UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE COUNCIL OF GOVERNORS
TUESDAY 12 MAY 2015

Title:	**FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2015**
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 53074

Purpose:	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 4	
Confidentiality Level & Reason:	N/A	
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health	
Key Issues Summary:	The Trust has recorded a surplus of £7.672m before adjustments for the 2014/15 financial year. This is £4.672m above the planned annual surplus of £3.000m due to the receipt of additional healthcare income. The COSRR is expected to remain at 2* for quarter 4. This position excludes the impact of asset revaluations and the gain on the disposal of the Selly Oak site. Including these items, the Trust is reporting an overall surplus of £15.647m for 2014/15. The reported figures are subject to the completion of the audit of the annual accounts.	
Recommendations:	The Council of Governors is asked to receive the contents of this report	
Approved by:	Mike Sexton	Date: 16 April 2015

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 23 APRIL 2015

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2015 (UPDATED SINCE THE MEETING)

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the 2014/15 financial year (1 April 2014 to 31 March 2015). The report summarises the Trust's year to date financial performance and includes information on healthcare activity, expenditure variances and CIP delivery.

The 2014/15 Financial Plan budgeted for an annual surplus of £3.000m. The Trust has reported an actual surplus before adjustments of £7.672m for the year, which is £4.672m above plan. The in-month surplus for March was £5.998m compared to the plan of £0.200m. The reported position includes an additional £5.900m of healthcare income that was agreed in month 12.

The reported surplus of £7.672m excludes a £5.725m gain realised on the disposal of the Selly Oak site (with the sale price exceeding the net book value of the land) and a net revaluation gain (impairment reversal) of £2.250m against the Trust's buildings, based on the latest external valuation exercise. After taking account of these adjustments the Trust has reported an overall surplus of £15.647m for the 2014/15 financial year, subject to the completion of the audit of the annual accounts.

The reported position for the financial year includes overspends totalling (£25.656m) across operational Divisions with the main pressures including:

- Activity and capacity related cost pressures including unfunded beds, waiting list initiative payments and private sector capacity. Significant additional expenditure is being incurred, often at premium rates, to maintain elective waiting times in the face of rising emergency demand.
- Deliverability of cost improvements. A gap remains between the level of efficiency savings planned and the actual amounts delivered during the year.
- Workforce issues - continued use of agency nursing and locum doctors to cover recruitment gaps in areas of skills shortage.

For the year to date, the operational overspend has been balanced by income over-performance, underspends within corporate budgets and through the use of Trust Specific Reserves.

The Trust has maintained its Continuity of Services Risk Rating (COSRR) of 2* following Monitor's published review of quarter 3 financial performance. Self-assessment of current financial performance indicates that this rating has been maintained to the end of quarter 4.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure surplus compared to plan.

