


**AGENDA ITEM NO:****UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
REPORT TO THE BOARD OF DIRECTORS  
THURSDAY 25 APRIL 2013**

<b>Title:</b>	<b>FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 MARCH 2013</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 Board
<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>An actual surplus of £0.167m has been recorded in March, resulting in a £3.678m surplus for the 2013/14 financial year. This represents a favourable variance of £3.078m against the £0.600m planned surplus.</p> <p>This position excludes impairment losses of (£9.996m) relating to the latest valuation of the new hospital. Including this an overall deficit of (£6.318m) will be reported as at 31 March 2013 is subject to the audit of the annual accounts.</p>
<b>Recommendations:</b>	<p>The Board of Directors is asked to:</p> <ul style="list-style-type: none"><li>• Receive the contents of this report.</li><li>• Agree that Monitor's combined Governance Statement should be signed to confirm the Board expects the Trust to maintain a minimum FRR of 3 for the next 12 months.</li></ul>

<b>Signed:</b> 	<b>Date:</b> 16 April 2013
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# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## REPORT TO THE BOARD OF DIRECTORS THURSDAY 25 APRIL 2013

### FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 MARCH 2013

#### PRESENTED BY THE CHIEF FINANCIAL OFFICER

#### 1. Introduction

This report covers the 2012/13 financial year from 1 April 2012 to the 31 March 2013. It includes the three main financial statements; the Statement of Comprehensive Income, the Statement of Position and the Cash Flow Statement. The report includes information on healthcare activity and its associated income along with key operating expenditure variances, CIP delivery and capital programme expenditure.

The Trust originally planned for a £0.600m annual surplus in the 2012/13 financial year. In September 2012 the full year forecast was revised upwards to £3.000m (i.e. £2.400m above plan). Performance has continued to improve and an actual surplus of £0.167m has been reported for March 2013 leading to an underlying surplus of £3.678m for the 2012/13.

This position excludes a further impairment loss (asset write-downs) of £9.996m against the New Hospital and external works (the plaza), resulting from the latest external valuation report. Including this 'exceptional cost' the Trust has reported an overall deficit of (£6.318m) for 2012/13 subject to the audit of the annual accounts. It should be noted that the impairment charge is an accounting adjustment to the carrying value of the asset and does not reflect a payment by the Trust or a reduction in cash. It is therefore excluded from Monitor's assessment of the Trusts financial performance.

The Trust's Financial Risk Rating (FRR) remains at 3 based on the 2012/13 Annual Plan, Monitor's assessment of the first three quarters and self assessment of quarter 4 financial performance.

#### 2. Financial Position Summary

##### 2.1 Year to Date Position

The cumulative income and expenditure surplus against plan is shown in Table 1 below. As detailed above the actual year to date surplus is £3.678m, which is £3.078m above the planned £0.600m annual surplus. Table 1 also shows the revised forecast made in September 2012 (see 2.2 below).

**Table 1 – I&E Surplus vs. Plan 2012/13**

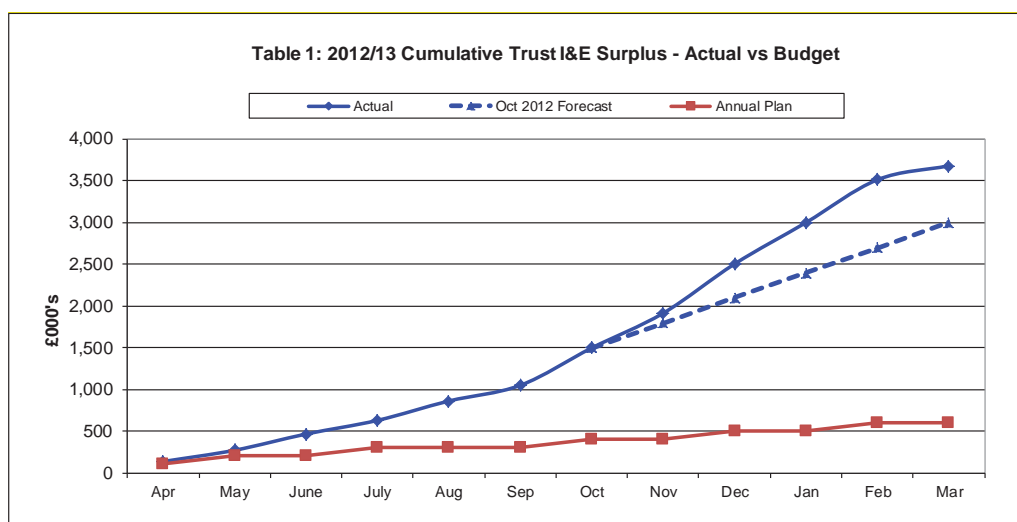


Table 2 below summarises the Trusts revenue transactions for the year. Further analysis of income is included in section 3.1 and detail regarding operating expenses is set out in section 3.3.

