

Finance, Procurement and Contracting

Financial Performance Report: Month 2

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Financial Performance Report

Integrated themes and issues from Month 2 (May 2023)

Finance

Overall

Income and Expenditure (I&E) performance in May generated a reported **£6.7m deficit**. After adjusting for non-recurrent items the the average underlying deficit after two months is £6.5m per month. This is c.£4m/month greater than last financial year the equivalent (£2.2m/month). This is due primarily to inflationary costs hitting in full from April and a slow ramp up of offsetting efficiency gains. The YTD deficit is worse than the £8m deficit at this point last year and corrective action has been started earlier and at a greater scale than in 2021/22.

Income

Commissioning income including passthrough income was **£0.2m better** than plan in May. Passthrough drugs and devices were £0.7m better than plan and other commissioning income was accrued to plan for Month 2.

Non-NHS income (PP, Overseas, RTA and other) was **£0.7m worse** than plan in May. Excluding R&D and a non-recurrent VAT credit of £0.5m, non-NHS income was **£1.0m worse** than plan. This position reflected **£0.4m** for the loss of income from the end of contracts with government agencies for Covid-related activities, reduced Estates rental income (**£0.3m**) and private patient income and overseas income being **£0.2m worse** than plan.

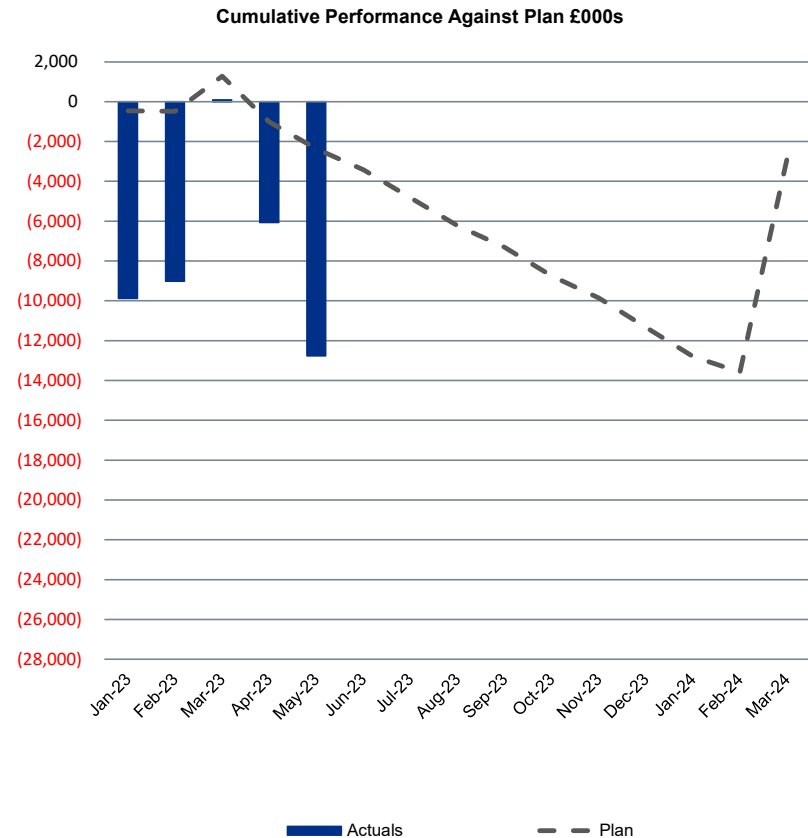
Pay Expenditure

Pay costs were **£2.2m worse** than plan in-month. Excluding R&D pay costs were **£2.3m worse** than plan. This is predominantly driven by a shortfall against the efficiency target (£0.9m in-month), pay cost pressures (£0.7m) and pay costs relating to recovery and COVID-19 (£0.6m). The underlying pay run rate is £0.5m worse than last month. Substantive WTEs increased by 38 in May..

Non-pay expenditure

Non-pay costs were **£3.2m worse** than plan in May. Excluding the impact of R&D non-pay costs were **£3.8m worse** than plan in month. This position includes **£0.7m worse** than plan on passthrough expenditure (offset by income). The remaining variance is driven primarily by the shortfall against the required efficiency target (**£1.8m worse** than plan in May

Income & Expenditure - Performance Versus Plan



Values are cumulative within each financial year (Q4 2022/23 and 2023/24)

Note: Since the presentation of the Month 1 IPR, revisions were made to correct items totalling £1.6m that were under-reported at Month 1. This report reflects the full year to date position at Month 2, which includes the corrected Month 1 position. Run rate commentary and SPC analysis in this report is based on the corrected Month 1 position.

Financial Performance Report

Integrated themes and issues from Month 2 (May 2023)

Finance

Adjusted run rate

After adjusting for non-recurrent items, the underlying deficit was **£7.0m** in May, this is a deterioration of £1.0m from April. The average underlying deficit after two months is £6.5m per month, this is a **£4.3m deterioration** on the average underlying deficit last financial year of £2.2m. This deterioration has been predominantly driven by excess inflation cost rises such as energy and PFI contracts. Efficiency savings have not yet been delivered to offset these effects.

Productivity & Efficiency savings

Productivity KPIs continue to track below planned levels with sickness, theatre activity levels and higher ALOS all contributing to an estimated **£4.8m** negative productivity impact in the financial position for May which is the underlying cause of pay overspends. Theatre activity levels are the primary driver of this, with an estimates £3.7m impact in May, but note that ongoing issue with Surginet data may distort this calculation.

Efficiency savings the financial plan includes an overall efficiency requirement of £70.5m (4.6% of total operating expenses excluding efficiencies). Efficiency has been assumed to be delivered in twelfths throughout the year whereas in reality plans are still being developed and benefits will be skewed towards the later months. YTD efficiency delivery is **£7m** behind plan Work is underway to test assurance over this as it will be a key assumption in forecasting.

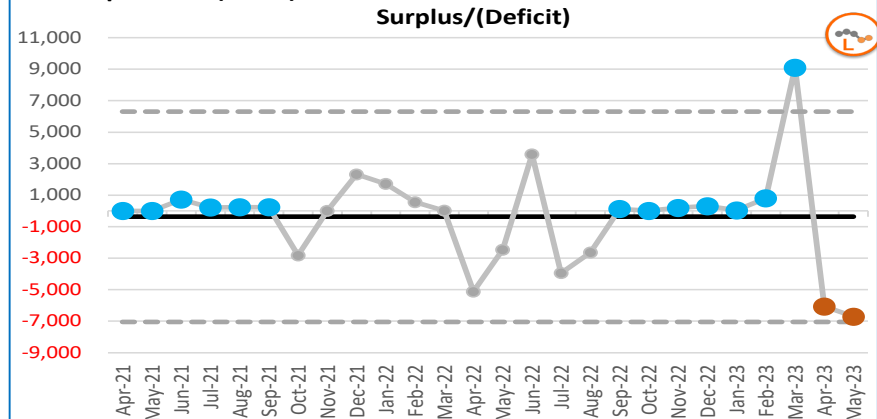
Cash

Cash was £41.9m at the end of May, **£3.9m lower** than the previous month, largely due to making some prepayments in line with supplier agreements. Cash continues to be an **adverse special cause variation** after triggering one last month, indicating seven months of deteriorating trend on cash.

