

BOARD OF DIRECTORS MEETING

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| Agenda Item | P1/108/18 | Date: 31st October 2018 |
| Subject /title | Strategic Financial Plan Update 2018/19 – 2020/21 | |
| Author | John Andrews, Acting Director of Finance | |
| Responsible Director | John Andrews, Acting Director of Finance | |
| Executive summary and key issues for discussion | | |
| <p>The attached presentation is intended to provide an update and assurance to the Board on progress with developing the Trusts medium to longer term financial plans. It builds on the 3 year plan previously approved by the Board (Feb '18) and detailed 1 year plan for 2018/19 (approved Mar '18). It also provides an update on the forecast 2018/19 outturn.</p> <p>The presentation is a distillation of the main items to note and risks identified in the planning process to date, which were presented to and discussed at the Finance & Business Development Committee (23/10/18).</p> <p>The main points to note are:</p> <p>2018/19:</p> <ul style="list-style-type: none"> • The proposal to increase the forecast outturn of the Trust by £0.75m to £2.547m. • After consolidation of the subsidiaries that would increase the over achievement of the Trust NHSI Control Total by £1.621m <p>2019/20 & beyond:</p> <ul style="list-style-type: none"> • Income from activity growth from model is consistent overall with previous assumptions (c £1.6m-£1.7m p.a. excl HO) • Workforce plans require further refining but 'safe day one' looks to increase costs by c £1m more than the original plan. Opportunities to reduce gap. • Anticipated normalised surplus of breakeven in 2020/21 rather than surplus of £2m, due to FM costs • Next Steps: <ul style="list-style-type: none"> ○ Further refinement of triangulation & workforce plans ongoing (to Dec '18) ○ On-going review of transitional costs and other non-pay costs (Nov '18) ○ Identification of CIP schemes a key part of 2019/20 planning process ○ National Planning Guidance Expected December 2018 ○ Assessment of any changes to national tariffs (Dec '18 – Jan '19) ○ Fully updated 3 year plan to F&BD and Board January 2019 ○ Detailed financial plan for 2019/20 to F&BD & Board March 2019 ○ 5 Year Plan to F&BD & Board July 2019 • The Capital Plan has been updated to reflect additional contingency step aside. | | |

The regular Finance report covering in year performance has been incorporated into the Integrated Performance Report to the Board.

The Board will be provided with regular updates to the Strategic Financial Plan on an on-going basis.

Strategic context and background papers (if relevant)

Trust's Financial & Business Plans 2018/19 to 2020/21

Updated Financial Plan 2018/19

Transforming Cancer Care Programme Assurance

Recommended Resolution

The Board is asked to:

- Approve the proposed increase in forecast outturn surplus for the Trust for 2018/19.
- Note the progress to date with developing the business and financial plans for 2019/20 and beyond.
- Note that the Trust may only deliver a normalised breakeven position in 2020/21, but the expectation that recurrent surplus would be expected from 2021/22.
- Note that as part of the on-going planning process updated 3 year plans will be presented to the January and March Boards.
- Note the intention to expand to a 5 year plan for the July Board.

Risk and assurance

BAF:

Deliver Outstanding Care as Locally as Possible: Strategic Risk 2 & 3

Link to CQC Regulations

Resource Implications

To be confirmed following full January 2019 update.

Key communication points (internal and external)

None

Freedom of Information Status

FOI exemptions must be applied to specific information within documents, rather than documents as a whole. Only if the redaction renders the rest of the document non-sensical should the document itself be redacted.

Application Exemptions:

- **Prejudice to effective conduct of public affairs**
- **Personal Information**
- **Info provided in confidence**
- **Commercial interests**
- **Info intended for future publication**

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Confirm to the Trust Secretary, which applicable exemption(s) apply to the whole document or highlighted sections.

| Equality & Diversity impact assessment | | |
|--|------------|-----------|
| Are there concerns that the policy/service could have an adverse impact because of: | Yes | No |
| Age | | X |
| Disability | | X |
| Sex (gender) | | X |
| Race | | X |
| Sexual Orientation | | X |
| Gender reassignment | | X |
| Religion / Belief | | X |
| Pregnancy and maternity | | x |
| If YES to one or more of the above please add further detail and identify if full impact assessment is required. | | |
| Next steps | | |
| Update the Trust forecast outturn for 2018/19 and inform NHSI Continue to develop the plans for 2019/20+ in line with the Trust planning guidelines | | |
| Appendices | | |
| N/A | | |

