Finance Report Month 5 2016/17

Brighton and Sussex University Hospitals NHS Trust

Summary

The Trust is reporting an £18.1m year to date deficit at the end of August 2016. The Trust has assumed £3.6m of STF income for the year to date, which is £2.4m behind the planned position. The forecast for the year remains at £15.57m deficit (matching the control total) but a revised forecast is being prepared for Board approval. There are significant risks to delivering the planned level of financial performance. The phasing of the financial plan requires significant improvement in performance from quarter 2 on so achieving activity and income targets, controlling costs and meeting efficiency savings are all key risks, as indicated by this month's variance. The year to date position assumes full receipt of income, i.e. without any deduction for CQUIN and with full reinvestment of marginal rate tariff, and the deferring of Financial Improvement Programme costs to later quarters to match savings made.

Financial Sustainability Risk Rating — R

Current Month Metrics

Financial Metric	Plan	Actual	Variance
Liquidity Ratio Metric	1	1	0
Capital Servicing Capacity metric	1	1	0
I&E Margin rating	1	1	0
I&E Margin Variance From Plan rating	1	1	0
Financial Sustainability Risk Rating	1	1	0

Forecast Outturn Metrics

Financial Metric	Plan	Actual / Forecast	Variance
Liquidity Ratio Metric	1	1	0
Capital Servicing Capacity metric	1	1	0
I&E Margin rating	1	1	0
I&E Margin Variance From Plan rating	1	4	3
Financial Sustainability Risk Rating	1	2	1

The Financial Sustainability Risk Rating plan of 1 is the lowest possible rating and mirrors the revenue and liquidity pressures faced by the Trust. The liquidity rating has reduced to 1 in month because of a slightly worsening liquidity ratio. The forecast calculation reflects the submitted projection that the control total deficit will be met, hence the rating of 4 for variance to plan and 2 overall.

Surplus (Deficit) £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	(12,143)	(18,107)	5,964
Year End Forecast £k	(15,570)	(15,570)	0

The Trust is behind plan for the year to date position. This is partly due to the stepped increase in the efficiency programme in July, not being achieved due to delays in identifying detailed schemes. These plans will now be taken forward by the Programme Management Office. The position also includes £3.6m of Sustainability and Transformation funding, this is £2.4m behind plan. The position also continues to reflect a shortfall in SIFT income of £1.2m. The forecast position assumes that the sustainability funding will be receivable in full for the year and that the Financial Improvement Programme (FIP) will support delivery of the control total. The forecast has been reviewed in depth over recent weeks and a number of further financial controls are being considered separately by the Board, in order to enable the Trust to improve its forecast outturn.

Cash £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	8,277	3,629	4,647
Year End Forecast £k	3,167	3,668	(502)

The cash holding is behind plan because of the continuing pressure on working capital and expected August receipts actually received in early September. A further £2.5m of the Revolving Working Capital Facility was drawn down in month increasing the balance on the facility to £18.1m. This facility underpins the revenue deficit but does not cover the working capital shortfall which relates to the large commissioning income accrual from last year. Any additional drawdowns in year over and above the control deficit of £15.6m will be repaid in March 2017. The year end level of cash holding is aligned with the DH maximum cash holding assumed for an organisation with revenue support and is dependent on achievement of the planned control total and planned revenue funding.

Income £k — A

	Plan	Actual / Forecast	Variance
Year to Date £k	228,821	229,418	(597)
Year End Forecast £k	549,636	554,606	(4,970)

Overall the Trust is reporting a year to date income position £0.6m above plan and forecasting £5.0m over performance for the full year, relating mainly to PbR excluded drugs and devices, which is offset by additional cost.

Operating Costs £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	226,811	233,385	6,574
Year End Forecast £k	531,476	536,276	4,800

Overall the Trust is £6.6m overspent against operating costs. Pay is overspending by £0.9m compared to plan and non-pay expenditure is overspent by £5.7m. The pay overspend is largely as a result of delays to delivering the planned efficiency savings. The non pay variance is partly attributable to drugs which are PbR excluded items and offset with income and partly due increases in expenditure on disposable items, outsourcing and slippage in non-pay savings. The forecast position assumes recovery of these overspends on pay and non-pay. The agency spend year to date is £3.8m, against the annual ceiling for the Trust of £12.8m. Further reducing costs to achieve the control total is a significant challenge.

Capital £k — G

	Plan	Actual / Forecast	Variance
Year to Date £k	48,570	34,906	13,664
Year End Actual £k	95,453	95,708	(255)

The Strategic Capital programme is behind plan, with delays on both the decant programme and the Radiotherapy East scheme but it is expected to be completed in line with plan by the year end. The Operational Capital programme is similarly behind plan but forecast to be completed by the year end. The Operational Capital funding has been restricted in 2017; the current Operational Capital programme shows a forecast spend of £20.2m, with an over programming level to allow for slippage and changed priorities in year.

Cost Improvement Plans £k — R

	Plan	Actual / Forecast	Variance
Year to Date £k	4,942	3,063	1,879
Year End Forecast £k	25,104	25,104	0

The Trust is currently under performing against the efficiency programme. This is due to the £1.2m stepped increase in the efficiency programme in July not being achieved due to the ongoing work on developing the detailed efficiency schemes. There has been some over performance in Income through improvements in revenue capture, this has mitigated some of the impact of the stepped increase. It is assumed that the full year plan will be achieved, but there are risks with this as there is another stepped increase of £1.2m per month in October. The WAVE system that will be used in the PMO to monitor progress is being rolled out across the Trust.

Key Performance Metrics — R

	Year to Date	Forecast Outturn
NHS Financial Performance	R	R
Financial Efficiency	R	R
Underlying Surplus / Deficit	R	R
Capital and Cash	R	R
Trust Overall RAG Rating	R	

The Trust has an overall RAG rating of RED.

Key Risks:

The key risks to forecast outturn for 2016/17 are

Income – the Trust has set a plan higher than Commissioner contracts on the basis that QIPP schemes will not materially reduce Trust activity. CQIUN payments are assumed at 100% and that penalties / fines are reinvested in the Trust. The Trust has yet to finalise the payment of 15-16 year end contract income, with the value disputed up to £15m.

The full amount of SIFT income has been assumed, the latest schedule from HEE KSS advises that we will receive £3.6m less than last year.

