

2016/17 Financial Performance

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paper O

Executive Summary

Context

The Trust is planning for a deficit of £31.7m in 2016/17, excluding the impact of STF, with a capital plan of £82.0m

Questions

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

Conclusion

1. We have recorded a year to date deficit of £32.4m, £6.5m adverse to plan, this position excludes the effect of STF.
2. Agency expenditure year to date is £18.8m compared to planned expenditure of £16.2m representing a £2.6m adverse variance to plan.
3. The Trust is forecast to deliver a deficit of £38.6m, £6.9mA to Plan, this position excludes the effect of STF.

The forecast deficit of £38.6m represents an improved position of that which was originally submitted to NHSI of £40.6m. This position excludes the effect of STF.

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: **02/03/17**

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]**

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Executive Summary

Financial performance

- **Statutory duties**
- Delivering the planned deficit: off track and forecast of £6.9mA to Plan (excluding STF)
- Achieving the External Funding Limit: on track
- Achieving the Capital Resource Limit: on track

Financial Performance

- **Deficit of £21.0m, £12.7mA to Plan including £6.1mA relating to STF:** Underlying performance excluding STF is £6.5mA to plan with over-delivery of Patient Care Income offset by the cost to deliver higher levels of activity including additional capacity to support Winter pressures, theatre sessions and the use of the Independent Sector. Non-recurrent benefits and non-operating costs are helping to close the gap and support the Trust financial position.
- **Patient Care Income, £3.6mF to Plan:** Non elective, ED and ECMO over-performance is offset by under-performance in Elective and Day Case presenting an on-going risk. The main drivers of under-delivery in Day Case is Orthopaedic Surgery and General Surgery, Orthopaedic Surgery is also driving the under-performance in Elective. The year to date position is supported by £1.2m relating to utilisation of central PCI provisions.
- **Operating Costs, £8.9mA to Plan:** with £5.2m pay overspend, £2.6m of which is driven by agency and a £3.7mA variance on non pay including underspend in E&F together with advanced utilisation of central reserves.
- **CIP £0.1mF to Plan:** efficiency improvement is being delivered by additional income despite being planned as non-pay reductions.
- **Forecast Outturn Deficit of £27.2m, £18.9mA to Plan including £12mA relating to STF :** underlying forecast excluding STF is £6.9mA which includes £16.5mF from mitigating actions which need prompt execution and careful monitoring to ensure delivery of the Trust forecast deficit.

Cash

- **Cash balance of £5.1m, £2.1m higher than the target** stipulated by Interim Capital Support Loan due to late receipt of income from West Leicestershire CCG.

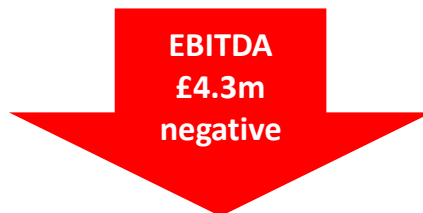
Net deficit funded by drawing down Interim Revolving Working Capital Facility which includes the timing difference on the receipt of STF funds. Working capital is being used to fund capital expenditure.

- **Liquidity:** Opening cash deficit due to 2015/16 actions to achieve £3m cash balance. The impact of the lack of certainty on utilisation of working capital facility, STF and Capital drawdowns means the Trust is unable to pay creditors within Better Payments Practice Code (BPPC) standards. However, in December £10m additional working capital made from £8m working capital facility and £2m reduction in the minimum cash balance.

Capital

- **December:** Total capital expenditure of £40.3m with full year forecast of £63.3m.
- **Annual Plan:**
 - **Capital Plan:** total capital expenditure of £82m.
 - **External funding:** The external borrowing required to execute this plan is £46.4m of which £21.7m is secured for the Emergency Floor development and £16.0m is required for reconfiguration schemes including Vascular and ICU business cases plus £8.7m CRL for EPR.
- The Trust has been successful in securing National funding of £1.9m for a replacement linear accelerator.

December 2016: Year to Date - Key Facts

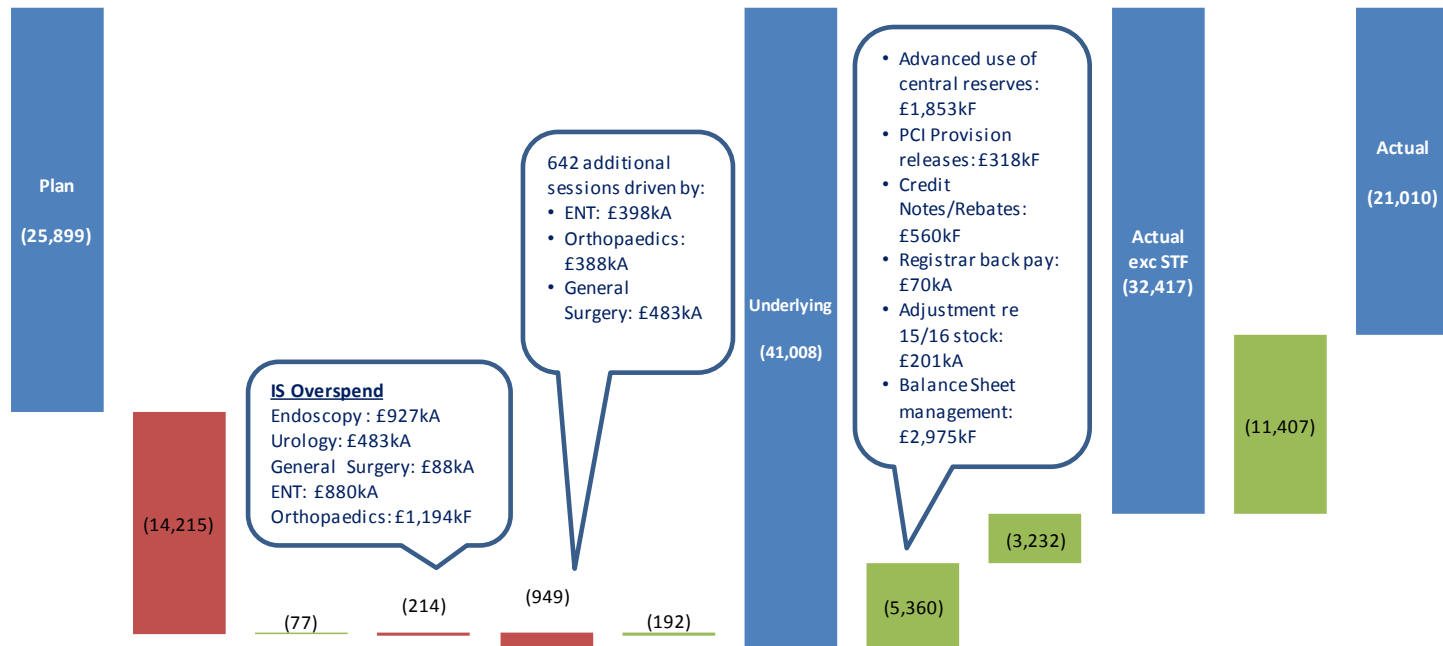


Key

- 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 value in month

I&E Bridge: £6.5mA to Plan excluding STF

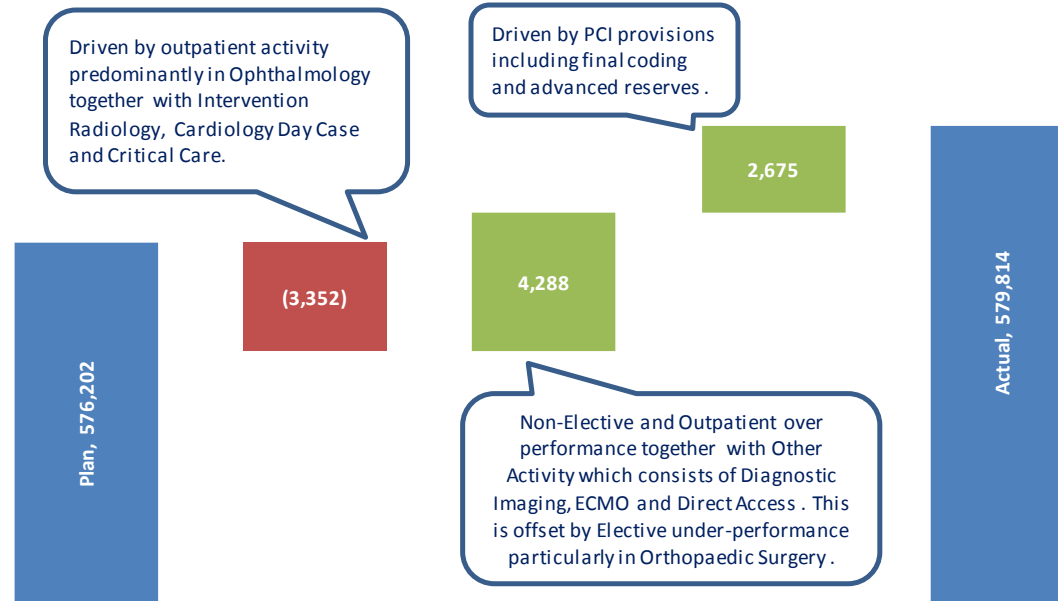
Underlying performance is adverse to plan with over delivery of Patient Care Income offset by the cost to deliver higher levels of activity including additional Ward capacity to support Winter pressures, theatre sessions and the use of the Independent Sector. Non-recurrent benefits and non-operating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



