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Trust performance summary - Key indicators



Trust actual and
System Covid
envelope funding
received

0.0

Actual

4.3

System Covid funding
in month

0.0

Actual YTD

73.3

Covid funding (and
'True-up' M1-M6) YTD



Covid-19
spend M7

(3.3)

Revenue actual

(50.5)

Revenue actual

(3.8)

Capital- actual spend



Net current
assets/(liabilities)
(p.18) and debtor
days

Net current liabilities

(31.8)

actual

Not Available

plan

Debtor days

32

This month

30

Previous month



Cash and
EBITDA

Cash

120.3

actual

3.3

plan

EBITDA

19.6

actual

21.4

plan

Legend

£ in million



In month



YTD

Month 7 Financial Performance

- **For Month 7**, the forecast anticipated a deficit of £0.7m, **the actual result is a deficit of £0.6m** (the phasing of the M7-M12 deficit is summarised in this report on page 8).

Covid-19 Expenditure

- The Trust incurred £3.3m of revenue Covid-19 expenditure in M7. This consists of £1.8m of pay and £1.5m of non-pay spend.

Changes to Covid-19 funding

- While the NHSE/I regime in place for M1-M6 saw Covid-19 costs fully reimbursed through a top-up process with NHSE/I, a new framework is in place from October 2020 which comprises:
 - A monthly top-up of £7.8m, (this is higher than the top-up of £5.9m received during M1-M6),
 - The additional £1.9m received in top-up is largely to compensate the Trust for Other Compromised income (£1.6m).
 - An allocation of c. £26m from our STP system-wide Covid fund, £4.3m of which has been received in M7.
 - In sum, **£12.1m** of Devolved Income was included in the Trust's forecast for M7 and also received.
- The underlying Covid-19 financial impact in Month 7 is £9.6m. Clinical Income, on a payment by activity basis, being adversely impacted by £4.0m in month (refer to page 6 for a detailed breakdown and mitigations)
- Annual leave provision at M7- Note that due to the difficulty of many staff members to take annual leave, the annual leave provision was increased in month by £2.1m. It now stands at £4.5m. This Covid related adjustment has adversely impacted on the otherwise favourable underspend (excluding direct Covid related costs) in month.

Elective Incentive Scheme (EIS)

- The EIS is effective from M6 onwards (September), but the Trust has received guidance from NHSE/I to exclude the impact of EIS from the M6 and M7 reporting.
- The EIS impact for M6 and M7 has been estimated at a penalty of £1.4m if it were to be enforced.
- Note that this constitutes a residual risk to the Trust until further guidance is received.

The new financial regime (M7-M12)

- From October 2020 onwards a new financial framework has been implemented. This includes a pre-defined cost growth and Covid-19 fund, the ability to bill for growth in certain drugs and devices, and block funding with a percentage of payment linked to our systems recovery of pre Covid-19 activity levels.

Forecast and Plan M7 to M12

- At M7, the **M07-M12 forecast is for a deficit of £6m.**
- In October, the Trust submitted a forecast for M7-M12 to the Regulator. This forecast is now the plan against which the Trust is monitored.
- For the purpose of internal reporting, the Trust has maintained the monthly budget used in M1-M6 for M7-M12.
- On 18 November 2020, the Trust **resubmitted its forecast for M7-M12 of FY20/21 with a deficit of £5m.** This scenario still uses a 'low Covid' scenario as agreed by the Regulator.
- Note: Due to the rising level of Covid-19 patients and associated government action, the Trust expects to improve on the forecast deficit by year end.
- This is expected to be driven by lower than forecast non elective activity and slower than anticipated investment in recovery. Elective and non elective activity continue below Plan (for details refer to p. 10)
- In this second half of the year our key financial risk and driver of our expected deficit remains the under recovery of other income streams by £20m. The costs of operating in a Covid-19 environment should be funded through reduced service delivery, the CUH share of the STP cost growth and Covid-19 block allocations. Combined with the additional income streams now expected from NHSE Specialist Commissioners this would deliver a surplus of £15m. This, therefore leaves the Trust with a forecast deficit of £5m for 2020/21.
- **The deficit forecast excludes the impact of income reductions linked to elective service under recovery.** The Trust has forecast that this could range from £3.3m to £12.5m depending on the levels of Covid-19 and our ability to offer sufficient inpatient bed capacity to elective activity.
- This is currently excluded from our forecast as it is unclear whether or not the proposed adjustment to income, linked to elective service recovery, will be enforced by NHSE/I as the Covid-19 levels change.

CIP delivery

- A CIP plan of £3.5m (all pay efficiencies) has been included in the Trust's forecast for M7-M12. At M7, CIP delivery is on track with £0.7m as per forecast.
- This programme is expected to be delivered non recurrently through pay underspend (in the underlying, not Covid related), pay position.

