

TRUST BOARD

Title:	2020/21 REVENUE BUDGET
Action:	FOR APPROVAL
Meeting:	18 March 2020

Purpose:

The purpose of this report is to provide the Board with final revenue budget and savings target for 2020/21.

The report covers the:

- budget setting approach
- financial challenge / savings target (Cost Improvement Plan) for 2020/21
- the proposed final net operating budget after allocation of CIP
- risks identified

Recommendation:

The Board is asked to approve the budget for 2020/21.

	Name	Title
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Executive sponsor:	Mark Robbins	Director of Finance and Resources

Trust Objectives

Objective	How the report supports achievement of the Trust objectives:
Provide outstanding care	Not covered in this report
Collaborate with other organisations	Not covered in this report
Be an excellent employer	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.

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:

Equality and Diversity implications:

This report does not include any specific Equality and Diversity implications.

Objective	How the report supports achievement of objectives:							
Achieve an improvement in the percentage of service users who report that they are able to access the Trust services that they require.	Compliance with the 18 week Referral to Treatment target is included in Strategic Objective 1.							
To introduce people participation in our diversity and inclusion initiatives to capture the experience of hard to reach/seldom heard/varied community groups.	Examples of patient and service user engagement continue to be highlighted in the Report							
Introduce Disability Passport Scheme to record agreed reasonable adjustments.	This project is covered by the People Participation Committee and is reported in a separate part of the Board meeting.							
To utilise the diverse experience and backgrounds of our Trust Board members in promoting an inclusive culture.	This project is covered by the People Participation Committee and is reported in a separate part of the Board meeting.							
Are any of the following protected characteristics impacted by items covered in the paper								
Age <input type="checkbox"/>	Disability <input type="checkbox"/>	Gender Reassignment <input type="checkbox"/>	Marriage and Civil Partnership <input type="checkbox"/>	Pregnancy and Maternity <input type="checkbox"/>	Race <input type="checkbox"/>	Religion and Belief <input type="checkbox"/>	Sex <input type="checkbox"/>	Sexual Orientation <input type="checkbox"/>

2020/21 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 2020/21, and a summary of the main financial risks faced by the Trust. The Budget plans for a revenue surplus of £1.002m being 0.74% of turnover.
- 1.2 The £1.001m surplus requirement has been set by NHSE / I as part of the overall improvement required from the NHS nationally and for the Trust represents an increase of £700k on its current operating surplus.
- 1.3 The Trust has committed to NHSE / I to plan and deliver this surplus, but the Trust has also raised directly the main risk to the delivery of the surplus is dependent on receiving £2.5m recurrent funding in relation to the increased Agenda for Change (A4C) pay uplift of staff funded by Public Health commissioners.
- 1.4 To enable the delivery of its surplus target, the Trust will need to deliver £3.8m (2.8% of turnover) in Cost Improvement (CIP). To date the Trust has identified schemes to deliver 80% of the CIP target, which are a combination of pay, non-pay and income related schemes and have associated quality impact assessments where appropriate. However, the delivery of CIP during 20/21 presents a greater challenge than in previous years as funding pressures continue impact services and it is becoming increasingly difficult to identify opportunities to improve efficiency.

2. BUDGET SETTING APPROACH

- 2.1 The budget for 2020/21 includes the financial adjustments relating to the new services the Trust will begin to deliver during the year including Sexual Health services in Milton Keynes and Special Care Dentistry in Suffolk.
- 2.2 This budget also reflects the recurrent impact of the A4C cost and the funding of £2.5m from Local Authority Public Health commissioned services.
- 2.3 The following national planning assumptions for costs have been used:
 - **Pay** – 2.9% consolidated pay rise for all staff *
 - **Non Pay** - 1% inflationary uplift
 - **Implied Efficiency** – (1.1%)
 - **Net uplift to NHS Commissioned contracts** – 1.4%

3. FINANCIAL SUMMARY (REVENUE POSITION)

Table 1 below sets out the Trust's overall financial framework for 2020/21 in line with that submitted to NHSE / I on 5th March 2020

Table 1

Financial Summary - Planned I&E		
	2019/20	2020/21
	£'000	£'000
Gross Employee Benefits	(84,639)	(88,324)
Other Operating Costs	(43,579)	(44,695)
Revenue from Patient Care Activities	125,579	131,582
Other Operating Revenue	6,373	4,464
OPERATING SURPLUS	3,734	3,027
Finance Expense		(180)
Dividends Payable on Public Dividend Capital (PDC)	(1,812)	(1,845)
RETAINED SURPLUS FOR THE YEAR	1,922	1,002

4. COST IMPROVEMENT 2020/21

- 4.1 In order to deliver the plan revenue surplus, the Trust needs to deliver cost improvements totalling £3.8m.
- 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 are summarised in the table below:

Financial Summary - CIP				2020/21
	Pay	Non-pay	Income	Total
	£	£	£	£
<u>Scheme</u>				
Additional contract income - existing services			250,000	250,000
Estates rationalistaion		250,000		250,000
Partial Pay uplift - 1.8%	900,000			900,000
Non Pay budget review		200,000		200,000
Overhead on new contracts	230,000			230,000
Establishment budget review	500,000			500,000
Mobile phone contract		130,000		130,000
Review of travel costs		230,000		230,000
Clinical and non clinical procurement review		250,000		250,000
Occupational Health contract		30,000		30,000
Lone worker devices		10,000		10,000
Pay other	796,000			796,000
TOTAL	2,426,000	1,100,000	250,000	3,776,000
Current 2020/21 Target				3,776,000

5. RISKS

- 5.1 The Trust has a number of risks in delivering this financial plan, and these included but not limited to, identifying efficiency savings totalling £3.8m, the Trust doesn't receive in full the A4C additional funding relating to the Public Health commissioned services, and the Trust being required to provide further unfunded services to support the systems it operates in delivery the overall system targets.

6 CONCLUSION

- 6.1 The £3.8m saving requirement will create a greater challenge to the Trust since it was established in 2010 thus creating an increasing challenge for services to identify savings and efficiencies opportunities.
- 6.2 The Trust has identified a number of saving schemes that will be 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 2020/21, noting the improved surplus target and the required cost improvement.

