

2020/21 Financial Performance

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Trust Board paper E4

Purpose of Report:

This paper is for:	Description	Select (X)
Decision	To formally receive a report and approve its recommendations OR a particular course of action	
Discussion	To discuss, in depth, a report noting its implications without formally approving a recommendation or action	X
Assurance	To assure the Board that systems and processes are in place, or to advise a gap along with treatment plan	
Noting	For noting without the need for discussion	

Previous Consideration:

Meeting	Date	Please clarify the purpose of the paper to that meeting using the categories above
CMG Board (specify which CMG)		
Executive Board		
Trust Board Committee		
Trust Board		

Executive Summary

Context:

This paper updates the Trust Board on the financial performance of the Trust in Month 1 of 2020/21.

To support Trusts during the COVID-19 crisis, the government is providing “top up” funding through NHSE&I. This consists of an upfront top up payment that is an estimate of the additional funding required by an individual Trust to meet their breakeven duty from April 2020 to July 2020 and is based on each Trust’s underlying costs in 2019/20. In addition, retrospective top up funding is also available to address any further identified funding shortfall, including loss of other (non-patient related) income. Retrospective top ups will be paid in mid-June 2020, however Trusts can accrue for this income in their reported position in order to breakeven. The Month 1 report shows actual financial performance both with and without top up funding.

As only draft operational plans have been submitted to NHSE&I to date and consistent with the basis of the calculation of the top up payment, planned income and expenditure for the Trust in the monthly NHSE&I monitoring return is as calculated by NHSE&I. Whilst this does not impact upon the reporting of actuals, it does mean that the variance to plan reported externally will be different to the variance to plan reported internally.

The Trust has currently set interim budgets for Months 1 to 4 of 2020/21, in order to establish control totals based on existing income and expenditure levels. These interim budgets are the basis for the Trust's planned performance for internal reporting purposes including for this report. A more comprehensive budget setting process is planned for Months 5 to 12 when there may also be more planning certainty around the impact of COVID-19.

Questions:

1. What is the financial performance for the period ending 30th April 2020?

The actual position including top up funding of £10.3m and a £2.3m accrual for retrospective top up income is breakeven. The underlying position excluding top up funding is a deficit of £12.5m. After excluding top up, income performance is £2.5m adverse to plan per internal Trust reporting in Month 1 compared to £2.3m adverse to plan as reported in the NHSE&I monitoring return.

2. What are the main issues to note in the Month 1 financial performance

- Breakeven has been achieved as a result of top up income
- Underlying performance is £12.5m deficit, £2.5m adverse to plan
- Although PCI income is £3.6m below plan in Month 1, it is unlikely that work in progress will significantly reduce in future months
- Under recovery of other income is likely to continue in future months whilst the COVID-19 crisis eases
- Reduced activity and underspending on non-pay is likely to continue in future months, although activity and spend will gradually increase whilst the COVID-19 crisis eases

3. What are the risks to financial performance in the remainder of the year

- Detailed budget setting for Months 5 to 12 is likely to change the planned financial performance for the year
- Cost improvement plans need to be finalised and implemented from around July 2020 onwards to deliver savings requirements to meet planned performance

- The availability of top up funding is likely to be for a limited period only (currently “across April to July”)
- The scale and duration of the impact of COVID-19 on activity, income and expenditure is uncertain and may require ongoing refinement to forecasting of financial performance throughout the year

Input Sought:

The Trust Board is asked to:

- **Note** the Month 1 2020/21 reported financial position and the impact of top up funding
- **Note** the risks to financial forecasting and financial performance for the remainder of the year

For Reference:

This report relates to the following UHL quality and supporting priorities:

1. Quality priorities:

Safe, surgery and procedures	Not applicable
Safely and timely discharge	Not applicable
Improved Cancer pathways	Not applicable
Streamlined emergency care	Not applicable
Better care pathways	Not applicable
Ward accreditation	Not applicable

