

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 27 JULY 2017

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2017
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Acting Deputy Director of Finance, ext. 17374

Purpose:	To update the Board of Directors on the finance and activity performance of the Trust.
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	<p>The Trust has recorded a surplus of £5.686m for the first three months of the 2017/18 financial year. This is £0.341m above the planned surplus of £5.345m for the period.</p> <p>This position includes a (£6.660m) overspend across Operational Divisions, which is offset by underspends within Corporate functions, Trust subsidiaries & by the use of Trust reserves.</p>
Recommendations:	<p>The Board of Directors is requested to;</p> <ul style="list-style-type: none"> • Receive the contents of this report.

Signed: Mike Sexton	Date: 17 July 2017
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 27 JULY 2017

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2017

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first three months of the 2017/18 financial year (April 2017 to June 2017). The report summarises the Trust's financial performance and includes information on healthcare activity, expenditure variances and Cost Improvement Plan (CIP) delivery.

The 2017/18 Financial Plan projected an annual surplus of £18.374m. This includes £5.359m of capital grants and donations relating to the Haematology redevelopment of the old Trust HQ and the 3rd floor ITM MD-TEC project).

NHS Improvement (NHSI) monitors Trusts financial performance excluding the impact of capital grants, donations and Sustainability & Transformation Funding (STF) income (£16.896m). The Trust remains on plan with NHSI financial measures and a full reconciliation is included in section 9.2.

The Trust has reported an actual surplus of £5.686m at the end of June (Month 3); this is £0.341m above the planned surplus of £5.345m. This year to date performance is based on the assumption that the Trust receives its full allocation of STF income in 2017/18.

The year to date financial performance includes a further £0.419m of 2016/17 STF income allocated to the Trust recently by NHSI. It also includes a (£6.660m) year to date overspend within operational divisions, this has been offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.

In 2016, NHSI implemented a new Single Operating Framework (SOF) for assessing Trust performance. Based on the Trusts financial performance to date, the Trust expects to achieve a Use of Resources score of 2 (section 9).

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure performance compared to plan.

