

Reporting to:	Trust Board - 30th March 2017
Title	Financial Strategy 2017/18
Sponsoring Director	Neil Nisbet, Finance Director and Deputy Chief Executive
Author(s)	As above
Previously considered by	Sustainability Committee 28 th March 2017
Executive Summary	<p>This paper provides a description of the 2017/18 budget and describes the construction of:</p> <ul style="list-style-type: none"> - income budgets and the changes that have led to the income budget - pay expenditure and the assumptions adopted - non pay expenditure and the assumptions adopted - Cost Improvement Programme and the activities being taken forward to deliver cost reductions in the year. <p>The paper considers how the plan progresses on a monthly basis through the year, considers the impact upon the Medium Term Financial Plan of the Trust and concludes by presenting a proposed Capital Programme for the 2017/18 financial year.</p>
Strategic Priorities	
1. Quality and Safety	<input type="checkbox"/> Reduce harm, deliver best clinical outcomes and improve patient experience. <input type="checkbox"/> Address the existing capacity shortfall and process issues to consistently deliver national healthcare standards <input type="checkbox"/> Develop a clinical strategy that ensures the safety and short term sustainability of our clinical services pending the outcome of the Future Fit Programme <input type="checkbox"/> To undertake a review of all current services at specialty level to inform future service and business decisions <input type="checkbox"/> Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme
2. People	<input type="checkbox"/> Through our People Strategy develop, support and engage with our workforce to make our organisation a great place to work
3. Innovation	<input type="checkbox"/> Support service transformation and increased productivity through technology and continuous improvement strategies
4. Community and Partnership	<input type="checkbox"/> Develop the principle of 'agency' in our community to support a prevention agenda and improve the health and well-being of the population <input type="checkbox"/> Embed a customer focussed approach and improve relationships through our stakeholder engagement strategies
5. Financial Strength: Sustainable Future	<input checked="" type="checkbox"/> Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme
Board Assurance Framework (BAF) Risks	<input type="checkbox"/> If we do not deliver safe care then patients may suffer avoidable harm and poor clinical outcomes and experience <input type="checkbox"/> If we do not implement our falls prevention strategy then patients may suffer serious injury <input type="checkbox"/> If the local health and social care economy does not reduce the Fit To Transfer (FTT) waiting list from its current unacceptable levels then patients may suffer serious harm <input type="checkbox"/> Risk to sustainability of clinical services due to potential shortages of key clinical staff <input type="checkbox"/> If we do not achieve safe and efficient patient flow and improve our processes and capacity and demand planning then we will fail the national quality and performance standards <input type="checkbox"/> If we do not get good levels of staff engagement to get a culture of continuous improvement then staff morale and patient outcomes may not improve

	<input type="checkbox"/> If we do not have a clear clinical service vision then we may not deliver the best services to patients <input checked="" type="checkbox"/> If we are unable to resolve our (historic) shortfall in liquidity and the structural imbalance in the Trust's Income & Expenditure position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment
Care Quality Commission (CQC) Domains	<input type="checkbox"/> Safe <input type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input type="checkbox"/> Well led
<input type="checkbox"/> Receive <input type="checkbox"/> Review <input type="checkbox"/> Note <input checked="" type="checkbox"/> Approve	Recommendation To APPROVE the 2017/18 budget.

TRUST BOARD – 30TH MARCH 2017

FINANCIAL STRATEGY 2017/18

1. Introduction

The 2016/17 financial year has been challenging for all NHS Acute providers. Despite collectively receiving Non Recurrent Financial support (Sustainability and Transformation Funding (STF)) of £1.8 billion, indications are that the providers will end the year with a combined deficit of £800 million. The Shrewsbury and Telford Hospital NHS Trust was set a target of delivering a deficit of £5.9 million, after allowing for the receipt £10.5 million STF Funds. Unfortunately, because of a sharp decline in their financial position, Shropshire CCG, has not been able to release winter funding to the Trust to cover increased costs over this period. As a result the Trust is now expecting to record a year end deficit of £7.4 million and so miss the control target by £1.5 million.

That said, the underlying financial position of the Trust, as measured by the recurrent position has improved. The Trust began the year with a recurrent deficit of £20.2 million and will take into the 2017/18 a recurrent deficit of £17.9 million, an improvement of £2.3 million.

In setting plans for the next two years, NHSI has recognised the difficult landscape occupied by particularly the NHS Acute provider sector, with the result that the financial support received in 2016/17 is to continue into the years 2017/18 and 2018/19. In making available this support NHSI / NHSE do so in the expectation that the underlying recurrent position of acute providers will improve. The task for SATH over the next two years is to reduce the recurrent deficit to £15.4 million in 2017/18 and £12.1 million by 2018/19.

Accordingly, after allowing for STF Funding in the years 2017/18 and 2018/19 the Trust will be required to deliver a control total deficit of £6.063 million and £2.778 million respectively. Achieving this financial position will require the Trust to generate cost efficiencies, at a rate equivalent to 2 per cent of its cost base in each financial year.

In this context this paper provides a description of the 2017/18 budget, and describes the construction of the:

- Income budgets, in particular the changes that have led to the Income budget for the year,
- Pay Expenditure – the assumptions adopted in the creation of the Pay budgets,
- Non Pay Expenditure – the assumptions adopted in the development of the Non Pay Budgets, and
- Cost Improvement Programme – the activities being taken forward to deliver cost reductions in the year.

