

Report Title	Finance Report Month 2 - 21/22		
Sponsoring Executive	Dinah McLannahan, Chief Finance Officer		
Report Author	Simon Sheppard, Director of Operational Finance		
Meeting	Trust Board (Public)	Date	1 July 2021

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

The Trust is at breakeven at Month 2, and is still forecasting break even for H1. It is managing expenditure within the block income allocated, and Covid costs have reduced by £600k since last month. We now have a forecast for Covid costs that expects a reduction by end of Month 6 to c£600k a month (M2, £1.3m, M1, £1.9m).

ERF income of £1.7m is accrued to Month 2, but any contribution to the bottom line neutralised by a risk to income (due to required gateway assessment). It is expected that processes will develop fully by Q2. Pay costs have reduced back to a similar run rate seen in Q3 2021. A forecast trajectory for temporary staffing will be reported to FIC in July.

Cash balances were artificially low at 31st May due to a delay in receipt of the May PDC for MMUH, received in June. The 2122 capital programme is underway; dialogue is underway to confirm CDEL treatment of the Learning Campus which expects at least £500k of expenditure in 2122.

Risks will be refreshed for Q1 and measured against 2122 full year plan. It is expected that H2 funding will be a modified version of H1, with more stringent ERF processes, possibly continued funding for some Covid costs and increased efficiency requirements. It is still expected that the Trust's plans for CIP delivery will be well above the increased requirements.

2. Alignment to 2020 Vision *[indicate with an 'X' which Plan this paper supports]*

Safety Plan		Public Health Plan		People Plan & Education Plan	X
Quality Plan		Research and Development		Estates Plan	X
Financial Plan	X	Digital Plan		Other <i>[specify in the paper]</i>	

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

Clinical Leadership Executive (22 June 2021)
Performance Management Committee (22 June 2021)

4. Recommendation(s)

The Trust Board is asked to:

- a. **Note** the financial position for the Trust at the end of May 2021
- b. **Note** the financial risks and mitigation actions
- c. **Note** the approach the planning for H2 (Oct 21 – March 22) and 2022/23 Financial Year
- d. **Note** the Integrated Care system financial position and H1 forecast

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 & 10				
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 HOSPITALS NHS TRUST

Report to the Public Trust Board: 1 July 2021

Finance Report Month 2 - 2122

1. Introduction or background

- 1.1 This report is to present the financial performance of the Trust for the period ending 31 May 2021 (Month 2), and to update the Board on the financial planning process for October 2021 to March 2022 (H2).
- 1.2 The paper will highlight performance against the key financial metrics as described below:
- Income & Expenditure
 - Capital
 - Cash
- 1.3 The detailed discussion has been undertaken at the Performance Management Committee (PMC) and Clinical Leadership Executive (CLE), with this paper identifying the key matters for consideration by the Trust Board.

2. Financial Performance

Income & Expenditure

- 2.1 The finalised plan for April to September 2021 (H1) is an income budget of £303.078m. £0.787m for inflation will be held in a system risk reserve – i.e. the Trust should be able to access it if it needs to. The expenditure budgets for H1 have been set at £303.078m, therefore giving a balanced plan for the first half of the 2021/22 financial year, though with monthly profiling of deficits in the early months and offsetting surpluses in the later months.
- 2.2 At the end of May the Trust is reporting breakeven which is £0.689m favourable to the planned position. This position was discussed in detail at PMC and CLE with the key areas for the Trust Board to note being:
- Continued focus on safely reducing Covid costs during H1 through the Groups and Directorates. Performance to date is very positive with the May value at £1.4m compared to £2.2m in Q3 of 2020/21 – although there may be some coding impact.
 - A month on month increased trajectory to deliver the elective recovery and restoration work – the financial consequences will be fed into the integrated care system to ensure the Elective Recovery Funding (ERF) is received. The Trust and system position is shown within the following table:

	Apr-21 £000s	May-21 £000s	Jun-21 £000s	Jul-21 £000s	Aug-21 £000s	Sep-21 £000s	H1 £000s	YTD £000s
SWB	725	1,033	105	1,404	1,000	1,305	0,070	1,700
DCFT	502	400	300			013	2,301	1,001
IRW	2,700	2,014	500	357	440	407	0,000	4,000
WTH	500	400					000	000
IS								
Total	4,731	3,941	1,101	1,821	2,306	2,765	16,665	8,672

The table shows that based on the submitted activity trajectory, SWB is forecasting to receive £6.7m of income in H1. The final level of ERF receivable will be contingent on performance against the 5 gateway criteria, overseen at a system level through the Elective Recovery Board. (see Annex 5 for further details)

- Increased focus on agency spend – this will include a forward forecast aligning with sickness trajectories, e rostering controls, demand etc – to be presented to FIC in July.

