

Sandwell and West Birmingham Hospitals

NHS Trust

Report Title	Finance Report: Month 7 2019/20		
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 (Financial Accounting, Systems and Compliance)		
Meeting	Public Trust Board	Date	5 th December 2019

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

The Trust remains on plan at Month 7 but required £2.5m 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 have some confidence in achieving the 1920 control total, a deficit of £17.348m. The implication of the outturn mix on budget setting assumptions is dealt with under a separate item.

Cash remains on plan to end the year at £22.3m. Capital is expected to outturn slightly below the NHSI plan of £102m.

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

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

PMC 26.11.19
FIC 29.11.19

4. Recommendation(s)

The Public 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	3688				
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: October 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. October 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 is likely to require the use of non-recurrent flexibility. Risks to achievement of this will be failure to deliver the planned levels of Patient Related Income, mitigations will be required as the contributions of favourable pay variances reduce as recruitment continues.
- The implications of the shifting recurrent position will need to be managed through the planning process for 2020/21 and the extant plan to remove the recurrent underlying deficit of the Trust by April 2021.

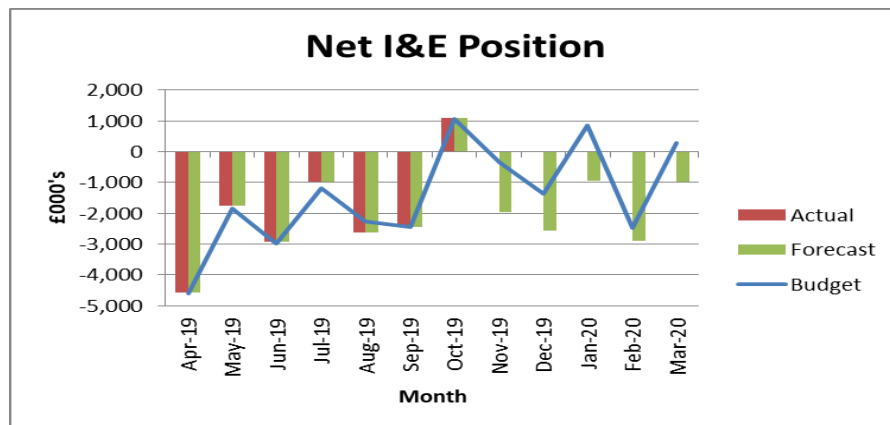
YEAR TO DATE

- Trust delivered control total to Month 7, 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. October 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, and smaller favourable variances against other income and non-pay.

FORWARD VIEW

- 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 mitigation 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
- 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 won't be possible until late November. The Procurement team and SCCL remain confident of savings delivery overall.
- 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
YTD	-14,283	-14,248	0	35
Nov-19	-348		-1,960	-1,612
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		-9,339	-6,239

HEADLINES

At the end of October 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. Release of 100% of Unity re-phasing position: £1.128m
2. Estimate of Unity SWBCCG T&Cs: £1.196m
3. GRNI/Balance Sheet Flexibility: £2.498m (plus £0.411m, NHSI plan)
4. Release of Maternity Pathway (old year): £0.230m
5. Capitalisation of Unity Costs: £0.430m
6. Commercialisation (Car Park Income) £0.667m

Items 2 and 5 have an element of risk to them. The former, from interpretation of the terminology in the contract, the latter requires audit at year end. Mitigation for the former is possible with the work Operational Groups are undertaking in terms of coding, and ensuring all activity has been captured. There is also some risk to Item 6 in that the agreement around income recognition has not been signed off by Audit, but the Trust considers this risk to be relatively low, as the income is deemed recognisable. The pressure on the plan resulting in the use of the above is driven almost exclusively by adverse performance against the income plan with commissioners. Favourable variances against Pay, Other income and non-pay partially offset this.

Forecast

Forecast currently shows an adverse variance from plan of £6.239m, including the flexibility used to deliver plan year-to-date.

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 will adversely impact on 2020/2021 planning.

Finance Report

Capital Expenditure

Month 7 2019/20

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2019/20 to P7

Programme	Year to Date			Full Year			
	Flex Plan	Actual	Gap	Original NHSI Plan (Apr-19)	Revised NHSI Plan (May-19)	Forecast Outturn (RK 07.11.19)	Variance Revised NHSI Plan vs FOT
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Estates	7,344	5,139	2,205	17,050	15,920	10,910	5,010
Informatics	4,807	12,921	(8,114)	9,236	9,237	14,438	(5,201)
Medical equipment / Imaging	2,013	1,440	573	4,033	4,033	3,467	566
Sub-Total	14,164	19,500	(5,336)	30,319	29,190	28,815	375
Technical schemes	1,276	855	420	2,550	2,550	3,849	(1,300)
Donated assets	0	81	81	81	81	81	(0)
Total Core Programme	15,439	20,437	(4,835)	32,950	31,821	32,746	(925)
Midland Met Construction Cost to Complete	15,750	1,197	14,553	113,460	48,460	49,246	(786)
Midland Met EWP & Continuance	4,071	7,503	(3,432)	7,023	8,154	7,836	318
Reconfiguration	6,863	1,357	5,506	13,739	13,739	7,705	6,034
Total Non Core Programme	26,684	10,057	16,627	134,222	70,353	64,787	5,566
Total Core & Non Core Programme	42,123	30,494	11,792	167,172	102,174	97,533	4,641

