

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 29 MARCH 2018

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|------------------------------|---|
| Title: | FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2018 |
| Responsible Director: | Mike Sexton, Chief Financial Officer |
| Contact: | Steve Clarke, Acting Deputy Director of Finance, ext. 17374 |

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| 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 £17.802m surplus for the first eleven months of the 2017/18 financial year. This is £0.865m above the year to date planned surplus of £16.937m.</p> <p>This position includes a (£24.737m) overspend across Operational Divisions. This is being offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.</p> <p>The Trust remains on track to achieve the 2017/18 control total set by NHS Improvement. As such, it is hoping to be allocated further bonus and incentive Sustainability & Transformation Funding in the final weeks of the financial year.</p> |
| Recommendations: | <p>The Board of Directors is requested to:</p> <ul style="list-style-type: none"> • Receive the contents of this report. |

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| Signed: Mike Sexton | Date: 20 March 2018 |
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS

THURSDAY 29 MARCH 2018

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2018

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first eleven months of the 2017/18 financial year (April 2017 to February 2018). 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 Centre for Clinical Haematology redevelopment (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 against the NHSI financial metrics, therefore internal reporting indicates the Trust will achieve a Use of Resources score of 2 (see section 9).

The Trust has reported an actual surplus of £17.802m at the end of February which is £0.865m above the planned year to date surplus of £16.937m. This assumes the Trust receives the full allocation of 2017/18 STF income and includes the following additional allocations from NHSI:

- £0.419m of 2016/17 STF income and
- £0.870m which represents 50% of the £1.739m Winter Tranche 1 allocation paid to the Trust in December. This funding was allocated to the Trust on the basis that the 2017/18 forecast financial position improves by an equivalent amount.

The financial position includes a (£24.737m) 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.

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

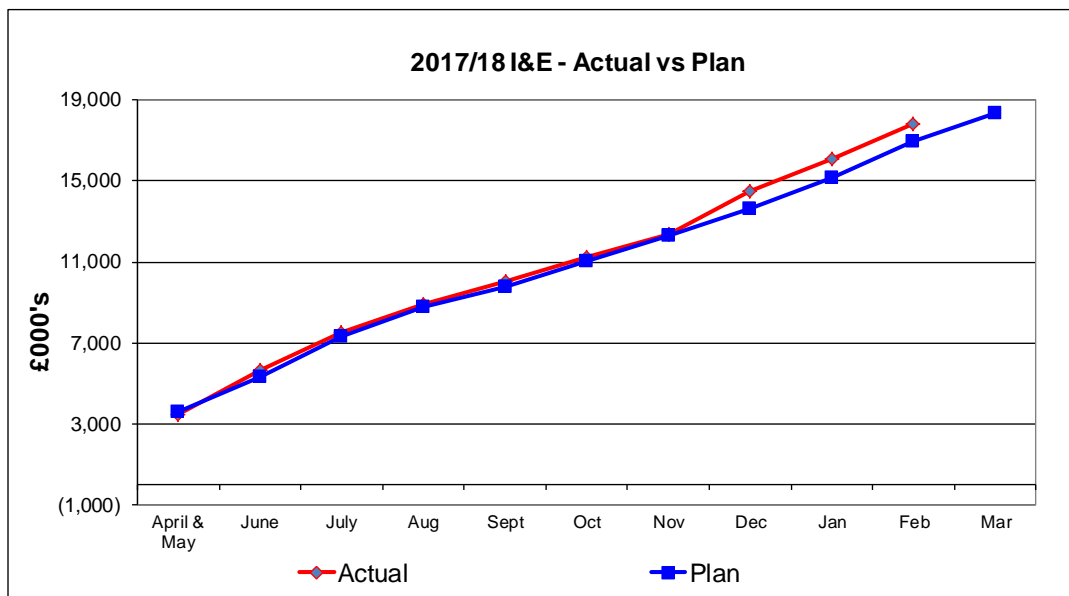


Table 2 below summarises the Trust's income & expenditure position at the end of January. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

