A lifetime of specialist care

Royal Brompton & Harefield NHS
NHS Foundation Trust

Trust Board

24 November 2020

Finance Overview Report

Month 7 2020/21 – period ended 31st October 2020

Key points

- Month 7 is the first month under the new H2 Financial Regime, as such there is no Retrospective Top-Up, and it is possible for the Trust to generate a surplus or deficit.
- Our In-month deficit was (£2.0m) against a planned deficit of (£2.1m), an in-month favourable variance £0.1m. On a Control Total basis our in-month deficit and planned deficit were (£1.95m), on plan.
- The YTD deficit is (£2.65m) against a planned deficit of (£2.9m), an in-month favourable variance £0.25m. On a Control Total basis, the in-month deficit and planned deficit are (£1.95m), on plan.
- We have received most of the retrospective top-up we have requested for M1-4, the only exception being £2.6m for the Bad Debt Provision. Our M1-6 Retrospective Top-Up claim is currently being audited by PWC on behalf of Regional NHSE/I.
- Payment for M5-6 retrospective top-up has not been received, National NHSE/I have held back payments for all providers to review all H1 claims in detail. NHSE/I indicated M6 YTD Covid cost submissions will under-go greater scrutiny than previous months, and payment would be delayed.
- There is potential that staff may not have used a proportionate share of their leave YTD this financial year, but there is a lack of data to make a provision, so this is not included within the YTD position. As staff are now able to carry leave over between financial years, and a process to collate this information (and hence to allow a provision to be calculated) will need to be available when we close the accounts. This may generate a future cost pressure. NHSE/I have requested Trusts not to make in-year adjustments to their annual leave provision, they are aware this may generate a pressure later in the year.
- There is no adjustment for the Elective Incentive Scheme (EIS) in the month 7 position. We await confirmation of our baseline comparator from 2019/20, and EIS will be calculated on a NWL system, not individual provider, basis, so will depend to some extent on the performance of other trusts in NWL.
- Under EIS Daycases, Elective Inpatient, and Outpatients Procedure activity are grouped together with a target of 90% for October compared to the same period 2019/20, and all Outpatient Attendances with a target of 100%. (Appendix E)
    - Grouping activity as per EIS, and using activity and costed activity as it would have been charged to commissioners pre-Covid, adjusting for the additional

working day October 2019, we achieved 73.2% activity and 88.4% costed activity against the target for procedures. For outpatient attendances we achieved 107.8% activity and 101.1% costed activity.

  - Within our overall performance we exceeded the procedure targets for Heart and Paediatrics costed activity, but achieved 70.5% for Lung procedures, and 93.8% for Lung outpatient attendances. It should be noted, Respiratory activity is significantly impacted by Aerosol Generating Procedures (AGPs), in addition we have converted an estimated 430 Daycase spells per month onto Homecare pathways.

- Private Patients activity remains low despite extended days in theatres and cath labs, due to the impact of travel restrictions and the conversion of dedicated PP beds to NHS patients.
- Our cash position remains healthy due to current pre-payment arrangements. When these unwind, and should the risks identified above materialise, we will need to take measures to mitigate our cash position
- Current indications are that we will be funded for high-cost CF drugs; should this not be the case, this will present another material risk

Contents:

1. Key Headlines Year-to-Date Month 7 2020/21

Key Headlines						Month 7 / 2020/21
	Plan £000	Actual £000	Variance	Variance %	RAG	Trend
I&E	(2,913)	(2,647)	266	9.1%		↔
Control Total	(1,943)	(1,948)	(5)	0.0%		↔
Control Total exc. Covid 19 Top-Up	(21,190)	(52,759)	(31,569)	-149.0%		↔
Cash	54,861	62,511	7,650	-13.9%		↑
Capex Non-Covid	17,347	13,785	(3,562)	20.5%		↔
Capex Covid	2,522	2,283	(239)	9.5%		↔
Agency	(4,330)	(3,511)	819	18.9%		↔
Single Oversight Framework	2	2	0	0.0%		↔

The Trust's plan for H2 (agreed with NWL)projected a deficit of (£11.5m), in-month (2.1m), driven by lost contribution from reduced non-NHS income flows compared to 2019/20, in particular PP.

The Trust's financial position for month 7 will depend on the amount of "Retrospective Top-up" provided by NHSE/I for M1-6. Reflecting NHSE/I guidance our figures above

assume approval of the £31.7m Retrospective Top-up YTD in full, enabling the Trust to achieve break-even on a Control Total basis M1-6.

