

Trust Board Report

Meeting Date:	Monday 25 th February 2013
Title:	Financial Planning 2013/14 update
Executive Summary:	This report provides an update on the progress of the Trust's contract negotiations and 2013/14 budget setting.
Action Requested:	The Board are asked to note the report
Report of:	Kevin Stringer, Chief Financial Officer
Author: Contact Details:	Elaine Williams, Deputy Chief Financial Officer Tel: 01902 695376 Email: elainewilliams1@nhs.net
Resource Implications:	Contract negotiations for 2013/14 are still being undertaken. The activity and finance envelope should be concluded by 28 th February, which will then enable completion of the Trust Income and Expenditure plans.
Public or Private: (with reasons if private)	Public
References: (eg from/to other committees)	
Appendices/ References/ Background Reading	
NHS Constitution: (How it impacts on any decision-making)	

Background Details

1.	Introduction. This report provides an update on the Trust's financial planning for 2013/14 detailing both the income and expenditure positions.
2.	Contract Income Contract negotiations are more complex this year due to the changing Commissioning landscape, both in terms of personnel and the transferring of contract portfolios between CCG's, Local Authorities and the National Commissioning Board (NCB).

2.1	<p>Acute Care contracts. Contract negotiations with CCG Commissioners are progressing well. The activity baseline has been agreed and is based on the 12 months from September 2011 to September 2012. The forecast model has been shared with Directorate managers and their views on activity trends for 2013/14 have been communicated to Commissioners. The negotiations are currently on plan to agree the Heads of Agreement by 28th February and the full contract by 31st March 2013 as required by national timetables.</p>								
2.2	<p>Community Contract. Negotiations are progressing and agreement has been reached that the contract with Wolverhampton CCG will change from being a block contract to a hybrid of block and cost & volume. This agreement aims to share the level of potential risk associated with moving from a block contract. Negotiations are also progressing with Wolverhampton CCG and Wolverhampton City Council with regards the services transferring to the Council, circa £6million which includes School Nursing, GUM services and Sexual Health.</p>								
2.3	<p>Specialised Services. Specialised Service Contracts will be the responsibility of the National Commissioning Board and there will also be contracts held by the NCB itself. There are extensive transfers from the acute contract held by CCG's to the Specialised Services, circa £11million and includes chemotherapy drugs. The services transferring to the NCB include Dental; Health Visiting and Screening Services, circa £6.5million. The agreement is that these transfers will have a nil impact on the Trust. Negotiations are progressing but the final agreement has yet to be made.</p>								
2.4	<p>QIPP. Negotiations are on going with Commissioners in relation to the level of QIPP savings that can be expected to be delivered in 2013/14. This remains a key issue within the contract negotiations and is currently circa £4.7million.</p>								
2.5	<p>CQUIN. The CQUIN payment remains at 2.5% of contract income, circa £8million. There will be targets set both nationally and locally. National targets are worth one fifth of the total CQUIN value and the goals are linked to Friends & Family test; Improvements against the NHS Safety thermometer; Improving Dementia Care and VTE. Discussions are currently being undertaken to agree the local CQUIN priorities.</p>								
3.	<p>Income and Expenditure plan 2013/14</p> <p>3.1 Financial Plans 2013/14. The Trust is still finalising its Income and Expenditure plan for 2013/14. The table below sets out the efficiency requirement and tariff adjustment for 2013/14. The national efficiency requirement is -4% and pay and price inflation has been assessed at +2.7%.</p> <table border="1" data-bbox="336 1865 1355 2029"> <thead> <tr> <th></th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Pay and price inflation</td> <td>+2.7%</td> </tr> <tr> <td>Total national efficiency requirement</td> <td>-4.0%</td> </tr> <tr> <td>Net Price adjustment</td> <td>-1.3%</td> </tr> </tbody> </table> <p>This level of efficiency translates into CIP of £14.7m. Currently schemes have</p>		%	Pay and price inflation	+2.7%	Total national efficiency requirement	-4.0%	Net Price adjustment	-1.3%
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<p>3.2</p> <p>3.3</p>	<p>been identified for the £14.7m, with some in outline and project plans are now being further developed.</p> <p>Budget Setting. Budget setting meetings have been held with all budget managers and Divisional teams. A review of divisional cost pressures is being undertaken by the Chief Financial Officer and Chief Operating Officer.</p> <p>The full Income and Expenditure plan, which will be completed when activity and income is agreed with Commissioners, will be brought to the March Trust Board for consideration and approval.</p> <p>Risks. The key risks facing the Trust in 2013/14 are:-</p> <ul style="list-style-type: none"> • New Contract model and penalties – the new contract model includes more detail on areas of performance and Commissioners will be expected to instigate financial penalties at an early stage, these targets include Ambulance Turnaround times and A & E performance. • CIP – the required efficiency target of 4% is increasingly stretching and will require monitoring. • Emergency threshold / Emergency Readmissions – The national policies for these adjustments remain in force. The emergency threshold continues to be based on the emergency activity income for 2008/09, which puts further pressure on the Trust due to the recent increases in emergency activity. The re-investment of the 70% deduction made by Commissioners will be managed by the National Commissioning Board in 2013/14. The non-payment for emergency readmissions that occur within 30 days of discharge remains and the level of deduction is proposed to remain at the 2012/13 level of 14%. • QIPP – the QIPP scheme savings for Commissioners of £4.7 million is a risk for the Trust and there needs to be an ability to remove costs where applicable. • Risk Sharing Arrangements – Discussions are taking place with Commissioners to ensure that levels of risk are shared, taking into account the risks and issues highlighted above.
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