

TRUST BOARD

Title:	2018/19 REVENUE BUDGET
Action:	FOR APPROVAL
Meeting:	14 March 2018

Purpose:

The purpose of this report is to provide the Board with final revenue budget and savings target for 2018/19.

The report covers the:

- budget setting approach
- financial challenge / savings target (CIP) for 2018/19
- the proposed final net operating budget after allocation of CIP
- risks identified

Recommendation:

The Board is asked to approve the budget and savings target for 2018/19.

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2018/19 REVENUE AND BUDGET

1. PURPOSE OF THIS REPORT

- 1.1 The purpose of this report is to provide the Board with the final proposed revenue budget and savings target for 2018/19, and a summary of the main financial risks faced by the Trust. The Budget plans for a revenue surplus of £2.117m, being 1.65% of turnover.
- 1.2 This budget reflects the final financial plan submitted to NHS Improvement (NHSI) on 8th March 2018, and includes the revised Control Total of £2.117m as notified by NHSI on 6th February, and the assumed System Transformation Fund (Income) of £1.508m.

2. BUDGET SETTING APPROACH

- 2.1 The budget for 2018/19 includes the financial adjustments of the Bedfordshire Community services due to transfer to CCS on 1st April 2018, the full year impact of the Adult Outpatients in Cambridgeshire service which transferred out of CCS during 17/18, and the part year impact of the Acute Paediatrics in Cambridgeshire services planned to transfer during 18/19.
- 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 planning assumptions have been used:
- **NHS Contracted Income** – Net inflator of 0.1%
 - **Pay** - 1% inflationary consolidated pay rise for all staff
 - **Non Pay** - 0% inflationary uplift
 - **Surplus target / Control Total** – £2.117m
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3. FINANCIAL SUMMARY (REVENUE POSITION)

Table 1 below sets out the overall financial framework for 2018/19 and a comparison to 2017/18 forecast year end position. Appendix 1 attached provides more detail of the Contracted Revenue by Commissioner for patient care activities.

Table 1 – 2017/18 and 2018/19 Summary

	2017/18	2018/19
	£'000	£'000
Gross Employee Benefits	(71,016)	(82,943)
Other Operating Costs	(38,721)	(41,829)
Revenue from Patient Care Activities	107,503	121,848
Other Operating Revenue	5,819	6,752
OPERATING SURPLUS	3,585	3,828
Dividends Payable on Public Dividend Capital (PDC)	(1,586)	(1,711)
RETAINED SURPLUS FOR THE YEAR	1,999	2,117

4. BUDGETS BY SERVICE AREA

4.1 The table below illustrates the gross service budgets before allocating CIP.

4.2 This table shows the current service allocation of the recurrent budget before allocation of CIP. The current service budget has been established by using an analysis of income, pay and non-pay budgets, adjusted for known, approved amendments and pressures. The final distribution of CIP has been allocated based on identified schemes and where applicable in proportion to the size of the expenditure budget.

Directorate	Service	Budget before CIP 2018/19			
		£'000 Income	£'000 Pay	£'000 Non Pay	£'000 Net
Ambulatory Care	Oliver Zangwill Centre	483	(952)	(71)	(540)
	Dental Services	452	(3,082)	(992)	(3,622)
	MSK	278	(3,907)	(771)	(4,400)
	Sexual Health Services	357	(8,990)	(8,312)	(16,945)
Children's Services	Cambridgeshire Children's	1,882	(17,294)	(1,809)	(17,220)
	Norfolk Healthy Child	464	(12,348)	(2,890)	(14,775)
	Bedfordshire HCP		(12,403)	(1,002)	(13,405)
Luton	Luton Adults	27	(7,815)	(399)	(8,187)
	Luton Children's	332	(10,401)	(1,669)	(11,739)
Clinical Sites		5,005	(125)	(6,229)	(1,349)
Corporate and other Support Services		6,167	(7,577)	(10,970)	(12,379)
Contract Income		113,154	(311)	(9,166)	103,677
Total		128,600	(85,204)	(44,279)	(883)

TOTAL CIP (2,261) (739) (3,000)

Retained surplus 128,600 (82,943) (43,540) 2,117

5. COST IMPROVEMENT (CIP) FOCUS 2018/19

5.1 In order to deliver the planned revenue surplus, the Trust needs to deliver cost improvements totalling £3m.

5.2 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.

