

2019/20 Financial Outturn

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Trust Board paper F4

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 provisional financial outturn for 2019/20 following previous discussions at Finance & Investment Committee and Trust Board and the completion of the Trust's balance sheet review.

Questions:

1. What is the financial outturn?

The Trust is internally reporting a FOT of £84.1m excluding PSF, FRF and MRET funding and a £66.4m deficit including PSF, FRF and MRET and after adjusting for an expected prior year adjustment of £46.2m. The reported position to NHSE & I in the end of year data return was a £112.6m deficit including PSF, FRF and MRET. This reflects the fact that there will be no prior year adjustment in the national NHS accounts, as the £46.2m is not material for national reporting purposes.

This is a provisional estimated outturn as accruals for annual leave carry forward and working time directive holiday pay are still being completed and the PDC dividend impact of the MEA valuation will not be confirmed until the end of the month. It should also be noted that the Trust's financial position is now being reviewed by External Audit and PwC as part of their external review and the reported position and prior year adjustments may be subject to change as a result.

The provisional outturn is a deterioration of £6.5m from the Month 11 YTD position but is in line with the FOT reported as at Month 11 of a £66.5m deficit against plan (including PSF, FRF and MRET).

2. What risks are associated with the provisional outturn position?

This is a provisional outturn position that includes the estimated impact of final accruals that are being completed and the PDC dividend impact of the MEA valuation. The actual outturn may vary as a result of:

- The actual value of final accruals
- The outcome of the External Audit and PwC external reviews

Input Sought:

The Trust Board is asked to:

- **NOTE** the 2019/20 reported financial forecast and the outcome of the Trust's balance sheet review
- **NOTE** that the position may change once accruals are finalised and external reviews are completed.

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 Principal Risk on the BAF?	X	Principal Risk 9 - Failure to meet the financial control total
Organisational: Does this link to an Operational/Corporate Risk on Datix Register		
New Risk identified in paper: What type and description ?		
None		

5. Scheduled date for the **next paper** on this topic: 4th June 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: not delivered
- Achieving the External Funding Limit: delivered
- Achieving the Capital Resource Limit: delivered

Financial Performance

- **Deficit of £84.1m excluding Provider Sustainability Funds (PSF), Financial Recovery Fund (FRF), and Marginal Rate Emergency Tariff (MRET):** The Month 12 position is an estimated one as the impact of the MEA valuation on PDC dividend and the final value of the annual leave carried forward accrual will not be confirmed until after circulation of this report. The current position includes the in year impact of the financial review of the balance sheet and operational pressures but is net of an expected £46.2m of prior year adjustments to 18/19 financial statements resulting from the review. This compares to a Month 11 deficit position, after prior year adjustments, of £80.2mA, and is a £6.5mA movement against plan before PSF, FRF and MRET.
- **Including PSF/FRF/MRET: Deficit of £66.4m, £55.7mA to plan**
- **Patient Care Income, £20mF to Plan :** There is £1.7mF movement against plan mainly due to an improvement in the final settlement of outstanding issues with Specialised Services. Although activity reduced significantly in March due to Covid this did not impact on income as a result of the fixed income agreement with CCGs.
- **Other operating income, £6.2mF:** This is £7.5mF in month mainly due to £3.9m Covid income and £1.8m of LDA income that will not be spent until 2020/21
- **Operating Costs, £56.8mA to Plan:** This compares to a Month 11 position excluding prior year balance sheet adjustments of £42.4mA. Pay £4.2mA to Plan in month is due to accruals for clinical excellence and estimated cost of the annual leave carry forward accrual. Non-pay £10.2mA in month. This is £4.6mA to forecast mainly due to Covid costs of £1.2m and movement of £1.2m of costs previously allocated against other income.
- **Non operating costs, £4.8mA to plan: improved from £6.5mA**

Cash

Cash Bridge:

- Opening cash balance of £4m, in line with our plan.
- Funded YTD operating deficit (net of PDC) of £112.8m and capital spend by securing £124.0m of external loans; PSF/FRF/MRET funding; internal capital funding and improvement in working capital.
- Cash holding at the year end is £16.0m which includes £2.4m of cash related to Trust Group Holdings, £5m of UHL revenue cash and £8.6m of capital cash to fund 2020/2021's capital program.

