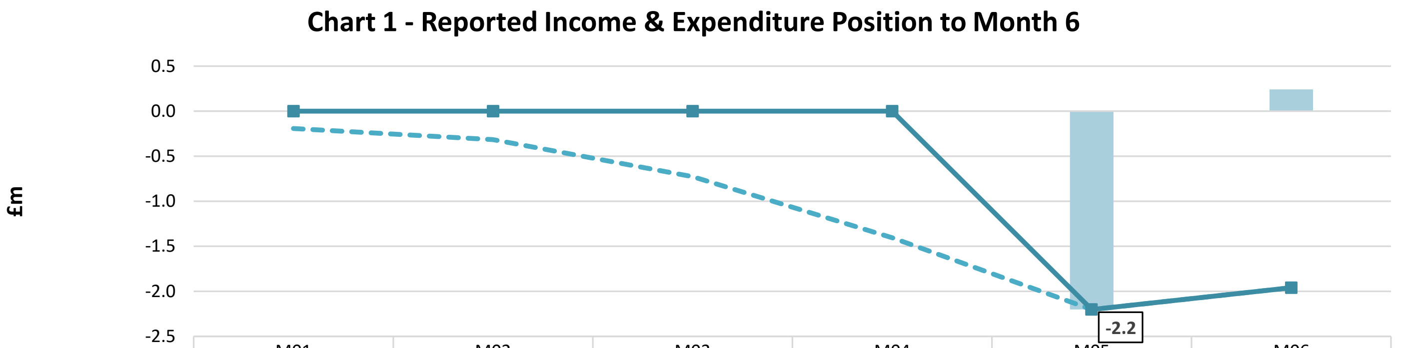
FINANCIAL PERFORMANCE REPORT	MONTH 6

Meeting:	**Board of Directors Meeting in Public**
Meeting Date:	**16 November 2023**
Agenda Item:	**Bo.11.23.30**

1. Summary Year to Date Income & Expenditure Position (£m)

Details	In Month Budget	In Month Actual	In Month Variance	YTD Budget	YTD Actual	YTD Variance	Annual Budget	Year End Forecast	Forecast Variance
Income	46.2	47.6	1.3	279.7	282.5	2.7	559.7	567.9	8.2
Pay	(30.2)	(30.8)	(0.6)	(179.8)	(184.2)	(4.5)	(359.3)	(368.5)	(9.2)
Non-Pay	(18.0)	(17.7)	0.3	(109.5)	(106.5)	3.0	(214.2)	(207.3)	6.9
WRP outstanding	1.9	1.2	(0.7)	9.5	6.3	(3.2)	13.7	7.8	(5.9)
Grand Total	**0.0**	**0.2**	**0.2**	**(0.0)**	**(2.0)**	**(2.0)**	**0.0**	**0.0**	**0.0**



	M01	M02	M03	M04	M05	M06
In Month I&E	0.0	0.0	0.0	0.0	-2.2	0.2
Industrial Action costs	-0.2	-0.3	-0.7	-1.4	-2.2	-2.0
Cumulative I&E	0.0	0.0	0.0	0.0	-2.2	-2.0

Commentary - Reported I&E Position

The Trust has formally reported a year to date deficit position of £2.0m at Month 6. This is a £0.2m improvement on the position reported at Month 5, which reflects a more accurate assesssment of the mitigating impact of salary deductions resulting from the Industrial Action. The Month 6 deficit position now accurately reflects the net YTD impact of the costs of covering the strike days and the associated salary deductions.

The £2.0m deficit is directly reflective of the £2.0m net expenditure incurred to date for the pay costs incurred in relation to the consultants' and junior doctors' industrial action (IA). In Months 1 - 4, BTHFT had been deploying non-recurrent flexibility to offset the IA costs. However, this is no longer sustainable as BTHFT is reliant on these non-recurrent measures to deliver its internal Waste Reduction Target and can no longer offset the cost impact of covering the strikes. This approach is consistent with the other Acute providers in the ICS, which are also reporting deficits relating to the industrial action.

