

Report Title:	Finance Report Month 6		
Sponsoring Executive:	Dinah McLannahan, Chief Finance Officer		
Report Author:	Simon Sheppard, Director of Operational Finance		
Meeting:	Trust Board (Public)	Date	4 November 2021

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

At the end of month 6, the Trust is reporting a small surplus of £20k. As reported to the Board last month it has 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.

The key areas of continued focus are;

- Identification and delivery of a significant 2021/2022 BCBV programme is required to help mitigate the uncertainty of a likely funding gap in H2. The Trust has set targets in line with its long term model, £13.2m. The plans identified currently equate to £10.538m, with £8.2m forecast to deliver.
- Management and reporting of Covid costs – budget reduced by 5% for H2.
- Elective Recovery Fund - The Trust secured £5.4m in Q1. £1.7m of costs have been incurred to deliver this additional activity to date mainly via the Independent Sector.

Capital programme;

- The YTD position (excluding MMUH) is below plan by £5.4m. This underperformance needs to be reduced and closed over the next few months. All areas have produced a revised year end forecast profiled by month to ensure delivery of the programme.

MMUH year to date is significantly below plan by £27.5m.

Cash balances remain strong at £56.7m.

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

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

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

Clinical Leadership Executive

4. Recommendation(s)

The Trust Board is asked to:

- a. Note and discuss** the financial performance to the end of H1

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	x	If ‘Y’ date completed	
Quality Impact Assessment	Is this required?	Y	x	N	If ‘Y’ date completed	

SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST

Report to the Public Trust Board: 4 November 2021

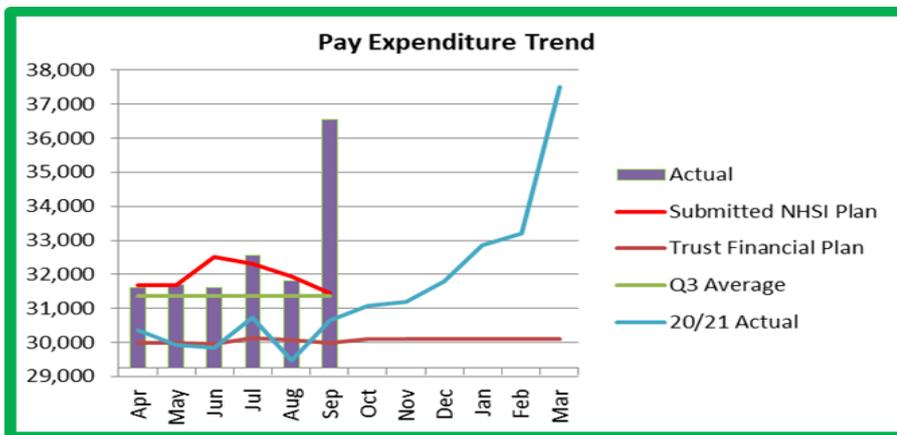
Finance Report – Month 6 2021/22

1. Introduction or background

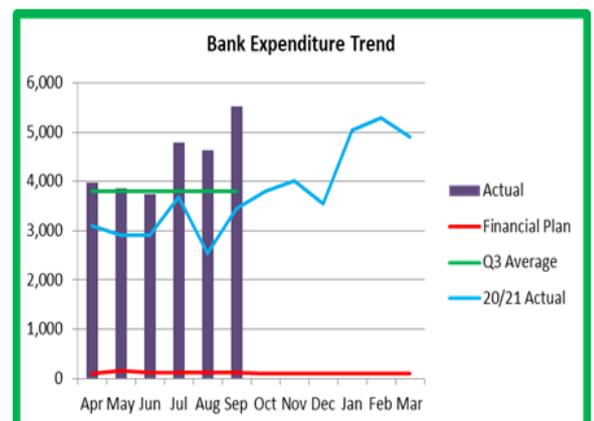
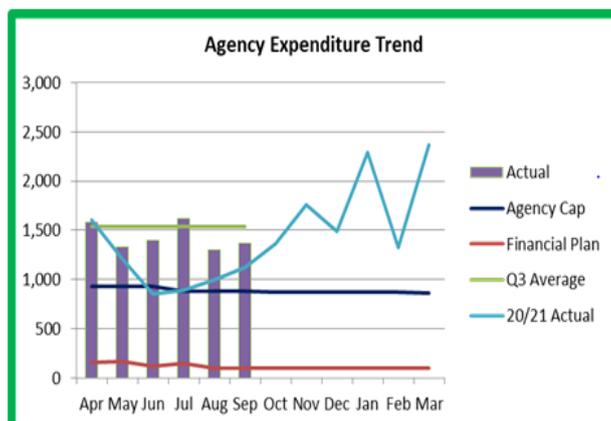
1.1 This report describes the key issues in relation to financial performance year to date against the 2122 H1 financial plan.

