

TO: Royal Cornwall Hospitals NHS Trust
FROM: Director of Finance and Information
DATE: 29th August 2006
SUBJECT: **FINANCIAL REPORT FOR THE PERIOD ENDING 31st July 2006**

1. Introduction

The report details performance against our financial targets, highlights risks and requires members to consider the extent of action to deliver the targets. It refers to all the resources relevant to performance – money, manpower and activity.

The financial duties are:

- i) Breakeven year on year, or where agreed, over a three year period. In periods of deficit a control total must be in place, - this is deficit of £20m
- ii) Achieve Public Sector Payments Target – 95% of bills within 30 days
- iii) Achieve External Finance limit and Capital resource limits

2. Performance

2.1 Context

A summary of the position is reported at Appendix 1 and the profiles/trends at Appendix 2(i) and (ii). The budgets now set include the removal of unachieved CRES from 2005/06, the funding of agreed activity related pressures and also specific funding eg Cancer drugs. The remaining pressures, not funded, are those which warrant further challenge and need to be addressed rather than absorbed at Trust level. This process is not yet complete, Groups are engaged in the process – the aim is to ensure that the remaining budget deficits highlight problems which could be addressed if action was taken. Members also need to bear in mind the fact that any funds not allocated from reserves will contribute to the £20m savings target.

2.2 Position

2.2.1 Headlines: Finance

- **Planned deficit £7.4m, actual deficit £11.9m against plan of £7.4m - shortfall of £4.6m, movement of £1.3m in month.**

2.2.2 Activity

Inpatient work is below plan, outpatient above – net position is one of under recovery of income against plan of £0.477m

Table 1: RCHT activity as at 31st July 2006 Appendix 3 refers)

	Activity			Income (£000)		
	Plan	Actual	Variance	Plan	Actual	Variance
Electives	18,115	17,915	-200	18,136	17,528	-608

Non Electives	16,003	15,670	-333	23,689	23,628	-61
New Outpatients	34,260	36,438	2,178	5,023	5,254	231
Follow Up Outpatients	71,254	71,586	332	5,355	5,316	-39

The stated financial position still assumes breakeven on the 06/07 LDP , this will be reviewed from Month 6. A small surplus of £200,000 is shown and reflects the final agreement on 05/06 out turn, compared to what was included in the accounts.. Appendix 3 shows the summary position regarding activity and value.

2.2.3 Manpower

- 112 wte were held vacant in month
- Vacancy replacement rate, 1 in 3 – challenge is 1 in 5 to aid re-deployment
- Sickness is at 4.51% (January to June 2006) compared to target of maximum 4%
- Agency/locum - hours continue to be relatively controlled, although medical usage is of increasing concern (Appendix 6).

3. Financial Commentary

Table 2: Summary I+E Position

	Full Year Budget £m	Plan to 31/7/06 £m	Actual to 31/7/06 £m	Variance at 31/7/06 £m	Variance to 30/6/06 £m	Position in month
Income	(223.0)	(77.2)	(77.5)	(0.3)	(0.3)	0.0
Expenditure- Pay	155.9	52.6	53.0	0.4	0.6	(0.2)
Expenditure – non pay	106.5	35.2	36.4	1.2	1.0	0.2
Turnaround Phase 1	(9.4)	(1.3)	0.0	1.3	1.0	0.3
Turnaround Phase 2	(10.0)	(2.0)	0.0	2.0	1.0	1.0
Deficit/(Surplus)	20.0	7.3	11.9	4.6	3.3	1.3
Recurrent	1.1	0.7	4.9	4.2	3.1	1.1
Non Recurrent	18.9	6.6	7.0	0.4	0.2	0.2

Table 3: Run Rate - for July

(Cumulative position and trend analysis in Appendix 2).

	Plan £000s	Actual £000s
Income	19,439	19,448
Expenditure	20,209	21,833
Run Rate (Surplus)/Deficit	770	2,385
Deficit as % of Income	0.040	0.123

The run rate is the deficit at a point in time – it is critical to distinguish between recurrent and non recurrent, this is detailed at Appendix 2. A profile which continues into 2007/08 is being

formulated as the turnaround projects are confirmed. Our aim continues to be to achieve recurrent balance in 2006/07

3.1 Improvements

- Hours paid in month, 1128wte below plan, selected vacancies being held - evidence of improved control.
- Expenditure deficit for groups reduced from £1.38m to £1.36m
- Specialty Group reporting a surplus of £0.154m
- Initial scoping completed on capacity changes required to reduce in line with LDP

3.2 Concerns

- Deficits in Clinical Support, Surgery and Medicine of continued concern, actions to redress are not sufficiently robust
- Increasing core non pay costs in Clinical support – cost of PACS a specific risk
- No evidence yet of cost reductions to reflect expected capacity reductions
- Slippage on Turnaround1 - validation exposing gaps, £6m of £10 validated
- Cost and income risk regarding performance on LDP, plus plan now reduced by £1m due to over performance in 2005/06
- No robust process yet around Turnaround 2 and schemes still only at scoping stage

3.3 Further Comment

- Income**- Surplus £0.323m in relation to the LDP final settlement for 05/06 and a small surplus in non patient income. Patient activity is profiled as per the LDP, note at this point performance to plan is assumed in the position, but at present there is an indicated shortfall of £0.477m reported within the Groups. This will be monitored closely as it is highly variable, and July data is based on average not actual case mix. There are a range of complex performance issues which are being addressed with PCTs. The income is planned to reduce in later stages of the year – it is critical that capacity is aligned to ensure costs are reduced accordingly.
- Operational Budgets** - Deficit £1.6m; pay £0.4m; non pay £1.2m. There is now evidence that pay controls are having an effect, note particularly the increase in wte vacant and the continued low use of agency staff. It is recognised that this creates operational challenges but as 66% of budget is on pay, it is imperative that pay costs are controlled. Also posts held to accommodate redeployment as savings schemes commence will reduce/eliminate exit costs. Non pay costs are also being better controlled but there continue to pressure areas – particularly in Clinical support. Actions are addressed later in the report.
- Turnaround Target Phase 1** - To date £6m of the £8.85m plans have been validated by Finance and are in the process of being deducted from Group budgets
- Turnaround Phase 2** - Deficit £2.0m; plan profiled in tenths, from June to March. Clearly this is a major part of the deficit to date – whilst it is recognised this is not yet a 'plan', I consider it better to report the shortfall in the position to date than to have a sudden change later in the year if schemes are not delivered.

