

UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 30 MARCH 2017

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2017
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Steve Clarke, Acting Deputy Director of Finance, ext. 17374

Purpose:	To update the Board of Directors on the finance 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:	<p>In February, the Trust recorded a surplus of £0.851m which was £0.451m above the planned monthly surplus of £0.400m. The year to date (April - February) reported financial position is a £4.295m surplus which is £0.595m above the planned £3.700m surplus.</p> <p>This position includes a (£21.494m) overspend across Operational Divisions which is offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.</p> <p>The Trust remains on track to exceed the £4.6m control total agreed with NHS Improvement.</p>
Recommendations:	<p>The Board of Directors is requested to;</p> <ul style="list-style-type: none"> • Receive the contents of this report.

Signed: Mike Sexton	Date: 16 March 2017
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 30 MARCH 2017

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 28 FEBRUARY 2017

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first eleven months of the 2016/17 financial year (1 April to 28 February). The report summarises the Trust's year to date financial performance and includes information on healthcare activity, expenditure variances and CIP delivery.

The 2016/17 financial plan agreed with NHS Improvement budgets for an annual surplus (control total) of £4.600m. To achieve this control total, the Trust was allocated £16.700m of the Sustainability and Transformation Funding (STF). The release of this income is subject to the Trusts in year financial performance and delivery against agreed activity trajectories.

As at the end of Month 11, the Trust is reporting a year to date surplus of £4.295m, a £0.595m favourable variance against the £3.700m planned surplus. This financial position includes a (£21.494m) year to date overspend across Operational Divisions which has been offset by underspends within corporate functions, Trust subsidiaries and by the use of Trust reserves.

This financial performance excludes the impact of the annual land and buildings asset revaluation. This assessment has been completed and the impact is under discussion with external audit. The proposed increases to asset values will be reflected in the Month 12 report and the Trusts annual accounts. The impact of the asset revaluation is excluded from the control total and metrics used by NHSI to measure Trust financial performance.

From the 1st October 2016, NHS Improvement implemented a new Single Operating Framework (SOF) for assessing Trust performance. Based on the Trusts financial performance to date, the Trust expects to achieve a Use of Resources score of 3 (see details in section 9).

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the monthly actual income and expenditure performance compared to plan;

