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To:	Trust Board		
From:	Suzanne Hinchliffe – Chief Operating Officer/Chief Nurse Andrew Seddon – Director of Finance and Procurement		
Date:	6 October 2011		
CQC regulation:			
Title:	Progress against 2011/12 Stabilisation and Transformation Plan		
Author/Responsible Director:			
Suzanne Hinchliffe – Chief Operating Officer/Chief Nurse Andrew Seddon – Director Of Finance And Procurement			
Purpose of the report:			
To update the Board on progress in implementing the 2011/12 financial recovery plan.			
The report is provided to the Board for:			
Decision	<input type="checkbox"/>	Discussion	<input checked="" type="checkbox"/>
Assurance	<input checked="" type="checkbox"/>	Endorsement	<input type="checkbox"/>
Summary/Key points:			
<ol style="list-style-type: none"> 1. Expenditure controls have been reinforced and centralised in line with the turnaround plan and have been effective in the month. 2. The recovery plan still does not fully address the projected deficit for the year and work continues to close this gap. 3. Turnaround advisors are fully engaged in four main workstreams: <ul style="list-style-type: none"> • Financial baseline • CIP delivery • Detailed CBU reviews • Programme management 			
Recommendations:			
To note the progress, key actions and the governance arrangements.			
Previously considered at another corporate UHL Committee?			
Draft reviewed at the Finance and Performance Committee on 28 September 2011			
Resource implications (e.g. Financial, HR)			
Risk of financial breakeven			

Suzanne Hinchliffe
Chief Operating Officer/Chief Nurse
29 September 2011

Andrew Seddon
Director of Finance and Procurement

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UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: Trust Board

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REPORT FROM: Suzanne Hinchliffe – Chief Operating Officer/Chief Nurse
 Andrew Seddon – Director of Finance and Procurement

SUBJECT: Progress against 2011/12 Stabilisation and Transformation Plan

1. Introduction

1.1 This paper summarises progress against the Financial Recovery Plan, subtitled Stabilisation and Transformation, presented and agreed at the extraordinary Trust Board meeting on 21 July 2011.

2. Financial summary and forecast

2.1 The revised forecast for the year may be summarised as follows:

	June £'m	July £'m	August £'m	Variance (July - Aug)
Divisional re - forecast	(20.3)	(17.5)	(20.9)	(3.4)
Central Recovery Plan				
1 Enhanced pay controls	4.0	3.5	3.5	0.0
2 20% reduction in corporate budgets	1.5	1.0	1.0	0.0
3 Corporate accruals	5.0	5.0	6.0	1.0
4 Medicine CBU	1.9			
5 Transformation Projects	1.5	1.5	1.5	0.0
6 Re-negotiation with key suppliers	1.0	1.0	1.0	0.0
7 Salary sacrifice schemes	0.0	0.2		(0.2)
8 Car parking charges	0.0	0.3		(0.3)
9 Bed reductions	0.5			
10 E-rostering	0.5	0.5	0.5	0.0
11 ED divert funding / DTOC			1.0	1.0
Sub Total	15.9	13.0	14.5	1.5
Additional transitional costs / contingency	(0.6)	(0.5)	(0.6)	(0.1)
Full year forecast loss	(5.0)	(5.0)	(7.0)	(2.0)

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2.2 It should be noted that some of the central recovery plan initiatives have been incorporated within Divisional and Clinical Business Unit (CBU) revised forecasts. The net forecast year end position for the Trust has deteriorated to £7 million, reflecting a £3.4 million adverse movement in the Divisional forecasts, offset by a £1.5 million improvement in the central recovery actions. The table below identifies the deterioration by Division:

Division	Income £m's	Expenditure £m's	Total £m's
Acute	(1.0)	0.2	(0.9)
Planned	1.0	(2.1)	(1.1)
Clinical Support	(0.1)	(1.0)	(1.1)
W&C	(0.3)	(0.5)	(0.8)
Corporate	0.6	(0.1)	0.5
Central	(0.3)	0.2	(0.1)
Total	(0.2)	(3.3)	(3.4)

