

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE COUNCIL OF GOVERNORS
THURSDAY 19 NOVEMBER 2015

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2015
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 17374

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 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 £11.911m, this was £0.311m above the planned monthly surplus of £11.600m. This includes grant and donated income of £14.146m which primarily relates to external funding for the new ITM facility.</p> <p>The cumulative financial position at the end of September (inc. ITM donation) is a surplus of £0.960m which is (£0.140m) below the planned £1.100m surplus for the year to date.</p>	
Recommendations:	The Council of Governors is asked to receive the contents of this report	
Approved by:	Mike Sexton	10 November 2015

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 22 OCTOBER 2015

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2015

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first six months of the 2015/16 financial year (1 April 2015 to 30 September 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, along with most other major teaching hospitals, rejected the national pricing proposals for 2015/16. As a result it has been placed on a Default Tariff which, whilst better than the original proposals, still requires efficiencies of between 7% and 8% to be achieved to break even. The Board of Directors considers that there would be significant risks to patient care if savings of this magnitude were to be targeted. Consequently the Board decided to set a financial plan incorporating a 3.8% efficiency requirement, a level deemed by independent experts to be the maximum that can be safely delivered by providers. As a result the Trust has submitted an underlying (normalised) deficit plan of (£23.700m) to Monitor for 2015/16. This position excludes planned grant and donated income of £14.200m which is primarily linked to capital funding for the Institute of Translational Medicine (ITM). After taking this into account the Trust has planned for an overall deficit of (£9.500m) in 2015/16.

Since the May 2015 plan submission to Monitor, the Trust has reviewed and updated its plans. This has resulted in an improvement of £2.200m against the normalised plan deficit and £2.900m against the overall plan deficit as shown in the table below:

	Overall £m	Normalised £m
Original Plan Deficit	(9.5)	(23.7)
<u>Adjustments</u>		
Increase in MPET transition funding	0.8	0.8
Reduction in provision for RTT fines	0.5	0.5
Asset disposal	0.7	-
Other	0.9	0.9
Total	2.9	2.2
Month 6 Reforecast Deficit	(6.6)	(21.5)

During September the Trust has recognised grant and donated income totalling £14.082m, the majority of which relates to the newly operational ITM. This has helped the Trust record a surplus of £11.911m in the month which is £0.311m above the £11.600m planned surplus.

Year to date, the Trust is reporting a surplus of £0.960m compared to the planned surplus of £1.100m, an adverse variance of (£0.140m). This financial position includes a (£16.124m) year to date adverse overspend across Operational Divisions. The main pressures include:

- Workforce issues: continued high levels of bank and agency nursing expenditure along with the use of locum and agency medical staff.
- Cost improvement programme (CIP) deliverability: slippage and non-delivery against approved 2015/16 targets accounts along with gaps in plans to deliver further schemes to address historic CIP target slippage.
- Activity and capacity related cost pressures including unfunded beds, waiting list initiative payments, additional sessions and private sector capacity.

To date, the operational overspend has been broadly offset by underspends across corporate budgets and Trust Specific Reserves. Operational divisions are working on trajectories for key variances and agreeing action plans to reduce the over spends.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure deficit compared to the normalised plan deficit of (£23.700m) and the Month 6 Reforecast of (£21.500m)

