

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
COUNCIL OF GOVERNORS
THURSDAY 20 FEBRUARY 2020

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2019
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 17374

Purpose:	To present an update to the Council of Governors on the Trust's finance and activity performance for the period ending 31 December 2019 (Months 1-9 2019/20).
Confidentiality Level & Reason:	N/A
Strategy Implementation Plan Ref:	#8 Use our resources as efficiently as possible to meet our financial improvement trajectory. #9 Invest in our estates and capital infrastructure to provide high quality facilities for patients and minimise under-utilised clinical space.
Key Issues Summary:	<ul style="list-style-type: none"> • The Trust's planned adjusted financial performance for 2019/20 is a (£36.2m) deficit excluding central funding. • Including central funding, the Trust's planned financial performance for 2019/20 is breakeven. • The year to date deficit (including central funding) is (£16.7m) against a planned deficit of (£17.0m), £0.3m favourable to plan. • The Trust received an additional £0.9m allocation of 2018/19 Provider Sustainability Funding (PSF) in June which must be shown as a gain in the 2019/20 accounts. • The Trust is delivering the control total agreed with NHSE&I at the end of quarter 3. • The Trust's cash balance was £53.5m at the end of December 2019.
Recommendations:	The Council of Governors is requested to receive the contents of this report.

Signed: Mike Sexton	Date: 16 January 2020
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

COUNCIL OF GOVERNORS

THURSDAY 20 FEBRUARY

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2019

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the nine months of the 2019/20 financial year from April to December 2019. The report summarises the Trust's combined financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Plan (CIP) delivery.

The 2019/20 financial plan was approved by the Board of Directors in May 2019 prior to submission to NHS England and NHS Improvement (NHSE&I). The Trust's income and expenditure plan (including central funding) is to breakeven as follows:

Table 1: 2019/20 Annual Plan

	Plan £m
Surplus / (Deficit) For the Year	(0.0)
Exclude central funding (PSF/FRF/ MRET)	(36.2)
Exclude capital donations, grants and other	(0.0)
Adjusted Financial Plan excl. central funding	(36.2)
Control Total	(36.2)

The Trust has reported a deficit of (£16.7m) for the period ended December 2019 (Month 9). This is £0.3m favourable to the planned deficit of (£17.0m) for the period.

The Trust has been allocated an additional £0.9m of 2018/19 Provider Sustainability Funding (PSF) in Quarter 1. This now requires the Trust to deliver a 2019/20 surplus of £0.9m rather than the breakeven plan position shown above. The NHSE&I measure of financial performance removes all central funding and accounting adjustments for donated assets. On this basis the Trust is £0.1m ahead of plan for the year to date, as shown in Table 17.

Despite the reported position, there is currently underlying monthly deficit which is not consistent with the financial plans agreed for 2019/20. This is being mitigated by non-recurrent gains and benefits which are being released to ensure that the Trust delivers the agreed plan and secures the central funding. This is not a sustainable approach and, if unchecked, will increase the efficiency challenge for future years. Therefore, the underlying run-rate needs to improve during Quarter 4 through improving CIP delivery and controlling costs.

Factors contributing to the monthly deficit include:

- Under delivery against CIP targets.
- Divisional pressures including increased substantive and bank staff costs.
- Winter pressures.

The Trust's cash balance has increased to £53.5m at the end of December 2019 from £48.8m at the end of November.

2. Income & Expenditure

2.1 Summary Position

As set out above, the Trust's reported income and expenditure position at the end of December is a deficit of (£16.7m) which is £0.3m favourable compared to the original plan. Although the 2019/20 annual plan is to breakeven, this is not equally phased due to:

- Elements of the central funding (PSF, FRF) weighted towards the second half of the year.
- Non-consolidated annual pay award costs incurred in Month 1.
- £14.0m stretch CIP target which is profiled into Q4.
- Additional £0.9m of 2018/19 PSF notified in June (see revised trajectory in Table 2 below).

Table 2: Trust Income and Expenditure position

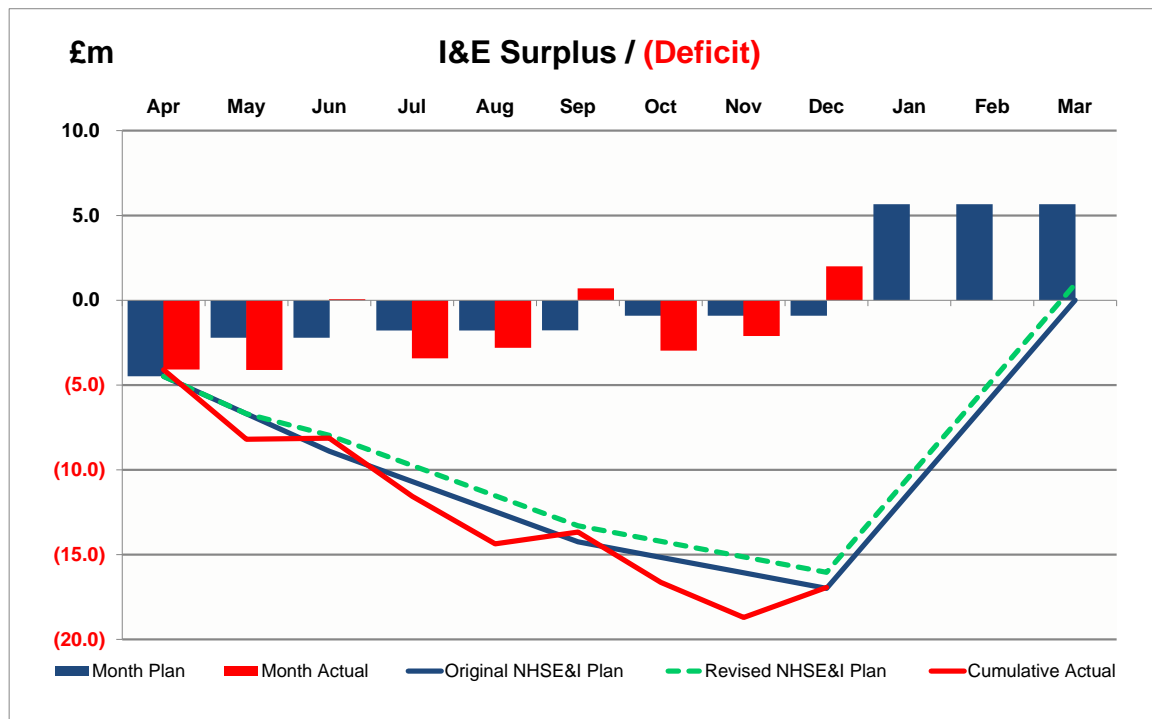


Table 3 below summarises the Trust's Income and Expenditure position for the period ended December 2019. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

Table 3: YTD Income and Expenditure against Original Plan

Consolidated Summarised Income and Expenditure - Group			
	YTD Plan Dec-19 £m	YTD Actual Dec-19 £m	YTD Variance Dec-19 £m
Operating Income	1,254.5	1,267.3	12.8
Operating Expenditure	(1,226.9)	(1,237.6)	(10.7)
EBITDA	27.6	29.7	2.2
Depreciation	(27.4)	(27.9)	(0.5)
Interest Receivable	0.5	0.4	(0.1)
Interest Payable	(18.0)	(18.1)	(0.1)
PDC Dividends	(1.1)	(1.1)	0.0
Gains / (losses) on Disposals	0.0	(0.2)	(0.2)
Corporation Tax	0.0	(0.1)	(0.1)
Donated / Granted Income	1.5	0.6	(0.9)
Surplus / (Deficit)	(17.0)	(16.7)	0.3

