SANDWELL AND WEST BIRMINGHAM NHS TRUST

Report to the Public Trust Board on 12th July 2023

Month 2 Finance Report

1. Introduction

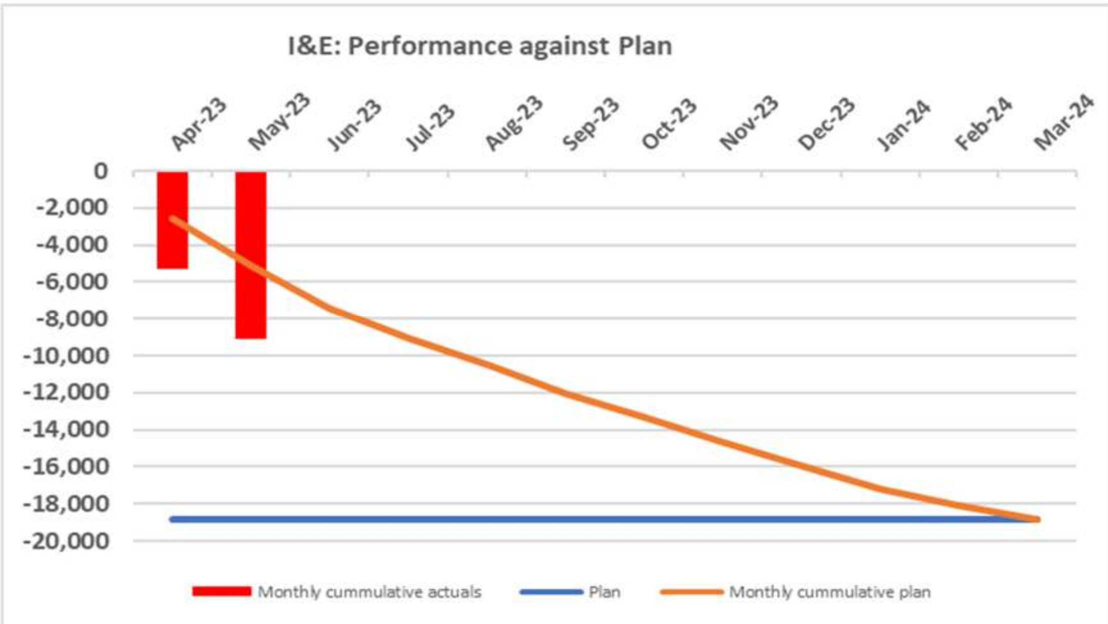
1.1 The Trust submitted a plan at the beginning of May, a deficit of £18.823m, representing a significant improvement from initial plan submissions. This required the identification of a significant Financial Improvement Plan amounting to £84.4m.

1.2 The report will pull out the main elements of the performance to Month 2, and the financial outlook for the Trust.

1.3 Matters regarding the workforce will be dealt in the separate workforce paper.

2. Month 2 Headlines

2.1 Below is the run chart for the year and month 2 performance.



2.2 At month 2, the Trust has reported a £9.126m deficit, against a plan of £5.132m, an adverse variance of £3.994m.

2.3 **The main drivers of the adverse position year to date are:**

Under-delivery against the Financial Improvement Plan:	(£4.641m)
April Junior Doctors Industrial Action Costs:	(£1.117m)

These are partially offset by a number of small favourable non-recurrent variances across directorates and reserves. One favourable variance of note is interest receivable where cash balances significantly higher than plan, combined with increased interest rates have driven a £0.356m favourable variance year to date. If the organisation remains off plan, and as Capital Programmes start, cash balances will decrease and interest received reduce.

The variable element of the contracts with commissioners are in balance, after the final submission of April data saw significant coding improvements and May initial submissions showed a favourable position. Industrial action in June, and further disruption, will continue to add risk to delivery.

3. Financial Improvement Plan

3.1 The journey to the May submission plan saw the Trust agree to £84.4m worth of risk in the plan, mitigated by 5 themes. The 6th line is a balancing adjustment. The position against these 5 workstreams is set out below.

VARIANCE FINANCIAL PLAN SCHEME	Annual Plan £000's	Apr-23 £000's	May-23 £000's	TOTAL £000's
CIP/Workforce Stretch	37,000	69	716	784
Executive Led Schemes	16,200	-845	-963	-1,808
MMUH	14,600	-808	-808	-1,617
Core Balance Sheet	9,600	-804	-804	-1,607
Excess Inflation	7,000	-335	-335	-670
Balance		138	138	276
	84,400	-2,585	-2,056	-4,641

3.2 Headlines

Significant adverse variance to plan **(£4.641m, 41.5%)**

Groups and Corporate Directorates are over-delivering CIP/Workforce stretch but via non-recurrent schemes mainly vacancies. Revised wte plans have been received from all groups and directorates to achieve recurrent compliance with wte trajectories in the plan and are being reviewed at the time of writing.

All other workstreams have significant adverse variances to plan.

The Trust has committed to identifying recurrent schemes through the course of 2023-2024.

