

## Income & Expenditure Financial Plan 2006/07

### 1. Introduction

The paper represents the outcome of all of the detailed work completed with the assistance of PricewaterhouseCooper (PWC), as part of the Turnaround process. The financial problems which emerged in 2005/06 necessitated a thorough budget review. This paper does not repeat that work (previously presented to the Trust Board) but sets the output in a formal plan, making clear the financial targets that need to be achieved.

### 2. Components of the Plan

#### 2.1 Income

The bulk of the income (£177 million) relates to the Local Delivery Plan (LDP). This is detailed at Appendix A. The detailed information with regard to activity by type and by group is currently being produced and will be emailed to the Trust Board members prior to the Trust Board meeting.

The Trust now benefits from all activity that falls under Payment by Results being paid at tariff rates and terms. The Trust is also in receipt of £14.4 million planned support which must be repaid in 2007/08. The income loss for RAB (£15.76 million) is non recurrent.

#### 2.2 Expenditure

The expenditure budgets have been set following detailed review of cost pressures, activity changes and expected cost savings. The resultant profile is attached at Appendix B, split between pay and non pay. Budgets are generally in equal elements over the year (reflecting weeks in the month, bank holidays etc.) with the exception of specific Service developments, contracts, phased to start at set points in the financial year.

#### 2.3 Turnaround Projects

The Board have considered separately Turnaround Phase 1 which confirmed savings of £8.9 million but recognised that the target should remain at £10 million. The profile of this plan is attached at Appendix C. A robust governance arrangement is in place but there is risk of overlap and in particular, it should be noted that all agency spend was deemed non recurrent spent and not funded in budget for 2006/07. It has therefore already been accounted for in accepting the opening recurrent budgets. It cannot therefore be counted again as a new saving against budget during 2006/07.

#### 2.4 Turnaround Phase 2

This refers to the potential to achieve additional savings of £10million recurrently. A second set of projects have been scoped but not yet fully developed. The plan for these schemes is included as expected elements over the months for June (Appendix D). The reality is that this plan will be delivered later in the year but it is essential that a position which is too optimistic is not presented early in the year with the risk of sudden deterioration in the autumn. The governance and the profiling of this element of the plan is the most critical challenge.

#### 2.5 RAB, Planned Support Received and Planned Support Repaid

The table at Appendix E shows the profile of these elements. The SHA have allocated support of £14.4million but this is to be repaid in 2007/08. The SHA will only engage in a debate about the management of debt over a reasonable time period, once recurrent balance is established.

The schedules at Appendix F show the "audit trial" from opening budgets to the predicted forecast. This is what now underpins the budgets allocated to clinical and non clinical groups and includes the expectation of the Turnaround Programme.

## **2.6 Recurrent and Non Recurrent Run Rate**

The run rate is the difference between expenditure and income, measured through the application of normal month end procedures. The run rate plans are derived from the Income and Expenditure profiles and are charted at Appendix G.

## **3. Reserves**

The negative reserve has now been cleared out, hence contributing to the reported deficit. Reserves are now only held where there is an expected charge, eg, NICE, and a schedule of these is included at Appendix H. The only negative reserve is one which reflects the fact that Groups must reduce budgets/costs in line with expected capacity reductions. Progress on this will be monitored monthly. There are no expectations about year end credits, balance sheet/technical transfers which could represent a hidden risk.

## **4. Risk Assessment and Assurance**

In line with the Assurance Framework, a full risk assessment has been undertaken and gaps/assurances identified - see Appendix I. At present this is high level and it needs to be validated with each Group, but overall reflects the key challenges. Members need to review/challenge the assurance arrangements.

The quantification of the risks must be reviewed as part of the monthly monitoring and the schedule updated accordingly. The outcome of this assessment will be reflected in the forecast. The first substantial forecast will be presented on the basis of the Month 4 information.

## **5. Plan 2007/08 and Beyond**

At this stage the outlook for 2007/08 can only be provisionally assessed as a key issues is the agreement we need to reach with regard to the management of debt. However, it is essential that the Board note and record the outlook given the current rules regarding RAB. This was included in the presentation at the last meeting and is presented at Appendix J. Clearly the scale of debt is such that the Trust would not achieve repayment within the normal NHS planning rules. This supports further the point that we must achieve recurrent balance in order to agree long term financing with the SHA.

## **6. Recommendations**

Members are asked to approve the I&E plan reflecting all the work covered in the detail review of 2005/06 and 2006/07. The target is to achieve a deficit of £20million. If the income is delivered to plan and operational budgets are controlled, this will necessitate savings to the value of £20million in year. If this is achieved, the Trust will achieve recurrent balance. All non recurrent costs are being separately identified as such, this progress on recurrent and non recurrent run rate can be monitored accordingly. The Board have already accepted this challenge and therefore, members are now asked to adopt the plan formally, noting in particular the considerable risks which we face.