Note - may include rounding differences

2.2 Income Analysis

2.2.1 Operating Income

Total operating revenue is £12.8m favourable to the year to date plan;

Table 4: Operating Income against Plan

Group	YTD Plan Dec-19 £m	YTD Actual Dec-19 £m	YTD Variance Dec-19 £m
INCOME			
Clinical - NHS	1,098.0	1,105.1	7.1
Clinical - Non NHS	9.8	11.2	1.4
Other	146.7	151.0	4.3
Total Income	1,254.5	1,267.3	12.8

Note - may include rounding differences

NHS clinical revenues are £7.1m favourable to plan, this includes additional funding received in year from Commissioners, additional PSF, central DHSC pay award funding and cost per case activity. Non-NHS clinical income is £1.4m favourable to plan due to Private Patient income £0.3m and overseas visitors income £0.5m. Other non-clinical income is £4.3m favourable to plan due to improvements in SLA income and other trading revenues.

2.2.2 Healthcare Related Income

The Trust's actual healthcare income and activity performance for Month 1-8 (April - November 2019) is shown below compared to an equally phased plan.

Table 5: Healthcare Income by Point of Delivery

Income Type	YTD Plan £m	YTD Actual £m	YTD Variance £m
Accident and Emergency	39.1	38.7	(0.4)
Inpatients - Scheduled Care	137.4	134.3	(3.1)
Inpatients - Unscheduled Care	278.3	278.8	0.5
Outpatients	128.5	128.6	0.1
Other	144.3	150.2	5.9
Total	727.5	730.6	3.10

Note - Excludes Fines & Penalties, Block contracts and Excluded Drugs & Devices.

This shows actual healthcare income being £3.1m favourable to plan at the end of November. Income for both Scheduled care and A&E is lower than plan, but this is offset by over-performance within Other income. Other Income includes Imaging £1.3m, Renal Dialysis £1.0m, Neurology £0.9m, Radiotherapy £0.7m, Dialysis £0.6m, Maternity £0.5m, CF £0.3m and Chemotherapy £0.4m. As in previous years, any under / over performance will not be recognised in the reported financial position until it is agreed and reconciled with commissioners. The above position is shown before Commissioner fines, penalties and the impact of the blended tariff adjustment.

Table 6 below shows the equally phased planned and actual activity levels by the main points of delivery.

Table 6: Healthcare Activity Units

Activity Type	YTD Plan	YTD Actual	YTD Variance
Accident and Emergency (Attendances)	285,256	280,225	(5,031)
Inpatients - Scheduled Care (Spells)	108,685	109,099	415
Inpatients - Unscheduled Care (Spells)	131,928	127,681	(4,247)
Outpatients (Attendances & Procedures)	1,113,174	1,117,671	4,497
Other (Direct Access / Various)	6,162,011	6,965,392	803,382

Note - Excludes Excess bed day activity

Table 6 shows that activity is below plan for A&E and unscheduled care against the equally phased plan. However, A&E activity is 3.0% above the same period in 2018/19, whilst the 2019/20 plan includes 5% growth uplift. Unscheduled Care activity is (3.2%) below plan although the associated financial performance remains broadly on plan. Within Outpatients, Outpatient procedures are 4% below plan.

Other activity remained above plan for the period to November predominantly as a result of increased direct access activity (Pathology and Imaging) but also Renal Dialysis and Maternity Pathways. Appendix A contains a detailed split of healthcare income and patient activity. The tables below show activity by the main points of delivery.