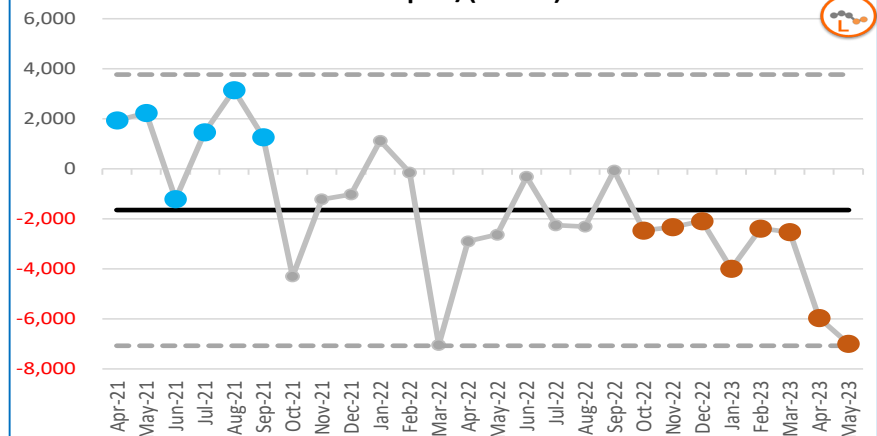
Capital

Gross capital expenditure was £1.5m for May, **behind the plan by £2.3m**, due to both capital schemes and right of use assets being behind trajectory.

Income & Expenditure – Monthly Reported Performance from April 2021 (£'000)



Income & Expenditure – Adjusted Run Rate Performance (£'000)

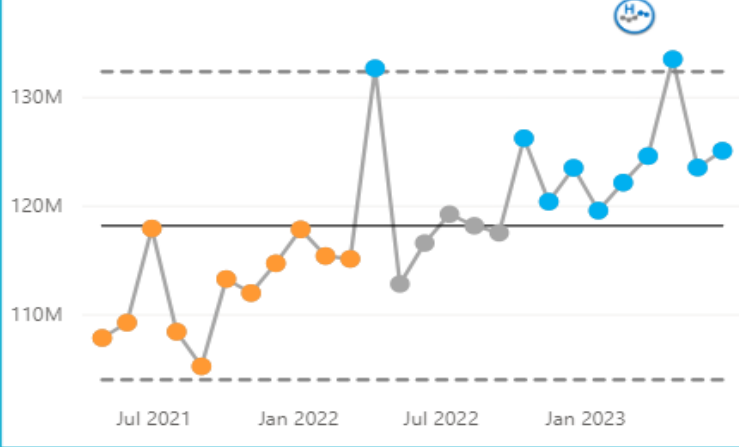


Income Overview

Source: Finance Ledger

*Income in the charts below were adjusted to remove the FY22 and FY23 (month 12) year end pension and annual leave accruals. FY23 was also adjusted to remove the non-consolidated AFC pay bonus funding accrual and to smooth the FY24 AFC pay award over the YTD.

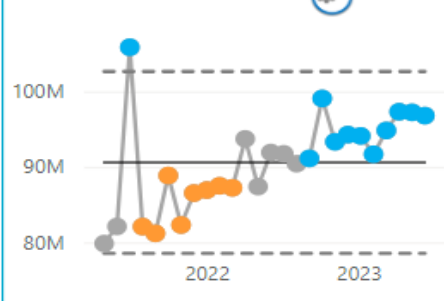
Total Income: RTH - OUH *



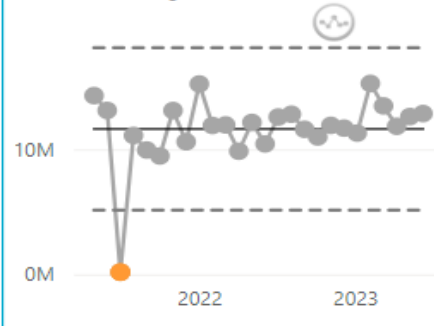
May 2023 (Month 2) - Total in-month Income of £126.4m

- Total income was £4.2m higher in May compared to April.
- Commissioning income was £2.5m higher in May. This was driven by accruing for two month's of funding (£2.7m) for the additional 3% AfC pay award above the 2% that was included in the original planning guidance (this is matched with additional pay cost). Passthrough income was £0.2m higher this month. This was offset by a £0.4m reduction in devices income to match TAVI expenditure credits in non-pay.
- Commissioning income has been accrued to plan, but elective activity could be subject to income clawback as activity was 94% in April and 104% in May of 2019/20 levels versus NHS England's expectation of 109% being delivered.
- Other income was £1.6m higher in May compared to April, mainly due to a £0.7m increase in R&D income, a VAT refund of £0.5m and a £0.2m increase in international nurses recruitment income.
- Private patient, Overseas and RTA income was £0.1m higher in May compared to April at £0.8m. The increase was in private patient income.

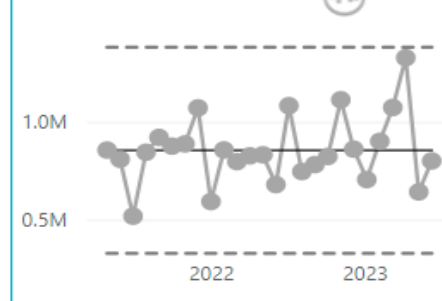
Commissioning Income (Adjusted*): RTH - OUH



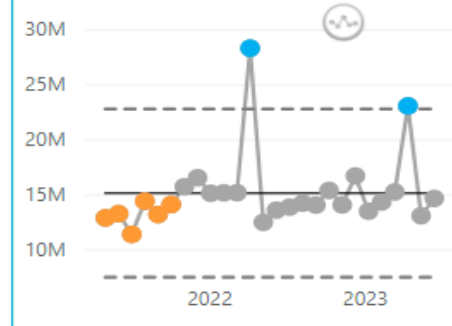
Pass Through Income: RTH - OUH



PP, Overseas & RTA Income: RTH - OUH



Other Income: RTH - OUH



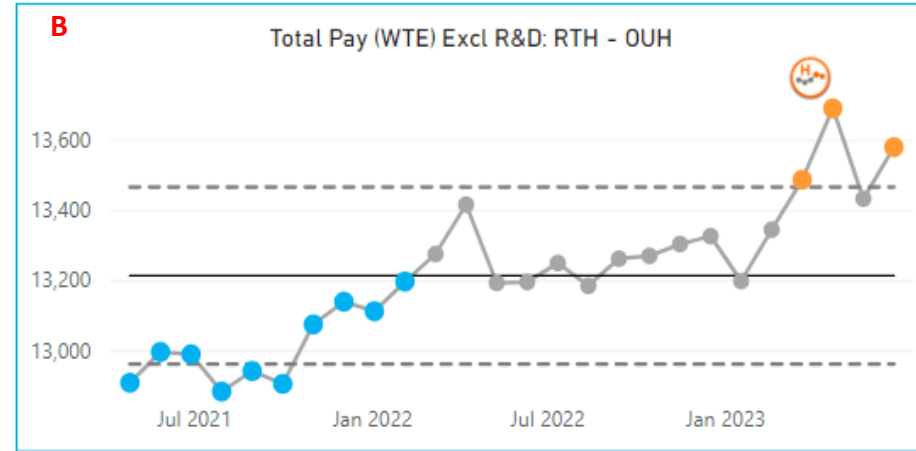
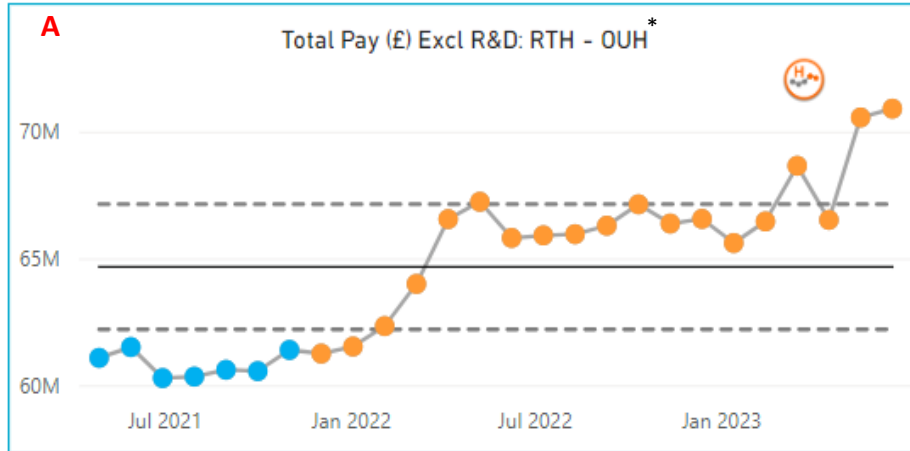
SPC Trend Analysis

Total Income has consistently increased over the last financial year, driven by commissioning income (also seen in the 'Commissioning Income' chart above). This is a result of the pay award funding as well as the recognition of additional non-recurrent commissioner funding in the second half of 2022/23.

