

REPORT TITLE:	Month 6 2223 Finance Report and forecast		
SPONSORING EXECUTIVE:	Dinah McLannahan, Chief Finance Officer		
REPORT AUTHOR:	Simon Sheppard, Director of Operational Finance		
MEETING:	Public Trust Board	DATE:	2 nd November 2022

1. Suggested discussion points <i>[two or three issues you consider the Trust Board should focus on in discussion]</i>
<p>At Month 6 the Trust is reporting a £15.4m deficit year to date, an £8.7m adverse variance to the £17.1m internal deficit plan. The deficit in Month 6 was £1.1m, having been an average of £2.8m in Months 1 to 5. The main driver for this was the settlement for the pay award versus costs transacted during Month 6. The forecast position has also improved from Month 5 and the Trust has a plausible route to a £17.1m deficit position for 2223, albeit the route is not as planned and worsens the underlying position of the Trust, and increases risk in future years.</p> <p>The Trust submitted to NHSEI a break even plan for 2223 with an assumption that additional income would be sought from the Black Country system via the risk share agreement, in the context of a break even plan submission. The Trust has formally submitted this request during September; the request has been formally acknowledged and is subject to availability of funding. The system is currently in deficit against plan and developing a recovery plan, and therefore the likelihood of risk reserve availability is low.</p>

2. Alignment to our Vision <i>[indicate with an 'X' which Strategic Objective[s] this paper supports]</i>										
<table border="1"> <thead> <tr> <th>OUR PATIENTS</th> <th></th> <th>OUR PEOPLE</th> <th></th> <th>OUR POPULATION</th> </tr> </thead> <tbody> <tr> <td>To be good or outstanding in everything that we do</td> <td>X</td> <td>To cultivate and sustain happy, productive and engaged staff</td> <td></td> <td>To work seamlessly with our partners to improve lives</td> </tr> </tbody> </table>	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
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3. Previous consideration <i>[at which meeting[s] has this paper/matter been previously discussed?]</i>
<p>PMC, CLE 25th October FIPC 28th October</p>

4. Recommendation(s)
The Public Trust Board is asked to:
a. NOTE and DISCUSS the contents of the report

5. Impact <i>[indicate with an 'X' which governance initiatives this matter relates to and, where shown, elaborate in the paper]</i>						
Board Assurance Framework Risk 01		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		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]	X	4994, 4572, 4995, 4996, 4997, 4998, 4999, 5000, 5001, 5002, 4998, 5003				
Equality Impact Assessment	Is this required?	Y	X	N		If 'Y' date completed
Quality Impact Assessment	Is this required?	Y	X	N		If 'Y' date completed

SANDWELL AND WEST BIRMINGHAM NHS TRUST

Report to the Public Trust Board on 2nd November 2022

Month 6 2223 Finance Report and Forecast

1. Introduction

1.1 Our reporting focuses on delivery of an internal deficit plan of £17.124m. This report will look at Month 6 performance against this plan. The Trust submitted externally a break even plan as part of a system wide approach to planning. We are being held to account to deliver an internal deficit plan of £17.1m and to working with system partners to access via the risk share, additional funding to reach break even. This report will also look at the current view of forecast outturn for the year, the Trust having seen significant adverse variance to plan so far this year.

2. Month 6

2.1 The Trust reported a deficit of £15.422m, £8.696m adverse to plan.

2.2 Current drivers of the adverse variance remain in line with last month's report i.e.:

- Energy cost pressures (limited to £0.6m)
- The unfunded use of insourcing/outsourcing in Surgical Services (£2.2m). The use of TOUK for Orthopaedics ended in September. The use of BEST in Ophthalmology will continue for the financial year due to the significant risks within that service currently. The Trust continues to seek financial support for this work from the ICB.
- Additional capacity, in Medicine, in terms of staffing additional beds. A significant number of unfunded beds remained open, 44 in Medicine and 6 in PCCT throughout the month. Medicine also continues to have expenditure on unfunded schemes SDEC, Additional Medical Cover, ED Nursing.
- Drugs previously treated as pass-through and now part of the block £1.4m adverse to budget, offset in part by income via CDF and Specialised Services Commissioning arrangements. Assurance around spend is via the requirement for forms submitted to commissioners to show compliance with NICE technical guidance.
- Use of Modality to support Production Plan delivery £0.9m
- Partially offsetting these pressures are vacancies and other savings across the Trust.