£(000)	Plan	Underlying	CIP Delivery	Independent Sector	Theatre Sessions	Other	Underlying	Non-recurrent Items	Non-Operating Costs	Actual exc STF	STF	Actual	Var F/(A) exc STF
NHS PCI	576,202	(1,797)	3,465	1,041	0	(0)	578,912	902	0	579,814	11,407	591,221	3,611
Other Income	103,678	(3,501)	(1,088)	0	0	54	99,143	66	0	99,209		99,209	(4,469)
Pay	(406,965)	(3,026)	100	0	(527)	260	(410,158)	572	0	(409,587)		(409,587)	(2,621)
Pay: Agency	(16,204)	(2,646)	0	0	0	46	(18,804)	30	0	(18,774)		(18,774)	(2,571)
Non Pay	(251,375)	(3,244)	(2,400)	(1,256)	(422)	(168)	(258,865)	3,790	0	(255,075)		(255,075)	(3,699)
Non-Operating Costs	(31,235)	0	0	0	0	0	(31,235)	-	3,232	(28,003)		(28,003)	3,232
Net Deficit	(25,899)	(14,215)	77	(214)	(949)	192	(41,008)	5,360	3,232	(32,417)	11,407	(21,010)	(6,517)

NHS Patient Income: YTD £579.8m, £3.6mF to Plan

Non elective, ED and ECMO over-performance is offset by under-performance in Elective and Day Case presenting an on-going risk. The main drivers of under-delivery in Day Case is Orthopaedic Surgery and General Surgery, Orthopaedic Surgery is also driving the under-performance in Elective.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	45,053	(871)	(318)	0	43,864	(1,189)
Elective Inpatient	56,011	136	(3,416)	0	52,731	(3,280)
Emergency / Non-elective Inpatient	141,768	13	2,107	0	143,888	2,120
Marginal Rate Emergency Threshold	(3,362)	0	0	(882)	(4,244)	(882)
Emergency Department	18,493	(377)	2,211	0	20,327	1,834
Outpatient	85,320	(1,314)	2,613	0	86,618	1,299
Drugs and Devices excluded from Tariff	70,929	0	0	156	71,086	156
Critical Care Services	41,723	(1,216)	(781)	0	39,726	(1,997)
Renal Dialysis and Transplant	21,187	(31)	(428)	0	20,727	(459)
CQUIN	11,849	0	0	411	12,260	411
Other Activity	76,795	309	2,300	0	79,404	2,609
Other Financial Values	10,436	0	0	2,990	13,427	2,990
Total	576,202	(3,352)	4,288	2,675	579,814	3,611

Activity & Income: Performance versus Contract

Case mix	City	East	West	Specialised Services	Other	Alliance	Total
Day Case	566	539	1,512	(39)	(167)	(2,970)	(558)
Elective Inpatient	(198)	(260)	(200)	(195)	(169)		(1,022)
Emergency / Non-elective Inpatient	266	1,261	574	(262)	(652)		1,187
Marginal Rate Emergency Threshold (MRET)	-	-	-	-	-		0
Emergency Department	12,027	3,157	3,196		5,171		23,551
Outpatient	11,226	9,916	6,890	(399)	(2,937)	(3,679)	21,016
Excluded Drugs and Devices	-	-	-	-	-	-	0
Critical Care Services	(60)	(1,059)	927	482	(1,111)		(821)
Renal Dialysis and Transplant	-	-	-	(2,469)	(233)		(2,702)
CQUIN	-	-	-	-	-	-	0
Other Activity	64,216	91,242	30,896	3,385	(3,968)	1,777	187,548
Other Financial Values	1,122	346	53	(46)	3,459	967	5,901

Case mix	City (£000)	East (£000)	West (£000)	Specialised Services (£000)	Other (£000)	Alliance (£000)	Total (£000)
Day Case	217	10	271	199	(489)	(1,397)	(1,189)
Elective Inpatient	(630)	(651)	(405)	(1,006)	(587)	-	(3,280)
Emergency / Non-elective Inpatient	992	1,850	685	(378)	(1,029)	-	2,120
Marginal Rate Emergency Threshold (MRET)	(200)	(401)	(203)	-	(78)	-	(882)
Emergency Department	920	414	312	-	188	-	1,834
Outpatient	810	1,019	599	(124)	(605)	(401)	1,299
Excluded Drugs and Devices	(307)	(591)	231	205	515	104	156
Critical Care Services	(392)	(1,309)	765	(179)	(882)	-	(1,997)
Renal Dialysis and Transplant	-	-	-	(384)	(75)	-	(459)
CQUIN	47	34	57	(41)	345	(31)	411
Other Activity	386	683	603	1,489	(577)	25	2,609
Other Financial Values	222	209	109	254	2,099	97	2,990
Grand Total	2,066	1,266	3,025	34	(1,176)	(1,603)	3,611

- **CCG Contracts:**
 - **Non-elective / Emergency:** over-performance where the majority of QIPP schemes are included in the plans and is reflective of the demands upon the emergency pathway.
 - **Elective:** under-performance predominantly relates to Orthopaedic surgery, net of spinal activity, being behind plan.
 - **Outpatient:** over-performance mainly within Trauma and Dermatology.
 - **Critical Care:** under-performance of ITU activity.
 - **Other Activity:** over-performance driven by Direct Access Pathology and Diagnostic Imaging.
- **Specialised Services:**
 - **Elective:** under-performance in Cardiothoracic surgery activity.
 - **Other Activity:** over-performance relates to ECMO which is favourable to plan.
- **Other:**
 - **Drugs and devices excluded from tariff** performance is due to increased income on new Hepatitis C therapies which are funded outside of the main Specialised contract
 - **Other Financial Values:** includes £0.5m provision for final coding plus £0.7m advanced use of central contingency.

Pay: YTD £428.4m, £5.2mA to Plan

	Dec-16						YTD						
	£'000			WTE			£'000			WTE			
	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	
Agency	Medical	670	746	(76)	26	75	(49)	6,012	7,066	(1,054)	27	74	(47)
	Nursing & Midwifery	587	872	(285)	0	170	(170)	7,420	8,562	(1,143)	0	185	(185)
	Other Clinical	217	305	(87)	67	27	40	1,954	2,375	(420)	68	44	25
	Non Clinical	89	44	45	0	27	(27)	818	771	46	0	21	(21)
	Total: Agency	1,563	1,967	(403)	93	300	(206)	16,204	18,774	(2,570)	95	323	(228)
Other Non-contracted	Medical		1,189	(1,189)		0	0		10,587	(10,587)		0	0
	Nursing & Midwifery		1,152	(1,152)		256	(256)		10,039	(10,039)		305	(305)
	Other Clinical		206	(206)		40	(40)		1,941	(1,941)		46	(46)
	Non Clinical		446	(446)		150	(150)		3,806	(3,806)		137	(137)
	Total: Other Non-contracted	0	2,993	(2,993)	0	446	(446)	0	26,373	(26,373)	0	489	(489)
Total Non-contracted	Medical	670	1,935	(1,264)	26	75	(49)	6,012	17,653	(11,641)	27	74	(47)
	Nursing & Midwifery	587	2,024	(1,437)	0	426	(426)	7,420	18,601	(11,181)	0	490	(490)
	Other Clinical	217	511	(294)	67	67	(0)	1,954	4,316	(2,362)	68	90	(21)
	Non Clinical	89	491	(401)	0	177	(177)	818	4,577	(3,759)	0	159	(159)
	Total: Non-contracted	1,563	4,960	(3,396)	93	745	(652)	16,204	45,147	(28,943)	95	812	(717)
Substantive	Medical	14,182	14,046	136	1,807	1,762	45	127,011	122,281	4,730	1,806	1,704	102
	Nursing & Midwifery	17,191	15,703	1,488	5,791	5,206	586	150,528	138,858	11,670	5,773	5,041	732
	Other Clinical	5,906	5,384	522	1,929	1,829	100	52,892	48,661	4,231	1,920	1,798	122
	Non Clinical	8,608	9,059	(451)	3,829	3,778	51	76,533	73,413	3,120	3,692	3,654	37
	Total: Substantive	45,887	44,193	1,695	13,357	12,574	782	406,965	383,214	23,751	13,191	12,198	993
Total	Medical	14,852	15,981	(1,128)	1,833	1,837	(4)	133,023	139,934	(6,911)	1,833	1,778	55
	Nursing & Midwifery	17,778	17,727	51	5,792	5,632	160	157,948	157,459	489	5,773	5,531	242
	Other Clinical	6,123	5,895	228	1,996	1,896	100	54,847	52,977	1,869	1,989	1,888	101
	Non Clinical	8,697	9,550	(853)	3,829	3,954	(125)	77,351	77,990	(639)	3,692	3,813	(121)
	TOTAL: Pay	47,451	49,153	(1,702)	13,450	13,320	130	423,169	428,361	(5,191)	13,287	13,010	277

Agency Pay

- Year to date cost of £18.8m, £2.6mA to Plan.
- Overspend driven by ESM on Medical staff and Nursing.

