

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 25 OCTOBER 2018

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2018
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 17374

Purpose:	To provide CEAG with an update on the Trust's finance and activity performance for the period ending 30 September 2018 (Month 1-6 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 (£22.3m) which is in line with plan. • The Trust's cash balance was £96.2m at the end of September 2018, which is above the plan of £66.2m. • The Trust's Use of Resources metric (UoR) is a 3 (section 8)
Recommendations:	<p>The Board of Directors is requested to:</p> <ul style="list-style-type: none"> • Receive the contents of this report.

Signed:	Mike Sexton	Date:	17 October 2018
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS

THURSDAY 25 OCTOBER 2018

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2018

1. Introduction

This report covers April-September 2018/19 (Months 1-6). 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 agreed 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 (£38.0m) 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)		(61.8)

The Trust has reported a deficit of (£22.3m) at the end of September 2018 (Month 6); this is in line with the plan submitted to NHSI (including PSF). However, to achieve the plan the Trust has had to release non-recurrent reserves to offset the adverse variances which include:

- Under delivery against CIP targets (£3.6m);
- 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 £8.3m of PSF income year to date which is dependent on the Trust achieving the required ED target and delivering the agreed financial plan.

The Trust's cash balance at the end of September was £96.2m against the plan of £66.2m.

2. Income & Expenditure

2.1 Summary Position

The Trust's income and expenditure position at the end of September is a (£22.3m) deficit which is in line with the plan submitted to NHSI as shown below;

Table 2: Cumulative Trust Income and Expenditure position

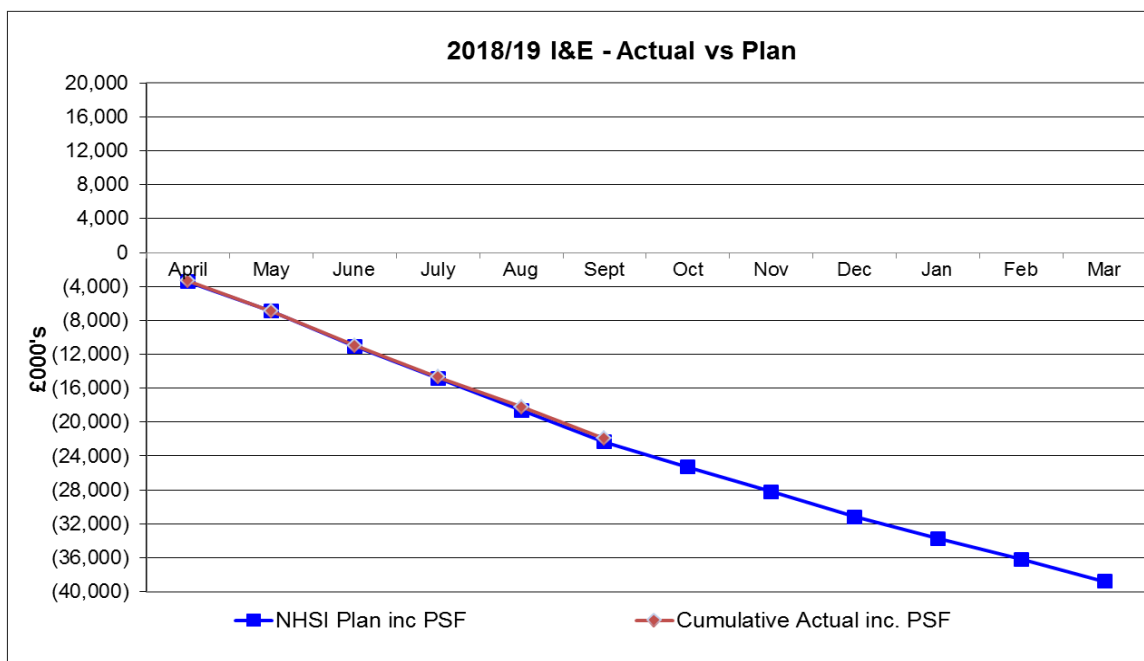


Table 3 below summarises the Trust's Income & Expenditure position at the end of September. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

Table 3: YTD Income and Expenditure against Plan

Consolidated Summarised Income and Expenditure - Group			
	Plan Sep 18 £m	Actual Sep 18 £m	Variance Sep 18 £m
Operating Income	775.2	788.8	13.6
Operating Expenditure	(765.4)	(779.9)	(14.5)
EBITDA	9.8	8.9	(0.9)
Depreciation	(18.8)	(17.9)	0.9
Interest Receivable	0.1	0.4	0.3
Interest Payable	(12.2)	(12.1)	0.1
PDC Dividends	(2.0)	(2.0)	0.0
Gains / (losses) on Disposals	0.0	(0.2)	(0.2)
Donated / Granted Income	0.7	0.6	(0.1)
Retained Surplus	(22.4)	(22.3)	0.1

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 £13.6m above plan at the end of September;

Table 4: Income against Plan

Group	Plan Plan £m	Actual Actual £m	Variance Variance £m
INCOME			
Clinical - NHS	680.1	691.6	11.5
Clinical - Non NHS	6.6	6.1	(0.5)
Other	88.5	91.1	2.6
Total Income	775.2	788.8	13.6

Note - may include rounding differences

NHS clinical revenues are £11.5m above plan of which the majority relates to payments received from the Department of Health & Social Care for the 2018/19 pay award with the balance relating to additional Excluded Drugs and Devices funding agreed in year.

Non NHS Clinical revenues are (£0.5m) below plan due to a shortfall within income from injury Cost Recovery Scheme (Road Traffic Accident) and private patients. Other income is £2.6m 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 1-5 (April- August 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	6,748	6,581	- 167	13,546	13,824	278	20,294	20,405	111
Inpatients - Elective	45,527	41,847	- 3,680	39,537	38,947	- 590	85,064	80,794	- 4,270
Inpatients - Non Elective	55,158	58,488	3,330	66,680	72,433	5,753	121,837	130,920	9,083
Outpatients	36,901	37,839	937	38,156	37,455	- 701	75,057	75,294	237
Other	45,015	45,516	501	63,792	63,655	- 136	108,807	109,172	365
Marginal Rate Emergency Threshold	417	684	- 267	1,629	4,285	- 2,655	2,046	4,969	- 2,923
	188,932	189,587	655	220,082	222,029	1,948	409,013	411,616	2,603

**Excludes Cost per Case income for Drugs and Devices, Block Contracts, CQUIN and Community Services*

This shows actual healthcare income is £2.6m above the 2018/19 equally phased plan. Historically, patient activity tends to increase in the later part of the financial year, so this is a positive start for healthcare income. Table 6 below shows the

equally phased planned and actual activity levels.

