

Extraordinary Trust Board Meeting ('Part 1') - Formal meeting, which is open to members of the public (to observe)

Mon 20 November 2023, 12:00 - 13:00

Virtually, via Webconference

Agenda

Please note that members of the public will be able to observe the meeting, as it will be broadcast live on the internet, via the Trust's YouTube channel (www.youtube.com/channel/UCBV9L-3FLrluzYSc29211EQ).

11-1 To receive apologies for absence

David Highton

11-2 To declare interests relevant to agenda items

David Highton

11-3 To approve the key finance, performance and capacity commitments relating to the "Addressing the significant financial challenges created by industrial action in 2023/24" letter from NHS England (NHSE)

Miles Scott, Hannah Ferris, Sean Briggs

 Key finance, performance and capacity commitments 2023-24.pdf (15 pages)

11-4 To consider any other business

David Highton

11-5 To respond to any questions from members of the public

David Highton

Questions should relate to one of the agenda items above, and be submitted in advance of the Trust Board meeting, to Kevin Rowan, Trust Secretary, via kevinrowan@nhs.net.

Members of the public should also take note that questions regarding an individual patient's care and treatment are not appropriate for discussion at the Trust Board meeting, and should instead be directed to the Trust's Patient Advice and Liaison Service (PALS) (mtw-tr.palsoffice@nhs.net).

To approve the key finance, performance and capacity commitments relating to the “Addressing the significant financial challenges created by industrial action in 2023/24” letter from NHS England (NHSE)

Chief Executive, Deputy Director of Finance (Performance), Chief Operating Officer

The enclosed report provides information on the ‘H2’ Financial and Operational delivery following letter and guidance issued by NHSE on 08/11/23, which highlighted:

- Additional funding of £800m and a reduction in the Elective Recovery Fund (ERF) target by 2%
- Integrated Care System (ICS) being asked to deliver their financial plan whilst maintaining commitments to operations and quality.

To support system working the Trust has proposed only taking the funding needed to offset industrial action costs which is less than the calculated share of the new funds. In return for system support in 2023/24 the Trust is expecting to benefit in 2024/25 through both revenue and capital funding streams.

The Trust has reviewed its financial position and can deliver a breakeven position if the following assumptions are applied;

- £2.0m industrial action costs are funded and there is no further industrial action
- £4.4m benefit from the impact of the ERF baseline change
- £1.6m review of accruals and provisions
- £3.0m further reduction on Divisional month 7 forecast out-turn

This will be delivered whilst maintaining the key performance metrics in cancer, Referral to Treatment (RTT) and Emergency Department (ED).

Which Committees have reviewed the information prior to Trust Board submission?

- N/A (due to the timescale involve)

Reason for submission to the Trust Board (decision, discussion, information, assurance etc.) ¹

To confirm delivery of the financial and operational plan and note the associated risks.

¹ All information received by the Board should pass at least one of the tests from ‘The Intelligent Board’ & ‘Safe in the knowledge: How do NHS Trust Boards ensure safe care for their patients’: the information prompts relevant & constructive challenge; the information supports informed decision-making; the information is effective in providing early warning of potential problems; the information reflects the experiences of users & services; the information develops Directors’ understanding of the Trust & its performance

H2 Financial and Operational delivery

Summary

This report provides information on the H2 Financial and Operational delivery following letter and guidance issued by NHSE on 8 November.

- Additional funding of £800m and a reduction in the ERF target by 2%
- Systems are asked to deliver their financial plan whilst maintaining commitments to operations and quality.

To support system working the Trust has proposed only taking the funding needed to offset IA costs which is less than the calculated share of the new funds. In return for system support in 2023/24 the Trust is expecting to benefit in 2024/25 through both revenue and capital funding streams.

The Trust has reviewed its financial position and can deliver a breakeven position if the following assumptions are applied;

- £2.0m Industrial Action costs are funded and there is no further industrial action
- £4.4m benefit from the impact of the ERF baseline change
- £1.6m review of accruals and provisions
- £3.0m further reduction on Divisional month 7 FOT

This will be delivered whilst maintaining the key performance metrics in Cancer, RTT and ED.

National Position

All ICBs and Providers have been sent a letter addressing the significant financial challenges created by industrial action in 23-24 and immediate actions to be taken. Operational guidance has been issued to reflect the letter.

The letter recognises the ambitious finance plans set for 2023/24 and that plans were not set on the basis of significant ongoing industrial action. The letter recognises the progress made on UEC and elective recovery despite the significant impact of industrial action on patients and staff.

