Northern Lincolnshire and Goole NHS Foundation Trust

NLG(17)457

DATE OF MEETING	**28 November 2017**
REPORT FOR	**Trust Board of Directors – PUBLIC**
REPORT FROM	**Marcus Hassall, Director of Finance**
CONTACT OFFICER	**Marcus Hassall, Director of Finance**
SUBJECT	**Finance Report – Month 7**
BACKGROUND DOCUMENT (IF ANY)	**-**
PURPOSE OF THE PAPER:	**For Assurance**
EXECUTIVE SUMMARY **(PLEASE INCLUDE A BRIEF SUMMARY OF THE PAPER, KEY POINTS & ANY RISK ISSUES AND MITIGATING ACTIONS WHERE APPROPRIATE)**	**This report highlights the reported financial position at Month 7 of the 2017/18 reporting period.**
HAVE STAFF SIDE BEEN CONSULTED ON THE PROPOSALS?	**N/A**
HAVE THE RELEVANT SERVICE USERS/CARERS BEEN CONSULTED ON THE PROPOSALS?	**N/A**
ARE THERE ANY FINANCIAL CONSEQUENCES ARISING FROM THE RECOMMENDATIONS?	**Contained within the Report**
IF YES, HAVE THESE BEEN AGREED WITH THE RELEVANT BUDGET HOLDER AND DIRECTOR OF FINANCE, AND HAVE ANY FUNDING ISSUES BEEN RESOLVED?	**N/A**
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	**N/A**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	**Yes**
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO SUSTAINABILITY IMPLICATIONS (QUALITY & FINANCIAL) & CLIMATE CHANGE?	**N/A**
THE PROPOPSALS OR ARRANGEMNTS OUTLINED IN THIS PAPER SUPPORT THE ACHIEVEMENT OF THE TRUST OBJECTIVE(S)	**Yes**
THE PROPOSAL OR ARRANGEMENTS OUTLINED IN THIS PAPER ENDORSE COMPLIANCE WITH THE REGULATORY OR GOVERNANCE REQUIREMENTS LISTED	**N/A**
THE PROPOSALS OR ARRANGEMENTS OUTLINED IN THIS PAPER TAKE ACCOUNT OF REQUIREMENTS IN RESPECT OF EQUALITY & DIVERSITY	**N/A**
ACTION REQUIRED BY THE BOARD	**The Board is requested to review the reported financial position, identify key areas for challenge and review, and suggest further actions that they consider appropriate.**

Finance Update Report 2017/18: Month 07

Report Outline:

This report covers the Trust's financial performance to the end of month 7 (October 2017). It covers the following areas:

- Financial Position Overview;
- I&E Position – including Full Year Forecast;
- Activity, Contracting and Income;
- Expenditure and Savings Programme;
- Capital Programme;
- Balance Sheet, Cash and Working Capital;
- Budgetary Management;
- Reserve Drawings and Plan Changes;
- Financial Special Measures Update;
- Conclusion - Key Themes, Key Risks & Key Actions

The Trust was placed in Financial Special Measures by the regulator NHSI in March 2017. The Trust has presented a first draft Financial Recovery Plan to NHSI, but work is still ongoing, supported by EY, to refine this plan, and satisfy NHSI that it is sufficiently stretching, and represents the best deliverable position.

The Trust must also account for potential upside opportunities and downside risks – and develop plans to mitigate or capitalise.

This work will result in a mid-year re-forecast, against which the Trust will be monitored for the remainder of the year.

1. Financial Position - Overview:

	M07 £m
In Month I&E Surplus/(Deficit)	**(3.94)**
YTD I & E Account Surplus/(Deficit)	**(27.03)**
YTD Plan I & E Surplus/(Deficit)	(7.54)
YTD Variance From Plan – I&E Surplus/(Deficit)	**(19.49)**
Full Year I&E Forecast – Provisional, Without Recovery Action:	**(48.92)**
Full Year I&E Forecast – After Recovery Plan (TBC):	**(43.30)**
Cash Balance at 31st October	**9.84**
Set Minimum Cash Balance (after IRSL support)	1.90
Variance From Minimum Cash Balance	**7.94**
In Month Net Loans (Drawdown)/Repayment	**(6.38)**
YTD Net Loans (Drawdown)/Repayment	**(19.70)**
Total Loans Balance	**(91.88)**

The Trust again ran a significant in month deficit in October, though at £3.9m the first month of Q3 did show some improvement on the Q2 average of £4.2m.

Little positive impact was expected on bottom line spend in October, and little was seen, particularly in terms of clinical pay spend – a critical area, but where steady state spend was delivered in October. November is a critical month, with workforce and control improvements needing to deliver material cost reductions.