Table 1 – Normalised I&E: Actual vs. 2015/16 Plan and Reforecast

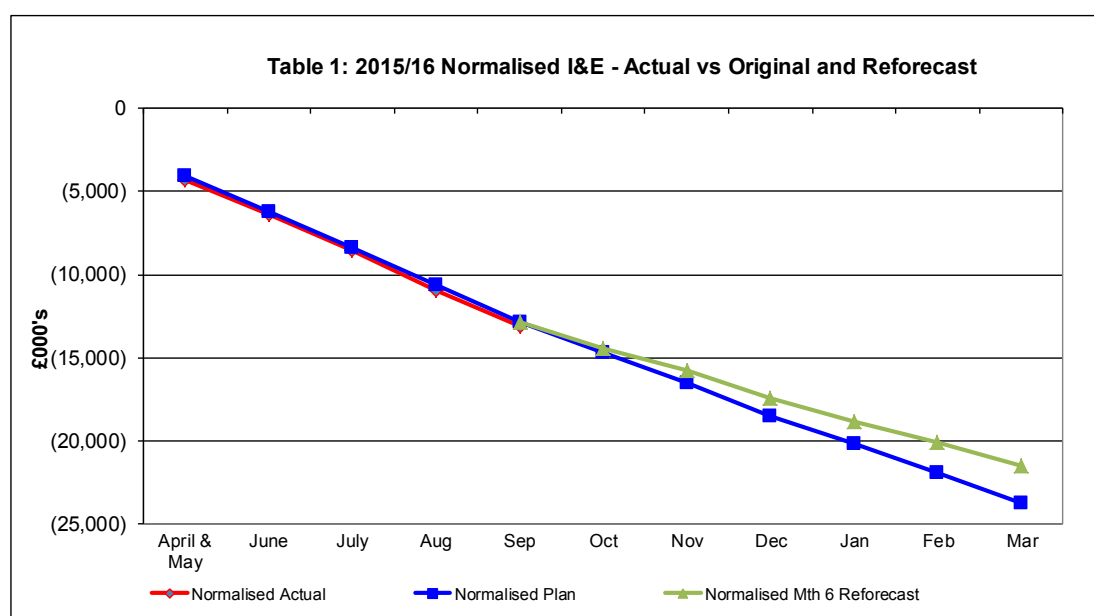


Table 2 below summarises the Trust's income & expenditure position at the end of September. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Sep £m	Actual Sep £m	Variance £m
Operating Revenue	358.6	361.9	3.3
Operating Expenses	(349.9)	(354.0)	(4.1)
EBITDA	8.7	7.9	(0.8)
Depreciation	(10.7)	(10.3)	0.4
Interest Receivable	0.2	0.1	(0.1)
Interest Payable	(8.3)	(8.4)	(0.1)
Contingent Rental	(2.8)	(2.8)	0.0
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	(12.9)	(13.5)	(0.6)
Donated Asset Revenue	14.0	14.1	0.1
Profit on Asset Disposal	0.0	0.4	0.4
Total Surplus / (Deficit)	1.1	1.0	(0.1)

Note - may include rounding differences

2.2 Income Analysis

Total operating income is £3.3m 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	294.6	297.1	2.5
Clinical - Non NHS	8.7	11.2	2.5
Other	55.3	53.6	(1.7)
TOTAL	358.6	361.9	3.3

Note - may include rounding differences

NHS clinical revenues are £2.5m above plan year to date; this reflects additional income for high cost drugs and devices excluded from tariff along with specific cost per case specific treatments including Bone Marrow Transplant and Renal Dialysis. Non NHS clinical revenues are also £2.5m above plan due to increases in overseas visitor income and over-performance against the Injury Cost Recovery Scheme. Other income is (£1.7m) below plan at the end of September, this primarily relates to the phasing of R&D grant income which is expected to catch up later in the year.

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 2015/16. Activity has reduced slightly during August reflecting seasonal variation (annual leave and bank holiday) but remains above plan for the year to date. Within this Elective activity is on plan whilst emergencies are 8% above plan for the first 5 months.

