

Reporting to:	Trust Board Meeting - 31st October 2013
Title	Financial Recovery Plan update
Sponsoring Director	Neil Nisbet - Finance Director
Author(s)	
Previously considered by	Financial Recovery Board - October
Executive Summary	<p>The Trust has, based upon financial performance at the end of September, reviewed Income and Expenditure to determine a forecast Outturn position. This review has determined that without corrective actions the Trust will end the 2013/14 financial with a deficit of £10.165 million.</p> <p>Given this situation, the Trust has commenced a programme of financial recovery aimed at reducing the scale of the deficit to £5.758 million by the year end. This paper provides an update on progress with this.</p>
Strategic Priorities <input type="checkbox"/> Quality and Safety <input type="checkbox"/> Healthcare Standards <input type="checkbox"/> People and Innovation <input type="checkbox"/> Community and Partnership <input checked="" type="checkbox"/> Financial Strength	Operational Objectives FS1 - Deliver our milestones to achieve NHS Foundation Trust status FS3 - Deliver agreed financial position FS4 - Deliver the Trust 5% implied efficiency target and support delivery of joint QIPP
Board Assurance Framework (BAF) Risks	<input type="checkbox"/> Deliver Safe Care or patients may suffer avoidable harm and poor clinical outcomes and experience <input type="checkbox"/> Implement our falls prevention strategy to help prevent patients suffering serious injury <input type="checkbox"/> Achieve safe and efficient Patient Flow or we will fail the national quality and performance standards <input type="checkbox"/> Clear Clinical Service Vision or we may not deliver the best services to patients <input type="checkbox"/> Good levels of Staff Engagement to get a culture of continuous improvement or staff morale and patient outcomes may not improve <input type="checkbox"/> Appoint Board members in a timely way or may impact on the governance of the Trust <input checked="" type="checkbox"/> Achieve a Financial Risk Rating of 3 to be authorised as an FT
Care Quality Commission (CQC) Domains	<input type="checkbox"/> Safe <input type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input checked="" type="checkbox"/> Well led
<input checked="" type="checkbox"/> Receive <input checked="" type="checkbox"/> Review <input type="checkbox"/> Note <input checked="" type="checkbox"/> Approve	Recommendation The Trust Board is asked to REVIEW financial recovery performance and APPROVE the actions taken and planned

Financial Recovery Plan – October 2013

1. Introduction

The Trust has based upon financial performance at the end of September, reviewed Income and Expenditure to determine a forecast Outturn position. This review has determined that without corrective actions the Trust will end the 2013/14 financial with a deficit of £10.165 million.

Given this situation, the Trust has commenced a programme of financial recovery aimed at reducing the scale of the deficit.

2. The actions to be taken within the 2013/14 financial recovery plan.

The table below provides a summary of the corrective actions being taken to address the forecast deficit. As can be seen, the successful delivery of these actions has the effect of reducing the end of year deficit position to £5.758 million.

	Year to Date							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Income	£000	£000	£000	£000	£000	£000	£000	£000
Baseline	149,026	25,384	25,789	25,231	25,175	24,731	26,790	302,126
Elective Activity Recovery			200	200	200	200	200	1,000
Reduced Scale of Penalties		167	167	167	167	167	167	1,000
Coding Improvement			50	50	50	50	50	250
Total Income	25,683	25,551	26,205	25,648	25,592	25,147	27,207	304,376
Pay								
Baseline	104,115	17,367	17,594	17,612	17,630	17,649	17,667	209,635
Reduce Bank and Agency			-200	-200	-200	-200	-200	-1,000
Revised Medical Agency Price Tariff		-88	-88	-88	-88	-88	-88	-525
Corporate Services Vacancy Freeze		-7	-13	-20	-27	-33	-40	-140
Theatre Night Staff		30	30	30	30	30	30	180
Additional A&E Consultant		17	17	17	17	17	17	100
Centre Management Structure		17	17	17	17	17	17	100
Capitalised Labour Costs		-67	-67	-67	-67	-67	-67	-400
Total Pay	104,115	17,270	17,290	17,301	17,313	17,324	17,336	207,950
Non Pay								

	Year to Date							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Income	£000	£000	£000	£000	£000	£000	£000	£000
Baseline	44,382	7,338	7,577	7,606	7,635	7,665	7,694	89,898
RTT Ophthalmology Outsourcing		28	28	28	28	28	28	170
Danwood Project		-17	-17	-17	-17	-17	-17	-100
General Non Pay Controls		-42	-42	-42	-42	-42	-42	-250
Total Non Pay	44,382	7,308	7,547	7,576	7,605	7,635	7,664	89,718
Depreciation and PDC	7,138	1,164	1,164	1,164	1,164	1,164	1,164	14,122
Reserves	-832	-137	-137	-137	-137	-137	-139	-1,655
In Month	-5777	-54	341	-256	-353	-838	1,183	-5,758
Cumulative	-5,777	-5,831	-5,490	-5,746	-6,099	-6,937	-5,758	

The actions contained within the financial recovery plan are as follows:

- Elective Activity Recovery - £1 million.

