

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
COUNCIL OF GOVERNORS MEETING  
TUESDAY 20 MAY 2014**

<b>Title:</b>	<b>FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2014</b>
<b>Responsible Director:</b>	Mike Sexton, Chief Financial Officer
<b>Contact:</b>	Julian Miller, Director of Finance, ext. 53074

<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 4
<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>The Trust has recorded a surplus of £0.316m in March, resulting in an overall surplus of £4.940m for the 2013/14 financial year. This represents a favourable variance of £1.040m against the planned surplus of £3.900m for the year.</p> <p>This position excludes the impact of asset revaluations, which have resulted in a technical gain of £23.993m during the year. Including this adjustment the Trust has reported an overall surplus of £28.933m for 2013/14. As previously reported, the revaluation is a non-cash accounting adjustment which is excluded by Monitor when assessing the Trust's performance. The reported figures are subject to the completion of the audit of the annual accounts.</p>
<b>Recommendations:</b>	The Council of Governors is asked to receive the contents of this report.

<b>Approved by:</b> M Sexton	<b>Date:</b> 14 April 2014
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# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## REPORT TO THE BOARD OF DIRECTORS

THURSDAY 24 APRIL 2014

### FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 MARCH 2014

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

#### 1. Introduction

This report covers the 2013/14 financial year (1 April 2013 to 31 March 2014). It includes the three main financial statements, the Statement of Comprehensive Income (SOI), the Statement of Position and the Cash Flow Statement. The report also includes information on healthcare activity, key operating expenditure variances, CIP delivery and capital programme expenditure.

The 2013/14 Financial Plan provided for an annual surplus of £3.900m. An actual surplus of £4.940m has been achieved during the year, representing a favourable variance of £1.040m against plan. The in month surplus during March was £0.316m against a plan of £0.200m, a positive variance of £0.116m.

The surplus of £4.940m is prior to the impact of asset revaluations (impairment gains / losses). Based on the final valuation report for 2013/14 the Trust is required to recognise impairment gains of £23.993m within its SOI to account for the reversal of previous impairment losses charged to income and expenditure. This is an accounting adjustment which does not involve a cash transaction and is excluded by Monitor when they assess the Trust's performance. However, taking this into account the Trust has reported an overall surplus of £28.933m subject to the audit of the annual accounts. The remaining £6.755m balance of the revaluation movement has been posted directly to the revaluation reserve (as this exceeds previous impairment losses charged to the SoCI on a building by building basis).

The Trust has received a 2\* Continuity of Services Risk Rating (COSRR) rating from Monitor based on its financial results for Quarter 3 (October-December 2013). Self assessment indicates that this rating should be maintained in Quarter 4.

