

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 24 JANUARY 2019

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2018
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 17374

Purpose:	To provide an update on the Trust's finance and activity performance for the period ending 31 December 2018 (Month 1-9 2018/19)
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	<ul style="list-style-type: none"> • The Trust's planned adjusted financial performance for 2018/19 is a (£61.8m) deficit excluding Provider Sustainability Funding (PSF). • Including the PSF allocation for the QE segment of the Trust, the planned adjusted financial performance deficit is (£38.0m) as per the financial trajectory agreed with NHS Improvement (NHSI) during the merger discussions. • Year to date, the Trust is reporting a deficit (including PSF) of (£34.1m) against the planned deficit of (£31.2m) as a result of lost A&E PSF associated with quarter 2 and quarter 3 performance of (£3.6m). This is not evaluated as part of the control total financial regime. • The Trust's cash balance was £82.3m at the end of December 2018, which is above the plan of £56.6m. • The Trust's Use of Resources metric (UoR) is a 3 (section 8)
Recommendations:	The Board of Directors is requested to receive the contents of this report.

Signed:	Mike Sexton	Date:	16 January 2019
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS

THURSDAY 24 JANUARY 2019

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2018

1. Introduction

This report covers April-December 2018/19 (Months 1-9). The report summarises the Trust's combined financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Plan (CIP) delivery.

The 2018/19 Financial Plan was approved by the Board of Directors on the 26 April 2018 and submitted to NHS Improvement (NHSI) as per the national timetable. The Trust's 2018/19 financial plan is an Income and Expenditure deficit of (£38.8m) including PSF.

Table 1: 2018/19 Annual Plan

	Plan (Including PSF) £m	Allocated PSF Income £m	Plan (Excluding PSF) £m
HGS	(58.3)	-	(58.3)
QE	19.5	(23.8)	(4.3)
Combined Surplus / (Deficit)	(38.8)	(23.8)	(62.6)
Exclude Donations & Grants	0.8	-	0.8
Adjusted Financial Performance	(38.0)	(23.8)	(61.8)

The Trust has reported a deficit of (£34.1m) at the end of December 2018 (Month 9); this is below the planned deficit of (£31.2m) submitted to NHSI (including PSF). However, a (£3.6m) loss of A&E PSF for quarters 2 and 3 has been reflected in this position. This difference is not evaluated against the financial performance of the Trust as part of the control total regime and as such the Trust is still on track for achieving the financial performance element of the PSF.

In order to achieve this position the Trust has had to release non-recurrent reserves to offset the adverse variances which include:

- Under delivery against CIP targets (£4.2m);
- Further unplanned operational divisions variances including increased medical, agency and nurse bank expenditure.

The operational overspends are being partially offset by the planned use of recurrent reserves and underspends within corporate functions and the Trust subsidiaries. This position includes the assumed receipt of £11.9m of PSF income year to date (versus the total allocation to date of £15.4m) which is dependent on the Trust delivering the agreed financial plan. The element of the allocation not assumed relates to the lost £1.4m quarter 2 and £2.1m quarter 3 A&E PSF.

The Trust's cash balance at the end of December was £82.3m against the plan of £56.6m.

2. Income & Expenditure

2.1 Summary Position

The Trust's income and expenditure position at the end of December is a (£34.2m) deficit which is slightly below the plan submitted to NHSI as shown below;

Table 2: Cumulative Trust Income and Expenditure position

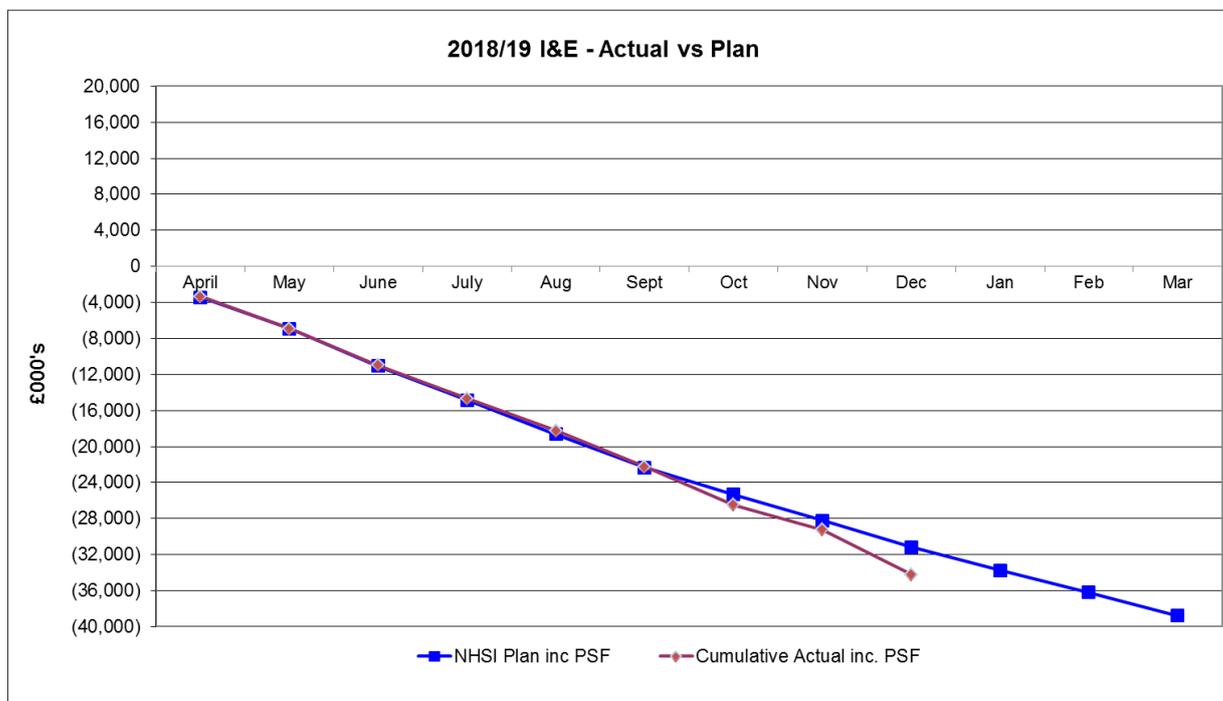


Table 3 below summarises the Trust's Income & Expenditure position at the end of December. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

Table 3: YTD Income and Expenditure against Plan

Consolidated Summarised Income and Expenditure - Group			
	Plan Dec 18 £m	Actual Dec 18 £m	Variance Dec 18 £m
Operating Income	1,164.9	1,185.4	20.5
Operating Expenditure	(1,147.8)	(1,173.2)	(25.4)
EBITDA	17.1	12.2	(4.9)
Depreciation	(28.2)	(27.0)	1.2
Interest Receivable	0.1	0.6	0.5
Interest Payable	(18.2)	(18.1)	0.1
PDC Dividends	(2.9)	(2.9)	0.0
Gains / (losses) on Disposals	0.0	(0.2)	(0.2)
Donated / Granted Income	1.0	1.3	0.3
Retained Surplus	(31.1)	(34.1)	(3.0)

Note - may include rounding differences

This excludes the impact of the merger related absorption gain, as set out in section 8.2 below.

2.2 Income Analysis

2.2.1 Operating Income

Total operating revenue is £20.5m above plan at the end of December;

Table 4: Income against Plan

Group	Plan Dec 18 £m	Actual Dec 18 £m	Variance Dec 18 £m
INCOME			
Clinical - NHS	1,020.1	1,039.9	19.8
Clinical - Non NHS	9.9	10.2	0.3
Other	134.9	135.3	0.4
Total Income	1,164.9	1,185.4	20.5

Note - may include rounding differences

NHS clinical revenues are £19.8m above plan of which £10.1m relates to payments received from the Department of Health & Social Care for the 2018/19 pay award and the balance relates to additional Excluded Drugs and Devices funding agreed in year.

Non NHS Clinical revenues are £0.3m above plan, an improvement of £0.2m from November, primarily due to an increase in month within private patient income.

Other income is £0.4m above plan this includes education, training, commercial and service level agreement income.

2.2.2 Healthcare Related Income

The Trust's actual healthcare income and activity performance for Months 1-8 (April – November 2018) is shown below compared to an equally phased plan.

Table 5: Healthcare Income by Point of Delivery

Income Type	QEHB			HGS			Total		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
AandE	10,797	10,644	- 153	21,674	21,988	314	32,471	32,632	161
Inpatients - Elective	72,843	68,422	- 4,421	63,361	63,586	226	136,204	132,008	- 4,195
Inpatients - Non Elective	88,433	93,145	4,713	106,688	117,172	10,484	195,120	210,317	15,197
Outpatients	59,042	60,393	1,351	61,047	61,391	344	120,088	121,784	1,695
Other	71,763	72,514	751	102,048	102,721	673	173,811	175,236	1,424
Marginal Rate Emergency Threshold	- 667	- 1,119	- 452	- 2,607	- 6,627	- 4,020	- 3,274	- 7,746	- 4,472
	302,211	304,000	1,789	352,210	360,231	8,021	654,421	664,231	9,810
Blocks/Cost Per Case Drugs & Devices etc	178,664	188,650	9,986	73,715	72,604	- 1,111	252,379	261,255	8,875
Cat A Healthcare Income	480,875	492,651	11,776	425,925	432,835	6,910	906,800	925,486	18,686

This shows actual healthcare income is £9.8m above the 2018/19 equally phased plan prior to blocks and cost per case drugs and devices. This over-performance is not yet recognised in the ledger whilst commissioner queries are being resolved. This is consistent with historic trends where patient activity

has increased in the later part of the financial year. Table 6 below shows the equally phased planned and actual activity levels.

