

**Report to:** Trust Board – 1<sup>st</sup> November 2012

**Enclosure 4**

<b>Title</b>	Recast Budget and Workforce
<b>Sponsoring Executive Directors</b>	Neil Nisbet, Finance Director, and Victoria Maher, Workforce Director
<b>Author(s)</b>	Neil Nisbet, Finance Director
<b>Purpose</b>	To inform the Board of revised Income and Expenditure Budgets for 2012/13 financial year.
<b>Previously considered by</b>	Hospital Executive Committee 23 <sup>rd</sup> October 2012

### Executive Summary

The Trust has a requirement to deliver a surplus in the 2012/13 financial year amounting to £1.9 million. In the first half of the year the Trust reported a deficit of £788,000.

In reporting a deficit, it is clear that the working assumptions adopted in constructing the budget for the 2012/13 year have altered substantially, in particular:

- Income reduction associated with the achievement of the Local Health Economy QIPP plan appears highly unlikely, given the existence of growing levels of Unscheduled Care; and
- A consequence Trust efficiency savings, in respect of Pay budgets have become undeliverable as the Trust has sought to respond to increased levels of Emergency activity.

Given this scenario, in order for the Trust to establish an operational platform that will preserve patient safety and achieve national targets in respect of Accident and Emergency and Referral to Treatment Times, it is critical for the budgets that are being followed by Budget Managers within Centres to be re- established so as to be consistent with the activities being performed over the remaining six months of the financial year.

This paper provides a description of the revised Income and Expenditure Budgets for the 2012/13 financial year.

<b>Related SATH Objectives</b>	<b>SATH Sub-Objectives</b>
Financial Strength: We will develop and deliver robust services that generate surpluses to reinvest in quality	Develop and grow services which make a positive financial contribution.  Maximise the productivity and efficiency of our services.

<b>Risk and Assurance Issues (including resilience risks)</b>	
<b>Equality and Diversity Issues</b>	
<b>Legal and Regulatory Issues</b>	

<b>Action required by Trust Board</b>	
To <b>APPROVE</b> the revised Income and Expenditure budgets and actions being taken to deliver a surplus in the 2012/13 year of £1.9 million.	

## RECAST BUDGETS AND WORKFORCE TRUST BOARD – 1<sup>st</sup> November 2012

### 1. Introduction

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This paper provides a description of the revised Income and Expenditure Budgets for the 2012/13 financial year.

### 2. Revised Income and Expenditure position for the year

The effect of resetting budgets has been to set a revised Income and Expenditure position for the remaining months of the year as follows:

	April - Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total	% Increase/(Decrease) Mth 7-12 compared to Mth 1-6)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>	148,903	26,691	25,940	24,595	26,332	24,510	26,119	303,089	3.5%
<b>Expenditure</b>									
Pay	(100,807)	(16,974)	(16,854)	(16,713)	(16,795)	(16,652)	(16,686)	(201,479)	
Non Pay	(42,883)	(7,269)	(7,262)	(7,245)	(7,285)	(7,296)	(7,235)	(86,474)	
Reserves	981	(843)	(143)	653	(447)	839	(308)	731	
<b>Total Expenditure</b>	<b>(142,709)</b>	<b>(25,086)</b>	<b>(24,258)</b>	<b>(23,305)</b>	<b>(24,527)</b>	<b>(23,108)</b>	<b>(24,229)</b>	<b>(287,222)</b>	<b>1.3%</b>
<b>EBITDA</b>	<b>6,194</b>	<b>1,605</b>	<b>1,681</b>	<b>1,290</b>	<b>1,805</b>	<b>1,402</b>	<b>1,889</b>	<b>15,867</b>	
Depreciation and Dividends	(6,982)	(1,164)	(1,164)	(1,164)	(1,164)	(1,164)	(1,164)	(13,967)	
<b>In Month Surplus/(Deficit)</b>	<b>(788)</b>	<b>441</b>	<b>517</b>	<b>126</b>	<b>641</b>	<b>238</b>	<b>725</b>	<b>1,900</b>	
<b>Cumulative Surplus/(Deficit)</b>	<b>(788)</b>	<b>(347)</b>	<b>170</b>	<b>296</b>	<b>937</b>	<b>1,175</b>	<b>1,900</b>		

As can be seen the plan allows for an improvement in the financial position of the Trust from a deficit recorded in Month 6 to a surplus of £1.9 million by the year end. Income is assumed to grow over the period by 3.5% and expenditure by 1.6%.

