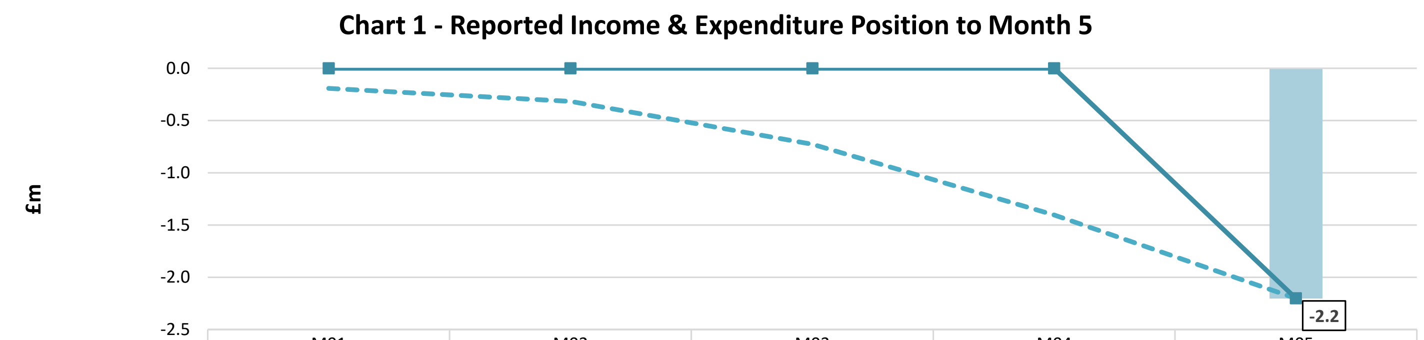
FINANCIAL PERFORMANCE REPORT	MONTH 5

Meeting:	**Board of Directors Meeting in Public**
Meeting Date:	**21 September 2023**
Agenda Item:	**Bo.9.23.30**

1. Summary Year to Date Income & Expenditure Position (£m)

Details	In Month Budget	In Month Actual	In Month Variance	YTD Budget	YTD Actual	YTD Variance	Annual Budget	Year End Forecast	Forecast Variance
Income	48.1	48.6	0.5	233.5	234.9	1.4	560.7	564.1	3.5
Pay	(31.3)	(32.9)	(1.6)	(149.6)	(153.4)	(3.8)	(358.5)	(363.0)	(4.5)
Non-Pay	(18.5)	(17.9)	0.6	(91.5)	(88.9)	2.6	(216.6)	(213.3)	3.3
WRP outstanding	1.7	0.1	(1.6)	7.6	5.2	(2.4)	14.4	12.4	(2.0)
Grand Total	**(0.0)**	**(2.2)**	**(2.2)**	**(0.0)**	**(2.2)**	**(2.2)**	**0.0**	**0.2**	**0.2**



	M01	M02	M03	M04	M05
In Month I&E	0.0	0.0	0.0	0.0	-2.2
Industrial Action costs	-0.2	-0.3	-0.7	-1.4	-2.2
Cumulative I&E	0.0	0.0	0.0	0.0	-2.2

Commentary - Reported I&E Position

The Trust has formally reported a year to date deficit position of £2.2m at Month 5. This is a deviation from the breakeven positions reported in Months 1 - 4.

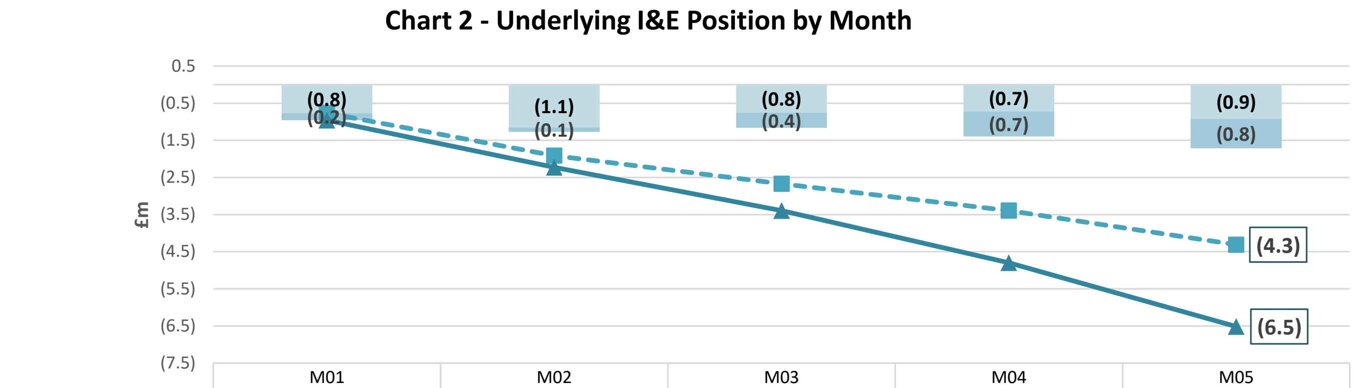
The £2.2m deficit is directly reflective of the £2.2m expenditure incurred to date for the pay costs incurred in relation to the consultants' and junior doctors' industrial action (IA). In Months 1 - 4, BTHFT had been deploying non-recurrent flexibility to offset the IA costs. However, this is no longer sustainable as BTHFT will require these non-recurrent measures to deliver its internal Waste Reduction Target and can no longer offset the cost impact of covering the strikes. This approach is consistent with the other Acute providers in the ICS, which are also reporting deficits relating to the industrial action.