- Total Income in March 2022 and March 2023 were all significantly high as a result of year end adjustments and R&D income.
- Other Income during the 2021/22 financial year was significantly lower than the previous financial year which is a result of top-up funding switching from being Other Income in 2020/21 to Commissioning Income in 2021/22. Only M12 entries generate special cause variations after 2021/22.

Pay: Run Rate Overview

Source: Finance Ledger, excluding R&D costs, including COVID and recovery costs.



*Pay spend in the chart above was adjusted to remove the FY22 and FY23 (month 12) pension and annual leave accruals. The pay awards in September 2021 and September 2022 were spread across month 1 to month 6, respectively, on a straight-line basis. The additional FY23 non-consolidated AFC pay bonus accrual has been removed. The FY24 AFC pay award has been smoothed over the YTD. The annual leave accrual releases throughout the year were removed. FY22 pay spend was not adjusted for inflation.

May 2023
(Month 2)

£72.2m

13,578
WTE

- Total pay was £3.3m higher in May compared to April. Excluding R&D, pay costs were £2.9m higher in May compared to April.
- Substantive staffing costs were £1.9m higher in May compared to April. The increase is mainly driven by the additional 3% AfC pay award accrual of £2.6m (covering April and May) and £0.3m of additional (coronation) bank holiday costs in May being offset by a £1.0m reduction in Oxford University Consultant recharge costs due to CEA payments. The run rate on substantive pay expenditure continues to be higher (after discounting the pay award and employers' NI increase), this is seen across all staff groups, but is primarily driven by consultant and junior doctor expenditure and nurses and midwives expenditure.
- Temporary staff in-month expenditure was £1.0m higher in May compared to April. Bank staff expenditure increased by £0.8m from April while agency staff costs increased by £0.2m (both driven by nursing in the clinical divisions). Temporary staff spend in May is above last year's monthly average of £7.0m per month, this is driven particularly by agency expenditure which continues to be a 'special cause variation'. This means that the level of agency spend continues to be significantly higher than in 2021/22 and as high as 2022/23.
- WTE increased in month by 147 to 13,578 (excluding R&D) and are a special cause variation this month. Substantive staff have increased by 27 WTE, bank staff increased by 90 WTE and agency staff increased by 30 WTE.
- COVID-19 pay costs were £0.4m in-month, which is unchanged from last month.

Trend
Analysis

- Pay spend and WTEs continue to be on an upward trend (WTEs are a special cause variation again), this trend is seen in Chart A and B above). Overall, the trend is in-part driven by the September 2021 and September 2022 pay awards, alongside other increases in pay relating to approved business cases, overall pay increase for Junior Doctors and use of temporary staffing to backfill high sickness rate. Trend by staff group and type are shown in the appendix.
- **Substantive** staffing costs have increased over the last financial year across all staff groups, primarily driven by junior doctors costs, medics overtime claims and by nursing staff cost. The increase in Staff spend has exceeded the increase in WTE due to the September 2021 and September 2022 pay awards. WTEs are up on most staff groups with the exception of health care assistants and other staff.
- **Bank** expenditure and WTEs are also up over the last financial year. This is predominantly driven by increase in consultant spend (up 35% on 2021/22 and remaining high in 2022/23), health care assistant spend (up 24%) and nursing spend (up 18%), linked with the increased sickness rate.
- **Agency** spend and WTEs have increased significantly over the last financial year, with consultants and nurses being predominant contributors to costs.

Non-Pay Run Rate Overview

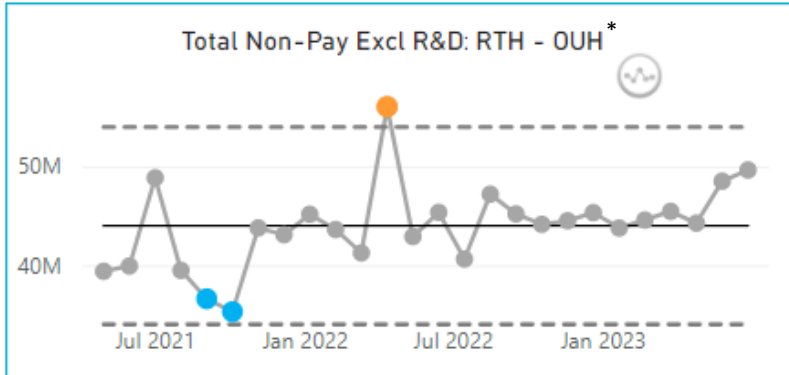


Source: Finance Ledger, excluding R&D costs, including COVID and recovery costs.

* FY23 non-pay spend in the charts below has been adjusted to remove the ROE staff non-consolidated AFC pay bonus accrual.

May 2023 (Month 2) – Total Non-Pay £49.6m

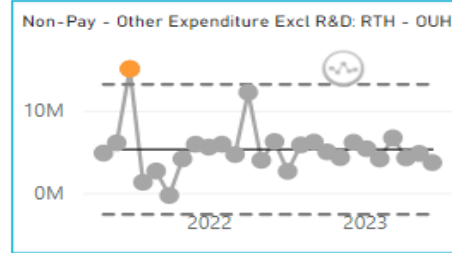
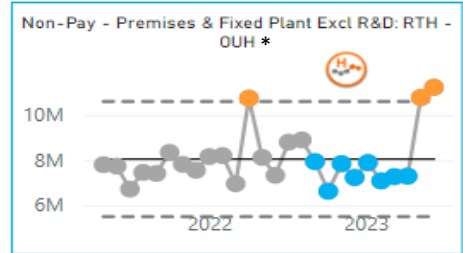
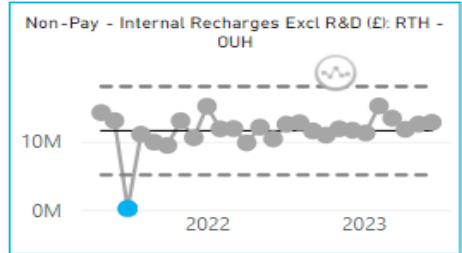
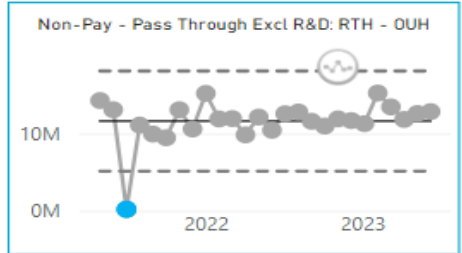
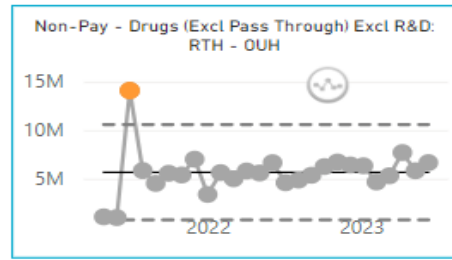
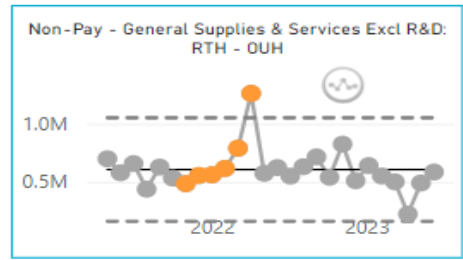
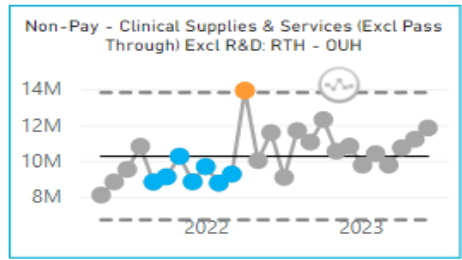
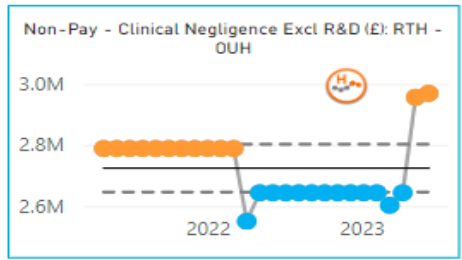
- Total non-pay was £1.6m higher in May than April. Excluding R&D, non-pay costs were £1.1m higher in May compared to April.
- This increase was driven by drug costs which increased in month by £0.8m, clinical supplies costs increasing by £0.6m, premises and fixed plant costs increasing by £0.5m, by passthrough costs which increased by £0.2m (with a corresponding increase in income) offset by other non-pay expenditure decreasing by £1.0m.
- Clinical supplies expenditure increased due to the level of elective and out-patient activity, with some clinical Divisions delivering their highest activity in May for the last two years.