Julian Kelly, NHSE CFO, announced the following actions have been agreed to cover the costs of industrial action and support the financial position;

- £800m of additional funding to systems from a combination of reprioritisation of national budgets and new funding
- Reducing the elective activity target for 2023/24 to a national average of 103%.
- Removing dental budget ringfencing to support the position
- Releasing funds from transformation and service development programmes

The £800m is more than the direct cost of industrial action and therefore it is expected the funding will address other pressures in systems.

By 22nd November all ICBs and providers are asked to agree the steps required to live within their re-baselined system allocation. Systems are expected to meet their financial plan whilst maintaining patient safety and prioritising UEC over winter.

Letters and guidance attached as appendices.

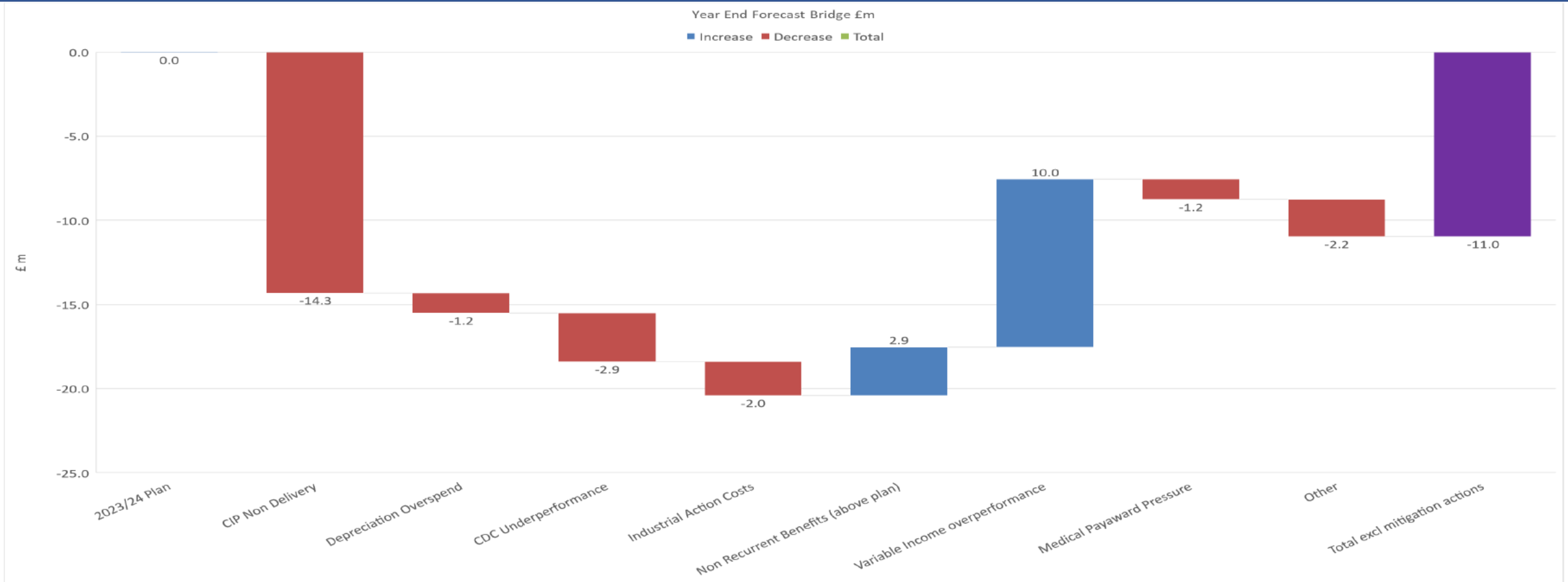
Kent and Medway System Position

The Kent and Medway system will receive £18.4m of the £800.0m allocation. This has been apportioned based on proportion of workforce involved in industrial action. The 'fair share' allocation would have been £30m. The Month 7 financial position for the system is shown in the table below, MFT and EKHUFT are significantly off plan at month 7. No formal forecast movements have been made.

ICS AGGREGATE I&E FINANCIAL PERFORMANCE (BY ORG)						
FINANCIAL POSITION	M7			Year to date (YTD)		
	Plan	Actual	Variance	Plan	Actual	Variance
	£000			£000		
DGT						
EKHUFT						
KCHFT						
KMPT						
MTW	1,014	873	-141	-267	-2,038	-1,771
MFT						
ICB						
Aggregated ICS Financial Position Surplus/(Deficit)						

2023/24 Financial Forecast

Current Year end Forecast (before mitigations)



The current forecast excluding mitigations for the Trust is £11m deficit to the plan of breakeven. This is largely driven by non-delivery of CIP of £14.3m but there are other variances including depreciation £1.2m, CDC underperformance £2.9m, industrial action costs of £2m and other pressures (mainly pay related) of £2.2m. The Medical Pay Award has not been funded fully which is a cost pressure of £1.2m. This is offset by non-recurrent benefits of £2.9m and variable income overperformance of £10.0m

Mitigations / Recovery Actions

Including recovery actions the Trust is forecasting to deliver a breakeven position.

