

Sandwell and West Birmingham Hospitals

NHS Trust

| | | | |
|------------------------------|---|-------------|------------------------------|
| Report Title: | Finance Report Month 5 | | |
| Sponsoring Executive: | Dinah McLannahan, Chief Finance Officer | | |
| Report Author: | Dinah McLannahan, Chief Finance Officer | | |
| Meeting: | Trust Board (Public) | Date | 7 th October 2021 |

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

The Trust is very confident that it will achieve the H1 plan. It has now been confirmed by NHSEI that H1 will not be a “hard close” and the Trust will be monitored against the full 2021/22 financial plan. At the time of writing the formal guidance and detailed financial envelope for H2 is still awaited, but in headline terms the H2 settlement is reasonable.

At the end of month 5, the Trust is reporting a small surplus of £103k, which is £652k better than the Plan. It has now been confirmed that SWB will receive nearly £5.4m in Elective Recovery Funding for Q1, none of the benefit of which is reflected in the year to date numbers (due to uncertainty around receipt until recently). Any headroom achieved in H1 will almost certainly be required to manage risk in H2. The key areas of focus for H2 will be winter planning alongside Covid related costs, elective recovery, and ongoing efficiencies.

The BVQC programme has identified £10.5m of in year savings (FYE £10.8m). These are mainly transactional in nature and all have had a QIA – and more than meet national efficiency requirements for the year.

Excluding MMUH the Trust is £4.4m behind the capital plan year to date, but is still forecasting to plan. NHSEI will be seeking assurance in the coming months that that position is achievable, particularly as the system seeks central PDC and CRL for other issues. There will also be an ICS review of all Trusts’ capital programmes and forecasts during October.

Cash balances remain strong at £61.2m.

2. Alignment to our Vision *[indicate with an ‘X’ which Strategic Objective this paper supports]*

| Our Patients | X | Our People | X | Our Population |
|--|---|--|---|---|
| To be good or outstanding in everything that we do | | To cultivate and sustain happy, productive and engaged staff | | To work seamlessly with our partners to improve lives |

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

Finance and Investment Committee: IC 24th September 2021

4. Recommendation(s)

The Trust Board is asked to:

- a. NOTE and DISCUSS** 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, 3689 | | | |
| Board Assurance Framework | x | SBAF 9, SBAF 10 | | | |
| Equality Impact Assessment | Is this required? | Y | | N | If ‘Y’ date completed |
| Quality Impact Assessment | Is this required? | Y | | N | If ‘Y’ date completed |

SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST

Report to the Public Trust Board: 7th October 2021

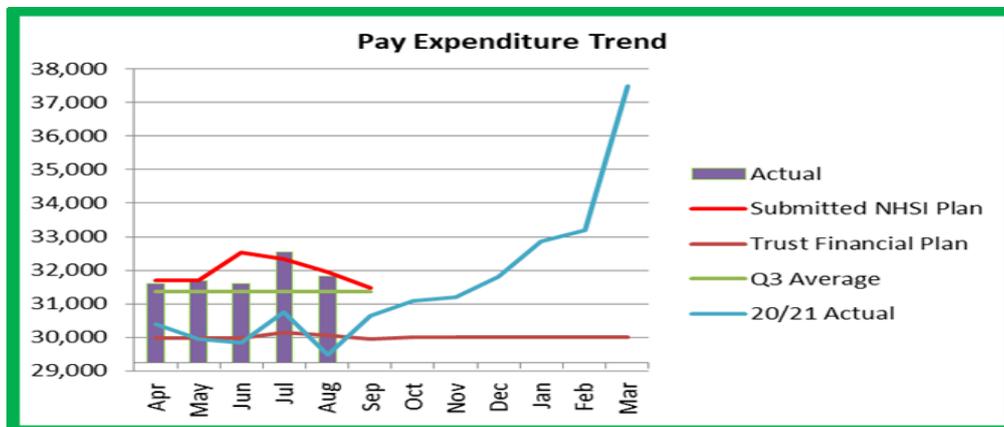
Finance Report Month 5 2122

1. Introduction or background

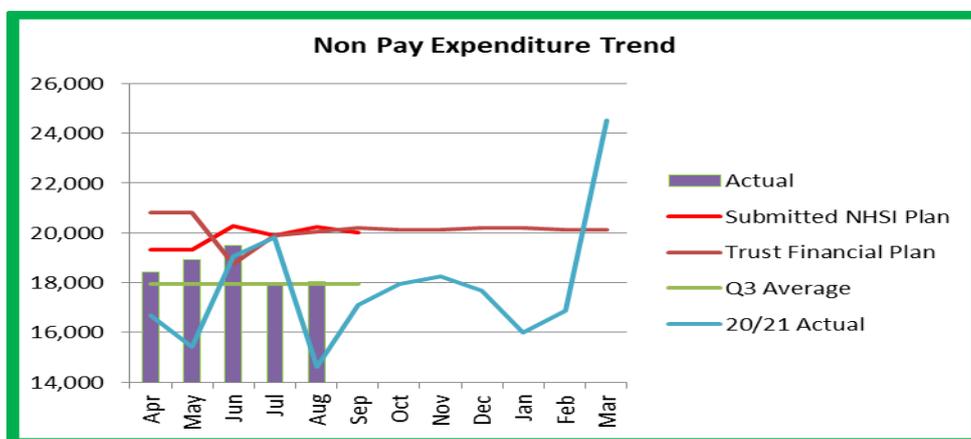
1.1 This report describes the key issues in relation to financial performance year to date against the 2122 H1 financial plan.

2. Income and Expenditure

2.1 The Trust is on track to deliver break even performance against a break even plan for H1.



2.2 Pay costs have reduced in August following an increase in July driven by bank and agency usage and enhanced rates in response to operational pressures. Substantive funded establishment is 7,241 wtes, 6,968 after vacancy factors and planned CIPs. 6,470 substantive wte were worked in Month 5, with just over 1,000 bank and agency wtes engaged. The Trust was therefore c521wtes over funded establishment. 161wte are directly attributed to Covid.



- 2.3 Favourable variance to plan driven by reserves and Covid expenditure reducing (in Month 5, the Trust reported £1.1m of Covid expenditure, £2.23m per month average in Q3 2021). To support H2 planning the Trust will be completing its winter planning incorporating expected costs associated with Covid. Some funding is available for this. We will also include an assessment of inflationary cost pressures associated with non-pay, a risk increasingly faced by us all. This will include specifically the contractual risk exposure associated with energy cost inflation.
- 2.4 It has been confirmed recently that the Trust will receive £5.3m (see Annex 3) of Elective Recovery Fund relating to Q1. Year to date performance and forecast outturn for H1 are the same as the system does not expect to earn significant ERF in Months 4, 5 or 6 due to operational challenges and more stretching performance trajectories. None of the benefit of this is reflected yet in the Month 5 position, as it had not been confirmed at the time of closing the books.
- 2.5 The draft H2 guidance proposed that the ERF funding would continue into H2, with the likely monthly trajectories being at 95% of the 2019/20 monthly values.
- 2.6 H2 settlement remains unclear at the time of writing, with formal guidance expected by the time of the Trust Board. Draft guidance included
- H2 system envelopes are based on H1 levels adjusted for higher efficiency requirements, specific capacity funding (linked to non-elective activity and maternity growth) and inflation. As a minimum the efficiency target for H1, 0.28% will be increased to 1.1% for the year and there is an additional targeted efficiency requirement which varies by system, yet to be confirmed for BCWB ICS. In addition, the Covid allocation will reduce by 5% (£700k for SWBH).
 - The Elective Recovery Funding (ERF) will continue into H2, with an expectation that the monthly targets remain at 95%. To support this there will be £0.5bn of capital made available. The Trust has placed bids for these funds. There is also some revenue available, but values and route unclear at time of writing this report.
 - H1 and H2 will be a single period and so any upside/downside from H1 will carry forward into H2.
- 2.7 It is likely that the Trust will require headroom to manage risk over the winter period. The extent to which is not known.
- 2.8 The Trust has signed up to a financial risk share agreement with ICS partners, as it did in 2021. This is a significant development in the maturity of the ICS and includes principles such as working collaboratively to deliver the balance across the system, and that no organisation can be in surplus if another is in deficit. Whilst this in theory assists the Trust with management of any potential risks over winter, it also means the Trust may be asked to support others.

