

Board of Directors - Public

SUMMARY

Meeting Date: 25 May 2022

Agenda Item: 12

Report Title:	Financial Performance Report – for the period ending 31 March 2022	
Author(s):	Matt White, Deputy Director of Finance	
Accountable Director:	Phillip Easthope, Executive Director of Finance, IMST & Performance	
Other Meetings presented to or previously agreed at:	Committee/Group:	Finance & Performance Committee
	Date:	12 May 2022
Key Points recommendations to or previously agreed at:	Routine reporting of financial performance. Currently no major risks or concerns other than the continued need to identify CIPs. Non-recurrent underspends to date driven by reduced Covid-19 Costs and delays in recruitment linked to MHIS investment and expansion.	

Summary of key points in report

Summary at March 2022:

- The Organisation wide surplus of £1.8m at the end of M12 (Mar 22), £2.2m favourable to plan. This is a £1.1m adverse movement on M11's underspend of £2.9m. The large movement is largely due to technical adjustments not originally in the forecast such as Gift of Time and other provisions.
- The position has moved favourably from £1.3m surplus that was reported in early draft documents. This is primarily due to a £443k gain on Local Authority pensions.
- MHIS spend rates continue to increase marginally each month. The total spend in 21-22 was £3.3m against an investment of £5.7m. Assuming current staff in post values the forecast spend in 23-24 will be £4.5m. This suggests there remains approximately £1.2m vacancies associated with MHIS funds.
- Covid underspend is £4.7m as expected. This is marginally lower than the forecast underspend of £4.8m.
- Agency and Out of Area Costs remain high risk. Total spend for the year on these areas is £15m which equates to 11% of the total organisational spend.
- Capital spend increased significantly in M12 and resulted in £8.2m being spent in 21-22 which is in line with the Organisations CDEL expectations.
- The Figures reported are pre-audit and while no adjustments are anticipated this should be noted.

The summary financial plan 2022/23 is contained at slide 12. This provides the basis of the plan considered and approved by the Board of Directors at their workshop on 27th April 2022.

Recommendation for the Board/Committee to consider:						
Consider for Action		Approval		Assurance	x	Information
<p>The committee is asked to acknowledge that while 2021/22 CIP has been delivered non-recurrently due to overall underspend position, recurrent CIP delivery has been a significant challenge. There has been appropriate escalation in the conversation among the Executive, with a revised programme board approach being put in place. Pat Keeling will lead this process as SRO. Initial conversations and presentation with service leaders at Service Delivery Group took place on 6 April to improve ownership and accountability across the Trust and to further build on the work started by the CIP Working Group.</p> <p>Received and noted at the Finance & Performance Committee meeting held on 12 May 2022.</p> <p>Receive and formally approve the planned £2.7m deficit in the 2022/23 Financial Plan.</p>						

Please identify which strategic priorities will be impacted by this report:						
Covid-19 Recovering Effectively				Yes	X	No
CQC Getting Back to Good				Yes	X	No
Transformation – Changing things that will make a difference				Yes	X	No
Partnerships – working together to have a bigger impact				Yes		No X
Is this report relevant to compliance with any key standards?				State specific standard		
Care Quality Commission Fundamental Standards	Yes	X	No		Regulation 17: Good Governance Regulation 13: Financial Position	
Data Security & Protection Toolkit	Yes		No	X		
Any other specific standard	Yes		No	X		
Have these areas been considered? YES/NO				If Yes, what are the implications or the impact? If no, please explain why		
Service user and carer safety and Experience	Yes		No	X	Out of scope	
Financial (revenue & capital)	Yes	X	No		Identification of financial sustainability risks	
OD/Workforce	Yes		No	X	Out of Scope	
Equality, Diversity & Inclusion	Yes		No	X		
Legal	Yes		No	X	Out of Scope	

Financial Performance Report

March 2022

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Executive Summary

KPI	Annual Plan £'000	Year to Date Plan £'000	Year To Date Actual £'000
Surplus/Deficit	0	0	1,811
Covid Expenditure	6,596	6,596	1,895
Agency	5,904	5,904	5,899
Cash	62,075	62,075	58,757
Efficiency Savings	2,650	2,650	2,650
Capital	8,197	8,197	8,191
Better Payments Practice Code	99.4% by Number 99.6% by Value		

Summary at March 2022:

- The Organisation wide surplus of £1.8m at the end of M12 (Mar 22), £2.2m favourable to plan. This is a £1.1m adverse movement on M11's underspend of £2.9m. The large movement is largely due to technical adjustments not originally in the forecast such as Gift of Time and other provisions.
- MHIS spend rates continue to increase marginally each month. The total spend in 21-22 was £3.3m against an investment of £5.7m. Assuming current staff in post values the forecast spend in 23-24 will be £4.5m. This suggests there remains approximately £1.2m vacancies associated with MHIS funds.
- Covid underspend is £4.7m as expected. This is marginally lower than the forecast underspend of £4.8m.
- Agency and Out of Area Costs remain high risk. Total spend for the year on these areas is £15m which equates to 11% of the total organisational spend.
- Capital spend increased significantly in M12 and resulted in £8.2m being spent in 21-22 which is in line with the Organisations CDEL expectations.
- The Figures reported are pre-audit and while no adjustments are anticipated this should be noted.

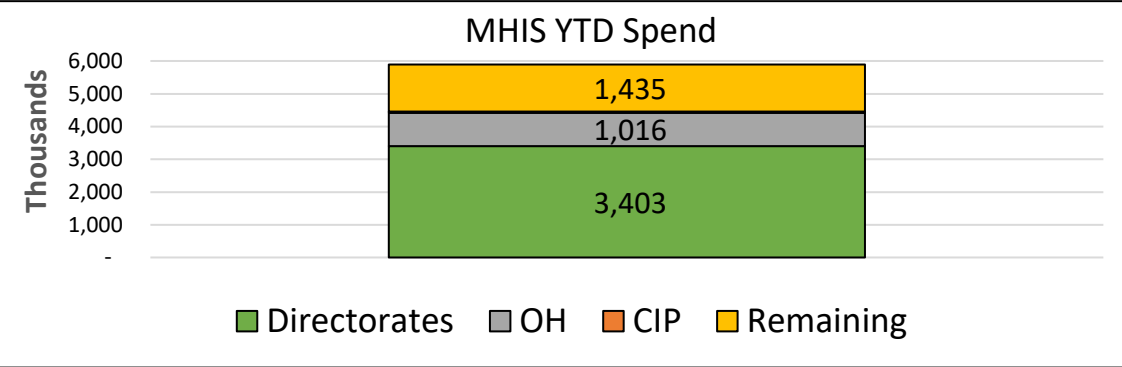
SPC Metrics	SPC Variation	SPC Target
Covid Costs	● L ●	n/a
Agency Staff £	● H ●	F
Out of Area £	● H ●	F

