

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
COUNCIL OF GOVERNORS MEETING
THURSDAY 17 NOVEMBER 2016**

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2016
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Acting Deputy Director of Finance, ext. 17374

Purpose:	To present an update the Council of Governors by providing a copy of the Board of Directors report covering the Trusts financial and activity performance up to the end of Quarter 2.
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	<p>In September the Trust recorded a surplus of £0.758m, this was (£0.142m) below the planned monthly surplus of £0.900m. The cumulative financial position at the end of September is a surplus of £3.360m which is £0.060m above the planned £3.300m surplus for the year to date.</p> <p>This position includes a (£13.148m) year to date overspend across Operational Divisions which is offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.</p> <p>Continued focus on the operational monthly run rate is required along with renewed work to deliver on CIP projects and continued reduction of agency expenditure.</p>
Recommendations:	The Council of Governors is asked to receive the contents of this report.

Signed: Mike Sexton	Date: 21 October 2016
----------------------------	------------------------------

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 27 OCTOBER 2016

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2016

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first six months of the 2016/17 financial year (1 April to 30 September). 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. To achieve the £4.6m control total, the Trust was allocated up to £16.700m of the Sustainability and Transformation Funding (STF) in 2016/17. The release of this income is subject to the Trusts in year financial performance and delivery against agreed activity trajectories.

As at the end of Month 6, the Trust is reporting a surplus of £3.360m, this is £0.060m above the £3.300m planned year to date surplus. This financial position includes a (£13.148m) 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 76% plus additional pressures against historic CIP targets.

To date, these operational cost pressures have been offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves. Continued improvement to the monthly run rate needs to be delivered to ensure the Trust achieves the agreed financial control total required to secure STF income.

Based on the Trusts financial performance year to date, the Trust expects to achieve a Financial Sustainability Risk Rating (FSRR) of 2, in line with plan. Despite having a cash balance of £61.5m, the Trust receives the lowest score of 1 for the liquidity ratio due to the inclusion of future PFI liabilities.

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

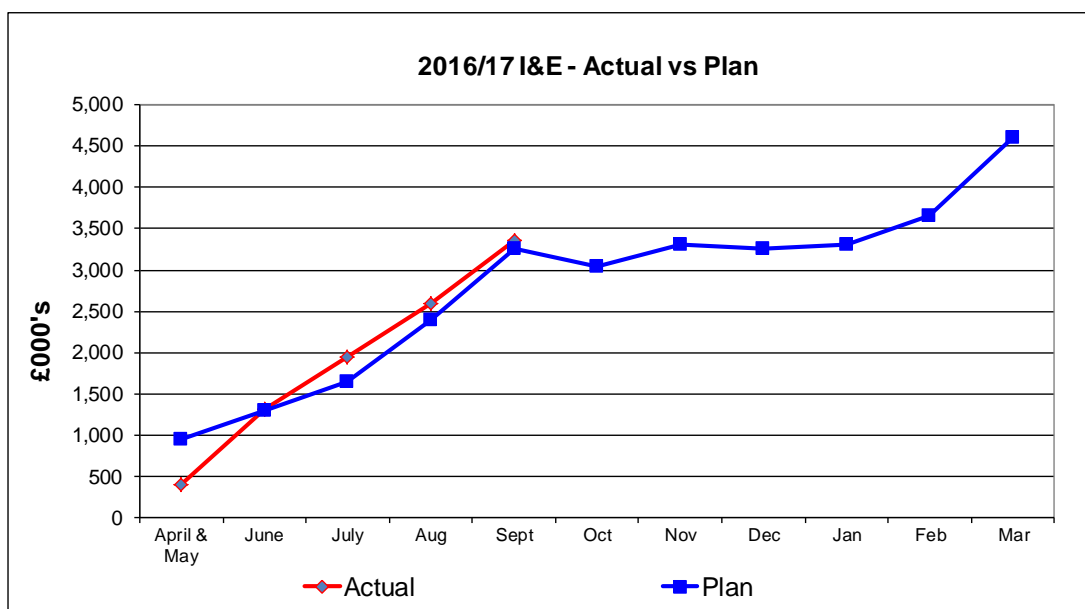


Table 2 below summarises the Trust's income & expenditure position at the end of September. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Sep £m	Actual Sep £m	Variance £m
Operating Revenue	390.1	397.8	7.7
Operating Expenses	(366.3)	(373.7)	(7.4)
EBITDA	23.8	24.1	0.3
Depreciation	(10.5)	(10.3)	0.2
Interest Receivable	0.2	0.1	(0.1)
Interest Payable	(8.0)	(8.2)	(0.2)
Contingent Rental	(2.9)	(2.9)	0.0
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	2.6	2.8	0.2
Donated Asset Revenue	0.3	0.5	0.2
Profit / (Loss) on Asset Disposal	0.4	0.1	(0.3)
Retained (Deficit) / Surplus	3.3	3.4	0.1

