

2020/21 Financial Performance

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Trust Board paper I4

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	25.6.20	FIC assurance call for discussion
Trust Board		

Executive Summary

Context:

This paper updates the Trust Board on the financial performance of the Trust at Month 2 2020/21.

To support Trusts during the COVID-19 crisis, the NHS is providing Top Up funding via 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 financial position, and a retrospective adjustment in line with the actual reported financial position.

The Month 2 report shows actual financial performance including the impact of COVID-19 and the position excluding COVID-19 expenditure and the reduction in income due to COVID-19.

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 is different to the variance to plan reported internally by the Trust against its interim budget.

The Trust has 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. Final Trust budgets will be confirmed in accordance with national operational planning guidance.

Questions:

1. What is the financial performance for the period ending 31st May 2020?

The actual position including Top Up funding of £16.6m is breakeven. The financial position excluding Top Up funding is a deficit of £16.6m, which is £3.6m favourable to plan.

2. What are the main issues of note in the Month 2 financial performance?

The main issues are as follows:

- Breakeven has been achieved as a result of Top Up income
- Excluding Top Up income, reported performance is a £16.6m deficit, £3.6m favourable to plan
- Patient care income is £1.7m below plan at Month 2 reflecting the impact of lower work in progress due to COVID-19
- Under recovery of other income is likely to continue in future months whilst the COVID-19 crisis eases
- Reduced patient activity and underspending on non-pay is likely to continue in future months, although activity and expenditure will gradually increase whilst the COVID-19 crisis eases
- The financial deficit excluding Top Up income and the impact of increased expenditure and reduction in income due to COVID-19 is £2.7m, £17.5m favourable to plan

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

- Cost improvement plans need to be finalised and implemented to deliver savings and reduce the Trust's underlying deficit

- The availability of Top Up funding is likely to be for a limited period only (currently April to July 2020)
- The scale and duration of the impact of COVID-19 on patient 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 2 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
Safely and timely discharge
Improved Cancer pathways
Streamlined emergency care
Better care pathways
Ward accreditation

Not applicable
Not applicable
Not applicable
Not applicable
Not applicable
Not applicable

2. Supporting priorities

People strategy implementation
Estate investment and reconfiguration
e-Hospital
More embedded research
Better corporate services
Quality strategy development

Not applicable
Not applicable
Not applicable
Not applicable
Not applicable
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: 6 August 2020

6. Executive Summaries should not exceed **5 sides** [My paper does/~~does not~~ comply]

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Executive Summary

Financial performance

Financial Performance

- **Deficit of £16.6m, £3.6mF to the Trust's interim plan reflecting the impact of Covid-19 expenditure (£9.6m) and a reduction in income of £4.3m due to Covid-19, offset by reduced expenditure due to lower activity.**
- **Including Top Up income (£16.6m): Break-even**

Main areas of variance YTD

- **Patient Care Income (PCI), £1.7mA to Plan:** due to a non cash reduction in income reflecting work in progress at month end. Activity is below plan due to Covid-19, but this does not impact on PCI under current block arrangements, with the exception of adjustments for work in progress.
- **Other operating income, £3.8mA to plan:** reflecting the impact of Covid-19 (£2.3m).
- **Top Up income £16.6mF:** This is additional income provided to all Trusts based on an estimate of funding required to achieve breakeven on underlying expenditure.
- **Total Pay Costs: £120m, £0.1mF.**
- **Non-Pay: £60.6m, £8.2mF** reflecting significant underspends in CHUGGS £1.9m, MSS £2.4m and RRCV £2.2m resulting from reduced activity as a consequence of Covid-19, offset by Covid-19 expenditure. This mainly relates to Drugs £1.7m, Clinical Supplies £3.7m and General Supplies £2.1m.

Cash

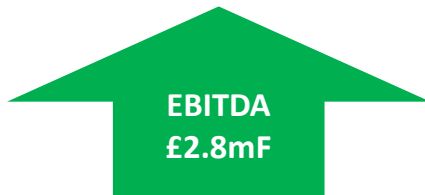
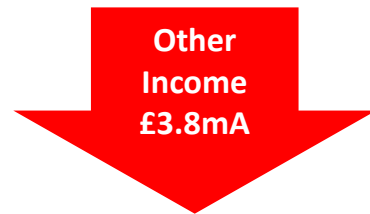
Cash Bridge:

- Closing cash balance of £121.3m.
- We have achieved a YTD breakeven position and have funded £7.1m of capital expenditure from internal sources. No external loans or PDC financing was received in May.
- The closing cash balance includes £88m of payments received in advance for block contract income. An equivalent amount is included within receipts in advance which is part of the working capital balance.