Table 1 – Underlying I&E: Actual vs Plan

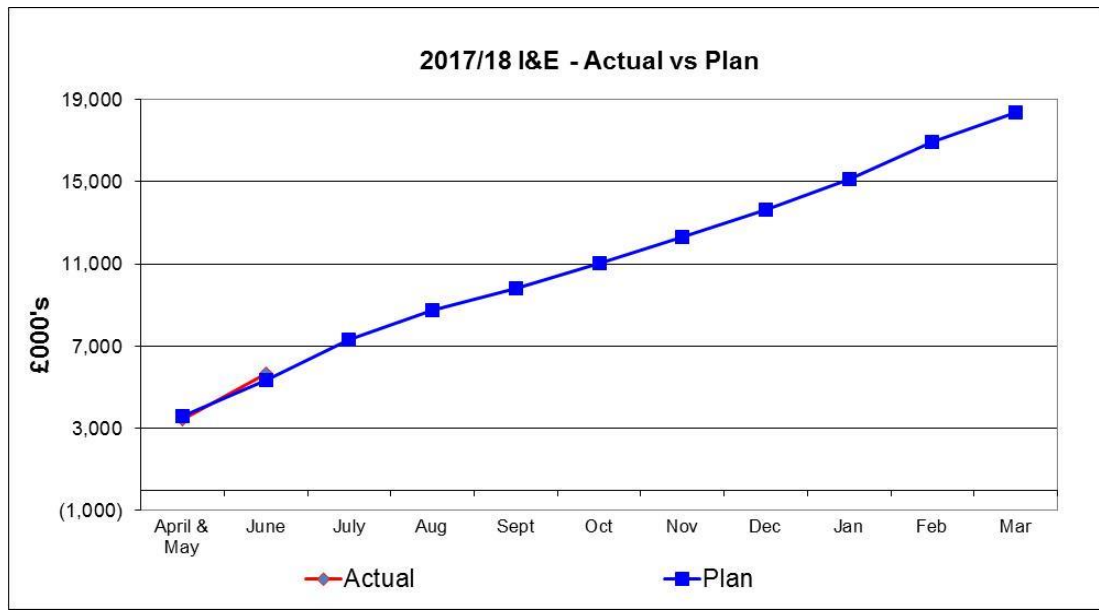


Table 2 below summarises the Trust's income & expenditure position at the end of June. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Jun-17 £m	Actual Jun-17 £m	Variance £m
Operating Revenue	197.5	206.3	8.8
Operating Expenses	(185.3)	(193.4)	(8.1)
EBITDA	12.2	12.9	0.7
Depreciation	(5.3)	(5.5)	(0.2)
Interest Receivable	0.1	0.0	(0.1)
Interest Payable	(4.0)	(4.0)	0.0
Contingent Rental	(1.6)	(1.7)	(0.1)
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	1.4	1.7	0.3
Donated Asset Revenue	3.9	3.9	0.0
Profit / (Loss) on Asset Disposal	0.0	0.0	0.0
Total Surplus / (Deficit)	5.3	5.6	0.3

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is £8.8m above plan at the end of June, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Jun-17 £m	Actual Jun-17 £m	Variance £m
Clinical - NHS	165.5	174.6	9.1
Clinical - Non NHS	2.4	2.0	(0.4)
Other	29.6	29.7	0.1
TOTAL	197.5	206.3	8.8

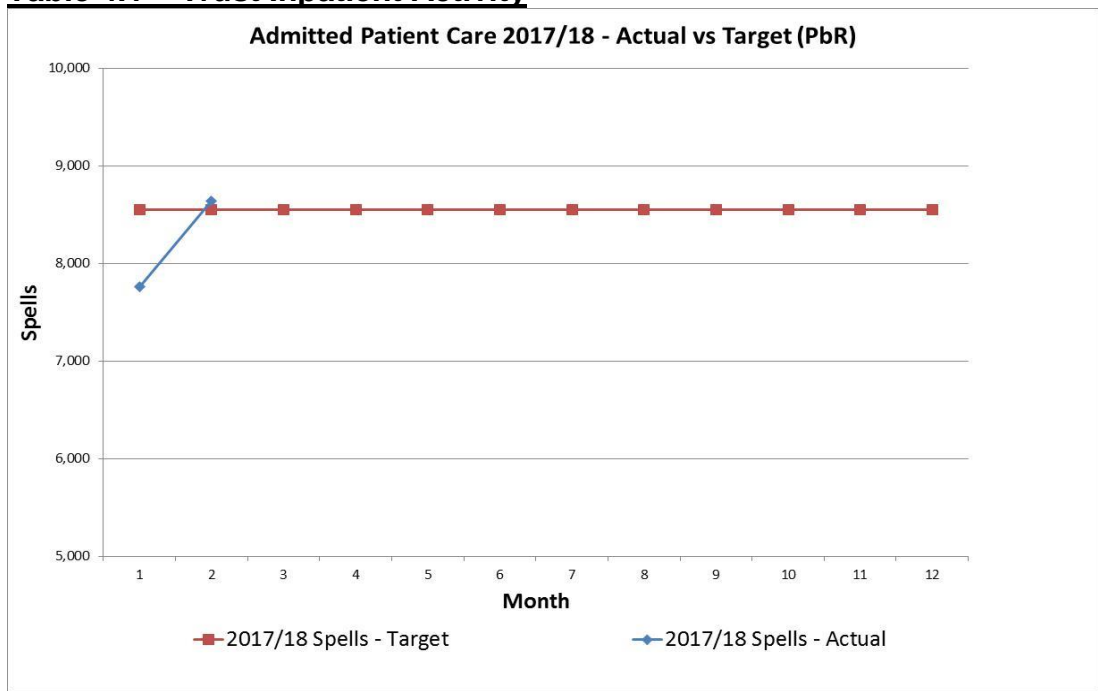
Note - may include rounding differences

NHS clinical revenues are £9.1m above plan; this includes additional income from high cost drugs and devices excluded from tariff and specific cost per case treatments. Non NHS clinical revenues are (£0.4m) below plan which includes overseas visitors, private patient and Injury Cost Recovery Scheme (RTA) income. Other income is £0.1m above plan which includes education & training and service level agreement income.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares monthly admitted patient care (APC) spells against target for the first two months of 2017/18.

Table 4.1 – Trust Inpatient Activity



Both Elective and Non Elective inpatient activity increased in May despite the two Bank Holidays. As in previous years, inpatient activity remains below plan in the early stages of the financial year where the plan is phased equally across the year and not flexed to reflect actual working days.

Table 4.2 shows that outpatient activity increased significantly in May although it remains below plan year to date due to number of bank holidays in the early months of the financial year.

