

Report to:	Public Board of Directors	Agenda item:	14
Date of Meeting:	Wednesday 5 May 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 year to 31 March 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)

As illustrated in Appendix 1 the financial position at the end of March is a breakeven position, £2.99 million better than the revised plan submitted in September.

NHSEI has issued funding over the last two months to support Trusts 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 the income lost due to the pandemic such as car parking and catering income.

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

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 12 2020/21 Summary		
	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's
Net Surplus/ (Loss)	(2,915)	714	3,629
Adjusted Surplus/(Loss)	(3,025)	(40)	2,985
Pay costs	(243,906)	(267,609)	(23,703)
Non Pay costs	(128,804)	(136,771)	(7,967)
Cash balance	6,195	28,275	22,080
Capital Expenditure (Trust Funded)	18,349	14,717	(3,632)

3.0 Activity and Income

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

In addition to the block arrangements, the Trust was 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. Nationally funding has also been allocated

to the Trust to cover the increased costs of contributions to the NHS Pension Scheme, and the Trust was required to account for (in both income and expenditure) the value of the PPE stock 'given' to the Trust by NHS England as part of its response to the COVID-19 pandemic.

Activity figures increased in March, having dropped in January and February, and the focus is now on the Elective Recovery Plan for 2021/22.

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

4.0 Expenditure

The financial position year to date includes £14.92 million of costs reported as COVID-19 of which £11.18 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, the Trust has been paid to cover the majority of the expenditure incurred to the end of the March with only £90,000 outstanding, and this is expected in the coming weeks.

The COVID-19 pay costs increased from February by £210,000 in month, £170,000 of which was agency cleaning costs relating to previous periods and £90,000 for agency nursing to reflect the surge demand in February.

With shielding ending in March 2021 and the COVID-19 prevalence in staff and patients decreasing the other pay costs have fallen slightly from January by just under £50,000. This downward trend is expected to continue going into 2021/22.

£3.35 million of non-pay costs relating to COVID-19 are also in the position with £192,000 spent in month. The most significant ongoing expenditure within this position is for testing consumables and costs for renewing licences for items purchased in the early stages of the pandemic which accounts for £130,000 of the spend in March.

5.0 Capital

The total capital programme for 2020/21 was £43.47 million, against which the trust has spent of £33.49 million. The underspend is due to slippage in the Cancer Centre, to be funded by the New Hospital Programme (formally HIP 2) and Charitable Funds, and the New Hospital Programme Seed scheme to develop a strategic outline business case for future development. New Hospital Programme Seed funding can be deferred to 2021/22 and access to funding for the Cancer Centre will become available in 2021/22 following final approval of the business case by the Department of Health & Social Care in March 2021.

The capital position is shown in Appendix 4.

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6.0 Cash

The cash balance at the end of Month 12 was £28.28 million which is £22.08 million above the revised plan that was set for the second half of the financial year.

Cash inflows were higher than planned 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 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 second half of the financial year.

At Month 12 non-current assets, which are the buildings and equipment within the Trust are below plan, this reflects the current slippage on the capital programme.

The additional public dividend capital funding of £16.10 million was received in month 12 to match the capital expenditure incurred in year.

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

8.0 Summary and Recommendation

The position at the end of the year shows a breakeven position, £2.98 million better than the revised plan.

The Board of Directors are asked to note the financial position which has been prepared and reported in line with guidance issued by NHSE/I and reflect the performance detailed in the draft accounts (subject to audit) submitted to NHSE/I on 27 April 2021.