Cash and Capital position

- The Trust's funded capital plan now stands at £101.2m for 2020/21 following a number of additional allocations from national funds. Contractual commitment now exceed £52m, including actual spend year to date of £9.8m. Whilst good progress is being made, not all the funding available for major projects (Addenbrooke's 3, Children's and Surge Centre) is likely to be spent in year. We forecast that £14m from the 2020/21 plan is likely to need carrying forward to 2021/22 in addition to £19.2m from the expected surge centre allocation. The remainder of the capital programme is forecast to spend to budget through the ongoing mitigation of any further slippage.
- In response to Covid-19, Trusts are currently being paid on a block contract basis one month in advance. This significantly improves CUH's cash position and results in a forecast cash balance well in excess of the minimum cash balance required for the foreseeable future.

Trust underlying Covid-19 financial impact

M1-M6	M7	YTD	
£m	£m	£m	Covid-19 Financial Pressure
70.9	4.0	74.9	Compromised Clinical Income
-27.3	-0.9	-28.2	Expenditure underspend – Reduced service delivery
43.6	3.1	46.7	Productivity Reduction
47.2	3.3	50.5	Covid-19 revenue costs
	2.1	2.1	Covid-19 impact on outstanding annual leave
47.2	5.4	52.6	Covid-19 – Incremental Costs
17.4	0.7	18.1	R&D income at risk
13.6	0.3	13.9	Other compromised income
31.1	1.1	32.1	Other compromised Income
121.9	9.6	131.5	Full adverse impact of Covid-19
£m	£m	£m	Mitigations
-52.9	-1.6	-54.5	Clinical income through block payments
-69	-4.3	-73.3	System Covid funding (M1-6 was 'True Up' funding)
	-1.2	-1.2	Clinical income through pass through
	-1.9	-1.9	Additional top-up from £5.9m per month to £7.8m in month
0	0.6	0.6	Reported Position: Breakeven/Deficit/(Surplus)

This table sets out the adverse impact of Covid-19 on the Trust's finances and the mitigating mechanisms currently in place.

The underlying performance is driven by three factors:

1) Productivity Reduction

Compromised clinical income offset to an extent by service delivery related underspends in pay and non-pay

2) Covid-19 – Incremental Costs

Covid-19 direct expenditure and incremental Covid-19 related increases in our usual cost base

3) Other compromised income

R&D income deferral of NIHR contract, Inter Trust services and non NHS paying patient income

YTD the underlying financial pressure from Covid-19 stands at £131.5m

Please note: At this stage we are not analysing the total cost of Covid-19 service provision.

CFO message- summary financials

	In Month					YTD				
	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)
Clinical Income - exc. D&D*	53.8	52.6	0.0	(1.2)	(1.2)	376.3	359.8	0.0	(16.5)	(16.5)
Clinical Income - D&D*	11.9	11.9	0.0	0.0	0.0	83.3	81.0	0.0	(2.3)	(2.3)
Devolved Income	20.1	25.0	6.0	4.9	(1.1)	140.8	183.3	75.0	42.5	(32.5)
Total Income	85.8	89.5	6.0	3.7	(2.3)	600.4	624.1	75.0	23.7	(51.3)
Pay	45.6	47.3	1.8	(1.7)	0.1	319.4	335.3	18.5	(16.0)	2.6
Drugs	11.2	12.1	0.0	(1.0)	(1.0)	78.3	80.6	0.3	(2.2)	(1.9)
Non Pay	25.9	27.7	1.5	(1.8)	(0.3)	181.2	188.6	31.7	(7.4)	24.3
Operating Expenditure	82.7	87.2	3.3	(4.5)	(1.2)	578.9	604.5	50.5	(25.6)	24.9
EBITDA	3.1	2.3		(0.8)	(3.5)	21.4	19.6		(1.9)	(26.4)
Depreciation, Amortisation & Financing	3.1	2.9	0.0	0.2	0.2	21.4	20.1	0.0	1.3	1.3
Deficit	0.0	(0.6)		(0.6)	(3.3)	0.0	(0.6)		(0.6)	(25.1)

Table 1 - CUH Financial Position in month at Month 7

*D&D = Drugs & devices

M7-M12 Forecast – key messages

£'000	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	M7-M12
Clinical Income	78,775	78,802	80,528	79,151	79,152	79,745	476,153
Devolved Income	10,878	11,373	11,405	11,530	11,596	11,605	68,387
Total operating income	89,653	90,175	91,933	90,681	90,748	91,350	544,540
Employee expenses	(49,697)	(50,154)	(50,751)	(50,294)	(50,132)	(50,134)	(301,162)
Operating expenses excluding employee expenses	(39,724)	(40,390)	(40,742)	(40,604)	(41,181)	(40,979)	(243,620)
OPERATING SURPLUS/(DEFICIT)	232	(369)	440	(217)	(565)	237	(242)
Finance expense	(563)	(563)	(563)	(563)	(564)	(564)	(3,380)
PDC dividends payable/refundable	(396)	(396)	(396)	(396)	(396)	(396)	(2,376)
NET FINANCE COSTS	(959)	(959)	(959)	(959)	(960)	(960)	(5,756)
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	(727)	(1,328)	(519)	(1,176)	(1,525)	(723)	(5,998)