Other Non-contracted Pay

- Year to date expenditure of £26.4m with Medical and Nursing driving 78% of spend. Whilst this is adverse to plan, this is offset in Substantive Pay as the Plan assumes a fully established position. See below.

Substantive Pay

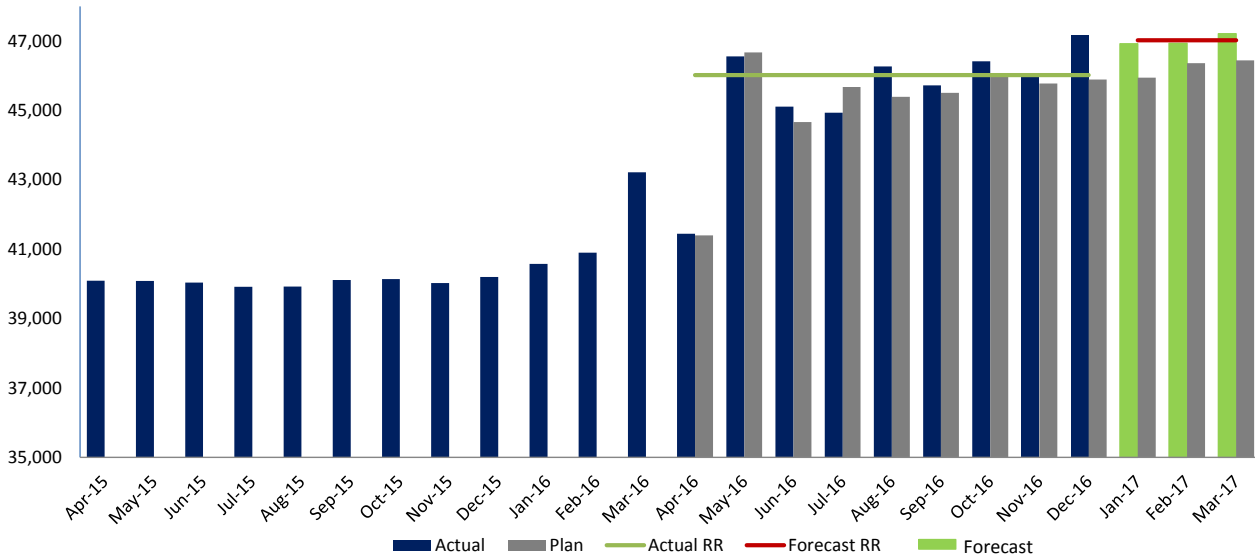
- Combined with other non-contracted, expenditure of £409.6m, £2.6mA.
- Medical Pay: Non agency costs are £5.9mA (£10.6mA non-contracted offset by £4.7mF substantive) with overspend in every CMG particularly in CSI, ITAPS and RRCV. Combined with £1mA in Agency, Medical has a total overspend of £6.9m.
- Central reserves: Pay position includes £3.8mF release of central contingency in line with plan together with £0.6mF advanced use of reserves. Underlying pay costs are £9.6mA driven by £6.9m overspend in Medical.

Note

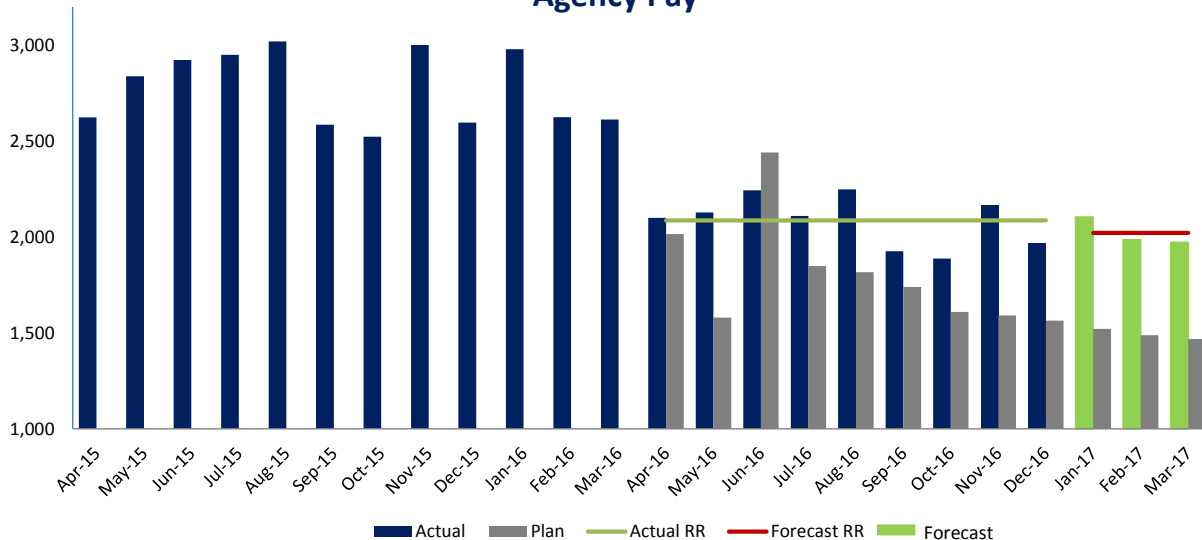
Other non-contracted medical pay is not represented by a WTE value as it represents an aggregate of payments like Waiting List Initiatives (WLI), on call, acting down payments across different grades of medical workforce where individuals often already represent 1 WTE in a substantive, contracted, role.

Pay Run Rates

Total Pay Excluding Agency Pay



Agency Pay



Total Pay excluding Agency Pay

- Year to date cost of £409.6m, £2.6mA to Plan. Whilst the forecast run rate (RR) shows an increase on YTD RR of £1m, the average pay bill for months 10-12 is forecast to be in line with December 2016.
- Plan and Actuals reflect an increase in pay from May due to the impact of E&F services integration where costs were previously reflected within non-pay.
- There is uncertainty and therefore risk relating to pay associated with staffing winter capacity, this has been forecast but there may be variation in the split between substantive and agency costs.

Agency Pay

- Year to date cost of £18.8m, £2.6mA to Plan with the RR forecast to reduce from £2.1m spend per month to £2.0m. The increase in November is driven by additional Ward capacity to support winter pressures.
- Phasing of agency plan is prescribed by NHSI.
- Whilst 2016/17 expenditure is lower than prior year it remains in excess of that required to achieve planned annual ceiling of £20.6m representing a risk of £4.2m.