Operational costs – there are risks around the nursing expenditure and the overspend cannot continue without having an impact on the full year position, if expenditure continues at the same rate for the rest of the year the overspend on nursing will be over £3.5m .

Full delivery of the £25.1m Efficiency Programme has been forecast, work is ongoing to move the plans worked up alongside McKinsey's into implementation to ensure delivery.

If there is no improvement to the financial position the full year deficit could be in excess of £50m, this is based on an extrapolation of the current position plus expenditure on CQC improvements and the financial improvement programme.

Finance Report Month 5 2016/17 — Surplus — R

The Trust is reporting an overspend compared to budget of £6m after the first 5 months of the year. This is partly due to the stepped increase in the efficiency programme of £1.2m from July as well as no income for sustainability and transformation plan funding assumed in July and August which equates to £2.4m. The forecast position assumes that the sustainability funding will be receivable in full for the year and that the Financial Improvement Programme (FIP) will support delivery of the control total. The forecast has been reviewed in depth over recent weeks and a suite of further financial controls is being considered separately by the Board, to enable the Trust to meet improve its forecast outturn.

	Plan £k	Actual £k	Variance £k
(Surplus)/Deficit	**12,143**	**18,107**	**5,964**

Year End Forecast

	Plan £k	Forecast £k	Variance £k
(Surplus)/Deficit	**15,570**	**15,570**	**0**

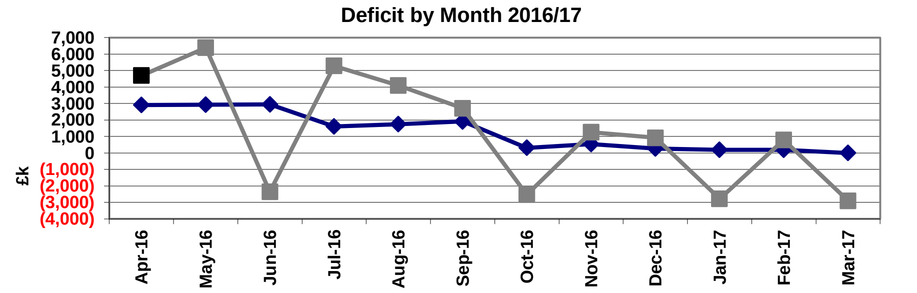
The Trust has an unfavourable variance to August partly due to delays in the development and implementation of savings plans. The non achievement of the STF over the last two months as well as SIFT income being lower than planned also contributes to the current position. In addition there continues to be an overspend on disposable items, which needs addressing, and high levels of overspend on drugs, particularly PBR excluded drugs, and outsourcing. The last two costs are offset with income.

The year end position assumes the achievement of planned performance. The plan is for a reducing level of monthly expenditure over the year through delivery of the financial improvement programme, and additional financial controls which are being determined by the Board. The phased forecast reflects the lead time for developing detailed efficiency plans and the implementation of them. It has been assumed that the STF funding will be received in full, subject to financial performance improvement. There continues to be significant risk to the forecast for the rest of the year depending on the achievement of the financial improvement plans as well as any impact from the CQC report.

	Plan £k	Actual £k	Variance £k
Income	(228,821)	(229,418)	(597)
Pay	142,523	143,433	910
Non-Pay	84,288	89,952	5,664
EBITDA *	**(2,010)**	**3,968**	**5,977**
EBITDA %	**0.9**	**-1.7**	
Profit / Loss on Disposal of Fixed Assets	-	-	-
Interest Payable	2,281	2,358	77
Interest Receivable	(20)	(18)	2
Depreciation	9,060	9,116	56
Impairments	-	-	-
Public Dividend Capital	2,990	2,990	-
Net (Surplus) / Deficit	**12,301**	**18,413**	**6,110**
Reverse Impairment	-	-	-
Other Adjustments	(158)	(306)	(148)
Reverse IFRS technical charge	-	-	-
Performance against Control Total	**12,143**	**18,107**	**5,964**
Surplus %	**-5.3**	**-7.9**	

*** EBITDA** Earnings before Interest Taxation Depreciation and Amortisation

	Plan £k	Actual £k	Variance £k
Income	(549,636)	(554,606)	(4,970)
Pay	334,279	333,970	(309)
Non-Pay	197,197	202,306	5,109
EBITDA *	**(18,160)**	**(18,330)**	**(171)**
EBITDA %	**3.3**	**3.3**	
Profit / Loss on Disposal of Fixed Assets	-	-	-
Interest Payable	5,617	5,883	266
Interest Receivable	(48)	(46)	2
Depreciation	20,997	20,996	(1)
Impairments	15,500	15,500	-
Public Dividend Capital	7,385	7,385	-
Net (Surplus) / Deficit	**31,291**	**31,387**	**96**
Reverse Impairment	(15,500)	(15,500)	-
Other Technical Adjustments	(221)	(317)	(96)
Reverse IFRS technical charge	-	-	-
Performance against Control Total	**15,570**	**15,570**	**0**
Surplus %	**-2.8**	**-2.8**	



Plan reflects the profile of the Trusts plan to deliver £15.6m Deficit

Finance Report Month 5 2016/17 — Cash — A

The plan reflects the April 2016 NHSI submission and is based achievement of the planned control total for the year. Capital funding for 3Ts and the Radiotherapy East scheme are in place for the year and is being drawn down to match capital expenditure. The year end level of cash holding is aligned with the DH maximum cash holding assumed for an organisation with revenue support and is dependent on achievement of the planned control total and planned revenue funding. A Cash Committee has been established to manage the risks around liquidity.

	Plan £k	Actual £k	Variance £k
Cash Balance	**8,277**	**3,629**	**(4,647)**

The August cash holding is below plan.

Year End Forecast

	Plan £k	Actual £k	Variance £k
Cash Balance	**3,167**	**3,668**	**502**

The plan and actual cash holding has been aligned to the DH maximum cash holding assumed for an organisation with revenue support.