**Ethna McCarthy**  
**Director of Finance & Information**

ROYAL CORNWALL HOSPITALS TRUST - LOCAL DELIVERY PLAN INCOME 2006/7

	Apr £000's	May £000's	June £000's	July £000's	Aug £000's	Sept £000's	Oct £000's	Nov £000's	Dec £000's	Jan £000's	Feb £000's	Mar £000's	Total £000's
<b><u>LDP INCOME</u></b>													
Non elective	(5,668)	(5,948)	(6,185)	(5,888)	(6,116)	(5,833)	(6,090)	(6,090)	(5,416)	(6,071)	(5,563)	(6,094)	(70,962)
Elective	(4,006)	(4,633)	(4,711)	(4,786)	(5,005)	(4,777)	(3,821)	(3,809)	(3,310)	(3,730)	(3,432)	(3,722)	(49,742)
New Outpatients	(1,101)	(1,260)	(1,278)	(1,182)	(1,253)	(1,207)	(1,227)	(1,263)	(1,090)	(1,262)	(1,147)	(1,267)	(14,539)
Follow Up Outpatients	(1,242)	(1,347)	(1,347)	(1,347)	(1,347)	(1,347)	(965)	(965)	(965)	(964)	(964)	(964)	(13,763)
Accident & Emergency	(519)	(544)	(566)	(539)	(560)	(534)	(557)	(557)	(495)	(555)	(509)	(558)	(6,492)
Subtotal PbR	(12,536)	(13,732)	(14,087)	(13,741)	(14,280)	(13,697)	(12,660)	(12,685)	(11,277)	(12,583)	(11,615)	(12,605)	(155,498)
Non PbR	(1,829)	(1,829)	(1,829)	(1,830)	(1,830)	(1,830)	(1,830)	(1,829)	(1,829)	(1,829)	(1,829)	(1,829)	(21,952)
<b>TOTAL</b>	<b>(14,365)</b>	<b>(15,561)</b>	<b>(15,916)</b>	<b>(15,571)</b>	<b>(16,110)</b>	<b>(15,527)</b>	<b>(14,490)</b>	<b>(14,514)</b>	<b>(13,106)</b>	<b>(14,412)</b>	<b>(13,444)</b>	<b>(14,434)</b>	<b>(177,450)</b>

**ROYAL CORNWALL HOSPITALS TRUST - INCOME COMPARISON 2005/6 OUTTURN TO 2006/7 PLAN @ 2006/7 PRICES**

	Non Elective 2005/6 Outturn @ 2006/7 Tariff	Non Elective 2006/7 LDP	Non Elective Change	Elective 2005/6 Outturn @ 2006/7 Tariff	Elective 2006/7 LDP	Elective Change	New OP's 2005/6 Outturn @ 2006/7 Tariff	New OP's 2006/7 LDP	New OP's Change	Follow Up OP's 2005/6 Outturn @ 2006/7 Tariff	Follow Up OP's 2006/7 LDP	Follow Up OP's Change
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Medical Group</b>												
Accident and Emergency	4,016	4,145	129	15	56	(15)						
Eldercare	365	377	12	40	56	16	42	50	8	42	49	6
Endocrinology	165	184	19	65	61	(4)	115	110	(5)	78	77	(0)
Gastroenterology	819	915	96	2,978	2,046	(932)	510	418	(92)	614	373	(241)
Respiratory	460	493	33	154	199	45	446	426	(20)	389	414	25
General Medicine	26,927	26,353	(574)	1,625	1,962	337	286	412	126	633	594	(38)
