Reporting to:	**Trust Board - 26th March 2015**
Title	Proposed Budget 2015/16
Sponsoring Director	Neil Nisbet, Finance Director
Author(s)	As above
Previously considered by	Finance Committee - 24th March 2015
Executive Summary	The 2015/16 financial year is challenging for the Trust, operating in a space that combines Income reduction with a requirement to also finance Inflationary expenditure pressures through internally identified cost savings. This paper provides a description of how the Trust plans to respond to this challenge in the 2015/16 financial year and in particular documents: • Income budgets - describing the changes that have led to the Income budget for the year, • Pay Expenditure – the assumptions adopted in the creation of the Pay budgets, • Non Pay Expenditure – the assumptions adopted in the development of the Non Pay Budgets, and • Cost Improvement Programme – the activities being taken forward to deliver Cost reductions in the year. The paper considers how the Plan progresses on a monthly basis through the year, considers the impact upon the Medium Term Financial Plan of the Trust and concludes by presenting a proposed Capital Programme for the 2015/16 financial year.
Strategic Priorities 1. Quality and Safety	☐ Reduce harm, deliver best clinical outcomes and improve patient experience through our Quality Improvement Strategy
2a) Healthcare Standards: Operational Performance Standards	☐ To develop a transition plan, with supporting mitigation actions and contingency plans, that ensures the safety and short term sustainability of challenged clinical services. 2014/15 ☐ To address the existing capacity shortfall and process issues to consistently deliver national healthcare standards. 2014/15 ☐ To undertake a review of all current services at specialty level to inform future service and business decisions. 2015/16
2b) Healthcare Standards: Service Reconfiguration	☐ Complete and embed the successful reconfiguration of Women and Children's services ☐ Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme
3. People and Innovation	☐ Develop our leaders and promote staff engagement to make our organisation a great place to work through our People Strategy ☐ Develop a robust Investment Strategy to modernise our equipment and estate to support service transformation and increase productivity through the use of technology)
4 Community and Partnership	☐ Embed a customer focussed approach and improve relationships with our GPs through our Stakeholder Engagement Strategy
5 Financial Strength: Sustainable Future	☒ Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme

Board Assurance Framework (BAF) Risks	☐ If we do not deliver **safe care** then patients may suffer avoidable harm and poor clinical outcomes and experience ☐ If we do not implement our **falls** prevention strategy then patients may suffer serious injury ☐ Risk to **sustainability** of clinical services due to potential shortages of key clinical staff ☐ If we do not achieve safe and efficient **patient flow** and improve our processes and capacity and demand planning then we will fail the national quality and performance standards ☐ If we do not have a clear **clinical service vision** then we may not deliver the best services to patients ☐ If we do not get good levels of **staff engagement** to get a culture of continuous improvement then staff morale and patient outcomes may not improve ☒ If we are unable to resolve our (historic) shortfall in **liquidity** and the structural imbalance in the Trust's **Income & Expenditure** position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment
Care Quality Commission (CQC) Domains	☐ Safe ☐ Effective ☐ Caring ☐ Responsive ☐ Well led
☐ **Receive** ☒ **Review** ☐ **Note** ☒ **Approve**	**Recommendation** **To APPROVE the budget for 2015/16.**

Proposed Budget 2015/16 – Key Messages

Overall Income and Expenditure Position

- Trust to deliver deficit in the year amounting to £18.2 million
- Required to deliver a Cost Improvement Programme that generates recurrent expenditure savings amounting to £12.3 million.
- The Total Cost Improvement Programme incorporating Income gains amounts to £15.27 million, equivalent to an efficiency rate which represents 4.7%.

Income

- Total Income for the year - £314,859 million
- Application of the Negative Tariff reduces the Trust Income by £4.787 million in 2015/16.
- Demographic growth is assumed to increase Income in 2015/16 by £3.291 million,
- Trust plan assumes that CCG QIPP savings of £4.5 million are not achieved in the 2015/16 year.

Expenditure budgets

- Pay Budgets set at £224.344 million, before the achievement of Cost Improvement Programme savings.
- Non Pay set at £98.604 million before achievement of CIP.
- Trust required to increase contributions in respect of CNST by £3.6 million (55% increase)
- Pay assumed to increase in the 2015/16 year by 1.5 per cent, Non pay by 2.8 per cent.

Cost Improvement Programme

- Cost Improvement Programme identified to deliver savings in year of £15.3million.
- Presently 37 per cent of this sum carries a red risk rating.

Risks and Contingencies

- The Trust has historically failed to deliver against national targets. Failure in the 2015/16 year will attract significant financial penalties. No contingency funds exist to cover financial penalties.
- No contingency reserves exist to cover the failure to deliver the 2014/15 CIP Programme.

Medium Term Financial Plan

- The Trust is expecting to record deficits in each of the years 2015/16 – 2018/19.
- In order to become financially sustainable it is necessary for reconfiguration to take place so as to release substantial levels of duplicate costs.

PROPOSED BUDGET 2015/16

TRUST BOARD – 26TH March 2015

1. Introduction

The 2015/16 financial year is challenging for the Trust, operating in a space that combines Income reduction with a requirement to also finance Inflationary expenditure pressures through internally identified cost savings. This paper provides a description of how the Trust plans to respond to this challenge in the 2015/16 financial year and in particular documents:

- Income budgets - describing the changes that have led to the Income budget for the year,
- Pay Expenditure – the assumptions adopted in the creation of the Pay budgets,
- Non Pay Expenditure – the assumptions adopted in the development of the Non Pay Budgets, and
- Cost Improvement Programme – the activities being taken forward to deliver Cost reductions in the year.

The paper then progresses to consider how the Plan progresses on a monthly basis through the year, considers the impact upon the Medium Term Financial Plan of the Trust and then concludes by presenting a proposed Capital Programme for the 2015/16 financial year.

2. Overall Income and Expenditure Budget.

The Income and Expenditure budget for the 2015/16 year is presented in the table below

	Recurrent £000's	Non Recurrent £000's	Total £000's	Forecast Outturn 2014/15 £000's	% change
Income	313,340	1,519	314,859	315,810	(0.3)%
NTDA Support					
Expenditure					
Pay	(221,665)	(2,679)	(224,344)	(216,358)	+3.7%
Non Pay	(98,604)	-	(98,604)	(95,585)	+3.2%
Reserves	(717)	(4,300)	(5,017)		
Cost Improvement Programme – expenditure	13,200	(920)	12,280		
Total Expenditure	(307,787)	(7,899)	(315,818)	(311,953)	1.2%
Earnings before Interest, Tax, Dividends and Amortisation (EBITDA)	5,553	(6,380)	(827)	3,867	
Dividends and Amortisation	(17,444)		(17,444)	(16,072)	+8.5%
Surplus / (deficit)	(11,891)	(6,380)	(18,271)	(12,205)	

A more detailed Income and Expenditure trajectory, describing progress on a monthly basis throughout the 2015/16 financial year is enclosed as Annex 1.

Key messages – Overall Income and Expenditure Position
- Trust to deliver deficit in the year amounting to £18.2 million - Required to deliver a Cost Improvement Programme that generates recurrent Expenditure savings amounting to £12.3 million, - The total Cost Improvement Programme incorporating Income gains amounts to £15.27 million, equivalent to an efficiency rate which represents 4.7%.