Year to Date

	Plan £k	Actual £k	Variance £k
EBITDA	2,010	(3,968)	(5,977)
Non Cash I&E Items	-	-	-
Movement in Working Capital	(3,975)	(8,894)	(4,919)
Provisions	105	(74)	(179)
Cashflow from Operations	**(1,860)**	**(12,936)**	**(11,075)**
Capital Expenditure	(46,974)	(31,674)	15,300
Cash receipt from asset sales	-	-	-
Cashflow before financing	**(48,834)**	**(44,610)**	**4,225**
PDC Received	32,064	25,328	(6,736)
PDC Repaid	-	-	-
Dividends Paid	-	-	-
Interest on Loans and leases	(1,331)	(1,331)	-
Interest received	20	18	(2)
Drawdown on debt	24,391	22,257	(2,134)
Repayment of debt	(1,376)	(1,376)	-
Cashflow from financing	**53,768**	**44,896**	**(8,872)**
Net Cash Inflow / (Outflow)	**4,934**	**286**	(4,647)
Opening Cash Balance	3,343	3,343	-
Closing Cash Balance	**8,277**	**3,629**	**(4,647)**

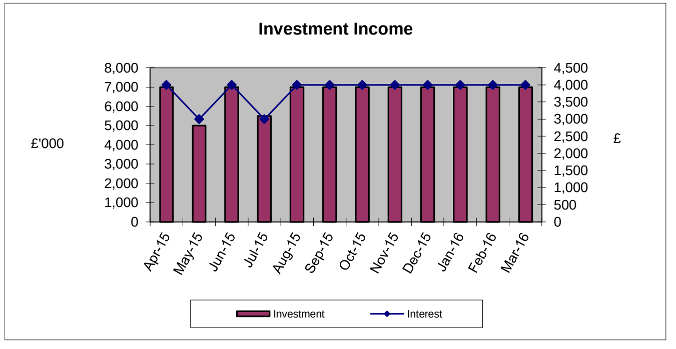
Year End Forecast

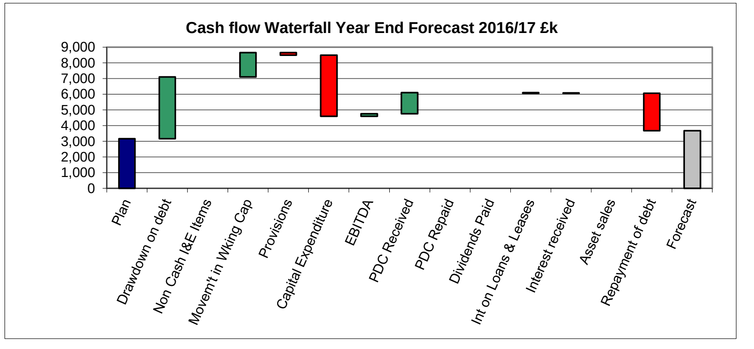
	Plan £k	Actual £k	Variance £k
EBITDA	18,160	18,330	171
Non Cash I&E Items	-	-	-
Movement in Working Capital	3,809	5,368	1,559
Provisions	(1,350)	(1,529)	(179)
Cashflow from Operations	**20,619**	**22,169**	**1,551**
Capital Expenditure	(90,357)	(94,251)	(3,894)
Cash receipt from asset sales	-	-	-
Cashflow before financing	**(69,738)**	**(72,082)**	**(2,343)**
PDC Received	62,916	64,260	1,344
PDC Repaid	-	-	-
Dividends Paid	(7,386)	(7,386)	-
Interest on Loans and leases	(5,344)	(5,378)	(34)
Interest received	48	46	(2)
Drawdown on debt	26,574	30,505	3,931
Repayment of debt	(7,246)	(9,640)	(2,394)
Cashflow from financing	**69,562**	**72,407**	**2,845**
Net Cash Inflow / (Outflow)	(176)	325	-
Opening Cash Balance	3,343	3,343	-
Closing Cash Balance	**3,167**	**3,668**	**502**

A further £2.5m of the Revolving Working Capital Facility was drawn down in month increasing the in year balance on the facility to £18.1m. This facility underpins the revenue deficit but does not cover the working capital shortfall which relates to the large commissioning income accrual form last year. Any increase above the base level planned deficit of £15.6m will have to be repaid in march 2017. Debtors and accrued income remains high but part of this legacy 15/16 income debt has been finalised and will be settled in September. With little improvement in debtors and the revenue position the backlog of overdue creditor accounts continues to increase and this places enormous pressure on creditor payments as well as impacting on day to day operations.

The planned revenue deficit of £15.6m is cash backed by an increase in the Revolving Working Capital Facility to £35.4m.

The 3Ts funding for this year is all PDC backed, and amounts to £64.2m. The monthly drawdown is based on the overall capital funding requirement for that month. This means that any shortfall in operational capital expenditure releases operational capital funding before PDC can be drawn down. The Radiotherapy East loan of £11.2m will be drawn down in year as required.





Risks.
The cashflow is based on the assumption that the forecast control total is achieved, the Trust is paid for the agreed level of performance and the outstanding commissioning income for 15-16 is resolved without loss.

The rolling cashflow spans two financial years and starts with the current month's actual results which are forecast forward another eleven months, to provide a full forward year cashflow forecast.

Year To Date	Plan £k	Actual £k	Variance £k	Year End Forecast	Plan £k	Actual £k	Variance £k	Year End Forecast 16/17	Plan £k
	8,277	3,629	(4,647)		3,167	3,668	502		3,168

