

Draft 2021/22 Financial Plan

Trust Board
January 2021

20/21 Plan/Budgets

- The Trust had an approved FIT compliant plan, aligned to the MMUH business case, that earned the Trust £14m in FRF.
- Prior to planning being paused, a draft financial plan was submitted to NHSM in March 2020. At this point contracts had not been agreed with black country commissioners and a £13m gap existed.
- 20/21 budgets were set on the draft financial plan, reflecting a £31m deficit position, driven by the contracting gap and FRF shortfalls:

	Contract PRI £000s	Other PRI £000s	Other Income £000s	Total Income £000s	Pay £000s	Non Pay £000s	Non Opex £000s	Total Expenditure	Net I&E
March Plan/Budgets	467,947	15,195	55,663	538,804	(346,190)	(211,671)	(11,786)	(569,646)	(30,842)

Proposed Budget Setting Approach

- The Trust's Financial Plan is rooted currently in the delivery of the MMUH business case.
- This underpins the 2020/2021 Directorate budgets, linked to the 2020/2021 activity model (both pre-covid).
- Budget Setting basis for 2021/2022 therefore is rollover expenditure budgets as the start point, which would restore budgets to support 2020/2021 activity levels.
- The approach also aims to streamline the exercise to minimise the ask on operational and clinical management as they work through the current Covid pressures.
- Supporting this is the collection of Cost Pressures, Risks, and Developments from the organisation. These will include those related to Covid-19 that are likely to continue into 2021/2022. It is accepted that this will have to be produced in uncertain environment, given the medium to long term impact of the pandemic and the impact of possible vaccine programmes are not clear at present.
- Within this approach, Groups are encouraged to review detailed budgets where applicable.

Proposed Activity Planning Approach

- Activity baseline will be 2019-20 outturn, with March 2020 adjusted to normalise the impact of CV19 in line with recent Phase 3 guidance. We also make adjustments for the differing numbers of working or calendar days in the year (working days for elective activity, calendar days for non-elective) so that we are comparing activity on a like for like basis. Known full year effects of any in-year 2019-20 changes will be included in the baseline.
- Initial price base is 2020-21 consultation tariff and activity grouped using the 2020-21 local payment grouper. Non-PbR contract lines are uplifted by 1.4% in line with 20-21 consultation tariff guidance.
- Data will be presented at PCN and Place level; GP practice level data being allocated directly and nonpractice data apportioned on the basis of either weighted practice population or directly allocated practice data, for example using the financial value of directly allocated activity or counts new outpatient attendances as a proxy for service use – this will be confirmed with commissioners.
- Clinical Groups will be consulted and required to confirm baseline assumptions, to identify pathway and other changes to practice during 20-21 likely to impact on activity counts/costs in 21-22 and to look forward to other developments and changes that will have a full or part year effect in 21-22, for example recovery and restoration plans, differential activity changes between places, localisation of activity or collaborative agreements with commissioners or other providers likely to impact on activity and income.

21/22 Plan

A first draft of a financial plan for 21/22 has been drawn up, building from the 20/21 submitted plan with the following assumptions:

- That the Trust cannot recover the shortfall against the 20/21 CIP targets (although Pharmacy and Procurement are being asked to meet their 2021 targets in 2122).
- Tariff uplift is 1.3%
- General activity growth, and associated costs, are in-line with the MMUH business case.
- Cost Inflation is in line with national assumptions, at an average uplift of 2.4%
- The impact of Covid is modelled and funded separately.
- Developments:

Urgent Care (Income backed)	£2m
Vanguard Theatres	£4.8m
MMUH Taper Relief Funded Step-up in Costs	£9m
Hard FM	£2.2m
Non Opex	£2m
RCRH Transitional Reserve Step Up	£3.3m
Other	£0.7m
	<u>£24m</u>

- The draft CIP target for 21/22 has been set at the national expectation of 1.1%, moving away from the target embedded in the MMUH business case:

LTFM CIP Target	(£13.1m)
Reduction	<u>7.9m</u>
CIP Restated at 1.1%	(£5.2m)

- A £0.7m reduction in transitional funding for Oncology stranded costs
- That any new cost pressures identified can be funded from existing reserves carried forward.

Next Steps and Timescales

- To undertake a review of the 20/21 forecast position to establish a normalised view of the underlying expenditure position, including
 - Recurrent and non recurrent items
 - The full year effects of in year changes. (15 January 2021)
- Assess the extent to which the normalised view of 20/21 is adrift from plan, including mitigations. (15 January 2021)
- To finalise a schedule of Group cost pressures, inflationary pressures, developments and risks (31 Dec 2020)
- To confirm the proposed 21/22 activity levels including an assessment of the impact of restoration and recovery on activity levels, planned income and planned expenditure (22 January 2021)
- To the extent that it is possible, establish the 21/22 cost implications of Covid on delivering the new normal (22 Jan 2021)
- To finalise the CIP required and the approach to allocating targets to Groups (8 January 2021)
- To review the validity of the current 21/22 step changes and assumptions (15 January 2021)
- Incorporate planning guidance into plans and evaluate impact of BCWB STP system allocation for 2122 (as soon as available)
 - Early Indications suggest that system allocations will be based on LTP CCG allocations plus pre-Covid FRF. There will be an adjustment for non-delivery of CIP in 2021, funding for Covid (exit plans need to be developed), service developments and “funding growth” (not specifically defined) in 2021
- Revised draft plan to Finance Investment Committee (29 January 2021)