UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE COUNCIL OF GOVERNORS

FRIDAY 4 SEPTEMBER 2015

Title:	**FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 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 1.	
Confidentiality Level & Reason:	N/A	
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health	
Key Issues Summary:	The Trust is planning for an overall deficit of (£9.500m) in 2015/16. This includes £14.200m of grant and donated income and therefore the normalised plan deficit is (£23.700m). In June the Trust recorded a deficit of (£2.123m), this was (£0.123m) above the planned deficit of (£2.000m). The cumulative deficit to the end of Quarter 1 is (£6.411m) which is (£0.311m) greater than the planned deficit for the period of (£6.100m).	
Recommendations:	The Council of Governors is asked to receive the contents of this report	
Approved by:	Mike Sexton	Date: 24 August 2015

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS
THURSDAY 23 JULY 2015

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2015

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first quarter of the 2015/16 financial year (1 April 2015 to 30 June 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 per cent 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 a deficit plan of (£23.700m) to Monitor for 2015/16. The Trust has been in discussions with Monitor regarding the financial plan to determine what action is required to achieve sustainable balance and updates will be provided to the Board on a regular basis.

The planned deficit of (£23.700m) is a normalised figure i.e. it excludes grant and donated income totalling £14.200m which relates primarily to the Institute of Translational Medicine (ITM). After taking account of this the overall plan deficit for 2015/16 is (£9.500m).

At the end of month 3, the Trust is reporting a deficit of (£6.411m) compared to the planned deficit of (£6.100m), an adverse variance of (£0.311m). This financial position includes a (£8.410m) year to date overspend across Operational Divisions. The main pressures include:

- Deliverability of cost improvements: historically a greater proportion of savings are realised later into the financial year whilst the savings targets are usually phased equally. However, services need to ensure that the planned efficiencies are delivered and identify further schemes to offset any slippage that may occur.
- Workforce issues: the booking of bank and agency nursing across the Trust continues to cause a financial pressure, as does the use of locum doctors to cover recruitment gaps in areas of skills shortage.
- Activity and capacity related cost pressures including unfunded beds, waiting list initiative payments, additional sessions and private sector capacity. Significant additional expenditure is being incurred, often at premium rates, to maintain elective waiting times.

To date the operational overspend has been broadly offset by underspends across corporate budgets and Trust Specific Reserves. However, should the current monthly run rate continue at this level without corresponding over-performance against clinical income targets, corrective action will be required. Operational divisions are working on trajectories for key variances and agreeing action plans to reduce the over spends.

Based on the actual performance in the first quarter of 2015/16, the Trust's Continuity of Services Risk Rating (COSRR) is expected to be 1, the lowest rating available. This is consistent with the forecast in the Operational Plan submitted to Monitor in May 2015.