Of the £31.7m claimed YTD, the Trust has received £22.6m. £2.4m not received relates to the Private Patient increased bad debt provision at month 4, and the balancing £6.7m was held back by NHSE/I until completion of their review of our submission.

The In-month deficit (£2.0m) is £0.1m better than plan, and the YTD deficit, (£2.65m), is £250k better than plan, but on a Control Total basis. The Trust is on plan both on the in-month and YTD deficit (£1.95m).

The funding mechanism for April to September is summarised in Appendix A.

For October 20 to March 21 the funding mechanism has changed. Block payments to providers and allocations to systems have been confirmed, and discussions are on-going to finalise our allocation from NWL System reserves.

- Block payments align with those received April to September, though the de-minimus limit has increased from £200k to £500k. The System received resources available for allocation equivalent to Prospective top-up, growth, and Covid pressures (but not Retrospective top-up).
- NWL has not received funding for lost contribution associated with non-NHS income losses, though is in on-going discussions with the Regional and National teams. There will be no Retrospective top-up after September, and there will be adjustments associated with performance against the EIS.

The new funding mechanism represents a significant financial risk for the Trust as the majority of our PP beds are currently being used for NHS patients following the transfer of lung patients from Fulham Wing, and other non-NHS income flows are forecast to be lower H2 20/21 than 19/20. The lost contribution is reflected in the planned (£11.5m) deficit H2.

The Cash plan in taken from our H2 Plan submission, whilst the Capital plan is taken from our updated Capital forecast submitted to NWL System, and incorporated within System CDEL.

2. Key Financial Risks 2020/21

- New funding mechanism from October 2020:
    - PP contribution losses and other income reductions have not be fully reimbursed, nor is there funding available within the System envelope, generating a H2 pressure of (£11.5m).
      At present NWL System are in discussion with Regional and National NHSE/I regarding funding for a System H2 pressure of £58m (£11.5m of which relates to the Trust) for lost contribution from non-NHS income. There is general acceptance of the pressure, but it is unclear whether

additional funding will become available, or whether it will be treated as an ‘allowable’ deficit within the System and individual organisations, which would gnerate a cash pressure.

- Penalties associated with the EIS.
- NWL System has fully distributed £23.6m of System Top-Up to the Trust, as well as £5.7m System Covid funding. We are in the processing on compiling our H2 Covid pressures to calculate a further claim against remaining System reserves.
- The finalised System allocations to all organisations assume a minimum CIP delivery of 1% months 7 to 12, equating to £2m for the Trust.
- Orkambi and Kaftrio, should be funded (following NICE
- recommendations) but the cost is significant, and we need to confirm the new process works as anticipated.

- Non-payment in full of our Retrospective Top-Up claim M1-6, with known risk against £2.9m Bad Debt Provision and £0.5m stock write-off.
- £2.15m of committed Covid capital expenditure is yet to be approved for funding, creating a potential cash and CDEL pressure.
- Funding flows, should the Trust be impacted by further Covid surges are unknown, but it is anticipated we would need to maintain non-Covid activity.