Key messages:

- The above was shared with NHSI on 22 Oct 2020.
- A revised version was submitted on 18 November 2020, showing a total deficit of £5m, i.e. an improvement of £1m.
- Note that the Trust is, in the context of the rapidly changing Covid environment, anticipating it will improve on this forecast.
- The above forecast now forms the basis of our monthly reporting to the Regulator, i.e. it is the current Plan for the rest of FY20/21.
- It is important to note that the deficit forecast excludes the impact of income reductions linked to elective service under recovery.
- The Trust has forecast centrally that this could range from £3.3m to £12.5m depending on the levels of Covid-19 and our ability to offer sufficient inpatient bed capacity to Elective activity.
- This is currently excluded from our forecast as it is unclear whether or not the proposed adjustment to income, linked to elective service recovery, will be enforced by NHSE/I as the Covid-19 levels change.
- **The M8 report will contain an update in relation to the revised forecast (£5m deficit for FY20/21).**

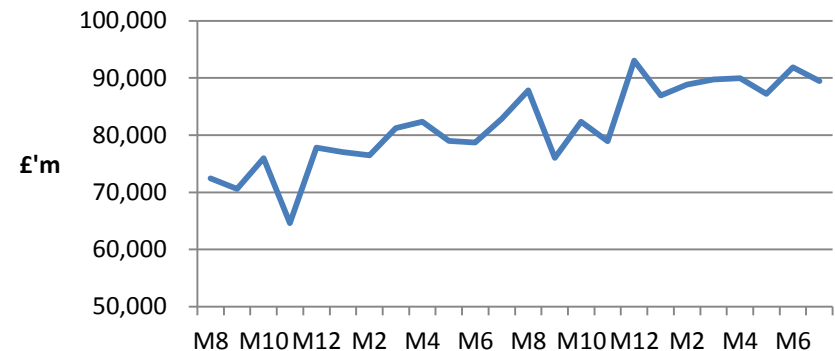
Clinical and Other income in M7

- At the end of month 7, the Trust's YTD overall income position is £23.6m greater than plan. Clinical income is £18.8m less than plan, with devolved income £42.4m above plan.
- Devolved Income includes 'true up' payments for M1-M6 of £69m and the M7 Covid funding of £4.3m. Devolved Income therefore continues to underperform at £30.9m
- It is important to recognise that the 'Other Activity' income includes additional income received by the Trust through the block contract agreements (in place M1-7) that is over and above income from services delivered.

Key movements in month:

- £4.3m Covid system funding in Devolved Income (STF)
- Passthrough payments received of £1.2m in Drugs & Devices
- Top-up payment increased from £5.9m to £7.8m. in Devolved Income (STF)