The Trust continues to formally forecast a year end breakeven position for the financial year, which is in line with the plan. This forecast is based on the ICS's standardised approach of assuming no further industrial action costs to be incurred after August and the *unconfirmed* assumption that additional funding will be provided by NHSE to offset all IA related costs. The Trust has additionally identified a potential £1m cost pressure relating to the 6% medical staff pay award, but in line with NHSE's instructions this pressure is not included in the formal forecast - the forecast assumes that additional funding will be received to offset this pressure.

There is therefore significant risk to delivering the formal breakeven forecast. The Trust is making every effort to mitigate these risks through increased financial governance and controls, and increased focus on delivery of the Waste Reduction Programme (WRP). The formal breakeven forecast remains the Trust's objective, however it must be recognised that this is the best case scenario forecast.

The latest internal forecast suggests that even if external funding is provided to offset the IA costs, a year end deficit of £3.6m will be posted and that the Trust will begin to report unmitigated monthly deficits in Quarter 4. The Director of Finance formally wrote to all budget holders in August with a request for improved forecast delivery against their WRP targets in Half 2, to ensure the Trust can deliver its breakeven plan in 2023/24 and to ensure the exit run rate heading into 2024/25 does not present an impossible challenge.

2. Underlying Income & Expenditure Position



	M01	M02	M03	M04	M05
Industrial Action - month	(0.2)	(0.1)	(0.4)	(0.7)	(0.8)
Underlying ex IA - month	(0.8)	(1.1)	(0.8)	(0.7)	(0.9)
Underlying ex IA - cum.	(0.8)	(1.9)	(2.7)	(3.4)	(4.3)
Total Underlying - cum.	(1.0)	(2.2)	(3.4)	(4.8)	(6.5)

Commentary - Underlying I&E Position

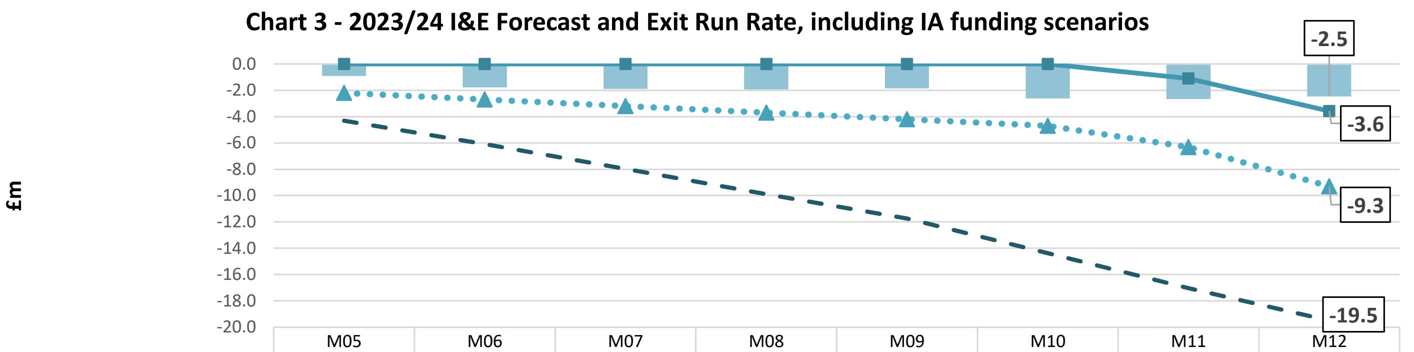
Visibility of the underlying income and expenditure position, which excludes any non-recurrent technical flexibilities and IA costs, and therefore represents the true scale of the financial challenge the Trust's income and expenditure structure currently represents, is crucial for understanding the financial outlook.