Capital

- £49.6m spend to date against a budget of £52.5m

Key

F refers to a Favourable variance to plan, A refers to an Adverse variance to plan

March 2020: Key Facts



Patient
Income
£20.0mF

Other
Income
£6.2mF



Substantive
Pay
£8.7mA

Agency
£0.8mA



Non Pay
£47.3mA

Non-Op
Costs
£4.8mA



EBITDA
£42.8mA

CIP
£1.1mF



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: YTD Deficit of £66.6m

	Mar-20				YTD			
	Plan	Actual	Vs Plan		Plan	Actual	F/(A)	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Patient Care Income	77,833	79,510	1,677	2%	894,303	914,283	19,980	2%
Non Patient Care Income	519	1,031	512	99%	5,306	5,309	3	0%
Other Operating Income	10,201	17,688	7,487	73%	122,668	128,818	6,150	5%
Total Income	88,553	98,229	9,676	11%	1,022,277	1,048,410	26,133	3%
Pay Costs	(55,281)	(59,031)	(3,750)	7%	(657,823)	(666,486)	(8,663)	(1%)
Pay Costs: Agency	(1,545)	(1,992)	(447)	29%	(18,860)	(19,629)	(768)	(4%)
Non Pay	(29,789)	(39,998)	(10,209)	34%	(357,737)	(405,077)	(47,340)	(13%)
Total Operating Costs	(86,615)	(101,021)	(14,406)	17%	(1,034,420)	(1,091,192)	(56,772)	(5%)
EBITDA	1,938	(2,792)	(4,730)	(244%)	(12,143)	(42,781)	(30,638)	252%
Non Operating Costs	(2,994)	(1,245)	1,750	(58%)	(36,811)	(41,600)	(4,789)	(13%)
Retained deficit	(1,056)	(4,036)	(2,980)	(282%)	(48,954)	(84,381)	(35,428)	(72%)
Adjustments for Donated Assets	19	125	105	(545%)	232	237	5	(2%)
Net Deficit	(1,037)	(3,912)	(2,875)	(277%)	(48,722)	(84,144)	(35,422)	(73%)
PSF/FRF/MRET	4,212	572	(3,640)	86%	38,069	17,785	(20,284)	53%
Net Deficit Including PSF/FRF/MRET	3,175	(3,340)	(6,515)	205%	(10,653)	(66,359)	(55,706)	(523%)

NHS Patient Care Income: £914.3m, £20.0mF including £4.7mF in relation to drugs and devices excluded from tariff with the offset in non-pay and £1.5mF due to Medical Pay Award which is offset in Medical Pay. Underlying over-delivery of £13.8mF. Lower activity in March due to Covid has brought activity back in line with plan for the year, although income remains favourable due to the fixed income agreement with the CCGs and over-performance in Emergency, Outpatients, Direct Access, Diagnostic Imaging and critical care activity earlier in the year.

- **Other Income: £134.1m, £6.2mF to plan.** The Month 12 position includes an expected £1.7m prior year adjustment to 18/19 financial statements resulting from the balance sheet review. The favourable variance is mainly the result of an allocation £3.9m of Covid income in March and £1.8m in LDA monies, which will be spent in 20/21.
- **Total Pay Costs: £686.1m, £9.4mA** including £4.7mF from release of contingency in line with Plan and £1.5mA in relation to the impact of the Medical Pay Award. The overspend of £4m in month is a result of an accrual for Clinical excellence award costs and end year annual leave carry forward.
- **Non-Pay: £405.1m, £47.3mA** including £4.7mA relating to drugs and devices excluded from tariff and £1mF release of central contingency. The Month 12 position is net of an expected £44.4m prior year adjustments to 18/19 financial statements resulting from the balance sheet review. The adverse variance is higher than forecast mainly due to a correction of non pay cost of £1.2m previously allocated against other income and inclusion of £1.2m of Covid costs.
- **EBITDA: deficit of £42.8m, £30.6mA.** This compares to a EBITDA deficit for month 11 of £40m, £25.9mA to plan.
- **Non-Operating Costs: £41.6m, £4.8mA** This compares to non operating costs in month 10 of £40.4m, £6.5mA to plan.
- **PSF, FRF and MRET: £17.8mA to plan** due to loss of PSF and FRF funding in Q3 and Q4 as a consequence of being off plan.

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

Performance risks in various CMGS with ITAPS, CHUGGS and MSS in Special Measures. All CMGs and Estates and Facilities have reset control totals and continue to have Corporate Finance oversight outside of the formal monthly PRMs in order to track financial performance and recovery in line with the agreed control totals.

