

Report to:	Public Board of Directors	Agenda item:	16
Date of Meeting:	27 January 2021		

Title of Report:	Finance Update
Status:	Note and Discuss
Board Sponsor:	Libby Walters, Director of Finance and Deputy CEO
Author:	Elizabeth Poskitt, Interim Deputy Director of Finance & Sarah Wisner-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 Appendix 7: COVID-19 Expenditure

1. Executive Summary of the Report
<p>The purpose of this report is to set out the Trust's financial performance for the period to 31 January 2021.</p> <p>The funding regime for the Trust changed at the start of October with all funding coming via allocated blocks, including fixed funding to cover COVID-19 costs. The Trust submitted a plan based on forecasts in September to the STP which then submitted a system plan to NHS England / Improvement (NHSEI). This forecast estimated a deficit of £3.03 million. The forecast did not include any penalty arising from the Elective Incentive Scheme (EIS) due to the Trust being unable to deliver nationally set levels of activity or for a second significant increase in Covid-19 cases through the winter period.</p> <p>As illustrated in Appendix 1 the financial position at the end of January is a deficit of £1.10 million, £224,000 worse than the revised plan.</p>

2. Recommendations (Note, Approve, Discuss)
<p>The Board should discuss the impact of operational pressures on the Trust's financial performance and note the risks and challenges involved in delivering services within the system financial envelope. Action: All</p>

3. Legal / Regulatory Implications
<p>Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.</p>

4. Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)
<p>In line with the Risk Assessment Framework :</p>

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 to fund 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

Public

Performance against the Revised 2020/21 Financial Plan and updated Risks

1.0 Executive Summary

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The funding regime for the Trust changed at the start of October with all funding coming via allocated blocks, including fixed funding to cover COVID-19 costs. The Trust submitted a plan based on forecasts in September to the STP which then submitted a system plan to NHS England / Improvement (NHSEI). This forecast estimated a deficit of £3.03 million. The forecast did not include any penalty arising from the Elective Incentive Scheme (EIS) for non-delivery of nationally set levels of activity. The forecast assumed an on-going level of Covid-19 activity but not for a significant second peak in the final quarter of the financial year.

A significant increase in pay costs has been seen in December due to an increased use of intensive care beds and a high level of staff absence due to Covid-19 related issues. Pay costs were above plan by £734,000 in the month and this was offset in part by an underspend on Public Dividend Capital payments of £450,000 which date back to the start of the financial year. This presents a risk to the forecast position as the current Covid-19 activity projections indicate a continued high level of Covid-19 activity through the final quarter of the year and therefore pay costs are projected to continue above plan.

As illustrated in Appendix 1 the adjusted financial position at the end of January is a deficit of £1.10 million, £224,000 worse than the revised plan.

2.0 Key Financial Indicators

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

	Month 9 2020/21 Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Net Surplus/ (Loss)	(943)	(1,213)	(270)
Adjusted Surplus/(Loss)	(879)	(1,103)	(224)
Pay costs	(182,363)	(183,398)	(1,035)
Non Pay costs	(87,936)	(88,284)	(348)
Cash balance	35,088	36,136	1,048
Capital Expenditure	25,375	14,577	(10,798)

3.0 Activity and Income

Normal contracting arrangements have been replaced by the COVID-19 financial regime implemented centrally and block arrangements have been made for the financial year 2020/21.

October 2020 to March 2021 is Phase 3 of the block arrangements where the NHS priority for the COVID-19 response is to accelerate the return to near-normal levels of non-COVID-19 health services. From October, systems are expected to deliver 90% of Elective activity and Outpatient/Daycase procedures and 100% of First and Follow-up Outpatient attendances (face to face or virtually) when compared to the same period last year. The Elective Incentive Scheme will pay systems additional money for any activity undertaken above these levels and deduct money for activity below these levels. This is likely to be applicable for only October and November and will not be applied if 15% or more of the bed base is occupied by COVID-19 patients. This financial risk of the Elective Incentive Scheme has therefore reduced.

Part of the High Cost Drugs reimbursement has moved from block to Cost and Volume payments in the second half of the year. The position includes £400,000 additional income to reflect increased drugs expenditure across Months 7-9.

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

4.0 Expenditure

The financial position year to date includes £9.44 million of costs reported as COVID-19 of which £7.11 million are pay costs. The pay costs have increased significantly in the last two months over previous trends. During the first 14 days of December 15% of the Trusts bed base was occupied with COVID-19 patients which, along with COVID-19 outbreaks amongst staff resulting in a 40% increase in absence, has had a significant impact on pay costs.