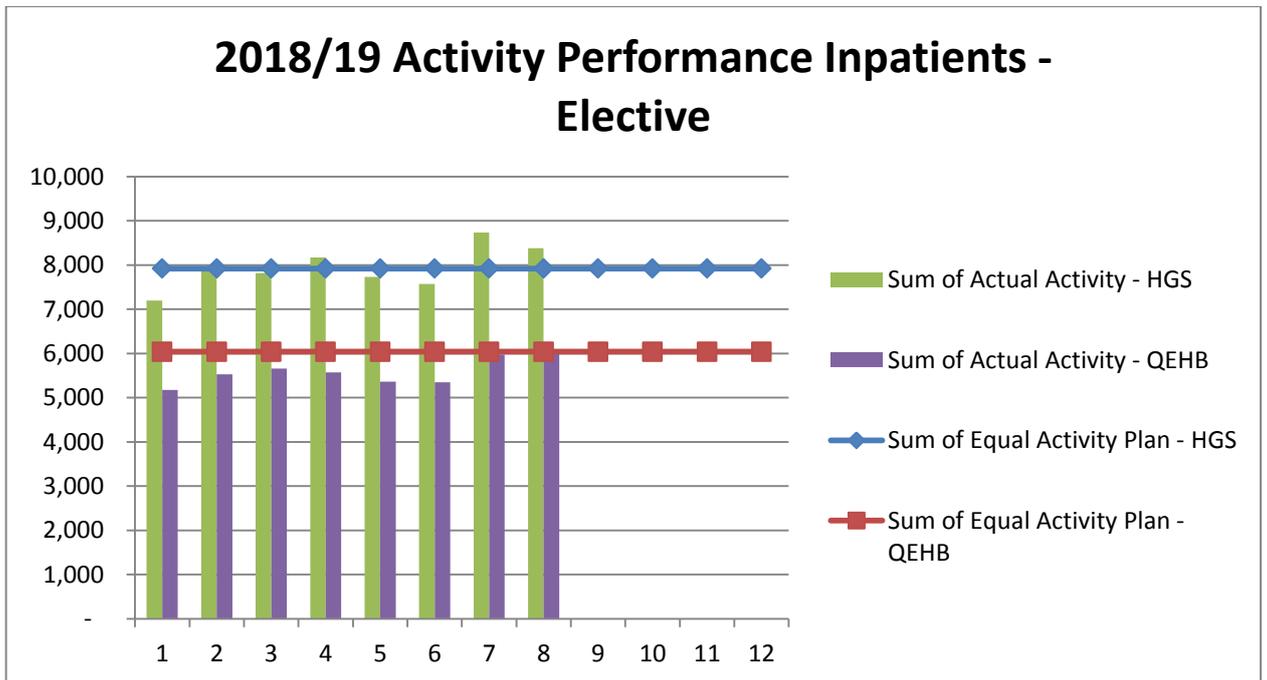
Table 6: Healthcare Activity Units

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	82,904	82,352	- 552	184,426	189,263	4,837	267,331	271,615	4,284
Inpatients - Elective*	48,316	44,606	- 3,710	63,358	63,482	124	111,674	108,088	- 3,586
Inpatients - Non Elective*	28,770	31,190	2,420	50,039	56,370	6,331	78,809	87,560	8,751
Outpatients	508,099	532,220	24,121	565,104	585,134	20,030	1,073,203	1,117,354	44,151
Other	1,107,317	1,173,765	66,448	5,091,287	5,115,215	23,928	6,198,604	6,288,980	90,376
	1,775,406	1,864,133	88,726	5,954,214	6,009,464	55,250	7,729,621	7,873,596	143,976

*Excludes Excess bed day activity

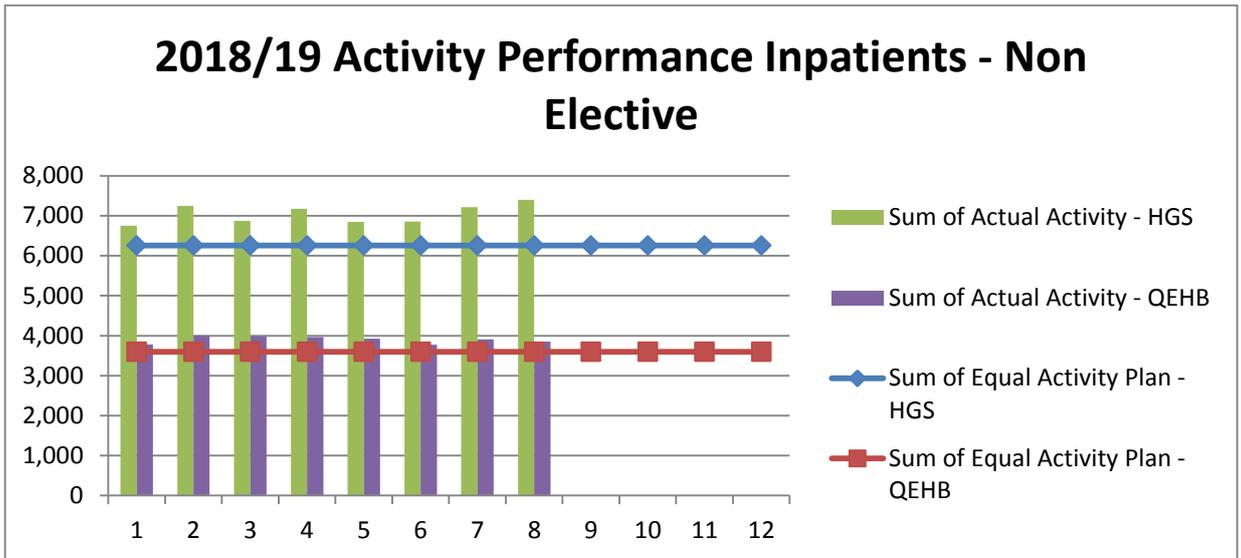
This shows that non-elective inpatients activity is continuing above plan across all hospital sites. Elective (including day cases) activity remains below plan, particularly at the QEHB. Outpatient and A&E activity continues to perform above plan along with "Other" activity. Other includes direct access GP referrals for tests on both sites including pathology (HGS) and imaging and laboratory tests (QE). Appendix A contains a detailed split of healthcare income and patient activity.

Table 6.1: Trust Inpatient Activity – Elective



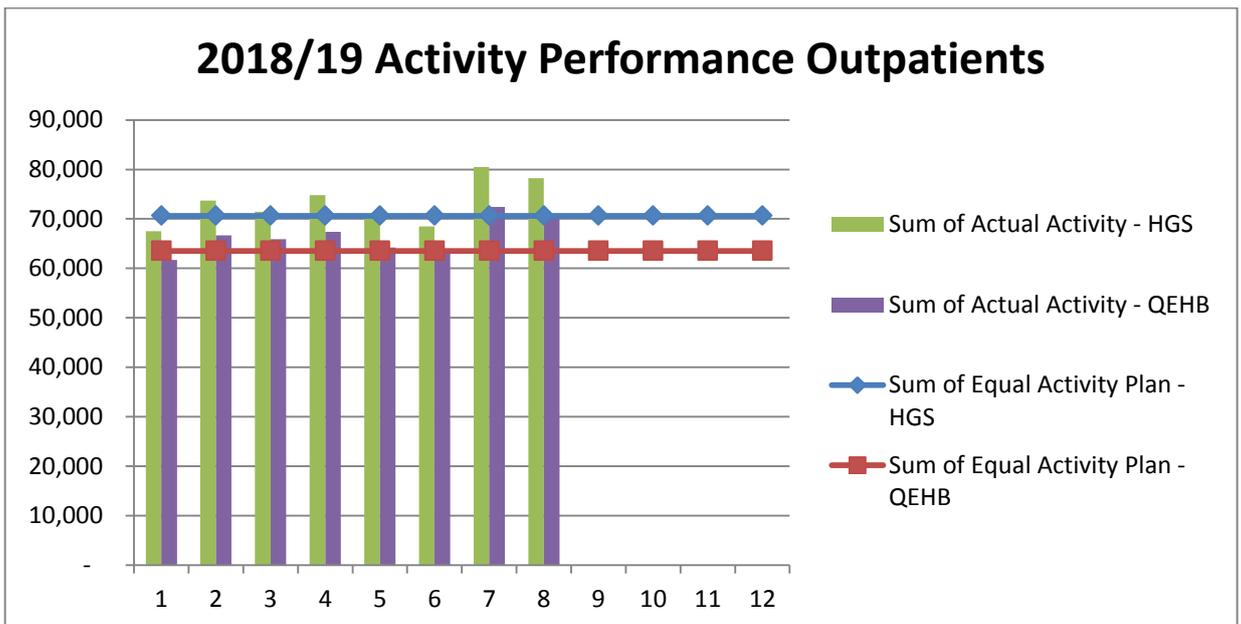
This graph shows the total inpatient elective spells by site against the monthly plan for April-November 2018.