Table 1 – I&E Surplus vs. Plan 2014/15

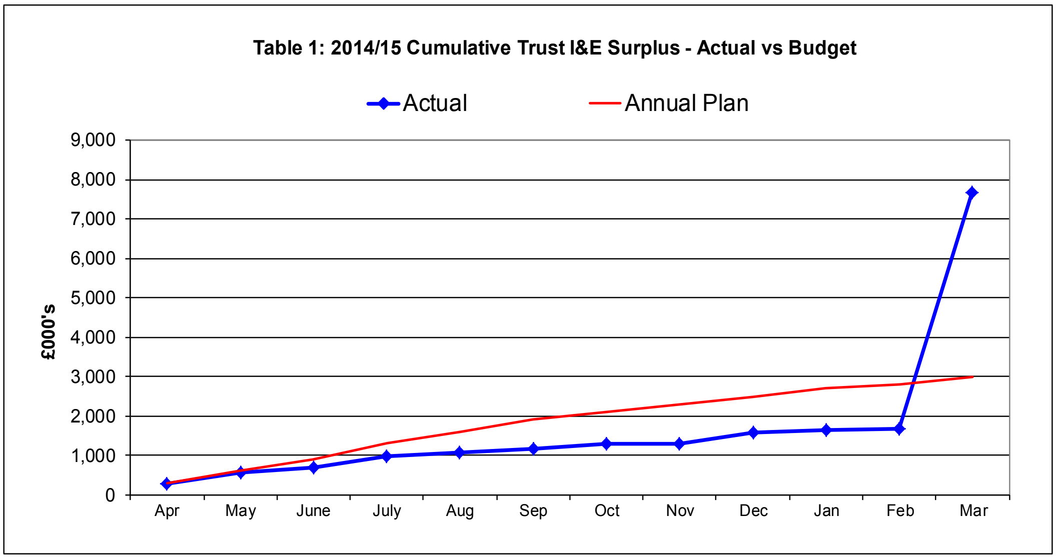


Table 2 below summarises the Trust's income & expenditure position at the end of March. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Mar £m	Actual Mar £m	Variance £m
Revenue	688.7	732.6	43.9
Operating Expenses	(643.7)	(681.5)	(37.8)
EBITDA	**45.0**	**51.1**	**6.1**
Depreciation	(20.2)	(21.7)	(1.5)
Donated Asset Revenue	0.2	0.7	0.5
Interest Receivable	0.5	0.3	(0.2)
Interest Payable	(17.0)	(17.0)	0.0
Contingent Rental	(5.4)	(5.5)	(0.1)
Corporation Tax	(0.1)	(0.2)	(0.1)
PDC Dividend	0.0	0.0	0.0
Surplus before impairments	**3.0**	**7.7**	**4.7**
Reversal of Impairments	0.0	4.1	4.1
Impairments on Property	0.0	(1.8)	(1.8)
Selly Oak Sale	0.0	5.7	5.7
Total Surplus / (Deficit)	**3.0**	**15.7**	**12.7**

Note - may include rounding differences

2.2 Income Analysis

Total operating income is £43.9m above plan as at the end of Month 12, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Mar £m	Actual Mar £m	Variance £m
Clinical - NHS	560.9	596.9	36.0
Clinical - Non NHS	19.9	17.5	(2.4)
Other	107.9	118.2	10.3
TOTAL	**688.7**	**732.6**	**43.9**

Note - may include rounding differences

NHS clinical revenues are £36.0m above plan at the end of March. £22.0m of this variance relates to high cost drugs and devices which are excluded from national tariffs and reimbursed on a cost per case basis. The balance includes other cost per case treatments such as BMT, VAD, and Tavi procedures, along with seasonal resilience funding and other in year contract variations for agreed growth.

Non NHS clinical revenues are (£2.4m) below plan which includes a (£0.8m) shortfall against private patient income targets, a (£0.4m) variance against Injury Cost Recovery Scheme income with the balance relating to lower than planned income from the MoD treatment contract. Other income is £10.3m above plan for the year to date due to increased education, R&D, commercial and SLA revenues, charitable donations and income relating to the disposal of Selly Oak.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares monthly Admitted Patient Care (APC) activity against target for the first eleven months of 2014/15. Combined inpatient activity (national priced spells and locally priced (FCE's) were in line with plan during February. Year to date emergency activity is 6% above plan whilst elective activity is 2% below plan.

