

2017/18 Financial Performance

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Trust Board paper R

Executive Summary

Context

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

Questions

1. What is our financial performance for the period ending 30th June 2017?

The Trust has achieved a year to date deficit of £17.6m which is in line with our plan to this point. Although this is a solid start to the financial year, there is significant risk in quarters 2-4 particularly associated with CIP delivery as the profile of savings increases through the year. This CIP profile is illustrated on Page 11 of the report and the corresponding impact of the savings on pay and non-pay run rates is on Page 13.

2. What is our performance against the agency ceiling?

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

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

As outlined on Page 15 of the report, the Q1 detailed forecast indicated a deficit of £37m, £10.3m adverse to the Planned I&E deficit of £26.7m. Following mitigating actions and assumptions, the forecast was brought back in line with Plan which needs prompt execution and ongoing monitoring to ensure delivery of the Trust's financial commitment. As noted above and very explicitly in the main report, there are risks to

delivery of the target but we believe the plan, including the various mitigations, remains robust and achievable.

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

To date, £7.4m of the total £33m has been delivered. This is £1.1m ahead of plan at this stage, noting the points made regarding the profiling of CIP in answer to 1. above. Of the £33m this year, £1.6m is still unidentified. This is better than at this point last year and an improvement on last month (£3m) but nevertheless, it presents a risk to the programme and the overall delivery of the I&E plan. Weekly escalation meetings will continue with the CMGs concerned.

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

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

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

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

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

Input Sought

Note the financial performance at Month 3

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: **07/09/17**

6.Executive Summaries should not exceed 1 page. [**My paper does/does not comply**]

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

Contents

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

Executive Summary

Financial performance

Statutory duties

- Delivering the planned deficit: on track
- Achieving the External Funding Limit: Achieved
- Achieving the Capital Resource Limit: Exceeded, forecasting to achieve

Financial Performance

- **Deficit of £17.6m, in line with Plan:** Whilst reporting in line with Plan representing strong over-performance on income partially offset by the additional cost to deliver the additional activity. Overspend in Medical workforce and emerging cost pressures are currently being mitigated by release of Central reserves in line with plan.
- **Patient Care Income, £3.0mF to Plan:** Over-performance driven by Emergency/ Non-Elective, Outpatients and ECMO partly offset by Marginal Rate Emergency Tariff (MRET) due to over performance in emergency activity.
- **Operating Costs, £3.1mA to Plan:** with pay £1.7mA to Plan with underlying overspend in all staff groups. Non-pay overspend of £1.4m in non-pay predominantly due to the marginal cost of over-delivering patient activity.
- **CIP £1.1mF to Plan:** driven by non-recurrent schemes with recurrent schemes in line with Plan.
- **Finance Improvement and Technical:** currently delivering actions in line with Plan.
- **Forecast Outturn:** in line with Plan with the detailed forecast being £10.3mA to Plan. This represents a risk to achieving the full year planned deficit with mitigation embedded which needs prompt execution and ongoing monitoring to ensure delivery of the Trust planned deficit.

Cash

- **Closing cash balance at June of £3.8m**, which is higher than Plan as cash held back due to normal month end timing differences and cash held in relation to Trust Med Pharmacy.
- Funded YTD net deficit of £17.6m by drawing down £11.5m of the Interim Revolving Working Capital Facility (IRWC) and revenue support loan.

Capital

- **June:** Total capital expenditure of £6.9m, £0.5mA to Plan
 - Year to date spend driven by Re-configuration projects predominantly related to Emergency Floor spend and MES Finance Leases.
 - Overspend driven by Vascular and ED Project IT issues with work underway in order to ensure the annual plan is not exceeded.

June 2017: Key Facts



**Patient
Income
£3.0mF**

**Other
Income
£0.3mF**



**Substantive
pay
£1.8mA**

**Agency
In line**



**Non-pay
£1.4mA**

**Non-operating costs
£0.1mA**



**EBITDA
£0.1mF**

**CIP
£1.1mF**



**Capital
Spend
£6.9m**

**Liquidity
Indicators**

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 £17.6m, in line with Plan

	Jun-17			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)	%	
Value Drivers	Day Case	9,247	8,863	(384)	25,867	25,856	(11)	(0%)
	Elective Inpatient	1,821	1,847	26	5,163	5,435	272	5%
	Emergency / Non-elective Inpatient	9,236	10,103	868	28,122	28,850	728	3%
	Emergency Department	20,135	21,430	1,295	61,096	63,279	2,183	4%
	Outpatient Procedures	82,042	83,054	1,012	232,458	234,541	2,082	1%
	Critical Care Services	4,546	4,601	55	13,728	13,857	129	1%
	Renal Dialysis and Transplant	14,225	14,491	266	43,129	43,604	475	1%
	Other Activity	788,695	714,106	(74,589)	2,190,826	2,056,863	(133,963)	(6%)
	WTE Total	13,746	13,273	473	13,746	13,273	473	3%
	WTE Agency	248	243	5	245	243	2	1%
I&E £'000	Jun-17			YTD				
	Plan	Actual	Vs Plan	Plan	Actual	F/(A)	%	
	£'000	£'000	£'000	£'000	£'000	£'000	%	
	Patient Care Income	67,778	67,750	(28)	196,852	199,811	2,959	2%
	Non Patient Care Income	532	419	(113)	1,597	1,496	(101)	(6%)
	Other Operating Income	10,578	10,792	214	31,735	32,152	417	1%
	Total Income	78,888	78,962	74	230,184	233,460	3,276	(1%)
	Pay Costs	(47,484)	(48,308)	(824)	(143,044)	(144,825)	(1,781)	(1%)
	Pay Costs: Agency	(1,869)	(1,830)	39	(5,750)	(5,700)	50	1%
	Non Pay	(29,977)	(29,253)	724	(88,400)	(89,810)	(1,410)	(2%)
	Total Operating Costs	(79,330)	(79,391)	(61)	(237,194)	(240,335)	(3,141)	(1%)
	EBITDA	(442)	(430)	12	(7,010)	(6,875)	135	(2%)
	Non Operating Costs	(3,543)	(3,575)	(32)	(10,602)	(10,718)	(116)	(1%)
	Retained deficit	(3,985)	(4,005)	(20)	(17,612)	(17,594)	18	0%
	Adjustments for Donated Assets	5	39	34	15	35	20	(132%)
Net Deficit	(3,980)	(3,965)	15	(17,597)	(17,559)	38	0%	
Ratios	Agency: Total Pay	3.94%	3.79%		4.02%	3.94%		
	EBITDA: Income	(0.56%)	(0.54%)		(3.05%)	(2.94%)		
	Net Deficit: Income	(5.05%)	(5.02%)		(7.64%)	(7.52%)		

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: £199.8m, £3.0mF** Underlying over-performance of £2.2m predominantly within Emergency/Non-elective, Outpatients and ECMO offsetting some under-performance in other points of delivery .
- **Non Patient Care Income & Other Income: £33.6m, £0.3mF** with additional income in Pathology and Imaging.
- **Pay Costs: £144.8m, £1.8mA** which includes £0.3mF release of reserves to fund additional investments and overspend. Underlying overspend of £2.1m driven by :

