

2018/19 Financial Performance

Author: Tarun Basra

Sponsor: Paul Traynor

Trust Board paper K1

Executive Summary

Context

1.1 The Trust originally planned for an income and expenditure deficit of £29.9m in 2018/19 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 give the Trust access to the Provider Sustainability Fund (PSF) of £21.9m giving a reported surplus of £0.8m.

Delivery of the financial plan in 2018/19 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 2018?**

M4 Financial Performance

The Trust has achieved a year to date deficit of £22.7m excluding PSF which is in line to Plan. Including PSF, the Trust has achieved a year to date deficit of £20.4m representing a £2.3m adverse position to plan due to non-recognition of PSF due to the anticipated impact of FM LLP from Quarter 2 reporting.

With the exception of PSF, the financial position and forecast excludes any underlying impact due to the cessation of FM LLP. This is pending agreement with NHSI in time for Quarter 2 reporting.

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 cost pressures. The adverse position has been mitigated through the release of contingency predicated on delivery of the financial recovery plan.

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, £7.3m has been delivered against a plan of £7.3m which is in line to Plan.

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

As outlined on Page 17 of the report, the Month 4 unmitigated forecast indicates a risk of £9m in line with the residual risk being managed through the Financial Recovery Board (FRB).

Mitigating actions to bring the forecast back in line with Plan is predicated on the FRB continuing to explore, evaluate and maximise all opportunities.

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 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 2018/19.

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

Pages 23 and 24 of the report provide 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: **Trust Board 4th October 2018**

6.Executive Summaries should not exceed 2 pages. [**My paper does/does not comply**]

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

Contents

Executive Summary	<u>Page 2</u>
I&E: Overall Position	
• July 2018: Key Facts	<u>Page 3</u>
• Financial Performance	<u>Page 4</u>
• I&E Bridge	<u>Page 5</u>
Patient Income	
• NHS Patient Income	<u>Page 6</u>
• Activity & Income: Performance versus Contract	<u>Page 7</u>
• Patient Income Run Rates	<u>Page 8</u>
• Patient Income Run Rates: Point of Delivery	<u>Page 9</u>
Pay Costs	
• Pay Costs	<u>Page 10</u>
• Pay Cost Run Rates	<u>Page 11</u>
I&E: Other	
• Non-Pay	<u>Page 12</u>
• CIP	<u>Page 13</u>
• Financial Recovery Board	<u>Page 14</u>
• I&E Run Rates	<u>Page 15</u>
• July Performance by CMG and Directorates	<u>Page 16</u>
Forecast Outturn	<u>Page 17</u>
Assets & Liabilities	
• July 2018: Statement of Financial Position	<u>Page 18</u>
• Cash	<u>Page 19</u>
• Liquidity	<u>Page 20</u>
• Better Payments Practice Code	<u>Page 21</u>
• Capital	<u>Slide 22</u>
Risks & Mitigation	<u>Page 23</u>
Financial Recovery Plan	<u>Page 24</u>

Executive Summary

Financial performance

Statutory duties

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

Financial Performance

- **Deficit of £22.7m, in line with Plan excluding Provider Sustainability Funds (PSF):** Underlying performance is in line with Plan with over-performance in Patient Activity absorbing marginal cost to deliver.
- **Including PSF: Deficit of £20.4m, £2.3mA to plan:** driven by non-recognition of any PSF from quarter two due to the financial impact of FM LLP anticipated in quarter two driving an adverse position to Plan.
- **FM LLP:** with the exception of non-receipt of PSF, the financial position and forecast excludes any underlying impact due to the cessation of FM LLP. This is pending agreement with NHSI in time for quarter two reporting.
- **Patient Care Income, £4.1mF to Plan :** Over-performance is predominantly within Emergency and Outpatients offset by under performance in Day Case and Elective Inpatients.
- **Operating Costs, £4.4mA to Plan:** with pay £2.8mA to Plan including Agenda for Change together with underlying overspend within the CMGs. Non-pay overspend of £1.6m driven by additional cost to deliver activity together with cost pressures within the CMGs.
- **CIP in line with Plan.**
- **Forecast:** Net deficit of £21.2m in line with Plan (excluding PSF). The unmitigated forecast indicates a risk of £9m and being managed by the Financial Recovery Board (FRB).
- **Including PSF:** Net deficit of £18.9m which is £19.6mA to plan due to non-receipt of PSF due to the financial impact in relation to cessation of FM LLP.

Cash

- Closing cash balance at July of £4.6m including Trust Med Pharmacy.
- Trust Med Pharmacy cash balance was £2.3m.
- Cash funding to support the operating deficit is in line with plan.

Capital

- **July:** Total capital expenditure of £5.7m, £2.4mF to Plan driven by most capital projects being underspent at this point in the financial year.

July 2018: Key Facts



Patient Income
£4.1mF

Other Income
£0.5mF



Substantive pay
£2.9mA

Agency
£0.1mF



Non-Pay
£1.6mA

Non Operating Costs
In line



EBITDA
£0.2mF

CIP
In line



Liquidity Indicators

Capital
£2.4mF

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 £22.7m Excluding PSF

	Jul-18			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)	%	
Value Drivers	Day Case	8,950	8,534	(416)	36,124	34,598	(1,526)	(4%)
	Elective Inpatient	1,954	1,747	(207)	7,275	6,838	(437)	(6%)
	Emergency / Non-elective Inpatient	9,838	9,708	(130)	39,435	39,977	542	1%
	Emergency Department	20,238	20,570	332	79,647	80,749	1,102	1%
	Outpatient Procedures	82,543	80,522	(2,021)	321,542	324,480	2,938	1%
	Critical Care Services	4,965	4,898	(67)	19,184	18,995	(189)	(1%)
	Renal Dialysis and Transplant	15,083	14,791	(292)	59,180	58,878	(302)	(1%)
	Other Activity	691,428	722,086	30,658	2,779,232	2,904,936	125,705	5%
	WTE Total	14,247	15,163	(915)	14,247	15,163	(915)	(6%)
	WTE Agency	220	235	(14)	238	235	4	2%
I & E £'000	Plan	Actual	Vs Plan	Plan	Actual	F/(A)	%	
	£'000	£'000	£'000	£'000	£'000	£'000	%	
	Patient Care Income	70,804	71,499	695	275,056	279,111	4,055	1%
	Non Patient Care Income	617	572	(45)	2,400	1,982	(418)	(17%)
	Other Operating Income	10,182	11,462	1,281	40,420	41,349	929	2%
	Total Income	81,602	83,533	1,931	317,876	322,442	4,566	1%
	Pay Costs	(49,010)	(50,828)	(1,818)	(200,967)	(203,872)	(2,904)	(1%)
	Pay Costs: Agency	(1,570)	(1,672)	(102)	(6,901)	(6,795)	105	2%
	Non Pay	(28,198)	(28,018)	180	(119,864)	(121,442)	(1,578)	(1%)
	Total Operating Costs	(78,778)	(80,518)	(1,740)	(327,732)	(332,109)	(4,377)	(1%)
	EBITDA	2,824	3,015	191	(9,856)	(9,667)	189	2%
	Non Operating Costs	(3,238)	(3,244)	(5)	(13,020)	(12,992)	29	0%
	Retained deficit	(414)	(229)	186	(22,876)	(22,659)	218	1%
	Adjustments for Donated Assets	16	(169)	(185)	64	(46)	(110)	(172%)
	Net Deficit	(398)	(398)	1	(22,812)	(22,705)	108	0%
Provider Sustainability Fund (PSF)	1,463	0	(1,463)	4,755	2,304	(2,451)	(52%)	
Net Deficit Including PSF	1,065	(398)	(1,462)	(18,057)	(20,401)	(2,343)	(13%)	
Ratios	Agency: Total Pay	3.20%	3.29%		3.43%	3.33%		
	EBITDA: Income	3.46%	3.61%		(3.10%)	(3.00%)		
	Net Deficit: Income	(0.49%)	(0.48%)		(7.18%)	(7.04%)		

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: £279m, £4.1mF** including £2.1mA in relation to drugs and devices excluded from tariff with the offset in non-pay and £0.9mF funding in relation to Agenda For Change. Underlying over-performance of £5.3m 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 which needs to be fully understood and mitigated.

- **Other Income: £43.3m, £0.5mF** driven by release of income provisions in line with FRB Plan offset by Trust Med Pharmacy with the offset in non-pay.

- **Pay Costs: £210.7m, £2.8mA** which includes £0.9mA in relation to Agenda For Change and £0.5mA driven by non-delivery of planned pay CIP. Underlying overspend in Medical and Nursing in all 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.