4. Comments on Group Positions

The chart below shows the deficit by group, my month and as forecast currently for the remainder of the year. The forecast work has been completed at a high level and required further development, particularly in relation to income and activity plans.

5. Key Issues and Actions by Group

Group	Year to Date £m	Initial Forecast £m	Key Issues	Actions	Urgent
Surgery	448	872	General Surgery excessive pay costs - £340,000. Laparoscopic costs have enabled reduced length of stay - £337,000.	Review of medical rota and payments - to include PAs and staff grades. Capacity reduction plan to be finalised. To be funded from 2006/07 reserve.	* *
Medicine	455	931	Emergency medicine pay - £345,000. Posts above funded levels in wards and on medical rotas. Drugs and single use items.	Plan to reduce posts through vacancies. Risks to be made explicit. Address duplication across sites. Reviews ongoing. Deadline 31st August 2006 - renal, gastroenterology.	* *
Specialty	(154)	(635)	Holding vacancies - pre Turnaround. Drugs expected to breakeven.	Maintain good control. Improve control - also review funding required for support services.	

Group	Year to Date £m	Initial Forecast £m	Key Issues	Actions	Urgent
Clinical Support	615	2,250	<p>Cardiology - non pay £386,000 in line with activity 2005/06.</p> <p>Clinical Imaging - radiographer pay £425,000 - sessions above funded level.</p> <p>Clinical Imaging - non pay £706,000 - PACS is £600,000</p> <p>Pathology - non pay £948,000 - costs/ volumes of use for blood and other pathology consumables.</p>	<p>Costs will be funded from income plan.</p> <p>To review organisation and delivery, but key issue is control of demand. Management Board working agreed to review authorisation protocols to reduce volumes, within clinical need.. GP demand to be quantified and protocols to be reviewed.</p> <p>All Groups to address how benefit can be realised and to be re-charged for use.</p> <p>Review of demand, review authorisation controls - , blood use a priority. Learn from work at RD&E.</p>	<p>*</p> <p>*</p> <p>*</p>

6. Corporate Risks and Actions

The table below highlights the key Trust wide issues and the actions to address.

Corporate Risk	Actions	Risk £m
Capacity alignment downwards with LDP	<p>All Groups produced descriptions of proposed changes. Acting Director of Delivery now supporting costing and planning work. Issue discussed with PCT on 6th September 2006, specialty forecasts for the year to be completed to determine what action is necessary to contain activity to LDP.</p> <p>Action Acting Director of Delivery</p>	2.5
LDP non compliance - eg, booking windows	<p>Acting Director of Delivery to respond to PCT queries and challenges. Group General Managers review all rule breaches and procedures being re-confirmed.</p> <p>Action Acting Director of Delivery and Groups</p>	Not quantified

<p>Increasing spend on clinical tests and requests</p>	<p>Management Board to consider and agree how authorisation processes can be tightened and to scrutinise demands made of services. GP demand to be reviewed.</p> <p>Action Clinical Directors</p>	<p>1.0</p>

Corporate Risk	Actions	Risk £m
Maximisation of income through coding	Project lead assigned and with Acting Director of Delivery and Accountant will focus on programme to support consultants in more accurate coding, counting and grouping under tariff. Action Director of Finance and Project Lead	2.0
Ownership of Turnaround schemes	Validation of schemes continuing, exposing ownership and accountability issues between corporate projects and groups. Turnaround lead to ensure this is addressed.	3.5
Progressing Turnaround 2	Initiatives to be grouped as business/operational and strategic service changes. Operational being progressed, service change part of current consultation preparation work. Significant risk of underachievement requires urgent debate with PCTs on internal improvement drive. Action Directors of Finance and Planning	5.0

7. Delivery of Additional Cost Improvements

The Trust must reinforce the need for strong financial control – several new systems and procedures are in place. There is now some evidence of impact, but it is limited – we will need to continue with the arrangements and escalate issues as appropriate.

8. Balance Sheet and Cash

The balance sheet position and movement from Month 3 is attached. The key changes are the increase in NHS debtors balanced by the corresponding increase in NHS creditors due to the accrual of planned support repayable and receivable, and the increase in Fixed assets due to the purchase of the PACS system.

The Trust continues to deploy efficient debt collection. However, cash is an increasing problem as referred to at the last Committee meeting. Final guidance for the new cash regime has still to be confirmed, hence a temporary borrowing limit has been obtained. This will be reported to the next Board meeting. In the interim action is being taken to manage working capital to best effect – this includes restrictions on capital to conserve cash.

At present, the Trust cannot meet the Public Sector Payment Target due to cash flow difficulties, the position for July was 78.93% of non NHS trade creditors were paid within 28 days.

9. Capital

This is now included as a separate report.

10. Summary

The Trust continues to be in serious financial difficulty – at this point there is some evidence of improved financial control, but we have fallen behind on the turnaround targets. Planning particularly for Turnaround phase 2 is our most significant challenge.

Systems and processes will continue to be refined and developed to ensure there is greater accountability for financial performance, this will also include developing the roles of HR and Finance in planning the cost effective use of labour and the development of business information systems. At present the forecast is that we will achieve £20m deficit, but clearly lost ground needs to be recovered .

The Management Board considered the position and agreed to support the continued progression of Turnaround schemes, noted the actions being progressed by groups and specifically:-

- i) Within two weeks propose how, at Directorate level, improved controls on clinical requests could be introduced. Lead Medical Director
- ii) Ensure the completion and implementation of capacity changes to reflect PCT/LDP requirements.
- iii) Discuss with colleagues how new ideas / initiatives to improve efficiency can be generated.

The Trust Board is asked to note the position – in particular the significant financial risks faced and the actions in progress.

