

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 26 MARCH 2015

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2015
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 53074

Purpose:	To update the Board of Directors on the financial and activity performance of the Trust	
Confidentiality Level & Reason:	N/A	
Annual Plan Ref:	3.4 – Ensure the Trust maintains financial health	
Key Issues Summary:	The Trust has recorded a surplus of £0.036m during February which is (£0.064m) below the £0.100m planned surplus for the month. The cumulative surplus at the end of Month 11 is £1.674m which is (£1.126m) lower than the planned surplus of £2.800m year to date. A surplus of around £1.800m is forecast for the year prior to accounting gains. This is below the planned surplus of £3.000m but should be sufficient to maintain the COSRR at 2*.	
Recommendations:	The Board of Directors is asked to: <ul style="list-style-type: none"> • Receive the contents of this report. 	
Approved by:	Mike Sexton	Date: 16/03/15

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 26 MARCH 2015

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2015

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first eleven months of the 2014/15 financial year (1 April 2014 to 28 February 2015). The report summarises the Trust's year to date financial performance and includes information on healthcare activity, key expenditure variances and CIP delivery.

The 2014/15 Financial Plan has budgeted for an annual surplus of £3.000m. For the year to 28 February 2015, an actual surplus of £1.674m has been recorded which is (£1.126m) below the £2.800m surplus planned for the period. A surplus of £0.036m was delivered in February, compared to the planned surplus of £0.100m this represents an adverse variance of (£0.064m) in the month.

The reported position for the year to date includes a combined overspend of (£24.180m) across Operational Divisions. Key pressures include:

- Activity and capacity related cost pressures including unfunded beds, waiting list initiative payments and private sector capacity. Significant additional expenditure is being incurred, often at premium rates, to maintain elective waiting times in the face of rising emergency demand.
- Deliverability of cost improvements. A gap remains between the levels of planned efficiency savings against the actual delivered year to date.
- Workforce issues - continued use of agency nursing and locum doctors to cover recruitment gaps in areas of skills shortage.

For the year to date, the operational overspend has been balanced by income over-performance, underspends within corporate budgets and through the use of Trust Specific Reserves.

The Trust has maintained its Continuity of Services Risk Rating (COSRR) of 2* following Monitors review of the quarter 2 financial performance. Self-assessment of current financial performance indicates that this rating has been maintained to the end of February.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the year to date actual income and expenditure surplus of £1.7m compared to plan of £2.8m.

