

# Delivery of 2015/16 Financial Plan

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Trust Board paper T

## Executive Summary

### Context

The Trust is planning for a deficit of £36.1m in 2015/16, including delivery of £43m of CIP.

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

### Questions

1. What process has been undertaken since Month 2?
2. What is the forecast for year end?
3. What are the next steps to ensure delivery?

### Conclusion

1. Since Month 2, CMG forecasts have improved by £5.1m as Trust-wide actions are incorporated into CMG forecasts. The Chief Operating Officer and Director of Operational Finance have worked with each CMG forecasting an overspend to provide support and guidance in reduction
2. The forecast for year end is delivery of the £36.1m planned deficit, including £10.6m of recovery plan actions from CMGs. It has been proposed that a further £1m improvement is made based on the national challenged financial position and scoping is underway on how this could be done
3. Actions continue with CMGs to ensure delivery and further improvement where possible and includes prospective review of key cost drivers (theatre bookings, agency spend, etc)

### Input Sought

We would like the Trust Board to **note** the issues and work done on strengthening the forecast, **support** the actions being taken and **support** a further improvement of £1m.

## For Reference

Edit as appropriate:

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

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

2. This matter relates to the following **governance** initiatives:

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

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: 03/09/2015

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:** 6<sup>TH</sup> AUGUST 2015  
**REPORT FROM:** PAUL TRAYNOR – DIRECTOR OF FINANCE  
**SUBJECT:** DELIVERY OF 2015/16 FINANCIAL PLAN

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## 1. INTRODUCTION AND CONTEXT

- 1.1 This paper updates the Trust Board on the delivery of the 2015/16 financial plan and includes detail on CMG recovery plans, further centralised actions needed and run rates for the remainder of the year.
- 1.2 Over the past few weeks and since the finalisation of the Month 3 position, all CMGs have been revisiting their financial forecast for the YE 2015/16. This has resulted in a significant improvement in CMG forecasts compared to Month 2 of £5.1m.
- 1.3 However, not all CMGs are reporting a forecast in line with their financial plan. On 16<sup>th</sup> and 17<sup>th</sup> July 2015, the Chief Operating Officer, Director of Operational Finance, Director of CIP and Future Operating Model and Head of Financial Management & Planning met with CHUGGS, ESM, ITAPS and MSS to discuss the need for further improvement in the recovery plan and options for consideration. In addition, teams were asked to identify corporate support needed to enable delivery.
- 1.4 Following these meetings, in a relatively short space of time, and recognising that not all CMGs had a full complement of the leadership team, the CMGs were able to show improvement from the initial forecast but still some way from achievement of the plan.

## 2. FORECAST

- 2.1 Table 1 below details how the forecast plan will be delivered and includes the following items/assumptions:
  - The gross forecast is a £50.8m deficit.
  - CMG recovery plans are valued at £10.6m and assume full delivery of the CIP target. Further detail on CMG positions can be seen in Table 3
  - There still remains forecast overspends on additional theatre sessions above the agreed capacity plan. Delivery within the forecast capacity plan from October will reduce cost by £0.75m. In MSS in particular, there is continued use of the independent sector planned, although no income over-performance in these areas. Theatre capacity internally has established for planned levels of activity. Completing this activity within this internal capacity could reduce cost by £0.3m. A total of these actions will reduce cost by £1.05m.
  - Non pay costs are forecast to increase after Quarter 1, most significantly related to drug spend. Excluded drug spend is part of the block arrangement with CCGs and so continued lower than plan spend will be a benefit to the forecast. It is possible that this along with other non pay controls will improve the forecast by £1m.
  - Inflation is currently forecast to be lower than planned for by £1m. There will need to be careful management of contracts and suppliers to ensure inflation does not adversely impact.

- To deliver to plan, it is necessary to commit £1m of the contingency, leaving only £1.9m of reserve uncommitted. Any further improvement in CMG plans could lead to this reserve being replenished.

**Table 1**

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

2.2 Table 2 below shows the forecast by pay, non pay and income. Income is forecast to be favourable to plan by £5.7m reflecting continued increased emergency activity and recovery in Critical Care and ECMO. Pay overspends are forecast to slow as recruitment takes place and theatre sessions above plan are reduced. Non pay overspends will increase as a result of additional activity above plan.

