

Paper 11

<b>Recommendation</b>  <input checked="" type="checkbox"/> <b>DECISION</b>  <input type="checkbox"/> <b>NOTE</b>	To APPROVE the 2018/19 budget
<b>Reporting to:</b>	<b>Trust Board</b>
<b>Date</b>	29 <sup>th</sup> March 2018
<b>Paper Title</b>	Financial Strategy 2018/19
<b>Brief Description</b>	<p>This paper provides a description of the 2018/19 budget and describes the construction of:</p> <ul style="list-style-type: none"> <li>- income budgets and the changes that have led to the income budget</li> <li>- pay expenditure and the assumptions adopted</li> <li>- non pay expenditure and the assumptions adopted</li> <li>- Cost Improvement Programme and the activities being taken forward to deliver cost reductions in the year.</li> </ul> <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 2018/19 financial year.</p>
<b>Sponsoring Director</b>	Finance Director and Deputy Chief Executive
<b>Author(s)</b>	As above
<b>Recommended / escalated by</b>	
<b>Previously considered by</b>	Sustainability Committee - 27 March 2018
<b>Link to strategic objectives</b>	<p>PATIENT AND FAMILY - Deliver a transformed system of care (VMI) and partnership working that consistently delivers operational performance objectives</p> <p>INNOVATIVE AND INSPIRATIONAL LEADERSHIP - Through innovative and inspirational leadership achieve financial surplus and a sustainable clinical services strategy focussing on population needs</p>
<b>Link to Board Assurance Framework</b>	<p>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</p> <p>If we are unable to resolve the structural imbalance in the Trust's Income &amp; Expenditure position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment</p> <p>If we do not deliver our CIPs and budgetary control totals then we will be unable to invest in services to meet the needs of our patients</p>
<b>Equality Impact Assessment</b>	<input checked="" type="radio"/> <b>Stage 1 only (no negative impacts identified)</b> <input type="radio"/> <b>Stage 2 recommended (negative impacts identified)</b>

	<p><input type="radio"/> negative impacts have been mitigated</p> <p><input type="radio"/> negative impacts balanced against overall positive impacts</p>
<b>Freedom of Information Act (2000) status</b> (select one)	<p><input checked="" type="radio"/> <b>This document is for full publication</b></p> <p><input type="radio"/> <b>This document includes FOIA exempt information</b></p> <p><input type="radio"/> <b>This whole document is exempt under the FOIA</b></p>

## Financial Strategy 2018/19 – Key Messages

### Overall Income and Expenditure Position

- Trust required to deliver a deficit in the year, before receipt of STF, amounting to £12.5 million and a surplus of £660,000 after receipt of STF.
- Trust presently forecasting deficit for the year, before receipt of STF, amounting to £19.6 million and after STF a deficit of £6.5 million.
- Trust Cost Improvement Programme generates expenditure savings amounting to £7.0 million equivalent to 2 per cent of expenditure.
- The Trust carries forward into the 2018/19 year a recurrent deficit of £20.5 million.
- The recurrent deficit includes £4 million recurrent sinking fund in support of the hospital reconfiguration project.

### Income

- Total Income for the year - £367.691 million.
- Income incorporates non recurrent Sustainability and Transformation Funds received from NHS Improvement amounting to £13.1 million.
- Local Commissioners proposing QIPP Income reduction amounting to £7.866 million.
- Income assumes Winter (£2.3 million) and Readmissions monies (£1.369 million) received in year by the Trust. Consistent with levels funded in the 2017/18 year.

### Expenditure Budgets and Reserves

- Pay Budgets set at £250.637 million, before the achievement of Cost Improvement Programme savings.
- Pay budgets assume the ability to realise costs savings in respect of the Meridian and Bed realignment CIP schemes as contained within the 2017/18 CIP programme. If this is achieved monthly Pay budgets are consistent with levels recorded in the 2017/18 year.
- Non Pay budgets set at £115.872 million, before the achievement of Cost Improvement Programme savings,
- Monthly Non Pay budgets for the 2018/19 are consistent with levels recorded in the 2017/18 once adjusted for high levels of non recurrent spending that occurred in the 2017/18 year.
- Pay assumed to increase in the 2018/19 year by 2.0 per cent, Non pay by 4.0 per cent.

### Cost Improvement Programme

- Cost Improvement Programme schemes identified with the potential to achieve £13.59 million in a full year, and £8.89 million in the 2018/19 year.
- Achievement of the programme is presently High risk. Assessment of the status of the schemes shows that the majority presently carry a red risk rating.
- The Trust is presently spending £18.7 million in respect of agency staffing annually as compared to an Agency Cap which requires spending to be limited to £10.559 million. The CIP reduces spending in 2018/19 but would still mean, without further action, that the Agency Cap would be breached.

### Risks

- Shropshire CCG Financial Recovery Plan – aims to significantly reduce the Income of the Trust.
- Trust 2018/19 financial plan assumes the receipt in full of Sustainability and Transformation funds from NHS Improvement amounting to £13.1 million. NHS Improvement have stated that this sum will be reduced if the Trust fails to deliver A&E performance targets and /or agreed control total.
- Considerable risk presently exists in respect of the Trust's CIP.

## **Medium Term Financial Plan**

- The Trust is expecting to record deficits in each of the years 2018/19 – 2022/23.
- Trust generates a surplus in the 2023/24 financial year as a consequence of a reconfiguration of services which enables excess costs of split site working to be avoided.
- In order to achieve financial sustainability the Trust will need to recover the underachievement of recurrent savings, amounting to £8 million, recorded in the 2017/18 financial year.

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The Shrewsbury and Telford Hospital NHS Trust  
22<sup>nd</sup> March 2018

Trust Board – 29<sup>th</sup> March 2018

## FINANCIAL STRATEGY 2018/19

### 1. Introduction

The 2017/18 financial year has been challenging for the Trust.

The Trust agreed a planned in year deficit for 2017/18 as a control total with NHS Improvement of £6.3 million, subject to the receipt of Sustainability and Transformation Funding (STF) monies of £9.3 million.

The effect of workforce challenges has led to increased spending in respect of Agency staffing and an inability to secure the full level of cost improvement savings. This combined with reduced Income has resulted in the Trust overspending in the year by £12 million. Significantly, in failing to limit the overspend to the level agreed with NHSI the Trust has then been unable to secure the full level of available STF monies. The level of STF monies withdrawn has amounted to £8.1 million and as a consequence the Trust will end the year with a deficit of £20.1 million.

The difficulties experienced in the 2017/18 financial year now extend into the 2018/19 financial year with the Trust entering the 2018/19 financial year with a recurrent deficit of £20.4 million. NHSI has earmarked STF monies amounting to £13.1 million to support the Trust, however requires the Trust to introduce cost savings that will enable a small surplus amounting to £660,000 to be achieved.

