

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST**  
**REPORT TO THE COUNCIL OF GOVENORS**  
**THURSDAY 13 SEPTEMBER 2018**

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

<b>Purpose:</b>	To provide the Council of Governors with a copy of the Board of Directors finance and activity performance report for the period ending 30 June 2018 (Month 1-3 2018/19)
<b>Confidentiality Level &amp; Reason:</b>	N/A
<b>Annual Plan Ref:</b>	3.4 – Ensure the Trust maintains financial health
<b>Key Issues Summary:</b>	<ul style="list-style-type: none"> <li>• The Trust's planned adjusted financial performance for 2018/19 is a (£61.8m) deficit excluding Provider Sustainability Funding (PSF).</li> <li>• 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.</li> <li>• Year to date, the Trust is reporting a deficit (including PSF) of (£10.9m) which is in line with plan.</li> <li>• The Trust's cash balance was £80.5m at the end of June 2018, which is also in line with plan.</li> <li>• The Trust's Use of Resources metric (UoR) is a 3 (section 8)</li> </ul>
<b>Recommendations:</b>	<p>The Council of Governors is requested to;</p> <ul style="list-style-type: none"> <li>• Receive the contents of this report.</li> </ul>

<b>Signed:</b>	Mike Sexton	<b>Date:</b>	17 July 2018
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# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## REPORT TO THE BOARD OF DIRECTORS

THURSDAY 13 SEPTEMBER 2018

### FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2018

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

#### 1. Introduction

This report covers the first quarter of 2018/19 financial year (April-June 2018). This report summarises the Trust's combined financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Plan (CIP) delivery.

The 2018/19 Financial Plan was agreed by the Boards of Directors on the 26 April 2018 and submitted to NHS Improvement (NHSI) as per the national timetable. The Trust's 2018/19 financial plan is an Income and Expenditure deficit of (£38.0m) including PSF.

**Table 1: 2018/19 Annual Plan**

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

The Trust has reported a deficit of (£10.9m) at the end of June 2018 (Month 3); this was in line with plan submitted to NHSI (including PSF). However, to achieve the plan the Trust has had to release non-recurrent reserves to offset the adverse variances which include:

- Under delivery against CIP targets (£3.4m);
- Operational divisions further cost pressures of (£18.6m)

The operational overspends are being partially offset by the planned use of recurrent reserves and underspends within corporate functions and the Trust subsidiaries. This position includes an assumed receipt £3.5m of PSF income year to date; actual receipt of which is dependent on the Trust achieving the required ED target and delivering the agreed financial plan.

The Trust's cash balance at the end of June was in line with plan, £80.5m against the plan of £80.6m.

## 2. Income & Expenditure

### 2.1 Summary Position

The Trust's income and expenditure position at the end of June is a (£10.9m) deficit which is line with the trajectory submitted to NHSI as shown in Table 2 below;

**Table 2: Cumulative Trust Income and Expenditure position**

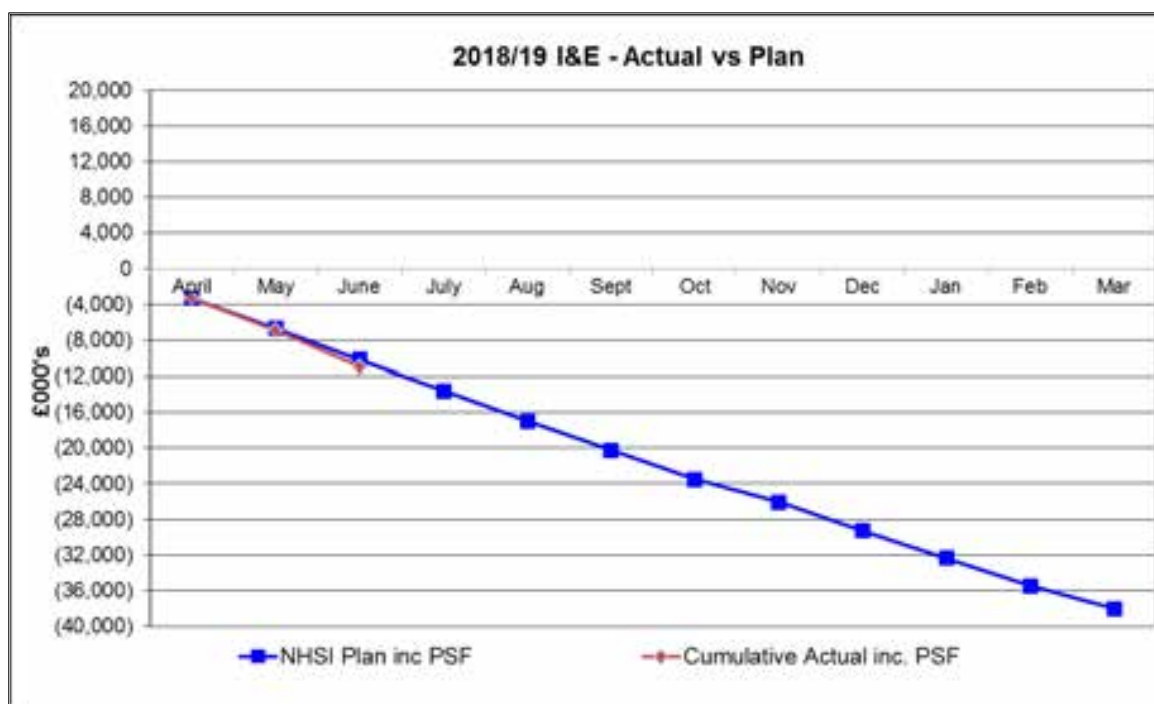


Table 3 below summarises the Trust's Income & Expenditure position at the end of June. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.3 below.

**Table 3: YTD Income and Expenditure against Plan**

Consolidated Summarised Income and Expenditure - Group			
	Plan	Actual	Variance
	Qtr 1	Qtr 1	Qtr 1
	£m	£m	£m
Operating Income	388.0	386.8	(1.2)
Operating Expenditure	(383.0)	(382.4)	0.7
<b>EBITDA</b>	<b>5.0</b>	<b>4.4</b>	<b>(0.5)</b>
Depreciation	(9.4)	(8.9)	0.5
Interest Receivable	0.0	0.3	0.2
Interest Payable	(6.0)	(6.0)	0.0
PDC Dividends	(1.0)	(1.0)	0.0
Gains / (losses) on Disposals	0.0	(0.1)	(0.1)
Donated / Granted Income	0.4	0.4	0.0
<b>Retained Surplus</b>	<b>(11.0)</b>	<b>(10.9)</b>	<b>0.1</b>
Impairment charged to I&E			
<b>Retained Surplus</b>	<b>(11.0)</b>	<b>(10.9)</b>	<b>0.1</b>

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 (£1.2m) below plan at the end of June;

**Table 4: Income against Plan**

Group	Plan Qtr 1 £m	Actual Qtr 1 £m	Variance Qtr 1 £m
<b>INCOME</b>			
Clinical - NHS	339.6	340.3	0.7
Clinical - Non NHS	3.8	3.0	(0.8)
Other	44.6	43.5	(1.1)
<b>Total Income</b>	<b>388.0</b>	<b>386.8</b>	<b>(1.2)</b>

Note - may include rounding differences

NHS clinical revenues are £0.7m above plan, whilst non NHS Clinical revenues are showing as (£0.8m) below plan at present, this category includes income from injury Cost Recovery Scheme (Road Traffic Accident), private patients, overseas and other NHS clinical income.

