Agenda Item 7

The Queen Elizabeth Hospital King's Lynn
NHS Foundation Trust

Request for Urgent Decision under Standing Order 5 Paragraph 5.2

"5.2 Emergency Powers and urgent decisions

The powers which the Board has reserved to itself within these Standing Orders (see Standing Order 2.7) may in emergency or for an urgent decision be exercised by the Chief Executive and the Chairman after having consulted at least two non-executive members. The exercise of such powers by the Chief Executive and Chairman shall be reported to the next formal meeting of the Trust Board for formal noting. In exercising such powers the Chief Executive and Chairman shall be acting as a committee of the Board."

Title: Approval of Five Year Strategic Plan

Date of request: 14 November 2019 Authorisation needed by: 15 November 2019

Request initiated/referred by: Acting Director of Finance and Resources

1. Summary:

The Trust is required to submit a five year strategic plan covering the period 2019-2024. The Trust Plan will form part of the Norfolk and Waveney STP five year plan that is due to be submitted by 15 November 2019.

Work to develop the Trust's Plan has been on-going since July 2019 and has been previously reported on to the Trust's Finance and Activity Committee. The Board approved submission of a draft version of the Plan under Standing Order 5 Paragraph 5.2 on 23 September 2019. Since the draft Plan was approved, further work has been undertaken to develop a Plan that delivers against the Trust's Financial Recovery Trajectory for the lifetime of the Plan. The Trust has worked with system partners to arrive at this Plan that aligns with key assumptions made by partners and has been adjusted for Trust-specific issues. Table One below details the forecast I&E position as per the proposed Plan.

Table One – Statement of Comprehensive Income 2019 – 2024

	Plan 2019/20 £'000	**Draft Plan 2020/21 £'000**	**Draft Plan 2021/22 £'000**	**Draft Plan 2022/23 £'000**	**Draft Plan 2023/24 £'000**
Income	223,815	202,479	206,583	208,378	211,515
Expenditure	(226,102)	(221,887)	(224,006)	(223,843)	(225,105)
Surplus/(deficit) including PSF/FRF/MRET	**(2,287)**	**(19,408)**	**(17,423)**	**(15,465)**	**(13,590)**
Surplus/(Deficit) excluding PSF, FRF and MRET	**(25,589)**	**(22,941)**	**(20,956)**	**(18,998)**	**(17,123)**
Financial Recovery Trajectory		(19,409)	(17,424)	(15,469)	(13,588)
Variance to Trajectory		**0**	**0**	**0**	**0**

Delivery of the Plan in year's two to four will result in the Trust receiving FRF to match the resulting deficit to bring the Trust to an in-year breakeven position, e.g. delivery of a £19.4m deficit in 2020/21 will result in the receipt of £19.4m FRF.

Key issues to note and for consideration by the Board in relation to the Plan presented above are as follows:

- The Plan includes the following challenging CIP assumptions:

	2019/20	2020/21	2021/22	2022/23	2023/24
Sept 2019 - £'m	6.0	5.9	6.0	3.7	3.7
% of operational expenditure	2.7	2.6	2.6	1.6	1.6
Nov 2019 – £'m	6.0	7.6	8.8	5.2	5.2
% of operational expenditure	2.7	3.3	3.9	2.3	2.3

- The Plan continues to include a requirement to repay the £6.0m of System support at the rate of £1.5m per annum from 2020/21.
- The Plan includes no contingency. Removal of this was required by NHSE and NHSI.

In order for the Trust to be able to meet its financial recovery trajectory in its November 2019 submission, it includes for 2020/21 £2.3m of transformational savings. Similar assumptions have been made for the remaining years of the Plan. It has been agreed with NHSE and NHSI via the System that should the Trust be unable to deliver these additional savings, the System will have access to its share of the 0.5% regional contingency which is built into system trajectories which will be allocated to the Trust in order to deliver its financial plan.

Additional information on the development of the Trust's Plan, the System Plan and principles for accessing the regional contingency is included in the attached Finance and Activity Committee report.

Approval is now sought to submit the Trust's Plan to Norfolk and Waveney STP for onward submission to NHSE and NHSI in-line with 15 November 2019 deadline.

2. Policy Implications:
The Trust is required to have a five year financial plan is a requirement of the NHS Long Term Plan. All STPs should have an agreed five year strategic plan by November 2019.

3. Financial Implications:
There are no direct cost implications related to this item.

4. Risk Assessment:
The development of a five year financial plan that demonstrates an improving financial positon provides a control against the risk of the Trust being financially unsustainable.
The challenge to deliver the Plan is significant. Work will continue within the System to identify transformational schemes that will support both the Trust and the System to reduce its cost-base.