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is £7.7m above plan at the end of Month 6, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Sep £m	Actual Sep £m	Variance £m
Clinical - NHS	323.3	328.9	5.6
Clinical - Non NHS	12.6	13.2	0.6
Other	54.2	55.7	1.5
TOTAL	390.1	397.8	7.7

Note - may include rounding differences

NHS clinical revenues are £5.6m 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 £0.6m above plan which includes overseas and private patient invoices. Other income is £1.5m above plan due to additional education, 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 five months of 2016/17. Overall inpatient activity was in line with plan in month 5 (August), the recent trend continues with elective activity below plan offset by higher than planned emergencies.

Table 4.1 – Trust Inpatient Activity

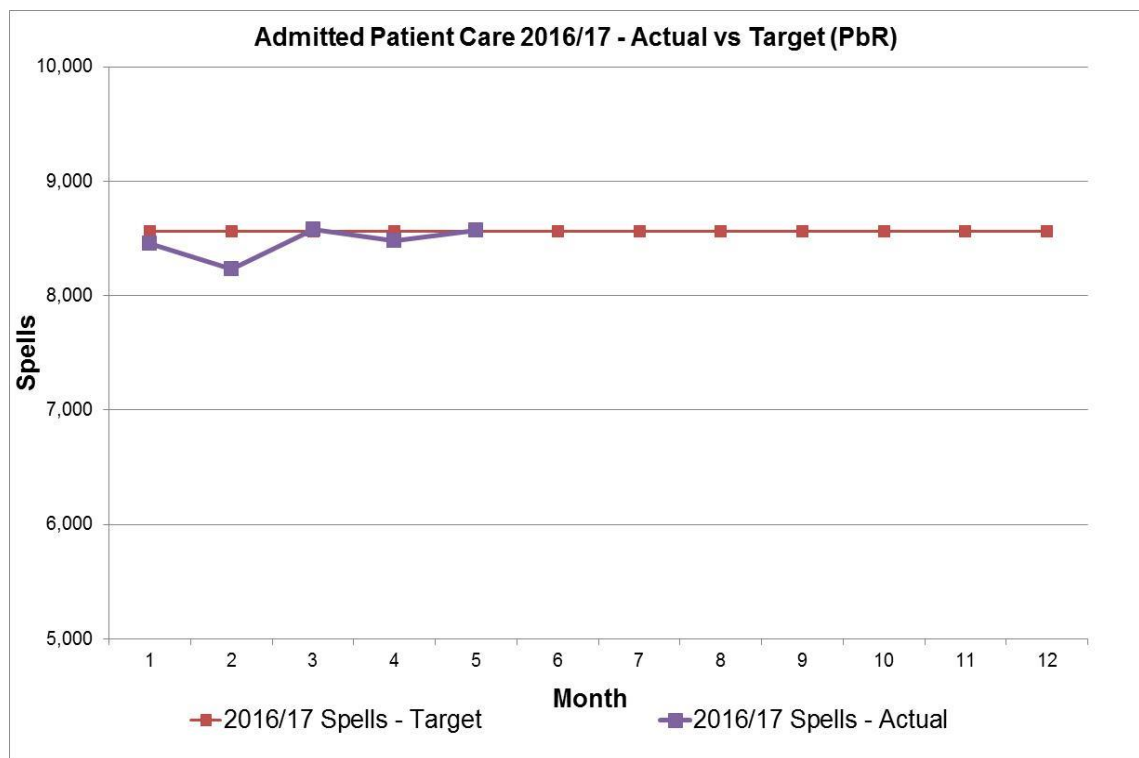


Table 4.2 shows the combined outpatient activity is in line with plan for the first five months of 2016/17 (April – August) across all categories.

