

Kingston Hospital NHS Foundation Trust

Finance Report June 2020 (Month 3)

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Financial Strategy

2020/21

Revenue

• Internal performance management of the I&E position is currently being done against both the holding budgets as approved by the Board at the end of March and also with reference to run rates seen last financial year to emulate the interim plans set by NHSE/I. Confirmation of arrangements from month 5 until the end of this financial year are awaited from NHSE/I but it is likely that this will continue for month 5.

• Covid 19 expenditure is being reported as a separate division to ensure costs captured outside of business as usual budgets. The focus for the coming months is to ensure the costs currently attributed to the Covid division are decreased or stopped where possible, as and when the Trust moves to business as usual. Further work is being done with Director of Operations to ensure appropriateness of charging costs to Covid.

• The on-going Response team work, recovery and transformation group, supported by finance, will inform new ways of working and budgets will be reflective of these changes in the latter half of the year, and inform the 21/22 budget setting cycle.

Capital

• Work with sector partners in developing a sector wide prioritised capital programme, over and above business as usual, in response to the latest capital guidance issued by NHSE/I. In summary, it is the STP that will be allocated a Capital Expenditure Limit and as a minimum, will equate to the STP internal resources.

• We have recently received the allocation for SWL and there is currently a funding shortfall against the schemes that were listed within our March operating plan submission. Each STP has been asked to revisit their capital projects and highlight any slippage or reprioritisation against their submitted 20/21 plans in order to reduce this funding shortage. Whilst not confirmed, it is anticipated that any capital investment to support transformational change will need to be funded from the advised STP allocation. Currently there is a c£61.0m shortfall at sector level, between prioritised schemes and funding available.

• Internal resources available to the Trust to finance capital expenditure is £18.4m, with a number of commitments, such as MES, PFI and carried forward schemes being allocated £7.8m, leaving £10.6m. It is this amount the Trust has discretion over how it is spent.

• A paper outlining the current capital position is included in the month 3 Finance & Investment Committee papers.

• External sources will in most cases be in the form of PDC, which will attract a 3.5% charge. These schemes will require STO approval prior to any application being put forward to NHSE/I for funding approval. The most recent plan includes £1.5m of Covid-19 related capital expenditure which is subject to approval from NHSE/I. The Trust has submitted a further funding application for capital costs associated with the elective restart programme, which equates to £2.3m.

• New financing arrangements will be in place from September 2020/21. This will result in most historic loans to the value of £37.7m being written off and financed through PDC. The Trust will have one remaining capital investment loan of £7.9m.

Financial Governance

• 20/21 Revenue budgets approved at May Trust Board - In essence a holding budget as the Trust is being measured against the revised governance framework in place in response to Covid 19. The expectation is the Trust will report a monthly breakeven position with top up income to fund the shortfall. The process for top up payment will be subject to review by NHSE/I. Covid 19 specific governance arrangements agreed and in place.

• The revised financial framework is confirmed until October with a view to extending it for the remainder of the financial year. If confirmed prior to Month 3 reporting, the trust will base all its reporting on the revised financial framework. A paper will be produced to explain the movement from its approved budgets to the revised financial framework.

• Governance for Capital expenditure has been revised. The capital control committee will now be the overarching review/scrutiny committee across the Trust's entire capital programme. This, as previously will report to Finance & Investment Committee.

Financial Performance

	Annual Plan	Month 03 Plan	Month 03 Actual	Month 03 Variance	YTD Plan	YTD Actual	YTD Variance
Income	304,870	24,721	23,615	(1,106)	74,163	70,892	(3,271)
Pay	(193,882)	(15,976)	(16,604)	(628)	(47,928)	(49,140)	(1,212)
Non-Pay & Depreciation	(111,914)	(9,173)	(10,226)	(1,053)	(27,519)	(31,026)	(3,507)
EBITDA	(927)	(428)	(3,215)	(2,787)	(1,284)	(9,274)	(7,990)
EBITDA %	-0.3%				-1.7%	-13.1%	
Below the Line	(7,669)	(589)	(638)	(49)	(1,767)	(1,910)	(143)
NHSI Control Total Surplus	(8,596)	(1,017)	(3,853)	(2,836)	(3,051)	(11,185)	(8,134)
<u>Excluded from Control Total</u>							
Impairments	0	0	0	0	0	0	0
Net Donated Assets	116	10	(34)	(44)	29	(103)	(132)
PSF & MRET	8,596	1,018	3,853	2,835	3,054	11,187	8,133
Overall Surplus	116	11	(34)	(45)	32	(101)	(133)

Highlights:

1. The Month 3 position is breakeven in line with the interim plan set by NHSE/I. The Trust has reported top-up income of £3.8m to reach the breakeven position. This is £2.8m above the anticipated top-up value of £1.0m, broadly in line with the month 1 and 2 average.
2. The year to date additional retrospective top-up value is £8.1m, of which £5.3m relating to months 1 and 2 have been agreed and received.
3. The income variance is £1.1m adverse in month due to the impact of Covid 19 on private patient activity, overseas visitors and internal income generation.
4. Pay expenditure is £0.6m adverse in month including £1.2m expenditure related to Covid 19. The underlying position is therefore £0.6m favourable due to vacancies and decrease in temporary staffing.
5. Non-pay expenditure was £1.0m overspent in month including £0.9m of Covid-19 related spend to give an underlying adverse position of £0.1m, mainly due to increase in drugs and clinical supplies expenditure. This is in line with increased elective activity in June.
6. Trust YTD Capital spend was £3.0m including £0.6m related to Covid 19 schemes. The Trust is still awaiting confirmation of funding for all Covid-19 related capital submissions from April to June for which a response is expected at the end of July.

