

Report to:	Private Trust Board	Agenda item:	10
Date of Meeting:	27 May 2020		

Title of Report:	Finance Board Report		
Status:	Approval		
Board Sponsor:	Simon Wade, Interim Director of Finance		
Author:	Sarah Wisher-Davies, Interim Head of Financial Management		
Appendices	Appendix 1	Control Total Performance	
	Appendix 2	Activity Performance	
	Appendix 3	Income Performance	
	Appendix 4	Capital Expenditure	
	Appendix 5	Statement of Financial Position	
	Appendix 6	Cash	

1. Executive Summary of the Report

The purpose of this report is to set out the Trust's financial performance for the period to 30 April 2020.

In light of the COVID-19 pandemic, from the 1 April 2020 a new block funding approach has been adopted for the first four months of the year. The payments made to the Trust are based on previous expenditure run rates to maintain cash flow through the system to allow providers to continue to deliver essential services during the critical incident.

The block funding informs a plan developed by NHS E/I that anticipates a monthly breakeven position. There will be a consideration given to additional marginal costs and non-NHS income losses as a consequence of actions taken in light of the pandemic if they have a net financial impact for the Trust. Should additional financial support be required it is reported through the monthly return and will be allocated through a "true up" process. This seeks to balance the position where genuine and reasonable marginal COVID-19 costs prevents a provider from delivering a breakeven position.

As illustrated in Appendix 1 the financial position against the NHSE/I block plan shows a breakeven position with the inclusion of an additional £460,000 to be considered in the "true-up" process.

2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at 30 April 2020. **Action: All**

3. Legal / Regulatory Implications

Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.

4.	Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)
	In line with the Risk Assessment Framework : The Trust fails to deliver its financial plan which leads to the Trust having a Single Oversight Framework rating of three or higher, representing a material level of financial risk. This results in a lack of confidence from the Trust's commissioners and the regulator and increases the level of scrutiny which utilises significant resources and can damage the reputation of the Trust. Failure to deliver the financial plan results in a loss of surplus which the Trust is dependent upon for the Trust's Estate Redevelopment Programme.
5.	Resources Implications (Financial / staffing)
	Not Applicable
6.	Equality and Diversity
	Not Applicable
7.	References to previous reports
	Standing Item
8.	Freedom of Information
	Private

Finance Report for the Period Ending the 30 April 2020

1.0 Executive Summary

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2.0 Key Financial Indicators

The key financial indicators for the year to date are illustrated in the table below:

	Month 1 2020/21 Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Net Surplus/ (Loss)	0	(57)	(57)
Adjusted Surplus/(Loss)	0	0	0
Pay costs	(19,320)	(20,001)	(681)
Non Pay costs	(11,585)	(10,727)	858
Cash balance	13,512	40,054	26,542
Capital Expenditure	822	2,942	2,120

3.0 Activity and Income

Normal contracting arrangements have been replaced by the COVID-19 financial regime implemented centrally. However, activity is still being captured and recorded, although is not being invoiced to Commissioners due to the block arrangements described above. Overall activity was down by 47%; A&E and Outpatient attendances were at approximately 50% of

plan, Daycase and Elective activity was down by approximately 75% compared to plan and Non-Elective activity was 28% below plan.

The activity and income positions are shown in Appendices 2 and 3.

4.0 Expenditure

At the end of April pay costs are £681,000 higher than that anticipated under the block plan. This position includes the £473,000 of additional pay as a result of actions taken due to COVID-19, including:

- £283,000 for changes to consultant and junior doctor rotas
- £132,000 additional agency nurses
- £58,000 of additional payments to cover extended operational management hours and backfill sickness and self-isolation.

The pay award was applied for Agenda for Change staff and Junior Doctors in April. This is an estimated £269,000 cost pressure against the block plan due to the actual cost for the Trust being greater than that funded.

Non-pay expenditure is £914,000 below plan including High Cost Drugs. COVID-19 non-pay accounts for £374,000 of the expenditure in month, including

- £146,000 for medical consumables
- £23,000 for cleaning materials
- £35,000 for uniforms
- £47,000 for small works to support operational changes

There were significant underspends for prosthesis, pacemakers and other surgical consumables due to the fall in activity, these totalled £730,000 less than that anticipated under the block plan.

5.0 Divisional Performance

The performance by individual division is summarised below:

- **Medicine**

Outsourcing in Radiology and Cardiology is down in month due to the impact of COVID-19 and suspension of Elective activity. This change in activity has also seen a fall in spend on clinical consumables, particularly in Cardiology. Recruitment costs in relation to overseas nurses were also below planned levels.

