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| Reporting to: | Trust Board - 24th September 2015 |
| Title | Options for Financial Plan |
| Sponsoring Director | Neil Nisbet, Finance Director |
| Author(s) | Neil Nisbet, Finance Director |
| Previously considered by | |
| Executive Summary | <p>In the last two months the Trust has been provided with:</p> <ul style="list-style-type: none"> - a stretch financial target that requires plans to be constructed to improve the forecast deficit position for the year from £17.2 million to a revised figure of £15.2 million; and - in parallel, limit spending in respect of Qualified Nursing staff employed through external Nursing Agencies. The limit being set at 8% for 2015/16 reducing to 3% by 2018/19 as a percentage of total nursing staff spend. For the purpose of this ceiling rule, nursing is defined as registered general and specialist nursing staff, midwives and health visitors (i.e. excludes agency costs in relations to HCAs). <p>This paper provides a description of the actions that have been taken in response to these two requirements.</p> |
| Strategic Priorities | |
| 1. Quality and Safety | <input type="checkbox"/> Reduce harm, deliver best clinical outcomes and improve patient experience. <input type="checkbox"/> Address the existing capacity shortfall and process issues to consistently deliver national healthcare standards <input type="checkbox"/> Develop a clinical strategy that ensures the safety and short term sustainability of our clinical services pending the outcome of the Future Fit Programme <input type="checkbox"/> To undertake a review of all current services at specialty level to inform future service and business decisions <input type="checkbox"/> Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme |
| 2. People | <input type="checkbox"/> Through our People Strategy develop, support and engage with our workforce to make our organisation a great place to work |
| 3. Innovation | <input type="checkbox"/> Support service transformation and increased productivity through technology and continuous improvement strategies |
| 4. Community and Partnership | <input type="checkbox"/> Develop the principle of 'agency' in our community to support a prevention agenda and improve the health and well-being of the population <input type="checkbox"/> Embed a customer focussed approach and improve relationships through our stakeholder engagement strategies |
| 5. Financial Strength: Sustainable Future | <input checked="" type="checkbox"/> Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme |
| Board Assurance Framework (BAF) Risks | <input type="checkbox"/> If we do not deliver safe care then patients may suffer avoidable harm and poor clinical outcomes and experience <input type="checkbox"/> If we do not implement our falls prevention strategy then patients may suffer serious injury <input type="checkbox"/> If the local health and social care economy does not reduce the Fit To Transfer (FTT) waiting list from its current unacceptable levels then patients may suffer serious harm <input type="checkbox"/> Risk to sustainability of clinical services due to potential shortages of key clinical staff <input type="checkbox"/> If we do not achieve safe and efficient patient flow and improve our processes and capacity and demand planning then we will fail the national quality and performance standards |

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| | <input type="checkbox"/> If we do not get good levels of staff engagement to get a culture of continuous improvement then staff morale and patient outcomes may not improve <input type="checkbox"/> If we do not have a clear clinical service vision then we may not deliver the best services to patients <input checked="" type="checkbox"/> If we are unable to resolve our (historic) shortfall in liquidity and the structural imbalance in the Trust's Income & Expenditure position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment |
| Care Quality Commission (CQC) Domains | <input type="checkbox"/> Safe <input type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input type="checkbox"/> Well led |
| <input type="checkbox"/> Receive <input type="checkbox"/> Review <input checked="" type="checkbox"/> Note <input checked="" type="checkbox"/> Approve | Recommendation To note and approve the actions being taken in response to the financial stretch target and the nurse agency ceiling. |

TRUST BOARD – 24TH SEPTEMBER 2015

Options for Financial Plan

1. Introduction

In the last two months the Trust has been provided with:

- a stretch financial target that requires plans to be constructed to improve the forecast deficit position for the year from £17.2 million to a revised figure of £15.2 million; and
- in parallel, limit spending in respect of Qualified Nursing staff employed through external Nursing Agencies. The limit being set at 8% for 2015/16 reducing to 3% by 2018/19 as a percentage of total nursing staff spend. For the purpose of this ceiling rule, nursing is defined as registered general and specialist nursing staff, midwives and health visitors (i.e. excludes agency costs in relations to HCAs).

This paper provides a description of the actions that have been taken in response to these two requirements.

2. The size of the financial challenge

In taking forward this exercise it has been necessary to scale the financial challenge that needs to be accommodated by the Trust over the coming months. This is summarised in the table below.

| | £'millions |
|--------------------------------------------------------------|------------|
| Forecast deficit planned for the financial year | 17.2 |
| Estimated overspend for the year based upon current run rate | 2.0 |
| Forecast deficit without actions | 19.2 |
| Financial Stretch Target | 15.2 |
| | |
| Financial Savings required | 4.0 |
| Funds to support Winter operational problem | 0.5 – 1.0 |
| Level of cost savings required | 4.5 – 5.0 |

As can be seen the level of savings that are needing to be achieved amount to circa £4.5 – 5.0 million, and this sum includes a contingent reserve of approximately £500,000 – 1 million to support additional expenditures that it is believed will need to be introduced over the winter period in response to an expected serious increase in activity pressure that history tells us will impact during the period November 2015 through to March 2016.

More specifically modelling undertaken by the Trust describes a situation where :

- The volume of admitted patients, particularly at the RSH site, increase from an average of 23 per cent of A and E attendances to 28 per cent ,
- The increase in the volume of admitted patients occurs principally within the 65+ age category,
- The numbers of patients waiting in excess of 8 hours within the two A and E departments, increases substantially as illustrated below:

| Average number of breaches | Spring | Summer | Autumn | Winter |
|----------------------------|--------|--------|--------|--------|
| RSH | 141 | 83 | 85 | 204 |
| PRH | 51 | 29 | 41 | 111 |
| | 192 | 112 | 126 | 315 |

- The volume of medically fit to transfer patients also increases significantly over the winter period (110 patients).

