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| <b>Meeting title:</b>       | Trust Board – Public                      | <b>Public Trust Board paper L</b> |
| <b>Date of the meeting:</b> | 7 <sup>th</sup> July 2022                 |                                   |
| <b>Title:</b>               | Financial Plan 2022/23                    |                                   |
| <b>Report presented by:</b> | Lorraine Hooper – Chief Financial Officer |                                   |
| <b>Report written by:</b>   | Lorraine Hooper – Chief Financial Officer |                                   |

|  |  |           |        |   |
|--|--|-----------|--------|---|
| <b>Action – this paper is for:</b>                     | Decision/Approval  | Assurance | Update | x |
| <b>Where this report has been discussed previously</b> | Versions of the plan have been discussed variously at Board and FIC previously |           |        |   |

|  |
|--|
| <b>To your knowledge, does the report provide assurance or mitigate any significant risks? If yes, please detail which</b> |
| This risk relates to the BAF risk regarding Financial Sustainability   |

|   |
|---|
| <b>Impact assessment</b>  |
| This paper impacts on financial risk and expectations regarding transformation to pathways. |

|                                  |
|----------------------------------|
| <b>Acronyms used:</b>            |
| Defined as used within the paper |

**Purpose of the Report**

To update the Trust Board on the agreed financial plan for 2022/23 approved on 14<sup>th</sup> June 2022 by the Finance and Investment Committee (FIC) under delegated authority from the Trust Board.

**Recommendation**

The Trust Board is asked to note the revised financial plan and the risks.

**Summary**

UHL has submitted a plan that describes an ambitious plan that would enable breakeven. This has been achieved by additional funding being received for inflation costs, recognising a collective system ambition to improve emergency pathways and so reduce cost at UHL and recognising inflation costs are volatile and a risk to be reviewed in year. This reduces the deficit from £46.1m to £22.3m; surpluses are planned elsewhere in the system and so this sum will be redistributed to the Trust which describes the final step to breakeven plan. This is an ambitious plan with significant risk that will be closely overseen by the FIC.

## Main report detail

1.1 UHL has submitted a break even plan on 20<sup>th</sup> June submission and was agreed by FIC under delegated authority from the Board on 14<sup>th</sup> June. This is a reduction from £46.2m on 28<sup>th</sup> April. This is made up of the following (and laid out in table 1):-

- Additional 0.7% inflation income reflected in plan
- The emergency ambition reflected as a cost reduction; essentially the estimated cost of inefficient emergency pathways
- Excess inflation costs are still expected even after additional income. These have been removed from the plan to be reflected as risk in year give the volatility of inflation. This will be closely reviewed and reported in year.
- These adjustments come to a total deficit of £22.3m. Surpluses elsewhere in the system will be redistributed to enable UHL to describe breakeven plan ambition.

**Table 1 – route to breakeven plan at UHL**

|   |               |
|---|---------------|
|   | <b>£m</b>     |
| UHL plan - 28th April 2022 - surplus / (deficit)          | (46.2)        |
| Inflation funding   | 7.4           |
| <b>Remaining plan after all income</b>                    | <b>(38.8)</b> |
| Reduce costs - emergency ambition                         | 10.0          |
| Reduce costs - inflation - treat as risk                  | 6.5           |
| <b>Revised surplus / (deficit)</b>                        | <b>(22.3)</b> |
| Redistribution of income so all system partners breakeven | 22.3          |
| <b>Plan submitted</b>                                     | <b>0.0</b>    |

1.2 The key assumptions within this plan are as follows

- An ambition to improve emergency care pathways system wide results in an ability to reduce costs at UHL
- There is no clawback of Elective Recovery Funding (ERF) and / or activity value is sufficient to retain full ERF
- No further clinical, quality or service risks emerge that require investment to resolve, include impact of CQC requirements
- Delivery of £35m of CIP, £21m cash out, £14m productivity
- Inflation does not exceed available funding
- Winter capacity is closed over the summer months
- Funding is made available for increased ITU bed capacity and lost contribution for service transfers is resolved amongst partners
- System partner financial plans deliver and so no further risk share is require

1.3 This plan includes a number of risks, the expected risk value based on likelihood of occurrence is £43m. At this point £10m of mitigations have been identified. The principle risks are:-

- Working with system partners to deliver changes to emergency pathways
- Delivering our CIP target
- Ensuring that elective activity levels support achievement of ERF through focus on understanding what is hindering us delivering historic levels of activity
- Continued oversight and minimisation as far as possible of inflation

1.4 The ICS financial plan is a breakeven plan. ICS partners are developing a risk share arrangement that will share financial risks amongst partners, focussed on ensuring risk share is aligned to the

organisation where actions can be taken to reduce the risk, which may be different to where the expected cost reduction is planned.

- 1.5 The FIC will oversee financial risk and performance against the plan, reporting to Trust Board via assurance reports.
- 1.6 The Trust together with system partners will develop a 3 year financial plan over the summer months in anticipation of a national autumn deadline with NHSEI for this.