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 Actual vs. Plan 2015/16

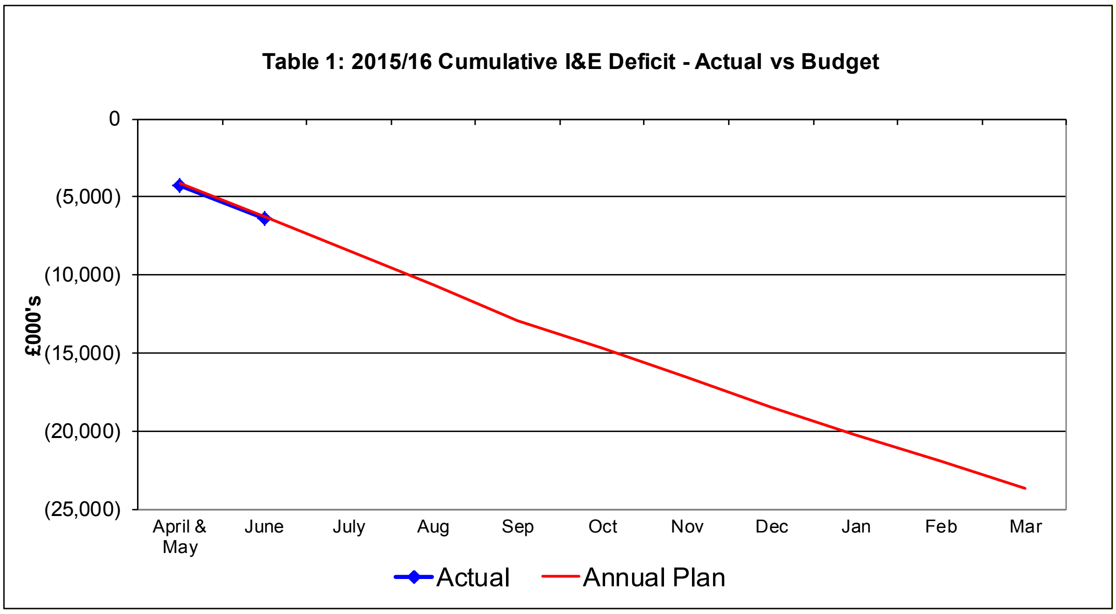


Table 2 below summarises the Trust's income & expenditure position at the end of June. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Jun £m	Actual Jun £m	Variance £m
Revenue	179.2	178.8	(0.4)
Operating Expenses	(174.7)	(174.6)	0.1
EBITDA	**4.5**	**4.2**	**(0.3)**
Depreciation	(5.3)	(5.2)	0.1
Donated Asset Revenue	0.1	0.0	(0.1)
Interest Receivable	0.1	0.1	0.0
Interest Payable	(4.1)	(4.1)	0.0
Contingent Rental	(1.4)	(1.4)	0.0
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Total Surplus / (Deficit)	**(6.1)**	**(6.4)**	**(0.3)**

Note - may include rounding differences

2.2 Income Analysis

Total operating income is £0.4m above plan at the end of Month 3, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Jun £m	Actual Jun £m	Variance £m
Clinical - NHS	147.3	147.8	0.5
Clinical - Non NHS	4.3	4.8	0.5
Other	27.6	26.2	(1.4)
TOTAL	**179.2**	**178.8**	**(0.4)**

Note - may include rounding differences

NHS clinical revenues are £0.5m above plan at the end of June; this reflects additional income for cost per case treatments. Non NHS clinical revenues are £0.5m above plan, including an over recovery of £0.2m against the Injury Cost Recovery Scheme. Other Income is (£1.4m) below plan at the end of quarter 1. This relates primarily to slippage against R&D income targets, but 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) activity against target for the first two months of 2015/16. Combined inpatient activity (nationally priced spells and locally priced episodes) is 1% below plan for the period. Elective activity is (5%) below plan for year to date, reflecting the impact of the bank holidays in April and May, whilst emergencies were 6% above plan for the same period.