Ethna McCarthy
Director of Finance and Information

Appendices:

Appendix 1	Income & Expenditure Report - 31st July 2006
Appendix 2(i)	Recurrent Income & Expenditure Run Rate Summary
Appendix 2(ii)	Non Recurrent Income & Expenditure Run Rate Summary
Appendix 3	Income & Activity Summary
Appendix 4	Balance Sheet

Income & Expenditure Report - 31st July 2006

	Full Year Budget	Budget to date	Actual to date	Variance to date	Budget to date	Actual to date	Variance to date	Budget Current	Actual Current	Variance Current
	£000s	M4 £000's	M4 £000's	M4 £000's	M3 £000's	M3 £000's	M3 £000's	Month £000's	Month £000's	Month £000's
Income:										
PCT SLA	(177,680.0)	(61,490.0)	(61,701.0)	(211.0)	(45,850.5)	(45,850.5)	0.0	(15,639.5)	(15,850.5)	(211.0)
PbR Transition	772.0	257.4	257.5	0.1	193.0	193.0	0.0	64.4	64.5	0.1
MFF	(1,466.0)	(488.7)	(488.7)	0.0	(366.5)	(366.5)	0.0	(122.2)	(122.2)	0.0
NCA's	(4,383.0)	(1,793.0)	(1,778.2)	14.8	(1,154.0)	(1,154.0)	0.0	(639.0)	(624.2)	14.8
Other PCT Income	(232.4)	(78.1)	(91.4)	(13.3)	(55.6)	(55.6)	0.0	(22.5)	(35.8)	(13.3)
SHA Planned support	(14,400.0)	(4,800.0)	(4,800.0)	0.0	(3,600.0)	(3,600.0)	0.0	(1,200.0)	(1,200.0)	0.0
Other Patient Care	(6,748.9)	(2,282.1)	(2,240.7)	41.4	(1,868.4)	(1,868.4)	0.0	(413.7)	(372.3)	41.4
Non Patient Income	(18,515.6)	(6,399.0)	(6,560.5)	(161.5)	(4,962.4)	(5,281.8)	(319.4)	(1,436.6)	(1,278.7)	157.9
Interest Receivable	(354.0)	(118.0)	(111.1)	6.9	(88.5)	(83.9)	4.6	(29.5)	(27.2)	2.3
Income Total	(223,007.8)	(77,191.5)	(77,514.1)	(322.6)	(57,752.9)	(58,067.7)	(314.8)	(19,438.6)	(19,446.4)	(7.8)
Expenditure:										
Medical Group										
pay	27,889.8	9,299.9	9,462.1	162.2	6,972.7	7,170.8	198.1	2,327.2	2,291.3	(35.9)
non pay	6,222.9	2,241.6	2,535.0	293.4	1,688.4	1,919.4	231.0	553.2	615.6	62.4
	34,112.7	11,541.5	11,997.1	455.6	8,661.1	9,090.2	429.1	2,880.4	2,906.9	26.5
Surgical Group										
pay	47,598.0	15,945.2	16,271.2	326.0	11,872.0	12,213.0	341.0	4,073.2	4,058.2	(15.0)
non pay	13,674.6	4,995.3	5,117.8	122.5	3,775.2	3,920.4	145.2	1,220.1	1,197.4	(22.7)
	61,272.6	20,940.5	21,389.0	448.5	15,647.2	16,133.4	486.2	5,293.3	5,255.6	(37.7)
Clinical Support										
pay	28,333.5	9,508.5	9,603.8	95.2	7,092.6	7,214.7	122.1	2,415.9	2,389.1	(26.9)
non pay	15,684.8	5,214.7	5,734.2	519.5	3,965.3	4,446.3	481.0	1,249.4	1,287.9	38.5
	44,018.3	14,723.2	15,337.9	614.7	11,057.9	11,661.0	603.1	3,665.3	3,676.9	11.6
Specialty Group										
pay	28,166.1	9,562.5	9,325.8	(236.7)	7,178.7	7,091.3	(87.4)	2,383.8	2,234.5	(149.3)
non pay	9,914.0	3,147.3	3,229.9	82.6	2,461.7	2,419.0	(42.7)	685.6	810.9	125.3
	38,080.1	12,709.8	12,555.7	(154.1)	9,640.4	9,510.3	(130.1)	3,069.4	3,045.4	(24.0)
Non Clinical Group										
pay	23,891.6	8,251.3	8,328.5	77.2	6,203.5	6,296.7	93.2	2,047.8	2,031.8	(16.0)
non pay	23,432.1	8,943.8	8,720.6	(223.2)	6,750.3	6,660.0	(90.3)	2,193.5	2,060.6	(132.9)
	47,323.7	17,195.1	17,049.1	(146.0)	12,953.8	12,956.7	2.9	4,241.3	4,092.4	(148.9)
Capital Charges	13,079.0	4,359.7	4,788.1	428.4	3,269.8	3,517.7	247.9	1,089.9	1,270.4	180.5
Repay Planned Support	19,013.0	6,337.7	6,337.7	0.0	4,753.3	4,753.3	0.0	1,584.4	1,584.4	0.0
Expenditure Total	256,899.3	87,807.5	89,454.7	1,647.1	65,983.5	67,622.6	1,639.1	21,824.0	21,832.1	8.0
Earmarked Reserves	5,532.1						0.0			
Turnaround 1	(9,423.6)	(1,340.0)		1,340.0	(1,045.0)		1,045.0	(295.0)	0.0	295.0
Turnaround 2	(10,000.0)	(2,000.0)		2,000.0	(1,000.0)		1,000.0	(1,000.0)	0.0	1,000.0
NET DEFICIT	20,000.0	7,276.0	11,940.6	4,664.5	6,185.6	9,554.9	3,369.3	1,090.4	2,385.7	1,295.2

