

TRUST BOARD

Agenda Item	P1-039-18	26th March 2018
Subject /title	Trust Financial Plan 2018/19	
Author	John Andrews, Director of Finance (Acting)	
Responsible Director	John Andrews, Director of Finance (Acting)	
Executive summary and key issues for discussion		
<p>To comply with its Corporate Governance Manual, the Trust is required to approve a financial budget for the forthcoming financial year by the end of March. As part of that process a draft 3 year plan was presented to the February Trust Board. Subsequently a 1 year plan was submitted to NHS Improvement (NHSI) in early March. This paper builds on both those plans and presents a summary of the proposed budget for 2018/19.</p> <p>The attached paper is produced as a ‘standalone’ document presenting the proposed financial plan for 2018/19 rather than an updated briefing on movements from the earlier drafts.</p> <p>It should be noted that at the time of producing the report, the final value of the 2018/19 contract with Specialised Commissioners had not been agreed. The national deadline for agreement is 23rd March. The Trust is confident that the final value will be sufficient to at least cover the additional funding identified in this plan. An updated will be provided at the Board.</p> <p>The plan is produced in the context of the existing Trust financial strategy, based on the 3 overarching financial parameters:</p> <ol style="list-style-type: none"> 1. An underlying annual surplus of a minimum of 1% of Turnover, 2. Continue to grow Subsidiary companies and generate additional resources to reinvest in NHS services, 3. Finance and Use of Resources metric of a minimum of 2. <p>In summary the Trust plans for 2018/19 aim to deliver:</p> <ul style="list-style-type: none"> • A Surplus of £1.787m • Which achieves the revised Control Total of £2.167m • Overall Financial Risk rating of 1 • Cost Improvement Programme (CIP) of £1.807m • Additional risk reserve of £0.494m to fund additional interim management costs • General Contingency reserve of £0.800m • Capital Expenditure of £83.33m • Year end forecast cash of £43.15m <p>The attached paper covers the financial year 2018/19. Further plans for 2019/20 and beyond will be presented to the Board later in the new year (October 2018).</p>		

Strategic context and background papers (if relevant)

This plan has been produced in line with the joint NHS planning Guidance for 2018/19.

It builds on the draft plans submitted to the February Trust Board (agenda item P1-020-18 on 7th February 2018) and the planning templates submitted to NHSI on 8th March 2018.

Recommended Resolution

The Board are asked to consider the content of this paper and, subject to confirmation of the final contract offer from Commissioners;

1. Approve the financial plan for 2018/19
2. Confirm that the Trust is able to sign up to the NHSI Control Total
3. Approve in principle a £0.6m investment in R&D, to be funded from within existing R&D resources to further develop research at the Trust. A more detailed research strategy will be presented to a future Board.
4. Approve the Capital Programme for 2018/19 and approve in principle the indicative Capital plan for the subsequent years to 2022/23.
5. Note that HO business cases for investments are currently under review and will be funded from growth in the HO contract value. Also note that due to the continued write back of the payment on account to the Royal Liverpool, the HO service is not expected to have an impact on the Trusts overall surplus in 2018/19.
6. Note further work is to be undertaken on developing the current draft plans for 2019/20 onwards, with an updated plan to be presented to the Finance and Business Development Committee in September 2018 and Board in October 2018

Risk and assurance

The risks and mitigations are detailed within the plan.

Link to CQC Regulations

Regulation 17: Good Governance

Resource Implications

The plan proposes investment in 53.49 WTE (growth of circa 4.65%) at a cost of £1.95m in year. It also proposes additional investment in R&D (£0.6m), and the generation of contingency reserves.

Proposed Capital expenditure investment is £83.3m in 2018/19.

The plan is underpinned by the requirement to deliver CIP savings of circa 2% (£1.8m).

Key communication points (internal and external)

This plan has been developed with significant input from Trust staff and it is intended to circulate the attached paper to senior managers once approved.

Freedom of Information Status

FOI exemptions must be applied to specific information within documents, rather than documents as a whole. Only if the redaction renders the rest of the document non-sensical should the document itself be redacted.

- Application Exemptions:**
- **Prejudice to effective conduct of public affairs**
 - **Personal Information**
 - **Info provided in confidence**
 - **Commercial interests**
 - **Info intended for future publication**

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- A. This document is for full publication**
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IMPORTANT:

If you have chosen B above, highlight the information that is to be redacted within the document, for subsequent removal.

Confirm to the Trust Secretary, which applicable exemption(s) apply to the whole document or highlighted sections.

Equality & Diversity impact assessment

Are there concerns that the policy/service could have an adverse impact because of:	Yes	No
Age		X
Disability		X
Sex (gender)		X
Race		X
Sexual Orientation		X
Gender reassignment		X
Religion / Belief		X
Pregnancy and maternity		X
Civil Partnership & Marriage		X

If YES to one or more of the above please add further detail and identify if full impact assessment is required.

Next steps

Appendices

Corporate Objectives supported by this report

Improving Quality	X	Maintaining financial sustainability	X
Transforming how cancer care is	X	Continuous improvement and	X

provided across the Network		innovation	
Research	X	Generating Intelligence	X

Link to the NHS Constitution

Patients		Staff	
Access to health care	X	<i>Working environment</i> Flexible opportunities, healthy and safe working conditions, staff support	X
Quality of care and environment	X	<i>Being heard:</i> <ul style="list-style-type: none"> • Involved and represented • Able to raise grievances • Able to make suggestions • Able to raise concerns and complaints 	X
Nationally approved treatments, drugs and programmes	X		
Respect, consent and confidentiality	X		
Informed choice	X	Fair pay and contracts, clear roles and responsibilities	X
Involvement in your healthcare and in the NHS	X	Personal and professional development	X
Complaint and redress		Treated fairly and equally	

FINANCIAL PLAN 2018/19

1. OVERVIEW AND STRATEGY

To comply with its Corporate Governance Manual, the Trust is required to approve a financial budget for the forthcoming financial year by the end of March. As part of that process a draft 3 year plan was presented to the February Board. Subsequently a 1 year plan was submitted to NHS Improvement (NHSI) in early March. This paper builds on both those plans and presents a summary of the proposed budget for 2018/19.