Table 4.1 – Trust Inpatient Activity

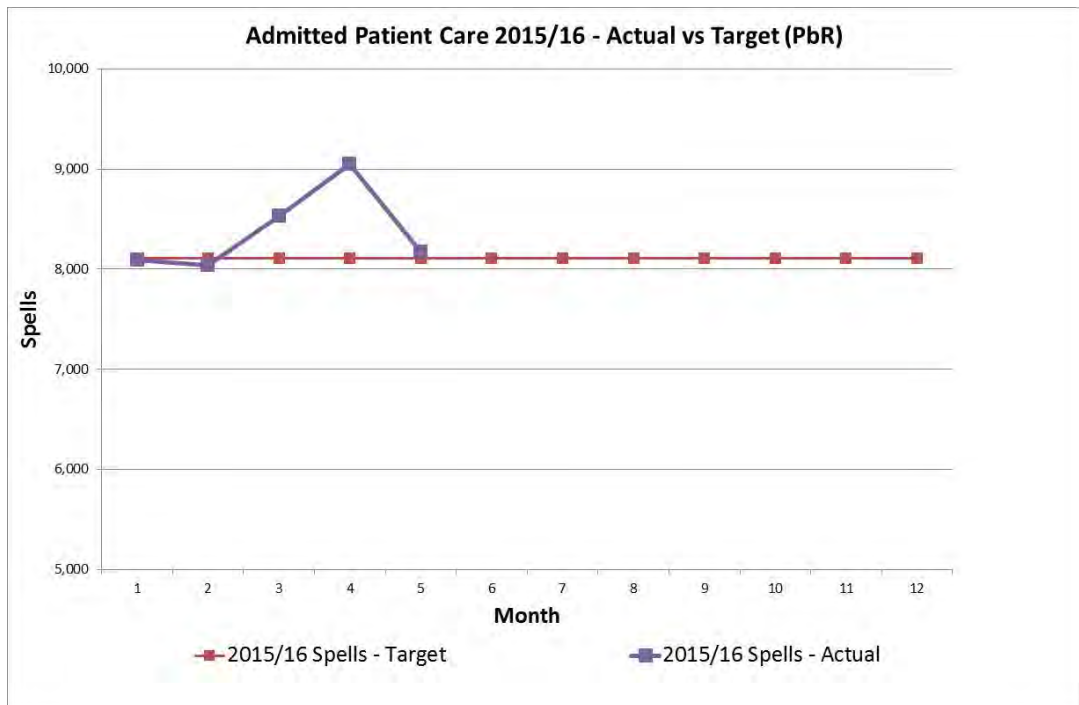


Table 4.2 shows outpatient activity compared to the target for the first five months of 2015/16 (April-August). As with inpatient activity there has been a reduction in month due to seasonal factors but year-to-date outpatient numbers remain above plan across all attendance types (news, follow ups and procedures).

Table 4.2 – Trust Outpatient Activity

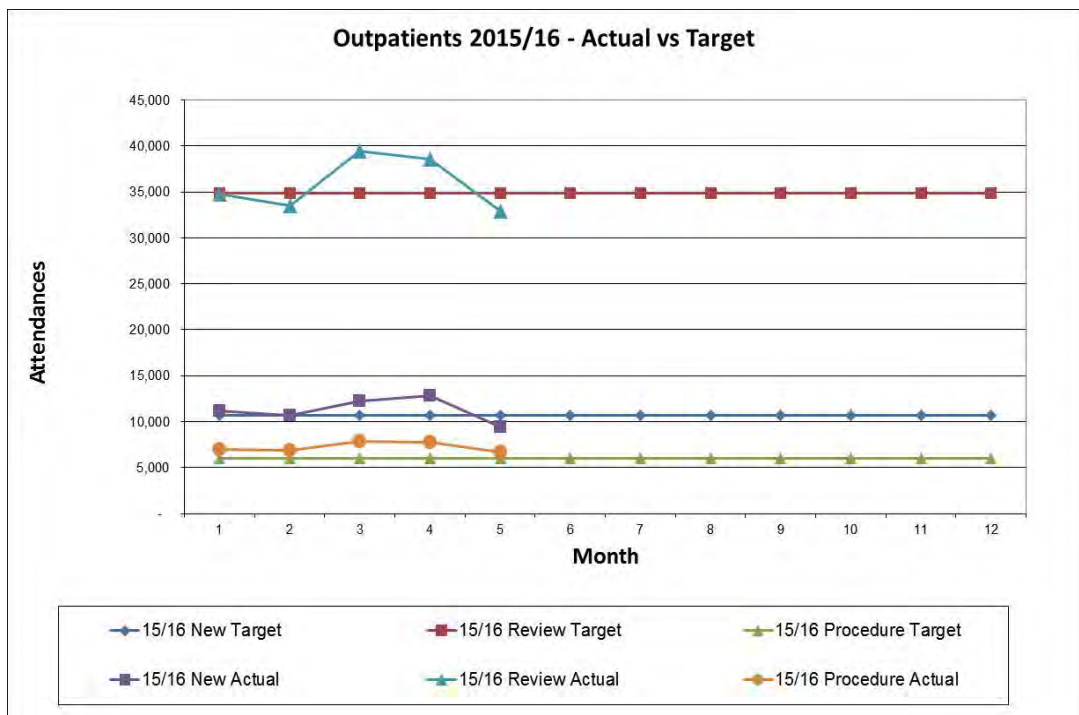


Table 5 below shows the income variance by Division and Point of Delivery at the end of Month 5 (April-August). In overall terms healthcare income (excluding cost per case) is very slightly above planned levels for the year to date prior to fines and contract penalties which are not yet included in the figures below.

