

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
COUNCIL OF GOVERNORS
FRIDAY 24 MAY 2019

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

Purpose:	To provide the Council of Governors with a copy of the final finance and activity performance report for the period ending 31 March 2019 (Months 1-12, 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. • On an adjusted financial performance basis, the actual deficit for the year including PSF is (£31.5m) against the plan, a favourable variance of £6.5m. • This includes a loss of A&E PSF from Q2 onwards totalling (£6.1m) but includes £12.2m of additional PSF for incentive, bonus and general distribution allocations. • Net impairment charges (asset write-downs) of (£0.7m) are also excluded from the figures above. Including these the overall deficit is (£32.1m) including PSF. • The Trust’s cash balance was £62.9m at the end of March 2019, which is above the plan of £47.3m.
Recommendations:	<p>The Council of Governors is requested to;</p> <ul style="list-style-type: none"> • Receive the contents of this report.

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

COUNCIL OF GOVERNORS

FRIDAY 24 MAY 2019

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2019

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers April-March 2018/19 (Months 1-12). The report summarises the Trust's combined financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Plan (CIP) delivery.

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

Table 1: 2018/19 Annual Plan

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

The Trust has reported a deficit excluding impairments of (£31.5m) at the end of March 2019 (Month 12). This is £7.3m below the planned deficit of (£38.8m) submitted to NHSI (including PSF). A (£6.1m) loss of A&E PSF from quarter 2 onwards has been reflected in this position which is not evaluated against the financial performance of the Trust as part of the control total regime. However, the Trust has received a combined £12.2m of additional PSF associated with Incentive, Bonus and General Distribution allocations which is also reflected in this position.

This additional PSF allocation reduces the control total to a (£31.7m) planned deficit against which the Trust delivered (£31.2m) deficit, a favourable variance of £0.4m.

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

- Under delivery against CIP targets (£1.1m);
- Other unplanned variances across operational divisions including increased medical, agency and nurse bank expenditure.

The operational overspends are partially mitigated by the planned use of recurrent reserves and underspends within corporate functions and the Trust subsidiaries. As above, this position assumes £29.9m of PSF income for the year (versus the total original allocation of £23.8m).

The Trust's cash balance at the end of March 2019 was £62.9m against the plan of £47.3m.

2. Income & Expenditure

2.1 Summary Position

The Trust's income and expenditure position at the end of March is a (£31.5m) deficit which is above the plan submitted to NHSI as shown below;

Table 2: Cumulative Trust Income and Expenditure position

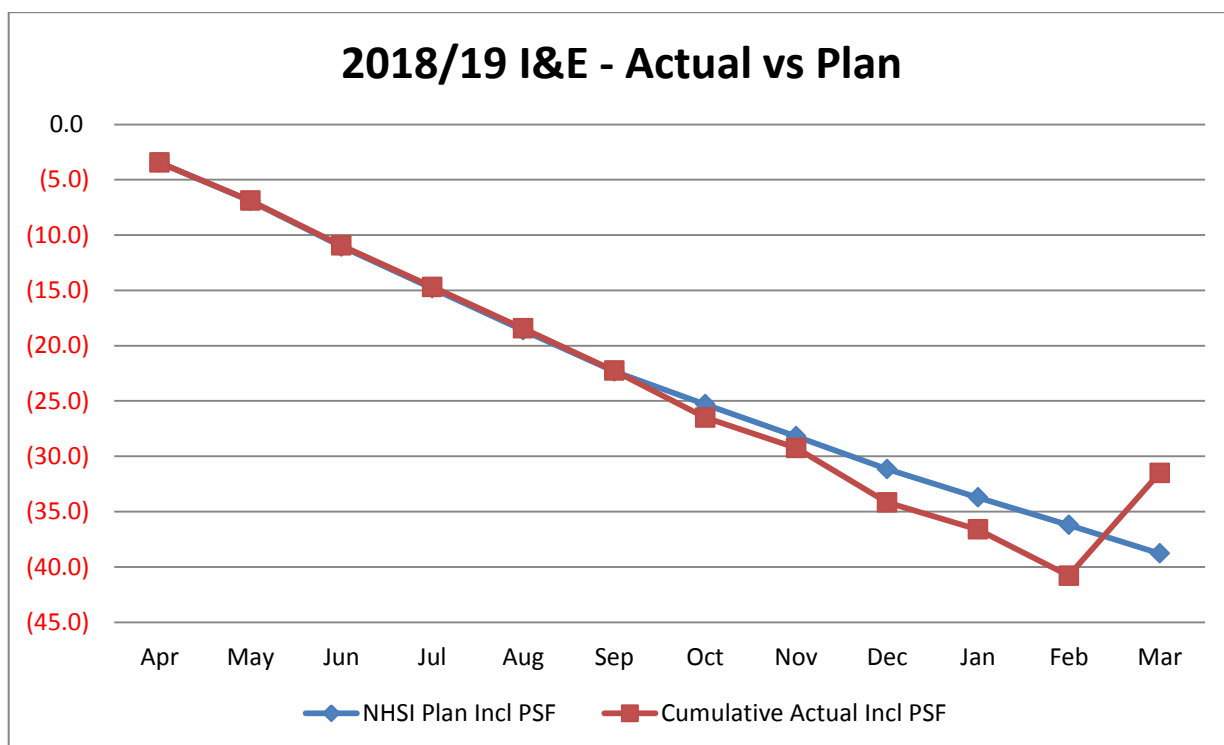


Table 3 below summarises the Trust's Income & Expenditure position at the end of March. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

Table 3: YTD Income and Expenditure against Plan

Consolidated Summarised Income and Expenditure - Group			
	Plan Mar 19 £m	Actual Mar 19 £m	Variance Mar 19 £m
Operating Income	1,555.6	1,611.7	56.1
Operating Expenditure	(1,530.2)	(1,584.4)	(54.2)
EBITDA	25.4	27.3	1.9
Depreciation	(37.6)	(36.4)	1.2
Interest Receivable	0.1	0.8	0.7
Interest Payable	(24.1)	(24.0)	0.1
PDC Dividends	(3.9)	(0.7)	3.2
Gains / (losses) on Disposals	0.0	(0.2)	(0.2)
Corporation Tax	(0.1)	(0.1)	0.0
Donated / Granted Income	1.4	1.9	0.5
Deficit before impairment	(38.8)	(31.4)	7.4
Impairment charged to I&E	0.0	(0.7)	(0.7)
Retained Deficit	(38.8)	(32.1)	6.7

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 £56.1m above budget;

Table 4: Income against Plan

Group	Plan Mar 19 £m	Actual Mar 19 £m	Variance Mar 19 £m
INCOME			
Clinical - NHS	1,360.3	1,395.4	35.1
Clinical - Non NHS	13.1	14.2	1.1
Other	182.2	202.1	19.9
Total Income	1,555.6	1,611.7	56.1

Note - may include rounding differences

NHS clinical revenues are £35.1m above budget of which £13.8m relates to payments received from the Department of Health & Social Care for the 2018/19 pay award, £4.2m relates to excluded drugs and devices income and £0.8m relates to funding for Normal Power. The remainder relates to activity related healthcare income over-performance including an increase in partially completed spells but adjusted for provisions relating to ongoing payment challenges.

Non NHS Clinical revenues are £1.1m above plan, an increase of £0.3m from February, primarily due to an over-performance in private and overseas patient income.