Renal	623	656	33	360	328	(32)	0					
<b>Subtotal</b>	<b>33,374</b>	<b>33,123</b>	<b>(251)</b>	<b>5,238</b>	<b>4,652</b>	<b>(586)</b>	<b>1,399</b>	<b>1,416</b>	<b>17</b>	<b>1,756</b>	<b>1,508</b>	<b>(248)</b>
<b>Surgical Group</b>												
ENT	1,282	1,272	(10)	2,045	2,148	103	757	746	(11)	643	584	(59)
Ophthalmology	2,743	1,158	(1,585)	3,105	2,802	(303)	746	1,013	267	1,120	1,392	272
Oral Surgery	368	346	(22)	2,163	2,086	(77)	443	443	0	335	319	(16)
Orthodontics			0	28	28	0	129	146	17	409	350	(59)
Pain	21	1	(20)	469	482	13	352	363	11	562	390	(172)
Orthopaedics	7,783	7,777	(6)	10,959	11,213	254	2,118	1,997	(121)	2,467	2,023	(444)
General Surgery	9,749	9,947	198	9,656	8,512	(1,144)	1,806	1,433	(373)	1,406	1,048	(358)
Urology	542	535	(7)	3,725	3,193	(532)	445	411	(34)	367	344	(23)
<b>Subtotal</b>	<b>22,489</b>	<b>21,036</b>	<b>(1,453)</b>	<b>32,151</b>	<b>30,464</b>	<b>(1,687)</b>	<b>6,796</b>	<b>6,552</b>	<b>(244)</b>	<b>7,309</b>	<b>6,450</b>	<b>(859)</b>
<b>Specialty Group</b>												
Paeds	3,912	3,850	(62)	2,006	1,956	(50)	465	426	(39)	789	639	(150)
Clinical Haematology	404	412	8	1,765	1,513	(252)	152	141	(11)	1,304	760	(544)
Clinical Oncology	389	385	(4)	928	855	(73)	569	300	(269)	1,387	594	(793)
Gynaecology	1,625	1,647	22	3,102	3,120	18	808	771	(37)	299	305	6
Neurology	215	225	10	338	353	15	0			0		
Rheumatology	54	50	(4)	452	511	59	484	725	241	838	1,145	307
Dermatology	20	20	(0)	2,527	1,735	(792)	808	762	(46)	670	537	(133)
Obstetrics (includes Midwifery)	7,023	6,754	(269)	38	15	(23)	860	857	(3)	170	173	3
Paediatric Surgery			0			0		6	6	0	5	5
GU			0			0	1,002	1,002	0	529	529	0
<b>Subtotal</b>	<b>13,641</b>	<b>13,343</b>	<b>(298)</b>	<b>11,156</b>	<b>10,058</b>	<b>(1,098)</b>	<b>5,148</b>	<b>4,991</b>	<b>(157)</b>	<b>5,987</b>	<b>4,688</b>	<b>(1,299)</b>
<b>Clinical Support Group</b>												
Cardiology	3,688	3,460	(228)	4,369	4,568	199	1,515	1,581	66	1,106	1,117	11
<b>Subtotal</b>	<b>3,688</b>	<b>3,460</b>	<b>(228)</b>	<b>4,369</b>	<b>4,568</b>	<b>199</b>	<b>1,515</b>	<b>1,581</b>	<b>66</b>	<b>1,106</b>	<b>1,117</b>	<b>11</b>
<b>GRAND TOTAL</b>	<b>73,192</b>	<b>70,962</b>	<b>(2,230)</b>	<b>52,915</b>	<b>49,742</b>	<b>(3,173)</b>	<b>14,858</b>	<b>14,539</b>	<b>(319)</b>	<b>16,157</b>	<b>13,763</b>	<b>(2,395)</b>