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	67	(105)	1,007	474	1,443
Outpatient	47	26	(119)	519	473
Other	(372)	(1,025)	1	(463)	(1,859)
Total	(257)	(1,105)	889	529	56

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being (£4.1m) above the budgeted expenditure of £349.9m for the year to date.

Table 6 – Expenditure against Plan

	Budget Sep £m	Actual Sep £m	Variance £m
PAY			
Medical Staff	57.1	62.0	(4.9)
Nursing	63.6	70.1	(6.5)
Scientific & Technical	23.2	23.3	(0.1)
SMP / A&C	29.1	29.4	(0.3)
Other	7.0	7.3	(0.3)
Pay Reserves	9.6	0.0	9.6
Total Pay	189.6	192.1	(2.5)
NON PAY			
Drugs	57.2	57.4	(0.2)
Clinical Supplies & Services	46.0	46.3	(0.3)
Other / Non-Pay Reserves	57.1	58.2	(1.1)
Total Non Pay	160.3	161.9	(1.6)
GRAND TOTAL	349.9	354.0	(4.1)

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 2, efficiency savings of £6.5m had been delivered across the Trust (74% of target). Slippage against year to date targets totalled £2.3m as shown below:

Table 7 – Delivery of Cost Improvements

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

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 has happened in previous years, CIP delivery is expected to improve during the second half of the financial year. At present operational divisions are forecasting 92% delivery against the 2015/16 target by the end of the financial year.

4. Divisional Analysis

An adverse variance of (£16.124m) has been recorded across operational divisions in the first six months of 2015/16; this equates to an average monthly “run rate” of (£2.687m).

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	423	(3,845)	(3,422)
Division B	2,084	(5,993)	(3,909)
Division C	199	(4,333)	(4,134)
Division D	103	(6,103)	(6,000)
Division E	(1,728)	3,069	1,341
Sub - Total	1,081	(17,205)	(16,124)
Healthcare Income	30	(30)	0
TOTAL	1,111	(17,235)	(16,124)
<i>Memo General Contingency Reserve</i>			935

Note - may include rounding differences

The aggregate divisional overspend in September was (£2.429m). Within this Medical staffing accounted for (£1.057m) of the monthly over spend with (£656,000) 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 September included Anaesthetics (£81,000), Imaging (£71,000), Trauma (£71,000), Liver Services (£49,000), Max Fax (£43,000), Urology (£40,000) and Gastro (£33,000). The balance of the medical overspend (£401,000) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts with the largest pressures across Trauma (£83,000), Cardiac Services (£59,000), Neurosciences (£51,000), ED (£40,000) and General Surgery (£40,000).

Nursing expenditure (including Theatre ODPs in August was (£999,000) above budget in the month. Within this, specific departmental overspends included Theatres (£149,000) and Critical Care (£91,000), both of which include significant levels of external agency expenditure. Other nursing overspends included ED (£83,000), CDU (£52,000) and Imaging (£52,000), with the balance of the pressure (£572,000) spread across ward nursing reflecting 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 CIP targets and activity related non pay pressures in cardiology, cardiac surgery and renal services. During the same period, the divisional position has benefited from £416,000 of additional income within cardiac surgery for VAD and transplant activity and £61,000 of additional 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 30 September 2015.