Non-Pay: YTD £255.1m, £3.7mA to Plan

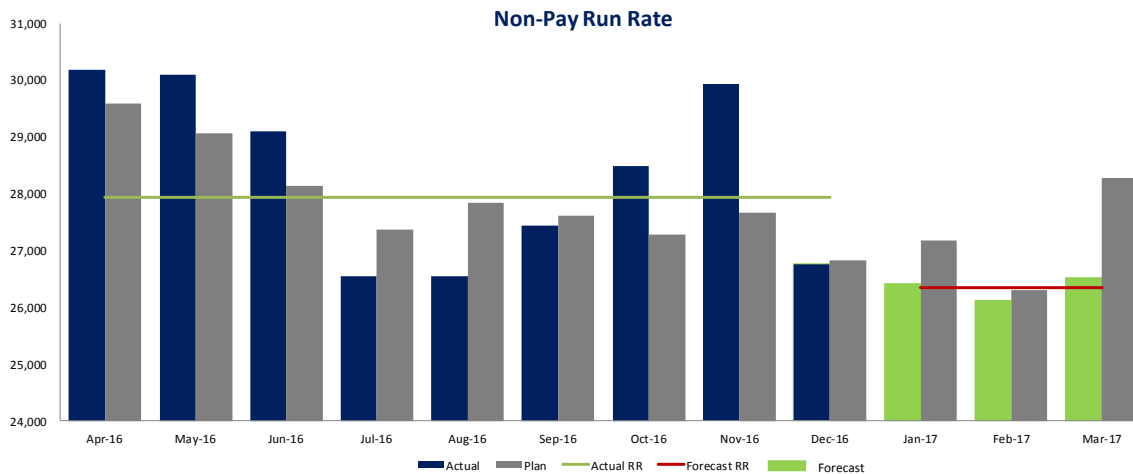
	Dec-16				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	94	139	(45)	(47%)	849	987	(137)	(16%)
	Drugs	7,778	8,281	(502)	(6%)	70,884	75,509	(4,625)	(7%)
	Clinical Supplies & Services	8,078	9,460	(1,382)	(17%)	75,907	79,993	(4,086)	(5%)
	Transport	185	276	(90)	(49%)	1,668	2,150	(482)	(29%)
	Recharges	69	224	(156)	(227%)	985	2,214	(1,229)	(125%)
	Misc & General Supplies	3,157	425	2,732	87%	29,982	20,692	9,291	31%
External Providers	Healthcare	806	946	(140)	(17%)	7,193	8,963	(1,771)	(25%)
	Non Healthcare	1,263	1,318	(55)	(4%)	11,927	12,264	(337)	(3%)
Overheads	Establishment, Premises & Plant	3,330	3,639	(309)	(9%)	32,402	32,760	(358)	(1%)
	Consultancy	94	86	8	8%	1,785	1,750	35	2%
	Clinical Negligence	1,977	1,977	0	0%	17,793	17,793	0	0%
Total: Non Pay	26,832	26,771	61	0%	251,375	255,075	(3,700)	(1%)	

- **Direct Costs: YTD £181.6m, £1.3mA to Plan**
YTD spend on Activity related costs (Blood, Drugs, Clinical Supplies and Recharges) of £158.7m, £10.1mA to Plan to over-deliver income of £3.6m.

Central Reserves: YTD expenditure includes £1.8mF use of contingency reserves and £3mF non-recurrent actions.

CIP: included in Plan was CIP delivery through non-pay where efficiency has been delivered through income.

- **External Providers: YTD cost of £21.2m, £2.1mA to Plan** driven by continued use of the IS by MSS and CHUGGS.
- **Overheads: YTD expenditure of £52.3m, £0.3mA to Plan.**
- **Run Rate: In order to achieve the full year outturn, the forecast run rates (RR) needs to improve** which reflects the impact of central non-recurrent actions. The RR is required to improve from a YTD average of £27.9m spend per month to £26.3m spend per month compared to the recent upward trajectory.

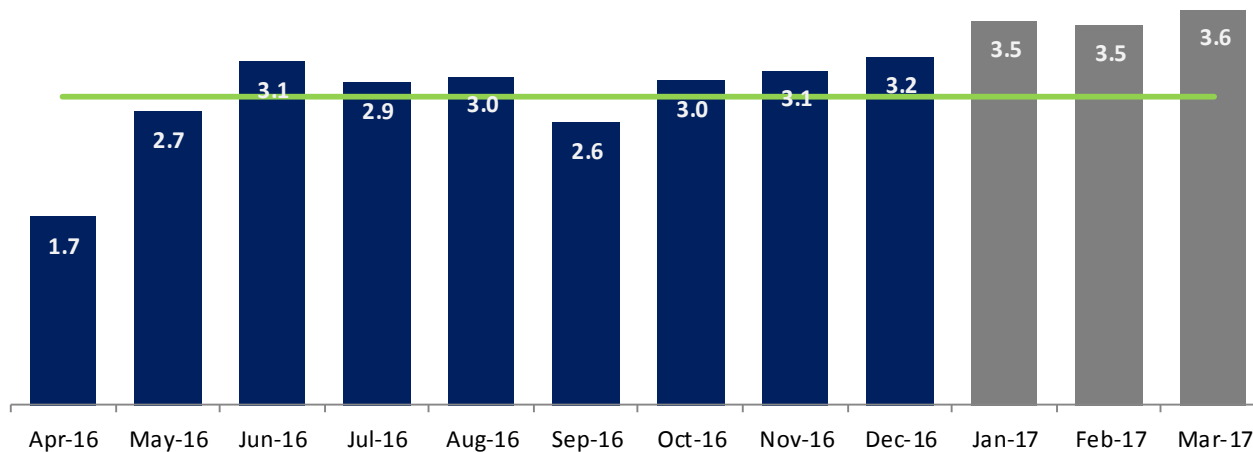


CIP: YTD £25.3m, £0.1mF to Plan

	Dec-16				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	339	353	14	4%	2,809	3,108	299	11%	3,810
CSI	397	549	152	38%	3,142	3,299	157	5%	4,370
ESM	519	442	(76)	(15%)	4,283	4,283	(1)	(0%)	5,845
ITAPS	390	388	(3)	(1%)	2,624	2,831	207	8%	3,794
MSS	352	417	66	19%	2,849	2,332	(518)	(18%)	4,011
RRCV	494	481	(13)	(3%)	4,331	4,046	(286)	(7%)	5,814
Womens & Childrens	456	184	(273)	(60%)	2,520	1,899	(621)	(25%)	3,928
Total: CMG	2,948	2,815	(133)	(5%)	22,558	21,797	(761)	(3%)	31,573
Facilities	8	133	125	1595%	807	1,549	742	92%	830
Corporate Total	273	232	(40)	(15%)	1,823	1,919	96	5%	2,641
Total CIP	3,228	3,180	(48)	(1%)	25,188	25,265	77	0%	35,044

- Within Income and Costs there is a year to date delivery of £25.3m, representing a variance of £0.1mF to Plan.
- Under-delivery in three CMGs – MSS, RRCV and W&C is offset by over-delivery in other areas including E&F driven by Utilities, together with over performance across other CMGs.
- The specific CIP Paper provides further insight into the performance of CIP.

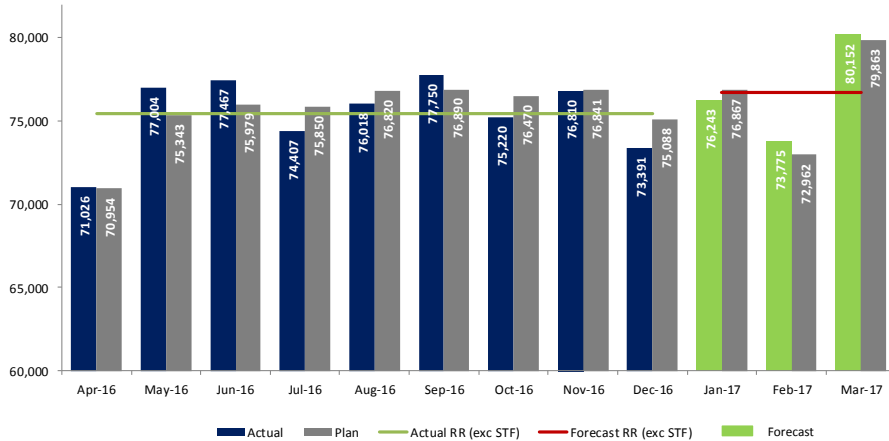
CIP Delivery



I&E Run Rates

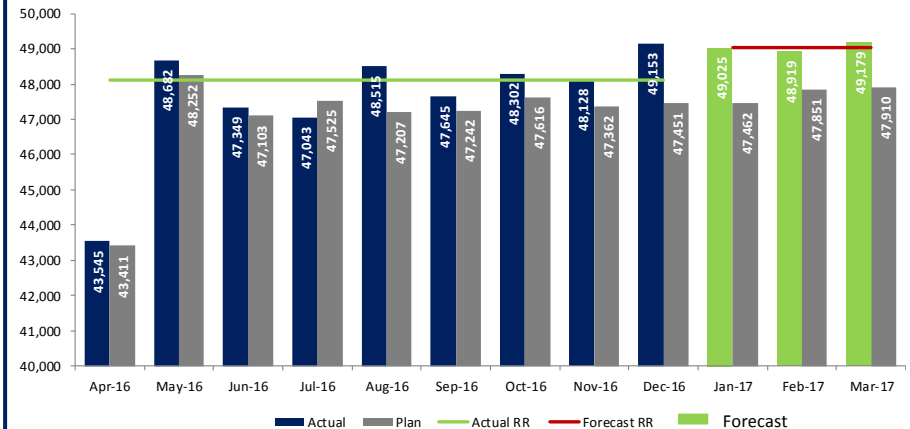
Income excluding STF

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



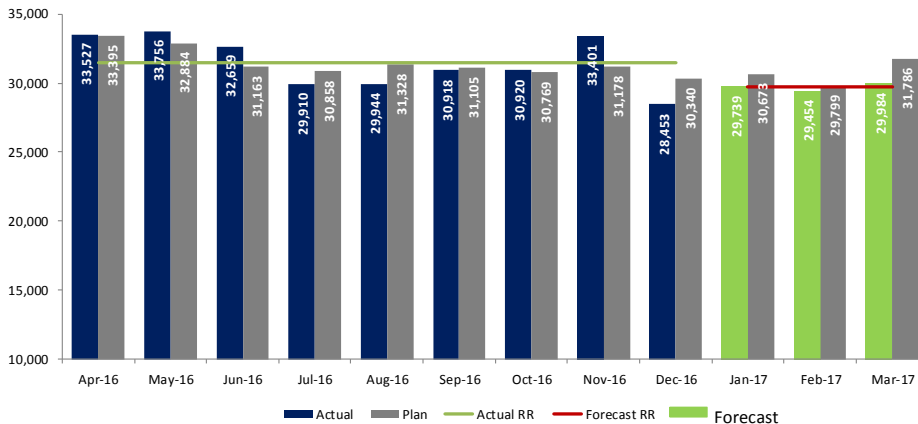
Pay

The step-change in May reflects the impact of E&F services integration. Forecast pay bill for months 10-12 is in line with Month 9 charge.



