



Report Cover Sheet

Report to:	Trust Board	
Date of the Meeting:	27 May 2020	
Agenda Item:	P1-087-20	
Title:	Financial Report Month 1	
Report prepared by:	John Andrews, Associate Director of Finance & Jo Bowden, Deputy Director of Finance	
Executive Lead:	James Thomson, Director of Finance	
Status of the Report:	Public	Private
	X	

Paper previously considered by:	N/A
Date & Decision:	N/A

Purpose of the Paper/Key Points for Discussion:	<p>To present the Trust's financial performance for the month ending April 2020, noting the following:</p> <ul style="list-style-type: none"> - The change to an interim financial regime as a result of the COVID-19 pandemic - The requirement for all Trusts to deliver an NHSI target of breakeven in month and additional Top Up income required to do that - Trust expenditure directly related to COVID-19 - Capital and cash position
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Action Required:	Discuss	X
	Approve	
	For Information/Noting	X

Next steps required	The Trust Board will be informed of progress against the plan on a regular basis in accordance with the Board Reporting Cycle.
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The paper links to the following strategic priorities (please tick)

Deliver outstanding care locally	X	Collaborative system leadership to deliver better patient care	X
Retain and develop outstanding staff	X	Be enterprising	
Invest in research & innovation to deliver excellent patient care in the future		Maintain excellent quality, operational and financial performance	X

The paper relates to the following Board Assurance Framework (BAF) Risks

BAF Risk	Please Tick
1. If we do not optimise quality outcomes we will not be able to provide outstanding care	
2. If we do not prioritise the costs of the delivering the Transforming Cancer Care Programme we will not be able to maintain our long-term financial strength and make appropriate strategic investments.	
3. If we do not have the right infrastructure (estate, communication & engagement, information and technology) we will be unable to deliver care close to home.	X
4. If we do not have the right innovative workforce solutions including education and development, we will not have the right skills, in the right place, at the right time to deliver the outstanding care.	
5. If we do not have an organisational culture that promotes positive staff engagement and excellent health and well-being we will not be able to retain and attract the right workforce.	
6. If we fail to implement and optimise digital technology we will not deliver optimal patient outcomes and operational effectiveness.	
7. If we fail to position the organisation as a credible research partner we will limit patient access to clinical trials and affect our reputation as a specialist centre delivering excellent patient care in the future.	
8. If we do not retain system-wide leadership, for example, SRO for Cancer Alliance and influence the National Cancer Policy, we will not have the right influence on the strategic direction to deliver outstanding cancer services for the population of Cheshire & Merseyside.	
9. If we do not support and invest in entrepreneurial ideas and adapt to changes in national priorities and market conditions we will stifle innovative cancer services for the future.	
10. If we do not continually support, lead and prioritise improved quality, operational and financial performance, we will not provide safe, efficient and effective cancer services.	X

Equality & Diversity Impact Assessment

Equality & Diversity Impact Assessment	YES	NO
Are there concerns that the policy/service could have an adverse impact on:		
Age		X
Disability		X
Gender		X
Race		X
Sexual Orientation		X
Gender Reassignment		X
Religion/Belief		X
Pregnancy and Maternity		X

If YES to one or more of the above please add further detail and identify if a full impact assessment is required.

**Trust Board & Performance Committee
May 2020**

Financial Performance

1. Introduction

- 1.1 This paper provides a summary of the Trust's financial performance for April 2020, the first month of the 2020-21 financial year.

Colleagues are asked to note the content of the report, and the associated risks.

