

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE COUNCIL OF GOVERNERS
TUESDAY 09 MAY 2017

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2017
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Acting Deputy Director of Finance, ext. 17374

Purpose:	To present an update to the Council of Governors by providing a copy of the Board of Directors report covering the Trusts financial and activity performance for the 2016/17 financial year.
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	<p>The Trust has reported a surplus of £10.002m for 2016/17 (before the impact of revaluations) this is £5.402m above the planned surplus of £4.600m. The favourable variance is due in part to £4.296m of additional Sustainability & Transformation Fund (STF) income notified by NHS Improvement (NHSI) in the final weeks of the financial year.</p> <p>This position excludes the impact of the annual revaluation of Trust buildings, once this is taken into account; the overall Trust surplus is £24.668m. These figures are subject to the completion of the audit of the annual accounts.</p>
Recommendations:	The Council of Governors is asked to receive the contents of this report

Signed: Mike Sexton	Date: 20 April 2017
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 27 APRIL 2017

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2017

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the 2016/17 financial year (1 April 2016 to 31 March 2017). The report summarises the Trust's financial performance and includes information on healthcare activity, expenditure variances and CIP delivery.

For 2016/17, the Trust is reporting a £10.002m financial surplus, a favourable variance of £5.402m compared to the plan of £4.600m. Much of this variance is due to the release of additional £4.296m of STF Financial Incentive funding to the Trust late in the financial year.

This underlying position above excludes the impact of the building asset revaluation; overall, the impact of this annual external revaluation has been to increase building values by £21.447m as detailed below;

- £14.58m increase in the value for the QEHB building
- £0.08m increase in the value for Regent & Yardley Court
- £6.78m increase to the Heritage buildings and off site assets.

The top two adjustments (£14.666m) impact on the Trusts Income & Expenditure position with the Heritage buildings increase just affecting the Statement of Financial Position (Balance Sheet). Including this £14.666m accounting adjustment gain, the Trusts reported financial surplus is £24.668m for 2016/17. This is subject to:

- a. Completion of the audit of the annual accounts.

From the 1st October 2016, NHS Improvement 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 (see details in section 10).

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure performance (before revaluation impact) compared to plan, this shows the impact of the additional STF funding notified in March 2017;