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

	Budget Apr-Mar 2013 £m	Actual Apr-Mar 2013 £m	Variance £m
Revenue	597.6	639.0	41.4
Operating Expenses	(559.4)	(593.0)	(33.6)
<b>EBITDA</b>	<b>38.2</b>	<b>46.0</b>	<b>7.8</b>
Depreciation	(19.3)	(21.1)	(1.8)
Donated Asset Revenue	2.8	0.2	(2.6)
Interest Receivable	0.8	0.7	(0.1)
Interest Payable	(18.4)	(18.5)	(0.1)
Contingent Rental	(3.5)	(3.5)	0.0
Corporation Tax	0.0	(0.1)	(0.1)
PDC Dividend	0.0	0.0	0.0
<b>Surplus before impairments</b>	<b>0.6</b>	<b>3.7</b>	<b>3.1</b>
Impairments on Property	0.0	(10.0)	(10.0)
<b>Total Surplus / (Deficit)</b>	<b>0.6</b>	<b>(6.3)</b>	<b>(6.9)</b>

Note - may include rounding differences

### 3. Income and Expenditure

#### 3.1 Income Analysis

Total operating income was £41.4m above plan for the financial year. This was largely attributable to NHS Clinical Income which is £40.2m

ahead of plan. This represents significant growth of 7% on the approved plan or 9% over the previous year, key variances include:

- £19.2m relating to increases in cost per case funded treatments over and above planned levels including:
  - £11.9m relating to high cost drugs and devices excluded from national tariff.
  - £7.3m relating to highly specialised Enzyme Replacement Therapy services.
- £10.5m in respect of in year service developments (e.g. the Vascular Surgery transfer), other contract variations and out of region activity.
- £10.5m relating to general activity over-performance in 2012/13 (see section 3.2) and gains attributable to 2011/12 where final activity exceeded year end estimates.

Non-NHS Clinical Income was (£0.8m) below plan due mainly to underperformance relating to the Injury Cost Recovery Scheme and Other Income was £2.0m above plan due to higher research and education revenues.

**Table 3 – Income against plan**

	<b>Budget Apr-Mar 2013 £m</b>	<b>Actual Apr-Mar 2013 £m</b>	<b>Variance £m</b>
Clinical - NHS	471.3	511.5	40.2
Clinical - Non NHS	12.8	12.0	(0.8)
Other	113.5	115.5	2.0
<b>TOTAL</b>	<b>597.6</b>	<b>639.0</b>	<b>41.4</b>

Note - may include rounding differences

### 3.2 NHS Clinical Income / Activity

Table 4.1 below compares 2012/13 monthly admitted patient care activity against target levels for the first eleven months of the financial year. This shows that Payment by Results (PbR) inpatient spells were above plan both in February and on a year to date basis. Non PbR inpatient FCEs are slightly below plan both in month and cumulatively.

