

# Update on the Trust's financial recovery plan

**Croydon Council  
Health & Social Care  
Scrutiny Sub Committee**

**08 December 2016**



## CHS is on track to reduce its long-standing deficit in 2016/17.

The Executive Team has undertaken a fundamental review of the Trust's finances and has tightened all existing controls. Our recovery plan has been carefully developed to reduce costs – without compromise patient care or safety.

At month 7 (up to 31 October 2016), CHS is on track to deliver its control total deficit of £32.8m (prior to potential Sustainability Transformation Funding (STF)).

NHS Improvement has recognised the good progress CHS has made at its second formal review of the Trust's financial recovery plan on 24 November.

- **Every savings scheme is being scrutinized by the Clinical Cabinet** – a group of the Trust's senior clinicians – to ensure that the actions taken by CHS do not adversely affect the quality, safety or performance of services.
- **CHS must increase its productivity and effectiveness to deliver £14.1m of savings in 2016/17.** This must be delivered within the remainder of the financial year in order to reduce the Trust's operating deficit to £32.8m by 31 March 2017. This is the deficit control total set by NHS Improvement.
- **In meeting this target, CHS will qualify for £7.35m Sustainability and Transformation Funding (STF).** This will enable the Trust to reduce its deficit by more than a quarter to £25.5m (2016/17).
- **Continued progress** is being monitored weekly by the Trust's Executive and senior clinical team, with robust governance arrangements and expert support and advice from NHS Improvement.

## CHS must meet national standards for planned care and cancer services, and achieve agreed trajectories to for emergency care in order qualify for STF.

The Trust's financial recovery plan focuses on:

1. **Limiting the use of expensive agency staff** to reduce our agency bill by £428k in 2016/17 (24%).
2. **Increasing access to services** by minimising unnecessary delays for patients and improving the way we work.
3. **Getting paid appropriately for the care we provide** including making sure activity data recording is complete, accurate and on-time.
4. **Improving clinical productivity** steadily over two to three years by aligning services within their specialities at the hospital, and implementing new models of care with primary & social care.
5. **Making sure our purchasing decisions** offer the best value for money to the taxpayer – and to the Trust.

## Background

CHS was one of eight acute trusts to be placed in Financial Special Measures this year, alongside nine Clinical Commissioning Groups, including Croydon CCG.

### Explaining the Trust's deficit

CHS has focused improving the quality of its care, at the same time as gripping its financial position. However, many necessary quality improvements have not had sufficient cost efficiencies or funding.

Balancing the cost of treatment with rising demand from a growing and ageing population is a challenge across the NHS, but is particularly difficult in Croydon where funding for health and care services has historically been very tight.

More than 65,000 people in Croydon will be aged over 65 within 10 years. A third will have one or more long-term conditions.

Croydon has more people aged under 16 than any other London borough, and the highest number of looked after children.

However, CHS has continued to spend more than it earns to meet the services required of its local community. The Trust broke even in 2012/13, but its financial position has declined significantly since then. Notably:

- **The Trust spent £8m more than planned** (£24m in total) on agency staff in 2015/16 in order to temporarily fill vacancies. This is despite CHS having some success to recruit more than 280 clinicians over the last four years at a time where there is a national shortage.
- **We invested more than £5** in a clinical information system (CRS Millennium) to give clinicians secure access to electronic patient records. This has improved patient care and safety, but the Trust has not yet realised the full benefits to recover the costs.
- **Construction of the new Emergency Department** at CUH has also incurred £2.3m a year in interim arrangements and additional nursing staff costs. These costs will end when the new department opens in late 2017.

NHS Improvement has challenged CHS to reduce its by **£7m more than planned** in 2016/17. The Trust must deliver this whilst meeting agreed activity targets, and achieving £14.1m Cost Improvement Plans (CIPs) committed to during the year.

This means we need to increase our annual efficiency savings from 5% to 7% – the equivalent of saving **7p in every £1 we spend**.

