

Trust Board Finance Report

Financial Period: November 2019

Overview

INTRODUCTION

- This report addresses year to date financial performance against the 19/20 financial plan and highlights the actions required to recover 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 19/20 as originally planned.

HEADLINES

- Achieved Control total year to date, but with a different mix. November saw a significant increase in the non-recurrent support required to achieve the Internal plan and NHSI control total.
- The Trust is forecasting to achieve the year end control total deficit of £17.35m, with a different mix of income and expenditure to the original plan and will require the use of non-recurrent flexibility. Risks to achievement of this will be failure to deliver the planned levels of Patient Related Income; and mitigations will be required as the contributions of favourable pay variances reduce as recruitment continues.
- The Trust carried out a forecast at Month 6 that indicated a deficit outturn of £25.7m, a variance to plan of £8.4 million. The Trust identified £14.5 million of non-recurrent support, which would allow the organisation to both deliver the financial plan and have flexibility to cover any risks that might materialise in the last 6 months of the year.
- Excluding non-recurrent mitigations used to support the position, the Trust is £1.376m off its forecast year to date position at November. This is driven by performance against contract income and an adverse variance from forecast in the pay position.
- This performance is putting severe pressure on the delivery of the Financial Plan, especially as bed pressure has led to the cancellation of elective activity in December and Winter bank rates being agreed for qualified nurses.
- In terms of a forecast position, the Trust has to consider this under threat unless the run rate improves back to forecast. This is due to below expected income and pay performance in October and November, and the pressures in December, both in terms of emergency pressures squeezing elective activity, and staffing pressures leading to enhanced bank rates to attract clinical staff to work in December and January and improve fill rates. The Trust may need to consider short term actions to mitigate these pressures, and potentially look to revisit the contract arrangement with Sandwell CCG, and short-term pay control measures.
- The implications of the shifting recurrent position will need to be managed through the planning process for 2020/21.

Overview Cont'd

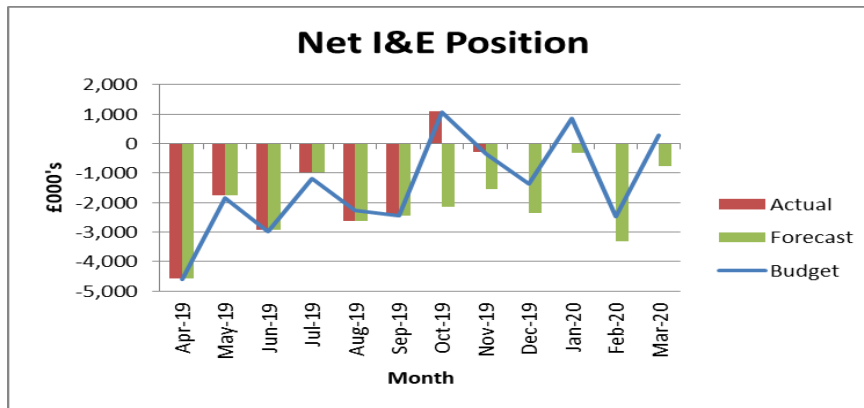
YEAR TO DATE

- Trust delivered control total to Month 8, and the Trusts internal plan
- Delivery of this position has not been in line with the plan components, and required the release of non-recurrent items
- Patient Related Income is behind plan. November saw a significant adverse variance to plan.
- The impact of the Patient Related Income shortfall is partially offset by a significant favourable variance against Pay.
- Trust had forecast a November deficit position of £18.860m
- The reported figure was £14.537m, but with the following mitigations
 - £4.849m GRNI release/balance sheet flexibility
 - £0.23m Old Year Maternity Pathway release
 - £0.62m Taper Relief Release
 - Discounting these the Trust would have had a deficit position of £20.236m, £1.376m off forecast.

FORWARD VIEW

- The Trust has forecast a deficit of £25.722m, a variance to the Financial Plan of £8.374m.
- If this forecast was delivered, then the Trust had identified enough non-recurrent support to deliver the financial plan.
- This recognised a need to deliver an exit run rate that returned the Trust to plan.
- With this revised forecast there were a number of key criteria :
 - Ability to deliver Production Plan, and having the order book to populate the plan is the most significant risk to the Trusts financial position. Focus is on the Surgical Services income performance, which is key to delivery of a recurrent balanced plan. The Group's recovery plan has been accepted by the CEO
 - Recruitment to vacancies without corresponding relationship to income plans could adversely affect the Trust's overall performance against plan
 - Both the previous items are currently adverse to forecast, and an early view of December would indicate continuation of this position, and potentially deterioration further due to emergency related pressures
 - Population and delivery of the SCCL related procurement CIP, phased Q3 onwards. This is becoming a national issue with systems problems meaning measurement of savings wasn't possible until late November. The Procurement team and SCCL remain confident of savings delivery overall, but early work on validation looks concerning.
 - Other considerations include finalising the car parking arrangement and securing asset life confirmation.