Other income is £19.9m above plan which includes the £6.1m of additional PSF in excess of the original allocation of £23.8m. The remaining variance relates to 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 1-11 (April – February 2019) 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	14,846	14,604	- 242	29,802	30,198	396	44,648	44,802	154
Inpatients - Elective	100,159	92,483	- 7,676	87,413	86,320	- 1,093	187,572	178,802	- 8,769
Inpatients - Non Elective	121,353	127,025	5,672	146,851	162,063	15,211	268,205	289,088	20,883
Outpatients	81,183	82,302	1,119	83,912	82,996	- 916	165,096	165,298	203
Other	98,558	99,880	1,322	140,129	140,934	805	238,687	240,814	2,127
Marginal Rate Emergency Threshold	917	- 1,700	- 783	3,585	- 8,817	- 5,232	4,501	- 10,517	- 6,015
	415,183	414,594	- 589	484,522	493,694	9,172	899,705	908,288	8,583
Blocks/Cost Per Case Drugs & Devices etc	245,106	263,791	18,685	101,255	102,108	853	346,361	365,899	19,538
Cat A Healthcare Income	660,289	678,385	18,095	585,777	595,802	10,025	1,246,066	1,274,187	28,120

This shows actual healthcare income is £8.6m above the 2018/19 plan prior to blocks and cost per case drugs and devices.

Table 6 below shows the equally phased planned and actual activity levels.

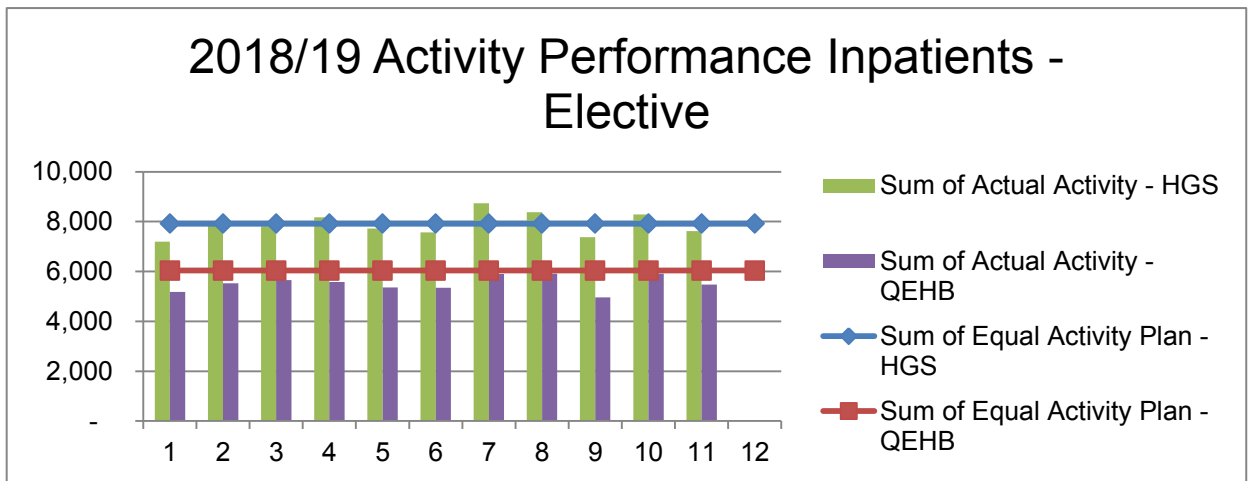
Table 6: Healthcare Activity Units

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	113,994	113,229	- 765	253,586	259,535	5,949	367,580	372,764	5,184
Inpatients - Elective*	66,435	60,820	- 5,615	87,174	86,774	- 400	153,609	147,594	- 6,015
Inpatients - Non Elective*	39,558	42,098	2,539	68,804	77,493	8,689	108,362	119,591	11,229
Outpatients	698,635	725,839	27,203	777,018	790,971	13,953	1,475,654	1,516,810	41,156
Other	1,522,561	1,593,751	71,189	7,000,519	6,920,063	- 80,456	8,523,080	8,513,814	- 9,267
	2,441,184	2,535,736	94,553	8,187,102	8,134,836	- 52,266	10,628,285	10,670,572	42,287

*Excludes Excess bed day activity

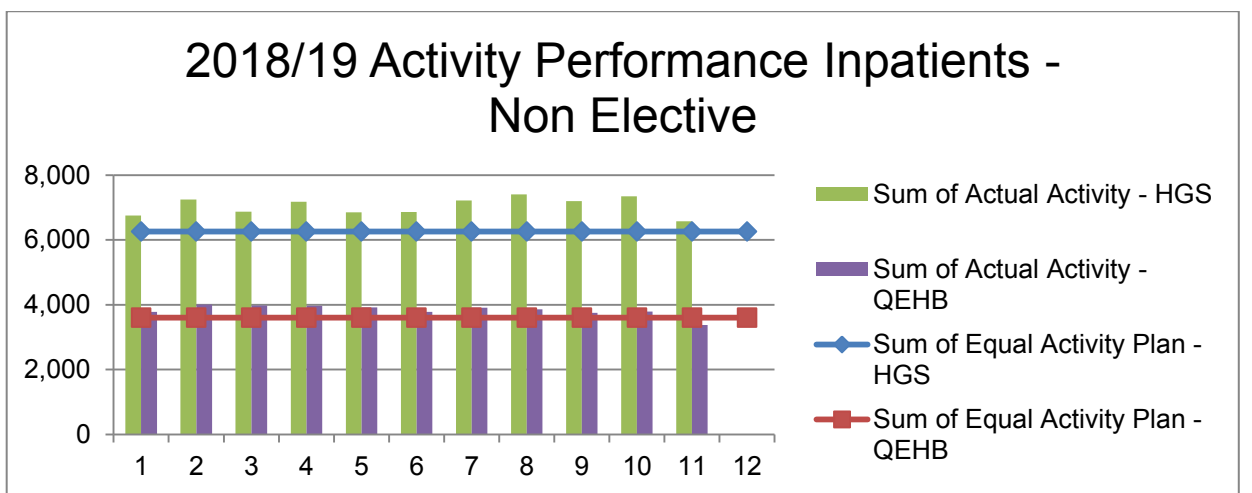
This shows that non-elective inpatient activity is continuing above plan across all hospital sites. Elective (including day cases) activity remains below plan, particularly at the QEHB. Outpatient and A&E activity continues to perform above plan however "Other" activity continues below plan in March predominantly as a result of reduced direct access numbers at HGS. Appendix A contains a detailed split of healthcare income and patient activity.

Table 6.1: Trust Inpatient Activity – Elective



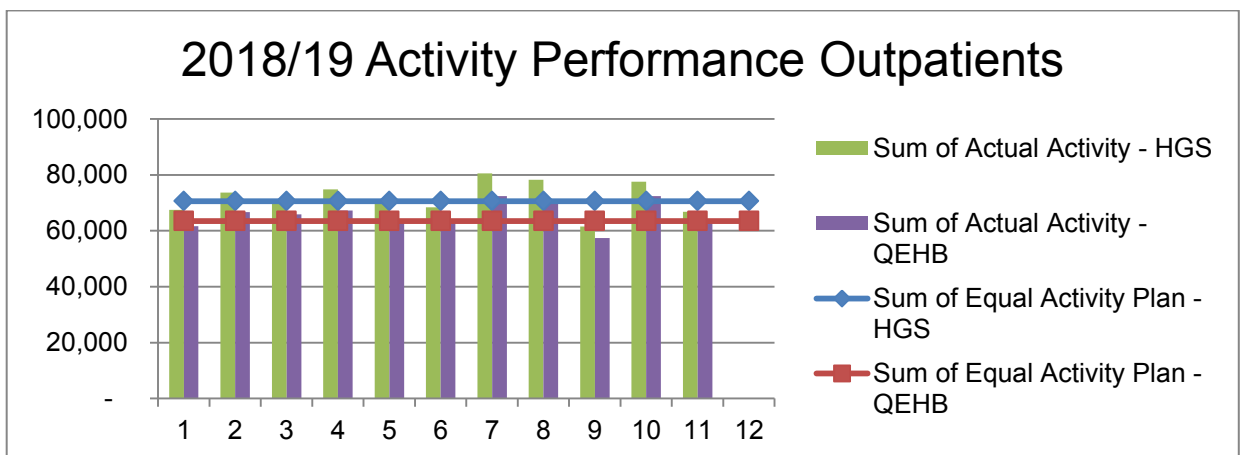
This graph shows the total inpatient elective spells by site against the monthly plan for April-February 2019.

