Royal United Hospitals Bath
NHS Foundation Trust

Report to:	**Public Board**	**Agenda item:**	**22**
Date of Meeting:	**31 March 2021**		

Title of Report:	**Finance Update**
Status:	**Note and Discuss**
Board Sponsor:	**Libby Walters, Director of Finance and Deputy CEO**
Author:	**Rebecca King, Deputy Director of Finance & 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** **Appendix 7: COVID-19 Expenditure**

1. Executive Summary of the Report

The purpose of this report is to set out the Trust's financial performance for the period to 28 February 2021.

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 BaNES, Swindon and Wiltshire (BSW) ICS 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.

As illustrated in Appendix 1 the financial position at the end of February is a deficit of £1.42 million, £470,000 million better than the revised plan. NHSEI has issued funding over the last month to support the Trust in covering additional costs incurred during the recent COVID-19 surge, a provision to account for increased unspent annual leave accrued over the last year and some of the income lost due to the pandemic such as car parking and catering income. The Trust is anticipating receiving further funds to completely compensate for lost income which should ensure a breakeven performance by the end of March.

2. Recommendations (Note, Approve, Discuss)

The Board of Directors 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**

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 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
Private	

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

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 11 2020/21 Summary		
	YTD Plan £000's	**YTD Actual £000's**	**YTD Variance £000's**
Net Surplus/ (Loss)	(2,039)	(1,597)	442
Adjusted Surplus/(Loss)	(1,887)	(1,417)	470
Pay costs	(223,233)	(228,221)	(4,988)
Non Pay costs	(108,804)	(108,912)	(108)
Cash balance	34,801	43,389	8,588
Capital Expenditure (Trust Funded)	13,651	8,609	(5,042)

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 20, systems were 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.

During February the Trust has been successful in securing additional system funding towards the additional costs incurred as a result of the high number of Covid-19 patients treated over the winter.

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

4.0 Expenditure

The financial position year to date includes £12.91 million of costs reported as COVID-19 of which £9.31 million are pay costs.

These COVID-19 costs include the ongoing expenditure incurred by the Trust to manage the pandemic, as well as the costs of running the staff vaccination programme and the mass vaccination site at Bath Racecourse. The RUH is also responsible for providing staff across the BSW system and have been recruiting bank staff to support the mass vaccination site in Salisbury. The vaccination costs are covered in full by a retrospective payments, however, in March, the Trust has received a payment on account based on our forecast costs for these programmes submitted in January to NHSEI.

The COVID-19 pay costs fell slightly from January to £866,000 in month, £178,000 less than January. Agency nurse spend saw the most significant reduction, partially offset with bank costs driven by the incentive payments offered to bank staff to reduce agency spend.

Sickness due to COVID-19 breakouts and subsequent isolation awaiting test results has fallen across February, this will also have had an impact on agency use. However there are concerns over the effect of staff who are suffering from Long COVID who are unable to work at the levels they were before falling ill and whilst still being paid for their previous hours are still being covered by overtime, bank and agency.

The revised plan includes staffing costs to open three additional intensive care beds to the end of the financial year and this is a temporary arrangement being funded from within current resources. The impact on ITU in January and early February was significant with the need to escalate into Theatres and request mutual aid from other NHS Providers due to provided provision being exhausted for acutely sick COVID-19 patients.

£3.15 million of non-pay costs relating to COVID-19 are also in the position with £512,000 spent in month.

5.0 Capital

The total capital programme for 2020/21 is £44.10 million, against which we are reporting a forecast outturn of £33.10 million due to slippage in the Cancer Centre, both HIP2 funded and Charitable Funds, and HIP 2 Seed programmes. NHS EI have been notified of the slippage in these two schemes and are not expecting us to spend our full allocation this year. It is agreed that HIP2 Seed funding can be deferred to next year.

The capital spend position at the end of February was £20.73 million, which is £16.46 million behind the plan. Of this £6.30 million relates to Cancer and HIP2 Seed Funding.

The table below shows the programmes that present a high risk of not being delivered by the end of the financial year and represents £13.88 million of the total slippage of £16.46 million shown in appendix 4.

Scheme	Annual Plan 21/22 £million	Actual spend at the end of February 21 £million	Underspend on plan at the end of February 21 £ million
Critical infrastructure	5.7	2.6	(1.4)
Cancer Centre	5.1	0.7	(4.4)
Hospital Infrastructure Programme (HIP2) Seed Funding	3.5	1.3	(1.9)
HIP Acceleration Schemes	4.3	3.0	(1.0)
Adopt & Adapt (CT & Endoscopy)	2.3	0.3	(1.9)
ED Investment	2.5	1.3	(1.2)
Medical Equipment	2.2	2.0	(0.4)
Clinical Systems	1.6	0.6	(0.8)
Estates & Ward Upgrade	2.9	1.5	(1.0)
Total	30.1	13.4	(13.9)

There is a high volume of schemes being undertaken in the final months of the year as additional external PDC funding has been made available, this carries risk of being able to complete the full programme of works by year end.

Further PDC funding was agreed in February for Pathology LIMS £840,000, Lung Volumetry £500,000, Rapid Testing £51,000 and Tele-dermatology £102,000. This funding is required to be spent by the end of March.

The Cancer Centre business Case is still awaiting final approval from Treasury, therefore HIP 2 PDC funding cannot be drawdown and this year costs will be funded by the Trust.

A number of mitigations are being undertaken to ensure capital funding available is spent in year. The Medical Equipment Committee have prioritised and brought forward equipment purchases from next year's plan. It has also been agreed to bring forward spend on IT server infrastructure.

The Capital Prioritisation Management Group will continue to monitor and manage the capital programme.

6.0 Cash

The cash balance at the end of Month 11 was £43.39 million which is £8.59 million above the revised plan set for the remainder of the financial year. This in an increase in variance compared to the previous month.

In light of reported variances, the cash position has been reforecast and the revised year-end cash balance is £9.36 million. When the Month 11 position was compared to the revised forecast variances were minimal.

Cash inflows were higher than planned this is due to settlement of historical debt owed to the Trust, cash from system support and PDC funding.

Outflows were lower than planned. This was driven primarily by underspends in the capital plan.

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

At month end public dividend capital funding is below plan, an additional £16.10 million is due to be drawn down by the end of the financial year to match capital expenditure incurred in year.

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

8.0 Risks and Mitigations

The Trust has received funding agreed in February to support additional costs incurred in the latest wave of the pandemic. However, a proportion of the funds required to offset lost income is still under review by NHSEI. £3.01 million was calculated as the lost income not covered by block Commissioner funding, to date we have received £1.32 million, with £1.69 million required to ensure the Trust achieves a breakeven financial position.

9.0 Summary and Recommendation

The position at the end of the period shows a deficit of £1.42 million, £470,000 better than the revised plan. As noted above the Trust has secured additional system funding to cover increased costs of responding to the Covid pandemic and is continuing to try and secure further funding to cover 'lost' non Commissioner funding income.

The Finance and Performance Committee are asked to note the financial position which has been prepared and reported in line with guidance issued by NHS E/I.