

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
BOARD OF DIRECTORS
THURSDAY 24 OCTOBER 2019

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2019
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 17374

Purpose:	To present an update to the Board on the Trust's finance and activity performance for the period ending 30 September 2019 (Months 1- 6 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 adjusted financial performance for 2019/20 is breakeven. • The overall year to date deficit (including central funding) is (£13.7m) against a planned deficit of (£14.2m), £0.5m 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 control total variance (excluding central funding and adjustments for donated assets) used by NHSE&I to measure Trust finances is £41k favourable to plan. • The Trust's cash balance was £65.1m at the end of September 2019, which is above the plan of £63.1m.
Recommendations:	The Board of Directors is requested to receive the contents of this report.

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

BOARD OF DIRECTORS

THURSDAY 24 OCTOBER

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2019

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first six months of the 2019/20 financial year from April to September 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 (£13.7m) at the end of September 2019 (Month 6). This is £0.5m favourable to the planned deficit of (£14.2m) 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 technical adjustments for donated assets. On this basis the Trust is reporting a favourable variance of £41k year to date, as shown in Table 17.

Factors contributing to the position include:

- Under delivery against CIP targets year to date and
- Other divisional pressures including agency staff, nurse bank expenditure and increased non-pay expenditure.

These are being offset by the release of non-recurrent gains and benefits to ensure the Trust remains on plan. This enables the Trust to be eligible to receive central Provider Sustainability Funding (PSF) and Financial Recovery Funding (FRF). Relying on non-recurrent solutions is not sustainable and therefore the underlying run rate needs to improve going forwards through increasing CIP delivery, reducing agency expenditure and controlling non-pay costs. The Trust's cash balance has improved to £65.1m at end of September 2019 from £58.0m at the end of August.

2. Income & Expenditure

2.1 Summary Position

As set out above, the Trust's income and expenditure position at the end of September is a deficit of (£13.7m) which is £0.5m favourable compared to the original plan. Although the 2019/20 annual plan is for a breakeven of income and expenditure, this is not equally phased due to the following:

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

Table 2: Trust Income and Expenditure position

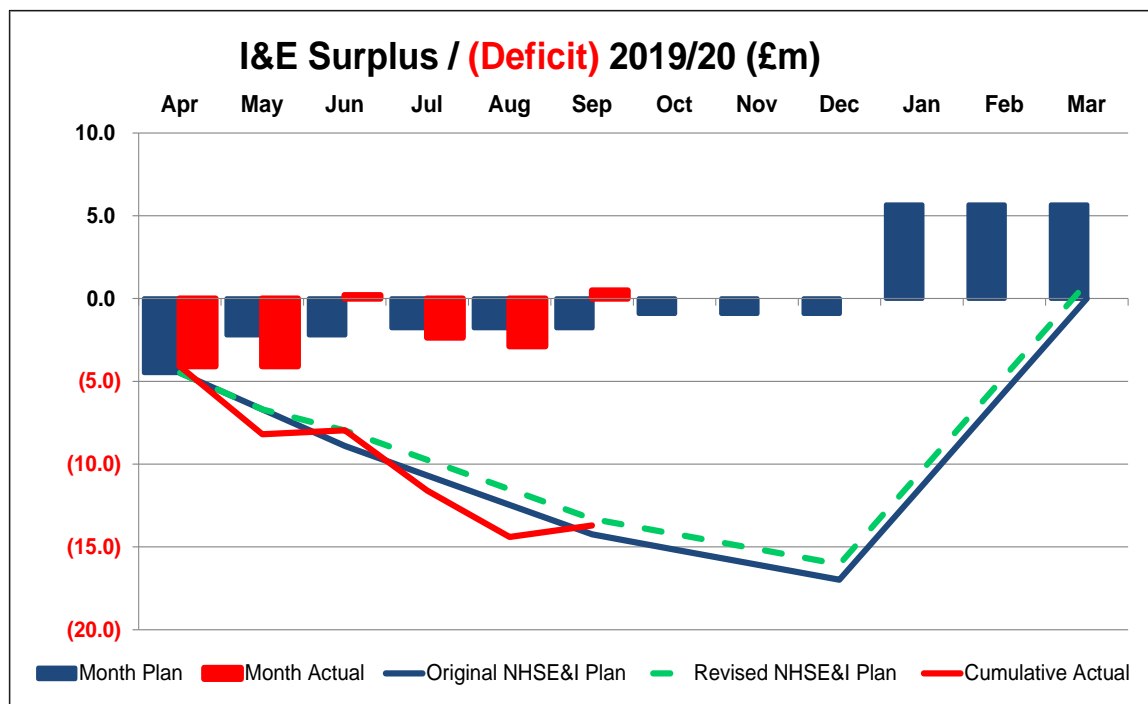


Table 3 below summarises the Trust's Income and Expenditure position for the period ended September 2019. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

Table 3: YTD Income and Expenditure against Original Plan

Consolidated Summarised Income and Expenditure - Group			
	YTD Plan Sep-19 £m	YTD Actual Sep-19 £m	YTD Variance Sep-19 £m
Operating Income	834.1	838.2	4.1
Operating Expenditure	(818.7)	(821.2)	(2.5)
EBITDA	15.4	17.0	1.6
Depreciation	(18.2)	(18.6)	(0.4)
Interest Receivable	0.3	0.2	(0.1)
Interest Payable	(12.0)	(12.0)	0.0
PDC Dividends	(0.7)	(0.7)	0.0
Gains / (losses) on Disposals	0.0	(0.1)	(0.1)
Corporation Tax	0.0	0.0	0.0
Donated / Granted Income	1.0	0.5	(0.5)
Retained Deficit	(14.3)	(13.7)	0.5

Note - may include rounding differences

2.2 Income Analysis

2.2.1 Operating Income

Total operating revenue is £4.1m favourable to the year to date plan;

Table 4: Operating Income against Plan

Group	YTD Plan Sep-19 £m	YTD Actual Sep-19 £m	YTD Variance Sep-19 £m
INCOME			
Clinical - NHS	732.0	736.6	4.6
Clinical - Non NHS	6.6	7.4	0.8
Other	95.5	94.2	(1.3)
Total Income	834.1	838.2	4.1

Note - may include rounding differences

NHS clinical revenues are £4.6m favourable to plan, this includes additional PSF and central DHSC pay award funding. In addition, there is some over-performance against core contracted income based on activity data to the end of August (Table 5 below) but this is not yet recognised in the ledger.

Non-NHS clinical income is £0.8m above plan due to private patients £0.2m and overseas visitors income £0.6m. Other non-clinical income is (£1.3m) below plan due to shortfalls in SLA income and other trading revenues.

2.2.2 Healthcare Related Income

The Trust's actual healthcare income and activity performance for Month 1-5 (April - August 2019) is shown below compared to an equally phased plan.