SPC Trend Analysis

Non-pay spend during the financial year 2021/22 had been significantly lower compared to 2022/23 and the spend this financial year. March 2022 non-pay spend includes year end technical adjustments for PPE (Clinical Supplies & Services), estates related accruals (Premises & Fixed Plant) and staff bonus and travel incentive scheme which were announced on 31st March 2022. Non-pay expenditure has been a special cause variation (since Q4 2022/23), reflecting persistently high inflation over the last year, with RPI currently at 13.5%.

- Clinical negligence costs are now an adverse special cause variation, driven by a £3.9m cost pressure this financial year (net of maternity incentive rebate),
- Premises and fixed plant costs are now showing as an adverse special cause variation, driven by significant increases in gas and electricity utilities costs and PFI costs in this financial year.



Indicator	Currency	Target	£/unit	Actual Vs Target - Indicative financial Impact (£)		
				Apr-23	May-23	FY23 YTD
Elective ALOS	Days	4 <i>(FY21/22 Avg)</i>	1 day = £0.5m/month	£0.1m	£0.2m	£0.3m
Non-elective ALOS	Days	3.9 <i>(FY21/22 Avg)</i>	1 day = £2.4m/month	(£1.2m)	(£0.2m)	(£1.4m)
Theatre sessions (Planned)	Sessions	1,082 <i>(FY21/22 Monthly Avg)</i>	£12.1k income / session	(£4.6m)	(£3.7m)	(£8.3m)
Face to Face Appts	Appt	81,821 <i>(FY21/22 Monthly Avg)</i>	1 Appt = £93	£0.7m	(£0.5m)	£0.2m
Staff sickness rate	% of staff	3.1% <i>(Trust target)</i>	1% = £0.8m/month	(£0.9m)	(£0.9m)	(£1.8m)
Staff turnover rate	% of staff	12% <i>(Trust target)</i>	1% = £280k/month	£0.2m	£0.3m	£0.5m
Total adverse impact				(£5.7m)	(£4.8m)	(£10.5m)

Impact of key indicators

- The productivity key indicators are a work in progress representing the drivers to performance via the financial impact of movements in KPIs versus the Trust's planning assumptions. The approach seeks to join up the operational data with the financial run rate. The development and use of this data is a key focus of the Productivity Committee (a new sub-committee of TME).
- Year-to-date the Trust's run rate deficit of £6m is driven by the estimated negative impact of reductions in productivity.
- This is most clearly seen in the estimated negative impact of movements in non-elective average length of stay (ALOS) which causes the use of temporary staffing to open additional beds and in sickness and turnover rates which causes the use of temporary staffing to fill staffing gaps

Health Warning – Efforts are currently in progress to revise the indicative financial impact by taking into account the actual figures from the previous year (PLICS 22/23). Upon completion, the financial table above will be duly updated to reflect the retrospective changes

Division	Plan 2023/24 (£m)	Plan YTD (£m)	Delivered YTD (£m)	Variance to Plan YTD (£m)
CSS	8.0	1.3	0.6	-0.7
MRC	8.4	1.4	0.3	-1.1
NOTSSCaN	11.3	1.9	0.1	-1.8
SuWOn	10.0	1.7	0.8	-0.9
Corporate	3.8	0.6	0.0	-0.6
Operational Services	0.5	0.1	0.0	-0.1
Estates	1.5	0.3	0.0	-0.3
Education	0.6	0.1	0.0	-0.1
Central - recurrent	7.1	1.2	0.2	-1.0
Central - non recurrent	19.3	1.2	0.7	-0.5
TOTAL £m	70.5	9.7	2.7	-7.0

Efficiency savings

- The year to date efficiencies are **£7.0m worse** than plan, as set out in the summary table above. This is a primary driver of the overall £10.4m adverse variance to plan year to date on income and expenditure.
- The efficiency plan was phased into equal twelfths other than non-recurrent items. This was done to avoid a misleading impression being given at the start of the year that the Trust was on plan while large deficits were incurred.
- The financial plan includes an overall efficiency requirement of £70.5m (4.6% of total operating expenses excluding efficiencies). This includes £41.3m of recurrent cash releasing efficiencies (2.7%), £17.0m of non-cash releasing savings (1.1%) and £12.3m of cash releasing one-off items (0.8%).
- The clinical divisions have £37.7m of the total and have identified 61% of this target. Corporate directorates are further behind with most not having submitted their plans. 71% of central schemes have been identified.
- Moving from identification to delivery is now essential. This is being monitored in detail by the Productivity Committee and via monthly performance meetings. TME has agreed that new business case development should not take place until a division or corporate directorate has a robust efficiency plan in place as operational and clinical leaders must prioritise efficiency over service development until plans are well developed.

Source: Finance Ledger

Statement of Financial Position £000s	MONTH 11 2023	MONTH 12 2023	MONTH 1 2024	MONTH 2 2024	YTD Movement
Non Current Assets:					
Property, Plant and Equipment	641,111	741,927	739,350	736,549	(5,378)
Intangible Assets	15,034	14,689	14,349	14,074	(615)
Investment Property	32,030	34,418	34,418	34,418	0
Other investments/financial assets	13,892	13,345	13,346	13,346	1
Other property, plant and equipment (excludes I	0	676	675	675	(1)
Trade and Other Receivables	6,572	6,647	6,755	6,879	232
Total Non Current Assets	708,639	811,703	808,893	805,941	(5,762)
Current Assets:					
Inventories	27,916	29,103	29,516	29,694	591
Trade and Other Receivables	73,506	82,490	80,790	92,250	9,760
Trade and Other Receivables equivalents	44,314	32,604	45,806	41,913	9,309
Total Current Assets	145,736	144,195	156,112	163,857	19,662
Total ASSETS	854,375	955,898	965,005	969,798	13,900
Current Liabilities:					
Trade and Other Payables	(141,921)	(171,304)	(176,400)	(194,277)	(22,973)
Borrowings	(12,708)	(12,693)	(12,655)	(12,704)	(11)
Commercial Loans	(483)	(443)	(467)	(492)	(49)
DH Capital Loan	(718)	(733)	(749)	(672)	61
Provisions	(4,741)	(2,230)	(2,230)	(2,230)	0
Other Liabilities	(17,294)	(3,532)	(13,215)	(10,117)	(6,585)
Total Current Liabilities	(177,865)	(190,935)	(205,716)	(220,492)	(29,557)
Net Current Assets/(Liabilities)	(32,129)	(46,740)	(49,604)	(56,635)	(9,895)
Total Assets Less Current Liabilities	676,510	764,963	759,289	749,306	(15,657)
Non Current Liabilities:					
Borrowings	(212,624)	(212,140)	(211,150)	(210,074)	2,066
Commercial Loans	(5,778)	(5,662)	(5,662)	(5,662)	0
DH Capital Loan	(14,577)	(14,577)	(14,577)	(14,246)	331
Provisions	(8,459)	(7,659)	(7,659)	(7,659)	0
Other Liabilities	(5,073)	(5,066)	(5,053)	(5,039)	27
Total Non Current Liabilities	(246,511)	(245,104)	(244,101)	(242,680)	2,424
Assets Less Liabilities (Total Assets Employed)	429,999	519,859	515,188	506,626	(13,233)
Public Dividend Capital	310,235	310,807	310,807	310,807	0
Revaluation Reserve	151,282	226,380	225,337	224,265	(2,115)
FV Assets Reserve	(9,864)	(9,864)	(9,864)	(9,864)	0
Other Reserves	1,743	1,743	1,743	1,743	0
Retained Earnings reserve	(23,397)	(9,209)	(12,840)	(20,325)	(11,116)
Total Taxpayers Equity	429,999	519,857	515,183	506,626	(13,231)

Non-Current Assets

- The movements in PPE and intangibles are due to the net effect of the YTD capital programme, and the YTD depreciation/amortisation.

