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| Meeting title | Trust Board | Date: 2 November 2016 |
| Report title: | 2017/18 Budget Setting / Business and Operational Planning | Agenda item: 4.2.2 |
| Lead director | Damian Reid | Director of Finance |
| Report author | Mike Outen / Ruth Harrison | Head of Financial Management / Head of DSU |

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| Report summary | | | | |
| Purpose <i>(tick one box only)</i> | Information <input type="checkbox"/> | Approval <input type="checkbox"/> | To note <input checked="" type="checkbox"/> | Decision <input type="checkbox"/> |
| Recommendation | .The Board is asked to pass the resolution set out below | | | |

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| Strategic objectives links | Financial sustainability |
| Board Assurance Framework links | As above |
| CQC outcome/ regulation links | Well Led |
| Identified risks and risk management actions | Failure to agree a budget would undermine delivery of the Trust Control Total |
| Resource implications | None new |
| Legal implications including equality and diversity assessment | Savings measures identified in the budgeting process will involve an impact assessment |

Purpose

To outline the process for Budget Setting and Business/Operational Planning for 2017/18 and to gain agreement from the Executive Team regards the proposed principles and identified savings target.

Background

The annual NHS planning and contracting round is being 'streamlined' significantly. The default will be for two-year contracts reflecting two-year activity, workforce and performance assumptions. The timetable is also being brought forward with a target deadline of all contracts signed by 23rd December 2016 at which point final 2017 to 19 operational plans that are aligned with the contracts also have to be submitted. As part of this, Bedford NHS Trust has a responsibility to deliver an efficiency programme on an annual basis. This is

achieved through the Transforming for Excellence programme whereby schemes are being developed on an ongoing basis. To support the development, implementation and successful delivery of schemes the Delivery Support Unit (DSU) and Finance will work in partnership to present a clear and agreed position.

2017/18 Budget Setting Approach

The 2017/18 budget setting approach that is being taken is the current September (Mth 6) budgets equating to a planned deficit of £10.2m as the starting point. We will then develop a financial plan to achieve the required £8m deficit for 2017/18 and a plan for the delivery of the 2018/19 targets of £5.9m.

The key messages to budget managers are:

- Capital funding fully committed to existing projects, no new funding available.
- Pay budget will be rebased to agreed funded establishments.
- Both pay and non pay budget to be uplifted by agreed inflation increases.
- Contracted income will be based on national guidance and local negotiations.
- Non contracted income will be reviewed and rebased to achievable levels.
- Accountability for budget performance resides within divisional management structures.

The indicative savings target has been set at 5% of pay and non-pay expenditure. There may be a requirement to make adjustments throughout the business planning process dependant on contract negotiations and the external planning process. It is anticipated that generally the savings requirement will be applied as an expenditure savings target and further guidance will be made available in the next week to support this process.

Contracted activity and income budgets will not be part of the budget setting process, these will be captured by the Contracting and Performance Team, and contract income will be incorporated at a later stage to allow for adjustments for tariff changes and additional activity volumes. Capital charges will also be held outside of the budget setting process and managed centrally.

Business planning will be used as the methodology for including in year developments. This will minimise the number of in year budget changes both monetary and establishments. Agreed developments will then be extracted from the business planning process and included within budgets allocations from the 1st April 2017 where agreed.

The draft specialty business planning document will be sent out by the end of the week. The first drafts of these should be completed and submitted by the 14th November with the final version being agreed by the 16th December. Executive directors have been asked to complete the first draft of their sections of the operational plan by the end of October so that they can be compiled into full Trust plan by the 24th November.

Contingency reserves will be held for in year pressures which could not had been identified as the budget setting phase and will be released on executive approval following approval of the relevant case at EMC.

2017/18 and 18/19 must dos for Business / Operational Plan

1. **STPs**
 - a. Implement agreed milestones
 - b. Achieve agreed trajectories against the STP core metrics set

2. **Finance**
 - a. Deliver organisational control total
 - b. Demand reduction measures including implementing RightCare, elective care redesign, urgent and emergency care reform, medicines optimisation
 - c. Implementing pathology and back office transformation
 - d. Implementing procurement, hospital pharmacy and estates transformation plans
 - e. Improving rostering systems and job planning
 - f. Implementing the Getting It Right First Time programme
 - g. Implementing new models of acute service collaboration

3. **Urgent and emergency care**
 - a. Deliver 4 hour standard through implementing the five elements of the A&E Improvement Plan
 - b. By Nov 17, meet the four priority standards for seven-day services
 - c. Implement the Urgent and Emergency Care Review

4. **RTTs and elective care**
 - a. 92% wait no more than 18 weeks RTT
 - b. Deliver patient choice of first outpatient appointment and achieve 100% of use of e-referrals by no later than April 18
 - c. Streamline elective care pathways
 - d. Implement the national maternity services review

5. **Cancer**
 - a. Implement cancer taskforce report
 - b. Deliver 62 day cancer standard
 - c. Year on year improvement in proportion of cancers diagnosed at stage one and two and reduce the proportion of cancers diagnosed following an emergency admission
 - d. Ensure stratified follow up pathways for breast cancer patients

6. **Quality**
 - a. Implement plans to improve quality of care
 - b. Measure and improve efficient use of staffing resources
 - c. Participate in the annual publication of findings from reviews of death.

Key Dates

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| Planning / Technical Guidance Issued | 22 nd Sept 16 |
| Provider Control Totals Issued | 30 th Sept 16 |
| Commissioner allocations published | 21 st Oct 16 |

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| First draft of Executive Directors sections of operational plan | 31 st Oct 16 |
| Provider finance, workforce and activity templates issued | 1 st Nov 16 |
| Standard Contract published | 4 th Nov 16 |
| First draft of specialty business plans | 14 th Nov 16 |
| Submission of full draft 17/18 and 18/19 operational plans | 24 th Nov 16 |
| Local decisions to enter mediation | 5 th Dec 16 |
| Final draft of specialty business plans | 16 th Dec 16 |
| National tariff published | 20 th Dec 16 |
| National deadline for signing contracts | 23 rd Dec 16 |
| Submission of final 17/18 and 18/19 operational plans | 23 rd Dec 16 |

Conclusion

The budget setting and business planning timetable has been brought forward to come in line with national guidance. The approach proposed is to produce a realistic income and expenditure budget that achieves the key objective of being fair, reasonable and inclusive. It is expected that divisions and departments take ownership of both the budgets and the business plans and they will be supported in their delivery by the DSU, Finance and HR teams.