In order for the Trust to achieve this revised plan, a number of key deliverables need to occur, these being:

## 2.1 Income

### 2.1.1 *Penalties/contract queries*

An assessment of potential penalties/contract queries has been undertaken. In setting the plan for the year it has been assumed that each of these penalties/contract queries can be avoided.

	£000's	Mitigating Actions
Accident and Emergency – Non Compliance with 95% Target	243	Trust to deliver 95% Target in the remaining six months of the year. Dialogue required with Local Commissioners
Cancer waits – failure to achieve target	100	Basis of potential penalty – unclear – contingency sum.
Referral to Treatment Time – Failure to achieve Admitted (90%) and Non Admitted (95%) targets	474	Trust to deliver target from November onwards – Dialogue required with Local Commissioners
High Cost Drugs – PBR query	279	Review completed – Trust view no basis for query raised by Commissioners.
Choose and Book – failure to achieve compliance rate	100	Contingency reserve established.
2011/12 Penalty for RTT failure	259	Agreement reached with Cluster in 2011/12 that penalties would not be applied.
Data Queries	500	Review of Data queries undertaken – Trust view no basis for issues raised by Commissioners.
<b>Total</b>	<b>1,953</b>	

### 2.1.2 *CQUIN*

The total level of funding available to the Trust from the delivery of the CQUIN targets amounts to £5.36 million. An initial evaluation of performance in respect of these targets suggested that the Trust would recover £3.79 million in the 2012/13 year, a shortfall of £1.57 million. In resetting the budget, whilst the Trust has committed to achieving CQUIN fully in this year it has been decided to limit the level of achievement to £4.76 million.

CQUIN target	Description of Achievement	CQUIN sum available £000's	Initial Assessment £000's	Revised Assessment £000's
VTE Nationally mandated	Achievement or risk assessment target	270	230	270
Patient Experience	Score based upon 5 indicators	270	140	140
NHS Safety Thermometer	Improved data collection	270	270	270
Diagnosis of Dementia	Completion of screening and assessment of patients	270	170	270
Medicine Management	Improved information contained within Discharge summaries	430	110	430
Nutrition	Improved management of nutrition across ward areas	800	430	800
Pressure Ulcers	Improved management of Pressure Ulcers and achievement of SHA Target by March 2013	800	500	700
Net Promoter question	Improved performance in respect of Net Promoter question	640	480	640
Maternity	Achievement of Baby Friendly accreditation	800	800	800
Making Every Contact Count	Delivery of Making Every Contact Count strategy	540	430	540

CQUIN target	Description of Achievement	CQUIN sum available £000's	Initial Assessment £000's	Revised Assessment £000's
VTE Prophylaxis	Compliance with NICE guidance for patients assessed as at risk	270	270	270
	Contingency			(370)
	<b>Total</b>	<b>5,360</b>	<b>3,790</b>	<b>4,760</b>

Executive Directors have been allocated lead responsibility for the achievement of these CQUIN targets. Performance is to be reviewed bi-weekly.

### 2.1.3 Any Qualified Provider – Audiology services

Revised tariff came into effect from the 1<sup>st</sup> of October in respect of the delivery of hearing services. In order to provide such a service from the 1<sup>st</sup> of October potential suppliers are required to achieve National accreditation. The Trust has achieved full accreditation. The impact of the new tariff is to increase the annual cost of the service to the local Commissioners by circa £1.5 million. In setting the budget for the year it has been assumed that the Trust will increase Income received for this service by £500,000. The Head and Neck Centre are taking actions to ensure the delivery of this sum.

### 2.1.4 Radiotherapy National Funding

The Trust has received notification that funding to support enhanced delivery of Radiotherapy services is being released through the National Cancer Network. To successfully receive these monies the Trust will need to demonstrate that the Infrastructure supporting the delivery of Radiotherapy services is being improved. It is estimated that the level of resource to be released to the Trust will amount to £300,000.

## 2.2 Pay and Non Pay Expenditure Budgets

The construction of revised Pay and Non Expenditure has two clear objectives, notably:

- to provide for each budgetholder a description of the level of Pay and Non pay resource available per month over the period October to March 2013; and
- to provide clarity over the level of staffing available for each budgetholder (expressed as Whole Time equivalents) during this period.

