

28th October 2020

OUR COVID RESPONSE: CONSULTATION ON POSSIBLE REDUNDANCIES

Last week, we wrote to all of you setting out why we needed to explore the possibility of voluntary redundancy and potential requests to reduce working hours. This was part of our ongoing response to the impacts of Covid-19 – a disease that has brought arguably the greatest challenge in Trinity's 35 year history but a response from all of you which has been inspiring.

You will remember, unfortunately, that we are expecting to lose at least £1.5m this year with potential further losses in up to the next two to four years. Whilst we can ride through the storm better than some, 'doing nothing' was not an option.

Importantly, any actions which we would take in the coming weeks were to ensure our ability to remain 'Covid-Responsive' playing our full part in any second peak/ winter pressures crisis and over the coming months. We also had obligations to our supporters who tirelessly raise valuable funds, and to future beneficiaries. We must ensure that the hospice can respond to their needs in future years. This meant flexibly responding where demand has fallen away and utilising new ways of working or new insights gained during Covid to work differently without adversely impacting our core services.

Good take up on Voluntary Redundancy but not enough

In last week's letter, we set out why we planned to present further proposals today on our Covid-response. These proposals were dependent on the initial uptake in voluntary redundancy requests. We have had considerable interest and we have already accepted six requests and are continuing to explore others. These actions have helped us avoid uncertainty for some staff who may have found themselves in a consultation process.

At this stage, unfortunately, a small number of posts remain potentially at risk of compulsory redundancy

However, at this stage, the above offers have not avoided the need to now move to a formal consultation concerning a small number of possible staff changes in the following remaining areas:

- Housekeeping;
- Fundraising & Communications;
- Day Therapy Services,
- Catering;
- Clinical Education
- Brian House

We will be consulting with colleagues who are potentially affected by any proposals over the next two weeks.

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During that time, we will continue to leave open to all staff the offer to explore voluntary redundancy. We will also continue to explore the requests to reduce hours in the expectation that we may be able to further reduce the numbers of possible compulsory redundancies by the time final decisions are taken following the consultation period.

At this stage, the combined accepted voluntary redundancies along with the above proposals potentially identify approximately £500,000 of staff cost savings per year. This is in addition to the £200,000 of annual overhead cost savings we have also identified.

You can find out more about the proposed changes and their rationale by watching David Houston's explanatory video, reading the FAQs, or accessing the consultation documents which can be found here:

www.trinityhospice.co.uk/staff-information-october-2020/

We are all sorry that the prolonged Covid-crisis has led to this very difficult decision. We will do all we can in the coming weeks to support those who now find themselves in an uncertain place pending the outcome of the formal consultation stage and our ongoing consideration of voluntary redundancy requests and reduced hours. We are equally mindful that this news will unsettle many staff just at a time when things are ramping up in the fight against Covid.

Unlike many hospices, we have left these actions as late as we could in the hope that a vaccine or further sufficient government financial support might be forthcoming and we have topped up salaries for staff on furlough for as long as we could. Further delay now only brings greater uncertainty when the majority of colleagues need to feel a sense of security to give of their best as we move closer to a second Covid-peak. Given this, please do be mindful and supportive to colleagues who are in the position of formal consultation and 'at risk'.

Sadly, like all other hospices in the UK, we must now take further action to ensure our ability to keep serving our community. Thank you for everything you are doing and your understanding. If you have any concerns, please speak to your line manager, the HR Department or contact the Chief Executive.

Yours sincerely

Nigel Law
Chairman

David Houston
Chief Executive

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APPENDIX THE RATIONALE FOR CHANGE