### CHS: At a glance

Income	274m (2015/16)
Beds	417 (Oct 2016)
Staff	3,648 (31 Mar 2016)
CQC rating	<p><b>Overall: "Requires Improvement"</b> (Oct 2015)</p> <p>"Good" for Effective and Caring Services</p> <p>"Good" for A&amp;E, Maternity &amp; Gynaecology, Services for Children &amp; Young People</p>
Friends and Family Test (FFT)	<p><b>Nine out of ten patients would recommend CHS services to their friend and family.</b> (FFT, Apr 2015 – Aug 2016)</p>

## Planning for 2017/18 and beyond

**NHS Improvement is closely monitoring CHS to make financial improvements this year, and expects further significant reductions to the Trust's deficit in 2017/18.**

Deficit control totals  
for the next two years

**NHS Improvement has set CHS a deficit target of £19.135m in 2017/18, excluding the addition of Sustainability and Transformation Funding (STF) of £8.8m.**

**The receipt of STF would reduce the Trust's operational deficit in 2017/18 to £10.3m.**

NHS Improvement held the second formal review of the Trust's financial recovery plan on 24 November.

NHS Improvement has recognised the good progress that has been made to date, notably that at Month 7 (up to 31 October) the Trust is on track to deliver a control total of no more than £32.8m deficit (prior to potential Sustainability Transformation Funding of £7.35m).

CHS must now maintain this performance, and put in place further robust plans to continue reducing its deficit over the next two years to meet its control totals.

- **NHS Improvement has set the Trust a deficit target of £19.135m for 2017/18 and £10.8m in 2018/19.**
- **For both years, the addition of £8.8m STF is available providing the Trust achieves its control totals and maintains performance to meet national standards and agreed trajectories for emergency care.**
- **If achieved, STF would reduce the Trust's deficit to £10.3m in 2017/18, and £2m in 2018/19.**

NHS Improvement will next formally review the Trust's progress in January 2017, when Quarter 3 results are available.

With continued delivery, it is foreseeable that the Trust will have an opportunity to exit financial special measures.

## Planning for 2017/18 and beyond

The Trust Board has accepted the £19.135m control total for 2017/18 (excluding STF). In doing so, we recognise the planning and contracting agreements that still needs to be completed.

Delivery of 2017/18  
control total

**Delivering a deficit control total of £19.135m (pre STF of £8.688m), will require £18.2m of Cost Improvement Plans (CIPs) in 2017/18.**

This will consist of the full year effect (£5m) of 2016/17 CIPs and continued delivery of Financial Special Measures actions. A total of £13.2m of new CIPs will be needed in 2017 – with 4.9% generated through boosting income to the Trust.

1. The Trust has identified **£7m** pre risk adjusted schemes of the new £13.2m CIPs required, with work ongoing to fully identify the amount.
2. The Trust is also seeking to successfully **increase referrals of Croydon** residents for planned care services that CHS provides, resulting in a net income repatriation of **£2m**.
3. **Croydon CCG** is supportive of this initiative and has agreed a joint approach.
4. CHS Director of Finance has reviewed current 2017/18 forecast position with the NHS Improvement Directors to agree the plans look **realistic and achievable**.

## Next steps

CHS has presented two transformational bids to NHS Improvement to assist in the delivery of the 2017/18 control total, and has submitted a bid to Health Education England to increase access to primary care in Croydon and help reduce non-elective admissions.

### Next steps

Joint Financial Improvement Board with CCG to agree joint-handling of contract / financial risk and governance arrangements if not on tariff basis e.g. establish a joint control total or joint risk pool to achieve control totals.

#### 1. Discussions with Croydon CCG and SWL on 2017/18 contracting approach, including:

- Agreement that each sub-region work towards the most appropriate contract to enable the **gap to control total be appropriately shared between the provider and CCG**
- **Explore 'place-based' risk share contracts**, where services are built around residents' needs, and not individual institutions. This would mean providers and commissioners are equally tied into the delivery of QIPP/CIPS.
- **Taking forward Outcome Based Commissioning for residents aged over 65.** Options were considered at the Croydon Alliance Board on 17 November resulting in an agreement in principle to proceed with a one year contract, with the option to extend for 9 years on a capitation basis.