| | Budget Feb-18 £m | Actual Feb-18 £m | Variance £m |
|---------------------------------------|------------------------|------------------------|----------------|
| Operating Revenue | 729.9 | 767.5 | 37.6 |
| Operating Expenses | (680.0) | (715.7) | (35.7) |
| EBITDA | 49.9 | 51.8 | 1.9 |
| Depreciation | (19.3) | (19.9) | (0.6) |
| Interest Receivable | 0.2 | 0.2 | 0.0 |
| Interest Payable | (14.5) | (14.5) | 0.0 |
| Contingent Rental | (5.9) | (6.2) | (0.3) |
| Corporation Tax | 0.0 | 0.0 | 0.0 |
| PDC Dividend | 0.0 | 0.0 | 0.0 |
| Normalised Surplus / (Deficit) | 10.4 | 11.4 | 1.0 |
| Donated Asset Revenue | 6.5 | 6.4 | (0.1) |
| Profit / (Loss) on Asset Disposal | 0.0 | 0.0 | 0.0 |
| Total Surplus / (Deficit) | 16.9 | 17.8 | 0.9 |

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is above the NHSI plans submitted in 2016 which was before last year's outturn was known and before commissioner

contracts and internal activity plans for 2017/18 were finalised. The income variance is matched by a similar level of expenditure variance.

Table 3 – Income against Plan

| | Budget Feb-18 £m | Actual Feb-18 £m | Variance £m |
|--------------------|---------------------|---------------------|----------------|
| Clinical - NHS | 606.9 | 642.7 | 35.8 |
| Clinical - Non NHS | 8.6 | 9.0 | 0.4 |
| Other | 114.4 | 115.8 | 1.4 |
| TOTAL | 729.9 | 767.5 | 37.6 |