Table 6.2: Trust Inpatient Activity – Non Elective



This graph shows the total inpatient non-elective spells by site against the monthly plan for April-February 2019.

Table 6.3: Trust Outpatient Activity



This graph shows the total outpatient attendances by site against the monthly plan for April- February 2019.

2.3 Operating Expenditure Analysis

The Trust's expenditure shows an adverse (£54.1m) for 18/19. This includes a pay overspend of (£44.2m).

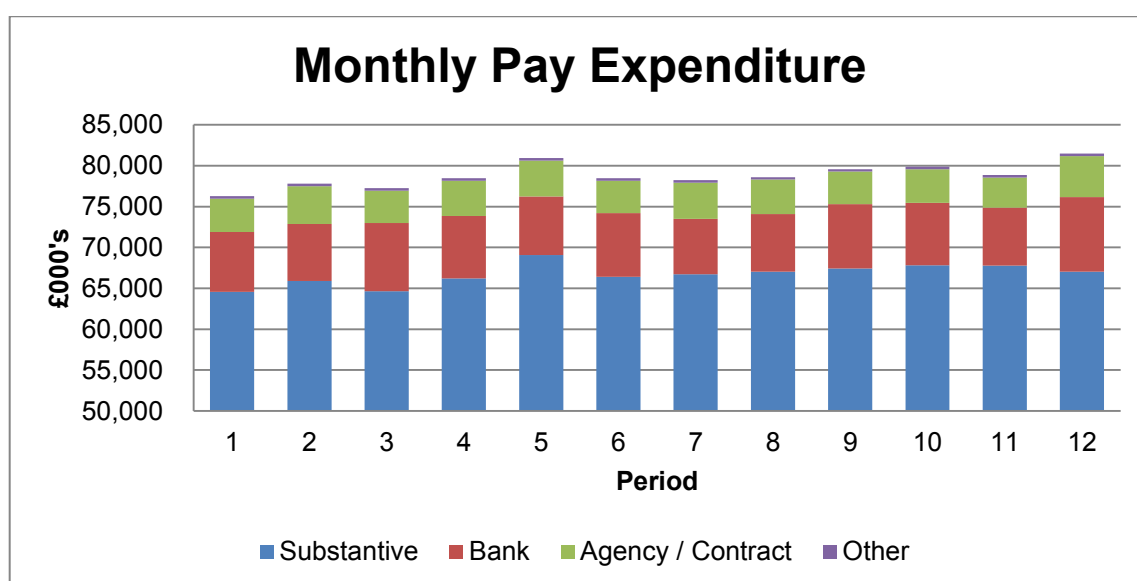
Table 7: Expenditure Variance

Group	Plan Mar 19 £m	Actual Mar 19 £m	Variance Mar 19 £m
PAY			
Medical Staff	278.3	292.1	(13.8)
Nursing incl HCAs	340.5	348.7	(8.2)
AHP, Sci, Therapy & Technical	120.1	126.6	(6.5)
NHS Infrastructure & Other Clinical	159.3	174.7	(15.4)
Apprentice Levy	3.3	3.6	(0.3)
Pay Reserves	0.0	0.0	(0.0)
Total Pay	901.5	945.7	(44.2)
NON PAY			
Drugs	223.1	227.9	(4.8)
Clinical Supplies & Services	176.3	179.5	(3.2)
Other / Non-Pay Reserves	229.3	231.2	(1.9)
Total Non Pay	628.7	638.6	(9.9)
GRAND TOTAL	1,530.2	1,584.3	(54.1)

Of this pay variance above, circa (£13.8m) variance relates to the impact of the Agenda for Change 2018/19 pay award which was finalised after the plan was agreed and submitted. More detail on the key areas of pay expenditure is set out below;

2.4 Pay Analysis

Table 8: Pay Expenditure by Type



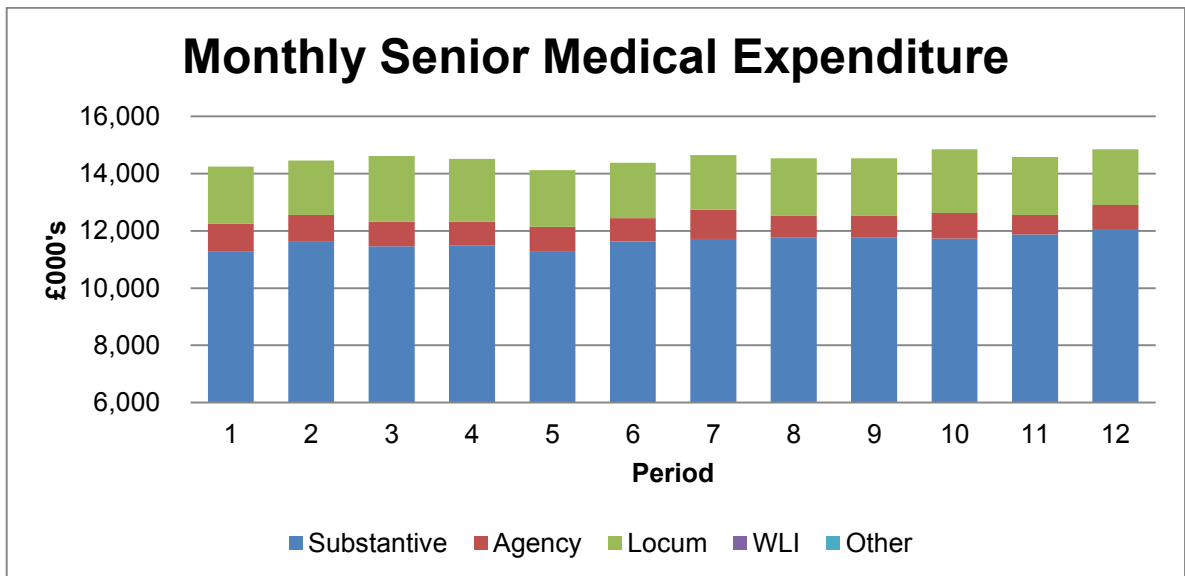
The Trust's year to date pay expenditure totals £945.7m. The March 2019 monthly expenditure was £81.3m which is above the monthly average run rate of £78.6m. The month 5 spike related to the backdated pay award.