**ROYAL CORNWALL HOSPITALS TRUST - PROFILE OF FULL YEAR EXPENDITURE BUDGETS**

	April	May	June	July	August	September	October	November	December	January	February	March	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Medical Group pay	2,216	2,361	2,395	2,305	2,324	2,312	2,296	2,324	2,350	2,303	2,296	2,333	27,815
Medical Group non pay	503	521	664	497	541	496	489	518	491	485	469	531	6,205
<b>Medical Group subtotal</b>	<b>2,719</b>	<b>2,882</b>	<b>3,059</b>	<b>2,802</b>	<b>2,865</b>	<b>2,808</b>	<b>2,785</b>	<b>2,842</b>	<b>2,841</b>	<b>2,788</b>	<b>2,765</b>	<b>2,864</b>	<b>34,020</b>
Surgical Group pay	3,675	3,973	4,224	3,908	3,937	3,914	3,889	3,933	3,963	3,896	3,886	3,954	47,152
Surgical Group non pay	1,020	1,190	1,565	1,025	1,181	1,040	1,030	1,179	1,051	1,030	1,010	1,229	13,550
<b>Surgical Group subtotal</b>	<b>4,695</b>	<b>5,163</b>	<b>5,789</b>	<b>4,933</b>	<b>5,118</b>	<b>4,954</b>	<b>4,919</b>	<b>5,112</b>	<b>5,014</b>	<b>4,926</b>	<b>4,896</b>	<b>5,183</b>	<b>60,702</b>
Clinical Support Group pay	2,223	2,332	2,538	2,351	2,355	2,351	2,344	2,349	2,355	2,344	2,343	2,350	28,235
Clinical Support Group non pay	1,394	788	1,783	1,224	1,480	1,244	1,218	1,494	1,220	1,218	1,274	1,510	15,847
<b>Clinical Support Group subtotal</b>	<b>3,617</b>	<b>3,120</b>	<b>4,321</b>	<b>3,575</b>	<b>3,835</b>	<b>3,595</b>	<b>3,562</b>	<b>3,843</b>	<b>3,575</b>	<b>3,562</b>	<b>3,617</b>	<b>3,860</b>	<b>44,082</b>
Specialty Group pay	2,196	2,417	2,566	2,311	2,330	2,317	2,307	2,330	2,349	2,313	2,307	2,334	28,077
Specialty Group non pay	619	726	1,116	810	834	797	810	818	814	810	761	988	9,903
<b>Specialty Group subtotal</b>	<b>2,815</b>	<b>3,143</b>	<b>3,682</b>	<b>3,121</b>	<b>3,164</b>	<b>3,114</b>	<b>3,117</b>	<b>3,148</b>	<b>3,163</b>	<b>3,123</b>	<b>3,068</b>	<b>3,322</b>	<b>37,980</b>
Non Clinical Group pay	1,865	2,023	2,282	2,024	2,134	2,026	2,023	2,134	2,025	2,034	2,023	2,252	24,845
Non Clinical Group non pay	2,367	703	3,712	1,413	1,447	1,416	1,407	1,486	1,456	1,428	1,401	1,505	19,741
<b>Non Clinical Group subtotal</b>	<b>4,232</b>	<b>2,726</b>	<b>5,994</b>	<b>3,437</b>	<b>3,581</b>	<b>3,442</b>	<b>3,430</b>	<b>3,620</b>	<b>3,481</b>	<b>3,462</b>	<b>3,424</b>	<b>3,757</b>	<b>44,586</b>
Capital Charges non pay	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,089	13,079
<b>Total pay</b>	<b>12,175</b>	<b>13,106</b>	<b>14,005</b>	<b>12,899</b>	<b>13,080</b>	<b>12,920</b>	<b>12,859</b>	<b>13,070</b>	<b>13,042</b>	<b>12,890</b>	<b>12,855</b>	<b>13,223</b>	<b>156,124</b>
<b>Total non pay</b>	<b>6,993</b>	<b>5,018</b>	<b>9,930</b>	<b>6,059</b>	<b>6,573</b>	<b>6,083</b>	<b>6,044</b>	<b>6,585</b>	<b>6,122</b>	<b>6,061</b>	<b>6,005</b>	<b>6,852</b>	<b>78,325</b>
<b>Total Allocated Expenditure</b>	<b>19,168</b>	<b>18,124</b>	<b>23,935</b>	<b>18,958</b>	<b>19,653</b>	<b>19,003</b>	<b>18,903</b>	<b>19,655</b>	<b>19,164</b>	<b>18,951</b>	<b>18,860</b>	<b>20,075</b>	<b>234,449</b>