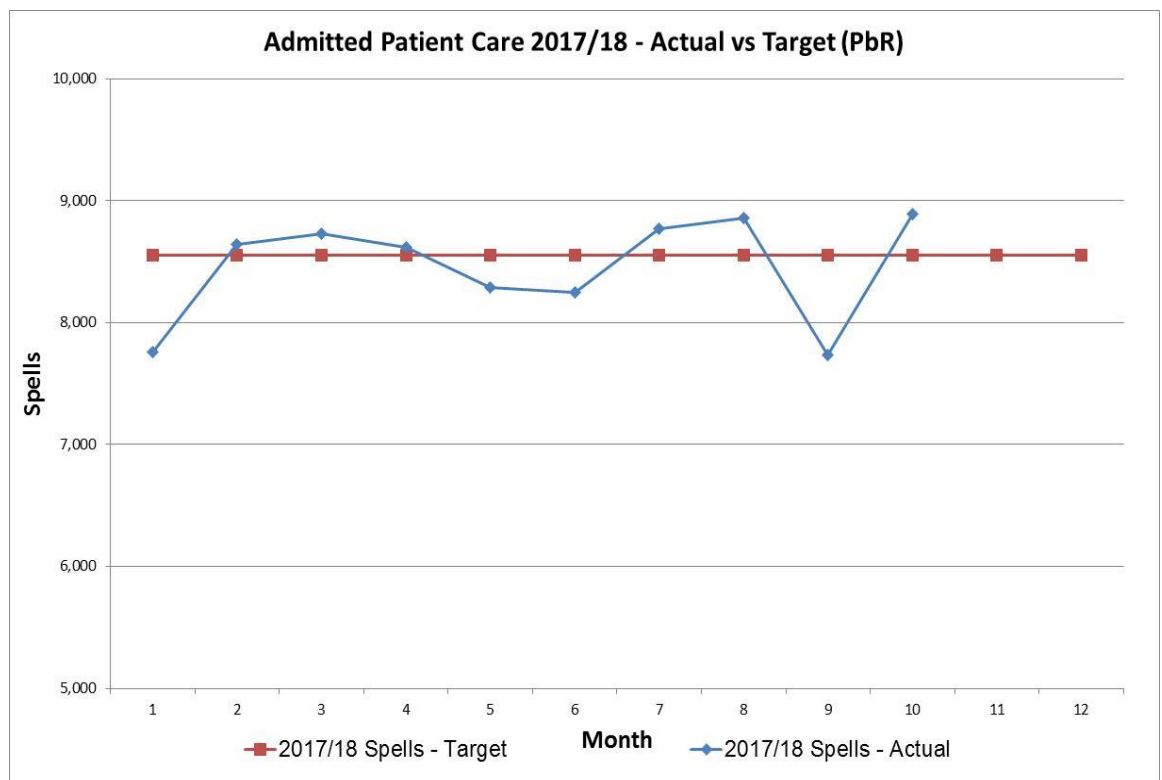
Note - may include rounding differences

The additional NHS income includes high cost drugs and devices excluded from tariff and specific cost per case treatments. Non NHS clinical revenues are £0.4m above plan due to additional private patient income. Other income is also marginally above plan; this includes education & training, R&D 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 ten months of 2017/18 (April – January).