Table 4.1 – Trust Inpatient Activity

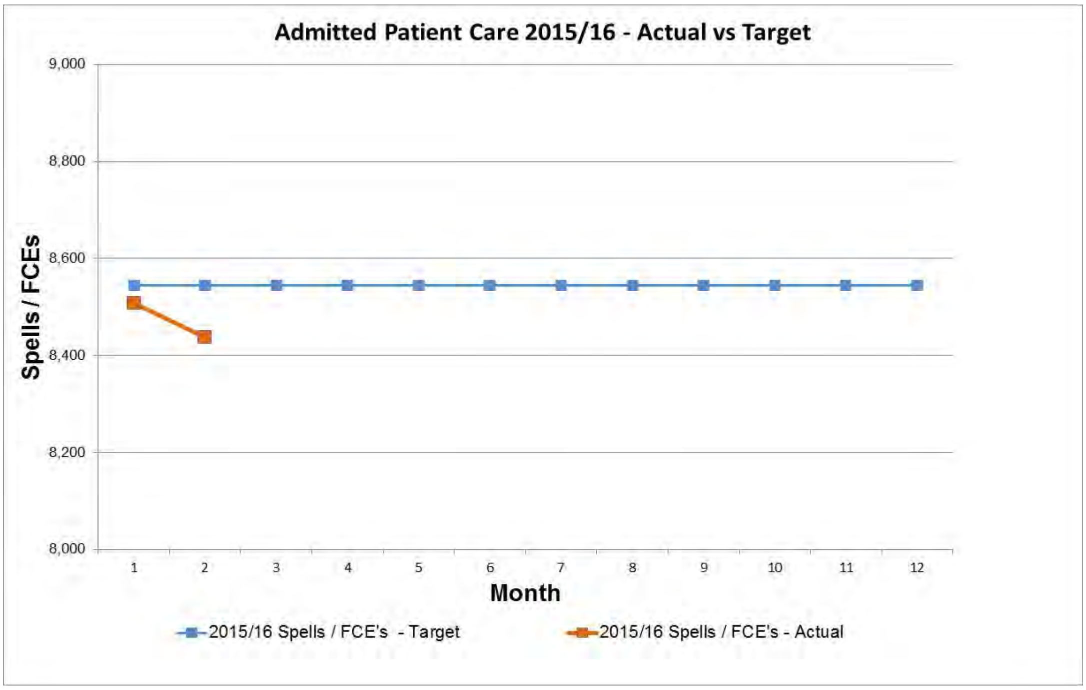


Table 4.2 shows outpatient activity compared to the target for the first two months of 2015/16. Combined outpatient attendances year-to-date are 2% below plan. This reflects the seasonal impact of the bank holidays in April and May.

Table 4.2 – Trust Outpatient Activity

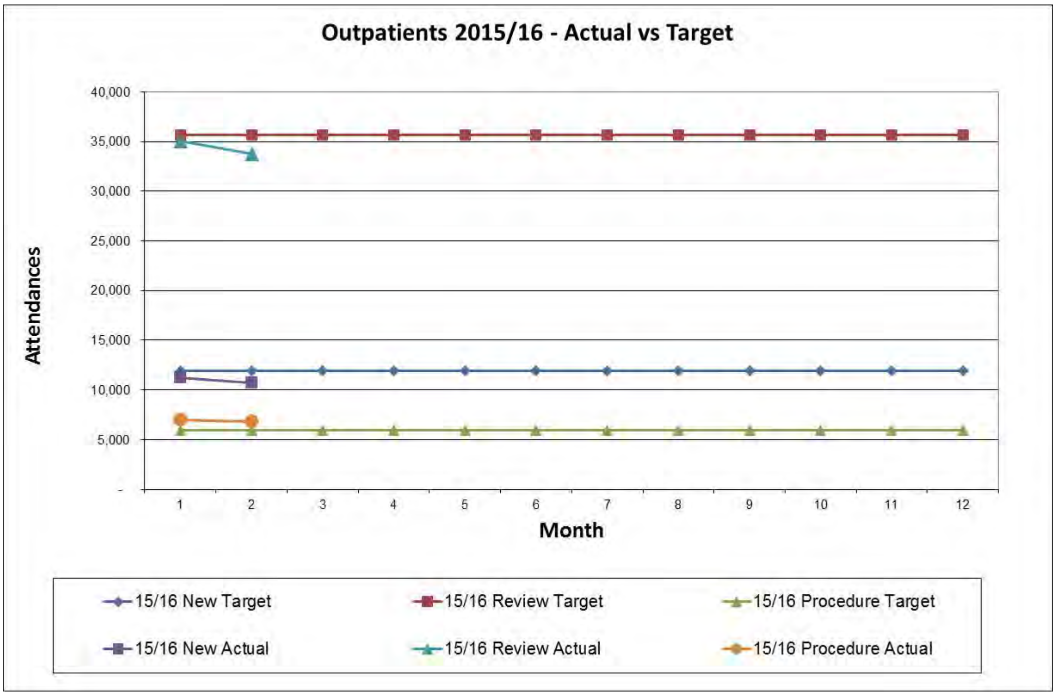


Table 5 below shows the income variance by Division and Point of Delivery at the end of Month 2 (April-May). To date, healthcare income (excluding cost per case) was (£2.0m) below plan compared to the 2015/16 plan. It remains too early in the financial year to ascertain a meaningful trend and the variance is within the expected range after taking account of seasonality, therefore this has not been reflected in the ledger to date.

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	(690)	199	(575)	**(1,054)**
Outpatient	5	(80)	(204)	(90)	**(369)**
Other	(291)	128	(12)	(407)	**(582)**
Total	**(274)**	**(641)**	**(18)**	**(1,072)**	**(2,005)**

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being £0.1m below the planned and budgeted expenditure of £174.7m for the year to date.