5. Reason why matter is urgent
In line with national timelines, Norfolk and Waveney STP is required to submit a five year system plan for review by NHSE and NHSI on 15 November 2019. Because of the nature of this submission there is a requirement that the Trust's Plan is considered and approved by the Trust Board prior to submission.

6. Consultation
None required.

7. Recommendations: The Chair and Chief Executive on behalf of the Board authorises the issue of the Trust's draft five year strategic to Norfolk and Waveney STP for inclusion in the STP five year strategic Plan. .

Authorised by:

Chief Executive/ Director	Signature Date -
Chair	Signature Date -

To be reported to the Board on 26 November 2019

Report to the F&A Committee

RESPONSIBLE DIRECTOR:	REPORT FOR:		IMPACT ON BUSINESS:		
	Decision		High	Med	Low
Liz Sanford, Acting Director of Finance and Resources	Consideration	√	√		
	Information	√			
LEAD MANAGER:	**REPORT TYPE:**		**BAF REFERENCES & RAG:**		
Toby Cowper, Assistant Director of Finance – Financial Management	Strategic	√			
	Operational				
	Governance				
	IMPLICATIONS:		**RELATED WORK: (PREVIOUS PAPERS TO BOARD/COMMITTEE)**		
	Patient Care/Safety/ Experience				
	Finance	√	Finance and Activity Committee – October 2019, agenda item 8		
	Workforce				
	Policy				
PEER ASSIST (inc. clinical engagement):	**PEER REVIEW:**				
CQC Domain: (safe, caring, effective, responsive, well-led, use of resources)	Well-Led and UoR				

Meeting Date: 19 November 2019

Report Title: Update on the Trust Five Year Financial Plan and System Long-Term Plan

PURPOSE:
To update the Committee on the development of the System's and Trust's five year financial plan
SUMMARY:
<u>Introduction</u> As previously reported to the Finance and Activity Committee, work is in progress on developing a five year financial for the Trust which in turn will form part of the Norfolk and Waveney STP's (the System's) five year strategic plan. The System Plan forms part of the implementation of the Long Term Plan (LTP). The draft five-year System Plan was submitted for NHSE and NHSI review on 27 September 2019. A final version of the Plan has to be agreed by 15 November 2019. On 9 September 2019, the System received notification from the Regional Director of Finance, NHSE and NHSI, of its planned financial recovery trajectory. This sets trajectories for individual organisations to meet in order to deliver the required System position by 31 March 2024. This paper provides an update on: • Detail of the Trust's draft five year plan and alignment to its financial recovery trajectory; and • Detail of the STP's draft five year plan and alignment to its financial recovery trajectory.

Trust Draft 5 Year Financial Plan: 2018 -2024

Working with the System, the Trust submitted a draft five year plan in-line with 27 September deadline. This was based on forecast outturn position for 2019/20 and modelled around a set of common assumptions that have been applied to all organisational plans within the System. These assumptions included:

Key assumptions – Income

- 4% growth assumed across life-time of Plan. This is based on planned CCG growth as per NHS England CCG allocations
- A QIPP assumption of 3%.

Key assumptions – Expenditure

- Pay and pension costs have been uplifted by 2.9% across the life of the Plan.
- Drugs costs increased by 4.1% across the life of the Plan.
- Other operating expenditure increased by 2.0% across the life of the Plan.
- CNST costs increased by 5% across the life of the Plan.

Table One below details the Trust's forecast I&E position as per the proposed draft Plan. Variance to the financial recovery trajectory as issued to the Trust on 9 September is also included.

Table One – Statement of Comprehensive Income 2019 – 2024

	Plan 2019/20 £'000	**Draft Plan 2020/21 £'000**	**Draft Plan 2021/22 £'000**	**Draft Plan 2022/23 £'000**	**Draft Plan 2023/24 £'000**
Income	223,815	200,744	205,799	208,650	212,976
Expenditure	(226,102)	(227,223)	(228,835)	(229,512)	(231,438)
Surplus/(deficit) including PSF/FRF/MRET*	**(2,287)**	**(26,479)**	**(23,036)**	**(20,862)**	**(18,462)**
Surplus/(Deficit) excluding PSF, FRF and MRET	**(25,589)**	**(30,012)**	**(26,569)**	**(24,395)**	**(21,995)**
Financial Recovery Trajectory	N/A	(19,409)	(17,377)	(15,420)	(13,600)
Variance to Trajectory		**(7,070)**	**(5,659)**	**(5,442)**	**(4,862)**

The Trust's planned income for 2020/21 assumes a reduction of £6.0m System support income which is included in the 2019/20 income assumption. Likewise, the requirement to repay this System support is reflected in planned expenditure at £1.5m per annum from 2020/21.