2.3 It is assumed that ERF will not be clawed back despite significant underperformance on relevant activity and plans. ERF performance at M6 was £71.01m against a plan of £76.674m, a potential net clawback of £5.56m year to date net of advice and guidance work. H1 will not be clawed back; H2 clawback remains uncertain. The COO is leading the improvement plan. Looking forward, it is likely that some form of PbR will be reintroduced in 23/24. The Trust's under-performance could introduce significant further risk to our financial plan. We are working on understanding where activity delivery has changed over the pandemic and aligning that with wte analysis to drive a renewed focus on productivity, which will be reported through FIPC. It is also recommended that a Board Level metric on productivity be

worked up. A senior role focusing on operational productivity and efficiency is being recruited to. In terms of income, most Groups have adverse variances to their current income plans. Impact on total income is negligible given the block arrangements but highlights that the Trust continues to do less work overall and at higher cost than pre-pandemic.

- 2.4 System Development Funding (SDF) (£7m): SDF is assumed in the position year to date. The risk around this is the ICB currently do not recognise our assumptions and may well expect additional spend against the income. The Trust plan assumes nothing above the current expenditure plan.
- 2.5 The Trust CIP plan is £25.723m to achieve a break even position, including the income required from the system risk reserve.
Year to date target is £12.423m, actual delivery £8.012m, an adverse variance of £4.423m. This is driven by the stretch CIP plan required to move the Trust to breakeven.
The forecast currently stands at £24.481m. The significant improvement is due exclusively to the changes highlighted in last month's report with the inclusion of the £7.5m non-recurrent flex in the base plan and the associated £7.5m further balance sheet flexibility stretch agreed as part of the financial recovery plan.
- 2.6 In terms of energy costs, the announcement by the Government around support for businesses is reflected in the update financial recovery plan at Annex 4a

3. Other Issues

The inflationary pressures and volatility in markets faced by the Trust should not be underestimated. Energy is just one example, but pressure in areas such as food products are currently significantly more than the uplift given to budgets. Teams are working hard to manage these risks, the Board is therefore asked to note the risk of volatility in markets, and the risk that presents.

4. Financial Recovery Plan

Work has continued on the forecast and financial recovery plan. Annex 4 and 4a sets out the revised forecast and route to the £17.1m deficit plan. This is assessed as relatively low risk and there are some upside opportunities available should other risks or issues materialise through winter (further impact of recruitment slippage, additional funding for Ambulance conveyancing).

5. Capital and Cash

- 5.1 The forecast Capital Plan reflects the previously agreed, overcommitted forecast which is c£5m more than available budget. The latest forecast provides an updated position, with the expected over commitment reducing down to £1.1m (see Annex 3), and an assumption that either expenditure will slip further, or additional funding identified. The Trust is also committing to c£2.8m in relation to the Modular SDEC unit, currently without capital budget. Following the Capital Management Group the Trust is assured it will spend the full non MMUH capital in 2022/23, and this will be kept under regular review, by scheme.

- 5.2 System wide capital management processes indicate all forecast expenditure (including the above over-commitment, and Modular SDEC) can be covered by system budget, with a small amount of headroom. If this changes, the Trust would seek CRL from regional slippage, additional funding, or review the potential to delay expenditure in to 2324.
- 5.3 The Capital summary now reflects the new contract sums for MMUH completion, of which £92m is available in 22/23, with a further £12m due in future years. A revised profile of cashflow has now been received by the Trust from WT Partnership and the impact on the MOU will be calculated for internal review before the end of October 2022. The October Programme Executive Board attended by NHP leaders was assured that there is a process underway to prepare a paper to inform required amendments to the MOU to address contingency and Trust delay costs. There are also Programme Oversight meetings monthly with NHP to manage the Balfour Beatty contract and changes to contingency and compensation events.
- 5.4 Cash is holding up well despite the deficit position and is ahead of plan for September at £66.5m with reimbursement for the cash expended on MMUH funded from PDC now received. c£7m of cash balances at the end of the month relate to MMUH and will be expended in November 2022. The Trust will need to manage cash through flexibility in working balances, as dictated by I&E performance whilst maintaining payment performance (BPPC). Work continues to deliver the 2% spend commitment with local suppliers in line with Anchor Institution commitments and is reported through Audit and Risk Management Committee. Our current view of the year end position on cash which assumes full commitment of the capital programme and a £17m deficit is £37.5m.