Income rose, on the back of increased activity in October, but there was a matching increase in clinical non-pay expenditure.

The end of year forecast deficit that now stands at £48.92m – a marginal improvement on last month's £49.6m. This improvement shows in month progress towards bringing outturn down towards the £43.3m level set out by the Trust in the draft FRP. This plan remains provisional, and subject to further work with NHSI to confirm a definitive position. This work should be completed in December.

Cash drawdowns have now accelerated to accommodate the collapse of the front loaded draw down agreement with CCGs. Cash drawdown profiles will now shadow the I&E deficit, plus required capital spend above depreciation.

The FRP proposals set out by the Trust will deliver a significant further I&E run rate improvement by March. However, there are significant delivery challenges, and the Trust has yet to fully satisfy NHSI that the plan is sufficiently stretching.

2. I&E Position Month 07:

Headline Financial Position:

	YTD Actual £mil	Variance from Plan £mil
Income (excluding STF)	199.25	(6.80)
STF	0.00	(4.60)
Expenditure – Pay, Clinical	(120.64)	(4.67)
Expenditure – Pay, Other	(29.97)	(1.64)
Expenditure – Non Pay, Clinical	(37.35)	(0.65)
Expenditure – Non Pay, Other	(32.36)	(1.98)
EBITDA	**(21.07)**	**(20.32)**
Post EBITDA Items	(5.96)	0.83
Trading Surplus/(Deficit)	**(27.03)**	**(19.49)**
Exceptional Items	0.00	0.00

At the end of month 7 the Trust deficit is £27.03m, following an in month deficit of £3.94m. The Trust submitted a plan for 2017/18 in December 2016 which was consistent with its control total deficit for 2017/18 of £13.29m. The month 7 YTD position is currently running £19.49m adrift of this plan.

The key components of the deficit are:

1) Failure to earn Sustainability and Transformation Fund Income;
2) Shortfalls on income, driven primarily by activity delivery issues;
3) Pressures on clinical staffing costs, including non-delivery of savings targets;
4) Non clinical pay pressures resulting from shortfalls in savings delivery;
5) Expensive agency costs for senior management staff;
6) Additional energy, estates maintenance and IM&T infrastructure costs;
7) Additional non clinical agency/consultancy costs related to the Trust's Special Measures status.

Clinical staffing difficulties continue to contribute directly to the overspend position, through the premium costs of agency staffing covering increased vacancy gaps across establishments.

Productivity increases required to deliver plan have also not been delivered, affecting income recovery. This has been compounded by lower than anticipated urgent care demand.

Savings on non clinical staffing have not matched the targets set out in the plan, and premium costs for interim support and for consultancy, much of it linked to special measures response, have also increased pressure on I&E across pay and non pay. Expenditure on estates maintenance and on IM&T infrastructure improvements have been major issues.

The Trust continues to face investment requirements linked to quality and performance concerns, with regulatory compliance pressures across a number of fronts raising issues for action, often with expenditure consequences. Winter planning and the increased prioritisation of A&E performance have also increased risks, given the absence of confirmed additional funding.

The Trust's draft Recovery Plan highlights in year opportunities, but managing and controlling costs linked to quality and performance improvements is also critical.

I&E Forecast:

£m	YTD Position M07	Worst Case Forecast	Primary Forecast	Best Case Forecast
16/17 Plan Surplus/(Deficit)	**(7.5)**	**(13.3)**	**(13.3)**	**(13.3)**
Income - S&T Income	(4.6)	(10.2)	(10.2)	(10.2)
Income - Securing Base Contract/Plan	(6.8)	(8.1)	(7.1)	(7.0)
Income – AIC Risk Share	0.0	0.0	0.0	0.0
Savings Plan Delivery – Core (£16.6m)	(3.6)	(9.8)	(9.8)	(9.8)
Savings Recovery Plan	0.7	2.5	0.7	6.3
Capped Expenditure Plans (£10.7m)	(5.5)	(10.7)	(9.4)	(9.4)
Expenditure Pressures – Reserves/Overspends	0.7	0.0	1.4	1.4
Special Measures – Interim/Consultancy	(1.3)	(3.0)	(2.4)	(2.3)
Other – Financing, Assets etc	0.8	0.5	1.0	0.8
Forecast Surplus/(Deficit)	**(27.0)**	**(52.0)**	**(48.9)**	**(43.3)**
Variance to Plan (inc STF)	**(19.5)**	**(38.7)**	**(35.7)**	**(30.1)**
Variance to Plan (exc STF)	**(14.9)**	**(28.5)**	**(25.4)**	**(19.8)**

The "Primary" I&E forecast is currently £48.9m. The net shift of £0.7m for the better versus last month reflects the impact of the recovery plan so far confirmed. Where recovery plan actions are yet to be confirmed as completed, they do not feed in to the primary forecast.

