UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS

THURSDAY 26 APRIL 2018

Title:	**FINANCE REPORT TO 31 MARCH 2018 (MONTH 12) – HGS**
Responsible Director:	Julian Miller, Director of Finance
Contact:	Bernie Allen, Head of Financial Recovery, ext. 43672 (424 3672)

Purpose:	To provide an update on the March 2018 (Month 12 2017/18) financial performance for HGS. This is the closing financial report for the former Heart of England NHS Foundation Trust (HEFT) and therefore all references to the Trust relate to HEFT only.
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	• The Trust had a planned deficit of (£28.9m) pre Sustainability and Transformation Funding (STF) for the 2017/18 financial year. • The full STF allocation for the Trust was £21.3m subject to financial performance. Of this, 30% (£6.4m) was tied to A&E performance. • Including full STF, the Trust had a planned deficit of (£7.5m) for the year in line with the control total set by NHSI. • The in-month position for March 2018 is a deficit of (£5.2m) against a planned deficit pre STF of (£2.3m), an adverse variance of (£2.9m). • The unaudited year-end position is a deficit before impairments of (£58.8m) compared to a planned deficit pre STF of (£28.9m). This is an adverse variance of (£29.9m). • The main drivers of the variance are slippage against efficiency targets (£17.6m) and under-performance against the healthcare income plan (£16.2m). • The reported position excludes any STF due to the adverse financial position against the plan. • Net impairment reversals of £6.4m have improved the

	overall reported I&E position to a surplus of £1.2m in month and a deficit of (£52.4m) for the year. • The cash balance was £11.3m at 31 March 2018, including (£31.8m) of interim revenue support (working capital loan). • The Use of Resources Metric (UoR) remains a 4 due to the continued increase in agency expenditure.	
Recommendations:	The Board of Directors is asked to receive the contents of this report.	
Approved by:	Julian Miller	18 April 2018

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 26 APRIL 2018

FINANCE REPORT FOR THE PERIOD ENDING 31 MARCH 2018 - HGS

PRESENTED BY THE DIRECTOR OF FINANCE

1. Introduction

This report covers the unaudited results for the former Heart of England NHS Foundation Trust (HEFT) for the 2017/18 financial year, (1 April 2017 to 31 March 2018). HEFT was acquired by UHB on 1 April 2018 and the sites will in future be referred to as HGS but this report relates to the 2017/18 financial year for which separate annual accounts are required to be submitted for HEFT. Therefore all references to the Trust in this paper relate to HEFT only. The report summarises financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Programme (CIP) delivery.

The Financial Plan agreed by the Board of Directors on 23 January 2017 included a pre Sustainability and Transformation Fund (STF) deficit of (£28.9m) for 2017/18. The Trust's STF allocation is £21.3m which if received in full would reduce the Trust's plan deficit to (£7.5m) in line with the control total mandated by NHS Improvement (NHSI).

A revised year end forecast was submitted to NHSI at Q2 indicating a likely deficit of circa (£48.4m) by the end of the year, compared to the original pre-STF deficit of (£28.9m), an adverse variance of (£19.6m). Following receipt of additional winter funding in December 2017, this was further revised to (£46.2m), in line with NHSI requirements.

The Trust has reported an actual deficit before impairments of (£5.2m) for March 2018 (month 12) compared to a pre STF planned deficit of (£2.3m), an adverse variance of (£2.9m). The year-end deficit before impairments is (£58.8m) compared to a planned deficit pre STF of (£28.9m). This is an adverse variance of (£29.9m). The key variances against the annual plan include:

- Under-performance against clinical income targets (£16.2m) – see section 2.6; and

- Under-delivery against combined efficiency targets of (£17.6m) – see section 3.

The deterioration in the financial position beyond the Q2 forecast is primarily due to the under-performance against Healthcare Income targets in the second half of the year as a result of the operational pressures faced by the Trust.

As a result of the adverse financial performance, the HEFT allocation of STF (totalling £21.3m), has not been recognised and this forms part of the overall deficit.

The Trust has recognised a net impairment reversal of £6.4m in Month 12 due to an increase in the value of assets previously impaired. This is an accounting adjustment only but improves the overall reported I&E position to a surplus of £1.2m in month and a deficit of (£52.4m) for the year.

The cash balance at the end of March is £11.3m against the plan of £3.0m at this point, a favourable balance of £8.3m. However, this includes a £31.8m working capital loan.

2. Income & Expenditure

2.1 Summary Position

The Trust's unaudited income and expenditure position as at the end of March is a (£58.8m) deficit before impairments against the planned pre STF deficit of (£28.9m).

Table 1 below shows the actual income and expenditure deficit excluding impairments, compared to the planned trajectory submitted to NHS Improvement both pre and post STF allocation.

Table 1: I&E – Actual vs Plan

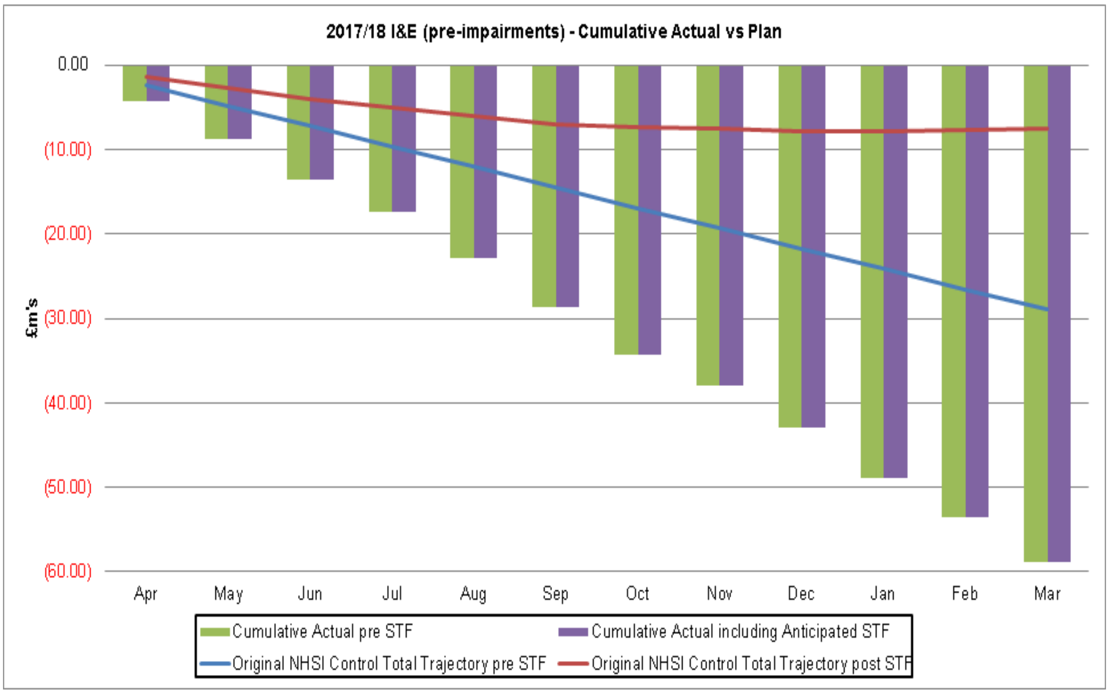


Table 2 below summarises the Trust's income and expenditure position at the end of March with analysis of expenditure from section 2.2 and operating revenue from section 2.6 below.

