

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE COUNCIL OF GOVERNORS
THURSDAY 17 MAY 2018

Title:	FINANCE AND ACTIVITY REPORT TO 31 MARCH 2018 (MONTH 1-12) – QE
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Acting Deputy Director of Finance, ext. 17372

Purpose:	To present an update to the Council of Governors by providing a copy of the Board of Directors report on the March 2018 (Month 1-12 2017/18) financial and activity performance for the QE.
Confidentiality Level & Reason:	N/A
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health
Key Issues Summary:	<ul style="list-style-type: none"> • The QE segment of the Trust is reporting an unaudited 2017/18 surplus of £29.125m (before impairments and revaluations). • This is £10.751m above the planned surplus of £18.374m. • The positive variance includes the receipt of an additional £8.500m of 2017/18 Sustainability & Transformation Funding (STF) notified to the Trust in recent days. As the Trust has delivered the 2017/18 NHS Improvement control total it has been allocated additional bonus and incentive STF. • The remainder of the surplus relates to non-recurring gains or in year allocations such as winter funding. • This position includes lost Quarter 4 ED STF funding of (£1.800m) which the Trust will not receive as it is missing the relevant 4 hour wait targets. • The Trusts position includes a (£25.900m) overspend in Operational divisions; this has been offset by corporate functions, Trust subsidiaries and by Trust reserves. • As in previous years, at the end of 2017/18, the QE had an external valuation of land and building assets. This year, the QE used the same commercial company as HGS and they have identified reductions in asset values of (£21.900m). • Including these impairments, the Trust annual accounts will show a surplus of £7.225m. • All figures contained in this report are subject to the audit of the annual accounts.
Recommendations:	<p>The Council of Governors is requested to;</p> <ul style="list-style-type: none"> • Receive the contents of this report.

Signed: Mike Sexton	Date: 8 May 2018
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE COUNCIL OF GOVERNORS

THURSDAY 17 MAY 2018

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2018 - QE

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the unaudited financial performance for the QE segment of the Trust in the 2017/18 financial year (April 2017 to March 2018). A separate report has been provided for the HGS segment of the Trust for 2017/18 and future reports will be consolidated across the whole Trust. The report summarises the QE 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. The Trust continues to deliver against the NHSI control total, therefore internal reporting indicates the Trust will achieve a Use of Resources score of 1 (see section 9).

The Trust has reported a surplus of £29.125m at the end of March is £10.751m above plan. This positive variance is primarily due to;

- £8.5m of 2017/18 additional bonus and incentive STF notified to the Trust in recent days.
- £0.4m of 2016/17 STF income allocated to the Trust in year and
- £1.8m of winter funding provided to the Trust on the basis this improved the Trusts financial position.

This surplus includes the loss of Quarter 4 ED STF funding (£1.8m) which the Trust will not receive as it is missing the relevant 4 hour wait targets. This position includes a (£25.900m) overspend within operational divisions which has been offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.

This surplus excludes the impact of the annual asset revaluations. Each year, the Trust obtains external valuations of land and buildings from an external technical expert. This year, the QE has used the same private sector company as used by

HGS. This has identified some differing interpretations of asset values leading to some material reductions (impairments) in some valuations;

- (£21.9m) Impairment in Trust buildings (QEHB, Heritage and offsite buildings). This is reported in the Trusts Income & Expenditure (I&E) statement, thus reducing the Trust surplus.
- (£21.2m) revaluation impairment which reduces the Trust asset values in the Statement of Financial Position (Balance Sheet).

Both of these are accounting adjustments which have no impact on Trust cash balances will be subject to review by external auditors which has now begin. Once the impairments which impact on the Trusts 2017/18 Income and Expenditure statement are included, the Trust surplus reduces to £7.225m.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure performance compared to plan. The surplus has increased in month 12 to reflect the recent allocations of additional STF income.

