



Report Cover Sheet

Report to:	Board of Directors	
Date of the Meeting:	29 July 2020	
Agenda Item:	P1-114-20	
Title:	Financial Report Month 3	
Report prepared by:	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 three months ending June 2020, noting the following:</p> <ul style="list-style-type: none"> - The updated position re the extension of the 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 - Capital and cash position
---	---

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.
---------------------	--

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
July 2020**

Financial Performance

1. Introduction

1.1 This paper provides a summary of the Trust's financial performance for June 2020, the third 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 June the key financial headlines are:

Metric	In Mth 3 Actual	In Mth 3 Plan*	Variance	Risk RAG	YTD Actual	YTD Plan*	Variance	Risk RAG
Trust Surplus (£000)	(171)	309	(480)		(81)	(780)	699	
Control Total Surplus (£000)	0	0	0		0	0	0	
Cash holding (£000)	47,895	26,561	21,334		47,895	26,561	21,334	
Capital Expenditure (£000)	907	6,927	(6,020)		5,053	9,314	(4,261)	

*The plan for month 3 is the original plan approved by the Board in March 2020. The Control Total Surplus is the revised NHSI plan issued to the Trust.

2.2 As reported last month the Trust Board agreed and submitted to NHSI a draft 2020-21 plan in March. There are however, interim arrangements in place for April to July 2020 due to COVID-19. NHSE announced on 14th July that these have been extended into July and very likely into August. The arrangements for the remainder of the year are yet to be fully confirmed, but NHSE have stated that the arrangement will be a block type contract with incentives for Trusts to both undertake additional recovery activity and control costs. They also confirmed that whereas the interim arrangements achieve a breakeven position the future funding arrangements are set on the premise of breakeven, but will allow organisations to deliver a surplus or deficit position.

- Commissioning contracts continue to be suspended until at least September.
- The financial risk rating metrics in the Strategic Outcomes Framework have been suspended.
- The Trust is being funded based on cost rather than activity for the first five months of the year at least, with a requirement to achieve a 'breakeven' position through a national top-up / return of income process.
- To breakeven the Trust requires additional Top Up funding of £971k for June, £930k cumulatively.

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 June is a small deficit £81k, against an original planned deficit £780k. The Trust's original June plan was a surplus of £309k, due to the increased number of working days in the month.

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

Metric (£000)	YTD Actual	Trust Plan YTD	Variance	YTD Actual	YTD NHSI Plan	NHSI Variance	Trust Annual Plan
Clinical Income	41,390	41,975	(585)	41,390	42,045	(655)	174,697
Other Income	3,635	4,186	(551)	3,635	5,784	(2,149)	15,958
Total Operating Income	45,025	46,161	(1,136)	45,025	47,829	(2,804)	190,654
Total Operating Expenditure	(43,648)	(45,795)	2,147	(43,648)	(46,542)	2,894	(185,743)
Operating Surplus	1,377	366	1,011	1,377	1,287	90	4,911
Finance Costs	(1,458)	(1,146)	(312)	(1,458)	(1,269)	(189)	(4,584)
Surplus/Deficit	(81)	(780)	699	(81)	18	(99)	327