The reported YTD position of £2.2m deficit could only be achieved by deploying £4.3m of non-recurrent flexibilities. The true underlying run rate in Months 1 - 5 is a monthly deficit of £0.9m per month - this is the difference between what the Trust is actually spending each month on a recurrent basis and the external funding it is receiving. The cumulative underlying deficit at Month 5, excluding the costs of IA cover, is £4.3m. If the IA costs are included, the underlying YTD deficit is £6.5m.

The annual plan anticipated the need to deploy £6.1m of flexibilities to support the financial position up to Month 5, which means the £4.3m YTD deficit is £1.8m better than planned. The plan phased in these flexibilities, totalling £7.8m, in the early months of the year to allow the CSUs time to develop and implement their Waste Reduction Plans increasingly in Quarters 2 - 4 via recurrent and sustainable efficiencies. Delivering this phased plan would deliver a breakeven position for 2023/24 and would phase out the reliance on non-recurrent measures in Half 2, resulting in a sustainable exit run rate heading into 2024/25.

The implications of the underlying run rate deficit are discussed below.

3. Forecast Income & Expenditure Position 2023/24



	M05	M06	M07	M08	M09	M10	M11	M12
In Month - Underlying ex IA costs	-0.9	-1.8	-1.9	-1.9	-1.9	-2.6	-2.7	-2.5
In Month - inc IA costs	-0.8	-0.5	-0.5	-0.5	-0.5	-0.5	-1.6	-3.0
Cum. - no IA funding	-2.2	-2.7	-3.2	-3.7	-4.2	-4.7	-6.3	-9.3
Cum. - with IA funded	0.0	0.0	0.0	0.0	0.0	0.0	-1.1	-3.6
Cum Underlying ex IA costs	-4.3	-6.1	-8.0	-9.9	-11.7	-14.4	-17.0	-19.5

In Month - Underlying ex IA costs   Cum. - no IA funding   Cum. - with IA funded   Cum Underlying ex IA costs

Commentary - I&E Forecast

The underlying monthly run rate deficit, excluding IA costs, is forecast to deteriorate materially in the second half of the financial year to be in excess of £2m per month. This is a consequence of planned recruitment into vacancies, notably on internationally recruited nurses, approved investments coming on line, inflationary pressures and the increased costs which are always incurred in the winter months.

The forecast underlying deficit for 2023/24, excluding IA costs, is projected to be £19.5m. A further £8m of non-recurrent flexibilities have been identified to supplement the £8m identified in the original financial plan, providing a total of £16m of non-recurrent support to the I&E position in 2023/24. This figure remains insufficient to offset the forecast run rate deficit in totality. It is currently projected that all non-recurrent measures will be exhausted in Quarter 4 and that the Trust will fall into unmitigated monthly run rate deficit at that point, posting a £3.6m year end deficit position.

In a scenario in which the Industrial Action continues each month until the end of the financial year, and in which no external funding is provided by NHSE to offset the related costs, the forecast year end deficit would be higher at £9.3m.

