

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST**  
**REPORT TO THE COUNCIL OF GOVERNORS**  
**TUESDAY 16 FEBRUARY 2016**

<b>Title:</b>	<b>FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2015</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 Financial and Activity performance for Quarter 3.	
<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>In December 2015, the Trust recorded a deficit of (£1.311m); this was £0.089m above the planned monthly deficit of (£1.400m).</p> <p>Year to date, the Trust is reporting an actual deficit of (£3.482m) compared to the planned deficit of (£3.600m), a favourable variance of £0.118m.</p> <p>The Trust remains on track to deliver the planned reported deficit of (£6.6m), excluding the one-off grant and ITM income donation, the underlying deficit is expected to be circa (£21.5m).</p>	
<b>Recommendations:</b>	The Council of Governors is asked to receive the contents of this report	
<b>Approved by:</b>	Mike Sexton	18 January 2016

# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## BOARD OF DIRECTORS THURSDAY 28 JANUARY 2016

### FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2015

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

## 1. Introduction

This report covers the first nine months of the 2015/16 financial year (1 April 2015 to 31 December 2015). The report summarises the Trust's year to date financial performance and includes information on healthcare activity, expenditure variances and CIP delivery.

The Trust's reforecast planned deficit is (£6.600m), when grant and donated income (primarily linked to the establishment of the Institute of Translational Medicine (ITM)) is accounted for, the Trusts underlying 2015/16 planned deficit is (£21.500m).

The Trust recorded a deficit of (£1.311m) in December; this is £0.089m better than the deficit of (£1.400m) planned for the month. Year to date, the Trust is reporting an actual deficit of (£3.482m) compared to the planned deficit of (£3.600m), a favourable variance of £0.118m.

This financial position includes a (£22.587m) year to date overspend across Operational Divisions. The main pressures include:

- Workforce issues: continued high levels of locum and agency medical staff and nurse agency expenditure.
- Activity and capacity related cost pressures including unfunded beds, waiting list initiative payments, additional sessions and use of private sector capacity in a few remaining specialties.
- Cost improvement programme (CIP) delivery: slippage on some schemes early in the year, along with some unmet historic CIP targets.

To date, the operational overspend has been broadly offset by underspends across corporate budgets, subsidiary companies and Trust Specific Reserves. Operational divisions are continuing to work through action plans to reduce the monthly "run rate" and implement new controls on agency expenditure in line with recent Monitor guidance.

## 2. Income & Expenditure Position

### 2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure deficit compared to the reforecast underlying plan of (£21.500m) and the original normalised deficit of (£23.700m).

