

TRUST BOARD - 1ST March 2012

Finance Update – Key Messages

Income and Expenditure Position

- *The Trust recorded a surplus for the first time in the year at the end of January amounting to £123,000; the Trust had planned to record a deficit at this stage in the financial year of £896,000.*
- *In the month of January a surplus of £123,000 was recorded, an over achievement against plan by £593,000.*
- *The Trust has recorded a positive run rate in seven of the last eight months*

Income

- *Over achievement by 4.548 million at the end of January, forecast to increase to £6.135 million by the year end*
- *Trust has end of year agreement with Shropshire County and Telford and Wrekin PCTs which generates an over achievement amounting to £4.036 million. The forecast outturn with the local PCTs has increased by £700,000 as a consequence of the release of further funding to support the delivery of RTT Targets.*
- *To achieve financial balance Trust is required to over achieve by £2.1 million from all other Income sources, at the end of January an over achievement of £1.6 million had been recorded, a reduction of £144,000 by comparison with the previous month.*

Pay Expenditure

- *Pay under spent against the Budget in the month of January by £291,000.*
- *In the year to date the Trust has incurred premium costs associated with the employment of Agency staff amounting to £5.65 million. £4.30million of the excess is attributable to the employment of Medical staff. The average annualised cost for Consultant staff amounts to £240,000 and for other medical staff £120,000.*
- *In the month of December the Trust reduced the number of beds and disestablished 84.41 nursing posts. Nursing staff displaced have been redeployed into vacant nursing posts across the Trust.*
- *Temporary Nursing Staffing levels in the month increased by 12.32 posts, reflecting the effect of escalation and indicating that savings associated with the bed closure programme have not been realised.*
- *Agency spending amounted to £722,000 in the month – the lowest monthly level recorded in the year.*

Non Pay Expenditure

- *Non Pay over spent against the Budget in the month of January by 852,000.*
- *Non Pay budgets had recorded a cumulative overspend at the end of January as compared with budget of £3.613 million and is projected to increase to £4.851 million.*
- *Overspending in respect of Specialist High Cost Drugs has exceeded a revised budget level, as agreed with the local PCTs, at the end of January by £780,000.*

Forecast Outturn

- *The Trust is required to deliver savings amounting to £947,000, through management actions, in order to achieve a balanced Income and Expenditure position in the 2011/12 year.*
- *The Trust expects to achieve the savings associated with management actions from reduced pay spending in respect of Agency Medical and Nursing staff and through an under spend of the Trust RTT reserve.*
- *The likelihood of achieving a balanced Income and Expenditure position by the year end has increased to 70 per cent.*

- A best case Projection results in the Trust generating a surplus at the end of the year of £2.0 million.
- A worst case projection results in the Trust recording a deficit at the end of the year amounting to £450,000.

Service Line Reporting

- Five centres recorded a loss in the period April – January, these being Musculo- skeletal Head and Neck, Ophthalmology, Womens and Childrens and Emergency and Critical Care.
- Collectively the Centres generated a contribution percentage of 18% of Income. In order to achieve a break even position (without SHA support) requires this percentage to increase to 20%. Benchmarked data recommends a percentage achievement of 25%.
- Emergency and Critical Care failed to deliver a Contribution, whilst Head and Neck achieved less than 1 per cent
- The logic has been revised in January for the recharging of Pharmacy costs with a retrospective adjustment made for all previous Months.

Underlying Financial Stability

- The Trust entered the 2011/12 financial year with an underlying recurrent financial deficit of £14.4 million.
- The combination of – (1) Savings programmes, particularly ward closures and controls over Agency spending, (2) in year contract over performance and (3) obtaining funding from PCTs consistent with PBR guidance results in the Trust carrying forward into the 2012/13 year a recurrent deficit of £1.2 million.
- Successful delivery of a recurrent Cost Improvement savings Programme in the 2012/13 year amounting to £21.1 million allows the Trust to take forward into the 2013/14 year a recurrent surplus of £11.2 million, and deliver its financial target for the 2013/14 financial year.
- In the 2012/13 year the Trust is presently planning to record a surplus of £1.3 million, this is so because the Trust expects to obtain savings “in year” from the Cost Improvement Programme of £8.1 million. A further £2.9 million of non recurrent cost savings are also to be realised. The Trust is required to set a plan for 2012/13 year that produces a surplus for the year of £2.5 million.
- Local Commissioners have recently notified the Trust of an intention to reduce spending in the 2012/13 year Trust by £8.8 million. A loss of Income equivalent to this sum has not been incorporated into the Trusts financial plan.
- A loss of Income amounting to £8.8 million is expected to generate a cost pressure to the Trust of £5.8 million.
- In order to achieve the 2012/13 plan, the Trust is required to reduce its pay run rate from £16.513 million in January to £15.622 million in April 2012. To achieve the required run rate, the Trust will need to reduce spending in respect of Waiting List Initiative Payments, secure in full the planned savings from Temporary Nursing costs arising from the closure of beds in the 2011/12 year, reduce Medical Agency spend and introduce a series of non recurrent cost pay savings actions.

Statement of Financial Position

- Additional £2M CRL reflected within the capital programme. Slippage within Bed Closure Programme enables a proposed acceleration of the purchase of a replacement Linac machine – subject to business case approval.
- Cash position higher than forecast due to financial system upgrade. Forecast still to grow cash by £1M
- BPPC for the month remains strong with consistent cumulative performance however anticipated drop in compliance within February and March due to system upgrade.
- Current liabilities increased in month by £0.9M and an in year reduction of £2.4M.