In this context this paper provides a description of the 2018/19 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 2018/19 year is presented in the table below

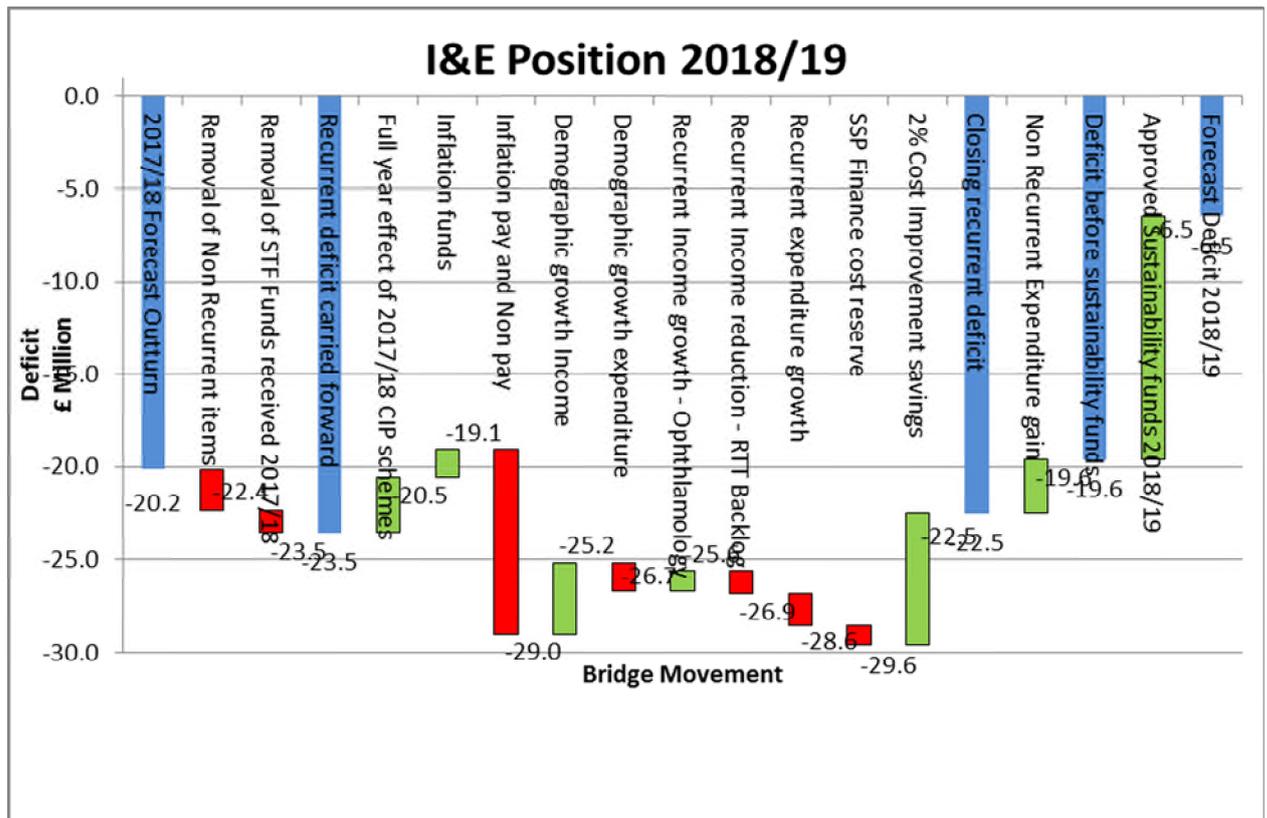
	Recurrent £000's	Non Recurrent £000's	Total £000's	Forecast Outturn 2016/17 £000's	% change
Income	354,139	452	354,591	352,313	+0.6%
NTDA Support					
Expenditure					
Pay	(249,222)	(1,415)	(250,637)	(244,592)	+2.5%
Non Pay	(115,743)	(129)	(115,872)	(114,798)	+1.3%

Reserves	-	-	-	
Cost Improvement Programme	7,047		7,047	
High Risk CIP	(5,647)		(5,647)	
Total Expenditure	(363,565)	(1,544)	(365,109)	(359,391) +1.7%
Earnings before Interest, Tax, Dividends and Amortisation (EBITDA)	(9,426)	(1,092)	(10,518)	(7,087)
Dividends and Amortisation	(18,719)	4,000	(14,719)	(14,262) +3.2%
Surplus / (deficit) before corrective actions	(28,145)	2,908	(25,237)	(21,340)
Corrective actions – High Risk CIP	5,647		5,647	
Surplus / (deficit) after corrective actions	(22,498)	2,908	(19,590)	
STF Monies	-	13,100	13,100	1,188
Surplus / (deficit) after receipt of STF	(22,498)	16,008	(6,490)	(20,152)

As can be seen the Trust believes that it is possible to record a deficit in the 2018/19 financial year of £6.49 million, as compared with the proposed control total surplus for the year of £660,000, thereby missing the control total by £7.12 million. If the control total remains unchanged, the Trust will then not qualify for STF monies.

	Apr £000s	May £000s	Jun £000s	Jul £000s	Aug £000s	Sep £000s	Oct £000s	Nov £000s	Dec £000s	Jan £000s	Feb £000s	Mar £000s	Total £000s
Income	26,841	29,784	29,431	29,067	28,820	28,663	30,352	31,017	30,142	31,243	28,620	30,610	354,591
STF	655	655	655	873	873	873	1,310	1,310	1,310	1,528	1,528	1,528	13,100
Pay	(20,697)	(21,437)	(21,294)	(20,566)	(20,812)	(20,720)	(20,740)	(20,744)	(20,871)	(20,960)	(20,925)	(20,872)	(250,637)
Non Pay	(8,922)	(9,845)	(9,992)	(9,527)	(9,356)	(9,133)	(10,043)	(9,732)	(9,538)	(10,102)	(9,656)	(10,026)	(115,872)
CIP and reserves	93	93	93	753	753	753	753	753	753	753	753	747	7,047
Total Expenditure	(29,526)	(31,189)	(31,192)	(29,340)	(29,416)	(29,101)	(30,030)	(29,723)	(29,657)	(30,309)	(29,828)	(30,151)	(359,462)
EBITDA	(2,030)	(750)	(1,106)	600	277	436	1,632	2,604	1,795	2,462	321	1,987	8,229
Finance Costs	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(1,227)	(14,719)
Surplus/deficit	(3,257)	(1,977)	(2,332)	(626)	(949)	(791)	406	1,377	569	1,235	(906)	761	(6,490)
Cumulative deficit	(3,257)	(5,234)	(7,566)	(8,193)	(9,142)	(9,933)	(9,527)	(8,150)	(7,581)	(6,345)	(7,251)	(6,490)	

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



#### Key messages – Overall Income and Expenditure Position

- Trust required to deliver a deficit in the year, before receipt of STF, amounting to £12.5 million and a surplus of £660,000 after receipt of STF.
- Trust presently forecasting deficit for the year, before receipt of STF, amounting to £19.6 million and after STF a deficit of £6.5 million.
- Trust Cost Improvement Programme generates expenditure savings amounting to £7.0 million equivalent to 2 per cent of expenditure.
- The Trust carries forward into the 2018/19 year a recurrent deficit of £20.5 million.
- The recurrent deficit includes £4 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
2017/18 Forecast Outturn	348,508	4,993	353,501
Baseline Position	348,508		348,508
2017/18 RTT Backlog	(1,246)		(1,246)
Local Commissioners QIPP	(7,866)		(7,866)
National Tariff / Inflation	259		259
HCD / Pass through Inflation	1,200		1,200
Recovery of Ophthalmology	1,597	(499)	1,098
Readmissions – Shropshire CCG		(351)	(351)
Demographic growth – 1.5%	3,882		3,882
RTT Recovery		400	400
Frailty service		405	405

	Recurrent £000's	Non recurrent £000's	Total £000's
Handover Nurses		528	528
Pass Through Recovery		395	395
Challenged service – Neurology		(500)	(500)
Local Commissioners QIPP schemes reversed	7,866		7,866
Cease Spinal services	(43)		(43)
Other	(18)	74	56
STF Monies		13,100	13,100
Income Budget 2017/18	354,139	13,552	367,691

### 2.1.1 Forecast Outturn

In the 2017/18 financial year the Trust received Income amounting to £353.501 million, and of this sum £348.508 million is classified as recurrent.

Contained within the funding allocations of the two local commissioners are reserves to support :

- The funding of winter escalation,
- Addressing emergency activity growth (MRET),
- Actions to reduce the volume of readmitted activity; and
- The excess cost of providing midwifery services in rural Maternity Led Units.

