

Trust Board Finance Report

Financial Period: Month 12 2019/20

March 2020

Overview

This report addresses outturn financial performance against the 19/20 financial plan and highlights the key performance issues.

HEADLINES

- The Trust has delivered its financial duties for 2019/2020
- The Trust reported a £0.035m favourable variance to the plan pre FRF, PSF and MRET
- The Trust delivered a £0.597m favourable variance to plan post FRF, PST and MRET, largely due to £0.562m of bonus FRF received due to delivering the financial plan
- The delivery of the position was under-pinned by:
 - Better than expected year-end settlements with SWBCCG, BSOL CCG, and Specialised Services.
 - Non-recurrent support identified in year
 - Risk reserve Release
 - Income in relation to the additional costs of the pandemic
 - Improved non-operational expenditure position
- The above offset
 - Income plan under-delivery during the year
 - CIP slippage (most notably Margin on Production Plan, Procurement and Pharmacy outsourcing)
 - Increased annual leave accrual requirement, in part due to the Pandemic requirement to limit annual leave
 - Provision for the 2019/2020 bonus

Trust Performance 2019/20

	PLAN £000's	Budget WTE	Actual WTE	Current Period			Year to Date		
				Budget £000's	Actual £000's	Variance £000's	Budget £000's	Actual £000's	Variance £000's
1 - Patient Related Income	471,113	0.00	0.00	40,575	47,105	6,530	471,113	463,331	-7,783
2 - Other Income	47,860	0.00	0.00	536	728	192	47,860	49,676	1,817
3 - Pay	-340,775	6,981.13	7,260.49	-29,061	-29,506	-445	-340,775	-334,974	5,801
4 - Non Pay	-169,468	0.00	0.00	-12,763	-20,888	-8,125	-169,468	-171,486	-2,018
5 - Non Operational Costs	-26,078	0.00	0.00	1,036	2,354	1,319	-26,078	-24,411	1,667
Net I&E - Internal Plan	-17,348	6,981.13	7,260.49	322	-207	-529	-17,348	-17,863	-515
ADJUSTMENTS									
NHSI Stretch (Prior year income)	170			170		-170	170		-170
NHSI - Annual Leave Accrual Allowance	-720			-720		720	-720		720
Revised Performance excluding FRF/PRF/MRET	-17,898	6,981.13	7,260.49	-228	-207	21	-17,898	-17,863	35
FRF/PSF/MRET	17,348			1,998	2,560	562	17,348	17,910	562
Performance Including FRF/PSF/MRET	-550	6,981.13	7,260.49	1,770	2,353	583	-550	47	597

Outturn

- The Trust delivered the financial plan pre PSF/FRF/MRET funding.
- As a result the Trust was in receipt of £0.562m of bonus PSF, allowing the Trust to deliver a small actual surplus, and a favourable position against plan post support of £0.597m.
- Delivery of the position did require use of non-recurrent support in the form of balance sheet flexibility, and also release of the performance risk reserve set out in the plan at the beginning of the financial year.

Trust Performance 2019/20 continued

The following sections will describe performance against the forecast carried out in year which was based on Month 6. This predicted the expected need to use £8.4 million of non-recurrent support. Despite significant adverse performance against the forecast in the second half of the year, and then the emergence of Covid 19 during March 2020, the Trust has delivered its financial plan

Patient related income (Forecast outturn £460.916m, Favourable variance of £2.415m)

- Out-turned above that expected in the risk adjusted forecast
- In terms of main commissioner income, these agreements ensured we delivered a position around forecast out-turn
- The difference from forecast outturn was driven by funding of Covid costs, submitted to NHSI (£3.5m), offset in part by non-patient related income losses due to Covid
- Once Covid interim financial arrangements end, a dovetailed recovery plan and subsequent delivery of the production plan will remain key to the 2020/2021 financial plan, and that going forward

Other Income (Forecast Outturn £52.731m, adjusted for Car Parking treatment £48.731, favourable variance of £0.945m)