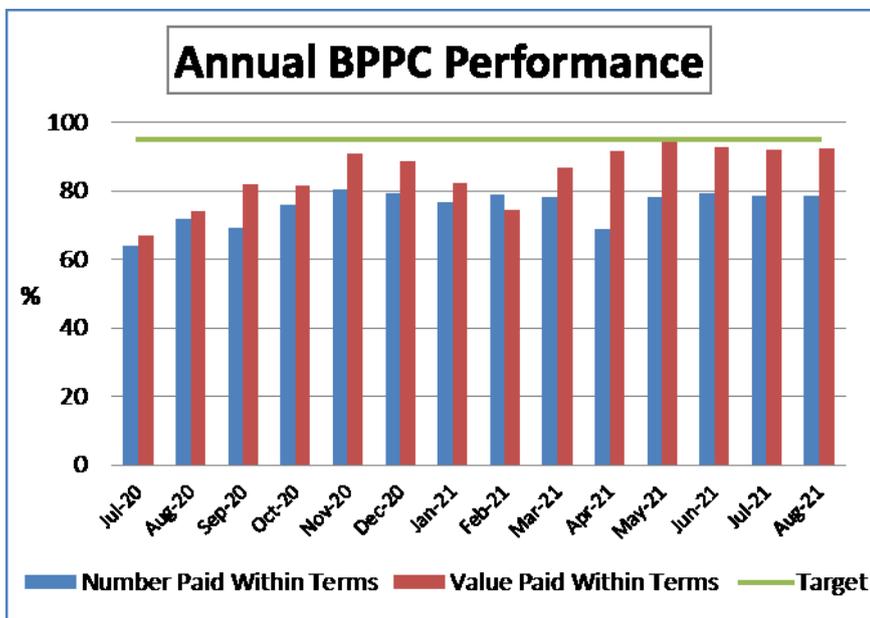
3. Capital and Cash

- 3.1 Please see Annex 2 for detail. The 2122 capital programme has got off to a slow start, and whilst the Trust is still forecasting to plan, the credibility of this will have to be

tested before a more formal forecast at Month 6 reporting. This is particularly important as the ICS has sought and gained support for projects via emergency PDC and CRL cover from the region. To then underspend against the control total would not be viewed favourably. The MMUH plan reflected the most recent approved cash flow plan from Balfour Beatty, and has not yet been updated until a new plan is approved. The detail of this is covered elsewhere in Board business.

3.2 The cash balance at the end of 2020/21 financial year was £71.405m. Of this, £26.230m was funding being held for payments due in April on the MMUH scheme. The Trust is forecasting that cash will reduce to c£26m by the end of the financial year, based on an expected breakeven I&E performance. Year to date cash is on plan and at the end of August balances were £61.2m.

3.3 BPPC performance is tantalisingly close to the required 95%. The improved performance can be seen in the graph below. The Trust has implemented a number of key actions to deliver the 95% target for both value and volume



4. Recommendations

4.1 The Trust Board is asked to:

- a. Note and discuss the contents of the report

Dinah McLannahan
Chief Finance Officer

29 September 2021

- Annex 1:** Key Financial Headlines
- Annex 2:** 2122 Capital Programme
- Annex 3:** Elective Recovery Fund
- Annex 4:** Statement of Financial Position
- Annex 5:** Financial Risks