3.1.3 The June 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.

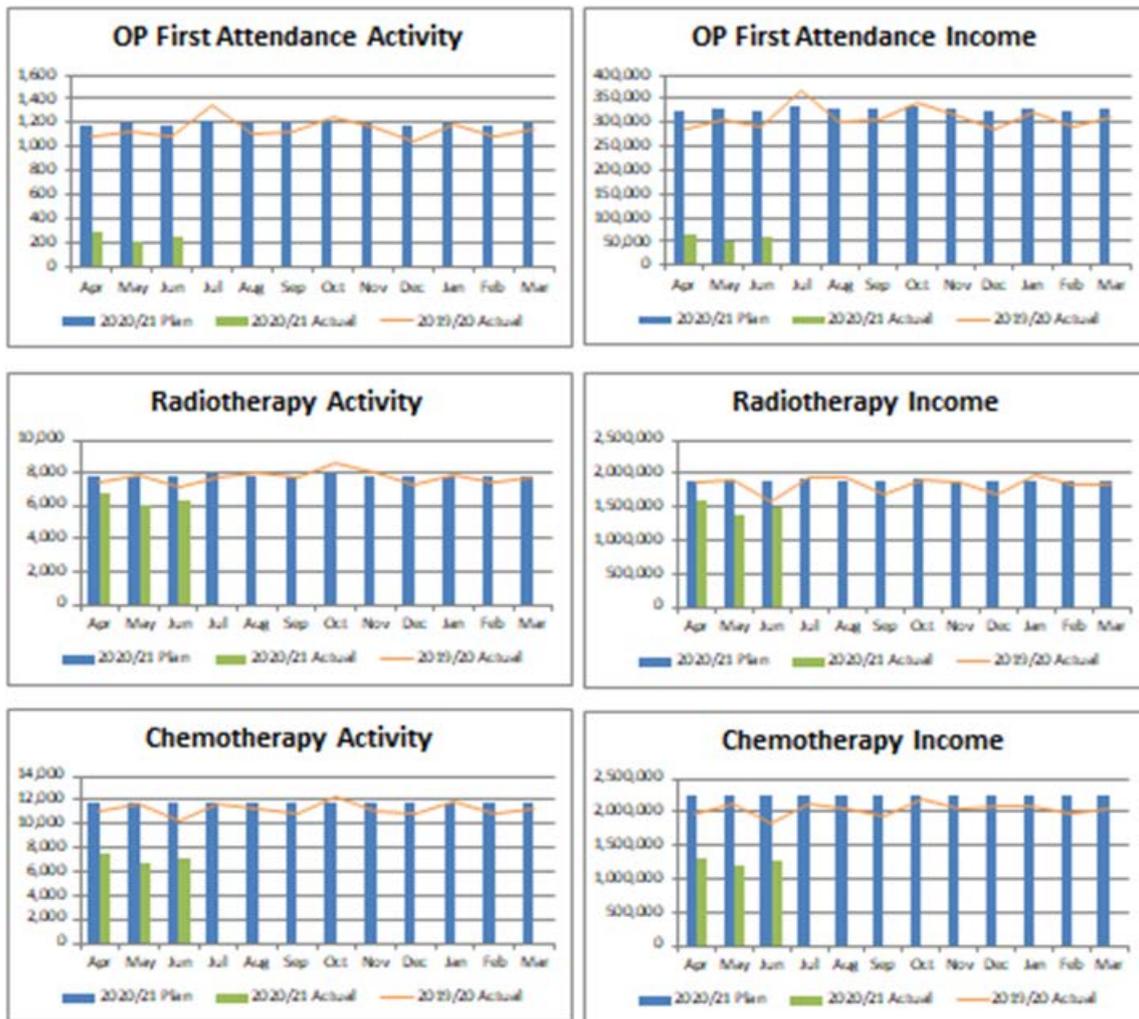
3.1.4 The Trust is being funded on a cost basis rather than activity for April to July. For Month 3 the Trust has assumed additional top up income of £971k is required to deliver a break even Control Total Surplus. There is a cumulative top up of £930k required to achieve break even.

3.1.5 The table below summaries the position against the revised NHSI target of breakeven.

Cumulative to July (M3)	£000
Trust Deficit	(1,053)
In month top-up	971
Trust Deficit after top-up	(82)
CPL Deficit	(59)
Propcare Surplus	31
Consolidated Deficit	(110)
Add back Donated Asset dep'n	110
Adjusted Financial position	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 although there has been a significant reduction against plan, activity levels are starting to increase in most areas.



3.2.2 Out-patient First attends have started to increase slightly in June. The significant increase in non-face to face appointments is continuing and it is expected that a large number will not return to face to face. The Trust's clinical teams (Site Reference Groups) are continuing to develop their detailed recovery plans to agree their delivery models and forecasted activity for the remainder of the year.

