Paper ref:	TB (12/18) 020

Sandwell and West Birmingham Hospitals NHS Trust

Report Title	Financial Performance and Q4 Exit Plan		
Sponsoring Executive	Dinah McLannahan, Acting Director of Finance		
Report Author	Dinah McLannahan, Acting Director of Finance Paul Stanaway, Associate Director of Finance (Financial Management) Tim Reardon, Associate Director of Finance (Compliance)		
Meeting	Trust Board	**Date**	6th December 2018

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

Despite ongoing pressures in Urgent Care and major disruption to IT systems during October, the Trust was able to report on plan for Month 7.

This means that the revised forecast for 2018/19 remains intact and the report includes the route to control total compliance for 2018/19. Trust Board members will know that control total achievement has a higher than planned for element of non-recurrent performance.

In order to avoid carrying over the impact of this into 2019/20 (where the strategy remains to deliver the financial plan based on a small non-pay CIP and activity growth), the paper focuses on the gaps that must be closed by Month 12, 2018/19.

The Trust has made good progress on identifying and closing the pay gap, and must now do the same for non-pay, and develop a more complete plan for income for all commissioners for 2019/20 that takes into account performance to the year end and budgeted values for 2018/19.

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	x	Other *[specify in the paper]*	

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

CLE, 27th November 2018

FIC, 30th November 2018

4. Recommendation(s)

The Trust Board is asked to:

a.	Discuss the report and the implications of its contents

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	BAF 5, BAF 6					
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

November 2018

Contents

Month 7 position summary

ANALYSIS

- October Board identified and agreed a route to the Trust's Financial control total, (Pre-PSF and technical adjustments) of £7.567m.
- This was based on a detailed forecast based on Month 6 reporting that identified an outturn deficit of £15.459 million, with a non-recurrent route to the plan being identified, and the risks to that forecast being clearly identified.
- This report will assess performance against this forecast, and identify the material risks to delivery and therefore achievement of the Trust control total.
- This means that the Trust now has 3 Financial Plans, each of which end up at the same end position, but have different phasing.
- The Three Financial Plans are:
  - NHSI (External Plan)
  - Internal Budgets (Internal Plan)
  - Revised Internal Plan (agreed at October Board).
- The Trust had an adverse variance against the revised internal plan of £276k in Month 7. This included using an additional £280k in month of "route to balance" money, bringing the total used year-to-date to £1.847m. Therefore the underlying adverse variance from the Revised Internal Plan is £556k.
- The Trust reported achievement against Internal Budgets and the NHSI plan, because the use of the route to balance money achieved the Revised Internal Plan.
- An adjusting item has been processed to achieve external (NHSI) plan of £2.28m and this reconciliation can be seen on Slide 37. This is a phasing issue only.
- The income position contains a provision of £1.756m as per the income forecast in relation to CQUIN non-delivery, fines and data challenges. The biggest risk within CQUIN is the Risky Behaviours scheme where the forecast assumes full receipt of the income, whereas compliance with the target is unlikely.

Month 7 position summary

- Year to date variances to the Revised Internal Plan were as follows:

	£000's
Patient Related Income	(875)
Other Income:	(3)
Pay	413
Non Pay	148
Non Operational Expenditure	41
TOTAL:	**(276)**

- Despite the deviation from the revised Internal Plan, the Trust remain confident of delivering the outturn within the forecast, despite the call on Month 12 non-recurrent support. Group reviews held this month have not identified any major concerns within Clinical Groups around delivery, and enough non-recurrent support was identified to cover off the £1.847 million used in the year-to-date position.

- Risks to delivery of the Trust's Financial plan can be identified to the following areas:
  - Performance against CIP Plan (small over-delivery against forecast ytd £248k, but with 54% of the forecast in the last 5 months)
  - Settlement of the Maternity Pathway issues, currently forecast in Month 12.
  - Delivery of Production Plan and associated margin – subject to a separate paper (slippage of £1.232m ytd)
  - 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 as provided for
  - Delivery against CQUIN
  - Risk around IFRS15 – related to income recognition.
  - Winter pressures over and above those allowed for

- It is important to note that the NHSI plan pre-PSF required a significantly better financial position at the end of September (£9.672m ytd deficit, £6.189m including PSF), against an Revised Internal Plan £11.678m deficit. Significant improvement is therefore required over the second half of the year to deliver the financial plan.

Revised Internal Plan, Internal Plan (Budgets), and Actual I&E.

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Year to Date	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Outturn
	£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	£000's
Revised Internal Plan	-4,484	-2,341	-592	1,725	-4,633	-1,946	593	**-11,678**	-696	-2,991	-1,245	-2,851	4,007	**-15,459**
Internal Plan (Budgets)	-4,978	-1,923	-475	1,679	-4,633	-1,940	302	**-11,968**	-429	-2,126	159	-2,016	8,814	**-7,567**
Actuals	-4,470	-2,328	-578	1,686	-4,633	-1,946	317	**-11,953**						
Difference from Revised Internal Plan	13	13	13	-39	0	0	-276	**-276**						
Difference from Internal Plan (Budgets)	508	-405	-103	7	1	-6	15	**15**						

- ANALYSIS
- The table above compares the Revised Internal Plan, to Budgets, and Actuals.
- The underlying run-rate is a deficit of nearly £2 million per month ytd.
- To achieve the forecast outturn, this needs to move to a deficit of £701k per month in the last 5 months to achieve the Revised Internal Plan.
- This assumes that the £1.847 million support in the position is covered within the Route to Balance items identified to Board last month.
- The delivery of the Trusts Financial Control Total relies on non-operational support of £7.892 million, being the forecast adverse variance from control total. The route to balance items identified totalled £10.2m – therefore offering cover for the £1.847m used to date – as long as the Trust hits a deficit of £15.459m by the year end.

Income Year to Date Performance and Plan

	Year to Date Performance			Internal Revised Plan		
	Internal Revised Plan £000's	Actuals £000's	Variance £000's	Q3 Forecast £000's	Q4 Forecast £000's	Forecast Outturn £000's
SLAs: Main Healthcare Contracts	242,342	241,309	-1,034	70,275	106,331	418,948
Income: NHS Trusts	887	892	5	243	364	1,493
Income: Other NHS Bodies	3,571	3,587	16	1,026	1,539	6,135
Private Patients Income	1,565	1,630	65	482	725	2,772
Other Non Protected Income	677	749	72	177	266	1,120
Total Patient Related Income	**249,042**	**248,167**	**-875**	**72,203**	**109,224**	**430,469**
Income: NHS Trusts	3,191	3,178	-13	901	1,338	5,430
Income: Other NHS Bodies	2,591	2,559	-32	739	1,168	4,498
Provision of Diagnostic Services	3,521	3,528	7	996	1,493	6,010
Provision of Facilities & Related Services	3,413	3,375	-37	968	1,452	5,833
Education & Training	10,823	10,974	150	3,124	4,686	18,634
Research and Development	1,048	1,087	39	300	449	1,797
Other Income	6,028	5,911	-117	1,801	2,776	10,605
Total Other Income	**30,615**	**30,612**	**-3**	**8,829**	**13,364**	**52,808**
TOTAL INCOME	**279,657**	**278,779**	**-878**	**81,031**	**122,588**	**483,277**

