

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 25 JANUARY 2018

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 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 £14.487m for the first nine months of the 2017/18 financial year. This is £0.843m above the year to date planned surplus of £13.644m.</p> <p>This position includes a (£20.243m) overspend across Operational Divisions, which is offset by underspends within Corporate functions, Trust subsidiaries and 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: 15 January 2018
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS

THURSDAY 25 JANUARY 2018

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2017

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first nine months of the 2017/18 financial year (April to December 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 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 £14.487m at the end of December; this is £0.843m above the planned year to date surplus of £13.644m. This assumes the Trust receives the full allocation of 2017/18 STF income and includes the following recent allocations from NHSI:

- £0.419m of 2016/17 STF income and
- £0.870m this represents 50% of the £1.739m Winter Tranche 1 allocation which was paid to the Trust in December.

The funding above has been allocated to the Trust with the condition that the 2017/18 forecast financial position improves by the same amount.

The financial position includes a (£20.243m) 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

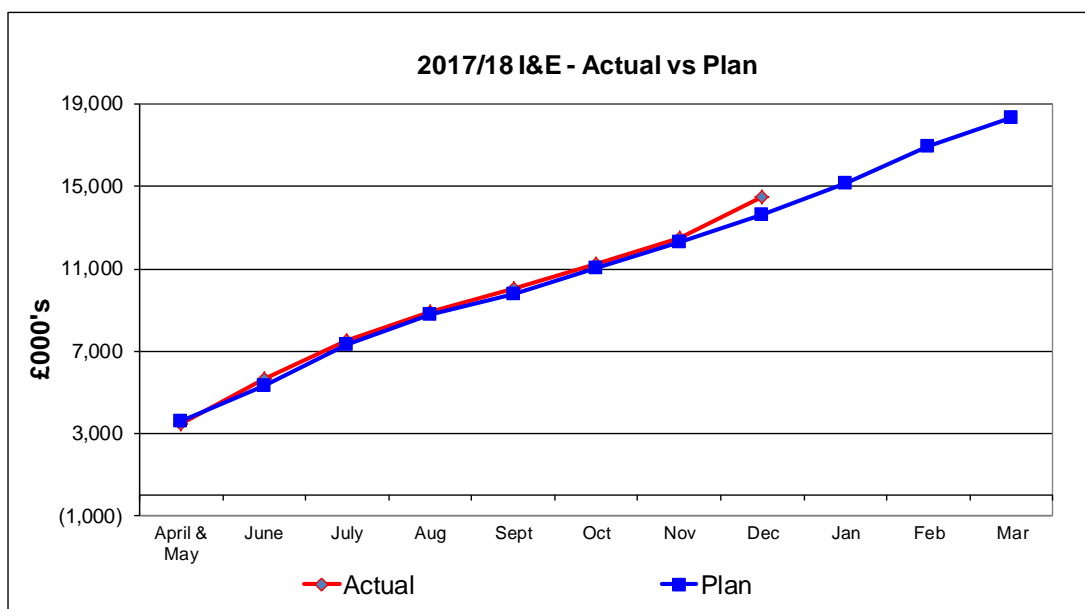


Table 2 below summarises the Trust's income & expenditure position at the end of December. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Dec-17 £m	Actual Dec-17 £m	Variance £m
Operating Revenue	596.0	627.0	31.0
Operating Expenses	(556.4)	(585.6)	(29.2)
EBITDA	39.6	41.4	1.8
Depreciation	(15.8)	(16.3)	(0.5)
Interest Receivable	0.2	0.2	0.0
Interest Payable	(12.0)	(11.9)	0.1
Contingent Rental	(4.8)	(5.2)	(0.4)
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	7.2	8.2	1.0
Donated Asset Revenue	6.4	6.3	(0.1)
Total Surplus / (Deficit)	13.6	14.5	0.9

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is £31.0m above plan at the end of December, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Dec-17 £m	Actual Dec-17 £m	Variance £m
Clinical - NHS	496.6	525.2	28.6
Clinical - Non NHS	7.1	7.7	0.6
Other	92.3	94.1	1.8
TOTAL	596.0	627.0	31.0