Financial Risk

- Cost implications for delivery of patient activity whilst adhering to social distancing guidelines for both patients and staff.
- Agreement and cash funding for Covid-19 related capital expenditure. Additional loans to support the underlying 20/21 capital programme within the sector wide prioritisation process.
- Continued agreement and funding of the retrospective top-up income required for a breakeven I&E position for months 3 and 4. (Months 1 and 2 already agreed.)
- Successful negotiation with sector partners to ensure enough top-up funding is received to achieve a breakeven I&E position for months 5 to 12.
- Capital expenditure against a challenging CDEL, and significant over-commitment in SWL Sector.

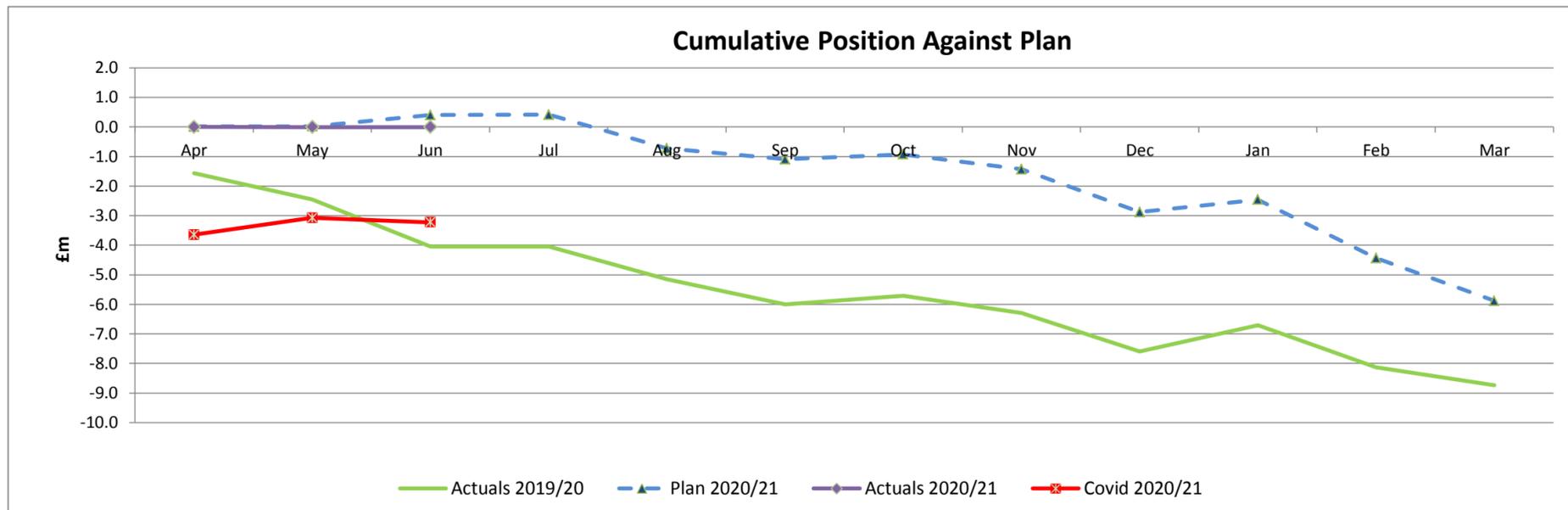
EXECUTIVE SUMMARY - M03 20/21

Headline	In Month Performance Against Budget	Narrative
	(June)	
I&E Position (excluding donated asset adjustments) - The Trust reported a breakeven position in month, in line with the interim plan set by NHSE/I. This is inclusive of "top-up" income of £3.8m.		The interim plan set by NHSE/I for months 1 to 4 includes an anticipated "top-up" income value of £1.0m per month to bring the Trust to breakeven position. The Trust requires an additional £2.8m of "top-up" income in month 3. The YTD additional "top-up" figure required is now £8.1m and £5.3m relating to months 1 and 2 has been agreed and paid.
Top-up funding of £3.8m is required to achieve a breakeven position. A retrospective top-up value of £2.8m is requested over and above the £1.0m pre-approved top-up.		Top-up funding in the interim plan replaces PSF and Central MRET funding. The financial impact of Covid-19 in month 3 is £2.1m of expenditure and lost income of £1.1m. Underlying expenditure is £0.4m below the interim plan due to decrease in non-Covid related activity. Underlying expenditure has increased by £0.7m compared to month 2 due mainly to increased activity in June (£0.4m) and £0.3m of additional PFI costs under non-pay.
<p>NHS Patient Care Income is on plan in month as all income from NHS commissioners is paid on a block to match the interim plan despite activity variances.</p> <p>Non-NHS Patient Care Income is £0.4m adverse to the interim plan in month.</p> <p>Other Income is £0.7m adverse to the interim plan in month.</p>		<p>The marginal adverse variance to plan on NHS Patient Care income is on the GUM contracts with the local authorities. This value forms part of the Covid 19 lost income value.</p> <p>Non-NHS patient care income £0.3m adverse to plan in month due to only minimal private patient income received.</p> <p>Other income is £0.7m adverse to plan in month mainly due to the way in which the interim plan was calculated, but does include £0.2m income loss from car parking and staff nursery.</p>
Pay expenditure is £0.6m adverse to plan in month including £1.2m of additional expenditure for Covid 19.		The underlying expenditure is £0.6m favourable to the NHSE/I interim plan with continuing vacancies in Unplanned care and decrease in nursing bank and agency usage in Planned Care. Underlying substantive pay costs have increased by £0.2m compared to month 2 in mainly in planned care across medical and nursing staff.
Non-pay expenditure is £1.0m adverse to plan in month including £0.9m of Covid 19 related expenditure.		The underlying expenditure is adverse to the NHSE/I interim plan by £0.1m. This is due to contractual obligations of £0.3m of costs under PFI and an increase in drugs and clinical supplies expenditure in line with elective activity increases.
Capital expenditure spend to M3 is £3.0m (excluding grants and donations) and includes Covid 19 related spend of £0.6m.		The capital programme approved by the Board for 20/21 and internally funded totals £18.4m with expenditure YTD of £2.4m (£0.7m below plan) plus £0.6m for Covid 19. Other projects of £13.7m are subject to external funding being confirmed and £1.5m is budgeted for Covid 19 related spend.
The cash balance reported at the end of M3 was £34.4m		The closing cash position at the end of June was £34.4m, an increase of £1.1m from the previous month and £27.7m favourable to plan due to advance receipt of NHS block contracts for July 2020 under the Covid-19 cash management arrangements.