2. Summary Financial Performance

- 2.1 For April the key financial headlines are:

Metric	M1 Actual	M1 Plan*	Variance	Risk RAG
Trust Surplus (£000)	17	(479)	496	Green
Control Total Surplus (£000)	0	0	0	Green
Cash holding (£000)	45,176	30,669	14,507	Green
Capital Expenditure (£000)	2,388	1,008	1,380	Yellow

*the plan for month 1 is the original plan approved by the Board in March 2020, except for the Control Total which is the revised NHSI plan issued to the Trust

- 2.2 The Trust Board agreed a financial plan for 2020-21 and a draft plan was submitted to NHSI in March. However, due to the impact of the COVID-19 pandemic, the national planning process, along with the usual financial regime in the NHS has been suspended. The current interim arrangements are in place for April to July 2020 with the key elements being

- Commissioning contracts have been suspended.
- The financial risk rating metrics in the Strategic Outcomes Framework have been suspended.
- NHSI did not complete the process for approving the annual plan and have issued Trusts with revised plans based on income and expenditure run rates for November to January of 2019-20, uplifted to 2020-21 using a 2.8% inflator. The plans currently only cover the period for April to July 2020.
- The Trust is being funded based on cost rather than activity for the first 4 months of the year at least.
- As a result all Trusts are expected to deliver a 'breakeven' position rather than their previously notified control total. For CCC the breakeven includes the subsidiary company performance.
- To breakeven the Trust requires additional Top Up funding of £390k for April.
- There is a lack of clarity about the financial regime for the remainder of the year although it is unlikely that contracting will resume in 2020-21.

3. Operational Financial Profile – Income and Expenditure

3.1 Overall Income and Expenditure Position

3.1.1 The financial position of the Trust at the end of month 1 is a small surplus of £17k, against an original planned deficit of (£427k). The month 1 plan was a deficit due to phasing of clinical income on working days rather than 1/12^{ths} and the back loading of the CIP programme to the second half of the year.

3.1.2 The table below summarises. Please see Appendix 1 for the more detailed Income & Expenditure position.

Metric (£000)	Actual M1	Trust Plan M1	Variance	Actual M1	NHSI Plan M1	NHSI Variance	Trust Annual Plan
Clinical Income	14,106	13,765	342	14,106	14,015	91	174,697
Other Income	1,216	1,399	(183)	1,216	1,925	(709)	15,958
Total Operating Income	15,322	15,164	159	15,322	15,940	(618)	190,654
Total Operating Expenditure	(14,843)	(15,260)	417	(14,843)	(15,517)	674	(185,743)
Operating Surplus	479	(97)	576	479	423	56	4,911
Finance Costs	(463)	(382)	(81)	(463)	(423)	(40)	(4,584)
Surplus/Deficit	17	(479)	495	17	0	17	327

3.1.3 The Month 1 NHSI Plan shown above is the revised plan issued by NHSI which only covers April to July. The plan is not the same plan as the draft submitted by the Trust in March. NHSI have calculated plans for all organisations based on historic run rates for income and expenditure from 2019-20 uplifted to 2020-21 using a 2.8% inflator.