The best case is now in line with the draft FRP value of £43.3m deficit. One key issue to note is the removal from best case of the AIC risk share agreement with local CCGs. Contracting positions continue to evolve, but the risk share appears unlikely to operate as agreed by CCGs – indeed it seems likely that NLCCG will attempt to exit existing agreements as part of their Financial Recovery Plan. Contracting risks are elevated, therefore, reflecting longstanding dysfunction in local contracting arrangements.

The range between best and worst case scenarios is closing, though the threat of further affordability driven contracting risk is worrying. On expenditure, worst case savings delivery and winter cost pressures are the principal risks.

Major service or equipment failures remain excluded from forecasting. Additionally, excluded from the forecast at this stage is potential further capacity or activity investments to respond to potential clinical harm linked to RTT and Cancer wait delays, or potential costs from widespread loss of bed capacity through norovirus, flu, or regulatory issues.

Underpinning the adverse forecasts are a range of very challenging operational, workforce and management issues. The FRP currently forecasts a deficit of £43.3m – based around starting to tackle all of these issues.

3. Activity, Contracting and Income:

Key issues and variances on income are as follows:

STF: Net Impact YTD: £4.60m

The Trust had an allocation of £10.24m of STF income in 2017/18. The Trusts performance against all key metrics is adrift of the thresholds required to secure STF income. The Trust will not therefore receive any STF income in the current year.

South Humber CCG Contracts: Net Impact YTD: £1.40m

The Trust has now agreed an Aligned Incentive Contract with its two largest CCGs (in effect a block agreement with risk sharing arrangements which significantly favour the Trust). This has significantly improved the contract baseline “Minimum Income Guarantee” level - though still £2.4m short of the levels set out in the Trust’s plan.

Other Contracts and Income Flows: Net Impact YTD: £5.38m

Despite some evidence of recovery in October, particularly on OP follow ups, planned care productivity remains lower than required, and activity levels are still significantly below the expectations underpinning the income plan. Lower urgent care demand in the early months of the year has also contributed to income on PbR contracts running below plan.

Catering income has been reduced to virtually nil as a result of an outsourcing agreement, with offsetting expenditure reductions (income impact £0.51m). Parking income has been affected by technical delays to a new ANPR scheme (impact (£0.14m).

Activity Position:

Headline activity numbers are as below:

	2017/18 Plan to M07	2017/18 Outturn to M07	Variance vs Plan	%
A&E Attendances	90,860	89,607	(1,253)	(1.38%)
Non Elective Spells	27,103	26,610	(493)	(1.82%)
Elective Spells	4,579	4,009	(570)	(12.45%)
Daycase Spells	32,005	31,900	(105)	(0.33%)
Outpatient Attendances - New	73.672	71,790	(1,882)	(2.56%)
Outpatient Attendances - Review	137,621	146,553	8,932	6.49%

In summary:

- A&E is slightly below the levels forecasted.
- Non elective activity continues to run below forecast levels, though October saw a sharp increase in admitted urgent care demand.
- Elective and daycase plans needed significant increases on last year to start to match underlying demand, and then start to deliver RTT recovery. Daycase activity is above outturn, and is only slightly adrift of the target. Elective admissions remain down on outturn.
- New outpatient activity is fractionally above outturn, but significant increases were required to match plan, and contribute to stabilising and improving RTT waiting times. Delivery has fallen short of this.
- Outpatient review activity was planned to reduce significantly through improved New to Review ratios, and the loss of Dermatology activity. Action to improve backlogs in Ophthalmology and selected other areas have had some success.