Table 1 – I&E Surplus vs. Plan 2014/15

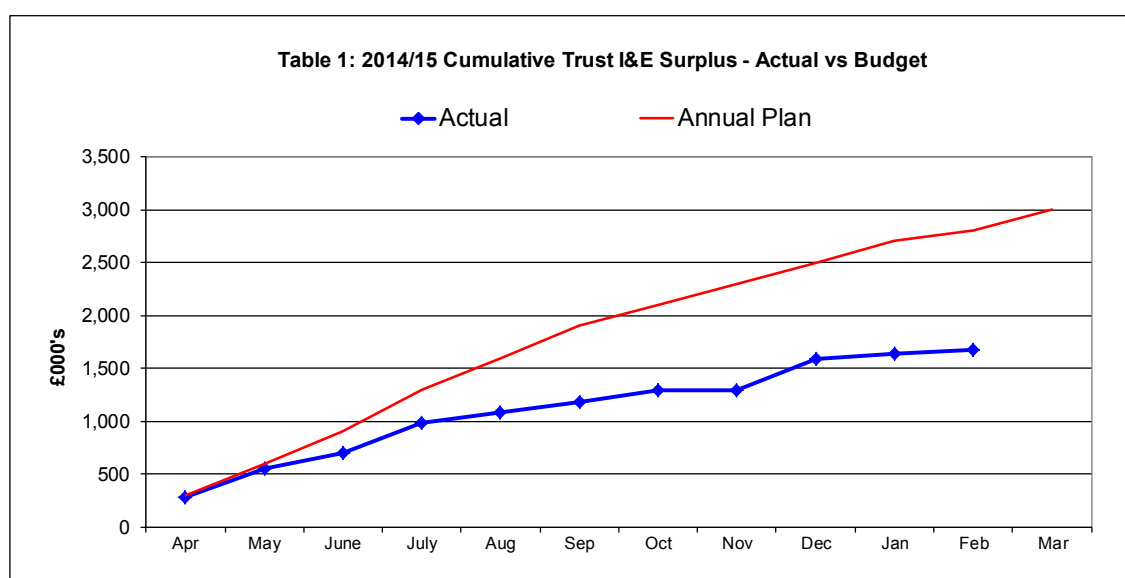


Table 2 below summarises the Trust's income & expenditure position at the end of February (Months 1-11). Analysis of income is included in section 2.3 and the operating expenditure variances are detailed in section 2.5 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget	Actual	Variance
	Feb	Feb	
	£m	£m	£m
Revenue	631.3	660.3	29.0
Operating Expenses	(589.7)	(620.0)	(30.3)
EBITDA	41.6	40.3	(1.3)
Depreciation	(18.5)	(18.8)	(0.3)
Donated Asset Revenue	0.2	0.5	0.3
Interest Receivable	0.5	0.3	(0.2)
Interest Payable	(15.6)	(15.6)	0.0
Contingent Rental	(5.4)	(5.0)	0.4
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Surplus before impairments	2.8	1.7	(1.1)
Impairments on Property	0.0	0.0	0.0
Total Surplus / (Deficit)	2.8	1.7	(1.1)

Note - may include rounding differences

2.2 Forecast Outturn

The Trust is forecasting an underlying annual surplus of £1.8m, prior to the impact of accounting gains, for the 2014/15 financial year. This is below the planned surplus of £3.0m and reflects the impact of the ongoing operational pressures on the Trust's overall financial position.

As previously notified, the Trust has exchanged contracts with Persimmon Homes for the disposal of the Selly Oak site. The sale is on track to complete on 31 March 2015 which will result in a £5.3m profit on the disposal of assets being recognised in the 2014/15 accounts. There will be three further accounting adjustment resulting from the annual revaluation of the Trust's assets as follows:

- QEHB - the latest valuation report indicates an increase of circa £4m in the asset value of the new hospital. This will be accounted for as an impairment reversal and thus increases the reported surplus for 2015/16.
- New Offices - based on the interim valuation, an impairment loss of circa -£2.8m is expected in relation to Regent Court and Yardley Court. This will partially offset the gain on the new hospital resulting in a net impairment gain of £1.2m to be recognised in the Statement of Comprehensive Income (I&E account).
- Other Trust Buildings - a further £1.4m revaluation gain will be recognised against the Trust's other building assets. This will be recognised in the revaluation reserve and therefore will not affect the reported surplus.

Taking account of these adjustments, the Trust is forecasting an overall annual surplus in the region of £8.3m for 2014/15.

2.3 Income Analysis

Total operating income is £29.0m above plan as at the end of Month 11, as shown in table 3 below.

Table 3 – Income against plan

	Budget Feb £m	Actual Feb £m	Variance £m
Clinical - NHS	514.2	541.3	27.1
Clinical - Non NHS	18.2	16.1	(2.1)
Other	98.9	102.9	4.0
TOTAL	631.3	660.3	29.0

Note - may include rounding differences

NHS Clinical revenues are £27.1m above plan at the end of February. Circa £21.0m relates to high cost drugs and devices and other treatments which are excluded from national tariffs and reimbursed on a cost per case basis. The balance includes seasonal resilience funding and other in year contract variations for agreed growth.