Table 6.1: Trust Inpatient Activity - Scheduled Care

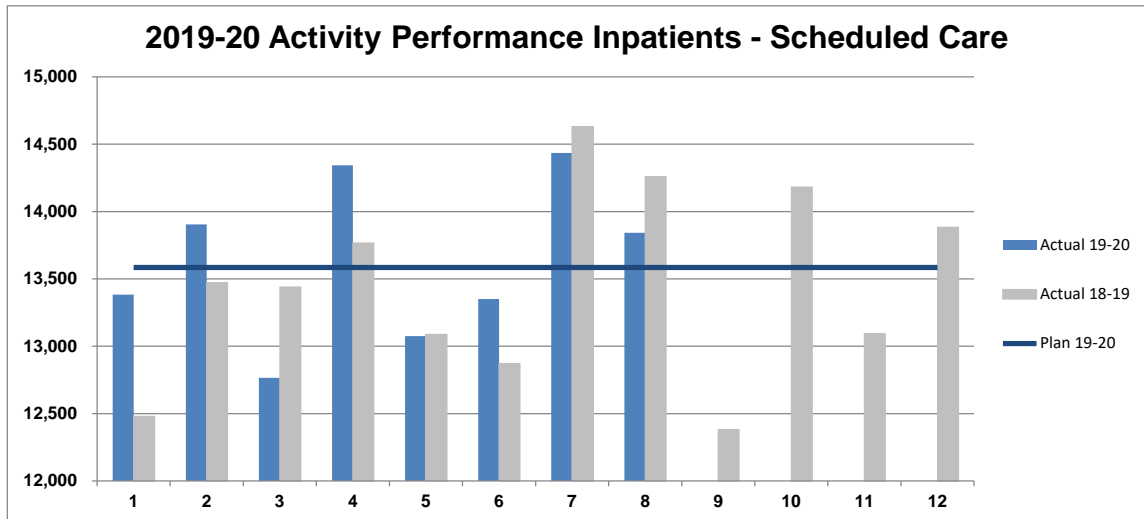


Table 6.2: Trust Inpatient Activity – Unscheduled Care

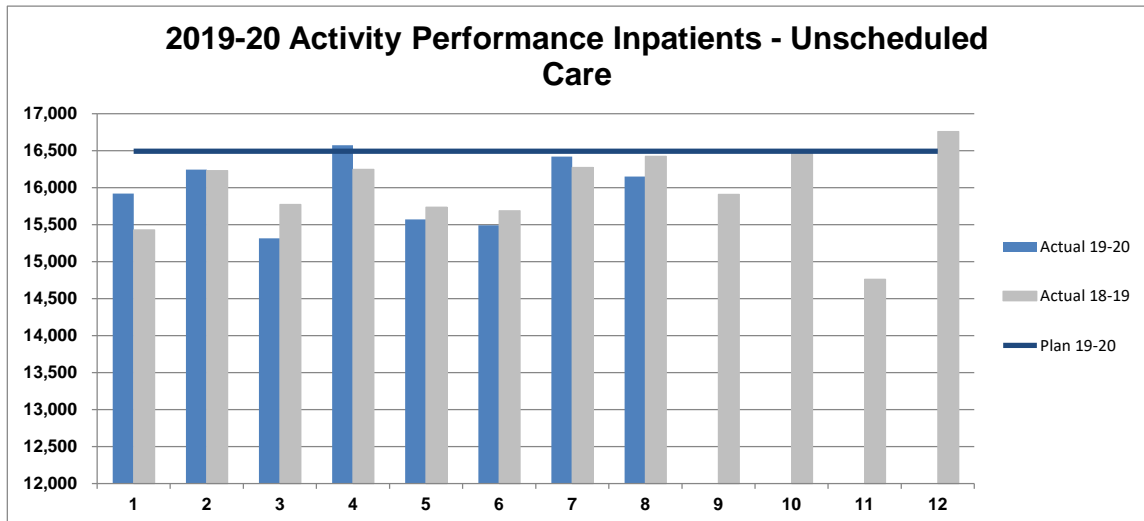
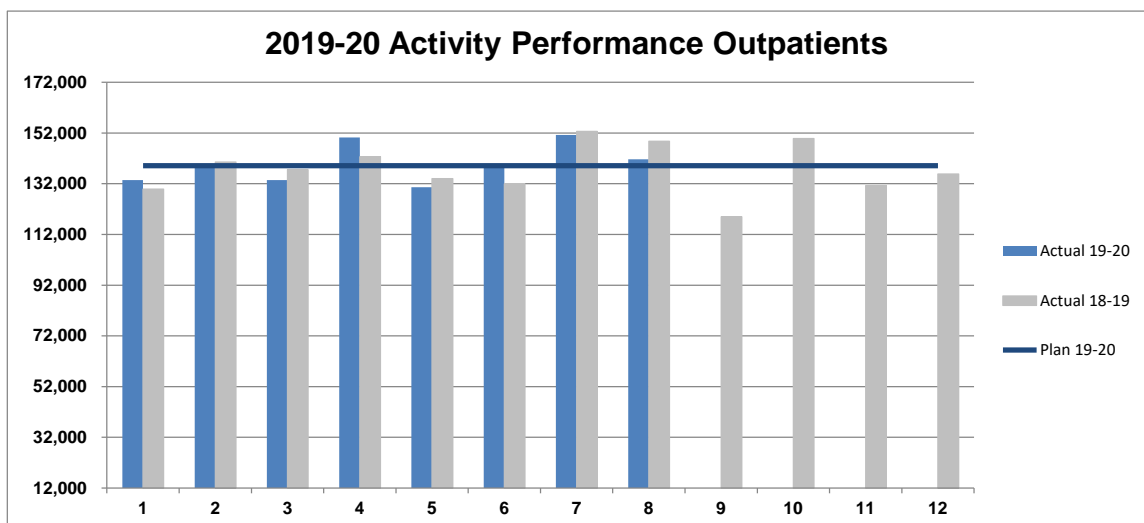


Table 6.3: Trust Outpatient Activity



2.3 Operating Expenditure Analysis

The Trust's expenditure shows an adverse variance of (£10.7m or 0.9%) overall for the year to date. This includes a pay overspend of (£8.5m or 1.2%).

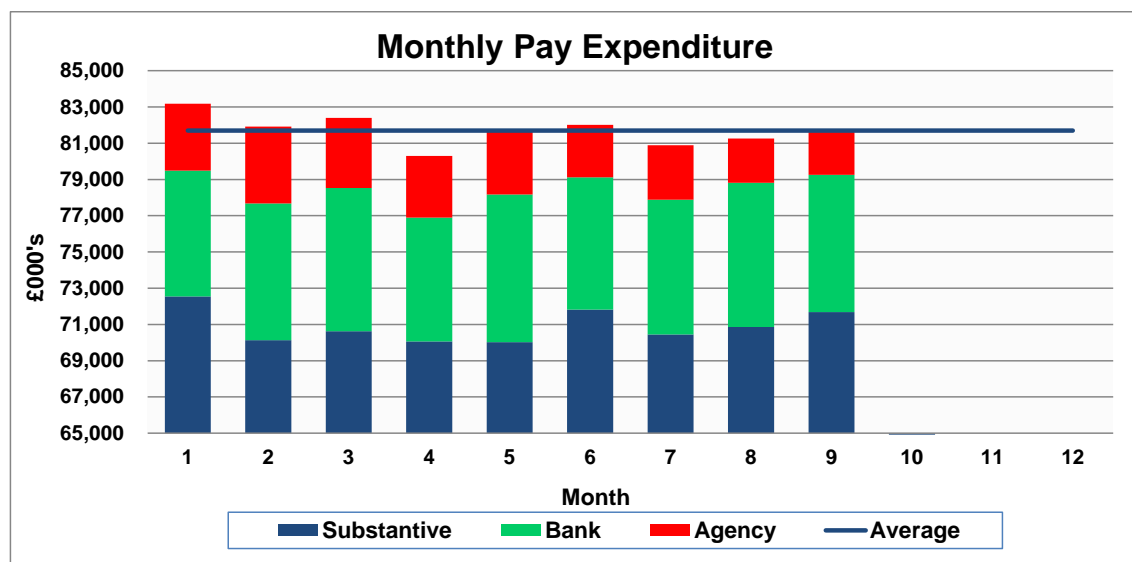
Table 7: Year to Date Operating Expenditure

Group	YTD Plan Dec-19 £m	YTD Actual Dec-19 £m	YTD Variance Dec-19 £m
PAY			
Medical Staff	222.6	223.0	(0.4)
Nursing incl HCAs	281.7	291.0	(9.3)
Other Staff	219.6	218.4	1.2
Apprentice Levy	2.9	2.9	0.0
Total Pay	726.8	735.3	(8.5)
NON PAY			
Drugs	184.5	184.9	(0.4)
Clinical Supplies & Services	140.7	141.2	(0.5)
Other / Non-Pay Reserves	174.9	176.2	(1.3)
Total Non Pay	500.1	502.3	(2.2)
GRAND TOTAL	1,226.9	1,237.6	(10.7)

Further analysis of the pay expenditure is set out below.

2.4 Pay Analysis

Table 8: Pay Expenditure by Type



Year to date pay expenditure totals £735.3m, averaging £81.7m per month for the year to date. This includes year to date agency expenditure of £29.4m and bank expenditure of £67.6m.

2.4.1 Medical Staffing

Year to date medical staff expenditure is £223.0m of which £131.9m relates to Consultant staff and £91.1m non-consultant staff.

Table 8.1 shows the year to date Senior Medical staff (Consultants) expenditure, which includes £4.3m of agency expenditure.

