

Report Title	2020/21 Finances: Trust and wider system		
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Meeting	Public Trust Board	Date	7 th November 2019

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

The Trust's Board approved 5 year financial strategy reflects the Midland Met approved final business case and LTFM. Planning assumptions have been recently updated and superseded by national guidance, and the replacement for the control total regime, the 20/21-23/24 Financial Improvement Trajectory. The paper contains the detail of those updates and the implications for the Trust. Given the number of factors to consider and dependencies for resolution, and the expectation of a FIT compliant 5 year plan as part of the Black Country and West Birmingham STP submission to NHS Midlands by mid-November, it is proposed that the Trust submits a FIT compliant plan, subject to agreeing with NHS Midlands either;

1. Re-statement of the startpoint for the FIT to the 1920 forecast outturn and not the LTFM 2021 year end £0.6m surplus, or;
2. Establish route to margin assumed in the Midland Met FBC LTFM assumptions

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

Safety Plan		Public Health Plan		People Plan & Education Plan	
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?]*

None

4. Recommendation(s)

The Trust Board is asked to:

- a. **NOTE** the conclusions and further actions required at Section 5
- b. **APPROVE** the submission of a FIT compliant 5 year plan to NHS Midlands as part of the BCWB STP plan in mid-November subject to resolving Midland Met approval related issues
- c. **AGREE** development of a plan to resolve issues with NHSI/E and host CCG by January 2020 Board meeting

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

Trust Risk Register	x				
Board Assurance Framework	x	SBAF 9, SBAF 10			
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

SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST

Report to the Trust Board: 7th November 2019

2021 – Trust Finances and Wider System

1. Introduction

- 1.1 The Trust has a Board approved 5 year financial strategy, linked to the Midland Met Final Business Case, now approved by DHSC, HMT and NHSI/E. The Trust is unusual in this regard, most Trusts not needing or indeed incentivised to produce a long term plan unless there is a specific reason to do so. Timing on Midland Met approvals required assumptions to be made on future funding, activity and cost changes based on available information at the time. The Final Business Case was finished in Spring 2019.
- 1.2 The NHS Long Term Plan was published in January 2019, and the Implementation Framework in late June, detailed technical support and guidance in July 2019. These documents contained confirmation of the financial planning assumptions that organisations were required to adopt in their 5 year, STP based plans. There is some variation in those assumptions to those modelled by the Trust, which has implications for the Trust's future plans, whilst not fundamentally undermining them.
- 1.3 There is now a strong push for system level management and improvement of financial performance. The Trust reflected its LTFM in the draft 5 year plan submission at the end of September 2019, as part of the Black Country and West Birmingham Sustainability and Transformation Partnership (BCWB STP) plan. This submission revealed a net deficit of £34m at the end of the planning period, in the provider sector, with CCGs in balance, and a significant divergence in expenditure and income assumptions between SWBCCG and SWB, the main drivers for this being the 1920 localisation of circa £13m, the remainder being growth assumptions in the Trust plans that were not reflected in the CCG's numbers (see section 2.4).
- 1.4 During October, NHS Midlands wrote to organisations, and the BCWB STP, abolishing the control total regime and establishing the Financial Improvement Trajectory (FIT). There is a clear expectation that the Trust reflects the FIT in the System Plan, which should be submitted by 15th November. Local system leaders are asking for a submission some two weeks earlier than this. The planning timetable is included at Annex A. It should be noted that there is further technical and operational guidance to be issued in December, draft operational plans in Early February 2020, with final operational plans by the end of March. This provides further opportunity for the Trust to align plans to the FIT and work through queries with NHS Midlands.

2. The Financial Improvement Trajectory for SWB NHS Trust

- 2.1 NHS Midlands have referred to the Trust's LTFM to calculate the FIT. The starting point for the 2021 FIT is the planned net year end surplus for the Trust as per the LTFM, a surplus of £0.6m. This therefore assumes that there is an identifiable route to the

assumptions contained within the LTFM. The guidance issued in June 2019 confirmed that there is not – this did not necessarily matter until the FIT was proposed.

