

# 2013/14 Interim revenue budget - revision

Executive sponsor: **Paul Simpson (Chief Financial Officer)**  
Author: **Paul Simpson/ Peter Burnett (Head of Financial Management & Planning)**

An Associated University Hospital of  
Brighton and Sussex Medical School

## 2013/14 budget update

Purpose of report and action required:

- i) approval of a revision to the interim revenue budget agreed on 28 March – noting that the final budget cannot be approved until discussions over non-recurrent funding are resolved.

### Summary:

- On 28 March the Board approved an interim revenue budget because the Contract with CCGs had not been signed. The Contract was signed on 13 May 2013 – so that action is complete, but a final budget still cannot be submitted to the Board because the issue of non recurrent transitional support remains subject to discussion between the Trust Development authority (TDA) and NHS England. It was originally anticipated that this would have been resolved prior to the Board meeting, but it has not been.
- Noting that one CCG in the patch will have a deficit budget after the Contract agreement, negotiations have reached a point where the non recurrent support required has been nominally reduced from £8.5m to £5.5m. To recognise this it was agreed that the Trust's last formal Financial Plan return to the TDA reflects this position and shows a breakeven rather than a £3.0m surplus.
- This all means that a final budget cannot be submitted to the Board, but the Trust is being held to account at Month 1 against an interim breakeven budget. This change requires Board sign off. A final budget will be submitted once the discussion over non-recurrent support is resolved.

Relationship to  
Trust corporate  
objectives and  
assurance  
framework:

Relevant objective:

- **Objective 4** – Become a Sustainable, Effective Organisation – live within our means both in year and sustainably into the future. **Key targets** - delivery of agreed financial budget (breakeven) and deliver savings target (£11.1m)

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### Corporate impact assessment:

<p><b>Legal:</b></p>	<p>No legal breach is reported, or forecast.</p> <p>NHS Trust financial performance is subject to Schedule 5 of the NHS Act 2006 (the “breakeven duty”). This was breached in 2007/08 and the Auditor has notified the Secretary of State in several letters as required by Section 19 of the Audit Commission Act. The Trust continues to have permission to spend through agreement of its 2013/14 plan and its compliance with the conditions of its working capital loan. Legal aspects impact on individual parts of spend and income according to the nature of the spend &amp; source of income but no other material disclosures are appropriate.</p>
<p><b>Regulation:</b></p>	<p>No regulatory breach is reported, or forecast. The budget is an interim one recognising the level of risk and will be reviewed in a month.</p> <p>Financial information is reported according to IFRS (International Financial Reporting Standards) and NHS conventions in guidance. The Audit Commission reviews compliance in its audit activities and it’s opinion of the Accounts. Data here is presented in an EBITDA format to allow comparison with Monitor metrics. Assurance on Trust systems is also provided by internal audit through the AAC.</p>
<p><b>Patient experience/ engagement:</b></p>	<p>No adverse impact reported or expected. Savings have been cleared by senior clinicians. Financial decisions continue to balance operational &amp; clinical need against budget delivery and there is no clash leading to an adverse impact, including in respect of patient experience. Indeed the Trust continues to target investment to improve patient experience. Assurance has been provided to Board sub-committees about the appropriateness of clinical staffing levels.</p>
<p><b>Risk &amp; performance management</b></p>	<p>No compliance issues. Risks are stated in the report.</p> <p><b>Important note:</b> the budget described is not a deficit budget - the Trust has signed a Contract agreement (so income) with CCGs however the non recurrent funding is not covered by that contract. Noting that, the Board will be asked to review the budget once discussion over the non recurrent funding is resolved and the budget is labelled “interim”.</p>
<p><b>NHS constitution; equality &amp; diversity; communication.</b></p>	<p>No compliance issues.</p> <p>In respect of communication, Trust financial performance is reported through an on-line financial system in some detail to operational areas and is supported by a hierarchy of Divisional and Board reporting that pulls together activity, HR, finance, performance and quality.</p>