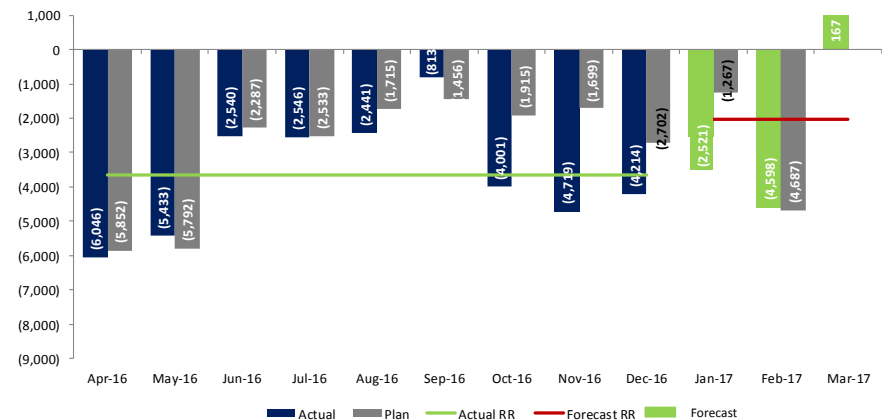
Non-Pay

High non-pay year to date partially driven by over-performance in activity. Forecast RR reduces by £1.8m per month representing the impact of the central mitigating actions.



Net Deficit excluding STF

Cumulative deficit of £32.4m (£21m with STF) is not sustainable. To deliver forecast deficit the RR is required to improve by £1.6m per month predominantly due to central actions.



STF: Financial & Operational Trajectories

Year to date position includes £11.4m of STF based on financial and operational performance delivery for Q1 and Q2. Performance in Q3 has deteriorated resulting in a YTD and forecast outturn which is adverse to Plan resulting in non-recognition of STF for Q3 of £5.8m together with £0.3m unrecovered STF in relation to Q2 Cancer Target.

	Quarter 1 ¹			Quarter 2			Quarter 3			Quarter 4		
	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Financial performance (70%, £16.4m)												
YTD Trajectory (£k)	(5,823)	(11,561)	(13,940)	(16,450)	(18,181)	(19,629)	(21,588)	(23,242)	(25,899)			
YTD Actual (£k)	(6,003)	(11,368)	(13,920)	(16,420)	(18,845)	(19,612)	(23,574)	(28,247)	(32,417)			
ED: 4 hour turnaround (12.5%, £2.9m)												
Monthly Trajectory ²	78.00%	78.00%	79.00%	79.00%	80.00%	85.00%	85.00%	85.00%	85.00%	89.00%	89.00%	91.20%
Monthly Actual	81.20%	79.90%	80.60%	76.90%	80.10%	79.80%	78.00%	77.60%	75.50%			
RTT: 18 Week Pathway (12.5%, £2.9m)												
Monthly Trajectory ³	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%	92.00%
Monthly Actual	92.70%	92.70%	92.40%	92.40%	92.10%	91.70%	91.50%	92.20%	91.30%			
Cancer: 62 Day Pathway (5%, £12m)												
Monthly Trajectory ⁴	70.20%	74.00%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%	85.10%
Monthly Actual	75.90%	74.90%	77.30%	83.70%	78.40%	77.90%	73.94%	77.20%				
Diagnostics: 6 week wait (0%, £0.0m)												
Monthly Trajectory	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%
Monthly Actual	0.70%	0.60%	0.70%	0.60%	1.40%	1.50%	0.60%	0.60%	0.90%			

Notes

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

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

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

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

Forecast Outturn: Deficit of £27.2m, £18.9mA to Plan, £6.9mA to Plan excluding STF

	FOT				
	Plan	Outturn	F / (A)		
Value Drivers	Day Case	103,500	103,392	(109)	(0.1%)
	Elective Inpatient	22,459	21,496	(963)	(4.3%)
	Emergency / Non-elective Inpatient	106,432	108,441	2,009	1.9%
	Emergency Department	256,108	287,346	31,238	12.2%
	Outpatient Procedures	901,976	936,739	34,763	3.9%
	Critical Care Services	56,989	56,111	(878)	(1.5%)
	Renal Dialysis & Transplant	178,494	173,790	(4,704)	(2.6%)
	Other	8,394,540	8,707,554	313,015	3.7%
	FOT				
	Plan	Outturn	F / (A)		
I&E £'000	Patient Care Income	770,569	776,482	5,913	0.8%
	Non Patient Care Income	139,359	132,782	(6,577)	(4.7%)
	Total Income	909,928	909,264	(664)	(0.1%)
	Pay Costs	(545,711)	(550,647)	(4,936)	(0.9%)
	Pay Costs: Agency	(20,680)	(24,836)	(4,156)	(20.1%)
	Non-Pay	(333,121)	(334,127)	(1,006)	(0.3%)
	Total Operating Costs	(899,512)	(909,610)	(10,098)	(1.1%)
	EBITDA	10,416	(346)	(10,762)	(103.3%)
	Non-Operating Costs	(42,155)	(38,539)	3,616	8.6%
	Retained Deficit	(31,739)	(38,885)	(7,146)	(22.5%)
	Adjustments for Donated Assets	39	284	245	
	Net Deficit Excluding STF	(31,700)	(38,600)	(6,900)	(21.8%)
	Sustainability & Transformation Funding	23,400	11,407	(11,993)	(51.3%)
	Net Deficit Including STF	(8,300)	(27,193)	(18,893)	(227.6%)
	Ratios	Agency: Total Pay	3.7%	4.3%	0.7%
EBITDA: Income		1.1%	(0.0%)	(1.2%)	
Net Deficit: Income		(3.5%)	(4.2%)	(0.8%)	

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

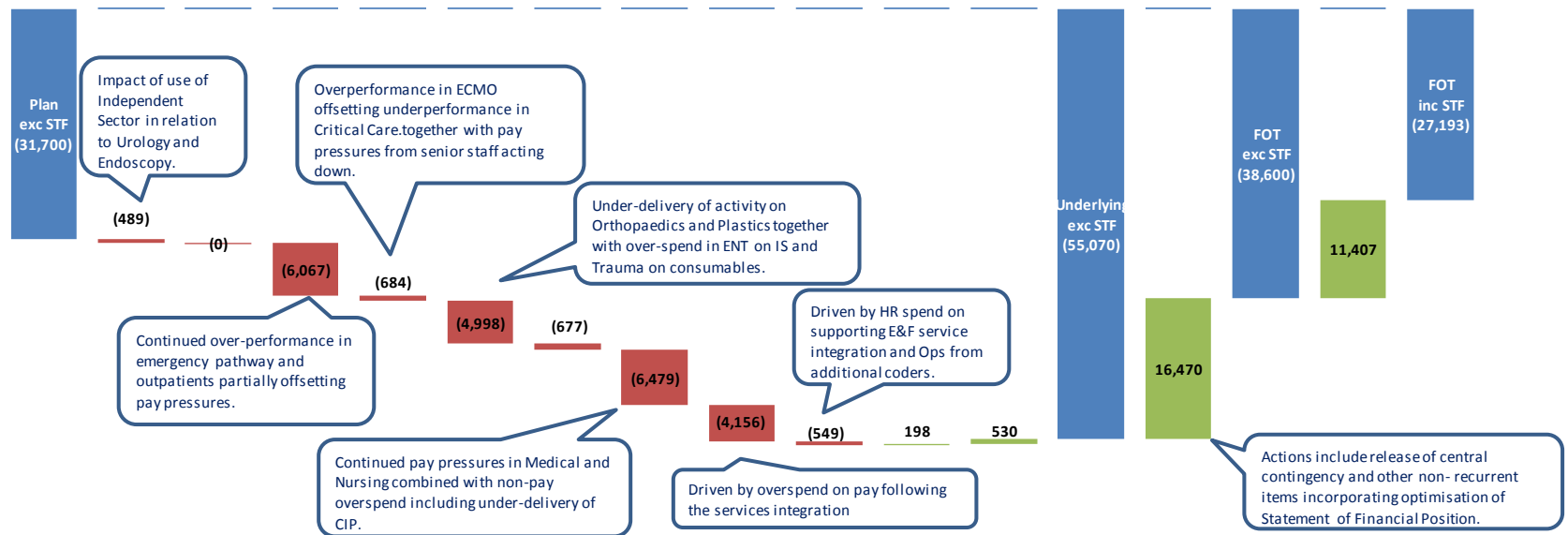
- **Overall: Net Deficit of £27.2m** including £12mA in relation to STF from non-delivery of the control total.