Table 1 – Underlying I&E: Actual vs Plan

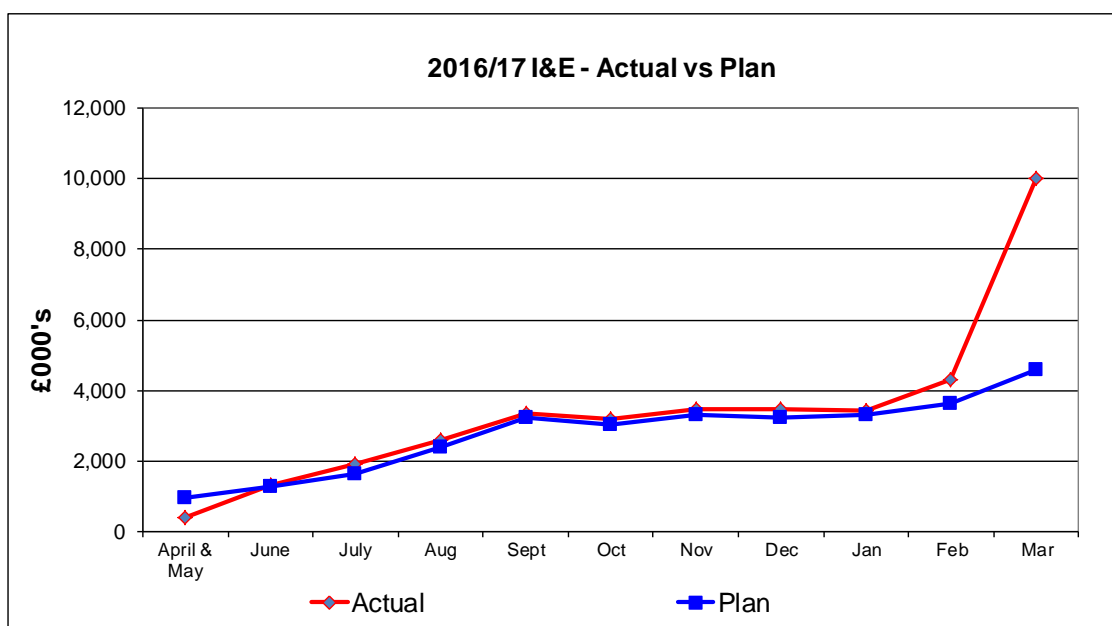


Table 2 below summarises the Trust's income & expenditure position at the end of March. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Mar-17 £m	Actual Mar-17 £m	Variance £m
Operating Revenue	780.7	811.3	30.6
Operating Expenses	(734.2)	(759.4)	(25.2)
EBITDA	46.5	51.9	5.4
Depreciation	(21.2)	(21.2)	0.0
Interest Receivable	0.3	0.3	0.0
Interest Payable	(16.2)	(16.2)	0.0
Contingent Rental	(5.9)	(5.8)	0.1
Corporation Tax	(0.1)	0.2	0.3
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	3.4	9.2	5.8
Donated Asset Revenue	0.5	0.6	0.1
Profit / (Loss) on Asset Disposal	0.7	0.2	(0.5)
Total Surplus / (Deficit)	4.6	10.0	5.4
Reversal of Impairments	0.0	0.0	0.0
Impairments on Property	0.0	14.7	14.7
Retained (Deficit) / Surplus	4.6	24.7	20.1

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is £30.6m above plan at the end of March, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Mar-17 £m	Actual Mar-17 £m	Variance £m
Clinical - NHS	646.8	648.2	1.4
Clinical - Non NHS	25.5	27.6	2.1
Other	108.4	135.5	27.1
TOTAL	780.7	811.3	30.6

Note - may include rounding differences

NHS clinical revenues are £1.4m above plan; this would be higher but during the year STF income was re-categorised to other income at the request of NHSI. Non NHS clinical revenues are £2.1m above plan which includes overseas and private patient income. Other income is £27.1m above plan due to additional education, training & service level agreement along with the STF income mentioned above.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares monthly admitted patient care (APC) spells against target for the first eleven months of 2016/17. Inpatient activity reduced in February with both electives (including day case) and emergency activity below plan due to the reduced number of working days. Year to date, elective activity remains just below plan this is partially offset by continued high levels of non-elective activity.