Non NHS clinical revenues are (£2.1m) below plan year to date including a (£1.0m) shortfall against private patient income targets and a (£0.3m) variance against Injury Cost Recovery Scheme income. Other income is £4.0m above plan for the year to date due to increased education, R&D, commercial and SLA revenues.

2.4 NHS Clinical Income / Activity

Table 4.1 below compares monthly Admitted Patient Care (APC) activity against target for the first ten months of 2014/15. Both nationally priced spells and locally priced activity (FCE's) were above plan in January. For the year to date emergency activity is 7% above plan whilst elective activity remains 3% below plan.

Table 4.1 – Trust Inpatient Activity

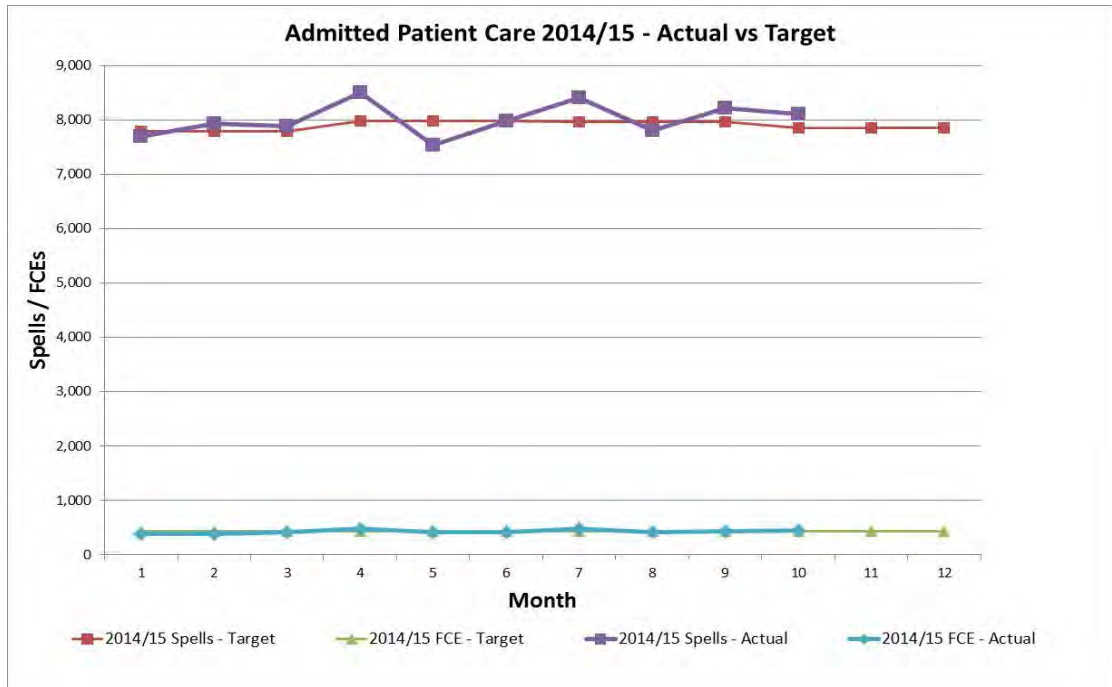


Table 4.2 shows outpatient activity compared to the target for the first ten months of 2014/15. Total combined outpatient activity was above plan both in January and year to date.

