

Trust Board Meeting in Public: Wednesday 11th July 2018

TB2018.63

Title	Financial Performance to 31 May 2018
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Status	Regular Report
History	

Board Lead	Jason Dorsett, Chief Finance Officer			
Key purpose	Strategy	Assurance	Policy	Performance

Executive Summary

1. This report provides Trust Board with an update on the financial performance of the Trust up to 31 May 2018, and compares this to the financial performance in April 2018.
2. Key assumptions and considerations are:
 - 2/12ths of the planned contingency and funding for cost pressures/developments are included in the reported position
 - Fines and penalties relating to non-delivery of operational performance standards have not been reflected in the financial position on the assumption that the Trust will sign up to its revised Control Total, and so relief for these would be provided
3. Month 2 (May) EBITDA is +£1.9m, a £1.6m increase on Month 1 (April) of 18/19. The EBITDA bridge in Appendix 4 shows an analysis of the movements which are due to:
 - £0.7m increase from NHS activity;
 - £0.1m decrease from other activity; and
 - £1.1m increase drivers not related to activity
4. Month 2 (May) EBITDA was £0.3m below plan. Actuals include:
 - Commissioning Income of £72.2m, £1.0m higher than April and marginally below plan;
 - Other Income of £12.8m, £1.6m higher than April and £0.9m below plan;
 - Pay of £49.8m, a decrease of £0.4m compared to April and £0.7m below plan; and
 - Non-pay of £32.2m, a decrease of £1.4m from April and marginally above plan

Year to date EBITDA is +£2.2m, £0.7m below plan.
5. On a Control Total (surplus / deficit) basis, the year to date performance was a deficit of -£7.5m, £0.7m below plan.
6. Cash was £27.6m at month end, £18.2m below plan due delayed payment of 2017/18 Sustainability and Transformation Funding and non-payment of 2017/18 commissioning over-performance by NHS England.
7. Capital expenditure was £2.6m at month end, £1.0m below plan due to less spend on Global Digital Exemplar (£0.6m) and Estates General (£0.7m) than expected.
8. Year to date performance gives an NHS Improvement Use of Resource metric for Finance as 3, highlighting a potential need for support.

Recommendation

The Trust Board is asked to:

- Consider and note the contents of this report

1. Financial Performance - Surplus / (Deficit)

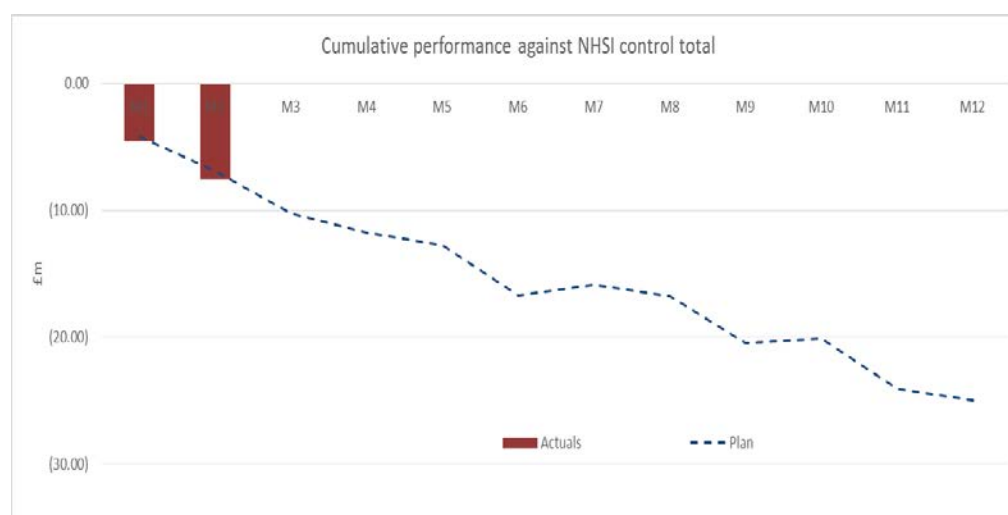
Retained surplus / (deficit) £m	Annual	YTD		
	plan	Budget	Actual	Var.
Recurrent EBITDA	34.12	2.97	2.24	(0.73)
% EBITDA	3.30%	1.74%	1.34%	21.16%
Non-recurrent: PSF	0.00	0.00	0.00	0.00
Planned EBITDA	34.12	2.97	2.24	(0.73)
Non-operating items	(61.73)	(10.21)	(10.03)	0.18
Retained surplus / (deficit) before technical adjs.	(27.60)	(7.24)	(7.79)	(0.55)
Technical adjs.*	(1.31)	(0.38)	(0.24)	0.14
Surplus / (deficit) as reported to NHSI	(26.30)	(6.86)	(7.55)	(0.69)
less: PSF	0.00	0.00	0.00	0.00
Control total	(26.30)	(6.86)	(7.55)	(0.69)

* n.b. technical adjustments includes donated asset receipts and depreciation / amortisation on donated assets

1.1. At Month 2, the Trust is reporting a retained deficit of £7.8m, excluding Provider Sustainability Fund, which is £0.6m lower than planned. The drivers being:

- Recurrent EBITDA is £0.7m behind plan
- After technical adjustments, to remove the impact of donated asset income, non-EBITDA is £0.1m better than plan

The chart below shows the year-to-date (cumulative) unadjusted surplus/deficit performance against the NHSI plan. Neither plan nor actual totals assume payment of Provider Sustainability Funding (PSF).



1.2. At Month 2, the Trust has a reported a deficit, against the Control Total measure, of £7.5m which is £0.7m lower than planned.

1.3. The main drivers of the year-to-date financial performance are:

Operational factors of £0.7m, consisting of:

- -£1.3m further seasonal operational pressures within divisions and corporate directorates
- -£1.5m income
- -£0.4m One off expenditure costs

- £1.0m Central cost (includes) reversal of year-end E accruals & NHS Property Services

Offset by:

- £0.4m net release of prior year provision
- £1.8m Clinical Non- Pay underspend
- £0.9m of unallocated growth funding at month 2;
- £1.1m net underspend primarily due to the release of Trust reserves, including 2/12th of Corporate contingency.