Table 4.1 – Trust Inpatient Activity

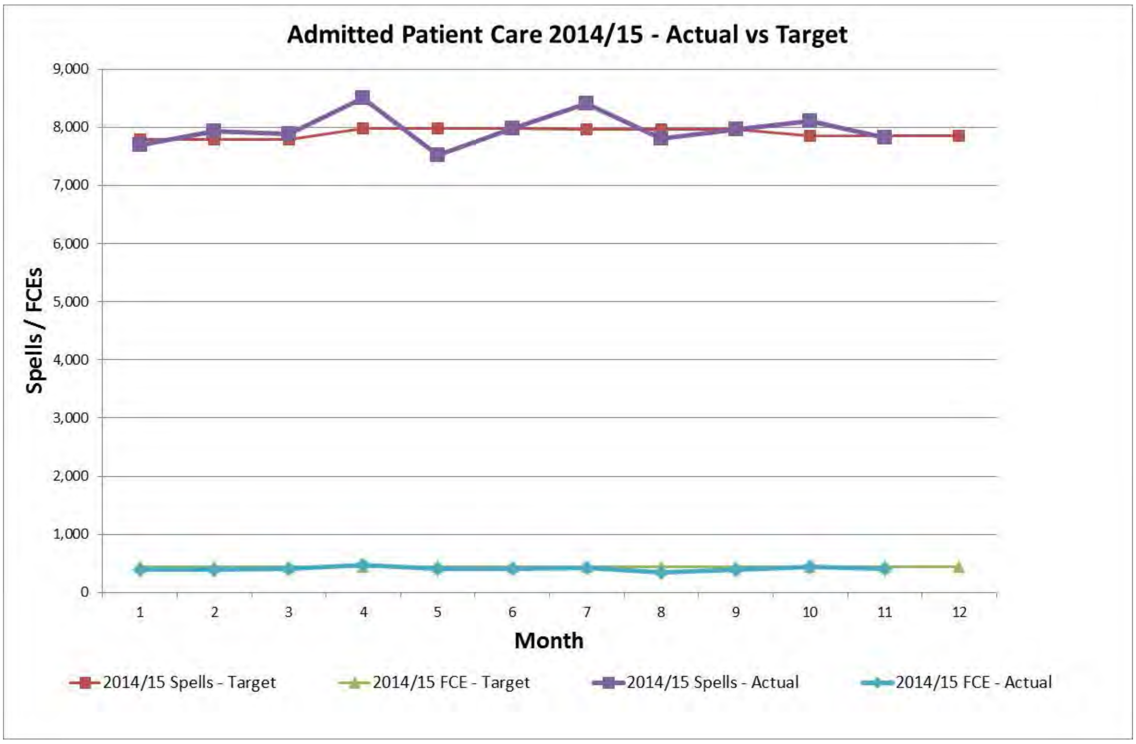


Table 4.2 shows outpatient activity compared to the target for the first eleven months of 2014/15. Outpatient attendances in February were below plan as there were fewer working days in the month compared to the plan which is profiled in straight twelfths.

