5.24%)	(3.05%)	

- **Overall:** Net deficit of £51.8m, £30.6mA to Plan driven by:
 - Financial impact from cessation of FM LLP: £21.9m; and
 - Risk assessment of underlying forecast: £8.7mA
- **Including PSF:** Net deficit of £49.5m which is £50.2mA to plan due to the crystallisation of the above risks together with £19.6m non-receipt of PSF.
- **Underlying Forecast:** Unmitigated forecast indicates an additional risk of £2m-£6m driven by delivery risk surrounding financial performance of the CMGs.
- **Mitigation:**
 - CMG and Corporate Directorates delivery of 18/19 Revised Control Totals including clarity on expectations and robust recovery plans as required to demonstrate delivery of the required financial performance;
 - CFO led weekly financial recovery meetings for underperforming CMGs Identification and execution of the full value of CIP; and
 - Weekly Financial Recovery Board in place chaired by the CEO with full execution of actions and pro-active management of Risks and Opportunities;
 - Pay Control Totals to be set at CMG/Directorate level supported by enhanced control mechanisms;
 - Independent financial review of baseline and CIP together with identification of potential of improvement opportunities.

See Page 23 for more detail on Risks/Mitigations .

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

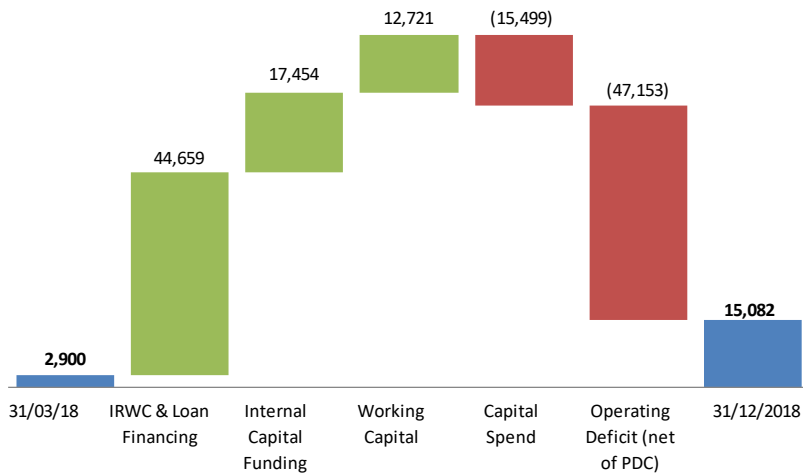
December 2018: Statement of Financial Position

	Mar-18 £000's Actual	Dec-18 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	427,610	427,643	33
Intangible assets	11,480	10,720	(760)
Trade and other receivables	2,904	1,570	(1,334)
TOTAL NON CURRENT ASSETS	441,994	439,933	(2,061)
Current Assets			
Inventories	23,829	23,349	(480)
Trade and other receivables	70,519	55,203	(15,316)
Cash and cash equivalents	2,900	15,082	12,182
TOTAL CURRENT ASSETS	97,248	93,634	(3,614)
Current Liabilities			
Trade and other payables	(112,706)	(119,118)	(6,412)
Dividend payable	0	(744)	(744)
Borrowings / Finance Leases	(4,518)	(4,518)	0
Other Liabilities / Loan	(36,260)	(36,260)	(0)
Provisions for liabilities and charges	(448)	(448)	0
TOTAL CURRENT LIABILITIES	(153,932)	(161,088)	(7,156)
NET CURRENT ASSETS (LIABILITIES)	(56,684)	(67,454)	(10,770)
TOTAL ASSETS LESS CURRENT LIABILITIES	385,310	372,479	(12,831)
Non Current Liabilities			
Borrowings / Finance Leases	(6,395)	(5,923)	472
Other Liabilities / Loan	(162,075)	(200,820)	(38,745)
Provisions for liabilities and charges	(1,465)	(1,202)	263
TOTAL NON CURRENT LIABILITIES	(169,935)	(207,945)	(38,010)
TOTAL ASSETS EMPLOYED	215,375	164,534	(50,841)
Public dividend capital	331,956	331,956	(0)
Revaluation reserve	98,349	98,349	(0)
Retained earnings	(214,930)	(265,770)	(50,840)
TOTAL TAXPAYERS EQUITY	215,375	164,534	(50,841)
Ratios			
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(31)	(32)	
Liquidity Ratio Metric	4	4	

- Total Assets Employed: Movement of £50.8m representing year to date Trust deficit.
- Non-Current Assets : Decreased by £2.0m.
- Working capital:
 - Trade receivables have decreased by £15.3m
 - Trade payables have increased by £6.4m
- Cash: November balance of £15.1m is above the £1m target cash balance due to the timing of cash receipts, and includes TGH cash of £2.7m.
- Non-current liabilities: Increase due to loan funding received .
- Liquidity Ratio: The Trust continue to be high risk in terms of our continuity of service risk rating relating to liquidity days and have achieved a score of 4 (high risk), which is in line with our plan.