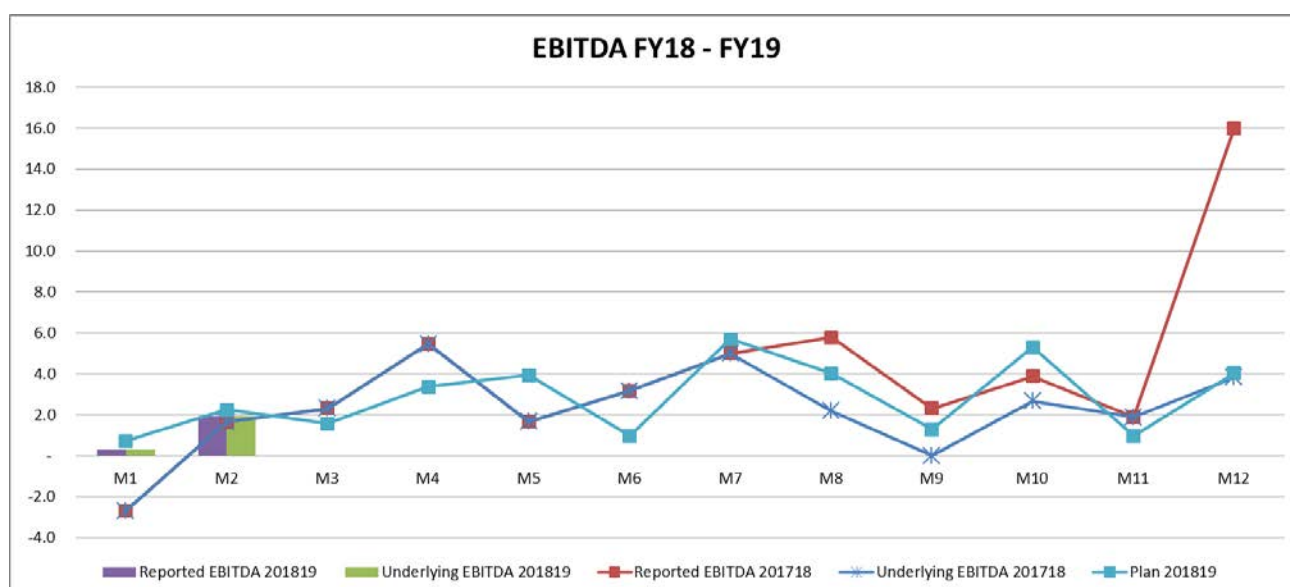
1.4. Non-EBITDA performance, after adjustment for the impact of donated asset income, is broadly in line with plan.

2. EBITDA Performance

2.1. The chart below shows the monthly reported and underlying EBITDA actuals from April 2017 to May 2018. Underlying EBITDA adjusts out significant (>£1m) one-off items. On this basis, underlying EBITDA is £1.9mm, which is an improvement of £1.6m from April 2018, but an improvement on May 2017 of £0.1m.

2.2. To deliver a minimum 'sustainable' financial position, the underlying EBITDA needs to average £5-6m per month.

2.3. Due to the phasing of the plan, there is a c£1.5m per month improvement in EBITDA required from July (Month 4) onwards.



2.4. The underlying EBITDA run rate improved between April and May by £1.6m, due to:

- Net improvement contribution from delivery of Commissioning activity;
- Infrastructure cost improvement following the reassessment of premises related accruals in month 1;
- Release of local Clinical Excellence Awards provision relating to FY18.

2.5. Additional information is available in Appendices 1 and 2.

3. Overall Income (incorporating Commissioning income)

3.1. Income at Month 2 is below plan by £3.4m.

3.2. The variances include:

- Higher Commissioning Income, +£0.1m;
- Lower Private and Overseas Patient and RTA income, -£0.4m; and
- Lower Non Patient Income, -£3.2m, of which £2.2m relates to R&D and is offset in expenditure

3.3. The Table below shows the year-to-date performance by division:

Divisional income: Month 2 £m	Annual Plan	Plan	YTD Actual	Var.
Children & Women	136.78	22.72	22.34	(0.38)
Clinical Support Services	71.89	11.79	12.04	0.25
Medicine Rehabilitation and Cardiac	229.43	38.59	39.19	0.60
Neuro Ortho Trauma and Specialist Surgery	220.45	36.53	36.39	(0.14)
Surgery and Oncology	237.93	39.35	38.54	(0.80)
	896.47	148.98	148.51	(0.47)
Corporate	9.10	1.38	1.34	(0.05)
Central Services	10.18	0.91	0.81	(0.10)
Operational Services	0.55	0.09	0.07	(0.02)
Education	47.03	7.84	7.30	(0.54)
Estates	12.99	2.17	2.16	(0.01)
Technical	1.48	0.25	0.19	(0.05)
R&D	55.06	9.18	6.99	(2.19)
	136.40	21.82	18.86	(2.96)
Total income	1032.87	170.79	167.37	(3.43)

4. Commissioning Income - Month 2

4.1. Commissioning Income at Month 2 is the first month to reflect actual in-year activity, and has been based on actual performance at Month 1, extrapolated forward. Potential volatility due to in-month movements distorting forecasts will reduce as the number of months actual activity being used increases.

4.2. The table below shows the contract performance split by commissioner at Month 2:

Contract	Annual Plan £'m	% of Total Plan	YTD Plan £'m	YTD Actual per SLAM £'m	Variance £'m
NHSE Wessex	379.67	44%	62.79	65.40	2.61
NHS Oxfordshire CCG	341.45	40%	56.60	56.78	0.18
Other SLAs & NCA	140.96	16%	23.28	21.40	(1.88)
Balance to Income Plan				(0.11)	(0.11)
Total Income before Central Adj	862.08		142.67	143.47	0.80
Central Adjustments	2.18		0.73		(0.73)
Income per Ledger	864.27		143.40	143.47	0.06

4.3. The over-performance on the Wessex (Specialised Commissioning) contract largely equates to the unidentified Quality, Innovation, Productivity and Prevention (QIPP) programmes that have reduced income in the plan, plus the application of contractual

penalties within Service Level Agreement Management (SLAM). The penalties are reversed out within the 'Balance to Income Plan' adjustment, on the expectation that the Trust agrees to a revised Control Total.

