

**AGENDA ITEM NO:**

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
COUNCIL OF GOVERNORS  
THURSDAY 22 JULY 2013**

<b>Title:</b>	<b>NON PRINCIPAL ACTIVITIES REVIEW 2013/14</b>
<b>Responsible Director:</b>	Mike Sexton, Chief Financial Officer
<b>Contact:</b>	Julian Miller, Director of Finance, ext. 53074

<b>Purpose:</b>	To seek confirmation that the Council of Governors is satisfied that the Trust's non-principal activities will not significantly interfere with its principal purpose, defined as "the provision of goods and services for the purpose of the health service in England".
<b>Confidentiality Level &amp; Reason:</b>	None
<b>Key Issues Summary:</b>	<p>The Trust's constitution allows it to carry out activities other than those of its principal purpose, the provision of NHS healthcare in England. The Council of Governors is required to determine whether it is satisfied that these non-principal activities will not interfere to any significant extent with the principal purpose.</p> <p>The Health and Social Care Act 2012 stipulates that the Trust's income from non-principal activities must be less than that from its principal purpose (the provision of NHS healthcare in England). For UHB non-principal activities accounted for circa 21% of income in 2012/13 and this is not planned to increase significantly during the 3 years covered by the latest strategic plan.</p>
<b>Recommendations:</b>	<p>The Council of Governors is asked to:</p> <ol style="list-style-type: none"><li>1. <b>Confirm</b> it is satisfied that the "non-principal" activities outlined in this report will not significantly interfere with the fulfillment by the Trust of its principal activity (the provision of goods and services for the purpose of the health service in England) and</li><li>2. <b>Confirm</b> that the Board of Directors of the Trust can be informed of this determination.</li></ol>

<b>Signed:</b> M Sexton	<b>Date:</b> 11 July 2013
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# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## COUNCIL OF GOVERNORS

THURSDAY 22 JULY 2013

### NON PRINCIPAL ACTIVITIES REVIEW 2013/14

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

#### 1. Introduction

The Health and Social Care Act 2012 ('the Act') introduced several amendments to Constitutions of Foundation Trusts. A revised Constitution for University Hospitals Birmingham NHS Foundation Trust (UHB), incorporating these changes, was approved at the September 2012 Council of Governors (CoG) meeting. One of the main changes was the introduction of a "Principle Purpose" for Foundation Trusts, defined as:

"the provision of goods and services for the purpose of the health service in England". *(UHB Constitution clause 3.1)*

The Trust can still undertake other "non-principal" activities but these should generate additional income to support the principal purpose. To fulfil the principal purpose, the total annual income from the provision of goods and services for the purpose of the health service in England (principal purpose income) must be greater than the total income from any other goods and services provided by the Trust (non-principal purpose income).

The changes to the constitution require the Council of Governors to;

- Determine whether it is satisfied that the carrying on of activities other than the provision of goods and services for the purposes of the health service in England will not to any significant extent interfere with the fulfillment by the trust of its principal purpose or the performance of its other functions, *(UHB Constitution clause 14.6.1)* and
- Notify the Board of Directors of its determination *(UHB Constitution clause 14.6.2)*

Furthermore, any proposal to increase the proportion of the Trust's total income attributable to "non principal" activities by 5% or more in any year can only be implemented following Council of Governors approval with more than half or the members voting for the change *(UHB Constitution clause 14.6.7.)*

To ensure compliance with the requirements of the constitution details of the Trust's "non-principal" activities including their current and planned values are set out below.

## 2. Non-Principal Activities

Although Foundation Trusts were required to disclose the value of their principal and non principal activities in their 2012/13 accounts Monitor did not issue a precise definition of what constituted “goods and services for the purpose of the health service in England”.

The Trust, in agreement with its external auditors, has used a narrow definition of principle purpose income for 2012/13, being purely NHS clinical income for England. Therefore all other income streams have been classified as non-principal purpose. However, activities such as NHS funded R&D and Education could arguably be classified as principal purpose because they are for the purpose of the health service in England.

The activities currently classified by the Trust as non-principal are set out in Table 1 below. The Trust considers the provision of these activities to benefit its principal purpose as they complement the delivery of NHS patient care (e.g. education and research) or provide additional income (e.g. private patients and trading income):

**Table 1 – Overview of Non Principal Activities**

<b>Activity Name</b>	<b>Activity Description</b>
NHS Clinical (Non English)	Patient care delivered to residents of Scotland, Wales and Northern Ireland. This also includes patient care income from services commissioned by Local Authorities, e.g. Sexual Health.
Private Patients	Patient Care delivered to private patients, either self funding or with private insurance cover.
NHS Injury Cost Recovery Scheme	Cost recovery for NHS treatments where personal injury compensation is paid, for example after a road traffic accident. The Trust receives funding from Insurance Companies (passed through the Department of Health).
Ministry of Defence	Income from the Ministry of Defence for the specialist care of military patients including those evacuated from operational deployments.
Research & Development	Various grants and awards for R&D projects being undertaken by the Trust, including clinical trials to test the effectiveness of new drugs or medical treatments. This includes grants NHS funded research, charitable grants and industry sponsored commercial research.
Education & Training	This includes income for three streams of professional healthcare education; <ul style="list-style-type: none"> <li>- Service Increment for Teaching (SIFT) covering undergraduate medical education</li> <li>- Medical and Dental Education Levy (MADEL) covering post-graduate medical education and</li> <li>- Non Medical Education &amp; Training (NMET)</li> </ul>
Charitable Income	Recognition of donated equipment, for example the Tomotherapy machines or the Cyberknife.
Services to other bodies	Income from the Trust providing laboratory services, payroll, finance, occupational health and a range of other services to other organisations.