Capital

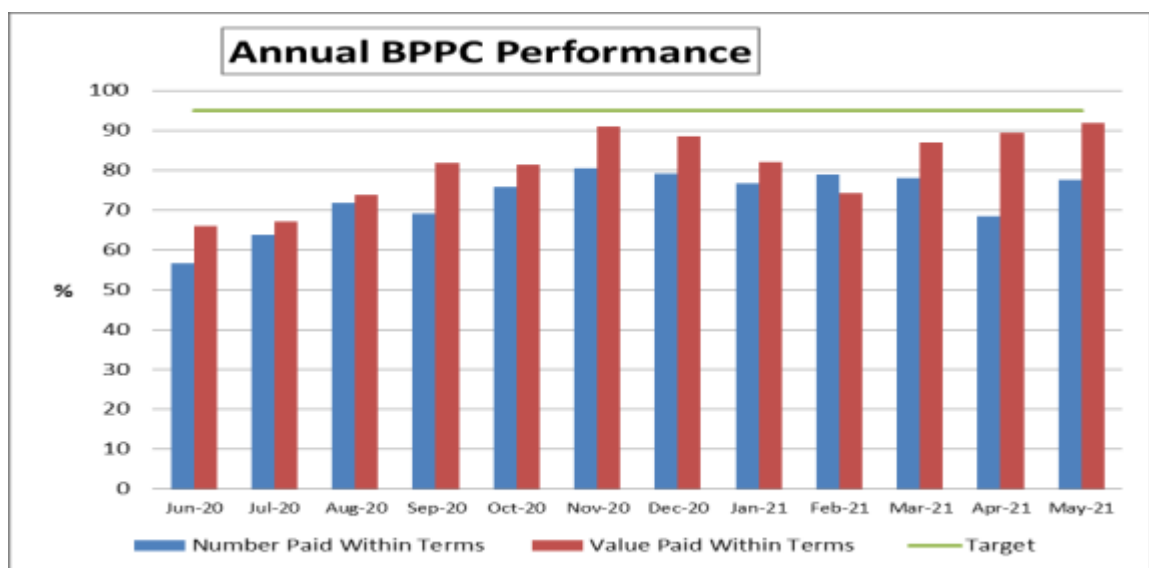
- 2.3 The Trust has an annual capital programme of £189.453m, with the most significant element being the MMUH costs of £170.406m in 2021/22.
- 2.4 This annual plan reflects a £2.578m reduction as all ICS partners have taken a share of a Capital Resource Limit spend pressure whilst the funding source for a modular development at Dudley is resolved. It was agreed that all would reduce by a share of planned spend but retain forecasts in line with the original plan.
- 2.5 The Trust is also in dialogue with NHSEI regarding the financial process, treatment and funding of the Learning Campus development. For this report £0.5m has been assumed in the programme which takes us up to and including outline planning application and Full Business Case submission – November 2021.
- 2.6 At the end of month 2 (Annex 2), the Trust is forecasting in line with the plan plus the £2.578m agreed within the ICS, and the Learning Campus development.

Cash

- 2.7 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.
- 2.8 At the end of May the cash balance was £25.614m. This was lower than plan predominately due to the planned PDC funding (£12m) for the MMUH invoice paid in May, not arriving until early June 2021.

BPPC – Better Payment Practice Code

- 2.9 The Trust operates under the Better Payment Practice Code (BPPC). Since its introduction in September 2011 we aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. The target is to pay 95% of invoices, in terms of value and volume.
- 2.10 Current and historic performance is shown in the Graph below. BPPC is showing continued signs of improvement but remains below the 95% target. This will continue to be managed in line with non-NHS creditor improvement and cash balances. Whilst current performance benchmarks positively within the NHS delivering 95% is a priority in 2021/22.



Local Suppliers

- 2.11 The Trust is aiming to be an “Anchor Institution” by ensuring that we have a significant stake in the local geographical area. Acting as an anchor institution, the Trust can positively influence the social, economic and environmental conditions in the local area to support healthy and prosperous people and communities. In order to satisfy the Trust’s appetite to influence the economic conditions, it is aiming to spend 2% of relevant expenditure with local suppliers. We are defining relevant expenditure as non-pay, excluding categories that we cannot influence, such as CNST, non-opex (costs of capital and finance costs), rates, SCCL spend to name a few. The metrics to demonstrate achievement against this target utilising postcode data to report on three areas of geographical spend (1: SWB, 2: BCWB, 3: BSol) are being embedded within systems to ensure this can be reported from July 2021.