The forecast includes staffing costs to open three additional intensive care beds to the end of the financial year and this is a temporary arrangements being funded from within current resources. The impact on ITU in December was varied with some days seeing twice the number of patients with COVID-19 than budgeted.

The most significant areas of increase in spend relating to COVID-19 activity changes include:

- £189,000 increased COVID-19 ITU activity;
- £49,000 cost of running two ITU wards;
- £154,000 due to staff COVID-19 outbreaks across the hospital;
- £36,000 to cover shielding senior medical staff to allow continued delivery of activity levels for Cancer services.
- £170,000 of staff costs due to operational pressures.

£2.33 million of non-pay costs relating to COVID-19 are also in the position with £213,000 spent in month however the level of expenditure continues to fall within the revised plan submitted in September.

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A full breakdown of COVID-19 costs can be found in Appendix 7.

5.0 Capital

The total capital programme for 2020/21 is £42.10 million, against which we are reporting a forecast outturn of £33.70 million due to slippage in the Cancer Centre, both HIP2 funded and Charitable Funds, and HIP 2 Seed programmes.

The capital spend position at the end of December was £14.68 million, which is £10.80 million behind the plan. Of this £4.0 million relates to Cancer and HIP2 Seed Funding.

A number of projects have been delayed due to operational risks but these are now on track to be completed by the end of the financial year. There is an appreciable risk with the high level of expenditure still to be committed over the next five months that the full funding allocated to the capital programme will not be spent in year. CPMG will continue to monitor and manage the situation.

6.0 Cash

The cash balance at the end of Month 9 was £36.14 million which is £1.48 million above the revised plan set for the remainder of the financial year.

Cash inflows were lower than planned by £6.41 million. The main driver of this is primarily PDC income for capital expenditure which has not yet been drawn down. The main areas of spend relate to COVID, Critical Care, HIP 2, with the expectation that PDC funding relating to this expense is drawn down in January.

Cash outflows were also lower than planned by £5.32 million. This was driven primarily by underspends in the capital plan and lower than expected invoice payments.

The cash position and forecast is shown in Appendix 6.

7.0 Statement of Financial Position

The movements on the Statement of Financial Position have been compared to the revised plan for the remainder of the financial year.

At month 9 non-current assets, which are the buildings and equipment within the Trust are below plan, this reflects the current slippage on the capital programme.

Trade receivables are £3.95 million below plan. The revised funding mechanism has resulted in a reduction in NHS receivables, this is the main driver of the position against the plan.

Other liabilities are £1.90 million below plan, this is due to a reduction in the expected monthly block payments. Primarily this relates to cancer drugs being excluded from

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the block payment, reimbursement to the Trust is now on a case by case basis and is being paid in arrears.

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

8.0 Summary and Recommendation

The position at the end of the period year shows a deficit of £1.10 million, £224,000 above the revised plan.

The Board of Directors is asked to note the financial position which has been prepared and reported in line with guidance issued by NHS E/I.

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APPENDIX 1 - FINANCIAL PERFORMANCE