Year to date agency expenditure is £50.8m split £37.4m across the HGS sites and £13.3m across the QE site. Year to date bank expenditure is £90.7m split £47.2m across the HGS sites and £43.5m across the QE site. Further detail on expenditure across the major staff groups is shown below:

2.4.1 Medical Staffing

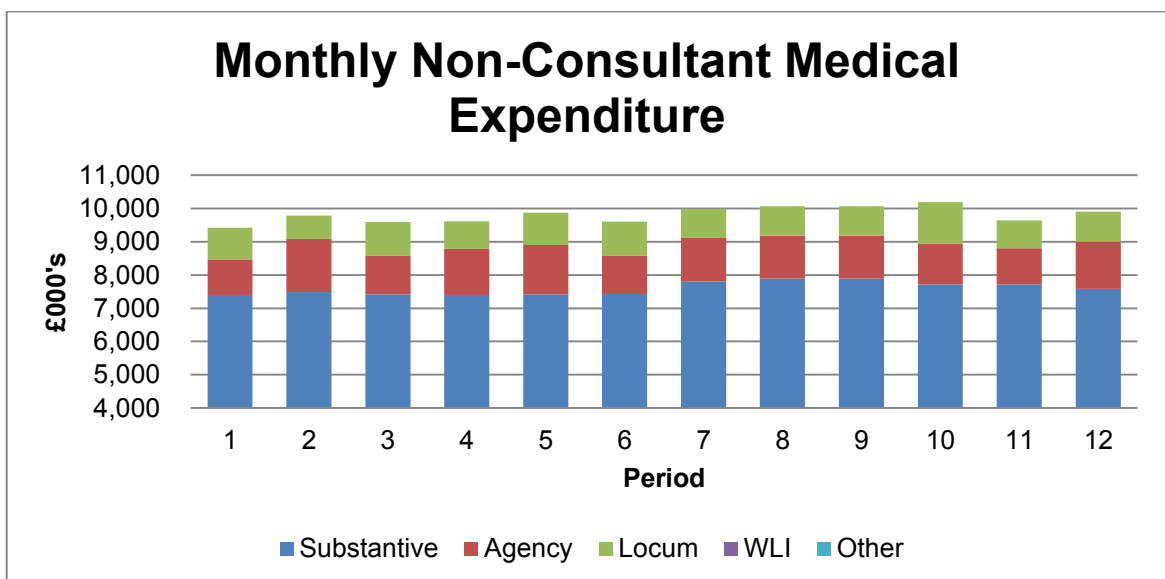
Year to date medical staff expenditure is £292.1m including £174.3m on Consultants and £117.8m on non-consultant medical staff. The Senior Medical expenditure (Consultants) is shown below, this includes agency spend of £10.2m year to date, with around 80% being incurred across HGS sites;

Table 8.1: Monthly Senior Medical Expenditure



Year to date other medical (junior and career grade) pay expenditure totalled £117.8m, this included £15.4m of agency staff with £9.7m at HGS sites and £5.7m at the QE.

Table 8.2: Monthly Non-Consultant Medical Expenditure

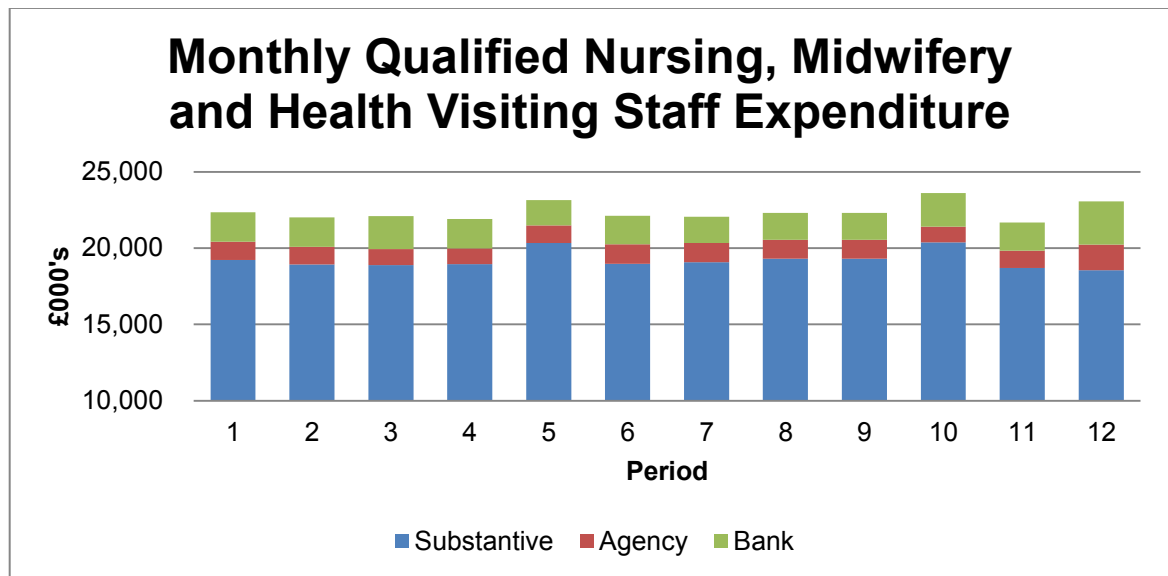


2.4.2. Qualified Nursing, Midwifery and Health Visiting Staff

Table 8.3 shows the Trust's year to date qualified nursing expenditure totalling £268.6m (Month 1-12). The average monthly expenditure for this staff group is £19.2m on

substantive nursing, £2.0m on bank and £1.2m on nursing agency. Of the qualified nurse agency spend; 88% 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 Month 12 non pay spend by expenditure group with the monthly average expenditure in quarters 1, 2, 3 and 4 2018/19 and the average for 2017/18.

Table 9: Non Pay by Expenditure Type

	2017/18	2018/19				
	Monthly Average £000's	Q1 Mthly Average £000's	Q2 Mthly Average £000's	Q3 Mthly Average £000's	Month 12 £000's	Q4 Mthly Average £000's
Drugs	17,941	18,324	19,406	20,346	14,152	17,891
Clinical Supplies	14,717	14,553	15,071	15,037	16,022	15,173
Other / Non Pay Rese	18,911	17,282	18,967	17,826	27,119	22,992
Total	51,568	50,158	53,443	53,209	57,293	56,056

2.6 Operational Divisional Performance

Table 10: Divisional Analysis

Site	Division	Expenditure Group	In Month Budget £000's	In Month Actual £000's	In Month Variance £000's	YTD Budget £000's	YTD Actual £000's	YTD Variance £000's
QEHB	A	INCOME	(1,705)	(2,180)	475	(19,683)	(20,799)	1,116
		NON PAY EXPENDITURE	4,007	5,324	(1,317)	44,944	54,668	(9,724)
		PAY EXPENDITURE	10,801	11,116	(315)	128,443	132,319	(3,876)
	A Total	13,103	14,260	(1,157)	153,704	166,188	(12,484)	
	B	INCOME	(269)	(776)	506	(1,916)	(5,999)	4,083
		NON PAY EXPENDITURE	3,032	3,635	(603)	58,182	64,365	(6,182)
		PAY EXPENDITURE	5,626	5,589	37	66,636	66,488	148
	B Total	8,389	8,448	(59)	122,903	124,854	(1,951)	
	C	INCOME	(570)	(677)	107	(5,753)	(5,550)	(203)
		NON PAY EXPENDITURE	4,980	5,832	(852)	77,602	82,795	(5,192)
PAY EXPENDITURE		7,201	7,557	(355)	77,980	83,778	(5,799)	
C Total	11,611	12,712	(1,100)	149,829	161,024	(11,195)		
D	INCOME	(623)	(853)	230	(7,515)	(8,382)	867	
	NON PAY EXPENDITURE	6,803	7,553	(750)	83,260	92,675	(9,415)	
	PAY EXPENDITURE	6,327	6,942	(615)	75,859	80,383	(4,524)	
D Total	12,507	13,642	(1,135)	151,604	164,676	(13,072)		
E	INCOME	(39)	(106)	67	(469)	(396)	(73)	
	NON PAY EXPENDITURE	175	238	(63)	1,536	1,801	(265)	
	PAY EXPENDITURE	565	573	(8)	7,126	6,615	511	
E Total	700	704	(4)	8,192	8,020	173		
QEHB Total		46,311	49,766	(3,455)	586,232	624,761	(38,530)	
HGS	1	INCOME	(338)	(440)	102	(4,466)	(4,499)	33
		NON PAY EXPENDITURE	2,545	2,555	(11)	27,871	32,823	(4,952)
		PAY EXPENDITURE	7,700	8,858	(1,158)	89,252	94,534	(5,282)
	1 Total	9,907	10,974	(1,066)	112,657	122,858	(10,201)	
	2	INCOME	(432)	(347)	(85)	(5,208)	(4,921)	(287)
		NON PAY EXPENDITURE	1,239	1,074	165	12,973	13,910	(937)
		PAY EXPENDITURE	4,820	4,743	77	56,858	56,203	655
	2 Total	5,626	5,470	156	64,623	65,192	(569)	
	3	INCOME	(302)	(448)	146	(3,663)	(4,129)	466
		NON PAY EXPENDITURE	3,176	2,927	249	36,781	32,483	4,297
PAY EXPENDITURE		8,401	9,306	(905)	95,903	106,327	(10,424)	
3 Total	11,274	11,785	(511)	129,020	134,681	(5,661)		
4	INCOME	(223)	(304)	81	(2,194)	(2,627)	433	
	NON PAY EXPENDITURE	3,940	3,422	518	54,265	58,315	(4,050)	
	PAY EXPENDITURE	7,419	7,637	(218)	86,030	89,429	(3,399)	
4 Total	11,136	10,756	380	138,102	145,117	(7,016)		
5	INCOME	(80)	(63)	(17)	(1,009)	(776)	(233)	
	NON PAY EXPENDITURE	3,296	3,394	(98)	42,868	43,458	(590)	
	PAY EXPENDITURE	5,650	6,268	(618)	66,254	71,900	(5,646)	
5 Total	8,865	9,599	(734)	108,113	114,582	(6,468)		
HGS Total		46,808	48,584	(1,775)	552,515	582,430	(29,915)	
UHB Grand Total		93,119	98,350	(5,231)	1,138,746	1,207,191	(68,445)	