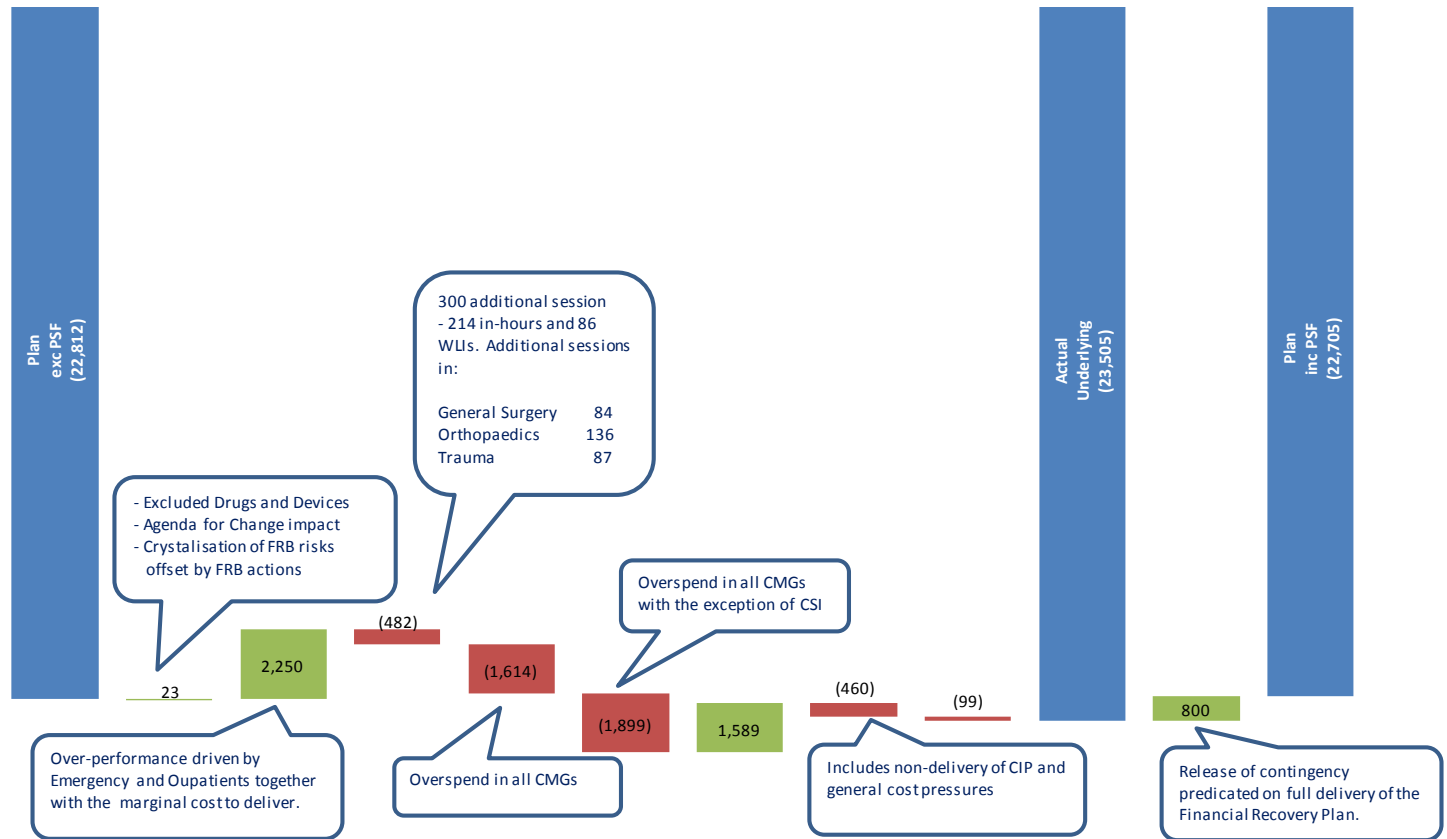
- **Non-Pay: £121.4m, £1.6mA** including £2.1mF relating to drugs and devices excluded from tariff and £1.1mA in relation to crystallisation of planning risks offset by execution of actions in line with Financial Recovery Plan. Underlying overspend is predominantly driven by the marginal cost to deliver 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 £9.7m, £0.2mF Plan.**
- **Non-Operating Costs: £13.0m, in line with Plan.**
- **Provider Sustainability Fund (PSF): £2.3m, £2.5mA** – recognition of quarter one only due to the anticipated financial pressures from cessation of FM LLP and non delivery of the A&E 4 hour target of 90%.

I&E Bridge: In line with Plan with performance risk

Underlying performance is in line with Plan (excluding PSF) with over-performance within Emergency and Outpatients offset by under-performance in Elective Activity together with the marginal cost to deliver activity and cost pressures. The adverse position is in line with the Financial Recovery Plan which has been mitigated through the release of contingency.



£(000)	Plan exc PSF	Pass Through	Activity	Theatres	Medical Pay	Nursing Pay	Other Pay	Cost Pressures	Other	Actual Underlying	Non-recurrent Items	Plan exc PSF	Var F/(A)
NHS PCI	275,056	(942)	4,819						179	279,111		279,111	4,055
Other Income	42,720	58	106						238	43,121		43,121	402
Pay	(200,967)	(477)		(398)	(1,113)	(2,835)	1,919			(203,872)		(203,872)	(2,904)
Pay: Agency	(6,901)	0			(501)	936	(330)			(6,795)		(6,795)	105
Non Pay	(119,864)	841	(2,675)	(84)				(460)		(122,242)	800	(121,442)	(1,578)
Non-Operating Costs	(12,856)	544							(516)	(12,828)		(12,828)	28
Net Deficit	(22,812)	23	2,250	(482)	(1,614)	(1,899)	1,589	(460)	(99)	(23,505)	800	(22,705)	108

NHS Patient Income: July £279.1m, £4.1mF to Plan

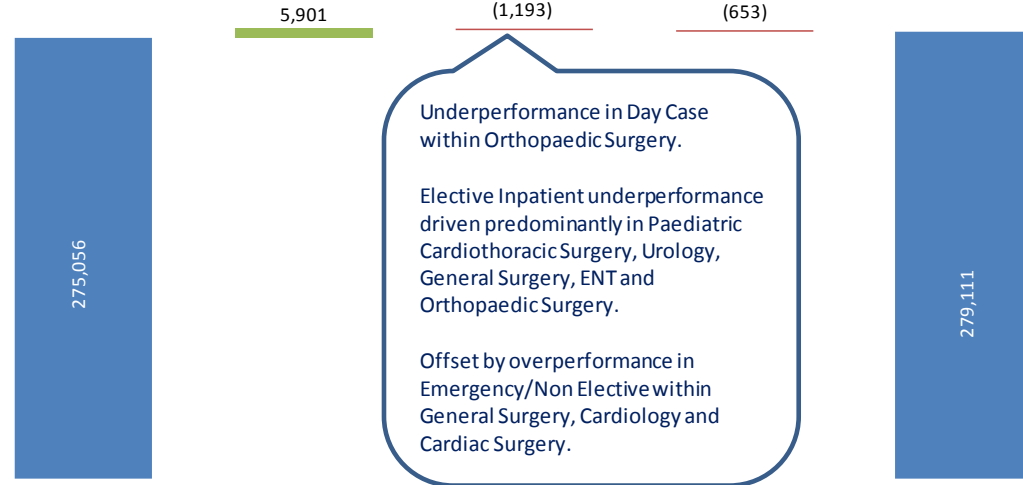
Over-performance predominantly driven by Emergency/Non-elective within Cardiology, Integrated Medicine, Rehabilitation and Follow Up Outpatients, offset by an increase in the Marginal Rate of Emergency Threshold and under-performance in Elective Inpatients and Day Case.

Emergency/Non Elective over-performance driven by Rehabilitation, Geriatric Medicine and Integrated Medicine.

Inpatient over-performance driven by Urology, Hepatobilliary, Pancreatic Surgery and Critical Care.

Excluded Drugs & Devices: underperformance is driven by Infectious Diseases, Rheumatology and national funding for new Hep C therapies.

Over-performance has led to the Marginal Rate of Emergency Threshold being higher than plan.



Underperformance in Day Case within Orthopaedic Surgery.

Elective Inpatient underperformance driven predominantly in Paediatric Cardiothoracic Surgery, Urology, General Surgery, ENT and Orthopaedic Surgery.

Offset by overperformance in Emergency/Non Elective within General Surgery, Cardiology and Cardiac Surgery.

£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	20,537	162	(874)	0	19,825	(712)
Elective Inpatient	26,604	1,029	(1,658)	0	25,975	(630)
Emergency / Non-elective Inpatient	74,064	3,927	1,073	0	79,064	5,000
Marginal Rate Emergency Threshold	(2,312)	0	0	(785)	(3,096)	(785)
Emergency Department	10,747	(229)	146	0	10,663	(84)
Outpatient	38,020	580	353	0	38,952	933
Drugs and Devices excluded from Tariff	35,170	0	0	(2,135)	33,035	(2,135)
Critical Care Services	17,993	630	(184)	0	18,438	446
Renal Dialysis and Transplant	9,364	(198)	(47)	0	9,119	(245)
CQUIN	5,609	0	0	230	5,839	230
Other Activity	35,794	0	0	950	36,744	950
Other Financial Values	3,467	0	0	1,086	4,553	1,086
Total	275,056	5,901	(1,193)	(653)	279,111	4,055

Activity & Income: Performance versus Contract

Activity	Case Mix	City	East	West	Specialised	Other	Alliance	Total	%
	Day Case	(647)	58	(394)	249	(456)	(335)	(1,526)	(4%)
	Elective Inpatient	(133)	(84)	(132)	(53)	(35)		(437)	(6%)
	Emergency / Non-elective Inpatient	143	14	369	186	(170)		542	1%
	Marginal Rate Emergency Threshold (MRET)	0	0	0	0	0		0	0%
	Emergency Department	531	214	622		(265)		1,102	1%
	Outpatient	1,175	1,597	2,870	1,884	(3,525)	(1,063)	2,938	1%
	Excluded Drugs and Devices	1,484	1,924	1,760	1,333	98	0	6,600	0%
	Critical Care Services	(45)	82	208	(457)	22		(189)	(1%)
	Renal Dialysis and Transplant	0	0	0	(299)	(3)		(302)	(1%)
CQUIN	0	0	0	0	0	0	0	0%	
Other Activity	57,308	32,306	37,070	1,680	(3,116)	457	125,705	5%	
Other Financial Values	961	1,294	1,148	183	227	194	4,008	0%	