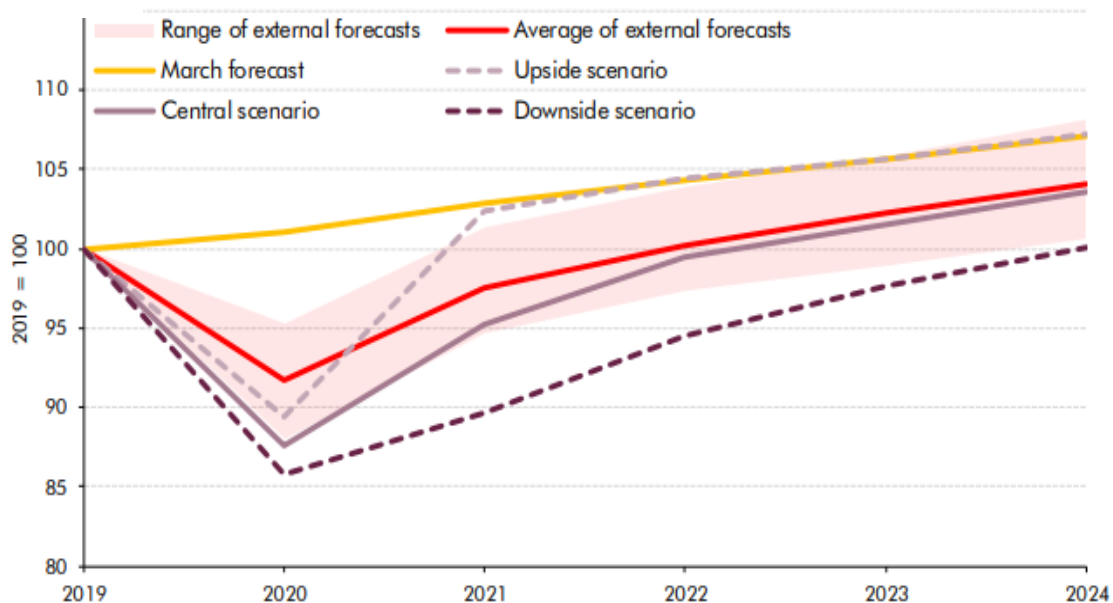
Covid-19 has brought arguably the greatest challenge in Trinity’s 35 year history. The financial implications for many businesses and charities are enormous, putting at risk their ability to deliver their ongoing purposes. Trinity is fortunate to have pre-Covid reserves so we can ride through the storm. Nevertheless, we also have obligations to our supporters, and our existing and future beneficiaries, to remain agile and responsive in this new ‘Covid-World’ so the hospice can confidently play its full part over the coming months and years.

To this end, we have modelled three economic scenarios (‘upside’; ‘central’; ‘downside’) based on those provided by the Office for Budget Responsibility in July 2020. The scenarios are driven by the extent and length of the economic downturn; the likelihood of an effective and timely vaccine/other health interventions; and, the extent of structural damage (‘scarring’) to the economy, unemployment, consumer confidence and levels of consumption.

OBR Scenarios and likely Impact on Fundraising and Income

The graph below sets out the expected economic impact in the three OBR scenarios:

Figure 1: Medium-term real GDP: scenarios versus March and external forecasts



Source: HMTreasury, OBR

In all three scenarios, it is assumed that a free trade agreement is successfully agreed with the EU. The consequent levels of unemployment and falls in consumer spending are in the range 9%-14%. The overall cumulative fall in GDP is comparable to that for the whole of the decade of austerity in the downside scenario but over a shorter period. Even the central

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scenario represents c.2/3rds of the adverse GDP impact of that decade. Only the upside scenario has a limited impact but is looking increasingly unlikely. Other forecasts from the Bank of England and some private sector think tanks are slightly but not, in our view, materially more optimistic.

The depth of two of these three scenarios is much greater than any previous downturn in living memory. The most recent economic downturns of 2008/9 and 2010 – 2013 for example had a 1 and 2.5 year impact on voluntary income. This makes it very difficult to compare with the past. We have thus considered the likely level of Covid-restrictions that would be in place and their impact on individual funding streams in each scenario alongside the general impact on consumer spending and confidence set out by the OBR.

Forecasting the Impact

To aid our own forecasts on charity income, we have considered reports and surveys from the Institute of Fundraising and other sources including evidence on the impact on charities from previous recessions, most recently, the 2008 banking crisis and 2010/11 subsequent 'austerity' hit.