Table 4.2 – Trust Outpatient Activity

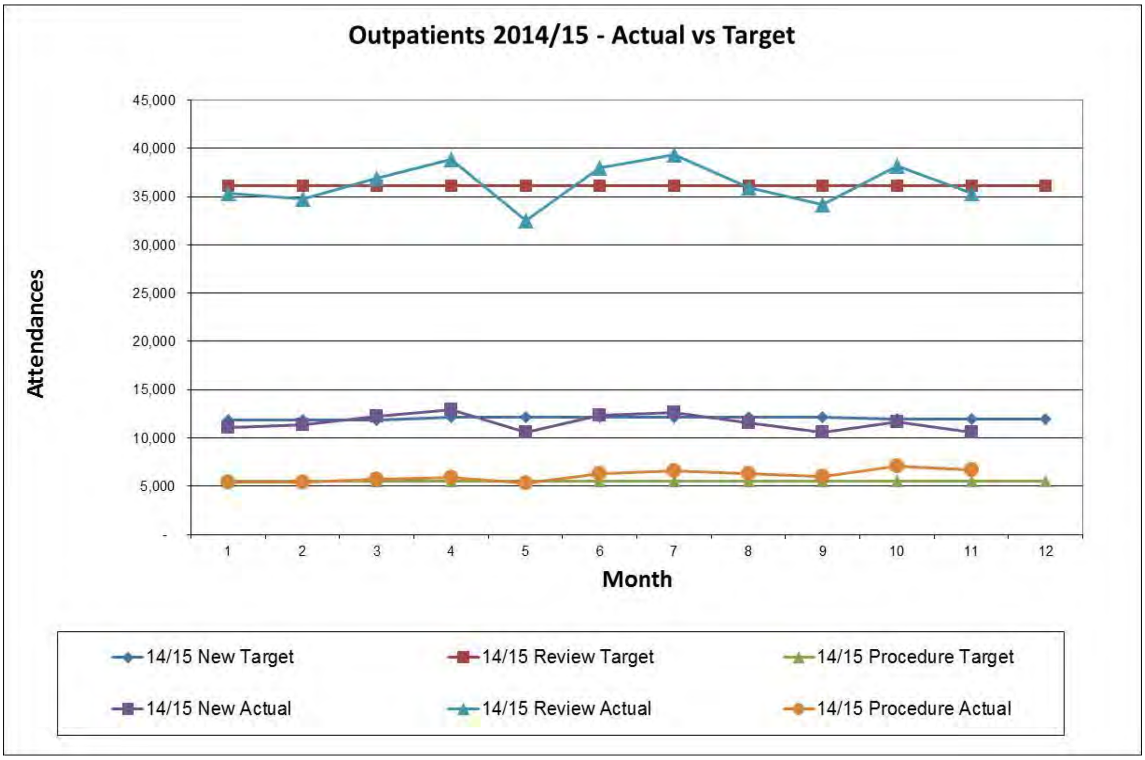


Table 5 below shows the year to date income variances by Division and Point of Delivery against 2014/15 healthcare income targets included in the financial plan. For the first eleven months of 2014/15 healthcare income, excluding cost per case activity, is (£1.7m) below plan.

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	47	(3,581)	1,325	2,099	**(111)**
Outpatient	(105)	280	396	1,068	**1,639**
Other	(2,347)	396	550	(1,796)	**(3,198)**
Total	**(2,406)**	**(2,905)**	**2,271**	**1,370**	**(1,670)**

Note - may include rounding differences

2.5 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being (£37.8m) above the budgeted expenditure of £643.7m for the year.

Table 6 – Expenditure against Plan

	Budget Mar £m	**Actual Mar £m**	**Variance £m**
PAY			
Medical Staff	110.6	120.6	(10.0)
Nursing	125.3	134.8	(9.5)
Scientific & Technical	45.1	45.5	(0.4)
SMP / A&C	58.1	58.7	(0.6)
Other / Pay Reserves	16.7	14.4	2.3
Total Pay	**355.8**	**374.0**	**(18.2)**
NON PAY			
Drugs	92.8	103.3	(10.5)
Clinical Supplies & Services	88.0	90.2	(2.2)
Other / Non-Pay Reserves	107.1	114.0	(6.9)
Total Non Pay	**287.9**	**307.5**	**(19.6)**
GRAND TOTAL	**643.7**	**681.5**	**(37.8)**

Note - may include rounding differences

3. Cost Improvement Programme

The Trust's 2014/15 Financial Plan includes a total efficiency savings target of £18.9m. Analysis of CIP delivery at the end of Q4 indicates that schemes totalling £14.5m have been delivered (77% of target), resulting in an adverse variance of (£4.4m) for the year to date, as shown in Table 7. The main reasons for the variance include:

- £2.5m unidentified 2014/15 CIP gap
- £1.0m unidentified CIP gap from previous years
- £0.9m slippage against approved schemes including delays in procurement or implementation or non-delivery against planned schemes including several activity related projects.

Table 7 – Delivery of Cost Improvements

	Cumulative variance against plan (£000)			
	Q1	**Q2**	**Q3**	**Q4**
Division A	(394)	(420)	(707)	(481)
Division B	(607)	(1,193)	(1,607)	(1,875)
Division C	(416)	(527)	(415)	(85)
Division D	(854)	(1,658)	(1,735)	(2,034)
Corp/ NHP/ Central Ops	3	0	205	58
Total	**(2,268)**	**(3,798)**	**(4,260)**	**(4,417)**
% Achieved	52%	60%	70%	77%

4. Divisional Analysis

A total adverse variance of (£25.656m) has been recorded against operational budgets during 2014/15. This has been offset by income over-performance, the Trust's Specific and General Contingency Reserves and underspends across other Corporate Budgets.

