

## Council of Governors

### Item 8.3

**Subject:** 2022/23 Annual Plan Update including Financial Plan & Capital Programme  
**Date:** 4<sup>th</sup> June 2022  
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**Presented by:** Karen Edge, Chief Finance Officer

BAF Reference	Impact on BAF
BAF 2, 3, 7	<p>This report provides an update to the Interim Annual Plan submission for 2022/23. The plan is a break-even position noting significant levels of non-recurrent funding flows. Achieving the activity plan and receipt of Elective Recovery Funding (ERF) and delivery of CIP are the key risks. There is non-recurrent mitigation in the plan for slippage through a risk reserve.</p> <p>There have been some minor changes to the Operational Plan in respect of the 52 week trajectory and outpatient activity.</p>

Level of assurance (please tick one)					
X	<b>Acceptable assurance</b> Controls are suitably designed, with evidence of them being consistently applied and effective in practice	<input type="checkbox"/>	<b>Partial assurance</b> Controls are still maturing – evidence shows that further action is required to improve their effectiveness	<input type="checkbox"/>	<b>Low assurance</b> Evidence indicates poor effectiveness of controls

## 1. Executive Summary

This paper provides an update to the financial plan for 2022/23.

The current proposal delivers a break-even position, contingent on high levels of non-recurrent funding, most notably from the Elective Recovery Fund (ERF).

It should be noted that the Cheshire & Mersey system position is currently a significant deficit and further improvement has been requested by the national team following additional funding being provided for high inflation costs and a further submission is now required on the 20<sup>th</sup>

June. Further engagement and opportunities are being explored by the Finance community.

In respect of capital, the proposed plan for 2022/23 remains in draft form as the total capital allocation for the Cheshire & Merseyside Integrated Care System (ICS) is heavily oversubscribed. The Trust capital plan is likely to be significantly reduced because of this. The process of prioritisation at an ICS level is expected to conclude by early June. The Trust has sufficient cash resources to deliver the proposed programme.

## 2. Financial plan 2022/23

The plan delivers a break-even position for 2022/23, as outlined in the table below.

	£000
Income (Clinical and Non-clinical)	197,938
Expenditure (Recurrent including CIP)	-204,742
Deficit before System funding/ERF/NHSE baseline update	-6,804
Specialised commissioning growth adjustment	6,467
Deficit before System funding/ERF	-337
Elective funding - ICB	1,274
Elective Recovery Funding - Spec Comm	2,885
Additional ERF - Wales and above 104%	153
System funding - COVID	894
System contribution	-4,869
<b>Revised plan - 2022/23</b>	<b>0</b>

This highlights the significant levels of non-recurrent funding in the plan. In addition, the contribution back to the system is also recognised as non-recurrent for 2022/23 only as the system works through opportunities for productivity and efficiency and reviews the baseline positions of providers. This contribution provides strong evidence of system collaboration.

In respect of the C&M ICS, the current position reported is £148m deficit with £40m risk to be allocated to providers. This is the result of a number of factors including excess inflation, ongoing COVID costs and specific system pressures. This deficit position is mirrored across ICS's in England and the DH has recently announced a further £1.5bn of funding for excess inflation with the expectation of a break-even position following allocation. However, whilst reducing the deficit at C&M ICS level, it does not eradicate it and further work is required to achieve the improvement required.

## 3. Risks and uncertainties

Although the Trust enters the new financial year with a little more clarity than in the previous two years, there remains a degree of uncertainty and risk. The primary risks identified to date are as follows:

- Private patient income is set at pre-Covid levels but due to recovery actions, actual income levels may be lower. There is no on-going national support for loss of non-NHS

income, so recovering this income to pre-pandemic levels is an important financial target.

- Elective recovery funding – achievement of the financial plan is heavily reliant on elective recovery funding. The funding reflected in the plan is consistent with the agreed activity plan, but staff shortages due to sickness, a surge in Covid, or high turnover could impair the Trust's ability to meet its activity plans. If the Trust does not hit the 104% activity plan, then reductions in income of 75% of tariff will be applied.
- Cost Improvement Programme – given the circumstances, the Trust has performed well in 2021/22 in delivering recurrent savings. However, it does carry forward £1.1m of unidentified CIP into next year, along with an additional 2% requirement. With other funding reductions in the ICS, the Trust may be called upon to deliver further savings, and identification of those savings will not be easy.
- Cost inflation – the national tariff funds a certain level of inflation, but this was calculated prior to the recent high increase in energy prices. Inflation in both energy costs and other areas could outstrip the funding and local estimates.

#### 4. Capital Programme

The Trust has prepared a capital programme for 2022/23 consistent with the prioritised 5-year capital plan approved by the Board previously. This is summarised in the table below.

	£m
Cath lab	7.5
Backlog maintenance incl. surgical corridor and theatre refurbishment	5.8
MRI scanner	1.6
Clinical Equipment	0.3
	15.2
Digital Aspirants programme	2.9
<b>Total Capital Plan</b>	<b>18.1</b>

However, capital spending is now coordinated across the ICS, and plans are significantly higher than the funding available. The Trust is likely to secure £5.5m in line with its historic depreciation levels. Anything greater than that is subject to ICS review and agreement. The ICS has commenced a process to prioritise the capital schemes. The Trust has submitted all of the requested paperwork and is seeking to maximise the capital funding allocation. The outcome of this process is expected in early June. The Digital Aspirant funding is received via a different route and has already been confirmed.

#### 5. Recommendation

The Council of Governors is asked to:

- NOTE the 2022/23 Financial Plan
- NOTE the risks and uncertainties