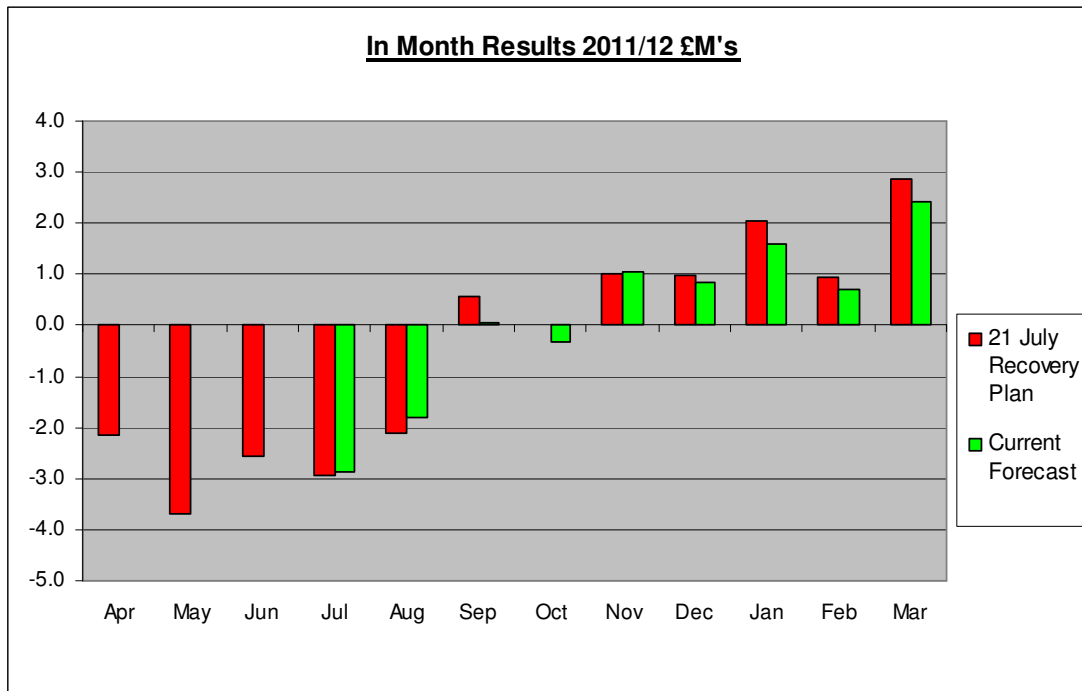
2.3 The main reasons for the expenditure movements are:

- Reduction in the forecast CIPs across all four Clinical Divisions, £2 million.
- Increased NICE / HCT costs, particularly in Planned Care. These costs are offset by additional income.
- A deterioration in August of £0.7 million against the pay and non-pay forecast.

3. Summary

3.1 Despite a deterioration in the year end forecast, agreed expenditure controls have impacted in the month of August, with pay expenditure being £0.8 million lower than July levels – the stabilisation element of the recovery plan. Weekly monitoring in September continues to show an improvement in expenditure rates in line with the stabilisation plan.

3.2 The Trust is currently projecting a break even position in September, in line with the agreed recovery plan (see chart below). Urgent focus is now required though to implement the Transformational schemes to support the delivery of the forecast year end financial position. Progress to date against these schemes is described further in section 4 of this paper.



3.3 The Trust's turnaround advisors, Deloitte and Finnamore, have now fully engaged, with the focus on rapidly diagnosing Divisional financial positions, and then supporting the implementation of recovery plans. F&P committee received a first update on their work last week.

3.4 UHL's Project Management Office (PMO) to manage the transformation projects has been established with governance arrangements clarified. The Trust Executive team will take direct responsibility for the turnaround process and project.

4. CIP (Cost Improvement Programme) plans

4.1 The annual cost improvement target for 2011/12 included in the 2011/12 Plan is £38.2 million (5.6% of operating costs). In the month 5 re-forecast, Divisions and CBUs have downgraded that forecast to reflect the identified savings plans of £24.3 million (63% of Plan). The following table shows the shortfall by Division:

Division	Plan £m	Revised forecast £m	Variance £m
Acute	13.4	8.1	(5.2)
Planned	8.7	4.5	(4.2)
Clinical Support	6.2	4.8	(1.4)
Women's & Children's	3.0	1.4	(1.6)
Corporate	3.5	3.9	0.4
Sub Total	34.8	22.8	(12.0)
Central Schemes	3.4	1.5	(1.9)
TOTAL	38.2	24.3	(13.9)

4.2 Forecast CIP delivery has deteriorated by £2 million in month. This reflects reductions in Acute Care (£0.7 million), Clinical Support (£0.5