2. Supporting priorities:

People strategy implementation	Not applicable
Estate investment and reconfiguration	Not applicable
e-Hospital	Not applicable
More embedded research	Not applicable
Better corporate services	Not applicable
Quality strategy development	Not applicable

3. Equality Impact Assessment and Patient and Public Involvement considerations:

- What was the outcome of your Equality Impact Assessment (EIA)? **Not applicable**
- Briefly describe the Patient and Public Involvement (PPI) activities undertaken in relation to this report, or confirm that none were required. **None required**

- How did the outcome of the EIA influence your Patient and Public Involvement? **Not applicable**
- If an EIA was not carried out, what was the rationale for this decision? **Not applicable**

4. Risk and Assurance

Risk Reference:

Does this paper reference a risk event?	Select (X)	Risk Description:
Strategic: Does this link to a <i>Principal Risk</i> on the BAF?	X	Principal Risk 9 - Failure to meet the financial control total
Organisational: Does this link to an <i>Operational/Corporate Risk</i> on Datix Register		
New Risk identified in paper: What <i>type</i> and <i>description</i> ?		
None		

5. Scheduled date for the **next paper** on this topic: 2nd July 2020
6. Executive Summaries should not exceed **5 sides** [My paper ~~does~~/does not comply]

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Executive Summary

Financial performance

Statutory duties

- Delivering the planned deficit: delivered
- Achieving the External Funding Limit: delivered
- Achieving the Capital Resource Limit: delivered

Financial Performance

- **Underlying deficit of £12.5m, £2.5mA to plan**
- **Including top up income (£10.3m) and retrospective top up income accrual (£2.3m): Break-even**

Main areas of variance YTD

- **Patient Care Income, £3.6mA to Plan** : due to a non cash reduction in income reflecting low work in progress at month end. Activity is below plan across almost all areas due to Covid-19 but this does not impact upon PCI income under current contracting arrangements.
- **Other operating income, £1.7mA to plan**: due to lower than planned income across most areas, the main one being Facilities £0.8m Covid related loss of income from car parking, shuttle bus and catering.
- **Top up income and retrospective top up income £12.5mF**: This is additional income provided to all trusts based on an estimate of funding required for individual trusts to breakeven based on 19/20 underlying costs.
- **Non pay , £3mF to Plan**: reduced activity across CMGs due to Covid-19 resulting in significant non pay underspends in CHUGGS £1.2m, MSS £1.2m and RRCV, partly offset by a £1.5m non pay overspend in Corporate, £1.4m of which is Covid-19 related expenditure.

Cash

Cash Bridge:

- Opening cash balance of £16.0m.
- We have achieved a YTD breakeven position; and have funded £3.8m of capital expenditure through from internal sources. No external loans or PDC financing was received in April.
- The closing cash balance includes £74.4m of payments received from local CCGs in advance of May SLAs. An equivalent amount is included within receipts in advance which is part of the working capital balance.

Capital

- The Trust's total capital spend for April was £3.8m.
- Capital budgets are being finalised for 2020/21 and the spend against budget will be reported to the next meeting.

April 2020: Key Facts



Patient
Income
£3.6mA

Other
Income
£1.7mA



Substantive
Pay
£0.1mF

Agency
£0.6mA



Non Pay
£3.0mF

Non-Op
Costs
£0.3mF



EBITDA
£9.7mF



Liquidity
Indicators

Key

- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- Colour indicates status of variance on planned position (Green is Favourable/In Line and Red is Adverse)
- Number relates to variance YTD