#### 2. Income & Expenditure Position

##### 2.1 Year to Date Summary

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

**Table 1 – I&E Surplus vs. Plan 2013/14**

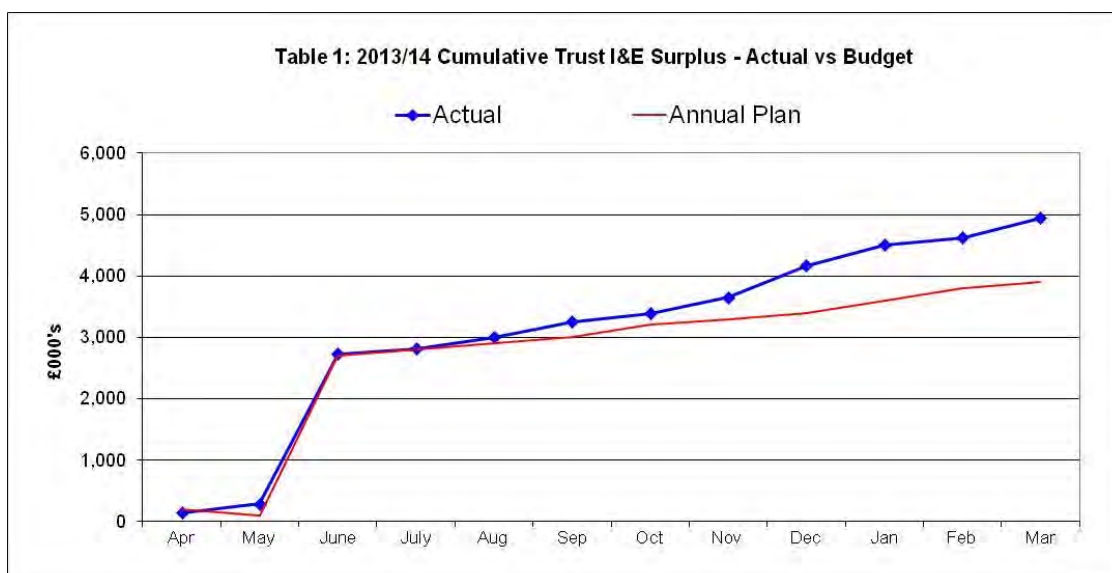


Table 2 below summarises the Trust's income & expenditure position for the 2013/14 financial year. A detailed analysis of income is included in section 2.2 and the operating expenditure variances are set out in section 2.4 below.

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

	<b>Budget April - Mar £m</b>	<b>Actual April - Mar £m</b>	<b>Variance £m</b>
Revenue	646.1	689.4	43.3
Operating Expenses	(602.7)	(645.0)	(42.3)
<b>EBITDA</b>	<b>43.4</b>	<b>44.4</b>	<b>1.0</b>
Depreciation	(20.0)	(20.3)	(0.3)
Donated Asset Revenue	2.5	2.5	0.0
Interest Receivable	0.8	0.5	(0.3)
Interest Payable	(18.0)	(17.4)	0.6
Contingent Rental	(4.6)	(4.6)	0.0
Corporation Tax	(0.2)	(0.2)	0.0
PDC Dividend	0.0	0.0	0.0
<b>Surplus before impairments</b>	<b>3.9</b>	<b>4.9</b>	<b>1.0</b>
Impairments on Property	0.0	24.0	24.0
<b>Total Surplus / (Deficit)</b>	<b>3.9</b>	<b>28.9</b>	<b>25.0</b>

Note - may include rounding differences

## 2.2 Income Analysis

Total operating income is £43.2m above plan for the financial year as shown in table 3 below.

**Table 3 – Income against plan**

	<b>Budget April - Mar £m</b>	<b>Actual April - Mar £m</b>	<b>Variance £m</b>
Clinical - NHS	515.4	550.6	35.2
Clinical - Non NHS	19.7	18.4	(1.3)
Other	111.0	120.4	9.4
<b>TOTAL</b>	<b>646.1</b>	<b>689.4</b>	<b>43.3</b>

Note - may include rounding differences

Total NHS Clinical Revenue was £35.2m above plan at the end of the financial year. This includes £15.6m attributable to over-performance against plan for cost per case treatments including high cost drugs and devices excluded from tariff, Bone Marrow Transplants, Renal Dialysis and Enzyme Replacement Therapy (ERT). A further £13.3m relates to in year contract variations and business case approvals with the balance of £6.3m attributable to 2013/14 over-performance against core activity (see 2.3 below) and some prior year gains.

Non NHS clinical revenues are (£1.3m) below plan due largely to private patient income underperformance. Other income has increased to £9.4m above plan for the year to date due to new research income related to the Academic Health Science Network and additional revenues from commercial developments and other Service Level Agreements.

## 2.2 NHS Clinical Income / Activity

Table 4.1 below compares monthly admitted patient care activity against target for the first eleven months of the financial year. February's total inpatient activity was above plan, mainly due to higher non elective activity in the month. Year to date (April-February) both elective and emergency inpatient activity remains above plan.