Table 4.2 – Trust Outpatient Activity

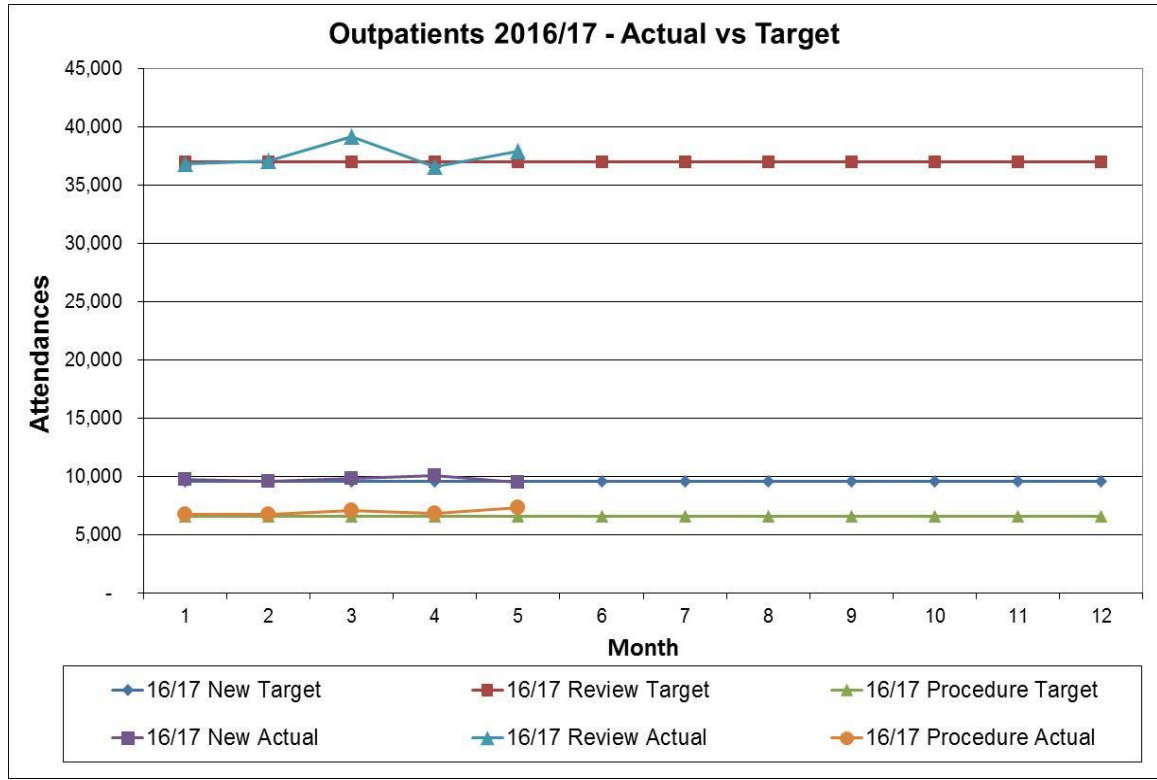


Table 5 below shows the income variance by division and point of delivery at the end of Month 5 (April-August). To date, healthcare income (excluding block contracts and cost per case drugs and devices) is (£1.8m) below plan, this includes assumed contract adjustments for marginal rates, readmissions, potential fines and penalties. It also includes the impact of reduced STF income relating to not hitting the A&E trajectory in Quarter 2, this equates to a loss of £0.522 which is reflected in the year to date financial position. As in previous years, other income under and over performance will be monitored but not reflected in the financial position until agreed with commissioners and regulators.

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	-13	-2,053	1,173	86	-807
Outpatient	51	218	112	638	1,019
Other	3	-333	-903	-784	-2,018
Total	41	-2,169	381	-60	-1,806

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual

expenditure being (£7.4m) above the budgeted expenditure of £366.3m for the year to date.

Table 6 – Year to Date Expenditure against Plan

	Budget Sep £m	Actual Sep £m	Variance £m
PAY			
Medical Staff	60.2	65.5	(5.3)
Nursing	69.6	70.9	(1.3)
Scientific & Technical	25.8	25.7	0.1
SMP / A&C	31.1	30.4	0.7
Other	7.2	7.4	(0.2)
Pay Reserves	6.2	0.0	6.2
Total Pay	200.1	199.9	0.2
NON PAY			
Drugs	61.2	63.3	(2.1)
Clinical Supplies & Services	46.4	47.5	(1.1)
Other / Non-Pay Reserves	58.6	63.0	(4.4)
Total Non Pay	166.2	173.8	(7.6)
GRAND TOTAL	366.3	373.7	(7.4)

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 6, efficiency savings of £6.9m had been delivered which is equivalent to 76% of the £9.1m year to date target.