Table 2: Income and Expenditure Plan vs Actual

	In Month Plan £m	In Month Actual £m	In Month Variance £m	YTD Plan March £m	YTD Actual March £m	Variance £m
Control Total Items						
Operating Revenue (excluding STF)	58.6	57.1	(1.5)	701.7	685.4	(16.3)
Operating Expenses	(59.0)	(60.7)	(1.7)	(707.4)	(725.9)	(18.5)
EBITDA	**(0.4)**	**(3.6)**	**(3.2)**	**(5.7)**	**(40.5)**	**(34.8)**
Depreciation	(1.3)	(1.1)	0.3	(16.0)	(12.7)	3.3
Interest Receivable	0.0	0.0	0.0	0.0	0.1	0.1
Interest Payable	(0.0)	(0.0)	0.0	(0.2)	(0.2)	0.0
PDC Dividend	(0.5)	(0.4)	0.1	(6.3)	(5.1)	1.2
Other Finance Costs	(0.1)	(0.0)	0.0	(0.6)	(0.2)	0.4
Control Total Surplus/(Deficit) (pre STF)	**(2.3)**	**(5.1)**	**(2.8)**	**(28.9)**	**(58.6)**	**(29.8)**
STF Income	2.5	0.0	(2.5)	21.3	0.0	(21.3)
Control Total Surplus/(Deficit) (post STF)	**0.2**	**(5.1)**	**(5.3)**	**(7.5)**	**(58.6)**	**(51.1)**
Gain/(Loss) on Asset Disposal	0.0	(0.0)	(0.0)	0.0	(0.2)	(0.2)
Donations and Grants Received	0.0	0.0	0.0	0.0	0.3	0.3
Depreciation on Donated Assets	0.0	(0.0)	(0.0)	0.0	(0.3)	(0.3)
Total Surplus/(Deficit) Before Impairments	**0.2**	**(5.2)**	**(5.4)**	**(7.5)**	**(58.8)**	**(51.3)**
Impairment (Losses) / Reversals	0.0	6.4	6.4	0.0	6.4	6.4
Surplus / (Deficit) After Impairments	**0.2**	**1.2**	**1.0**	**(7.5)**	**(52.4)**	**(44.8)**

2.2 Operating Expenditure Analysis

The adverse operating expenditure variance of (£1.7m) in month and (£18.5m) for the year can be broken down as detailed in table 3 below.

Table 3: Breakdown of Variance against Plan

	In Mth Plan £m	In Mth Actual £m	Variance £m	YTD Plan £m	YTD Actual £m	Variance £m
PAY						
Medical Staff	10.7	45.9	(35.2)	126.7	135.5	(8.8)
Nursing	16.9	16.3	0.5	178.9	186.2	(7.4)
Other	9.9	(21.9)	31.8	143.9	144.1	(0.2)
Total Pay	**37.5**	**40.4**	**(2.9)**	**449.5**	**465.9**	**(16.4)**
NON PAY						
Drugs	6.0	6.2	(0.3)	75.8	76.4	(0.6)
Clinical Supplies & Services	5.7	5.5	0.2	69.7	71.8	(2.1)
Other	9.8	8.5	1.3	112.4	111.8	0.7
Total Non Pay	**21.5**	**20.3**	**1.2**	**257.9**	**260.0**	**(2.1)**
GRAND TOTAL	**59.0**	**60.7**	**(1.7)**	**707.4**	**725.9**	**(18.5)**

The Month 12 position is partly impacted by year-end adjustments to ensure the Trust is accurately accounting for its liabilities. Where these are material, additional commentary is provided to explain the underlying position.

The main areas of pay and non-pay variance are explored further in sections 2.3 and 2.4 below.

2.3 Pay Analysis

Table 4 below details the average monthly pay expenditure each quarter through 2017/18 and month 12 expenditure in comparison to the quarter averages in 2017/18 (adjusted for 2017/18 pay inflation). It should be noted that adjustments completed as part of year end accounting requirements, caused a net improvement of £0.7m to the reported pay position in Month 12.

Table 4.1: Quarterly Average Monthly Pay Expenditure

	2016/17				2017/18				
	Qtr 1 Avg	Qtr 2 Avg	Qtr 3 Avg	Qtr 4 Avg	Qtr 1 Avg	Qtr 2 Avg	Qtr 3 Avg	Qtr 4 Avg	Month 12
MEDICAL & DENTAL	10.5	10.5	11.0	11.0	10.9	11.3	11.4	11.5	11.0
NURSING & MIDWIFERY	15.3	14.9	15.1	15.5	15.5	15.4	15.4	15.8	16.3
OTHER SUPPORT STAFF	4.8	5.0	4.8	4.8	4.8	4.8	5.2	5.6	5.8
PAMS	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.4	2.4
PROFESSIONAL & TECHNICAL (PTB)	2.3	2.2	2.3	2.3	2.4	2.3	2.4	2.5	2.5
SCIENTIFIC & PROFESSIONAL	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7
TRUST BOARD INC SENIOR MANAGEMENT	1.8	1.7	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Pay Total	**37.4**	**37.3**	**37.7**	**37.9**	**38.0**	**38.3**	**38.9**	**40.0**	**40.4**

2.3.1 Medical Staffing

Tables 5.1 and 5.2 below detail the monthly expenditure for medical staff split between consultant and non-consultant posts respectively.

The actual spend on medical staffing was £11.0m in March, but this included a £0.9m favourable adjustment, meaning that underlying medical expenditure was £11.9m in March.

Reported expenditure on consultant medical staff was £6.1m. This is £0.1m lower than February but includes a £0.6m accounting benefit. March expenditure on non-consultant staff was £4.9m, which was £0.7m lower than February includes a £0.3m favourable adjustment.