The paper then progresses to consider how the Plan progresses on a monthly basis through the year and then concludes by considering the impact upon the Medium Term Financial Plan of the Trust.

2. Overall Income and Expenditure Budget.

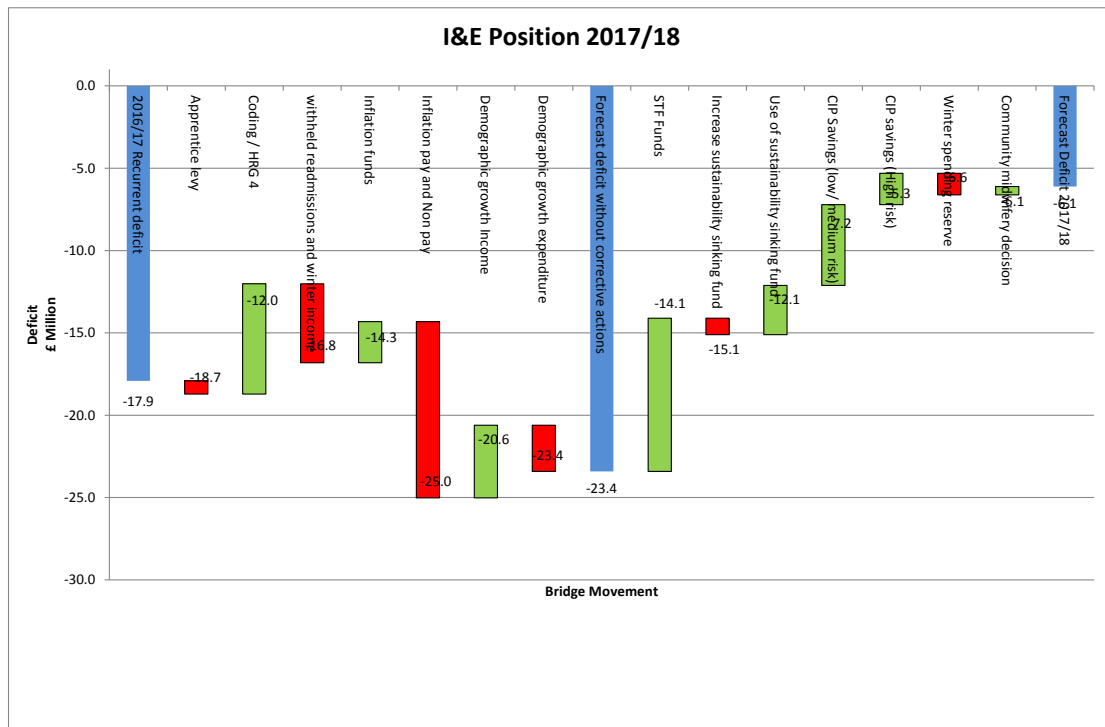
The Income and Expenditure budget for the 2017/18 year is presented in the table below

	Recurrent £000's	Non Recurrent £000's	Total £000's	Forecast Outturn 2016/17 £000's	% change
Income	352,055	4,665	356,720	346,032	+3.1%
NTDA Support					
Expenditure					
Pay	(239,524)	(2,000)	(241,524)	(234,228)	+3.1%
Non Pay	(110,714)	-	(110,714)	(105,163)	+4.7%
Reserves	(1,668)	(1,134)	(2,802)		
Cost Improvement Programme	6,803		6,803		
High Risk CIP	(1,900)		(1,900)		
Total Expenditure	(347,003)	(3,134)	(350,137)	(339,391)	+2.6%
Earnings before Interest, Tax, Dividends and Amortisation (EBITDA)	5,052	1,531	6,583	6,641	
Dividends and Amortisation	(17,546)	3,000	(14,546)	(14,041)	+3.9%
Surplus / (deficit) before corrective actions	(12,494)	4,531	(7,963)	(7,400)	
Corrective actions – High Risk CIP	1,900		1,900		
Surplus / (deficit) after corrective actions	(10,594)	4,531	(6,063)		

The target presented by NHS Improvement for the year is to achieve a deficit of £6.063 million.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Income	27803	29228	29189	30184	28110	30764	32038	30715	28992	30051	29130	30516	356720
Pay	-19771	-19991	-20059	-20080	-20077	-20319	-20280	-20386	-20585	-20616	-20477	-20549	-243192
Non Pay	-8974	-8889	-9098	-9117	-8925	-9452	-9742	-9450	-9321	-9552	-9584	-9743	-111848
CIP and reserves	567	567	567	567	567	567	567	567	567	567	567	567	6803
Total Expenditure	-28178	-28313	-28591	-28630	-28435	-29203	-29455	-29270	-29340	-29601	-29495	-29726	-348237
EBITDA	-375	915	598	1554	-325	1560	2582	1445	-348	450	-365	790	8483
Finance costs	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-1212	-14546
Surplus / deficit - before corrective actions	-1587	-297	-614	342	-1537	348	1370	233	-1560	-762	-1577	-422	-6063
Corrective actions													0
Surplus / deficit	-1587	-297	-614	342	-1537	348	1370	233	-1560	-762	-1577	-422	-6063
Cumulative deficit	-1587	-1884	-2498	-2156	-3693	-3345	-1975	-1742	-3302	-4064	-5641	-6063	

A bridge diagram describing the construction of the deficit position is presented below.