Net Income and Expenditure



	Budget £000's	Actual £000's	Forecast £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	-2,644		-360
Sep-19	-2,448	-2,442		7
Oct-19	1,056	1,084		28
Nov-19	-348	-289		59
YTD	-14,631	-14,537	0	93
Dec-19	-1,378		-2,557	-1,179
Jan-20	846		-937	-1,783
Feb-20	-2,476		-2,909	-433
Mar-20	291		-976	-1,267
Outturn	-17,348	-14,537	-7,378	-4,568

HEADLINES

At the end of November 2019, the Trust reported a small favourable variance year to date against the Trusts internal plan.

The following adjustments were made to meet the plan:

1. GRNI/Balance Sheet Flexibility: £4.849m
2. Release of Maternity Pathway (old year): £0.230m
3. Taper Relief to support BCP Hub Costs £0.620m (£0.976m for the year)
£5.699m

The year-to-date underlying position therefore is £5.606m off the phased internal plan. In terms of performance against the month 6 forecast, the underlying position is adverse £1.376m. This is driven by both income and pay being off forecast.

Forecast

Forecast currently shows an adverse variance from plan of £4.568m, including the flexibility used to deliver plan year-to-date. Removing the support in the current position would move the forecast to a deficit of £10.267m assuming the Trust returns to forecast for the last 4 months of the financial year.

Any continuation of the variance from forecast would put extreme pressure on delivery.

The Trust has identified sufficient flexibility to cover off a variance of this magnitude, although the make up of, and the size of any variation at Month 12 could significantly impact adversely on 2020/2021 planning.

Capital Expenditure

Month 8 2019/20

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2019/20 to P8

Programme	Year to Date			Full Year			
	Flex Plan	Actual	Gap	Original NHSI Plan (Apr-19)	Revised NHSI Plan (May-19)	Forecast Outturn (RK 19.11.19)	Variance Revised NHSI Plan vs FOT
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Estates	9,981	6,310	3,671	17,050	15,920	10,910	5,010
Informatics	8,546	13,686	(5,140)	12,720	12,721	14,438	(1,717)
Medical equipment / Imaging	2,706	1,808	898	4,033	4,033	3,467	566
Sub-Total	21,233	21,804	(571)	33,803	32,674	28,815	3,859
Technical schemes	1,708	435	1,273	2,550	2,550	3,849	(1,300)
Donated assets	0	81	81	81	81	81	(0)
Total Core Programme	22,940	22,320	783	36,434	35,305	32,746	2,559
Midland Met Construction Cost to Complete	26,653	6,526	20,127	113,460	48,460	49,246	(787)
Midland Met EWP & Continuance	5,429	4,186	1,243	7,023	8,154	7,836	318
Reconfiguration	6,832	1,872	4,960	10,255	10,255	7,705	2,550
Total Non Core Programme	38,914	12,584	26,330	130,738	66,869	64,787	2,081
Total Core & Non Core Programme	61,854	34,904	27,113	167,172	102,174	97,533	4,641

Analysis

- The above plan and forecast outturn (19/11/19) columns reflect the further considerations the Trust has made since the May 2019 plan re-submission, which included the £65m Midland Met timing slippage.
- The Trust submitted STP Capital Wave 4 forecasts are now included above and the PDC funding will be drawn down to match the profile spend.

Finance Report

SOFP

Month 8 2019/20

Sandwell & West Birmingham Hospitals NHS Trust
STATEMENT OF FINANCIAL POSITION 2019/20

	Balance as at 31st March 2019	Balance as at 30th November 2019	NHSI Planned Balance as at 30th November 2019	Variance to plan as at 30th November 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	486,403	502,145	(15,742)	545,457	544,020
Intangible Assets	169	142	106	36	106	106
Trade and Other Receivables	194	301	67	234	67	67
Current Assets						
Inventories	4,709	4,709	4,742	(33)	4,742	4,742
Trade and Other Receivables	47,472	46,904	47,344	(440)	47,344	47,344
Cash and Cash Equivalents	27,966	13,028	6,067	6,961	12,434	22,274
Current Liabilities						
Trade and Other Payables	(74,434)	(79,510)	(67,952)	(11,558)	(75,920)	(85,425)
Provisions	(1,268)	(1,121)	(1,855)	734	(1,855)	(1,855)
Borrowings	(2,353)	(2,358)	(1,062)	(1,296)	(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)	(27,871)	(27,865)	(6)	(27,076)	(27,076)
DH Loan	0	0	0	0	0	0
	432,729	437,302	458,283	(20,981)	500,783	499,681
Financed By						
Taxpayers Equity						
Public Dividend Capital	247,717	256,411	279,905	(23,494)	317,734	316,632
Retained Earnings reserve	166,902	162,781	155,995	6,786	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	437,302	458,283	(20,981)	500,783	499,681

