Paper ref:	TB (11/18) 012

Sandwell and West Birmingham Hospitals NHS Trust

Report Title	Financial Performance: Month 6 & Forecast Scenarios		
Sponsoring Executive	Dinah McLannahan, Acting Director of Finance		
Report Author	Paul Stanaway, Associate Director of Finance (Financial Management) Dinah McLannahan, Acting Director of Finance		
Meeting	Trust Board	**Date**	1st November 2018

1. Suggested discussion points *[two or three issues you consider the Trust Board should focus on]*

Q2 financial performance ended in a slightly better position than had been anticipated when looking forward at the end of Q1. The Trust reported on plan, with circa £1.7m of support to that position. The Q1 forward look had anticipated a £2.7m adverse variance. The underlying drivers of that position remain unchanged.

On behalf of the Board, the FIC meeting in September considered a forecast and proposed route to control total for 1819. Last month's cover sheet to Board set out the intent at Month 6 reporting to develop this work to obtain a view on Month 12 recurrent backfill vs. non recurrent 18/19 CIP, and implications for the financial strategy going in to 2019/20. This paper addresses that ask in section 2 and indicates the actions required between now and March 2019. These are being managed weekly through the CIP group, which is chaired by the Chief Executive.

The Board should discuss;

- The risks, assumptions and opportunities to the 2018/19 forecast;
- The actions required to improve the underlying month 12 forecast, and;
- The implications for the Trust's financial strategy going into 2019/20

2. Alignment to 2020 Vision *[indicate with an 'X' which Plan this paper supports]*

Safety Plan		Public Health Plan		People Plan & Education Plan	x
Quality Plan		Research and Development		Estates Plan	x
Financial Plan	x	Digital Plan		Other *[specify in the paper]*	

3. Previous consideration *[where has this paper been previously discussed?]*

Discussed at FIC, 26th October 2018

4. Recommendation(s)

The Trust Board is asked to:

a.	Discuss the points above, contents and implications of the report, and require the actions proposed.

5. Impact *[indicate with an 'X' which governance initiatives this matter relates to and where shown elaborate]*

Trust Risk Register	x	3234					
Board Assurance Framework	x	BAF5, BAF6					
Equality Impact Assessment	Is this required?	Y		N	x	If 'Y' date completed	
Quality Impact Assessment	Is this required?	Y		N	x	If 'Y' date completed	

SWBH
FINANCE REPORT

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Purpose of the report and conclusion

ANALYSIS

- The purpose of this report is to assess performance across budgets for Income, Pay, and Non-Pay year to date, and identify material risks to the forecast position (and therefore achievement of the Trust's control total).
- The Trust has achieved its financial plan to the end of Month 6, with a requirement to commit both Balance Sheet Flexibility (£600k) and Reserves (£847k) into the position. In addition to this, prior period support (£250k), meaning there was total support to the position ytd of £1.697m.
- An adjusting item has been processed to achieve external (NHSI) plan of £2.966m and this reconciliation can be seen on Slide 18.
- The income position contains an underperformance provision of £1.763m , being £600k for data challenges and £1.163m for CQUIN non-delivery. In reality it can be a provision for any under-performance against plan.

- Year to date variances to plan were as follows:

Patient Related Income	(£4.984m)
Other Income:	£0.534m
Pay:	£4.237m
Non Pay:	£0.214m
TOTAL:	£0.001m

- The risk to delivery of the Trust's Financial plan can be identified to the following areas:
  - Performance Against CIP Plan (slippage of £3.181m ytd, with 62% of plan in Q3 &Q4)
  - Delivery of Production Plan and Associated Margin (slippage of £707k ytd, with 52% of plan in Q3 & Q4)
  - Adherence to the pay bill (vacancy management, temporary staffing, rosters and sickness management)
  - Procurement CIP delivery and group on non-pay spend
  - Managing data challenges
  - Delivery against CQUIN

- It is important to note that the external plan pre-PSF required a significantly better financial position at the end of September £9.3m ytd deficit (£5.4m including PSF), against an Internal Plan £12.3m deficit. Significant improvement is therefore required over the second half of the year to deliver the financial plan.

Table 1: Income Year to Date Performance and Plan

	Year to Date Performance			Plan	
	Budget £000's	Actual £000's	Variance £000's	Q3 £000's	Q4 £000's
SLAs: Main Healthcare Contracts	209,793	204,585	-5,208	106,680	106,639
Income: NHS Trusts	719	766	46	360	360
Income: Other NHS Bodies	2,662	3,058	396	1,336	1,340
Private Patients Income	1,472	1,325	-147	739	739
Other Non Protected Income	660	589	-71	330	330
1 - Patient Related Income Total	**215,306**	**210,322**	**-4,984**	**109,444**	**109,406**
Income: NHS Trusts	2,679	2,736	58	1,351	1,355
Income: Other NHS Bodies	2,481	2,221	-260	1,247	1,247
Provision of Diagnostic Services	3,017	3,023	6	1,509	1,509
Provision of Facilities & Related Service	3,048	2,929	-119	1,524	1,524
Education & Training	8,696	9,261	566	4,234	4,208
Research and Development	988	899	-89	494	494
Other Income	4,773	5,146	373	4,122	2,389
2 - Other Income Total	**25,681**	**26,215**	**534**	**14,480**	**12,725**
Grand Total	**240,987**	**236,537**	**-4,450**	**123,924**	**122,131**

Income Analysis

- Commissioner income position is driven by a provision of £1.763m to reflect the Trusts view of data challenges (£100k per month) and CQUIN slippage. The rest of the under-performance against Commissioner income is driven by under-performance in the Women and Child Health Group (largely births and Maternity) and PCCT. Around £1.7 million of the under-performance relates to Pass-through and is therefore offset by favourable variances in non-pay.
- SWBCCG contract is slightly ahead of plan year-to-date, but in line with contract value agreed by year-end. Close monitoring of this is required and will continue.
- Issues around CQUIN non-delivery need to be addressed. Delays with Unity mean that risky behaviours CQUIN is unlikely to be achieved. Negotiating a revised trajectory with the CCG.
- BSOL challenge to Ophthalmology ED coding is significant risk to income and is currently not reflected in the year-to-date position.
- There is under-performance against PP income ytd relating to targets against recovering the costs of treatment from overseas visitors, which is tied into a CIP. A team is now in place to administer this process, and management within the Directorate are assessing the impact on the target. A paper went to ARMC on improvement plans during October.
- ICR income is behind their stretch target. Medicine and Emergency Care have put effort into improving processes, and controls and a new coder is in place. This has seen a significant improvement in capture and income being reported, but given the recent implementation of the processes it is hard to discern whether the challenging stretch target will be delivered.