Table 8.1: Monthly Senior Medical Expenditure

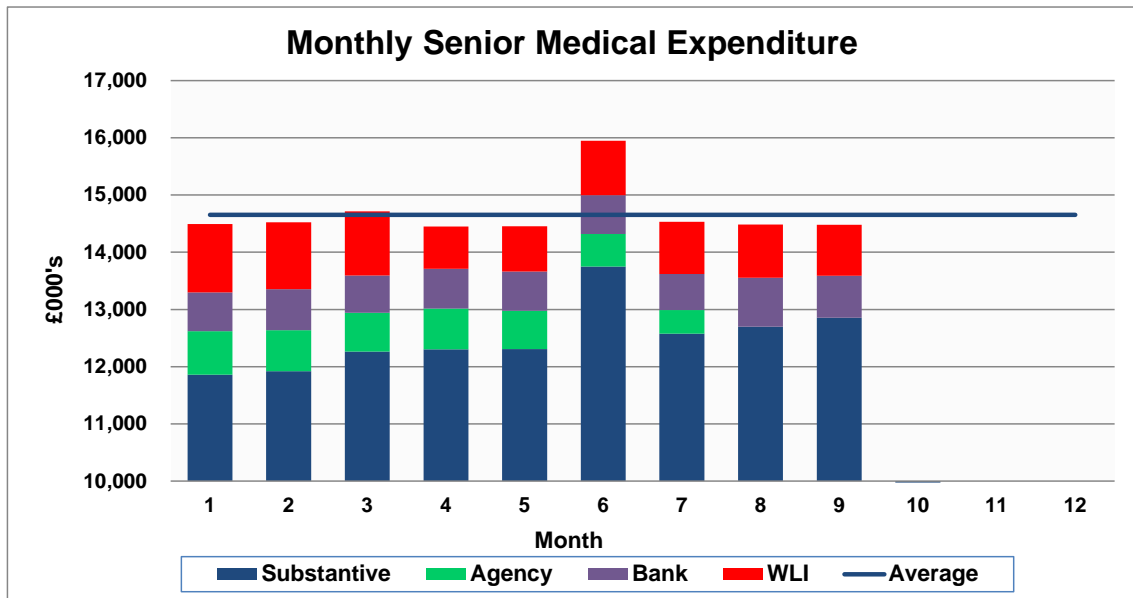
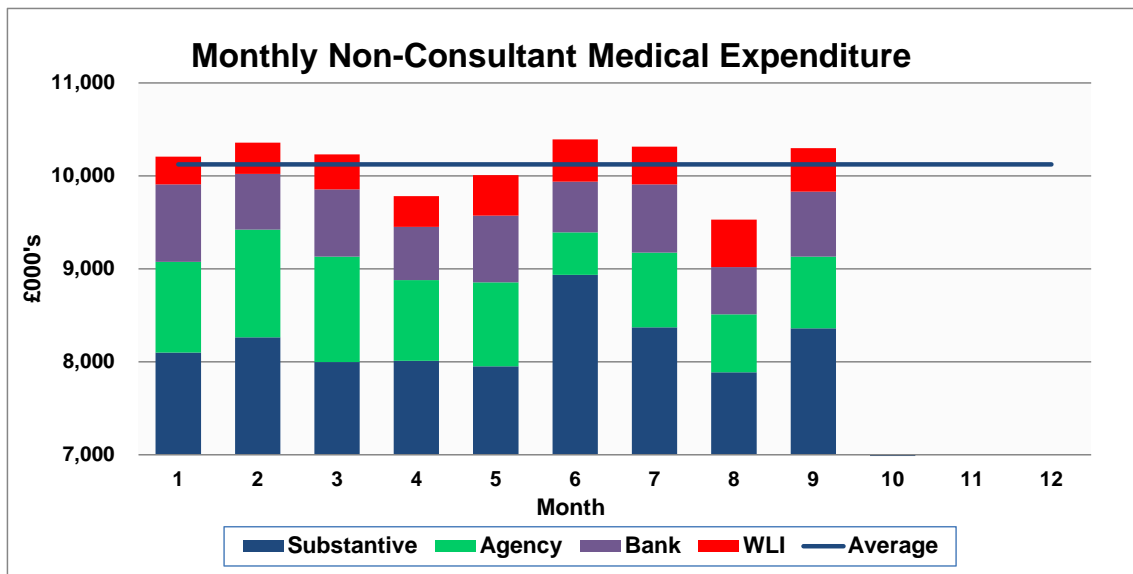


Table 8.2 shows other medical (Junior and Career Grade doctors) pay expenditure which totals £91.1m which includes £7.7m of agency staff.

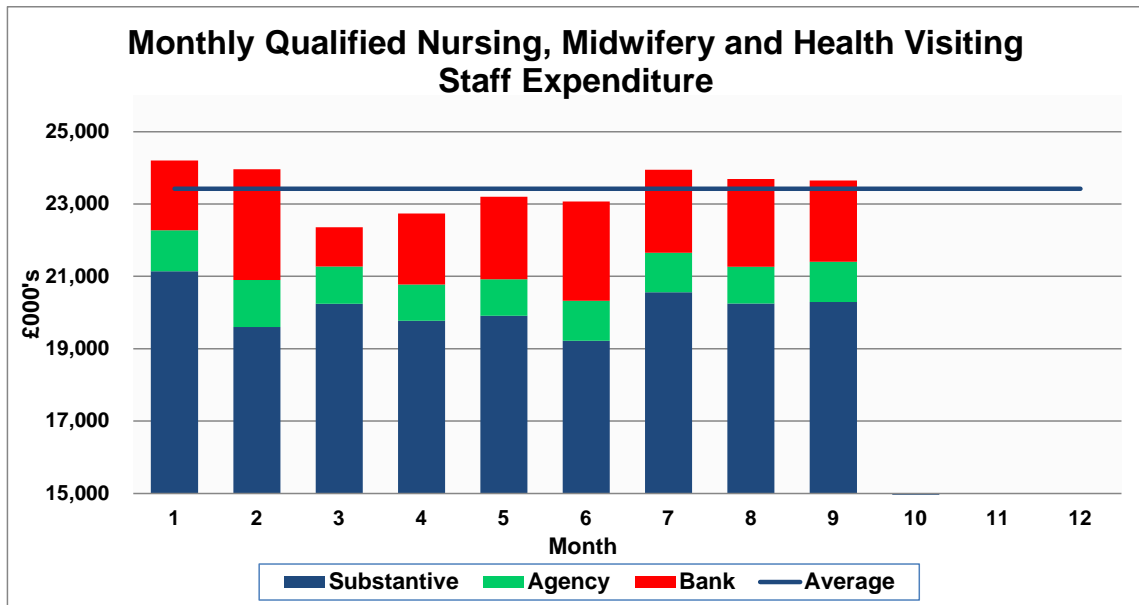
Table 8.2: Monthly Non-Consultant Medical Expenditure



2.4.2. Qualified Nursing, Midwifery and Health Visiting Staff

Table 8.3 shows the Trust's year to date qualified nursing expenditure totalling £210.8m of which £9.8m relates to agency and £20.0m to bank staff.