Excluding STF, the Trust is forecasting to deliver a deficit of £38.6m, £6.9mA to Plan which embeds bottom up forecasting driving £23.4mA position offset by £16.5mF in relation to central actions to mitigate the underlying deterioration.

- **Detailed forecast:** Excluding STF, the Trust is forecast to have an unmitigated net deficit which is £21.4mA to Plan with under-delivery in most areas and material adverse performance in the following areas:
 - **ESM** driven by continued pay and non-pay pressures
 - **MSS** with under-delivery due to costly increased use of the Independent Sector and under-delivery of core activity
 - **W&C** continued cost pressures in excess of plan without offsetting income to support
 - **Estates & Facilities** due to overspend in pay from service integration
- **Mitigating actions:** Additional Executive level scrutiny is in place to improve ongoing financial control and accountability. In addition, mitigating actions of £16.5m have been identified which need executing in order to deliver the mitigated forecast outturn of £38.6m, £6.9mA to Plan. The actions include:
 - Managed slippage of 2016/17 approved investments
 - Release of remaining Central Contingency to absorb underlying cost pressures
 - Statement of Financial Position optimisation
- **Additional investments:** there is no headroom to fund additional investments this financial year.

Forecast Outturn Bridge: excluding STF, £6.9mA to Plan

Whilst the underlying Outturn is £21.4mA to Plan, this deterioration can be mitigated through central actions of £16.5m which are being pro-actively pursued. The impact of the mitigating actions reduce the outturn deficit to £38.6m, £6.9mA to Plan. Taking into account the impact of non-receipt of STF in Q3 and Q4, this drives a deficit of £27.2m, £18.9mA to Plan.



£(000)	Plan exc STF	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Facilities	Corporate	R&I	Centre	Underlying exc STF	Mitigation	FOT exc STF	H1 STF	FOT inc STF	Var F/(A) exc STF
NHS PCI	770,569	5,014	1,834	3,151	451	(2,143)	217	75	0	40	(0)	(4,647)	774,560	1,922	776,482	11,407	787,889	5,913
Other Income	138,857	(198)	276	811	411	(6)	(197)	(2,030)	(6,041)	1,302	8	(771)	132,423	100	132,523		132,523	(6,334)
Pay	(545,749)	(299)	469	(2,137)	(1,008)	(13)	(1,456)	(2,342)	(3,357)	(874)	241	4,182	(552,343)	1,696	(550,647)		(550,647)	(4,898)
Pay: Agency	(20,680)	8	0	(3,323)	(98)	412	157	79	(316)	(12)	64	(1,128)	(24,836)		(24,836)		(24,836)	(4,156)
Non Pay	(333,082)	(5,015)	(2,580)	(4,568)	(439)	(3,247)	603	(2,262)	5,558	(1,005)	(116)	1,754	(344,399)	10,752	(333,646)		(333,646)	(564)
Non-Operating Costs	(41,614)											1,139	(40,475)	2,000	(38,475)		(38,475)	3,139
Net Deficit	(31,700)	(489)	(0)	(6,067)	(684)	(4,998)	(677)	(6,479)	(4,156)	(549)	198	530	(55,070)	16,470	(38,600)	11,407	(27,193)	(6,900)

December 2016: Statement of Financial Position

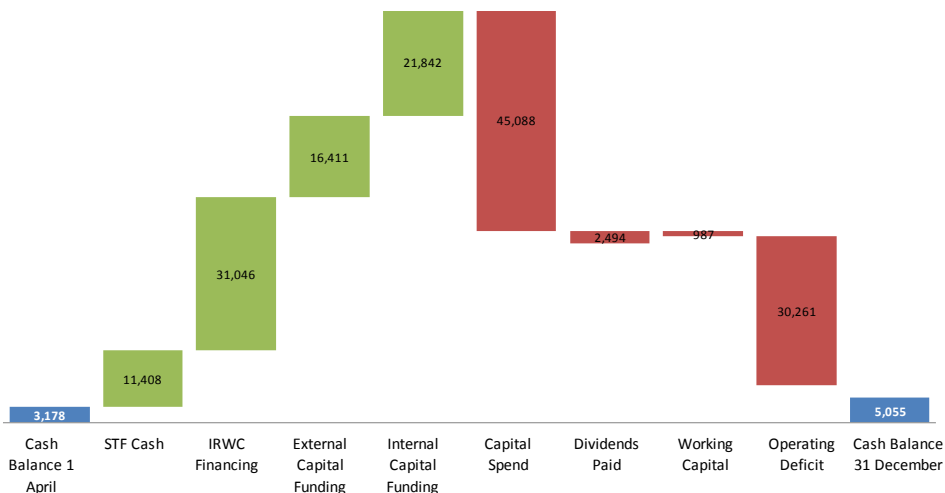
	Mar-16 £000's Actual	Dec-16 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	391,358	416,884	25,526
Intangible assets	10,452	9,785	(667)
Trade and other receivables	2,727	2,881	154
TOTAL NON CURRENT ASSETS	404,537	429,550	25,013
Current Assets			
Inventories	18,605	19,736	1,131
Trade and other receivables	45,106	52,771	7,665
Cash and cash equivalents	3,178	5,055	1,877
TOTAL CURRENT ASSETS	66,889	77,562	10,673
Current Liabilities			
Trade and other payables	(120,985)	(126,007)	(5,022)
Dividend payable	0	(2,167)	(2,167)
Borrowings / Finance Leases	(4,315)	(4,474)	(159)
Other Liabilities / Loan	(545)	(1,094)	(549)
Provisions for liabilities and charges	(633)	(393)	240
TOTAL CURRENT LIABILITIES	(126,478)	(134,135)	(7,657)
NET CURRENT ASSETS (LIABILITIES)	(59,589)	(56,573)	3,016
TOTAL ASSETS LESS CURRENT LIABILITIES	344,948	372,977	28,029
Non Current Liabilities			
Borrowings / Finance Leases	(3,930)	(6,725)	(2,795)
Other Liabilities / Loan	(55,010)	(101,646)	(46,636)
Provisions for liabilities and charges	(1,678)	(1,641)	37
TOTAL NON CURRENT LIABILITIES	(60,618)	(110,012)	(49,394)
TOTAL ASSETS EMPLOYED	284,330	262,965	(21,365)
Public dividend capital	329,856	329,856	0
Revaluation reserve	81,133	81,133	0
Retained earnings	(126,659)	(148,024)	(21,365)
TOTAL TAXPAYERS EQUITY	284,330	262,965	(21,365)
Ratios			
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(33)	(30)	(31)
Liquidity Ratio Metric	1	1	1

- **Total Assets Employed:** Movement of £21.4m representing year to date Trust deficit (before donated asset adjustment).
- **Non-Current Assets :** Increased by £25.0m reflecting spend on the emergency floor, vascular scheme and Robert Kilpatrick building.
- **Working capital:**
 - Stock growth in non pharmacy stock holding locations
 - Receivables have increased by £7.7m
 - Payables have increased by £5.0m
- **Cash:** December balance of £5.1m is above the £3m minimum stipulated by our loan agreements due to late receipt of income from West Leicestershire CCG. We have successfully applied to reduce the minimum cash balance to £1m to support working capital, from January.
- **Dividend payable:** £2.2m represents three months' PDC dividend accrued with cash payment due in March.
- **Non-current liabilities:**
 - £31.0m revolving working capital facility
 - £16.4m 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