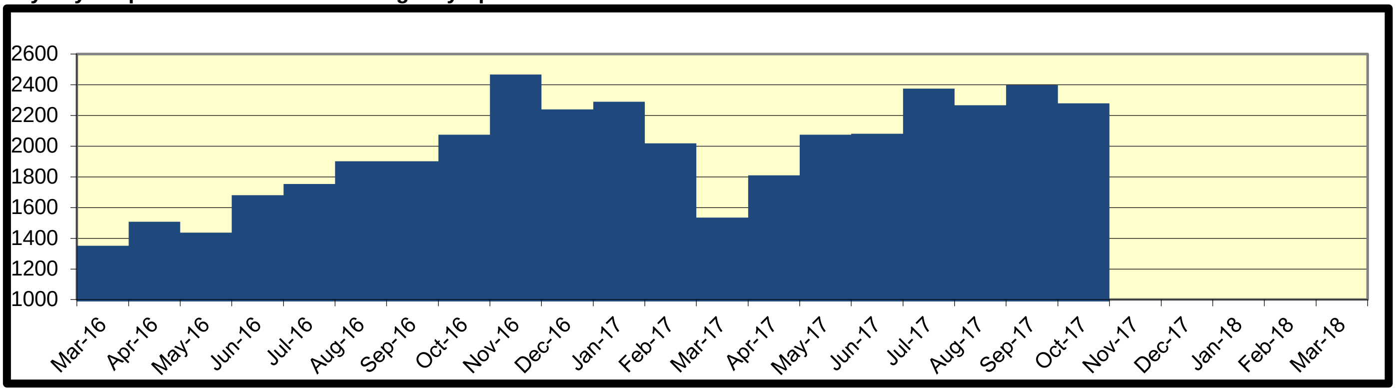
4. Expenditure and Savings Plan Delivery:

Pay - Clinical: **Net YTD Variance: £4.67m**

Pay expenditure for medical and nursing staff continue to run at the increased levels seen since July. Clinical staff costs, driven by agency expenditure, remain outside plan parameters and NHSI cap levels. However, underlying workforce and spend data for October does start to demonstrate some improvement, in line with FRP expectations.

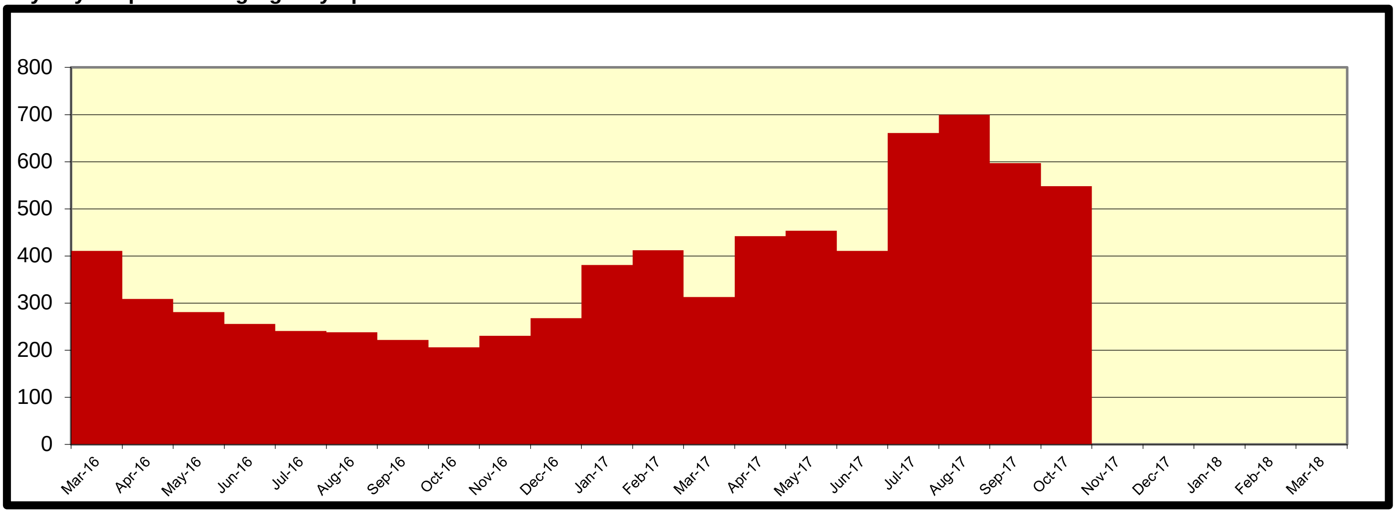
Medical Staff Locum Spend:

Key Pay Graph: Medical Staff Locum/Agency Spend



Agency Nursing Spend:

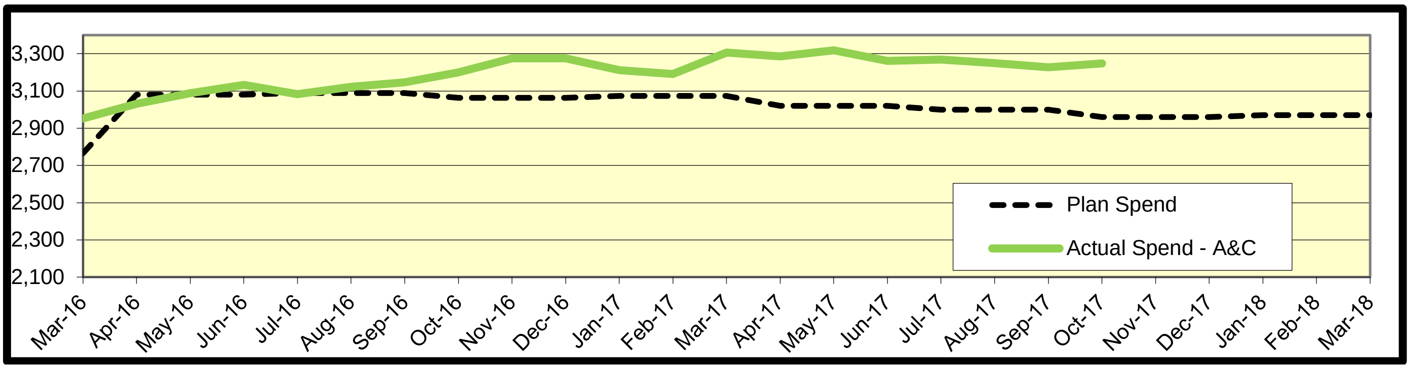
Key Pay Graph: Nursing Agency Spend



These spend categories are the primary focus of Financial Recovery work – improvements in October may be small, but are in line with FRP expectations. It is essential that further gains are made in November if the in year FRP targets are to be met.

Pay – Non Clinical: **Net Impact YTD: £1.64m:**

High costs linked to interim posts to support the rebuilding of management teams have largely offset the marginal reductions in costs achieved so far. This is an area where initial increases were expected, but vacancy control reductions are required to follow through Q3 and Q4.



Non Pay Spend: **Net Impact YTD:** **£2.63m**

Key Issues Breakdown:

Clinical Non Pay: **£0.65m:**

Drug expenditure is driven by high cost excluded drug growth – this is recovered through income contracts. Underlying spend has been improved by savings delivery on biosimilar substitutions, in line with plan.

Increased activity has driven increased clinical consumable spend – but there remain underlying issues linked to CIP delivery on procurement projects.

Travel Costs: **£0.23m:**

The Trust has reversed previous changes to travel rates following staff grievances, which forms the bulk of the to-date variance.

Premises and Plant Costs: **£0.61m:**

The Trust has seen increased energy costs following disruption to a new CHP plant – the Trust is working with British Gas to work through the mapping of spend to the guaranteed savings contract. Pressures on IT equipment and infrastructure costs have also increased, though costs related to N3 changes will be covered by CCG income later this year. Building maintenance costs continue to cause pressures.

Consultancy Costs: **£1.27m:**

The Trust is under the Financial Special Measures regime obliged to fund additional consultancy support – in NLAGs case from EY. Quality Special Measures have also driven some additional costs (though £0.5m of offsetting NHSI income is available in the second half of the year). These costs were not included in plan, but are accommodated in the FRP projections shared with NHSI.

Other I&E Issues:

Financing costs have increased due to the Trust's FSM status and increased deficit coverage loans. At this stage, depreciation and dividend costs are lower, delivering a net reduction overall.

Savings Plan:

The Trust savings plan was made up of a core programme of £16.6m (the Trust's forecast best feasible delivery level in year, and a further £10.7m gap to plan which has remained "unallocated" to individual savings plans. At this point, the savings plan is in the process of evolving into the FRP Recovery Plan values, which total £13.2m, significantly weighted towards the second half of the year, reflecting the response to Financial Special Measures. Monitoring is now against the £13.2m value proposed for FRP.

Year to date delivery has improved in M07, with £5.5m of savings delivered to date. Though this represents only a marginal improvement in overall I&E run rate, this still links to the required control improvements set out in the FRP draft plans. November will be a critical month, with further step change improvements needed in clinical pay, linked to recruitment success and tightened controls.

Full year forecasts fall short of the target value – reflecting the extent of delivery risk against plans. Oversight and monitoring arrangements will have to counter and mitigate this risk over the remainder of the year.