Table 5: Healthcare Income by Point of Delivery

Income Type	Trustwide		
	YTD Plan £m	YTD Actual £m	YTD Variance £m
Accident and Emergency (Attendances)	24,442	24,273	(169)
Inpatients - Scheduled Care (Spells)	85,593	84,039	(1,554)
Inpatients - Unscheduled Care (Spells)	173,971	173,221	(750)
Outpatients (Attendances & Procedures)	80,326	79,504	(822)
Other (Direct Access / Various)	90,025	94,126	4,100
Total	454,358	455,162	805

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

This shows the Trust's actual healthcare income being £0.8m favourable to plan. Income for both scheduled and unscheduled care is lower than plan, but this is offset by over-performance within Other Income. This includes Critical Care £0.2m, Renal Dialysis £0.7m, Maternity £0.5m, Imaging £0.7m, Neurology £0.6m, CF £0.2m and Radiotherapy £0.4m. As noted above, this favourable variance is not yet reflected within the reported financial position. As in previous years, this will be recognised once the over performance is agreed and reconciled with commissioners.

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	Trustwide		
	YTD Plan	YTD Actual	YTD Variance
Accident and Emergency (Attendances)	178,285	175,357	(2,928)
Inpatients - Scheduled Care (Spells)	67,901	67,455	(446)
Inpatients - Unscheduled Care (Spells)	82,455	79,635	(2,820)
Outpatients (Attendances & Procedures)	695,733	686,101	(9,632)
Other (Direct Access / Various)	3,851,257	4,272,499	421,242

**Excludes Excess bed day activity*

Table 6 shows that activity is below plan for A&E, outpatients, scheduled and unscheduled care against the equally phased plan. However, A&E activity is 2.5% above the same period in 2018/19, whilst the 2019/20 plan includes 5% growth uplift. Overall Inpatient Scheduled Care activity is 0.6% below plan with day case activity 1% above plan and inpatient activity (7%) below plan.

Other activity remained above plan for the period to August predominantly as a result of increased direct access activity (Pathology and Imaging) but also Critical Care, 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 for scheduled, unscheduled and outpatient activity.

Table 6.1: Trust Inpatient Activity - Scheduled Care

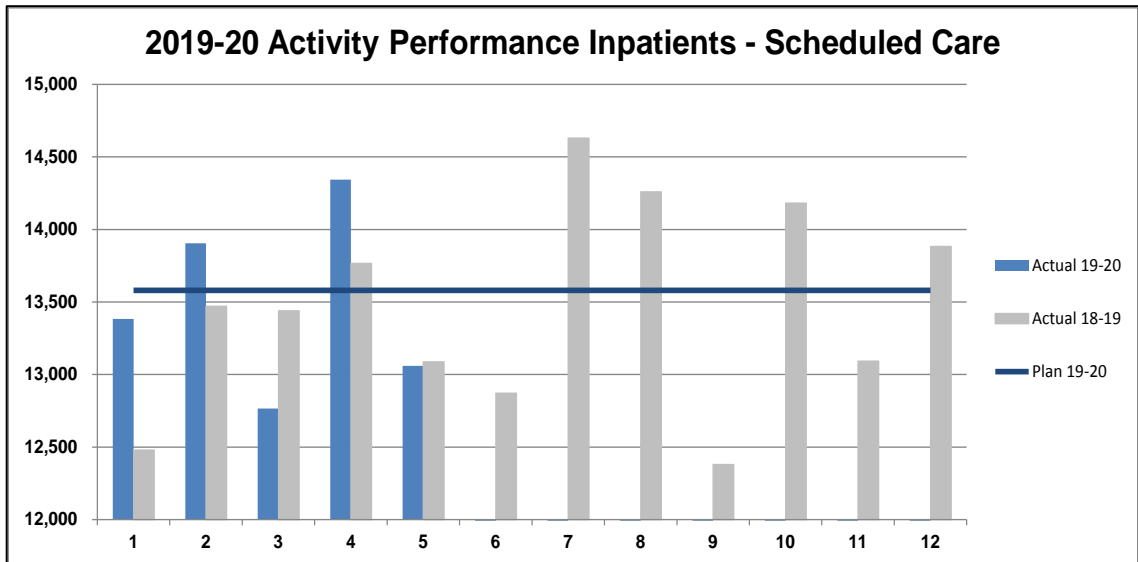


Table 6.2: Trust Inpatient Activity – Unscheduled Care

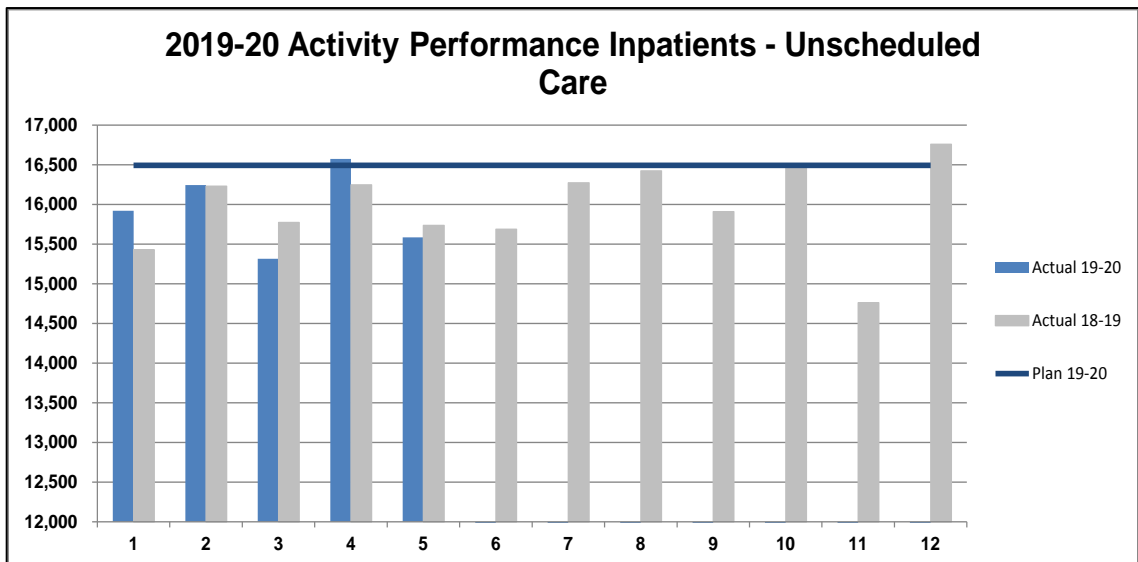
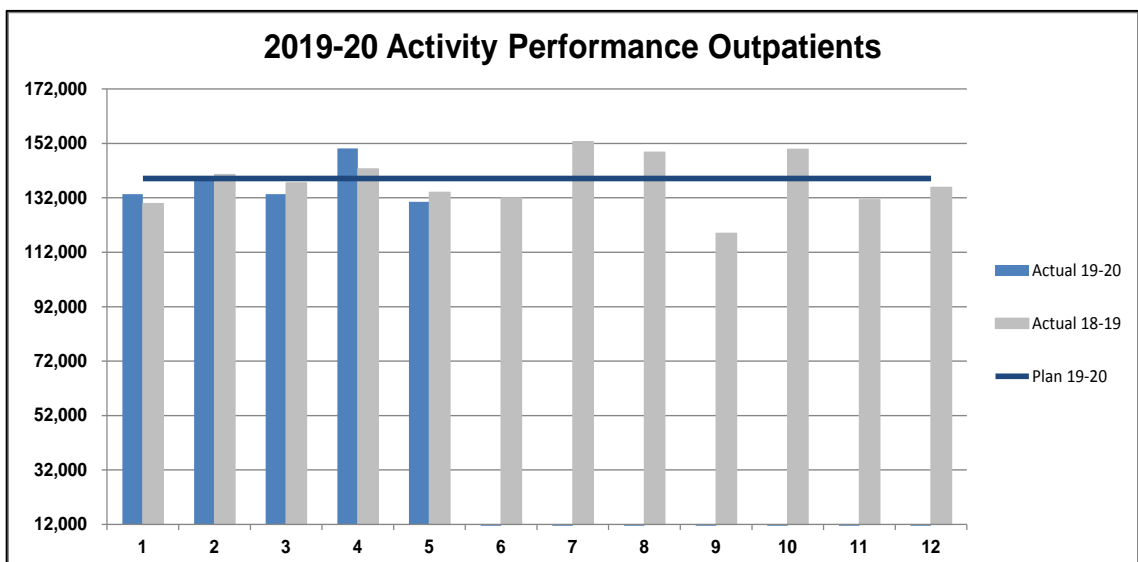