Analysis

- The above plan and forecast outturn (07/11/19) 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 7 2019/20

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

	Balance as at 31st March 2019	Balance as at 31st October 2019	NHSI Planned Balance as at 31st October 2019	Variance to plan as at 31st October 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	483,435	497,915	(14,480)	545,457	544,020
Intangible Assets	169	145	106	39	106	106
Trade and Other Receivables	194	296	67	229	67	67
Current Assets						
Inventories	4,709	4,709	4,742	(33)	4,742	4,742
Trade and Other Receivables	47,472	48,588	47,344	1,244	47,344	47,344
Cash and Cash Equivalents	27,966	10,585	4,985	5,600	12,434	22,274
Current Liabilities						
Trade and Other Payables	(74,434)	(77,013)	(66,958)	(10,055)	(75,920)	(85,425)
Provisions	(1,268)	(1,021)	(1,855)	834	(1,855)	(1,855)
Borrowings	(2,353)	(2,357)	(1,062)	(1,295)	(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)	(28,067)	(28,061)	(6)	(27,076)	(27,076)
DH Loan	0	0	0	0	0	0
	432,729	435,975	453,769	(17,794)	500,783	499,681
Financed By						
Taxpayers Equity						
Public Dividend Capital	247,717	256,411	276,680	(20,269)	317,734	316,632
Retained Earnings reserve	166,902	161,454	154,706	6,748	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	435,975	453,769	(17,794)	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.
- Further Analysis of Cash Balances and movements are included on the SOCF slide
- Further analysis on Receivables and Payables balances is available on slide 7
- 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 7 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 Forecast £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	26,644	27,389	25,187	25,824	29,930
Associates	7,573	8,387	8,103	6,380	7,841	8,504	8,013	6,466	6,466	7,141	7,141	7,141
Other NHS	1,576	1,144	907	774	1,070	1,547	1,283	734	1,193	1,361	774	701
Specialised Services	3,693	4,344	946	4	7,650	1,326	4,268	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	2,156	1,725	3,475	2,425	2,425	2,075
Total Receipts	39,994	37,769	39,780	58,945	49,919	52,912	40,375	39,356	45,512	46,107	40,055	44,683
Payments												
Payroll	14,620	14,025	14,822	14,261	14,532	15,403	15,176	14,259	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	10,130	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	11,312	17,984	11,618	9,356	9,102	9,061	8,810
Non Pay - Capital	3,465	5,072	2,667	3,782	4,948	6,129	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	1,415	1,104	1,104	1,104	0	0
Other Payments	906	1,061	1,151	969	778	1,842	1,210	189	239	299	239	119
Total Payments	46,521	45,274	44,427	49,451	47,684	52,355	51,396	41,855	39,577	40,788	38,473	43,298
Cash Brought Forward	27,966	21,438	13,933	9,286	18,780	21,015	21,572	10,552	8,053	13,988	19,307	20,889
Net Receipts/(Payments)	(6,528)	(7,505)	(4,647)	9,494	2,235	557	(11,020)	(2,499)	5,935	5,319	1,582	1,385
Cash Carried Forward	21,438	13,933	9,286	18,780	21,015	21,572	10,552	8,053	13,988	19,307	20,889	22,274

Analysis

- This cash flow incorporates YTD M7 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 cash balances, which will recover over the remaining months.
- 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

NHSI Financial Resource Metrics

Month 7 2019/20

Finance and use of resources rating	i	Expected Sign	03AUDITPY	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYCY
			Audited PY 31/03/2019 Year ending Number	Plan 31/10/2019 YTD Number	Actual 31/10/2019 YTD Number	Variance 31/10/2019 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		2			1	
Agency rating		+	3	1	4		1	4	
Overall finance and use of resources risk rating	i	Expected Sign	03AUDITPY	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARYCY
			Audited PY 31/03/2019 Year ending Number	Plan 31/10/2019 YTD Number	Actual 31/10/2019 YTD Number	Variance 31/10/2019 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		3.40			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

