

Sandwell and West Birmingham Hospitals

NHS Trust

| | | | |
|-----------------------------|---|-------------|-------------------------------|
| Report Title | Month 6 Finance Report 2019/20 | | |
| Sponsoring Executive | Dinah McLannahan, Acting Director of Finance | | |
| Report Author | Dinah McLannahan, Acting Director of Finance Paul Stanaway, Associate Director of Finance (Financial Management) Craig Higgins, Acting Associate Director of Finance (Financial Accounting, Systems and Compliance) | | |
| 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 remains on plan at Month 6 but required just over £1m of non-recurrent support to report as such. Analysis is contained within the report; as expected the trend of PRI under-recovery and pay underspends continued.

Now that the Trust has an accepted surgical services recovery plan, a refreshed pay forecast in partnership with People and OD, and an informed view on the other categories of income and expenditure, it is possible to create several scenarios for the second half of the financial year, to both be further assured that control total achievement is possible, and assess the impact of 1920 performance in to 2021. These scenarios are contained within slide 4 in the report.

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 22.10.19

4. Recommendation(s)

The Trust Board is asked to:

- a. NOTE the contents of the report

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 | | | | |
| 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: September 2019 /
Q2**

Overview

INTRODUCTION

- The purpose of the report is to address year to date financial performance against the 19/20 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 the Trust will not exit 19/20 as originally planned.

HEADLINES

- Achieved Control total year to date, but with a different mix. Following August 2019, September 2019 also required non-recurrent support to achieve Internal plan and NHSI control total, larger than before. The run rate for Q3 needs to improve to avoid the same.
- The Trust is still forecasting to achieve the year end control total deficit of £17.35m, with a different mix of income and expenditure to the original plan including the use of non-recurrent flexibility. Risks to achievement of this will be failure to deliver the expected levels of Patient Related Income, as the contributions of favourable pay variances reduce.
- The implications of the shifting recurrent position will need to be managed through the planning process for 2020/21 and the plan to remove the recurrent underlying deficit of the Trust by April 2021.

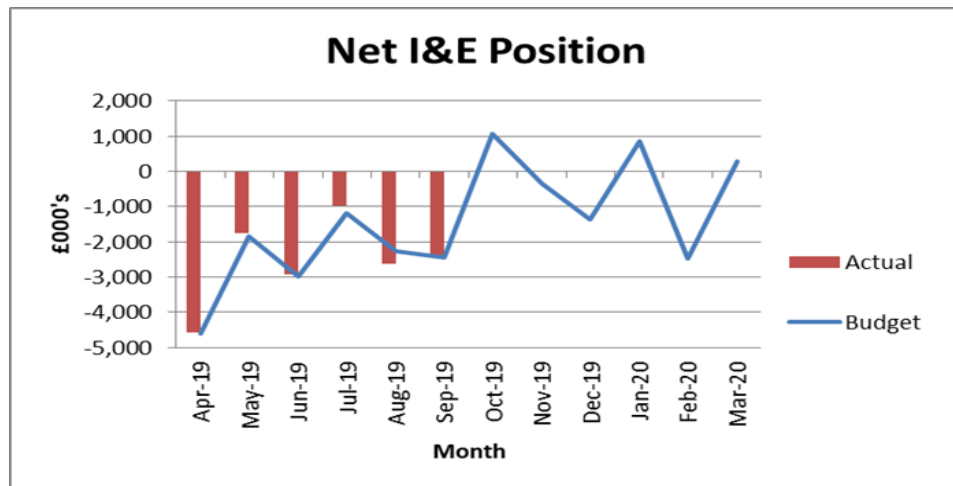
YEAR TO DATE

- The Trust has delivered NHSI control total to Month 6, and the Trust's internal plan, but required significant adjustment to do so.
- Patient Related Income is behind plan - £0.631m of income was added to reflect SWBCCG T&C's in relation to Unity implementation, and a provision for plan phasing differences in relation to Unity was released, value £0.677m.
- Underlying cost performance against plan remains the same, however £0.23m of salaries in relation to Unity were capitalised, and a further £1.309m of cost related non-recurrent support was released to reach plan.
- Total adjustments were therefore £2.847m at Month 6 – **the run rate needs to improve**

FORWARD VIEW

- Ability to deliver Production Plan, and having the order book to fully 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.
- Delivery requires confirmation of car parking revenue and asset values and lives, both currently in progress with imminent resolution expected.
- Population and delivery of the unidentified Procurement CIP, phased Q3 onwards.