Key messages – Overall Income and Expenditure Position

- Trust to deliver deficit in the year amounting to £6.063 million
- Required to deliver a Cost Improvement Programme that generates recurrent expenditure savings amounting to £6.8 million,
- The Cost Improvement Programme represents 2.0% of expenditure
- The Trust carries forward into the 2017/18 year a recurrent deficit of £17.9 million.
- The recurrent deficit includes £3 million recurrent sinking fund in support of the hospital reconfiguration project.

2.1 Income Budget

The changes within the Income budget are presented in the table below:

	Recurrent £000's	Non recurrent £000's	Total £000's
2016/17 Forecast Outturn	338,293	7,739	346,032
2016/17 Financial year			
Baseline Position	338,293		338,293
Transformation fund		9,315	9,315
Local Commissioners QIPP	(4,519)		(4,519)
National Tariff / Inflation	1,502		1,502
HCD / Pass through Inflation	1,000		1,000
Revised Tariff	4,800		4,800
Apprenticeship levy	(800)		(800)
Demographic growth – 1.5%	4,390		4,390
Community midwifery	980	(470)	510
CSN Changes	1,900		1,900
Non recurrent schemes		710	710
Winter pressures		(1,800)	(1,800)
Readmissions funds		(2,600)	(2,600)

	Recurrent £000's	Non recurrent £000's	Total £000's
Challenged service – Neurology		(500)	(500)
Local Commissioners QIPP schemes reversed	4,519		4,519
		-	
		-	
		-	
Income Budget 2017/18	352,065	4,655	356,720

2.1.1 Baseline Position

The 2017/18 Income budget is then adjusted by the following items:

- Transformation Fund – The Trust has been notified that transformation funds are to be released to the Trust through NHS Improvement amounting to £9.3 million.
- Local Commissioner QIPP Schemes 2016/17 – In setting the contract for the 2017/18 financial year, the Trust has agreed to work with the local Commissioners to deliver QIPP savings. For Telford and Wrekin CCG this amounts to £1.42 million and Shropshire County CCG - £3.099 million.
- National Tariff / Inflation – Base Tariff has been set to increase Income by 0.1 per cent (£292,000) and cover the cost of increased CNST premiums (£1.2 million).
- High Cost Drugs /Pass through – Assuming a 4 per cent level of Inflation this results in increased Income of £1.0 million.
- HRG 4 – The cost structure for activity delivered by the Trust has been adjusted to recognise the increased cost of delivering complex procedures. This new cost structure is estimated to increase Income by £4.8 million
- Apprenticeship Levy – National changes to the financing arrangements in respect of Apprenticeships reduces the Trust Income by circa £800,000.
- Demographic growth – Activity in the year is assumed to increase in response to demographic growth by 1.5 per cent. This assumption is consistent with the assumptions adopted by Shropshire County CCG but is lower than the 2.6 per cent assumed by Telford and Wrekin CCG.
- Community Midwifery – In agreeing the contract for 2017/18, it was accepted by local commissioners that a decision needed to be made with regard to the future of community midwifery services. In doing so Commissioners established a reserve amounting to £980,000 equivalent to the losses incurred by SATH in providing this service. In setting the budget it has been assumed that the Trust will receive £510,000 in the 2017/18 financial year.
- Non Recurrent schemes – During the 2016/17 year the Trust received additional Non recurrent funding to support posts in respect of Maternity, and General Nurse Trainees. It is assumed that this funding will be made available in the 2017/18 year.
- Commissioning Serial Number (CSN) changes – In accordance with National contracting rules, the Trust has successfully negotiated increased funding in respect of outpatient activity that had previously been unrecognised by commissioners. This amounts to £1.9 million.
- Winter Pressures – Previously the Trust had received £2.8 million in support of increased winter capacity from Local Commissioners, Shropshire County CCG in the 2016/17 financial year withheld their contribution amounting to £1.8 million. During the contract negotiations it

was agreed that this funding would be re-examined through the Local Health Economy Urgent Care Board. Given the uncertainty over the use of these funds it has been decided to exclude this sum from the Trust Income budget until agreement has been reached.

- Readmissions monies – As with winter pressures, Local Commissioners are presently with holding £2.6 million in respect of readmitted activity. Discussions over the use of these monies is to be taken at the Urgent Care Board.

Key Messages - Income	
-	Total Income for the year - £356.72 million
-	Income incorporates non recurrent Sustainability and Transformation Funds received from NHS Improvement amounting to £9.3 million,
-	Use of Winter and Readmissions monies to be agreed through the Urgent Care Board.

2.2 Expenditure Budgets

2.2.1 Pay Expenditure.

The baseline budget for Pay spending in the 2017/18 year has been set, before the application of a cost Improvement Programme, at £243.192million. The table below provides a description of how this sum compares with the budgeted level set for the 2017/18 year.

	Recurrent £000's	Non Recurrent £000's	Total £000's
2016/17 Recurrent Budget carried forward	234,824		234,824
Pay Pressures 2017/18	4,700		4,700
Waiting List Initiatives		1,300	1,300
Non Recurrent development		700	700
Pay Before pay reserves	239,524	2,000	241,524
Demographic growth reserve	1,668		1,668
Pay budget before CIP	241,192	2,000	243,192

Contained within the Recurrent Pay Budget are a number of central reserves, these being

	£000's
Agency Premiums	6,773
Waiting List Initiatives	1,179
Winter Pressures	2,825
Unavailability excess	2,967
Clinical Excellence Awards	1,936
Medical staff Sickness	296

These reserves are distributed to care groups, throughout the year.