Current Assets

- Current assets have increased due to receipts in advance and the Trust making prepayments.

Current Liabilities

- Current liabilities have increased by £30m, with deferred income up £7m, and trade payables up by £23m.
- Under the Better Payment Practice Code (BPPC) 81.2% of total bills in month were paid within target (by value) and 91.0% (by number). This is short of the national standard of 95% and continues to decline with the focus on cash.

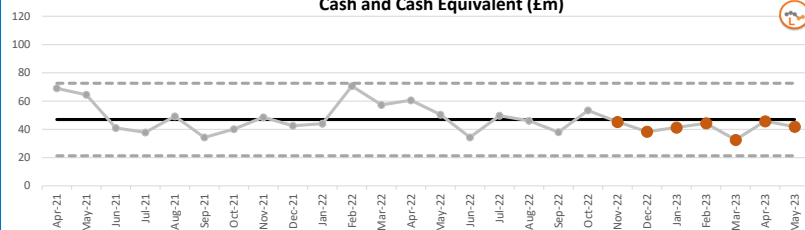
Non-Current Liabilities

- Non-current liabilities have decreased by £2m this is largely the usual PFI liability reductions due to monthly repayments.

Cash

- Cash decreased by £4m in the month partly due to making some prepayments in line with supplier agreements. Cash resilience is a priority and is being addressed through the cash committee.
- Cash continues to be an adverse special cause variation after triggering one last month, indicating seven months of deteriorating trend on cash.

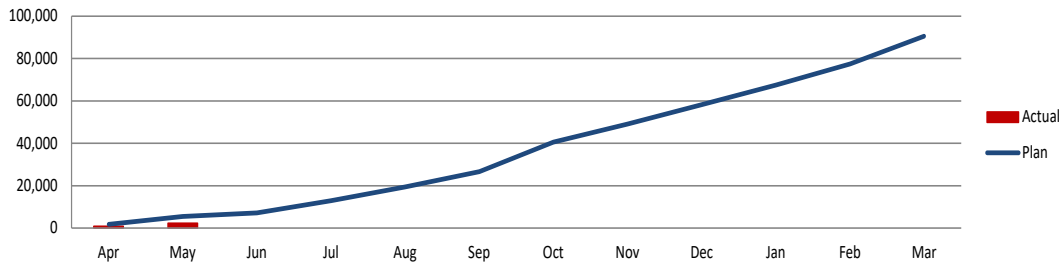
Cash and Cash Equivalent (£m)



Capital Expenditure - by funding source £000s	IN MONTH 2			YEAR TO DATE			FULL YEAR
	Plan	Actual	Variance	Plan	Actual	Variance	PLAN
Gross Capital Expenditure included in Capital Allocation	662	970	(308)	1,324	1,285	39	28,538
Net Capital Expenditure included in Capital Allocation	662	970	(308)	1,324	1,285	39	28,538
National Funding PDC	362	0	362	453	14	439	12,399
IFRS 16 - Right of Use assets/Lease accounting	127	0	127	728	0	728	6,544
Residual interest (UK GAAP accounting for PFI life-cycling)	574	384	190	1,149	768	381	6,893
Capital Departmental Expenditure Limit (CDEL)	1,725	1,354	371	3,654	2,067	1,587	54,374
Charitable and other donations	120	80	40	240	215	25	4,732
Government grants	0	11	(11)	0	20	(20)	20,621
IFRIC 12 - PFI life-cycling (less Residual Interest)	1,874	19	1,855	1,624	38	1,587	10,815
Gross Capital Expenditure	3,719	1,464	2,255	5,518	2,340	3,178	90,542

Capital Expenditure - by strategic theme £000s	IN MONTH 2			YEAR TO DATE			FULL YEAR
	Plan	Actual	Variance	Plan	Actual	Variance	PLAN
Replacement / compliance	3,168	1,389	1,779	4,213	2,221	1,992	60,697
Clinical strategy	551	47	504	1,305	87	1,218	29,325
People plan	0	1	(1)	0	1	(1)	520
Other	0	27	(27)	0	32	(32)	0
Gross Capital Expenditure	3,719	1,464	2,255	5,518	2,340	3,178	90,542

Cumulative Performance Against Plan (£000s)



The plan included in this table matches the plan submission of 15 May, totalling £90.5m gross capital expenditure with £28.5m against the ICS Capital Allocation.

The base plan also includes £12.4m of National funding PDC for the Elective Surgical Hub (JR Theatres) and the agreed 2023/4 tranche of funding for Digital Diagnostics

Also included in the gross capital total are £20.6m Government grant funding for Public Sector Decarbonization Schemes (PSDS) for JR and HGH, a total of £17.7m for PFI life cycling (including £13.8m for MES equipment replacements), £6.5m provision for the impact of IFRS 16 (lease accounting) and £4.7m allowance for charitable and other donations.

Expenditure against the ICS Allocation to May totalled £1.3m, slightly behind plan. However, there are offsetting variances within this: Churchill Waste Compound has £0.3 expenditure against a nil plan; Estates CIR is £0.1m ahead of plan (work is underway to match expenditure to plan at a more granular level); there is spend in other areas ahead of the plan profile of around £0.2m. These are offset against an underspend to date on medical equipment of £0.7m. The equipment plan is set in equal 12ths so around £1.0m in M02; spend to date is on (anticipated) slippage of £0.3m.

Spend against planned national funding is £0.4m. No expenditure has been matched against the £0.3m plan for Theatres, pending approval, and Digital Diagnostics is behind an even-12ths plan.

There has been no impact due to IFRS 16 to May compared with an expectation of £0.7m and PFI MES is £2.0m behind plan as the expected delivery of a Truebeam Linac in May has yet to be recorded as a capital addition.

The overall gross capital expenditure reported to May was £2.3m against a plan of £5.5m.