Table 9 – Statement of Financial Position

	Audited Mar 2015 £m	Actual Sep 2015 £m	YTD Plan Sep 2015 £m	Annual Plan Mar 2016 £m
Non Current Assets:				
Property, Plant and Equipment	508.4	507.1	508.2	505.0
Intangible Assets	0.7	0.7	0.7	0.7
Trade and Other Receivables	21.6	16.4	15.1	9.3
Other Assets	0.0	0.0	0.0	0.0
Total Non Current Assets	530.7	524.2	524.0	515.0
Current Assets:				
Inventories	15.4	15.9	15.4	15.4
Trade and Other Receivables	69.6	36.3	56.5	54.5
Other Financial Assets	0.2	3.3	0.2	0.2
Other Current Assets	10.5	14.8	10.7	10.8
Cash	51.3	62.2	48.1	40.1
Total Current Assets	147.0	132.5	130.9	121.0
Current Liabilities:				
Trade and Other Payables	105.8	104.4	104.2	104.2
Borrowings	12.6	12.8	12.7	12.8
Provisions	0.8	0.6	0.8	0.8
Tax Payable	7.6	7.6	7.5	7.5
Other Liabilities	30.9	19.1	16.1	15.5
Total Current Liabilities	157.7	144.5	141.3	140.8
Non Current Liabilities:				
Borrowings	509.6	503.2	503.3	496.8
Provisions	2.5	2.5	2.5	2.5
Other Liabilities	10.8	8.0	9.0	6.8
Total Non Current Liabilities	522.9	513.7	514.8	506.1
TOTAL ASSETS EMPLOYED	(2.9)	(1.5)	(1.2)	(10.9)
Financed by:				
Public Dividend Capital	180.7	181.1	181.2	182.1
Income & Expenditure Reserve	(278.7)	(277.6)	(277.5)	(288.1)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	95.1	95.0	95.1	95.1
Merger Reserve	0.0	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	(2.9)	(1.5)	(1.2)	(10.9)

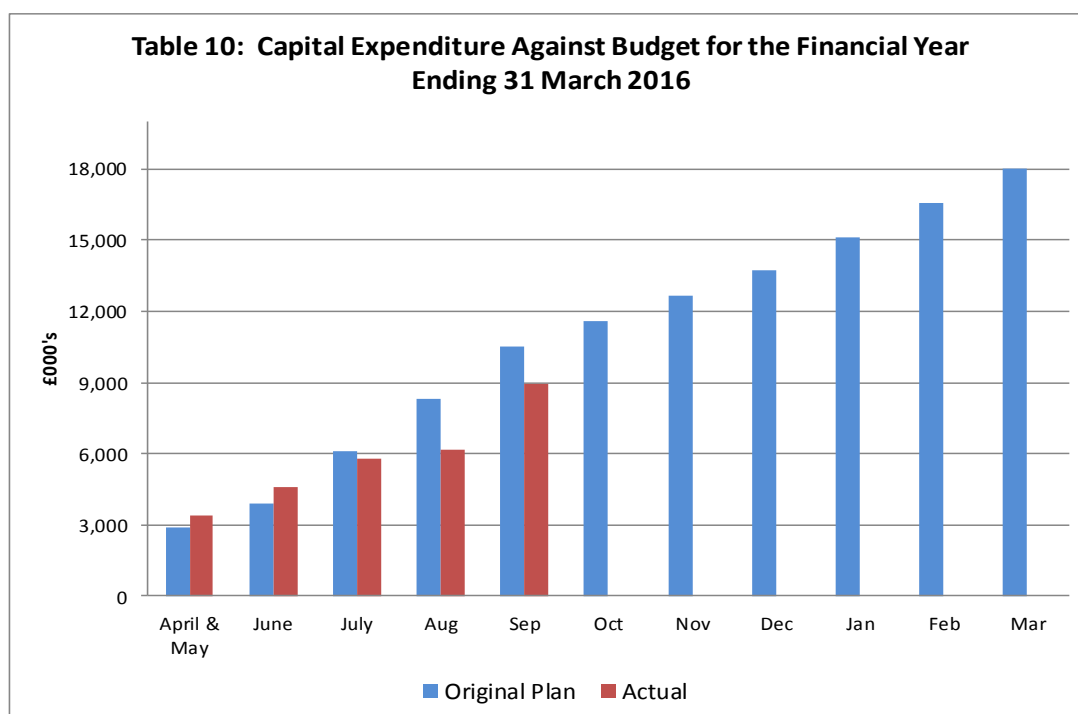
Note - may include rounding differences

6. Capital Expenditure (Non-Current Assets)

The approved capital programme for 2015/16 is £18.0m. At the end of month 6, actual capital expenditure was £8.9m compared to the planned £10.5m. The year to date underspend is mainly due to the rescheduling of the replacement PET-CT scanner delivery which is now due in in January 2016.