FOR INFORMATION SUMMARY PAY/NON PAY SPLIT EXPENDITURE

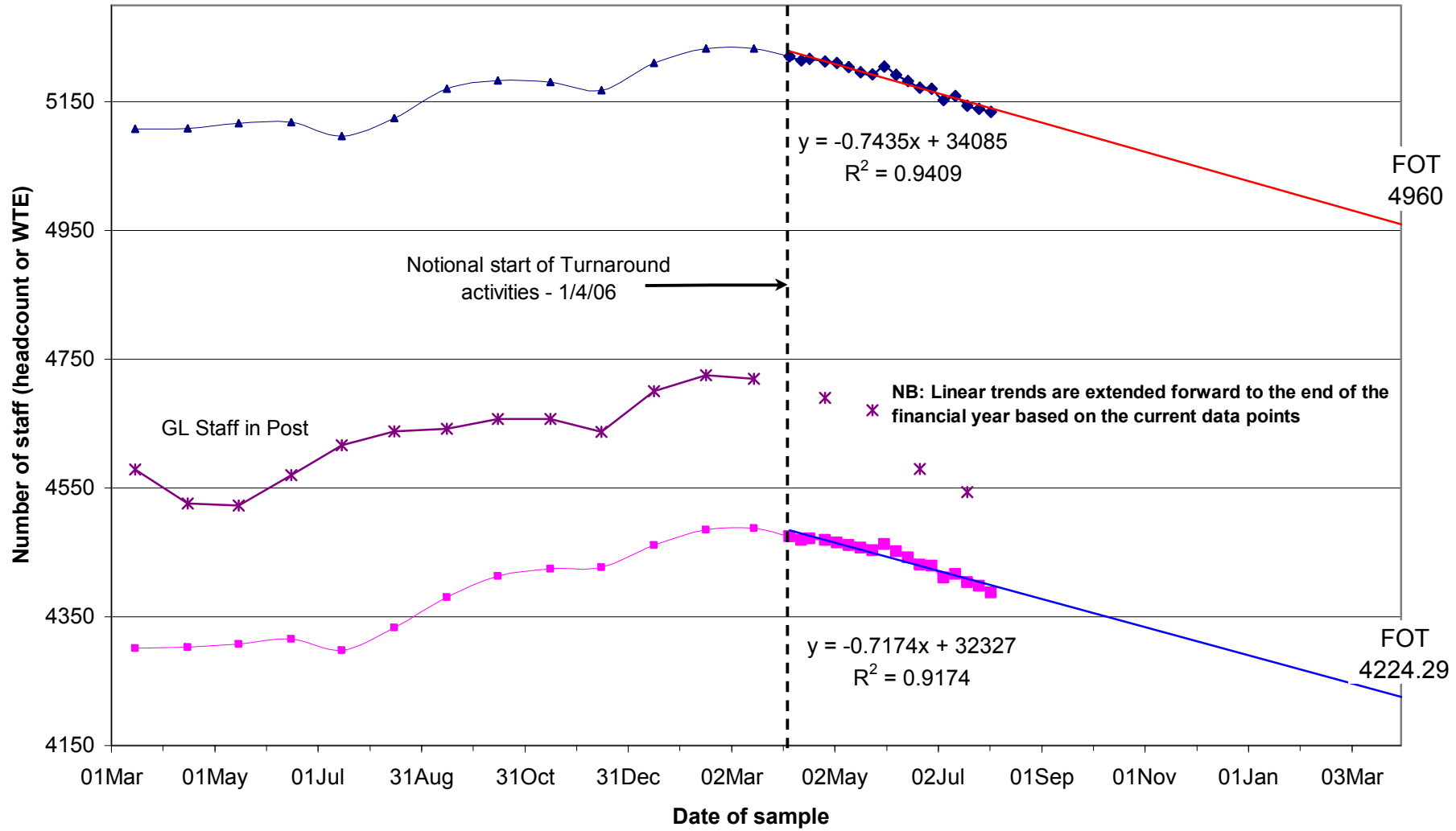
Pay	155,878.9	52,567.4	52,991.4	424.0	39,319.5	39,986.5	667.0	13,247.9	13,004.9	(243.0)
Non PAY	101,020.4	35,240.1	36,463.3	1,223.2	26,664.0	27,636.1	972.1	8,576.1	8,827.2	251.1
	256,899.3	87,807.5	89,454.7	1,647.1	65,983.5	67,622.6	1,639.1	21,824.0	21,832.1	8.0

INCOME and ACTIVITY MONITORING 2006/07

BASED ON APRIL - JUNE (ACTUAL), JULY (ESTIMATE)

Specialty	Emergency Activity to April to July 2006			Emergency Income to April to July 2006			Elective Activity to April to July 2006			Elective Income to April to July 2006		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
	lfce's	lfce's	lfce's	£000's	£000's	£000's	lfce's	lfce's	lfce's	£000's	£000's	£000's
Clinical Support												
Cardiology	652	582	(70)	1,143	1,168	25	934	760	(174)	1,423	1,222	-201
Chemical Pathology									0	0	3	3
Clinical Support Total	652	582	-70	1,143	1,168	25	934	760	-174	1,423	1,225	-198
Medical												
Accident & Emergency	1,050	999	-51	1,460	1,329	-131						
Diabetic / Endocrinology	105	120	15	63	87	25	48	62	14	21	30	8
Gastroenterology	194	297	103	297	399	102	1,094	2,171	1,077	857	1,241	384
General Medicine (incl Rehab)	4,211	3,868	-343	8,854	8,627	-227	709	257	-452	660	505	-155
Eldercare	207	231	24	131	224	93	11	8	-3	18	4	-14
Renal	101	119	18	214	200	-14	83	103	20	109	103	-6
Respiratory & Thoracic	351	499	148	178	242	63	58	112	54	62	69	7
Medical Total	6,219	6,133	-86	11,197	11,108	-89	2,003	2,713	710	1,728	1,952	223
Specialty												
Clinical Haematology	77	69	-8	136	163	26	1,388	668	-720	574	266	-308
Dermatology	4	1	-3	7	11	4	990	874	-116	776	590	-186
Gynaecology	907	958	51	525	553	28	1,116	1,078	-38	1,099	1,030	-69
Neurology	84	73	-11	65	86	21	112	83	-29	110	115	5
Oncology	103	80	-23	118	103	-15	1,434	1,758	324	271	484	213
Paediatrics	1,546	1,534	-12	1,308	1,417	109	832	824	-8	698	721	23
Rheumatology	18	21	3	19	24	6	162	176	14	174	161	-13
Obstetrics	2,670	2,838	168	2,224	2,352	129	16	43	27	6	20	14
Specialty Total	5,409	5,574	165	4,401	4,709	308	6,050	5,504	-546	3,708	3,387	-321
Surgical												
ENT	371	318	-53	423	354	-70	731	753	22	719	747	28
General Surgery	1,749	1,620	-129	3,246	2,987	-260	2,330	2,246	-84	3,035	2,894	-141
Ophthalmology	337	110	-227	377	86	-291	1,396	1,534	138	923	1,003	79
Oral Surgery	110	121	11	125	143	18	929	848	-81	764	704	-61
Orthodontics			0	0	0	0	9		-9	8	0	-8
Trauma & Orthopaedics	975	1,055	80	2,603	2,892	289	1,651	1,699	48	4,120	4,226	106
Pain	1	2	1	0	4	4	263	297	34	159	168	9
Urology	180	155	-25	173	179	5	1,819	1,561	-258	1,548	1,223	-325
Surgical Total	3,723	3,381	-342	6,948	6,643	-305	9,128	8,938	-190	11,277	10,965	-312
Total	16,003	15,670	-333	23,689	23,628	-61	18,115	17,915	-200	18,136	17,528	-608