Table 4.1 – Trust Inpatient Activity

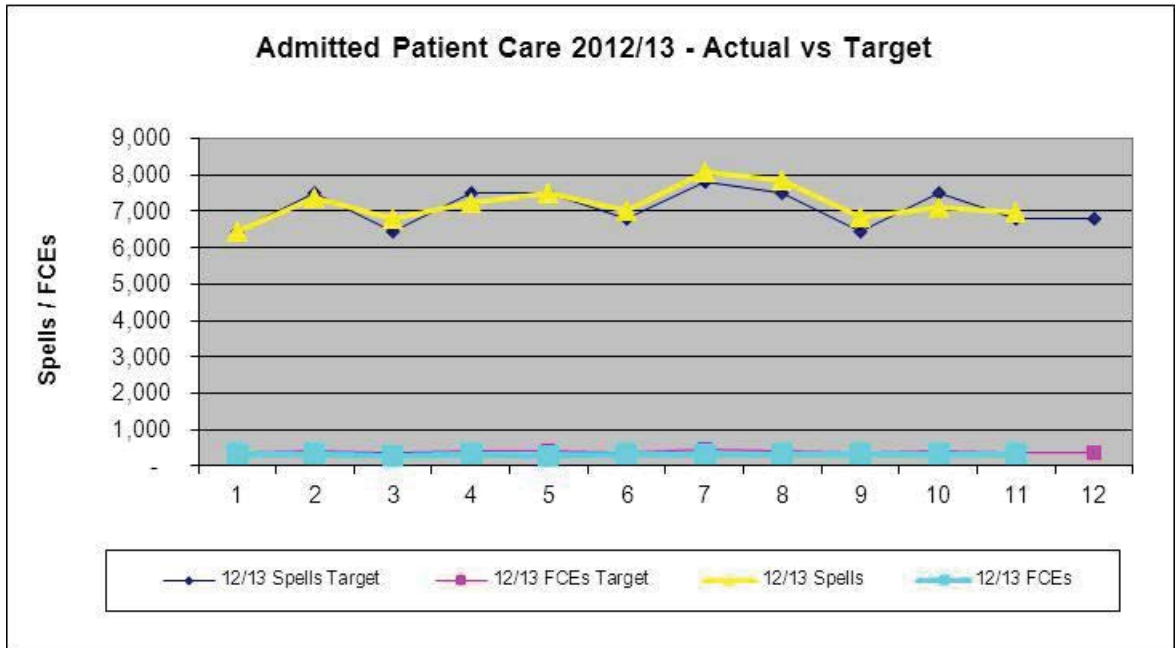


Table 4.2 shows outpatient activity against target. New and Follow Up attendances and Outpatient Procedures are all above plan for both the month (February) and year to date.

Table 4.2 – Trust Outpatient Activity

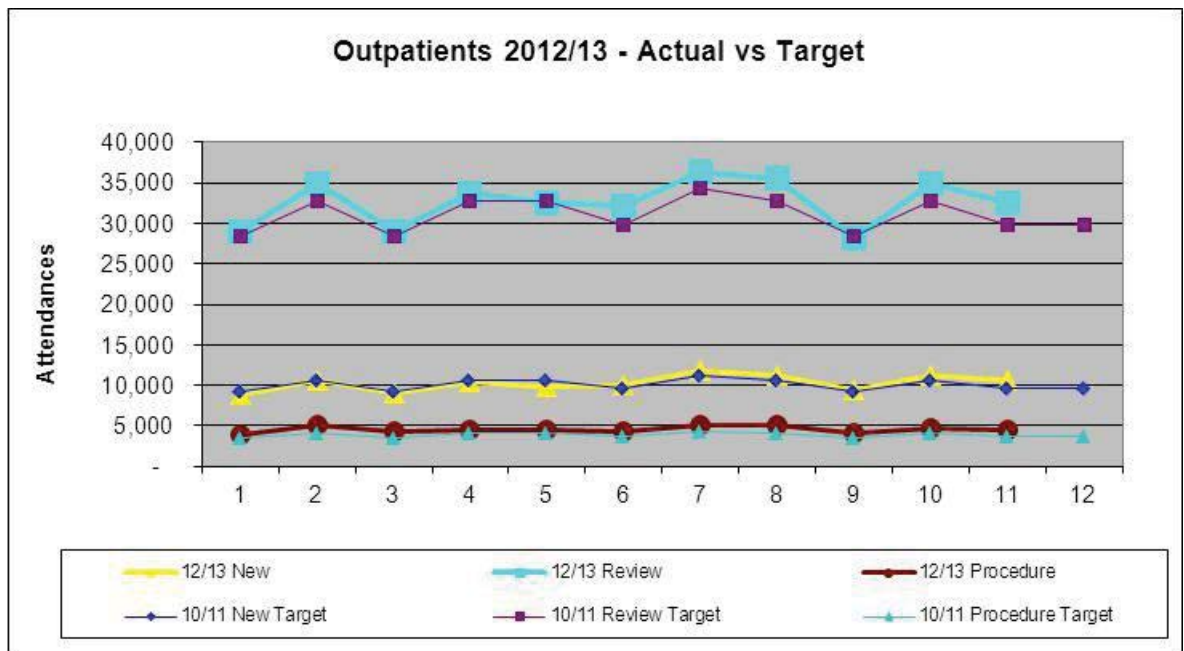


Table 5 below shows the variance by Division and Point of Delivery against the 2012/13 healthcare income targets. This shows that healthcare income (excluding cost per case) was £7.1m ahead of plan for the eleven months to the end of February 2013.