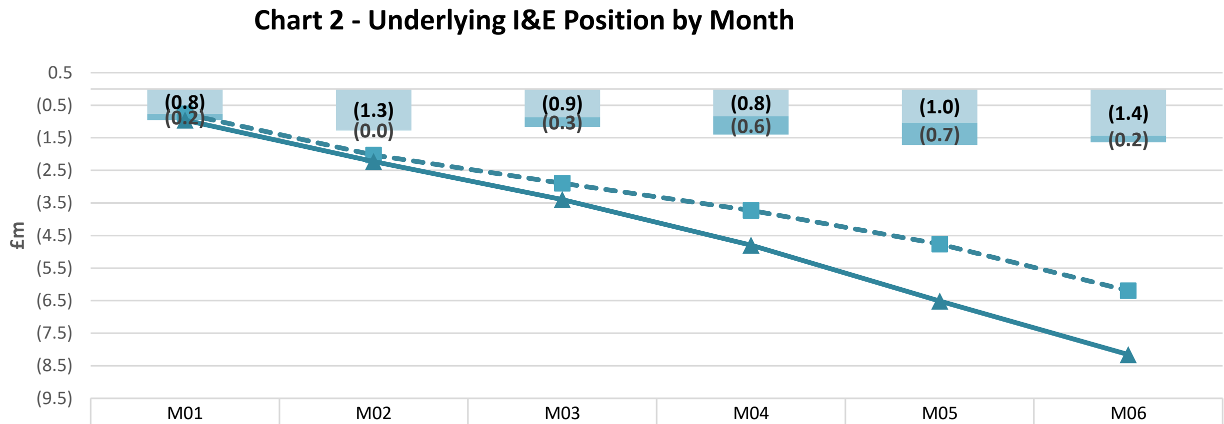
The Trust continues to formally forecast a year end breakeven position for the financial year, which is in line with the plan. This forecast is based on the *unconfirmed* assumption that additional funding will be provided by NHSE to offset all IA related costs. If no national resolution to the IA can be found, the total cost of covering strikes each month until March 2024 would be £4.4m.

The lack of confirmation that the IA costs will be funded represents a significant risk to delivering the formal breakeven forecast. The Trust is making every effort to mitigate these risks through increased financial governance and controls, and increased focus on delivery of the Waste Reduction Programme (WRP). The formal breakeven forecast remains the Trust's objective, however it must be recognised that this is the best case scenario forecast.

The latest internal forecast suggests that even if external funding is provided to offset the IA costs, a year end deficit of £3.6m will be posted and that the Trust will begin to report unmitigated monthly deficits in Quarter 4. There has been a modest response from the organisation's budget holders to the Director of Finance's requests for improved recurrent WRP plans, which improves the forecast by £1.5m compared to last month. However this has been entirely offset by new pressures arising in month to leave the most likely internal forecast unchanged at £3.6m deficit.

Further improvements in WRP plans and non-recurrent mitigations are being actively pursued to mitigate this forecast to deliver the breakeven plan.

2. Underlying Income & Expenditure Position



	M01	M02	M03	M04	M05	M06
Industrial Action - month	(0.2)	(0.0)	(0.3)	(0.6)	(0.7)	(0.2)
Underlying ex IA - month	(0.8)	(1.3)	(0.9)	(0.8)	(1.0)	(1.4)
Underlying ex IA - cum.	(0.8)	(2.0)	(2.9)	(3.7)	(4.8)	(6.2)
Total Underlying - cum.	(1.0)	(2.2)	(3.4)	(4.8)	(6.5)	(8.2)

Commentary - Underlying I&E Position

Visibility of the underlying income and expenditure position, which excludes any non-recurrent technical flexibilities and IA costs, and therefore represents the true scale of the financial challenge the Trust's income and expenditure structure currently represents, is crucial for understanding the financial outlook.

The Month 1 - 5 figures in chart 2 have been re-stated this month to reflect the re-assessment of the non-recurrent IA related salary deductions. The effect is to increase the true underlying run rate deficit by a further £0.13m per month.

The reported YTD position of £2.0m deficit could only be achieved by deploying £6.2m of non-recurrent flexibilities. The true underlying run rate in Months 1 - 6 is a monthly deficit of £1m per month - this is the difference between what the Trust is actually spending each month on a recurrent basis and the external funding it is receiving. This rate of deficit is increasing and is forecast to increase further - the monthly average for months 1 - 4 was £0.9m, whereas the average for months 5 & 6 was £1.2m.