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 (£68.4m) has been reported across operational divisions' this year which equates to a monthly average variance of (£5.7m).

The main divisional pressures during March were;

- Division A – The pay overspend of (£315k) in month is predominantly due to pressures within Anaesthetics (£163k), Theatres (£138k) and Labs (£81k) across Medics, Nursing, Scientists and PAMS. The non-pay overspend (£1,317k) is driven by a number of factors including CIP under-delivery (current and prior year) of (£405k), drugs and clinical supplies (£665k) (in particular Labs equipment) and (£151k) on Premises costs including maintenance contracts, MES charges, furniture and fixtures.
- Division B – The overall pay position is predominantly driven by a qualified nursing underspend of £78k in particular across Cardiology and group 3 wards. The non-pay overspend of (£603k) is predominantly driven by CIP under-delivery (current and prior year) but is partially offset by favourable variances within drugs and clinical supplies in particular implants and appliances within Cardiology. Income over-performance of £506k relates to favourable performance on Cardiothoracic transplant and mechanical devices.

- Division C – The (£355k) overspend on pay is driven by increased medical staffing, primarily within A&E (£120k), General Medicine (£50k), Ophthalmology (£45) (primarily relating to junior doctor recharges from HGS) and CDU (£32k). Non-pay overspend of (£852k) includes CIP under-delivery of (£408k) (current and prior year), outlier expenditure (£244k) and the bad debt provision for safe and secure transport (ED mental health) (£195k).
- Division D – The pay overspend of (£615k) in month is predominantly driven by medical and dental (£481k) predominantly in Burns and Plastics (£151k) variance and Haematology (£103k) variance. The over spend on non-pay of (£750k) is driven by CIP under-delivery (current and prior year) of (£643k) and bad debt provision movements associated with long standing disputes around SLA invoicing (£141k).
- Division 1 (CSS) – The pay overspend of (£1,158k) in month is driven by Theatres (£446k) and Radiology (£310k). This pay position includes (£660k) of backdated agency invoices across Theatres and Critical Care. The Radiology overspend is a continuation of previously reported staffing pressures across Medics and PAMs.
- Division 2 (W&C) – The overall pay position is predominantly driven by Nursing and Midwifery £100k offset by an over spend on Medical staffing of (£51k). The income under-performance relates to Maternity PbR provider to provider charges.
- Division 3 (Emergency) – The (£905k) overspend on pay primarily relates to increased medical staffing (£347k) and nursing (£611k) pay costs with the main areas of pressure remaining in acute and emergency medicine.
- Division 4 (Medicine) – The in month pay overspend of (£218k) is primarily driven by an over spend on medical staffing of (£157k) with the main pressure remaining in Elderly Care (£173k). The under spend on non-pay of £518k is driven by a correction / reduction in the price of a drug together with circa £600k of credit notes previously unexpected.
- Division 5 (Surgery) - The (£618k) in month overspend on pay is a deterioration of (£222k) on the variance in February. This position continues to be driven by Medical staffing pressures (£544k overspent) driven by vacancy cover, sickness, additional duties and WLI session payments together with back dated adjustments.

3. Efficiency Savings

The combined 2018/19 financial plan requires delivery of total efficiency savings of £35.6m, split £17.6m at HGS and £18.0m at QE. Actual CIP delivered at the end of March has improved with delivery year to date moving from 93% in February to 96% as shown below;

Table 11: CIP Delivery by Site and Division

Site	Division	Annual Target £000's	YTD Actual £000's	YTD Variance £000's	YTD Delivery %
QEHB	A	4,372	2,064	(2,308)	47.2%
	B	3,638	4,156	518	114.2%
	C	3,510	4,990	1,480	142.2%
	D	3,981	3,408	(573)	85.6%
	Corp	2,000	2,773	773	138.7%
	Other	500	20	(480)	4.0%
	QEHB Total		18,000	17,410	(590)
HGS	1	2,315	1,662	(653)	71.8%
	2	468	725	257	154.8%
	3	2,961	4,143	1,182	139.9%
	4	3,296	3,348	52	101.6%
	5	2,561	1,517	(1,044)	59.2%
	Corp	3,084	3,059	(25)	99.2%
	Other	2,951	2,410	(541)	81.7%
	HGS Total		17,637	16,865	(772)
UHB Grand Total		35,637	34,275	(1,362)	96.2%

Actual CIP delivered year to date is £34.3m against a target of £35.6m; resulting in a shortfall of £1.4m split (£0.6m) across the QE and (£0.8m) across HGS services. In order to achieve this position, a number of non-recurrent schemes have been declared. Whilst this helps deliver the plan for this year, these will have to be replaced with further recurrent savings in the next financial year.

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

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

4. Statement of Financial Position

The Statement of Financial Position (Balance Sheet) shows the value of Trust assets and liabilities. The upper part of the statement shows net assets after short and long term liabilities with the lower part identifying sources of finance. Table 12 below summarises the Trust's Statement of Financial Position as at 31 March 2019.

