

Sandwell and West Birmingham Hospitals

NHS Trust

Report Title	Finance Report: Month 4 results and Q2 forecast		
Sponsoring Executive	Dinah McLannahan, Acting Director of Finance		
Report Author	Paul Stanaway, Associate Director of Finance (Financial Management) Craig Higgins, Acting Associate Director of Finance (Compliance)		
Meeting	Trust Board	Date	5 th September 2019

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

We continue to achieve our financial plan year to date. 19 Directorates of 26 are within budgets. Women and Child Health, and Surgical Services are reporting small budgetary deficits due to income under-recovery being larger than expenditure underspends.

The picture to the end of Q1 is repeated in Month 4 and is expected to remain similar to the end of Q2, being under-performance against the production plan, births and bowel screening income, offset by significant underspends in pay, driven mainly by vacancies.

There remains circa £1m of available headroom in the income position as per previous months.

Underspends in pay are expected to continue to the end of Q2, with a current forward expectation of a £5.4m underspend by the end of September. This, combined with the PRI forecast and assuming other categories continue the same pattern, combines to result in a circa **£1.7m favourable variance** to plan.

Urgent work is required to confirm the future recruitment profile from external candidates, and confirm income recovery plans to determine the extent to which 1920 performance will impact on extant 2021 assumptions.

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 <i>[specify in the paper]</i>	

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

PMC 27.8.19

4. Recommendation(s)

The Trust Board is asked to:

- a. Note the contents of this report

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

Trust Risk Register						
Board Assurance Framework	X	SBAF 5				
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

Trust Board Finance Report

Financial Period: July 2019 / Q2

Overview

INTRODUCTION

- The purpose of the report is to address year to date financial performance against the 1920 financial plan and to highlight the actions required to recover some aspects of the plan performance in order that the Trust can deliver required financial performance overall, accepting that it is likely that the Trust will not exit 1920 as originally planned

HEADLINES

- Achieved Control total year to date, but with a different mix
- Outlook for Q2 predicts the same
- Cautiously optimistic at this stage about achieving the year end control total of a deficit of £17.3m, but with very likely different mix to plan and use of non-recurrent flexibility as required
- Most significant risk to position is PRI, and ability to attract enough referrals that convert to activity to deliver the plan. If this risk materialises, Trust needs to identify mitigations, as the contributions of favourable pay variances reduces.
- The implications of this will need to be managed through in to 20/21 and the plan to remove the recurrent underlying deficit of the Trust by April 2021

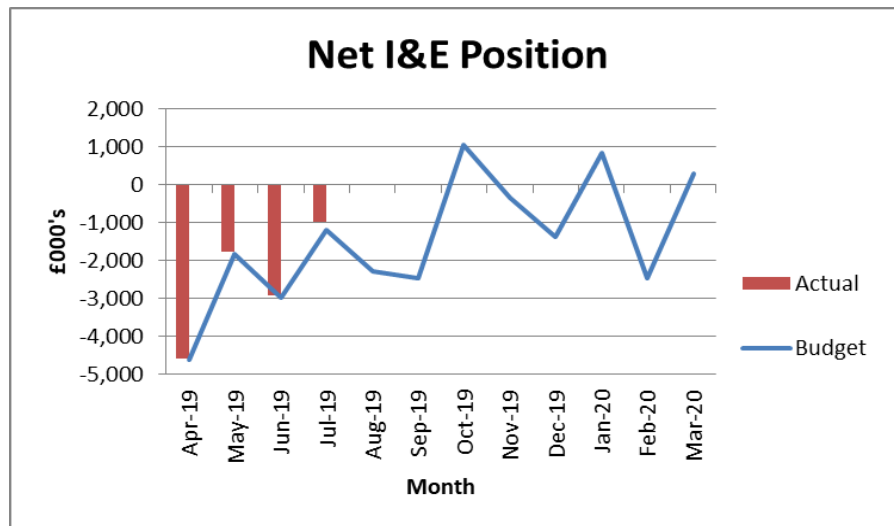
YEAR TO DATE

- Trust delivered control total to Month 4, and is ahead of the Trusts internal plan
- Delivery of this position has not been in line with the plan components
- Patient Related Income is behind plan, despite July plan reflecting lower levels of activity related to the now delayed Unity implementation. Performance did allow provision for this £1.2m
- This is offset by a significant favourable variance against Pay, and smaller favourable variances against other income and non-pay