- The benefit of the changes to car parking is realised under non-operational expenditure. Adjusting the target for this, Other Income out-turned £0.945m better than forecast, this relates largely to education and training income. This and other smaller gains were offset in part by losses in income due to Covid, which were mostly funded by NHSI/E

Trust Performance Cont'd

Pay (Forecast Outturn £331.6m, adverse variance £3.374m)

- Pay diverted from the month 6 forecast immediately, and did deteriorate further from forecast in March. This was for a number of reasons:
- Covid related pay costs, funded by NHSI/E - £0.41m
- Increased Annual Leave accrual required £1.267m (£0.72m agreed as plan adjustment, see adjustments section)
- Provision for payment of 2019/2020 Pay Related Bonus (£0.345m)
- Local CEA payments £0.373m
- This was offset in part by reserves release
- Agency out-turned at £18.912 million, £1.558m worse than forecast
- Agency control work led by the CEO remains in place. Post interim financial arrangements, the agency work, work around vacancy factors, and pay reduction plans, balanced against the needs of the new normal for the organisation is the key to delivering the pay plan

Non Pay (Forecast Outturn £178.4m, favourable variance £6.914m)

- Covid Non Pay Costs funded by NHSI £2.026m
- Offset by Risk Reserve Release and non-recurrent flexibility identified initially as part of forecast exercise, and added to subsequently by the finance function
- Some concern re Estates and IT expenditure, the former is non-recurrent, but was not in the forecast. The latter is of more concern, but is being addressed by a piece of work led by the CEO
- Looking forward, delivery of the Procurement CIP, and pharmacy savings are important. Both are being affected by the Pandemic as internal and external influencers concentrate on supporting Pandemic work. The work led by the CEO on IT expenditure is a key control measure, and ensuring year-end non-recurrent increases in expenditure within certain areas are indeed non-recurrent

Trust Performance Cont'd

Adjustments (Middle section of table on slide 3)

- The Trust financial plan before PSF/FRF/MRET was a £17.348m deficit
- This was adjusted to reflect £0.17m additional income relating to the prior year
- As a result of the Covid pandemic, a further allowance to reflect increased annual leave accrual requirements has also been made of £0.72m
- Therefore the Trust was allowed to report a deficit position before PSF/FRF/MRET of £17.898m
- Against this position the Trust had a favourable variance of £0.035m

PSF/FRF/MRET

- If the Trust delivered its financial plan, it would be in receipt of £17.348m of PSF/FRF/MRET
- The Trust has delivered its financial plan and was also in receipt of bonus PSF of £0.562m
- As a result the Trust was able to report a small surplus position in year when PSF/FRF/MRET is included

CONCLUSION ON PERFORMANCE

- Trust has discharged its duty in terms of I&E Performance
- Management of reserves, and balance sheet management has supported issues with production plan delivery, adverse variance from pay forecast, and CIP slippage
- The organisation has discussed the challenges moving into 2020/2021 including recovering performance against Production plan, Non Pay CIP delivery, and pay controls including vacancy factors. These remain the route to financial balance
- The interim financial arrangements for at least the first third of 2020/2021 add complications (in terms of managing against different arrangements) but potentially offer the Trust more time to develop the plans to deliver financial balance when the normal financial regime is resumed

Capital Expenditure

Month 12 2019/20

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2019/20 to P12

Programme	Year to Date			Full Year			Variance
	Flex Plan	Actual	Gap	Original NHSI Plan (Apr-19)	Revised NHSI Plan (May-19)	Forecast Outturn (RK 05.03.20)	Revised NHSI Plan vs FOT
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Estates	10,788	10,040	749	17,050	15,920	10,788	5,132
Informatics	14,987	15,066	(79)	12,720	12,721	14,987	(2,266)
Medical equipment / Imaging	3,745	3,844	(99)	4,033	4,033	3,745	289
Sub-Total	29,520	28,949	570	33,803	32,674	29,520	3,155
Technical schemes	3,876	3,855	20	2,550	2,550	3,855	(1,305)
Donated assets	61	81	20	81	81	81	(0)
Total Core Programme	33,456	32,886	611	36,434	35,305	33,456	1,849
Midland Met Construction Cost to Complete	49,050	36,228	12,822	113,460	48,460	49,050	(590)
Midland Met EWP & Continuance	6,878	5,874	1,004	7,023	8,154	6,878	1,276
Reconfiguration	6,405	8,067	(1,663)	10,255	10,255	6,405	3,850
Total Non Core Programme	62,333	50,170	12,163	130,738	66,869	62,333	4,536
Total Core & Non Core Programme	95,789	83,056	12,774	167,172	102,174	95,789	6,385