Capital

- The Trust's total capital spend at May was £7.1m.

May 2020: Key Facts



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 £16.6m Top Up income

	May-20				YTD				Variance to Plan			
	Plan	Actual	COVID Impact	Underlying Actuals	Plan	Actual	COVID Impact	Underlying Actuals	M2	M2 - Underlying Variance	YTD	YTD - Underlying Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Patient Care Income	77,755	79,603	(1,605)	77,998	155,510	153,802	1,951	155,753	1,848	243	(1,708)	243
Non Patient Care Income	382	145	117	262	769	158	239	397	(237)	(120)	(611)	(372)
Other Operating Income	10,110	8,303	1,180	9,482	20,221	17,029	2,085	19,114	(1,807)	(627)	(3,192)	(1,107)
Total Income	88,247	88,051	(308)	87,743	176,500	170,989	4,276	175,265	(196)	(504)	(5,511)	(1,235)
Pay Costs	(58,557)	(57,753)	1,664	(56,089)	(117,115)	(116,249)	2,697	(113,552)	805	2,469	865	3,562
Pay Costs: Agency	(1,518)	(1,600)	238	(1,362)	(2,994)	(3,710)	472	(3,239)	(82)	156	(716)	(244)
Non Pay	(34,404)	(29,246)	2,600	(26,646)	(68,752)	(60,550)	6,466	(54,084)	5,158	7,758	8,202	14,669
Total Operating Costs	(94,479)	(88,598)	4,501	(84,097)	(188,861)	(180,510)	9,635	(170,875)	5,881	10,382	8,352	17,986
EBITDA	(6,232)	(547)	4,193	3,646	(12,361)	(9,521)	13,911	4,390	5,685	9,877	2,840	16,751
Non Operating Costs	(3,932)	(3,627)	0	(3,627)	(7,865)	(7,263)	0	(7,263)	305	305	602	602
Surplus / (Deficit)	(10,164)	(4,174)	4,193	18	(20,226)	(16,784)	13,911	(2,873)	5,990	10,182	3,442	17,353
Adjustments for Donated Assets	10	70		70	30	141	0	141	60	60	111	111
Underlying Surplus/(Deficit)	(10,154)	(4,104)	4,193	88	(20,196)	(16,643)	13,911	(2,732)	6,049	10,242	3,553	17,464
Net off Top up income		4,104		4,104		16,643	0	16,643	4,104	4,104	16,643	16,643
Actual Surplus / (Deficit)	(10,154)	0	4,193	4,193	(20,196)	0	13,911	13,911	10,154	14,346	20,196	34,107

NHS Patient Care Income: £153.8m, £1.7mA reflecting the impact of lower activity due to Covid-19, impacting on the Trust's work in progress adjustment.

- **Other Income : £17.2m, £3.8A to plan** reflecting the impact of Covid-19, with significant variances reported in Facilities, due to £1.5m loss of income from car parking, catering and shuttle bus, and CSI (£0.6m) reflecting lower pathology income.
 - **Total Pay Costs: £120m, £0.1mF.** After adjusting for the impact of Covid-19, the Trust is reporting a £3.3m favourable pay position, reflecting vacancies.
 - **Non-Pay: £60.6m, £8.2mF,** reflecting significant underspends in CHUGGS £1.9m, MSS £2.4m and RRCV £2.2m resulting from reduced activity as a consequence of Covid-19. This mainly relates to Drugs £1.7m, Clinical Supplies £3.7m and General Supplies £2.1m
- EBITDA: deficit of £9.5m, £2.8mF**
- **Non-Operating Costs: £7.3m, £0.6mF,** reflecting lower depreciation than planned, due to the timing of capital expenditure
 - **Top Up funding: The Trust's deficit at month 2 is £16.6m.** After the receipt of national Top Up income of £16.6m a breakeven position is reported.