	CHUGGS		
	Plan £'m	YTD £'m	Variance £'m
PCI	168.8	173.5	4.7
Other Income	8.3	8.3	0.1
Total Income	177.0	181.9	4.8
Total Pay	(61.4)	(64.0)	(2.5)
Total Non-Pay	(59.8)	(64.9)	(5.0)
EBITDA	55.8	53.0	(2.8)

	CSI		
	Plan £'m	YTD £'m	Variance £'m
PCI	43.4	46.3	2.9
Other Income	12.6	11.4	(1.3)
Total Income	56.0	57.7	1.7
Total Pay	(91.9)	(92.6)	(0.7)
Total Non-Pay	(2.2)	(11.5)	(9.3)
EBITDA	(38.1)	(46.5)	(8.4)

	ESM		
	Plan £'m	YTD £'m	Variance £'m
PCI	176.0	185.0	9.0
Other Income	9.3	9.7	0.4
Total Income	185.3	194.7	9.4
Total Pay	(108.5)	(115.3)	(6.8)
Total Non-Pay	(50.7)	(51.9)	(1.2)
EBITDA	26.1	27.5	1.4

	ITAPS		
	Plan £'m	YTD £'m	Variance £'m
PCI	38.4	35.8	(2.5)
Other Income	4.0	4.0	(0.1)
Total Income	42.4	39.8	(2.6)
Total Pay	(69.7)	(71.4)	(1.7)
Total Non-Pay	(20.2)	(24.8)	(4.6)
EBITDA	(47.6)	(56.4)	(8.8)

	MSS		
	Plan £'m	YTD £'m	Variance £'m
PCI	109.4	109.7	0.3
Other Income	6.1	4.9	(1.3)
Total Income	115.6	114.6	(1.0)
Total Pay	(57.4)	(57.0)	0.4
Total Non-Pay	(25.7)	(29.2)	(3.5)
EBITDA	32.5	28.4	(4.1)

	RRCV		
	Plan £'m	YTD £'m	Variance £'m
PCI	187.1	193.7	6.6
Other Income	8.1	7.5	(0.6)
Total Income	195.2	201.2	6.1
Total Pay	(84.2)	(83.7)	0.5
Total Non-Pay	(59.9)	(65.6)	(5.7)
EBITDA	51.0	51.9	0.9

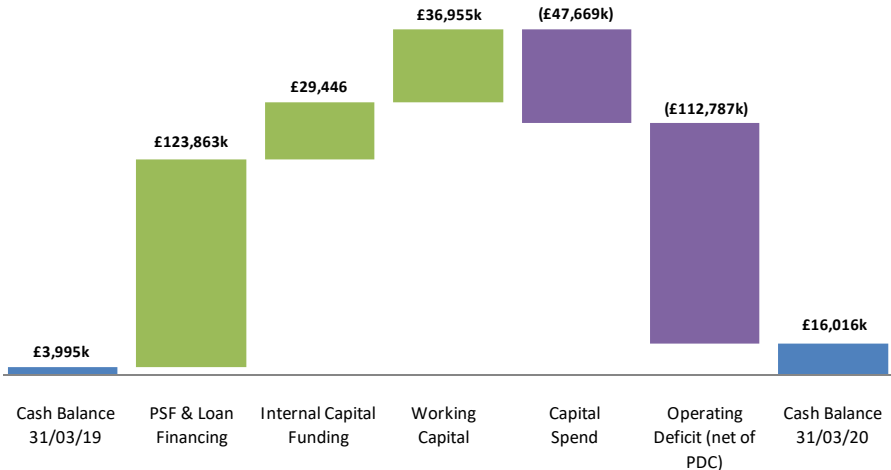
	W&C		
	Plan £'m	YTD £'m	Variance £'m
PCI	162.0	163.7	1.6
Other Income	9.3	9.2	(0.2)
Total Income	171.4	172.8	1.5
Total Pay	(90.7)	(91.9)	(1.3)
Total Non-Pay	(36.2)	(38.9)	(2.7)
EBITDA	44.5	42.0	(2.5)

	ESTATES		
	Plan £'m	YTD £'m	Variance £'m
PCI	0.0	(0.0)	(0.0)
Other Income	22.2	22.0	(0.2)
Total Income	22.2	22.0	(0.2)
Total Pay	(37.9)	(38.1)	(0.2)
Total Non-Pay	(34.0)	(39.2)	(5.2)
EBITDA	(49.7)	(55.4)	(5.7)