Table 1 – Underlying I&E: Actual vs Plan

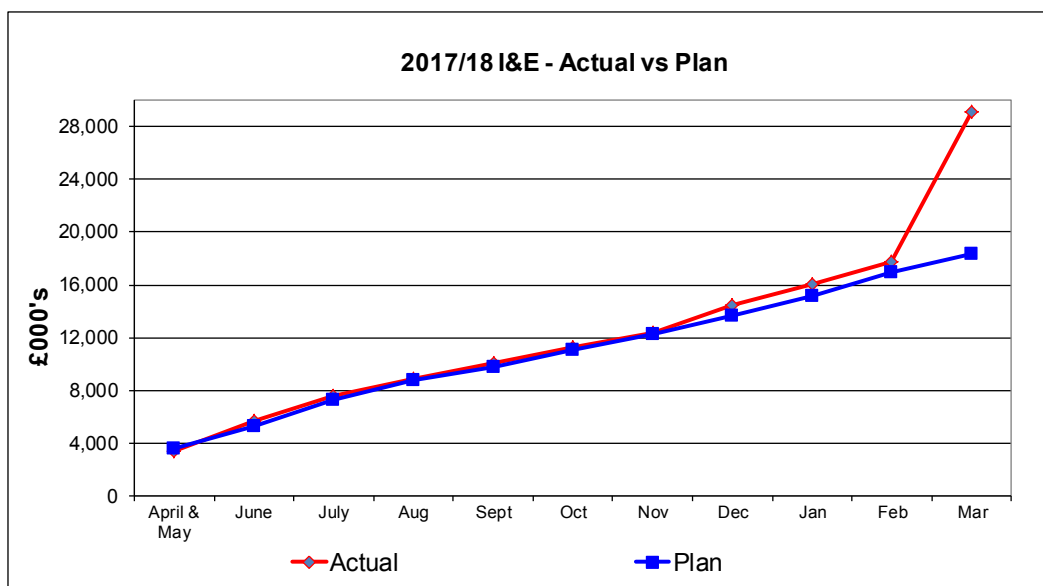


Table 2 below summarises the Trust's income & expenditure position at the end of March. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Mar-18 £m	Actual Mar-18 £m	Variance £m
Operating Revenue	796.8	852.0	55.2
Operating Expenses	(742.0)	(784.4)	(42.4)
EBITDA	54.8	67.6	12.8
Depreciation	(20.8)	(22.1)	(1.3)
Interest Receivable	0.2	0.2	0.0
Interest Payable	(15.6)	(15.8)	(0.2)
Contingent Rental	(6.7)	(6.8)	(0.1)
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	11.9	23.1	11.2
Donated Asset Revenue	6.6	6.0	(0.6)
Profit / (Loss) on Asset Disposal	0.0	0.0	0.0
Total Surplus / (Deficit)	18.5	29.1	10.6
Impairments on Property	0.0	(21.9)	(21.9)
Retained (Deficit) / Surplus	18.5	7.2	(11.3)

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue continues above plan. NHSI plans were submitted in 2016, before last year's outturn was known and before commissioner contracts and internal activity plans for 2017/18 were finalised. The income variance is matched by a similar level of expenditure variance.

Table 3 – Income against Plan

	Budget Mar-18 £m	Actual Mar-18 £m	Variance £m
Clinical - NHS	662.1	702.4	40.3
Clinical - Non NHS	9.4	11.2	1.8
Other	125.3	138.4	13.1
TOTAL	796.8	852.0	55.2