2. Income and Expenditure

2.1 The Trust has delivered a break even performance to plan for H1, with a small surplus of £20k. H1 will not be a “hard close” and the Trust will be monitored against the full 2021/22 financial plan.

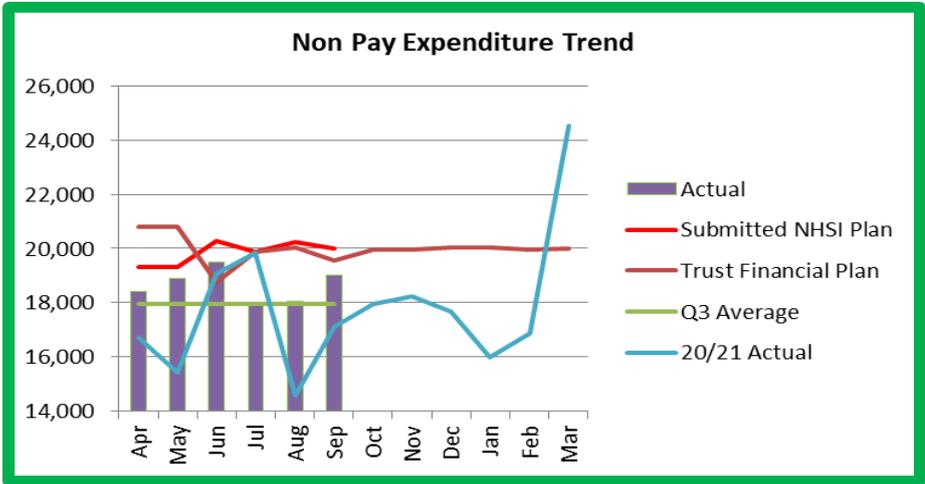


2.2 Pay costs have increased in September largely as a consequence of the 21/22 pay award being paid and back dated to 1 April 2021 (£3.8m). Excluding the pay award the Trust has seen an increase in bank spend, partly volume driven (£0.6m), and partly attributable to increased rates being paid (including backpay) to a number of staff groups (£0.4m). The bank and agency trends are shown below.



2.3 Substantive funded establishment is 7,262 wte, 7,006 after vacancy factors and planned CIPs. 6,525 substantive wte were worked in Month 6, with just over 1,081 bank and agency wtes engaged. The Trust was therefore c601wtes over funded establishment. 164wte are directly attributed to Covid.

2.4 Favourable variance to plan driven by reserves and Covid expenditure reducing (in Month 6, the Trust reported £9.0m of Covid expenditure in H1 against an allocation of £16m). The Trust is seeing increasing pressure in other areas of expenditure, most notably energy, where price increases and some volume increases have seen a £0.62m deterioration in month from average expenditure levels this year. Use of the Independent sector is also increasing, reflected in higher than previous month expenditure against services received, although this has not translated into additional ERF.



2.5 To support H2 planning the Trust will be completing its winter planning incorporating expected costs associated with Covid. Some funding is available for this. Further details are provided to the Board in the H2 planning item and Winter Plan paper.

2.6 It has been confirmed recently that the Trust will receive £5.3m (see Annex 3) of Elective Recovery Fund relating to Q1. The Trust, and the System, has not earned significant ERF in Months 4, 5 or 6 due to operational challenges and more stretching performance trajectories. £1.7m of the benefit of the H1 performance is reflected in the Month 6 position.