**Table 1 – Underlying I&E: Actual vs. Original and Reforecast Plan**

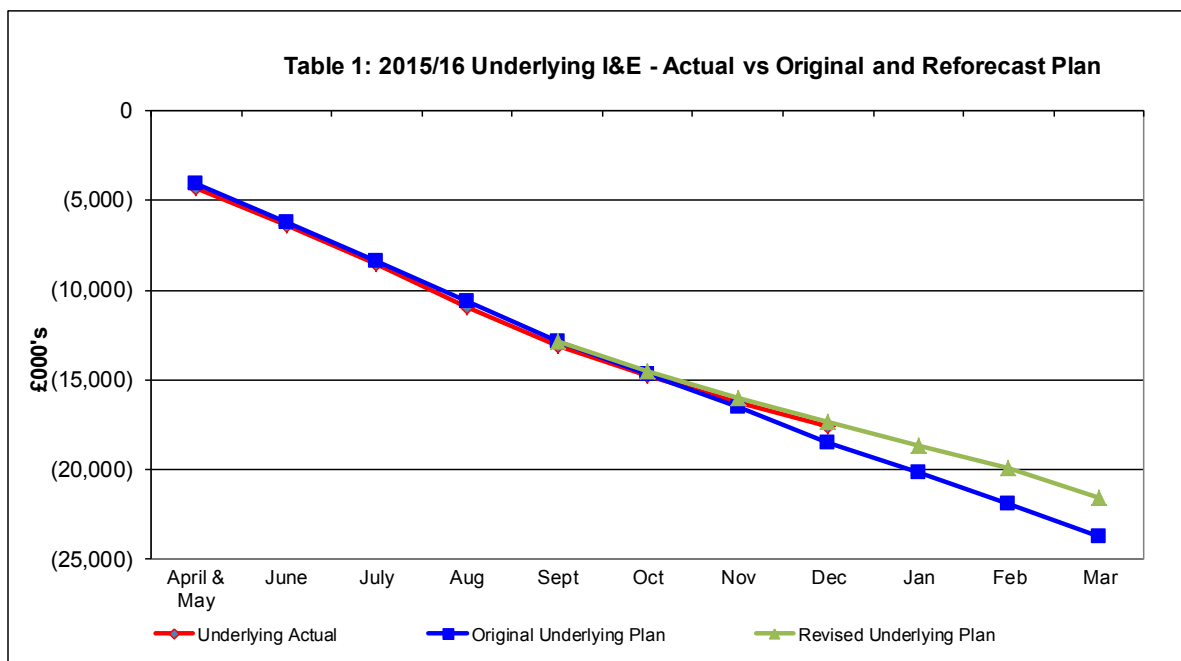


Table 2 below summarises the Trust's income & expenditure position at the end of December. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

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

	Budget Dec £m	Actual Dec £m	Variance £m
Operating Revenue	544.3	550.8	6.5
Operating Expenses	(530.2)	(536.8)	(6.6)
<b>EBITDA</b>	<b>14.1</b>	<b>14.0</b>	<b>(0.1)</b>
Depreciation	(15.7)	(15.8)	(0.1)
Interest Receivable	0.2	0.3	0.1
Interest Payable	(12.6)	(12.5)	0.1
Contingent Rental	(4.2)	(4.2)	0.0
Corporation Tax	0.0	0.1	0.1
PDC Dividend	0.0	0.0	0.0
<b>Normalised Surplus / (Deficit)</b>	<b>(18.2)</b>	<b>(18.1)</b>	<b>0.1</b>
Donated Asset Revenue	14.2	14.3	0.1
Profit / (Loss) on Asset Disposal	0.4	0.3	(0.1)
<b>Total Surplus / (Deficit)</b>	<b>(3.6)</b>	<b>(3.5)</b>	<b>0.1</b>

Note - may include rounding differences

## 2.2 Income Analysis

Total operating income is £6.5m above plan at the end of Month 9, as shown in table 3 below.

**Table 3 – Income against Plan**

	Budget Dec £m	Actual Dec £m	Variance £m
Clinical - NHS	444.6	450.6	6.0
Clinical - Non NHS	18.4	17.5	(0.9)
Other	81.3	82.7	1.4
<b>TOTAL</b>	<b>544.3</b>	<b>550.8</b>	<b>6.5</b>

Note - may include rounding differences

NHS clinical revenues are £6.0m above plan year to date which primarily reflects additional income for high cost drugs and devices excluded from tariff along with specific cost per case treatments such as Bone Marrow Transplant and Renal Dialysis. Non NHS clinical revenues are (£0.9m) below plan year to date due to an under recovery of private patient income. Other income is £1.4m above plan year to date due to additional education and Service Level Agreement income.

### 2.3 NHS Clinical Income / Activity

Table 4.1 below compares monthly admitted patient care (APC) spells against target for the first eight months of 2015/16. The combined inpatient activity in November was in line with plan, however year to date both the elective and non-elective spells remain above plan.

