

TRUST BOARD (PUBLIC)

Title:	2021/22 REVENUE BUDGET
Action:	FOR APPROVAL
Meeting:	21st July 2021

Purpose:

The purpose of this report is to provide the Board with the revenue budget and savings target for 2021/22.

This report has been informed by the latest National funding guidance and the Trust's financial forecasts for 2021/22.

The report covers the:

- budget setting approach
- impact of COVID-19
- financial challenge / savings target (Cost Improvement Plan) for 2021/22
- the proposed final net operating budget after allocation of CIP
- risks identified

Recommendation:

The Board is asked to approve the budget for 2021/22.

	Name	Title
Author and 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 others	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:							
To re-launch the Trust Staff Diversity Network and, where staff indicate a desire, to establish protected characteristics specific sub networks. The Networks to be a forum for staff to share experiences, review the Trust Diversity and Inclusion Policy and practices and to give feedback and suggestions on how the Trust can support its diverse workforce and seek to eliminate any bias.	N/A							
To introduce reverse mentoring into all our in house management and leadership development programmes, to promote diverse leadership through lived experiences.	N/A							
We will measure the impact of our virtual clinical platforms, ensuring that they are fully accessible to the diverse communities we serve.	N/A							
We will ensure that the recruitment of our volunteers are from the diverse communities they serve.	N/A							
Are any of the following protected characteristics impacted by items covered in the paper								
Age <input checked="" 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"/>

2021/22 REVENUE AND BUDGET

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide the Board with the proposed Trust's revenue budget and savings target for 2021/22, and a summary of the main financial risks faced by the Trust.
- 1.2 National priorities and operational planning guidance accompanied by finance and contracting arrangements for the first half of 2021/22 were released in late March 2021 which detailed how the financial framework will operate through the first half of the financial year (H1), and guidance for the second half of the year (H2) is expected between September and November 2021. Ahead of receiving this guidance, the NHS national team have indicated the financial funding framework for H2 will predominately be aligned to H1.
- 1.3 The Trust's financial performance continues to be regulated with the Cambridgeshire and Peterborough integrated system. The Trust's financial funding for 2021/22 is broadly consistent with the funding allocation for the second half of 2020/21, and this is expected to fully fund the system to a breakeven position. The Trust will therefore continue to receive block funding for NHS Commissioners that matches funding received last year and in addition the contract income from Local Authority Commissioners for the Public Health funded services.
- 1.4 The Trust's funding for 2021/22 requires the delivery of a 3% efficiency target, and Cost Improvement Plans (CIP) are being identified with services alongside the COVID impact assessments and restoration plans. The CIP schemes will include a combination of pay, non-pay and income related plans and will have associated Quality Impact Assessments (QIA's) where appropriate. The delivery of CIP during 21/22 presents a greater challenge than in previous years due to the impact of COVID, but the financial stability from the funding approach for H1 and H2 does give the Trust time to fully develop CIP's that deliver a recurrent benefit.

2. BUDGET SETTING APPROACH

- 2.1 The budget for 2021/22 includes the financial adjustments relating to delivery of Speech and Language services in Norfolk starting from August 2021 and the transfer out to a new provider of the Childhood Immunisation and Vaccination services.
- 2.2 This budget has been established following engagement with service leads
- 2.3 The following planning assumptions for costs have been used:

- **Pay – 0%**
- **Non Pay - 1% inflationary uplift**
- **Implied Efficiency – 3%**
- **Net uplift to NHS Commissioned contracts / block allocations – 0.5%**

* The inflationary pay award has not yet been agreed and the current Financial Framework.

3. FINANCIAL SUMMARY (REVENUE POSITION)

Table 1 below sets out the Trust's overall financial plan for 2021/22.

Table 1

Financial Summary - Planned I&E		
	2020/21	2021/22
	£'000	£'000
Gross Employee Benefits	(97,841)	(115,366)
Other Operating Costs	(53,192)	(53,024)
Revenue from Patient Care Activities	141,389	136,360
Other Operating Revenue	11,613	33,698
OPERATING SURPLUS	1,969	1,668
Finance Expense		
Dividends Payable on Public Dividend Capital (PDC)	(1,668)	(1,668)
RETAINED SURPLUS FOR THE YEAR	301	0
COVID response	(301)	
ADJUSTED SURPLUS FOR THE YEAR	0	0

Income Source	2021/22
	£'000
NHSE and CCG Block Income	56,256
Other SLA's	33,168
Local Authority	51,820
Mass Vaccinations	28,814
Total Income	170,058

4. COST IMPROVEMENT 2021/22

- 4.1 In order to deliver the plan revenue surplus, the Trust needs to deliver cost improvements totalling £4.2m. The cost improvement target has been set on all services excluding the Mass Vaccination service which is fully funded at actual cost.
- 4.2 During Q4 2019/20 Services had identified a number of cost saving and income generating schemes and due to COVID these schemes did not progress to delivery stage. This included pay cost reductions for vacancies, changes in skill mix and service delivery efficiencies, non-pay budgets and additional income opportunities.
- 4.3 In addition to the schemes referenced in 4.2, there are also potential recurrent budget savings that had been delivered in previous years but with no adjustment to budgets, including recurrent staffing vacancies and beneficial impact to cost profiles resulting from service delivery changes that continue from last year.

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 £4.2m, the financial framework and funding arrangements for H2, and the potential increased scrutiny in the Cambridge and Peterborough system from the Regional and National System Oversight teams.

6 CONCLUSION

- 6.1 The £4.2m 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 will continue to identify existing and new efficiency schemes alongside the service restoration and transformation plans.

7 RECOMMENDATION

- 7.1 The Board are asked to approve the Revenue budget plan for 2021/22, noting the improved surplus target the required cost improvement and the potential risks to delivery.