

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
COUNCIL OF GOVERNORS
THURSDAY 26 NOVEMBER 2020

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2020
Responsible Director:	Julian Miller, Chief Financial Officer
Contact:	Sarah Thomas, Director of Strategic Finance, ext. 17453

Purpose:	To present an update on the Trust's financial performance for the period ending 30 September 2020 (Month 6 2020/21) to the Board of Directors.
Confidentiality Level & Reason:	None
Board Assurance Framework Ref: / Strategy Implementation Plan Ref:	BAF - SR2/18 - Cash flow affects day to day operations of Trust BAF - SR12/18 - Unable to maintain and improve quality and quantity of physical environment to support the level of service SIP - #8 Use our resources as efficiently as possible to meet our financial improvement trajectory SIP - #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"> • NHSE&I have imposed an emergency financial regime for the first half of the 2020/21 financial year in response to the COVID-19 pandemic. • The Trust has reported an overall I&E deficit of (£0.3m) at Q2. This includes internal COVID-19 costs of (£54.2m) and a further (£44.5m) for the Nightingale Hospital. • Retrospective top up income of £112.9m has been recognised for the year to date, of which £104.6m relating to months 1-5 has been approved / paid by NHSE&I. • Capital expenditure of £22.8m has been incurred for the year to date (including £4.2m of COVID-19 expenditure).
Recommendations:	The COUNCIL OF GOVERNORS is asked to: 1. Receive the contents of this report.

Signed: Julian Miller	Date: 16 NOVEMBER 2020
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

COUNCIL OF GOVERNORS

THURSDAY 26 NOVEMBER 2020

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2020

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

An emergency financial regime has been introduced for the first half of 2020/21 in response to COVID-19 and is designed to enable all providers to breakeven. As at 30 September 2020, the Trust has reported an overall deficit of (£0.3m), which equates to breakeven excluding the impact of donated assets in line with the adjusted financial performance measure used by NHSE&I. The reported position includes retrospective top-up funding of £112.9m to cover both direct pandemic costs of (£98.7m), including the Nightingale Hospital Birmingham, and a residual deficit before technical adjustments of (£14.5m) for the year to date. This report provides details of the Trust's financial performance, the financial impact of COVID-19, activity levels, capital expenditure and cash.

2. Emergency Financial Regime / Interim Financial Plan 2020/21

NHSE&I wrote to all NHS organisations on 17 March 2020, setting out a range of measures to reduce the burden on providers to enable them to devote maximum operational effort to their COVID-19 readiness and response. This included the suspension of the normal annual financial planning process for 2020/21 and the introduction of an emergency financial regime which has now been extended beyond the initial four month period to cover the first half of the financial year from 1 April to 30 September 2020.

Under the emergency financial regime, Payment by Results was suspended and replaced by nationally set block contracts for all NHS providers with additional retrospective top-up funding available to bring providers back to breakeven, effectively offsetting the financial impact of responding to the COVID-19 outbreak.

2.1 Interim Plan (Months 1-6)

In August, NHSE&I issued the latest pre-populated financial plan for the Trust covering months 1-6. This updated plan is a roll forward of the initial values issued for 1-4. Whilst the assumptions in the latest plan are broadly consistent with the Trust's own assessments, it is clear at this stage of the financial year that the Trust is experiencing significant shortfalls in the level of variable income (R&D, private patients, trading income, etc.) as a direct result of the COVID-19 pandemic. NHSE&I have assumed that these revenue streams (and

associated costs) continue in line with 2019/20 values, although they acknowledge that this is ambitious. A summary of the plan for the first half of the year is shown in Table 1 below.

Table 1: 2020/21 Interim Plan Months 1-6

Interim Financial Plan (M1-6)	NHSE&I Plan M1-4	NHSE&I Plan M5	NHSE&I Plan M6	NHSE&I Plan M1-6
	£m	£m	£m	£m
Income - COVID Block Contract	501.6	125.4	125.4	752.4
Income - COVID Top Up	13.5	3.4	3.4	20.2
Income - COVID Retrospective Top Up	0.0	0.0	0.0	0.0
Other Patient Care Income	16.6	4.2	4.2	24.9
Other Income	61.4	15.3	15.3	92.1
Sub-total Income	593.1	148.3	148.3	889.6
Expenditure - Pay	(335.2)	(83.8)	(83.8)	(502.9)
Expenditure - Non-Pay	(249.1)	(62.3)	(62.3)	(373.7)
Sub-Total Operating Expenditure	(584.4)	(146.1)	(146.1)	(876.5)
Net Finance Costs	(8.6)	(2.1)	(2.1)	(12.9)
Gains / (Losses)	0.0	0.0	0.0	0.0
Corporation Tax	(0.1)	(0.0)	(0.0)	(0.2)
Surplus / (Deficit)	0.0	0.0	0.0	0.0
Impairment of NCA's	0.0	0.0	0.0	0.0
Retained surplus / (deficit) for period	0.0	0.0	0.0	0.0

2.2 Financial Regime (Months 7-12)

The emergency arrangements ended at 30 September and will be replaced by a revised System Financial Plan set at STP level covering the remainder of the financial year. Provider funding will remain underpinned by block contracts but the retrospective top-up arrangements will be replaced by a prospective allocation for direct Covid-19 costs. The BSOL plan has yet to be agreed with NHSE&I but the new arrangements are likely to see a return to organisations posting deficits and surpluses.

3. **Financial Position 2020/21**

3.1 Impact of COVID-19 for period ended September (Month 6)

The direct costs of the COVID-19 pandemic amounted to (£98.7m) for the first half of 2020/21. Of this, (£44.5m) related to the set up and running costs of the Nightingale Hospital.

