



<b>REPORT TITLE:</b>	Finance Report Month 6		
<b>SPONSORING EXECUTIVE:</b>	Dinah McLannahan, Chief Finance Officer		
<b>REPORT AUTHOR:</b>	Dinah McLannahan, Chief Finance Officer		
<b>MEETING:</b>	Public Trust Board	<b>DATE:</b>	8 <sup>th</sup> November 2023

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

**Year to Date Position** - At month 6, the Trust reported a £21.24m deficit, against a plan of £12.02m, an adverse variance of £9.228m. We have now exceeded the planned full year deficit of £18.8m.

**Year End Forward Look** – Important to note that the Trust has not formally varied its forecast outturn and is reporting that it will deliver plan. To achieve this the Trust will require the costs of industrial action, excess inflation and the MMUH clinical model to be funded in full.

**The Trust must now focus** – on improving the recurrent Cost Improvement Plan (CIP) delivery position to ensure at least 4% CIP (Full Year Effect [FYE]) is delivered and ensuring alongside that (through planning for 2425) that there is a workforce plan compliant with recurrent budgets.

**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 Group 23<sup>rd</sup> October, Trust Management Committee 24<sup>th</sup> October, Finance & Productivity 27<sup>th</sup> October

**4. Recommendation(s)**

The Public Trust Board is asked to:

**a. NOTE** the contents of the report

**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		Deliver safe, high-quality care.					
Board Assurance Framework Risk 02	X	Make best strategic use of its resources					
Board Assurance Framework Risk 03	X	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]							
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 8<sup>th</sup> November 2023

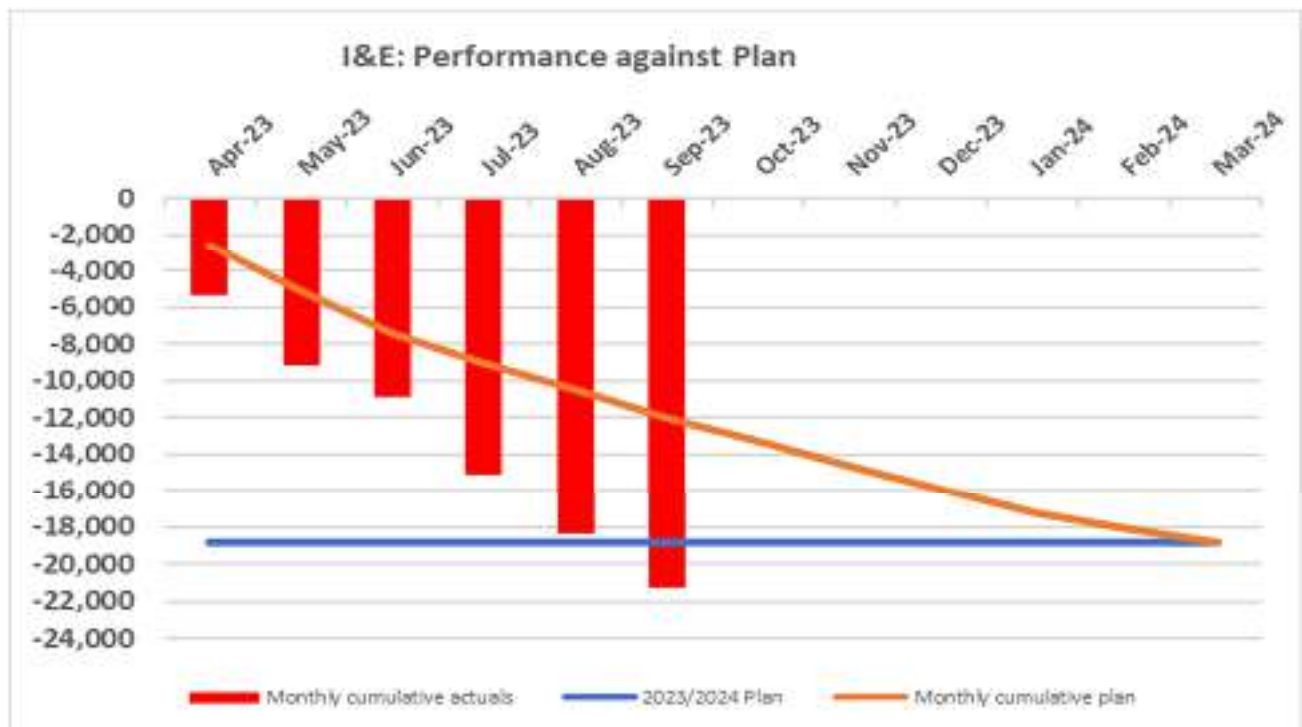
### Finance Report Month 6

#### 1. Introduction or background

1.1 This report will cover Month 6 financial performance, progress on in year financial recovery, and securing future financial sustainability.

#### 2. Month 6 financial performance

2.1 The chart below shows monthly income and expenditure performance against plan to Month 6.



2.2 There are many relatively small unders and overs in an organisation of our size. The key drivers for the adverse variance are the costs of industrial action (£5.3m), excess inflation (£1.966m), and income for MMUH clinical model costs (£4.86m).