**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	409	(529)	1,365	(748)	<b>497</b>
Outpatient	304	527	1,833	1,429	<b>4,093</b>
Other	1,161	(53)	1,121	286	<b>2,515</b>
<b>Total</b>	<b>1,874</b>	<b>(55)</b>	<b>4,319</b>	<b>966</b>	<b>7,104</b>

Note - may include rounding differences

### 3.3

#### Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows an over spend of (£33.7m) against budgeted expenditure of £559.4m year to date. The main areas of overspend are activity related including additional pay costs (£16.2m), drugs (£7.1m) and clinical supplies (£4.8m).

**Table 6 – Expenditure against plan**

	Budget Apr-Mar 2013 £m	Actual Apr-Mar 2013 £m	Variance £m
<b>PAY</b>			
Medical Staff	99.8	105.2	(5.4)
Nursing	110.1	115.6	(5.5)
Scientific & Technical	40.5	41.0	(0.5)
SMP / A&C	50.6	52.3	(1.7)
Other / Pay Reserves	10.2	13.3	(3.1)
<b>Total Pay</b>	<b>311.2</b>	<b>327.4</b>	<b>(16.2)</b>
<b>NON PAY</b>			
Drugs	68.8	75.9	(7.1)
Clinical Supplies & Services	74.8	79.6	(4.8)
Other / Non-Pay Reserves	104.6	110.1	(5.5)
<b>Total Non Pay</b>	<b>248.2</b>	<b>265.6</b>	<b>(17.4)</b>
<b>GRAND TOTAL</b>	<b>559.4</b>	<b>593.0</b>	<b>(33.6)</b>

Note - may include rounding differences

### 3.4 Cost Improvement Programme

The Trust's 2012/13 Financial Plan includes a total efficiency savings target of £18.3m. In total £17.6m (96%) of the planned Cost Improvement Programme (CIP) was delivered by 31 March 2013. The slippage of (£0.6m) was primarily related to non delivery against the length of stay savings associated with Rapid Assessment Interface and Discharge (RAID) and later than expected commencement of some procurement schemes.

Table 7 – Delivery of Cost Improvements

£000	Cumulative variance against plan			
	Q1	Q2	Q3	Q4
Division A	(27)	(48)	(131)	(143)
Division B	54	(15)	(42)	(97)
Division C	(51)	(147)	(309)	(361)
Division D	(448)	(260)	(187)	0
Corporate / NHP	(164)	(265)	(105)	(42)
Single Site / Other	(40)	0	0	0
<b>Total</b>	<b>(676)</b>	<b>(735)</b>	<b>(739)</b>	<b>(644)</b>
% Achieved	85%	92%	95%	96%

#### 4. Divisional Analysis

In total, operational budgets are showing an adverse variance of (£0.712m) for the 2012/13 financial year after recognition of £10.490m of additional healthcare income. The remaining overspend is offset by the General Contingency Reserve.

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	1,719	(7,888)	<b>(6,169)</b>
Division B	1,744	(4,145)	<b>(2,401)</b>
Division C	(389)	(4,419)	<b>(4,808)</b>
Division D	(762)	884	<b>122</b>
Division E	23,291	(21,237)	<b>2,054</b>
<b>Sub - Total</b>	<b>25,603</b>	<b>(36,805)</b>	<b>(11,202)</b>
Healthcare Income	10,490	0	<b>10,490</b>
<b>TOTAL</b>	<b>36,093</b>	<b>(36,805)</b>	<b>(712)</b>
<i>Memo General Contingency Reserve</i>			<i>1,871</i>

Note - may include rounding differences

Excluding healthcare over-performance income the aggregate divisional overspend in March was (£404,000). Medical staffing accounted for (£428,000) of this including (£227,000) relating to senior medical staff. This includes locum cover in Anaesthetics and Ophthalmology, unfunded Consultant posts in Neurosurgery, Liver Surgery, Trauma and Pain services along with waiting list payments across a number of specialties. The remaining (£201,000) relates to junior and middle grade doctors with agency costs in excess of funded vacancies in several areas including A&E (£52,000) and Anaesthetics (£48,000) and unfunded posts in ENT, General Medicine and Trauma.

