NHS
Sandwell and West Birmingham
NHS Trust

2021/22 Financial Plan

Trust Board

6 May 2021

Contents

Internal Planning Process

- The Trust's Long Term Financial Plan is rooted currently in the delivery of the MMUH business case.
- This underpins the 2020/2021 Directorate budgets, linked to the 2020/2021 activity model (both pre-Covid).
- Budget Setting basis for 2021/2022 therefore is rollover (recurrent) budgets as the start point, which would restore budgets to support 2020/2021 activity levels (and therefore income).
- The activity plan for 2122 is to be set at 1920 actuals, which in theory provides expenditure headroom for groups, but no scope to increase budgets.
- Supporting this is the collection of Cost Pressures, Risks, and Developments from the organisation. These will include those related to Covid-19 that are likely to continue into 2021/2022. There is significant uncertainty at the moment about the funding settlement post 30th September 2021. Therefore any decisions we take to increase our cost base are at risk of increasing the size of our deficit and are possibly unfunded.

H1 Principles (1)

- System funding envelope, comprising adjusted CCG allocations, system top-up and Covid-19 fixed allocation, based on H2 20/21 envelopes adjusted for inflation and additional funding for known pressures and policy priorities

- Block contract payment arrangements will remain in place for relationships between NHS commissioners (comprising NHS England and CCGs) and NHS providers (comprising NHS Foundation Trusts and NHS Trusts). Signed contracts between NHS commissioners and NHS providers will not be required for the H1 2021/22 period.

- There will be flexibility for systems to ensure H1 block contract payments within the system are amended to reflect the changes to system funding envelopes, e.g. application of inflation and distribution of additional funding. Block contracts with CCGs outside of the system (inter-system) and NHSE contracts for directly commissioned services (specialised and other) will be uplifted for inflation and national approvals will continue to be required to action changes to these contracts.

H1 Principles (2)

- Systems will have access to following growth funding:
  - Elective Recovery Fund – only if activity trajectories are hit (70% of 1920 actuals rising to 85% by July)
  - Mental Health Services
  - Primary Care and Community Services

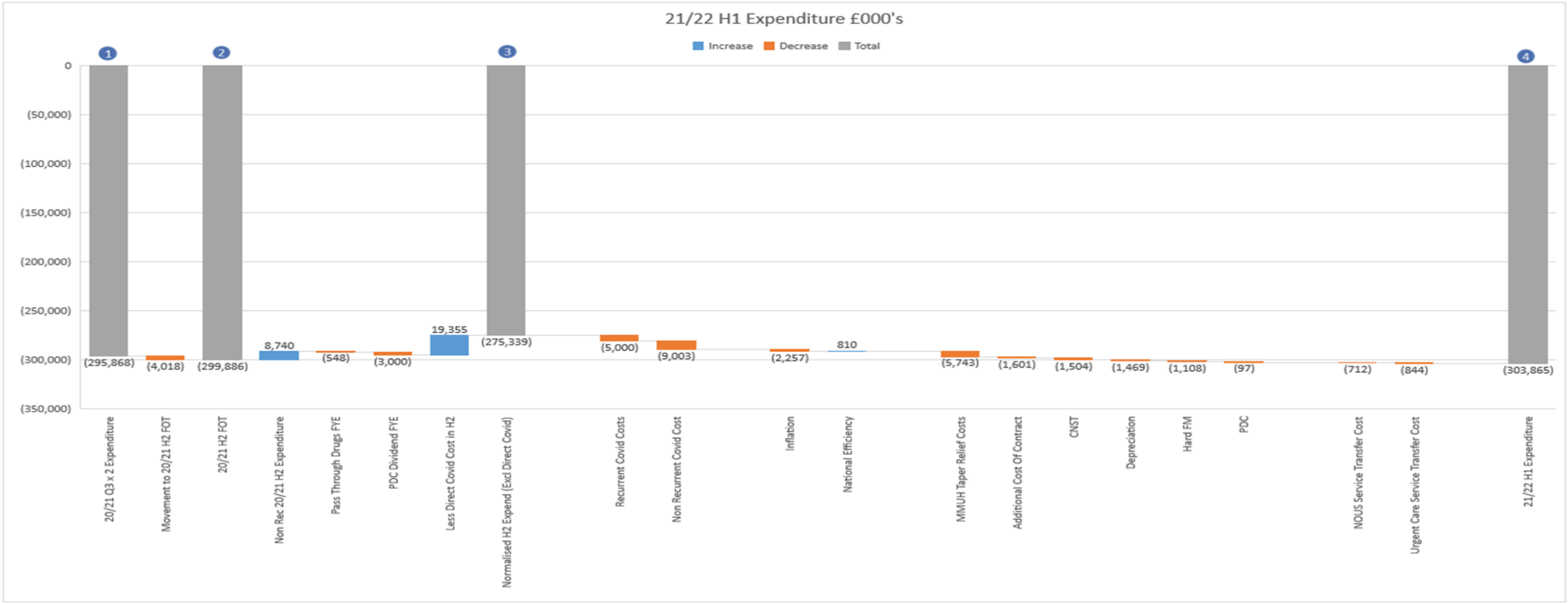
- Efficiency requirement from Q2 2021/22; set in line with the 1.1% efficiency factor in the s118 National Tariff Payment System (NTPS) documentation. The system funding envelopes are constructed based on 0% efficiency in Q1 and 0.55% in Q2.

