

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST**  
**REPORT TO THE BOARD OF DIRECTORS**  
**THURSDAY 26 OCTOBER 2017**

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

<b>Purpose:</b>	To update the Board of Directors on the finance and activity performance of the Trust.
<b>Confidentiality Level &amp; Reason:</b>	N/A
<b>Annual Plan Ref:</b>	3.4 – Ensure the Trust maintains financial health
<b>Key Issues Summary:</b>	<p>The Trust has recorded a surplus of £10.047m for the first six months of the 2017/18 financial year. This is £0.246m above the year to date planned surplus of £9.801m.</p> <p>This position includes a (£13.529m) overspend across Operational Divisions, which is offset by underspends within Corporate functions, Trust subsidiaries and by the use of Trust reserves.</p>
<b>Recommendations:</b>	<p>The Board of Directors is requested to:</p> <ul style="list-style-type: none"> <li>• Receive the contents of this report.</li> </ul>

<b>Signed:</b> Mike Sexton	<b>Date:</b> 16 October 2017
----------------------------	------------------------------

# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## REPORT TO THE BOARD OF DIRECTORS

THURSDAY 26 OCTOBER 2017

### FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2017

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

## 1. Introduction

This report covers the first six months of the 2017/18 financial year (April 2017 to September 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 3<sup>rd</sup> 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 £10.047m at the end of September; this is £0.246m above the planned year to date surplus of £9.801m. This assumes the Trust receives the full allocation of 2017/18 STF income and includes £0.419m of 2016/17 STF income recently allocated to the Trust by NHSI. The financial position includes a (£13.529m) 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**

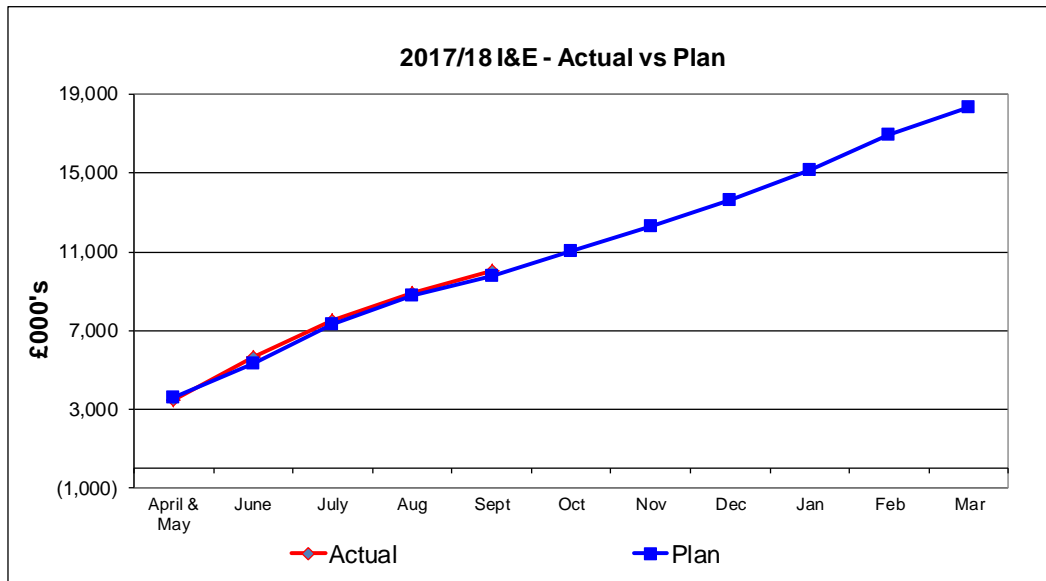


Table 2 below summarises the Trust's income & expenditure position at the end of September. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