Financial Strategy

The Trust's financial strategy is based on the following 3 overarching financial parameters:

- 1. An underlying annual surplus of a minimum of 1% of Turnover,**
- 2. Continue to grow Subsidiary companies and generate additional resources to reinvest in NHS services,**
- 3. Finance and Use of Resources metric of a minimum of 2.**

In summary the Trust plans for 2018/19 aim to deliver:

- A Surplus of £1.787m
- Which achieves the revised Control Total of £2.167m
- Overall Financial Risk rating of 1
- Cost Improvement Programme (CIP) of £1.807m
- Additional risk reserve of £0.494m to fund additional interim management costs
- General Contingency reserve of £0.800m
- Capital Expenditure of £83.33m
- Year end forecast cash of £43.15m

The plan set out below covers the financial year 2018/19. Further plans for 2019/20 and beyond will be presented to the Board later in the new year (October 2018).

The table below summarises the anticipated NHSI Finance & Use of Resources risk rating for 2018/19:

Metric	2018/19
Capital Service Cover	2
Liquidity	1
I&E Margin	1
Delivery of Control Total	1
Agency cap compliance	1
Overall Weighted Average Rating	1

The Capital Service Cover rating is a 2 due to the planned significant increase in Trust borrowing (new loans totalling £37m) in 2018/19 as part of the funding for the new Cancer Centre in Liverpool. This is consistent with the forecast risk rating in the Business Case for the new Centre.

The table below summaries the movements in the planned I&E for 2018/19 from 2017/18:

Summary Income & Expenditure Plans

I&E (£000)	2017/18 Plan	2018/19 Plan	Change in Plan	% Change Plan
Clinical Income	119,552	127,956	8,404	7.0%
Other Income	10,490	11,787	1,297	12.4%
Total Income	130,042	139,743	9,701	7.5%
Pay	(50,311)	(53,681)	(3,370)	6.7%
Sub-Total: Pay	(50,311)	(53,681)	(3,370)	6.7%
Drugs	(41,249)	(45,722)	(4,473)	10.8%
Other Non-Pay	(26,880)	(29,769)	(2,889)	10.7%
Sub-Total: Non-pay	(68,129)	(75,491)	(7,362)	10.8%
Total Operating Expenditure	(118,440)	(129,172)	(10,732)	9.1%
EBITDA	11,602	10,571	(1,031)	-8.9%
Capital Charges (PDC & Dep'n)	(7,894)	(8,820)	(926)	11.7%
Impairment	0	0	0	0.0%
Other Financing	(62)	(588)	(526)	848.4%
Profit on PPJV	169	624	455	269.2%
Surplus	3,815	1,787	(2,028)	-53.2%
Surplus %	2.93%	1.28%		
EBITDA %	8.92%	7.56%		

Trust's overall turnover is planned to increase from £130.0m to 139.7m in 2018/19. The main drivers for growth in turnover are; the full year effect of taking over the Haemato-Oncology (HO) service (£5.642m), assumed contract activity growth (£1.583m), drug income growth (£1.141m) and additional income generated by R&D (£0.961m).

Cash Limited Budgets

Trust budgets will continue to be "Cash Limited. "Cash Limited" means that a key expectation of all budget managers will be that they manage and contain their respective budget costs within their overall budget allocations subject to the Trust's virement rules. This will mean that bids for additional funding in year will only be considered if offsetting savings or additional income has been identified or an unforeseen unavoidable budget pressure occurs. This has proven to be a successful management process over the last couple of years.

2. ACTIVITY AND COMMISSIONING

The Trust has the following commissioning arrangements:

Solid Tumour

The majority of CCC's clinical activity continues to be commissioned by NHSE Specialised Commissioners, with a small number of other contracts with Wales and the Isle of Man and for predominately inpatient activity commissioned by CCGs.

Contract with NHSE Specialised Commissioning

The Trust has a two year contract with Specialised Commissioners, with 2018/19 being the second year. The contract was originally set as a fixed value (or 'Block') although the Trust has the option to move to a cost per case contract in year 2 if commissioners do not appropriately fund growth.

The contract with Specialised Commissioning is forecast to be £95.82m for 2018/19, of which £81.76m relates to solid tumour activity (the balance being HO). That includes the Trust forecast growth as summarised in the table below.

Contract Activity Growth: 2018/19	%	£000
Radiotherapy	1.9%	318
Chemotherapy	5.0%	883
Other services	1.0%	146
Total Specialised Commissioning		1,347

In addition to the growth outlined above, proposals have also been made to Specialised Commissioners to fund:

- Drug developments (£1.41m) – High cost drugs continue to be funded outside of any block arrangement on an actual usage basis. This additional income (and associated costs) is included in the financial plans.
- Immunotherapy Delivery Activity (£1.10m) – The proposal is currently under review by service leads at Specialised Commissioning. It is anticipated to be approved as drugs have been assessed by NICE, however investment in this service will be held until commissioners agree to fund it. This income (and associated expend) is therefore not currently included in the financial plans.

The current status of contract negotiations is that both parties have presented proposals to each other. At the present time neither offer is acceptable to the other, but dialogue is positive and both sides are confident that a mutually acceptable position can be agreed. With regards to financial planning it is felt that the Trust has taken a prudent approach. Commissioners have flagged affordability as an issue, but the Trust could reasonably assume that forecast growth will be funded as it has in previous years.

These financial plans assume forecast growth and drug developments are funded. Any resources secured above forecast growth will be set aside to potentially fund further service investments, subject to robust business cases being approved (please see 4. Expenditure – Revenue Investments below).

The deadline for sign off of contracts is 23rd March. The Trust is expecting to be in a position to agree a final proposal from Specialised Commissioners by that date. An update will be presented at the Board meeting.