Other income was below plan by (£1.1m) at the end of June; this includes some shortfalls with education, training, commercial and service level agreement income.

### 2.2.2 Healthcare Related Income

The combined Trust's actual healthcare income and activity performance in April and May 2018 (Months 1 & 2) is shown below, with actuals healthcare income compared to an equally phased income and activity annual 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	2,699	2,601	- 99	5,419	5,480	62	8,118	8,081	- 37
Inpatients - Elective	18,211	16,444	- 1,767	15,641	14,596	- 1,045	33,852	31,040	- 2,812
Inpatients - Non Elective	21,989	23,221	1,231	26,672	28,759	2,087	48,661	51,980	3,319
Outpatients	14,760	15,122	362	15,222	14,762	- 460	29,982	29,884	- 98
Other	17,654	17,483	- 171	22,496	23,330	834	40,150	40,813	663
Marginal Rate Emergency Threshold	167	316	- 149	652	1,680	- 1,028	819	1,996	- 1,177
	<b>75,147</b>	<b>74,554</b>	<b>- 593</b>	<b>84,798</b>	<b>85,248</b>	<b>450</b>	<b>159,945</b>	<b>159,802</b>	<b>- 143</b>

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

This shows actual healthcare income as being broadly (£0.1m below) in line with the 2018/19 equally phased plan. As in previous years; healthcare income under or over performance is not reflected in the Trust's financial position at this early stage of the financial year. When adjusted for seasonal trends or working days,

the Trusts' total healthcare income in April and May is above plan. Given that activity tends to increase in the later part of the financial year, this is a positive start for healthcare income. Table 6 below shows the planned and actual activity levels against the equally phased plan;

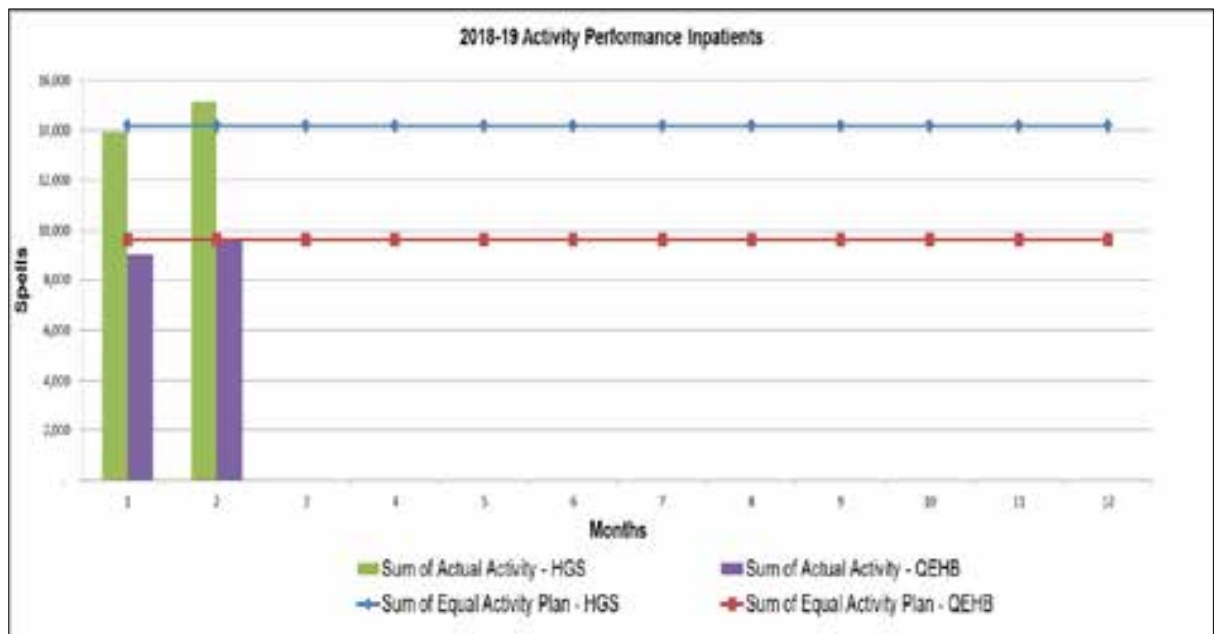
**Table 6: Healthcare Activity Units**

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	20,726	20,374	- 352	46,107	47,329	1,222	66,833	67,703	870
Inpatients - Elective*	12,079	10,847	- 1,232	15,796	15,079	- 717	27,876	25,926	- 1,949
Inpatients - Non Elective*	7,192	7,785	593	12,510	14,001	1,491	19,702	21,786	2,084
Outpatients	127,025	128,247	1,222	141,117	141,249	132	268,142	269,496	1,354
Other	276,829	295,563	18,734	1,246,368	1,270,117	23,749	1,523,198	1,565,681	42,483
	<b>443,852</b>	<b>462,817</b>	<b>18,965</b>	<b>1,461,898</b>	<b>1,487,775</b>	<b>25,877</b>	<b>1,905,750</b>	<b>1,950,592</b>	<b>44,842</b>

*\*Excludes Excess bed day activity*

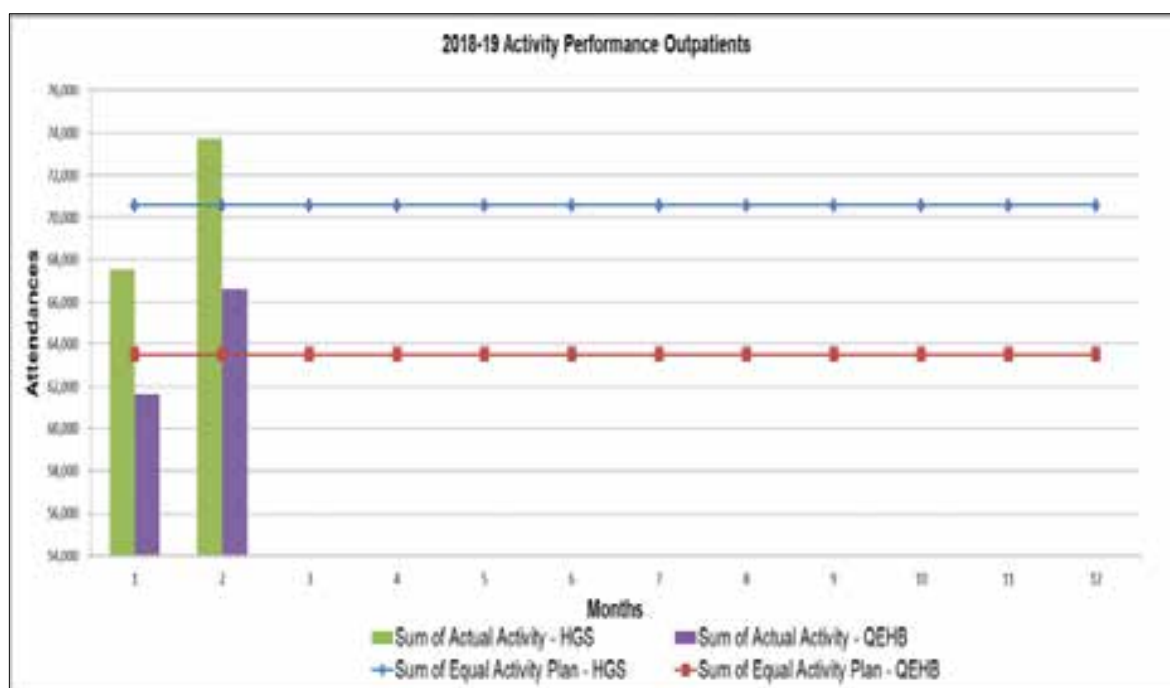
This shows non elective inpatients activity is continuing above plan across all hospital sites. Elective (including day cases) activity has remained below plan in April and May, particularly at the QE. Outpatient and A&E activity is broadly in line with plan, the "Other" category continues to be significantly higher than plan, this primarily relates to direct access GP referrals for tests on both sites including pathology (HGS) and imaging and laboratory tests (QE). Appendix A contains a more detailed split of patient activity.