## ROYAL CORNWALL HOSPITALS TRUST - TURNAROUND PHASE 1 MONTHLY PROFILE

Project Number	Project Name	Workstream	April £'000	May £'000	June £'000	July £'000	August £'000	Sept £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	March £'000	Total £'000
1	Med/Surg/Spec	Clinical Workforce Redesign	(3)	(7)	(7)	(15)	(15)	(15)	(18)	(18)	(18)	(19)	(19)	(20)	(174)
14	Agency Nursing	Clinical Workforce Redesign	(103)	(204)	(189)	(49)	(46)	(49)	(32)	(19)	(42)	(43)	(43)	(35)	(853)
19	WCH Anaes	Clinical Workforce Redesign													0
33	Medical Staffing	Clinical Workforce Redesign	(22)	(34)	(41)	(44)	(76)	(88)	(99)	(99)	(100)	(100)	(100)	(396)	(1,200)
34	Other Staffing	Clinical Workforce Redesign													0
35	Budget Deficit	Finance													0
36	Benchmarking	Finance													0
37	Controls and KPIs	Finance													0
38	Site profitability	Finance													0
52	Expansion to NHS Cost Recovery Scheme	Finance								(40)	(40)	(40)	(40)	(40)	(200)
53	VAT Recovery	Finance												(50)	(50)
a	Coding	Finance							(47)	(47)	(47)	(47)	(47)	(47)	(280)
5	Car Parking	Income Generation	(1)	(1)	(1)	(12)	(12)	(20)	(20)	(20)	(20)	(20)	(20)	(21)	(167)
6	Knowledge Spa	Income Generation	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(195)
7	Independent Sector	Income Generation	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(79)
27	PMS student accommodation	Income Generation													0
28	Koffee Korner performance	Income Generation	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(20)
30	Internal functions	Income Generation	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(100)
b	Catering	Income Generation	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(180)
c	Accommodation	Income Generation													0
3	Medicines Mgt	Pharmacy and Diagnostics							(16)	(16)	(16)	(17)	(17)	(18)	(100)
11	Pharmacy robotics	Pharmacy and Diagnostics						(25)	(25)	(25)	(25)	(25)	(25)	(29)	(179)
12	PACS	Pharmacy and Diagnostics												0	0
39	Pathology & Imaging restructure	Pharmacy and Diagnostics													0
40	Demand Control	Pharmacy and Diagnostics													0
d	CT Imaging	Pharmacy and Diagnostics												(30)	(30)
f	Formulary Compliance	Pharmacy and Diagnostics						(20)	(30)	(30)	(30)	(30)	(30)	(30)	(200)
4	Theatre Non pay	Procurement	(4)	(30)	(44)	(25)	(25)	(30)	(30)	(40)	(50)	(50)	(50)	(41)	(420)
13	PTS/taxis/helicopters	Procurement	(18)	(4)	(16)	(16)	(16)	(26)	(26)	(26)	(47)	(48)	(48)	(49)	(340)
15	Laundry	Procurement										(33)	(33)	(33)	(100)
16	Procurement/supply	Procurement	(2)	(10)	(47)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(49)	(49)	(450)
17	Energy savings	Procurement		(3)	(4)	(4)	(4)	(7)	(10)	(32)	(40)	(39)	(37)	(20)	(200)
18	Office space	Procurement				0	0	0	0	(5)	(7)	(5)	(8)	(10)	(35)
21	Catering	Procurement	(25)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(130)
22	Waste minimisation	Procurement		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(4)	(25)
24	Transport bus vehicles	Procurement	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(6)
25	Lease post room van	Procurement		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(8)
26	Energy Utility Charges	Procurement													0
29	Cleaning equipment	Procurement	(2)												(2)
41	Pharmacy procurement	Procurement					(29)	(29)	(29)	(29)	(29)	(60)	(60)	(60)	(325)
42	Electro Medical Maintenance	Procurement												(50)	(50)
43	Stock Holding Reduction	Procurement													0
44	Movement of Goods	Procurement											(30)	(30)	(60)
2	Dermatology Bed Base	Resource utilisation													0
8	Close theatres	Resource utilisation	(14)	(14)	(14)	(14)	(14)	(14)	(28)	(28)	(28)	(28)	(27)	(28)	(250)
9	Reduce bed base	Resource utilisation						(98)	(42)	(42)	(42)	(42)	(42)	(42)	(290)
10	Reduce clinic sessions	Resource utilisation						(98)	(99)	(100)	(98)	(98)	(98)	(98)	(689)
20	Generic Recruitment	Workforce Non Clinical	(5)	(4)	(5)	(4)	(4)	(5)	(4)	(4)	(5)	(4)	(4)	(4)	(50)
23	HR Shared Service	Workforce Non Clinical												(30)	(30)
31	Admin and Clerical	Workforce Non Clinical													0
32	Management	Workforce Non Clinical		(3)	(11)	(11)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(178)	(296)
45	Clinical Support Redesign	Workforce Non Clinical												(560)	(560)
46	Corporate Support Redesign	Workforce Non Clinical	(1)	(4)	(6)	(6)	(33)	(33)	(33)	(35)	(36)	(36)	(35)	(36)	(293)
47	Holiday Pay Scheme	Workforce Non Clinical							(27)	(27)	(27)	(27)	(27)	(27)	(161)
48	Salary sacrifice	Workforce Non Clinical							(5)	(5)	(5)	(5)	(5)	(5)	(30)
49	Sickness Reduction	Workforce Non Clinical							(7)	(7)	(7)	(7)	(7)	(7)	(44)
50	Typing arrangements	Workforce Non Clinical													0
51	2D Bar coding	Workforce Non Clinical													0
e	Stop Weekly pay	Workforce Non Clinical				(127)	(127)	(127)	(127)	(128)	(128)	(128)	(128)	(128)	(1,148)
	Balance														0
<b>Total</b>			<b>(249)</b>	<b>(379)</b>	<b>(446)</b>	<b>(430)</b>	<b>(516)</b>	<b>(739)</b>	<b>(869)</b>	<b>(936)</b>	<b>(1,002)</b>	<b>(1,067)</b>	<b>(1,102)</b>	<b>(2,263)</b>	<b>(10,000)</b>