**Table 2 – YTD Income and Expenditure Budget vs. Actual**

	Budget Sep-17 £m	Actual Sep-17 £m	Variance £m
Operating Revenue	395.8	417.9	22.1
Operating Expenses	(370.7)	(391.9)	(21.2)
<b>EBITDA</b>	<b>25.1</b>	<b>26.0</b>	<b>0.9</b>
Depreciation	(10.5)	(10.9)	(0.4)
Interest Receivable	0.1	0.1	0.0
Interest Payable	(8.0)	(8.0)	0.0
Contingent Rental	(3.2)	(3.5)	(0.3)
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
<b>Normalised Surplus / (Deficit)</b>	<b>3.5</b>	<b>3.7</b>	<b>0.2</b>
Donated Asset Revenue	6.3	6.3	0.0
Profit / (Loss) on Asset Disposal	0.0	0.0	0.0
<b>Total Surplus / (Deficit)</b>	<b>9.8</b>	<b>10.0</b>	<b>0.2</b>

*Note - may include rounding differences*

## 2.2 Income Analysis

Total operating revenue is £22.1m above plan at the end of September, as shown in table 3 below.

**Table 3 – Income against Plan**

	Budget Sep-17 £m	Actual Sep-17 £m	Variance £m
Clinical - NHS	331.0	353.6	22.6
Clinical - Non NHS	4.7	4.1	(0.6)
Other	60.1	60.2	0.1
<b>TOTAL</b>	<b>395.8</b>	<b>417.9</b>	<b>22.1</b>

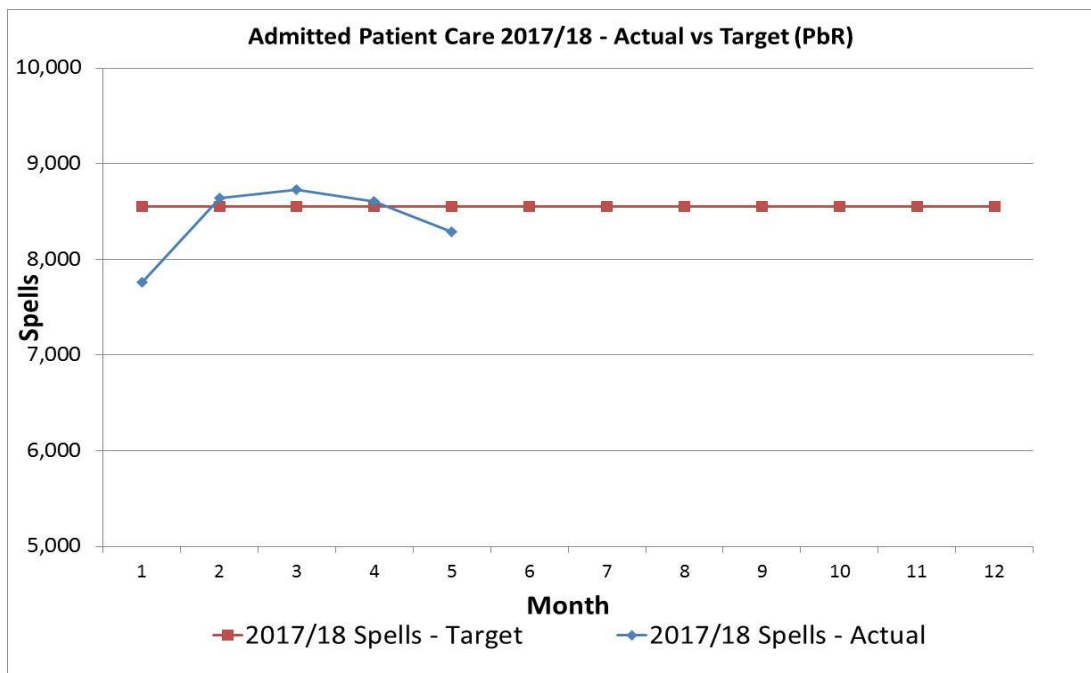
Note - may include rounding differences

NHS clinical revenues are £22.6m above the plan submitted to NHS Improvement before contracts were finalised and internal planning completed. This includes additional income from high cost drugs and devices excluded from tariff and specific cost per case treatments. Non NHS clinical revenues are (£0.6m) below plan primarily due to under recovery of Injury Cost Recovery Scheme (RTA) income. Other income, which includes education & training and service level agreement income is in line with plan.