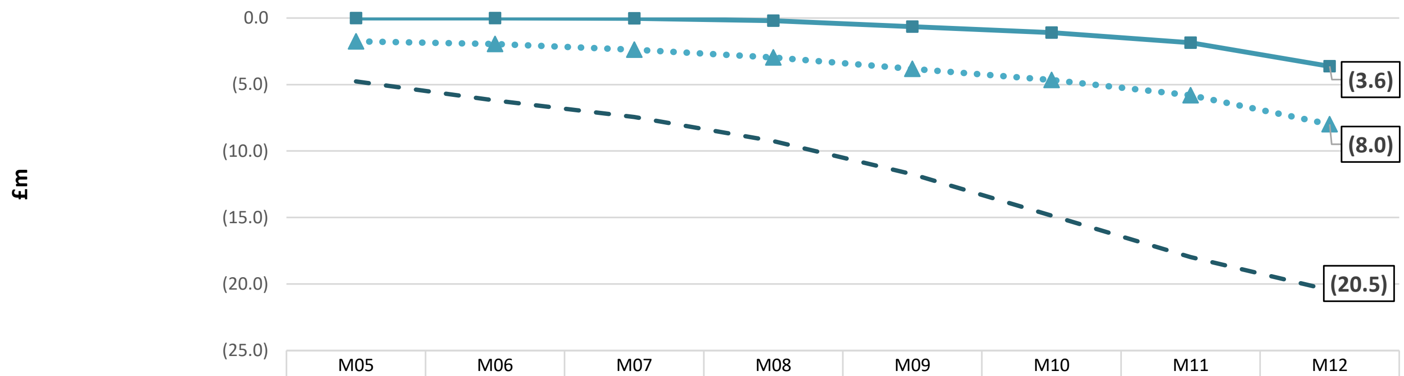
The cumulative underlying deficit at Month 6, excluding the costs of IA cover, is £6.2m. If the IA costs are included, the underlying YTD deficit is £8.2m.

The annual plan anticipated the need to deploy £7.4m of flexibilities to support the financial position up to Month 6, which means the £6.2m YTD deficit is £1.2m better than planned. The plan phased in these flexibilities, totalling £7.8m, in the early months of the year to allow the CSUs time to develop and implement their Waste Reduction Plans increasingly in Quarters 2 - 4 via recurrent and sustainable efficiencies. Delivering this phased plan would deliver a breakeven position for 2023/24 and would phase out the reliance on non-recurrent measures in Half 2, resulting in a sustainable exit run rate heading into 2024/25.

The implications of the underlying run rate deficit are discussed below.

3a. Forecast Income & Expenditure Position 2023/24 - Summary

Chart 3a - 2023/24 I&E Forecast and Exit Run Rate, including IA funding scenarios



	M05	M06	M07	M08	M09	M10	M11	M12
In Month - Underlying ex IA costs	(1.0)	(1.4)	(1.3)	(1.8)	(2.5)	(3.1)	(3.1)	(2.5)
Cum. - no IA funding	(1.8)	(2.0)	(2.4)	(3.0)	(3.8)	(4.7)	(5.8)	(8.0)
Cum. - with IA funded	0.0	0.0	(0.0)	(0.2)	(0.7)	(1.1)	(1.9)	(3.6)
Cum Underlying ex IA costs	(4.8)	(6.2)	(7.4)	(9.3)	(11.7)	(14.8)	(18.0)	(20.5)

In Month - Underlying ex IA costs   Cum. - no IA funding   Cum. - with IA funded   Cum Underlying ex IA costs

Commentary - I&E Forecast

The underlying monthly run rate deficit, excluding IA costs, is forecast to deteriorate materially in the second half of the financial year to be in excess of £2m per month. This is a consequence of planned recruitment into vacancies, notably on internationally recruited nurses, approved investments coming on line, inflationary pressures and the increased costs which are always incurred in the winter months.