Table 5.1: Senior Medical Expenditure per Month

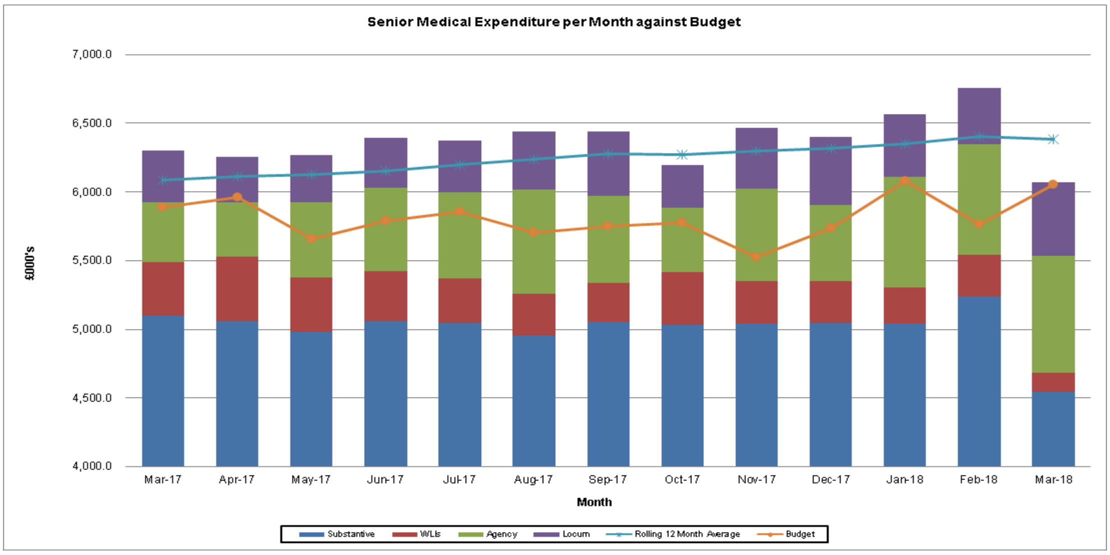
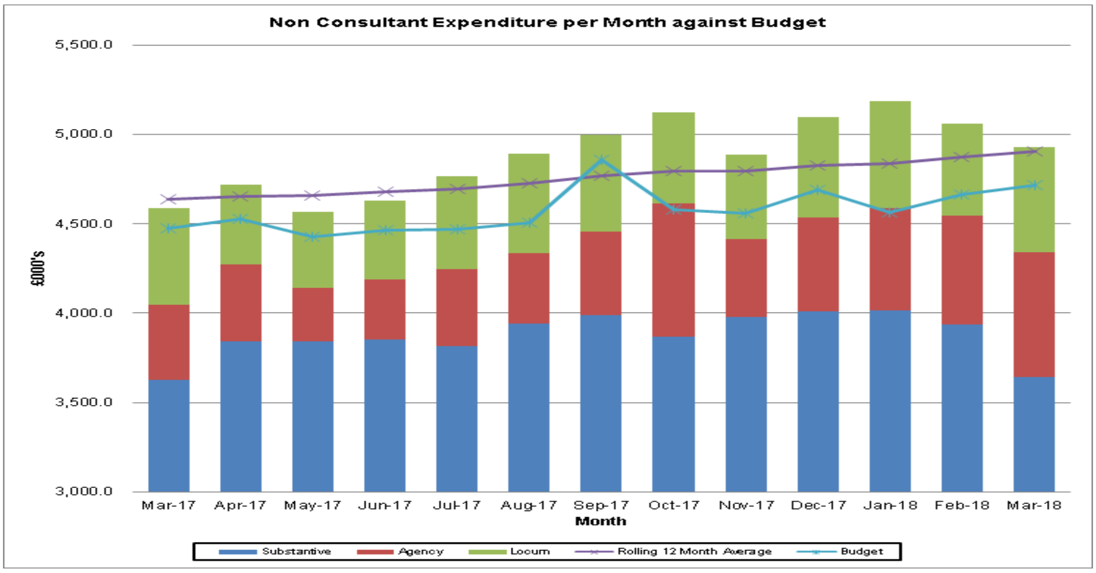


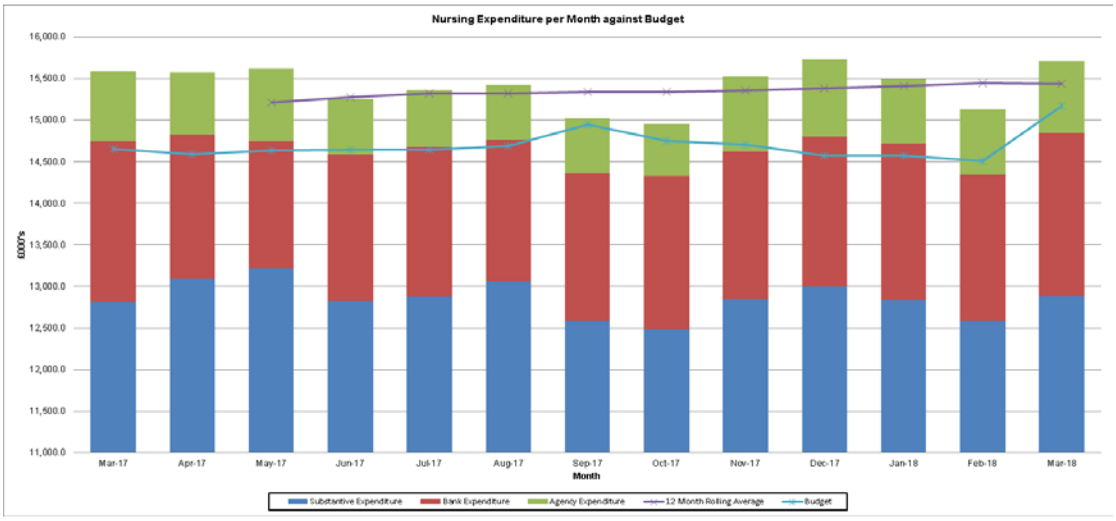
Table 5.2: Non-Consultant Medical Expenditure per month



2.3.2 Nursing

Table 6 below details the monthly expenditure on nursing compared to the previous twelve months (adjusted for pay inflation).

Table 6: Monthly Nursing Expenditure



The reported nursing expenditure in March was £16.3m. This is (£0.9m) higher than the expenditure in February and slightly above with the rolling 12 month average (adjusted for pay inflation). The main pressures were bank holiday payments (£0.2m), additional bank shifts (£0.5m) and an increase in agency expenditure (£0.1m).

2.4 Non Pay Expenditure

Table 7 below details the average monthly non pay spend by expenditure group for month 12 and each quarter in 2017/18 in comparison to the quarterly averages for 2016/17.

Table 7.1: Non Pay Spend by Expenditure Group

	2016/17				2017/18				
	Qtr 1 Avg	Qtr 2 Avg	Qtr 3 Avg	Qtr 4 Avg	Qtr 1 Avg	Qtr 2 Avg	Qtr 3 Avg	Qtr 4 Avg	Mth 12
Clinical Supplies	5.8	5.7	5.9	6.2	6.0	6.1	5.9	5.9	5.5
Drugs	5.8	6.1	6.0	6.3	6.2	6.3	6.2	6.7	6.2
Less: Pass Through Items	(5.9)	(6.5)	(6.5)	(6.6)	(6.2)	(6.5)	(6.4)	(6.8)	(6.4)
Clinical Supplies and Drugs Subtotal	***5.6***	***5.4***	***5.5***	***5.8***	***6.0***	***6.0***	***5.8***	***5.8***	***5.4***
Non-Clinical Supplies	1.6	1.6	1.6	1.7	1.6	1.6	1.2	0.9	0.9
Premises	2.5	2.5	2.6	2.8	2.6	2.8	2.6	1.3	3.1
Purchase of Healthcare Services NHS	0.7	0.7	0.6	0.5	0.6	0.7	0.6	0.7	0.6
Purchase of Healthcare Services Non NHS	0.6	0.6	0.4	0.4	0.6	0.6	0.6	0.5	0.4
Other	5.2	3.7	3.1	3.4	4.2	3.0	3.8	5.6	3.5
Grand Total	**16.2**	**14.5**	**13.8**	**14.7**	**15.5**	**14.6**	**14.6**	**14.8**	**13.9**

2.4.1 Drugs and Clinical Supplies and Services

The expenditure on drugs and clinical supplies was (£11.7m) in March, a decrease of (£0.1m) compared to February, although this is after favourable stock adjustments to both lines of spend.