- **Surgery**

There was no Elective surgery completed at the Trust in April 2020 which resulted in a corresponding reduction in non-pay run rates when compared to the previous year across all Specialties. This was especially notable for drugs, clinical consumables, prosthesis, and trauma costs.

- **Women and Children**

Pay costs for the Division are slightly higher in month on run rate, particularly within Gynaecology. Oncology continues to high pay spend due to agency usage which is in line with run rates. High cost drugs are below previous levels of expenditure in Oncology and in Paediatrics.

- **Estates & Facilities**

There was no income received from car parking in Month 1 due to the national policy to suspend charges during the pandemic. Catering and sterile services income is also down on previous months as a result of changes related to COVID-19.

- **Corporate**

Corporate costs remained fairly consistent with run rates and were, on the whole, unaffected by COVID-19 policies and actions. However, recruitment costs (including relocation expenses) were lower than average off-set by provisions created anticipating the consultant pay award which, unlike the Agenda for Change and junior medical staff pay awards, has not been paid in April.

6.0 Capital

Overall expenditure for April is £2.12 million above plan. However this includes £2.59 million of expenditure relating to COVID-19 schemes not included in the plan, excluding this spend the variance is £467,000 million behind plan. Certain Trust funded schemes have been delayed due to COVID-19.

Requests for funding to NHS England have been made for COVID-19 costs incurred to date, and these total £2.39 million for completed schemes in April 2020.

A further analysis of the capital position can be found in Appendix 4.

7.0 Statement of Financial Position

There have been significant changes in the funding streams from commissioners with income being paid a month in advance, this has resulted in an increase in the cash balance to £40.05 million.

At Month 1 the increase in the value of non-current assets, which are the buildings and equipment within the Trust, was £1.99 million, in line with capital expenditure stated above.

Current receivables have decreased by £1.05 million; the decrease was within NHS receivables and relates to reduced invoicing of NHS bodies in line with the new funding arrangements.

Trade payables have decreased by £2.27 million; this is a result of payment for tax and NI due for payment at year end.

Other liabilities has increased by £29.94 million which relates to increased deferred income required to offset the early payment of commissioning income referred to above.

The full Statement of Financial Position is shown in Appendix 5.

8.0 Cash

The cash balance at the end of Month 1 was £40.05 million, which is an increase of is £26.54 million from the end of month 12 2019/20. The increase in the cash balance reflects the change in way the Trust receives funding from CCGs. Two months of block income was received in March to ensure cash was available to allow providers deliver essential core services. Block income has been agreed for the first four months of this financial year. Cash is being re forecast to reflect the new funding arrangements and the full impact of the significantly reduced surplus in 2019/20.

The cash position is shown in Appendix 6.

9.0 Summary and recommendations

The position at the end of the period year shows breakeven following the retrospective top up of £460,000.

The Board of Directors are asked to note the financial position which is in line with guidance issued by NHS England / Improvement.

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APPENDIX 1 - FINANCIAL PERFORMANCE

