Draft 2021/22 Financial Plan

Trust Board

1st April 2021

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Q3 reported position – likely basis for Q1 and Q2 block)

	Q3 Income £000s	Q3 Costs £000
2020/21 Q3	147,458	148,055
Q3 run rate		145,065
Headroom per qtr		**2,990**
CNST increase		(600)
Engie		(679)
Depreciation		(750)
Revised Headroom		**961**

- Income value includes £5,312k for Covid
- Q3 run rate includes £6,669k for Covid costs

- Q1 financial regime for 2021/22 will be based on reported actuals from Q3 (not yet clear, cost or income)
- Further details are expected from NHSE-I – to confirm inflation and efficiency assumptions, and specifically for SWB, Taper funding which increases significantly in 2122 pre-MMUH
- However, there are commitments we are signed up to for 21/22 i.e. Engie Contract, reducing this headroom
- Q3 also included £6,669k covid costs – currently we are above this in Q4
- No funding for developments or reserves in Q1
- **Priority is to safely and appropriately reduce covid costs during Q1 which will create funding for the above (subject to recurrent position)**

Comparing Q3 Run Rate to Rollover Budgets

Group	Rollover Budget £000s	Q3 Costs £000s	Variance £000s
Corporate and Central	43,307	43,233	74
Imaging	8,011	8,635	(624)
Medicine & Emergency Care	28,189	30,833	(2,644)
Primary Care, Community Services and Therapies	18,515	18,333	181
Surgical Services	28,996	28,751	245
Women's & Child Health	15,360	15,279	81
TOTAL	**142,378**	**145,065**	**(2,687)**

- This slide shows that comparing the same cost figure against budgets, we have pressures unless we can reduce some of these costs
- Irrespective to any "headroom" in Q1 it is vital Groups move back towards their recurrent expenditure budgets (noting this was a £30.8m deficit and supports activity plans)
- Similarly, as we move into the 2021/22 financial year Recovery & Restoration plans need to be financially evaluated against recurrent budget

Internal Planning Process

- The Trust's Long Term 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 (recurrent) budgets as the start point, which would restore budgets to support 2020/2021 activity levels (and therefore income).
- 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.

External (NHSEI) Planning Requirements

- Detailed 2021/22 planning guidance has not been issued at the time of writing this report.

- STP process to develop a shared understanding of the 2020/21 exit run rate and accompanying underlying position
  - to bridge actual spend to 2020/21 plans submitted in March 2020, 2020/21 forecast outturn (as per the H2 plan agreements) and then to an underlying position and initial 2021/22 start point adjusting for all non-recurrent items and full year impacts
  - Template circulated on 18 January 2021
  - Submission from the system on 29 January 2021

- A **recurrent** position that reflects the "new -normal" (using best estimates) that will form the basis of medium and long-term efficiency planning and can be seen as a "reset" of the current position for long-term planning.
- **Non-recurrent** costs that explain short term pressures moving from where we are to the new normal recognising this is highly subjective.

- **Q1 probably H1 for 2021/22 continuation of the "block" funding arrangements**

External (NHSEI) Planning Requirements – National assumptions

- All PPE, testing and vaccination costs continue to be funded nationally “out of envelope”, although these costs and income will be both recurrent and non-recurrent.

- Systems receive 2021/22 FRF funding in line with long term plan financial trajectories (SWB £24.8m).