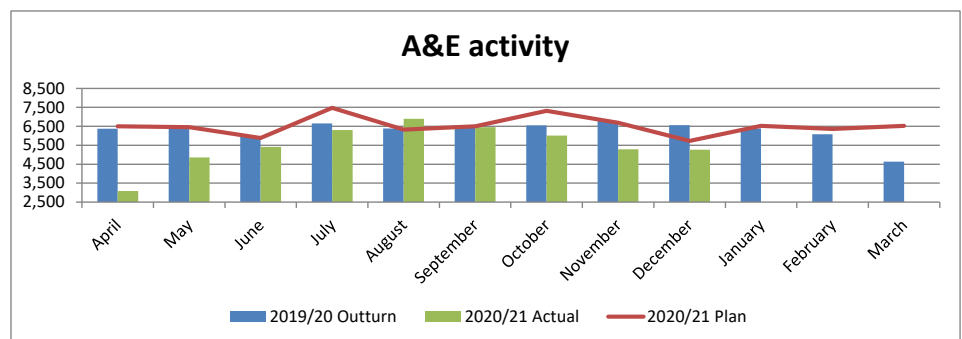
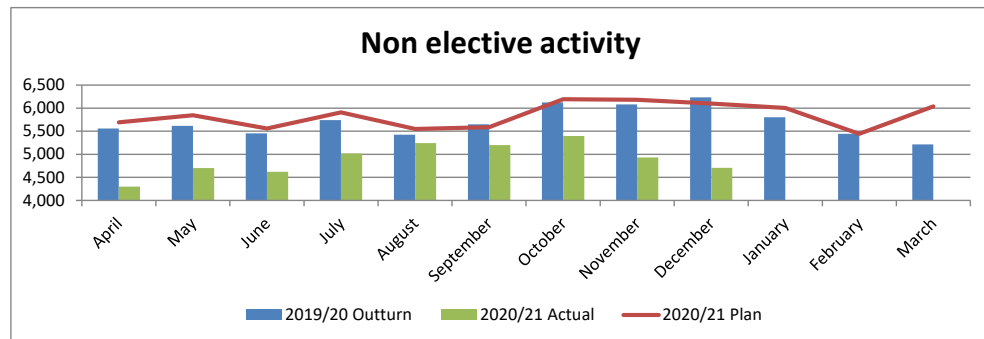
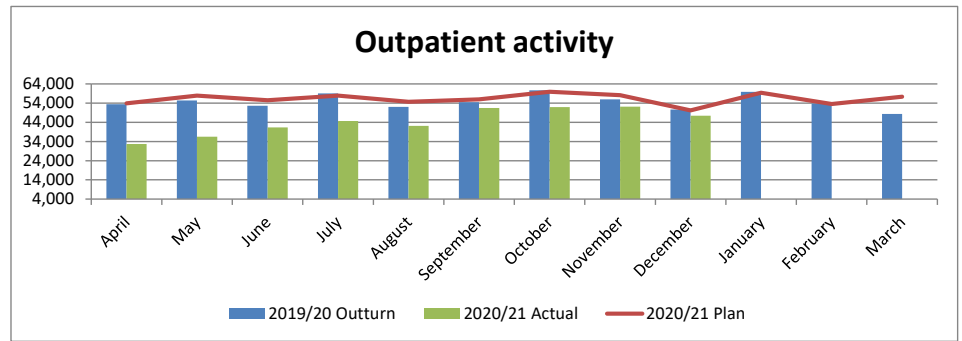
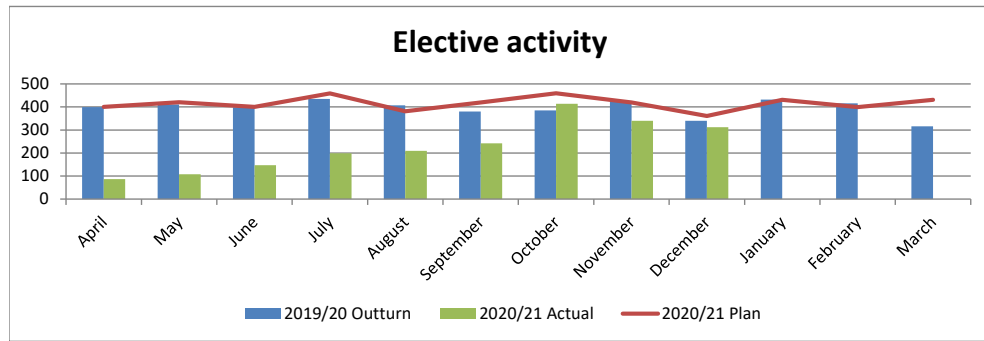
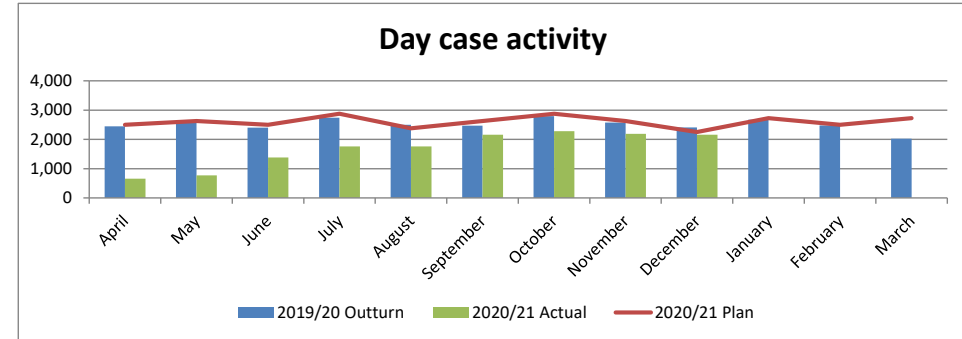
		Year to date	
	<u>Plan £'000</u>	<u>Actual £'000</u>	<u>Variance £'000</u>
Contract Income	252,088	248,845	(3,243)
Operating Income	32,533	36,252	3,719
Pay	(182,363)	(183,398)	(1,035)
Non Pay	(87,936)	(88,284)	(348)
EBITDA	14,322	13,414	(908)
Interest payable / receivable	(217)	(172)	45
Depreciation	(10,188)	(10,189)	(1)
Other Finance Charges	(32)	(30)	2
PDC Dividend	(4,828)	(4,237)	591
Net Surplus/(Deficit)	(943)	(1,213)	(270)
Donated Asset income	(519)	(473)	46
Donated Asset depreciation	583	583	0
Reporting Surplus/(Deficit)	(879)	(1,103)	(224)