Table 4.2 – Trust Outpatient Activity

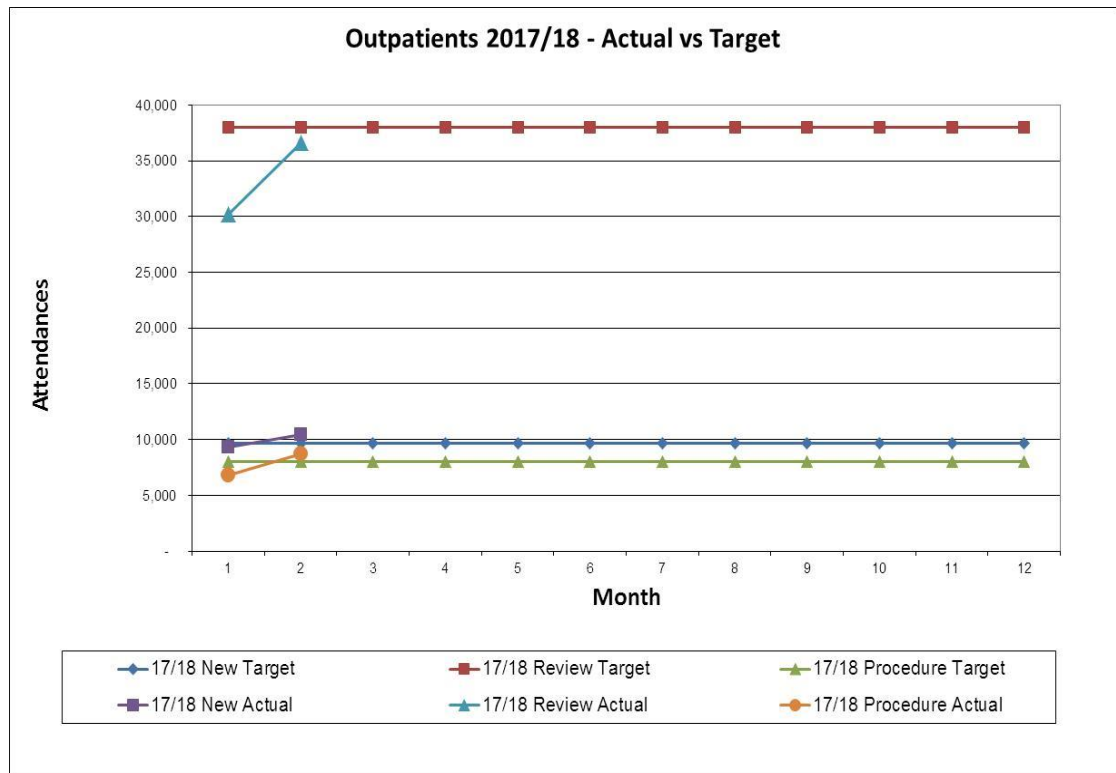


Table 5 below shows the income variance by division and point of delivery at the end of month 2 (May). It is too early in the financial year to ascertain meaningful trends in healthcare income, therefore as in previous years; no under or over performance is currently reflected in the Trusts financial position. The income variance below is based on an equally phased annual plan, if the plan was adjusted (reduced) to reflect actual working days, the underperformance would improve significantly. These healthcare income figures below exclude payment for cost per case and high cost drugs and devices, but include contract adjustments for marginal rate emergencies, readmissions, fines and penalties where these are still being applied.

Table 5 – Summary of Healthcare Income by Division & Point of Delivery

	YTD Variance against Divisional Baselines (£000)				
	Div A	Div B	Div C	Div D	Total
Inpatient	-14	-762	418	-262	-620
Outpatient	-30	-341	-436	-729	-1,536
Other	423	-221	-514	-426	-738
Total	379	-1,324	-532	-1,417	-2,894

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£8.1m) above the budgeted expenditure of £185.3m year to date.