Details of the costs are set out in Table 2 below under the categories in which the Trust is required to report COVID-19 expenditure to NHSE&I as part of the monthly monitoring returns. Income losses and indirect costs relating to COVID-19 are not reported discretely but impact on the overall value of the retrospective top up adjustment required to breakeven.

The Nightingale Hospital at the NEC has been reduced from 1200 to 400 beds and remains in hibernation. The final cost of all works for the Nightingale Hospital have been assessed by external advisors and are substantially lower than first estimated, resulting in a

COVID-19 retrospective top up claim which is £9.9m less than previously accrued for the year to date.

Table 2: Impact of COVID-19 Pandemic (Month 6 YTD)

NHSE&I Cost Category	Pay	Non Pay	Total
	£m	£m	£m
After care and support costs		(0.0)	(0.0)
Backfill for higher sickness absence	(1.3)	(0.2)	(1.6)
COVID-19 virus testing (NHS laboratories)	(0.1)	(0.4)	(0.5)
Decontamination	(0.1)	(0.8)	(0.9)
Direct Provision of Isolation Pod	(0.1)	(0.9)	(1.0)
Existing workforce additional shifts	(14.0)	(0.1)	(14.1)
Expanding medical / nursing / other workforce	(1.9)	(1.1)	(3.1)
Increase ITU capacity	(3.0)	(3.7)	(6.7)
Infection Prevention	(0.2)		(0.2)
Internal and External Communication Costs		(0.1)	(0.1)
National procurement areas		(14.8)	(14.8)
Support to Nightingale hospitals	(0.1)	(0.4)	(0.5)
Plans to release bed capacity	(2.0)	(0.4)	(2.4)
Remote management of patients	(0.0)	(2.1)	(2.1)
Remote working for non patient activities	(0.0)	(2.2)	(2.2)
Segregation of patient pathways	(0.7)	(1.5)	(2.3)
Sick pay at full pay (all staff types)	(0.6)		(0.6)
Support for stay at home models		(1.2)	(1.2)
Sub-Total COVID- 19 Operational impact	(24.3)	(29.9)	(54.2)

Nightingale Facility	£m	£m	£m
Set Up Cost	(0.0)	(35.4)	(35.4)
Running Cost	(0.7)	(8.4)	(9.1)
Sub-Total Nightingale Facility	(0.7)	(43.8)	(44.5)

Grand Total	(25.0)	(73.7)	(98.7)
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3.2 Income & Expenditure – Month 6 (September 2020)

The Trust's reported income and expenditure position at the end of September is a deficit of (£0.3m). This is (£0.3m) adverse to the NHSE&I interim plan for the period to September as shown in Table 3 below, but breakeven on the adjusted financial performance measure after excluding the impact of donated assets.

The financial position excluding direct COVID-19 expenditure and retrospective top up funding is a deficit of (£14.5m) for the year to date. This is driven by operating expenditure underspends (primarily activity driven non-pay) totalling £15.5m, offset by shortfalls in variable income of (£29.7m).

NHSE&I require the Trust to report a breakeven financial position (against the adjusted financial performance measure) and therefore retrospective top up income of £112.9m has been recognised for the period to date.

Table 3.0: Trust Income and Expenditure position (Month 6 YTD)

SoCI - NHSE&I Plan	Non-COVID		COVID-19	Total	Variance
	Plan YTD	Actual	Actual	Actual	Actual
	£m	£m	£m	£m	£m
Income - COVID Block Contract	752.4	752.4	0.0	752.4	0.0
Income - COVID Top Up	20.2	20.2	0.0	20.2	0.0
Income - COVID Retrospective Top Up	0.0	0.0	112.9	112.9	112.9
Other Patient Care Income	24.9	22.7	0.0	22.7	(2.2)
Other Income	92.1	64.6	0.0	64.6	(27.5)
Sub-Total Income	889.6	859.8	112.9	972.7	83.1
Expenditure - Pay	(502.9)	(502.2)	(24.7)	(526.9)	(24.0)
Expenditure - Non-Pay	(373.7)	(358.9)	(74.0)	(432.9)	(59.2)
Sub-Total Operating Expenditure	(876.5)	(861.0)	(98.7)	(959.8)	(83.2)
Net Finance Costs	(12.9)	(13.3)	0.0	(13.3)	(0.4)
Gains / (Losses)	0.0	0.0	0.0	0.0	0.0
Corporation Tax	(0.2)	0.0	0.0	0.0	0.2
Surplus / (Deficit)	0.0	(14.5)	14.1	(0.4)	(0.3)
Impairment of NCA's	0.0	0.0	0.0	0.0	0.0
Retained surplus / (deficit)	0.0	(14.5)	14.2	(0.3)	(0.3)

Table 3.1 Operating Expenditure (Month 6 YTD)