SECTION 1: OVERALL INCOME AND EXPENDITURE

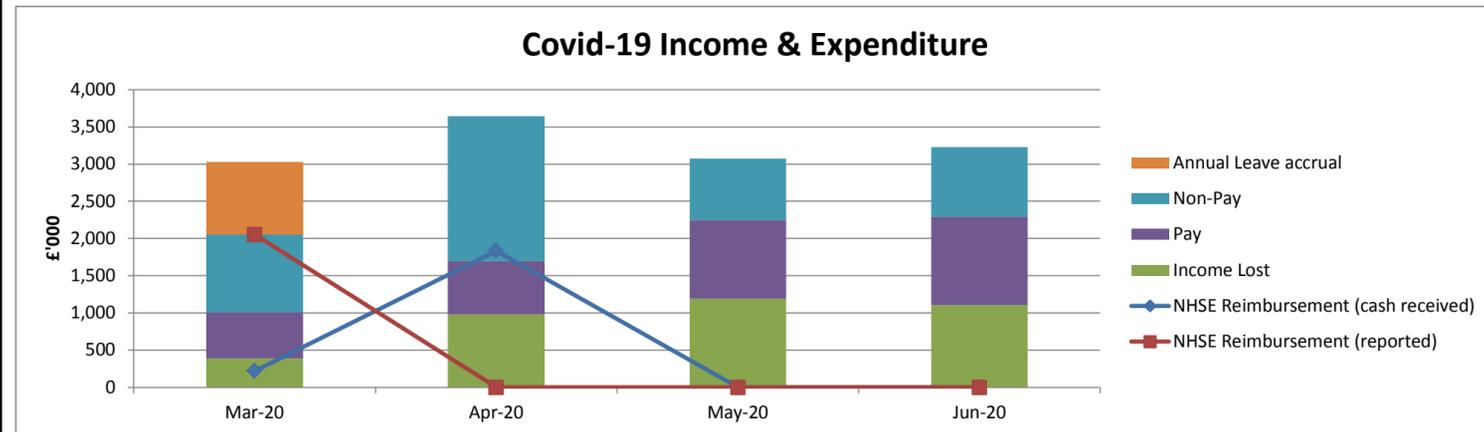
Summary as at the end of Jun-20

Income & Expenditure	IN MONTH						YTD					
	Budget v Actuals						Budget v Actuals					
	Interim NHSE/I Budget £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's		Interim NHSE/I Budget £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's	
Income (excl PSF & Don Assets)												
NHS Patient Care	21,769	21,720	0	21,720	(49)		65,308	65,158	0	65,158	(149)	
Patient Care Income	479	477	(354)	122	(357)		1,436	1,437	(979)	458	(978)	
Other Income	2,473	2,524	(752)	1,772	(701)		7,419	7,568	(2,292)	5,276	(2,143)	
Income	24,721	24,721	(1,106)	23,615	(1,106)		74,163	74,163	(3,271)	70,892	(3,271)	
Operating Expenses												
Pay	(15,976)	(15,414)	(1,189)	(16,604)	(628)		(47,928)	(46,170)	(2,970)	(49,140)	(1,212)	
Non Pay	(8,456)	(8,537)	(933)	(9,470)	(1,014)		(25,368)	(25,079)	(3,701)	(28,780)	(3,412)	
Depreciation and Amortisation	(717)	(756)	0	(756)	(39)		(2,151)	(2,246)	0	(2,246)	(95)	
Operating Expenses	(25,149)	(24,708)	(2,122)	(26,830)	(1,681)		(75,447)	(73,495)	(6,671)	(80,166)	(4,719)	
Operating Surplus/(Deficit)	(428)	13	(3,228)	(3,215)	(2,787)		(1,284)	668	(9,943)	(9,274)	(7,990)	
Finance Costs												
Investment Revenue	11	0	0	0	(11)		33	4	0	4	(29)	
Finance Costs	(341)	(379)	0	(379)	(38)		(1,023)	(1,137)	0	(1,137)	(114)	
Public Dividend Capital	(259)	(259)	0	(259)	0		(777)	(777)	0	(777)	(0)	
Finance Costs	(589)	(638)	0	(638)	(49)		(1,767)	(1,910)	0	(1,910)	(143)	
Total Surplus/(Deficit) - excl. Top Up	(1,017)	(625)	(3,228)	(3,853)	(2,836)		(3,051)	(1,242)	(9,943)	(11,185)	(8,134)	
Provider Sustainability Funding (PSF)	0	0		0	0		0	0		0	0	
Central MRET Funding	0	0		0	0		0	0		0	0	
Covid-19 PCI Top Up	1,018	3,853		3,853	2,835		3,054	11,187		11,187	8,133	
Total Surplus/(Deficit) (excl Donated Assets)	1	3,228	(3,228)	(0)	(1)		3	9,945	(9,943)	2	(1)	
Depreciation on donated assets	(16)	(34)		(34)	(18)		(48)	(103)		(103)	(55)	
Donated Asset Income	26	0		0	(26)		77	0		0	(77)	
Total Surplus/(Deficit) (Incl Donated Assets)	11	3,194	(3,228)	(34)	(45)		32	9,842	(9,943)	(101)	(133)	
	Plan	Actual					Plan	Actual YTD				
EBITDA Margin	-1.7%	0.1%					-1.7%	0.9%				
EBITDA Achieved	100.0%	-3.1%					100.0%	-52.0%				
I&E Surplus Margin	-4.1%	-2.5%					-4.1%	-1.7%				