Table 6.3: Trust Outpatient Activity



2.3 Operating Expenditure Analysis

The Trust's expenditure shows an adverse variance of (£2.5m) overall for the year to date. This includes a pay overspend of (£5.8m).

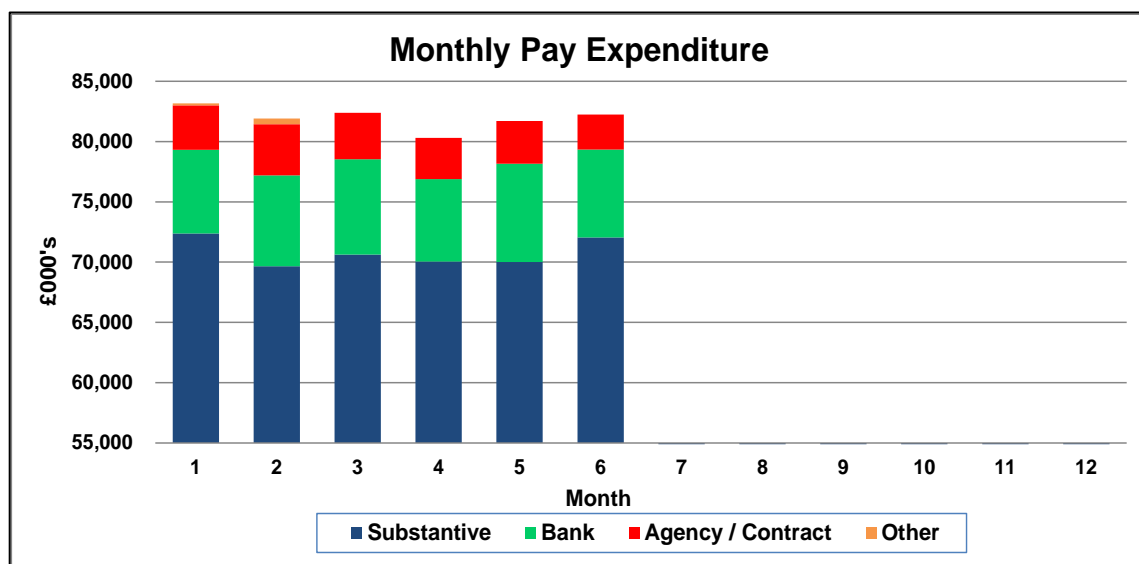
Table 7: Year to Date Operating Expenditure

Group	YTD Plan Sep-19 £m	YTD Actual Sep-19 £m	YTD Variance Sep-19 £m
PAY			
Medical Staff	148.4	149.6	(1.2)
Nursing incl HCAs	180.5	183.0	(2.5)
Other Staff	154.4	156.3	(1.9)
Apprentice Levy	2.0	2.2	(0.2)
Total Pay	485.3	491.1	(5.8)
NON PAY			
Drugs	123.0	119.9	3.1
Clinical Supplies & Services	93.8	94.2	(0.4)
Other / Non-Pay Reserves	116.6	116.0	0.6
Total Non Pay	333.4	330.1	3.3
GRAND TOTAL	818.7	821.2	(2.5)

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 £491.1m, averaging £81.9m per month for the year to date. This includes year to date agency expenditure of £21.6m, equivalent to £3.6m every month. This is (£4.2m) above the NHSE&I agency expenditure ceiling for the first half of the year. Year to date bank expenditure is £44.7m.

2.4.1 Medical Staffing

Year to date medical staff expenditure is £149.6m of which £88.6m relates to Consultant staff and £61.0m non-consultant staff. Substantive pay increased in September as a result of the national medical staff pay award and associated arrears paid in month 6.

Table 8.1 shows the year to date Senior Medical staff (Consultants) expenditure, which includes £4.1m of agency expenditure.