Table 4.1 – Trust Inpatient Activity

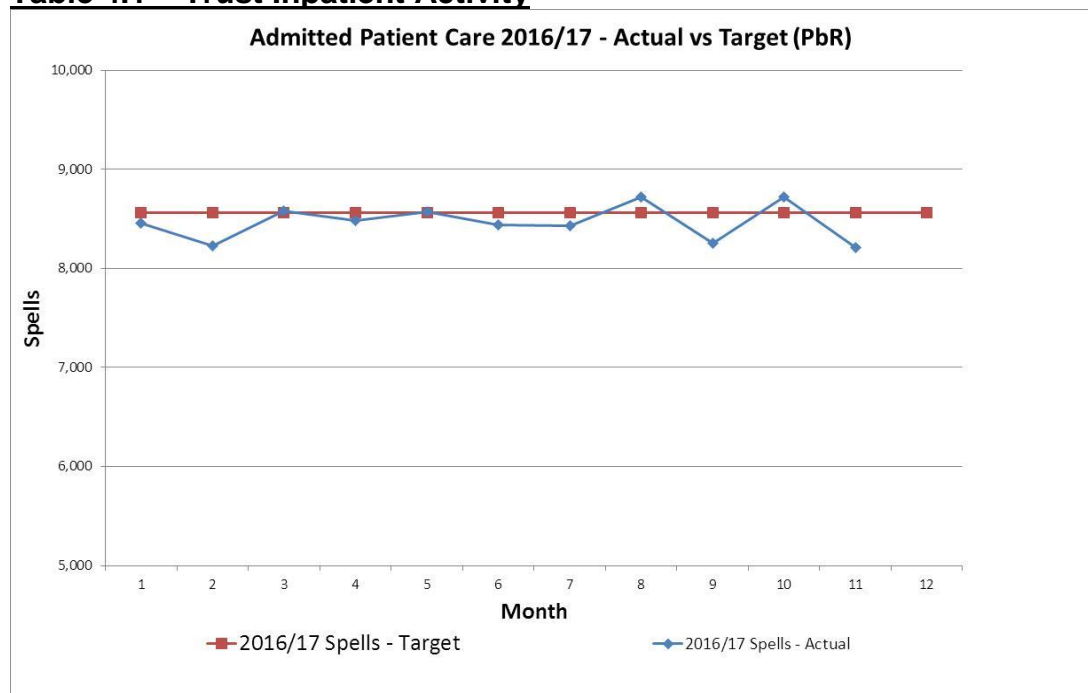
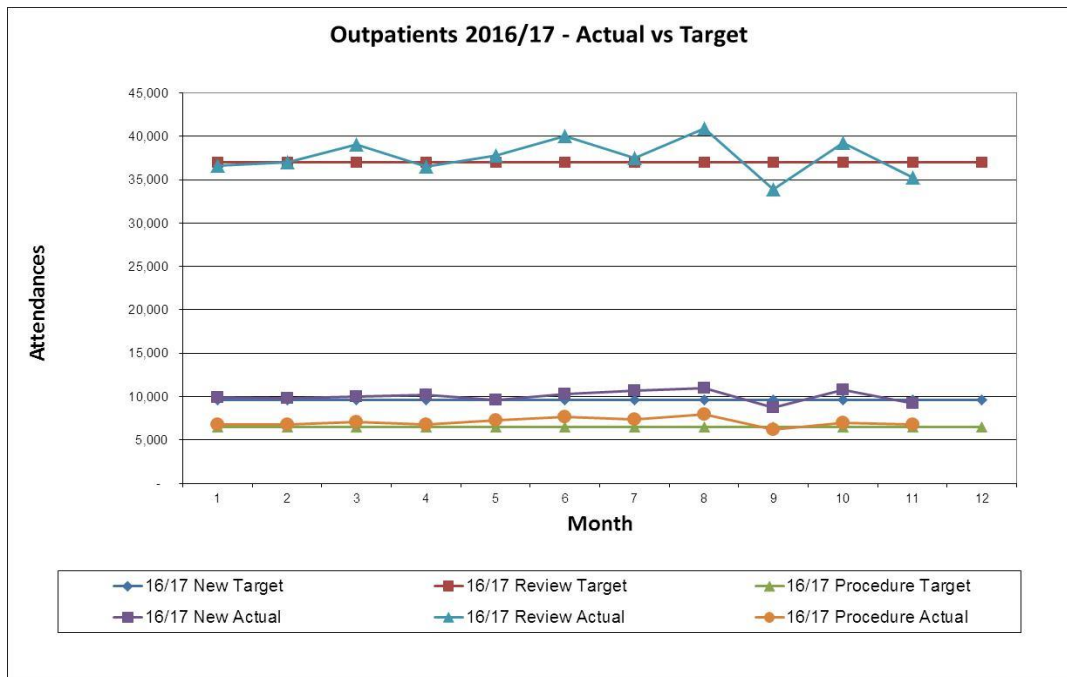


Table 4.2 shows the outpatient activity decreasing in February but year to

date (April – February) outpatient activity remains above plan across all the attendance type categories.

Table 4.2 – Trust Outpatient Activity



The Trusts total healthcare income for 2016/17 is in the process of being finalised with commissioners.

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 5 shows actual expenditure being (£25.2m) above the budgeted expenditure of £734.2m year to date.

Table 5 – Year to Date Expenditure against Plan

	Budget Mar-17 £m	Actual Mar-17 £m	Variance £m
PAY			
Medical Staff	122.6	133.2	(10.6)
Nursing	140.1	142.7	(2.6)
Scientific & Technical	52.3	52.3	0.0
SMP / A&C	63.3	62.0	1.3
Other	14.5	15.0	(0.5)
Pay Reserves	7.4	0.0	7.4
Total Pay	400.2	405.2	(5.0)
NON PAY			
Drugs	123.0	129.3	(6.3)
Clinical Supplies & Services	92.6	96.6	(4.0)
Other / Non-Pay Reserves	118.4	128.3	(9.9)
Total Non Pay	334.0	354.2	(20.2)
GRAND TOTAL	734.2	759.4	(25.2)

Note - may include rounding differences

3. Cost Improvement Programme

The Trust's 2016/17 financial plan includes an annual efficiency savings target of £18.2m. At the end of the financial year, efficiency savings of £16.6m had been delivered which is equivalent to 91% of the annual target.