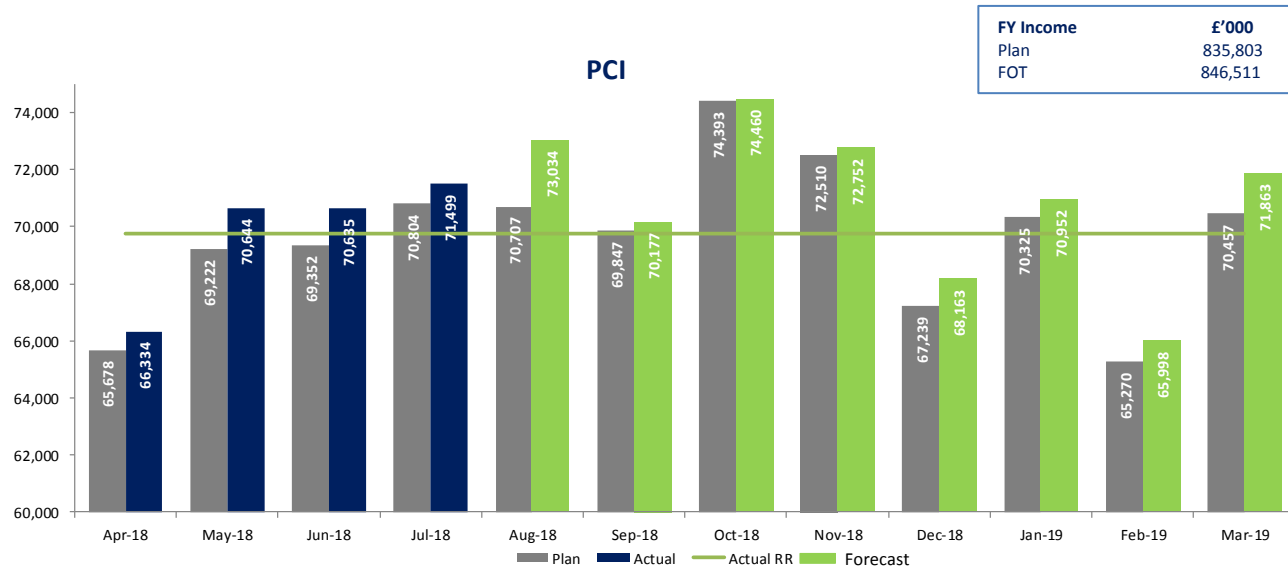
Financial	Case Mix	City (£000)	East (£000)	West (£000)	Specialised (£000)	Other (£000)	Alliance (£000)	Total (£000)	%
	Day Case	(318)	53	(73)	275	(418)	(230)	(712)	(3%)
	Elective Inpatient	(35)	(15)	(383)	(432)	235	0	(630)	(2%)
	Emergency / Non-elective Inpatient	1,345	822	2,034	1,469	(670)	0	5,000	7%
	Marginal Rate Emergency Threshold (MRET)	(292)	(194)	(373)	0	74	0	(785)	(34%)
	Emergency Department	60	10	69	0	(223)	0	(84)	(1%)
	Outpatient	437	354	538	272	(546)	(122)	933	2%
	Excluded Drugs and Devices	(369)	(497)	(328)	(770)	(162)	(9)	(2,135)	(6%)
	Critical Care Services	131	42	267	(79)	84	0	446	2%
	Renal Dialysis and Transplant	0	0	0	(242)	(3)	0	(245)	(3%)
CQUIN	43	33	62	76	16	0	230	4%	
Other Activity	(199)	29	77	841	182	20	950	3%	
Other Financial Values	495	173	239	(61)	389	(151)	1,086	31%	
Grand Total		1,299	811	2,128	1,349	(1,040)	(492)	4,055	1%

Contracts:

- Day Case & Elective Inpatient:** Day case under-performance in the main is within Orthopaedic Surgery. Elective Inpatient underperformance is predominantly in Paediatric Cardiothoracic Surgery, Urology, General Surgery, ENT and Orthopaedic Surgery.
- Emergency / Non Elective:** Over performance across a wide range of specialties with Integrated Medicine, Cardiology and Rehabilitation. Offset by underperformance in Diabetology and Trauma.
- Outpatients:** The majority of the over-performance is within follow-up appointments. There are a range of Specialties which are over performing including Integrated Medicine, Dermatology and A&E.
- Excluded Drugs and Devices:** The underperformance is driven by Infectious Diseases, Rheumatology and national funding for new Hep C therapies.
- Alliance:** Driven by underperformance in Day Case within Orthopaedic Surgery and Urology partially offset by over-performance in Podiatric Surgery.

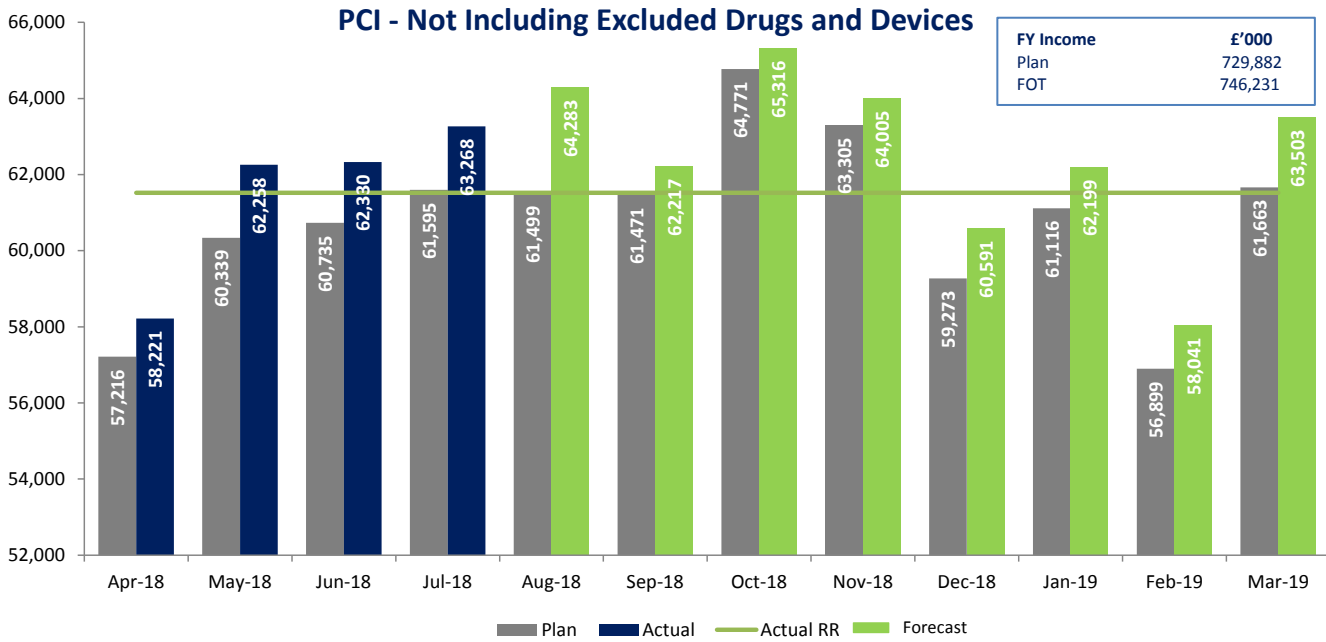
The CCG contracts are significantly over performing and there are a number of contract challenges relating to admission coding. Meetings are ongoing to resolve the issue. Provisions have been made to mitigate this risk.