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Finance Report

APPENDIX 1 - FINANCIAL PERFORMANCE

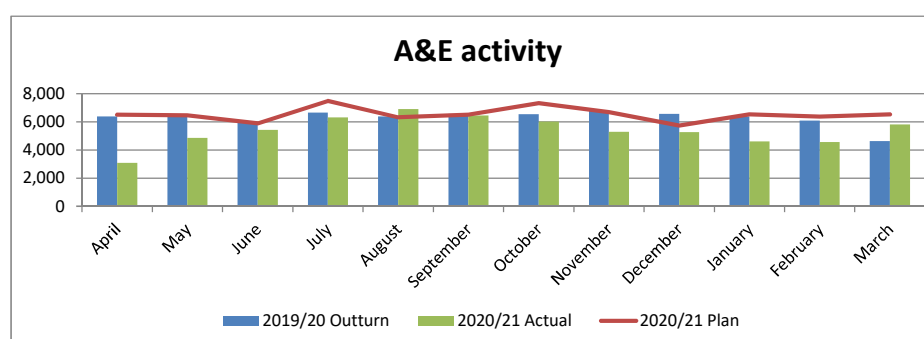
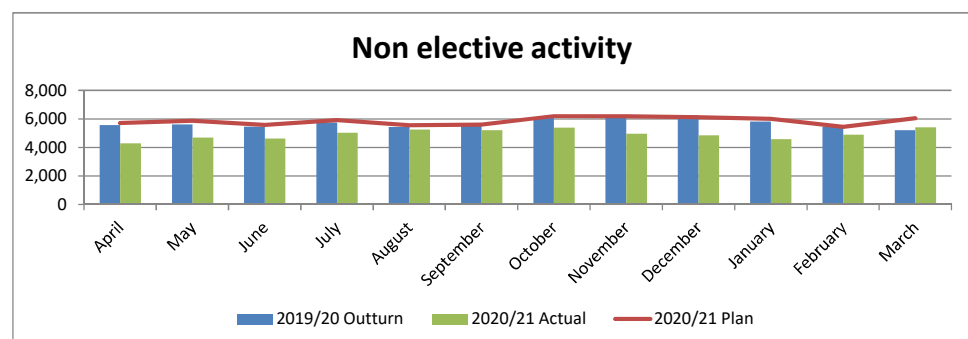
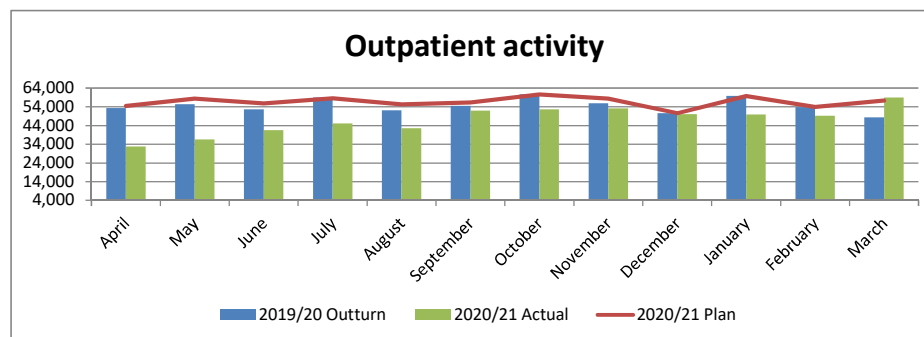
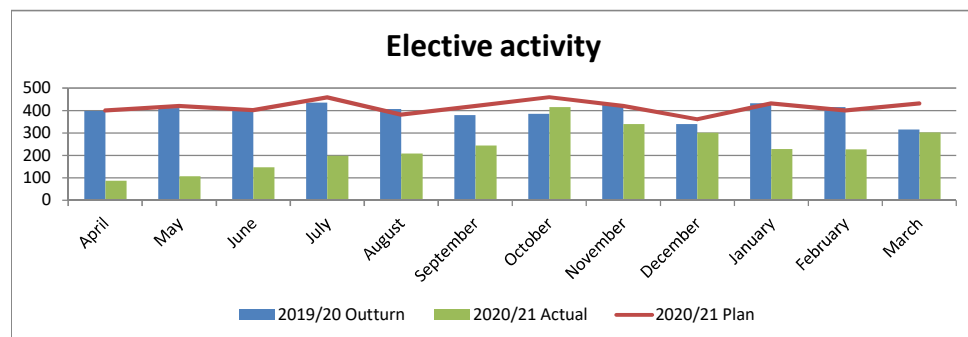
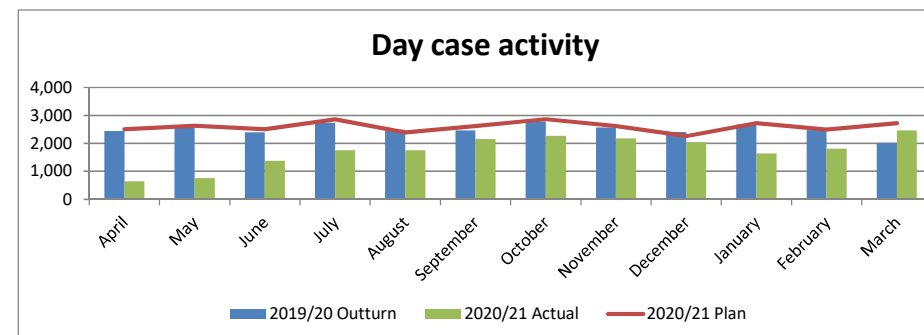
	<u>Plan £'000</u>	<u>Year to date Actual £'000</u>	<u>Variance £'000</u>
Contract Income	340,481	362,848	22,367
Operating Income	40,682	51,666	10,984
Pay	(243,906)	(267,609)	(23,703)
Non Pay	(128,804)	(136,771)	(7,967)
EBITDA	8,453	10,134	1,681
Interest payable / receivable	(233)	(224)	9
Depreciation	(4,735)	(3,580)	1,155
Other Finance Charges	(32)	(32)	0
PDC Dividend	(6,368)	(5,584)	784
Net Surplus/(Deficit)	(2,915)	714	3,629
Donated asset income	(900)	(833)	67
Donated asset depreciation	790	788	(2)
Donated stock impact	0	(310)	(310)
Gains on disposals	0	(2)	(2)
Impairment	0	(397)	(397)
Reporting Surplus/(Deficit)	(3,025)	(40)	2,985

