

Board of Director: 11.1.18

Agenda Item: Bo.1.18.22

Financial Improvement Plan at 30 November 2017

Presented by:	Matthew Horner	Author:	Chris Smith, Deputy Director of Finance
Previously considered by:	Finance & Performance Committee, December 2017.		

Key points	Purpose:
This paper provides an update on delivery against the financial recovery trajectory set out in the 2017/18 Improvement Plan and provides a high level risk rated forecast for year end delivery.	To discuss and note

Executive Summary:
<p>At the end of November 2017, the Trust was £1.3m behind the Improvement Plan trajectory shared with NHS Improvement.</p> <p>Reduced delivery expectations from a number of improvement schemes over winter have combined with deteriorations in income and expenditure run rates to increase the overall run rate improvement required in Quarter 3 and 4 from £10.3m to £12.2m.</p> <p>At present, there is a forecast £4.7m shortfall in agreed savings plans which puts delivery of the year end control total at risk. A number of additional options are being considered to mitigate this risk.</p>

Financial implications:
Yes – Income, Expenditure & Capital
Regulatory relevance:
Monitor: Risk Assessment Framework

Equality Impact / Implications:	
	Is there likely to be any impact on any of the protected characteristics? (Age, Disability, Gender, Gender Reassignment, Pregnancy and Maternity, Race, Religion or Belief, Sexual Orientation, Health Inequalities, Human Rights) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If yes, what is the mitigation against this?

Other:	
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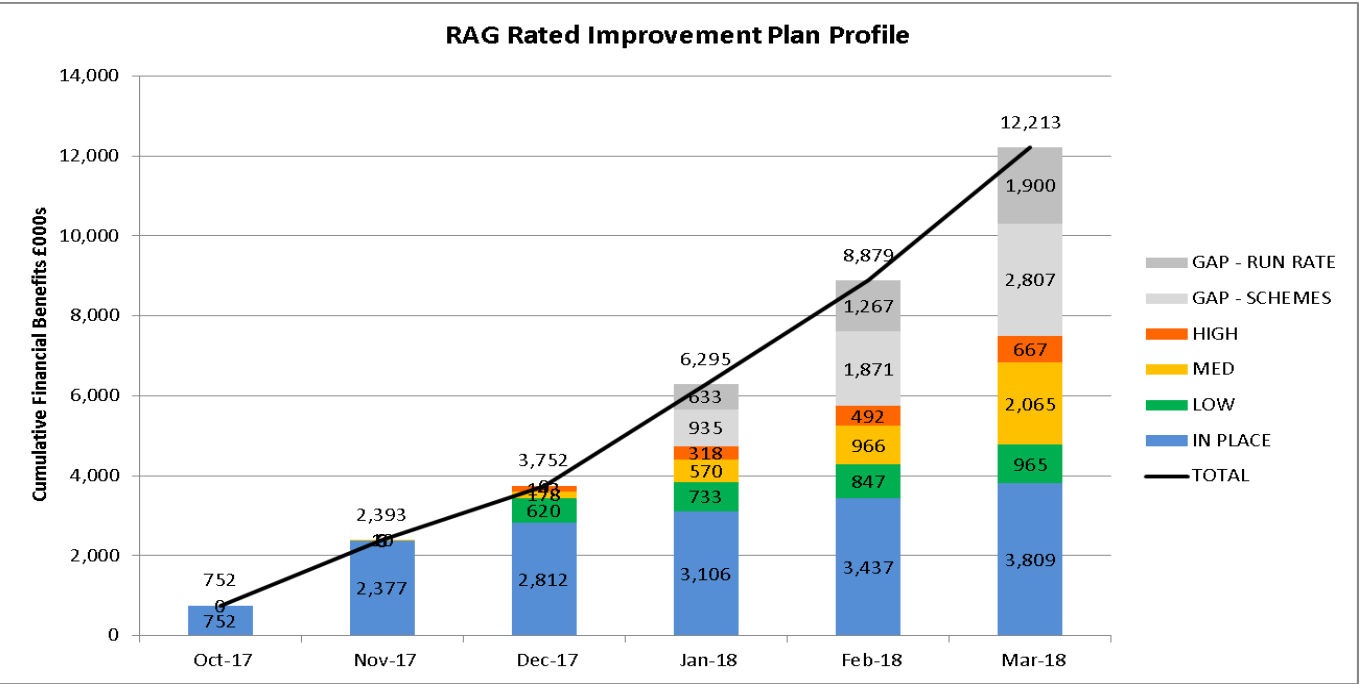
Strategic Objective:	To provide outstanding care for patients
<i>Reference to Strategic Objective(s) this paper relates to</i>	To deliver our financial plan and key performance targets
	To be in the top 20% of NHS employers
	To be a continually learning organisation
	To collaborate effectively with local and regional partners

Bo.1.18.22 - FINANCIAL IMPROVEMENT PLAN UPDATE - NOVEMBER 2017

November In-Month Performance against Improvement Plan Forecast (£000s)