#### 2. Ongoing CCG and SWL discussions on system-wide control totals and incentives, including how a SWL-wide risk sharing agreement might work to support transformational change at pace.

#### 3. Further support requested from NHS Improvement, including proposals to approve funding for: "Slow Stream" rehabilitation, for patients with long-term rehabilitation needs; Early Assisted Discharge; and an Older Persons Assessment and Liaison (OPAL) service.

#### 4. Proposal with our Croydon Alliance partners for the over 65s – including funding:

- Complex care hub to create capacity to embed new models of care to provide more seamless
- Urgent Care Plans – working with AT Medics and the Croydon GP Collaborative to run a network of urgent care services in the bough to treat minor injury and illness.

Unlike the current funding system which rewards health services by activity, **Outcome Based Commissioning places the incentive on keeping people well.**

We would be funding by delving the outcomes as defined by older people who use our services. Including:

- How to stay healthy and active for longer
- Integrated personal budgets for health and social care

## Maintaining progress

# What is different this year to improve financial grip and help the Trust's continued financial recovery?

### Core measures and improvements

**The Trust has strengthened all existing measures and has repaired the support mechanisms required to restore financial grip and discipline.**

#### **1. Increased leadership**

- Greater executive leadership for each work stream (workforce; service optimisation; productivity and technology optimisation). This is helping to ensure earlier development of plans compared to previous years.
- More support to Clinical Directors. The Trust's clinical directorates have been restructured to give clinicians greater ownership of their services. There is now a consistent leadership team in place that will help ensure clinical involvement earlier on to shape 2017/18 plans.

#### **2. Improved finance support**

- During 2015/16 and previous years, there was an instability to the Finance Team which resulted in mixed support for Clinical and Corporate teams. In 2016/17, Clinical Directorates have had dedicated support from a Business Partner as well as increased support from a substantively employed senior Finance Team.
- 2016/17 budgets were set by considering what was needed within each team to deliver contracted activity levels. There was a clear budget setting process, clear reporting of cost improvement plans and budget sign off by Clinical Directors and Associate Directors of Operations at the start of the year.

#### **3. Improved business intelligence**

- Service line reporting data has been enhanced to help identify additional opportunities to grow services or improve efficiencies.
- Further efficiencies will be identified through adopting the recommendations of the Lord Carter review.
- Progress is monitored by the Finance Improvement and Transformation Board and is aligned with the Trust's Cost Improvement Plans.

#### **4. Improved Transformation and PMO support and knowledge**

- The Transformation and PMO Teams have also been through a period of instability. During 2016/17, the team was reconfigured to ensure there was sufficient substantive resource to support transformation and accurate reporting, with focus on capacity and demand.

#### **5. Directorate lock-ins**

- 2017/18 schemes are now being monitored via weekly Lock-Ins with Chief Operative Officer, Deputy Director of Finance and Director of Transformation. This ensures the more robust development and monitoring of than in previous years.

## Fit with STPs

Clinicians have suggested that we need more clinical networking and possibly one less hospital providing acute services like A&E, obstetrics and specialist paediatrics. Equally, we have not ruled out retaining these services in all five acute hospitals in South West London.

**Nowhere in the STP for SWL does it state that there are plans to close Croydon University Hospital or any other local hospital. There would be no service changes without engaging with local residents and stakeholders.**

Croydon's clinicians will continue to be involved in the next phase of modelling to ensure that any proposed changes are safe and in the best interests of local patients and service users.

The **needs of specific populations** will also be at the forefront of considerations in drawing up any final plans.

This does not affect the ongoing construction of the new Emergency Department at Croydon Universality Hospital, which is due to open late next year.

However, the long-standing clinical and financial challenges in SWL haven't gone away.