- System financial plans will be collected for the six-month period from 1 April 2021 to 30 September 2021 (H1). **System financial plans to be agreed by all organisations within the system**

H1 Principles (3)- Timescales

Key Tasks	Date
System financial planning template and SDF schedules issued	Monday, 29 March 2021
Organisation (provider) capital and cash plan submission	Monday, 12 April 2021
System finance plan submission.	Thursday, 6 May 2021
Mental Health finance submission	
Draft activity, workforce (primary and secondary care) and MH workforce numerical submission	
Draft narrative plan submission	
Non-mandated provider organisation finance plan submission	w/c 24 May 2021
Final activity, workforce and MH workforce numerical submission	Thursday, 3 June 2021
Final narrative plan submission	

SWB Financial Planning – Draft April 21



1. 20/21 Quarter 3 x 2 Expenditure
2. 20/21 H2 Expenditure
3. 20/21 Normalised H2 Expenditure (excl direct Covid expenditure)
4. 21/22 H1 Expenditure

SWB Financial Planning – Draft April 21

20/21 Q3 x 2 Expenditure	(295,868)	Total 1
Movement to 20/21 H2 FOT	(4,018)	
20/21 H2 FOT	(299,886)	Total 2
Non Rec 20/21 H2 Expenditure	8,740	
Pass Through Drugs FYE	(548)	
PDC Dividend FYE	(3,000)	
Less Direct Covid Cost in H2	19,355	
Normalised H2 Expend (Excl Direct Covid)	(275,339)	Total 3
Recurrent Covid Costs	(5,000)	
Non Recurrent Covid Cost	(9,003)	
Inflation	(2,257)	
National Efficiency	810	
MMUH Taper Relief Costs	(5,743)	
Additional Cost Of Contract	(1,601)	
CNST	(1,504)	
Depreciation	(1,469)	
Hard FM	(1,108)	
PDC	(97)	
NOUS Service Transfer Cost	(712)	
Urgent Care Service Transfer Cost	(844)	
21/22 H1 Expenditure	(303,865)	Total 4

- H1 financial regime based on Q3 x2 as the starting point
- Adjustments for:
  - COVID costs and income
  - CNST costs and income
  - Inflation and Efficiency
  - Trust Pre Commitments
    - Depreciation
    - Engie
    - Taper
- Based on current assessment the Trust requires £198m from the system and £106m from outside of the system to support the H1 plan
- Formal submission on 6 May 2021