Income / Expense Type	Net In Month Forecast	Net Actuals	Net Variance to Forecast	Net Variance %	Forecast before Recovery Measures	Actuals before Recovery Measures	Variance to Forecast before Recovery Measures	Recovery Measures - Forecast	Recovery Measures - Actual	Recovery Measures - Variance
CONTRACT INCOME	29,568	29,234	-334	-1%	28,606	29,189	583	962	45	-917
PAY										
Substantive	-18,862	-19,182	-320	-2%	-18,996	-19,209	-213	134	27	-107
Bank	-938	-1,017	-79	-8%	-938	-1,017	-79	-0	-0	-0
Agency	-1,254	-1,339	-85	-7%	-1,325	-1,494	-169	71	155	84
PAY Total	-21,054	-21,538	-484	-2%	-21,259	-21,720	-461	205	182	-23
NON-PAY										
Bloods	-320	-339	-18	-6%	-320	-339	-18	-0	-0	-0
Clinical Supplies	-2,340	-2,450	-110	-5%	-2,399	-2,459	-60	59	9	-50
Drugs	-3,263	-3,608	-345	-11%	-3,287	-3,608	-321	24	-0	-24
Non-Clinical Supplies	-3,722	-3,795	-73	-2%	-3,853	-4,035	-182	131	240	109
Non-Operating items	-1,594	-1,034	560	35%	-1,594	-1,657	-63	-0	623	623
Pathology	-678	-965	-287	-42%	-678	-965	-287	-0	-0	-0
Utilities & Rates	-372	-401	-29	-8%	-372	-401	-29	-0	-0	-0
NON-PAY Total	-12,290	-12,592	-301	-2%	-12,504	-13,464	-959	214	872	658
DIVISIONAL INCOME										
Car Parking income	126	118	-7	-6%	119	118	-0	7	-0	-7
Non-Operating items	22	22	0	1%	22	22	0	-0	-0	-0
Other income	1,587	1,426	-161	-10%	1,420	1,048	-372	167	378	211
Private Patients Income	75	61	-14	-19%	75	61	-14	-0	-0	-0
R&D income	986	1,005	19	2%	986	840	-146	-0	165	165
RTA Income	102	146	44	44%	88	146	58	14	-0	-14
Training & Ed. Income	1,278	1,249	-30	-2%	1,278	1,249	-30	-0	-0	-0
DIVISIONAL INCOME Total	4,176	4,028	-149	-4%	3,988	3,485	-504	188	543	355
Grand Total	400	-868	-1,268	-317%	-1,169	-2,510	-1,341	1,569	1,642	73

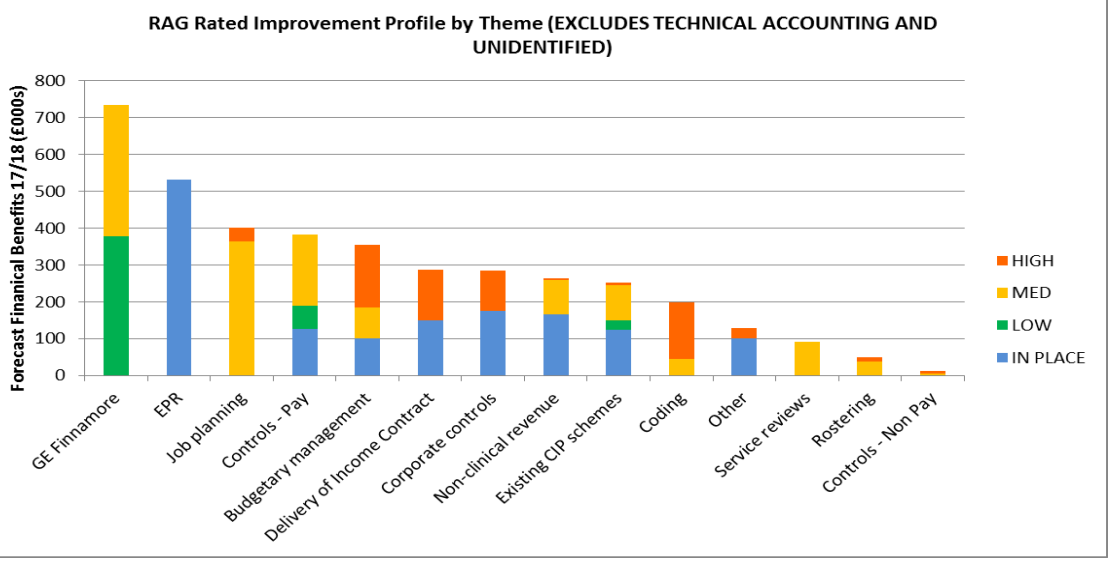
In-Month Performance against Improvement Plan Forecast	1A
The pre-STF forecast position for November including Improvement Plan measures was a net surplus of of £0.4m. This included expected retrospective income recovery for October. A pre-STF deficit of £0.9m was delivered, meaning the Trust is behind its revised improvement plan trajectory by £1.3m.	
This £1.3m adverse variance is expained at a high level by the run rate position being £1.3m worse than forecast and the delivery of non-recurrent improvement measures being £0.1m higher than planned. A number of the scheduled measures were not delivered in November and were supplemented by non-recurrent adjustments.	
The contract income position remains unvalidated but suggests that the income recovery required for October was partially delivered.	
The underlying expenditure position was £1.4m worse than forecast, partly due to unplanned one off expenditure, and divisional income was lower than forecast by £0.5m. This run rate change is driving an increased savings requirement in months 9 - 12.	
In total, £12.2m of run rate improvements are now required in Quarters 3 & 4. £2.4m was delivered by non-recurrent means in Months 7 & 8, leaving a savings requirement of £9.8m in months 9 - 12. At present, plans exist to deliver a maximum of £5.1m which leaves a gap of £4.7m to be addressed.	
The Improvement Plan set out expected increases in clinical income from November onwards, however a number of issues, including winter pressures and clinicians and admin staff adjusting to new EPR processes, have hampered this improvement.	



