KPMG

HHCT-PSHFT Merger Programme

Update to standalone LTFM assessment in relation to proposed transaction

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14 September 2016

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Private and confidential

14 September 2016

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The Directors
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Hinchingbrooke Hospital
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Attention: Mark Avery, Deputy Director – System Transformation

Ladies and Gentlemen

Hinchingbrooke Health Care NHS Trust ('HHCT') and Peterborough and Stamford Hospitals Foundation Trust ('PSHFT') proposed merger – Update to the LTFM assessment

In accordance with the terms of reference set out in our Contract Letter dated 11 July 2016, as amended by our Variation Letter dated 19 August 2016 (together 'our Contract Letter'), we enclose our report on the Update to the LTFM assessment in relation to the proposed merger of HHCT and PSHFT.

The scope of work set out in our Contract Letter is attached as Appendix 1 to the report. This details the agreed scope of our enquiries. The important notice overleaf should be read in conjunction with this letter.

Our report is for the benefit and information only of those Parties who have accepted the terms and conditions of our Contract Letter and should not be copied, referred to or disclosed, in whole or in part, without our prior written consent, except as specifically permitted in our Contract Letter. To the fullest extent permitted by law, we will not accept responsibility or liability to any other party (including those Parties' legal and other professional advisers) in respect of our work or the report.

Yours faithfully

KPMG LLP

KPMG LLP

Important notice

- This document has been prepared in accordance with our contract letter dated 11 July 2016, as amended by our Variation Letter dated 19 August 2016. It is subject to the terms and conditions of that contract.
- Our fieldwork for Part 1 (the initial assessment of the standalone Long Term Financial Models ('LTFM') commenced on 18 July 2016 and was completed on 21 July 2016. A draft report outlining our initial findings and recommendations from Part 1 was issued dated 22 July 2016. Our fieldwork for Part 2 (update to the assessment of the standalone LTFMs) commenced on 22 August and was completed on 30 August 2016. We have not undertaken to update our report for events or circumstances arising after that date.
- Our report is for the benefit and information of the addressees only and should not be copied, referred to or disclosed, in whole or in part, without our prior written consent. The scope of work for this report, included in Appendix 1, has been agreed by the addressees and to the fullest extent permitted by law we will not accept responsibility or liability to any other party (including the addressees' legal and other professional advisers) in respect of our work or the report.
- In preparing our report, our primary source of information has been information supplied by Hinchingbrooke Health Care NHS Trust ('HHCT') and Peterborough and Stamford Hospitals Foundation Trust ('PSHT'). We do not accept responsibility for such information and have not in this stage of our work sought to establish its reliability through reference to other evidence.
- The scope and assessment procedures carried out are limited and substantially less than those which would have been performed in a due diligence exercise. You should note that our findings do not constitute recommendations to you as to whether or not you should proceed with the potential merger of HHCT and PSHT. Instead, they are intended to highlight key issues and further required actions to be considered as HHCT and PSHT further advance their LTFMs and proceed towards drafting a Full Business Case for the merger.
- Our report makes reference to 'KPMG Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.
- The analysis of underlying surplus/deficit is for indicative purposes only. We have sought to illustrate the effect on reported surplus/deficit of adjusting for those items identified by management in the course of our work that may be considered to be 'non-recurring' or 'exceptional'. However, the selection and quantification of such adjustments is necessarily judgmental. Because there is no authoritative literature or common standard with respect to the calculation of 'underlying' surplus/deficit, there is no basis to state whether all appropriate and comparable adjustments have been made. In addition, while the adjustments may indeed relate to items which are 'non-recurring' or 'exceptional' or otherwise unrepresentative of the trend, it is possible that the surplus/deficit for future periods may be affected by such items, which may be different from the historical items.
- The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.
- We must emphasise that the realisation of the prospective financial information set out within our report is dependent on the continuing validity of the assumptions on which it is based. We accept no responsibility for the realisation of the prospective financial information. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.
- This report has been reviewed by the management of Hinchingbrooke Health Care NHS Trust or Peterborough and Stamford Hospitals Foundation Trust, who have provided comments on the factual accuracy of its contents.

Glossary of terms

A&E	Accident and Emergency
APR	Annual Plan Return
BPPC	Better Payments Practice Code
C&P CCG	Cambridge and Peterborough CCG
CCG	Clinical Commissioning Group
CFO	Chief Financial Officer
CIP	Cost Improvement Programme
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FYxx	Financial Year xx
HHCT	Hinchingbrooke Health Care NHS Trust
ITFF	Independent Trust Financing Facility
LIFT	Local Improvement Finance Trust
LTFM	Long Term Financial Model
MFF	Market Forces Factor
MRI	Magnetic Resonance Imaging
NHSI	NHS Improvement
OBC	Outline Business Case
PAS	Patient Administration System
PDC	Public Dividend Capital
PFI	Private Finance Initiative
PLICS	Patient Level Information Costing System
PPE	Property, Plant and Equipment
PSHFT	Peterborough and Stamford Hospitals NHS Foundation Trusts
QIPP	Quality, Innovation, Productivity and Prevention
SEP	Strategic Estates Partnership
SLR	Service Line Reporting
SOCI	Statement of Comprehensive Income
SOFP	Statement of Financial Position
STF	Sustainability Transformation Funding
STP	Sustainability and Transformation Plan
TPB	Transition Programme Board

Contents

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KPMG

Executive Summary

Executive summary - Headlines

Progress since the July assessment	— Both Trusts have made significant progress in the development of the standalone LTFMs, including addressing the majority of the outstanding areas and technical aspects of the LTFM from our Part 1 assessment. This includes working in collaboration with respect to the further alignment of key assumptions, including the treatment of commissioner QIPP and STF funding. — However, there are a number of areas that we recommend still require addressing as the Trusts look to finalise the standalone LTFMs that will feed the transaction LTFM and the FBC, set out in the detail of this report. — We also believe that there are two key areas that the TPB need to consider and agree an approach on with regards to treatment in the transactional LTFM and the FBC – the level of SEP and standalone CIP (see below for further detail).
SEP	— We continue to recommend that the TPB carefully monitors the status of progress of development of the SEP FBC and contracting as the FBC for the merger is advanced, so that the deliverability of projected SEP EBITDA contribution is assessed for robustness and factored into sensitivity analysis and a downside case as appropriate.
Standalone CIP	— PSHT has assumed delivery of recurrent CIP at 4.2% in FY18 and then 2.4%/2.5% per annum across the forecast period, which reflects the effect for classification of CIP now separately from the baseline. — HHCT has assumed an increase in the delivery of recurrent CIPs to between 3.0% and 4.6% per annum between FY18 to FY22, which reflects the inclusion of additional CIPs in FY21 and FY22 where previously CIP had been assumed to be delivered by the SEP alone – this equates to additional cumulative CIP of £13.1 million (including for the inclusion of income CIP now classified separately). HHCT has also included the delivery of £3.2 million of income CIP in FY17/18 and FY18/19 related to planned repatriation of theatre activity and recoding activities, which has not been agreed with commissioners. — The increase in the assumed level of recurrent cost CIP (and the income CIP) planned to be delivered appears challenging, particularly for HHCT at between 3.0% and 4.6% per annum given the Trust's current cost base, the track record of delivering recurrent CIP and the unconfirmed nature of the income CIP planned in FY17/18 and FY18/19. — Furthermore, we understand that the level of HHCT CIP has been updated since the date of the August LTFM to reclassify the marginal rate generated by assumed additional demographic income CIP in the latest HHCT standalone LTFM – previously just the marginal rate was shown as income CIP within the LTFM, while the latest version of the LTFM reclassifies the full amount of additional demographic income as an income CIP. This results in an increase in the level of overall HHCT CIP, taking the percentage range year on year to between 4.6% and 4.9%.

Executive summary - Headlines (cont.)

Sensitivity analysis

— We understand that the Trusts and the TPB have agreed that sensitivity analysis will be considered and undertaken as part of preparation of the transaction LTFM. However, the TPB should consider the indicative impact if i) all of the income from SEP were to be sensitised in a worse case downside scenario given it is currently uncontracted and ii) if HHCT CIPs (excluding SEP) were adjusted to the same level as PSHT at 4.2% in FY18 and then 2.4%/2.5% per annum thereafter.

— The indicative sensitivities below have been based upon the updated income CIP figures reflected in the updated HHCT LTFM:

Sensitivity					
£000's	FY18 F'cast	FY19 F'cast	FY20 F'cast	FY21 F'cast	FY22 F'cast
HHCT (deficit)/surplus	(10.1)	(5.8)	(1.7)	.8	1.3
PSHFT (deficit)/surplus	(30.1)	(28.7)	(29.8)	(30.3)	(30.7)
Combined total	(40.2)	(34.5)	(31.5)	(29.5)	(29.4)
Sensitivity					
Removal of SEP	.0	(.4)	(2.2)	(4.5)	(4.5)
HHCT CP at PSHFT%	(.7)	(3.2)	(4.3)	(4.6)	(7.2)
Sensitised total	**(40.9)**	**(38.1)**	**(38.0)**	**(38.6)**	**(41.1)**

The level of inclusion of SEP, recurrent CIPs and income CIPs in the LTFM base case is subject to approval by the Boards.

Sensitivities will also need to be agreed by the TPB and the Boards and are shown here for indicative purposes only.

— Adjusting for these items results in an increase in the combined Trust's deficit year-on-year, equating to a cumulative impact of £32 million.

— Whilst this is simplistic sensitivity analysis and indicative only, the TPB should agree on the level of SEP, standalone CIP and income CIP (amongst other areas) to be included in the base case of the FBC and also in any downside sensitivity analysis.

Executive Summary - Introduction

Introduction

Background

- The Boards of Peterborough and Stamford Hospitals NHS Foundation Trusts ('PSHFT') and Hinchingbrooke Health Care NHS Trust ('HHCT') approved the Outline Business Case ('OBC') recommending the merger of the two organisations in May 2016.
- The current timetable is geared towards the merged organisation being operational from 1 April 2017. As a result, the two organisations are running an accelerated transaction process, committed to the following timetable:
  - September 2016: Completion of final business case ('FBC'), subject to public engagement; and
  - September 2016: Submission of FBC to NHS Improvement ('NHSI')
  - 1 April 2017: Transaction completion
- Both organisations are working closely to complete as much of the pre-transaction requirements as possible, utilising an internal PHFT/HHCT programme team.
- A Transition Programme Board ('TPB') is overseeing the work of the programme team. Membership includes members of the programme team, both boards, local commissioners (Cambridge and Peterborough CCG), and NHSI.

Context of this report

- HHCT, PSHFT and the TPB are seeking independent assessment of the certain key elements of the merger programme are key points throughout the process, to provide a degree of comfort to both Trust Boards.
- KPMG has therefore been engaged to independently assess the standalone Long Term Financial Model ('LTFM') that each of the organisations are in the process of developing, as well as the merger/transaction LTFM that will support the FBC for the merger.
- KPMG undertook an initial Part 1 assessment of the standalone LTFMs in July 2016, with a draft report outlining our initial findings and recommendations issued dated 22 July 2016. We have subsequently undertaken an updated assessment of the standalone LTFMs in late August 2016, the main areas of focus for the updated assessment covered in this report are:
  - Assess and comment on progress against the KPMG recommendations made in Part 1;
  - Assess and comment on the application of revised assumptions to the HHCT and PSHFT standalone LTFMs; and
  - Summarise and comment on a bridge of the HHCT financials and the PSHFT financials in the latest LTFMs to the respective LTFMs in Part 1.

Executive Summary - Financial Overview (HHCT)

SOCI overview - HHCT								
£m	FY16 Actual	FY17 Outturn	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY16-21
Income								
Tariff income	92.8	95.4	100.1	102.9	105.0	108.4	111.1	3.1%
Other block or Cost and Volume contract	2.8	3.8	3.8	3.8	3.8	3.8	3.8	0.1
Total NHS clinical Income	95.6	99.2	103.9	106.7	108.8	112.3	114.9	3.1%
Private patient revenue	0.9	1.5	1.5	1.8	2.0	2.0	2.0	0.2
Other non protected revenue	0.8	0.7	0.7	0.7	0.7	0.7	0.7	-2.6%
Other Operating revenue	15.0	16.4	12.2	12.8	15.0	17.7	18.0	4.3%
Total Income	**112.3**	**117.8**	**118.3**	**122.0**	**126.4**	**132.7**	**135.6**	**3.2%**
Expenses								
Employee benefit expenses	-77.0	-77.0	-77.9	-77.9	-78.8	-81.3	-82.8	0.0
Drug expenses	-10.6	-10.7	-11.2	-11.3	-11.6	-12.1	-12.5	0.0
Clinical supplies and services expenses	-9.7	-10.6	-10.1	-9.4	-8.7	-8.8	-8.9	-0.0
Other expenses	-23.2	-21.6	-20.9	-21.1	-21.5	-21.8	-22.0	-0.0
Total Expenses	**-118.9**	**-119.6**	**-120.1**	**-119.7**	**-120.5**	**-124.0**	**-126.2**	**1.0%**
EBITDA	-6.6	-1.8	-1.8	2.3	5.9	8.7	9.4	
Non-operating items								
Gain/(loss) on asset disposals	-	-	-	-	-	-	-	
Net interest expense	-2.3	-2.4	-2.4	-2.6	-2.7	-2.7	-2.7	3.2%
Depreciation and Amortisation	-5.1	-4.1	-4.7	-4.8	-4.6	-4.9	-5.1	0.6%
PDC Dividend	-2.0	-1.5	-1.1	-0.7	-0.4	-0.3	-0.3	-27.9%
Impairment of fixed assets	-2.7	-	-	-	-	-	-	
Surplus/(Deficit)	**-18.8**	**-9.9**	**-10.1**	**-5.8**	**-1.7**	**0.8**	**1.3**	
KPIs								
EBITDA margin	-5.9%	-1.6%	-1.6%	1.9%	4.7%	6.6%	7.0%	
Net margin	*-19.6%*	*-10.0%*	*-9.7%*	*-5.4%*	*-1.6%*	*0.7%*	*1.1%*	

Source: Management Information: HHCT LTFM

Increase in elective activity in 17/18 and 18/19 driven by £3.2 million of income CIP schemes related to repatriation of theatre activity and recoding, which need to be formally agreed with commissioners. An additional £1 million of surgery income is assumed through growing profitable areas in 18/19, of which plans are under development.

Subject to agreement by the Boards on the level of inclusion of cost CIP and income CIP in the base case, as well as for the level of sensitivity analysis of CIPs in a downside.

Other operating revenue is projected to decrease for the removal of SFT funding in FY21 and FY22

Expenditure growth has increased compared with the July LTFM following a change in the assumption of marginal cost following an analysis of PLICs data. This has been offset by additional CIPs, including a reduction in corporate costs in FY17 and FY18.

A significant reduction in PDC dividend has been forecast per annum, based upon a recalculation of the PDC dividend which takes into account the effect of additional loans in the calculation.

We recommend that this is reassessed as part of preparation of the transaction LTFM and assumptions around funding for the merged Trust.

HHCT is projecting to return to a 1% surplus position by FY22, predominantly driven by the impact of the SEP and the assumed delivery of recurrent CIP of between 3.0% and 4.6% per annum.