Table 1 – Underlying I&E: Actual vs Plan

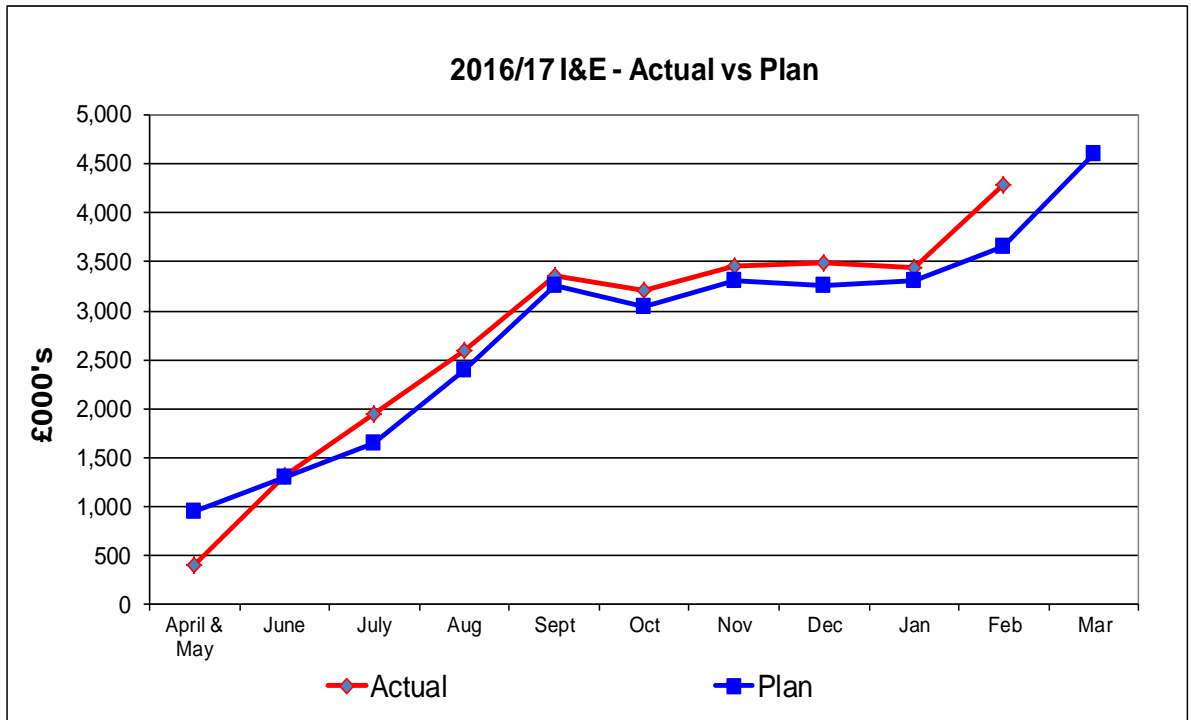


Table 2 below summarises the Trust's income & expenditure position at the end of February. Analysis of income is included in section 2.2 and operating expenditure variances are detailed in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget Feb-17 £m	Actual Feb-17 £m	Variance £m
Operating Revenue	715.5	736.3	20.8
Operating Expenses	(673.3)	(693.9)	(20.6)
EBITDA	42.2	42.4	0.2
Depreciation	(19.4)	(19.1)	0.3
Interest Receivable	0.3	0.4	0.1
Interest Payable	(14.8)	(14.9)	(0.1)
Contingent Rental	(5.4)	(5.3)	0.1
Corporation Tax	(0.1)	0.2	0.3
PDC Dividend	0.0	0.0	0.0
Normalised Surplus / (Deficit)	2.8	3.7	0.9
Donated Asset Revenue	0.5	0.5	0.0
Profit / (Loss) on Asset Disposal	0.4	0.1	(0.3)
Retained (Deficit) / Surplus	3.7	4.3	0.6

Note - may include rounding differences

2.2 Income Analysis

Total operating revenue is £20.8m above plan at the end of Month 11, as shown in table 3 below.

Table 3 – Income against Plan

	Budget Feb-17 £m	Actual Feb-17 £m	Variance £m
Clinical - NHS	593.0	590.4	(2.6)
Clinical - Non NHS	23.3	23.7	0.4
Other	99.2	122.2	23.0
TOTAL	715.5	736.3	20.8

Note - may include rounding differences

NHS clinical revenues are (£2.6m) below plan; this includes the impact of re-categorising actual STF income from NHS income to other income as requested by NHSI. Non NHS clinical revenues are £0.4m above plan which includes overseas and private patient income. Other income is £23.0m above plan due to additional education, training & service level agreement along with the STF income.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares monthly admitted patient care (APC) spells against target for the first ten months of 2016/17. Inpatient activity improved in January after the seasonal reduction in December, with both electives (including day case) and emergency activity being above plan in the month. Year to date, elective activity remains just below plan, this is offset by continued high levels of non-elective activity.