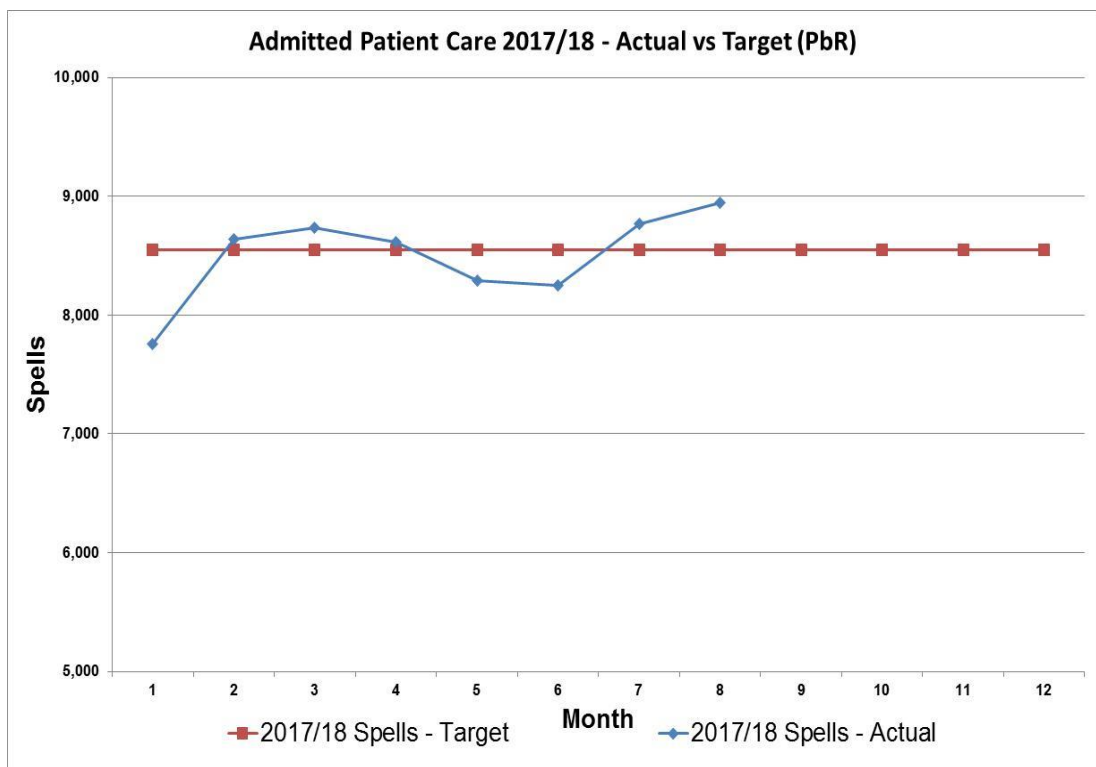
Note - may include rounding differences

NHS clinical revenues are £28.6m above the plan submitted to NHS Improvement in 2016. This was completed before last year's outturn was known and before commissioner contracts and internal plans for 2017/18 were finalised. The additional income includes high cost drugs and devices excluded from tariff and specific cost per case treatments. Non NHS clinical revenues are £0.6m above plan due to additional private patient and overseas patient income. Other income is also above plan; this includes additional education & training and service level agreement income in the year.