**Table 4.1 – Trust Inpatient Activity**

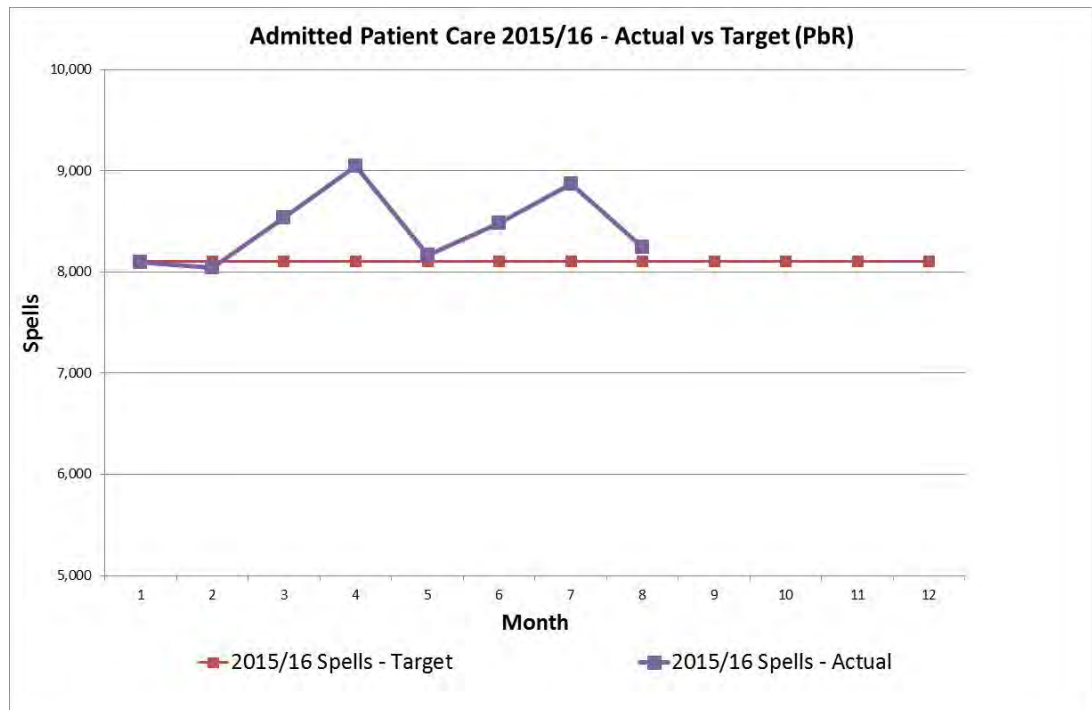


Table 4.2 shows outpatient activity compared to the target for the first eight months of 2015/16 (April-November). This shows activity in November as being above plan across all attendance types (new, follow ups and procedures). The year to date outpatient activity continues to be above the 2015/16 plan agreed with commissioners.