2.1 Income Budget

The changes within the Income budget are presented in the table below:

	Recurrent £000's	Non recurrent £000's	Total £000's
2014/15 Approved Baseline Budget	311,791	849	312,640
2014/15 Income growth / reduction	980	2,190	3,170
2014/15 Forecast Outturn	312,771	3,039	315,810
2015/16 Financial year			
Baseline Position	312,771		312,771
Negative Tariff (1.6%)	(4,787)		(4,787)
Non Clinical Income Inflation	-		-
Local Commissioners QIPP	(4,509)		(4,509)
Specialised Services loss	(480)		(480)
Direct Access Pathology	(400)		(400)
	(10,176)	-	(10,176)
Income Increases			
Emergency Threshold – change to 70 per cent	2,114		2,114
Winter Pressures funding		1,169	1,169
Gain from Deanery	350		350
Specialised Services loss reversed	480		480
Specialised Services Transition Funds		350	350
Demographic growth – 1.25%	3,291		3,291
	6,235	1,519	7,754
Local Commissioners QIPP schemes reversed	4,509		4,509
Rehabilitation services			-
Phased Coding changes			-
CCG Transition funds			-
Income Budget 2015/16	313,340	1,519	314,859

2.1.1 Baseline Position

The forecast Outturn has been computed jointly by the Trust and CSU, the Commissioning Support Unit, to the local CCGs. In the 2014/15 financial year the recurrent Income of the Trust increased by £980,000 as a result of:

	£000's	Reason for Change
Developments		
Emergency Medicine	896	Increased Consultant / Medical staff capacity operational from 1st April
Orthodontic service	324	Increased capacity operational from 1st April
ITU	559	Implementation of local CCG Commissioning Plans
Bariatric Surgery	22	Enhanced capacity to support Bariatric surgery development
Paediatric Audiology	81	Approved contract variation
Endo Bronchial Ultrasound (EBUS)	104	New service established in 2014/15

	£000's	Reason for Change
Breast Screening expansion	78	Funding through NHS England to extend the service scope to commence 1st April 2015
Total Developments	2,064	
Pass Through Costs		
High Cost Drugs	1,600	Expenditure budgets increased consistent with the Income increase
Other Drugs and devices	2,199	Expenditure budgets increased consistent with the Income increase
Patient Transport	(3,102)	Responsibility transferred to CCG's
Total Pass through Costs	697	
Income Losses in year		
Education Income	(850)	Reduction in Funding from the Deanery
Point of Delivery	(1,547)	Reductions as a consequence of reduced activity levels and also application of the Non Elective Marginal Rate
Total Income Losses	(2,397)	
Budget Changes		
Understated Inflationary uplift	694	Budgetary adjustment
Total Budget changes		
Total Recurrent Income movement	980	

The forecast outturn is then adjusted by the following items:

2.1.2 Income Reductions

- Negative Tariff – The Trust has in collaboration with the local commissioners computed the impact of the 2015/16 National Tariff based upon the forecast recurrent outturn activity. In doing so, based upon the application of a negative Tariff adjustment equivalent to 1.6 per cent, reduces the level of Income to be payable to the Trust by £4.19 million. In addition the impact of "activity unbundling" in respect of both Maternity and Radiology Direct Access is estimated to reduce Trust Income by a further £600,000.

- Local Commissioner QIPP Schemes 2014/15 – The two local commissioners have shared their expectations in respect of QIPP savings in the 2014/15. The level of savings for Shropshire County CCG amount to £2.151 million. Telford and Wrekin CCG have assumed savings of £2.358 million. Detailed plans underpinning these schemes have not been made available to the Trust.

- Specialised Services – Over performance that has occurred in the 2014/15 financial year either through increased activity or the usage of high cost drugs and devices is to be funded at a rate of 70 per cent of Tariff or cost. In the 2014/15 over performance was funded at a rate of 100% of Tariff or cost. The effect of this change is estimated to reduce Trust Income by £480,000.

- Pathology Direct Access – In the 2013/14 financial year the Trust agreed with the local CCG's that the cost of direct access activity in respect of Pathology services would be reduced by £400,000 upon completion of a reconfiguration of the service. The Income reduction being linked to an agreement reached with the CCG's that local GP's would not pursue a tendering exercise that would have led to the transfer of direct access activity to an alternative provider. It was agreed that the cost reduction would become effective form the 1st of April 2015.

2.1.3 Income Increases

- Demographic growth – In setting the budget for the 2015/16 year, it has been assumed that Income generated through clinical activity will grow by 1.25 per cent, equivalent to £3.29 million. Shropshire CCG, in setting their financial plans for the 2015/16, have assumed that demography will increase clinical activity by 1.5 per cent. Telford and Wrekin CCG assumes a growth rate of 2.5 per cent.

- Winter Monies – Allocation for CCG's for the 2015/16 financial year incorporate funding to support increased costs and activity associated with the winter period. The decision to incorporate winter monies into baseline CCG allocations is intended to create greater certainty over the availability of such funds, so enabling recipient bodies to put in place winter plans earlier and with greater cost efficiency. A clear message from NHS England is that the funds incorporated into CCG allocations will not be supplemented with any additional non recurrent funding in the 2015/16 year. Guidance from the NTDA has stated that provider Trusts should assume that Income relating to the phase 1 of winter monies distributed in the 2014/15 year, will be available in the 2015/16 year. Accordingly, in doing so the Trust has incorporated funding amounting to £1.079 million within Income budgets. Presently neither CCG has confirmed to the Trust that funds to cover winter pressures will be made available in 2015/16.

- Revised rules in respect of the marginal rate for emergency activity – Thresholds presently exist with the two local CCG's in respect of emergency activity beyond which payments are then made at a rate of 30 per cent of Tariff. Shropshire CCG Threshold is based upon outturn emergency activity recorded in the 2010/11 financial year. Telford and Wrekin CCG have set their threshold based upon the activity levels as incorporated within the 2010/11 financial plan. The application of the marginal rate based upon these thresholds, has meant that the two local CCG's have retained funding amounting to £3.7 million. The new tariff rules introduced for the 2015/16 year increase the marginal rate from 30 per cent to 70 per cent. This has the effect of increasing Trust Income by £2.11 million.

- Specialised Service Transition Funding – Following discussions with NHS England it has been confirmed that transitional funding made available to the Trust in the 2014/15 year will be continued into the 2015/16 financial year. This transitional funding amounts to £350,000.

2.1.4 Other observations

- Contract agreement – The above provides a description of the position adopted by the Trust in its negotiations with the two local commissioners for the 2015/16 contract. At the time of writing this paper the position in respect of the two local commissioners is as follows:

	Trust view of contract value for 2015/16 £000's	View presented by the CCGs £000's	Variance £000's
Telford and Wrekin CCG	85,705	83,981	1,724
Shropshire County CCG	121,070	118,906	2,164

The difference in the values occurs because both CCG's have adjusted their contract values to incorporate reduced activity as a consequence of delivering QIPP / Better Care savings programmes. The Trust has not included these adjustments because it is believed that these schemes are not developed in sufficient detail. Significantly the two CCG's have not agreed to provide the Trust with resource to cover "stranded fixed costs" as a consequence of their savings programmes and have also not made available resources to assist the Trust in reducing its cost base in the event that their programmes are successful.

- CQUIN – The Trust Income plan assumes a 100 per cent level of achievement of CQUIN targets in full during the 2015/16 year. The value of contract offers presented by the two local CCG's assume achievement at a rate of 100 per cent.

- Penalties – No allowance has been made for the Income consequences arising from the failure to achieve national targets and any local Remedial Action Plans.