It is possible to report substantive pay spend by postcode and we will endeavour to run this information again. Previous analysis has shown that generally, the longer the distance from our sites the higher the pay. It would be exciting to explore our opportunities to influence and change this in our role as an anchor institution.

3. Financial Planning and ICS Financial Position

3.1 Annex 4 provides an overview of the ICS financial position at the end of May 2021 and the forecast for H1. At the time of writing discussions are ongoing regarding the actions to ensure a system balanced position.

3.2 As well as delivery of the system H1 financial plan, focus is now also on planning for H2 (Oct 21 to March 22) and then into 2022/23. The key areas of work are:

- Share phased plans for H1 to understand and monitor monthly run rates
- To agree a key set of principles are the basis for H2 planning - for example, levels of efficiency, Covid recurrent costs and winter stepped costs
- Review and assess underlying financial positions in a consistent way
- Develop intra-system benchmarking information covering key Activity, WTE, financial information – to assist understanding of efficiency opportunities
- Use underlying positions to develop high level system financial plans for next 2-3 years
- Triangulate finance, activity and workforce to ensure alignment and promote the identification of opportunities within the system through benchmarking
- Agree system wide governance in regards to system efficiency, investments, and prioritisation. The Director of Operational Finance, at SWB, has been asked to lead this piece of work to report into the ICS Directors of Finance.

4. Risks

4.1 As part of the planning for H1 and ongoing reporting the Trust has assessed the current risks to delivery of the financial plan. These are shown in Annex 3 and have been presented to the Performance Management Committee (PMC) and Finance & Investment Committee (FIC).

4.2 The Board is asked to note the risks identified and the mitigating actions to ensure the financial plan is delivered. Ongoing monitoring will be via the PMC with assurance through FIC.

5. Recommendations

5.1 The Trust Board is asked to:

- a. Note the financial position for the Trust at the end of April 2021
- b. Note the financial risks and mitigation actions
- c. Note the approach the planning for H2 (Oct 21 – March 22) and 2022/23 Financial Year

Simon Sheppard
Director of Operational Finance
21 June 2021



















Annex 1: Key Financial Headlines

Annex 2: 2021/22 Capital Programme

Annex 3: Risks & Mitigation to the Income & Expenditure Financial Plan

Annex 4: Integrated Care System Financial Position

Annex 5: Elective Recovery Funding Trajectory

	In Month Plan £ms	In Month Actual £ms	In Month Variance £ms	YTD Plan £ms	YTD Actual £ms	YTD Variance £ms
 I&E Performance	(0.34)	(0.00)	 0.34	(0.69)	0.00	 0.69
 NHSI Agency Ceiling	0.93	1.33	 (0.40)	1.86	2.91	 (1.05)
 Efficiency Programme (CIP)	1.10	0.33	 (0.78)	2.20	0.84	 (1.36)
 Capital Expenditure (Excl MMUH)	1.5	0.5	 1.0	3.8	0.8	 3.0
 Capital Expenditure (MMUH)	24.6	15.8	 8.8	46.9	34.7	 12.1
 Cash Balance	44.4	25.6	 (18.8)	44.4	25.6	 (18.8)

Annex 2 – 2021/22 Capital Programme

	Annual		Year to Date - to 31 May 2021			Forecast		
	Original Plan £000s		Plan £000s	Actual £000s	Variance £000s	Plan £000s	Forecast £000s	Variance £000s
Internal - Self Financing								
Estates	5,766		968	479	489	5,766	7,566	-1,800
IT	6,546		1,561	171	1,390	6,546	7,046	-500
Medical equipment	3,349		602	0	602	3,349	3,616	-267
Charity	85		0	0	0	85	85	0
Sub total	15,746		3,131	650	2,481	15,746	18,313	-2,567
External - PDC								
STP Reconfiguration	500		250	34	216	500	500	0
PDC BMEC Diagnostic Hub Equipment	659		112	0	112	659	670	-11
Sub total	1,159		362	34	328	1,159	1,170	-11
MMUH - PDC								
Midland Met Construction Cost to Complete	170,406		46,865	34,745	12,120	170,406	170,406	0
MHCLG - Midland Met Learning Campus	0		0	0	0	0	500	-500
TOTAL	187,311		50,358	35,429	14,929	187,311	190,389	-3,078
Technical-IFRIC12								
BTC & MES	2,142		356	154	202	2,142	2,142	0
Trust Wide Programme	189,453		50,714	35,583	15,131	189,453	192,531	-3,078