The System Plan submitted on 9 September is shown in Table Two below:

Table Two – Statement of Comprehensive Income 2019 – 2024

	Plan 2019/20 £'m	**Draft Plan 2020/21 £'m**	**Draft Plan 2021/22 £'m**	**Draft Plan 2022/23 £'m**	**Draft Plan 2023/24 £m**
Provider Income	1,337	1,384	1,437	1,476	1,521
Provider Expenditure	(1,411)	(1,499)	(1,546)	(1,582)	(1,620)

Surplus/(deficit) including PSF/FRF/MRET*	**(74)**	**(115)**	**(109)**	**(106)**	**(100)**
Commissioner Surplus/(Deficit) including CSF	0	7.5	7.6	8.2	8.5
System Surplus/(Deficit)	**(74)**	**(107)**	**(102)**	**(98)**	**(91)**
Financial Recovery Trajectory		(52)	(42)	(33)	(25)
Variance to Trajectory		**(55)**	**(60)**	**(65)**	**(66)**

Regulator Response to Draft Plan

A review of the draft System Plan was held with NHSE and NHSI on 8 October 2019. The initial feedback from this meeting was that it was supportive and constructive in nature. However, the scale of the gap to financial recovery trajectory was a cause of concern.

As at 11 October, the System's response to Regulator feedback was to increase the CIP requirement for all providers across the lifetime of the Plan and increase QIPP by a further 0.5% to 4.5% in total.

Whilst this closed the system gap by a significant margin, further adjustments have been required to be made which have had the impact of increasing the gap overall:

- Commissioners were required to ensure that growth in mental health, community and primary care and CHC all met or exceeded the percentage growth in CCG allocation each year. The percentage growth in spend on acute services and prescribing was then required to be adjusted to off-set this growth. QIPP assumption increased to 4.9% (from 4.5% in previous iteration) – £1.3m impact on Trust income.
- Removal of all contingency from organisational plans: the Trust had included £1.0m of contingency within its Plan. Commissioner contingency of £3.0m has been redistributed across provider plans. The System view is that all contingency budgets are being held centrally by the regional NHSI/E office via the 0.5% stretch target that has been set.
- Increased CIP requirement: all providers have been requested to include a minimum 3% for years 2 and 3. In addition to this, the System has identified system-wide efficiency schemes and indicated an expected value that each organisation should benefit from. Savings are expected from the following areas: sharing back office functions, workforce reductions and estates savings. At this time the Trust has not included agency savings identified as part of this exercise as they are likely to be a double-count of those already included within the Trust's own CIP assumptions. The change in CIP assumptions are detailed below:

Table 3 – 5 Year Plan CIP Assumptions

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Sept 2019 - £'m	6.0	5.9	6.0	3.7	3.7
% of operational expenditure	2.7	2.6	2.6	1.6	1.6
Nov 2019 – £'m	6.0	7.6	8.8	5.2	5.2
% of operational expenditure	2.7	3.3	3.9	2.3	2.3

Following the adjustments noted above, the Trust's revised position is shown in Table 4 below:

Table 4 - Statement of Comprehensive Income 2019 – 2024 (1 November 2019)

	Plan 2019/20 £'000	Draft Plan 2020/21 £'000	Draft Plan 2021/22 £'000	Draft Plan 2022/23 £'000	Draft Plan 2023/24 £'000
Income	223,815	202,478	206,583	208,377	211,516
Expenditure	(226,102)	(224,568)	(224,204)	(223,861)	(225,086)
Surplus/(deficit) including PSF/FRF/MRET*	**(2,287)**	**(22,090)**	**(17,621)**	**(15,484)**	**(13,570)**
Surplus/(Deficit) excluding PSF, FRF and MRET	**(25,589)**	**(25,623)**	**(21,154)**	**(19,017)**	**(17,103)**
Financial Recovery Trajectory	N/A	(19,409)	(17,424)	(15,469)	(13,588)
Variance to Trajectory		**(2,681)**	**(197)**	**(15)**	**18**

The Trust's Plan continues to include a requirement to repay the £6.0m of System support at the rate of £1.5m per annum from 2020/21.