- Risk cover – The Trust has informed the two local CCG's that it believes the balance of financial risk is disproportionately located with the Trust. As such the Trust has proposed to both CCG's , two options :

  (a) That the Trust receives transition funding amounting to £2.5 million; or,
  (b) That contractual agreement that allows the Trust to recover from CCG's costs arising because of CCG plans failing to reduce activity levels as described within their respective QIPP / Better Care and readmissions reduction plans.

The CCG's are presently indicating that they are unwilling to sign a contract for the year that contains either of these two options.

<u>What this means in terms of activity levels to be delivered</u>

In order to test the soundness of the activity assumed in 2015/16, it is useful to consider how activity levels performed in previous years. As can be seen from the tables the level of activity to be delivered, when expressed by point of delivery, appear largely consistent with the levels of activity presented in previous financial years.

It is important to note that the activity profiles do not presently allow for activity required to address the existing waiting List Backlog. This is purposefully so because conclusion needs to be reached, with regard to the speed at which the Trust intends to recover the backlog.

Profiling of Activity that underpin the 15/16 Income Position

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	Annual
Outpatient Attendances	31,647	34,870	33,435	33,317	35,467	32,653	35,045	34,388	37,693	35,438	32,093	35,075	35,699	33,984	34,893	34,859	412,915
Elective Daycases	2,977	3,339	3,267	3,194	3,429	3,239	3,352	3,340	3,614	3,517	3,249	3,460	3,500	3,281	3,386	3,389	40,148
Elective Inpatient Spells	543	605	635	594	673	617	618	636	682	664	603	650	612	600	629	614	7,480
Emergency Spells	3,911	4,027	3,886	3,941	4,046	3,861	3,863	3,923	4,129	4,015	4,160	4,101	4,145	3,880	4,179	4,068	48,100
Maternity/Non Elective Other Spells	612	631	608	617	634	605	605	614	647	629	651	642	649	608	654	637	7,533

Elective Day Case

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	FOT/YTD
15/16 Plan including 1.25% Growth	2,977	3,339	3,267	3,194	3,429	3,239	3,352	3,340	3,614	3,517	3,249	3,460	3,500	3,281	3,386	3,389	40,148
14/15 Actual to M11, FOT M12	3,391	3,370	3,488	3,416	3,640	3,337	3,526	3,501	3,498	3,311	3,146	3,318	3,132	3,076	3,398	3,202	40,313
13/14 Actual	2,825	3,193	3,125	3,048	3,571	3,223	3,205	3,333	3,664	3,266	3,066	3,332	3,657	3,166	3,642	3,488	39,603
12/13 Actual	2,763	3,509	3,103	3,125	3,147	3,085	3,016	3,083	3,509	3,579	2,844	3,311	3,185	2,940	3,262	3,129	37,942

Elective Inpatient

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	FOT/YTD
15/16 Plan including 1.25% Growth	543	605	635	594	673	617	618	636	682	664	603	650	612	600	629	614	7,480
14/15 Actual to M11, FOT M12	581	616	590	596	646	575	571	597	609	603	502	571	464	515	590	523	6,862
13/14 Actual	470	527	604	534	677	609	614	633	672	654	580	635	603	631	622	619	7,263
12/13 Actual	540	703	615	619	615	607	516	579	592	620	524	579	533	510	539	527	6,914

Non Elective

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	FOT/YTD
15/16 Plan including 1.25% Growth	3,911	4,027	3,886	3,941	4,046	3,861	3,863	3,923	4,129	4,015	4,160	4,101	4,145	3,880	4,179	4,068	48,100
14/15 Actual to M11, FOT M12	3,947	4,091	3,879	3,972	4,093	3,545	3,792	3,810	4,024	3,871	4,203	4,033	3,889	3,658	4,127	3,891	47,119
13/14 Actual	3,705	3,811	3,563	3,693	3,870	3,554	3,626	3,683	4,020	3,845	4,090	3,985	4,094	3,721	4,147	3,987	46,046
12/13 Actual	3,749	4,035	3,796	3,860	3,982	3,800	3,611	3,798	3,993	3,872	3,839	3,901	3,829	3,585	4,153	3,856	46,244

Maternity/Non Elective Other

	Apr	May	Jun	Average Per Month Apr-Jun	Jul	Aug	Sep	Average Per Month Jul-Sep	Oct	Nov	Dec	Average Per Month Oct-Dec	Jan	Feb	Mar	Average Jan-Mar	FOT/YTD
15/16 Plan including 1.25% Growth	612	631	608	617	634	605	605	614	647	629	651	642	649	608	654	637	7,533
14/15 Actual to M11, FOT M12	593	601	601	598	613	605	671	630	624	561	604	596	567	672	646	628	7,358
13/14 Actual	760	761	704	742	795	752	681	743	785	758	724	756	715	672	713	700	8,820
12/13 Actual	530	582	583	565	540	539	571	550	576	515	583	558	573	488	627	563	6,707

Outpatients

	Apr	May	Jun	Average	Jul	Aug	Sep	Average	Oct	Nov	Dec	Average	Jan	Feb	Mar	Average	FOT/YTD
15/16 Plan including 1.25% Growth	31,647	34,870	33,435	33,317	35,467	32,653	35,045	34,388	37,693	35,438	32,093	35,075	35,699	33,984	34,893	34,859	412,915
14/15 Actual to M11, FOT M12	32,708	32,626	35,016	33,450	36,839	30,320	35,548	34,236	35,814	33,549	30,588	33,317	32,330	30,778	34,247	32,452	400,363

Key Messages - Income
- Total Income for the year - £314,859 million - Application of the Negative Tariff reduces the Trust Income by £4.787 million in 2015/16. - Demographic growth is assumed to increase Income in 2015/16 by £3.291 million, - Trust plan assumes that CCG QIPP savings of £4.5 million are not achieved in the 2015/16 year.

2.2 Expenditure Budgets

2.2.1 Pay Expenditure.

The baseline budget for Pay spending in the 2015/16 year has been set, before the application of a cost Improvement Programme, at £224.344 million. The table below provides a description of how this sum compares with the budgeted level set for the 2014/15 year.

	Recurrent £000's	Non Recurrent £000's	Total £000's
Recurrent Baseline 2014/15 before application of CIP	214,553	(0.678)	213,874
CIP 2014/15	(2,900)	(400)	(3,300)
Recurrent Baseline 2014/15 after application of CIP	211,653	(1.078)	210,573

	Recurrent £000's	Non Recurrent £000's	Total £000's
In year movement			
New Posts established – in year			
Medical staffing – premium costs	443	235	678
Scheduled Care Group Consultants / Medical staff	1,078	(196)	882
Midwifery development – Princess Royal Hospital	1,838	(1,217)	621
Critical Care – CCG Recommendation	278	(184)	94
Radiology Capacity	250		250
A and E Nursing Review	305	(305)	-
Ward 24 Nursing Template	260	(260)	-
Nurse Premium costs		2,628	2,628
Winter Plan monies		1,755	1,755
	4,885	2,306	7,191
New posts established with directly attributable finance resource	989		989
Other	278	(2,696)	(2,410)
	217,372	(1,014)	216,358
2014/15 Recurrent Budget carried forward	217,372		217,372
Pay Pressures 2014/15	3,299		3,299
Winter monies reserve – phase 1		1,169	1,169
Agency Nurse premium		2,628	2,628
Midwifery development slippage		(249)	(249)
Breast Screening Expansion Programme	125		125
Potential developments	869	(869)	-
Pay Budget (before CIP)	221,665	2,679	224,344

<u>New posts established in 2014/15</u>

As can be seen the Trust introduced/ experienced new recurrent cost pressures in the 2014/15 financial year amounting to £4.885 million.