SPC variation	
● ● ●	Common cause
● L ●	Improvement - where low is good
● H ●	Improvement - where high is good
● L ●	Concern - where high is good
● H ●	Concern - where low is good
● ? ●	Special cause - where neither high nor low is good

SPC target	
?	Target Indicator – Pass/Fail
P	Target Indicator – Pass
F	Target Indicator – Fail

Financial Overview

MHIS Slippage



Income & Expenditure Summary

	Year to Date				Forecast			
	Plan	Actual	Variance		H2 Plan	H2 Fcast	H2 Variance	
	£000	£000	£000	%	£000	£000	£000	%
Clinical Income	125,317	130,481	5,164	4%	125,317	130,481	5,164	4%
Other Income	19,976	21,368	1,392	7%	19,976	21,368	1,392	7%
Total Income	145,293	151,849	6,556		145,293	151,849	6,556	5%
Pay	114,796	117,422	2,626	2%	114,796	117,422	2,626	2%
Non Pay	25,549	28,354	2,805	11%	25,549	28,354	2,805	11%
Total Expenditure	140,345	145,776	5,431		140,345	145,776	5,431	
Post EBITDA	6,235	5,653	(582)	(9%)	6,235	5,653	(582)	(9%)
Net Surplus / (Deficit)	(1,287)	420	1,707		(1,287)	420	1,707	
Technical Adjustments	1,287	1,391	104	8%	1,287	1,391	104	8%
Adjusted Net Surplus / (Deficit)	0	1,811	1,811		0	1,811	1,811	
KPI's								
Out of Town (OOT)	8,820	9,708	(888)	(10%)	9,563	9,708	(145)	(2%)
Agency	5,904	5,873	31	1%	7,434	5,873	1,561	21%
Covid	6,596	1,895	4,701	71%	6,596	1,895	4,701	71%
CIPs	2,650	2,650	0	0%	2,650	2,650	0	0%

See right for Directorate split

Summary at M12 March 2022:

- Operating **surplus of £1,811k** (£1.8m) at Month 12 (Month 11: £2,899k)
- Change to FOT mainly due to provision adjustments
- Increase in non-recurrent spend
- Agency and Out of Area placements remain risks to the Organisation's underlying position. See *Risks and Recovery* slide for detail.
- Low Covid spend and underspends against investments has driven Trust surplus position.
- High vacancy rate strengthening financial position. Estimated contribution for the year is £18m, partly offset by bank and agency use.
- Strong cash position (£59m)
- The Capital programme spend has met plan with an outturn of £8.2m
- The NHSI plan currently differs from the Ledger plan due to technical abnormalities employed by NHSI.
- Variance and Trust reporting is based on Ledger Plan and actual reported position.

Directorate Year To Date Position

		Trust Wide	Clinical	Corporate	GP	Medical	Central	Central
		£000	£000	£000	Surgeries	£000	Budgets	Reserves
Pay	NHSI Plan	114,796	85,130	18,026	0	10,164	693	783
	Ledger Plan	116,291	86,239	18,261	0	10,296	702	794
	Actual	117,422	85,226	17,118	7	10,646	4,947	(521)
	Var	(1,131)	1,012	1,143	(7)	(350)	(4,244)	1,315
Non Pay	Plan	25,549	14,312	13,015	0	1,796	(3,351)	(223)
	Ledger Plan	22,916	12,837	11,674	0	1,611	(3,006)	(200)
	Actual	28,354	20,054	9,922	(27)	1,379	(2,840)	(135)
	Var	(5,438)	(7,216)	1,752	27	232	(166)	(65)

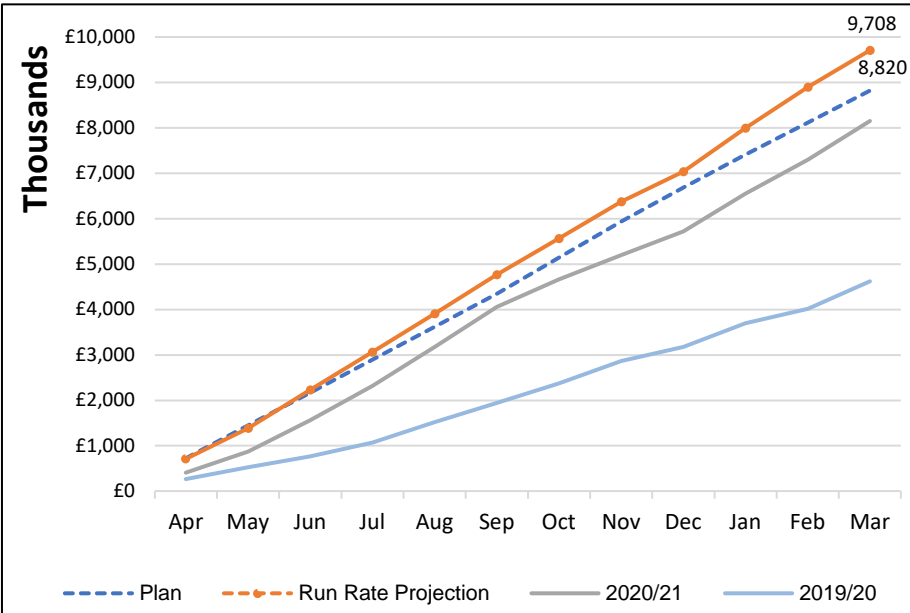
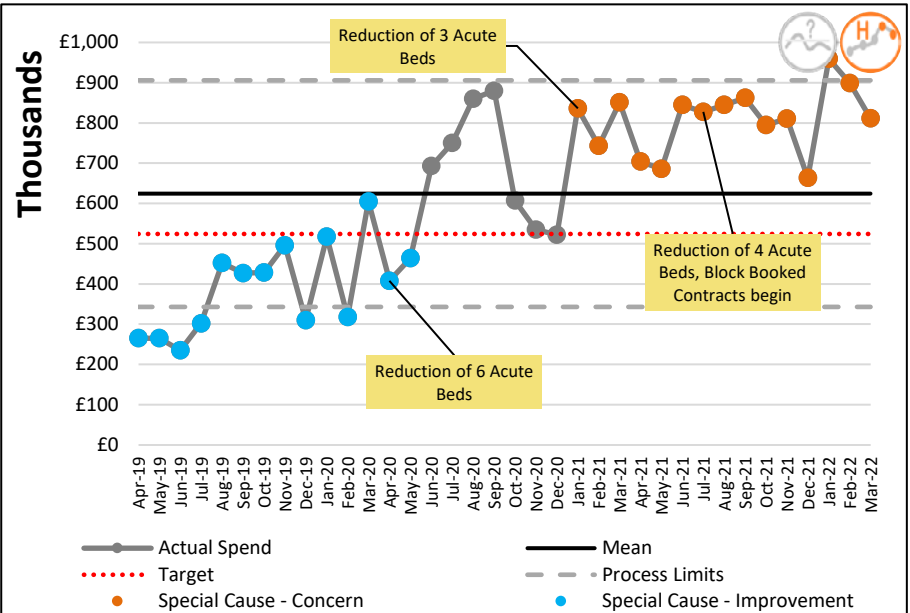
Forecast

