

# **Directorate Level First Draft Budget Book 2019-20**

Trust Board, 3<sup>rd</sup> January 2019

# Contents

Slide Number	Narrative
2	Contents
3	Purpose of the Paper
4	Waterfall Chart 2018/19-2019/20
5	Waterfall Chart narrative
6	NHSI control total assumptions
7	Basis of 1920 assumptions
8-9	Numerical analysis of 1920 efficiency ask
10	Directorate Level Budgets – Net I&E
11	Key messages – I&E
12-13	Patient Related Income
14-15	Other Income
16-17	Pay
18-19	Non-Pay
20	Income Growth – current position
21	Actions required

# Purpose of the paper

- This paper aims to set out the first draft of directorate budgets for the 2019-20 financial year, and makes clear the further work required to achieve directorate level, confirmed, challenged accurate and owned budgets by 31<sup>st</sup> March 2019.
- As there is much yet to be confirmed externally in respect of planning assumptions, the paper focuses on internal actions required to deliver on the Trust's 2 year financial strategy.
- The paper contains the current view on the efficiency ask for 2019/20, to which there will be adjustments as details are confirmed.
- There is still work to do to ensure that the second year of the two year financial strategy of the Trust is not adversely affected by performance in 2018/19, where the Trust expects to achieve the financial control total reflected in the plan, but not by the route and methods originally planned for.

# Waterfall chart – 18/19-19/20



# What is the chart saying and what does it assume?

- The chart sets out the revised plan of a deficit of £15.5m and the non-recurrent route to control total that has been set out in previous papers, and in the Month 8 finance report to Board.
- It then reverses the non-recurrent mitigations and applies the “normalisation” adjustments inherent in the forecast, to create a possible Month 1 scenario. Typically these adjustments included assumptions that vacancies will be filled, removal of “one-off” improvements or otherwise that impacted on the 1819 position.
- This revealed a requirement to identify £12m of pay, £5m of patient related income, and £5m of non-pay or commercial opportunity improvements.
- If this gap can be closed, the result is a recurrent plan for directorates and groups to remain within 2018/19 budgets which then roll over into the 2019/20 financial year. The current assessment of this is set out in the paper.
- The extent to which gaps are not closed will result in a risk to plan achievement in 1920 if a solution cannot be found.
- This is a reasonable assumption on the basis that budgets were set on normalised outturn for 2018/19.
- These budgets reflect a deficit plan of £7.6m, and therefore the assumption is that the Trust is required by NHSI to deliver a control total of the same level as 2018/19 – this has yet to be confirmed. More information regarding the construct of the control total for 2018/19 is on the next slide.

# Control Total 2018/19

	£ million
<b>Current 2018/19 control total (including allocated STF)</b>	<b>11.273</b> <b>Surplus</b>
Net impact of CNST income and spend changes	-1.449
Risk Reserve (available for deployment)	-1.118
Additional STF allocation	4.259
<b>2018/19 control total (including allocated STF) before flexibility</b>	<b>12.965</b> <b>Surplus</b>
CT flexibility changes made if 2017/18 control total (excluding STF) is delivered	-0.790
<b>Revised 2018/19 control total (including allocated STF) after flexibility</b>	<b>12.175</b> <b>Surplus</b>

	£ million
<b>Current 2018/19 control total (including allocated PSF)</b>	<b>12.175</b> <b>Surplus</b>
Non-recurring reduction in control total	-5.000
Reduction in PSF allocation	-3.686
<b>Revised 2018/19 control total (including allocated PSF)</b>	<b>3.489</b> <b>Surplus</b>

- The above tables set out the two control total offers that SWBH received in 2018/19, the left hand one being the first offer, the right hand one being the later one and that which reflects the Trust's current control total plan (after £11.056m of PSF), being a deficit before PSF of £7.567m.
- It is of note that the reduction in control total of is described as non-recurrent. The waterfall chart assumes that the Trust will not be asked to make good that adjustment. NHSI have informally advised that this is a safe assumption but we do not know until we receive formal notification of the regime for 2019/20.

# 2019/20 assumptions

- The waterfall chart shows a CIP requirement of £20m for 2019/20, which stands at circa 4% of total expenditure.
- The assumptions behind this ask are set out on the next slide and most require further information to fix the amount. It is the view of the finance team that although the Trust should not assume it will be better than this, it is unlikely to be worse.
- The in year ask is met by income growth of £27m from SWBCCG, offset by £11m cost of contract. There is then a small CIP, to be met by non-pay projects.
- The margin and CIP then return the Trust to a planned deficit of £7.6m, before PSF.