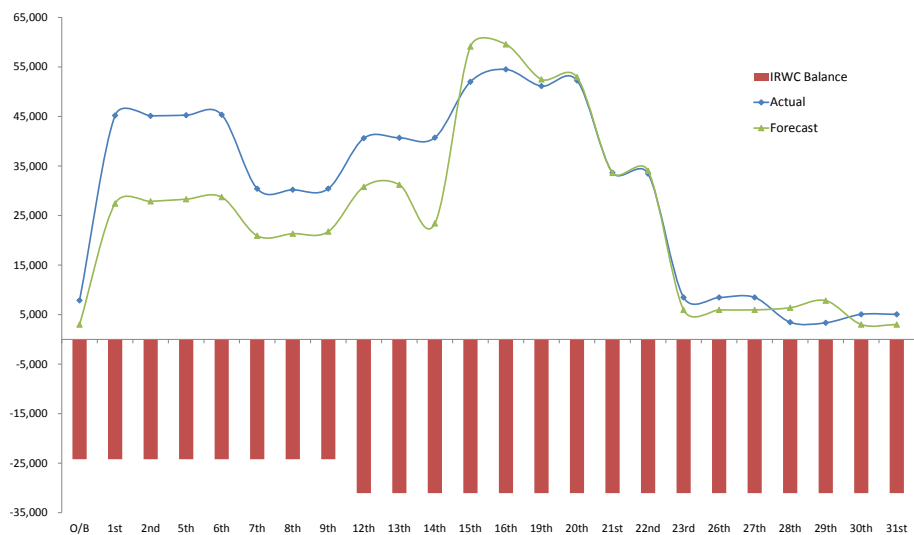
Year to Date Cash Bridge £'000



Cash Forecast £'000



Daily Cash Balance



Cash Bridge:

- Opening cash balance of £3.2m, in line with our plan.
- Funded YTD net deficit of £21.4m by drawing down £31.0m of the Interim Revolving Working Capital Facility (IRWC), which also provides cash in lieu of STF funding prior to its receipt.
- Improvement in working capital and internal capital funding enabled interest payment and capital expenditure of £40.3m.

Full Year Forecast

- Forecast of £5m cash holding at the year end compared to original plan of £3m. We will be permitted to reduce our minimum cash balance to £1m from £3m to support working capital. We will also be applying for £4m in order to provide funding for our pharmacy subsidiary in April. This will be held on the Trust's balance sheet at the year end.
- Although the Trust has not recognised STF in Q3 and Q4, we are forecasting that this will be cash funded and is therefore shown within STF in the bridge.

Daily Cash Balance

- In line with forecast with mid-month peak driven by receipt of SLA income. Staff are paid early in December reflected by the cash reduction on 23rd December.

Liquidity

	Liquidity			Ageing				90 days %	
	Opening	YTD	Movement	0 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 days		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Accounts Receivable	NHS receivables - revenue	25,351	26,175	(824)	19,828	3,926	990	1,431	5%
	Non-NHS receivables - revenue	13,097	15,241	(2,144)	5,005	3,440	857	5,939	39%
	Provision for the impairment of receivables	(764)	(1,242)	478	(1,242)				
	Non-NHS prepayments and accrued income	3,068	11,002	(7,934)	11,002				
	PDC dividend prepaid to DH	1,307	0	1,307	0				
	VAT	2,622	959	1,663	959				
	Other receivables	425	636	(211)	636				
	TOTAL	45,106	52,771	(7,665)	36,188	7,366	1,847	7,370	14%
Accounts Payable	NHS payables - revenue	(9,502)	(32,635)	23,133	(15,271)	(1,769)	(1,685)	(13,910)	43%
	NHS accruals and deferred income	(5,889)	0	(5,889)	0				
	Non-NHS payables - revenue	(43,305)	(45,331)	2,026	(23,692)	(12,261)	(5,938)	(3,440)	8%
	Non-NHS payables - capital	(14,052)	(1,944)	(12,108)	(863)	0	0	(1,081)	56%
	Non-NHS accruals and deferred income	(31,368)	(23,912)	(7,456)	(11,159)	(5,653)	(2,074)	(5,026)	21%
	Social security costs	(4,740)	(6,226)	1,486	(6,226)				
	Dividends payable	0	(2,167)	2,167	(2,167)				
	Accrued Interest on DH Loans	(126)	(608)	482	(608)				
	Tax	(5,054)	(5,449)	395	(5,449)				
	Other	(6,949)	(9,902)	2,953	(9,902)				
	TOTAL	(120,985)	(128,174)	7,189	(75,337)	(19,683)	(9,697)	(23,457)	18%
Total Liquidity	(75,879)	(75,403)	(476)						

Liquidity: movement of £0.5m from opening position due to:

- Accounts receivable: increased by £7.7m driven by increase in Non-NHS prepayments and accrued income.
- Accounts payable: increase of £7.1m with material movement in NHS payables offset by decrease in Non-NHS payables capital.

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

- NHS receivables: 5% representing £1.4m being over 90 days with Leicestershire Partnership NHS Trust at £0.6m; NHS Leicester CCG at £0.4m.
- Non-NHS receivables: 39% representing £5.9m being over 90 days with the largest component being Overseas Visitors at £2.3m (39%). The balance consists of various items which in isolation are not material.
- NHS payables-revenue: £13.9m, representing 43% in excess of 90 days with NHS Business Services Authority at £11.1m (80%).
- Further analysis of receivables is provided in the separate cash report.

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	112,538	564,453	93,279	502,130
Total Invoices Paid Within Target	20,015	377,051	16,917	341,917
Percentage Invoices Paid Within Target (target 95%)	18%	67%	18%	68%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	107,138	468,574	88,463	415,218
Total Non-NHS Invoices Paid Within Target	19,076	306,970	16,050	277,420
Percentage of Non-NHS Invoices Paid Within Target	18%	66%	18%	67%
Local SME payables				
Total SME Invoices Paid in the Year	2,518	9,599	2,416	8,394
Total SME Invoices Paid Within Target	624	1,992	607	1,841
Percentage of Local SME Invoices Paid Within Target	25%	21%	25%	22%
NHS Payables				
Total NHS Invoices Paid in the Year	2,882	86,280	2,400	78,518
Total NHS Invoices Paid Within Target	315	68,089	260	62,656
Percentage of NHS Invoices Paid Within Target	11%	79%	11%	80%

- **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 18%) and 68% by value (currently 67%).

Capital: £40.3m spend YTD with forecast of £63.3m

Scheme Name	YTD			Annual Plan £'000	Forecast Outturn £'000	Variance F / (A) £'000
	Plan £'000	Actual £'000	F / (A) £'000			
Estates & Facilities	3,121	2,018	1,103	5,758	2,936	2,822
MES Installation Costs	600	406	194	1,347	1,000	347
IFM Facilities Asset Purchase	1,376	1,548	(172)	1,376	1,548	(172)
Paediatric Daycase / Dentistry	1,129	1,001	128	1,229	1,229	0
Ward 9 & 7 Change of Use	150	120	30	150	150	0
Robert Kilpatrick	2,200	2,200	0	2,200	2,200	0
Sub-total: Estates & Facilities	8,576	7,292	1,284	12,060	9,063	2,997
IM&T Infrastructure	2,812	1,137	1,675	3,712	3,212	500
Heartsuite System	272	26	246	272	137	135
Electronic Blood Tracking System	522	139	383	696	337	359
Renal Transplant Lab System	100	100	0	100	120	(20)
Learning Mgt System	70	72	(2)	70	72	(2)
EF EPR Plan B	200	180	20	500	500	0
Sub-total: IM&T Schemes	3,976	1,654	2,322	5,350	4,378	972
Medical Equipment Executive	3,300	2,156	1,144	4,500	3,000	1,500
Linear Accelerator	1,300	501	799	3,300	3,136	164
Sub-total: Medical Equipment	4,600	2,657	1,943	7,800	6,136	1,664
Emergency Floor	17,716	15,458	2,258	21,700	21,700	0
Vascular	7,986	7,011	975	8,908	7,938	970
ICU	1,379	409	970	3,020	502	2,518
EMCH Interim Solution	549	481	68	683	500	183
Ward Capacity	1,841	0	1,841	4,400	0	4,400
Infrastructure Costs	1,193	0	1,193	1,500	0	1,500
Business Case Development	1,165	553	612	2,128	750	1,378
EPR Programme	2,250	(21)	2,271	8,690	16	8,674
EF IM&T Equipment	0	0	0	0	78	(78)
ED Floor: Phase II Enabling	0	5	(5)	0	257	(257)
Sub-total: Reconfiguration	34,079	23,896	10,183	51,029	31,741	19,288
Corporate / Other Schemes						
Diabetes Conversion of Ward 2	855	386	469	1,122	517	605
Donations	225	72	153	300	300	0
Paediatric & Genetic CRF	128	214	(86)	328	328	0
Ophthalmology	0	1	(1)	0	122	(122)
Sub-total: Corporate / Other	1,208	673	535	1,750	1,267	483
MES Finance Lease Additions	2,081	2,081	1	2,774	7,401	(4,627)
Hybrid Theatre Addition	1,200	0	1,200	1,200	1,200	0
Sub-total: Finance Leases	3,281	2,081	1,201	3,974	8,601	(4,627)
Total Secured Funding	55,720	38,253	17,467	81,963	61,185	20,778
EDRM	0	580	(580)	0	580	(580)
Other Expenditure	0	1,499	(1,499)	0	1,499	(1,499)
TOTAL UNFUNDED EXPENDITURE	0	2,080	(2,080)	0	2,079	(2,079)
TOTAL CAPITAL EXPENDITURE	55,720	40,333	15,387	81,963	63,264	18,699

Year to date: Total Capital expenditure of £40.3m, £15.4mF to Plan

- **Emergency Floor:** Total spend of £15.5m, £2.3m underspend but forecast to hit plan by year end.
- **Vascular:** Spend of £7.0m, £1.0mF to Plan.
- **Estates and Facilities:** Spend of £7.3, £1.3mF to Plan with forecast spend being £3mF to Plan with £1.5m further committed spend.

