

## Board of Directors (in Public)

### Item 3.1

**Subject:** Financial Plan 2020/21  
**Date of Meeting:** Tuesday 31<sup>st</sup> March 2020  
**Prepared by:** Frankie Morris, Acting Chief Finance Officer  
**Presented by:** Frankie Morris, Acting Chief Finance Officer  
**Purpose of Report:** To note

BAF Ref	Impact on BAF
IF1	Deliver Financial Sustainability. The 2020/21 delivers a financially sustainable position with key risks identified with regard to CIP, contract negotiations, key staff availability, private patient activity levels and unfunded cost pressures.

***NB: This paper relates to the financial plan submitted to NHSE/I on the 5<sup>th</sup> March 2020. Guidance was received on the 17<sup>th</sup> March 2020 advising that the Operational Planning process for 2020/21 has been suspended. A revised financial plan for 2020/21 is being worked up and will be tabled at the private Board of Directors.***

#### 1. Executive Summary

This paper provides an update on the Trust's initial financial plan submitted to NHS Improvement on 5<sup>th</sup> March 2019.

The financial plan is compliant with the Trust's financial improvement trajectory and is in line with the draft plan reviewed by the Board in its February 2020 meeting.

The Board of Directors is asked to note the contents of the report.

#### 2. Background

Following launch of the NHS Long Term plan, NHS Improvement released operational planning guidance for 2020/21 which outlined the expectations and priorities for the forthcoming year.

Coordination of the Trust's operational plan has been overseen by the Annual Planning Group comprising of a number of Executive Directors, representation from each division, finance, information, HR, facilities and PMO colleagues.

#### 3. Financial Plan 2020/21

The draft financial plan was submitted to NHSI on 5<sup>th</sup> March 2020 with a final submission due on 29<sup>th</sup> April. The final submission has been suspended. This report highlights the key financial impact of the draft plan.

### a) Financial plan summary

Table 1 below sets out the key financial headlines submitted for 2020/21. The Trust accepted its Financial Improvement Trajectory and the initial plan has been submitted in line with this target.

**Table 1: Financial plan summary 2020/21**

£m	2019/20 Forecast	2020/21 Plan
<b>Control Total</b>	1.077	1.072
<b>FRF (was PSF)</b>	1.762	0.800
<b>Surplus (normalised)</b>	<b>2.839</b>	<b>1.872</b>
<b>Performance against Control Total</b>	2.839	1.932
<b>Capital Investment</b>	13.3	10.6
<b>CIP</b>	3.8	3.8
<b>Cash Balance</b>	29.3	25.4
<b>Use of Resources</b>	1	1

### b) Income and Expenditure Position (Financial Improvement Trajectory)

The Trust's financial improvement trajectory set by NHS Improvement for 2020/21 is £1.872m, which is supported by an indicative £0.800m Financial Recovery Fund (FRF) funding. Table 2 below provides a summary of the planned Statement of Comprehensive Income (SOCI) for the period ending 31<sup>st</sup> March 2021.

**Table 2: Statement of Comprehensive Income (2020/21 plan)**

	<b>Year Ending 31/03/21 £'000</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	
Operating income from patient care activities	<b>167,596</b>
Other operating income	18,104
Employee expenses	(92,193)
Operating expenses excluding employee expenses	(89,287)
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>4,420</b>
<b>FINANCE COSTS</b>	<b>(16)</b>
PDC dividends payable/refundable	(3,132)
<b>NET FINANCE COSTS</b>	<b>(3,148)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR</b>	<b>1,072</b>
Add: Technical adjustments excluded from 'Control Total'	60
<b>PERFORMANCE AGAINST THE CONTROL TOTAL</b>	<b>1,132</b>

### c) Contract update

The Trust has 3 key commissioner contracts; progress on each contract is described below:

- **Specialised Commissioning (NHS England)**  
Opening contract proposal has been made, incorporating the developments described in the January Board paper. Affordability of the additional activity required to support RTT

performance has been raised as the key issue that will require resolution over the coming weeks. A QUIPP target has also been proposed by our commissioners.

- **Cheshire & Merseyside CCG contracts**

As with NHS England; a proposal has been made and discussed, incorporating the relevant developments. The trust is close to an agreement for these contracts and is not anticipating any material changes.

- **Welsh Contract**

NHS Wales follow a different timetable and do not utilise the NHS standard contract, as a result initial proposals have been shared and discussions are on-going. It is unlikely there will be any material changes to the contract proposal.

#### **d) Cash**

Cash balances reduce marginally over the life of the plan with cash balances forecast to be £25.4m by end of March 2021 (from £29.3m at the end of March 2020). This reduction is driven by the Trusts capital programme for the year, with a number of large value schemes currently underway including a catheter lab reconfiguration (see capital analysis below).

The Trust continues to maximise options to improve working capital management and is in particular focusing on improving debt balances.

#### **e) Financial Performance Metrics**

Table 3 below provides a summary of the Trust's Financial Performance Metrics for each year in line with the Single Oversight Framework.