Annex 3 – Risks & Mitigation to the Income & Expenditure Financial Plan

Ref	Identified Risk	Likelihood	Severity	Risk Rating M2	Risk Rating M1	Impact	Mitigating Actions	Exec Lead
1	Covid costs in H1 (April - Sept) are above the funded level	2	5	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	3	5	15	15	Financial	Ongoing dialogue with NHSEI Submission of the monthly returns to NHSEI	CFO
3	Delivery of the 2021/22 Cost Improvement Programme	3	5	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	4	5	20	20	Financial	Forward purchase on energy	DST
5	Increased sickness levels resulting in greater use of agency and bank staff	3	5	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	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	2	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	Financial	CFO engagement in weekly System meetings to ensure funding is secured	CFO
9	Increased nursing costs due to E rostering controls	4	5	20	20	Financial Quality Workforce Operational	Business case being developed to refresh E Rostering system	Ongoing
10	Decisions are made at System or Trust level without appropriate approval	3	4	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

Annex 4: Integrated Care System Financial Position

Surplus / (Deficit)	Year-to-Date			Forecast to Month 6		
	Plan £000s	Actual £000s	Fav/(Adv) Variance £000s	Plan £000s	Forecast Outturn £000s	Fav/(Adv) Variance £000s
BCWB CCG	-	328	328	-	152	152
BCH	(1)	5	6	0	9	9
DIHC	-	9	9	-	3	3
DGFT	1,322	1,498	176	0	-	(0)
RWT	232	2,763	2,532	0	(0)	(0)
SWBH	(689)	-	689	(0)	-	0
WHT	19	151	132	0	48	48
WMAS	(43)	(1,486)	(1,443)	-	(4,969)	(4,969)
TOTAL	840	3,269	2,428	0	(4,757)	(4,757)

Annex 5: Elective Recovery Trajectory

The Trust recently resubmitted its ERF plan to inform the BCWB ICS' 2021-22 H1 forecast submission to NHSEI on 10/6/21. Additional payment of 100% of tariff is based on total values exceeding the ERF trajectory % on a monthly basis. Monthly values above 85% (the maximum trajectory target) attract payment at 120% of tariff. The Trust's forecast is for the delivery of £7.7m additional ERF payment in 2021-22 H1.

ERF 2021-22 H1 Forecast	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	H1 Total
2019-20 unadjusted outturn baseline	£11,503	£11,849	£11,301	£12,669	£11,721	£11,462	£70,505
Threshold value of activity (LOWER THRESHOLD)	£8,052	£8,040	£9,945	£10,301	£9,963	£10,206	£56,507
Threshold value of activity AT 85% (UPPER THRESHOLD)	£9,777	£9,112	£10,566	£10,301	£9,963	£10,206	£59,926
Forecast Actual Activity Value	£8,806	£9,074	£10,171	£12,036	£11,721	£11,462	£63,270
ERF expected @ 100%	£755	£1,033	£226	£1,735	£0	£0	£3,749
ERF expected @ 120%	£0	£0	£0	£347	£2,110	£1,506	£3,963
Total ERF expected	£755	£1,033	£226	£2,082	£2,110	£1,506	£7,712

When aggregated at BCWB ICS level the Trust's share of the overall ICS forecasted additional ERF payment is £6.68m of a total £16.7m as set out below

	Apr-21 £	May-21 £	Jun-21 £	Jul-21 £	Aug-21 £	Sep-21 £	H1 £
Performance Against Lower Threshold @ 100% Tariff							
Total DC, EL, OPP, OP				(291,500)	(231,830)		
			(243,749)	(347,627)	(28,698)	(202,678)	
Total	4,730,712	3,941,190	1,100,914	1,517,852	1,921,382	2,303,900	15,515,950
Split of Net System Position							
Total	4,730,712	3,941,190	1,100,914	1,517,852	1,921,382	2,303,900	15,515,950
Funding							
Total	4,730,712	3,941,190	1,100,914	1,821,423	2,305,658	2,764,680	16,664,577
For Non-ISFE and PFRs (Ind Sector monitoring not available. Risk that performance reduced system performance against threshold)							
Total	4,730,712	3,941,190	1,100,914	1,821,423	2,305,658	2,764,680	16,664,577