Table 4.2 – Trust Outpatient Activity

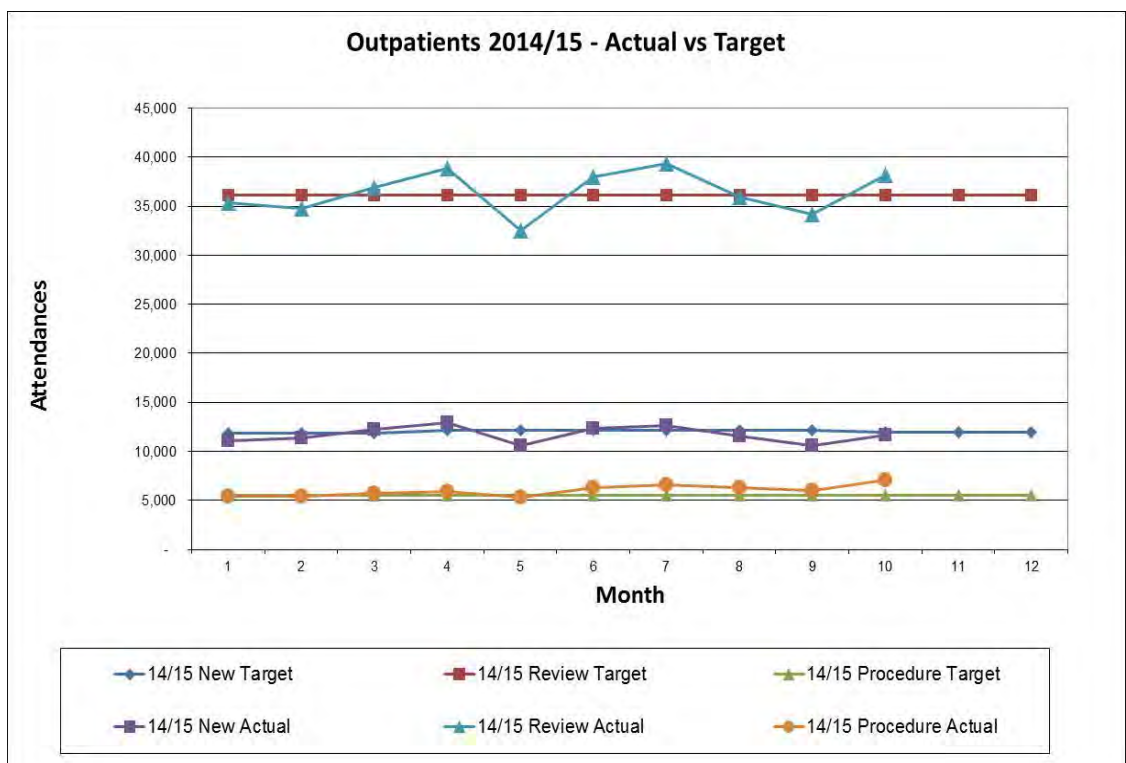


Table 5 below shows the year to date income variances by Division and Point of Delivery against 2014/15 healthcare income targets included in the financial plan. For the year to date (April to January) healthcare income (excluding cost per case activity) is broadly in line with plan, this excludes potential contract adjustments such as the Marginal Rate Emergency Threshold and other contract penalties or fines.

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	47	(2,518)	1,534	2,052	1,115
Outpatient	(94)	310	345	1,080	1,641
Other	(2,310)	481	582	(1,488)	(2,736)
Total	(2,357)	(1,727)	2,461	1,643	20

Note - may include rounding differences

2.5 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows actual expenditure being (£30.3m) above the budgeted expenditure of £589.7m for the year to date.

Table 6 – Expenditure against plan

	Budget Feb £m	Actual Feb £m	Variance £m
PAY			
Medical Staff	100.6	109.2	(8.6)
Nursing	114.8	123.2	(8.4)
Scientific & Technical	41.2	41.5	(0.3)
SMP / A&C	51.3	51.4	(0.1)
Other / Pay Reserves	18.2	13.2	5.0
Total Pay	326.1	338.5	(12.4)
NON PAY			
Drugs	84.9	96.0	(11.1)
Clinical Supplies & Services	80.7	83.9	(3.2)
Other / Non-Pay Reserves	98.0	101.6	(3.6)
Total Non Pay	263.6	281.5	(17.9)
GRAND TOTAL	589.7	620.0	(30.3)

Note - may include rounding differences

3. Cost Improvement Programme

The Trust's 2014/15 Financial Plan includes a total efficiency savings target of £18.9m. As at the end of Q3 schemes totalling £9.6m have been delivered (70% of target), resulting in an adverse variance of (£4.3m) for the year to date, as shown in Table 7. Reasons for the variance include:

- (£3.0m) due to the unidentified CIP gap as described above and
- (£1.3m) relating to slippage against approved schemes due to both the prudent phasing with targets profiled in twelfths (although some schemes will only start to deliver in the final quarter) and a cautious assessment of activity related schemes.