Contract with CCGs

Inpatient services and some outpatient services are commissioned by CCGs. Although the Trust had expected to enter into a block contract with the Merseyside CCGs as part of "Acting as One", subsequent discussions with commissioners have resulted in a cost per case contract. The Trust has agreed a contract for 2018/19 with the lead commissioner, Liverpool CCG on behalf of all contracted CCG's, for £6.18m for Solid Tumour activity.

Other contracts

The Trust has also got two other main contracts with the Isle of Man (£1.07m) and Wales (£2.23m).

Haemato-Oncology (HO)

2018/19 will be the first full year of the HO service being managed by the Trust. Total income is forecast to be £21.21m. Commissioning arrangements are similar to those for Solid Tumour activity, with 66% of the contract (£14.06m) with NHSE Specialised Commissioning and 22% (£4.76m) with CCG's. The balance of income comes from the Cancer Drug Fund and other cross border commissioners.

Due to this being a new service for the Trust both contracts are cost per case with drugs expenditure reimbursed on an usage basis, and both commissioners have agreed to continue on this basis for 2018/19.

The proposals put to commissioners include circa £0.5m for growth but for the purpose of the current financial plans, any investments in HO (again please see 4. Expenditure – Revenue Investments below) have been excluded until contract values have been agreed with commissioners.

CQUIN

As part of its 2018/19 Contract, the Trust will receive a Commissioning for Quality and Innovation (CQUIN) payment. Based on anticipated contract values this is expected to be circa £1.734m from NHS England - Specialised Commissioning, and £0.262m from CCG's. This includes both the Solid Tumour and HO Services.

The table below summarises the CQUIN schemes for 2018/19 that the Trust anticipates being agreed with both NHS England Specialised Commissioning and CCG's.

CQUIN Indicator Description	Solid Tumour (£000)	HO (£000)
Clinical Utilisation Review (2 years)	450	40
Medicines Optimisation (2 years)	120	11
Nationally Standardised Dose Banding Adult Intravenous SACT (2 years)	180	16
Enhanced Supportive Care (2 years)	305	27
Optimising Palliative Care	185	16
Holistic Needs Assessment and End of Treatment Summaries	386	67
Improving Staff Health and Wellbeing	46	37
STP Engagement	31	24
Organisational Control Total	31	24
Total	1,734	262

Three of the CQUIN initiatives may require additional non-recurrent investment to deliver them. In anticipation of this, the Trust is holding a reserve of £0.343m (please see Reserves below).

3. INCOME

In total, budgeted income has increased by just over £9.70m (7.5%) from 2017/18 plan. The table below summarises the main changes:

Major Income movements 2018/19

Income (£000)	2018/19 Growth
Clinical Income - Full Year Effect HO	5,642
Clinical Income - Activity	1,583
Clinical Income - non-recurrent 2017/18 (Drugs)	(272)
Clinical Income - Drugs	1,413
Clinical Income - Other	(98)
Total Clinical Income (pre CIP)	8,268
Clinical Income - CIP	136
Total Clinical Income	8,404
Other Income - NATCANSAT	(518)
Other Income - Subsidiaries	281
Other Income - R&D	961
Other Income - Additional STF	155
Other Income - CIP 2017/18 non-recurrent	(78)
Other Income - Other	70
Total Other Income (pre CIP)	871
Other Income - CIP	426
Total Other Income	1,297
Total Income Growth	9,701

Patient Care Income

Clinical income of £127.96m for 2018/19 accounts for 91.6% of the Trust's forecast total income of £139.74m. Of the total clinical income, £95.82m will be covered by the contract with Specialised Commissioning. The balance of clinical income is derived from a number of contracts including those with CCGs (£10.94m), Wales, Isle of Man and Scotland (£4.92m), with other Trusts (£0.84m), plus cost per case funding from the national Cancer Drugs Fund (CDF) of £13.39m and other CCG's (0.6m).

It is expected that Named Drugs will continue to be commissioned on an actual usage basis, and therefore the increase in income is matched by a corresponding increase in expenditure.

Control Totals, Sustainability Fund and Agency Targets

The Trust has been issued with a revised Control Total of £2.167m. The control total comparator is the Surplus (£1.787m) with donated depreciation added back (£0.380m).

The control total is the minimum surplus the Trust is expected to achieve by NHSI. This Control Totals has been accepted by the Trust and is reflected in the Trust's financial plans.

As part of setting the revised Control Total, the Trust has also been informed by NHSI that it will receive an additional £0.155m from the Sustainability and Transformation Fund (STF) for 2018/19.

The Trust has also been issued with a revised Agency ceiling of £1.147m in 2018/19.

Other Income and Hosted Services & Recharges:

Other Income has increased by £1.397m on the previous year. The main increases include contributions from non-clinical income to the Trust CIP target sum of £0.426m, contributions from the subsidiaries (£0.281m) and research (£0.961m).

The Trust also hosts the core infrastructure and leads the Cancer Alliance for Cheshire and Merseyside

Commercial Ventures

The Trust has the following Commercial Ventures:

The Clatterbridge Clinic

This will be the sixth year of operation for the Clatterbridge Clinic, the Trust's Joint Venture with the Mater Private. Profit from the Joint Venture is contributing as a source of additional income, enhancing available resources and enabling re investment in NHS services.

PharmaC

The Trust's subsidiary company, Clatterbridge Pharmacy Ltd (or PharmaC), is also contributing as a source of additional income, through projected dividends, and cost savings through reduced drug cost, enhancing available Trust resources.

PropCare

PropCare is now fully operational and overseeing the project management of the new hospital build and the day to day facilities management.

The Trust is keen to maximise the additional potential resources generated by its commercial ventures. However it is recognised that any further expansion is not without risk. For the purposes of this financial plan, the forecast growth in additional resource is relatively small and in line with the relevant ventures own plans (e.g. the £0.281m is made up of £0.140m from The Clinic, £0.104m from PropCare and £0.037m from PharmaC). This is considered a prudent approach at this stage.

4. EXPENDITURE

The table below summarises the main expenditure movements.