Table 6 – Year to Date Expenditure against Plan

	Budget Jun-17 £m	Actual Jun-17 £m	Variance £m
PAY			
Medical Staff	31.7	33.8	(2.1)
Nursing	36.6	37.0	(0.4)
Scientific & Technical	13.6	13.6	0.0
SMP / A&C	16.0	16.1	(0.1)
Other	3.7	3.8	(0.1)
Pay Reserves	(0.1)	0.0	(0.1)
Total Pay	101.5	104.3	(2.8)
NON PAY			
Drugs	31.0	36.1	(5.1)
Clinical Supplies & Services	22.3	25.3	(3.0)
Other / Non-Pay Reserves	30.5	27.7	2.8
Total Non Pay	83.8	89.1	(5.3)
GRAND TOTAL	185.3	193.4	(8.1)

Note - may include rounding differences

3. Cost Improvement Programme

The Trust's 2017/18 financial plan includes an annual efficiency savings target of £18.0m. At the end of month 3, efficiency savings of £3.2m had been delivered which is equivalent to 71% of the year to date target.

Table 7 –Cost Improvement Delivery

	YTD Target (£m)	YTD Actual (£m)	YTD Variance (£m)
Division A	1.13	0.84	(0.29)
Division B	0.89	0.57	(0.32)
Division C	0.86	0.56	(0.30)
Division D	1.00	1.00	0.00
Corp / NHP / Central Ops	0.63	0.23	(0.40)
Total	4.50	3.20	(1.30)

CIP delivery within operational divisions continues to be reviewed in detail in monthly meetings with the Chief Operating Officer. Based on previous experience, CIP delivery is expected to improve over the remaining quarters of the financial year. For comparison, the Trust reported 71% achieved at the same stage in 2016/17 and 74% achieved at the end of Quarter 1 in 2015/16.

The Trust takes the financially prudent approach of profiling CIP savings targets equally across the financial year, whilst noting that some schemes may not actually delivery until later months.

4. Divisional Analysis

An adverse variance of (£6.660m) has been reported across operational divisions in the first three months of 2017/18. This equates to a monthly average “run rate” of (£2.220m)

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	440	(2,242)	(1,802)
Division B	643	(1,618)	(975)
Division C	(217)	(1,642)	(1,859)
Division D	112	(1,047)	(935)
Division E	48	(1,556)	(1,508)
Sub - Total	1,026	(8,105)	(7,079)
STF Income			419
TOTAL			(6,660)

Note - may include rounding differences

The aggregate divisional overspend in June was (£1.347m) which is an improvement on the April and May overspend. Of the monthly variance, (£0.674m) was attributable to Medical staffing with senior medical staff (consultants) accounting for (£0.414m) of the over spend. This included locum cover for vacancies and sickness, unfunded consultant posts and payments for additional sessions and waiting list initiatives. Specific speciality overspends in June included General Medicine (£0.141m), Anaesthetics (£0.090m), Imaging (£0.089m) and A&E (£0.055m). The balance of the medical overspend (£0.260m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest overspends were within A&E (£0.101m) and Anaesthetics (£0.097m).

Other expenditure pressures in June included slippage against in year and historic CIP targets and activity related non pay pressures in theatres, laboratories and cardiology.

5. 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 net assets after deducting short and long term liabilities with the lower part identifying sources of finance. Table 9 summarises the Trust's Statement of Financial Position at 30 June 2017.

Table 9 – Statement of Financial Position

	Audited Mar 2017 £m	Actual Jun 2017 £m	YTD Plan Jun 2017 £m	Annual Plan Mar 2018 £m
Non Current Assets:				
Property, Plant and Equipment	517.3	514.5	495.8	493.6
Intangible Assets	2.2	2.1	0.8	0.8
Trade and Other Receivables	4.6	4.7	7.1	7.1
Other Assets	0.1	0.1	0.0	0.0
Total Non Current Assets	524.2	521.4	503.6	501.4
Current Assets:				
Inventories	15.0	16.4	16.9	15.1
Trade and Other Receivables	71.9	69.1	58.4	53.3
Cash	70.8	62.2	64.4	77.5
Total Current Assets	157.7	147.7	139.7	145.9
Current Liabilities:				
Trade and Other Payables	127.5	113.3	119.0	117.2
Borrowings	12.3	12.3	12.3	12.3
Provisions	0.7	0.7	0.8	0.8
Other Liabilities	20.3	19.6	20.1	19.4
Total Current Liabilities	160.8	145.9	152.1	149.6
Non Current Liabilities:				
Borrowings	484.5	481.4	481.4	472.2
Provisions	3.1	3.1	2.4	2.4
Other Liabilities	5.1	4.6	3.6	1.9
Total Non Current Liabilities	492.7	489.1	487.3	476.4
TOTAL ASSETS EMPLOYED	28.5	34.1	3.9	21.2
Financed by:				
Public Dividend Capital	186.2	186.2	183.0	187.3
Income & Expenditure Reserve	(272.7)	(267.1)	(287.3)	(274.3)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	115.0	115.0	108.2	108.2
Merger Reserve	0.0	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	28.5	34.1	3.9	21.2

