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| TRUST BOARD IN PUBLIC | | Date: 28 July 2016 | |
| | | Agenda Item: 3.2 | |
| REPORT TITLE: | | 2016/17 Revenue Budget | |
| EXECUTIVE SPONSOR: | | Paul Simpson Chief Finance Officer | |
| REPORT AUTHOR (s): | | Peter Burnett Deputy Chief Finance Officer | |
| Action Required: | | | |
| Approval | <input checked="" type="checkbox"/> | Discussion | <input checked="" type="checkbox"/> |
| | | Assurance () | |
| Purpose of Report: | | | |
| Approval of the 2016/17 final revenue budget. | | | |
| Summary of key issues | | | |
| <p>The Board approved an interim 2016/17 budget in March 2016, noting unsigned contracts with commissioners and lack of clarity over the status of control totals.</p> <p>The budget is now presented as final, for Board approval.</p> <p>The key things that have changed to allow this are:</p> <ol style="list-style-type: none"> 1) Of the four caveats listed by the Trust in its 3 March letter accepting the control total: <ol style="list-style-type: none"> a. Contracts are signed (bar Sussex MSK) without material adverse impact on the budget; b. The readmission penalty will not be levied; c. MRET threshold change has been agreed with East Surrey CCG, but not with Sussex CCGs (subject to a dispute process); d. The agency spend profile has been accepted (see below); 2) The Trust has resubmitted it's I&E plan (with cash and capital amendments) to NHSi in July. NHSi did not ask for any changes to the control total, and have accepted the Plan, which includes the agency spend trajectory. However, they have not written to confirm that. <p>The Trust maintains its stance on the caveats (so if the dispute with Sussex over MRET is found against the Trust the budget will be reduced).</p> <p>To restate key points: the budget provides a surplus of £15.2m (the "control total" notified by NHS Improvement).</p> | | | |

The revenue budget includes:

- a) the receipt of £9.7m sustainability and transformation funding;
- b) A cost improvement/savings plan of £9.2m (3.1% of turnover, after excluding set offs for pass through costs and taking account of income included in Divisional budgets);
- c) A £2.7m productivity gain from additional activity valued at £3.6m – this item describes the main stretch for the Trust and increases the overall efficiency gain to 4% of turnover);

The budget has also been “tidied”, with the allocation of reserves.

Details of the budget, and an analysis of remaining reserves are attached as annexes A and B.

Recommendation:

The Board is asked to approve the 2016/17 revenue budget.

Relationship to Trust Strategic Objectives & Assurance Framework:

Objectives S01 (Safe Services) S02 (Effective) and S05 (Well led) 4 apply.

Corporate Impact Assessment:

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| Legal and regulatory impact | <p>No legal breach is reported, or forecast. 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.</p> <p>The <u>main regulators</u>, are as follows:</p> <ul style="list-style-type: none"> ▪ External audit (Grant Thornton for this Trust) give an opinion on the Trust’s compliance with International Financial Reporting Standards and with NHS accounting conventions – this is not purely financial and deals with procurement, fraud, transparency and legal duties. It also gives a Value for Money Conclusion on the Trust’s ability to put in place arrangements to deliver economy, efficiency and effectiveness in its use of resources. ▪ The Care Quality Commission registers the Trust according to its compliance with regulations concerning the safety and quality of services |
| Financial impact | Direct – sets the interim revenue budget for 2016/17 and capital budget for 2016/17. |
| Patient Experience/Engagement | No adverse impact – indeed the budget describes increased productivity and specific investment in |

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| | quality. CIPs are subject to quality impact assessment. |
| Risk & Performance Management | No compliance issues. Risk and financial performance are a core part of the monthly internal performance management process and risk is described within the report. |
| NHS Constitution/Equality & Diversity/Communication | No compliance issues. |
| Attachment: | |
| Paper with Appendix A & B | |

2016/17 revenue budget (final column)

| | 16/17 Annual Budget* |
|--|-------------------------------------|
| | £'000 |
| Income (excl Divisional income) | |
| NHS Clinical Income | 265,420 |
| Chemo Profit Share | (105) |
| High Cost Drugs | (12,287) |
| Excluded devices | (1,058) |
| Sustainability & Transformation Funding | 9,700 |
| Other Income | 8,678 |
| Total income | 270,348 |
| Divisions (inc Divisional income) | |
| Cancer and Diagnostic Services: | |
| Radiology | 9,705 |
| Pathology | 11,873 |
| Site Services | 1,281 |
| Cancer | 4,662 |
| | 27,521 |
| Surgical | 74,155 |
| Medical | 63,990 |
| WaCH | 25,593 |
| Clinical Services (Escalation) | 4,201 |
| E&F | 14,090 |
| HR | 2,675 |
| CEO | 1,511 |
| Restructuring and PMO | 250 |
| Finance | 3,420 |
| Nursing | 3,955 |
| IMT | 5,513 |
| Corporate Affairs | 794 |
| Overheads | 8,984 |
| CQUINS costs | 150 |
| Reserves & Centrally Held Savings | 4,240 |
| Total Divisional I&E | 241,042 |
| EBITDA | 29,306 |
| Total post EBITDA | 14,107 |
| Net Surplus / (Deficit) | 15,200 |

* including forecast allocations

2016/17 revenue budget: reserves analysis

General & Inflation Reserves:

| | Notes | Reserves* |
|-------------------------------------|--|--------------|
| | | £'000 |
| Agency Premium | Offset against agency nursing savings target | |
| Nursing Rota | Offset against agency nursing savings target | 1,000 |
| Pathology Joint Venture | | 500 |
| Medical Equipment Service Provision | | 300 |
| Payawards, ER NI & Pay Pressures | | 437 |
| Drugs Inflation (PBR Included) | | 427 |
| Non Pay Inflation/Provisions | | 836 |
| Frailty Unit Funding | Revenue funding for capital project | 370 |
| Contingency | | 2,000 |
| | | 5,870 |

Quality Reserve:

| | £'000 |
|------------------------------------|--------------|
| Medical Records Business Case. | 216 |
| Clinical Excellence Awards | 200 |
| 11th ED Consultant | 126 |
| Maternity Management Investment | 110 |
| CQC Increase in Fees | 71 |
| Mattresses (above contract levels) | 27 |
| Other Quality Priorities | 250 |
| | 1,000 |

Reserve For Additional Activity

(326)

Total Reserves (Excluding Unallocated Savings)

6,544

Savings Awaiting Allocation

(2,303)

Total Reserves (Including Unallocated Savings)

4,240

* including forecast allocations

[END]