2.3 NHS Clinical Income / Activity

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

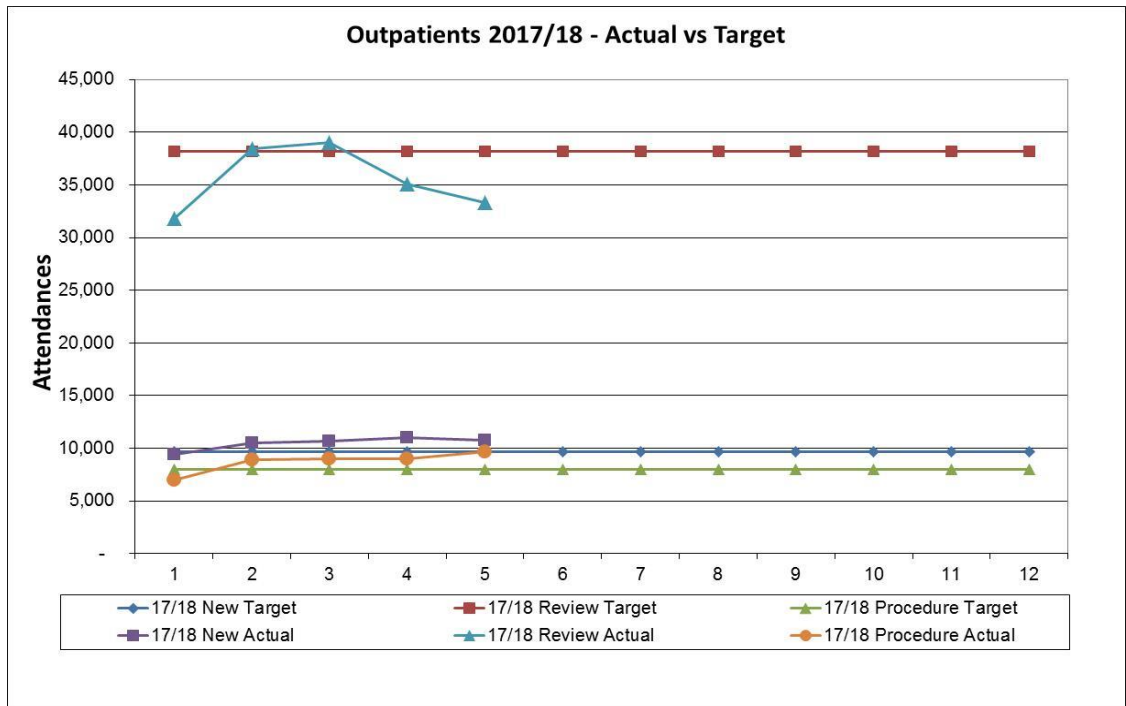
**Table 4.1 – Trust Inpatient Activity**



Actual inpatient activity is marginally below plan year to date (April – August), as in previous years, the plan is phased equally across the year and not flexed to reflect actual working days. At present, elective activity is below plan which is partially offset by increased non-elective inpatients.

Table 4.2 shows outpatient activity reduced in August. Year to date, new attendances and outpatient with procedure clinic activity are above plan and follow up outpatient attendances (reviews) are below plan.

**Table 4.2 – Trust Outpatient Activity**



The healthcare income target was finalised when contracts were agreed with commissioners following the completion of internal service planning. Table 5 below shows healthcare income variances by division and points of delivery to the end of month 5 (April - August). Healthcare income is currently below the internal plan; this excludes cost per case and high cost drugs and device payments, but includes 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 ledger as activity increases in the later months of the financial year and the plan remains phased equally across the year.

**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	4	-61	836	211	<b>991</b>
Outpatient	-41	-606	-900	-959	<b>-2,506</b>
Other	993	-604	-1,249	-1,069	<b>-1,929</b>
<b>Total</b>	<b>956</b>	<b>-1,270</b>	<b>-1,312</b>	<b>-1,817</b>	<b>-3,443</b>

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£21.2m) above the planned £370.7m expenditure year to date.