**Table 4.2 – Trust Outpatient Activity**

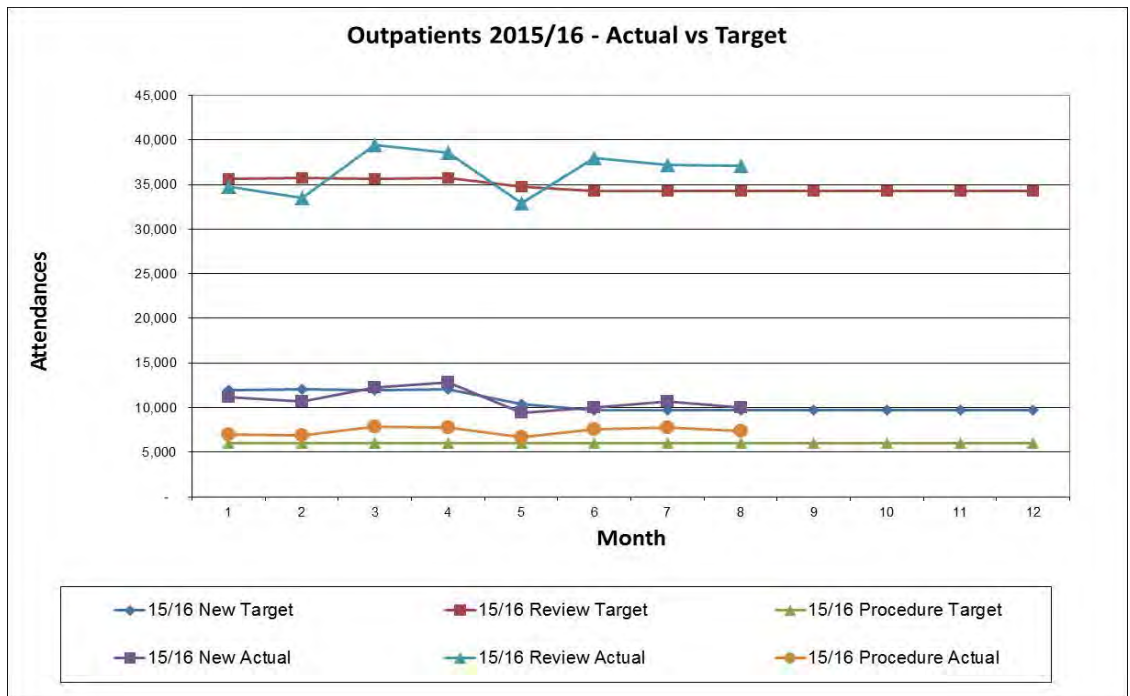


Table 5 below shows the income variance by Division and Point of Delivery at the end of Month 8 (April-November). At present, the Trust continues to show overall healthcare income (excluding cost per case) in line with plan. Not all the potential contract adjustments, provision for fines and penalties are included in the figures below as these continue to be discussed with commissioners. Any under or over performance on healthcare income is not reflected in the financial position at present.

**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	123	774	1,431	(526)	<b>1,802</b>
Outpatient	101	252	1,021	1,348	<b>2,713</b>
Other	(1,421)	(2,745)	123	(386)	<b>(4,429)</b>
<b>Total</b>	<b>(1,197)</b>	<b>(1,720)</b>	<b>2,565</b>	<b>437</b>	<b>86</b>

Note - may include rounding differences

## 2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being (£6.6m) above the budgeted expenditure of £530.2m for the year to date.

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

	<b>Budget Dec £m</b>	<b>Actual Dec £m</b>	<b>Variance £m</b>
<b>PAY</b>			
Medical Staff	84.1	92.2	(8.1)
Nursing	96.5	105.7	(9.2)
Scientific & Technical	18.2	18.5	(0.3)
SMP / A&C	43.8	44.4	(0.6)
Other	28.9	28.8	0.1
Pay Reserves	16.2	0.0	16.2
<b>Total Pay</b>	<b>287.7</b>	<b>289.6</b>	<b>(1.9)</b>
<b>NON PAY</b>			
Drugs	86.0	86.8	(0.8)
Clinical Supplies & Services	69.3	70.0	(0.7)
Other / Non-Pay Reserves	87.2	90.4	(3.2)
<b>Total Non Pay</b>	<b>242.5</b>	<b>247.2</b>	<b>(4.7)</b>
<b>GRAND TOTAL</b>	<b>530.2</b>	<b>536.8</b>	<b>(6.6)</b>

Note - may include rounding differences

### 3. Cost Improvement Programme

The Trust's 2015/16 Financial Plan includes a total efficiency savings target of £17.8m. At the end of quarter 3, efficiency savings of £11.5m had been delivered, this is the equivalent to 86% of the £13.4m year to target. CIP delivery has improved over the quarter leaving year to date slippage totalling £1.8m as shown below:

**Table 7 – Delivery of Cost Improvements**

	<b>Cumulative variance against plan (£000)</b>			
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Division A	(271)	(401)	(199)	
Division B	(373)	(651)	(622)	
Division C	(411)	(757)	(485)	
Division D	(63)	(512)	(397)	
Corp/ NHP/ Central Ops	(33)	(5)	(132)	
<b>Total</b>	<b>(1,151)</b>	<b>(2,325)</b>	<b>(1,835)</b>	
% Achieved	74%	74%	86%	

The following factors are contributing to the CIP shortfall;

- Timing or phasing issues where CIP saving schemes have been identified and will deliver later in 2015/16 but the associated savings target has been profiled equally across the financial year.
- A small gap between the total targets and the value of approved schemes.

- Delays in delivery of some savings due to operational or procurement reasons.

As in previous years, CIP delivery has improved during the second half of the financial year and the divisions continue to forecast 92% delivery against the 2015/16 target by the financial year end.

#### 4. Divisional Analysis

An adverse variance of (£22.587m) has been recorded across operational divisions in the first nine months of 2015/16, this equates to a monthly average “run rate” of (£2.509m).