Work has been undertaken within the Scheduled Care Group to validate the ability to deliver additional Income in the remaining six months of the year. This exercise has revealed capacity to establish further Theatre sessions (cost circa £100,000). Work is presently being undertaken to schedule these additional Theatre sessions and is expected to be completed by the end of October 2013. Putting in place this additional capacity is fully expected to deliver increased Income and generate surpluses to the Trust of £1 million. Lead Director – Chief Operating Officer.

- Reinvestment of Financial penalties/Commissioner discussions- £1 million

In setting the contract for the 2013/14 financial year both of the local commissioning groups confirmed that their plans for the year did not assume a financial benefit from the application of contract financial penalties. Further, where penalties were applied:

- Telford and Wrekin CCG committed to reinvesting the available funds; and
- Shropshire CCG committed to using the sums to support transitional and stranded costs impacting upon the Trust.

Agreement has been reached to provide an “open book” presentation of the respective forecast financial positions of the two CCG’s, the Community Trust and SaTH by the end of October 2013. Based upon this information it is then intended to source an acceptable

financial agreement to both commissioners and providers for the 2013/14 year. Lead Director – Finance Director.

- Coding improvements - £250,000

Work undertaken by the Trust has highlighted that the Trust is presently not capturing sufficiently the level of patient complexity when coding activity performed, particular in respect of MSK procedures. As a basis for addressing this issue, it has been proposed that a reliable method for obtaining such information would be to incorporate patient data sets produced by the Theatre anaesthetic teams. The Medical Director is to work with the Trust Coding Team to ensure such information is available. Lead Director – Medical Director.

- Reduce Bank and Agency - £1 million

In the month of September 2013 the Trust committed funds amounting to £1.6 million and employed 415 Whole Time Equivalent (WTE) posts in support of Bank and Agency staff.

The Trust is presently concluding upon a review of nursing staffing levels, and is expected to be completed by the Acting Director of Nursing and Quality by the end of October 2013. It is anticipated that through this review:

- Revised working practices will be applied in respect of Enhanced Patient Support (EPS) usage; and
- Tighter performance management will be applied at ward level (reflecting newly agreed staffing levels)

It is believed that the combined effect of these actions is that the level of Bank and Agency Nursing will decline over the remaining months of the year. The scale of Nurse Bank and Agency usage in the month of September 2013 was 280 WTE posts.

Operational and Corporate areas are also reviewing Bank and Agency staffing usage, with the expectation that reductions will also be delivered in the remaining months of the year.

Lead Directors – Acting Director of Nursing and Quality. Chief Operating Officer/ Finance Director

- Revised Medical Agency price Tariff - £525,000

From the 1st of October 2013 revised sourcing arrangements for Agency Consultant and Medical staff come into operation. These new arrangements reduce the tariff payable for such staff by 20 per cent. It is estimated that these new arrangements will reduce spending by £525,000 over the remaining months of the year. Lead Director – Medical Director

- Corporate services Vacancy freeze - £140,000

All new vacancies arising across Corporate service areas are to be deferred until the new financial year. Control mechanisms in support of this action have been put in place by the Workforce Director. Lead Director – Workforce Director

- Danwood - £100,000

A programme is being taken place to overhaul printing arrangements across the Trust led by the Procurement department. In the 2013/14 year savings through the programme are estimated at £100,000. Lead Director – Finance Director

- Non Pay Controls - £250,000

Restrictions are being put into effect, to defer non-essential Non Pay expenditure over the remaining months of the year. These restrictions are being led through the Procurement department. A prudent estimate of non-essential Non pay expenditure over the remaining months of the year is £2.6 million. It has been assumed that savings amounting to £250,000 can be achieved through the existence of controls. Lead Director – Finance Director.

3. **The Residual Financial Deficit – National Trust Development Authority**

The successful implementation of the above actions has the effect of reducing the residual financial deficit to £5.758 million. This deficit position has been shared with the National Trust Development Authority (NTDA).

The expectation of the NTDA is for a financial plan to be constructed that describes the activities being taken and the associated timescales, to enable the Trust to operate with a sustainable recurrent financial position. This financial plan is to be presented to the NTDA by the end of December 2013.

This financial plan is then to be taken forward by the NTDA with the Treasury so as to enable the release of Repayable borrowing, as required to underpin financial deficits as the Trust progresses to a sustainable position. In this context the NTDA have recognised the likelihood that the Trust will present a deficit of £5.758 million in this financial year.

4. **Governance Arrangements**

In support of the financial recovery plan, a newly constituted Financial Recovery Board has been established comprising:

- Chief Executive (Chair)
- Finance Director
- Chief Operating Officer
- Medical Director
- Workforce Director
- Acting Director of Nursing and Quality
- Deputy Finance Director
- Programme Manager.

The Financial Recovery Board is scheduled to meet on a fortnightly basis, to review:

- progress against actions as contained within the 2013/14 financial recovery plan,
- to shape Cost Improvement Reductions to be taken forward into the 2014/15 financial year; and
- Agree the sustainable financial plan.

5. **Conclusion**

The Trust has computed that without corrective actions, the Trust will record a deficit in the 2013/14 year amounting to £10.165 million. A series of actions have been identified that reduce the scale of the deficit to £5.758 million by the year end.

A financial recovery Board has been established chaired by the Chief Executive and comprising of Executive Directors of the Trust to oversee the delivery of the actions contained within the 2013/14 financial recovery plan.

Neil Nisbet
Finance Director
25th October 2013