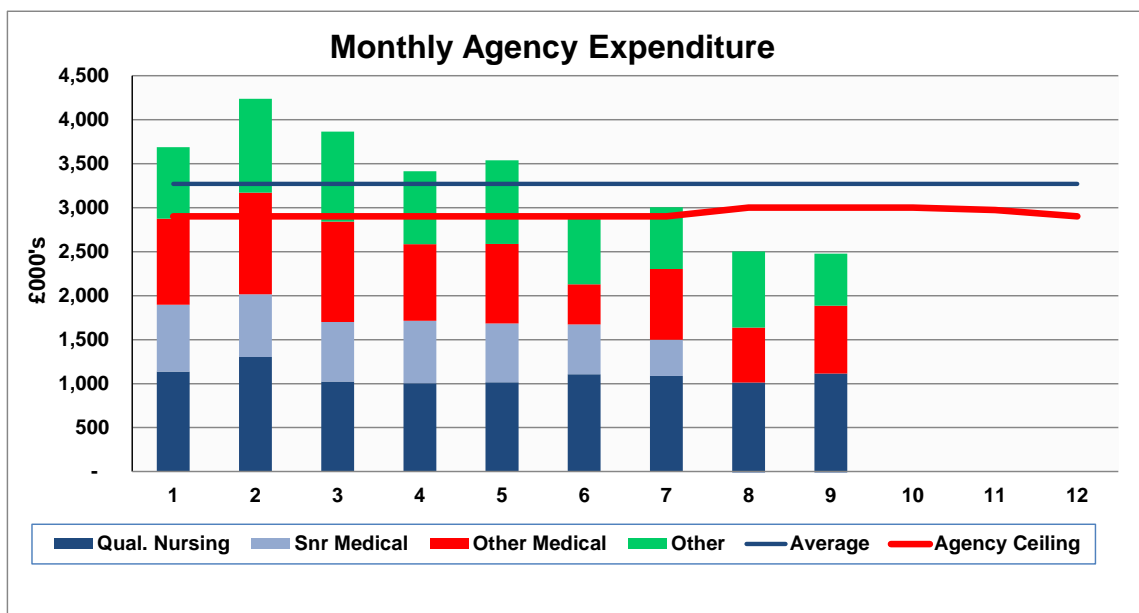
Table 8.3: Monthly Qualified Nursing, Midwifery & Health Visiting Staff Expenditure



2.4.3. Agency Expenditure

Table 8.4 shows the Trust's monthly expenditure on agency staffing which totalled £29.4m at month 9 and is (£3.1m) or (12%) adverse to the NHSE&I expenditure ceiling for the year to date.

Table 8.4: Monthly Agency Expenditure



The underlying trend for agency expenditure continues to reduce reflecting additional controls achieved through consolidation of bookings through the Trust's centralised system. A review of historical shift bookings has been undertaken resulting in a reduction to the level of accruals for Senior Medical shifts that have been worked but not yet paid.

2.5 Non Pay Analysis

Table 9 below compares month 9 non-pay spend by expenditure group with the average monthly expenditure for 2019/20 and the average for 2018/19.

Table 9: Non Pay by Expenditure Type

	2019/20	2019/20		2018/19
	YTD Actual	YTD Average	Month 9 Actual	Monthly Average
	£m	£m	£m	£m
Drugs	184.9	20.5	22.4	19.0
Clinical Supplies	141.2	15.7	15.2	14.9
Other	176.2	19.6	16.9	19.4
Total	502.3	55.8	54.5	53.3

The table above indicates that the level of non-pay expenditure has continued to increase compared to both the 2018/19 average and the 2019/20 YTD average, notably in relation to drugs expenditure in December. Other expenditure in December is below average due to the release of provisions in the month.

2.6 Operational Divisional Performance

Table 10 below shows the financial performance across the new Divisional structure. Funding was released to divisions in the month for the following approved business cases:

- D2 – Dermatology Consultants (Skin Lymphoma) £0.4m.
- D1 – Critical Care Medical Staffing (HGS sites) £0.2m.
- Non-recurrent Winter Funding (primarily D3) £0.5m.

Table 10: Divisional Analysis

Month 9	Category	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Division 1	Income	23.9	18.1	18.5	0.4
	Pay	(209.4)	(156.9)	(159.1)	(2.2)
	Non Pay	(57.2)	(42.8)	(57.3)	(14.5)
	Sub-Total	(242.7)	(181.6)	(197.9)	(16.3)
Division 2	Income	3.0	2.5	5.2	2.7
	Pay	(122.0)	(91.2)	(93.4)	(2.1)
	Non Pay	(133.8)	(98.9)	(104.5)	(5.6)
	Sub-Total	(252.9)	(187.6)	(192.6)	(5.0)
Division 3	Income	10.4	7.9	8.2	0.2
	Pay	(180.6)	(135.4)	(150.8)	(15.3)
	Non Pay	(32.8)	(25.0)	(28.0)	(3.0)
	Sub-Total	(203.0)	(152.5)	(170.6)	(18.1)
Division 4	Income	2.9	2.2	1.8	(0.3)
	Pay	(98.5)	(73.7)	(76.8)	(3.1)
	Non Pay	(60.9)	(44.5)	(47.3)	(2.8)
	Sub-Total	(156.5)	(116.0)	(122.3)	(6.3)
Division 5	Income	6.1	4.7	5.0	0.3
	Pay	(94.1)	(70.5)	(74.8)	(4.3)
	Non Pay	(135.6)	(104.3)	(113.0)	(8.7)
	Sub-Total	(223.6)	(170.1)	(182.8)	(12.6)
Division 6	Income	5.3	4.0	4.1	0.0
	Pay	(76.5)	(57.5)	(55.1)	2.4
	Non Pay	(42.7)	(30.6)	(31.0)	(0.4)
	Sub-Total	(113.9)	(84.1)	(82.1)	2.0
Central Operations	Income	1,507.4	1,129.6	1,129.9	0.3
	Pay	(4.0)	(3.8)	(2.0)	1.8
	Non Pay	(2.0)	(3.4)	(0.9)	2.5
	Sub-Total	1,501.4	1,122.4	1,127.0	4.6
DIVISIONAL TOTAL		308.8	230.4	178.7	(51.7)

Note - may include rounding differences

The key divisional variances are set out below;

Division 1 (Clinical Support Services)

- (£16.3m); (9.0%) adverse to plan for the year to date.
- Pay (£2.2m) adverse which includes Radiology (£2.7m), Anaesthetics (£0.7m) and Theatres (£0.6m).
- Non Pay (£14.5m) adverse which includes unachieved in year and historic CIP targets (£6.8m), hire of mobile units and external reporting (£2.9m) in Radiology, drugs (£1.9m) and a further (£5.1m) of cost pressures for clinical supplies and equipment across Laboratories, Theatres and Critical Care. ,

Division 2 (Cardiology, Renal, Transplant and other Medical services)

- (£5.0m); (2.7%) adverse to plan for the year to date.
- Income £2.7m favourable driven by Cardiac Surgery (Transplant and VAD activity) £2.4m, and Cardiology private patients £0.2m.
- Pay (£2.1m) adverse, primarily due to waiting list payments in Cardiology and Dermatology.
- Non-Pay (£5.6m) adverse with a drug underspend offset by under delivery of CIP (£8.5m) and over spends for clinical supplies and devices primarily in Cardiology.

Division 3 (Emergency)

- (£18.1m); (11.9%) adverse to plan for the year to date.
- Pay expenditure (£15.3m) adverse due to agency medical staff (£8.3m), out of hour's payments to medical staff (£2.5m) and unqualified bank nurses (£4.0m). Substantive qualified nursing staff is £9.4m favourable to plan but offset by agency (£7.2m) and bank costs (£3.2m).
- Non Pay expenditure is (£3.0m) adverse of which (£2.2m) relates to non-achievement of CIP and (£0.9m) relates to internal recharges for patients outlying in other speciality beds.

Division 4 (Surgery)

- (£6.3m); (5.4%) adverse to plan for the year to date.
- Pay expenditure (£3.1m) adverse driven by a (£4.6m) overspend on medical staffing which includes (£3.0m) of waiting list initiative (WLI) payments.
- Non-Pay (£2.8m) adverse to plan due to unachieved CIP targets (£4.9m), and outsourced activity (£0.3m) offset by favourable variances including drugs £1.4m and appliances £0.5m.