Table 2: Production Plan

	Apr-18 £000'S	May-18 £000'S	Jun-18 £000'S	Jul-18 £000'S	Aug-18 £000'S	Sep-18 £000'S	Year To Date £000'S	Oct-18 £000'S	Nov-18 £000'S	Dec-18 £000'S	Jan-19 £000'S	Feb-19 £000'S	Mar-19 £000'S
Plan	8,657	9,175	9,680	9,957	9,384	9,640	56,493	11,274	10,688	8,967	10,450	9,652	10,446
Actual	8,752	9,482	9,521	9,854	9,222	8,955	55,786						
Variance	**95**	**308**	**-159**	**-103**	**-163**	**-685**	**-707**						

Production Plan Analysis

- Embedded within the income plan are the above levels of income relating to the Production Plan.
- The plan reflects the late October go-live for phasing for Unity.
- Production plan performance is beginning to be a major concern in terms of delivery. Q3/Q4 see significant increases in the plan, with expected mitigation from recruiting to planned posts, and initial views of October suggest serious slippage in delivery. Mitigations are focussed on General Surgery, T&O and Medical specialties to offset Ophthalmology.
- The year to date adverse variance was a mix of Medical Specialties over-performing (£926k), partially offsetting under-performance in Surgical Services (c.£979k); PCCT (£326k) and W&CH (£252K).
- Before IT issues, October performance was forecast to be circa £1 million short of plan. Currently no mitigations for this in future months are identified.
- Ophthalmology has now successfully recruited into fixed term posts which should see a mitigation of current dropped activity in November – March this year. This will be modelled and brought back for October OMC.

Table 6: Pay Year to Date Performance and Plan

	Year to Date Performance			Plan	
	Budget £000's	Actual £000's	Variance £000's	Q3 £000's	Q4 £000's
Medical Staffing	-45,463	-37,643	7,820	-22,769	-22,696
Management	-6,886	-6,393	493	-3,540	-3,477
Administration and Estates	-14,881	-12,845	2,035	-7,435	-7,433
Healthcare Assistants and Support Staff	-17,626	-15,463	2,163	-8,756	-8,735
Qualified Nursing and Midwifery	-50,324	-41,954	8,371	-25,247	-25,293
Scientific, Therapeutic and Technical	-23,677	-20,618	3,060	-11,819	-11,841
Bank Staff	-2,053	-13,478	-11,425	-478	-390
Agency Staff	-715	-7,901	-7,186	-301	-291
Other Pay	-1,882	-2,976	-1,094	-3,012	-774
Grand Total	**-163,508**	**-159,271**	**4,237**	**-83,356**	**-80,930**

Pay Analysis

- There are significant favourable variances within Group positions. This is despite slippage against Pay CIPs (£437k).
- Vacancies are most notable in W&C (£2m), Corporate (£991k), Surgical Services (£580k), PCCT (£459k) and to a lesser extent in Medicine, Imaging and Pathology. Filling these vacancies without improvement elsewhere (income generation or pay controls) would create significant pressures on the financial position.
- Pay Award Arrears were paid in Month 5, and look largely in line with forecast. Medical Staff pay awards have been announced recently and the implications of this are being evaluated.

Table 7: Agency spend

	Apr-18 £000's	May-18 £000's	Jun-18 £000's	Jul-18 £000's	Aug-18 £000's	Sep-18 £000's	YTD £000's	Oct-18 £000's	Nov-18 £000's	Dec-18 £000's	Jan-19 £000's	Feb-19 £000's	Mar-19 £000's	Outturn £000's
Internal Forecast	-1,537	-1,113	-921	-852	-836	-835	**-6,094**	-648	-648	-648	-648	-648	-648	**-9,982**
Actuals	-1,324	-1,264	-1,441	-1,433	-1,306	-1,133	**-7,901**							**-7,901**
Difference	**213**	**-151**	**-520**	**-581**	**-470**	**-298**	**-1,807**							
NHSI Plan	-1,105	-938	-919	-902	-905	-900	-5,669	-831	-831	-831	-829	-829	-829	**-10,649**
Difference	**-219**	**-326**	**-522**	**-531**	**-401**	**-233**	**-2,232**							**-2,232**

Agency Analysis

- The table above shows the internal gross planned reduction in agency spend as a result of CIP and other changes during 18/19, to an expected spend of £9.9m. This is reflected in budgets.
- At the time of submitting the plan to NHSI, the Trust did not have the granular analysis that is now available that demonstrates this reduction. It therefore chose to indicate NHSI Agency ceiling compliance, partly because this is the expectation of NHSI and the forms generate a validation error if the Trust indicated year end agency spend over the ceiling.
- Comparison against M6 actual spend shows that the Trust is behind internal plans by £1.807m, and £2.232m behind against the NHSI plan trajectory. It can be seen that the Trust's internal plan in the earlier months is less onerous than the NHSI plan. This is therefore a phasing issue, although for both plans an improvement is required for the rest of the year.
- Conclusion – the Trust is experiencing a variance from budgets as a result of levels of agency spend, and from the NHSI spend profile.
- At current rates of spend, the internal forecast and NHSI cap would be breached in M8.
- Given the monthly run rates year to date, and the targets set, there is only a monthly allowance of £346k against Trust budgets and £458k against the NHSI ceiling per month in order to remain within plans for 1819

Table 9: Non-pay Year to Date Performance and Plan

	Year to Date Performance			Plan	
	Budget £000's	Actual £000's	Variance £000's	Q3 £000's	Q4 £000's
Drugs and Blood Products	-19,620	-18,162	1,457	-9,803	-9,803
Medical Equipment and Consumables	-18,536	-17,681	855	-9,418	-9,419
Energy and Utilities	-5,378	-5,527	-149	-2,646	-2,839
Hotel Service Costs	-2,671	-2,760	-89	-1,335	-1,335
IT Equipment and Consumables	-1,937	-2,492	-556	-968	-968
Postage, Printing and Stationery	-1,596	-1,753	-157	-797	-797
Staff Related Expenditure	-1,038	-1,122	-84	-546	-506
Servs Rec'd: NHS Bodies	-4,969	-5,207	-239	-2,451	-2,434
Serv Rec'd:Non NHS Bodies	-3,972	-5,015	-1,043	-2,035	-2,017
Facilities Related Costs	-2,440	-2,995	-555	-1,220	-1,220
CNST Contributions	-6,895	-7,205	-309	-3,448	-3,448
Other Costs	-8,366	-7,069	1,297	-5,020	-4,223
Recharges	-1	0	1	-1	-1
Depreciation	-6,886	-6,828	58	-3,443	-3,443
Interest Receivable	28	66	38	14	14
Interest Payable	-1,123	-1,145	-22	-561	-561
PDC Dividend	-4,350	-4,350	0	-2,175	-2,175
Profit / (Loss) on Asset Disposals	0	-292	-292	0	0
TOTAL NON PAY	**-89,749**	**-89,535**	**214**	**-45,854**	**-45,175**