	Prior Year £'000	Actual												Forecast		
		Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Out-turn	M12 Plan	Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income																
Income from Patient Care Activities	118,174	10,072	9,691	10,586	10,296	10,219	12,110	10,296	10,274	10,442	10,389	10,506	15,600	130,481	125,317	5,164
Other Operating Income	35,537	1,726	1,579	1,634	1,711	1,723	1,511	1,633	1,800	1,736	1,802	2,280	2,233	21,368	19,976	1,392
Total Income	153,711	11,798	11,270	12,220	12,007	11,942	13,621	11,929	12,074	12,178	12,191	12,786	17,833	151,849	145,293	6,556
Expenditure																
Substantive	105,189	7,997	8,096	8,044	7,960	8,074	9,411	8,230	8,495	8,172	8,362	8,394	8,921	100,156	100,178	(22)
Bank	6,006	662	393	581	503	586	561	503	566	576	507	505	531	6,474	6,771	(297)
Agency	4,638	389	403	503	503	593	568	538	507	346	559	499	465	5,873	7,434	(1,561)
Other (Apprenticeship Levy)	411	38	39	39	38	39	13	34	35	34	34	33	4,543	4,919	413	4,506
Total Pay	116,244	9,086	8,931	9,167	9,004	9,292	10,553	9,305	9,603	9,128	9,462	9,431	14,460	117,422	114,796	2,626
Purchase of Healthcare	8,149	710	680	845	827	845	862	795	811	664	959	899	811	9,708	9,563	145
Drugs	850	75	75	74	83	76	90	73	80	79	83	89	89	965	939	26
Other non pay	18,011	972	960	1,271	1,325	1,162	1,224	1,383	1,178	1,684	1,461	1,529	3,532	17,681	15,047	2,634
Total Non Pay	27,010	1,757	1,715	2,190	2,235	2,083	2,176	2,251	2,069	2,427	2,503	2,517	4,432	28,354	25,549	2,805
Total Expenditure	143,254	10,843	10,646	11,357	11,239	11,375	12,729	11,556	11,672	11,555	11,965	11,948	18,892	145,776	140,345	5,431
EBITDA	10,457	955	624	863	768	567	892	373	402	623	226	839	(1,059)	6,073	4,948	1,125
Post EBITDA	7,827	395	395	395	389	388	389	386	386	384	383	386	1,377	5,653	6,235	(582)
Net Surplus / (Deficit)	2,630	560	229	468	379	179	503	(13)	16	239	(157)	453	(2,436)	420	(1,287)	1,707
Technical Adjustments	35	3	3	3	3	3	3	3	3	(24)	31	3	1,357	1,391	1,287	104
Adjusted Net Surplus / (Deficit)	2,665	563	232	471	382	182	506	(10)	19	215	(126)	456	(1,079)	1,811	0	1,811

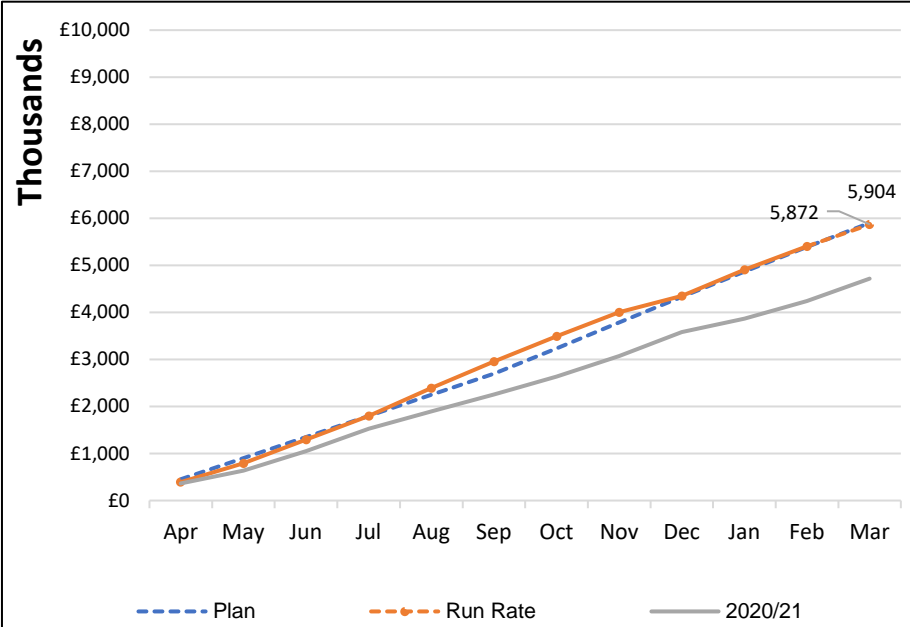
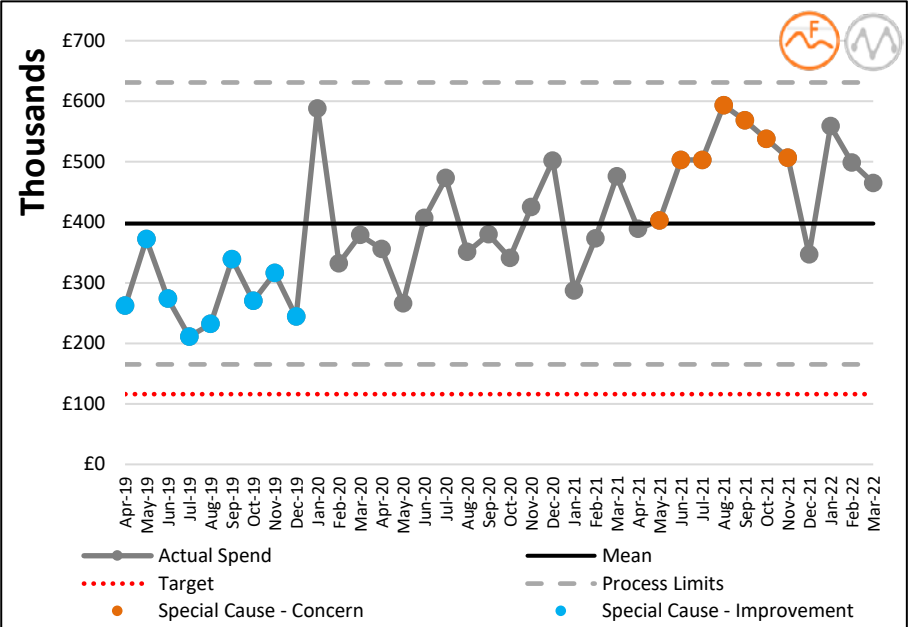
Commentary:

- The Organisational surplus at M12 of £1.8m is above revised H2 plans of £0m. This is largely driven by underspends against Covid funds and Investments.
- The non-recurrent underspends are partially offset by overspends in out of area placements and temporary staffing on in-patient wards.

Risk & Recovery | Out of Area & Agency



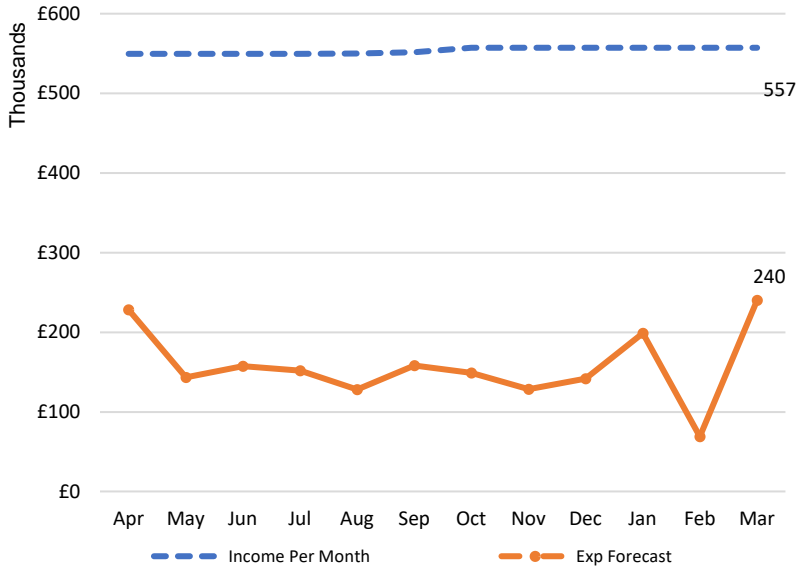
- Out of Area:**
- Full year spend of £9.7m (orange line adjacent graph).
 - Contracts for 12 Acute Beds in place. This increases the SHSC bed base by 8 beds, when offsetting closures due to estates work are accounted for.
 - Current levels expected to remain into new financial year



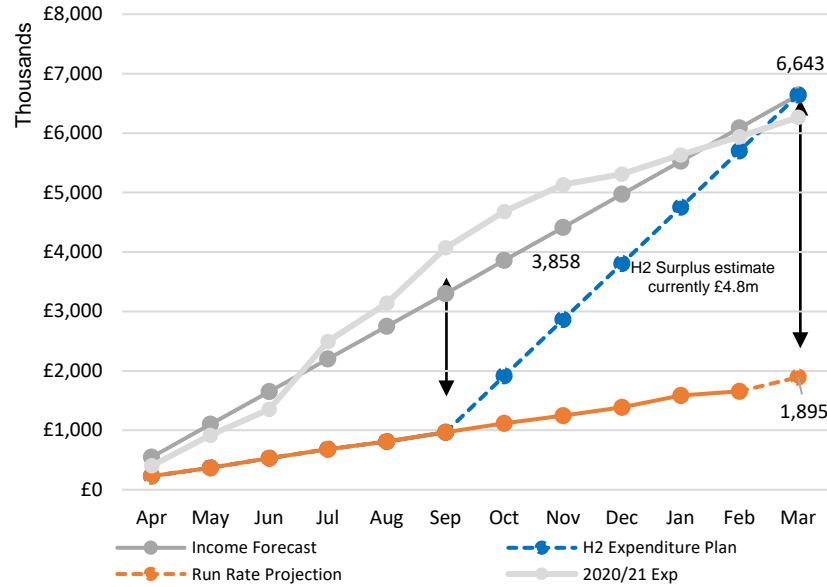
- Agency:**
- Full year spend of £5.9m (orange line adjacent graph)
 - Outturn figures in line with plan
 - While agency use has increased over the previous 12 months it should be considered that increased investments have increased vacancies and agency staff play a vital role in helping to cover these.
 - Agency use will be a key area of focus for the Trust in the new financial year as it looks for efficiency savings