CHS has been working with all neighbouring acute trusts, the mental health trust, and six CCGs in South West London to develop a long-term plan that will enable:

- **Funding and staff needed to be used differently to build services around patients' needs;**
- **Invest more out-of-hospital services to make it easier to access the right care and support.**

**The Sustainability & Transformation Plan (STP) for SWL has been published for discussion [here](#)**

## “Caring for Croydon together.”

**Waiting to treat people only when they become unwell, is no longer the answer. We need to radically rethink the way we provide healthcare in Croydon.**

Traditional approaches will not work. The NHS has spent 68 years helping people to survive illness and injury, but now we are treating many more conditions that stem from our own lifestyle choices like smoking, excess drinking or a lack of exercise. This is placing huge demands on the NHS when the system is already under increasing pressure.

We have to do more within the existing resources we have. This means putting the needs of our local community, before individual institutions.

**CHS has a long-history of joint-working in the borough. We are transforming our services – starting with the very young and elderly in Croydon.**

**We have formed new alliances with the local authority, GPs, mental health and the voluntary sector to provide more seamless care.**

Increasingly our focus is how to best design a health and social care system that promotes the health and wellbeing of local people, as well as providing expert care and treatment.

STPs are being developed across the country, in response to NHS England's *Five Year Forward View* (December 2015), to address the challenges of rising demand at a time of ongoing resource constraint.

Our financial recovery plan looks at what we can do ourselves to reduce costs – without compromising quality; and what we need to do together with our partners to secure long-term clinical and financial viability.

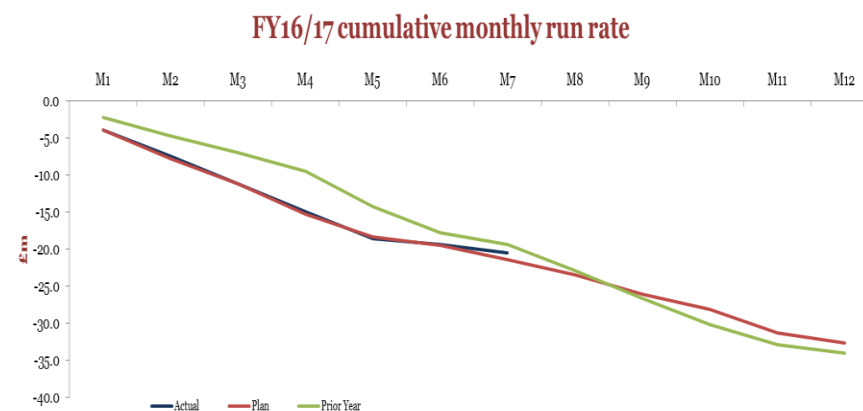
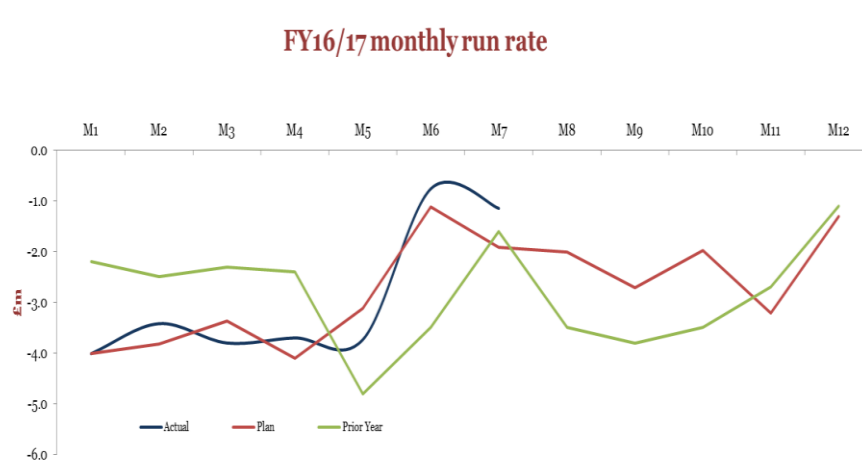
Clinicians and leaders at CHS will continue to be actively engaged to ensure the Trust's vision and planning for the future is aligned with the STP in SWL.



## Latest monthly analysis: October 2016 (Month 7)

Month 7 position to 2016/17 forecast outturn

At month 7 (up to 31 October 2016), CHS is on track to reduce its long-standing deficit in 2016/17.