NON PAY ANALYSIS

- £214k favourable variance against the internal plan for non-pay. A number of other adjustments indicate the underlying non-pay position, .
  - Pass Through Expenditure - £1.7 million (offset by income under-performance)
  - Balance Sheet and Reserves Release - £1.447m
- Underlying non-pay variance therefore adverse £2.733m
- The key driver for material variance from plan for non-pay is CIP delivery, which is £2.4m off year to date.
  - Procurement - £1.26m
  - Minor Works - £410k
  - Maternity Pathway - £253k
  - CNST- £309k
  - Utilities Related - £146k
- Specific issues –
  - Work by Finance function on Provider to provider Maternity pathway payments is bearing some dividends, with 2 Trusts signed up to our proposals to settle 17/18 and for 18/19. The two largest Trusts are yet to be agreed though. Cost pressures in IT are also causing overspends.

Table 11: CIP delivery versus plan

		Plan £000's	Actuals £000's	Variance £000's	Q3 £000's	Q4 £000's
Income (Other Operating Income)	Income - Commercialisation	403	283	-120	227	221
	Income - Facilities	205	109	-97	103	103
	Income - Other	279	204	-75	139	139
	Income - Repatriation	15	15	0	8	8
	Not Recorded	0	0	0	0	0
Income (Other Operating Income) Total		**902**	**611**	**-292**	**476**	**471**
Income (Patient Care Activities)	Income - Commercialisation	176	160	-16	163	163
	Income - Production Plan	1,715	1,687	-28	2,564	2,321
	Income - Repatriation	319	319	0	116	2,266
	Not Recorded	0	0	0	0	0
Income (Patient Care Activities) Total		**2,210**	**2,167**	**-44**	**2,843**	**4,751**
Non Pay	Cross Cutting - Tactical	38	76	39	19	69
	Income - Commercialisation	309	0	-309	155	155
	Non Pay - Drugs/Pharmacy	71	43	-28	86	166
	Non Pay - Grip & Control	2,313	1,337	-976	1,182	1,182
	Non Pay - Sundry Schemes	1,500	1,646	146	750	2,150
	Non Pay - Supplier Negotiation	1,645	253	-1,392	893	931
	Not Recorded	0	0	0	0	0
	Pay - Other Key Enablers	10	10	0	5	5
Non Pay Total		**5,885**	**3,366**	**-2,520**	**3,090**	**4,658**
Pay	Non Pay - Grip & Control	0	0	0	0	0
	Pay - Medical Productivity	399	324	-75	314	325
	Pay - Other Key Enablers	567	769	202	534	534
	Pay - Post Reductions	861	946	85	622	622
	Pay - Safer Staffing & Effective Rostering	2,044	1,394	-649	1,265	1,263
Pay Total		**3,870**	**3,433**	**-437**	**2,735**	**2,744**
Grand Total		**12,869**	**9,576**	**-3,292**	**9,144**	**12,623**

CIP ANALYSIS

- M6 ytd delivery was £9.576m against a plan of £12.869m, a shortfall of £3.292m.
- Under-performance against CIP targets was cumulatively at M1 £0.491m, M2 £0.996m, M3 £1.506m, M4 £2.471m, M5 £3.145m

Table 12: CIP delivery versus plan - Forecast

		Plan £000's	Actuals £000's	Variance £000's
Income (Other Operating Income)	**Income - Commercialisation**	851	596	-255
	Income - Facilities	411	207	-204
	Income - Other	558	352	-206
	Income - Repatriation	30	30	0
	Not Recorded	0	0	0
Income (Other Operating Income) Total		**1,849**	**1,185**	**-665**
Income (Patient Care Activities)	**Income - Commercialisation**	503	496	-6
	Income - Production Plan	6,600	6,572	-28
	Income - Repatriation	2,702	2,702	0
	Not Recorded	0	0	0
Income (Patient Care Activities) Total		**9,805**	**9,770**	**-35**
Non Pay	**Cross Cutting - Tactical**	125	153	28
	Income - Commercialisation	618	0	-618
	Non Pay - Drugs/Pharmacy	323	154	-169
	Non Pay - Grip & Control	4,677	3,614	-1,063
	Non Pay - Sundry Schemes	4,400	4,546	146
	Non Pay - Supplier Negotiation	3,469	985	-2,484
	Not Recorded	0	0	0
	Pay - Other Key Enablers	20	20	0
Non Pay Total		**13,633**	**9,472**	**-4,161**
Pay	**Non Pay - Grip & Control**	0	0	0
	Pay - Medical Productivity	1,039	951	-87
	Pay - Other Key Enablers	1,635	1,800	166
	Pay - Post Reductions	2,105	2,157	52
	Pay - Safer Staffing & Effective Rostering	4,571	3,307	-1,264
Pay Total		**9,349**	**8,216**	-1,133
Grand Total		**34,636**	**28,642**	**-5,993**

CIP ANALYSIS

- Current Forecast based on M6 actuals ytd and forecast as per M4 exercise shows delivery against plan of £28.642m, a shortfall of £5.993m.
- To deliver this forecast, requires a significant improvement over current delivery levels, as only 34% of the forecast has been delivered in the first 6 months of the year.
- The key risk for the Trust in relation to 1819 plan delivery is whether this slippage can be covered by over-performance on income or underspends against pay and non-pay budgets. The degree to which this is non-recurrent mitigation will inform whether the Trust carries recurrent under-delivery into the 19/20 ask.