Analysis

- The above plan and forecast outturn (05/03/20) 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 final position showed further slippage on MMH resulting in a CRL undershoot
- The Trust submitted STP Capital Wave 4 actuals are now included above and the PDC funding was drawn down to match the profile spend

Finance Report

SOFP

Month 12 2019/20

Sandwell & West Birmingham Hospitals NHS Trust				
STATEMENT OF FINANCIAL POSITION 2019/20				
	Balance as at 31st March 2019	Balance as at 31st March 2020	NHSI Planned Balance as at 31st March 2020	Variance to plan as at 31st March 2020
	£000	£000	£000	£000
Non Current Assets				
Property, Plant and Equipment	463,039	522,368	545,457	(23,089)
Intangible Assets	189	132	106	26
Investment Assets	0	5,238	0	5,238
Trade and Other Receivables	194	181	67	114
Current Assets				
Inventories	4,709	5,129	4,742	387
Trade and Other Receivables	47,472	45,497	47,344	(1,847)
Cash and Cash Equivalents	27,966	23,381	12,434	10,947
Current Liabilities				
Trade and Other Payables	(74,434)	(87,424)	(75,920)	(11,504)
Provisions	(1,268)	(815)	(1,855)	1,040
Borrowings	(2,353)	(1,858)	(1,062)	(796)
DH Loan	0	0	0	0
Non Current Liabilities				
Provisions	(3,325)	(3,504)	(3,454)	(50)
Borrowings	(29,440)	(27,545)	(27,076)	(469)
DH Loan	0	0	0	0
	432,729	480,780	500,783	(20,003)
Financed By				
Taxpayers Equity				
Public Dividend Capital	247,717	300,103	317,734	(17,631)
Retained Earnings reserve	166,902	162,031	160,666	1,365
Revaluation Reserve	9,052	9,588	13,325	(3,737)
Other Reserves	9,058	9,058	9,058	0
	432,729	480,780	500,783	(20,003)

Analysis

- The overall variance from plan is due to lower capital spend due to slippage on major capital schemes. Working balances are returning to a position that is closer or improving on the initial plan.
- Further Analysis of Cash Balances and movements are included on the SOCF slide
- Further analysis on Receivables and Payables balances is available on slide 11
- 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 12 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 Actual £000s	January Actual £000s	February Actual £000s	March Actual £000s
Receipts												
SLAs: SWB CCG	23,307	22,925	26,899	24,321	24,073	24,494	24,655	24,478	24,229	24,375	25,468	25,435
Associates	7,573	8,387	8,103	6,380	7,841	8,504	8,013	7,904	14,111	1,569	8,543	8,213
Other NHS	1,576	1,144	907	774	1,070	1,547	1,283	752	7,222	818	12,417	8,806
Specialised Services	3,693	4,344	946	4	7,650	1,326	4,268	5,487	195	4,166	11,313	6,746
STF Funding and Taper Relief	0	0	0	20,102	0	5,634	0	0	0	0	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	26	4,377	182
Public Dividend Capital	0	0	0	0	0	8,714	0	0	2,772	22,232	0	0
Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts	3,696	969	2,924	2,598	4,950	2,697	2,156	1,905	3,749	4,380	2,909	5,270
Total Receipts	39,994	37,769	39,780	58,945	49,922	52,916	40,375	44,961	52,278	57,565	65,026	54,653
Payments												
Payroll	14,617	14,025	14,822	14,261	14,532	15,403	15,176	15,431	14,668	16,000	15,508	15,526
Tax, NI and Pensions	10,216	10,630	10,253	10,722	10,172	10,204	11,147	10,794	4,070	17,632	10,893	10,965
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	13,913	11,081	12,129	16,312	13,851	11,315	17,043	9,244	12,882	12,336	12,046	21,350
Non Pay - Capital	3,465	5,072	2,667	3,782	4,948	6,129	3,412	2,611	25,470	2,706	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	5,182
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	1,415	1,415	0	0
Other Payments	906	1,061	1,151	969	778	1,844	1,210	1,038	882	453	2,646	1,004
Total Payments	46,522	45,274	44,427	49,451	47,687	52,360	51,394	42,522	61,377	52,532	46,032	59,225
Cash Brought Forward	27,966	21,438	13,933	9,286	18,780	21,015	21,570	10,552	12,991	3,892	8,925	27,920
Net Receipts/(Payments)	(6,528)	(7,505)	(4,647)	9,494	2,235	555	(11,018)	2,439	(9,099)	5,034	18,995	(4,572)
Cash Carried Forward	21,438	13,933	9,286	18,780	21,015	21,570	10,552	12,991	3,892	8,925	27,920	23,348