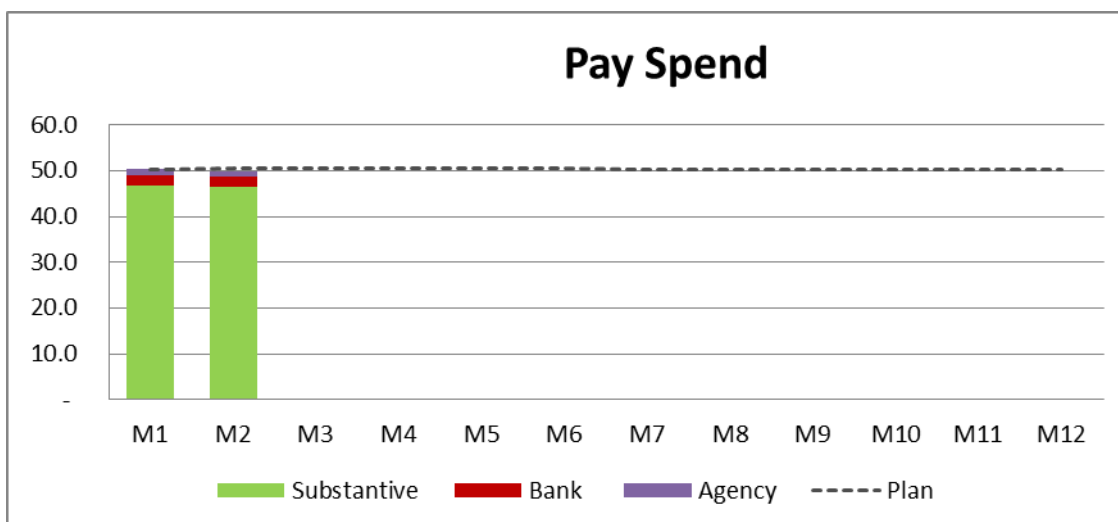
- 4.4. Within the Oxfordshire Clinical Commissioning Group (OCCG) contract, there is significant over-performance against Non-elective activity, which is mitigated by the application of the Marginal Rate Emergency Tariff (MRET) threshold, and underperformance against elective activity. High Cost drugs are also over-performing by c£0.3m at Month 2. The agreement with OCCG is that OCCG will pay for the first £0.6m of over-performance in-year; above this value OCCG will pay 50%.
- 4.5. It has also been agreed with OCCG that if elective activity (including inpatient, day case and outpatient activity) over-performs without the prior agreement of OCCG, this activity will not be paid for. To date these Points of Delivery (PODs) are underperforming, but are being closely monitored.
- 4.6. The table below shows the activity and income at POD level at Month 2:

POD	YTD Activity			YTD £'000			£'000 Last Month Variance	£'000 Mvmt in Month
	Plan	Actual	Variance	Plan	Actuals	Variance		
Electives	17,680	17,157	(523)	27,664	25,596	-2,068	0	-2,068
Non Electives	14,545	14,134	(411)	34,487	35,067	579	0	579
Pass-through	10,141	10,102	(39)	24,355	26,489	2,134	84	2,050
A&E	25,359	24,606	(753)	3,643	3,668	24	0	24
Critical Care	7,899	7,573	(326)	9,135	9,283	148	0	148
Other	844,777	937,852	93,075	22,978	24,221	1,243	0	1,243
Outpatients	159,219	165,243	6,024	20,972	21,597	625	0	625
SLAM Total	1,079,620	1,176,667	97,047	143,235	145,920	2,686		
Divisional Adjustments		(386)	(386)		-1,082	-1,082		
Total	1,079,620	1,176,281	96,661	143,235	144,839	1,604	84	1,520
CQUIN				2,139	2,309	0		0
Threshold (MRET)				-2,703	-3,295	-591		-591
Penalties					-1,359	0		0
Income risks & adjustments					973	-217		-217
Total SLAM Income after risks				142,671	143,466	796	84	712
Other Central adjustments				731	-1	-732		-732
Year to Date total				143,401	143,465	63	84	-20

- 4.7. Whilst activity is below plan against the main points of delivery (PODs), financially all PODs, with the exception of Electives, have achieved more income than planned. This suggests that the case-mix is more complex than planned.
- 4.8. £1.4m of penalties have been reversed out within the 'income risks & adjustments' line on the basis that the Trust will agree to a revised Control Total. If a revised Control Total is not agreed these penalties will be reinstated and will worsen the financial performance reported.
- 4.9. As at Month 2, not all the Commissioning for Quality and Innovation (CQUIN) schemes have been agreed. Whilst an assessment of the likely income risk has been made, it is likely that the risk will be higher than in previous years. For example the 'Sustainability and Transformation Programme (STP) Engagement' CQUIN, with a planned income in FY19 of £4.8m, has not yet been proposed by the CCG, and hence not agreed by the Trust.

5. Pay

5.1. The table below shows the monthly pay expenditure compared to the plan:



5.2. Pay expenditure to date is £50.3m, £0.1m below plan. This is due to funding for pay to support developments and contingency being offset by costs in excess of plan. .

5.3. The table below shows the Pay performance against the plan in-month and year-to-date:

£m	M2			YTD		
	Plan	Actual	Var	Plan	Actual	Var
Pay						
Consultants and Medics	16.97	17.89	(0.93)	33.52	35.58	(2.06)
Nurse and Midwives	13.67	13.84	(0.17)	26.65	27.15	(0.49)
Scientific, Thec., Therapeutic	6.76	6.43	0.33	13.29	12.60	0.68
Other Staff	13.09	11.64	1.45	27.38	24.74	2.64
Pay expenditure	50.49	49.82	0.68	100.84	100.07	0.77

5.4. Year-to-date Pay is £0.8m below plan, including a £1.4m favourable variance in R&D. Adjusting out R&D leaves an overspend of £0.6m. This is due to the shortfall in delivery of efficiencies and increased use of use premium cost staff. The position includes £0.4m release in May of provisions relating to 2017/18.).

6. Non-Pay

The table below shows the Non-Pay performance against the plan in-month and year-to-date:

£m	M2			YTD		
	Plan	Actual	Var	Plan	Actual	Var
Non-Pay						
Clinical negligence	2.75	2.70	0.05	5.50	5.44	0.06
Clinical Supplies & Services	7.76	7.11	0.64	15.51	14.95	0.56
Drugs	0.32	(1.02)	1.35	0.69	(0.54)	1.23
General Supplies & services	2.06	1.95	0.10	4.06	3.93	0.13
Premises & Fixed plant	4.16	4.98	(0.82)	9.10	10.00	(0.90)
Other Non-Pay	16.14	17.50	(1.35)	32.11	31.26	0.85
Non-Pay expenditure	33.19	33.21	(0.03)	66.99	65.05	1.93
<i>Memorandum Line</i>						
Pass Through	12.49	13.34	(0.85)	24.14	25.07	(0.94)

7. Non-Pay spend is £1.9m below plan at Month 2, of which £0.8m is accounted for by an underspend in R&D. The balance includes the release of £1.7m of contingency offset by £0.9m of higher than planned spend on pass through drug and devices (matched by Commissioning Income) and other operational pressures including a shortfall in the delivery of efficiencies.