Analysis

- The overall variance from plan is partially due to the improvement in cash balances as a result of the additional PDC received in March 2019 and the slippage on Capital Schemes.
- Further Analysis of Cash Balances and movements are included on the SOCF slide
- 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 SOCF

Finance Report

SOCF

Month 8 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 Actual £000s	November Actual £000s	December Forecast £000s	January Forecast £000s	February Forecast £000s	March Forecast £000s
Receipts												
SLAs: SWB CCG	23,307	22,925	26,899	24,321	24,073	24,494	24,655	24,478	27,389	25,187	25,824	29,930
Associates	7,573	8,387	8,103	6,380	7,841	8,504	8,013	7,904	6,466	7,141	7,141	7,141
Other NHS	1,576	1,144	907	774	1,070	1,547	1,283	752	1,193	1,361	774	701
Specialised Services	3,693	4,344	946	4	7,650	1,326	4,268	5,487	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	4,436	0	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	2,156	1,905	3,475	2,425	2,425	2,075
Total Receipts	39,994	37,769	39,780	58,945	49,919	52,912	40,375	44,961	41,107	46,107	40,055	44,683
Payments												
Payroll	14,620	14,025	14,822	14,261	14,532	15,403	15,176	15,431	14,104	15,255	14,104	13,603
Tax, NI and Pensions	10,316	10,630	10,253	10,722	10,172	10,204	11,147	10,794	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	11,314	17,043	9,289	9,356	9,635	9,061	8,810
Non Pay - Capital	3,465	5,072	2,667	3,782	4,948	6,129	3,412	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	1,415	1,415	1,104	1,104	0	0
Other Payments	906	1,061	1,151	969	778	1,842	1,210	1,038	239	299	239	119
Total Payments	46,521	45,274	44,427	49,451	47,684	52,357	51,394	42,522	39,577	41,321	38,473	43,298
Cash Brought Forward	27,966	21,438	13,933	9,286	18,780	21,015	21,570	10,552	12,991	14,520	19,307	20,888
Net Receipts/(Payments)	(6,528)	(7,505)	(4,647)	9,494	2,235	555	(11,018)	2,439	1,530	4,786	1,582	1,385
Cash Carried Forward	21,438	13,933	9,286	18,780	21,015	21,570	10,552	12,991	14,520	19,307	20,888	22,274

Analysis

- This cash flow incorporates YTD M8 actual movements and a full year forecast for balances in the Trusts Bank Account. Increased payments were made to Suppliers in October 2019, resulting in lower than planned cash balances, which we have started to recover in November.
- 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. Over the medium term delivery of I&E plans are the key determinant of cash borrowing requirements, as well as capital investment.

Finance Report

NHSI Financial Resource Metrics

Month 8 2019/20

Finance and use of resources rating	Expected Sign	03AUDITPY	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYC
		Audited PY 31/03/2019 Year ending Number	Plan 30/11/2019 YTD Number	Actual 30/11/2019 YTD Number	Variance 30/11/2019 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number	Variance 31/03/2020 Year ending Number
Capital service cover rating	+	1	4	3		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		1			1	
Agency rating	+	3	1	4		1	4	

Overall finance and use of resources risk rating	Expected Sign	03AUDITPY	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYC
		Audited PY 31/03/2019 Year ending Number	Plan 30/11/2019 YTD Number	Actual 30/11/2019 YTD Number	Variance 30/11/2019 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number	Variance 31/03/2020 Year ending Number
Overall rating unrounded	+	2		3.20			2.40	
If unrounded score ends in 0.5	+	0		0.00			0.00	
Risk ratings before overrides	+	2		3			2	
Risk ratings overrides:								
Any ratings in table 6 with a score of 4 override - if any 4s "trigger" will show here	Text	No trigger		Trigger			Trigger	
Any ratings in table 6 with a score of 4 override - maximum score override of 3 if any rating in table 6 scored as a 4	+	2		3			3	
Control total override - Control total accepted	Text	Yes		Yes			Yes	
Control total override - Planned or Forecast deficit	Text	No		No			No	
Control total override - Maximum score (0 = N/A)	+	0		0			0	
Is Trust under financial special measures	Text	No		No			No	
Risk ratings after overrides	+	2		3			3	