Table 4.1 – Trust Inpatient Activity

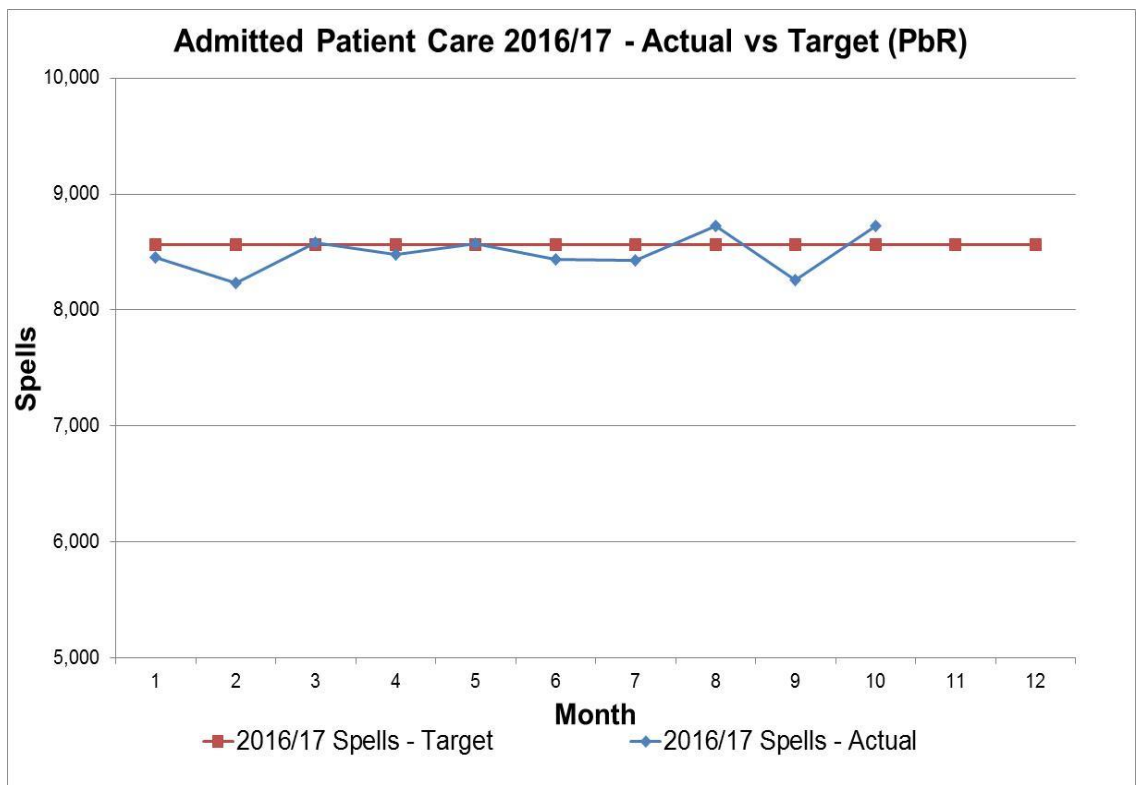


Table 4.2 shows the outpatient activity increasing in January after the seasonal reduction in December. Year to date (April – January), outpatient activity remains above plan across all the attendance type categories.

Table 4.2 – Trust Outpatient Activity

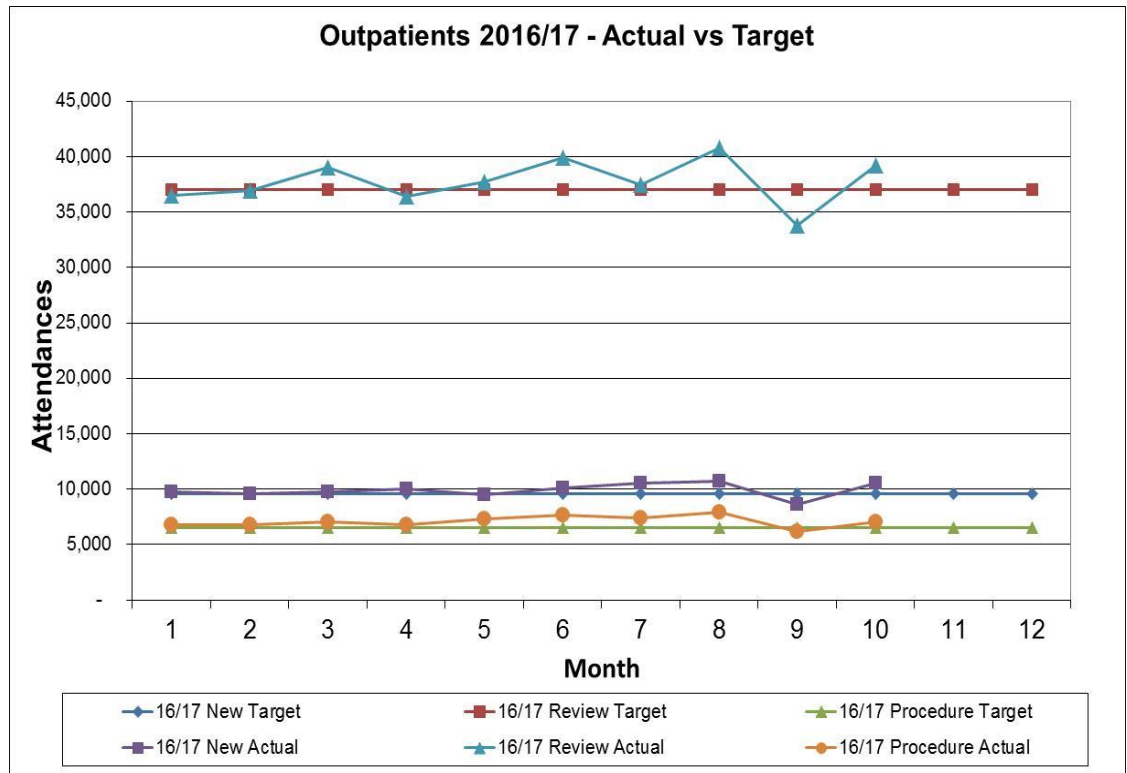


Table 5 below shows the income variance by division and point of delivery at the end of Month 10 (April-Jan). To date, healthcare income (excluding block contracts and cost per case drugs and devices) is below plan after assumed contract adjustments for marginal rate emergencies, readmissions, potential fines and penalties. For clarity, the position below assumes the continued receipt of STF income relating to the A&E trajectory but not STF income relating to the missed cancer 62 day trajectories.