EBITDA margin increases steadily throughout the forecast period as a result of variable costs increasing at a lower rate than income growth, as well as for the impact of additional CIPs and the SEP

Executive Summary - Financial Overview (PSHFT)

SOCI overview - PSHFT								
£m	FY16 Actual	FY17 Outturn	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY16-FY21 CAGR
Income								
Tariff income	215.7	239.4	245.2	251.0	257.0	265.2	273.6	
Other clinical income from mandatory services	13.5	1.6	1.7	1.8	1.9	2	2.2	-31.50%
Total NHS clinical Income	229.3	241	246.8	252.7	258.9	267.2	275.8	3.10%
Private patient revenue	0.5	0.7	0.7	0.7	0.7	0.8	0.8	6.90%
Other non protected revenue	0.9	-	-	-	-	-	-	-100.00%
Other Operating revenue	30.1	42.8	29.7	30	30.2	30.6	30.9	0.30%
Total Income	**260.8**	**284.4**	**277.2**	**283.4**	**289.9**	**298.5**	**307.5**	**2.70%**
Expenses								
Employee benefit expenses	-171	-174.6	-171.3	-172.7	-174.1	-177.7	-181.3	0.80%
Drug expenses	-28.1	-18	-18.7	-19.4	-20.1	-20.8	-21.6	-5.80%
Clinical supplies and services expenses	-25.9	-25.1	-25.3	-25.8	-26.2	-26.6	-27.1	0.60%
Other expenses	-45.5	-58.5	-61.5	-63.9	-67.2	-70.7	-74.2	9.20%
Total Expenses	**-270.5**	**-276.2**	**-276.9**	**-281.7**	**-287.6**	**-295.9**	**-304.2**	**1.80%**
EBITDA	**-9.7**	**8.2**	**0.3**	**1.7**	**2.3**	**2.7**	**3.3**	
Non-operating items								
Gain/(loss) on asset disposals	-0.07	-	-	-	-	-	-	-100.00%
Net interest expense	-13.8	-14.7	-15.4	-16.1	-17.4	-18.3	-19.2	5.80%
Depreciation and Amortisation	-13.5	-13.7	-14.1	-14.3	-14.7	-14.7	-14.8	1.80%
PDC Dividend	-	-	-0.9	-	-	-	-	
Impairment of fixed assets	-0.1	-	-	-	-	-	-	-100.00%
Net deficit	**-37.1**	**-20.2**	**-30.1**	**-28.7**	**-29.8**	**-30.3**	**-30.7**	**-3.90%**
KPIs								
EBITDA margin	-3.70%	2.90%	0.10%	0.60%	0.80%	0.90%	1.10%	
Net margin	-14.20%	-7.10%	-10.80%	-10.10%	-10.30%	-10.20%	-10.00%	-6.50%

Source: Management Information: PSHFT LTFM

Activity increases are assumed at between 3.5% and 4.1% across non-elective, elective admissions and outpatient and A&E attendances. PSHFT has assumed that the CCG's QIPP schemes will now deliver in the updated LTFM.

£13m one-off STF income in FY17 which flows through to EBITDA in this year.

PSHFT has assumed significant CIPs in FY18, which more than offsets the staff requirement needed to deliver the growth in activity.

The level of CIP are 4.2% in FY18 and then 2.4/2.5% per annum thereafter across the forecast period.

Interest expense continues to rise steadily due to additional deficit loan funding required each year throughout the projected period.

PSHFT continues to forecast a deficit of approximately £(30) million across the forecast period

The significant increases in EBITDA margin in FY17 are driven by a high CIP target along with STF funding.

Executive Summary - Key findings

The following pages summarise the key findings contained within this report as a result of our work to date, including for our Part 2 updated assessment of the standalone LTFMs. For each of the areas identified we have provided our comments and recommendations, as well as our view of the relative importance of each area for consideration by the TPB, HHCT and PSHFT in assessing the next steps required going forwards in terms of further advancement of the LTFMs and with respect to drafting the FBC for the merger.

The relative importance allocated to each area is based on the perceived importance for the Transaction Programme Board to address in advancing the merger programme, as well as on our experience of how NHS Improvement carry out its transaction reviews and were they will look to probe and challenge the LTFMs and FBC.

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
LTFM set up and modell -ing	■ The standalone LTFMs we assessed as part of our initial review in Part 1 were both still a work in progress, with a large amount of areas and work to be addressed. ■ Both standalone LTFMs had been developed using a number of working papers, which are directly linked into the respective LTFMs.	■ As part of our work we have reconciled the input data to both the HHCT and PSHFT annual plans and historical reported positions, with only minor discrepancies identified – see pages 33 and 49. ■ In our experience, the current status of development of the LTFMs is not unusual at this stage in the process with approximately two months to go before a draft FBC is provided to the TPB. ■ However, a large amount of ongoing work and development of the LTFMs will be required and the requirement for pace in addressing the LTFM will increase as the transaction progresses. We recommend that HHCT and PSHFT should assess the capacity of the current dedicated finance staff against the wider requirements of the merger programme and consider whether they require dedicated specialist support in developing the LTFMs going forwards. ■ We recommend that the LTFMs are updated for the latest available current trading and forecast outturn for each Trust, with the LTFM updated on a regular ongoing basis as results come available and the impact on the forecast financial position assessed for any deviation in trading performance.	H/M	■ Both Trusts have made significant progress in the development of the standalone LTFMs, including addressing the majority of the outstanding areas and technical aspects of the LTFM from our Part 1 assessment. ■ However, there are a number of areas that we recommend still require addressing as the Trusts look to finalise the standalone LTFMs that will feed the transaction LTFM and the FBC. These are set out in the detail of this report, but the key areas are: – Workforce modelling – HHCT has a simple workforce model. However, we continue to recommend that more detailed workforce modelling is carried out by both Trusts to better understand the future workforce requirements, which is integrated with forecast changes in activity and planned CIPs. – Supporting workbooks – significant effort has been made by both Trusts to remove and simplify external links and consolidate analysis. However, there are still many links that are linked to external Excel sheets. We recommend that this process continues towards NHSI submission, including removal of the external links and tidy up within the LTFM.	H/M

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
LTFM set up and modell-ing (cont.)		■ We recommend that links to external working papers are removed from the LTFMs prior to submitting to an external assessment by NHSI. ■ We also recommend that working papers are consolidated into a smaller number of Excel files to provide stronger version control as the LTFMs are further developed.	**H/M**	– HHCT working capital - a large decrease in receivable days and creditor days have been assumed in FY20, assumed in order to manage the HHCT cash position. The impact is a net cash inflow of £4.1 million. We recommend that further work is required to analyse and address this for the transaction LTFM.	**H/M**
Alignment of assumptions	■ The majority of assumptions have been aligned through the collaborative working of the teams at HHCT and PSHFT.	■ In the course of our assessment we have identified some key areas of difference in input assumptions in the standalone LTFMs. The key differences relate to: 1. The inclusion of QIPP in the HHCT LTFM, but not the PSHFT LTFM; 2. The approach to calculation of CIPs (as described on page 17); and 3. The inclusion of STF funding from FY21 in the HHCT LTFM, but not the PSHFT LTFM. ■ In our experience: – the TPB will need to clearly evidence to NHSI why commissioner QIPP has not be included in its projections; and – NHSI will typically remove external funding in its downside scenario when assessing the financial sustainability of a merged Trust. ■ We recommend that the TPB seek to agree a common approach to assumptions around areas such as application of QIPP and S&T funding, or clearly document in detail its rationale for its assumptions.	**M**	■ The Trusts have continued to work in collaboration with respect to the further alignment of key assumptions, including: – The alignment of treatment of QIPP across both standalone LTFMs; and – The alignment of treatment of STF funding, with the removal of STF funding from the HHCT LTFM in FY21 and FY22 ■ However, we have identified that some inflation assumptions (with respect to non-protected, non-mandatory clinical income, Education and Training and Capital expenditure) are slightly misaligned and should be addressed for the transaction LTFM. ■ Moreover, the approach the calculation and treatment of standalone CIPs across the organisations varies, with significant differences in the % of recurrent CIP assumed to be delivered – see page 17 for further detail.	**H/M**

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Bridging of LTFMs		▪ N/a	N/a	▪ There have been a number of key changes which have been made between the July and August LTFMs. A number of these have been done based on our prior recommendations. ▪ A full bridge of the SOCI between the July and August LTFMs has been produced on page 35 for HHCT and on page 51 for PSHT. ▪ However, the key changes are set out below. **HHCT** ▪ **Income** – reclassification of STF income between non-clinical and clinical income, with STF funding for FY20 and FY21 removed. ▪ **Expenditure** – reduction of expenditure reflecting changes in marginal cost assumptions overset by additional CIP. ▪ **Non-Operating Expenses** – Reduction in PDC Dividend expense following a recalculation for the impact of interest bearing borrowings. **PSHFT** ▪ **Income** – The inclusion of QIPP following an alignment of assumptions with HHCT has led to a decrease in income between FY18-22, together with a reduction in income for a change in Education and Training inflation. These are offset marginally by the change in the treatment of Pass Through Drugs income. ▪ **Expenditure** – Expenditure has decreased in line with marginal cost for the drop in clinical income for the inclusion of QIPP and once the impact of Pass Through Drugs is removed.	H/M

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Strategic Estates Partnership ('SEP')	▪ HHCT is currently in the process of drafting a FBC for its SEP, as well proceeding with the initial procurement and contracting arrangements. As a result, the current income and expenditure forecasts included in the LTFM are based on high level assumptions. ▪ The projected EBITDA resulting from SEP significantly contributes to HHCT's projected surplus position from 2020/21 onwards.	▪ The financial impact of SEP is largely from 2019/20 onwards, which results in a significant projected benefit to the HHCT standalone financial position. ▪ Given that this is a relatively non-standard LTFM input, this is undoubtedly an area that NHSI will probe in detail due to the materiality on the financial sustainability of HHCT. ▪ HHCT management have informed us that they have assumed the lower end of the income projections proposed by the SEP partner within their base case LTFM. This results in a recurrent contribution of £4.5 million from 2020/21 onwards. ▪ At this stage, whilst the income projections suggested by the SEP partner are based on the experience of that partner, the schemes that sit behind them have not yet have been fully developed or tested. ▪ NHSI will seek further assurance around the deliverability of the programme than is currently available and, without that, it would likely seek to sensitise the delivery of the SEP in its downside scenario when assessing the financial sustainability of the merged Trust. ▪ We recommend that the TPB carefully monitors the status of progress of development of the SEP FBC and contracting over the coming months as the FBC for the merger is advanced, so that the deliverability of projected SEP EBITDA contribution is assessed for robustness and factored into sensitivity analysis and a downside case as appropriate.	H	▪ HHCT has assumed a consistent amount of income and expenditure from the SEP in the updated version of the LTFM. ▪ We understand that the SEP continues to be non-contracted and the detailed schemes are still under development. ▪ We continue to recommend that the TPB carefully monitors the status of progress of development of the SEP FBC and contracting as the FBC for the merger is advanced, so that the deliverability of projected SEP EBITDA contribution is assessed for robustness and factored into sensitivity analysis and a downside case as appropriate. ▪ We continue to believe that the more evidence that can be provided for the levels of EBITDA included (for example are there areas where projected Trust income is able to be 'contractualised' into the final agreement with the SEP partner?) the more easily the figures will be able to satisfy NHSI challenge. ▪ For the transaction LTFM, we continue to recommend that the TPB should consider and agree levels for further stress testing of the scenarios associated with SEP within the downside, base and upside cases of the transaction LTFM.	H

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Strategic Estates Partner-ship ('SEP') (cont.)		▪ The more evidence that can be provided for the levels of EBITDA included (for example are there areas where projected Trust income is able to be 'contractualised' into the final agreement with the SEP partner?) the more easily the figures will be able to satisfy NHSI challenge. ▪ For the transaction LTFM, TPB should consider and agree levels for further stress testing of the scenarios associated with SEP within the downside, base and upside cases of the transaction LTFM.	**H**		**H**
Clinical Synergies	▪ Through our fieldwork and discussions with Management to date, we understand that it is the intention of the Trusts to include savings from clinical collaboration (clinical synergies) as a result of the merger within the standalone LTFMs, but classified as CIPs.	▪ In our experience, key stakeholders and particularly NHSI would expect to see the FBC clearly articulate all of the benefits that will result from the merger, with these clearly set out (both clinical and other (e.g. back office) synergies) to demonstrate the case for change and to support the merger's economic and financial cases. ▪ The inclusion of clinical collaboration savings as CIP within the standalone LTFMs would not demonstrate this clearly and articulate the case for change in as compelling a way as if they are described as clinical synergies and included in the transaction LTFM. ▪ We therefore recommend that the TPB consider the pro and cons of describing and modelling savings from clinical collaboration as both standalone CIP and as specific merger synergies.	**H/M**	▪ We will re-assess and update our findings in this area upon our Part 3 assessment of the transaction LTFM.	**N/a**

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Stand alone CIPs	▪ Different approaches to the development of CIPs for the LTFM have been applied by both organisations. ▪ PSHFT has applied a 2% efficiency assumption from FY18 onwards, whereas HHCT has developed themes for FY18 to FY20. ▪ HHCT and PSHFT are currently in the process of developing detailed efficiency plans for the first two years post-merger.	▪ In our experience, at the point of assessment of the FBC for the merger NHSI will expect detailed schemes to be developed for the first two years following the merger, as well as themes for the three remaining forecast years. ▪ In our experience, NHSI would typically expect to see between 2% and 4% CIP as well as 4% to 7% per annum of merger synergies. ▪ Detailed implementation plans will be needed to underpin delivery and ensure individuals are signed up to the savings. ▪ We recommend that the Trusts continue to develop the detailed CIP schemes and implementation plans for future years, with an appropriate level of detail developed to underpin the savings plans included within model, including: – A named executive lead and a named manager lead; – Further development of the link between individual enablers and schemes and their impact on activity and WTEs to avoid the risk of double counting and provide robust evidence for activity assumptions; – Developing operational plans which identify actions, milestones and dependencies for the implementation of each saving; and – Undertaking detailed demand and capacity analysis to ensure that they have enough capacity and resource in the community to accommodate additional activity.	**H/M**	▪ PSHT has assumed the delivery of recurrent CIP at 4.2% in FY18 and then 2.4%/2.5% per annum across the forecast period – this equates to cumulative CIP of £6.6 million (for the inclusion of income CIP now classified separately). ▪ HHCT has assumed an increase in the delivery of recurrent CIPs to between 4.6% and 4.9% per annum between FY18 to FY22 (per the latest updated LTFM), including delivery of additional CIPs in FY21 and FY22 where previously CIP had been assumed to be delivered by the SEP alone – equating to additional cumulative CIP of £19.1 million (for the inclusion of income CIP now classified separately). ▪ We have also identified that HHCT has assumed £3.2 million of income CIP schemes in FY17/18 and FY18/19 related to planned repatriation of theatre activity and recoding activities, which need to be formally agreed with commissioners. An additional £1 million of surgery income is assumed through growing profitable areas in 18/19, of which plans are under development. ▪ The increase in the assumed level of recurrent cost CIP (and the income CIP) planned to be delivered appears challenging, particularly for HHCT at between 4.6% and 4.9% per annum given the Trust's current cost base, the track record of delivering recurrent CIP and the unconfirmed nature of the income CIP planned in FY17/18 and FY18/19.	**H**

Executive Summary - Key findings (cont.)

<table>
<tr><th>Area</th><th>Description</th><th>KPMG Comment and Recommendation - July</th><th>Importance</th><th>KPMG Comment and Recommendation - August</th><th>Importance</th></tr>
<tr><td>Stand alone CIPs
(cont.)</td><td></td><td>

This level of supporting detail and governance will be required in advance of Monitor and Reporting accountant assessments.
As merger synergies are further developed alongside the standalone CIPs the Trusts should work closely to ensure there is no overlap and therefore double counting of these efficiencies.