	Total funding £000's	Withheld by Local Commissioners £000's	Payable to Trust £000's
Winter Funding	2,300		2,300
MRET	4,484	(4,484)	-
Readmissions	3,055	(1,369)	1,686
Community Midwifery	900	-	900
	10,739	(5,853)	4,886

In the 2017/18 financial year, the Trust received £4.886 million and is expecting to receive this sum recurrently in the 2018/19 financial year.

### 2.1.2 Baseline Position

The 2018/19 Income budget is then adjusted by the following items:

- *RTT Recovery* – Trust Income in the 2017/18 financial year, incorporated a substantial level of outpatient and Day case activity delivered in order to improve waiting times and ensure achievement of the 18 week referral to Treatment Access Target. The value of this activity amounts to £1.246 million and is not expected to continue into the 2018/19 financial year.
- *Local Commissioner QIPP Schemes 2018/19* – The two local commissioners have presented an ambitious programme QIPP which if successful reduces Income by £7.866 million. The value for Telford and Wrekin CCG amounts to £3.212 million and Shropshire County CCG - £4.654 million.
- *National Tariff / Inflation* – Base Tariff has been set to increase Income by 0.1 per cent (£259,000).
- *High Cost Drugs /Pass through* – Assuming a 4 per cent level of inflation this results in increased Income of £1.2 million.

- *Recovery of Ophthalmology Service Income* – During 2017/18 the Trust suspended services as a consequence of significant staffing vacancies within the service. This specialty (particularly in respect of Cataract treatment) is expecting to recover Income in the 2018/19 year. The recurrent value of this Income amounts to £1.5977 million and “in year” Income will increase by £1.1 million.
- *Readmissions – Shropshire County CCG* – In setting the Income budget for 2018/19 it has been assumed that Shropshire CCG will withhold a further £351,000 of Income associated with readmissions.
- *Demographic growth* – Activity in the year is assumed to increase in response to demographic growth by 1.5 per cent.
- *RTT recovery* – Over the period December 2017 through to February 2018, the Trust has needed to cancel elective activity in order to underpin operational pressures experienced within urgent care services. It is planned to recover this activity in the first quarter of the 2018/19 financial year.
- *Frailty Services* - In the 2017/18 financial year the local health system introduced Frailty service on a temporary basis. Agreement to take this forward for a full year requires funding amounting to £405,000.
- *Handover Nurses* – In support of urgent care operational service pressures, the two local commissioners agreed to fund ambulance handover nurses working at the two hospital sites. For this to continue into 2018/19 funding from commissioners will need to be secured amounting to £528,000.
- *Pass through recovery* – Changes to the financing model with the Specialised Services Agency, in respect of High Cost Drugs, has meant that “on costs” incurred by the Trust in supporting the dispensing of such drugs is now expected to be withdrawn in future years. The full scale of losses recurrently from this new approach amount to circa £900,000 and this loss has been recognised within the Trust recurrent Income baseline. Negotiations are taking place with Specialised Services Commissioning with the expectation that in 2018/19 the Trust will be able to recover £395,000 of this loss.
- *Neurology* – challenged service – Contained within the Trust recurrent baseline Income is a sum supporting the excess cost of the Trust Neurology Service. In 2017/18 local commissioners whilst acknowledging the cost pressure refused to provide financial support. A similar position is anticipated in the 2018/19 financial year.
- *Sustainability and Transformation Fund* – The Trust has been notified that transformation funds are to be released to the Trust through NHS Improvement amounting to £13.1 million.

In order to secure this level of Income the Trust will be required to deliver the following levels of activity.

	2018/19	2017/18	% Growth
Accident and Emergency spells	112,509	111,285	1.1
Outpatient attendances	427,445	425,899	0.4
Elective Day Case spells	50,302	47,572	5.7
Elective Inpatient spells	5,307	5,574	(4.8)
Non Elective spells	52,043	50,793	2.5
Maternity/Non Elective Other spells	7,117	7,082	0.5

Detail on a monthly basis is presented in Appendix 1.

### Key Messages - Income

- Total Income for the year - £367.691 million.
- Income incorporates non recurrent Sustainability and Transformation Funds received from NHS Improvement amounting to £13.1 million.
- Local Commissioners proposing QIPP Income reduction amounting to £7.866 million.
- Income assumes Winter (£2.3 million) and Readmissions monies (£1.369 million) received in year by the Trust. Consistent with levels funded in the 2017/18 year.

## 2.2 Expenditure Budgets

### 2.2.1 Pay Expenditure.

The baseline budget for Pay spending in the 2018/19 year has been set, before the application of a cost Improvement Programme, at £243.079 million. 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
<b>2017/18 Recurrent Budget carried forward</b>	243,079		243,079
Continuation of non recurrent spending in 2018/19		1,982	1,982
	<b>243079</b>	<b>1,982</b>	245,061
Full year effect of 2017/18 CIP	(2,400)		(2,400)
Pay Pressures 2018/19	4,821		4,821
Recurrent developments 2018/19	2499	(1500)	999
Unscheduled Care Management actions	(330)		(330)
<b>Commissioner funded developments</b>		933	<b>933</b>
<b>Pay Before pay reserves</b>	<b>247,669</b>	<b>1,415</b>	<b>249,084</b>
Demographic growth reserve	1,553		1,553
<b>Pay budget before CIP</b>	<b>249,222</b>	<b>1,415</b>	<b>250,637</b>

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

	£000's
Agency Premiums	7,663
Waiting List Initiatives	835
Winter Pressures	2,257
Unavailability excess	1,280
Maternity Leave – Nursing	638
Clinical Excellence Awards	1,936
	14,609

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

### 2017/18 Recurrent Pay Budget carried forward

The Trust takes forward into 2018/19 a recurrent pay budget of £243.079 million, this is then supplemented by the following:

*Continuation of Non recurrent spending / savings*

During 2017/18 the Trust committed non recurrently significant levels of spending to support the delivery of Trust activities. In setting the budget for 2018/19 it is assumed that a number of these schemes will continue throughout the 2018/19 financial year.

	£000's
Escalation capacity – April – September 2018	1,413
Midwifery additional hours	212
Increased levels of Ward EPS usage	199
Increased cost of hospital site capacity teams	110
Implementation of weekly pay – Bank staff – based upon 25% uptake	150
Increased cost arising from Apprenticeship Levy	250
Other	77
Removal of Bank Enhanced Rate	(429)
	1,982

#### *Full year effect of 2017/18 CIP programme*

Two Cost Improvement schemes introduced within the 2017/18 financial year are expected to generate cost savings within the 2018/19 financial year, these two schemes being:

- Productivity Improvement across Outpatients, Theatres, Radiology (Meridian) – Theatre cost and outpatient activity - £400,000; and
- Bed realignment – Closure of wards 8 and 21 - £2 million.

#### *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 £4.8 million.

#### *Recurrent developments*

The Trust has agreed to take forward a number of new recurrent developments in the 2018/19 year.

	£000's
Implementation of Advanced Care Practitioners – Accident and Emergency	576
Implementation of Junior Medical Staffing Strategy - £1.8 million recurrently	300
Enhanced staffing to support Fertility Service	108
Full year effect of Medical staffing rota	138
Staffing reduction – Spinal Services	(123)
	999

#### *Unscheduled Care – Pay Cost savings*

The Unscheduled Care Group has introduced changes that have generated a recurrent cost pressure amounting to £330,000. The care group is required to identify cost savings to address this cost pressure.

	£000's
Increased AMU Consultant post following Maternity Leave	120
Management structure	120
Parkinson Disease Nurse post	44
Macmillan Nurse Post	46
Savings to be identified by Unscheduled Care Group	(330)

### *Commissioner Funded Developments*

Pay budgets to support the Frailty Service and continuation of Handover Nurses subject to Commissioner funding - £933,000.