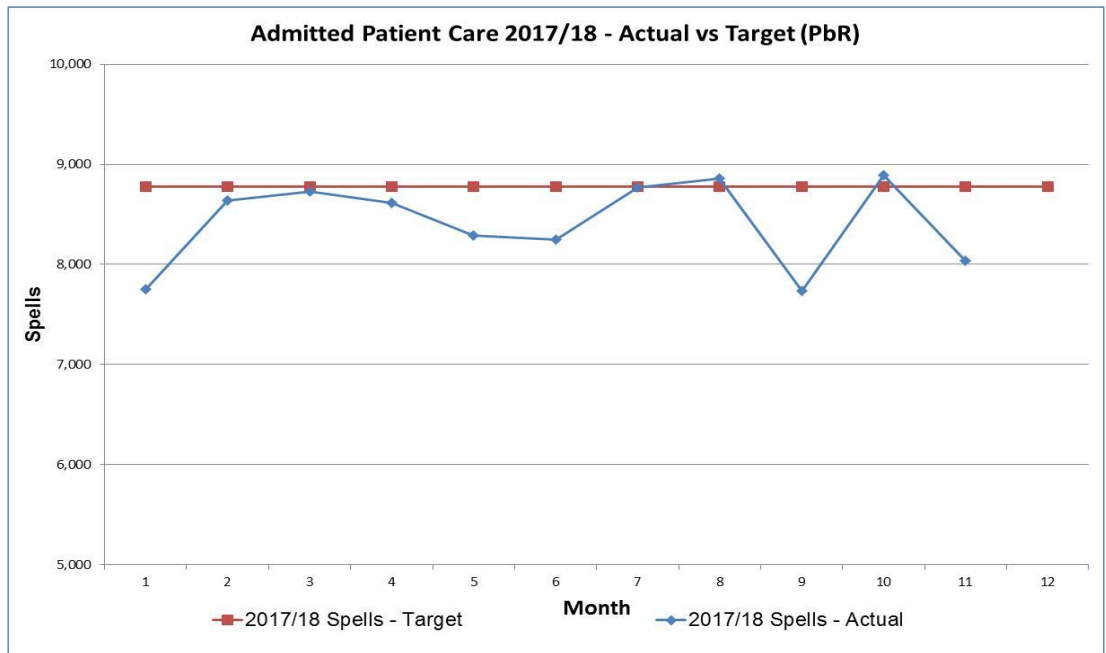
Note - may include rounding differences

The additional NHS income includes high cost drugs and devices excluded from tariff and specific cost per case treatments approved by commissioners during the year. Non NHS clinical revenues are £1.8m above plan due to increases in direct invoicing for treatments to overseas patients. Other income is £13.1m above plan, this includes additional education & training, research & development and income from services provided to other organisations such as lab tests and payroll services. This also includes the additional £8.5m of STF allocated to the Trust late in 2017/18.

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 2017/18 (April – February).

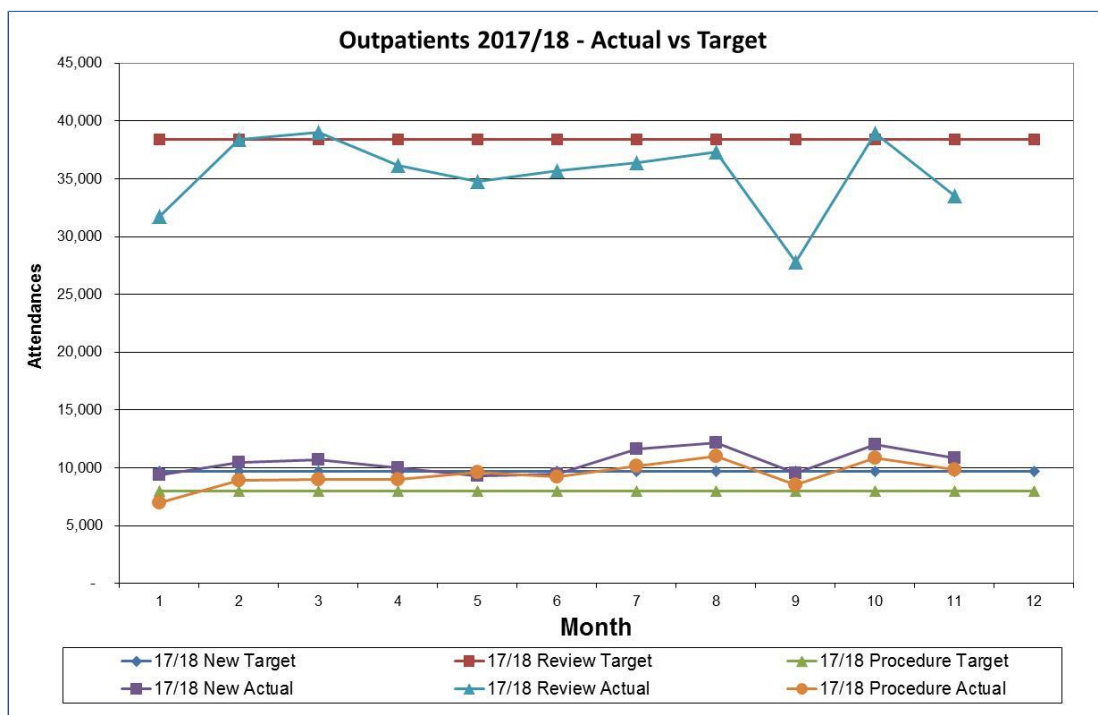
Table 4.1 – Trust Inpatient Activity



In February, inpatient activity remained below plan, partly reflecting the shorter working month. In the month, non-elective activity was in line with plan whilst elective procedures were 8% lower than last year and 14% lower than plan. Year to date, in patient activity levels are similar to those delivered in 2016/17, with non-elective inpatient activity increasing resulting in pressures on elective activity.