Appendix 1 – Other Supporting Analysis: Month 2 2023/24

I & E Subjective £000s	IN MONTH 2				YEAR TO DATE				FULL YEAR
	Plan	Actual	Var	Var %	Plan	Actual	Var	Var %	Plan
Income									
Commissioning Income	98,565	98,117	(448)	-0.5%	194,439	193,991	(448)	-0.2%	1,166,635
Passthrough Drugs & Devices	12,150	12,841	692	5.7%	24,299	25,441	1,142	4.7%	145,794
Other Income	14,965	14,615	(350)	-2.3%	29,881	27,652	(2,229)	-7.5%	179,313
PP, Overseas and RTA Income	1,115	799	(316)	-28.3%	2,226	1,440	(786)	-35.3%	13,357
Total Income	126,795	126,373	(422)	-0.3%	250,846	248,524	(2,322)	-0.9%	1,505,098
Pay									
Consultants and Medics	(23,008)	(23,861)	(853)	-3.7%	(45,928)	(47,878)	(1,950)	-4.2%	(275,568)
Health Care Assistants & Support	(6,449)	(7,015)	(566)	-8.8%	(12,763)	(13,311)	(547)	-4.3%	(76,574)
Nurse and Midwives	(22,214)	(22,244)	(31)	-0.1%	(42,763)	(43,462)	(698)	-1.6%	(256,579)
Other Staff	(11,839)	(12,041)	(202)	-1.7%	(22,954)	(23,058)	(104)	-0.5%	(137,731)
Scientific, Thec., Therapeutic	(10,006)	(10,512)	(506)	-5.1%	(19,544)	(20,316)	(772)	-3.9%	(117,262)
Total Pay	(73,515)	(75,673)	(2,158)	-2.9%	(143,953)	(148,025)	(4,072)	-2.8%	(863,714)
Non-Pay									
Clinical negligence	(2,968)	(2,968)	0	0.0%	(5,937)	(5,924)	13	0.2%	(35,620)
Clinical Supplies & Services	(11,197)	(12,039)	(841)	-7.5%	(22,420)	(23,256)	(836)	-3.7%	(134,517)
Drugs & Devices	(17,695)	(19,493)	(1,798)	-10.2%	(35,419)	(37,902)	(2,484)	-7.0%	(212,511)
General Supplies & Services	(340)	(586)	(246)	-72.3%	(680)	(1,078)	(398)	-58.5%	(4,081)
Internal Recharges	13	0	(13)	-100.0%	26	0	(26)	-100.0%	157
Premises & Fixed Plant	(10,249)	(11,274)	(1,025)	-10.0%	(20,328)	(22,086)	(1,758)	-8.6%	(121,969)
Other Expenditure	(4,719)	(3,953)	766	16.2%	(9,548)	(8,780)	768	8.0%	(57,429)
Total Non-Pay	(47,157)	(50,313)	(3,156)	-6.7%	(94,305)	(99,026)	(4,721)	-5.0%	(565,971)
Operational EBITDA	6,124	387	(5,737)	-93.7%	12,588	1,473	(11,115)	-88.3%	75,414
Financing and Capital Charges (Excl Tech Adj)	(7,476)	(7,092)	383	5.1%	(14,951)	(14,241)	710	4.8%	(78,268)
Operational Surplus / (Deficit)	(1,352)	(6,705)	(5,353)	-396.1%	(2,363)	(12,768)	(10,404)	-440.3%	(2,854)

Source: Finance Ledger (Includes COVID-19 and Recovery)

Income

- Commissioning income, including passthrough drugs and devices, is £0.7m better than plan to date. This is due to passthrough drugs and devices (£1.1m), which is offset by increased expenditure. Commissioning income (excluding passthrough) was accrued to plan year-to-date (except for devices income which was reduced by £0.4m relating to TAVI expenditure credits).
- Other income is £2.2m worse than plan to date (including R&D £1.1m worse than plan). Excluding R&D, other income was £1.1m worse than plan. In CSS Division income ceased since April from ONS and UKHSA, with a combined £0.8m impact.
- PP, Overseas and RTA income is £0.8m worse than plan to date, principally due to the additional efficiency target on private patient income (aiming for a 34% increase in private income this financial year).

Pay

- Pay is £4.1m worse than plan to date. Excluding R&D pay costs were £4.7m worse than plan. This is predominantly driven by a shortfall against the efficiency target (£1.8m to date), pay cost pressures (£1.4m) and pay costs relating to recovery and COVID-19 (£1.1m). This also includes a £0.5m cost impact from the Junior Doctors strike in April.

Non-Pay

- Non-pay is £4.7m worse than plan to date. Excluding R&D non-pay costs were £5.1m worse than plan (£4.0m worse than plan if passthrough expenditure is excluded). The remaining variance is driven primarily by the shortfall against the required efficiency target (£3.6m worse than plan to date). Elective recovery non-pay costs are £0.5m lower than plan and COVID-19 non-pay costs on plan.

Income and Expenditure: Subjective Analysis (R&D, Recovery and COVID-19)

I & E Subjective £000s	IN MONTH 2 - ACTUAL					YEAR TO DATE - ACTUAL				
	Excl R&D, RECOVERY & COVID	R&D	RECOVERY	COVID	Total	Excl R&D, RECOVERY & COVID	R&D	RECOVERY	COVID	Total
Income										
Commissioning Income	94,544	0	2,661	912	98,117	186,846	0	5,321	1,824	193,991
Passthrough Drugs & Devices	12,841	0	0	0	12,841	25,441	0	0	0	25,441
Other Income	10,291	4,185	0	140	14,615	19,881	7,491	0	280	27,652
PP, Overseas and RTA Income	799	0	0	0	799	1,440	0	0	0	1,440
Total Income	118,476	4,185	2,661	1,052	126,373	233,608	7,491	5,321	2,104	248,524
Pay										
Consultants and Medics	(22,637)	(751)	(347)	(126)	(23,861)	(45,920)	(1,245)	(450)	(264)	(47,878)
Health Care Assistants & Support	(6,934)	(20)	(8)	(53)	(7,015)	(13,155)	(50)	(16)	(89)	(13,311)
Nurse and Midwives	(20,857)	(1,195)	(81)	(111)	(22,244)	(40,715)	(2,343)	(165)	(238)	(43,462)
Other Staff	(11,179)	(793)	(14)	(56)	(12,041)	(21,375)	(1,552)	(27)	(104)	(23,058)
Scientific, Thec., Therapeutic	(9,753)	(728)	(10)	(21)	(10,512)	(18,872)	(1,380)	(21)	(43)	(20,316)
Total Pay	(71,360)	(3,486)	(460)	(366)	(75,673)	(140,037)	(6,570)	(680)	(738)	(148,025)
Non-Pay										
Clinical negligence	(2,968)	0	0	0	(2,968)	(5,924)	0	0	0	(5,924)
Clinical Supplies & Services	(11,821)	(209)	0	(9)	(12,039)	(23,017)	(220)	0	(18)	(23,256)
Drugs & Devices	(19,485)	(0)	0	(8)	(19,493)	(37,902)	0	0	0	(37,902)
General Supplies & Services	(536)	(1)	0	(50)	(586)	(976)	(2)	0	(100)	(1,078)
Internal Recharges	155	(155)	0	(0)	0	280	(280)	0	(0)	0
Premises & Fixed Plant	(11,144)	(56)	(53)	(22)	(11,274)	(21,882)	(102)	(70)	(31)	(22,086)
Other Expenditure	(3,023)	(278)	(653)	(0)	(3,953)	(7,007)	(316)	(1,455)	(1)	(8,780)
Total Non-Pay	(48,821)	(698)	(705)	(88)	(50,313)	(96,414)	(921)	(1,525)	(166)	(99,026)
Operational EBITDA	(1,706)	0	1,495	598	387	(2,844)	(0)	3,116	1,201	1,473
Non-EBITDA (Excl Tech Adj)	(7,092)		0	0	(7,092)	(14,241)		0	0	(14,241)
Operational Surplus / (Deficit)	(8,798)	0	1,495	598	(6,705)	(17,084)	(0)	3,116	1,201	(12,768)

Source: Finance Ledger

- COVID-19 costs total £0.5m for May. Compared to April, pay costs were unchanged at £0.4m. Non-pay were unchanged from April. COVID-19 expenditure for May is £0.2m worse than plan.
- £0.1m of income has been accrued in-month for COVID-19 testing costs.
- Recovery costs in May were £1.2m. The recovery costs included are the incremental costs of delivering additional elective activity and some independent sector outsourcing costs (these costs are subject to further review against the agreed expenditure in the recovery plans).
- R&D reported a break-even position in May.