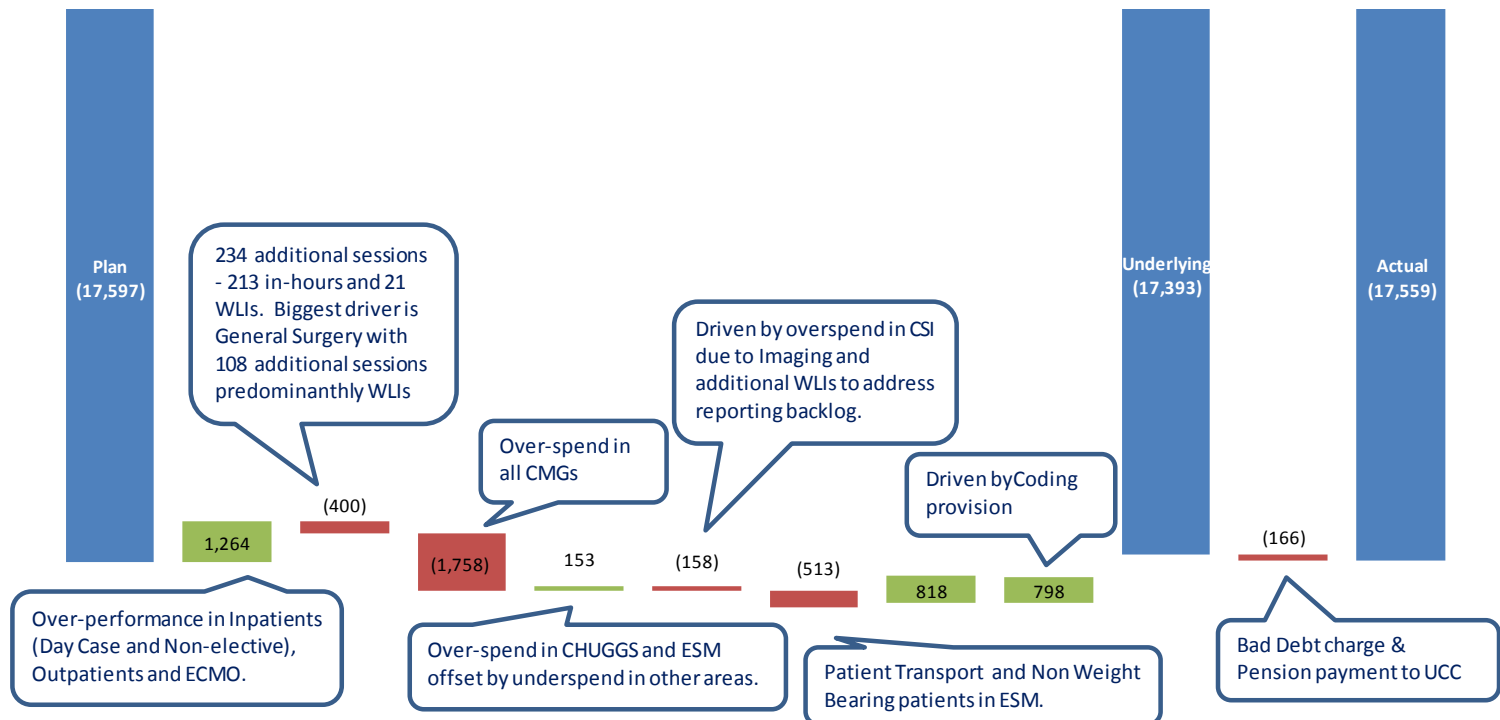
- Medical : £1.4mA across all CMGS except CSI
- Nursing: £0.4mA in CHUGGS , ESM and ITAPS
- Other Clinical £0.4mA in CSI driven by Pathology to reduce reporting backlog

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

- **Agency: £5.7m, in line with Plan.**
- **Non-Pay: £89.8m, £1.4mA** including £0.5mF due to release of central reserves. Underlying overspend is predominantly driven by marginal cost to deliver activity together with costs in relation to patient transport and Non Weight Bearing pathway.
- **EBITDA: deficit of £6.9m, £0.1mF.**
- **Non-Operating Costs: £10.7m, £0.1mA** to Plan in relation to interest costs.

I&E Bridge: in line with Plan

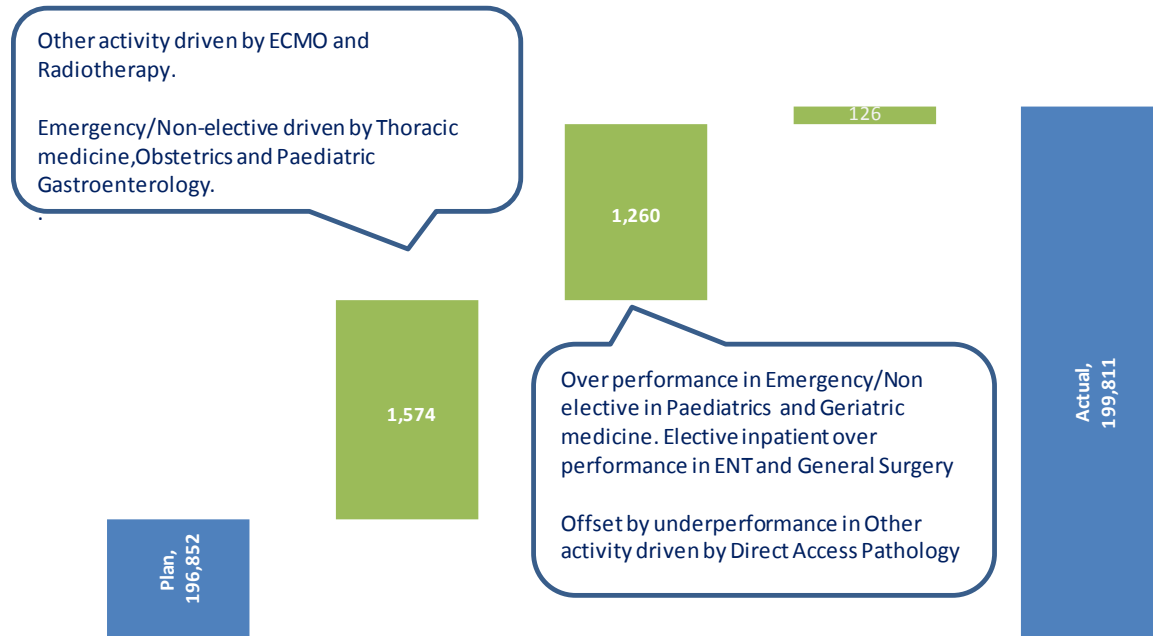
Whilst reporting in line with Plan representing strong over-performance on income partially offset by the additional cost to deliver the additional activity. Over-spend in Medical workforce and emerging cost pressures are currently being mitigated by release of Central reserves in line with plan.



£(000)	Plan	Activity	Theatres	Medical Pay	Nursing Pay	Other Pay	Cost Pressures	Reserves	Other	Underlying	Non-recurrent Items	Actual	Var F/(A)
NHS PCI	196,728	2,383							576	199,687		199,687	2,959
Other Income	33,332	460							(103)	33,689		33,689	357
Pay	(143,044)		(253)	(1,236)	(268)	(309)		285		(144,825)		(144,825)	(1,781)
Pay: Agency	(5,750)			(522)	421	151				(5,700)		(5,700)	50
Non Pay	(88,400)	(1,579)	(147)				(513)	533	462	(89,644)	(166)	(89,810)	(1,410)
Non-Operating Costs	(10,463)								(137)	(10,600)		(10,600)	(137)
Net Deficit	(17,597)	1,264	(400)	(1,758)	153	(158)	(513)	818	798	(17,393)	(166)	(17,559)	38

NHS Patient Income: June £199.8m, £3.0mF to Plan

Over-performance driven by Emergency/ Non-Elective, Outpatients and ECMO partly offset by Marginal Rate Emergency Tariff (MRET) due to over performance in emergency activity.



£(m)	Plan	Rate	Volume	Other	Actual	Var F / (A)
Day Case	14,820	138	(7)	0	14,952	132
Elective Inpatient	19,368	(1,170)	960	0	19,158	(210)
Emergency / Non-elective Inpatient	51,155	662	1,341	0	53,158	2,004
Marginal Rate Emergency Threshold	(1,609)	0	0	(450)	(2,059)	(450)
Emergency Department	7,751	(407)	262	0	7,606	(145)
Outpatient	27,155	451	247	0	27,853	698
Drugs and Devices excluded from Tariff	24,191	0	0	(0)	24,191	(0)
Critical Care Services	13,199	(338)	121	0	12,982	(217)
Renal Dialysis and Transplant	6,853	(89)	74	0	6,838	(14)
CQUIN	4,065	0	0	(552)	3,513	(552)
Other Activity	26,125	2,326	(1,740)	0	26,712	586
Other Financial Values	3,779	0	0	1,128	4,907	1,128
Total	196,852	1,574	1,260	126	199,811	2,959