**Table 4.1 – Trust Inpatient Activity**

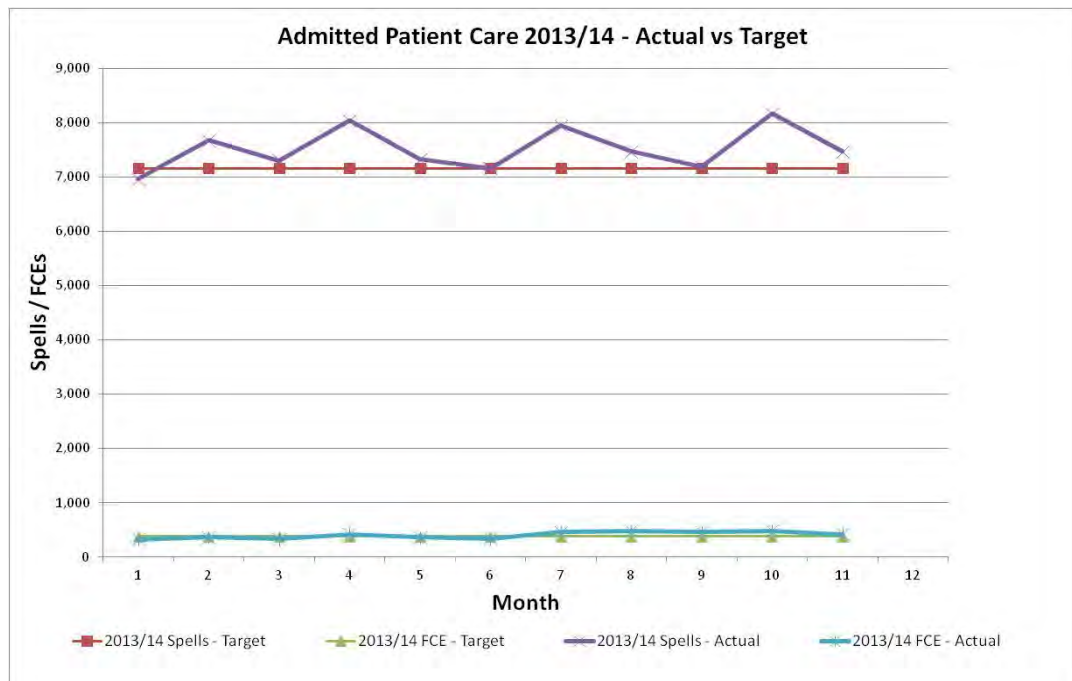


Table 4.2 below shows outpatient activity against target. Actual outpatient activity remained strong in February with both the in month and year to date (April-February) outpatient activity continuing above plan across all categories (new, follow up and outpatient procedures).