In seeking to establish revised budgets, the process followed has:

- Validated Forecast Outturn - Begun with an assessment at Centre Level of the forecast Outturn, based upon spending levels in Month 5 accompanied by local Centre "intelligence" relating to decisions impacting upon spending levels over the remaining six months of the year. Typically this local intelligence has described:
  - (a) levels of Agency support required into future months,
  - (b) Waiting List Initiative payments to be made,
  - (c) Increases (or decreases) in staffing costs as a consequence of the appointment of staff into vacancies or staff leaving the Trust; and
  - (d) Increases (or decreases) in Non Pay costs as a consequence of increased activity or seasonality.
- Alterations to reflect revised working practices – As stated in the above spending levels recorded in the period to date reflect differing circumstances to those assumed when budgets were approved for the 2012/13 year in March 2012. In setting the revised budget for the period October – March it is therefore necessary to do so by incorporating the actions being taken to accommodate these new circumstances. Accordingly:
  - (a) Escalation – Funding has now been incorporated into the Budget to support the establishment of Escalation wards at the Princess Royal Hospital (Ward 12) and Royal Shrewsbury Hospital (Ward 22(e)).

- (b) Improved Patient Flow – The existence of dedicated Escalation wards and actions taken to improve patient flow, has then been assumed to allow for costs presently incurred to support the existence of Medical and Surgical Outliers to be avoided.
  - (c) Theatre Utilisation – Under utilisation of existing Theatre capacity has been recognised by reducing the number of supported Theatre sessions made available to the Surgical, Ophthalmology, Head and Neck and Women and Children Clinical Centres. Theatre sessions in support of the MSK Clinical Centre are to be reorganised so as to allow for the repatriation of activity presently provided through the local Nuffield Hospital site.
- Corrective actions – Recognising the requirement to deliver services more cost efficiently in the remaining six months of the year, budgets have been corrected so as to ensure that inefficiency in spending occurring in the period April – September 2012, is not replicated going forward. As such all budgets have been set with a clear expectation that Managers will take appropriate actions to ensure spending is contained within the revised approved establishment levels. Where high sickness levels exist, Managers are thereby required to take actions to manage sickness levels so as to preserve spending within budgeted levels.

As assistance to managers, the Trust Workforce Department is to provide ongoing dedicated support so as to ensure that issues associated with sickness within Centres are addressed promptly.

Spending levels by Centre are then as follows:

	Months 1-6		Months 7-12		Total	
	Pay	Non Pay	Pay	Non Pay	Pay	Non Pay
	£000	£000	£000	£000	£000	£000
Corporate	(8,346)	(8,447)	(8,366)	(8,097)	(16,712)	(16,544)
Maternity Leave Funding			(326)		(326)	0
Estates and Facilities	(5,372)	(6,110)	(5,310)	(6,453)	(10,682)	(12,563)
Emergency and Critical Care	(9,026)	(1,470)	(8,880)	(1,326)	(17,906)	(2,796)
Medicine	(16,045)	(5,156)	(16,318)	(5,342)	(32,363)	(10,498)
Ophthalmology	(4,794)	(1,566)	(5,017)	(1,701)	(9,811)	(3,267)
Head and Neck	(3,144)	(739)	(3,170)	(836)	(6,314)	(1,575)
Oncology and Haematology	(3,124)	(6,145)	(3,167)	(6,460)	(6,291)	(12,605)
MSK	(5,153)	(1,027)	(4,649)	(770)	(9,802)	(1,797)
Women and Children's	(13,967)	(1,834)	(14,302)	(1,776)	(28,269)	(3,610)
Surgery	(17,927)	(6,684)	(17,041)	(7,101)	(34,968)	(13,785)
Pharmacy	(1,939)	304	(2,018)	487	(3,957)	791
Diagnostics	(8,934)	(3,863)	(9,091)	(4,087)	(18,025)	(7,950)
Therapies	(3,036)	(146)	(3,016)	(127)	(6,052)	(273)
<b>Total</b>	<b>(100,807)</b>	<b>(42,883)</b>	<b>(100,672)</b>	<b>(43,591)</b>	<b>(201,479)</b>	<b>(86,474)</b>

### 3. Conclusion

The Trust has recorded a deficit at the end of September amounting to £788,000 and is required to deliver a surplus in the 2012/13 year of £1.9 million. The Trust has reviewed Income and Expenditure budgets for the 2012/13 year, and has established revised budgets covering the period October to March 2013. Successfully working to the achievement of these budgets enables the Trust to generate a surplus by the year end of £1.9 million.

Achievement of the forecast surplus will require the Trust to closedown outstanding issues impacting upon Trust Income in respect of penalties and also take actions to ensure that service improvements occur in the remaining months of the year so as to enable CQUIN Targets to be achieved.

Expenditure budgets have been reset so as to enable dedicated escalation capacity is in place to cover the winter period. To achieve the Trust financial target however budget holders will be required to ensure that spending commitments are contained within the revised Budgets levels as set for the period October 2012 to March 2013.

Neil Nisbet  
Finance Director  
24<sup>th</sup> October 2012