

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
COUNCIL OF GOVERNORS MEETING  
THURSDAY 8 SEPTEMBER 2016**

<b>Title:</b>	<b>FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2016</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 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 Quarter 1.
<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>	In June 2016, the Trust recorded a surplus of £0.909m; this was £0.509m above the planned monthly surplus of £0.400m.  Year to date, the Trust is reporting an actual surplus of £1.311m compared to the planned surplus of £1.300m this is a positive variance of £0.011m. This year to date financial performance means (based on recently published guidance) the Trust is in line to receive quarter 1 of the agreed Sustainability & Transformation Funding (STF).
<b>Recommendations:</b>	The Council of Governors is asked to receive the contents of this report.

<b>Signed:</b> Mike Sexton	<b>Date:</b> 18 July 2016
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# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## BOARD OF DIRECTORS THURSDAY 28 JULY 2016

### FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2016

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

#### 1. Introduction

This report covers the first quarter of the 2016/17 financial year (1 April to 30 June). The report summarises the Trust's year to date financial performance and includes information on healthcare activity, expenditure variances and CIP delivery.

The 2016/17 financial plan agreed with NHS Improvement budgets for an annual surplus (control total) of £4.600m. At the end of Month 3, the Trust is reporting a surplus of £1.311m which is £0.011m above the planned surplus of £1.300m.

This financial position assumes the Trust receives the full value (£16.7m) of the Sustainability and Transformation Funding included in the 2016/17 financial plan agreed with NHS Improvement. Guidance covering the release of the STF income was published in July and is summarised in section 9 of this report.

This financial position includes a (£6.863m) year to date overspend across Operational Divisions. The main pressures include;

- Workforce issues: continuing high levels of locum and agency medical staff and nurse agency expenditure.
- Activity and capacity cost pressures including unfunded capacity, waiting list initiative payments and additional sessions.
- Cost improvement programme (CIP): 2016/17 CIP delivery to date is currently at 71% plus additional pressures from under delivery against historic CIP targets.

To date this operational overspend has been offset by underspends across corporate functions, subsidiaries and by the use of Trust reserves. The current monthly run rate needs to reduce or there needs to be an over performance against clinical income targets to ensure the Trust continues to achieve the agreed control totals required to secure future quarters STF income.

## 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**

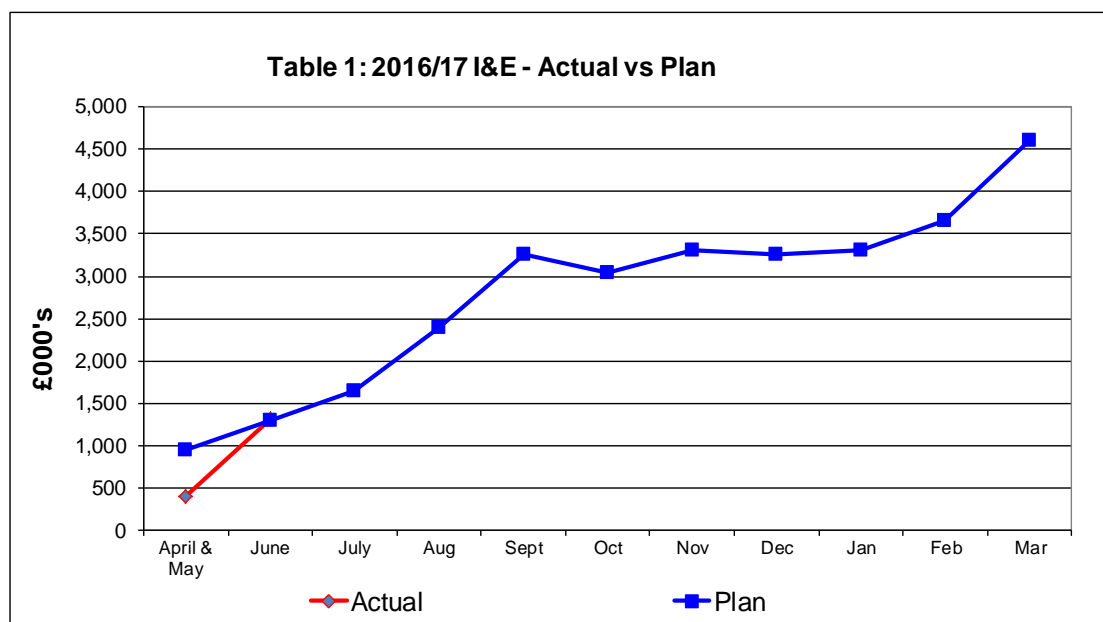


Table 2 below summarises the Trust's income & expenditure position at the end of June. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