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 |
| Aug-19 | -2,284 | -2,643 | -360 |
| Sep-19 | -2,448 | -2,442 | 6 |
| YTD | -15,339 | -15,332 | 7 |
| 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

- This year to date position consisted of:
 - PRI (£7.404m)
 - Other Income £0.322m
 - Pay £5.890m
 - Non Pay £1.199m
- This position contains a provision against PRI of £0.677m to reflect Unity plan phasing differences (July versus September).
- 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.

Forward View 1920

- We have considered three scenarios; Do Nothing, Most Likely, and Desirable. There is approximately £14.5m of available mitigation for under-performance (identified at planning and during the year). Depending on plan setting for 2021, about half of this is recurrent

Do Nothing

- Methodology – straight line forecast of year to date performance on all lines against H2 budget
- Result is an adverse variance from plan of £13.3m, which would be manageable assuming all mitigation above is available
- A variant to this scenario would be assume do nothing on PRI only and most likely position on pay – this reveals an expected variance from plan of £13.2m (straight line variance £12.3m on pay reduces to most likely underspend of £8.3m, straight line adverse on other income assume break even – lumpy flow). This would therefore also be manageable

Most Likely

- PRI – Overall a variance of adverse £8.4m, plus a provision for £1m fines and agreed data challenges (non SWB). Based on Month 5 results and includes Surgical Services recovery plan
- Work is complete on the most likely scenario on pay as per the POD Committee paper 25th October, forecasting an underspend of £8.3m on pay budgets
- Other Income, Other PRI and Non-Opex are all assumed to end the year materially on budget – assumes commercial income of £4m recognised as planned
- Non-pay – a prudent view with £7.4m deterioration on H1 performance, ending adverse £6.4m position against plan. Non-recurrent support at Month 6 removed to allow full mitigation availability above. Forecast as per GSFMs, allowing for big step up in costs in relation to activity. Also assumes non-delivery of H2 procurement CIP which is very much a downside position (Procurement team forecasting delivery)
- Together this results in an adverse variance from plan of £7.5m, which would be manageable and may result in over-performance against CT

Desirable

- As the most likely scenario above suggests CT delivery is likely, the desirable scenario should focus on ensuring there is minimal impact of the variance from plan impacting on assumptions in the 2021 plan.
- The starting point of the 2021 plan requires a £17.4m recurrent underlying deficit, regardless of headline result in 1920.
- This can be thought about as a month 12 recurrent run rate of £1.45m deficit. This should leave the recurrent £6m risk reserve in place. The current view on net position for all categories in Month 12 excluding PRI commissioned income is £38.208m / month. This represents a net £0.803m overspend against budgets.
- If all categories were to be recurrently on plan in Month 12, this would generate a net expenditure position of £37.406m. To therefore produce a recurrent net £1.45m deficit, this would require PRI of £35.956m per month on a recurrent basis.
- This compares to an average of £35.639m Months 1-6.

Finance Report

Capital Expenditure

Month 6 2019/20

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2019/20 to P6

| Programme | Year to Date | | | Full Year | | | |
|--|---------------|---------------|----------------|-----------------------------|----------------------------|--------------------------------|-----------------------------------|
| | Flex Plan | Actual | Gap | Original NHSI Plan (Apr-19) | Revised NHSI Plan (May-19) | Forecast Outturn (RK 10.10.19) | Variance Revised NHSI Plan vs FOT |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Estates | 7,344 | 4,641 | 2,703 | 17,050 | 15,920 | 11,210 | 4,710 |
| Informatics | 4,807 | 11,709 | (6,902) | 9,236 | 9,237 | 7,992 | 1,245 |
| Medical equipment / Imaging | 2,013 | 1,109 | 903 | 4,033 | 4,033 | 3,467 | 566 |
| Sub-Total | 14,164 | 17,459 | (3,296) | 30,319 | 29,190 | 22,670 | 6,521 |
| Technical schemes | 1,276 | 801 | 474 | 2,550 | 2,550 | 3,849 | (1,300) |
| Donated assets | 0 | 0 | 0 | 81 | 81 | 81 | (0) |
| Total Core Programme | 15,439 | 18,260 | (2,821) | 32,950 | 31,821 | 26,601 | 5,221 |
| Midland Met Construction Cost to Complete | 15,750 | 800 | 14,950 | 113,460 | 48,460 | 47,292 | 1,168 |
| Midland Met EWP & Continuance | 4,071 | 7,629 | (3,559) | 7,023 | 8,154 | 9,817 | (1,663) |
| Reconfiguration | 6,863 | 903 | 5,960 | 13,739 | 13,739 | 10,689 | 3,050 |
| Total Non Core Programme | 26,684 | 9,332 | 17,351 | 134,222 | 70,353 | 67,798 | 2,555 |
| Total Core & Non Core Programme | 42,123 | 27,593 | 14,530 | 167,172 | 102,174 | 94,398 | 7,775 |