**Table 6 – Year to Date Expenditure against Plan**

	<b>Budget Sep-17 £m</b>	<b>Actual Sep-17 £m</b>	<b>Variance  £m</b>
<b>PAY</b>			
Medical Staff	63.5	68.4	(4.9)
Nursing	73.2	74.3	(1.1)
Scientific & Technical	27.3	27.3	0.0
SMP / A&C	32.6	32.4	0.2
Other	7.6	7.5	0.1
Pay Reserves	(1.2)	0.0	(1.2)
<b>Total Pay</b>	<b>203.0</b>	<b>209.9</b>	<b>(6.9)</b>
<b>NON PAY</b>			
Drugs	62.1	71.7	(9.6)
Clinical Supplies & Services	44.6	51.3	(6.7)
Other / Non-Pay Reserves	61.0	59.0	2.0
<b>Total Non Pay</b>	<b>167.7</b>	<b>182.0</b>	<b>(14.3)</b>
<b>GRAND TOTAL</b>	<b>370.7</b>	<b>391.9</b>	<b>(21.2)</b>

*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 6, efficiency savings of £7.1m had been delivered which is equivalent to 79% of the year to date target.

**Table 7 –Cost Improvement Delivery**

	<b>YTD Target (£m)</b>	<b>YTD Actual (£m)</b>	<b>YTD Variance (£m)</b>
Division A	2.3	1.5	(0.8)
Division B	1.8	1.3	(0.5)
Division C	1.7	1.4	(0.3)
Division D	2.0	2.0	(0.0)
Corporate	1.3	0.9	(0.3)
<b>Total</b>	<b>9.0</b>	<b>7.1</b>	<b>(1.9)</b>

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 76% 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 (£13.529m) has been reported across operational divisions in the first six months of 2017/18, this equates to a monthly average “run rate” of (£2.255m).

**Table 8 – Analysis of year to date variances by Division**

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	1,211	(4,672)	<b>(3,461)</b>
Division B	1,317	(2,456)	<b>(1,139)</b>
Division C	(451)	(3,353)	<b>(3,804)</b>
Division D	292	(2,264)	<b>(1,972)</b>
Division E	90	(3,243)	<b>(3,153)</b>
<b>Sub - Total</b>	<b>2,459</b>	<b>(15,988)</b>	<b>(13,529)</b>

*Note - may include rounding differences*

The aggregate divisional overspend in September was (£2.121m), this includes an adverse variance of (£0.263m) relating to under recovery of Injury Cost Recovery Scheme (ICRS) income in the month. This scheme aims to recover the cost of NHS treatments from insurance companies, historically this income can vary month-to-month so further investigations are ongoing.

Of the remaining monthly variance, (£0.956m) was attributable to Medical staffing with senior medical staff (consultants) accounting for (£0.445m) 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 September included Anaesthetics (£126k), General Medicine (£75k) and A&E (£51k). The balance of the medical overspend (£0.510m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest overspends were within Anaesthetics (£131k), A&E (£127k), General Medicine (£81k) and Trauma (£75k).

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, imaging and Oncology.