2.4.2 Non-Clinical Supplies

Expenditure on non-clinical supplies fell during Q3, and Q4 due to the impact of insourcing the G4S Facilities contract from November 2017.

2.4.3 Premises

The month 12 premises costs were slightly higher than the quarterly averages due to a VAT adjustment relating to energy costs and some additional ad hoc repairs and maintenance.

2.5 Divisional Performance

Table 8 below details the budgetary variance by Division split by expense type. The "Income" expense type refers to Category C income such as SLA income from other organisations; it does not refer to NHS Clinical Income, which is detailed in section 2.6 below.

Table 8: Variance Breakdown by Division

Division	ExpenseGroupDesc	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
D1	INCOME	(439.1)	(528.4)	89.4	(5,219.2)	(5,333.1)	113.9
	NON PAY EXPENDITURE	2,856.5	2,432.3	424.2	31,089.4	34,218.4	(3,129.0)
	PAY EXPENDITURE	8,091.0	8,621.1	(530.2)	95,033.2	97,540.0	(2,506.8)
D1 Total		**10,508.4**	**10,525.0**	**(16.6)**	**120,903.4**	**126,425.3**	**(5,521.9)**
D2	INCOME	(437.2)	(343.7)	(93.5)	(5,216.4)	(4,728.2)	(488.2)
	NON PAY EXPENDITURE	1,090.3	1,297.3	(207.0)	12,690.0	14,215.6	(1,525.6)
	PAY EXPENDITURE	4,649.2	4,769.9	(120.6)	56,686.6	57,048.7	(362.0)
D2 Total		**5,302.4**	**5,723.4**	**(421.0)**	**64,160.2**	**66,536.1**	**(2,375.9)**
D3	INCOME	(315.5)	(1,173.8)	858.3	(3,832.5)	(4,493.4)	660.9
	NON PAY EXPENDITURE	2,645.0	2,927.1	(282.1)	30,947.8	32,725.7	(1,777.9)
	PAY EXPENDITURE	7,930.6	8,838.5	(907.9)	91,592.0	98,779.1	(7,187.2)
D3 Total		**10,260.1**	**10,591.8**	**(331.7)**	**118,707.2**	**127,011.4**	**(8,304.1)**
D4	INCOME	(101.3)	(201.8)	100.5	(2,332.1)	(2,984.5)	652.4
	NON PAY EXPENDITURE	4,638.8	4,731.5	(92.7)	52,333.9	56,954.8	(4,620.9)
	PAY EXPENDITURE	6,700.7	7,002.3	(301.6)	78,447.5	81,590.6	(3,143.1)
D4 Total		**11,238.2**	**11,532.0**	**(293.8)**	**128,449.2**	**135,560.8**	**(7,111.6)**
D5	INCOME	(139.4)	(227.4)	88.0	(1,672.0)	(1,706.3)	34.3
	NON PAY EXPENDITURE	3,386.6	3,289.9	96.8	42,800.9	42,063.6	737.3
	PAY EXPENDITURE	5,422.4	5,971.2	(548.8)	65,139.9	71,409.8	(6,269.9)
D5 Total		**8,669.6**	**9,033.7**	**(364.0)**	**106,268.8**	**111,767.1**	**(5,498.3)**
Grand Total		**45,978.7**	**47,405.9**	**(1,427.2)**	**538,488.9**	**567,300.7**	**(28,811.8)**

The main areas of variance in month for each Division include:

- Division 1 (CSS) – The in-month overspend of (£17k) in March came after £414k favourable year-end adjustments (additional income and a stock benefit) Pay overspent by (£503k) in the month due to ongoing staffing pressures in Radiology and winter capacity. Radiology outsourcing was (£126k) overspent in the month again due to staffing and capacity pressures.
- Division 2 (W&C) – The continued shortfall in CIP delivery (£127k) was the biggest single pressure within the division, however shortfalls on provider to provider maternity pathways (£47k) contributed to a (£93k) under-recovery of Cat C income and the (£121k) over spend on pay included backdated increments being paid, pressure arising from the use of Agency ODPs and unfunded WLI payments.
- Division 3 (Emergency) – The month 12 overspend of (£332k) is primarily driven by Nursing over-spends of (£536k) including the premium cost of covering vacancies (£244k), enhanced bank payments (£134k) and winter costs in excess of the funded winter plan (£47k). Medics over-spent by (£394k) in March with (£264k) being due to the premium cost of vacant posts. These pressures have been partially offset in month by income gains including ICRS (RTA) income.

- Division 4 (Medicine) - Nursing pay was overspent by (£242k) due to a provision required for potential back dated pay entitlements (£72k), specialling costs (£52k) and vacancy premiums (£52k). The Medical staff overspend included (£101k) for locum premiums in elderly care and WLI costs of (£24k).
- Division 5 (Surgery) – Medical pay was (£423k) overspent, partly driven by vacancy cover, sickness and additional duties and WLI. Nursing overspent by (£148k) in the month, with (£75k) specialling costs and (£44k) supporting WLI.

2.6 Income Analysis

2.6.1 Total Operating Income

Total operating income (excluding STF) is (£1.4m) below plan in March taking the under-performance for the year to (£16.3m) as shown in table 9.2 below.

Table 9.1 – Income against Plan

	In Mth Plan March £m	In Mth Actual March £m	Variance £m	Annual Plan £m	Full Year Actual £m	Variance £m
Clinical - NHS	(52.7)	(50.7)	(2.0)	(632.6)	(623.2)	(9.5)
Clinical - Non NHS	(0.8)	(1.5)	0.7	(9.2)	(9.5)	0.2
Other	(5.1)	(4.9)	(0.2)	(59.8)	(52.8)	(7.0)
TOTAL	**(58.6)**	**(57.1)**	**(1.4)**	**(701.7)**	**(685.4)**	**(16.3)**

NHS Clinical income is (£2.0m) below plan in March and (£9.5m) below plan for the year. However this position includes winter funding of £1.0m in month and £4.1m for the year and over-performance against Tariff Excluded Drugs and Devices (EDD) of £0.4m in month and £5.1m for the year.

Activity related underperformance against the seasonal plan is (£2.3m) in month and (£16.2m) for the year as shown in Table 10 below.