Table 4.2 below shows outpatient activity reducing in February, partly due to the shorter month. Year to date, total outpatient activity is above that delivered last financial year but below the 2017/18 plan. New attendances and outpatient procedure activity is above plan but follow ups remain below.

Table 4.2 – Trust Outpatient Activity



The Trust continues to see a shortfall in healthcare activity related income compared to plan. Seasonal factors including adverse weather between December to February and operational pressures continue to impact on healthcare income (excluding cost per case and high cost drugs & devices). Between April and February, the healthcare income under recovery was (£7.7m). This includes provisions for contract adjustments, commissioner challenges, marginal rate adjustments, fines and penalties where these could be levied. As in previous years, this variance is not reflected in the financial ledger as historically, income improves in March and non-recurring reserves have been identified to cover the remaining shortfall.

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£42.4m) above the planned £742.0m expenditure year to date.

Table 6 – Year to Date Expenditure against Plan

	Budget Mar-18 £m	Actual Mar-18 £m	Variance £m
PAY			
Medical Staff	129.7	139.6	(9.9)
Nursing	147.0	149.5	(2.5)
Scientific & Technical	55.0	55.3	(0.3)
SMP / A&C	65.5	64.0	1.5
Other	15.3	15.6	(0.3)
Pay Reserves	(6.1)	0.0	(6.1)
Total Pay	406.4	424.0	(17.6)
NON PAY			
Drugs	124.2	138.5	(14.3)
Clinical Supplies & Services	89.2	105.7	(16.5)
Other / Non-Pay Reserves	122.2	116.2	6.0
Total Non Pay	335.6	360.4	(24.8)
GRAND TOTAL	742.0	784.4	(42.4)

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 12, efficiency savings of £16.3m had been delivered which is equivalent to 91% of the annual target as follows;

Table 7 –Cost Improvement Delivery

	YTD Target (£m)	YTD Actual (£m)	YTD Variance (£m)
Division A	4.5	3.2	(1.4)
Division B	3.6	3.2	(0.4)
Division C	3.4	3.7	0.3
Division D	4.0	3.9	(0.1)
Corporate	2.5	2.4	(0.1)
Total	18.0	16.3	(1.7)

Note - may include rounding differences

CIP delivery within operational divisions continues to be reviewed at monthly Financial Improvement Group meetings with the Chief Operating Officer. As in previous years, CIP delivery has improved in the later months of the financial year.

4. Divisional Analysis

An adverse variance of (£25.900m) has been reported across operational divisions for 2017/18, this equates to a monthly average “run rate” of (£2.158m).

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	Total £'000
Division A	2,583	(9,990)	(7,407)
Division B	3,535	(4,486)	(951)
Division C	(289)	(7,192)	(7,481)
Division D	877	(5,281)	(4,404)
Division E	3,133	(8,790)	(5,657)
Sub - Total	9,839	(35,739)	(25,900)

Note - may include rounding differences

The aggregate divisional overspend in March was (£1.169m), this is lower than the year to date run rate, partly due to year end releases of non-recurrent budgets. Of the monthly variance, (£0.652m) was attributable to Medical staffing; with (£0.553m) relating to senior medical (Consultants). This includes locum cover for vacancies and sickness, unfunded consultant posts and payments for additional sessions and waiting list initiatives. Specific senior medical speciality overspends in March included Anaesthetics (£98k), Trauma (£57k), A&E (£54k) and General Medicine (£47k).

The monthly junior medical staff variance was lower in March at (£0.098m); this reflects additional funding released by Health Education England for NIHR posts across a range of specialties including General Surgery and Medicine. Departments which overspent on junior medical staff in March included A&E (£153k), Anaesthetics (£103k) and Trauma (£53k).

Nursing pay was overspent in the March due to a significant increase in bank

shifts worked and enhancements paid in the month for Bank Holidays. Other expenditure pressures in the month included slippage against in-year and historic CIP targets. These cost pressures were partially offset by increased Laboratory service income and a recovery in RTA (Road Traffic Accident) income.