**Table 2**

Type	YTD Plan	Variance		Annual Plan	Annual Forecast	Variance	
		YTD Actual	Fav / (adv)			Fav / (adv)	Fav / (adv)
Income	206,571	206,619	48	846,404	852,148	5,744	
Pay	(126,329)	(128,589)	(2,260)	(507,420)	(511,146)	(3,726)	
Non Pay	(94,725)	(94,695)	30	(375,084)	(377,094)	(2,010)	
<b>Surplus / (deficit)</b>	<b>(14,482)</b>	<b>(16,665)</b>	<b>(2,182)</b>	<b>(36,100)</b>	<b>(36,092)</b>	<b>8</b>	

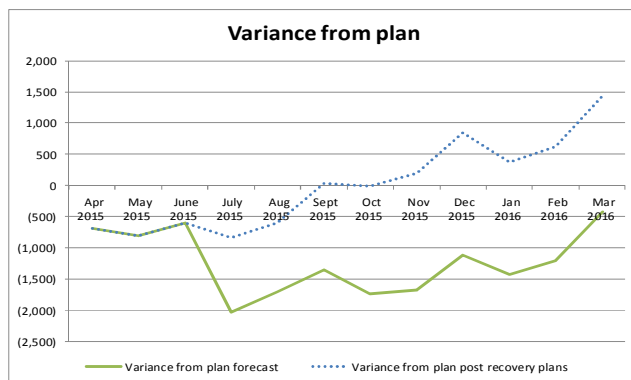
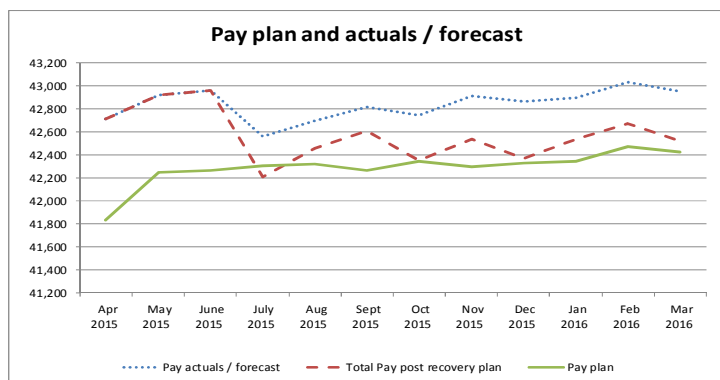
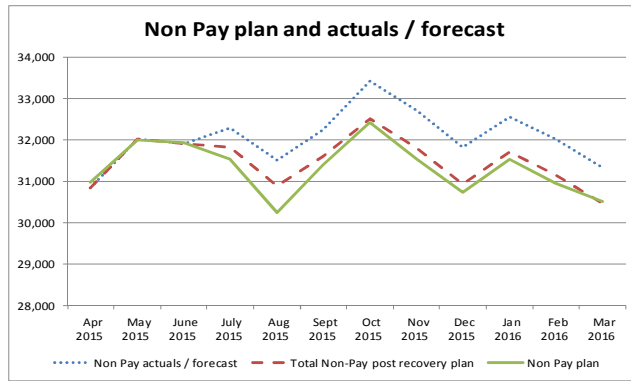
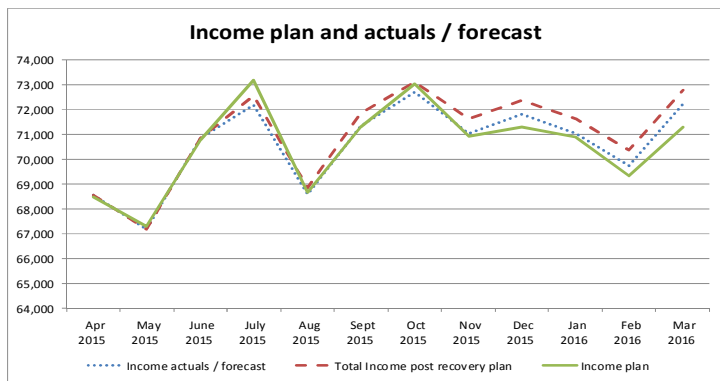
2.3 Table 3 below shows the forecast position by CMG and Directorate. Further work is still ongoing with CMGs to embed central assumptions within the individual forecasts (currently shown in central).