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APPENDIX 2 - ACTIVITY PERFORMANCE

	Month 12			Year to date		
	Plan	Actual	Variance	Plan	Actual	Variance
Day case	2,720	2,467	(253)	31,203	20,923	(10,280)
Elective	431	303	(128)	4,983	2,811	(2,172)
Non-Elective	6,038	5,404	(634)	70,104	59,172	(10,932)
Outpatient	57,671	59,065	1,394	679,105	564,966	(114,139)
A&E	6,520	5,815	(705)	78,277	64,566	(13,711)
Total	73,380	73,054	(326)	863,673	712,438	(151,235)

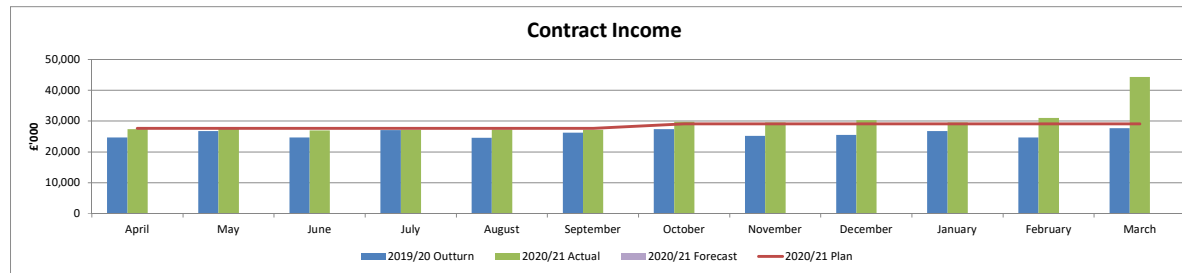
(Note: the above exclude excess beddays)



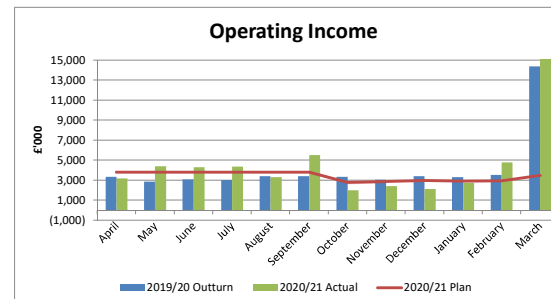
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APPENDIX 3 - CONTRACT AND OPERATING INCOME

Contract Income by Commissioner	Year to date		
	Plan £'000	Actual £'000	Variance £'000
BSW	220,002	225,502	5,500
Specialist Commissioners	63,768	64,367	599
Somerset	36,470	36,470	0
Other NHSE	0	5,299	5,299
BNSSG	13,406	13,406	0
Other block payments	1,405	1,405	0
Other (inc pension contribution)	5,430	16,399	10,969
Total	340,481	362,848	22,367



Other Income	Year to date		
	Plan £'000	Actual £'000	Variance £'000
Block Top Up	7,149	7,149	0
Provider to Provider	8,674	7,442	(1,232)
Education and Training	12,928	13,057	129
Donated Income	900	409	(491)
Retrospective Top Up	4,271	5,916	1,645
Lost Income Funding	0	3,014	3,014
Adjustment for donated stock	0	6,245	6,245
Other	6,760	8,434	1,674
Total	40,682	51,666	10,984