Activity & Income: Performance versus Contract

Activity	Case Mix	City	East	West	Specialis	Other	Alliance	Total	%
					ed				
	Day Case	42	41	334	327	(271)	(485)	(11)	(0%)
	Elective Inpatient	156	107	84	(30)	(45)		272	5%
	Emergency / Non-elective Inpatient	37	158	159	392	(18)		728	3%
	Marginal Rate Emergency Threshold (MRET)	0	0	0	0	0		0	0%
	Emergency Department	1,342	1,214	332		(706)		2,183	4%
	Outpatient	2,564	3,191	2,548	789	(6,590)	(420)	2,082	1%
	Excluded Drugs and Devices	0	0	0	0	0	0	0	0%
	Critical Care Services	(167)	159	(191)	73	255		129	1%
	Renal Dialysis and Transplant	0	0	0	(12)	487		475	1%
	CQUIN	0	0	0	0	0	0	0	0%
	Other Activity	(25,449)	(79,492)	(25,495)	944	(2,948)	(1,523)	(133,963)	(6%)
	Other Financial Values	(47)	(118)	(42)	(3)	908	(183)	514	n/m

Financial	Case Mix	City	East	West	Specialis	Other	Alliance	Total	%
		(£000)	(£000)	(£000)	ed	(£000)	(£000)	(£000)	
	Day Case	152	134	249	128	(196)	(335)	132	1%
	Elective Inpatient	210	1	134	(435)	(120)	0	(210)	(1%)
	Emergency / Non-elective Inpatient	307	225	227	1,463	(218)	0	2,003	4%
	Marginal Rate Emergency Threshold (MRET)	(132)	(140)	(160)	0	(18)	0	(450)	(28%)
	Emergency Department	(16)	(40)	(41)	0	(47)	0	(145)	(2%)
	Outpatient	544	501	442	(45)	(694)	(49)	698	3%
	Excluded Drugs and Devices	(111)	(179)	(175)	721	(269)	13	(0)	(0%)
	Critical Care Services	(224)	148	(139)	(341)	339	0	(217)	(2%)
	Renal Dialysis and Transplant	0	0	0	(26)	12	0	(14)	(0%)
	CQUIN	(68)	(43)	(40)	58	(447)	(13)	(552)	(14%)
	Other Activity	86	173	74	512	(131)	(128)	586	2%
	Other Financial Values	1,167	918	907	539	(2,420)	18	1,128	30%
	Grand Total	1,915	1,697	1,477	2,573	(4,208)	(494)	2,959	2%

• CCG Contracts:

- **Day Case:** Over-performance predominantly relates to Orthopaedic Surgery, General Surgery and ENT
 - **Emergency/Non Elective Inpatient:** Over performance within Geriatric and Integrated Medicine
 - **Outpatients:** Over-performance driven by Integrated Medicine, Gynecology and Urology
 - **Other Financial Values:** Predominantly QIPP, clinical coding provision and non-weight bearing patients
 - **Excluded drugs and devices:** Underperformance within Rheumatology and Ophthalmology
- ## • Specialised Services:
- **Non-elective / Emergency:** Over performance within Thoracic Medicine and Cardiac Surgery
 - **Excluded Drugs and Devices:** Over performance in Clinical Oncology and Infectious Diseases
 - **Other Activity:** Relating to Adult and Cardiac ECMO and Bone Marrow Transplant
 - **Elective Inpatients:** Underperformance within Cardiac Surgery and Urology

Pay: YTD £150.5m, £1.7mA to Plan

	Jun-17						YTD						
	£'000			WTE			£'000			WTE			
	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	Plan	Actual	F/(A)	
Agency	Medical	700	937	(237)	20	55	(36)	2,478	2,880	(402)	20	55	(36)
	Nursing & Midwifery	861	623	238	0	131	(131)	2,347	1,926	421	0	131	(131)
	Other Clinical	213	235	(22)	67	25	42	638	703	(65)	67	25	42
	Non Clinical	95	34	61	35	32	2	286	190	96	35	32	2
	Total: Agency	1,869	1,830	39	121	243	(122)	5,750	5,700	50	121	243	(122)
Other Non-contracted	Medical		1,299	(1,299)		10	(10)		3,718	(3,718)		10	(10)
	Nursing & Midwifery		1,439	(1,439)		430	(430)		4,534	(4,534)		430	(430)
	Other Clinical		320	(320)		64	(64)		912	(912)		64	(64)
	Non Clinical		528	(528)		275	(275)		1,655	(1,655)		275	(275)
	Total: Other Non-contracted	0	3,585	(3,585)	0	778	(778)	0	10,819	(10,819)	0	778	(778)
Total Non-contracted	Medical	700	2,235	(1,536)	20	65	(45)	2,478	6,598	(4,120)	20	65	(45)
	Nursing & Midwifery	861	2,062	(1,201)	0	561	(561)	2,347	6,460	(4,113)	0	561	(561)
	Other Clinical	213	555	(342)	67	88	(21)	638	1,615	(977)	67	88	(21)
	Non Clinical	95	562	(467)	35	307	(272)	286	1,845	(1,559)	35	307	(272)
	Total: Non-contracted	1,869	5,415	(3,546)	121	1,021	(900)	5,750	16,518	(10,768)	121	1,021	(900)
Substantive	Medical	14,946	14,205	741	1,808	1,778	30	44,903	42,146	2,757	1,808	1,778	30
	Nursing & Midwifery	17,080	15,592	1,488	5,676	4,961	714	50,886	46,727	4,159	5,676	4,961	714
	Other Clinical	6,522	6,368	153	2,168	2,044	123	19,379	18,860	519	2,168	2,044	123
	Non Clinical	8,936	8,557	379	3,974	3,712	262	27,876	26,274	1,602	3,974	3,712	262
	Total: Substantive	47,484	44,723	2,761	13,624	12,495	1,129	143,044	134,007	9,037	13,624	12,495	1,129
Total	Medical	15,646	16,441	(795)	1,827	1,843	(15)	47,381	48,744	(1,363)	1,827	1,843	(15)
	Nursing & Midwifery	17,941	17,655	287	5,676	5,522	154	53,233	53,187	46	5,676	5,522	154
	Other Clinical	6,734	6,923	(189)	2,234	2,132	102	20,017	20,475	(458)	2,234	2,132	102
	Non Clinical	9,032	9,120	(88)	4,008	4,019	(10)	28,162	28,119	44	4,008	4,019	(10)
	TOTAL: Pay	49,353	50,138	(785)	13,746	13,516	230	148,794	150,525	(1,731)	13,746	13,516	230

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 £5.7m, in line with Plan. Overspend of £0.3m in CHUGGS, MSS and W&C offset by underspend in other areas particularly ESM.

Other Non-contracted Pay

- Year to date expenditure of £10.8m with Medical and Nursing driving 76% of spend. Whilst premium pay shows an overspend this needs to be taken into account with Substantive Pay as budgets are held at Established levels.

Substantive Pay

- Combined with other non-contracted, expenditure of £144m, £1.8mA with Plan.
- Pay position includes £0.3mF in relation release of contingency to fund additional investments including Demand and Capacity requirements.

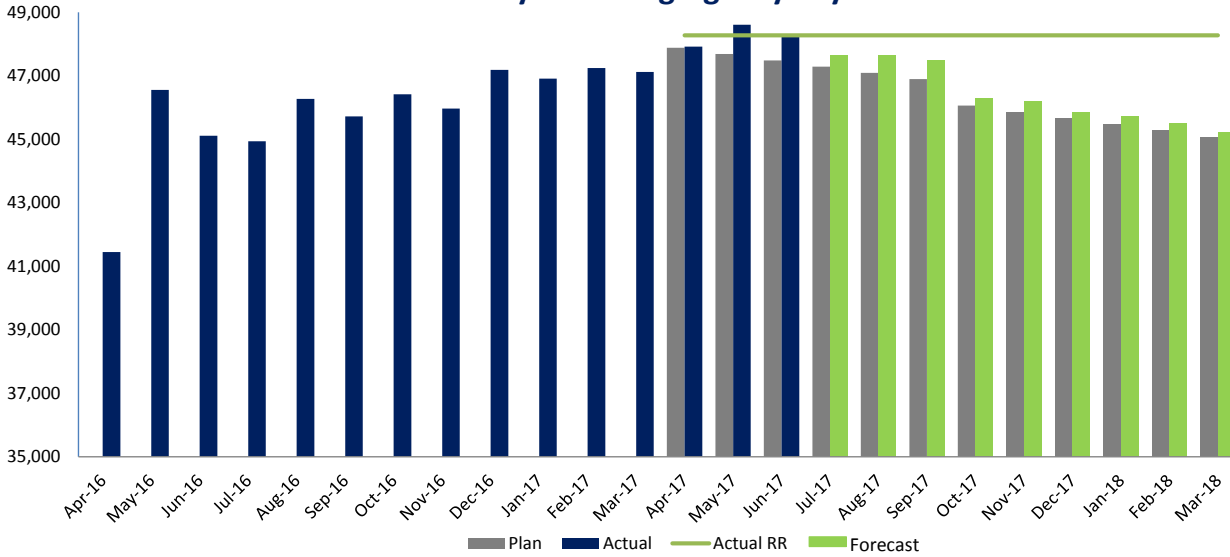
Excluding this, the CMGs have an underlying overspend of £2.1m predominantly driven by:

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

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

Pay Run Rates

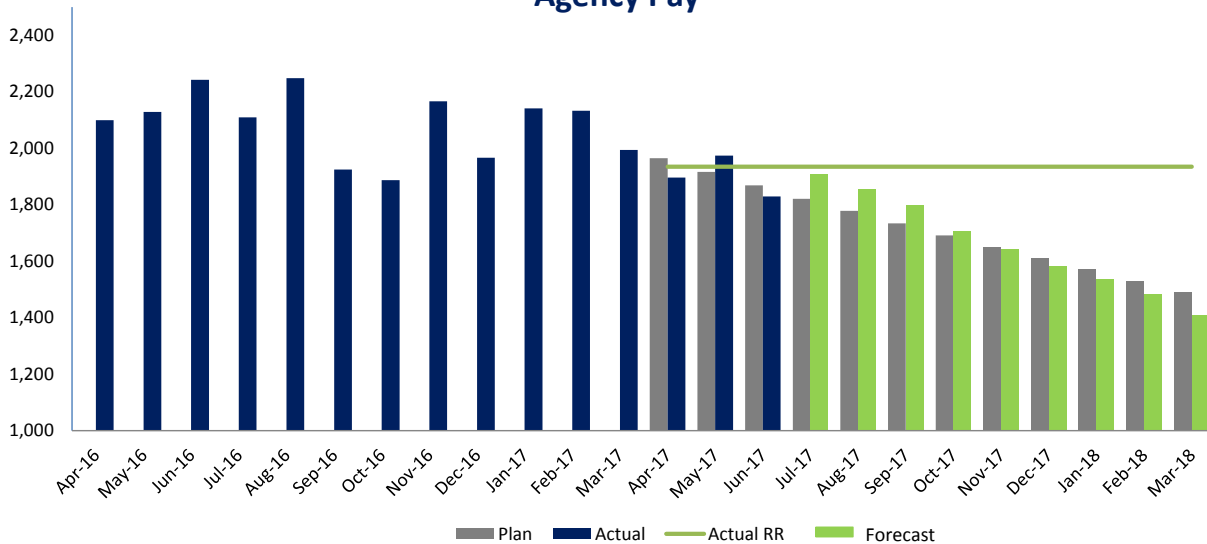
Total Pay Excluding Agency Pay



Total Pay excluding Agency Pay

- Plan and forecast reflects a downward trajectory which requires full CIP delivery and tight discipline throughout the organisation to ensure this is delivered.
- Year to date run rate of £48.3m needs to reduce by £1.9m to £46.4m in order to achieve Forecast. This includes the financial impact from the supplementary CIP of £3.5m from Month 7 onwards.
- This remains a key risk to the Financial Plan especially in relation to ED Floor, Nursing enhancements and premium spend within E&F.

Agency Pay



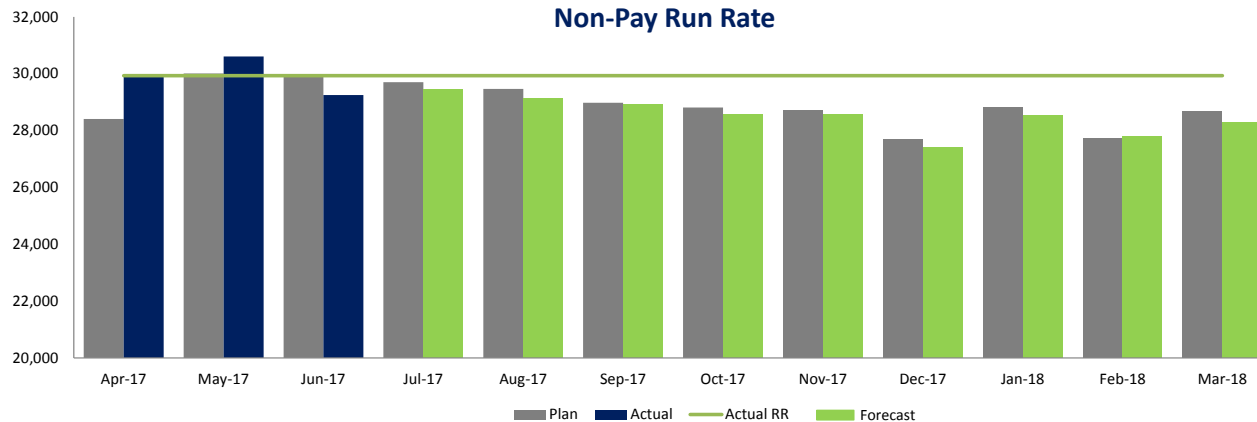
Agency Pay

- The planned trajectory is supported by specific actions identified and tracked through the Premium Pay group.
- Year to date costs are in line with Plan but this needs continued focus and control to ensure the planned reduction is achieved.
- Year to date run rate of £1.9m needs to reduce by £0.2m to £1.7m in order to achieve Forecast.

Non-Pay: YTD £89.8m, £1.4mA to Plan

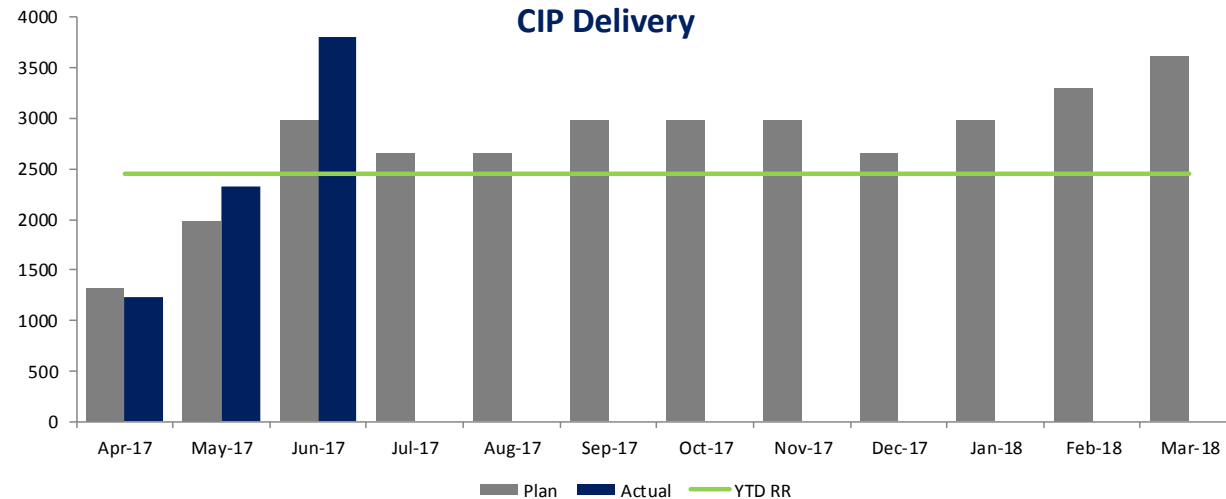
	Jun-17				YTD				
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
Direct	Blood Products	112	136	(24)	(21%)	318	440	(122)	(38%)
	Drugs	8,865	8,089	776	9%	24,926	25,145	(219)	(1%)
	Clinical Supplies & Services	8,963	8,964	(1)	(0%)	26,038	27,721	(1,683)	(6%)
	Transport	250	235	15	6%	750	721	30	4%
	Recharges	121	289	(167)	(138%)	699	730	(31)	(4%)
	Misc & General Supplies	3,294	3,581	(288)	(9%)	10,514	10,344	171	2%
External Providers	Healthcare	946	988	(41)	(4%)	2,856	2,792	64	2%
	Non Healthcare	1,196	1,122	73	6%	3,599	3,585	14	0%
Overheads	Establishment, Premises & Plant	3,898	3,541	357	9%	11,704	11,218	486	4%
	Consultancy	49	24	25	51%	146	265	(119)	(81%)
	Clinical Negligence	2,283	2,283	0	0%	6,850	6,850	0	0%
Total: Non Pay	29,977	29,253	724	2%	88,400	89,810	(1,410)	(2%)	