Risk Rated Improvement Plan Trajectory	1B
This chart profiles the Improvement Plan initiatives by month and according to a high level risk rating which indicates the degree of confidence currently that the plan will deliver as forecast. The figures reflect the most up to date assessment of the realistic delivery from each scheme.	
Since October, there has been a significant increase in the value of plans with either full delivery confidence or rated as low risk to delivery. However, a number of previously red rated schemes have been ruled out and the deteriorating underlying run rate has added a further £1.9m to the requirement.	
Of the maximum £5.1m targeted savings for Months 9 - 12, £2.1m is amber rated and £0.7m is red rated, meaning the £5.1m from these schemes will be difficult to achieve in full.	
The chart confirms that approximately £4.7m of savings requirements are currently unaddressed, although the Trust does have some options to partially mitigate this. These options are being reviewed for feasibility, although at present there remains a very significant risk to full mitigation.	

Themed Improvement Plan Trajectory by RAG Rating (£000s)

Row Labels	IN PLACE	LOW	MED	HIGH	UNIDENTIFIED	Total
Technical Accounting	2,337	500	700			3,537
Clinical Productivity		378	357			735
EPR	532					532
Job planning		0	364	36		400
Controls - Pay	126	62	194	0		382
Budgetary management	100	0	84	170		354
Delivery of Income Contract	150			138		288
Corporate controls	175	0	0	109		284
Non-clinical revenue	165		95	4		263
Existing CIP schemes	124	25	96	8		253
Activity			44	154		198
Other	100	0	0	28		128
Service reviews	0	0	91	0		91
Rostering			37	12		49
Controls - Non Pay	0		4	9		13
Unidentified					4,707	4,707
Total	3,809	965	2,065	667	4,707	12,213



Improvement Plan Trajectory by Theme and RAG Rating	1C
The above table and chart show the breakdown of the improvement plan measures by theme and RAG rating. In total, there are 135 initiatives which are expected to deliver financial improvements. These are summarised into 16 generic themes. The chart provides a pictorial illustration of where the greatest risk to delivery lies.	
The unidentified savings gap and the technical accounting adjustments are excluded from this chart to retain an appropriate scale and to allow clear visibility of the status of the other schemes.	

Improvement Plan Trajectory by Theme (£000s)

Theme	Initiatives #	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	17/18 Total
Technical Accounting	9	749	1,356	633	33	33	733	3,537
Clinical Productivity	3			184	184	184	184	735
EPR	2			133	133	133	133	532
Job planning	13		0	13	129	129	129	400
Controls - Pay	13		6	54	62	107	153	382
Budgetary management	15		48	75	80	75	75	354
Delivery of Income Contract	4		10	53	75	75	75	288
Corporate controls	13			64	73	73	73	284
Non-clinical revenue	4		175	14	25	25	25	263
Existing CIP schemes	15	3	46	24	58	58	63	253
Activity	4		0	39	53	53	53	198
Other	18			75	18	18	18	128
Service reviews	9			0	30	30	30	91
Rostering	8			0	16	16	16	49
Controls - Non Pay	5		0	0	4	4	4	13
Unidentified	2				1,568	1,569	1,569	4,707
Total	135	752	1,642	1,359	2,543	2,584	3,334	12,213

Improvement Plan Trajectory by Theme	2A
<p>This table sets out the current delivery trajectory and highlights both the reliance on one off technical accounting adjustments in November and the importance of addressing the £4.7m savings gap if the Improvement Plan is to deliver in 2017/18.</p> <p>Ther is an expectation that the Clinical Productivity work will begin to deliver financial benefits in December and that the EPR system will deliver improvements in accuracy and reduced expenditure on unnecessary diagnostics.</p> <p>Other options to address the shortfall are being investigated but have not yet been quantified.</p>	