Total nursing pay (including Theatre ODPs) was (£519,000) overspent in the month, after the release of additional funding for winter pressures. Specific departmental nursing pressures included A&E (£23,000), Critical Care (£50,000) and Theatres (£32,000). The balance (£391,000) relates to ward

based nursing with pressures including additional nursing for specific patients ('specials') and the use of external agency staff to cover sickness and annual leave. Non-pay expenditure in March was below the monthly average level but included activity related cost pressures within Theatres (£153,000), critical care (£46,000) and Imaging (£43,000).

The expenditure pressures were partially offset by significant variable income benefits in March including £249,000 relating to the Injury Cost Recovery Scheme, although this remains below plan for the year. Other gains included £145,000 in Oncology relating to Radiotherapy private patients, £199,000 in Liver Surgery relating to the retrieval contract with NHSBT and £173,000 in Medical Physics relating to external contracts.

## 5. Statement of Financial Position

The Statement of Financial Position 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. The lower part identifies the sources of finance. Table 9 summarises the Trust's Statement of Financial Position at 31 March 2013.

Table 9 – Statement of Financial Position

	Audited Mar 2012 £m	Actual Mar 2013 £m	YTD Plan Mar 2013 £m	Annual Plan Mar 2013 £m
<b>Non Current Assets:</b>				
Property, Plant and Equipment	513.2	491.8	507.2	507.2
Intangible Assets	0.8	0.5	0.8	0.8
Trade and Other Receivables	2.9	2.8	2.9	2.9
Other Assets	0.2	0.0	0.0	0.0
<b>Total Non Current Assets</b>	<b>517.1</b>	<b>495.1</b>	<b>510.9</b>	<b>510.9</b>
<b>Current Assets:</b>				
Inventories	12.3	13.4	12.3	12.3
Trade and Other Receivables	33.0	37.4	31.0	31.0
Other Financial Assets	0.6	0.3	5.9	5.9
Other Current Assets	4.4	5.4	0.6	0.6
Cash	66.7	76.2	50.7	50.7
<b>Total Current Assets</b>	<b>117.0</b>	<b>132.7</b>	<b>100.5</b>	<b>100.5</b>
<b>Current Liabilities:</b>				
Trade and Other Payables	70.2	96.2	70.1	70.1
Borrowings	12.3	11.8	11.8	11.8
Provisions	3.7	1.8	3.7	3.7
Tax Payable	6.9	7.0	6.9	6.9
Other Liabilities	23.8	21.0	22.0	22.0
<b>Total Current Liabilities</b>	<b>116.9</b>	<b>137.8</b>	<b>114.5</b>	<b>114.5</b>
<b>Non Current Liabilities:</b>				
Borrowings	545.9	534.5	534.0	534.0
Provisions	1.6	1.7	1.6	1.6
Other Liabilities	29.8	21.6	20.8	20.8
<b>Total Non Current Liabilities</b>	<b>577.3</b>	<b>557.8</b>	<b>556.4</b>	<b>556.4</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>(60.1)</b>	<b>(67.8)</b>	<b>(59.5)</b>	<b>(59.5)</b>
<b>Financed by:</b>				
Public Dividend Capital	171.0	171.0	171.0	171.0
Income & Expenditure Reserve	(339.5)	(345.5)	(338.9)	(338.9)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	108.4	106.8	108.4	108.4
<b>TOTAL TAXPAYERS EQUITY</b>	<b>(60.1)</b>	<b>(67.8)</b>	<b>(59.5)</b>	<b>(59.5)</b>