#### 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 September 2017.

**Table 9 – Statement of Financial Position**

	Audited Mar 2017 £m	Actual Sep 2017 £m	YTD Plan Sep 2017 £m	Annual Plan Mar 2018 £m
<b>Non Current Assets:</b>				
Property, Plant and Equipment	517.3	513.8	497.8	493.6
Intangible Assets	2.2	1.9	0.8	0.8
Trade and Other Receivables	4.6	4.6	7.1	7.1
Other Assets	0.1	0.1	0.0	0.0
<b>Total Non Current Assets</b>	<b>524.2</b>	<b>520.4</b>	<b>505.6</b>	<b>501.4</b>
<b>Current Assets:</b>				
Inventories	15.0	17.3	16.3	15.1
Trade and Other Receivables	71.9	71.7	54.4	53.3
Cash	70.8	68.0	68.8	77.5
<b>Total Current Assets</b>	<b>157.7</b>	<b>157.0</b>	<b>139.5</b>	<b>145.9</b>
<b>Current Liabilities:</b>				
Trade and Other Payables	127.5	120.5	118.4	117.2
Borrowings	12.3	12.2	12.3	12.3
Provisions	0.7	0.7	0.8	0.8
Other Liabilities	20.3	20.0	19.9	19.4
<b>Total Current Liabilities</b>	<b>160.8</b>	<b>153.4</b>	<b>151.3</b>	<b>149.6</b>
<b>Non Current Liabilities:</b>				
Borrowings	484.5	478.4	478.3	472.2
Provisions	3.1	3.1	2.4	2.4
Other Liabilities	5.1	3.8	3.0	1.9
<b>Total Non Current Liabilities</b>	<b>492.7</b>	<b>485.3</b>	<b>483.7</b>	<b>476.4</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>28.5</b>	<b>38.7</b>	<b>10.1</b>	<b>21.2</b>
<b>Financed by:</b>				
Public Dividend Capital	186.2	186.5	184.8	187.3
Income & Expenditure Reserve	(272.7)	(262.8)	(282.8)	(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
<b>TOTAL TAXPAYERS EQUITY</b>	<b>28.5</b>	<b>38.7</b>	<b>10.1</b>	<b>21.2</b>

Note - may include rounding differences

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

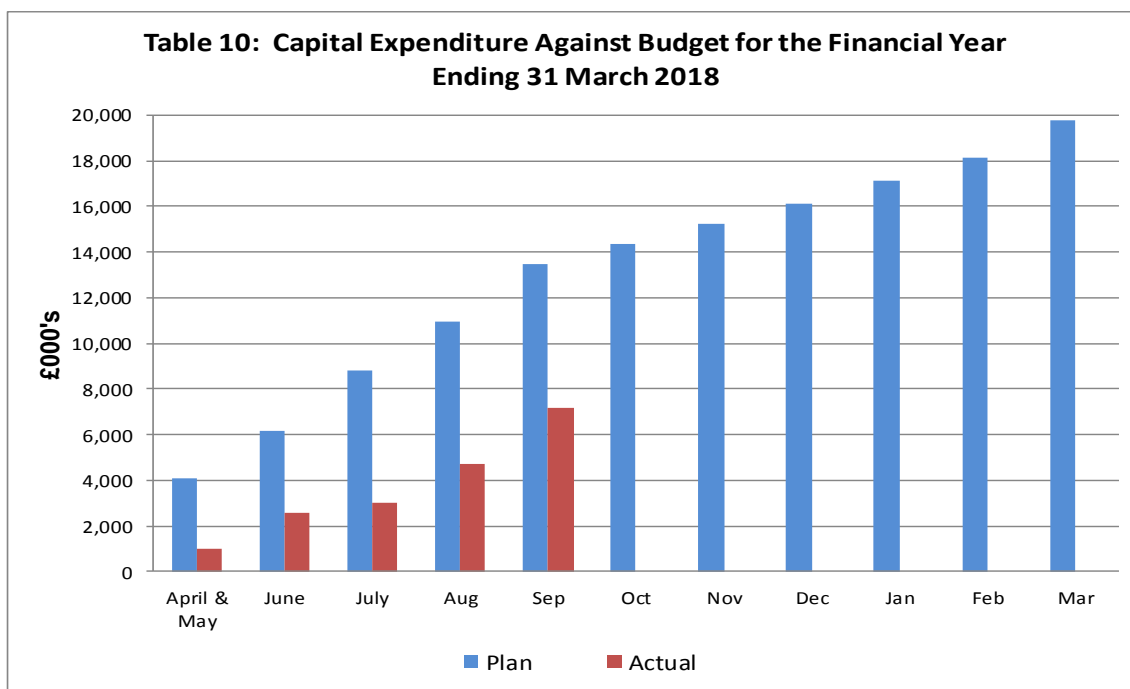
The Trust's capital budget for 2017/18 is £19.8m. At the end of month 6, actual capital expenditure incurred was £7.2m. As in previous years, capital expenditure tends to increase in the later part of the financial year as schemes and procurement processes are completed. Expenditure in September totalled £2.5m which included;

- £0.9m Refurbishment works for the MD\_TEC (3<sup>rd</sup> Floor ITM)
- £0.9m QEHB works including PFI lifecycle
- £0.3m Conversion of old Trust HQ into Haematology clinical space and
- £0.3m on replacement medical and ICT equipment.