**Table 4.2 – Trust Outpatient Activity**

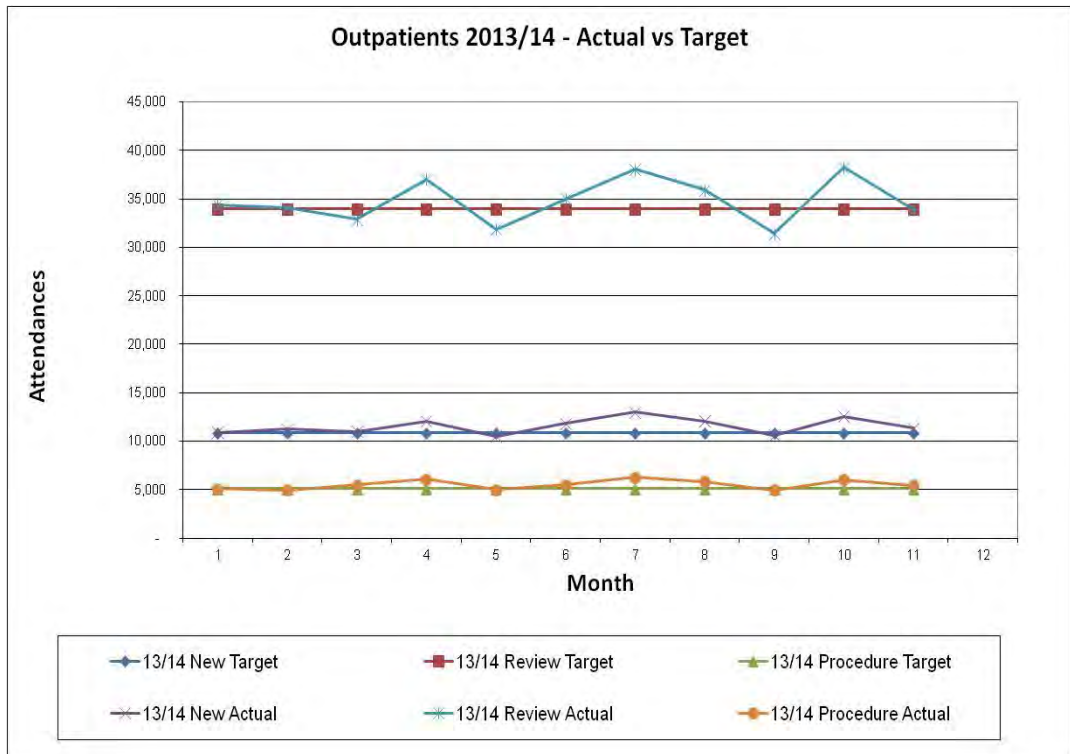


Table 5 below shows the year to date income variances by Division and by Point of Delivery against 2013/14 healthcare income targets. Healthcare income (excluding cost per case activity) was £3.7m above plan for the first eleven months of the financial year (April-February). In total, £6.3m of over performance has been recognised in the ledger based on a seasonally adjusted forecast to 31 March and some prior year gains.

**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	(127)	(2,233)	1,237	(1,073)	<b>(2,196)</b>
Outpatient	100	2,088	1,737	783	<b>4,708</b>
Other	310	(660)	298	1,265	<b>1,212</b>
<b>Total</b>	<b>1,359</b>	<b>(762)</b>	<b>3,272</b>	<b>975</b>	<b>3,724</b>

Note - may include rounding differences

## 2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being (£42.3m) above the budgeted expenditure of £602.7m in the year.

**Table 6 – Expenditure against plan**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>April - Mar</b>	<b>April - Mar</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>PAY</b>			
Medical Staff	106.5	113.0	(6.5)
Nursing	120.5	128.0	(7.5)
Scientific & Technical	42.7	43.5	(0.8)
SMP / A&C	55.9	55.8	0.1
Other / Pay Reserves	4.2	14.7	(10.5)
<b>Total Pay</b>	<b>329.8</b>	<b>355.0</b>	<b>(25.2)</b>
<b>NON PAY</b>			
Drugs	81.2	83.2	(2.0)
Clinical Supplies & Services	83.2	87.7	(4.5)
Other / Non-Pay Reserves	108.5	119.1	(10.6)
<b>Total Non Pay</b>	<b>272.9</b>	<b>290.0</b>	<b>(17.1)</b>
<b>GRAND TOTAL</b>	<b>602.7</b>	<b>645.0</b>	<b>(42.3)</b>

Note - may include rounding differences

### 3. Cost Improvement Programme

The Trust's 2013/14 Financial Plan includes a total efficiency savings target of £16.7m. At the end of 2013/14, £15.0m has been delivered, equivalent to 90% of the annual target, leaving slippage of (£1.7m). As shown below, CIP delivery improved throughout the year.

The main areas of slippage included some productivity and efficiency initiatives, savings associated with the discharge medicines scheme and delays to certain procurement and tender exercises. However, the majority of these schemes should deliver the expected savings on a recurrent basis.

**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	(249)	(199)	(377)	(510)
Division B	(287)	(635)	(772)	(718)
Division C	6	(35)	(33)	(255)
Division D	(238)	(410)	(458)	(204)
Corporate / NHP	(42)	(61)	(5)	(24)
<b>Total</b>	<b>(810)</b>	<b>(1,340)</b>	<b>(1,645)</b>	<b>(1,735)</b>
% Achieved	81%	84%	87%	90%

#### 4. Divisional Analysis

A net adverse variance of (£7.185m) has been recorded against operational budgets during 2013/14. This has been offset by a combination of the Trust's Specific and General Contingency Reserves. Operational budgets over spent by (£0.688m) in March, after recognition of a further £0.246m of healthcare income over-performance.

