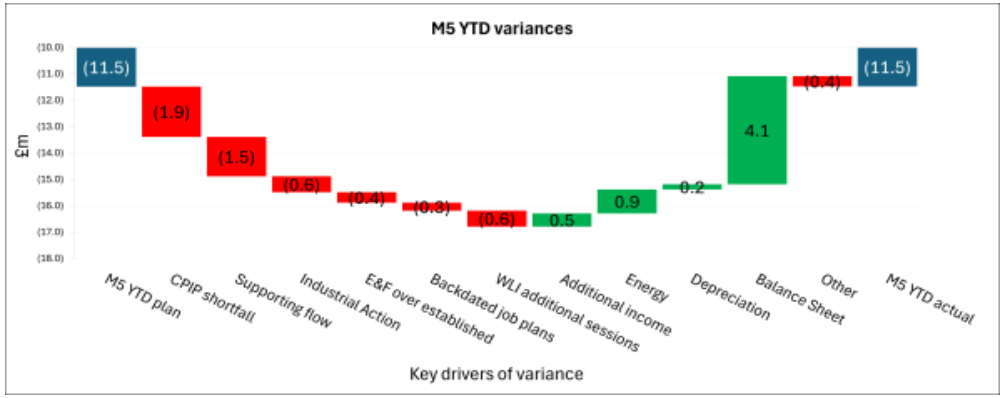
BEST USE OF RESOURCES – INCOME & EXPENDITURE

We are driving this measure because

The Income and Expenditure plan reflects the Trust's operational plan, and the resources available to the Trust to achieve its objectives. Variances from the plan should be understood, and wherever possible mitigations identified to manage the financial risk and ensure effective use of resources.

Statement of comprehensive income	Year to Date Plan £'000	Actual £'000	Variance £'000
INCOME & EXPENDITURE			
Operating income from patient care activities	309,647	311,203	1,556
Other operating income	14,954	14,594	(360)
Employee expenses	(207,088)	(208,594)	(1,506)
Operating expenses excluding employee expenses	(118,899)	(119,236)	(337)
OPERATING SURPLUS / (DEFICIT)	**(1,386)**	**(2,033)**	**(647)**
FINANCE COSTS			
Finance income	614	1,040	426
Finance expense	(4,439)	(4,340)	99
PDC dividends payable/refundable	(2,103)	(2,102)	1
NET FINANCE COSTS	**(5,928)**	**(5,402)**	**526**
Other gains/(losses) including disposal of assets	0	11	11
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	**(7,314)**	**(7,424)**	**(110)**
Remove capital donations/grants/peppercorn lease I&E impact	75	(15)	(90)
Remove PFI revenue costs on an IFRS 16 basis	15,565	17,340	1,775
Add back PFI revenue costs on a UK GAAP basis	(19,811)	(21,375)	(1,564)
Adjusted financial performance surplus/(deficit)	**(11,485)**	**(11,474)**	**11**



Understanding the performance

At the end of Month 5 we report a year to date (YTD) break-even position against plan. Adverse variances are primarily driven by under-delivery against CPIP and additional resources supporting flow. This position has been supported by non recurrent benefits.

Income is £1.2m favourable YTD – £1.2m favourable on pass through Drugs and Devices and £0.5m of additional income on elective activity overperformance to date. Favourable variances are being partially offset by £0.3m on the E&T contract, £0.2m under delivery of CPIP and £0.1m clawback of contribution to capital charges from 24/25.

Employee expenses are £1.5m adverse YTD – adverse variances include additional resources supporting flow £1.5m, £0.6m costs of Industrial action, £0.4m of over-establishment and additional Bank and Agency usage in E&F driven by vacancies and sickness, £0.3m of backdated job plans and £0.6m of WLI. This is partially offset by £1.6m of balance sheet releases and £0.5m of Dermatology vacancies (offsetting non-pay insourcing spend).