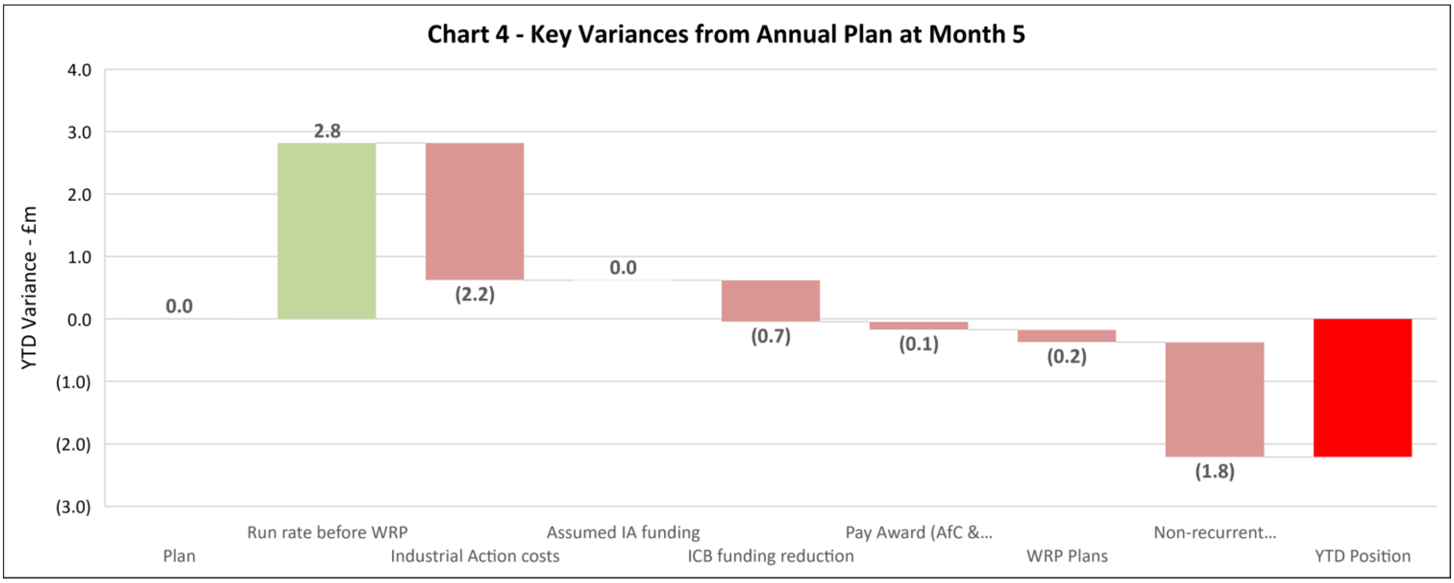
The forecast in month deficit in Month 12 is £2.5m, however this includes the increased winter rates of expenditure and is not therefore fully indicative of the full year run rate for inclusion in the plan for 2024/25. It is projected that, without improved WRP delivery, the exit run rate heading into 2024/25 will be £2m per month. This equates to a £24m opening deficit position for next financial year. The usual nationally imposed tariff efficiency factors, inflation and other pressures would increase this 2024/25 deficit position to the region of £40m - this would represent an unachievable financial challenge for the Trust.

The Trust's financial management focus is now on all budget holders identifying recurrent improvements to their latest forecasts both to mitigate the 2023/24 outlook and to bring the exit run rate down to a more manageable level. This approach is being supplemented by increased financial controls in line with NHSE's mandated measures. The immediate focus is on bridging the £3.6m forecast gap in 2023/24 and the expectation is that the organisation will achieve this, which supports the ongoing breakeven forecast submitted to NHSE, although the £3.6m deficit forecast remains the most likely scenario at present.

The greater challenge will be implementing sufficient recurrent solutions to materially improve the exit run rate forecast and its impact on 2024/25 - it is anticipated that the organisation will have more clarity on this position in Quarter 3 once the impact of the CSU's improved WRP forecasts and the tighter financial controls are better understood.

4. Performance against Annual Plan by Theme (£m)

Details	In Month Plan £m	In Month Actuals £m	In Month Variance £m	YTD Plan £m	YTD Actuals £m	YTD Variance £m	Annual Plan £m	F'cast Actuals £m	F'cast Variance £m
Run rate before WRP	(2.7)	(3.2)	(0.6)	(10.3)	(7.5)	2.8	(29.0)	(32.0)	(3.0)
Industrial Action costs	0.0	(0.8)	(0.8)	0.0	(2.2)	(2.2)	0.0	(5.7)	(5.7)
Assumed IA funding from NHSE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7	5.7
ICB funding reduction	0.0	(0.1)	(0.1)	0.0	(0.7)	(0.7)	0.0	(1.6)	(1.6)
Pay Award (AfC & Medical)	0.0	(0.0)	(0.0)	0.0	(0.1)	(0.1)	0.0	(1.3)	(1.3)
WRP Plans	1.4	1.1	(0.4)	4.2	4.0	(0.2)	21.2	15.3	(5.9)
Non-recurrent support	1.2	0.9	(0.3)	6.1	4.3	(1.8)	7.8	16.0	8.2
Net I&E Position	**0.0**	**(2.2)**	**(2.2)**	**0.0**	**(2.2)**	**(2.2)**	**(0.0)**	**(3.6)**	**(3.6)**



5. Waste Reduction Programme Summary (£000s)

Scheme Category	In Month Target	In Month Actual	In Month Variance	YTD Target	YTD Actual	YTD Variance	Annual Target	YE Forecast	YE Forecast Variance
CSU Housekeeping	987	296	(691)	1,975	939	(1,035)	8,886	4,492	(4,394)
In / Outsourcing	0	158	158	0	216	216	7,012	3,456	(3,555)
Bank rates of pay	125	18	(107)	625	177	(448)	1,500	882	(618)
CNST Maternity	59	59	0	293	293	0	704	704	0
Depreciation	173	173	0	864	864	0	2,074	2,074	0
Interest receivable	83	355	272	417	1,482	1,066	1,000	3,701	2,701
Central Non-recurrent	1,227	1,787	560	6,136	6,616	480	7,824	7,824	0
Total	**2,654**	**2,846**	**192**	**10,310**	**10,588**	**279**	**29,000**	**23,133**	**(5,867)**