**Annex 1
Key Financial Headlines**

| | | In Month | In Month | In Month | | YTD | YTD | YTD | |
|---|---------------------------------|----------|----------|--|--|--------|--------|--|--|
| | | Plan | Actual | Variance | | Plan | Actual | Variance | |
| | | £ms | £ms | £ms | | £ms | £ms | £ms | |
|  | I&E Performance | 0.33 | 0.07 |  (0.26) | | (0.55) | 0.10 |  0.65 | |
|  | NHSI Agency Ceiling | 0.88 | 1.30 |  (0.42) | | 4.55 | 7.22 |  (2.67) | |
|  | Efficiency Programme (CIP) | 1.10 | 0.59 |  (0.51) | | 5.50 | 2.87 |  (2.64) | |
|  | Capital Expenditure (Excl MMUH) | 1.3 | 1.0 |  0.3 | | 8.5 | 4.1 |  4.4 | |
|  | Capital Expenditure (MMUH) | 20.9 | 14.2 |  6.7 | | 111.0 | 82.8 |  28.2 | |
|  | Cash Balance | 44.1 | 61.2 |  17.1 | | 44.1 | 61.2 |  17.1 | |

| SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST | | | | | | | |
|--|------------------------|----------------|-----------------|-------------------|--------------------|-------------------|-------------------|
| Summary Capital Expenditure: FY 2021/22 to P05 | | | | | | | |
| | Annual | Year to Date | | | Year End Forecast | | |
| | Original Plan £000s | Plan £000s | Actual £000s | Variance £000s | NHSI Plan £000s | Forecast £000s | Variance £000s |
| Internal - Self Financing | | | | | | | |
| Estates | 7,566 | 2,406 | 1,527 | 879 | 7,566 | 7,566 | 0 |
| IT | 7,046 | 2,866 | 1,731 | 1,135 | 7,046 | 7,046 | 0 |
| Medical equipment | 3,616 | 1,505 | 397 | 1,108 | 3,616 | 3,616 | 0 |
| Charity | 85 | 40 | 0 | 40 | 85 | 85 | 0 |
| Sub total | 18,313 | 6,817 | 3,655 | 3,162 | 18,313 | 18,313 | 0 |
| External - PDC | | | | | | | |
| STP Reconfiguration | 500 | 500 | 47 | 453 | 500 | 500 | 0 |
| PDC BMEC Diagnostic Hub Equipment | 670 | 280 | 41 | 239 | 670 | 670 | 0 |
| Sub total | 1,170 | 780 | 88 | 692 | 1,170 | 1,170 | 0 |
| MMUH - PDC | | | | | | | |
| Midland Met Construction Cost to Complete | 170,406 | 111,037 | 82,797 | 28,240 | 170,406 | 170,406 | 0 |
| MHCLG - Midland Met Learning Campus | 0 | 0 | 0 | 0 | 0 | 500 | -500 |
| TOTAL | 189,889 | 118,634 | 86,540 | 32,094 | 189,889 | 190,389 | -500 |
| Technical-IFRIC12 | | | | | | | |
| BTC & MES | 2,142 | 892 | 386 | 506 | 2,142 | 2,142 | 0 |
| Trust Wide Programme | 192,031 | 119,526 | 86,926 | 32,600 | 192,031 | 192,531 | -500 |