Adjusted Run Rate and Underlying Position

2023/24 Reported Position excl. Pass-through and R&D £000s	M1	M2	YTD
Income	106,245	109,347	215,592
Pay	(69,268)	(72,187)	(141,455)
Non-Pay	(35,890)	(36,775)	(72,665)
Operational EBITDA	1,087	385	1,472
Financing and Capital Charges (Excl Tech Adj)	(7,148)	(7,092)	(14,240)
Operational Surplus / (Deficit)	(6,061)	(6,707)	(12,768)
Smoothing Adjustments	M1	M2	YTD
Income			
Income overstated M1 NOTSSCaN (Asfotase Alfa and Luxturna)	(412)	412	0
AFC pay award 23/24	1,338	(1,338)	0
Pay			
AFC pay award 23/24	(1,285)	1,285	0
Non-Pay			
AoB credits M2	614	(614)	0
Smoothing Adjustments Total	255	(255)	0
2023/24 'Smoothed' Position excl. Pass-through and R&D £000s	M1	M2	YTD
Income	107,171	108,421	215,592
Pay	(70,553)	(70,902)	(141,455)
Non-Pay	(35,277)	(37,389)	(72,665)
Operational EBITDA	1,342	130	1,472
Financing and Capital Charges (Excl Tech Adj)	(7,148)	(7,092)	(14,240)
Operational Surplus / (Deficit)	(5,806)	(6,962)	(12,768)
Run Rate Adjustments	M1	M2	YTD
Income			
VAT credit		(455)	(455)
Pay			
Additional bank holidays		223	223
Junior Doctors strike (March and April)	599		599
Junior Doctors pay clawback (April)	(125)		(125)
Pension credit	(130)		(130)
Non-Pay			
SUWON old year accrual and maintenance GRNI releases	(329)		(329)
Procurement credit note M1	(165)		(165)
KPMG VAT review costs (offsets credit in income)		204	204
Run Rate Adjustments Total	(150)	(28)	(178)
2023/24 Run Rate Position excl. Pass-through and R&D £000s	M1	M2	YTD
Income	107,171	107,966	215,137
Pay	(70,209)	(70,679)	(140,888)
Non-Pay	(35,771)	(37,185)	(72,955)
Operational EBITDA	1,192	102	1,294
Financing and Capital Charges (Excl Tech Adj)	(7,148)	(7,092)	(14,240)
Operational Surplus / (Deficit)	(5,956)	(6,990)	(12,946)

- This table shows the run rate for the year-to-date adjusted for timing differences and the position when in-year one-off costs and benefits are removed from the reported position.
- The average run rate deficit for the last financial year was £2.2m a month. (This still includes the benefit of the annual leave accrual release, COVID-19 and recovery underspends). The run rate deficit year-to-date is an average of £6.5m a month, this is a deterioration of £4.3m from the average underlying deficit last financial year. This underlying deficit continues to trigger an adverse special cause variation.

Statement of Financial Position (SOFP)

Statement of Financial Position £000s	MONTH 2 2023	MONTH 3 2023	MONTH 4 2023	MONTH 5 2023	MONTH 6 2023	MONTH 7 2023	MONTH 8 2023	MONTH 9 2023	MONTH 10 2023	MONTH 11 2023	MONTH 12 2023	MONTH 1 2024	MONTH 2 2024	MOVEMENT 202302 - 202402
Non Current Assets:														
Property, Plant and Equipment	661,270	658,548	656,130	653,381	651,102	650,803	647,665	643,905	644,863	641,111	741,927	739,350	736,549	75,279
Intangible Assets	13,646	13,951	13,692	13,526	13,161	12,914	13,520	14,138	14,139	15,034	14,689	14,349	14,074	428
Investment Property	32,030	32,030	32,030	32,030	32,030	32,030	32,030	32,030	32,030	32,030	34,418	34,418	34,418	2,388
Other investments/financial assets	14,310	14,310	14,276	14,276	14,072	13,841	13,841	13,892	13,892	13,892	13,345	13,346	13,346	(964)
Other property, plant and equipment (excludes I Trade and Other Receivables	0	0	0	0	0	0	0	0	0	0	676	675	675	675
Trade and Other Receivables	7,039	6,816	6,627	6,568	6,465	6,535	6,385	6,494	6,538	6,572	6,647	6,755	6,879	(160)
Total Non Current Assets	728,295	725,655	722,755	719,781	716,830	716,123	713,441	710,459	711,462	708,639	811,703	808,893	805,941	77,646
Current Assets:														
Inventories	27,951	28,941	28,644	28,588	28,436	28,182	28,106	28,324	27,723	27,916	29,103	29,516	29,694	1,743
Trade and Other Receivables	70,198	84,239	79,530	67,999	73,440	69,281	72,993	73,511	70,492	73,506	82,490	80,790	92,250	22,052
Cash and Cash Equivalents	50,244	34,326	49,709	46,111	38,012	53,389	45,334	38,367	41,352	44,314	32,604	45,806	41,913	(8,331)
Total Current Assets	148,393	147,506	157,883	142,698	139,888	150,852	146,433	140,202	139,567	145,736	144,195	156,112	163,857	15,464
Total ASSETS	876,688	873,161	880,638	862,479	856,718	866,975	859,874	850,661	851,029	854,375	955,898	965,005	969,798	93,110
Current Liabilities:														
Trade and Other Payables	(158,654)	(151,331)	(158,862)	(149,613)	(149,336)	(146,704)	(145,329)	(141,656)	(148,142)	(141,921)	(171,304)	(176,400)	(194,277)	(35,623)
Borrowings	(15,898)	(15,598)	(15,354)	(15,066)	(14,790)	(14,064)	(13,769)	(13,467)	(13,118)	(12,708)	(12,693)	(12,655)	(12,704)	3,194
Commercial Loans	(471)	(434)	(456)	(478)	(443)	(465)	(487)	(434)	(459)	(483)	(443)	(467)	(492)	(21)
DH Capital Loan	(669)	(684)	(704)	(720)	(736)	(752)	(757)	(783)	(703)	(718)	(733)	(749)	(733)	(3)
Provisions	(7,034)	(7,034)	(7,034)	(6,775)	(6,747)	(6,556)	(6,556)	(6,556)	(4,741)	(4,741)	(2,230)	(2,230)	(2,230)	4,804
Other Liabilities	(10,287)	(12,004)	(17,530)	(13,089)	(9,440)	(22,403)	(17,778)	(14,475)	(11,842)	(17,294)	(3,532)	(13,215)	(10,117)	170
Total Current Liabilities	(193,013)	(187,085)	(199,940)	(185,741)	(181,492)	(190,944)	(184,676)	(177,371)	(179,005)	(177,865)	(190,935)	(205,716)	(220,492)	(27,479)
Net Current Assets/(Liabilities)	(44,620)	(39,579)	(42,057)	(43,043)	(41,604)	(40,092)	(38,243)	(37,169)	(39,438)	(32,129)	(46,740)	(49,604)	(56,635)	(12,015)
Total Assets Less Current Liabilities	683,675	686,076	680,698	676,738	675,226	676,031	675,198	673,290	672,024	676,510	764,963	759,289	749,306	65,631
Non Current Liabilities:														
Borrowings	(221,990)	(221,125)	(219,953)	(218,880)	(217,443)	(218,401)	(217,378)	(216,199)	(215,174)	(212,624)	(212,140)	(211,150)	(210,074)	11,916
Commercial Loans	(6,095)	(5,984)	(5,984)	(5,984)	(5,872)	(5,872)	(5,872)	(5,778)	(5,778)	(5,778)	(5,662)	(5,662)	(5,662)	433
DH Capital Loan	(14,908)	(14,908)	(14,908)	(14,908)	(14,908)	(14,908)	(14,908)	(14,908)	(14,577)	(14,577)	(14,577)	(14,577)	(14,246)	662
Provisions	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(8,459)	(7,659)	(7,659)	(7,659)	800
Other Liabilities	(4,613)	(4,606)	(4,595)	(4,587)	(4,728)	(4,793)	(4,782)	(4,772)	(5,086)	(5,073)	(5,066)	(5,053)	(5,039)	(426)
Total Non Current Liabilities	(256,065)	(255,082)	(253,899)	(252,818)	(251,410)	(252,433)	(251,399)	(250,116)	(249,074)	(246,511)	(245,104)	(244,101)	(242,680)	13,385
Assets Less Liabilities (Total Assets Employed)	427,610	430,994	426,799	423,920	423,816	423,598	423,799	423,174	422,950	429,999	519,859	515,188	506,626	79,016
Public Dividend Capital	303,749	303,749	303,749	303,749	303,749	303,749	303,749	303,749	303,749	310,235	310,807	310,807	310,807	7,058
Revaluation Reserve	158,070	157,316	156,561	155,807	155,053	154,299	153,544	152,790	152,036	151,282	226,380	225,337	224,265	66,195
FV Assets Reserve	(9,246)	(9,246)	(9,246)	(9,246)	(9,246)	(9,246)	(9,246)	(9,864)	(9,861)	(9,864)	(9,864)	(9,864)	(9,864)	(618)
Other Reserves	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	1,743	0
Retained Earnings reserve	(26,706)	(22,568)	(26,008)	(28,133)	(27,483)	(26,947)	(25,991)	(25,245)	(24,717)	(23,397)	(9,209)	(12,840)	(20,325)	6,381
Total Taxpayers Equity	427,610	430,994	426,799	423,920	423,816	423,598	423,799	423,173	422,950	429,999	519,857	515,183	506,626	79,016