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	**Total £'000**
Division A	1,072	(8,090)	**(7,018)**
Division B	2,406	(7,105)	**(4,699)**
Division C	(434)	(5,578)	**(6,012)**
Division D	220	(11,248)	**(11,028)**
Division E	25,454	(22,353)	**3,101**
Sub - Total	**28,718**	**(54,374)**	**(25,656)**
Healthcare Income	4,586	0	**4,586**
TOTAL	**33,304**	**(54,374)**	**(21,070)**

Memo General Contingency Reserve		*935*

Note - may include rounding differences

The aggregate divisional overspend in March was (£1.468m). Of this (£883,000) relates to medical staffing including (£668,000) attributable to senior medical staff (consultants). This includes 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 (£170,000), Trauma (£76,000), Cardiac Services (£93,000), Ophthalmology (£68,000) Neurosciences (£63,000), Plastics (£51,000) and ED (£46,000). The balance of the medical overspend (£215,000) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts including within ED (£130,000), Trauma (£45,000) and Anaesthetics (£36,000).

There was an (£687,000) adverse variance across nursing expenditure (including Theatre ODPs) in March. Specific departmental overspends included Critical Care (£257,000), Theatres (£83,000), Imaging (£43,000) and ED (£43,000). The balance of the nursing over spend is across ward areas reflecting a combination of unfunded beds, sickness and annual leave cover and nursing input to specific patients ('specials'). Other expenditure pressures in the month included slippage against CIP targets, expenditure incurred to deliver activity in the private sector and activity driven non-pay costs across theatres, CDU, cardiac and critical care.

In month, the divisional position has benefited from £365,000 of additional income within cardiac surgery for VAD and transplant activity, £71,000 of Imaging SLA over performance and £32,000 of additional Laboratories SLA income. These gains were partly offset by continuing shortfalls of private patient income across the divisions.

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 2015.

Table 9 – Statement of Financial Position

		Audited Mar 2014 £m	Actual Mar 2015 £m	YTD Plan Mar 2015 £m
Non Current Assets:				
	Property, Plant and Equipment	518.2	508.4	520.1
	Intangible Assets	0.5	0.7	0.3
	Trade and Other Receivables	3.1	21.6	2.6
	Other Assets	0.0	0.0	0.0
	Total Non Current Assets	**521.8**	**530.7**	**523.0**
Current Assets:				
	Inventories	15.2	15.4	14.4
	Trade and Other Receivables	46.4	66.0	36.7
	Other Financial Assets	0.6	0.2	2.1
	Other Current Assets	8.8	10.5	10.3
	Cash	63.1	51.3	51.4
	Total Current Assets	**134.1**	**143.4**	**114.9**
Current Liabilities:				
	Trade and Other Payables	106.7	104.1	99.3
	Borrowings	12.1	12.6	12.6
	Provisions	1.2	0.8	1.6
	Tax Payable	7.5	7.5	6.9
	Other Liabilities	17.0	28.7	22.7
	Total Current Liabilities	**144.5**	**153.7**	**143.1**
Non Current Liabilities:				
	Borrowings	522.2	509.6	509.3
	Provisions	1.9	2.5	1.7
	Other Liabilities	17.8	11.2	11.7
	Total Non Current Liabilities	**541.9**	**523.3**	**522.7**
TOTAL ASSETS EMPLOYED		**(30.5)**	**(2.9)**	**(27.9)**
Financed by:				
	Public Dividend Capital	171.0	180.6	171.0
	Income & Expenditure Reserve	(315.0)	(278.6)	(313.6)
	Donated Asset Reserve	0.0	0.0	0.0
	Revaluation Reserve	113.5	95.1	113.1
	Merger Reserve	0.0	0.0	1.6
TOTAL TAXPAYERS EQUITY		**(30.5)**	**(2.9)**	**(27.9)**