	Aug-16 £k Act	Sep-16 £k For	Oct-16 £k For	Nov-16 £k For	Dec-16 £k For	Jan-17 £k For	Feb-17 £k For	Mar-17 £k For	Apr-17 £k For	May-17 £k For	Jun-17 £k For	Jul-17 £k For
EBITDA	(1,031)	492	5,000	1,597	1,952	5,616	2,072	5,570	(104)	(110)	(123)	1,235
Non Cash I&E Items	-	-	-	-	-	-	-	-	-	-	-	-
Movement in Working Capital	(5,940)	7,040	1,304	(6,890)	2,368	5,800	(1,766)	6,406	4,155	(2,578)	(1,853)	(6,704)
Provisions	(20)	36	(1,538)	57	35	-	-	(45)	127	4	(20)	(18)
Cashflow from Operations	**(6,991)**	**7,568**	**4,766**	**(5,236)**	**4,355**	**11,416**	**306**	**11,931**	**4,178**	**(2,684)**	**(1,996)**	**(5,487)**
Capital Expenditure	(3,715)	(5,277)	(8,761)	(6,317)	(9,572)	(18,435)	(4,091)	(10,124)	(8,648)	(14,247)	(10,039)	(1,038)
Cash receipt from asset sales	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow before financing	**(10,706)**	**2,291**	**(3,995)**	**(11,553)**	**(5,217)**	**(7,019)**	**(3,785)**	**1,807**	**(4,470)**	**(16,931)**	**(12,035)**	**(6,525)**
PDC Received	3,045	3,662	5,857	7,201	4,965	5,251	6,597	5,399	7,024	8,504	8,000	4,631
PDC Repaid	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid	-	(3,693)	-	-	-	-	-	(3,693)	-	-	-	-
Interest on Loans and leases	(222)	(1,174)	(222)	(444)	(222)	(223)	(406)	(1,356)	(220)	(445)	(221)	(223)
Interest received	4	4	4	4	4	4	4	4	4	4	4	4
Drawdown on debt	2,543	1,057	1,537	5,240	414	-	-	-	1,938	9,176	4,374	2,163
Repayment of debt	(440)	(2,376)	(128)	(552)	(128)	(128)	(440)	(4,512)	(128)	(552)	(128)	(128)
Cashflow from financing	**4,930**	**(2,520)**	**7,048**	**11,449**	**5,033**	**4,904**	**5,755**	**(4,158)**	**8,618**	**16,687**	**12,029**	**6,447**
Net Cash Inflow / (Outflow)	**(5,776)**	**(229)**	**3,053**	**(104)**	**(184)**	**(2,115)**	**1,970**	**(2,351)**	**4,148**	**(244)**	**(6)**	**(78)**
Opening Cash Balance	9,405	3,629	3,400	6,453	6,349	6,165	4,050	6,019	3,668	7,816	7,572	7,566
Closing Cash Balance	**3,629**	**3,400**	**6,453**	**6,349**	**6,165**	**4,050**	**6,019**	**3,668**	**7,816**	**7,572**	**7,566**	**7,488**

Finance Report Month 5 2016/17 — Income — A

Overall the Trust is reporting a year to date position of £0.6m above plan. This is £0.3m higher than last month, with an increase in the level of over performance in contract activity. As part of the risk assessment the Trust has increased the level of provision it was holding for Commissioner challenges to £1.2m. Commissioner activity is over performing against non elective, critical care, outpatients and PbR excluded items. There is a shortfall in SIFT funding of £1.2m in the year to date position, the Trust was expecting a reduction, but not to this level and is discussing this with HEE. The Trusts is forecasting a year end over performance of £5.0m on income relating mainly to PbR excluded drugs/devices.

Year To Date

	Plan £k	Actual £k	Variance £k
Total Income	**(228,821)**	**(229,418)**	**(597)**

Year End Forecast

	Plan £k	Forecast £k	Variance £k
Total Income	**(549,636)**	**(554,606)**	**(4,970)**

Overall the Trust is reporting an over-achievement year to date of £0.6m. The STF has not been included for July and August. Income from activity is over performing for non elective, critical care, outpatients and PbR excluded drugs/devices. Income from NHS Trust has moved to a surplus mainly due to pathology where additional work has been done for ESHT, SASH and QVH. The Trust has increased its provision for commissioner challenges to £1.2m. There is a shortfall on SIFT of £1.2m and research projects of £0.6m.

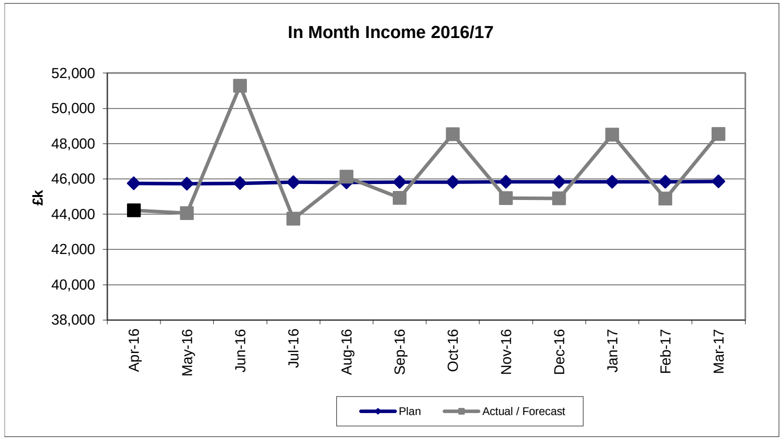
The Trust is forecasting to over perform against the planned levels by £5.0m. The over performance on contract income is due to PbR exclusions and is offset by expenditure. The position assumes the reinvestment of contract adjustments and penalties and there is a risk to securing this level of income, above the provision held. The shortfall on other patient related income is due mainly to under performance on the pathology joint venture target.

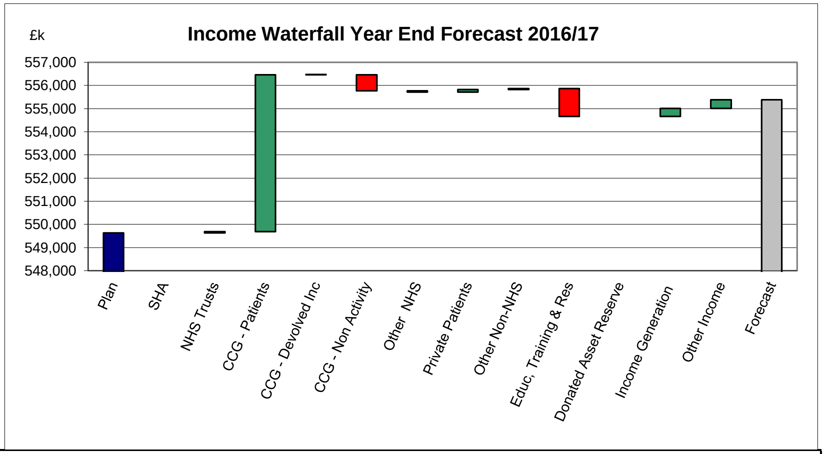
Year To Date

	Plan £k	Actual £k	Variance £k
Income			
NHS Trusts	(3,404)	(3,517)	(112)
Clinical Commissioning Groups	(200,626)	(203,085)	(2,460)
Other NHS	(32)	(5)	27
Private Patients	(1,892)	(1,974)	(82)
Other Non-NHS	(713)	(754)	(41)
Other Patient Related Income	(919)	(454)	465
Local Authority Income	(1,794)	(1,899)	(104)
Overseas Visitors Income	(93)	(141)	(47)
Income From Activities	**(209,473)**	**(211,828)**	**(2,356)**
Education & Training Income	(13,530)	(12,125)	1,405
Research & Development Income	(2,741)	(2,129)	612
Transfers from Donated Asset Reserve	0	0	0
Income Generation	(903)	(1,036)	(132)
Other Income	(2,174)	(2,300)	(126)
Other Operating Income	**(19,348)**	**(17,589)**	**1,759**
Total Income	**(228,821)**	**(229,418)**	**(597)**