Improving Together Summary	Improving Together Workstream	2017/18 PLAN	2017/18 YTD PLAN	2017/18 YTD DELIVERY	2017/18 YTD VARIANCE	2017/18 FORECAST DELIVERY	2017/18 FORECAST VARIANCE
1. Financial Control	Grip & Control	1,450	857	988	131	1,562	112
1. Financial Control Total		**1,450**	**857**	**988**	**131**	**1,562**	**112**
2. Workforce	Clinical Workforce - AHP Staff	523	176	99	(77)	227	(296)
	Clinical Workforce - Medical Staff	2,213	740	930	189	1,894	(318)
	Clinical Workforce - Nursing and Midwifery	1,913	144	123	(21)	923	(991)
	Non-Clinical Workforce - A&C (excl. Corporate)	49	31	33	3	59	9
2. Workforce Total		**4,699**	**1,091**	**1,185**	**94**	**3,102**	**(1,596)**
3. Efficiency	Clinical Productivity Improvement	2,120	679	861	182	2,423	302
3. Efficiency Total		**2,120**	**679**	**861**	**182**	**2,423**	**302**
4. Corporate	"Carter 7" - Corporate Structures and Roles	1,719	913	1,006	92	1,486	(233)
4. Corporate Total		**1,719**	**913**	**1,006**	**92**	**1,486**	**(233)**
5. Non-Pay	Non Pay and Procurement	2,854	1,361	1,337	(24)	2,539	(315)
5. Non-Pay Total		**2,854**	**1,361**	**1,337**	**(24)**	**2,539**	**(315)**
6. Income	Income Schemes	356	167	164	(2)	394	38
6. Income Total		**356**	**167**	**164**	**(2)**	**394**	**38**
Grand Total		**13,198**	**5,067**	**5,541**	**474**	**11,506**	**(1,691)**

The Trust hopes to confirm a recovery plan and savings trajectory with NHSI imminently, following positive discussion in November. This will involve further stretch targets for savings and cost controls, though with a clear acknowledgement of increased delivery risks that accompany a more aggressive approach.

The critical dynamic will be to ensure the optimum spending run rate going into 2018/19, to support a significantly improved deficit position next year.

For the Trust, this sets a challenging action plan through Q3 and Q4 of the current year. Though some degree of slippage might be expected, mitigation actions and correction before the end of the year will be critical.

5. Capital Programme:

Capital expenditure is progressing slowly, with spend to date only £2.27m of a £19.49m full year programme. Though major schemes (DPoW Residences and site redevelopment) are weighted towards the tail end of the year, revised delivery timelines mean that a significant proportion of expenditure will be pushed back into 2018/19.

	Current Full Year Plan £mil	YTD Plan £mil	YTD Actual £mil	YTD Variance £mil
Major Schemes				
Major Equipment Replacement	0.00	0.00	0.00	0.00
DPoW Reconfiguration Programme	1.10	0.30	0.04	(0.26)
SGH & GDH Reconfiguration Programme	0.55	0.55	0.11	(0.44)
Community Equipment Facility	0.00	0.00	0.00	0.00
DPOW Estates Rationalisation	0.00	0.00	0.14	0.14
Residences Development	12.82	9.32	0.90	(8.42)
Energy Collaborative	0.00	0.00	(0.01)	(0.01)
Planning and Feasibility Fees	0.00	0.00	0.00	0.00
Facilities Maintenance Programme	2.20	1.01	0.74	(0.27)
IM&T Programme	1.31	0.60	0.23	(0.37)
Equipment Renewal Programme	1.31	0.66	0.05	(0.61)
Discretionary Funding	0.00	0.00	0.00	0.00
Donated	0.20	0.00	0.07	0.07
Capital Programme Total	**19.49**	**12.44**	**2.27**	**(10.17)**
Net Shift In Capital Creditors	0.24	2.21	(1.38)	(3.59)
Total Cash Impact Of Investment programme	**(19.24)**	**14.65**	**(3.66)**	**(13.76)**

The Trust is now partway through a thorough review of capital priorities, in order to better manage pressures on capital funds availability, and to link in with the Trust's evolving strategic direction. This work is already feeding bids to NHSI, as well as setting the scene for future planning, and includes the following key priorities, in addition to core programmes for buildings, IM&T and equipment:

- The Trust's 5 year multi-phase CT/MRI redevelopment plan;
- Replacing the DPoW CCU Unit, removing the current "portakabin" facility from the hospital roof;
- Redeveloping ITU/HDU facilities at both DGH sites;
- Ward refurbishment;
- Theatres infrastructure improvements at SGH;
- Goole Endoscopy washer replacement;
- Buildings maintenance backlog catch up.

6. Balance Sheet, Cash and Working Capital:

The balance sheet summary is as follows:

	Last Month £mil	This Month £mil	Variance From Plan £mil
Total Fixed Assets	**145.00**	**144.93**	**(14.01)**
Stocks & WIP	2.69	2.54	0.18
Debtors	15.36	16.33	2.90
Prepayments	5.17	5.38	0.41
Cash	8.77	9.84	7.94
Total Current Assets	**31.99**	**34.08**	**11.43**
Creditors : Revenue	26.72	27.19	8.58
Creditors : Capital	1.90	1.30	(3.59)
Accruals	12.76	13.96	2.81
Deferred Income	8.83	7.34	7.17
Finance Lease Obligations	0.04	0.03	(0.02)
Loans < 1 year	1.19	1.19	(0.00)
Provisions	2.23	2.24	0.16
Total Current Liabilities	**53.68**	**53.27**	**15.11**
Net Current Assets/(Liabilities)	**(21.69)**	**(19.18)**	**(3.68)**
Debtors Due > 1 Year	0.22	0.22	0.21
Creditors Due > 1 Year	0.00	0.00	0.00
Loans > 1 Year	84.31	90.69	18.65
Finance Lease Obligations > 1 Year	0.06	0.06	0.06
Provisions - Non Current	5.58	5.58	0.66
TOTAL ASSETS/(LIABILITIES)	**33.58**	**29.64**	**(36.84)**
TOTAL CAPITAL & RESERVES	**33.58**	**29.64**	**(36.84)**

Notable features on the balance sheet are:

- Fixed assets are £11.99m below plan reflecting delays to the capital programme - principally timing of the residences redevelopment and work on the Northside of DPoW.

- Cash balances remain inextricably linked to loans drawdowns – Trust solvency is dependent upon loans support from the centre.

- Creditor levels remain uplifted, reflecting ongoing action to optimise cash balances and reduce loans requirement. In the longer term, this policy will not be sustainable, but in the short term it minimises interest payments, given that the Trust is charged 6% on cash support loans.

- The significant excess deficit compared to plan has driven up the loans drawdown position. This demonstrates the critical state of the Trust's financial position.

The Trust is also working with NHSI to optimise balance sheet arrangements to support FRP work.

7. Budgetary Management:

The budgetary compliance position at Month 7 is as follows:

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance Fav/(Adv) £m	In Month Movement Fav/(Adv) £m
Central Income:					
NHS Clinical Income	319.36	186.33	176.57	(9.75)	(2.44)
Other Clinical Income	2.07	1.25	1.16	(0.09)	0.00
Education Income	8.27	4.89	4.91	0.03	0.02
Other Agreement Income	6.79	4.43	4.35	(0.08)	(0.01)
Other Income	0.25	0.21	0.21	(0.00)	(0.01)
Total Central Income	**336.75**	**197.10**	**187.20**	**(9.90)**	**(2.44)**
Corporate Directorates:					
Trust Management	(0.57)	(0.34)	(0.35)	(0.02)	(0.00)
Medical Director's Office	(2.42)	(1.40)	(1.38)	0.02	0.03
Governance and Performance Assurance	(2.03)	(1.18)	(1.15)	0.03	0.04
Finance and Procurement	(6.27)	(3.98)	(3.85)	0.13	0.11
Human Resources	(3.92)	(2.24)	(2.37)	(0.12)	(0.00)
Chief Nurse's Office	(3.32)	(1.90)	(1.79)	0.11	0.01
Strategy and Planning	(8.40)	(5.08)	(5.22)	(0.14)	(0.14)
Total Corporate Directorates	**(26.93)**	**(16.12)**	**(16.11)**	**0.01**	**0.05**
Facilities Management & Soft Services:					
Facilities Management	(0.42)	(0.25)	(0.25)	(0.00)	(0.05)
Estates Services	(8.97)	(4.92)	(5.01)	(0.09)	0.07
Commercial Services	(0.64)	(0.38)	(0.36)	0.02	0.00
Compliance	(0.32)	(0.17)	(0.17)	(0.00)	(0.00)
Facilities Services	(12.79)	(7.47)	(7.50)	(0.03)	(0.10)
Facilities Management & Soft Services	**(23.15)**	**(13.18)**	**(13.29)**	**(0.11)**	**(0.07)**
Operations:					
Operations Directorate	(4.06)	(2.42)	(2.29)	0.13	0.13
Surgery & Critical Care	(71.35)	(42.82)	(44.68)	(1.86)	0.23
Medicine	(97.28)	(57.39)	(58.62)	(1.24)	0.89
Women & Childrens Services	(34.61)	(20.12)	(20.30)	(0.17)	(0.04)
Therapy & Community Services	(25.72)	(15.60)	(15.58)	0.02	(0.07)
Clinical Support Services	(33.37)	(19.56)	(19.90)	(0.34)	(0.00)
Total Operations	**(266.39)**	**(157.92)**	**(161.38)**	**(3.46)**	**1.14**
Total Pathlinks	**(14.04)**	**(8.20)**	**(8.14)**	**0.06**	**0.03**
Corporate & Capital Charges:					
Corporate and Capital Charges Budgets:	(27.97)	(16.28)	(15.32)	0.96	0.10
Unallocated CIP	10.68	6.23	0.00	(6.23)	(0.89)
Trust Earmarked Reserves Not Yet Drawn	(2.23)	0.81	0.00	(0.81)	(1.58)
Total Corporate & Capital Charges	**(19.51)**	**(9.23)**	**(15.32)**	**(6.09)**	**(2.37)**
TRUST TOTAL	**(13.26)**	**(7.54)**	**(27.03)**	**(19.49)**	**(3.66)**

The budgetary position again aligns to the underlying I&E issues – and also reflects the sharp deterioration in month. Core budgets exclude the "Unallocated" excess savings target of £10.7m.