6. Recommendations

- 6.1 The Public Trust Board is asked to:
- a. Note the contents of the report

Dinah McLannahan
Chief Finance Officer

25th October 2022

Annex 1: Key Headlines


Annex 2: Statement of Financial Position

Annex 3: Capital Programme

Annex 4: Forecast

Annex 4a: Financial Recovery Plan

**Annex 1
Key Headlines**

		In Month	In Month	In Month			
		Plan	Actual	Variance	YTD	YTD	YTD
		£ms	£ms	£ms	Plan	Actual	Variance
					£ms	£ms	£ms
	I&E Performance	(1.19)	(1.14)	● 0.05	(6.73)	(15.42)	● (8.70)
	NHSI Agency Ceiling	1.21	1.62	● (0.42)	7.25	8.54	● (1.29)
	Efficiency Programme (CIP)	0.88	0.79	● (0.08)	4.90	4.25	● (0.65)
	Capital Expenditure (Excl MMUH)	(0.33)	1.27	● (1.61)	10.42	5.36	● 5.06
	Capital Expenditure (MMUH)	8.96	0.24	● 8.72	62.22	48.37	● 13.85
	Cash Balance	28.84	66.50	● 37.66	28.84	66.50	● 37.66

- Efficiency programme values exclude the ICS related stretch
- Capital expenditure (Excl. MMUH) plan now reflects the Trust internal plan – annual £19,005k

Annex 2
Statement of Financial Position

Sandwell & West Birmingham Hospitals NHS Trust
STATEMENT OF FINANCIAL POSITION 2022/23

	Balance as at 31st March 2022	Balance as at 30th September 2022	NH SI Planned Balance as at 30th September 2022	Variance to plan as at 30th September 2022	NH SI Plan as at 31st March 2023	Forecast 31st March 2023
	£000	£000	£000	£000	£000	£000
Non Current Assets						
Property, Plant and Equipment	646,763	688,727	891,538	(202,811)	775,879	775,879
Intangible Assets	183	159	158	1	131	131
Investment Assets	0	0	0	0	0	0
Trade and Other Receivables	100	100	100	0	100	100
Current Assets						
Inventories	3,585	3,585	3,437	148	3,585	3,585
Trade and Other Receivables	44,141	32,074	37,852	(5,778)	32,122	32,122
Cash and Cash Equivalents	55,013	66,497	28,837	37,660	37,517	37,517
Current Liabilities						
Trade and Other Payables	(85,865)	(101,807)	(97,658)	(4,149)	(116,639)	(116,639)
Provisions	(3,580)	(3,522)	(950)	(2,572)	(2,950)	(2,950)
Borrowings	(2,587)	(17,246)	(2,408)	(14,838)	(17,511)	(17,511)
DH Loan	0	0	0	0	0	0
Non Current Liabilities						
Provisions	(3,391)	(3,391)	(3,529)	138	(3,529)	(3,529)
Borrowings	(39,145)	(23,192)	(23,769)	577	(23,769)	(23,769)
DH Loan	0	0	0	0	0	0
	615,217	641,984	833,608	(191,624)	684,936	684,936
Financed By						
Taxpayers Equity						
Public Dividend Capital	664,941	707,246	664,151	43,095	757,659	757,659
Retained Earnings reserve	(73,442)	(88,868)	151,738	(240,606)	(90,442)	(90,442)
Revaluation Reserve	14,660	14,548	8,661	5,887	8,661	8,661
Other Reserves	9,058	9,058	9,058	0	9,058	9,058
	615,217	641,984	833,608	(191,624)	684,936	684,936