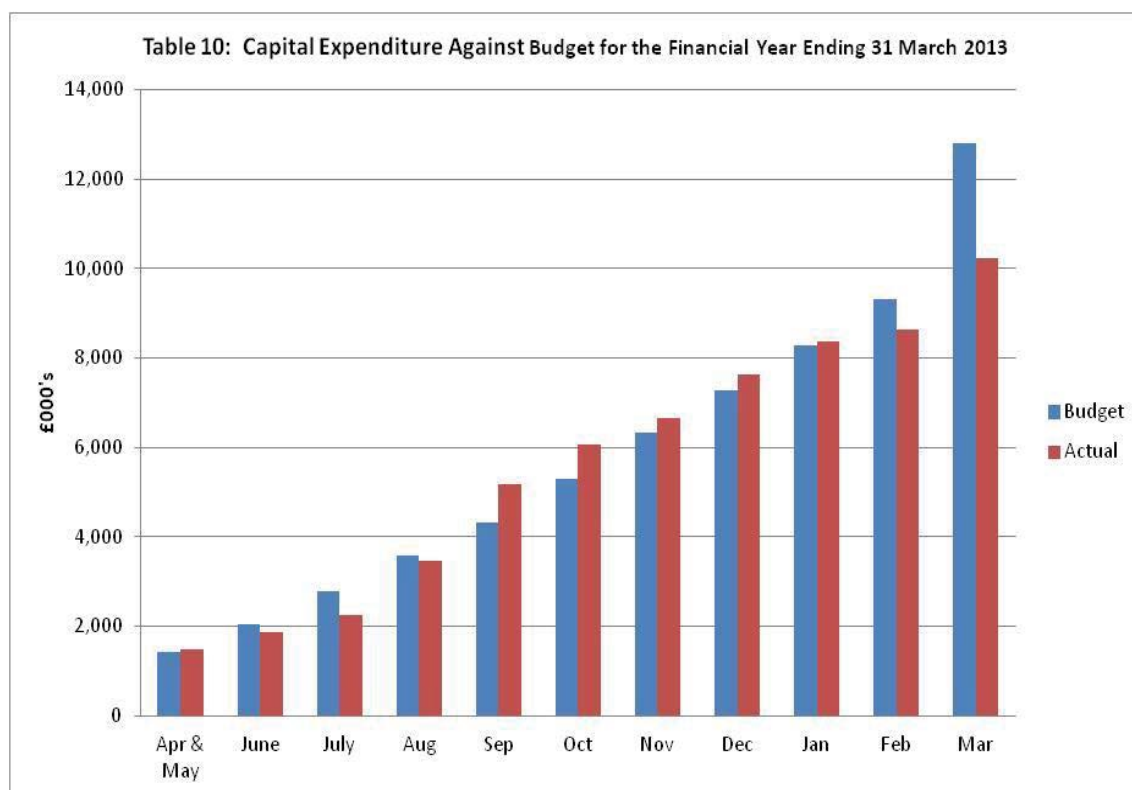
Note - may include rounding differences



## 6. Capital Programme

The approved capital programme for 2012/13 totals £12.8m including donated assets. Actual capital expenditure in the year was £10.2m, with the slippage relating primarily to the donated Cyberknife (£2.4m) which will be recognised in 2013/14 when the equipment is operational. Actual expenditure in the month was £1.6m which included £0.3m on PAS servers and ICT equipment, £0.6m on medical equipment, £0.2m on donated items, £0.2m on new hospital lifecycle works and £0.3m on other estates works including preparation for the Cyberknife installation. Further detail is provided in the separate quarterly capital programme update paper.

**Table 10 – Capital Expenditure against plan**



## 7. Analysis of Current Assets (excluding Inventories and Cash)

The value of current assets (excluding inventories and cash) due within one year was £43.1m at 31 March 2013. Of this £32.1m relates to Trade Receivables (unpaid invoices raised by the Trust). Analysis of this outstanding debt by age is summarised in table 12 below.

As at 31 March, total over 90 day debt was £3.2m. Of this £1.4m is attributable to NHS commissioner debt including £0.4m relating to invoices to Welsh Specialised Services Commissioners for over performance in months 6-9, £0.4m to London SHA for transplant activity and £0.2m to South Birmingham PCT.