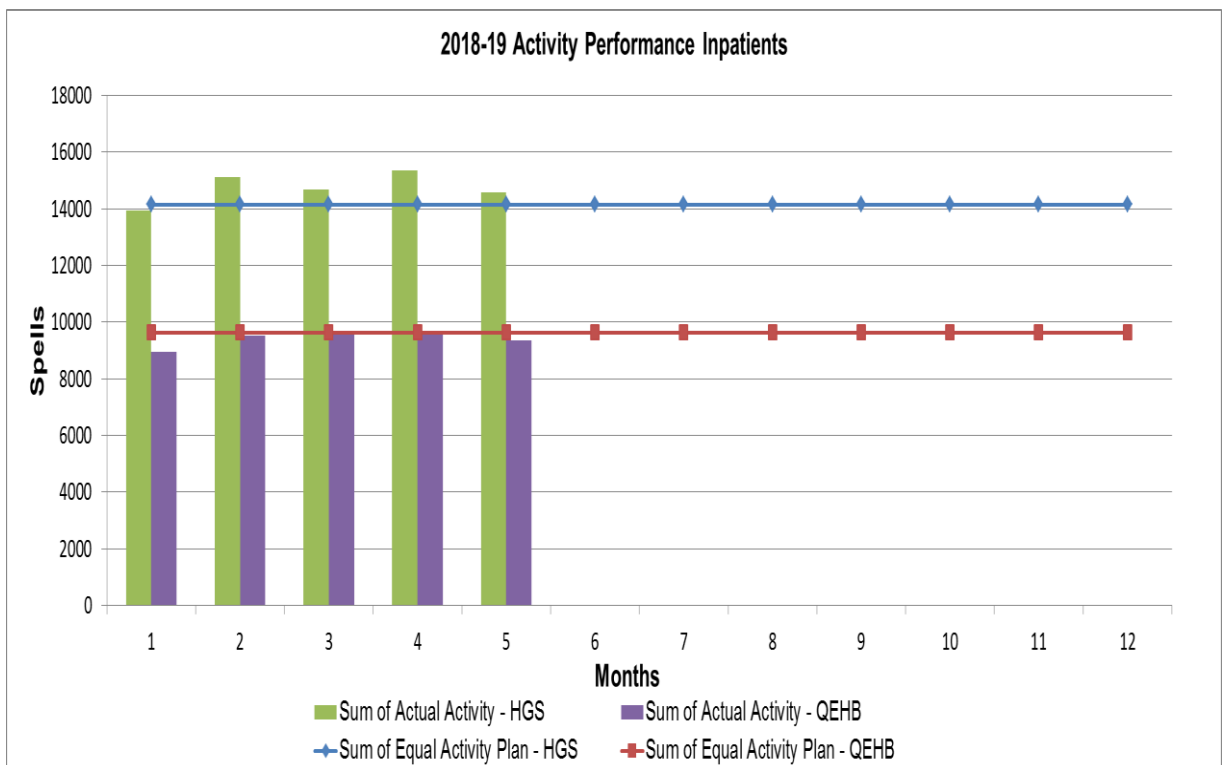
Table 6: Healthcare Activity Units

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	51,815	51,099	- 716	115,267	119,441	4,174	167,082	170,540	3,458
Inpatients - Elective*	30,198	27,434	- 2,764	39,587	38,796	- 791	69,785	66,230	- 3,555
Inpatients - Non Elective*	17,981	19,655	1,674	31,274	34,896	3,622	49,256	54,551	5,295
Outpatients	317,562	325,786	8,225	353,190	357,917	4,727	670,752	683,703	12,952
Other	692,073	732,648	40,575	3,182,054	3,192,722	10,668	3,874,127	3,925,371	51,243
	1,109,629	1,156,622	46,993	3,721,372	3,743,772	22,400	4,831,001	4,900,395	69,393

*Excludes Excess bed day activity

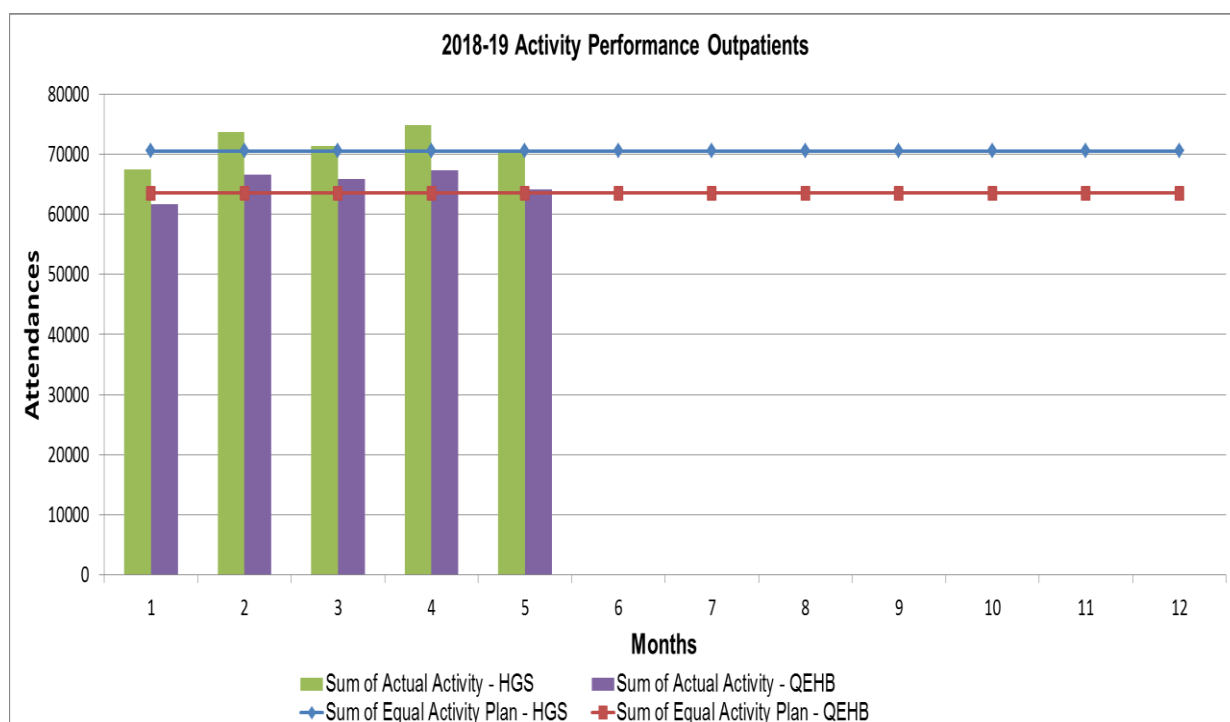
This shows that non-elective inpatients activity is continuing above plan across all hospital sites. Elective (including day cases) activity remains below plan, particularly at the QEHB. Outpatient and A&E activity continues to be above plan along with “Other” activity. Other includes direct access GP 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



This graph shows the total inpatient spells (elective and non-elective) by site against the monthly plan for April-August 2018.

Table 6.2: Trust Outpatient Activity



Outpatient activity was above the equally phased plan in August, meaning year to date, total outpatients is above plan as shown in Table 6.

2.3 Operating Expenditure Analysis

The Trust's expenditure shows an adverse (£14.5m) year to date variance. This includes a pay overspend of (£20.7m) which is partially offset by the non-pay under spends.