FORWARD VIEW

- Q2 is forecast to follow the pattern of Q1. Trust is forecasting to deliver plan, in line with year to date delivery
- Ability to deliver Production Plan, and having the order book to populate the plan is the most significant risk to the Trusts financial position
- Implementation of UNITY (impact of delay from Q1 to Q2 onwards) – plan assumed July go-live
- Recruitment to vacancies without corresponding compliance with income plans, and agency spend reduction
- Population and delivery of the unidentified Procurement CIP, phased Q3 onwards key outstanding action.

Net Income and Expenditure



	Budget £000's	Actual £000's	Variance £000's
Apr-19	-4,613	-4,577	35
May-19	-1,837	-1,761	76
Jun-19	-2,977	-2,924	53
Jul-19	-1,180	-984	196
YTD	-10,606	-10,246	360
Aug-19	-2,284		
Sep-19	-2,448		
Oct-19	1,056		
Nov-19	-348		
Dec-19	-1,378		
Jan-20	846		
Feb-20	-2,476		
Mar-20	291		
Outturn	-17,348		

HEADLINES

- At the end of July 2019, the Trust reported a favourable variance year to date against plan of £0.36m.
- This consisted of:
 - PRI (£4.635m)
 - Other Income £0.277m
 - Pay £4.308m
 - Non Pay £0.411m
- This position contains a provision against PRI of £1.129m to reflect Unity phasing being moved back to September/October.
- The adverse Variance to Plan in Patient Related Income relates almost exclusively to Commissioner Income, with the main driver within that being non-delivery of the Production Plan stretch target relating to RTT improvement and the localisation plan
- The favourable variance on Other Income is driven by Education and Training income
- The favourable variance on Pay relates to vacancies. Significant concern around agency spend levels and compliance with NHSI plan
- The favourable non-pay variance relates largely to activity performance and pass-through.

Finance Report

Capital Expenditure

Period 4 2019/20

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2019/20 to P4

Programme	Year to Date			Full Year Original NHSI Plan (Apr-19) £'000s	Revised NHSI Plan (Jul-19) £'000s	Variance Original NHSI Plan vs Revised £'000s
	Flex Plan £'000s	Actual £'000s	Gap £'000s			
Estates	3,395	1,936	(1,459)	17,050	13,820	3,230
Informatics	4,210	4,104	(106)	9,236	9,237	(1)
Medical equipment / Imaging	941	603	(339)	4,033	3,873	160
Sub-Total	8,546	6,643	(1,903)	30,319	26,930	3,389
Technical schemes	840	507	(333)	2,550	2,550	0
Donated assets	0	0	0	81	81	0
Total Core Programme	9,387	7,150	(2,237)	32,950	29,561	3,389
Midland Met Construction Cost to Complete	5,149	296	(4,854)	113,460	48,460	65,000
Midland Met EWP & Continuance	2,707	5,002	2,295	7,023	8,154	(1,131)
Reconfiguration	3,781	231	(3,550)	13,739	11,389	2,350
Total Non Core Programme	11,637	5,528	(6,109)	134,222	68,003	66,219
Total Core & Non Core Programme	21,024	12,678	(8,345)	167,172	97,564	69,608

Analysis

- The above plan and forecast outturn columns reflected the 4th April submission and then a May re-submission that reflected £65m of Midland Met timing slippage
- Nationally capital funding remains constrained – and during July Trusts were asked to re-assess 1920 capex – the BCWB STP was asked to reduce planned spend by £22m. SWB identified £4.1m of schemes that could be slipped to 20/21, in full or in part. The trust re-submitted a capital plan reflecting this, but this constraint has subsequently been reversed
- The Trust has submitted the STP Wave 4 capital business case and is awaiting feedback