Patient Income Run Rates

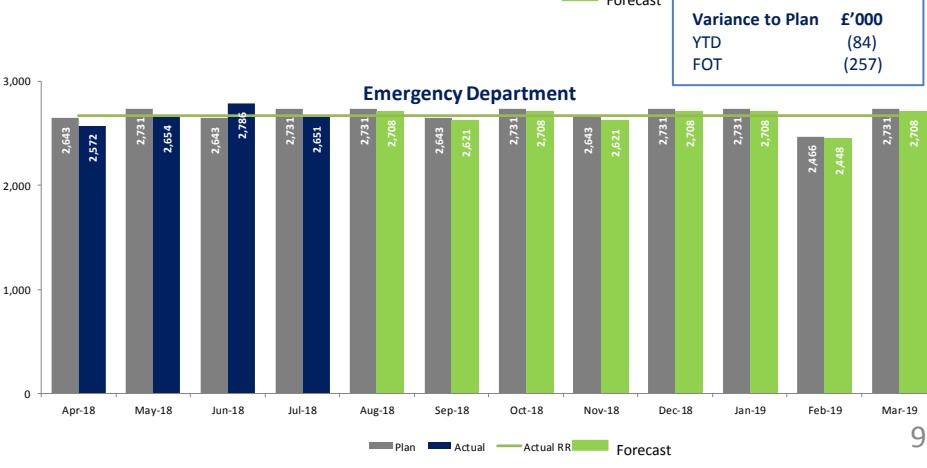
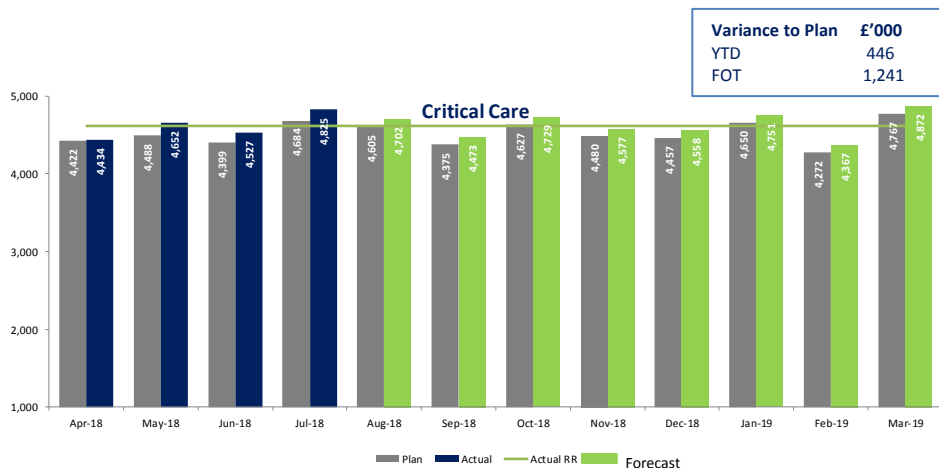
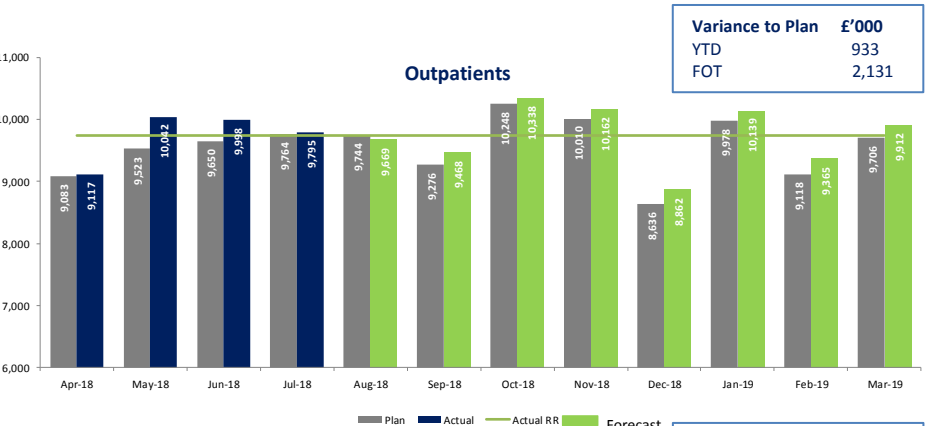
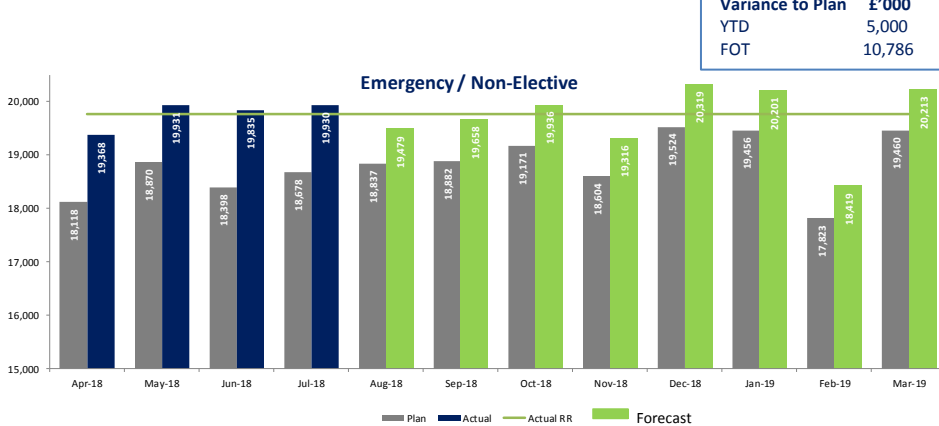
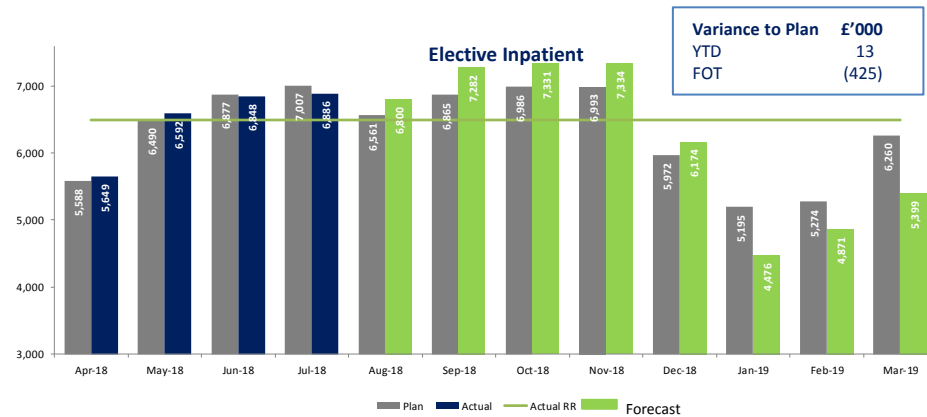
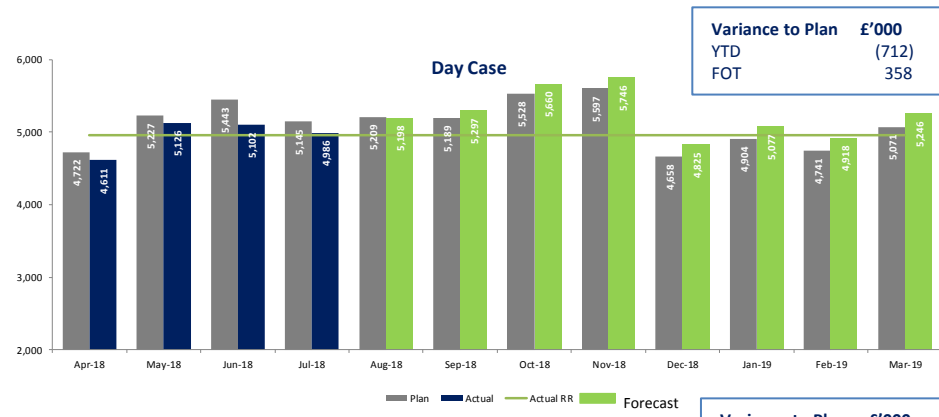


Year to Date

- Year to date over-performance of £4.1m which includes 2.1mA in relation to drugs and devices excluded from tariff.
- Over-performance predominantly driven by Emergency/Non-elective within Cardiology, Integrated Medicine, Rehabilitation and Follow Up Outpatients.



Patient Income Run Rates: Point of Delivery



Pay: YTD £210.7m, £2.8mA to Plan

	Jul-18						YTD						
	£'000			WTE			£'000			WTE			
	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	
Agency	Medical	395	453	(58)	3	49	(46)	2,166	3,027	(861)	3	49	(46)
	Nursing & Midwifery	909	900	10	11	160	(150)	3,672	2,737	934	11	160	(150)
	Other Clinical	210	270	(59)	33	13	20	841	853	(12)	33	13	20
	Non Clinical	56	49	6	15	12	3	221	178	44	15	12	3
Total:Agency	1,570	1,672	(102)	62	235	(173)	6,901	6,795	105	62	235	(173)	
Other Non-contracted	Medical	0	1,629	(1,629)	0	6	(6)	0	6,233	(6,233)	0	6	(6)
	Nursing & Midwifery	0	1,664	(1,664)	0	506	(506)	0	7,121	(7,121)	0	506	(506)
	Other Clinical	0	339	(339)	0	63	(63)	0	1,362	(1,362)	0	63	(63)
	Non Clinical	0	568	(568)	0	276	(276)	0	2,261	(2,261)	0	276	(276)
Total: Other Non-contracted	0	4,200	(4,200)	0	851	(851)	0	16,977	(16,977)	0	851	(851)	
Total Non-contracted	Medical	395.018	2,082	(1,687)	3	55	(51)	2,166	9,260	(7,093)	3	55	(51)
	Nursing & Midwifery	909.141	2,563	(1,654)	11	667	(656)	3,672	9,858	(6,186)	11	667	(656)
	Other Clinical	210.222	609	(399)	33	76	(43)	841	2,215	(1,374)	33	76	(43)
	Non Clinical	55.6194	617	(562)	15	288	(273)	221	2,439	(2,217)	15	288	(273)
Total: Non-contracted	1,570	5,872	(4,302)	62	1,085	(1,023)	6,901	23,772	(16,871)	62	1,085	(1,023)	
Substantive	Medical	15,825	14,380	1,445	1,888	1,799	89	62,976	57,885	5,091	1,888	1,799	89
	Nursing & Midwifery	16,953	16,388	564	5,887	5,803	84	68,166	64,485	3,681	5,887	5,803	84
	Other Clinical	7,927	6,649	1,278	2,300	2,197	103	31,930	26,388	5,542	2,300	2,197	103
	Non Clinical	8,305	9,211	(906)	4,111	4,513	(401)	37,896	38,137	(241)	4,111	4,513	(401)
Total: Substantive	49,010	46,628	2,382	14,186	14,312	(126)	200,967	186,895	14,072	14,186	14,312	(126)	
Total	Medical	16,220	16,462	(242)	1,891	1,853	37	65,142	67,145	(2,003)	1,891	1,853	37
	Nursing & Midwifery	17,862	18,952	(1,090)	5,898	6,470	(573)	71,838	74,343	(2,505)	5,898	6,470	(573)
	Other Clinical	8,137	7,258	879	2,333	2,273	60	32,770	28,603	4,167	2,333	2,273	60
	Non Clinical	8,361	9,828	(1,468)	4,126	4,800	(674)	38,118	40,575	(2,458)	4,126	4,800	(674)
TOTAL: Pay	50,580	52,500	(1,920)	14,247	15,397	(1,150)	207,868	210,667	(2,799)	14,247	15,397	(1,150)	

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 £6.8m, in line with Plan. Medical overspend offset by nursing underspend predominantly within ESM.

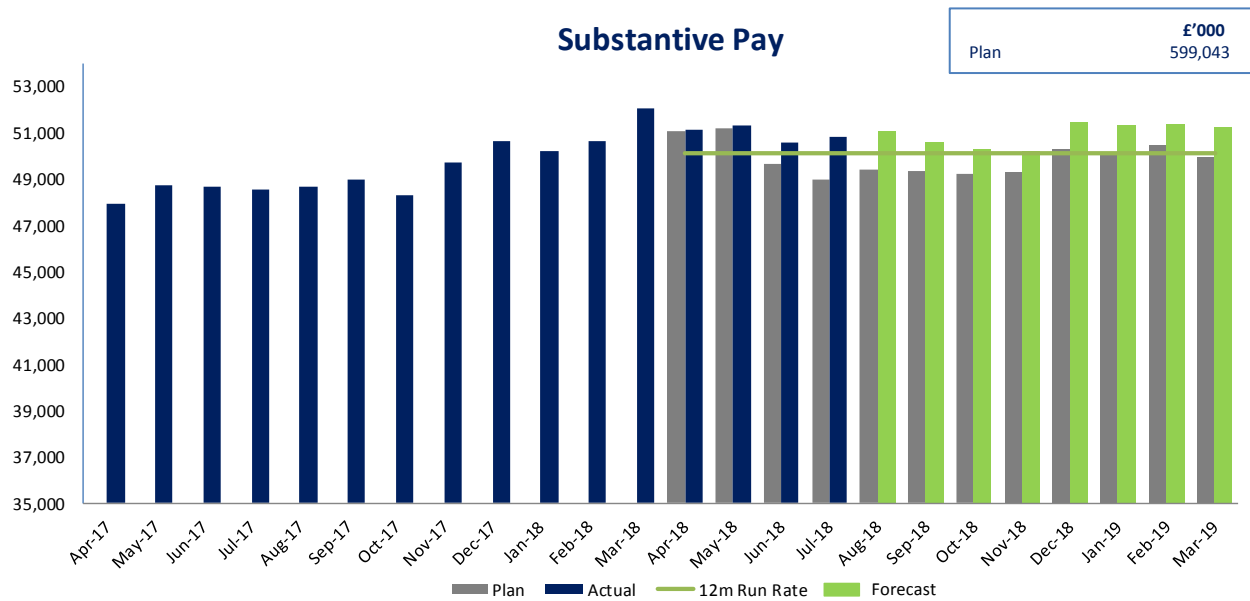
Other Non-contracted Pay

- Other non-contracted pay consists of overtime, bank, WLIs and internal locums.
- Year to date expenditure of £17.0m 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 £203.8m, £2.9mA to Plan which includes £0.9mA in relation to Agenda For Change and £0.5mA driven by non-delivery of planned pay CIP. Underlying overspend in Medical and Nursing in all CMGs.
- Lack of control of pay costs is a key risk with the plan requiring a reduction in the 2017/18 exit run rate representing delivery of CIP and underlying reduction in WTEs.**