Section 2: Covid - 19 Financial Impact - June 2020

Income & Expenditure Position



	2019/20		2020/21				YTD	Total
	Mar-20	Apr-20	May-20	Jun-20	Jul-20			
NHSE Reimbursement (cash received)	219	1,834	0	0	0	1,834	2,053	
NHSE Reimbursement (reported)	2,053	0	0	0	0	0	2,053	
Income Lost	390	978	1,188	1,106	0	3,272	3,662	
Pay	620	719	1,062	1,189	0	2,970	3,590	
Non-Pay	1,043	1,946	822	933	0	3,701	4,744	
Annual Leave accrual	976	0	0	0	0	0	976	
Total of Income Lost and Costs	3,028	3,643	3,072	3,228	0	9,943	12,971	

Narrative:

- The top-up payment relating to May, to bring the Trust to breakeven has been validated, approved and paid. NHSE/I have requested a forecast to the end of July (month 4) only but work is ongoing to produce a full year forecast to share with Sector partners at the end of July.

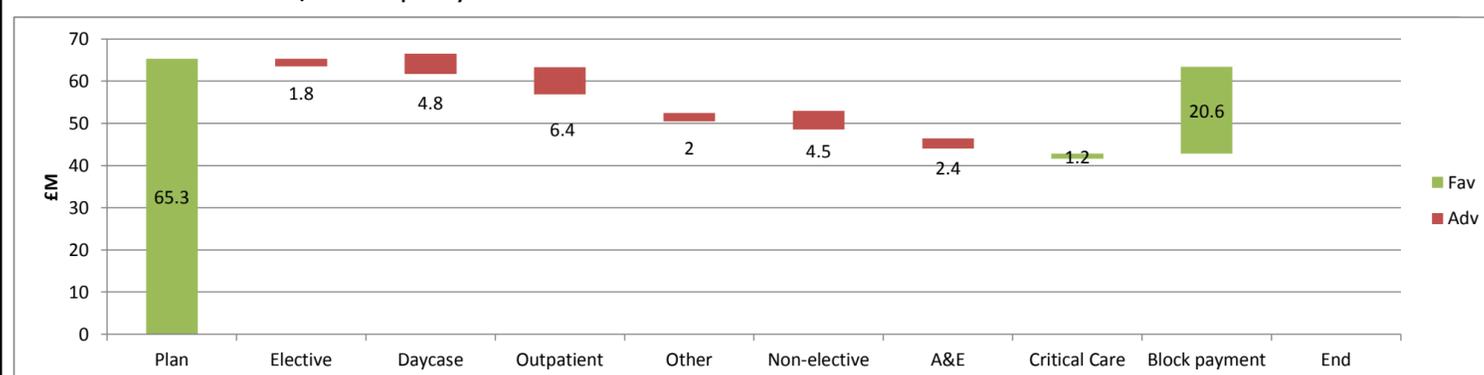
- Pay costs have increased again this month by £127k due to an increase in substantive Medical staff costs and agency nursing costs. The medical "Megarota" continued in June, the newly qualified student doctors and nurses are still supernumery and there were further incentive payments made in month to trainee doctors. A detailed review of Covid pay costs is being carried out by the Director of Operations supported by finance.

- Non-pay expenditure increased slightly above month 2 but is still a significant decrease on month 1. Trust expenditure on PPE has decreased further to £20k and national supply chains are still in place. Drugs and gases have decreased further to £58k (£146k prior month). Contract variations on the PFI contract have increased however and an additional cost of £200k has been accrued for lost retail sales on Trust premises and shielding costs of contracted out staff.

- Lost income includes £310k of PPU activity and internal income generation loss relating to car parking, nursery and vending is £171k. Other contracts including GUM activity and variances to the NHSE/I interim plan is a further £625k.

- As additional expenditure arising relates mainly to restart and recovery the approval process has started to shift to the Restart and Recovery group as well as reverting back to previous Divisional budget holder authority.

NHS Patient Care Income - 2020/21 YTD Impact by POD



Narrative:

- Graph above shows the value of patient activity changes by POD against original plans. The block payment offsets adverse variance by £20.7m to £0.1m.

- Underlying non-elective income was 19% down in month 3, an increase compared to the 22% adverse variance in month 2.

- Similarly, underlying A&E income has increased in month 3 but still 30% below original plans (38% in month 2).

- Critical Care income is also below plan in month 3 by 62%, compared to being 124% above plan in month 2 with fewer adult critical care beds open in June. The Hamble ward HDU beds also closed during month 2.

- Outpatient activity increased in month 3 so income was only 33% below plan compared to YTD average of 47%. Daycase/Elective income remains significantly below plan, 71% in month, 76% YTD.

Capital - as per submission to NHSE/I on 8th April 2020

Category	2019/20	2020/21					Total	
	£'000	Mar	Apr	May	Jun	Jul		YTD
Clinical Equipment	18	217	303				520	538
Infrastructure (Build)		185	251				436	436
IT			532				532	532
Other							0	0
TOTAL	18	402	1086	0	0	1488	1506	

Narrative:

The Trust is still waiting for a response to our capital bids relating to Covid-19. A response is expected at the end of July.