**Annex 3
Elective Recovery Fund**

| | Trust View | | | | | | |
|--|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | H1 Total |
| Original Baseline | £11,506,452 | £11,849,685 | £11,300,978 | £12,669,996 | £11,721,923 | £11,462,140 | £70,511,174 |
| Approved Baseline Adjustments | - | - | - | - | - | - | - |
| Revised Baseline | £11,506,452 | £11,849,685 | £11,300,978 | £12,669,996 | £11,721,923 | £11,462,140 | £70,511,174 |
| WD Adjustment | - | (£1,128,541) | £1,130,098 | (£550,869) | - | £545,816 | (£3,497) |
| Revised Baseline WD Adj'd | £11,506,452 | £10,721,143 | £12,431,076 | £12,119,127 | £11,721,923 | £12,007,956 | £70,507,677 |
| Lower Threshold % | 70% | 75% | 80% | 95% | 95% | 95% | |
| Lower Threshold £ | £8,054,517 | £8,040,857 | £9,944,861 | £11,513,170 | £11,135,827 | £11,407,558 | £60,096,790 |
| Upper Threshold % | 85% | 85% | 85% | 100% | 100% | 100% | |
| Upper Threshold £ | £9,780,484 | £9,112,972 | £10,566,414 | £12,119,127 | £11,721,923 | £12,007,956 | £65,308,876 |
| Actual/Forecast Performance | £8,808,629 | £9,820,362 | £11,610,984 | £11,170,735 | £9,893,188 | £10,888,618 | £62,192,516 |
| Actual/Forecast Performance above LT | £754,112 | £1,072,114 | £621,554 | - | - | - | £2,447,780 |
| Actual/Forecast Performance above UT | - | £707,390 | £1,044,570 | - | - | - | £1,751,960 |
| ERF expected @ 100% | £754,112 | £1,072,114 | £621,554 | - | - | - | £2,447,780 |
| ERF expected @ 120% | - | £848,868 | £1,253,484 | - | - | - | £2,102,352 |
| Total ERF Expected (nb. monitored at system level) | £754,112 | £1,920,983 | £1,875,037 | - | - | - | £4,550,132 |
| Adjustment to match NHSE/I View of SUS Freeze | £876,808 | £65,947 | - | - | - | - | £942,756 |
| Total ERF Expected | £1,630,921 | £1,986,930 | £1,875,037 | - | - | - | £5,492,888 |
| System-level Monitoring Adjustment | (£38,697) | (£2,661) | (£30,386) | - | - | - | (£71,744) |
| Total ERF Expected | £1,592,224 | £1,984,269 | £1,844,651 | - | - | - | £5,421,144 |

| | ERF Expected FOT per Individual Returns | Adj. for Final Allocation Apr-May | Adj for System Performance | FOT for Returns |
|--------------|---|-----------------------------------|----------------------------|--------------------|
| SWBH | £4,550,132 | £942,756 | (£71,744) | £5,421,144 |
| DGFT | £1,754,527 | (£55,526) | (£19,939) | £1,679,062 |
| WHT | £2,137,077 | £63,476 | (£28,189) | £2,172,363 |
| RWT | £10,456,313 | £119,549 | (£1,114,900) | £9,460,962 |
| IS | £1,973,304 | (£340,447) | (£592,381) | £1,040,477 |
| TOTAL | £20,871,353 | £729,807 | (£1,827,153) | £19,774,007 |

Annex 4
Statement of Financial Position

| Sandwell & West Birmingham Hospitals NHS Trust | | | |
|---|--|---|---|
| STATEMENT OF FINANCIAL POSITION 2021/22 | | | |
| | Balance as at 31st March 2021 | Balance as at 31st August 2021 | Forecast 31st March 2022 |
| | £000 | £000 | £000 |
| Non Current Assets | | | |
| Property, Plant and Equipment | 681,148 | 758,921 | 850,928 |
| Intangible Assets | 218 | 197 | 218 |
| Investment Assets | 0 | 0 | 0 |
| Trade and Other Receivables | 100 | 100 | 0 |
| Current Assets | | | |
| Inventories | 3,437 | 3,437 | 3,437 |
| Trade and Other Receivables | 30,920 | 30,667 | 30,920 |
| Cash and Cash Equivalents | 71,441 | 61,308 | 25,252 |
| Current Liabilities | | | |
| Trade and Other Payables | (98,279) | (106,165) | (53,890) |
| Provisions | (1,067) | (1,009) | (1,067) |
| Borrowings | (1,553) | (1,556) | (1,553) |
| DH Loan | 0 | 0 | 0 |
| Non Current Liabilities | | | |
| Provisions | (3,529) | (3,529) | (3,529) |
| Borrowings | (25,911) | (25,199) | (24,111) |
| DH Loan | 0 | 0 | 0 |
| | 656,925 | 717,172 | 826,605 |
| Financed By | | | |
| Taxpayers Equity | | | |
| Public Dividend Capital | 486,117 | 546,342 | 655,797 |
| Retained Earnings reserve | 153,089 | 153,111 | 153,089 |
| Revaluation Reserve | 8,661 | 8,661 | 8,661 |
| Other Reserves | 9,058 | 9,058 | 9,058 |
| | 656,925 | 717,172 | 826,605 |