Table 6.2: Trust Inpatient Activity – Non Elective



This graph shows the total inpatient non-elective spells by site against the monthly plan for April-November 2018.

Table 6.3: Trust Outpatient Activity



This graph shows the total outpatient attendances by site against the monthly plan for April-November 2018.

2.3 Operating Expenditure Analysis

The Trust's expenditure shows an adverse (£25.4m) year to date variance. This includes a pay overspend of (£31.2m) which is partially offset by non-pay under spends.

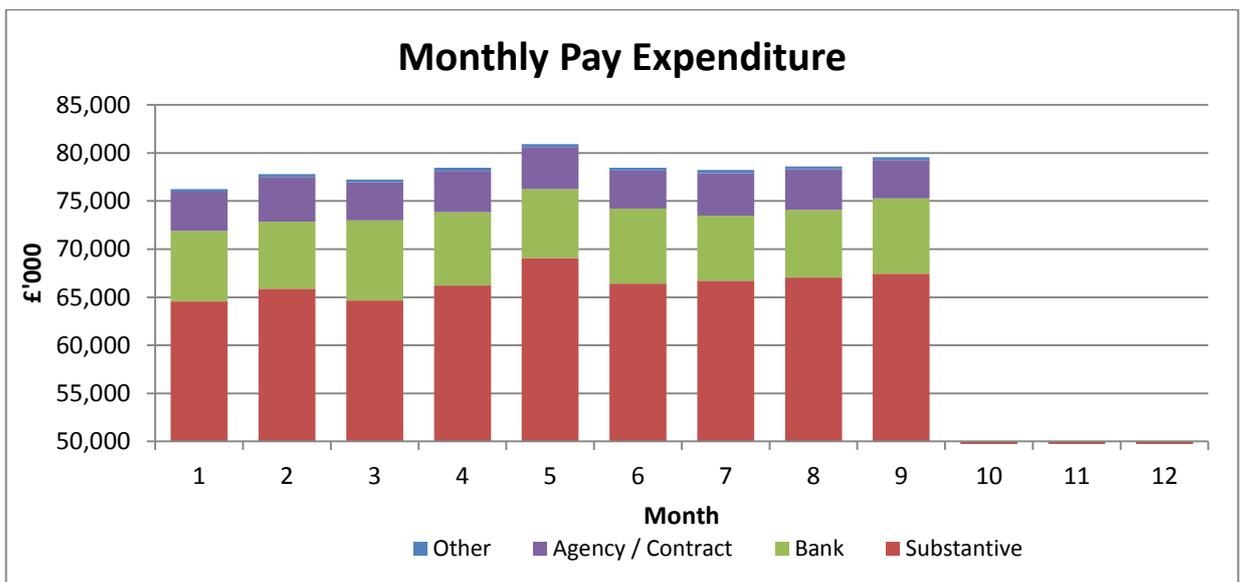
Table 7: Expenditure Variance

Group	Plan Dec 18 £m	Actual Dec 18 £m	Variance Dec 18 £m
PAY			
Medical Staff	209.0	218.1	(9.1)
Nursing incl HCAs	253.1	258.9	(5.8)
AHP, Sci, Therapy & Technical	90.0	96.5	(6.5)
NHS Infrastructure & Other Clinical	119.9	129.2	(9.3)
Apprentice Levy	2.3	2.7	(0.4)
Pay Reserves	-0.0	0.1	(0.1)
Total Pay	674.3	705.5	(31.2)
NON PAY			
Drugs	167.8	168.1	(0.3)
Clinical Supplies & Services	133.1	128.2	4.9
Other / Non-Pay Reserves	172.6	171.4	1.2
Total Non Pay	473.5	467.7	5.8
GRAND TOTAL	1,147.8	1,173.2	(25.4)

Of this pay variance above, circa (£10.1m) variance relates to the month 1-9 impact of the Agenda for Change 2018/19 pay award which was finalised after the plan was agreed and submitted. More detail on the key areas of pay expenditure is set out below;

2.4 Pay Analysis

Table 8: Pay Expenditure by Type



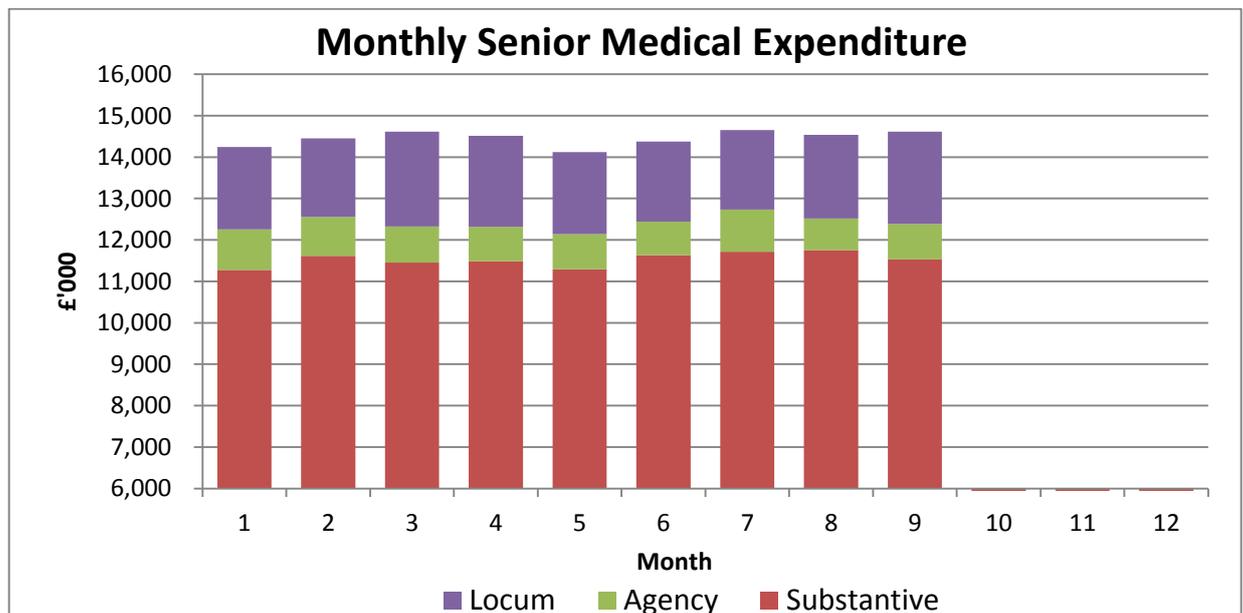
The Trust's year to date pay expenditure totals £705.5m. The December 2018 monthly expenditure was £79.6m which is above the monthly average run rate of £78.2m. The month 5 spike related to the backdated Agenda for Change pay award.

Year to date agency expenditure is £38.0m split £27.8m across the HGS sites and £10.2m across the QE site. Year to date bank expenditure is £66.9m split £34.5m across the HGS sites and £32.4m across the QE site. Further detail on expenditure across the major staff groups is shown below:

2.4.1 Medical Staffing

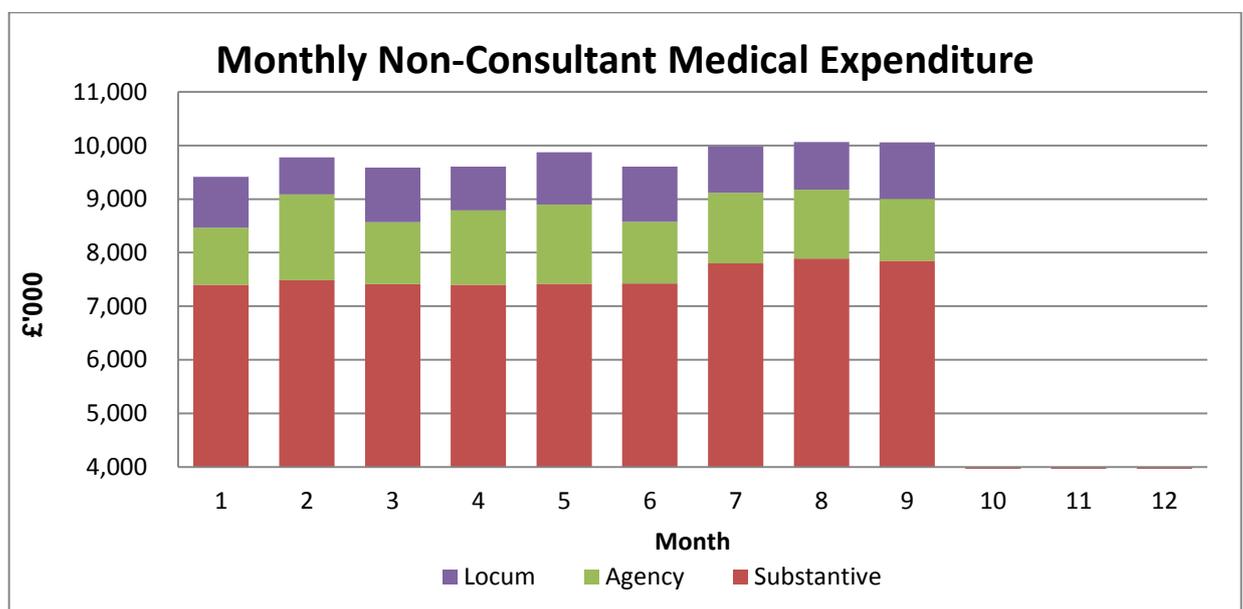
Year to date medical staff expenditure is £218.1m including £130.1m on Consultants and £88.0m on non-consultant medical staff. The Senior Medical expenditure (Consultants) is shown below, this includes agency spend of £7.9m year to date, with around 80% being incurred across HGS sites;

Table 8.1: Monthly Senior Medical Expenditure



Year to date other medical (junior and career grade) pay expenditure totalled £88.0m, this included £11.6m of agency staff with £7.2m at HGS sites and £4.4m at the QE.

