

Trust Board Finance Report

Financial Period: April 2020

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Summary

- The Pandemic has resulted in the implementation of an Interim Funding Model initially for the period April to July, which is likely to be extended to the end of October
- The Trust is monitoring performance against this funding model, and is clear on what has driven the requirement to ask for additional top ups to funding, these are in summary (see performance against Interim Plan section):
 - Additional costs due to the Pandemic Response
 - Loss of Income related to Services Provided and facilities services
 - Issues with the way the model identified the Trusts funding requirements
- Increased challenge around the numbers is likely from NHSM and it is important the organisation continue to understand the costs of the Pandemic, whilst maintaining a grip on finances.
- The organisation is focused though on its submitted financial plan, key as the organisation move to MMUH, and whilst analysis of performance against this plan, given the current situation is difficult it is important that the organisation focus on delivery of its underlying principles as we move through the restoration plan. This includes:
 - Delivery of all elements of the Financial plan, including CIPs, Vacancy Factors, Production Plan
 - Continuing to deliver on more robust financial controls, including effective rostering
 - Delivery of key income streams including the commercial income target
- Senior finance staff and HR colleagues continue to work with the Groups on this forward look, to identify how our underlying financial plan can be delivered safely as part of restoration.

Background

BACKGROUND

As a consequence of the Pandemic, the government has introduced an interim financial funding arrangement to ensure stability within the NHS and their supply chain. The underlying philosophy of the arrangement is that all NHS organisation will breakeven for the initial period of April to July 2020.

There are three stages to the NHS funding formula

Stage 1

A commissioner income stream based on the Agreement of Balances in the accounts at Month 9. This led to a block payment of £37.8m per month.

Stage 2

An assessment of all other income and expenditure based on an average of November to January expenditure. This led to a projected top up of £0.322m per month.

Stage 3

A final retrospective top up to return organisations to breakeven. This has been accrued at M1, but is subject to review and challenge. Organisations have to explicitly show excess costs as a result of covid (£3.331m in April)

TRUST APPROACH

The Trust was determined not to lose sight of its financial plan, and therefore budgets at a granular level have been loaded into the ledger based on the deficit plan of £30.8m, with related reserves etc. Therefore control at a granular level remains, and will aid this process as the Trust restore services towards normal. For the interim plan period, a central budget has been created to allow analysis against this arrangement.

This report will look at performance against both plans, although it has to be recognised that analysis against budgets will only be at a relatively high level because staff and resources are being used for very different purposes than the plan was established for.

Month 1 Performance against NHSI Interim Plan

	NHSI Interim Plan £000's	Actuals £000's	Variance £000's
INCOME			
Commissioner PRI	37,847	42,262	4,416
Other PRI	1,403	1,813	410
Other Income	4,663	2,997	-1,666
TOTAL INCOME	43,912	47,072	3,159
OPERATIONAL EXPENDITURE			
Pay	-29,110	-30,377	-1,267
Non Pay	-12,365	-14,195	-1,829
TOTAL OPERATIONAL EXPENDITURE	-41,476	-44,572	-3,096
Non Operational Expenditure	-2,437	-2,497	-60
TOTAL EXPENDITURE	-43,912	-47,069	-3,156
NET I&E	0	3	3

Variance from NHSI Plan

The table on the previous page shows performance against the Interim plan.

Commissioner Patient Related Income

There are three main reasons for the favourable variance against Commissioner PRI

Retrospective Top Up for Covid Costs:	£3.331m
Retrospective Top Up Other:	£0.465m
Your Health Partnership:	£0.648m

Covid costs are only those that can be identified as incremental, directly as a result of the pandemic. These are reviewed by the centre and can be subject to challenge, so it is vital that the Trust is clear on new costs, and that systems record them as accurately as possible.

The other retrospective top up is the final adjustment to return to breakeven.

Your Health Partnership was transferred at 1/4/2020 and therefore was not within the funding model created for the Pandemic

Other PRI and Other Income

The main reasons for the reduction in these areas are

Reduction in services provided:	-£0.942m
Issues with the funding mechanism:	-£0.344m

The first category covers, reductions in R&D commercial income £0.083m, reduction in SLA income in areas such as Neurophysiology, Nuclear Medicine Pathology and Ophthalmology. NHSM has issued guidance proposing block arrangements between providers based on last years levels. If local providers agree, this would improve the income related to services provided

The second category relates to how the funding arrangement was calculated. Because it was based on an average of month 8 to 10, this overstated the income related to the commercial arrangement around car parks.