# Current assumptions in relation to 2019/20 that drive £20m CIP

	£000s	Notes
<b>Assumed 2018/19 Exit Deficit (ie the control total excluding PSF)</b>	<b>(7,567)</b>	Assumed any non recurrent benefits in 18/19 are made good in a full year eg by the FYE of CIP schemes
<b>2019/20 Income</b>		
Income Growth Sandwell (from £273.8m to £300m)	26,200	
Income Growth Other Commissioners at 3% of the income plan at month 4	4,564	Estimated
	<b>30,764</b>	
<b>Cost of Contract</b>		
Cost of Contract Sandwell to leave a margin of £16m	(10,200)	
Cost of Contract Non Sandwell (assume zero margin)	(4,564)	
	<b>(14,764)</b>	
<b>National Inflation</b>		
- Pass Through Expenditure (4%)	(1,120)	£28m x 4%
- CNST (19.7%)	(2,720)	£13.8m x 19.7%
- Depreciation (3%)	(420)	£14m x 3%
- PDC (3%)	(260)	£8.7m x 3%
- Pay Award Non Medical (2%)	(4,690)	Estimated cost applied to current annual budget, including drift
- Pay Award Medical (1%) 18/19 FYE	(910)	Estimated cost applied to current annual budget
- Pay Award Medical (1%) 19/20	(910)	Estimated cost applied to current annual budget
- Pay Award Medical Increments	(500)	
- General Non Pay (2%)	(2,490)	£152m less £28m pass through x 2%
	<b>(14,020)</b>	
<b>Local Inflation:</b>		
- PDC Impact: to cover off the PDC drawdown for early MMH works	(470)	(£25m/2 x 3.5%) + (£2m/2 x 3.5%) = £470K
- IT Infrastructure Costs	(2,000)	JD Estimate
- BTC Imaging	0	If we use the £900K in reserves to offset the position in 18/19 then the equivalent amount needs to be put back in again
- Depreciation	(1,580)	Estimated (£1,580K plus £420K in national inflation = £2m)- need to construct new CARS model.
- Living Wage	(340)	
- Local Discretionary points	(250)	
- Planning Contingency	(1,050)	
	<b>(5,690)</b>	
<b>Other</b>		
- Remove taper relief margin for 18/19	(2,700)	
- Taper relief margin for 19/20	2,700	
	<b>0</b>	
<b>CIP</b>		
CIP (balancing figure)	3,710	
	<b>3,710</b>	
<b>2019/20 Deficit (Excluding PSF)</b>	<b>(7,567)</b>	Underlying deficit maintained at our 18/19 control total level



# Alternative view – plan on a page

	1 - Contract PRI	1c - Other PRI	2 - Other Income	3 - Pay	4 - Non Pay	5 - Non Operational Costs	Grand Total	Memo CIP 19/20
<b>Normalised Position Excluding PSF</b>	<b>435,097</b>	<b>4,019</b>	<b>52,318</b>	<b>(316,297)</b>	<b>(157,288)</b>	<b>(25,495)</b>	<b>(7,567)</b>	<b>0</b>
<b>2018/19 Income Plan Changes</b>								
- Income Growth Sandwell (from £273.8m to £300m)	26,200						26,200	
- Income Growth Other Commissioners at 3% of the income plan at month 4	4,564						4,564	
<b>Cost of Contract</b>								
- Cost of Contract Sandwell to leave a margin of £16m (split 75% pay, 25% non pay)				(7,650)	(2,550)		(10,200)	16,000
- Cost of Contract Non Sandwell (assume zero margin)				(3,423)	(1,141)		(4,564)	
<b>National Inflation</b>								
- Pass Through Expenditure (4%)					(1,120)		(1,120)	
- CNST (19.7%)					(2,720)		(2,720)	
- Depreciation (3%)						(420)	(420)	
- PDC (3%)						(260)	(260)	
- Pay Award Non Medical (2%)				(4,690)			(4,690)	
- Pay Award Medical (1%) 18/19 FYE				(910)			(910)	
- Pay Award Medical (1%) 19/20				(910)			(910)	
- Pay Award Medical Increments				(500)			(500)	
- General Non Pay (2%)					(2,490)		(2,490)	
<b>Local Inflation:</b>								
- PDC impact: to cover off the PDC drawdown for early MMH works						(470)	(470)	
- IT Infrastructure Costs					(2,000)		(2,000)	
- BTC Imaging					0		0	
- Depreciation						(1,580)	(1,580)	
- Living Wage				(340)			(340)	
- Local Discretionary points				(250)			(250)	
- Planning Contingency					(1,050)		(1,050)	
<b>CIP</b>								
- Balancing Figure to maintain control total					3,710		3,710	3,710
<b>GRAND TOTAL (Before PSF)</b>	<b>465,861</b>	<b>4,019</b>	<b>52,318</b>	<b>(334,970)</b>	<b>(166,649)</b>	<b>(28,225)</b>	<b>(7,567)</b>	<b>19,710</b>
PSF			11,056				11,056	
<b>SURPLUS/(DEFICIT) 2019/2020 (Including {PSF)</b>	<b>465,861</b>	<b>4,019</b>	<b>63,374</b>	<b>(334,970)</b>	<b>(166,649)</b>	<b>(28,225)</b>	<b>3,489</b>	<b>19,710</b>

