

Meeting Title	Board of Directors Meeting in Public		
Date	10th November 2022	Agenda item	Bo.11.22.17

2023/24 FINANCIAL & OPERATIONAL PLANNING, BUDGET SETTING PROCESS AND TIMETABLE

Presented by	Chris Smith, Deputy Director of Finance	
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Lead Director	Matthew Horner, Director of Finance	
Purpose of the paper	To update the Board on the financial planning process for 2023/24	
Key control	Identify if the paper is a key control for the Board Assurance Framework	
Action required	To note	
Previously discussed at/ informed by	Details of any consultation	
Previously approved at:	Executive Team Meeting	Date 07/11/22
Key Options, Issues and Risks		
This paper summarises the process of financial planning for 2023/24 and provides a high-level assessment of the likely funding scenarios in the new financial year.		
Analysis		
<p>NHS England (NHSE) has suggested that the 2023/24 planning guidance, including the contracting and payments framework, will be issued in December 2022, although no specific date has been confirmed. Regular historic delays in the issuance of national planning guidance mean that the Trust cannot wait for this to be published prior to commencing its financial planning for 2023/24.</p> <p>The Trust will commence its internal budget setting process in November 2022 and complete it by 30 March 2023, with a focus on identifying the internal expenditure levels required to support the activity plans determined by the operational teams and quality and safety requirements defined by clinical colleagues. In the absence of a defined or accurate funding quantum, these expenditure plans will initially be assessed for affordability against a range of funding scenarios.</p> <p>The CSUS will be supported by corporate service teams throughout the duration of the planning process. The Executive Team will engage with the CSUs to provide support and strategic context via a number of planning meetings and a planning workshop event.</p> <p>The budget setting process will seek to base individual Clinical Support Unit (CSU) and departmental budgets to more accurately reflect the new cost structure which has emerged since the pandemic, taking account of the recurrent or non-recurrent nature of some developments.</p> <p>There will be a substantial efficiency target in 2023/24 but the exact scale of this is not yet known. As a working measure, an interim efficiency target of 6.3% will be targeted, with all corporate and central steps taken (recurrent and non-recurrent) to support the Trust in securing this level of efficiency in 2023/24.</p> <p>The process will develop a full 12-month plan for 2023/24 comparable to the scope of annual planning applied by the regulators in 2022/23. Two business planning workshops are proposed to support CSUs to align activity, workforce and finance plans for 2023/24.</p>		
Recommendation		

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The Board is asked to note the content of the document, including the timescales and the degree of uncertainty relating to the funding quantum.

The Board is asked to consider which of the two proposed options for CSU support and engagement in the planning process would be most advantageous to pursue

Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients			g			
To deliver our financial plan and key performance targets			g			
To be in the top 20% of NHS employers					g	
To be a continually learning organisation				G		
To collaborate effectively with local and regional partners					g	
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
	Risk (*)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Risk Implications (see section 5 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance
NHS Improvement: (please tick those that are relevant)
<input type="checkbox"/> Risk Assessment Framework <input type="checkbox"/> Quality Governance Framework
<input type="checkbox"/> Code of Governance <input checked="" type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain: Well Led

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Care Quality Commission Fundamental Standard: Good Governance
NHS Improvement Effective Use of Resources: Finance
Other (please state):

Relevance to other Board of Director's academies: (please select all that apply)			
People	Quality	Finance & Performance	Other (please state)
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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2023/24 FINANCIAL PLANNING, BUDGET SETTING PROCESS AND TIMETABLE

1. Summary

The date of issue for the 2022/23 national planning and contracting guidance has not been confirmed by NHS England (NHSE). Historically this has been issued in December however with no specific date confirmed the Trust cannot wait for this to be published prior to commencing financial planning for 2022/23.

The Trust will commence its internal financial planning and budget setting process in November 2022 and complete it by 30 March 2023, with a focus on developing an integrated activity, workforce and financial plan determined by the operational teams with support from corporate teams which consider the organisations strategic aims, quality and safety requirements as defined by clinical colleagues. In the absence of a defined or accurate funding quantum, the financial expenditure plan will initially be assessed for affordability against a range of funding scenarios.

The budget setting element of the planning process will seek to rebase individual CSU and Corporate departmental budgets to more accurately reflect the new cost structure which has emerged since the pandemic, taking account of the recurrent or non-recurrent nature of developments.