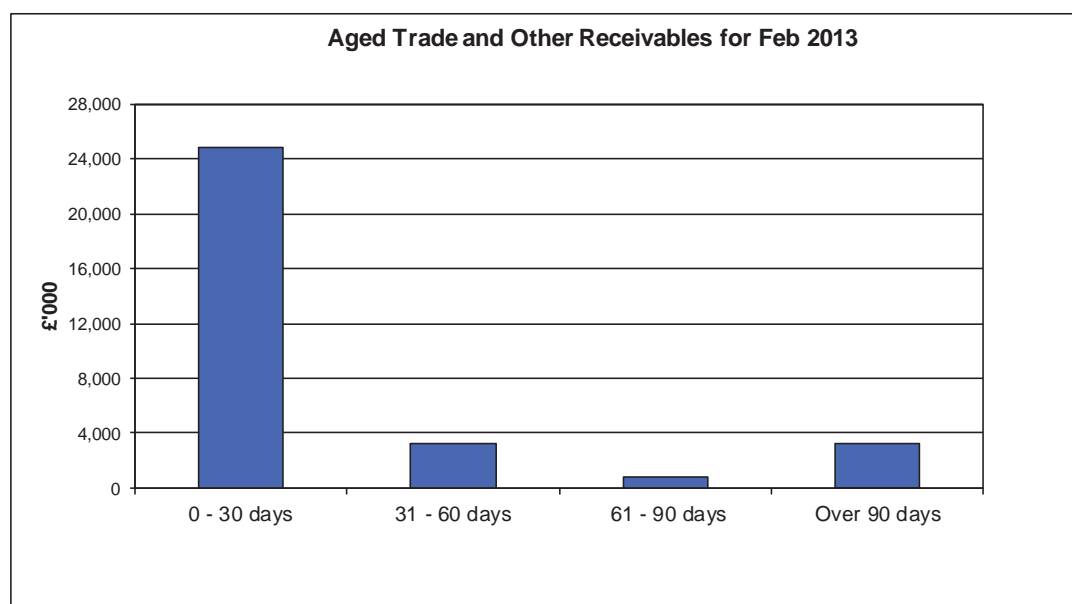
A further £1.4m of the debt is with other NHS providers for service level agreements, including Sandwell & West Birmingham (£0.5m), Birmingham Women's Hospital (£0.2m), and Heart of England (£0.1m). In aggregate these

amounts are balanced by NHS creditors so there is little adverse impact on cash flow.

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

	Actual Mar 2013 £m	Forecast Mar 2013 £m
Trade Receivables	32.1	26.5
Bad Debt Provision	-1.8	-1.3
Other Receivables	7.1	5.8
<b>Trade and Other Receivables</b>	<b>37.4</b>	<b>31.0</b>
Accrued Income	0.3	0.6
<b>Other Financial Assets</b>	<b>0.3</b>	<b>0.6</b>
Prepayments	5.4	5.9
Deferred Asset	0.0	0.0
<b>Other Current Assets</b>	<b>5.4</b>	<b>5.9</b>
<b>TOTAL</b>	<b>43.1</b>	<b>37.5</b>

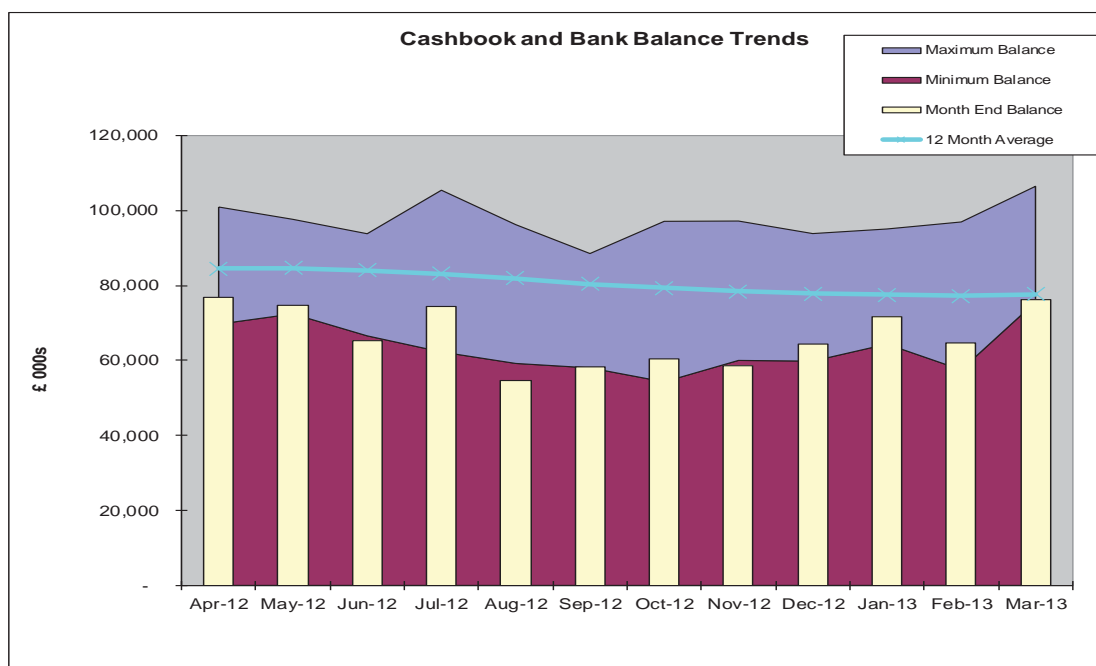
Table 12 – Aged Debt Analysis of Trade and Other Receivables due within One Year



