

Appendix AB – UHL Reconfiguration Programme revenue assumptions

University Hospitals of Leicester NHS Trust

Reconfiguration Programme - PCBC revenue assumptions

Introduction

This paper summarises the assumptions used in calculating the revenue implications of the UHL Reconfiguration Programme. This is reflected in the Trust's LTFM and Financial Strategy, and will be incorporated into the LLR Long Term Financial Plan

Activity and income

UHL has not assumed any additional activity or income as a result of reconfiguration. The Trust is not therefore relying on additional income to deliver a better financial position or to support financial argument for the reconfiguration. In its long term financial model there has been an assumption that additional income is matched by additional costs before CIPs and cost pressures are accounted for. For capacity planning purposes the Trust has assumed an annual increase of 1.4% on inpatients and a 2% in outpatients (allowing for demographic growth and activity growth) adjustments have then be made for reductions in outpatient activity due to transfers into non acute care settings. These assumptions have been discussed and agreed with both the CCG acute commissioning leads, and the NHSE specialised commissioners.

The reconfiguration itself may result in a loss of activity/ demand related to East Leicestershire where patients would be most affected by the reconfiguration and the transfer of services from Leicester General Hospital (LGH). The Trust view is that any reduction in demand for services caused by the transfer of services from LGH site will be offset by additional activity from the west of the county and the ability to attract more activity as a result of the improvement in facilities particularly in planned care. Discussion on the potential impact on alternative providers of activity moving out of county as a result of reconfiguration is on-going. A review of activity has indicated that these numbers would be marginal, and would not have an impact on commissioners other than point of delivery of care.

Additional costs

UHL has assumed that it will incur additional costs in respect of Capital Charges and interest, contract monitoring, insurance and in the new build particularly, Facilities Management (FM) costs.

Capital charges

The Trust has calculated capital costs of £450 million. It has assumed the following:

- £29 million of equipment funding;
- Impairments of £218 million reflecting expenditure on refurbished areas and 25% impairment on new build areas.

- An asset life averaging 40 years to reflect the mix between buildings (60 years) and engineering (25 years).
- Medical Equipment has an asset life of 10 years.

The costs in the first full year of operation have been calculated as follows:

Capital charges	£'000
Depreciation	9,727
Dividend	8,504
Total capital charges and interest	18,231

Estates and facilities

Additional estates and facilities costs have been assumed in the proposed new build areas. The total cost of these areas reflect the total additional direct costs required to provide these areas and does not include some estates and facilities costs which will potentially stay the same at the at Glenfield Hospital (GH) and Leicester Royal Infirmary (LRI) (such as switchboard). These additional costs average out at an additional cost of £160 per m2 per annum.

Savings

Savings from the consolidation of services onto 2 acute sites comprise the following:

- Capital Charges savings from the disposal of land and buildings at the LGH site.
- Savings on estates and facilities from the LGH site netted off by loss of catering and car parking income.
- Efficiency savings as a result of consolidating acute services on to two sites and the delivery of new care pathways.
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LGH capital charges savings

The Trust has assumed savings on the depreciation and the PDC dividend payable on the Land and buildings at the LGH.

The savings assumed are as follows:

LGH Savings	Current Position £'000
Depreciation	2,568
Return on Asset	2,605
Total	5,173



LGH FM

FM savings have been based on the current level of expenditure on at LGH, adjusted for the assumed areas that will remain there. Allowance has been made for the additional cost of car parking required at GH and LRI over and above the lost income from LGH.

Leicester General Hospital FM Costs	Current Net Costs £	Assumed Net Savings £
Car Parking	(894)	(1,237)
Cleaning	2,734	2,597
Compliance	65	65
Estates	1,602	1,437
Laundry	592	592
Contract Management (Other)	53	53
Contract Management Hard Services	10	10
Other services	123	115
Patient Catering	1,244	1,244
Portering	1,066	1,066
Postage	170	149
Property Services	944	1,058
Reception	60	60
Retail Catering	162	162
Security	268	235
Contract Management (Soft Services)	18	18
Switchboard	47	0
Utilities	2,376	2,066
Waste	293	257
Total	10,933	9,947

Clinical and overhead savings

UHL has developed wide ranging programme of savings which can be generated from the reconfiguration. It has identified £48 million of potential savings, in respect of areas that are affected by reconfiguration. Of this £48 million, £33 million has been identified as a direct consequence of reconfiguration. It has been assumed that the most of the remainder will be delivered before 2024.

£2.893 million of the savings identified above have been assumed in the interim ICU business. Offsetting this are savings in respect of the additional cost related to the Interim ICU scheme which will be no longer required when reconfiguration is delivered. These savings are £3.083 million.