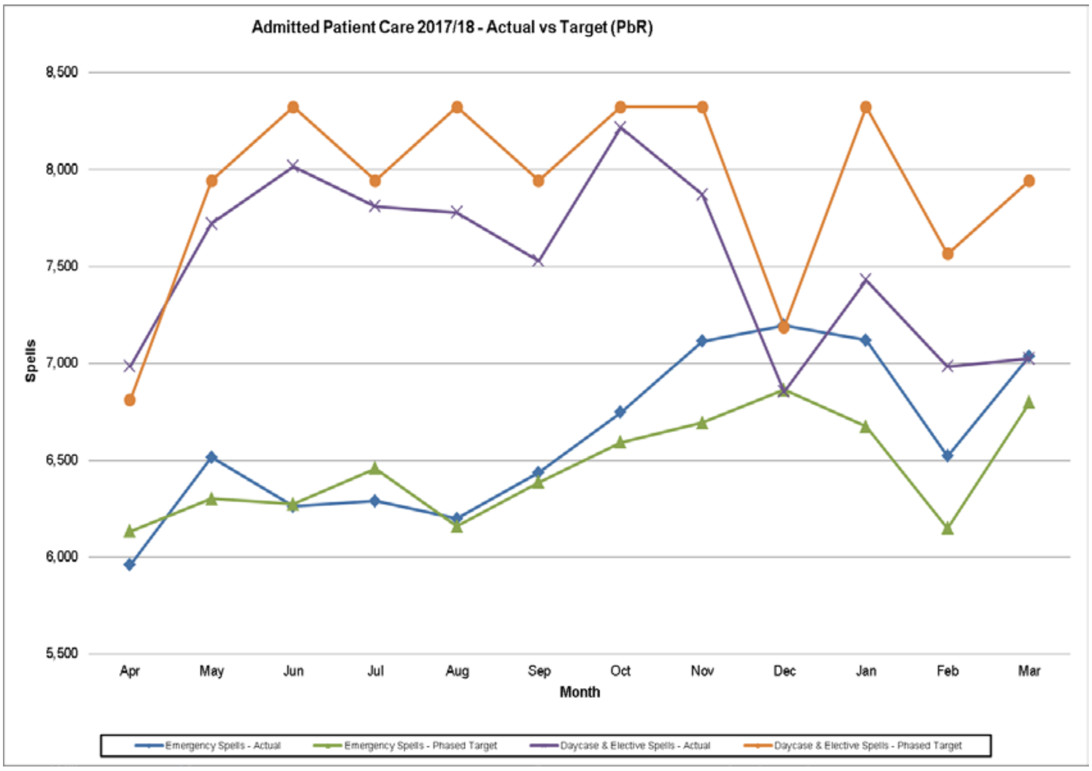
Table 10 – Healthcare Income Variances by Point of Delivery

	In Month Variance	YTD Variance
Maternity Spells/Pathways	0.1	(1.6)
Ambulatory Emergency Activity	0.2	2.3
Emergency Spells	0.2	(2.3)
Accident and Emergency	(0.1)	0.1
Elective/Daycase Spells	(2.0)	(10.5)
Outpatients	(1.0)	(3.0)
Other	0.3	(1.1)
Grand Total	**(2.3)**	**(16.2)**

2.6.2 NHS Clinical Income / Activity - Inpatients

Table 11.1 below details the monthly admitted patient care (APC) spells against the seasonally phased targets in March.

Table 11.1: Trust Inpatient Activity



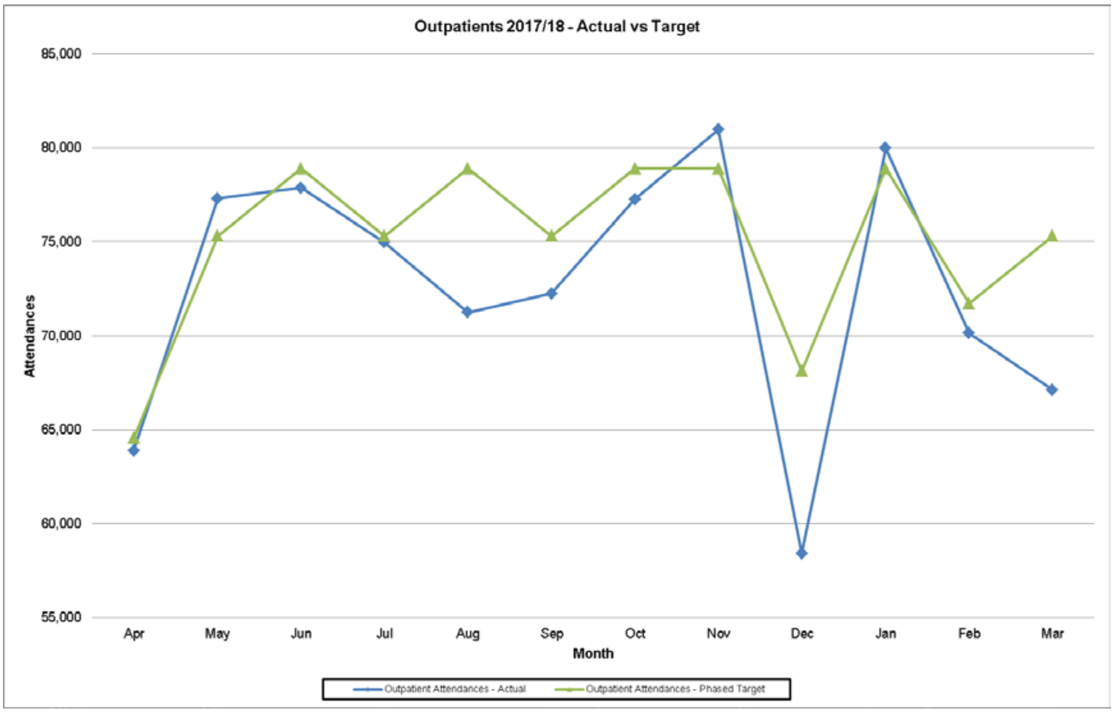
The in-month activity position shows a 3.5% over-performance in emergency spells (240 spells) against the seasonally phased plan, resulting in a year-end over-performance against the seasonal plan of 2.5% (1,918 spells).

Combined elective and daycase activity was (11.6%) below plan in March (918 spells) taking the year-end under-performance to (5.0%) (4,731 spells). This includes the impact of cancelling all routine elective activity in January as required by NHSI / NHSE.

2.6.3 NHS Clinical Income / Activity – Outpatients

Table 11.2 below details the monthly outpatient attendances compared to the seasonally phased targets in March.

Table 11.2: Trust Outpatient Activity



Outpatient activity in month under-performed by 10.9% in March (8,914 attendances) meaning the year-end position was an under-performance of (3.2%) or 28,706 attendances. The largest areas of under-performance in the month relate to Ophthalmology (1,463 attendances, 20%), Trauma and Orthopaedic (1,249 attendances, 16.8%), Paediatrics (470 attendances, 22.7%) and Neurology (742 attendances, 10.1%). The main areas of over-performance in the month include Acute Medicine (132 attendances, 18.5%) and Gastroenterology (100 attendances, 13.8%).

2.6.4 Divisional Performance

Table 12 below details the variance against the year to date seasonally phased plan, split by Division and point of delivery but excluding performance on Excluded Drugs and Devices.