Income Analysis

- Commissioner income position driven by a provision of £1.756m to reflect the Trust view of data challenges and CQUIN slippage. The rest of the under-performance against Commissioner income relates to pass-through and is therefore offset by favourable variances in non-pay. Medical emergencies are below forecast, surgical emergencies are also below forecast due to the impact of SEAU pathway change. The latter is being explored with commissioners.
- SWBCCG contract is behind the Revised Internal Plan year-to-date, but in line with the block by year-end. Close monitoring of this is required and will continue.
- Issues around CQUIN non-delivery need to be addressed. Issues 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 reflected in the Revised Internal Plan.
- Private Patients income is ahead of the Revised Internal Plan ytd relating to recovery of 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 ahead of forecast, as systems within the Medicine Group are delivering on their ask.
- Actions required to deliver minimum of forecast outturn
    - Mitigate impact of SEAU pathway change (CEO/DOF/IK)
    - Delivery of Production Plan (LK)
    - CQUIN – particularly Risky Behaviours
- Risks
    - Delivery of Production Plan
    - CQUIN delivery
    - Contract Data Challenges above Revised Internal Plan

Production Plan

£000's	Apr	May	Jun	Jul	Aug	Sep	Oct	Year to Date	Nov	Dec	Jan	Feb	Mar
Plan	£8,657	£9,175	£9,680	£9,957	£9,384	£9,640	£11,274	£67,767	£10,688	£8,967	£10,450	£9,652	£10,446
Actual	£8,752	£9,482	£9,521	£9,854	£9,221	£9,134	£10,570	£66,535					
Variance	£95	£308	-£159	-£103	-£163	-£506	-£704	-£1,232					

Production Plan Analysis

- Embedded within the income plan are the above levels of income relating to the Production Plan.
- The plan reflects the originally planned late October go-live for phasing for Unity.
- Mitigations are now proposed to recover the underperformance in the year to date, commencing in November. These include the impact of staff appointments, utilisation of short term contracted staff and reallocation of available theatre time between specialties.
- The year to date adverse variance is a mix of Medical Specialties over-performing (£+0.9m), partially offsetting under-performance in Surgical Services (£-1.3m); PCCT (£-0.4m) and W&CH (£-0.4m).
- Year to go, the Trust needs to achieve £10.04m a month on Production plan.
- NB – the figure above was taken from Trust systems on day 3 following the month end. An additional £300k was accrued into the Trust position for late / missing data. This has subsequently been validated as a correct accrual. Therefore, the final October production plan value was circa £10.8m

Pay Year to Date Performance and Plan

	Year to Date Performance			Internal Revised Plan		
	Internal Revised Plan £000's	Actuals £000's	Variance £000's	Q3 Forecast £000's	Q4 Forecast £000's	Forecast Outturn £000's
Medical Staffing	-44,073	-43,841	231	-13,040	-19,900	-77,013
Management	-7,456	-7,493	-37	-2,148	-3,246	-12,849
Administration and Estates	-14,991	-14,947	44	-4,297	-6,530	-25,817
Healthcare Assistants and Support Staff	-18,051	-17,990	61	-5,286	-7,952	-31,289
Qualified Nursing and Midwifery	-49,003	-48,937	67	-14,338	-22,006	-85,347
Scientific, Therapeutic and Technical	-23,480	-23,465	15	-5,785	-8,998	-38,263
Bank Staff	-15,703	-15,563	139	-4,277	-6,172	-26,151
Agency Staff	-9,163	-9,283	-120	-2,615	-3,407	-15,186
Other Pay	-3,094	-3,082	12	-634	-903	-4,631
TOTAL PAY	**-185,015**	**-184,602**	**413**	**-52,418**	**-79,113**	**-316,545**

Pay Analysis

- The Pay is ahead of the Revised Internal Plan for pay at month 7. This is most notable in Medicine (£167k), Imaging (£65k) and Corporate Groups (£136k). Medicine's favourable variance is driven by lower agency spend and vacancies. Imaging is driven by vacancies (note though that outsourced reporting within non-pay more than offsets this variance) The Corporate position is also driven by vacancies.
- Analysis by group can be seen on slide 18.

Agency spend

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Outturn
	£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
Revised Internal	-1,324	-1,264	-1,441	-1,433	-1,306	-1,133	-1,262	-1,300	-1,315	-1,167	-1,131	-1,109	-15,186
Actuals	-1,324	-1,264	-1,441	-1,433	-1,306	-1,133	-1,382						
Difference	**0**	**0**	**0**	**0**	**0**	**0**	**-120**						
							-120						
Internal Plan (Within budgets)	-1,537	-1,113	-921	-852	-836	-835	-648	-648	-648	-648	-648	-648	**-9,982**
Actuals	-1,324	-1,264	-1,441	-1,433	-1,306	-1,133	-1,132						
Difference	**213**	**-151**	**-520**	**-581**	**-470**	**-298**	**-484**						
							-2,291						
NHSI Plan	-1,105	-938	-919	-902	-905	-900	-899	-831	-831	-829	-829	-829	**-10,717**
Difference	**-219**	**-326**	**-522**	**-531**	**-401**	**-233**	**-233**						
							-2,465						

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. Added to this is the agency spend within the Revised Internal Plan, with an expected annual spend of £15.186m, significantly above the Trusts agency cap.
- 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 M7 actual spend shows that the Trust is behind the Revised Internal Plan by £120k, behind the planned spend implicit within Budgets by £2.291m, and £2.465 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. This is driven by vacancies, sickness levels in excess of planned levels and grip and control issues.
- The Trust will signal the new expected spend for Agency of £15.2m in Month 8 reporting to NHSI. This has been discussed with them at a recent review meeting.

Non-pay Year to Date Performance and Plan

	Internal Revised Plan £000's	Actuals £000's	Variance £000's	Q3 Forecast £000's	Q4 Forecast £000's	Forecast Outturn £000's
Drugs and Blood Products	-21,351	-21,302	49	-6,250	-9,300	-36,901
Medical Equipment and Consumables	-20,928	-20,768	160	-6,117	-9,372	-36,417
Energy and Utilities	-6,494	-6,600	-105	-2,065	-3,083	-11,642
Hotel Service Costs	-3,220	-3,378	-158	-912	-1,349	-5,482
IT Equipment and Consumables	-2,895	-2,864	31	-859	-1,297	-5,050
Postage, Printing and Stationery	-2,045	-2,089	-44	-562	-812	-3,419
Staff Related Expenditure	-1,296	-1,279	17	-349	-524	-2,168
Servs Rec'd: NHS Bodies	-6,978	-6,879	99	-3,532	-3,523	-14,034
Serv Rec'd:Non NHS Bodies	-5,864	-6,272	-407	-2,094	-3,523	-11,482
Facilities Related Costs	-3,492	-3,546	-54	-982	-1,472	-5,947
CNST Contributions	-8,405	-8,405	0	-2,402	-3,602	-14,409
Other Costs	-8,712	-8,152	560	-1,994	961	-9,745
Recharges	0	0	0	0	0	0
TOTAL NON PAY	**-91,681**	**-91,533**	**148**	**-28,118**	**-36,896**	-156,696
Depreciation	-7,966	-7,966	0	-2,276	-3,414	-13,655
Interest Receivable	77	90	13	22	33	132
Interest Payable	-1,335	-1,335	1	-382	-572	-2,289
PDC Dividend	-5,074	-5,074	0	-1,450	-2,575	-9,099
Profit / (Loss) on Asset Disposals	-340	-313	28	-97	-146	-583
TOTAL NON OPERATIONAL EXPENDITURE	**-14,639**	**-14,597**	**41**	**-4,182**	**-6,674**	-25,495
TOTAL NON PAY	**-106,320**	**-106,130**	**190**	**-32,301**	**-43,570**	**-182,190**