Clinical equipment includes syringe/volumetric pumps for £203k and laboratory upgrades of £156k.

IT includes service capacity for remote access working of £185k and £97k on laptop licences.

Procurement

Highlights:

- Roll out of surgical masks to all hospital areas complete.
- Procured additional equipment required for outpatient activity increase.
- Additional respirator stocks procured and deployment begun.

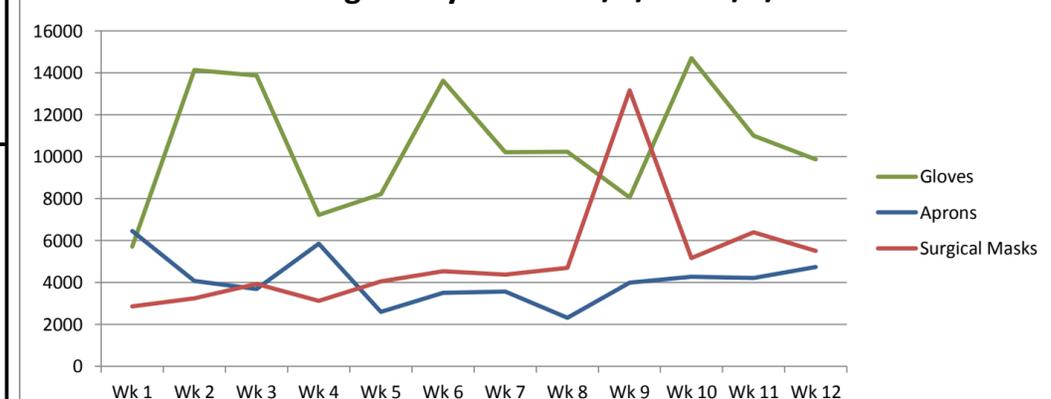
Key issues:

- Working as a sector to secure a sustainable supply of standard model FFP3 masks.
- Transitioning centrally held stock to business as usual ordering process.
- Working as a sector to identify storage solutions for sector PPE/clinical consumable stock over winter and early 2021.

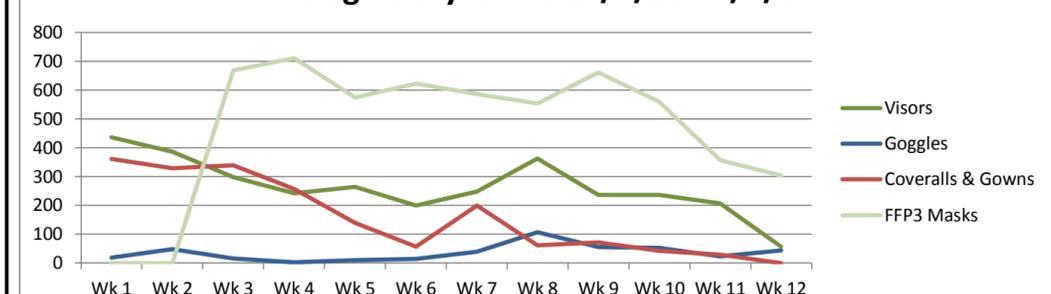
Actions:

1. Continue to transition PPE supplies to usual ordering process and reduce central stockholding.
2. Introduce new NHSI reusable gowns (as part of national project).
3. Secure supply of suitable clear face masks for staff/patients reliant on lip-reading.