	CORPORATE		
	Plan £'m	YTD £'m	Variance £'m
PCI	0.0	0.3	0.3
Other Income	7.6	8.3	0.7
Total Income	7.6	8.6	1.0
Total Pay	(37.2)	(34.3)	2.9
Total Non-Pay	(40.0)	(42.7)	(2.7)
EBITDA	(69.5)	(68.4)	1.2

March 2020: Cash movement

Year to Date Cash Bridge £'000



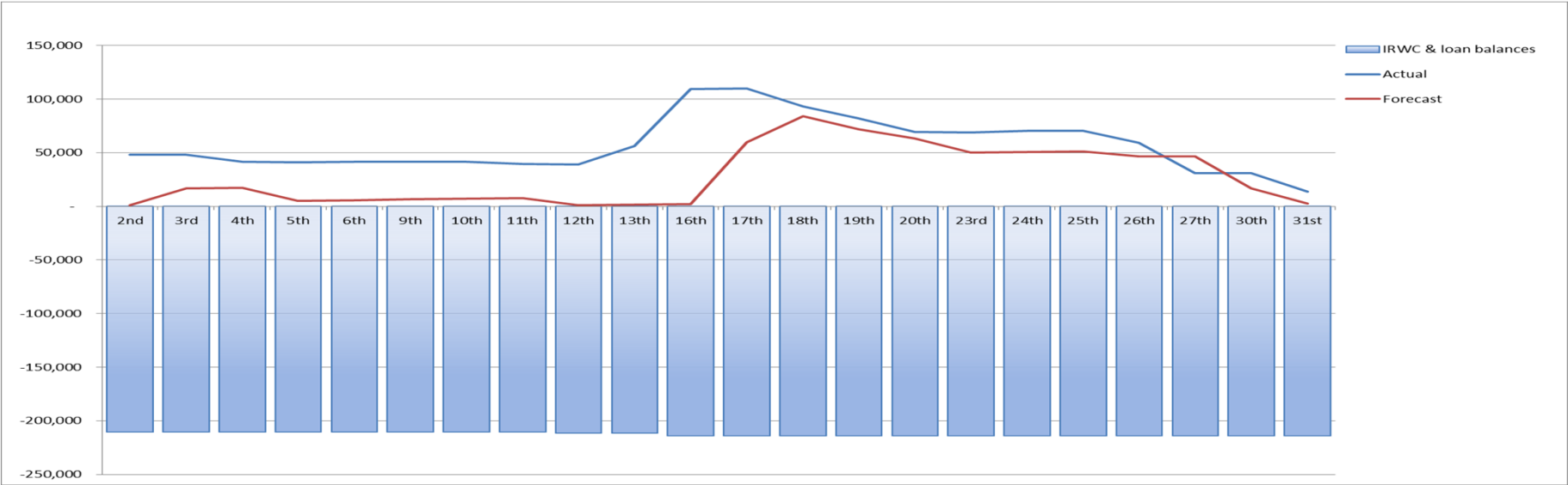
Cash Bridge:

- Opening cash balance of £4m, in line with our plan.
- Funded YTD operating deficit (net of PDC) of £112.8m and capital spend by securing £124.0m of external loans; PSF/FRE/MRET funding; internal capital funding and improvement in working capital.
- Cash holding at the year end is £16.0m which includes £2.4m of cash related to Trust Group Holdings, £5m of UHL revenue cash and £8.6m of capital cash to fund 2020/2021’s capital program.

Daily Cash Balance

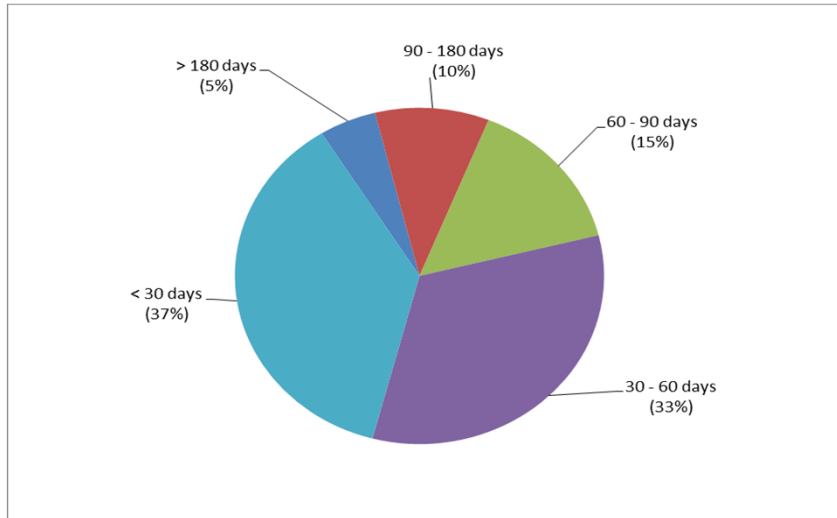
- In line with forecast the mid-month peak is driven by receipt of SLA income and reduction on 27th March due to the monthly payroll run.