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APPENDIX 2 - ACTIVITY PERFORMANCE

	Month 9			Year to date		
	Plan	Actual	Variance	Plan	Actual	Variance
Day case	2,260	2,162	(98)	23,264	15,112	(8,152)
Elective	361	312	(49)	3,722	2,058	(1,664)
Non-Elective	6,095	4,708	(1,387)	52,619	44,120	(8,499)
Outpatient	50,570	47,441	(3,129)	507,999	400,445	(107,554)
A&E	5,730	5,269	(461)	58,872	49,594	(9,278)
Total	65,016	59,892	(5,124)	646,475	511,329	(135,146)

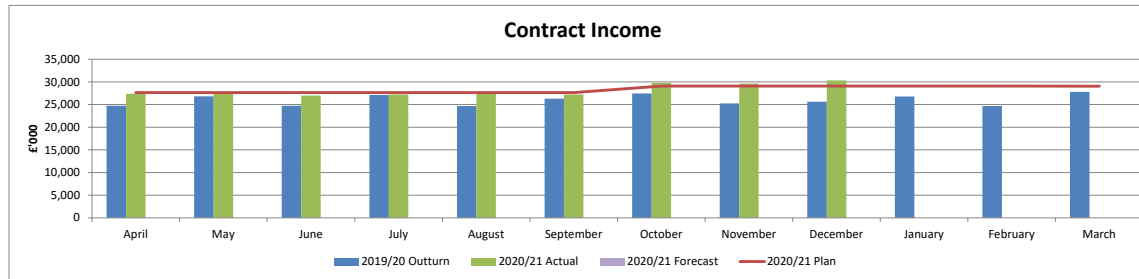
(Note: the above exclude excess beddays)



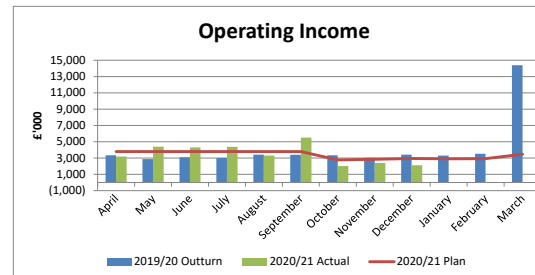
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APPENDIX 3 - CONTRACT AND OPERATING INCOME

Contract Income by Commissioner	Plan £'000	Year to date	
		Actual £'000	Variance £'000
BSW	161,126	160,026	(1,100)
Specialist Commissioners	35,444	36,944	1,500
Somerset	27,353	27,353	0
Other NHSE	11,642	13,033	1,391
BNSSG	10,054	10,054	0
Other block payments	1,161	1,161	0
Other	5,308	4,901	(407)
Total	252,088	253,472	1,384



Other Income	Plan £'000	Year to date	
		Actual £'000	Variance £'000
Block Top Up	7,149	7,149	0
Provider to Provider	5,943	6,690	747
Education and Training	9,950	9,195	(755)
Donated Income	519	473	(46)
Retrospective Top Up	4,271	4,228	(43)
Other	4,701	3,890	(811)
Total	32,533	31,625	(908)