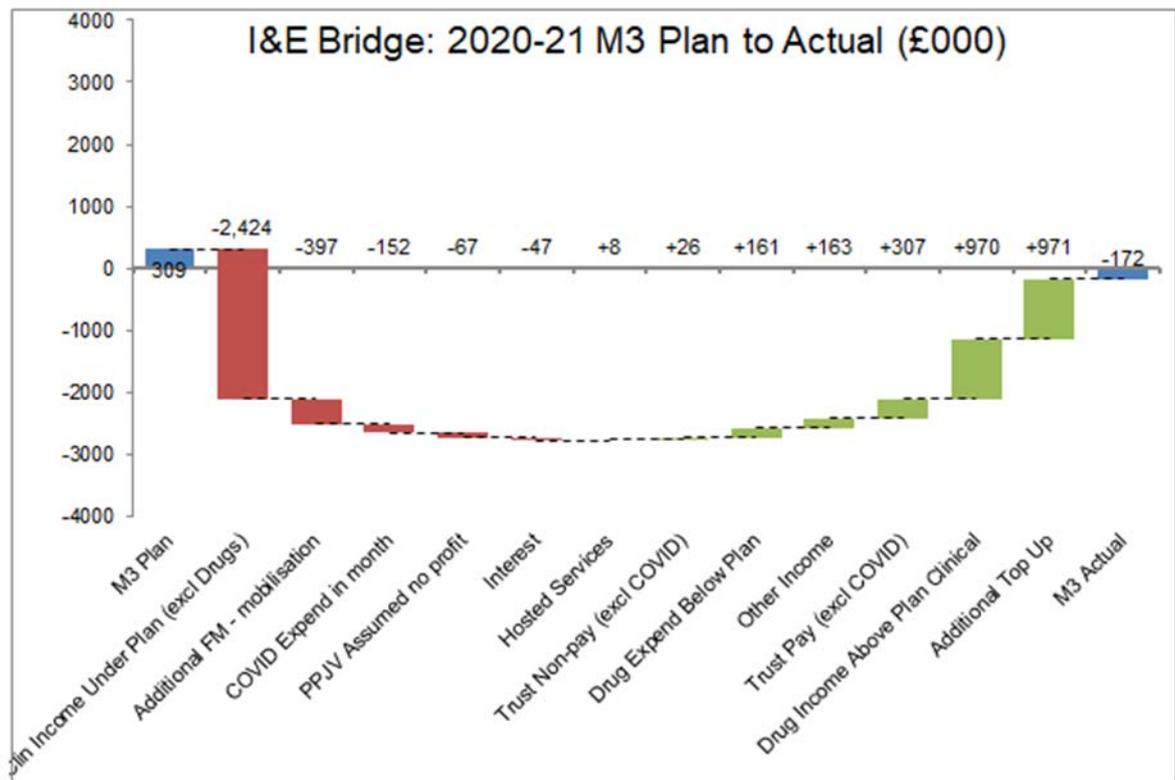
3.2.3 All major English commissioners continue to pay the Trust block amounts based on notified values from NHSE. Welsh commissioners have also followed the approach adopted by the English NHS. The main issue with clinical income remains the Isle of Man, as all English Trusts have been notified by the 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 escalated to NHSI to be discussed nationally.

3.2.4 The bridge below shows the key drivers between the difference between the original Trust plan - a surplus of £390k and actual deficit of £171k.

3.2.5 The graph below illustrates the main variances contributing to the in-month top up requested of £971k consists of;

- Clinical Income increasing to £2,424k below plan
- Drug Income funded as a block amount increased to £970k above plan
- Underspends on drugs has reduced in month to £161k
- Pay costs reduced in month to £307k under plan
- Additional COVID-19 costs in June were £152k, which consists of £96k pay costs and £56k non-pay IT costs to enable staff to continue to work from home
- CCC-L mobilisation costs of £397k.

The reduction in income and additional costs have outweighed the savings due to reduced activity leading to the need for the additional top up income.



In terms of directorate budgetary performance, the July position is shown in the table below.

The cumulative pay position is also included and shows that operational departments have operating with pay underspends. The Trust has committed budget in line with the business case for the new hospital, however recruitment is ongoing across all clinical roles. The monthly June position was an underspend on pay of £210k, which is a reduction in run-rate from £376k in May. It is expected that the underspend will erode as nursing, pharmacy and medical appointments are made in August and September.