3. Variance to “Budget”

Summary I&E									Month 7 / 2020/20
	M7			YTD Against Plan			YTD Against Prior Year		
£m	Budget	Actual	Variance	Budget	Actual	Variance	PY	Actual	Variance
Total Nhs Clinical Income	**37.3**	**36.4**	**(0.9)**	**212.4**	**211.9**	**(0.5)**	**197.0**	**211.9**	**14.9**
Total Non Nhs Income	**1.9**	**1.3**	**(0.5)**	**11.1**	**10.3**	**(0.8)**	**27.1**	**10.3**	**(16.8)**
Non Clinical Income	1.6	1.7	0.2	10.3	10.3	0.1	13.8	10.3	(3.5)
Covid-19 Retrospective Top-Up	0	0	0	31.7	31.7	0	0	31.7	31.7
Covid-19 Projected Top-Up	0	0	0	19.2	19.2	0	0	19.2	19.2
Total Non Clinical Income	**1.6**	**1.7**	**0.2**	**61.2**	**61.3**	**0.1**	**13.8**	**61.3**	**47.5**
Total Income	**40.7**	**39.4**	**(1.2)**	**284.7**	**283.5**	**(1.2)**	**238.0**	**283.5**	**45.5**
Pay Costs	(21.0)	(21.0)	0.0	(146.4)	(145.9)	0.5	(138.4)	(145.9)	(7.5)
Total Pay	**(21.0)**	**(21.0)**	**0.0**	**(146.4)**	**(145.9)**	**0.5**	**(138.4)**	**(145.9)**	**(7.5)**
Drugs	(8.8)	(7.5)	1.3	(50.8)	(49.5)	1.3	(31.1)	(49.5)	(18.4)
Clinical Supplies	(6.0)	(6.7)	(0.6)	(34.3)	(35.1)	(0.7)	(39.3)	(35.1)	4.2
Other Costs	(4.4)	(3.9)	0.5	(38.3)	(38.2)	0.1	(30.5)	(38.2)	(7.7)
Total Non Pay	**(19.3)**	**(18.1)**	**1.2**	**(123.5)**	**(122.8)**	**0.7**	**(100.9)**	**(122.8)**	**(21.9)**
Total Expenditure	**(40.3)**	**(39.1)**	**1.2**	**(269.9)**	**(268.7)**	**1.2**	**(239.3)**	**(268.7)**	**(29.3)**
EBITDA	**0.4**	**0.3**	**(0.0)**	**14.9**	**14.8**	**(0.0)**	**(1.4)**	**14.8**	**16.2**
EBITDA Margin %	**0.9%**	**0.9%**		**5.2%**	**5.2%**		**3.4%**	**5.2%**	
Central Costs	(2.5)	(2.3)	0.2	(17.8)	(17.5)	0.3	(17.7)	(17.5)	0.2
Net Surplus/(Deficit)	**(2.078)**	**(1.964)**	**0.1**	**(2.9)**	**(2.6)**	**0.3**	**(19.1)**	**(2.6)**	**16.4**
Net Margin %	**(5.1%)**	**(5.0%)**		**(1.0%)**	**(0.9%)**		**(3.7%)**	**(0.9%)**	

Please note, due to Covid 19 the planning and contracting processes for 2021 were not completed. The budgets included in the table above reflect actuals for M1-6, assuming Retrospective Top-Up paid in full, plus our phased H2 Planned deficit (£11.5m).

NHS Clinical Income: in-month adverse (£0.9m)

Adverse variance (£150k) Trust to Trust income, and (£750k) lower than plan for excluded Drugs and Devices – with a reciprocal underspend on non-pay.

Non-NHS Clinical Income: in-month adverse variance (£0.6m)

Adverse variance (0.5m) Private Patients, the level of increased income following extended days and weekends for theatres and cath labs seen last month did not continue, especially at Harefield. PP activity was high at Harefield, but with low casemix.

Non-Clinical Income: in-month favourable variance £0.2m

Generated by increased Donated Income, which does not benefit the Trust position on a Control Total basis.

Pay: in-month on plan

On-plan despite increased Agency expenditure, £0.1m, across Consultants and Nursing.

Non-Pay: in-month favourable variance £1.2m

£750k saving reciprocating the excluded drugs and devices income shortfall, and other non-pay due to a £350k benefit from a reduction in the Bad Debt Provision.

4. M6 Activity and Costed Activity Levels

The table below shows activity October 2020 against the same month 2019, with activity grouped as used within the EIS. Activity and Costed Activity have been compiled as we would have charged commissioners pre-Covid, SLAM submission. The Committee should note the EIS calculation is liable to be calculated using our Secondary Uses Services (SUS) submission, and the Trust is currently verifying data used within our 1920 SUS baseline.

Comparison Activity & Costed Activity October 20 against 2019/20		Mth 7 2020-2021		Mth 7 2019-2020		Activity	Costed Activity	Target Costed Activity
		Activity	Costed Activity £m	Activity	Costed Activity £m	as a % of 1920	as a % of 1920	as a % of 1920
Elective, Daycases, and Outpatient	Harefield & Brompton Heart	3,106	4.4	3,484	4.8	89.2%	92.4%	90.0%
	Harefield & Brompton Lung	1,236	1.7	2,737	2.6	45.2%	67.4%	90.0%
	Paediatrics	811	1.6	1,135	1.8	71.5%	88.1%	90.0%
Elective, Daycases, and Outpatient Procedures Total		5,153	7.8	7,356	9.2	70.1%	84.6%	90.0%
Outpatient (F2F and NF2F)	Harefield & Brompton Heart	5,083	0.6	4,864	0.6	104.5%	98.8%	100.0%
	Harefield & Brompton Lung	4,114	0.5	4,205	0.6	97.8%	89.7%	100.0%
	Paediatrics	1,426	0.2	1,235	0.2	115.5%	110.8%	100.0%
Outpatient (F2F and NF2F) Total		10,623	1.3	10,304	1.4	103.1%	96.7%	100.0%

Note, there is one fewer working day October 20 compared to October 19, adjusting for which, increases our Costed Activity performance against last year increase to 88.4% for procedures, and 101.1% for outpatient attendances.