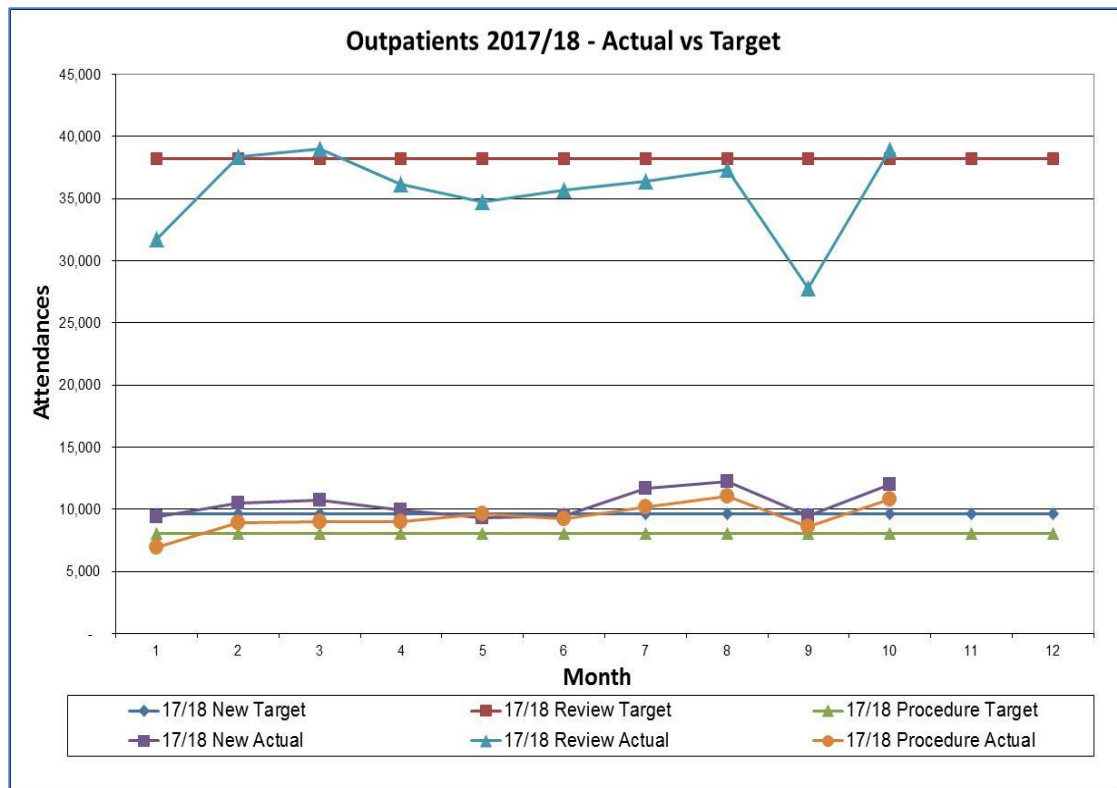
Table 4.1 – Trust Inpatient Activity



Inpatient and outpatient activity recovered in January after the seasonal and weather related reductions in December. Whilst year to date inpatient activity remains below plan, it is now broadly in line with the activity levels delivered for the same months in 2016/17. In year, non-elective inpatient treatments continue to increase but elective activity remains below plan.

Table 4.2 shows outpatient activity, in January outpatient attendances were above plan across all categories. Year to date, outpatient activity remains below plan for follow ups but above plan for new and procedure clinic activity.

Table 4.2 – Trust Outpatient Activity



The activity reduction experienced in December had a significant impact on healthcare income (excluding cost per case and high cost drugs & devices). Last month's Board report showed a (£6.0m) year to date under recovery, the latest table below shows this has now improved to (£5.3m) as a result of increased activity levels in January. This includes provisions for contract adjustments for marginal rate emergencies, readmissions, fines and penalties where these are expected to be levied. As in previous years, this variance is not reflected in the financial ledger; whilst the Trust is unlikely to fully recover this income shortfall, this should reduce in February and March and non-recurring reserves are being identified to cover the remaining gap.

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 | -28 | -1,605 | 2,724 | -195 | 895 |
| Outpatient | -75 | -1,233 | -1,589 | -1,345 | -4,242 |
| Other | 1,587 | -717 | -1,729 | -1,143 | -2,002 |
| Total | 1,484 | -3,555 | -594 | -2,683 | -5,349 |

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£35.7m) above the planned £680.0m expenditure year to date.

Table 6 – Year to Date Expenditure against Plan

| | Budget Feb-18 £m | Actual Feb-18 £m | Variance £m |
|------------------------------|------------------------|------------------------|----------------|
| PAY | | | |
| Medical Staff | 118.0 | 127.2 | (9.2) |
| Nursing | 134.6 | 136.4 | (1.8) |
| Scientific & Technical | 50.4 | 50.5 | (0.1) |
| SMP / A&C | 60.0 | 58.6 | 1.4 |
| Other | 13.8 | 14.0 | (0.2) |
| Pay Reserves | (4.3) | 0.0 | (4.3) |
| Total Pay | 372.5 | 386.7 | (14.2) |
| NON PAY | | | |
| Drugs | 113.9 | 127.9 | (14.0) |
| Clinical Supplies & Services | 81.8 | 95.6 | (13.8) |
| Other / Non-Pay Reserves | 111.8 | 105.5 | 6.3 |
| Total Non Pay | 307.5 | 329.0 | (21.5) |
| GRAND TOTAL | 680.0 | 715.7 | (35.7) |

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 11, efficiency savings of £14.7m had been delivered which is equivalent to 89% of the year to date target.

Table 7 –Cost Improvement Delivery

| | YTD Target (£m) | YTD Actual (£m) | YTD Variance (£m) |
|--------------|--------------------|--------------------|----------------------|
| Division A | 4.1 | 2.9 | (1.3) |
| Division B | 3.3 | 2.8 | (0.4) |
| Division C | 3.2 | 3.3 | 0.1 |
| Division D | 3.7 | 3.6 | (0.1) |
| Corporate | 2.3 | 2.1 | (0.2) |
| Total | 16.5 | 14.7 | (1.9) |

Note - may include rounding differences

CIP delivery within operational divisions continues to be reviewed in detail in monthly meetings with the Chief Operating Officer. Based on historical performance, CIP delivery improves during the later months of the financial year.