</td><td>H/M</td><td>

We recommend that the TPB agree on an approach to assumptions around delivery of forecast CIPs for the transaction LTFM, including undertaking sensitivity analysis for the level of CIP that could be delivered by the merged Trust for both HHCT and PSHFT.
For example, if HHCT CIPs were adjusted to the same level as PSHT at 4.2% in FY18 and then 2.4%/2.5% per annum thereafter, then the aggregated impact on the net surplus of HHCT would be £(31.6) million across FY18 to FY22:

<table>
<tr><th colspan="6">HHCT</th></tr>
<tr><th>£'000</th><th>FY18 F'cast</th><th>FY19 F'cast</th><th>FY20 F'cast</th><th>FY21 F'cast</th><th>FY22 F'cast</th></tr>
<tr><td>CIPs - base case</td><td>5,899</td><td>5,963</td><td>5,944</td><td>5,721</td><td>5,841</td></tr>
<tr><td>CIP %</td><td>4.9%</td><td>4.9%</td><td>4.9%</td><td>4.6%</td><td>4.6%</td></tr>
<tr><td>Sensitivity (assuming PSHFT CIP %)</td><td>(669)</td><td>(2,946)</td><td>(2,895)</td><td>(2,599)</td><td>(2,548)</td></tr>
<tr><td>Cumulative sensitivity</td><td>(669)</td><td>(3,615)</td><td>(6,510)</td><td>(9,109)</td><td>(11,658)</td></tr>
</table>

We recommend that further work is undertaken to continue to develop detailed schemes and themes for planned CIP in the run up to finalisation of the FBC and as integration planning is advanced.
We have identified that HHCT have assumed £877k of corporate reduction schemes in FY17 and FY18. There is a risk that these could be duplicate to planned back office merger synergies.
We recommend that these corporate schemes are assessed in detail against planned merger synergies as part of preparation of the transaction LTFM to avoid potential double counting.

</td><td>H</td></tr>
</table>

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Marginal cost	▪ We understand that the underlying assumption for marginal cost increases is 50% and 56% of income for HHCT and PSHFT respectively.	▪ Whilst we understand that some analysis has been carried out, we recommend that further work based on SLR/PLICS data is undertaken to verify the impact of this assumption.	**M**	▪ HHCT in the August LTFM have since changed their assumption on marginal costing based on analysis supported by their PLICS data, assuming 60% marginal cost in FY18, FY19 and FY20, increasing to 80% marginal cost in FY21 and FY22. ▪ PSHT has retained its assumption of 56% marginal cost. ▪ The difference in marginal costs assumptions can be understood by the different fixed and variable costs make up of each hospital Trust ▪ The Trusts need to ensure that there is sufficient evidence to support assumptions around marginal cost, as well as ensuring that this reflects a realistic position in the transaction LTFM for the merged Trust when consolidated.	**M**
Sensitivity analysis	▪ We note that sensitivity analysis has not yet been carried out within both Trusts' LTFMs.	▪ We understand that discussions are ongoing within the project team and at the TPB as to whether risk and sensitivities should be considered at an individual Trust level or at the merged Trust level. ▪ We recommend that key risks and sensitivities are considered for each standalone Trust and therefore within the standalone projections as the LTFM modelling is further advanced and the business case further developed. This will need to include the development of detailed mitigating actions that can then be reflected in the merger case going forwards.	**M**	▪ We understand that the Trusts and the TPB have agreed that sensitivity analysis will be considered and undertaken as part of preparation of the transaction LTFM. ▪ We will re-assess and update our findings in this area upon our Part 3 assessment of the transaction LTFM.	**N/a**

Executive Summary - Key findings (cont.)

Area	Description	KPMG Comment and Recommendation - July	Importance	KPMG Comment and Recommendation - August	Importance
Reconciliat-ion of input data	▪ The 2016/17 inputs to the LTFM reconcile to the individual organisation annual plans and historical statutory accounts.	▪ The reconciliations have found some classification differences which could impact the forecast financials in the LTFM outputs. The Trusts should seek to understand the classification differences and assess the impact on the LTFM modelling.	**L**	▪ There continue to be some potential classification differences for HHCT for FY17 outturn, which need to be worked through and understood.	**L**

KPMG

Comparison of standalone LTFM key assumptions

Key assumptions comparison

Area	HHCT	PSHFT	KPMG comments and recommendations - July	KPMG comments and recommendations - August
Sustainability and Transformation Funding ('STF')	▪ HHCT has assumed that Sustainability & Transformation Funding ('STF') will be received in FY17, but not between FY18 and FY20. ▪ Thereafter HHCT initially assumed STF will be received in 2020/21 onwards	▪ PSHFT has assumed STF will be received in FY17, but not thereafter. ▪ PSHFT has not re-included STF from FY21 onwards as they have assumed: - that this will only be used to fund transformation rather than linked to activity; and - the funding will be provided to CCGs for local allocation rather directly funding providers.	▪ The inclusion STF has a significant impact of the financial position of the organisations. ▪ The Boards (and TPB) should agree a consistent approach for both organisation, particularly with regard to the transaction LTFM.	▪ HHCT has removed receipt of STF funding in FY21 and FY22, a total £8.4 million (£4.2 million in each financial year). ▪ Both HHCT and PSHFT now have a consistent assumption with respect to the receipt of STF funding.
Cost inflation	▪ Cost inflation had been assumed to be in line with NHSI guidance.	▪ Cost inflation had been assumed to be in line with NHSI guidance.	▪ Through our analysis we identified that HHCT's Pay cost inflation assumption for FY21 and FY22 was not in line with NHSI guidance (1.6% assumed, rather than 2.9% in NHSI guidance)	▪ The cost inflation assumption for HHCT has been amended in the August LTFM to 2.9% for FY21 and FY22 which is in line with the NHSI guidance. ▪ Following discussions between both HHCT and PSHFT now have consistent cost inflation assumptions.
Activity and inflation	▪ HHCT assumed activity growth (population and non-demographic) in line with the STP forecast. ▪ For activity purposes HHCT assumed that the 3% CCG QIPP will deliver in full.	▪ We understand that PSHFT assumed activity growth (population and non-demographic) in line with STP forecast. ▪ For activity purposes PSHFT has assumed that the CCG will deliver no QIPP.	▪ In the course of our work we confirmed with Cambridge and Peterborough CCG that the activity inflation used as the input for working was in line with their 2016/17 commissioning intentions, and that the 2017/18 onwards activity growth assumptions were in line with their most up to date forecasts.	▪ Both HHCT and PSHFT have assumed activity growth in line with STP forecast. ▪ PSHFT has now assumed the CCG will deliver QIPP in full in line with the STP. ▪ HHCT and PSHFT activity assumptions are now consistent across both organisations.

Key assumptions comparison (cont.)

Area	HHCT	PSHFT	KPMG comments and recommendations - July	KPMG comments and recommendations - August
Activity and inflation (cont.)			▪ In our conversation, the Cambridge and Peterborough CCG CFO made clear that the CCG is currently behind plan on QIPP delivery and therefore acknowledged significant risks to the delivery in FY17. ▪ Separately we assessed that the activity growth in the underlying LTFM workings was driven based on these assumptions, which also align to the Cambridgeshire and Peterborough footprint STP.	▪ Nevertheless, it appears that significant risk still exists to the delivery of QIPP by CCGs across the forecast period. This presents a potential upside to activity and income for the merged Trust, albeit a risk to the wider local health economy and STP plans. ▪ We recommend that these assumptions, although consistent, be assessed through scenario analysis for the impact on the merged Trust.
Tariff inflation	▪ NHSI guidance suggests (2%) tariff deflation for the period 2016/17 to 2020/21, however HHCT has assumed the following: - 2016/17 – 0% - 2017/18 – 0.3% inflation - 2018/19 – 0% - 2019/20 – 0% - 2020/21 – 0.9% inflation - 2021/22 – 0.9% inflation	▪ NHSI guidance suggests (2%) tariff deflation for the period 2016/17 to 2020/21, however PSHFT has assumed the following: - 2016/17 – 0% - 2017/18 – 0.3% inflation - 2018/19 – 0% - 2019/20 – 0% - 2020/21 – 0.9% inflation - 2021/22 – 0.9% inflation	▪ We understand that PSHFT and HHCT sought guidance from NHSI around that application of the tariff deflator guidance, and they advised that the tariff deflation should be net of "Overall" cost inflation. ▪ The figures assumed match this assumption, but we have not verified this treatment with NHSI.	▪ Both HHCT and PSHFT have continued to assume the same tariff inflation as in July. ▪ As previously stated these assumptions do not align with published NHSI guidance, but align to the application of tariff deflation guidance sought from NHSI.

Key assumptions comparison (cont.)

<table>
<tr><th>Area</th><th>HHCT</th><th>PSHFT</th><th>KPMG comments and recommendations - July</th><th>KPMG comments and recommendations - August</th></tr>
<tr>
<td>Tariff inflation (cont.)</td>
<td>
Other income has been profiled as follows:
Income Inflation - HHCT
<table>
<tr><th>£m</th><th>FY17</th><th>FY18</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22</th></tr>
<tr><td>Clinical Income</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Non Protected/Non Mandatory Clinical income inflation</td><td>-</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
<tr><td>Other Income</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Education & Training</td><td>-</td><td>0.3%</td><td>-</td><td>-</td><td>0.9%</td><td>0.9%</td></tr>
<tr><td>Research & Development</td><td>-</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
<tr><td>Other income</td><td>-</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
</table>
</td>
<td>
Other income has been profiled as follows:
Income Inflation - PSHFT
<table>
<tr><th>£m</th><th>FY17</th><th>FY18</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22</th></tr>
<tr><td>Clinical Income</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Non Protected/Non Mandatory Clinical income inflation</td><td>1.8%</td><td>0.3%</td><td>0.0%</td><td>0.0%</td><td>0.9%</td><td>0.9%</td></tr>
<tr><td>Other Income</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Education & Training</td><td>1.0%</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
<tr><td>Research & Development</td><td>1.0%</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
<tr><td>Other income</td><td>1.0%</td><td>1.8%</td><td>1.9%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
</table>
PSHFT has included FY17 inflation.
</td>
<td>
We noted that there are differences in the non-protected, non-mandatory clinical income inflation assumptions as well as education and training assumptions which HHCT and PSHFT should seek to align.
Whilst the FY17 inflation input does not impact the output financials, PSHFT should remove this as a presentational correction.
</td>
<td>
There remain differences in non-protected, non-mandatory clinical income inflation assumptions. We recommend that HHCT and PSHFT should seek to align these assumptions.
We identified a difference in Education and Training inflation assumptions between HHCT and PSHT, but we understand these are now aligned between both organisations.
There is a small difference in assumptions between HHCT and PSHFT with respect to Capex inflation for the year FY18. We recommend that HHCT and PSHFT seek to align these assumptions.
</td>
</tr>
<tr>
<td>Marginal cost of activity</td>
<td>
We understand that the underlying HHCT assumption around marginal cost increases is based on 50% of income.
</td>
<td>
We understand that the underlying PSHFT assumption around marginal cost increases is based on 56% of income.
</td>
<td>
Due to the way in which the LTFM reports cost movements we were not been able to reconcile this through the LTFM at the point in time of our July review.
Further work will be required by the Trusts to ensure that there is sufficient evidence to support assumptions around marginal cost.
</td>
<td>
HHCT in the August LTFM have since changed their assumption on marginal costing based on analysis supported by their PLICS data, assuming 60% marginal cost in FY18, FY19 and FY20, increasing to 80% marginal cost in FY21 and FY22.
The initial assumption of 50/50 split between pay and non-pay from additional marginal cost has also been adjusted to 90/10 based on PLICs data analysis.
</td>
</tr>
</table>

Key assumptions comparison (cont.)

Area	HHCT	PSHFT	KPMG comments and recommendations - July	KPMG comments and recommendations - August
Marginal cost of activity (cont.)				▪ PSHT has retained its assumption of 56% marginal cost. ▪ The difference in marginal costs assumptions can be understood by the different fixed and variable costs make up of each hospital Trust ▪ The Trusts need to ensure that there is sufficient evidence to support assumptions around marginal cost.
CIPs – FY17	▪ FY17 CIPs have been modelled into the baseline position in the LTFM and are therefore not shown separately. ▪ Income CIPs have been included in the baseline income inputs in the LTFM.	▪ FY17 CIPs have been modelled into the baseline position in the LTFM and are therefore not shown separately.	▪ We recommend that CIPs for the outturn year are shown separately to the baseline – it is likely that NHSI will require a revised version of the LTFM separating out CIPs if this is not the case.	▪ Cost CIPs for both HHCT and PSHFT have now been split out separate from the baseline. ▪ Income CIPs for HHCT have been identified in a CIP memo line.
CIPs – FY18 to FY22	▪ We understand that efficiency themes have been developed for FY18 and FY19 driving the CIPs included in the LTFM. ▪ No CIPs have been assumed for FY21 and FY22.	▪ PSHFT has assumed that CIPs for FY18 onwards will be 2% of the cost base. ▪ We have not seen any themes or CIP planning for FY18 onwards.	▪ HHCT and PSHFT should agree on an approach to future CIPs for the transaction LTFM.	▪ CIPs have been now developed into more detailed LTFM categories for both HHCT and PSHFT. ▪ HHCT has assumed an increase in the delivery of recurrent CIPs to between 4.6% and 4.9% per annum between FY18 to FY22 (per the latest LTFM), including delivery of CIPs in FY21 and FY22.

Key assumptions comparison (cont.)

Area	HHCT	PSHFT	KPMG comments and recommendations - July	KPMG comments and recommendations - August
CIPs – FY18 to FY22 (cont.)				▪ PSHT has assumed delivery of recurrent CIP at 4.2% in FY18 and then 2.4%/2.5% per annum across the forecast period, which reflects the classification of income CIP now separately from the baseline. ▪ We have also identified that HHCT has assumed £3.2 million of income CIP schemes in FY17/18 and FY18/19 related to planned repatriation of theatre activity and recoding activities, which need to be formally agreed with commissioners. An additional £1 million of surgery income is assumed through growing profitable areas in 18/19, of which plans are under development. ▪ We recommend that the TPB agree on an approach to assumptions around delivery of forecast CIPs for the transaction LTFM. ▪ We have identified that HHCT have assumed £877k of corporate reduction schemes in FY17 and FY18. There is a risk that these could be duplicate to planned back office merger synergies. ▪ We recommend that these corporate schemes are assessed in detail against planned merger synergies as part of preparation of the transaction LTFM to avoid potential double counting.