- Medical staffing

  Budgets in respect of Consultants and Medical staffing have been reset to reflect increased premium rates paid as a consequence of vacancies.

- Scheduled Care Group Consultants / Medical staff

  During the 2014/15 financial year the Trust has been required to supplement substantive capacity through the use of Waiting List Initiative payments. These payments amount to £641,000. In addition the Trust has suffered as a consequence of revised training arrangements introduced in respect of junior medical staff. The new training arrangements have reduced the level of funding available to the Trust and have also resulted in the Trust being required to employ additional Agency staff to cover time previously provided by junior medical staff. The effect of the change has been to introduce costs amounting to £437,000.

- Midwifery Development – Princess Royal Hospital

  The transfer of midwifery services to the Princess Royal Hospital increases pay costs recurrently by £1.838 million, this sum is being used to support the cost of additional midwives and paediatric consultants and also enhanced levels of domestic service staff.

In setting the budget for the 2015/16 year it has been assumed that because of difficulties in the recruitment substantively into domestic service staff, that non recurrent savings will occur. These savings are estimated at £250,000.

- Critical Care Recommendation

  Following the Care Quality Commission visit in October 2014, it was agreed that nurse staffing levels within the Critical Care service needed to be strengthened. The cost of meeting this requirement is £278,000.

- Radiology capacity

  In order to support patient flow and respond on a timely basis to increased levels of cancer activity it has been necessary to increase capacity within the radiology department. Presently this is being funded through Waiting List Initiative payments however it is planned to use these resources to employ increased substantive radiology consultant support.

- A and E Nursing review

  Following a review it has been concluded that nurse staffing levels within the Trust A and E departments require additional funding. The cost of additional staff amounts to £305,000.

- Ward 24 Nursing

  In agreeing to the increased nurse staffing levels to meet the "safer staffing levels" requirements, Ward 24 at RSH had during 2014/15 not worked to the agreed template levels, instead working to a transitional lower level. Setting staffing levels at a rate consistent with these requirements introduces a further cost pressure of £260,000.

New posts established with directly attributable funding

During the course of the year a series of posts have been established as a consequence of additional dedicated funding being made available or because of a need to address capacity deficiencies linked to increased levels of demand. Posts introduced to address capacity deficiencies have themselves been covered through the existence of additional contract Income. These posts are as follows:

	£000's
Dedicated funding	
Midwifery Training	16
Dedicated funding Total	16
Capacity deficiency	
Intensive Care Unit	559
Paediatric Audiology	81
Orthodontic service	223
Trauma and Orthopaedic	100
Bariatric surgery	10
Capacity deficiency total	973

Pay Pressures 2015/16

The Trust commences the 2015/16 financial year with a recurrent pay bill amounting to £217.372 million, and is then required to supplement this with:

Pay Inflation

The Trust has established a reserve to cover the cost of pay awards and incremental progression. This budget has been set at a rate of 1.5 per cent of annual recurrent pay and amounts to £3.299 million.

Winter Pressures

The Income budget assumes the existence of winter pressure funding for the 2015/16 financial year amounting to £1.079 million. In setting the pay budget it is assumed that this funding will be used to:

- Support the cost of escalation capacity – Ward 32 - £434,000
- Establish Winter period reserve - £734,000.

Agency nurse premium / EPS usage

During the 2014/15 financial year the Trust has substantially increased costs in respect of nurse staffing beyond levels as agreed in setting the revised templates in the 2014/15 financial year. These increased costs have arisen because of:

- Increased EPS usage, (£730,000)
- Establishment of additional ward capacity (£287,000)
- Higher than anticipated levels of nurse vacancies; (£1.252 million) and
- An inability to contain spending within the approved nurse cover rate set at 20.5 per cent of Nurse budgets. (£360,000).

The recurrent ward staffing budgets are assumed to be unchanged for the 2015/16 year. In recognition however of the difficulties experienced in managing to these budgets in the 2014/15 year it has been decided to increase the nurse budget non recurrently in the 2015/16 year by £2.86 million in recognition of these cost pressures.

Breast Screening Expansion Programme

In support of the scheme to expand the delivery of Breast Cancer screening it is necessary to increase staff resourcing by £125,000. These costs are being met in full during the 2015/16 through funding made available directly through NHS England.

Potential developments

In the development of proposed budgets for the 2015/16 year, Centre Managers in support of Therapies, Diagnostics and Pharmacy services have put forward potential developments to improve their services. These developments increase capacity and provide opportunity to deliver seven day working. Whilst these developments have been acknowledged, no agreement presently exists to take forward these schemes and as such the cost of the developments has been removed on a non recurrent basis. These schemes are as follows:

	£000's
Therapies – 7 day working	175
Radiology – 7 day working	100
Pathology development	154
Histology development	53
Pharmacy – 7 day working	100
Pharmacy development	287
	869

Sense check of the Proposed Pay Budget

To test the validity of the proposed 2015/16 Pay budget it is useful to consider the monthly run rate assumed for the 2015/16 financial year with the levels of spending that have occurred in the previous financial year.

	2015/16 Budget £000's	Actual Months 1 – 10 2014/15 £000's	Moving average 3 month period Mths 8 -10 £000's
Average Monthly run rate	18,410 *	17,962	18,159

- The Average monthly run rate excludes inflationary pressures and any new developments planned to commence in the 2015/16 financial year.

As can be seen the budget is £450,000 per month greater than the average monthly run rate recorded through the 2014/15 financial year and £250,000 per month greater than the levels spent in the most recent three months.

2.2.2. Non Pay Budgets

The baseline budget for Non Pay spending in the 2015/16 year has been set, before the application of a Cost Improvement Programme, at £98.604 million. The table below provides a description of how this sum compares with the budgeted level set for the 2014/15 year.

	Recurrent £000's	Non Recurrent £000's	Total £000's
Recurrent Baseline 2014/15 before application of CIP	99,486		99,486
CIP 2014/15	(4,800)		(4,800)
Recurrent Baseline 2014/15 after application of CIP	94,686		94,686
			-
Scheduled Care Group unfunded cost pressure	400	167	567
Therapies, Radiology, Pathology cost pressures			1,040
Diagnostics unfunded development	45	(45)	-
RTT Resilience		560	560
Maternity development – Princess Royal Hospital	176		176
Overachieved CIP / reserve write off	(6,153)	3,062	(3,091)
Cost Pressures associated with Funded developments in 2014/15	1,065		1,065
Patient Transport transfer	(3,021)		(3,021)
High Cost Drugs/ Treatments – recharged to NHS England	4,647		4,647
	91,856	3,743	95,599
Recurrent budget bfwd	91,856		91,856
Inflation reserve 2015/16	2,528	-	2,528
CNST Contribution increase	3,571		3,571
Cost Pressures associated with Increased activity	650		650
Non Pay Budget (before CIP)	98,604		98,604

The Trust commenced the 2014/15 financial year with a Non Pay budget (after applying cost improvement savings) amounting to £94.686 million, during the year the following recurrent cost pressures have occurred.

- Scheduled Care Cost pressures

  In setting budgets for the 2014/15 financial year it had been assumed that savings amounting to £400,000 could be achieved through a decision to consolidate the supply of products in support of MSK surgery through a single supplier. It has not been possible to achieve these savings during the year.

- Diagnostics Cost pressure

  The Trust has recently extended the lease of a contract pending the completion of a competitive tendering exercise. The effect has been to introduce a cost pressure amounting to £45,000.