**Table 6.1: Trust Inpatient Activity**



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

**Table 6.2: Trust Outpatient Activity**



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

### 2.3 Operating Expenditure Analysis

The Trust's expenditure variance overall is a £0.7m favourable year to date variance, as shown below, pay is overspent by £8.3m which is offset by a similar non-pay under spend as follows;

**Table 7: Expenditure Variance**

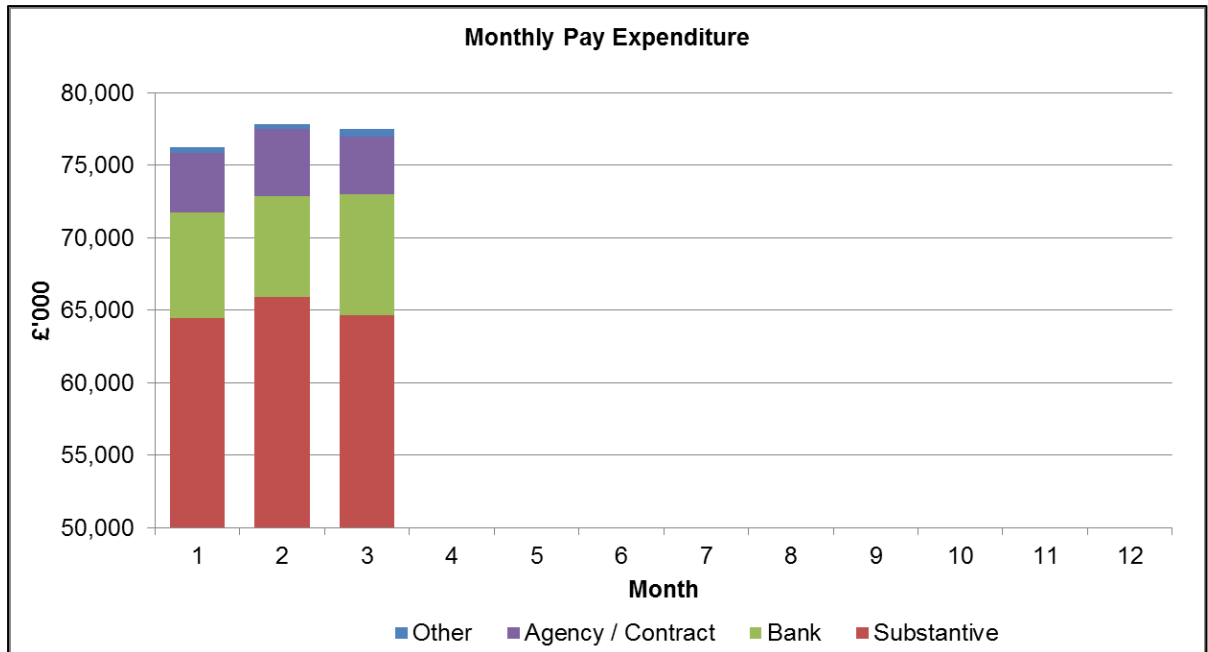
Group	Plan Qtr 1 £m	Actual Qtr 1 £m	Variance Qtr 1 £m
<b>PAY</b>			
Medical Staff	69.5	72.1	(2.6)
Nursing	83.6	85.5	(1.9)
Scientific & Technical	28.3	30.7	(2.4)
Admin & Facilities	39.7	40.2	(0.5)
Apprentice Levy	0.4	0.4	0.0
Other	1.5	3.0	(1.5)
Pay Reserves	0.6	0.0	0.6
<b>Total Pay</b>	<b>223.6</b>	<b>231.9</b>	<b>(8.3)</b>
<b>NON PAY</b>			
Drugs	56.7	55.0	1.7
Clinical Supplies & Services	44.6	43.9	0.7
Other / Non-Pay Reserves	58.1	51.6	6.5
<b>Total Non Pay</b>	<b>159.4</b>	<b>150.5</b>	<b>9.0</b>
<b>GRAND TOTAL</b>	<b>383.0</b>	<b>382.4</b>	<b>0.7</b>

Note - may include rounding differences

More detail on the key areas of pay expenditure is set out below;