2016/17 Recurrent Pay Budget carried forward

The effect of the above recurrent budget changes means that the Trust now takes forward into 2017/18 a need to support a recurrent pay budget of £234.828 million, this is then supplemented by the following:

Pay Pressures 2017/18

The Trust has established a reserve to cover the cost of pay awards and incremental progression. This budget has been set at a rate of 2.0 per cent of annual recurrent pay and amounts to £4.7 million.

Non Recurrent development

It has been assumed that non recurrent developments in respect of Maternity and General Nursing training will continue into the 2017/18 year.

Waiting List Initiatives

The Trust has established a reserve to support increased levels of Waiting List Initiative payments, in response to a need to address the over 18 week Backlog.

Demographic growth

Income plans are assumed to increase in year as a consequence of underlying demographic growth. As stated previously, the effect of demographic growth is assumed to increase activity by 1.5 per cent. In order to support the increased levels of activity it is necessary to establish a level of reserve to support increased pay costs. The reserve set amounts to £1.69 million.

Sense check of the Proposed Pay Budget

To test the validity of the proposed 2017/18 budget it is useful to consider, the monthly run rate assumed for the 2017/18 financial year with the levels of spending that have occurred in the previous financial year.

	2017/18 Budget £000's	Actual Months 1 – 11 2016/17 £000's	Moving average 3 month period Mths 9 -11 £000's
Average Monthly run rate	19,733 *	19,499	19,656

*The Average monthly run rate excludes inflationary pressures and any new developments planned to commence in the 2017/18 financial year.

As can be seen the budget is £234,000 per month greater than the average monthly run rate recorded through the 2016/17 financial year and £77,000 per month greater than the levels spent in the most recent three months.

2.2.2. Non Pay Budgets

	Recurrent £000's	Non Recurrent £000's	Total £000's
Recurrent budget b fwd	105,302		105,302
Inflation reserve 2017/18	4,212		4,212
CNST Contribution increase	1,200		1,200
Non Pay Budget (before reserves)	110,714		110,714
Demographic growth rserve		1,134	1,134
Non PAY Budget before CIP	110,714	1,134	111,848

2016/17 Recurrent Non Pay Budget carried forward

The Trust now takes forward into 2017/18 a need to support a recurrent non pay budget of £105.302 million, this is then supplemented by the following:

Non Pay Inflation

The Trust has established a reserve to Non Pay inflationary pressures. This budget has been set at a rate of 4.0 per cent of annual recurrent non pay and amounts to £4.212 million.

CNST Contribution Increase

As in the previous financial year the NHSLA has reappraised its risk profile of cases, and in doing so increased premiums substantially. The effect of this change in methodology is to increase the Trust contribution from £12.6 million in 2016/17 to £13.8 million in 2017/18.

Sense check of the Proposed Non Pay Budget

To test the validity of the proposed 2017/18 budget it is useful to consider, the monthly run rate assumed for the 2017/18 financial year with the levels of spending that have occurred in the previous financial year.

	2017/18 Budget £000's	Actual Months April - February 2016/17 £000's	Moving average 3 month period December - February £000's
Average Monthly run rate	8,775 *	8,747	8,668

*The Average monthly run rate excludes inflationary pressures and any new developments/ Cost pressures planned to commence in the 2017/18 financial year.

As can be seen the budget is £28,000 per month greater than the average monthly run rate recorded through the 2016/17 financial year and is £107,000 greater the levels spent in the most recent three months.

Key Messages - Expenditure budgets and Reserves

- Pay Budgets set at £243.192 million, before the achievement of Cost Improvement Programme savings,
- Pay budgets based upon a level of spending that is £234,000 greater than the average level of pay spending recorded in the 2016/17 year and £77,000 greater than the levels recorded in the most recent three months.
- Non Pay set at £111.848 million before achievement of CIP.
- Non Pay budgets based upon a level of spending that is £28,000 greater than the average level of non pay spending recorded in the 2016/17 year and £107,000 greater than the levels recorded in the most recent three months.
- Pay assumed to increase in the 2017/18 year by 2.0 per cent, Non pay by 4.0 per cent

3. Cost Improvement Programme

The Trust has constructed a Cost Improvement Programme for delivery in the 2017/18 year with the requirement to deliver savings amounting to £6.803 million as presented in the table below.

	2017/18 savings £000's
Procurement	1,600
Unavailability Improvement	650
Bed Realignment	1,000
Outpatient/ Theatre/ Review – Meridian	1,200
Bank Rate review	220
Scheduled Care Tier 1/2/3 not implemented	413
Unscheduled Care – Tier 1/2/3 not implemented	580
Women and Children's – Tier 1/2/3 not implemented	201

	2017/18 savings £000's
Agency CAP savings	1,050
Cease all HCA Agency	90
Carter Support Services	375
Resources Directorate	500
Total	7,909
Slippage	(1,106)
Total to be delivered	6,803
% savings as compared with expenditure	2.0

The Cost Improvement Programme will be overseen through the Trust Sustainability Committee and progress of the Programme will be performance managed through the monthly Confirm and Challenge Care Group meetings.

3.1 Status of the Cost Improvement Programme

Confidence in the delivery of an ambitious Cost Improvement Programme depends upon the stage of implementation of each element of the programme. The table below provides a description of the "status" of each element and a corresponding Risk Rating.