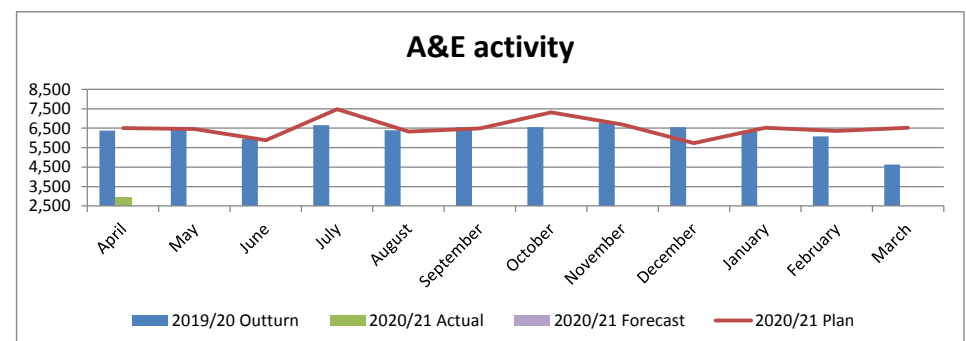
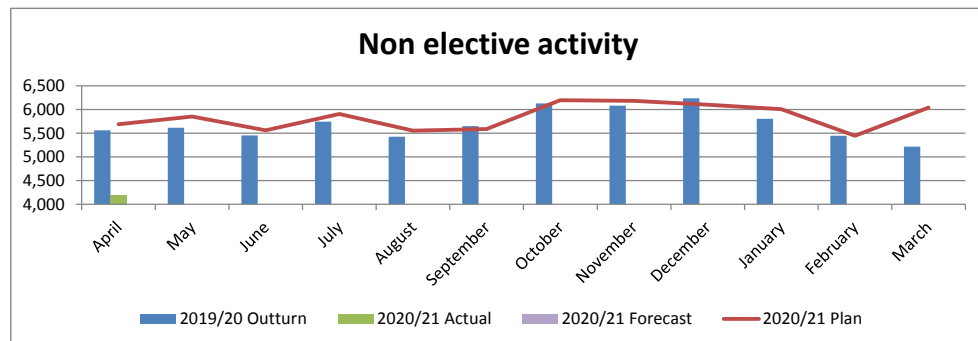
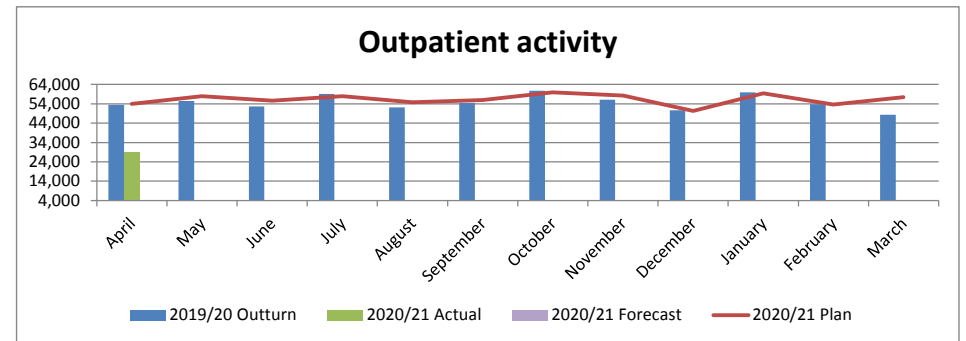
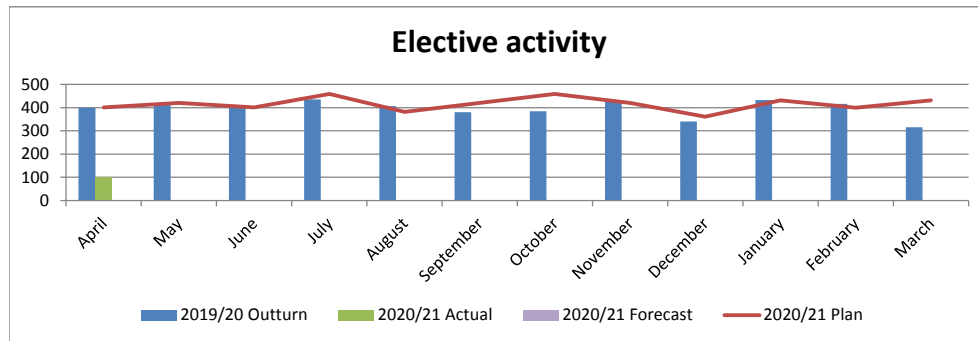
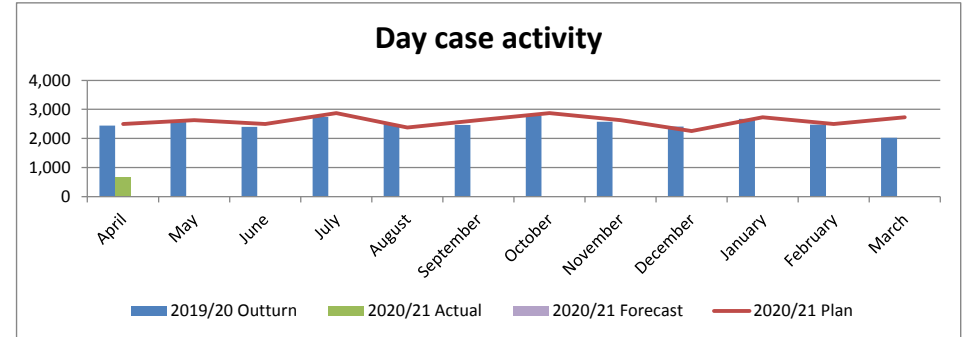
	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
Contract Income	27,645	27,398	(247)
Operating Income	3,796	3,819	23
Pay	(19,320)	(20,001)	(681)
Non Pay	(10,534)	(9,620)	914
EBITDA	1,587	1,596	9
Interest payable/receivable	(8)	2	10
Depreciation	(1,051)	(1,107)	(56)
PDC	(528)	(548)	(20)
Net Surplus/(Deficit)	0	(57)	(57)
Donated Asset income	0	(13)	(13)
Donated Asset depreciation	0	70	70
Reporting Surplus/(Deficit)	0	0	0