Table 8.1: Monthly Senior Medical Expenditure

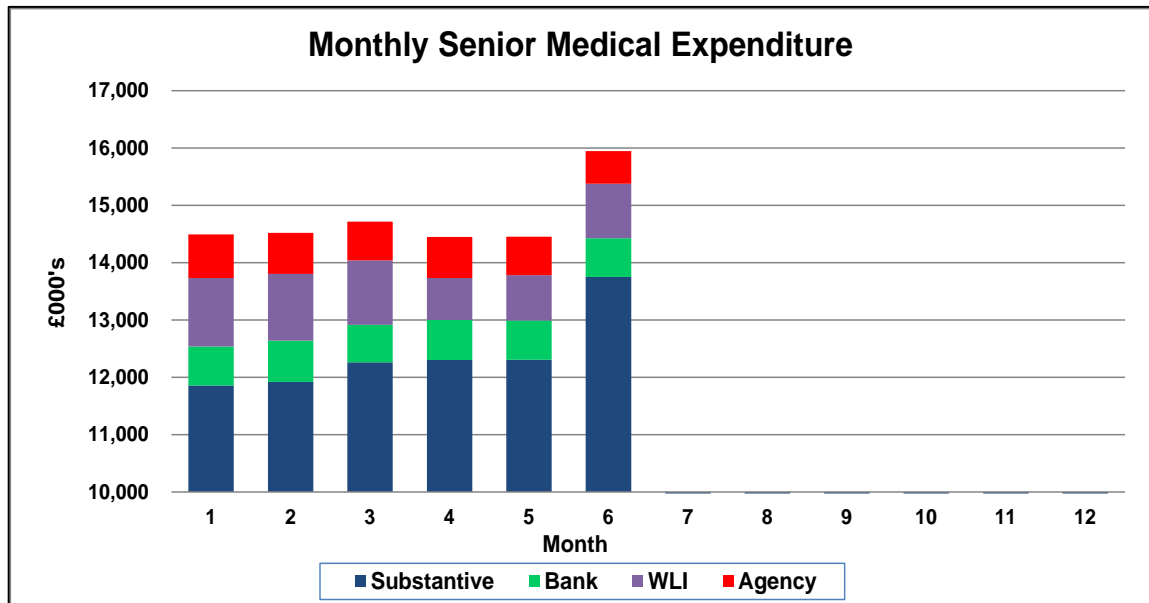
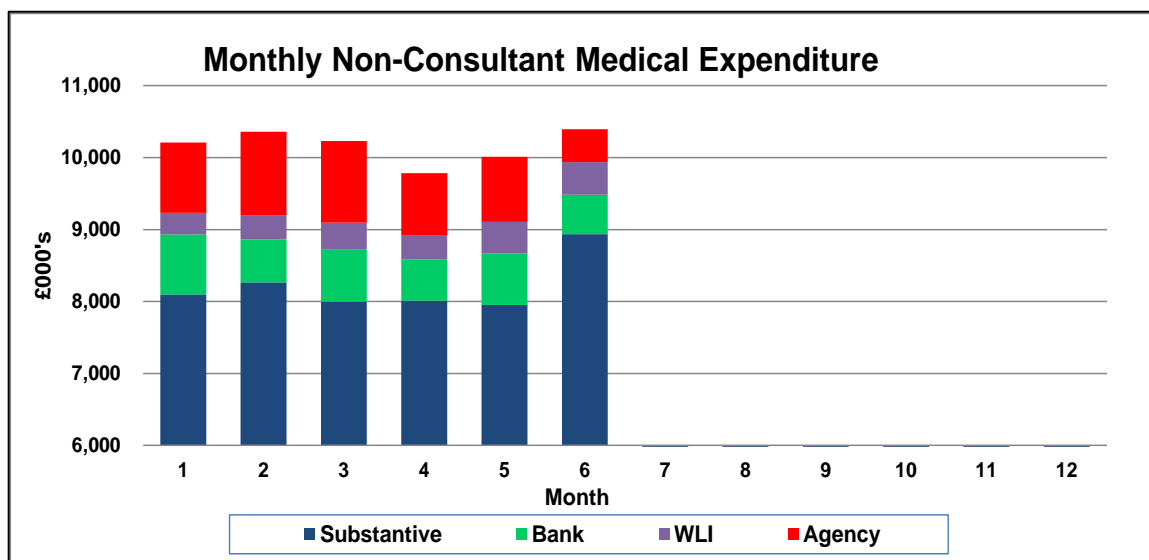


Table 8.2 shows other medical (Junior and Career Grade doctors) pay expenditure totalled £61.0m which included £5.5m of agency staff.

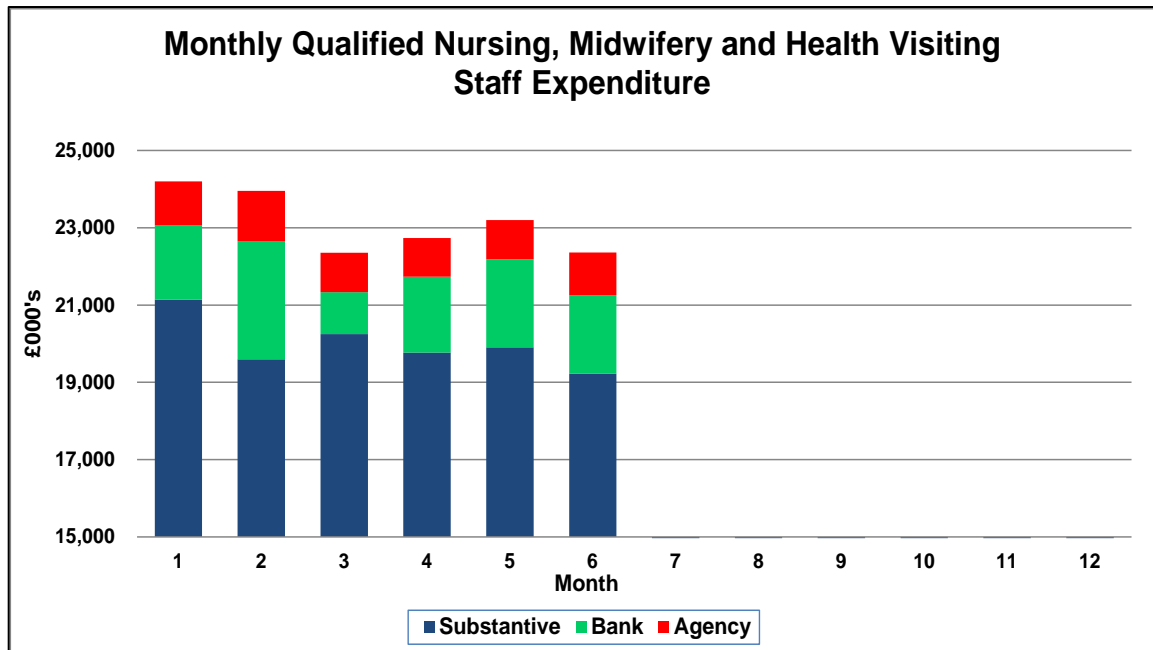
Table 8.2: Monthly Non-Consultant Medical Expenditure



2.4.2. Qualified Nursing, Midwifery and Health Visiting Staff

Table 8.3 shows the Trust's year to date qualified nursing expenditure totalling £138.8m of which £6.6m relates to agency and £12.3m to bank staff.

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



2.5 Non Pay Analysis

Table 9 below compares month 6 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 6 Actual	Monthly Average
	£m	£m	£m	£m
Drugs	119.9	20.0	21.4	19.0
Clinical Supplies	94.2	15.7	15.1	14.9
Other	116.0	19.3	20.3	19.4
Total	330.1	55.0	56.8	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.