# Directorate Level Budgets – I&E

New Group	New Directorate	Rollover Budget £000's	Budget Adjustments £000's	Revised Rollover Budget £000's	Normalised Actuals £000's	Actuals Adjustment £000's	Revised Normalised Actuals £000's	Variance £000's
Medicine & Emergency Care	Emergency Care	15,896	0	15,896	14,373	917	15,290	-606
	Admitted Care	13,367	0	13,367	10,302	329	10,631	-2,736
Medicine & Emergency Care Total		29,263	0	29,263	24,674	1,246	25,920	-3,342
Surgical Services	General Surgery	19,701	0	19,701	18,765	1,177	19,942	241
	Specialist Surgery	10,629	0	10,629	11,795	284	12,079	1,450
	Theatres	-20,242	0	-20,242	-21,293	0	-21,293	-1,051
	Anaesthetics, Pain Management and Critical Care	-8,143	0	-8,143	-8,242	113	-8,129	13
	Ophthalmology	12,870	0	12,870	11,319	1,181	12,500	-370
Surgical Services Total		14,816	0	14,816	12,345	2,755	15,100	284
Women & Child Health	Gynaecology, Gynae-Oncology	4,751	0	4,751	3,485	784	4,269	-482
	Maternity & Perinatal Medicine	15,873	0	15,873	12,679	615	13,294	-2,579
	Acute & Community Paediatrics	5,407	0	5,407	4,232	99	4,331	-1,075
Women & Child Health Total		26,030	0	26,030	20,396	1,498	21,894	-4,136
Primary Care, Community and Therapies	iBeds	-4,668	0	-4,668	-5,053	279	-4,775	-107
	Ambulatory Therapies	-1,078	0	-1,078	-2,127	322	-1,805	-726
	iCares	4,901	0	4,901	4,437	237	4,674	-226
	Community Medicine	6,295	0	6,295	4,882	335	5,217	-1,078
Primary Care, Community and Therapies Total		5,449	0	5,449	2,139	1,173	3,312	-2,138
Pathology	Biochemistry	1,094	0	1,094	341	-41	300	-793
	Haematology	-3,027	0	-3,027	-2,820	-81	-2,901	127
	Histopathology	-151	0	-151	-114	-12	-126	25
	Immunology	-79	0	-79	-237	0	-237	-158
	Microbiology	-1,584	0	-1,584	-1,656	-64	-1,720	-136
Pathology Total		-3,747	0	-3,747	-4,485	-198	-4,683	-936
Imaging	Breast Screening	1,480	0	1,480	1,467	0	1,467	-13
	Diagnostic Radiology	-412	0	-412	-588	0	-588	-176
	Interventional Radiology	1,199	0	1,199	1,107	0	1,107	-92
	Nuclear Medicine	241	0	241	-455	0	-455	-696
Imaging Total		2,508	0	2,508	1,532	0	1,532	-976
Corporate	Strategy and Governance	-19,183	0	-19,183	-20,458	852	-19,606	-423
	Finance	-4,278	0	-4,278	-4,388	-18	-4,406	-128
	Medical Directors Office	-8,807	0	-8,807	-11,625	342	-11,283	-2,476
	Operations	-17,662	0	-17,662	-18,372	607	-17,765	-103
	People & Organisation Development	-5,724	0	-5,724	-6,168	285	-5,883	-159
	Estates & New Hospital Project	-13,823	0	-13,823	-16,620	-131	-16,751	-2,928
	Corporate Nursing Services	-12,116	0	-12,116	-12,659	108	-12,551	-435
Corporate Total		-81,593	0	-81,593	-90,289	2,045	-88,244	-6,652
Central	Central	-9,653	5,600	-4,053	-17,407	6,200	-11,207	-7,153
	Income	16,079	0	16,079	17,490	0	17,490	1,411
	Reserves	-6,796	-5,600	-12,396	-5,958	5,000	-958	11,438
Central Total		-371	0	-371	-5,875	11,200	5,325	5,696
Total - Trust		-7,645	0	-7,645	-39,565	19,719	-19,846	-12,201