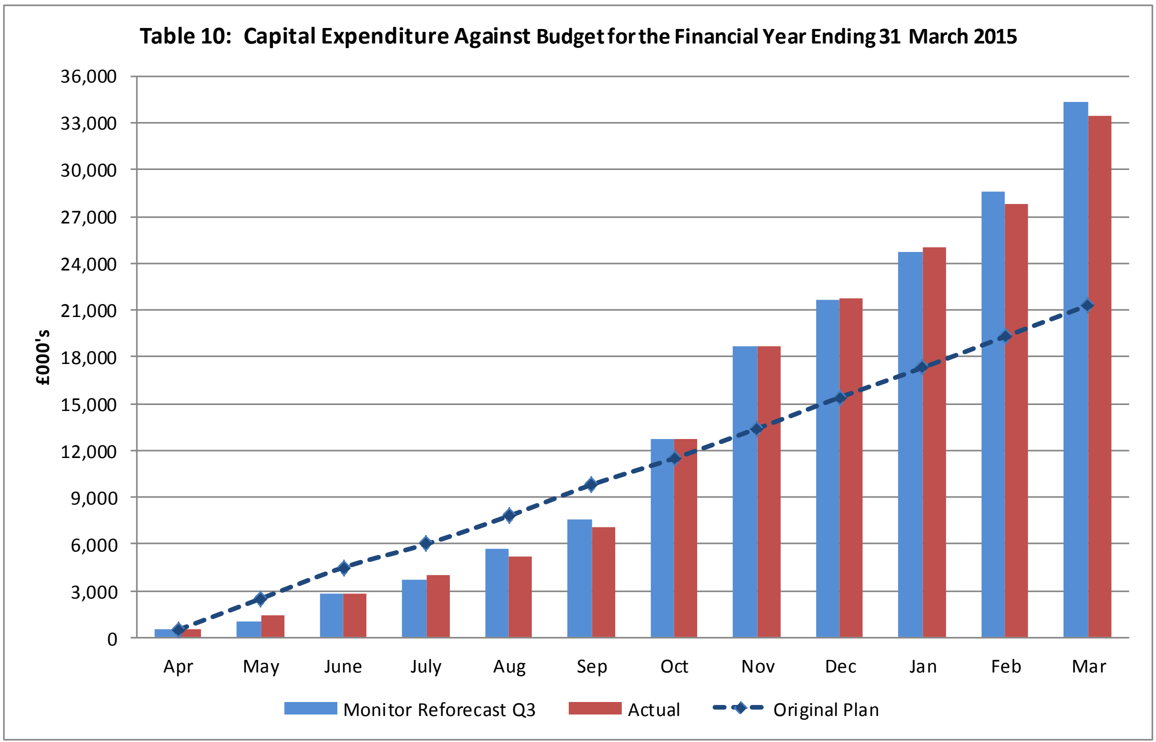
Note - may include rounding differences

6. Capital Expenditure (Non-Current Assets)

The capital programme budget for 2014/15 was reforecast at Q3 due to the unplanned purchase of new office accommodation to enable the sale of Selly Oak. The reforecast plan has a total annual value of £34.3m and actual capital expenditure during the year totalled £33.5m. This is shown against both the original plan and the reforecast in the graph below. During March, capital expenditure was £5.7m, this included £2.2m for the ITM refurbishment, £1.0m for the refurbishment of the new office buildings, £0.4m on the renal community facility and £0.9m for replacement cardiac catheter laboratory. The balance relates to other clinical equipment and IT purchases during March.

A more detailed analysis of capital investments, sources of funding for capital projects and an overview on key capital projects is provided in Appendix A.

