Board of Directors
Finance Presentation 2015/16

Friday 25th September 2015
1. **Summary of 2015/16 financial position**

This presentation is to update the Board in public of our latest financial position.

Deficit - £(5.0)m

*Arising from:*
- New investments in quality (mainly increased staff levels) - £1.9m;
- New cost pressures (Clinical negligence cover and pay inflation & increments) - £3.9m; and
- Our plan includes a Transformation target of £7.6m

Risk remains on;
- CCG contract (£4.2m in dispute) which could add to the deficit;
- Additional costs to deliver our winter plan (unfunded) £2.2m; and
- Transformation delivery - £1.7m mainly arising from bed based schemes due to external factors within the system.

Depending on the risks above, the deficit could grow to an anticipated £(9.0)m by the end of the financial year.
1. **Introduction & Context**

At the Trust’s Board of Directors meeting held in March it was acknowledged that the Trust’s finances look very difficult with a worst case scenario £(17.0)m deficit position for 2015/16.

The Trust’s 2015/16 Financial Plan has not been made publicly available because of the extended contract negotiations with GY&W CCG this year.

The Board of Directors have considered very carefully the implications of not making publicly available our financial plan as we want to be open and transparent in all that we do.

The Trust’s approach to non-disclosure was discussed and acknowledged by FT sector regulator, Monitor.

As the contract negotiations with GY&W CCG has entered its final stage the Trust is now in a position to share its financial information publicly again.
2. 2015/16 Contract negotiations

The Trust entered usual contract negotiations with GY&W CCG in January 2015.

The contract for 2015/16 is the second and final year of a two year NHS healthcare contract that commenced on 1 April 2014.

After several weeks of negotiations, the Trust and the CCG could not reach agreement in the usual way on the overall activity and funding levels. The value of the dispute with the CCG is £4.2m.

The CCG therefore enacted the dispute resolution process in April 2015.

Further escalation and meetings were held between other Executives and ultimately escalated to the CEOs. Despite best efforts of officers of the Trust, this did not resolve the dispute.

The CCG has therefore compelled the Trust to enter a mediation process in May 2015 with an independent mediator jointly appointed by the CCG and the Trust in June 2015.
2. 2015/16 Contract negotiations

An external mediation day facilitated by an independent mediator took place in July 2015. Despite best efforts of Executives of the Trust this did not resolve the dispute.

Several offers and counter-offers subsequently passed between the Trust and the CCG and whilst this resulted in many of the issues being resolved, this did not resolve all the matters in dispute.

The CCG therefore compelled the Trust to follow a legal process known as Expert Determination in early September 2015 and a legal expert will now determine the outcome of the remaining disputed issues with the contract.

The main healthcare contract negotiations with GY&W CCG has therefore entered its final stage and a decision will be taken based on the merits of each parties case.
2. 2015/16 Contract negotiations

The following chart shows the changes in expected income for agreed contracts and commissioner proposed figure from GY&W.

<table>
<thead>
<tr>
<th>Commissioner</th>
<th>Actual 2014/15 £'m</th>
<th>Expected 2015/16 £'m</th>
<th>Variance £'m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Yarmouth and Waveney</td>
<td>127.9</td>
<td>119.6</td>
<td>-8.3</td>
</tr>
<tr>
<td>North Norfolk CCG</td>
<td>3.8</td>
<td>3.6</td>
<td>-0.2</td>
</tr>
<tr>
<td>South Norfolk CCG</td>
<td>0.8</td>
<td>0.6</td>
<td>-0.2</td>
</tr>
<tr>
<td>Norwich CCG</td>
<td>0.6</td>
<td>1.1</td>
<td>0.4</td>
</tr>
<tr>
<td>NHS England - Specialised</td>
<td>8.0</td>
<td>7.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>NHS England - Non Specialised</td>
<td>2.5</td>
<td>2.0</td>
<td>-0.5</td>
</tr>
<tr>
<td><strong>Total Income from Contracts</strong></td>
<td><strong>143.6</strong></td>
<td><strong>134.1</strong></td>
<td><strong>-9.5</strong></td>
</tr>
</tbody>
</table>

This is set against a backdrop of increasing patient activity in Emergency Medical admissions – up 1.82% Year on year YTD (up 2.1% in Q2 so far).

Activity is significantly at risk of over-performance on the above expected levels based on current Month 5 data. This has been highlighted to relevant commissioners.
3. 2015/16 Financial Plan headlines

3.1 Income Statement
The 2015/16 Financial Plan and Budgets were assembled based on a realistic assessment of the most likely achievable financial position for the Trust.