Table 12: Healthcare Income Variance vs Seasonally Phased Plan

	Point of Delivery			
Division	IP - £000's	OP - £000's	Other - £000's	Total - £000's
1 - CSS	646	(174)	(838)	**(365)**
2 - W&C	(572)	(521)	(2,307)	**(3,400)**
3 - Emergency	78	1,108	(1,081)	**104**
4 - Medicine	(249)	(1,509)	391	**(1,367)**
5 - Surgery	(9,874)	(1,909)	(303)	**(12,086)**
Central Risks	0	0	945	**945**
Total	**(9,971)**	**(3,006)**	**(3,192)**	**(16,169)**

2.6.5 Other Miscellaneous Operating Revenue

Other operating revenue was (£0.2m) below plan in March with the year-end shortfall predominantly driven by shortfalls in rental income and other patient services.

3. Efficiency Savings

The original financial plan for 2017/18 required delivery of total efficiency of £33.2m (4.7% of income) in order to meet the control total. Year-end delivery was £15.6m or 2.2% of total income.

3.1 Cost Improvement Programme

The 2017/18 identified schemes by Division, together with delivery against them both in March and the full year, is detailed in table 13 below.

Table 13: CIP Delivery by Division

Trustwide Month 12 CIP Delivery by Division

Division	In Month 12ths Target	In Month Delivery	In Month Variance	Full Year Target	Full Year Delivery	Variance
CORPORATE	130.8	139.8	9.0	1,569.6	1,647.9	78.3
FACILITIES	146.4	22.8	(123.6)	1,756.7	963.8	(793.0)
TRUSTWIDE EDUCATION SERVICES	33.6	94.3	60.7	403.5	764.3	360.8
RESEARCH & INNOVATION	8.1	0.0	(8.1)	96.9	0.0	(96.9)
CSS	209.7	597.3	387.6	2,516.7	2,125.5	(391.2)
WOMENS & CHILDRENS	106.3	82.4	(23.9)	1,275.3	494.8	(780.5)
EMERGENCY CARE	185.3	510.8	325.5	2,223.3	2,673.1	449.8
MEDICINE	202.9	315.2	112.3	2,434.8	2,155.0	(279.8)
SURGERY	171.5	636.3	464.8	2,058.0	2,454.8	396.8
TOTAL	**1,194.6**	**2,398.9**	**1,204.3**	**14,334.8**	**13,279.1**	**(1,055.7)**

The (£1.1m) variance against the annual target reflects a combination of slippage on schemes planned to deliver and a small unidentified element of the target.

3.2 Financial Recovery Plan

Year 2 of the Trust's Financial Recovery Plan for 2017/18 included agreed cross cutting schemes with saving opportunities of £5.0m, the delivery against which is detailed in table 14 below.

Table 14: Year 2 Cross Cutting Schemes

Month 12						
Workstream / Project	**Scheme Start**	**In Mth Target**	**In Mth Actual**	**Full Year Target**	**Full Year Delivery**	**Variance**
Length of Stay	Apr-17	104	0	1,042	0	(1,042)
Theatre Productivity	Apr-17	44	0	524	346	(178)
Diagnostics	Apr-17	8	8	100	58	(42)
Procurement: National & Local Standardisation	Apr-17	2	2	41	41	0
Procurement: UHB Alignment	Aug-17	68	101	544	583	40
Procurement: Direct Source Pricing	Aug-17	17		133	0	(133)
Procurement: GHX Renewal	Oct-17	19		114	0	(114)
Procurement: Review 111 Other Contracts	Oct-17	19		114	0	(114)
Procurement: Mobile Phones	Apr-17	7	7	41	40	(0)
Medical: International Fellows	Apr-17	0	0	0	0	0
Medical: Business Case Pipeline	Jun-17	28	0	338	0	(338)
Medical: E-rostering & Compliance with Policies	Jul-17	0	0	0	0	0
Nursing: Matron Review	Apr-17	9	9	111	110	(0)
Nursing: E-rostering & Compliance with Policies	Jul-17	83	0	755	0	(755)
Nursing: ACP	Sep-17	57	76	426	387	(39)
Corporate: Updated Communications	Apr-17	2	2	25	25	0
A&C: Balance to full year effect of restructures	Apr-17	68	68	752	751	(0)
Grand Total		**536**	**273**	**5,059**	**2,343**	**(2,716)**
Balance to find from original FRP following validation				*1,203*		*(1,203)*
Balance to find from stretch targets				*4,900*		*(4,900)*
Total				**6,103**		**(6,103)**
Grand Total				**11,162**	**2,343**	**(8,819)**

There was (£2.7m) slippage on the planned delivery to date and a further (£6.1m) relates to the unidentified balance of the FRP and the additional stretch savings target.

3.3 2016/17 Non Recurrent Benefits

Within the reported position for 2016/17, circa £7.7m was delivered non-recurrently either through one off savings or through release of balance sheet flexibility. The inability to re-provide this has contributed to an adverse variance of (£7.7m) in comparison to the Trust's planned position for 2017/18.

4. Statement of Financial Position

The Statement of Financial Position (Balance Sheet) shows the value of the Trust's assets and liabilities. The upper part of the statement shows the net assets after deducting short and long term liabilities with the lower part identifying sources of finance. Table 15 below summarises the Trust's Statement of Financial Position as at 31 March 2018.

Table 15: Statement of Financial Position

		Actual Mar-17 £m	Actual Mar-18 £m	Annual Plan Mar-18 £m
Non Current Assets:				
	Property, Plant and Equipment	248.1	268.3	259.8
	Intangible Assets	2.0	2.0	9.1
	Trade and Other Receivables	1.0	1.0	1.6
	Other Assets	3.8	3.7	3.6
	Total Non Current Assets	**254.8**	**275.0**	**274.0**
Current Assets:				
	Inventories	10.7	10.4	10.0
	Trade and Other Receivables	40.6	26.5	43.8
	Cash	19.2	11.3	3.0
	Total Current Assets	**70.6**	**48.2**	**56.8**
Current Liabilities:				
	Trade and Other Payables	(102.4)	(112.0)	(98.8)
	Borrowings	(0.5)	(0.5)	(0.5)
	Working Capital Loan	0.0	(31.8)	0.0
	Provisions	(3.2)	(1.4)	(2.4)
	Tax Payable	0.0	0.0	0.0
	Other Liabilities	(6.3)	(4.8)	(6.5)
	Total Current Liabilities	**(112.4)**	**(150.5)**	**(108.1)**
Non Current Liabilities:				
	Borrowings	(3.3)	(2.9)	(6.0)
	Provisions	(6.2)	(6.7)	(5.8)
	Other Liabilities	0.0	(3.1)	(3.5)
	Total Non Current Liabilities	**(9.5)**	**(12.7)**	**(15.3)**
TOTAL ASSETS EMPLOYED		**203.5**	**160.0**	**207.3**
Financed by:				
	Public Dividend Capital	196.7	197.2	196.7
	Income and Expenditure Reserve	(45.9)	(97.2)	(42.7)
	Donated Asset Reserve	(0.2)	(0.2)	(0.2)
	Revaluation Reserve	52.9	60.1	53.5
	Merger Reserve	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY		**203.5**	**160.0**	**207.3**

