

Title:	2023/24 DRAFT REVENUE BUDGET		
Report to:	Trust Board		
Meeting:	22nd March 2023	Agenda item:	6
Purpose of the report:	For Noting: <input type="checkbox"/>	For Decision: <input checked="" type="checkbox"/>	For Assurance: <input type="checkbox"/>

Executive Summary:

The purpose of this report is to provide the Board with final revenue budget and overall efficiency target for 2022/23.

The report covers the:

- budget setting approach
- financial challenge / efficiency target for 2023/24
- the proposed final net operating balanced budget after allocation of the efficiency target
- risks identified.

Recommendation:

The Board is asked to approve the budget for 2023/24

	Name		Title	
Report author:	Amanda Browne		Deputy Director of Finance	
Executive sponsor:	Mark Robbins		Director of Finance and Resources	
Assurance level:	Substantial <input type="checkbox"/>	Reasonable <input checked="" type="checkbox"/>	Partial <input type="checkbox"/>	No assurance <input type="checkbox"/>

How the report supports achievement of the Trust objectives

Trust Objective	
Provide outstanding care	This is not covered in this report
Collaborate with others	This is not covered in this report
Be an excellent employer	This is not covered in this report
Be a sustainable organisation	The budget is aligned to the Trust's annual plan and is therefore developed to support achievement of the Trust's objectives.
Equality and Diversity Objective	
To fully implement the actions identified following our review of the No More Tick Boxes review of potential bias in Recruitment practices	This is not covered in this report
The Trust Board will role model behaviours that support the Trust ambition to be an anti-racist organisation including actively implementing the Trust's and their personal anti racism pledges, to instil a sense of belonging for all our staff.	This is not covered in this report
To commence collection of demographic data for people who give feedback.	This is not covered in this report
To work with the data team and clinical services to target the collection of demographic data.	This is not covered in this report

Links to BAF risks / Trust risk register

This paper references the financial challenges it faces especially with the Public Health funding reductions.

Legal and Regulatory requirements:

N/A to this paper

Previous Papers (last meeting only):

N/A

Title:	Date Presented:

2023/24 REVENUE AND BUDGET

1. PURPOSE OF THIS REPORT

- 1.1 The purpose of this report is to provide the Board with the proposed Trust's revenue budget and efficiency requirement for 2023/24, and a summary of the main financial risks facing the Trust.
- 1.2 This plan has been informed by the NHS financial framework for 2023/24, the allocation and agreement of resource distribution within the Cambridge and Peterborough (C&P) system and agreed contracted income from other NHS Commissioners. Further information regarding the financial planning assumptions provided by NHSE are included in this report.
- 1.3 System allocations have been informed by a combination of the block contract funding, a reduction in and removal of non-recurrent allocations received during 2022/23, adjustments for movement to capitation-based funding, and uplifts in cost and funding for forecast growth and inflation. In addition, this plan also includes the contracted income for services provided to other NHS and Local Authority and commissioners who are not included in the C&P system.
- 1.4 Systems are required to deliver to a plan target that has been agreed by NHS England, and this plan is informed by the aggregations of individual organisational plans and the agreement of resource allocations within an approved methodology that recognises recovery, growth and new services provided.
- 1.5 System plans were aggregated on 15th March and the final consolidated plans will be submitted to NHSE on 30th March 2023.
- 1.6 Due to the on-going negotiations with various Unions regarding pay and conditions, there will potentially be a requirement to submit amended plans during Q1 of 2023/24.

2. BUDGET SETTING APPROACH

- 2.1 The budget for 2023/24 has been informed from the current years outturn position and the following national planning assumptions have been used:

- Pay – 2.1%,
- Non-Pay 5.5%

The NHS financial framework for inflation was informed by cost indices from in the middle of 2022, but the latest national indicators have seen further material increases across a range of cost areas including wages, fuel, raw materials and drugs. These increases are impacting the direct costs incurred by the Trust and recently we have seen increases ranging from 5.5% to 13.5%, and fuel prices increases up to 43%. Therefore, the Trust has applied this latest cost information into its financial plans for 2023/24.