Table 12: Statement of Financial Position

Consolidated Summarised Balance Sheet - Group			
Group	Plan Mar 19 £m	Actual Mar 19 £m	Variance Mar 19 £m
Non-current assets			
Intangible Assets	9.3	12.8	3.5
Tangible Assets	450.6	428.0	(22.6)
PFI Assets	304.2	312.5	8.3
Debtors	6.1	8.5	2.4
Total	770.2	761.8	(8.4)
Current assets			
Inventories	29.4	35.5	6.1
Debtors	122.5	122.8	0.3
Bank & Cash	47.3	62.9	15.6
Total	199.2	221.2	22.0
Total Assets	969.4	983.0	13.6
Current liabilities			
Payables - trade	(234.0)	(257.5)	(23.5)
Payables - capital	(12.4)	(6.1)	6.3
Provisions	(2.5)	(3.3)	(0.8)
Deferred income	(30.3)	(33.4)	(3.1)
Borrowings	(13.4)	(13.2)	0.2
Total	(292.7)	(313.5)	(20.8)
Non-current liabilities			
Payables - trade	0.0	0.0	0.0
Provisions	(9.7)	(7.5)	2.2
Deferred income	(0.2)	(2.5)	(2.3)
Borrowings	(514.1)	(497.1)	17.0
Total	(524.0)	(507.1)	16.9
Total Liabilities	(816.7)	(820.6)	(3.9)
Net Assets	152.7	162.4	9.7
Financed by			
PDC	395.5	367.5	(28.0)
Revaluation Reserve	153.8	151.4	(2.4)
I&E Reserve	(396.6)	(356.5)	40.1
Total	152.7	162.4	9.7

5. Capital Expenditure (Non-Current Assets)

Actual capital expenditure incurred year to date was £40.1m compared to the planned £50.3m, with expenditure of £6.2m in the month of March.

Table 13 below demonstrates the slippage against the original capital programme however there is significant slippage on the anticipated phasing of costs associated with the ACAD development. It was anticipated that £17.3m would have been spent year to date on the main ACAD scheme, using externally generated funds. However, due to the

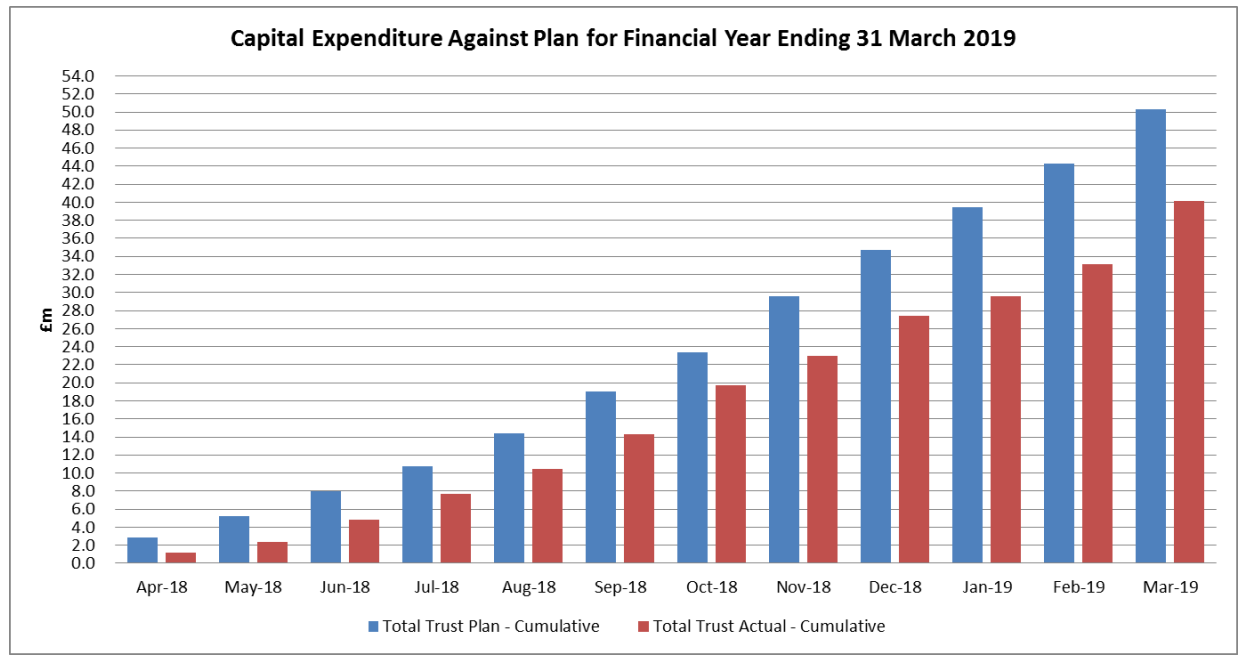
delay in agreeing the business case and funds, this has not yet materialised. However, the slippage has been partially offset by £2.0m of costs associated with the development which have been funded internally.

Capital expenditure in the month totalled £6.2m, this included;

- £1.3m Estates and facilities improvements and backlog works
- £1.6m Medical equipment
- £2.1m Site wide ICT infrastructure and Global Digital Exemplar costs

Further detail is included in Appendix B.

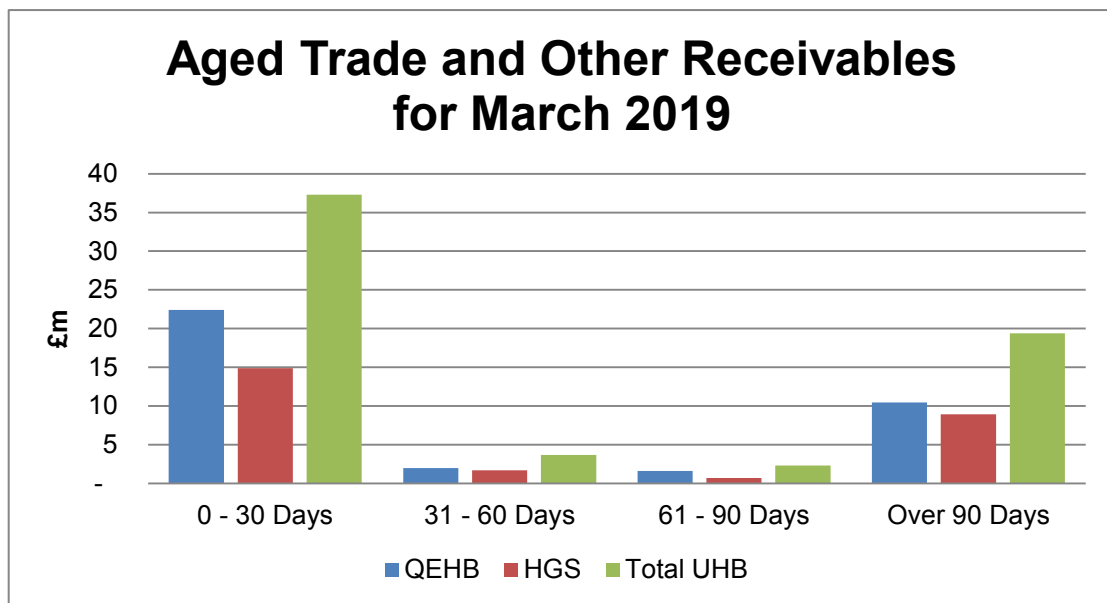
Table 13: Capital Programme Expenditure



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 March 2019, the external over 90 day debt amounted to £19.4m a decrease of £1.9m from the position at the end of February 2019. This includes £3.0m due from NHS commissioners. A further £9.1m relates to Service Level Agreements (SLA) for services provided to other NHS providers, this includes Sandwell & West Birmingham NHS Trust (£2.4m), Birmingham Women's and Children's (£2.1m) 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