Table 6 –Cost Improvement Delivery

	YTD Target (£000)	YTD Actual (£000)	YTD Variance (£000)
Division A	4,998	3,998	(1,000)
Division B	3,719	2,732	(987)
Division C	3,491	3,968	477
Division D	4,247	4,185	(62)
Corp/ NHP/ Central Ops	1,745	1,709	(37)
Total	18,200	16,592	(1,412)

The delivery of £16.6m of CIP savings is a considerable achievement given the operational pressures experienced during the year. The shortfall in CIP delivery of £1.4m still requires plans to be developed so this can be recovered during the next financial year.

4. Divisional Analysis

An adverse variance of (£22.162m) is being reported across operational divisions during 2016/17.

Table 7 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	516	(7,465)	(6,949)
Division B	3,649	(7,796)	(4,147)
Division C	(616)	(6,885)	(7,501)
Division D	476	(6,658)	(6,182)
Central Ops	202	2,415	2,617
Sub - Total	4,227	(26,389)	(22,162)

Note - may include rounding differences

In March the operational services incurred an overspend (£1.122m) within medical staffing. Senior medical staff (consultants) accounted for (£0.529m) of the variance, this included locum cover for vacancies and sickness, unfunded consultant posts and payments for additional sessions and waiting list initiatives. Significant specialty overspends in March included Anaesthetics (£0.089m), Liver Services (£0.068m), Imaging (£0.067m) and Neurology (£0.063m). The balance of the medical overspend relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest overspends were within Trauma (£0.140m), A&E (£0.078m), Liver Services (£0.063m) & Ophthalmology (£0.051m)

Other expenditure pressures included slippage against historic CIP targets and activity related non pay pressures.

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 8 summarises the Trust's Statement of Financial Position at 31 March 2017.

Table 8 – Statement of Financial Position

	Audited Mar 2016 £m	Actual Mar 2017 £m	YTD Plan Mar 2017 £m	Annual Plan Mar 2017 £m
Non Current Assets:				
Property, Plant and Equipment	503.4	517.3	497.7	497.7
Intangible Assets	0.7	2.2	0.8	0.8
Trade and Other Receivables	11.1	4.6	4.3	4.3
Other Assets	0.0	0.1	0.0	0.0
Total Non Current Assets	515.2	524.2	502.8	502.8
Current Assets:				
Inventories	15.7	15.0	15.8	15.8
Trade and Other Receivables	51.1	60.6	40.1	40.1
Other Financial Assets	0.2	0.4	4.9	4.9
Other Current Assets	10.2	14.0	13.7	13.7
Cash	59.2	70.8	51.5	51.5
Total Current Assets	136.4	160.8	126.0	126.0
Current Liabilities:				
Trade and Other Payables	113.6	119.6	102.5	102.5
Borrowings	12.8	12.3	12.8	12.8
Provisions	0.8	0.7	0.6	0.6
Tax Payable	7.3	8.3	7.5	7.5
Other Liabilities	16.7	19.5	16.4	16.4
Total Current Liabilities	151.2	160.4	139.8	139.8
Non Current Liabilities:				
Borrowings	496.7	484.5	483.9	483.9
Provisions	2.4	3.1	2.4	2.4
Tax Payable	0.1	0.0	0.0	0.0
Other Liabilities	7.4	8.4	5.4	5.4
Total Non Current Liabilities	506.6	496.0	491.7	491.7
TOTAL ASSETS EMPLOYED	(6.2)	28.6	(2.8)	(2.8)
Financed by:				
Public Dividend Capital	183.0	186.3	181.7	181.7
Income & Expenditure Reserve	(297.4)	(272.7)	(279.5)	(279.5)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	108.2	115.0	95.0	95.0
Merger Reserve	0.0	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	(6.2)	28.6	(2.8)	(2.8)