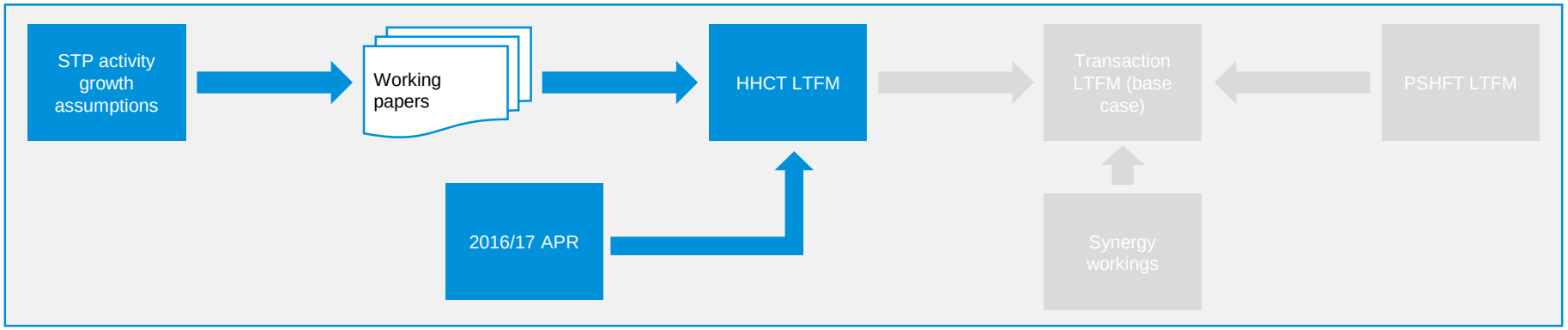
Key assumptions comparison (cont.)

Area	HHCT	PSHFT	KPMG comments and recommendations - July	KPMG comments and recommendations - August
Service developments	▪ HHCT has included SEP as a service development.	▪ PSHFT has not included any service developments.	▪ See page 39 for more detail on SEP. ▪ We recommend that HHCT and PSHFT agree the level of inclusion of SEP in the base, upside and downside transaction LTFMs. ▪ We recommend that income CIPs are included as service developments as opposed to being included in the baseline income.	▪ HHCT has assumed the same amount of income and expenditure from the SEP in the updated version of the LTFM. ▪ We understand that the SEP continues to be non-contracted and the detailed schemes are still under development. ▪ We continue to recommend that the TPB agree the level of SEP to be included in the transaction LTFM, including undertaking sensitivity and scenario analysis.
Contingency and Property Rent Increases	▪ HHCT have built in contingency and property rental increases within the LTFM.	▪ PSHFT have built into the LTFM an element for both contingency as well as property rent increases.	▪ It is recommended that there is an agreement between HHCT and PSHFT as to the level of contingency and property rent increases that should be entered into the LTFM.	▪ PSHFT has continued to include both contingency and property rental increases, while HHCT has increased the contingency slightly in the latest version of the LTFM.

KPMG

Supporting analysis - HHCT

Basis of preparation - HHCT



Basis of preparation

- The LTFM has been developed on the basis of the standalone organisation. However, wherever possible HHCT has worked alongside PSHFT to make assumptions as consistent as possible, including the further alignment of assumptions following our Part 1 assessment.
- HHCT has developed a number of working papers which feed the LTFM model, which are directly linked into the 'live' version of the LTFM. This is normal practice as part of the LTFM development process; however, we recommend that external links are removed from the LTFM prior to submitting for NHSI review to prevent reference errors.
- HHCT has advanced and consolidated a number of working papers since our last review. We continue to recommend that this process continues towards NHSI submission, including removal of the external links and tidy up within the LTFM.
- Activity has been based on the 2016/17 planned activity as per the HHCT annual plan, with growth assumptions aligned with the recently developed Sustainability and Transformation Plan ('STP') for Cambridge and Peterborough CCG ('C&P CCG') thereafter.
- The 2016/17 financial outturn forecast continues to be based on the HHCT annual plan. Projections form 2017/18 onwards are calculated based the various activity, income and expenditure assumptions summarised on pages 40 to 44 of this report. We recommend that the LTFMs are updated for current trading (i.e. actuals plus forecast), in particular for any deviation from the annual plan, as well as for the latest available forecast when this is available.

Basis of preparation (cont.)

- The cash flows included in the version of the LTFM provided for the updated assessment has now been completed. We have identified some assumptions regarding the treatment of NHS receivables and payables days that significant improve the cash position in FY20, which we recommend should be reassessed as part of the preparation of the transaction LTFM.
- On the following page we have highlighted specific observations around the LTFM set up and modelling approach, including areas which are outstanding for our Part 2 assessment and recommendations for changes to approach.
- At present the LTFM continues to have been modelled based on costs, with workforce being calculated based on the total costs. We continue to recommend that more detailed workforce modelling is carried out to provide a better understanding of future workforce requirements.

Approach to consolidating into transaction LTFM

- We note that the approach to constructing the transaction LTFM has been carried out within an extremely short timespan (approximately one week).
- Whilst the work to make the two standalone LTFMs as consistent as possible has likely simplified the process, we would typically expect the transaction LTFM to take much longer and the modelling team should continue to refine the transaction LTFM in the coming weeks as the FBC is further developed.

LTFM set up and modelling observations

As part of our work we have made a number of observations around the overall set up and modelling approach of the LTFM template at HHCT. Whilst we recognise that the LTFM version we initially reviewed as part of our assessments was very much a work in progress, and where possible we have provided feedback on these areas during the course of our work, the findings from our initial assessment and our update against these are summarised below:

Area	Comments - July	Priority - July	Comments - August	Priority - August
Outstanding elements of the LTFM	We identified a number of areas of the LTFM which had yet to be completed in the version we were provided with to assess, which we recommend are completed as a priority: — Sensitivity analysis in the 'S_Input' worksheet has not been completed — The Checklist worksheet has not completed — No normalisation adjustments in addition the automated adjustments have been considered (see recommendation on sensitivity analysis in the executive summary) — PFI – Further analysis was unavailable at the time of the assessment, however we understand the HHCT has been receiving external support to develop its PFI forecasting. Separately the PFI costs included in the 'I_PFI' worksheet should be shown including inflation. — Deficit funding – this was not included in the version of the model provided to us for assessment, leading to a significant cash deficit — The 'I_Comm_Smry (memo)' worksheet has not been completed — The 'I_Budgt per' worksheet has not been completed	H	HHCT has undertaken significant work to update the LTFM, including addressing the recommendations we raised at Part 1. The changes identified are: — Normalisation adjustments have now been made for the STF funding and are now included in the 'I_NE' worksheet — BDO have undertaken a review of HHCTs PFI model – the outputs in the LTFM now align with a detailed working paper and are included in the a separate I_PFI' worksheet. — The 'I_Comm_Smry (memo) worksheet has now been completed. — The 'I_Budget per' worksheet has now been completed. Recommendations that still needs addressing are: — The LTFM has now been updated for assumed levels of cash to support forecast deficits. However, we have identified some assumptions regarding the treatment of NHS receivables and payables days that significant improve the cash position in FY20, which we recommend should be reassessed as part of the preparation of the transaction LTFM. — Completion of the Checklist tab. — Sensitivity analysis in the 'S_Input' worksheet has not been completed.	M

LTFM set up and modelling observations (cont.)

Area	Comments - July	Priority - July	Comments - August	Priority - August
External links and reference errors	We recognised that some of the errors experienced would not be visible when linked to all of the underlying working papers, however when transferred across to us we found '#REF' errors present in a number of areas. Many of these were due to the LTFM linking to HHCT's LTFM from 2015/16. When assessing we found that the LTFM links to 22 external Excel files in total. Whilst we understand the need to use external links to facilitate simpler updating, we recommend that external links are removed prior to submitting the LTFM for external assessment by NHSI. In addition, we recommend that the number of working papers is consolidated to enable simpler updating and increase the level of version control.	H	There have been significant reductions in the number of '#Ref' errors following the tidying up of the various working papers. In addition, effort has been made to remove and simplify external links. However, there are still many links that are linked to external Excel sheets. We recommend that this process continues towards NHSI submission, including removal of the external links and tidy up within the LTFM. We advise that HHCT removes links that are still linked to old LTFM spreadsheets.	L
Reconciliation	We note that there is a difference between the 2015/16 closing balance sheet position and 2016/17 opening position. However, the differences arise from reclassifications, with no difference in net assets. In addition in reconciling the LTFM SOCI inputs for 2016/17 to the APR we found classification differences. The impact of this on the LTFM modelling should be assessed.	L	The difference between the 2015/16 closing balance sheet position and the 2016/17 opening position has now been resolved. A reclassification of LTFM SOCI inputs has also taken place.	N/a
2016/17 Cost Improvement Plans (CIPs)	HHCT has included 2016/17 CIPs within the baseline financial position. In our experience NHSI would typically expect this to be included separately, as CIPs. We therefore recommend that this is extracted from the baseline and included in the 'I_CIP' worksheet. In the version of the LTFM provided to us for assessment, income CIPs were included in the baseline income and not separated out in the 'memo' section of the CIP inputs. It is recommended that income CIPs are shown as Service Developments, and also on the 'memo' section on the CIP inputs, to allow NHSI to more simply understand the impact of these. In addition the LTFM does not show any CIPs for 2020/21 and 2021/22. We understand that these are intended to be delivered through the SEP service development.	M	The cost CIPs for 2016/17 and future years have now been split out from the baseline. The value of income CIPs are shown as a memo line within the 'CIP_Summary' worksheet, but have not been reflected as separate Service Developments. We recommend that this is done to allow NHSI to more simply understand the impact of these. The LTFM now shows increased CIPs in each financial year, as well as the inclusion of CIPs for 2020/21 and 2021/22. The value of these CIPs; £4.5 million and £3.4 million.	L

LTFM set up and modelling observations (cont.)

Area	Comments - July	Priority - July	Comments - August	Priority - August
Market Forces Factor (MFF)	In the version of the LTFM provided to us for assessment, the impact of MFF on income was factored into the baseline and not shown separately. We recommend that MFF is shown separately.	M	The impact of MFF has now been shown separately to the baseline in the 'I_Income_BASE' worksheet.	N/a
Workforce	Workforce numbers included in the financial projections have been based solely on dividing the output costs in the LTFM by the average staff cost from the previous year. We recommended that more detailed workforce modelling is carried out to provide a better understanding of future workforce requirements.	H	Since the July LTFM assessment a simple workforce model has been created and submitted the HHCT HR Department. The status of the workforce model has not yet been determined. We continue to recommend that a more detailed workforce model is carried out in conjunction with the HR Department to better understand the future workforce requirements, which is integrated with forecast changes in activity and planned CIPs.	H
Income	HHCT has included reconciliation lines labelled as balancing figures. We understand that these figures relate to the difference between expected activity based income and actual income. We recommend that these are included in the baseline income instead of shown as balancing figures.	L	HHCT has now removed all reconciliation lines labelled as balancing figures in the 'I_Incme (Base)' tab.	N/a
Output KPIs	We note that the LTFM outputs show a significant change in the payables and receivables days leading to significant working capital movements in 2019/20. It is recommended that this is reviewed to understand the reasons for this and adjust as appropriate.	M	Large variations remain in the August LTFM with respect to the KPIs. We have been advised that the changes are due to cash requirements, with the assumption of lower NHS receivables and payables days boosting the cash position while reducing the requirement for loans. We recommend that these assumptions are assessed as part of the preparation of the transaction LTFM for the merged Trust.	H

Reconciliation of input data

Reconciliation of SOCI inputs						
£m	**Annual Planning Return**		**LTFM - August**			
	FY16	**FY17**	**FY16**	**FY17**	**FY16**	**FY17**
Income						
Clinical	97.3	101.3	97.3	101.4	0	0.1
Non-clinical	15	16.1	15	16.4	0	0.3
	112.3	117.4	112.3	117.8	0	0.4
Expenditure						
Pay	-77	-75.37	-77	-77.0	0	-1.6
Non-pay	-40	-40.7	-40	-40.9	0	-0.2
PFI / LIFT	-1.9	-1.9	-1.9	-1.7	0	0.2
	-118.9	-117.9	-118.9	-119.6	0	-1.7
EBITDA	**-6.6**	**-0.5**	**-6.6**	**-1.8**	**0.0**	**-1.3**
EBITDA margin %	-6%	0%	-6%	-2%	*0.1%*	*-1.5%*
Other operating expenses	-7.9	-5.3	-7.9	-4.1	0	1.2
Non-operating income	0		0	-	0	0.0
Non-operating expenses	-4.3	-4.2	-4.3	-4	0	0.2
Surplus / (Deficit)	**-18.8**	**-9.9**	**-18.8**	**-10.0**	**0.0**	**0.0**

Source: Management Information: HHCT LTFM, HHCT APR

- The table above shows a reconciliation of the LTFM outputs to the HHCT 2016/17 Annual Plan Return ('APR') data. The APR contains data for the 2015/16 actual performance as well as the 2016/17 plan. We have identified reconciliation differences in 2016/17, which have changed from our Part 1 assessment.
- The key largest changes for the outturn year FY17 are the reduction in depreciation and amortisation in other operating expenses, which is offset by increased pay expenditure. Further analysis is required to bottom out the explanations for these variances.
- In addition to the above, as part of our Part 1 assessment we carried out a reconciliation exercise of the 2013/14 and 2014/15 historical financial inputs into the LTFM to the reported position in the HHCT published statutory accounts and found no differences.
- We understand that HHCT does not routinely carry out a re-forecasting exercises until the end of Q1. We continue to recommend that the LTFM is updated to the latest available forecast position when this exercise is carried out to ensure that the LTFM reflect the latest available position.
- As part of our Part 1 work to reconcile the input data we held a conversation with Cambridge and Peterborough CCG to confirm that the activity growth rates assumed in the HHCT workings were consistent with their commissioning intentions. The CCG confirmed that this was the case based on alignment to the STP.

Mapping of current LTFM to LTFM in July

Movement of LTFM July - August HHCT															
	LTFM (July)					LTFM (Aug)					Difference				
	FY18	FY19	FY20	FY21	FY22	FY18	FY19	FY20	FY21	FY22	FY18	FY19	FY20	FY21	FY22
Income															
Clinical	102.7	105.3	107.7	114.4	117.1	106.1	109.2	111.5	115.0	117.6	3.4	3.9	3.8	0.6	0.6
Non-clinical	16.3	17.1	19.3	22.2	22.6	12.2	12.8	15.0	17.7	18.0	-4.2	-4.3	-4.4	-4.4	-4.6
	119.1	122.4	127.0	136.5	139.7	118.3	122.0	126.4	132.7	135.6	-0.8	-0.4	-0.6	-3.8	-4.0
Expenditure											0.0	0.0	0.0	0.0	0.0
Pay	-77.0	-77.1	-78.6	-81.0	-83.4	-77.9	-77.9	-78.8	-81.3	-82.8	-0.8	-0.8	-0.2	-0.3	0.6
Non-pay	-40.9	-40.1	-40.4	-42.0	-43.3	-40.5	-40.1	-39.9	-40.8	-41.5	0.4	0.0	0.5	1.2	1.8
PFI / LIFT	-1.9	-1.9	-1.9	-1.9	-1.9	-1.7	-1.8	-1.8	-1.8	-1.9	0.1	0.1	0.1	0.0	0.0
	-119.8	-119.0	-120.9	-124.8	-128.6	-120.1	-119.7	-120.5	-124.0	-126.2	-0.3	-0.7	0.4	0.8	2.4
EBITDA	**-0.7**	**3.4**	**6.1**	**11.7**	**11.0**	**-1.8**	**2.3**	**5.9**	**8.7**	**9.4**	**-1.1**	**-1.1**	**-0.2**	**-3.0**	**-1.6**
EBITDA margin %	-0.6%	2.7%	4.8%	8.6%	7.9%	-1.6%	1.9%	4.7%	6.6%	7.0%	-1.0%	-0.9%	-0.2%	-2.0%	-1.0%
Other operating expenses	-4.7	-4.8	-4.6	-4.9	-5.6	-4.7	-4.8	-4.6	-4.9	-5.1	0.0	0.0	0.0	0.0	0.5
Non-operating income	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-operating expenses	-4.2	-4.2	-4.2	-4.2	-4.2	-3.6	-3.3	-3.1	-3.0	-3.0	0.7	0.9	1.1	1.2	1.2
Surplus / (Deficit) after tax	**-7.5**	**-5.7**	**-2.6**	**2.6**	**1.2**	**-10.1**	**-5.8**	**-1.7**	**0.8**	**1.3**	**-2.5**	**-0.1**	**0.9**	**-1.8**	**0.0**

Source: Management Information: HHCT LTFM

- There have been a number of key changes which have been made between the July and August LTFMs. A number of these have been done based on prior recommendations following review of the July LTFM. A full bridge of the SOCI between the July and August LTFMs has been produced overleaf. However, the high level changes are as follows:
  - **Income** – reclassification of STF income between non-clinical and clinical income, with STF funding for FY20 and FY21 removed.
  - **Expenditure** – reduction of expenditure reflecting changes in marginal cost assumptions, offset by additional CIP.
  - **Non-Operating Expenses** – Reduction in PDC Dividend expense following a recalculation for the impact of interest bearing borrowings.