Finance Report

SOFP

Period 4 2019/20

Sandwell & West Birmingham Hospitals NHS Trust

STATEMENT OF FINANCIAL POSITION 2019/20

	Balance as at 31st March 2019 £000	Balance as at 31st July 2019 £000	NHSI Planned Balance as at 31st July 2019 £000	Variance to plan as at 31st July 2019 £000	NHSI Plan as at 31st March 2020 £000	Forecast 31st March 2020 £000
Non Current Assets						
Property, Plant and Equipment	463,039	469,947	482,773	(12,826)	545,457	545,457
Intangible Assets	169	155	106	49	106	106
Trade and Other Receivables	194	158	67	91	67	67
Current Assets						
Inventories	4,709	4,709	4,742	(33)	4,742	4,742
Trade and Other Receivables	47,472	43,912	47,344	(3,432)	47,344	47,344
Cash and Cash Equivalents	27,966	18,814	11,394	7,420	12,434	12,434
Current Liabilities						
Trade and Other Payables	(74,434)	(75,369)	(68,971)	(6,398)	(75,920)	(75,920)
Provisions	(1,268)	(1,207)	(1,855)	648	(1,855)	(1,855)
Borrowings	(2,353)	(2,355)	(1,062)	(1,293)	(1,062)	(1,062)
DH Loan	0	0	0	0	0	0
Non Current Liabilities						
Provisions	(3,325)	(3,325)	(3,454)	129	(3,454)	(3,454)
Borrowings	(29,440)	(28,656)	(28,649)	(7)	(27,076)	(27,076)
DH Loan	0	0	0	0	0	0
	432,729	426,783	442,435	(15,652)	500,783	500,783
Financed By						
Taxpayers Equity						
Public Dividend Capital	247,717	247,717	265,789	(18,072)	317,734	317,734
Retained Earnings reserve	166,902	160,956	154,263	6,693	160,666	160,666
Revaluation Reserve	9,052	9,052	13,325	(4,273)	13,325	13,325
Other Reserves	9,058	9,058	9,058	0	9,058	9,058
	432,729	426,783	442,435	(15,652)	500,783	500,783

Analysis

- The table is a summarised SOFP for the Trust
- The overall variance from plan is due to the improvement in cash balances as a result of the 1819 PSF received in July, and the lower than planned Capital spend.

Finance Report

SOCF

Period 4 2019/20

Sandwell & West Birmingham Hospitals NHS Trust												
CASH FLOW 2019/20												
ACTUAL/FORECAST	April Actual £000s	May Actual £000s	June Actual £000s	July Actual £000s	August Forecast £000s	September Forecast £000s	October Forecast £000s	November Forecast £000s	December Forecast £000s	January Forecast £000s	February Forecast £000s	March Forecast £000s
<u>Receipts</u>												
SLAs: SWB CCG	23,307	22,925	26,899	24,321	23,268	27,268	32,165	26,644	27,389	25,187	25,824	29,930
Associates	7,573	8,387	8,103	6,380	10,466	6,466	1,166	6,466	6,466	7,141	7,141	7,141
Other NHS	1,576	1,144	907	20,876	0	0	759	734	1,193	1,361	774	701
Specialised Services	3,693	4,344	946	4	3,896	3,896	3,540	3,787	2,583	3,942	3,890	431
STF Funding and Taper Relief	0	0	0	0	0	0	0	0	0	7,448	0	0
Over Performance	0	0	0	0	0	0	0	0	0	0	0	0
Education & Training - HEE	149	0	0	4,766	0	4,476	0	0	4,405	0	0	4,405
Public Dividend Capital	0	0	0	0	0	12,545	14,098	14,098	14,098	11,177	11,177	11,177
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts	3,696	969	2,924	2,598	2,425	1,925	2,225	1,725	3,475	2,425	2,425	2,075
Total Receipts	39,994	37,769	39,780	58,945	40,055	56,576	53,953	53,454	59,610	58,680	51,232	55,860
<u>Payments</u>												
Payroll	14,620	14,025	14,822	14,261	14,103	14,103	14,355	14,259	14,104	15,255	14,104	13,603
Tax, NI and Pensions	10,316	10,630	10,253	10,722	10,080	10,080	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	13,809	11,081	12,129	16,312	11,867	9,443	8,317	8,343	9,863	10,016	13,528	14,664
Non Pay - Capital	3,465	5,072	2,667	3,782	3,156	15,847	16,571	16,663	16,752	14,085	14,126	14,385
Loan Repayment	0	0	0	0	0	0	0	0	0	0	0	0
PDC Dividend	0	0	0	0	0	4,058	0	0	0	0	0	5,438
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	1,415	1,415	1,415	1,415	1,104	1,104	1,104	1,104	1,104	1,104	0	0
Other Payments	906	1,061	1,151	969	93	93	163	189	239	299	239	119
Total Payments	46,521	45,274	44,427	49,451	42,393	56,718	52,629	52,678	54,182	52,879	54,117	60,329
Cash Brought Forward	27,966	21,438	13,933	9,286	18,780	16,442	16,300	17,623	18,400	23,827	29,628	26,743
Net Receipts/(Payments)	(6,528)	(7,505)	(4,647)	9,494	(2,338)	(142)	1,324	776	5,428	5,801	(2,885)	(4,469)
Cash Carried Forward	21,438	13,933	9,286	18,780	16,442	16,300	17,623	18,400	23,827	29,628	26,743	22,274

