

East Kent Hospitals Update for Health Overview and Scrutiny Committee
Financial Performance Update: February 2024

1. Purpose

1.1 To provide an update to HOSC on the Trust's financial recovery plan and Cost improvement programme for the next financial year.

2. Background

2.1. East Kent Hospitals University NHS Foundation Trust (EKHUFT) has five hospitals: three Acute Hospital sites (William Harvey, Ashford; Queen Elizabeth The Queen Mother, Margate; Kent and Canterbury, Canterbury), two Community Hospitals (Buckland Hospital, Dover; Royal Victoria, Folkestone), and a number of community clinics including an Outpatient diagnostic centre (Estuary View, Whitstable).

2.1. The Trust receives the majority of its funding to provide patient care from its commissioners NHS Kent and Medway and for some specialist services from NHS England. This is separate from capital funding which is required for managing the trust's estate.

2.2. During the Covid-19 pandemic, the usual financial arrangements within the NHS were suspended and the Government provided emergency funds to support the response to it. The NHS has reintroduced pre-pandemic financial arrangements which include the requirement to meet agreed end of year targets and deliver a cost improvement programme.

2.3. The Trust has historically struggled to meet its end of year financial targets. This is not where we want to be and is not acceptable for our patients, staff or the public. The Board is focussed on a long-term plan of stabilising the organisation's finances, embedding best practice in financial management and having sustainable cost improvement plans which also improve patient care and experience. To do this the Trust has the help of an experienced interim finance director and a package of support funded by NHS England.

3. Financial performance in 2023/24

3.1. The Trust's original financial plan for 2023/24 was to deliver a £72m deficit. The Trust was not meeting this target and brought in a number of measures to address this growing deficit including an independent detailed analysis of its cost pressures, processes and cost improvement plans.

3.2. At the February Board meeting, a forecast year end deficit of £117.4m was agreed. This forecast was discussed and has been acknowledged by NHS England.

3.3. This forecast position includes £13.1m of improvements made to the Trust's underlying run rate, which is a stretching savings target to deliver in three months. The Trust has cost pressures associated with treating more patients over winter (£3.5m), the financial impact of industrial action (£1.9m), additional costs required to manage the Trust's endoscopy backlog (£1.9m), and other risks that impact the Trust's year end position (£2.0m).



- 3.4. At the end of month nine, the Trust's deficit was £84m, which is in line with the agreed end of year forecast.
- 3.5. This is a significant deficit, however, the measures the Trust is taking, for example on controlling agency spend and vacancies are starting to show some early signs of improvement. For example, spend on pay in December was £49.9m), the lowest it has been since April 2023.
- 3.6. Whilst we expect pay to have increased in January due to the impact of industrial action, pay spend in both November (£50.9m) and October (£50.4m) was less than the average monthly spend (£51.4m) in the first six months of the current financial year, showing the start of a trend of financial improvement at the Trust.

4. Cost Improvement Plan for 2024/25

- 4.1. Tackling our financial performance, reducing our deficit and increasing cost savings whilst improving the services we provide, have been identified among the priorities for the Board for the coming year. This includes a necessarily ambitious target of £49m of cost improvements to deliver next year. Cost improvement projects will be signed off before the end of this financial year, to enable full delivery in 2024/25, and undergo quality impact assessments to safeguard patient care and outcomes.
- 4.2. The Trust wide Cost Improvement Programme (CIP) is an annual process for identifying potential cost efficiency projects across all services. Staff engagement is integral to this work.
- 4.3. The Trust's focus on reducing waiting lists and improving performance has a positive impact on its finances as well as on patient experience. For example, making sure our theatres are used effectively so we can operate on more patients and patients are not staying in hospital when they no longer need to be there, which also reduces a patient's risk of becoming less mobile or acquiring infection.
- 4.4. We also need to work within our planned workforce numbers. For example, the February Board heard how staff had managed to not have any patients being cared for in the emergency department corridor. Not only is this better for patients, it saves money because we do not need to bring in high cost agency staff to care for patients in those areas.
- 4.5. One of the key drivers of the underlying deficit, was a significant increase in bank (£20m) & agency (£17m) staff, despite also significantly increasing substantive staff by 1,649 Full Time Equivalent (FTE) (£164m). We are reviewing how we are using our workforce to ensure that staff are in the right place and we are not using high-cost agency staff unless necessary. We have also introduced a non-pay panel to scrutinise purchases and ensure we are getting best value for money.

5. Working with health and social care partners

- 5.1. We are working with our partners within the Kent and Medway Integrated Care System to improve patient care. We still have too many patients remaining in hospital who no longer need acute hospital care which is not good for patients and has a significant financial impact as we need to staff escalation areas and it limits our ability to create "flow" through the hospital.
- 5.2. We need to ensure that patients are being cared for in the right place, which means doing everything we can to stop patients from being delayed in leaving hospital but also by working with our partners to increase options for out of hospital care.



5.3. We acknowledge that the forecast deficit figure is not acceptable and there still remains much more the Trust needs to do to tackle this and look ahead to the next financial year, with the primary focus on providing the best care for our patients.

6. Recommendation

It is recommended that the Committee consider and note the report.