Covid

2021/22 Covid Income

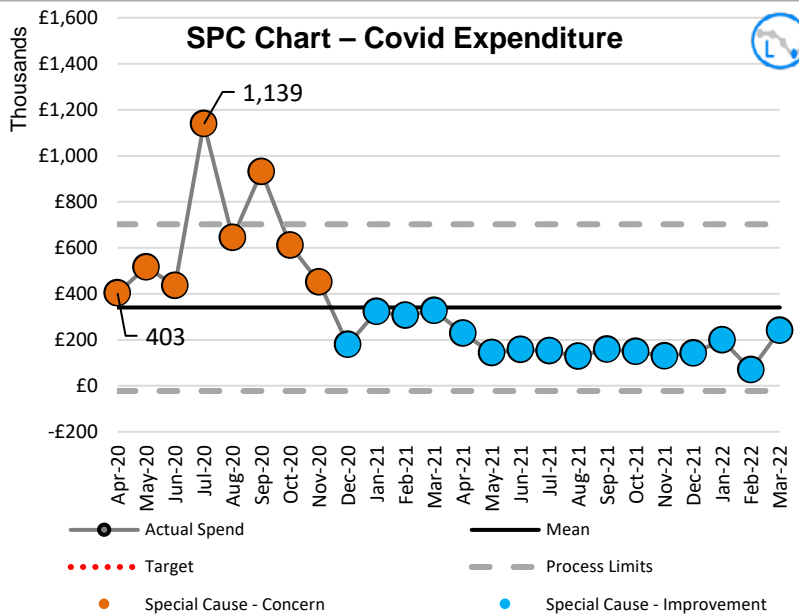


2021 Full Year Forecast

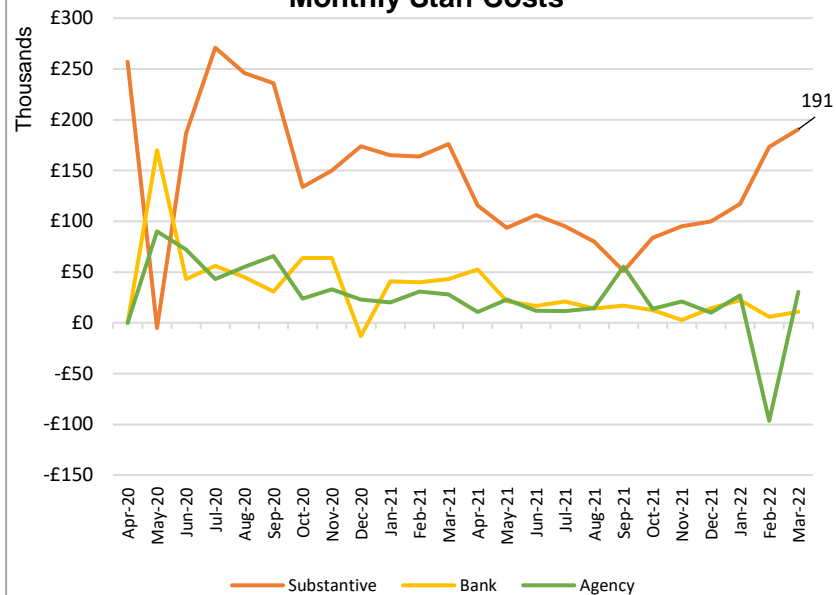


- Covid spend remains low and the M12 Surplus of £4.8m matches plan
- Covid funds available in 22/23 will be significantly reduced. While they are forecast to be adequate to cover costs there will be minimal benefits realised from underspends as seen in the current financial year.
- Majority of monthly covid spend relates to staffing overtime costs.

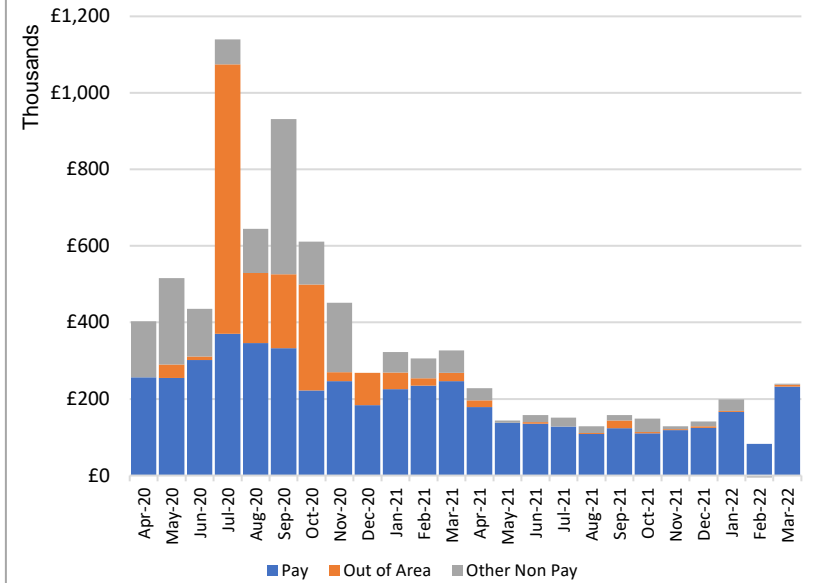
SPC Chart – Covid Expenditure



Monthly Staff Costs



Covid Expenditure Split



Cost Improvement Programme

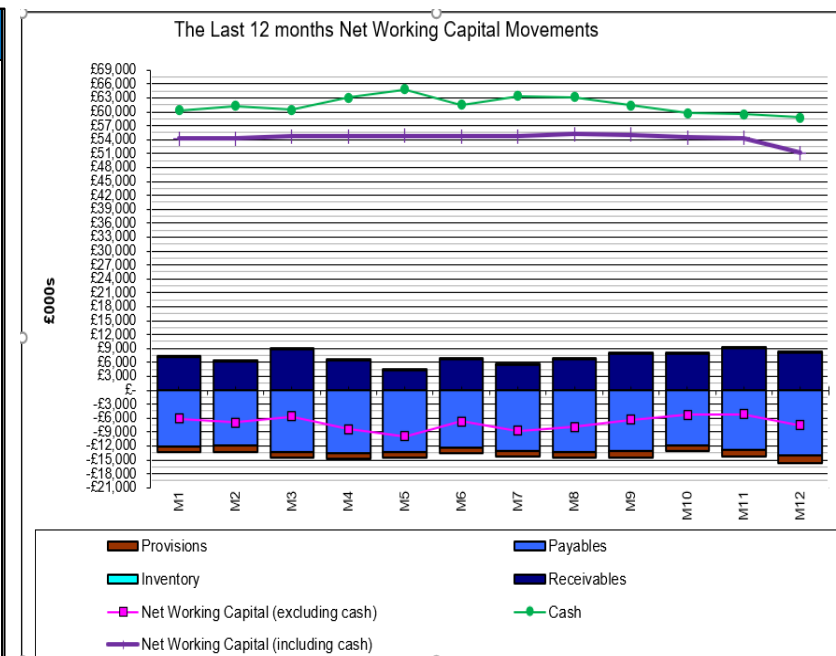
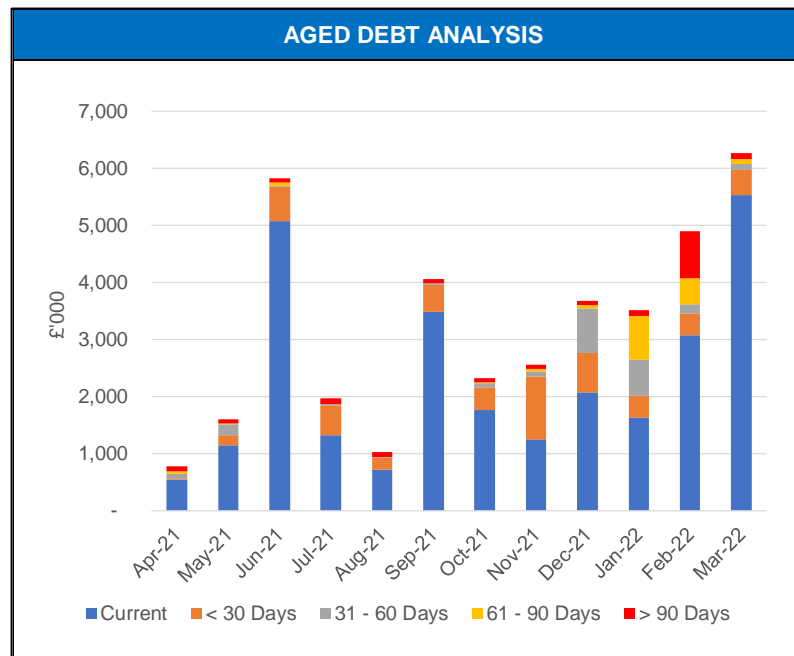
Finance Report | March 2022