- **Direct Costs: £65.1m, £1.9mA to Plan** including £0.5m release of central reserves in line with Plan. Underlying overspend predominantly relates to over-performance of patient activity.
- **External Providers: YTD cost of £6.4m** which is £0.1mF to Plan.
- **Overheads: YTD expenditure of £18.3m,** £0.4mF to Plan



CIP: YTD £7.4m, £1.1mF to Plan

	Jun-17				YTD				FY Plan £'000
	Plan £'000	Actual £'000	F / (A) £'000	%	Plan £'000	Actual £'000	F / (A) £'000	%	
CHUGGS	263	374	111	42%	657	868	211	32%	3,443
CSI	238	292	54	23%	656	788	132	20%	3,461
ESM	216	622	406	188%	648	1,215	567	88%	4,971
ITAPS	201	256	55	27%	614	605	(9)	(1%)	3,750
MSS	159	290	131	82%	505	665	159	31%	3,331
RRCV	351	294	(57)	(16%)	1,051	966	(85)	(8%)	4,621
Womens & Childrens	163	340	176	108%	415	581	167	40%	4,678
Total: CMG	1,592	2,467	876	55%	4,547	5,688	1,141	25%	28,255
Facilities	168	163	(4)	(3%)	503	490	(13)	(3%)	3,170
Corporate Total	124	87	(37)	(30%)	427	392	(35)	(8%)	1,601
Adjustment to NHSI Pl:	1,091	1,091	0	0%	798	798	0	0%	0
Total CIP	2,974	3,808	834	28%	6,274	7,368	1,094	17%	33,026

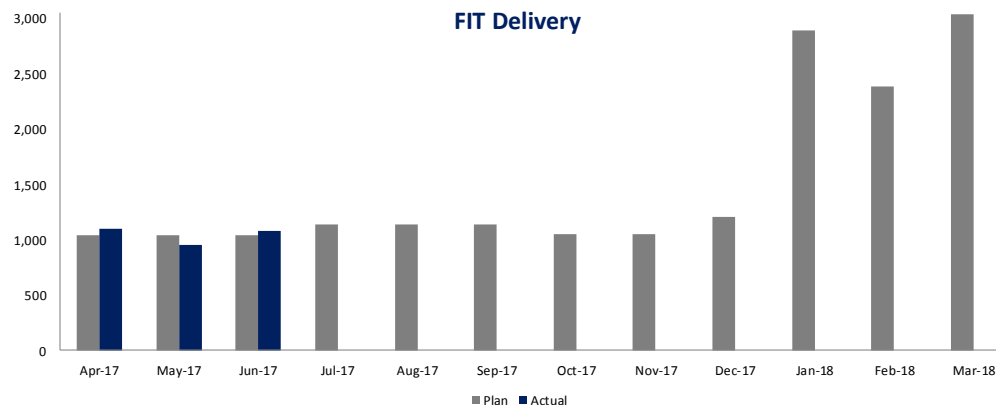


- CIP delivery is favourable to Plan driven by non-recurrent schemes with recurrent schemes in line with Plan.
- Achieving CIP is critical to delivering the financial plan with the key risks being:
 - Unidentified CIP – currently £1.6m
 - Identified schemes not yet been through the quality assurance process
- In order to fund the additional costs in relation to Demand and Capacity and approved investments, there is an additional requirement of £3.5m supplementary CIP in relation to in-year pay bill and workforce reductions.
- This excludes the supplementary CIP of £3.5m and potential re-badging of Finance Improvement and Technical which will be included from Month 4.
- The specific CIP Paper provides further insight into the performance of CIP.

Finance Improvement and Technical (FIT)

	Plan FY £'000	YTD			
		Plan £'000	Actual £'000	Variance £'000	
Strategic	HEEM: NR Funding	500	0	0	0
	Strategic review of subsidiary company: Depreciation & Dividend savings	4,000	0	0	0
	Total Value: Strategic	4,500	0	0	0
Statement of Financial Position Management	Accruals: apply policy of £10k de-minimus	500	0	0	0
	Deferred Income (inc Research): release	150	0	0	0
	Revenue to Capital transfer	1,000	250	250	(0)
	Duplicate invoices / VAT review	150	0	0	0
	Depreciation: extending lives and pausing charges for assets not in use	2,086	522	582	60
Total Value: Statement of Financial Position	3,886	772	832	60	
Contingency and Reserves	Investment Slippage	741	491	435	(56)
	Release of contingency to fund approved investments	5,972	1,493	1,493	0
	Junior Doctors: manage to best case of £2m	300	75	75	0
Total Value: Contingency and Reserves	7,013	2,059	2,003	(56)	
Technical	Defer NHSE settlement over 2 years	1,217	304	304	0
	QIPP EDD - 100% pass through	784	0	0	0
	CIP PCI Schemes alignment	780	0	0	0
Total Value: Technical Actions	2,781	304	304	0	
All Actions	Strategic	4,500	0	0	0
	Statement of Financial Position	3,886	772	832	60
	Contingency and reserves	7,013	2,059	2,003	(56)
	Technical	2,781	304	304	0
Total Value: All Actions	18,180	3,135	3,139	4	

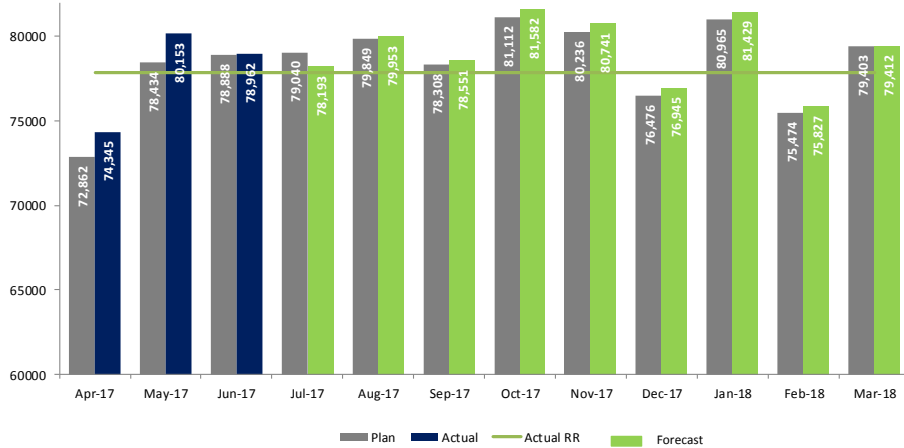
- 2017/18 Plan identified £18m of Finance Improvement and Technical actions in order to help meet the planned deficit
- Month 3 is in line with Plan but this needs on-going monitoring to ensure the actions are executed and delivered in line with planning assumptions.
- A specific Finance Improvement and Technical work-stream has been set up to track deliverables, risk and mitigations.
- This excludes rebadging of FIT of £7.6m which will be included as CIP from Month 4.