Table 6 – Expenditure against Plan

	Budget Jun £m	Actual Jun £m	Variance £m
PAY			
Medical Staff	28.4	30.7	(2.3)
Nursing	31.7	35.0	(3.3)
Scientific & Technical	11.6	11.7	(0.1)
SMP / A&C	14.1	14.5	(0.4)
Other	3.5	3.6	(0.1)
Pay Reserves	5.3	0.0	5.3
Total Pay	**94.6**	**95.5**	**(0.9)**
NON PAY			
Drugs	28.6	26.9	1.7
Clinical Supplies & Services	23.0	23.6	(0.6)
Other	25.0	28.6	(3.6)
Non-Pay Reserves	3.5	0.0	3.5
Total Non Pay	**80.1**	**79.1**	**1.0**
GRAND TOTAL	**174.7**	**174.6**	**0.1**

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 1, efficiency savings of £3.3m had been delivered across the Trust (74% of target). Slippage against year to date targets totalled £1.1m as shown below:

Table 7 – Delivery of Cost Improvements

	Cumulative variance against plan (£000)			
	Q1	**Q2**	**Q3**	**Q4**
Division A	(271)			
Division B	(373)			
Division C	(411)			
Division D	(63)			
Corp/ NHP/ Central Ops	(33)			
Total	**(1,151)**			
% Achieved	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.
- Schemes linked to the delivery of additional activity - it is too early to demonstrate whether these schemes are delivering or not.
- 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.

In previous years the level of CIP delivered against target has increased quarter on quarter as in-year schemes take effect and new schemes are identified. CIP delivery will continue to be reviewed in divisional meetings to ensure improved performance.

4. Divisional Analysis

A total adverse variance of (£8.410m) has been recorded against operational budgets in the first quarter of 2015/16.

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	**Total £'000**
Division A	294	(2,022)	**(1,728)**
Division B	1,091	(3,212)	**(2,121)**
Division C	208	(2,155)	**(1,947)**
Division D	27	(3,253)	**(3,226)**
Division E	(3,346)	3,958	**612**
Sub - Total	**(1,726)**	**(6,684)**	**(8,410)**
Healthcare Income	10	(10)	**0**
TOTAL	**(1,716)**	**(6,694)**	**(8,410)**

Memo General Contingency Reserve		*468*

Note - may include rounding differences

The aggregate divisional overspend for June was (£2.881m). The main pressure is a (£1,195,000) adverse variance across nursing expenditure (including Theatre ODPs) in the month. Within this, specific departmental overspends included Critical Care (£197,000) and Theatres (£147,000), both of which include significant levels of external agency expenditure; (£241,000) in ITU and (£194,000) across Theatres. Other nursing overspends included CDU (£80,000), ED (£67,000) and Imaging (£57,000), with the balance of the pressure (£647,000) across ward areas reflecting staffing above established levels (including enhanced nursing for specific patients) and cover for sickness and annual leave.

Medical staffing accounted for (£918,000) of the monthly over spend which included (£707,000) 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 the period included Imaging (£117,000), Anaesthetics (£104,000), Neurosciences (£76,000), Trauma (£76,000), Ophthalmology (£60,000), Cardiac Services (£53,000) and CDU (£39,000). The balance of the medical overspend (£211,000) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts including within Cardiac Services (£57,000), ED (£46,000), General Medicine (£46,000), Anaesthetics (£32,000), and CDU (£30,000).

Other expenditure pressures included slippage against CIP targets, the costs of delivering activity in the private sector and activity related expenditure in cardiology and renal services. During the same period, the divisional position has benefited from £187,000 of additional income within cardiac surgery for VAD and transplant activity and £83,000 of additional Laboratory and Imaging SLA over performance.

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 June 2015.