- Maternity Development – Princess Royal Hospital

  In transferring the maternity service to the new development at PRH, the Trust is now required to increase spending in respect of energy and business rates.

- Cost Pressures associated with funded developments

  A number of cost pressures have occurred in the 2014/15 that have been covered through the receipt of additional Income. These cost pressures amount £1.065 million.

	£000's
Cardiac Devices	600
Direct Access Pathology and Radiology	288
Cystic Fibrosis	111
Breast Screening expansion	25
Other	41
	1,065

- Patient Transport

The total CCG's have assumed direct management responsibility of Patient Transport services, and as a result the Expenditure budgets as held by the Trust (and accompanying Income) have been transferred.

- High cost Drugs / Treatments

The Trust is able to recover costs incurred in respect of high cost Drugs/ Treatments from commissioners. The level of spending in respect of high cost drugs / treatments increased in the 2014/15 by £4.647 million.

<u>Non Pay Pressures 2015/16</u>

The Trust therefore commences the 2015/16 financial year with a recurrent Non Pay level of spending amounting to £91.856 million. To this sum, it is necessary to provide for the following additional cost pressures:

<u>Non Pay Inflation</u>

The Trust has established a reserve to Non Pay inflationary pressures. This budget has been set at a rate of 2.8 per cent of annual recurrent non pay and amounts to £2.528 million.

CNST Contribution Increase

The NHSLA has substantially altered its methodology for recovering contributions from member organisations into the Clinical Negligence risk pooling scheme. The effect of this change in methodology is to increase the Trust contribution from £6.5 million in 2014/15 to £10.1 million in 2015/16.

Cost pressure associated with increased activity

Income budget shave been increased to allow for the effect of demographic growth. It is recognised that in performing such activity additional non pay costs will be incurred. A reserve amounting to £650,000 has been established to cover non pay costs attributed to this activity.

As a result Non Pay expenditure has been budgeted at a level amounting to £98.604 million.

Sense check of the Proposed Non Pay Budget

To test the validity of the proposed 2015/16 it is useful to consider, the monthly run rate assumed for the 2015/16 financial year with the levels of spending that have occurred in the previous financial year.

	2015/16 Budget £000's	Actual Months April January 2014/15 £000's	Moving average 3 month period November - January £000's
Average Monthly run rate	7,655 *	7,862	7,804

The Average monthly run rate excludes inflationary pressures and any new developments/ cost pressures planned to commence in the 2015/16 financial year.

As can be seen the average monthly run rate as described within the 2015/16 budget is approximately £200,000 lower than the average actual level of monthly spending recorded over the period April – January 2014/15. The 2014/15 position is however distorted because payments in respect of Patient Transport were paid during the period April 2014 – October 2014 and in addition significant costs were incurred in addressing a Waiting List Backlog. Adjusting the months 1 – 10 for these two items reduces actual average monthly non pay spend over the April – January period by approximately £230,000 period and as such the proposed budget for 2015/16 then becomes more comparable.

Comparison with the more recent three month period November – January periods suggests that the level of monthly spending assumed in the 2015/16 may be understated, though once again a direct comparison is difficult because of distortions caused by activity relating to waiting list backlog.

Key Messages - Expenditure budgets
• Pay Budgets set at £224.344 million, before the achievement of Cost Improvement Programme savings. • Non Pay set at £98.604 million before achievement of CIP. • Trust required to increase contributions in respect of CNST by £3.6 million (55% increase) • Pay assumed to increase in the 2015/16 year by 1.5 per cent, Non pay by 2.8 per cent

3. Cost Improvement Programme

The Trust has constructed a Cost Improvement Programme for delivery in the 2015/16 year with the requirement to achieve efficiency amounting to £15.3 million as presented in the table below. The programme for the year comprises of two elements:

- Cash releasing expenditure savings - £12.3 million; and

- Activity efficiencies/ Income gain - £3.0 million.

	2015/16 savings £000's	Recurrent £000's	Non Recurrent £000's
Procurement	1,800	1,800	-
Estate Revaluation	1,500	500	1000
Corporate services	400	600	(200)
Pharmacy Gain Share	200	300	(100)
Capitalisation of workforce costs	1,200	1,200	-
Compensation Recovery Unit	1,000	1,000	-
Salary Sacrifice	100	100	-
Non Pay prompt payment discounts	200	200	-
Womens and Children's Care Group Deep Dive	250	500	(250)
Ophthalmology – Deep Dive	750	1,000	(250)
Scheduled Care – recovery	1,250	4,000	(2,750)
Unscheduled Care	1,000	2,000	(1,000)
	9,650	13,200	(3,550)
Nurse Escalation savings	2,630		2,630
Cash releasing efficiency savings	12,280	13,200	(920)
Excess Training Income	350	350	
Activity efficiencies	2,640	2,640	-
			-
Total Cost Improvement Programme	15,270	16,190	(920)

The Cost Improvement Programme is being performance managed through the Trust Executive Management Team, progress against the programme is supported through a dedicated CIP Programme Manager. The Finance Director is the Executive Sponsor for the Cost Improvement Programme. Progress of the Cost Improvement Programme is reviewed on a monthly basis.

3.1 Status of the Cost Improvement Programme

Confidence in the delivery of an ambitious Cost Improvement Programme depends upon the stage of implementation of each element of the Programme. The table below provides a description of the "status" of each element and a corresponding Risk Rating.

	Director / Centre Chief Lead	Status	Savings "in year" £000s	Risk Rating
Procurement	Finance Director	Detailed savings plans constructed with on-going engagement with services, centres and departments	1,800	Amber
Estate Revaluation	Finance Director	Comprehensive review made of asset lives attributable to medical equipment.	1,500	Green
Salary Sacrifice	Workforce Director	Schemes implemented in 2014/15 – savings reflect FYE	100	Green
Gain Share arrangements – Pharmacy	Finance Director	Schemes identified – agreements approved with Chief Pharmacist	200	Green
Capitalisation of Costs	Finance Director	Opportunities for capitalisation identified	1,200	Green
Compensation Recovery Unit	Finance Director	Contract agreed with HCR Ltd – Programme of implementation being finalised	1,000	Amber
Women and Children's Deep Dive	Chief Operating Officer	Disestablishment of posts finalised	250	Green
Unscheduled Care	Chie Operating Officer	Schemes being developed	1,000	Red
Finance and Estates	Finance Director	Various schemes – implemented and being finalised	400	Green
Scheduled Care	Chief Operating officer	Schemes to be developed/ finalised	2,000	Red
Prompt payment discounts	Finance Director	Arrangements being finalised	200	Green
Deanery Income	Medical Director	Contract for 2015/16 agreed	350	Green

	Director / Centre Chief Lead	Status	Savings “in year” £000s	Risk Rating
			10,000	
Nurse Agency / staffing	Director of Nursing	Programmes being developed	2,630	Red
Activity efficiencies	Finance Director	Contract agreements in place	2,640	Green
Total			15,270	

The risk assessment of the schemes can be summarised as follows:

Risk Category	£000’s	%
Green	6,840	45
Amber	2,800	18
Red	5,630	37
Total	15,270	

Delivery of the Nurse Staffing Cost Improvement scheme.

In the above analysis the Cost Improvement Programme scheme relating to nurse staffing has been classified as red, a position that reflects a requirement to finalise plans associated with the delivery of this sum. That said, work has been undertaken to scope the potential for releasing such a level of saving.