## 2.4 Pay Analysis

**Table 8: Pay Expenditure by Type**

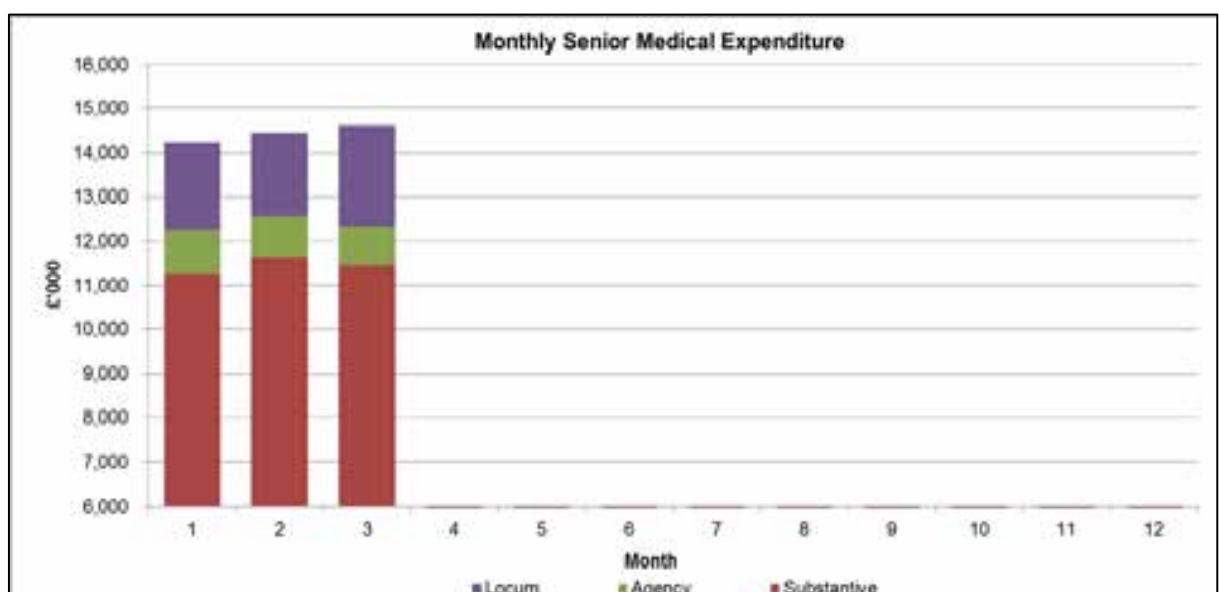


The Trust's year to date pay expenditure totalled £231.9m with June 2018 monthly expenditure totally £77.5m. Year to date agency expenditure is £12.7m split £9.3m across the HGS sites and £3.4m across the QE site. Year to date bank expenditure is £22.6m split £11.6m across the HGS sites and £11.0m across the QE site. 'Other' pay expenditure relates to Apprenticeship Levy costs, further detail on expenditure across the major staff groups is shown below:

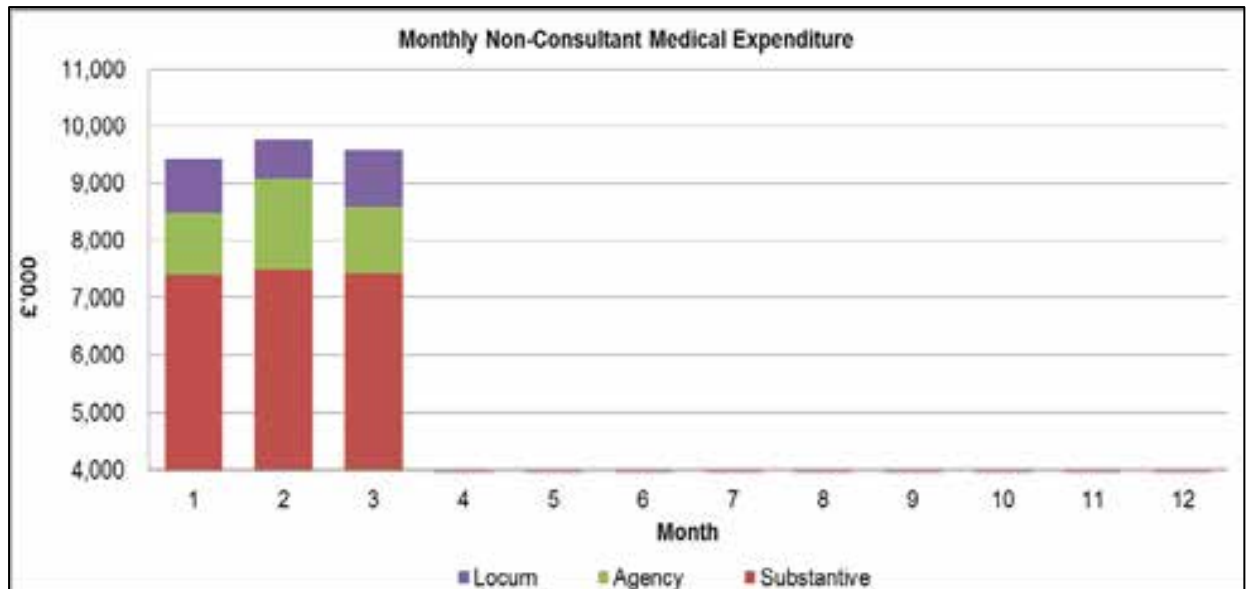
### 2.4.1 Medical Staffing

Year to date medical staff expenditure was £72.1m; this included £43.3m on Consultants and £28.8m on non-consultant medical staff. The Senior Medical expenditure (Consultants) is shown below, this includes agency spend of £2.8m in quarter 1, with over 80% being across HGS sites;

**Table 8.1: Monthly Senior Medical Expenditure**



**Table 8.2: Monthly Non-Consultant Medical Expenditure**



Year to date other medical (junior and careers grade) pay expenditure totalled £28.8m, this included £3.8m of agency staff of £2.3m at HGS sites and £1.5m at the QE.

**2.4.2. Nursing**

Table 8.3 shows the Trust's year to date nursing expenditure totalling £66.5m for Quarter 1 (April-June 2018). Table 8.3 below shows the average monthly expenditure for this staff group is £19.0m on substantive nursing, £2.0m on bank and £1.1m on nursing agency. Of the qualified nurse agency spend, 85% relates to HGS sites to cover vacancies, sickness and leave.

**Table 8.3: Monthly Nursing Expenditure**





## 2.5 Non Pay Analysis

Table 9 below details the average monthly non pay spend by expenditure group for April-June 2018 and in comparison to the quarterly average for 2017/18. The monthly run rate for April-June 2018 has remained broadly in line, with no material movements.

**Table 9: Non Pay by Expenditure Type**

	2017/18	2018/19			
	Quarterly Average	Month 1	Month 2	Month 3	Quarter 1 Average
Drugs	53,822	18,242	18,242	18,487	54,971
Clinical Supplies	44,152	14,486	14,486	14,686	43,658
Other / Non-Pay Reserves	56,732	17,428	17,428	16,990	51,846
<b>Total</b>	<b>154,705</b>	<b>50,156</b>	<b>50,156</b>	<b>50,163</b>	<b>150,475</b>