Capital expenditure in September totalled £2.7m. 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

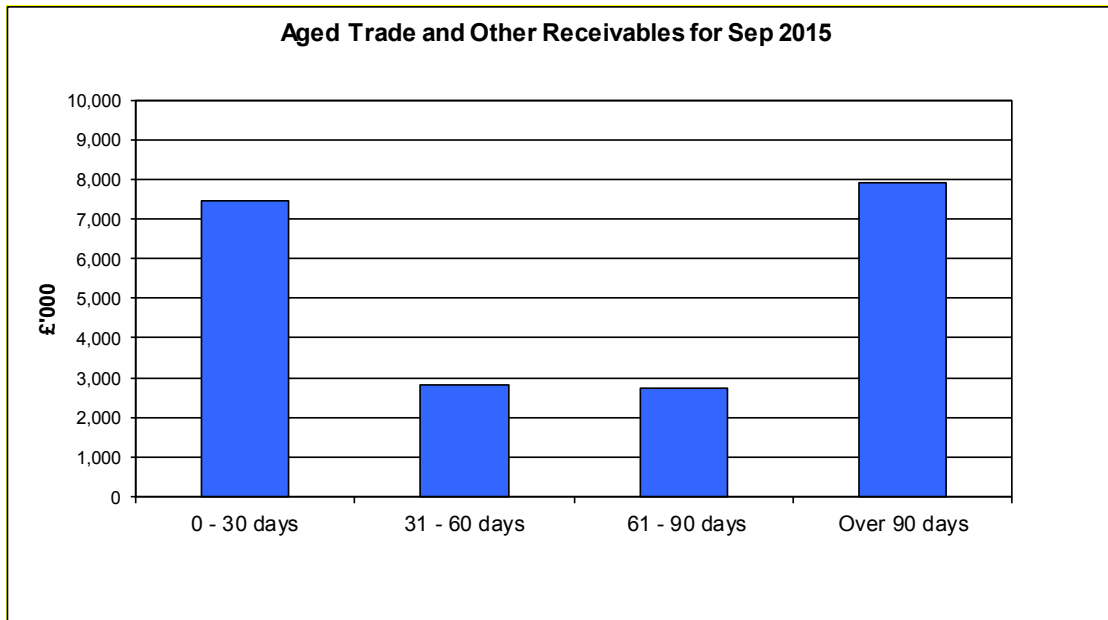
The Trust's total current assets (excluding cash and inventories) amount to £54.4m at 30 September 2015.

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

	Actual Sep 2015 £m	Forecast Sep 2015 £m
Trade Receivables	21.0	40.4
Bad Debt Provision	-2.6	-3.4
Other Receivables	17.9	19.5
Trade and Other Receivables	36.3	56.5
Accrued Income	3.3	0.2
Other Financial Assets	3.3	0.2
Prepayments	14.8	10.7
Other Current Assets	14.8	10.7
TOTAL	54.4	67.4

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 stood at £7.9m. This includes £2.6m outstanding from NHS commissioning organisations including NHS England (£1.1m) and local CCG's. A further £2.8m relates to unpaid invoices for Service Level Agreements and services provided to other NHS providers including Birmingham Women's Hospital (£0.5m), Birmingham Children's Hospital (£0.5m), Heart of England (£0.3m) and Sandwell & West Birmingham (£0.2m). The £2.5m balance includes income owed to the Trust by non-NHS debtors including local authorities (£1.7m), private sector organisations and individuals (e.g. private patients).