2.3 NHS Clinical Income / Activity

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

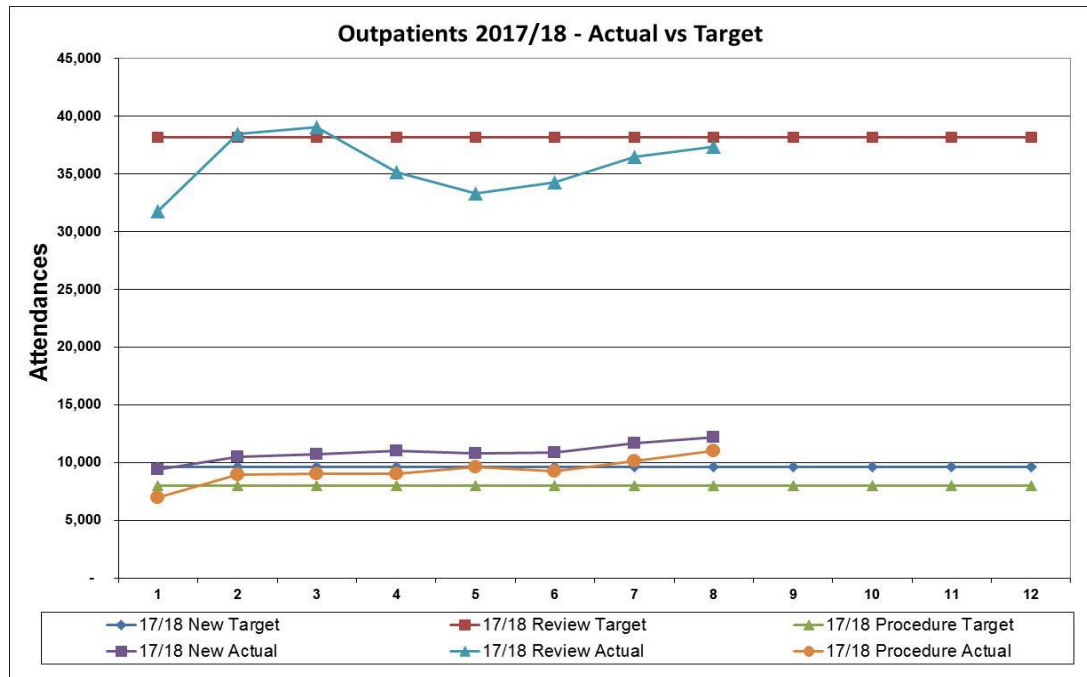
Table 4.1 – Trust Inpatient Activity



Inpatient activity increased in November month meaning inpatient activity is now above the levels completed in previous years. As in previous years, the inpatient plan is phased equally across the months and does not flex to reflect actual working days. Total year to date inpatients are marginally below plan with increased non-elective inpatients impacting on planned elective activity.

Table 4.2 shows outpatient activity increasing in November. Overall year to date outpatient attendances are in line with plan, new and procedure clinic activity above plan and follow up outpatient attendances (reviews) below plan.

Table 4.2 – Trust Outpatient Activity



Healthcare income (excluding cost per case and high cost drugs & devices) remains below the internal plan year to date. A variance is common at this stage of the year as the income plan is phased equally but historically healthcare income improves in the second half of the year. As in previous years, the variance is not currently reflected in the ledger. The position below includes provisions for contract adjustments for marginal rate emergencies, readmissions, fines and penalties where these are expected to be levied.

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	-207	1,388	724	1,891
Outpatient	-50	-709	-1,133	-902	-2,795
Other	1,310	-595	-1,140	-906	-1,330
Total	1,246	-1,511	-886	-1,083	-2,234

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£29.2m) above the planned £556.5m expenditure year to date.

Table 6 – Year to Date Expenditure against Plan

	Budget Dec-17 £m	Actual Dec-17 £m	Variance £m
PAY			
Medical Staff	95.6	103.4	(7.8)
Nursing	109.8	111.9	(2.1)
Scientific & Technical	41.0	41.0	0.0
SMP / A&C	49.5	48.6	0.9
Other	11.4	10.9	0.5
Pay Reserves	(2.6)	0.0	(2.6)
Total Pay	304.7	315.8	(11.1)
NON PAY			
Drugs	93.1	103.1	(10.0)
Clinical Supplies & Services	66.9	76.8	(9.9)
Other / Non-Pay Reserves	91.7	89.9	1.8
Total Non Pay	251.7	269.8	(18.1)
GRAND TOTAL	556.4	585.6	(29.2)

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 9, efficiency savings of £11.8m had been delivered which is equivalent to 87% of the year to date target.