## 2.6 Operational Divisional Performance

**Table 10: Divisional Analysis**

Site	Division	Income/Pay/Non Pay Expenditure	In Month Budget - £000's	In Month Actual - £000's	In Month Variance - £000's	YTD Budget - £000's	YTD Actual - £000's	YTD Variance - £000's
HGS	D1	INCOME	(341)	(299)	(43)	(1,060)	(1,017)	(44)
		NON PAY EXPENDITURE	2,248	2,721	(474)	6,638	7,954	(1,316)
		PAY EXPENDITURE	7,231	7,594	(363)	21,701	22,992	(1,291)
	<b>D1 Total</b>		<b>9,137</b>	<b>10,017</b>	<b>(879)</b>	<b>27,279</b>	<b>29,929</b>	<b>(2,650)</b>
	D2	INCOME	(433)	(399)	(34)	(1,310)	(1,254)	(56)
		NON PAY EXPENDITURE	1,121	1,205	(84)	3,144	3,419	(275)
		PAY EXPENDITURE	4,632	4,521	111	13,886	13,757	129
	<b>D2 Total</b>		<b>5,320</b>	<b>5,327</b>	<b>(7)</b>	<b>15,721</b>	<b>15,923</b>	<b>(202)</b>
	D3	INCOME	(307)	(256)	(51)	(921)	(852)	(69)
		NON PAY EXPENDITURE	3,472	2,909	563	9,191	8,438	753
		PAY EXPENDITURE	7,726	8,396	(671)	23,136	25,709	(2,574)
	<b>D3 Total</b>		<b>10,891</b>	<b>11,049</b>	<b>(158)</b>	<b>31,406</b>	<b>33,296</b>	<b>(1,890)</b>
	D4	INCOME	(185)	(192)	7	(554)	(511)	(42)
		NON PAY EXPENDITURE	4,645	4,681	(37)	13,194	14,430	(1,236)
		PAY EXPENDITURE	6,701	7,357	(656)	20,153	22,176	(2,023)
<b>D4 Total</b>		<b>11,161</b>	<b>11,846</b>	<b>(686)</b>	<b>32,793</b>	<b>36,094</b>	<b>(3,301)</b>	
D5	INCOME	(79)	(76)	(4)	(238)	(201)	(36)	
	NON PAY EXPENDITURE	3,595	3,591	5	10,292	10,340	(49)	
	PAY EXPENDITURE	5,412	5,828	(416)	16,213	17,442	(1,229)	
<b>D5 Total</b>		<b>8,928</b>	<b>9,343</b>	<b>(415)</b>	<b>26,267</b>	<b>27,581</b>	<b>(1,314)</b>	
<b>HGS Total</b>		<b>45,437</b>	<b>47,582</b>	<b>(2,145)</b>	<b>133,466</b>	<b>142,823</b>	<b>(9,357)</b>	
QE	A	INCOME	(1,647)	(1,634)	(13)	(4,854)	(4,845)	(9)
		NON PAY EXPENDITURE	3,558	4,009	(450)	10,578	12,508	(1,930)
		PAY EXPENDITURE	10,985	11,128	(143)	31,391	32,454	(1,063)
	<b>A Total</b>		<b>12,897</b>	<b>13,502</b>	<b>(606)</b>	<b>37,116</b>	<b>40,118</b>	<b>(3,002)</b>
	B	INCOME	(17)	(487)	469	(246)	(1,252)	1,005
		NON PAY EXPENDITURE	4,964	5,737	(773)	14,254	17,056	(2,802)
		PAY EXPENDITURE	5,393	5,515	(122)	16,155	16,332	(177)
	<b>B Total</b>		<b>10,339</b>	<b>10,765</b>	<b>(426)</b>	<b>30,162</b>	<b>32,136</b>	<b>(1,974)</b>
	C	INCOME	(425)	(564)	139	(1,296)	(1,475)	179
		NON PAY EXPENDITURE	6,346	6,702	(356)	17,859	19,055	(1,195)
		PAY EXPENDITURE	6,056	6,614	(558)	18,376	19,626	(1,250)
	<b>C Total</b>		<b>11,977</b>	<b>12,752</b>	<b>(775)</b>	<b>34,938</b>	<b>37,205</b>	<b>(2,267)</b>
	D	INCOME	(627)	(667)	40	(1,908)	(1,816)	(93)
		NON PAY EXPENDITURE	6,486	7,191	(705)	20,289	22,416	(2,127)
		PAY EXPENDITURE	6,230	6,905	(675)	18,681	20,069	(1,388)
<b>D Total</b>		<b>12,089</b>	<b>13,428</b>	<b>(1,339)</b>	<b>37,061</b>	<b>40,669</b>	<b>(3,608)</b>	
E	INCOME	(57)	(36)	(21)	(157)	(105)	(53)	
	NON PAY EXPENDITURE	(471)	28	(499)	(1,345)	188	(1,533)	
	PAY EXPENDITURE	599	586	12	1,774	1,690	84	
<b>E Total</b>		<b>71</b>	<b>578</b>	<b>(508)</b>	<b>272</b>	<b>1,773</b>	<b>(1,501)</b>	
<b>UHB Total</b>		<b>47,372</b>	<b>51,026</b>	<b>(3,654)</b>	<b>139,549</b>	<b>151,900</b>	<b>(12,351)</b>	
<b>Grand Total</b>		<b>92,809</b>	<b>98,608</b>	<b>(5,799)</b>	<b>273,015</b>	<b>294,724</b>	<b>(21,709)</b>	

Note - may include rounding differences

Table 10 above shows the divisional variances by expense type. This includes income from non-patient care activities including commercial and Service Level Agreement income from other organisations, not NHS clinical income which is detailed in section 2.2 above. An adverse variance of (£21.7m) has been reported across operational divisions in the first quarter of 2018/19, this equates to a monthly average “run rate” of (£7.2m).

The main divisional pressures during June were;

- HGS Division 1 (CSS) - The pay overspend improved in month as a result of further withdrawal from additional capacity. Other cost pressures included radiology (£184k), theatres (£42k) and increased clinical supplies costs (£242k) which is linked to activity, the division is also behind its CIP target.
- HGS Division 2 (W&C) – There was a small overspend on medical staff pay linked to junior medical rotas. Part of the non-pay overspend (£105k) relates to slippage on in year CIP and historic CIP shortfalls.
- HGS Division 3 (Emergency) - The (£671k) overspend on pay was lower than previous months as a result of the release of funding for the junior doctor contract. The medical pay overspend was still (£322k) due to the (£985k) spent on agency and locum cover. Nursing pay was overspent by (£374k) with particular pressures in acute and emergency medicine. The in-month non pay underspend was the result of funding historic activity based cost pressures, actual spend in the month (£2,909k) was consistent with previous months.
- HGS Division 4 (Medicine) - The in month pay overspend of (£656k) was caused by (£347k) overspend on nursing, driven by vacancy factors, staffing above the approved rosters and specialising; and (£327k) overspend on medical staffing predominantly within Care of the Elderly as a result of additional agency cover. The in-month overspend on non-pay was reduced as a result of funding historic activity based cost pressures, however, actual expenditure of (£4.7m) was also (£322k) better than Month 2 due to catch up on the delivery of Cat A Income CIP.
- HGS Division 5 (Surgery) - The June pay over spend was (£416k) which relates to medical staff costs (£466k) partly driven by vacancy cover, sickness and additional duties and WLI costs.
- QE Division A – In month non pay over spend of (£450k) relates primarily to slippage on in year CIP along with historic CIP shortfalls. In month pay overspend (£142k) due to Anaesthetics and Imaging activity led pressures which include additional sessions and usage of agency to cover vacancies.
- QE Division B – The over performance within income £469k relates to strong cardiac transplant and VAD activity in June. However this is offset by the unfavourable in month variances within pay and non-pay. The non-pay overspend of (£773k) is due to CIP under delivery (current year and historic). The Pay over spend (£122k) is due to cost pressures within liver services (£66k including WLI, additional sessions and unfunded posts) and renal medicine (£40k).
- QE Division C – In month income over performance £139k primarily due to additional Road Traffic Accident (RTA) income recovered in June. This was offset by overspends within pay (£558k) and non-pay (£356k). Pay cost pressures in June included ED Staffing (£76k), CDU (£106k), 5<sup>th</sup> floor wards (£155k) and Ophthalmology (£181k). General medicine in month is overspent by (£181k) unfunded medical consultant agency posts and

locum agency junior medical staff. The non-pay balance relates to CIP under delivery (current year and historic).