2.6 Operational Divisional Performance

Table 10 below shows the financial performance across the new divisional structure. Funding was released to divisions in month 6 for the following:

- Medical Staff Pay award of 2.5% amounting to £5.9m (backdated to April 2019);

Table 10: Divisional Analysis

Month 6	Category	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Var £m
Division 1	Income	23.7	12.0	12.2	0.2
	Pay	(208.0)	(104.0)	(106.1)	(2.1)
	Non Pay	(57.3)	(28.2)	(37.8)	(9.6)
	Sub-Total	(241.5)	(120.2)	(131.7)	(11.5)
Division 2	Income	2.2	1.6	3.5	1.9
	Pay	(133.4)	(66.5)	(68.7)	(2.2)
	Non Pay	(147.6)	(72.2)	(77.5)	(5.4)
	Sub-Total	(278.7)	(137.1)	(142.8)	(5.6)
Division 3	Income	9.7	4.9	5.0	0.1
	Pay	(178.0)	(89.5)	(100.1)	(10.6)
	Non Pay	(31.2)	(16.1)	(18.4)	(2.3)
	Sub-Total	(199.5)	(100.7)	(113.5)	(12.8)
Division 4	Income	3.1	1.6	1.3	(0.3)
	Pay	(85.9)	(43.0)	(44.1)	(1.2)
	Non Pay	(44.3)	(21.2)	(22.3)	(1.1)
	Sub-Total	(127.1)	(62.6)	(65.1)	(2.6)
Division 5	Income	6.0	3.1	3.2	0.1
	Pay	(94.5)	(47.0)	(49.7)	(2.8)
	Non Pay	(130.4)	(68.1)	(73.3)	(5.2)
	Sub-Total	(218.9)	(112.0)	(119.9)	(7.9)
Division 6	Income	5.3	2.7	2.8	0.1
	Pay	(76.6)	(38.4)	(36.6)	1.8
	Non Pay	(43.2)	(20.3)	(20.4)	(0.1)
	Sub-Total	(114.5)	(56.0)	(54.3)	1.8
Central Operations	Income	1,504.8	750.7	751.5	0.8
	Pay	(4.1)	(2.9)	(2.7)	0.3
	Non Pay	(2.1)	(2.4)	(1.2)	1.2
	Sub-Total	1,498.5	745.4	747.7	2.3
DIVISIONAL TOTAL		318.3	156.8	120.4	(36.4)

Note - may include rounding differences

The key year to date variances, by Division, are set out below;

Division 1 (Clinical Support Services)

- (£11.5m); (9.5%) adverse for the year to date.
- Pay (£2.1m) adverse which includes Radiology (£1.7m), Anaesthetics (£0.8m) and Theatres (£0.6m).
- Non Pay (£9.6m) adverse which includes unachieved in year and historic CIP targets (£4.6m), hire of mobile units and external reporting (£1.5m) in Radiology, drugs (£1.2m) and a further (£2.3m) of cost pressures for clinical supplies and equipment across Laboratories, Theatres and Critical Care.

Division 2 (Medicine)

- (£5.6m); (0.4%) adverse for the year to date.
- Income £1.9m favourable driven by Cardiac Surgery (Transplant and VAD activity) £1.5m, and Cardiology private patients £0.3m.
- Pay (£2.2m) adverse, primarily due to waiting list payments in Cardiology, Endoscopy and Dermatology. A further (£1.1m) of the overspend relates to agency medical staff primarily in GI Medicine and Respiratory medicine.
- Non-Pay (£5.4m) adverse with a drug underspend offset by under delivery of CIP and over spends for clinical supplies and devices primarily in Cardiology.

Division 3 (Emergency)

- (£12.8m); (12.7%) adverse to plan for the year to date.
- Pay expenditure (£10.6m) adverse due to agency medical staff (£6.1m), out of hours payments to medical staff (£1.5m) and unqualified bank nurses (£2.7m). Substantive qualified nursing is £6.3m favourable but offset by agency (£4.6m) and bank costs (£2.1m).
- Non Pay expenditure is (£2.3m) adverse of which (£1.8m) relates to non-achievement of CIP and (£0.8m) relates to internal recharges for patients outlying in other speciality beds.

Division 4 (Surgery)

- (£2.6m); (4.2%) adverse to plan for the year to date.
- Pay expenditure (£1.2m) adverse driven by a (£2.0m) overspend on medical staffing which includes (£1.5m) of waiting list initiative (WLI) payments.
- Non-Pay (£1.1m) adverse to plan due to unachieved CIP targets (£3.1m) offset by favourable variances including drugs £1.1m and appliances £0.4m.

Division 5 (Oncology, Neurology & Specialist Surgery)

- (£7.9m); (7.1%) adverse to plan for the year to date.
- Pay expenditure (£2.8m) adverse with main driver being medical staffing (£2.5m) including agency (£0.8m), locums (£1.1m) and WLI payments of (£1.4m).
- Non-Pay (£5.2m) adverse of which (£2.7m) relates to CIP targets, (£2.0m) relates to drug costs (mainly Haematology) offset by a favourable variance of £1.6m for blood products.

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

- £1.8m; 3.2% favourable to plan for the year to date.
- Pay expenditure £1.8m favourable due to nursing and midwifery vacancies.
- Non-Pay on 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 £m	All CIP Sources		YTD Delivery		
		Plans Identified £m	(Unidentified) / Headroom £m	YTD Target £m	YTD Delivery £m	Variance £m
Division 1	5.4	4.4	(1.1)	2.7	1.6	(1.1)
Division 2	4.6	5.1	0.5	2.3	1.7	(0.6)
Division 3	4.8	4.5	(0.3)	2.4	1.8	(0.6)
Division 4	2.6	2.8	0.2	1.3	1.9	0.6
Division 5	3.1	4.3	1.3	1.5	1.6	0.1
Division 6	1.8	2.9	1.1	0.9	1.5	0.6
Central Ops	0.3	0.6	0.3	0.2	0.5	0.4
Corporate	4.2	4.5	0.3	2.1	1.7	(0.4)
Sub-Total	26.9	29.2	2.3	13.4	12.3	(1.1)
Stretch	15.1	0.0	(15.1)	0.6	0.0	(0.6)
Total	42.0	29.2	(12.8)	14.0	12.3	(1.7)

Overall CIP delivery improved in September following a concerted effort to complete approvals and quality impact assessments. Year to date delivery now stands at £12.3m against a target of £14.0m, a (£1.7m) 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 30 September 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