NON PAY ANALYSIS

- £190k favourable variance against the revised internal plan for non-pay. A number of other adjustments indicate the underlying non-pay position.
  - Position driven by the release of non-recurrent support to balance to the Internal Plan (Budgets) £280k.
  - Groups that have an adverse variance from their revised internal plan on non-pay are
    - Imaging (£123k) driven by external reporting, and continue to exceed their agreed usage of the service
    - Corporate (£245k) driven by
      - Strategy & Governance £80k, overseas bad debt provision (offset in income)
      - Operations £102k, £60k Iron Mountain Costs, £52k FP10s (offset by income)
      - Estates £64k, £50k relating to energy (year to date adjustment, predicted to still achieve forecast)

CIP delivery versus Forecast

		Forecast Outturn £000's	Year to Date Forecast £000's	Actual £000's	Variance £000's	Q3	Q4
Patient Related Income – Contracts	Income - Commercialisation	239	175	184	10	28	37
	Income - Production Plan	6,600	2,865	2,716	-149	1,414	2,321
	Income - Repatriation	2,661	319	357	39	77	2,266
Patient Related Income – Contracts Total		**9,501**	**3,358**	**3,257**	**-101**	**1,519**	**4,624**
Patient Related Income - Other	Income - Commercialisation	300	186	182	-3	46	68
	Income - Other	352	229	303	74	49	74
Patient Related Income - Other Total		**652**	**415**	**485**	**71**	**95**	**142**
Other Income	Income - Commercialisation	420	167	186	20	96	157
	Income - Facilities	217	127	119	-8	36	54
	Income - Repatriation	32	19	19	0	5	8
Other Income Total		**669**	**312**	**324**	**12**	*138*	*219*
Pay	Pay - Medical Productivity	639	376	376	0	105	157
	Pay - Other Key Enablers	2,421	1,484	1,664	180	348	589
	Pay - Post Reductions	2,043	1,134	1,138	4	376	534
	Pay - Safer Staffing & Effective Rostering	3,169	1,694	1,728	34	585	890
Pay Total		**8,271**	**4,687**	**4,907**	**219**	**1,414**	**2,170**
NonPay	Cross Cutting - Tactical	153	89	89	0	26	38
	Non Pay - Drugs/Pharmacy	104	53	53	0	20	30
	Non Pay - Grip & Control	3,207	1,563	1,588	25	459	1,185
	Non Pay - Sundry Schemes	4,335	1,907	1,992	85	503	1,924
	Non Pay - Supplier Negotiation	905	416	353	-63	150	339
				0	0	0	0
NonPay Total		**8,704**	**4,029**	**4,076**	**47**	**1,158**	**3,517**
Grand Total		**27,797**	**12,801**	**13,049**	**248**	**4,324**	**10,672**

CIP ANALYSIS

- M6 ytd delivery was £13,049m against a Revised Internal Plan of £12.801m, a favourable variance of £248k.

SWBH
External Reporting

NOVEMBER 2018

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Finance Report

Capital Plan

Month 07 2018/19

	Plan £'000s	Forecast £'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
Purchase of MMH Asset - Capital Contribution		62,875	Pending
Less IFRIC 12/PFI payments (capital elements)	(3,169)	(3,169)	Approved
2018/19 IFRIC schemes	4,281	4,281	Anticipated
Additional PDC for non-Programme Capital		27,300	Approved
Total CRL	**34,592**	**124,767**	
Grants & donated assets	80	148,774	
Total Funding for Capital Expenditure	**34,672**	**273,541**	
Capital Expenditure	**34,672**	**273,541**	

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
Purchase of MMH Asset - Capital Contribution		62,875
Total CRL pending	**16,495**	**79,370**

This table summarises the capital funding available to the Trust and expenditure as per the plan submission.

This month reflects the expected changes to the capital programme as a result of;

- Bringing the Midland Met Asset on to the Trust’s Balance Sheet – being £62.875m of prepayment, and £148.774m of donated asset (the total value of the asset recognised in Month 7 and now on the Trust Balance Sheet being £211.7m (see Slide 33)).
- Additional PDC approved for the Early Works Contract in relation to Midland Met
- The balance of £34.6m relates to the Trust’s core capital programme, which is set out in more detail on slide 32.
- £79.4m of funding is pending formal CRL approval. £7m of this is dependant on the surplus generated in 2018/19, assuming the original level of PSF offered is sustained (tbc). This is unlikely, and will be mitigated by the core capital programme underspending in 2018/19, which is expected to happen.

Finance Report

Capital Expenditure

Month 07 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 NHSI Forecast £'000s	Full Year Forecast £'000s	Full Year Variance £'000s
Estates	8,028	4,599	(3,429)	*2,761*	18,336	17,998	10,509	7,827
Informatics	7,342	2,876	(4,466)	*1,362*	8,442	8,442	9,480	(1,038)
Medical equipment / Imaging	607	950	343	*1,107*	3,533	3,798	3,352	181
Contingency	0	0	0	*0*	0	0	0	0
Sub-Total	**15,977**	**8,425**	**(7,552)**	*5,230*	**30,311**	**30,238**	**23,340**	**6,971**
Technical schemes	1,873	231	(1,642)	*0*	4,281	4,281	1,976	2,305
Donated assets	45	8	(37)	*0*	80	80	80	0
Total Core Programme	**17,895**	**8,663**	**(9,232)**	*5,230*	**34,672**	**34,599**	**25,397**	**9,275**
Post Carillion-Midland Met schemes	0	67,940	67,940	*15,017*	0	90,175	90,183	(90,183)
Reconfiguration	0	0	0	*2*	0	0	3,930	(3,930)
Midland Met Donated Asset	0	148,767	148,767	*0*	0	148,767	148,767	(148,767)
Total Non Core Programme	**0**	**216,707**	**216,707**	*15,019*	**0**	**238,942**	**242,880**	**(242,880)**
Total Core & Non Core Programme	**17,895**	**225,370**	**207,475**	*20,249*	**34,672**	**273,541**	**268,277**	**(233,605)**

Analysis

- Spending on the core programme is £9.2m behind plan year to date, but with commitments of £5.2m.
- Progress against each scheme is monitored through the Trust's monthly Capital Management Group.
- The core capital programme has been reviewed and the FOT has been reduced from £34.7m to £25.4m mainly due to reduction in Estates of £7.8m and an increase of £1m in Informatics in relation to IT infrastructure challenges.
- The Post Carillion Midland Met schemes totalling £90.2m is made up of:
  1. MMH Early works schemes £27.3m funded from PDC - £5.065m spent year to date
  2. MMH asset recognition £62.9m which has nil cash implications.
- The Reconfiguration schemes of £3.9m are funded from STP capital and are yet to be confirmed.
- The £273.5m is the latest capital programme submitted to NHSI. This is likely to be reviewed for true view on forecast for Month 8 accompanied by a CRL confirmation and application.