SWB Financial Planning – Activity Values and ERF baseline

	Apr	May	Jun	Jul	Aug	Sep	H1 Total
ERF Full plan	£11,287,940	£11,625,706	£11,088,946	£12,432,502	£11,501,251	£11,246,509	£69,182,854
ERF adjustments	-£69,405	-£69,683	-£69,494	-£69,530	-£69,486	-£69,741	-£417,339
ERF Revised plan	£11,218,535	£11,556,023	£11,019,452	£12,362,972	£11,431,765	£11,176,768	£68,765,514
ERF Trajectory	**£7,852,974**	**£8,667,017**	**£8,815,561**	**£10,508,526**	**£9,717,001**	**£9,500,253**	**£55,061,332**
SWBH internal plan (ERF only)	£11,077,708	£11,499,730	£11,399,687	£12,483,794	£11,050,484	£11,173,171	£68,684,574
SWBH submitted plan (ERF only)	**£7,754,396**	**£8,624,797**	**£9,119,750**	**£10,611,225**	**£9,945,435**	**£10,614,512**	**£56,670,115**

ERF Full plan

This is the high level plan baseline issued by NHSI and is based on SUS 19-20 returns

ERF adjustments

We have the opportunity to flag any material movement from the 19-20 outturn and have adjusted anti-coag OPs down by 4,500 review attendances in H1. The reflects the impact of the pathway change to novel treatments that reduce the need for multiple follow up attendances

ERF Trajectory

This applies the monthly trajectory targets stated in the 2021/22 priorities and operational planning guidance: Implementation guidance (25 March 2021)

SWBH Internal plan

This plan is a combination of the ERF elements of the 21-22 production plan, ERF contract lines that are excluded from the production plan (eg urgent OP clinics) and ERF elements not included in contracting (eg TFC812 Radiology procedures). The production plan is based on full recovery to 19-20 outturn levels of activity.

SWBH submitted plan

This is the ERF element of the planning submission. The activity trajectory applied mirrors the ERF trajectory in Q1, but continues to increase at 5% steps in Q2, ie July 85%, Aug 90% and Sept 95% rather than remaining at 85% throughout the quarter. The H1 differential on “full” plans is £80k, but that masks some variation in POD totals. We are working this through as NHSIE has been able to share the HRG level data that supports the ERF baseline.

SWBH plan values are currently based on manually calculated prices and so these may change when we have the 21-22 SLAM model populated for M1 in early May

SWB Financial Planning (H2) – Key Messages

- To support the commitment to set Group and Directorate budgets for the whole year of 2122, including maintaining the recurrent rollover budgets the Clinical Leadership Executive have agreed to:

1. Setting recurrent rollover budgets from 2021 in to 2122 for the full year, despite only having sight of the H1 funding envelope at this point in time.
2. Fund £11.3m of cost pressures identified through the planning process. These costs are already being incurred without budget and cannot be removed.
3. Fund pre-commitments identified through the planning process (Engie, Depreciation increase (impact of capital investment).
4. Write off historic CIP targets not met from 2021 and earlier. The success of this will be contingent on the settlement for the NHS nationally. We may be able to mitigate the risk in part or in full by the level at which we set CIP for 2122.
5. Set CIP at a FYE of £13m for 2122; which means by month 12 of 2122 we will be delivering £1m a month of recurrent savings.
6. CLE agreement to a stage 2 in the planning process that ensures an equitable business case process when more is known about the MMUH affordability position and the external financial environment, and our CIP delivery against national targets.

SWB Financial Planning (H1) – Key Messages

- H1 financial regime known, H2 funding is not confirmed
- Total funding requested of £303.865m – subject to system validation. Formal submission on 6 May 2021
- Increased run rate costs in Q4 could eliminate any theoretical "headroom" against Q3 x 2 basis of funding, plus cost pressures in 2122, Engie, and depreciation. It is possible that headroom will be created if Q4 run rate costs reduce.
- Key areas of focus (directly related to risks) :

    - Safely reduce Covid costs where possible – financial management methodology will support this
    - Minimise cost pressure impact
    - Deliver efficiency schemes
    - Plan for Elective Recovery, to maximise ERF
    - Trust must secure Taper Relief for MMUH related costs as in 2021

- These budgets are rolled over from 1920 through 2021. They in theory fund planned activity in 1920. This should create the expenditure capacity to earn ERF. The activity plan is being set on 1920 actuals, repriced for 2122 prices. ERF is earned on overall system performance, and we therefore expect cost commitment to be managed through the Elective Recovery Board to maximise overall activity performance. It is also possible that ERF earned could be part of a risk share arrangement, tbc.
- Commitment to set Group and Directorate budgets for the whole year of 2122, including maintaining the recurrent rollover budgets