3.3 Cost Improvement Programme (CIP)

3.3.1 Due to the continuing interim financial arrangements, CIP continues to be effectively suspended in the short term. This is consistent with NHSI guidance. Once the funding arrangements for the remainder of the year are confirmed, the Trust will review its CIP target for 2020-21 and undertake a risk assessment 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

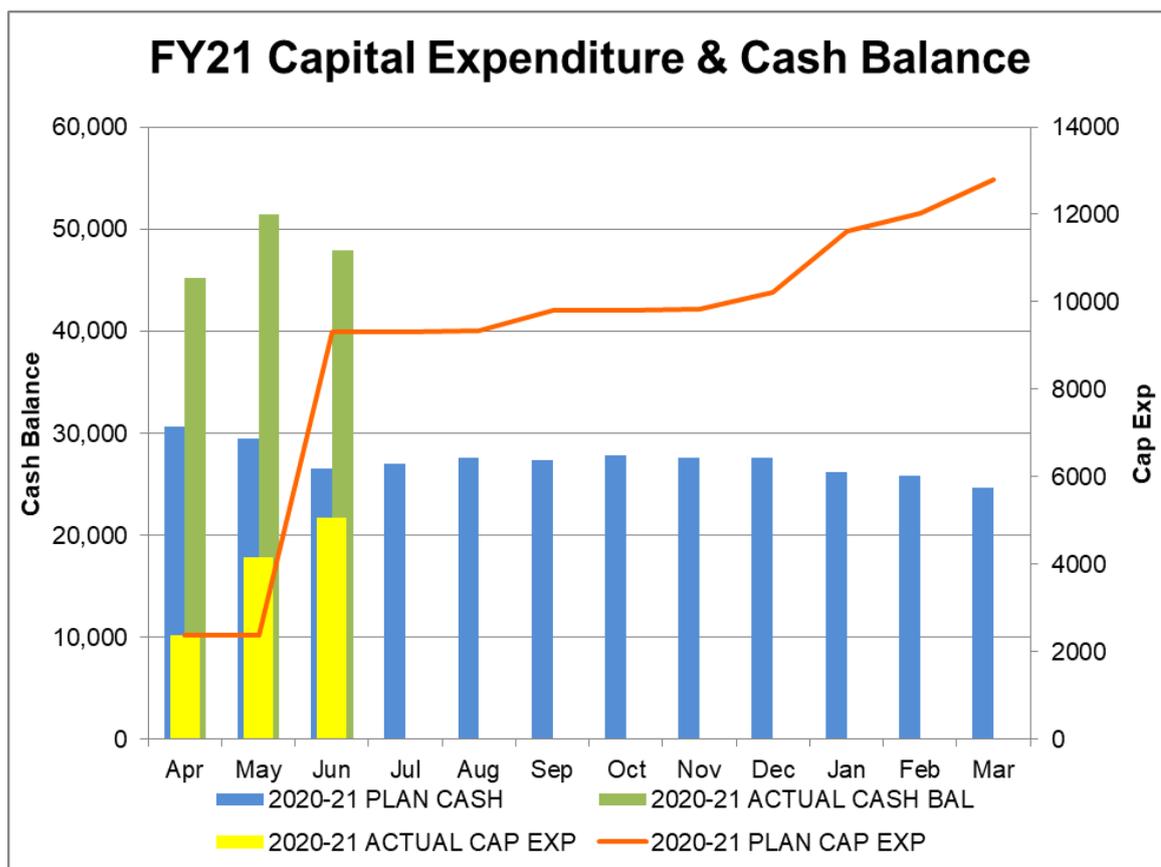
4.1 The revised capital plan previously approved by the Board is £12.8m.

4.2 Capital expenditure of £5.1m has been incurred to the end of June against the year to date plan of £9.3m. The reason for the under-spend is due to the profiling of expenditure on the new hospital build programme.