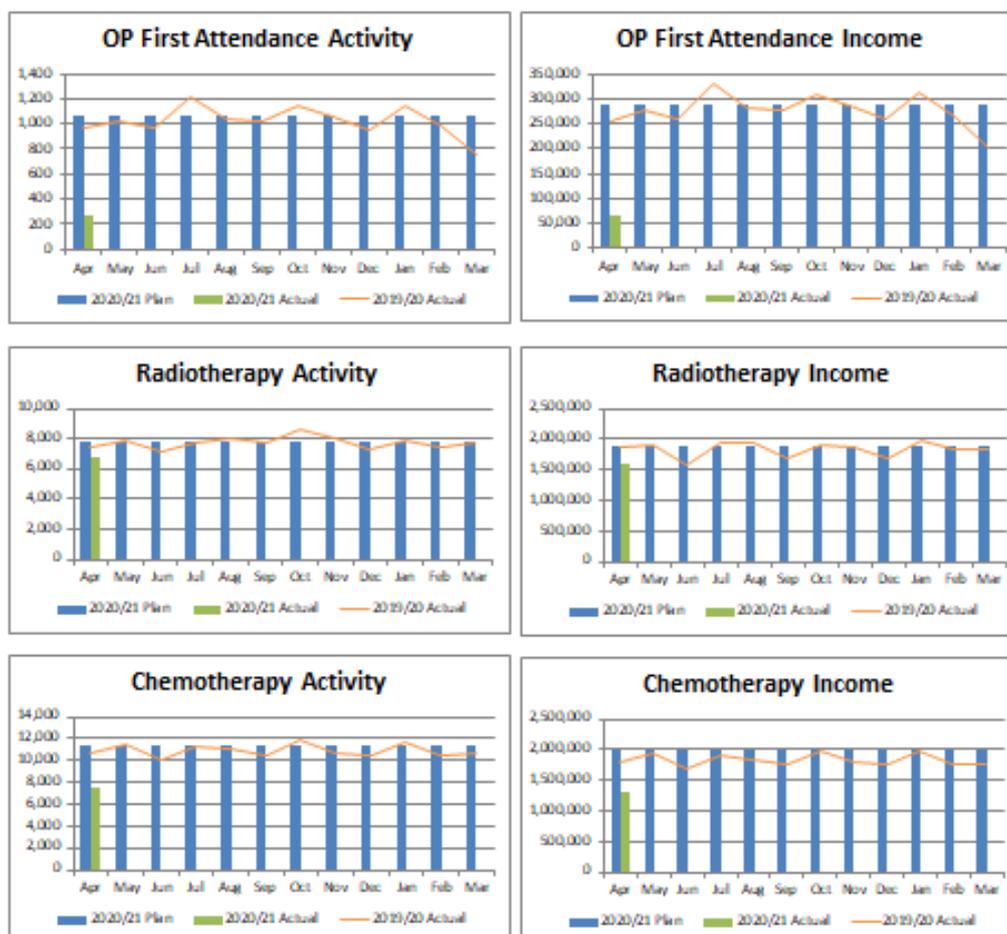
3.1.4 The Trust is being funded on a cost basis rather than activity for April to July. For month 1 the Trust has assumed additional Top Up income of £370k is required to deliver a break even Control Total Surplus.

3.1.5 The cumulative consolidated financial position of the Trust and subsidiaries for April is a small deficit of £37k, as the subsidiaries have both made small losses in month. The table below summarises the position against the revised NHSI target of breakeven.

Year to Date: M1	Actual £'000s
Trust Surplus	17
Add back Donated Depreciation	37
Add back CPL Profit	-29
Add back PropCare Profit	-26
Less Charity Donation	0
NHSI Control Total Delivered	0

3.2 Income, Expenditure and Activity

3.2.1 Although the Trust is not being currently funded on activity it is important to still monitor and see the impact of COVID-19 on Trust activity and notional PbR income. The graphs below indicate that there has been a significant reduction in activity against plan.



