

<b>Report to:</b>	<b>Public Trust Board</b>	<b>Agenda item:</b>	<b>12</b>
<b>Date of Meeting:</b>	<b>24 June 2020</b>		

<b>Title of Report:</b>	<b>Finance Board Report</b>
<b>Status:</b>	<b>Approval</b>
<b>Board Sponsor:</b>	<b>Simon Wade, Interim Director of Finance</b>
<b>Author:</b>	<b>Sarah Wisher-Davies, Interim Head of Financial Management</b>
<b>Appendices</b>	<b>1 Control Total Performance</b> <b>2 Key Performance Graphs</b> <b>3 Statement of Financial Position</b> <b>4 Capital expenditure</b> <b>5 Cash Flow</b>

### 1. Executive Summary of the Report

The purpose of this report is to set out the Trust's financial performance for the period to 31 May 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 England / Improvement (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 NHS E/I block plan shows a breakeven position with the inclusion of an additional £878,000 to be considered in the "true-up" process, £417,000 relating to Month 2.

### 2. Recommendations (Note, Approve, Discuss)

The Board should note the financial position at the end of 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.

<b>4.</b>	<b>Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)</b>
	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.
<b>5.</b>	<b>Resources Implications (Financial / staffing)</b>
	Not Applicable
<b>6.</b>	<b>Equality and Diversity</b>
	Not Applicable
<b>7.</b>	<b>References to previous reports</b>
	Standing Item
<b>8.</b>	<b>Freedom of Information</b>
	Public

## 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 2 2020/21 Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Net Surplus/ (Loss)	0	(114)	(114)
Adjusted Surplus/(Loss)	0	0	0
Pay costs	(38,640)	(40,617)	(1,977)
Non Pay costs	(23,170)	(20,526)	2,644
Cash balance	13,512	38,258	24,746
Capital Expenditure	4,189	4,077	(112)

### 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 40%:

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- Outpatient attendances at approximately 59% of plan with a move to seeing more patients virtually as opposed to face-to-face;
- Daycase and Elective activity were down on plan by 71% and 77% respectively; and
- Non-Elective activity 24% below plan.

#### 4.0 COVID-19 Expenditure

The financial position was reported as breakeven as per guidance under the current funding regime. Before the adjustment for the retrospective top up the Trust was £878,000 over the block budget set by NHS E/I, £417,000 in month.

The financial position includes the £1.36 million of additional pay as a result of actions taken due to COVID-19, including:

- £439,000 for additional payments made to consultants for overtime and changes to rotas;
- £317,000 for changes to other medical staff rotas and the early start of trainee doctors;
- £261,000 additional agency nurses; and
- £342,000 of additional payments to cover extended operational management hours and backfill sickness and self-isolation for all Agenda for Change staff groups.

There was a significant increase in pay costs identified as relating to actions taken to help manage the impact of COVID-19. The biggest drivers were:

- Accounting for £30,000 additional locum consultants in May not reported under COVID-19 in April;
- Estimated £200,000 costs for payment of Consultant over time for April and May in Month 2; and
- Agenda for Change overtime and enhancements not identified in April but paid in May, estimated at £50,000.

£702,000 of non-pay costs relating to COVID-19 are also in the position. Costs for May were broadly in line with those in April.

The most significant spend relates to the management of patients on the new Pierce Intensive Care Unit but also extends to:

- £93,000 decontamination costs;
- £30,000 social distancing works;
- £45,000 additional Pathology costs related to testing; and
- £46,000 IT expenditure for establishing and running digital solutions implemented over the past 3 months.

#### 5.0 Other Expenditure

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At the end of May pay costs are £620,000 higher than that anticipated under the block plan excluding COVID-19 related pay. This relates to the pay award applied in April for Agenda for Change staff and Junior Doctors in continues to be a cost pressure. This is now estimated to be £657,000 more than the value that will be covered by the block plan due to the actual cost for the Trust being greater than that funded centrally.

Non-pay expenditure is £1.37 million below plan including High Cost Drugs and excluding COVID-19 non-pay costs.

Prosthesis, pacemakers and other surgical consumables continue to be underspent due to the fall in activity, these totalled £1.69 million less than that anticipated under the block plan. Drugs expenditure is £1.65 million below plan, also driven by lower activity levels.

## 6.0 Statement of Financial Position

The movements on the Statement of Financial Position have been compared to the closing Month 12 2019/20 position. There have been significant changes in the funding streams from commissioners with income being paid a month in advance in April 2020, this has resulted in an increase in the cash balance to £38.26 million.

At Month 2 the increase in the value of non-current assets, which are the buildings and equipment within the Trust, was £2.10 million, this reflects the total spend of £4.07 million and less depreciation charged to date. This is in line with capital expenditure described in section 7.0.

Current receivables have increased by £711,000. This reflects a decrease of £1.84 million within NHS receivables and relates to reduced invoicing of NHS bodies in line with the new funding arrangements. Offset by increases in pre-paid expenditure relating to various contracts and accrued income for COVID-19.