The System Plan is shown in Table 5 below:

Table 5 – System position by provider to Financial Recovery Trajectory (1 November 2019)

Financial Plan (Latest Submission - V11 - Updated @ 1st November 2019)

	2020/21			2021/22			2022/23			2023/24		
	Req'd Trajectory	Current position	Var	Req'd Trajectory	Current position	Var	Req'd Trajectory	Current position	Var	Req'd Trajectory	Current position	Var
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
JPUH	0.2	(4.5)	(4.7)	1.1	(3.3)	(4.4)	1.1	(1.0)	(2.1)	1.1	1.1	0.0
NNUH	(37.3)	(46.2)	(8.9)	(32.1)	(44.0)	(11.9)	(27.5)	(41.0)	(13.5)	(22.9)	(36.3)	(13.4)
NSFT	(1.2)	(1.2)	0.0	(0.1)	(0.1)	0.0	1.3	1.3	0.0	1.4	1.4	0.0
NCHC	(1.5)	(1.5)	0.0	(1.0)	(1.0)	0.0	(0.3)	(0.3)	0.0	0.4	0.4	0.0
QEH	(19.4)	(22.1)	(2.7)	(17.4)	(17.6)	(0.2)	(15.4)	(15.5)	(0.1)	(13.6)	(13.6)	0.0
CCGs	7.4	7.4	0.0	7.7	7.7	0.0	8.1	8.1	0.0	8.5	8.5	0.0
Total	**(51.8)**	**(68.1)**	**(16.3)**	**(41.8)**	**(58.3)**	**(16.5)**	**(32.7)**	**(48.4)**	**(15.7)**	**(25.1)**	**(38.5)**	**(13.4)**

The gap to trajectory remains an issue for NHSE and NHSI. A proposal for bridging the gap has been made which is based around the System having access to its share of the 0.5% regional contingency which is built into system trajectories. The following principles have been set out by NHSE and NHSI and are expected to apply to the regional contingency:

- The contingency will be unallocated as of April 2020, i.e., have no prior commitments against it;
- Requests to draw down from the contingency will be by request of an ICS / STP to the monthly meeting of Regional Leadership / System Accountable Officers meeting;
- The proportion of the regional contingency, equivalent to the System's contribution will be available for use by the System with no charges or penalties for its use. Any requirement for funding in excess of this contribution may be subject to sanctions / penalties yet to be decided (see below); and
- Use by the System of an amount equivalent to its original contribution will not be unreasonably withheld subject to a clear explanation of the issue giving rise to the request, the actions taken by the system to address locally as well as formal assurances that the system will not require further financial support during the remainder of the year. The system will also be required to commit, during planning, to reinstate the amount being requested to ensure the full contingency

is available in the following year.

Penalties will be applied if support is needed in excess of the System's share of the contingency, the nature of the penalties has yet to be confirmed but are likely to include:

- All future investments / developments being subject to scrutiny and approval by the Regional Leadership / System Accountable Officers meeting; and
- System forfeiting all FRF/CSF applicable to it.

The System has made clear in its discussions with NHSE and NHSI that the System contingency is likely to be needed to manage its financial risks.

Work will continue to manage the gap to the trajectory through transformation plans that will need to be developed over the next four months. If these plans fall short, use will be made of the contingency. In the Trust's case, following other expenditure adjustments made as a result of regional review, this would be access to £2.3m to bring it to a breakeven plan with the receipt of £19.409m of FRF. This is reflected in the 15 November 2019 submission detailed in Table Six below.

Table 6 – 5 Year Plan submission – 15 November 2019

	Plan 2019/20 £'000	**Draft Plan 2020/21 £'000**	**Draft Plan 2021/22 £'000**	**Draft Plan 2022/23 £'000**	**Draft Plan 2023/24 £'000**
Income	223,815	202,479	206,583	208,378	211,515
Expenditure	(226,102)	(221,887)	(224,006)	(223,843)	(225,105)
Surplus/(deficit) including PSF/FRF/MRET*	**(2,287)**	**(19,408)**	**(17,423)**	**(15,465)**	**(13,590)**
Surplus/(Deficit) excluding PSF, FRF and MRET	**(25,589)**	**(22,941)**	**(20,956)**	**(18,998)**	**(17,123)**
Financial Recovery Trajectory		(19,409)	(17,424)	(15,469)	(13,588)
Variance to Trajectory		**0**	**0**	**0**	**0**

Delivery of the Plan in year's two to four will result in the Trust receiving FRF to match the resulting deficit to bring the Trust to an in-year breakeven position, e.g. delivery of a £19.4m deficit in 2020/21 will result in the receipt of £19.4m FRF.

Implications: Financial / Policy:

Strategic / External	Operational	Financial	Clinical	Legal/ Regulatory	Reputational / Patient Experience	Workforce
√	√	√		√		

RECOMMENDATION/S:

- To note the Trust's proposed five year financial plan presented as at 14 November 2019.