Forecast outturn: total expected capital expenditure of £63.3m, £18.7mF to Plan predominantly driven by slippage in Reconfiguration programmes. The forecast capital spend will be funded by:

- £30.2m depreciation;
- £21.7m external borrowing for the Emergency Floor development;
- £8.6m finance lease additions funded through revenue;
- £1.9m PDC for the linear accelerator replacement;
- £0.5m funding from Diabetes;
- £0.3m donations.

Finance and use of resources metrics

In September 2016 NSHI published the final Single Oversight Framework. Within this there are a series of financial measures, below we have shown the Trust score against these measures based on 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>	0	4
	Liquidity (days)	Days of operating costs held in cash or cash equivalent forms including wholly committed lines of credit available for drawdown <i>Working Capital Balance / Year to Date Operating Costs</i>	(30)	4
Financial efficiency	EBITDA margin	I&E Surplus or Deficit / Total Revenue	(3.07%)	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>	(1.87%)	3
	Agency spend	Distance from agency ceiling <i>Year to date variance to Ceiling / Year to date Ceiling</i>	16.13%	2
Overall	Total (weighted) score	All five metrics are equally weighted to give an overall mean score however scoring a 4 on any measure results in a 3 overall at best		3

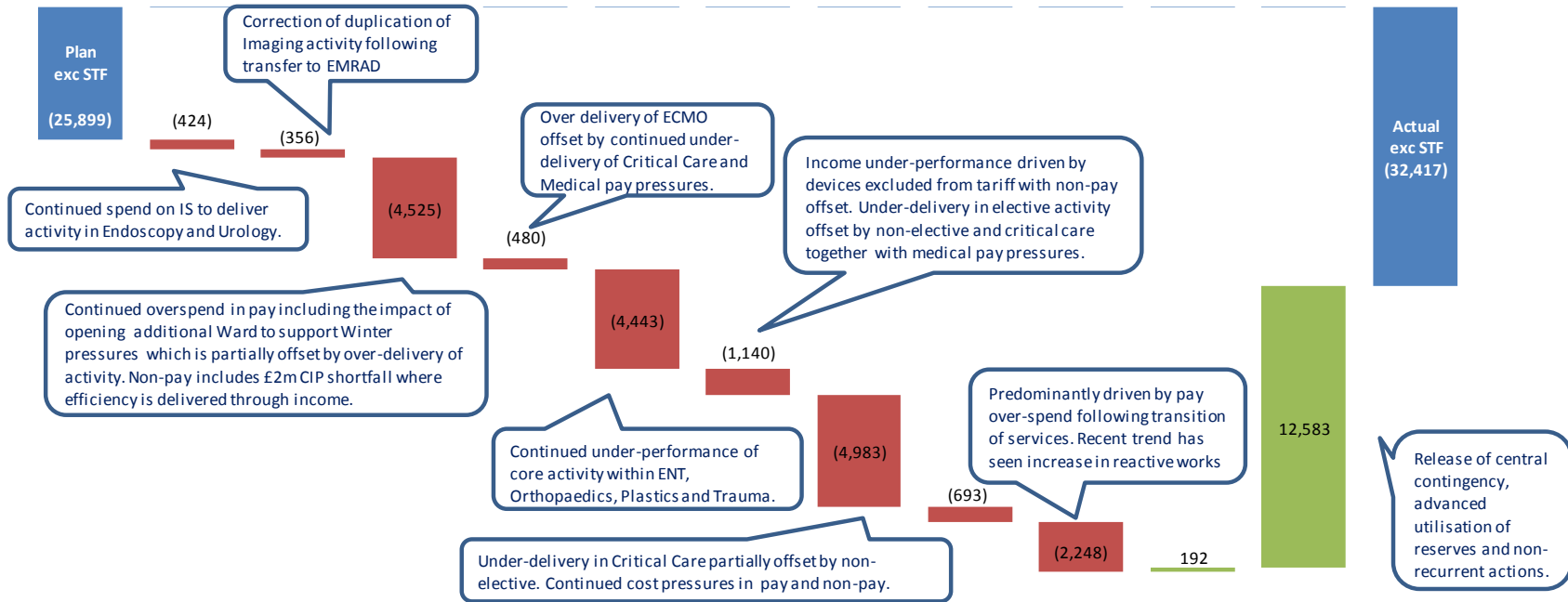
Risks & Mitigation

RISK	MITIGATION
<ul style="list-style-type: none"> Cost Pressures: Current over-delivery of activity and use of central contingency is offsetting underlying pay and non-pay pressures. This has crystallised in Month 9 forecast which is £8.9mA to Plan including £14.5mF mitigating actions. 	<ul style="list-style-type: none"> Additional Executive scrutiny to monitor financial performance and improve control. Trust measures to tighten financial controls on non essential costs. Central mitigating actions have been identified which are being actively pursued.
<ul style="list-style-type: none"> Financial Recovery plans: continued under-performance and deterioration of CMGs and Corporate driving Trust level risk to deliver on planned deficit. 	<ul style="list-style-type: none"> Trust-wide Financial Actions are in place and monitored through EPB.
<ul style="list-style-type: none"> Contractual over performance: continued over-performance and associated financial pressures within local CCGs. 	<ul style="list-style-type: none"> Close monitoring of contractual and financial performance at monthly Contract Performance Meeting. Contractual mechanisms i.e. AQN have been followed.
<ul style="list-style-type: none"> CIP: remains key to meeting income and expenditure commitments. Whilst currently in line with plan CIP delivery remains a key dependency. 	<ul style="list-style-type: none"> An established PMO function and associated governance arrangements are in place. Full details of the 2016/17 programme are supplied within the separate CIP paper.
<ul style="list-style-type: none"> Sustainability & Transformation Funding: inability to achieve financial control total (70%) and operational performance target trajectory (30%) 	<ul style="list-style-type: none"> This has crystallised in Month 9 with non-recognition of Q3 and Q4 STF.
<ul style="list-style-type: none"> Agency Pay: Current and forecast over spend against the £20.6m agency ceiling creates a risk of further escalation actions with NHSI. 	<ul style="list-style-type: none"> The workforce work stream and premium pay sub-work stream are concentrating on delivery of savings through the monitoring and compliance of recruitment initiatives, workforce planning and the application of internal controls.
<ul style="list-style-type: none"> Cash: planned deficit position means there is insufficient cash to support expenditure. 	<ul style="list-style-type: none"> The Trust has access to an Interim Revolving Working Capital Support (temporary borrowing) to meet immediate cash requirements.
<ul style="list-style-type: none"> Capital: Capital Plan requires further borrowing that is yet to be approved. 	<ul style="list-style-type: none"> Alternative scenarios within the capital programme until additional borrowing is approved. This plan has been agreed at the Capital Management and Investment Committee.

Appendix

December YTD: CMG and Directorates

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



£(000)	Plan exc STF	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Actual exc STF	Var F/(A) exc STF
NHS PCI	576,202	3,722	1,120	1,879	406	(2,965)	(231)	(368)	30	0	(0)	18	579,814	3,611
Other Income	103,678	(180)	217	639	321	4	(354)	(1,348)	703	(4,163)	54	(363)	99,209	(4,469)
Pay	(406,965)	(156)	535	(1,473)	(981)	340	(934)	(1,732)	(437)	(2,470)	260	4,425	(409,587)	(2,622)
Pay: Agency	(16,204)	(27)	(188)	(2,510)	1	195	28	90	(12)	(184)	46	(9)	(18,774)	(2,570)
Non Pay	(251,375)	(3,783)	(2,040)	(3,061)	(208)	(2,018)	351	(1,625)	(962)	4,568	(168)	5,246	(255,075)	(3,700)
Non-Operating Costs	(31,235)				(19)				(14)			3,265	(28,003)	3,232
Net Deficit	(25,899)	(424)	(356)	(4,525)	(480)	(4,443)	(1,140)	(4,983)	(693)	(2,248)	192	12,583	(32,417)	(6,517)