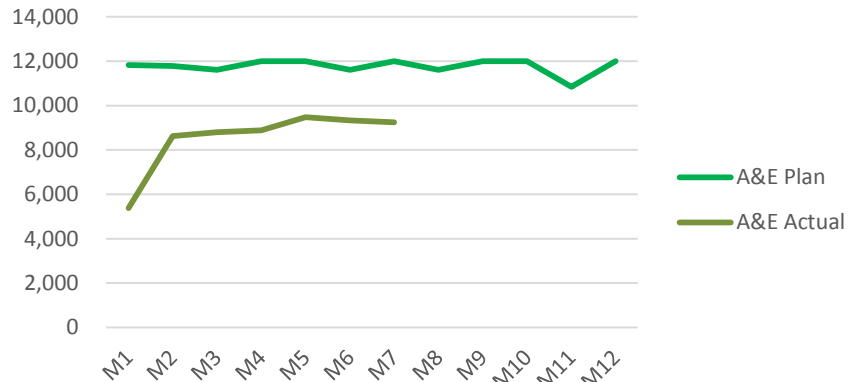
Total income: 24 months to M7 FY20/21



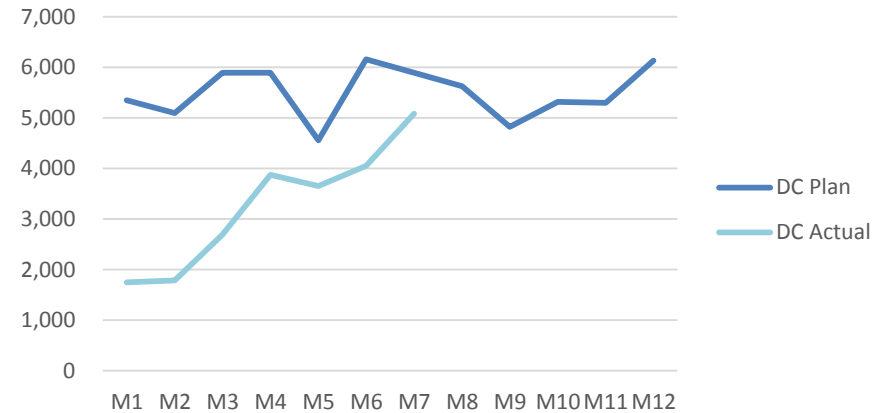
£'m	In Month			Year to Date		
	Plan	Actual	Variance	Plan	Actual	Variance
Admitted Patient Care	29.2	24.5	(4.7)	197.8	138.2	(59.5)
Outpatient	10.4	9.4	(1.0)	72.0	54.3	(17.8)
Accident and Emergency	2.1	1.7	(0.4)	14.5	10.9	(3.6)
Other Activity	23.9	28.8	4.9	175.4	237.5	62.1
Total Clinical Income	65.7	64.5	(1.2)	459.6	440.8	(18.8)
Devolved Income	20.1	25.0	4.9	140.8	183.3	42.4
Total Trust Income	85.8	89.5	3.7	600.4	624.1	23.6