Variance from NHSI Plan

PAY

There are two main drivers for the adverse variance

Covid Costs:	-£1.176m
YHP:	-£0.405m

As previously mentioned covid costs are the marginal increases in expenditure. Therefore it includes where bank and agency has a reason code of Covid, increases in service have happened, and where redeployed staff have started working enhanced hours.

YHP was a new service and therefore the costs were not included in the funding calculation.

NON PAY

There are a number of significant movements that explain the variance to plan

Covid Costs:	-£2.156m
YHP:	-£0.243m
Issues with the funding mechanism:	-£2.663m
Changes due to activity reductions:	£3.239m

The increases due to covid were across a number of clinical spend types, mainly consumables (PPE equipment), and drugs. Also some external consultancy costs. YHP is a new service.

The calculation within the NHSI plan for non pay was based on an average of Months 8 to 10. As a result it included the non-recurrent flexibility the Trust used to remain compliant with the plan in 2019/2020. This though was non-recurrent, and therefore means that the funding arrangement does not reflect underlying expenditure.

The reduction in expenditure covers a number of areas, most notably drugs (especially pass-through and cancer drugs) M&E equipment (especially prostheses) and some estates costs.

CONCLUSION

The Trust has clear sight on what the composition of the interim funding arrangements and the main reasons why retrospective top ups has been required in April

Scrutiny of expenditure by NHSM will intensify, and work is required to ensure that appropriate and robust controls are in place to reflect the changing clinical environment, and to ensure full funding is received.

Capital Expenditure

Month 1 2020/21

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST

Summary Capital Expenditure: FY 2020/21 to P1

Programme	Year to Date			NHSI Plan £'000s	Forecast Outturn £'000s	Variance £'000s
	Plan	Actual	Variance			
	£'000s	£'000s	£'000s			
Estates	290	424	(134)	3,730	3,730	0
Informatics	263	254	9	5,244	5,244	0
Medical equipment / Imaging	112	34	78	2,272	2,272	0
Sub-Total	665	712	(47)	11,246	11,246	0
Technical schemes	117	106	11	1,511	1,511	0
Donated assets	0	7	7	83	83	0
Total Core Programme	782	825	(29)	12,840	12,840	0
Midland Met Construction Cost to Complete	14,404	6,224	8,180	210,964	210,964	0
Reconfiguration	297	0	297	1,200	1,200	0
Total Non Core Programme	14,701	6,224	8,477	212,164	212,164	0
Total Core & Non Core Programme	15,483	7,049	8,448	225,004	225,004	0

Analysis

- The above plan and forecast outturn reflect the latest submitted plan to NHSI (March 2020) and the spend to Month 1 20/21

Finance Report

SOFP

Month 1 2020/21

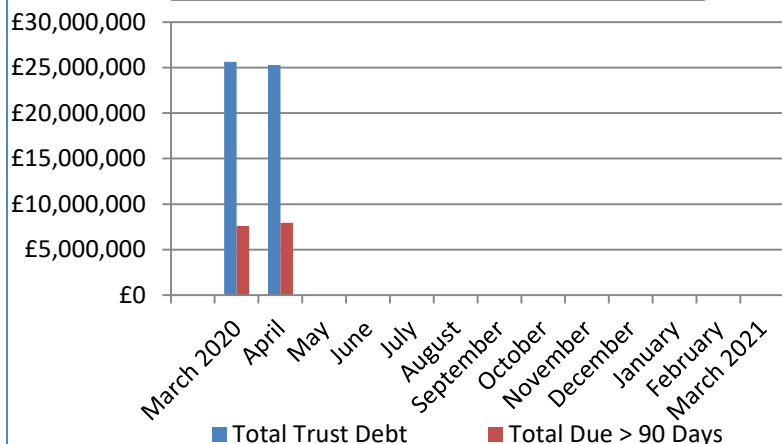
Sandwell & West Birmingham Hospitals NHS Trust
STATEMENT OF FINANCIAL POSITION 2020/21