8. Non-EBITDA

Non-operating items YTD at Month 2		YTD		
£m		Plan	Actual	Var.
Non-operating items				
Depreciation		(5.34)	(5.27)	0.08
Donated asset receipts		0.05	0.16	0.11
Impairment		0.00	(0.00)	(0.00)
Interest expense (non-PFI)		(0.04)	(0.01)	0.02
Interest expense (PFI leases and liabilities)		(2.17)	(2.17)	(0.00)
Interest receivable		0.02	0.05	0.03
Non-operating PFI costs (e.g. contingent rent)		(1.26)	(1.31)	(0.05)
Other finance costs		(0.23)	(0.27)	(0.04)
Other gains/losses on investments		0.00	0.00	-
PDC dividend		(1.21)	(1.21)	-
Profit/(loss) on asset disposals		(0.03)	(0.00)	0.03
Total non-operating items		(10.21)	(10.03)	0.18
Adj. for impairment		0.00	0.00	0.00
Total non-operating items before impairment		(10.21)	(10.03)	0.18

- 8.1. There is a net £0.1m favourable variance on non-EBITDA primarily driven by higher than planned donated asset receipts.

9. Balance Sheet

£m	Opening Balance 01-Apr-18	Closing Balance 31-May-18	Movement YTD	Mvmt. In Month
NON-CURRENT ASSETS	596.15	594.01	(2.14)	(0.50)
CURRENT ASSETS	129.11	123.10	(6.01)	(7.93)
CURRENT LIABILITIES	(136.90)	(137.43)	(0.53)	5.05
NET CURRENT ASSETS/(LIABILITIES)	(7.79)	(14.12)	(6.33)	(2.88)
NON-CURRENT LIABILITIES	(266.73)	(266.05)	0.68	0.28
TOTAL ASSETS EMPLOYED	321.63	313.84	(7.79)	(3.10)
TOTAL TAXPAYERS EQUITY	321.63	313.84	(7.79)	(3.10)
Working capital metrics				
Trade debtors days	16.08	14.26	(1.82)	
Trade payables days	48.34	39.55	(8.79)	

- 9.1. Non-current assets decreased in month as depreciation exceeded capital spend in month.
- 9.2. Current assets decreased by £7.9m in month, mostly due to a £8.3m cash decrease as explained below.
- 9.3. Cash decreased by £8.3m in month to £27.6m. This is mainly due to delayed payment of 2017/18 Sustainability and Transformation Funding and non-payment of 2017/18 commissioning over-performance by NHS England. Current liabilities decreased by £5.1m in month, mostly due to a lower purchase ledger balance because of timing of payment runs.
- 9.4. Non-current liabilities decrease reflects the regular monthly PFI payments.

10. Working Capital / Cash Flow

Cashflow at Month 02 £m	In Month	YTD		
	Actual	Actual	YTD Plan	Variance
Cash Flows from Operating Activities	(6.53)	(7.11)	15.19	(22.30)
Cash Flows from Investing Activities	(0.83)	(3.36)	(7.32)	3.96
Cash Flows from Financing Activities	(0.92)	(1.84)	(1.94)	0.10
Net Increase/(Decrease) in Cash	(8.28)	(12.31)	5.93	(18.24)
Cash - Beginning of the Period	35.88	39.91	39.91	
Cash - End of the Period	27.60	27.60	45.85	(18.25)

10.1. Cash at the end of May was £27.6m which is £18.3m lower than planned. This is because:

- Unpaid commissioning invoices from 2017/18 £10.1m, with agreement and payment expected in July;
- High amounts of accrued income not currently billed to commissioners or other customers £8.4m (including non-receipt of FY18 STF money £5.4m due to delays in payment nationally);
- Overspend on stock £0.7m;
- Financial performance not in line with plan £0.5m; offset by
- Cash benefit of £4.1m due to slippage in the FY19 capital programme and not yet realising FY18 capital creditors in line with expectations

11. Capital

OUH Foundation Trust Capital Programme 2018/19	Annual Plan £m	M2 YTD Plan £m	M2 YTD Actual £m	M2 YTD Variance £m	Forecast outturn £m
<i>Gross Capital Spend</i>					
Medical and Surgical Equipment	2.76	0.23	0.13	(0.10)	2.76
Estates General	6.37	0.76	0.06	(0.70)	6.37
ED Resus Bays	4.12	0.20	0.00	(0.20)	4.12
Small Schemes	1.00	0.11	0.01	(0.10)	1.00
General IT	1.68	0.09	0.24	0.15	1.68
Estates New Development	0.07	0.01	0.00	(0.00)	0.07
R&D	0.96	0.14	0.48	0.34	0.96
Donations	1.30	0.05	0.25	0.20	1.30
Radiotherapy Swindon	7.41	0.00	0.04	0.04	7.41
EPR Enhancements / Cyber Security	6.45	1.68	1.06	(0.62)	6.45
Total Capital Programme Spend	32.10	3.26	2.27	(0.99)	32.10
PFI Lifecycle	2.17	0.36	0.37	0.00	2.17
Finance Leases	0.50	0.00	0.00	0.00	0.50
Technical Capital Adjustments (IFRIC 4 & IFRIC 12)	2.67	0.36	0.37	0.00	2.67
Gross Capital Spend	34.77	3.63	2.64	(0.99)	34.77

11.1. Gross capital expenditure at Month 2 was £2.6m, compared to a plan of £3.6m. A variance of £1.0m.

11.2. The main drivers of this are as follows:

- £0.6m below plan on EPR global digital exemplar and Cyber Security. This relates to in year phasing with the spend profile early in the year reduced to preserve liquidity.
- £0.7m below plan on estates works, of which £0.3m is below plan spend on JR Endoscopy Washers. The Endoscopy Washers scheme procurement process has been subject to delays and until this is completed, it is unclear whether the slippage is recoverable in year or will translate into a full year underspend.

11.3. The capital programme is reviewed regularly by the Capital Programmes Board.

12. NHSI Reporting

12.1. The Trust has an overall Use of Resources (UoR) score of 3 as at the end of May 2018, broken down as:

NHSI Single Oversight Framework (SOF) metrics YTD Month 2				Rating	
Use of resource metric		Weighting	Score	Plan	Actuals
Financial sustainability	Capital service cover	20%	0.46x	4	4
	Liquidity (days)	20%	(13.59)	1	3
Financial efficiency	I&E margin	20%	-4.7%	4	4
Financial controls	Distance from financial plan	20%	-0.1%		3
	Agency rating	20%	-16%	1	1
Use of resources rating after overrides					3

12.2. NHS Improvement's Single Oversight Framework (SOF) utilises the Use of Resource (UoR) metric as the measure of performance. The metric focuses on providers' financial efficiency and progress in meeting a control total. The financial metrics below assess financial performance by:

- Scoring providers 1 (best) to 4 (worst) against each metric
- Averaging individual providers' scores across all the metrics to derive a Use of Resources (UoR) score for the provider.

12.3. Where a provider has a score of 4 or 3 in the financial and use of resources theme, this will identify a potential support needed under this theme.

