Trust Board meeting – 29 September 2011

Achieving the 2011/12 target surplus

This paper updates the previous forecasts presented to the Board in July and the beginning of September and sets out current plans to achieve the planned surplus. Good progress has been made over the last two months and the overall forecast is now much closer to target than was the position in July. In addition extra pressures relating to midwifery staffing and surge capacity have now been included. However it is important not to underestimate the work required to firm up Red and Amber savings schemes into deliverable plans and to take forward the areas of work in progress. The plan includes £1.9m of work in progress which is explained further below.

A table summarising the forecast and a monthly trajectory is attached.

Impact of delay in loan rescheduling

It now seems that the rescheduling of loans is likely to take place at the time of authorisation as a Foundation Trust, which was not the expectation when the budget for the year was set. The SHA has indicated we should continue planning on the basis that the loans are rescheduled this year and indicated that they will support the Trust in the eventuality that this does not take place before the end of March.

The two main implications of the delay are that, all other things being equal, cash balances will be £6m lower than plan at the end of March and that interest payments will be nearly £0.8m higher. Cash management is considered regularly at the Finance Committee and is not dealt with further in this paper. The higher interest payments will put further pressure on the target surplus and this paper assumes a surplus of £3.6m rather than the £4.4m planned because of this.

Big Ask delivery

The rate of converting schemes from amber to green slowed down in August as expected due to the usual annual leave issues. However, significant work took place converting red schemes to amber giving a greater level of confidence that we will continue to increase the level of tangible savings in coming months. For example it is anticipated that well in excess of £1m will convert from amber to green in September. The challenge has been harder this year as Divisions do not have the ability to 'trade themselves out' as opportunities to generate additional income are much more limited than in previous years and this accounts for why the level of green savings was higher this time last year. However, that is not the only difference. This year we have £6.3m at gateway 2(amber) whilst this time last year we had £4m and a similar quantum of schemes at gateway 1 (red) as this time last year. Also our overall target is £3m less.

The breakdown of schemes between RAG ratings is shown below:

	Weighted saving £m
Green	5.8
Amber	6.3
Red	3.4 (including £1.4m work in progress)
Total	15.5

Whilst progress has been steady the need to convert as many schemes to green as quickly as possible is full understood throughout the organisation and continues to be emphasised. Further work will take place through October to progress more red schemes through to amber and green and where red schemes become non-viable to identify alternative schemes to take their place.

In parallel work is taking place to develop a robust CIP plan for the next 2 years as part of the FT planning process.

Headcount reductions

Looking at existing Big Ask schemes the current expectation is that they will lead to a reduction of approx 72 WTEs, including a reduction in temporary staff. This is very significantly less than a pro rata reduction. It is based on a detailed analysis of the headcount impact of Big Ask savings many of which generate savings either without affecting staff numbers or through additional income. The numbers do not take into account the additional posts that will be required eg for surge capacity and midwifery staffing improvements.

Updated divisional forecast outturns

Divisions have updated their forecast spend for the year and some of these have increased from the July position. Further work is needed to challenge elements of these forecasts, particularly those that don't relate to activity covered by extra income, and this will be pursued in early October. The target is to reduce these variances by £0.5m, which is considered feasible and achievable.

Expected patient care income

The income forecast has been updated particularly to reflect: slippage in the Falls Prevention QIPP scheme, which was expected to save £1.6m this year, work to reduce readmission losses through changes in clinical practice and greater validation of penalties, and a focus on areas where activity has not been recorded fully and so income has been lost unnecessarily.

Assessment of emergency pressure costs and Transformation funding from the PCT

The trust has had constructive dialogue with the PCT about support from Transformation Funds for actions to address emergency pressures. The PCT has agreed to support investment in the Clinical Decision Unit, ambulatory care pathway, OPAL scheme and rental cost for the surge facility at Watford. There has also been support in principle for income losses which result from these changes for a transitional period.

The forecast here assumes that a further £0.3m has to be provided by the Trust to cover the running costs of the surge beds over the period November to March, though we will continue to seek PCT support for these.

Increasing midwifery staffing ratios

In response to the SHA's requirement that all Trusts increase midwifery staffing levels in line with Birthrate Plus, the Trust has a plan to increase to a ratio of 1:32 midwives:deliveries by November this year with further improvements planned in 2012/13. This will require 10 extra midwives from November at a cost of up to £0.35m if they are all agency midwives.

Further work in progress

£1.9m of the plan to achieve the target is work in progress and based on a prudent judgement of can be achieved, it includes:

- Maximising the use of available capacity in the period until all productivity changes, identified from work by Meridian, are implemented

- Matching theatre capacity better to seasonal demand for surgery and emergency activity, principally by fuller, pre-planned use of St Albans for 'clean' orthopaedic work and early post operative care of selected Watford patients

- We are also still pursuing further new ideas and have a track record of doing this successfully even at a late stage in previous financial years. We are making a prudent estimate of these

- Ensuring further action is taken to manage down overspends in divisions, as we have managed to do in previous years

- Discussion with the PCT about the use of the readmission income we lose to cover discharge and post discharge costs incurred by the Trust.

Conclusion

The Board is asked to note the progress being made and the areas of further work. The whole executive team remains committed to meeting the financial plan for the year.

Anna Anderson
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22 September 2011