I&E Run Rates

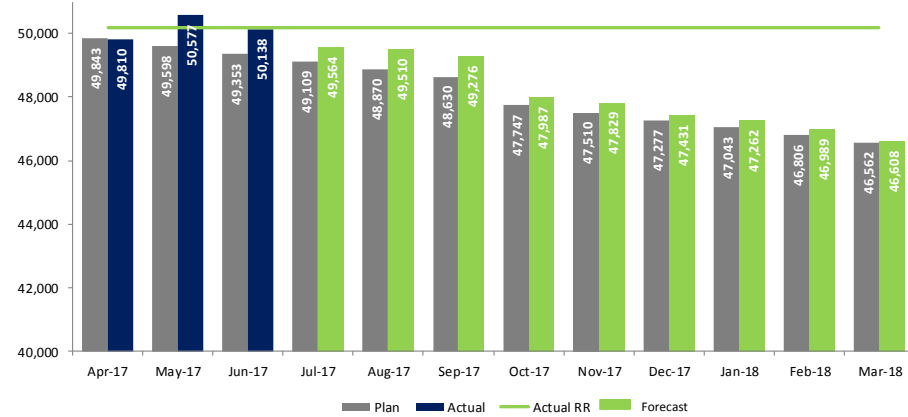
Income

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



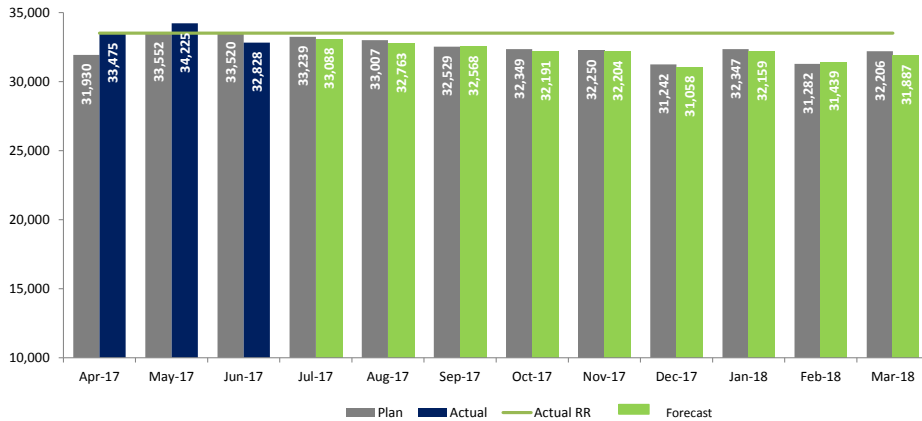
Pay

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



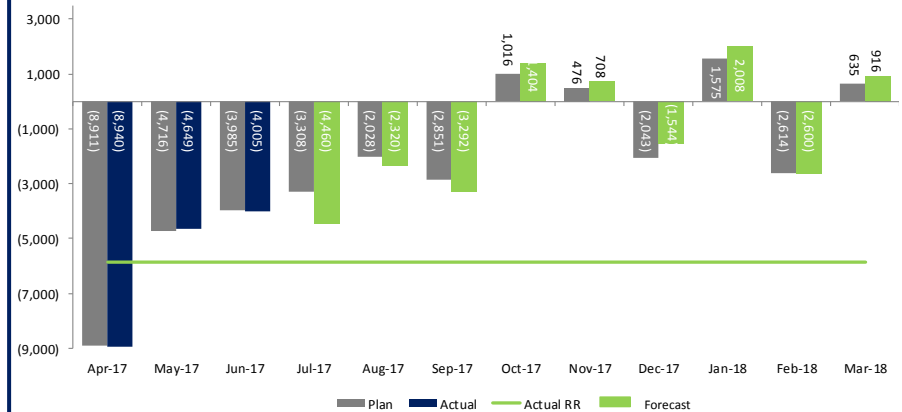
Non-Pay

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



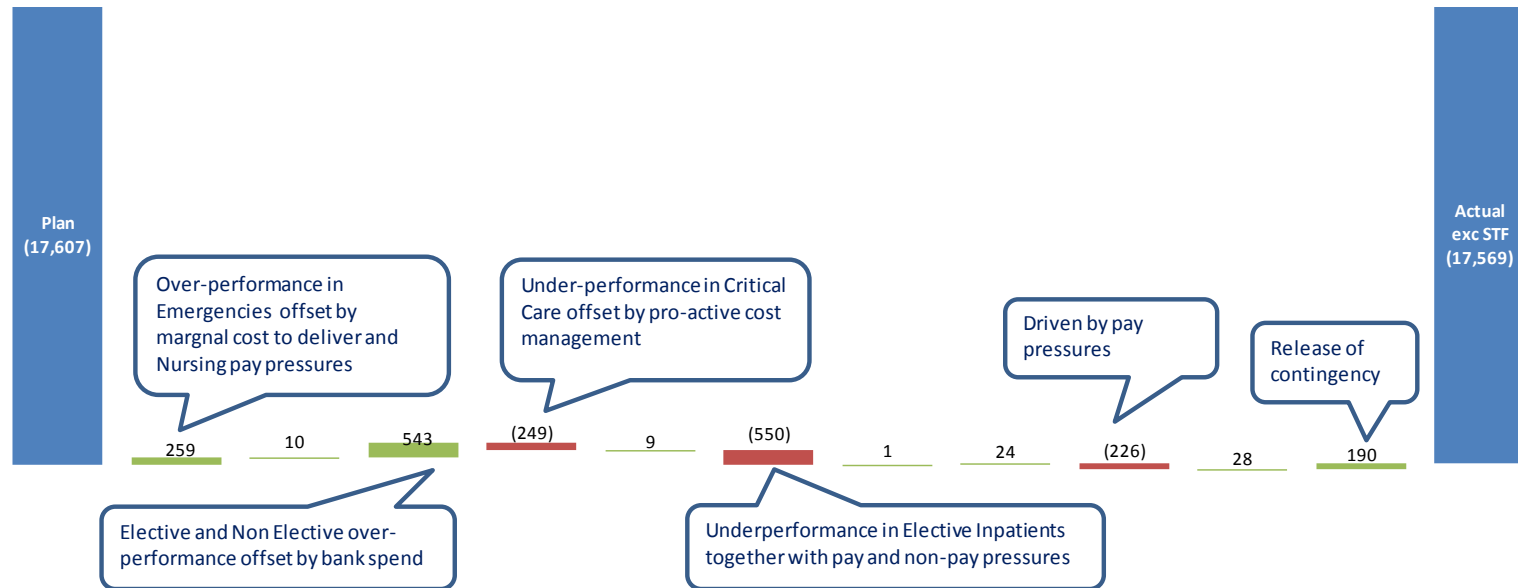
Net Deficit

Whilst similar to prior years the Month 3 deficit cannot be sustained which needs close monitoring and tight financial discipline over costs and non-essential spend.



June performance by CMG and Directorates

Most areas are performing in line with Plan together with underlying performance risk in ITAPS, RRCV and Estates.



£(000)	Plan	CHUGGS	CSI	ESM	ITAPS	MSS	RRCV	W&C	Corporate	Facilities	R&I	Centre	Actual exc STF	Var F/(A)
NHS PCI	196,852	1,654	73	1,554	17	364	(530)	351	10	0	0	(534)	199,811	2,959
Other Income	33,291	(114)	376	106	(35)	33	(85)	180	242	(65)	55	(336)	33,648	357
Pay	(143,044)	(597)	(724)	(708)	(242)	(68)	98	(142)	(79)	(263)	96	849	(144,825)	(1,781)
Pay: Agency	(5,750)	(132)	40	427	56	(126)	73	(43)	49	13	2	(310)	(5,700)	50
Non Pay	(88,400)	(552)	245	(836)	(47)	(194)	(107)	(346)	(197)	89	(126)	660	(89,810)	(1,410)
Non-Operating Costs	(10,556)				2				(0)			(139)	(10,693)	(137)
Net Deficit	(17,607)	259	10	543	(249)	9	(550)	1	24	(226)	28	190	(17,569)	38

Forecast Outturn: In line with Plan with delivery risk

Value Drivers

	Outturn		F / (A)	
	Plan	Outturn		
Day Case	107,394	108,531	1,137	1%
Elective Inpatient	22,096	22,570	474	2%
Emergency / Non-elective Inpatient	115,913	117,138	1,225	1%
Emergency Department	245,952	234,166	(11,785)	(5%)
Outpatient Procedures	966,237	980,670	14,433	1%
Critical Care Services	56,507	56,125	(382)	(1%)
Renal Dialysis & Transplant	174,056	174,136	80	0%
Other	9,004,614	8,385,873	(618,741)	(7%)

I&E £'000

	Outturn		F / (A)	
	Plan £'000	Outturn £'000	£'000	%
Patient Care Income	807,716	812,323	4,607	1%
Non Patient Care Income	133,331	133,771	440	0%
Total Income	941,047	946,093	5,046	1%
Pay Costs	(557,728)	(562,362)	(4,634)	(1%)
Pay Costs: Agency	(20,620)	(20,620)	0	0%
Non-Pay	(346,998)	(346,472)	525	0%
Total Operating Costs	(925,346)	(929,454)	(4,108)	0%
EBITDA	15,701	16,640	938	6%
Non-Operating Costs	(42,455)	(43,413)	(958)	(2%)
Retained Deficit	(26,754)	(26,774)	(20)	(0)
Adjustments for Donated Assets	54	74	20	(0)
Net Deficit	(26,700)	(26,700)	(0)	(0)
Agency: Total Pay	3.57%	3.54%	(0.03%)	
EBITDA: Income	1.67%	1.76%	0.09%	
Net Deficit: Income	(2.84%)	(2.82%)	0.02%	

