

# FINANCIAL RECOVERY UPDATE

JUNE 2019



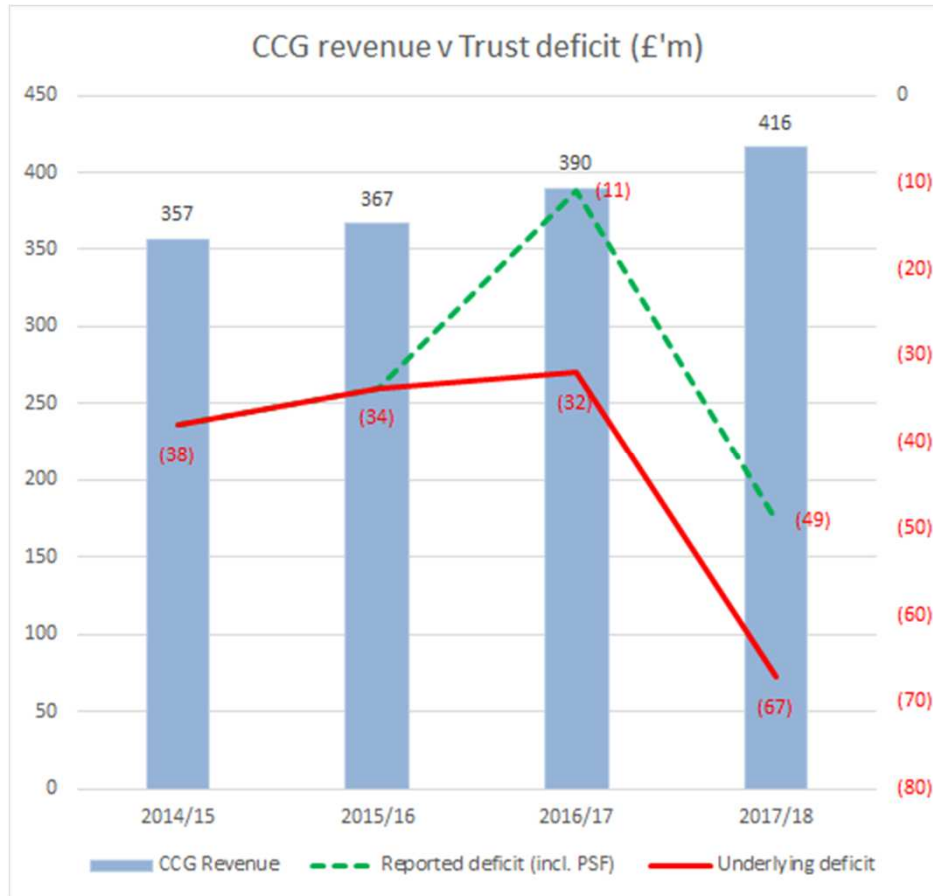
# INTRODUCTION

Aim of this session is to explain the approach we are taking to financial recovery:

- The symptoms
- The diagnosis
- The cure
- The treatment



# THE SYMPTOMS



We have incurred substantial underlying deficits in recent years.

Previous strategies to “grow” out of trouble didn’t succeed.

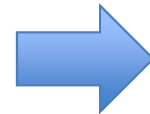
We stabilised the results in 2018/19 with an underlying deficit of £65m, slightly better than the previous year.

Nevertheless, without change the Trust is on track to lose around £100m pa in 2020/21 ... and we need to diagnose why...