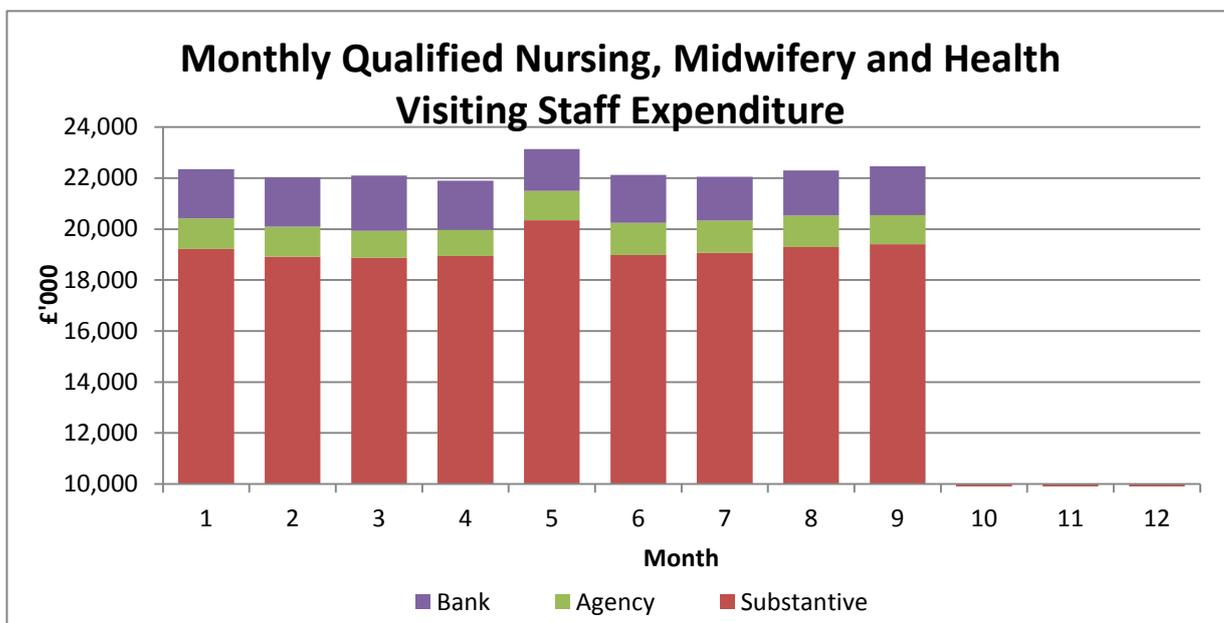
Table 8.2: Monthly Non-Consultant Medical Expenditure



2.4.2. Qualified Nursing, Midwifery and Health Visiting Staff

Table 8.3 shows the Trust's year to date qualified nursing expenditure totalling £200.5m (Month 1- 9). The average monthly expenditure for this staff group is £19.2m on substantive nursing, £1.9m on bank and £1.2m on nursing agency. Of the qualified nurse agency spend; 87% relates to HGS sites to cover vacancies, sickness and leave.

Table 8.3: Monthly Qualified Nursing, Midwifery & Health Visiting Staff Expenditure



2.5 Non Pay Analysis

Table 9 below compares the Quarter 3 non pay spend by expenditure group with Quarter 1 and Quarter 2 2018/19 and the quarterly average for 2017/18.

Table 9: Non Pay by Expenditure Type

	2017/18	2018/19		
	Quarterly Average	Q1 Actual	Q2 Actual	Q3 Actual
	£'000	£'000	£'000	£'000
Drugs	53,822	54,971	58,218	54,911
Clinical Supplies	44,152	43,658	45,212	39,330
Other / Non-Pay Reserves	56,732	51,846	56,900	62,654
Total	154,705	150,475	160,330	156,895

2.6 Operational Divisional Performance

Table 10: Divisional Analysis

Site	Division	Income / Pay / Non Pay Expenditure	In Month Budget - £000's	In Month Actual - £000's	In Month Variance - £000's	YTD Budget - £000's	YTD Actual - £000's	YTD Variance - £000's
QEHB	A	INCOME	(1,655)	(1,747)	92	(14,744)	(15,095)	351
		NON PAY EXPENDITURE	3,738	4,427	(689)	33,232	39,857	(6,625)
		PAY EXPENDITURE	10,944	11,147	(203)	96,106	98,994	(2,888)
	A Total		13,027	13,827	(800)	114,594	123,756	(9,162)
	B	INCOME	(402)	(545)	143	(1,270)	(4,183)	2,913
		NON PAY EXPENDITURE	4,781	5,191	(410)	45,073	51,155	(6,082)
		PAY EXPENDITURE	5,625	5,722	(97)	49,776	49,985	(209)
	B Total		10,004	10,368	(364)	93,579	96,957	(3,378)
	C	INCOME	(648)	(573)	(75)	(4,146)	(3,921)	(225)
		NON PAY EXPENDITURE	6,658	7,258	(600)	58,473	62,423	(3,950)
		PAY EXPENDITURE	6,632	7,116	(484)	57,193	61,924	(4,731)
	C Total		12,642	13,801	(1,159)	111,520	120,426	(8,906)
	D	INCOME	(608)	(772)	164	(5,630)	(6,239)	609
		NON PAY EXPENDITURE	6,742	7,692	(950)	62,697	69,537	(6,840)
		PAY EXPENDITURE	6,361	6,735	(374)	56,782	60,289	(3,507)
D Total		12,495	13,655	(1,160)	113,849	123,587	(9,738)	
E	INCOME	(39)	(34)	(5)	(352)	(209)	(143)	
	NON PAY EXPENDITURE	117	122	(5)	1,163	1,117	46	
	PAY EXPENDITURE	601	571	30	5,371	5,086	285	
E Total		679	659	20	6,182	5,994	188	
QEHB Total		48,847	52,310	(3,463)	439,724	470,720	(30,996)	
HGS	1	INCOME	(376)	(345)	(32)	(3,418)	(3,367)	(51)
		NON PAY EXPENDITURE	2,218	2,576	(358)	20,756	25,082	(4,326)
		PAY EXPENDITURE	7,396	7,803	(407)	66,498	69,796	(3,298)
	1 Total		9,237	10,034	(797)	83,836	91,511	(7,676)
	2	INCOME	(430)	(346)	(85)	(3,903)	(3,724)	(179)
		NON PAY EXPENDITURE	1,092	1,189	(96)	9,369	10,465	(1,096)
		PAY EXPENDITURE	4,748	4,747	1	42,497	41,956	541
	2 Total		5,409	5,590	(180)	47,962	48,697	(734)
	3	INCOME	(302)	(310)	8	(2,757)	(2,684)	(74)
		NON PAY EXPENDITURE	3,118	2,867	251	27,658	23,730	3,929
		PAY EXPENDITURE	7,913	8,935	(1,022)	70,780	78,676	(7,896)
	3 Total		10,729	11,492	(763)	95,681	99,722	(4,041)
	4	INCOME	(178)	(234)	56	(1,620)	(1,933)	314
		NON PAY EXPENDITURE	4,290	4,889	(599)	40,807	44,310	(3,503)
		PAY EXPENDITURE	7,039	7,445	(406)	63,359	66,770	(3,411)
4 Total		11,151	12,100	(949)	102,546	109,146	(6,600)	
5	INCOME	(86)	(58)	(28)	(769)	(588)	(180)	
	NON PAY EXPENDITURE	3,568	3,679	(112)	32,328	32,586	(258)	
	PAY EXPENDITURE	5,574	6,205	(631)	49,596	53,660	(4,064)	
5 Total		9,056	9,826	(771)	81,155	85,658	(4,502)	
HGS Total		45,582	49,042	(3,460)	411,181	434,734	(23,553)	
UHB Grand Total		94,429	101,352	(6,923)	850,905	905,454	(54,549)	

Note - may include rounding differences

Table 10 above shows the divisional variances by expense type. Income includes revenues from non-patient care activities such as commercial or Service Level Agreement income but not core NHS clinical income from commissioners which is detailed in section 2.2 above. An adverse variance of (£54.5m) has been reported across operational divisions' year to date which equates to a monthly average "run rate" variance of (£6.0m).

The main divisional pressures during December were;

- Division A – The in month non-pay over spend of (£689k) includes slippage within in year CIP delivery along with historic CIP shortfalls (£478k). Other factors driving the non-pay variance include Imaging non pay costs (£176k) which include medical and Surgical Consumables (£76k). The in month pay overspend of (£203k) is due to Anaesthetics and Imaging senior medical activity led pressures

which include additional sessions and usage of agency to cover vacancies. Other costs pressures included theatres additional sessions and activity related costs.