Timeline analysis - RCHT total headcount and WTE in post, March 2005 - August 2006
(showing estimated year end FOT, based on current in-year trend)



ROYAL CORNWALL HOSPITALS TRUST

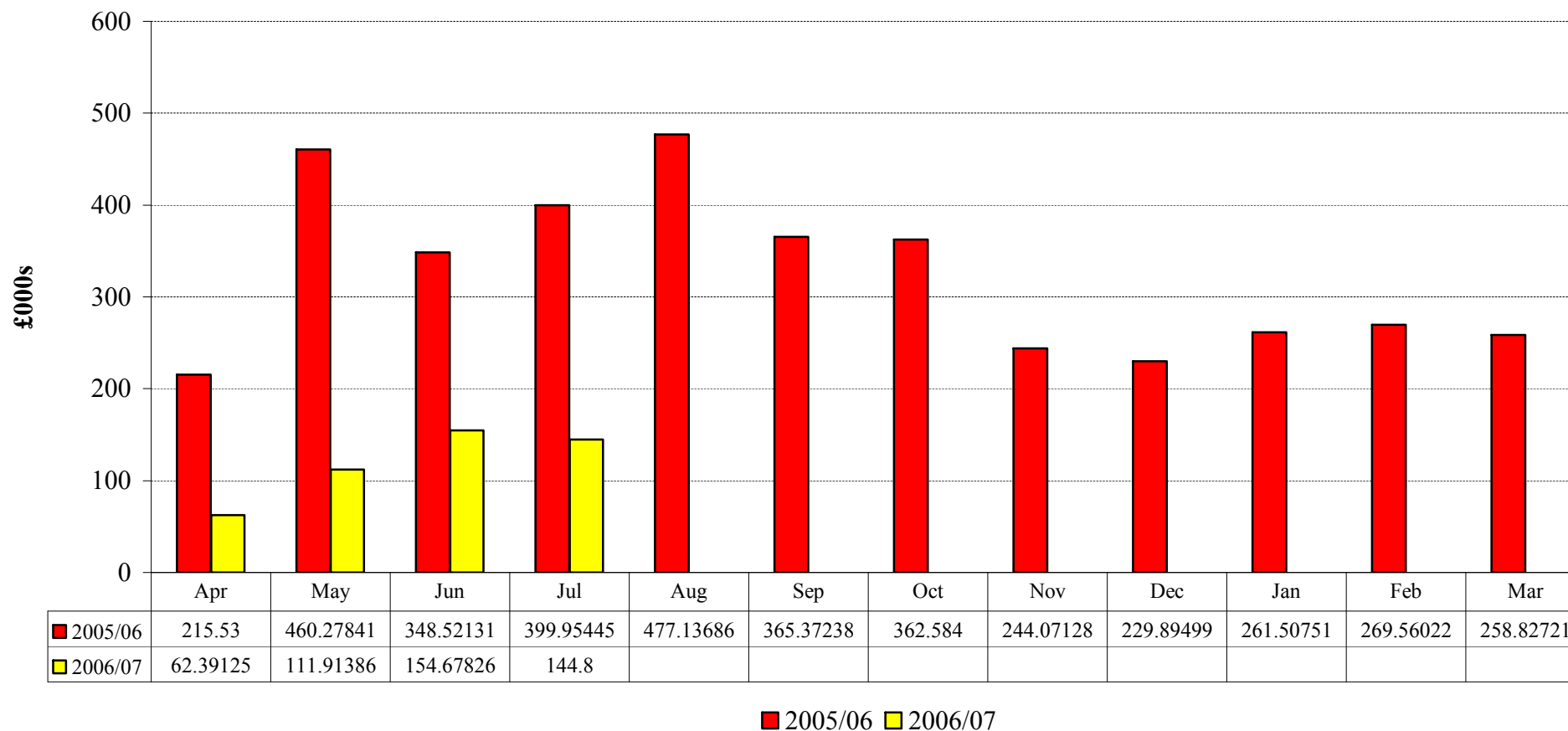
STAFF IN POST ANALYSIS - TRUST TOTAL

MONTH : July 2006

	TOTAL	Medical - Senior	Medical - Other	Nurses & Midwives	Senior Managers	Admin.	Prof. & Tech.	Ancillary	Pharmacists
	w.t.e.	w.t.e.	w.t.e.	w.t.e.	w.t.e.	w.t.e.	w.t.e.	w.t.e.	w.t.e.
Contract Hours	4,332.90	191.35	337.93	1,630.80	232.11	821.88	727.73	363.11	27.99
Medical Locums	17.00	7.10	9.90	0.00	0.00	0.00	0.00	0.00	0.00
Overtime / Excess Hours Starters / Leavers adjustment	8.59	(0.06)	(1.10)	(2.91)	(2.18)	(3.95)	(1.49)	20.49	(0.21)
Kernowflex / Bank	163.92	0.00	0.00	93.29	0.00	41.85	14.18	13.81	0.79
Agency	19.07	7.04	0.85	5.45	0.00	0.00	4.19	0.00	1.54
TOTAL S.I.P.	4,541.48	205.43	347.58	1,726.63	229.93	859.78	744.61	397.41	30.11
TOTAL F.M.L.	4,684.32	214.10	363.56	1,786.94	234.29	879.60	774.41	401.76	29.66
VARIANCE	(142.84)	(8.67)	(15.98)	(60.31)	(4.36)	(19.82)	(29.80)	(4.35)	0.45