Accruals and Provisions Review- Under IFRS9a annual review of credit risk is required, a annual review of credit risk is required this is estimated to generate a £0.4m benefit. A process to review accruals has been carried out which is estimated to reduce accruals by c£1.2m

National Funding for Industrial Action – It is assumed the YTD costs incurred (£1.95m) is fully reimbursed

Changes to ERF target – The recently published changes to the ERF target (2% reduction) is estimated to increase income by £4.4m

Divisional Recovery Actions – A further £3m improvement to the month 7 year end forecast is required to ensure the Trust delivers a breakeven position. This will include reviewing programme funds and associated underspends.

For context the appendices show that a run rate reduction of £750k per month wouldn't be less than the average spend in months 1 to 7.

	£m				
	Income	Pay	Non-Pay	Non-Operating Items	Total Surplus / (Deficit)
Forecast pre Recovery Actions	-700.9	434.8	251.9	25.1	11.0
Recovery Action					
Accrual and Provision Review	0.0	0.0	0.0	0.0	0.0
National Funding for Industrial Action	-2.0	0.0	0.0	0.0	-2.0
Changes to ERF Targets	-4.4	0.0	0.0	0.0	-4.4
Divisional Recovery Actions	-0.5	-2.0	-2.0	0.0	-4.6
Total Recovery Actions	-6.9	-2.0	-2.0	0.0	-11.0
Revised Forecast Including Recovery Actions	-707.8	432.8	249.9	25.1	0.0

Key Assumptions

Key Assumptions:

- **Winter** - £1.7m has been included for Winter based on the revised priority list. The forecast assumes activity which falls under variable related income (including ERF) will not be affected over the winter period and therefore overperformance will continue
- **Kent and Medway Orthopaedic Centre (KMOC)**– The forecast assumes out patient activity will be delivered in line with the business case but only 1 week of elective operating (reduction of 3 weeks to the business case). Based on the revised KMEOC forecast there is a estimated pressure of c£0.3m however it has been assumed this will be mitigated by recruitment slippage.
- **Industrial Action** – The forecast assumes no further industrial action, based on recent trends if industrial action did occur this will have an adverse impact of c£0.5m per month
- **Annual Leave** - The forecast assumes all annual leave will be taken throughout the year

Risks

- National Changes to accounting for PFI under IFRS16 rules are to be implemented by end of December 2023. Currently the Trust does not know the financial implications of this change.
- Agenda for Change grading review for CSWs not included
- There could be an impact on projects that expected national funding such as Digital Diagnostics and Frontline Digitalisation. The current view is this will not impact Kent and Medway projects.

Next Steps

- Confirm funding for IA is received from Kent and Medway ICB
- Work with Divisions to reduce current forecasts, focus on agency rate and usage reduction
- Confirm if slippage in programme budgets can be retained and the impact on programmes continuing into 24/25
- Confirm status of Digital Programmes