There will be a substantial efficiency target in 2023/24 but the exact scale of this is not yet known. This will be determined by key variables set out in section 7. As a working measure, an interim efficiency target of 6.3% will be targeted, with all corporate and central steps taken (recurrent and non-recurrent) to support the Trust in securing this level of efficiency in 2023/24.

The planning process will develop a full 12-month integrated activity, workforce and financial plan for 2023/24. The below sections summarise the key aspects of the process.

2. CSU Plans

The objective of the planning process proposed is to give CSUs the opportunity to produce activity, workforce and financial plans that are synchronised and aligned to the strategic aims of the Trust for 2023/24. The proposed approach facilitates consideration to the interdependencies of each element of the plan, activity, workforce and financial.

The process will begin with the issuing of standard templates to capture information on activity workforce and finance in November. This will be followed by a one-hour on-line planning meeting convened by the Executive Team, chaired by the Chief Executive which will set the scene and outline the planning process and outputs required. An external speaker will be invited to set the national and regional context.

Follow-up on-line or face to face planning support meetings will be held with each individual CSU to focus on specific pressures and developments for 2023/24 to be captured by the planning process. These meetings will be facilitated by corporate support teams.

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In early January, a summary of the planning templates submitted in December will be shared by the Executive team with the CSUs to generate a shared understanding of the combined outputs of the draft planning process and of the activity, finance and workforce challenges to be addressed before plans are finalised. Following this meeting, individual CSU meetings will be held to review the draft plans submitted in more detail. The meeting will be facilitated by the corporate support services and attended by the CSU triumvirate providing an opportunity to constructively challenge plans and highlight risks and gaps in the draft activity, workforce and financial plans submitted by the CSU. The meeting will promote understanding of interdependencies with other CSUs in the Trust and any impact with system partners.

The session will also facilitate the discussion and options to bridge any identified gaps which need to be worked up in preparation for an Executive-led planning workshop held in February to be attended by all CSUs and corporate support teams. Appendix one shows a suggested agenda for the February planning workshop.

The workshop will be facilitated by the corporate support teams to ensure CSUs are assisted in the development of the plans and outputs from the day.

The planning approach suggested will facilitate CSUs to identify any investment requirements they may have for the coming year, which will feed into the financial planning process to ensure the plans are aligned. Any investment requests will be subject to the normal business case approval processes; however, this more structured forward-looking approach will assist greatly with financial planning.

To assist CSUs in the production of their 2023/24 plans, standard templates and guidance will be issued for population in advance of subsequent planning support meetings / workshop held in January and February. Support from the Service Area Teams and Corporate departments will be available throughout the process.

3. Funding Assumptions

3.1. National Efficiency Funding Reductions

The financial planning and budget setting round will necessarily commence with no clarity on the level of funding that will be available to the Trust and its CSUs in 2023/24. It is not unusual to have uncertainty on the exact funding quantum until quite late in the process.

It is certain that the Trust's funding will be significantly lower in 2023/24 than in the current financial year for a number of reasons.

- Commissioner contracts will be reduced by a national tariff efficiency factor
- ICS funding will be subject to a national convergence target as in 2022/23
- The Bradford place will suffer a funding reduction for the "local convergence target" as in 2022/23
- It is expected the Trust's £9.8m of COVID funding will be reduced or withdrawn entirely in 2023/24
- There is no certainty on the level of Elective Services Recovery Funding (ESRF) that will be available next year or whether this will be guaranteed or linked to delivered activity levels

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- The Trust has benefited from the repayment of a £1.5m loan to Calderdale & Huddersfield NHS FT in 2022/23. This will be fully repaid in 2022/23.
- These funding reductions will be partially mitigated by tariff inflation (which is normally offset by higher cost inflation), the recurrent recovery of inflation funding retained by Bradford CCG non-recurrently in 2022/23 and national funding to address growth in demand.

It is not possible to state with any certainty at what level the above funding adjustments will be set. Table 2 therefore models a range of best, mid and worst-case scenarios for the change in funding in 2023/24.

Some known adjustments are the same in all three scenarios and, in the absence of further intelligence, a number of items are presented consistently to replicate their values in the 2022/23 funding settlements.

In this modelling, the key variations between the best, mid and worst-case scenarios relate to the COVID funding and the ESRF. For both of these items, 25%, 50% and 100% are lost next year in the best, mid and worst-case scenarios respectively.