**ROYAL CORNWALL HOSPITALS TRUST
AGENCY EXPENDITURE COMPARISON REPORT
ALL AGENCY STAFF**

2005/06 - 2006/07



ROYAL CORNWALL HOSPITALS TRUST

MEMORANDUM STATEMENT TURNAROUND PLANS AS AT 31 JULY 2006

Project No.	Project Description	Planned Savings to Date	Actual Savings to Date	Variance to date	Plan 2006/07	Variance FOT from Plan	WTE Reduction
		£'000	£'000	£'000	£'000	£'000	WTE
TURNAROUND PHASE 1							
Pay							
1	Med/Surg/Spec	(32)	(21)	11	(174)	(1)	2.00
8	Close theatres	(15)	(13)	2	(44)	0	12.30
9	Reduce bed base	0	0	0	(290)	38	30.89
10	Reduce clinic sessions	0	0	0	(686)	470	11.40
11	Pharmacy robotics			0		0	
12	PACS	0	0	0	0	(145)	22.12
13	PTS/taxis/helicopters	0	12	12	0	35	
14	Agency Nursing	(545)	(522)	23	(853)	(142)	
21	Catering Procurement	(18)	(13)	5	(44)	(5)	3.53
28	Koffee Korner performance	0	0	0	0	0	0.70
32	Management	(24)	(37)	(13)	(296)	(161)	21.77
33	Medical Staffing	(142)	(107)	35	(1,200)	296	
44	Movement of Goods		0	0	(60)	60	
45	Clinical Support Redesign		(1)	(1)	(560)	(8)	76.50
46	Corporate Support Redesign	(17)	(38)	(22)	(288)	86	5.46
47	Holiday Pay Scheme	0	0	0	(161)	161	
48	Salary sacrifice	0	0	0	(30)	30	
49	Sickness Reduction	0	0	0	(44)	44	
54	Stop Weekly pay	0	0	0	(6)	(1)	
e	Unidentified Savings	(68)	0	68	(614)	614	
Sub Total Pay		(862)	(742)	120	(5,352)	1,372	186.67
Non Pay							
3	Medicines Mgt	0	0	0	(100)	42	
4	Theatre Non pay	(104)	(24)	80	(420)	120	
8	Close theatres	(41)	(41)	0	(206)	0	
11	Pharmacy robotics	0	0	0	(179)	109	
13	PTS/taxis/helicopters	(54)	(8)	46	(340)	290	
15	Laundry	0	0	0	(100)	0	
16	Procurement/supply	(101)	(65)	36	(450)	150	
17	Energy savings	(11)	(11)	0	(200)	0	
18	Office space	0	0	0	(35)	(7)	
20	Generic Recruitment	(18)	(21)	(3)	(50)	(10)	
21	Catering Procurement	(9)	(7)	1	(21)	(1)	
22	Waste minimisation	(6)	(6)	0	(25)	2	
24	Transport bus vehicles	(2)	(2)	0	(6)	0	
25	Lease post room van	(2)	(2)	0	(8)	0	
29	Cleaning equipment	(2)	(2)	0	(2)	0	
41	Pharmacy procurement	0	(32)	(32)	(325)	229	
42	Electro Medical Maintenance	0	0	0	(50)	50	
53	VAT Recovery	0	0	0	(50)	50	
54	Stop Weekly pay	0	0	0	(2)	(1)	
55	Formulary Compliance	0	0	0	(200)	200	
e	Unidentified Savings	(40)	0	40	(359)	359	
Sub Total Non Pay		(389)	(221)	168	(3,127)	1,582	
Income							
5	Car Parking	(16)	(44)	(28)	(167)	(193)	
6	Knowledge Spa	(65)	(30)	35	(195)	26	
7	Independent Sector	(26)	(38)	(12)	(79)	(36)	
21	Catering Procurement	(27)	(66)	(39)	(65)	0	
23	HR Shared Service	0	0	0	(30)	(70)	
28	Koffee Korner performance	(7)	0	7	(20)	20	
30	Internal functions	(33)	0	33	(100)	100	
52	Expansion to NHS Cost Recovery Scheme	0	0	0	(200)	200	
56	Coding	0	0	0	(280)	280	
b	Catering Income	(60)	0	60	(180)	180	
c	Accommodation			0		0	
d	CT Imaging	0	0	0	(30)	30	
e	Unidentified Savings	(19)	0	19	(175)	175	
Sub Total Income		(254)	(178)	76	(1,521)	712	
Grand Total		(1,505)	(1,141)	364	(10,000)	3,666	
TURNAROUND PHASE 2							
NA	Various Schemes as per paper of 18th July 2006	(2,000)	0	2,000	(10,000)	10,000	
TOTAL		(3,505)	(1,141)	2,364	(20,000)	13,666	

TO: Royal Cornwall Hospitals NHS Trust

FROM: Director of Finance & Information

DATE: 18th July 2006

SUBJECT: **Scoping for Potential to Delivery Additional Cost Improvements
(Turnaround Plus)**

1. PURPOSE

- 1.1 To outline the potential areas to be reviewed as part of the ongoing challenge to achieve financial surplus.

2. PROCESS AND STATUS

- 2.1 Annex A and B provide a very early view of the areas, some with indicative figures, some identified as issues to be addressed. All of the figures need to be substantiated - an indication of the timetable for this has been included.

3. DELIVERY

- 3.1 Consideration of delivery needs to be in the context of the proposed Executive arrangements. It is clear that dedicated leadership will be needed but in some areas, eg financial control and capacity, success will only be guaranteed if they are integrated with core business.

Ethna McCarthy
Director of Finance & Information

Scoping of Turnaround Plus

Operational	Description	Potential £m	Part Year £m	Estimated Full Year Effect of 2005/06 £m	Validation Target Date
1. Financial control	Challenge to 2005/06, 2006/07 pressures and control in year	Identified 8.0 2005/06 3.4 2006/07	3.0	4.0	10th August 2006
2. Review 2005/06 funding resources	Series of investments be unpicked and if possible absorbed into established post/ services	Identified 2.2 2005/06	0.5	1.0	31st August 2006
3. HRG review	To isolate and exclude or secure funding for loss making services - include BJS	?	0.5	1.5	30th September 2006
4. Capacity related cost reduction	To identify and deduct budgets where activity plan < budgeted level	1.5 in plan already	1.0	2.5	31st July 2006
5. Shared Services review	To re-organise, improve accountability and implement robust plans	TBD	TBD	TBD	30th September 2006
6. Purchase of clinical services - inter Trust	To scope, review protocols, benchmark and possible tender	TBD	TBD	TBD	31st October 2006
			5.0	9.0	

Strategic	Description	Potential £m	Part Year £m	Estimated Full Year £m	Validation Target Date
1. Three site review	Appraisal of future configuration of SMH and WCH	Direct SMH 8.4 Indirect SMH 3.3 Issue of transfer v reduction (overheads £3m)	1.0	8.0	30th September 2006 Disposal would generate cash also
	WCH	Re-design - rationalise acute	TBD	TBD	
2. Outpatients Hub Model	Reconfigure and rationalise to reduce pressures, travel etc	TBD - but minimum	0.5	1.0	30th September 2006
			1.5	9.0	
			6.5	18.0	
			TOTAL		

Note:

All of the above assume the income base is maintained throughout service change.