- The movements in PPE and intangibles are due to the net effect of the YTD capital programme, and the YTD depreciation/amortisation.
- Current assets have increased largely due to receipts in advance and also the Trust making some prepayments.
- Current liabilities have increased by £27m, with deferred income up £10m, and trade payables up by £5m.
- Non-current liabilities have decreased by £13m this is the usual PFI liability reductions due to monthly repayments.
- The change in cash over the last 12 calendar months is a reduction of £8m, this is reflecting the challenges more generally of the Trust's overall financial position.

Cash flows from operating activities £000s	MONTH 2 2023	MONTH 3 2023	MONTH 4 2023	MONTH 5 2023	MONTH 6 2023	MONTH 7 2023	MONTH 8 2023	MONTH 9 2023	MONTH 10 2023	MONTH 11 2023	MONTH 12 2023	MONTH 1 2024	MONTH 2 2024
Cash Flows from Operating Activities													
Operating Surplus/(Deficit)	586	6,326	(1,226)	86	2,847	2,905	3,042	2,170	2,940	3,347	10,002	(1,387)	(6,645)
Depreciation and Amortisation	3,282	4,092	3,687	3,460	3,491	3,515	3,761	5,274	5,048	3,858	6,315	4,200	8,333
Impairments and Reversals	0	0	0	0	1	0	0	0	0	0	1,093	0	0
Donated Assets received credited to revenue but non-cash	(279)	(52)	140	(29)	(66)	(39)	(268)	0	0	(40)	(618)	(135)	(215)
Interest Paid	(2,265)	(2,190)	(2,149)	(2,143)	(2,227)	(2,115)	(2,139)	(2,231)	(2,575)	(2,124)	(2,225)	(2,269)	(4,630)
Dividend Paid	0	0	0	0	(7,104)	0	0	0	0	0	(5,107)	0	0
Release of PFI/deferred credit	(7)	14	0	0	0	0	0	0	0	0	0	(14)	(28)
(Increase)/Decrease in Inventories	(16)	(990)	297	56	152	254	76	(218)	601	(193)	(1,187)	(413)	(591)
(Increase)/Decrease in Trade and Other Receivables	(7,395)	(13,818)	4,899	11,590	(5,421)	3,556	(3,563)	(627)	(243)	(3,051)	(9,024)	1,592	(9,993)
Increase/(Decrease) in Trade and Other Payables	1,025	(6,940)	8,212	(9,482)	7,104	(3,707)	(1,933)	(4,240)	4,651	(7,872)	17,302	14,004	34,154
Increase/(Decrease) in Other Current Liabilities	(2,544)	1,710	5,515	(4,449)	(3,508)	13,028	(4,636)	(3,313)	(2,319)	5,439	(13,769)	9,684	6,586
Provisions Utilised	0	0	0	(259)	(28)	(191)	0	0	(815)	0	(825)	(0)	(0)
Increase/(Decrease) in Movement in non Cash Provisions	0	0	0	0	0	0	0	0	(1,000)	0	(2,458)	0	0
Net Cash Inflow/(Outflow) from Operating Activities	(7,614)	(11,848)	19,375	(1,170)	(4,759)	17,207	(5,660)	(3,185)	6,288	(635)	(501)	25,262	26,971
CASH FLOWS FROM INVESTING ACTIVITIES													
Interest Received	44	69	74	68	98	110	172	219	203	232	253	294	586
(Payments) for Property, Plant and Equipment	(1,201)	(2,446)	(2,539)	(1,045)	(1,964)	(946)	(299)	(1,317)	(1,461)	(441)	(10,915)	(11,345)	(15,820)
(Payments) for Intangible Assets	0	(573)	5	(90)	119	7	(955)	(1,035)	(340)	(1,462)	473	6	(53)
Proceeds of disposal of assets held for sale (PPE)	49	0	0	0	0	0	5	0	0	0	36	11	11
Proceeds from Disposal of Other Financial Assets	0	0	34	0	204	0	0	0	0	0	0	0	0
Cash movement from acquisitions of business units and subsidiaries	0	0	0	0	0	0	0	0	0	0	0	(1)	(1)
Net Cash Inflow/(Outflow) from Investing Activities	(1,108)	(2,950)	(2,427)	(1,068)	(1,542)	(829)	(1,076)	(2,133)	(1,597)	(1,671)	(10,153)	(11,035)	(15,277)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(8,722)	(14,798)	16,948	(2,237)	(6,301)	16,377	(6,736)	(5,318)	4,690	(2,307)	(10,654)	14,227	11,694
CASH FLOWS FROM FINANCING ACTIVITIES													
Public Dividend Capital Received	0	0	0	0	0	0	0	0	0	6,486	572	0	0
Loans repaid to DH - Capital Investment Loans Repayment of Private Finance Initiative	(331)	0	0	0	0	0	0	0	(331)	0	0	0	(331)
Other Loans Repaid	0	(103)	0	0	(103)	0	0	(103)	0	0	(107)	0	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	(1,302)	(1,164)	(1,418)	(1,361)	(1,695)	(1,001)	(1,318)	(1,546)	(1,374)	(1,217)	(1,521)	(1,027)	(2,054)
Capital grants and other capital receipts	0	146	(146)	0	0	0	0	0	0	0	0	0	0
Net Cash Inflow/(Outflow) from Financing Activities	(1,633)	(1,121)	(1,564)	(1,361)	(1,798)	(1,001)	(1,318)	(1,649)	(1,705)	5,269	(1,056)	(1,027)	(2,385)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(10,355)	(15,919)	15,384	(3,598)	(8,100)	15,377	(8,055)	(6,967)	2,985	2,962	(11,710)	13,200	9,309
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	60,600	50,244	34,325	49,709	46,111	38,012	53,389	45,334	38,367	41,352	44,314	32,605	32,605
Restated Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	60,600	50,244	34,325	49,709	46,111	38,012	53,389	45,334	38,367	41,352	44,314	32,605	32,605
Cash and Cash Equivalents (and Bank Overdraft) at YTD	50,244	34,325	49,709	46,111	38,012	53,389	45,334	38,367	41,352	44,314	32,604	45,805	41,913

The cash balance increased by £9m YTD, but a reduction over the calendar year of £8m. The Trust reported a £7m operating cash deficit YTD, i.e. excluding depreciation and revaluations which are non-cash items and interest payments. Our working capital improved by £30m (i.e. debtor, creditors and inventories). We paid £16m for capital items, £7m to service the PFIs and leased assets.