Table 7 –Cost Improvement Delivery

	YTD Target (£m)	YTD Actual (£m)	YTD Variance (£m)
Division A	3.4	2.3	(1.0)
Division B	2.7	2.1	(0.5)
Division C	2.6	2.6	(0.0)
Division D	3.0	3.0	(0.0)
Corporate	1.9	1.7	(0.2)
Total	13.5	11.8	(1.7)

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 previous experience, CIP delivery is expected to improve over the remaining quarter of the

financial year. For comparison, the Trust reported 83% achieved at the same stage in 2016/17. 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.

4. Divisional Analysis

An adverse variance of (£20.243m) has been reported across operational divisions in the first nine 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	Expenditure	Total
	£'000	£'000	£'000
Division A	1,713	(7,348)	(5,635)
Division B	2,275	(3,655)	(1,380)
Division C	(89)	(5,428)	(5,517)
Division D	560	(3,775)	(3,215)
Division E	165	(4,661)	(4,496)
Sub - Total	4,624	(24,867)	(20,243)

Note - may include rounding differences

The aggregate divisional overspend in December was (£2.132m); marginally lower than the year to date run rate. This includes

Of the remaining monthly variance, (£0.761m) was attributable to Medical staffing with senior medical staff (consultants) accounting for (£0.309m) 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 December included Anaesthetics (£90k), A&E (£78k) and Imaging (£50k). The balance of the medical overspend (£0.452m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The departments with the largest overspend were A&E (£151k), Anaesthetics (£91k) and Trauma (£80k).

Other expenditure pressures in the month included slippage against in year and historic CIP targets and activity related non-pay pressures including the winter wards and laboratories.

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 31 December 2017.

Table 9 – Statement of Financial Position

	Audited Mar 2017 £m	Actual Dec 2017 £m	YTD Plan Dec 2017 £m
Non Current Assets:			
Property, Plant and Equipment	517.3	514.5	495.2
Intangible Assets	2.2	1.8	0.8
Trade and Other Receivables	4.6	4.7	7.1
Other Assets	0.1	0.1	0.0
Total Non Current Assets	524.2	521.1	503.0
Current Assets:			
Inventories	15.0	15.6	15.7
Trade and Other Receivables	71.9	70.0	55.5
Cash	70.8	75.0	70.3
Total Current Assets	157.7	160.6	141.5
Current Liabilities:			
Trade and Other Payables	127.5	123.1	117.8
Borrowings	12.3	12.2	12.3
Provisions	0.7	0.6	0.8
Other Liabilities	20.3	20.9	19.6
Total Current Liabilities	160.8	156.8	150.5
Non Current Liabilities:			
Borrowings	484.5	475.3	475.3
Provisions	3.1	3.1	2.4
Other Liabilities	5.1	3.0	2.5
Total Non Current Liabilities	492.7	481.4	480.1
TOTAL ASSETS EMPLOYED	28.5	43.5	14.0
Financed by:			
Public Dividend Capital	186.2	186.7	184.8
Income & Expenditure Reserve	(272.7)	(258.2)	(279.0)
Donated Asset Reserve	0.0	0.0	0.0
Revaluation Reserve	115.0	115.0	108.2
Merger Reserve	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	28.5	43.5	14.0