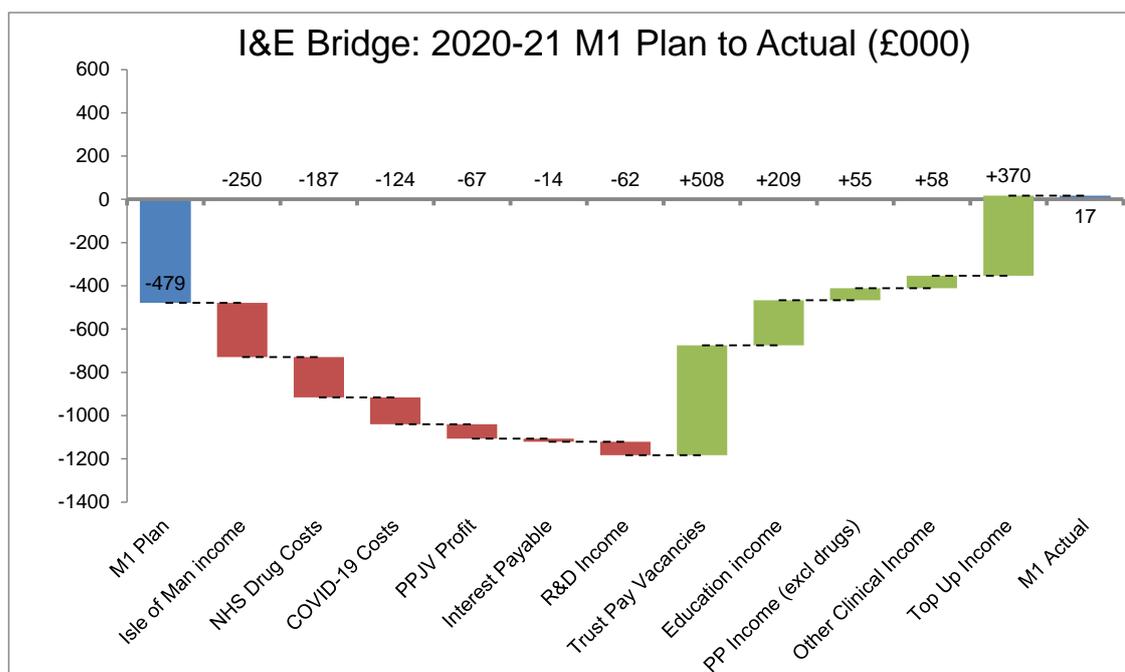
3.2.2 Out-patient 1st attends have fallen significantly reflecting the reduction in patient referrals to the Trust in the COVID period. It should be noted however, that although follow up out-patient attendances have also fallen materially, there has been a significant increase in non-face to face appointments (9,923 in month 1 compared to the original plan of 2,563).

3.2.3 All major English commissioners are paying the Trust block amounts based on notified values from NHSE. Welsh commissioners have also followed the approach adopted by the English NHS. The main issue with clinical income relates to the Isle of Man, who did not pay the Trust for any activity in month 1. Subsequently all English Trusts have been notified by the Manx government that they will pay block amounts covering April to July, but expect a retrospective refund for any underperformance on activity. This difference of approach has been flagged with NHSI to be discussed nationally.

3.2.4 The Trust is working across the Directorates and with SRGs to assess demand and reforecast activity for the remainder of the year.

3.2.5 The bridge below shows the key drivers between the difference between the Trust plan and actual surplus of £17k.

3.2.6 The additional £370k Top Up income is essentially funding the additional COVID-19 costs in month 1 and shortfalls on clinical income (the majority of which relates to the Isle of Man), R&D income and the assumed fall in Private Clinic profit, which are all activity related.



3.2.7 The additional direct costs of £124k incurred by the Trust relating to COVID-19 in April includes additional bank and agency cover (£19k, which was predominately nursing and HCAs), additional Personal Protective Equipment (£8k), additional medical equipment (£21k), Laptops to facilitate mobile working (£35k), other IM&T for patient systems (£27k) and lost parking income (£14k).

3.3 Cost Improvement Programme (CIP)

3.3.1 For the original plan for 2020-21, the Trust had a CIP target of £1.8m. Of that £0.59m had been identified, with the remaining £1.21m to be addressed. Recognising the timing and impact of the relocation of some services to the new Cancer Centre in Liverpool, the unidentified element was back loaded towards the second half of the year.

3.3.2 CIP is required primarily to fund the annual shortfall between pay and non-pay inflationary costs and national tariff inflationary uplift. However, the interim financial arrangements, whereby Trusts are funded to breakeven, has effectively suspended the need for CIP delivery in the short term (the first 4 months of 2020-21) at least. This position is consistent with NHSI guidance.

3.3.3 As a result the Trust is currently reviewing the CIP target for 2020-21 and risk assessing all of the identified schemes to determine whether they are still deliverable in 2020-21. For example, any NHS commissioned activity related CIPs will not be deliverable under the current regime. However, schemes based on reducing costs should still be deliverable and will be pursued.