Jason Dorsett
Chief Finance Officer

Appendix 1

1. EBITDA for the Trust (Trend Analysis)

EBITDA performance (excl R&D) Mth2 £m	2017/18				2017/18												2018/19	
	FY17 Q1 Actual	FY17 Q2 Actual	FY17 Q3 Actual	FY17 Q4 Actual	M1 Actual	M2 Actual	M3 Actual	M4 Actual	M5 Actual	M6 Actual	M7 Actual	M8 Actual	M9 Actual	M10 Actual	M11 Actual	M12 Actual	M1 Actual	M2 Actual
Income																		
Commissioning Income	208.01	213.48	215.22	215.29	64.53	71.29	72.19	73.48	69.88	70.12	73.11	71.59	70.52	72.68	69.36	73.25	71.26	72.21
Revenue from Patient Care Activities	3.05	2.97	2.98	2.37	0.85	1.18	1.02	1.20	1.12	0.66	1.13	0.98	0.88	0.62	0.70	1.06	0.73	0.78
Other Income	22.83	24.80	25.67	37.88	7.45	7.66	7.72	8.40	7.68	8.72	8.85	7.79	9.04	9.65	7.98	20.25	7.70	7.70
Sub-total: income	233.89	241.25	243.87	255.54	72.83	80.13	80.93	83.08	78.67	79.51	83.09	80.35	80.44	82.95	78.04	94.55	79.68	80.69
Pay																		
Substantive	(125.57)	(124.80)	(126.56)	(127.04)	(41.90)	(41.80)	(41.87)	(41.40)	(41.63)	(41.77)	(42.02)	(42.08)	(42.46)	(42.40)	(41.72)	(42.92)	(43.98)	(43.18)
Temporary	(9.24)	(9.60)	(8.71)	(10.33)	(3.23)	(3.24)	(2.77)	(3.35)	(3.39)	(2.86)	(3.29)	(2.65)	(2.77)	(3.39)	(3.11)	(3.83)	(3.52)	(3.37)
Sub-total: pay	(134.82)	(134.40)	(135.26)	(137.37)	(45.13)	(45.04)	(44.65)	(44.75)	(45.02)	(44.63)	(45.31)	(44.73)	(45.23)	(45.80)	(44.82)	(46.75)	(47.50)	(46.55)
Non-Pay																		
Clinical negligence	(9.22)	(9.22)	(9.22)	(9.22)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(3.07)	(2.74)	(2.70)
Clinical supplies & services	(28.36)	(29.06)	(29.42)	(26.25)	(8.71)	(9.85)	(9.80)	(10.11)	(9.60)	(9.35)	(10.11)	(9.50)	(9.81)	(9.74)	(9.11)	(7.40)	(9.90)	(9.65)
Drugs	(29.85)	(28.79)	(31.93)	(30.84)	(9.19)	(9.98)	(10.68)	(9.43)	(10.07)	(9.28)	(11.13)	(10.95)	(9.85)	(10.77)	(9.72)	(10.35)	(9.98)	(9.74)
General supplies & services	(5.92)	(5.97)	(6.86)	(6.16)	(1.87)	(2.07)	(1.98)	(1.97)	(2.08)	(1.92)	(2.00)	(2.17)	(2.69)	(1.99)	(1.92)	(2.25)	(1.98)	(1.95)
Premises & fixed plant	(13.27)	(14.64)	(9.50)	(13.40)	(3.82)	(4.92)	(4.53)	(5.26)	(4.89)	(4.48)	(3.95)	(1.06)	(4.49)	(4.51)	(4.12)	(4.77)	(5.23)	(4.89)
Other non-pay	(11.16)	(8.89)	(8.56)	(10.53)	(3.71)	(3.55)	(3.90)	(3.03)	(2.26)	(3.59)	(2.51)	(3.08)	(2.97)	(3.20)	(3.39)	(3.94)	(2.04)	(3.27)
Sub-total: non-pay	(97.79)	(96.55)	(95.50)	(96.39)	(30.37)	(33.44)	(33.97)	(32.87)	(31.98)	(31.70)	(32.77)	(29.84)	(32.89)	(33.28)	(31.32)	(31.79)	(31.87)	(32.21)
Sub-total: operating expenditure	(232.61)	(230.96)	(230.76)	(233.77)	(75.50)	(78.48)	(78.62)	(77.62)	(77.00)	(76.33)	(78.08)	(74.56)	(78.12)	(79.08)	(76.14)	(78.54)	(79.37)	(78.76)
EBITDA (actual)	1.28	10.29	13.11	21.78	(2.68)	1.64	2.31	5.45	1.67	3.17	5.01	5.79	2.31	3.87	1.90	16.01	0.31	1.93
<i>One off significant items > £1m</i>	0.00	0.00	(3.60)	(13.38)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3.60)	0.00	(1.20)	0.00	(12.18)	0.00	0.00
Underlying EBITDA	1.28	9.41	9.43	10.29	(2.68)	1.64	2.31	5.45	1.67	3.17	5.01	2.19	2.31	2.67	1.90	3.83	0.31	1.93

The table above excludes Research and Development which nets to zero on an EBITDA level but removes the associated variation at a subjective level. The underlying EBITDA in May is £1.9m, which is an improvement of £1.6m from April. The month-on-month movements which are explained below:

- Commissioning Income increased by £0.9m in month largely driven by a £1.6m increase in pass through income offset by a net reduction of £0.7m in activity driven income. There was one additional working day in May compared to April and Commissioning Income at month 1 was accrued to plan
- Non Commissioning Income increased by £0.1m driven by an increase in income from RTA and overseas patient activities.
- Pay expenditure in decreased by £0.8m, driven by the reversal of year-end adjustments which adversely impacted month 1. On an operational basis pay has remained flat.
- Non-Pay increased by £0.3m. This includes a £1.6m increase in pass through drugs and devices, £0.4m divisional one-off expenditure, and other increases of £0.8m driven by Estates premises. Offset by a £1.6m decrease in clinical supplies and drugs costs, £0.9m favourable movement on NHS Property services costs following a correction of accruals assessed in month 1.