Financial Performance: Break even after £12.5m top up income

I&E £'000

	Apr-20			
	Plan £'000	Actual £'000	Vs Plan £'000	%
Patient Care Income	77,755	74,199	(3,556)	(5%)
Non Patient Care Income	387	13	(374)	(97%)
Other Operating Income	10,111	8,726	(1,385)	(14%)
Top up income		10,261	10,261	
Retrospective Top up income		2,278	2,278	
Total Income	88,253	95,477	7,224	8%
Pay Costs	(58,557)	(58,497)	61	(0%)
Pay Costs: Agency	(1,477)	(2,111)	(634)	43%
Non Pay	(34,349)	(31,304)	3,044	(9%)
Total Operating Costs	(94,383)	(91,912)	2,471	(3%)
EBITDA	(6,130)	3,565	9,694	(158%)
Non Operating Costs	(3,932)	(3,564)	368	(9%)
Surplus / (Deficit)	(10,062)	0	10,062	100%
Net off Top up income		(12,539)	(12,539)	
Underlying surplus / (deficit)	(10,062)	(12,539)	(2,477)	(25%)

Ratios

Agency: Total Pay	2.52%	3.61%	(1.09%)	43%
EBITDA: Income	(6.95%)	3.73%	10.68%	154%
Net Deficit: Income	(11.40%)	0.00%	11.40%	100%

NHS Patient Care Income: £74.2m, £3.6mA as a consequence of a relatively low level of work in progress at the end of April resulting in a £3.6m non cash adjustment to income. Whilst activity in the month was significantly below planned levels due to the impact of Covid-19 this has not caused a reduction income due to the fixed income contracting arrangements that are now in place.

- **Other Income: £8.7m, £1.7mA to plan.** This is due to a loss of other income across all areas, the main one being Facilities £0.8m Covid related loss of income from car parking, catering and shuttle bus.
- **Total Pay Costs: £60.6m, £0.6mA** as a result of higher than forecast Agency Pay costs, mainly in ESM £0.4m, Facilities £0.1m and RRCV £0.1m
- **Non-Pay: £31.3m, £3.0mF** as a result of significant underspends in CHUGGS £1.2m, MSS £1.2m and RRCV £1.5m resulting from reduced activity in these CMGs as a consequence of Covid-19. This is offset by a £1.5m non pay overspend in Corporate, £1.4m of which is Covid-19 related expenditure.
- **EBITDA: surplus of £3.6m, £9.7mF.** This is due to additional top up and retrospective top up income that is provided to ensure that all Trusts meet their breakeven duty whilst dealing with the Covid-19 crisis.
- **Non-Operating Costs: £3.6m, £0.3mF**
- **Net off Top up funding:** funding is netted off to show the true underlying performance without additional funding to achieve breakeven.

Key

- EBITDA refers to Earnings Before Interest, Taxes, Depreciation and Amortisation
- F refers to a Favourable variance to plan
- A refers to an Adverse variance to plan

Performance by CMG and Directorates: Year to Date

Potential performance risks in ITAPS and ESM and in Facilities and Corporate

	CHUGGS		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	14.6	14.6	(0.0)
Other Income	0.7	0.6	(0.1)
Total Income	15.3	15.3	(0.1)
Total Pay	(5.5)	(5.5)	0.0
Total Non-Pay	(5.4)	(4.3)	1.1
EBITDA	4.4	5.5	1.1

	CSI		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	4.0	4.0	(0.0)
Other Income	0.9	0.8	(0.2)
Total Income	4.9	4.7	(0.2)
Total Pay	(8.2)	(8.1)	0.1
Total Non-Pay	(0.9)	(1.0)	(0.2)
EBITDA	(4.1)	(4.4)	(0.2)

	ESM		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	16.5	16.5	(0.0)
Other Income	0.8	0.7	(0.1)
Total Income	17.3	17.2	(0.1)
Total Pay	(10.1)	(10.7)	(0.6)
Total Non-Pay	(4.4)	(4.3)	0.2
EBITDA	2.8	2.2	(0.5)

	ITAPS		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	3.1	3.1	0.0
Other Income	0.3	0.3	(0.0)
Total Income	3.4	3.4	(0.0)
Total Pay	(6.3)	(6.7)	(0.4)
Total Non-Pay	(2.0)	(2.3)	(0.3)
EBITDA	(4.9)	(5.6)	(0.7)