Major Expenditure Movements 2018/19

Expenditure (£000)	2018/19 Growth
Pay - Full Year Effect HO	(1,107)
Pay - NATCANSAT	467
Pay - Investments in Workforce Plan	(2,657)
Pay - Slippage on Investments	709
Pay - CIP	403
Pay - CIP 2017/18 non-recurrent	(85)
Pay - Inflationary Pressures	(939)
Pay - Other minor adjustments	(161)
Total Pay	(3,370)
Drugs - Full Year Effect HO	(3,422)
Drugs - Growth	(1,413)
Drugs - CIP	362
Total Drugs	(4,473)
Non-pay - Full Year Effect HO	(204)
Non-pay - Increases write back of HO prepayment	(909)
Non-pay - NATCANSAT	51
Non-pay - Release of CQUIN reserve	300
Non-pay - Pressures & Investments	(657)
Non-pay - Investments in R&I	(600)
Non-pay - Increases reserves	(300)
Non-pay - Creation of additional Risk reserve	(494)
Non-pay - CIP	480
Non-pay - CIP 2017/18 non-recurrent	(135)
Non-pay - Inflationary Pressures	(430)
Non-pay - Other minor adjustments	9
Total Non-pay	(2,889)
Total Operating Expenses	(10,732)

General Pressures:

The main assumptions are:

- Pay Award and Incremental drift: The Trust is planning on a total increase in the pay bill of 2.0% (£0.939m) in 2018/19 due to the forecast pay award and incremental drift. It is noted that national negotiations are on-going regarding a potentially higher pay award (than 1%) for 2018/19. However it has been generally assumed across the NHS that any additional pay award would be nationally funded.

- Non-pay inflation in 2018/19 has been estimated at a weighted average of 2.1% (circa £0.430m). As most Inter-Trust SLAs are linked to pay awards and the majority of drug costs are funded on an actual usage basis, 2.1% is considered to be a prudent overall estimate.

Revenue Investments

Extensive review and prioritisation of proposed investments and cost pressures has been undertaken by senior managers. This has been done within the context of the anticipated final contract offer from commissioners (please see 2. Activity & Commissioning above), and the need for the Trust to achieve its required Control Total for 2018/19.

The tables below summarise the cost and WTE of proposed Workforce investments in 2018/19

Proposed Workforce Investments

Investments in Plan: Growth	2018/19 £000	2018/19 WTE
Chemotherapy Directorate	(875)	27.90
Integrated Care Directorate	(467)	11.60
Radiation Services Directorate	(168)	3.88
Haemato-Oncology Directorate	0	0.00
Medical Staff	(768)	2.00
Investments in R&I / Other	(267)	8.11
Slippage from year to year	597	0.00
Investments in Plan	(1,948)	53.49

The proposed investment in 53.49 WTE represents growth of circa 4.65%.

The main growth areas are:

- **Chemotherapy:** increase in Pharmacy staff due to activity and drug complexity growth & introducing the Hub model in Chemotherapy and Out-patient nursing.
- **Integrated Care:** Expansion of AHP/ANP staffing for the Hub model and improving the related management structure.
- **Radiation Services:** Increasing in physics staff for commissioning equipment
- **Medical Staff:** Additional Radiologist capacity, funding for Consultant of the Week and funding the impact of the revised clinical staffing model.

As HO is commissioned on a cost per case contract, business cases for investment in this service are currently being reviewed and will be approved based on need and identified funding.

These proposed investments enable the Trust to roll out the 4 sector hub based model across the network prior to the opening of the new Cancer Centre in Liverpool. They also facilitate growth in activity, particularly in Chemotherapy, by increasing capacity at hosted sites away from the current main Wirral Centre. Finally they should also help to ensure improved equity of access to specialist nurses. By deciding to proceed with these investments there will be an opportunity cost of not being able to fund other potential competing investments. However the areas highlighted above are considered the priority by Trust management.

Non-Pay Pressures & Investments by Directorate

The tables below summarises the proposed non-pay pressures and Investments in the plan.

Non-Pay Pressures & Investments:	2018/19 £000
Chemotherapy Directorate	(79)
Integrated Care Directorate	(292)
Radiation Services Directorate	(45)
Haemato-Oncology Directorate	0
Medical Staff	0
Investments in R&I	(600)
Corporate	(241)
Other – Reserves	(794)
Total Non-pay Pressures & Investments	(2,051)

Research & Development Investment:

A key pillar of the Trust's 10 year Strategy is to work with the University and other partners on cancer research in the region to increase access for cancer patients to clinical trials and to invest in the required infrastructure. The Trust recognises the need to identify additional resources and make investments to support this. Following a review and reassessment of on-going commitments it has been agreed to release research income currently deferred in the Balance Sheet. In 2018/19 this is planned to be £0.60m (£0.10m recurrent and £0.50m non-recurrent). This is in addition to £0.161m of research related workforce investment included above.

A more detailed programme for allocating this Research & Development resource is being prepared.

Excluded potential Investments requiring further new sources of funding

As the Trust is in the second year of its commissioner contracts new funding is not been agreed by commissioners for 2018/19 and beyond at this point unless developments have got NICE approval. As HO is a cost per case contract, separate discussions are on-going with commissioners in relation to proposed HO developments.

As the deadline for agreeing contracts is the 23rd March. An update will be provided at the Board.

There are a number of potential investments flagged in the Workforce Planning process that have been excluded as they require additional business cases to attract funding, whether from commissioners, third parties or through reducing costs elsewhere in the organisation.