Operating Expenditure	Pay	Clinical Supplies & Services	Drugs	Non-Clinical Supplies & Services	Total
	£m	£m	£m	£m	£m
2019-20 av. pcm (inflated to 20/21)	(84.1)	(15.9)	(20.1)	(21.1)	(141.3)
April (Non-COVID-19)	(82.8)	(13.7)	(19.0)	(22.0)	(137.5)
April (COVID-19)	(4.3)	(1.9)	(0.5)	(1.7)	(8.4)
April (Nightingale)	(0.3)	(3.7)		(34.6)	(38.6)
Sub-Total April	(87.4)	(19.2)	(19.5)	(58.4)	(184.5)
May (Non-COVID-19)	(83.9)	(15.0)	(17.5)	(21.2)	(137.6)
May (COVID-19)	(5.4)	(3.7)	0.0	(3.6)	(12.8)
May (Nightingale)	(0.1)	(0.7)		(12.2)	(13.1)
Sub-Total May	(89.4)	(19.5)	(17.5)	(37.0)	(163.4)
June (Non-COVID-19)	(82.7)	(12.0)	(20.3)	(25.5)	(140.5)
June (COVID-19)	(4.7)	(1.6)		(6.5)	(12.8)
June (Nightingale)	(0.0)	(1.3)		0.8	(0.5)
Sub-Total June	(87.4)	(14.8)	(20.3)	(31.2)	(153.7)
July (Non-COVID-19)	(83.2)	(13.3)	(22.2)	(28.4)	(147.1)
July (COVID-19)	(3.6)	0.1	(0.2)	(2.8)	(6.6)
July (Nightingale)	(0.1)	1.4		(1.5)	(0.3)
Sub-Total July	(86.9)	(11.9)	(22.5)	(32.7)	(153.9)
Aug (Non-COVID-19)	(88.1)	(15.7)	(19.1)	(26.7)	(149.5)
Aug (COVID-19)				(2.1)	(2.1)
Aug (Nightingale)				(1.6)	(1.6)
Sub-Total August	(88.1)	(15.7)	(19.1)	(30.4)	(153.2)
Sep (Non-COVID-19)	(84.5)	(16.9)	(25.8)	(25.5)	(152.8)
Sep (COVID-19)	(3.2)	(1.8)	(0.1)	(3.2)	(8.2)
Sep (Nightingale)		(0.8)	(0.2)	10.9	9.9
Sub-Total September	(87.7)	(19.5)	(26.1)	(17.8)	(151.0)
Total (YTD)	(526.9)	(100.6)	(124.9)	(207.4)	(959.8)

NHSE&I continue to undertake a detailed review of the Trust's COVID-19 retrospective income claims. The claims for months 1-5 totalling £104.6m have been approved, with £94.7m paid as at 30 September. A summary of the COVID-19 retrospective income claims included in the financial position are set out in table 3.2 below.

Table 3.2 COVID-19 Income

	Total Q1	July	Aug	Sep	Total
	£m	£m	£m	£m	£m
Retrospective Top-Up claimed	81.3	14.3	8.9	8.2	112.9
NHSE&I approved payment	81.3	14.3	8.9	0.0	104.6

3.3 Operational Divisional Performance

Table 3.3 below shows the summarised financial performance of the operational divisions.

Table 3.3: Divisional Analysis

Month 6	Category	Annual Plan	YTD Plan	YTD Actual	YTD Var	YTD Var	YTD C-19 Exp £m
		£m	£m	£m	£m	%	
Division 1	Income	24.5	12.3	10.7	(1.5)		
	Pay	(213.7)	(106.9)	(110.7)	(3.8)		(2.6)
	Non Pay	(83.5)	(41.7)	(43.4)	(1.7)		(5.6)
	Sub-Total	(272.7)	(136.4)	(143.4)	(7.0)	(5.2%)	(8.2)
Division 2	Income	2.0	1.0	2.7	1.7		
	Pay	(123.6)	(61.5)	(65.5)	(4.1)		(2.1)
	Non Pay	(125.5)	(62.7)	(70.7)	(8.0)		(1.6)
	Sub-Total	(247.2)	(123.2)	(133.6)	(10.4)	(8.4%)	(3.6)
Division 3	Income	10.0	5.0	2.0	(3.0)		
	Pay	(170.8)	(85.8)	(104.9)	(19.1)		(6.6)
	Non Pay	(27.9)	(13.9)	(14.2)	(0.3)		(1.4)
	Sub-Total	(188.7)	(94.7)	(117.1)	(22.4)	(23.6%)	(8.0)
Division 4	Income	2.8	1.4	1.1	(0.3)		
	Pay	(103.7)	(51.9)	(51.7)	0.1		(1.1)
	Non Pay	(63.0)	(31.5)	(27.1)	4.4		(0.4)
	Sub-Total	(163.9)	(82.0)	(77.7)	4.2	5.2%	(1.4)
Division 5	Income	5.7	2.9	2.3	(0.6)		
	Pay	(97.2)	(48.6)	(50.9)	(2.3)		(1.4)
	Non Pay	(148.7)	(74.4)	(65.3)	9.0		(0.6)
	Sub-Total	(240.2)	(120.1)	(114.0)	6.1	5.1%	(2.0)
Division 6	Income	5.1	2.5	2.0	(0.5)		
	Pay	(77.3)	(38.7)	(38.2)	0.5		(0.8)
	Non Pay	(38.5)	(19.3)	(19.1)	0.2		(0.2)
	Sub-Total	(110.7)	(55.4)	(55.2)	0.2	0.3%	(1.1)
Division 7	Income	0.4	0.2	0.3	(0.1)		
	Pay	(11.3)	(5.6)	(5.4)	(0.3)		(0.0)
	Non Pay	(2.0)	(1.0)	(1.0)	(0.0)		(0.0)
	Sub-Total	(12.8)	(6.4)	(6.1)	0.3	5.4%	(0.0)
Central Operations	Income	1,579.1	789.5	792.3	2.8		
	Pay	(5.5)	(2.3)	(3.3)	(1.0)		-
	Non Pay	(2.0)	(1.0)	(1.6)	(0.6)		-
	Sub-Total	1,571.6	786.2	787.4	1.2	0.2%	
DIVISIONAL TOTAL		335.3	168.0	140.4	(27.6)	(16.4%)	(24.4)

The key divisional variances are set out below;

Division 1 (Clinical Support Services)

- (£7.0m); (5.2%) adverse to budget as at Month 6.
- Within this position COVID-19 expenditure of (£8.2m) has been recorded by Division 1.
- Pay (£3.8m) adverse, driven by a (£4.1m) overspend on medical staffing which includes additional sessional payments of (£3.3m).
- Non Pay (£1.7m) adverse due primarily to a (£2.8m) overspend on drugs.