Finance Report

SOFP

Month 07 2018/19

	Balance as at 31st March 2018 £000	Balance as at 31st October 2018 £000	NHSI Planned Balance as at 31st October 2018 £000	Variance to plan as at 31st October 2018 £000	NHSI Plan as at 31st March 2019 £000	Forecast 31st March 2019 £000
Non Current Assets						
Property, Plant and Equipment	227,475	443,046	235,458	207,588	245,162	245,162
Intangible Assets	106	71	106	(35)	106	106
Trade and Other Receivables	62,941	1,203	62,941	(61,738)	62,941	62,941
Current Assets						
Inventories	4,742	4,742	4,742	0	4,742	4,742
Trade and Other Receivables	52,880	52,897	39,374	13,523	47,174	47,174
Cash and Cash Equivalents	9,691	20,355	16,801	3,555	1,743	1,743
Current Liabilities						
Trade and Other Payables	(64,206)	(87,481)	(71,891)	(15,590)	(59,829)	(59,829)
Provisions	(2,166)	(1,822)	(1,855)	33	(1,855)	(1,855)
Borrowings	(1,855)	(2,174)	(1,062)	(1,112)	(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)	(30,539)	(30,343)	(196)	(29,433)	(29,433)
DH Capital Loan	0	0	0	0	0	0
	254,378	**396,844**	**250,817**	**146,028**	**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	151,152	3,862	147,290	11,961	11,961
Revaluation Reserve	9,744	9,745	11,006	(1,261)	13,325	13,325
Other Reserves	9,058	9,056	9,058	(2)	9,058	9,058
	254,378	**396,844**	**250,817**	**146,028**	**261,235**	**261,235**

Analysis

- The overall variance from plan is predominantly due to the transaction in relation to MMH. The scheme is now no longer a PFI and this is reflected as follows:
  - Total value of PPE has increased by £211.7m.
  - £148.8m MMH asset has been recognised in PP&E. This is the element that has not been paid for by the public purse and is recognised as a donated asset.
  - £62.9m of prepayments for MMH have been moved from receivables to PP&E.
- The Trust has benefitted from a backlog of Trade Payables which more than offsets the receivables balance and results in a higher than planned cash balance.

Finance Report

SOCF

Month 07 2018/19

ACTUAL/FORECAST	April Actual £000s	May Actual £000s	June Actual £000s	July Actual £000s	August Actual £000s	September Actual £000s	October Actual £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	22,881	22,500	23,603	22,300	22,300	22,303
Associates	7,245	6,432	7,461	7,531	13,691	7,401	1,802	6,466	6,466	7,141	7,141	7,141
Other NHS	1,074	902	359	584	2,231	827	1,179	898	1,258	1,110	687	1,162
Specialised Services	3,327	0	8,529	3,944	7,523	9,903	4,454	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	0	0	6,825	6,825	6,825	6,825
Loans	0	0	0	0	0	0	0	0	0	0	0	5,000
Other Receipts	1,232	1,340	2,575	4,034	1,237	2,389	3,881	2,075	2,075	2,075	2,075	2,075
Total Receipts	36,974	32,032	41,868	51,717	56,403	43,340	34,196	43,627	50,207	42,613	42,907	52,727
Payments												
Payroll	13,821	13,844	14,070	13,429	14,457	14,283	13,607	14,430	14,404	14,129	13,878	13,825
Tax, NI and Pensions	10,090	10,276	9,813	9,977	10,230	10,729	10,296	10,130	10,330	10,342	10,342	10,330
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	12,553	11,515	5,431	9,153	15,824	11,500	11,389	11,651	12,205
Non Pay - Capital	236	1,915	1,781	1,942	1,788	1,324	7,137	4,784	11,842	9,927	9,926	10,882
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	1,473	1,092	1,092	1,092	0	0
Other Payments	1,672	1,144	620	2,452	1,015	2,076	2,825	189	239	239	179	239
Total Payments	30,312	41,665	39,203	43,817	42,467	41,919	46,482	48,439	51,397	49,108	47,966	53,821
Cash Brought Forward	9,689	16,351	6,718	9,384	17,284	31,219	32,640	20,355	15,542	14,353	7,858	2,798
Net Receipts/(Payments)	6,662	(9,633)	2,665	7,900	13,935	1,421	(12,286)	(4,812)	(1,190)	(6,495)	(5,059)	(1,094)
Cash Carried Forward	16,351	6,718	9,384	17,284	31,219	32,640	20,355	15,542	14,353	7,858	2,798	1,705

The team have developed a cash flow that aims to indicate a middle ground of what is likely to happen now that plan delivery is underway. Indications are that the requirement for a DH loan during 2018/19 is less likely. However, this is dependant on the assumptions in the operational forecast. This will inform to what extent there are risks to being able to pay for the capital programme.

Analysis

- This cash flow incorporates YTD M07 actual movements and 5 mths forecast, to NHSI planned closing cash balance.
- The closing balance of £1.7m, following receipt of a loan, is consistent with plan.
- The level of loan required is reduced to £5m. This reflects the combination of PSF, capital phasing and working capital management.
- The ultimate requirement for a DH loan will continue to be reviewed by the finance team.
- The balance of 2017/18 STF was received in July 2018.
- PDC receipts to the value of £27.3 is assumed in the final four months of the year. This is matched by £27.3m of capital payments over the same period.

Finance Report

Use of Resources Rating

Month 07 2018/19

Finance and use of resources rating	Expected Sign	03AUDITPY Audited PY 31/03/2018 Year ending Number	03PLANYTD Plan 31/10/2018 YTD Number	03ACTYTD Actual 31/10/2018 YTD Number	03VARYTD Variance 31/10/2018 YTD Number	03PLANCY Plan 31/03/2019 Year ending Number	03FOTCY Forecast 31/03/2019 Year ending Number	03VARCY Variance 31/03/2019 Year ending Number	Maincode Subcode
Capital service cover rating	+	1	4	4		3	3		PRR0160
Liquidity rating	+	2	4	4		4	4		PRR0170
I&E margin rating	+	1	4	4		2	2		PRR0180
I&E margin: distance from financial plan	+	1		2			2		PRR0190
Agency rating	+	3	1	3		1	1		PRR0200