# Key messages

- There is currently an assessed £12m gap from 1819 rollover budgets to anticipated 1920 income and expenditure levels
- This is split by;
  - PRI £2.8m
  - Other income £5m
  - Pay £2.4m
  - Non-pay £2m
- There is work underway to develop proposals to close the PRI, and Pay gaps
- The Other income gap is created by the non-delivery of the commercialisation plans during 1819 and requires closure
- There is a small non-pay gap, which requires work to close in the same way as the pay gap has been reduced. The extent to which the normalised non-pay position can be improved over £2m would either reduce the Other Income gap or create reserves which could be used for investment or to offset adverse variances in year in the same way that this has been done in 1819. In the current model there are limited resources for new revenue expenditure.
- Work done to reduce normalisation gaps will change directorate control totals and further updates will be provided to future meetings.

# Patient Related Income

New Group	New Directorate	Rollover Budget £000's	Budget Adjustments £000's	Revised Rollover Budget £000's	Normalised Actuals £000's	Actuals Adjustment £000's	Revised Normalised Actuals £000's	Variance £000's
Medicine & Emergency Care	Emergency Care	56,976	17	56,993	57,295		57,295	302
	Admitted Care	81,603	-1,161	80,442	77,841		77,841	-2,601
Medicine & Emergency Care Total		138,579	-1,144	137,435	135,136	0	135,136	-2,299
Surgical Services	General Surgery	42,348	7	42,355	42,776		42,776	421
	Specialist Surgery	24,673	1	24,673	26,396		26,396	1,723
	Theatres	0	0	0	0		0	0
	Anaesthetics, Pain Management and Critical Care	11,961	-9	11,952	11,927		11,927	-25
	Ophthalmology	35,899	441	36,340	36,149		36,149	-191
Surgical Services Total		114,882	439	115,321	117,248	0	117,248	1,927
Women & Child Health	Gynaecology, Gynae-Oncology	12,798	-18	12,780	12,463		12,463	-317
	Maternity & Perinatal Medicine	46,043	8	46,052	43,421		43,421	-2,631
	Acute & Community Paediatrics	22,156	-209	21,947	21,405		21,405	-542
Women & Child Health Total		80,998	-219	80,779	77,289	0	77,289	-3,489
Primary Care, Community and Therapies	iBeds	8,231	1	8,232	8,186		8,186	-45
	Ambulatory Therapies	10,909	0	10,909	10,682		10,682	-227
	iCares	17,623	0	17,623	17,589		17,589	-34
	Community Medicine	29,204	-1,350	27,854	27,091		27,091	-763
Primary Care, Community and Therapies Total		65,966	-1,349	64,617	63,548	0	63,548	-1,069
Pathology	Biochemistry	9,504	1	9,505	10,107		10,107	602
	Haematology	0		0	0		0	0
	Histopathology	0		0	0		0	0
	Immunology	0		0	0		0	0
	Microbiology	42		42	42		42	0
Pathology Total		9,545	1	9,546	10,149	0	10,149	602
Imaging	Breast Screening	3,735		3,735	3,734		3,734	0
	Diagnostic Radiology	2,734		2,734	2,940		2,940	205
	Interventional Radiology	330		330	332		332	1
	Nuclear Medicine	393		393	362		362	-31
Imaging Total		7,192	0	7,192	7,367	0	7,367	175
Corporate	Strategy and Governance	2,736		2,736	2,685		2,685	-51
	Finance	0		0	0		0	0
	Medical Directors Office	0		0	0		0	0
	Operations	3,155		3,155	3,300		3,300	145
	People & Organisation Development	46		46	46		46	0
	Estates & New Hospital Project	0		0	0		0	0
	Corporate Nursing Services	1,608		1,608	1,607		1,607	-1
Corporate Total		7,546	0	7,546	7,638	0	7,638	92
Central	Central	8,808	5,600	14,408	10,040	5,600	15,640	1,233
	Income	1		1	30		30	29
	Reserves	0		0	0		0	0
Central Total		8,808	5,600	14,408	10,070	5,600	15,670	1,262
PRI - Trust Total		433,516	3,328	436,844	428,446	5,600	434,046	-2,798