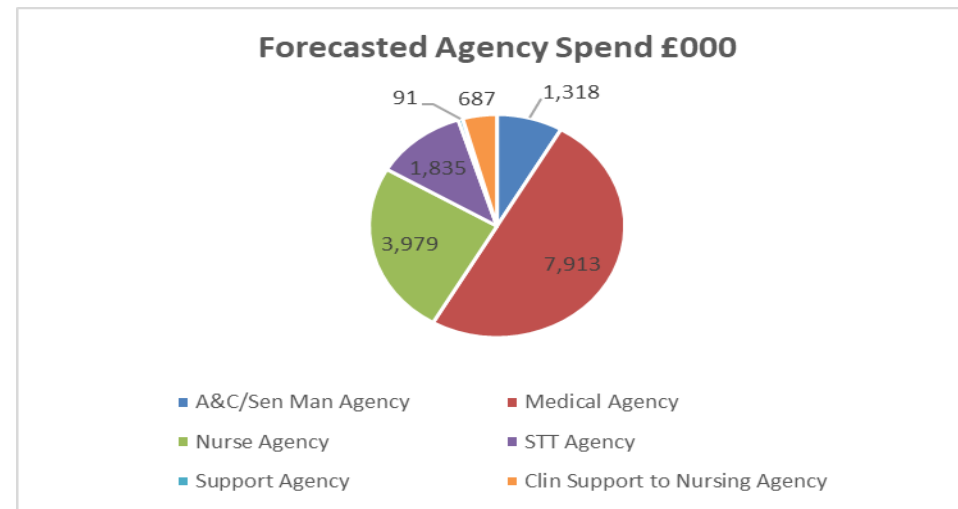
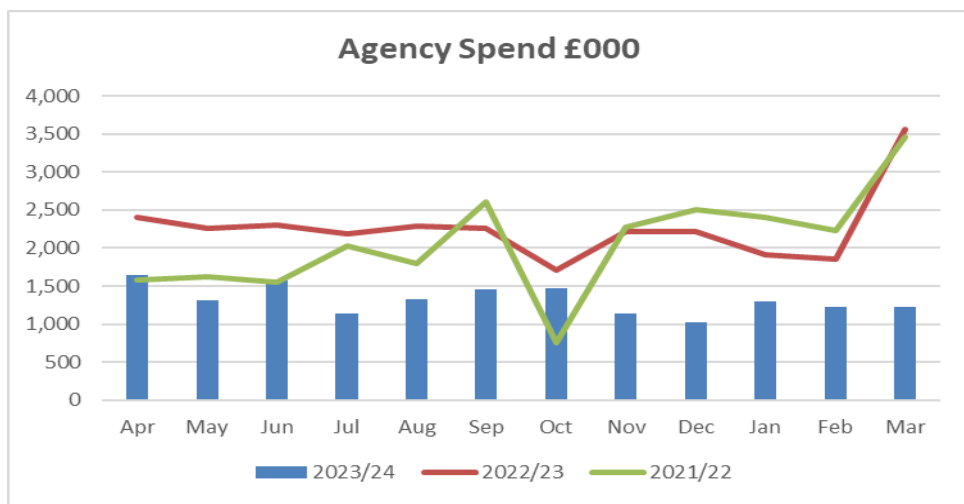
Appendices

1. Agency Spend
2. Run Rate
3. Industrial Action

The Trust is behind on its plan to reduce agency spend however the spend is reducing each month. Additional controls have been introduced which is putting more challenge into agency use, particularly for non-clinical agency.

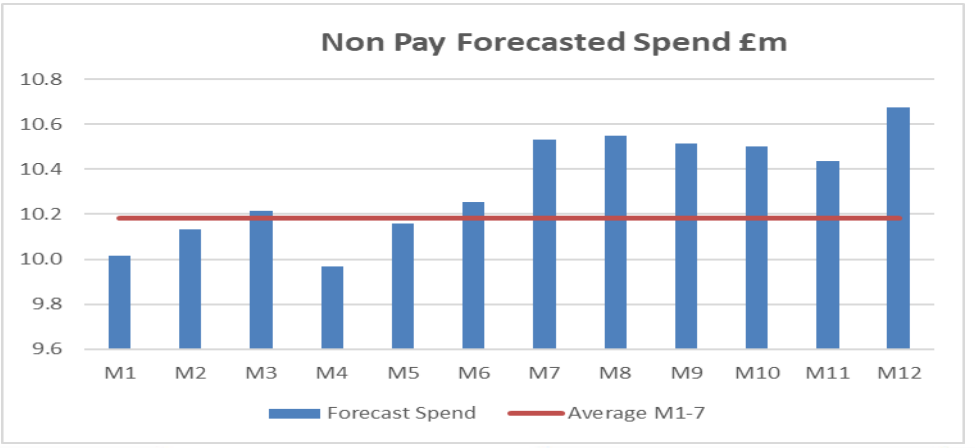
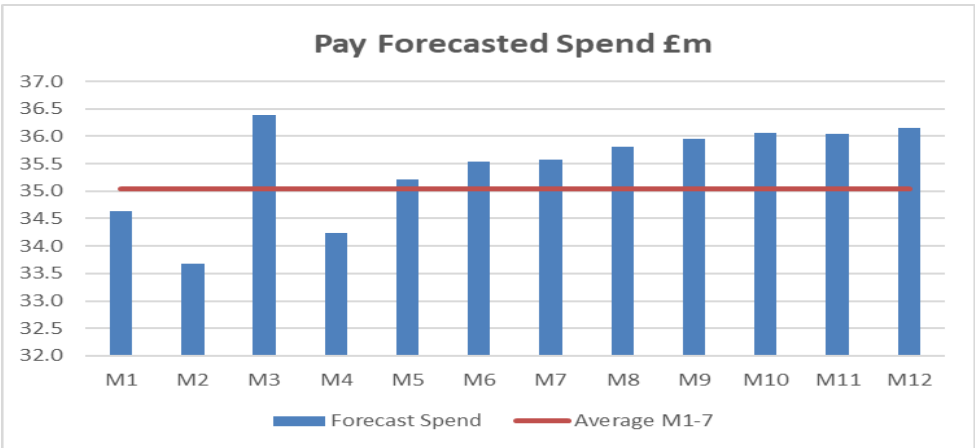
£000