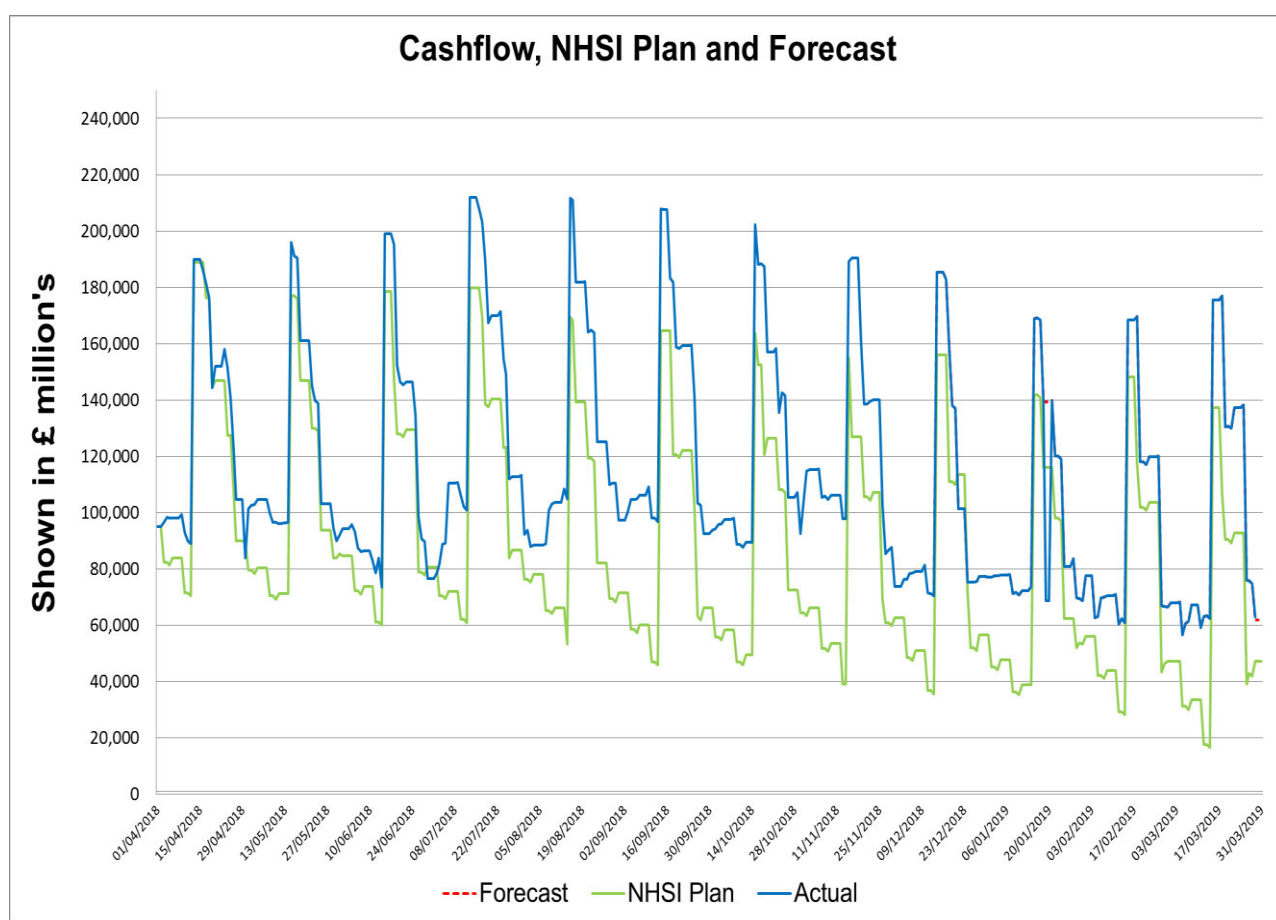
7. Cash Flow

The blue line on Table 15 below shows the actual weekly cash balances up to the end of March 2019. This shows the Trust's cash balance at the end of March was £62.9m which is above plan. This is still forecast to reduce over the remaining weeks 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 repaid 2017/18 HGS healthcare income under performance, although agreements have been reached.
- Debtors (receivables) are lower than plan as the Trust's payments from commissioners are largely up to date.
- Payables (NHS, trade and accrued expenditure) are higher than plan suggesting an increase in invoices not yet registered, received or approved for payment.
- Capital expenditure is lower than plan.

Table 15: Cash Flow Forecast



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

8.1 Finance & Use of Resources (UoR) Metric

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

Table 16: Trust Use of Resources score

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

Use of resources is one theme used by NHSI to assess providers' overall performance. Other factors include quality of care, operational performance, strategic change and

leadership and improvement capability. After assessing each of these areas, the Trust is placed into one of four segments as follows;

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

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

8.2 Absorption Gain

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

8.3 NHSI Control Total

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

Table 17: NHSI Financial Performance

	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Variance £m
Trust surplus / (deficit) for the period	(38.8)	(38.8)	132.8	171.6
Gains on transfers by absorption	0.0	0.0	(165.0)	(165.0)
Trust surplus / (deficit) for the period excl absorption gains	(38.8)	(38.8)	(32.2)	6.5
Adjust: Capital donations / grants I&E impact	0.7	0.7	0.0	(0.7)
Add back all I&E impairments (reversals)			0.7	0.7
Adjusted financial performance surplus / (deficit) including PSF	(38.0)	(38.0)	(31.5)	6.5
Less: Provider Sustainability Fund (PSF)	(23.8)	(23.8)	(29.9)	(6.1)
Adjusted financial performance surplus / (deficit) excluding PSF	(61.8)	(61.8)	(61.4)	0.4

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

The Trust has received 100% of the Quarter 1 funding which totalled £3.6m, Quarter 2 financial performance funding at 70% of £3.3m and Quarter 3 financial performance funding at 70% £5.0m.

The Trust has received notification that quarters 2 to 4 A&E PSF has been lost, a loss of (£6.1m) which has been reflected in the Trust's position.

On a control total basis the Trust reported an initial deficit which was £0.4m less than originally planned. As such, the Trust has been allocated the following additional PSF:

- Incentive PSF (£ for £ of improvement) = £0.4m
- Bonus PSF = £2.6m
- General Distribution PSF = £9.1m

This has led to the Trust reporting a final deficit of (£31.5m) against the planned deficit of (£38.0m), a favourable variance of £6.5m.

9. Conclusion

The Trust has reported an income and expenditure deficit of (£31.5m) at the end of March (Month 12). This includes planned PSF less the unearned A&E performance element and additional PSF of £12.2m but excludes impairments. On a control total basis, the Trust delivered a (£31.2m) deficit against a planned deficit of (£31.7m), a favourable variance of £0.4m. The Trust's cash balance remains strong at £62.9m as at 31 March 2019.

10. Recommendation

The Council of Governors is requested to:

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
16 May 2019

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

Income

Income Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AandE	14,846	14,604	- 242	29,802	30,198	396	44,648	44,802	154
Ambulatory Care	4,519	5,157	638	5,892	5,567	- 325	10,411	10,724	313
Critical Care	30,543	29,914	- 629	20,915	23,022	2,107	51,458	52,936	1,478
Day Case	37,119	35,809	- 1,310	47,498	46,852	- 646	84,617	82,661	- 1,956
Elective	61,587	55,552	- 6,035	39,395	38,773	- 622	100,982	94,325	- 6,657
Non Elective	115,331	121,074	5,742	140,260	155,700	15,441	255,591	276,774	21,183
Excess Bed Days	7,475	7,074	- 402	7,252	7,204	- 49	14,728	14,277	- 451
Maternity	-	-	-	42,692	41,827	- 864	42,692	41,827	- 864
Direct Access	6,266	6,899	633	17,210	16,702	- 508	23,476	23,601	125
Outpatient First Attendance	23,828	22,781	- 1,047	32,625	31,572	- 1,053	56,453	54,353	- 2,100
Outpatient Follow Up	45,543	45,288	- 255	33,196	32,582	- 613	78,739	77,870	- 869
Outpatient Procedures	11,812	14,233	2,421	18,092	18,842	751	29,904	33,075	3,172
Diagnostic Imaging	10,517	10,450	- 66	7,375	7,456	81	17,892	17,906	15
Renal Dialysis	24,338	24,335	- 3	9,706	9,939	233	34,044	34,274	230
Other	22,376	23,124	749	36,198	36,274	76	58,574	59,399	825
Marginal rate Emergency Threshold	- 917	- 1,700	- 783	- 3,585	- 8,817	- 5,232	- 4,501	- 10,517	- 6,015
	415,183	414,594	- 589	484,522	493,694	9,172	899,705	908,288	8,583
Blocks/Cost Per Case Drugs & Devices etc	245,106	263,791	18,685	101,255	102,108	853	346,361	365,899	19,538
Cat A Healthcare Income	660,289	678,385	18,095	585,777	595,802	10,025	1,246,066	1,274,187	28,120