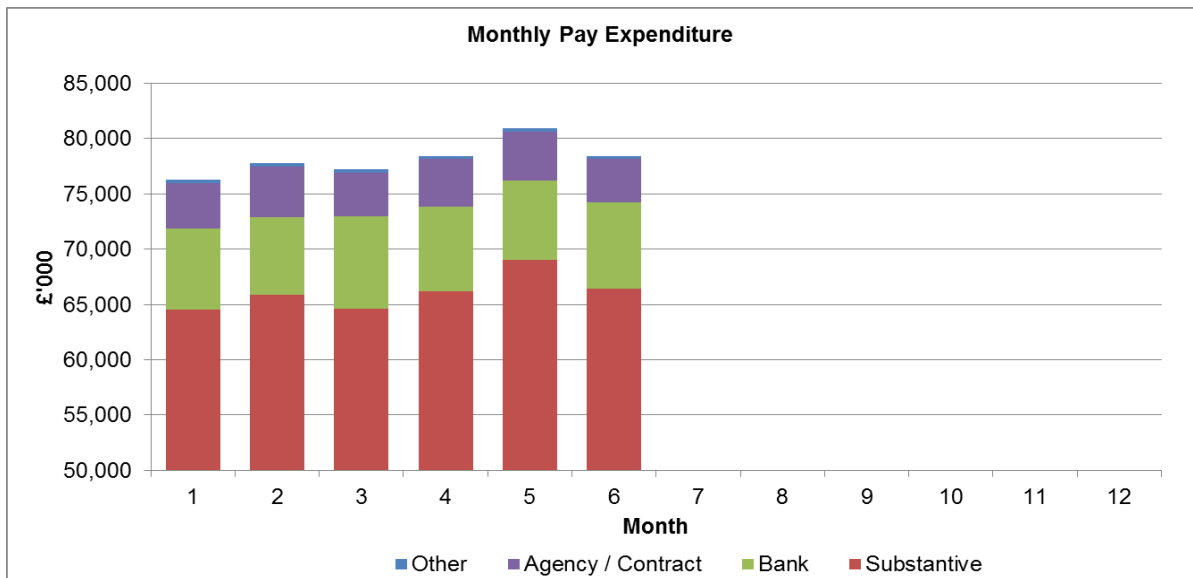
Table 7: Expenditure Variance

Group	Plan Sep 18 £m	Actual Sep 18 £m	Variance Sep 18 £m
PAY			
Medical Staff	138.8	144.2	(5.4)
Nursing incl HCAs	168.8	172.5	(3.7)
AHP, Sci, Therapy & Technical	60.0	63.6	(3.6)
Admin & Facilities	75.8	78.4	(2.6)
Apprentice Levy	1.3	1.8	(0.5)
Other Clinical Staff	3.8	8.7	(4.9)
Pay Reserves	0.0	0.0	0.0
Total Pay	448.5	469.1	(20.7)
NON PAY			
Drugs	112.2	113.2	(1.0)
Clinical Supplies & Services	88.9	88.9	0.0
Other / Non-Pay Reserves	115.8	108.6	7.2
Total Non Pay	316.9	310.8	6.2
GRAND TOTAL	765.4	779.9	(14.5)

Of this pay variance above, circa £6.7m variance relates to the month 1-6 impact of the Agenda for Change 2018/19 pay award. The Trust's plan will be updated to reflect the cost pressure by staff group in future months. More detail on the key areas of pay expenditure is set out below;

2.4 Pay Analysis

Table 8: Pay Expenditure by Type

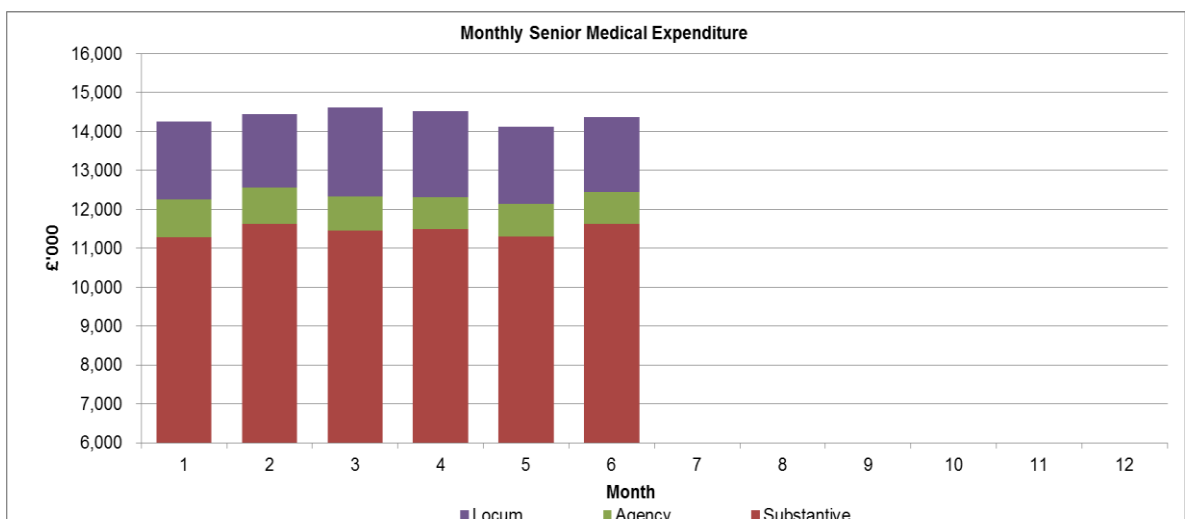


The Trust's year to date pay expenditure totals £469.1m. The September 2018 monthly expenditure was £78.5m which is broadly in line with the monthly average run rate of £78.2m. The month 5 spike related to the backdated Agenda for Change pay award. Year to date agency expenditure is £25.3m split £18.4m across the HGS sites and £7.0m across the QE site. Year to date bank expenditure is £45.2m split £23.3m across the HGS sites and £21.9m across the QE site. 'Other' pay expenditure relates to Apprenticeship Levy costs; further detail on expenditure across the major staff groups is shown below:

2.4.1 Medical Staffing

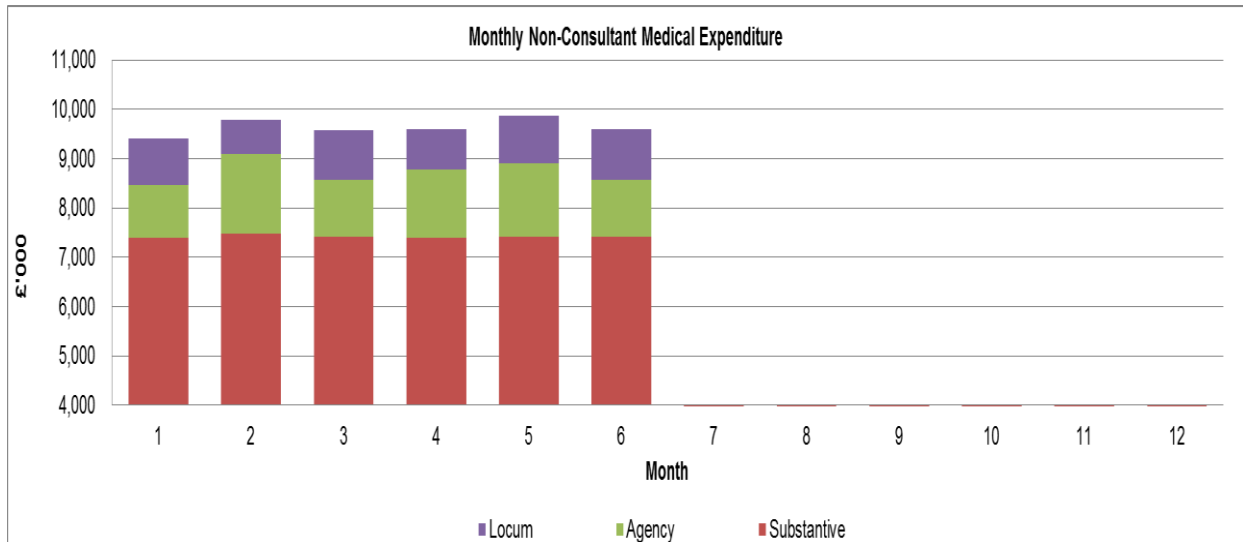
Year to date medical staff expenditure is £144.2m including £86.3m on Consultants and £57.9m on non-consultant medical staff. The Senior Medical expenditure (Consultants) is shown below, this includes agency spend of £5.2m year to date, with over 80% being incurred across HGS sites;

Table 8.1: Monthly Senior Medical Expenditure



Year to date other medical (junior and career grade) pay expenditure totalled £57.9m, this included £7.9m of agency staff with £4.8m at HGS sites and £3.1m at the QE.

