

**East Suffolk & North  
Essex Foundation Trust  
Budget  
2018-2019**



## 1 Introduction

With the establishment of East Suffolk and North Essex Foundation Trust (ESNEFT) it is necessary to approve a budget for the period 1<sup>st</sup> July 2019 – 31<sup>st</sup> March 2019.

The basis of the budget is from the approved plans that have been developed in legacy organisations. An overview of the 2018/19 budgets for is presented in the following pages.

In presenting this budget, we would like to formally record our thanks to staff in all services who have contributed to the budget process.

## 2 Financial Strategy

The financial strategy is to create a long term financially sustainable and viable organisation with:

- The ability to invest in safe patient care and facilities
- The ability to survive structural changes in the financial flows in the health economy
- The strength to be able to deliver efficiency savings on a medium to long term basis
- The capacity to cope with short term financial shocks

The establishment of ESNEFT a key part of the STP plan to achieve financial balance and achieve a financially sustainable position for the acute services within the area.

### **Part Year Plan 2018/19**

The part year plan for 2018/19 was reviewed by the Executive Management Committee's and Finance Assurance Committees of legacy organisations and developed on the basis of the approved annual plans by legacy Boards in March 2018. Planned income and expenditure for the year is presented at a summary level in the table below alongside historical performance. These plans demonstrate that there is an expectation that the financial position will improve to deliver the financial control total set for the year. Assumptions underpinning the plan were outlined in the legacy board planning papers.

Figures £000's	1718		1819		1819 Month 4 - 12	
	Actual	Wte	Budget	Wte	Budget	Wte
NHS Clinical Income	569,796		603,968		454,050	
Non NHS Clinical Income	11,780		11,972		8,984	
Other Operating Income	84,534		57,467		45,034	
<b>Total income</b>	<b>666,110</b>		<b>673,407</b>		<b>508,068</b>	
Non Clinical Staff	-70,285	2,269	-76,049	2,295	-57,279	2,295
Consultants	-69,412	438	-61,078	457	-44,664	457
Junior Medical	-46,631	615	-44,600	620	-33,555	620
STT	-57,441	1,533	-63,222	1,580	-47,527	1,580
Nursing, Midwifery & Healthcare Ass	-150,416	4,162	-160,643	4,147	-121,116	4,147
<b>Total Pay</b>	<b>-394,186</b>	<b>9,017</b>	<b>-405,592</b>	<b>9,100</b>	<b>-304,141</b>	<b>9,100</b>
Drugs	-64,099		-63,644		-47,499	
Clinical Supplies and Services	-92,054		-97,848		-73,436	
Non Clinical Supplies	-15,589		-20,290		-16,312	
Establishment & Transport	-8,840		-10,015		-7,504	
Premises & Fixed Plant	-23,598		-27,018		-20,568	
Other Operating Expenses	-60,241		-51,509		-35,691	
<b>Total expenses</b>	<b>-264,421</b>		<b>-270,324</b>		<b>-201,009</b>	
<b>EBITDA</b>	<b>7,503</b>		<b>-2,508</b>		<b>2,918</b>	
Disposal of Assets	-70		0		0	
Depreciation	-18,166		-18,739		-14,103	
Impairments net of (reversals)	877		0		0	
Finance Income	67		34		26	
Finance Costs	-6,698		-6,696		-5,073	
<b>Retained surplus(deficit)</b>	<b>-16,489</b>		<b>-27,909</b>		<b>-16,233</b>	
<b>Total Pay &amp; Non Pay</b>	<b>-682,599</b>		<b>-701,316</b>		<b>-524,301</b>	

The 2018/19 control total is £27.9m which ESNEFT will be required to achieve in order to realise the Sustainability and Transformation Funding (STF), which values £19.9m.

The 9 months budget for ESNEFT is developed on the basis that Colchester and Ipswich achieve financial performance in line with, or better than the plan approved by legacy boards for quarter 1.

The Board is asked to approve a deficit budget of £16.2m for the period July – March 2019, which is net of STF valuing £16.9m.

The approved annual plan included a CIP requirement of £40.5m; £8m being delivered in quarter 1 and £32.5m required within the 9 month period ending March 2019. These budgets are net of the CIP requirement.

The initial budgets for ESNEFT have been set from the previously approved budgets due to budgets rolling forward from legacy trusts. For 2019/2020 a full zero based budgeting approach will be undertaken.

A summary of the Trust's budgets by division is laid out below.