- **Overall:** Net deficit of £26.7m in line with Plan.
- **Detailed Forecast:** At Month 3, the Trust is forecasting an unmitigated net deficit of £37m which is £10.3mA to Plan with under-delivery driven by:
 - Unidentified CIP;
 - Emergency Department performance and cost management;
 - Vascular activity
- Following mitigation of the above, there are a number of risks associated with the delivery of the Planned deficit predominantly:
 - Full delivery of CIP plus delivery of £3.5m Incremental CIP to fund the financial pressure driven by Demand and Capacity work stream and approved cost pressures
 - CMGs and Corporate Directorates to perform in line with Plan
 - Execution of Finance Improvement and Technical actions

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

Key

- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- F refers to a Favourable variance to plan
- A refers to an Adverse variance to plan

June 2017: Statement of Financial Position

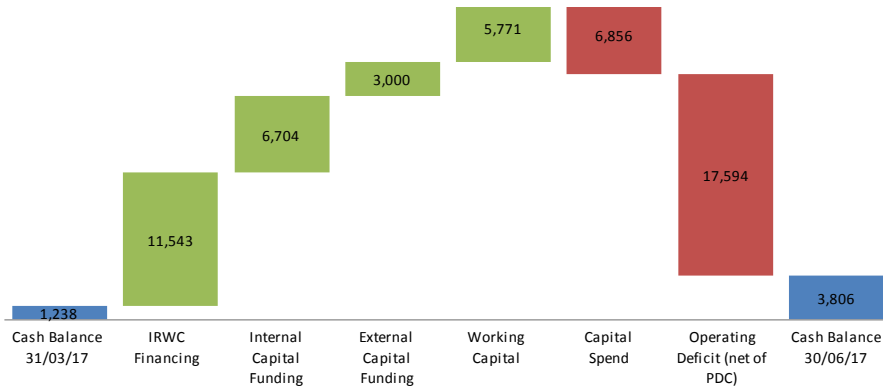
	Mar-17 £000's Actual	Jun-17 £000's Actual	Movement £000's Actual
Non Current Assets			
Property, plant and equipment	398,261	398,192	(69)
Intangible assets	11,467	11,618	151
Trade and other receivables	2,669	2,699	30
TOTAL NON CURRENT ASSETS	412,397	412,509	112
Current Assets			
Inventories	19,975	22,383	2,408
Trade and other receivables	55,953	55,284	(669)
Cash and cash equivalents	1,238	3,806	2,568
TOTAL CURRENT ASSETS	77,166	81,473	4,307
Current Liabilities			
Trade and other payables	(110,675)	(116,291)	(5,616)
Dividend payable	0	(1,839)	(1,839)
Borrowings / Finance Leases	(4,474)	(4,540)	(66)
Other Liabilities / Loan	(1,838)	(2,162)	(324)
Provisions for liabilities and charges	(475)	(362)	113
TOTAL CURRENT LIABILITIES	(117,462)	(125,194)	(7,732)
NET CURRENT ASSETS (LIABILITIES)	(40,296)	(43,721)	(3,425)
TOTAL ASSETS LESS CURRENT LIABILITIES	372,101	368,788	(3,313)
Non Current Liabilities			
Borrowings / Finance Leases	(7,531)	(7,550)	(19)
Other Liabilities / Loan	(132,235)	(146,453)	(14,218)
Provisions for liabilities and charges	(1,562)	(1,606)	(44)
TOTAL NON CURRENT LIABILITIES	(141,328)	(155,609)	(14,281)
TOTAL ASSETS EMPLOYED	230,773	213,179	(17,594)
Public dividend capital	331,956	331,956	0
Revaluation reserve	77,427	77,427	0
Retained earnings	(178,610)	(196,204)	(17,594)
TOTAL TAXPAYERS EQUITY	230,773	213,179	(17,594)
Ratios			
Liquidity Ratio Days (Working Capital Balance / Annual Operating Expenses)	(24)	(33)	
Liquidity Ratio Metric	1	1	

- **Total Assets Employed:** Movement of £17.6m representing year to date Trust deficit (before donated asset adjustment).
- **Non-Current Assets :** Increased by £0.1 reflecting spend on the emergency floor offset by depreciation charges.
- **Working capital:**
 - Stock growth in Trust Med Pharmacy (TMP) stock holding and non pharmacy stock holding locations
 - Receivables have decreased by £0.7m
 - Payables have increased by £5.6m
- **Cash:** June balance of £3.8m which is above the £1m cash balance to support working capital due to late cash received and TMP cash.
- **Dividend payable:** £1.8m represents three months' PDC dividend accrued with cash payment due in September.
- **Non-current liabilities:**
 - £11.5m revolving working capital facility and revenue support loan.
 - £3.0m emergency floor capital loan.
- **Liquidity Ratio:** We continue to be high risk in terms of our continuity of service risk rating relating to liquidity days and have achieved a score of 1, which is in line with our plan.

Score range from 1 (High Risk) to 4 (Low Risk).

Cash

Year to Date Cash Bridge £'000



Cash Bridge:

- Opening cash balance of £1.2m, in line with our plan.
- Funded YTD net deficit of £17.6m by drawing down £11.5m of our Interim Revolving Working Capital Facility (IRWC) and revenue support loan.
- Improvement in working capital and internal capital funding enabled interest payment and capital expenditure of £6.9m.

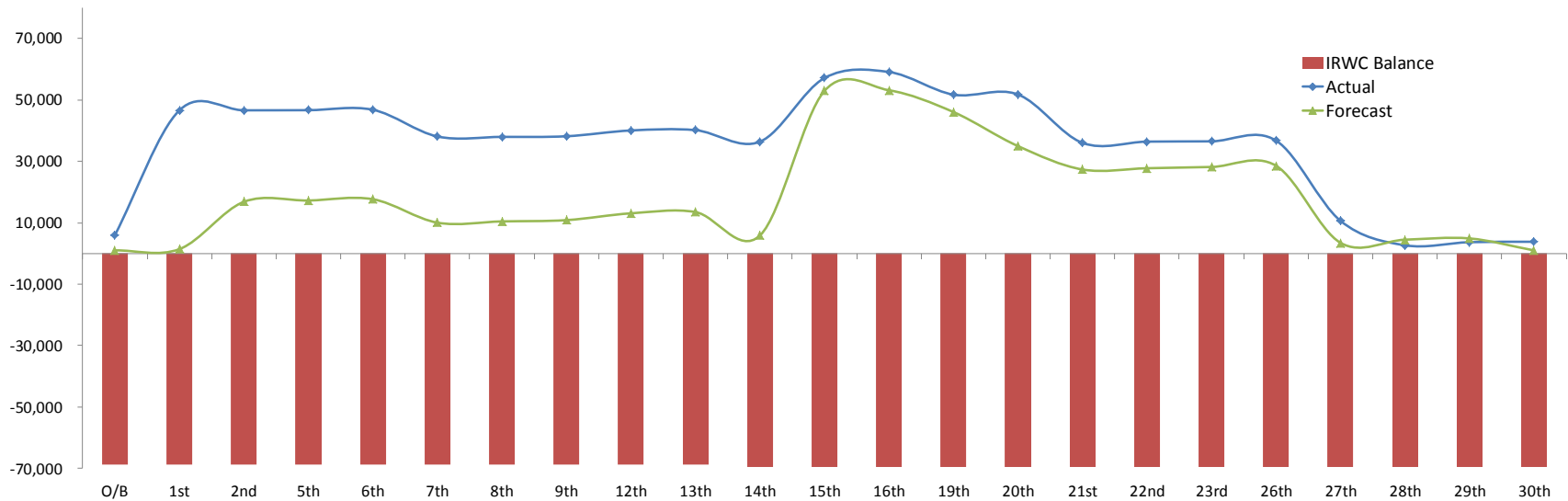
Full Year Forecast

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

Daily Cash Balance

- In line with forecast the mid-month peak is driven by receipt of SLA income and reduction on 27th June is the monthly payroll run.