AREA/CMG	BENEFIT	Assumption	Total opportunity £'000	Reconfiguration benefit £'000
	Sickness Absence Premium	Assume that sickness absence and premium rates associated with this will be reduced as a result of provision of new and fit for purpose facilities. Saving reflects a reduction in sickness absence to an average of 4% in CMGs total opportunity reflects a reduction in sickness absence days to 3%	5,659	2,390
	Travelling expenses	Reduction in costs as a result of reduced travel between sites	141	141
	Increase virtual non F2F consultations	Reflects value of additional non F2F contacts at £24 per contact. Benefit to the Trust would only materialise if growth was greater than 2%. Based on these assumptions CCG would benefit by circa £1 million.	519	515
	Achievement of BADS targets for specialties	80% of total opportunity in respect of BADS basket of procedures	1,925	1,417
	Cessation of Private sector	100% Delivery	2,807	2,807
	Removal of waiting list initiatives	£1.6 million assumed to be delivered pre reconfiguration	10,200	9,241
	Workforce - Digital opportunities	Original figure is as per EPR business case but some can only be delivered through the treatment centre.	17,100	9,046
	Non pay digital opportunities	Reflects reductions in maintenance costs, lab tests and CT/MRI scans and reduction in use of paper	2,560	1,086
	Back office function	£800k Corporate areas plus £125k per CMG There are potentially further savings which can be achieved in corporate overheads where 10% of the total overheads related to the LGH had been assumed in the reconfiguration	9,675	1,675



AREA/CMG	BENEFIT	Assumption	Total opportunity £'000	Reconfiguration benefit £'000
		benefit, There is further opportunity of £8 million (50% of the total overheads).		
Non CMG Specific Efficiencies	Sub total		50,586	28,319
W&C	MDT Working/co location		20	20
	Reduction in beds	Maternity beds reduced as a result of combining units. This relates to staffing costs	240	240
	Skill mix change	Reconfiguration will allow for a skill mix change still ensuring the appropriate amount of qualified staff are present	90	90
	Consolidation of rotas	Reduced requirement for junior and middle grade doctors as a result of consolidating rotas	120	120
	Pathway review	Ability to deliver more efficient care pathways as a result of consolidation	150	150
	Duplication of equipment		30	30
	Saving on 98 hour cover from LGH	Potential requirement in future for 98 hour cover at the LGH and 168 hour cover at the LRI future consolidation will reduce overall requirements	453	453
Women and Children	Sub total		1,103	1,103
ESM	Consolidation of rotas	Medical Registrar rota not required after LGH vacated	570	570
	Improved flow/productivity	Medical Day Cases currently performed in sub optimal conditions at the LGH. Patient flows will be significantly improved as a result of the provision of new and upgraded facilities	300	300
	Waiting list reduction by 10%	Dermatology	10	10
Emergency Specialist Medicine	Sub total		880	880
CSI	Agency reduction		32	32
	Imaging on call rotas		60	60
	Workforce/skill mix		375	375
	Duplication of equipment		60	60
	Trust med commercial income	New Treatment centre will allow for Pharmacy to income generate	30	30



AREA/CMG	BENEFIT	Assumption	Total opportunity £'000	Reconfiguration benefit £'000
CSI	Sub total		557	557
	BPT tariff - discharge		96	96
MSK Total	Sub total		96	96
RRCV	Reduction in cancellations - varicose veins completed within the treatment centre	reduction of 50% assumed	6	6
	Equipment savings - reduction in duplication		10	10
	Increased inpatient activity - move some IP into Day Case setting and backfill	This will either drive additional income or allow for further savings.	283	141.5
RRCV Total	Sub total		299	158
CHUGGS	Interim ICU non cash releasing benefit	Reduced lengths of stay and bed numbers as part of ICU business case but not assumed to be cash releasing. Longer term reconfiguration will allow for reduced costs to be driven out or income to be generated	514	514
	Theatres	Increase running frequency of in-week sessions to 50 weeks a year	109	109
		Management of Change to convert weekend sessions required to meet demand from premium pay to substantive. Assume 50% attributed to Reconfiguration	93	46.5
		Urology - TTM model savings converting Premium to standard cost. Assume 50% attributed to Reconfiguration	108	54
	Out patients	Workforce reduction by reducing the number of locations clinics are run	60	60
	Triage	Consolidation of assessment units	143	143
	Decontamination	Net Benefit of centralised unit, maintenance contracts and consumables	1,032	1,032
CHUGGS Total			2,059	1,958
TOTAL			55,580	33,071
Savings above allowed for in the interim ICU business Case				(2,936)
Non recurrent costs identified in ICU business case which will cease on reconfiguration				3,086



AREA/CMG	BENEFIT	Assumption	Total opportunity £'000	Reconfiguration benefit £'000
Total Efficiencies Assumed in Reconfiguration				33,221

This shows a realistic level of savings which can be attributed to the Reconfiguration Programme. It is recognised by the Trust that, as a result of the stage of the reconfiguration proposals and the length of time of the Reconfiguration Programme, these savings at this time are indicative and may change. However, to ensure that the Reconfiguration Programme will be affordable and can provide value for money at all stages, the Trust will track and review the savings as they are considered at each Outline and Full Business Case and at critical points in between. A number of areas may result a cash saving to the health economy but not necessarily to the Trust, the Reconfiguration Programme may also generate additional income (such as endoscopy) which has been highlighted as an opportunity but has not been assumed as a reconfiguration benefit.

Conclusion and next steps

The above highlights details of appropriate areas of savings identified in the capital bid and the PCBC as a direct consequence of reconfiguration. It provides a realistic assessment of the level of savings that can be delivered. It is clear that this needs to be carefully managed. The savings will be allocated against each business case / development and used as a minimum target for each one, feeding into an overall tracking mechanism to ensure the programme overall delivers. Each business case will be presented to the CCGs for approval as and when developed.