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

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	1,435	(6,221)	<b>(4,786)</b>
Division B	3,248	(7,603)	<b>(4,355)</b>
Division C	212	(3,257)	<b>(3,045)</b>
Division D	(852)	(2,762)	<b>(3,614)</b>
Division E	21,160	(18,892)	<b>2,268</b>
<b>Sub - Total</b>	<b>25,203</b>	<b>(38,735)</b>	<b>(13,532)</b>
Healthcare Income	6,347	0	<b>6,347</b>
<b>TOTAL</b>	<b>31,550</b>	<b>(38,735)</b>	<b>(7,185)</b>

<i>Memo General Contingency Reserve</i>		1,871
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Note - may include rounding differences

Excluding the additional healthcare income, the operational divisional over spend in March was (£934,000). The key expenditure pressures in month included overspends across medical staffing (£459,000) including (£378,000) attributable to senior medical staff. This reflects locum cover for vacancies and sickness as well as unfunded consultant posts and payments for additional sessions and waiting list initiatives. Key senior medical staff overspends in March included Anaesthetics (£70,000), Cardiac Surgery (£63,000), Imaging (£33,000), Neurosurgery (£48,000), Ophthalmology (£39,000), General Medicine (£37,000) and General Surgery (£29,000). Expenditure on junior and middle grade doctors was (£81,000) above budget in the month, this includes overspends within Anaesthetics (£39,000) and A&E (£37,000).

Nursing pay (including Theatre ODPs) was (£428,000) above budget in March. Specific departmental pressures included CDU (£33,000), Critical Care (£30,000), A&E (£37,000) and Theatres (£18,000). The balance of the nursing overspend relates to ward areas, including the 5<sup>th</sup> floor, with key variances driven by the additional nursing input provided to specific patients ('specials').

The main non-pay overspends during March were across Cardiac, Neurosurgery and Urology, reflecting continued usage of private sector capacity, CIP slippage and activity related expenditure. These pressures have largely been offset by additional variable income during the month. This includes £526,000 across Cardiac Surgery and Cardiology reflecting additional Ventricular Assist Device (VAD) income and over-performance against private patient and SLA income targets. Imaging and Medical Physics SLA income was £128,000 ahead of plan and income from the Injury Cost Recovery Scheme was £65,000 above budget during the month.

## 5. Statement of Financial Position

The Statement of Financial Position (Balance Sheet) shows the value of Trust 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 2014.

Table 9 – Statement of Financial Position

		Audited Mar 2013 £m	Actual Mar 2014 £m	YTD Plan Mar 2014 £m	Annual Plan Mar 2014 £m
<b>Non Current Assets:</b>					
	Property, Plant and Equipment	491.8	518.2	488.0	488.0
	Intangible Assets	0.5	0.5	0.5	0.5
	Trade and Other Receivables	2.8	3.1	2.8	0.0
	Other Assets	0.0	0.0	0.0	2.8
	<b>Total Non Current Assets</b>	<b>495.1</b>	<b>521.8</b>	<b>491.3</b>	<b>491.3</b>
<b>Current Assets:</b>					
	Inventories	13.4	15.2	13.0	13.0
	Trade and Other Receivables	32.8	44.4	31.5	31.5
	Other Financial Assets	0.3	0.6	0.2	0.2
	Other Current Assets	5.3	8.8	7.7	7.7
	Cash	76.2	63.1	65.5	65.5
	<b>Total Current Assets</b>	<b>128.0</b>	<b>132.1</b>	<b>117.9</b>	<b>117.9</b>
<b>Current Liabilities:</b>					
	Trade and Other Payables	91.5	105.8	91.1	91.1
	Borrowings	11.8	12.1	11.9	11.9
	Provisions	1.8	1.2	1.8	1.8
	Tax Payable	7.1	7.5	7.1	7.1
	Other Liabilities	21.0	15.9	12.0	12.0
	<b>Total Current Liabilities</b>	<b>133.2</b>	<b>142.5</b>	<b>123.9</b>	<b>123.9</b>
<b>Non Current Liabilities:</b>					
	Borrowings	534.4	522.2	522.2	522.2
	Provisions	1.7	1.9	1.7	1.7
	Other Liabilities	21.6	17.8	23.4	23.4
	<b>Total Non Current Liabilities</b>	<b>557.7</b>	<b>541.9</b>	<b>547.3</b>	<b>547.3</b>
<b>TOTAL ASSETS EMPLOYED</b>		<b>(67.8)</b>	<b>(30.5)</b>	<b>(62.0)</b>	<b>(62.0)</b>
<b>Financed by:</b>					
	Public Dividend Capital	171.0	171.0	171.0	171.0
	Income & Expenditure Reserve	(345.5)	(316.6)	(341.6)	(341.6)
	Donated Asset Reserve	0.0	0.0	0.0	0.0
	Revaluation Reserve	106.7	113.5	106.7	106.7
	Merger Reserve	0.0	1.6	1.9	1.9
<b>TOTAL TAXPAYERS EQUITY</b>		<b>(67.8)</b>	<b>(30.5)</b>	<b>(62.0)</b>	<b>(62.0)</b>