Daily Cash Balance



Liquidity

	Liquidity			Ageing				Total	
	Opening	YTD	Movement	0 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Over 90 Days	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	
Accounts Receivable	NHS receivables - revenue	37,100	27,972	9,128	10,771	1,404	10,534	5,263	19%
	Non-NHS receivables - revenue	12,498	12,526	(28)	5,954	1,481	268	4,823	39%
	Provision for the impairment of receivables	(1,024)	(1,082)	58	(1,082)				
	Non-NHS prepayments and accrued income	4,797	12,623	(7,826)	12,623				
	PDC dividend prepaid to DH	764	0	764	0				
	VAT	1,195	2,645	(1,450)	2,645				
	Other receivables	623	600	23	600				
	TOTAL	55,953	55,284	669	31,511	2,885	10,802	10,086	1
Accounts Payable	NHS payables - revenue	(9,327)	(30,927)	21,600	(22,648)	(258)	(630)	(7,391)	24%
	NHS accruals and deferred income	(5,584)	0	(5,584)	0				
	Non-NHS payables - revenue	(49,480)	(34,306)	(15,174)	(21,420)	(7,996)	(3,669)	(1,221)	4%
	Non-NHS payables - capital	(4,808)	(1,186)	(3,622)	1,904	(511)	(2,578)	(1)	0%
	Non-NHS accruals and deferred income	(21,449)	(25,344)	3,895	(7,454)	(1,765)	(1,486)	(14,639)	58%
	Social security costs	(6,439)	(6,604)	165	(6,604)				0
	Accrued Interest on DH Loans	(123)	(866)	743	(866)				0
	Tax	(5,584)	(5,722)	138	(5,722)				
	Other	(7,881)	(11,336)	3,455	(11,336)				
	TOTAL	(110,675)	(116,291)	5,616	(74,146)	(10,530)	(8,363)	(23,252)	1
Total Liquidity	(54,722)	(61,007)	6,285						

Liquidity: movement of £6.3m from opening position due to:

- Accounts receivable: decrease of £0.7m driven by an decrease in NHS receivables.
- Accounts payable: increase of £5.6m with material movement NHS payables.

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

- NHS receivables: 19% representing £5.3m being over 90 days with NHS Leicester City CCG £1.4m; NHS West Leicester CCG at £2.0m.
- Non-NHS receivables: 39% representing £4.8m being over 90 days with the largest component being Overseas Visitors at £2.7m (56%). The balance consists of various items which in isolation are not material.
- NHS payables-revenue: £7.4m, representing 24% in excess of 90 days with NHS Business Services Authority at £4.3m (58%).
- Further analysis of receivables is provided in the separate cash report.

Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	June YTD		Prior month YTD	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	36,769	167,516	27,160	109,749
Total Invoices Paid Within Target	11,693	109,390	8,041	51,546
Percentage Invoices Paid Within Target (target 95%)	32%	65%	30%	47%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	35,295	135,551	26,012	90,489
Total Non-NHS Invoices Paid Within Target	11,391	91,047	7,859	40,571
Percentage of Non-NHS Invoices Paid Within Target	32%	67%	30%	45%
Local SME payables				
Total SME Invoices Paid in the Year	268	2,578	184	2,129
Total SME Invoices Paid Within Target	110	614	45	434
Percentage of Local SME Invoices Paid Within Target	41%	24%	24%	20%
NHS Payables				
Total NHS Invoices Paid in the Year	1,206	29,387	964	17,131
Total NHS Invoices Paid Within Target	192	17,729	137	10,541
Percentage of NHS Invoices Paid Within Target	16%	60%	14%	62%

- **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 no 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 66% by volume (currently 32%) and 85% by value (currently 65%).

Capital: June £6.9m spend, £0.5mA to Plan

	Scheme Name	Plan £'000	June-17 Actual £'000	F / (A) £'000	Annual Budget £'000	Commitments £'000
Reconfiguration	Emergency Floor	3,309	3,308	1	7,033	6,801
	ICU Beds	0	0	0	4,200	0
	LRI Beds	0	0	0	3,330	0
	GH Beds	0	0	0	6,485	0
	Imaging: GH & LRI	0	0	0	4,291	0
	Treatment Centre	16	23	(7)	600	23
	ITU LRI	15	15	0	100	0
	Women's Service	15	16	(1)	849	0
	Children's Hospital	25	40	(15)	1,000	0
	Theatres LRI	18	25	(7)	381	0
	Beds Workstream & DCP	31	48	(17)	0	0
	Additional Beds - LRI	30	12	18	0	3
	Diagnostics & Clinical Support Services	5	2	3	0	0
	LRI Wards (EMCHC)	30	-10	40	0	0
	Supporting Infrastructure	14	0	14	1,000	0
	Vascular	158	328	(170)	0	628
	ED Project IT Issues	60	429	(369)	0	20
	ED Access & Transport	36	36	0	0	32
	Other Reconfiguration	0	1	(1)	0	0
		Sub-total: Reconfiguration	3,762	4,273	(511)	29,269
Estates & Facilities	Estates & Facilities	648	694	(46)	8,520	1,364
	MES Installation Costs	158	188	(30)	1,500	32
	Other Estates & Facilities	0	(7)	7	480	3
		Sub-total: Estates & Facilities	806	875	(69)	10,500
IM&T	IM&T Infrastructure	60	43	17	3,526	4
	EDRM	0	(6)	6	0	0
	Nervecentre	0	0	0	474	0
	Heartsuite System	80	28	52	100	0
	Electronic Blood Tracking System	30	14	16	0	20
	Learning Mgt System	21	0	21	18	0
	Other IM&T	0	56	(56)	0	68
		Sub-total: IM&T Schemes	191	135	56	4,118
Medical Equipment	Medical Equipment Executive	50	6	44	4,371	26
	Radiotherapy CT Scanner	0	0	0	629	0
	CCU Monitoring	0	1	(1)	0	250
	Linear Accelerator	100	109	(9)	39	189
		Sub-total: Medical Equipment	150	116	34	5,039
Finance Leases	Donations	175	83	92	300	0
	MES Finance Lease Additions	1,285	1,284	1	5,138	0
	Optimed	0	30	(30)	0	0
	Other Expenditure	0	60	(60)	0	0
		Sub-total: Finance Leases	1,460	1,457	3	5,438
	TOTAL CAPITAL EXPENDITURE	6,369	6,856	(487)	54,364	9,463

Year to date:

- Total Capital expenditure of £6.9m driven by Emergency Floor and MES.
- **Emergency Floor:** Total spend of £3.3m with a further commitment of £7m
- Overspend driven by Vascular and ED Project IT issues with work underway in order to ensure the annual plan is not exceeded.
- **Capital Plan:** Total expected capital expenditure of £54.4m funded by:
 - £31.5m depreciation;
 - £7.0m external borrowing for the Emergency Floor development;
 - £5.1m finance lease additions funded through revenue;
 - £0.3m donations.

Finance and use of resources metrics

In September 2016 NHSI published the final Single Oversight Framework. Within this there are a series of financial measures, below we have shown the Trust score against these measures based on NHSI definitions. Whilst each metric carries equal weighting if any metric scores a 4 the overall score cannot be any higher than 3.

	Metric	Definition	Actual	Score
Financial Sustainability	Capital Service Capacity	Degree to which generated income covers financial obligations <i>EBITDA + Interest receivable / Annual Debt Service (Interest Payable + Dividend + borrowings repaid)</i>	(1)	4
	Liquidity (days)	Days of operating costs held in cash or cash equivalent forms including wholly committed lines of credit available for drawdown <i>Working Capital Balance / Year to Date Operating Costs</i>	(25)	4
Financial efficiency	EBITDA margin	I&E Surplus or Deficit / Total Revenue	(7.50%)	4
Financial Controls	Distance from financial plan	Year to date actual I&E surplus/deficit in comparison to year to date planned I&E surplus/deficit <i>Difference between I&E Plan Margin and I&E Actual Margin</i>	0.10%	1
	Agency spend	Distance from agency ceiling <i>Year to date variance to Ceiling / Year to date Ceiling</i>	0.90%	1
Overall	Total (weighted) score	All five metrics are equally weighted to give an overall mean score however scoring a 4 on any measure results in a 3 overall at best		2

Risks & Mitigation

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