

Report to Trust Board

Date: 30 November 2011

Agenda item no 10.1

Title Report from the Finance Committee
 Author Trust Board Secretary
 Responsible Director Chair of Finance Committee
 Purpose Ratification/ Assurance/Information

Action required To note the report

Executive Summary

The report outlines the current serious finance situation faced by the Trust and the steps being taken to address this urgently and as a priority, while maintaining quality and safety

Relevant CQC standard/
 NHS Constitution pledge Principle 6 We will spend tax payers' money carefully.

Link to strategy/plans Careful stewardship of resources is a strategic principle

Impact assessment:

- quality CIPs are assessed for their impact on quality
- financial/business All items
- equality/diversity None
- risk Achieving CIPs
 Expenditure on non pay items
 End of year cash position
- legal/statutory None
- sustainability None

Previous consultation/decision/
 discussion/ Routine monthly report

1 Detailed financial position at end of October

The Committee continues to be extremely concerned at the overview position reported, which was :-

Revenue - The Trust reports a revenue income and expenditure deficit of £952,000 after seven months and will incur a deficit of £2.2m without additional measures being put in place to secure a break-even outturn. This is £604,000 worse than the plan to date. For the month, the Trust reports a surplus of £44,000, which includes the income benefit from recent SLA changes.

Savings – Within the revenue position the Trust has made savings totalling £4.6m which is £0.7m behind the profile agreed with the SHA. By the end of the year the Trust expects savings to total £8m.

Cash - The Trust held a cash balance of £9.7m at the end of October and expects to hold no less than £5.3m at the end of the year if management actions are successful.

Capital expenditure - After seven months the Trust has spent £1.3m of its targeted £4.7m of capital resource for the year

The forecast end of year position is a deficit of £2.2m if additional measures are unsuccessful. The forecast takes into account the income from hosting MKCHS and a continuation of the current rate of overspending but a high level risk-adjusted estimate against the remainder of the savings plan. Based on this forecast and the analysis undertaken so far, the Trust needs to secure £3m of additional interventions to safely turn around the current forecast of a £2.2m deficit.

Detailed schedules are attached

1.1 Income

Income is £2.28m ahead of plan. £0.9m of this over performance is other operating income including £0.5m billed to the Bedford Hospitals Charity and £0.6m relating to the additional income earned via the SHA.

Income from patient activity is £1.5m better than plan but this includes £0.8m of pass through income arising from the Moorfields contract.

Elective care income is 10% better than planned. Non elective activity is 4% lower than planned but income 2% higher, signalling a 6% increase in case-mix for non-elective admissions.

A&E attendances are 4% higher than planned, with better coding generated 21% (£0.7m) more income than planned

Outpatient activity is 6% higher than planned but most of this is due to follow-up appointments being higher than planned.

Non elective activity is 3% less than planned but results in 1% more income than planned.

Provision has been made for £2.2m of income to date not being paid.- £1.3m for re-admissions within 30 days, £700,000 for A&E coding changes and £325,000 for excess out patient follow-ups.

1.2 Expenditure

Pay costs are £0.9m higher than planned. £0.6m relates to medical staffing costs, almost entirely (£577,000) due to the pathology locums overspend.

Non pay costs overspent by £2m (£0.8m of this is due to pass through costs linked to the Moorfields contract- see above) Clinical supplies costs are overspent by £0.6m partially due to anticipated savings not being made and partially due to additional patient activity. Other overspends are linked to increased use of third party capacity for CT scanning, reporting and additional costs related to the pathology contract with GSTS.

All Clinical Business Units continue to overspend against their targeted surplus or deficit, largely because of falling short of savings targets. The Surgery and Clinical Support Units generate the largest shortfalls against budget, and the former is the area of greatest concern. The Committee recognised the impact of lack of management information and the need for more awareness in business planning of implications for activity.

2 Cash

The cash balance has accumulated mainly because the Trust negotiated a revised payment schedule with NHS Bedfordshire for the main contract. Cash flow will need to be carefully managed in February and March, but a combination of measures including reduced inventory levels, more aggressive debt chasing, careful management of the cash implications of the capital programme and creditor management are expected to result in the Trust achieving its end of year target.

3. Savings

The Executive is taking the following action to improve the current savings position:

- benchmarking of medical staffing, ward staffing and back office functions to identifying new themes for efficiency work. Feedback expected within this month.
- introducing enhanced temporary staff controls to ensure that temporary staff costs are kept to a lower trajectory and cancelling temporary contracts. Quality of care should not be compromised

- Meeting with the Business Units to re-enforce: (a) adherence to spending limits including the temporary staff cap; (b) the identification of new savings and (c) progress with the plans for savings already identified.
- Discussions continue with the SHA and NHS Bedfordshire regarding the use of the transformation fund to (a) incentivize new models of care without harming the Trust's financial position; (b) support the transition to further cost reductions and (c) cover the risk of increased contract over performance.
- Continuing Executive Director focus on a dozen or so programmes of most importance to the success of the transformation programme identified so far including bed reorganisation, theatre re-configuration, minimising private costs, temporary staff cap.
- Work to challenge readmission penalties where the clinical conditions are unrelated and to improve clinical pathways to reduce the need for readmissions
- Discussions with the PCT on how we could help to resolve capacity issues in the local healthcare community
- Seeking to reduce locum costs in pathology by recruitment/ networking.

A report on the reasons for the largest value shortfalls against target was welcomed

4 Capital

The plans for managing the capital programme for the rest of the year, including clinical imperatives, such as the second CT scanner and refurbishment of clinical areas, whilst protecting the cash position were outlined and supported.

5 Balance sheet

The balance sheet position, which showed a reduction in the value of fixed assets because of depreciation and the limited capital spend in the year to date was noted.

6 Review of risks

The Interim Director of Finance reported the current main risks as being:-

Achieving efficiencies and controlling costs, patient activity and cash control, and two Information Governance issues, access to patient information and corporate records.

7 Support for CIP programme

Ernst & Young LLP have started their work to develop the Trust's Service Transformation Programme. They are assisting the Trust with the implementation of new controls, seeking out new clinical and back office efficiencies and developing an approach to clarify strategic service decisions, working through a series of task groups, covering controls, back office, clinical effectiveness and strategic direction and viability. They will report to the Board on their diagnostic work to date. If there Phase 2 programme is commissioned, it was agreed that there needed to be broader engagement internally and appropriate openness with the media

8 Milton Keynes Community Services

The Committee noted the current issues in relation to differences between the DH approach and Government Financial Reporting manual and the resignation of the CHS Finance Director, and welcomed the satisfactory outcome of the CQC unannounced visit the previous week to MKCHS

9 Committee Minutes

Attached are the approved minutes of the October meeting.

Duncan Gear

Chair, Finance Committee

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