Operating expenses excluding Employee Expenses are £0.3m adverse YTD – adverse variances include £1.4m of pass-through Drugs and Devices, £1.9m CPIP under delivery, £0.6m Dermatology Insourcing costs. Adverse variances partially offset favourable variances include £2.5m balance sheet releases, £0.9m utilities underspend, and £0.2m depreciation.

Finance Costs are £0.5m favourable YTD – most of which is income received on higher cash balances.

Actions (SMART)

The Trust held a Financial Mitigation Plan Workshop on 11 September to address the forecasted financial deficit for 25/26. The session focused on generating cross-divisional mitigations and agreeing immediate, practical actions.

Work is continuing to focus on delivery of the CPIP schemes for 25/26 through the Trust maturity levels. CPIP review meetings are taking place fortnightly for assisting with monitoring and measuring performance to improve development of existing plans as well as delivery against fully developed plans. These sessions also provide the opportunity to review benchmark productivity performance to identify areas for cost-out.

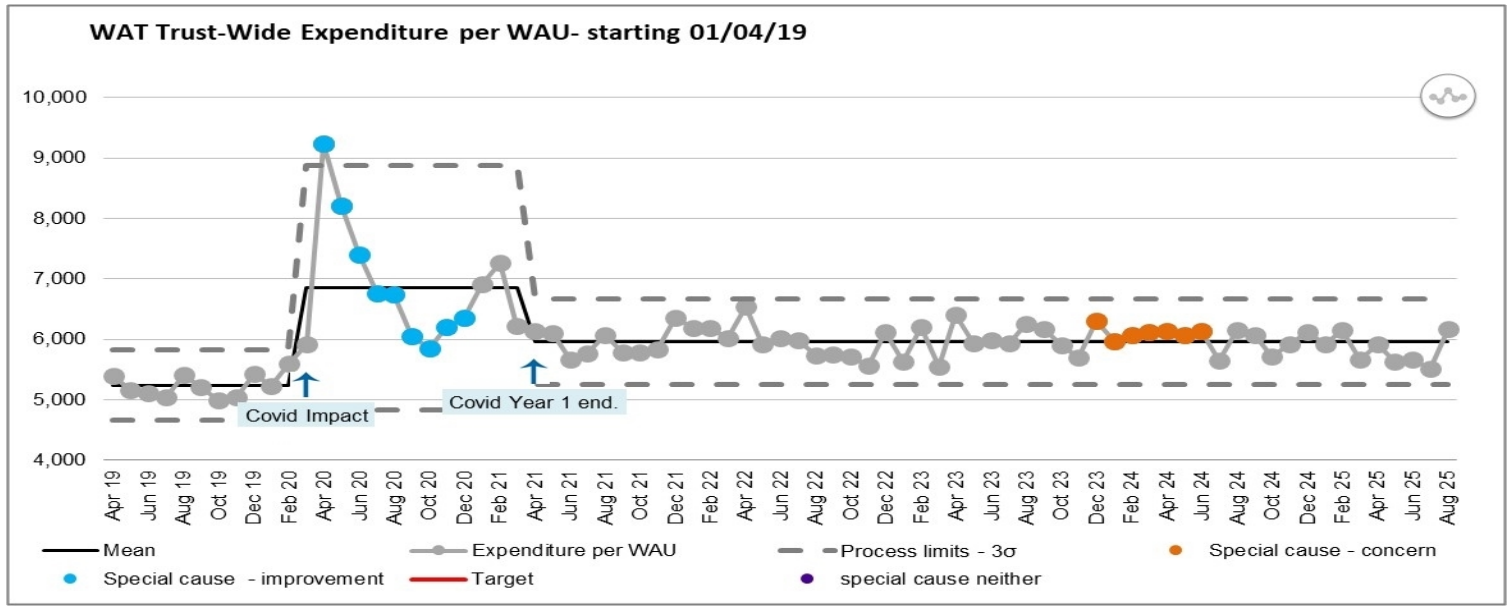
Risks

If CPIP plans do not progress through maturity to delivery in line with the plan the Trust will experience cash flow problems and be challenged by NHSE regarding release of deficit support funding.