Pay Run Rates

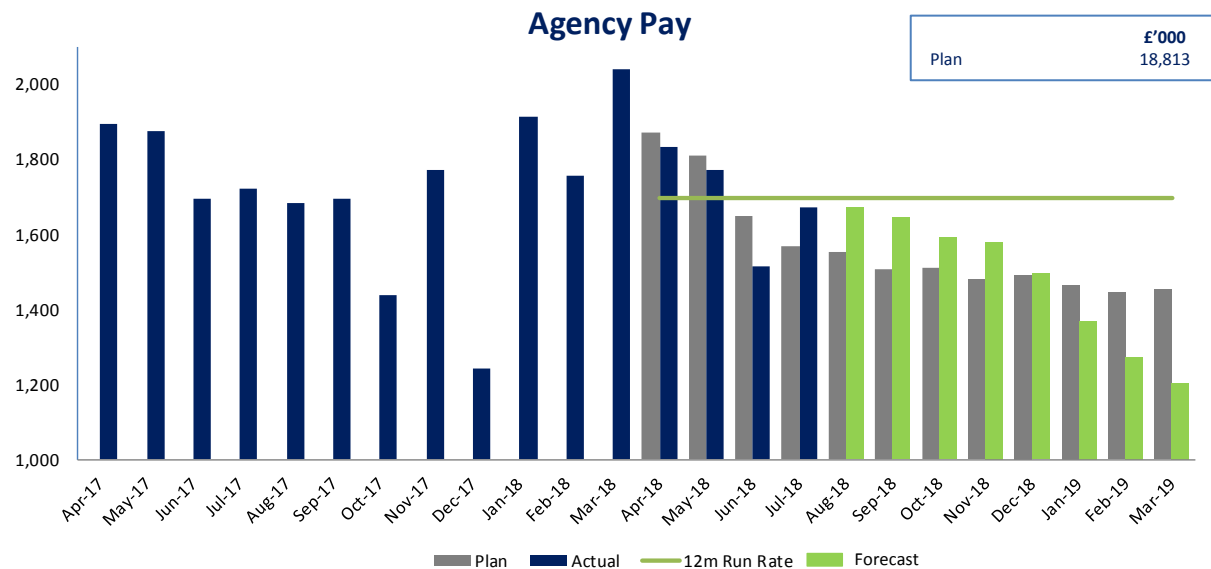


Total Pay excluding Agency Pay

- This remains a key risk to the Financial Plan as we exit 2017/18 especially in relation to ED Floor, staff enhancements in excess of Agenda for Change and NHSI rates together with unfunded cost pressures.

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.



Non-Pay: YTD £121.4m, £1.6mA to Plan

	Jul-18				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	135	83	52	38%	519	468	51	10%
	Drugs	9,614	8,544	1,070	11%	37,297	34,233	3,064	8%
	Clinical Supplies & Services	9,268	9,603	(335)	(4%)	36,039	37,979	(1,940)	(5%)
	Transport	317	371	(54)	(17%)	1,260	1,391	(131)	(10%)
	Recharges	519	728	(209)	(40%)	2,203	2,816	(613)	(28%)
	Misc & General Supplies	(387)	(300)	(87)	(22%)	7,193	8,841	(1,648)	(23%)
External Providers	Healthcare	905	857	48	5%	3,685	3,459	226	6%
	Non Healthcare	1,222	1,244	(22)	(2%)	4,888	5,073	(185)	(4%)
Overheads	Establishment, Premises & Plant	3,902	4,171	(269)	(7%)	15,970	16,383	(413)	(3%)
	Consultancy	42	56	(14)	(33%)	168	157	12	7%
	Clinical Negligence	2,661	2,661	0	0%	10,643	10,643	0	0%
Total: Non Pay	28,198	28,018	180	1%	119,864	121,442	(1,578)	(1%)	

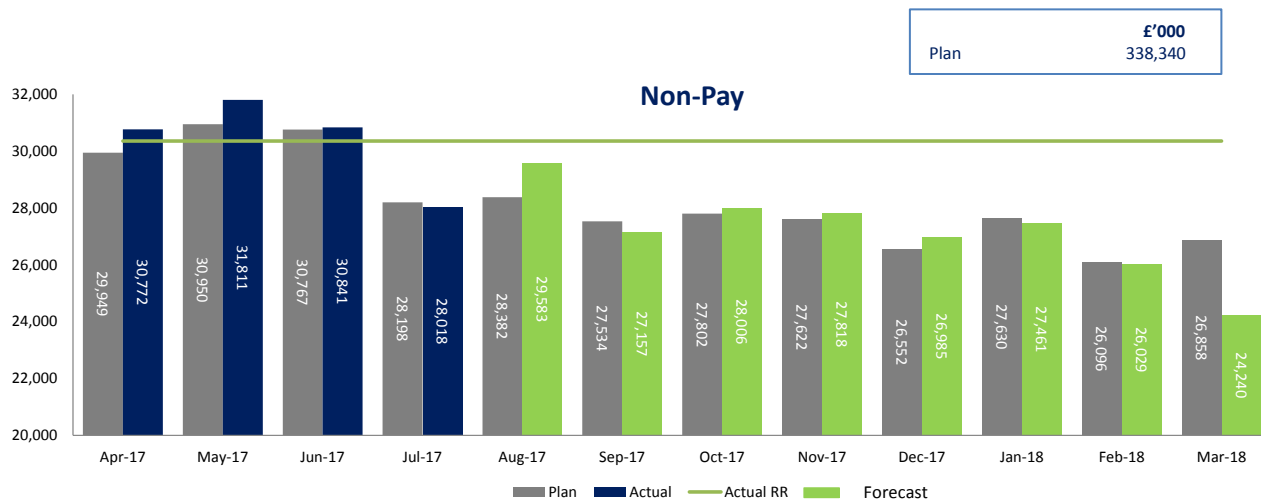
- Direct Costs: £85.7m, £1.2mA to Plan** including £2.1mF in relation to drugs and devices excluded from tariff.

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

- External Providers: YTD cost of £8.5m** which in line with Plan.

- Overheads: YTD expenditure of £27.2m, £0.4mA to Plan** predominantly within Estates.

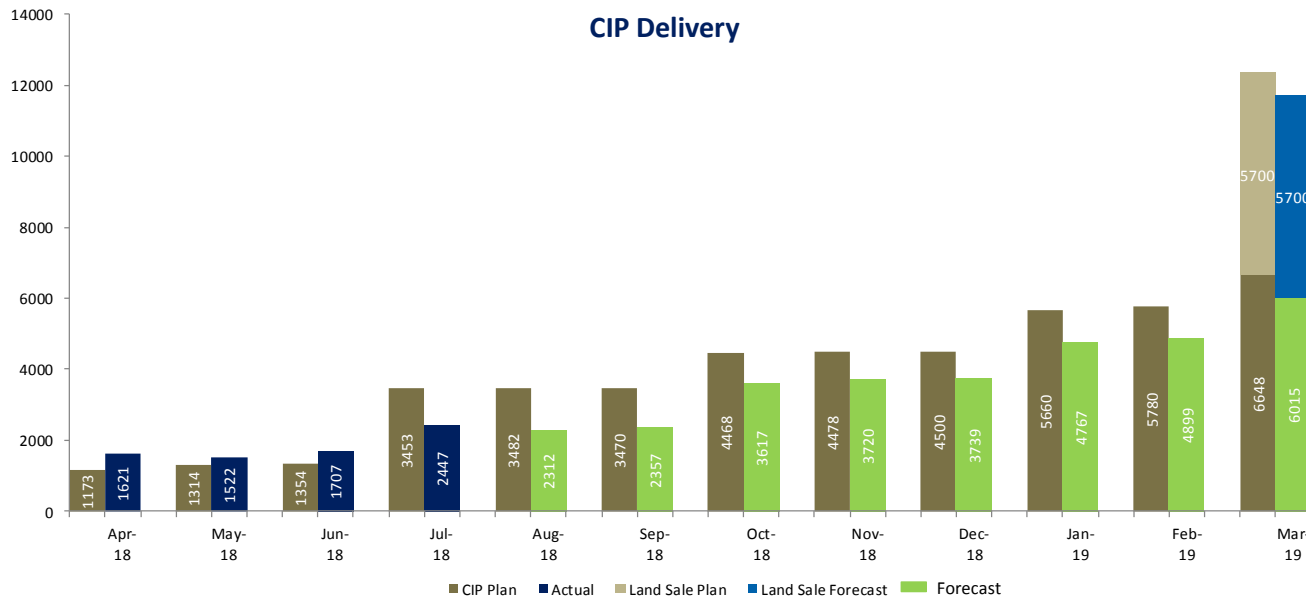
- Non-pay remains a critical area of spend to ensure tight cost control underpinned by activity performance.