Note - may include rounding differences

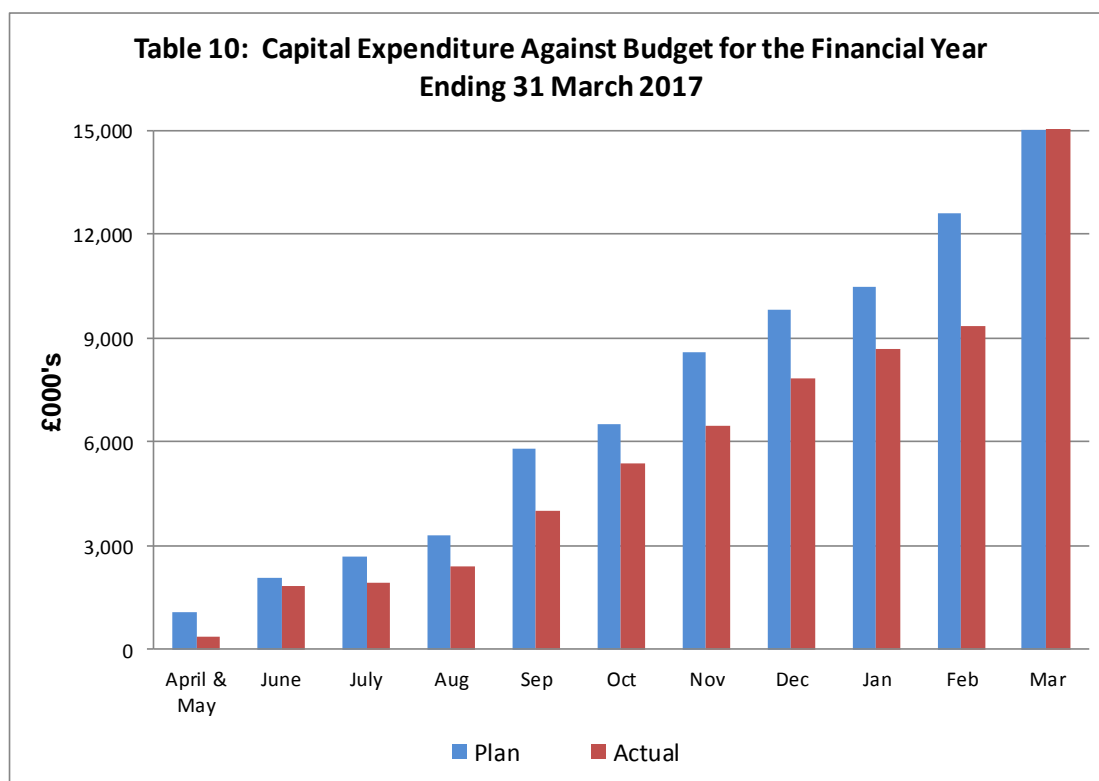
6. Capital Expenditure (Non-Current Assets)

The approved capital programme for 2016/17 is £15.0m with actual capital expenditure totalling £15.04m. As previously forecast, expenditure in March was high at £5.7m, this included;

- £1.8m Replacement Linear Accelerator
- £0.5m Replacement CT scanner
- £1.0m New Hospital lifecycle works
- £0.7m Estates works
- £1.0m genomics
- £0.5m scopes
- £0.2m other replacement medical and IT equipment.

A more detailed breakdown of capital expenditure is included as Appendix A.

Table 9 – Capital Expenditure against Plan



7. Current Assets

The Trust's total current assets (excluding cash and inventories) amounted to £74.9m as at 31 March.

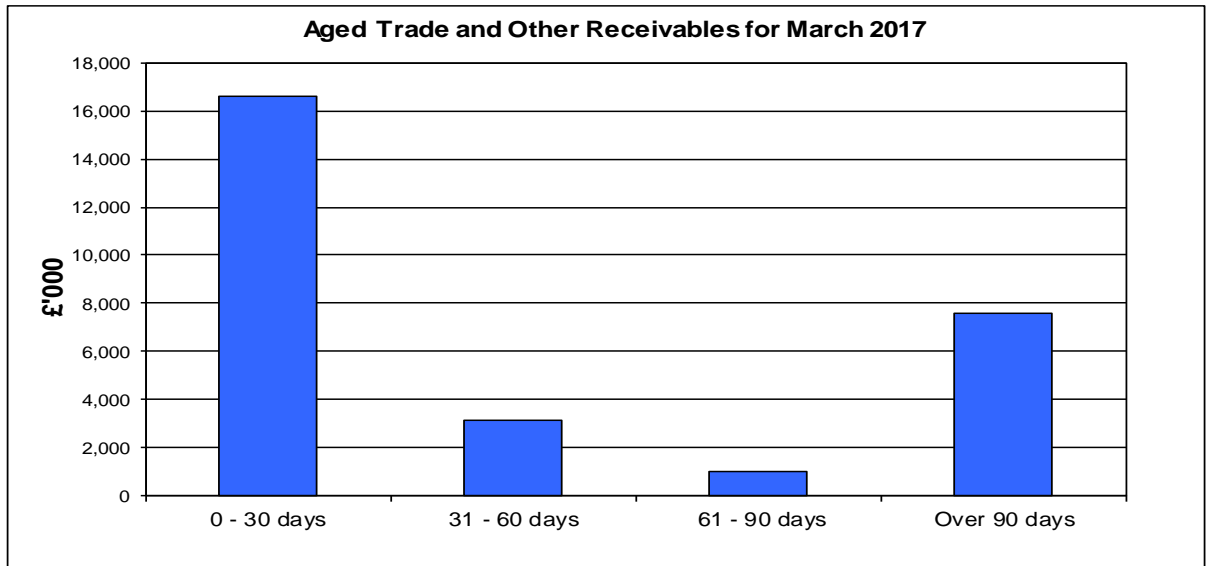
Table 10 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual Mar 2017 £m	Forecast Mar 2017 £m
Trade Receivables	55.9	29.6
Bad Debt Provision	-5.4	-2.4
Other Receivables	10.0	12.9
Trade and Other Receivables	60.5	40.1
Accrued Income	0.4	4.9
Other Financial Assets	0.4	4.9
Prepayments	14.0	13.7
Other Current Assets	14.0	13.7
TOTAL	74.9	58.7

