

REPORT TITLE:	2022/23 Financial Plan Update		
SPONSORING EXECUTIVE:	Dinah McLannahan, Chief Finance Officer		
REPORT AUTHOR:	Simon Sheppard, Director of Operational Finance		
MEETING:	Public Trust Board	DATE:	6 July 2022

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

The Integrated Care System (ICS) submitted a plan with a £48.1m deficit. This included a £12.2m deficit for Sandwell and West Birmingham NHS Trust (SWB).

All providers and Integrated Care Systems were asked to resubmit plans on 20 June 2022 to include the additional funding received for excess inflation, and further actions to close any system deficit.

Subsequently, the ICS has submitted a breakeven plan after agreeing additional income assumptions (Inflation, Strategic Development Funding slippage, Elective Recovery Funding) and further cost savings (Covid reduction, cost flexibility)

As a result of the ICS breakeven plan, following income redistribution by the ICS, all organisations have also submitted a break-even plan.

Excluding the additional income, SWB has an internal £17.2m deficit plan – additional income in year would be required from the ICS risk reserve to break even.

There continue to be residual risks at a system level including Elective Recovery delivery and Cost Improvement Programme delivery that will need to be closely monitored.

2. Alignment to our Vision *[indicate with an 'X' which Strategic Objective[s] 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		To work seamlessly with our partners to improve lives	

3. Previous consideration *[at which meeting[s] has this paper/matter been previously discussed?]*

Performance Management Committee, Clinical Leadership Executive 28th June 2022

Finance, Investment & Performance Committee 1 July 2022

4. Recommendation(s)

The Public Trust Board is asked to:

a. NOTE the ICS breakeven plan submission

b. NOTE the SWBH breakeven plan submission - £17.2m internal deficit excluding the ICS stretch

5. Impact *[indicate with an 'X' which governance initiatives this matter relates to and, where shown, elaborate in the paper]*

Board Assurance Framework Risk 01	X	Deliver safe, high-quality care.					
Board Assurance Framework Risk 02	X	Make best strategic use of its resources					
Board Assurance Framework Risk 03		Deliver the MMUH benefits case					
Board Assurance Framework Risk 04	X	Recruit, retain, train, and develop an engaged and effective workforce					
Board Assurance Framework Risk 05		Deliver on its ambitions as an integrated care organisation					
Corporate Risk Register [Safeguard Risk Nos]							
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	

SANDWELL AND WEST BIRMINGHAM NHS TRUST

Report to the Public Trust Board on 6 July 2022

2022/23 Financial Plan Update

1. Introduction or background

1.1 As the Trust Board is aware, the final plan was submitted on 28 April 2022. This reflected a Trust deficit of £12.2m and an overall Integrated Care System (ICS) deficit of £48.1m.

1.2 At the time of submission there were still ongoing discussions at a regional and national NHS England – Improvement level particularly regarding funding for excess inflation costs. Subsequently, additional funding has been earmarked and has been taken account of within plan submission return on 20 June 2022.

2. Plan Submission (20 June 2022)

2.1 All providers and ICS's have re-submitted plans (Income & Expenditure, activity and workforce) on the 20 June 2022 in line with the national deadline.

2.2 The key points are summarised as:

- The financial plan gap, at the March 17 submission, stood at c£124m, reduced to £48.1m based on a range of mitigating solutions, including the freeze of a proportion of developments yet to be initiated; assumed slippage against non-recurrent/SDF allocations; and additional efficiency/reduction in COVID costs.
- Further work has been undertaken to analyse and review excess inflationary pressures and NHS Midlands has worked directly with the system and providers to obtain supporting evidence and validate numbers prior to reporting to the national team.
- There are a number of movements from 21/22 due to the significant reduction in Covid funding, increase in efficiency plans and range of cost pressures/developments, however, the identified excess inflationary pressures explain the revised deficit position of £48.1m.
- Further work has been undertaken by finance and wider system colleagues to review cost pressures, developments and Covid expenditure.
- Further modelling around Elective Recovery Fund (ERF) is to be undertaken to better understand the range of risk / opportunity, accounting for inter-system flows (Black Country is a net importer of elective work) and within system activity delivery.

- Additional funding has been confirmed, which improves the £48.1m deficit planning gap.

2.3 This overall position was discussed further at the CEO/Chair session on the 6 June 2022 and the CEO meeting on 17 June 2022. The outcome was for the ICS to submit an overall breakeven position. As a consequence, each organisation would also report a breakeven following redistribution of income across ICS organisations.