Clinical Income - Activity Information

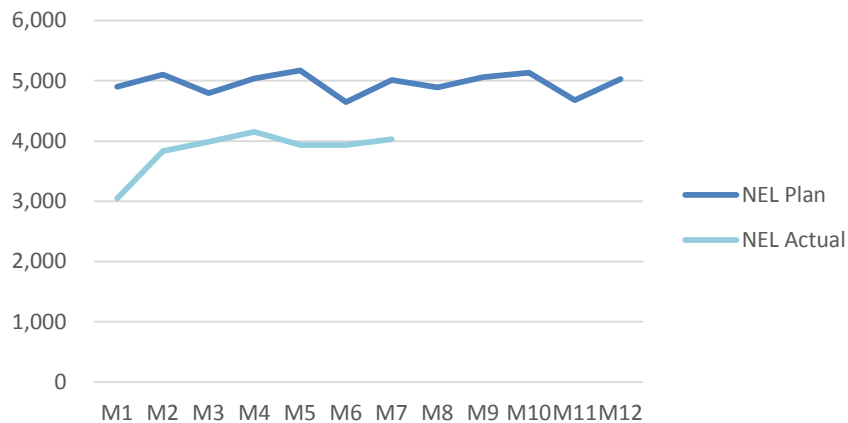
A&E



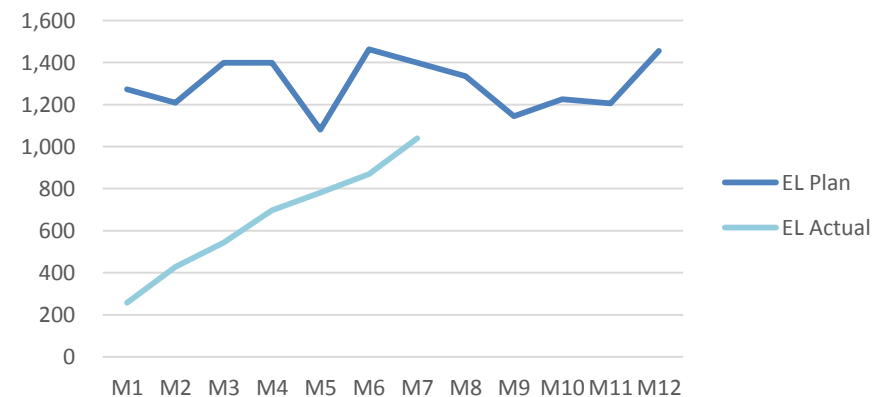
Day Case



Non-Elective Inpatient



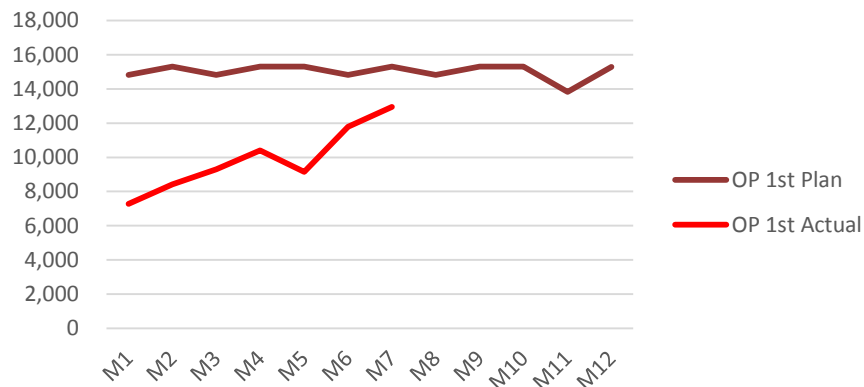
Elective Inpatient



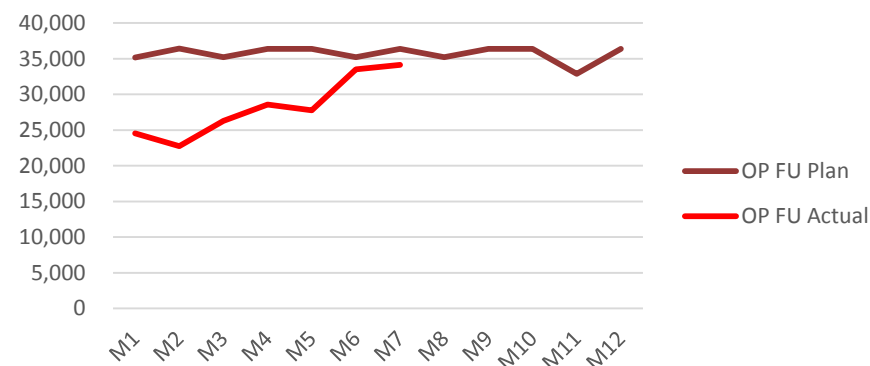
The above graphs show the adverse impact of Covid-19 on the Trust's billable activity. Month 7 has shown a recovery in both Day Case & Elective spells, whilst Non-Elective spells & A&E remain stabilised below Plan.

Clinical Income - Activity Information Continued

OP 1st attendance

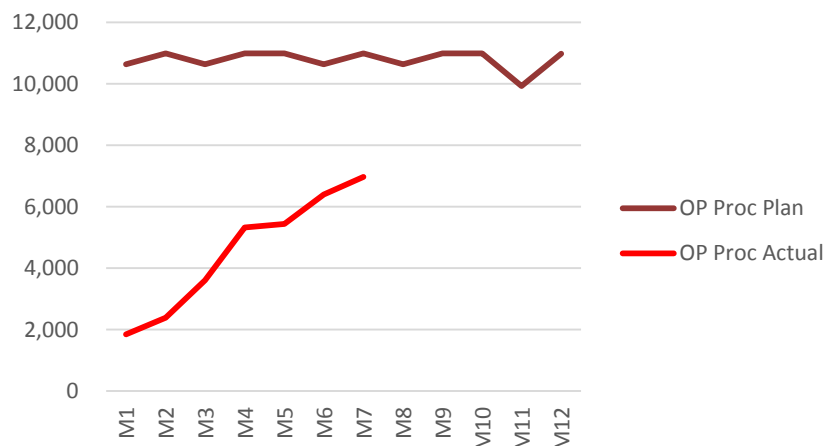


OP follow-up



In Month 7 there has been an overall improvement of activity in all outpatient points of delivery.

OP procedures

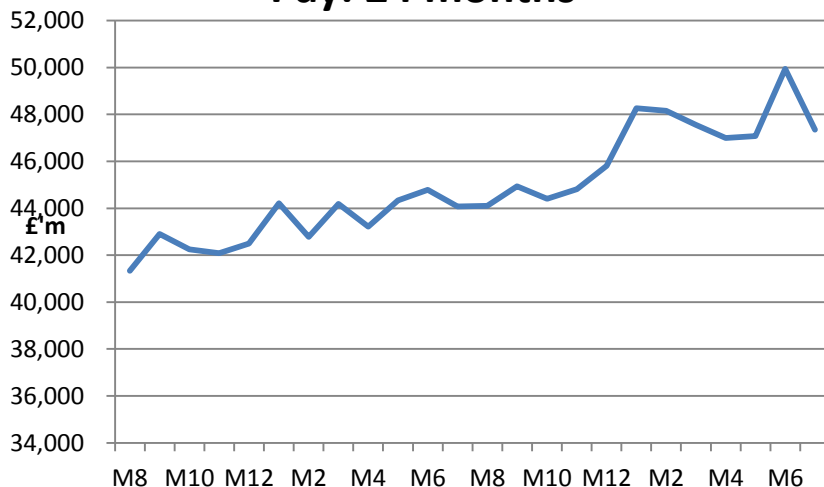


£m	M7
0	Drugs and Devices break even
-1.6	Contracted clinical commissioning income under-performance
-2.4	Non-contracted clinical commissioning income under-performance
-4.0	In month overall service under-performance
2.8	Offset - by clinical income through block payments (£1.6m) & pass through (£1.2m)
-1.2	NET clinical income under-performance