Table 14: Overall picture and conclusion

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
1 - Patient Related Income	33,596	35,089	35,454	39,181	36,178	35,808	38,256	37,601	35,678	38,096	35,632	37,035	**437,604**
2 - Other Income	3,398	4,900	4,616	3,611	4,909	4,247	4,255	4,255	4,245	4,246	4,234	10,525	**57,440**
3 - Pay	-26,798	-26,217	-26,627	-26,387	-30,374	-27,105	-27,056	-26,994	-26,989	-26,969	-26,971	-26,972	**-325,459**
4 - Non Pay	-13,102	-13,108	-12,463	-12,620	-13,290	-12,835	-13,114	-13,232	-13,001	-13,155	-12,854	-9,716	**-152,492**
5 - Non Operational Costs	-2,072	-2,004	-2,038	-2,107	-2,055	-2,055	-2,055	-2,055	-2,055	-2,055	-2,055	-2,055	**-24,661**
6 - Planned Surplus	-291	291											**0**
Net I&E	**-5,269**	**-1,050**	**-1,057**	**1,679**	**-4,633**	**-1,940**	**286**	**-426**	**-2,123**	**162**	**-2,013**	**8,817**	**-7,567**
NHSI Plan	**-4,481**	**-2,419**	**-475**	**1,678**	**-1,425**	**-2,181**	**-369**	**-1,209**	**-2,388**	**64**	**-1,781**	**7,419**	**-7,567**
Difference from NHSI Plan	**-788**	**1,369**	**-582**	**1**	**-3,208**	**241**	**655**	**783**	**265**	**98**	**-232**	**1,398**	**0**
Cummulative Difference from	**-788**	**581**	**-1**	**0**	**-3,208**	**-2,967**	**-2,312**	**-1,530**	**-1,264**	**-1,166**	**-1,398**	**0**	

ANALYSIS

- The above table shows the phasing of the monthly budgeted I&E position of the Trust, excluding PSF. This phasing is informed by our activity and income plans, and our expenditure budgets, set at 1718 M12 x 12 (normalised), then reduced for CIP.
- Income budgets allowed for creation of a cost of contract reserve that drives out a contribution to I&E of £6.6m, and possibly more, subject to demands of cost to deliver the activity.
- Although the Trust was on budget at M06, this allowed for a £12.27m ytd deficit. Therefore underspends offsetting non-delivery of expenditure CIP will not last long, given the I&E improvement required in the budget phasing. In addition, putting the YTD position against an outturn deficit of £7.5m, means a surplus has to be delivered in the remaining months.
- CIP plans increase over the last 2 quarters putting pressure on to the financial position as CIP slippage is forecast to increase.

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Finance Report

Capital Plan

Month 06 2018/19

	Plan	Forecast	
	£'000s	£'000s	Note
2018/19 depreciation & amortisation	16,985	16,985	Approved
2018/19 Surplus attributable to capital			
Plan surplus	3,489	3,489	Pending
Additional surplus required	3,489	3,489	Pending
Cash reserves from previous years	9,517	9,517	Pending
Less IFRIC 12/PFI payments (capital elements)	(3,169)	(3,169)	Approved
2018/19 IFRIC schemes	4,281	4,281	Anticipated
Total CRL	**34,592**	**34,592**	
Grants & donated assets	80	80	
Total Funding for Capital Expenditure	**34,672**	**34,672**	
Capital Expenditure	**34,672**	**34,672**	
NB	**£'000s**	**£'000s**	
Pending CRL			
2018/19 Surplus attributable to capital			
Plan surplus	3,489	3,489	
Additional surplus required	3,489	3,489	
Cash reserves from previous years	9,517	9,517	
Total CRL pending	**16,495**	**16,495**	

This table summarises the capital funding available to the trust and the planned expenditure.

£16.5m of funding is pending approval. £7m of this is dependant on the surplus generated in 2018/19, assuming the original level of PSF offered is sustained (tbc).
The remaining £9.5m reflects the 31st March closing balance.

Finance Report

Capital Expenditure

Month 06 2018/19

Programme	Year to Date Flex Plan £'000s	Year to Date Actual £'000s	Year to Date Gap £'000s	*Outstanding Purchase Order Commitment £'000s*	Full Year NHSI Plan £'000s	Full Year Forecast £'000s	Full Year Variance £'000s
Estates	5,462	9,716	4,254	*3,686*	18,336	15,192	3,144
Informatics	7,192	1,855	(5,337)	*1,012*	8,442	9,131	(689)
Medical equipment / Imaging	108	192	84	*1,394*	3,533	3,405	128
Contingency	0	0	0	*0*	0	0	0
Sub-Total	**12,762**	**11,762**	**(1,000)**	*6,092*	**30,311**	**27,728**	**2,583**
Technical schemes	792	198	(594)	*0*	4,281	5,862	(1,581)
Donated assets	38	8	(30)	*0*	80	80	0
Total Programme	**13,592**	**11,968**	**(1,624)**	*6,092*	**34,672**	**33,670**	**1,002**

Analysis

- Spending is £1.6m behind plan year to date, but with commitments of £6.1m. It should be noted that the above spend includes circa £6m in relation to the Midland Met EWP. Therefore, the core capital programme is behind plan year to date and further assurance should be sought on likely outturn, as the Trust is currently forecasting delivery to plan.
- Progress against each scheme is monitored through the Trust’s monthly Capital Management Group.
- The latest meeting indicated that 2018/19 capital spend would include additional costs relating to MMH early works, the hospital company wind up and also to acute system reconfiguration. MMH EWP are expected to be £25m, THC £1.8m while system reconfiguration would be £3.9m during 18/19. The recognition of the MMH asset will have nil cash impact but will require a CRL adjustment in addition to these cash items.
- Additional funding will be required for these items of spend together with a CRL adjustment in relation to these.
- Until agreed with NHSI the £34.7m remains the latest capital programme submitted to NHSI.

Finance Report

SOFP

Month 06 2018/19

	Balance as at 31st March 2018 £000	Balance as at 30th September 2018 £000	NHSI Planned Balance as at 30th September 2018 £000	Variance to plan as at 30th September 2018 £000	NHSI Plan as at 31st March 2019 £000	Forecast 31st March 2019 £000
Non Current Assets						
Property, Plant and Equipment	227,475	231,046	232,571	(1,525)	245,162	245,162
Intangible Assets	106	74	106	(32)	106	106
Trade and Other Receivables	62,941	64,037	62,941	1,096	62,941	62,941
Current Assets						
Inventories	4,742	4,742	4,742	0	4,742	4,742
Trade and Other Receivables	52,880	40,041	49,874	(9,833)	47,174	47,174
Cash and Cash Equivalents	9,691	32,640	7,865	24,776	1,743	1,743
Current Liabilities						
Trade and Other Payables	(64,206)	(86,749)	(71,105)	(15,644)	(59,829)	(59,829)
Provisions	(2,166)	(1,822)	(1,855)	33	(1,855)	(1,855)
Borrowings	(1,855)	(2,173)	(1,062)	(1,111)	(1,062)	(1,062)
DH Capital Loan	0	0	0	0	(5,000)	(5,000)
Non Current Liabilities						
Provisions	(3,454)	(3,454)	(3,454)	0	(3,454)	(3,454)
Borrowings	(31,776)	(30,717)	(30,525)	(192)	(29,433)	(29,433)
DH Capital Loan	0	0	0	0		0
	254,378	**247,665**	**250,098**	**(2,433)**	**261,235**	**261,235**
Financed By						
Taxpayers Equity						
Public Dividend Capital	226,891	226,891	226,891	0	226,891	226,891
Retained Earnings reserve	8,685	1,971	3,143	(1,172)	11,961	11,961
Revaluation Reserve	9,744	9,745	11,006	(1,261)	13,325	13,325
Other Reserves	9,058	9,058	9,058	0	9,058	9,058
	254,378	**247,665**	**250,098**	**(2,433)**	**261,235**	**261,235**