Further development of budget variance analysis will be added to board level reporting for month 8, based upon enhanced Divisional reporting arrangements now in place.

8. Reserve Drawings and Financial Plan Changes:

The Trust plan includes specific earmarked reserves. Commitments made against those reserves are monitored closely, to identify potential risks early. Also, a transparent reporting process will support effective sign off of material changes to plan by the Trust Board. The table below shows the current clinical and non clinical investments committed or forecast:

Commitments	Pay and Inflation:	Activity Above Outturn:	Clinical Investments:	Non-Clinical Investments	Sustainability	Total
	10,581.0	6,218.0	1,325.1	300.0	2,506.5	20,930.6
Total Commitments	(10,620.7)	(4,370.8)	(1,427.2)	(2,281.3)	(2,525.5)	(21,225.5)
Surplus/Deficit	(39.7)	1,847.2	(102.1)	(1,981.3)	(19.0)	(294.9)
Recurrent Surplus/Deficit	(54.6)	2,017.5	(1,734.8)	20.5	(19.0)	229.6

The overall reserve position is now forecast to be marginally in deficit:

The travel rate decision following the grievance hearing has overcommitted the inflation reserve. There has been no further movement in month.

The activity reserve reflects latest in month data, and has slightly increases available in year margin, despite increased activity throughput in October.

Clinical infrastructure reserves are now overcommitted in year, due to obstetrics birth rate plus and on call commitments, and GP streaming revenue costs (though this may be covered by subsequent winter funding flows).

Non-clinical investments remain significantly above the amount set out in plan as the additional costs for Special Measures support begin to crystalize, though minor in month forecasting changes have marginally improved the position.

The Sustainability reserve is now overcommitted, given the enhanced PMO model designed to support Improving Together and Finance/Quality Special Measures. This is built in to wider forecasts.

9. Financial Special Measures:

The Trust has refined its FRP projections and also underpinned this work with detailed delivery plans and improved support infrastructure.

The Trust met with NHSI on 7th November, and presented an unchanged projected deliverable in year deficit of £43.3m. £13.2m of savings plans were all green rated, though significant delivery risks remained.

Upside and downside opportunity/risk assessments were also presented. The £43.3m was at the most favourable end of the current forecast range.

The Trust expects to work with NHSI to finalise an FRP package over the course of November. This will include a focus on the technical accounting agenda, but also pressure to deliver the maximum in year gain through cost control, and also set out the required end of year deficit run rate. This will feed in to an initial assessment of 2018/19 performance.

The Trust will expect to confirm an FRP position at the next NHSI meeting in mid December. This will need to include both an expected outturn for 2017/18 and a challenging target range for 2018/19.

10. Conclusion:

The Trust continues to run with an unacceptable monthly run rate deficit, though October showed some marginal improvement. The current forecast position remains significantly adrift of the control total target (excluding STF) of £23.5m, with a definitive FRP target still to be confirmed.

Clinical staffing costs remain the most critical issue – some positive indicators on recruitment and agency cost and volume measures in October must be converted into greater cost reduction impact in November if the FRP trajectory is to be sustained in these areas.

The Trust has partially mobilised to support delivery of the FRO improvements, both in terms of grip and control and also longer term CIP measures. This process must be completed rapidly if the FRP actions are to be taken forward, and financial improvement delivered to the required scale.

Service and workforce redesign will be key to next year delivering further step improvements in financial performance. Plan development for 2018/19 has taken a back seat so far, but will need to be directly addressed from late in Q3.

Finally agreeing an FRP with NHSI will be a major milestone. This will allow the Trust to pursue internal improvement aggressively, act with greater confidence within the local health economy, and work with NHSI on potential capital bids to support longer term improvements.

Marcus Hassall
Director of Finance
November 2017

Appendix I: Corporate Finance Information Pack:

Corporate Finance
Pack October 2017.xl

Appendix II: Reserves Summary:

2017-18 Reserve
Summary Mth 7 DRAF

Appendix III: Finance Slideshow:

M07 Finance
Update.pptx

Appendix IV: Summary Report Submitted to NHSI:

Finance Summary
Report M07.docx