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 March 2018.

Table 9 – Statement of Financial Position

	Audited Mar 2017 £m	Actual Mar 2018 £m	Annual Plan Mar 2018 £m
Non Current Assets:			
Property, Plant and Equipment	517.3	472.1	493.6
Intangible Assets	2.2	5.3	0.8
Other Investments / Financial Assets	0.0	0.0	0.0
Trade and Other Receivables	4.6	4.9	7.1
Other Assets	0.1	0.1	0.0
Total Non Current Assets	524.2	482.4	501.4
Current Assets:			
Inventories	15.0	19.0	15.1
Trade and Other Receivables	71.9	92.7	53.3
Cash	70.8	85.5	77.5
Total Current Assets	157.7	197.2	145.9
Current Liabilities:			
Trade and Other Payables	127.5	139.2	117.2
Borrowings	12.3	12.1	12.3
Provisions	0.7	1.2	0.8
Other Liabilities	20.3	25.7	19.4
Total Current Liabilities	160.8	178.2	149.6
Non Current Liabilities:			
Borrowings	484.5	472.3	472.2
Provisions	3.1	3.0	2.4
Other Liabilities	5.1	4.5	1.9
Total Non Current Liabilities	492.7	479.8	476.4
TOTAL ASSETS EMPLOYED	28.5	21.6	21.2
Financed by:			
Public Dividend Capital	186.2	193.3	187.3
Income & Expenditure Reserve	(272.7)	(265.5)	(274.3)
Donated Asset Reserve	0.0	0.0	0.0
Revaluation Reserve	115.0	93.7	108.2
Merger Reserve	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	28.5	21.5	21.2

Note - may include rounding differences

6. Capital Expenditure (Non-Current Assets)

The Trust's capital budget for 2017/18 was £19.8m, actual capital expenditure in the year totalled £22.7m. The additional expenditure relates to central Public Dividend Capital (PDC) funding which was allocated to the Trust towards the end of the financial year including;

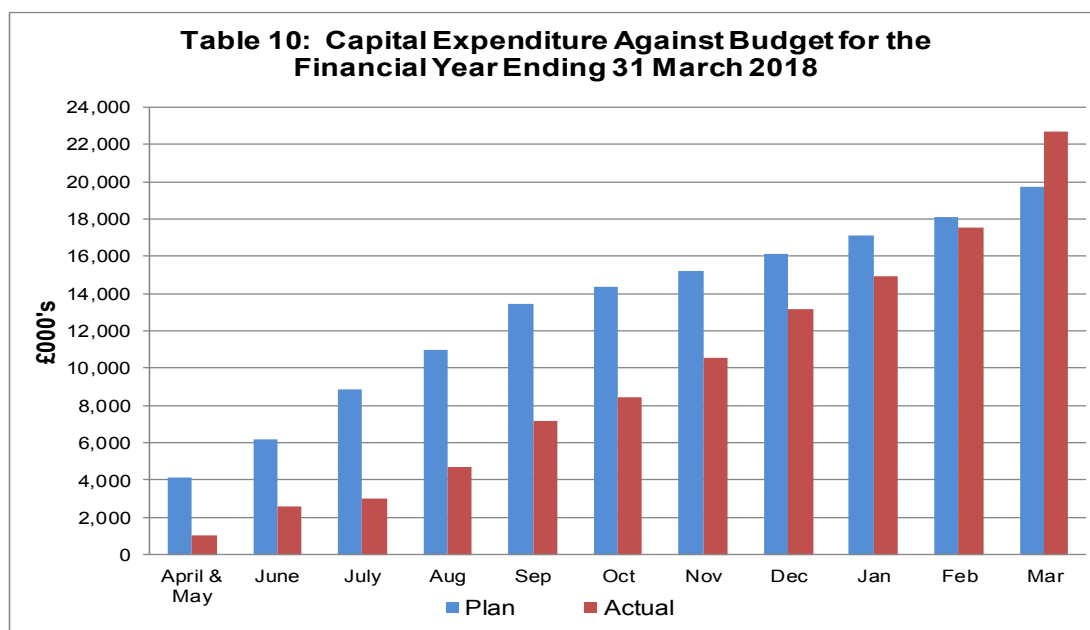
- £1.2m ICT Cyber Security.

