Operational and Financial Recovery Progress Update

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13th October 2015

Agenda

Kingston Hospital NHS
NHS Foundation Trust

- Emergency Access
- Financial Recovery

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Emergency Access

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Recent performance

- Achieved 95% in August
- September fell below the standard after 4 days of poor performance
- System is very fragile to any surges or increase in numbers
- Bed occupancy (excluding maternity and paeds) ranges between 97 and 104%
- Staffing an issue with vacancies in the medical teams at consultant and middle grade level and in nursing the delays experienced due to changes in rules from the NMC

Key Appointments

- We have now appointed an interim CEO and COO
- A Divisional Director has been appointed who has started to phase in as he alters his clinical commitments to take up the role
- A new Accident & Emergency Consultant has been appointed from another Trust who will also take up the role as Clinical Director from 11 January 2016

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McKinsey and Winter Readiness

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- McKinsey have started their programme at the beginning of October and are in the Trust
- They will concentrate on assuring the work already in train as well as looking in depth at the delayed transfers of care (DTOC) in the Trust and how partners can reduce the numbers
- They will work with partners to develop a real time whole system dashboard
- Winter plans are being collated across agencies with most schemes being out of hospital concentrating on admission avoidance
- Modelling has taken place which tells us that based on last year's numbers we will range between 16-40 beds short
- Winter schemes have KPIs, but there is more work to do as they will not plug that gap
- Escalation and Surge plans will be agreed with actions which must manage peak times and significant incidents so that there is a definite and flexible respond to the hospital when it is full

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Summary

We have:

- Undertaken a thorough bottom up challenge and reforecasting exercise across all areas of the organisation
- Performed a detailed review of our capital programme to identify items that would have a positive cash impact this year
- Reached agreement with commissioners on the 2015/16 contract incorporating a mechanism for receiving regular payments for over performance
- Reviewed all commitments made during the budget setting process and considered whether they are essential to the delivery of existing standards and to maintaining safety and quality of services
- Further refined our estimates of the impact of the recovery actions we are taking
- Assumed the conditions previously identified as underpinning the recovery plan remain valid

The table below summarises the expected impact of the action we are taking on our bottom line:

		Previous stretch	Revised plan
		£m	£m
Original planned 2015/16 deficit		(8.8)	(8.8)
Assumed impact of recovery actions		5.0	5.9
Additional costs/risks		(3.5)	(3.2)
		1.5	2.7
Potential reforecast deficit		(7.3)	(6.1)

Furthermore, we anticipate that the need to request revenue support from Monitor can be avoided.

We have identified further I&E opportunities and have a greater level of certainty over the risks that we face

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	Previous stretch	FINAL	Narrative / comment
	£m	**£m**	
Review of investments	1.0	1.0	Conclusion of review of investments. All changes have been risk assessed
Cross cutting schemes			
Theatre productivity	0.4	0.3	Reviewed in light of detailed work-up of the scheme
Improved procurement	0.4	0.4	
Agency spend reduction	2.0	2.5	Further reduction in run-rate predicted in light of ongoing recruitment drive
Enhanced CIP	0.1	0.1	
Additional income capture	0.1	0.1	
Reduction in contingency	1.0	1.0	Review of provisioning
Depreciation adjustment	-	0.5	Impact of changes in capital programme
Gross anticipated impact of recovery actions	**5.0**	**5.9**	
Risks/additional expected costs	(2.2)	(1.9)	Combination of commissioner and agency cost risk
Operational recovery costs	(1.3)	(1.3)	Confirmed and in line with previous estimates
Total additional expected costs	**(3.5)**	**(3.2)**	

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Capital plan reduced to reflect only essential items

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We have undertaken a further review of the capital programme and have identified a number of items that can be slipped which will have a direct impact on our cash position in year, as summarised below:

	Original plan	Slip	Revised view
	£000	£000	£000
Equipment	960	-	960
IT	3,804	(317)	3,487
Maintenance	3,130	(1,851)	1,279
Estates Strategy	5,972	(199)	5,773
Nursing tec fund	265	-	265
Charity funded projects	285	-	285
	14,416	(2,367)	12,049
Other projects not in original plan	-	493	493
Revised total	14,416	(1,874)	12,542
Assumed cash benefit			(1,874)

We have concluded our review of the risks associated with the proposed items of slippage to ensure that any arising are appropriately managed and, where possible, mitigated.

In addition, it is worth noting that the Capital Investment Committee reviewed the status of all other items within the capital plan at its meeting on 18th August to gain assurance that none were at risk of overspending.

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Summary of projected impact on cash position and associated funding requirement

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We have reforecast our cash position to reflect the impact of our recovery actions and our revised view of the capital programme.

The revised position is summarised below:

	£m
Gross cash positon	(4.3)
Interim funding requested	5.3
2015/16 Planned cash positon as at 31 March 2016	1.0
Cash impact of recovery actions	3.1
Capex reduction	1.9
Other planning differences	0.6
Removal of interim funding	(5.3)
Project cash balance as at 31 March 2016	1.3

We will be taking action to ensure that all amounts billed to commissioners are recovered in a timely manner. Furthermore, the "payments on account" that the commissioners will be making during the course of the year should go some way to mitigating the risks assumed within the current cash flow projections.

Our revised cash flow projections assume that we will not have to rely on financial support in any form. However it is worth noting that we have a £6m working capital facility with Lloyds which we may be able to call upon to avoid recourse to DH for interim funding

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Financial recovery summing up

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- We have firmed up on our recovery actions, have a greater degree of certainty over their impact, and have mitigated a number of the risks in relation to the achievement of the revised plan.
- We believe we can target a reduced deficit in 2015/16 of £6.1m, an improvement of £2.7m on the original Plan. On this basis and as a result of the further measures we have taken in relation to cashflow we believe this can be achieved without recourse to interim revenue support.
- The revised position is not without risk: in particular in relation to agency spend and issues associated with commissioner affordability.
- The biggest issue we face financially, in terms of reducing the deficit and improving cashflow, relates to income recognition and recovery. There would be merit in mandating monthly payments on account for a proportion of activity referred to and delivered by providers above the baseline while issues are worked through locally. This would allow us to project our financial positions with a greater level of certainty.
- We are concerned that CCG reserves will be “ring-fenced” by the centre to manage the national position and may not be available to pay for activity locally.
- We will continue to develop our recovery plans for the remainder of this year and beyond in order to support the Trust’s longer term sustainability.

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