

**Trust Board paper H**

<b>To:</b>	Trust Board
<b>From:</b>	Andrew Seddon - Director of Finance and Procurement
<b>Date:</b>	3 November 2011
<b>CQC regulation:</b>	All applicable

<b>Title:</b>	Recovery Plan – update
<b>Author/Responsible Director:</b>	Andrew Seddon - Director of Finance & Procurement Suzanne Hinchliffe - Chief Operating Officer/Chief Nurse
<b>Purpose of the report:</b>	To update the Trust Board on the financial recovery plan

**The report is provided to the Committee for:**

Decision		Discussion	√
Assurance	√	Endorsement	

**Summary / Key points:**

1. The Trust's "stabilisation" actions continue to be effective as reflected in the September break-even position.
2. Phase 1 of the review by Deloitte & Finnamore is complete.
3. Further recovery actions will be encompassed in the re-forecast based on the October (month 7) results.

**Recommendations:**

The Trust Board is asked to **note** the position and the delivery risks.

**Andrew Seddon**  
**Director of Finance and Procurement**

**27 October 2011**

# UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**REPORT TO:** Trust Board

**DATE:** 3 November 2011

**REPORT FROM:** Suzanne Hinchliffe – Chief Operating Officer/Chief Nurse

Andrew Seddon – Director of Finance & Procurement

Kate Bradley, Director of Human Resources and OD

**SUBJECT:** Progress against the 2011/12 Recovery Plan – headcount and paybill issues

## 1. Introduction

1.1 This paper summarises progress against the Trust's Financial Recovery Plan, subtitled Stabilisation and Transformation, presented and agreed at the extraordinary Trust Board meeting on the 21<sup>st</sup> July 2011, and provides further detail regarding the planned headcount reduction.

## 2. Summary

In September the Trust achieved break-even in-month for the first time this year. The Trust is reporting a cumulative deficit of £13.0 million (£13.2 million adverse to Plan). Table 1 outlines the current position.

	2011/12 Annual Plan £m	September			April - September 2011		
		Plan £m	Actual £m	Var £m	Plan £m	Actual £m	Var £m
<b>Service Income</b>							
NHS Patient Related	589.2	49.4	50.0	0.5	293.8	294.7	0.9
Non NHS Patient Care	6.6	0.5	0.5	-	3.1	3.1	(0.0)
Teaching, Research and Development	67.1	5.6	6.5	0.9	33.5	34.4	0.9
<b>Service Income</b>	<b>662.9</b>	<b>55.6</b>	<b>57.0</b>	<b>1.4</b>	<b>330.4</b>	<b>332.2</b>	<b>1.8</b>
Other operating Income	18.9	1.5	1.6	0.0	9.3	9.4	0.2
<b>Total Income</b>	<b>681.8</b>	<b>57.1</b>	<b>58.5</b>	<b>1.4</b>	<b>339.7</b>	<b>341.6</b>	<b>1.9</b>
<b>Operating Expenditure</b>							
Pay	420.0	34.9	35.7	(0.9)	210.6	220.5	(9.9)
Non Pay	215.7	17.8	19.0	(1.3)	106.9	111.8	(4.8)
<b>Total Operating Expenditure</b>	<b>635.7</b>	<b>52.6</b>	<b>54.8</b>	<b>(2.1)</b>	<b>317.5</b>	<b>332.3</b>	<b>(14.8)</b>
<b>EBITDA</b>	<b>46.1</b>	<b>4.5</b>	<b>3.7</b>	<b>(0.7)</b>	<b>22.2</b>	<b>9.4</b>	<b>(12.8)</b>
Interest Receivable	0.1	0.0	0.0	(0.0)	0.0	0.0	(0.0)
Interest Payable	(0.6)	(0.0)	(0.0)	0.0	(0.2)	(0.2)	0.0
Depreciation & Amortisation	(31.1)	(2.6)	(2.6)	0.0	(15.5)	(15.4)	0.1
Dividend Payable on PDC	(13.2)	(1.1)	(1.1)	(0.0)	(6.6)	(6.7)	(0.1)
<b>Net Surplus / (Deficit)</b>	<b>1.3</b>	<b>0.7</b>	<b>0.0</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>(13.0)</b>	<b>(12.8)</b>
<b>Planned Phasing Adjustment</b>		<b>(0.7)</b>		<b>0.7</b>	<b>0.3</b>		<b>(0.3)</b>
<b>Net Surplus / (Deficit)</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.2</b>	<b>(13.0)</b>	<b>(13.2)</b>
<b>EBITDA %</b>	<b>6.76%</b>		<b>6.41%</b>			<b>2.74%</b>	

2.1 The overall financial position in September (£40k surplus) is in line with the September forecast within the Stabilisation to Transformation paper

(£30k surplus). This was our first key milestone and shows that our recovery plan is holding.