2.3 Taking each item in turn, it is expected that there will be further performance adjustments to allow for the financial impact of industrial action yet to be confirmed. It is possible that our system may receive some funding towards the excess costs of inflation. If this does not happen, this will be a variance to plan, but a risk that was identified at planning stage and one that we have been unable to mitigate. We are in active discussions with both Integrated Care Boards (ICB) and NHS England (NHSE) colleagues in relation to the costs of MMUH; it is our expectation that these discussions will lead to either additional funding or an allowable variance to plan.

- 2.4 The Trust has submitted to the ICB a best case, most likely and worst case forecast outturn, but has not formally reported that it will not achieve plan (best case). Our assumptions in relation to achieving plan are very clear, i.e. funding in full for Industrial action, MMUH clinical model and excess inflation. In addition, we expect to see an increase in costs over the winter period, and an improvement in the run rate as a result of our internal financial recovery plan work. The wider ICS leadership met with the NHSE Finance Director and regional colleagues in early October about its financial performance. We are meeting again in mid-November when the month 7 position will be understood. There is an expectation that the recurrent CIP delivery position will have begun to show improvement at that stage.
- 2.5 **In relation to Cash** – the Trust held £47.5m in cash at the end of September, this is a drop from the end of August but reflects late receipt of cash in relation to MMUH, received in October. The Trust expects to hold £25m in cash at the end of the financial year if it achieves a deficit of £18.8m. The ICB have proposed a “Cash Protocol” – this will involve cash support from organisations with sufficient cash to those who would otherwise require central support. This would be facilitated through a process of repaying/borrowing Public Dividend Capital (PDC) from the Department of Health and Social Care (DHSC.) SWB will be submitting a forecast cashflow to the ICB so that requirements for cash borrowing and availability are identified and matched across the system. When the protocol is finalised, it will be reviewed at the F&P Committee. Better Payments Practice Performance (BPPC) is slightly below the required target of 95% at the moment as the Trust pays older invoices and resolves disputes. We expect to recover this quickly.
- 2.6 **In relation to capital** – The Trust set an internal plan of c£25m against a budget of £20m to allow for slippage of schemes and to ensure full commitment of the capital budget, underspends against which do not roll over. October’s capital management group reviewed each scheme line by line in relation to year to date spend and forecast and expects to spend to budget. This excludes c£2m expenditure on the MMUH Urgent Treatment Centre in 2324, for which the Trust is seeking ICB budget slippage and for 2425 expenditure, budget support from NHSE (with a 3-year bridging “pay back” arrangement). The Trust expects to have a budget solution for the UTC by the time a contract needs to be signed to ensure aligned opening of the Urgent Treatment Centre (UTC) and MMUH. The Trust is assuming it will have to use its own cash balances in relation to UTC. This could result in very low cash balances early in May 24.
- 3. In year financial recovery**
- 3.1 The Trust’s deficit plan included £84.2m of risk, including a recurrent efficiency requirement of £46.2m (6.6%) plus a pay stretch of £7m. The key parts of this were £30m CIP, £16.2m executive led financial recovery schemes, and the pay stretch. Following a diagnostic in Q1, the Trust initiated additional resource and focused work on in year financial recovery in to maximise recurrent CIP delivery in 2324. 4 key interventions were initiated under a Financial Recovery Reset process as presented at the July F&P Committee.

## SWB Financial Recovery Plan – 4 key interventions



- 3.2 Progress continues with the 4 key interventions led by the Interim Cost Improvement Consultant. There is good progress with workforce grip and control measures, and we now have a plan compliant workforce trajectory from all groups against which we can track performance.
- 3.3 The current reported position continues to highlight a significant outturn adverse variance to the in-year plan of £16.7m against the target of £53m. The Trust continues to work to improve and maximise recurrent delivery. As a minimum, the Trust should aim to achieve an exit of 4% recurrent efficiency, or £30m. A review of the exec led financial recovery schemes (£16.2m) during October has revealed that it is likely that some of these will need to be removed and replaced with new initiatives, work is ongoing in relation to this. We can see new opportunities of £7.1m (FYE) which are being worked up to reflect in future reporting.
- 3.4 The graphic below sets out the governance and oversight of financial recovery in the Trust at the current time.



## SWBH Financial Recovery - Intervention 2 – Tighten Governance

Redesign Governance models to maximise delivery potential and provide greater grip and assurance



### 4. Securing Financial Sustainability



4.1 The Trust continues to use the above factors to secure long term financial sustainability. ICB commissioned activities refer to the system's financial recovery partner, PA Consulting, who are presenting their interim report to the Private Trust Board on 8<sup>th</sup> November. The Black Country Provider Collaborative continues to develop and is working to align workstreams (such as the Corporate Improvement Programme) to the PA work. System and place work is also developing and the ICB are working on shadow contract values that will eventually enable devolution of resources to either system wide or place-based responsibilities. MMUH benefits will feed in to the medium and long term financial plans and we are extracting the cash releasing benefits element to achieve this. As we develop the roll-out of our Improvement System with our preferred partner, the extent to which this will contribute to financial recovery will become clear. Finally, organisational development, our people plan, and the adoption of best practice and innovation will contribute to productivity and improvement opportunities as those benefits become clear. All of this will be brought

together in the 2024/25 operational and strategic planning approach, covered in a separate paper for this Board meeting.

## **5. Recommendations**

5.1 The Public Trust Board is asked to:

a. **NOTE** the contents of this report

**Dinah McLannahan**  
**Chief Finance Officer**

**26<sup>th</sup> October 2023**