Table 10 – Capital Expenditure against Original Plan and Q3 Reforecast Plan



7. Current Assets

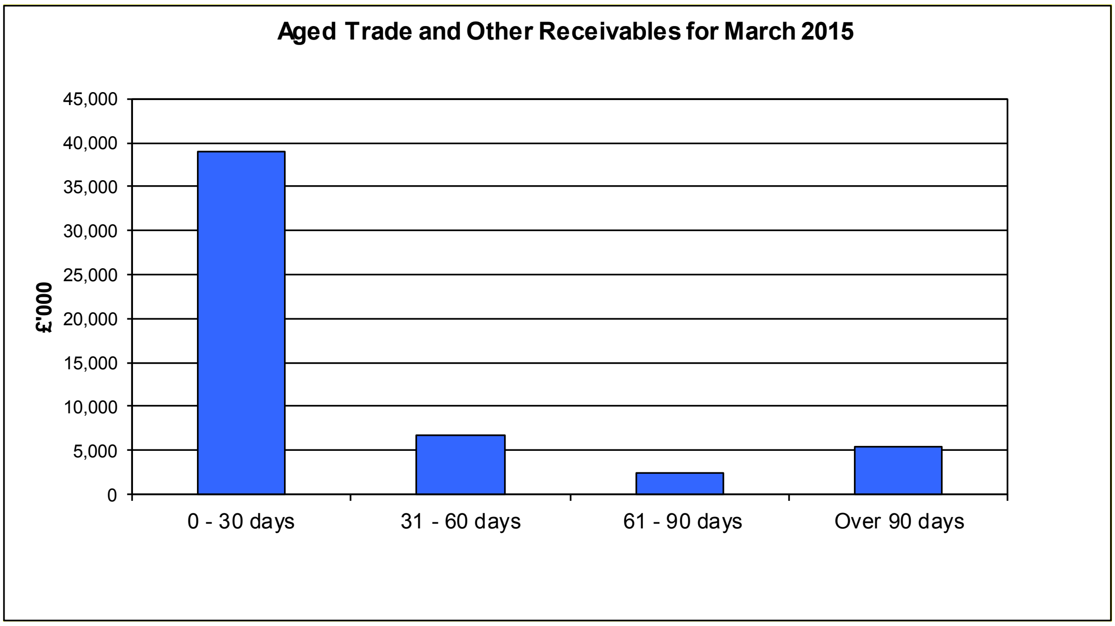
The Trust's total current assets (excluding cash and inventories) amount to £76.7m at 31 March 2015.

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

	Actual Mar 2015 £m	Forecast Mar 2015 £m
Trade Receivables	53.4	30.9
Bad Debt Provision	-3.4	-1.5
Other Receivables	16.0	7.3
Trade and Other Receivables	**66.0**	**36.7**
Accrued Income	0.2	2.1
Other Financial Assets	**0.2**	**2.1**
Prepayments	10.5	10.3
Other Current Assets	**10.5**	**10.3**
TOTAL	**76.7**	**49.1**

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 31 March, the over 90 day debt stood at £5.0m. This includes £1.7m outstanding from NHS commissioning organisations including NHS England (£1.1m) with the outstanding balance split across other CCG's and commissioners. A further £2.3m relates to unpaid invoices raised to other NHS providers including Birmingham Women's Hospital (£0.7m), Birmingham Children's Hospital (£0.4m), Sandwell & West Birmingham (£0.3m), Heart of England (£0.3m) and Worcester Acute Hospitals (£0.3m). The £1.0m balance relates to non-NHS income owed to the Trust by debtors such as universities, local authorities, private companies and private patients.