Appendix 2

EBITDA Trend by Division

Monthly Divisional EBITDA at Month 2 £m	2017/18				2017/18												2018/19	
	FY17 Q1	FY17 Q2	FY17 Q3	FY17 Q4	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M1	M2
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
CHWO	7.19	7.22	8.44	6.99	1.83	2.44	2.92	2.66	2.51	2.05	3.30	2.61	2.53	2.74	1.88	2.37	2.56	2.10
CSSD	(6.43)	(6.01)	(7.07)	(6.87)	(2.30)	(2.46)	(1.68)	(1.92)	(2.21)	(1.88)	(2.25)	(2.32)	(2.50)	(1.84)	(2.28)	(2.74)	(2.27)	(2.24)
MRC D	10.12	10.77	9.49	9.89	2.81	3.42	3.89	4.21	3.08	3.48	3.61	2.95	2.93	3.53	2.61	3.75	2.71	4.07
NOTSS	12.40	13.68	13.22	12.32	3.09	4.48	4.83	5.47	4.29	3.91	4.91	5.02	3.29	3.19	3.58	5.55	3.99	4.06
SUON	8.10	11.08	10.43	10.59	1.84	3.07	3.20	4.14	2.95	3.98	3.39	4.02	3.03	3.27	3.51	3.81	3.21	3.68
Clinical Income (Central)	0.38	1.42	0.18	3.06	(0.18)	1.00	(0.45)	0.95	0.03	0.45	(0.15)	(1.46)	1.77	1.38	0.59	1.09	0.89	(0.41)
Clinical Divisions	31.75	38.16	34.70	35.97	7.09	11.96	12.71	15.52	10.66	11.99	12.81	10.82	11.06	12.27	9.88	13.82	11.09	11.27
Corporate	(30.47)	(27.87)	(21.57)	(14.20)	(9.76)	(10.32)	(10.39)	(10.06)	(9.00)	(8.81)	(7.80)	(5.03)	(8.74)	(8.40)	(7.98)	2.19	(10.78)	(9.34)
EBITDA	1.28	10.28	13.12	21.78	(2.68)	1.64	2.31	5.45	1.67	3.17	5.01	5.79	2.31	3.87	1.90	16.01	0.31	1.93
<i>Significant 'off items' > £1.0m</i>	-	-	(3.60)	(13.38)	-	-	-	-	-	-	-	(3.60)	-	(1.20)	-	(12.18)	-	-
Underlying EBITDA	1.28	10.28	9.52	8.39	(2.68)	1.64	2.31	5.45	1.67	3.17	5.01	2.19	2.31	2.67	1.90	3.83	0.31	1.93

This analysis is not distorted by pass through items or Research and Development (R&D) which net to zero in each line.

The clinical divisions EBITDA contribution in Month 2 is £11.3m, £0.2m more than in Month 1. This is primarily driven by reductions in expenditure.

- **CHWO (-£0.5m)** including an increase in expenditure (£0.9m) due to one off cost (£0.4m) and increased clinical supplies and drugs spend (£0.4m). These are offset by higher income (£0.4m), of which activity driven commissioning income accounts for (£0.3m) largely due to increase in births and non-patient care income (£0.1m).
- **CSSD (+£0.0m)** including increase in non-pay (£0.3m), a increase in pay (£0.2m), offset by increases in commissioning income (£0.3m) and other income (£0.2m).
- **MRC (+£1.4m)** including an increase income of (£1.2m) driven by activity based commissioning income (£1.3m), a decrease in non-pay (£0.1m) and a decrease in pay costs (£0.1m) linked to the de-escalation of winter capacity.
- **NOTSS (+£0.1m)** including a decrease in non-pay cost (£0.5m) due to lower clinical supplies and drugs costs linked to lower activity, increase in other income (£0.2m) due largely to improved overseas patient income offset by a decrease in activity based commissioning income (£0.6m).

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- **SUON (+£0.5m)** including a decrease in non-pay spend (£1.1m) and offset by an increase in pay cost (£0.2m) and a decrease in commissioning income (£0.6m) offset by an increase in other income (£0.2m)
 - **Clinical Income (Central) (-£1.3m)** largely reflects the reversal of impact of estimated income accrued centrally in April. Income reflecting activity growth and tariff changes is now reflected in the Clinical Divisions. **Corporate (+£1.4)** is including the correction to overstated property services accruals in Month 1, (£0.9m), the reversal of year end accrual in Month 1, (£0.8m) and National Health Service Professional (NHSP) credit note relating to 17/18, (£0.3m), net release of 17/18 provisions (£0.4m) and are offset by adverse movements on Estates (£0.8m) and other corporate services (£0.2m).

Appendix 3

Income and Expenditure Analysis by Division – In-Month Month 2

In-month divisional control total performance at Month 2									
£m	C&W	CSS	MRC	NOTSS	SUON	Clinical Income (Central)	Divisions	Corporate	Control Total
	M2	M2	M2	M2	M2	M2	M2	M2	M2
Actual									
Income	11.30	6.28	20.31	18.14	19.64	(0.41)	75.25	9.71	84.96
Commissioning Income	11.09	5.12	19.81	17.72	18.87	(0.41)	72.19	0.02	72.21
Other Income	0.20	1.06	0.33	0.25	0.59		2.43	9.54	11.97
Revenue from Patient C.	0.02	0.09	0.17	0.17	0.19		0.64	0.14	0.78
Pay	(6.67)	(9.44)	(9.92)	(7.78)	(7.81)		(41.62)	(8.20)	(49.82)
Non-pay	(2.53)	0.92	(6.31)	(6.30)	(8.15)		(22.37)	(10.85)	(33.21)
EBITDA	2.10	(2.24)	4.07	4.06	3.68	(0.41)	11.27	(9.34)	1.93
EBITDA %	18.6%	-35.7%	20.1%	22.4%	18.8%	100.0%	15.0%	-96.2%	2.3%
NON-EBITDA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(4.89)	(4.89)
Surplus/(deficit)	2.10	(2.24)	4.07	4.06	3.68	(0.41)	11.27	(14.23)	(2.96)
Plan									
Income	11.62	5.87	19.88	18.23	20.20	(0.72)	75.08	10.84	85.92
Pay	(6.26)	(8.97)	(9.42)	(7.58)	(7.45)		(39.69)	(10.80)	(50.49)
Non-pay	(2.02)	1.22	(6.25)	(6.00)	(9.19)		(22.24)	(10.95)	(33.19)
EBITDA	3.35	(1.88)	4.21	4.65	3.56	(0.72)	13.16	(10.92)	2.24
EBITDA %	28.8%	-32.1%	21.2%	25.5%	17.6%	100.0%	17.5%	-100.7%	2.6%
NON-EBITDA	0.00	0.00	0.00	0.00	0.00		0.00	(4.91)	(4.91)
Surplus/(deficit)	3.35	(1.88)	4.21	4.65	3.56	(0.72)	13.16	(15.83)	(2.67)
Variance									
Income	(0.32)	0.40	0.43	(0.10)	(0.56)	0.31	0.17	(1.13)	(0.96)
Pay	(0.41)	(0.47)	(0.50)	(0.19)	(0.36)	0.00	(1.93)	2.60	0.68
Non-pay	(0.52)	(0.29)	(0.07)	(0.30)	1.04	0.00	(0.13)	0.10	(0.03)
EBITDA	(1.25)	(0.36)	(0.14)	(0.58)	0.13	0.31	(1.89)	1.58	(0.31)
EBITDA %	-10.3%	-3.7%	-1.1%	-3.1%	1.2%	0.0%	-2.6%	4.5%	-0.3%
NON-EBITDA	0.00	0.00	0.00	0.00	0.00		0.00	0.02	0.02
Surplus/(deficit)	(1.25)	(0.36)	(0.14)	(0.58)	0.13	0.31	(1.89)	1.60	(0.29)

- EBITDA was +£1.9m in May, £0.3m below plan. This is primarily driven by a £1.0m shortfall in income, offset by a £0.7m underspend in pay.
- Clinical divisions account for £1.9m of the adverse variance in Month 2.