Table 9 – Statement of Financial Position

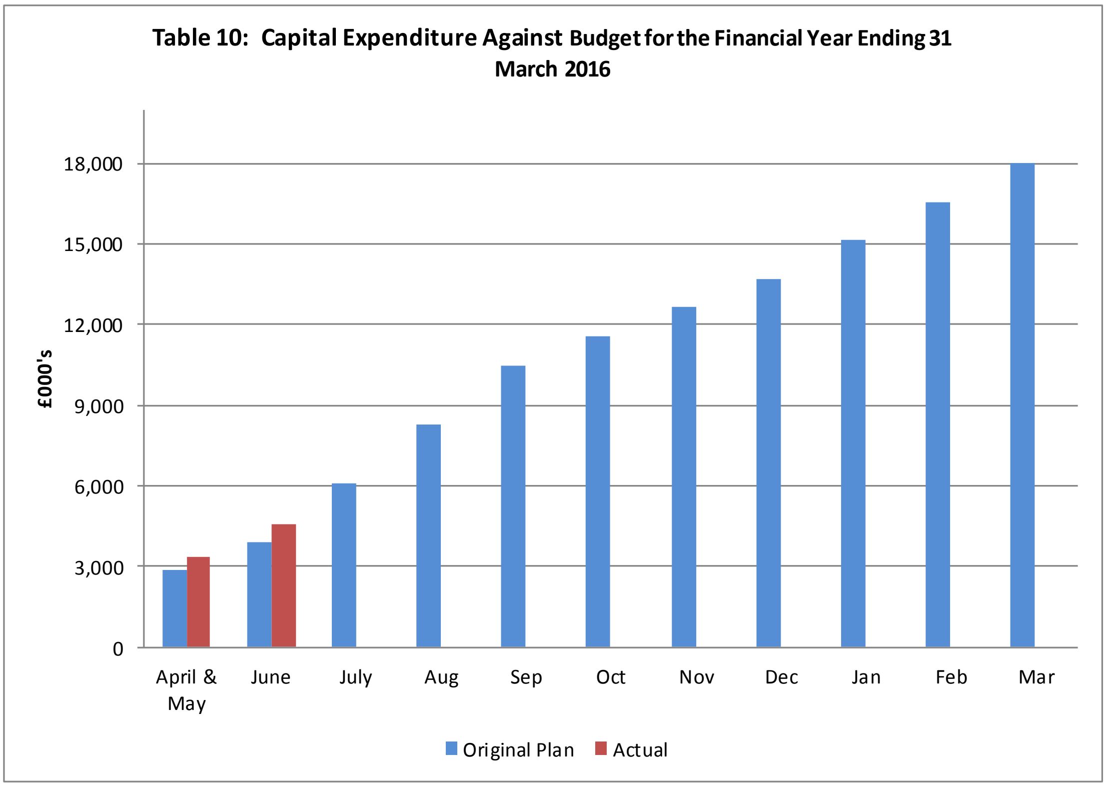
		Audited Mar 2015 £m	Actual Jun 2015 £m	YTD Plan Jun 2015 £m	Annual Plan Mar 2016 £m
Non Current Assets:					
	Property, Plant and Equipment	508.4	508.0	507.0	505.0
	Intangible Assets	0.7	0.6	0.7	0.7
	Trade and Other Receivables	21.6	22.6	21.6	9.3
	Other Assets	0.0	0.0	0.0	0.0
	Total Non Current Assets	**530.7**	**531.2**	**529.3**	**515.0**
Current Assets:					
	Inventories	15.4	15.9	15.4	15.4
	Trade and Other Receivables	69.6	39.8	53.0	54.5
	Other Financial Assets	0.2	4.8	0.2	0.2
	Other Current Assets	10.5	14.9	11.3	10.8
	Cash	51.3	56.6	54.4	40.1
	Total Current Assets	**147.0**	**132.0**	**134.3**	**121.0**
Current Liabilities:					
	Trade and Other Payables	105.8	101.4	104.2	104.2
	Borrowings	12.6	12.6	12.7	12.8
	Provisions	0.8	0.7	0.8	0.8
	Tax Payable	7.6	7.7	7.5	7.5
	Other Liabilities	30.9	31.3	28.4	15.5
	Total Current Liabilities	**157.7**	**153.7**	**153.6**	**140.8**
Non Current Liabilities:					
	Borrowings	509.6	506.5	506.4	496.8
	Provisions	2.5	2.5	2.5	2.5
	Other Liabilities	10.8	9.8	10.1	6.8
	Total Non Current Liabilities	**522.9**	**518.8**	**519.0**	**506.1**
TOTAL ASSETS EMPLOYED		**(2.9)**	**(9.3)**	**(9.0)**	**(10.9)**
Financed by:					
	Public Dividend Capital	180.7	180.7	180.6	182.1
	Income & Expenditure Reserve	(278.7)	(285.0)	(284.7)	(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)**	**(9.3)**	**(9.0)**	**(10.9)**

Note - may include rounding differences

6. Capital Expenditure (Non-Current Assets)

The capital programme budget included in the 2015/16 Annual Plan Return submitted to Monitor was £18.0m. At the end of month 3, actual capital expenditure year to date was £4.6m compared to the planned £3.9m. Expenditure in June totalled £1.2m which included £0.8m on the works and equipping of the ITM facility, £0.2m on replacement ICT hardware, £0.1m on new endoscopes and £0.1m on equipping the new community renal facility. More detail regarding capital project progress and expenditure is set out in Appendix A.