Note - may include rounding differences

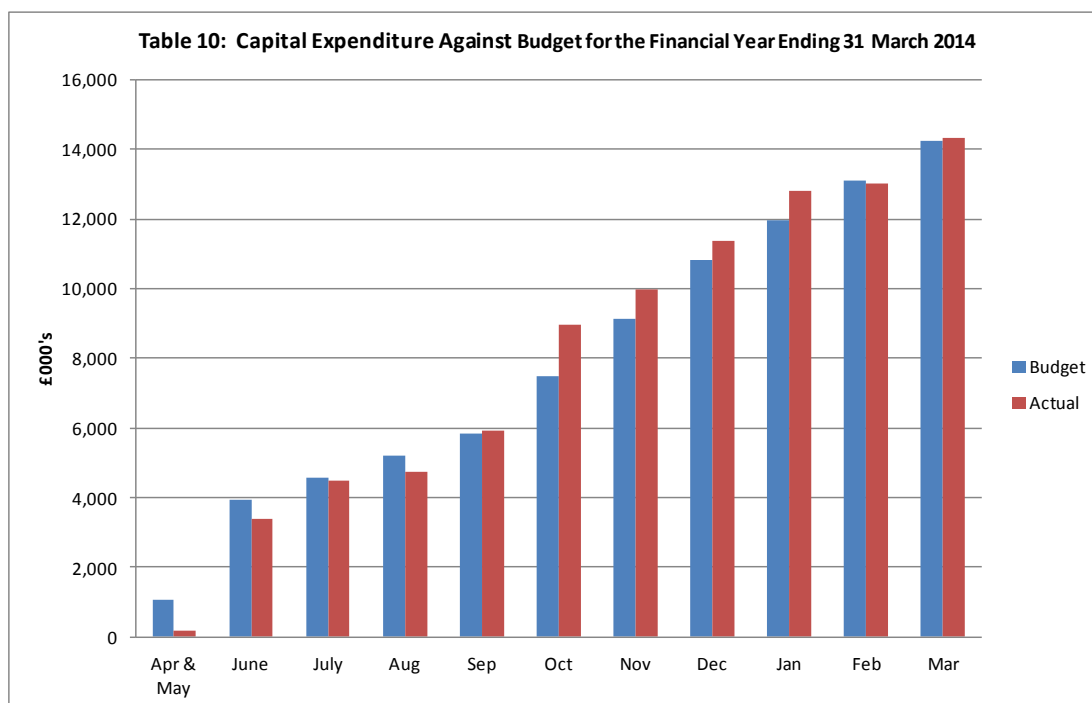
## 6. Capital Expenditure (Non Current Assets)

The total value of the Capital Programme for 2013/14 was £14.2m, including £2.5m of donated assets. Actual capital expenditure during the year was £14.3m i.e. £0.1m above plan. Expenditure during the month was £1.0m which included £0.3m for estates projects (ITM and Radiopharmacy), £0.1m of donated assets and £0.6m for equipment (replacement scopes, slit lamps and medical equipment for urology and ophthalmology). A more detailed summary of capital projects, expenditure and funding is included in the separate Capital Programme report to the April Board of Directors.