Note - may include rounding differences

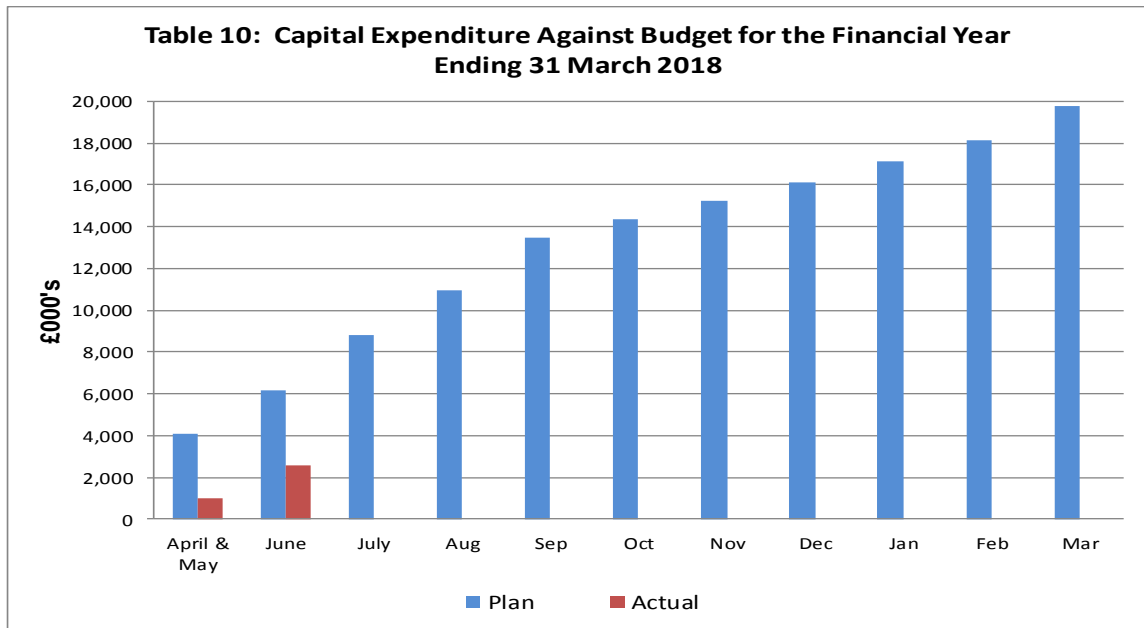
6. Capital Expenditure (Non-Current Assets)

The Trusts capital budget for 2017/18 is £19.8m. At the end of month 3, actual capital expenditure was £2.6m. As in previous years, capital expenditure tends to increase in the later part of the financial year as schemes and procurement processes are completed. Expenditure in June totalled £1.6m, this included;

- £1.2m for the MD-TEC project within the ITM building.
- £0.2m for the Haematology expansion within Morris House.
- £0.1m of replacement medical equipment and
- £0.1m was donated from the QEHB Charity.

Capital expenditure is expected to increase in coming months as orders are finalised for equipment and as further estates projects are completed. More detail on capital projects, funding and expenditure is attached in **Appendix A**.