- 2.2 NHS Midlands then allow for the additional costs as per the LTFM related to the delay to Midland Met and costs of PDC funded construction – total £14.7m – effectively putting the Trust in to a £14.1m deficit, before offering indicative Financial Recovery Funding (FRF) of the same amount to take the Trust to break even.
- 2.3 The table below sets out the key assumptions that took the Trust from an exit underlying recurrent deficit of £17.3m, to a surplus of £0.6m (sundry difference to £0.8m relates to donated assets). This excluded the £14.7m of Taper Relief (£6.9m) and PDC Dividend (£7.8m) costs, although these were in the LTFM as costs matched by “other income”.
- 2.4 The table also shows the margin assumed from national and general PRI growth (all commissioners) – a well-publicised assumption in the business case and LTFM that growth funding (as per a Jan 2019 press release) would flow to the provider sector in prices partly to return the provider sector to balance. More recently published growth assumptions mean there is no route to this. This is the major risk to the Trust’s 2021 plan and might mean a larger CIP, non-availability of the RCRH reserve (the Midland Met dividend), a longer period of time to return to recurrent break even, or some combination of all three. According to national guidance the Trust should plan on 3.7% growth in income which would significantly reduce the planning difference between the Trust and the host CCG; but this has implications for the margin assumed in the Trust’s extant plan, set out below;

	Impact 20/21 £m	Impact 21/22 £m	2020 to 2022 £m
Normalisation/National CIP Requirement			
PSF/FRF/MRET	(17.3)		(17.3)
RTT Income less non recurrent RTT costs	(2.4)		(2.4)
Coding Quality Improvement	4.3		4.3
National CIP Requirement (implied efficiency)	(4.5)	(5.4)	(9.8)
TOTAL	(19.9)	(5.4)	(25.2)
CIP Target and Income Margin			
Local Trust CIP Target	18.2	12.9	31.1
National Growth Margin	7.9	4.4	12.4
General PRI Growth Margin	3.0	1.1	4.2
TOTAL	29.1	18.5	47.6
CP/Devs			
Taper Relief Net Revenue Impact	0.8	(0.4)	0.4
Acute Oncology Stranded Cost Funding Step Down	(0.8)	(0.7)	(1.5)
Gynae Oncology		(3.0)	(3.0)
Car Parking Out Sourcing (FYE)	(1.0)		(1.0)
Non Opex, net of FRF PDC Funding (ie primarily the impact of depreciation)	(1.6)	(3.5)	(5.1)
Other	(0.2)	0.0	(0.2)
RCRH Reserve	(5.7)	(3.3)	(9.0)
Hard FM Outsource (Retained Estate)		(2.2)	(2.2)
TOTAL	(8.5)	(13.0)	(21.5)
TOTAL	0.8	0.1	0.8

3. BCWB STP FIT

- 3.1 As set out earlier in the paper, there is a much stronger focus on system wide financial planning. The FIT letter makes clear that a significant element of the FRF will be linked to achievement of the FIT on a system wide basis. If the entire FRF available to the Trust is to cover incremental Midland Met related costs, the Trust could not accept this national condition as it goes against previously agreed positions.

- 3.2 It appears that the methodology adopted to calculate SWB NHS Trust’s FIT differs to that of all other providers in the BCWB STP. Whilst this not a problem in itself, it is a problem if this materially disadvantages SWB in comparison to others. It would seem apparent, based on available information at this point in time, that this is the case. The Trust is seeking further clarity. For other providers, the 1920 accepted plan, or the mitigated 1920 FOT is the startpoint for the 2021 FIT calculation. For the former, this will be difficult to achieve if there are realised risks to the 1920 outturn position.
- 3.3 Any variance to draft plan assumptions adopted by CCGs pre-FIT publication could put the amount of funding available to the local place based system and wider STP at risk, if commissioners were to fund changes in their financial performance from allocated, formula-driven growth.