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

	Budget Jun £m	Actual Jun £m	Variance £m
Operating Revenue	194.9	198.6	3.7
Operating Expenses	(183.1)	(187.1)	(4.0)
<b>EBITDA</b>	<b>11.8</b>	<b>11.5</b>	<b>(0.3)</b>
Depreciation	(5.3)	(5.1)	0.2
Interest Receivable	0.1	0.1	0.0
Interest Payable	(4.0)	(4.0)	0.0
Contingent Rental	(1.4)	(1.5)	(0.1)
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
<b>Normalised Surplus / (Deficit)</b>	<b>1.2</b>	<b>1.0</b>	<b>(0.2)</b>
Donated Asset Revenue	0.1	0.3	0.2
<b>Retained (Deficit) / Surplus</b>	<b>1.3</b>	<b>1.3</b>	<b>(0.0)</b>

*Note - may include rounding differences*

## 2.2 Income Analysis

Total operating revenue is £3.7m above plan at the end of Month 3, as shown in table 3 below.

**Table 3 – Income against Plan**

	Budget Jun £m	Actual Jun £m	Variance £m
Clinical - NHS	161.6	163.8	2.2
Clinical - Non NHS	6.2	7.0	0.8
Other	27.1	27.8	0.7
<b>TOTAL</b>	<b>194.9</b>	<b>198.6</b>	<b>3.7</b>

*Note - may include rounding differences*

NHS clinical revenues are £2.2m above plan; this includes additional income for high cost drugs and devices excluded from tariff and specific cost per case treatments. Non NHS clinical revenues are £0.8m above plan year to date due to increased overseas patients. Other income is £0.7m above plan due to additional education and training and donated 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 2016/17. Inpatient activity was below plan in month 2 (May), this reflects the two bank holidays in the month and the associated reduction in elective cases. The activity plan is phased equally over the twelve months.

**Table 4.1 – Trust Inpatient Activity**

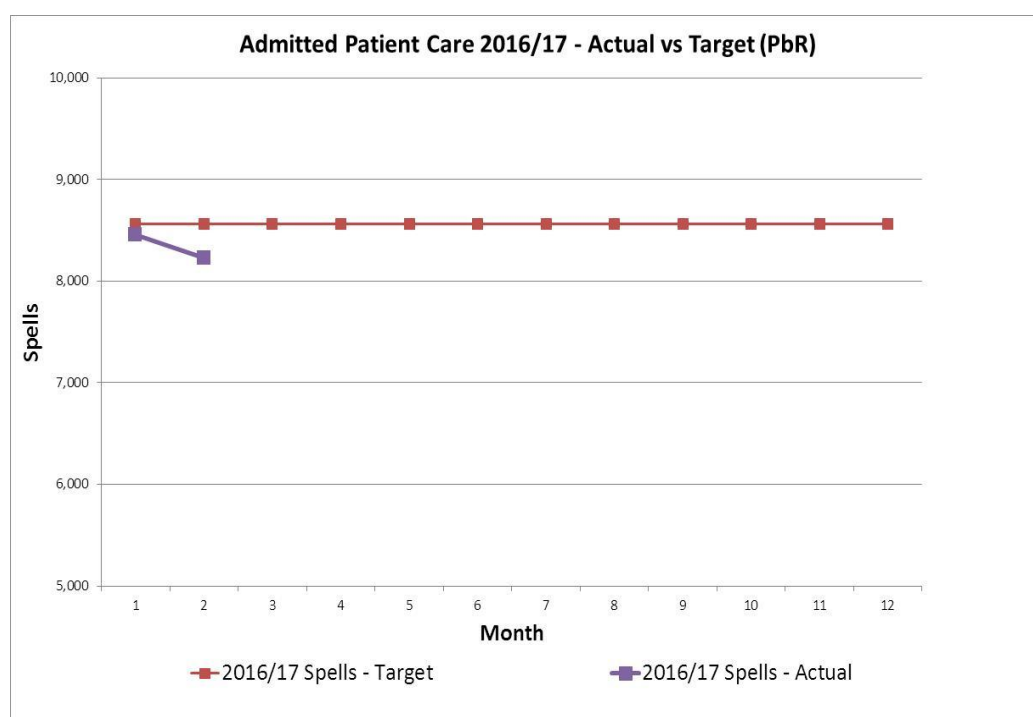


Table 4.2 shows the combined outpatient activity as in line with plan for the first two months of 2016/17 (April – May) across all categories.