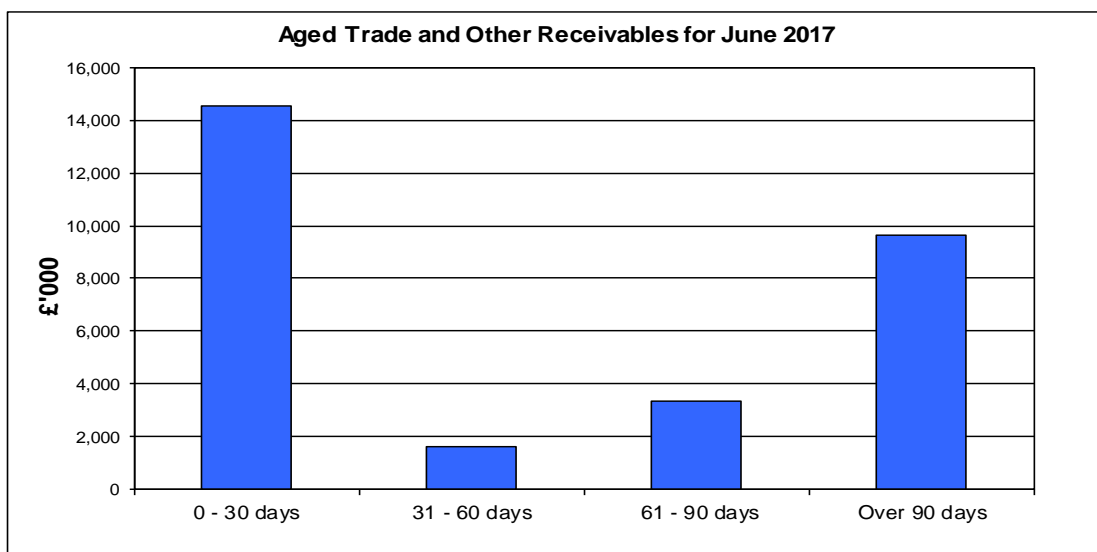
Table 10 – Capital Expenditure against Plan



7. Aged Debt

The age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 11 below. At the end of June 2017, the over 90 day debt amounted to £9.6m. This includes £2.4m due from NHS commissioners and £3.2m in relation to Service Level Agreements (SLA) for services provided to other NHS providers. The SLA outstanding amounts include Heart of England FT (£0.9m), Birmingham Women’s & Children’s FT (£0.9m) and Sandwell & West Birmingham NHS Trust (£0.7m). The balance includes amounts owed to the Trust by non-NHS debtors such as Birmingham City Council (£0.7m), the Ministry of Defence (£0.3m), universities, private sector organisations and individuals (e.g. overseas and private patients). Trust staff will continue to liaise with organisations to reduce the level of unpaid invoices.

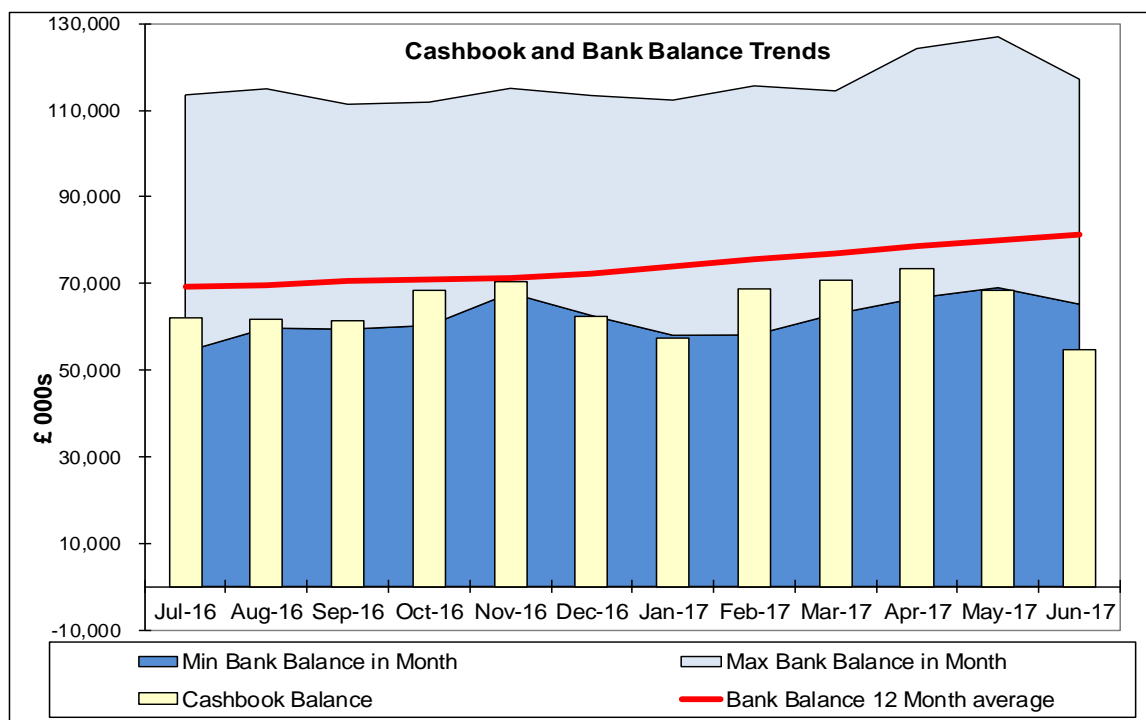
Table 11 – Aged Debt Analysis



8. Cash Flow

Table 12 shows the month end cashbook balance, the minimum and maximum daily bank balance in the month and a twelve month rolling average daily bank balance. The Trust's cashbook balance at 30 June was £62.2m which is marginally below plan. Trust cash levels are expected to improve in July as payment has been received for the outstanding 2016/17 STF income (£8.9m).