Daily Cash Balance – March 2020

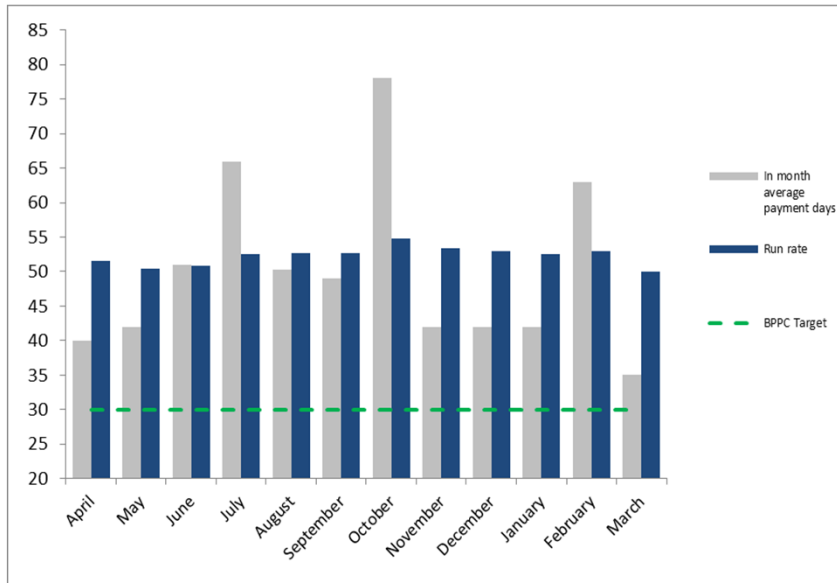


Accounts payable performance

No. days between invoice receipt and payment – Apr 2019 to Mar 2020



Average number of days to pay supplier invoices – Apr 2019 to Mar 2020



BPPC Year to March 2020

Period	% paid within 30 days	
	By volume	By value
Prior month YTD	42%	65%
Current month YTD	47%	67%
Change in performance	5%	2%
Local SMEs YTD	65%	19%
CRN invoices YTD	96%	97%

Comments

- Performance has improved from the prior month, and this includes the repayment of a large proportion of aged invoices due to increased cash receipts.
- We have a target of no more than two days' of invoices waiting to be entered onto the ledger at any one time. This includes invoices received in the post, via email or through the cloud. At the end of March there were less than two days' of invoices awaiting input onto the ledger.

NIHR Clinical Research Network East Midlands(CRN) invoices

- We host the CRN and the agreement in place requires us to pay their invoices on time each week.
- We paid 94% of these invoices within 30 days by volume and 95% by value in the year to date, and continue to work with the CRN to maintain payment performance and ensure the accuracy of this data.

Rolling 12 months analysis

- This analysis is based on invoices paid (by value) in the last 12 months, excluding direct payments from our bank.
- 37% of all invoices were paid within 30 days of receipt in the year. The run rate for the YTD is 55 days (prior 12 months was 53 days). We prioritise non-NHS suppliers due to the nature of the supplies and the fact that many of these suppliers put our accounts 'on stop' of supply.

Capital: March £49.6m YTD spend

Scheme Name	Annual Budget £'000	Year to Date - March 19	
		YTD Actual £'000	YTD F / (A) £'000
ICU Pre-commitment	21,567	19,430	(2,137)
Business Cases & Reconfiguration Schemes	3,530	3,221	(309)
Estates & Facilities Schemes	9,046	6,208	(2,838)
IM&T Schemes	4,645	4,858	213
Medical Equipment Schemes	2,724	3,852	1,128
Other pre-commitments	8,429	7,753	(676)
Corporate / Other	2,601	2,747	146
Alliance Asset Transfer	-	1,535	1,535
TOTAL CAPITAL EXPENDITURE	52,542	49,604	(2,938)

The above position on capital spend is subject to a final internal review, and audit.