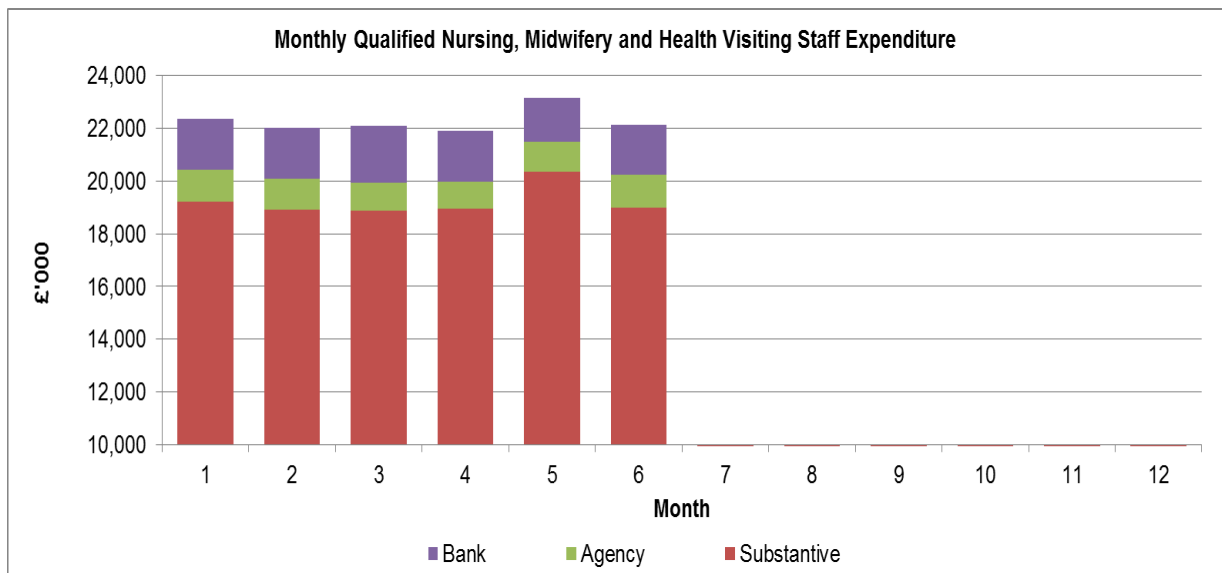
Table 8.2: Monthly Non-Consultant Medical Expenditure



2.4.2. Qualified Nursing, Midwifery and Health Visiting Staff

Table 8.3 shows the Trust's year to date nursing expenditure totalling £133.6m (Month 1- 6). 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; 86% 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 average monthly non pay spend by expenditure group with Quarter 1 and Quarter 2 2018/19 and the quarterly average for 2017/18. The average for Quarter 2 2018 is higher than for Quarter 1. The movement in drugs and clinical supplies is due to volume changes in activity.

Table 9: Non Pay by Expenditure Type

	2017/18	2018/19			
	Quarterly Average	Q1 Actual	Q1 Monthly Average	Q2 Actual	Q2 Monthly Average
	£'000	£'000	£'000	£'000	£'000
Drugs	53,822	54,971	18,324	58,218	19,406
Clinical Supplies	44,152	43,658	14,553	45,212	15,071
Other / Non-Pay Reserves	56,732	51,846	17,282	56,900	18,967
Total	154,705	150,475	50,158	160,330	53,443

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
HGS	D1	INCOME	(375)	(373)	(2)	(2,353)	(2,348)	(5)
		NON PAY EXPENDITURE	2,237	2,739	(502)	14,100	17,161	(3,061)
		PAY EXPENDITURE	7,474	7,684	(210)	44,311	46,554	(2,243)
		D1 Total	9,336	10,049	(713)	56,058	61,367	(5,308)
	D2	INCOME	(424)	(388)	(36)	(2,610)	(2,532)	(79)
		NON PAY EXPENDITURE	1,033	1,146	(113)	6,122	6,966	(844)
		PAY EXPENDITURE	4,726	4,553	172	28,257	27,778	479
		D2 Total	5,335	5,311	24	31,769	32,212	(443)
	D3	INCOME	(307)	(269)	(38)	(1,841)	(1,781)	(60)
		NON PAY EXPENDITURE	3,117	2,970	147	18,386	17,393	993
		PAY EXPENDITURE	7,884	8,635	(751)	47,042	52,025	(4,982)
		D3 Total	10,695	11,336	(642)	63,587	67,636	(4,049)
	D4	INCOME	(181)	(188)	7	(1,073)	(1,176)	104
		NON PAY EXPENDITURE	4,691	4,811	(120)	27,353	29,327	(1,974)
		PAY EXPENDITURE	7,120	7,244	(124)	41,990	44,660	(2,671)
	D4 Total	11,630	11,867	(237)	68,270	72,811	(4,541)	
D5	INCOME	(80)	(90)	10	(481)	(422)	(59)	
	NON PAY EXPENDITURE	3,531	3,681	(151)	21,193	21,465	(272)	
	PAY EXPENDITURE	5,504	5,856	(353)	32,970	35,207	(2,237)	
	D5 Total	8,954	9,448	(494)	53,683	56,251	(2,568)	
HGS Total		45,949	48,011	(2,062)	273,367	290,276	(16,909)	
QE	A	INCOME	(1,624)	(1,608)	(16)	(9,853)	(9,921)	68
		NON PAY EXPENDITURE	3,675	4,115	(440)	21,602	25,645	(4,043)
		PAY EXPENDITURE	10,704	11,088	(384)	63,785	65,783	(1,998)
		A Total	12,755	13,595	(840)	75,534	81,507	(5,973)
	B	INCOME	43	(501)	544	(568)	(2,729)	2,161
		NON PAY EXPENDITURE	5,239	5,687	(448)	29,565	34,445	(4,880)
		PAY EXPENDITURE	5,516	5,568	(52)	33,027	33,242	(215)
		B Total	10,798	10,754	44	62,024	64,958	(2,934)
	C	INCOME	(462)	(270)	(192)	(2,619)	(2,496)	(123)
		NON PAY EXPENDITURE	6,207	6,666	(459)	37,290	39,865	(2,575)
		PAY EXPENDITURE	6,389	7,108	(719)	37,704	40,726	(3,022)
		C Total	12,134	13,504	(1,370)	72,375	78,095	(5,720)
	D	INCOME	(654)	(644)	(10)	(3,840)	(4,206)	366
		NON PAY EXPENDITURE	6,221	6,842	(621)	40,488	44,773	(4,285)
		PAY EXPENDITURE	6,317	6,630	(313)	37,783	40,272	(2,489)
	D Total	11,884	12,828	(944)	74,431	80,839	(6,408)	
E	INCOME	(39)	(28)	(11)	(234)	(125)	(109)	
	NON PAY EXPENDITURE	99	423	(324)	711	666	45	
	PAY EXPENDITURE	599	590	9	3,581	3,373	208	
	E Total	659	985	(326)	4,058	3,914	144	
QE Total		48,230	51,666	(3,436)	288,422	309,313	(20,891)	
UHB Total		94,179	99,677	(5,498)	561,789	599,589	(37,800)	

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 (£37.8m) has been reported across operational divisions' year to date which equates to a monthly average "run rate" of (£6.3m).