July to August LTFM Bridge

As part of our work we have made bridged the main adjustments between the HHCT LTFM we assessed at Part 1 in July 2016 with the revised HHCT LTFM was have assessed in August 2016. The main items are set out below:

Reference	Bridge (+ve = improvement)	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Surplus July		**-7.5**	**-5.7**	**-2.7**	**2.6**	**1.2**
1	STF funding removed in FY21 and FY22	-	-	-	-4.2	-4.2
2	Changes in Other Income and inflation assumptions	-0.8	-0.3	-0.5	0.5	0.4
3	Revision of Private Patient Forecast	0	-0.1	-0.1	-0.1	-0.2
4	Marginal cost – nursing expenditure	-0.8	-1.3	-1.5	-1.7	-1.8
5	Marginal cost – other pay Expenditure	-0.2	0.3	0.7	-0.5	-0.5
6	Marginal cost – non-pay	0.5	0.5	0.5	0.8	1.3
7	Additional Pay CIPs	0.2	0.3	0.6	1.9	2.9
8	Additional Non-Pay CIPs	-0.1	-0.5	0	0.3	0.5
9	Revised calculation on PFI costs	0.1	0.1	0.1	0	0
10	Disposal of an asset	-2.1	-	-	-	-
11	Revision of depreciation estimate in final year	0.3	0.1	0	0	0.4
12	Recalculation of PDC Dividend	0.4	0.8	1.1	1.2	1.2
Net Surplus August		**-10.1**	**-5.8**	**-1.7**	**0.8**	**1.3**
Memo	Additional CIP Income	3.0	2.0	3.0	3.3	2.0

Source: Management Information: HHCT LTFM, KPMG analysis

July to August LTFM Bridge

Overview

- The following adjustments have been made for changes in key assumptions between the July 2016 LTFM and the August 2016 LTFM:
  1. STF funding – has been removed in FY21 and FY22. The treatment of STF income is now consistent across both HHCT and PSHFT.
  2. Changes in other income and inflation assumptions – Inflation assumptions have been changed to align across the organisations. However, we note that there are still some differences on income inflation between the Trusts that should be looked to be aligned as part of the transaction LTFM.
  3. Private patients – revision of private patient forecast to a 0% increase in activity. This aligns HHCTs assumption on PPI growth to that of PSHFT.
  4. Marginal cost – nursing expenditure. This is resulting from a change in the marginal cost assumption from 50% to 60% in FY18, FY19 and FY20, increasing to 80%in FY21 and FY22. This has been based on further analysis of PLICs data. In addition, the split of additional expenditure has been assumed to be allocated from 50/50 pay/non-pay to 90/10 pay/non-pay.
  5. Marginal cost – other pay expenditure. The impact of changes in assumptions for marginal costs (as per 4 above) on other pay cost categories.
  6. Marginal cost – non-pay. The impact of changes in assumptions for marginal costs (as per 4 above), in particular reducing non-pay expenditure due to the change in the split of additional expenditure assumed to be allocated from 50/50 pay/non-pay to 90/10 pay/non-pay.
  7. Additional Pay CIPs – the impact of additional pay CIP added since the July version of the LTFM. The current CIPs continue to show £874k for corporate cost reductions in FY17 and FY18.
  8. Additional Non-Pay – the impact of additional non-pay CIPs added since the July version of the LTFM.
  9. PFI costs – following the revision of the PFI model by BDO, a reduction in PFI cost has been identified.
  10. Disposal of an asset – the disposal of an asset was present in the July version of the LTFM, which has been omitted in the August version. This has been flagged as a potential error in the August LTFM and we understand that this is being rectified in an updated version.
  11. Depreciation – revision of depreciation estimate in final year following review, together with the impact of lower depreciation in FY18 and FY19 due to the omission of the asset disposal.
  12. PDC dividend – a recalculation of the PDC dividend has led to a reduction in expenditure. This is due to a reduction in the assets used for the calculation caused by drawing on interest earing loans to finance forecast cash deficits.
- We have also identified a memo item, relating to an increase in CIP income (memo only). This is a memo item only as CIP remains in base line for both July and August LTFMs.

Financial overview - HHCT SOCI

SOCI overview - HHCT								
£m	FY16 Actual	FY17 Outturn	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY16-21
Income								
Tariff income	92.8	95.4	100.1	102.9	105.0	108.4	111.1	3.1%
Other block or Cost and Volume contract	2.8	3.8	3.8	3.8	3.8	3.8	3.8	0.1
Total NHS clinical Income	95.6	99.2	103.9	106.7	108.8	112.3	114.9	3.1%
Private patient revenue	0.9	1.5	1.5	1.8	2.0	2.0	2.0	0.2
Other non protected revenue	0.8	0.7	0.7	0.7	0.7	0.7	0.7	-2.6%
Other Operating revenue	15.0	16.4	12.2	12.8	15.0	17.7	18.0	4.3%
Total Income	**112.3**	**117.8**	**118.3**	**122.0**	**126.4**	**132.7**	**135.6**	**3.2%**
Expenses								
Employee benefit expenses	-77.0	-77.0	-77.9	-77.9	-78.8	-81.3	-82.8	0.0
Drug expenses	-10.6	-10.7	-11.2	-11.3	-11.6	-12.1	-12.5	0.0
Clinical supplies and services expenses	-9.7	-10.6	-10.1	-9.4	-8.7	-8.8	-8.9	-0.0
Other expenses	-23.2	-21.6	-20.9	-21.1	-21.5	-21.8	-22.0	-0.0
Total Expenses	**-118.9**	**-119.6**	**-120.1**	**-119.7**	**-120.5**	**-124.0**	**-126.2**	**1.0%**
EBITDA	-6.6	-1.8	-1.8	2.3	5.9	8.7	9.4	
Non-operating items								
Gain/(loss) on asset disposals	-	-	-	-	-	-	-	
Net interest expense	-2.3	-2.4	-2.4	-2.6	-2.7	-2.7	-2.7	3.2%
Depreciation and Amortisation	-5.1	-4.1	-4.7	-4.8	-4.6	-4.9	-5.1	0.6%
PDC Dividend	-2.0	-1.5	-1.1	-0.7	-0.4	-0.3	-0.3	-27.9%
Impairment of fixed assets	-2.7	-	-	-	-	-	-	
Surplus/(Deficit)	**-18.8**	**-9.9**	**-10.1**	**-5.8**	**-1.7**	**0.8**	**1.3**	
KPIs								
EBITDA margin	-5.9%	-1.6%	-1.6%	1.9%	4.7%	6.6%	7.0%	
Net margin	*-19.6%*	*-10.0%*	*-9.7%*	*-5.4%*	*-1.6%*	*0.7%*	*1.1%*	

Source: Management Information: HHCT LTFM

Increase in elective activity in 17/18 and 18/19 driven by £3.2 million of income CIP schemes related to repatriation of theatre activity and recoding, which need to be formally agreed with commissioners. An additional £1 million of surgery income is assumed through growing profitable areas in 18/19, of which plans are under development.

Subject to agreement by the Boards on the level of inclusion of cost CIP and income CIP in the base case, as well as for the level of sensitivity analysis of CIPs in a downside.

Other operating revenue is projected to decrease for the removal of SFT funding in FY21 and FY22

Expenditure growth has increased compared with the July LTFM following a change in the assumption of marginal cost following an analysis of PLICs data. This has been offset by additional CIPs, including a reduction in corporate costs in FY17 and FY18.

A significant reduction in PDC dividend has been forecast per annum, based upon a recalculation of the PDC dividend which takes into account the effect of additional loans in the calculation.

We recommend that this is reassessed as part of preparation of the transaction LTFM and assumptions around funding for the merged Trust.

HHCT is projecting to return to a 1% surplus position by FY22, predominantly driven by the impact of the SEP and the assumed delivery of recurrent CIP of between 3.0% and 4.6% per annum.

EBITDA margin increases steadily throughout the forecast period as a result of variable costs increasing at a lower rate than income growth, as well as for the impact of additional CIPs and the SEP

Financial overview - HHCT SOFP

SOFP overview - HHCT								
£m	FY16 Actual	FY17 Outturn	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	*FY16-FY21*
Non Current Assets								
PPE, intangibles & other	101.7	100.7	99.6	98.6	99.2	98.3	97.3	-0.7%
Current Assets								
Inventories	1.7	1.7	1.7	1.7	1.7	1.7	1.7	0.8%
NHS trade receivables	2.7	7.0	6.1	5.4	1.8	2.8	4.8	32.9%
Non-NHS trade receivables	3.7	0.0	0.2	0.3	0.5	0.6	0.6	165.0%
Other assets	0.5	0.0	0.0	0.0	0.0	0.0	0.0	
Cash	0.9	1.0	1.4	1.7	1.8	1.9	1.9	14.5%
Total current assets	**9.4**	**9.8**	**9.4**	**9.1**	**5.9**	**7.1**	**9.1**	**0.0**
Total assets	**111.1**	**110.4**	**109.0**	**107.7**	**105.1**	**105.4**	**106.3**	**-0.0**
Current liabilities								
Trade Payables, Current	-11.7	-11.4	-11.1	-11.1	-9.2	-9.4	-9.6	-2.8%
Other Payables, Current	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
Capital Payables, Current	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-
Accruals, Current	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	
Other liabilities	-3.9	-3.4	-3.5	-2.9	-2.9	-2.7	-2.8	-5.2%
Total current liabilities	**-16.8**	**-15.6**	**-15.4**	**-14.8**	**-12.8**	**-12.9**	**-13.2**	**-0.0**
Net current assets	-7.4	-5.9	-6.0	-5.7	-6.9	-5.8	-4.1	-7.8%
Non-current liabilities	-38.9	-50.2	-59.1	-64.2	-65.4	-64.7	-64.1	0.092058
Net assets	**55.4**	**44.6**	**34.5**	**28.7**	**26.9**	**27.8**	**29.1**	**-0.1**
Taxpayer's equity								
Public dividend capital	94.2	94.2	94.2	94.2	94.2	94.2	94.2	-
Retained Earnings	-65.4	-75.3	-85.4	-91.2	-92.9	-92.1	-90.8	5.8%
Revaluation reserve	26.6	25.7	25.7	25.7	25.7	25.7	25.7	-0.6%
Total taxpayer's equity	**55.5**	**44.6**	**34.5**	**28.7**	**26.9**	**27.8**	**29.1**	**-0.1**
KPIs								
NHS Trade receivable days	10.0	25.3	21.2	18.1	6.0	9.0	15.0	28.6%
Trade payable days	100.1	96.5	94.8	95.8	79.0	79.0	80.0	-3.4%

Source: Management Information: HHCT LTFM

The NBV of PPE has increased slightly from the July LTFM.

We recommend that the requirement for the capital programme for the merged Trust be assessed as part of the preparation of the transaction LTFM.

Assumed cash surplus in each year from outturn year following adjustments for funding of a cash deficit, as well a change in NHS receivable days and payables days in FY20.

We recommend that the assumptions on WC day changes in FY20 are assessed as part of development of the transaction LTFM.

Increased non-current liabilities from additional loan financing taken out to fund cash deficits.

The LTFM calculates working capital movements using different method from year 4 (FY20), but there is a large decrease in receivable days to manage the HHCT cash position. The impact is a net cash inflow of £4.1 million. Further work is required to analyse and address this for the transaction LTFM.

Prior to this period trade creditor days appear to be extremely high, well outside of BPPC guidance.

Strategic Estates Partnership ('SEP')

SEP - HHCT financial projections						
	FY17	FY18	FY19	FY20	FY21	FY22
£m	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Income						
Long term land leasehold arrangements - £1.8m pa			0.3	0.8	1.5	1.5
Income from new Hinchingbrooke Living development			0.2	0.4	0.6	0.6
Operational revenue from clinical support				0.2	0.5	0.5
Additional Income from Estates Management Services				0.5	1.0	1.0
SLA income from back office support				0.2	0.4	0.4
Utilities supply and administration				0.1	0.2	0.2
Income from new Education/ R&D Facility				0.1	0.3	0.3
Medi-Hotel income				0.1	0.2	0.2
Total Income	**-**	**-**	**0.5**	**2.4**	**4.7**	**4.7**
Expenses						
Employee benefit expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Drug expenses	-	-	-	-	-	-
Clinical supplies and services expenses	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Total Expenses	**(0.2)**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**
EBITDA	**(0.2)**	**(0.2)**	**0.4**	**2.2**	**4.5**	**4.5**

Source: Management Information: HHCT LTFM

Overview

- A key area of inclusion in the HHCT LTFM is the inclusion of a service development for HHCT, related to a Strategic Estates Partnership ('SEP').
- The SEP is an initiative driven around working with a partner (through a Joint Venture) to re-align estates to make the footprint more up-to-date and enable the use of estates for a combination of 'living', 'care' and 'education'. The JV partner would be expected to plan, fund, procure and project manage the individual development projects, with both joint venture parties sharing 50% of the benefits. There are a number of schemes proposed within SEP including working with the Local Authority, a new CPFT mental health provision, key worker and student accommodation and care home support.

Current status of development

- The partnership has been developed as part of the Sustainability and Transformation Planning ('STP') exercise, with the overall procurement and contracting process ongoing.
- At this stage, we understand that the Full Business Case is being finalised and the preferred partner has been chosen, with contractual and commercial negotiations ongoing.

Financial overview

- As shown on the left, the contribution of SEP to the overall HHCT position is significant. At this stage HHCT have assumed the lower end of their income projections within their base case LTFM, showing a recurrent contribution of £4.5 million from 2020/21 onwards.

KPMG recommendations

- Due to the stage of the procurement and contracting process the overall financials are still continuing to be developed in more detail. Delivery of the SEP is key to the overall financial sustainability of HHCT and we therefore continue to recommend further stress testing of the scenarios associated with SEP within the downside, base and upside cases of the transaction LTFM. In the July report we recommended that HHCT and PSHFT come to an agreement over the level of SEP to be included in the transactional LTFM, which we believe is still applicable.
- In our experience of similar schemes there are risks associated with the delivery of these types of scheme (e.g. project delays) which we recommend are considered as part of the sensitivity analysis.