APPENDIX 4 - CAPITAL PROGRAMME EXPENDITURE

Source of Funds	Year to date		
	Plan £000s	Actual £000s	Variance £000s
Depreciation	13,681	13,429	(252)
Loan Repayments	(2,958)	(2,958)	(0)
Lease Repayments	(483)	(483)	0
Charitable Funds	3,537	424	(3,112)
Donations	300	409	109
External Funding:			
Cancer Centre	5,135	0	(5,135)
COVID-19 & Critical Care	5,022	5,022	0
HIP2 Seed Funding	3,510	1,400	(2,110)
HIP2 Acceleration	4,288	4,288	0
Critical Infrastructure Risk	5,174	5,174	0
ED Urgent & Emergency Care	2,500	2,500	0
Diagnostics & IT Adopt and Adapt	2,286	2,286	0
Pathology LIMS	840	840	0
Lung Volumetry	500	500	0
Other	137	137	0
Cash Reserves/Other	0	526	526
	43,469	33,494	(9,975)
Application of Funds			
Medical Equipment (donated)	540	810	270
Cancer Centre & Other redevelopment (donated)	3,307	23	(3,284)
Ward & Theatre upgrades	435	652	217
Estates Critical Infrastructure Risk	5,174	5,174	0
Other Estates projects	2,504	1,475	(1,029)
Clinical Systems	1,605	700	(905)
Other IM&T	1,825	2,610	785
Medical Equipment	2,959	3,273	314
Cancer Centre & RUH N Decant	5,135	986	(4,148)
Other Redevelopment works	912	676	(236)
Health Infrastructure Plan (HIP2) - Seed Funding	3,510	1,404	(2,106)
Health Infrastructure Plan (HIP2) - Acceleration	4,288	4,288	0
Emergency Dept Reconfiguration	2,500	2,500	0
Adapt & Adopt (CT, Endoscopy, IT)	2,286	2,323	37
COVID-19 & Critical Care Schemes	5,012	5,022	9
Pathology LIMS	840	940	100
Lung Volumetry	500	500	(0)
Other PDC Funded Schemes	137	137	0
	43,469	33,494	(9,975)

Major Schemes - Whole Scheme Costs	Costs to Date* £000s	Forecast		Variance £000s
		FBC £000s	Outturn £000s	
Cancer Centre	4,673	50,640	50,640	0
RUH North Decant	3,723	3,750	3,750	0
HIP 2 Seed	1,406	4,598	4,598	0
HIP2 Linen Relocation to E9 PR-8688	734	776	776	0
HIP2 E9 Mezzanine Fitout	731	600	740	140
HIP2 John Apley Demo & Car Park	441	444	444	0
HIP2 Manor House Remedial Works	455	468	468	0
HIP2 Clinical Command Centre	70	300	300	0
ED Upgrade (Urgent & Emergency Care)	2,500	2,500	2,500	0
Modular CT (Adopt & Adapt)	2,080	2,000	2,318	318
Endoscopy Room (Adopt & Adapt)	161	200	256	56
IT Order Comms & Remote Access (Adopt & Adapt)	82	86	86	0
SAU Ward Upgrade	2,043	1,786	2,086	300
RPAS IT system upgrade	77	482	482	0
Gamma Camera	1,189	1,080	1,189	109

*Costs to Date include prior year costs

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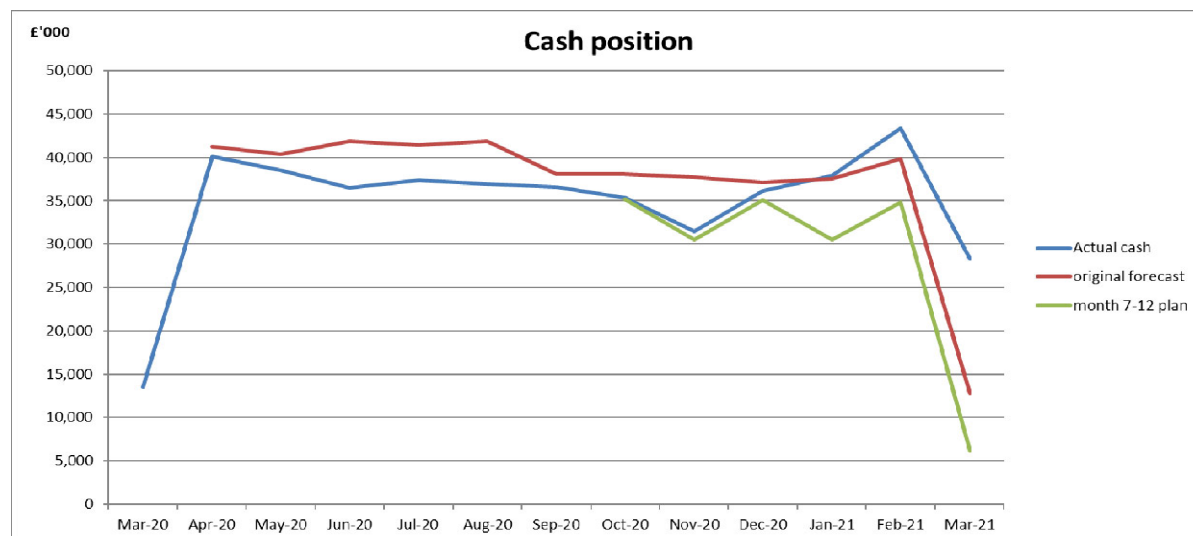
APPENDIX 5 - STATEMENT OF FINANCIAL POSITION