3. Opportunities Identified to reduce costs

In response to the financial challenge, Scheduled and Unscheduled Care Groups have been required to deliver options for reducing their level of spending over the remaining months of the year and in doing so reduce the levels of overspending being predicted within each of these care groups for the 2015/16 financial year.

The table below provides a summarised picture of the savings opportunities identified.

| | Scheduled Care | Unscheduled Care | Corporate | Total | Risk |
|---------------------------------------------|----------------|------------------|------------|-------------|-------|
| Waiting List Initiative | 250 | 100 | | 350 | Amber |
| Theatre stock review | 600 | | | 600 | Green |
| Procurement savings | 100 | | | 100 | Green |
| Restrict Study Leave | 50 | 70 | | 120 | Green |
| Reconfigure bed base PRH | 300 | | | 300 | Green |
| Non Clinical posts review and remove Agency | 20 | 20 | 60 | 100 | Amber |
| Review Discretionary Spend | 20 | 20 | 60 | 100 | Green |
| Revised Anaesthetic on call | 50 | | | 50 | Green |
| Remove Weekly Bank payments | 200 | 300 | | 500 | Green |
| Drugs review | 100 | 50 | | 150 | Red |
| Review Consultant Keele sessions | | | | | Red |
| Nurse Agency savings | | | | | |
| Reduce Agency qualified v 25 RGN | 650 | 340 | | 990 | Amber |
| Cohort to create internal MFF v | 40 | 80 | | 120 | Red |
| Cease Use of Tier 5 Nurse Agency | 30 | 30 | | 60 | Green |
| Use of Research Nurses/CNS | 10 | 20 | | 30 | Amber |
| Flexible use of Overtime | | 60 | | 60 | Green |
| Working practice controls | 10 | 10 | | 20 | Green |
| Impact of Philippines staff - 10 | 30 | 120 | | 150 | Green |
| Actions on unavailability | 40 | 120 | | 160 | Red |
| | 2500 | 1340 | 120 | 3960 | |
| | | | | 540 | Red |
| Total Required | | | | 4500 | |

As can be seen the total level of savings that have been identified presently amount to £3.96 million and it is believed that further work has the potential to increase this sum to £4.5 million. To deliver such a level of savings these schemes need to be progressed with some urgency. A risk classification of the schemes based upon the present state of deliverability suggests:

| Level of risk in deliverability | £000's |
|---------------------------------|--------|
| Green | 2,090 |
| Amber | 1,440 |
| Red | 970 |
| | 4,500 |

4. Nurse Agency cap

In the construction of the opportunities to reduce cost, it has been necessary to consider a range of possibilities for reducing Agency Nurse spending. Ten options have been developed, each of which introduce impact upon the:

- Quality and safety of nursing care provided,
- Workforce (morale, capacity to recruit etc)
- Achievement of operational performance, and
- Other risks, most notably reputation and the response from regulators

The interplay between the ten options and these factors, where high risk is classified as 5 and low risk is scored 1, is illustrated in the table below.

| Nurse Agency savings options | Monthly Agency cost Savings | Quality and Safety Risks | Workforce challenge | Operational Delivery Risks | Other Risks |
|-----------------------------------------------------------------------------------------|-----------------------------|--------------------------|---------------------|----------------------------|-------------|
| | £000's | | | | |
| 1.Revert to historical Template | 400 | 5 | 3 | 3 | 5 |
| 2.Amend Existing Template to reduce RGN Numbers by 40 WTE Consistent with Agency Target | 260 | 4 | 3 | 2 | 4 |
| 3.As 2 above but replace with Unqualified staff | 120 | 3 | 3 | 3 | 2 |
| 4.Reduce 25 RGN through combination of template / Working Practice changes | 160 | 3 | 3 | 3 | 2 |
| 5.Alter Existing Template based upon decision to create 2 MFD wards | 60 | 2 | 3 | 2 | 1 |
| 6.Options 3 and 5 combined | 140 | 3 | 3 | 2 | 2 |
| 7.Options 4 and 5 combined | 200 | 3 | 3 | 3 | 2 |
| 8.Close ward(s) – 16 beds | 71 | 4 | 3 | 5 | 5 |
| 9.Remove Critical Care supernumery Agency staffing support | 13 | 2 | 2 | 1 | 4 |
| 10.Abolish use of Tier 5 Medical Agency support | 10 | 2 | 3 | 2 | 1 |

Following discussion it was concluded that from the ten options, the Trust should take forward options that will:

Option 4 – Amend existing Nursing Template and introduce revised working practices – reducing Agency staff numbers by 25 WTE,

Option 5 – Cohort patients so as to create two distinct medically fit to transfer wards and in doing so amend the existing Nursing Template,

Option 9 – Remove supernumerary nursing posts within Critical Care; and

Option 10 – Cease use of Tier 5 (highest cost) Agency Nurses with immediate effect (excluding AMU and IT areas).

These 4 actions, combined with the benefits expected to be realised from nurses recruited from the Phillipines, controls in respect of sickness, annual leave and study leave (Unavailability) and more flexible approaches in the use of overtime for existing staff, is expected to realise reduced Agency costs for Qualified Nursing staff amounting to £1.59 million over the period October 2015 – March 2016. Achieving this scale of reduction reduces average monthly spend by £265,000 and is consistent with maintaining spend consistent with the 8 per cent Agency Nursing cap.

Neil Nisbet
Finance Director
18th September 2015