Directorate	Year to Date					Forecast Outturn					Scheme Status				
	Target	Delivery			Gap to Target	Target	Delivery			Gap to Target	Unidentified	Opportunity	Plans in Progress	Plan Identified	Total
		R	NR	Total			R	NR	Total						
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Central Management	30	30		30		30	30		30				30	30	
Acute & Community Services	795	87		87	709	795	87		87	709	709		5	82	795
Rehab & Specialist Services	628	1	627	628		628	1	627	628				628	628	
Clinical Directorates	1,453	117	627	744	709	1,453	117	627	744	709	709		5	740	1,453
Medical	38	38		38		38	38		38				38	38	
Corporate Governance	23	23		23		23	23		23				23	23	
Special Projects & Facilities	136	111	26	136		136	111	26	136			27	26	83	136
Nursing & Professions	52	52		52		52	52		52				52	52	
People	49	17		17	32	49	17		17	32	32		12	5	49
Finance	86	113		113	(28)	86	113		113	(28)	(28)			113	86
Corporate	384	354	26	380	4	384	354	26	380	4	4	27	38	315	384
Reserves	813		887	887	(74)	813		1,526	1,526	(713)	(713)			1,526	813
Grand Total	2,650	471	1,540	2,011		2,650	471	2,179	2,650			27	42	2,580	2,650

- Majority of schemes delivered non-recurrently

SOFP | Statement of Financial Position

	OPENING 2021/22	ACTUAL	MOVEMENT	YEAR END PLAN
	£'000	£'000	£'000	£'000
Non-Current Assets				
Property, Plant & Equipment (PPE)	57,810	55,238	(2,572)	49,384
Intangible Assets	1,062	1,364	302	1,998
Other Non-Current Assets	4,554	16,416	11,862	4,617
Non-Current Assets Total	63,426	73,018	9,592	55,999
Current Assets				
Receivables	3,541	6,855	3,314	7,699
Cash and Cash Equivalents	62,075	58,757	(3,318)	55,741
Other Current Assets	2,876	1,233	(1,643)	105
Total Current Assets	68,492	66,845	(1,647)	63,545
Current Liabilities				
Provisions	(613)	(863)	(250)	(704)
Payables	(8,580)	(8,215)	365	(10,694)
Other Current Liabilities	(5,204)	(5,711)	(507)	(29)
Total Current Liabilities	(14,397)	(14,789)	(392)	(11,427)
Net Current Assets/ (Liabilities)	54,095	52,056	(2,039)	52,118
Total Non-Current Liabilities	(6,039)	(6,552)	(513)	(5,441)
Total Net Assets	111,482	118,522	7,040	102,676
Total Taxpayers Equity	111,482	115,376	3,894	102,676



STATEMENT OF FINANCIAL POSITION COMMENTARY

SHSC reports a positive cash position of £58.8 million to the end of March 2022. There are no working capital concerns, and the Better Payment Practice expectations are met monthly. The current ratio (current assets to current liabilities) is still 5:1, with cash contributing 88% of current assets.

The contract for the sale of Fulwood land was signed in December 2021 and £50k toward the contract was received in January 2022. Funds from the sale are expected to be reinvested in capital development and rebuilding SHSC's asset base over the next 3 years.

Liabilities present no concerns.

HIGHLIGHTS FOR THE REMAINDER OF THE YEAR

Debt remains within expected levels. There is a concerted effort to improve collections especially for debts for overpayments to employees leaving SHSC.

High levels of invoices were raised in March due to year end. £5.5m of these are current.

NET WORKING CAPITAL

At the end of March 2022 SHSC had a cash balance of £58.8 million compared to £59.5 million the previous month due to higher capital payments.

The Trust had a negative net working capital balance of £5,299k excluding cash (positive NWC of £64,056k including cash). This has been a stable trend over the last couple of months

The high liquidity ratio of 5:3 will give SHSC latitude to operate without the need to borrow to finance working capital. SHSC may be capable of financing the 5 years Capital Programme from internal funds if income from the sale of Fulwood land is released to fund the CDEL.