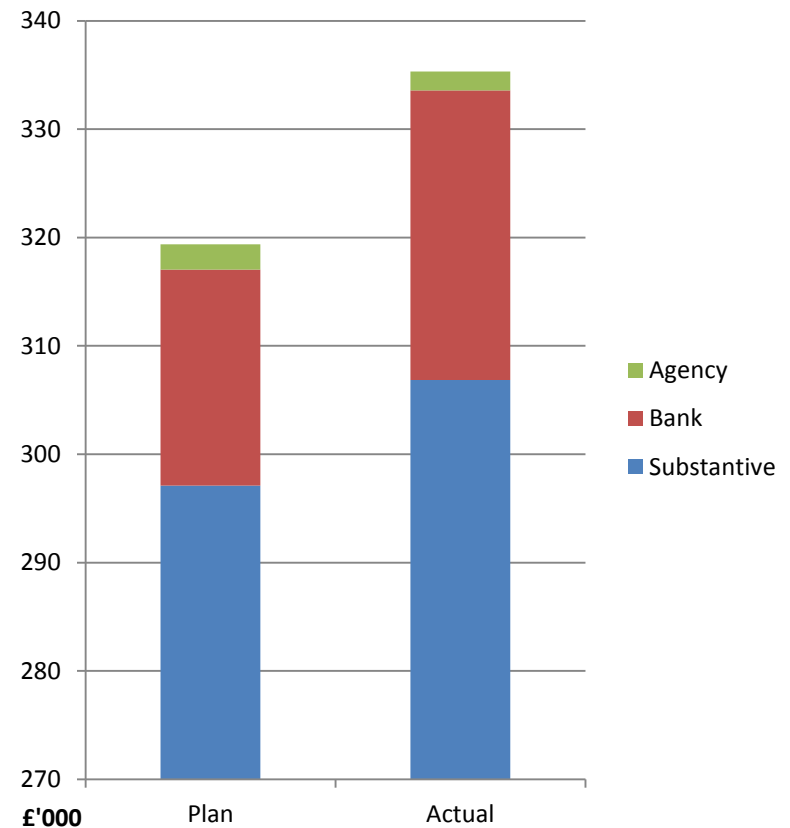
Pay expenditure in M7

- At the end of month 7, the Trust's YTD pay position is £16.0m adverse to budget.
- This is mainly due to overspends year to date in Bank & substantive spend.
- Of the £16.0m overspend, the Trust has reported £18.5m of Covid related pay expenditure, which nets to an underlying favourable pay variance of £2.6m
- Refer overleaf for an additional analysis of the Covid element in pay expenditure.
- Note also that M6 saw the backdated pay element (M1-M5) of the Medical Staff pay award (at £1.2m)

Pay: 24 months



Pay analysis - YTD



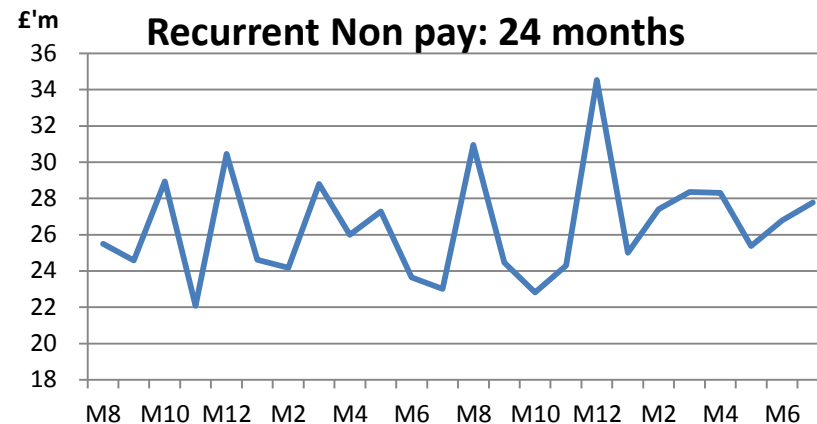
Pay expenditure YTD (Continued)

	In Month					Year to Date				
	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)
<i>£ Millions</i>										
Administrative & Clerical	6.9	7.2	0.1	(0.3)	(0.2)	48.0	50.8	1.4	(2.8)	(1.4)
Allied Healthcare Professionals	2.5	2.6	0.0	(0.0)	(0.0)	17.8	18.0	0.4	(0.2)	0.2
Clinical Scientists & Technicians	4.2	4.2	0.0	(0.0)	0.0	29.4	29.2	0.1	0.2	0.3
Medical and Dental Staff	14.8	15.8	1.1	(1.1)	0.0	103.4	112.8	10.1	(9.4)	0.7
Nursing	16.2	16.5	0.5	(0.3)	0.2	113.4	117.1	6.4	(3.7)	2.7
Other Pay Costs	1.1	1.0	(0.0)	0.0	0.0	7.4	7.4	0.1	(0.0)	0.1
TOTAL PAY	45.6	47.3	1.8	(1.7)	0.1	319.4	335.3	18.5	(16.0)	2.6

	In Month					Year to Date				
	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)
<i>£ Millions</i>										
Agency	0.3	0.2	0.1	0.1	0.2	2.3	1.7	0.5	0.6	1.1
Bank	2.8	3.5	0.8	(0.7)	0.1	19.9	26.7	8.5	(6.8)	1.7
Contracted	0.2	0.2	0.0	0.0	0.0	1.5	2.4	0.8	(0.9)	(0.0)
Substantive	42.2	43.4	0.9	(1.2)	(0.2)	295.6	304.4	8.7	(8.9)	(0.2)
TOTAL PAY	45.6	47.3	1.8	(1.7)	0.1	319.4	335.3	18.5	(16.0)	2.6

Non Pay expenditure in M7

- At the end of month 7, the Trust's non pay position is £9.6m adverse to plan (including Covid costs)
- When excluding Covid related non-pay spend, the underlying favourable variance becomes £22.3m YTD
- This is mainly driven by underspends in Clinical Supplies, Misc. Other and Other non pay costs.