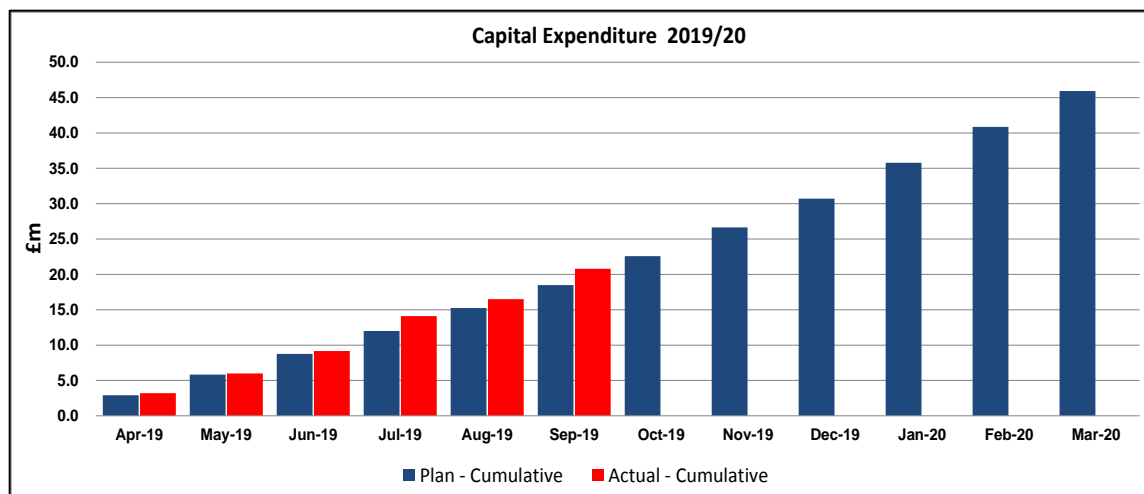
Consolidated Summarised Balance Sheet - Group			
Group	YTD Plan Sep-19 £m	YTD Actual Sep-19 £m	YTD Variance Sep-19 £m
Non-current assets			
Intangible Assets	14.0	12.1	(1.9)
Tangible Assets	429.1	432.4	3.3
PFI Assets	310.4	310.9	0.5
Debtors	8.5	8.8	0.3
Total	762.0	764.2	2.2
Current assets			
Inventories	35.5	37.9	2.4
Debtors	111.7	135.7	24.0
Bank & Cash	63.1	65.1	2.0
Total	210.3	238.7	28.4
Total Assets	972.3	1,002.9	30.6
Current liabilities			
Payables - trade	(266.5)	(290.1)	(23.6)
Payables - capital	(6.1)	(6.4)	(0.3)
Provisions	(3.4)	(3.2)	0.2
Deferred income	(33.4)	(41.8)	(8.4)
Borrowings	(13.6)	(13.2)	0.4
Total	(323.0)	(354.7)	(31.7)
Non-current liabilities			
Payables - trade	0.0	0.0	0.0
Provisions	(7.5)	(7.4)	0.1
Deferred income	(1.3)	(1.4)	(0.1)
Borrowings	(490.3)	(490.6)	(0.3)
Total	(499.1)	(499.4)	(0.3)
Total Liabilities	(822.1)	(854.1)	(32.0)
Net Assets	150.2	148.8	(1.4)
Financed by			
PDC	369.5	367.5	(2.0)
Revaluation Reserve	151.4	150.8	(0.6)
I&E Reserve	(370.7)	(369.5)	1.2
Total	150.2	148.8	(1.4)

5. Capital Expenditure (Non-Current Assets)

Table 13 below shows actual capital project expenditure incurred was £20.8m compared to the plan of £18.5m for the year to date. Capital expenditure in the month of September totalled £4.2m.

Further detailed information relating to capital expenditure schemes is set out at Appendix B.

Table 13: Capital Programme Expenditure



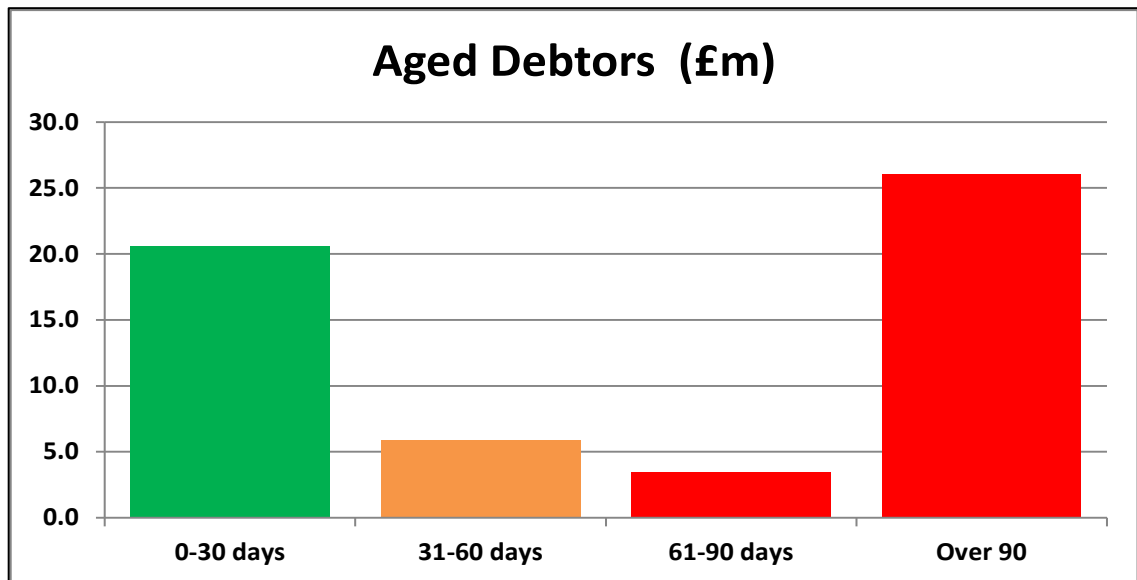
6. Aged Debt

The age profile of debtors (unpaid invoices issued by the Trust) is summarised below. At the end of September 2019 the value of unpaid debtor invoices over 90 days stands at £26.0m (£25.7m at 31 August). This includes £10.1m owed to the Trust by NHS Commissioners, primarily relating to 2018/19 over performance invoices which have yet to be settled including £1.2m for non-contracted activity (NCAs).

A further £7.3m relates to unpaid invoices for services provided to other NHS Trusts. This includes £2.0m from Birmingham Women's & Children's, £1.9m from Derby and Burton Hospitals, £0.7m from Sandwell & West Birmingham and £0.6m from Walsall.