The main divisional pressures during September were;

- HGS Division 1 (CSS) – The pay overspend deteriorated further in Month 6 due to pressures within Radiology medical staffing (£258k). The non-pay overspend (£502k) is predominantly due to external reporting and activity related costs within Radiology (£232k) and Theatres (£175k) non-pay CIP under delivery and activity related expenditure.
- HGS Division 2 (W&C) – The overall in month underspend of £172k on pay is predominantly driven by Nursing £165k. The non-pay overspend is a continuation of previous months activity related charges and includes gaps on CIP delivery.
- HGS Division 3 (Emergency) – The (£751k) overspend on pay primarily relates to increased medical staffing and nursing pay costs. The areas of pressure remain acute and emergency medicine. The in month non-pay underspend £147k is due to continued over performance in reported CIP delivery.
- HGS Division 4 (Medicine) – The in month pay overspend of (£124k) is a significant improvement on previous months predominantly within medical pay (£107k improvement on month 5) and nursing pay (£80k improvement on month 5). The overspend on non-pay has also reduced predominantly due a rebate on drugs.
- HGS Division 5 (Surgery) - The (£353k) in month overspend on pay relates to Medical staffing pressures (£467k overspent) driven by vacancy cover, sickness, additional duties and WLI session payments. The year to date non pay position reflects a continued shortfall on CIP delivery.
- QE Division A – The in month non pay over spend of (£440k) includes slippage within in year CIP delivery along with historic CIP shortfalls. The in month pay overspend of (£384k) 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.
- QE Division B – The £544k over performance within income relates to strong cardiac, VAD and Transplant patient activity in September. The (£52k) pay over spend include pressures within General Surgery and Liver medical staffing. The non-pay overspend of (£448k) is primarily due to CIP under delivery (current year and historic).
- QE Division C – In month income under performance (£192k) is due to an under recovery of Road Traffic Accident (RTA) income in the month. Linked to this there has also been a significant increase (£75k) in the bad debt provision due to increases in historical outstanding unresolved claims. The pay over spend in the month was (£719k) which included ED Staffing (£141k), CDU (£170k), wards (£165k) and general medicine (£232k) primarily related to unfunded medical consultant agency and junior medical locum agency staff. The non-pay variance of (£459k) relates to CIP under delivery (current year and historic).
- QE Division D – In month overspend of (£944k). The pay adverse variance was (£313k) which included cost pressures within Trauma (£34k), Oncology (£40k) & Haematology (£93k), Neuro Wards (£86k) and Burns, Plastics & Hands (£39k). The non-pay variance (£621k) includes the impact of historic lost contributions from drugs now being passed through to commissioners at cost

and CIP under delivery (current year and historic). Income underperformance due to no private patients in September.

- QE Division E – The September over spend relates to adjustments for critical care outliers backdated to the start of the year. The opposite entry benefit is within Divisions A- D.

3. Efficiency Savings

The combined 2018/19 financial plan required 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 September has improved from 78% (month 5) up to 80% as shown below;

Table 11: CIP Delivery by Site and Division

Site	Division	Annual Target £m	YTD Target £m	YTD Actual £m	YTD Variance £m	YTD Delivered £m
QE	A	4,372	2,186	1,026	(1,160)	47%
QE	B	3,638	1,819	1,190	(629)	65%
QE	C	3,510	1,755	1,270	(485)	72%
QE	D	3,981	1,990	1,763	(228)	89%
QE	Corp	2,000	1,000	1,674	674	167%
QE	Other	500	250	20	(230)	8%
QE Sub Total		18,000	9,000	6,943	(2,057)	77%
HGS	1	2,921	1,461	475	(985)	33%
HGS	2	1,494	747	495	(252)	66%
HGS	3	2,903	1,452	1,933	481	133%
HGS	4	3,020	1,510	1,616	106	107%
HGS	5	2,507	1,253	905	(348)	72%
HGS	Corp	1,841	921	941	21	102%
HGS	Other	2,951	1,476	888	(587)	60%
HGS Sub Total		17,637	8,819	7,253	(1,566)	82%
Trust Wide		35,637	17,819	14,196	(3,623)	80%

Actual CIP delivered year to date is £14.2m against a target of £17.8m; resulting in a shortfall of £3.6m split (£2.0m) across the QE and (£1.6m) across HGS services. Part of the improvement in the CIP delivery relates to increased one-off savings being declared across the Trust. Whilst this helps deliver the plan for this year, these will have to be replaced with further recurring 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.

There remains a material gap between the annual CIP target and the value of schemes identified to date. Further 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 30 September 2018.

Table 12: Statement of Financial Position

Consolidated Summarised Balance Sheet - Group			
Group	Plan Sep 18 £m	Actual Sep 18 £m	Variance Sep 18 £m
Non-current assets			
Intangible Assets	8.1	7.3	(0.8)
Tangible Assets	306.8	433.6	126.8
PFI Assets	436.7	307.1	(129.6)
Debtors	6.1	6.3	0.2
Total	757.7	754.3	(3.4)
Current assets			
Inventories	29.4	32.4	3.0
Debtors	121.0	116.5	(4.5)
Bank & Cash	66.2	96.2	30.0
Total	216.6	245.1	28.5
Total Assets	974.3	999.4	25.1
Current liabilities			
Payables - trade	(229.4)	(264.2)	(34.8)
Payables - capital	(12.4)	(6.9)	5.5
Provisions	(2.5)	(2.6)	(0.1)
Deferred income	(30.6)	(33.5)	(2.9)
Borrowings	(12.8)	(12.7)	0.1
Total	(287.7)	(319.9)	(32.2)
Non-current liabilities			
Payables - trade	0.0	0.0	0.0
Provisions	(9.7)	(8.9)	0.8
Deferred income	(2.3)	(2.5)	(0.2)
Borrowings	(507.4)	(503.8)	3.6
Total	(519.4)	(515.2)	4.2
Total Liabilities	(807.1)	(835.1)	(28.0)
Net Assets	167.2	164.3	(2.9)
Financed by			
PDC	391.8	358.3	(33.5)
Revaluation Reserve	153.8	153.2	(0.6)
I&E Reserve	(378.4)	(347.2)	31.2
Total	167.2	164.3	(2.9)