	Balance as at 31st March 2019	Balance as at 30th April 2020	NHSI Planned Balance as at 30th April 2020	Variance to plan as at 30th April 2020	NHSI Plan as at 31st March 2021	Forecast 31st March 2021
	£000	£000	£000	£000	£000	£000
Non Current Assets						
Property, Plant and Equipment	522,368	527,887	554,685	(26,798)	749,751	749,751
Intangible Assets	132	129	106	23	106	106
Investment Assets	5,238	5,238	0	5,238	0	0
Trade and Other Receivables	181	146	67	79	67	67
Current Assets						
Inventories	5,129	5,129	4,742	387	4,742	4,742
Trade and Other Receivables	45,497	48,195	47,344	851	47,344	47,344
Cash and Cash Equivalents	23,381	53,773	24,948	28,825	2,009	2,009
					0	0
Current Liabilities						
Trade and Other Payables	(87,424)	(119,211)	(86,490)	(32,721)	(82,774)	(82,774)
Provisions	(815)	(876)	(1,855)	979	(1,855)	(1,855)
Borrowings	(1,858)	(1,857)	(1,062)	(795)	(3,872)	(3,872)
DH Loan	0	0	0	0	0	0
					0	0
Non Current Liabilities						
Provisions	(3,504)	(3,504)	(3,454)	(50)	(3,454)	(3,454)
Borrowings	(27,545)	(27,373)	(26,842)	(531)	(29,295)	(29,295)
DH Loan	0	0	0	0	0	0
					0	0
	480,780	487,676	512,189	(24,513)	682,769	682,769
Financed By						
Taxpayers Equity						
Public Dividend Capital	300,103	306,998	331,652	(24,654)	527,359	527,359
Retained Earnings reserve	162,031	162,032	158,154	3,878	133,027	133,027
Revaluation Reserve	9,588	9,588	13,325	(3,737)	13,325	13,325
Other Reserves	9,058	9,058	9,058	0	9,058	9,058
	480,780	487,676	512,189	(24,513)	682,769	682,769

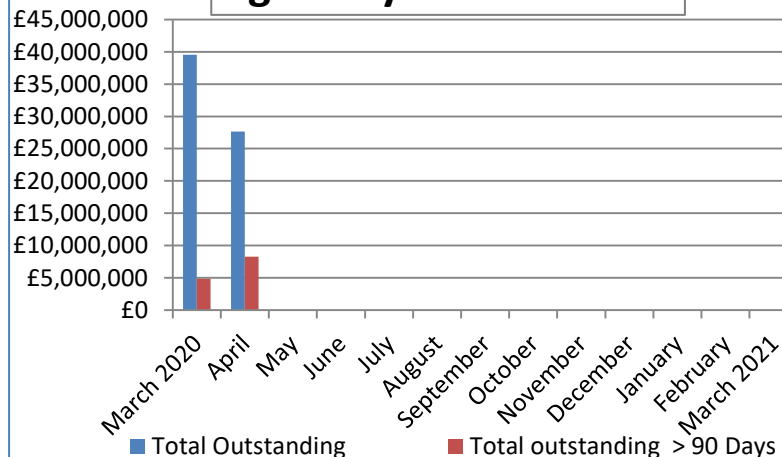
Analysis

- 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.
- Large cash balance reflect the pre-payment of monthly funds in advance under the Covid regime
- Further analysis on Receivables and Payables balances is available on slide 16

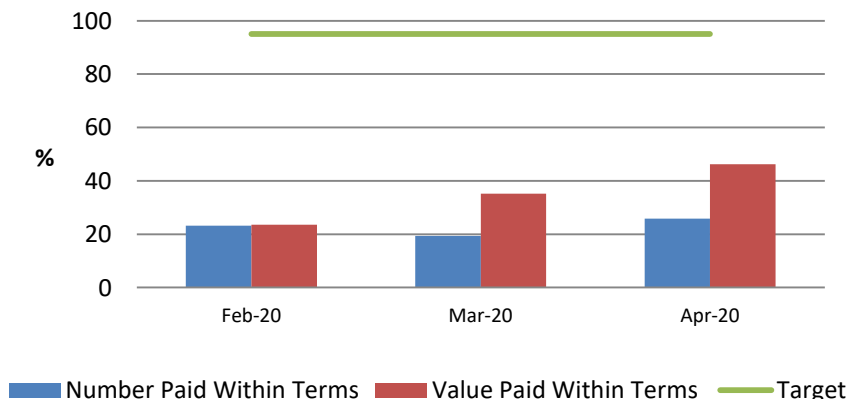
Aged Receivables 2019-20



Aged Payables 2019-20



Annual BPPC Performance



Analysis

- The Total Debt reduced marginally as NHS invoices were paid in April, with further improvement expected in May/June as providers to provider debt is cleared. 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 decreased in April 2020 as payment level were released to ensure fast payment guidelines were adhered to. Further invoices aged with Non-NHS bodies, for which a plan to resolve payment issues is being considered
- 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. The Trust is developing a plan to improve performance against the target.