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APPENDIX 2 - ACTIVITY PERFORMANCE

	Year to date		
	Plan	Actual	Variance
Day case	2,562	675	(1,887)
Elective	402	99	(303)
Non-Elective	5,804	4,195	(1,609)
Outpatient	54,933	29,035	(25,898)
A&E	6,505	2,976	(3,529)
Total	70,206	36,980	(33,226)

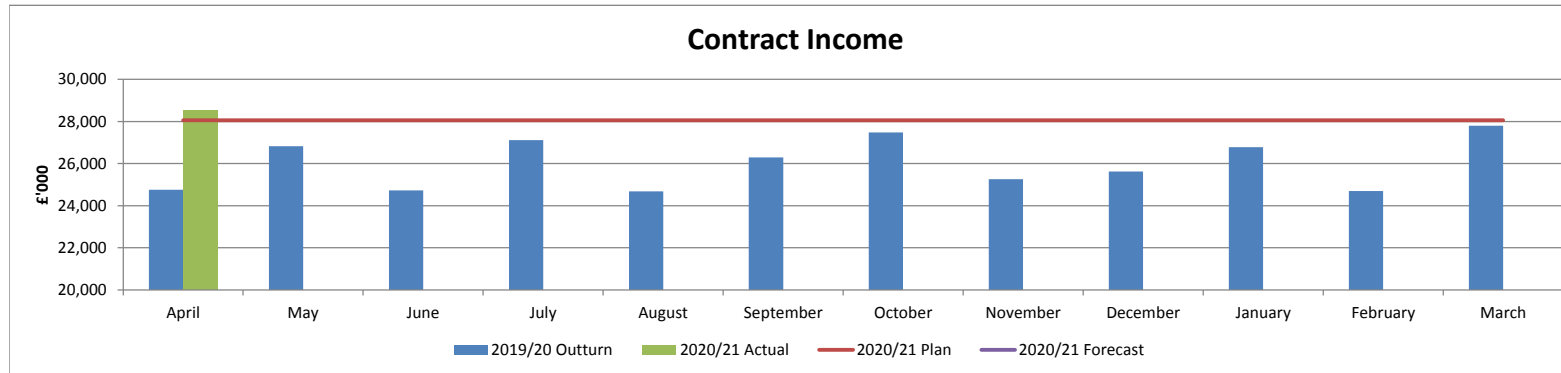
(Note: the above exclude excess beddays)



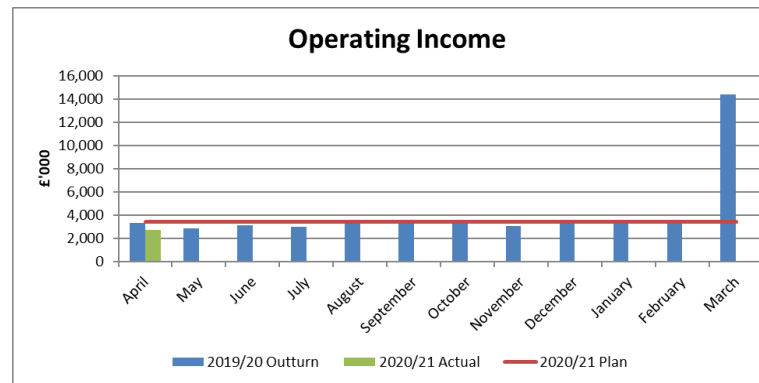
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APPENDIX 3 - CONTRACT AND OPERATING INCOME

<u>Contract Income by Commissioner</u>	<u>Plan £'000</u>	<u>Year to date Actual</u>	
		<u>£'000</u>	<u>Variance £'000</u>
BSW	17,042	17,042	0
Specialist Commissioners	3,939	3,939	0
Somerset	3,039	3,039	0
Other NHSE	1,538	1,538	0
BNSSG	1,117	1,117	0
Other	180	180	0
Top-Up Payment	1,193	1,193	0
Additional Top-Up		460	460
Total	28,048	28,508	460



<u>Operating Income</u>	<u>Plan £'000</u>	<u>Year to date Actual</u>	
		<u>£'000</u>	<u>Variance £'000</u>
Other Patient Care	748	519	(229)
Provider to Provider	42	24	(18)
Education and Training	1,063	1,077	14
Donated Income	0	13	13
Other	1,540	1,076	(464)
Total	3,393	2,709	(684)