5. Capital Expenditure (Non-Current Assets)

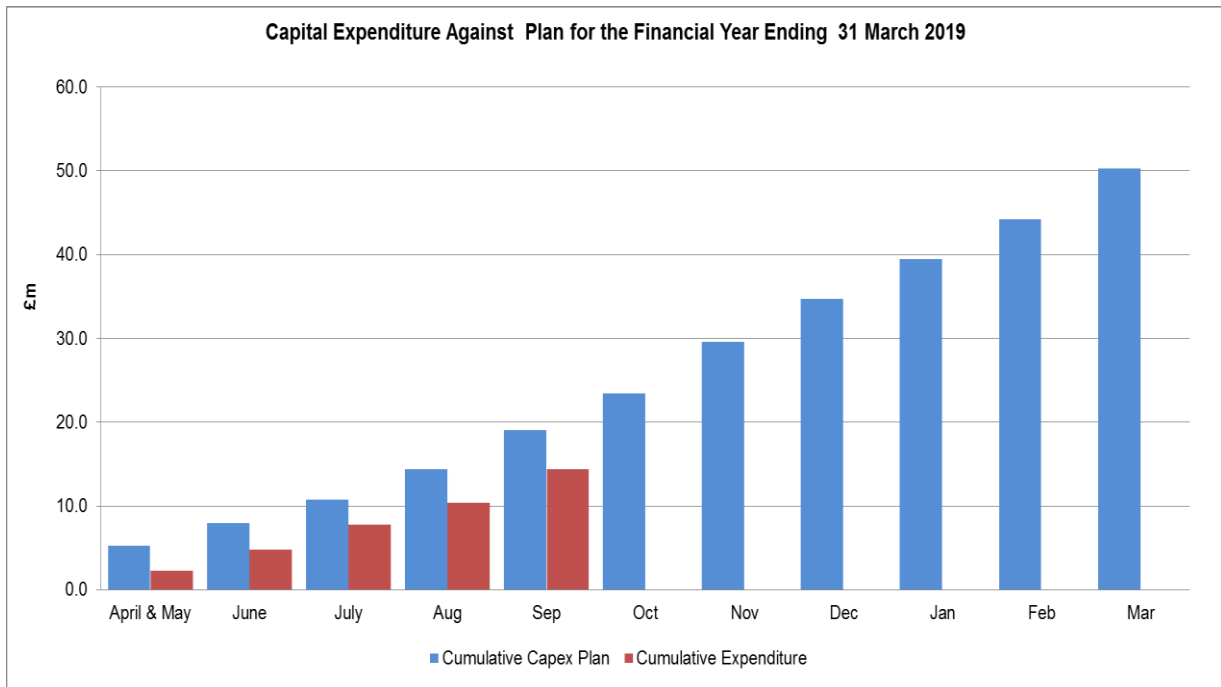
Actual capital expenditure incurred year to date was £14.3m compared to the planned £19.0m. As in previous years, capital expenditure tends to increase in the later part of the financial year as schemes and procurement processes are completed. There is also slippage on the anticipated phasing of costs associated with the ACAD development. A more detailed quarterly update covering the April to September capital investments is detailed in **Appendix B**.

Capital expenditure in the month totalled £3.9m, this included;

- £2.1m Replacement medical equipment across the sites
- £1.0m PFI Lifecycle works

- £0.3m Site wide ICT infrastructure and Global Digital Exemplar costs
- £0.3m Estates and facilities improvements and backlog works

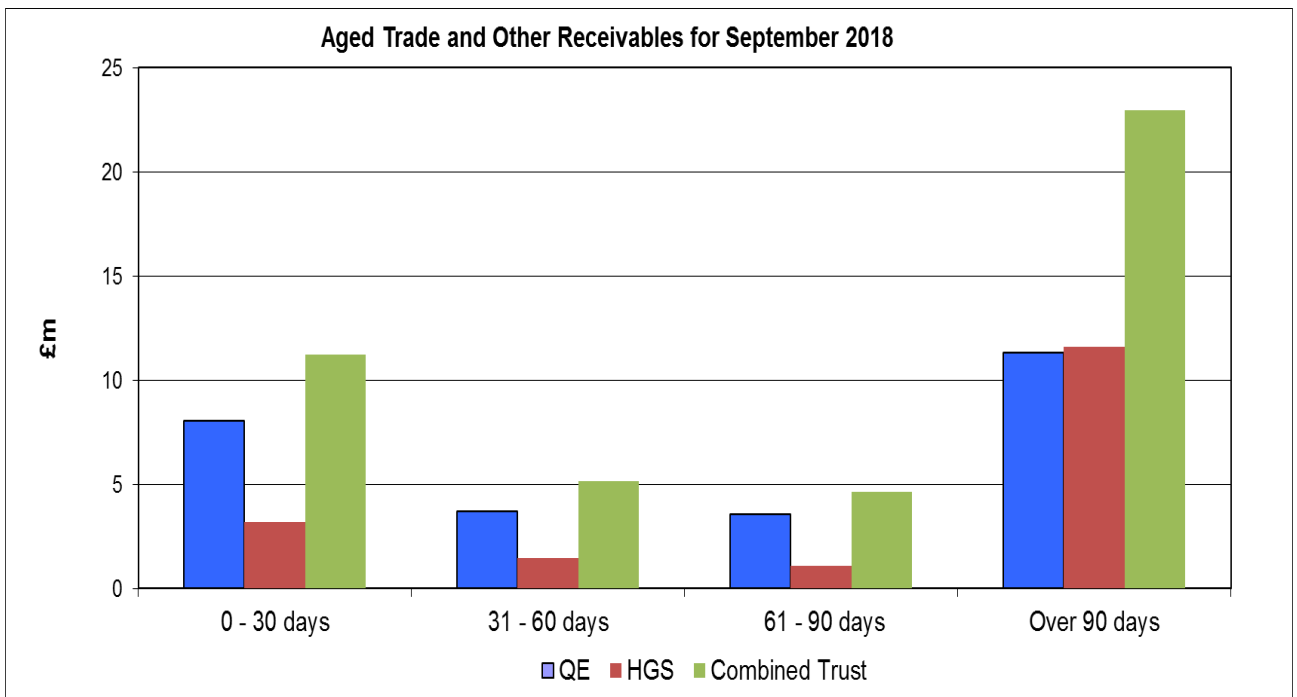
Table 13: Capital Programme Expenditure



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 September 2018, the external over 90 day debt amounted to £22.9m. This includes £5.7m due from NHS commissioners (with £4.3m of unpaid HGS healthcare income). A further £9.4m relates to Service Level Agreements (SLA) for services provided to other NHS providers, this includes Sandwell & West Birmingham NHS Trust (£3.5m), Birmingham Women's and Children's (£1.9m) 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