The age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 11 below. At the end of March, the over 90 day debt amounted to £7.7m, a £1.4m reduction in the month. £0.7m of the outstanding balance is due from NHS commissioners and £2.6m relates to unpaid invoices for Service Level Agreements covering services provided to other NHS providers. This includes Birmingham Women's & Children's FT (£1.0m), Sandwell & West Birmingham NHS Trust (£0.5m), Walsall Healthcare NHS Trust

(£0.3m) and Heart of England FT (£0.3m). The balance includes amounts owed to the Trust by non-NHS debtors such as Birmingham City Council (£0.9m), the Ministry of Defence (£0.4m), universities, private sector organisations and individuals (e.g. overseas and private patients). Trust staff will continue to liaise with these organisations to reduce these unpaid historic invoices.

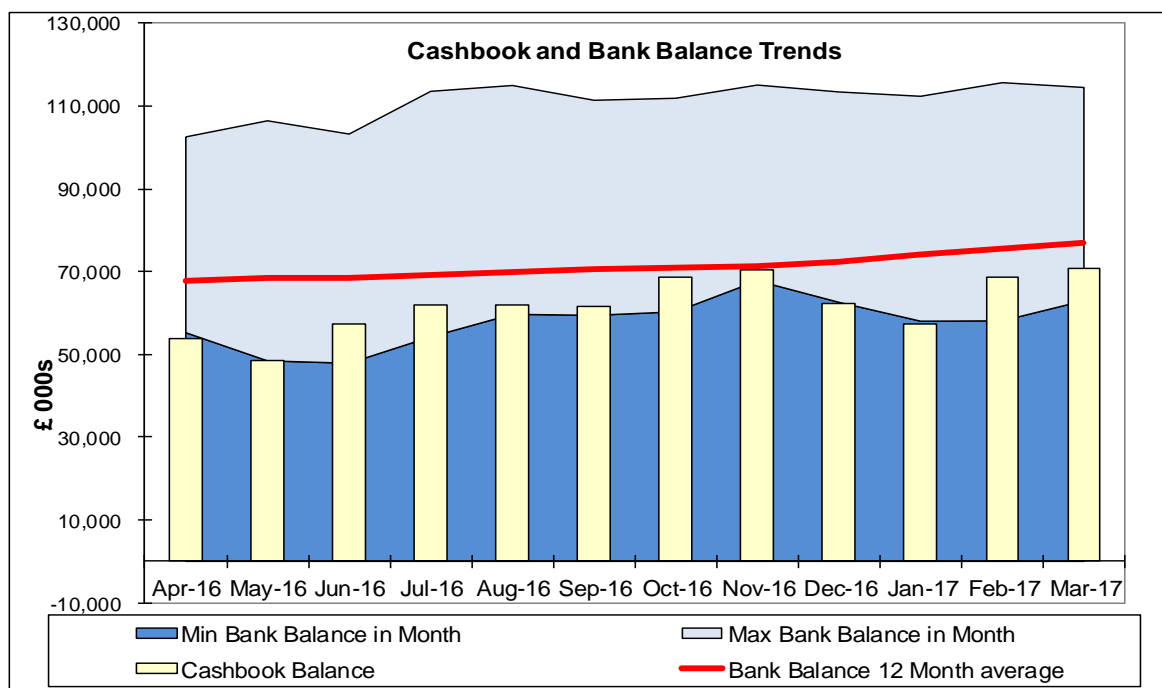
Table 11 – Aged Debt Analysis



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 31 March was £70.8m.