Analysis

- Cash is significantly ahead of plan as a consequence of:-
 - Capital programme underspend
 - Carry forward of MMUH Fund that will be spent in November 2022
 - Adverse I&E performance to date that is offsetting the positive impacts above
- Further Analysis of Cash Balances and movements are included on the SOCF slide
- 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
- Further analysis on Receivables and Payables balances is available on slide

SANDWELL & WEST BIRMINGHAM HOSPITALS NHS TRUST									
Summary Capital Expenditure: FY 2022/23 to P06									
	Annual	Year to Date			Year End Fore cast			Internal Plan £000s	Variance £000s
	Original Plan £000s	Plan £000s	Actual £000s	Variance £000s	NHSI Plan £000s	Forecast £000s	Variance £000s		
Internal - Self Financing									
MMUH	3,810	2,081	1,384	697	3,810	2,895	915	3,810	0
Estates	6,015	3,008	1,543	1,465	6,015	8,518	-2,503	8,465	-2,450
IT	4,215	2,107	1,025	1,082	4,215	4,466	-251	4,466	-251
Medical equipment	4,965	2,437	270	2,167	4,965	4,250	715	7,540	-2,575
Charity	90	0	0	0	90	90	0	90	0
Sub total	19,095	9,633	4,222	5,411	19,095	20,219	-1,124	24,371	-5,276
External - PDC Funded									
MMUH - PDC	585	584	584	0	585	585	0	585	0
MMUH - PDC Paid in Advance 21/22	5,456	5,456	5,456	0	5,456	5,456	0	5,456	0
MMUH - MOU	92,132	56,179	42,330	13,849	92,132	92,132	0	92,132	0
Midland Met Learning Campus (Grant Funded)	0	0	0	0	0	0	0	0	0
Sub total	98,173	62,219	48,370	13,849	98,173	98,173	0	98,173	0
TOTAL INTERNAL & PDC FUNDED	117,268	71,852	52,592	19,260	117,268	118,392	-1,124	122,544	-5,276
Technical-IFRIC12									
BTC & MES	1,570	786	1,134	-348	1,570	1,570	0	1,570	0
Trust Wide Programme	118,838	72,638	53,726	18,912	118,838	119,962	-1,124	124,114	-5,276

Analysis

- The table above shows the Month 6 spend position against the agreed Trust plan.
- The total plan for MMUH-PDC is now finalised and reflects the MOU issued by NHP. A recent reduction in the contract performance will require the cashflow for 22/23 to be recalculated and phased according to the contractors expected performance, this will likely result in a change to the issued MOU issued by NHP.
- The plan for all non MMUH spend reflects an overcommitment against the ICS agreed Capital resource on the basis that there will be slippage within schemes through the year and we will achieve the ICS total. The current forecast now shows a potential £1,124k overspend, down from £5,276k
- The Trust is confident it will deliver within the £19,095k allocation based on the latest forecast

**Annex 4
Forecast**

Row Labels													Sum of		
	Sum of Apr- Sum of May- Sum of Jun- Sum of Jul-				Sum of Aug- Sum of Sep-		Sum of	Sum of	Sum of	Sum of	Sum of	Sum of	Actual	Sum of	Sum of FOT
	Actual	Actual	Actual	Actual	Actual	Actual	Oct- FOT	Nov- FOT	Dec- FOT	Jan- FOT	Feb- FOT	Mar- FOT	£'000s	Total	Variance to
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	(Adjusted FOT)	£'000s	£'000s
913410 - Income from Activities	47,579	47,490	50,896	49,472	48,775	53,588	49,832	49,329	49,369	49,386	49,359	49,359	594,436	597,509	(3,073)
913420 - Other Income	4,191	4,138	3,876	3,248	3,408	3,846	4,423	3,972	3,971	3,866	3,874	3,883	46,694	44,194	2,500
913510 - Pay Expenditure	(34,057)	(34,491)	(34,609)	(34,569)	(35,439)	(37,580)	(35,958)	(35,903)	(36,146)	(36,491)	(36,702)	(36,857)	(428,802)	(422,629)	(6,174)
913710 - Non Pay Expenditure	(17,949)	(18,449)	(18,012)	(18,573)	(18,107)	(18,368)	(18,598)	(19,239)	(19,360)	(19,207)	(18,933)	(19,000)	(223,795)	(205,043)	(18,752)
913720 - Non Operational Costs	(2,565)	(2,552)	(2,545)	(2,833)	(2,609)	(2,621)	(2,644)	(2,644)	(2,644)	(2,644)	(2,644)	(2,644)	(31,587)	(31,156)	(431)
Grand Total	(2,802)	(3,865)	(394)	(3,254)	(3,972)	(1,134)	(2,944)	(4,484)	(4,810)	(5,089)	(5,045)	(5,258)	(43,053)	(17,124)	(25,929)