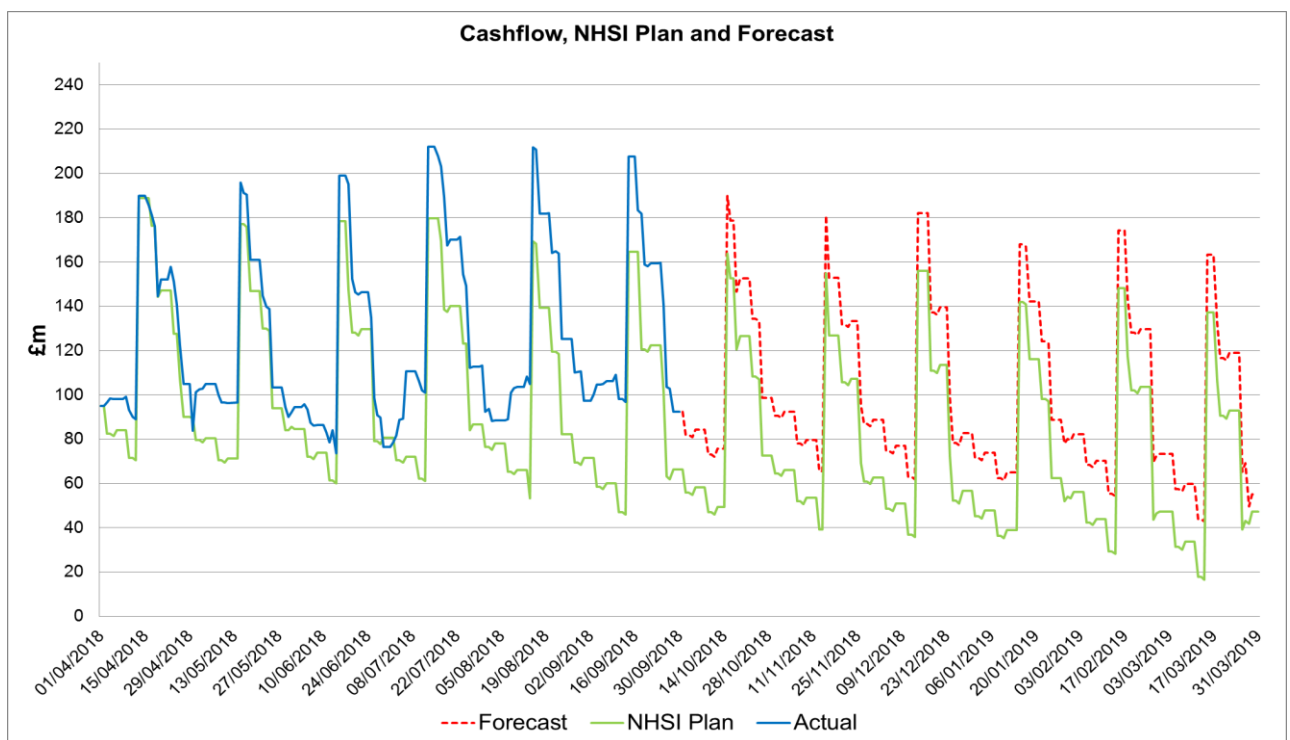
7. Cash Flow

The blue line on Table 15 below shows the actual weekly cash balances up to the end of September 2018. This shows the Trust's cash balance at the end of September was £96.2m 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 3 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)	(22.3)	142.8	165.1
Gains on transfers by absorption	0.0	0.0	(165.0)	(165.0)
Trust Surplus / Deficit for the period excl absorption gains	(38.8)	(22.3)	(22.3)	0.1
Adjust: Capital donations/grants I&E impact	0.7	0.4	0.3	(0.0)
Adjusted financial performance surplus/ (deficit) including PSF	(38.0)	(22.0)	(21.9)	0.0
Less: Provider Sustainability Fund (PSF)	(23.8)	(8.3)	(8.3)	0.0
Adjusted financial performance Surplus / (Deficit) excluding PSF	(61.8)	(30.3)	(30.2)	0.0

** 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. To date, the Trust has received 100% of the Quarter 1 funding which totalled £3.6m. The Trust continues to assume full receipt of the PSF income allocated to the QE segment of the Trust.

9. Conclusion

The Trust has reported an income and expenditure deficit (including PSF) of (£22.3m) at the end of September (Month 6). The Trust is reporting financial performance in line with plan at this early 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. If the Trust can recover some of the year to date elective and day case activity under performance, this will result in further healthcare income gains. Finally, the Trust's cash balance remains strong at £96.2m as at 30 September 2018.

10. Recommendation

The Board of Directors is requested to:

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
17 October 2018

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

2018/19 - Month 5 Income & Activity (against Equally Phased Plan)

Income

Income Type	QEHB			HGS			Total		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
AandE	6,748	6,581	- 167	13,546	13,824	278	20,294	20,405	111
Ambulatory Care	2,054	2,269	216	2,775	2,477	- 298	4,829	4,746	- 83
Critical Care	13,883	13,595	- 288	9,507	10,041	534	23,390	23,636	246
Day Case	16,872	15,893	- 979	21,601	21,065	- 536	38,474	36,958	- 1,516
Elective	27,994	25,402	- 2,592	17,699	17,550	- 149	45,693	42,952	- 2,741
Non Elective	52,420	55,830	3,410	63,684	69,515	5,832	116,104	125,346	9,242
Excess Bed Days	3,398	3,210	- 188	3,296	3,342	45	6,694	6,551	- 143
Maternity	-	-	-	19,405	19,381	- 24	19,405	19,381	- 24
Direct Access	2,848	3,142	294	7,823	7,763	- 60	10,671	10,904	234
Outpatient First Attendance	10,831	10,149	- 681	14,830	14,195	- 635	25,660	24,344	- 1,316
Outpatient Follow Up	20,701	21,107	406	15,089	14,728	- 361	35,790	35,835	45
Outpatient Procedures	5,369	6,582	1,213	8,238	8,533	295	13,607	15,115	1,508
Diagnostic Imaging	4,780	4,759	- 22	3,195	3,231	36	7,975	7,990	15
Renal Dialysis	11,020	11,018	- 1	4,412	4,536	124	15,432	15,554	122
Other	10,429	10,733	303	16,611	16,134	- 477	27,040	26,867	- 174
Marginal rate Emergency Threshold	417	684	267	1,629	4,285	2,655	2,046	4,969	2,923
	188,932	189,587	655	220,082	222,029	1,948	409,013	411,616	2,603

The above excludes Cost Per Case Income for Drugs & Devices and all Block Income (including Sexual Health and Community Services)

Activity

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	51,815	51,099	- 716	115,267	119,441	4,174	167,082	170,540	3,458
Ambulatory Care	4,378	4,835	457	5,697	5,504	- 193	10,075	10,339	264
Critical Care	12,276	12,662	386	13,170	14,103	933	25,446	26,765	1,319
Day Case	22,662	21,061	- 1,601	34,061	33,504	- 557	56,723	54,565	- 2,158
Elective	7,535	6,373	- 1,163	5,526	5,292	- 234	13,062	11,665	- 1,397
Non Elective	17,981	19,655	1,674	31,274	34,896	3,622	49,256	54,551	5,295
Maternity	-	-	-	12,171	11,628	- 543	12,171	11,628	- 543
Direct Access	502,319	534,666	32,347	2,971,174	2,976,109	4,935	3,473,493	3,510,775	37,282
Outpatient First Attendance	59,683	63,948	4,265	89,218	87,677	- 1,541	148,902	151,625	2,723
Outpatient Follow Up	214,762	207,997	- 6,765	206,554	211,696	5,142	421,317	419,693	- 1,624
Outpatient Procedures	43,116	53,841	10,725	57,417	58,544	1,127	100,533	112,385	11,852
Diagnostic Imaging	44,395	46,219	1,824	39,261	39,964	703	83,656	86,183	2,527
Renal Dialysis	90,195	89,934	- 261	36,644	37,975	1,331	126,839	127,909	1,070
Other	38,509	44,332	5,823	103,938	107,439	3,501	142,447	151,772	9,325
	1,109,629	1,156,622	46,993	3,721,372	3,743,772	22,400	4,831,001	4,900,395	69,393

* Excludes Excess Bed Days

The figures above are before fines and penalties.