### *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 £1.55 million.

### **Sense check of the Proposed Pay Budget**

To test the validity of the proposed 2018/19 budget it is useful to consider, the monthly run rate assumed for the 2018/19 financial year with the levels of spending that have occurred in the previous financial year.

	<b>2018/19 Budget £000's</b>	<b>Actual Months 1 – 11 2017/18 £000's</b>	<b>Moving average 3 month period Months 9 -11 £000's</b>
Average Monthly run rate	20,300 *	20,364	20,524

\*The Average monthly run rate excludes inflationary pressures and any new developments planned to commence in the 2018/19 financial year.

In calculating the 2018/19 monthly budget it has been assumed that savings relating to the Meridian and Bed realignment 2017 CIP schemes are delivered and generate cost savings per month of £200,000.

### 2.2.2. Non Pay Budgets

	<b>Recurrent £000's</b>	<b>Non Recurrent £000's</b>	<b>Total £000's</b>
Recurrent budget b fwd	111,859		111,859
Continuation of 2017/18 non recurrent spend		129	129
	111,859	129	111,988
Full year effect of 2017/18 CIP schemes	(600)		(600)
Inflation reserve 2018/19	4,452		4,212
Other	32		32
<b>Non PAY Budget before CIP</b>	<b>115,743</b>	<b>129</b>	<b>115,872</b>

### 2017/18 Recurrent Non Pay Budget carried forward

The Trust now takes forward into 2018/19 a recurrent non pay budget of £111.859 million, this is then supplemented by the following:

### *Continuation of 2017/18 Non Recurrent spend*

In support of Radiology Services, the Trust is presently outsourcing radiology reporting. This is expected to continue in the 2018/19 financial year.

### *Full year effect of 2017/18 CIP schemes*

In the 2017/18 year the Trust secured Procurement savings amounting to £1.2 million, the full year effect of the Procurement savings programme is £1.8 million.

#### *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 £4.452 million.

#### **Sense check of the Proposed Non Pay Budget**

To test the validity of the proposed 2018/19 budget it is useful to consider, the monthly run rate assumed for the 2018/19 financial year with the levels of spending that have occurred in the previous financial year.

	2018/19 Budget £000's	Actual Months April - February 2017/18 £000's	Moving average 3 month period December - February £000's
Average Monthly run rate	9,282 *	9,495	9,625

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

During the 2017/18 financial year the Trust committed on a non-recurrent basis circa £1.45 million, to enable the Trust to address its RTT Backlog and engage professional advisors in delivering the 2017/18 Productivity CIP scheme and the Trusts Shropshire Community Consolidation bid. These costs will not continue into 2018/19.

#### **Key Messages - Expenditure budgets and Reserves**

- Pay Budgets set at £250.637 million, before the achievement of Cost Improvement Programme savings,
- Pay budgets assume the ability to realise costs savings in respect of the Meridian and Bed realignment CIP schemes as contained within the 2017/18 CIP programme. If this is achieved monthly Pay budgets are consistent with levels recorded in the 2017/18 year.
- Non Pay budgets set at £115.872 million, before the achievement of Cost Improvement Programme savings,
- Monthly Non Pay budgets for the 2018/19 are consistent with levels recorded in the 2017/18 once adjusted for high levels of non recurrent spending that occurred in the 2017/18 year.
- Pay assumed to increase in the 2018/19 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 2018/19 year with the requirement to deliver savings amounting to £7.0 million. The Trust Executive Team has developed a savings programme generating recurrent savings amounting to £13.6 million, with a potential to deliver in the year savings of £8.9 million.

A risk profile has been attached to the various schemes and is presented in the table below.

List of Potential schemes	Full year effect			2018/19				
	Green	Amber	Red	Green	Amber	Red	Total	
Procurement savings	1400	1200		200	1200		100	1300
Unavailability - restrict to 24 per cent by J	1280		1280			960		960
Income reduction - cost savings	2000		1000	1000		1000	500	1500
Theatres etc	1000		500	500		250	500	750
Ophthalmology consolidation	100		100			50		50
Corporate services	500	200	300		200	300		500
House keeping - 2 % savings	2000		2000			750	500	1250
	8280	1400	5180	1700	1400	3310	1600	6310
<b>Other Schemes</b>								
Reduce Escalation by 1st July	1400		1400			700		700
Nurse Agency premium mgt - Tier 1 Oct	3100			3100			1550	1550
WLI review £150 to NHSI cap rate £120	450			450			150	150
Drug spend - £7.2 million - 5 per cent	360			360			180	180
Estate - VAT scheme								
	5310	0	1400	3910	0	700	1880	2580
<b>Estimated In year savings</b>	<b>13590</b>	<b>1400</b>	<b>6580</b>	<b>5610</b>	<b>1400</b>	<b>4010</b>	<b>3480</b>	<b>8890</b>

The Cost Improvement Programme was developed by the Trust Executive Team. As can be seen considerable risk presently exists in respect of the 2018/19 Cost Improvement Programme.

### 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	Risk Rating	FYE
Procurement	Finance Director	Detailed savings plans constructed with on-going engagement with Service Centres and Departments	1,300	Green	1,400
Unavailability Improvement	Director of Nursing, Midwifery and Quality	Scheme requires detailed plans to be constructed to enable wards to operate at 92 per cent bed occupancy from the 1 <sup>st</sup> July 2018	960	Red	1,280
Income Reduction	Chief Operating Officer	Significant Income Losses within Maternity (£2 million) and Radiology (£600,000) in the 2017/18 year. Care group to identify cost savings or programme of Income recovery. Assume to be in place by 1 <sup>st</sup> July 2018.	1,500	Red	2,000
Theatre – Income generation	Chief Operating Officer	Increase levels of Day Case Surgery from 1 <sup>st</sup> July 2018	750	Red	1,000
Ophthalmology Consolidation	Chief Operating Officer	Consolidation of Ophthalmology services following completion of Phase 3 of capital scheme. From 1 <sup>st</sup> October 2018	50	Amber	100
Corporate Services	Finance Director/ Director of Corporate Governance	Schemes Identified. Effective from 1 <sup>st</sup> April 2018	500	Amber	500
Trust wide	Executive Directors	Budgets to be adjusted to achieve savings amounting to £2 million	1,250	Red	2,000
Remove Spring/ Summer Escalation	Chief Operating Officer	Scheme requires detailed plans to be constructed to enable wards to operate at 92 per cent bed occupancy from the	700	Red	1,400

	Director / Centre Chief Lead	Status	Savings Target*in year* £000s	Risk Rating	FYE
		1 <sup>st</sup> July 2018			
Nurse Agency Management	Workforce Director	Active programme to reduce reliance of Nurse Agencies above Tier 1 from 1 <sup>st</sup> October 2018	1,550	Red	3,100
WLI review	Medical Director	Savings realisable through Job Planning exercise and Consultant negotiation – December 2018	150	Red	450
Drug spending	Medical Director	5% Drug spend reduction (excluding High Cost Drugs) – Effective from 1 <sup>st</sup> October 2018	180	Red	360
<b>Total CIP Achieved</b>			<b>8,890</b>		<b>13,590</b>

In the 2017/18 financial year, the Trust will be required to work towards reducing the level of agency spending so as to be consistent with the Agency Cap target issued by NHSI. During the 2017/18 year workforce pressures resulted in the level of agency spending increasing and is estimated to amount to £18.705 million. The Agency Cap amounts to £10.559 million. The effect of CIP schemes, once implemented in 2018/19, reduce spending to £16.195 million. It can be anticipated therefore that NHSI will request further actions to be taken to enable spending to become more closely aligned to the Agency Cap.