The first draft of the Trust’s financial plan for 2015/16, submitted to FT regulator, Monitor on 7th April 2015, reflected an £(8.1)m deficit position.

Following robust challenge from the Board of Directors further action was taken to improve the position which resulted in a final version of the financial plan reflecting a £(5.0)m deficit. This was submitted to Monitor on 14th May 2015.

The safety of patients is our priority as set out in our Trust values and the Board of Directors have made decisions to invest and maintain staffing levels to meet current demand which in turn has had an impact on the Trust’s financial position.
3. 2015/16 Financial Plan headlines

3.2 Transformation and Cost Improvement Programme

• The Transformation Board has developed plans for 2015-16 that build on the previous two year transformation and recognises the need to support the longer term financial outlook.

• The programme will support service improvement, integrated projects that will benefits the wider health system and new ways of working.

• The financial plan includes a Transformation target of £7.6m this financial year. This represents 4.2% of total costs which is considered to be the maximum level considered to be safely achievable.

• A Clinical Quality Risk Assessment process is in place to ensure transformation savings do not adverse impact on quality of care to patients.

Transformation delivery risk remains is in relation to bed based schemes where the Trust is not in a position to close beds in line with plan due to current level of demand and external factors within the system.
3. 2015/16 Financial Plan headlines

3.3 Capital Expenditure
In total the Capital Programme (NHS and Donated) has currently earmarked £15.9m to be spent during 2015/16.

- Strategic Capital Development incorporating the final phases of the Theatres upgrade;
- Ongoing maintenance of the Estate and Facilities;
- Upgrades to Residences;
- Carbon Reduction Initiatives;
- Information Technology; and
- Ongoing Divisional Equipment including replacement of the Trust’s two CT Scanners and the MRI Scanner.

The capital programme is funded from the Trust’s cumulative historic surpluses since becoming an FT.
3. 2015/16 Financial Plan headlines

3.4 Monitor Regulatory Risk Ratings

With effect from 1st August 2015 a revised Risk Assessment Framework has been issued, which includes the replacement of the Continuity of Services Risk Rating (CoSRR) with the Financial Sustainability Risk Rating (FSRR).

The new FSRR ratings move the Trust into a regime more focussed on Income Statement performance.

The table below provides a summary of the 15/16 CoSRR and FSRR performance.

<table>
<thead>
<tr>
<th></th>
<th>15/16 Plan</th>
<th>Q1 Actual</th>
<th>M5 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoSRR</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>FSRR</td>
<td>2</td>
<td>2</td>
<td>2</td>
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Monitors risk ratings (both CoSRR and FSRR) range from 1 to 4 with 1 being highest financial risk, 4 being lowest financial risk.
4. Month 5 Actual Financial Position of the Trust

The Month 5 2015/16 Financial position of the Trust is summarised as follows;

Income – Overall income is ahead of plan at Month 5 with some over-performance against budgeted income targets, with a net favourable operating income variance of £822k.

Expenditure – Overall £889k above plan – Overspend on pay is driven by medical staffing particularly in covering vacancies to maintain current service levels. There has been on-going Healthcare Assistant bank and overtime costs within ward areas to maintain the current bed base and enhanced supervision for patients requiring one to one care.

New FSRR measure - 2, in line with plan.

Based on the Month 5 position, the Trust is currently on track to deliver its £(5.0)m planned deficit for 2015/16. However, there are remaining risks and uncertainties, in particular the contract position with the CCG and the delivery of the Transformation Programme.
5. Steps already taken to reduce risks and uncertainties and to minimise the deficit

- Director of Finance tasked Divisional Management Teams to review all areas of spend as part of a Financial Recovery Plan;
- Executive Team review of Transformation plans and potential mitigation actions to improve the in-year position;
- Review of agency spend commissioned from Internal Audit;
- Strengthened Transformation Resources and commissioned an Internal Audit review;
- Commenced work on Norfolk hospitals joint Transformation;
- Signed a Nursing Agency Master vendor Interim Contract;
- Continued with e-Roster project to improve rota management; and
- Continued with additional overseas nurse recruitment.
6. Next steps

Whilst the Trust is currently in line with its planned deficit at Month 5, there are a series of further actions we are taking to improve on the position, as follows;

• Develop strategic plans to return to financial sustainability;
• Sign off and present to Board of Directors the Financial Recovery Plan;
• Implement Service Line Reporting to improve understanding of service income and costs in greater detail;
• Focus medical agency steering group to review controls and engage medical leadership to reduce reliance on agency spend; and
• Accelerate partnership working with other providers in line with agreed principles to reduce costs, work more collaboratively and improve clinical networking.
Any questions?