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	10,189	10,189	0	13,681	13,681	0
Loan Repayments	(2,463)	(2,463)	(0)	(2,958)	(2,958)	0
Lease Repayments	(362)	(362)	0	(483)	(483)	0
Charitable Funds	600	353	(247)	3,547	400	(3,147)
Donations	225	120	(105)	300	300	0
External Funding:						
Cancer Centre	2,918	0	(2,918)	5,135	840	(4,295)
COVID-19 & Critical Care	5,723	0	(5,723)	5,723	4,849	(874)
HIP2 Seed Funding	1,541	406	(1,135)	3,510	2,574	(936)
HIP2 Acceleration	2,236	0	(2,236)	4,288	4,288	0
Critical Infrastructure Risk	2,018	0	(2,018)	5,674	5,174	(500)
ED Urgent & Emergency Care	1,650	0	(1,650)	2,500	2,500	0
Diagnostics & IT Adopt and Adapt	1,100	0	(1,100)	2,500	2,500	0
Cash Reserves/Other	(0)	6,334	6,334	0	0	0
	25,375	14,577	(10,798)	43,416	33,665	(9,751)
Application of Funds						
Medical Equipment (donated)	465	466	1	540	640	100
Cancer Centre & Other redevelopment (donated)	336	7	(329)	3,307	60	(3,247)
Ward & Theatre upgrades	245	430	185	435	1,009	574
Estates Critical Infrastructure Risk	2,018	806	(1,212)	5,674	5,174	(500)
Other Estates projects	1,584	706	(878)	2,623	2,003	(620)
Clinical Systems	1,149	552	(597)	1,605	853	(752)
Other IM&T	1,431	1,319	(112)	1,987	2,370	383
Medical Equipment	2,114	1,177	(937)	2,750	3,247	497
Cancer Centre & RUH N Decant	2,922	702	(2,220)	5,135	840	(4,294)
Other Redevelopment works	814	588	(226)	840	758	(82)
Health Infrastructure Plan (HIP2) - Seed Funding	2,457	702	(1,755)	3,510	2,574	(936)
Health Infrastructure Plan (HIP2) - Acceleration	2,468	1,916	(552)	4,288	4,288	0
Emergency Dept Reconfiguration	1,650	396	(1,254)	2,500	2,500	0
Adapt & Adopt (CT, Endoscopy, IT)	0	43	43	2,500	2,500	0
COVID-19 & Critical Care Schemes	5,723	4,767	(956)	5,723	4,849	(874)
	25,375	14,577	(10,798)	43,416	33,665	(9,751)

Major Schemes - Whole Scheme Costs	Costs to	Forecast		
	Date* £000s	FBC £000s	Outturn £000s	Variance £000s
Cancer Centre	4,639	50,640	50,640	0
RUH North Decant	3,082	3,750	3,750	0
HIP 2 Seed	704	4,598	4,598	0
HIP2 Linen Relocation to E9 PR-8688	517	776	776	0
HIP2 E9 Mezzanine Fitout	65	600	600	0
HIP2 John Apley Demo & Car Park	20	444	444	0
HIP2 Manor House Remedial Works	4	468	468	0
HIP2 Clinical Command Centre	0	300	300	0
ED Upgrade (Urgent & Emergency Care)	396	2,500	2,500	0
Modular CT (Adopt & Adapt)	34	2,000	2,318	318
Endoscopy Room (Adopt & Adapt)	9	200	256	56
IT Order Comms & Remote Access (Adopt & Adapt)	0	300	300	0
SAU Ward Upgrade	2,083	1,786	2,236	450
RPAS IT system upgrade	54	482	482	0
Gamma Camera	1,188	1,080	1,228	148

*Costs to Date include prior year costs

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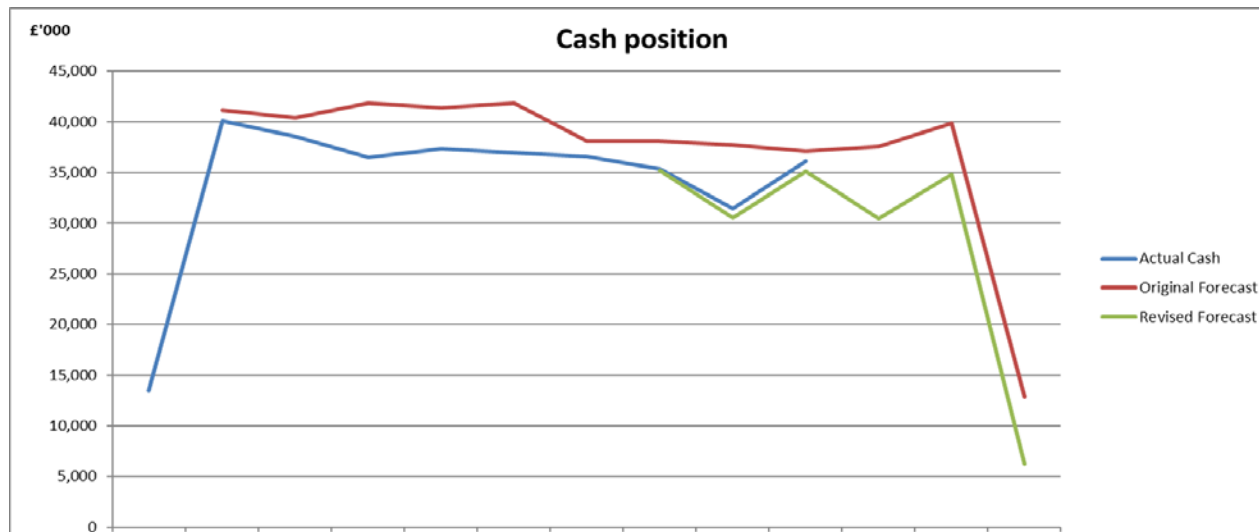
APPENDIX 5 - STATEMENT OF FINANCIAL POSITION

