

## Council of Governors (in Public)

### Item 7.2

**Subject:** Financial Planning update 2021/22  
**Date of Meeting:** Tuesday 1<sup>st</sup> June 2021  
**Prepared by:** Karen Edge, Chief Finance Officer  
**Presented by:** Karen Edge, Chief Finance Office  
**Purpose of Report:** To Note

#### 1. Background

The 2021/22 financial year will be split into two periods. The planning guidance received to date addresses the first half of the year ('H1'), and consequently this paper will primarily address this period. The current assumption is that the second half of the year will be a roll over of H1 as recovery will be needed over a longer timeframe than 6 months and planning guidance to the contrary has not as yet been published.

For H1, the key planning principles are outlined below:

- The System funding envelope will be rolled forward for the first six months of 2021/22.
- Block payment arrangements remain in place for providers.
- Systems have access to additional funds to support Elective Recovery.
- The NHSE/I expectation is that Systems will achieve a breakeven position in H1.

The focus from NHSE/I is on system level performance, and the Cheshire and Mersey ICS will distribute the funding envelope amongst providers to ensure financial stability in the short term.

The Elective Recovery Fund (ERF) is in place to incentivise providers to increase activity and address the waiting lists that have grown significantly since the start of the pandemic. Access to the ERF is contingent on both system level performance and achieving some transformational change. Where the criteria are met, the funding available is based on PbR tariffs and will be distributed by the ICS to providers.

#### 2. H1 Financial Scenarios

The income allocation available to the Trust from the ICS has not yet been finalised but early indications suggest that the allocation together with the rollover of

commissioner contract values would deliver a break-even position should the Trust deliver the national expectation of 85% of pre-pandemic activity levels.

However, the Trust is focused on maximising capacity for recovery and plans to deliver in excess of 100% of pre-pandemic activity levels by the end of H1. The additional costs are expected to be recovered through the Elective Recovery Fund arrangements.

Budgets have therefore been agreed that reflect the capacity required to deliver recovery and the Board of Directors have signed off the approach and noted the risks and mitigations.

### **3. Conclusion**

There remains uncertainty despite the receipt of planning guidance at the end of March. The focus on system working and system achievement creates an additional layer of uncertainty and delay.

The Trust has put the necessary arrangements in place to set a budget that allows the Trust to optimise recovery and maintain sound financial control whilst system financial arrangements are being finalised.

### **4. Recommendation**

The Council of Governors are asked to note the content of the report.