Impact upon Agency spend	FYE	IN YEAR
Estimated Agency spend	18705	18705
Unavailability	1280	960
Nurse Agency premium	3100	1550
Estimated Agency spend after actions	14325	16195
Existing Agency cap Target	10559	10559

#### Key Messages – Cost Improvement Programme

- Cost Improvement Programme schemes identified with the potential to achieve £13.59 million in a full year, and £8.89 million in the 2018/19 year.
- Achievement of the programme is presently High risk. Assessment of the status of the schemes shows that the majority presently carry a red risk rating.
- The Trust is presently spending £18.7 million in respect of agency staffing annually as compared to an Agency Cap which requires spending to be limited to £10.559 million. The CIP reduces spending in 2018/19 but would still mean, without further action, that the Agency Cap would be breached.

#### 4. Risks associated with the 2018/19 Plan

*Shropshire CCG Financial Recovery Plan* – Shropshire County CCG and Telford and Wrekin CCG have indicated that their expectation is for local QIPP schemes to reduce Income by £7.8 million.

*Sustainability and Transformation Fund* – In order to receive STF the Trust will be required to deliver a significant improvement in A and E performance and achieve agreed Control Total. The Trust plan is presently not compliant with NHSI Control total for the 2018/19 year.

*Delivery of CIP* – The Trust is required to reduce spending by £7.0 million, presently only £1.4 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 2018/19 financial plan assumes the receipt in full of Sustainability and Transformation funds from NHS Improvement amounting to £13.1 million. NHS Improvement have stated that this sum will be reduced if the Trust fails to deliver A and E performance targets and /or agreed control total.
- Considerable risk presently exists in respect of the Trust's 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 2018/19 and 2.8 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 2018/19 – 2019/20, 1.5% 2020/21 - 2021/22 and 1% 2022/23 – 2023/24
- Clinical element of Sustainable Services Programme - £15.2 million gain
- Sustainability and Transformation Fund - £13.1 million received non recurrently 2018/19 – 2023/24
- QIPP savings of £11 million achieved – 2019/20 – 2020/21, Trust cost reduction 50 per cent of QIPP
- £14.2 million revenue benefit arising from Hospital reconfiguration.
- £12.0 million increase in financing costs
- £3.0 million revenue cost to support IT solution
- £14.3 million non recurrent transition costs spent over the period 2019/20 – 2022/23

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	(20.5)	0.3	(20.2)
2018/19	(22.5)	16.0	(6.5)
2019/20	(25.8)	16.3	(9.5)
2020/21	(24.7)	15.3	(9.4)
2021/22	(22.4)	13.0	(9.4)
2022/23	(20.3)	10.1	(10.2)
2023/24	(9.8)	12.3	2.5

The Trust had planned to end the 2017/18 financial year with a recurrent deficit of £12.5 million however now expects to end the year with a recurrent deficit of £20.5 million. In taking forward the plans to reconfigure services and upgrade the Trusts two hospital sites, over the period 2018/19 – 2023/24, it is necessary for this shortfall in the recurrent financial position to be addressed.

The Income and Expenditure position of the Trust over the years 2017/18 – 2023/24 is described more fully in Appendix 2.

**Key Messages – Medium Term Financial Plan**

- The Trust is expecting to record deficits in each of the years 2018/19 – 2022/23
- Trust generates a surplus in the 2023/24 financial year as a consequence of a reconfiguration of services which enables excess costs of split site working to be avoided
- In order to achieve financial sustainability the Trust will need to recover the underachievement of recurrent savings, amounting to £8 million, recorded in the 2017/18 financial year.

**6. Capital Programme 2018/19**

The condition of the Trust's existing Infrastructure, defined as Estate, Medical Equipment and IT equipment continues to be of concern. Within the Trust's Hospital Reconfiguration Outline Business Case there are plans to address the backlog issues relating the Trust's Estate. However, with the continued delay in receiving approval for the Business Case, the condition of the Estate continues to deteriorate.

The table below illustrates the risks that are described as Priority 1 by the departmental heads:

Department	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000	£000	£000
Medical Equipment (inc Bed Replacement)	1,313	3,067	1,552	500	500	<b>6,932</b>
Support Services	168					<b>168</b>
Radiology	3,406	5,238	736	0	140	<b>9,520</b>
IT	2,060	2,193	589	589	589	<b>6,020</b>
Estates (exc Subway Ducts)	1,432	325	325	265	265	<b>2,612</b>
<b>TOTAL</b>	<b>8,378</b>	<b>10,823</b>	<b>3,202</b>	<b>1,354</b>	<b>1,494</b>	<b>25,251</b>

As can be seen, there are £8.378 million of schemes which require funding in 2018/19, with a total of £25.251 million over the 5 year period. The Estates Priority 1 schemes included above makes reference to, but does not include all of, the high and significant risks identified in the Estates Condition Survey.

The level of funding available to the Trust is limited to the Trust's Capital Resource Limit. In 2018/19 this is expected to continue to amount initially to £8.450 million. In line with previous years, and given the scale of infrastructure risk, the Trust has continued to adopt an approach where:

- High risk - Priority is given to spending in areas where there is deemed to be high clinical / operational risk
- Contingencies – because of the scale of backlog issues, high levels of contingency funds are being held so as to enable the Trust to respond to unpredictable capital problems.

The summary capital programme for 2018/19 is as follows:

Selected High Risk areas :	£000's
Estates P1 – Fire Safety & associated refurbishment works – RSH Ward Block	300
Estates P1 – Asbestos & External Works	224
Medical Equipment – Priority 1 replacement equipment	170
IT – Priority 1 replacement (ie servers; storage; PCs)	170
Contingencies	3,300
Pre-committed Capital Schemes	4,286
<b>Total</b>	<b>8,450</b>

A plan covering the period 2018/19 – 2022/23 is enclosed as Appendix 3.

Given the limited levels of Internally Generated Capital Resources available to the Trust, it is clear that where a requirement exists for high cost equipment to be replaced, specifically diagnostic equipment, for this need to be met it will be necessary for the Trust to secure alternative sources of financing. The Trust is presently reviewing the possibility of “managed service contracts”.

Accordingly, in constructing the 2018/19 – 2002/23 capital plans, these plans do not include replacement diagnostic equipment.

## 7. Cash Flow

A detailed cashflow projection has been produced for the 2018/19 financial year. This cashflow projection has assumed that the Trust receives no STF funding in the year and as such needs to manage cash based upon an Income and Expenditure deficit of £19.59 million. In order for the Trust to avoid cash difficulties it will be necessary to secure from NHSI authorisation to take out loan financing to cover the Income and Expenditure deficit.