Table 12 – Cash Flow



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

9.1 Use of Resources (UoR) Metric

In 2016 NHSI launched a new Single Operating Framework for NHS providers; this gives each provider a score between 1 (best) to 4 (worst) against 5 equally weighted metrics. The average score across the metrics is labelled the Trusts Use of Resources (UoR). Based on the Trusts financial performance at the end of Month 3, the Trusts UOR score is expected to be a 2 as follows;

Table 13 – Use of Resources Score

Metric	Score	Definition
Capital Service Cover	3	Can the providers income cover its longer term financial obligations
Liquidity	3	Cash held to cover operating costs
I&E Margin	2	I&E surplus or (Deficit) as a proportion of Total Income
Distance From Plan	1	Actual year to date surplus compared to plan
Agency Spend	1	Distance of actual spend from the annual agency cap set by NHS Improvement
Use of Resources	2.0	Unrounded Score
TRIGGER	No	No metric scores a 4 therefore no trigger
Use of Resources Score	2	

The Trust achieved the lowest ratings of 3 or 4 on the following;

- **Capital Service Cover** – this includes annual PFI capital expenditure (interest, inflation and capital repayments), therefore the Trusts capital commitments are high compared to other providers, in the medium term the Trust will be unable to improve on this metric.
- **Liquidity** - despite the Trusts relatively high cash balances it receives a low rating of 3.

Use of Resources is one theme which NHSI uses to assess providers overall performance. Other factors include quality of care, operational performance, strategic change and leadership and improvement capability. After reviewing each of these, each Trust is segmented into one of four categories;

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 latest provider segmentation data published on the NHSI website shows the Trust has been placed in segment 2.

9.2 NHSI Control Total

The Trust is monitored by NHSI for its financial performance against the agreed control total and excluding STF. Table 14 below shows the reconciliation between the figures used in the Trusts accounts and the figures used by NHSI:

Table 14 – NHSI Financial Performance

	Annual Plan £m	YTD Plan £m	YTD Actual £m	YTD Variance £m
Trust Surplus / Deficit	18.4	5.3	5.7	0.3
Remove: Capital Grants & Donations	(5.4)	(3.6)	(3.5)	0.1
Remove: 2016/17 STF post accounts reallocation	0.0	0.00	(0.4)	(0.4)
Control Total Surplus / (Deficit)	13.0	1.7	1.7	0.0
Remove: 2017/18 STF Income	(16.9)	(2.5)	(2.5)	0.0
Adjusted Surplus / Deficit) Exc. STF	(3.9)	(0.8)	(0.8)	0.0
Performance Against Control Total Exc. STF		0.0	0.0	0.0

Note - may include rounding differences

This table shows that the Trust remains on plan against the financial measures used by NHSI.

9.3 STF Income

To achieve its control total, the Trust has been allocated up to £16.9m of Sustainability and Transformation Funding (STF). The release of this income is subject to the Trusts in year financial performance and delivery against the agreed A&E trajectory. At month 3, the Trust continues to assume receipt of the full value of STF income, whilst A&E performance is below trajectory, there are a number of mitigating circumstances which have been flagged to NHSI.

10. Conclusion

The Trust has delivered an overall surplus of £5.686m in the first quarter of the 2017/18 financial year. This is £0.341m above the planned surplus of £5.354m. Using the NHSI measures of financial performance, which exclude capital grants, donations and STF income, the Trust is reporting a deficit in line with plan.

As highlighted above, there are several key assumptions and risks to the achievement of the Trusts planned surplus for 2017/18. These include;

- Full receipt of the STF income.
- Healthcare income is received in line with plan.
- CIP delivery improves during the financial year and
- No deterioration in the operational divisions' financial performance.

11. Recommendation

The Board of Directors is requested to;

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
17 July 2017