

Recap on the construct of the financial challenge and proposed solutions

	2018.19	2019.20	2020.21
Challenge:			
Underlying	26	0	0
National Efficiency - circa 2%	11	11	11
Local Efficiency - estimated	2	2	2
Developments / Other	5	1	2
Control Total	(2)	2	0
Midland Met	0	0	20
Total Challenge:	42	16	35
2 year challenge	58		
3 year challenge	93		
Solutions:			
CIP (max 4% per annum average)	25	13	19
2 year CIP	38		
3 year CIP	57		
Margin - income plans over expenditure plans	6	11	8
2 year margin	17		
3 year margin	25		
Commercialisation (assume non recurrent)	11	3	11

- The above is a recap of what the Board considered this time last year.
- The assumption that the Trust would outturn 2017/18 with an underlying deficit of £26m held during budget setting.
- The Trust's control total was subsequently reduced by £5m (officially non-recurrently), to a deficit of £7.6m, which reduced the ask to £37.2m,
- The planned solutions identified dealt with the underlying position on the basis that all budgets (set at 1718 normalised outturn) were achieved recurrently, as well as CIP and margin achieved.

A Forward Look to 2019/20

- Current assumptions are as follows;

2019/20 view	£m
Underlying deficit position c/fwd	(29.1)
Identified pay improvements	8.9
To be identified pay improvements	2.6
Repair 1819 PRI underperformance against budget	5
Re-establish commercialisation income workstream	5
Inflation uplift (net of CQUIN and pay award)	6.1
National inflation	(11.3)
Local inflation, developments and risks	(24.5)
1920 planned efficiency improvements	20
Sub-total	(17.3)
Central 1920 funding	17.3
1920 plan - breakeven	0

- If the above lines highlighted in red can be resolved recurrently, the Trust has a route to a deficit of £17.3m, before central funding offered of £17.3m (see Appendix 1).

Looked at another way....

	£m
Net National Inflation / CIP requirement	(5.3)
Trust planned CIP 2019/20	20
Local cost pressures, developments and risks	(24.5)
Control Total change	9.748
Total	0

- The above explains how we are planning to cover off £24.5m of local pressures, risks, and developments, by a control total change and planning to deliver CIP in excess of national requirements.
- The normalisation improvements of £21.5m should repair the underlying deficit brought forward if identified recurrently during 2019/20.

Conclusion

- This paper aims to set out that SWBH has an underlying deficit of £29m away from a break even position as it goes in to 2019/20. If it can identify recurrent improvements to variances generated during 2018/19, this could be improved to £7.6m.
- The control total offer for 2019/20 has seemingly allowed for specific local pressures in relation to SWBH (upon which the Trust is not sighted) which allow a control total deficit of £17.3m (before central funding). This would allow the Trust to fund nearly £30m of in year national and local pressures and achieve the control total, but does not further repair the underlying position, unless the cost pressures, developments and risks can be moderated.
- The Government announced a 5 year funding settlement for the NHS in June 2018, allowing for an additional £20.5bn a year in real terms by 2023/24.
- 2019/20 is viewed as a foundation year which will see significant changes proposed to the architecture of the NHS, laying the groundwork for implementation of the Long Term Plan.
- There is a desire to move away as swiftly as possible from organisational control totals, to support system working, reward success, and reduce uncertainty.
- There are no central funds in 2019/20 to fund unauthorised deficits, and so there is an expectation that Trusts deliver their agreed plans.
- Whilst CCGs have received indicative 5 year allocations, the financial regime for Trusts is only visible for 2019/20. That said, expectations are clear – that the long term aim is for providers to reach break even on a sustainable basis.
- 2019/20 is intended to be the first year of a re-set of the financial framework for NHS providers.
- As SWBH was still in a deficit position after the applied reset, the Trust was allocated £8.1m of Financial Recovery Fund. The expectation is that by 2023/24 no trust will be reporting a deficit and that the size of the FRF will reduce over time with funding replaced by recurrent efficiency improvements delivered through multi-year recovery plans.
- The Trust should therefore plan on the basis that between 2019/20 and 2023/24 (excluding any impact of Midland Met delay and construction) it should aim to deliver recurrent efficiencies £8m above national and local inflation requirements, as well as the £20m required during 2019/20.
- All systems with deficit trusts are expected to have recovery plans in place as part of the 5 year system level strategic plans by December 2019. STPs / ICSs will need to demonstrate that their capital plans are an investable proposition.
- For SWBH, this will mean making the link between financial recovery and the trust funded capital programme that is part of the Midland Met business case.
- Financial recovery plans will need to establish the drivers of financial performance, the actions required to make services sustainable at a trust and system level and agreed responsibilities to make this happen within the ICS and STP.
- The plans should draw on the understanding of the health system, and include proven initiatives, such as Right Care, GIRFT and Model Hospital, and the big opportunities identified in the Long Term Plan. The Trust has plans in place to address these areas and identify priorities from the Long Term Plan already underway.