The quarterly capital expenditure report is attached as **Appendix A**.



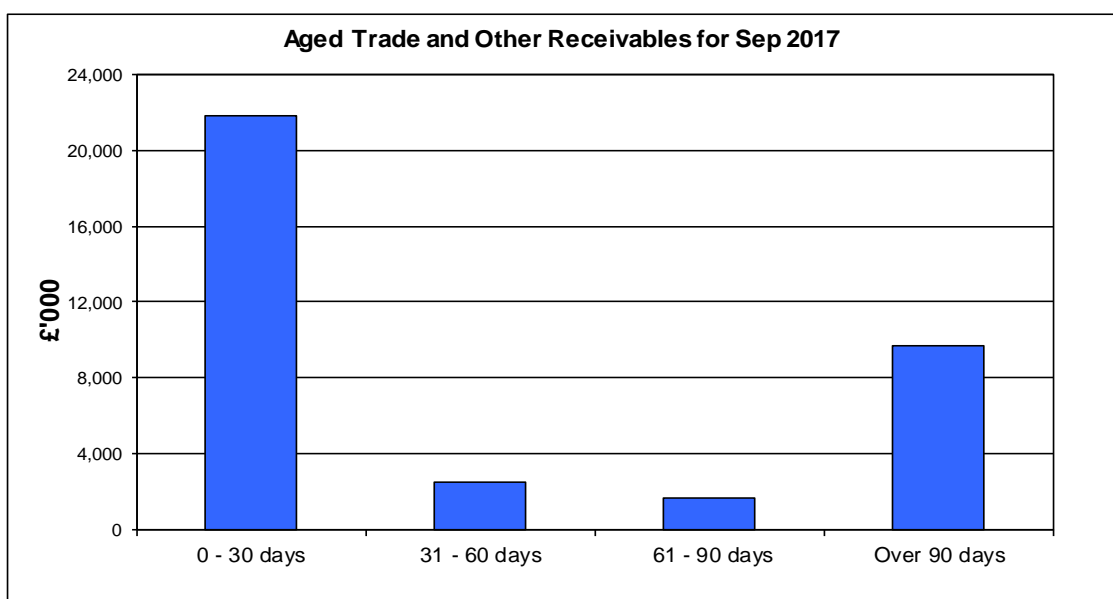
**Table 10 – Capital Expenditure against Plan**



**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 September 2017, over 90 day debt amounted to £9.7m. This includes £1.9m due from NHS commissioners and £3.7m in relation to Service Level Agreements (SLA) for services provided to other NHS providers. The SLA outstanding amounts include Heart of England FT (£1.5m), Sandwell & West Birmingham NHS Trust (£0.8m) and Birmingham Women’s & Children’s FT (£0.5m). The £4.1m balance includes amounts owed to the Trust by non-NHS debtors such as the Ministry of Defence (£0.3m), universities, private sector organisations and individuals (e.g. overseas and private patients).