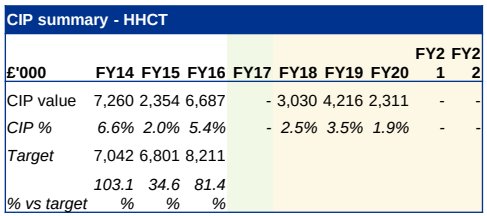
Key assumptions - HHCT

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
Sustain-ability and Transformation Funding (STF)	▪ HHCT has assumed that STF of £4 million will be received in 2016/17. For LTFM modelling purposes this has therefore been assumed as non-recurrent funding ▪ As per STP guidance, no STF has been assumed thereafter until 2020/21, where £4 million recurrent funding has been assumed.	▪ This approach appears to be consistent with NHSI guidance, although it should be noted that STF is likely to be put in place to fund specific transformation projects and not necessary linked to activity.	▪ SFT funding has been removed in FY21 and FY22, following the recommendation in July that both HHCT and PSHFT agree on a consistent treatment of STF funding.
Cost inflation	▪ Cost inflation has been assumed to be in line with NHSI guidance.	▪ We have identified that the FY17 to FY21 cost inflation assumptions are in line with NHSI guidance ▪ Through our analysis we have identified that the Pay cost inflation for FY22 is not in line with NHSI guidance (1.6% assumed, rather than 2.9% in NHSI guidance).	▪ Pay cost inflation for FY22 has been changed to 2.9% in the latest LTFM for FY20, FY21 and FY22, in line with NHSI guidance.
Tariff inflation	▪ NHSI guidance suggests (2%) tariff deflation for the period 2016/17 to 2020/21, however the HHCT LTFM has assumed the following: - 2016/17 – 0% - 2017/18 – 0.3% inflation - 2018/19 – 0% - 2019/20 – 0% - 2020/21 – 0.9% inflation - 2021/22 – 0.9% inflation	▪ We understand that HHCT sought guidance from NHSI around that application of the tariff deflator guidance, and they advised that the tariff deflation should be net of “Overall” cost inflation. The figures assumed match this assumption, but we have not verified this treatment with NHSI.	▪ No changes in the assumptions around tariff deflation for the period 2016/17 to 2020/21.

Key assumptions - HHCT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
Tariff inflation (cont.)	▪ Other income has been profiled as follows: **Income Inflation - HHCT** **£m** FY17 FY18 FY19 FY20 FY21 FY22 **Clinical Income** Non Protected/Non Mandatory Clinical income inflation - 1.8% 1.9% 2.0% 2.0% 2.0% **Other Income** Education & Training - 0.3% - - 0.9% 0.9% Research & Development - 1.8% 1.9% 2.0% 2.0% 2.0% Other income - 1.8% 1.9% 2.0% 2.0% 2.0%		▪ There is a difference in non-protected, non-mandatory clinical income inflation assumption with PSHT. We recommend that HHCT and PSHFT should seek to align these assumptions. ▪ We identified a difference in Education and Training inflation assumptions between HHCT and PSHT, but we understand these are now aligned between both organisations. ▪ There is a small difference in assumptions between HHCT and PSHT with respect to Capex inflation for the year FY18. We recommend that HHCT and PSHT seek to align these assumptions.
Activity growth	▪ HHCT has based activity growth on the population and non-demographic growth assumed as part of the STP process. ▪ As well as this, HHCT has assumed that Cambridge and Peterborough will deliver the 3% QIPP in full in each year of the forecast ▪ HHCT have assumed a 50% marginal expenditure growth compared with income, based on variable costs.	▪ In the course of our work we confirmed with Cambridge and Peterborough CCG that the activity inflation used as the input for working was in line with their 2016/17 commissioning intentions, and that the 2017/18 onwards activity growth assumptions were in line with their most up to date forecasts. ▪ Separately we assessed that the activity growth in the underlying LTFM workings was driven based on these assumptions, which also align to the Cambridgeshire and Peterborough footprint STP. ▪ We recommend that further work based on SLR/PLICS data is undertaken to verify the impact and validity of the 50% marginal expenditure growth assumption.	▪ Following analysis of PLICs data, HHCT has revised the assumption of 50% marginal cost of activity in the latest version of the LTFM, to 60% marginal cost in FY18, FY19 and FY20, increasing to 80% marginal cost in FY21 and FY22. ▪ The split of additional marginal cost was also changed from 50/50 pay/non-pay to 90/10 pay/non-pay. ▪ The assumption that Cambridge and Peterborough CCG would achieve the level of QIPP outlined in the STP is unchanged.
CIPs	▪ 2016/17 CIPs have been modelled into the baseline position in the LTFM.	▪ We recommend that CIPs for the outturn year are shown separately to the baseline – it is likely that NHSI will require a revised version of the LTFM separating out CIPs if this is not the case.	▪ CIPs for the outturn year have now been shown separately to the baseline position. ▪ However, an additional £13.1 million of CIPs have been added to the August LTFM; this includes a memo item for £16.5 million of income CIPs across the forecast period (latest LTFM).

Key assumptions - HHCT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
CIPs (cont.)	**CIP summary - HHCT**  £'000 / FY14 / FY15 / FY16 / FY17 / FY18 / FY19 / FY20 / FY21 / FY22 CIP value: 7,260 / 2,354 / 6,687 / - / 3,030 / 4,216 / 2,311 / - / - *CIP %*: *6.6% / 2.0% / 5.4% / - / 2.5% / 3.5% / 1.9% / - / -* *Target*: 7,042 / 6,801 / 8,211 *% vs target*: *103.1% / 34.6% / 81.4%*	▪ Historically HHCT has shown a mixed level of CIP delivery. A high level review of 2016/17 CIPs and a 3 year CIP plan shows that HHCT is looking to develop more strategic CIPs to enable longer term CIP planning. CIPs have not been separated out for 2020/21 and 2021/22 as these are expected to be delivered through the SEP. In our experience NHSI would require the significant proportion of CIPs to be cost reduction with approximately 10-15% based on income.	▪ HHCT has assumed an increase in the delivery of recurrent CIPs to between 3.0% and 4.6% per annum between FY18 to FY22, including delivery of CIPs in FY21 and FY22 where there were previously none. ▪ HHCT has assumed £3.2 million of income CIP schemes in FY17/18 and FY18/19 related to planned repatriation of theatre activity and recoding activities, which need to be formally agreed with commissioners. An additional £1 million of surgery income is assumed through growing profitable areas in 18/19, of which plans are under development. ▪ The increase in the assumed level of recurrent cost CIP (and the income CIP) planned to be delivered appears challenging, particularly for HHCT at between 4.6% and 4.9% per annum given the Trust's current cost base, the track record of delivering recurrent CIP and the unconfirmed nature of the income CIP planned in FY17/18 and FY18/19. ▪ We recommend that the TPB agree on an approach to assumptions around delivery of forecast CIPs for the transaction LTFM, including the level of realistic CIP that could be delivered by the merged Trust.
Strategic Estates Partnership (SEP)	▪ A full analysis of SEP is shown on page 39.	▪ The financial impact of this is largely from 2019/20 onwards. Due to the materiality on the financial sustainability of HHCT it is likely that NHSI would seek further understanding of the plans. We recommend that HHCT is prepared to answer any further questions regarding the robustness of the future financials as further detail is worked up and once the FBC for the SEP (together with its implementation plans) are finalised.	▪ The level of income and expenditure from the SEP remains unchanged. ▪ We understand that the SEP continues to be non-contracted and the detailed schemes are still under development. ▪ We continue to recommend that the TPB agree on the level of SEP to be included in the transaction LTFM, including undertaking sensitivity and scenario analysis.
Capital Expenditure	▪ The capital expenditure forecast for 2016/17 matches annual plan return for 2016/17. However, we note that the capital expenditure for 2017/18 does not match the annual plan return.	▪ We understand that the capital expenditure forecast for 2017/18 onwards is based on a more up to date plan than the annual plan return.	▪ The NBV of PPE has increased from the July LTFM, based on a revised capital expenditure profile. ▪ We recommend that the requirement for the capital programme for the merged Trust be assessed as part of the preparation of the transaction LTFM.

Key assumptions - HHCT (cont.)

<table>
<tr><th>Area</th><th>Description</th><th>KPMG Comment and Recommendation - July</th><th>KPMG Comment and Recommendation - August</th></tr>
<tr><td>Workforce</td><td>■ Forecast workforce appears to be driven from the financials in the LTFM – it appears that there are no underlying workings of workforce profile going forwards.</td><td>■ We recommended that more detailed workforce modelling is carried out to provide a better understanding of future workforce requirements.</td><td>■ We understand that HHCT has developed a simple workforce model supported by an external consultancy. At present we understand this is with HHCTs HR department.
■ We recommend that this model is continued to be developed so that it presents an integrated model for changes in workforce resulting from increased activity and the impact of CIPs.</td></tr>
<tr><td>Working capital</td><td>■ Working capital days assumptions were as follows:
Working Capital Days
<table><tr><th></th><th>FY17</th><th>FY18</th><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22</th></tr><tr><td>NHS Trade debtor days</td><td>35.8</td><td>35.6</td><td>35.1</td><td>20.3</td><td>20.4</td><td>20.5</td></tr><tr><td>Non-NHS trade debtor days</td><td>-</td><td>-</td><td>-</td><td>89.0</td><td>89.0</td><td>90.0</td></tr><tr><td>Trade payable days</td><td>105.8</td><td>106.1</td><td>108.1</td><td>79.1</td><td>79.5</td><td>79.8</td></tr></table></td><td>■ The way in which the LTFM calculates working capital can lead to large changes in the payables and receivables days from 2019/20 onwards leading to significant movements in cash. It is recommended that HHCT review these movements and adjust the input assumptions as appropriate.
■ We note that the payable days appears to be extremely high, well outside of BPPC guidance.</td><td>■ Payable days have reduced from 35.8 days in FY17 in the July version to 25.3 days in FY17 in the August LTFM. This is driven by assumptions on cash flow which HHCT have changed since the July LTFM.
■ There is a large decrease in receivable days and creditor days in FY20, assumed in order to manage the HHCT cash position. The impact is a net cash inflow of £4.1 million.
■ We recommend that further work is required to analyse and address this for the transaction LTFM.</td></tr>
<tr><td>Other balance sheet captions</td><td>Balance Sheet Other Captions
<table><tr><th></th><th>31 Mar 16</th><th>31 Mar 17</th><th>31 Mar 18</th><th>31 Mar 19</th><th>31 Mar 20</th><th>31 Mar 21</th><th>31 Mar 22</th></tr><tr><td>Inventories</td><td>1.7</td><td>1.7</td><td>1.7</td><td>1.7</td><td>1.7</td><td>1.7</td><td>1.7</td></tr><tr><td>Prepayments</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td></tr><tr><td>Accruals</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td></tr><tr><td>Capital payables</td><td>(0.5)</td><td>(1.2)</td><td>(1.2)</td><td>(1.2)</td><td>(1.2)</td><td>(1.2)</td><td>(1.2)</td></tr><tr><td>Other payables</td><td>(4.7)</td><td>(3.1)</td><td>(3.1)</td><td>(2.5)</td><td>(2.5)</td><td>(2.5)</td><td>(2.1)</td></tr></table></td><td>■ The assumptions for these balance sheet captions are relatively simplistic resulting in minimal movements across the forecast period. Whilst this is normal at this stage of planning we recommend that further assessment of this in carried out as the LTFMs are further developed towards the FBC.</td><td>■ The modelling of other balance sheet captions has been further developed, but continues to be based on relatively simplistic straight line assumptions.
■ We recommend that further assessment of this in carried out as the LTFMs are further developed towards the FBC.</td></tr>
</table>

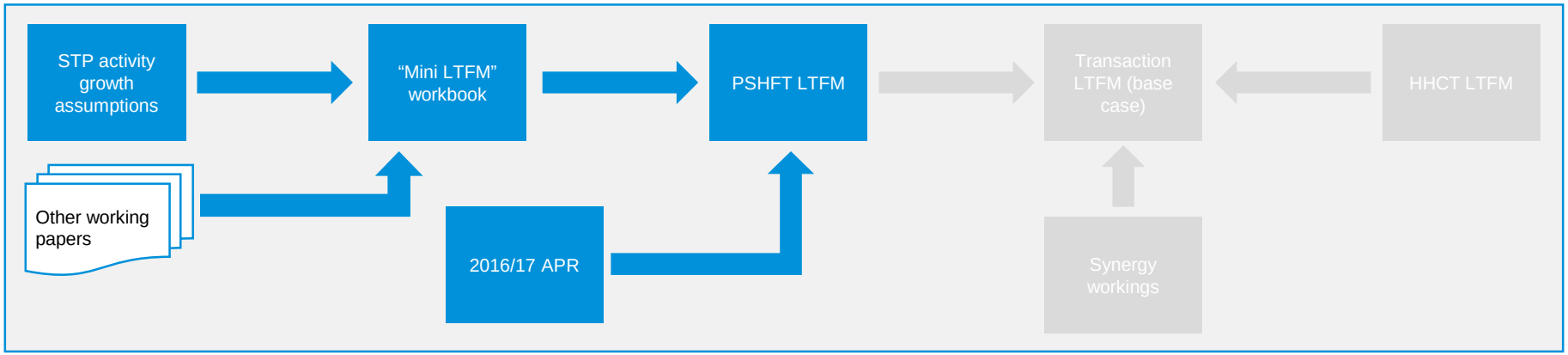
Key assumptions - HHCT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
PDC dividend	▪ The PDC dividend is assumed to be flat across the forecast period.	▪ The PDC Dividend calculation is a simplistic assumption – we recommend that the PDC Dividend model for the trust be reviewed.	▪ The PDC Dividend has been recalculated, resulting in a net benefit in each financial year across the forecast period due to the draw down on additional interest bearing loans and thereby affecting the assets and liabilities used in the calculation. ▪ We recommend that this is re-assessed as part of preparation of the transaction LTFM.
PDC and loans	▪ It has been assumed that future capital funding requirements will require commercial loans and will not be funded through PDC.	▪ This assumption appears to be prudent in the current climate.	▪ No update.
PFI	▪ We understand that the PFI forecasts are currently being developed in further detail.	▪ We have not been able to review the PFI assumptions are they were not complete at the time of the assessment.	▪ The PFI model has now been completed based on a recalculation exercise by external advisors to HHCT. While we have not assessed the revised model itself, the profile of payments in the LTFM are in line with the revised model
Normalisation adjustments	▪ No non-recurrent items have been identified in addition to the automated schedule in the LTFM	▪ We recommend that normalisation adjustment are considered further as development of the LTFM continues.	▪ Further adjustments to the non-recurrent items have been added within the LTFM. Along with S&T fund, three new items are added worth £1.79 million.
Contingency and Property Rental Increases	▪ Contingency and Property Rental Increases have been factored into the LTFM. These are listed under other expense.	▪ Contingency has increased slightly between the July and August LTFM. This remains in the other expense line.	▪ It is recommended that the contingency been split out into a non-recurrent line separate from other expense.

KPMG

Supporting analysis - PSHFT

Basis of preparation - PSHT



Basis of preparation

- PSHT has completed the standalone "assessment" 5 year LTFM, working alongside HHCT to align assumptions where appropriate, including the further alignment of assumptions following our Part 1 assessment.
- PSHT developed a "mini LTFM" workbook, which compiles information from various working papers into the categories required to populate the LTFM, but in a format which is easier to read and work with than the LTFM. The LTFM is directly linked to the mini LTFM.
- At Part 1, we noted that the LTFM is linked to two different versions of the APR and the Month 2 template and we recommended that such links point to a single version. While linking in workings to the LTFM is normal practice, we recommend that all external links are removed prior to final submission.
- PSHT has advanced and consolidated a number of working papers since our last review. We continue to recommend that this process continues towards NHSI submission, including removal of the external links and tidy up within the LTFM.
- Activity has been based on the 2016/17 baseline activity from the trust's APR, with growth assumptions aligned with the recently developed Sustainability and Transformation Plan ('STP') for Cambridge and Peterborough CCG ('C&P CCG') thereafter.