**Table 3**

Division	CMG's	£000s		
		Annual Plan	Forecast	Variance - Fav / (adv)
Clinical Cmg'S	C.H.U.G.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
<b>Clinical Cmg'S Total</b>		<b>113,960</b>	<b>108,276</b>	<b>(5,684)</b>
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)	
<b>Corporate Total</b>		<b>(99,120)</b>	<b>(99,244)</b>	<b>(124)</b>
<b>Research &amp; Development Total</b>		<b>254</b>	<b>253</b>	<b>(1)</b>
<b>Alliance Total</b>		<b>(0)</b>	<b>486</b>	<b>486</b>
<b>Central Division Total</b>		<b>(51,194)</b>	<b>(45,861)</b>	<b>5,333</b>
<b>Grand Total</b>		<b>(36,100)</b>	<b>(36,091)</b>	<b>9</b>

2.4 The charts below details the forecast run rates for income, pay and non pay for the Trust including all recovery plan actions. July and August are forecast to continue the trend seen in Quarter 1, with improvement following this as CIP performance improves and recovery actions take hold.

2.5 The delivery of forecast is not without risk (finance commentary paper on this agenda details risks further), but all steps are being taken to ensure we meet the financial plan.



### 3. ACTIONS AND NEXT STEPS

3.1 Utilising the weekly finance review meetings, a more granular review of the forecast will take place with specific input from Corporate Nursing, Corporate Medical and Performance Teams to ensure full triangulation between quality, performance and finance. This will initially be for the CMGs that are not forecasting to deliver to plan.

3.2 To reduce theatre costs, there is a need for a focussed review of theatre utilisation in CHUGGS and MSS via the Theatre Programme Board to ensure delivery within the agreed theatre capacity plan both in week and at weekends.

3.3 A full review of all medical gaps and how they are covered will be undertaken and in conjunction with Corporate Medical, options for cover of gaps at lower cost without impact on quality or performance.

3.4 Options are being reviewed to support the reduction in agency nursing costs given the number of vacancies within ward nursing and the time it will take to recruit fully. These options include overtime for part-time staff, payment of top of scale to bank staff and weekly payroll for bank staff.

3.5 We will enhance and develop prospective tools to enable forward review and intervention. This will include theatre sessions booked, activity levels and agency staffing booked.

- 3.6 These actions will be undertaken before mid-August and following this, there will be a confirm and challenge with the CEO for CMGs where necessary.
- 3.7 For those CMGs forecasting delivery of plan, work is underway to establish if more can be done. To incentivise delivery in this financial year, any performance better than plan will mean access to capital monies of the same value.

#### **4. REQUESTED FURTHER IMPROVEMENT**

- 4.1 The NTDA have provided formal feedback on the annual plan and have stated that the planned for deficit is not at an acceptable level. This is in the context of a challenged financial position nationally across the whole health service. The Trust recognises that further improvement is required in 2015/16 given the national position and it is believed the control total can be improved this year by a maximum of £1m, subject to Board approval. This represents a year on year improvement of £5m.
- 4.2 Whilst this will be challenging, there are areas that are being reviewed, including additional CIP, further improvement at CMG level and technical adjustments to support this improvement.

#### **5. CONCLUSION AND RECOMMENDATIONS**

- 5.1 The Trust can deliver the deficit plan through recovery plans with CMGs and a number of central actions. In addition, it is proposed that further improvement of £1m could be made.
- 5.2 The Trust Board is asked to:
- **Note** the recovery plans presented by CMGs
  - **Note and support** the actions required to deliver
  - **Agree** an improvement to the forecast by £1m as requested by the NTDA
  - **Receive** further update on how this can be delivered in August 2015

**Paul Traynor**  
**Director of Finance**

**6<sup>th</sup> August 2015**