4. Capex

- 4.1 The draft 5 year STP plan reflected the Capital submission requested in July 2019, when the BCWB STP was asked to identify circa £22m of 1920 capex reduction. This request was subsequently reversed, and therefore any future submission on capital is expected to reflect the May 2019 capital plan, as set out below;

Capital Plan	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m
Property, Land & Buildings	83,288	215,894	106,698	16,179	2,070
Plant and Equipment	6,013	2,600	14,748	3,589	4,098
IT	12,221	5,244	6,105	3,354	3,040
Other	652	1,266	919	919	919
Total	102,174	225,004	128,470	24,041	10,127

- 4.2 The Health Infrastructure Plan was published in September 2019. It is important to understand the implications of this document in the context of the Trust’s 5 year retained estate and Midland Met related capital plans. The document describes legal responsibility for maintenance remaining with local Boards. Having read the document there is minimal perceived risk to changes to SWB plans as long as they remain self-funded, this therefore reinforces the importance of delivering cash backed I&E plans. The main risk would be the extent to which STP envelopes are restricted and prioritisation of projects is required. This risk is reduced in a self-funding scenario. The 5 year plan should therefore be as accurate as possible and be set with the risks in mind. The 5 year depreciation model is being recast to inform this.

5. Further actions required, by mid-December 2019

5.1 Pre Midland Met approvals agreement:

- 5.1.1 Agree resolution of 1920, and 2021-2324 PDC dividend and Taper Relief implications with NHS Midlands, and linking of SWB FRF to system financial performance;

5.1.2 Agree with NHS Midlands a rest of the startpoint for the 2021 FIT to the 1920 forecast outturn, or establish a route to the margin assumed in the Midland Met FBC LTFM.

5.2 **Not contingent on Midland Met approvals agreement:**

5.2.1 Trust to confirm that it can remain recurrently within 1920 outturn average net monthly run rate deficit of circa £1.45m per month, in order to maintain “jump off” position in the LTFM for 2021;

5.2.2 SWB finance team to refresh the depreciation model for final submission and confirm 5 year capex funding sources (and potential I&E upside in later years);

5.2.3 Confirm the 2021 BSol and Specialised Commissioning Gynae-Oncology position;

5.2.4 Determine forward look on availability of Midland Met dividend based on extant CIP values in the LTFM and confirmation of other assumptions;

5.2.5 Confirm maximum possible margin from nationally published growth assumptions in 2021 and reasonable alignment with CCG and review of other assumptions contained in the table at 2.4 and confirm / rule out route to deficit of £14m for 2021 after Taper Relief and PDC dividend costs.

6. Recommendations

6.1 The Trust Board is asked to:

- a. **NOTE** the conclusions and further actions required at Section 5
- b. **APPROVE** the submission of a FIT compliant 5 year plan to NHS Midlands as part of the BCWB STP plan in mid-November subject to resolving pre Midland Met approval related issues, which are summarised on the cover sheet to this report
- c. **AGREE** development of a plan to resolve issues with NHSI/E and host CCG by January 2020 Board meeting

Dinah McLannahan - Acting Director of Finance
Paul North - Senior Finance Manager, Planning

28th October 2019

Annex 1: Planning timetable

Planning timetable

Milestone	Date
Interim People Plan published	3 June 2019
Publication of the Long Term Plan Implementation Framework	June 2019
Main technical and supporting guidance issued	July 2019
Initial system planning submission	End of September 2019
System plans agreed with system leads and regional teams	Mid November 2019
Further operational and technical guidance issued	December 2019
Publication of the national implementation programme for the Long Term Plan	December 2019
First submission of draft operational plans	Early February 2020
Final submission of operational plans	By end March 2020