	Director / Centre Chief Lead	Status	Savings Target*in year* £000s	Savings Identified £000's	Risk Rating	FYE
Procurement	Finance Director	Detailed savings plans constructed with on-going engagement with Service Centres and Departments	1,600	1,200	Amber	1,600
Unavailability Improvement	Director of Nursing	Introduction of new working practices to ensure Unavailability maintained within a 24 per cent uplift.	650	650	Red	1,300
Bed realignment	Chief Operating Officer	Reconfiguration programme agreed at February Development Board	1,000	1,000	Amber	3,500
Outpatient/ Theatre/ Review - Meridian	Chief Operating Officer	External Consultancy support commencing April 2017	1,200	1,200	Amber	2,500
Bank Rate review	Director of Workforce	Schemes Identified	220	220	Amber	350
Scheduled Care Tier 1/2/3 not implemented	Assistant Chief Operating Officer Scheduled Care	Schemes Identified	413	413	Red	550
Unscheduled Care – Tier 1/2/3 not implemented	Assistant Chief Operating Officer Unscheduled Care	Schemes identified	580	580	Red	640
Women and Children's – Tier 1/2/3 not implemented	Women & Children's Care Group Director	Savings schemes identified	201	201	Red	402
Agency CAP savings	Workforce Director	Scheme to be developed	1,050	1,050	Red	1,400
Cease all HCA Agency	Director of Nursing	Scheme to be agreed	90	90	Amber	100
Carter – Support Services	Assistant Chief Officer – Support Services	Various schemes identified within Radiology and Pathology	375	375	Green	660
Resources Directorate	Finance Director	Savings Plan in Place	500	500	Green	500
Total			7,909	7,509		13,492
Assumed slippage			(1,106)			
Total CIP Achieved			6,803			13,492

Key Messages – Cost Improvement Programme

- Cost Improvement Programme for the year 2017/18 set at £6.803 million equivalent to 2.0% of operational spending.

4. Risks associated with the 2017/18 Plan

Shropshire CCG Financial recovery plan – Shropshire County CCG have indicated that their expectation is for local QIPP schemes to reduce Income by £4.0 million.

Sustainability and Transformation Fund – In order to receive ST Funds the Trust will be required to deliver a significant improvement in A and E performance, failure to achieve targeted levels result in a funding reduction equivalent to 10 per cent of the STF.

Delivery of CIP – The Trust is required to reduce spending by £6.8 million, presently only £0.9 million of this sum is classified as low risk.

Key Messages - Risks

- Shropshire CCG financial recovery plan – aims to significantly reduce the Income of the Trust,
- Trust 2017/18 financial plan assumes the receipt in full of Sustainability and Transformation funds from NHS Improvement amounting to £9.3 million. NHS Improvement have stated that this sum will be reduced if the Trust fails to deliver A and E performance targets.
- Considerable risk presently exists in respect of the Trusts CIP.

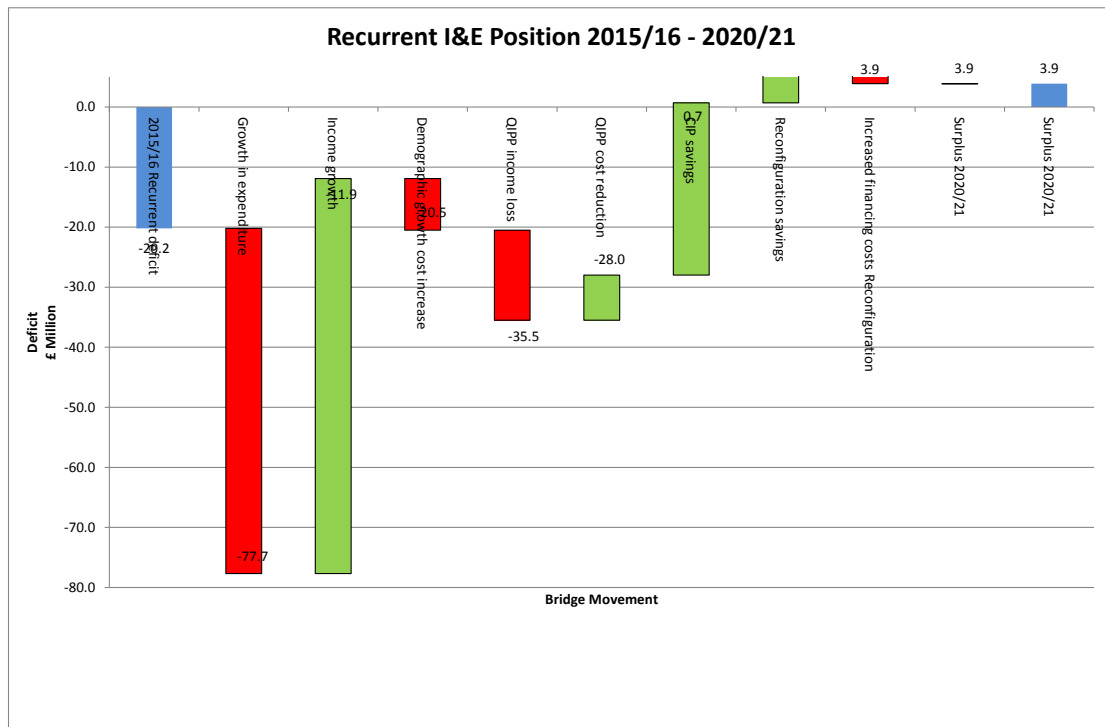
5. Impact upon the Medium Term Financial Plan