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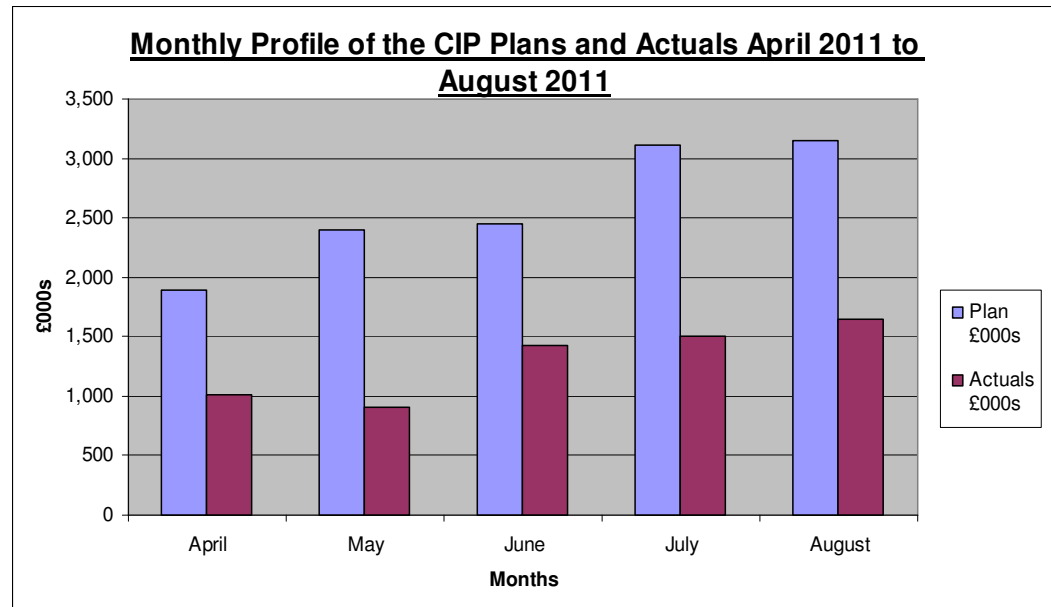
million), Planned Care (£0.8 million) and Women's & Children (£0.4 million). The reductions have been offset by an improvement in the Corporate Directorates of £0.4 million.

- 4.3 The monthly profile of the forecast CIPs is shown in the table below. This clearly shows the increase in CIP delivery in the second half of this financial year (£8.3 million between April and September, compared to £16 million forecast between October 11 and March 12).

	YTD Actual £Ms	Sept-11 Forecast £Ms	Oct-11 Forecast £Ms	Nov-11 Forecast £Ms	Dec-11 Forecast £Ms	Jan-12 Forecast £Ms	Feb-12 Forecast £Ms	Mar-12 Forecast £Ms	2011-12 FORECAS T £Ms
Divisions									
Acute Care	2.09	0.59	0.83	0.87	0.89	0.92	0.91	1.04	8.15
Clinical Support	1.46	0.37	0.44	0.45	0.52	0.47	0.49	0.62	4.82
Corporate	1.18	0.33	0.35	0.39	0.39	0.43	0.42	0.43	3.92
Planned Care	1.53	0.41	0.42	0.41	0.43	0.44	0.43	0.43	4.51
Womens & Childrens	0.25	0.12	0.15	0.15	0.17	0.17	0.17	0.17	1.36
Sub Total	6.50	1.83	2.20	2.28	2.41	2.43	2.43	2.69	22.76
Central	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	1.50
Grand Total	6.50	1.83	2.45	2.53	2.66	2.68	2.68	2.94	24.26

- 4.4 Due process is being undertaken to identify, test and risk assess the plans. With appropriate management action and external support, it is essential that the remaining target as identified by the Divisions is delivered.
- 4.5 The CIPs planned and delivered to August are summarised below at a Divisional level. The reasons for the deterioration are:
- Delays in closing additional capacity and in commencement of planned schemes – in part as a result of the delays in appointing project managers
 - The gaps in the original plan not being filled
 - Deterioration in the anticipated benefits from some of the schemes.

Division	April - August Plan £m	April – August Actual £m	Variance £m
Acute	5.3	2.1	(3.2)
Planned	2.8	1.5	(1.3)
Clinical Support	2.3	1.5	(0.8)
Women's & Children's	0.7	0.2	(0.5)
Corporate	1.2	1.2	0.0
Central	0.8	0.0	(0.8)
TOTAL	13.0	6.5	(6.5)



5. Quality and governance

5.1 Safe delivery of the plan is being monitored through a suite of weekly and monthly quality metrics – and all plans, whether the original CIP schemes or the emerging transformation plans are independently risk assessed on quality and patient safety grounds. It is important to note that there has been no deterioration in any of these metrics during the period of the recovery plan to date.

6. Conclusion

6.1 The Board is asked to **note** the update and actions being taken on the Trusts Stabilisation and Transformation plan

Suzanne Hinchliffe

Chief Operating Officer/Chief Nurse
29 September 2011

Andrew Seddon

Director of Finance and Procurement