The forecast underlying deficit for 2023/24, excluding IA costs, is projected to be £20.5m. A further £9m of non-recurrent flexibilities have been identified to supplement the £8m identified in the original financial plan, providing a total of £17m of non-recurrent support to the I&E position in 2023/24 **(*this is an increase of £1m on the NR measures identified at Month 5)*** . This figure remains insufficient to offset the forecast run rate deficit in totality. It is currently projected that all non-recurrent measures will be exhausted in Quarter 4 and that the Trust will fall into unmitigated monthly run rate deficit at that point, posting a £3.6m year end deficit position. ***This £3.6m forecast deficit is unchanged since the Month 5 forecast.***

In a scenario in which the Industrial Action continues each month until the end of the financial year, **and in which no external funding is provided by NHSE to offset the related costs, the forecast year end deficit would be higher at £8m**. ***The forecast without IA funding has improved by £1.3m from the £9.3m deficit that was forecast at Month 5 as a result of more accurate identification of IA salary deductions.***

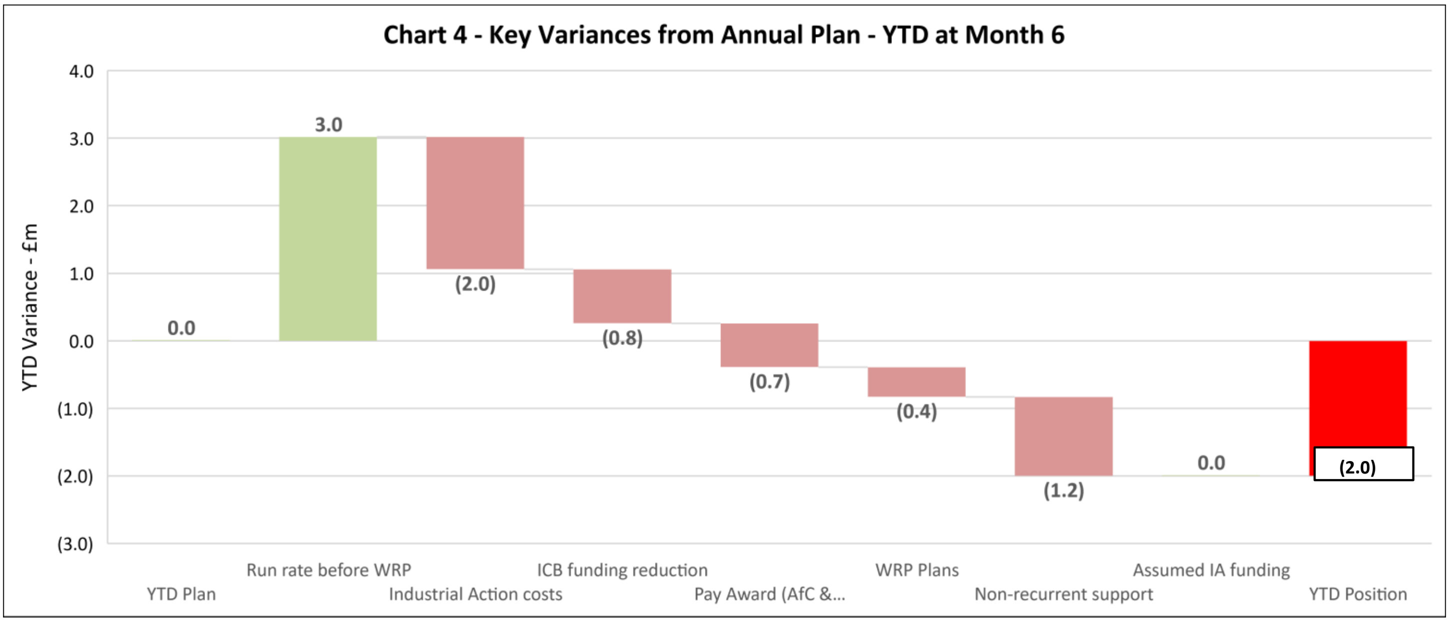
The forecast in month deficit in Month 12 is £2.6m, however this includes the increased winter rates of expenditure and is not therefore fully indicative of the full year run rate for inclusion in the plan for 2024/25. ***It is projected that, without improved WRP delivery, the exit run rate heading into 2024/25 will be £2m per month. This equates to a £24m opening deficit position for next financial year.*** The usual nationally imposed tariff efficiency factors, inflation and other pressures would increase this 2024/25 deficit position to the region of £40m - this would represent an unachievable financial challenge for the Trust.