The remaining £8.6m 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

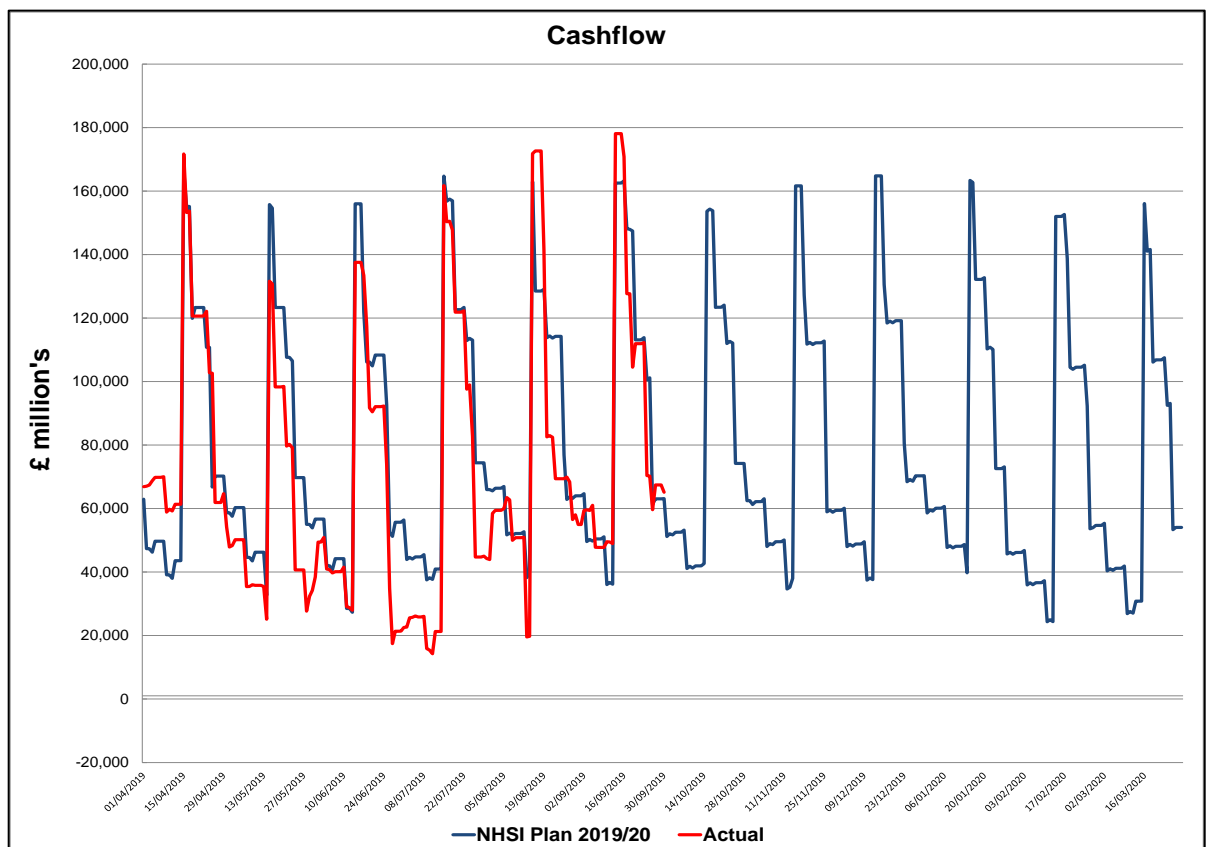


Note: 0-30 day debt excludes monthly block contract invoices raised to Commissioners.

7. Cash Flow

The red line on Table 15 below shows actual weekly cash balances. The Trust's cash balance at the end of September was £65.1m which is £2.0m above plan and an improvement of £7.1m compared to the cash balance at the end of August. This favourable position includes an early CCG mandate payment of £6.5m paid in September but relating to October.

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 combined Trust's 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%	1	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	YTD Plan	YTD Actual	YTD Variance
	£m	£m	£m	£m
Trust surplus / (deficit) for the period	0.0	(14.2)	(13.7)	0.5
Gains on transfers by absorption	0.0	0.0	0.0	0.0
Adjust: Capital donations / grants I&E impact	0.0	0.0	0.4	0.4
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	(14.2)	(14.2)	(0.0)
Less Central Funding : PSF, FRF and MRET	(36.2)	(14.2)	(14.2)	0.0
Adj. financial performance surplus / (deficit) excl. Central Funding	(36.2)	(28.4)	(28.4)	(0.0)

May include rounding differences

This table shows the adjusted financial deficit reported by the Trust at month 6. 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 £41k was reported at Quarter 2.

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)
- £10.2 Marginal Rate Emergency Threshold (MRET)

The release of this PSF and FRF is dependent on the Trust achieving its agreed financial plan. This funding is phased as follows: quarter 1 (15%), quarter 2 (20%), quarter 3 (30%) and quarter 4 (35%). MRET funding is phased equally over the financial year. 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 (£13.7m) at the end of September 2019 which is £0.5m better than the (£14.2m) 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 £41k. This will enable the agreed central funding (PSF & FRF) for Quarter 2 to be secured.

Receipt of remaining central funding, is contingent on continuing to deliver the financial plan over the remainder of the year. Therefore it remains a priority to address emerging cost pressures, reduce agency expenditure and to increase CIP delivery to improve the underlying run-rate.

Mike Sexton
Chief Finance Officer
16 October 2019

Appendix A - Healthcare Income by Division and Point of Delivery (POD) – YTD August 2109

Income

Income Type	Division 1		Division 2		Division 3		Division 4		Division 5		Division 6		Trustwide		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Accident and Emergency	-	-	0	24,442	24,273	(169)	-	-	0	-	-	0	24,442	24,273	(169)
Inpatients - Scheduled Care	2,375	2,112	(262)	24,257	24,702	445	29,611	28,192	(1,420)	27,164	26,716	(448)	85,593	84,039	(1,554)
Inpatients - Unscheduled Care	78	57	(20)	26,919	27,014	95	22,777	21,531	(1,246)	28,562	29,068	506	173,971	173,221	(750)
Outpatients	1,436	1,447	11	25,726	25,798	72	15,588	14,928	(660)	24,512	24,576	64	80,326	79,504	(822)
Other	36,311	37,446	1,135	22,983	24,293	1,310	1,612	1,692	80	13,650	14,941	1,291	90,025	94,126	4,100
Sub-Total	40,199	41,063	863	99,885	101,807	1,922	69,588	66,343	(3,244)	93,888	95,301	1,413	454,358	455,162	805
Fines & Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(465)
Total Income	40,199	41,063	863	99,885	101,807	1,922	69,588	66,343	(3,244)	93,888	95,301	1,413	454,358	454,697	340

Activity

Activity Type	Division 1		Division 2		Division 3		Division 4		Division 5		Division 6		Trustwide		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Accident and Emergency	-	-	0	178,285	175,357	(2,928)	-	-	0	-	-	0	178,285	175,357	(2,928)
Inpatients - Scheduled Care	2,621	2,331	(290)	25,064	25,662	599	21,111	20,112	(1,000)	16,786	16,764	(21)	67,901	67,455	(446)
Inpatients - Unscheduled Care	10	12	2	6,036	5,925	(111)	11,256	10,605	(651)	6,019	5,889	(129)	82,455	79,635	(2,820)
Outpatients	9,764	9,516	(248)	217,702	218,316	614	152,590	145,525	(7,065)	190,936	191,984	1,048	695,733	686,101	(9,632)
Other	3,529,326	3,994,121	404,796	207,235	217,010	9,775	15,891	18,796	2,905	46,102	48,689	2,587	3,851,257	4,272,499	421,242

* Excludes Excess Bed Days

Appendix B – 2019/20 Capital Expenditure Quarter 2 Update

1. Purpose

This appendix provides a summary of Trust wide capital expenditure in 2019/20. It outlines an update on the capital projects, along with a table summarising the sources of funding for capital investments.