December 2018: Cash movement

Year to Date Cash Bridge £'000



Cash Bridge:

- Opening cash balance of £2.9m, in line with our plan.
- Funded YTD operating deficit (net of PDC) of £47.2m and movement in working capital by securing £44.7m of external financing.

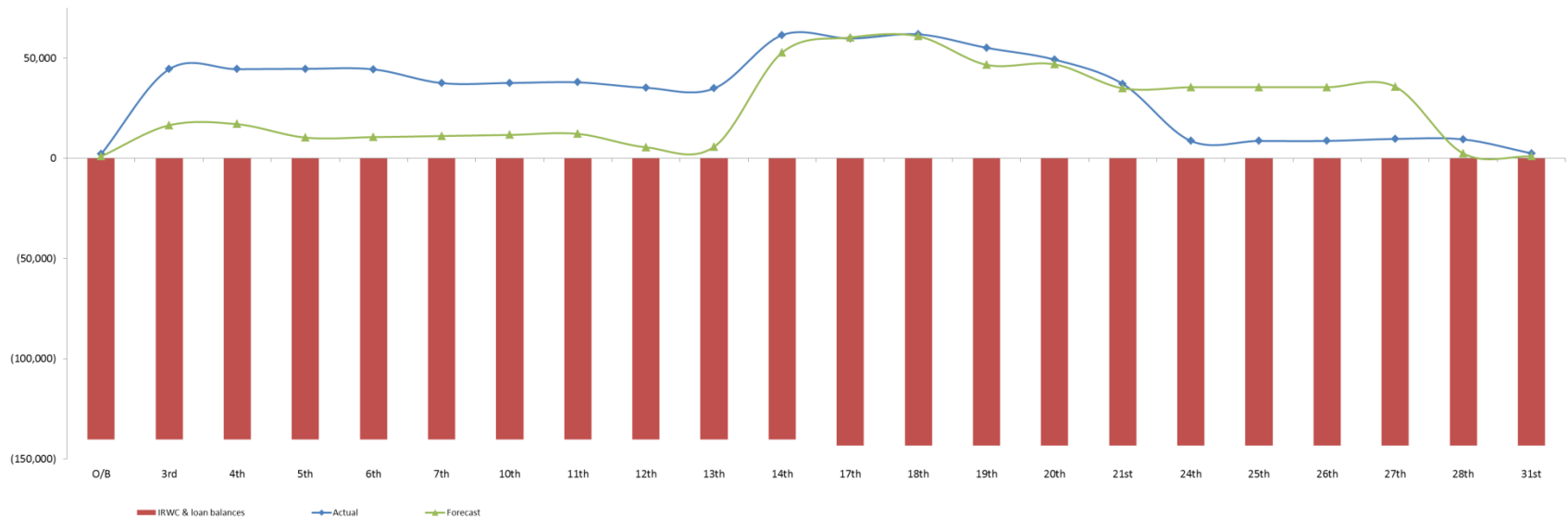
Full Year Forecast

- 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 24 December due to 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	36,268	24,265	12,003	11,284	6,229	703	6,049	25%
	Non-NHS receivables - revenue	23,444	16,974	6,469	7,730	1,849	324	7,070	42%
	Provision for the impairment of receivables	0	0	0	0				
	Non-NHS prepayments and accrued income	7,271	11,887	(4,616)	11,887				
	PDC dividend prepaid to DH	0	0	0	0				
	VAT	2,011	1,378	633	1,378				
	Other receivables	1,525	699	826	699				
TOTAL	70,518	55,203	15,315	32,979	8,078	1,027	13,119		
Accounts Payable	NHS payables - revenue	(35,065)	(38,830)	3,765	(14,248)	(2,382)	(2,141)	(20,059)	52%
	NHS accruals and deferred income	0	0	0	0				
	Non-NHS payables - revenue	(33,650)	(37,578)	3,927	(16,740)	(10,733)	(4,084)	(6,021)	16%
	Non-NHS payables - capital	(4,307)	(398)	(3,909)	1,045	(829)	(500)	(113)	28%
	Non-NHS accruals and deferred income	(10,699)	(11,413)	714	(5,084)	(3,260)	(1,240)	(1,829)	16%
	Social security costs	(6,969)	(7,206)	236	(7,206)				
	Tax	(5,892)	(6,184)	292	(6,184)				
	Other	(12,649)	(14,541)	1,892	(14,541)				
TOTAL	(109,231)	(116,148)	6,918	(62,957)	(17,204)	(7,966)	(28,022)		
Total Liquidity	(38,713)	(60,945)	22,232						

Liquidity: movement of £22.2m from opening position due to:

- Accounts receivable: decrease of £15.3m.
- Accounts payable: increase of £6.9m.