Average Daily Issues 15/4/20 - 8/7/20



Average Daily Issues 15/4/20 - 8/7/20

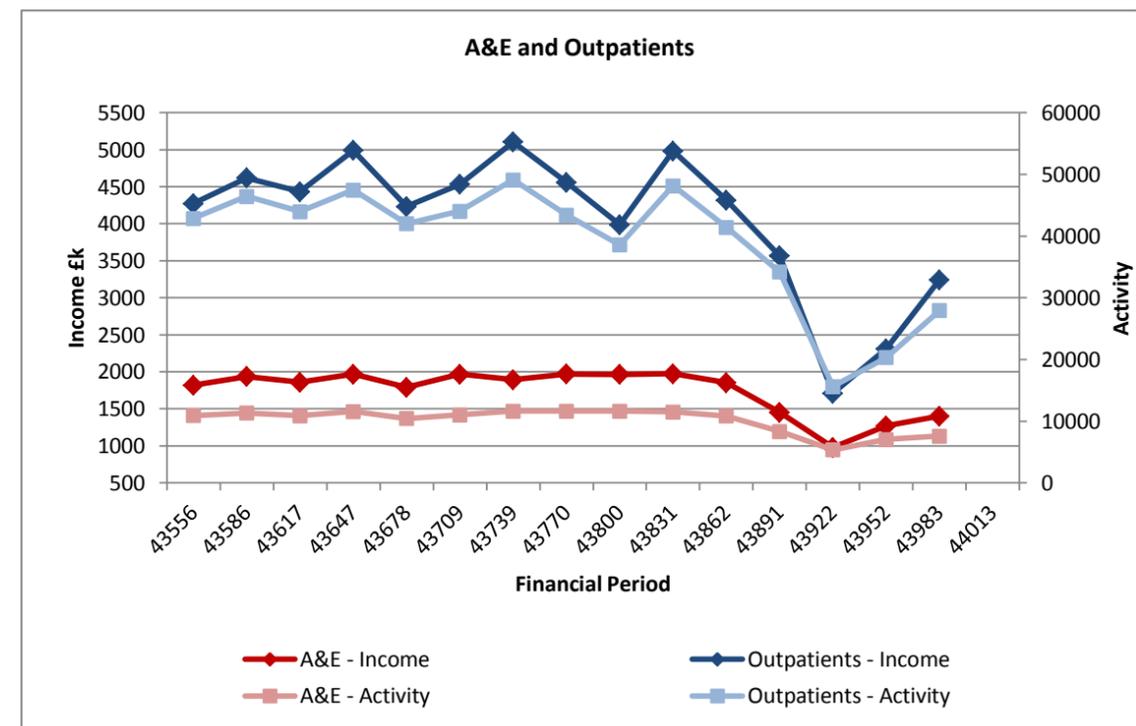
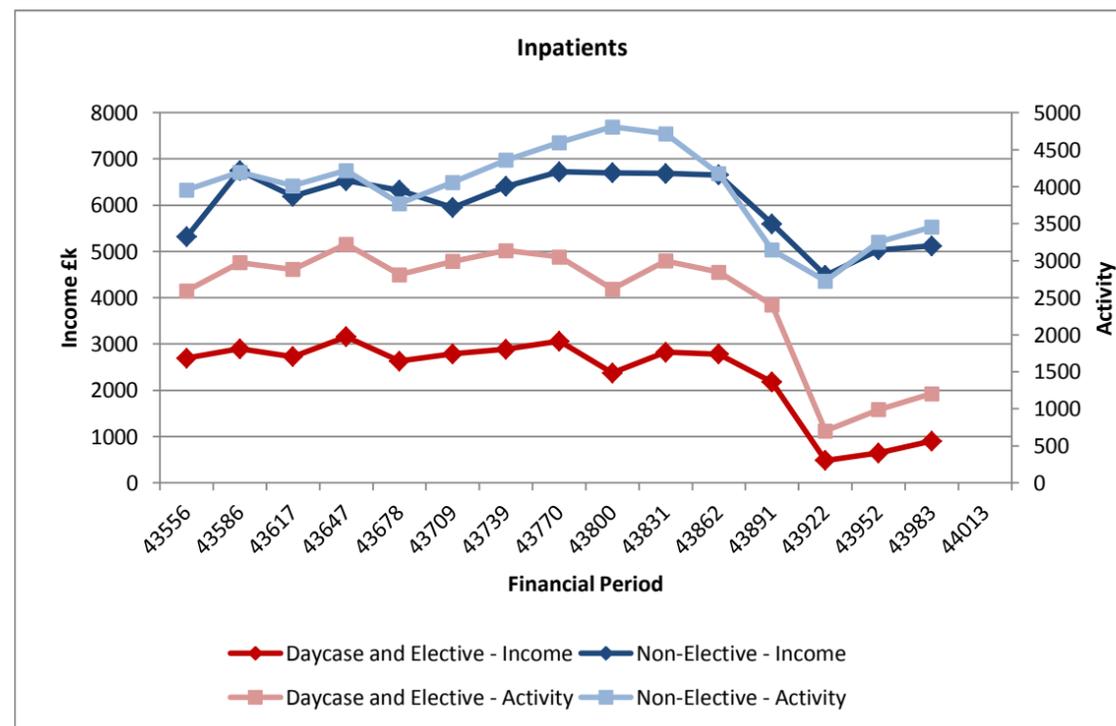


SECTION 3: NHS PATIENT CARE INCOME & ACTIVITY

Point of Delivery	In Month						Year to Date					
	Plan Activity	Actual Activity	Var Activity	Plan £000	Actual £000	Var £000	Plan Activity	Actual Activity	Var Activity	Plan £000	Actual £000	Var £000
A&E	11,649	7,587	(4,062)	1,990	1,400	(590)	35,336	20,013	(15,323)	6,035	3,648	(2,387)
Daycase and Elective	3,225	1,204	(2,021)	3,122	903	(2,219)	8,940	2,898	(6,042)	8,656	2,035	(6,621)
Non Elective	4,198	3,456	(742)	6,314	5,123	(1,192)	12,718	9,436	(3,282)	19,121	14,643	(4,479)
Outpatients	47,342	27,946	(19,396)	4,870	3,242	(1,629)	132,353	63,866	(68,487)	13,640	7,263	(6,377)
Maternity	1,160	1,325	165	2,429	2,654	225	3,518	3,720	202	7,369	7,333	(36)
Critical Care	737	484	(253)	844	320	(524)	2,236	3,117	881	2,557	3,762	1,205
High Cost Drugs	1,842	166	(1,676)	1,326	1,274	(52)	5,107	3,614	(1,493)	3,678	3,608	(70)
Other NHS	339,496	61,941	(277,555)	1,564	712	(852)	941,493	409,328	(532,165)	4,332	2,307	(2,025)
Block Adjustment	0	0	0	(690)	6,094	6,784	0	0	0	(80)	20,559	20,640
Total	409,649	104,109	(305,540)	21,769	21,721	(49)	1,141,703	515,992	(625,711)	65,308	65,159	(149)

NHS Patient Care Income and Activity Commentary

There is currently temporary block funding received from NHS Commissioners. The small overall in-month variance of (£49k) relates mainly to GUM outpatient funding from local authorities. The block adjustment of £6.1m represents income received over and above the value of activity undertaken. This value is lower than the £6.5m in Month 02. The graphs below show that in-month activity was higher than Month 01. This increase was seen across most PODs.