Analysis

- This cash flow incorporates YTD M12 actual movements and a full year forecast for balances in the Trusts Bank Account.
- Planned borrowing was 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 12 2019/20

Finance and use of resources rating	Expected Sign	03AUDITPY	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY
		Audited PY 31/03/2019 Year ending Number	Plan 31/03/2020 YTD Number	Actual 31/03/2020 YTD Number	Variance 31/03/2020 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number
Capital service cover rating	+	1	3	2		3	2
Liquidity rating	+	2	3	4		3	4
I&E margin rating	+	1	2	2		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
		Audited PY 31/03/2019 Year ending Number	Plan 31/03/2020 YTD Number	Actual 31/03/2020 YTD Number	Variance 31/03/2020 YTD Number	Plan 31/03/2020 Year ending Number	Forecast 31/03/2020 Year ending Number
Overall rating unrounded	+	2		2.60			2.60
If unrounded score ends in 0.5	+	0		0.00			0.00
Risk ratings before overrides	+	2		3			3
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

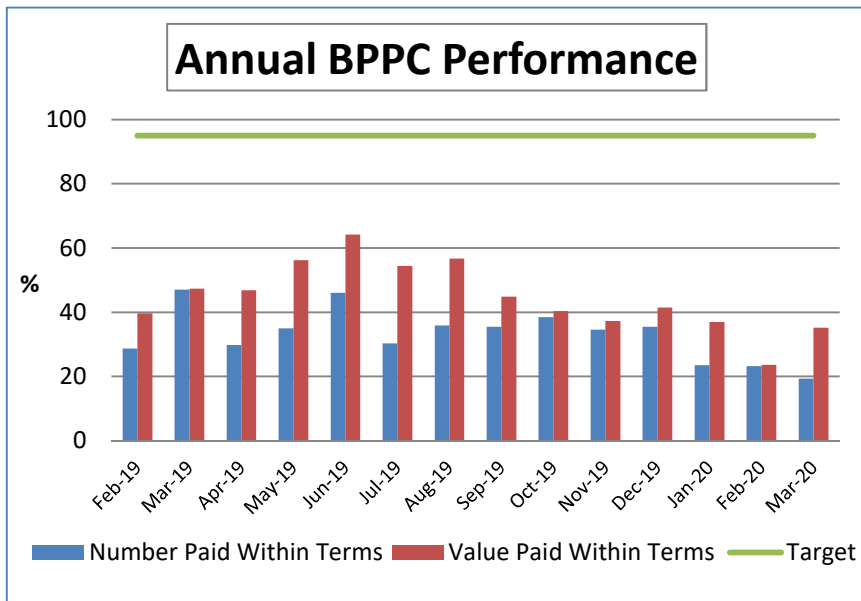
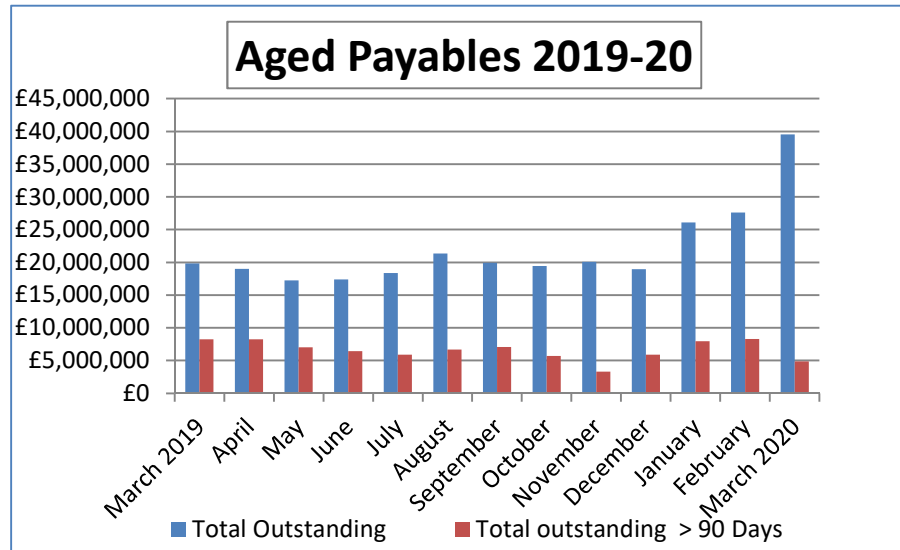
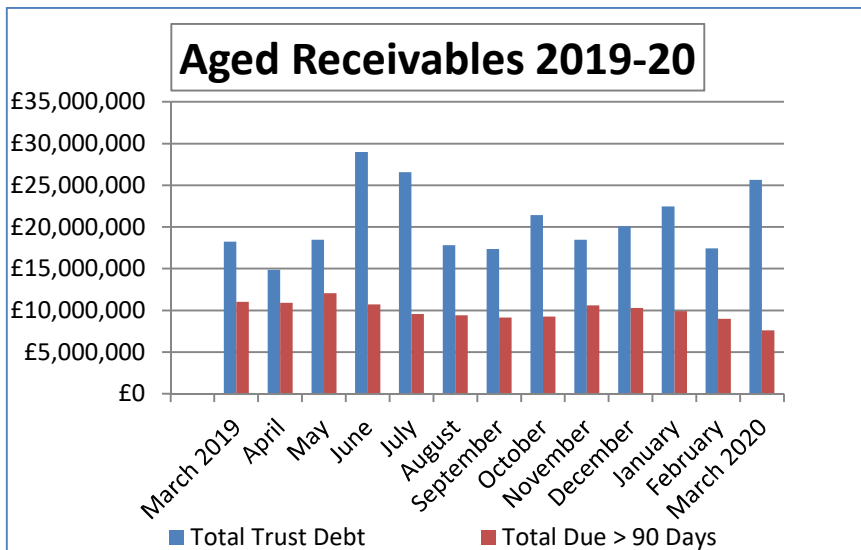
Analysis

- The Trust's latest use of resources rating year to date is 3 (Amber). The Liquidity Rating is 4, which was worse than the plan position. The Plan anticipated a deteriorating position through the year with recovery by M12, however working balances deteriorated in March as invoices were received for payment due in April 2020
- I&E was ahead of plan which gave a score of 1 as the Trust improved on its 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 12 2019/20



Analysis

- The Total Debt increased as NHS invoices were raised in March for contract settlements with commissioners. Over 90 days debt reduced by £1m as progress was made settling old debts from UHB and Walsall NHST. 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 2020/21
- The value of Payables increased in March 2020, predominantly due to large value invoices for which payment will be made in April as they fall due. Further invoices aged with Non-NHS and NHS bodies, although a payment mechanism is being agreed to pay with a reciprocal arrangement to receive funds to clear aged debt
- BPPC remains too low. This will continue to be managed in line with non-NHS creditor improvement and cash balances. The Trust is developing a plan to improve performance against the target which will deliver during 2021