- £1.0m ICT Global Digital Exemplar (original plan included £2.5m for 2017/18 but the final value was agreed at £3.5m)

Capital expenditure incurred in March totalled £5.2m, this included;

- £1.2m on ICT Cybersecurity.
- £1.7m on ICT replacement infrastructure and GDE projects.
- £0.7m on replacement medical equipment including operating tables, telemetry, laboratory tissue processor and neuro equipment.
- £0.8m for lifecycle and variation works in QEHB and heritage buildings.
- £0.6m for pharmacy robots in the warehouse and
- £0.2m of donated equipment from the QEHB Charity.

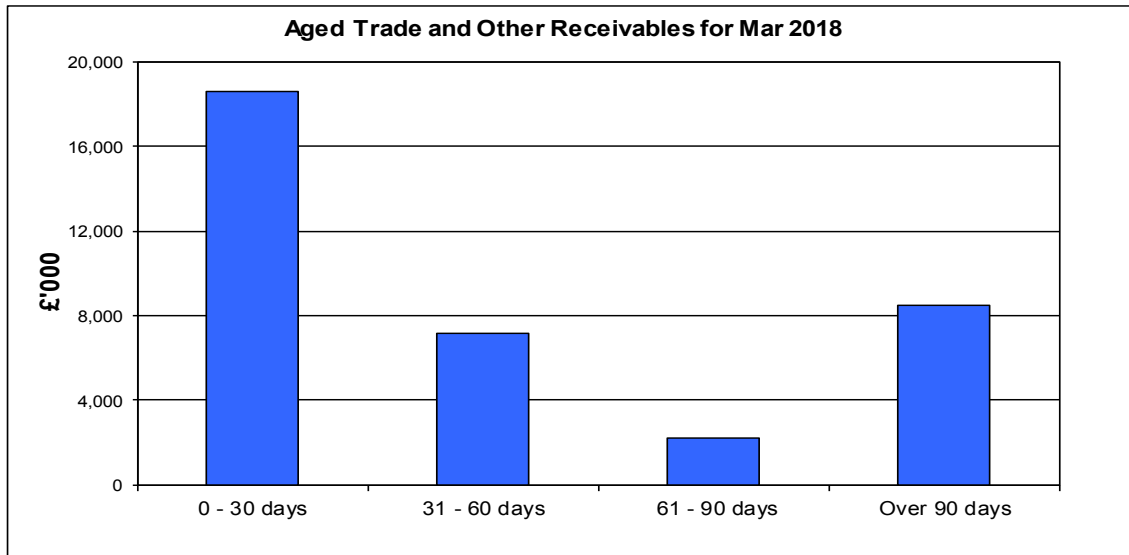
Table 10 – Capital Expenditure against Plan



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 March 2018, over 90 day debt totalled £8.5m which is an improvement on last month's outstanding balance. There are no major balances outstanding from NHS commissioners, although £5.1m relates to services delivered to other NHS providers. This includes a balance due from Heart of England FT of £2.1m which is being cleared in April following the merger decision. Other local Trusts with outstanding balances include Birmingham Women's & Children's FT (£0.8m) and Sandwell & West Birmingham NHS Trust (£0.7m). The balance includes amounts owed to the Trust by non-NHS debtors such as the Ministry of Defence (£0.4m), local authorities (public health sexual health services), universities, private sector organisations and individuals including overseas and private patients.