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

	Income £'000	Expenditure £'000	Total £'000
Division A	846	(5,763)	<b>(4,917)</b>
Division B	3,800	(8,955)	<b>(5,155)</b>
Division C	487	(6,246)	<b>(5,759)</b>
Division D	(154)	(8,638)	<b>(8,792)</b>
Division E	(1,914)	3,950	<b>2,036</b>
<b>Sub - Total</b>	<b>3,065</b>	<b>(25,652)</b>	<b>(22,587)</b>
Healthcare Income	0	0	<b>0</b>
<b>TOTAL</b>	<b>3,065</b>	<b>(25,652)</b>	<b>(22,587)</b>

Note - may include rounding differences

The aggregate divisional overspend in December was (£1.938m) of which (£1.185m) was attributable to Medical staffing. Senior medical staff (consultants) accounted for (£553,000) of the monthly 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 December included Trauma (£66,000), Imaging (£63,000), Anaesthetics (£60,000), Ophthalmology (£47,000), Cardiac Services (£30,000) and CDU (£28,000). The balance of the medical overspend (£465,000) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest over spends in month were within ED (£105,000), Trauma (£92,000), Neurosciences (£50,000) and General Medicine (£45,000).

The monthly nursing (including Theatre ODPs) adverse variance reduced to (£383,000) in December, a further reduction in the monthly run rate compared to recent months, in part reflecting revised nurse staffing budgets implemented in year. Specific departmental overspends included Critical Care (£124,000), A&E (£67,000) and Imaging (£42,000) all of which included significant external agency expenditure. The balance of the nursing cost pressure primarily relates to ward nursing across the Trust, this includes staffing above established levels (including enhanced nursing for specific patients) and bank and agency cover for sickness and annual leave.

Other expenditure pressures included slippage against current and historic CIP targets, the use of private sector healthcare capacity within Urology and activity related non pay pressures in Cardiac Services, Renal Services and Imaging. During December, the divisional position has benefited from £306,000 of

income within Cardiac Surgery and Cardiology for VAD, ECMO and transplant activity and £108,000 of Injury Cost Recovery Scheme (RTA) 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 December 2015.

**Table 9 – Statement of Financial Position**

	Audited Mar 2015 £m	Actual Dec 2015 £m	YTD Plan Dec 2015 £m	Annual Plan Mar 2016 £m
<b>Non Current Assets:</b>				
Property, Plant and Equipment	508.4	504.8	506.1	505.0
Intangible Assets	0.7	0.8	0.7	0.7
Trade and Other Receivables	21.6	16.5	15.1	9.3
Other Assets	0.0	0.0	0.0	0.0
<b>Total Non Current Assets</b>	<b>530.7</b>	<b>522.1</b>	<b>521.9</b>	<b>515.0</b>
<b>Current Assets:</b>				
Inventories	15.4	18.1	15.5	15.4
Trade and Other Receivables	69.6	36.4	47.5	57.4
Other Financial Assets	0.2	4.8	0.2	0.2
Other Current Assets	10.5	14.3	11.4	10.8
Cash	51.3	52.3	49.2	40.1
<b>Total Current Assets</b>	<b>147.0</b>	<b>125.9</b>	<b>123.8</b>	<b>123.9</b>
<b>Current Liabilities:</b>				
Trade and Other Payables	105.8	105.0	104.2	104.2
Borrowings	12.6	12.8	12.8	12.8
Provisions	0.8	0.6	0.8	0.8
Tax Payable	7.6	7.3	7.5	7.5
Other Liabilities	30.9	19.1	15.8	15.5
<b>Total Current Liabilities</b>	<b>157.7</b>	<b>144.8</b>	<b>141.1</b>	<b>140.8</b>
<b>Non Current Liabilities:</b>				
Borrowings	509.6	500.0	500.0	496.8
Provisions	2.5	2.4	2.5	2.5
Tax Payable	0.0	0.1	0.0	0.0
Other Liabilities	10.8	6.6	7.9	6.8
<b>Total Non Current Liabilities</b>	<b>522.9</b>	<b>509.1</b>	<b>510.4</b>	<b>506.1</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>(2.9)</b>	<b>(5.9)</b>	<b>(5.9)</b>	<b>(8.0)</b>
<b>Financed by:</b>				
Public Dividend Capital	180.7	181.1	181.2	182.1
Income & Expenditure Reserve	(278.7)	(282.0)	(282.1)	(285.1)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	95.1	95.0	95.0	95.0
Merger Reserve	0.0	0.0	0.0	0.0
<b>TOTAL TAXPAYERS EQUITY</b>	<b>(2.9)</b>	<b>(5.9)</b>	<b>(5.9)</b>	<b>(8.0)</b>