Additional healthcare income risks include 2016/17 CQUIN funding, in particular around the Hepatitis–C risk sharing agreements. Limited data has been shared by commissioners as to how the national 2016/17 outturn might impact on the on the Trust, therefore it is assumed the Trust receives no reductions in the planned CQUIN income. As in previous year’s, with the exception of the lost STF income, other healthcare income under or over performance will continue to be monitored but not reflected in the Trust financial position until agreed with commissioners.

Table 5 – Summary Healthcare Income Performance by Division & Point of Delivery

	YTD Variance against Divisional Baselines (£000)				
	Div A	Div B	Div C	Div D	Total
Inpatient	10	-5,209	2,634	544	-2,021
Outpatient	32	738	787	1,771	3,328
Other	134	-1,187	-1,056	-1,782	-3,892
Total	176	-5,658	2,365	533	-2,585

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide operating expenditure analysis in Table 6 shows actual expenditure being (£20.6m) above the budgeted expenditure of £673.3m year to date.

Table 6 – Year to Date Expenditure against Plan

	Budget Feb-17 £m	Actual Feb-17 £m	Variance £m
PAY			
Medical Staff	111.9	121.5	(9.6)
Nursing	128.0	130.8	(2.8)
Scientific & Technical	47.6	47.7	(0.1)
SMP / A&C	59.2	57.9	1.3
Other	13.4	13.7	(0.3)
Pay Reserves	6.7	0.0	6.7
Total Pay	366.8	371.6	(4.8)
NON PAY			
Drugs	112.7	118.2	(5.5)
Clinical Supplies & Services	84.9	87.1	(2.2)
Other / Non-Pay Reserves	108.9	117.0	(8.1)
Total Non Pay	306.5	322.3	(15.8)
GRAND TOTAL	673.3	693.9	(20.6)

Note - may include rounding differences

3. **Cost Improvement Programme**

The Trust's 2016/17 financial plan includes an annual efficiency savings target of £18.2m. At the end of month 11, efficiency savings of £15.3m had been delivered which is equivalent to 92% of the £16.7m year to date target.

Table 7 –Cost Improvement Delivery

	YTD Target (£000)	YTD Actual (£000)	YTD Variance (£000)
Division A	4,582	3,463	(1,119)
Division B	3,409	2,414	(995)
Division C	3,199	3,684	485
Division D	3,893	4,144	251
Corp/ NHP/ Central Ops	1,601	1,567	(34)
Total	16,684	15,272	(1,412)

Operational divisions CIP delivery continues to be reviewed in the regular Chief Operating Officer meetings. The Trust profiles savings targets equally across the year despite some savings schemes starting part way through the year. The full

year forecast is to achieve £16.7m of cost improvement programmes, which is equivalent to 92% of the full year target.

4. Divisional Analysis

An adverse variance of (£21.494m) is being reported across operational divisions in the first eleven months of 2016/17 which equates to an average monthly “run rate” of (£1.954m).

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	269	(6,491)	(6,222)
Division B	3,059	(7,467)	(4,408)
Division C	(695)	(6,362)	(7,057)
Division D	439	(6,171)	(5,732)
Division E	132	2,280	2,412
Sub - Total	3,204	(24,211)	(21,007)
STF Income	(197)	(290)	(487)
TOTAL	3,007	(24,501)	(21,494)

Note - may include rounding differences

In February, the aggregate divisional overspend reduced to £0.912m, a significant improvement on the monthly average. Within this, (£0.738m) was attributable to medical staffing. Senior medical staff (consultants) accounted for (£0.610m) of the variance, this included locum cover for vacancies and sickness, unfunded consultant posts and payments for additional sessions and waiting list initiatives. Significant specialty overspends in February included Haematology (£0.081m), Anaesthetics (£0.069m) and Neurology (£0.063m). The balance of the medical overspend (£0.128m) relates to expenditure on junior and middle grade doctors including usage of agency, locums and unfunded posts. The largest over spends were within Trauma (£0.036m), A&E (£0.029m) & Ophthalmology (£0.026m)

Other expenditure pressures included slippage against historic CIP targets and activity related non pay pressures. The healthcare income loss relates to missed cancer trajectories during 2016/17 and the subsequent withholding of the related STF income.