Analysis

- This cash flow incorporates YTD M4 actual movements and a full year forecast.
- The plan submission in May 2019 anticipated cash borrowing of circa £3.4m over one month only. This latest forecast indicates that borrowing is not necessary due to the higher than expected cash balance at 31.3.19 and increased PSF payments from 2018/19. Requirements for the remainder of the year will be monitored reviewed as we progress through the year and will be impacted by any changes to assumptions inherent within the plan.
- Over the medium term delivery of I&E plans are the key determinant of cash borrowing requirements, as well as capital investment.

Finance Report

Use of Resources Rating

Period 4 2019/20

Finance and use of resources rating	i	Expected Sign	03AUDITPY	03PLANPYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYCY	Maincode
			Audited PY 31/03/2019 Year ending Number	Plan 31/07/2019 YTD Number	Actual 31/07/2019 YTD Number	Variance 31/07/2019 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number	Variance 31/03/2020 Year ending Number	Subcode
Capital service cover rating		+	1	4	4		3	3		PRR0160
Liquidity rating		+	2	3	3		3	3		PRR0170
I&E margin rating		+	1	4	4		2	2		PRR0180
I&E margin: distance from financial plan		+	1		2			1		PRR0190
Agency rating		+	3	1	4		1	1		PRR0200

Overall finance and use of resources risk rating	i	Expected Sign	03AUDITPY	03PLANPYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYCY	Maincode
			Audited PY 31/03/2019 Year ending Number	Plan 31/07/2019 YTD Number	Actual 31/07/2019 YTD Number	Variance 31/07/2019 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number	Variance 31/03/2020 Year ending Number	Subcode
Overall rating unrounded		+	2		3.40			2.00		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			No 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			2		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			2		PRR0220

Analysis

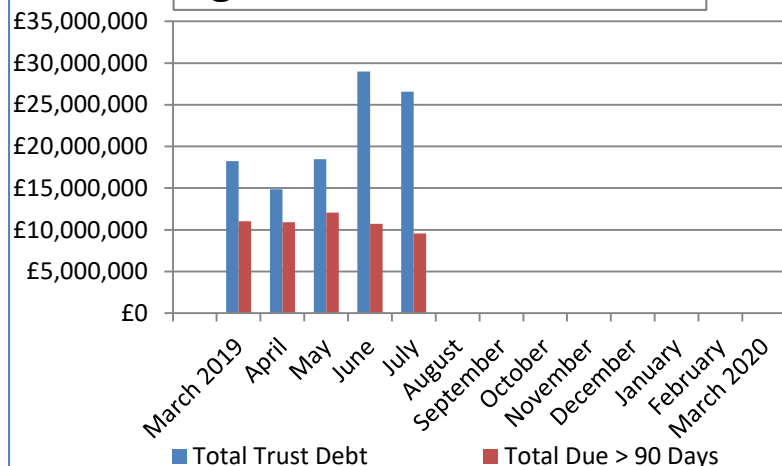
- The Trust's latest use of resources rating year to date is 3 (amber). The I&E margin rating is 4, this acts as a trigger and so limits the overall score to 3:
- The fact I&E is in line with plan which was a score of 4 reflects the YTD plan deficit.
- The agency rating is adverse compared to plan and will not achieve the agency ceiling compliance inherent in the plan