Table 7 –Cost Improvement Delivery

	YTD Target (£000)	YTD Actual (£000)	YTD Variance (£000)
Division A	2,499	1,495	(1,004)
Division B	1,859	1,154	(705)
Division C	1,745	1,539	(206)
Division D	2,123	1,850	(273)
Corp/ NHP/ Central Ops	873	856	(17)
Total	9,099	6,894	(2,205)

CIP delivery within operational divisions continues to be reviewed in regular Chief Operating Officer meetings and reported to Board on a monthly basis. Based on previous financial years, CIP delivery improves month on month during the year. The Trust profiles savings equally across the year despite some savings schemes starting later in the financial year. Work needs to continue to address the CIP gap and ensure further schemes are quantified

and agreed to improve overall delivery. The full year forecast is to achieve £16.2m of cost improvement programmes, which is equivalent to 89% of the full year target.

4. Divisional Analysis

An adverse variance of (£13.148m) is being reported across operational divisions in the first six months of 2016/17, this equates to a monthly “run rate” of (£2.191m). As Table 8 below shows, this includes the loss of Quarter 2 STF income (£0.522m) relating to not achieving the A&E 4 hour wait trajectory. Overall, the Trust remains on track to hit the agreed control total as it is assumed that this income is earned back later in the year via an appeal to NHS Improvement or that a revised (lower) control total is issued to the Trust.

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	203	(3,861)	(3,658)
Division B	1,480	(4,369)	(2,889)
Division C	(311)	(3,655)	(3,966)
Division D	444	(3,803)	(3,359)
Division E	95	1,151	1,246
Sub - Total	1,911	(14,537)	(12,626)
Healthcare Income	(522)	0	(522)
TOTAL	1,389	(14,537)	(13,148)

Note - may include rounding differences

The aggregate divisional overspend in September was (£2.085m). Within this (£0.785m) was attributable to medical staffing. Senior medical staff (consultants) accounted for (£0.395m) 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 September included Anaesthetics (£0.085m), CDU (£0.045m) Dermatology (£0.044m), and A&E (£0.043m). The balance of the medical overspend (£0.390m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest over spends were within Trauma (£0.082m) and A&E (£0.073m)

The monthly nursing (including Theatre ODPs) pay variance reduced to (£0.050m) in September, this includes specific overspends within Theatres (£0.116m) and Critical Care (£0.086m) caused by external agency shift usage which are partially offset by substantive nursing vacancies across wards and other clinical areas.

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 September 2016.