Analysis

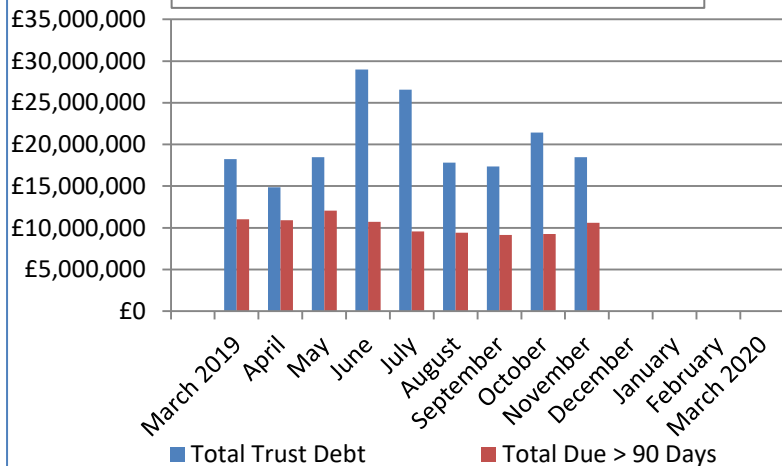
- The Trust's latest use of resources rating year to date is 3 (Amber). The Liquidity Rating is 4, which is worse than plan. The Plan anticipated a deteriorating position through the year with recovery by P12
- The fact I&E is in line with plan which was a score of 4 reflects the YTD plan deficit.
- The agency rating is adverse compared to plan and the Trust's revised forecast of £17.23m is reflected in the rating above

Finance Report

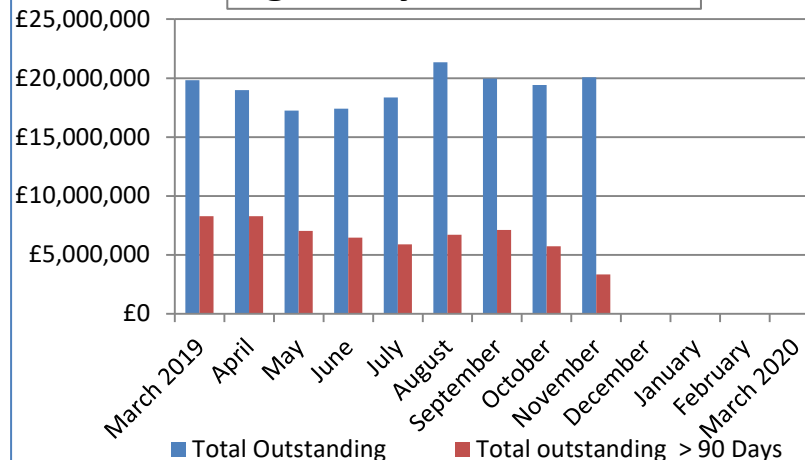
Aged Receivables, Aged Payables & BPPC

Month 8 2019/20

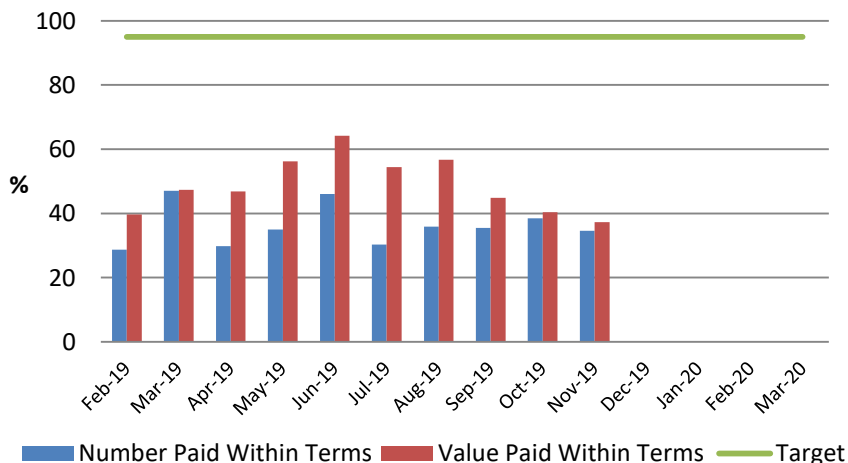
Aged Receivables 2019-20



Aged Payables 2019-20



Annual BPPC Performance



Analysis

- The Total Debt reduced as NHS Education (£4.2m) were paid in November 2019. Over 90 days debt increased as both NHS and NON NHS historic debts aged further. 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 aged profile of Payables improved in November 2019 as the Trust progressed resolution of older invoices with the over 90 days NHS Balances reducing by £1.2m, Non NHS Balances remained static. The Trust 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.