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

- (£10.4m); (8.4%) adverse to budget as at Month 6.
- Within this position COVID-19 expenditure of (£3.6m) has been recorded by Division 2.
- Income £1.7m favourable driven by Cardiac Surgery (Transplant and VAD activity).
- Pay (£4.1m) adverse, driven by a (£3.2m) overspend on medical staffing which includes additional sessional payments to medical staff (£1.0m) and (£1.0m) on bank medical staff largely in support of COVID response measures.
- Non-Pay (£8.0m) adverse due primarily to a (£4.8m) overspend on drugs and (£1.7m) on clinical supplies.

Division 3 (Emergency)

- (£22.4m); (23.6%) adverse to budget as at Month 6.
- Within this position COVID-19 expenditure of (£8.0m) has been recorded by Division 3.
- Pay expenditure (£19.1m) adverse due to medical staffing (£11.0m) and nursing (£7.1m). Medical staff overspend includes agency (£6.9m) and bank staff (£5.0m). Nursing overspend includes agency (£5.7m), qualified bank (£4.7m) and HCA bank (£3.5m).
- Non-Pay (£0.3m) adverse primarily due additional PPE expenditure.

Division 4 (Surgery)

- £4.2m; 5.2% favourable to budget as at Month 6.
- Within this position COVID-19 expenditure of (£1.4m) has been recorded by Division 4
- Pay expenditure £0.1m favourable driven by a (£2.4m) overspend on medical staffing, offset by underspends within qualified nursing £1.8m.
- Non-Pay £4.4m favourable, of which £4.0m relates to underspend within clinical supplies and further £2.0m drugs.

Division 5 (Oncology, Neurology & Specialist Surgery)

- £6.1m; 5.1% favourable to budget as at Month 6.
- Within this position COVID-19 expenditure of (£2.0m) has been recorded by Division 5.
- Pay expenditure (£2.3m) adverse with main driver being medical staffing (£3.2m) which includes agency (£0.8m), bank (£1.1m) and additional sessional payments of (£1.3m).
- Non-Pay £9.0m favourable to plan primarily due to drugs £6.6m favourable and clinical supplies £5.1m favourable across most departments.

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

- £0.2m; 0.3% favourable to plan for the year.

Division 7 (Out of Hospital Services)

- £0.3m; 5.4% favourable to plan for the year.

3.4 Activity

Table 3.4 below shows a year on year comparison of actual year to date activity for the period ended September 2019/20 with the provisional year to date activity for the period ended September 2020/21.

Table 3.4 Activity (Month 6 Provisional)

Point of Delivery	Year on Year Comparison (Actuals)				
	Activity Actual 19/20 M6 YTD	Activity Actual 20/21 M6 YTD	Activity Variance	Activity Variance %	Last Month Variance %
Elective	13,364	5,261	(8,103)	(61%)	(65%)
Non Elective	76,258	58,909	(17,349)	(23%)	(25%)
Day Case	67,423	31,995	(35,427)	(53%)	(56%)
Excess Bed Days	31,595	8,551	(23,044)	(73%)	(63%)
AandE	210,213	147,424	(62,789)	(30%)	(33%)
Ambulatory Care	14,065	8,555	(5,510)	(39%)	(43%)
Critical Care	32,017	26,040	(5,977)	(19%)	(18%)
Diagnostic Imaging	112,072	65,361	(46,711)	(42%)	(46%)
Direct Access	4,674,880	2,417,891	(2,256,989)	(48%)	(53%)
Maternity	13,999	13,510	(490)	(3%)	(4%)
Outpatient First Attendance	176,759	104,231	(72,528)	(41%)	(44%)
Outpatient Follow Up	518,681	385,673	(133,008)	(26%)	(29%)
Outpatient Procedures	129,006	46,822	(82,184)	(64%)	(68%)
Renal Dialysis	156,107	149,881	(6,226)	(4%)	(31%)
Other	177,663	107,061	(70,602)	(40%)	(19%)

The table above shows a significant reduction in activity across all points of delivery including A&E and non-elective activity.

Tables 3.5 and 3.6 below show the monthly trend which indicates a gradual recovery of activity as non COVID-19 services are restored following the initial cancellations. The recovery remains highly sensitive to the ongoing levels of COVID-19 activity.

Table 3.5 Inpatient Activity (2019/20 to 2020/21)

