Kingston Hospital NHS Foundation Trust
Recovery Plan Update

Trust Board Meeting
29th July 2015
Summary

There are a number of key assumptions underpinning this:

- We get paid for all the work that we do - potentially a big issue with a planning gap between us and commissioners of c£8m
- Delivery of the efficiency requirement within the 16/17 tariff
- Additional recovery actions included are incremental to the plan
- The current level of CNST premium will not increase significantly
- Projecting a lower level of contingency in 2016/17

We have been through a robust process to set the plan and have subsequently focused on further actions to support recovery

The table below summarises the potential impact of the recovery action we are taking:

<table>
<thead>
<tr>
<th></th>
<th>Revised £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/16</td>
<td></td>
</tr>
<tr>
<td>Projected deficit</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Assumed Impact of Recovery actions</td>
<td>5.0</td>
</tr>
<tr>
<td>Other risks and upsides</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Potential revised forecast</td>
<td>(7.3)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2016/17</td>
<td></td>
</tr>
<tr>
<td>FYE/additional benefit of above</td>
<td>3.3</td>
</tr>
<tr>
<td>Potential revised forecast</td>
<td>(3.9)</td>
</tr>
</tbody>
</table>
Summary of action taken

• The Board received an update on planning and the forecast deficit for 2015/16 in January 2015 and agreed to co-commission external support from PwC to understand:
  • why the Trust was unable to make a surplus given the relatively low reference costs index; and
  • The actions which could be taken to further improve efficiency and/or the financial position of the Trust.

• The PwC report highlighted 3 opportunities for further investigation:
  • Theatres
  • Income Capture
  • Agency staffing

• In addition, the Board also set in train a recovery and sustainability programme
The focus of recovery is primarily on the actions that we can take which are within our control that will contribute positively to our financial position.

The main items addressed within the plan include:

1. Further cross-cutting CIP schemes, including improved theatre efficiency, agency spend reduction and improved procurement
2. Greater level of income capture
3. Bringing forward delivery of CIPs from 2016/17 not already included within the above
4. Reviewing cost pressures and planned investments to assess whether investments could be stopped or delayed
We have identified opportunities of between £2.9m and £5.0m in 2015/16

<table>
<thead>
<tr>
<th>Activity</th>
<th>15/16 Low</th>
<th>15/16 Stretch</th>
<th>16/17 Additional</th>
<th>17/18 Additional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of cost pressures and investments in quality and safety</td>
<td>0.8</td>
<td>1.0</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Cross cutting schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theatre productivity</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0</td>
</tr>
<tr>
<td>Improved procurement</td>
<td>0.3</td>
<td>0.4</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Reduction in Agency Spend</td>
<td>1.5</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2.0</td>
<td>2.8</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Enhanced CIP - improved productivity and efficiency</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Additional Income capture (BPT's etc)</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Other measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit from SWLP</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of non-recurrent items in plan</td>
<td>-</td>
<td>-</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td>Reduction in contingency</td>
<td>-</td>
<td>1.0</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.9</td>
<td>5.0</td>
<td>3.3</td>
<td>0.3</td>
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Planned investments have been scrutinised again

All cost pressures and investments have been re-reviewed by members of the senior management team and the Board, applying the following criteria:

- Is it completely unavoidable? (for example, CRS)
- Would stopping it have an impact on performance – in particular flow and A&E performance? (for example, investments in A&E nursing, Care of the Elderly and AAU consultants, and PAU)
- Would stopping it have an impact on safety? (for example, paediatrics, obstetrics and pharmacy)
- Would we lose money or would it cost us more if we didn’t do this? (for example, midwife investment linked to £0.5m CQUIN funding and penalties incurred for failing to achieve the A&E standard)
- Is a favourable return on investment anticipated (e.g. obstetrics and paediatrics)
There is a £1.2m opportunity through theatre productivity

Executive Lead – Medical Director

- PwC report highlights low utilisation compared to peers. Opportunity of £5.5m revenue or £1.2m savings per year.
- Internal review revealed that some of the assumptions made overstated the opportunity
- Revised opportunity of £1.0m revenue or £0.2m cost saving

This level of efficiency requires KHFT to become better than ‘best in peer’ for theatre productivity across all specialities,

This efficiency level requires both phases of the theatre productivity programme to be complete

The range of benefit in 2015/16 has therefore been estimated at £0.2m to £0.4m with a further maximum £0.6m possible in 2016/17
There is an additional £0.4m opportunity in procurement savings

Executive lead – Director of Finance

The Strategic Procurement Board is focusing on supporting service lines in the successful delivery of non-pay CIP savings targets, primarily in the form of cash releasing and cost avoidance savings.

Potential procurement efficiencies of £1.2m have been identified, of which £0.5m were certain enough to take out of budgets as CIP in the 2015/16 planning process. A further £0.4m has now been assessed as deliverable this year and will be removed from budgets as part of the recovery plan.