Overall finance and use of resources risk rating	Expected Sign	03AUDITPY Audited PY 31/03/2018 Year ending Number	03PLANYTD Plan 31/10/2018 YTD Number	03ACTYTD Actual 31/10/2018 YTD Number	03VARYTD Variance 31/10/2018 YTD Number	03PLANCY Plan 31/03/2019 Year ending Number	03FOTCY Forecast 31/03/2019 Year ending Number	03VARCY Variance 31/03/2019 Year ending Number	Maincode Subcode
Overall rating unrounded	+	2		3.40			2.40		PRR0202
If unrounded score ends in 0.5	+	0		0.00			0.00		PRR0204
Risk ratings before overrides	+	2		3			2		PRR0206
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		PRR0208
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		PRR0210
Control total override - Control total accepted	Text	YES		Yes			Yes		PRR0212
Control total override - Planned or Forecast deficit	Text	No		No			No		PRR0214
Control total override - Maximum score (0 = N/A)	+	0		0			0		PRR0216
Is Trust under financial special measures	Text	No		No			No		PRR0218
Risk ratings after overrides	+	2		3			3		PRR0220

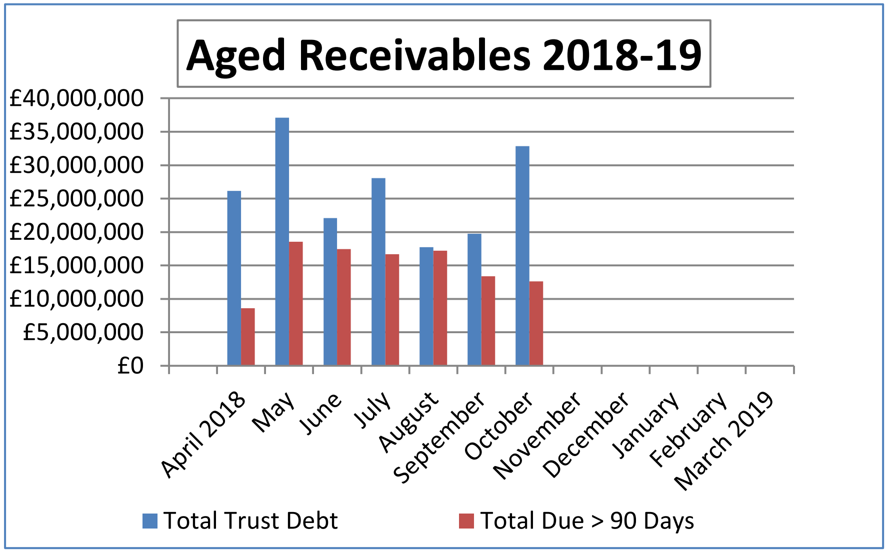
Analysis

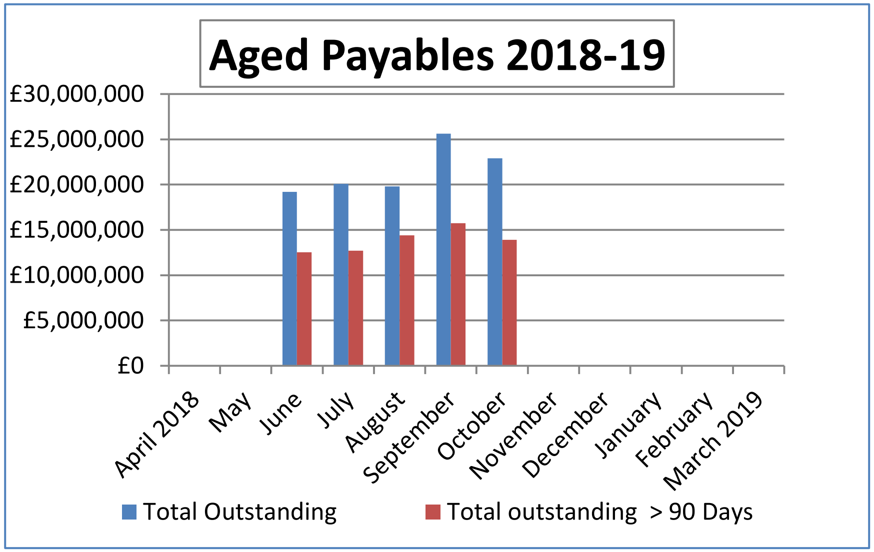
- The Trust's latest use of resources rating year to date is 3 (amber). The I&E margin rating , liquidity and capital service cover are all 4, these ratings act as a trigger and so limit the overall score to 3:
- The liquidity ratio is impacted by the high levels of creditors. The fact I&E is in line with plan while liquidity is off plan is consistent with non-cash support for the I&E position.
- The agency rating is adverse compared to plan.
- 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.

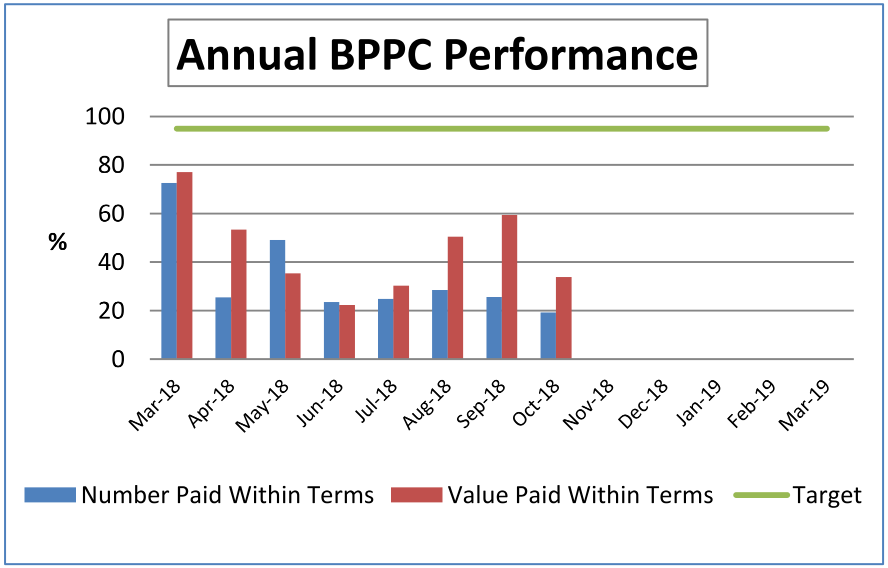
Finance Report

Aged Receivables, Aged Payables, BPPC and Cash Forecast

Month 07 2018/19







Analysis

- Aged Receivables - Overall Debt shows an increase at 31st October 2018 as quarterly invoices were raised for Education Contracts, totalling £4.8m, and the invoice for MMH Taper Relief of £7.9m. These have been paid during November.
- The aged profile reduced as historic debts with NHS bodies were settled. The Trust expects a further improvement as intra NHS Receivables and Payables positions are agreed and paid.
- 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 – this will be managed in line with non-NHS creditor improvement and cash balances

Finance Report

Internal to External Reconciliation

Month 07 2018/19

Actuals

	Internal	External	Variance	Comment
PRI	248,167	250,442	2,275	Income accrual
OI	30,612	182,875	152,263	Donated asset income & PSF
Pay	(184,602)	(184,592)	10	Classification & Rounding
Non-Pay	(91,533)	(99,633)	(8,100)	Classification
Non-Opex	(14,597)	(6,632)	7,965	Classification & Rounding
Tech adj.	0	(148,649)	(148,649)	Adjustment for donated asset
Reported deficit	**(11,953)**	**(6,189)**	5,764	

The big variances in actuals relate to the MMH donated asset. This can be see in the OI and Tech adj. lines of the I&E. In addition the internal plan does not include PSF so this is £3.483m of the difference.
PSF and income accrual account for the £5.8m net variance.