Note - may include rounding differences

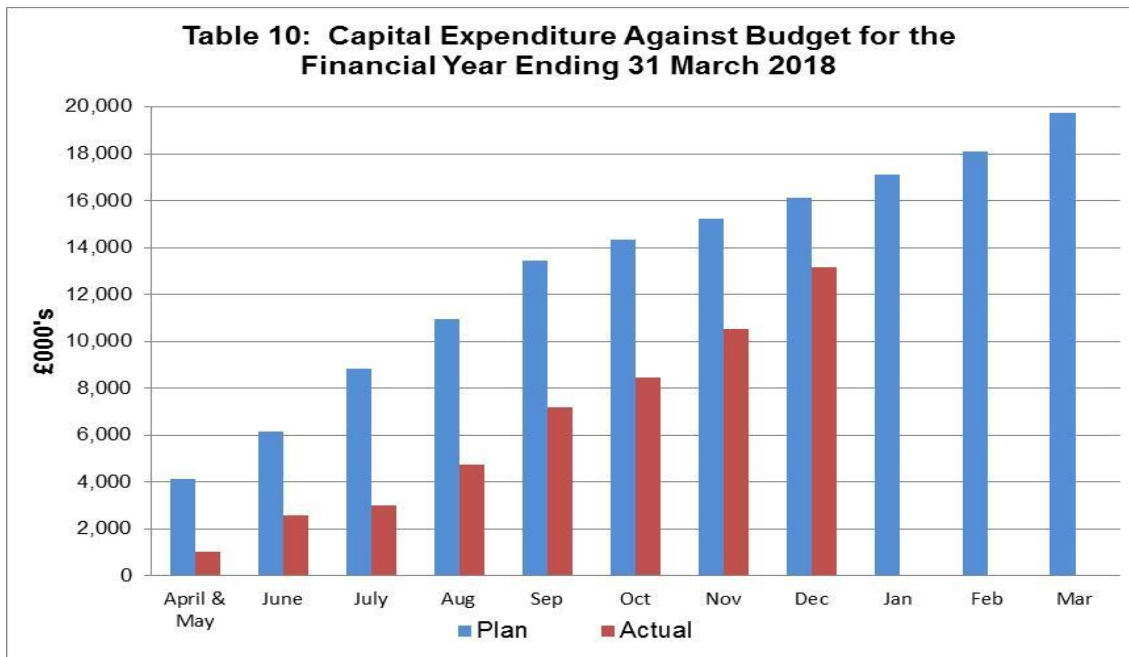
6. Capital Expenditure (Non-Current Assets)

The Trust's capital budget for 2017/18 is £19.8m. Year to date, Trust actual capital expenditure incurred is £13.2m; expenditure in December totalled £2.6m which included;

- £0.6m Conversion of old Trust HQ into Clinical Haematology.
- £0.2m Refurbishment of 3rd Floor ITM to create the MD-TEC facility.
- £0.3m of estates works in QEHB and heritage buildings.
- £0.9m on ICT expenditure relating to the externally funded GDE project.
- £0.7m on replacement scopes, ultrasound and a retinal camera.

The more detailed quarterly capital expenditure report is attached (**Appendix A**).

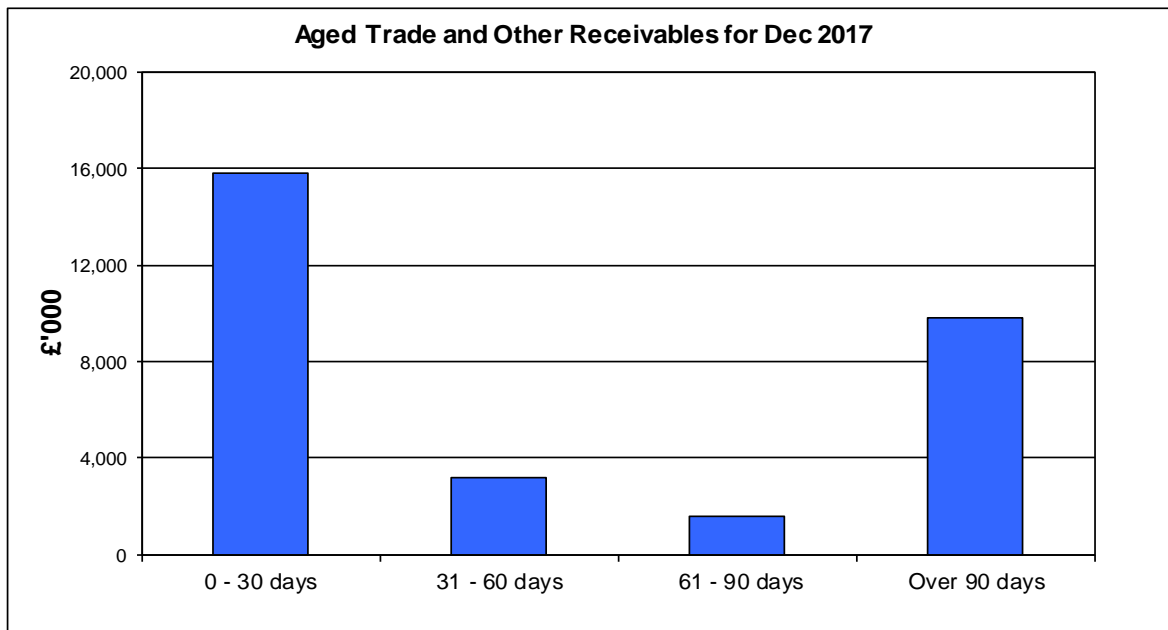
Table 10 – Capital Expenditure against Plan