The potential cost are summarised below:

Potential Investments NOT in Plan:	2018/19 £000	2018/19 WTE
Less: HO business cases	997	(25.70)
Less: Activity related business cases	685	(18.24)
Less: Externally funded business cases	303	(9.50)
Less: Not activity related business cases	516	(11.88)
Less: Proposed growth taken out - not approved	403	(11.97)
Potential Investments Not in Plan	2,904	(77.29)

The list of excluded potential investments covers:

- **Haemato-Oncology (HO) Business Cases:**
 - As HO is commissioned on a cost per case contract, business cases for investment in this service are currently being reviewed and will be approved based on need and identified funding. It should be noted that HO is not anticipated to have a financial impact on the Trusts surplus in 2018/19 due to the on-going write back of the £10m payment on account to the Royal Liverpool.
- **Activity Related Business Cases for new services:**
 - Chemotherapy: Immunotherapy, Expansion of Home Care
 - Integrated Care: Lymphoedema, & further expansion of ANP/CNS nurses
 - Radiation Services: new Rectal Brachytherapy & Cytoscopy services.
- **Externally Funded Business Cases:**
 - Radiation Services: Repatriation of Imaging activity (funded from not paying other hospitals to provide)
 - Integrated Care: Macmillan funding for Macmillan Information team
- **Not Activity Related (require internally funding):**
 - Chemotherapy: Expand Chemo ANPs
 - Radiation Services: Expand treatment from 10 to 12 hour day

The plan reflects the increase in workforce numbers that are affordable within the current financial envelope and has been aligned with anticipated activity growth.

Charitable Funds:

The Charity's main focus over the next few years remains its fundraising efforts to deliver the Transforming Cancer Care (TCC) Capital Appeal. The Charity will however continue to donate £0.4m in support of R&D projects and other general support to the Trust which is factored into the financial position in this report.

Costs Below EBITDA:

As part of the financial plan revised estimates have been calculated of capital charges (PDC dividend payable to the Department of Health and depreciation of fixed assets). As noted in the Business Case for the new build in Liverpool, as the Trust converts cash held into the fixed asset the forecast PDC Dividend payable increases.

Other Financing costs are also expected to increase significantly due to interest payable on the new loans. This is offset in part by forecast increase in the Trust's profit share from the Clatterbridge Clinic.

Below EBITDA Items (£000)	2018/19 Growth
Capital Charges (Depreciation & PDC)	(926)
Interest Payable - new loans	(526)
PP Clinic Share of Profit (49%)	455
Total Below EBITDA costs	(997)

Reserves:

The plans for 2018/19 provide for £3.42m in retained reserves, which equates to circa 2.4% of total turnover. However a significant proportion of the reserves are committed or earmarked with the only uncommitted reserves being

- General contingency of £0.80m.
- Business Development reserve of £0.08m. This has been maintained from 2017/18.

These total uncommitted reserves of £0.880m represent 0.6% of turnover. However, Named Drugs are considered to represent minimal financial risks in 2018/19 and therefore the 'relevant' turnover would be £90.6m, with the uncommitted reserves representing 1.0% of turnover. This level of reserve is felt to be prudent given the risks facing the Trust at this point (see Financial Risks below), the assumptions made regarding contract income and the relatively low use of reserves in 2017/18, but a watching brief will be maintained through the year.

The reserves include an additional £494k Risk reserve which has been established as a non-recurrent reserve to fund additional potential costs of interim management arrangements at the Trust.

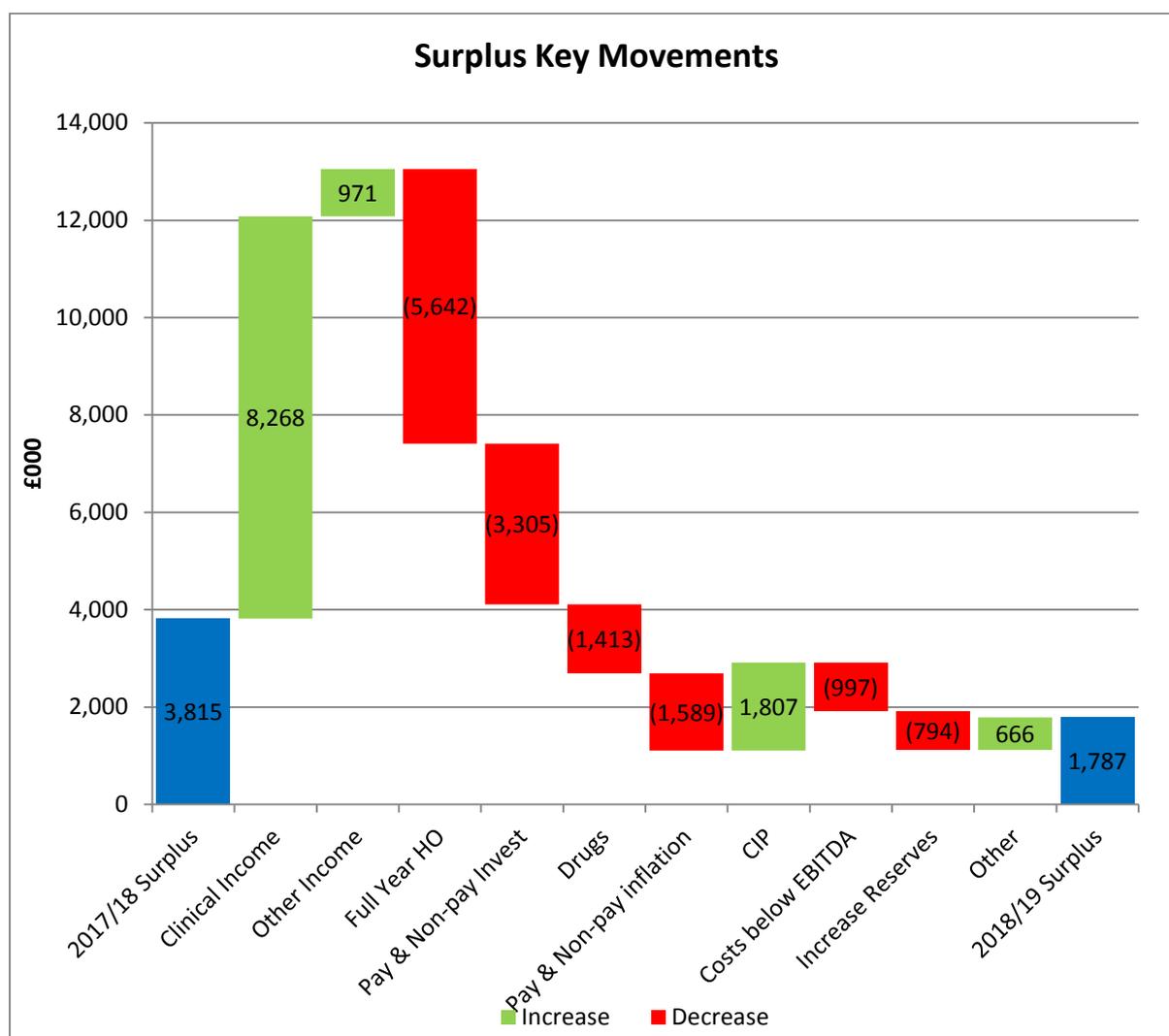
A further £343k has been set aside non-recurrently from CQUIN income to fund the potential addition costs of delivering the CQUIN targets that have yet to be quantified.