Recent fundraising reports highlight some expected but also some surprising insights:

- Charity income is projected down 48% (Events, Corporate, Community especially hit)
- 92% of charities surveyed believe the situation will get worse or stay the same for some time;
- Legacy income is expected to fall 4%-23% in 2020;
- High Street trading will remain extremely challenging;
- Competition for grants will be intense and dividends will be less for these bodies;
- Individual Giving is up as those who can give respond to 'the national emergency';
- Legacy income is expected to recover over 5 years (up 9-13%).
- Those who can give have more money at present as they have limited opportunities to spend it at present.

The likely Impact on Trinity's Fundraising and Income

The overall estimated impact on our income and expenditure for each scenario in the 'do-nothing' option compared with January 2020 is:

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Figure 2: Annual financial loss result for each OBR scenario if we 'do-nothing'

Doing nothing results in cumulative losses over the four year period in the range £2.5m - £10m depending on the scenario.

Responsiveness in a 'Covid-World'

We have considered how best to respond to these three scenarios. We still believe that the core elements of our current 5 year strategy remain valid, but the ability to achieve elements is affected to varying degrees. Figure 3 sets out our revised priorities for 2020-21 which understandably focus on our responsiveness to the Covid-emergency and planning for ongoing disruption for up to 2 years. We will need to be extremely flexible, adaptable and responsive should there be a significant second peak/winter pressures crisis. We will be working with colleagues to build our capabilities to flexibly respond to where the pressures are greatest – in the community, hospital or hospice. Accelerating our use of virtual technology, partnerships with Primary Care Networks and exploring the potential of being an integrated Single Point of Access Hub coordinating local palliative care needs, all form part of this flexible response which also takes advantage of productivity improvements.

In responding to our emerging losses, we have already:

- Put on hold many of the capital projects planned for the next 12-24 months in the current Business Plan to protect our cash reserves.
- Identified an estimated additional £200k p.a. savings in overheads and other costs from different ways of working.

Equally, there are activities, and associated posts, that are materially impacted by the changed landscape. In some cases, demand has fallen off and is not expected to return for some time (at least early 2022). In other cases, new ways of working or new insights during Covid have highlighted that certain tasks can be undertaken differently.

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Consequently, we have identified c£500k p.a. of staff costs which we believe can be removed across the charity without undermining our core services at this time and reduce the damaging impact of the sizeable and extended economic downturn described above.

We have also taken advantage of the Government’s furlough scheme with the support of staff. Without it, we would be expecting a £2m+ deficit this year compared with the expected £1.5m loss. Throughout the period, we have continued to pay staff on furlough at 100% of salary compared to the 80% stipulated by Government. The furlough scheme will be replaced on the 1st November by a new job support scheme which covers part of an employee’s salary if they are in work a certain number of hours. We will actively use this support mechanism where we can, but unfortunately, it is not a solution for our financial challenges.

Revised Top priorities for this year

Enabling compassionate care & support	Improving our effectiveness
<ul style="list-style-type: none"> Step up to the Covid-EOL response including: <ul style="list-style-type: none"> IPU flexibility & covid pathway support H@H enhanced support Community CNS 7 day new ways of working Hospital Team resilience support Improved pathway coordination Improved support for Care Homes Brian House outreach pilot Bereavement support during Covid 	<ul style="list-style-type: none"> Focus on grasping covid-enlightened ‘innovations’ especially accelerated use of ‘virtual’ All staff to embrace ‘flexibility’, ‘adaptability’ and ‘responsiveness’ to Covid-organisational needs in their roles Integrate our community teams within the new GP PCN Neighbourhood teams Improvements in Internal Communications Retaining CQC ‘overall outstanding’
Investing in our people	Financing our future
<ul style="list-style-type: none"> Ensure support for colleagues especially around resilience Organisational Development Plan developing a future workforce with the skills, behaviours and culture for an entrepreneurial, flexible & creative ‘hospice without walls’ Enhanced clinical skills around dementia Planning for a new world for volunteering 	<ul style="list-style-type: none"> Take action to re-balance finances Refocus fundraising & retail on short-term vs long-term activities Everyone to play their part with a ‘money & mission’ partnership culture Moving forward with only essential capital expenditure

Figure 3: Our Revised Business Plan Priorities 2020-21

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