Strategic Objectives supported by this report

| | | | |
|---|---|---------------------------------------|---|
| Improving Quality | x | Maintaining financial sustainability | x |
| Transforming how cancer care is provided across the Network | x | Continuous improvement and innovation | x |
| Research | x | Generating Intelligence | x |

Link to the NHS Constitution

| Patients | | Staff | |
|--|---|---|---|
| Access to health care | | <i>Working environment</i> Flexible opportunities, healthy and safe working conditions, staff support | x |
| Quality of care and environment | x | <i>Being heard:</i> | x |
| Nationally approved treatments, drugs and programmes | | <ul style="list-style-type: none"> • Involved and represented • Able to raise grievances • Able to make suggestions • Able to raise concerns and complaints | |
| Respect, consent and confidentiality | | | |
| Informed choice | | Fair pay and contracts, clear roles and responsibilities | x |
| Involvement in your healthcare and in the NHS | | Personal and professional development | x |
| Complaint and redress | x | Treated fairly and equally | x |

Strategic Finance Plan Update Summary: 2018/19 Forecast 2019/20 & 2020/21

Trust Board

31st October 2018



Aims & Content

Aims: To brief the Board following a more in depth review by the Finance & Business Development Committee (23/10/18):

- Update on 2018/19 and proposed revised Forecast Outturn
- Summarise progress on updating plans for 2019/20 & 2020/21 (from 3 year plan approved by Board February 2018)
- Highlight risks, concerns and mitigations
- Next Steps

Content:

- 2018/19 Forecast Outturn & Additional Investments
- Planning Context 2019/20+
- Review of Underlying Strategic Assumptions
- Risks
- Summary: Revenue
- Capex – Update & Risks



2018/19: Forecast Outturn

- Currently ahead of plan: Trust Surplus by £598k at month 6
- Surplus driven by below non-recurrent below EBITDA items (£575k)
- Significant investment in staff 2018/19 – back loaded in year but budget phased on same basis
- Additional investments post budget setting to address additional issues
- Key in year Risks – mitigated forecast
 - 2017/18 CQUIN (outturn -£228k): in current financial position
 - 2018/19 CQUIN (forecast -£122k): Forecast maximum loss £236k offset by £114k reserve
 - Radiotherapy Activity (forecast -£1.2m): currently totally offset by over-performance on other service lines (e.g. OP Procedures, Chemo)
- **Trust Surplus Forecast Outturn: £2,547k (extra £750k)**
- Forecast Consolidated for NHSI (including subsid): £3,147k
- Forecast over achievement of Control Total by £1,621k – *potentially matched by extra Provider Sustainability Funding (PSF: previously called STF)*



Planning Context: 2019/20+

- NHS Financial Situation – challenging but extra resource in the 5 year budget settlement
- Letter from NHSI/NHSE: e.g.
 - Planning Guidance to be released – Dec '18
 - No significant structural changes to tariff for CCC services expected
 - 'Blended' approach (fixed & volume) for emergency / urgent care
 - But changes to tariff values / MFF are possible – to be quantified
 - Medium Term Aim: Breakeven will be the new 'norm' for providers
 - Move away from individual organisational Control Totals
 - STF/PSF will begin to be moved into tariffs – starting 2019/20
 - CQUIN will be significantly reduced and added into tariffs
 - All provider and commissioner plans to be aggregated through STP
 - 2019/20 Transitional Year
- 1 Year Plan by early April 2019
- 5 Year Plan summer 2019?



Review of Strategic Planning Assumptions & Costs

A considerable amount of work has been undertaken to date developing the clinical model, triangulating activity, capacity and workforce assumptions, and resulting anticipated income and costs. But it is on-going.

Updated Medium term (3-5 year) financial plan for the **January F&BD and Trust Board**.

