

TRUST BOARD

Title:	2019/20 REVENUE BUDGET
Action:	FOR APPROVAL
Meeting:	13 March 2019

Purpose:

The purpose of this report is to provide the Board with final revenue budget and savings target for 2019/20.

The report covers the:

- budget setting approach
- financial challenge / savings target (CIP) for 2019/20
- the proposed final net operating budget after allocation of CIP
- risks identified

Recommendation:

The Board is asked to approve the budget for 2019/20.

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2019/20 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 savings target for 2019/20, and a summary of the main financial risks faced by the Trust. The Budget plans for a revenue deficit of £0.630m being 0.47% of turnover.
- 1.2 This current plan for a deficit position is due to the Trust being unable to include the increase in contract income relating to the additional cost of the Agenda for Change uplifts which came into effect in 2018. During 2018/19 this additional funding came directly to the Trust from the Department of Health, however for the financial year 2019/20 onwards, the increase in cost has been applied to the uplifts to NHS commissioner allocations but not Local Authorities. At this current time the Department of Health have not resolved this funding issue and therefore the plan is currently at a deficit position.
- 1.3 The impact of this deficit plan is the Trust is unable to accept the Control Total set by NHSI of £1.922m and therefore will not be in receipt of Provider Support Funding (PSF) of £1.618m. In addition the Trust's "Use of Resources" score reduces from "1" to a score of "2".
- 1.4 This budget reflects the initial financial plan submitted to NHS Improvement (NHSI) on 12th February 2019, and the date for the final plan submission is 4th April 2019. Material changes to the final plan will be brought back to the Board at the next meeting
- 1.5 Table 1 includes a "Version 2" budget for information which is inclusive of the Trust being in receipt of the total uplift in income applied to all of its commissioners contracts including Local Authority's, meeting the Control Total set and receiving the PSF.

2. BUDGET SETTING APPROACH

- 2.1 The budget for 2019/20 includes the financial adjustments of the Acute Paediatrics service transfer to North West Anglia NHS Foundation Trust, and the HIV drugs cost transfer from NHSE. There are no additional material service movements confirmed for 2019/20.
- 2.2 This budget also reflects the Public Health funding reductions which have been applied to Local Authority contracts across Sexual Health and Healthy Child programme services.
- 2.3 The following national planning assumptions for costs have been used:
 - **Pay** – 3.35% consolidated pay rise for all staff *
 - **Non Pay** - 0.5% inflationary uplift
 - **Centralised Procurement** – 0.05%
 - **Implied Efficiency** – (1.1%)
 - **Net uplift to NHS Commissioned contracts** – 2.70%

* pay includes the direct payment to account for 2018/19 Agenda for Change (AfC) pay pressure and the anticipated pressure for 2019/20.

3. FINANCIAL SUMMARY (REVENUE POSITION)

Table 1 below sets out the Trust's overall financial framework for 2019/20 in line with that submitted to NHSI (Version 1), a revised budget if the Local Authority funding issue is resolved (Version 2), and a comparison to 2018/19 forecast year end position. Appendix 1 attached provides more detail of the Contracted Revenue by Commissioner for patient care activities.

Table 1

	2018/19 £'000	Version 1 2019/20 £'000	Version 2 2019/20 £'000
Gross Employee Benefits	(84,070)	(83,906)	(83,906)
Other Operating Costs	(41,894)	(47,948)	(47,948)
Revenue from Patient Care Activities	123,196	128,038	130,590
Other Operating Revenue	6,596	4,998	4,998
OPERATING SURPLUS	3,828	1,182	3,734
Dividends Payable on Public Dividend Capital (PDC)	(1,711)	(1,812)	(1,812)
RETAINED SURPLUS FOR THE YEAR	2,117	(630)	1,922

4. COST IMPROVEMENT 2019/20

- 4.1 In order to deliver the plan revenue surplus, the Trust needs to deliver cost improvements totalling £3.645m (2.6%).
- 4.2 Services have identified a number of cost saving and income generating schemes and are undertaking Quality Impact Assessments (QIA's) to provide assurance that the improvement schemes will not have adverse impact to service delivery. These schemes include pay cost reductions for vacancies, changes in skill mix and service delivery efficiencies, non-pay budgets and additional income opportunities. Additional non-pay schemes could also include savings in support services and cleaning contracts, contracts providing pharmacy support, drugs and diagnostics. In addition the Trust plans to deliver corporate efficiencies from a proportion of the total contribution to corporate costs as a result of winning new business. The finalised schemes will be signed off at the Clinical Operational Boards.
- 4.3 The CIP's identified to date by service area are summarised in the table below:

SERVICE AREA	FYE £'000	PYE £'000
AMBULATORY CARE	579	435
BEDFORD	513	223
CHILDREN'S SERVICES	842	842
CORPORATE	321	248
LUTON	110	110
Total	2,365	1,858

- 4.4 In addition to the schemes with values, the services have also identified a further 30 schemes which are still be worked up for delivery and values. These will be added to the monitoring report once they have been confirmed, and the expectation is the remaining schemes will meet the recurrent gap in the savings target.
- 4.5 In addition to the recurrent schemes the Trust is reviewing non-recurrent reserves as possible mitigation to address the Part Year Effect (PYE) shortfall.

5. RISKS

- 5.1 This report has outlined risks associated with cost improvement schemes and the Trust's overall financial sustainability.

6 CONCLUSION

- 6.1 Whilst the £3.6m saving requirement may seem challenging, it is within the Trust has delivered in previous years. It is increasingly a challenge for services to identify savings and efficiencies opportunities but the Trust does have a good track record in delivery, and Trust processes received Substantial Assurance from its Internal auditors.
- 6.2 The Trust has identified a number of saving schemes that have been risked assessed for delivery and therefore enabling it to deliver its financial target.

7 RECOMMENDATION

- 7.1 The Board are asked to approve the Revenue budget plan for 2019/20.

APPENDIX 1

Patient Care Revenue Breakdown		
	2018/19	2019/20
	£'m	£'m
Cambs & P'boro CCG	19.0	16.8
Luton & Beds CCG's	19.9	20.7
NHSE	14.2	18.5
Norfolk County Council	22.4	22.5
Cambridgeshire County Council	12.3	12.2
Other Local Authorities	12.3	12.4
ELFT	15.3	15.8
Inter NHS Trusts	5.8	5.9
Other NHS	4.1	2.8
Other non NHS contracts & income	4.5	5.4
Total	129.8	133.0