

Board of Directors (Public)

Item 3.1.1

Subject: Financial Plan 2019/20
Date of Meeting: Tuesday 30th April 2019
Prepared by: Claire Wilson, Chief Finance Officer
Presented by: Claire Wilson, Chief Finance Officer
Purpose of Report: To note

BAF Ref	Impact on BAF
3	Risks are incorporated in 2019/20 BAF.

1. Executive Summary

This paper provides an update on the Trust's final financial plan submitted to NHS Improvement on 4th April 2019.

The financial plan is compliant with the Trusts control total and is in line with the draft plan reviewed by the Board in its March 2019 meeting.

The Board of Directors is asked to note the contents of the report and raise any questions in the meeting.

2. Background

Following launch of the NHS Long Term plan, NHS Improvement released operational planning guidance for 2019/20 which outlined the expectations and priorities for the forthcoming year.

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

The Board of Directors formally accepted the Trusts externally set 'Control Total' at its meeting in March 2019 and the financial plan submitted is compliant with this requirement.

3. Financial Plan 2019/20

The financial plan was submitted on 4th April 2019 and was in line with the draft plan approved by the Board of Directors in March 2019.

Key changes since the draft plan are not been material but they include the following:

- Commissioner contracts (excluding Wales) have now been signed and final contract values have been included in the income assumptions

- Impact of business case approvals for 2019/20 developments are reflected in expenditure position
- Adjustments to the capital programme to take into account of carry forward position from 2018/19 programme
- More work undertaken on the development and profiling of CIPs now reflected in plan

a) Financial plan summary

Table 1 below sets out the key financial headlines submitted for 2019/20. The Trust accepted its control total and the plan has been submitted in line with this target.

Table 1: Financial plan summary 2019/20

£m	2018/19 Forecast (M10)	2019/20 Plan
Control Total	4.062	1.077
PSF	5.592	1.762
Surplus (normalised)	9.584	2.839
Performance against Control Total	9.654	2.839
Capital Investment	10.0	13.3
CIP	3.8	3.8
Cash Balance	17.5	13.9
Use of Resources	1	1

b) Income and Expenditure Position (Control Total)

The Trusts control total set by NHS Improvement for 2019/20 is £2.839m, which is supported by £1.762 Provider Sustainability Funding (PSF) funding. Table 2 below provides a summary of the planned Statement of Comprehensive Income (SOCi) for the period ending 31st March 2020.

Table 2: Statement of Comprehensive Income (2019/20 plan)

	Year Ending 31/03/20 £'000
STATEMENT OF COMPREHENSIVE INCOME	
Operating income from patient care activities	135,341
Other operating income	12,357
Employee expenses	(84,454)
Operating expenses excluding employee expenses	(57,708)
OPERATING SURPLUS / (DEFICIT)	5,536
FINANCE COSTS	8
PDC dividends payable/refundable	(2,765)
NET FINANCE COSTS	(2,757)
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	2,779
Add: Technical adjustments excluded from 'Control Total'	60
PERFORMANCE AGAINST THE CONTROL TOTAL	2,839

c) Contract update

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

- **Specialised Commissioning (NHS England)**
A contract has been agreed, which incorporates the growth in diagnostics to deliver RTT performance, developments in LAAO, TAVI, ICC as well as a full year effect of the ACHD service.
- **CCG contracts**
Block contract agreements have been agreed with three Mersey CCGs (Liverpool CCG, Southport CCG and Sefton CCG) and Payment by Results (PBR) contracts have been agreed with all remaining CCGs, including Knowsley CCG which has transferred to PBR from being a block contract in 2018/19. Each contract has been agreed at 2018/19 forecast out-turn with an assessment of growth added in.
- **Welsh Contract**
NHS Wales follow a different timetable and as a result formal proposals have not yet been shared. However, contract negotiations in 2019/20 are likely to be extremely challenging as more funding is being channeled through tariff, rather than through CQUIN, PSF or pay award allocations. Negotiations are on-going at a national level at Welsh Commissioners are currently not willing to pay for the cost of delivering care at prevailing tariff rates. This is subject to a separate item on the agenda.

d) Cash

Cash balances reduce marginally over the life of the plan with cash balances forecast to be £13.9m by end of March 2020 (from £17.5m at the end of March 2019). This reduction is driven by the Trusts capital programme for the year, with a number of large value schemes currently underway e.g Cath Labs and CT/MR capacity (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