- QE Division D – In month overspend of (£1,339k), the pay adverse variance was (£675k) in June which included cost pressures within Neuro wards (£109k), Trauma (£135k) and Urology (£95k). The non-pay variance (£705k) includes the impact of historic lost contributions from drugs now being passed through to commissioners at cost and CIP under delivery (current year and historic).
- QE Division E - In month overspend of (£508k) due to historic run rate and activity CIP targets.

### 3. Efficiency Savings

The combined 2018/19 financial plan required delivery of total efficiency savings of £35.6m, split £17.6m at HGS and £18.0m at QE. Actual CIP delivered year to date is has improved up from 48% delivered (month 2), up to 62% as shown below;

**Table 11: CIP Delivery by Site and Division**

Site	Division	Annual Target £m	YTD Target £m	YTD Actual £m	YTD Variance £m	YTD Delivered £m
QE	A	4,372	1,093	362	(731)	33%
QE	B	3,638	909	341	(568)	38%
QE	C	3,510	877	302	(575)	34%
QE	D	3,981	995	520	(476)	52%
QE	Corp	2,000	500	526	26	105%
QE	Other	500	125	20	(105)	16%
<b>Sub Total</b>		<b>18,000</b>	<b>4,500</b>	<b>2,071</b>	<b>(2,429)</b>	<b>46%</b>
HGS	1	2,921	730	218	(512)	30%
HGS	2	1,494	374	227	(147)	61%
HGS	3	2,903	726	969	243	133%
HGS	4	3,020	755	675	(80)	89%
HGS	5	2,507	627	395	(232)	63%
HGS	Corp	792	198	503	305	254%
HGS	Facilities	1,048	262	273	11	104%
HGS	Other	2,915	729	214	(515)	29%
<b>Sub Total</b>		<b>17,600</b>	<b>4,400</b>	<b>3,472</b>	<b>(928)</b>	<b>79%</b>
<b>Trust Wide</b>	<b>Total</b>	<b>35,600</b>	<b>8,900</b>	<b>5,543</b>	<b>(3,357)</b>	<b>62%</b>

Actual CIP delivered year to date is £5.5m against a target of £8.9m; resulting in a shortfall of £3.4m split (£2.4m) across the QE and (£0.9m) across HGS services. CIP savings targets are broadly profiled equally across the financial year, so actual delivery tends to improve in the later months of the financial year as schemes take effect. However, unless CIP delivery improves urgently, this under delivery will continue to be a risk to the achievement of the Trusts financial plans and to the receipt of 2018/19 PSF income.

As well as the shortfall in CIP delivered, there remains a material gap between the annual CIP target and the value of schemes identified, primarily across the QE site. Forecasts for CIP delivery are being updated but these indicate CIP delivery could be significantly below what has been delivered in recent years.

Clinical divisions CIP delivery will continue to be monitored and reviewed in the monthly Chief Operating Officer and Financial Improvement Group meetings. However, greater

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 11 below summarises the Trust's Statement of Financial Position as at 30 June 2018.

**Table 12: Statement of Financial Position**

<b>Consolidated Summarised Balance Sheet - Group</b>			
<b>Group</b>	<b>Plan Jun 18 £m</b>	<b>Actual Jun 18 £m</b>	<b>Variance Jun 18 £m</b>
<b>Non-current assets</b>			
Intangible Assets	7.7	7.1	(0.6)
Tangible Assets	434.2	432.7	(1.5)
PFI Assets	308.1	307.7	(0.4)
Debtors	6.1	5.8	(0.3)
<b>Total</b>	<b>756.1</b>	<b>753.3</b>	<b>(2.8)</b>
<b>Current assets</b>			
Inventories	29.4	31.0	1.6
Debtors	120.7	99.4	(21.3)
Bank & Cash	80.6	80.5	(0.1)
<b>Total</b>	<b>230.7</b>	<b>210.9</b>	<b>(19.8)</b>
<b>Total Assets</b>	<b>986.8</b>	<b>964.2</b>	<b>(22.6)</b>
<b>Current liabilities</b>			
Payables - trade	(230.3)	(211.8)	18.5
Payables - capital	(12.4)	(8.6)	3.8
Provisions	(2.5)	(3.0)	(0.5)
Deferred income	(30.6)	(33.1)	(2.5)
Borrowings	(12.7)	(12.7)	0.0
<b>Total</b>	<b>(288.5)</b>	<b>(269.2)</b>	<b>19.3</b>
<b>Non-current liabilities</b>			
Payables - trade	0.0	0.0	0.0
Provisions	(9.7)	(9.0)	0.7
Deferred income	(3.4)	(3.5)	(0.1)
Borrowings	(508.4)	(506.9)	1.5
<b>Total</b>	<b>(521.5)</b>	<b>(519.4)</b>	<b>2.1</b>
<b>Total Liabilities</b>	<b>(810.0)</b>	<b>(788.6)</b>	<b>21.4</b>
<b>Net Assets</b>	<b>176.8</b>	<b>175.6</b>	<b>(1.2)</b>

<b>Financed by</b>			
PDC	391.1	358.3	(32.8)
Revaluation Reserve	153.8	153.5	(0.3)
I&E Reserve	(368.1)	(336.2)	31.9
<b>Total</b>	<b>176.8</b>	<b>175.6</b>	<b>(1.2)</b>

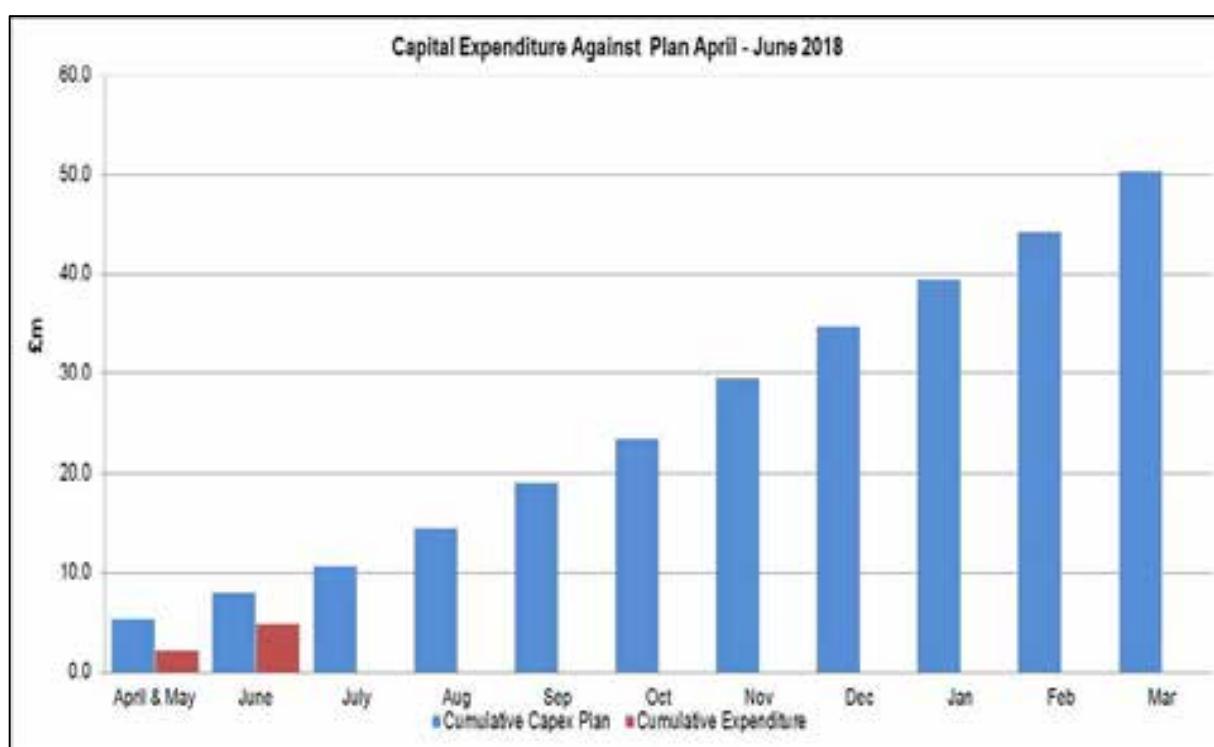
## 5. Capital Expenditure (Non-Current Assets)