# Patient Related Income

- The gap of £2.8m is expected to be closed by;
  - Confirmation that non-recurrent patient related income will be available to be earned by the Trust in 1920 to the same levels, either recurrently or non-recurrently again
  - Contract at 1819 plan levels those contract lines that sit outside the production plan (production plan delivery 1819 plan levels is assumed in normalisation). This is primarily emergency activity (cardiology), other-non elective activity (births) and out of area community activity.

# Other Income

New Group	New Directorate	Rollover Budget £000's	Budget Adjustments £000's	Revised Rollover Budget £000's	Normalised Actuals £000's	Actuals Adjustment £000's	Revised Normalised Actuals £000's	Variance £000's
Medicine & Emergency Care	Emergency Care	52		52	77		77	25
	Admitted Care	597		597	646		646	49
Medicine & Emergency Care Total		649	0	649	723	0	723	74
Surgical Services	General Surgery	1,369		1,369	1,280		1,280	-89
	Specialist Surgery	115		115	116		116	1
	Theatres	195		195	204		204	9
	Anaesthetics, Pain Management and Critical Care	53		53	53		53	0
	Ophthalmology	693		693	669		669	-24
Surgical Services Total		2,426	0	2,426	2,323	0	2,323	-103
Women & Child Health	Gynaecology, Gynae-Oncology	135		135	177		177	43
	Maternity & Perinatal Medicine	113		113	97		97	-16
	Acute & Community Paediatrics	481		481	526		526	45
Women & Child Health Total		729	0	729	800	0	800	71
Primary Care, Community and Therapies	iBeds	9		9	9		9	0
	Ambulatory Therapies	224		224	215		215	-9
	iCares	33		33	667		667	634
	Community Medicine	625		625	521		521	-105
Primary Care, Community and Therapies Total		891	0	891	1,411	0	1,411	520
Pathology	Biochemistry	5,900		5,900	5,917		5,917	17
	Haematology	187		187	235		235	48
	Histopathology	87		87	78		78	-9
	Immunology	460		460	378		378	-83
	Microbiology	153		153	133		133	-19
Pathology Total		6,788	0	6,788	6,740	0	6,740	-47
Imaging	Breast Screening	693		693	709		709	16
	Diagnostic Radiology	122		122	90		90	-32
	Interventional Radiology	2		2	0		0	-2
	Nuclear Medicine	1,923		1,923	1,537		1,537	-386
Imaging Total		2,740	0	2,740	2,336	0	2,336	-404
Corporate	Strategy and Governance	1		1	572		572	571
	Finance	180		180	106		106	-74
	Medical Directors Office	2,174		2,174	1,827		1,827	-347
	Operations	2,511		2,511	2,348		2,348	-164
	People & Organisation Development	2,105		2,105	2,289		2,289	184
	Estates & New Hospital Project	5,127		5,127	4,759		4,759	-368
	Corporate Nursing Services	857		857	857		857	0
Corporate Total		12,955	0	12,955	12,758	0	12,758	-198
Central	Central	14,192		14,192	7,900		7,900	-6,292
	Income	16,022		16,022	17,328		17,328	1,306
	Reserves	0		0	0		0	0
Central Total		30,214	0	30,214	25,228	0	25,228	-4,986
		57,391	0	57,391	52,318	0	52,318	-5,072

# Other Income

- The gap here is created by the non-achievement of the 1819 planning and budgeted assumption that the Trust would identify and achieve an amount of income and/or savings in relation to new commercial ventures.
- Board colleagues will know that these plans centred around car parking, and outsourcing elements of the IT service. Neither of these schemes were realised, but the Trust should ensure that it either improves non-pay or develops a new project to resolve this gap to avoid increasing the ask over and above the currently assumed £20m target.

