

Board of Directors

Thursday, 07 May 2020

Report Title:	Financial Framework 20/21: focus on M1-M4 revenue requirements
Executive/NED Lead:	Director of Finance
Report author(s):	Head of Financial Strategy and Assurance Reporting
Previously considered by:	Interim Assurance Committee (elements of the report)

Approval

Discussion

Information

Assurance

Executive summary

The report sets out the financial backdrop for the Trust for 20/21. As part of the COVID-19 response, national temporary arrangements related to provider funding have been implemented for the period April 20 to July 20 (M1 to M4). These aim to ensure that all providers can achieve a breakeven revenue position. The implications of these changes for the Trust are explored, and the Board is ultimately asked to approve the revenue budgets, presented by Division, for this period.

Significant changes have also been announced to the national capital and cash regimes, which are also detailed and explored in this report. These are effective from 1st April 2020, and cover the entire year: they are permanent in nature. The Board is asked to note these.

Financial context : national COVID-19 guidance (revenue)

Operational planning for 20/21 has been suspended until further notice.

To simplify processes and reduce the number of transactions during the COVID-19 outbreak some temporary changes (April to July 20) have been introduced. These include moving to a nationally determined monthly 'block contract' payment and where necessary 'top-up' payment designed to cover costs.

The methodology adopted effectively means providers will be funded for the level of expenditure (uplifted for inflation) seen on average between November 2019 and January 2020. Providers are to deliver a breakeven revenue position for April to July.

Maintenance of financial control remains critical during the NHS response to COVID-19. All NHS providers and commissioners must carefully record the costs (revenue and capital) incurred in responding to the outbreak, and will be required to report actual costs incurred on a monthly basis.

PDC charges will not be incurred for COVID-19 capital spend.

Monthly reporting to NHSI/E for April to July will be completed on a smaller basis relative to 19/20 returns, with the focus on the capture of COVID-19 costs.

Internal budget considerations

Delivery of divisional control totals is vital to ensure the Trust can achieve a breakeven position between April and July.

Remaining divisional budget gaps present a risk to this.

The only adjustments to divisional plans relate to the RES contract with the Oaks and car parking income.

CIP targets are expected to still be delivered by each division.

Financial arrangements beyond July 2020 (revenue)

Financial arrangements after July 20 are to be confirmed.

The notified Financial Improvement Trajectory (FIT) for the Trust for 20/21 was a deficit of £34.1m deficit.

It was confirmed that deficits would be fully funded through Financial Recovery Fund (FRF) allocations for those organisations that met their FIT.

Cash and Capital regimes

New national cash and capital regimes from 1 April 2020. The key changes include:

New Public Dividend Capital (PDC) issued to repay over £13.4 billion of the NHS' historic debt, in effect writing it off.

A move away from interest-bearing loans for future interim capital and revenue support, which instead will be provided as PDC.

Providing a capital spending envelope for the year to every local area, within which each STP / ICS will be expected to work together to manage their spending

Action Required of the Board/Committee

- To **approve** the divisional budgets for M1-M4. To note the temporary arrangements for provider funding and reporting during this time that have been introduced as part of the response to COVID-19. To note the changes to the national capital and cash regimes.

Link to Strategic Objectives (SO)

Please tick

SO1	Keep people in control of their health	<input checked="" type="checkbox"/>
SO2	Lead the integration of care	<input checked="" type="checkbox"/>
SO3	Develop our centres of excellence	<input checked="" type="checkbox"/>
SO4	Support and develop our staff	<input checked="" type="checkbox"/>
SO5	Drive technology enabled care	<input checked="" type="checkbox"/>

Risk Implications for the Trust *(including any clinical and financial consequences)*

At this stage it is not clear what the implications for a provider will be for failing to breakeven between April and July.

The changes to the capital and cash regimes are fundamental and far-reaching. Capital allocations at an STP / ICS level may potentially present a risk to the ability of organisations to prioritise and implement their own capital investment.

Trust Risk Appetite

Quality: The board is cautious when it comes to quality and places the principle of "no harm" at the heart of the decision. It is prepared to accept some risk if the benefits are justifiable and the potential for mitigation is strong

Legal and regulatory implications <i>(including links to CQC outcomes, Monitor, inspections, audits, etc.)</i>	The report sets out the revenue expectation set for providers by NHSI/E as part of the COVID-19 response.
Financial Implications	ESNEFT was originally tasked by NHSI/E with delivering a control total of £34.049m deficit for 20/21 (including MRET), breakeven after the receipt of FRF. Operational planning has now been suspended and providers are to breakeven for April to June.
Equality and Diversity	None apparent