This modelling is not comprehensive and is indicative only at this stage. The impact on the Trust's funding position ranges from a £4.2m increase to a £14.7m reduction, with the mid-point being a £2.5m reduction. This is in the context of cost inflation and other cost pressures which are expected to be in excess of £20m.

The mid-case funding scenario results in an estimated 6.3% efficiency target, based on current expenditure run rates continuing unchanged and anticipated inflationary pressures in 2023/24.

Table 2 – Funding Scenarios 2023/24

	Worst	Mid	Best
Income Changes 23/24			
22/23 Inflation funding reinstated (Bfd CCG)	2.8	2.8	2.8
CHFT loan repayment ceases	(1.5)	(1.5)	(1.5)
COVID Funding	(9.8)	(4.9)	(2.5)
ESRF funding	(12.1)	(6.1)	(3.0)
Tariff inflation per 22/23	10.3	10.3	10.3
Tariff efficiency per 22/23	(4.1)	(4.1)	(4.1)
ICS convergence adj per 22/23	(1.9)	(1.9)	(1.9)
Bradford convergence adj per 22/23	(0.8)	(0.8)	(0.8)
Net growth funding per 22/23	2.5	3.7	4.9
Additional 23/24 inflation funding			
Additional 23/24 tariff efficiency			
Total Income Changes 23/24	(14.7)	(2.5)	4.2

4. Activity Plans

Prior to the publication of the contracting and payments guidance, it is not clear whether providers will be required to agree detailed activity levels in commissioner contracts. The internal activity plans will be determined by the CSU Operational teams with the ongoing focus on elective / outpatient recovery and clinical prioritisation. This plan will align to any new requirements once the guidance is published.

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The relevant variable non-pay budgets will be based on these activity plans rather than on an extrapolation of 2022/23 expenditure.

It is anticipated that the ongoing development of these activity plans will identify any capacity and demand issues that require investment to address and that these requirements will be fed into the CSU budget setting process feeding the CSU financial plan.

5. Financial plans

5.1. CSU budget setting

The CSUs will be supported through a detailed budget setting process to establish the financial resource required to deliver their services in 2023/24. This process will follow the planning timetable set out above.

Following the response to the pandemic a proportion of expenditure run rates remain misaligned with historic pre-pandemic budgets, with some departments spending significantly more than they did historically and other departments spending materially less. The budget setting exercise for 2023/24 will attempt to re-base departmental budgets to reflect the new operational realities and cost structure to enable CSUs to enter 2023/24 with meaningful and manageable budgets.

A key focus of the budget setting exercise will be identifying as far as possible which expenditure patterns are likely to continue and should therefore be considered recurrent and which are non-recurrent and likely to cease before or during 2023/24.

Of equal focus will be seeking to determine which cost pressures are justifiable and out with the control of budget holders and which cost pressures it should remain the responsibility of CSUs to address themselves.

Progress has been made in addressing the efficiency targets allocated to CSUs in 2022/23 however 90% of delivery has been on a non-recurrent basis. Every effort must be made to improve the recurrent exit run rate from 2022/23 to minimise the impact on challenge in 2023/24. To begin 2023/24 with a level playing field, it is expected that the 2022/23 efficiency targets will be removed and replaced with revised financial improvement targets.

All approved ward safer nursing establishment budgets will be fully funded and reflected in the appropriate CSU budgets.

ETM will undertake a prioritisation process of investment proposals and cost pressures put forward by the CSUs as part of the planning process. This prioritisation process will include an assessment on what is considered to be deliverable and the strategic fit with the CSU activity and workforce plans, strategic fit of the Trust and System Partners.

The funding for all business cases approved in 2022/23 and via the 2023/24 planning process will be allocated to the relevant departments upon the commencement of the new services or recruitment to new posts.

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5.2. Central Budgets and Reserves

As is normal practice, central budget reserves will be set to provide for the impact of inflation and other contingencies, such as regulatory and statutory changes/requirements resulting in cost pressures. These reserves will be distributed to the CSUs when required.

Further central budgets may initially be set to allow for potential investments into elective recovery schemes which may generate ESRF income (subject to inclusion in national planning assumptions). Decisions on whether the existing insourcing and outsourcing models are required to continue will inform the degree to which this is necessary.