**Table 10 – Capital Expenditure against plan**



## 7. Current Assets

The total value of the Trust's inventories (stock) was £15.2m at the end of March. This is £2.2m above plan due primarily to increases in pharmacy stock and a bulk purchase of cardiac devices. Inventory levels have reduced over recent months as the cardiac stock is used but further work is ongoing across the main stock holding areas to ensure that cash is not being tied up unnecessarily. The Trust's other current assets, excluding cash, totalled £53.8m at 31 March 2014, as shown below:

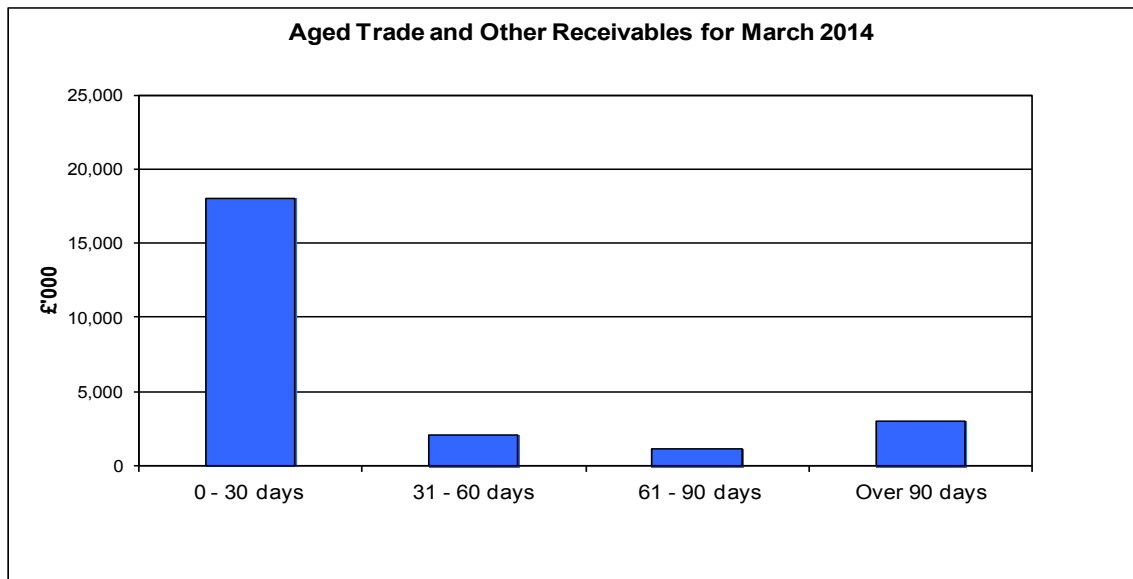
**Table 11 – Analysis of Current Assets (excluding Inventories and Cash)**

	<b>Actual Mar 2014 £m</b>	<b>Forecast Mar 2014 £m</b>
Trade Receivables	39.4	28.2
Bad Debt Provision	-1.7	-1.8
Other Receivables	6.7	5.1
<b>Trade and Other Receivables</b>	<b>44.4</b>	<b>31.5</b>
Accrued Income	0.6	0.2
<b>Other Financial Assets</b>	<b>0.6</b>	<b>0.2</b>
Prepayments	8.8	7.7
Deferred Asset	0.0	0.0
<b>Other Current Assets</b>	<b>8.8</b>	<b>7.7</b>
<b>TOTAL</b>	<b>53.8</b>	<b>39.4</b>

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 31 March 2014 over 90 day debt totalled £3.0m. Within this NHS commissioning organisations accounted for £1.0m of this balance and a further £0.9m relates to service level agreements

with other NHS providers including the Birmingham Women’s Hospital (£0.4m), Worcester Acute Hospitals (£0.1m) and Heart of England NHSFT (£0.1m). The balance relates to non NHS debtors such as the University of Birmingham, Local Authorities and Pharmaceutical companies.