**Table 4.2 – Trust Outpatient Activity**

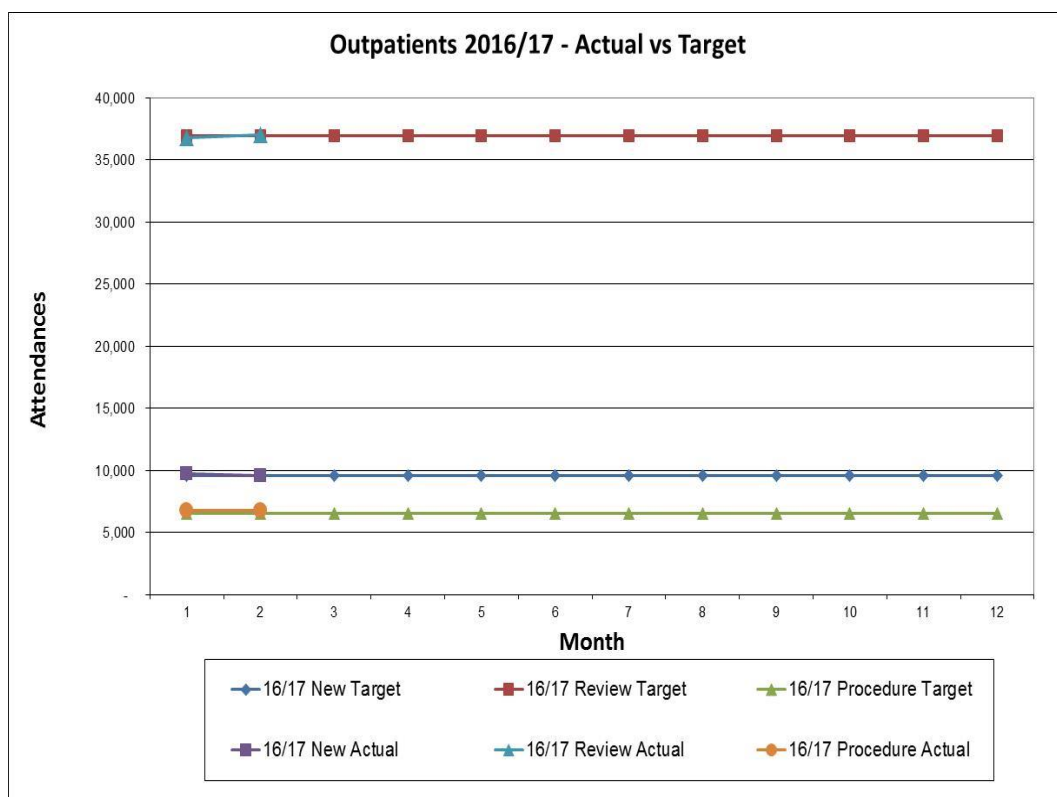


Table 5 below shows the income variance by division and point of delivery at the end of Month 2 (May). To date, healthcare income (excluding cost per case drugs and devices) is marginally below plan, this includes contract adjustments for marginal rates and readmissions but does not include the full potential risk for fines and penalties which may be levied by commissioners. As in previous years, it is too early to ascertain any meaningful income trends yet, therefore any under or over performance is not reflected in the Trust wide financial position.

**Table 5 – Summary Healthcare Income Performance by Division by Point of Delivery**

	YTD Variance against Divisional Baselines (£000)				
	Div A	Div B	Div C	Div D	Total
Inpatient	-5	-914	124	-672	<b>-1,467</b>
Outpatient	16	135	-13	109	<b>247</b>
Other	126	49	252	-378	<b>49</b>
<b>Total</b>	<b>137</b>	<b>-730</b>	<b>362</b>	<b>-941</b>	<b>-1,170</b>

Note - may include rounding differences

## 2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£4.0m) above the budgeted expenditure of £183.1m for the year to date.