Other Financial Challenges

- Asset financing review
- Energy management
- Appraisal of demand - clinical support
- Improved control of drug formulary
- Other income options - eg, trials
- LDP/PCT challenge - services not fully funded, burden of IT capital charges
- Business case for Agenda for Change
- Man hours controls

Scoping of the above, part of ongoing budget review process, target date for indicative figures (where appropriate) - 31st August 2006. However, actions to reduce overspend already initiated.

ROYAL CORNWALL HOSPITALS TRUST
GROUP PERFORMANCE SUMMARY TO 31ST JULY 2006

	Total Activity			Income			Pay			Non-Pay			Surplus/ Deficit	FML	SIP	Variance
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance	£000's			
				£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's			
Clinical Support Group	9,742	9,152	(590)	3,477	3,249	(228)	9,509	9,604	95	5,215	5,735	520	843	865.5	841.8	(23.7)
Medical Group	43,521	46,401	2,880	16,344	16,314	(30)	9,300	9,462	162	2,242	2,535	293	485	810.7	772.7	(38.0)
Specialty Group	45,879	46,266	387	11,778	11,699	(79)	9,562	9,326	(237)	3,147	3,230	83	(75)	722.2	668.7	(53.5)
Surgical Group	65,008	66,372	1,364	22,856	22,519	(337)	15,945	16,271	326	4,995	5,118	123	785	1,233.1	1,209.7	(23.4)
Clinical Groups	164,150	168,191	4,041	54,455	53,781	(674)	44,316	44,663	347	15,599	16,617	1,018	2,039	3,631.4	3,492.9	(138.6)
Non Clinical							8,251	8,329	77	8,944	8,721	(223)	(146)	1,052.9	1,048.6	(4.3)
Trust Total	164,150	168,191	4,041	54,455	53,781	(674)	52,567	52,991	424	24,543	25,338	795	1,893	4,684.3	4,541.5	(142.8)

Reconciliation of Expenditure Variance to Overall I & E Summary

	£000's
As Subtotal Clinical Groups	1,365
As Non Clinical Groups	(146)
Add	
Turnaround Phase 1 and 2	3,340
Capital Charges	428
TOTAL EXPENDITURE VARIANCE	<u>4,987</u>

NB Activity measures are last Finish Consultant Episodes for admissions and attendances for outpatients and A & E

RCHT Balance Sheet - Actual and Forecast

	Balance sheet per plan 31st March 2007 £000s	April Actual £000s	May Actual £000s	June Actual £000s	July Actual £000s	August Revised forecast £000s	September Revised forecast £000s	October Revised forecast £000s	November Revised forecast £000s	December Revised forecast £000s	January Revised forecast £000s	February Revised forecast £000s	March Revised forecast £000s
FIXED ASSETS:													
Intangible assets	1,947	2,346	2,346	2,246	2,213	2,346	2,346	2,346	2,346	2,346	2,346	2,346	1,947
Tangible assets	173,653	159,155	168,747	169,200	171,786	168,747	168,747	168,747	168,747	168,747	168,747	168,747	172,490
Investments	0	0	0										
TOTAL FIXED ASSETS	175,600	161,501	171,093	171,446	173,999	171,093	171,093	171,093	171,093	171,093	171,093	171,093	174,437
CURRENT ASSETS:													
Stocks and work in progress	6,229	6,266	6,247	6,241	6,183	6,247	6,247	6,247	6,247	6,247	6,247	6,247	6,229
NHS Debtors	20,733	12,750	11,458	7,298	14,628	15,146	20,919	22,670	23,656	25,902	27,150	29,472	12,358
Other debtors	6,931	5,603	5,027	4,269	5,125	5,027	5,027	5,027	5,027	5,027	5,027	5,027	6,931
Total Debtors	27,664	18,353	16,485	11,567	19,753	20,173	25,946	27,697	28,683	30,929	32,177	34,499	19,289
Investments - Deposits with DH	0												
Investments - Other	0												
Cash at bank in OPG accounts	275	2,435	2,064	3,175	3,801	1,533	1,878	3,052	3,006	3,268	3,343	3,910	275
Other cash at bank and in hand	62	18	62	(2,855)	(2,570)	62	62	62	62	62	62	62	62
Total Cash at bank and in hand	337	2,453	2,126	320	1,231	1,595	1,940	3,114	3,068	3,330	3,405	3,972	337
TOTAL CURRENT ASSETS	34,230	27,072	24,858	18,128	27,167	28,015	34,133	37,058	37,998	40,506	41,829	44,718	25,855
CREDITORS:													
NHS Creditors falling due within one year	(1,500)	(9,548)	(9,557)	(6,804)	(12,823)	(7,629)	(7,600)	(4,500)	(3,000)	(3,000)	(3,000)	(2,500)	(1,500)
Non-NHS creditors falling due within one year	(5,658)	(9,204)	(9,370)	(11,162)	(11,009)	(11,820)	(12,369)	(11,468)	(10,981)	(13,436)	(9,820)	(10,247)	(9,699)
Total amounts falling due within one year	(7,158)	(18,752)	(18,927)	(17,966)	(23,832)	(19,449)	(19,969)	(15,968)	(13,981)	(16,436)	(12,820)	(12,747)	(11,199)
NET CURRENT ASSETS/(LIABILITIES)	27,072	8,320	5,931	162	3,335	8,566	14,164	21,090	24,017	24,070	29,009	31,971	14,656
TOTAL ASSETS LESS CURRENT LIABILITIES	202,672	169,821	177,024	171,608	177,334	179,659	185,257	192,183	195,110	195,163	200,102	203,064	189,093
CREDITORS:													
NHS creditors falling due after more than one year	(42,074)				(6,850)	(8,500)	(14,500)	(22,000)	(26,500)	(29,000)	(35,000)	(39,000)	(42,074)
Non-NHS creditors falling due after more than one year	(2,122)	(2,337)	(2,317)	(2,292)	(2,270)	(2,257)	(2,237)	(2,217)	(2,197)	(2,177)	(2,157)	(2,137)	(2,122)
Total amounts falling due after more than one year	(44,196)	(2,337)	(2,317)	(2,292)	(9,120)	(10,757)	(16,737)	(24,217)	(28,697)	(31,177)	(37,157)	(41,137)	(44,196)
PROVISION FOR LIABILITIES AND CHARGES	(3,869)	(3,508)	(3,508)	(3,508)	(3,869)	(3,598)	(3,628)	(3,658)	(3,689)	(3,719)	(3,749)	(3,779)	(3,619)
TOTAL ASSETS EMPLOYED	154,607	163,976	171,199	165,808	164,345	165,304	164,892	164,308	162,724	160,267	159,196	158,148	141,278
FINANCED BY													
TAXPAYERS EQUITY:													
Public dividend capital	144,656	144,656	144,656	144,656	144,656	144,656	144,656	144,656	144,656	144,656	144,656	144,656	114,518
Revaluation reserve	44,421	34,400	44,421	44,199	44,199	44,421	44,421	44,421	44,421	44,421	44,421	44,421	45,277
Donated asset reserve	8,178	9,358	9,694	10,054	10,010	9,694	9,694	9,694	9,694	9,694	9,694	9,694	9,970
Government Grant Reserve	1,316	1,226	1,316	1,417	1,384	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,188
Other reserves	0												
Income and expenditure reserve	(43,964)	(25,664)	(28,888)	(34,518)	(35,904)	(34,783)	(35,195)	(35,779)	(37,363)	(39,820)	(40,891)	(41,939)	(43,964)
TOTAL TAXPAYERS EQUITY	154,607	163,976	171,199	165,808	164,345	165,304	164,892	164,308	162,724	160,267	159,196	158,148	126,989

