

Title:	2024/25 DRAFT REVENUE BUDGET
Report to the:	Trust Board in Public
Meeting date:	20 th March 2024
Agenda item:	8
Report author:	Mark Robbins
Executive sponsor:	Mark Robbins

Assurance level:	Substantial <input checked="" type="checkbox"/> Reasonable <input type="checkbox"/> Partial <input type="checkbox"/> Minimal <input type="checkbox"/>
Rationale:	A balanced plan proposed for 2024/25 and an Efficiency target of 3.7%
Assurance action:	Ensure efficiency programmes and opportunities are identified and delivered, and funding pressures have agreed mitigation measures.

1.0 Executive Summary

- 1.1 The purpose of this report is to provide the Board with first draft revenue budget and overall efficiency target for 2024/25.
- 1.2 The report covers the:
- budget setting approach.
 - financial challenge / efficiency target for 2024/25.
 - the proposed final net operating balanced budget after allocation of the efficiency target.
 - risks identified.

Our Trust Mission: Improve the health and wellbeing of people across the diverse communities we serve.

2.0 Recommendation

2.1 The members are asked to:

- **approve** the following:
 - a. Draft Revenue Budget for 2024/25;
 - b. Efficiency target required to deliver a balanced budget.

3.0 How the report supports achievement of the Strategic Objectives:

Provide outstanding care:	This is not covered in this report
Be collaborative:	This is not covered in this report
Be an excellent employer:	This is not covered in this report
Be sustainable:	The budget is aligned to the Trust's annual plan and is therefore developed to support achievement of the Trust's objectives.

4.0 How the report supports tackling Health Inequalities

4.1 N/A

5.0 Links to Board Assurance Framework / Trust Risk Register

5.1 Strategic Risk to be agreed.

6.0 Legal and Regulatory requirements

6.1 N/A

7.0 Previous report

7.1 N/A

8.0 Report – 2024/25 DRAFT REVENUE BUDGET

8.1 PURPOSE OF THIS REPORT

- 8.1.1 The purpose of this report is to provide the Board with the Trust's initial revenue budget and efficiency requirement for 2024/25, and a summary of the main financial risks facing the Trust.
- 8.1.2 This plan has been informed by the NHS financial framework for 2024/25, 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.
- 8.1.3 System allocations have been informed by a combination of the block contract funding, a reduction in and removal of non-recurrent allocations received during 2023/24, 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.
- 8.1.4 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.
- 8.1.5 System plans were aggregated on 21st March and the final consolidated plans will be submitted to NHSE on 2nd May 2024.

8.2 BUDGET SETTING APPROACH

- 8.2.1 The budget for 2024/25 has been informed from the current years outturn position and the following national planning assumptions have been used:
- Pay – 2.1%,
 - Non-Pay 1.7%
- 8.2.2 The NHS financial framework for inflation was informed by cost indices from in the middle of 2023. The cost increases impacting 2023 have been moderated in the forecasts provided by NHSE to inform their indices, and the Trust will monitor that actual cost and price pressures as they arise in year.
- 8.2.3 NHS Contracted income will be increased by a minimum of 0.8% which has been derived by the average gross cost inflation on 1.9% and a reduction of 1.1% representing implied or minimum efficiency. In addition, net increases relating to growth in demand and population which will be agreed locally with each NHS Commissioner.
- 8.2.4 Local Authority (LA) commissioners have received an overall average increase in their Grant of 2.64% for 2024/25. This is based on a general uplift

of 1.36% and an additional uplift specifically for A4C pay award. The current plan doesn't include any uplift from LA Commissioners but the Trust will continue with contract discussions with LA commissioners to agree appropriate uplifts to contract values.

8.3 DRAFT BUDGET SUMMARY

8.3.1 By applying the planning assumptions described in this report, the table below provides a summary of the Trust's initial first financial plan for 2024/25 that is due to be submitted to NHSE on Thursday 21st March 2024.

Financial Summary - Income and Expenditure Plan	
	2024/25 £'000
Gross Employee Benefits	(110,436)
Other Operating Costs	(47,874)
Revenue from Patient Care Activities	152,108
Other Operating Revenue	8,984
OPERATING SURPLUS	2,782
Finance Expense	(231)
Dividends Payable on Public Dividend Capital (PDC)	(2,551)
RETAINED SURPLUS FOR THE YEAR	0

8.4 EFFICIENCY TARGET 2024/25

8.4.1 To achieve the planned revenue target for 2024/25, the Trust needs to deliver cost and income efficiencies totalling £5.9m, or 3.7% of its total expenditure budget.

8.4.2 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.

8.4.3 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.

8.4.4 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.

8.4.5 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.

8.4.6 Delivery of the Efficiency target for 2024/25 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.

8.4.7 Performance against the Efficiency target will be reported by Services at the Clinical Operational Boards and Trust wide within the Integrated Governance Report.

8.5 RISKS

8.5.1 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.

8.5.2 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.

8.5.3 There are specific risks to delivering the plan:

- Agreeing with Local Authority Commissioners an appropriate inflationary and service pressure funding uplift to service contracts
- Delivery of efficiency plans and receiving additional funding and mitigation for services that have acknowledged cost and capacity pressures.
- Unknown future inflationary and supply and demand above the assumed planning cost indices and growth.

8.6 CONCLUSION

8.6.1 The £5.9m efficiency requirement will be challenging to deliver alongside the potential for additional national pressures on costs and funding impacting the ability to provide further financial support to NHS organisations.

8.6.2 To support the mitigation of these pressures, the Trust will look to identify recurrent and non-recurrent saving opportunities initially as part of its budget setting processes, and during the financial year.