Year End Forecast

	Plan £k	Forecast £k	Variance £k
Income			
NHS Trusts	(8,403)	(8,459)	(56)
Clinical Commissioning Groups	(481,601)	(487,686)	(6,085)
Other NHS	(76)	(19)	57
Private Patients	(4,592)	(4,699)	(106)
Other Non-NHS	(1,710)	(1,752)	(41)
Other Patient Related Income	(2,205)	(1,478)	728
Local Authority Income	(4,306)	(4,400)	(94)
Overseas Visitors Income	(247)	(294)	(47)
Income From Activities	**(503,141)**	**(508,786)**	**(5,645)**
Education & Training Income	(32,459)	(31,258)	1,201
Research & Development Income	(6,579)	(6,384)	195
Transfers from Donated Asset Reserve	0	0	0
Income Generation	(2,173)	(2,520)	(348)
Other Income	(5,284)	(5,657)	(373)
Other Operating Income	**(46,495)**	**(45,820)**	**675**
Total Income	**(549,636)**	**(554,606)**	**(4,970)**





Risks

The Trust has set an income plan higher than the value of the signed contracts by £4.4m. The difference is due to the assessment of QIPP plans & the impact of the Clinical Networks workstream.
The Trust is forecasting full delivery of CQUIN of £9.6m. Delivery will have challenges and the Trust may not receive the full value
The Trust is assuming full reinvestment of contract penalties by Commissioners who may have a different plan.
Some elements of the NHSE plan have still to be finalised such as RTT activity, the Radiotherapy plan and its QIPP program
The Trust has yet to finalise the payment of 15-16 year end contract income, with the value disputed up to £15m

Finance Report Month 5 2016/17 — Operating Costs — R

Overall the Trust is reporting a £6.6m overspend against operating costs. Pay expenditure is overspent by £0.9m and non-pay expenditure is overspent by £5.7m. The Trust has spent £3.8m on agency staff in the year to date against the annual ceiling of £12.8m. The target of further reducing costs through cost improvements continues to be a significant challenge and risk.

Year To Date

	Plan £k	Actual £k	Variance £k
Pay	**142,523**	**143,433**	**910**
Non Pay	**84,288**	**89,952**	**5,664**
Operational Costs	**226,811**	**233,385**	**6,574**

Year End Forecast

	Plan £k	Forecast £k	Variance £k
Pay	**334,279**	**333,970**	**(309)**
Non Pay	**197,197**	**202,306**	**5,109**
Operational Costs	**531,476**	**536,276**	**4,800**

The Trust is overspent by £6.6m on operating costs at month 5. The pay costs in the month are lower than the average for the first quarter. The Trust is £5.7m overspent on Non Pay budgets, with the highest levels of overspend continuing to be on drugs. This is partially due £2.9m of expenditure on PBR excluded drugs & devices which is offset with income. The rest is a mixture of an increase in consumables in all areas, some of which relates to increased activity and some to an ongoing increase in disposable spend, continued outsourcing activity offset with income and some slippage in the stepped increase on non pay efficiencies amounting to £0.9m for the year to date.

The forecast position assumes that the PbR excluded drugs & devices is offset with income and the remaining year to date overspend on non pay is recovered over the next 7 months. Whilst the Financial Improvement Programme work done with McKinsey's has identified schemes to further reduce our costs, additional financial control measures are being considered by the board to manage the pay overspend down by the end of the year. As identified elsewhere, the monthly pay budgets fall from £28.9m to £27.2m by year end. The actual for actual was £28.4m so reducing it by £1.2m by the end of the year continues to be a significant risk. This risk will increase if there are significant staffing and safety implications as a result of the CQC report.

Year To Date

	Plan £k	Actual £k	Variance £k
Pay			
Management	5,971	5,640	(331)
Medical and Dental Staff	42,159	42,489	330
Nursing & Midwifery	53,936	54,813	876
Other Healthcare	19,386	19,695	308
Ancillary Staff	6,105	6,043	(61)
Administrative & Clerical	13,782	13,381	(401)
Maintenance Staff	1,226	1,092	(134)
Other Staff	(69)	258	326
Trust Chair & Non-Executive Directors	26	23	(4)
Total Pay	**142,523**	**143,433**	**910**
Non-Pay			
Drugs & Medical Gases	28,878	31,870	2,992
Supplies and Services - Clinical	23,573	25,340	1,767
Supplies and Services General	2,793	3,415	622
Establishment Expenses	2,744	2,423	(322)
Transport Expenses	504	563	59
Premises	8,642	8,582	(60)
Purchase of Healthcare from Non NHS provider	2,550	3,235	685
Consultancy	1,067	869	(197)
Other Non Pay/Reserves	(317)	259	576
CNST Premium	8,032	8,031	(1)
Education and Training	1,725	1,491	(234)
Services from Other NHS Bodies	3,972	3,760	(211)
Audit Fees	123	112	(11)
Total Non-Pay	**84,288**	**89,952**	**5,664**
Total Expenditure	**226,811**	**233,385**	**6,574**

Full Year

	Plan £k	Forecast £k	Variance £k
Pay			
Management	14,331	14,202	(129)
Medical and Dental Staff	99,634	99,723	89
Nursing & Midwifery	128,006	127,916	(91)
Other Healthcare	46,219	46,464	245
Ancillary Staff	14,651	14,499	(152)
Administrative & Clerical	33,076	32,409	(667)
Maintenance Staff	2,942	2,719	(223)
Other Staff	(4,644)	(4,024)	620
Trust Chair & Non-Executive Directors	63	62	(1)
Total Pay	**334,279**	**333,970**	**(309)**
Non-Pay			
Drugs & Medical Gases	69,063	73,509	4,446
Supplies and Services - Clinical	56,115	52,529	(3,586)
Supplies and Services General	6,693	6,509	(185)
Establishment Expenses	6,307	5,982	(326)
Transport Expenses	1,210	1,282	72
Premises	20,953	20,808	(145)
Purchase of Healthcare from Non NHS provider	5,972	6,528	557
Consultancy	2,533	2,981	448
Other Non Pay/Reserves	(4,218)	259	4,478
CNST Premium	19,277	19,276	(1)
Education and Training	4,141	3,812	(329)
Services from Other NHS Bodies	8,856	8,551	(305)
Audit Fees	295	280	(15)
Total Non-Pay	**197,197**	**202,306**	**5,109**
Total Expenditure	**531,476**	**536,276**	**4,800**

Finance Report Month 5 2016/17 — Statement of Financial Position

The Trust Statement of Financial position is produced on a monthly basis, and reflects changes in the asset values, as well as movement in liabilities. The plan is the NHSI plan submitted in April 2016.