The current forecasts indicate total CIP delivery of around 77% for 2014/15 at the end of the financial year. A further CIP update will be provided at Q4.

Table 7 – Delivery of Cost Improvements

	Cumulative variance against plan (£000)				
	Q1	Q2	Q3	Q4	Y/E Forecast
Division A	(394)	(420)	(707)		(420)
Division B	(607)	(1,193)	(1,607)		(1,875)
Division C	(416)	(527)	(415)		(229)
Division D	(854)	(1,658)	(1,735)		(1,993)
Corp/ NHP/ Central Ops	3	0	205		273
Total	(2,268)	(3,798)	(4,260)		(4,874)
% Achieved	52%	60%	70%		77%

4. Divisional Analysis

A total adverse variance of (£24.180m) has been recorded against operational budgets in the first eleven months of 2014/15. This has been offset by a combination of the Trust's Specific and General Contingency Reserves and underspends across other Corporate Budgets.

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	Total £'000
Division A	997	(7,193)	(6,196)
Division B	2,049	(7,053)	(5,004)
Division C	(399)	(5,230)	(5,629)
Division D	(60)	(10,145)	(10,205)
Division E	21,460	(18,606)	2,854
Sub - Total	24,047	(48,227)	(24,180)
Healthcare Income	0	0	0
TOTAL	24,047	(48,227)	(24,180)
<i>Memo General Contingency Reserve</i>			<i>1,715</i>

Note - may include rounding differences

The aggregate operational overspend in February was (£1.683m). Of this (£906,000) relates to medical staffing including (£580,000) 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 February included Anaesthetics (£163,000), Neurosciences (£122,000), Imaging (£124,000) Ophthalmology (£53,000) and Dermatology (£41,000). The balance of the medical overspend (£325,000) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts including within ED (£113,000), Cardiac Surgery / Cardiology (£66,000) and Trauma (£26,000).

There was an (£808,000) adverse variance across nursing expenditure (including Theatre ODPs) in February. Specific departmental overspends included Critical Care (£294,000), Theatres (£48,000) and ED (£32,000). The balance of the nursing over spend is across ward areas reflecting a combination of unfunded beds, sickness and annual leave cover and nursing input to specific patients ('specials').

Other expenditure pressures in the month included slippage against CIP targets, expenditure incurred to deliver activity in the private sector and activity driven non-pay costs across theatres and laboratories.

In month the divisional position has benefited from £212,000 of additional income within cardiac surgery for VAD and transplant activity and £68,000 of SLA over performance income within Imaging. However, these gains were offset the by the continuing shortfall of private patient income across the divisions.

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 28 February 2015.