Strategic Assumptions Reassessed:

- **Activity & Clinical Income** – model outcomes (growth of c £1.7m p.a.) very similar to previous business planning assumptions
- **Workforce Plans & Costs** – ‘safe day 1 & diseconomies’ proposed workforce plans similar to previous plans for 2019/20 but an additional £1m in 2020/21. Proposed workforce plans to develop services excluded as subject to development of business cases / commissioner support. Further review on-going.
- **Transitional Costs** – on-going review (due for completion Dec 18) but reassessment of additional protected travel costs close to previous plan
- **Other Costs** – Additional FM costs of £2m in 2020/21 likely to reduce previously planned normalised surplus to breakeven. Additional £0.1m p.a. investment to support OD strategy proposed for 3 years from 2019/20
- **CIP** – Anticipated requirement of 2% (c £1.8m) p.a. Plans required for 2019/20 onwards



Revenue: Risks

| Risk | Action / Mitigation |
|--|---|
| Affordability of clinical model | Significant progress made in finalising clinical model. On-going triangulation of activity, capacity, workforce and Finance. |
| Subsid contribution | Opportunities for CPL & PPU Aintree. |
| Costs of dual operating costs (e.g. FM) are higher than planned (e.g possible impact to reduce normalised surplus in 2020/21 to breakeven) | Full review of non-pay costs underway, with PropCare support. HO Contribution (c £2.7m) from 2021/22 (when HO 'buy out' fully written back) not yet factored into financial plans. |
| Delay in opening new RLUH – revenue | Assessment of impact of potential delay and 'work around' costs being undertaken. |
| CIPs not delivered – no CIP plans from 2019/20 | Improving productivity and efficiency a key element of the business planning process. Plans to be developed in detail for 2019/20 and outline for subsequent years. |



I&E Summary – including extra FM Costs

| I&E (£000) | 2018/19 Plan | 2018/19 Revised Plan | 2019/20 Plan | 2020/21 Plan |
|-----------------------------|-----------------|----------------------------|-----------------|-----------------|
| Total Income | 138,506 | 145,620 | 152,353 | 148,305 |
| Sub-Total: Pay | (53,424) | (56,307) | (56,146) | (56,674) |
| Sub-Total: Non-pay | (73,980) | (78,741) | (77,270) | (79,347) |
| Total Operating Expenditure | (127,404) | (135,048) | (133,416) | (136,021) |
| EBITDA | 11,102 | 10,572 | 18,937 | 12,284 |
| Capital Charges & Financing | (8,976) | (8,785) | (34,046) | (10,066) |
| Surplus | 2,126 | 1,787 | (15,109) | 2,218 |
| Surplus % | 1.53% | 1.23% | -9.92% | 1.50% |
| Additional FM Costs | 0 | 0 | 0 | (2,000) |
| Revised Surplus | 2,126 | 1,787 | (15,109) | 218 |

| Normalised Surplus (£000) | 2017/18 Plan | 2018/19 Plan | 2019/20 Plan | 2020/21 Plan |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Surplus from above | 2,126 | 1,787 | (15,109) | 218 |
| Deduct Charity Donation for Capital | 0 | 0 | (10,117) | (1,789) |
| Deduct RLUH Bridge Funding | 0 | 0 | 0 | (460) |
| Add back Transitional Costs | 0 | 0 | 2,659 | 1,964 |
| Add back Impairment | 0 | 0 | 25,500 | 0 |
| Normalised Surplus | 2,126 | 1,787 | 2,933 | (67) |
| Normalised Surplus % | 1.53% | 1.23% | 2.06% | -0.05% |

- Current 3 Year Plan (approved Feb '18) – with updated 2018/19 (approved Mar '18) – adjusted in 2020/21 to reflect additional FM costs.
- Now does not deliver the Trust Strategy of 1% surplus in 2020/21 – acceptable if proven a 1 year 'blip'?
- Full update of 3 year financial plans for January F&BD and Board



Summary: Revenue

2018/19:

- Plan to increase forecast surplus for 2018/19 by £0.75m

2019/20 +:

- Income from activity growth from model is consistent overall with previous assumptions (c £1.6m-£1.7m p.a. excl HO)
- Workforce plans require further refining but 'safe day one' looks to increase costs by c £1m more than the original plan. Opportunities to reduce gap.
- Anticipated normalised surplus of breakeven in 2020/21 rather than surplus of £2m, due to FM costs
- **Next Steps:**
 - Further refinement of triangulation & workforce plans ongoing (to Dec '18)
 - On-going review of transitional costs and other non-pay costs (Nov '18)
 - Identification of CIP schemes a key part of 2019/20 planning process
 - National Planning Guidance Expected December 2018
 - Assessment of any changes to national tariffs (Dec '18 – Jan '19)
 - Fully updated 3 year plan to F&BD and Board January 2019
 - Detailed financial plan for 2019/20 to F&BD & Board March 2019
 - 5 Year Plan to F&BD & Board July 2019



Capex: 5 year Plan

| Proposed Capital Programme | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Estates | | | | | | | |
| Additional 4 consulting rooms at Aintree | 35 | | | | | | 35 |
| CT scanner at CCC | 0 | 300 | | | | | 300 |
| CT scanner at Aintree | 2 | 50 | | | | | 52 |
| Library Portacabin | 33 | | | | | | 33 |
| Out-patient CCC additional rooms | 97 | | | | | | 97 |
| Contingency | 0 | 150 | 350 | 500 | 500 | 500 | 2,000 |
| | 167 | 500 | 350 | 500 | 500 | 500 | 2,517 |
| Medical Equipment | | | | | | | |
| Linear Accelerator (x 1 2018/19, x1 2019/20, x1 2020/21) | 0 | 2,136 | 1,870 | 1,600 | 3,200 | 2,100 | 10,906 |
| Brachytherapy applicators | 114 | | | | | | 114 |
| CT scanner at CCC | 0 | 960 | | | | | 960 |
| CT scanner at Aintree | 38 | 459 | | | | | 497 |
| Papillion | 184 | | | | | | 184 |
| Immobilisation equipment | 384 | | | | | | 384 |
| Contingency | 0 | 0 | 190 | 500 | 400 | 500 | 1,590 |
| | 720 | 3,555 | 2,060 | 2,100 | 3,600 | 2,600 | 14,635 |
| IM&T | | | | | | | |
| EPR Replacement programme | 916 | 965 | 392 | | | | 2,273 |
| GDE | 0 | 2,594 | 2,406 | | | | 5,000 |
| IT backup solution | 128 | | | | | | 128 |
| VDI Hardware | 0 | | | | | | 0 |
| VM ELA | 146 | | | | | | 146 |
| Domain Migration | 136 | | | | | | 136 |
| Software Licenses | 115 | | | | | | 115 |
| Other minor programmes | 95 | 52 | 52 | 300 | 300 | 300 | 1,099 |
| | 1,536 | 3,611 | 2,850 | 300 | 300 | 300 | 8,897 |
| Total excluding Building for the Future and impairments | 2,423 | 7,666 | 5,260 | 2,900 | 4,400 | 3,400 | 26,049 |
| Building for the Future | 19,052 | 75,529 | 39,640 | 15,895 | 0 | 0 | 150,116 |
| Total | 21,475 | 83,195 | 44,900 | 18,795 | 4,400 | 3,400 | 176,165 |



- Updated to reflect additional TCC contingency

Capex: Risks

| Risk | Action / Mitigation |
|--|--|
| Unfunded Elements of New Build (e.g. landscaping & Art) | Proposed increase of Building for the Future Contingency |
| Affordability of Equipment | Full review due for completion Nov '18. |
| Charity Funding for TCC behind plan | Some mitigations (e.g. legacy pipeline). Opportunity remain re major appeal. Closely monitored by Charitable Funds. |
| RLUH: Risk to expected contributions – link bridge & other costs (£1.7m) | Escalated to Exec Teams. Original agreement still in place. CCC withholding £2.2m HO 'buy out' These costs included in £4m notified to NHSI (see below). |
| Delay in opening new RLUH – Capital | NHSI notified of £4m additional cost – to seek possible DH funding. |
| No provision for Proton Therapy Replacement (c £10m) | Business case under being developed as part of financial planning. |