- The revised gross forecast pre mitigation is **£43,053k**, which is an **improvement of £4,491k** from the month 5 version
- The key reasons for this improvement are:
 - Improvement due to the pay award related income settlement.
 - Revised bank and agency accruals following the pay award settlement
 - General improvements in Group Forecasts

Annex 4a
Financial Recovery Plan

	Action	Exec Lead	Date of confirming the action	FRP Initial 22/23 Value £000s	FRP M6 22/23 Value £000s	Value Confidence	Monitoring	Risk of Delivery
1	Confirm ICS resource, or not, for the Insourcing / Outsourcing SWB commitments	CFO	31/08/2022	1,200		Green	Exec Group	Red
2	Confirmation of the Strategic Development Funding (SDF) plan assumption	CFO	31/08/2022	-	-	Green	Exec Group	Red
3	Confirmation of additional ERF baseline funding from BSOL	CFO	31/08/2022	7,000	7,000	Green	Exec Group	Yellow
4	Agree the bank rate proposal from January 2022 CLE	Exec Team	31/08/2022	1,750	1,628	Green	Exec Group	Yellow
5	Review the additional bed capacity open above plan assumptions to assess whether any can be closed (review LOS; BSOL transfers; Delayed discharges) - Conveyancing	COO	30/09/2022	1,000	-	Yellow	Exec Group	Yellow
6	Review the additional bed capacity open above plan assumptions to assess whether any can be closed (review LOS; BSOL transfers; Delayed discharges) - Beds xxx from 1 October		30/09/2022			Yellow	Exec Group	Red
6	a) Medicine	COO		1,934	1,295	Yellow		Red
6	b) PCCT	COO		126		Yellow		Red
6	c) Surgical Services	COO		tbc		Yellow		Red
7	Re-instate staff car parking charges	Exec Team	30/09/2022	-	-	Green	Exec Group	Red
8	Stop the MMUH related recruitment until 1 April 2023	Exec Team	31/08/2022	1,000	1,000	Green	Exec Group	Yellow
9	Reduce sickness absence rate from 6% by targetted individual plans	CPO	30/09/2022	tbc	tbc	Green	Exec Group	Green
10	Assess any further balance sheet flexibility as a non recurrent solution above £7,500k plan assumption	CFO	31/08/2022	7,500	7,502	Green	Exec Group	Green
11	Enhanced controls on discretionary spend e.g. well being	CFO	31/08/2022	600	500	Green	Exec Group	Green
12	Enhanced controls on discretionary spend e.g. training	COO	31/08/2022	500	500	Green	Exec Group	Green
13	Review of all non clinical agency spend with a view to recruit substantive or remove the agency	CPO	31/08/2022	tbc	tbc	Green	Exec Group	Green
14	Elective Recovery funding improvement plan	COO	30/09/2022	tbc	tbc	Green	Exec Group	Green
15	Vacancy management	CPO	31/08/2022	5,000	-	Green	Exec Group	Yellow
16	Review of the modality contract - VFM	CFO	30/09/2022	tbc	tbc	Green	Exec Group	Green
17	Pass through costs for drugs above baseline	CFO	30/09/2022	1,500	-	Yellow	Exec Group	Red
18	22/23 year end energy forecast	CDO	30/09/2022	-	5,296	Green	Exec Group	Green
19	Stop all Covid related workforce expenditure - security	COO	31/08/2022	400	210	Green	Exec Group	Green
20	Agreement of maternity pathway recharges with BSOL ICB	CFO	30/09/2022	1,000	1,000	Green	Exec Group	Green
	TOTAL			30,510	25,931			