2.4 The table below shows the movements from the 28 April submission of a £48.1m deficit.

£m	CCG	BCH	DIHC	SWBH	DGFT	RWT	WHT	WMAS	Total £m
Plan Deficit @ 28 April	(1.4)	-	-	(12.2)	(8.3)	(15.0)	(7.6)	(3.5)	(48.1)
Additional Funding - excess inflation	0.4	-	-	3.7	2.5	4.5	2.3	1.1	14.6
Remove COVID	-	-	-	0.4	3.2	0.3	-	7.0	10.9
Further SDF Slippage	4.0	-	-	-	-	-	-	-	4.0
ERF Upside	-	-	-	2.5	2.2	2.7	1.3	-	8.6
Balance sheet flex	-	0.1	0.1	2.9	2.1	2.7	1.6	0.5	10.0
Residual Gap	3.0	0.1	0.1	(2.7)	1.6	(4.8)	(2.5)	5.1	(0.0)
Further Realignment	(3.0)	(0.1)	(0.1)	2.7	(1.6)	4.8	2.5	(5.1)	0.0
Break-even	-	-	-	-	-	-	-	-	(0.0)

- £14.6m additional funding received for excess inflation
- £10.9m reduction in costs to reflect planning guidance of no Covid spend from 1 July 2022
- £4.0m of further Strategic Development Funding (SDF) slippage
- £8.6m ERF upside
- £10.0m of additional balance sheet flexibility – this is on top of flexibility already assumed in the £48.1m deficit position.

2.5 Following the application of the above assumptions there was a further re-alignment of ICS income to ensure all organisations have reported a break-even position.

2.6 The following table shows the key movements by organisations across the whole planning cycle - £123.7m deficit to breakeven.

	CCG	BCH	DIHC	SWBH	DGFT	RWT	WHT	WMAS	Total £m
Planning Gap pre 17 March 2022	-	-	-	(35.0)	(36.9)	(32.0)	(18.7)	(1.1)	(123.7)
Adjustment to Financial Envelopes	26.0	0.3	0.1	10.1	14.3	8.1	1.7	7.5	0.2
Inflation funding	0.4	-	-	3.7	2.5	4.5	2.3	1.1	14.6
Sub total	(25.6)	(0.3)	(0.1)	(21.2)	(20.1)	(19.4)	(14.7)	(7.5)	(108.9)
Freeze a % of developments	4.4	-	-	-	3.9	3.2	3.3	-	14.8
Top slice SDF	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0
Other allocations recived in year	10.0	-	-	-	-	-	-	-	10.0
Sub total	(5.2)	(0.3)	(0.1)	(21.2)	(16.2)	(16.2)	(11.4)	(7.5)	(78.1)
Efficiency	3.7	0.2	0.0	12.8	6.8	8.2	7.0	0.0	38.7
NR Flex	1.6	0.1	0.1	5.4	4.0	5.0	3.1	0.5	19.8
Covid	-	-	-	0.4	3.2	0.3	-	7.0	10.9
Sub total	0.1	-	-	(2.6)	(2.2)	(2.7)	(1.4)	0.0	(8.7)
ERF Upside	-	-	-	2.5	2.2	2.7	1.3	-	8.6
Break-even	0.1	-	-	(0.0)	(0.1)	(0.0)	(0.1)	0.0	(0.0)

2.7 With regards to the SWB financial plan there have been no changes to the previous activity and workforce assumptions. The impact of the revised system actions on the Board approved plan of a £31m deficit is:

	Interim Plan £m	Final Plan £m
Initial plan to ICS	(35.0)	(35.0)
Internal improvement to deficit of £31m	4.0	4.0
Internal Plan	(31.0)	(31.0)
Redistribution of ICS income	7.4	10.1
Excess inflation Funding	-	3.7
Revised Internal Plan	(23.6)	(17.2)
Freeze a % of developments	-	-
Covid reduction	-	0.4
NR Flex - ERF Feb/March	0.4	0.4
ERF	-	2.5
NR Flex - balance to £10m	2.1	5.0
3%minm efficiency	7.8	7.8
Addn Efficiency based on adj turnover	5.0	5.0
Internal improvement to deficit of £31m	(4.0)	(4.0)
Plan Submission	(12.3)	(0.0)

2.8 As can be seen from the above table following confirmation of the additional £13.8m income we have a reduced deficit of £17.2m. We do not, however, have any route to break even and therefore require £17.2m in 2022/23 from the ICS risk reserve – this means other ICS partners must do better than their plans by £17.2m.

2.9 There is also considerable organisational and system risks. It has been agreed to continue with the previous system risk share arrangements

- No one is really comfortable with the baseline start points and this should feature heavily as an area of development going forward

- Significant future (and unknown) in year resources are assumed to be required to deliver a system plan
- We are carrying considerable (70% in some organisations) unidentified CIPs
- We are reliant on delivering 104%+ to secure elective recovery income
- We are also reliant on non-recurrent solutions e.g from the balance sheet.

3. Recommendations

3.1 The Public Trust Board is asked to:

- a. **NOTE** the ICS breakeven plan submission
- b. **NOTE** the SWB breakeven plan submission - £17.2m deficit excluding the ICS stretch

Simon Sheppard
Director of Operational Finance
17 June 2022