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

	Budget Jun £m	Actual Jun £m	Variance £m
<b>PAY</b>			
Medical Staff	29.8	32.6	(2.8)
Nursing	34.6	35.3	(0.7)
Scientific & Technical	12.7	12.8	(0.1)
SMP / A&C	15.5	15.1	0.4
Other	3.6	3.6	0.0
Pay Reserves	3.7	0.0	3.7
<b>Total Pay</b>	<b>99.9</b>	<b>99.4</b>	<b>0.5</b>
<b>NON PAY</b>			
Drugs	30.6	31.5	(0.9)
Clinical Supplies & Services	23.2	23.9	(0.7)
Other / Non-Pay Reserves	29.4	32.3	(2.9)
<b>Total Non Pay</b>	<b>83.2</b>	<b>87.7</b>	<b>(4.5)</b>
<b>GRAND TOTAL</b>	<b>183.1</b>	<b>187.1</b>	<b>(4.0)</b>

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 month 3, efficiency savings of £3.2m had been delivered which is equivalent to 71% of the £4.6m year to date target.

**Table 7 –Cost Improvements Delivery**

	YTD Target (£000)	YTD Actual (£000)	YTD Variance (£000)
Division A	1250	737	(512)
Division B	930	546	(384)
Division C	873	742	(131)
Division D	1062	775	(287)
Corp/ NHP/ Central Ops	437	423	(14)
<b>Total</b>	<b>4,552</b>	<b>3,223</b>	<b>(1,328)</b>

CIP delivery within operational divisions continues to be reviewed in detail in regular meetings with the Chief Operating Officer and overall CIP delivery will be reported on a monthly basis. Based on previous experience, CIP delivery starts low against plan and improves month on month during the financial year. For comparison, the Trust reported 74% achieved (Q1 2015/16) and 52% achieved (Q1 2014/15).

The Trust takes the cautious approach of profiling CIP savings equally across

the financial year whilst noting that some schemes may not take effect until later in the financial year.

#### 4. Divisional Analysis

An adverse variance of (£6.862m) has been recorded across operational divisions in the first quarter of 2016/17, this equates to a monthly average “run rate” of (£2.288m).

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

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	64	(1,859)	<b>(1,795)</b>
Division B	697	(2,454)	<b>(1,757)</b>
Division C	(74)	(1,917)	<b>(1,991)</b>
Division D	122	(2,098)	<b>(1,976)</b>
Division E	2,058	(1,401)	<b>657</b>
<b>Sub - Total</b>	<b>2,867</b>	<b>(9,729)</b>	<b>(6,862)</b>

*Note - may include rounding differences*

The aggregate divisional overspend for June was (£2.259m) of which (£0.857m) was attributable to Medical staffing. Senior medical staff (consultants) accounted for (£0.468m) 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 June included Anaesthetics (£0.066m), Trauma (£0.059m), Ophthalmology (£0.042m), and Neurology & Neuro Surgery (£0.041m). The balance of the medical overspend (£0.389m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest over spends were within A&E (£0.105m), Critical Care (£0.052m) and Cardiac Services (£0.051m).

The nursing (including Theatre ODPs) variance was (£0.163m) in June, this adverse variance included significant overspends in Critical Care (£0.196m), Theatres (£0.106m) and A&E (£0.045m) all of which included external agency expenditure.

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 9 summarises the Trust’s Statement of Financial Position at 30 June 2016.

**Table 9 – Statement of Financial Position**

	Audited Mar 2016 £m	Actual June 2016 £m	YTD Plan June 2016 £m	Annual Plan Mar 2017 £m
<b>Non Current Assets:</b>				
Property, Plant and Equipment	503.4	500.2	500.7	497.7
Intangible Assets	0.7	0.6	0.8	0.8
Trade and Other Receivables	11.1	11.2	10.7	4.3
Other Assets	0.0	0.0	0.0	0.0
<b>Total Non Current Assets</b>	<b>515.2</b>	<b>512.0</b>	<b>512.2</b>	<b>502.8</b>
<b>Current Assets:</b>				
Inventories	15.7	18.2	15.8	15.8
Trade and Other Receivables	51.1	32.5	46.4	40.1
Other Financial Assets	0.2	6.7	4.9	4.9
Other Current Assets	10.2	16.1	13.2	13.7
Cash	59.2	57.4	46.1	51.5
<b>Total Current Assets</b>	<b>136.4</b>	<b>130.9</b>	<b>126.4</b>	<b>126.0</b>
<b>Current Liabilities:</b>				
Trade and Other Payables	113.6	104.7	102.5	102.5
Borrowings	12.8	12.8	12.8	12.8
Provisions	0.8	0.7	0.6	0.6
Tax Payable	7.3	8.2	7.5	7.5
Other Liabilities	16.7	19.1	19.9	16.4
<b>Total Current Liabilities</b>	<b>151.2</b>	<b>145.5</b>	<b>143.3</b>	<b>139.8</b>
<b>Non Current Liabilities:</b>				
Borrowings	496.7	493.6	493.6	483.9
Provisions	2.4	2.3	2.4	2.4
Tax Payable	0.1	0.1	0.0	0.0
Other Liabilities	7.4	6.3	5.4	5.4
<b>Total Non Current Liabilities</b>	<b>506.6</b>	<b>502.3</b>	<b>501.4</b>	<b>491.7</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>(6.2)</b>	<b>(4.9)</b>	<b>(6.1)</b>	<b>(2.8)</b>
<b>Financed by:</b>				
Public Dividend Capital	183.0	183.0	181.7	181.7
Income & Expenditure Reserve	(297.4)	(296.1)	(282.8)	(279.5)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	108.2	108.2	95.0	95.0
Merger Reserve	0.0	0.0	0.0	0.0
<b>TOTAL TAXPAYERS EQUITY</b>	<b>(6.2)</b>	<b>(4.9)</b>	<b>(6.1)</b>	<b>(2.8)</b>