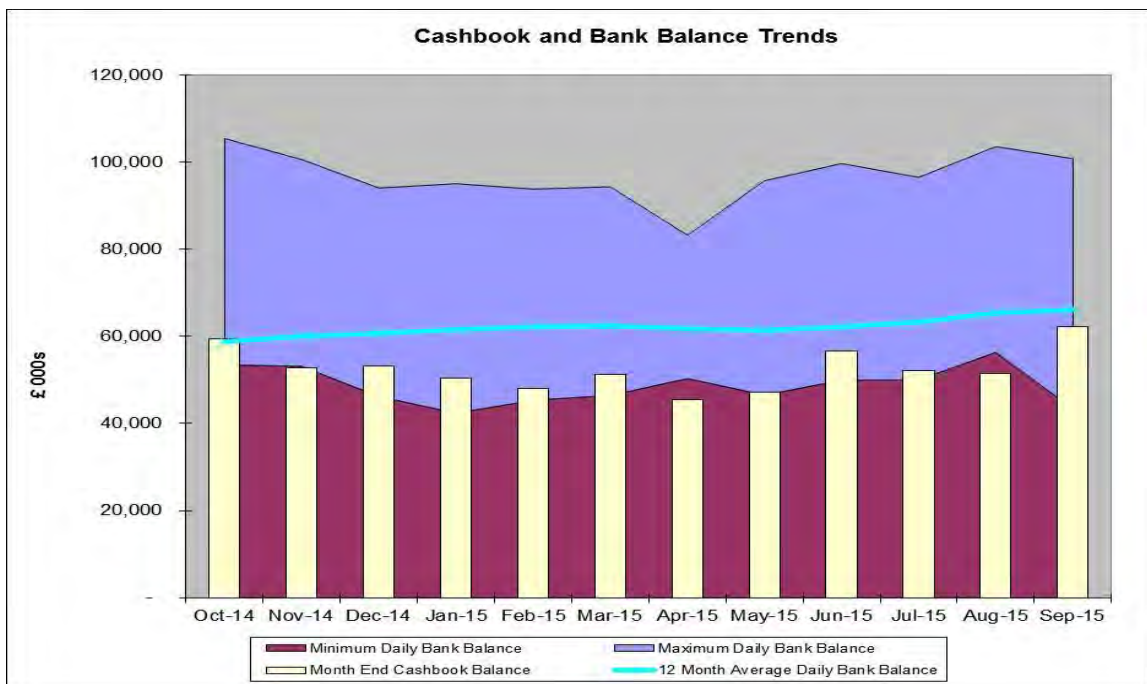
Table 12 – Aged Debt Analysis



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 30 September 2015 was £62.2m, which is £14.1m above plan.

Table 13 – Cash Flow



9. Monitor Financial Sustainability Risk Rating and Quarterly Return

The Trust has received a Continuity of Services Risk Rating (CoSRR) of 1 (highest risk) based on Monitor’s assessment of financial performance at quarter 1. This is line with the Operational Plan submitted to Monitor in May 2015.

As detailed previously, Monitor have replaced the CoSRR with a new Financial Sustainability Risk Rating (FSRR) from August 2015. Based on self-assessment of financial results at Q2, the Trust expects to achieve an overall FSRR of 2. The FSRR ranges from 1 (highest risk) to 4 (lowest risk), a rating of 2 represents a “material level of financial risk” and can prompt an increased level of scrutiny or investigation to determine whether the Trust is in breach of its licence.

At the end of each quarter, Foundation Trusts are required to submit a Governance Statement to Monitor. The latest version of the quarterly statement requires the Board of Directors to complete five declarations, of which three are financial including a new declaration on capital expenditure. Based on the information contained in this report and the 2015/16 Annual Plan Return; 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

The Trust is reporting an overall surplus of £0.960m for the first six months (April-September) of the 2015/16 financial year, representing an adverse variance of (£0.140m) against the planned surplus of £1.100m year to date. This position includes grant and donated income totalling £14.082m which relates primarily to the ITM.

The plan deficit for the year is (£9.500m) in overall terms and (£23.700m) on a normalised basis. The Trust has now agreed a reforecast year end trajectory of (£6.600m) overall and (£21.500m) normalised. Continued focus on cost control is required over the remainder of the financial year to improve the monthly “run rate” and ensure that the reforecast trajectories are achieved.

11. Recommendations

The Board of Directors is requested to;

- Receive the contents of this report.
- Note the reforecast year end trajectories for 2015/16.
- Approve the submission of the Quarter 2 governance statement to Monitor with the finance declarations contained in this report.

Mike Sexton
Chief Financial Officer
13 October 2015