# Pay

New Group	New Directorate	Rollover Budget £000's	Budget Adjustments £000's	Revised Rollover Budget £000's	Normalised Actuals £000's	Actuals Adjustment £000's	Revised Normalised Actuals £000's	Variance £000's
Medicine & Emergency Care	Emergency Care	-32,095		-32,095	-34,126	917	-33,209	-1,114
	Admitted Care	-46,744		-46,744	-46,640	329	-46,311	433
Medicine & Emergency Care Total		-78,839	0	-78,839	-80,766	1,246	-79,520	-681
Surgical Services	General Surgery	-19,373		-19,373	-20,600	1,177	-19,423	-51
	Specialist Surgery	-11,918		-11,918	-12,348	284	-12,064	-146
	Theatres	-10,400		-10,400	-10,462	0	-10,462	-61
	Anaesthetics, Pain Management and Critical Care	-18,845		-18,845	-18,958	113	-18,845	0
	Ophthalmology	-15,007		-15,007	-16,502	1,181	-15,321	-314
Surgical Services Total		-75,543	0	-75,543	-78,869	2,755	-76,114	-571
Women & Child Health	Gynaecology, Gynae-Oncology	-7,037		-7,037	-7,333	784	-6,549	488
	Maternity & Perinatal Medicine	-20,799		-20,799	-21,414	615	-20,799	0
	Acute & Community Paediatrics	-15,705		-15,705	-16,291	99	-16,192	-487
Women & Child Health Total		-43,541	0	-43,541	-45,038	1,498	-43,540	0
Primary Care, Community and Therapies	iBeds	-11,872		-11,872	-12,298	279	-12,019	-147
	Ambulatory Therapies	-8,342		-8,342	-8,715	322	-8,393	-51
	iCares	-10,268		-10,268	-11,260	237	-11,023	-755
	Community Medicine	-9,525		-9,525	-9,578	335	-9,243	282
Primary Care, Community and Therapies Total		-40,008	0	-40,008	-41,851	1,173	-40,678	-670
Pathology	Biochemistry	-41		-41	0	-41	-41	0
	Haematology	-82		-82	-1	-81	-82	0
	Histopathology	-31		-31	-19	-12	-31	0
	Immunology	0		0	0		0	0
	Microbiology	-184		-184	-120	-64	-184	0
Pathology Total		-338	0	-338	-140	-198	-338	0
Imaging	Breast Screening	-2,356		-2,356	-2,489		-2,489	-133
	Diagnostic Radiology	-10,125		-10,125	-10,327		-10,327	-202
	Interventional Radiology	-409		-409	-424		-424	-15
	Nuclear Medicine	-1,557		-1,557	-1,577		-1,577	-19
Imaging Total		-14,448	0	-14,448	-14,818	0	-14,818	-369
Corporate	Strategy and Governance	-5,524		-5,524	-6,377	852	-5,525	0
	Finance	-3,385		-3,385	-3,367	-18	-3,385	0
	Medical Directors Office	-6,852		-6,852	-7,195	342	-6,853	0
	Operations	-17,136		-17,136	-17,743	607	-17,136	0
	People & Organisation Development	-6,389		-6,389	-6,674	285	-6,389	0
	Estates & New Hospital Project	-5,489		-5,489	-5,357	-131	-5,488	0
	Corporate Nursing Services	-12,573		-12,573	-12,680	108	-12,572	0
Corporate Total		-57,348	0	-57,348	-59,394	2,045	-57,349	-1
Central	Central	-1,663		-1,663	-2,350	600	-1,750	-87
	Income	0		0	0		0	0
	Reserves	1,031	-5,600	-4,569	-4,551		-4,551	18
Central Total		-633	-5,600	-6,233	-6,901	600	-6,301	-69
		-310,697	-5,600	-316,297	-327,778	9,119	-318,659	-2,362



# Pay

- Medicine and EC –
  - The £681k gap on pay is represented by new cost not yet incurred and not yet matched budgetary mitigation that to be agreed, specifically;
  - 3 x wte consultant NOW posts £375k – tbc in budgets
  - Cardiology consultant x 1 wte £131k – possibly income backed
  - Haematology Consultant business case £125k – possibly income backed
  - Psychology Support for Neuro patients £50k – tbc in budgets
- Surgery -
  - Identified normalisation improvements were identified for pay, leaving a residual £222k gap to close. However, £350k of the closure was represented by budget increases that are as yet unidentified or could be counted in the margin contribution, and they are therefore not reflected here. They are;
    - ACCP funding recurrent £100k (from L&D)
    - SEAU income increase £250k
- PCCT -
  - The £670k pay gap is represented by budgetary increases, as follows;
  - Better Care Fund investment £500k
  - Medical Infusion Unit 7 day working £170k
- Imaging –
  - This gap requires closure in the context of the sustainability work