At the end of month 3, actual capital expenditure incurred year to date was £4.8m, as in previous years, capital expenditure tends to increase in the later part of the financial year as schemes and procurement processes are completed. A paper setting out the Trusts 2018/19 capital plans was approved last month at the June 2018 Board of Directors meeting, therefore a more detailed update will be provided to at the end of Quarter 2 covering April to September.

Capital expenditure in the month totalled £2.4m, this included;

- £1.1m Replacement medical equipment across the sites
- £0.5m Site wide ICT infrastructure and Global Digital Exemplar costs
- £0.5m Estates and facilities improvements and backlog works

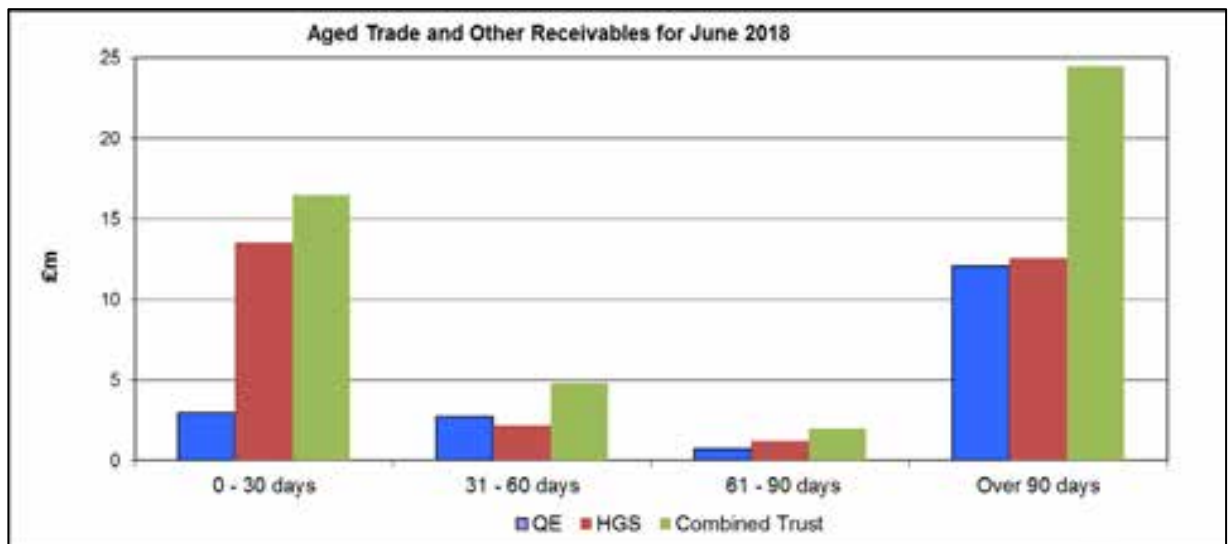
**Table 13: Capital Programme Expenditure**



## 6. Aged Debt

The age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 13 below. At the end of June 2018, over 90 day debt amounted to £24.5m. This includes £6.1m due from NHS commissioners (£4.5m of unpaid HGS healthcare income). A further £11.3m relates to Service Level Agreements (SLA) for services provided to other NHS providers, this includes Sandwell & West Birmingham NHS Trust (£3.3m), Birmingham Women's and Children's (£2.3m) and Burton Hospitals NHS FT (£1.8m). 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).

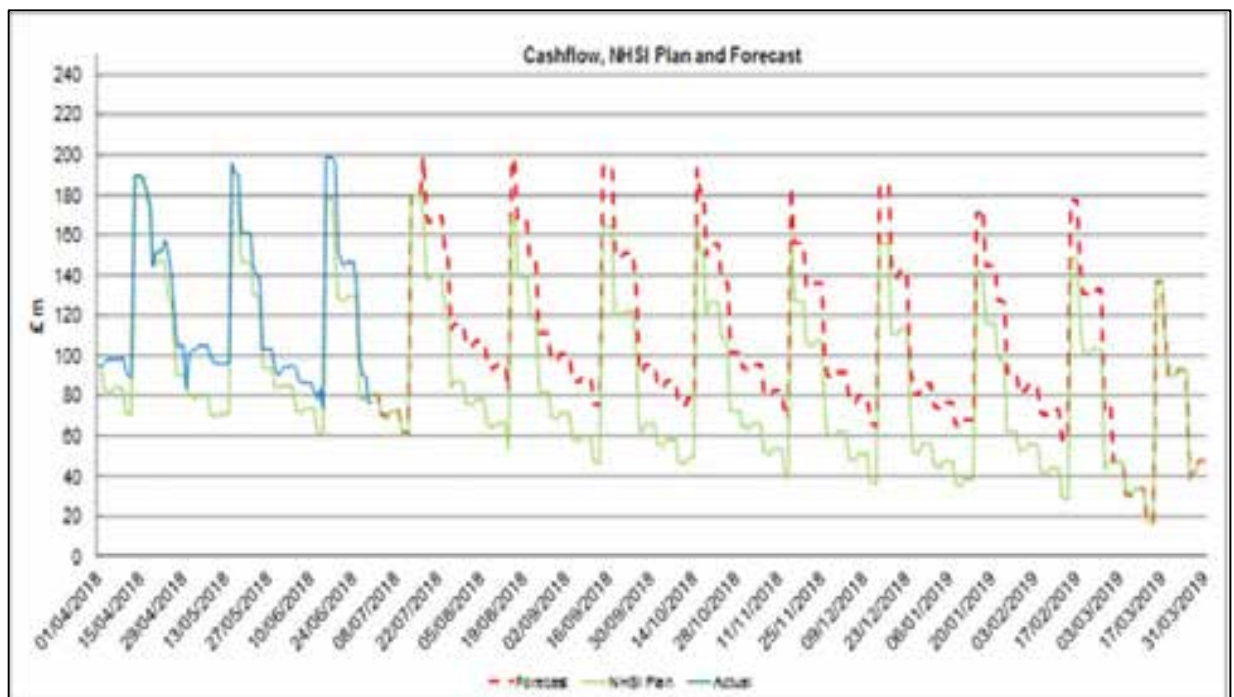
**Table 14: Aged Debt Analysis**



**7. Cash Flow**

The blue line on Table 14 below shows the actual weekly cash balances up to the end of June 2018. This shows the Trust’s cash balance at the end of June was £80.5m which is in line with plan (£80.6m). At the end of June, the Trust was accruing £21.0m of 2017/18 STF income which was paid over early in July (so not included in these cash balances). Cash is still expected to reduce over the remaining months of the financial year down to circa £50m in line with the plan as some 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.