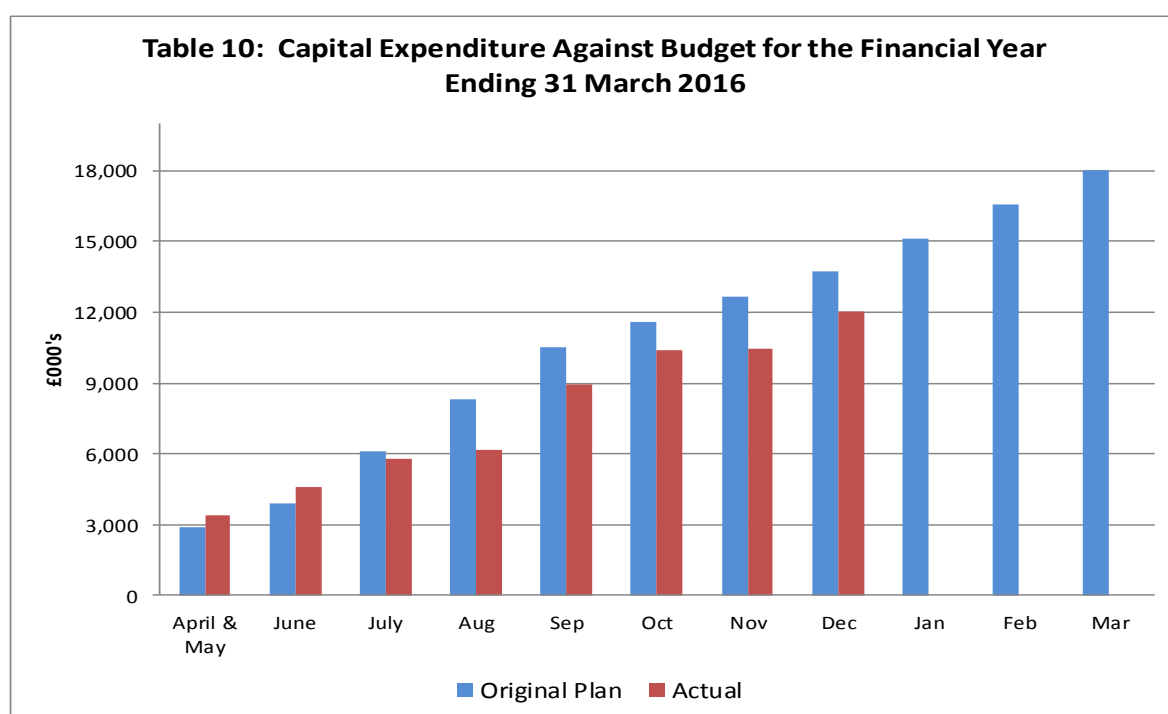
Note - may include rounding differences

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

The approved capital programme for 2015/16 is £18.0m. At the end of month 9, actual capital expenditure was £12.1m, the year to date under spend being due to the rescheduling of the delivery of the replacement PET-CT scanner to January 2016. Capital expenditure in December totalled £1.6m which included £0.7m on replacement medical equipment (anaesthetic machines and patient monitors) and £0.7m on estates projects including PET-CT rooms, radiotherapy waiting area and new hospital works. More detail on capital projects, funding and expenditure is attached as **Appendix 1**.



**Table 10 – Capital Expenditure against Plan**



## 7. Current Assets

The Trust's total current assets (excluding cash and inventories) amounted to £55.5m as at 31 December 2015.