- Division B – The £143k over performance within income relates to strong cardiac, VAD and Transplant patient activity in December. The (£410k) non-pay over spend is primarily due to CIP under delivery (current year and historic).
- Division C – In month income under performance (£75k) is primarily due to an under recovery of Road Traffic Accident (RTA) income in the month. The pay over spend in the month was (£484k) which included ED Staffing (£165k), CDU (£130k) and general medicine (£107k) primarily related to unfunded medical consultant agency and junior medical locum agency staff. The non-pay variance of (£600k) is primarily due to CIP under delivery (current year and historic) and Outlier recharges.
- Division D – In month overspend of (£1,160k), circa (£191k) deterioration on expenditure in November. The pay adverse variance was (£374k) which included cost pressures within Neuro (£56k) predominantly due to waiting list initiatives / additional sessions and junior doctor rota gaps, Neuro Wards (£77k), Haematology (£78k) and Maxfax (£43k). The non-pay variance (£950k) is primarily due to current year and historic CIP under delivery (£745k). Income over-performed by (£164k) in month due to private patient performance primarily within Haematology and Oncology.
- Division 1 (CSS) – The pay overspend of (£407k) in month is predominantly due to pressures within Radiology staffing of (£315k) across Medics and PAMS. The non-pay overspend (£358k) is due to external reporting and activity related costs within Radiology (£169k), increased costs of drugs across Theatres of (£48k), Theatres activity related pressures of (£100k) with the remaining variance being driven by CIP under delivery.
- Division 2 (W&C) – The overall in month pay position is predominantly driven by Nursing £67k offset by an over spend on Medical staffing of (£90k). The non-pay overspend is a continuation of previous months activity related charges and includes gaps on CIP delivery.
- Division 3 (Emergency) – The (£1,022k) overspend on pay primarily relates to increased medical staffing and nursing pay costs across emergency and acute medicine partially affected by increased costs relating to the Winter plan. The main areas of pressure remain acute and emergency medicine. The in month non-pay underspend £251k is predominantly driven by over-performance on CIP delivery of £212k in month.
- Division 4 (Medicine) – The in month pay overspend of (£406k) is a significant deterioration on variance in November (£225k) although it remains a small improvement on the first half of the year predominantly within medical pay (£61k improvement on months 1-6 average) and nursing pay (£101k improvement on months 1-6 average). The over spend on non-pay of (£599k) is a deterioration on November of (£150k) but is predominantly driven by drug expenditure within Oncology and Haematology and Clinical Supplies within Renal Medicine.
- Division 5 (Surgery) - The (£631k) in month overspend on pay is a further (£15k) deterioration against the variance in November. This position continues to be driven by Medical staffing pressures (£663k overspent) driven by vacancy cover, sickness, additional duties and WLI session payments together with back dated adjustments relating to pay arrears and non-compliant rotas.

3. Efficiency Savings

The combined 2018/19 financial plan requires delivery of total efficiency savings of £35.6m, split £17.6m at HGS and £18.0m at QE. Actual CIP delivered at the end of December has improved very slightly with delivery year to date moving from 83% in November to 84% as shown below;

Table 11: CIP Delivery by Site and Division

Site	Division	Annual Target -	YTD Target -	YTD Actual -	YTD Variance -	YTD Delivery
		£000's	£000's	£000's	£000's	%
QEHB	A	4,372	3,279	1,608	(1,670)	49.1%
	B	3,638	2,728	1,953	(775)	71.6%
	C	3,510	2,632	2,271	(361)	86.3%
	D	3,981	2,986	2,647	(339)	88.6%
	CORP	2,000	1,500	2,229	729	148.6%
	OTHER	500	375	20	(355)	5.3%
QEHB Total		18,000	13,500	10,728	(2,772)	79.5%
HGS	1	2,921	2,191	958	(1,233)	43.7%
	2	1,494	1,121	539	(582)	48.1%
	3	2,903	2,178	3,173	995	145.7%
	4	3,020	2,265	2,337	73	103.2%
	5	2,507	1,880	1,096	(783)	58.3%
	CORP	1,841	1,381	2,090	709	151.4%
	OTHER	2,950	2,214	1,613	(600)	72.9%
HGS Total		17,637	13,228	11,807	(1,421)	89.3%
UHB Grand Total		35,637	26,728	22,535	(4,193)	84.3%

Actual CIP delivered year to date is £22.5m against a target of £26.7m; resulting in a shortfall of £4.2m split (£2.8m) across the QE and (£1.4m) across HGS services. In order to achieve this position, a number of non-recurrent schemes have been declared. Whilst this helps deliver the plan for this year, these will have to be replaced with further recurrent savings in the next financial year. CIP savings targets are broadly profiled equally across the financial year, so actual delivery tends to improve in the later months of the financial year as schemes take effect.

The gap between the annual CIP target and the value of schemes identified to date has reduced in the last month but primarily through non-recurrent schemes. Continued focus across the Trust is required to ensure CIP delivery does not fall significantly below what has been achieved in recent years.

Clinical divisions CIP delivery will continue to be monitored and reviewed in the monthly Chief Operating Officer, Financial Improvement and Divisional Rectification Meetings. However, further organisational focus is required to identify and deliver further savings plans.

4. Statement of Financial Position

The Statement of Financial Position (Balance Sheet) shows the value of Trust assets and liabilities. The upper part of the statement shows net assets after short and long term liabilities with the lower part identifying sources of finance. Table 12 below summarises the Trust's Statement of Financial Position as at 31 December 2018.

Table 12: Statement of Financial Position

Consolidated Summarised Balance Sheet - Group			
Group	Plan Dec 18 £m	Actual Dec 18 £m	Variance Dec 18 £m
Non-current assets			
Intangible Assets	8.8	7.4	(1.4)
Tangible Assets	443.7	438.4	(5.3)
PFI Assets	305.4	305.8	0.4
Debtors	6.1	8.3	2.2
Total	764.0	759.9	(4.1)
Current assets			
Inventories	29.4	34.4	5.0
Debtors	122.3	95.3	(27.0)
Bank & Cash	56.6	82.3	25.7
Total	208.3	212.0	3.7
Total Assets	972.3	971.9	(0.4)
Current liabilities			
Payables - trade	(232.6)	(249.2)	(16.6)
Payables - capital	(12.4)	(5.9)	6.5
Provisions	(2.5)	(2.3)	0.2
Deferred income	(30.6)	(33.5)	(2.9)
Borrowings	(12.8)	(12.8)	0.0
Total	(290.9)	(303.7)	(12.8)
Non-current liabilities			
Payables - trade	0.0	0.0	0.0
Provisions	(9.7)	(8.8)	0.9
Deferred income	(1.1)	(1.5)	(0.4)
Borrowings	(509.9)	(500.6)	9.3
Total	(520.7)	(510.9)	9.8
Total Liabilities	(811.6)	(814.6)	(3.0)
Net Assets	160.7	157.3	(3.4)
Financed by			
PDC	394.6	363.2	(31.4)
Revaluation Reserve	153.8	152.9	(0.9)
I&E Reserve	(387.7)	(358.8)	28.9
Total	160.7	157.3	(3.4)

5. Capital Expenditure (Non-Current Assets)

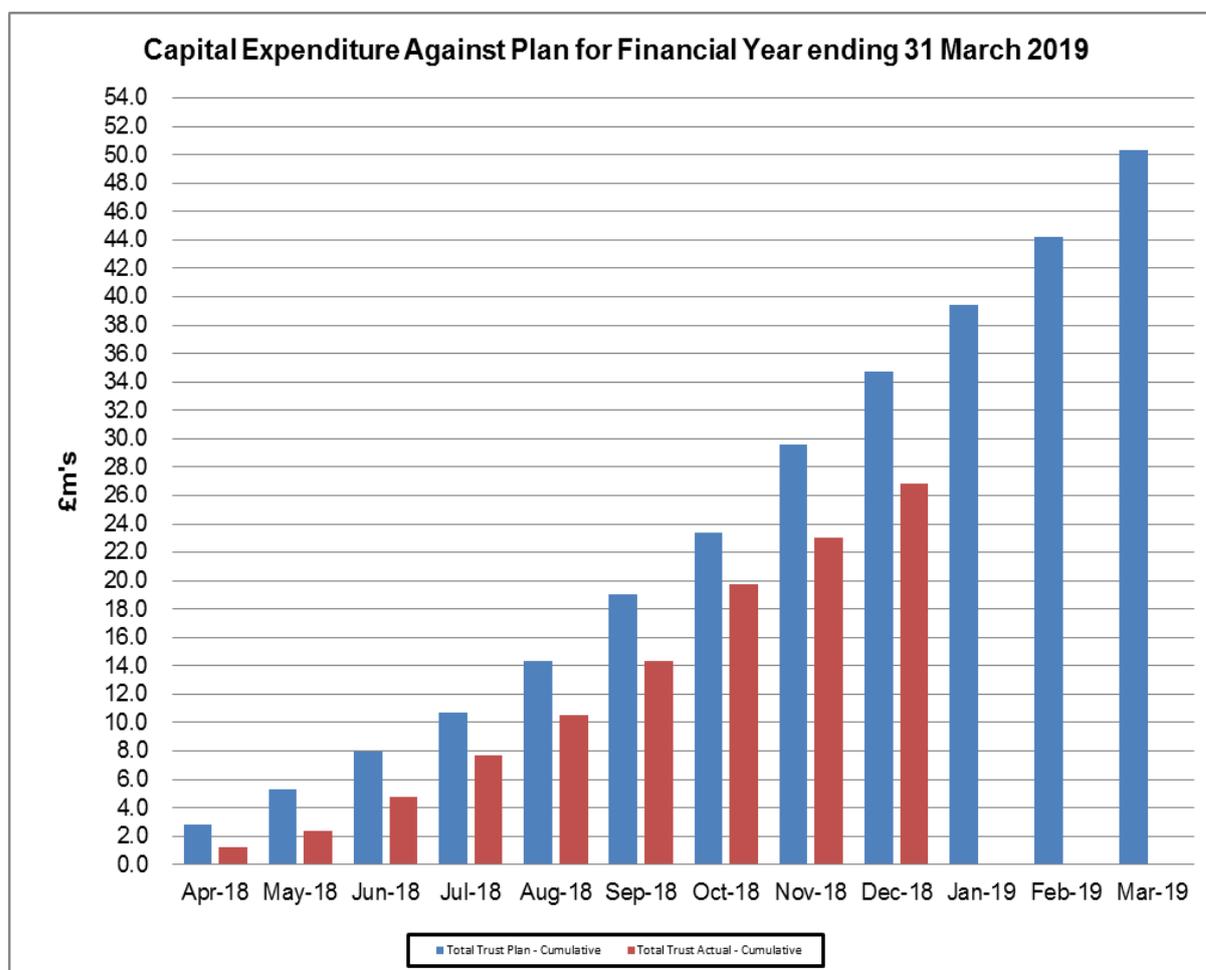
Actual capital expenditure incurred year to date was £26.9m compared to the planned £34.7m, with expenditure of over £3.8m in the month of December. As in previous years, capital expenditure tends to increase in the later part of the financial year as schemes and procurement processes are completed.