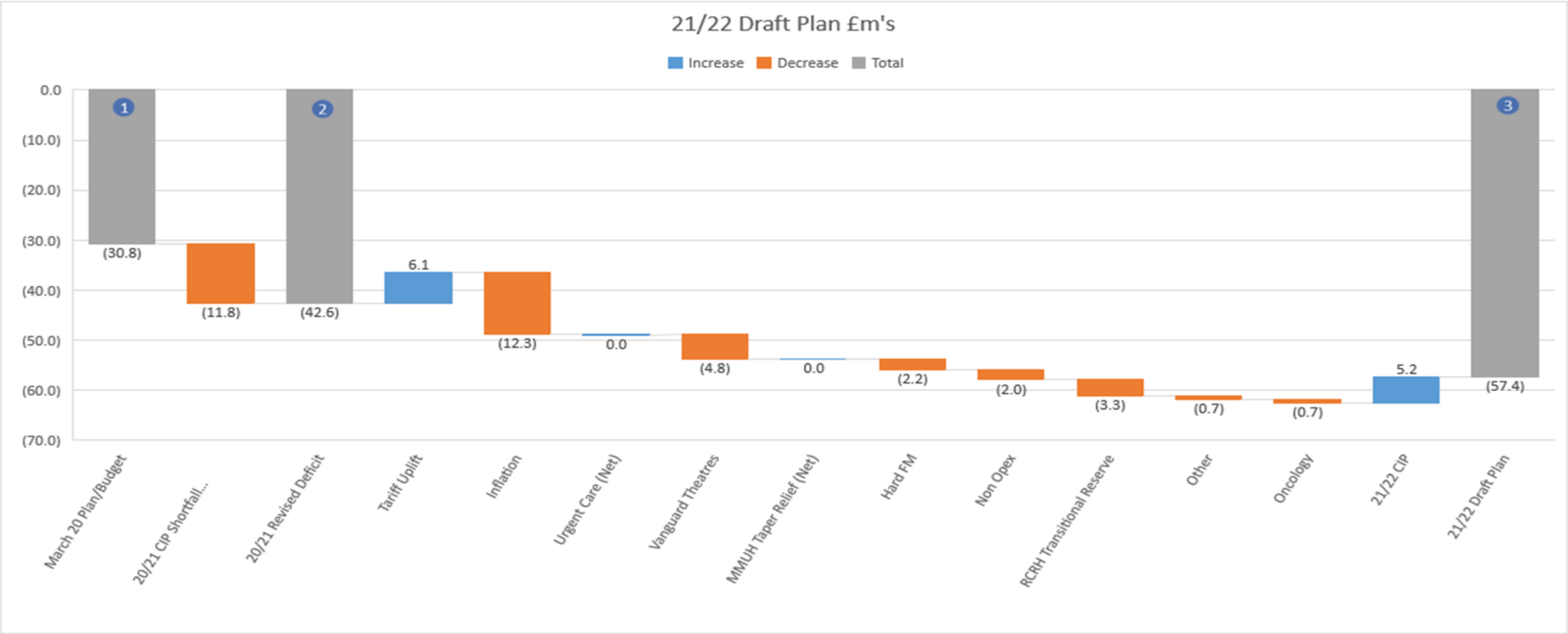
- 2021/22 Tariff efficiency of 1.1%, for all non-system contractual arrangements. We will expect systems to clearly document assumptions around contractual arrangements and funding flows within a system with our expectation that there will be a minimum 1.1% efficiency in service delivery implicit if PbR is being used. Expected minimum 1.6% efficiency requirement if in deficit.

- Flat cash for all out of system payments unless explicit service change can be identified.

- CCG Allocations will link back to 19/20, adjustments not published yet.

- At this stage, assuming no additional funding for elective recovery, non-recurrent COVID-19, bridging for lack of efficiencies delivered in 2020/21, hospital discharge etc. This is an assumption and a likely upside; full funding settlement details remain under discussion at a national level.

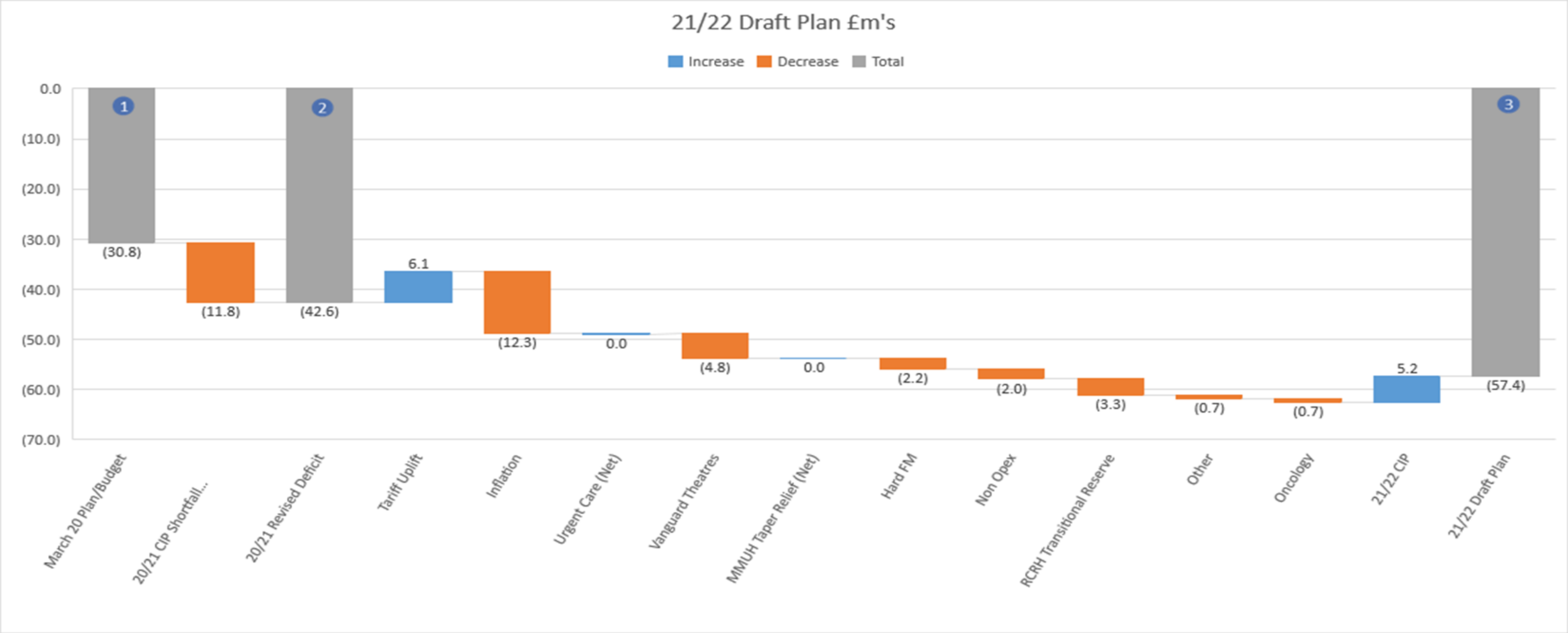
SWB Financial Planning – Baseline – Background - Draft Dec 2020