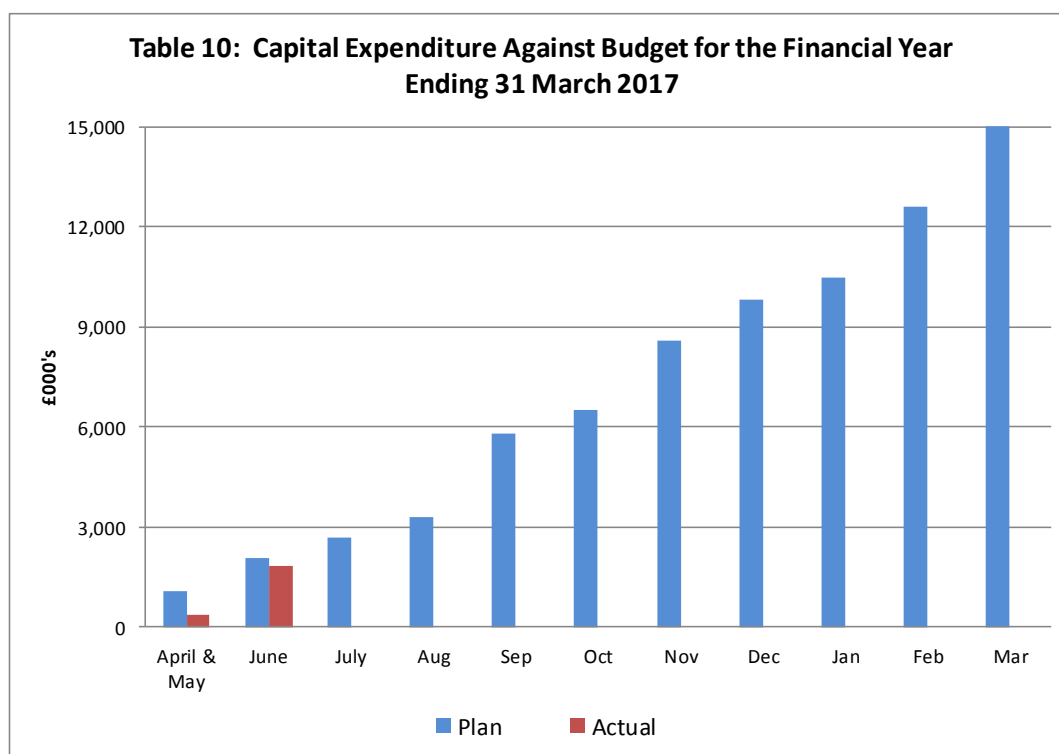
Note - may include rounding difference

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

The approved capital programme for 2016/17 is £15.0m. At the end of month 3, actual capital expenditure was £1.8m, compared to the planned £2.1m. Expenditure in June included PFI lifecycle payments £0.4m, £0.3m of replacement medical equipment, £0.3m for radiotherapy equipment, £0.3m of donated assets & continued work on the Clock Tower tank relining £0.1m. More detail on capital projects, funding and expenditure is attached as **Appendix A**.



## **Table 10 – Capital Expenditure against Plan**



## **7. Current Assets**

The Trust's total current assets (excluding cash and inventories) amounted to £55.3m as at 30 June 2016.