CIP: YTD £7.3m, £4kF to Plan

	Jul-18				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	353	245	(107)	(30%)	627	816	189	30%	3,467
CSI	178	241	63	35%	782	893	111	14%	2,287
ESM	510	509	(1)	(0%)	1,109	1,453	344	31%	5,189
ITAPS	297	499	202	68%	526	719	193	37%	2,908
MSS	319	278	(41)	(13%)	1,146	951	(195)	(17%)	3,912
RRCV	455	390	(65)	(14%)	1,396	1,627	232	17%	5,253
Womens & Childrens	441	165	(276)	(63%)	615	410	(204)	(33%)	5,268
Total: CMG	2,551	2,326	(225)	(9%)	6,200	6,870	670	11%	28,283
Facilities	167	78	(88)	(53%)	350	339	(11)	(3%)	2,377
Corporate Total	154	43	(111)	(72%)	162	88	(74)	(46%)	1,394
Central	581	0	(581)	(100%)	581	0	(581)	(100%)	19,426
Total CIP	3,453	2,447	(1,006)	(29%)	7,293	7,297	4	0%	51,480

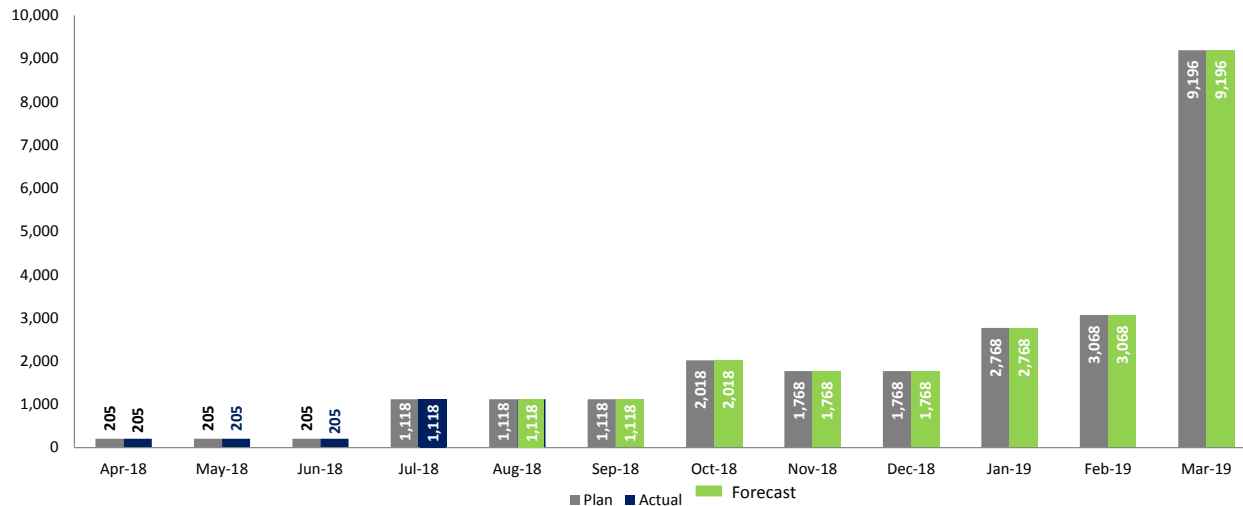
- The CIP forecast outturn is £44.4m representing an unidentified gap of £7.1m.
- Achieving CIP is critical to delivering the 18/19 financial plan with key risks being unidentified or delivery slippage of CIP.
- Month 12 includes £5.7m for the sale of land.
- The specific CIP Paper provides further insight into the performance of CIP.



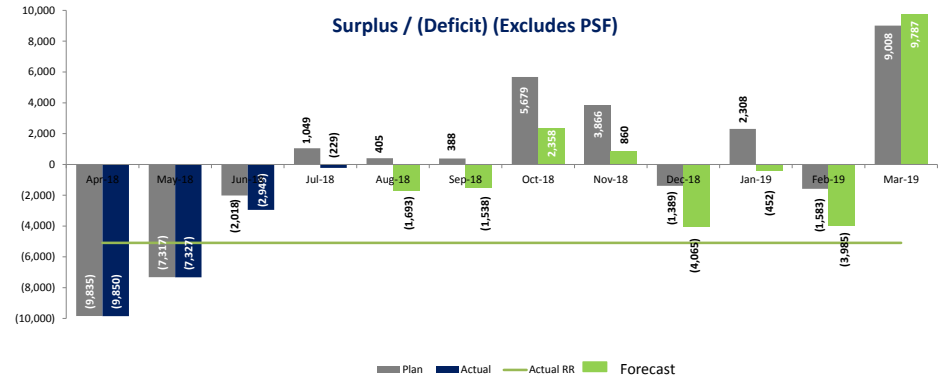
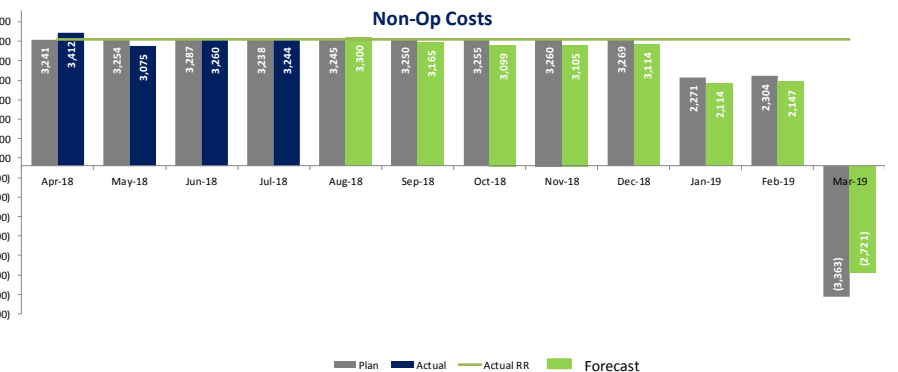
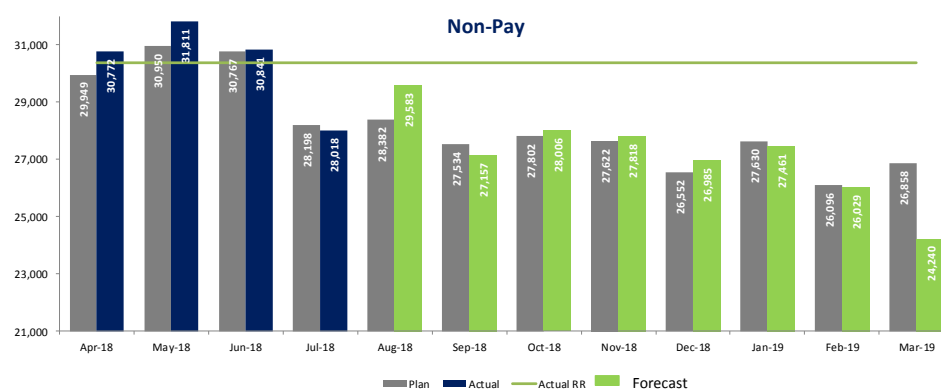
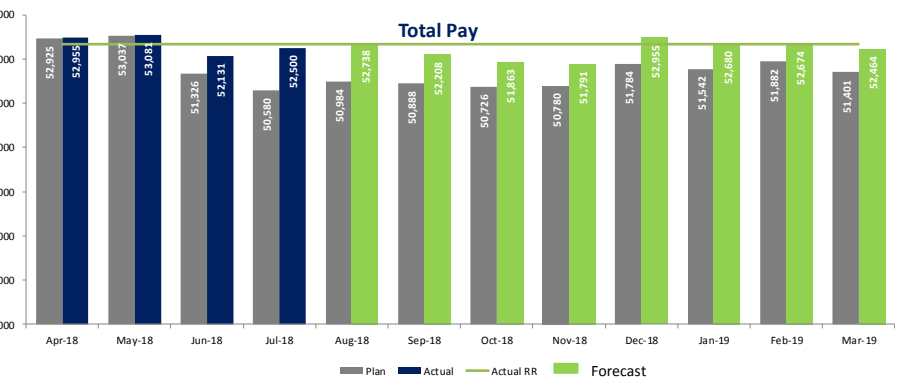
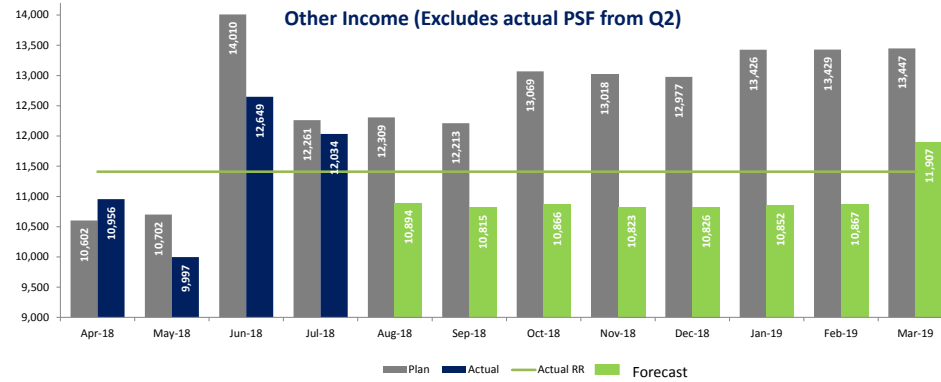
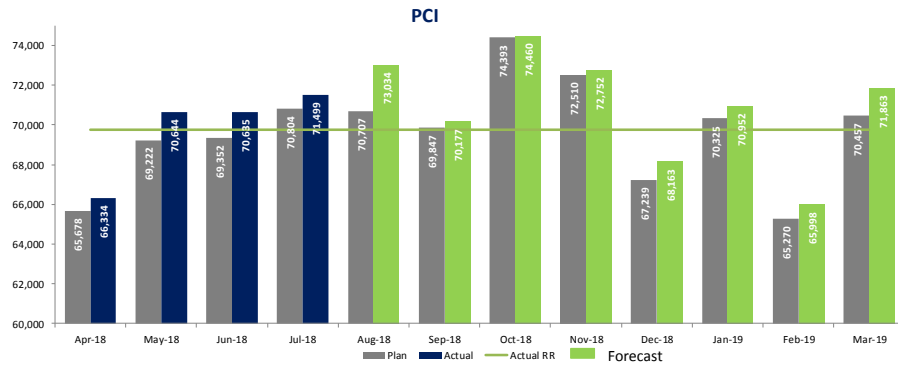
Finance Improvement and Technical (FIT)

		Plan			YTD		
		CIP	Non-CIP	Total	Plan	Actual	Variance
		£'000	£'000	£'000	£'000	£'000	£'000
Strategic	Estates Strategy: Run Savings	3,900		3,900	0	0	0
	Estates Strategy: Dividend and Depreciation benefit	4,000		4,000	0	0	0
	Estates Strategy: COGS		250	250	0	0	0
	Total Value: Strategic	7,900	250	8,150	0	0	0
Statement of Financial Position	Deferred Income (inc Research): release		150	150	0	0	0
	Revenue to Capital transfer		2,456	2,456	819	819	0
	Duplicate Invoices	150		150	0	0	0
	Total Value: Statement of Financial Position	150	2,606	2,756	819	819	0
Tactical	Additional FIT Actions (non-CIP)	5,676	2,268	7,944	913	913	0
	Profit from sale of Paddock	5,700		5,700	0	0	0
	Total Value: Tactical	11,376	2,268	13,644	913	913	0
All Actions	Strategic	7,900	250	8,150	0	0	0
	Statement of Financial Position	150	2,606	2,756	819	819	0
	Tactical	11,376	2,268	13,644	913	913	0
	Total Value: All Actions	19,426	5,124	24,550	1,732	1,732	0

- 2018/19 Plan identified £24.6m of Finance Improvement and Technical actions in order to help meet the planned deficit.
- The Financial Recovery Board (FRB) has now been established with the FIT being a component of FRB.



