

**BRIEFING FOR CROYDON COUNCIL, HEALTH & SOCIAL CARE SCRUTINY
SUB COMMITTEE**

DATE: 21 SEPTEMBER 2016

**CROYDON HEALTH SERVICES NHS TRUST: FINANCIAL
RECOVERY PLAN 2016/17**

1. BACKGROUND

It is important to be clear that Croydon Health Services NHS Trust (CHS) was put into Financial Special Measures because of its long-standing financial challenges, and not because of the quality of its care or performance.

In July 2016, NHS England and NHS Improvement announced a series of interventions in order to “reset” operational performance and financial discipline within the NHS.

As part of this, Croydon Health Services NHS Trust (CHS) was one of five acute trusts across the country to be placed in Financial Special Measures (FSM) by NHS Improvement.

A total of nine Clinical Commissioning Groups (CCGs) were also put in Financial Special Measures by NHS England, including Croydon CCG.

Full details on Financial Special Measures can be found on the [NHS Improvement website](#).

Further information from NHS England is also available [here](#).

2. FINANCIAL SPECIAL MEASURES: WHAT DOES THIS MEAN?

CHS is receiving support and additional scrutiny by [NHS Improvement \(regulator of NHS providers\)](#) to develop a rapid and effective financial recovery plan.

The Trust’s plan includes:

- A full understanding of its deficit and where the Trust is not being funded appropriately;
- Measurable action in order to increase productivity and efficiency – and in particular to reduce reliance on expensive agency staffing;
- A thorough review of activity, including where to increase activity where spare capacity exists, or consider alternative models where services are unsustainable in the long-term.

Delivering the savings required must be achieved whilst maintaining expected performance targets and continuing to care for the local community. To monitor this, all efficiency schemes will continue to be assessed by the Trust’s Clinical Cabinet to ensure that the actions taken by the Trust do not adversely affect the quality, safety or performance of services.

To support all five FSM trusts, NHS Improvement will appoint, and fund, selected Improvement Directors who will work directly with each individual trust to extend the reach of its financial recovery plan. These are to be appointed from within the NHS – and not from external agencies – to bring additional insight and experience, and to spread best practice from one NHS organisation to the next.

The NHSI Financial Improvement Directors will review each Trust's Cost Improvement Plans and mitigations for the year (2016/17). They will also look ahead to the Trust's plans for continued financial recovery in 2017/18.

The names of the Financial Improvement Directors for CHS are expected to be announced soon.

3. THE TRUST'S DEFICIT EXPLAINED

The Trust broke even in 2012/13, but its financial position has declined significantly since then. In 2016/17, the Trust's original planned deficit stood at £39.8m.

NHS Improvement has challenged CHS to reduce this deficit by £7m more than planned to £32.8m. This equates to increasing the levels of efficiency savings required from around 5% to 7% of the Trust's £274m annual turnover.

The Trust must deliver this whilst also meeting:

- Agreed activity targets in 2016/17; and
- Achieving £14.1m Cost Improvement Plans (CIPs) already committed to during the year.

If the Trust successfully reduces its deficit to £32.8m in 2016/17, CHS will qualify for £9.8m additional funding from the Sustainability and Transformation Fund at NHS Improvement, to bring its deficit down to £23m. This is provided the Trust also meets its agreed trajectories for national standards for emergency care, planned care and cancer.

NHS Improvement expects the Trust to continue improving its financial health with further significant reductions to the deficit in 2017/18.

4. REASONS FOR DEFICIT

Balancing the cost of treatment with rising demand from a growing and ageing population is not unique in Croydon, but is particularly challenging where funding for health services in the borough is particularly tight.

Croydon CCG itself also faces significant financial challenges and inherited an underlying deficit carried forward from the former Croydon Primary Care Trust.

However, CHS has continued to spend more than it earns to meet the services required of its local community. Since 2012/13, the Trust has invested in its services to raise its standards of care. Faced with historical safety and quality issues and a critical [Care Quality Commission inspection \(2013\)](#), CHS has focused on addressing legacy issues in tandem with gripping its financial position, but many necessary improvements have often been required without sufficient cost improvements. In addition, the Trust spent £8m more on agency staff in 2015/16 compared to the previous year despite some success to recruit extra clinicians at a time when there is a national shortage.