The scoping work, incorporates a number of key actions, notably :

(a) Reducing the number of HCA staff employed in support of EPS activity by 12 WTE posts. Note this still allows for 12 WTE posts to continue to exist above approved Nurse Templates throughout the financial year.

(b) Delivering staffing levels within a revised cover percentage of 23.5 per cent, presently nurse staffing is operating at a level of cover equivalent to 25.5 per cent. Budgeted cover has been set at 20.5 per cent.

(c) Switch the proportion of temporary nursing staff employed from the existing bank to agency ratio of 40%/60% to a revised ratio of bank to agency 60%/ 40%.

Delivering actions (a), (b) and (c) progressively over a period April – December – generates savings in the year amounting to £1.79 million in the 2015/16 financial year and a full year level of savings amounting to £2.56 million.

Further actions, requiring:

(d) Closure of 8 unfunded escalation beds from April 2015, being 4 beds on ward 28 annex RSH and 4 beds on DSU RSH reduce the number of employed agency registered nurses by 2 WTE and unregistered agency nurses by 6 WTE – savings £470,000,

(e) Introduce 50 WTE unregistered nurses from June 2015 and so cease use of unregistered agency nurses from that date – savings £270,000 in year , full year effect £290,000; and

(f) Allow skill mix change in respect of 10 WTE nurses arriving from overseas recruitment in quarter 3 of the 2015/16 financial year. – savings £270,000 and full year effect £480,000.

Significantly in order for the savings as described in actions (d), (e) and (f) to materialise it is necessary for the nurse “93 per cent fill rate” as presently being worked for both registered and unregistered nursing staff to be maintained. If following the actions above “fill rate” rises above the 93 per cent level, then the level of savings will reduce and worse, beyond a fill rate of 96 per cent, the level of nurse staffing cost would increase.

It is worth noting that at a recent Executive Management Team it was agreed that in setting budgets for nurse staffing for the 2015/16 year, actions (a), (b) and (c) should be adopted supported by a fill rate of 93 per cent.

The effect of taking forward these actions is to generate savings in the 2015/16 financial year of £2.8 million and a full year effect of £3.8 million. The table below illustrates the planned trajectory of the £2.8 million savings.

		Change in overall WTE utilised	In-Year £,000	FYE £,000
a	Reduction in overall EPS usage agency by 10 wte	-10	280	400
b	Reduction in substantive unavailability (cover) by 2% reduces agency for RN & HCA	-20	880	1,260
c	Increase bank level by 20% and reduce agency by 20% for Registered Nurses & HCA (equates to c30 wte)	0	630	900
d	Close unfunded capacity (Ward 28 Annex / DSU)	-8	470	470
e	Bulk substantive recruitment of HCAs (c50 wte) and reduce agency first then bank	0	270	290
f	Skill mix changes - replacing Registered Nurse agency with Band 4 (based on 10 wte)	0	270	480
	Total	-38	2,800	3,800

Clearly in order for the above to be taken forward it is necessary for a full Quality Impact Assessment to be completed.

Key Messages – Cost Improvement Programme
• Cost Improvement Programme identified to deliver savings in year of £15.3million. • Presently 37 per cent of this sum carries a red risk rating.

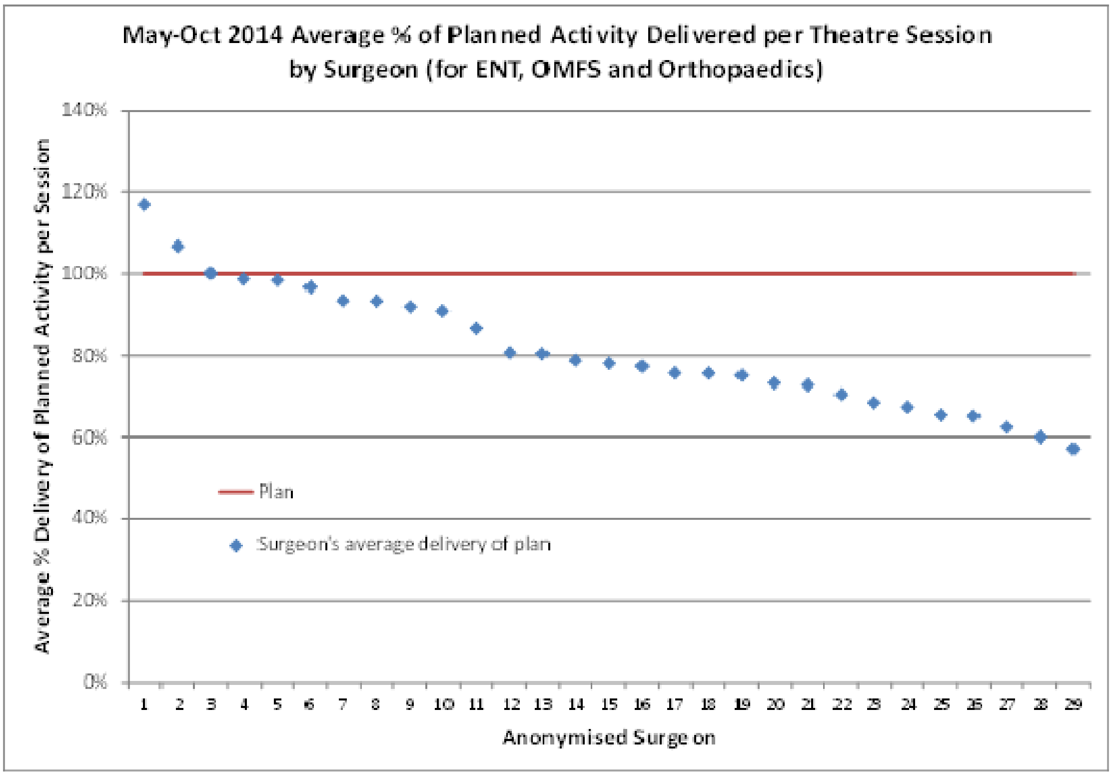
Further actions to reduce the 2015/16 Deficit

The Income and Expenditure budget as presented above, reflects existing working practices and decisions that have been made in respect of the 2015/16 financial year. As a result the Trust is expecting to record a deficit in the 2015/16 financial year of £18.2 million, which reduces to £15.7 million in the event that an agreement can be reached with the two local CCG's to introduce within the contract opportunity for "risk share".

In this section, however consideration is given to further actions that potentially could be taken as a basis for reducing the level of the 2015/16 in year deficit. These actions include:

- Recovery of the RTT Backlog – Income and Expenditure associated with the recovery of the RTT Backlog that has grown over the winter period has been excluded from the proposed 2015/16 Budget. In doing so it is therefore assumed that in delivering a recovery of the RTT the Trust will not gain from addressing the backlog because expenditure is assumed to precisely match the level of Income generated. This is a prudent position and reflects a view that an accelerated programme of RTT recovery should be progressed through the use of outsourcing and premium non recurring costs such as additional Waiting List Payments. An alternative approach would be to recover the Backlog over a six – nine month period using core capacity. Adopting this approach could be expected to generate contribution of circa £500,000.

- Theatre productivity – An exercise has been undertaken which has charted actual activity volumes against agreed templates for a sample of c40% of consultant surgeons.



As can be seen the volume of actual activity recorded is frequently below the agreed template activity across multiple specialties. In order to accommodate the shortfall in activity performed the Trust has been required to introduce additional capacity (and this is reflected in the 2015/16 expenditure budgets). It is calculated that by taking actions to ensure that agreed activity levels are delivered this would then reduce the requirement for outsourcing and Waiting List Initiative payments. The full year effect of making this change across all consultant surgeons is estimated to generate cost savings of £2.0m.

