

FINANCE REPORT FOR THE BOARD OF DIRECTORS

2020/21 - MONTH 6

1. BTHFT Month 6 Income & Expenditure Performance

Table 1 – Month 6 I&E Position

	Plan £000s	Actual £000s	Variance £000s
Income			
CCG & NHSE block	188,739	188,739	0
Provider to Provider - WYAAT & BDCT	2,184	2,184	0
Health Education England block	9,177	9,177	0
Total Block Income	200,100	200,100	0
R&D income	7,650	2,671	-4,979
Car Parking Income	696	0	-696
Other Income	10,639	3,707	-6,932
Total Variable Income	18,985	6,378	-12,608
Total Income excluding Top Ups	219,085	206,477	-12,608
Expenditure			
Pay	-141,090	-146,619	-5,529
Non Pay	-74,766	-68,687	6,079
Depreciation, PDC etc	-7,918	-8,527	-609
Total Expenditure	-223,774	-223,833	-59
Position Before Top Up Funding	-4,689	-17,355	-12,666
Top Up Funding			
Projected Top Up Funding	4,689	4,689	0
Additional Top Up Funding Validated	0	9,481	9,481
Additional Top Up Funding Unvalidated (accrued)	0	3,185	3,185
Total Top Up Funding	4,689	17,355	12,666
Position After Top Up Funding	0	0	0

For the financial year to September 2020, the Trust reported a £17.3m deficit prior to top up funding. This deficit is £12.7m greater than NHSE/I's baseline projection. In line with the interim financial regime, BTHFT has reported £12.7m of retrospective top up funding from NHSE/I to present a break even position at the bottom line.

At a summarised level the £12.7m adverse variance from NHSE/I's high level projections can be explained by:

- NHSE/I Baseline calculation issues (£9.5m)
- Income reductions due to the pandemic;
 - Research & Development income (£5.0m)
 - Car Parking income (£0.7m)
- COVID19 related expenditure (£11.7m)
- Research expenditure reductions £1.3m
- Underspends on non-pay due to reduced clinical activity £12.9m

A total of £17.3m of top up funding is reflected in the Month 6 position to deliver the breakeven position required by NHSE/I. It should be noted that there remains a risk to recovery of the accrued top up income should NHSE/I not consider some of the identified COVID19 costs to be appropriate.

The expenditure figures in Table 1 include the exceptional COVID19 costs. Table 2 breaks down this position to show the split of COVID19 and non-COVID19 expenditure.

Table 2 – Summary COVID19 and Non-COVID 19 Expenditure

	Plan	Actual - Non-COVID	Variance Excluding COVID Costs	Actual - COVID	Total Actual	Total Variance
Block Income	200,100	200,100	0		200,100	0
Other Income	18,985	6,378	-12,608		6,378	-12,608
Pay	-141,090	-138,659	2,431	-7,960	-146,619	-5,529
Non Pay	-74,766	-64,967	9,799	-3,720	-68,687	6,079
Depreciation, PDC etc	-7,918	-8,527	-609		-8,527	-609
Position Before Top Up Funding	-4,689	-5,675	-986	-11,680	-17,355	-12,666

Table 2 shows that income excluding top up funding was £12.6m lower at Month 6 than NHSE/I's projection.

NHSI's projections assumed BTHFT would recover £2.1m more income per month than the Trust itself expected to recover. A significant amount of non-recurrent income was recorded in the baseline period to deliver the 2019/20 control total. By definition this non-recurrent income will not be recovered by the Trust in 2020/21. This issue has been raised with the regulators and has been partially mitigated in the funding regime for Quarters 3 & 4.

Due to the suspension of a significant proportion of all clinical research trials, the Trust's Research & Development income is £5.0m below projected levels, equating to a £0.8m per month funding shortfall. This is partially offset by a related £1.3m year to date expenditure reduction, resulting in a net ££0.6m per month funding shortfall. As many of the Research Directorate's costs are fixed, this leaves the Trust with a cost pressure which it is currently reliant on the retrospective top up to mitigate. This issue is expected to continue to present problems until research trials and associated funding can return to previous levels.

Pay expenditure excluding COVID19 costs is £2.4m below NHSE/I's projections and is not a cause for concern at Month 6.

Non-pay expenditure not related to COVID19 was almost £9.8m lower than projected. The majority of this reduction in expenditure was seen in elective areas.

NHSE/I's baseline expenditure projection did not take into account the increased depreciation charge resulting from the Trust's increased capital base or the recurrently increased PDC charge which resulted from the cancellation of the Wholly Owned Subsidiary plan. This has caused an overspend of £0.6m at Month 6 and these non-operating items will continue to exceed projections by approximately £0.1m per month.