Performance for Heart across sites and Paediatrics ,when adjusted for the reduced working days, are in excess of EIS targets for both procedures and outpatients. The difficulty is for Lung activity, with activity limited for AGP and a conversion of Daycase activity to Homecare.

Bronchoscopy activity can no longer be delivered on Lind ward, instead it is delivered in theatres – both reducing activity by 28 spells compared to 2019, as well as utilising theatre sessions. Lung Function Tests used to be delivered with a number of patients together in a single room, now it is an individual patient, with a minimum 45 minute break between patients. Despite increasing room capacity for Lung Function Tests, outpatient procedures have reduced by 342, and outpatient attendances by 695. A number of Asthma, ILD, and Immunotherapy patients have converted from Daycase to a Homecare pathway, reducing Daycase activity by an estimated 430 spells per month.

5. **Cash and Capital**

The plan for cash has been set based on the H2 plan submitted to NHSE/I in October, and for capital, based upon the updated capital forecast submitted to NWL ICS, also in October.

It is looking increasingly unlikely all Covid 19 related capital expenditure will be centrally funded, with a maximum funding and CDEL risk remaining of £2.15m.

Cash, at £62.5m, was £7.65m higher than plan, noting the delayed payment of H1 PDC dividend will take place during November.

Capital expenditure to date is £16.1m, of which £2.3m is Covid 19 related. There is slippage on non-Covid 19 capital expenditure, but we expect to spend the revised forecast of £47.5m, £45m non-Covid, £2.5m Covid.

The key movement on the Balance Sheet is the accrual for Retrospective Top-Up. It should be noted that though Private Patient debtors has decreased by £3.8m (£0.1m decrease embassies, £3.8m decrease insurance companies, £0.1m increase other PP), there has been significant ageing of debt generating the increase bad debt provision – debt under 30 days has reduced by £5.0m, debt over 90 days has increased by £7.3m, of which debt over 1 year has increased by £5.2m (Appendix B). Our debt provision matrix starts to generate a provision after 90 days, the level of provision increases with age in stages, including a step change increased provision for debt over 1 year. Embassy debtors remain a particular concern.

Richard Guest
Chief Finance Officer
16th November 2020

Trevor Mayhew
Deputy Director of Finance

Appendix A

There are 4 key funding flows H1 2020/21 whilst Payment by Results (PbR), Control Totals, and Financial Recovery Funding (FRF) are suspended during Covid 19.

1. Monthly Block payment of £28.6m across all commissioners with whom we had a contract during 2019/20, based on average income received month 1-9 2019/20 uplifted by 2.8% to cover inflation and growth. The Trust will receive no other funding for the provision of healthcare to patients from English commissioners during this period.

   Payment is received one month in advance, which supports our cash position.

2. Initial Top-up of £3.2m estimated as the requirement for the Trust to deliver a break-even financial position on a Control Total basis under the following assumptions:
   a. Receipt of the Block payment

   b. Excluding flows covered by the Block payment, average income and expenditure for the period November to January 2019/20 uplifted for inflation, and without an assumption of CIP delivery.

      A key factor for the Trust is the initial Top-Up assumes the Trust maintains the level of non-NHS patient income generated during this period 2019/20, £3.8m Private Patients and £250k from overseas visitors from countries without a reciprocal agreement (typically, but not exclusively, non-EU and non-Commonwealth).

      Payment is received one month in advance.

3. On-going income from non-English commissioners.
   Note, Wales have agreed a block payment for April-July and Education & Training income has been maintained, otherwise income is generated as before, which is often linked to the delivery of patient activity.

   Payment is received as previously

4. Retrospective Top-Up. Funding provided to bring the Trust back to break-even on a Control Total basis, provided the Trust is able to demonstrate reasonable movements of income & expenditure generated by Covid 19. Under NHSE/I guidance the Trust has assumed full receipt of this funding within our month 2 reported figures.