The table below summarises the various reserves.

Reserves (£000)	2018/19
Pay Award & Incremental Drift	939
Non-pay Inflation	430
Discretionary points / awards	50
Equipment Repair / Minor Works Reserve	183
CQUIN Reserve	343
Other Pay (maternity / sickness)	100
Business Development	80
General Contingency	800
Risk Reserve	494
Total Reserves	3,419

Summary of Key Movements in the Trust Surplus:

The graph below provides a summary of the key movements from the 2017/18 surplus of £3.185m to the planned 2018/19 surplus of £1.787m



5. COST IMPROVEMENT PROGRAMME (CIP)

The Trust needs to deliver efficiency improvements to cover general inflationary pressures that are not funded nationally.

The Trust efficiency target is circa 2.0% (i.e. £1.5m) of expenditure (excluding drugs and hosted services), plus an additional £0.3m to cover non-recurrent CIPs from 2017/18. The proposed 2018/19 CIP scheme details are attached at Appendix 1. The table below summarises the assumptions behind the CIP required.

CIP Target (£000)	2018/19
Income CIP	562
Pay CIP	403
Non-pay CIP	842
Total CIP Assumed	1,807
To Fund:	
Pay Inflation (pay award, incremental drift)	(939)
Non-pay Inflation	(430)
Capital Charges Inflation	(140)
CIP 2017/18 non-recurrent	(298)
Total CIP funded Pressures	(1,807)

The proposed CIP schemes for 2018/19 are summarised by Directorate below.

2018/19 CIP By Directorate (£000)	Recurrent	Non-recurrent	Total
Chemotherapy	394	0	394
Integrated Care	236	35	271
Radiation Services	274	162	436
Haemato-Oncology	227	5	232
Medical Staffing	22	0	22
Sub-Total Clinical Directorates	1,153	202	1,355
Corporate Departments	315	0	315
Other Trust Wide	137	0	137
Total CIP	1,605	202	1,807

All CIP schemes are reviewed by the Director of Nursing & Quality and the Medical Director to assess the impact on quality of clinical services.

The value of schemes identified to date puts the Trust in a relatively strong position for 2018/19. However it should be noted that any CIP delivered non-recurrently in 2018/19 will need to be covered by recurrent savings going forward. Also there are a small number of schemes that have a High or Medium risk assessment. Further work is being undertaken with the relevant senior managers to ensure projects release the anticipated level of savings.

2018/19 CIP By Risk Rating (£000)	Recurrent	Non-recurrent	Total
Low Risk ("Green")	1,055	167	1,222
Medium Risk ("Amber")	286	0	286
High Risk ("Red")	264	35	299
Total CIP	1,605	202	1,807

6. CAPITAL

The proposed provisional capital programme and funding covering the years to 2022/23 is attached at Appendix 2. The table below provides a summary:

Capital Expend (£000):	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Building for the Future	(17,042)	(75,529)	(39,640)	(15,730)	0	0	(147,941)
Estates	(278)	(500)	(350)	(500)	(500)	(500)	(2,628)
Medical Equipment	(683)	(4,691)	0	(2,100)	(3,600)	(2,600)	(13,674)
IM&T	(2,650)	(2,613)	(2,850)	(300)	(300)	(300)	(9,013)
Total Reserves	(20,653)	(83,333)	(42,840)	(18,630)	(4,400)	(3,400)	(173,256)

The main area of expend is the new build in Liverpool and refurbishment of the Wirral site (£147.9m of the total £173.2m). Also included in IM&T is the recently secured £5.1m Global Digital Exemplar (GDE) funding which will enable the Trust to advance its IT programme, ensuring it is recognised as a digitally advanced NHS provider organisation.

The programme also provides an estates contingency of £0.15m in 2018/19 to allow for potential estates work required to the Haemato-Oncology accommodation due to delays with their move to the new Royal Liverpool Hospital.

The above programme is fully funded and will see the Trust drawn down Public Dividend Capital (PDC) £28m and borrowing £37m in 2018/19 as part of the funding for the new hospital.

7. LIQUIDITY

The anticipated financial performance of the Trust and proposed capital expenditure should not result in liquidity being a significant issue. Although the Trust is increasing borrowing, which reduces the Capital Service Cover ratio, the liquidity ratio remains strong.

Liquidity Metrics	2018/19
Cash holding 1 st April (start of year)	£53.21m
Cash holding 31 st March (end of year)	£43.15m
Capital service Cover Rating	2
Forecast Liquidity Risk Rating	1

The liquidity metrics above are based on NHS Improvements Finance & Use of Resources Risk Rating. The risk rating is based on 5 metrics, with a 20% weighting for each; a providers overall liquidity (Liquidity metric), their ability to service debt obligations (Capital Service Cover metric), the I&E margin (%), variance from plan (Control Total delivery) and performance against Agency cap.

The highest rating (lowest risk) is a 1, and the lowest is a 4. Despite the commencement of the construction phase of Transforming Cancer Care, the Trust expects to maintain a rating of 1 going forward.

