

Delivery of the Revised 2015/16 Financial Plan

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Trust Board paper P

Executive Summary

Context

The Trust is planning for a deficit of £36.1m in 2015/16, including delivery of £43m of CIP. In addition, the Trust has been asked by the NTDA to improve this by £2m to a £34.1m deficit.

This paper updates on the forecast for each CMG and Directorate and the actions needed to ensure delivery.

Questions

1. How will the initial planned deficit of £36.1m be delivered?
2. What risks are there to delivery of the £36.1m deficit and the further improvement of £2m?
3. What actions can be taken to deliver the improvement of £2m and mitigate the risks?

Conclusion

1. CMG recovery plans totalling £10.6m and a number of Corporate actions totalling £4m have been identified to support delivery of £36.1m plan
2. Each action has been RAG rated, with £3.2m rated red
3. A number of actions for expenditure reduction and income improvement have been identified with further Executive Team discussion ongoing regarding implementation

Input Sought

1. **Note and agree** the actions required to be delivered in line with the Month 3 forecast
2. **Note** the level of risk and the need to find mitigating actions for any deterioration
3. **Note** the options being considered for improvement to the forecast and the work ongoing to finalise
4. **Note** the need to amend forecasts at CMG and Directorate level based on decisions taken on how to deliver £34.1m

For Reference

Edit as appropriate:

1. The following objectives were considered when preparing this report:

Safe, high quality, patient centred healthcare	[Yes / No / Not applicable]
Effective, integrated emergency care	[Yes / No / Not applicable]
Consistently meeting national access standards	[Yes / No / Not applicable]
Integrated care in partnership with others	[Yes / No / Not applicable]
Enhanced delivery in research, innovation & ed'	[Yes / No / Not applicable]
A caring, professional, engaged workforce	[Yes / No / Not applicable]
Clinically sustainable services with excellent facilities	[Yes / No / Not applicable]
Financially sustainable NHS organisation	[Yes / No / Not applicable]
Enabled by excellent IM&T	[Yes / No / Not applicable]

2. This matter relates to the following governance initiatives:

Organisational Risk Register	[Yes /No / Not applicable]
Board Assurance Framework	[Yes / No / Not applicable]

3. Related Patient and Public Involvement actions taken, or to be taken: Not applicable

4. Results of any Equality Impact Assessment, relating to this matter: Not applicable

5. Scheduled date for the next paper on this topic: 27/08/2015

6. Executive Summaries should not exceed 1 page. [My paper does ~~/does not~~ comply]

7. Papers should not exceed 7 pages. [My paper ~~does~~ / does not comply]

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD
DATE: 3RD SEPTEMBER 2015
REPORT FROM: PAUL TRAYNOR – CHIEF FINANCIAL OFFICER
SUBJECT: DELIVERY OF THE REVISED 2015/16 FINANCIAL PLAN

1. INTRODUCTION AND CONTEXT

- 1.1 At the end of Month 4, we have an I&E deficit of £19.9m compared to a plan of £16.2m, so are £3.6m adverse to plan. Full forecasts have been developed and revised by CMGs and Directorates since Month 2, with recovery plans being developed for all CMGs.
- 1.2 On 31st July 2015, the NTDA wrote formally to UHL asking us to develop a plan for a deficit of no larger than £34.1m, representing a £2m improvement on the current control total. Since this point, discussions have been ongoing on how this can be delivered via the Executive Team and with CMGs.
- 1.3 This paper details how the initial plan of £36.1m will be delivered along with options for delivery of a £2m improvement and to mitigate identified risks.

2. FORECAST DELIVERY OF PLANNED DEFICIT OF £36.1M

- 2.1 Forecasts have been produced and presented to the Executive Performance Board (EPB) and Executive Strategy Board (ESB) during the course of July and August. These have detailed the recovery plans by CMG as well as Corporate and Trust-wide actions required to deliver a £36.1m I&E deficit. Table 1 below shows the derivation of this forecast as at the end of Month 3. Appendix 1 details the forecast by CMG and Directorate.