- 2.2 NHS Contracted income will be increased by a minimum of 1.8% which has been derived by the average gross cost inflation on 2.9% and a reduction of 1.1% representing implied or minimum efficiency, and in addition a net increases relating to growth in demand and population which will be agreed locally with each NHS Commissioner
- 2.3 Local Authority (LA) commissioners have received an overall average increase in their Grant of 3.3% for 2023/24. The Trust will continue with its contract discussions with LA commissioners to agree an appropriate uplift to contracted income relating inflationary and

growth pressures, and currently Trust's plan assumes a total uplift of £1.7m increase in contracted income to cover the full cost of pay inflation.

3. FINANCIAL SUMMARY (REVENUE POSITION)

3.1 By applying the planning assumptions described in Section 2 of this report, the table below provides a summary of the Trust's overall financial budget for 2023/24 that is planned to be submitted to NHSE on 30th March 2023.

Financial Summary - Income and Expenditure plan	
	2023/24
	£'000
Gross Employee Benefits	(106,202)
Other Operating Costs	(50,007)
Revenue from Patient Care Activities	150,355
Other Operating Revenue	7,780
OPERATING SURPLUS	1,926
Finance Expense	(357)
Dividends Payable on Public Dividend Capital (PDC)	(1,569)
RETAINED SURPLUS FOR THE YEAR	0

4. EFFECIENCY TARGET 2023/24

- 4.1 To achieve the planned revenue target for 2023/24, the Trust needs to deliver cost and income efficiencies totalling £5.1m, or 3.25% of its total expenditure budget.
- 4.2 Existing opportunities identified within clinical and support services for efficiency savings will contribute to the delivery of the Efficiency target, and will include a combination of pay, non-pay and income related schemes.
- 4.3 Potential schemes identified to deliver the efficiency target will be required where appropriate to progress through the Trust's Quality Impact and Equality Impacted Assessment processes.
- 4.4 As schemes progress to the Delivery stage, they will be submitted for approval to the Trust's Medical Director, Chief Nurse and the Director of Finance and Resources.
- 4.5 The Trust will also identify additional non-pay schemes including but not limited to opportunities identified in support services including cleaning contracts, contracts providing pharmacy support to other services, and drugs and diagnostics cost and volumes.
- 4.6 Delivery of the Efficiency target for 2023/24 will continue to present a financial challenge, and alongside continued inflationary costs pressures and service recovery, NHSE will be closely monitoring organisation and system performance and provide additional support where possible.
- 4.7 Performance against the Efficiency target will be reported by Services at the Clinical Operational Boards and Trust wide within the Integrated Governance Report.

5. RISKS

- 5.1 The Strategic risks to achieving the planned financial position include the non-deliver of the financial plan due to not being able to identify 100% of the efficiency target; the additional impact of increases in cost in the non-pay expenditure; a requirement to proportionately support the C&P system in the delivery of the overall system target, and the continued uncertainty regarding the extent of any additional funding received from Local Authorities
- 5.2 These risks can be mitigated by identifying opportunities to contribute to existing costs from additional incomes schemes, utilising non-recurrent cost opportunities and agreeing with our commissioners, risk assessed reductions to our service models.
- 5.3 There are specific risks to delivering the plan:
- Agreeing with Local Authority Commissioners an appropriate inflationary and service pressure funding uplift to service contracts to fund the Agenda for Change pay awards and increasing demands on service activity.
 - Delivery of efficiency plans and receiving additional funding for services that have acknowledged cost and capacity pressures.
 - Unknown future inflationary and supply issues.

6 CONCLUSION

- 6.1 The £5.1m saving requirement will be a challenging to deliver with additional national pressures on costs and funding impacting the ability to provide further financial support to NHS organisations.
- 6.2 The Trust has identified a number of recurrent and non-recurrent saving opportunities as part of its budget setting processes, and these will be risked assessed for delivery.

7 RECOMMENDATION

- 7.1 The Board are asked to approve the Revenue budget plan for 2023/34, noting the target and the required cost improvement, and approval for changes to the final budget delegated to the Trust Executive Directors where relevant.