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 2017.

Table 9 – Statement of Financial Position

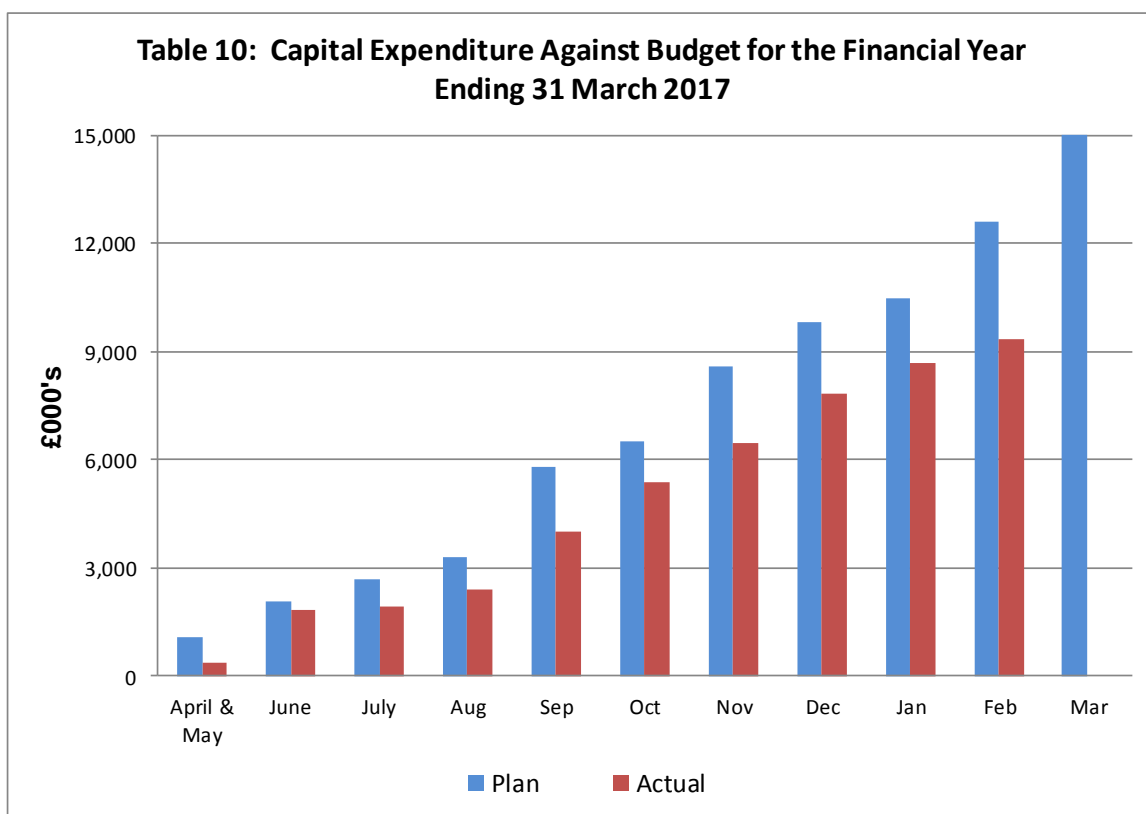
	Audited Mar 2016 £m	Actual Feb 2017 £m	YTD Plan Feb 2017 £m	Annual Plan Mar 2017 £m
Non Current Assets:				
Property, Plant and Equipment	503.4	493.2	497.1	497.7
Intangible Assets	0.7	1.1	0.8	0.8
Trade and Other Receivables	11.1	7.3	4.3	4.3
Other Assets	0.0	0.2	0.0	0.0
Total Non Current Assets	515.2	501.8	502.2	502.8
Current Assets:				
Inventories	15.7	14.8	15.8	15.8
Trade and Other Receivables	51.1	31.5	46.3	40.1
Other Financial Assets	0.2	10.3	4.9	4.9
Other Current Assets	10.2	14.7	13.4	13.7
Cash	59.2	68.8	46.7	51.5
Total Current Assets	136.4	140.1	127.0	126.0
Current Liabilities:				
Trade and Other Payables	113.6	110.5	102.5	102.5
Borrowings	12.8	12.8	12.8	12.8
Provisions	0.8	0.6	0.6	0.6
Tax Payable	7.3	8.4	7.5	7.5
Other Liabilities	16.7	20.6	16.7	16.4
Total Current Liabilities	151.2	152.9	140.1	139.8
Non Current Liabilities:				
Borrowings	496.7	485.0	485.0	483.9
Provisions	2.4	2.4	2.4	2.4
Tax Payable	0.1	0.0	0.0	0.0
Other Liabilities	7.4	3.5	5.4	5.4
Total Non Current Liabilities	506.6	490.9	492.8	491.7
TOTAL ASSETS EMPLOYED	(6.2)	(1.9)	(3.7)	(2.8)
Financed by:				
Public Dividend Capital	183.0	183.0	181.7	181.7
Income & Expenditure Reserve	(297.4)	(293.1)	(280.5)	(279.5)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	108.2	108.2	95.0	95.0
Merger Reserve	0.0	0.0	0.0	0.0
TOTAL TAXPAYERS EQUITY	(6.2)	(1.9)	(3.7)	(2.8)