4. Cash and Capital

4.1 The original capital programme of £11.1m for 2020-21 has been reviewed and revised in light of 2019-20 actual outturn. The Trust received additional DH funding to accelerate the opening of the new Cancer Centre and successfully applied for national Digital Aspirant funding. The revised capital plan, subject to Board approval, is now £12.8m.

4.2 The original and revised plans are shown in Appendix D but the table below summarises the key movements

	Revised Forecast £000
Original Capex Plan (Agreed Trust Board March 2020)	11,100
New Build net increase (includes 2019-20 slippage)	4,773
Anticipated slippage of reconfiguration of Wirral Site (into 2021-22)	(3,000)
Other minor adjustments	(68)
Revised Capex Plan 2020-21	12,805
Planned Charity funding toward new Build	(3,728)
NHSI CDEL Plan	9,077

4.3 As a Foundation Trust, CCC has not been issued with a formal capital resource limit, being able to invest its cash resources in capital as required, subject to compliance with NHSI guidelines on making investment decisions. However its capital expenditure does count towards the NHS overall Capital Department Expenditure Limit (CDEL).

4.4 For 2020-21 STPs have been charged with managing the CDEL at a local level by STPs, and all organisations have been asked to resubmit revised capital forecasts by the end of May.

4.5 The Trust has a capital programme that supports investment in the new Liverpool hospital, replacement of clinical equipment and development of IT infrastructure.

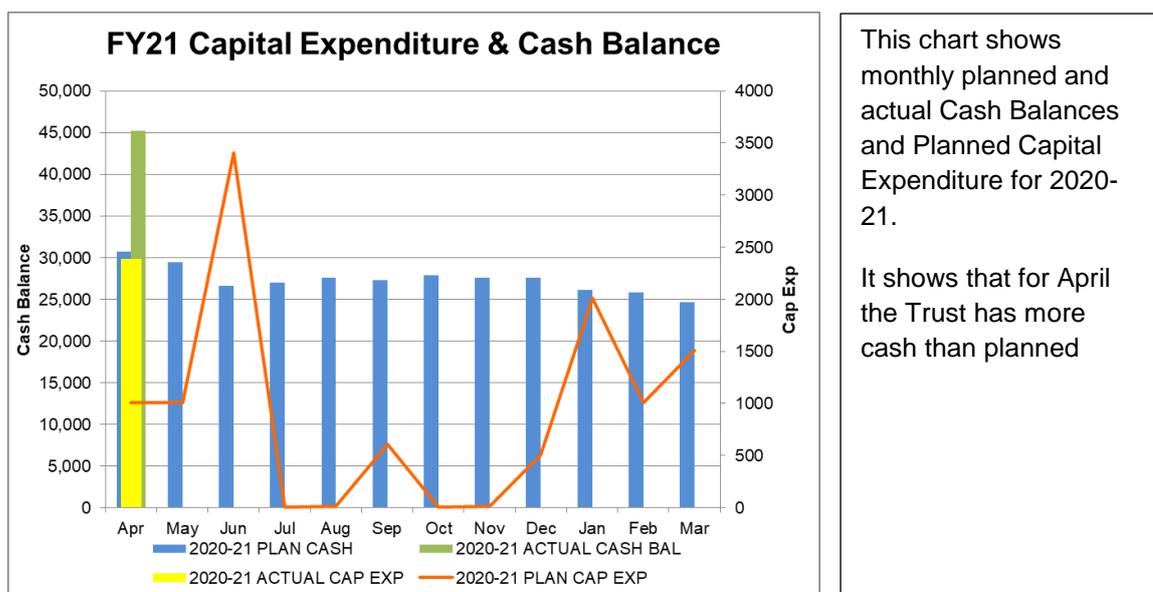
4.6 Capital expenditure of £2.4m has been incurred to the end of April against the original year to date plan of £1.0m.