   Payment received 2 months after the lost income or additional expenditure is incurred

Appendix C

Cashflow Statement

Cash Flow Statement (£m)	YTD to 31-10-20
Cash flows from operating activities	
Operating income	283.6
Operating expenses of continuing operations	(280.7)
Operating surplus/ (deficit)	**2.9**
Non-operating and non-cash items in operating surplus/ (deficit)	
Depreciation & amortisation	12.1
Impairments	0.0
Reversals of impairments	0.0
(Gain)/ loss on disposal	0.0
Other movements in operating cash flows	0.0
	12.2
Operating cash flows before movements in working capital	**15.1**
(Increase)/ decrease in working capital	
(Increase)/ decrease in inventories	(2.0)
(Increase)/ decrease in trade & other receivables	12.3
(Increase)/ decrease in prepayments	(1.5)
(Increase)/ decrease in accrued income	16.5
(Increase)/ decrease in other debtors	0.8
Increase/ (decrease) in trade & other payables	(6.1)
Increase/ (decrease) in pay creditors	0.0
Increase/ (decrease) in deferred income	30.5
Increase/ (decrease) in accruals	9.9
Increase/ (decrease) in other payables	(0.6)
Increase/ (decrease) in provisions	1.2
	60.9
Net cash inflow/ (outflow) from operating activities	**76.0**
Cash flows from investing activities	
Interest received	0.0
Purchase of tangible & intangible assets	(16.1)
Sales of tangible & intangible assets & investment property	0.0
	(16.1)
Net cash inflow/ (outflow) before financing	**59.9**
Cash flows from financing activities	
Public dividend capital received	0.5
Loans received from Dept of Health	0.0
Other loans received	(0.0)
Loans repaid to Dept of Health	(3.1)
Other loans repaid	(1.4)
Interest paid	(0.6)
PDC dividend paid	0.0
Net cash generated from/ (used in) financing activities	**(4.7)**
Increase/ (decrease) in cash and cash equivalents	**55.2**
Cash & cash equivalents - 1 April	**7.3**
Cash & cash equivalents - 31 October	**62.5**