## 2006/07 FINANCIAL PLAN

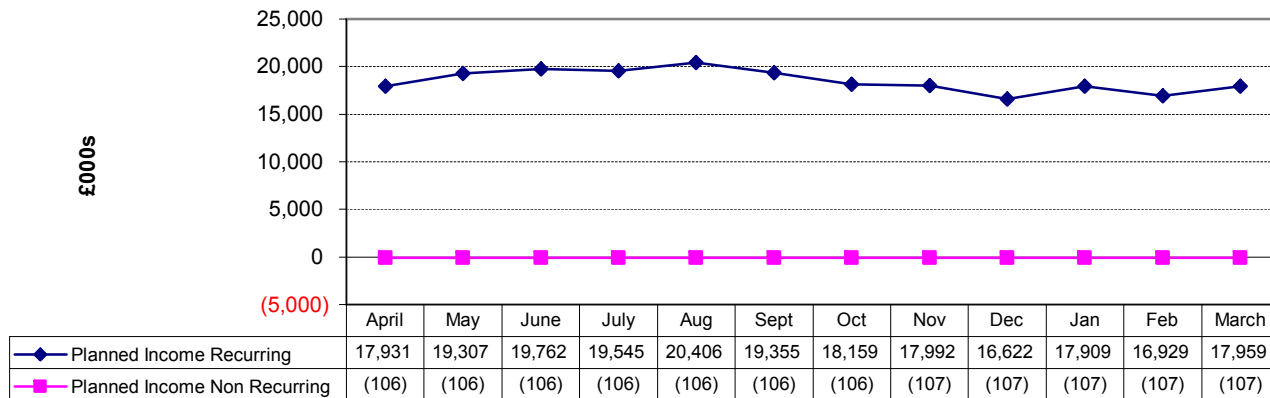
## AUDIT TRAIL TO REVISED CONTROL TOTAL

## CORPORATE

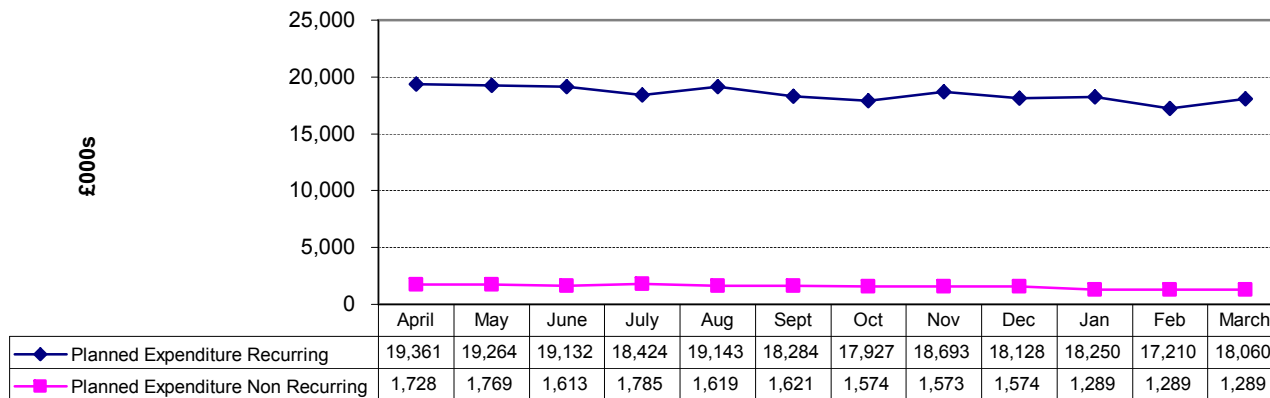
	Full Year Budget as at 31/3/06	Non- Recurring Adjustment	Full Year Effects 2005/06	Rollover Budget	Add back 2005/6 recurring adjustments funded non recurringly (note 1) £000s	Recurring Increases as per SLA for Cornish PCT's	Recurring Increases Other Income Sources	Recurring Cost Pressures b/Fwd from 2005/6	Additional Recurring Pressures Identified 2006/7	Impact of Activity Change 2006/7	Recurring Recovery Plan 2006/7	Total Recurring Position	Non Recurring Income / Costs 2006/7	Non Recurring Recovery Plan 2006/7	Total Non Recurring	Total Position 2006/7
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Corporate</b>																
Chief Executive	1,002	(244)	101	858			8					866	2,000		2,000	2,866
Medical Director	179	(8)	4	175			0					175			0	175
Finance	2,392	(36)	12	2,368			14					2,382			0	2,382
Patient Services	6,178	(2,894)	(7)	3,278			17					3,295			0	3,295
Planning & Performance	626	5	7	638			12					650			0	650
Delivery & Modernisation	1,234	(73)	27	1,188			13					1,201			0	1,201
Human Resources	4,246	(608)	64	3,702			0	300				4,002			0	4,002
CHES	6,289	(107)	0	6,181			696	1,012				7,889			0	7,889
Cornwall IT Service	9,680	(2,752)	47	6,975				876				7,851			0	7,851
General Services	8,151	(127)	39	8,063			172	47				8,282	12		12	8,294
SIFT	1	0	0	1								1			0	1
PGME	302	74	2	377								377			0	377
GP Vocational Training	23	(23)	0	0								0			0	0
Medical & Dental Training	125	0	0	125								125			0	125
Services Received	9,135	(5,800)	0	3,335			139					3,474			0	3,474
Nurses in Training	71	0	0	71								71			0	71
Peninsula Medical School	599	(572)	21	48								48			0	48
Well Cornwall Project	78	(78)	0	0								0			0	0
Knowledge Spa	829	(133)	(0)	695								695			0	695
Pension/Injury Benefit	510	(510)	0	0								0			0	0
Research & Development	439	(373)	2	68								68			0	68
Cornwall Research Ethics Committee	50	(50)	0	0								0			0	0
Private Patients/Training Exps	(16)	0	0	(16)								(16)			0	(16)
Special Projects	(10)	10	0	0								0			0	0
<b>TOTAL</b>	<b>52,114</b>	<b>(14,301)</b>	<b>318</b>	<b>38,131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,071</b>	<b>2,235</b>	<b>0</b>	<b>0</b>	<b>41,437</b>	<b>2,012</b>	<b>0</b>	<b>2,012</b>	<b>43,449</b>