8. KEY FINANCIAL RISKS FOR 2018/19

The budget setting process has adopted a prudent approach, with income not recognised, where feasible, until it is secured, and the use of expenditure reserves. However risks will always remain, and the key financial risks and mitigating actions are summarised below.

Risk	Mitigations
Capital Risks	
TCC - delay due to delay/construction issues with the Royal Liverpool	<ul style="list-style-type: none"> • Risk and contingency reserve available • Separate build and contractor
Potential financial issues in the Construction industry- potential Impact on Laing O'Rourke	<ul style="list-style-type: none"> • LOR has a large Order book • Ongoing dialogue with Laing directors to maintain assurance. • Further review currently being undertaken and risk assessment
Loss of control over construction costs – e.g. delays in decision making increasing costs and/or misjudgements.	<ul style="list-style-type: none"> • PropCare support to manage the contract
Operational revenue risks	
Risk to clinical income due to shortfall in expected clinical activity and growth and/or Commissioners not funding growth	<ul style="list-style-type: none"> • A fixed value (Block) contract will be agreed with Specialised Commissioners subject to a satisfactory offer to fund growth. Option to move to a cost per case contract to ensure growth is funded (although this increases income volatility in year). • Cost per case contracts with CCG and for HO. HO activity expected to grow (particularly in Bone Marrow Transplants).
Risk to financial position from non-delivery of CIP	<ul style="list-style-type: none"> • Majority of CIP schemes identified for 2018/19 • If required release of contingencies/freeze on uncommitted spend.
Financial contribution from HO service is below forecast	<ul style="list-style-type: none"> • Further discussion and analysis pending final payment to the Royal at the end of 2017/18 financial year
Financial contribution from subsidiaries below plan	<ul style="list-style-type: none"> • Contribution based on existing company plans so under delivery is considered relatively low risk.
Other Financial risks	<ul style="list-style-type: none"> • Proposed maintenance of contingency / business development reserves (£0.9m in 18/19) • Risk reserve established for additional interim management costs

All relevant risks will be included in the Trust's risk register and managed within that framework.

9. RECOMMENDATIONS

The Board are asked to consider the content of this paper and, subject to confirmation of the final contract offer from Commissioners;

1. Approve the financial plan for 2018/19
2. Confirm that the Trust is able to signed up to the NHSI Control Total
3. Approve in principle a £0.6m investment in R&D, to be funded from within existing R&D resources to further develop research at the Trust. A more detailed research strategy will be presented to a future Board.
4. Approve the Capital Programme for 2018/19 and approve in principle the indicative Capital plan for the subsequent years to 2022/23.
5. Note that HO business cases for investments are currently under review and will be funded from growth in the HO contract value. Also note that due to the continued write back of the payment on account to the Royal Liverpool, the HO service is not expected to have an impact on the Trusts overall surplus in 2018/19.
6. Note further work is to be undertaken on developing the current draft plans for 2019/20 onwards, with an updated plan to be presented to the Finance and Business Development Committee in September 2018 and Board in October 2018

Appendix 1: CIP 2018/19: List of Schemes

* QIA not reviewed.