Table 9 – Statement of Financial Position

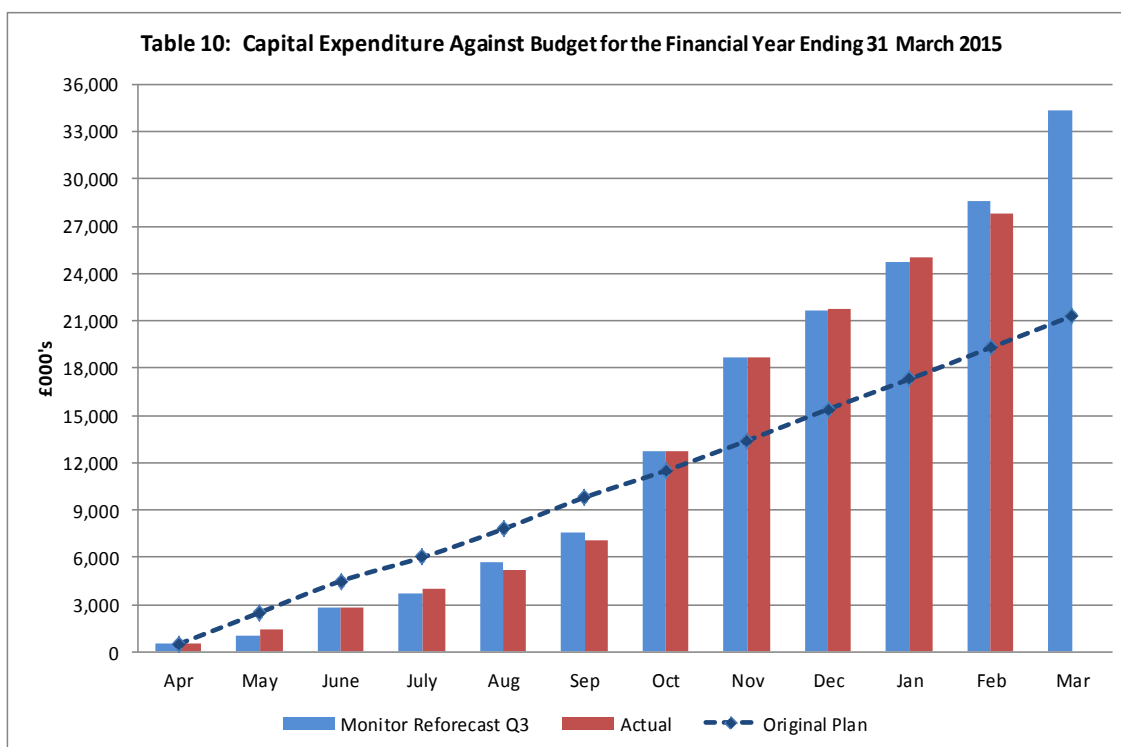
	Audited Mar 2014 £m	Actual Feb £m	YTD Plan Feb £m	Annual Plan Mar 2015 £m
Non Current Assets:				
Property, Plant and Equipment	518.2	527.2	519.8	520.1
Intangible Assets	0.5	0.6	0.3	0.3
Trade and Other Receivables	3.1	2.9	2.6	2.6
Other Assets	0.0	0.0	0.0	0.0
Total Non Current Assets	521.8	530.7	522.7	523.0
Current Assets:				
Inventories	15.2	15.5	14.4	14.4
Trade and Other Receivables	46.4	31.9	36.7	36.7
Other Financial Assets	0.6	4.1	1.3	2.1
Other Current Assets	8.8	12.6	10.2	10.3
Cash	63.1	47.9	52.6	51.4
Total Current Assets	134.1	112.0	115.2	114.9
Current Liabilities:				
Trade and Other Payables	106.7	92.3	99.3	99.3
Borrowings	12.1	12.4	12.5	12.6
Provisions	1.2	1.0	1.6	1.6
Tax Payable	7.5	7.4	6.9	6.9
Other Liabilities	17.0	24.7	19.2	22.7
Total Current Liabilities	144.5	137.8	139.5	143.1
Non Current Liabilities:				
Borrowings	522.2	510.9	510.7	509.3
Provisions	1.9	2.1	1.7	1.7
Other Liabilities	17.8	11.6	14.0	11.7
Total Non Current Liabilities	541.9	524.6	526.4	522.7
TOTAL ASSETS EMPLOYED	(30.5)	(19.7)	(28.0)	(27.9)
Financed by:				
Public Dividend Capital	171.0	180.2	171.0	171.0
Income & Expenditure Reserve	(315.0)	(313.4)	(313.8)	(313.6)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	113.5	113.5	113.1	113.1
Merger Reserve	0.0	0.0	1.6	1.6
TOTAL TAXPAYERS EQUITY	(30.5)	(19.7)	(28.1)	(27.9)