Trading Income	Income from services such as catering and accommodation.
PFI Transitional Income	Non recurring transition funding received to support the Trust during the transfer into the new hospital and with managing the increased costs of PFI. This is being utilised on an annual basis in line with the Trust's Long Term Financial Plan.
Other	Other miscellaneous revenues including income related to leases for new hospital facilities by the University of Birmingham and Ministry of Defence (MoD), funding for Clinical Excellence Awards, recharges to the MoD for training, etc.

The Trust's latest Annual Accounts show that the income from non principal activities represented 21.2% of total income in 2012/13. This has fallen from 23.2% in 2011/12 due to a slight reduction in the absolute value and the large increase in principal income due to activity growth. On this basis the Trust is comfortably within the requirement to have a greater proportion of principal purpose income.

**Table 2 – Summary of Income**

	<b>2011/12 £'million</b>	<b>2012/13 £'million</b>
Principle Purpose Income	450.2	504.6
Non Principle Purpose Income	136.4	135.4
<b>Total Income</b>	<b>586.6</b>	<b>640.0</b>
Principle Purpose Income as %	76.8%	78.8%
Non Principle Purpose Income as %	23.2%	21.2%

### 3. Strategic Plan

The Trusts three-year Strategic Plan submitted to Monitor in May 2013 includes the following forecast of income from "non-principal" activities:

**Table 3 – Non Principle Income Summary**

<b>Description</b>	<b>2013/14 £'million</b>	<b>2014/15 £'million</b>	<b>2015/16 £'million</b>
Non English NHS Clinical Services	26.7	27.2	27.6
Research & Development	22.6	22.6	22.6
Education & Training	31.8	30.5	29.2
Services to other bodies	10.4	10.4	10.4
Charitable Income Donations	2.5	0.2	12.2
PFI Transition Income	9.0	7.1	5.1
Trading Income (catering, car parks, etc.)	2.4	2.4	2.4
Other Income	34.8	36.3	38.3
<b>Non Principle Purpose Income Total</b>	<b>140.2</b>	<b>136.7</b>	<b>147.8</b>
Year on Year Increase / (Decrease)	4.8	(3.5)	11.1
Planned Total Revenue	649.4	661.1	688.0
<b>Non Principal Purpose Income %</b>	<b>21.6%</b>	<b>20.7%</b>	<b>21.5%</b>
Year on Year Increase / (Decrease)	0.4%	(0.9%)	0.8%

In overall terms, the proportion of income attributable to non principal purposes does not change significantly over the three year period covered by the latest Strategic Plan. In 2013/14 non principal purpose income is planned to increase by £4.8m in absolute terms and by 0.4% as a proportion of total income. This is due largely to the shift in the commissioning responsibility for sexual healthcare services from the NHS (principal purpose) to the Local Authority (non principal purpose).

In 2014/15 non principal purpose income is planned to reduce by £3.5m (0.9% as a proportion of total income) due to reductions in education funding, PFI transition support and the value of asset donations. In 2015/16, income associated with non principal activities increases by a net £11.1m due largely to the recognition of a £12.0m government grant in relation to the Institute of Translational Medicine (ITM) development. At this point non principal purpose income is expected to be around 21.5% of the Trust's total income, a 0.8% increase against the 2014/15 position.

#### 4. **Conclusion**

The Trust, like all similar large Foundation Trusts, undertakes a wide range of activities in addition to its principal purpose of treating NHS patients. These other activities are classified as non-principal purpose and the Health and Social Care Act 2012 requires the total income derived from them to be less than 50% of a Foundation Trust's total income. For UHB this figure was just over 21% in 2012/13 and the latest 3 year plan does not anticipate a significant change to proportion of non-principal purpose income, although there are small year on year fluctuations. The Trust considers the provision of non-principal activities to benefit its principal purpose as they either complement the delivery of NHS patient care (e.g. education and research) or provide additional income (e.g. private patients and trading income).

#### 5. **Recommendations**

The Council of Governors is requested to:

- a. Confirm it is satisfied that the "non principal" activities outlined in this report will not significantly interfere with the fulfillment by the Trust of its principal activity (the provision of goods and services for the purpose of the health service in England) and
- b. Confirm that the Board of Directors can be informed of this determination.



Mike Sexton  
Chief Financial Officer  
11 July 2013