# Non-Pay

New Group	New Directorate	Rollover Budget £000's	Budget Adjustments £000's	Revised Rollover Budget £000's	Normalised Actuals £000's	Actuals Adjustment £000's	Revised Normalised Actuals £000's	Variance £000's
Medicine & Emergency Care	Emergency Care	-9,037	-17	-9,054	-8,873		-8,873	181
	Admitted Care	-22,090	1,161	-20,929	-21,545		-21,545	-616
Medicine & Emergency Care Total		-31,126	1,144	-29,983	-30,418	0	-30,418	-435
Surgical Services	General Surgery	-4,643	-7	-4,649	-4,690		-4,690	-41
	Specialist Surgery	-2,241	-1	-2,242	-2,369		-2,369	-127
	Theatres	-10,036	0	-10,036	-11,035		-11,035	-999
	Anaesthetics, Pain Management and Critical Care	-1,312	9	-1,303	-1,264		-1,264	39
	Ophthalmology	-8,716	-441	-9,157	-8,997		-8,997	159
Surgical Services Total		-26,948	-439	-27,387	-28,356	0	-28,356	-969
Women & Child Health	Gynaecology, Gynae-Oncology	-1,145	18	-1,127	-1,823		-1,823	-696
	Maternity & Perinatal Medicine	-9,485	-8	-9,493	-9,425		-9,425	68
	Acute & Community Paediatrics	-1,526	209	-1,317	-1,408		-1,408	-91
Women & Child Health Total		-12,156	219	-11,937	-12,655	0	-12,655	-719
Primary Care, Community and Therapies	iBeds	-1,036	-1	-1,037	-951		-951	85
	Ambulatory Therapies	-3,869		-3,869	-4,309		-4,309	-440
	iCares	-2,487		-2,487	-2,559		-2,559	-72
	Community Medicine	-14,009	1,350	-12,659	-13,149		-13,149	-490
Primary Care, Community and Therapies Total		-21,401	1,349	-20,052	-20,968	0	-20,968	-916
Pathology	Biochemistry	-14,270	-1	-14,271	-15,683		-15,683	-1,413
	Haematology	-3,132		-3,132	-3,053		-3,053	79
	Histopathology	-207		-207	-173		-173	34
	Immunology	-539		-539	-614		-614	-75
	Microbiology	-1,594		-1,594	-1,710		-1,710	-116
Pathology Total		-19,742	-1	-19,743	-21,234	0	-21,234	-1,491
Imaging	Breast Screening	-591		-591	-487		-487	104
	Diagnostic Radiology	6,857		6,857	6,710		6,710	-147
	Interventional Radiology	1,276		1,276	1,200		1,200	-76
	Nuclear Medicine	-517		-517	-776		-776	-259
Imaging Total		7,024	0	7,024	6,646	0	6,646	-378
Corporate	Strategy and Governance	-16,396		-16,396	-17,338		-17,338	-942
	Finance	-1,073		-1,073	-1,127		-1,127	-54
	Medical Directors Office	-4,129		-4,129	-6,257		-6,257	-2,129
	Operations	-6,193		-6,193	-6,277		-6,277	-84
	People & Organisation Development	-1,486		-1,486	-1,829		-1,829	-343
	Estates & New Hospital Project	-13,461		-13,461	-16,021		-16,021	-2,560
	Corporate Nursing Services	-2,008		-2,008	-2,442		-2,442	-434
Corporate Total		-44,745	0	-44,745	-51,292	0	-51,292	-6,546
Central	Central	-30,990		-30,990	-32,997		-32,997	-2,007
	Income	56		56	132		132	76
	Reserves	-7,827		-7,827	-1,407	5,000	3,593	11,420
Central Total		-38,760	0	-38,760	-34,272	5,000	-29,272	9,489
		-187,855	2,272	-185,583	-192,549	5,000	-187,549	-1,966