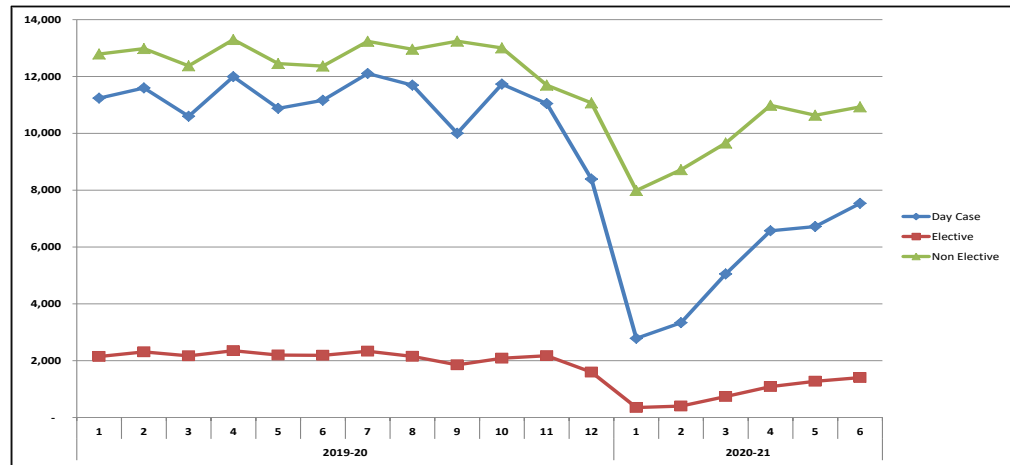
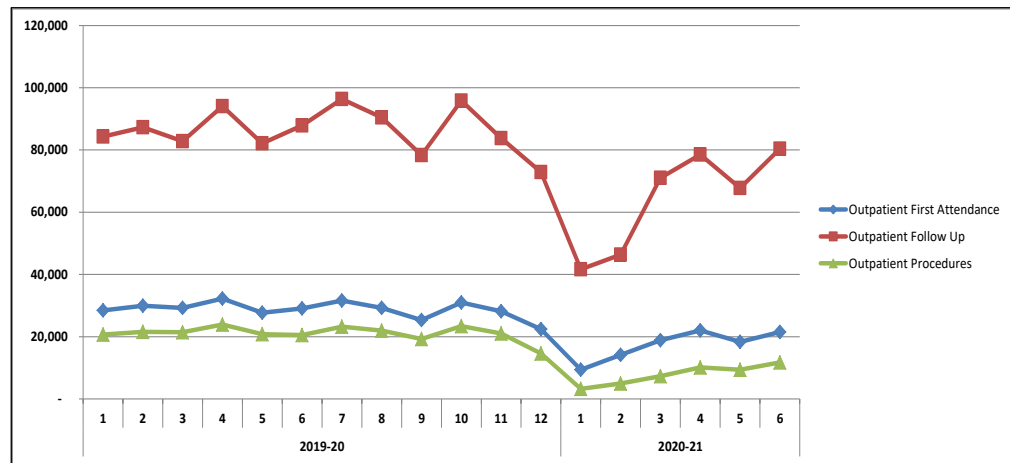


Table 3.6 Outpatient Activity (2019/20 to 2020/21)



3.5 Accelerating the return of non-Covid-19 Health Services

NHSE&I have set the expectation that all Trusts and systems recover the maximum elective activity possible ahead of winter, making full use of the NHS capacity currently available, as well as re-contracted independent hospitals. Trusts and systems are expected to re-establish (and where necessary redesign) services to deliver through their own local NHS (non-independent sector) capacity the following:

- In September at least 80% of their last year’s activity for both overnight electives and for outpatient / daycase procedures, rising to 90% in October (while aiming for 70% in August);
- This means that systems need to very swiftly return to at least 90% of their last year’s levels of MRI / CT and endoscopy procedures, with an ambition to reach 100% by October.
- 100% of their last year’s activity for first outpatient attendances and follow-ups (face to face or virtually) from September through the balance of the year (and aiming for 90% in August).

Under the Elective Incentive Scheme there are potential financial penalties for systems that do not achieve the target levels of activity.

4. Statement of Financial Position

The Statement of Financial Position shows the value of Trust's assets and liabilities as at 30 September 2020 compared to the closing values at the 2019/20 year end. The upper part of the statement shows net assets after short and long term liabilities with the lower part identifying sources of finance.

Both the net assets and the Public Dividend Capital (PDC) Reserve have increased during the first half of 2020/21 due primarily to the issue of new PDC to write off historical loans taken out by the former Heart of England NHS Foundation Trust prior to its acquisition by UHB.

Table 4: Statement of Financial Position as at September (Month 6)

Summarised Statement of Financial Position (Consolidated)		
Group	Actual Mar-20 £m	Actual Sep-20 £m
Non-current assets		
Intangible Assets	18.0	16.4
Tangible Assets	414.4	420.2
PFI Assets	311.8	310.6
Debtors	10.1	8.6
Total	754.3	755.8
Current assets		
Inventories	37.9	37.1
Debtors & Accrued Income	124.0	125.5
Bank & Cash	61.0	242.9
Total	222.9	405.5
Total Assets	977.2	1,161.3
Current liabilities		
Payables - trade	(263.7)	(317.7)
Payables - capital	(7.6)	(6.0)
Provisions	(5.5)	(5.0)
Deferred income	(36.4)	(175.2)
Borrowings	(48.4)	(13.6)
Total	(361.6)	(517.5)
Non-current liabilities		
Payables - trade	0.0	0.0
Provisions	(8.5)	(9.0)
Deferred income	(0.5)	(0.4)
Borrowings	(448.8)	(442.0)
Total	(457.8)	(451.4)
Total Liabilities	(819.4)	(968.9)
Net Assets	157.8	192.4
Financed by		
PDC	375.0	409.7
Revaluation Reserve	137.8	136.7
I&E Reserve	(355.0)	(354.0)
Total	157.8	192.4