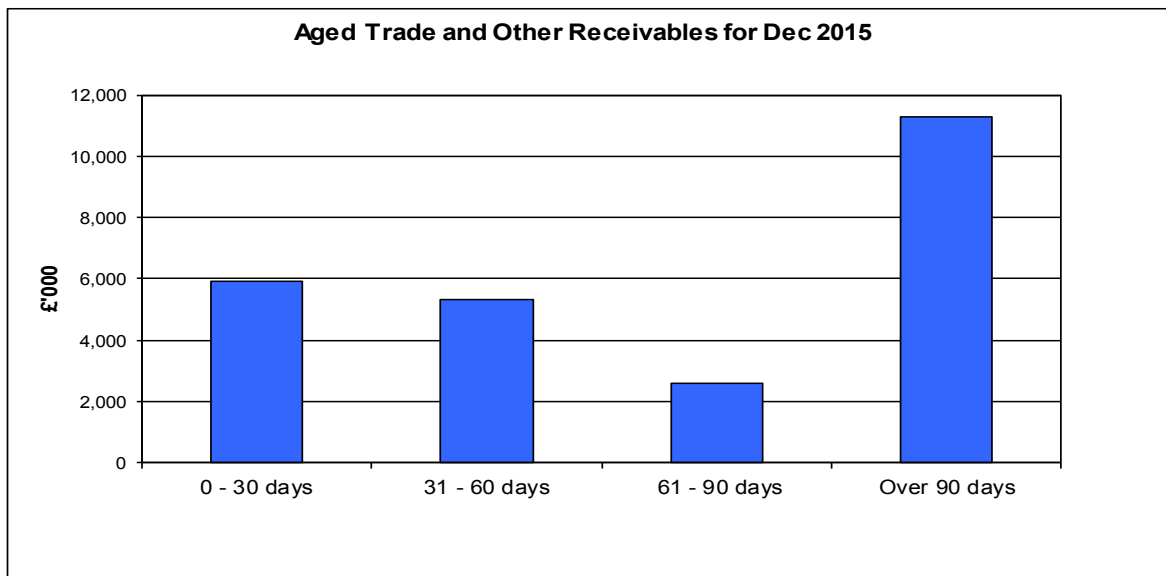
**Table 11 – Analysis of Current Assets (excluding Inventories and Cash)**

	<b>Actual Dec 2015 £m</b>	<b>Forecast Dec 2015 £m</b>
Trade Receivables	21.2	31.4
Bad Debt Provision	-2.6	-3.4
Other Receivables	17.8	19.5
<b>Trade and Other Receivables</b>	<b>36.4</b>	<b>47.5</b>
Accrued Income	4.8	0.2
<b>Other Financial Assets</b>	<b>4.8</b>	<b>0.2</b>
Prepayments	14.3	11.4
<b>Other Current Assets</b>	<b>14.3</b>	<b>11.4</b>
<b>TOTAL</b>	<b>55.5</b>	<b>59.1</b>

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 31 December, the over 90 day debt had increased to £11.3m, a £3.2m increase over the previous month, due in part to many providers and commissioners not processing payments in the last two weeks of December. The outstanding balance includes £3.1m due from NHS commissioning organisations; this includes £1.1m outstanding from NHS England, £0.8m from Welsh Specialised Services and the balance from other NHS commissioners. A further £4.5m relates to unpaid invoices for Service Level Agreements for services provided to other NHS providers. This includes Birmingham Women's Hospital (£1.1m), the Royal Orthopaedic Hospital (0.8m) Birmingham Children's Hospital (£0.7m), Heart of England FT (£0.4m).

Sandwell & West Birmingham (£0.3m) and Walsall NHS Trust (£0.3m). The £3.7m balance includes income owed to the Trust by non-NHS debtors including local authorities (£1.6m), Universities, private sector organisations and individuals (e.g. overseas and private patients).