3.3 CIP/Workforce Stretch

This is made up of £30m national CIP requirement at c4%, and a Pay re-profiling exercise of £7m. The latter has been identified for 2023-2024 as non-recurrent, reflecting an adjustment for realistic recruitment activity, the recurrently funded posts still remaining in the establishment of the Trust. There remains an unidentified value against the plan of £10.023m. It is expected that Groups will deliver this as part of the Workforce profile work due for completion 23rd June. Additional support has been brought in to the Trust to drive CIP delivery, although there is gap in the infrastructure in the Trust to support groups with delivery whilst the Improvement Team focus on CQI. Potential ROI on CQI appears to be very significant and any partner should ensure that there is a conversion to cash releasing benefits. The Trust also needs to begin to convert the benefits realisation work from MMUH in to cash releasing plans.

At month 2, performance against plans was favourable overall at £0.784m.

3.4 Executive Led Schemes Lead: Various Executives

At month 2 £1.808m adverse to plan, only 1 scheme is delivering currently, that is non-recurrent reserves management. There is significant income schemes related to commissioners (£5.7m) and their financial outlook suggests that these are at high risk of non-delivery. Performance is expected to improve at Month 3 as specific actions are identified to support delivery.

3.5 Adverse variance MMUH Lead: Chief Finance Officer

At month 2 adverse variance to plan of £1.617m. The Trust identified the costs of MMUH to the organisation as £14.6m in 2023-2024. As part of the plan, a plan to obtain income to support those costs was put in place. Currently there is no identified route to this income. Due to slippage away from the planned opening date, an element of the costs will not be incurred in 2023-2024. These costs are being worked through to identify the full effect of the delay on cost profile, and it is likely that the non-recurrent financial benefit of the delay will increase. A view on reporting will be taken against this at Month 3 given expectations on reporting against plan.

3.6 Core balance Sheet Lead: Chief Finance Officer

At month 2, showing adverse variance to plan of £1.607m. This adverse position is likely to improve at Month 3 as accounts for 2223 have been signed off. There are now a number of avenues that need to be actioned to ensure delivery, a key one being the annual leave accrual. Communications have gone out to all staff on expectations for 2023-2024. These have been in line with Trusts that have already removed their accrual. POD have agreed to do a review on a regular basis to identify areas showing significant outstanding leave, and finance will confirm with audit the approach in September.

3.7 Excess Inflation Lead: Chief Development Officer

At month 2, showing adverse variance to plan of £0.67m. As part of the planning process, providers were asked to remove excess inflation. The Trust removed £7m of costs, almost all relating to energy. There are two possible routes to this, either the Trust manages costs through either further price reductions, and volume reductions, or there has been suggestions that further funding for excess inflation could be made available. With regard to the former route, given that current price improvements have been identified and built into the CIP plan, and the size of the challenge this is extremely unlikely. In terms of the latter route, there is no formal correspondence identifying this opportunity at this stage, and the likely expectation is that any funding would improve the overall deficit position from £18.8m, not manage risk.

3.8 Financial Improvement Plan – Summary

The significant risk around the Financial Improvement Plan cannot be highlighted enough. Delivery is off track at month 2, and significant elements of the schemes are either Red or Amber rated.

A significant proportion of the plan is non-recurrent, and the organisation needs to turn these into recurrent schemes if the underlying position of the Trust is not to deteriorate.

4 Elective Recovery/Variable Contracts

At month 2, all Trusts have been required to report their Elective Performance to plan, it is assumed whilst agreement on how to deal with the impact of industrial action is agreed.

If the Trust had reported full performance, it would have shown a small favourable variance to plan. April numbers improved in the final submission and May was significantly better than plan.

There is a warning around these numbers. Currently our Same Day Emergency Care (SDEC) activity is being reported as Outpatient activity. Over the next few months this will migrate to being reported under our non-elective contracts, and therefore part of the block element of the contract.

At month 2 SDEC activity contributed £0.7m to outpatient income. Removing this therefore will have a significant impact on the performance against variable contracts.

5 Conclusion

The Trust financial position is showing the risks of the stretching Financial Plan it signed up to.
Most of the elements of the Financial Improvement Plan designed to deliver the agreed outturn are off trajectory, and currently regarded as risky to high risk in terms of outturn delivery.
A significant element of the Financial Improvement Plan is currently non-recurrent and will contribute to a sizable underlying deficit.
However; it is early in the financial year and the Trust has time to take remedial action.
Elective Performance is on plan, but concerns around the treatment of SDEC activity within that are important to note.

6 Recommendations

The Public Trust Board is asked to:

a. **NOTE** Month 2 report

Simon Sheppard - Director of Operational Finance
Paul Stanaway - Associate Director of Finance
Craig Higgins - Associate Director of Finance

23rd June 2023

ANNEXES
Annex 1: Key Headlines

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	YTD Plan £ms	YTD Actual £ms		YTD Variance £ms
I&E Performance	(5.13)	(9.13)	Red	(3.99)
NHSI Agency Ceiling	3.37	4.67	Red	(1.30)
Efficiency & Recovery Programme*	6.48	5.73	Red	(0.75)
Capital Expenditure (ICB Allocation)	3.26	0.82	Green	2.43
Capital Expenditure (Other)	15.04	8.10	Green	6.94
Cash Balance	41.50	56.22	Green	14.71

* Efficiency & Recovery Programme includes the £30m Efficiency Plan, £7m pay stretch and £16.2m FRP