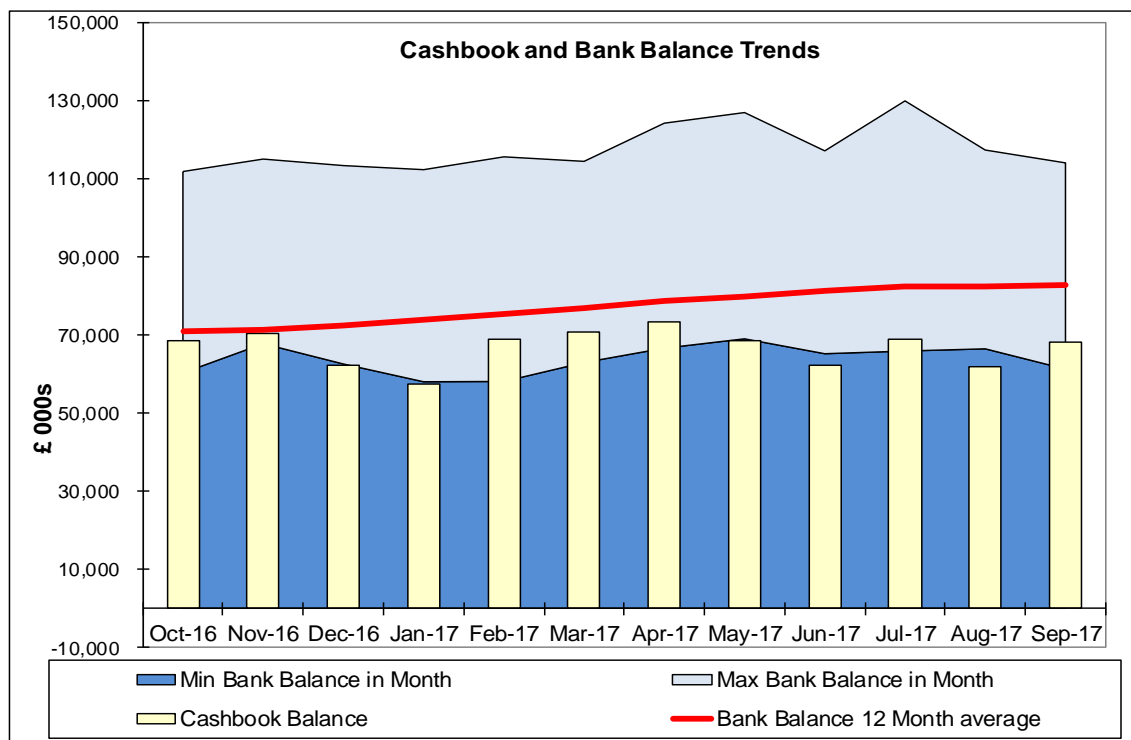
**Table 11 – Aged Debt Analysis**



## 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 30 September was £68.0m, marginally below the planned value of £68.8m.

**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	2	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	9.8	10.0	0.2
Less: Capital Grants & Donations	(5.4)	(5.7)	(5.5)	0.2
Less: 2016/17 STF post accounts allocation	0.0	0.0	(0.4)	(0.4)
<b>Control Total Surplus / (Deficit)</b>	<b>13.0</b>	<b>4.1</b>	<b>4.2</b>	<b>0.0</b>
Remove: 2017/18 STF Income	(16.9)	(5.9)	(5.9)	0.0
<b>Adjusted Surplus / (Deficit) Exc. STF</b>	<b>(3.9)</b>	<b>(1.8)</b>	<b>(1.8)</b>	<b>0.0</b>
Performance Against Control Total Exc. STF		<b>0.0</b>	<b>0.0</b>	<b>0.1</b>

*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 £2.5m of STF cash relating to quarter 1 of 2017/18. At present, the Trust continues to assume receipt of the full value of STF income.

## **10. Conclusion**

The Trust has reported an actual surplus of £10.047m at the end of September (Month 6); this is £0.246m above the planned surplus of £9.801m. The Trusts financial performance also remains in line with the NHSI metrics which exclude donations, grants and STF income. As highlighted in this report, there are several key assumptions and risks to the achievement of the Trust's planned surplus for 2017/18. They include:

- Full receipt of the STF income.
- Healthcare income continues in line with internal plans.
- CIP delivery continues to improve during the financial year and
- The monthly adverse "run rate" incurred by operational divisions does not worsen.

## **11. Recommendation**

The Board of Directors is requested to;

- Receive the contents of this report.

**Mike Sexton**  
**Chief Financial Officer**  
**16 October 2017**