# 1: Summary: 2013/14 revenue budget

- On 28 March the Board approved an interim revenue budget because the Contract with CCGs had not been signed and there was significant risk around the financial value to be inserted.
- The Contract was signed on 13 May 2013 – so that action is complete, but it did not cover the issue of non recurrent transitional support.
- A decision has not yet been made by the Trust Development authority (TDA) and NHS England over the allocation of this non-recurrent support (the Trust had previously agreed two years of transitional funding of which £15.9m was allocated in 2012/13 with £8.5m to be allocated in 2013/14 allowing it to reach normalised breakeven in 2014/15).
- Noting that one CCG in the patch will have a deficit budget after the Contract agreement, negotiations have reached a point where the non recurrent support required has been nominally reduced to £5.5m. To recognise this it was agreed that the Trust's last Plan return to the TDA reflects this position.
- This all means that a final budget cannot be submitted to the Board, but the Trust now has an interim breakeven budget, rather than one with a £3.0m surplus. This change requires Board sign off – hence this revision to the interim budget.

## 2013/14 Revenue Budget Analysis

	2012/13 Actual Outturn	2013/14 Plan / Budget	Movement Between 12/13 Outturn & 13/14 Plan
	£'000	£'000	£'000
<b>Centrally held Income:</b>			
Total NHS Clinical Income	194,840	196,800	1,960
Non Recurring Financial Support	13,332	5,500	(7,832)
High Cost Drugs	(8,157)	(8,126)	31
Excluded devices	(777)	(767)	10
Bad debt provision	(554)	(54)	500
Donated Assets	392	500	108
Private Patient Income		500	500
Other Income	8,135	8,081	(54)
<b>Centrally Held Income</b>	<b>207,211</b>	<b>202,434</b>	<b>(4,777)</b>
<b>Expenditure &amp; Locally Held Income:</b>			
Surgical	61,065	61,771	706
Medical	44,227	43,551	(676)
Women & Children	19,952	20,854	902
Clinical Support Services	27,669	25,852	(1,817)
Clinical Services (including Escalation)	3,112	3,142	30
Cross Divisional Savings		(1,019)	(1,019)
	156,025	154,151	(1,874)
Estates & Facilities	13,569	12,530	(1,039)
HR	2,608	2,414	(194)
Chief Executive	1,743	1,289	(454)
Restructuring and PMO	1,943	2,300	357
Finance	3,165	3,021	(144)
Nursing	3,542	3,138	(404)
Corporate Affairs		1,094	1,094
IMT	2,231	2,193	(38)
Overheads	9,598	9,748	150
Non Recurring Costs	1,407	0	(1,407)
CQUINS costs	33	1,941	1,908
Unallocated reserves	(1)	(3,009)	(3,008)
<b>Total Operating Spend</b>	<b>195,863</b>	<b>190,810</b>	<b>(5,053)</b>
<b>Post EBITDA Charges:</b>			
Loss on Asset Disposals	252	0	(252)
Interest Payable	287	280	(7)
Interest Receivable	(26)	(25)	1
Depreciation - Purchased Assets	7,035	7,466	431
Depreciation - Donated Assets	223	250	27
PDC Dividend	3,134	3,381	247
Unwinding of discounts	50		(50)
Impairment of Assets	21	22	1
<b>Total post EBITDA</b>	<b>10,975</b>	<b>11,374</b>	<b>399</b>
<b>Net Surplus / (Deficit) (Before Tech Adj)</b>	<b>373</b>	<b>250</b>	<b>(123)</b>
Technical Adjustments	119	250	131
<b>Net Surplus / (Deficit)</b>	<b>254</b>	<b>0</b>	<b>(254)</b>

## Changes Between Interim & Current Budgets:

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- CCG Clinical Income decreased by £7M - Phased from month 7 to 12. Offset by £7M reduction in expenditure - held in reserves - pending actual reduction in activity.
- Non Recurring Support decreased by £3M offset by reduction in I & E surplus from £3M to break-even.
- £0.8M Agency nurses stretch savings target has been removed from Division's budgets and held centrally until allocations basis is agreed.
- £1.4M of the £1.7M cost pressure reserve has now been allocated to Divisions for approved cost pressures.
- New Corporate Affairs Directorate has been created from budget transfers from other Directorates