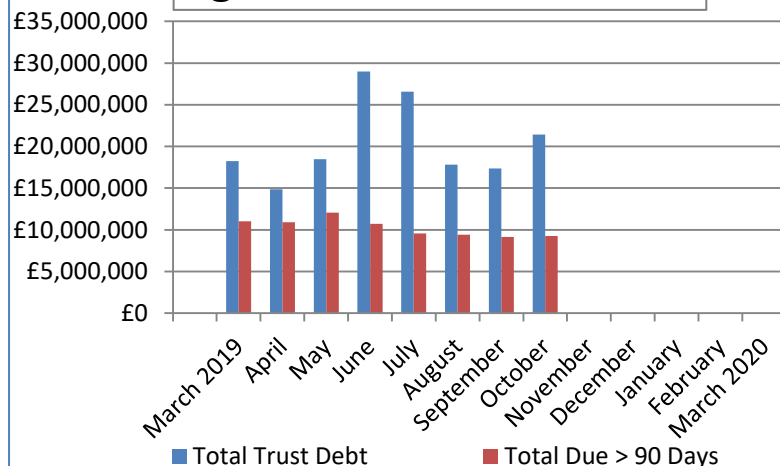
- The Trust's latest use of resources rating year to date is 3 (Amber). The Liquidity Rating is 4, which is worse than plan. The Plan anticipated a deteriorating position through the year with recovery by P12
- The fact I&E is in line with plan which was a score of 4 reflects the YTD plan deficit.
-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

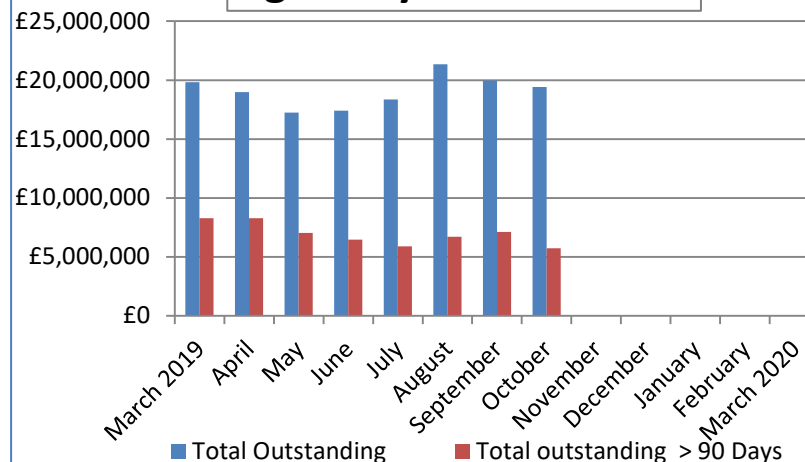
Aged Receivables, Aged Payables & BPPC

Month 7 2019/20

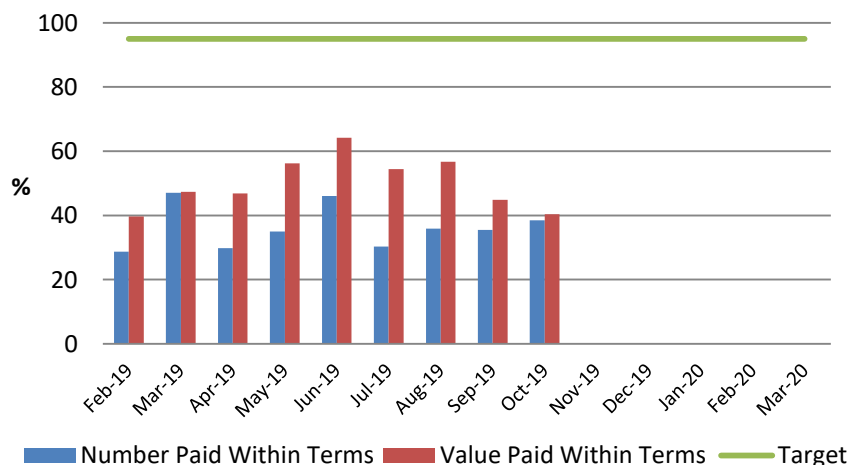
Aged Receivables 2019-20



Aged Payables 2019-20



Annual BPPC Performance



Analysis

- Total Debt deteriorated as quarterly invoices were raised for education levy from NHS Education (£4.2m) - these have been paid in November 2019. Over 90 days debt remained static, within this figure there was an improvement as historic NHS debts were processed, giving a 5% reduction in NHS balances, although there was 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 reduce the Aged debt profile during 2019/20
- The aged profile of Payables improved in October 2019 as the Trust progressed resolution of older invoices, the NHS Balances reduced by £2.2m of which £0.6m was over 90 days, Non NHS Balances increased by £1.7m but the over 90 day balance improved by £0.8m. 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.