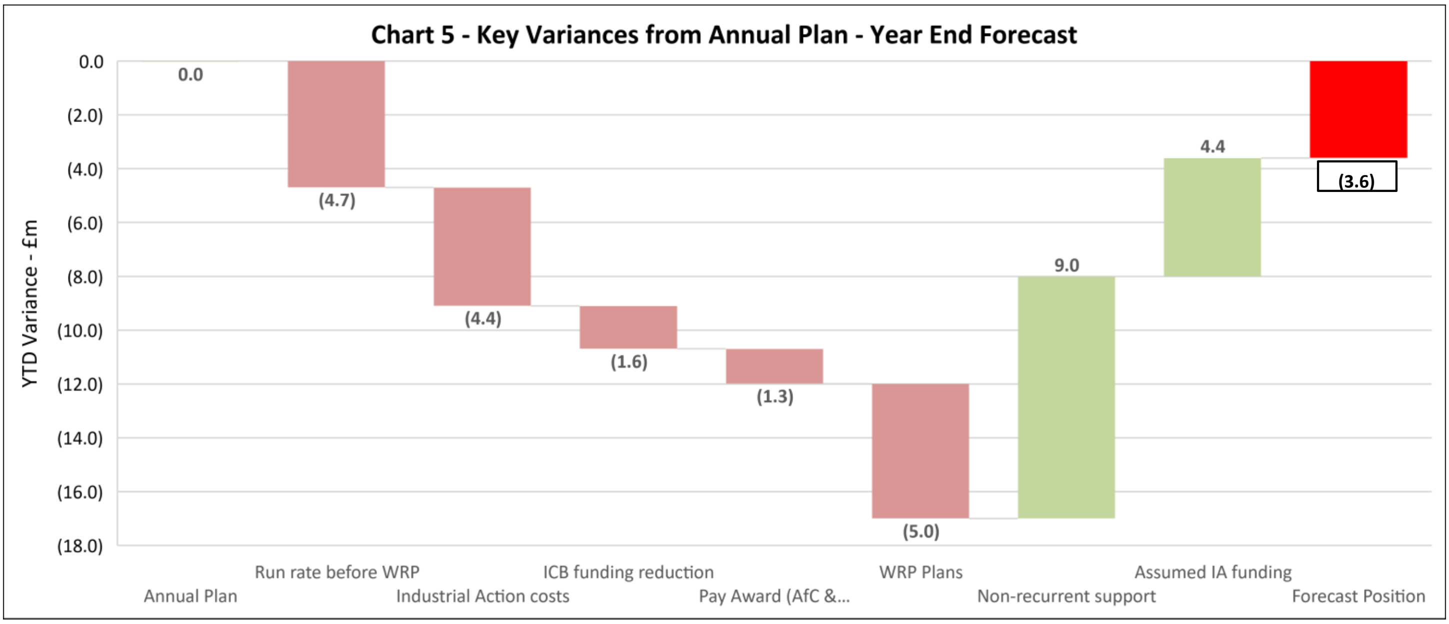
The Trust's financial management focus is now on all budget holders identifying recurrent improvements to their latest forecasts both to mitigate the 2023/24 outlook and to bring the exit run rate down to a more manageable level. This approach is being supplemented by increased financial controls in line with NHSE's mandated measures. The immediate focus is on bridging the £3.6m forecast gap in 2023/24 and the expectation is that the organisation will achieve this, which supports the ongoing breakeven forecast submitted to NHSE, although the £3.6m deficit forecast remains the most likely scenario at present.

The greater challenge will be implementing sufficient recurrent solutions to materially improve the exit run rate forecast and its impact on 2024/25 - it is anticipated that the organisation will have more clarity on this position in Quarter 3 once the impact of the CSU's improved WRP forecasts and the tighter financial controls are better understood.