Table 9 – Statement of Financial Position

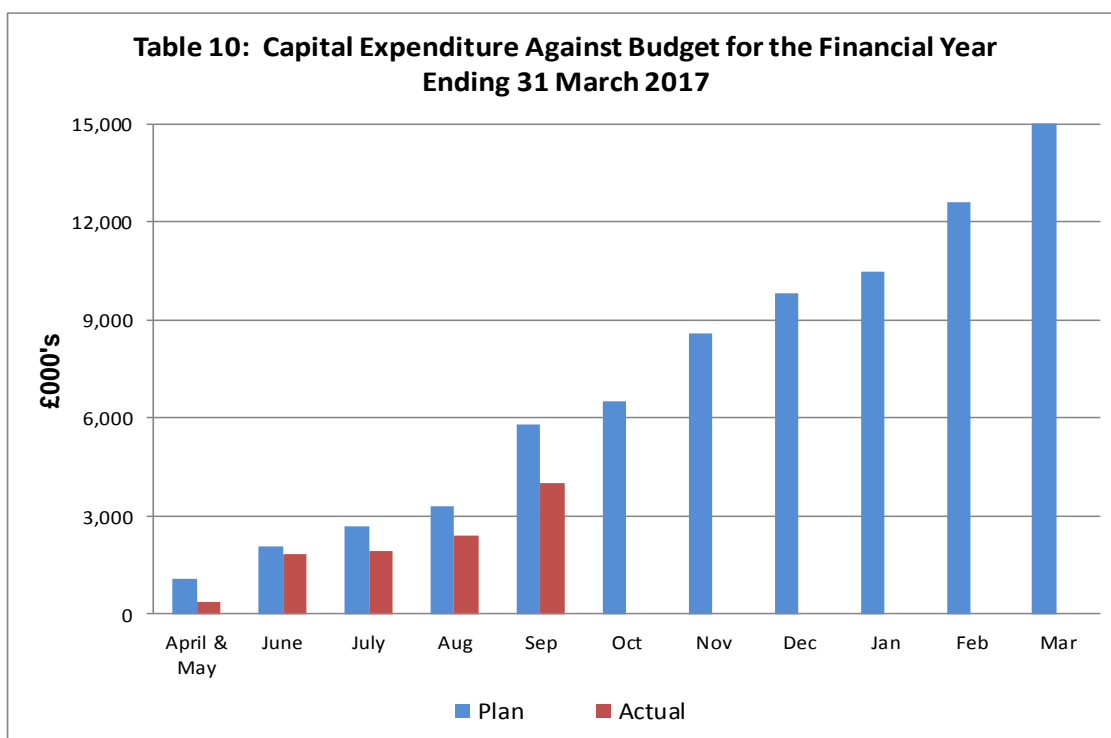
	Audited Mar 2016 £m	Actual Sep 2016 £m	YTD Plan Sep 2016 £m	Annual Plan Mar 2017 £m
Non Current Assets:				
Property, Plant and Equipment	503.4	497.2	499.2	497.7
Intangible Assets	0.7	0.6	0.8	0.8
Trade and Other Receivables	11.1	7.0	4.3	4.3
Other Assets	0.0	0.0	0.0	0.0
Total Non Current Assets	515.2	504.8	504.3	502.8
Current Assets:				
Inventories	15.7	17.5	15.8	15.8
Trade and Other Receivables	51.1	35.9	46.3	40.1
Other Financial Assets	0.2	3.7	4.9	4.9
Other Current Assets	10.2	16.4	13.4	13.7
Cash	59.2	61.5	51.6	51.5
Total Current Assets	136.4	135.0	131.9	126.0
Current Liabilities:				
Trade and Other Payables	113.6	103.5	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	8.3	7.5	7.5
Other Liabilities	16.7	19.4	18.7	16.4
Total Current Liabilities	151.2	144.7	142.1	139.8
Non Current Liabilities:				
Borrowings	496.7	490.4	490.4	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	5.1	5.4	5.4
Total Non Current Liabilities	506.6	497.9	498.2	491.7
TOTAL ASSETS EMPLOYED	(6.2)	(2.8)	(4.1)	(2.8)
Financed by:				
Public Dividend Capital	183.0	183.0	181.7	181.7
Income & Expenditure Reserve	(297.4)	(294.0)	(280.9)	(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
TOTAL TAXPAYERS EQUITY	(6.2)	(2.8)	(4.1)	(2.8)

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 6, actual capital expenditure was £4.0m, compared to the planned £5.8m. Expenditure in September totalled £1.6m which included PFI lifecycle payments, estates projects and replacement medical equipment. A detailed breakdown of this expenditure and an update regarding the major capital projects is included in Appendix A.

Table 10 – Capital Expenditure against Plan



7. Current Assets

The Trust's total current assets (excluding cash and inventories) amounted to £56.0m at 30 September 2016.