Trade payables have decreased by £1.96 million. This is due to an increased accrual for public dividend capital due in September 2020 this is offset by a decrease in accounts payable invoices outstanding, due to implementation of 7 day payment terms from 30 days as per NHS E/I guidance.

Other liabilities has increased by £30.37 million from the Month 12 2019/20 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 3.

## 7.0 Capital

The capital plan for 2020-21 was resubmitted to NHS E/I on the 29th May.

The capital position at the end of May was £4.07 million, which is £112,000 behind the revised plan.

PDC funding of £3.50 million has been made available in year to development the HIP 2 hospital scheme for the site.

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

## **8.0 Summary and recommendations**

The position at the end of the period year shows breakeven following an accrual for 2 months of the retrospective top up now totalling £878,000, £417,000 of which relates to Month 2.

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

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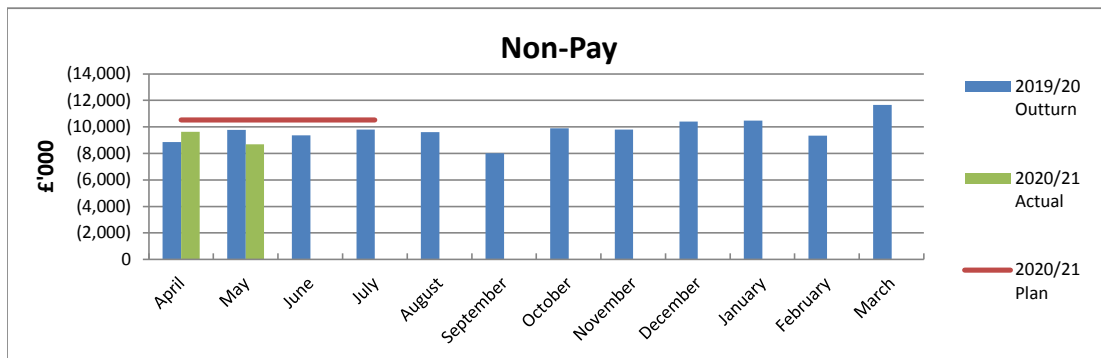
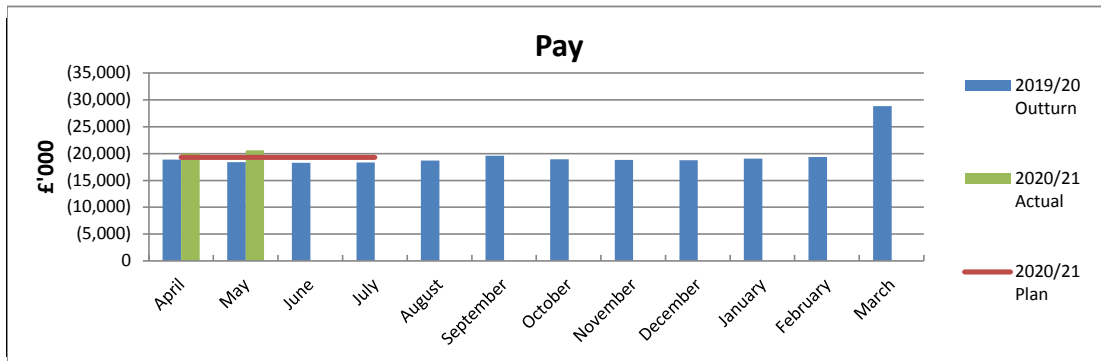
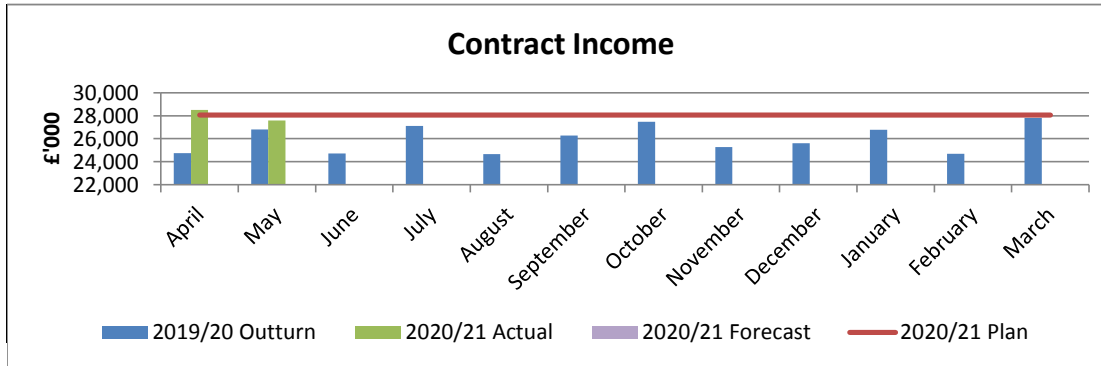
## Finance Report