Appendix B – 2018/19 Capital Expenditure Quarter 2 Update

1. Purpose

This appendix provides a summary of Trust wide capital expenditure between April and September 2018 (Q1 & Q2). 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. Since June, 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.

Adding these projects to the approved budget gives a planned capital budget of £54.7m (excluding the QEHB PFI annual capital repayment);

Table 1: 2018/19 Capital Programme

Site	Type	£m	QE	HGS
All	Medical Equipment Replacement	11.0	4.0	7.0
All	Estates Works	4.6	1.3	3.3
All	ICT Infrastructure & GDE	3.7	1.3	2.4
All	ICT GDE Project	3.3	3.3	0.0
HGS	Discretionary / Unallocated	0.0	0.0	0.0
HGS	ACAD	17.3	0.0	17.3
HGS	ACAD Prep Works & Fees	3.3	0.0	3.3
QE	QEHB PFI Lifecycle	2.1	2.1	0.0
QE	Major Medical inc. Lin Accelerator	4.7	4.7	0.0
All	ICT Wi-Fi Roll Out	0.6	0.2	0.3
All	Granted & Donations	2.5	0.5	2.0
	Approved Capital Programme	52.9	17.2	35.7
All	Winter Capacity Expansion	1.8	0.7	1.2
	Current Capital Programme	54.7	17.9	36.8
	QEHB PFI Capital repayment	13.1	13.1	0.0
	Total Capital investment	67.8	31.0	36.8

Note - may contain rounding differences.

3. Capital Expenditure

At the end of September 2018, the Trust reported capital expenditure of £14.3m;

Table 2: 2018/19 Actual Capital Expenditure

SITE	TYPE	ANNUAL PLAN £m	ACTUAL £m
All	Medical Equipment Replacement	11.0	5.3
All	Estates Works inc. Winter Capacity	6.4	2.1
All	ICT Infrastructure	3.7	1.4
All	ICT GDE & Wi-Fi Projects	3.8	1.7
HGS	ACAD	20.6	1.3
QE	QEHB PFI Lifecycle	2.1	1.2
QE	Major Medical inc. Lin Accelerator	4.7	0.3
All	Granted & Donations	2.5	1.0
	Current Capital Programme	54.7	14.3

This includes £8.2m invested across HGS sites and £6.1m across QE sites. A progress update covering the main projects is detailed below;

3.1. Medical Equipment & Divisional Spend

This budget covers the replacement of existing medical equipment across all hospital sites. To date £5.3m of expenditure has been incurred (£4.0m at HGS and £1.3m at QE), this has included patient monitors, dialysis machines, ultrasounds, operating tables, theatre monitors and x-ray equipment.

3.2. Estates Works (inc. Winter Capacity Projects)

The current plan contains £6.4m for a range of 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, along with backlog maintenance projects across Heritage buildings and improvements to Melchett Road (toilets and chiller units).

3.3. ICT Infrastructure, GDE and Wi-Fi Project

The current plan contains £7.5m of funding for IT projects across the all sites. This includes Trust funding of £3.7m and central PDC funding of £3.8m relating to Global Digital Exemplar (GDE) and the roll out free Wi-Fi across the NHS. 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. A number of high valued orders have been placed in recent weeks covering hardware, software, the data domain and licensing.

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) and the Department of Health and Social Care in January 2018. Discussions with regulators and the main contractor (Kier Infrastructure and Overseas Ltd) continue, with the expectation that the Full Business Case (FBC) is finalised in the next few months.

NHSI have confirmed that the business cases (OBC and FBC) will not formally be considered by the relevant committees for a decision on funding until after the outcome of the STP capital prioritisation process has been announced in November 2018.

Board approval was given to start a package of enabling and demolition works across the Heartlands site. To date the £1.3m has been incurred and funded by the Trust. Discussions with the main contractor are ongoing following receipt of a revised Guaranteed Maximum Price (GMP) at the end of September 2018.

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 £1.2m incurred to date also includes several variation improvement works completed in the QEHB at the request of services.

3.6. QE Major Medical

The current £4.7m 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 are taking place at present. The timetable for the Laboratory BARS and Neuro biplane replacements are dependent on several factors including; completion for variations with the PFI operator, operational pressures and competing external factors such as the timetable for external accreditation within Laboratories.

3.7. Grants & Donations

There are £2.5m of current capital projects being funded by charitable grants or donations. One project funding is coming from an external renal charity;

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.

3.8. Exclusions

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

- HGS: NHS Digital: GDE fast follower central funding which is subject to final agreement in the next few months.
- 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.

As planning for a single 2019/20 capital programme starts, proposals will be put forward to a senior planning group to discuss capital priorities and pressures; this will include the following Trust directors:

- Chief Executive
- Chief Financial Officer
- Chief Operating Officers
- Director of Strategic Operations
- Chief Nurse
- Director of Finance
- Director of Estates

4. 2018/19 Capital Forecast

Historically, NHS providers have been poor at forecasting capital expenditure. At a national level, at the end of Quarter 1, NHS providers were forecasting £4.6 billion of capital investment during 2018/19 whilst the Quarter 1 actual expenditure was just £0.5 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.

Given the delays to the approval of the ACAD scheme and following a review of planned spend with key stakeholders, the Trust has reduced its forecast expenditure down to £45.0m (estimate at month 5) and then down to £40.0m (Month 6 estimate 6) as show below;

Table 4: Forecast Outturn

Site	Type	Plan £m	M5 Forecast £m	M6 Forecast £m
All	Medical Equipment Replacement	11.0	10.8	10.8
All	Estates Works inc. Winter	6.4	5.7	6.5
All	ICT Infrastructure	3.7	3.3	3.5
All	ICT GDE & Wi-Fi Project	3.8	4.0	4.1
All	Discretionary / Unallocated	0.0	3.3	0.0
HGS	ACAD	20.6	10.0	7.0
QE	QEHB PFI Lifecycle	2.1	2.1	2.1
QE	Major Medical inc. Lin Accelerator	4.7	4.2	3.8
All	Granted & Donations	2.5	1.7	2.2
	Current Capital Programme	54.7	45.0	40.0
QE	QE PFI Capital Payment	13.1	13.1	13.1
	Total Capital Investment	67.8	58.1	53.1

5. Sources of Capital Funding

The funding sources for the planned capital investment (including QEHB capital repayment) set out in Table 1 are shown below. Table 5 below has been updated to show the impact of the lower forecast capital spend,

Table 5: 2017/18 Capital Expenditure & Sources of Funding

Type	Project Name	Plan £m	Forecast £m
PDC	ICT Global Digital Exemplar	3.5	3.5
PDC	ICT Wi-Fi Roll Out	0.6	0.6
PDC	Linear Accelerator Replacement	1.7	1.7
PDC	Winter Capacity	1.7	1.7
DH Loan	ACAD	17.3	7.0
Other	UHB Charity	2.0	1.7
Other	Other Charitable Grants (HGS)	0.5	0.5
Internal	Depreciation & Amortisation	37.6	36.5
Internal	Trust Cash	3.0	0.0
	Sources of Funding	67.8	53.1

The major movement relates to reduction in the ACAD loan to match the reduced forecast expenditure.