2.7 H2 settlement remains unclear at the time of writing. Formal guidance was received on 30 September 2021. The Board will receive a verbal update on the 4 November of progress in agreeing the settlement for H2 within the ICS and a draft planning paper reflecting the latest position.

2.8 The financial arrangements for H2 are broadly consistent with the H1 framework. Systems will continue to receive a fixed system funding envelope based on the H1 2021/22 envelopes, adjusted for

- The recurrent impact of the 3% pay award (for relevant groups) as well as the non-recurrent impact of back dating the award to 1 April 2021. The non-recurrent back pay will be funded in month 7
- An increased efficiency requirement of 0.82% for the six-month H2 period. Targeted reductions in system top-up funding will be applied to some systems based on their distance from their 2021/22 financial improvement trajectory (FIT) funding envelope (BCWB ICS £10.2m).
- Additional efficiency in the Covid-19 allocation, 5% reduction.
- Services funded outside of the system envelopes in H1, such as high cost drugs and devices, will continue to be funded separately.
- Support to reflect the loss of non-NHS income will continue to be provided but at 75% of the amount of support given in H1. This is expected to be £150k.
- Free car parking should continue to be provided for disabled people, frequent outpatient attenders, parents of sick children staying overnight and staff working night shifts. Providers should continue to provide free car parking at their sites for NHS staff for the duration of the pandemic. The Trust has accounted for this in its planning and under the new arrangements with Q Park.

2.9 The Trust has signed up to a financial risk share agreement with ICS partners in 2122 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. FIC will consider in detail the risk share agreement and implications in November.

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 7 reporting across the system. 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.

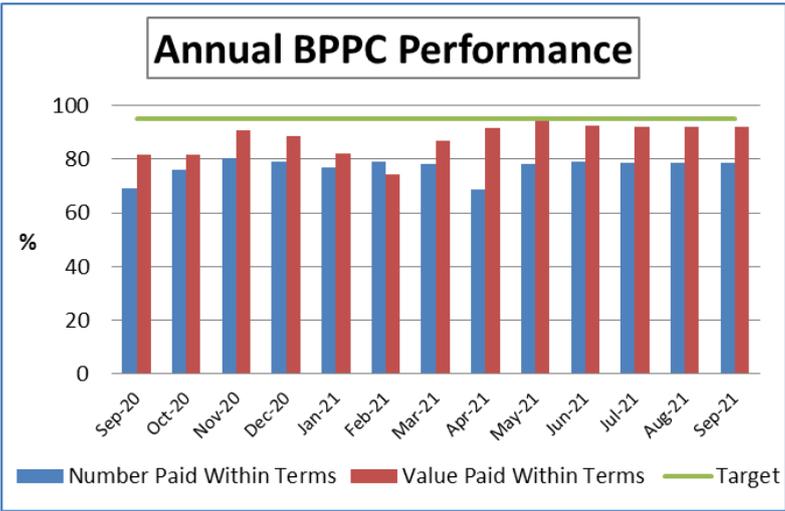
3.2 The MMUH plan reflected the most recent approved cash flow plan from Balfour Beatty, and has not yet been updated until a new plan is approved. The detail of this is covered elsewhere in Board business.

3.3 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 September balances were £56.7m.

3.4 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. The actions include:

- Increasing the number of BACS processing runs each week
- Working with the Pharmacy team on AI invoice processing to improve performance
- Planned Trust wide communications to encourage timely receipting and dispute resolution
- Implementing a Supplier Portal enabling Suppliers to upload invoices directly and allow them to see and assist in progress on invoice approval and payment
- Working with Oracle to identify Invoice hold information in specific circumstances which allows us to exclude the invoice from our performance measure
- Revised method of calculation based on Invoice Receipt Date (replacing Invoice Date) to measure payment performance

3.5 Following implementation of the above the Trust is expecting to meet the 95% target during Q3 of the 2021/22 financial year.