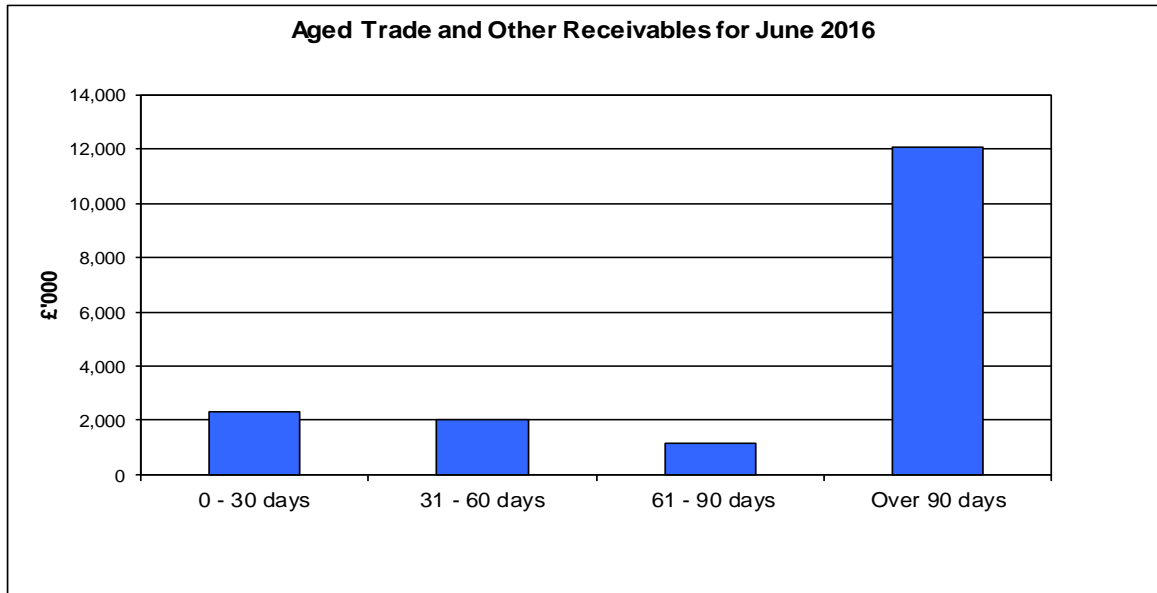
### **Table 11 – Analysis of Current Assets (excluding Inventories and Cash)**

	<b>Actual June 2016 £m</b>	<b>Forecast June 2016 £m</b>
Trade Receivables	17.5	30.1
Bad Debt Provision	-2.6	-2.4
Other Receivables	17.6	18.7
<b>Trade and Other Receivables</b>	<b>32.5</b>	<b>46.4</b>
Accrued Income	6.7	4.9
<b>Other Financial Assets</b>	<b>6.7</b>	<b>4.9</b>
Prepayments	16.1	13.2
<b>Other Current Assets</b>	<b>16.1</b>	<b>13.2</b>
<b>TOTAL</b>	<b>55.3</b>	<b>64.5</b>

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 30 June, the over 90 day debt amounted to £12.2m, this increase includes a number of healthcare activity over performance invoices for 2015-16 which have yet to be settled by commissioners. £4.1m of the total is due from NHS commissioners including £3.0m outstanding from NHS England and the balance from other local NHS commissioners. A further £5.0m relates to unpaid invoices for Service Level

Agreements for services provided to other NHS providers. This includes Royal Centre of Defence (£1.6m) Birmingham Women’s Hospital (£0.9m), Heart of England FT (£0.7m), Birmingham Children’s Hospital (£0.3m) and Walsall NHS Trust (£0.3m). The £3.1m balance includes income owed to the Trust by non-NHS debtors including local authorities (£1.0m), universities, private sector organisations and individuals (e.g. overseas and private patients).