Plan

	Internal	External	Variance	Comment
PRI	249,042	249,415	373	Income phasing
OI	30,615	34,548	3,933	£(4,975) PSF YTD & phasing
Pay	(185,015)	(184,915)	100	Phasing
Non-Pay	(91,681)	(97,522)	(5,841)	Classification & phasing
Non-Opex	(14,639)	(6,349)	8,290	Classification & phasing
Tech adj.	0	126	126	
Reported deficit	**(11,678)**	**(4,697)**	6,981	

The external plan included £4.975m of PSF (finance and ED).
The remainder of the difference relates to a larger internal planned deficit year to date than the external plan submission expects.

The above means that internally the trust reported a deficit of £11.953m against an internal plan of £11.678m.
Externally – the Trust reported a deficit of £6.189m against a plan of £4.697m, an adverse variance of £1.492m. This is entirely PSF in relation to ED performance.

Finance Report

Working Capital

Month 7 2018/19

Creditors 60+ Days Past Due		
Comment	**Value**	**%**
Dispute	1,547,283	27%
Goods not received	1,377,433	24%
To be reviewed	734,342	13%
Review in progress	704,080	12%
Awaiting approval	563,848	10%
Validation required	447,019	8%
Paid	313,981	6%
Not yet due	4,652	0%
Purchase order issue	2,654	0%
Total	**5,695,292**	**100%**

At £5.7m the level of creditors 60+ days past due is £2.8m lower than in September. Some fluctuation in creditors is expected however, given there are no high value invoices or payments driving this, a change of 33% is beyond the level of normal fluctuation expected.

The main driver of this has been the recruitment and development of the AP team. Permanent and fixed term staff have been taken on in place of bank and agency. In the preceding 2.5 months the AP supervisor and manager have trained and developed these staff. The new starters now have a better understanding of the business, the stakeholders and their respective accounts. The impact of this is now being realised.

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

Month 7 2018/19

Creditors 60+ Days Past Due		
Other non-NHS	**Value**	**%**
Dispute	1,140,575	29%
To be reviewed	691,585	17%
Goods not received	591,961	15%
Awaiting approval	563,848	14%
Review in progress	361,545	9%
Validation required	321,351	8%
Paid	293,368	7%
Not yet due	4,652	0%
Purchase order issue	2,654	0%
Other non-NHS Total	**3,971,541**	100%
Local non-NHS	**Value**	**%**
Goods not received	785,471	46%
Dispute	406,707	24%
Review in progress	342,535	20%
Validation required	125,668	7%
To be reviewed	42,757	2%
Paid	20,613	1%
Local non-NHS Total	**1,723,751**	**100%**
Total	**5,695,292**	

The AP 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 received a focus. 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 October stood at £5.7m (£8.5m Sept).

Of this 5.7m £1.7m (£2.3m Sept) relates to midlands companies. At the point that AP under took the review of progress on accounts £385k (£140k Sept) was either still being worked through or had yet to be reviewed.

£1.2m (£1.1m Sept) had not been approved due to disputes or goods not received.

£0.2m had been paid however a further £0.1m 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

Creditors 60+ Days Past Due				
Other non-NHS	**Value**	**%**	**Prior Mth**	**%**
Dispute	1,140,575	29%	1,179,368	19%
To be reviewed	691,585	17%	1,305,358	21%
Goods not received	591,961	15%	-	0%
Awaiting approval	563,848	14%	173,799	3%
Review in progress	361,545	9%	378,279	6%
Validation required	321,351	8%	1,017,681	16%
Paid	293,368	7%	1,339,281	22%
Not yet due	4,652	0%	23,717	0%
Purchase order issue	2,654	0%	783,670	13%
Other non-NHS Total	**3,971,541**	**100%**	**6,201,153**	**100%**
Local non-NHS	**Value**	**%**	**Prior Mth**	**%**
Goods not received	785,471	46%	573,039	25%
Dispute	406,707	24%	569,890	25%
Review in progress	342,535	20%	84,354	4%
Validation required	125,668	7%	248,689	11%
To be reviewed	42,757	2%	55,894	2%
Paid	20,613	1%	138,375	6%
Paid - but need to check old Oracle	-		324,510	14%
Validation required	-		293,718	13%
Local non-NHS Total	**1,723,751**	**100%**	**2,288,469**	**100%**
Total	**5,695,292**		**8,489,622**	

The AP 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 received a focus. This appears to be reflected in the different ranking of the main issues.

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- Diabetes supplier requiring approval
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Sandwell & West Birmingham Hospitals NHS Trust

2018/19 Exit plan

Contents

Purpose of Report

- The Trust’s 2018/20 financial strategy has been to front load cost reduction plans into 2018/19, with a focus on productivity and activity growth in year 2, meaning a small non-pay CIP of £4m, and £16m of productivity gains, (assuming a £20m in year efficiency requirement) for 2019/20.

- That ask will increase if we cannot exit 2018/19 in the right way, and this must be reconciled to the 2018/19 recurrent outturn position.

- The 2018/19 control total is expected to be achieved. The deficit plan of £7.6m included a £37.2m efficiency requirement. This has been identified, but a significant proportion of this has been identified non-recurrently, which is being exposed in the normalisation adjustments.

- Previous papers have set out a route to control total compliance for 2018/19. This set out a forecast deficit of £15.459m, versus a control total of £7.567m. There is a slide in this report that sets out the route to control total.The route to control total includes a significant amount of reserves contribution (recurrent contribution, although will not be available in future years), non-recurrent capital flexibilities, and annual leave accrual release, also non-recurrent GRNI release offers further opportunity.

- Previous papers also revealed that within the forecast deficit of £15.459m, the underlying month 12 position suggested a normalised deficit position of circa £21m or £1.75m per month, set out again in this paper.

- The purpose of the paper is to explain the gaps and then set out the actions to close the identified gaps.

2018/19 Revised Plan / Route to Control Total

BUDGETS (to SEPT) and REVISED PLAN TO YEAR END	Apr-18 £000's	May-18 £000's	Jun-18 £000's	Jul-18 £000's	Aug-18 £000's	Sep-18 £000's	Oct-18 £000's	YTD £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
Medicine & Emergency Care	2,388	3,040	2,593	1,368	1,485	1,889	2,531	15,295	2,375	2,067	2,546	1,869	2,464	**26,613**
Surgical Services	1,014	1,745	1,713	967	757	800	1,376	8,372	2,042	700	1,395	1,032	2,017	**15,558**
Women & Child Health	1,679	2,684	1,687	2,169	1,781	2,121	2,183	14,305	2,214	1,853	2,201	1,555	3,617	**25,742**
Primary Care, Community and Therapies	213	169	902	742	253	292	904	3,475	445	136	367	352	418	**5,192**
Pathology	-390	-19	-231	-277	-297	-174	-666	-2,054	-339	-324	-336	-336	-326	**-3,714**
Imaging	-822	-829	-847	3,426	287	239	155	1,608	76	91	103	98	106	**2,082**
Corporate	-6,970	-7,062	-6,975	-7,053	-7,267	-7,308	-7,186	-49,821	-7,412	-7,435	-7,894	-7,162	-7,529	**-87,253**
Central	-1,596	-2,070	567	383	-1,633	196	1,297	-2,856	-96	-79	372	-260	3,239	**321**
NET I&E	**-4,484**	**-2,341**	**-592**	**1,725**	**-4,633**	**-1,946**	**593**	**-11,678**	**-696**	**-2,991**	**-1,245**	**-2,851**	**4,007**	**-15,459**