Table 10 – Capital Expenditure against Plan



7. Current Assets

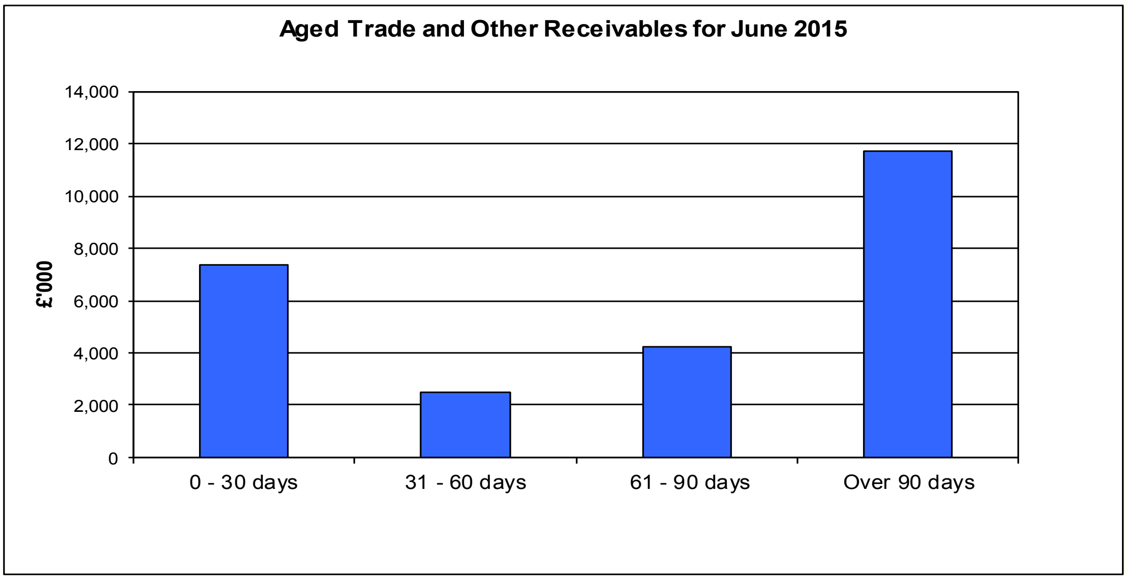
The Trust's total current assets (excluding cash and inventories) amount to £65.4m at 30 June 2015.

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

	Actual Jun 2015 £m	**Forecast Jun 2015 £m**
Trade Receivables	28.5	40.4
Bad Debt Provision	-3.2	-3.4
Other Receivables	20.3	16.0
Trade and Other Receivables	**45.6**	**53.0**
Accrued Income	5.0	0.2
Other Financial Assets	**5.0**	**0.2**
Prepayments	14.8	11.3
Other Current Assets	**14.8**	**11.3**
TOTAL	**65.4**	**64.5**

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 30 June, the over 90 day debt stood at £11.2m. This includes £6.3m outstanding from NHS commissioning organisations including NHS England (£2.7m) and Welsh Specialised Services (£1.7m) with the outstanding balance split across other CCG's and commissioners. A further £2.5m relates to unpaid invoices raised to other NHS providers including Birmingham Women's Hospital (£0.9m), Heart of England (£0.3m), Birmingham Children's Hospital (£0.3m) and Sandwell & West Birmingham (£0.3m). The £3.0m balance includes income owed to the Trust by non-NHS debtors including the University of Birmingham (£1.4m), local authorities (£1.2m), private companies and individuals (e.g. private patients).