Note - may include rounding differences

6. Capital Expenditure (Non-Current Assets)

The approved capital programme for 2016/17 is £15.0m. At the end of month 11, project capital expenditure total £9.3m compared to the year to date plan of 12.6m. Expenditure in February totalled £0.7m, this included £0.1m for replacement ICT assets, £0.3m of medical equipment (endoscope washers, storage cabinets and an image intensifier) and £0.2m for works in Room 11 radiotherapy ahead of the replacement Linear Accelerator installation. March (month 12) capital expenditure is expected to be at least £4.0m; this includes the delivery of a replacement Linear Accelerator, new hospital lifecycle payments, a replacement CT scanner and other medical and IT equipment.

Table 10 – Capital Expenditure against Plan



7. Current Assets

The Trust's total current assets (excluding cash and inventories) amounted to £56.5m as at 28 February. This is lower than plan due to a large volume of outstanding invoices being paid to the Trust in February resulting in the higher cash balances.

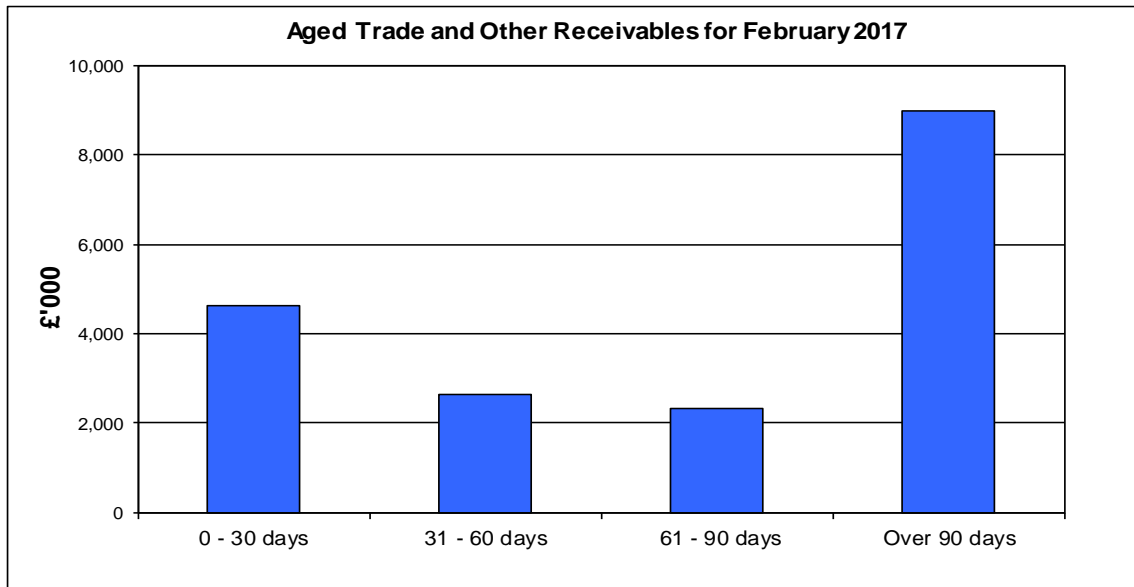
Table 11 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual Feb 2017 £m	Forecast Feb 2017 £m
Trade Receivables	18.6	30.0
Bad Debt Provision	-3.0	-2.4
Other Receivables	15.9	18.7
Trade and Other Receivables	31.5	46.3
Accrued Income	10.3	4.9
Other Financial Assets	10.3	4.9
Prepayments	14.7	13.4
Other Current Assets	14.7	13.4
TOTAL	56.5	64.6