	1 April 16	Year to Date			
	Actual	Plan	Actual	Variance	Notes
	£k	£k	£k	£k	
Property, Plant and Equipment	351,733	396,647	377,588	(19,059)	1
Intangible Assets	425	410	410	-	
Other Assets	2,744	3,485	2,880	(605)	
Non Current Assets	**354,902**	**400,542**	**380,878**	**(19,664)**	
Inventories	7,118	7,030	7,706	676	
Trade and Other Receivables	61,075	38,766	58,689	19,923	2
Cash and Cash Equivalents	3,344	8,278	3,629	(4,649)	3
Non Current Assets Held for Sale	63	-	63	63	
Current Assets	**71,600**	**54,074**	**70,087**	**16,013**	
Trade and Other Payables	(80,635)	(64,299)	(77,326)	(13,027)	2
Borrowings	(7,934)	(6,330)	(7,934)	(1,604)	4
Other Financial Liabilities	-	-	-	-	
Provisions	(236)	(339)	(231)	108	
Other Liabilities	-	-	-	-	
Current Liabilities	**(88,805)**	**(70,968)**	**(85,491)**	**(14,523)**	
Borrowings	(121,934)	(146,553)	(142,815)	3,738	4
Trade and Other Payables	-	(1,657)	-	1,657	
Provisions	(1,787)	(1,870)	(1,767)	103	
TOTAL ASSETS EMPLOYED	**213,976**	**233,568**	**220,892**	**(12,676)**	
Financed by:					
Public Dividend Capital	(247,752)	(279,816)	(273,080)	6,736	
Retained Earnings	79,401	87,980	79,399	(8,581)	
Surplus/(Deficit) for Year	-	12,301	18,413	6,112	
Revaluation Reserve	(45,625)	(54,033)	(45,624)	8,409	4
TOTAL TAXPAYERS EQUITY	**(213,976)**	**(233,568)**	**(220,892)**	**12,676**	

	Full Year			
	Plan	Forecast	Variance	Notes
	£k	£k	£k	
Property, Plant and Equipment	406,803	409,324	2,521	1
Intangible Assets	389	389	-	
Other Assets	3,025	2,420	(605)	
Non Current Assets	**410,217**	**412,133**	**1,916**	
Inventories	7,200	7,876	676	
Trade and Other Receivables	45,320	60,352	15,032	2
Cash and Cash Equivalents	3,168	3,668	500	3
Non Current Assets Held for Sale	-	63	63	
Current Assets	**55,688**	**71,959**	**16,271**	
Trade and Other Payables	(67,429)	(84,527)	(17,098)	2
Borrowings	(4,780)	(6,384)	(1,604)	
Other Financial Liabilities	-	-	-	
Provisions	(250)	(142)	108	
Other Liabilities	-	-	-	
Current Liabilities	**(72,459)**	**(91,053)**	**(18,594)**	
Borrowings	(144,416)	(144,349)	67	
Trade and Other Payables	(1,657)	-	1,657	
Provisions	(1,943)	(1,840)	103	
TOTAL ASSETS EMPLOYED	**245,430**	**246,850**	**1,420**	
Financed by:				
Public Dividend Capital	(310,668)	(312,012)	(1,344)	
Retained Earnings	87,980	79,399	(8,581)	4
(Surplus)/Deficit for Year	31,291	31,387	96	
Revaluation Reserve	(54,033)	(45,624)	8,409	4
TOTAL TAXPAYERS EQUITY	**(245,430)**	**(246,850)**	**(1,420)**	

1. Capital expenditure is below plan because of slippage on all schemes; strategic capital is behind plan by £7.6m and operational capital by £6.0m.

2. Part of the 15-16 legacy balance has been agreed which will reduce debtors in September but at the end of August this and the other legacy CCG debts and accrued income remain outstanding and therefore in excess of plan. The value of creditors (trade and other payables) remains excessively high because of the unpaid debtors and revenue deficit.

3.PDC of £3m was drawn down in month to support the 3Ts expenditure and a further £2.5m of revenue funding which increases the Revolving Working Capital Facility provided in year to £18.1m. This facility is supporting the revenue deficit but cashflow remains very difficult because of the significant commissioning debts outstanding from last year.

4. The variance compared to plan for the Revaluation Reserve relates to the final valuation on the estate at last year end.

1. The full year capital expenditure plan assumes that the agreed PDC funding of £64.2m is released in year, there are no delays to the 3Ts work programme, the Radiotherapy East programme is completed in year, the balance of the capital investment loan (£9.2m) is drawn down in year; and that there is no slippage in the operational programme in year.

2&3. Debtors, creditors and cash are dependent on the Trust revenue performance for the year. The current forecasts are based on the achievement of the planned deficit. Revenue funding of £15.6m has already been drawn down in support of the planned revenue deficit. The excess over this £15.6m will be repaid in March unless there is an agreed increase in the revenue support.

5. The change in the revaluation reserve reflects the results of the annual estates valuation carried out at the end of last year by Gerald Eve and includes this transfer from the revaluation reserve to retained earnings.

Finance Report Month 5 2016/17 — Capital — G

The capital report shows Strategic and Operational capital expenditure for year to date and the full year outturn compared to the NHSI submitted plan.