BEST USE OF RESOURCES – ADJUSTED EXPENDITURE PRODUCTIVITY TREND

We are driving this measure because

This SPC measures expenditure against activity, allowing us to follow productivity changes. Tracking is currently available at Trust wide level only. Weighted Activity Unit (WAU) has been developed within the Foundation Group using Inpatient/Outpatient/ED/Critical Care activity, adjusted to be weighted equally. There is no adjustment for working day variations.
Previous years Expenditure is adjusted up for inflation to make them comparable with the current year. As the WAU relies on coded activity, recent months can still move until coding is complete.



Monthly Movement

	Jul-Aug	Adjusted for Working Days
Exp per WAU	11.9%	5.2%
Expenditure	-2.6%	-2.6%
WAU	-12.9%	-7.4%

Costing Team Update

- Reduction in Expenditure per WAU in recent months has reduced the mean. This recent improvement has pulled historical months from 2023/24 into the special cause concern flag

Understanding the performance

For August, our **Cost per WAU is 11.9% higher than July. When working days are factored in for Elective then it has increased by 5.2%.** This means we are delivering less activity per spend than in the previous month.

WAU is **12.9% lower than July, 20% lower when elective is adjusted for working days.** (Note uncoded activity can impact this position).

This is driven by Non Elective Inpatient discharges reduced between months and less Outpatient activity per working day

Expenditure adjusted for Inflation is **2.6% lower** than July.

Actions (SMART)

The Costing team continue to support Divisions in identifying opportunities to improve productivity.

Whilst Non Elective Short Stay discharges have increased this month, Non Elective discharges for Length of stay 2+ in August have dropped by 10%, reversing last months trend. This fall has contributed to the increased Cost per WAU. (Note uncoded activity can impact this position).

Risks

If the Trust cannot reduce expenditure whilst also increasing activity levels, then achievement of financial and performance targets are at risk.

BEST USE OF RESOURCES – PRODUCTIVITY & EFFICIENCY

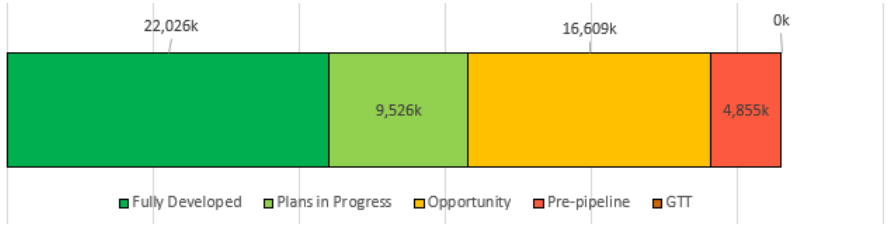
We are driving this measure because

If the Trust fails to identify recurrent Cost and Productivity Improvement Plans (CPIP) and put in place sufficient resources and governance arrangements to drive delivery, then it will not achieve financial sustainability.

YTD CPIP achieved
vs plan target (£53.016m)
monthly

YTD CPIP achieved
vs plan target (£53.016m) cumulative

Schemes identified (forecast) vs target (£53.016m)



Understanding the performance

The Trusts 25/26 target as submitted to NHSE is £53.016m. M5 Plan figure was £2.832m , M5 Actuals delivered £2.090m, an under delivery of £0.742m. M5 Actuals comprise £1.887m recurrent and £0.203m non-recurrent.

YTD actuals are £9.122m against a £10.946m plan, an under delivery of £1.824m. YTD there are £7.404m of recurrent actuals and £1.718 of non-recurrent actuals.

Please note additional maturity ratings have been introduced via NHSE for 25/26;
Opportunity comprises basic outline cost (not just a number from benchmarking tool)
Pre-pipeline comprises initial idea identified with potential indicative value

Actions (SMART)

The Trust is holding a Financial Mitigation Plan Workshop on 11 September to address the forecasted financial deficit for 25/26. The session will focus on generating cross-divisional mitigations and agreeing immediate, practical actions.

