

REPORT TITLE:	Month 4 Finance Report		
SPONSORING EXECUTIVE:	Dinah McLannahan, Chief Finance Officer		
REPORT AUTHOR:	Dinah McLannahan, Chief Finance Officer		
MEETING:	Public Trust Board	DATE:	13 th September 2023

1. Suggested discussion points <i>[two or three issues you consider the Trust Board should focus on in discussion]</i>
<p>This paper will cover three aspects in relation to Trust finances;</p> <ol style="list-style-type: none"> 1. Headline performance at Month 4 2. Actions underway in relation to financial recovery 3. Securing our future success; financial sustainability

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>
Executive Group 29 th August, Trust Management Committee (TMC) 29 th August, Finance, Investment and Performance Committee (FIPC) 1 st September

4. Recommendation(s)
The Public Trust Board is asked to:
a. RECEIVE this report for assurance

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	X	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	X	Recruit, retain, train, and develop an engaged and effective workforce					
Board Assurance Framework Risk 05	X	Deliver on its ambitions as an integrated care organisation					
Corporate Risk Register [Safeguard Risk Nos]		TBC					
Equality Impact Assessment	Is this required?	Y	X	N		If 'Y' date completed	Various
Quality Impact Assessment	Is this required?	Y	X	N		If 'Y' date completed	Various

SANDWELL AND WEST BIRMINGHAM NHS TRUST

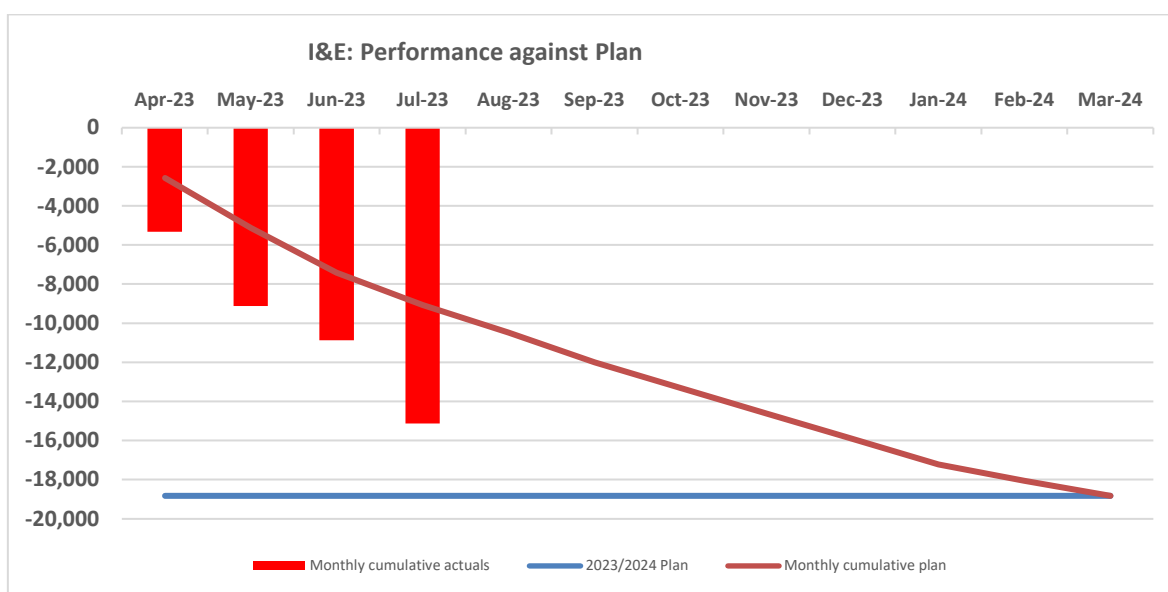
Report to the Public Trust Board on 13th September 2023

Month 4 Finance Report

1. Introduction or background

- 1.1 This report will focus on 3 areas;
- 1.2 Month 4 financial performance
- 1.3 Actions underway on financial recovery
- 1.4 Securing our future success; financial sustainability

2. Month 4 financial performance



- 2.1 The adverse variance to plan equates to the unfunded costs of industrial action year to date (£3.046m), excess inflation (£1.288m) and MMUH Income (£2.776m). Underneath this headline there are a lot of factors the Trust need to address in order to exit the year in a compliant recurrent position, which will be covered in section 3.
- 2.2 As part of Month 4 system reporting, the Trust submitted a range of year end scenarios from achieving plan to a worst case of a £51m deficit. The scenarios make clear the importance of assumptions in relation to funding for the above pressures, managing the implications of winter plan expenditure, and financial recovery.

	Worse £000s	Most Likely £000s	Best £000s	
M4 ytd (draft)	(15,126)	(15,126)	(15,126)	
M4 ytd (draft) extrapolated to year end	(45,378)	(45,378)	(45,378)	
Winter pressures (i.e. beds) / run rate change	(6,000)	(4,020)	(3,000)	Above current run rate - energy and capacity
ERF	TBC	TBC	TBC	Need to see a demand and capacity plan
SWB financial performance	(51,378)	(49,398)	(48,378)	
MMUH Assumed income	0	0	9,700	Assume plan assumptions are intact - HIGH RISK
Industrial action funding	0	9,045	9,045	
Excess Inflation funding	0	1,500	7,000	
FRP delivery		2,250	3,000	Best case assumes £430k run rate improvement/month from 1 Sept
Additional CIPs		2,250	3,000	Best case assumes £430k run rate improvement/month from 1 Sept
Back to Plan			(2,190)	
Outturn	(51,378)	(34,353)	(18,823)	

2.3 Despite financial performance, cash balances are holding up well at the end of Month 4, a balance of c£64m against a plan of c£30m. Year-end forecasts have been revised from £17m to £25m. We will continue to monitor this as the I&E position evolves. Internal capital expenditure is behind plan at Month 4. The Trust has reviewed all schemes in detail and has maintained a forecast of £23m against allocated capital resource budgets of £20m. The Trust is currently preparing a monthly cashflow forecast for capital to support the additional budget required from system slippage.