For example:

- **RECRUITMENT:** CHS employs 280 more doctors, nurses and therapists than in 2012/13, but this is against vacancy rate of 20%. Despite some success, the Trust has found it difficult to recruit where there is limited availability of trained clinicians and

greater competition, especially in London. As a result, CHS spent £24m on temporary staff in 2015/16 in order to keep services running.

- **SYSTEMS:** CHS was the first healthcare provider outside of the United States to be awarded HIMSS Level 6 for its use of information technology to improve patient care and safety (Oct 2014). Level 7 from the Health Information and Management Society (HIMSS) means going totally paperless. CHS invested more than £5 million in a clinical information system (CRS Millennium) in order to give clinicians shared access to secure electronic patient records. This is better for patients, but the Trust has not yet realised the full benefits to recover the costs.
- **NON-RECURRENT COSTS:** The Trust has also faced one-off costs necessary to maintain or improve its services, including:
 - **New Emergency Department:** Interim arrangements and nurse staffing costs whilst construction continues on the new Emergency Department at Croydon University Hospital costs £2.3m a year. These costs will end when the new department opens in late 2017.

5. IMPACT OF IMPROVEMENT MEASURES

As a result of these investments and a continued drive to support staff to transform services from the grass roots up (via Listening into Action):

- CHS received a [much improved CQC inspection report \(Oct 2015\)](#). Although rated as “Requires Improvement” overall – 60% of quality domains within 10 services rated as “Good” – including A&E, maternity and services for children and young people.
- Harm Free Care statistics (a national measure monitoring conditions that can affect patients in hospital) show CHS as two points better than the national average.
- Nine out of ten patients would now recommend CHS services to their friend and family, including inpatients, maternity and A&E – (FFT, Apr 2015 – Mar 2016)

6. ENHANCED FINANCIAL CONTROLS

The Trust has strengthened many existing controls, with further measures put in place since being placed in Financial Special Measures. This includes:

- **Weekly Staffing Review** Committee for Trust Executive Team to review of all requests to recruit to substantive posts;
- **Temporary medical and nurse staffing:** All bookings for locum or agency staffing managed via online system medical, nursing or operational director sign-off. All bookings for temporary nursing to be made via NHS Professionals to encourage CHS staff to join temporary nursing bank to work extra shifts and avoid expensive agency fees;
- **Ward staffing levels:** Checked weekly by matrons in conjunction with Deputy Director of Nursing to assess staffing levels;
- **Purchase Orders:** Number of staff with delegated authority to approve Purchase Orders reduced from 250 to just 43;
- **Planned capital investment** for 2016/17 has been reviewed by the Trust Executive Team and approved or deferred where appropriate;
- **Cash flow:** Daily, weekly and monthly cash forecasts, with tougher management of NHS debtors to recover more of the money owed to the Trust.

7. RISKS AND GAP TO CONTROL TOTAL

The Trust has submitted a draft financial recovery plan to NHS Improvement for their formal review. A key part of the recovery plan is that CHS has now identified £13.1m of the £14.1m efficiencies required in the original £39.8m. The Trust has also sufficiently developed further cost reduction actions to enable the Trust to achieve the revised deficit target of £32.8m

8. MONITORING DELIVERY

The Trust's progress to grip and improve its financial performance is being monitored weekly by the CHS Executive Team and through the Financial Improvement and Transformation Board, which includes senior clinicians and operational leaders within the organisation.

Further assurance is being monitored monthly by the Trust Board and Finance and Performance Committee, chaired by one of the Trust's Non-Executive Directors.

In addition to the above, all efficiency savings schemes will continue to be assessed by the Trust's Clinical Cabinet to ensure the quality of care is not impacted.

9. NEXT STEPS

The Trust's Financial Recovery Plan is at draft stage and is subject to further comment from NHS Improvement.

CHS met with NHS Improvement on 16 September to assess progress. Following this review, CHS is finalising the plan to ensure the actions required are robust, realistic and achievable to reduce the Trust's deficit whilst maintaining care.

The Trust's Medical Director is also completing a clinically-led review of CHS' services to assess what opportunities there are to expand or network these in line with the developing South West London Sustainability and Transformation Plan.

CHS is fully engaged with the STP process as options and proposals continue to be developed. The South West London Collaborative Commissioning Group (SWLCCG) has published a [summary](#) of its early thinking which has been informed by engagement with more 1,000 local organisations. SWLCCG is also working with local Healthwatch groups to talk to people whose voices are less often heard in engagement. Engagement events are expected in every borough with all feedback to be considered as part of the STP planning process.

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