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

	CHUGGS			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	29.2	29.2	0.0	(0.0)
Other Income	1.4	1.3	(0.0)	(0.1)
Total Income	30.6	30.5	(0.0)	(0.1)
Total Pay	(11.0)	(10.7)	(0.1)	0.4
Total Non-Pay	(10.6)	(8.8)	(0.0)	1.9
EBITDA	9.0	11.1	(0.1)	2.2

	CSI			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	8.0	8.0	0.0	(0.0)
Other Income	1.9	1.3	(0.5)	(0.1)
Total Income	9.9	9.2	(0.5)	(0.1)
Total Pay	(16.4)	(15.9)	(0.1)	0.6
Total Non-Pay	(1.8)	(1.4)	(1.4)	1.7
EBITDA	(8.2)	(8.1)	(2.0)	2.2

	ESM			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	33.2	33.2	0.0	(0.0)
Other Income	1.6	1.5	0.0	(0.2)
Total Income	34.9	34.7	0.0	(0.2)
Total Pay	(20.0)	(21.0)	(1.0)	(0.0)
Total Non-Pay	(9.0)	(8.2)	(0.3)	1.1
EBITDA	5.8	5.5	(1.2)	0.9

	ITAPS			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	6.2	6.2	0.0	0.0
Other Income	0.6	0.6	(0.0)	(0.0)
Total Income	6.8	6.8	(0.0)	(0.0)
Total Pay	(12.6)	(13.2)	(0.9)	0.3
Total Non-Pay	(4.1)	(4.0)	(1.2)	1.4
EBITDA	(9.8)	(10.4)	(2.2)	1.7

	MSS			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	19.7	19.7	0.0	(0.0)
Other Income	0.8	0.7	0.0	(0.1)
Total Income	20.5	20.4	0.0	(0.1)
Total Pay	(10.1)	(9.6)	(0.1)	0.6
Total Non-Pay	(5.0)	(2.6)	(0.2)	2.6
EBITDA	5.4	8.2	(0.3)	3.1

	RRCV			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	34.2	34.2	0.0	(0.0)
Other Income	1.2	0.9	(0.3)	(0.0)
Total Income	35.4	35.1	(0.3)	(0.0)
Total Pay	(15.0)	(14.8)	(0.2)	0.4
Total Non-Pay	(10.7)	(8.5)	(0.1)	2.3
EBITDA	9.6	11.8	(0.5)	2.7

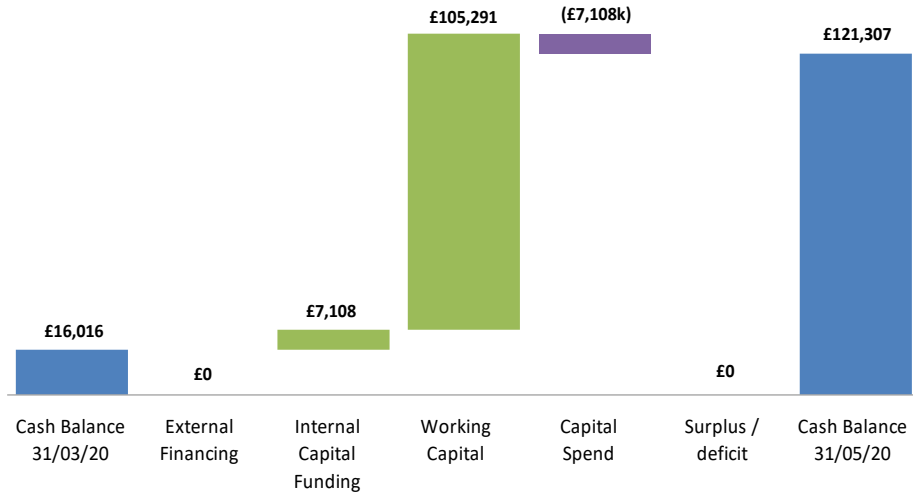
	W&C			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	28.9	28.9	0.0	0.0
Other Income	1.5	1.3	0.0	(0.2)
Total Income	30.4	30.2	0.0	(0.2)
Total Pay	(15.9)	(16.1)	(0.0)	(0.1)
Total Non-Pay	(6.8)	(6.4)	(0.3)	0.6
EBITDA	7.7	7.7	(0.3)	0.3

	ESTATES			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	0.0	0.0	0.0	0.0
Other Income	3.7	2.2	(1.5)	0.1
Total Income	3.7	2.2	(1.5)	0.1
Total Pay	(6.5)	(6.7)	(0.2)	(0.0)
Total Non-Pay	(6.6)	(6.7)	(1.0)	0.8
EBITDA	(9.4)	(11.2)	(2.7)	0.9