3. Actions underway on financial recovery

- 3.1 The Board is aware additional external support was engaged in June 2023 to provide capacity and subject matter expertise in supporting and strengthening the programme of work currently defined to deliver the Trust's 23/24 Financial Plan.
- 3.2 Following an initial rapid diagnostic, 4 interventions were reviewed and approved as the basis of an internal Financial Recovery plan to drive maximum benefit realisation through the remainder of 23/24. The interventions are summarised in Figure 1 below:



3.3 The work is focusing on maximising benefits realisation from the original CIP schemes committed to by the organisation, reducing the level of unidentified CIP and mitigation of risk to existing schemes by introducing additional / replacement high impact schemes, increasing conversion of non-recurrent to recurrent CIP delivery in line with national

mandates and setting out the basis of long-term transformation opportunities that will extend into 24/25 and potentially beyond.

3.4 Whilst we are only 4 weeks into the mobilisation of the internal financial recovery plan, we can take early confidence from the progress made in that as well as strengthening the delivery and governance around existing plans, an additional £4.7m of in year new opportunity savings (FYE £11.5m) has been identified. Work is also underway on identifying further new savings opportunities that will be added to the tracker as they are firmed up.

3.5 External support has been extended for further time to allow continuation of this work and for the Trust to determine the permanent delivery vehicle going forward.

4. Securing our future success; financial sustainability

4.1 Financial performance will continue to become even more challenging for the organisation going forward given - Likely recurrent CIP expectations of 5%+ per annum, probable continued NHS deficit growth in 24/25, further BCICS planning assumptions, MMUH related cost exposure with unconfirmed funding sources, and other Medium Term Affordability Model (MTAM) related assumptions.

4.2 This section of the paper considers in the following sections, a series of internal and external components that will need to be aligned and driven through an integrated approach to Business Planning in order to position SWB in such a way that the plan produced collectively enable the future financial success of our organisation to be secured, set out below.



4.3 Conclusions

4.3.1 Financial performance - our financial health is a product of organisational and system health. We must consider in hospital (Black Country Provider Collaborative) and out of hospital care (Place). We must also recognise that finance is the outcome of how we operate overall and the critical role that “our” operating model has on it.

- 4.3.2 Active participation and influencing - There are many external activities and factors in play or currently being mobilised that could, and will likely, have a significant effect on the future direction and success of our organisation – SWB must ensure active participation to influence those discussions and ensure that whatever interventions are agreed they need to be implemented in a systematic and joined up way i.e. a management system. We must wherever possible guard against poor long-term decision making for short term affordability pressures. This will be achieved by good governance and evidence and data to support decision making.
- 4.3.3 Time and Alignment – Without an aligned vision and team at throughout the system we will not work optimally. Creating this will take time. It could be argued that the right work is potentially under way, but it needs to be well coordinated and achieve the right outputs and outcomes. In the meantime, we need to plan as well as we can with what we have and be prepared to adapt as the outputs from other areas of work becomes clearer.
- 4.3.4 Overcoming the risk of inertia – there is high risk of feeling the need to wait for top-down clarifications / decisions, it is important for Black Country Provider Partners to work together quickly with ICB colleagues to lay out a clear set of common business planning assumptions in the areas discussed in this paper.
- 4.3.5 Doing what is in our control – whilst the external known and unknown unknowns are developed into known knowns, there are things that we can, and must, continue to do and that are within our own direct control (subject to the required investment). Our ability to execute well is one of these and our ability to recruit, retain, look after and develop our operational and clinical leaders is one of them.
- 4.3.6 Retain and build on Financial Recovery traction – though the Financial Recovery process, we are engaging our teams in a wide-reaching process of opportunity assessment and prioritisation, we are tightening our grip and control and governance processes and creating new processes and tools to manage our improvement projects in the future. We are also communicating more widely across our organisation of our desire for input and support from every member of staff in delivery of our plans. These foundations must continue to be built on for future years, sustaining key financial recovery principles even when not in a position of financial recovery.
- 4.3.7 Business Planning Process – it is important to clarify realistic assumptions and define a rigorous process and appropriate timeline (many organisations will start business planning through September) to integrate and prioritise this journey. The business planning process should move away from comprising of only a single year focus towards adopting a rolling 5-year planning refresh approach.
- 4.3.8 Finally, it is recommended that SWB prepare a future paper to FIPC laying out the proposed approach and timeline for Business Planning, targeting commencement no later than October 23.

5. Recommendations

5.1 The Public Trust Board is asked to:

- a) **RECEIVE** this report for assurance

Dinah McLannahan
Chief Finance Officer

1st September 2023