Number	Service Area	Description	Category	WTE	Recurrent £	Non-recurrent £	Total £	Target £	Difference £	Risk Rating
11	Chemotherapy	Re Use Drugs (Pembro)	Non pay	0.00	240,000	0	240,000			
12	Chemotherapy	CPL Rent	Income	0.00	20,000	0	20,000			
13	Chemotherapy	Band 3 - Admin Post	Pay	1.00	21,000	0	21,000			
37	Chemotherapy	Reduction late scripts - reduction drug waste	Non pay	0.00	60,000	0	60,000			
45	Chemotherapy	Vehicle maintenance and transport costs	Non pay	0.00	4,000	0	4,000			
46	Chemotherapy	Reduction on LWH SLA Cleaning naso-endoscopes	Non pay	0.00	10,000	0	10,000			
47	Chemotherapy	Reduction EDTA blood tests RLUH	Non pay	0.00	6,000	0	6,000			
38	Chemotherapy	OPD Blood reduction	Non pay	0.00	5,000	0	5,000			
28	Chemotherapy	SPR - reduction to meet LDA requirements - pro rata to SPR WTE	Pay	0.00	27,789	0	27,789			
	Chemotherapy	SUB-TOTAL		1.00	393,789	0	393,789	394,000	-211	
32	Integrated Care	Length of Stay	Income	0.00	110,000	0	110,000			
27	Integrated Care	Blood Products (80% of Medical CIP)	Non pay	0.00	40,000	0	40,000			
	Integrated Care	CRest - reduction in non pay expenditure	Non pay	0.00	36,000	0	36,000			
	Integrated Care	Sulby ward overnight closure	Pay	1.50	50,000	0	50,000			
33	Integrated Care	Post freeze- 8b post in PT support- Clinical	Pay	0.00	0	35,000	35,000			* re QIA
	Integrated Care	SUB-TOTAL		1.50	236,000	35,000	271,000	232,000	39,000	
1	Radiation Services	Papillon non recurrent Income	Income	0.00	0	20,000	20,000			
2	Radiation Services	Physics RTTQA NR Income	Income	0.00	0	20,000	20,000			
3	Radiation Services	Physics NR University of Liverpool teaching income	Income	0.00	0	10,000	10,000			
4	Radiation Services	PET CT NR income	Income	0.00	0	80,000	80,000			
5	Radiation Services	Physics IGRT NR Income 5th school	Income	0.00	0	10,000	10,000			
6	Radiation Services	Imaging MRI Additional Income Royal Liverpool	Income	0.00	120,000	0	120,000			
10	Radiation Services	Physics Band 6 Technical post	Pay	1.00	30,000	0	30,000			
17	Radiation Services	NR TCC 0.50 WTE Band 7 post	Pay	0.50	0	22,000	22,000			
39	Radiation Services	Radiographer 1 x b5	Pay	1.00	35,000	0	35,000			
40	Radiation Services	Physics Staffing Band 8D reduction in hours	Pay		17,000	0	17,000			
41	Radiation Services	Imaging PET CT protective clothing	Non pay	0.00	3,000	0	3,000			
42	Radiation Services	X-Ray Maintenance Contract	Non pay	0.00	2,500	0	2,500			
43	Radiation Services	Cytoscopy Service	Income	0.00	6,000	0	6,000			
28	Radiation Services	SPR - reduction to meet LDA requirements - pro rata to SPR WTE	Pay	0.00	60,211	0	60,211			
	Radiation Services	SUB-TOTAL		2.50	273,711	162,000	435,711	436,000	-289	
49	Haemato-Oncology	Clinical Income: BMT	Income	0.00	80,000	0	80,000			
50	Haemato-Oncology	Clinical Income: Drug reimbursement (Celgene)	Income	0.00	30,000	0	30,000			
51	Haemato-Oncology	Procurement: working with RLBUHT to reduce supplies costs	Non pay	0.00	5,000	0	5,000			
48	Haemato-Oncology	Reduction in loss of Platelets	Non pay	0.00	50,000	0	50,000			
53	Haemato-Oncology	Reduction in drug costs	Non pay	0.00	62,000	0	62,000			
52	Haemato-Oncology	Staff: vacancy slippage (non-ward posts)	Pay	0.00	0	5,000	5,000			
	Haemato-Oncology	SUB-TOTAL		0.00	227,000	5,000	232,000	267,000	-35,000	
27	Medical Staffing	Blood Products	non pay	0.00	10,000	0	10,000			
28	Medical Staffing	SPR - reduction to meet LDA requirements	pay	0.00	12,000	0	12,000			
	Medical Staffing	SUB-TOTAL		0.00	22,000	0	22,000	22,000	0	
14	Administration services	2 x B3, 0.43 B4, 0.35 B4, £4k non pay	Pay	2.78	64,000	0	64,000	64,000	0	
22	Clinical Education	Increase income	Income	0.00	1,000	0	1,000	1,000	0	
19	IM&T Management	3rd party contracts- need further information	Non pay	0.00	94,000	0	94,000	94,000	0	
20 & 21	Governance - CGST	Replace 0.5wte B7 with B6 & Band 2 vacancy	Pay	1.00	28,204	0	28,204	29,000	-796	
26	COMMS	Income from support to charity	Income	0.00	7,000	0	7,000	7,000	0	
35	Finance	Unallocated CIP further review to be under taken -	Non pay	0.00	29,000	0	29,000	29,000	0	
23 & 24 & 25	WOD & L&D	External Contracts (23) & TRAC charges (24) & HO contribution (25)	Non pay	0.00	34,000	0	34,000	34,000	0	
18	PMO	Avoidance of Management Consultancy	Non pay	0.00	5,000	0	5,000	5,000	0	
	Performance			0.00	0	0	0	2,000	-2,000	
	Trust wide	Additional income to be identified	Income	0.00	137,296	0	137,296	138,000	-704	
15		Review of Non Pay Budgets & Exec Recharges (YB)	Non pay	0.00	53,000	0	53,000	53,000	0	
	Corporate Services	SUB-TOTAL		3.78	452,500	0	452,500	456,000	-3,500	
	GRAND TOTAL			8.78	1,605,000	202,000	1,807,000	1,807,000	0	

Red	298,296	High risk
Amber	286,000	Medium risk
Green	1,222,704	Low risk
Total	1,807,000	

Appendix 2: Capital 5 year plan

Proposed Capital Programme	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Estates							
Additional 4 consulting rooms at Aintree	50						50
CT scanner at CCC		300					300
CT scanner at Aintree		50					50
Library Portacabin	112						112
Out-patient CCC additional rooms	116						116
Contingency		150	350	500	500	500	2,000
	278	500	350	500	500	500	2,628
Medical Equipment							
Linear Accelerator (x 2 2018/19, x1 2019/20, x2 2020/21)		3,272		1,600	3,200	2,100	10,172
Brachytherapy applicators	115						115
CT scanner at CCC		960					960
CT scanner at Aintree		459					459
Papillion	184						184
Immobilisation equipment	384						384
Contingency	0	0	0	500	400	500	1,400
	683	4,691	0	2,100	3,600	2,600	13,674
IM&T							
EPR Replacement programme	965	965	392				2,322
GDE	998	1,596	2,406				5,000
IT backup solution	150						150
VDI Hardware	50						50
VM ELA	160						160
Domain Migration	120						120
Software Licenses	129						129
Other minor programmes	78	52	52	300	300	300	1,082
	2,650	2,613	2,850	300	300	300	9,013
Total excluding Building for the Future and impairments	3,611	7,804	3,200	2,900	4,400	3,400	25,315
Building for the Future	17,042	75,529	39,640	15,730	0	0	147,941
Impairments/overspend on prior year schemes							0
Total	20,653	83,333	42,840	18,630	4,400	3,400	173,256

Funding

Baseline Exchequer Depreciation	3,900	3,900	3,900	3,900	3,900	3,900	23,400
Surplus (£1m p.a.)	1,000	1,000	1,000	168	2,473	2,813	8,454
PDC - GDE	998	1,596	2,406	0	0	0	5,000
Surplus - for TCC (incl STF)	3,315	787	1,933	1,765	0	0	7,800
Cash Accumulated	14,227	8,326	27,590	12,175	0	0	62,318
Borrowing	0	37,000	0	0	0	0	37,000
PDC - TCC	0	28,200	0	0	0	0	28,200
Land Sale	0	500	0	0	0	0	500
Charity	0	0	10,117	1,789	0	0	11,906
Total Funding	23,440	81,309	46,946	19,797	6,373	6,713	184,578
Debt Servicing - repayment of principle on loans	0	-740	-1,480	-1,480	-1,480	-1,480	-6,660
Exceptional (transitional) expend - deducted from normalised surplus	0	0	-2,659	-1,964	0	0	-4,623
Net Funding Available	23,440	80,569	42,807	16,353	4,893	5,233	173,295
Net Funding After Capex & Exceptional	2,787	-2,764	-33	-2,277	493	1,833	39