Figures £000's	1718		1819		1819 Month 4 - 12	
	Actual	Wte	Budget	Wte	Budget	Wte
Cancer and Diagnostics	-17,757	1,365	-13,303	1,418	-9,852	1,418
Medicine	34,487	1,533	49,383	1,493	38,275	1,493
<b>Group 1</b>	<b>16,730</b>	<b>2,898</b>	<b>36,080</b>	<b>2,911</b>	<b>28,424</b>	<b>2,911</b>
MSK and Specialist Surgery	44,282	741	48,875	750	37,123	750
Surgery and Anaesthetics	-9,458	1,487	-1,686	1,483	-767	1,483
Women's and Children's	28,170	951	30,709	958	23,083	958
<b>Group 2</b>	<b>62,994</b>	<b>3,179</b>	<b>77,898</b>	<b>3,191</b>	<b>59,439</b>	<b>3,191</b>
Integrated Pathways	-10,457	1,155	-8,102	1,171	-6,111	1,171
Corporate Services	-89,311	1,423	-87,336	1,458	-65,350	1,458
Logistics	-10,421	362	-10,579	368	-8,019	368
Non Divisional	13,976		-35,870		-24,615	
<b>Total</b>	<b>-16,489</b>	<b>9,017</b>	<b>-27,909</b>	<b>9,100</b>	<b>-16,233</b>	<b>9,100</b>

The net budget for July – March 2019 will be the required delivery from the new leadership teams established for ESNEFT. Any adverse deviation from approved budgets will result in a deficit and jeopardise the Trust ability to deliver the control total and realise STF.

The implementation of service line reporting will not be possible from day 1, therefore the net surplus/ deficits of divisions are not a true reflection of profitability as all the costs of support services have not been aligned with the services utilising them and therefore not matched with the income. This will be fully established in 2019/20.

### 3 Budget Management Principles

We have committed to implement Service Line Reporting (SLR) in ESNEFT, therefore during 2018/19 the recharge arrangements will be established to ensure a full service line management is in place from 1st April 2019. Whilst SLR is being established recharges will not be processed during 2018/19. Recharges will be made for the use of support services and overheads which will be apportioned based on the most appropriate cost drivers using robust data where available.

All income received for patient services and the majority of other Trust income will be reported against the services according to where it has been generated; the principle being to match income with the cost of achieving the income.

For income related to the Guaranteed Income Contract (GIC) element of the Trust's income, budget has been set for the year and will not vary for the year. For income related to services outside of the GIC (primarily specialist commissioning), budget has also been set for the year. However this income will vary with performance and either under or over achievement will be reflected in the services budgetary positions.

The costs of delivery for 2018/19 activity plans have also been budgeted for. For Colchester services, these costs were agreed and devolved into service budgets during budget setting. For Ipswich services, growth funding has been allocated to Divisions onto a reserve line.

### **Budget Principles for 2018/19**

As a means of facilitating fair budget distribution a series of budget principles have been established for 2018/19. These are:

- All new pay costs will be budgeted at NHS rates for pay. The Trust is in deficit; therefore all divisions should be working to stay within budgeted pay costs.
- Established posts will be budgeted at the post holders spine point or for vacant posts at bottom of scale. Where posts are filled budget adjustments will be made from the incremental drift reserve.
- The on-going use of temporary pay costs will trigger the need for a service/staff structure review.
- All service developments included within the plan are subject to business cases being approved.
- Posts vacant for 6 months will be considered for release to CIP. It is proposed that the release of budgets from long term vacant posts will be reviewed on a post by post basis. It is acknowledged that where the vacancy is as a result of staff turnover i.e. is not the same vacant position; this would not be subject to this review as the driver is staff turnover.
- As a principle central budgets are not held for general business operations. However, for maternity leave a small central budget will be retained to cover the actual costs of staff that are on maternity leave. The actual cost covered will be the lower of the actual costs of the individual's pay on maternity leave or the actual cost of the replacement arrangements put in place.

### **Reserves**

As much funding as possible has been devolved to the Services. This enhances planning and forecasting of expenditure and also allows for accurate reporting of service contribution. This also aligns accountabilities for delivery with resources. Trust revenue reserves will be kept to a minimum.

The following central trust revenue reserves will still be held for 2018/19.

#### Inflation

This will hold pay and non-pay inflation costs which cannot be easily or readily be set in start year budgets, e.g. contract inflation. As far as possible, pay inflation will be profiled and delegated into service pay budgets in month 1.

#### Incremental Drift

This will hold funds to support the establishment control process by providing a contingency for all staff starters and leavers in year. As far as possible, incremental points will be profiled and delegated into service pay budgets in month 1.

## 4 Capital Plan

The combined capital programme for 2018/19 has been planned at £31.8m. The capital plan is derived from known strategic developments and priorities identified in divisional plans along with agreed slippage from the prior year. Slippage will include those schemes approved late in the financial year where there is a three month window for the scheme to be commenced following approval at Investment Group. In addition to this capital funding ESNEFT has access to the approved STP capital funding which will be released following the approval process with NHS England.

Funding for the capital programme is made available from carry-forward cash associated with slippage, operating cash released from the non-cash impact of depreciation on the income and expenditure account, potential borrowing requirements and any cash released from the operating surplus or sales of assets.

Capital developments are considered at the Investment Group, which is an Executive led group where business cases for capital and revenue are considered and includes a rigorous scrutiny process including the use of investment appraisal measures such as NPV, IRR, ROI and payback. The annual plan for capital still requires a fully approved business case for each individual scheme, where schemes within the plan have not completed a formal evaluation.

## 5 Cash Plan

Based on the revenue and capital budgets proposed a net borrowing requirement of £11.8m is forecast. The Trust is planning for this requirement of interim cash support to be provided from NHSI via the Department of Health.