The Shrewsbury and Telford Hospital NHS Trust  
Cashflow 2018/19

	Forecast April Month £000's	Forecast May Month £000's	Forecast June Month £000's	Forecast July Month £000's	Forecast August Month £000's	Forecast September Month £000's	Forecast October Month £000's	Forecast November Month £000's	Forecast December Month £000's	Forecast January Month £000's	Forecast February Month £000's	Forecast March Month £000's	Total To Date And Forecast £000's
Balance B/fwd	1,700	4,101	1,700	1,700	1,759	1,700	1,700	2,168	1,700	1,700	2,723	1,700	1,700
<b>INCOME</b>													
Income I&E	29,203	29,176	28,831	31,400	28,232	28,078	32,827	30,472	29,439	33,664	28,036	29,984	359,344
Income - Total Balance Sheet Changes	0	2,823	1,554	285	0	0	0	0	0	0	0	0	4,662
<b>Total Income Cashflow</b>	<b>29,203</b>	<b>31,999</b>	<b>30,385</b>	<b>31,685</b>	<b>28,232</b>	<b>28,078</b>	<b>32,827</b>	<b>30,472</b>	<b>29,439</b>	<b>33,664</b>	<b>28,036</b>	<b>29,984</b>	<b>364,005</b>
Revolving Working Capital - I&E Deficit			3,346		3,392	4,843		1,085	2,501		1,608	2,605	19,380
<b>Total Income Cashflow (inc loan)</b>	<b>29,203</b>	<b>31,999</b>	<b>33,731</b>	<b>31,685</b>	<b>31,624</b>	<b>32,921</b>	<b>32,827</b>	<b>31,557</b>	<b>31,940</b>	<b>33,664</b>	<b>29,644</b>	<b>32,589</b>	<b>383,385</b>
<b>PAY</b>													
Pay I&E	(20,475)	(21,207)	(21,065)	(20,345)	(20,589)	(20,498)	(20,517)	(20,521)	(20,647)	(20,735)	(20,700)	(20,648)	(247,947)
Pay - Total Balance Sheet Changes	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Pay Cashflow</b>	<b>(20,475)</b>	<b>(21,207)</b>	<b>(21,065)</b>	<b>(20,345)</b>	<b>(20,589)</b>	<b>(20,498)</b>	<b>(20,517)</b>	<b>(20,521)</b>	<b>(20,647)</b>	<b>(20,735)</b>	<b>(20,700)</b>	<b>(20,648)</b>	<b>(247,947)</b>
<b>NON PAY</b>													
Non Pay I&E	(9,118)	(10,122)	(10,282)	(9,776)	(9,590)	(9,347)	(10,337)	(9,999)	(9,788)	(10,402)	(8,463)	(8,865)	(116,088)
Non Pay - Total Balance Sheet Changes	4,883	0	0	(543)	(543)	(543)	(543)	(543)	(543)	(543)	(543)	(543)	(221,437)
<b>Total Non Pay Cashflow</b>	<b>(4,235)</b>	<b>(10,122)</b>	<b>(10,282)</b>	<b>(10,319)</b>	<b>(10,132)</b>	<b>(9,889)</b>	<b>(10,880)</b>	<b>(10,542)</b>	<b>(10,331)</b>	<b>(10,944)</b>	<b>(9,005)</b>	<b>(9,408)</b>	<b>(337,525)</b>
<b>Finance Costs</b>													
Finance Costs I&E	(38)	(38)	(38)	(38)	(38)	(1,609)	(38)	(38)	(38)	(38)	(38)	(1,609)	(3,597)
Finance Costs - Total Balance Sheet Changes	(94)	0	0	0	0	0	0	0	0	0	0	0	(94)
<b>Total Finance Costs Cashflow</b>	<b>(131)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(1,609)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(38)</b>	<b>(1,609)</b>	<b>(3,691)</b>
<b>Capital</b>													
Capital Expenditure	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(924)	(11,092)
BS Changes - Capital c/f to 2018/19	(1,036)	(2,109)	(1,422)										(4,567)
<b>Capital - Total Balance Sheet Changes</b>	<b>(1,036)</b>	<b>(2,109)</b>	<b>(1,422)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,567)</b>
<b>Total Capital Cashflow</b>	<b>(1,961)</b>	<b>(3,033)</b>	<b>(2,346)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(924)</b>	<b>(15,659)</b>
<b>Total Cashflow</b>	<b>2,401</b>	<b>(2,401)</b>	<b>0</b>	<b>59</b>	<b>(60)</b>	<b>0</b>	<b>468</b>	<b>(468)</b>	<b>0</b>	<b>1,023</b>	<b>(1,023)</b>	<b>(0)</b>	<b>(0)</b>
Balance C/fwd	4,101	1,700	1,700	1,759	1,700	1,700	2,168	1,700	1,700	2,723	1,700	1,700	1,700

## 8. Conclusion

The Trust has been set a Control Total target by NHSI to achieve a surplus in the 2018/19 year of £660,000. The Trust, having completed its budget setting process and contract negotiations, has concluded that it will not be possible to achieve this position in 2018/19 and instead is predicting a deficit for the year of £6.49 million. Given this situation, the Trust would be unable to receive STF monies in the year and so would post a deficit in the 2018/19 year of £19.59 million.

In order to achieve this level of deficit it is necessary for the Trust to generate cost improvement savings equivalent to 2 per cent of Trust expenditure budgets, amounting to savings of circa £7 million. Schemes have been identified to deliver this level of saving however considerable levels of risk presently exist in respect of the majority of these savings schemes.

The Trust's financial difficulties in the 2018/19 year can be traced to an inability to achieve cost improvement savings in the 2017/18 year and also growing levels of Agency spending. This has meant that the Trust instead of taking forward into the 2018/19 year a recurrent deficit of £12 million is instead carrying forward a deficit of £20.5 million. The recurrent financial position of the Trust is critical. A review of the Trust's Medium Term Financial Plan has demonstrated that the deterioration in the Trust's recurrent position will need to be addressed in order for the Trust to be able to take forward its plans to reconfigure clinical services and address severe backlog estate and equipment issues.

An examination of the Trust's estate and equipment issues confirms that the level of backlog risk cannot be addressed through the use of Internally Generated Capital funds and that instead alternative financing solutions will need to be found in order to support the replacement particularly of high cost diagnostic equipment. In the 2018/19 year the Trust will once again need to establish sizeable contingency resources in order to be able to respond to the anticipated regular albeit unplanned need throughout the year for capital work to be completed and equipment replaced.

Faced with a sizeable Income and Expenditure deficit, the Trust will, in order to ensure that sufficient cash resources exist, need to secure authorisation from NHSI to underpin the deficit with an equivalent level of cash support.

Neil Nisbet  
Finance Director and Deputy Chief Executive  
The Shrewsbury and Telford Hospital NHS Trust  
22<sup>nd</sup> March 2018

# Appendix 1

## Activity Assessment

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
A&E	8,967	9,784	9,641	9,464	10,046	9,478	9,215	9,580	9,810	9,167	8,958	9,312	9,032	8,572	9,840	9,148	112,509
Outpatient Attendances	31,433	38,057	37,898	35,796	36,408	35,777	35,823	36,003	37,773	38,219	27,164	34,386	38,831	34,485	35,576	36,297	427,445
Elective Daycases	3,951	4,361	4,186	4,166	4,051	4,297	4,299	4,216	4,462	4,299	3,501	4,087	4,245	4,146	4,504	4,298	50,302
Elective Inpatient Spells	378	463	505	449	532	453	427	471	461	475	397	444	395	407	413	405	5,307
Emergency Spells	4,113	4,378	4,340	4,277	4,332	4,208	4,076	4,206	4,371	4,543	4,280	4,398	4,483	4,240	4,679	4,467	52,043
Maternity/Non Elective Other Spells	616	652	606	625	559	612	608	593	593	538	609	580	558	557	609	575	7,117