- Standardisation of MSK Theatre consumables – In setting the budget for the 2015/16 it has been assumed that savings available through the standardisation of MSK consumables cannot be achieved. An action to adopt the standardisation route would generate savings amounting to £400,000 in a full year.

- Birth rate plus – The national midwifery staffing template places a requirement upon the Trust to staff its maternity service by adopting the recommended ratio of 42/35 (dependant on delivery location) births to each midwife. A review of neighbouring Trusts however has identified that whilst such organisations aspire to achieve this standard not all are currently doing so. Adopting a position where the Trust worked to a 43.3/35 births to midwife ratio would result in the achievement of full year cost savings of £219k

- Midwifery Led Units - The recent “deep dive” into midwifery services has highlighted that services provided across Midwifery Led Units is resulting in a negative contribution amounting to circa £1.0 million. Discussions need to take place with commissioners to address this position.

- Nurse staffing levels Accident and Emergency department – Whilst it is acknowledged that additional nursing staff are required to support the performance of the Accident and Emergency Department revised templates were not constructed as part of the skill mix review and commissioners have not expressed an interest in supporting the cost of achieving safer staffing levels. A decision to not progress with the revised staffing levels generates savings of £305,000.

- Distributed Renal Services – Presently the Trust provides a community based renal service at Ludlow community hospital. A decision to consolidate this service onto the PRH site would realise savings amounting to £130k in a full year.

- Bridgnorth Urology service – Insufficient space to provide Urology services within the Trust hospital sites has resulted in the Trust delivering services off site at Bridgnorth Community Hospital. Relocating this service onto the hospital site generates savings of £60,000.

- Private Healthcare – In responding to problems relating to "patient flow" it has been necessary to downsize private patient work offered by the Trust. It is anticipated that lost Income of £350,000 could be recovered by taking actions to re-establish this service.

- Consultant weekend working – The Trust has over the past twelve months bolstered Consultant staffing to support the achievement of increased levels of discharge over a weekend. The cost of introducing this arrangement amounts to £125,000. Commissioners have confirmed that they are not intending to provide financial support in respect of weekend working.

- Complex audiology service – A review has identified that the level of funding presently received from commissioners in respect of complex audiology work does not recover the cost of consumables used in performing the activity. A request for additional funding has been requested by the Trust and rejected by commissioners. A decision to withdraw from the service could be expected to generate savings amounting to £800k.

- Job Planning Scheduled Care – In the majority of cases clinical governance sessions are currently undertaken during Direct Clinical Care (DCC) sessions thus impacting on capacity which is then re-provided at premium rates. These should be classified within Supporting Professional Activity (SPA) sessions. A decision to reinforce this principle would generate savings of £600k within the Scheduled Care group

- Non Clinical workforce recruitment freeze – It is difficult to quantify the full level of savings that could be realised through such an action since much depends upon the volume and timing of vacancies emerging during the year. Reducing the non clinical workforce by 50 WTE posts would however reduce the cost base of the Trust by £1.5 million FYE.

- Elective Income growth – The combined effect of health system reconfiguration in Mid Staffordshire, and the associated changes impacting upon service delivery in Wolverhampton and North Staffordshire, coupled with rapidly improved access times for Elective procedures provides opportunity for the Trust to through concerted business development recover/ develop market share. As a rule of thumb growing elective by 1 percentage point creates increased contribution of circa £400,000 -£500,000. A realistic Target would be to secure Income growth by say 5 per cent, and in doing so increase contribution £2 - 2.5 million.

It is important to note that in order to progress with any of these options it is necessary to be satisfied that that the quality / safety consequences are fully understood. This requires a full Quality Impact Assessment to be undertaken for each of the potential schemes.

4. Risks associated with the 2014/15 Plan

- Local QIPP – Local commissioners have indicated that local QIPP schemes will reduce Income by £4.6 million; little detail exists in respect of the activities being introduced to reduce the Income.

- Performance Penalties – Revised contract rules demonstrate that commissioners are to be expected to aggressively manage contracts in the 2015/16 financial year and enforce financial penalties where the Trust fails to achieve national contract targets.

- Cost Improvement Programme – To achieve the 2015/16 financial plan, the Trust is required to deliver a £15.27 million cost improvement programme. £5.63 million of this programme is presently classified as having a red risk. The red risk areas assume an ability to deliver reductions in nursing staffing spending amounting to £2.63 through reduced reliance on agency nursing. Plans to deliver such a level of saving are to be finalised. Similarly the Unscheduled Care and Scheduled Care Groups are expected to deliver “in year “cost savings amounting to £3 million. Much of this sum is presently unidentified.

- Increased Nurse Agency costs – Dialogue with Agency Nurse providers has indicated that the shortage in nurse staffing is likely to result in cost premiums rising in the 2015/16 year by approximately 20 per cent. In the event that existing levels of nurse staffing were to remain unchanged in the 2015/16 year this would increase Nursing costs by £2.2 million.

- Commissioning intention of Powys Health Board – No information has been provided to the Trust by the Trust that details the commissioning intentions of the Powys Local Health Board.

Key Messages - Risks and Contingencies
• The Trust has historically failed to deliver against national targets. Failure in the 2015/16 year will attract significant financial penalties. No contingency funds exist to cover financial penalties. • No contingency reserves exist to cover the failure to deliver the 2014/15 CIP Programme.

5. Impact upon the Medium Term Financial Plan

This paper has so far focused upon the Budget for the 2015/16 financial year. The 2015/16 financial position has then been extrapolated by applying the following set of assumptions, notably:

- Negative Tariff – Applies across the years 2015/16 to 2018/19 at the rate of 1.6 per cent.
- Demographic growth – Increases Income each year by 1.25 per cent.
- Pay Costs – Rise in each year by 2 per cent; and
- Non Pay costs – Rise in each year by 4.0 per cent

The effect of these assumptions is to produce a deficit in each of the years 2015/16 to 2018/19.

	Recurrent £million’s	Non Recurrent £million’s	Total £million’s
2013/14	(11.5)	11.5	-
2014/15	(14.0)	1.8	(12.2)
2015/16	(11.9)	(6.5)	(18.4)
2016/17	(12.5)	(3.2)	(15.7)
2017/18	(13.2)	(3.1)	(16.3)
2018/19	(14.1)	(3.2)	(17.3)

(Note for consistency the recurrent position as described for the 2013/14 year has been redrafted to exclude transitional support from CCG’s).

As can be seen throughout this period the Trust operates with a recurrent deficit within a range £11.9 – 14.1 million). PricewaterhouseCoopers (PWC), in their review, concluded that recurrent duplicate costs existed equivalent to £12 million. In shaping a sustainable financial solution for the Trust it is therefore critical for a reconfiguration of service to take place that will enable the duplicate costs to be avoided. Doing so would then enable the Trust to operate with a recurrently position at or close to a sustainable level.

Key Messages – Medium Term Financial Plan
• The Trust is expecting to record deficits in each of the years 2015/16 – 2018/19 • In order to become financially sustainable it is necessary for reconfiguration to take place so as to release substantial levels of duplicate costs.

6. Capital Programme 2014/15

An Outline Capital Programme was agreed at Capital Planning Group as per attached table below. The Trust's Capital Resource Limit (CRL) is set at historic level of £8.450m.