Work is continuing to focus on delivery of the CPIP schemes for 25/26 through the Trust maturity levels. CPIP review meetings are taking place weekly to challenge performance and improve scheme maturity. These sessions also provide a mechanism for reviewing benchmark productivity performance metrics to identify further opportunities to make savings.

Risks

The 25/26 target is c£10m higher than we delivered in 24/25 and will therefore prove challenging at the pace required to deliver the plan.

Failure as a system to demonstrate credible plans could lead to the withholding of deficit support funding.

BEST USE OF RESOURCES – CAPITAL

We are driving this measure because

The Capital investment programme to replace existing and invest in new additional assets is key to driving improved clinical and financial sustainability. Given the size of capital programme there is a significant risk that the Trust has insufficient funding to support backlog maintenance requirements and much needed equipment replacement.

Trust Capital Position at M5

Position v Budget

Workstream	Scheme	Annual Budget	YTD Actual	YTD Budget	YTD Variance
P&W	2025/26 P&W Scheme	£0	£9,503	£0	£9,503
Other	2526 LSE Fleet vehicles	£345,000	£0	£0	£0
Other	2526 LSE WRH Car park	£259,000	£0	£0	£0
P&W	A Block Lift	£16,103	-£6,290	£16,103	-£22,393
Strategic	Acute Service Review	£4,001,855	£12,899	£53,295	-£40,396
Digital	Additional Digitial Schemes	£0	-£4,721	£0	-£4,721
P&W	CAP2425 C Block Roof	£118,036	£99,695	£118,036	-£18,341
Digital	CAP2425 Cardiac PACS	£300,000	£130,851	£214,286	-£83,435
P&W	CAP2425 Generator upgrade	£311,071	£212,133	£311,071	-£98,938
Other	CBRN Tent	£0	-£2,270	£0	-£2,270
Other	Donated Equipment Schemes	£92,944	£113,932	£92,944	£20,988
Equipment	Equipment Contingency	£724,950	£0	£22,450	-£22,450
Equipment	Equipment Schemes	£367,351	£243,606	£367,351	-£123,747
Digital	Frontline Digital	£0	£322,384	£0	£322,384
Other	IFRIC 12 and other contingency	£2,939,572	£1,175,618	£1,228,072	-£52,454
Strategic	Internally funded Fire Scheme	£2,600,000	£2,276,153	£2,600,000	-£323,847
Digital	LIMS Pathology	£370,000	£351,154	£370,000	-£18,846
Strategic	LINACS WRH Replacement	£3,321,000	£6,148	£0	£6,148
Strategic	National Diagnostics - Cath lab	£0	£29,726	£0	£29,726
Strategic	National Funding Fire Scheme	£3,000,000	£852,917	£1,345,562	-£492,645
P&W	P&W Backlog Maintenance	£293,162	£110,164	£293,162	-£182,999
Digital	Phase 2 - Telephony Systems Critical Upgrades	£0	£19,690	£0	£19,690
Other	Procurement scheme	£0	-£3,971	£0	-£3,971
Strategic	RAAC A Block Link KTC	£296,850	£261,958	£296,850	-£34,892
Total		**£19,422,060**	**£6,217,617**	**£7,350,180**	**-£1,132,566**

Understanding the performance

The Year-to-date capital spend at Month 5 is £6.2m, the majority of which is spend on the ALX Fire Scheme (£3.2m), IFRIC 12/PFI Lifecycle replacements (£1.18m) and LIMS/FLD Digital Schemes (£674k).

At M5 capital spend is lower than budget by £1.1m.
It is still expected that the full programme spend will be achieved by the end of the financial year.

Actions (SMART)

The phasing in the annual external plan is phased in 12th , work continues to improve the internal phasing of the approved capital schemes.

The capital programme is overcommitted by £482k on the assumption there will be additional sources of funding or slippage on approved schemes during 25/26.

Risks

There is a significant risk that the Trust has insufficient funding to support backlog maintenance requirements, much needed replacement schemes and a contingency for any unforeseen events.