Notes

Comparison of cashflow for the first two months with revised plan submitted to the SHA in July

	Forecast Outturn	April Plan	April Actual	May Plan	May Actual	June Plan	June Actual	July Plan	July Actual
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Total operating surplus/(deficit)	(14,528)	(2,808)	(1,707)	(1,375)	(3,231)	(1,634)	(5,654)	(203)	(1,413)
Depreciation and amortisation	9,628	802		802	1,474	802	192	802	802
Fixed asset impairments and reversals									
Transfer from the donated asset reserve	(791)	(66)		(66)	(133)	(66)	(60)	(66)	(65)
Transfer from the government grant reserve	(38)	(3)		(3)	(6)	(3)	(3)	(3)	(4)
(Increase)/decrease in stocks	134	11	95	11	19	11	6	11	58
(Increase)/decrease in debtors	(10,730)	3,395	1,581	2,829	1,868	3,361	4,917	(5,992)	(8,186)
Increase/(decrease) in creditors	(9,848)	(821)	1,961	(821)	155	(821)	(981)	(821)	5,844
Increase/(decrease) in provisions	361	31		30	53	30	0	30	361
Net cash inflow/(outflow) from operating activities before restructuring costs	(25,812)	541	1,930	1,407	199	1,680	(1,583)	(6,242)	(2,603)
Payments in respect of fundamental reorganisation/restructuring									
Net cash inflow/(outflow) from operating activities	(25,812)	541	1,930	1,407	199	1,680	(1,583)	(6,242)	(2,603)
OPERATING ACTIVITIES									
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(25,812)	541	1,930	1,407	199	1,680	(1,583)	(6,242)	(2,603)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:									
Interest received	220	18	18	18	18	18	24	18	27
Interest paid	(70)	(6)	(11)	(6)	(11)	(6)	0	(6)	0
Interest element of finance lease rental payments									
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	150	12	7	12	7	12	24	12	27
CAPITAL EXPENDITURE:									
(Payments) to acquire tangible fixed assets	(10,790)	0	179	(376)	(555)	(1,341)	(578)	(1,008)	(3,345)
Receipts from sale of tangible fixed assets									
(Payments) to acquire intangible assets									
Receipts from sale of intangible assets									
(Payments)/receipts for fixed asset investments									
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE	(10,790)	0	179	(376)	(555)	(1,341)	(578)	(1,008)	(3,345)
DIVIDENDS PAID	(5,622)								
NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(42,074)	553	2,116	1,043	(349)	351	(2,137)	(7,238)	(5,921)
MANAGEMENT OF LIQUID RESOURCES:									
(Purchase) of investments with DH									
(Purchase) of other current asset investments									
Sale of investments with DH									
Sale of other current asset investments									
NET CASH INFLOW/(OUTFLOW) FROM MANAGEMENT OF LIQUID RESOURCES	0	0	0	0	0	0	0	0	0
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(42,074)	553	2,116	1,043	(349)	351	(2,137)	(7,238)	(5,921)
FINANCING:									
New public dividend capital received	0								
Public dividend capital repaid (not previously accrued)									
Public dividend capital repaid (accrued in prior period)									
Loans received from DH	42,074							5,500	6,850
Other loans received									
Loans repaid to DH									
Other loans repaid									
Other capital receipts							331		(18)
Capital element of finance lease rental payments									
Cash transferred from/(to) other NHS bodies *									
Cash transferred to Foundation Trust									
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	42,074	0	0	0	0	0	331	5,500	6,832
INCREASE/(DECREASE) IN CASH	0	553	2,116	1,043	(349)	351	(1,806)	(1,738)	911

CASH BALANCES

Opening Balance	337	337	337	890	2,453	1,933	2,126	2,284	320
Closing Balance	337	890	2,453	1,933	2,126	2,284	320	546	1,231

1. The planned figures are the revised figures submitted in July

2. The increases in debtors and creditors figures reflect accruals for receivable planned support (debtors) and payable planned support (creditors)

3. The capital expenditure reflects mainly the expenditure on the PACS system

4. The loan figure is the TBL borrowed in July which will be repaid once guidance on long term loans has been received