Note - may include rounding differences

6. Capital Expenditure (Non Current Assets)

The capital programme budget for 2014/15, as reforecast at Q3, has a total annual value of £34.3m. Year to date expenditure capital expenditure totalled £27.8m which is shown against both the reforecast and the original plan in the graph below. In February, capital expenditure was £2.8m which included £1.7m for the ITM refurbishment, £0.3m for the refurbishment of the new office buildings, £0.4m on the renal community facility and £0.3m for radiotherapy equipment and systems.

Table 10 – Capital Expenditure against Original Plan and Q3 Reforecast Plan



7. Current Assets

The total value of the Trust's inventory (stock) was £15.5m at the end of February. This is £0.9m above plan due to increased pharmacy, warehouse and divisional stock holdings. The Trust's total current assets (excluding cash and inventories) amount to £48.6m at 28 February.

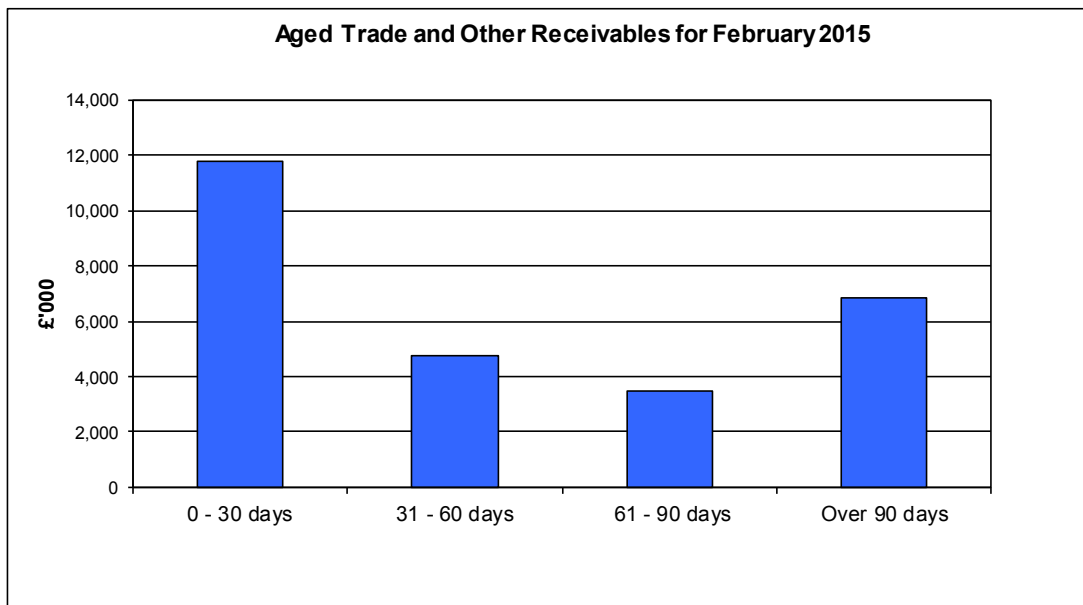
Table 11 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual Feb 2015 £m	Forecast Feb 2015 £m
Trade Receivables	26.8	30.9
Bad Debt Provision	-2.1	-1.5
Other Receivables	7.2	7.3
Trade and Other Receivables	31.9	36.7
Accrued Income	4.1	1.3
Other Financial Assets	4.1	1.3
Prepayments	12.6	10.2
Other Current Assets	12.6	10.2
TOTAL	48.6	48.2

Analysis of the age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. As at 28 February, the over 90 day debt stood at £6.8m. This includes £3.9m outstanding from NHS commissioning organisations including NHS England (£1.3m), Welsh Specialised Services (£1.2m) and (£1.4m) outstanding from CCG's across England. The balance (£2.9m) includes invoices to other NHS providers including Birmingham Women's Hospital (£0.7m), Birmingham Children's

Hospital (£0.3m), Sandwell & West Birmingham (£0.3m), Heart of England (£0.3m) and Worcester Acute Hospitals (£0.3m). This balance also includes amounts outstanding for commercial income owed to the Trust by other organisations such as universities and private companies.