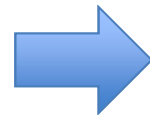
# THE DIAGNOSIS

Deficit driver	£'m
<b>Structural</b>	
Excess PFI v market	6
<b>Strategic</b>	
Historic local health economy infrastructure deficit	30
Financing costs	5
Split / underutilised sites	3
<b>Total strategic</b>	<b>38</b>
<b>Operational</b>	
Clinical negligence costs	2
Overseas visitors	1
PELC losses	3
Excess cost of temp staff	11
Other costs	46
<b>Total costs (vs. upper quartile)</b>	<b>63</b>
<b>Total drivers</b>	<b>107</b>



Our diagnosis resulted in three important conclusions:

1. There is no material, “structural” reason why the Trust should be making losses.



2. A large part of the deficit (around £30m) is driven by inadequate local health infrastructure.

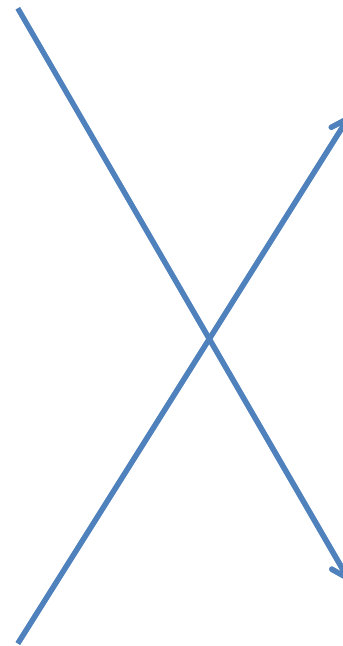


3. The Trust would save around £60m if it could become as efficient as the top 25% of Trusts in the country.



# THE CURE

Deficit driver	£'m
<b>Structural</b>	
Excess PFI v market	6
<b>Strategic</b>	
Historic local health economy infrastructure deficit	30
Financing costs	5
Split / underutilised sites	3
<b>Total strategic</b>	<b>38</b>
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	Target	Plan	RAG rated plans
<b>1 Culture change</b>			
2 Acute Medicine	14.0	13.0	
3 Surgery & Anesthetics	20.0	18.4	
4 Women's and Child Health	10.0	3.7	
5 Specialist Medicine	4.7	4.0	
6 Cancer & Clinical Support	5.0	3.9	
7 Corporate Services	5.0	4.3	
8 Other savings (Notes 1 and 2)	0.0	14.6	
Other risks	(2.0)	(2.0)	
<b>Gross savings</b>	<b>56.7</b>	<b>60.0</b>	
<b>9 Cost of delivery</b>			
Contingency	(4.0)	(4.0)	
Dedicated resource	(8.0)	(8.0)	
Quality and innovation	(8.0)	(8.0)	
<b>Total cost of delivery</b>	<b>(20.0)</b>	<b>(20.0)</b>	
<b>Net benefit</b>	<b>36.7</b>	<b>40.0</b>	
<b>10 Income / portfolio</b>	<b>5.0</b>	<b>14.6</b>	
11 Older People	10.0	1.5	
12 Long Term Conditions	10.0	0.0	
13 Outpatients	10.0	7.3	
14 Other system wide initiatives	0.0	1.9	
15 Repatriation of activity	0.0	8.3	
	<b>30.0</b>	<b>19.0</b>	
<b>Total (before PSF, Int. and income schemes)</b>	<b>66.7</b>	<b>59.0</b>	
<b>Income upside</b>	<b>5.0</b>	<b>14.6</b>	
PSF	25.0	25.0	
Interest	5.0	5.0	
<b>Net benefit (excl. income)</b>	<b>96.7</b>	<b>89.0</b>	
<b>Plus income upside</b>	<b>5.0</b>	<b>14.6</b>	



# THE TREATMENT

## The PRIDE Way

Outstanding patient experience

Top quartile employee satisfaction

£8m quality and innovation fund +  
use future surplus for capital

One of the best integrated care  
systems in the country

The approach we will use is driven by our quality improvement methodology, The PRIDE Way, based on a proven approach by Virginia Mason in Seattle.

This is led by a focus on improving quality and reducing waste – better for patients, which in turn is better for our people and our money.

We have big ambitions for Integrated Care.

We are also starting to make longer term plans post recovery through our ten year clinical strategy. These are exciting times for our health economy and we greatly value your input and support.



# SUMMARY

Covered in this update:

- The symptoms
- The diagnosis
- The cure
- The treatment

# THANK YOU

# Q&A