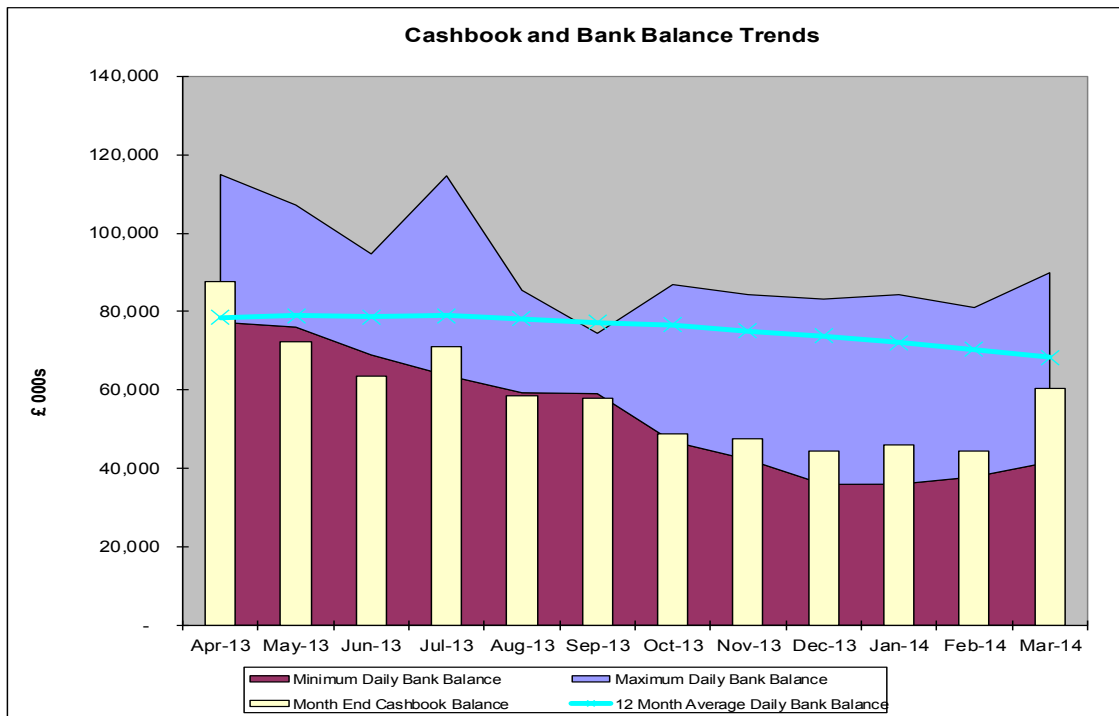
**Table 12 – Aged Debt Analysis**



## 8. Cash Flow

Table 13 shows the month end cash book balance, the minimum and maximum daily bank balance in the month and a twelve month rolling average daily bank balance. The Trust’s cash book balance at the 31 March 2014 was £63.1m, which was (£2.4m) below plan. As expected, the cash position improved significantly during March as a number of significant outstanding balances were paid by commissioners. The variance to plan is largely attributable increased inventory (stock), which was £2.2m above plan and other small movements in working capital balances.

**Table 13 – Cash Flow**



## 9. Monitor Continuity of Service Risk Rating

The Trust has received a Continuity of Services Risk Rating (COSRR) of 2\* for Quarter 3 based on Monitor's review of financial performance. This means that the Trust is classified as "material (financial) risk but stable" but ensures that it is not subject to monthly monitoring or potential regulatory action in the way that FT's rated as 1 or 2 can be.

Self assessment of Quarter 4 results indicate that the rating of 2\* should be maintained. On this basis the Trust will again be required to submit a negative finance declaration as part of the quarterly monitoring stating that "the Board cannot confirm that a COSRR of 3 is anticipated for the next 12 months".

## 10. Conclusion

The Trust has reported an overall surplus of £28.933m for 2013/14, subject to the audit of the annual accounts. The reported position includes a £23.993m revaluation gain against Trust buildings for which impairment losses had previously been charged to the income and expenditure account. The revaluation gain is an accounting adjustment only, which does not involve a cash transaction, and is excluded by Monitor when it assesses the Trust's financial performance. Excluding the revaluation gain the Trust has reported an underlying surplus of £4.940m for the 2013/14 financial year. This represents a favourable variance of £1.040m against the planned annual surplus of £3.900m.

In overall terms the financial performance during 2013/14 has been strong with operational division overspends being exceeded by additional healthcare income and reserves. The Trust now needs to focus on delivering 2014/15 planned efficiency savings and cost control to ensure a strong start to the new financial year.

## 11. Recommendations

The Board of Directors is asked to:

- Receive the contents of this report.
- Agree that Monitor's combined governance statement should be submitted with a negative finance declaration for quarter 4 2013/14.

A handwritten signature in black ink, consisting of a large capital letter 'M' followed by the name 'Sexton' in a cursive script.

Mike Sexton  
Chief Financial Officer  
14 April 2014