- Corporate, which includes the corporate directorates, estates, central and technical, is £1.6m favourable to plan.

Non-EBITDA is broadly on plan in Month 2.

Note that 2/12th of the corporate contingency and funding for cost pressures has been released at Month 2.

Appendix 4

Income and Expenditure Analysis by Division – Year-to-Date Month 2

Control Total by Division: Year to Date (Month 2)									
£m	C&W	CSS	MRC	NOTSS	SUON	Clinical Income (Central YTD)	Divisions EBITDA YTD	Corporate EBITDA YTD	Control Total YTD
Actual									
Income	22.34	12.04	39.19	36.39	38.54	0.48	148.99	18.38	167.37
Pay expense	(13.21)	(18.69)	(19.92)	(15.51)	(15.46)		(82.79)	(17.28)	(100.07)
Non-Pay expense	(4.47)	2.14	(12.50)	(12.82)	(16.19)		(43.83)	(21.22)	(65.05)
EBITDA	4.66	(4.51)	6.78	8.06	6.90	0.48	22.37	(20.12)	2.24
<i>EBITDA %</i>	<i>20.9%</i>	<i>-37%</i>	<i>17%</i>	<i>22%</i>	<i>18%</i>	<i>100%</i>	<i>15%</i>	<i>-109%</i>	<i>1%</i>
Non-EBITDA	0.00	0.00	0.00	0.00	0.00		0.00	(9.79)	(9.79)
Surplus/(deficit)	4.66	(4.51)	6.78	8.06	6.90	0.48	22.37	(29.91)	(7.54)
Plan									
Income	22.72	11.79	38.59	36.53	39.35	0.17	149.14	21.65	170.79
Pay expense	(12.20)	(17.52)	(18.31)	(14.76)	(14.60)		(77.39)	(23.45)	(100.84)
Non-Pay expense	(4.06)	2.32	(11.88)	(12.28)	(17.64)		(43.52)	(23.46)	(66.99)
EBITDA	6.47	(3.41)	8.40	9.49	7.11	0.17	28.23	(25.26)	2.97
<i>EBITDA %</i>	<i>28.5%</i>	<i>-29%</i>	<i>22%</i>	<i>26%</i>	<i>18%</i>	<i>100%</i>	<i>19%</i>	<i>-117%</i>	<i>2%</i>
Non-EBITDA	0.00	0.00	0.00	0.00	0.00		0.00	(9.83)	(9.83)
Surplus/(deficit)	6.47	(3.41)	8.40	9.49	7.11	0.17	28.23	(35.09)	(6.86)
Variance									
Income	(0.38)	0.25	0.60	(0.14)	(0.80)	0.31	(0.16)	(3.27)	(3.43)
Pay expense	(1.02)	(1.18)	(1.60)	(0.74)	(0.86)	0.00	(5.40)	6.17	0.77
Non-Pay expense	(0.41)	(0.18)	(0.62)	(0.55)	1.45	0.00	(0.31)	2.24	1.93
EBITDA	(1.81)	(1.10)	(1.62)	(1.43)	(0.21)	0.31	(5.86)	5.14	(0.73)
<i>EBITDA %</i>	<i>-7.6%</i>	<i>-9%</i>	<i>-4%</i>	<i>-4%</i>	<i>0%</i>	<i>0%</i>	<i>-4%</i>	<i>7%</i>	<i>0%</i>
Non-EBITDA	0.00	0.00	0.00	0.00	0.00		0.00	0.04	0.04
Surplus/(deficit)	(1.81)	(1.10)	(1.62)	(1.43)	(0.21)	0.31	(5.86)	5.18	(0.69)

- Year-to-date EBITDA is £2.2m, £0.7m below plan. This includes an adverse income variance of £3.4m, favourable pay variance of £0.8m and £1.9m. When R&D is excluded income is £1.2m below plan, pay is £0.7m higher than plan and non-pay, £1.2m lower than plan.

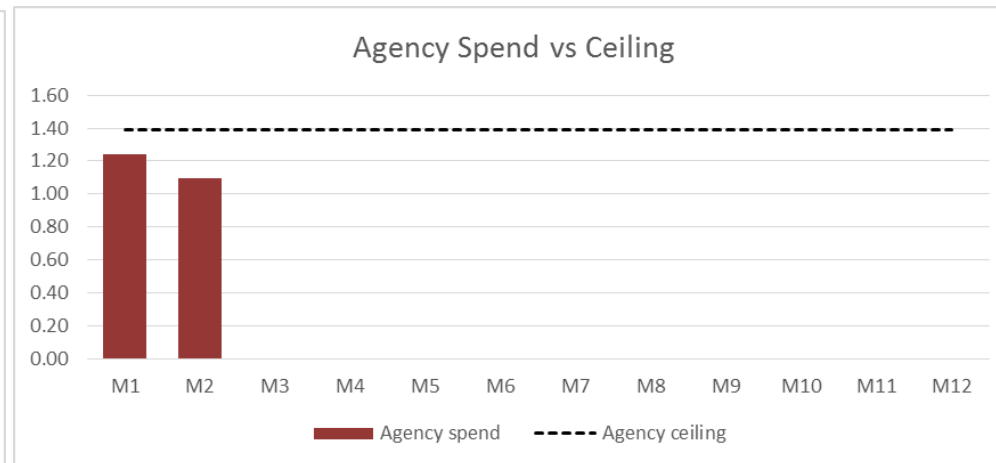
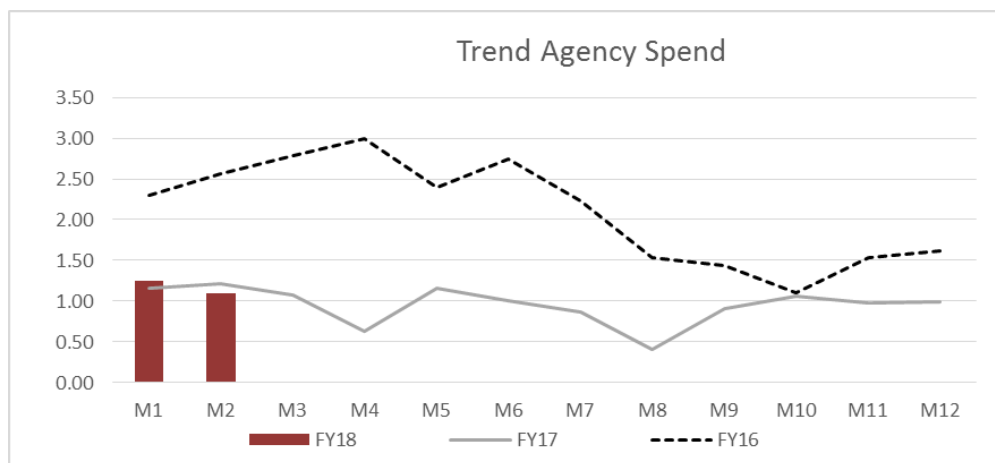
Non-EBITDA is broadly on plan at Month 2.