- **Month 7 results are in line with the agreed financial recovery plan.**
- **CHS is on track to deliver a deficit before STF of £32.8m.** This is subject to the Trust maintaining performance and continuing to manage the risks in order to further increase productivity and efficiency.

Highlights and progress

**Month 6 and 7 show a significant improvement compared to Months 1 to 5, in line with our revised plan.**

- **Levels of activity are up** compared with month 5
- **Non Pay Spend is down** in all clinical directorates overall
- However, in Month 7, there was some pay overspend due to backdated timesheets not being submitted for processing. The Associate Director of Operations is now monitoring all timesheets to ensure they are authorised and processed in time.
- Like all trusts, the NHS is heading into the busy winter period. The Trust's **month-on-month forecasts** to the end of 2016/17 therefore reflects:
  - **Winter pressures (M8, M9 and M10)**
  - **Short month in February 2017 (M11)**
- All efficiency schemes continue to be monitored by the Trust's executive management team, and scrutinised by the Clinical Cabinet to ensure that the actions taken do not adversely affect the quality, safety or performance of services.

# Scheme-by-scheme progress update (1/3)

The Trust has identified sufficient mitigations to meet the requirements of Financial Special Measures

Mitigations	Summary description	16/17 expected efficiency (£m / risk adjusted)	Update
1. Enhanced control	<p><b>1. Reduced discretionary spend</b> through new weekly review of all discretionary spend items at a discretionary spend panel attended by Chief Operating Officer (COO), Director of Finance (DoF) and Director of Nursing (DoN). Controls are embedding with M7 reporting being first full month of operation.</p>	0.36	<ul style="list-style-type: none"> <li>Tightening of overall non pay authorisation</li> </ul>
2. Workforce	<p><b>1. Reduced temporary medical staffing spend</b> through review of medical staffing gaps currently filled by agency/locums and review of mid grade doctor establishment</p> <p><b>2. Reduction in agency cover</b> for services under block contract by reducing activity where staff vacancies arise</p> <p><b>3. Ensure no nursing bank shifts are cancelled</b> – bank staff to be redeployed to other areas of the Trust to reduce agency expenditure; and converting of agency shifts to bank shifts</p> <p><b>4. Roll out of Trust programme to improve retention rates</b> leading to reduced vacancies and therefore agency usage</p> <p><b>5. Review nurse staffing levels</b> with NHSI Director of Nursing</p>	0.79	<ul style="list-style-type: none"> <li>100 new nurses started employment at the Trust, mostly during the month of October 2016. All will be registered as bank nurses with NHSP through auto-enrolment</li> <li>23 agency nurses have left their agency and joined NHSP staff bank in the last four months, helping to reduce spend on agency staffing.</li> <li>Reducing agency staffing leads to a better working environment and improved care for patients, as substantive/bank staff know our own processes, values and standards.</li> </ul>
3. Portfolio optimisation	<p><b>1. Reduce costs for prostheses</b> through increased product standardisation (clinically-evaluated review of medical supplies). All Croydon GPs to refer to Croydon Musculoskeletal (MSK) pathway</p> <p><b>2. ENT:</b> use of spare theatre and recovery capacity to increase activity by repatriating activity to CUH from neighbouring hospitals (support St George's in addressing ENT waiting list)</p> <p><b>3. Review of spinal work</b> in agreement with St George's &amp; SWL Elective Orthopaedic Centre.</p>	0.2	<ul style="list-style-type: none"> <li>Ongoing clinically-led review of CHS' services by Medical Director to assess opportunities to expand or network these in line with the STP in SWL.</li> </ul>

## Scheme-by-scheme progress update (2/3)

The Trust has identified sufficient mitigations to meet the requirements of Financial Special Measures