5. Capital Expenditure (Non-Current Assets)

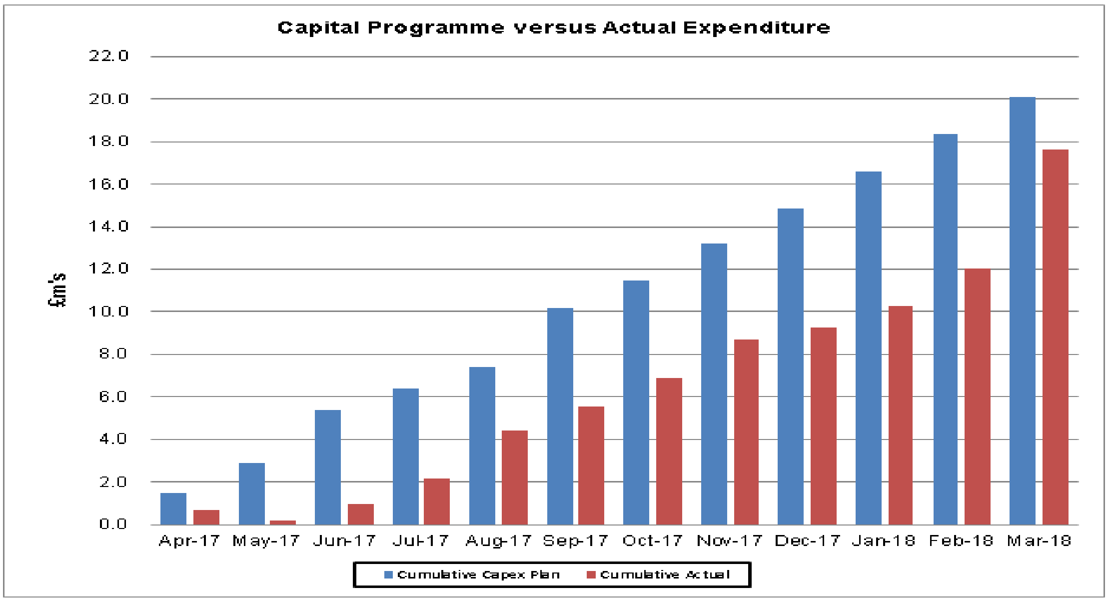
The initial capital programme for 2017/18 totalled £18.1m, this included £16.0m of internally funded schemes and £2.1m of costs associated with the enabling works for ACAD for which a DH loan has been approved. This programme was subsequently uplifted to £20.1m as a result of anticipated slippage of £2.0m on 2016/17 schemes including £1.0m relating to the ACAD. This is the value at which the final plan was submitted to NHSI.

The 2017/18 year-end expenditure of £17.6m meant there was slippage of £2.5m compared to this plan as shown in Table 16 below. The most notable items of slippage relate to replacement of equipment where changes need to be made to supporting infrastructure and refurbishment programmes as explained below.

At the end of Quarter 3, there was a review of year to date and forecast capital expenditure, enabling full release of the £5.5m contingency and £2.2m for a maternity ward refurbishment that was assessed as not being required in 2017/18.

As a result of the orders placed following this exercise, the Month 12 expenditure was significantly higher than previous months. In addition to this the original plans for ICT and ACAD enabling works both had higher levels of spend towards the end of the year..

Table 16: Capital Programme Trajectory vs Actuals



The full year of capital investment supported:

- £6.5m spend on medical equipment within the divisions, compared to the original plan of £4.3m, and increase of £2.2m. The most significant items of equipment purchased included:
    - o £1.5m within Clinical Support Services supporting Radiology (readers and cassettes, a cobalt scanner, electrical infrastructure and turnkey works for the future cross site developments) and Pharmacy (a blister pack robot);
    - o Upgrades to cardiac catheterisation laboratories, echo machines, a UV system, and a telemetry monitoring system within Cardiology coming to £1.4m;
    - o £0.5m spend on Renal dialysis equipment; and
    - o £0.5m spend on Defibrillators and PCA pumps for Trustwide use

- £3.9m expenditure on estates items compared to the original plan of £2.0m which included fire door replacement, plant room upgrades, fire compartmentation, AEC relocation, LV panels and cooling at Good Hope and Lyndon Place relocation costs.

- £3.7m spent on ICT equipment compared the original plan £2.9m of which the vast majority related to upgrading the ICT platforms across the Trust.

Schemes with large underspends against the original budget include negative pressures room, radiology change schemes at Solihull and Heartlands where infrastructure issues need to be resolved before further progressing, fire compartmentation work and some ICT schemes. All of these projects have been re-assessed and where appropriate have been factored into the 2018/19 capital programme.

6. Current Assets

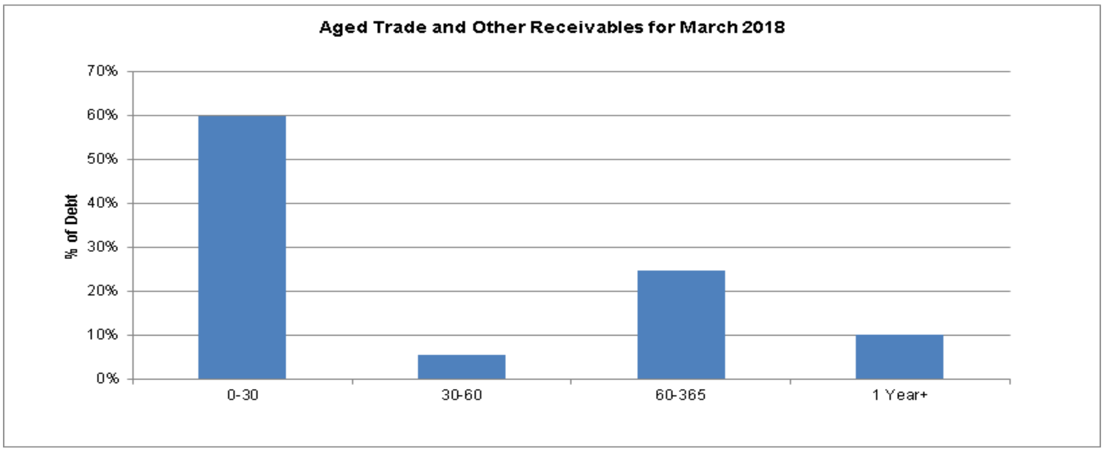
The Trust's total current assets (excluding cash and inventories) amount to £26.5m at 31 March 2018. This represents a (£17.3m) adverse variance against the plan at the end of the financial year. The balance is broken down as detailed in table 17 below.

Table 17: Analysis of Current Assets (excluding Inventories and Cash)

	Actual March 2018 £m	Plan March 2018 £m
Trade Receivables	23.6	42.8
Bad Debt Provision	(9.2)	(12.3)
Other Receivables	(0.0)	2.3
Trade and Other Receivables	**14.4**	**32.8**
Accrued Income	2.2	3.5
Other Financial Assets	**2.2**	**3.5**
Prepayments	10.0	7.5
Other Current Assets	**10.0**	**7.5**
TOTAL	**26.5**	**43.8**

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in table 18 below.