Appendix 5

Pay – Agency Spend

The tables below show the monthly expenditure on agency. This shows that agency expenditure has fallen over the last 24 months, in line with NHS guidelines set in the last financial year and work carried out within the Trust to reduce costs

For 2018/19 the Trust was set an agency ceiling by NHSI of £16.7m. This is £1.4m lower than in 2017/18. In order to achieve this, the Trust must spend below £1.4m per month on agency.



Appendix 6

Cash Flow

	Apr 2018	May 2018	Year-to- Date
	£000	£000	£000
Cash Flows from Operating Activities			
Operating Surplus/(Deficit)	(2,221)	(647)	(2,868)
Depreciation & Amortisation	2,632	2,636	5,268
Impairments & Reversals		3	3
Receipt of Donated Assets	(97)	(62)	(159)
Interest Paid	(1,853)	(1,853)	(3,706)
(Increase) in Inventories	283	(622)	(339)
(Increase) in Trade & Other Receivables	(6,516)	405	(6,111)
(Increase) in Other Assets	42	42	84
Increase in Trade & Other Payables	7,155	(4,741)	2,414
Cash Flow from Operating Activities	(575)	(4,838)	(5,413)
Cash Flows from Investing Activities			
Interest Received	24	23	47
(Payments) for Fixed Assets	(2,457)	(2,008)	(4,465)
Cash movement from acquisitions of business	(100)	(536)	(636)
Cash Flow from Investing Activities	(2,533)	(2,521)	(5,054)
Cash Flows from Financing Activities			
Capital Element of Finance Leases & PFI	(919)	(920)	(1,839)
Cash Flow from Financing Activities	(919)	(920)	(1,839)
Net Increase/(Decrease) in Cash	(4,027)	(8,280)	(12,307)
Cash - Beginning of the Period	39,910	35,883	39,910
Cash - End of the Period	35,883	27,603	27,603

Cash is £27.6m as at 31st May 2018, £8.3m net decrease in month.

Appendix 7

Commissioning Income by Division

1.1. Commissioning Income at Month 2 is £143.5m, £0.1m ahead of plan

1.2. The Table below shows the year-to-date commissioning income performance by division:

Divisional commissioning income: Month 2	Annual		YTD	
£m	Plan	Plan	Actual	Var.
Clinical income				
Children & Women	134.25	22.30	21.98	(0.33)
Clinical Support Services	58.64	9.58	9.92	0.34
Medicine Rehabilitation and Cardiac	221.98	37.34	38.12	0.77
Neuro Ortho Trauma and Specialist Surgery	216.27	35.83	35.74	(0.09)
Surgery and Oncology	230.22	38.06	37.15	(0.91)
Sub-total: clinical income	861.37	143.12	142.91	(0.21)
Sub-total: Corporate	2.90	0.28	0.56	0.28
Total commissioning income	864.27	143.40	143.47	0.06

The variances reflect matching income to actual expenditure for pass through items.

Appendix 8

Balance sheet – Statement of Position

Statement of Financial Position	Month 12 YTD 2017/18 £m	Month 01 YTD 2018/19 £m	Month 02 YTD 2018/19 £m	YTD Movement £m
NON-CURRENT ASSETS:				
Property, Plant and Equipment	566.34	564.93	564.37	(1.97)
Intangible Assets	7.29	6.92	6.62	(0.67)
Investment Property	12.79	12.79	12.79	
Other Investments	3.60	3.70	4.24	0.64
Trade and Other Receivables	6.13	6.17	6.00	(0.14)
TOTAL Non Current Assets	596.15	594.51	594.01	(2.14)
CURRENT ASSETS:				
Inventories	22.66	22.38	23.00	0.34
Trade and Other Receivables	66.04	72.52	72.29	6.25
Cash and Cash Equivalents	39.91	35.88	27.60	(12.31)
Sub Total Current Assets	129.11	131.24	123.31	(5.80)
TOTAL Current Assets	129.11	131.24	123.31	(5.80)
TOTAL ASSETS	725.26	725.75	717.32	(7.94)
CURRENT LIABILITIES				
Trade and Other Payables	(123.49)	(129.60)	(125.19)	(1.70)
Provisions	(1.45)	(1.56)	(1.56)	(0.12)
Borrowings	(11.11)	(10.47)	(9.82)	1.29
DH Capital Loan	(0.79)	(0.79)	(0.79)	
Total Current Liabilities	(136.90)	(142.49)	(137.43)	(0.53)
NET CURRENT ASSETS/(LIABILITIES)	(7.79)	(11.24)	(14.12)	(6.33)
TOTAL ASSETS LESS CURRENT LIABILITIES	588.36	583.27	579.89	(8.47)
NON-CURRENT LIABILITIES:				
Trade and Other Payables	(9.13)	(9.13)	(9.12)	0.01
Provisions	(2.49)	(2.38)	(2.38)	0.12
Borrowings	(247.67)	(247.40)	(247.13)	0.55
Commercial Loans	(7.43)	(7.43)	(7.43)	
Total Non-Current Liabilities	(266.73)	(266.33)	(266.05)	0.68
ASSETS LESS LIABILITIES (Total Assets Employed)	321.63	316.93	313.84	(7.79)
TAXPAYERS EQUITY				
Public Dividend Capital	223.05	223.05	223.05	
Retained Earnings reserve	(28.71)	(33.40)	(36.50)	(7.79)
Revaluation Reserve	125.55	125.55	125.55	(0.00)
Other Reserves	1.74	1.74	1.74	
Total	321.63	316.93	313.84	(7.79)
Working capital metrics				
Trade debtors days	19.25	16.08	14.26	(4.99)
Trade payables days	42.62	48.34	39.55	(3.07)