Table 3 – Month 6 I&E Performance Summarised

Details	BTHFT		
	Plan £000s	Actual £000s	Variance £000s
Income (excl Top Up)	219,085	206,477	-12,608
Expenditure (excl COVID)	-223,774	-212,153	11,621
Position Ex Top Up & COVID costs	-4,689	-5,675	-986
Projected Top Up (received M6)	4,689	4,689	0
Position Ex COVID costs & retro top up	0	-986	-986
COVID costs		-11,680	-11,680
Position Ex Retrospective Top Up	0	-12,666	-12,666
Retrospective Top Up Funding		12,666	12,666
Final Reported Position	0	0	0

Note: Top Up Funding

Projected Top Up Funding	4,689	4,689	0
Additional Top Up Funding Validated		9,481	9,481
Additional Top Up Funding Unvalidated (accrued)		3,190	3,190
Total Top Up Funding	4,689	17,360	12,671

Table 3 summarises the Month 6 performance against the regulator's expected performance.

BTHFT reported a deficit excluding top up and exceptional COVID19 costs of £5.7m. This is a higher deficit than the £4.7m NHSE/I had projected. This confirms that in the six months to September 2020, the underspends resulting from the reduced range and volume of clinical activity were insufficient to offset the issues with NHSE/I's baseline projections and the loss of research income. This position deteriorated in August and September as elective and outpatient work increased.

The main risk in the Month 6 position is therefore the un-validated accrued £3.2m retrospective top up funding required to break-even. To mitigate this risk, the Trust has detailed records to substantiate the £11.7m designated exceptional COVID19 costs should this be challenged by NHSE/I and has an established governance and approvals process for COVID19 expenditure.

2. Cash Position at Month 6

The Trust's closing cash position on 30 September 2020 was £76.3m. This includes the top up payment on account and the advance block payment from CCGs for October 2020. This

prepayment has increased the Trusts cash balance by approximately £30m. This arrangement will continue to the end of February supporting the Trusts financial position until March.

Year to date cash is above plan by £2.5m. Cash is above plan as a result of:

- higher than planned deferred income (£5.5m)
- the Trusts public dividend capital payment being delayed until November (£2.7m)
- higher than planned payables (£2.6m)
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This has been offset by planned capital funding from DHSC which is yet to be received (£3.6m), lower than planned capital payables (£2m) and higher than planned receivables (£2.2m).

The year-end cash balance is forecast to be £31.2m, this is an increase of £1.6m on the closing balance from 2019/20. This forecast assumes the planned I&E deficit of £2.1m for the year.

At present the Trust is being pre-paid by Commissioners by approximately £30m per month leading to an inflated cash balance. It has been assumed that this arrangement will come to an end in March 2021 leading to a large negative movement (£44.3m) from February to March.

3. Capital Expenditure

The Trust has received confirmation of additional capital funding from Department of Health and Social Care which has increased the capital programme to £34.0m. The additional funding includes £9.5m for COVID phase 2 and £1.4m for replacement breast screening equipment. The original capital plan that the Trust submitted to NHSE/I in March 2020 totalled £20.8m.

Cumulative capital expenditure as at month 6 2020/21 amounts to £4.0m which is £0.3m higher than the planned spend of £3.7m.

Material year to date spend on capital projects include:

- Capital to support COVID 19 £1.3m;
- Radiology equipment £0.5m; and
- IT general / upgrades £0.6m.

4. Conclusion

At Month 6, BTHFT delivered a deficit before top up and COVID19 costs which is £1m higher than NHSE/I projected. . It is anticipated that this excess deficit will be fully funded via the retrospective top up.

A total of £11.7m of COVID19 revenue costs were recorded up to Month 6 and an associated retrospective top up has been accrued into the I&E position to result in a breakeven position.

Until NHSE/I have concluded their audit and scrutiny of the Trust's claim for reimbursement of the COVID19 costs, there remains a degree of risk in the reported position. The risk is not considered significant however as appropriate governance and record keeping processes have been followed.

The interim funding regime for Quarters 1 & 2 has now come to an end. Based on anticipated top ups in line with previous months, the Trust is reporting a break even position for this period and can therefore be seen to have delivered the financial plan asked of it by the regulators.

The financial regime for Quarters 3 & 4 does not include a retrospective top up mechanism to guarantee a break even position. Organisations have been allocated an increased block funding envelope within which a break even position is required to be delivered. This new funding regime therefore carries a greater degree of financial risk, although current planning suggest the organisation expects to have adequate options to mitigate this risk.

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