**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 Resource 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 has been put in to into segment 3 as anticipated due to the financial deficit planned for 2018/19. This means mandated support must be complied with to address specific issues and help move the Trust into segment 2.

### 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, this resulted 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 was 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 16 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)	(11.0)	154.1	165.1
Adjust: Capital donations/grants I&E impact	0.7	0.2	0.1	(0.1)
Adjust: Gains on transfers by absorption	0.0	0.0	(165.0)	(165.0)
<b>Adjusted financial performance surplus/ (deficit) including PSF</b>	<b>(38.0)</b>	<b>(10.9)</b>	<b>(10.8)</b>	0.0
Less: Provider Sustainability Fund (PSF)	(23.8)	(3.5)	(3.5)	0.0
<b>Adjusted financial performance Surplus / (Deficit) excluding PSF</b>	<b>(61.8)</b>	<b>(14.4)</b>	<b>(14.4)</b>	0.0

This table shows that the adjusted financial performance deficit reported by the Trust is in line with the plan agreed with NHSI.

### 8.4. PSF Income

To achieve the agreed financial plan, the Trust is expecting to receive £23.8m of Provider Sustainability Funding (PSF). The release of this income is subject to the Trust's in year financial performance and delivery against the agreed A&E trajectory. At present, the Trust continues to assume full receipt of the PSF income allocated to the QE segment of the Trust.

## 9. Conclusion

The Trust has reported an income and expenditure deficit (including PSF) of (£10.9m) at the end of June (Month 3). The Trust is reporting financial performance in line with plan at this early stage of the financial year, however, it has been necessary to use non recurrent reserves in addition to the planned release of recurring reserves to offset the CIP savings under delivery and other cost pressures experienced year to date.

Work is continuing to finalise the release of Trust reserves to the QE operational divisions in Month 4 to reflect the impact of changes to commissioner pass through drugs recharging. However, CIP delivery must improve for the Trust to remain on track to achieve the financial plan agreed with NHSI.

On a positive note, healthcare activity and the related income continue to be above the seasonal adjusted plan; this additional income is not reflected in the Trust financial performance at present. Also the Trust's cash balance remains strong at £80.5m as at 30 June 2018.

## 10. Recommendation

The Board of Directors is requested to;

- Receive the contents of this report.



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

2018/19 - Month 2 Income & Activity (against Equally Phased Plan)

### Income

Income Type	QEHB			HGS			Total		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
AandE	2,699	2,601	- 99	5,419	5,480	62	8,118	8,081	- 37
Ambulatory Care	822	934	112	796	1,008	211	1,618	1,941	323
Critical Care	5,553	5,103	- 450	3,803	3,910	108	9,356	9,013	- 343
Day Case	6,749	6,227	- 521	8,512	8,438	- 73	15,261	14,666	- 595
Elective	11,198	9,937	- 1,260	7,035	6,033	- 1,002	18,232	15,970	- 2,262
Non Elective	20,894	22,081	1,186	25,473	27,481	2,008	46,368	49,562	3,194
Excess Bed Days	1,359	1,419	60	1,319	1,429	110	2,678	2,848	170
Maternity	-	-	-	7,762	7,951	189	7,762	7,951	189
Direct Access	1,139	1,259	120	3,129	3,164	35	4,268	4,424	155
Outpatient First Attendance	4,332	4,419	87	5,921	5,612	- 309	10,253	10,031	- 222
Outpatient Follow Up	8,262	8,063	- 200	5,931	5,764	- 168	14,194	13,826	- 367
Outpatient Procedures	2,148	2,607	459	3,260	3,286	25	5,408	5,892	484
Diagnostic Imaging	1,912	2,016	104	1,341	1,342	1	3,253	3,358	105
Renal Dialysis	4,222	4,222	- 0	1,765	1,818	53	5,987	6,040	53
Other	4,025	3,983	- 42	3,984	4,212	228	8,008	8,194	186
Marginal rate Emergency Threshold	- 167	- 316	- 149	- 652	- 1,680	- 1,028	- 819	- 1,996	- 1,177
	<b>75,147</b>	<b>74,554</b>	<b>- 593</b>	<b>84,798</b>	<b>85,248</b>	<b>450</b>	<b>159,945</b>	<b>159,802</b>	<b>- 143</b>

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

### Activity

Activity Type	QEHB			HGS			Total		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Actual	Variance
AandE	20,726	20,374	- 352	46,107	47,329	1,222	66,833	67,703	870
Ambulatory Care	1,751	1,989	238	1,583	2,239	656	3,335	4,228	893
Critical Care	4,911	4,920	9	5,268	5,530	262	10,178	10,450	272
Day Case	9,065	8,324	- 741	13,593	13,204	- 389	22,658	21,528	- 1,131
Elective	3,014	2,524	- 490	2,203	1,875	- 328	5,217	4,399	- 818
Non Elective	7,192	9,269	2,077	12,510	14,001	1,491	19,702	23,270	3,568
Maternity	-	-	-	4,868	4,960	92	4,868	4,960	92
Direct Access	200,928	218,286	17,358	1,188,469	1,209,880	21,411	1,389,397	1,428,166	38,769
Outpatient First Attendance	23,860	25,007	1,147	35,435	34,455	- 980	59,295	59,462	167
Outpatient Follow Up	85,143	80,611	- 4,532	78,336	79,994	1,658	163,479	160,605	- 2,874
Outpatient Procedures	17,246	21,090	3,844	22,855	22,597	- 258	40,101	43,687	3,586
Diagnostic Imaging	17,758	18,407	649	16,027	16,337	310	33,785	34,744	959
Renal Dialysis	36,078	35,341	- 737	14,658	15,102	444	50,736	50,443	- 293
Other	16,179	16,675	496	19,986	20,272	286	36,165	36,947	782
	<b>443,852</b>	<b>462,817</b>	<b>18,965</b>	<b>1,461,898</b>	<b>1,487,775</b>	<b>25,877</b>	<b>1,905,750</b>	<b>1,950,592</b>	<b>44,842</b>