Mitigations	Summary description	16/17 expected efficiency (£m / risk adjusted)	Update
4. Productivity	<ol style="list-style-type: none"> <li>1. <b>Early supported discharge</b> – Only 10% of discharges for neuro/stroke &amp; Care of the Elderly are undertaken with community services. Making greater use of the Trust’s own Community Services and local care partners will help to reduce readmissions within 30 days (better outcomes for patients) and help earlier discharge to the right care setting with the right care package.</li> <li>2. <b>Length of stay, where clinically appropriate</b> – improving internal processes to stop unnecessary delays for patients.</li> <li>3. <b>Theatres</b> – Using detailed demand and capacity analysis to make better use of our theatres and surgeons’ time releasing an extra 100 theatre slots.</li> <li>4. <b>Outpatients</b> – Minimising the number of patients that do not turn up for their appointments, can reduce delays for other patients waiting to be seen. To reduce DNAs, the Trust aims to roll-out a pilot in Dermatology which gives patients the option of managing their appointment online or through a smartphone. This will also save the Trust the costs of printing and posting appointment letters.</li> <li>5. <b>Discharge to assess</b> – Freeing-up capacity on inpatient wards by carrying out discharge assessments in other appropriate care settings, like the discharge lounge or short stay facilities.</li> </ol>	1.2	<ul style="list-style-type: none"> <li>• Clinicians have developed a plan to ensure patients are treated by the right specialist, in the right place first time.</li> <li>• In Dec 2016, the Trust will reconfigure beds within CUH to bring clinicians together by specialty. This will improve efficiency and reduce delays for patients.</li> </ul>
5. Review of cost pressures and investments	<ol style="list-style-type: none"> <li>1. <b>The Trust has reviewed all proposed and recently authorised capital and revenue business cases</b> to assess whether or not there is any opportunity to support the cash and income &amp; expenditure position through cancellation, deferral or enhanced income.</li> </ol>	0.25	<ul style="list-style-type: none"> <li>• Spend reduction in some areas may not be recurrent. Ongoing work with relevant services.</li> </ul>

## Scheme-by-scheme progress update (3/3)

The Trust has identified sufficient mitigations to meet the requirements of Financial Special Measures

Mitigations	Summary description	16/17 expected efficiency (£m / risk adjusted)	Update
6. Estates	<ol style="list-style-type: none"> <li><b>Review of all community sites</b> to make maximum use of the Trust's estate</li> <li><b>Review all corporate functions</b> to see if they could be accommodated in cheaper off site accommodation</li> </ol>	0.25	<ul style="list-style-type: none"> <li>Senior Responsible Officer, PMO and finance sign-off to recover slippage in delivery.</li> </ul>
7. Contract review	<ol style="list-style-type: none"> <li><b>Review NHS provider to provider contracts and supplier contracts</b> in order replicate success of renegotiated contracts in 15/16 which yielded c£700k</li> </ol>	0.3	<ul style="list-style-type: none"> <li>List of contracts and SLAs to be reviewed in place.</li> </ul>
8. Staff suggestions	<ol style="list-style-type: none"> <li><b>Acting on staff suggestions to improve efficiency</b> through Listening into Action, the Trust's staff engagement programme</li> <li><b>Around 70 suggestions</b> have been received. These have been reviewed by the Trust's executive and £0.2m of these ideas have been incorporated into its cost improvement mitigations</li> </ol>	0.2	<ul style="list-style-type: none"> <li>Ongoing communication campaign to generate staff suggestions</li> <li>SROs appointed for identified schemes</li> </ul>
9. Reserves releases	<ol style="list-style-type: none"> <li><b>Release of remaining budgetary and balance sheet reserves</b></li> <li><b>Pay underspend</b> at month 5 held to year end</li> </ol>	7.15	<ul style="list-style-type: none"> <li>DoF review of accruals and provisions for M6 reporting identified areas for investigation.</li> <li>Review of reserves with Audit Committee Chair to ensure NED oversight.</li> </ul>
10. Additional stretch of identified schemes	<ol style="list-style-type: none"> <li><b>Stretching the above measures</b> notably further reduce medical staffing spend and increase inpatient productivity.</li> </ol>	0.43	<ul style="list-style-type: none"> <li>Continued efforts to further reduce agency staffing spend</li> <li>Developing plan enable early supported discharge</li> </ul>
<b>Totals</b>		<b>11.75</b>	

# CHS financial recovery

Comments  
and discussion