	Plan £'000	Year to date Actual £'000	Variance £'000
Non current assets			
Intangible assets	8,607	8,371	(236)
Property, Plant & Equipment	218,212	211,650	(6,562)
Trade and other receivables	1,696	1,715	19
Non current assets total	228,515	221,736	(6,779)
Current Assets			
Inventories	4,395	3,755	(640)
Trade and other receivables	24,844	20,893	(3,951)
Cash and cash equivalents	35,088	36,136	1,048
Current Assets total	64,327	60,784	(3,543)
Current Liabilities			
Trade and other payables	(29,834)	(30,060)	(226)
Other liabilities	(35,987)	(34,087)	1,900
Provisions	(261)	(261)	0
Borrowings	(3,502)	(3,458)	44
Current Liabilities total	(69,584)	(67,866)	1,718
Total assets less current liabilities	223,258	214,654	(8,604)
Non current liabilities			
Provisions	(1,092)	(1,092)	0
Borrowings	(8,099)	(8,096)	3
TOTAL ASSETS EMPLOYED	214,067	205,466	(8,601)
Financed by:			
Public Dividend Capital	170,423	162,084	(8,339)
Income and Expenditure Reserve	3,294	3,032	(263)
Revaluation reserve	40,350	40,350	0
Total Equity	214,067	205,466	(8,601)

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APPENDIX 6 - STATEMENT OF CASHFLOWS

	Plan £'000	Year to Date	
		Actual £'000	Variance £'000
Operating Surplus/(deficit)	4,134	3,226	(908)
Depreciation & Amortisation	10,188	10,189	1
Working Capital movement	25,918	29,618	3,700
Provisions	48	48	0
Cashflow from/(used in) operations	40,288	43,081	2,793
Capital Expenditure	(21,869)	(15,940)	5,929
Cash receipts from asset sales	32	33	1
Cashflow before financing	(21,837)	(15,907)	5,930
Public dividend capital received	9,211	873	(8,338)
Movement in loans from the DHSC	(2,463)	(2,307)	156
Capital element of finance lease rental payments	(304)	(345)	(41)
Interest received	101	5	(96)
Interest paid	(109)	(153)	(44)
Interest element of finance lease	(22)	(24)	(2)
PDC dividend (paid)/refunded	(3,289)	(2,599)	690
Net cash generated from/(used in) financing activities	3,125	(4,550)	(7,675)
Increase/(decrease) in cash and cash equivalents	21,576	22,624	1,048
Opening Cash balance	13,512	13,512	0
Closing cash balance	35,088	36,136	1,048



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APPENDIX 7 - COVID-19 EXPENDITURE

	Year to Date Actual		
	<u>Pay £'000</u>	<u>Non-Pay £'000</u>	<u>Total £'000</u>
Expand NHS Workforce	2361	148	2509
COVID-19 virus testing (NHS laboratories)	0	302	302
Remote management of patients	0	112	112
Support for stay at home models	0	38	38
Direct Provision of Isolation Pod	0	68	68
Plans to release bed capacity	0	37	37
Increase ITU capacity	0	662	662
Segregation of patient pathways	0	212	212
Enhanced PTS	0	127	127
Existing workforce additional shifts	2302	0	2302
Decontamination	374	308	682
Backfill for higher sickness absence	2074	96	2170
Remote working for non patient activities	0	185	185
National procurement areas	0	32	32
Total	7,111	2,327	9,438
Retrospective Top-Up*	<u>£'000</u>		
April	462		
May	417		
June	807		
July	783		
August	171		
September	1,511		
December (Funding for PCR testing)	106		
	<u>4,257</u>		

*COVID funding within block from October