**ROYAL CORNWALL HOSPITALS TRUST**  
**RUN RATE SUMMARY**

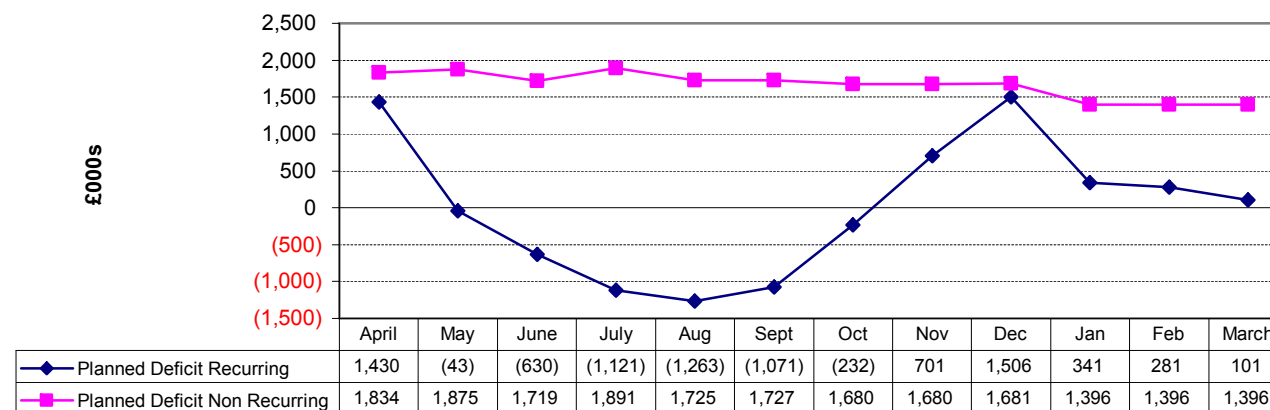
**Income**



**Expenditure**



**Deficit**



## RCHT - ANALYSIS OF EAR MARKED RESERVES

RESERVE	£000's	COMMENT
Legal Claims	2,180	For payment to NHS Litigation Authority for Clinical Negligence Premium
2005/6 Cost Pressures	780	Provisions being reviewed as part of phase 2 turnaround
2006/7 Cost Pressures:		
NICE drugs	1,363	For drug approvals expected after June 2006
Other	1,783	Provisions being reviewed as part of phase 2 turnaround
Capacity reduction Goups	(1,470)	Reduction required to budgets for 2006/7 activity reduction over 2005/6 outturn
2nd Stage Pay award wef Nov	132	Medical staff
Clinical Excellence awards	250	Awaiting notification
Non Recurring cost of Turnaround	1,822	Balance of £2m provision agreed
Renal Dialysis	540	For increase in dialysis population projected for remainder of financial year
Inflation Inter Trust contracts	750	Agreement of percentage expected 25th July
Emergency Medical staff	164	Review of middle grade rotas in A & E ongoing
4th Clinical Oncologist	58	Locum pending permanent appointment being funded on month by month basis
Radiologist	102	Carry over from 2004/5. In process of recruiting?
Pensions	92	Provision for unwinding of discount rate
Other (Net)	94	Several small schemes e.g diabetic retinopathy, digital hearing aids, trades union backfill
<b>TOTAL</b>	<b>8,640</b>	

**Objective: Delivery of Financial Balance (revenue) Risk Assessment and Assurance Framework**
**1. Income - Generic**

Risk	Risk Score	£000	Controls	Gaps	Actions re: Gaps	Assurance
1.1 Under-performance	16	500	Performance framework for monitoring directorate demand and capacity plans and weekly finance reviews.	Corporate expertise, leadership and direction.	Business care for strengthening LDP performance - senior service post to report to Director of Delivery, to co-ordinate LDP plus all related operations, eg coding, counting, capacity etc.	Finance and performance reports to Board.  Detailed income analysis in finance report.  Use of audit to validate coded activity, spot check and systematic review.
1.2 Case mix reduction	20	750				
1.3 Coding shortfall/delay	16	250	Coding project and group performance arrangements.	Accurate and prompt information.  Coding expertise.		
1.4 Counting gaps	16	250	Standards/targets in place, eg timeliness and accuracy.	Trust expertise, level of focus and general awareness, control of clinical changes.		
1.5 Operational breaches eg, booking windows	16	250	Group General Managers advised, Director of Delivery / deputy working on risk areas.			

## 2. Income - Specific

Risk	Risk Score	£000	Controls	Gaps	Actions re: Gaps	Assurance
2.1 A&E case mix, below planned volume	20	1,000	Targeted work in A&E with finance monitoring and support.	Limit on finance resources and management arrangements in Medicine.	Will be part of new structure and finance work streams. Interim support given through finance accountant.	Finance report and performance review.
2.2 Orthopaedics - capacity and risk of breach	16	300	Specific I&E reviews.  Detailed costing of work, contract costs. Weekly monitoring.	No formal work plan to streamline work and ensure disciplined approach.	Group General Managers and Assistant Directors of Finance to agree plan, outputs and process for agreement of actions.	Turnaround Board to Trust Board.
2.3 Cardiology - capacity and risk of breach	16	300				
2.4 Specific volume, case mix under performance	TBD	500	TBD - needs to be discussed further with Groups / Director of Delivery			
2.5 Potential reduction to plan in relation to 2005/06 performance	25	1,000	Commissioning meetings and senior input to negotiation.	Expertise on data and underlying patterns	See 1.1	Trust Board.
2.6 Shortfall in income projects - Turnaround (1)	15	TBD	Turnaround project review arrangements.	None.	None.	Turnaround Board reports to Trust Board and Audit review.

## 3. Expenditure - Generic

Risk	Risk Score	£000	Controls	Gaps	Actions re: Gaps	Assurance
3.1 Weak cost control - pay and non pay	25	5,000	New approval limits, scrutiny on non pay.	Significant weaknesses in pay, controls and information.	Work programme system and skills being developed with SHA Turnaround lead.	SHA review. Audit checks.
3.2 Inflation	10	TBD	No direct control but mitigate through better price deals.	Cannot determine inflation.		Report to Trust Board.
3.3 Shortfall - Turnaround 1	20	3,000	Turnaround Board project management.	None.	None.	Turnaround Board to Trust Board and Audit Review.
3.4 Shortfall - Turnaround 2	25	10,000	None as yet.	No formal governance yet for Turnaround 2	Structure to be put in place, project assumed.	Trust Board reports and Audit Review.
3.5 Meeting NICE and other standards, Health & Safety	12	250	Directorate/Group meetings and actions.	No effective central control on receipt and assessment.	Refer to Governance Committee.	Governance and Finance Committees.
3.6 Seasonal activity variations leading to cost pressures	15	1,000	Approval process - pay and non pay	Pay, as above.	See 3.1 above.	Finance Committee.