SECTION 4: STATEMENT OF FINANCIAL POSITION

	May £m	June £m
NON CURRENT ASSETS:		
Property plant and equipment	149.3	149.4
Intangible assets	15.6	15.4
Other assets	6.7	6.6
TOTAL NON CURRENT ASSETS:	171.6	171.4
CURRENT ASSETS:		
Inventories	2.2	2.1
Trade and other receivables	25.8	24.8
Cash and cash equivalents	33.3	34.4
TOTAL CURRENT ASSETS	61.3	61.3
CURRENT LIABILITIES:		
Trade and other payables	(60.6)	(60.4)
Current Borrowings	(39.8)	(39.9)
Current Provisions	(2.1)	(2.2)
TOTAL CURRENT LIABILITIES	(102.4)	(102.5)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	(41.1)	(41.2)
TOTAL ASSETS LESS CURRENT LIABILITIES	130.4	130.2
NON CURRENT LIABILITIES:		
Borrowings	(35.5)	(35.4)
Provisions	(0.8)	(0.7)
Other liabilities	0.0	0.0
TOTAL ASSETS EMPLOYED	94.1	94.1
FINANCED BY		
TAXPAYERS EQUITY:		
Public Dividend Capital	65.4	65.4
Revaluation reserve	21.2	21.2
Income and Expenditure Reserve - Prior years	7.6	7.6
Income and Expenditure Reserve - Current Year	(0.1)	(0.1)
TOTAL TAXPAYERS EQUITY	94.1	94.1

COMMENTARY

Non - Current Assets

There was a £0.2m decrease in Non-Current Assets in June 2020 comprising of: £0.1m increase in Property Plant and Equipment, £0.2m decrease in Intangible Assets and £0.1m decrease in Other Assets.

Current Assets

Current Assets remained unchanged in June 2020, within categories movements comprised of: £0.1m decrease in Inventories, £1.1m decrease in Trade and Other Receivables (as analysed in Appendix 1) and £1.1m increase in Cash and Cash Equivalents (as analysed in Section 7 Cash Flow Statement).

Current Liabilities

There was an increase of £0.1m in Current Liabilities in June 2020 comprising; £0.2m decrease in Trade and Other Payables (as analysed in Appendix 2), £0.1m increase in Current Borrowings and £0.2m increase in Current Provisions.

SECTION 5: CAPITAL

	2020/21 Capital Budget £000	Capital YTD Plan £000	YTD FOT CDEL £000	YTD CDEL Spend £000	Donated YTD Spend £000	Covid -19 YTD Spend £000	Total YTD Spend £000
ESTATES	7,031	1,736	7,031	1,890	30	190	2,110
EQUIPMENT	1,497	271	1,497	213	14	292	519
IT	4,513	1,109	4,513	314	-	80	394
MES	4,838	-	4,838	-	-	-	-
PFI	518	-	518	-	-	-	-
Covid -19	1,507	-	1,507	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	19,904	3,116	19,904	2,417	44	562	3,023
CAPITAL PLAN External Funding Required							
ESTATE	11,987	-	11,987	-	-	-	-
EQUIPMENT	-	-	-	-	-	-	-
IT	1,701	-	1,701	-	-	-	-
TOTAL CAPITAL PROGRAMME (excl. Covid-19)	33,592	3,116	33,592	2,417	44	562	3,023

COMMENTARY

The capital programme of £18.4m funded internally was approved by the Trust Board for 20/21 financial year.

Other capital programme projects of £13.7m are on hold subject to external funding being confirmed.

Actual CDEL spend to the end of June is £2.4m which is below the plan by £0.7m

The total spend for Estates to June is £1.9m which is £0.2m above the plan. Medical Equipment spend is £0.2m which is in line with the plan and IMT spend is £0.3m, £0.7m below plan.

Capital spend in month includes:

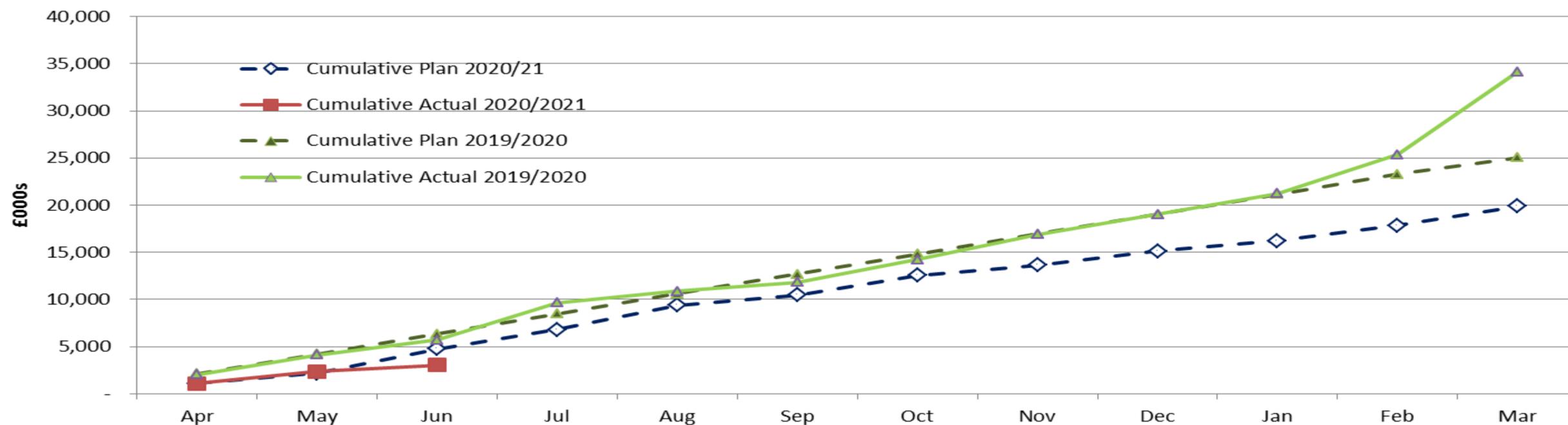
- Endoscopy - £543k
- MES Siemens Enabling Works- £87k
- VBH - £584k
- Project management - £164k
- Pre op assesment - £186k

The total YTD expenditure for Covid-19 was £562k, of which £190k related to Estates projects, £80k to IT for purchase of laptops to be used remotely and 292k for Medical Equipment.