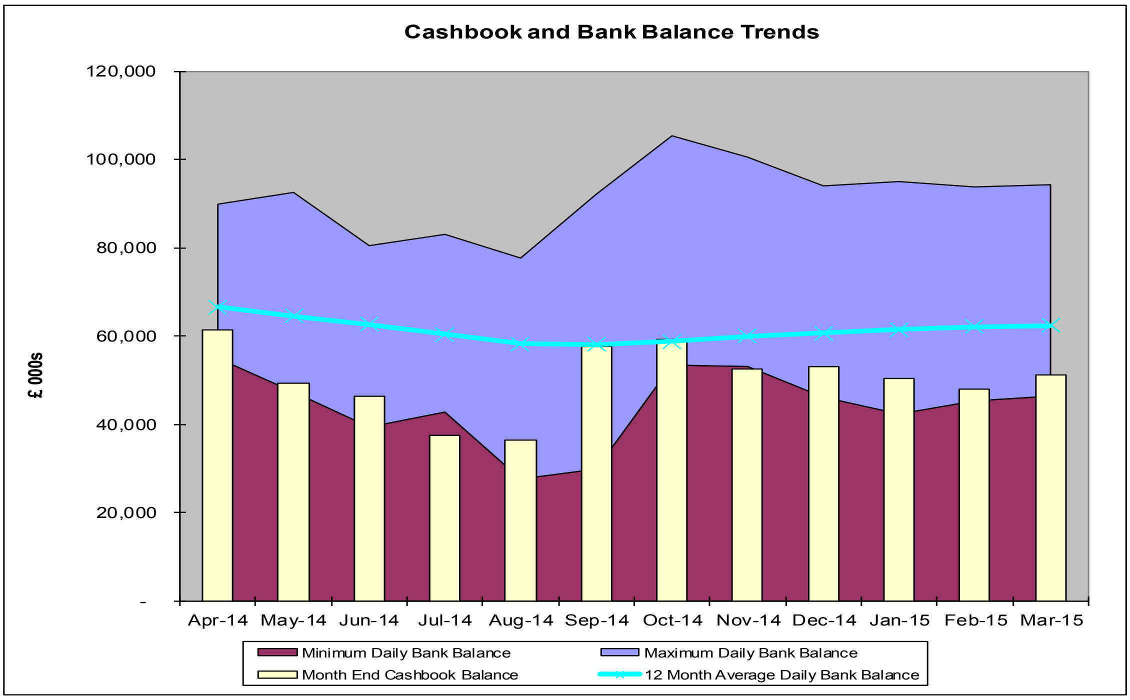
Table 12 – Aged Debt Analysis



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 the 31 March 2015 was £51.3m, which is (£0.1m) below plan.

Table 13 – Cash Flow



9. Monitor

The Trust has received a Continuity of Services Risk Rating (COSRR) of 2* in each quarter since the new risk rating regime was introduced in October 2013. This means that the Trust is classified by Monitor as "material (financial) risk but stable" but importantly ensures that the organisation is not subject to monthly monitoring or potential regulatory action in the same way that FT's rated as 1 or 2 can be. It is difficult for the Trust to achieve a better rating due to the significant adverse impact of the PFI scheme on the metrics.

Monitor's review of Quarter 3 financial performance has confirmed that the Trust has retained its 2* rating for the period to 31 December 2014. Self-assessment of performance for quarter 4 indicates that this rating will be maintained to 31 March 2015. On this basis, the Trust is required to submit a negative finance declaration as part of the quarterly monitoring return certifying that "the Board cannot confirm that a COSRR of 3 or better is anticipated for the next 12 months".

During 2014/15 Monitor added a further section to the governance statement requesting that Trusts confirm the number of subsidiaries which have been consolidated in the finance return. At the end of March 2015, the Trust had three trading subsidiaries; Pharmacy@QEHB, UHB Facilities and Assure (Satellite Dialysis).

10. Conclusion

The Trust has recorded a surplus before adjustments of £7.672m for the 2014/15 financial year, including £5.900m of additional healthcare income agreed in month 12. This represents a favourable variance of £4.672m against the planned surplus of £3.000m. The total reported financial position for 2014/15 (subject to the completion of the audit of the annual accounts) is a surplus of £15.647m including a profit on the disposal of the Selly Oak land and an upward revaluation of the Trust's estate.

11. Recommendations

The Board of Directors is asked to:

- Receive the contents of this report.
- Agree that the in year governance statement for Q4 should be submitted to Monitor with a negative finance declaration and confirming that three subsidiary companies have been consolidated into the financial return.

Mike Sexton
Chief Financial Officer
16 April 2015