Finance Report

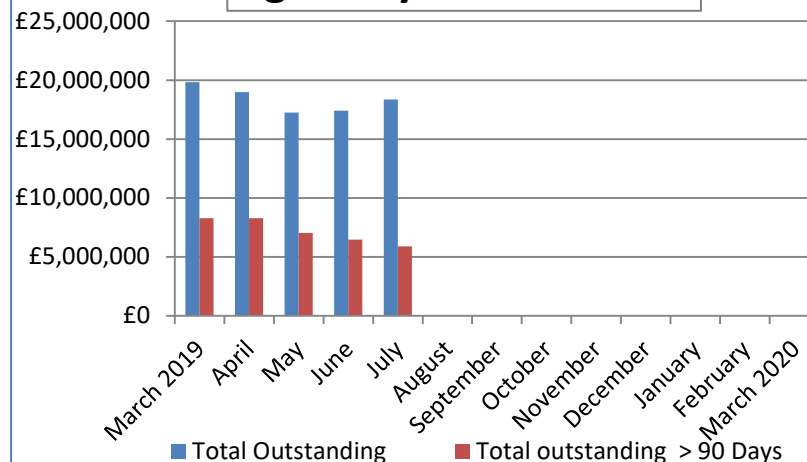
Aged Receivables, Aged Payables & BPPC

Period 4 2019/20

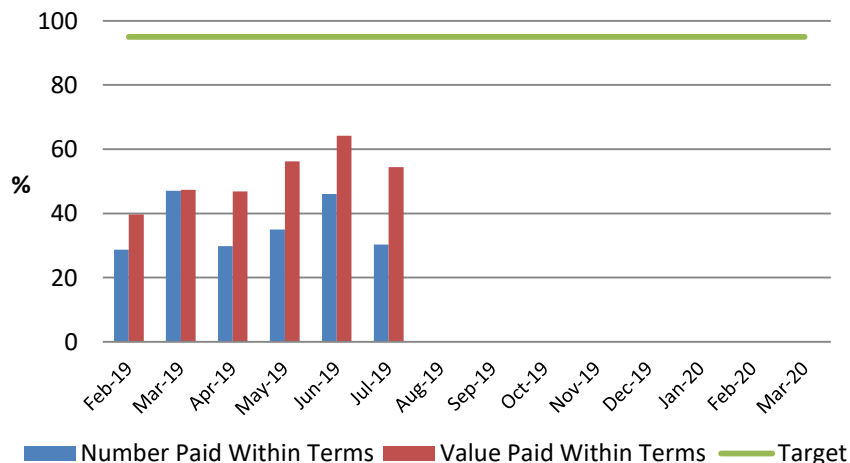
Aged Receivables 2019-20



Aged Payables 2019-20



Annual BPPC Performance



Analysis

- Aged Receivables - Overall Debt increased as quarterly invoices (Q2 19-20) were raised for Education contracts with Health Education England, Q1 invoices raised in June '19 were paid in July '19. The aged profile improved as historic NHS debts were processed and the Trust is targeting specific customers to settle outstanding amounts as part of the overall plan to further reduce the Aged debt profile during 2019/20
- Aged Payables - The aged profile of Payables improved by 31st July as the Trust continued to make progress resolving the payment of older invoices and is expecting to report a further improved Payables position through 2019-20 as progress is made on resolving historical invoice issues
- BPPC remains low and is below the 95% target. This will continue to be managed in line with non-NHS creditor improvement and cash balances. This is an Internal Audit outstanding action and requires improvement