6. Financial Improvement Targets and Plans

NHSE have informally communicated that the financial challenge in 2023/24 will be greater than in the current financial year. The exact level of efficiency required in 2023/24 will be determined in Quarter 4 of 2022/23 and will be informed by a combination of the following variables:

- Exact value of national funding, including expected funding reductions in covid and ESRF
- Underlying exit run rate in March 2023 (currently forecast to be a deficit of £1.1m per month).
- Run rate impact of investments already committed in 2022/23
- The level of predicted inflation across all expenditure lines
- The workforce plans and profiles at a CSU level to determine the predicted level of vacancies to be carried throughout the year.
- Run rate impact of new investments approved during planning process
- Potential ICS decisions to adjust funding allocation methodologies
- Potential to access Elective Service Recovery Funding
- Value of residual non-recurrent flexibility retained from 2022/23
- Potential financial pressures in local place NHS partners

To allow the organisation to plan the delivery of the required efficiencies without waiting for these variables to be resolved, a working efficiency target of 6.3% of existing budgets will be communicated to all budget holders. Budget holders have been encouraged throughout 2022/23 to focus on improving their H2 exit run rates and will be requested to have identified plans to address an agreed percentage of their 2023/24 targets by set dates. Ideas for efficiency schemes will be captured and assigned a scheme lead in alignment with the planning timetable detailed above. The timeline for schemes moving between the draft to scoped and approved stage is yet to be agreed, but the target could be 50% by January and 75% by February and 100% by the of March, for example. As part of the approval stage all schemes will have been through an impact assessment process if required.

The Trust cannot deliver its efficiency requirements by growing its NHS income from local ICS commissioners. The internal focus should be on cost and waste reduction, pathway changes and productivity. However, system collaboration presents an increasing opportunity to do things differently and to generate savings across the local NHS which will be equally valid in the new NHS structure.

To support CSUs to meet their Financial Improvement Targets (FIT) the outcomes of the GIRFT programme, Model Health information, Patient Level Costing opportunities and other benchmarking information will be shared. The outputs and opportunity scanners from a

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consolidation of these sources of information will be provided by the Improving Clinical Services Group at the proposed business planning workshops.

The overall improvement programme will need to align to the CSU accountability framework and ensure the 'Balanced Scorecard' approach is maintained, aligning Finances, Performance and Quality. At the CSU level this means monitoring the delivery of efficiencies will be undertaken within the context of delivering the overall CSU budget and not just the delivery to the specific CIP.

Further support to the CSUs will be provided via a service analysis data pack, which will provide detailed analysis of changes in each specialty's cost base, workforce, clinical output, use of resources and productivity in 2022/23 against 2019/20. This data pack will signpost where material changes have occurred during the pandemic and is intended to signpost to the CSUs areas for further investigation which may provide opportunities for efficiencies. The Finance Department is leading on the production of these data packs, although support will be provided by other corporate functions and the engagement of the CSUs in providing information on their own services will also be required.

All effort will be made to minimise the ask of the CSUs by the identification of corporate savings and maximising the use of non-recurrent flexibilities.

7. Business Planning Validation and Review Process

At key stages throughout the planning process, the CSU and corporate proposals will be reviewed for reasonableness and affordability by both the Finance Department and the Executive Team as detailed in the planning timetable in Appendix 2.

Once the funding quantum is better understood, the overall expenditure plans and investment requests will be compared to the available funding. Plans will need to be developed in collaboration with and consider ICB and System plans. This approach will help to ensure all partner expectations are consistent. This process may determine that some requested investments are not affordable within the funding envelope and that others need to be prioritised.

Plans and subsequent budgets will need to be owned by the Budget Holder / Manager on the understanding that they believe the budget represents the expected resources (i.e., establishments, supplies and services) required to deliver planned activity. In accordance with the Accountability Framework, Budget Holders / Managers will be required to agree and formally sign-off their budgets for 2023/24.

The timetable proposes that this process of review is concluded at the Executive Management Team meeting on 13 March 2023. The outputs will be summarised into a final plan document for approval at Finance & Performance Academy on 29 March 2023.

Formal Board approval of the financial plan will be required, and this remains an issue to be resolved in the timetable.