## 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 actual cash balance at the 31 March 2013 was £76.2m which is £25.5m above planned levels. This largely reflects favourable movements in working capital balances including reductions in commissioner debt ahead of the winding down of PCT organisations at the end of the 2012/13 financial year. The twelve month rolling average bank balance remains broadly stable.

**Table 13 – Cash Flow**



**9. Working Capital Facility**

The Trusts working capital facility is set at £46.6m for 2012/13 to ensure that the Trust meets Monitor’s liquidity ratio requirements (part of the overall Financial Risk Rating). The overdraft has not been used to date and there are no plans to utilise the facility in the immediate future.

**10. Monitor Ratios**

**10.1 Borrowing Ratios**

New hospital PFI borrowing is incorporated into the Trust’s Prudential Borrowing Code as it is considered to be a form of financing or loan. Therefore, the Tier 2 Borrowing Ratios now apply:

**Table 14 - Borrowing Ratios**

Borrowing Ratio:	Limit	Annual Plan - Mar 2013	Actual - Mar 2013
Minimum Dividend Cover	> 1.0	n/a	n/a
Minimum Interest Cover	> 2.0	1.9	2.3
Minimum Debt Service Cover	> 1.5	1.2	1.4
Maximum Debt Service to Revenue	< 10%	5.1%	4.8%

The first three ratios compare how many times the Trust’s income and expenditure surplus can cover the PDC dividend, the interest payable on the PFI loan and the debt service of the PFI loan respectively (debt service is the sum of interest paid and the capital repayment of the loan). The final ratio compares how many times the Trust’s total income covers the Debt Service on the PFI loan.

The Trust has finished the year slightly below the Tier 2 Limit for Debt Service Cover (1.4x versus a minimum limit of 1.5x), although performance is actually better than planned. Monitor's prudential borrowing guidance allows for the Tier 2 limits to be exceeded in certain circumstances, for example a major renovation or redevelopment such as the Trust's PFI scheme. Therefore this does not affect the Financial Risk Rating but may restrict access to potential additional borrowing.

The Trust's current Prudential Borrowing Limit (PBL) for long term borrowing is £558.1m.

## 10.2 Financial Risk Rating

The Trust's Financial Risk Rating (FRR) remains at 3 based on the Annual Plan, Quarter 3 monitoring and self assessment of quarter 4. The rating is set between 1 (worst) and 5 (best) based on a series of financial metrics.

## 11. **Monitor Finance Declaration**

As in previous years, FT's are required to submit a quarterly statement confirming that the Board anticipates that the Trust will maintain a financial risk rating of at least 3 for the next 12 months. If this cannot be confirmed the Board is required provide additional information detailing the Trust's response.

There is now a single form to be signed covering all three declarations (Finance, Governance and Quality). A copy of this is attached to the separate Monitor Quarterly Governance Declaration (Quarter 4) Report. For the Finance Declaration the Board is recommended to confirm that it anticipates that the Trust will continue to maintain an FRR of at least 3 for the next 12 months, based on the current performance and financial planning framework.

## 12. **Conclusion**

An underlying income and expenditure surplus of £3.678m has been reported for the 2012/13 financial year. This represents a favourable variance of £3.078m against the planned £0.600m surplus for the year.

This position excludes impairment losses of £9.996m, based on the March 2013 external valuation of the new hospital. Inclusive of this the Trust has reported an overall deficit of (£6.318m) subject to the forthcoming audit of the annual accounts.

In overall terms the financial performance during 2012/13 has been strong with overspends across operational divisions exceeded by additional healthcare income and reserves.

13. **Recommendations**

The Board of Directors is asked to:

- Receive the contents of this report.
- Agree that Monitor's combined Governance Statement should be signed to confirm the Board expects the Trust to maintain a minimum FRR of 3 for the next 12 months.

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  
16 April 2013