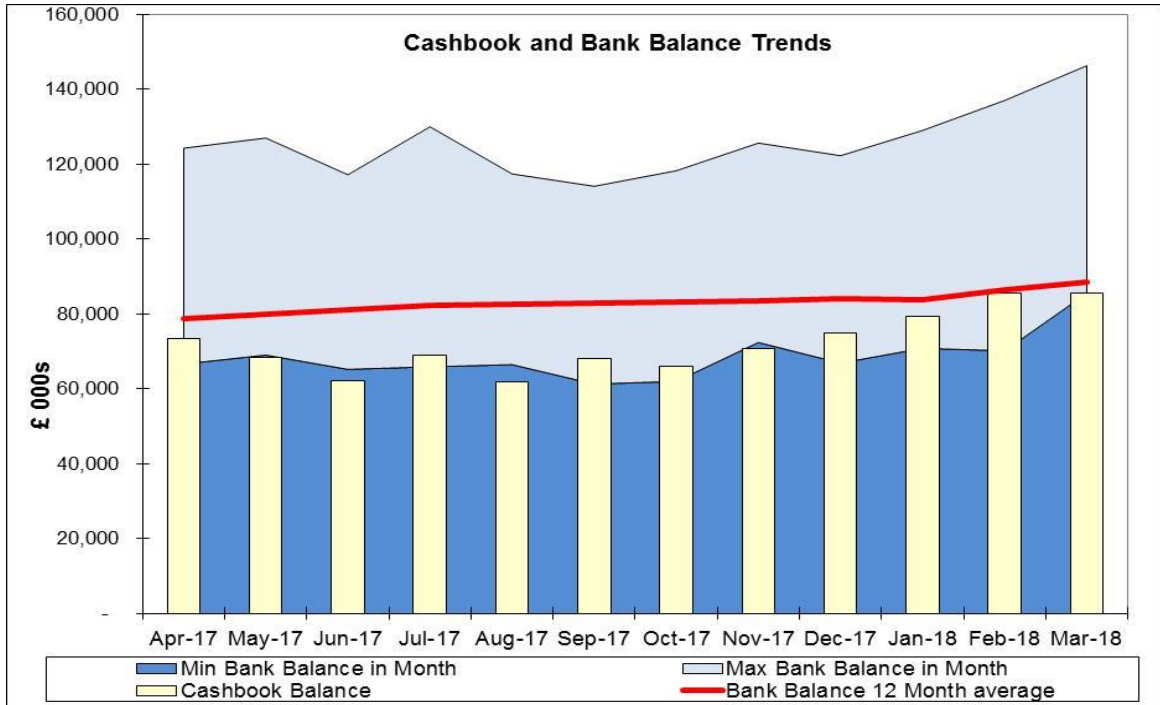
Table 11 – Aged Debt Analysis



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 end of March was £85.5m which was £8.0m above plan.

Table 12 – Cash Flow – update



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). During 2017/18, the Trusts UoR score has been 2; this has improved in March (as a result of the higher cash balances) to the highest (best) rating of 1 as follows:

Table 13 – Use of Resources Score

Metric	Score	Definition
Capital Service Cover	2	Can the provider's income cover its longer term financial obligations
Liquidity	2	Cash held to cover operating costs
I&E Margin	1	I&E surplus or (Deficit) as a proportion of Total Income
Distance From Plan	1	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	1	

Use of Resources is one factor 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

Based on the most recent provider segmentation data published by NHSI, the QE continues to be placed 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	YTD Actual	YTD Variance
	£m	£m	£m
Trust Surplus / (Deficit) (inc. Impairments)	18.4	7.2	-11.2
Remove: Impairments	0.0	21.9	21.9
Surplus / (Deficit) exc. Impairments	18.4	29.1	10.7
Less: Capital Grants & Donations	-5.4	-4.4	1.0
Control Total Surplus / (Deficit)	13.0	24.7	11.7
Remove: 2017/18 STF Income	-16.9	-25.8	-8.9
Adjusted Surplus / Deficit) Exc. STF	-3.9	-1.1	2.8
Performance Against Control Total Exc. STF			2.8

Note - may include rounding differences

This shows the QE segment of the Trust is reporting a financial surplus £2.8m above the NHSI control total. This is primarily due to unplanned allocations in year including winter money and 2016/17 STF income.

9.3 Sustainability and Transformation Funding (STF) Income

The Trust has recently been notified of £10.3m of additional STF financial incentive, general and bonus allocations, along with the loss of Quarter 4 ED STF funding (£1.8m). This gives a net increase in STF funding of £8.5m and takes the Trusts total STF allocation up to £25.8m for 2017/18.

10. Conclusion & Recommendation

The QE segment of Trust is reporting an unaudited 2017/18 financial surplus of £29.1m (before impairments). This is £10.8m above the planned £18.4m surplus, primarily due to the £8.5m of additional STF allocated to the Trust along with the one-off winter funding.

When the (£21.9m) impairments which impact on the Trusts Income & Expenditure statement are included, the Trust is reporting an annual surplus of £7.2m for 2017/18.

All figures in this report are consistent with the draft annual accounts and submissions to NHSI, but are subject to the completion of the external audit of the annual accounts.

The Board of Directors is requested to;

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
8 May 2018