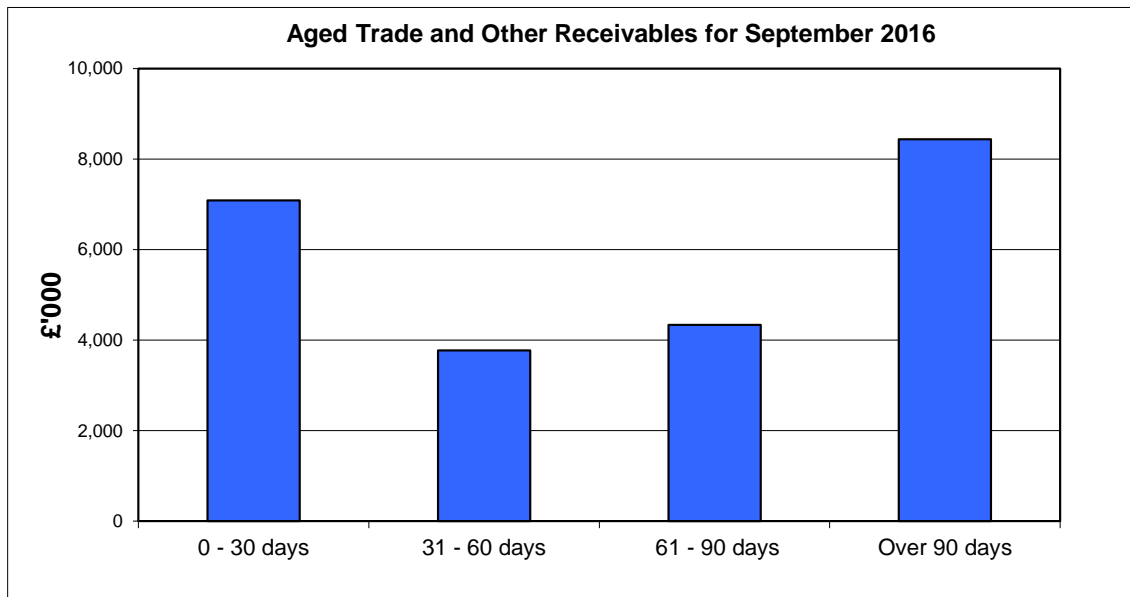
Table 11 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual Sep 2016 £m	Forecast Sep 2016 £m
Trade Receivables	23.7	30.0
Bad Debt Provision	-3.0	-2.4
Other Receivables	15.2	18.7
Trade and Other Receivables	35.9	46.3
Accrued Income	3.7	4.9
Other Financial Assets	3.7	4.9
Prepayments	16.4	13.4
Other Current Assets	16.4	13.4
TOTAL	56.0	64.6

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 30 September, the over 90 day debt amounted to £8.4m. £1.2m of the total is due from NHS commissioners including £0.3m outstanding from NHS England. A further £3.5m relates to unpaid invoices for Service Level Agreements for services provided to other NHS providers. This includes Birmingham Women's Hospital (£0.7m), Heart of England FT (£0.7m), Sandwell & West Birmingham FT (£0.6m) and Birmingham Children's Hospital (£0.4m). The balance includes income owed to

the Trust by non-NHS debtors including the local authorities (£1.2m), the Ministry of Defence, universities, private sector organisations and individuals (e.g. overseas and private patients).

