Board of Directors	Guy's and St Thomas' NHS NHS Foundation Trust
Financial Update on 2015/16	**27th January 2016** **BDA/16/04 part**

This paper is for:		Sponsor:	**Martin Shaw**	
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Discussion		Reviewed by:		
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		Other*		

1. Summary

This paper provides an update to the Board on:

- The current financial (M9) position and forecast
- Progress against the actions outlined for in year financial recovery at the November Board

2. Request to the Board

The Board is requested to note the update

1. Introduction

In order to respond proportionately to the challenge of delivering the year end plan, the Board signed off a recovery plan with four main components at the November Trust Board meeting. This report provides a summary of the latest financial position and the agreed financial recovery actions.

2. Update at Month 9

As of 31st December 2015 the Trust has recorded an underlying deficit of £16.0 million - £1.7 million adverse to plan. In December the Trust recorded a surplus of £3.7 million, which was £5.2 million better than plan. The main driver of the in month improvement was the retrospective agreement with local commissioners that contracts previously under a block payment arrangement would move to a cost and volume. The impact of this change in the current month was £4.7M.

The Trust is now forecasting an underlying loss of £22.8 million which would be £3.7 million adverse to plan. This is an improvement of £7.6 million from November. As previously noted, this now includes the full £15.9 million of balance sheet benefits. The performance of clinical directorates in month was marginally better than plan, primarily driven by strong performance in clinical activity, although further improvement is required if their agreed planning targets are to be achieved.

The £22.8 million forecast deficit assumes that the Trust delivers savings totalling £75.0 million against the target of £93.4 million. In addition to this CCG \ NHSE income, above the planned level of margin on additional activity and not included within the CIP tracker, is projected to be £18.2M. The £75.0M of forecast CIPs comprises:

Margin on additional activity	£20.0M
Directorate savings (inc. coding)	£32.7M
Balance sheet savings, reserves and other	£22.3M

If Directorates revised year-end planning targets were delivered in full, the current projection would improve by £8.9M and the Trust would end the year with a £13.9 million loss. It is unlikely that Directorate projections will improve by this amount in the final quarter, but further improvement would bring the trust closer to its planned deficit

The extent to which the Trust fails to deliver against planned targets by making recurrent savings will increase the savings requirement for 2016/17.

The year to date Financial Stability Risk rating is 2.25, rounded to 2, with no metrics rated as 1. A £22.8 million loss would result in a rating of 3, which is in line with plan.

3. Progress on internal financial recovery actions agreed at the November Board

In order to respond proportionately to the challenge of delivering the year end plan, the Board signed off a recovery plan with four main components at the November board meeting. An update on these actions is included below

Implement an Internal financial intensive support process. It was agreed that an internal financial recovery team would be established, led by Hannah Coffey, Director of Operations in partnership with Chris Bowler, Deputy Director of Finance with senior clinical and corporate support. This team would lead the organisational response concentrating in the first instance on high impact interventions in the most at risk directorates but the team also had the mandate to explore opportunities across the Trust.

The team was established in the first week of December and set up a weekly rhythm to support real time delivery of actions. The team is located in the Senior Staff Room at St. Thomas' Hospital so that members are visible and accessible to staff from across the Trust. They 'huddle' twice a week to plan actions, solve problems and ensure actions are being tracked and delivered. The 'huddle' is also used to focus on directorates that have immediate issues and ensure that the right resource is quickly mobilised to unblock issues. A weekly 'core' team meeting is held to work through longer term issues, mitigate duplication with other plans, identify further priorities and unblock more challenging issues.

The team have focused on the following key workstreams:

- **Freezing non-essential vacancies** - a weekly process is in place to review vacancies, review potential quality impact and decide whether to recruit. This process has been done in consultation with directorates and we have agreed essential exemptions to ensure we do not unintentionally impact front line delivery. The process is also coordinating redeployment opportunities, recruitment activity and trying to ensure consistency is applied across all directorates
- **Activity delivery** - weekly monitoring and coordinating of activity delivery across the trust and ensuring robust planning for Christmas and New Year in particular. The weekly huddle allows the team to identify areas that are behind (or ahead) of plan and follow up with teams in real time
- **Central controls for discretionary spend** - reviewing and reducing authorised signatories and levels of authorised spend, focusing on stock ordering processes, Purchase order compliance and central controls of discretionary spend are in place
- **Further restrictions on the use of temporary staff and contractors** - building on the excellent work undertaken by the workforce team in relation to the Monitor guidance, the team have been focusing on identifying and improving the processes for proactively managing bank and agency spend against vacancies, reviewing all staff under contract and enhancing the bank booking systems and processes in place

Increase senior operational and clinical leadership capacity embedded in high-risk directorates. We have strengthened (or have plans in place to) senior operational & clinical capacity in PCCP & Cardiovascular directorates and senior operational capacity in the Haematology and Oncology directorate. We are also investigating senior operational capacity for two other higher risk directorates as a consequence of gaps in operational cover.

Deliver actionable, understandable information available weekly to drive delivery. We have focused on optimising the directorate 'huddles' to drive delivery – prioritising information, agendas, action planning templates and escalations in real time. This is critical to the delivery of the directorate agreed control totals, and the Financial Recovery Team huddle is used to gain intelligence of issues that require resolving, highlighting risks and unblocking issues for directorates where required. This process went live in mid January. There are also key performance indicators for the high impact workstreams outlined above.

We have also prioritised the development of clinical service line information packs and have piloted these in 8 service areas in mid January. This aims to engage the team underneath the Directorate Management Team and encourage them to take responsibility for the efficiency (as well as quality) of their own service, by providing them with targeted information to look at variance and opportunities across their area, which will form the basis of service level plans for the next financial year.

Introduce tighter control of stock management in key areas. This has been focussed on stock management & control, ordering, authorised signatory levels and central control of discretionary spend

4. Conclusion

There is no doubt that the quick formation of the financial recovery team and immediate actions have started to drive changes in behaviour across the trust, particularly in relation to vacancy control, discretionary spend and activity delivery.

There has been an impact in month 9, although other factors have also contributed to the improved financial position. We expect the impact of many of the actions to be seen towards the end of the financial year and into next year, and plan to undertake an impact assessment in February, which will include options for the long term sustainability of those actions that prove to be most effective.