## Elective Day Case

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	3,761	4,161	3,991	3,971	3,819	4,116	4,118	4,018	4,197	4,038	3,259	3,831	3,985	3,888	4,238	4,037	47,572
Removal of RTT/Backlog	(43)	(48)	(46)	(46)	(44)	(47)	(47)	(46)	(48)	(47)	(38)	(44)	(46)	(45)	(49)	(47)	(548)
Ceasing of spinal service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Demography at 3.6%	134	148	142	141	136	146	147	143	149	144	116	136	142	138	151	144	1,693
Ophthalmology reopening of service	41	41	41	41	82	82	82	82	164	164	164	164	164	164	164	164	1,351
Neurology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RTT recovery	58	58	58	58	58	58	58	19	0	0	0	0	0	0	0	0	234
<b>18/19 Plan</b>	<b>3,951</b>	<b>4,361</b>	<b>4,186</b>	<b>4,166</b>	<b>4,051</b>	<b>4,297</b>	<b>4,299</b>	<b>4,216</b>	<b>4,462</b>	<b>4,299</b>	<b>3,501</b>	<b>4,087</b>	<b>4,245</b>	<b>4,146</b>	<b>4,504</b>	<b>4,298</b>	<b>50,302</b>
<b>Variance to 17/18</b>	<b>190</b>	<b>200</b>	<b>195</b>	<b>195</b>	<b>232</b>	<b>181</b>	<b>181</b>	<b>198</b>	<b>265</b>	<b>261</b>	<b>242</b>	<b>256</b>	<b>260</b>	<b>257</b>	<b>266</b>	<b>261</b>	<b>2,730</b>
17/18 FOT	3,761	4,161	3,991	3,971	3,819	4,116	4,118	4,018	4,197	4,038	3,259	3,831	3,985	3,888	4,238	4,037	47,572
16/17	3,814	3,577	3,874	3,755	3,811	3,919	3,895	3,875	3,751	3,895	3,576	3,741	3,742	3,695	4,436	3,958	45,985
15/16	3,479	3,354	3,584	3,472	3,869	3,336	3,625	3,610	3,658	3,618	3,585	3,620	3,512	3,513	3,658	3,561	42,791
14/15	3,391	3,370	3,488	3,416	3,640	3,337	3,526	3,501	3,498	3,311	3,146	3,318	3,137	3,051	3,732	3,307	40,627

## Elective Inpatient

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	397	484	525	469	551	478	452	494	486	499	416	467	418	430	438	429	5,574
Removal of RTT/Backlog	(9)	(10)	(10)	(10)	(9)	(10)	(10)	(10)	(10)	(10)	(8)	(9)	(10)	(9)	(10)	(10)	(114)
Ceasing of spinal service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Demography at -3.2%	(14)	(15)	(15)	(15)	(14)	(15)	(15)	(15)	(15)	(15)	(12)	(14)	(15)	(14)	(16)	(15)	(175)
Ophthalmology reopening of service	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	5
Neurology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RTT recovery	4	4	4	4	4	4	4	1	0	0	0	0	0	0	0	0	17
<b>18/19 Plan</b>	<b>378</b>	<b>463</b>	<b>505</b>	<b>449</b>	<b>532</b>	<b>453</b>	<b>427</b>	<b>471</b>	<b>461</b>	<b>475</b>	<b>397</b>	<b>444</b>	<b>395</b>	<b>407</b>	<b>413</b>	<b>405</b>	<b>5,307</b>
<b>Variance to 17/18</b>	<b>(19)</b>	<b>(21)</b>	<b>(20)</b>	<b>(20)</b>	<b>(19)</b>	<b>(25)</b>	<b>(25)</b>	<b>(23)</b>	<b>(25)</b>	<b>(24)</b>	<b>(19)</b>	<b>(23)</b>	<b>(24)</b>	<b>(23)</b>	<b>(25)</b>	<b>(24)</b>	<b>(267)</b>
17/18 FOT	397	484	525	469	551	478	452	494	486	499	416	467	418	430	438	429	5,574
16/17	490	493	558	514	525	484	505	505	498	551	489	513	390	424	556	457	5,963
15/16	551	528	564	548	605	571	536	571	601	526	509	545	524	481	497	501	6,493
14/15	581	616	590	596	646	575	571	597	609	603	502	571	465	515	531	504	6,804

**Non Elective**

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	4,014	4,269	4,235	4,173	4,232	4,100	3,968	4,100	4,261	4,437	4,194	4,297	4,378	4,137	4,567	4,361	50,793
Removal of RTT/Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceasing of spinal service	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(2)	(2)	(2)	(19)
Demography at 2.5%	100	111	106	106	102	110	110	107	112	108	87	102	106	104	113	108	1,269
Ophthalmology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Neurology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RTT recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>18/19 Plan</b>	<b>4,113</b>	<b>4,378</b>	<b>4,340</b>	<b>4,277</b>	<b>4,332</b>	<b>4,208</b>	<b>4,076</b>	<b>4,206</b>	<b>4,371</b>	<b>4,543</b>	<b>4,280</b>	<b>4,398</b>	<b>4,483</b>	<b>4,240</b>	<b>4,679</b>	<b>4,467</b>	<b>52,043</b>
<b>Variance to 17/18</b>	<b>99</b>	<b>109</b>	<b>105</b>	<b>104</b>	<b>100</b>	<b>108</b>	<b>108</b>	<b>106</b>	<b>110</b>	<b>106</b>	<b>86</b>	<b>101</b>	<b>105</b>	<b>102</b>	<b>111</b>	<b>106</b>	<b>1,250</b>
17/18 FOT	4,014	4,269	4,235	4,173	4,232	4,100	3,968	4,100	4,261	4,437	4,194	4,297	4,378	4,137	4,567	4,361	50,793
16/17	3,993	4,125	4,158	4,092	4,159	3,974	4,099	4,077	4,057	4,207	4,310	4,191	4,149	3,860	4,528	4,179	49,619
15/16	3,931	3,998	3,957	3,962	4,091	3,751	3,980	3,941	4,300	4,302	4,368	4,323	4,182	4,081	4,288	4,184	49,229
14/15	3,947	4,091	3,879	3,972	4,093	3,545	3,792	3,810	4,024	3,871	4,202	4,032	3,891	3,656	4,160	3,902	47,151

**Maternity/Non Elective Other**

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	613	649	603	622	556	609	605	590	590	535	607	577	555	554	606	572	7,082
Removal of RTT/Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceasing of spinal service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Demography at 0.5%	3	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	35
Ophthalmology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Neurology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RTT recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>18/19 Plan</b>	<b>616</b>	<b>652</b>	<b>606</b>	<b>625</b>	<b>559</b>	<b>612</b>	<b>608</b>	<b>593</b>	<b>593</b>	<b>538</b>	<b>609</b>	<b>580</b>	<b>558</b>	<b>557</b>	<b>609</b>	<b>575</b>	<b>7,117</b>
<b>Variance to 17/18</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>35</b>
17/18 FOT	613	649	603	622	556	609	605	590	590	535	607	577	555	554	606	572	7,082
16/17	606	697	631	645	666	646	677	663	712	689	648	683	669	647	675	664	7,963
15/16	631	629	597	619	663	625	657	648	714	632	608	651	650	659	633	647	7,698
14/15	593	601	601	598	613	605	671	630	624	561	604	596	570	493	607	557	7,143

**Outpatients**

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	31,303	37,930	37,769	35,667	36,235	35,719	35,765	35,906	37,630	38,075	27,014	34,240	38,686	34,340	35,433	36,153	425,899
Removal of RTT/Backlog	(97)	(107)	(103)	(103)	(99)	(106)	(106)	(104)	(108)	(104)	(84)	(99)	(103)	(100)	(109)	(104)	(1,228)
Ceasing of spinal service	(37)	(41)	(39)	(39)	(38)	(40)	(40)	(39)	(41)	(40)	(32)	(38)	(39)	(38)	(42)	(40)	(467)
Demography at 0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ophthalmology reopening of service	43	43	43	43	86	86	86	86	172	172	172	172	172	172	172	172	1,420
Neurology reopening of service	108	120	115	114	110	118	119	116	121	116	94	110	115	112	122	116	1,369
RTT recovery	113	113	113	113	113	113	113	38	0	0	0	0	0	0	0	0	452
<b>18/19 Plan</b>	<b>31,433</b>	<b>38,057</b>	<b>37,898</b>	<b>35,796</b>	<b>36,408</b>	<b>35,777</b>	<b>35,823</b>	<b>36,003</b>	<b>37,773</b>	<b>38,219</b>	<b>27,164</b>	<b>34,386</b>	<b>38,831</b>	<b>34,485</b>	<b>35,576</b>	<b>36,297</b>	<b>427,445</b>
<b>Variance to 17/18</b>	<b>130</b>	<b>127</b>	<b>129</b>	<b>129</b>	<b>173</b>	<b>58</b>	<b>58</b>	<b>96</b>	<b>143</b>	<b>144</b>	<b>150</b>	<b>146</b>	<b>145</b>	<b>146</b>	<b>143</b>	<b>144</b>	<b>1,546</b>
17/18 FOT	31,303	37,930	37,769	35,667	36,235	35,719	35,765	35,906	37,630	38,075	27,014	34,240	38,686	34,340	35,433	36,153	425,899
16/17	35,444	35,987	37,404	36,278	34,449	37,056	38,043	36,516	36,417	39,050	31,059	35,509	37,037	34,626	39,227	36,963	435,799
15/16	33,528	31,339	37,702	34,190	35,376	31,977	36,501	34,618	35,680	36,293	32,299	34,757	33,557	33,831	34,304	33,897	412,387
14/15	32,708	32,634	35,016	33,453	36,839	30,320	35,548	34,236	35,814	33,549	30,576	33,313	32,859	30,892	35,051	32,934	401,806