# Non-Pay Variance Themes

- Medicine & EC –
  - CIP non-delivery £262k
  - 1819 cost pressures driven by over-performance £744k (could be mitigated if cost of contract funded to correct levels)
  - Netted off by savings on Mallig Health (offset by ED pay 1819 investment) and Modality cost of contract reserve
- Surgical Services –
  - Theatres cost of consumables in year pressure and non-delivery of Procurement CIP
- Women and Child Health –
  - In year Modality cost pressure £450k
  - CIP non-delivery £225k
  - £50k Drugs
- PCCT –
  - Property Costs – PCCT - £450k
  - £400k – overspends driven by activity and income over-performance
- Pathology –
  - £1.4m HUB Costs
- Imaging –
  - £300k outsourcing
  - £79k Pharma costs offset by income over-performance
- S&G –
  - £618k CNST 1819 rebate
  - £174k non-recurrent funding
  - £150k offset by vacancies
- Finance –
  - CIP non-delivery offset by underspends in pay
- Medical Directors Office –
  - 1819 overspend – IT
- Operations –
  - Assume Iron Mountain ends, CIP non-delivery offset by pay vacancies
- People and OD –
  - Funding of training budget back to £1m
- Estates and New Hospital Project
  - £1.3m – CIP non-delivery (Energy and Minor Works)
  - £1.2m - Inflationary utilities pressures where non-recurrent remediation is in place in 1819
- Corporate Nursing Services –
  - £434k 1819 pressures offset by pay underspends

# 1920 Income growth – current status

- Subject to closure of the gaps identified, the plan for 2019/20 remains one of activity and income growth through localisation of services, with associated margin contribution, and a small non pay CIP.
- The table below sets out the latest position on income. This needs to be reconciled to contract negotiations, and locked down by mid January so that associated expenditure budgets can be allocated to directorates.

Rationale	Income £m	Cost to deliver £m	Margin £m
18/19 expected baseline / outturn	274		
Surgery PP for next year	12.1	6.8	5.3
surgey UCC coding* included within CCG challenges	0	0	0
Ophthalmology backlog	0.9	0	0.9
Medicine PP for next year	3.55	1.2	2.35
PCCT PP for next year	0.76	0.32	0.44
repat Health Harmonie - minor extended surgery (derm)	0.564	0.264	0.3
remaining health harmonie contract	0.266	0.266	0
BMI podiatry	0.158	0.158	0
Imaging income on repat work	0.7	0.6	0.1
CDA f/up overdue elimination* included within Ophthalmology Clearance	0.3	0.21	0.09
Reduce total pathways to <14 weeks inc. f/ups post op	1.274	0.8918	0.3822
Bring first new to <6 weeks; inc f/ups via N:f/up ratio	2.063	1.4441	0.6189
BPT switch	1	0	1
Funding for six identified pathways e.g. MSK triage	1	1	0
Emergency income increase	1.5	1.05	0.45
Modality Contracts commissioned through SWBH from 19/20	1.5	1.05	0.45
CCG income challenge benefit	0.7	0	0.7
<b>19/20 Total income</b>	<b>302.335</b>	<b>15.2539</b>	<b>13.0811</b>

- Assumptions –
- Backlog clearance is delivered at 70% cost higher than both Medicine and Surgery current margins
- Emergency activity increase for next year follows previous trends
- We can implement half the required BPT changes
- PCCT can implement Nurse led minor ops across the board in Dermatology
- No benefit of other contracts which should yield at least 30% profit
- Modality contracts continue at 30% margin

# Further work required

What?	By When?	Who?
1. Work up contract proposals for non SWBCCG commissioners that reflect 1819 plan levels wherever possible, highlighting as soon as possible any risks to achieving this.	21.12.18	Ian Kendall
2. Reconcile the localisation and margin work with the contract negotiation schedule. Ensure no double count of margin and income.	11.1.19	Income Delivery Group
3. Work on Contract Negotiations with the CCG, and resolve all non-localisation issues	Q4 1819	Ian Kendall and Dinah McLannahan
4. GSFMs to work with directorates and agree the gap analysis, confirm the current normalisation improvements and plans to remain within budgets, and confirm additional funding required through additional income or funding sources not yet identified.	Month 9 reporting	GSFMS, Paul Stanaway
5. Implications of planning guidance and confirming 1920 assumptions	As soon as available	Paul North
6. View on capital charges and depreciation for 2019/20	21 <sup>st</sup> December	Craig Higgins
7. Confirm 1920 IT cost pressure	End Jan 2019	John Doyle and Martin Sadler
8. Collate list of investment requests and cost pressures	End Feb 2019	Paul Stanaway and Paul North
8. Pathology – confirm Hub cost model profile	End Jan 2019	Elena Edwards