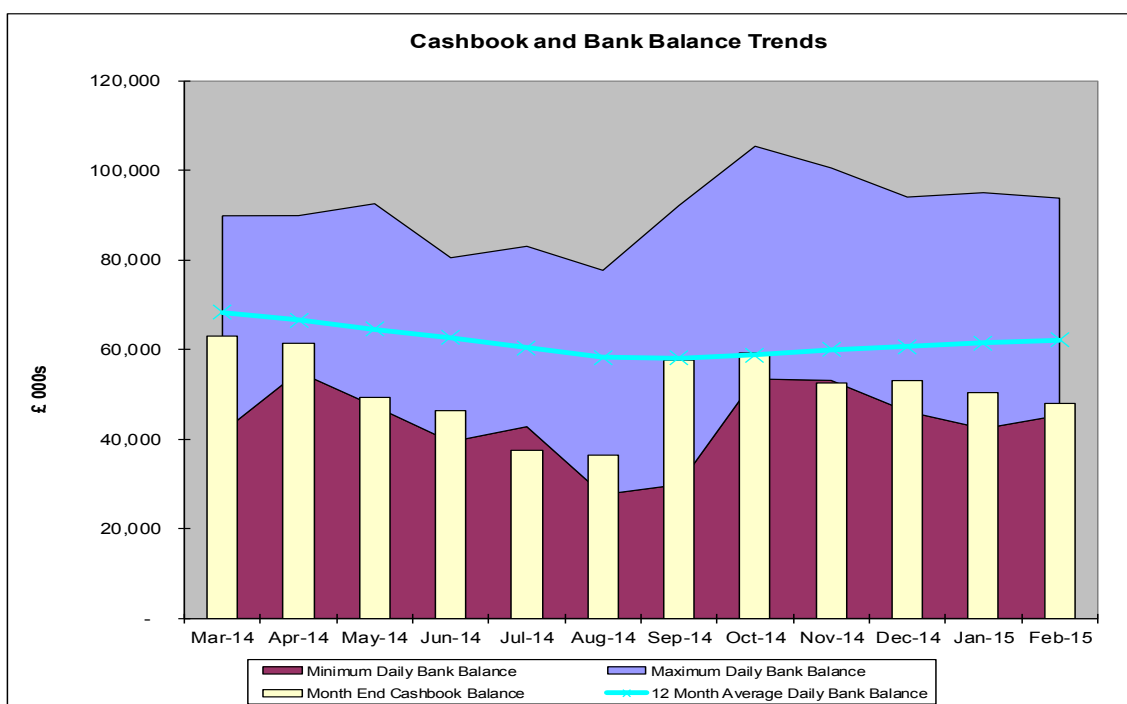
Table 12 – Aged Debt Analysis



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 28 February 2015 was £47.9m, which is (£4.7m) below plan.

Table 13 – Cash Flow



9. Conclusion

The Trust has reported a £1.674m surplus for the first nine months of the 2014/15 financial year. This represents an adverse year to date variance of (£1.126m) against the planned surplus of £2.800m. This reported position includes an aggregate overspend of (£24.180m) across operational divisions. This has been offset on a year to date basis by income over-performance, underspends across corporate budgets and the use of the Trust's Specific Reserves. The Trust remains on track to deliver a surplus in 2014/15 but this is now expected to be around £1.800m before accounting gains. This is lower than the £3.000m planned reflecting the continuing pressures across operational divisions.

10. Recommendations

The Board of Directors is asked to:

- Receive the contents of this report.

Mike Sexton
Chief Financial Officer
16 March 2015