Division 5 (Oncology, Neurology & Specialist Surgery)

- (£12.6m); (7.4%) adverse to plan for the year to date.
- Pay expenditure (£4.3m) adverse with main driver being medical staffing (£3.8m) which includes agency (£1.2m) and WLI payments of (£2.4m).
- Non-Pay (£8.7m) adverse of which (£3.9m) relates to CIP targets, (£3.1m) relates to drug costs (mainly Haematology) offset by a favourable variance of £2.2m for blood products.

Division 6 (W&C, Sexual Health, ID & Immunology)

- £2.0m; 2.4% favourable to plan for the year to date.
- Pay expenditure £2.4m favourable due to qualified nursing and midwifery vacancies and Senior Medical Staff vacancies.
- Non-Pay (£0.4m) adverse to plan.

3. Efficiency Savings

The Trust's annual plan includes a £42.0m CIP target (2.6% of turnover). This includes a £15.1m stretch target, of which £14.0m is phased into quarter 4.

Table 11: CIP Delivery by Site and Division

Division	Target	All CIP Sources		YTD Delivery		
		Plans Identified	(Unidentified) / Headroom	YTD Target	YTD Delivery	Variance
		£m	£m	£m	£m	£m
Division 1	5.4	4.1	(1.3)	4.1	2.4	(1.6)
Division 2	4.6	4.5	(0.1)	3.4	3.1	(0.3)
Division 3	4.8	5.0	0.2	3.6	3.0	(0.6)
Division 4	2.6	4.0	1.4	2.0	2.4	0.5
Division 5	3.1	4.5	1.4	2.3	2.4	0.1
Division 6	1.8	3.0	1.2	1.4	1.9	0.5
Central Ops	0.3	0.5	0.2	0.2	0.5	0.3
Corporate	4.2	5.1	0.8	3.2	3.3	0.1
Sub-Total	26.9	30.8	3.9	20.2	19.1	(1.0)
Stretch	15.1	-	(15.1)	0.8	-	(0.8)
Total	42.0	30.8	(11.2)	21.0	19.1	(1.9)

Overall CIP delivery continued to improve in December. Year to date CIP delivery stands at £19.1m against a target of £21.0m, a (£1.9m) shortfall. Whilst CIP delivery has improved, additional measures still need to be identified to meet the full stretch CIP target before the end of the financial year. This remains a risk to delivery of the overall financial plan and the Trust's ability to secure the full £36.2m of central funding (PSF and FRF) available.

4. **Statement of Financial Position**

The Statement of Financial Position shows the value of Trust's assets and liabilities as at 31 December 2019. The upper part of the statement shows net assets after short and long term liabilities with the lower part identifying sources of finance.

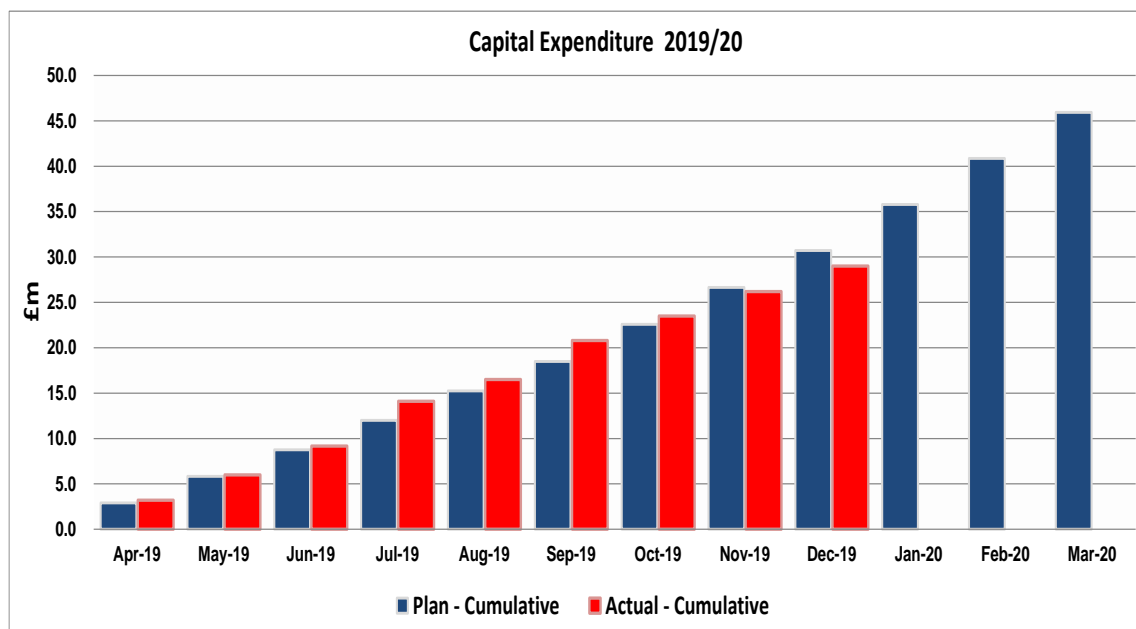
Table 12: Statement of Financial Position

Consolidated Summarised Balance Sheet - Group			
Group	YTD Plan	YTD Actual	YTD Variance
	Dec-19	Dec-19	Dec-19
	£m	£m	£m
Non-current assets			
Intangible Assets	14.6	12.7	(1.9)
Tangible Assets	432.4	432.2	(0.2)
PFI Assets	309.6	309.2	(0.4)
Debtors	8.5	9.0	0.5
Total	765.1	763.1	(2.0)
Current assets			
Inventories	35.5	38.2	2.7
Debtors	112.1	152.5	40.4
Bank & Cash	58.6	53.5	(5.1)
Total	206.2	244.2	38.0
Total Assets	971.3	1,007.3	36.0
Current liabilities			
Payables - trade	(271.2)	(301.1)	(29.9)
Payables - capital	(6.1)	(6.3)	(0.2)
Provisions	(3.4)	(3.1)	0.3
Deferred income	(33.4)	(41.8)	(8.4)
Borrowings	(13.8)	(13.9)	(0.1)
Total	(327.9)	(366.2)	(38.3)
Non-current liabilities			
Payables - trade	0.0	0.0	0.0
Provisions	(7.5)	(7.4)	0.1
Deferred income	(0.7)	(0.9)	(0.2)
Borrowings	(486.8)	(486.6)	0.2
Total	(495.0)	(494.9)	0.1
Total Liabilities	(822.9)	(861.1)	(38.2)
Net Assets	148.4	146.2	(2.2)
Financed by			
PDC	370.5	368.0	(2.5)
Revaluation Reserve	151.4	150.4	(1.0)
I&E Reserve	(373.5)	(372.2)	1.3
Total	148.4	146.2	(2.2)

5. Capital Expenditure (Non-Current Assets)

Table 13 below shows actual capital project expenditure incurred was £29.0m compared to the plan of £30.7m for the year to date. Capital expenditure in the month of December totalled £2.8m. Further detailed information relating to capital expenditure schemes is set out at Appendix B.