4.3 The capital programme is supported by the organisation's cash position. The Trust has a current cash position of £47.9m, which is a positive variance of £21.3m to the cash-flow plan of £26.6m. Trust cash is higher than plan due to combination of factors. The two most significant ones relate to PDC received and payment in advance from commissioners.

- £2.5m PDC received for expedited opening of CCC-L during the COVID-19 pandemic.
- £4.2m to fund additional costs due to the delay of the new Royal opening.
- c£13m from commissioners as payment on account for July in June.

4.4 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 June the Trust has more cash than planned.

5. Balance Sheet Commentary

5.1 Non-current assets

Non-current assets have a positive variance of £138.6m against plan. The principal drivers of this are:

- There is a variance on property, plant & equipment of £10.5m due to the profiling of the capital spend in the plan against actual recognised assets to date.
- The main variance of £127.2m 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 £128.2m.

5.2 Current assets

Current assets have a positive variance of £40.5m against plan, due to the following:

- A variance on cash of £21.3m previously explained.
- Non-NHS receivable variance of £17.4m 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 £32.5m against plan.

- There is a positive variance on non-capital creditors of £33.0m, of which £13m is the July income received in advance and £12.5m relates to subsidiary accruals.

6. Recommendations

6.1 The Trust Board is asked to note the contents of the report, with reference to:

- The cumulative Top Up funding required of £930k to achieve a break-even control total position.
- The continuation of the interim funding arrangements into August and likely into September.
- The continuing strong liquidity position of the Trust.

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

	June 2020			Cumulative YTD				Annual Plan (£000)
	Plan (£000)	Actual (£000)	Variance (£000)	Plan (£000)	Actual (£000)	Variance (£000)	%	
Clinical Income:								
Elective	500.35	0.00	(500.35)	1,387.34	0.00	(1,387.34)	-100%	5,776.79
Non-Elective	786.30	0.00	(786.30)	2,180.19	0.00	(2,180.19)	-100%	9,078.18
Out-patient Attends	2,356.27	0.00	(2,356.27)	6,533.29	0.00	(6,533.29)	-100%	27,204.19
Radiotherapy Attends	1,972.47	0.00	(1,972.47)	5,469.13	0.00	(5,469.13)	-100%	22,773.10
Chemotherapy Attends	2,285.85	0.00	(2,285.85)	6,338.04	0.00	(6,338.04)	-100%	26,391.20
Impact of Contract Tolerances / Agreed Outturn	0.00	14,090.59	14,090.59	0.00	40,634.93	40,634.93	0%	0.00
Drugs	6,234.79	(0.00)	(6,234.79)	17,287.37	(0.00)	(17,287.37)	-100%	71,983.46
Drugs - Private Patients	110.01	155.12	45.11	326.96	608.64	281.68	86%	1,314.00
Diagnostic Imaging	223.56	(0.00)	(223.56)	619.87	(0.00)	(619.87)	-100%	2,581.08
Bone marrow transplants	527.95	0.00	(527.95)	1,463.86	0.00	(1,463.86)	-100%	6,095.40
Other Currencies	72.05	0.00	(72.05)	216.15	0.00	(216.15)	-100%	864.57
Private Patients (excluding drug sales)	54.96	37.94	(17.02)	152.39	146.03	(6.36)	-4%	634.53
Sub-Total: Total Clinical Income	15,124.56	14,283.65	(840.91)	41,974.59	41,389.60	(585.00)	-1%	174,696.50
Other Income	528.18	1,049.61	521.43	1,580.94	2,455.63	874.69	55%	6,063.54
Hosted Services	916.47	468.91	(447.56)	2,605.08	1,179.84	(1,425.24)	-55%	10,420.34
Total Operating Income	16,569.22	15,802.17	(767.04)	46,160.61	45,025.07	(1,135.54)	-2%	191,180.38
Pay: Trust (excluding Hosted)	(5,440.50)	(5,229.88)	210.62	(16,237.05)	(15,158.07)	1,078.98	-7%	(64,962.24)
Pay: Hosted	(485.93)	(373.89)	112.04	(1,628.48)	(1,038.85)	589.63	-36%	(6,520.71)
Drugs expenditure	(5,851.34)	(5,690.70)	160.65	(16,244.58)	(15,809.27)	435.30	-3%	(67,597.21)
Other non-pay: Trust (excluding Hosted)	(3,659.34)	(4,085.55)	(426.21)	(10,675.85)	(11,377.68)	(701.83)	7%	(43,152.29)
Non-pay: Hosted	(441.43)	(96.62)	344.81	(1,009.29)	(264.27)	745.02	-74%	(4,037.16)
Total Operating Expenditure	(15,878.55)	(15,476.63)	401.91	(45,795.25)	(43,648.15)	2,147.11	-5%	(186,269.60)
Operating Surplus	690.67	325.54	(365.13)	365.36	1,376.92	1,011.56	277%	4,910.78
Profit /(Loss) from Joint Venture	67.00	0.00	(67.00)	201.00	0.00	(201.00)	-100%	804.00
Interest receivable (+)	8.17	410.27	402.10	24.50	1,249.36	1,224.86	4999%	98.00
Interest payable (-)	(57.13)	(506.64)	(449.52)	(171.38)	(1,507.78)	(1,336.40)	780%	(685.52)
PDC Dividends payable (-)	(400.00)	(400.00)	0.00	(1,200.00)	(1,200.00)	0.00	0%	(4,800.00)
Retained surplus/(deficit)	308.71	(170.84)	(479.55)	(780.52)	(81.50)	699.02	-90%	327.26
NET I&E Margin (%)	0.02	(0.01)	(0.03)	(0.02)	(0.00)	0.02	(0.89)	0.00
Operating Surplus Margin (%)	0.04	0.02	(0.02)	0.01	0.03	0.02	2.86	0.03