	Year Ending	Year Ending
	31/03/2019	31/03/2020
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
Plan Risk Rating after overrides	1	1

f) Key financial risks

- **Welsh Commissioners**
With additional funds such as Pay Award, CQUIN and PSF transferring into tariff, the risk associated with our Welsh contract increases. Discussions between Wales, NHS improvement and NHS England are on-going. The financial plan assumes full payment. The risk is £3m for 2019/20.
- **Cost Improvement Plan**
Our cost Improvement programme has been set at £3.8m (3%), 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 challenging but good progress has already been made on scheme identification and focus is now on delivery.
- **Delivery of performance targets**
Delivery of performance targets is dependent on the availability of staff and facilities to allow the diagnostics and treatment to be carried out. Given current shortages of both, there is a risk that we will have to pay a premium to ensure that patient diagnostics and treatment are carried out on a timely basis.
- **NHS Supply Chain**
The change in funding arrangements to NHS Supply Chain assumes delivery of savings. However, the evidence supporting these savings is not yet available and there is a risk that the responsibility for meeting the financial gap will fall to the Trust's CIP programme. Savings of £250k are currently assumed within the plan.
- **CQUIN**
We have budgeted for 90% delivery of CQUIN schemes which is consistent with delivery over recent years.

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 2019/20 has been set at £3.8m (3% of expenditure). This is higher than the nationally required 1.1% due to number of local cost pressures identified (approx. £1m), additional depreciation (approx. £800k) and financial gap related to the change in NHS Supply Chain funding (approx. £250k).

To identify potential CIPs the Trust has used Model Hospital, Getting it Right First Time (GIRFT) as well as other benchmarking tools, such as National Cardiac Benchmarking Collaborative (NCBC) and the Corporate Benchmarking tools.

The table below provides a summary of the Trusts Cost Improvement programme for 2019/20 by theme. All schemes are subject to a robust QIA and EIA process before implementation.

Table 4: Cost Improvement Plan 2019/20

Efficiency theme	£000s
Other Savings plans	880
Procurement	748
Corporate and Admin	559
Workforce (Nursing)	360
Workforce (Medical)	299
Workforce (Other)	154
Hospital Medicine and Pharmacy	102
Estates and Facilities	100
Workforce (AHP)	25
Pathology	15
Other Savings plans	880
Unidentified	558
Grand Total	3,800

The unidentified gap has significantly reduced from £1.661m in the draft plan to £558k. This final gap, together with implementation of schemes identified, is now the key focus of divisional teams.

i) Agency Costs

In 2019/20 our agency ceiling cap is set at £2.057m. We not anticipate exceeding this cap as our use of agency over the past 2 years has been below this level. In 2018/19 have been forecasting our agency usage to be £1.45m and this is made up of radiographers, digital, junior medical staff within Cardiothoracic Surgery, and nursing in theatres and critical care.

j) Capital Planning

The capital investment plan of £13.3m in 2019/20 is at a slightly higher level than in 2018/19. This plan includes the completion of a number of schemes commenced in 2018/19, such as the Private Patient Unit, the first phase of Catheter Lab refurbishment and the installation of a new CT scanner and a new MR scanner in summer 2019. These latter two developments are to support the Trust in achieving the diagnostic targets in 2019/20. £3m is to be invested in estates, covering both general maintenance and accommodation. The second phase of cath lab refurbishment will commence in 2019/20, requiring investment of £1m.

The investment will be funded using internally generated capital funds, £5.5m from depreciation and £7.9m from Trust internally generated cash balances.

The capital plan has been prioritised by each divisional/departamental head and then subject to shared scrutiny first at Capital Management Group and then by the Executive team. The final plan was ratified by the Operational Board.

Table 5: 2019/20 Capital Programme

Capital Investment Plan 2019/20		£000s
2018/19 overarching Schemes	New CT and MR Scanners	4,655
	Cath Lab refurbishment, phase 1	537
	PPU completion	187
	Theatre B replacement	900
	Other	128
	Sub-Total	6,407
Replacement	Estates	1,978
	Medical Equipment	1,143
	Digital Services	143
	Sub-Total	3,351
Development	Digital Services	1,000
	Estates	1,085
	Cath Lab refurbishment, phase 2	1,000
	Sub-Total	4,864
Contingency	Sub-Total	500
Total		13,343

Funded by:	Depreciation	5,485
	Internally generated cash balances	7,858
	Total	13,343

4. Conclusion

The financial plan for 2019/20 was submitted in line with national planning requirements on the 4th April 2019. There were no material changes from the position presented to the Board of Directors in its March meeting.

5. Recommendations

The Board of Directors is asked to note the contents of the report and raise any questions in the meeting.