The first column 'Requirement in 2015/16' shows the level of capital required to complete all the schemes suggested. Completion of all the schemes would require an additional £14.241 million. The next column 'Proposed Capital Programme in 2015/16' gives those schemes which are considered to be of the highest priority. This Programme assumes support from the League of Friends of £0.420 million, which they have indicated they would be willing to consider. Assuming this level of support, the Programme is still £0.263 million over the CRL, however, at this stage this is considered reasonable based on the experiences of past years' delivery of the Capital Programme.

It should be noted that an allocation of £5.0m must remain within the Trust's Capital Programme to deliver a Maternity Led Unit and Paediatric Assessment Unit at RSH as agreed within the Future Configuration of Hospital Services Full Business Case. The delivery of this is dependent upon the outcome of the Future Fit Project. A nominal figure of £100k is included within 2015/16 and may need revising when the preferred option from the Future Fit exercise is known.

The Shrewsbury and Telford Hospital NHS Trust

Outline Capital Programme 2015/16 to 2019/20

	Requirement in 2015/16	Proposed Capital Programme in 2015/16	2016/17	2017/18	2018/19	2019/20	Future Years
			£000	£000	£000	£000	£000
Funding Available: Internally Generated Capital Resource Limit (CRL)	8,450	8,450	8,450	8,450	8,450	8,450	
Completion of Schemes Already Commenced:							
Schemes carried forward from old year	200	200	200	200	200	200	
2nd Phase RSH Mortuary (total scheme £1.8m)	1,099	1,499					
Completion of CT Scanner replacement/additional	115	115					
Lack of robust fire management strategy (CRS 20)	1,243	1,243	782	100	100	100	
Asbestos removal from Duct (Path Lab to Boilerhouse)/Pathology/Maternity (incls additional ducts)	120	120					
Replacement of obsolete Windows XP End User Computing (CRS 16)	115	115					
Estates Replacement Fund - Ward Kitchen Replacement	149	149					
Completion of Telecoms - W&C Centre PRH	103	103					
Delegated Funds/Capitalisation of Expenditure							
Estates Contingency	250	250	250	250	250	250	
Medical Equipment (emergency replacement £250k/Phase 1 Replacement £250k)	500	500	500	500	500	500	
Information Technology	250	250	250	250	250	250	
Non Patient Connected Equipment Contingency Fund	100	100	100	100	100	100	
VitalPAC Contingency Fund	75	75	100	100	100	100	
Capitalisation of Expenditure (Salaries and Non-Pay) CIP	1,200	1,200	1,200	1,200	1,200	1,200	
Capitalised Salaries (no revenue benefit)	500	500	500	500	500	500	
In Year Allocations/Corporate Contingency	1,000	1,000	1,000	1,000	1,000	1,000	
Total of Pre-Approved Schemes	7,019	7,419	4,882	4,200	4,200	4,200	
BUDGET REMAINING FOR ALLOCATION	1,431	1,031	3,568	4,250	4,250	4,250	
Continuation of 'Rolling' Replacement Schemes:							
Estates Replacement Fund (exc kitchens above)	101		250	250	250	250	
Patient Monitoring	150	100	127	130	130	130	
Maternity Ultrasound Scanners	b/f to 14.15		100	100	100	100	
Previously agreed schemes:							
RSH MLU/PAU - P2 FCHS	100	100	1,500	3,400			
Renal Solution for RSH - Upgrade RO/Piped Oxygen or Alternative Scheme - net of Charitable Funds contribution	400	300					
Dialysis Replacement Programme	200	200	100	100	100	100	
Bowel Scope Screening Programme (Phase 2)	b/f to 14.15						
PRH Cystoscopes	48	48	100				
Anaesthetics scopes	b/f to 14.15						
Sustainability 'Invest to Save' funding	60	60	60	60	60	60	
Replacement 3rd Linac - included within Scheduled Care Business Planning	0	0	250	800			
Creation of Surgical Admission and Discharge Suite PRH (to be considered as CIP)							
Creation of CDU - PRH (funding released in 2014.15) - not required - alternative PRH A&E scheme	150						
MES - additional replacement equipment (to complete Phase 1 of MES Priority List)	1,362		1,500	1,500	1,500	1,500	
Prioritisation of Risks							
Replacement programme for anaesthetic machines – pneupacs (CRS 20)	220	220					
Ineffective automated surveillance system for Infection Control causing possible delays in identifying patterns of infections (CRS 16)	86	86					
Replacement programme for anaesthetic machines – Aestiva (CRS 16)	580		193	193	193		
Mixed gender waiting area in SAS (CRS 15)	100	100					
Summary of Business Planning Proformas							
Scheduled Care	1,034						2,404
Unscheduled Care							
Women & Children's	261						
Diagnostic - Pathology							
Diagnostic - Radiology	6,143						4,736
Therapies							
Corporate	60						90
Estates (includes condition surveys)	943	300					562
MES							
Facilities	500						
IT	390						300
Human Resources							
Dementia	TBC						
Estates Issues - post Business Planning Submission							
Roadway Strengthening (over duct)	400						
Flooring Replacement	1,334		1,276				
Additional Temporary Car Park at PRH (c200 spaces)	350						
Asbestos Work	500						
Known Issues:							
PRH Mortuary			600				
PRH RO			200				
Fit to Transfer Ward 16 (Estates)	80	80					
Fit to Transfer Ward 16 (Equipment)	120	120					
	15,671	1,714	6,256	6,533	2,333	2,140	8,092
Surplus/(deficit) after above	-14,241	-683	-2,688	-2,283	1,917	2,110	
LoF support for £220k anaesthetic machines		220					
LoF support for £200k Renal Dialysis Machines		200					
	-14,241	-263	-2,688	-2,283	1,917	2,110	0
Notes:							
High Priority Risk re Fertility accommodation (CQC outcome 10) £300k to £2.5m (CRS 16) not included							
Sale of Accommodation 2 not included							

Annex 1 – Monthly Income and Expenditure Position 2015/16

Monthly Income and Expenditure 2015/16	Apr £000s	May £000s	Jun £000s	Jul £000s	Aug £000s	Sep £000s	Oct £000s	Nov £000s	Dec £000s	Jan £000s	Feb £000s	Mar £000s	15/16 Total £000s
Income	25,055	26,130	25,635	27,075	25,244	26,026	27,837	26,500	25,763	27,088	25,559	26,945	314,859
Pay	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(18,695)	(224,344)
Non Pay	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(8,217)	(98,604)
Reserves	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(418)	(5,017)
Cost Improvement Programme	530	577	810	1,027	980	1,020	1,173	1,173	1,213	1,250	1,250	1,277	12,280
Total Expenditure	(26,800)	(26,753)	(26,521)	(26,304)	(26,350)	(26,311)	(26,158)	(26,158)	(26,117)	(26,080)	(26,080)	(26,053)	(315,685)
Earnings before Interest, Tax, Dividends and Amortisation (EBITDA)	(1,745)	(623)	(886)	772	(1,106)	(285)	1,679	343	(354)	1,008	(521)	892	(826)
Finance Costs	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(1,454)	(17,444)
Surplus/(Deficit) for the Financial Year	**(3,199)**	**(2,077)**	**(2,340)**	**(682)**	**(2,560)**	**(1,738)**	**226**	**(1,111)**	**(1,808)**	**(446)**	**(1,975)**	**(561)**	**(18,270)**
Surplus/(Deficit) for the Financial Year Cumulative	(3,199)	(5,275)	(7,615)	(8,297)	(10,857)	(12,596)	(12,370)	(13,481)	(15,289)	(15,735)	(17,709)	(18,270)	