	Apr-18 £000's	May-18 £000's	Jun-18 £000's	Jul-18 £000's	Aug-18 £000's	Sep-18 £000's	Oct-18 £000's	YTD £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
1 - Patient Related Income	32,948	35,593	34,630	39,374	33,823	33,954	38,720	**249,042**	37,402	34,800	36,737	35,068	37,419	**430,469**
2 - Other Income	4,326	4,253	4,985	4,008	4,279	4,363	4,400	**30,615**	4,389	4,439	4,435	4,494	4,435	**52,808**
3 - Pay	-26,649	-26,617	-26,348	-26,512	-26,783	-26,364	-25,742	**-185,015**	-26,128	-26,289	-26,290	-26,366	-26,452	**-316,546**
4 - Non Pay	-12,822	-13,872	-11,710	-12,847	-13,890	-11,847	-14,694	**-91,681**	-14,268	-13,850	-14,036	-13,956	-8,904	**-156,696**
5 - Non Operational Costs	-2,287	-1,697	-2,148	-2,299	-2,063	-2,053	-2,091	**-14,639**	-2,091	-2,091	-2,091	-2,091	-2,491	**-25,495**
NET I&E	**-4,484**	**-2,341**	**-592**	**1,725**	**-4,633**	**-1,946**	**593**	**-11,678**	**-696**	**-2,991**	**-1,245**	**-2,851**	**4,007**	**-15,459**

- The above tables shows internal budgets year to date with the revised run rate to go based on recent forecasts, cut by group and directorate, and income and expenditure.

2018/19 Route to Control Total

	£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**	

- The above shows the forecast variance from plan (aka Control Total), this being control total of £7.567m deficit, versus forecast of £15.459m deficit / revised plan. This equals a variance of £7.892m.
- This reveals that as long as the Trust's deficit does not exceed £15.459m, the Trust can reach control total and also has created enough headroom to cover the amounts used year to date to enable the Trust to report on plan year to date.
- Risks (to be closely monitored) 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

2019/2020 Financial Plan – Annual Values

	Rollover Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Forecast Actuals £000's	Adjustments £000's	Revised Actuals £000's	Variance £000's
1 - Patient Related Income	433,516	5,600	439,116	428,446	5,600	434,046	-5,070
2 - Other Income	57,391		57,391	52,318		52,318	-5,072
3 - Pay	-310,697	-5,600	-316,297	-327,778		-327,778	-11,481
4 - Non Pay	-163,194		-163,194	-167,054	5,000	-162,054	1,140
5 - Non Operational Costs	-24,661		-24,661	-25,495		-25,495	-834
Net I&E	**-7,645**	**0**	**-7,645**	**-39,563**	**10,600**	**-28,963**	**-21,317**

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: Monthly Required Improvement

	Rollover Budget (Monthly Average) £000's	Normalised Forecast Outturn (Monthly Average) £000's	Variance £000's
1 - Patient Related Income	36,593	36,170	-423
2 - Other Income	4,783	4,360	-423
3 - Pay	-26,358	-27,315	-957
4 - Non Pay	-13,600	-13,505	95
5 - Non Operational Costs	-2,055	-2,125	-69
Net I&E	**-637**	**-2,414**	**-1,776**

Analysis

- In order to start 2019/20 on plan, the movement required from normalised outturn is £1.776 million per month.
- This assumes that the Trust is asked to deliver a control total deficit of £7.567m, as for 2018/19, which is to be confirmed.
- This does not include a view on cost pressures and developments the Trust might seek to support in 2019/20. Use of reserves in 2018/19 to achieve the position will mean reduced scope for funding of investments over and above current budgets.
- 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., albeit inherent within a £37.2m efficiency requirement.
- Since the above was reported at Month 6, work has been undertaken to review the adjustments in relation to Patient Related Income, Other Income, and Pay, to close the gap.

Patient Related Income

2019/2020 Forecast PRI Position

New Group	Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Actual £000's	Actuals Adjustments £000's	Revised Actuals £000's	Variance £000's
Medicine & Emergency Care	138,579		138,579	135,136		135,136	-3,443
Surgical Services	114,882		114,882	117,248		117,248	2,366
Women & Child Health	80,998		80,998	77,289		77,289	-3,708
Primary Care, Community and Therapies	65,966		65,966	63,548		63,548	-2,418
Pathology	9,545		9,545	10,149		10,149	604
Imaging	7,192		7,192	7,367		7,367	175
Corporate	7,546		7,546	7,638		7,638	92
Central	8,808	5,600	14,408	10,070	5,600	15,670	1,262
TOTAL	**433,516**	**5,600**	**439,116**	**428,446**	**5,600**	**434,046**	**-5,070**

- Need to improve by £500k per month
- As the forecast for 2018/19 for SWBCCG assumes a recurrent baseline income level of £273.8m, the gap exposed here is in relation to other Patient Related Income from non-SWBCCG commissioners.
- Under-performance against plan in 1819 is likely to translate into budgetary variance in 1920 as commissioners will want to contract at a lower level than at 2018/19.
- Details include;
  - the fall in births and associated neo-natal activity
  - West Mids Commissioning Hub – pass through – is making the non-pay section look better than the underlying position and will offset the adverse variation in the above
  - Non-contract activity - £1.9m – this included the production plan stretch target and as such will be mitigated to the extent the production plan delivers to budget for 2018/10
  - NHSE – bowel scope activity – if Q4 sessions can be established in line with plan this should not be an issue carried forward
  - Bsol - £1m relates to a BMEC data challenge which will unwind in 2019/20 as this was part of the Trust’s 2017/18 contracting intentions and is therefore only a 2018/19 potential pressure
  - Other Bsol issues include maternity (£300k), drugs (£200k), and admitted care (£200k)
  - We have seen a drift away from the Trust with Walsall commissioners, particularly emergencies (£400k) so it could be that Walsall are managing their emergencies better, meaning that SWBH will have to identify an additional income source.