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 December 2017, over 90 day debt totalled £9.8m. This includes £1.5m due from NHS commissioners and £5.0m in relation to services provided to other NHS providers. The main Service Level Agreement (SLA) outstanding values are Heart of England FT (£1.6m), Birmingham Women’s & Children’s FT (£1.2m) and Sandwell & West Birmingham NHS Trust (£0.9m). The £3.3m balance includes amounts owed to the Trust by non-NHS debtors such as the Ministry of Defence (£0.4m), local authorities (for community sexual health work), universities, private sector organisations and individuals including overseas and private patients.

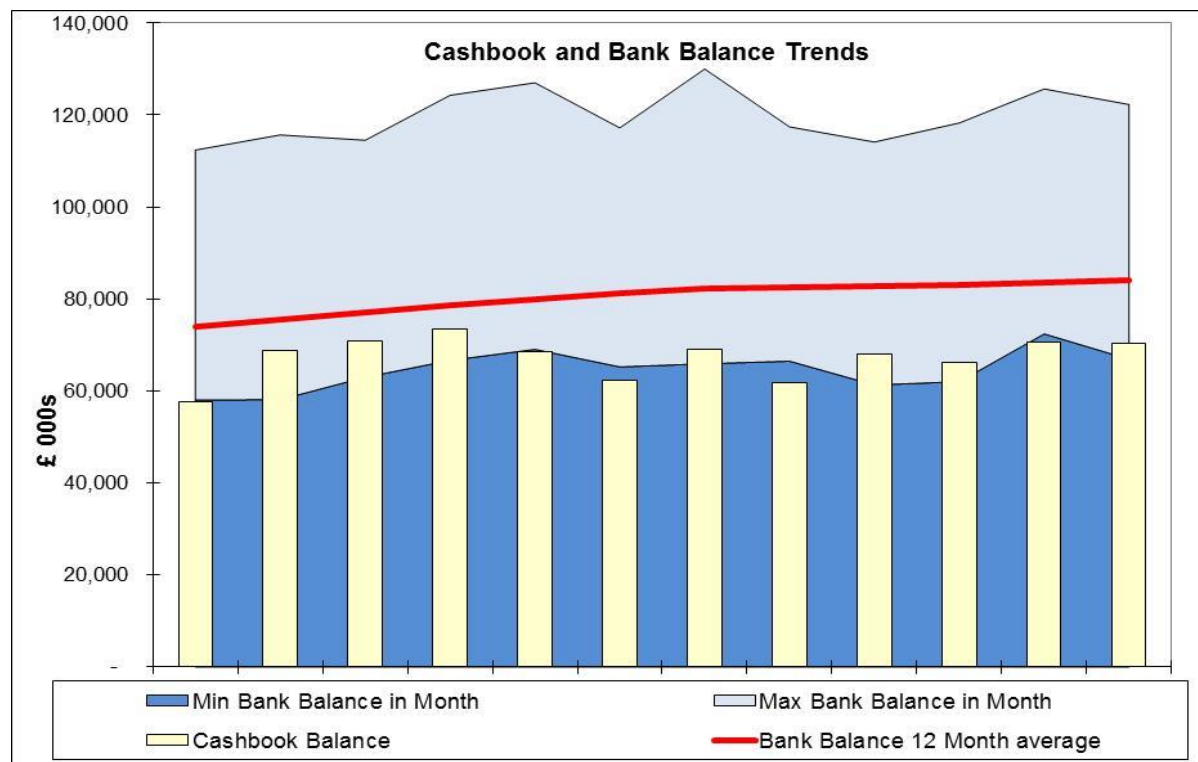
Table 11 – Aged Debt Analysis



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 31 December was £74.3m which is higher than the planned amount of £70.3m.