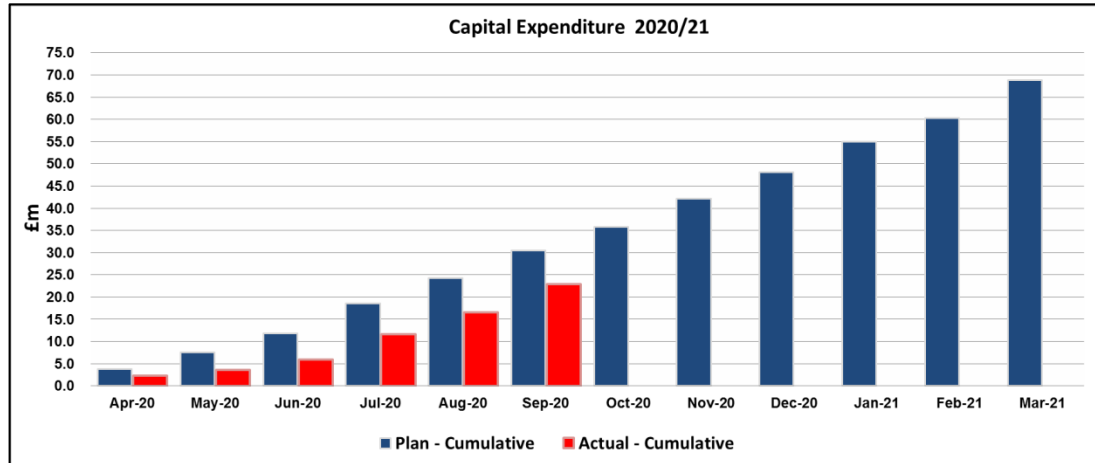
5. Capital Expenditure (Non-Current Assets)

Table 5 below shows actual capital expenditure against the approved Capital Programme for 2020/21. In total £22.8m has been incurred as at the end of Month 6. This is £7.9m below plan due primarily to slippage against the ACAD scheme of £4.6m, Estates schemes £0.9m and ICT projects of £1.2m.

Capital expenditure for the year to date, within all funding sources, includes:

- £4.1m on medical equipment (including Major Medical equipment)
- £6.5m relating to Estates schemes (including ED schemes)
- £5.0m relating to ACAD
- £1.9m relating to ICT projects
- £4.2m relating to COVID-19

Table 5: Capital Programme Expenditure

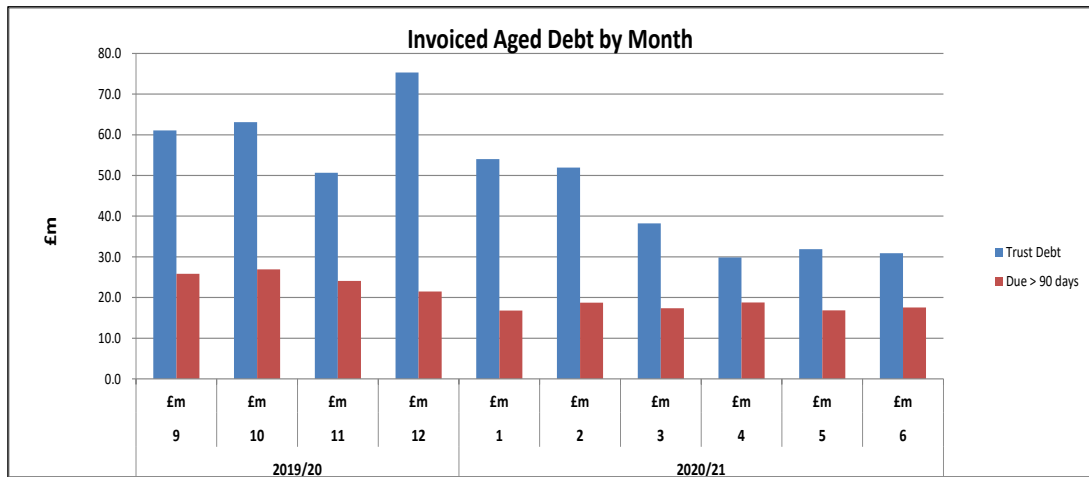


Further information is available at Appendix 1 to this report.

6. Aged Debt

The age profile of debtors (unpaid invoices issued by the Trust) is summarised below. At the end of September 2020 the value of unpaid debtor invoices over 90 days stood at £17.6m. This includes £7.5m owed to the Trust by NHS Commissioners of which £4.4m relates to Birmingham and Solihull CCG, a further £2.9m relates to unpaid invoices for services provided to other NHS Trusts. This includes £0.4m from Sandwell & West Birmingham, £0.4m from The Royal Wolverhampton Hospital and £0.3m from Wye Valley NHS Trust. The remaining £7.2m owed to the Trust includes overseas visitors, private patients, local authorities, universities and private sector organisations.

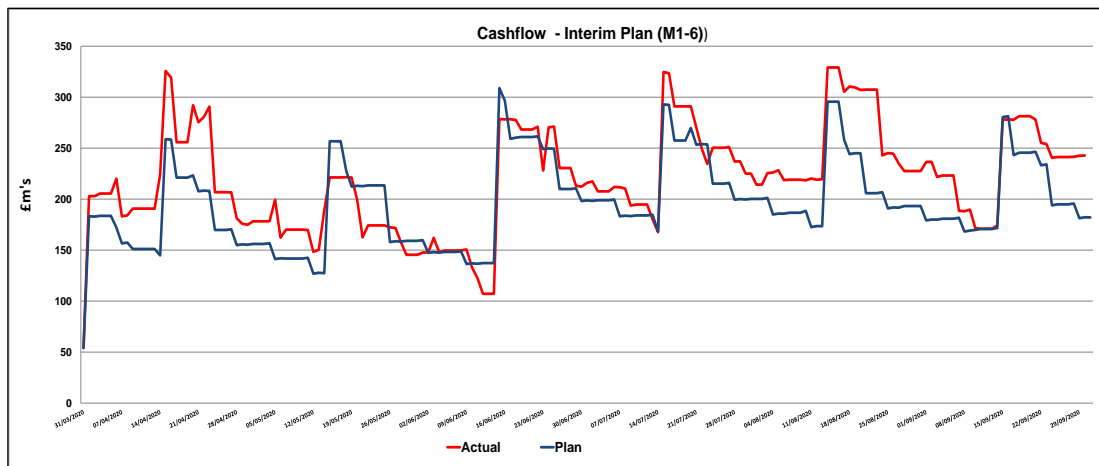
Table 6: Aged Debt Analysis



7. Cash Flow

Table 7 shows the Trust’s actual weekly cash balances. The cash balance at the end of September stood at £242.9m which is £60.7m above the Interim plan of £182.2m for the same period. This reflects capital slippage and favourable movements in working capital balances. The cash position at the end of September includes receipt of £94.7m of the anticipated £112.9m COVID-19 retrospective top up funding.