Basis of preparation (cont.)

- The LTFM is still not supported by workforce projections or detailed CIP analyses beyond the outturn year, but we understand that PSHT now plan to focus on these areas in the run up to FBC.
- We recommend that the LTFM is continued to be updated for current trading prior to final submission, including reflecting the impact of any reforecast of the 2016/17 position.
- On the following page we have highlighted specific observations around the LTFM set up and modelling approach, including areas which are outstanding for our Part 2 assessment and recommendations for changes to approach.

Approach to consolidating into transaction LTFM

- We note that the approach to constructing the transaction LTFM has been carried out within an extremely short timespan (approximately one week).
- Whilst the work to make the two standalone LTFMs as consistent as possible has likely simplified the process, we would typically expect the transaction LTFM to take much longer and the modelling team should continue to refine the transaction LTFM in the coming weeks as the FBC is further developed.

LTFM set up and modelling observations

As part of our work we have made a number of observations around the overall set up and modelling approach of the LTFM template at PSHFT. Whilst we recognise that the LTFM version we initially reviewed as part of our assessments was very much a work in progress, and where possible we have provided feedback on these areas during the course of our work, the findings from our initial assessment and our update against these are summarised below:

Area	Comments - July	Priority - July	Comments - August	Priority - August
Outstanding elements of the LTFM	We identified a number of areas of the LTFM which had yet to be completed in the version we were provided with to assess, which we recommend are completed as a priority: — The inclusion of the Market Forces Factor (split out from tariff-driven income) in the appropriate income sections. — The Checklist tab should be completed. — The LTFM includes no normalisation adjustments in the 'I_NE' tab. The trust should consider whether there are one-off or non-recurrent items of income or expenditure that it should include here. For example, it is likely that the S&T funding in 2016/17 would be considered as non-recurrent income. — Historical income and activity numbers are consolidated into a single line. We recommend that this is analysed out into the same categories as future years so that comparisons can be drawn from actuals to projections.	H	We have identified some of the changes that the trust has made to the model as per our recommendations. The changes identified are: — The inclusion of the Market Forces Factor has now been included as a separate line within the base income worksheet. — The Checklist tab has also been completed in the August LTFM following the recommendation made in July. — The LTFM includes normalised expenditure in the 'I_NE' worksheet as per the previous recommendation. — Historical income and activity numbers have been analysed into the same categories as future years to compare actuals to projections.	N/a
External links and reference errors	The LTFM links to 21 external Excel files. We recommend that these links are reviewed to remove duplicates and reduce the likelihood of referencing errors. All external links should be removed prior to submitting the LTFM for assessment by NHSI. In addition, we recommend that the number of working papers is consolidated to enable simpler updating and increase the level of version control.	H	There has been significant work carried out since the last review in reducing the number of linked workbooks. However given the short timescale of the project the work has not yet been completed. We recommend that this process continues towards NHSI submission, including removal of the external links and tidy up within the LTFM.	L
Reconciliation errors	The balance sheet in 2016/17 does not balance and the difference of £108k persists in subsequent years in the LTFM. We note that the monthly phased balance sheets do not show this error and that the difference appears to arise from the cash and loan balances. We recommend this is addressed as a priority.	L	Since the previous review of the July LTFM the balance sheet difference of £108k has now been resolved.	N/a

LTFM set up and modelling observations (cont)

Area	Comments - July	Priority - July	Comments - August	Priority - August
Cost Improvement Plans (CIPs)	PSHFT has included 2016/17 CIPs within the baseline financial position. In our experience NHSI will require this to be analysed in a consistent way to subsequent years in the LTFM. We therefore recommend that this is extracted from the baseline and included in the 'I_CIP' worksheet. We recommend any income CIPs are included in the 'memo' section on the 'I_CIP–summary' inputs so that they are correctly identified on the analysis performed in the 'C_CIP' tab.	M	PSHFT has since the last review removed the 2016/17 CIPs from the baseline financial position. These are now showing as a separate line item.	N/a
Workforce	The staff numbers presented in the 'I_Cost (Base)' tab are calculated from movements in the projected staff costs (driven by activity and CIP impacts). We recommend that the Trust develops a quantified workforce plan which reflects the staff numbers included in the LTFM. There are significant movements (both upwards and downwards) under several agency staff categories between 2015/16 and 2016/17. The Trust should ensure these are supported by relevant plans and analysis.	H	At present there is no workforce model for PSHFT. It is recommended that a workforce model be developed in order to aid PSHFT in understanding their future workforce requirements.	H
Income	The Trust received £18.3m of income in 2015/16 from the UnitingCare Partnership joint venture. This is included under a single line as "non-protected/non-mandatory revenue", whereas it relates to non-elective activity. We recommend that this is reallocated into the relevant non-elective categories to allow for trend analysis between historical and projected periods.	L	£18.3m received in 2015/16 from the UnitingCare Partnership joint venture has been now removed from the "non-protected/non-mandatory revenue" category. This has been re-categorised into non-elective income following the recommendation in July. This allows greater trend analysis.	N/a

Reconciliation of input data - PSHT

Reconciliation of SOCI inputs						
£m	Audited accounts	APR	LTFM - August		Variance	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Income						
Clinical	230.7	254.9	230.7	241.6	0.0	-13.3
Non-clinical	30.4	29.5	30.1	42.8	-0.3	13.3
Total income	**261**	**284.4**	**260.8**	**284.4**	**-0.3**	**0.0**
Expenditure						
Pay	-170.8	-174.6	-171.0	-174.6	-0.2	0.0
Non-pay	-78.9	-79.6	-80.0	-80.9	-1.1	-1.3
PFI / LIFT	-21.2	-20.7	-19.4	-20.7	1.8	0.0
Total expenditure	**-270.8**	**-274.9**	**-270.4**	**-276.2**	**0.4**	**-1.3**
EBITDA	**-9.8**	**9.5**	**-9.6**	**8.2**	**0.2**	**-1.3**
EBITDA margin %	-4%	3%	-4%	3%	0%	0%
Other operating expenses	-13.5	-15	-13.5	-13.7	0.0	1.3
Loss on disposal	-0.1	0	-0.1	0.0	0.0	0.0
Non-operating expenses	-13.8	-14.6	-13.8	-14.7	0.0	-0.1
Surplus/(deficit)	**-37.1**	**-20.2**	**-37.0**	**-20.2**	**0.1**	**0.0**

Reclassification of S&T funding and penalties

Reclassified restructuring costs

Source: Management Information: PSHT LTFM, PSHFT APR

- The table above shows a reconciliation of the LTFM outputs to the PSHT 2015/16 audited accounts and the 2016/17 Annual Plan Return ('APR').
- We have identified a number of differences in classification in both years. We have commented on the differences in the outturn year above. For 2015/16, we recommend that the Trust prepares a working paper to explain the differences for the purposes of the formal transaction review.
- We recommend that the LTFM is updated to the latest available forecast position on an ongoing basis to ensure that the LTFM reflects the latest available current and forecast financial position.
- The forecast balance sheet as at 31 March 2017 will need to be checked back to any reforecast balance sheet in PSHT's management accounts when available. Currently the LTFM functionality and cash modelling results in differences which therefore needs to be revisited when complete.
- As part of our work to reconcile the input data we held a conversation with Cambridge and Peterborough CCG. The CCG confirmed that the STP growth assumptions were he most appropriate and up to date growth rates to use. We understand that the STP activity workings form the basis of the activity growth rates assumed in the PSHT LTFM.

Mapping of LTFM July to LTFM August

Movement of financials since July LTFM - PSHFT																		
	LTFM - July						LTFM - August						Difference					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Income																		
Clinical	241.6	248.3	254.3	260.5	269.3	278.4	241.6	247.5	253.4	259.6	268	276.6	0	-0.8	-0.9	-0.9	-1.3	-1.8
Non-clinical	42.8	29.8	30.2	30.6	31	31.4	42.8	29.7	30	30.2	30.6	30.9	0	-0.1	-0.2	-0.4	-0.4	-0.5
	284.4	**278.1**	**284.5**	**291.1**	**300.3**	**309.8**	**284.4**	**277.2**	**283.4**	**289.9**	**298.5**	**307.5**	**0**	**-0.9**	**-1.1**	**-1.2**	**-1.8**	**-2.3**
Expenditure													0	0	0	0	0	0
Pay	-174.6	-171.8	-173.5	-175.2	-179.3	-183.4	-174.6	-171.3	-172.7	-174.1	-177.7	-181.3	0	0.5	0.8	1.1	1.6	2.1
Non-pay	-80.9	-85	-88.4	-92.9	-97.6	-102.4	-80.9	-84.5	-87.5	-91.6	-95.7	-99.9	0	0.5	0.9	1.3	1.9	2.5
PFI / LIFT	-20.7	-21.1	-21.5	-21.9	-22.4	-22.9	-20.7	-21.1	-21.5	-21.9	-22.4	-22.9	0	0	0	0	0	0
Total expenditure	**-276.3**	**-277.9**	**-283.4**	**-290**	**-299.2**	**-308.7**	**-276.2**	**-276.9**	**-281.7**	**-287.6**	**-295.9**	**-304.2**	**0.1**	**1**	**1.7**	**2.4**	**3.3**	**4.5**
EBITDA	**8.2**	**0.2**	**1.1**	**1**	**1**	**1.1**	**8.2**	**0.3**	**1.7**	**2.3**	**2.7**	**3.3**	**0**	**0.1**	**0.6**	**1.3**	**1.7**	**2.2**
EBITDA margin %	2.87%	0.08%	0.40%	0.36%	0.34%	0.36%	2.87%	0.12%	0.60%	0.78%	0.90%	1.07%	0	0	0	0	0	0
Other operating expenses	-13.7	-14.1	-14.3	-14.7	-14.7	-14.8	-13.7	-14.1	-14.3	-14.7	-14.7	-14.8	0	0	0	0	0	0
Non-operating income	-	-	-	-	-													
Non-operating expenses	-14.7	-15.4	-16.1	-17.4	-18.2	-19.1	-14.7	-15.4	-16.1	-17.4	-18.3	-19.2	0	0	0	0	-0.1	-0.1
Surplus/(deficit)	-20.2	-30.2	-29.3	-31	-32	-32.8	-20.2	-30.1	-28.7	-29.8	-30.3	-30.7	0	0.1	0.6	1.2	1.7	2.1

Source: Management Information: PSHT LTFM

- There have been a number of key changes which have been made between the July and August LTFMs. A number of these have been done based on prior recommendations following review of the July LTFM. A full bridge of the SOCI between the July and August LTFMs has been produced overleaf. However, the high level changes are as follows:
  - **Income** – the inclusion of QIPP in the August LTFM where previously this was not included.
  - **Pay expenditure** – the movement relates to the impact of QIPP reducing the forecast activity and thus pay expenditure has dropped as a result of marginal cost assumptions.
  - **Non-pay expenditure** – the movement reflects the impact of changes for the inclusion of QIPP for marginal non-pay expenditure.

July to August LTFM Bridge

Reference	Bridge (+ve = improvement)	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Surplus July		**-30.2**	**-29.3**	**-31.0**	**-32.0**	**-32.8**
1	Changes in base case income following inclusion of QIPP	-1.5	-2.3	-3.1	-4.3	-5.6
2	Increased drugs income from pass through drugs	0.7	1.4	2.3	3.0	3.8
3	Reduction in Inflation assumption for Education and Training.	-0.1	-0.2	-0.4	-0.4	-0.5
4	Activity related cost reduction based on marginal cost of reduced income.	1.0	1.7	2.4	3.4	4.5
Net Surplus August		**-30.1**	**-28.7**	**-29.8**	**-30.3**	**-30.7**
MEMO	Reclassification of CIP from baseline	1.2	1.4	1.4	1.3	1.3

Source: Management Information: PSHT LTFM; KPMG analysis

Overview

- The following adjustments have been made for changes in key assumptions between the July 2016 LTFM and the August 2016 LTFM:
  1. The inclusion of the QIPP assumption gives PSHT a consistent approach with that of HHCT. There is a drop in income driven by the inclusion of the QIPP reducing the level of activity.
  2. An adjustment in treatment for pass through drugs has led to an increase in income compounded year on year by inflation.
  3. There has been a reduction in the inflation assumption built into the E&T funding. The change was agreed following discussions with HHCT to take a consistent approach.
  4. With the inclusion of QIPP there has been a drop in the forecast expenditure across pay and non-pay, based upon marginal cost.

  MEMO. Identification of the marginal cost saving on additional income as CIP, based on July review recommendation. There is no impact on the base line expenditure from this reclassification.

Financial overview - PSHFT SOCI

SOCI overview - PSHFT								
£m	FY16 Actual	FY17 Outturn	FY18 Forecast	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY16-FY21 CAGR
Income								
Tariff income	215.7	239.4	245.2	251.0	257.0	265.2	273.6	
Other clinical income from mandatory services	13.5	1.6	1.7	1.8	1.9	2	2.2	-31.50%
Total NHS clinical Income	229.3	241	246.8	252.7	258.9	267.2	275.8	3.10%
Private patient revenue	0.5	0.7	0.7	0.7	0.7	0.8	0.8	6.90%
Other non protected revenue	0.9	-	-	-	-	-	-	-100.00%
Other Operating revenue	30.1	42.8	29.7	30	30.2	30.6	30.9	0.30%
Total Income	**260.8**	**284.4**	**277.2**	**283.4**	**289.9**	**298.5**	**307.5**	**2.70%**
Expenses								
Employee benefit expenses	-171	-174.6	-171.3	-172.7	-174.1	-177.7	-181.3	0.80%
Drug expenses	-28.1	-18	-18.7	-19.4	-20.1	-20.8	-21.6	-5.80%
Clinical supplies and services expenses	-25.9	-25.1	-25.3	-25.8	-26.2	-26.6	-27.1	0.60%
Other expenses	-45.5	-58.5	-61.5	-63.9	-67.2	-70.7	-74.2	9.20%
Total Expenses	**-270.5**	**-276.2**	**-276.9**	**-281.7**	**-287.6**	**-295.9**	**-304.2**	**1.80%**
EBITDA	**-9.7**	**8.2**	**0.3**	**1.7**	**2.3**	**2.7**	**3.3**	
Non-operating items								
Gain/(loss) on asset disposals	-0.07	-	-	-	-	-	-	-100.00%
Net interest expense	-13.8	-14.7	-15.4	-16.1	-17.4	-18.3	-19.2	5.80%
Depreciation and Amortisation	-13.5	-13.7	-14.1	-14.3	-14.7	-14.7	-14.8	1.80%
PDC Dividend	-	-	-0.9	-	-	-	-	
Impairment of fixed assets	-0.1	-	-	-	-	-	-	-100.00%
Net deficit	**-37.1**	**-20.2**	**-30.1**	**-28.7**	**-29.8**	**-30.3**	**-30.7**	**-3.90%**
KPIs								
EBITDA margin	-3.70%	2.90%	0.10%	0.60%	0.80%	0.90%	1.10%	
Net margin	-14.20%	-7.10%	-10.80%	-10.10%	-10.30%	-10.20%	-10.00%	-6.50%

Source: Management Information: PSHT LTFM

Activity increases are assumed at between 3.5% and 4.1% across non-elective, elective admissions and outpatient and A&E attendances. PSHFT has assumed that the CCG's QIPP schemes will not achieve any reduction in activity.