Table 1 – Forecast Derivation as at Month 3

	£000s	
	<u>Total</u>	RAG rating
Forecast deficit before recovery plans	(50,786)	
Recovery plans from CMGs	10,645	
Forecast deficit net of CMG recovery plans	(40,141)	
Other actions required		
Theatre sessions reduction and IS reduction	1,050	Red
Non Pay improvement	1,000	Red
Inflation control (pay and non pay)	1,000	Green
Use of contingency	1,000	Amber
Revised forecast deficit post actions	(36,091)	

- 2.2 The table above illustrates that, in addition to CMG recovery plans of £10.6m, the following has been assumed to support the delivery of a £36.1m deficit:
- Further improvement on adherence to theatre capacity plan and reduction in use of the Independent Sector - £1m
 - A detailed review of non pay costs which increase in the second half of the year - £1m
 - Inflation costs are forecast to be lower than planned, therefore meaning release of reserve to support the position - £1m
 - Commitment of contingency to support the position - £1m

3. FURTHER IMPROVEMENT AND RISKS TO DELIVERY

3.1 Within the delivery of the forecast plan, there are a number of risks:

3.1.1 CMG Recovery Plans and Delivery to Forecast

CMG recovery plans total £10.6m. Table 2 provides a summary of the recovery plan actions and the associated risk. Of the £10.6m, £1.1m is rated red. Full detail of recovery plan actions and their risk rating is in Appendix 2.

Progress against actions is monitored weekly through the CMG performance meetings. In addition to the existing weekly information, a series of current/prospective key metrics have been developed to allow early identification and rectification of areas moving adversely to forecast. Monthly reporting of performance to forecast and mitigating actions will continue as normal.

Table 2 – Risk Rating of Recovery Actions

	£000s			
	Income	Pay	Non Pay	Total
Red	-	950	238	1,188
Amber	3,205	1,328	1,689	6,221
Green	2,011	435	790	3,236
Total	5,216	2,712	2,716	10,645

3.1.2 Deterioration of the Forecast

Since the production of the forecast, there has been deterioration in the financial position. Month 4 was £1.4m adverse to plan compared to a forecast of £0.8m adverse to plan and is therefore £0.6m worse than forecast. CMGs and Directorates have re-forecast and a total of £3m of potential downside has been identified as shown in Table 3 below. Through the weekly performance meetings, each CMG is required to undertake further actions to mitigate this downside.

Table 3 – Downside identified in Month 4

	£000s
CHUGGS	457
ESM	1,348
MSS	756
Total CMG risks of delivery	2,561
Operations costs	473
Total further risk identified	3,034

Given the revised forecast and the use of contingency within it, any additional downside risk identified later this year will need to be mitigated against, with any new cost requiring either income or savings to offset.

3.1.3 Required Improvement by NTDA

The NTDA require us to deliver a £34.1m deficit at worst, an improvement of £2m compared to the initial plan. Options have been reviewed as to how this can be delivered.

3.2 Therefore, in total, the scale of risk within our revised plan is between £6m and £12m depending on the assessment of amber rated recovery actions. It is clear that further mitigations are therefore required.

4. FURTHER IMPROVEMENT ACTIONS

4.1 A number of actions have been considered and discussed and are shown in Table 4, with indicative values included where possible.

4.2 The Executive Team are considering these actions, including which should be implemented and how, with full detail to be scoped during week commencing 24th August 2015. These actions and their expected outcome will impact on CMG and Directorate level forecasts and these will be incorporated within the revised plan.

Table 4 – Further Improvement Actions

Proposed action	Best Case	Reasonable case	Assumptions
Expenditure reduction options			
Reduce spend where possible in emergency pathway – eg ED nursing, use of Care Home brokering companies, additional Arriva crews	1,420	487	Reasonable case - Stop 35% of Arriva (£147k), remove 50% nursing investment in ED made through planning (£150k), reduce medical spend in ED back to 1415 levels (£190k). Best case includes radical option of further scale back of medical spend
Introduce a vacancy panel for review of posts - basis for this to be established - to be in place from 01/09/15	360	208	Excludes agency (option further below)
Review use of all Corporate and non clinical agency / interim staffing	500	200	Would need to consider if any of these posts support income (eg coders)
Improved controls on use of nursing agency and enhanced incentives for use of bank including weekly pay for bank shifts	1,000	300	
Set a target for more work taking place within UHL rather than Independent Sector, utilising capacity planned for	255		£300k improvement already assumed in Trust forecast, £255k represents the remainder forecast spend in MSS not included elsewhere
Review forecasts for Corporate Directorates in particular pay forecasts	224	112	Reduce forecast for posts not currently recruited to
Stop roll out of managed print	200		Review of cost savings from GGH suggests savings were not made as planned. May be contractually committed
Review options for a MARS and early retirement scheme			
Total expenditure reduction options	3,959	1,307	
Income Improvement options			
Improve depth of coding in certain specialities	600	300	Payment risk associated as commissioners contractually not required to pay for in year coding changes
Overall review of CCG contract given change in terms regarding penalties in TDA letter. Include review of MRET deduction and price paid for emergency overperformance. Work across health economy to be clear on CCG use of their reserves and contingency	2,000	1,000	TDA letter asks for these areas to be reviewed
Review term where Alliance can reinvest surpluses. Look to have this returned to UHL in year	150	150	
Total income improvement options	2,750	1,450	
Grand Total	6,709	2,757	