	CORPORATE			
	Plan	YTD	COVID Impact	YTD - Underlying Variance
	£'m	£'m	£'m	£'m
PCI	0.0	0.0	0.0	0.0
Other Income	1.2	0.9	0.0	(0.2)
Total Income	1.2	0.9	0.0	(0.2)
Total Pay	(6.5)	(6.4)	0.0	0.1
Total Non-Pay	(7.9)	(8.1)	(0.5)	0.3
EBITDA	(13.2)	(13.5)	(0.5)	0.2

May 2020: Cash movement

Year to Date Cash Bridge £'000



Cash Bridge:

- Closing cash balance of £121.3m.
- We have achieved a YTD breakeven position and have funded £7.1m of capital expenditure from internal sources. No external loan financing has been received in the YTD.
- The closing cash balance includes £88m of block contract income received in advance. An equivalent amount is included within payments received on account 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 27th May due to the monthly payroll run.



Liquidity as at 31st May 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	15,020	(11,736)	8,257	3,912	932	1,920	13%
	Non-NHS receivables - revenue	19,057	6,976	(12,081)	934	641	1,485	3,918	56%
	Provision for the impairment of receivables	(3,072)	(2,170)	902	(2,170)				
	Non-NHS prepayments and accrued income	8,399	11,559	3,160	11,559				
	VAT	1,715	1,586	(129)	1,586				
	Other receivables	332	544	212	544				
	TOTAL	53,187	33,514	(19,673)	20,709	4,552	2,416	5,837	
Accounts Payable	NHS payables - revenue	(13,959)	(12,076)	1,883	(4,797)	(578)	(610)	(6,091)	50%
	Non-NHS payables - revenue	(15,727)	(13,154)	2,573	(6,233)	(3,580)	(2,502)	(839)	6%
	Non-NHS payables - capital	(3,132)	(1,342)	1,790	(636)	(365)	(255)	(86)	6%
	Non-NHS accruals and deferred income	(26,626)	(24,856)	1,770	(24,856)				
	Social security costs	(7,571)	(8,086)	(515)	(8,086)				
	Tax	(6,173)	(7,299)	(1,126)	(7,299)				
	Other	(14,851)	(15,777)	(926)	(15,777)				
	Payments received on account	(12,991)	(105,222)	(92,231)	(105,222)				
TOTAL	(101,030)	(187,811)	(86,781)	(172,905)	(4,523)	(3,367)	(7,016)		
Total Liquidity	(47,843)	(154,297)	(106,454)						

Liquidity: movement of £106.5m from opening position due to:

- Accounts receivable: decrease of £19.7m
- Accounts payable: increase of £86.8m, reflecting payment in advance of block income

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

- NHS receivables: 13% - £1.9m over 90 days
- Non-NHS receivables: 56% - £3.9m over 90 days
- NHS payables-revenue: 50% - £6.1m over 90 days
- Non- NHS payables-revenue: 6% - £0.8m over 90 days

YTD Better Payments Practice Code

Better Payment Practice Code - Measure of Compliance	May YTD		2019/20 Full Year	
	Number	£000s	Number	£000s
All				
Total Invoices Paid in the Year	21,746	137,800	201,231	881,299
Total Invoices Paid Within Target	19,946	125,287	93,981	589,283
Percentage of Invoices Paid Within Target	91.7%	90.9%	46.7%	66.9%
Non-NHS Payables				
Total Non-NHS Invoices Paid in the Year	20,604	116,998	195,484	751,645
Total Non-NHS Invoices Paid Within Target	19,399	109,837	92,280	502,093
Percentage Invoices Paid Within Target	94.2%	93.9%	47.2%	66.8%
NHS Payables				
Total Invoices Paid in the Year	1,142	20,803	5,747	129,654
Total Invoices Paid Within Target	547	15,450	1,701	87,189
Percentage of Invoices Paid Within Target	47.9%	74.3%	29.6%	67.2%

- Overall compliance is now above 90% by volume and value.
- The Trust has achieved 94% compliance against the 95% target by both value and volume for non-NHS suppliers in the YTD.

Capital: May £7.1m YTD spend

Scheme Name	YTD Actual
Business cases and reconfiguration schemes	1,522,564
ICU	2,693,429
Estates and facilities schemes	499,683
IT schemes	865,634
Covid-19 costs	1,336,822
Corporate & other schemes	190,026
Total	7,108,158

- The Trust's total YTD capital spend as at the end of May was £7.1m.