Other Income

2019/2020 Forecast Other Income Position

New Group	Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Actual £000's	Actuals Adjustments £000's	Revised Actuals £000's	Variance £000's
Medicine & Emergency Care	649		649	723		723	74
Surgical Services	2,426		2,426	2,323		2,323	-103
Women & Child Health	729		729	800		800	71
Primary Care, Community and Therapies	891		891	1,411		1,411	520
Pathology	6,788		6,788	6,740		6,740	-47
Imaging	2,740		2,740	2,336		2,336	-404
Corporate	12,955		12,955	12,758		12,758	-198
Central	30,214		30,214	25,228		25,228	-4,986
TOTAL	**57,391**	**0**	**57,391**	**52,318**	**0**	**52,318**	**-5,072**

- Gap in 2019/2020 is driven by the Commercialisation CIP set in the 2018/19 plan.
- Trust to identify plans to replace commercialisation CIP via CIP Board. Options are;
  - Replace with new commercialisation workstream
  - Identify improvements to non-pay underlying position which is currently benefiting from the 2018/19 reserves release from a normalised budgetary position

Pay

2019/2020 Forecast Pay Position

New Group	Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Actual £000's	Variance £000's
Medicine & Emergency Care	-78,839		-£78,839	-80,766	-1,927
Surgical Services	-75,543		-£75,543	-78,869	-3,326
Women & Child Health	-43,541		-£43,541	-45,038	-1,498
Primary Care, Community and Therapies	-40,008		-£40,008	-41,851	-1,843
Pathology	-257		-£257	-140	116
Imaging	-14,448		-£14,448	-14,818	-369
Corporate	-57,429		-£57,429	-59,394	-1,965
Central	-633	-£5,600	-£6,233	-6,901	-669
TOTAL	**-310,697**	**-£5,600**	**-£316,297**	**-327,778**	**-11,481**

- Table above shows pay variances by Group.
- Work led via CIP Board, and work within Groups has identified the following opportunities:
  - Corporate Directorates Return to Balance £1.965m
  - Women & Child Health Return to Balance £1.794m
  - Central Improvement (CEAs / living wage) £0.6m
  - 2019/2020 Investments Decisions – not yet approved £1.031m
  - Vacancy Factor (2%) on Directorates not in balance £2.553m
  - Review of over-spending Directorates £3.538m
- Confidence around the first five schemes is high.
  - Corporate Directorates are forecasting a £1m underspend against pay budgets this year, and have a track record of delivering balance on pay budgets.
  - Women & Child Health schemes have been identified in the Group.
  - The Central Improvement is a technical issue
  - Investments were identified in the forecast relating to 2019/2020, and therefore will be funded from 2019/2020 funding sources. There is a risk to this if the Financial Plan is at risk and an investment reserve cannot be created.
  - A Vacancy Factor of 2% on Directorates within Groups not in balance, and directorates not in balance themselves. Pay is forecast to underspend this year by £3.8 million. It is unlikely that posts to the extent of over £14 million (movement from £3.8 m underspend in 2018/2019 to £11.5 million overspend in 2019/2020) will be recruited and therefore a 2% vacancy factor is not unreasonable given turnover rates in addition to this.

Pay (2)

- Work with Groups and Directorates will take place over the next few weeks to identify the remaining challenge. Given the significant swing in pay forecast, the Trust remain relatively confident that this gap can be addressed.
- Work continues on areas to ensure delivery of schemes identified on the previous slide or help deliver the gaps within directorates. These workstreams include:
  - Exec led work around Emergency and Acute Medicine Medical Staff expenditure
  - PCCT, Imaging and Surgery need to identify a route to balance
  - People and OD work around sickness management, roster management and recruitment.
  - This assumes Also that Corporate directorates can be brought back in to balance.

Non-pay

2019/2020 Forecast Non Pay Position

New Group	Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Actual £000's	Actuals Adjustments £000's	Revised Actuals £000's	Variance £000's
Medicine & Emergency Care	-31,126		-31,126	-30,418		-30,418	708
Surgical Services	-26,948		-26,948	-28,356		-28,356	-1,408
Women & Child Health	-12,156		-12,156	-12,655		-12,655	-499
Primary Care, Community and Therapies	-21,401		-21,401	-20,968		-20,968	433
Pathology	-19,742		-19,742	-21,234		-21,234	-1,492
Imaging	7,024		7,024	6,646		6,646	-378
Corporate	-44,745		-44,745	-51,292		-51,292	-6,546
Central	-14,100		-14,100	-8,777	5,000	-3,777	10,322
TOTAL	**-163,194**	**0**	**-163,194**	**-167,054**	**5,000**	**-162,054**	**1,140**

2019/2020 Forecast Non Operational Expenditure Position

New Group	Budget £000's	Budget Adjustments £000's	Revised Budget £000's	Actual £000's	Actuals Adjustments £000's	Revised Actuals £000's	Variance £000's
Central	-24,874		-24,874	-25,709		-25,709	-835
TOTAL	**-24,874**	**0**	**-24,874**	**-25,709**	**0**	**-25,709**	**-835**

- The release of reserves ensures that the Non Pay position is balanced in 2019/2020.
- Further opportunity to help address gaps in the current income forecast may be possible if work on 2018/2019 non pay CIP workstreams can deliver in Q4.
- These opportunities need to be set in the context of a proposed £4million CIP for 2019/2020. They include
  - Minor Works
  - Energy Savings
  - Procurement Savings
  - Grip and Control on Non-pay
- The risks to next years forecast include
  - IT Investment requirements and affordability of such
  - Estates pressures (although possibly mitigated by Midland Met work)
  - Depreciation deviating from forecast
  - New funding arrangements for NHS Supply Chain if identified savings do not materialise or cannot be delivered
- Non-Opex – further detail is required on the driver for this, to be completed alongside non-pay. Part of this is the PDC pressure in relation to the EWC re Midland Met in 2018/19, which is expected to be mitigated.

Conclusion

- **Pay**
- The Trust has identified a route to balance for pay expenditure in 2019/2020.
- There are risks associated with this and a number of workstreams that will require close and careful management between now and the end of the year in order to ensure the Trust exits 2018/2019 in a position where 2019/2020 pay is in balance.
- These management arrangements are in place through Group and Corporate Directorate Reviews the weekly CIP Board, and GPOs. Governance structures exist within Clinical Groups to ensure delivery.
- **Non Pay**
- The Trust has identified a route to balance for non pay expenditure in 2019/2020, but this is masking the true performance of recurrent CIP on non-pay for 2018/19 which requires further analysis, as a recurrently balanced position does not feel right given performance of CIP to plan during 2018/19 on non-pay.
- **Patient Related Income**
- A focused piece of work is required on PRI to mitigate the non-SWBCCG contract income under-performance during 2018/19 to ensure this is not carried recurrently into 2019/20.
- **Other Income**
- Report identifies the risk to other income as being the recurrent delivery of schemes to replace the non-recurrent 2018/2019 Commercialisation CIP.
- The plans for this are currently being addressed via the CIP Board.
- **Conclusion**
- The Trust has a plausible route to balance on expenditure budgets. This will need careful and close management via the Trusts governance structures.
- There are risks to the plan, and these will need careful management.
- Identification of the route to balance on income needs further work, as does non-pay and non-opex.

Actions

- Focused work on non-SWBCCG activity and commissioners to mitigate 2019/20 income planning risk
- Clarity on the extent to which pass-through and high cost drugs are masking non-pay under-performance
- Determine whether to establish another commercialisation / technical CIP workstream in 2019/20 to close other income normalisation gap
- Adopt similar exercise as that undertaken for pay in the non-pay space to improve the underlying position and mitigate the commercialisation planning gap
- Model likely depreciation and capital charges for 2019/20 to identify any potential cost pressure – with mitigations if required
- Close tracking of the pay position and closure of the remaining gap