Appendix B – Balance Sheet (Statement of Financial Position)

	Pre Audit 2020 (£000)	NHSI Plan 2021 (£000)	YTD Plan (£000)	May-20 Actual YTD (£000)	Variance (£000)	YTD Plan (£000)	Jun-20 Actual YTD (£000)	Variance (£000)
Non-current assets								
Intangible assets	2,143	858	1,132	2,096	964	1,105	2,072	967
Property, plant & equipment	205,907	198,506	221,495	208,994	(12,501)	198,860	209,371	10,511
Investments in associates	448	1,078	466	448	(18)	527	448	(79)
Other financial assets	124,317	-	-	126,756	126,756	-	127,184	127,184
Trade & other receivables	21	-	-	68	68	-	65	65
Other assets	-	-	-	-	-	-	-	-
Total non-current assets	332,836	200,442	223,093	338,361	115,268	200,492	339,140	138,648
Current assets								
Inventories	1,649	1,500	1,500	1,258	(242)	1,500	1,401	(99)
Trade & other receivables								
NHS receivables	20,920	15,000	15,000	3,973	(11,027)	15,000	16,960	1,960
Non-NHS receivables	24,181	10,000	10,000	25,856	15,856	10,000	27,352	17,352
Cash and cash equivalents	29,299	24,646	29,442	51,409	21,967	26,561	47,895	21,334
Total current assets	76,049	51,146	55,942	82,496	26,554	53,061	93,608	40,547
Current liabilities								
Trade & other payables								
Non-capital creditors	35,996	25,000	25,000	44,217	19,217	25,000	57,950	32,950
Capital creditors	7,157	1,000	1,000	3,029	2,029	1,000	563	(437)
Borrowings								
Loans	1,730	1,829	1,885	1,730	(155)	1,885	1,730	(155)
Obligations under finance leases	56	-	-	56	56	-	56	56
Provisions	229	500	500	229	(271)	500	229	(271)
Other liabilities:-								
Deferred income	2,900	4,000	4,000	3,975	(25)	4,000	4,343	343
Other	-	-	-	-	-	-	-	-
Total current liabilities	48,067	32,329	32,385	53,236	20,851	32,385	64,870	32,485
Total assets less current liabilities	360,818	219,259	246,650	367,621	120,971	221,168	367,878	146,710
Non-current liabilities								
Trade & other payables								
Capital creditors				-	-		-	-
Borrowings								
Loans	35,550	33,820	34,810	34,810	-	34,810	34,810	-
Obligations under finance leases	-	-	-	-	-	-	-	-
Other liabilities:-								
Deferred income	1,156	1,156	1,156	1,156	0	1,156	1,156	0
PropCare liability	124,926	-	-	127,780	127,780	-	128,208	128,208
Total non current liabilities	161,633	34,976	35,966	163,746	127,780	35,966	164,175	128,209
Total net assets employed	199,185	184,283	210,684	203,874	(6,810)	185,202	203,704	18,502
Financed by (taxpayers' equity)								
Public Dividend Capital	60,819	64,209	64,209	65,419	1,210	64,209	65,419	1,210
Revaluation reserve	4,562	8,493	8,493	4,562	(3,931)	8,493	4,562	(3,931)
Income and expenditure reserve	133,804	111,581	137,983	133,893	(4,090)	112,500	133,723	21,223
Total taxpayers equity	199,185	184,283	210,685	203,874	(6,811)	185,202	203,704	18,502