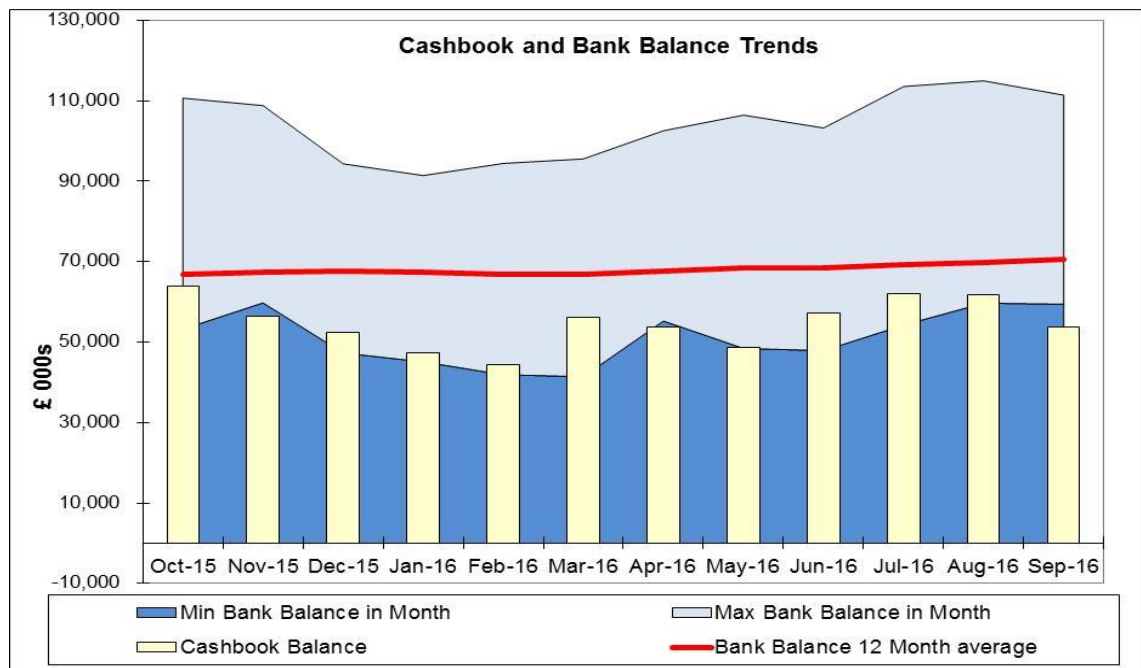
Table 12 – Aged Debt Analysis



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 September was £61.5m which is £9.9m above plan.

Table 13 – Cash Flow



9. Conclusion

The Trust is reporting a surplus of £3.360m for the first six months of the 2016/17 financial year. This represents a positive variance of £0.060m against the planned surplus of £3.300m. The year to date position includes a reduction of £0.522m in STF income relating to the non-achievement against A&E trajectories in Quarter 2, the Trust is still forecasting to meet the annual control total as the it is assumed this income is earned back later in the year following a successful appeal to NHS Improvement or that the Trust is issued with a lower control total as a result of the lost STF income.

Continued focus needs to be given to the delivery against 2016/17 CIP targets, addressing historic CIP shortfalls and developing plans to reduce agency and locum expenditure across the Trust.

Mike Sexton
Chief Financial Officer
17th October 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 2 was £4.03m 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 £m
Brought forward schemes	0.00	0.05
Estates – 3 rd Floor ITM project	0.00	0.18
Estates - QE heritage & offsite buildings	1.50	0.29
Estates – QEHB works & lifecycle	3.30	1.55
Equipment - Rolling replacement	3.00	0.75
Equipment - Major equipment replacement	3.05	0.35
Equipment - Other inc. COO discretionary	2.25	0.27
IT Replacement & specific projects	1.40	0.14
External funded donated assets	0.50	0.46
TOTAL	15.00	4.03

Note - may contain rounding differences.

3. Capital Programme Update

- Institute for Translational Medicine (ITM): £0.18m has been incurred in 2016/17 on the early stages of refurbishment of the 3rd Floor ITM. The costs for the whole project will be funded by the University of Birmingham and European funding (subject to award of the grant).
- QE Heritage building & offsite building refurbishment: Work has continued on the Clock Tower tank relining project and other lower value projects. Planned work around the Heritage building on lift replacements, fire alarms and external drainage will begin shortly.
- QEHB works and lifecycle: £1.55m has been incurred for lifecycle replacement and variation works undertaken in the QEHB by the PFI operator. This expenditure also includes number of approved variation works 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 £0.75m to date

- Major medical equipment: Expenditure to date of £0.26m includes payments for equipment linked to the purchase of PET CT scanner in 2015/16. The balance of 2016/17 funding includes £1.80m for the replacement of a Linear Accelerator due for delivery in February and a funding for a replacement CT scanner and associated works. Procurement of these has commenced with orders placed for both along with some smaller equipment including an ultrasound scanners and dosimetry equipment.
- Other equipment purchases: Expenditure of £0.27m has been incurred in the first six months which includes the purchase of a cortical stimulator and fluid warming cabinets. Further expenditure is planned in year with business cases approved for the XIO treatment planning systems, scope replacement and Gallium 68 equipment £0.36m.
- IT projects: £0.14m on small value IT replacement and modernisation items has been incurred to date; meetings are scheduled with the IT project managers to review the planned expenditure for the rest of 2016/17.
- Donated Equipment: £0.46m of equipment and vehicles were awarded to the Trust in the first six months of the year following successful bids to the QEHB charity. Items included a mobile breast care trailer and mammography equipment installed within the trailer and brain stimulation equipment received in September.

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

Capital Funding & Expenditure	2016/17 Plan £m	QTR 2 Plan £m	QTR 2 Actual £m
Capital Programme Expenditure	(15.0)	(5.5)	(4.0)
New Hospital Capital Payments	(13.3)	(6.5)	(6.5)
Sub Total Capital Expenditure	(28.3)	(12.0)	(10.5)

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 capital funding are higher than planned expenditure due in part to the gain from Selly Oak land sale receipts.