The age profile of Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. At the end of February, the over 90 day debt amounted to £9.1m, a £2.1m reduction in the month and just £1.0m of this is due from NHS commissioners. Circa £3.5m relates to unpaid invoices for Service Level Agreements covering services provided to other NHS providers. This

includes Sandwell & West Birmingham NHS Trust (£0.8m), Birmingham Women's & Children's FT (£1.0m) and Heart of England FT (£0.5m). The balance includes amounts owed to the Trust by non-NHS debtors such as Birmingham City Council (£0.9m), the Ministry of Defence (£0.4m), universities, private sector organisations and individuals (e.g. overseas and private patients). Trust staff will continue to liaise with these organisations to reduce these unpaid historic invoices.

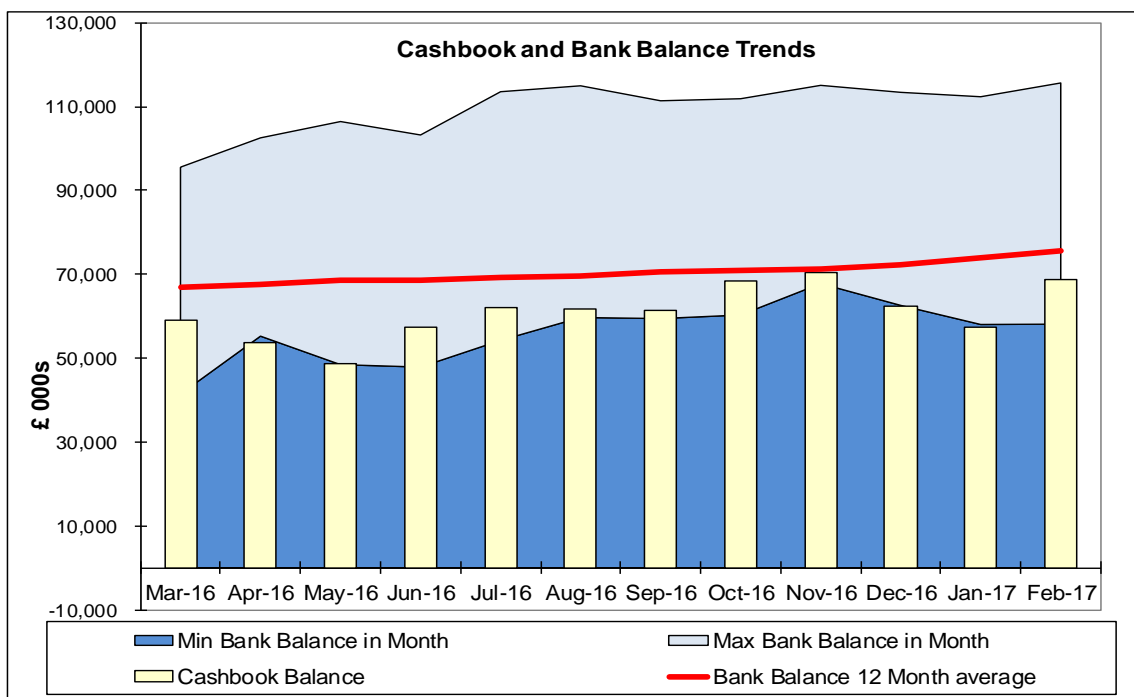
Table 12 – Aged Debt Analysis



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 28 February was £68.8m.

Table 13 – Cash Flow



9. NHS Improvement and Use of Resources (UoR) Metric

9.1 Use of Resources (UoR) Metric

NHS Improvement launched a new Single Operating Framework for NHS providers in October 2016. Providers are scored 1 (best) to 4 (worse) against 5 equally weighted metrics. The average across the metrics is labelled Trusts Use of Resources (UoR) score. Based on the Trusts financial performance at the end of Month 11, the Trust UoR score is expected to be a 3 as follows;

Table 14 – Use of Resources Score

Metric	Score	Definition
Capital Service Cover	3	Can the providers income cover its longer term financial obligations
Liquidity	4	Cash held to cover operating costs
I&E Margin	2	I&E surplus or (Deficit) as a proportion of Total Income
I&E Variance From Plan	1	Actual year to date surplus compared to plan
Agency Spend	3	Distance of actual spend from the annual agency cap set by NHS Improvement
Use of Resources	2.6	(Unrounded Score)
TRIGGER	Yes	Trust receives the lowest rating of 4 in one area, thus triggering a max overall score of 3
Use of Resources Score	3	