Analysis

- The table is a summarised SOFP for the Trust including the actual and planned positions at the end of the 2018/19 financial year.
- The variance from plan is predominantly due to the backlog of Trade Payables invoices, resulting in a higher than planned cash balance. Trade and Other Receivables is below plan reflecting phasing issues in the plan and expected higher levels of income generation.
- The requirement for borrowings has not been realised. This is due to the combination of working capital variances, capital phasing and the receipt of the 2017-18 STF payment in July 2018.

Finance Report

SOCF

Month 06 2018/19

ACTUAL/FORECAST	April Actual £000s	May Actual £000s	June Actual £000s	July Actual £000s	August Actual £000s	September Actual £000s	October Forecast £000s	November Forecast £000s	December Forecast £000s	January Forecast £000s	February Forecast £000s	March Forecast £000s
Receipts												
SLAs: SWB CCG	23,718	23,358	22,941	22,817	22,830	22,818	22,300	22,500	23,603	24,300	24,300	24,303
Associates	7,245	6,432	7,461	7,531	13,691	7,401	1,166	6,466	6,466	7,141	7,141	7,141
Other NHS	1,074	902	359	584	2,231	827	835	898	1,258	1,110	687	1,162
Specialised Services	3,327	0	8,529	3,944	7,523	9,903	3,536	3,787	3,364	3,161	3,879	3,816
STF Funding and Taper Relief	0	0	0	12,807	0	0	0	7,900	2,211	0	0	0
Over Performance	0	0	0	0	0	0	0	0	0	0	0	0
Education & Training - HEE	378	0	2	0	8,890	1	0	0	4,405	0	0	4,405
Public Dividend Capital	0	0	0	0	0	0	1,600	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts	1,232	1,340	2,575	4,034	1,237	2,389	1,875	2,075	2,075	2,075	2,075	2,075
Total Receipts	36,974	32,032	41,868	51,717	56,403	43,340	31,312	43,627	43,382	37,788	38,082	42,902
Payments												
Payroll	13,821	13,844	14,070	13,429	14,457	14,283	14,696	14,430	12,904	12,604	12,353	11,825
Tax, NI and Pensions	10,090	10,276	9,813	9,977	10,230	10,729	10,130	10,130	10,130	10,130	10,130	10,130
Non Pay - NHS	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550
Non Pay - Trade	1,030	11,024	9,456	12,582	11,515	5,431	19,053	15,824	11,500	11,389	11,651	12,205
Non Pay - Capital	236	1,915	1,781	1,942	1,788	1,324	4,782	4,784	5,017	3,102	3,101	4,057
MMH PFI	0	0	0	0	0	0	0	0	0	0	0	0
PDC Dividend	0	0	0	0	0	4,613	0	0	0	0	0	4,350
Repayment of Loans & Interest	0	0	0	0	0	0	0	0	0	0	0	0
BTC Unitary Charge	440	440	440	440	440	440	440	440	440	440	440	440
NHS Litigation Authority	1,473	1,473	1,473	1,473	1,473	1,473	1,092	1,092	1,092	1,092	0	0
Other Payments	1,672	1,144	620	2,452	1,015	2,076	163	189	239	239	179	239
Total Payments	30,312	41,665	39,203	43,846	42,467	41,919	51,905	48,439	42,872	40,546	39,404	44,796
Cash Brought Forward	9,689	16,351	6,718	9,384	17,255	31,190	32,611	12,018	7,205	7,716	4,958	3,635
Net Receipts/(Payments)	6,662	(9,633)	2,665	7,871	13,935	1,421	(20,594)	(4,812)	510	(2,758)	(1,322)	(1,894)
Cash Carried Forward	16,351	6,718	9,384	17,255	31,190	32,611	12,018	7,205	7,716	4,958	3,635	1,742

The team are currently developing a cash flow that aims to indicate a middle ground of what is likely to happen now that plan delivery is underway. This will draw on the I&E reforecast undertaken by FM and the latest position in relation to capital agreed by CMG. This will inform to what extent there are risks to being able to pay for the capital programme.

Analysis

- This cash flow incorporates YTD M06 actual movements and H2 operational forecast.
- The closing balance of £1.7m, following receipt of a £6m DH loan, is consistent with plan.
- In H2 CIP impacts result in:
  - Increased SLA receipts
  - Reduced Payroll and related tax, NI & pens
  - Reduced Trade payables
- The impact on pay of these assumptions is an £8m reduction over the last four months of the year.
- Consistent with plan a £6m DH loan is required. This will continue to be subject to review.
- The balance of 2017/18 STF was received in July 2018.

Finance Report

Use of Resources Rating

Month 06 2018/19

Finance and use of resources rating	Expected Sign	03AUDITPY Audited PY 31/03/2018 Year ending Number	03PLANYTD Plan 30/09/2018 YTD Number	03ACTYTD Actual 30/09/2018 YTD Number	03VARYTD Variance 30/09/2018 YTD Number	03PLANCY Plan 31/03/2019 Year ending Number	03FOTCY Forecast 31/03/2019 Year ending Number
Capital service cover rating	+	1	4	4		3	3
Liquidity rating	+	2	3	4		4	4
I&E margin rating	+	1	4	4		2	2
I&E margin: distance from financial plan	+	1		2			2
Agency rating	+	3	1	3		1	1