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total (Forecast)	Budget	Variance
A&C/Sen Man Agency	73	133	94	58	100	295	144	102	90	90	70	67	1,318	693	-625
Medical Agency	631	707	797	638	754	518	693	555	537	713	684	683	7,913	5,754	-2,159
Nurse Agency	664	263	390	280	254	441	366	250	187	313	285	285	3,979	3,660	-318
STT Agency	154	157	208	135	169	138	193	160	150	124	124	124	1,835	1,079	-755
Support Agency	22	14	22	-26	23	12	9	15	0	0	0	0	91	170	79
Clin Support to Nursing Agency	104	41	68	56	24	46	58	58	58	58	58	58	687	1,457	770
Total	1,648	1,316	1,578	1,140	1,324	1,451	1,464	1,140	1,021	1,298	1,222	1,218	15,822	12,813	-3,009



The Trust is forecasting to spend c£46.5m per month on pay and non pay related items between November and March (excluding Drugs, CNST and Depreciation). The average run rate spend per month for the first 7 months of the year was £45.4m, the increase of £1.1m per month is in part due to the opening of the CDC and KMOC.

Division	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Forecast	Budget	Variance
Cancer Services	3.4	3.4	3.7	3.5	3.6	3.7	3.6	3.5	3.5	3.4	3.5	3.6	42.3	40.0	-2.2
Core Clinical Services	7.2	6.7	7.0	7.3	7.1	7.6	7.4	7.1	7.3	7.3	7.3	7.3	86.7	85.7	-1.0
Medicine and Emergency	11.3	10.4	11.3	11.1	11.2	11.0	11.1	10.8	10.7	10.7	10.6	10.7	130.8	120.3	-10.5
Surgery	10.1	11.0	11.1	9.7	11.0	11.1	10.2	10.7	10.7	10.8	10.8	10.7	128.0	126.5	-1.4
Womens, Childrens and Sexual Health	4.4	4.1	4.6	4.5	4.6	4.2	4.7	4.6	4.6	4.6	4.6	4.6	54.2	51.8	-2.4
Total Clinical Divisions	36.4	35.6	37.6	36.1	37.4	37.6	37.0	36.7	36.8	36.8	36.8	37.0	441.8	424.3	-17.5
Medical Director	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	5.7	5.9	0.2
Business Support Services	1.9	1.9	2.2	2.0	2.1	1.6	2.1	2.0	2.0	2.0	2.0	2.0	24.0	26.1	2.0
Other Corporate Areas	1.9	1.9	2.1	1.7	1.5	2.0	2.1	2.3	2.2	2.2	2.2	2.1	24.3	24.0	-0.3
Estates	1.1	1.0	0.9	0.9	0.8	1.0	1.1	1.1	1.1	1.2	1.1	1.2	12.6	12.7	0.1
Operations and Facilities	3.5	3.4	3.7	3.5	3.6	3.5	3.8	3.7	3.7	3.8	3.9	3.9	44.0	44.0	-0.0
Total Corporate	8.7	8.7	9.4	8.6	8.4	8.6	9.6	9.6	9.6	9.7	9.7	9.9	110.6	112.6	2.0
Total	45.1	44.3	47.1	44.7	45.8	46.3	46.6	46.4	46.5	46.6	46.5	46.8	552.4	536.9	-15.5
Less Industrial Action Spend	-0.5	0.0	-0.3	-0.5	-0.4	-0.2	-0.1								
Revised Spend	44.6	44.3	46.7	44.2	45.5	46.1	46.4	46.4	46.5	46.6	46.5	46.8	552.4	536.9	-15.5



The level of spend between December and March will need to be reduced by £0.75m per month to £45.75m per month to achieve the £3m run rate improvement target.

The Trust has incurred after 7 months £2m of additional costs relating to industrial action. Additionally to this £2.5m of variable income (including ERF activity) was cancelled during the strikes.

£000

	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Cost (Net of no pay)	460	0	343	470	351	184	144	1,953
Loss of Income (ERF Impact)	671	0	198	775	233	275	345	2,495
Total Impact	1,131	0	540	1,245	584	459	489	4,449

Based on the above trend if industrial action continues it is estimated that c£0.2m of additional spend would be incurred and c£0.3m of income would be lost.