### APPENDIX 1 - FINANCIAL PERFORMANCE

	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
Contract Income	55,290	54,549	(741)
Operating Income	7,592	7,583	(9)
Pay	(38,640)	(40,617)	(1,977)
Non Pay	(21,068)	(18,319)	2,749
<b>EBITDA</b>	<b>3,174</b>	<b>3,196</b>	<b>22</b>
Interest payable/receivable	(16)	(7)	9
Depreciation	(2,102)	(2,207)	(105)
PDC	(1,056)	(1,096)	(40)
<b>Net Surplus/(Deficit)</b>	<b>0</b>	<b>(114)</b>	<b>(114)</b>
Donated Asset income	0	(25)	(25)
Donated Asset depreciation	0	139	139
<b>Reporting Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## APPENDIX 2 - KEY PERFORMANCE GRAPHS





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## APPENDIX 3 - STATEMENT OF FINANCIAL POSITION

	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
<b>Non current assets</b>			
Intangible assets	9,447	9,183	(264)
Property, Plant & Equipment	206,211	208,338	2,127
Trade and other receivables	1,567	1,688	121
<b>Non current assets total</b>	<b>217,225</b>	<b>219,209</b>	<b>1,984</b>
<b>Current Assets</b>			
Inventories	4,249	4,232	(17)
Trade and other receivables	22,566	23,277	711
Cash and cash equivalents	13,512	38,258	24,746
<b>Current Assets total</b>	<b>40,327</b>	<b>65,767</b>	<b>25,440</b>
<b>Current Liabilities</b>			
Trade and other payables	(30,745)	(28,849)	1,896
Other liabilities	(5,270)	(35,644)	(30,374)
Provisions	(213)	(253)	(40)
Borrowings	(3,499)	(3,442)	57
<b>Current Liabilities total</b>	<b>(39,727)</b>	<b>(68,188)</b>	<b>(28,461)</b>
<b>Total assets less current liabilities</b>	<b>217,825</b>	<b>216,788</b>	<b>(1,037)</b>
<b>Non current liabilities</b>			
Provisions	(1,092)	(1,092)	0
Borrowings	(10,924)	(10,008)	916
<b>TOTAL ASSETS EMPLOYED</b>	<b>205,809</b>	<b>205,688</b>	<b>(121)</b>
<b>Financed by:</b>			
Public Dividend Capital	161,212	161,211	(1)
Income and Expenditure Reserve	4,247	4,127	(120)
Revaluation reserve	40,350	40,350	0
<b>Total Equity</b>	<b>205,809</b>	<b>205,688</b>	<b>(121)</b>

**APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE**

	Year to date			Forecast		
	Plan £000s	Actual £000s	Variance £000s	Plan £000s	Actual £000s	Variance £000s
<b>Source of Funds</b>						
Depreciation	2,192	2,213	21	13,681	13,681	0
Loan Repayments	0	(828)	(828)	(2,958)	(2,958)	0
Lease Repayments	(87)	(87)	(0)	(483)	(483)	0
Charitable Funds	0	6	6	3,547	3,547	0
Donations	50	19	(31)	300	300	0
PDC	2,034	0	(2,034)	12,131	12,131	0
Cash Reserves/Other	0	2,754	2,753	0	0	0
	<b>4,189</b>	<b>4,077</b>	<b>(112)</b>	<b>26,218</b>	<b>26,218</b>	<b>0</b>
<b>Application of Funds</b>						
Medical Equipment (donated)	50	25	(25)	540	540	0
Cancer Centre & Other redevelopment (donated)	0	0	0	3,307	3,307	0
Ward & Theatre upgrades	14	33	19	450	450	0
Other Estates projects	177	15	(162)	3,514	3,514	0
Clinical Systems	91	77	(14)	1,605	1,605	0
Other IM&T	155	288	134	1,738	1,738	0
Medical Equipment	201	110	(91)	2,093	2,093	0
Cancer Centre & RUH N Decant	540	155	(384)	5,135	5,135	0
Other Redevelopment works	122	135	13	840	840	0
Health Infrastructure Plan (HIP2)	0	2	2	3,510	3,510	0
COVID-19 Schemes	2,840	3,236	396	3,486	3,486	0
	<b>4,189</b>	<b>4,077</b>	<b>(112)</b>	<b>26,218</b>	<b>26,218</b>	<b>0</b>

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## APPENDIX 5- STATEMENT OF CASHFLOWS

	Year to Date Actual £'000
Operating Surplus/(deficit)	989
Depreciation & Amortisation	2,207
Working Capital movement	27,805
Provisions	40
<b>Cashflow from/(used in) operations</b>	<b>31,041</b>
Capital Expenditure	(5,395)
Cash receipts from asset sales	0
<b>Cashflow before financing</b>	<b>(5,395)</b>
Public dividend capital received	0
Movement in loans from the DHSC	(827)
Capital element of finance lease rental payments	(64)
Interest received	5
Interest paid	(2)
Interest element of finance lease	(12)
PDC dividend (paid)/refunded	0
<b>Net cash generated from/(used in) financing activities</b>	<b>(900)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>24,746</b>
<b>Opening Cash balance</b>	<b>13,512</b>
<b>Closing cash balance</b>	<b>38,258</b>