Appendix C – Cash Flow Statement

Movement from 1st April 2020	Plan (£000)	Actual (£000)	Variance (£000)
Cash flows from operating activities:			
Operating surplus	(17,118)	1,312	18,430
Depreciation	1,617	0	(1,617)
Amortisation	81	17	(64)
Impairments	25,500	0	(25,500)
Movement in Trade Receivables	(14,863)	745	15,608
Movement in Other Assets	0	(2,867)	(2,867)
Movement in Inventories	(500)	248	748
Movement in Trade Payables	10,611	22,056	11,445
Movement in Other Liabilities	(700)	4,724	5,424
Movement in Provisions	11	0	(11)
CT paid	0	0	0
Net cash used in operating activities	4,639	26,235	21,596
Cash flows from investing activities			
Purchase of PPE	(5,973)	(10,059)	(4,086)
Purchase of Intangibles	(702)	55	757
Proceeds from sale of PPE	0	65	65
Interest received	6	1,249	1,243
Investment in associates	1,576	0	(1,576)
Net cash used in investing activities	(5,093)	(8,690)	(3,597)
Cash flows from financing activities			
Public dividend capital received	4,100	4,600	500
Public dividend capital repaid	(740)	0	740
Loans received	0	0	0
Movement in loans	0	(842)	(842)
Capital element of finance lease	(2)	0	2
Interest paid	(154)	(1,508)	(1,354)
Interest element of finance lease	0	0	0
PDC dividend paid	(1,200)	(1,200)	0
Finance lease - capital element repaid	0	0	0
Net cash used in financing activities	2,004	1,050	(954)
Net change in cash	1,550	18,595	17,045
Cash b/f	25,010	29,299	4,289
Cash c/f	26,560	47,895	21,335

Appendix D – Capital Expenditure

	Profile	NHSI plan		Month 3		Forecast	
		Full year £000	Month 3 £000	Actual £000	Variance £000	Profile	Full year £000
Estates							
DR X-ray room	Q1	40	40	0	-40		40
Contingency	Q4	500	0	0	0		500
		540	40	0	-40		540
Medical Equipment							
MRI (Liverpool)	Q1	632	632	888	256		632
LinAcc transfer costs x4 (2020/21)	Q1	1,195	1,195	139	-1,056		1,195
X-ray (Liverpool)	Q1	153	153	0	-153		153
HDR & Papillon transfer costs (Liverpool)	Q1	14	14	0	-14		14
DR X-ray room	Q1	180	180	0	-180		180
Minor medical equipment	Q2	100	0	0	0		100
Contingency	Q4	500	0	0	0		500
		2,774	2,174	1,027	-1,147		2,774
IM&T							
Infrastructure		161	0	41	41		161
GDE		2,421	1,469	136	-1,333		2,421
Covid		0	0	0	0		0
Other minor programmes	Q1-4	104	26	0	-26		104
		2,686	1,495	176	-1,319		2,686
Building for the Future	Q1	6,806	5,606	3,850	-1,756		6,806
TOTAL		12,806	9,315	5,053	-4,262		12,806