The Trust takes the prudent approach of profiling CIP savings targets equally across the financial year, whilst noting that some schemes may not actually deliver until later months. The Trust remains on track to deliver 90% of the planned savings target.

4. Divisional Analysis

An adverse variance of (£24.737m) has been reported across operational divisions in the first eleven months of 2017/18, this equates to a monthly average “run rate” of (£2.249m).

Table 8 – Analysis of year to date variances by Division

| | Income £'000 | Expenditure £'000 | Total £'000 |
|--------------------|-----------------|----------------------|-----------------|
| Division A | 1,987 | (8,802) | (6,815) |
| Division B | 2,961 | (4,671) | (1,710) |
| Division C | (305) | (6,460) | (6,765) |
| Division D | 654 | (4,646) | (3,992) |
| Division E | 370 | (5,825) | (5,455) |
| Sub - Total | 5,667 | (30,404) | (24,737) |

Note - may include rounding differences

The aggregate divisional overspend in February was (£2.658m) which is significantly worse than the recent monthly and year to date run rate. Of the monthly variance, (£0.466m) was attributable to Medical staffing; with junior medical staff accounting for most of the variance (£0.387m) including use of agency, locums and unfunded posts. Overspent departments included Trauma (£133k), A&E (£111k) and Anaesthetics (£85k). The balance of the medical overspend relates to Consultants and includes locum cover for vacancies and sickness, unfunded consultant posts and payments for additional sessions and waiting list initiatives. Specific speciality overspends in February included Anaesthetics (£45k) and A&E (£29k).

Other expenditure pressures in the month included slippage against in-year and historic CIP targets and activity related non-pay pressures including the winter ward and laboratories. Road Traffic Accident (RTA) income reduced significantly in February which contributed (£250k) to the monthly adverse variance and there were other one-off costs (bad debt provisions, increased non-pay recharges from other providers) incurred in February which have increased the month run rate.

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 28 February 2018.

Table 9 – Statement of Financial Position

| | Audited Mar 2017 £m | Actual Feb 2018 £m | YTD Plan Feb 2018 £m | Annual Plan Mar 2018 £m |
|--------------------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|
| Non Current Assets: | | | | |
| Property, Plant and Equipment | 517.3 | 515.0 | 493.7 | 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 | 521.9 | 501.5 | 501.4 |
| Current Assets: | | | | |
| Inventories | 15.0 | 17.7 | 15.3 | 15.1 |
| Trade and Other Receivables | 71.9 | 61.7 | 56.3 | 53.3 |
| Cash | 70.8 | 88.2 | 71.8 | 77.5 |
| Total Current Assets | 157.7 | 167.6 | 143.3 | 145.9 |
| Current Liabilities: | | | | |
| Trade and Other Payables | 127.5 | 123.8 | 117.4 | 117.2 |
| Borrowings | 12.3 | 12.2 | 12.3 | 12.3 |
| Provisions | 0.7 | 0.6 | 0.8 | 0.8 |
| Other Liabilities | 20.3 | 25.2 | 19.5 | 19.4 |
| Total Current Liabilities | 160.8 | 161.8 | 149.9 | 149.6 |
| Non Current Liabilities: | | | | |
| Borrowings | 484.5 | 473.3 | 473.2 | 472.2 |
| Provisions | 3.1 | 3.1 | 2.4 | 2.4 |
| Other Liabilities | 5.1 | 2.4 | 2.1 | 1.9 |
| Total Non Current Liabilities | 492.7 | 478.8 | 477.7 | 476.4 |
| TOTAL ASSETS EMPLOYED | 28.5 | 49.0 | 17.3 | 21.2 |
| Financed by: | | | | |
| Public Dividend Capital | 186.2 | 188.9 | 184.8 | 187.3 |
| Income & Expenditure Reserve | (272.7) | (254.9) | (275.7) | (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 | 49.0 | 17.3 | 21.2 |