Analysis

- The above plan and forecast outturn columns reflected May 2019 plan re-submission including the identified £65m of Midland Met timing slippage. The impact of the national request made in July 2019 to reduce Capital spend has now been reversed and the forecast has returned to the May 2019 Plan
- The Trust submitted the STP Capital Wave 4 business case in July 2019 and approval was granted on 14th October 2019

Finance Report

SOFP

Month 6 2019/20

Sandwell & West Birmingham Hospitals NHS Trust

STATEMENT OF FINANCIAL POSITION 2019/20

| | Balance as at 31st March 2019 | Balance as at 30th September 2019 | NHSI Planned Balance as at 30th September 2019 | Variance to plan as at 30th September 2019 | NHSI Plan as at 31st March 2020 | Forecast 31st March 2020 |
|--------------------------------|-------------------------------------|--|---|--|--|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Non Current Assets | | | | | | |
| Property, Plant and Equipment | 463,039 | 481,977 | 493,777 | (11,800) | 545,457 | 545,457 |
| Intangible Assets | 169 | 149 | 106 | 43 | 106 | 106 |
| Trade and Other Receivables | 194 | 285 | 67 | 218 | 67 | 67 |
| Current Assets | | | | | | |
| Inventories | 4,709 | 4,709 | 4,742 | (33) | 4,742 | 4,742 |
| Trade and Other Receivables | 47,472 | 37,634 | 51,844 | (14,210) | 47,344 | 47,344 |
| Cash and Cash Equivalents | 27,966 | 21,604 | 1,027 | 20,577 | 12,434 | 12,434 |
| Current Liabilities | | | | | | |
| Trade and Other Payables | (74,434) | (78,367) | (65,964) | (12,403) | (75,920) | (75,920) |
| Provisions | (1,268) | (1,082) | (1,855) | 773 | (1,855) | (1,855) |
| Borrowings | (2,353) | (2,356) | (4,432) | 2,076 | (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) | (28,263) | (28,257) | (6) | (27,076) | (27,076) |
| DH Loan | 0 | 0 | 0 | 0 | 0 | 0 |
| | 432,729 | 432,965 | 447,601 | (14,636) | 500,783 | 500,783 |
| Financed By | | | | | | |
| Taxpayers Equity | | | | | | |
| Public Dividend Capital | 247,717 | 256,411 | 273,455 | (17,044) | 317,734 | 317,734 |
| Retained Earnings reserve | 166,902 | 158,444 | 151,763 | 6,681 | 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 | 432,965 | 447,601 | (14,636) | 500,783 | 500,783 |

Analysis

- The overall variance from plan is due to the improvement in cash balances as a result of the additional PDC received in March 2019 and the final funding received for the MMH EWC. This month there are high Payables balances that the Trust expects to pay during Month 7 19/20
- Further analysis on Receivables and Payables balances is available on slide 9
- Cash and Cash Equivalents balances on this slide will differ from the SOCF by the value of Cash in Hand, that is not included in the DOFC