£millions	In Month					Year to Date				
	Non Pay costs									
	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)	Budget	Actual	Covid	Variance	Variance (Exc Covid Expenditure)
Drugs	11.3	12.1	0.0	(0.8)	(0.8)	78.9	80.6	0.3	(1.7)	(1.4)
Clinical Supplies	11.3	11.0	0.4	0.3	0.7	80.1	74.4	11.7	5.7	17.5
Misc. Other Operating expenses	6.7	6.3	0.0	0.3	0.4	46.8	56.3	15.8	(9.6)	6.2
Premises	4.0	4.6	0.8	(0.6)	0.2	27.9	29.9	3.1	(2.0)	1.1
Clinical Negligence	1.6	1.7	0.0	(0.1)	(0.1)	11.2	11.9	0.0	(0.7)	(0.7)
Other non pay costs (including CIP)	2.1	2.0	0.3	(0.1)	0.2	13.8	14.1	1.1	(0.3)	0.8
Total Recurrent	37.0	37.9	1.5	(0.9)	0.6	258.7	267.2	32.0	(8.4)	23.5
eHospital	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0
Other non pay costs	0.1	2.0		(1.9)	(1.9)	0.8	2.0		(1.2)	(1.2)
NR System support	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0
Total Non-recurrent	0.1	2.0	0.0	(1.9)	(1.9)	0.8	2.0	0.0	(1.2)	(1.2)
Total Non Pay	37.1	39.9	1.5	(2.8)	(1.3)	259.6	269.2	32.0	(9.6)	22.3