1 20/21 Plan/Budgeted Deficit £30.8m
2 20/21 Revised Deficit £43m
3 21/22 Draft Plan

- The Trust had an approved FIT compliant plan, aligned to the MMUH business case.
- 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 (£13m) and consequent FRF shortfalls (£14m)

SWB Financial Planning – Baseline – Assumptions - Draft Dec 2020



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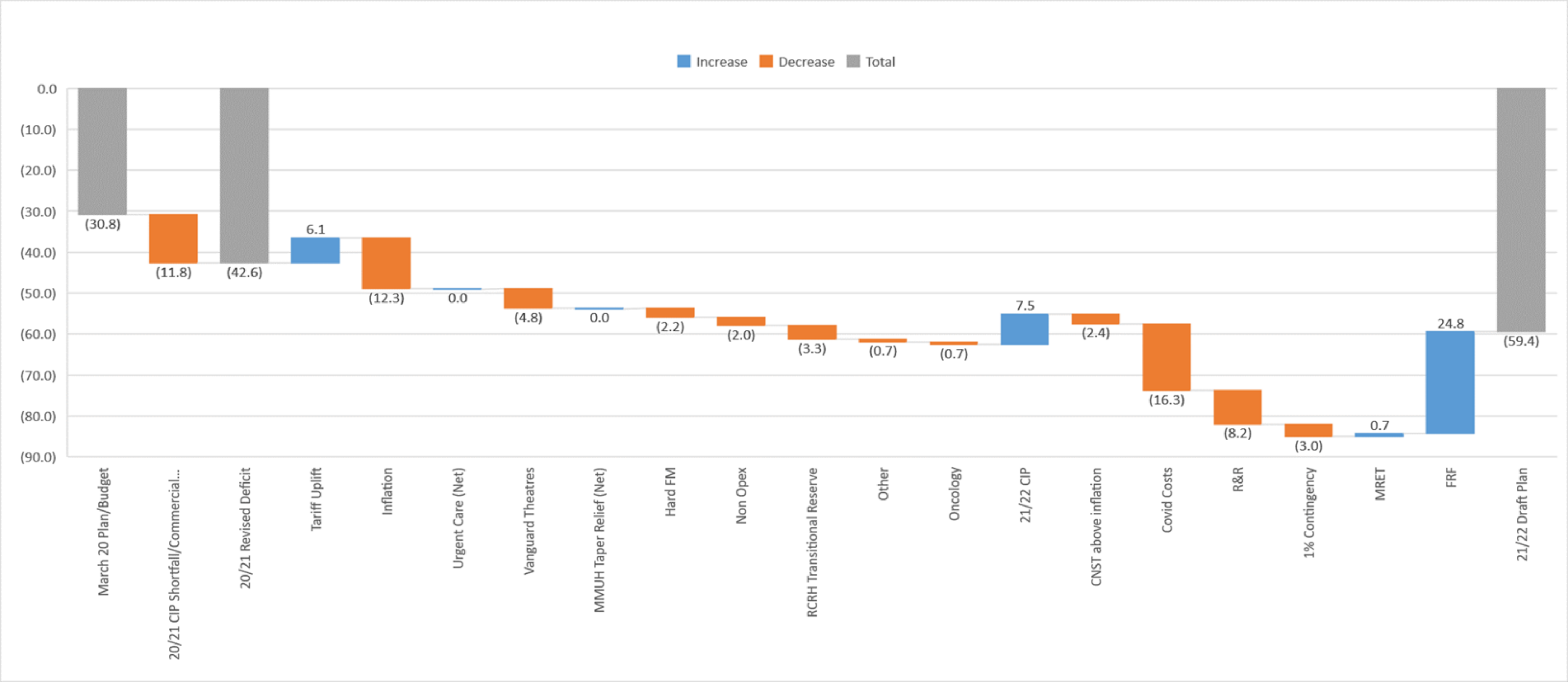
Assumptions