Overall finance and use of resources risk rating	Expected Sign	03AUDITPY Audited PY 31/03/2018 Year ending Number	03PLANYTD Plan 30/09/2018 YTD Number	03ACTYTD Actual 30/09/2018 YTD Number	03VARYTD Variance 30/09/2018 YTD Number	03PLANCY Plan 31/03/2019 Year ending Number	03FOTCY Forecast 31/03/2019 Year ending Number
Overall rating unrounded	+	2		3.40			2.40
If unrounded score ends in 0.5	+	0		0.00			0.00
Risk ratings before overrides	+	2		3			2
Risk ratings overrides:							
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here	Text	No trigger		Trigger			Trigger
Any ratings in table 6 with a score of 4 override - maximum score override of 3 if any rating in table 6 scored as a 4	+	2		3			3
Control total override - Control total accepted	Text	YES		Yes			Yes
Control total override - Planned or Forecast deficit	Text	No		No			No
Control total override - Maximum score (0 = N/A)	+	0		0			0
Is Trust under financial special measures	Text	No		No			No

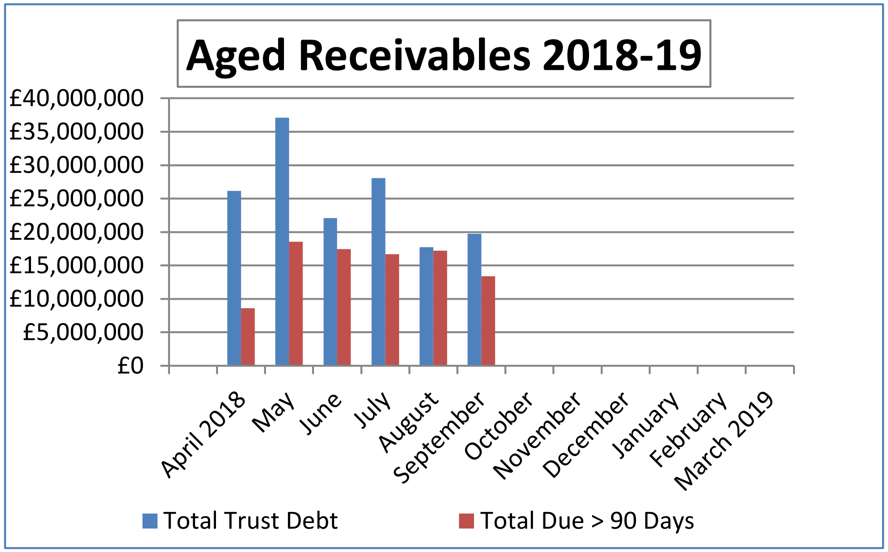
Analysis

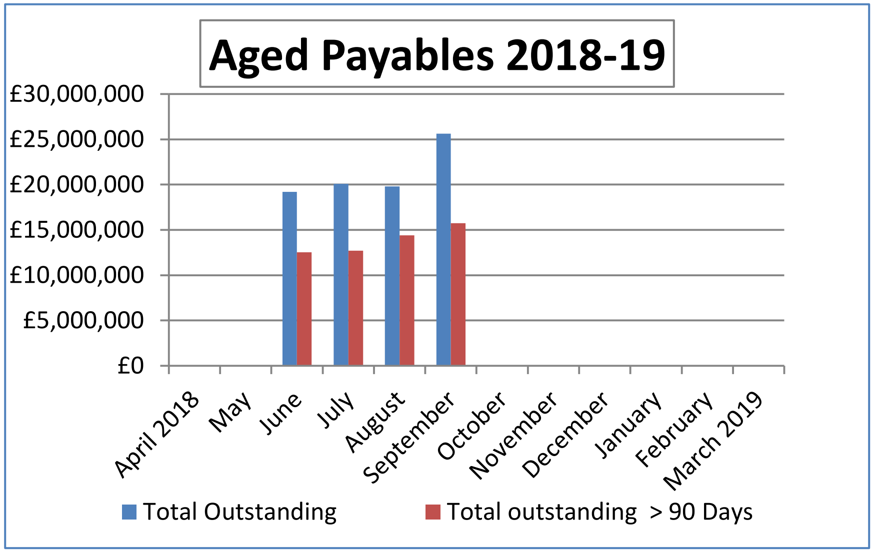
- The Trust's latest use of resources rating year to date is 3 (amber). The I&E margin rating , liquidity and capital service cover are all 4, these ratings act as a trigger and so limit the overall score to 3:
- The liquidity ratio is impacted by the high levels of creditors. The fact I&E is in line with plan while liquidity is off plan is consistent with non-cash support for the I&E position.
- While two of these measures are in line with plan the liquidity rating is adverse compared to plan as is the agency rating.
- The agency rating is not expected to be recovered in 2018/19. The agency cap is reported as forecast for the full year but this will require review in Q3.

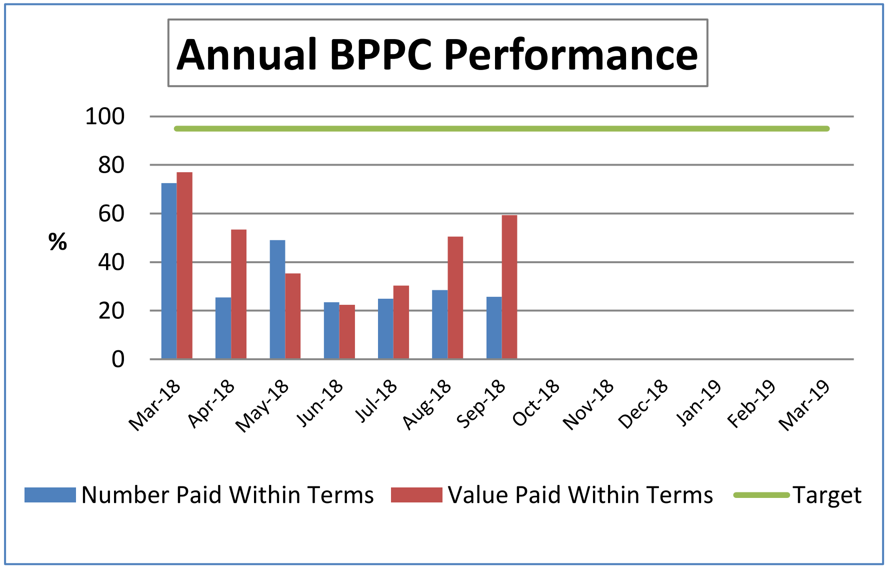
Finance Report

Aged Receivables, Aged Payables, BPPC and Cash Forecast

Month 06 2018/19







Analysis

- Aged Receivables - the aged debt reduced in September as Dudley and NHS CB settled old invoices. Six months SLA payments were raised to Sandwell MBC during September. These have since been paid but were outstanding at the end of September.
- Aged Payables - Overall, the Payables position has increased since 2017-18. The spike at the end of September is due to a temporary delay in making BACS payments following the Oracle R13 upgrade . BACS runs recommenced in October.
- BPPC is below target of 95% by volume and value and this will continue through the year as the Trust looks to effectively manage cash and borrow.