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APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE

Source of Funds	Year to date			Forecast		
	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Actual £000s	Variance £000s
Depreciation	1,238	1,107	(131)	15,337	13,762	(1,575)
Loan Repayments	0	0	0	(2,958)	(2,958)	0
Lease Repayments	(171)	(33)	138	(2,138)	(482)	1,656
Charitable Funds	0	0	0	3,547	3,547	0
Donations	25	13	(12)	300	300	0
PDC	0	0	0	6,555	6,555	0
Cash Reserves/Other	(270)	1,856	2,125	0	5,894	5,894
	822	2,942	2,120	20,643	26,618	5,975
Application of Funds						
Medical Equipment (donated)	25	13	(12)	540	540	0
Cancer Centre & Other redevelopment (0	0	0	3,307	3,307	0
Ward & Theatre upgrades	12	(5)	(17)	1,550	1,550	0
Other Estates projects	150	3	(146)	2,455	2,455	0
Clinical Systems	86	11	(75)	1,649	1,649	0
Other IM&T	65	16	(49)	2,872	2,872	0
Medical Equipment	134	85	(49)	2,348	2,348	0
Cancer Centre & RUH N Decant	234	122	(112)	5,135	5,135	0
Other Redevelopment works	117	109	(8)	788	788	0
COVID-19 Schemes	0	2,587	2,587	0	5,975	5,975
	822	2,942	2,120	20,643	26,618	5,975

Key Issues:

- Overall capital expenditure for April is £2.94m which is £2.12m over plan.
- However this includes £2.59m of expenditure relating to COVID-19 schemes, excluding this spend the variance is £467,000 underspend compared to plan. Other schemes have been delayed due to COVID-19.
- Applications for funding the costs to date incurred for COVID-19 schemes have been made

Major Schemes - Whole Scheme Costs

	Costs to Date £000s	FBC £000s	Forecast Outturn £000s	Variance £000s
Cancer Centre	4,348	50,640	50,640	0
RUH North Demolitions & Decant	1,485	3,750	3,750	0
SAU Ward Upgrade	1,758	1,786	1,786	0
RPAS IT system upgrade	0	482	482	0
Gamma Camera	5	1,080	1,218	138

*Costs to date include prior year costs paid in this year

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APPENDIX 5 - STATEMENT OF FINANCIAL POSITION

	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
Non current assets			
Intangible assets	9,447	9,290	(157)
Property, Plant & Equipment	206,211	208,203	1,992
Trade and other receivables	1,567	1,575	8
Non current assets total	217,225	219,068	1,843
Current Assets			
Inventories	4,249	4,480	231
Trade and other receivables	22,566	21,511	(1,055)
Cash and cash equivalents	13,512	40,054	26,542
Current Assets total	40,327	66,045	25,718
Current Liabilities			
Trade and other payables	(30,745)	(28,475)	2,270
Other liabilities	(5,270)	(35,212)	(29,942)
Provisions	(213)	(193)	20
Borrowings	(3,499)	(3,499)	0
Current Liabilities total	(39,727)	(67,379)	(27,652)
Total assets less current liabilities	217,825	217,734	(91)
Non current liabilities			
Provisions	(1,092)	(1,092)	0
Borrowings	(10,924)	(10,891)	33
TOTAL ASSETS EMPLOYED	205,809	205,751	(58)
Financed by:			
Public Dividend Capital	161,212	161,211	(1)
Income and Expenditure Reserve	4,247	4,190	(57)
Revaluation reserve	40,350	40,350	0
Total Equity	205,809	205,751	(58)

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APPENDIX 6 - STATEMENT OF CASHFLOWS

	Year to Date Actual £'000
Operating Surplus/(deficit)	489
Depreciation & Amortisation	1,107
Working Capital movement	28,216
Provisions	(20)
Cashflow from/(used in) operations	29,792
Capital Expenditure	(3,215)
Cash receipts from asset sales	0
Cashflow before financing	(3,215)
Public dividend capital received	0
Movement in loans from the DHSC	0
Capital element of finance lease rental payments	(32)
Interest received	0
Interest paid	0
Interest element of finance lease	(3)
PDC dividend (paid)/refunded	0
Net cash generated from/(used in) financing activities	(35)
Increase/(decrease) in cash and cash equivalents	26,542
Opening Cash balance	13,512
Closing cash balance	40,054