Table 13 below demonstrates the slippage against the original capital programme however there is significant slippage on the anticipated phasing of costs associated with the ACAD development. It was anticipated that £11.4m would have been spent year to date on the main ACAD scheme, using externally generated funds. However, due to the delay in agreeing the business case and funds, this has not yet materialised. However, the slippage has been partially offset by £1.6m of costs associated with the development which have been funded internally.

Capital expenditure in the month totalled £3.8m, this included;

- £1.8m Estates and facilities improvements and backlog works
- £1.5m Site wide ICT infrastructure and Global Digital Exemplar costs
- £0.4m Medical equipment

Table 13: Capital Programme Expenditure



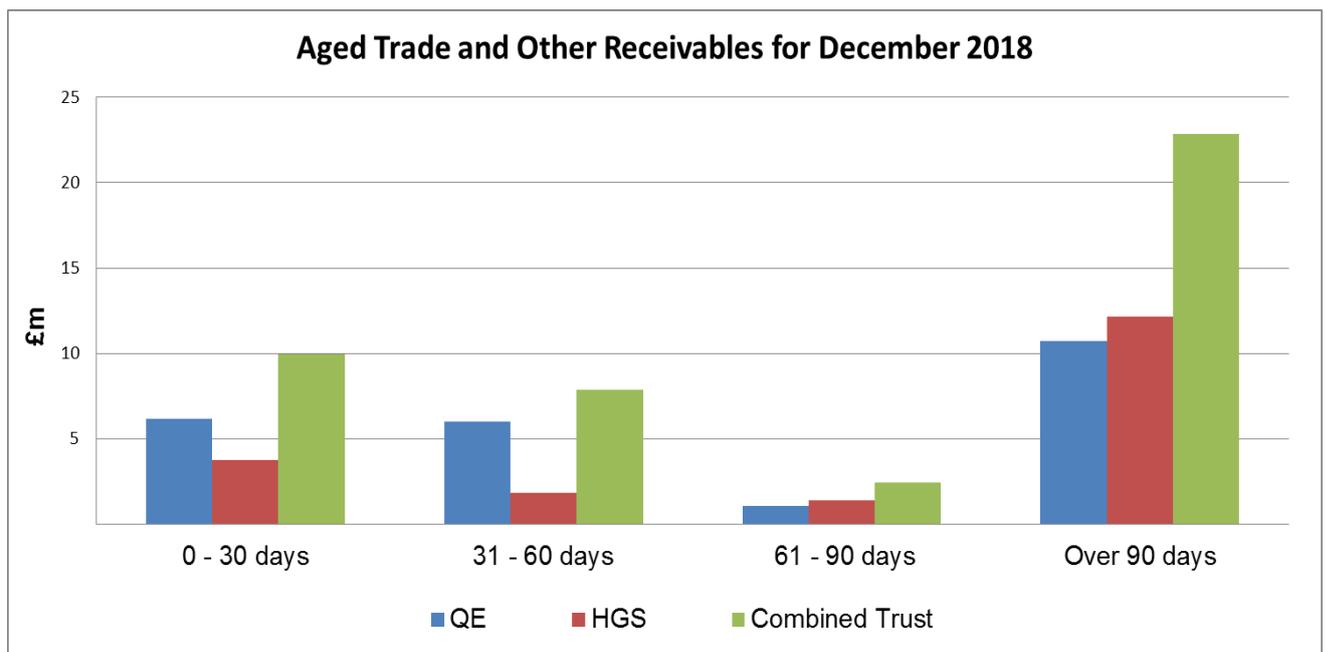
The Trusts year end capital forecast was increased in month 9 to £37.5m from £36.0m due to the Trust Global Digital Exemplar Fast Follower Funding being confirmed.

Further detail contained within Appendix B.

6. Aged Debt

The age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 14 below. At the end of December 2018, the external over 90 day debt amounted to £22.9m. This includes £4.6m due from NHS commissioners (with £3.3m of unpaid HGS healthcare income). A further £10.2m relates to Service Level Agreements (SLA) for services provided to other NHS providers, this includes Sandwell & West Birmingham NHS Trust (£3.2m), Birmingham Women's and Children's (£2.5m) and Burton Hospitals NHS FT (£1.3m). The balance includes amounts owed to the Trust by non-NHS debtors such as the Ministry of Defence, universities, private sector organisations and individuals (e.g. overseas and private patients).

Table 14: Aged Debt Analysis



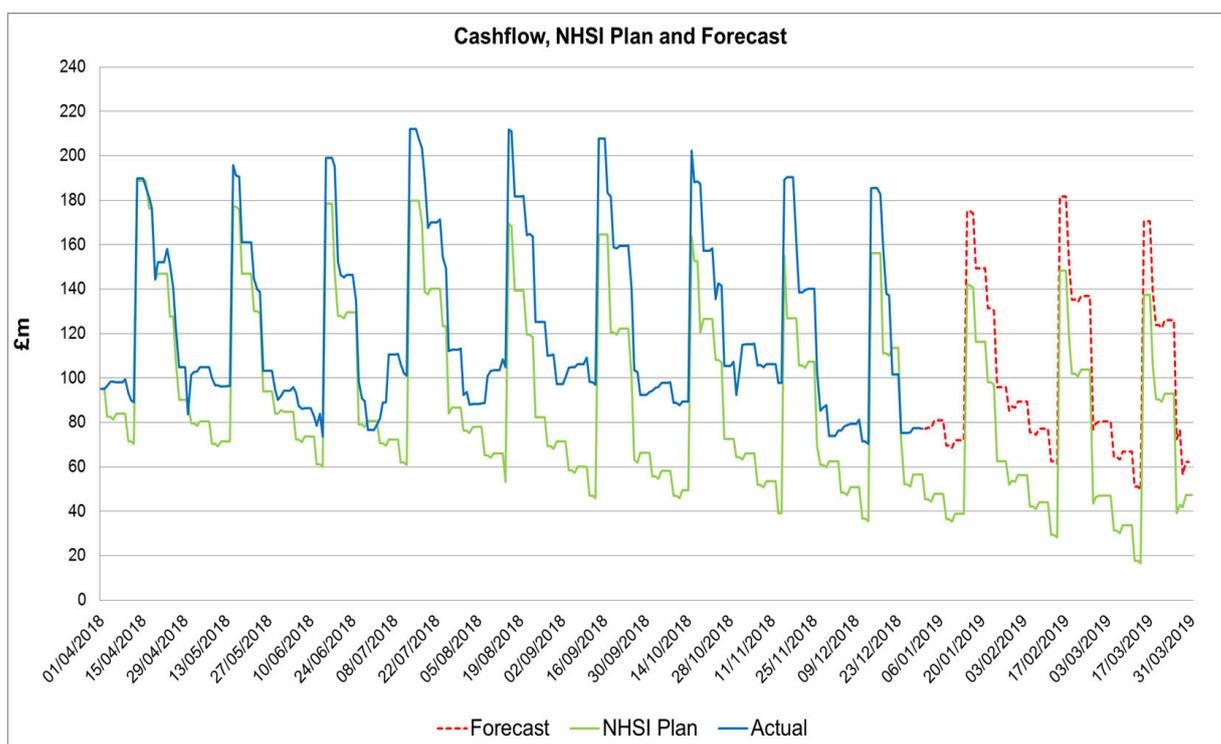
7. Cash Flow

The blue line on Table 15 below shows the actual weekly cash balances up to the end of December 2018. This shows the Trust's cash balance at the end of December was £82.3m which is above plan. Trust cash balances are still forecast to reduce over the remaining months of the financial year down in line with the plan as indicated by the red line forecast below. At present, the Trust continues to pay approved invoices 30 days after the invoice is received, in line with national guidance.