I&E Run Rates



July performance by CMG and Directorates

Underperformance within MSS and W&C driven by under-delivery of activity and CIP with MSS representing an on-going risk which is currently being validated with recovery plans to be devised. All other CMGs are performing in line with Plan with over-performance in Emergency Activity offset by additional costs to deliver the additional activity together with cost pressures.

	Jul-18				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CMGs	CHUGGS	3,916	3,916	0	0%	14,616	14,618	2	0%
	CSI	(2,722)	(2,721)	1	0%	(12,127)	(12,126)	1	0%
	ESM	1,576	1,885	309	20%	4,339	4,648	309	7%
	ITAPS	(3,925)	(3,922)	2	0%	(15,950)	(15,939)	11	0%
	MSS	3,221	2,707	(514)	(16%)	11,115	9,682	(1,433)	(13%)
	RRCV	3,575	3,575	(0)	(0%)	13,158	13,158	(0)	(0%)
	W&C	3,877	3,322	(555)	(14%)	13,850	13,295	(555)	(4%)
	FACILITIES	(3,573)	(3,574)	(0)	(0%)	(14,995)	(14,995)	(0)	(0%)
TOTAL CMGs	5,946	5,189	(757)	(13%)	14,006	12,341	(1,665)	(12%)	
Corporate Directorates	Communications & Ext Relations	(58)	(62)	(4)	(6%)	(239)	(231)	8	3%
	Corporate & Legal	(265)	(261)	4	2%	(1,081)	(1,078)	3	0%
	Corporate Medical	(1,809)	(1,811)	(2)	(0%)	(7,341)	(7,389)	(47)	(1%)
	Operations	(349)	(351)	(2)	(1%)	(1,491)	(1,414)	77	5%
	Finance & Procurement	(561)	(538)	23	4%	(2,567)	(2,497)	70	3%
	Nursing	(460)	(511)	(51)	(11%)	(2,008)	(2,043)	(35)	(2%)
	Human Resources	(426)	(454)	(28)	(7%)	(1,821)	(1,847)	(26)	(1%)
	IM&T	(1,004)	(1,076)	(72)	(7%)	(4,057)	(4,193)	(136)	(3%)
	Strategic Development	(53)	(40)	13	25%	(226)	(193)	34	15%
TOTAL CORPORATE DIRECTORATES	(4,985)	(5,104)	(118)	2%	(20,831)	(20,883)	(52)	0%	
Trust	Research	0	5	5	0%	0	10	10	0%
	Trust Med Pharmacy	7	7	(0)	1%	23	25	2	(7%)
	Alliance	4	(96)	(99)	2793%	(69)	(432)	(364)	(528%)
	Central	(1,385)	(229)	1,156	83%	(16,006)	(13,720)	2,286	14%
	Donated Assets Adjustment	16	(169)	(185)	1156%	64	(46)	(110)	172%
UHL Total Excluding PSF	(398)	(398)	1	40	(22,812)	(22,705)	108	(0%)	

Forecast Outturn: In line with Plan with delivery risk

Value Drivers

	Outturn			
	Plan	Outturn	F / (A)	
Day Case	107,901	106,242	(1,660)	(2%)
Elective Inpatient	20,720	20,142	(578)	(3%)
Emergency / Non-elective Inpatient	119,962	119,981	19	0%
Emergency Department	238,288	240,548	2,260	1%
Outpatient Procedures	971,647	980,688	9,041	1%
Critical Care Services	57,743	57,872	128	0%
Renal Dialysis & Transplant	178,367	178,065	(302)	(0%)
Other	8,487,401	8,752,221	264,820	3%

I&E £'000

	Outturn			
	Plan £'000	Outturn £'000	F / (A) £'000	%
Patient Care Income	835,803	846,511	10,707	1%
Non Patient Care Income	129,517	131,181	1,665	1%
Total Income	965,320	977,692	12,372	1%
Pay Costs	(599,043)	(611,408)	(12,364)	(2%)
Pay Costs: Agency	(18,812)	(18,633)	179	1%
Total Pay Costs	(617,855)	(630,040)	(12,185)	(2%)
Non-Pay	(338,340)	(338,721)	(381)	(0%)
Total Operating Costs	(956,195)	(968,761)	(12,566)	(1%)
EBITDA	9,125	8,930	(195)	(2%)
Non-Operating Costs	(30,511)	(30,317)	195	1%
Retained Deficit	(21,386)	(21,386)	(0)	(0%)
Adjustments for Donated Assets	193	193	0	0%
Net Deficit	(21,193)	(21,193)	(0)	(0%)
Provider Sustainability Fund (PSF)	21,947	2,305	(19,642)	(89%)
Net Deficit Including PSF	754	(18,889)	(19,642)	(2607%)
Agency: Total Pay	3.04%	2.96%	(0.09%)	
EBITDA: Income	0.95%	0.91%	(0.03%)	
Net Deficit: Income	(2.20%)	(2.17%)	0.03%	

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

- **Overall:** Net deficit of £21.2m in line with Plan. This excludes the Provider Sustainability Fund (PSF).
- **FM LLP:** currently the forecast does not take into account the financial impact caused by the recent NHSI decision to not allow the LLP to go live in October 2018. The financial impact of this decision is being validated with NHSI and will be confirmed in September with a view to being reflected in quarter two reporting.
- **Including PSF:** Net deficit of £18.9m which is £19.6mA to plan. This recognises only quarter one delivery of PSF in relation to financial performance in line with Plan. Quarters 2-4 has not been forecast to be received due to the impact of FM LLP.
- **Underlying Forecast:** Unmitigated forecast indicates a full year risk of £9m driven by delivery risk surrounding:
 - £6.8m Unidentified CMG's CIP risk of which it is anticipated that £3.8m will be delivered leaving a balance of £3m which forms part of FRB Action Plan; and
 - £6m residual risk currently identified but not mitigated as part of the FRB Action Plan.
- **Mitigation:**
 - CMG delivery of 18/19 Control Totals.
 - Identification and execution of the full value of CIP.
 - Financial Recovery Board in place chaired by the CEO.

See Page 22 and 23 for more detail on Risks/Mitigations and Financial Recovery Board.

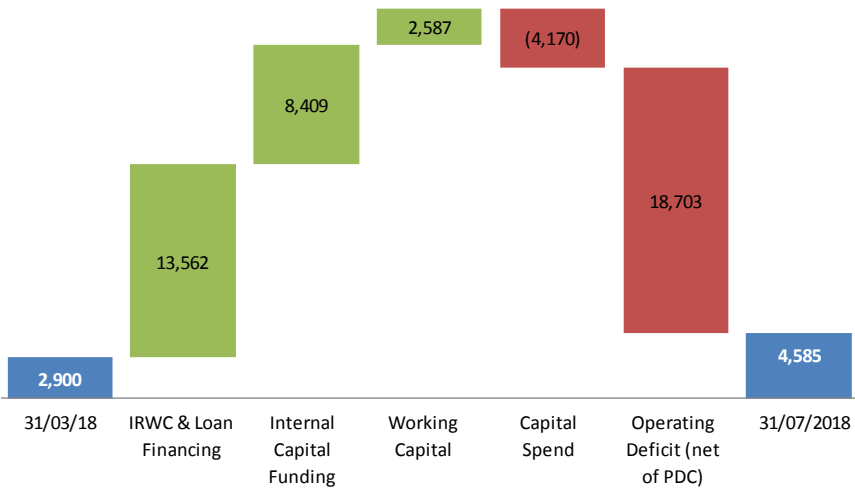
July 2018: Statement of Financial Position

	Mar-18 £000's Actual	Jul-18 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	427,610	424,544	(3,066)
Intangible assets	11,480	12,426	946
Trade and other receivables	2,904	2,915	11
TOTAL NON CURRENT ASSETS	441,994	439,886	(2,108)
Current Assets			
Inventories	23,829	23,500	(329)
Trade and other receivables	70,519	71,924	1,405
Cash and cash equivalents	2,900	4,585	1,685
TOTAL CURRENT ASSETS	97,248	100,009	2,761
Current Liabilities			
Trade and other payables	(112,706)	(120,312)	(7,606)
Dividend payable	0	(2,123)	(2,123)
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)	(163,661)	(9,729)
NET CURRENT ASSETS (LIABILITIES)	(56,684)	(63,652)	(6,968)
TOTAL ASSETS LESS CURRENT LIABILITIES	385,310	376,234	(9,076)
Non Current Liabilities			
Borrowings / Finance Leases	(6,395)	(6,185)	210
Other Liabilities / Loan	(162,075)	(174,775)	(12,700)
Provisions for liabilities and charges	(1,465)	(1,280)	185
TOTAL NON CURRENT LIABILITIES	(169,935)	(182,241)	(12,306)
TOTAL ASSETS EMPLOYED	215,375	193,993	(21,382)
Public dividend capital	331,956	331,956	(0)
Revaluation reserve	98,349	98,349	(0)
Retained earnings	(214,930)	(236,311)	(21,381)
TOTAL TAXPAYERS EQUITY	215,375	193,993	(21,382)
Ratios			
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(31)	(31)	
Liquidity Ratio Metric	4	4	

- **Total Assets Employed:** Movement of £21.4m representing year to date Trust deficit .
- **Non-Current Assets :** Increased by £2.1m.
- **Working capital:**
 - Trade receivables have increased by £1.4m
 - Trade payables have increased by £7.6m
- **Cash:** July balance of £4.6 is above the £1m target cash balance due to the timing of cash receipts, and includes TMP cash.
- **Non-current liabilities:**
 - Increase due to loan funding received in July.
- **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 4 (high risk), which is in line with our plan.