4.7 The capital programme is supported by the organisation's cash position. The Trust has a current cash position of £45.2m, which is a positive variance of £14.5m to the cashflow plan of £30.7m.

4.8 In addition to the Trust cash holding of £45.2m, the subsidiaries were holding £2.9m and the Charity £9.5m at the end of March. Total Group Cash was therefore £57.6m.

4.9 Trust cash is higher than planned due to combination of factors; the Trust has drawn down £4.6m of PDC in April, capital expenditure is below plan cumulatively due to slippage from 2019-20, and major commissioners made payments on account for month 2 in April.

4.10 The Balance Sheet (Statement of Financial Position) is included in Appendix B and Cashflow in Appendix C.



5. Balance Sheet Commentary

5.1 Non-current assets

Non-current assets have a positive variance of £113.8m against plan. The principal drivers of this are:

- There is a variance on property, plant & equipment of £13.3m due to the profiling of the capital spend in the plan against actual recognised assets to date.
- The main variance of £126.1m is due to Other Financial Assets which relates to a PropCare asset being created from the Liverpool hospital development. This figure isn't included in the plan submitted to NHSI due to the fact that we report the Group position to them, so this consolidates out. There is a related PropCare non-current liability variance of £127.0m.

5.2 Current assets

Current assets have a positive variance of £20.7m against plan, due to the following:

- A variance on cash of £14.5m.
- Non-NHS receivable variance of £16.3m relating mainly to the subsidiaries and Charity, which includes the £7m funding of donated equipment from 2019-20.

5.3 Current liabilities

Current liabilities have a positive variance of £14.3m against plan.

- There is a positive variance on non-capital creditors of £11.0m, of which £5.7m relates to subsidiary accruals.

6. Recommendations

6.1 The Trust Board (incorporating the Performance Committee) is asked to note the contents of the report, with reference to:

- The change in financial regime for 2020-21.
- The additional Top Up funding required of £0.37m to bring the control total position to breakeven.
- The strong liquidity position of the Trust.

Appendix A – Income & Expenditure (Statement of Comprehensive Income)

	April 2020			Cumulative YTD				Annual Plan (£000)
	Plan (£000)	Actual (£000)	Variance (£000)	Plan (£000)	Actual (£000)	Variance (£000)	%	
Clinical Income:								
Elective	455	0	(455)	455	0	(455)	-100.0%	5,777
Non-Elective	715	0	(715)	715	0	(715)	-100.0%	9,078
Out-patient Attends	2,142	(0)	(2,142)	2,142	(0)	(2,142)	-100.0%	27,204
Radiotherapy Attends	1,793	0	(1,793)	1,793	0	(1,793)	-100.0%	22,773
Chemotherapy Attends	2,078	0	(2,078)	2,078	0	(2,078)	-100.0%	26,391
Impact of Contract Tolerances / Agreed Outturn	0	13,784	13,784	0	13,784	13,784	0.0%	0
Drugs	5,668	(0)	(5,668)	5,668	(0)	(5,668)	-100.0%	71,983
Drugs - Private Patients	109	269	160	109	269	160	147.0%	1,314
Diagnostic Imaging	203	0	(203)	203	0	(203)	-100.0%	2,581
Bone marrow transplants	480	0	(480)	480	0	(480)	-100.0%	6,095
Other Currencies	72	0	(72)	72	0	(72)	-100.0%	865
Private Patients (excluding drug sales)	50	54	4	50	54	4	8.3%	635
Sub-Total: Total Clinical Income	13,765	14,106	342	13,765	14,106	342	2.5%	174,696
Other Income	597	744	147	597	744	147	24.6%	6,340
Hosted Services	801	472	(330)	801	472	(330)	-41.1%	9,618
Total Operating Income	15,164	15,322	159	15,164	15,322	159	1.0%	190,654
Pay: Trust (excluding Hosted)	(5,419)	(4,931)	489	(5,419)	(4,931)	489	-9.0%	(65,206)
Pay: Hosted	(529)	(486)	43	(529)	(486)	43	-8.2%	(6,350)
Drugs expenditure	(5,328)	(5,624)	(296)	(5,328)	(5,624)	(296)	5.6%	(67,597)
Other non-pay: Trust (excluding Hosted)	(3,700)	(3,743)	(43)	(3,700)	(3,743)	(43)	1.2%	(43,178)
Non-pay: Hosted	(284)	(60)	225	(284)	(60)	225	-79.1%	(3,412)
Total Operating Expenditure	(15,260)	(14,843)	418	(15,260)	(14,843)	418	-2.7%	(185,743)
Operating Surplus	(97)	480	576	(97)	480	576	-594.7%	4,911
Profit /(Loss) from Joint Venture	67	0	(67)	67	0	(67)	-100.0%	804
Interest receivable (+)	8	432	424	8	432	424	5188.7%	98
Interest payable (-)	(57)	(495)	(438)	(57)	(495)	(438)	766.4%	(686)
PDC Dividends payable (-)	(400)	(400)	0	(400)	(400)	0	0.0%	(4,800)
Retained surplus/(deficit)	(479)	17	495	(479)	17	495	-103.4%	327
NET I&E Margin (%)	-3%	0%	3%	-3%	0%	3%	-103%	0%
Operating Surplus Margin (%)	-1%	3%	4%	-1%	3%	4%	-590%	3%