	Plan £k	Actual £k	Variance £k
Strategic Capital	**39,050**	**31,481**	**7,569**
Operational Capital	**9,520**	**3,425**	**6,095**
Total	**48,570**	**34,906**	**13,664**

Year End Actual

	Plan £k	Actual £k	Variance £k
Strategic Capital	**75,556**	**75,556**	**-**
Operational Capital	**19,897**	**20,152**	**(255)**
Total	**95,453**	**95,708**	**(255)**

Strategic Capital. The variance between actual and budget amounts to £3.1m and is due to the continued delays in the Decant work. The Helideck, the Trauma Lift and site wide services, and drainage diversions work is progressing well. PDC funding of £3m was received in August and a further £3.7m has been requested for September. Although little work was undertaken on the Radiotherapy East scheme work is restarting in September and this has crystallised work done but not invoiced for the period to August.
Operational Capital. There have been a number of delays to operational schemes, particularly the Medical equipment replacement and Estates schemes where design specifications have been reworked and access to areas denied and this has slowed expenditure on many of the schemes. These issues are being addressed and it is expected that work on schemes will accelerate from October through to the end of the year.

Strategic Capital. The Plan and Forecast of £64.25m for 3Ts is in line with the DH cashflow expectation and overall Capital requirement but a new programme is under review which will result in a revised forecast. The decant forecast reflects the NHSI instruction to include the additional Clinical Admin Building (CAB) works within 3Ts scope.
Operational Capital. The funding available in 2016-17 is severely restricted, particularly as much of the funding is pre--committed to the completion of schemes approved and started in the previous year. This has meant that the funds available for equipment replacement, estates backlog and IT infrastructure are less than requested. The programme has experienced some delays and re-phasing which has resulted in an overall reduction to the programme spend. The CRL limit shows a forecast overspend of £1.9m and this will be managed by changes and slippage in the programme so that the overall programme will be matched to the available capital funding (CRL).

	Plan £k	Actual £k	Variance £k
Income - (CRL excluding donated income)	(53,034)	(34,906)	(18,128)
Strategic Capital			
3Ts Project Team	245	291	(46)
3Ts Main Scheme - Design and Works	29,307	27,154	2,153
3Ts Decant (incl St Marys)	3,847	2,840	1,007
Radiotherapy East	5,651	1,196	4,455
Total Strategic Capital	39,050	31,481	7,569
Operational Capital			
Major Projects (>£1m)			
SPECT CT Nuclear Medicine	1,000	-	1,000
Compact LINACS	1,000	501	499
Electrical Substation - TKT Services	1,400	-	1,400
EPR	386	337	49
Replacement CT PRH	130	-	130
Small Projects (<£1m)			
Medical Equipment Replacement	3,108	823	2,285
IM&T Infrastructure	348	89	259
Estates Infrastructure	1,648	1,114	534
Service Development	500	561	(61)
Total Operational Capital	9,520	3,425	6,095
(Under)/Overspend against CRL	(4,464)	-	(4,464)

	Plan £k	Actual £k	Variance £k
Income - (CRL excluding donated income)	(92,449)	(93,815)	1,366
Strategic Capital			
3Ts Project Team	588	616	(28)
3Ts Main Scheme - Design and Works	59,087	59,059	28
3Ts Decant (incl St Marys)	4,576	4,576	-
Radiotherapy East	11,305	11,305	-
Total Strategic Capital	75,556	75,556	-
Operational Capital			
Major Projects (>£1m)			
SPECT CT Nuclear Medicine	1,000	1,000	-
Compact LINACS	1,000	501	499
Electrical Substation - TKT Services	2,300	2,300	-
EPR	1,008	1,016	(8)
Replacement CT PRH	1,300	1,100	200
Small Projects (<£1m)			
Medical Equipment Replacement	5,639	5,610	29
IM&T Infrastructure	2,008	1,976	32
Estates Infrastructure	3,450	4,139	(689)
Service Development	2,192	2,510	(318)
Total Operational Capital	19,897	20,152	(255)
(Under)/Overspend against CRL	3,004	1,893	1,111

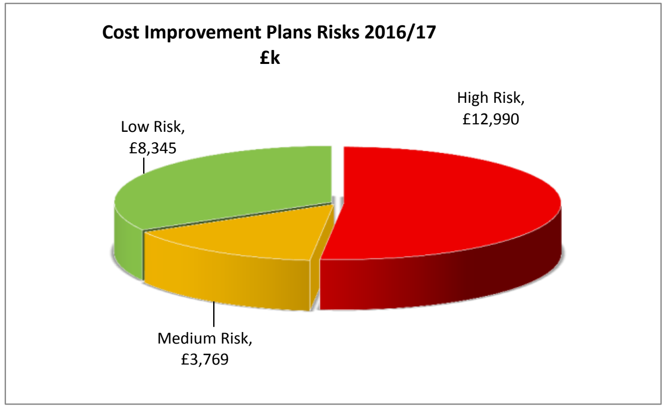
Finance Report Month 5 2016/17 — Cost Improvement Plan — R

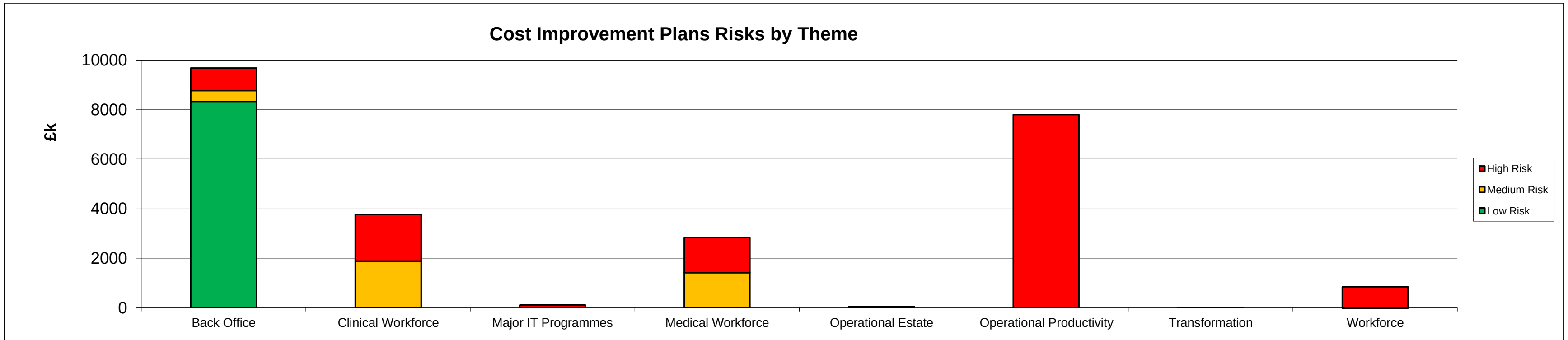
The efficiency programme is behind plan by £1.9m year to date and the forecast is to deliver the full year plan. The stepped increase of £1.2m in July continues an this has not been achieved, but due to over performance on income schemes by maximising revenue capture through improved controls this has mitigated some of this increase. Whilst the cost improvement plan is £25m the total savings plan, including the cessation of overspends or avoidance of risks is £37m. The planned level of savings increases significantly from quarter 2 onward and there are substantial risks to the delivery of these. The Trust has not yet fully identified and signed off schemes totalling the full £37m.