5.3 The CIP by service area is provided in Appendix 2 attached.

6. RISKS

- 6.1 This report has outlined risks associated with cost improvement schemes. Budget reductions have been applied to reflect the Public Health funding reductions for 18/19, but reduction plans are still to be finalised in some areas, so there is a risk associated with these being finalised and implemented within timescales.

7 CONCLUSION

- 7.1 Whilst the £3m saving requirement may seem challenging, it is within the levels expected for a Trust that is meeting its main financial objective to deliver a surplus budget.
- 7.2 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.

APPENDIX 1

Patient Care Revenue Breakdown		
	2017/18	2018/19
	£'m	£'m
Cambs & P'boro CCG	19.9	17.3
Luton & Beds CCG's	17.7	18.3
NHSE	9.3	9.3
Norfolk County Council	22.5	22.4
Cambridgeshire County Council	12.4	12.2
Other Local Authorities	13.4	13.4
ELFT	0.0	15.5
Inter NHS Trusts	2.1	4.1
Other NHS	3.6	3.7
Other non NHS contracts & income	6.6	5.7
Total	107.5	121.8

APPENDIX 2

Financial Summary - CIP				2018/19
	Pay £	Non- pay £	Income £	Total £
<u>Ambulatory</u>				
iCash (Cams, Norfolk, Suffolk, P'boro and Beds)	363,000	212,000	0	575,000
MSK		81,000		81,000
Dental	50,000		75,000	125,000
Oliver Zangwill			34,000	34,000
<u>Children's</u>				
Cambridgeshire	487,271	137,436	10,000	634,707
Norfolk	388,083	29,211		417,293
<u>Luton</u>				
Adults and Children	520,200	57,800		578,000
<u>Trust Wide</u>				
	333,000	222,000		555,000
TOTAL	2,141,554	739,446	119,000	3,000,000
Current 2018/19 Target				3,000,000

APPENDIX 3

Financial Summary - Cash Flow from Operating Activities	2018/19 £'000
Operating Surplus	3,828
Depreciation and Amortisation	3,048
(Increase)/Decrease in Trade and Other Receivables	(2,107)
Increase/(Decrease) in Trade and Other Payables	(1,828)
Increase/(Decrease) in provisions	0
Net Cash Inflow/(Outflow) from Operating Activities	2,941
(Payments) for property, Plant and Equipment	(3,000)
Net cash inflow/(outflow) before financing	(59)
PDC Dividend Paid	(1,711)
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,770)
Cash and Cash Equivalents as 31st Mar 2018	7,775
Cash and Cash Equivalents as 1sts April 2019	6,005

Financial Summary - Statement of Financial Position	
	31/03/2019
	£'000
NON-CURRENT ASSETS	
Property, Plant and Equipment and Intangible Assets	51,012
Intangible assets	89
Total Non Current Assets	51,101
CURRENT ASSETS:	
Inventories	41
Trade and Other Receivables	14,535
Cash and Cash	
Equivalents	6,005
Total Current Assets	20,581
TOTAL ASSETS	71,682
CURRENT LIABILITIES	
Trade and Other Payables	(11,806)
Provisions	(443)
Total Current Liabilities	(12,249)
NET CURRENT ASSETS/(LIABILITIES)	8,332
TOTAL ASSETS LESS CURRENT LIABILITIES	59,433
NON-CURRENT LIABILITIES	
Trade and Other Payables	(1,045)
Provisions	(1,558)
Total Non-Current Liabilities	(2,603)
ASSETS LESS LIABILITIES (Total Assets Employed)	56,830
TAXPAYERS EQUITY	
Public Dividend Capital	2,107
Retained Earnings	
Reserve	37,394
Revaluation Reserve	17,283
Other Reserves	46
TOTAL TAXPAYERS EQUITY	56,830