4. Recommendations

- 4.1 The Trust Board is asked to:
- a. Note and discuss the contents of the report

Simon Sheppard
 Director of Operational Finance
 26 October 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

	In Month Plan £ms	In Month Actual £ms	In Month Variance £ms		YTD Plan £ms	YTD Actual £ms	YTD Variance £ms
 I&E Performance	0.55	(0.08)	 (0.63)		0.00	0.02	 0.02
 NHSI Agency Ceiling	0.88	1.36	 (0.48)		5.44	8.59	 (3.15)
 Efficiency Programme (CIP)	1.10	0.54	 (0.56)		6.61	3.41	 (3.19)
 Capital Expenditure (Excl MMUH)	2.3	1.3	 1.0		10.8	5.4	 5.4
 Capital Expenditure (MMUH)	16.6	17.3	 (0.7)		127.6	100.1	 27.5
 Cash Balance	44.1	56.7	 12.6		35.3	56.7	 21.4

Annex 2
2122 Capital Programme

Summary Capital Expenditure: FY 2021/22 to P06							
	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	2,885	1,767	1,118	7,566	7,736	-170
IT	7,046	4,149	1,701	2,448	7,046	6,061	985
Medical equipment	3,616	1,806	420	1,386	3,616	3,616	0
Charity	85	40	0	40	85	85	0
Sub total	18,313	8,880	3,888	4,992	18,313	17,498	815
External - PDC							
STP Reconfiguration	500	500	47	453	500	500	0
PDC BMEC Diagnostic Hub Equipment	670	336	0	336	670	0	670
Sub total	1,170	836	47	789	1,170	500	670
MMUH - PDC							
Midland Met Construction Cost to Complete	170,406	127,619	100,086	27,533	170,406	170,406	0
MHCLG - Midland Met Learning Campus	0	0	0	0	0	500	-500
TOTAL	189,889	137,335	104,021	33,314	189,889	188,904	985
Technical-IFRIC12							
BTC & MES	2,142	1,070	1,474	-404	2,142	2,142	0
Trust Wide Programme	192,031	138,405	105,495	32,910	192,031	191,046	985

Annex 3
Elective Recovery Fund

	Trust View							H1 Total
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21		
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	£9,820,334	£11,610,984	£11,177,431	£9,959,204	£10,679,822	£62,056,404	
Actual/Forecast Performance above LT	£754,112	£1,072,114	£621,554	-	-	-	£2,447,780	
Actual/Forecast Performance above UT	-	£707,362	£1,044,570	-	-	-	£1,751,932	
ERF expected @ 100%	£754,112	£1,072,114	£621,554	-	-	-	£2,447,780	
ERF expected @ 120%	-	£848,835	£1,253,484	-	-	-	£2,102,318	
Total ERF Expected (nb. monitored at system level)	£754,112	£1,920,949	£1,875,037	-	-	-	£4,550,099	
Adjustment to match NHSE/I View of SUS Freeze	£876,808	£65,981	£159,711	-	-	-	£1,102,501	
Total ERF Expected	£1,630,921	£1,986,930	£2,034,749	-	-	-	£5,652,599	
System-level Monitoring Adjustment	(£38,697)	(£2,670)	(£268,953)	-	-	-	(£310,321)	
Total ERF Expected	£1,592,224	£1,984,260	£1,765,795	-	-	-	£5,342,279	