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

- NHS receivables: 25% representing £6.0m being over 90 days.
- Non-NHS receivables: 42% representing £7.0m being over 90 days with the largest component being Overseas Visitors at £3.1m. This balance consists of various items which in isolation are not material.
- NHS payables-revenue: £20m, representing 52% over 90 days; non-NHS payables 16% (£6.0m) over 90 days; non-NHS accruals and deferred income 16% (£1.8m) over 90 days.
- Further analysis of receivables is provided in the separate cash report.

YTD Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	December YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	125,027	526,729	113,901	475,794
Total Invoices Paid Within Target	49,949	348,881	45,223	311,586
Percentage Invoices Paid Within Target (target 95%)	40%	66%	40%	65%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	120,572	430,318	109,651	385,176
Total Non-NHS Invoices Paid Within Target	49,168	293,446	44,834	260,246
Percentage of Non-NHS Invoices Paid Within Target	41%	68%	41%	68%
Local SME payables				
Total SME Invoices Paid in the Year	566	5,004	522	4,601
Total SME Invoices Paid Within Target	101	479	88	423
Percentage of Local SME Invoices Paid Within Target	18%	10%	17%	9%
NHS Payables				
Total NHS Invoices Paid in the Year	3,889	91,408	3,728	86,017
Total NHS Invoices Paid Within Target	680	54,956	301	50,916
Percentage of NHS Invoices Paid Within Target	17%	60%	8%	59%

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.

Capital: December £15.5m spend, £8.9m under plan

Significant underspend driven by ICU Projects, Estates and IM&T offset by the Modular Ward which full year will be in line with Plan. Underspend on Interim ICU Projects is connected to the approval of the business case with capital spend likely to slip to 2019/20.

Scheme Name	YTD Plan £'000	YTD Actual £'000	F / (A) £'000
Interim ICU Projects	6,778	394	6,384
UHL Reconfiguration Programme	947	552	395
Donations	225	220	5
Estates & Facilities	4,500	2,380	2,120
IM&T Schemes	3,258	1,999	1,259
MS Datacentre Licences	1,091	1,091	-
Medical Equipment Schemes	2,453	1,280	1,172
Medical Equipment Schemes - CMG	0	-	0
EMCHC, Gynae/SCBU Relocation, Supporting Infrastructure	1,650	854	796
Corporate / Other	-	188	(188)
Emergency Floor	1,308	1,207	101
Additional modular ward at GH and CDU	-	2,853	(2,853)
Provision for Transfer from Revenue	-	230	(230)
Subtotal	22,211	13,249	8,962
MES	2,250	2,250	-
TOTAL CAPITAL EXPENDITURE	24,461	15,499	8,962

2018/19 Forecast: Key Risks

- **Risk:** Clarity on and delivery of revised control totals by CMG's and Corporate Directorates. Due to the level of risk the Trust is managing through the Financial Recovery Board (FRB) there is no ability for further under-performance to be absorbed.

Mitigation: This is being managed through the performance management accountability framework which is being led by Chief Operating Officer which will include appropriate levels of incentives and sanctions. In addition, all CMG's have been provided with clarity on it's financial outturn required to be delivered in order to meet the Trust's financial recovery. This is supported by clear communication from the Executive and weekly escalation meetings for CMG's to monitor financial performance.

- **Risk:** Delivery of planned activity and mitigation of financial impact from Winter operational pressures and capacity.

Mitigation: the Plan reflected phasing of activity for more to be delivered in Months 1-9 in addition to increased capacity for December-March to manage emergency demands and help to protect planned level of elective procedures. In addition a revised Winter Plan has been devised to deliver more elective procedures supported by additional theatre sessions and bed capacity together with engagement with Four Eyes Insight to improve Theatre and Outpatient utilisation.

- **Risk:** Delivery of pay control and associated financial benefit

Mitigation: Clarity and monthly tracking on expectations on the required pay envelope that each CMG / Directorate needs to operate within for the remainder of the financial. This is supported by enhanced pay controls including vacancy freeze on non-essential roles, CEO approval of new/amended posts and Executive approval of all recruitment.

- **Risk:** Commissioner affordability and increased contract challenges

Mitigation: The governance structure around Contract Management Performance with CCGs continues to be in place. As at Month 6 there has been an agreed settlement of escalated challenges with ongoing challenges being managed through the existing process.

- **Risk:** sale of the Paddock at Glenfield generating profit on sale of asset and capital headroom to facilitate additional Revenue to Capital transfers.

Mitigation: this is being overseen by Finance and Investment Committee with regular updates outlining progress together with timelines and next steps. In addition this is a specific action on the Financial Recovery Board to ensure delivery in line with Plan.