Table 13: Capital Programme Expenditure



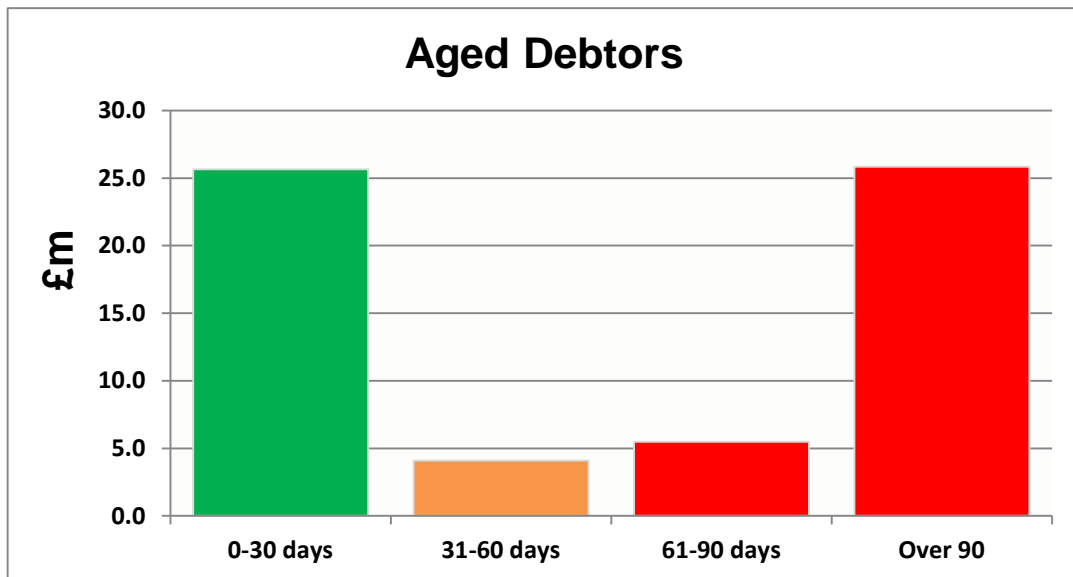
6. Aged Debt

The age profile of debtors (unpaid invoices issued by the Trust) is summarised below. At the end of December 2019 the value of unpaid debtor invoices over 90 days stood at £25.9m (£24.0m at 30 November). This includes £9.8m owed to the Trust by NHS Commissioners of which £5.7m relates to Birmingham and Solihull CCG and £3.7m NHS England. Work is currently ongoing to finalise payments in relation to the remaining unpaid 2018/19 over performance invoices.

A further £8.4m relates to unpaid invoices for services provided to other NHS Trusts. This includes £2.2m from Derby and Burton Hospitals, £1.9m from Birmingham Women's & Children's, £1.0m from Walsall NHS Trust and £0.8m from Sandwell & West Birmingham NHS Trust.

The remaining £7.7m owed to the Trust includes overseas visitors, private patients, local authorities, universities, the Ministry of Defence, private sector organisations and individuals.

Table 14: Aged Debt Analysis

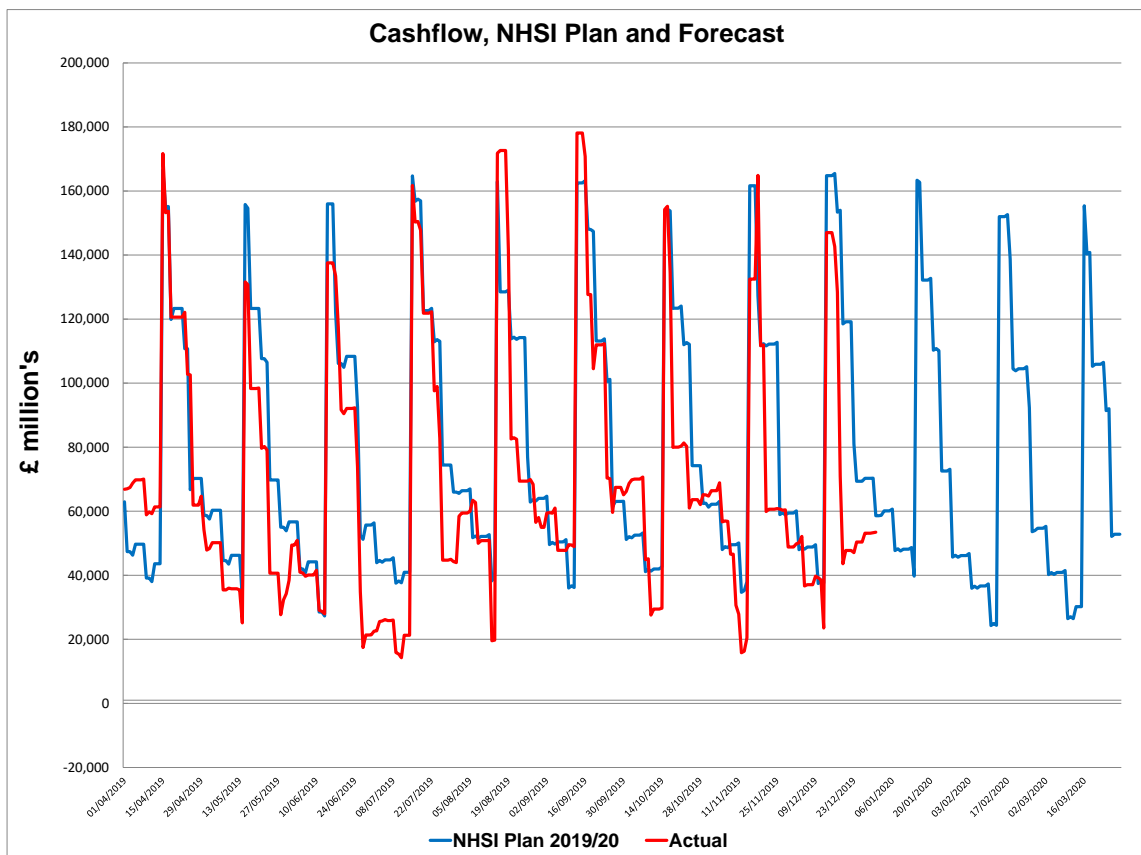


Note: 0-30 day debt excludes monthly block contract invoices raised to Commissioners.

7. Cash Flow

The red line on Table 15 below shows actual weekly cash balances. The Trust's cash balance at the end of December was £53.5m which is (£2.7m) below plan.

Table 15: Cash Flow Forecast



8. Financial Risk Rating & 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 indicative Financial Risk Rating score is detailed below;

Table 16: Trust Financial Risk Rating

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%	2	Actual surplus compared to plan
Agency Spend	20%	2	Distance of actual spend from the annual agency cap set by NHS Improvement
Trigger		Yes	Any score of 4 above (trigger applies)
Risk Rating		3	Max. score limited to 3 if trigger applies

Use of resources is one theme used by NHSE&I 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.

8.1 NHSE&I Control Total

The Trust is monitored by NHSE&I for its financial performance against the agreed control total adjusted for the items set out below: Table 17 below shows the reconciliation between the figures used;

Table 17: Adjusted NHSE&I Financial Performance

Adjusted Financial Performance (NHSI Control Total)	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Variance £m
Trust surplus / (deficit) for the period	0.0	(17.0)	(16.7)	0.3
Gains on transfers by absorption	0.0	0.0	0.0	0.0
Adjust: Capital donations / grants I&E impact	0.0	0.0	0.7	0.7
Remove impact of prior year PSF post accounts reallocation	0.0	0.0	(0.9)	(0.9)
Adjusted financial performance surplus / (deficit) including PSF	0.0	(17.0)	(16.9)	0.1
Less Central Funding : PSF, FRF and MRET	(36.2)	(24.5)	(24.5)	0.0
Adj. financial performance surplus / (deficit) excl. Central Funding	(36.2)	(41.5)	(41.4)	0.1

May include rounding differences

This table shows the adjusted financial deficit reported by the Trust at month 9. The adjusted financial position is measured after removal of the impact of capital grants and donations, prior year PSF, and central funding. An overall favourable variance of £0.1m was reported to NHSE&I for the period to 31 December.