2.2 The focus for all the CBUs / Divisions is to now push forward with the transformational schemes in order to deliver the financial recovery programme. A key milestone in the recovery process will be a series of 2011-12 re-forecast presentations in mid November by CBUs to the Executive Team and the relevant Divisional management teams. CBUs will be supported by Deloitte and Finnamore.

The presentations are expected to cover:

1. Financial performance and CIP position to Month 7
2. Revised forecasts including CIP delivery for the remainder of the year
3. A clear linkage between activity, income, costs and WTEs
4. Key opportunities and sensitivities that may affect the forecasts and your plans to mitigate those sensitivities
5. Summary action plans for delivery (this is alongside the detailed implementation plans you will be developing over the next few weeks)
6. Next steps

### 3. Financial summary and forecast

3.1 As reported to the Board in September the revised forecast for the year may be summarised as follows:

August re-forecast		Delivery risk	June forecast	August re-forecast	Var
			£m	£m	£m
<b>Divisional re-forecast</b>		A	-20.3	-20.9	-0.6
<b>Central recovery plan</b>					
1	Enhanced pay controls	A	4.0	3.5	-0.5
2	20% reduction in corporate budgets	G	1.5	1.0	-0.5
3	Corporate accruals	G	5.0	6.0	1.0
4	Medicine CBU	A	1.9	0.0	-1.9
5	Transformation projects	G	1.5	1.5	0.0
6	Re-negotiation with key suppliers.	A	1.0	1.0	0.0
7	Salary sacrifice schemes	G	0.0	0.0	0.0
8	Car parking charges	G	0.0	0.0	0.0
9	Bed reductions	A	0.5	0.0	-0.5
10	E-rostering review	R	0.5	0.5	0.0
11	ED divert funding	A		1.0	1
<b>Sub-total</b>		A	15.9	14.5	-1.4
Additional transitional costs / contingency		G	-0.6	-0.6	0.0
<b>Full year forecast deficit</b>		A	-5.0	-7.0	-2.0

3.2 The key internal challenge is getting a grip on the Trust's cost base. This is highlighted by a comparison of the actual H1 spend (here including the forecast August numbers) against the forecast H2 spend. This shows a required reduction in pay costs of £11.5m (5%) to £209.3m.

	H1 : April - Sept '11			H2: Oct 11 - Mar 12			Full year		
	Plan	Actual	Var	Plan	Forecast	Var	Plan	Forecast	Var
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Service Income</b>									
Patient care income	330.4	332.0	1.5	332.5	336.1	3.6	662.9	668.0	5.1
Other operating income	9.3	9.4	0.2	9.6	14.4	4.8	18.9	23.9	5.0
<b>Total Income</b>	<b>339.7</b>	<b>341.4</b>	<b>1.7</b>	<b>342.1</b>	<b>350.5</b>	<b>8.4</b>	<b>681.8</b>	<b>691.9</b>	<b>10.2</b>
<b>Operating Expenditure</b>			-	-		-	-		-
<b>Pay</b>	<b>210.6</b>	<b>220.8</b>	<b>(10.2)</b>	<b>209.5</b>	<b>209.3</b>	<b>0.2</b>	<b>420.0</b>	<b>430.1</b>	<b>(10.1)</b>
Non-pay	107.1	111.2	(4.1)	108.6	112.7	(4.1)	215.7	223.9	(8.2)
<b>Total operating expenditure</b>	<b>317.6</b>	<b>332.0</b>	<b>(14.4)</b>	<b>318.1</b>	<b>322.0</b>	<b>(3.9)</b>	<b>635.7</b>	<b>654.0</b>	<b>(18.3)</b>
							-		-
<b>EBITDA</b>	<b>22.0</b>	<b>9.4</b>	<b>(12.7)</b>	<b>24.0</b>	<b>28.5</b>	<b>4.5</b>	<b>46.1</b>	<b>37.9</b>	<b>(8.1)</b>
Financing costs	(22.3)	(22.4)	(0.0)	(22.5)	(22.5)	(0.0)	(44.8)	(44.9)	(0.1)
<b>Net Surplus / (Deficit)</b>	<b>(0.3)</b>	<b>(13.0)</b>	<b>(12.7)</b>	<b>1.6</b>	<b>6.0</b>	<b>4.5</b>	<b>1.3</b>	<b>(6.9)</b>	<b>(8.2)</b>

3.3 Plans are underway to deliver the reduction in the operating costs in H2 and this will form the basis of the November re-forecast.

#### 4. Conclusion

4.1 The Board is asked to **note** the update and actions being taken on the Trust's Recovery plan.

**Suzanne Hinchliffe**

Chief Operating Officer/Chief Nurse

**Andrew Seddon**

Director of Finance and Procurement

27 October 2011