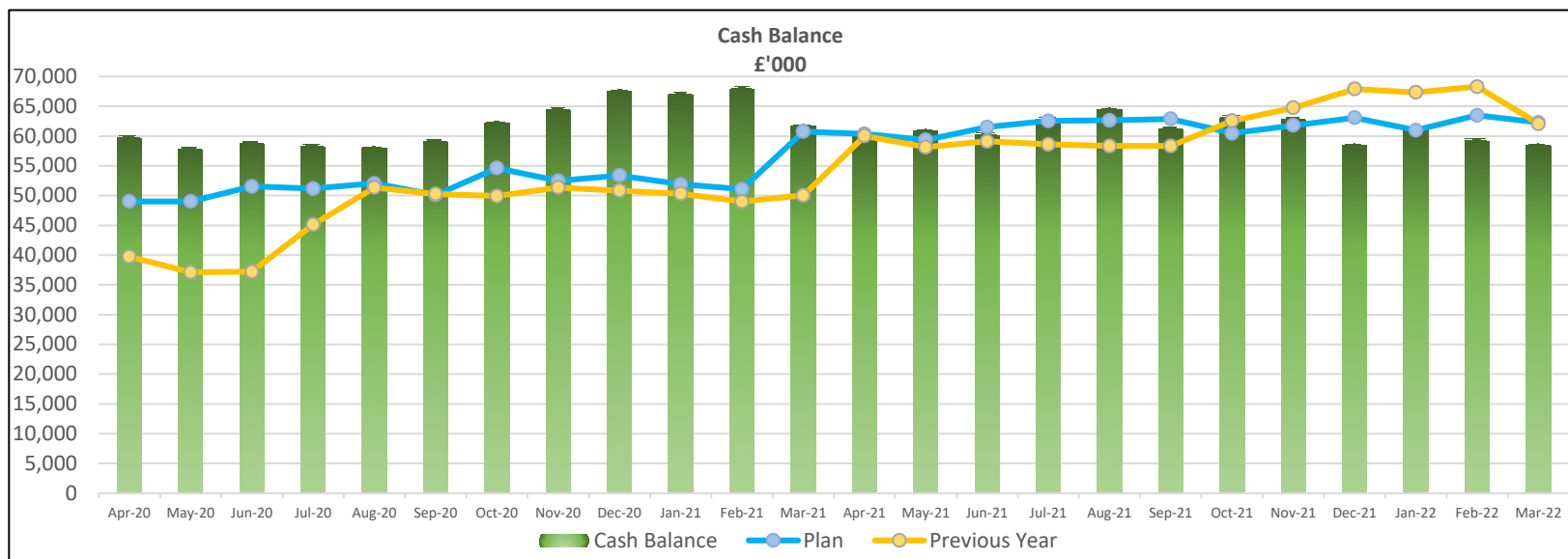
12 Months Cash Flow Forecast

Cash flow as at February 2022	Prior Year Mar-21 £000s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
		2021/22 Apr-21 £000s	2021/22 May-21 £000s	2021/22 Jun-21 £000s	2021/22 Jul-21 £000s	2021/22 Aug-21 £000s	2021/22 Sep-21 £000s	2021/22 Oct-21 £000s	2021/22 Nov-21 £000s	2021/22 Dec-21 £000s	2021/22 Jan-22 £000s	2021/22 Feb-22 £000s	2021/22 Mar-22 £000s
Operating Surplus/(deficit)	3,898	560	229	467	377	182	503	(13)	16	238	(157)	463	(2,597)
Net cash generated from / (used in) operations	9,881	(102)	753	(663)	2,841	1,701	(2,188)	2,571	(633)	(1,280)	(1,057)	(350)	2,996
Net cash inflow/(outflow) from investing activities, Total	(5,574)	(2,310)	(134)	(542)	(604)	(177)	(761)	(673)	(694)	(693)	(447)	(330)	(1,210)
Net cash inflow/(outflow) before financing	8,205	(1,852)	848	(738)	2,614	1,706	(2,446)	1,885	(1,311)	(1,735)	(1,661)	(217)	(811)
Net Cash inflow/(outflow) from financing activities, Total	2,852	139	1	(4)			(807)		1,029		(4)	(7)	52
Increase/(decrease) in cash and cash equivalents	11,057	(1,713)	849	(742)	2,614	1,706	(3,253)	1,885	(282)	(1,735)	(1,665)	(224)	(759)
Cash and cash equivalents at start of period	51,018	62,075	60,363	61,212	60,470	63,084	64,790	61,537	63,422	63,140	61,405	59,740	59,516
Increase/(decrease) in cash and cash equivalents	11,057	(1,713)	849	(742)	2,614	1,706	(3,253)	1,885	(282)	(1,735)	(1,665)	(224)	(759)
Cash and cash equivalents at end of period	62,075	60,363	61,212	60,470	63,084	64,790	61,537	63,422	63,140	61,405	59,740	59,516	58,757

NARRATIVE

The Trust has a capital programme of £8,197k to deliver before the end of the financial year. Part of the capital (£1,614k) will be funded through the Department of Health and Social Care programme for dormitory replacements, cyber security, and electronic patients records programmes. £6,583k will be funded internally.

The cash forecast was revised in line with trends so far to £59,989k by 31 March 2022. This is due to expected capital cash out before the end of the financial year.

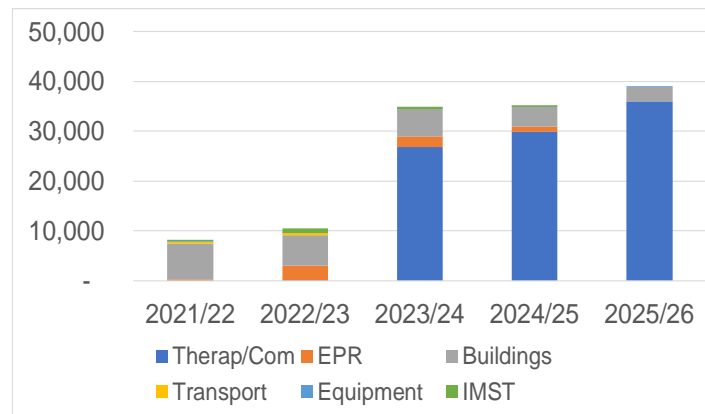


Capital Programme

CAPITAL FORECAST 2020/21 TO 2025/26

POSITION SUMMARY 2021/22

Category	2021/22		2022/23	2023/24	2024/25	2025/26	Total Programme Forecast
	YTD £000	Revised Plan £000	Plan £000	Plan £000	Plan £000	Plan £000	
Therap/Com	29	-	150	26,901	29,856	36,000	92,907
EPR	301	300	2,848	2,136	1,107	-	6,391
Buildings	7,224	6,695	6,118	5,428	3,940	2,942	25,123
Transport	298	280	470	-	-	-	750
Equipment	51	50	50	50	50	50	250
IMST	288	872	864	430	342	-	2,508
Total	8,191	8,197	10,500	34,945	35,295	38,992	127,929