	MSS		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	9.8	9.8	0.0
Other Income	0.4	0.3	(0.1)
Total Income	10.3	10.2	(0.1)
Total Pay	(5.1)	(4.9)	0.2
Total Non-Pay	(2.5)	(1.4)	1.1
EBITDA	2.7	3.9	1.2

	RRCV		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	17.2	17.2	(0.0)
Other Income	0.6	0.5	(0.1)
Total Income	17.8	17.6	(0.1)
Total Pay	(7.5)	(7.4)	0.1
Total Non-Pay	(5.3)	(4.1)	1.2
EBITDA	5.0	6.1	1.1

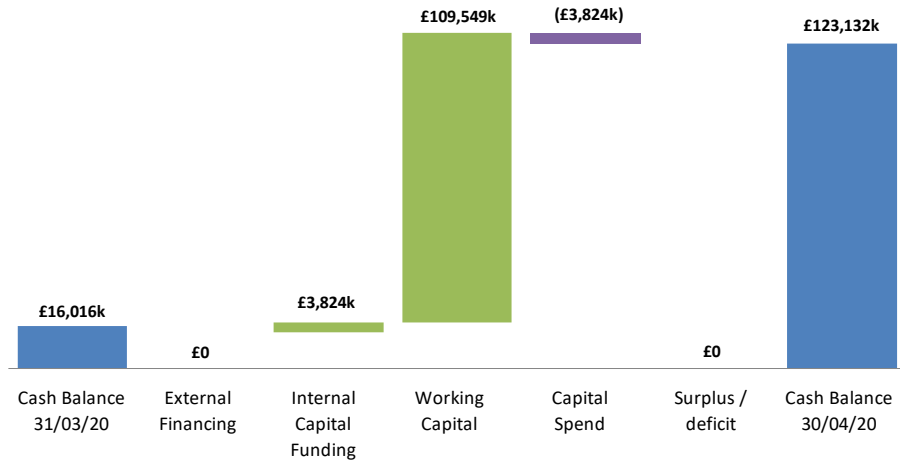
	W&C		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	14.6	14.6	0.0
Other Income	0.7	0.7	(0.1)
Total Income	15.3	15.2	(0.1)
Total Pay	(8.0)	(8.0)	(0.1)
Total Non-Pay	(3.4)	(3.3)	0.1
EBITDA	3.9	3.9	(0.0)

	ESTATES		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	0.0	0.0	0.0
Other Income	1.8	1.0	(0.8)
Total Income	1.8	1.0	(0.8)
Total Pay	(3.2)	(3.3)	(0.1)
Total Non-Pay	(3.3)	(3.3)	(0.0)
EBITDA	(4.7)	(5.6)	(0.9)

	CORPORATE		
	Plan	YTD	Variance
	£'m	£'m	£'m
PCI	0.0	0.0	0.0
Other Income	0.6	0.5	(0.1)
Total Income	0.6	0.5	(0.1)
Total Pay	(3.1)	(3.3)	(0.1)
Total Non-Pay	(3.9)	(5.4)	(1.5)
EBITDA	(6.5)	(8.1)	(1.6)

April 2020: Cash movement

Year to Date Cash Bridge £'000



Cash Bridge:

- Opening cash balance of £16.0m.
- We have achieved a YTD breakeven position; and have funded £3.8m of capital expenditure through from internal sources. No external loans or PDC financing was received in April.
- The closing cash balance includes £74.4m of payments received from local CCGs in advance of May SLAs. An equivalent amount is included within receipts in advance which is part of the working capital balance.

Daily Cash Balance

- In line with forecast the mid-month peak is driven by receipt of SLA income and reduction on 28th April due to the monthly payroll run.