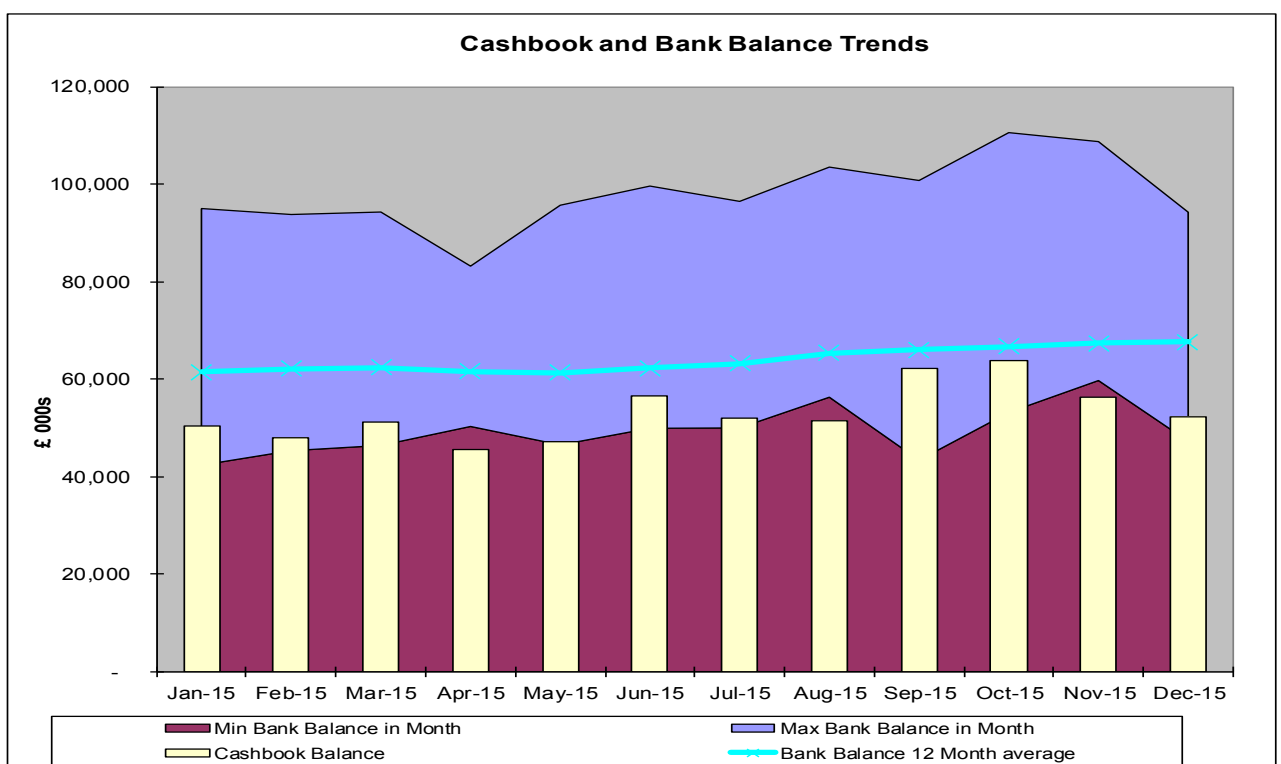
**Table 12 – Aged Debt Analysis**



## 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 31 December 2015 was £52.3m which is £3.1m above plan.

**Table 13 – Cash Flow**



## 9. Monitor Quarter 3 Return

As previously reported, Monitor implemented the new Financial Sustainability Risk Rating (FSRR) in August 2015. The FSRR ranges from 1 (highest risk) to 4 (lowest risk), based on the 2015/16 financial plan and the financial performance delivered to date, the Trust has an FSRR of 2 (“material level of financial risk”).

At the end of each quarter, Foundation Trusts are required to submit a Governance Statement from the Board to Monitor. The current statement requires the Board of Directors to complete five declarations including three financial declarations, based on the information in this report and the 2015/16 Annual Plan; the recommended responses for the financial declarations are:

1. The Trust will maintain a Financial Sustainability Risk Rating of at least 3 over the next 12 months – **Not Confirmed**
2. The Trusts capital expenditure for the remainder of the financial year will not materially differ from the amended forecast in this financial return – **Confirmed**
3. Number of subsidiaries included in the finances of this return - **Three**

The financial performance of the Trust’s three trading subsidiaries, Pharmacy@QEHB Ltd, UHB Facilities Ltd and Assure Dialysis Services, has been consolidated into the figures contained in this report and the quarterly return to Monitor.

## 10. Conclusion & Recommendations

The Trust is recording a year to date deficit of (£1.311m) in December, this is compared to the planned deficit of (£1.400m), a positive variance of £0.089m. Year to date, the Trust is reporting an actual deficit of (£3.482m) compared to the planned deficit of (£3.600m), a favourable variance of £0.118m.

At present the Trust remains on track to deliver the planned reported deficit of (£6.600m) at the end of the 2015/16 financial year. Once ITM grant and donated income are excluded the Trust’s underlying 2015/16 deficit continues to be forecast at (£21.500m).

Recent improvements to the monthly overspend or adverse “run rate” need to continue and the Trust needs to focus on CIP savings delivery and implementation of the new controls on agency and locum expenditure.

The Board of Directors is requested to;

- Receive the contents of this report and
- Approve the submission of the Quarter 3 governance statement to Monitor with the finance declarations contained in this report.

Mike Sexton  
Chief Financial Officer  
18 January 2015