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	2	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 places UHB 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	13.6	14.5	0.8
Less: Capital Grants & Donations	(5.4)	(5.5)	(5.2)	0.3
Less: 2016/17 STF & 17/18 Winter allocation	0.0	0.0	(1.3)	(1.3)
Control Total Surplus / (Deficit)	13.0	8.1	8.1	0.0
Remove: 2017/18 STF Income	(16.9)	(11.0)	(11.0)	0.0
Adjusted Surplus / Deficit) Exc. STF	(3.9)	(2.9)	(2.9)	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 track to deliver the financial control total agreed with 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 Trust's in year financial performance and delivery against the agreed A&E trajectory. To date, the Trust has received £6.3m of actual STF cash payments as follows;

- £2.5m Q1 Finance and A&E STF (in full)
- £0.4m 16/17 STF allocated
- £3.4m Q2 Finance and A&E STF (in full)

The Trust continues to assume receipt of the full value of STF income.

10. Conclusion

The Trust has reported an actual surplus of £14.487m at the end of December (Month 9); this is £0.843m above the planned surplus of £13.644m. The financial over performance is due to additional winter funding allocated to the Trust which must be used to improve the organisation's overall financial position. The Trust remains on track to deliver the control total agreed with NHSI for 2017/18, noting the following key risks and assumptions;

- Healthcare income continues to improve closer to the internal plan.
- The monthly adverse "run rate" incurred by operational divisions does not worsen.
- STF Income is received.
- CIP delivery continues to improve over the remaining months.

11. Recommendation

The Board of Directors is requested to;

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
15 January 2018

Appendix A – 2017/18 Capital Expenditure Q1-Q3 Update

1. Purpose

This appendix provides a summary of capital expenditure in the 2017/18 financial year along with a short progress update on the major capital projects. An overview of the 2017/18 total capital investment, sources of financing and the impact of the Trust's cash balance is provided at the end of this document.

2. 2017/18 Capital Funding Summary

The approved capital programme for 2017/18 was £19.76m. In recent weeks, the Trust has been allocated a further £1.15m of external Public Dividend Capital (PDC) funding to support to improvements in Cyber Security. Therefore the capital budget needs to be uplifted to reflect this new allocation which must be spent during 2017/18.

Actual capital expenditure at the end of quarter 3 was £13.2m as shown below:

Table 1: 2017/18 Capital Programme

Project Description	2017/18 Annual Budget £m	2017/18 Q3 Actual Expenditure £m
Estates – MD-TEC (3 rd Floor ITM)	3.72	3.00
Estates – Haematology Expansion – Trust HQ	2.34	2.42
Estates – QE Heritage & offsite buildings	1.50	1.04
Estates – QEHB works & lifecycle	1.20	1.27
Equipment - Rolling replacement	3.00	1.58
Equipment - Major equipment replacement	3.00	0.47
Equipment - Other inc. COO discretionary	0.50	0.66
IT - Replacement & specific projects	1.50	1.40
IT - Global Digital Exemplar Project	2.50	1.08
External funded donated assets	0.50	0.23
AGREED PLAN 17/18	19.76	13.16
ICT – Cyber Security PDC Funding	1.15	0.00
REVISED BUDGET	20.91	13.16

Note - may contain rounding differences.

3. Capital Programme Update

- Medical Device Testing & Evaluation Centre (MD-TEC): £3.00m has been incurred to date to create this new facility on the 3rd Floor of the ITM building. The main projects works have now been completed along with the required asbestos removal. The new facility is due to open in the middle of January 2018. This project is fully funded by the University of Birmingham and ERDF, funding for the works will continue to be claimed over the remaining months of 2017/18.