Finance Report

SOCF

Month 6 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 Actual £000s | September Actual £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 | 24,073 | 24,494 | 32,165 | 26,644 | 27,389 | 25,187 | 25,824 | 29,930 |
| Associates | 7,573 | 8,387 | 8,103 | 6,380 | 7,841 | 8,504 | 1,166 | 6,466 | 6,466 | 7,141 | 7,141 | 7,141 |
| Other NHS | 1,576 | 1,144 | 907 | 774 | 1,070 | 1,547 | 759 | 734 | 1,193 | 1,361 | 774 | 701 |
| Specialised Services | 3,693 | 4,344 | 946 | 4 | 7,650 | 1,326 | 3,540 | 3,787 | 2,583 | 3,942 | 3,890 | 431 |
| STF Funding and Taper Relief | 0 | 0 | 0 | 20,102 | 0 | 5,634 | 0 | 0 | 0 | 6,052 | 0 | 0 |
| Over Performance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Education & Training - HEE | 149 | 0 | 0 | 4,766 | 4,339 | 0 | 0 | 0 | 4,405 | 0 | 0 | 4,405 |
| Public Dividend Capital | 0 | 0 | 0 | 0 | 0 | 8,714 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Receipts | 3,696 | 969 | 2,924 | 2,598 | 4,947 | 2,694 | 2,225 | 1,725 | 3,475 | 2,425 | 2,425 | 2,075 |
| Total Receipts | 39,994 | 37,769 | 39,780 | 58,945 | 49,919 | 52,912 | 39,855 | 39,356 | 45,512 | 46,107 | 40,055 | 44,683 |
| <u>Payments</u> | | | | | | | | | | | | |
| Payroll | 14,620 | 14,025 | 14,822 | 14,261 | 14,532 | 14,530 | 14,355 | 14,259 | 14,104 | 15,255 | 14,104 | 13,603 |
| Tax, NI and Pensions | 10,316 | 10,630 | 10,253 | 10,722 | 10,172 | 3,850 | 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 | 13,848 | 18,775 | 10,117 | 10,418 | 9,863 | 10,016 | 13,528 | 14,664 |
| Non Pay - Capital | 3,465 | 5,072 | 2,667 | 3,782 | 4,948 | 5,893 | 2,473 | 2,565 | 2,654 | 2,908 | 2,949 | 3,208 |
| Loan Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDC Dividend | 0 | 0 | 0 | 0 | 0 | 4,059 | 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 | 1,415 | 1,415 | 1,104 | 1,104 | 1,104 | 1,104 | 0 | 0 |
| Other Payments | 906 | 1,061 | 1,151 | 969 | 778 | 1,844 | 163 | 189 | 239 | 299 | 239 | 119 |
| Total Payments | 46,521 | 45,274 | 44,427 | 49,451 | 47,684 | 52,357 | 40,331 | 40,655 | 40,084 | 41,702 | 42,940 | 49,152 |
| Cash Brought Forward | 27,966 | 21,438 | 13,933 | 9,286 | 18,780 | 21,015 | 21,570 | 21,094 | 19,795 | 25,223 | 29,628 | 26,743 |
| Net Receipts/(Payments) | (6,528) | (7,505) | (4,647) | 9,494 | 2,235 | 555 | (476) | (1,299) | 5,428 | 4,405 | (2,885) | (4,469) |
| Cash Carried Forward | 21,438 | 13,933 | 9,286 | 18,780 | 21,015 | 21,570 | 21,094 | 19,795 | 25,223 | 29,628 | 26,743 | 22,274 |

Analysis

- This cash flow incorporates YTD M6 actual movements and a full year forecast for balances in the Trusts Bank Account.
- 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 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

Month 6 2019/20

| Finance and use of resources rating | Expected Sign | 03AUDITPY | 03PLANYTD | 03ACTYTD | 03VARYTD | 03PLANCY | 03FOTCY | 03VARYCY |
|--|---------------|---|---------------------------|-----------------------------|-------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| | | Audited PY 31/03/2019 Year ending | Plan 30/09/2019 YTD | Actual 30/09/2019 YTD | Variance 30/09/2019 YTD | Plan 31/03/2020 Year ending | Forecast 31/03/2020 Year ending | Variance 31/03/2020 Year ending |
| | | Number | Number | Number | Number | Number | Number | Number |
| Capital service cover rating | + | 1 | 4 | 4 | | 3 | 2 | |
| Liquidity rating | + | 2 | 3 | 4 | | 3 | 3 | |
| I&E margin rating | + | 1 | 4 | 4 | | 2 | 2 | |
| I&E margin: distance from financial plan | + | 1 | | 2 | | | 1 | |
| Agency rating | + | 3 | 1 | 4 | | 1 | 1 | |

| Overall finance and use of resources risk rating | Expected Sign | 03AUDITPY | 03PLANYTD | 03ACTYTD | 03VARYTD | 03PLANCY | 03FOTCY | 03VARYCY |
|--|---------------|---|---------------------------|-----------------------------|-------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| | | Audited PY 31/03/2019 Year ending | Plan 30/09/2019 YTD | Actual 30/09/2019 YTD | Variance 30/09/2019 YTD | Plan 31/03/2020 Year ending | Forecast 31/03/2020 Year ending | Variance 31/03/2020 Year ending |
| | | Number | Number | Number | Number | Number | Number | Number |
| Overall rating unrounded | + | 2 | | 3.60 | | | 1.80 | |
| If unrounded score ends in 0.5 | + | 0 | | 0.00 | | | 0.00 | |
| Risk ratings before overrides | + | 2 | | 4 | | | 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 | | | No 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 | | 4 | | | 2 | |
| 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 | |
| Risk ratings after overrides | + | 2 | | 4 | | | 2 | |