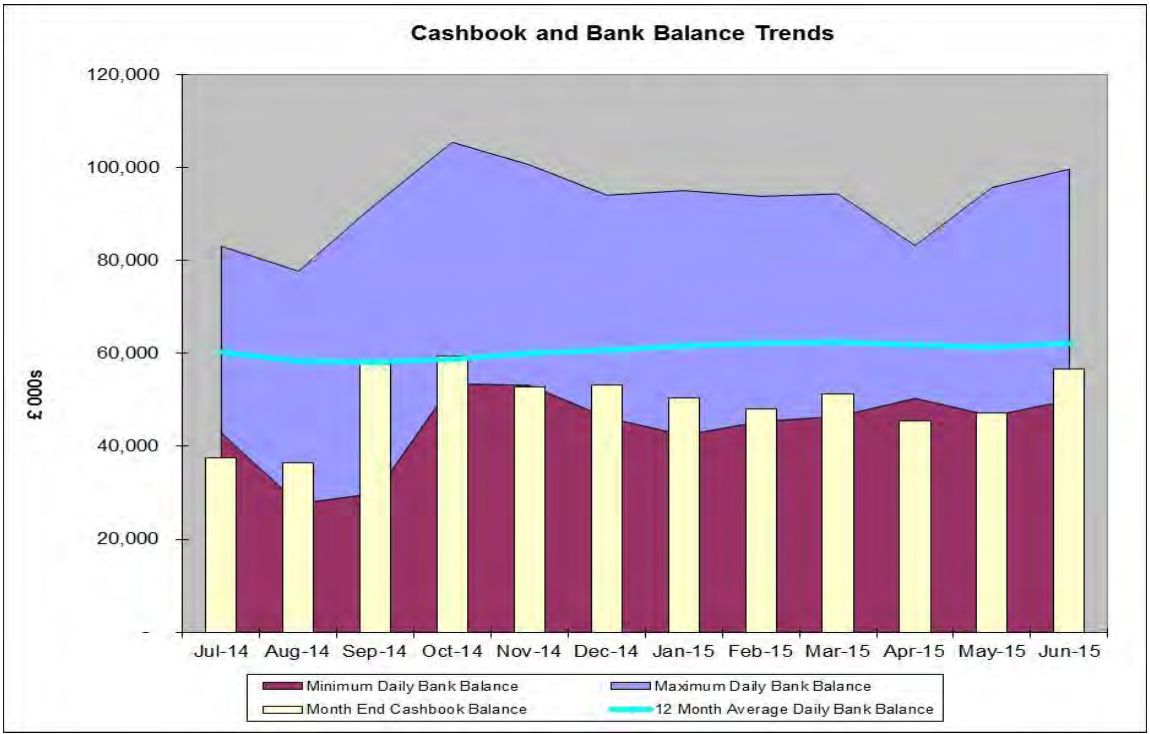
Table 12 – Aged Debt Analysis



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 June 2015 was £56.6m, which is £2.2m above plan.

Table 13 – Cash Flow



9. Monitor Risk Ratings

Based on self-assessment of financial results to the end of quarter 1 the Trust expects to receive a Continuity of Services Risk Rating (COSRR) of 1, the lowest rating. This is in line with the Operational Plan submitted to Monitor in May 2015 and means that the Trust would be classified as demonstrating a “material level of financial risk”.

At the end of each quarter, Foundation Trusts are required to submit a Governance Statement to Monitor. Based on the information contained in this report and the 2015/16 Annual Plan Return, the Trust is required to submit a “Not Confirmed” response to the declaration that “the Trust will maintain a Continuity of Service risk rating of at least 3 for the next 12 months”.

Within this declaration, the Trust is also required to confirm the number of subsidiaries which have been consolidated into the financial return. At the end of June 2015, the Trust had three trading subsidiaries:

- Pharmacy@QEHB Ltd
- UHB Facilities Ltd and
- Assure Dialysis Services.

10. Conclusion

The Trust has recorded a deficit of (£6.411m) for the first quarter of the 2015/16 financial year. This represents an adverse variance of (£0.311m) against the planned deficit of (£6.100m) for the year to date. Significant focus is required on cost control and over the remainder of the financial year to improve the monthly “run rate” and bring performance back within the planned trajectory.

11. Recommendation

The Board of Directors is requested to;

- Receive the contents of this report.
- Approve the submission of the Quarter 1 governance statement 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
15 July 2015