Factors causing the Trust cash balances to remain above plan include;

- Not yet settled (repaid) 2017/18 HGS healthcare income under performance.
- Debtors (receivables) are lower than plan as the Trust's payments from commissioners are largely up to date.
- Payables (NHS, trade and accrued expenditure) are higher than plan suggesting an increase in invoices not yet registered, received or approved for payment.
- Capital expenditure is lower than plan.

Table 15: Cash Flow Forecast



8. NHS Improvement and Use of Resources (UoR) Metric

8.1 Finance & Use of Resources (UoR) Metric

The Finance and Use of Resources Metric gives each provider a score between 1 (best) to 4 (worst) against 5 equally weighted metrics. Where providers have an overall score of 3 or 4, this will identify a potential support need under this theme, as will providers scoring a 4 against any of the individual metrics. Based on the year to date financial performance, the combined Trust’s UoR score is detailed below;

Table 16: Trust Use of Resources score

Metric	Weight	Score	Definition
Capital Service Cover	20%	4	Can the provider’s income cover its longer term financial obligations
Liquidity	20%	4	Cash held to cover operating costs
I&E Margin	20%	4	I&E surplus or (Deficit) as a proportion of Total Income
Distance From Plan	20%	1	Actual year to date surplus compared to plan
Agency Spend	20%	3	Distance of actual spend from the annual agency cap set by NHS Improvement
TRIGGER		Yes	Trust a 4 (worse) therefore trigger applies
Use of Resources Score		3	

Use of Resources is one theme used by NHSI to assess providers’ overall performance. Other factors include quality of care, operational performance, strategic change and leadership and improvement capability. After assessing each of these areas, the Trust is placed into one of four segments as follows;

Segment	Description
1	Providers with maximum autonomy – no potential support needs identified across our five themes – lowest level of oversight and expectation that provider will support providers in other segments
2	Providers offered targeted support – potential support needed in one or more of the five themes, but not in breach of licence (or equivalent for NHS trusts) and/or formal action is not needed
3	Providers receiving mandated support for significant concerns – the provider is in actual/suspected breach of the licence (or equivalent for NHS trusts)
4	Special measures – the provider is in actual/suspected breach of its licence (or equivalent for NHS trusts) with very serious/complex issues that mean that they are in special measures

The Trust is currently within segment 2 which was agreed with NHS Improvement as part of the merger discussions.

8.2 Absorption Gain

As reported last month, following the Trust merger in April 2018, the assets and liabilities of Heart of England NHS Foundation Trust transferred to UHB, resulting in a one-off technical gain of £165.0 million. This is shown as a gain by absorption in the monthly NHSI financial return, it is an accounting adjustment which is not backed by cash; this figure is excluded from the financial metrics used by NHSI to measure the Trust.

8.3 NHSI Control Total

The Trust is monitored by NHSI for its financial performance against the agreed control total and excluding PSF. Table 17 below shows the reconciliation between the figures used in the Trust's accounts and the figures used by NHSI.

Table 17: NHSI Financial Performance

	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Variance £m
Trust Surplus / Deficit for the period	(38.8)	(31.2)	130.8	162.0
Gains on transfers by absorption	0.0	0.0	(165.0)	(165.0)
Trust Surplus / Deficit for the period excl absorption gains	(38.8)	(31.2)	(34.2)	(3.0)
Adjust: Capital donations/grants I&E impact	0.7	0.6	0.1	(0.5)
Adjusted financial performance surplus/ (deficit) including PSF	(38.0)	(30.6)	(34.1)	(3.5)
Less: Provider Sustainability Fund (PSF)	(23.8)	(15.4)	(11.9)	3.6
Adjusted financial performance Surplus / (Deficit) excluding PSF	(61.8)	(46.0)	(46.0)	0.1

* may include rounding differences

This table shows that the adjusted financial performance deficit reported by the Trust is in line with the plan agreed with NHSI.

8.4. PSF Income

To achieve the agreed financial plan, the Trust is expecting to receive £23.8m of Provider Sustainability Funding (PSF) during 2018/19. The release of this income is subject to the Trust's in year financial performance and delivery against the agreed A&E trajectory.

The Trust has received 100% of the Quarter 1 funding which totalled £3.6m and Quarter 2 financial performance funding at 70% of £3.3m. The Trust has received notification that quarter 2 A&E PSF has been lost and the reported position also assumes that quarter 3 A&E PSF will be lost. Therefore, the lost PSF reflected in the Trust's position is £3.6m.

This has led to the Trust reporting a deficit which is (£3.0m) worse than the planned deficit at this point of the year. However the impact of the loss of PSF is not evaluated within the financial performance of the Trust under the control total regime.

9. Conclusion

The Trust has reported an income and expenditure deficit (including PSF) of (£34.2m) at the end of December (Month 9). After taking account of the lost A&E PSF, the Trust is reporting financial performance in line with the plan at this stage of the financial year, however, it has been necessary to use non recurrent reserves over and above the planned release of recurring reserves to offset the CIP savings under delivery and other year to date cost pressures.

There needs to be continued focus on improving CIP delivery, along with reducing agency expenditure and the operational divisions adverse monthly run rate. On a positive note, healthcare related income continues above plan, this is not reflected in the Trust's current financial performance. Finally, the Trust's cash balance remains strong at £82.3m as at 31 December 2018.

10. Recommendation

The Board of Directors is requested to receive the contents of this report.

Mike Sexton
Chief Financial Officer
16 January 2019

Appendix A - Healthcare Income by Site and Point of Delivery (POD)

2018/19 - Month 8 Income & Activity (against Equally Phased Plan)

Income

Income Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AandE	10,797	10,644	- 153	21,674	21,988	314	32,471	32,632	161
Ambulatory Care	3,286	3,684	397	4,421	3,967	- 454	7,707	7,651	- 56
Critical Care	22,213	21,436	- 777	15,211	16,444	1,233	37,424	37,880	456
Day Case	26,996	26,221	- 775	34,553	34,418	- 135	61,549	60,639	- 910
Elective	44,790	41,354	- 3,437	28,429	28,663	233	73,220	70,017	- 3,203
Non Elective	84,053	88,871	4,819	101,894	112,597	10,703	185,947	201,468	15,522
Excess Bed Days	5,437	5,121	- 315	5,274	5,198	- 77	10,711	10,319	- 392
Maternity	-	-	-	31,049	30,896	- 152	31,049	30,896	- 152
Direct Access	4,557	5,091	534	12,516	12,338	- 178	17,073	17,429	356
Outpatient First Attendance	17,329	16,770	- 559	23,727	23,351	- 376	41,056	40,121	- 935
Outpatient Follow Up	33,122	32,996	- 126	24,142	24,042	- 100	57,264	57,038	- 226
Outpatient Procedures	8,591	10,627	2,037	13,177	13,998	820	21,768	24,625	2,857
Diagnostic Imaging	7,649	7,626	- 23	5,364	5,437	73	13,012	13,062	50
Renal Dialysis	17,699	17,697	- 2	7,059	7,227	168	24,758	24,924	166
Other	16,359	16,981	622	26,326	26,295	- 31	42,685	43,276	591
Marginal rate Emergency Threshold	- 667	- 1,119	- 452	- 2,607	- 6,627	- 4,020	- 3,274	- 7,746	- 4,472
	302,211	304,000	1,789	352,210	360,231	8,021	654,421	664,231	9,810
Blocks/Cost Per Case Drugs & Devices etc	178,664	188,650	9,986	73,715	72,604	- 1,111	252,379	261,255	8,875
Cat A Healthcare Income	480,875	492,651	11,776	425,925	432,835	6,910	906,800	925,486	18,686

Activity

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	82,904	82,352	- 552	184,426	189,263	4,837	267,331	271,615	4,284
Ambulatory Care	7,005	7,848	843	9,116	8,817	- 299	16,121	16,665	544
Critical Care	19,642	19,708	66	21,071	22,824	1,753	40,713	42,532	1,819
Day Case	36,260	34,380	- 1,880	54,497	54,848	351	90,757	89,228	- 1,529
Elective	12,057	10,226	- 1,830	8,861	8,634	- 227	20,918	18,860	- 2,057
Non Elective	28,770	31,190	2,420	50,039	56,370	6,331	78,809	87,560	8,751
Maternity	-	-	-	19,473	18,423	- 1,050	19,473	18,423	- 1,050
Direct Access	803,711	857,187	53,476	4,753,878	4,757,694	3,816	5,557,589	5,614,881	57,292
Outpatient First Attendance	95,493	104,727	9,234	142,749	144,149	1,400	238,243	248,876	10,633
Outpatient Follow Up	343,620	340,212	- 3,408	330,487	345,182	14,695	674,107	685,394	11,287
Outpatient Procedures	68,985	87,281	18,295	91,868	95,803	3,935	160,853	183,084	22,230
Diagnostic Imaging	71,033	73,408	2,375	64,109	65,812	1,703	135,142	139,220	4,079
Renal Dialysis	144,313	143,703	- 610	58,630	60,273	1,643	202,943	203,976	1,033
Other	61,615	71,911	10,297	165,009	181,372	16,363	226,624	253,283	26,660
	1,775,406	1,864,133	88,726	5,954,214	6,009,464	55,250	7,729,621	7,873,596	143,976

* Excludes Excess Bed Days

The figures above are before fines and penalties.

