**Trust Board**

**June 2020**

**Financial Performance**

1. **Introduction**
   1. This paper provides a summary of the Trust’s financial performance for May 2020, the second month of the 2020-21 financial year.

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

1. **Summary Financial Performance** 
   1. For May the key financial headlines are:



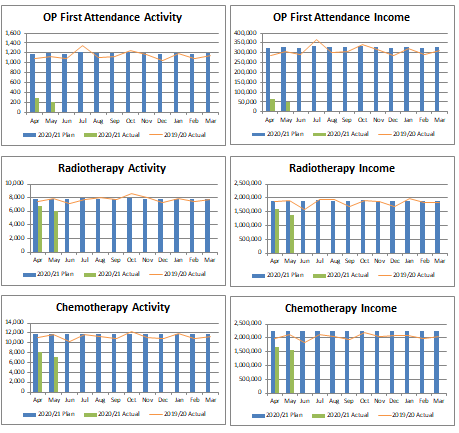
\*the plan for month 2 is the original plan approved by the Board in March 2020, except for the Control Total which is the revised NHSI plan issued to the Trust

* 1. 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 £40k 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.

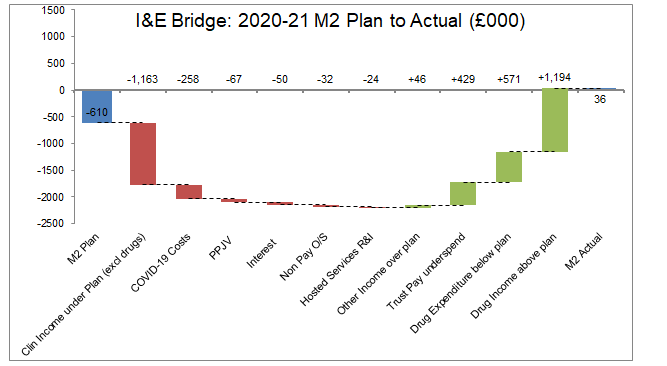
1. **Operational Financial Profile – Income and Expenditure**
   1. **Overall Income and Expenditure Position**
      1. The financial position of the Trust at the end of month 2 is a small surplus of £89k, against an original planned deficit of (£1,089k). The month 2 plan was a deficit due to phasing of clinical income on working days rather than 1/12ths and the back loading of the CIP programme to the second half of the year.
      2. The table below summarises. Please see Appendix 1 for the more detailed Income & Expenditure position.



* + 1. The Month 2 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.
    2. The Trust is being funded on a cost basis rather than activity for April to July. For month 2 the Trust has assumed additional Top Up income of £40k is required to deliver a break even Control Total Surplus.
    3. The table below summaries the position against the revised NHSI target of breakeven.
  1. **Income, Expenditure and Activity**
     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.



* + 1. Out-patient 1st attends have fallen significantly in April and May 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 (19,271 in the 2 months compared to the original plan of 5,117).
    2. 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 remains the Isle of Man, as 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. The Trust is working across the Directorates and with SRGs to assess demand and reforecast activity for the remainder of the year.
    4. The bridge below shows the key drivers between the difference between the original in month Trust plan (a deficit of -£610k) and actual surplus of £36k.
    5. The graph below illustrates that Drug Income funded as a block amount, being above plan (by £1,194k), is effectively offseting other non-Drug Clinical Income being (-£1,163k) below plan. Underspends on drugs £571k and pay £429k are essentially funding the additional COVID-19 costs in month 2 of £244k and resulting in the Trust delivering close to breakeven without the need for significant additional Top Up income. As a result the Top Up had reduced from an additional £390k in month 1 to only £40k cumulatively at month 2.



* + 1. The additional direct costs of £244k incurred by the Trust relating to COVID-19 in May includes additional bank and agency cover (£3k, which was predominately nursing and HCAs), substantive pay costs (£50k), additional Personal Protective Equipment (£17k), additional medical equipment (£41k), laptops to facilitate mobile working (£61k), other IM&T for patient systems (£59k) and lost parking income (£14k).
  1. **Cost Improvement Programme (CIP)**
     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.
     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. 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.

1. **Cash and Capital**
   1. As noted at the last Board meeting, the original capital programme of planned 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 is now £12.8m.
   2. Capital expenditure of £4.1m has been incurred to the end of May against the year to date plan of £2.0m. The main reason for the variance is equipment purchased in month 2 that was originally planned for month 3. The variance does not indicate an over commitment of the capital programme.
   3. The capital programme is supported by the organisation’s cash position. The Trust has a current cash position of £51.4m, which is a positive variance of £22.0m to the cashflow plan of £29.4m. Trust cash is higher than planned due to combination of factors, two significant ones being that Trust drew down £4.6m of PDC in April, and major commissioners made payments on account for month 3 in May. In addition to the Trust cash holding of £51.4m, the subsidiaries were holding £3.9m and the Charity £9.6m at the end of May. Total Group Cash was therefore £64.9m.
   4. The Balance Sheet (Statement of Financial Position) is included in Appendix B and Cashflow in Appendix C.

This chart shows monthly planned and actual Cash Balances and Planned Capital Expenditure for 2020-21.

It shows that for May the Trust has more cash than planned



1. **Balance Sheet Commentary**
   1. Non–current assets

Non-current assets have a positive variance of £115.3m against plan. The principal drivers of this are:

* There is a variance on property, plant & equipment of £12.5m due to the profiling of the capital spend in the plan against actual recognised assets to date.
* The main variance of £126.8m 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 £127.8m.
  1. Current assets

Current assets have a positive variance of £26.6m against plan, due to the following:

* A variance on cash of £22.0m.
* Non-NHS receivable variance of £15.9m relating mainly to the subsidiaries and Charity, which includes the £7m funding of donated equipment from 2019-20.
  1. Current liabilities

Current liabilities have a positive variance of £20.9m against plan.

* There is a positive variance on non-capital creditors of £19.2m, of which £10.6m relates to subsidiary accruals.

1. **Recommendations**
   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 cumulative Top Up funding required of £40k to being the control total position to breakeven.
* The strong liquidity position of the Trust.

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



**Appendix B – Balance Sheet (Statement of Financial Position)**



**Appendix C – Cash Flow**



**Appendix D – Capital Expenditure**