In setting the Medium Term Financial Plan for the Trust, a series of assumptions have been applied, notably:

- Tariff – flat cash
- Demographic growth – Increases Income each year by 1.5 per cent 2017/18 and 2.0 per cent thereafter
- Pay Costs – Rise in each year by 2 per cent; and
- Non Pay costs – Rise in each year by 4.0 per cent
- Trust achieves 2 per cent CIP throughout period 2017/18 – 2020/21
- Clinical element of Sustainable Services project - £15.2 million gain
- Transformation Fund - £9.3 million received non recurrently 2017/18 – 2019/20
- QIPP savings of £15 million achieved – 2018/19 – 2020/21, Trust cost reduction 50 per cent of QIPP
- £12 million revenue to support Hospital reconfiguration generated progressively over the years 2016/17 – 2020/21.

Applying these assumptions produces the following:

	Recurrent £million's	Non Recurrent £million's	Total £million's
2015/16	(20.2)	5.5	(14.8.)
2016/17	(17.9)	10.5	(7.4)
2017/18	(10.6)	4.5	(6.1)
2018/19	(10.0)	7.1	(2.9)
2019/20	(6.3)	3.4	(2.9)
2020/21	3.8	(0.5)	3.3



The bridge diagram describes how the recurrent position of the Trust improves over the period from a recurrent deficit of £20.2 million in 2015/16 to a recurrent surplus of £3.8 million in 2020/21.

Key Messages – Medium Term Financial Plan

- The Trust is expecting to record deficits in each of the years 2015/16 – 2019/20
- Trust generates a surplus in the 2020/21 financial year as a consequence of a reconfiguration of services which enables excess costs of split site working to be avoided

6. Capital Programme 2017/18

The condition of the Trusts existing Infrastructure, defined as Estate, Medical Equipment and IT equipment continues to be of concern. Whilst plans to address these difficulties appear within the Trusts Hospital Reconfiguration Outline Business Case there remains a significant level of risk that will need to be addressed in the next financial year.

In order to manage the risk infrastructure requirements have been considered by reference to the Trust's Risk Register.

Infrastructure Risk	Med Equi £m's	Estate £m's	IT £m's
High score 17 -25	1.6	3.3	0.8
Significant score 11 - 16	5.5	47.0	1.0
Total High and Significant	7.1	50.3	1.8
Low and Moderate	14.1	53.2	1.9
Total	21.2	103.5	3.7

As can be seen the total value of the infrastructure issues, described as carrying a high or significant risk amounts to £59.2 million.

The level of funding available to the Trust to respond to the high and significant risk areas is limited to the Trusts Capital Resource Limit, in 2017/18 this is expected to amount to £8.45 million. Given this scale of infrastructure risk, in recent years the Trust has adopted an approach whereby:

- Selected high risk areas are defined within the Trusts Capital programme,
- In recognition of the value attributed to the high and significant infrastructure a contingency sum has been established.

In setting the 2017/18 financial plan, it is proposed to adopt a similar such approach. The summary capital programme is then as follows:

	£000's
Selected High Risk areas	
Heating and Hot water plant – RSH	360
Fire Safety - RSH	600
Data Centre – PRH	450
RSH Subway duct	730
Contingencies	2,500
Pre-committed Capital Schemes	3,810
	8,450

By adopting this programme £4.6 million is then available to underwrite 8 per cent of the value relating to High and Significant Infrastructure risk.

The £3.8 million pre committed spending, relates to:

- Enabling work in respect of replacement MRI scanners - £1.6 million
- Completion of Ophthalmology transfer - £0.5 million
- Replacement of Linear Accelerator / CT Scanner replacement (as agreed with Lingen Davis) - £1.0 million
- Purchase of Medicines Management system - £0.3 million
- Car Parking development – 0.05 million
- Continuation of E – Rostering system – 0.2 million
- Carried forward Expenditure – 0.16 million

Financing of the Hospital Reconfiguration Business Case

In recognition of restrictions over the availability of National Capital funding, the Trust has been reviewing opportunities to secure alternative methods for securing finance. Discussions are presently taking place to determine the attractiveness of engaging in a Public / Private Sector Partnership. Assuming Board support, a Business Case will be constructed for approval by NHS Improvement. With approval in place the Trust would then commence a procurement exercise to create a Strategic Asset Partner. It is believed that this Instrument could become active by December 2017.

7. Cash Flow

Detailed below is the cashflow for the 2017/18 financial year:

The Shrewsbury and Telford Hospital NHS Trust
Cashflow - 2017/18

	Forecast April Month	Forecast May Month	Forecast June Month	Forecast July Month	Forecast August Month	Forecast September Month	Forecast October Month	Forecast November Month	Forecast December Month	Forecast January Month	Forecast February Month	Forecast March Month	Total To Date And Forecast
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance B/fwd	1,700	(1,030)	(3,075)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	1,700
INCOME													
Income I&E	29,870	28,980	28,002	30,848	31,883	28,002	30,848	30,330	28,002	30,848	29,869	29,239	356,720
Total Income Cashflow	29,870	28,980	28,002	30,848	31,883	28,002	30,848	30,330	28,002	30,848	29,869	29,239	356,720
Revolving Working Capital - I&E Deficit	0	0	1,369	0	0	2,438	0	0	1,868	0	0	388	6,063
Total Income Cashflow (inc loan)	29,870	28,980	29,371	30,848	31,883	30,440	30,848	30,330	29,870	30,848	29,869	29,627	362,783
PAY													
Pay I&E	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(238,682)
Total Pay Cashflow	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(19,890)	(238,682)
NON PAY													
Non Pay I&E	(9,630)	(8,740)	(9,130)	(10,108)	(9,643)	(7,529)	(10,107)	(9,591)	(9,130)	(9,130)	(9,130)	(7,692)	(109,555)
Total Non Pay Cashflow	(9,630)	(8,740)	(9,130)	(10,108)	(9,643)	(7,529)	(10,107)	(9,591)	(9,130)	(9,130)	(9,130)	(7,692)	(109,555)
Finance Costs													
Finance Costs I&E	(18)	(18)	(18)	(18)	(18)	(2,189)	(18)	(18)	(18)	(18)	(18)	(2,189)	(4,553)
Total Finance Costs Cashflow	(18)	(18)	(18)	(18)	(18)	(2,189)	(18)	(18)	(18)	(18)	(18)	(2,189)	(4,553)
Capital													
Capital Expenditure	(333)	(333)	(333)	(833)	(2,333)	(833)	(833)	(833)	(833)	(1,810)	(833)	144	(9,993)
Capital - Total Balance Sheet Movements	(2,730)	(2,045)	(575)	0	0	0	0	0	0	0	0	0	(5,350)
Total Capital Cashflow	(3,063)	(2,378)	(908)	(833)	(2,333)	(833)	(833)	(833)	(833)	(1,810)	(833)	144	(15,342)
Total Cashflow	(2,730)	(2,045)	(574)	(0)	(0)	(0)	1	(1)	(0)	1	(1)	1	(5,350)
Balance C/fwd	(1,030)	(3,075)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)	(3,650)

There is an assumption within the cash model that the Trust will be able to draw down cash support to cover the I&E control total deficit of £6.063 million. However, the Trust has been informed that access to revenue financing will be subject to increased challenge and scrutiny and will only be provided in exceptional circumstances.

The Trust's 2016/17 Capital Programme has been fully committed resulting in a projected growth of £5.4 million in capital creditors in 2016/17 which will result in a significant level of capital creditors that will need to be financed in the opening months of 2017/18 financial year. This has been factored into the cash model below and results in a shortfall of cash of £5.4 million. The Trust will need to suppress revenue creditors to a corresponding level.

Appendix 1 – Capital Programme

The Shrewsbury and Telford Hospital NHS Trust									
5 Year Capital Programme 2017/18 to 2021/22									
			2017/18	2018/19	2019/20	2020/21	2021/22		
	Risk Ref no.	Risk Score*	£000	£000	£000	£000	£000		
Funding Available: Internally Generated Capital Resource Limit (CRL)			8,450	8,450	8,450	8,450	8,450		
Pre-Commitments									
Schemes carried forward from old year			160	200	200	200	200		
MRI Scanners x 3 Enabling Works not completed 16.17 (£1m 'swop' with add Linac)			1035	20	1,600				
Ophthalmology move into Copthorne Building - not completed 16.17			440	16	500				
Medicines Stock Management (agreed at Sustainability Cttee Feb 17)					300				
Additional Car Parking Spaces (agreed at Feb CPG)					50				
E-Rostering Software Implementation - I-pads					200				
Replacement Linac/CT Scanner (condition of Lingen Davies Grant)			694	20	900	1,800	0	0	
Contribution to replacement CT Scanner in Radiotherapy (in conjunction with Lingen Davies - 'Kit to Combat Cancer')					200				
RSH MLU/PAU - P2 FCHS					100	1,500	3,400	0	0
Operational Risk Group - Prioritisation of Risks - IT Computer Room Infrastructure				20					
Total of Pre-Commitments			3,810	3,700	3,600	200	200		
BUDGET REMAINING FOR ALLOCATION			4,640	4,750	4,850	8,250	8,250		
Contingency Funds									
Joint Department Contingency									
Estates Contingency									
Medical Equipment									
Information Technology									
Non Patient Connected Equipment Replacement Fund									
VitalPAC/PSAG Replacement Fund									
Support Services Care Group Equipment Contingency/Replacement Priority 1									
Facilities Equipment Replacement Priority 1									
Departmental Contingencies									
Patient Environment (inc Furniture) Contingency Replacement Priority 1									
In Year Allocations/Corporate Contingency									
Total of Contingency Funds			2,500	3,350	3,350	3,350	3,350		
BUDGET REMAINING FOR ALLOCATION			2,140	1,400	1,500	4,900	4,900		
Departmental Priority 1 Schemes									
Estates Risks Rated Priority 1									
Heating and hot water plant - RSH			1089	16	360				
Fire Safety - RSH			1123	15	600				
Data Centre - PRH			397	20	450				
Subway Duct - RSH			145	20	730				
Medical Equipment Replacement Priority 1									
IT Replacement Priority 1									
PRH CT Scanner									
EPMA									
Total Priority 1 Schemes			2,140	5,577	4,500	4,500	4,500		
Surplus/(deficit) after above			0	-4,177	-3,000	400	400		
<i>Check</i>			<i>8,450</i>	<i>8,450</i>	<i>8,450</i>	<i>8,450</i>	<i>8,450</i>		

* risk score when capital agreed, may have reduced in score since then due to reducing likelihood of risk materialising as time limited