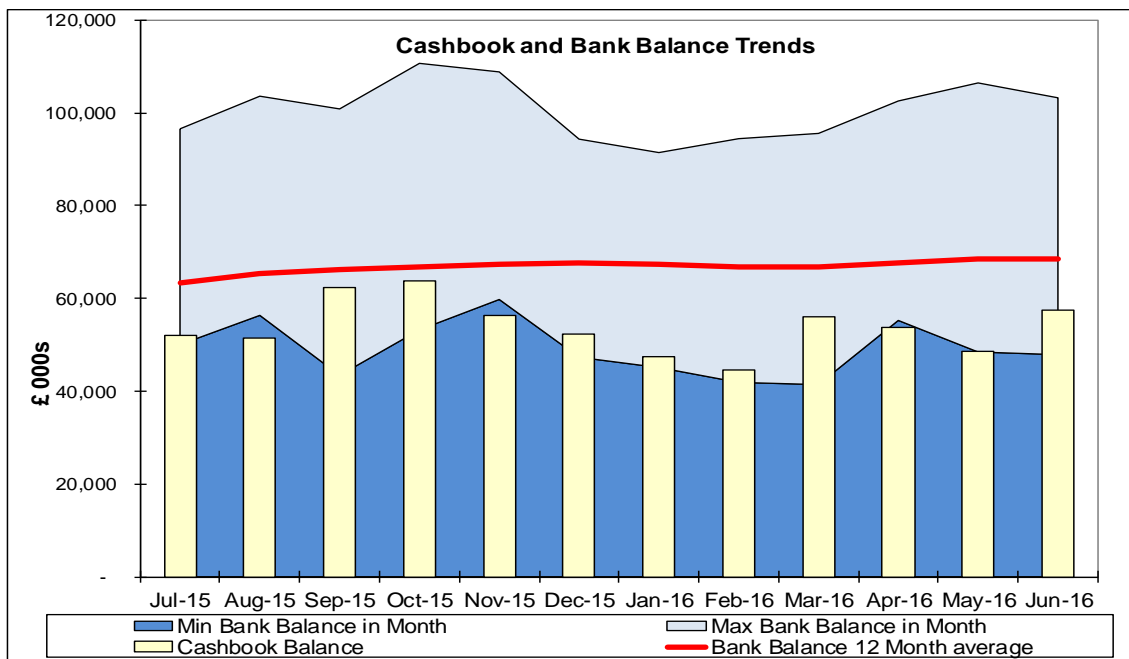
**Table 12 – Aged Debt Analysis – to review**



**8. Cash Flow**

Table 13 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 £57.4m which is £11.3m above plan.

**Table 13 – Cash Flow**



## 9. Sustainability & Transformation Funding

The Trusts 2016/17 financial plan includes £16.7m STF income, and the guidance setting out how this income is released to providers has recently been published. It sets out that the income will be released to providers via its lead commissioner as a “pass-through” payment once a quarterly review has been completed by NHSI. Access to the STF income is on the following conditions:

- Achievement of financial control total, this is a “binary” control e.g. providers are either meeting the control total or not. There are no tolerances around the financial control total, i.e. a small adverse financial variance prevents the Trust from accessing the STF income for the quarter.
- Achievement of performance against agreed trajectories (RTT, cancer, A&E).

Achievement of the financial control total is weighted at 70% whilst achievement of the performance trajectories is weighted at 30%. Some tolerances on the delivery of agreed performance trajectories are allowed later in the year. For Quarter 1, the 30% performance funding is released if agreed trajectories are in place.

Based on the financial performance contained in this report and having signed off performance trajectories included in the Trusts Annual Plan Return (APR), the Trust should receive its full allocation for Quarter 1 STF income (£4.1m). Therefore, invoices will be raised to the lead commissioner in July with payment expected late August or early September.

## 10. Conclusion and Recommendations

The Trust is reporting a surplus of £1.311m for the first quarter of the 2016/17 financial year. This represents a slight positive variance of £0.011m against the planned surplus of £1.300m. This performance assumes full receipt of CQUIN and sustainability funding contained in the Trust 2016/17 financial plan.

Continued focus needs to be given to the delivery of the agreed 2016/17 CIP targets, historic CIP shortfalls and reduction of agency and locum expenditure across the Trust. A reduction to the monthly operational run rate is required to ensure the Trust remains on track to deliver the agreed financial plans.

The Board of Directors is requested to;

- Receive the contents of this report and
- Approve that the figures contained in this report are used as the basis for the monthly financial submission to NHS Improvement.

Mike Sexton  
Chief Financial Officer  
18<sup>th</sup> July 2016

## Appendix A – 2016/17 Capital Expenditure Update

### 1. Purpose

This appendix provides a summary of capital expenditure in the 2016/17 financial year along with a short progress update on the major capital projects. An overview of the 2016/17 total capital investment, sources of financing and the impact of the Trust's cash balance is provided at the end of this document.