Daily Cash Balance – APRIL 2020



Liquidity as at 30th April 2020

	Liquidity			Ageing				Total	
	Opening	YTD	Movement	0 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Over 90 Days	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	
Accounts Receivable	NHS receivables - revenue	26,756	7,080	(19,676)	3,512	1,696	730	1,143	16%
	Non-NHS receivables - revenue	19,057	21,112	2,055	14,874	1,745	703	3,790	18%
	Provision for the impairment of receivables	(3,072)	(2,677)	395	(2,677)				
	Non-NHS prepayments and accrued income	8,399	9,354	955	9,354				
	VAT	1,715	2,070	355	2,070				
	Other receivables	332	389	57	389				
	TOTAL	53,187	37,328	(15,859)	27,521	3,441	1,433	4,933	
Accounts Payable	NHS payables - revenue	(13,959)	(12,283)	1,676	(4,427)	(750)	(638)	(6,468)	53%
	Non-NHS payables - revenue	(15,727)	(19,954)	(4,227)	(14,199)	(3,931)	(1,079)	(746)	4%
	Non-NHS payables - capital	(3,132)	(645)	2,487	(459)	(127)	(35)	(24)	4%
	Non-NHS accruals and deferred income	(26,626)	(70,439)	(43,813)	(70,439)				
	Social security costs	(7,571)	(7,816)	(245)	(7,816)				
	Tax	(6,173)	(6,999)	(826)	(6,999)				
	Other	(14,851)	(15,934)	(1,083)	(15,934)				
	Payments received on account	(12,991)	(25,799)	(12,808)	(25,799)				
TOTAL	(101,030)	(159,870)	(58,840)	(146,073)	(4,808)	(1,751)	(7,238)		
Total Liquidity	(47,843)	(122,542)	(74,699)						

Liquidity: movement of £74.7m from opening position due to:

- Accounts receivable: decrease of £15.9m
- Accounts payable: increase of £58.8m, mainly due to a £74.4m receipt in advance of Month 2 SLA cash from local CCGs, less a higher volume of payments made to suppliers.

Ageing: NHSI target of 5% or less within over 90 days, key areas of under-performance:

- NHS receivables: 16% - £1.1m over 90 days
- Non-NHS receivables: 18% - £3.8m over 90 days
- NHS payables-revenue: 53% - £6.5m over 90 days
- Non- NHS payables-revenue: 4% - £0.7m over 90 days

YTD Better Payments Practice Code: Non-compliant

Better Payment Practice Code - Measure of Compliance	April YTD		2019/20 Full Year	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	10,249	64,185	201,231	881,299
Total Invoices Paid Within Target	9,043	57,331	93,981	589,283
Percentage of Invoices Paid Within Target	88.2%	89.3%	46.7%	66.9%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	9,522	54,115	195,484	751,645
Total Non-NHS Invoices Paid Within Target	8,730	51,383	92,280	502,093
Percentage Invoices Paid Within Target	91.7%	95.0%	47.2%	66.8%
NHS Payables				
Total Invoices Paid in the Year	727	10,070	5,747	129,654
Total Invoices Paid Within Target	313	5,948	1,701	87,189
Percentage of Non-NHS Invoices Paid Within Target	43.1%	59.1%	29.6%	67.2%

- The Trust is achieved 95% compliance by value for non-NHS suppliers.
- This is a result of the increased cash receipts following the reporting of our adjusted financial position.
- The Trust is achieved 59% compliance for NHS suppliers. This is mainly due to a higher volume of payments of aged invoices following the year end agreement of balances process.

Capital: April £3.8m YTD spend

SCHEME NAME	YTD ACTUAL
Pre-Commitments	393,416
ICU	1,393,171
Estates & Facilities Schemes	53,937
IT Schemes	837,080
Coronavirus Equipment	1,106,635
Other Corporate / Other Schemes	40,553
TOTAL CAPITAL SPEND APRIL 2020 YTD	3,824,792

- The Trust's total capital spend for April was £3.8m.
- Capital budgets are being finalised for 2020/21 and the spend against budget will be reported to the next meeting.