Note - may include rounding differences

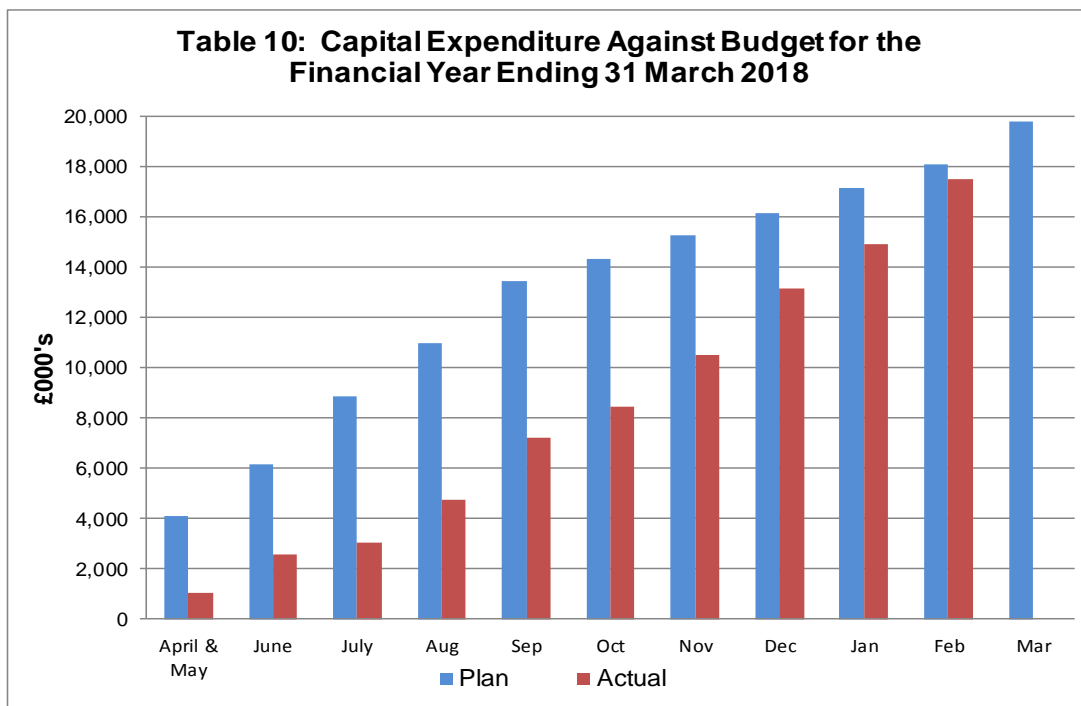
6. Capital Expenditure (Non-Current Assets)

The Trust's capital budget for 2017/18 is £19.8m. The Trust's actual capital expenditure incurred year to date is £17.5m; expenditure in February totalled £2.6m which included;

- £1.8m on a replacement Linear Accelerator (funded by central Public Dividend Capital (PDC) allocation).
- £0.3m on estates works in QEHB and heritage buildings.
- £0.5m on ICT network, Global Digital Exemplar and cybersecurity expenditure.

Following the successful receipt of in-year central PDC funding, the Trusts outturn capital expenditure for 2017/18 financial year is expected to be marginally above the plan set in early 2017.