2. 2019/20 Capital Programme

The Board of Directors approved the 2019/20 capital programme in March at £45.9m including QEHB PFI repayments. 2019/20 plans have subsequently been updated to reflect new projects and new allocations of new Public Dividend Capital (PDC) funding;

Table 1: 2019/20 Capital Plan

Capital Project	Annual Plan £000's
Medical Equipment (combined)	12,230
Major Medical Equipment	8,400
Facilities & Estates Projects (combined)	6,800
Estates QEHB PFI Lifecycle Works	3,700
ICT	4,000
ICT Global Digital Exemplar (GDE)	3,300
ICT GDE Fast Follower	1,000
ICT STP (HSCN/HSU) Project	1,200
Charitable Grant/Income	800
ACAD	5,900
CAPITAL PLAN 2019/20	47,330

3. Capital Expenditure

At the end of Quarter 2, the Trust capital expenditure was £20.8m as shown below;

Table 2: 2019/20 Actual Capital Expenditure at M6

Capital Project	Site	Annual Budget £000's	YTD Expenditure (M1-6) £000's
Medical Equipment	All	12,428	7,354
Major Medical Equipment	All	8,117	880
Facilities & Estates Projects	All	6,855	4,508
Estates QEHB PFI Lifecycle Works	QE	3,700	1,978
ICT	All	4,000	3,443
ICT Global Digital Exemplar (GDE)	All	3,300	1,727
ICT GDE Fast Follower	All	1,000	177
ICT STP (HSCN/HSU) Project	All	1,200	0
Contingency	All	30	0
Charitable Grant/Income	All	800	63
ACAD Project (External)	BHH	5,900	281
Charitable Donations - UHB	All	0	367
TOTAL CAPITAL PLAN 2019/20		47,330	20,778

4. Medical Equipment & Divisional Spend

The £12.4m budget allocated covers the replacement of existing medical equipment across all hospital sites. At the end of Quarter 2, £7.4m of expenditure has been incurred; this has included urodynamic machines, mobile x-ray replacements, theatre image intensifiers Incubators, ultrasound scanners anaesthetic machines, operating tables and microscopes.

5. Estates Works

The facilities and estates budget were allocated a £6.9m budget for this financial year. At the end of Quarter 2, £4.5m has been incurred on maintenance, improvement and demolition works across the Trust (£3.7m at HGS and £0.8m at QE). Across the HGS sites this includes Ward 2 reconfiguration works, refurbishment of Aspen ward, fire compartmentation and alarm control panels (HGS) and Fothergill lifts. Across QE the works include Heritage building backlog maintenance and works to relocate the East electrical substation.

6. ICT Infrastructure, GDE and Wi-Fi Project

The combined budget of £9.5m includes the externally funded GDE projects. At the end of Quarter 2, the year to date ICT expenditure was £5.3m, this included £3.4m investments in 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 £1.9m has been spent on specific ICT projects outlined below:

- Global Digital Exemplar (GDE) - £1.7m
- GDE Fast Follower project - £0.2m

7. Heartlands Ambulatory Care and Diagnostics Centre (ACAD)

The Trust has revised the ACAD plan from £0.7m to £5.9m for enabling works and PMO costs for this financial year in line with anticipated NHSE&I approval of the scheme. To date £0.3m of costs have been incurred which mainly relate to PMO costs and consultancy. The Full Business Case was submitted to NHSI in February 2019 and the Trust has been notified that funding has been agreed subject to final ratification. Work is ongoing to finalise contracts, exact funding arrangements and timescales.

8. QEHB PFI Lifecycle & Variations

A budget of £3.7m has been allocated for 2019/20 of which £2.0m has been incurred for ad-hoc variations and improvement works completed in the QEHB at the request of operational services. In line with the PFI model, the lifecycle costs will be recognised on a six monthly basis.

9. Major Medical equipment

A total budget of £10.0m was originally allocated for 2019/20, this is being reduced as schemes slip and funding is used to support other Trust priorities. At the end of Q2, £0.9m of expenditure has been incurred which includes several items of high value medical, scientific and imaging equipment on all sites;

- 1 x MRI replacement (BHH)
- Universal Digital Radiographic System x3 (HGS)
- Radiotherapy CT Replacement x2 (QE)
- Mammography System (QE)
- Bi-Plane Angio (QE)
- BARS Replacement (QE)
- MRI 5 Upgrade
- 4x Mobile X-Rays

10. Other Projects

During the year, the Board have approved cases requiring additional capital investment:

- £0.2m Secondary data centre business case and
- £2.7m reconfiguration of Gynaecology and Trauma & Orthopaedics.

The capital implications of these projects are being managed through slippage and delays to other projects.

11. Grants & Donations

At Quarter 2, £63k of charitable expenditure was incurred for the training room, bereavement suite and NGS sequencing. Capital projects expected to be funded by charitable grants or donations include;

Table 3: Charitable approved schemes

Scheme	Site	Budget £000's
New Training Room - Runcorn Road	HGS	19,000
Bereavement Suite Refurbishment	GHH	83,943
R.S.U. Entrance	GHH	361,692
Midwifery Led Unit	GHH	533,595
Other Projects	QE	302,000
TOTAL		1,300,230

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

The Cystic Fibrosis charity has also approved funding for the refurbishment of Ward 26. The funding agreed is £157k with orders likely to be raised in Quarter 3. Works to the Richard Salt Unit are expected to be delayed until 2020/21.

12. Sources of Capital funding

On the assumption that the Trusts total capital investment in 2019/20 is £47.3m, the expected sources of funding are;

Funding Source	Detail	£000's
External (Charitable)	Grants & Donations	800
External (DHSC)	GDE & ICT Funding	5,500
External (TBC)	ACAD Project	5,900
Internal Trust Cash	Depreciation	35,130
TOTAL		47,330

This shows that internal funds of £35.1m are being used to fund 2019/20 capital investments.