A&E

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Baseline	8,870	9,677	9,538	9,362	9,948	9,372	9,109	9,476	9,702	9,063	8,874	9,213	8,929	8,472	9,731	9,044	111,285
Removal of RTT/Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceasing of spinal service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Demography at 1.1%	97	107	103	102	98	106	106	103	108	104	84	99	103	100	109	104	1,224
Ophthalmology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Neurology reopening of service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RTT recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>18/19 Plan</b>	<b>8,967</b>	<b>9,784</b>	<b>9,641</b>	<b>9,464</b>	<b>10,046</b>	<b>9,478</b>	<b>9,215</b>	<b>9,580</b>	<b>9,810</b>	<b>9,167</b>	<b>8,958</b>	<b>9,312</b>	<b>9,032</b>	<b>8,572</b>	<b>9,840</b>	<b>9,148</b>	<b>112,509</b>
<b>Variance to 17/18</b>	<b>97</b>	<b>107</b>	<b>103</b>	<b>102</b>	<b>98</b>	<b>106</b>	<b>106</b>	<b>103</b>	<b>108</b>	<b>104</b>	<b>84</b>	<b>99</b>	<b>103</b>	<b>100</b>	<b>109</b>	<b>104</b>	<b>1,224</b>
17/18 FOT	8,870	9,677	9,538	9,362	9,948	9,372	9,109	9,476	9,702	9,063	8,874	9,213	8,929	8,472	9,731	9,044	111,285
16/17	8,703	9,523	9,143	9,123	9,729	9,058	9,025	9,271	9,352	8,724	8,616	8,897	8,357	7,995	9,282	8,545	107,507
15/16	9,410	9,268	9,339	9,339	9,253	9,094	8,731	9,026	8,892	8,616	8,397	8,635	8,828	8,652	9,466	8,982	107,946
14/15	9,246	9,642	9,779	9,556	9,983	9,069	9,217	9,423	9,157	8,714	8,822	8,898	8,277	7,856	9,598	8,577	109,360

## Appendix 2

### Income and Expenditure 2017/18 – 2023/24

Income and Expenditure	2017/18			2018/19			2019/20			2020/21			2021/22			2022/23			2023/24		
	Recurring £000's	Non Rec £000's	Total £000's																		
Income	348508	4993	353501	354139	13552	367691	364306	13737	378043	377338	13737	391075	389868	13737	403605	402824	13737	416561	416220	13737	429957
Pay	-240679	-3913	-244592	-247669	-1415	-249084	-252622	-1415	-254037	-257675	-1415	-259090	-262828	-1415	-264243	-268085	-1415	-269500	-273446	-1415	-274861
Non Pay	-111259	-3539	-114798	-115743	-129	-115872	-120373	0	-120373	-125187	0	-125187	-130195	0	-130195	-135403	0	-135403	-140819	0	-140819
Reserves				5241	253	5494	3140	-1000	2140	2721	-3000	-279	3255	-5300	-2045	3486	-8271	-4785	18027	0	18027
Total Expenditure	-351939	-7452	-359391	-358170	-1291	-359461	-369854	-2415	-372269	-380141	-4415	-384556	-389768	-6715	-396483	-400001	-9686	-409687	-396238	-1415	-397653
EBITDA	-3430	-2459	-5889	-4032	12261	8229	-5548	11322	5774	-2803	9322	6519	100	7022	7122	2823	4051	6874	19982	12322	32304
Finance Cost	-17034	2772	-14262	-18719	4000	-14719	-20278	5000	-15278	-21859	6000	-15859	-22462	6000	-16462	-23087	6000	-17087	-29736	0	-29736
Surplus / (deficit)	-20464	313	-20151	-22751	16261	-6490	-25826	16322	-9504	-24662	15322	-9340	-22362	13022	-9340	-20264	10051	-10213	-9755	12322	2567

## Appendix 3

The Shrewsbury and Telford Hospital NHS Trust					
5 Year Capital Programme 2018/19 to 2022/23					
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
<b>Funding Available: Internally Generated Capital Resource Limit (CRL)</b>	8,450	8,450	8,450	8,450	8,450
<b>Pre-Commitments</b>					
Schemes carried forward from old year	200	200	200	200	200
Ophthalmology move into Copthorne Building - Phase 3	1,166				
PC In House costs of delivery of schemes	820	820	820	820	820
Replacement Linac/CT Scanner (ref Lingen Davies Grant)	1,800	0	0	0	0
RSH MLU/PAU - P2 FCHS	100	1,500	3,400	0	0
Subway Duct - RSH (further phases following on from 2017/18 agreement)	200	950	700		
<b>Total of Pre-Commitments</b>	<b>4,286</b>	<b>3,470</b>	<b>5,120</b>	<b>1,020</b>	<b>1,020</b>
<b>BUDGET REMAINING FOR ALLOCATION</b>	<b>4,164</b>	<b>4,980</b>	<b>3,330</b>	<b>7,430</b>	<b>7,430</b>
<b>Contingency Funds</b>					
Estates Contingency	250	250	250	250	250
Medical Equipment	250	250	250	250	250
Information Technology	250	250	250	250	250
Non Patient Connected Equipment Replacement Fund	50	50	50	50	50
VitalPAC/PSAG Replacement Fund	100	100	100	100	100
Support Services Care Group Equipment Contingency/Replacement Priority 1	100	100	100	100	100
Facilities Equipment Replacement Priority 1	50	50	50	50	50
Patient Environment (inc Furniture) Contingency Replacement Priority 1	50	50	50	50	50
In Year Allocations/Corporate Contingency	2,200	2,200	2,200	2,200	2,200
<b>Total of Contingency Funds</b>	<b>3,300</b>	<b>3,300</b>	<b>3,300</b>	<b>3,300</b>	<b>3,300</b>
<b>BUDGET REMAINING FOR ALLOCATION</b>	<b>864</b>	<b>1,680</b>	<b>30</b>	<b>4,130</b>	<b>4,130</b>
<b>Departmental Priority 1 Schemes:</b>		1680	30	4130	4130
Estates P1 – Fire Safety & associated refurbishment works – RSH Ward Block	300				
Estates P1 – Asbestos & External Works	224				
Medical Equipment – Priority 1 replacement equipment	170				
IT – Priority 1 replacement (ie servers; storage; PCs)	170				
Radiology Replacement Priority 1 (alternative funding solution to be explored)					
<b>Total Priority 1 Schemes</b>	<b>864</b>	<b>1,680</b>	<b>30</b>	<b>4,130</b>	<b>4,130</b>
<b>Surplus/(deficit) after above</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