Appendix D

Debtors

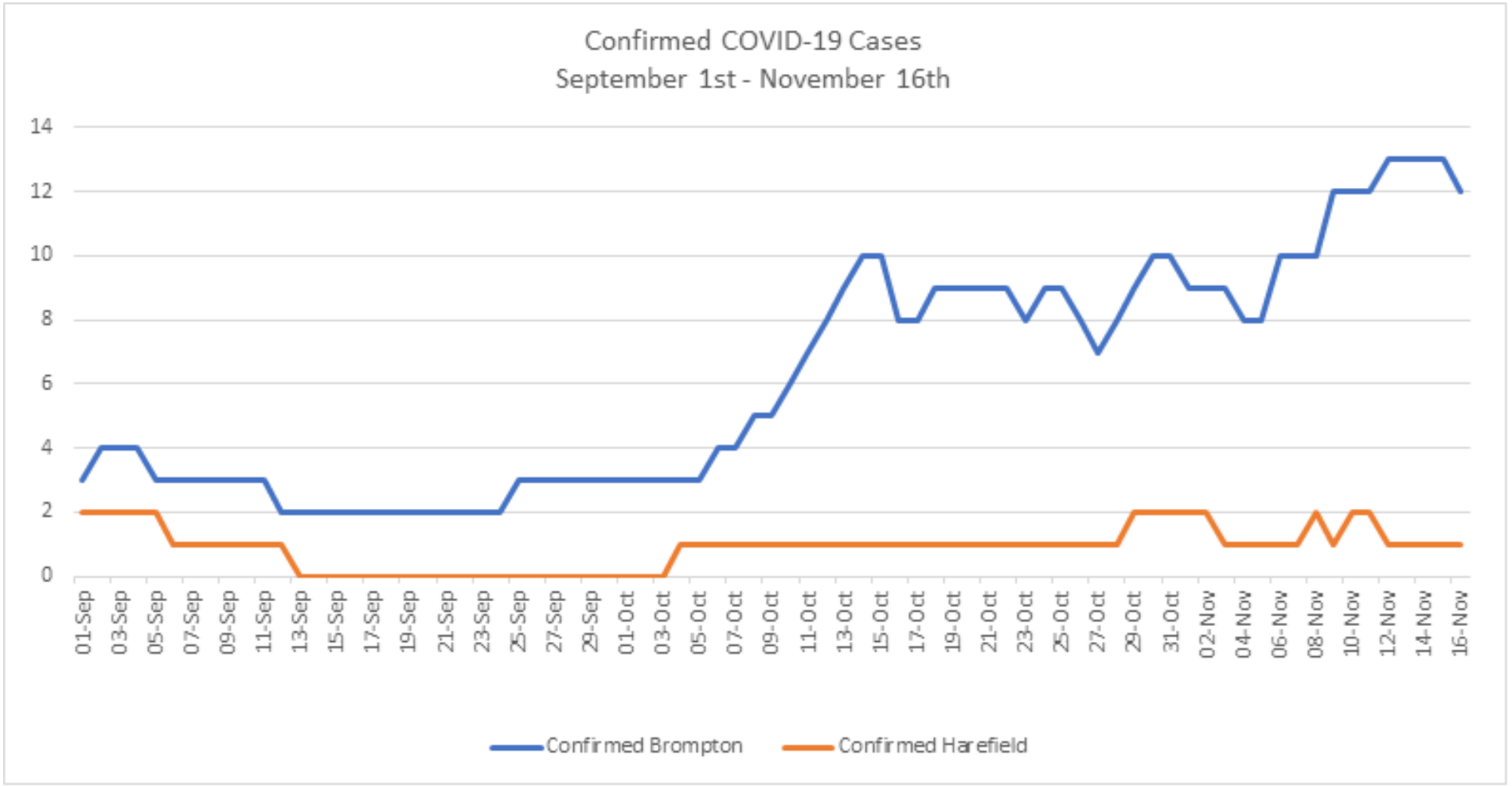
£m	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	May-20	Apr-20	Opening Balance
NHS England	(3.2)	0.0	0.9	1.0	1.1	(1.2)	0.4	1.3
CCGs	0.1	0.2	0.4	(0.3)	0.8	2.0	2.9	2.0
Other NHS	4.7	2.6	2.1	2.0	1.5	2.1	1.8	3.1
Total NHS	**1.7**	**2.9**	**3.4**	**2.8**	**3.4**	**2.9**	**5.2**	**6.4**
Embassies & Overseas Patients	19.4	20.3	21.3	22.1	22.2	22.2	20.5	19.6
Insurance Companies	4.2	4.2	3.7	3.5	4.7	5.9	9.4	8.0
Other Private Patients	1.1	1.1	1.0	0.9	1.0	0.9	1.1	1.0
Total Private Patients	**24.7**	**25.7**	**26.0**	**26.4**	**28.0**	**29.0**	**31.0**	**28.5**
Other Debtors	4.3	4.4	4.5	4.7	4.8	4.9	5.0	5.0
Total Non NHS Debt	**28.9**	**30.1**	**30.4**	**31.1**	**32.7**	**33.9**	**36.0**	**33.4**
Total Trade Debtors	**30.6**	**33.0**	**33.8**	**33.8**	**36.1**	**36.7**	**41.2**	**39.9**
Less Provisions	(13.8)	(14.2)	(14.0)	(13.8)	(14.0)	(13.9)	(13.4)	(11.5)
Total Debtors (Net of Provision)	**16.8**	**18.8**	**19.8**	**20.0**	**22.1**	**22.8**	**27.8**	**28.4**

Appendix F

Phase 3 Planned Activity Aims and Targets

Point of Delivery	August * %	September %	October %
Activity			
Elective Inpatients	70%	80%	90%
Outpatient & Daycase Procedures	70%	80%	90%
MRI/CT	very swiftly return to 90% of last year's activity		ambition 100%
Outpatient Attendances & Follow-Ups **	90%	100%	100%
* August is stated as an 'aim'			
** expectation for organisations to maintain the target set from September for the balance of the year			