	Plan £'000	Year to date Actual £'000	Variance £'000
Non current assets			
Intangible assets	8,867	8,665	(202)
Property, Plant & Equipment	232,219	225,664	(6,555)
Trade and other receivables	1,696	2,301	605
Non current assets total	242,782	236,630	(6,152)
Current Assets			
Inventories	4,395	4,236	(159)
Trade and other receivables	20,971	17,519	(3,452)
Cash and cash equivalents	6,195	28,275	22,080
Current Assets total	31,561	50,030	18,469
Current Liabilities			
Trade and other payables	(32,810)	(40,824)	(8,014)
Other liabilities	(2,760)	(5,056)	(2,296)
Provisions	(261)	(185)	76
Borrowings	(3,502)	(3,504)	(2)
Current Liabilities total	(39,333)	(49,569)	(10,236)
Total assets less current liabilities	235,010	237,091	2,081
Non current liabilities			
Provisions	(1,092)	(1,618)	(526)
Borrowings	(7,484)	(7,469)	15
TOTAL ASSETS EMPLOYED	226,434	228,004	1,570
Financed by:			
Public Dividend Capital	184,755	184,435	(320)
Income and Expenditure Reserve	1,329	6,219	4,890
Revaluation reserve	40,350	37,350	(3,000)
			0
Total Equity	226,434	228,004	1,570

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APPENDIX 6 - STATEMENT OF CASHFLOWS

	Plan £'000	Year to Date Actual £'000	Variance £'000
Operating Surplus/(deficit)	3718	6,555	2,837
Depreciation & Amortisation	13,681	13,429	(252)
Working Capital movement	1,307	8,340	7,033
Provisions	48	498	450
Cashflow from/(used in) operations	18,754	28,822	10,068
Capital Expenditure	(39,664)	(28,437)	11,227
Cash receipts from asset sales	32	2	(30)
Cashflow before financing	(39,632)	(28,435)	11,197
Public dividend capital received	23,543	23,223	(320)
Movement in loans from the DHSC	(2,958)	(2,958)	0
Capital element of finance lease rental payments	(426)	(483)	(57)
Interest received	119	5	(114)
Interest paid	(109)	(209)	(100)
Interest element of finance lease	(30)	(31)	(1)
PDC dividend (paid)/refunded	(6,578)	(5,171)	1,407
Net cash generated from/(used in) financing activities	13,561	14,376	815
Increase/(decrease) in cash and cash equivalents	(7,317)	14,763	22,080
Opening Cash balance	13,512	13,512	0
Closing cash balance	6,195	28,275	22,080



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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	3227	138	3365
COVID-19 virus testing (NHS laboratories)	0	546	546
Remote management of patients	0	224	224
Support for stay at home models	0	41	41
Direct Provision of Isolation Pod	0	45	45
Plans to release bed capacity	0	26	26
Increase ITU capacity	0	896	896
Segregation of patient pathways	0	378	378
Enhanced PTS	0	193	193
Existing workforce additional shifts	2963	0	2963
Decontamination	1347	325	1672
Backfill for higher sickness absence	2561	0	2561
Remote working for non patient activities	0	362	362
National procurement areas	0	32	32
Total	10,098	3,206	13,304
Mass & Staff Vaccination Costs	1,083	537	1,620
Grand Total	11,181	3,743	14,924
Retrospective Top-Up*	<u>£'000</u>		
April	462		
May	417		
June	807		
July	783		
August	171		
September	1,511		
December**	106		
January**	298		
February**	604		
March**	757		
	5,916		

*COVID funding within block from October

**PCR testing and vaccination cost reimbursement