- Haematology Expansion: £2.42m has been incurred to date on works to refurbish the old Trust HQ into an expanded Centre for Clinical Haematology. Main contractor works are now complete and the new facility opened early January 2018. Final invoices for equipment, minor works and furniture are still being received but this project is fully funded by the Local Growth Fund and Cure Leukaemia. Funding will continue to be drawn down over the remaining months of 2017/18.
- QE Heritage building & offsite building refurbishment: Several projects are underway, costs incurred to date total £1.04m which includes improvements to fire safety, replacement electricity substation and works to a linear accelerator room.
- QEHB works and lifecycle: £1.27m of variation and lifecycle works undertaken in the QEHB building by the PFI operator. Costs to date include lifecycle works and changes to the water treatment plant within the Endoscopy decontamination unit. Expenditure in year also includes the works to create the A&E expansion area (AOU) which was funded by a central PDC allocation.
- Equipment rolling replacement: A £3.00m budget exists to replace existing medical equipment across the Trust. Items are prioritised for replacement by the medical engineering team; this year's plan includes ultrasound scanners, dialysis machines, scopes and stacks, patient monitors, slit lamps, and operating tables. The procurement and delivery of these items occurs throughout the financial year, total expenditure of £1.58m has been incurred to date.
- Major medical equipment: The 2017/18 budget includes £1.80m of external PDC for a replacement Linear Accelerator and £1.2m of Trust funding for replacement imaging equipment including an MRI scanner. Orders for both machines have been placed with delivery scheduled in February and March 2018.
- Other equipment purchases: Expenditure approved to date totals £0.66m; this includes Gallium 68 equipment, additional ultrasounds and new Glaucoma equipment.
- IT projects: To date £1.40m has been incurred on a range of IT infrastructure, replacement and modernisation purchases as prioritised by the Director of I.T.
- IT – Global Digital Exemplar: External PDC funding has been allocated to the Trust for this project. Expenditure of £1.1m has been incurred to date which includes various project team costs, plans are being finalised to ensure full PDC allocation can be drawn down in year.
- Donated Equipment: £0.23m of equipment has been donated to the Trust during the year following successful bids to the QEHB charity. IT
- Cyber Security: £1.15m recently approved on the basis that the planned expenditure can be incurred before the end of the financial year. Procurement processes are underway to ensure delivery.

4. Capitalised Payments and Sources of Funding

In addition to the capital project expenditure outlined above, the Trust incurs two further capital payments related to the New Hospital. These are the capital repayment of the finance lease and the new hospital lifecycle prepayments. In 2017/18 these items total £15.48m as follows:

- £12.23. for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £3.25m for new hospital lifecycle prepayments.

When added to the traditional capital programme expenditure already detailed in this report, the Trusts total planned capital investment for 2017/18 is £35.3m as shown below;

Table 2: 2017/18 Capital Expenditure & Sources of Funding

Capital Funding & Expenditure	2017/18 Plan £m	QTR 3 Plan £m	QTR 3 Actual £m
Capital Programme Expenditure	(19.8)	(16.1)	(13.2)
New Hospital Capital Payments	(15.5)	(11.9)	(11.9)
Sub Total Capital Expenditure	(35.3)	(28.0)	(25.1)

Note - may contain rounding differences.

This financial year's capital investment will be funded from the following sources;

- £21.0m Trust depreciation & amortisation
- £2.5m PDC funding for Global Digital Exemplar
- £1.8m PDC funding for replacement Linear Accelerator
- £1.2m PDC funding for ICT cyber security investment
- £3.7m external funding for the MD_TEC development in the ITM building (University of Birmingham and European Regional Development Fund).
- £3.2m external funding for the Centre for Clinical Haematology development (GBS LEP Local Growth Fund and Cure Leukaemia)
- £0.5m external funding from QEHB charity

These funding sources total £33.9m, the balance required to fund capital investments is taken from disposal proceeds from the sale of the Selly Oak site.