£13m one-off STF income in FY17 which flows through to EBITDA in this year.

PSHFT has assumed significant CIPs in FY18, which more than offsets the staff requirement needed to deliver the growth in activity.

Interest expense continues to rise steadily due to additional deficit loan funding required each year throughout the projected period.

The significant increase in EBITDA margin in FY17 is driven by a high CIP target in along with STF funding.

Financial overview - PSHFT SOFP

SOFP overview - PSHFT £m	31-Mar-16 Actual	31-Mar-17 Outturn	31-Mar-18 Forecast	31-Mar-19 Forecast	31-Mar-20 Forecast	31-Mar-21 Forecast	31-Mar-22 Forecast	FY16-FY21 CAGR
Non-current assets								
PPE, intangibles & other	424	431	429.1	425	430.5	426.4	422.6	
Current assets								
Inventories	3.6	3.5	3.5	3.5	3.5	3.5	3.5	-0.50%
NHS trade receivables	11.6	13.1	13.1	13.1	12.9	13.4	13.8	2.80%
Non-NHS trade receivables	-	-	-	-	-	-	-	
Other assets	14.4	15.4	15.4	15.4	15.4	15.4	15.4	1.40%
Cash	1	20.1	2.1	3.5	4.8	7.5	10.6	51.00%
Total current assets	**30.6**	**52.1**	**34.1**	**35.5**	**36.7**	**39.8**	**43.3**	**0.1**
Total assets	**454.6**	**483.2**	**463.2**	**460.5**	**467.2**	**466.2**	**465.9**	**0.50%**
Current liabilities								
Trade Payables, Current	-31.7	-31	-31	-31	-31.5	-32.8	-34.1	0.70%
Other Payables, Current	-	-11.8	-11.8	-11.8	-11.8	-11.8	-11.8	
Capital Payables, Current	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	0.00%
Accruals, Current	-	-	-	-	-	-	-	
Other liabilities	-12.6	-12.3	-26.5	-14.4	-12.3	-12.3	-2.4	-0.50%
Total current liabilities	**-54.2**	**-65**	**-79.2**	**-67.1**	**-65.5**	**-66.8**	**-58.2**	**4.30%**
Non-current liabilities								
PFI liability	-347.2	-337.7	-328.2	-318.7	-309.2	-299.8	-299.8	
Loans	-18.3	-46.8	-52.3	-99.9	-147.5	-185	-224	
Other liabilities	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	
Total liabilities	**-367.8**	**-386.8**	**-382.7**	**-420.8**	**-458.9**	**-487**	**-526**	
Net assets/(liabilities)	32.6	31.4	1.3	-27.4	-57.2	-87.6	-118.3	
Taxpayer's equity								
Public dividend capital	264.2	283.2	283.2	283.2	283.2	283.2	283.2	1.40%
Accumulated loss	-326.9	-347.1	-377.2	-405.9	-435.7	-466.1	-496.8	7.40%
Revaluation reserve	95.3	95.3	95.3	95.3	95.3	95.3	95.3	0.00%
Total taxpayers' equity	**32.6**	**31.4**	**1.3**	**-27.4**	**-57.2**	**-87.6**	**-118.3**	**-221.90%**
KPIs								
NHS trade receivables days	18.2	19.6	19.1	18.7	18	18	18	-0.30%
Trade payables days	114.9	110	105.8	102.5	100	100	100	-2.70%

Following the investment in radiotherapy, MRI, UPS and PAS in FY17, the only non-maintenance capital expenditure is a £2.1m additional investment in PAS in FY18 and the £8.8m cost to convert the 4th floor into wards.

The LTFM calculates working capital movements using different method from year 4 (FY20). The impact is a net cash inflow which appears not to reflect the intended output. This line has now been addressed to reflect historic trend

Deficit funding are assumed to be received as ITFF loans instead of PDC.

Trade payables days have been recalculated following review of the July LTFM. These are now in line with historic trend

Prior to this period trade creditor days appear to be extremely high, well outside of BPPC guidance

Source: Management Information: PSHT LTFM

Key assumptions - PSHFT

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
Sustainability and Transformation Funding ('STF')	■ PSHFT has assumed that £10.8 million of STF will be received in 2016/17 along with a further £2.5 million in penalties. ■ No further STF has been included in the LTFM.	■ We understand that STF has not been included in the LTFM from 2021 on the understanding that the funding may go directly to CCGs with no direct impact on PSHFT revenue. The guidance indicates that funding will be provided from FY21 onwards, however it is unclear whether this flow directly to providers or commissioners.	■ Following discussions with HHCT, STF funding for FY21 and FY22 is not included in both standalone LTFMs and so SHFT and HHCT assumptions now align.
Cost inflation	■ Cost inflation has been assumed to be in line with NHSI guidance for FY18 to FY21. ■ Cost inflation has been included for the outturn year. ■ There are no published final year (FY22) assumed to be the same as the prior year.	■ We have identified that the FY17 to FY21 cost inflation assumptions are in line with NHSI guidance. ■ Cost inflation should not normally be included for the outturn year, as the outturn year is based on the trust's operational plan. We note that this has no impact on the output of the LTFM, but we recommend that it is removed for clarity.	■ Cost inflation for the outturn year has now been removed as per the recommendation in July. ■ The remainder of the cost inflation assumptions remain in line with NHSI guidance.
Tariff inflation	■ NHSI guidance suggests (2%) tariff deflation for the period 2016/17 to 2020/21, however the PSHFT LTFM has assumed the following: - 2016/17 – 1.8% - 2017/18 – 0.3% inflation - 2018/19 – 0% - 2019/20 – 0% - 2020/21 – 0.9% inflation - 2021/22 – 0.9% inflation	■ Tariff inflation should not normally be included for the outturn year, as the outturn year is based on the trust's operational plan. ■ We understand that PSHFT sought guidance from NHSI around that application of the tariff deflator guidance, and they advised that the tariff deflation should be net of "Overall" cost inflation. The figures assumed match this assumption, but we have not verified this treatment with NHSI.	■ Tariff inflation for the outturn year has now been removed as per the recommendation in July. The remainder of the tariff inflation assumptions remain unchanged. ■ There is a difference in non-protected, non-mandatory clinical income inflation assumption with PSHT. We recommend that HHCT and PSHT should seek to align these assumptions. ■ We identified a difference in Education and Training inflation assumptions between HHCT and PSHT, but we understand these are now aligned between both organisations. ■ There is a small difference in assumptions between HHCT and PSHT with respect to Capex inflation for the year FY18. We recommend that HHCT and PSHT seek to align these assumptions.

Key assumptions – PSHFT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
Activity growth	▪ Weighted average activity growth excludes QIPP and is included at the following rates: - Elective: 3.5% - Non-elective: 4.1% - Outpatients: 3.3% - A&E: 3.5% ▪ The marginal cost growth assumption is assumed at 56% and a working has been provided to demonstrate this.	▪ We understand that QIPP has been excluded from the activity projections because of the Board's concern at the lack of detail available from the CCG on QIPP plans. ▪ In the course of our work we confirmed with Cambridge and Peterborough CCG that the activity inflation used as the input for working was in line with their 2016/17 commissioning intentions, and that the 2017/18 onwards activity growth assumptions were in line with their most up to date forecasts. ▪ Separately we assessed that the activity growth in the underlying LTFM workings was driven based on these assumptions, which also align to the Cambridgeshire and Peterborough footprint STP.	▪ Following the recommendations in July and alignment of assumptions with HHCT, PSHFT have included the assumption that Cambridge and Peterborough CCG will achieve QIPP.
CIPs	▪ No CIPs modelled for the outturn year, as they are built into the baseline. ▪ Employee costs: 4.8% in 2017/18, 2.0% thereafter ▪ Drug expenses: 2.0% each year ▪ Clinical supplies and services: 2.0% each year ▪ Other expenses: 1.4% each year	▪ The Trust has assumed a significant CIP achievement for 2016/17 and 2017/18. We recommend that 2016/17 CIPs are removed from the baseline and allocated out to relevant cost categories in line with subsequent years. This enables the LTFM to calculate total CIP target for this year. ▪ The 2017/18 CIP target of 2% efficiency plus £5m is 3.8% of the cost base. This is relatively high and the we recommend the Trust has robust plans and analysis to be able to justify this. ▪ PSHFT has modelled CIPs at 2% (equal to the assumed tariff deflator) for most categories after 2017/18. We recommend that the Trusts identifies high level themes for these years.	▪ Cost CIPs have been removed from the base line cost and included as separate CIP cost lines within the LTFM. ▪ Reclassification of £6 million of recurrent income CIP schemes have been added across the forecast period since the July LTFM, assuming PSHT's CIP delivery at 2.4/2.5% per annum. ▪ The level of recurrent CIP to be delivered year-on-year appears challenging and any risk of non-achievement should be considered as part of sensitivity analysis in the transaction LTFM for the merged Trust.

Key assumptions - PSHFT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
Income	▪ Activity-driven income (elective, non-elective, outpatient and A&E attendances) remains constant on for each unit of activity. ▪ Other clinical, non-tariff income: increases by £4.3m (14%) from 2016/17 to 2021/22	▪ We understand that the increase in other clinical, non-tariff income is driven by activity. The Trust should ensure that a description and analysis is available that supports this.	▪ Activity-driven income (elective, non-elective, outpatient and A&E attendances) remains constant on for each unit of activity and therefore is unchanged from July. ▪ We recommend that the Trust should ensure that a description and analysis is available that supports this.
Capital expenditure	▪ Capital expenditure for historical periods has not been populated. ▪ Projected capital expenditure for 2018/19 to 2021/22 *excluding the 4th floor conversion in 2019/20) is significantly less than in previous years.	▪ The Trust should ensure it is able to justify a reduced level of capital expenditure.	▪ Capital expenditure for historical period is now added. ▪ Projected capital expenditure for 2018/19 to 2021/22 *excluding the 4th floor conversion in 2019/20) is significantly less than in previous years. ▪ The Trust should ensure it is able to justify a reduced level of capital expenditure.
Working capital	▪ Trade payables days are assumed at over 100 days. ▪ Movements in the trade payables balance creates cash inflows of £0.9m in 2019/20, £1.4m in 2020/21 and £1.5m in 2021/22. ▪ Movements in the trade receivables balance creates cash outflows of £0.4m in 2020/21 and £0.5m in 2021/22.	▪ The assumed trade payables days should be aligned to the historical payment period unless the Trust intends to make changes in this area. ▪ As the LTFM calculated the payables and receivables balances in different way from 2019/20, we recommend that the Trust adjusts the inputs to the model so that the output of the model is consistent with expected payables and receivables periods.	▪ The Trust's payable and receivable days in the August LTFM now broadly align with previous historical payment periods.
PDC and loans	▪ The Trust has calculated the required deficit funding by initially populating the LTFM without such funding, then adding the loan value required to bring the year end cash balance up to £2m.	▪ The Trust should ensure that the LTFM reflects sufficient loans to cover intra-year and intra-month cash requirements.	▪ The LTFM shows that in all but the outturn year the trust expects to have a cash surplus position. A repayment of loans in FY19 demonstrates that PSHFT have factored in repayments of loans.

Key assumptions - PSHFT (cont.)

Area	Description	KPMG Comment and Recommendation - July	KPMG Comment and Recommendation - August
PFI	▪ The PFI section of the LTFM is linked to two different versions of the APR as well as a separate PFI workings document.	▪ The PFI inputs for the LTFM should be driven by a single integrated PFI working document.	▪ The PFI calculations in the August LTFM now link to a separate memo worksheet within the LTFM. It is recommended that a fully worked PFI model detailing the breakdown of the memo be created.
PDC dividend	▪ The projections suggest that PSHFT will temporarily move into a net asset position for 2017/18 only and will therefore be liable to pay a PDC dividend in that year. ▪ The PDC interest rate has been input at 0.2%.	▪ We understand that the Trust has calculated the PDC outside of the LTFM to compensate for a simplification of the calculation within the LTFM. The Trust should ensure it has the analysis to demonstrate this to NHSI for the formal transaction review.	▪ The PDC dividend is zero across the forecast period given changes to the Trust's asset position. ▪ We recommend that this is re-assessed as part of preparation of the transaction LTFM.
Normalisation adjustments	▪ No non-recurrent items have been identified in addition to the automated schedule in the LTFM	▪ We recommend that normalisation adjustment are considered further as development of the LTFM continues.	▪ There have been no additional normalised adjustments made to the current LTFM since July. ▪ It is recommended that normalised adjustments are made where appropriate.
Workforce	▪ Forecast workforce appears to be driven from financials – appears to be no underlying workings of workforce profile going forwards	▪ We recommended that more detailed workforce modelling is carried out to provide a better understanding of future workforce requirements.	▪ There is currently no workforce model for PSHFT. ▪ We continue to recommend that a workforce model is developed to allow PSHFT to plan future workforce requirements, so that it presents an integrated model for changes in workforce resulting from increased activity and the impact of CIPs.
Contingency and Property Rent Increases	▪ PSHFT have entered an element of contingency and property rent increases into their LTFM. This gives a more prudent forecast for the trust.	▪ It is recommended that agreement be reached with HHCT as to the level of this entry for the transaction LTFM.	▪ The contingency and property rent increases remains within the LTFM.

Appendices

1. **Scope of work**
2. **Sources of information**

Appendix 1 - Scope of work

Scope of work

Part 1 – Assessment of standalone LTFMs for PSFHT & HHCT

- Assessment of existing LTFMs developed by HHCT & PSHFT teams, and review of inputs against source data.
- Assessment of appropriate model set up & use.
- Bridging to financial forecasts undertaken for OBC
- Incorporation of the latest balance sheet forecasts
- PFI specific modelling (I&E, balance sheet, phasing of working capital)
- Population of standalone assumptions (inflation, activity growth, service developments, pay and other cost inflation, CIP requirements, contingencies, cost pressures, the efficiency requirements)
- Cashflow and working capital forecasts
- Capital expenditure forecasts
- Workforce

Part 2 – Assessment of standalone LTFMs for PSFHT & HHCT

1. Assess progress against KPMG recommendations from Part 1 and revised assumptions for the standalone LTFMs for HHCT and PSHFT
   a) Assess and comment on progress against the KPMG recommendations made in Part 1.
   b) Assess and comment on the application of revised assumptions to the HHCT LTFM.
   c) Assess and comment on the application of revised assumptions to the PSHFT LTFM.
2. Summarise and comment on a bridge of the HHCT financials and the PSHFT financials in the latest LTFMs to the respective LTFMs in Part 1.

Appendix 2 - Sources of information

PSHFT	HHCT
Long Term Financial Model	Long Term Financial Model
PSHFT Forward Plan Financial Return (IFRS) Final - Plan for YE March 2017	2015/16 Financial Monitoring and Accounts
PSHFT Trust Annual Plan FY17	2016/17 Financial Monitoring (Full plan)
Board Reports FY15-FY17	STP Provider workings
Capital Programme for APR	CIP Tracker 2016/17-2017/18
CIPs 2013/14-2015/16	SEP outlying presentation
STP Provider workings	Activity workings
Mini LTFM summary	CIP 3 year opportunities
PFI workings	SEP high level financial forecasts
FBC to OBC reconciliation	Loan workings
Other underlying working papers