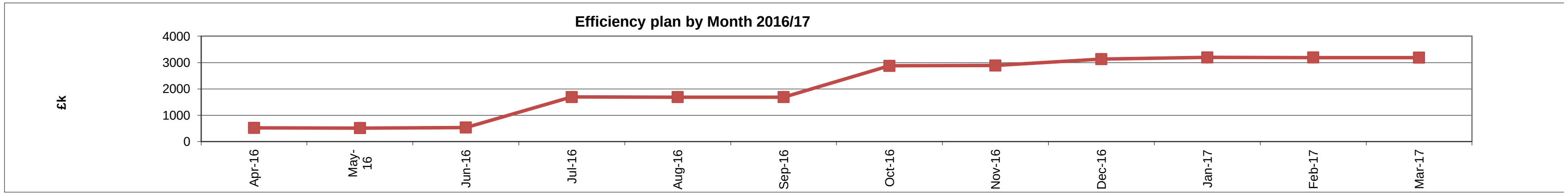
	Year to Date Plan £k	Year to Date Forecast £k	Year to Date Variance £k	Year End Plan £k	Year End Forecast £k	Year End Variance £k
Cost Improvement Plans	**4,942**	**3,063**	**(1,879)**	**25,104**	**25,104**	**(0)**

The efficiency plan is phased over the year with stepped increases to the monthly plan in July, where the plan increases by £1.2m per month and another £1.2m per month in October on top of the July value. There will need to be significant focus to deliver these savings and the work that McKinsey's are doing will support this. The current forecast relies on the delivery of the efficiency programme in full.

Themes		Year To Date Plan £k	Year To Date Actual £k	Year To Date Variance £k	Year End Plan £k	Year End Forecast £k	Year End Variance £k
Back Office & Commercial	Income	941	1,517	575	2,560	2,560	-
Back Office & Commercial	Non Pay	2,422	1,511	(911)	7,125	7,125	(0)
Clinical Workforce	Pay Skill	839	-	(839)	3,776	3,776	-
Major IT Programme	Non Pay	24	-	(24)	108	108	0
Medical Workforce	Pay Skill	568	-	(568)	2,557	2,557	(0)
Medical Workforce	Pay WTE	-	-	-	284	284	(0)
Operational Estate	Non Pay	21	21	(0)	50	50	(0)
Operational Productivity	Income	57	-	(57)	258	258	0
Operational Productivity	Pay WTE	-	-	-	3,889	3,889	-
Operational Productivity	Non Pay	-	-	-	3,662	3,662	-
Transformation	Income	-	-	-	18	18	-
Workforce	Pay Skill	69	15	(54)	316	316	0
Workforce	Pay WTE	-	-	-	500	500	-
		4,942	**3,063**	**(1,879)**	**25,104**	**25,104**	**(0)**
Efficiency Plan Total		**4,942**	**3,063**	**(1,879)**	**25,104**	**25,104**	**(0)**







Aged Debtors

The Trust debtors are a mixture of invoiced debtors, accrued income and prepayments. The level of invoiced debtors has increased by £3m since the end of July and overdue debts (those > 30 days old) increased by £551k.

Invoiced Debtors	Within Terms 1-30 Days £k	1 Month Overdue 31-60 Days £k	2 Months Overdue 61-90 Days £k	3 Months Overdue Over 90 Days £k	Total	Current Month Over 30 Days £k	Prior Month Over 30 Days £k	Notes
CCG's	1,359	1,427	1,102	2,312	6,200	4,841	3,619	1
Trusts	865	294	871	2,585	4,615	3,750	3,767	2
Other NHS	1,640	28	40	1,171	2,879	1,239	1,434	3
Other Debtors	1,965	220	84	1,051	3,320	1,355	1,828	4
Private Patients	340	163	93	647	1,243	903	927	5
Overseas	5	40	10	320	375	370	332	
Total Invoiced Debtors	**6,174**	**2,172**	**2,200**	**8,086**	**18,632**	12,458	11,907	
Provision for Bad Debts (including RTA Provision)					(7,937)			
Accrued Income					38,275			6
Prepayments					7,756			
Other Debtors					1,963			
Total Trade & Other Receivables					**58,689**			

Other Receivables	Current Month	Prior Month £k
Accrued Income		
Work In Progress	3,978	3,978
CCG Service Level Agreements	25,972	24,330
Injury Cost Recovery Fund	2,040	2,040
Other	6,285	10,308
Total Accrued Income	**38,275**	**40,656**
Prepayments		
Maintenance & Other Contracts	6,124	5,581
NHS Litigation	1,632	1,306
Other	0	0
Total Prepayments	**7,756**	**6,887**

1. CCGs. The CCGs overdue balance is a mixture of relatively small old year balances, £1.4m in respect of CQUIN (which was partially paid in 15-16), an element of the 3Ts transitional support (£599k), and PBR exclusions costs (£688k); these balances are all linked to ongoing discussions about the final contract settlements for 15-16. One CCG has withheld three months commissioning income (£2.6m) pending agreement of the 15-16 contracts. The NCA debtors over 30 days have increased to £604k, an increase of £240k on last month but the over 90 days have decreased by £89k.

2. Trusts. The local organisations account for 94% of the total debt (June 93%). Back to back cash settlements of debtor and creditor balances are being used with several of the local organisations to manage the indebtedness but this is not working efficiently. One organisation has placed a stop on settlements pending agreement of SLA contracts for services between the two organisations.

3. Other NHS. The over 90 days is made up of a contract income shortfall for March 16 (518k) which is part of the year end commissioning income discussions and has now been resolved so payment is expected in September. This leaves the EPR funding debt of £627k outstanding.

4. Other Debtors. The improvement in the over 30 days balance has continued with a decrease of £487k compared to July.

5. Private Patient overdue debts have increased by £24k since last month.

6. Accrued income includes uninvoiced income in respect of 15-16 patient activity.