### 2. 2016/17 Capital Funding Summary

Actual capital expenditure at the end of quarter 1 was £1.83m as shown below compared to the approved £15.0m capital budget for the year:

**Table 1: Summary 2016/17 Capital Programme**

Project Description	2016/17 Budget £m	2016/17 Actual Expenditure £m
Brought forward schemes	0.00	0.46
Estates – 3 <sup>rd</sup> Floor ITM project	0.00	0.10
Estates - QE heritage & offsite buildings	1.50	0.00
Estates – QEHB works & lifecycle	3.30	0.48
Equipment - Rolling replacement	3.00	0.40
Equipment - Major equipment replacement	3.05	0.00
Equipment - Other inc. COO discretionary	2.25	0.04
IT Replacement & specific projects	1.40	0.03
External funded donated assets	0.50	0.32
<b>TOTAL</b>	<b>15.00</b>	<b>1.83</b>

Note - may contain rounding differences.

### 3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.10m has been incurred in 2016/17 on the early stages of refurbishment of the 3<sup>rd</sup> Floor ITM. The costs for the whole project will be funded by the University of Birmingham and European Funding (subject to award).
- QE Heritage building & offsite building refurbishment: No expenditure to date has been incurred on new projects, although work is ongoing on the Clock Tower tank relining project which began in 2015/16. Work will begin shortly on the replacement of lifts within Radiotherapy, at a cost of £0.14m.
- QEHB works and lifecycle: £0.48m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This expenditure also number of approved variation works (inc. commissioning of PET Centre & ICT infrastructure) along with lifecycle refurbishment across the building undertaken as part of the PFI contract.

- Equipment rolling replacement: A budget of £3.00m exists for the replacement of existing medical equipment across the Trust. Items prioritised for replacement by the medical engineering team include patient monitors, anaesthetic machines, surgical aspirators, ITU ventilators, ultrasound scanners and operating tables. The procurement and delivery of these items will take place on a phased basis throughout the financial year, with a total expenditure of £0.4m to date
- Major medical equipment: No expenditure has been incurred to date in relation to these projects. The funding includes £1.80m for the replacement of a Linear Accelerator and a further £1.25m for imaging equipment including a new CT scanner and associated works. Procurement of these replacement items is being led by the relevant service leads with specifications being finalised and quotes being obtained.
- Other equipment purchases: Expenditure of £0.04m has been incurred in quarter one on small value equipment purchases. Further expenditure is planned in year with business cases approved for the XIO treatment planning systems at a cost of £0.92m, scope replacement £0.40m and Gallium 68 equipment £0.36m.
- IT projects: £0.03m on small value IT replacement and modernisation items
- Donated Equipment: £0.32m of equipment and vehicles were awarded to the Trust in quarter one following successful bids to the QEHB charity during this period. Items included a mobile breast care trailer and mammography equipment to be installed within this trailer.

#### **4. Capitalised Payments and Sources of Funding**

In addition to the capital project expenditure outlined above, the Trust incurs two further capital payments which relate to the New Hospital. These are the capital repayment of the finance lease and the new hospital lifecycle payment. In 2016/17 these items total £13.28m as follows:

- £12.79 for the repayment of the finance lease creditor i.e. the annual repayment of the capital element of the PFI lease and
- £0.49m for new hospital lifecycle prepayments.

When added to the normal capital programme expenditure above, the Trusts total planned capital investment for 2016/17 is £28.3m as shown below;

**Table 2: 2016/17 Capital Expenditure & Sources of Funding**

<b>Capital Funding &amp; Expenditure</b>	<b>2016/17 Plan £m</b>	<b>QTR 1 Plan £m</b>	<b>QTR 1 Actual £m</b>
Capital Programme Expenditure	(15.0)	(2.1)	(1.8)
New Hospital Capital Payments	(13.3)	(4.0)	(3.6)
<b>Sub Total Capital Expenditure</b>	<b>(28.3)</b>	<b>(6.1)</b>	<b>(5.4)</b>

Note - may contain rounding differences.

This capital investment has been funded from the following sources;

- £20.50m Trust depreciation
- £0.50m External funding (QEHB Charity)
- £12.25m Capital disposal proceeds (Selly Oak site)

To maintain the Trust's overall cash balances, capital investment should be broadly balanced by the sources of funding. In 2016/17 the sources of funding total £33.25m including the Selly Oak receipts which are effectively being partially reinvested by the Trust into new capital assets.