Cash flow and creditor payment days

Weighed average creditor payment days				
M3	M4	M5	M6	M7
31	38	36	39	28

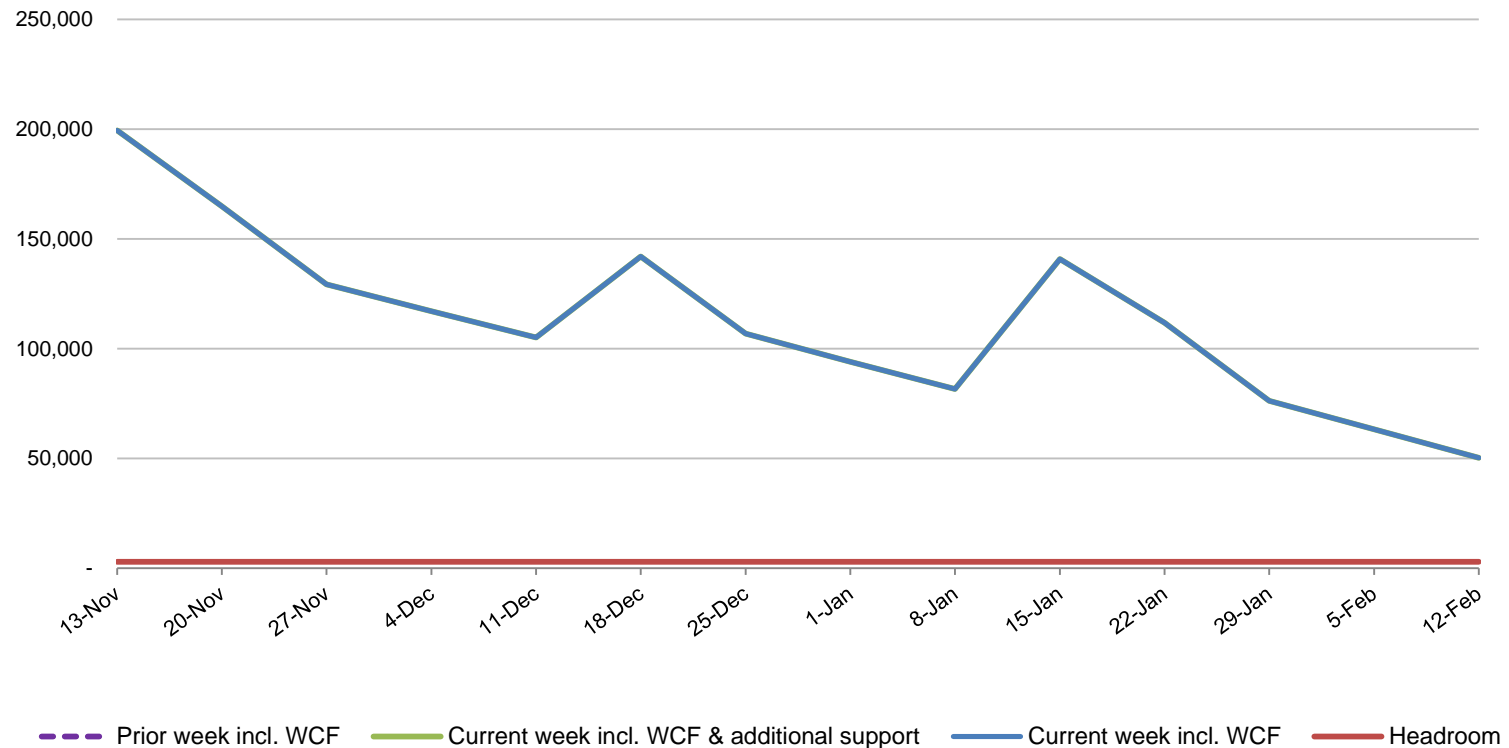


Chart 2 – CUH 13 week rolling cash flow forecast (£000)

In response to Covid-19, Trusts are currently being paid on a block contract basis one month in advance. This significantly improves CUH's cash position and results in a forecast cash balance well in excess of the minimum cash balance required for the foreseeable future.

Appendices

Capital expenditure by programme

M7 position

Year to Date (M7)			
	Budget £m	Actuals £m	Variance £m
Programme			
Estates	6.9	4.2	2.7
e Hospital / Legacy Systems	1.0	0.2	0.8
Medical Equipment Replacement	1.3	0.8	0.5
G2	0.6	0.2	0.4
Addenbrookes 3	0.2	0.0	0.1
Childrens Hospital	0.8	0.0	0.8
Surge Centre	0.1	0.1	0.0
Other Developments	6.1	4.3	1.7
Programme Total	16.9	9.8	7.0

Key Issues/Notes Year to Date

- Underspend YTD largely reflects slippage in early months prior to budget clarity in July.
- COVID 19 Expenditure included in other developments (£3.6m)

Forecast		
Budget £m	Expenditure £m	Variance £m
17.9	16.8	1.1
2.8	2.6	0.2
6.5	6.5	0.0
4.4	3.6	0.8
5.0	4.4	0.6
8.8	2.8	6.0
45.6	37.9	7.7
10.2	10.2	0.0
101.2	84.7	16.5

Key Issues/Notes Forecast

- Capital budget includes DH Surge Centre Funding (£31m Critical Care and £9.1m Critical Infrastructure). DH Funding of £19.2m planned for 21/22 subject to business case approval.
- Forecast spend is £84.7m and will be kept under review. The expected forecast underspend remains at £14m due to over commitments elsewhere.

Capital Commitments 2020/21		
	Planned Budget £m	Committed £m
Estates	17.9	9.2
e Hospital / Legacy Systems	2.8	0.7
Medical Equipment Replacement	6.5	2.8
G2	4.4	2.9
Addenbrookes 3	5.0	0.1
Childrens Hospital	8.8	0.1
Surge Centre	45.6	29.1
Other Developments	10.2	7.5
	101.2	52.3

Capital Commitments 2020/21

- 2020/21 committed expenditure reflects contractual commitments (unavoidable) against this year's budget, including actual spending YTD.

Balance Sheet at M7

	M7 Actual £million
Non-current assets	
Intangible assets	28.3
Property, plant and equipment	341.8
Total non-current assets	<u>370.1</u>
Current assets	
Inventories	12.6
Trade and other receivables	84.3
Cash and cash equivalents	120.3
Total current assets	<u>217.2</u>
Current liabilities	
Trade and other payables	(122.6)
Borrowings	(5.6)
Provisions	(5.0)
Other liabilities	(115.8)
Total current liabilities	<u>(249.0)</u>
Total assets less current liabilities	<u>338.3</u>
Non-current liabilities	
Borrowings	(101.1)
Provisions	(3.2)
Total non-current liabilities	<u>(104.3)</u>
Total assets employed	<u>234.0</u>
Taxpayers' equity	
Public dividend capital	480.0
Revaluation reserve	37.4
Income and expenditure reserve	(283.4)
Total taxpayers' and others' equity	<u>234.0</u>

Balance sheet commentary at M7

- The balance sheet now shows positive net assets of £234.0m following the debt refinancing exercise in August which converted £340m of DH loans to Public Dividend Capital.
- In FY20/21 we are forecasting PDC and interest payments will be £2.2m lower than 19/20.
- Future capital investments will, however, result in higher PDC costs.
- Non-current liabilities now stand at £101.1m for borrowings (including PFI), and £3.2m for provisions.
- Cash remains strong despite creditor payments being accelerated to support the private sector during COVID-19.