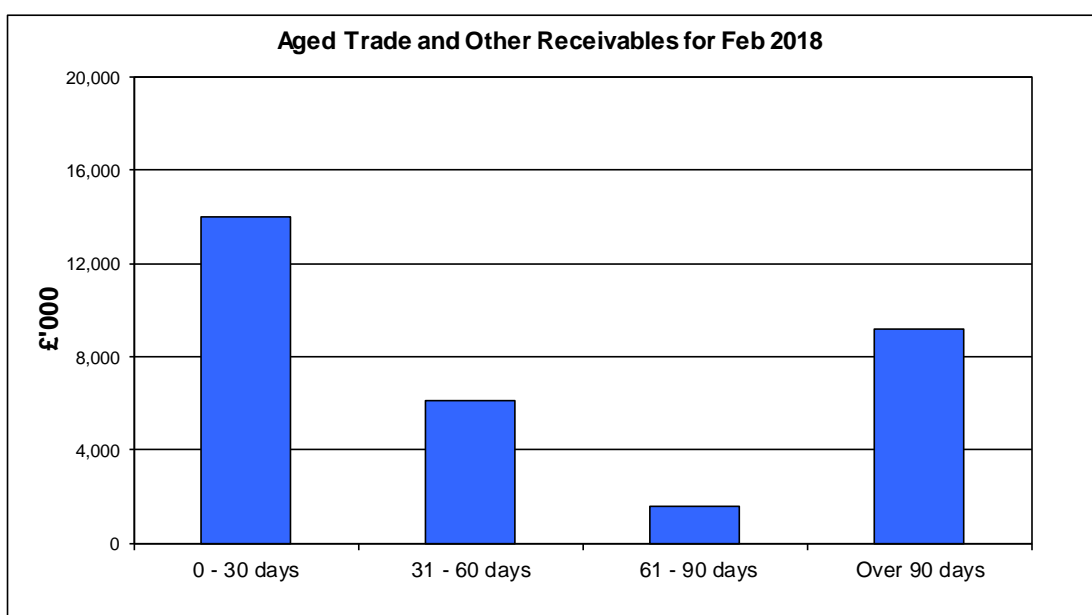
Table 10 – Capital Expenditure against Plan



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 February 2018, over 90 day debt totalled £9.2m which is an improvement on last month's outstanding balance. There are no major balances outstanding from NHS commissioners, although £5.2m relates to services delivered to other NHS providers. This includes balances due from Heart of England FT (£2.1m), Sandwell & West Birmingham NHS Trust (£0.9m) and Birmingham Women's & Children's FT (£0.8m). The balance includes amounts owed to the Trust by non-NHS debtors such as the Ministry of Defence (£0.5m), local authorities (£0.6m for community sexual health work), universities, private sector organisations and individuals including overseas and private patients.