4. Performance against Annual Plan by Theme (£m)

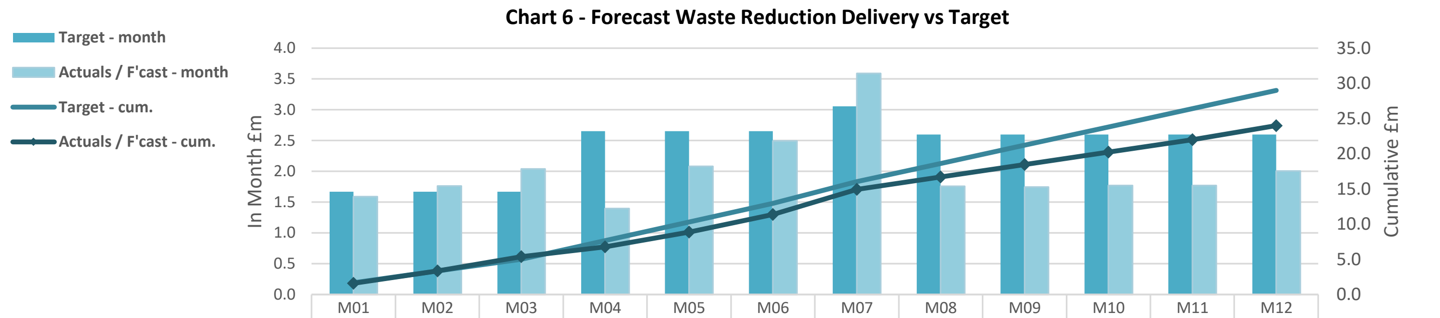
Details	In Month Plan £m	In Month Actuals £m	In Month Variance £m	YTD Plan £m	YTD Actuals £m	YTD Variance £m	Annual Plan £m	F'cast Actuals £m	F'cast Variance £m
Run rate before WRP	(2.7)	(2.3)	0.4	(13.0)	(9.9)	3.0	(29.0)	(33.7)	(4.7)
Industrial Action costs	0.0	0.2	0.2	0.0	(2.0)	(2.0)	0.0	(4.4)	(4.4)
ICB funding reduction	0.0	(0.1)	(0.1)	0.0	(0.8)	(0.8)	0.0	(1.6)	(1.6)
Pay Award (AfC & Medical)	0.0	(0.1)	(0.1)	0.0	(0.7)	(0.7)	0.0	(1.3)	(1.3)
WRP Plans	1.4	1.1	(0.4)	5.6	5.2	(0.4)	21.2	16.2	(5.0)
Non-recurrent support	1.2	1.4	0.2	7.4	6.2	(1.2)	7.8	16.8	9.0
Assumed IA funding from NHSE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4	4.4
Net I&E Position	**0.0**	**0.2**	**0.2**	**0.0**	**(2.0)**	**(2.0)**	**0.0**	**(3.6)**	**(3.6)**



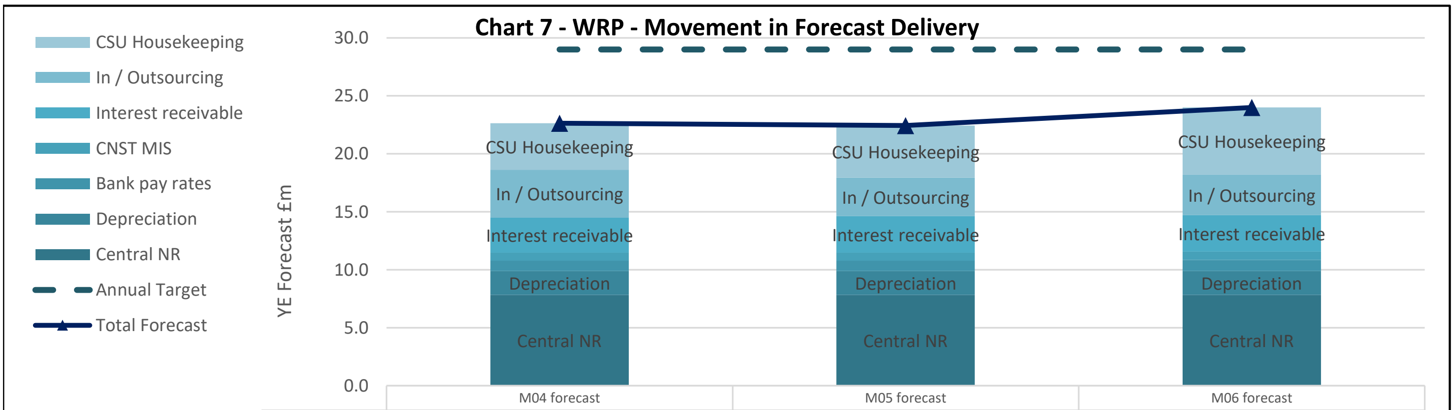


5a. Waste Reduction Programme Summary (£000s)