Appendix B – Balance Sheet (Statement of Financial Position)

	Pre Audit	NHSI Plan	Mar-20			Apr-20		
	2020 (£000)	2021 (£000)	YTD Plan (£000)	Actual YTD (£000)	Variance (£000)	YTD Plan (£000)	Actual YTD (£000)	Variance (£000)
Non-current assets								
Intangible assets	2,143	858	485	2,143	1,658	1,160	2,120	960
Property, plant & equipment	205,907	198,506	220,606	205,907	(14,699)	221,026	207,765	(13,261)
Investments in associates	448	1,078	1,920	448	(1,472)	405	448	43
Other financial assets	124,317	-	140,261	124,317	(15,944)		125,971	125,971
Trade & other receivables	21	-	277	21	(256)		33	33
Other assets	-	-	-	-	-		-	-
Total non-current assets	332,836	200,442	363,549	332,836	(30,713)	222,591	336,337	113,746
Current assets								
Inventories	1,649	1,500	1,000	1,649	649	1,500	1,404	(96)
Trade & other receivables								
NHS receivables	20,920	15,000	4,860	20,920	16,060	15,000	5,054	(9,946)
Non-NHS receivables	24,181	10,000	5,000	24,181	19,181	10,000	26,257	16,257
Cash and cash equivalents	29,299	24,646	19,035	29,299	10,264	30,669	45,176	14,507
Total current assets	76,049	51,146	29,895	76,049	46,154	57,169	77,891	20,722
Current liabilities								
Trade & other payables								
Non-capital creditors	35,996	25,000	15,000	35,996	20,996	25,000	35,979	10,979
Capital creditors	7,157	1,000	1,952	7,157	5,205	1,000	3,901	2,901
Borrowings								
Loans	1,730	1,829	1,829	1,730	(99)	1,885	1,730	(155)
Obligations under finance leases	56	-	53	56	3	-	56	56
Provisions	229	500	489	229	(260)	500	229	(271)
Other liabilities:-								
Deferred income	2,900	4,000	4,000	2,900	(1,100)	4,000	4,779	779
Other	-	-	700	-	(700)	-	-	-
Total current liabilities	48,067	32,329	24,023	48,067	24,044	32,385	46,673	14,288
Total assets less current liabilities	360,818	219,259	369,421	360,818	(8,603)	247,375	367,555	120,180
Non-current liabilities								
Trade & other payables								
Capital creditors			301	-	(301)		-	-
Borrowings								
Loans	35,550	33,820	35,550	35,550	-	35,550	35,550	-
Obligations under finance leases	-	-	5	-	(5)	-	-	-
Other liabilities:-								
Deferred income	1,156	1,156	1,156	1,156	0	1,156	1,156	0
PropCare liability	124,926	-	140,261	124,926	(15,335)		127,010	127,010
Total non current liabilities	161,633	34,976	177,273	161,633	(15,640)	36,706	163,717	127,011
Total net assets employed	199,185	184,283	192,148	199,185	7,037	210,669	203,839	(6,830)
Financed by (taxpayers' equity)								
Public Dividend Capital	60,819	64,209	57,158	60,819	3,661	64,209	65,419	1,210
Revaluation reserve	4,562	8,493	7,839	4,562	(3,277)	8,493	4,562	(3,931)
Income and expenditure reserve	133,804	111,581	127,151	133,804	6,653	137,967	133,858	(4,109)
Total taxpayers equity	199,185	184,283	192,148	199,185	7,037	210,669	203,839	(6,830)