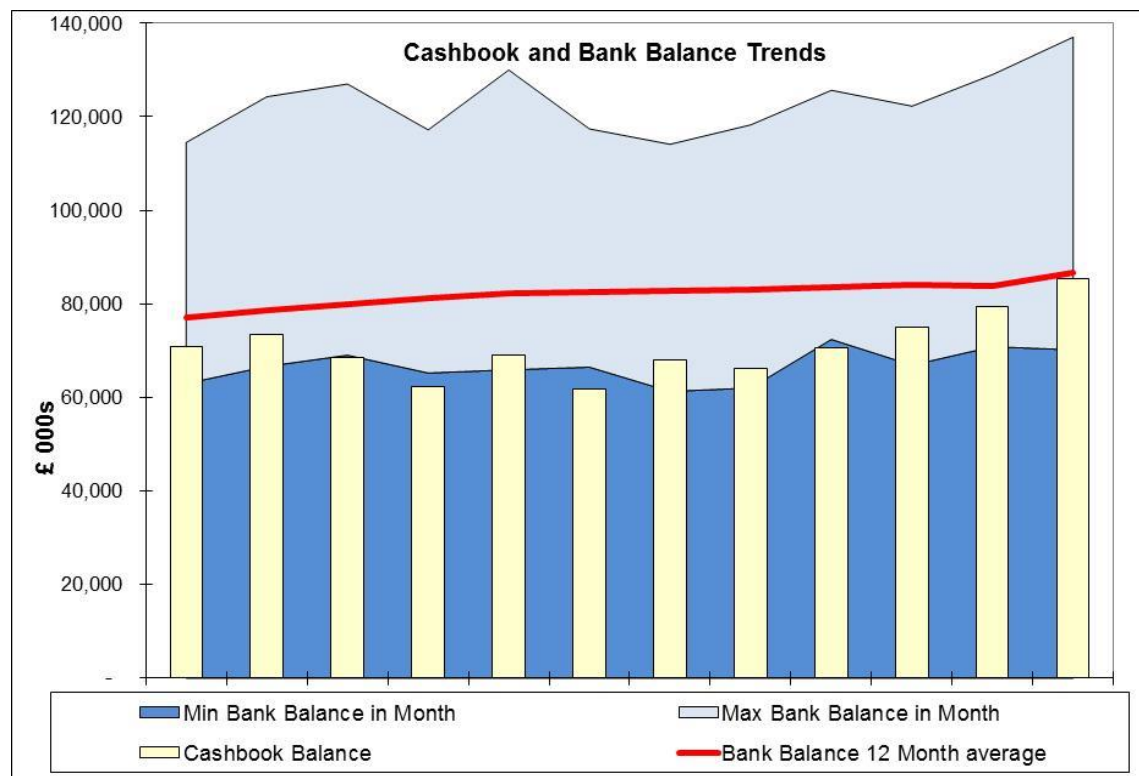
Table 11 – Aged Debt Analysis



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 the end of February was £88.2m which remains above plan.

Table 12 – Cash Flow



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

9.1 Use of Resources (UoR) Metric

In 2016 NHSI launched the 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 Trust's Use of Resources (UoR), based on the financial performance year to date, the Trust's UOR score is expected to be 2 as follows:

Table 13 – Use of Resources Score

| Metric | Score | Definition |
|------------------------|-------|--|
| Capital Service Cover | 3 | Can the provider's income cover its longer term financial obligations |
| Liquidity | 3 | Cash held to cover operating costs |
| I&E Margin | 1 | 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 |
| TRIGGER | No | No metric scores a 4 therefore no trigger |
| Use of Resources Score | 2 | |

The Trust achieved the low ratings of 3 on the following metrics;

- **Capital Service Cover** – this includes annual PFI capital expenditure (interest, inflation and capital repayments), therefore the Trust’s 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 Trust’s relatively high cash balances it receives a low rating of 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 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 UHB as being 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 Trust’s 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 | 16.9 | 17.8 | 0.9 |
| Less: Capital Grants & Donations | (5.4) | (5.4) | (5.3) | 0.1 |
| Control Total Surplus / (Deficit) | 13.0 | 11.5 | 12.5 | 1.0 |
| Remove: 2017/18 STF Income | (16.9) | (14.9) | (14.9) | 0.0 |
| Surplus / (Deficit) excluding STF | (3.9) | (3.4) | (2.4) | 1.0 |
| Performance Against Control Total Exc. STF | | | | 1.0 |

Note - may include rounding differences

This shows the Trust reporting a financial performance which is marginally above the control total; this is due to winter money released in December to improve the financial position.

9.3 STF Income

To achieve the control total, the Trust has been allocated £16.9m of Sustainability and Transformation Funding (STF). The release of this income is subject to the Trust's in year financial performance and delivery against the agreed A&E trajectory. To date, the Trust has received £9.9m of actual STF cash payments and is accruing £7.4m of expected income based on the full value of STF income.

As per the last financial year, the Trust is now expecting to receive STF bonus and incentive funding at the end of the financial year end. Based on the latest NHSI financial reports, there is at least £750m to be distributed to those Trusts who can achieve their financial plan.

10. Conclusion & Recommendation

The Trust has reported an actual surplus of £17.802m at the end of February (Month 1-11); this is £0.865m above the planned surplus of £16.937m. The over performance is due to winter funding allocated to the Trust in recent months. The Trust remains on track to deliver the 2017/18 control total agreed with NHSI and as such, it should hopefully receive an allocation of bonus and incentive STF money before 2017/18 annual accounts are finalised.

The Board of Directors is requested to;

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
20 March 2018