From 7th May 2020 NHS England revised the governance process for all Covid -19 capital and now prior approval from NHSE is required irrespective of the value.

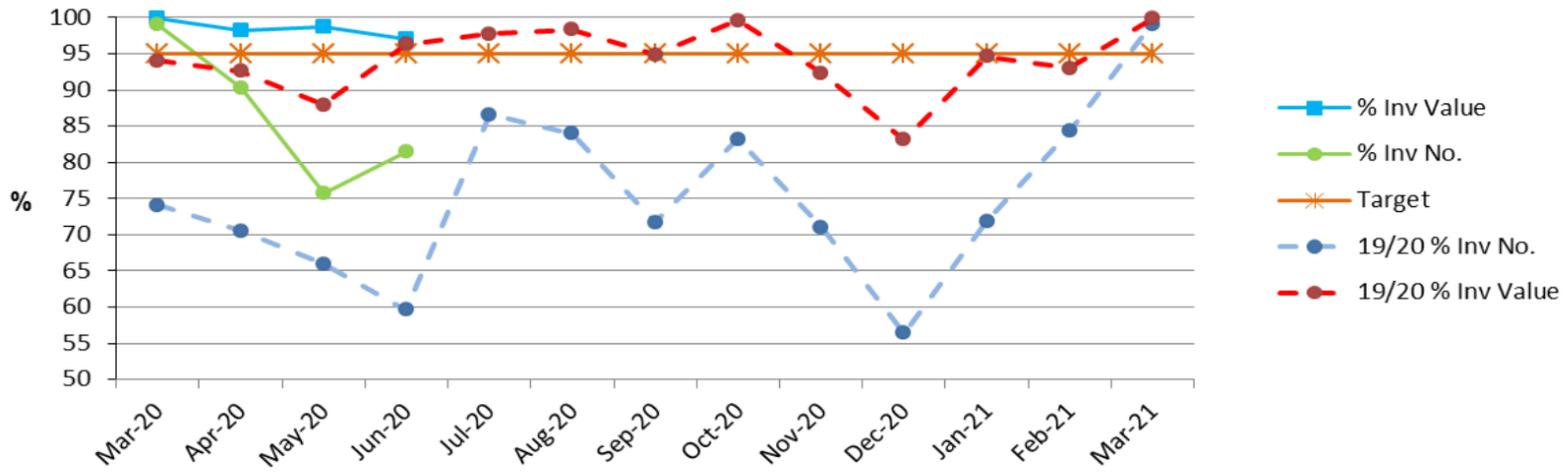
The Trust has £1,507k of total Covid related capital expenditure (£946k committed, £561k planned) awaiting NHSE/I approval.

Cumulative Capital Position Against Plan

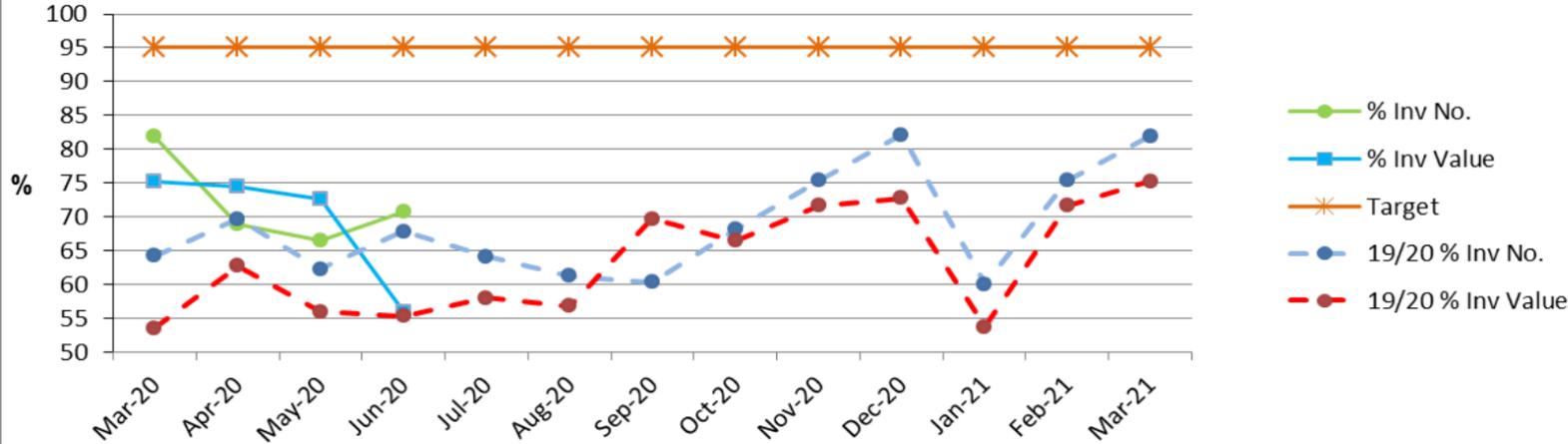


Appendix 1 - BETTER PAYMENTS PRACTICE CODE

NHS INVOICES PAID WITHIN 30 DAYS



NON NHS INVOICES PAID WITHIN 30 DAYS



Better Payments Practice Code

The number and value of NHS invoices paid within term in June were 81% and 97% respectively. The percentage by value remains above target and similar to the previous months. The percentage by number increased from 76% to 81% but was again impacted by the relatively low total number of NHS invoices paid in the month.

The number and value of non-NHS invoices paid within terms were 71% and 56% respectively in June. The percentage by value decrease from 73% to 56% as high value invoices for Siemens (MES) and Prime Solutions (PFI) were paid outside of terms.

In the light of Covid-19 efforts continue to resolve overdue invoice queries and reduce outstanding payables, in particular for agencies and both small and medium suppliers for whom cashflow is vital.