8.2 Central Funding

To achieve the breakeven financial plan, the Trust is expecting to receive £36.2m of central funding:

- £23.7m Provider Sustainability Funding (PSF)
- £2.3m Financial Recovery Funding (FRF)
- £10.2m Marginal Rate Emergency Threshold (MRET)

MRET funding is phased equally over the financial year. The release of the PSF and FRF is dependent on the Trust achieving its agreed financial plan. The Trust has secured payments for quarter 1 (15%) and quarter 2 (20%), reporting it has delivered the agreed control totals for Q3 should secure the quarter 3 funding (30%). An additional £0.9m of PSF relating to 2018/19 was notified in June, so the Trust is now required to deliver a £0.9m surplus by the financial year end.

9. Conclusion

The Trust reported an income and expenditure deficit of (£16.7m) at the end of December 2019 which is (£0.3m) favourable to the (£17.0m) planned deficit. This includes an additional £0.9m of Provider Sustainability Funding (PSF) relating to 2018/19, meaning that the Trust is now required to deliver a £0.9m surplus, rather than the breakeven plan for 2019/20. On the control total basis used by NHSE&I, which excludes central funding and donated assets, the Trust is reporting a year to date favourable variance of £0.1m.

Receipt of remaining central funding, is contingent on continuing to deliver the financial plan over the remainder of the year. This is currently reliant on non-recurrent flexibility and therefore it important that the underlying run-rate improves during Quarter 4.

Mike Sexton
Chief Finance Officer
16 January 2020

Appendix B – 2019/20 Capital Expenditure Quarter 3 Update

1. Purpose

This appendix provides a summary of Trust's 2019/20 capital expenditure and the sources of funding.

2. 2019/20 Capital Programme

The approved 2019/20 capital investment plan is £47.3m;

Table 1: 2019/20 Capital Plan

Project	Annual Plan £'000
Medical Equipment	13,930
Facilities & Estates Projects	8,700
ICT	4,400
Estates QEHB PFI Lifecycle Works	3,900
ACAD	2,900
Major Medical Equipment	7,200
ICT Global Digital Exemplar (GDE)	3,300
ICT GDE Fast Follower	1,000
ICT STP (HSCN/HSU) Project	1,200
Charitable Grant/Income	800
Total	47,330

During November, the Trust secured additional capital project funding;

- £0.2m Cystic Fibrosis charity (refurbishment of BHH)
- £0.1m of Public Dividend Capital (PDC) for Genomics MIHRO licenses
- £0.1m of PDC for a Changing Places public toilet at the QEHB.

3. Capital Expenditure

At the end of Quarter 3, the Trust reported capital expenditure incurred of £29.0m with further commitments (orders raised) of £9.4m.

Table 2: 2019/20 Actual Capital Expenditure

Project	Approved Budget £'000	Total Expenditure (YTD) £'000
Medical Equipment	13,904	9,651
Facilities & Estates Projects	8,700	7,061
ICT	4,426	4,630
Estates QEHB PFI Lifecycle Works	3,900	2,117
Major Medical Equipment	7,200	1,657
ICT Global Digital Exemplar (GDE)	3,300	2,443
ICT GDE Fast Follower	1,000	265
ICT STP (HSLI) Project	1,200	0
Charitable Grant/Income	800	221
ACAD Project BHH (External)	2,900	431
Charitable Donations - UHB	0	544
TOTAL	47,330	29,021

3.1. Medical Equipment & Divisional Spend

The budget allocated of £13.9m covers the replacement of existing medical equipment across all hospital sites. At the end of Quarter 3, £9.7m of expenditure has been incurred (£4.7m at HGS and £5.0m at QE sites). This includes dental equipment, urodynamic machines, mobile x-ray replacements, operating tables, anaesthetic machines, laboratory microscopes, monitors, stacks and theatre tools.

3.2. Estates Works

Facilities and Estates have been allocated a combined budget of £8.7m for the financial year. At the end of Quarter 3, £7.1m has been incurred which included maintenance, improvement and demolition across the Trust (£6.1m at HGS and £1.0m at QE). Projects included works to Ward 2 (BHH), fire compartmentation and alarm control panels (HGS), BMS controllers, Fothergill building lifts, heritage backlog maintenance and works to relocate the East sub-station (QE).

3.3. ICT Infrastructure, GDE and Wi-Fi Project

The combined budget allocated for the financial year is £9.9m (including GDE funding). At Quarter 3, total ICT expenditure incurred was £7.3m. This included £4.6m for the replacement of existing hardware, software, network, security and SQL servers. These budgets are managed by the Director of IT and prioritisation of projects is linked to the Trust's strategic goals and the digital prioritisation group. A further £2.7m has been spent on specific ICT projects outlined below:

- Global Digital Exemplar (GDE) - £2.4m
- GDE Fast Follower project - £0.3m

3.4. Ambulatory Care and Diagnostics Centre (ACAD)

The Trust revised the expected ACAD expenditure this year down from £5.9m to £2.9m for enabling works and PMO costs. So far, £0.4m has been incurred for PMO costs and consultancy. The business case for the full £97m scheme cost was submitted to NHSE&I in February 2019. The Trust has recently received approval to commence enabling works in Quarter 4.

3.5. QEHB PFI Lifecycle & Variations

A budget of £3.7m has been allocated for 2019/20 of which £2.1m has been incurred for ad-hoc variations and improvement works completed in the QEHB at the request of services. In line with the PFI model, the lifecycle costs will be charged on a 6-monthly basis.

3.6. QE Major Medical

Total budget allocated for 2019/20 was originally £10m but has been revised to £7.2m as several projects have been delayed. At the end of Q3, £1.7m of expenditure has been incurred which includes;

- MRI replacement (BHH)
- Universal Digital Radiographic System (DR) x3 (HGS)
- Mammography System (QEHB)
- Bi-Plane Angio (QEHB)

3.7. Other Projects

The refurbishment of Aspen ward was approved by the Board as part of the surgical reconfiguration programme. The capital implications are in the region of £770k which has been managed through slippage against other projects.

3.8. Grants & Donations

At Quarter 3, £765k of expenditure was incurred on projects being funded by the charitable grants. These include works to training rooms, bereavement suite and cystic fibrosis Ward 26.

4. 2019/20 Sources of Capital Funding

The Trusts 2019/20 capital investment programme will be funded from the following sources;

Funding Source	Detail	£'000
External (Charitable)	Grants & Donations	800
External (DHSC)	GDE & ICT Funding	5,500
External (Loan)	ACAD Project	2,900
Internal Trust Cash	Depreciation	38,130
	Total	47,330

This shows the Trust is funding £38.1m of the planned capital investments in 2019/20 before external funding.