**Table 3: Plan Financial Performance Metrics**

	<b>Year Ending</b>	<b>Year Ending</b>
	<b>31/03/2020</b>	<b>31/03/2021</b>
Capital Service Cover rating	1	1
Liquidity rating	1	1
I&E Margin rating	1	1
Variance from Control Total rating	1	1
Agency rating	1	1
<b>Plan Risk Rating after overrides</b>	<b>1</b>	<b>1</b>

#### **f) Key financial risks**

- **Cost Improvement Plan**

Our cost Improvement programme has been set at £3.8m (3.24% of influencable spend), above the national requirement of 1.1%. This level of CIP has been identified as necessary to address local cost pressures and developments and the need to generate sufficient cash to deliver our capital investment ambitions. Recurrent achievement of a £3.8m CIP will be extremely challenging but work is underway to ensure that robust plans are in place before the beginning of the financial year.

- **Contract Negotiations**

As noted above, the negotiations are not concluded and still contain risk.

- **Unfunded Cost Pressures**

A number of cost pressures were highlighted during the budget setting process, but the Trust is not in a position to fund those cost pressures. Strong financial governance and oversight will need to be maintained to contain unplanned cost pressures.

- **Staff availability**

There are shortages of staff in key areas such as Radiography, Critical Care and Theatres Nursing and Junior Doctors. Delivery of financial and operational targets is dependent on the availability of these staff groups.

- **Private Patient Activity levels**

The plan for private patient income has been set at the 2019/20 plan: £3.3m, £300k higher than the forecast outturn. This level of income is in accordance with Year 1 of the private patient business case. Private patient activity has been volatile in 2019/20 and if this continues poses a risk to the Trust financial position.

- **Knowsley COPD contract**

As in previous years, this contract contains a performance based payment of £914k, related to reducing emergency admissions across the health economy. These KPIs have not yet been renegotiated.

- **CQUIN**

We have budgeted for 90% delivery of CQUIN schemes which is consistent with delivery over recent years. We are still working with commissioners on the proposed schemes and will have an improved assessment of the likelihood of delivery for the second planning submission.

## **g) Contingency**

A general contingency has been set at £800k to cover the risks above and any others that arise in year.

## **h) Efficiency Savings 2019/20**

The Cost Improvement Plan (CIP) target for 2020/21 has been set at £3.8m (3.24% of influencable expenditure). This is higher than the nationally required 1.1% due to number of local cost pressures identified (approx. £0.5m) and an increase in depreciation costs (approx. £1.2k)

The table below provides a summary of the Trust's Cost Improvement Programme for 2020/21 by theme. All schemes are subject to a robust QIA and EIA process before implementation.

**Table 4: Cost Improvement Plan 2020/21**

<b>Efficiency theme</b>	<b>£000s</b>
Other Savings plans	1052
Procurement	1366
Corporate and Admin	313
Workforce (Nursing)	245
Workforce (Medical)	75
Workforce (Other)	50
Workforce (AHP)	95
Pathology	15
Imaging	137
Unidentified	452
<b>Grand Total</b>	<b>3,800</b>

Further work is on-going to address the £0.452m unidentified gap.

#### **i) Agency Costs**

In 2020/21 our agency ceiling cap is set at £2.057m. We do not anticipate exceeding this cap as our use of agency over the past 2 years has been below this level and have planned for £1.112m agency in the areas of Radiography, Junior medical staff and nursing in theatres and critical care.

#### **j) Capital Planning**

The capital investment plan of £10.573m in 2020/21 is at a similar level to 2019/20. The investment will be funded using internally generated capital funds, £5.662m from depreciation and £4.776m from Trust cash balances and the remaining £0.135m from charitable funds.

The capital plan has been prioritised by each divisional/departmental head and then subject to shared scrutiny first at Capital Management Group and then by the Executive team. Whilst there may be some movements around Cath lab refurbishment Phase 2 and lab 4, the Board will be informed of changes.

The final plan will be ratified by the Operational Board before being approved by the Board of Directors.

**Table 5: 2020/21 Capital Programme**

<b>Capital Investment Plan 2020/21</b>		<b>£000s</b>
<b>Carry over from 2019/20</b>	CT/MR Waiting Room	35
	Healthy Imaging Scheme	185
	Birch Ward	50
	Other	30
	<b>Sub-Total</b>	<b>300</b>
<b>Replacement</b>	Estates (inc. £1m for electrical infrastructure)	2,549
	Medical Equipment	200
	IT	589
	Surgery	455
	Clinical Services	720
	<b>Sub-Total</b>	<b>4,513</b>
<b>Development</b>	Cath Lab refurbishment, phase 2	4,000
	Cath Lab 4	150
	<b>Sub-Total</b>	<b>4,150</b>
<b>Corporate &amp; Contingency</b>	Air Handling Units	310
	Accommodation transformation, inc. Highfield House, Faraday Road, Moroney House and Ward transformation	1,000
	Contingency	300
	<b>Sub-Total</b>	<b>1,610</b>
<b>Total</b>		<b>10,573</b>

  

<b>Funded by:</b>	Depreciation	5,662
	Cash Balances	4,776
	Charitable Funds (CT/MR waiting room and TOE machine)	135
	<b>Total</b>	<b>10,573</b>

#### **4. Conclusion**

The draft financial plan for 2020/21 was submitted in line with national planning requirements on the 5<sup>th</sup> March 2020.

#### **5. Recommendations**

The Board of Directors is asked to note the contents of the report.