<table>
<thead>
<tr>
<th>£'000</th>
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<tbody>
<tr>
<td>Procurement savings already identified in 2015/16 budgets</td>
</tr>
<tr>
<td>Savings from additional initiatives, deliverable in 2015/16 and to be removed from budgets</td>
</tr>
<tr>
<td>Total procurement savings removed from budgets</td>
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</tbody>
</table>

The Procurement Board will also scope the possibility of further strategic procurement opportunities including those relating to our soft FM services, the potential for an aggregated managed equipment service, and a managed print service.
Workforce key to delivering the plan without an adverse impact on quality

Executive lead – Director of HR

Agency spend has increased over the last year, driven by vacancy rates (382 WTE in June), challenging turnover rates, and ongoing use of escalation beds beyond winter:

![Graph showing agency spend over time]

Significant areas of challenge relate to nursing and finance and procurement:

- **Nursing**: In order to fill our vacancies we are recruiting world wide with 69 nurses from the UK, 38 from Europe and a further 79 from the Philippines set to join us by December 2015 avoiding an estimated additional cost of £0.5m in 2015/16.

- **Finance and Procurement**: A plan is being implemented to fill 18 vacancies in Finance by December, avoiding £0.3m of additional cost in 2015/16
A range of actions are being taken to reduce our reliance on agency staffing

We are aiming to reduce agency usage and stabilise staffing across the Trust, focusing on:

• A transformation programme to improve flow and reduce escalation beds
• Increasing the number of substantive staff by recruiting to anticipated turnover levels, streamlining recruitment, using innovative methods and investing to support overseas recruitment
• Increasing the number of bank staff by improving access (weekend opening and potential SWL bank) and increasing specialist rates
• Reducing costs of agency staff by ensuring that we are only using accredited agencies (estimated to be worth a further £0.5m)
• Reviewing the efficacy of rostering, including appropriate cover arrangements for annual leave and non-working days
• Reviewing and enhancing controls over and monitoring of the use of agency staff and recruitment to non-essential posts.
• Requesting recovery plans from specific areas (i.e. finance)
£0.1m opportunity by bringing forward CIPs from 2016/17

Executive lead – Director of Strategic Development

• Internal productivity and efficiency benchmarking suggests limited opportunities to make further savings

• Already achieving top quartile performance and in some areas, nearing ‘best in peer’

• Whilst significant opportunities are not indicated at an overall Trust level, there are opportunities at an individual specialty level

• Detailed service line level productivity exercise to be launched as part of planning process for 2016/17 – may be able to bring forward opportunities to 2015/16

• £0.1m brought-forward improvement has been estimated for the purpose of the recovery plan but this will be continually reviewed and updated.
£0.1m opportunity through income capture

Executive lead – Director of Finance

• PwC report suggested opportunities in best practice tariffs, local prices and drugs reimbursement

• Local prices represent risk – undercharging is more than offset by ‘overcharging’

• PwC used the full list of reimbursable drugs. We have verified that where we do not charge for these drugs, it is because we do not (usually as a result of being a DGH), use these drugs

• We have reviewed all BPTs available in the 2015/16 ETO tariff and our achievement or planned achievement against them. We estimate the maximum opportunity over and above our current plan at approximately £0.1m due to the small activity numbers involved for some of the more specialist BPTs.
Funding requirement remains

Despite the targeted improvement to the position, the interim funding requirement remains broadly unchanged.
We are building management resilience and have enhanced governance arrangements

<table>
<thead>
<tr>
<th>Resource</th>
<th>Action taken / plan</th>
</tr>
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<tbody>
<tr>
<td>CEO</td>
<td>Interim candidates interviewed on 28th July</td>
</tr>
<tr>
<td>COO</td>
<td>Interim appointed and commencing in post in late August Substantive candidates to be interviewed on 13th August</td>
</tr>
<tr>
<td>Deputy COO</td>
<td>Interim in post from 20th July</td>
</tr>
<tr>
<td>Enhanced Senior Divisional Management</td>
<td>Already established</td>
</tr>
<tr>
<td>Programme support</td>
<td>Already established</td>
</tr>
</tbody>
</table>

Enhanced Governance arrangements

- Each recovery stream is owned by a single Executive lead
- Recovery as a standing item on the Finance Committee agenda
- Time devoted at the Executive Management Committee meeting each week to overseeing progress on recovery
Conclusions and next steps

• In light of the matters highlighted above we believe we can target a reduced deficit in 2015/16 of £7.3m, an improvement of £1.5m on the Plan

• Although we are encouraged by the progress we have made in relation to recovery the Trust’s financial position is not without significant risk

• We have also been challenged by Monitor to reduce the forecast deficit further and explore whether it is possible to avoid the need for interim revenue support during 2015/16

• In due course we will be required to submit a revised plan to Monitor for 2015/16

• Medium to longer term view of sustainability to be developed for September as part of context for the 2016/17 business planning, building on:
  ➢ Portfolio analysis
  ➢ South West London Acute Provider Collaborative
  ➢ Integrated models of care
  ➢ Other strategic alliances including partnerships and joint ventures