July 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 £18.7m and movement in working capital by securing £13.6m of external financing.

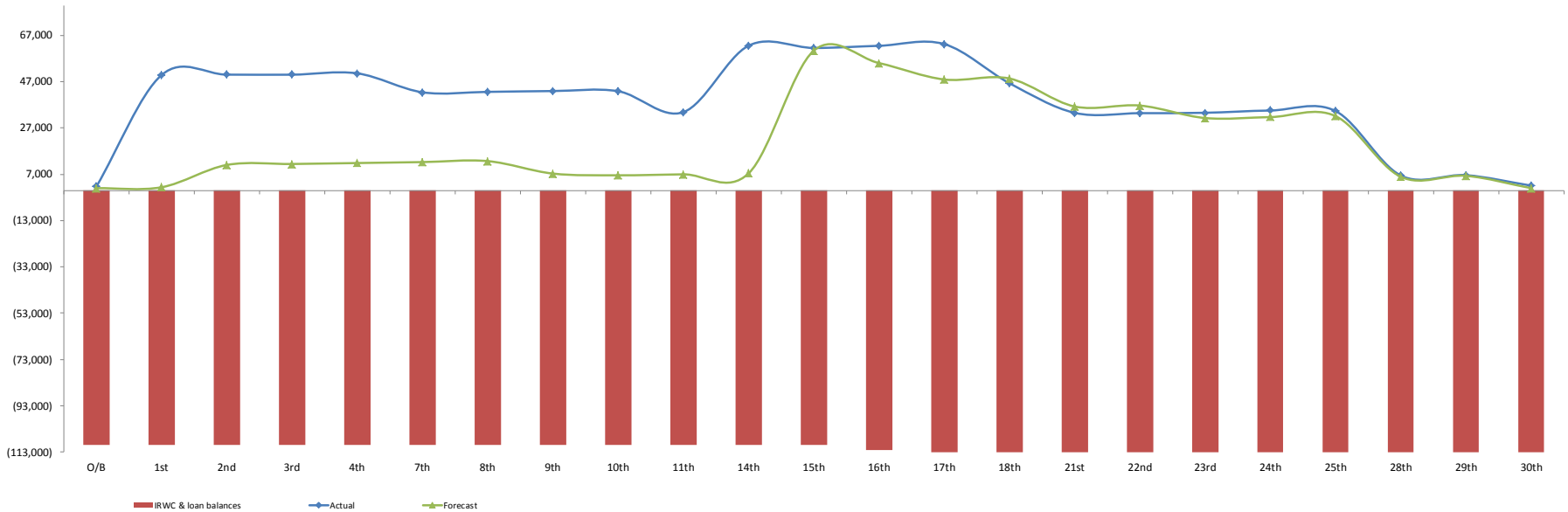
Full Year Forecast

- 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 25th June due to the monthly payroll run.

Daily Cash Balance



Liquidity as at July 2018

	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	24,194	12,073	9,377	2,976	2,242	9,600	40%
	Non-NHS receivables - revenue	23,444	30,755	(7,311)	22,304	992	746	6,713	22%
	Provision for the impairment of receivables	0	0	0	0				
	Non-NHS prepayments and accrued income	7,271	14,332	(7,061)	14,332				
	PDC dividend prepaid to DH	0	0	0	0				
	VAT	2,011	1,394	617	1,394				
	Other receivables	1,525	1,250	275	1,250				
TOTAL	70,518	71,924	(1,406)	48,656	3,968	2,988	16,313		
Accounts Payable	NHS payables - revenue	(35,065)	(37,274)	2,209	(12,773)	(2,675)	(597)	(21,229)	57%
	NHS accruals and deferred income	0	0	0	0				
	Non-NHS payables - revenue	(33,650)	(34,848)	1,197	(18,229)	(8,766)	(3,746)	(4,107)	12%
	Non-NHS payables - capital	(4,307)	(657)	(3,650)	507	(791)	(191)	(183)	28%
	Non-NHS accruals and deferred income	(10,699)	(17,067)	6,368	(8,928)	(4,293)	(1,834)	(2,011)	12%
	Social security costs	(6,969)	(6,922)	(47)	(6,922)				
	Tax	(5,892)	(5,991)	99	(5,991)				
	Other	(12,649)	(13,004)	356	(13,004)				
TOTAL	(109,231)	(115,763)	6,532	(65,340)	(16,525)	(6,368)	(27,530)		
Total Liquidity	(38,713)	(43,839)	5,126						

Liquidity: movement of £5.1m from opening position due to:

- Accounts receivable: increase of £1.4m.
- Accounts payable: increase of £6.5m.

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

- NHS receivables: 40% representing £9.6m being over 90 days.
- Non-NHS receivables: 22% representing £6.7m being over 90 days with the largest component being Overseas Visitors at £2.8m. This balance consists of various items which in isolation are not material.
- NHS payables-revenue: £21.2m, representing 57% over 90 days; non-NHS payables 12% (£4.1m) over 90 days; non-NHS accruals and deferred income 12% (£2m) 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	July YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	55,141	242,619	42,179	180,379
Total Invoices Paid Within Target	22,525	161,519	16,954	123,042
Percentage Invoices Paid Within Target (target 95%)	41%	67%	40%	68%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	53,395	196,431	40,722	144,802
Total Non-NHS Invoices Paid Within Target	22,183	130,505	16,660	99,204
Percentage of Non-NHS Invoices Paid Within Target	42%	66%	41%	69%
Local SME payables				
Total SME Invoices Paid in the Year	245	2,130	153	1,684
Total SME Invoices Paid Within Target	40	255	34	200
Percentage of Local SME Invoices Paid Within Target	16%	12%	22%	12%
NHS Payables				
Total NHS Invoices Paid in the Year	1,501	44,058	1,304	33,893
Total NHS Invoices Paid Within Target	302	30,759	260	23,638
Percentage of NHS Invoices Paid Within Target	20%	70%	20%	70%

- 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: July £5.7m spend, £2.4m under Plan

Scheme Name	Chamber	Annual	YTD	YTD	F / (A)
	Plan	Budget	Plan	Actual	
	£'000	£'000	£'000	£'000	
Interim ICU Projects	26,192	26,192	400	267	133
UHL Reconfiguration Programme	2,230	2,230	460	115	345
Donations	300	300	100	127	(27)
Estates & Facilities	6,256	6,256	1,467	410	1,057
IM&T Schemes	6,234	6,234	1,000	462	538
MS Datacentre Licences	1,090	1,090	1,090	1,090	0
Medical Equipment Schemes	2,559	2,559	281	538	(257)
Medical Equipment Schemes - CMG	1,625	1,625	185	0	185
EMCHC	2,992	2,992	134	45	89
Corporate / Other	681	681	227	136	91
Emergency Floor	1,308	1,308	1,308	976	332
Additional modular ward at GH and CDU	3,650	3,650	10	4	6
Subtotal	55,117	55,117	6,662	4,170	2,492
MES	3,031	3,031	1,464	1,508	(44)
Subtotal	58,148	58,148	8,126	5,678	2,448
Loan repayments	2,284	2,284	0	0	0
TOTAL CAPITAL EXPENDITURE	60,432	60,432	8,126	5,678	2,448

2018/19 Plan: Key Risks

- **Risk:** Updated Control Total to deliver an Income and Expenditure deficit of £21.2m (excluding PSF) requires additional improvement of £8.7m, receipt of £21.9 Provider Sustainability Funding (PSF).

Mitigation: this will be incorporated as part of Trust's Financial Recovery Plan which incorporates the identification and monitoring of the delivery of the associated efficiencies and actions to deliver the required financial improvement.

- **FM LLP:** Following the advise not to progress with FM LLP this drives a material adverse financial impact of £20.7m resulting in a significant risk to the Trust's ability to deliver it's Control Total.

Mitigation: the financial treatment and potential mitigations will be confirmed with NHSI in time for quarter two reporting. Pending the outcome of that review, neither the year to date or forecast outturn reflect the financial consequences.

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

Mitigation: 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.

- **Risk:** Full delivery of the CIP programme.

Mitigation: An established PMO function and associated governance arrangements are in place to drive more rigor into the CIP process, giving pace, accountability and clearly defined targets, militating against the risk of underperformance.

- **Risk:** Delivery of established 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 under-performance to be absorbed.

Mitigation: This will be managed through the development and implementation of the performance management accountability framework which is being led by Chief Operating Officer which will include appropriate levels of incentives and sanctions.

- **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.

Financial Recovery Plan (FRP): Residual risk of £9m

FRB Action Plan

	Best £'000	Likely £'000	Worst £'000
Risk to be mitigated	(24,744)	(24,744)	(24,744)
New Risks	(1,209)	(1,209)	(1,209)
Stage 1: Opportunities	5,393	2,063	(1,260)
Stage 2: Development	13,607	13,607	13,607
Stage 3: Implementation	0	0	0
Pipeline	2,000	1,250	0
RESIDUAL RISK	(4,953)	(9,033)	(13,606)

- Chaired by the CEO, the Financial Recovery Board (FRB) has been established to lead on the development, implementation and oversight of the Trust's Financial Recovery Plan (FRP) including the identification and monitoring of the delivery of the associated efficiencies and actions in order to deliver the required financial improvement.
- The current status of the FRB Action Plan indicates a residual gap of £9m.
- The FRB continues to explore and evaluate all of the remaining FRP opportunities that are yet to be validated and financial values assigned.