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APPENDIX 1

Business Planning Workshop

Purpose

- Communicate a shared understanding of the combined impact of all departments' latest planning outputs
- Identify any residual aggregate and CSU level activity, workforce and finance gaps
- CSUs to feedback on their latest planning positions
- To confirm 2022/23 Quarter 4 outturn position to enable effective 23/24 planning
- To understand the impact of the 2022/23 outturn on 2023/24 plans
- To support the development of CSU plans for 2023/24 for activity, workforce and financial plans including efficiencies.
- To ensure interdependencies between activity workforces and finance are identified and managed within the planning timeline set nationally.

Attended by:

- Executive Team
- Service Area Teams
- GM's, DCD's, HoN of each CSU
- Corporate support teams

Corporate colleagues will be in attendance to support the CSUs to help inform planning. This will be provided by:

- Performance Team – to support capacity and demand planning.
- Finance – to support understanding the 2022/23 Q4 outturn, FIT identification, and impact on CSU budgets
- Costing Team – to support with FIT identification by highlighting opportunities from PLICS, the Model Health System and other benchmarking tools.
- HR – to support workforce planning
- Improving Clinical Services Group to support identification of improvement opportunities

Draft Agenda

9.30-10.30	Setting the scene	Chief Exec / DoF
10.30 – 4.30	CSU Plan feedback (to include actions taken to close identified gaps in the initial draft plans submitted in December).	CSUs

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4.30 Close

APPENDIX 2 – PLANNING TIMETABLE (DRAFT)

The table below sets out the indicative internal timetable for the key milestones for the completion of the financial planning process for 2023/24.

Table 1 – Financial Planning Timetable

Date	Attendees / Committee / Meeting	Action
14/11/2022		Budget Setting principles, guidance and templates, inclusive of indicative efficiency targets, issued to Finance teams to discuss with CSUs.
21/11/2022*		Activity and Workforce templates and guidance issued to CSUs.
22/11/2022*	Executive team/CSU & Corporate support	On-line meeting convened by Executive team with CSUs to set the scene and requirements. External speaker in attendance to share national and regional context.
Various dates in November	Individual CSU & Corporate support	Individual CSU support sessions Facilitating a shared review of opening CSU positions with the objective of identifying key local issues to be addressed via the planning process.
23/12/2022		Deadline for submission of CSU activity, workforce and budget setting templates.
30/12/2022*		Deadline for publication of NHSE planning and contracting guidance
Early January	Executive team/CSU & Corporate support	On-line meeting convened by Executive team to share summary of completed draft planning returns (activity, workforce, finance) with CSUs.
Various dates in January	Individual CSU & Corporate support	Individual CSU review meetings to understand, refine and constructively challenge the submitted draft activity, workforce and financial plans.
16/01/2023*	ETM	Internal review of planning guidance completed, and financial implications shared with ETM.
25/01/2023	F&P Academy	Update to Finance & Performance Academy on implications of planning guidance and planning progress
08/02/2023	Business Planning Workshop (all CSUs/Corporate Departments)	Review and presentation of revised draft CSU 2023/24 plans. Presentation of overall Trust position at this stage to ensure all have a shared understanding of the aggregated CSU planning outputs.
15/02/2023	ETM	Summary of revised CSU plans presented to ETM, including details of efficiency plans, cost pressures and requested investments (with a prioritisation process of investment proposals undertaken)

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20/02/2023*	Planning Committee	Planning Committee reviews and approves requested investments
22/02/2023	F&P Academy	Summary of budgets presented to F&P Academy including details of efficiency plans, cost pressures and requested investments
24/02/2023*	System F&P	High-level summary plans presented to System F&P including summary of efficiency plans.
08/03/2023		CSUs update plans based on Planning Committee / ETM approvals with updated efficiency plans.
13/03/2023	ETM	ETM approves final budget plan for submission to F&P
24/03/2023		Budget Holders / Managers sign-off 2023/24 budgets confirming resources to deliver activity plan
29/03/2023	F&P Academy	Finance & Performance Committee approves Final Plan
	Board of Directors	Date of formal Board of Directors approval of plan to be determined
	System F&P	Final System approval of plans – date to be determined

**denotes a nominal date yet to be confirmed, other dates are fixed deadlines or meeting dates*

It should be noted that this timetable remains indicative only as at this stage the external deadlines that will be defined by the NHSE planning guidance and both ICS and place-based processes are unknown. The exact date of the key milestones may necessarily change once these external deadlines are confirmed; however the Trust is planning to complete its internal planning process before the end of March 2023.

END