The Trust achieves the lowest ratings of 3 or 4 on the following;

- **Capital Service Cover** – this includes annual PFI capital expenditure (interest, inflation and capital repayments), therefore the Trusts capital commitments are high compared to other providers, in the medium term the Trust will be unable to improve on this metric.
- **Liquidity** – despite the Trust holding a cash balance of £68.8m, the Trust receives the lowest rating of 4. Based on the planned control total surplus for 2017/18 and final payments for the disposal of the Selly Oak site, this metric is expected to improve in 2017/18.
- **Agency Expenditure** – The Trust was set an annual agency expenditure ceiling by NHSI of £13.281 million which was over a 1/3rd lower than the Trusts actual 2015/16 expenditure. The required agency reduction takes no account of how the Trust was performing compared to others in terms of agency expenditure when measured as a % of total pay costs. Year to date (April – February), Trust agency expenditure is 4.3% of total pay costs (and reducing) which compares well to the provider sector average of 5.9% and the regional average of 6.6%. Both sector averages include ambulance, community and specialist providers who use much less agency than acute hospitals. Current forecasts indicate the Trust is on track to reduce agency spend by at least £4million in 2016/17 despite the operational and workforce pressures.

Use of Resources is one theme which NHS Improvement assessment takes account of in assessing a providers overall performance. Other factors include quality of care, operational performance, strategic change and

leadership and improvement capability. After reviewing each of these, each Trust is segmented into one of four categories;

Segment	Description
1	Providers with maximum autonomy – no potential support needs identified across our five themes – lowest level of oversight and expectation that provider will support providers in other segments
2	Providers offered targeted support – potential support needed in one or more of the five themes, but not in breach of licence (or equivalent for NHS trusts) and/or formal action is not needed
3	Providers receiving mandated support for significant concerns – the provider is in actual/suspected breach of the licence (or equivalent for NHS trusts)
4	Special measures – the provider is in actual/suspected breach of its licence (or equivalent for NHS trusts) with very serious/complex issues that mean that they are in special measures

The latest published data on the NHSI website shows the Trust has been placed in Segment 2 category.

9.2 NHSI Control Total

The Trust is monitored by NHS Improvement for its financial performance against an agreed control total. This figure differs to the Trusts overall financial performance reported to the Board of Directors and reported in the annual accounts. Based on the NHSI control total measurement, the Trust is reporting a £1.2m surplus year to date as shown below;

Table 15 – NHSI Reported Control Total Surplus

	YTD Plan £m	YTD Actual £m	YTD Variance £m
Total Comprehensive Surplus	3.7	4.3	0.6
Less: Gain on Disposal	(0.4)	(0.1)	0.3
Less: Grants & Donations of PPE Assets	(0.5)	(0.5)	0.0
Less: Depreciation of granted & donated	1.1	1.4	0.3
Control Total Basis Surplus	3.9	5.1	1.2

9.3 STF Income

To achieve its control total, the Trust was allocated up to £16.7m of Sustainability and Transformation Funding (STF). The release of this income is subject to the Trusts in year financial performance and delivery against agreed activity trajectories.

As at month 11, the Trust is anticipating receipt of £14.8m of STF income of which £7.7m has been received. There is a shortfall against plan relating to loss of cancer trajectory funding, however the Trust continues to assume funding relating to A&E 4 hour wait trajectories will be received following appeal. Should the appeal be unsuccessful, the Trust assumes a revised, lower control total will be issued for 2016/17 financial year.

Recently, NHSI created an STF Financial Incentive Scheme to reward Trusts with additional STF income where they out-perform their 2016/17 control totals. Trusts are automatically enrolled into the scheme and based on current guidance the Trust could potentially receive £1.2 million at the financial year end to further increase its financial surplus. This additional money is still subject to agreement with NHSI and other bodies, therefore none of this is assumed in the year to date position.

10. Conclusion

The Trust is reporting a surplus of £4.295m for the first eleven months of the 2016/17 financial year. This represents a positive variance of £0.595m against the planned surplus of £3.700m. The Trust is on track to achieve the agreed annual control total of £4.600m surplus at the end of the 2016/17 financial year, assuming STF income is paid as expected and there is no reduction in planned Hepatitis C CQUIN income.

Further work is required to reflect the impact of the results of the recent annual asset revaluation into these financial reports. This work will be concluded for the Month 12 report.

Mike Sexton
Chief Financial Officer
16 March 2017