Appendix 2 – I&E 5 year plan

Income and Expenditure	2016/17			2017/18			2018/19			2019/20			2020/21		
	Recurring	Non Recurring	Total	Recurring	Non Recurring	Total	Recurring	Non Recurring	Total	Recurring	Non Recurring	Total	Recurring	Non Recurring	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income (1) and (2)	332.393	2.1	334.5	343.275	0.7	344.0	351.381	0.7	352.1	360.730	0.7	361.4	374.335	0.7	375.0
Income changes															
Winter funds	2.800	-1.8	1.0	2.800	-1.8	1.0	2.800	-1.4	1.4	2.800	-1.4	1.4	2.800	-1.4	1.4
readmission funds	2.600	-2.6	0.0	2.600	-2.6	0.0	2.600	-1.3	1.3	2.600	-1.3	1.3	2.600	-1.3	1.3
Midwifery				0.470	-0.5	0.00	0.470	-0.5	0.00	0.470	-0.5	0.00	0.470	-0.5	0.00
Nurology	0.500	-0.5	0.0	0.500	-0.5	0.0	0.500		0.5	0.500		0.5	0.500		0.5
Shropshire CNS Coding change				1.9		1.9	1.9		1.9	1.9		1.9	1.9		1.9
Pay	-234.8278	0.6	-234.2	-239.5	-2.0	-241.5	-244.3	-2.0	-246.3	-249.2	-2.0	-251.2	-254.2	-2.0	-256.2
Non Pay	-105.3	0.3	-105.1	-110.7		-110.7	-115.1		-115.1	-119.7		-119.7	-124.5		-124.5
Finance Costs	-14.0		-14.0	-14.6		-14.6	-15.1		-15.1	-15.7		-15.7	-16.3		-16.3
Reserves	0.0	3.1	3.1	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Expenditure (3)	-354.2	4.0	-350.2	-364.9	-2.0	-366.9	-374.6	-2.0	-376.6	-384.7	-2.0	-386.7	-395.1	-2.0	-397.1
Deficit before CIP	-15.9	1.2	-14.7	-13.3	-6.7	-20.0	-15.0	-4.5	-19.5	-15.7	-4.5	-20.2	-12.5	-4.5	-16.9
cip 20/21													7.0		7.0
CIP 2019/20										6.9		6.9	7.1		7.1
CIP 2018/19						0.0	6.9		6.9	7.1		7.1	7.2		7.2
Establish contingency	0.0	-5.4	-5.4	0.0	-4.4	-4.4	0.0	-3.4	-3.4	0.0	-2.4	-2.4	0.0	0.0	0.0
CIP PROGRAMME 2017/18 - 4 per cent			0.0	6.8026		6.8	7.0		7.0	7.2		7.2	7.4		7.4
CIP PROGRAMME 2016/17 - 4.5 per cent	0.000	2.3	2.3	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Transformation fund		10.5	10.5		9.3	9.3	0.0	9.3	9.3	0.0	9.3	9.3	0.0		0.0
Opening of new hospital			0.0			0.0			0.0	2.0	-2.0	0.0	15.2		15.2
Increased cost / demography	0.0		0.0	-1.6209		-1.6	-3.9		-3.9	-6.2		-6.2	-8.6		-8.6
Repatriation of Income gain			0.0			0.0			0.0			0.0			0.0
Balance sheet write offs		-0.3	-0.3		3.2	3.2		1.7	1.7		-2.1	-2.1		3.9	3.9
Developments - increased finance costs	-2.0	2.0	0.0	-3.0	3.0	0.0	-4.0	4.0	0.0	-5.0	5.0	0.0	-6.0		-6.0
QIPP Savings unachieved	3.3		3.3	6.8	0.0	6.8	2.5		2.5	5.0		5.0	7.5		7.5
QIPP Savings	-3.3	0.0	-3.3	-6.8	0.0	-6.8	-5.0	0.0	-5.0	-10.0	0.0	-10.0	-15.0	0.0	-15.0
QIPP Savings - cost reduction			0.0	0.0	0.0	0.0	1.0		1.0	2.0		2.0			0.0
Contingency reserve savings		0.3	0.3			0.0			0.0			0.0			0.0
Community Midwifery service change				0.5		0.5	0.5		0.5	0.5		0.5	0.5		0.5
Cost of Sustainability project	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	-6.0		-6.0
Surplus after CIP	-17.9	10.5	-7.4	-10.62	4.53	-6.09	-10.0	7.2	-2.9	-6.3	3.4	-2.9	3.8	-0.5	3.3
Inflation Assumptions															
Pay	-221.7	2.2%	-4.867	-234.8	2.0%	-4.6966	-239.5	2.0%	-4.8	-244.3	2.0%	-4.9	-249.2	2.0%	-5.0
Non Pay	-100.6	4.1%	-4.123	-105.3	4.0%	-4.21208	-110.7	4.0%	-4.4	-115.1	4.0%	-4.6	-119.7	4.0%	-4.8
Finance Costs	-15.2	3.8%	-0.579	-14.0	3.8%	-0.5	-14.6	3.8%	-0.6	-15.1	3.8%	-0.6	-15.7	3.8%	-0.6
	-337.5		-9.569	-354.2		-9.4	-364.8		-9.8	-374.6		-10.1	-384.7		-10.4
			2.84%			2.67%			2.68%			2.69%			2.70%