Finance Report

Internal to External Reconciliation

Month 06 2018/19

Actuals

	Internal	External	Variance	Comment
PRI	210,322	213,300	2,978	Income accrual
OI	26,215	28,920	2,705	PSF & rounding
Pay	(159,271)	(159,263)	8	Rounding
Non-Pay	(76,988)	(83,929)	(6,941)	Classification
Non-Opex	(12,547)	(5,721)	6,826	Classification & balance sheet flex
Tech adj.	0	99	99	
Reported deficit	**(12,269)**	**(6,594)**	5,675	

The Trust's internal plan does not include PSF. Therefore the difference left can be explained by PSF of £2.709m year to date (finance element only) and an adjustment of £2.978m (put through as income) to represent the phasing gap.

Plan

	Internal	External	Variance	Comment
PRI	215,306	213,114	(2,192)	Income phasing
OI	25,681	29,207	3,526	£(3,869) PSF YTD & phasing
Pay	(163,508)	(158,712)	4,796	Phasing
Non-Pay	(77,419)	(83,709)	(6,290)	Classification & phasing
Non-Opex	(12,330)	(5,442)	6,888	Classification & phasing
Tech adj.		108	108	
Reported deficit	**(12,270)**	**(5,434)**	6,836	

The external plan included £3.870m of PSF (finance and ED).
The remainder of the difference of £2.966m relates to a larger internal planned deficit year to date than the external plan submission expects.

The above means that internally – the trust reported on plan – a deficit of £12.269m against a plan of £12.270m.
Externally – the Trust reported a deficit of £6.594m against a plan of £5.434m, an adverse variance of £1.16m. This is entirely PSF in relation to ED performance.

Finance Report

Working Capital

Creditors 60 Days Past Due

Comment	Value	%
Dispute	1,749,258	20.6%
Paid	1,477,655	17.4%
To be reviewed	1,361,252	16.0%
Validation required	1,266,370	14.9%
Purchase order issue	1,077,388	12.7%
Goods not received	573,039	6.7%
Review in progress	462,632	5.4%
Paid - but need to check old Oracle	324,510	3.8%
Awaiting approval	173,799	2.0%
Not yet due	23,717	0.3%
Other non-NHS Total	**8,489,622**	**100.0%**

To be reviewed – represents proactive chasing of payments by suppliers, usually Agencies, of which there are high volumes of invoices. This deflects from methodical processes and creates a reactive approach. From the suppliers point of view they have provided the goods or service and there is no dispute so they expect payment.

Validation required – this category is made up of agencies, diabetes and pharmacy feeds. Subject to an authorisation process but not a PO process

Purchase order issue or Goods not received indicates an issue with the purchase ordering process.

Review in progress – These invoices have been approved for payment but not yet paid, and any issues are being worked through.

Paid – but need to check old Oracle – these invoices are ready for payment, but are old. The team don't currently have access to the old Oracle system due to IT issues and cannot therefore check that the invoice hasn't already been paid.

Awaiting approval – Budget holder has not approved. Usually no PO in place.

Finance Report

Working Capital

Creditors 60 Days Past Due	
Other non-NHS	
Paid	1,339,281
To be reviewed	1,305,358
Dispute	1,179,368
Validation required	1,017,681
Purchase order issue	783,670
Review in progress	378,279
Awaiting approval	173,799
Not yet due	23,717
Other non-NHS Total	**6,201,154**
Local non-NHS	
Goods not received	573,039
Dispute	569,890
Paid - but need to check old Oracle	324,510
Purchase order issue	293,718
Validation required	248,689
Paid	138,375
Review in progress	84,354
To be reviewed	55,894
Local non-NHS Total	**2,288,469**
Total	**8,489,622**

AP still investigating

The AP team work to ensure that local suppliers do not suffer hardship as a consequence of process problems in the Trust. Therefore local non-NHS suppliers do receive a focus and are prioritised. This appears to be reflected in the different ranking of the main issues.

The classification of local is dependant on the individual AP officer's knowledge and not any system flag or technical classification.

Non-NHS Creditors that were 60 days past due at the end of September stood at £8.5m.

Of this 8.5m, £2.3m relates to Midlands companies. At the point that AP undertook the review of progress on accounts £140k was either still being worked through or had yet to be reviewed.

£1.1m had not been approved due to disputes or goods not received.
£0.5m had been paid however a further £0.5m remained unpaid due to PO or validation issues.
Validation is used to describe the following:

- Agency shift verification
- Diabetes supplier requiring approval
- Pharmacy invoices requiring approval

Sandwell & West Birmingham Hospitals NHS Trust

Forecast Outturn 2018/2019 and Implications for 2019/2020 financial plan

Purpose and Scope of Report

- The Trust's 2018/20 financial strategy has been to front load cost reduction plans, with a focus on productivity and activity growth in year 2.
- This paper aims to;
- Propose a route to control total for 2018/2019;
- Provide 2018/19 Forecast Outturn to the Board, including the recurrent position / Month 12 underlying exit run rate to assess the implications for the 2019/20 financial plan;
- Provide an initial view of 2019/2020 efficiency requirement and the improvement required to the above forecast to ensure that the 2018/20 financial strategy is maintained through to delivery, and;
- Outline required actions related to the above results.

Forecast Outturn

	2018/19 Plan £000's	Forecast Outturn £000's	Forecast Variance £000's
1 - Patient Related Income	437,604	430,469	-7,135
2 - Other Income	57,440	52,808	-4,633
3 - Pay	-320,410	-316,546	3,865
4 - Non Pay	-157,540	-156,696	845
5 - Non Operational Costs	-24,661	-25,495	-834
Grand Total	**-7,567**	**-15,459**	**-7,892**

Analysis

- A detailed granular forecast has been prepared by Finance and Operational Staff. This shows an unadjusted gap to the Trusts Financial Plan of £7.892m. The improvement from the Month 5 view is due to the release of balance sheet flex into the Month 6 position.
- The main areas of adverse variance from the plan are performance against Commissioner contracts, and the commercialisation targets that formed part of the original Financial plan of the Trust (reflected in Other Income).
- These are offset by favourable variances against pay and non-pay.
- Within the forecast outturn there is non-recurrent one off support most notably:
  - Taper Relief £2.7 million (Planned, offsetting costs in the position)
  - Balance Sheet £0.85 million (Unplanned)
- The forecast outturn also includes £5 million of uncommitted reserves release, this is assumed to be recurrent.