Scheme Category	In Month Target	In Month Actual	In Month Variance	YTD Target	YTD Actual	YTD Variance	Annual Target	YE Forecast	YE Forecast Variance
Bank rates of pay	125	72	(53)	750	433	(317)	1,500	956	(544)
Centrally managed NR	1,227	1,432	205	7,363	6,195	(1,168)	7,824	7,824	0
CNST MIS	59	59	0	352	352	0	704	704	0
CSU Housekeeping	987	245	(742)	2,962	1,184	(1,778)	8,886	5,793	(3,123)
Depreciation	173	173	0	1,037	1,037	0	2,074	2,074	0
In / Outsourcing		210	210	0	433	433	7,012	3,495	(3,517)
Interest receivable	83	300	216	500	1,720	1,220	1,000	3,150	2,150
Total	**2,654**	**2,491**	**(164)**	**12,964**	**11,355**	**(1,609)**	**29,000**	**23,996**	**(5,034)**



	M01	M02	M03	M04	M05	M06	M07	M08	M09	M10	M11	M12
Target - month	1.7	1.7	1.7	2.7	2.7	2.7	3.1	2.6	2.6	2.6	2.6	2.6
Actuals / F'cast - month	1.6	1.8	2.0	1.4	2.1	2.5	3.6	1.8	1.7	1.8	1.8	2.0
Target - cum.	1.7	3.3	5.0	7.7	10.3	13.0	16.0	18.6	21.2	23.8	26.4	29.0
Actuals / F'cast - cum.	1.6	3.4	5.4	6.8	8.9	11.4	14.9	16.7	18.4	20.2	22.0	24.0



	M04 forecast	M05 forecast	M06 forecast
CSU Housekeeping	4.0	4.5	5.8
In / Outsourcing	4.1	3.3	3.5
Interest receivable	3.0	3.1	3.2
CNST MIS	0.7	0.7	0.7
Bank pay rates	0.9	0.9	1.0
Depreciation	2.1	2.1	2.1
Central NR	7.8	7.8	7.8
Annual Target	29.0	29.0	29.0
Total Forecast	22.7	22.4	24.0

Commentary on Waste Reduction Programme progress 2023/24

At Month 6, the WRP for 2023/24 is projected to deliver £24m of efficiencies, which is £5m below plan. £11.6m of these savings are non-recurrent in nature, leaving a balance of £12.4m of true efficiencies forecast to be delivered in 2023/24.

Overall forecast WRP delivery has increased by £1.6m since Month 5. While this is a positive response, the forecast remains inadequate to offset the pressures identified in Chart 3b. To date the response has has not yet delivered the level of improvements required. The recurrent WRP risk remains broadly unmitigated at the end of of September.

There is a projected £0.5m shortfall against a reduction in the rates of bank pay to align with WYAAT peers. The full implementation of the new rates was delayed until July 2023 and some priority staff groups have remained on the previous higher rates. Progress will be monitored as the year proceeds.

The latest CSU projections suggest a substantial amount of in / outsourcing will continue in Quarters 3 & 4, notably in Theatres, Breast Surgery, Gynaecology and Plastic Surgery. This results in a forecast £3.5m shortfall against the associated £7m WR target. This would be problematic for the exit run rate and 2024/25 financial plan, as the medium term planning assumptions are based on a recurrent £14m cost reduction from these schemes.

The Month 6 version of the CSUs' housekeeping WR plans suggest up to £5.8m of efficiencies will be made in 23/24. This is a £1.3m improvement on the forecasts provided at Month 5, although it remains £3.1m below the £8.9m targets allocated to the CSUs. It should be noted that over £0.7m of plans have been flagged by the CSUs as high risk with low confidence of delivery. This adds further risk into the forecast.

The WRP is now overseen by the Waste Reduction Steering Group, which meets monthly to review progress and to agree actions to progress against corporate targets. The Elective Recovery Group chaired by the COO is overseeing the plans to reduce in / outsourcing and a task and finish group has been established to investigate opportunities to reduce significant overspends against junior doctors bank budgets which may offer a signficant WRP opportunity not curently factored into forecasts. A project to focus on improving nurse rostering processes was initiated in July.

The Executive Management Team has approved an escalation process for the most financially challenged CSUs which will initially be supported by financial performance review meetings chaired by the relevant Deputy Director of Operations and which entails a requirement for regular formal progress updates to be submitted by the CSU Triumvirate to the Director of Finance to provide assurance that the necessary steps are being taken.

