

Epsom & St Helier Transaction

Surrey County Council
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Epsom and St. Helier
University Hospitals
NHS Trust



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REVIEW OF THE EPSOM TRANSACTION

Jan Sawkins, Independent Chair,
Transaction Board

Peter Cook, Transaction Director,
Transaction Board

Background 1

- May 12 - OBC approved and moved to FBC stage
- Jun 12 - ASPH appointed Preferred Partner
- Jun 12 onward - Combined ASPH and EGH workgroups prepared Integration Plans
- Sep 12 - CCP approval achieved at stage 1
- Oct 12 – Deloitte concluded financial site split work
- Continued strong stakeholder support including LRP (councils, hospital charities and patient groups)

Background 2

- ASPH had to submit to Monitor a case capable of achieving a FRR ≥ 3 by year 5 without financial support
- Deloitte appointed to provide further independent financial analysis and confirmed site split to be consistent with deficit at bidding stage.
- Since bid submission in Nov 11, ASPH revised their proposed total synergies downward to ~£10m, (*profiled to £8.8m at Yr 5*)
- Projected on-going costs moved upwards (*from £1.2m to £5.0m at Yr 5*) mostly through inclusion of capital costs (£4.1m).

Background 3

- Surrey Downs CCG commissioning intentions
 - NHSSOE requested CCGs to confirm commissioning intentions (on-going work)
- BSBV published preferred option in Aug 12 :
 - St Helier as planned care centre for south west London
 - Repatriation of south west London orthopaedics from EOC
 - Additional emergency and maternity patient flows to Epsom
 - Does not take into account wider Surrey impact
 - Consultation delayed with no new date set

Issues

- All parties agree a credible financial case able to achieve Monitor approval cannot be made, through a combination of
 - Size of the deficit
 - Reduction in ASPH synergies and greater costs
 - Uncertainty over SDCCG commissioning intentions
 - Potential impact of BSBV
- NHSSoE consider the transitional funding requirement is too great
- BSBV delayed pending further dialogue between NHSSWL and Surrey CCGs

Outcome

- Transaction Programme Board meeting on 22 Oct 2012 recommended to NHS London SHA that
 - The Transaction is placed on hold
 - The NHS Trust Development Agency and NHS Commissioning Board should be involved in finding a solution
- NHS London SHA Board meeting on 25 Oct 2012 decided that
 - the proposed merger of Epsom Hospital with ASPH should be halted
 - Urgent discussions to take place between SHAs, NTDA, NHSCB, NHSSWL and the two Trusts to find way forward.

Financial Review

- Deloitte commissioned by the SHAs and Trusts jointly as independent financial consultants to provide further independent analysis and report on
 - the site split
 - financial due diligence

Scope of Deloitte's work

- Stage 1 – assistance to Epsom and St Helier to :
 - Split the 2012/13 budget between Epsom and St Helier sites
 - Prepare separate LTFMs for the two sites
- Stage 2 – due and careful enquiry on :
 - Site split
 - ASPH historical performance and base case LTFM
 - Epsom and St Helier LTFMs
 - merged LTFM (ASPH plus Epsom) and synergies

Scope of Deloitte's work

- Deloitte work was key as previous variability in financial numbers had been too inconsistent for Epsom 12/13 projected position

£m	ITT (07/11)	OBC (May 2012)	Deloitte (Oct 2012)
Income	109.7	116.1	118.6
Expenditure	122.8	124.9	132.4
Deficit	(13.1)	(8.7)	(13.8)

Outcome of site split of 2012/13 Budget

	Epsom £m	St Helier £m	ESHUT £m
Income	118.6	205.3	323.9
Pay costs	(83.0)	(139.6)	(222.6)
Drugs	(4.6)	(16.0)	(20.6)
Clinical supplies	(19.2)	(20.2)	(39.4)
Other operating costs	(19.4)	(26.5)	(45.9)
EBITDA	(7.6)	3.0	(4.6)
Interest, depreciation, PDC dividend	(5.9)	(9.1)	(15.0)
Net deficit before EOC adjustment	(13.5)	(6.1)	(19.5)
EOC adjustment	(0.3)	0.3	-
Net deficit	(13.8)	(5.7)	(19.5)

- 80% of income, pay costs, drugs and clinical supplies had a direct, specific basis for allocation by site
- Deficit shown before taking account of St Helier OD overlay and SLAs

EGH position before ASPH synergies

Deloitte prepared LTFMs based on 2012/13 site split and known planning assumptions

	Current	Yr 5	Yr 10
EPSOM	2012/13 £m	2017/18 £m	2021/22 £m
Income	118.7	114.9	119.6
Operating costs	(126.7)	(121.6)	(125.2)
EBITDA	(8.0)	(6.7)	(5.7)
Non-operating costs	(5.9)	(6.6)	(7.2)
Deficit	(13.8)	(13.4)	(12.8)

Merged position with ASPH synergies and costs

£millions

	12/13	13/14	14/15	15/16	16/17	17/18
Projected EGH deficit per Deloitte	(13.8)	(12.9)	(13.1)	(13.4)	(13.6)	(13.4)
Projected ASPH surplus	3.3	3.5	3.8	4.0	4.2	4.2
STARTING NET SURPLUS/(DEFICIT)	(10.5)	(9.4)	(9.3)	(9.4)	(9.4)	(9.2)
Synergy savings per ASPH	-	2.2	4.8	7.4	8.2	8.8
Merger costs per ASPH	-	(3.8)	(1.6)	(1.0)	(0.6)	-
On-going, non-operating costs and inflation per ASPH	-	(2.7)	(4.6)	(5.4)	(4.8)	(5.0)
ADJUSTED NET DEFICIT	(10.5)	(13.7)	(10.7)	(8.4)	(6.6)	(5.4)

Key numbers - EGH

- **2011 Bid**
 - £109.7 million income
 - £13.1million deficit
 - £14.0 million total synergies
 - £1.2 million on-going costs
- **2012/13**
 - £118.7 million income
 - £13.8 million deficit
- **2017/18 – 5 year point**
 - £114.9 million income
 - £5.4 million deficit
 - £8.8 million total synergies achieved
 - £5.0 million on-going costs including capital
 - £50+ million transitional support required to this point

Q&A

Your questions ?

Glossary 1

ASPH	Ashford & St Peter's Hospitals NHS Foundation Trust
BSBV	Better Services Better Value
CCG	Clinical Commissioning Group
CCP	Co-operation and Competition Panel
Deloitte	Deloitte Limited Liability Partnership, one of the group of "big 5" financial consultancy firms
EBITDA	Earnings Before Interest Taxation Depreciation and Amortisation
EGH	Epsom General Hospital
EOC	Elective Orthopaedic Centre
FBC	Full Business Case
FRR	Financial Risk Rating
ITT	Invitation To Tender issued in July 2011
LRP	Local Representatives Panel

Glossary 2

LTFM	Long Term Financial Model
MOI	Memorandum of Information published in July 2011
Monitor	Independent regulator of NHS Foundation Trusts
NHSCB	NHS Commissioning Board
NHSL	NHS London Strategic Health Authority
NHSSoE	NHS South of England Strategic Health Authority
NHSSWL	NHS South West London
NTDA	NHS Trust Development Agency
OBC	Outline Business Case
OD	Organisational Design
PDC	Public Dividend Capital
SDCCG	Surrey Downs Clinical Commissioning Group
SHA	Strategic Health Authority
SLA	Service Level Agreement