Appendix G


Confirmed COVID-19 Cases
September 1st - November 16th
14
12
10
8
6
4
2
0
01-Sep
03-Sep
05-Sep
07-Sep
09-Sep
11-Sep
13-Sep
15-Sep
17-Sep
19-Sep
21-Sep
23-Sep
25-Sep
27-Sep
29-Sep
01-Oct
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25-Oct
27-Oct
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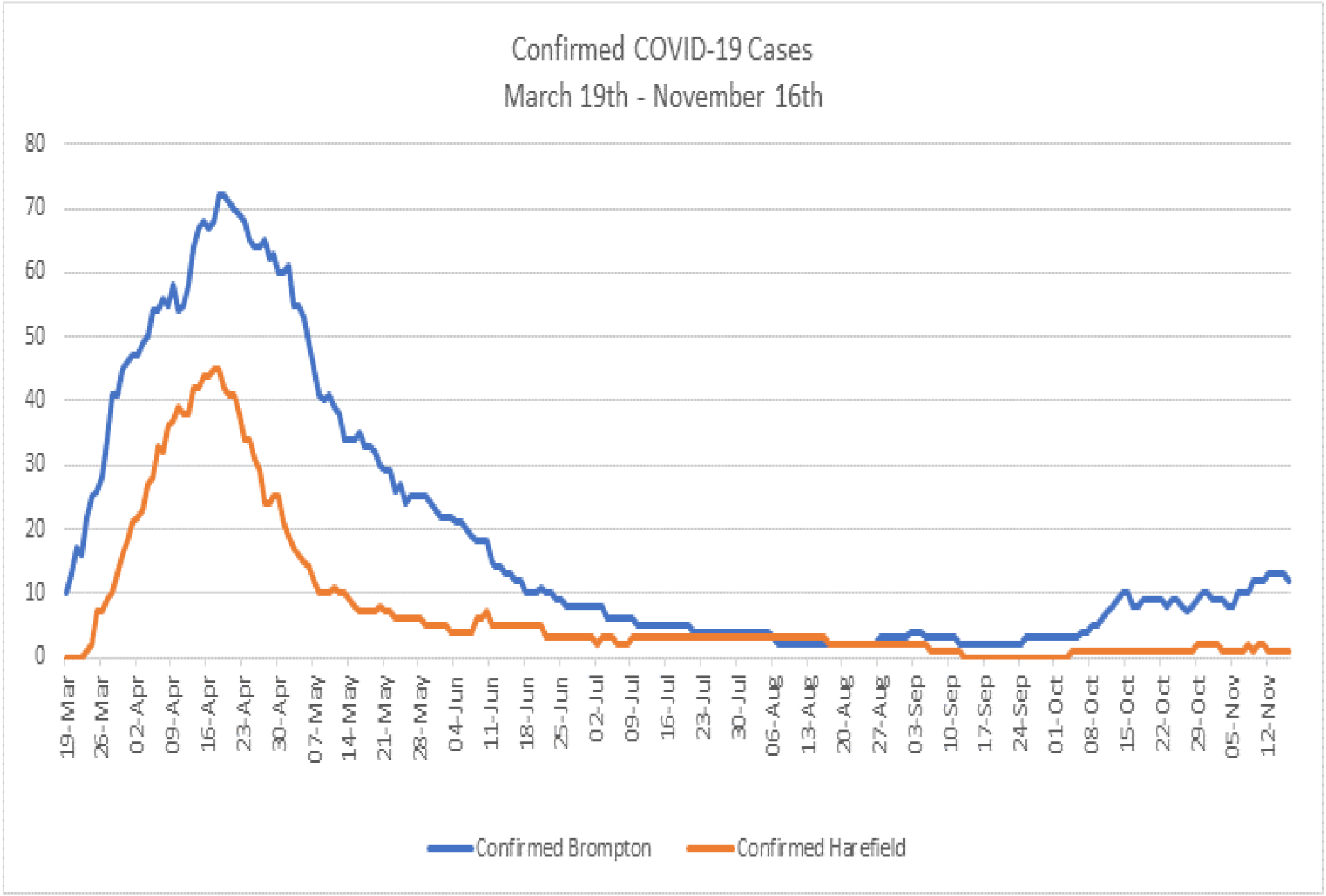
12-Nov
14-Nov
16-Nov
Confirmed Brompton
Confirmed Harefield


Confirmed COVID-19 Cases
March 19th - November 16th
80
70
60
50
40
30
20
10
0
19-Mar
26-Mar
02-Apr
09-Apr
16-Apr
23-Apr
30-Apr
07-May
14-May
21-May
28-May
04-Jun
11-Jun
18-Jun
25-Jun
02-Jul
09-Jul
16-Jul
23-Jul
30-Jul
06-Aug
13-Aug
20-Aug
27-Aug
03-Sep
10-Sep
17-Sep
24-Sep
01-Oct
08-Oct
15-Oct
22-Oct
29-Oct
05-Nov
12-Nov
Confirmed Brompton
Confirmed Harefield