Annex 5 Financial Risks

Financial Risks as at August 2021 for Delivery of the Financial I&E Plan

| Ref | Identified Risk | Likelihood | Severity | Risk Rating M5 | Risk Rating M4 | Risk Rating M3 | Risk Rating M2 | Risk Rating M1 | Impact | Mitigating Actions | Timescales | Exec Lead |
|-----|--|------------|----------|----------------|----------------|----------------|----------------|----------------|---|---|------------|-------------------|
| 1 | Covid costs in H1 (April - Sept) are above the funded level | 1 | 5 | 5 | 5 | 10 | 10 | 15 | Financial Quality Workforce Operational | Funding secured for H1 based on Quarter 3 in 20/21 Group priority of focusing on safely reducing Covid spend Reporting at a Group level to ensure informed decisions are made | Ongoing | COO |
| 2 | Taper funding from NHSEI is not secured in line with the Plan | 4 | 5 | 20 | 15 | 15 | 15 | 15 | Financial | Ongoing dialogue with NHSEI Submission of the monthly returns to NHSEI | Ongoing | CFO |
| 3 | Delivery of the 2021/22 Cost Improvement Programme | 3 | 5 | 15 | 15 | 15 | 15 | 15 | Financial | Fortnightly efficiency board chaired by CFO Additional resource in post to lead the programme | Ongoing | CFO |
| 4 | Energy prices increase above the funded level | 4 | 5 | 20 | 20 | 20 | 20 | 20 | Financial | Forward purchase on energy | Ongoing | DST |
| 5 | Increased sickness levels resulting in greater use of agency and bank staff | 4 | 5 | 20 | 15 | 15 | 15 | 15 | Financial Quality Workforce Operational | Trust wellbeing offering to staff as exit covid Post covid People and OD restoration of sickness management in full. | Ongoing | CPO |
| 6 | Staffing levels are not within the funded establishment | 5 | 5 | 25 | 25 | 25 | 25 | 25 | Financial Quality Workforce Operational | Trust to agree implementation of negative wtes for vacancy factor and CIP Re-introduction of vacancy controls before adverts | Ongoing | CPO |
| 7 | Elective Recovery trajectory requires costs above income received | 1 | 5 | 5 | 5 | 5 | 10 | 10 | Financial Quality Workforce Operational | Agreed monthly trajectories H1 forecasts of income into the system Ongoing tracking on costs against the income forecasts through the Groups | Ongoing | COO |
| 8 | Inflation and CNST funding is not received from the ICS allocation | 2 | 5 | 10 | 10 | 10 | 10 | 10 | Financial | CFO engagement in weekly System meetings to ensure funding is secured | Ongoing | CFO |
| 9 | Increased nursing costs due to E rostering controls | 4 | 5 | 20 | 20 | 20 | 20 | 20 | Financial Quality Workforce Operational | Business case being developed to refresh E Rostering system. To be presented to CLE in August | Ongoing | Ongoing |
| 10 | Decisions are made at System or Trust level without appropriate approval | 3 | 4 | 12 | 12 | 12 | 12 | 12 | Financial Quality Workforce Operational | Proposed new Business Case process ready for consideration and adoption External governance review commissioned and findings to be adopted Vacancy Approvals process to be reintroduced | Ongoing | Dir of Governance |
| 11 | H2 planning guidance to be issued - currently impact on SWB and ICS uncertain | 4 | 5 | 20 | | | | | Financial Quality Workforce Operational | Briefings by national and regional teams. Attendance at ICS DoF meetings. Financial modelling of scenarios | Ongoing | CFO |
| 12 | Increasing number of contracts with Independent Sector providers - potential clinical, operational, workforce and financial implications if not procured appropriately | 3 | 5 | 15 | | | | | Financial Quality Workforce Operational | Full engagement with Procurement to ensure appropriate contracts | Ongoing | CFO |