Table 7: Cash Flow (M1-6)



The Trust is awaiting further guidance from NHSE&I in relation to the financial regime and associated cashflow profile of future block contract payments for M7-12.

8. NHSE&I Adjusted Financial Performance

As part of the emergency financial regime, the Trust is required to deliver a breakeven of income and expenditure on an adjusted basis as set out below. Table 8 below shows the reconciliation between the figures used;

Table 8: Adjusted NHSE&I Financial Performance

Adjusted Financial Performance	M1-6 Plan £m	YTD Plan £m	YTD Actual £m	YTD Variance £m
Trust surplus / (deficit) for the period	0.0	0.0	(0.3)	(0.3)
Adjust: Impairment of Non Current Assets	0.0	0.0	0.0	0.0
Adjust: Capital donations / grants I&E impact	0.0	0.0	0.3	0.3
Remove impact of prior year PSF post accounts reallocation	0.0	0.0	0.0	0.0
Adjusted financial surplus / (deficit) incl. C19 Top Up	0.0	0.0	(0.0)	(0.0)
Less Central Funding : COVID-19 Top Up	(20.2)	(20.2)	(133.1)	(112.9)
Adj. financial surplus / (deficit) excl. Central Funding	(20.2)	(20.2)	(133.1)	(112.9)

For the duration of the emergency financial regime previously planned central funding including FRF and MRET has been suspended. In place of this, the Trust must now record the total value of COVID-19 top-up funding as shown in Table 9 below:

Table 9: COVID-19 Top-Up Summary

COVID-19 Income	£m
Base Top Up Payment	20.2
Retrospective Top Up Income (made up as):	
Operational COVID-19 Costs	54.2
Nightingale Costs	44.5
Adjustment for the impact of grants and donations	(0.3)
Add back underlying Trust deficit	14.5
Sub-Total Retrospective Top Up	112.9
Total COVID-19 Top Up Income	133.1

9. Conclusion

The Trust has reported an overall income and expenditure deficit of (£0.3m) at the end of September 2020, which is (£0.3m) adverse to the interim plan. Against the adjusted financial performance measure used by NHSE&I, which excludes the impact of donated assets, the Trust is reporting a breakeven position. The reported position includes £112.9m of retrospective top-up funding against (£98.7m) of COVID-19 direct costs.

The outlook for the second half of the year is less certain due to the changes to the financial regime. The need to be a deliver financial performance in line with the BSOL system plan will need to be prioritised alongside supporting the Trust's response to COVID-19, continued recovery of elective activity and managing the impact of winter.

10. Recommendations

The COUNCIL OF GOVERNORS is asked to:

1. Receive the contents of this report.

Julian Miller
Chief Financial Officer
16 November 2020

Appendix 1

Capital Expenditure 2020/21 - Quarter 2 Update

1. Purpose

This appendix provides a summary of Trust's 2020/21 capital expenditure at Quarter 2 and the current capital forecast.

2. 2020/21 Capital Programme

The Board of Directors approved an initial capital programme of £68.8m for 2020/21. Subsequently, there have been a number of changes to the programme including additional national allocations which have increased the total planned expenditure to £83.4m.

The table below outlines the approved programme for 2020/21 including the sources of funding:

Table 1: 2020/21 Capital Programme

Sources of Funding	Scheme	Annual Plan £m
Internally Generated	Medical Equipment	7.4
	Equipment to facilitate innovation	0.8
	Facilities & Estates Backlog Maintenance	5.0
	Estates Projects inc ACAD	2.4
	Estates QEHB PFI Lifecycle Works	5.2
	Major Medical Equipment	7.3
	ICT	4.3
	Subsidiary Companies	0.5
	Contingency	2.0
	Subtotal Internally Generated	
PDC Funded	ACAD Project (External)	26.7
	Critical Infrastructure Risk	7.8
	ED Schemes	7.0
	Major Medical Equipment	2.5
	COVID-19 Retrospective Schemes	1.2
	External Funds - Workforce Plans	1.0
	Diagnostic Equipment/Mammography	1.0
Subtotal PDC Funded		47.2
Charitable Funded		1.3
TOTAL CAPITAL PLAN 2020-21		83.4

3. Capital Expenditure

At quarter 2, the Trust has incurred capital expenditure of £22.8m with further commitments (orders raised) of £25.5m.

Total expenditure year to date has a variance of £7.9m, with £4.6m being driven by slippage on ACAD. Table 2 below outlines expenditure incurred to date against year to date plan:

Table 2: 2020/21 Capital Expenditure

Sources of Funding	Scheme	Annual Plan £m	YTD Plan £m	YTD Actuals £m	Variance £m	Commitments £m
Internally Generated	Medical Equipment	7.4	5.4	1.4	4.0	0.1
	Equipment to facilitate innovation	0.8	0.4	0.0	0.4	0.0
	Facilities & Estates Backlog Maintenance	5.0	2.8	1.4	1.4	1.6
	Estates Projects inc ACAD	2.4	1.4	1.9	(0.6)	4.3
	Estates QEHB PFI Lifecycle Works	5.2	2.6	2.5	0.1	0.3
	Major Medical Equipment	7.3	1.7	2.7	(1.1)	3.6
	ICT	4.3	3.1	1.9	1.2	0.8
	Subsidiary Companies	0.5	0.2	0.1	0.1	0.0
	Contingency	2.0	0.8	0.0	0.8	0.0
Subtotal Internally Generated		34.9	18.5	12.0	6.5	10.6
PDC Funded	ACAD Project (External)	26.7	9.6	5.0	4.6	13.4
	Critical Infrastructure Risk	7.8	1.1	0.0	1.1	0.0
	ED Schemes	7.0	0.0	0.7	(0.7)	0.2
	Major Medical Equipment	2.5	0.8	0.0	0.8	0.0
	COVID-19 Retrospective Schemes	1.2	0.0	4.2	(4.2)	0.0
	External Funds - Workforce Plans	1.0	0.4	0.0	0.4	0.0
	Diagnostic Equipment/Mammography	1.0	0.0	0.0	0.0	0.0
Subtotal PDC Funded		47.2	11.9	9.9	2.1	13.6
Charitable Funded		1.3	0.4	1.0	(0.6)	1.2
TOTAL CAPITAL PLAN 2020-21		83.4	30.8	22.8	7.9	25.5

3.1 Medical Equipment

The main expenditure year to date at month 6 relates to the purchase of a Microscope in QE Labs, Anaesthetic machines, Defibrillators, Cardiology PACs, Anorectal 3D Transducer, Histopathology Staining Machine and ERA Machine.

3.2 Facilities and Estates Backlog Maintenance

At month 6, £1.4m of spend relates to Schneider BMS and Access controls, Catering Oven, Fire compartmentation works (phase 3) and Trustwide backlog maintenance works.

3.3 Estates Projects

At Q2, the main spend of £1.9m relates to the costs incurred for Wellcome Theatres.

3.4 ICT Infrastructure

At month 6, costs of £1.9m have been incurred related to the Secondary Data Centre, Replacement and Modernisation, HSLI, Infrastructure, Voice/data refresh and MIHRO licences.

3.5 Ambulatory Care and Diagnostics Centre (ACAD)

The approved ACAD budget is £26.7m against which £5.0m of expenditure has been incurred at Quarter 2 for Stage 3 Pre-Construction & Stage 4 Construction Costs by the main contractor, Kier and includes up to payment certificates 14, design and professional fees.

3.6 QEHB PFI Lifecycle & Variations

£5.2m of budget has been allocated in 2020/21 of which £2.5m has been incurred year to date for lifecycle maintenance and a further £0.1m relating to ad hoc variation works in the QEHB.

3.7 Major Medical Equipment

At month 6 year to date, total spend of £2.7m relates to Linear Accelerator Room works, HDR Brachytherapy equipment, Mammography system, CT enabling works and replacement.

3.8 Grants & Donations

Expenditure of £1.0m mainly relates to works on the Midwifery Unit at Good Hope.

4. **COVID-19 Capital**

In April 2020, the Government announced that additional PDC funding would be issued for all genuinely additional capital expenditure driven directly by the COVID-19 response, which would be in addition to existing capital envelopes.

To date £1.2m of COVID-19 capital costs incurred prior to 19 May 2020 have been approved. A further £3.0m of COVID-19 capital costs have been incurred since this date, however these have yet to be approved by DHSC.

Table 3 below outlines the COVID-19 year to date spend at Quarter 2:

Table 3: COVID-19 Capital Expenditure

Capital Allocation	Cost £m
Blood Gas Analysers	0.2
Covid Rapid Test Analysers	0.3
Defibrillators	0.1
ECG machines	0.0
Estates	0.1
Mortuary Fridges	0.1
Nebulisers	0.0
PACS Workstations	0.0
Patient Monitoring	2.4
Pharmacy Fridges	0.0
Pulse Oximeters	0.2
Ventilators	0.6
Vital Sign Monitors	0.2
Dialysis Machines	0.1
Total	4.2

5. Forecast 2020/21

The current forecast spend for the year is in line with the plan as shown in table 4 below however this is due to the slippage on the ACAD programme and the funding to support this will need to be re-profiled into the later years of the scheme. This would leave a potential over commitment of £3.0m in the event that the outstanding COVID-19 expenditure is not funded centrally unless there is slippage against other schemes.

Table 4: Forecast Capital Expenditure 2020/21

Sources of Funding	Scheme	Annual Plan £m	Forecast Expenditure £m	Forecast Variance £m
Internally Generated	Medical Equipment	7.4	4.3	3.1
	Equipment to facilitate innovation	0.8	0.7	0.2
	Facilities & Estates Backlog Maintenance	5.0	5.0	0.0
	Estates Projects inc ACAD	2.4	8.2	(5.8)
	Estates QEHB PFI Lifecycle Works	5.2	5.1	0.1
	Major Medical Equipment	7.3	7.3	0.0
	ICT	4.3	4.3	0.0
	Subsidiary Companies	0.5	0.7	(0.2)
	Contingency	2.0	0.0	2.0
	Slippage in Delivery	0.0	(0.6)	0.6
Subtotal Internally Generated		34.9	34.8	0.0
PDC Funded	ACAD Project (External)	26.7	19.4	7.3
	Critical Infrastructure Risk	7.8	7.8	0.0
	ED Schemes	7.0	7.0	0.0
	Major Medical Equipment	2.5	2.5	0.0
	COVID-19 Schemes	1.2	4.2	(3.0)
	External Funds - Workforce Plans	1.0	1.0	0.0
	Diagnostic Equipment / Mammography	1.0	1.0	0.0
Subtotal PDC Funded		47.2	43.0	4.3
Charitable Funded		1.3	1.3	0.0
TOTAL CAPITAL PLAN 2020-21		83.4	79.1	4.3