	Apr-21 £	May-21 £	Jun-21 £	Jul-21 £	Aug-21 £	Sep-21 £	H1 FOT £
Performance Against Lower Threshold @ 100% Tariff							
Total DC, EL, OPP, OP							
Sandwell and West Birmingham Hospitals NHS Trust	1,592,224	1,842,787	1,556,881	-335,739	-1,176,623	-727,736	2,751,794
The Dudley Group NHS Foundation Trust	734,646	875,046	34,925	-1,365,190	-1,954,305	-1,587,136	-3,262,014
The Royal Wolverhampton NHS Trust	2,821,723	3,729,405	2,647,975	572,549	74,628	-1,040,810	8,805,469
Walsall Healthcare NHS Trust	837,337	866,866	762,726	-687,001	-311,692	-948,994	519,242
Independent Sector Providers - NHS Black Country and West Birmingham CCG	360,574	271,784	-38,343	782,211	626,772	31,421	2,034,419
Total	6,346,504	7,585,888	4,964,164	-1,033,171	-2,741,221	-4,273,255	10,848,910
Split of Net System Position							
Amount over LT below UT	5,512,934	4,081,276	2,343,230	-1,033,171	-2,741,221	-4,273,255	3,889,793
Amount over UT	0	3,556,767	2,357,260	0	0	0	5,914,028
Total	5,512,934	7,638,044	4,700,490	-1,033,171	-2,741,221	-4,273,255	9,803,821
Funding							
Amount over LT below UT @100%	6,290,736	4,081,276	2,343,230	0	0	0	12,715,242
Amount over UT @ 120%	0	4,199,132	2,828,713	0	0	0	7,027,845
Total	6,290,736	8,280,408	5,171,942	0	0	0	19,743,086
For Non-ISFE and PFRs							
Sandwell and West Birmingham Hospitals NHS Trust	1,592,224	1,984,260	1,765,795	0	0	0	5,342,279
The Dudley Group NHS Foundation Trust	700,592	872,697	26,771	0	0	0	1,600,060
The Royal Wolverhampton NHS Trust	2,822,101	4,176,162	2,247,378	0	0	0	9,245,642
Walsall Healthcare NHS Trust	798,523	915,197	604,091	0	0	0	2,317,811
Independent Sector Providers - NHS Black Country and West Birmingham CCG	377,295	332,092	0	0	0	0	709,387
Total	6,290,736	8,280,408	4,644,035	0	0	0	19,215,180

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 30th September 2021	Forecast 31st March 2022
	£000	£000	£000
Non Current Assets			
Property, Plant and Equipment	681,148	775,542	850,928
Intangible Assets	218	193	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	30,131	30,920
Cash and Cash Equivalents	71,441	56,715	25,252
Current Liabilities			
Trade and Other Payables	(98,279)	(103,894)	(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)	(25,056)	(24,111)
DH Loan	0	0	0
	656,925	731,074	826,605
Financed By			
Taxpayers Equity			
Public Dividend Capital	486,117	560,342	655,797
Retained Earnings reserve	153,089	153,013	153,089
Revaluation Reserve	8,661	8,661	8,661
Other Reserves	9,058	9,058	9,058
	656,925	731,074	826,605

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

Ref	Identified Risk	Likelihood	Severity	Trend	Risk Rating M6	Risk Rating M5	Risk Rating M4	Risk Rating M3	Risk Rating M2	Risk Rating M1	Impact	Mitigating Actions	Exec Lead
1	Covid costs in H1 (April - Sept) are above the funded level	1	5	↔	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	COO
2	Taper funding from NHSEI is not secured in line with the Plan	4	5	↔	20	20	15	15	15	15	Financial	Ongoing dialogue with NHSEI Submission of the monthly returns to NHSEI	CFO
3	Delivery of the 2021/22 Cost Improvement Programme	4	5	↑	20	15	15	15	15	15	Financial	Fortnightly efficiency board chaired by CFO Additional resource in post to lead the programme	CFO
4	Energy prices increase above the funded level	5	5	↑	25	20	20	20	20	20	Financial	Forward purchase on energy	DST
5	Increased sickness levels resulting in greater use of agency and bank staff	4	5	↔	20	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.	CPO
6	Staffing levels are not within the funded establishment	5	5	↔	25	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	CPO
7	Elective Recovery trajectory requires costs above income received	1	5	↔	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	COO
8	Inflation and CNST funding is not received from the ICS allocation	2	5	↔	10	10	10	10	10	10	Financial	CFO engagement in weekly System meetings to ensure funding is secured	CFO
9	Increased nursing costs due to Erostering controls	4	5	↔	20	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
10	Decisions are made at System or Trust level without appropriate approval	3	4	↔	12	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	Dir of Governance
11	H2 planning guidance to be issued - currently impact on SWB and ICS uncertain	3	5	↓	15	20					Financial Quality Workforce Operational	Briefings by national and regional teams. Attendance at ICS DoF meetings. Financial modelling of scenarios	CFO
12	Increasing number of contracts with Independent Sector providers - potential clinical, operational, workforce and financial implications if not procured appropriately	3	5	↔	15	15					Financial Quality Workforce Operational	Full engagement with Procurement to ensure appropriate contracts	CFO