Analysis

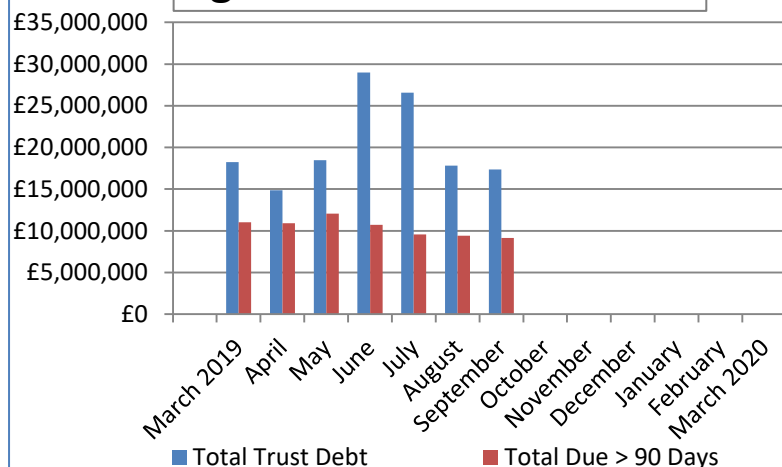
- The Trust's latest use of resources rating year to date is 4 (Red). The Liquidity Rating is 4, which is worse than plan. The Plan anticipated a deteriorating position through the year with recovery by P12
- The fact I&E is in line with plan which was a score of 4 reflects the YTD plan deficit.
- The agency rating is adverse compared to plan and is expected to be recovered in 2019/20

Finance Report

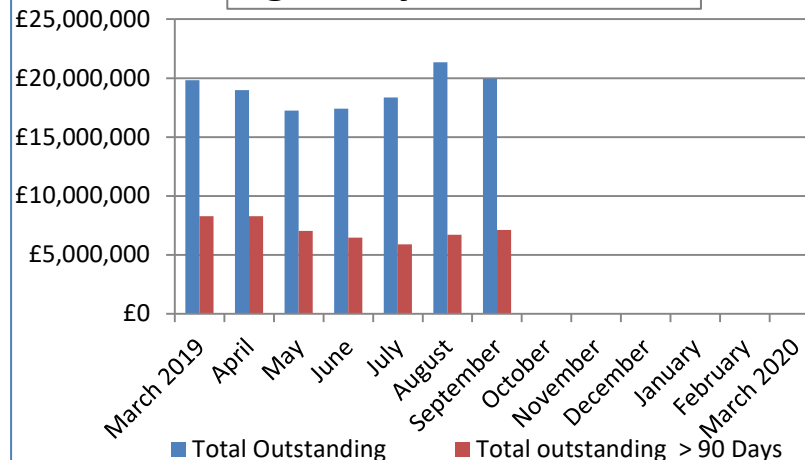
Aged Receivables, Aged Payables & BPPC

Month 6 2019/20

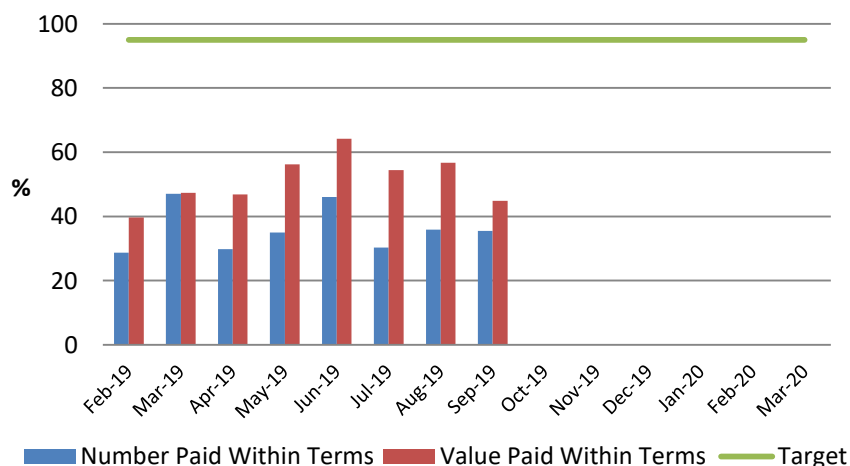
Aged Receivables 2019-20



Aged Payables 2019-20



Annual BPPC Performance



Analysis

- The Total Aged Debt and profile showed a marginal improvement as historic NHS debts were processed, giving a 10% reduction in NHS balances, although this was largely cancelled out with a 9% increase in Non NHS Debt profiles. The Trust is continuing to target specific customers to settle outstanding amounts as part of the overall plan to further reduce the Aged debt profile during 2019/20
- The total Payables balance improved in September 2019 as the Trust progressed resolution of 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.