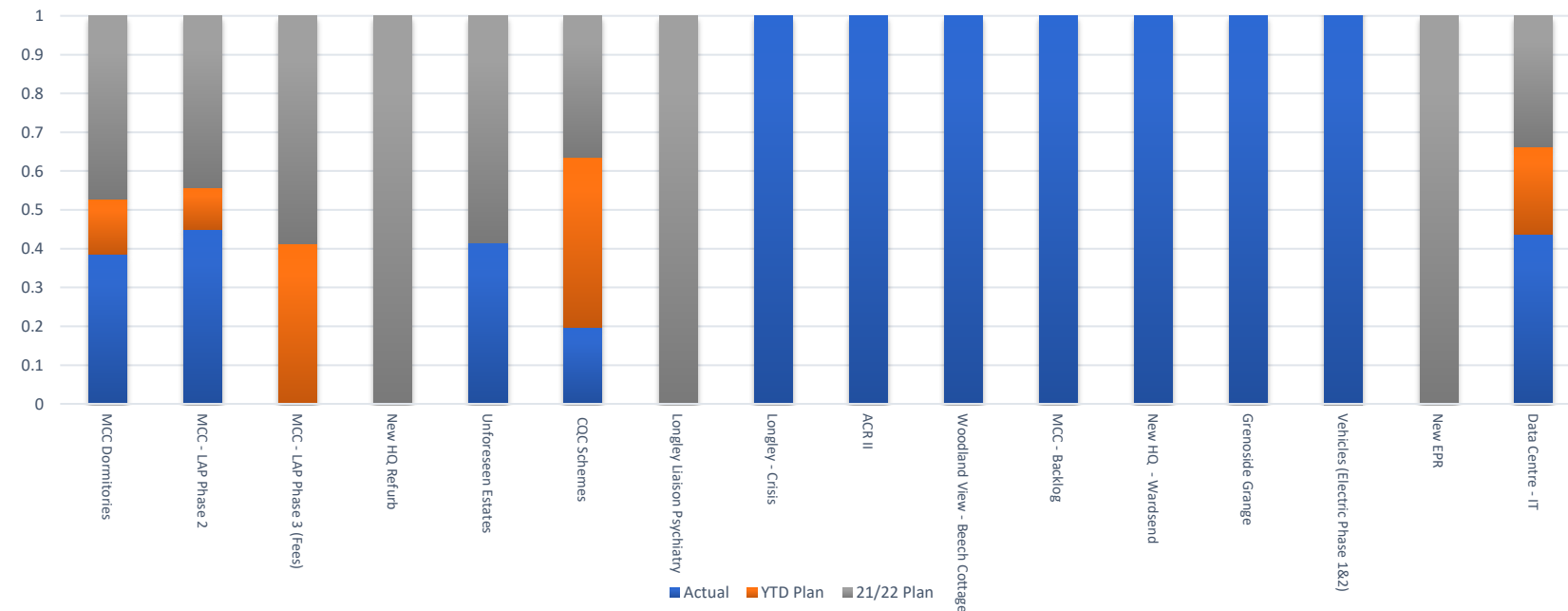


Capital Position to Date	Revised Plan	Actual	Variance
In-month spend	1,713	2,489	776 RED
Cumulative spend	8,197	8,191	(6) Green
Capital expenditure is <85% or >115% of plan for year to date Green			

Capital Forecast Outturn	Revised Plan	Actual	Variance
Cumulative spend	8,197	8,191	(6) Green
Capital expenditure is <85% or >115% of plan for year to date Green			

CAPITAL PROJECT PORTFOLIO - YEAR TO DATE POSITION

NARRATIVE



The capital plan for 2021/22 was revised in October 2021 to accommodate a £877k request from the Integrated Care Services Partnership (ICS) to support the partnership CDEL system. SHSC received additional funding for Cyber Security (£190k) and Electronic Patients Records (£300k) which increased the Capital plan to £8,197k. Other new projects were included in the programme to cover small slippages caused by delays in implementation and covid.

At the end of March 2022, SHSC is reporting capital expenditure including accruals of £8,191k, which is £6k below the annual plan.

Financial Plan 2022/23 summary

The Board of Directors discussed and approved the financial plan at its 27th April 2022 workshop, summary details are below.

Income and Expenditure plan

Statement of comprehensive income	£'000
Operating income from patient care activities	122,191
Other operating income	22,002
Employee expenses	- 117,651
Operating expenses excluding employee expenses	- 27,460
OPERATING SURPLUS/(DEFICIT)	- 918
FINANCE COSTS	
PDC dividends payable/refundable	- 1,800
NET FINANCE COSTS	- 1,800
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	- 2,718

Deficit plan of £2.7m requires delivery of £3.5m CIP, i.e. zero delivery would result in a deficit of £6.2m.

Break-even consideration

The paper set out our statutory responsibility to break-even, which would minimally require £6.2m CIP. This was acknowledged, including likely further discussions at a system and national level but that would represent a significant challenge of c5% including internal investment. This would represent a significant risk and one we don't have sufficient quality and equality impact assessed plans even at outline stage to be assured this is deliverable.

Capital plan

Funding	22/23	23/24	24/25	25/26	26/27
CDEL	7,302	1,705	1,189	992	932
External / Additional PDC	3,198	33,240	34,106	38,000	-
Total	10,500	34,945	35,295	38,992	932

The capital plan meets the allocated Capital Departmental Expenditure Limit (CDEL).

For 22/23 the external / additional PDC requirement relates to the electronic patient record system. Funding was approved and received last year and we are awaiting confirmation this year as per the approved business case. This is considered low risk.

The summary long term financial model (LTFM) outputs below show marginally increased deficit, if unmitigated would dilute cash reserves by £11.9m to March 26. The current cash balance of £58.m is sufficient to meet our operational and capital (CDEL) requirements.

	Forecast	Forecast	Forecast	Forecast	Forecast
	Mar - 22	Mar - 23	Mar - 24	Mar - 25	Mar - 26
Income	146,440	143,621	146,206	148,838	151,517
Expenditure	- 143,496	- 144,537	- 146,993	- 149,414	- 151,605
Operating Surplus / (Deficit)	2,944	- 916	- 786	- 575	87
Non-Operating expenses	- 1,676	- 1,800	- 2,193	- 2,538	- 3,036
Surplus / (Deficit)	1,268	- 2,716	- 2,979	- 3,113	- 3,123

The LTFM requires updating to reflect small changes to the plan pre submission. The minor changes to I&E are deemed insignificant. E.g. £2k change to deficit.

Actions

Approve plan of £2.7m deficit

Acknowledge our current planned deficit and system deficit of £85m will be scrutinised post submission and further work may be required.