Appendix C – Cash Flow

Movement from 1st April 2020	Plan (£000)	Actual (£000)	Variance (£000)
Cash flows from operating activities:			
Operating surplus	7,572	452	(7,120)
Depreciation	537	7	(530)
Amortisation	27	0	(27)
Impairments	0	0	0
Movement in Trade Receivables	(14,863)	13,778	28,641
Movement in Other Assets		(1,653)	(1,653)
Movement in Inventories	(500)	244	744
Movement in Trade Payables	10,611	(69)	(10,680)
Movement in Other Liabilities	(700)	3,962	4,662
Movement in Provisions	11	0	(11)
CT paid	0	0	0
Net cash used in operating activities	2,695	16,720	14,025
Cash flows from investing activities			
Purchase of PPE	(1,559)	(5,122)	(3,563)
Purchase of Intangibles	(702)	24	726
Proceeds from sale of PPE	0	65	65
Interest received	2	432	430
Investment in associates	1,576	0	(1,576)
Net cash used in investing activities	(683)	(4,601)	(3,918)
Cash flows from financing activities			
Public dividend capital received	4,100	4,600	500
Public dividend capital repaid	0	0	0
Loans received	0	0	0
Movement in loans	0	52	52
Capital element of finance lease	(2)	0	2
Interest paid	(51)	(495)	(444)
Interest element of finance lease	0	0	0
PDC dividend paid	(400)	(400)	0
Finance lease - capital element repaid	0	0	0
Net cash used in financing activities	3,647	3,757	110
Net change in cash	5,659	15,876	10,217
Cash b/f	25,010	29,299	4,289
Cash c/f	30,669	45,176	14,507

Appendix D – Capex

	Profile	NHSI plan		Month 1		Forecast	
		Full year £000	Month 1 £000	Actual £000	Variance £000	Profile	Full year £000
Estates							
DR X-ray room	Q1	40	0	0	0		40
Contingency	Q4	500	0	0	0		500
		540	0	0	0		540
Medical Equipment							
MRI (Liverpool)	Q1	900	0	0	0		632
LinAcc transfer costs x4 (2020/21)	Q1	1,200	0	139	139		1,195
X-ray (Liverpool)	Q1	153	0	0	0		153
HDR & Papillon transfer costs (Liverpool)	Q1	14	0	0	0		14
DR X-ray room	Q1	180	0	0	0		180
Minor medical equipment	Q2	100	0	0	0		100
Contingency	Q4	500	0	0	0		500
		3,047	0	139	139		2,774
IM&T							
Infrastructure		0	0	0	0		161
GDE		2,000	0	73	73		2,421
Covid		0	0	0	0		0
Other minor programmes	Q1-4	104	8	0	-8		104
		2,104	8	73	65		2,686
Building for the Future							
	Q1	5,409	1,000	2,177	1,177		6,806
TOTAL		11,100	1,008	2,388	1,380		12,806