5. REVISED PLAN FOR DELIVERY OF £36.1M

5.1 The Trust will be submitting a full revised plan to the NTDA as requested by 11th September 2015. At the time of writing, work is still ongoing on how exactly the £2m improvement will be made, and how the additional risk noted earlier in the paper will be managed and mitigated.

5.2 Table 5 below shows the current revised plan (a more detailed version of Table 1) based on delivery of £36.1m and will be further amended for agreed actions to deliver £34.1m. This will include incorporation into CMG and Directorate level forecasts where relevant.

Table 5 – Current Revised Plan for Delivery of £36.1m Deficit

	April 2015 - March 2016	April 2015 - March 2016	Increase / (Decrease) from initial plan
	Current plan	Revised plan	Plan
	£ 000	£ 000	£ 000
NHS Patient Care Income	726,328	729,343	3,015
Non NHS Patient Care	6,307	7,480	1,173
Teaching, R&D income	76,717	77,293	576
Other operating Income	37,921	37,391	(530)
Total Income	847,273	851,507	4,234
Pay Expenditure	(507,030)	(511,920)	(4,890)
Non Pay Expenditure	(330,392)	(330,329)	63
Total Operating Expenditure	(837,422)	(842,249)	(4,827)
EBITDA	9,851	9,258	(593)
Interest Receivable	77	85	8
Interest Payable	(1,938)	(1,494)	444
Depreciation & Amortisation	(33,219)	(33,317)	(98)
Surplus / (Deficit) Before Dividend and Disposal of Fixed Assets	(25,229)	(25,468)	(239)
Profit / (Loss) on Disposal of Fixed Assets	0	(18)	(18)
Dividend Payable on PDC	(11,514)	(11,301)	213
Net Surplus / (Deficit)	(36,743)	(36,787)	(44)
EBITDA MARGIN	1.16%	1.09%	
Less: Adjustments in respect of donated assets	647	647	0
RETAINED SURPLUS / (DEFICIT)	(36,096)	(36,140)	(44)

5.3 Significant reasons for movements from the initial plan are as follows:

- Income:
 - Excluded drugs and devices - £1.1m
 - Outpatient performance - £0.9m
 - Diagnostic Imaging - £0.8m
 - RTA income (non NHS income) - £0.9m
- Pay – Premium spend costs
- Non Pay – Increase in costs associated with activity offset with release of contingency

6. CONCLUSION AND RECOMMENDATIONS

- 6.1 The Trust has been asked to improve the planned deficit by £2m to £34.1m.
- 6.2 A forecast has been developed for delivery of the initial plan of £36.1m, including recovery plans from all CMGs.
- 6.3 The estimated risk of delivery to £34.1m is between £6m and £8m.
- 6.4 The Trust Board is asked to:
- **Note and agree** the actions required to be delivered in line with the Month 3 forecast
 - **Note** the level of risk and the need to find mitigating actions for any deterioration
 - **Note** the options being considered for improvement to the forecast and the work ongoing to finalise
 - **Note** the need to amend forecasts at CMG and Directorate level based on decisions taken on how to deliver £34.1m

Paul Traynor
Chief Financial Officer

3rd September 2015

APPENDIX 1 – FORECAST BY CMG AND DIRECTORATE AT MONTH 3

		Total forecast at month 3		
Division	CMG's	Plan £000s	Actual £000s	Better / (worse) than plan £000s
Clinical Cmg'S	C.H.U.G.S	45,210	44,372	(838)
	Clinical Support & Imaging	(34,712)	(34,711)	1
	Emergency & Specialist Med	28,994	27,856	(1,138)
	I.T.A.P.S	(40,223)	(40,964)	(741)
	Musculo & Specialist Surgery	35,279	32,310	(2,969)
	Renal, Respiratory & Cardiac	37,321	37,321	(0)
	Womens & Childrens	42,091	42,092	1
Clinical Cmg'S Total		113,960	108,276	(5,684)
Corporate	Communications & Ext Relations	(666)	(665)	1
	Corporate & Legal	(3,489)	(3,488)	0
	Corporate Medical	(14,883)	(14,863)	20
	Facilities	(39,596)	(39,597)	(1)
	Finance & Procurement	(7,097)	(7,090)	7
	Human Resources	(5,237)	(5,278)	(41)
	Im&T	(11,046)	(11,062)	(15)
	Nursing	(6,696)	(6,791)	(96)
	Operations	(9,303)	(9,303)	0
	Strategic Devt	(1,107)	(1,107)	(0)
Corporate Total		(99,120)	(99,244)	(124)
Alliance Total		(0)	486	486
Research & Development Total		254	253	(1)
Central Division Total		(51,194)	(45,861)	5,333
Grand Total		(36,100)	(36,091)	9