Activity

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	113,994	113,229	- 765	253,586	259,535	5,949	367,580	372,764	5,184
Ambulatory Care	9,631	10,987	1,356	12,534	12,371	- 163	22,166	23,358	1,192
Critical Care	27,008	27,220	212	28,973	31,385	2,412	55,981	58,605	2,624
Day Case	49,857	46,984	- 2,873	74,933	75,111	178	124,790	122,095	- 2,696
Elective	16,578	13,836	- 2,742	12,241	11,663	- 578	28,819	25,499	- 3,319
Non Elective	39,558	42,098	2,539	68,804	77,493	8,689	108,362	119,591	11,229
Maternity	-	-	-	26,776	24,963	- 1,813	26,776	24,963	- 1,813
Direct Access	1,105,102	1,159,943	54,841	6,536,582	6,430,307	- 106,275	7,641,684	7,590,250	- 51,435
Outpatient First Attendance	131,303	142,537	11,234	196,280	195,160	- 1,120	327,584	337,697	10,113
Outpatient Follow Up	472,477	466,560	- 5,917	454,419	467,086	12,667	926,897	933,646	6,749
Outpatient Procedures	94,855	116,742	21,887	126,318	128,725	2,407	221,173	245,467	24,293
Diagnostic Imaging	97,670	100,065	2,395	88,150	90,262	2,112	185,820	190,327	4,507
Renal Dialysis	198,430	197,297	- 1,133	80,617	82,775	2,158	279,047	280,072	1,025
Other	84,720	98,239	13,519	226,887	248,000	21,113	311,608	346,239	34,631
	2,441,184	2,535,736	94,553	8,187,102	8,134,836	- 52,266	10,628,285	10,670,572	42,287

* Excludes Excess Bed Days

The figures above are before fines and penalties.

Appendix B – 2018/19 Capital Expenditure Quarter 4 Update

1. Purpose

This appendix provides a summary of Trust wide capital expenditure during 2018/19 (Q1-Q4). It includes an update on the major capital projects, along with a table summarising the sources of funding for capital investments.

2. 2018/19 Capital Programme

The June 2018 Board of Directors meeting approved the 2018/19 capital investment at just over £50m (excluding QEHB PFI repayments). As in previous years, this plan changed to reflect projects approved or new Public Dividend Capital (PDC) funding allocated to providers. In recent months, the Trust has secured the following additional external financing;

- **£0.50m** of PDC for Cancer Transformation

3. Capital Expenditure

At the end of March 2019, the Trust reported capital expenditure of £40.1m. The table below outlines the expenditure incurred in year.

Table 1: 2018/19 Actual Capital Expenditure

SITE	TYPE	Actual £m
All	Medical Equipment replacement	12.3
All	Estates & Facilities Works	5.6
All	ICT Infrastructure	4.8
All	ICT GDE & Wi-Fi & Fast Follower	5.3
HGS	ACAD	2.0
QE	QEHB PFI Lifecycle	2.8
QE	Major Medical inc. Linear Accelerator	2.7
All	Winter Estates Schemes (Cedarwood)	1.7
All	Grants & Charitable Donations	2.8
QE	Cancer Transformation	0.5
	Total	40.4
All	Less Disposals	-0.3
	Total*	40.1

3.1 Medical Equipment & Divisional Spend

This budget covers the replacement of existing medical equipment across all hospital sites. To date £12.3m of expenditure has been incurred (£7.2m at HGS and £5.0m at QE sites), major purchases in year include scopes; stacks; ultrasound machines; patient monitors; dialysis machines; defibrillators; operating tables; theatre and other central monitoring systems.

3.2 Estates Works

In year, £5.6m has been incurred on capital projects (£4.5m at HGS and £1.1m at QE) to maintain and improve buildings across the Trust. Across HGS sites this includes works to Fire Compartmentation (HGS) Fire alarm control panels

(Heartlands), replacement MRI works (Solihull), refurbishment of negative pressure rooms (Heartlands) and improvements to radiology infrastructure. Across QE sites, work is being undertaken to install a replacement Linear Accelerator, replacement of an electricity substation, backlog maintenance projects across Heritage buildings and improvements to Melchett Road (toilets and chiller units).

3.3 ICT Infrastructure, GDE and Wi-Fi Project

At year end, total ICT expenditure incurred was £4.8m. This included investments in replacement of existing hardware, software and data domains along with works to improve security and roll out systems Trust wide. 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 further £5.3m has been spent on externally funded ICT projects;

- Global Digital Exemplar (GDE)
- Free Wi-Fi access across Trust sites
- GDE Fast Follower project.

Regular project reviews are undertaken with more detailed reports submitted to funders to ensure the agreed funding can be drawn down.

3.4 Heartlands Ambulatory Care and Diagnostics Centre (ACAD)

The full business case was submitted to board on the 24th January 2019 and approved by Board. The case has been submitted to NHSI and discussions are ongoing regarding the funding arrangements. Early in 2018/19 it was agreed to proceed with a package of works and fees, at the end of the financial year, just under £2.0m was incurred.

3.5 QEHB PFI Lifecycle

£2.8m has been incurred for 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. This also includes some ad hoc variations improvement works completed in the QEHB during the year at the request of services.

3.6 QE Major Medical

Total expenditure in 2018/19 was £2.7m; this included 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 MRI replacement

3.7 Winter Capacity Projects

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

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

Works to both projects were completed in line with the national deadlines (Christmas 2018). The agreed level of expenditure was incurred and full funding has been drawn down.

3.8 Grants & Donations

To date, £2.8m of current capital projects have been funded by charitable grants or donations, this includes;

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.

b. HGS – Education Refurbishment GHH £0.7m

Funded by UHB Charity, works have been completed to upgrade the Education centre and the Partnership Learning Centre.

The balance relates to charitable donations to fund various pieces of additional equipment across the four hospital sites, primarily from the UHB Charity.

3.9 Cancer Transformation

The Trust was allocated a final £0.5m of central PDC funding late in 2018/19. This relates to the West Midlands Cancer Alliance of which the Trust is a hub and some regional projects are being overseen by the Director of Research, Development and Innovation (Hilary Fanning).

4. 2018/19 Sources of Capital Funding

The Trusts total capital investment during 2018/19 was £52.2m as follows;

- £40.1m capital projects (detailed above)
- £12.1m capital repayment of the QEHB lease.

The sources of funding for these investments are shown below; the majority of expenditure was funded by either external PDC or the Trust depreciation;

Table 2: 2018/19 Capital Investment Funding

Type	Project	Actual £m
PDC	ICT Global Digital Exemplar b& Fast Follower	4.8
PDC	ICT Wi-Fi Roll Out	0.6
PDC	Linear Accelerator Replacement	1.7
PDC	Winter Capacity	1.7
PDC	Cancer Transformation	0.5
Other	UHB Charity And Other Charitable Grants	2.8
Internal	Trust Funding (Depreciation & Amortisation)	38.4
Internal	Trust Cash	1.8
	Total	52.2