Table 12 – Cash Flow



9. Asset Revaluation

As noted in the introduction of this report, the annual external revaluation was undertaken by the Valuation Office in February 2017 with a report submitted to the Trust in March to ensure the valuations included in the 2016/17 annual accounts are current. The outcome of this exercise resulted in an overall increase to the value of Trusts buildings of £21.447m which reflects changes in national and local building indices.

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

10.1 Use of Resources (UoR) Metric

NHS Improvement launched a new Single Operating Framework for NHS providers in October 2016. Providers are scored 1 (best) to 4 (worse) against 5 equally weighted metrics. The average across the metrics is labelled the Trusts Use of Resources (UoR) score. Since the introduction, the Trust has been reporting a UoR score of 3. In March, the increased cash balance results in a better liquidity rating, in turn this means the Trusts overall UoR score has improved to a 2.

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	1	I&E surplus or (Deficit) as a proportion of Total Income
I&E Variance From Plan	1	Actual year to date surplus compared to plan
Agency Spend	3	Distance of actual spend from the annual agency cap set by NHS Improvement
Use of Resources	2.2	(Unrounded Score)
TRIGGER	No	Trust receives the lowest rating of 4 in one area, thus triggering a max overall score of 3
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 Trust holding large cash balances the Trust is likely to receive a rating of 3. Based on the planned control total surplus for 2017/18 and final payments for the disposal of the Selly Oak site, this metric is expected to improve in 2017/18
- **Agency Expenditure** – The Trust was set an annual agency expenditure ceiling by NHSI of £13.281 million, this was around 35% lower than the Trusts actual 2015/16 expenditure. The required agency reduction takes no account of how the Trust was performing compared to

others in terms of agency expenditure when measured as a % of total pay costs. Year to date (April – March), Trust agency expenditure is 4.2% of total pay costs (and reducing) which compares well to the provider sector average of 5.7% and the regional average of 6.6%. Both sector averages include ambulance, community and specialist providers who use much less agency than acute hospitals. The Trust is reporting a £4.5 million reduction in agency spend compared to the last financial year, predominantly relating to reduced nurse agency expenditure.

Use of Resources is one theme which NHS Improvement assessment takes account of in assessing a 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 published data on the NHSI website shows the Trust has been placed in Segment 2 category.

10.2 NHSI Control Total

The Trust is monitored by NHS Improvement for its financial performance against an agreed control total. This figure differs to the Trusts overall financial performance reported to the Board of Directors and reported in the annual accounts. Based on the NHSI control total measurement, the Trust is reporting a £10.8m surplus year to date as shown below;

Table 14 – NHSI Reported Control Total Surplus

	YTD Plan £m	YTD Actual £m	YTD Variance £m
Total Comprehensive Surplus	4.6	10.0	5.4
Less: Gain on Disposal	(0.7)	(0.2)	0.5
Less: Grants & Donations of PPE Assets	(0.5)	(0.5)	(0.0)
Less: Depreciation of granted & donated	1.2	1.5	0.3
Control Total Basis Surplus	4.6	10.8	6.2

10.3 STF Income

To achieve its control total, the Trust was allocated up to £16.7m of Sustainability and Transformation Funding (STF) at the start of the financial year. As at month 12, the Trust is anticipating receipt of £16.4m of core STF which the shortfall relating to lost cancer trajectory funding.

During the year, NHSI created new STF Incentive schemes to reward Trusts with additional STF income where they out-perform their 2016/17 control totals. The Trust received a further £4.296million as a result of this.

11. Conclusion

The Trust has recorded a surplus of £10.002m for the 2016/17 financial year. This represents a positive variance of £5.402m against the planned surplus of £4.600m. The favourable variance is due in part to additional STF income released by NHSI in March.

The total reported financial position for 2016/17 (subject to the completion of the audit of the annual accounts) is a surplus of £24.668m, which includes the impact of the annual revaluation of the Trusts estate.

Mike Sexton
Chief Financial Officer
20 April 2017