## 4. Expenditure - Specific

Risk	Risk Score	£000	Controls	Gaps	Actions re: Gaps	Assurance
4.1 Demand and cost - drugs	12	500	Approvals limited to Finance Director and Medical Director, but risks in process.	Information, audit, leadership.	Specified as turnaround project.	Turnaround Board. Audit regarding evidence. Finance Committee.
4.2 Demand and cost - clinical consumables	12	500	Weak.	Inadequate systems, disparate demand.	Refer to Groups for action plans.	Finance Committee.
4.3 Shortfall - PACS business case	12	650	Project management arrangements in place. Director of Finance reviewing finance position.	Ownership of problem.	Additional savings as part of Turnaround Plan. Charges for use to be implemented.	Finance Committee.
4.4 Shortfall - Release 0 business case	16	TBD		No report from Project Board	Project Board to report to Management Board.	Finance Committee.
4.5 Capacity costs	20	1,000	Performance meetings, weekly finance reviews, request for specific plans.	Detailed analysis of LDP costs & income.	Part of Operations, Information and Finance work plan.	Finance Committee.
4.6 Shortfall on capacity savings.	20	1,000		No effective control.	Subject of weekly meetings, information sharing, incentives in place.	Finance Committee.
4.7 Use of agency and additional hours.	16	450	Controls limited regarding agency additional hours. High risk in medicine.	Data to support prospective approvals and monitoring.	New payroll control system in development to facilitate authorisation.	Finance Committee.
4.8 Cost and use of energy	20	750	Weekly finance & activity meetings. Monthly performance reviews.	Information. Leadership. Lack of effective operational controls	Improved information. Director of Planning now Executive lead.	Finance Committee.

## 5. Cash

Risk	Risk Score	£000	Controls	Gaps	Actions re: Gaps	Assurance
5.1 Increasing spend	20	TBD	Refer to cost risk analysis.	Refer to risk analysis of costs.	Refer to risk analysis of costs.	Refer to risk analysis of costs.
5.2 Inadequate borrowing potential	16	TBD	Daily monitoring and discussions with SHA.	Emergency arrangement with SHA.	Director of Finance/ SHA to agree protocol.	Finance Committee.
5.3 Cost of borrowing/ RAB	20	1,567 500	Actions related to manage but largely to scale of debt. Capital restructuring being considered.	Daily review, weekly and monthly forecasts, liquidity being activity managed.	Non but need to keep under review. Capital arrangements are improved.	Finance Committee.
5.4 Loss of discounts	10	TBD	Maximum discount prioritised regarding use of cash.	None.	None.	Finance Committee.
5.5 Detrimental year end resolution ie, debtors/creditors	20	2,000	Arbitration process, schedule from auditors to track against.	Non - being monitoring by Audit Committee.		Audit Committee.

**ROYAL CORNWALL HOSPITALS TRUST - FINANCIAL PLAN 2007/8 AND BEYOND**

**Model consistent with audit trail for revised control total of £20 million deficit, Future years spend and income consistent with 06/07. Only variables are support, RAB, surplus required and CRES at £10m pa recurrent.**

**No growth for tariff or MFF**

	2006/7			2007/8			2008/9		
	Recurring Position £000's	Non Recur Postion £000's	Total Postion £000's	Recurring Position £000's	Non Recur Postion £000's	Total Postion £000's	Recurring Position £000's	Non Recur Postion £000's	Total Postion £000's
Income	(221,876)	(14,400)	(236,276)	(221,876)	0	(221,876)	(221,876)		(221,876)
RAB		15,677	15,677		20,000	20,000		24,400	24,400
Expenditure/Repay Support	238,674	21,925	260,599	221,876	14,400	236,276	211,876	0	211,876
CRES				(10,000)		(10,000)	(10,000)		(10,000)
Turnaround Phase 1	(10,000)	0	(10,000)			0		0	0
Turnaround Phase 2	(6,798)	(3,202)	(10,000)						
<b>Total Spending</b>	<b>221,876</b>	<b>34,400</b>	<b>256,276</b>	<b>211,876</b>	<b>34,400</b>	<b>246,276</b>	<b>201,876</b>	<b>24,400</b>	<b>226,276</b>
<b>(Surplus) / Deficit In Year</b>	<b>0</b>	<b>20,000</b>	<b>20,000</b>	<b>(10,000)</b>	<b>34,400</b>	<b>24,400</b>	<b>(20,000)</b>	<b>24,400</b>	<b>4,400</b>
I & E Balance B/Fwd		15,677	15,677		35,677	35,677		60,077	60,077
<b>Cumulative I &amp; E Position</b>	<b>0</b>	<b>35,677</b>	<b>35,677</b>	<b>(10,000)</b>	<b>70,077</b>	<b>60,077</b>	<b>(20,000)</b>	<b>84,477</b>	<b>64,477</b>
Surplus required under 3 year rule					15,677			20,000	

Note surplus required re 5/6 deficit

this is not in above, alternative would be to show CRES needed