Appendix B – 2018/19 Capital Expenditure Quarter 3 Update

1. Purpose

This appendix provides a summary of Trust wide capital expenditure between April and December 2018 (Q1-Q3). It includes a short progress report on the major capital projects, along with a table showing the sources of funding for capital investments.

2. 2018/19 Capital Programme

The June Board of Directors meeting approved the 2018/19 capital investment of £52.9m (excluding QEHB PFI repayments). As in previous years, this plan will change to reflect projects approved in year or new central Public Dividend Capital (PDC) funding allocated to providers. In recent months, the Trust has secured the following additional external financing;

- **1.65m** of PDC funding to support to winter capacity expansion;
 - Cedarwood ward refurbishment at (GHH) and
 - Rapid Assessment & Triage (RATS) at the QEHB.
- **£1.50m** of PDC in 2018/19 for GDE (Global Digital Exemplar) Fast Follower.

Adding this to the previously approved plan gives a capital budget of £56.0m (excluding the QEHB PFI annual capital repayment);

Table 1: 2018/19 Capital Programme

Site	Type	£m
All	Medical Equipment Replacement	11.0
All	Estates Works	4.6
All	ICT Infrastructure	3.7
All	ICT GDE Project	3.3
HGS	Discretionary / Unallocated	0.0
HGS	ACAD	17.3
HGS	ACAD Prep Works & Fees	3.3
QE	QEHB PFI Lifecycle	2.1
QE	Major Medical inc. Lin Accelerator	4.7
All	ICT Wi-Fi Roll Out	0.6
All	Granted & Donations	2.5
	Approved Capital Programme	52.9
All	Winter Capacity Expansion	1.7
All	ICT GDE Fast Followe	1.5
	Current Capital Programme	56.0
	QEHB PFI Capital repayment	13.1
	Total Capital investment	69.2

Note - may contain rounding differences.

3. Capital Expenditure

At the end of December 2018, the Trust reported capital expenditure of £26.9m;

Table 2: 2018/19 Actual Capital Expenditure

SITE	TYPE	ACTUAL £m
All	Medical Equipment replacement	7.7
All	Estates Work	4.5
All	ICT Infrastructure	3.8
All	ICT GDE & Wi-Fi & Fast Follower	2.9
HGS	ACAD	1.6
QE	QEHB PFI Lifecycle	1.6
QE	Major Medical inc. Linear Accelerator	2.1
All	Winter Estates Schemes	1.2
All	Granted & Donations	1.6
	Total	26.9

3.1 Medical Equipment & Divisional Spend

This budget covers the replacement of existing medical equipment across all hospital sites. To date £7.7m of expenditure has been incurred (£5.0m at HGS and £2.7m at QE sites), this has included patient monitors, dialysis machines, ultrasound machines, operating tables, theatre monitors and x-ray equipment.

3.2 Estates Works

To date £4.5m has been incurred on capital projects to maintain and improve buildings across the Trust. Across HGS sites this includes works to fire alarm control panels (Heartlands), replacement MRI works (Solihull), refurbishment of negative pressure rooms (Heartlands) and improvements to radiology infrastructure. Across QE sites, work is being undertaken to install a replacement Linear Accelerator, replacement of an electricity substation, backlog maintenance projects across Heritage buildings and improvements to Melchett Road (toilets and chiller units).

3.3 ICT Infrastructure, GDE and Wi-Fi Project

Year to date £3.8m has been spent on Trust funded ICT infrastructure investments including replacement hardware, software, data domain works and security. A further £2.9m has been spent on externally funded ICT system projects including Global Digital Exemplar (GDE), the roll out free Wi-Fi access and a recently awarded GDE Fast Follower project. These budgets are managed by the Director of IT and prioritisation of projects is linked to the Trusts' strategic goals and the digital prioritisation group.

3.4 Heartlands Ambulatory Care and Diagnostics Centre (ACAD)

The ACAD Outline Business Case (OBC) requesting external funding of £92.8m was submitted to NHS Improvement (NHSI) in January 2018. Discussions with regulators and the main contractor (Kier Infrastructure and Overseas Ltd) continue. The Full Business Case (FBC) is being finalised ready for presentation to the Board of Directors early in 2019.

The Board of Directors approved a continuation to the project team and the enabling works during 2018/19 whilst the funding decisions continued; to date £1.6m has been incurred.

3.5 QEHB PFI Lifecycle

A budget of £2.1m is included in the plan to cover contractual lifecycle works in the QEHB. These works include replacement of doors, windows, flooring and other fittings across the hospital; they are undertaken on a phased basis throughout the life of the PFI

contract which runs until August 2046. The £1.6m incurred to date also includes several variation improvement works completed in the QEHB at the request of services.

3.6 QE Major Medical

The 2018/19 budget covers the replacement of several items of high value medical, scientific and imaging equipment on the QE site;

- 1 x Linear Accelerator
- 1 x Neuro Biplane and
- 1 x Labs BARS system
- 1 x MRI replacement

The linear accelerator and MRI replacements have taken place. However, the Laboratory BARS and Neuro biplane angio machine replacement are now likely to take place in 2019/20 due to operational pressures, delays in finalising variations with the PFI operator and competing external factors such as the timetable for external accreditation within Laboratories. The expected underspend in this area is being released to fund a range of unplanned equipment replacements such as Defibrillators and projects approved in year.

3.7 Winter Capacity Projects

The Trust was awarded £1.65m of PDC funding to support to winter capacity expansion;

- Cedarwood ward refurbishment at (GHH) and
- Rapid Assessment & Triage (RATS) at the QEHB.

Works to both projects were completed in line with the national deadlines (Christmas 2018). £1.2m of expenditure is being reported year to date with final invoices expected to be paid to contractors in January 2019.

3.8 Grants & Donations

To date, £1.6m of current capital projects have been funded by charitable grants or donations. The 2018/19 capital plan includes £2.5m in total;

a. HGS - Renal Ward 3 Refurbishment £0.5m

Funded by Glaxo Renal charity, work has been completed and final payments made to contractors and suppliers.

The remaining projects are to be funded by the hospital charities (UHB Charity);

b. GHH – Education Centre £0.5m

Work is ongoing and scheduled to finish in December.

c. GHH – Midwifery Unit refurbishment £0.5m

Design works are ongoing but no start date for works have been agreed.

d. GHH – RSU (Richard Salt Unit) Refurbishment £0.5m

Project discussions are continuing but this is now unlikely to be completed in the 2018/19 financial year.

e. QE - Charitable Donation £0.5m

This covers ad hoc funding of additional equipment across the QE sites following successful approval of bids. This is an estimate based on previous year donations.

3.9 Exclusions

The 2018/19 capital plan set out in this report **does not** include the following potential developments:

- QE: MRI development within Radiotherapy.
- QE: Hybrid theatre within the QEHB.
- QE: East block theatres refurbishment to support capacity developments including potential Gynae Oncology service transfer.
- QE: ICT disaster recovery centre.
- QE: Replacement programme for cardiac defibrillators which Philips are no longer providing replacement batteries.

In addition, site wide proposals need to be developed for the replacement of high value medical imaging equipment and endoscopes.

4. 2018/19 Capital Forecast

Historically, NHS providers have been poor at forecasting capital expenditure. For example; at a national level, at the end of Quarter 2, NHS providers were forecasting £4.5 billion of capital investment during 2018/19 despite the actual expenditure in the first six months of just £1.2 billion. As part of the monthly financial return to NHS Improvement, all providers have been asked to review their 2018/19 capital forecasts to ensure they are realistic and deliverable.

The Trusts 2018/19 capital plan included £17.3m for the ACAD scheme which has been subject to the delays previously highlighted. Therefore the Trust has reduced its forecast capital expenditure down to reflect this delay. The forecast is also being adjusted to reflect new central funding allocations in year such as Wi-Fi, Winter Capacity and GDE Fast Followers.

At present, the Trust is forecasting total capital expenditure of £37.5m for 2019/20. This would require capital expenditure of £3.6m per month between January and March, in December expenditure was £3.8m.

Including the QEHB £13.5m capital repayment, total capital investments in 2019/20 is expected to be £50.6m.

5. 2018/19 Sources of Capital Funding

The sources of funding for planned capital investment are shown below:

Table 5: 2018/19 Capital Expenditure & Sources of Funding

Type	Project	Plan £m
PDC	ICT Global Digital Exemplar	3.3
PDC	ICT GDE Fast Follower	1.5
PDC	ICT Wi-Fi Roll Out	0.5
PDC	Linear Accelerator Replacement	1.7
PDC	Winter Capacity	1.7
Other	UHB Charity	2.0
Other	Other Charitable Grants (HGS)	0.5
Internal	Trust Funding (Depreciation & Amortisation)	37.6
Internal	Trust Cash	1.8
	Sources of Funding	50.6