Table 18: Aged Debt Analysis



Overdue debt now stands at £9.1m. This represents a reduction of £2.2m compared to the position at the end of February 2018. Within the aged debt, £2.4m relates to CCG / NHSE healthcare income contracts. Excluding this the top balances are:

- Burton Hospitals Foundation Trust (£1.5m > 30 days, £1.9m total) – this is an increase of (£0.1m) on the greater than 30 days and (£0.1m) on the total debt from the position at the end of February 2018. The Trust continues to negotiate with regard to the balance owned but Burton are experiencing cash-flow issues which means payments are slow.

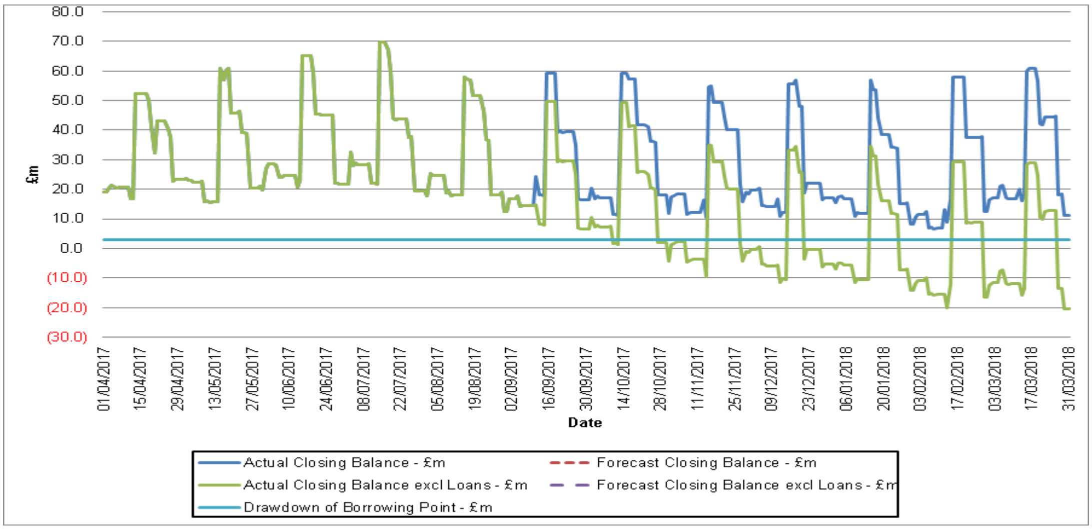
- Sandwell and West Birmingham Trust (SWBH) (£1.1m > 30 days, £1.5m total) – this is an increase of (£0.3m) on the total debt compared to February Maternity pathways account for £1.1m of the total debt, of which there is an agreement to pay £468k following receipt of a credit note for £5k from HEFT. The remainder predominantly relating to prior year surgical SLA provision.

7. Cash Flow

The cash balance at the end of March 2018 was £11.3m, a decrease of (£1.1m) during March and a positive variance of £8.3m against the planned balance of £3.0m. A working capital draw of (£3.0m) was made in March so the year to date facility used is (£31.8m). Of the £4.2m winter funding agreed by NHSI due to the Trust, £3.9m was paid to the Trust in March with the balance being paid to the CCG for community schemes.

Table 19 below details the cash balances for the full year to 31 March 2018, both including and excluding the working capital draws.

Table 19: Daily Cash Flow Forecasting as at 31 March 2018



8. NHS Improvement Finance and Use of Resources Metric

8.1 Finance and Use of Resource Metrics

The Finance and Use of Resource (UoR) metric has replaced the previous Financial Sustainability Risk rating (FSRR). Each metric is scored between 1 (best) and 4 (worst) and then an average is calculated to derive the overall UoR score for the provider. Where providers have an overall score of 3 or 4 for finance and use of resources, this will identify a potential support need under this theme, as will providers scoring a 4 against any of the individual metrics.

Providers in financial special measures will default to an overall score of 4 on this theme. The individual metrics scored against are detailed in table 20 below.

Table 20: Scoring Mechanism for Finance and Use of Resources Metric

				Use of Resource Metrics			
Area	**Metric**	**Weight**	**Definition**	**1**	**2**	**3**	**4**
Financial Sustainability	Capital Service Capacity	20%	Degree to which the provider's generated income cover its financial obligations	>2.5x	1.75-2.5	1.25-1.75	<1.25
	Liquidity (days)	20%	Days of operating costs held in cash or cash-equivalent forms, including wholly committed lines of credit available for drawdown	>0	(7)-0	(14)-(7)	<(14)
Financial Efficiency	I&E Margin	20%	I&E surplus or deficit / total revenue	>1%	1%-0%	0%-(1%)	<(1%)
Financial Controls	Distance from Finance Plan	20%	Year-to-date actual I&E surplus/deficit in comparison to year-to-date plan I&E surplus/deficit	≥0%	(1%)-0%	(2%)-(1%)	≤(2%)
	Agency Spend	20%	Distance from provider's cap	≤0%	0%-25%	25%-50%	≥50%

8.2 Trust Performance

Year to date performance against the Finance and Use of Resource Metric, is detailed in table 21 below.

The overall rating is now a 4 due to agency now being above cap.

Table 21: Trust Scoring Year to Date

			Use of Resource Metrics	
Area	**Metric**	**Weight**	**Actual**	**Score**
Financial Sustainability	Capital Service Capacity	20%	(7.00)	4
	Liquidity (days)	20%	(39.40)	4
Financial Efficiency	I&E Margin	20%	(8.68%)	4
Financial Controls	Distance from Finance Plan	20%	(7.28%)	4
	Agency Spend	20%	3.04%	2

9. Conclusion

The Trust has reported an actual deficit of (£5.2m) for March 2018 (Month 12) compared to a pre STF planned deficit of (£2.3m), an adverse variance of (£2.9m).

This brings the unaudited year-end deficit before impairments to (£58.8m) against a planned deficit pre STF of (£28.9m), an adverse variance of (£29.9m). As a result of under-delivering against the financial plan, the Trust's allocation of £21.3m of STF has not been assumed.

The main drivers of the variance to plan remain slippage against the ambitious efficiency targets and underperformance against the healthcare income plan reflecting the operational pressures experienced by the Trust in the second half of the 2017/18 financial year. These remain key challenges going into 2018/19.

The Trust has recognised a net impairment reversal of £6.4m in Month 12 due to an increase in the value of assets previously impaired. This is an accounting adjustment only but improves the overall reported I&E position to a surplus of £1.2m in month and a deficit of (£52.4m) for the year.

The cash balance at the end of March is £11.3m against the plan of £3.0m at this point, a favourable balance of £8.3m. However, this includes a £31.8m working capital loan.

10. Recommendations

The Board of Directors is asked to receive the contents of this report.

Julian Miller
Director of Finance
18 April 2018