5b. Recurrent Impact of Waste Reduction Plans on 2024/25 Outlook

Row Labels	Total Target 23/24	Total Forecast 23/24	Forecast Variance 23/24	FYE Target 24/25	FYE Forecast 24/25	Forecast Variance 24/25
Recurrent	**19,102**	**12,446**	**(6,686)**	**29,076**	**16,604**	**(12,472)**
Bank rates of pay	1,500	956	(544)	1,500	1,046	(454)
CNST MIS	704	704	0	704	704	0
CSU Housekeeping	8,886	4,141	(4,775)	11,849	7,241	(4,608)
In / Outsourcing	7,012	3,495	(3,517)	14,023	6,023	(8,000)
Interest receivable	1,000	3,150	2,150	1,000	1,590	590
Non-recurrent	**9,898**	**11,550**	**1,652**	**0**	**0**	**0**
Non-recurrent flexibility	7,824	7,824	0	0	0	0
CSU Housekeeping	0	1,652	1,652	0	0	0
Depreciation	2,074	2,074	0	0	0	0
Grand Total	**29,000**	**23,996**	**(5,034)**	**29,076**	**16,604**	**(12,472)**

Commentary Recurrent WRP Outlook for 2024/25

The phasing of the main WRP targets in the 2023/24 annual plan was designed to ensure delivery would result in £29m of recurrent cost improvements being carried forward into the next financial year as a result of the cumulative run rate improvements that were required to be put in place in Half 2 of 2023/24. The plan was to ensure the financial challenge in 2024/25 was limited to the new year's national efficiency targets, rather than adding brought forward unmet WRP targets to the 2024/25 I&E planning gap.

The CSUs' Housekeeping targets were phased to deliver £8.9m over the final 9 months of 2023/24 with the recurrent full year run rate improvement in 2024/25 equating to £11.8m. Similarly, the In / Outsourcing reduction target was phased into the final 6 months of 2023/24 - delivering the £7m target recurrently in Half 2 would result in a £14m run rate improvement in 2024/25.

Table 5b shows the recurrent impact on the 2024/25 outlook of both the £5m WRP shortfall forecast for 2023/24 and the over-reliance on non-recurrent measures in the current financial year. If forecast recurrent WRP delivery does not improve in Half 2, a £12.5m I&E planning gap related to undelivered 2023/24 WRP will be carried forward into 2024/25.

6. Agency Expenditure by Month (£000s)

Staff Groups	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	Total Agency Costs
Consultants	113	102	151	115	127	159	768
Other Med staff	8	9	11	24	22	10	83
Nurses & Midwives	204	217	284	274	275	113	1,367
Other clinical roles	109	101	124	152	160	135	782
HCAs	17	34	64	79	66	2	262
A&C / Managers	38	35	58	35	50	54	271
Estates & Facilities	303	178	236	262	308	227	1,515
Total Agency Costs	**794**	**677**	**928**	**941**	**1,008**	**701**	**5,049**
Total Pay Costs	**29,196**	**30,639**	**30,450**	**30,206**	**32,946**	**30,803**	**184,240**
Agency % of Total Pay	**2.7%**	**2.2%**	**3.0%**	**3.1%**	**3.1%**	**2.3%**	**2.7%**

Commentary on Agency Expenditure

Agency costs at 2.7% of total pay costs remain well below the nationally mandated 3.7% ceiling. The spike in August expenditure does not appear to have been sustained into September and may reflect the timing of invoices being received from suppliers.

Forecast full year expenditure of £10.1m is marginally above the locally agreed £9.9m target included in the annual plan.

The nursing agency expenditure is largely driven by vacancies in specific disciplines. The most substantial expenditure is in Renal nursing. A business case was approved in September to increase the substantive renal nursing establishment which will address the agency overspend.

NHSE's Agency Rules mandate that non-clinical agency usage should cease in 2023/24. The Trust is currently reliant on circa 60 agency staff within Estates & Facilitied to provide cleaning, catering and security services. This is being reviewed to ensure non-clinical agency use is managed down to ensure compliance. The business case to recruit into some of these posts substantively was approved at the July Planning Committee.

Administrative and managerial agency staffing costs relate to ad hoc appointments to cover vacancies in admin & clerical / professional roles.