2018/2019 Route to Balance and Risks

	£000's	
Forecast Variance from Plan	**-7,892**	
Reserves Release	5,000	(£5,458 less CEAs and living wage)
Capital Flexibility	3,850	£7.9m less £2.7m contribution less £1.35 rev costs
Remaining Balance Sheet Flex	670	
Income Improvement		tbc
Improvements in Groups forecast outturn expenditure		tbc
GRNI		Head of Compliance leading
Rev to Cap switch - estates		GSFM - Corporate leading
Unity Slippage		This would impact Normalised 19/20 position
Annul Leave Accrual	670	
Variance	**2,298**	

Analysis

- The identification of the route to balance has been led by the Director of Finance. There are risks around delivery of some of these, and a number of them are still to be validated and quantified. Currently though there would appear to be sufficient opportunity to achieve the financial plan, albeit reliant on a larger proportion of non recurrent measures than had been planned for. The plan expected a total of £2.7m non-recurrent contribution in respect of Taper Relief, and expected a circa £11m income contribution from the commercialisation workstream. These plans did not result in 2018/19 opportunity and therefore the opportunity for non-recurrent solutions was increased, and the above table shows this.
- The Board should note the main assumptions and risks to the position, these include:
  - The risk to the costs in revenue of addressing the Trusts IT infrastructure problems exceeding the £2.7m in the forecast outturn.
  - The risk to income of the IT issues, i.e. recording of activity. Executive team are liaising with our main commissioners to try and mitigate this risk.
  - Risk to income from data challenges from other commissioners exceeding that identified in the forecast outturn (£1.5m)
  - Delivery of production plan (£1.2m under-performance forecast).
  - Winter – the cost of managing this being over and above that allowed for the in the forecast
- The actions in place to deliver the improvements identified above;
  - Use of Group Reviews and GPOs to support improvements in the forecast outturn. The expectation is that Groups will remain within their 2018/19 budgets, as they were set at outturn.
  - GSFM for Corporate directorates leading the review of revenue to capital switch in conjunction with Capital accounting team.
  - GRNI levels have grown in 2018/19 and a review is underway to confirm the validity of this. Any opportunity will be identified before Month 8 reporting.

2019/2020 Financial Plan

	Rollover Budget £000's	Normalised Outturn £000's	Variance £000's
1 - Patient Related Income	433,243	428,446	-4,797
2 - Other Income	57,418	52,318	-5,099
Funding of Pay Award Implications		6,000	6,000
3 - Pay	-310,648	-327,778	-17,129
4 - Non Pay	-162,921	-162,054	867
5 - Non Operational Costs	-24,661	-25,495	-834
Grand Total	**-7,569**	**-28,563**	**-20,993**

Analysis

- The Trust is seeking to exit 2018/19 with a recurrent position that delivers the Financial Plan, and therefore achieves the stated current expectation of a £20 million CIP requirement for 2019/20, to be met largely by productivity gains through planned increases in activity, and minimising cost reduction requirements.
- Financial Management staff have worked with Operational Leaders to establish a normalised Month 12 position (i.e. where the Trust would start next year)
- Main assumptions include;
  - Vacancies are filled
  - Where there are financial pressures and there is not a clear route to mitigation, that they continue
  - Main Commissioner income is in line with forecast outturn, i.e. under-recovery is not addressed
  - There is an additional line in the table to highlight expected income (source formally tbc but expected in tariff) for AfC pay award and the full year effect of Medical Staff pay award.
- The output from this would suggest a £21 million recurrent gap. This is not affordable, but given the assumptions above probably represents a pessimistic view and opportunities exist to improve the outlook / mitigate the risks

2019/2020 Financial Plan – contd: Required Improvement

	Rollover Monthly Average £000's	Normalised Forecast Outturn Monthly Average £000's	Improvement Required £000's
1 - Patient Related Income	36,104	35,704	400
2 - Other Income	4,785	4,360	425
18/19 Pay Award Implications outside Inflation funding	0	500	-500
3 - Pay	-25,887	-27,315	1,427
4 - Non Pay	-13,577	-13,505	-72
5 - Non Operational Costs	-2,055	-2,125	69
Grand Total	**-631**	**-2,380**	**1,749**

Analysis

- In order to start 2019/20 on plan, the movement required from normalised outturn is £1.749 million per month.
- This assumes that the Trust is asked to deliver a control total deficit of £7.567m, as for 2018/19.
- This does not include any view on cost pressures and developments the Trust might seek to support in 2019/20.
- As stated this is very much a downside view. Given the outturn funding settlement to Groups for 2018/2019 it is not unreasonable to expect Groups to achieve their rollover budget, which drove a £7.6m deficit plan.
- Actions to achieve the improvement include
  - Using November as a Confirm, Challenge, Change Month.
  - By this it is meant that there are a significant number of normalising adjustments, In terms of Pay, there are a significant number of vacancies in a number of areas that are not recruited to. The challenge is therefore to confirm if not filled by temporary staff, can they be disestablished, reducing the normalisation.
  - Where there are overspends in relation to non-pay, what is the mitigation for the overspend?
  - Where other income streams have been lost, what mitigations (offsetting cost reductions etc.) are in place to negate this impact?
  - For contract income, what are the actions to recover under-performance?

2019/2020 Financial Plan – contd: Conclusion

Analysis

- This paper identifies a route to achieve the 2018/19 control total and plan, albeit using a larger proportion of non-recurrent methods than had been planned for.
- One of the largest non-recurrent benefits to the position this year has been vacant posts.
- The normalisation forecast assumes that this benefit largely reverses out, meaning a significant improvement is required to achieve the same level of deficit for the next financial year.
- That deficit stands at £7.5m. It should be noted that the target was originally a £2.5m deficit, and NHSI described the revision of the target by £5m to £7.5m as "non-recurrent". This is therefore a risk that requires clarification as soon as possible.
- The ask for 2019/20 is currently assessed at c£20m, although there are many assumptions within this that require confirmation and clarity.
- The Trust's 2018/20 financial strategy has been to front load cost reduction in to 2018/19, with a productivity and activity growth strategy to meet need in year 2.
- Maintenance of this strategy is contingent on managing the normalisation gap in Month 12, of which pay and income are the major contributors.
- From a pay perspective, significant costs are forecast to manifest themselves in 2019/2020 and these need to be challenged, confirmed and changed wherever possible.
- Under delivery against start point patient related income contract also needs to be addressed.