APPENDIX 2 – RECOVERY PLAN ACTIONS AND RISK RATING

CMG	Action	Red	Amber	Green	Grand Total
CHUGGS	Closure of CIP Gap		794		794
	Excluded Drugs and Devices contribution			135	135
	Further Reduction in Nursing Deficits		130		130
	Patient Care Income - Deliver activity plan in BMT		25		25
	Patient Care Income - Deliver activity plan in Radiotherapy		81		81
	Patient Care Income -Correction to Non Elective forecast			70	70
	Patient Care Income -Higher level of overperformance on Unbundled			147	147
	Recording of missing outcomes in M3 position			60	60
	Reduction in Theatre Trading Charges in General Surgery - Non Pay	68			68
	Reduction in Theatre Trading Charges in General Surgery - Pay	274			274
	Removal of Theatre Trading charges in Urology - Non Pay	21			21
	Removal of Theatre Trading charges in Urology - Pay	35			35
	Stricter Controls on Discretionary Exp		50		50
CHUGGS Total		398	1,080	412	1,890
CSI	CSI (excl Imaging and EMPATH) - pay controls			130	130
	EMPATH BT LIMS costs business case		169		169
	EMPATH intensive support - pay controls		180		180
	EMPATH transformation costs not committed		200		200
	Imaging - CT Colon costs - agree with CCGs		192		192
	Imaging - non pay review			40	40
	Imaging Intensive Support - Premium Pay Reduction		200		200
CSI Total			941	170	1,111
ESM	ICDS & DSN contract - final agreement of SLA		300		300
	Increase in Activity across CMG			209	209
	Increase in ED Activity		949		949
	Increase in Stroke Activity			47	47
	Infectious Diseases - increase in Emergency Activity			198	198
	NonPay - ED Floor Efficiencies - aligned to EF case			600	600
	Pay - ED Floor Efficiencies - aligned to EF case			300	300
ESM Total			1,249	1,354	2,603
ITAPS	ECMO Income Recovery			373	373
	ITU Income Increase to activity plan		652		652
	Nursing Premium Pay Reduction		165		165
	Sleep non-pay tracker system review		50		50
	Theatres Non Pay Controls & Stock Review		404		404
ITAPS Total			1,270	373	1,643
MSS	Diabetic Screening Income - provide activity for charging			75	75
	ENT Theatre lists owed		130		130
	Fracture Clinic Change codes to consultant led clinic			175	175
	Non recurrent pay savings	250			250
	Orthopaedic Lists owed		530		530
	Plastic Surgery Ward Attender activity Capture			71	71
	Spinal Top Up - Outpatients - charge			169	169
	Staff Recharges - agree SLAs		90		90
	Theatre Trading Model lists identified to be taken down	540			540
MSS Total		790	750	490	2,030
RRC	Develop CIP contingency plans			150	150
	Diagnostic imaging		35		35
	Immunology Allergy			37	37
	Transplant work up tariff			21	21
	Vascular access		20		20
RRC Total			55	208	263
W&C	EMCHC IP over delivery on Paed Cardiothor Surgery net of under delivery on Adult Congenital		152		152
	EMCHC Outpatient Expansion		37		37
	Medical staff premium spend reductions		180		180
	Neonatal staff site efficiencies			5	5
	Neonatology reduced length of stay schemes		80		80
	Nursing staff premium spend reductions		70		70
	Release of prior year cumulation of training income			228	228
	WOM4 - Paediatric HDU Beds		74		74
	WOM51 - Review of non-essential non pay spend in year		150		150
	WOM52 - Academic Cost Realignment		11		11
	WOM53 - Review of Pathology Test Requests		72		72
	WOM54 - Clinical Nurse Specialist Review		50		50
W&C Total			876	233	1,109
Grand Total		1,188	6,221	3,240	10,649