6. Year to Date I&E Detail (£m)

Details	Annual Budget	In Month Budget	In Month Actual	In Month Variance	YTD Budget	YTD Actual	YTD Variance
Income							
Contract Income	494.6	42.3	42.8	0.5	206.1	206.8	0.7
R&D Income	19.9	1.7	1.2	(0.4)	8.3	7.4	(0.9)
HEE Income	22.3	1.9	1.8	(0.0)	9.3	9.5	0.2
Other Income	21.7	2.2	2.4	0.2	9.0	9.5	0.5
Non-Operating Income	2.2	0.2	0.4	0.2	0.9	1.8	0.9
Income Total	**560.7**	**48.1**	**48.6**	**0.5**	**233.5**	**234.9**	**1.4**
Pay							
Substantive	(366.9)	(32.1)	(29.3)	2.8	(152.9)	(137.7)	15.2
Bank	(4.3)	(0.4)	(2.7)	(2.3)	(1.8)	(11.4)	(9.6)
Agency	(0.2)	(0.0)	(1.0)	(1.0)	(0.1)	(4.3)	(4.2)
Vacancy Factor	13.0	1.1	(0.0)	(1.1)	5.1	(0.0)	(5.1)
Pay Total	**(358.5)**	**(31.3)**	**(32.9)**	**(1.6)**	**(149.6)**	**(153.4)**	**(3.8)**
Non-Pay							
Drugs	(49.2)	(4.1)	(4.2)	(0.1)	(20.5)	(20.7)	(0.2)
Clinical Supplies	(55.7)	(4.6)	(4.9)	(0.3)	(23.3)	(24.9)	(1.6)
Non-Clinical Supplies	(82.8)	(7.0)	(5.9)	1.1	(33.3)	(29.0)	4.2
In / Outsourcing	(7.0)	(0.9)	(1.0)	(0.1)	(5.3)	(5.6)	(0.3)
Deprec'n, PDC & Int.	(21.9)	(1.8)	(1.7)	0.1	(9.1)	(8.7)	0.5
Non-Pay Total	**(216.6)**	**(18.5)**	**(17.9)**	**0.6**	**(91.5)**	**(88.9)**	**2.6**
WRP outstanding	**14.4**	**1.7**	**0.1**	**(1.6)**	**7.6**	**5.2**	**(2.4)**
Grand Total	**(0.0)**	**(0.0)**	**(2.2)**	**(2.2)**	**(0.0)**	**(2.2)**	**(2.2)**

7. Agency Expenditure by Month (£000s)

Staff Groups	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	YTD Total
Consultants	113	102	151	115	127	608
Other Med staff	8	9	11	24	22	74
Nurses & Midwives	204	217	284	274	275	1,254
Other clinical roles	109	101	124	152	160	647
HCAs	17	34	64	79	66	260
A&C / Managers	38	35	58	35	50	217
Estates & Facilities	303	178	236	262	308	1,288
YTD Total	**794**	**677**	**928**	**941**	**1,008**	**4,348**
Total Pay Costs	**29,196**	**30,639**	**30,450**	**30,206**	**32,946**	**153,437**
Agency % of Total Pay	**2.7%**	**2.2%**	**3.0%**	**3.1%**	**3.1%**	**2.8%**

Commentary on Agency Expenditure

Agency costs at 2.8% of total pay costs remain well below the nationally mandated 3.7% ceiling, although expenditure is increasing month on month.

Forecast full year expenditure of £10.4m is marginally above the locally agreed £9.9m target included in the annual plan.

The nursing agency expenditure is largely driven by vacancies in specific disciplines. The most substantial expenditure is in Renal nursing, which is a target for the Specialty Medicine CSU's WR plans.

NHSE's Agency Rules mandate that non-clinical agency usage should cease in 2023/24. The Trust is currently reliant on circa 60 agency staff within Estates & Facilitied to provide cleaning, catering and security services. This is being reviewed to ensure non-clinical agency use is managed down to ensure compliance. The business case to recruit into some of these posts substantively was approved at the July Planning Committee.

Further work is required to understand the justification for the expenditure on administrative and managerial agency staffing.