

## Trust Board Report

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| <b>Meeting Date:</b>   | Monday 27 <sup>th</sup> February 2012   |
| <b>Title:</b>  | Financial Planning 2012/13 update   |
| <b>Executive Summary:</b>  | This report provides an update on the progress of the Trust's contract negotiations and 2012/13 budget setting.                     |
| <b>Action Requested:</b>   | The Board are asked to note the report  |
| <b>Report of:</b>  | Kevin Stringer, Chief Financial Officer   |
| <b>Author:<br/>Contact Details:</b>                                  | Elaine Williams, Deputy Chief Financial Officer<br>Tel: 01902 695376 Email: elainewilliams1@nhs.net                                 |
| <b>Resource Implications:</b>  | Contract negotiations for 2012/13 are near conclusion, which will then enable completion of the Trust Income and Expenditure plans. |
| <b>Public or Private:<br/>(with reasons if private)</b>              | Public  |
| <b>References:<br/>(eg from/to other committees)</b>                 | N/A   |
| <b>Appendices/<br/>References/<br/>Background Reading</b>            | N/A   |
| <b>NHS Constitution:<br/>(How it impacts on any decision-making)</b> | N/A   |

### Background Details

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| <b>1.</b>  | <b>Introduction.</b> This report provides an update on the Trust's financial planning for 2012/13, detailing both the income and expenditure positions.   |
| <b>2.</b>  | <b>Contract Income</b>  |
| <b>2.1</b> | <b>Acute Care contracts.</b> Contract negotiations with PCT Commissioners are progressing well. The activity baseline has been agreed and is based on 2011/12 forecast outturn. The baseline model has been shared with Directorate managers and their views on activity trends for 2012/13 have been communicated to Commissioners. The negotiations are currently on plan to agree the Heads of Agreement by 29 <sup>th</sup> February and the full contract by 31 <sup>st</sup> March 2012 as required by national timetables. |

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| 2.2                                     | <p><b>Community Contract.</b> Negotiations are progressing and agreement has been reached that the contract with Wolverhampton PCT will change from being a block contract to a hybrid of block and cost &amp; volume. This agreement aims to share the level of potential risk associated with moving from a block contract.</p>  |  |   |                         |       |   |       |                      |       |
| 2.3                                     | <p><b>West Midlands Specialised Services.</b> The initial contract offer has been received and is being reviewed and compared to the activity proposals put forward by the Divisions. Negotiations are progressing but the final agreement has yet to be made.</p>   |  |   |                         |       |   |       |                      |       |
| 2.4                                     | <p><b>QIPP.</b> Negotiations are on going with Commissioners in relation to the level of QIPP savings that can be expected to be delivered in 2012/13. This remains a key issue within the contract negotiations.</p>  |  |   |                         |       |   |       |                      |       |
| 3.                                      | <p><b>Income and Expenditure plan 2012/13</b></p> <p>3.1 <b>Financial Plans 2012/13.</b> The Trust is still finalising its Income and Expenditure plan for 2012/13. The table below sets out the efficiency requirement and tariff adjustment for 2012/13. The national efficiency requirement is -4% and pay and price inflation has been assessed at +2.2%.</p> <table border="1" data-bbox="336 1016 1353 1178"> <tr> <td></td> <td style="text-align: right;">%</td> </tr> <tr> <td>Pay and price inflation</td> <td style="text-align: right;">+2.2%</td> </tr> <tr> <td>Total national efficiency requirement *</td> <td style="text-align: right;">-4.0%</td> </tr> <tr> <td>Net Price adjustment</td> <td style="text-align: right;">-1.8%</td> </tr> </table> <p>*of which 0.3% efficiency is embedded in tariff prices</p> <p>This level of efficiency translates into CIP of £15.3m. Currently schemes totalling £10.8m have been identified resulting in a shortfall of £4.5m. Work continues across the Trust to develop schemes to meet this shortfall.</p> <p>3.2 <b>Budget Setting.</b> Budget setting meetings have been held with all budget managers and Divisional teams. A review of divisional cost pressures has been undertaken with 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> |  | % | Pay and price inflation | +2.2% | Total national efficiency requirement * | -4.0% | Net Price adjustment | -1.8% |
|   | %  |  |   |                         |       |   |       |                      |       |
| Pay and price inflation                 | +2.2%  |  |   |                         |       |   |       |                      |       |
| Total national efficiency requirement * | -4.0%  |  |   |                         |       |   |       |                      |       |
| Net Price adjustment                    | -1.8%  |  |   |                         |       |   |       |                      |       |