- That the Trust cannot recover the shortfall against the 20/21 CIP targets.
- Tariff uplift 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%
- That the impact of Covid is modelled and funded separately
- The CIP target for 21/22 has been set at the national expectation of 1.1%
- That any new cost pressures identified can be funded from existing reserves carried forward, and the small additions in year
- **Draft financial plan of a £57.4m deficit – excludes FRF of £24.8m**

SWB Financial Planning – Draft STP run rate work - January 21



- Small adjustment to CIP to correct percentage, by this time we understood the CNST cost pressure for 2122
- Base case of £57.4m deficit updated for FRF, CNST contract confirmation, Covid / Recovery & Restoration costs, costs pressures known at the time
- **Revised position of £59.4m deficit, inclusive of £24.5m funding for Covid / R&R (so excluding this, £83.9m) – part of much larger indicative system gap**

Cost Pressures, Risks, Inflation, Developments, Unmet CIP 2021, Commercial Income Target

Sum of Net I&E	Column Labels					Commercial	
Row Labels	**Cost Pressures**	**Risks**	**Inflation**	**Development**	**CIP**	**Income**	**Grand Total**
Central	(100)			(934)	(1,147)	(4,149)	(6,330)
Corporate Nursing & Facilities	(341)		(26)	(732)	(526)		(1,625)
Finance	(50)		(15)				(65)
Imaging	(350)	(1,577)		(1,725)	(737)		(4,389)
Medical Director	(439)	(810)		422	(353)		(1,180)
Medicine & Emergency Care	(1,632)	(2,425)	(115)	(4,520)	(2,815)		(11,507)
Operations	(1,836)	(649)	(30)	(1,678)	(429)		(4,622)
People & Organisation Development	(501)	(662)		(349)	(510)		(2,022)
Primary Care, Community and Therapies	(1,235)	(210)	(91)	(1,510)	(1,046)		(4,092)
Strategy and Governance	(648)	(1,975)	(3,097)	(1,873)	(983)		(8,576)
Surgical Services	(538)	0	(50)	(11,757)	(2,623)		(14,968)
System Transformation	(2,237)	(1,275)	(40)	(3,263)	(760)		(7,575)
Women's & Child Health	(572)	(900)		(2,247)	(573)		(4,292)
(blank)							
Grand Total	**(10,479)**	**(10,483)**	**(3,464)**	**(30,166)**	**(12,502)**	**(4,149)**	**(71,243)**
Executive Approved	1,185			1,743			2,928
Engie				2,773			2,773
Exclude COVID cases				1,640			1,640
	(9,294)	**(10,483)**	**(3,464)**	**(24,010)**	**(12,502)**	**(4,149)**	**(63,902)**

- Irrespective of the financial regime we have been undertaking a traditional planning process
- Outputs from the review sessions with the Clinical Groups and Corporate Directorates
- Baseline is the recurrent budget, that drove a Trust deficit of £30.8m i.e. this is over and above those budgets
- Aim is to manage and mitigate cost pressures and risks, fund inflation, write off CIP and Commerical Income target and then fund developments according to balance of risk, quality and affordability

Next Steps & Timescales

- The Board is asked to note the presentation and in particular:

    - The 2122 Q1 expected financial regime
    - The draft financial plan parameters
    - The draft internal planning outputs from the Groups and Corporate Directorates

- Updates on 2021/22 guidance will be provided when it is received

- FIC has supported the key next steps:

    - Further validation of cost pressures led by the CFO / COO and other colleagues where appropriate
    - Prioritised developments by Groups / Directorates against a defined criteria
    - Prior to a formal business case process being established any developments must be agreed by the Executive Team
    - CFO and COO to review draft activity plans and cost implications in the context of MMUH affordability and capacity assumptions

- FIC is receive the final plan at the May meeting, subject to national planning processes and timescales