


UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
THURSDAY 25 JULY 2013

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2013
Responsible Director:	Mike Sexton, Chief Financial Officer
Contact:	Julian Miller, Director of Finance, ext. 53074

Purpose:	To update the Board 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:	A surplus of £2.729m has been realised in the first quarter of the 2013/14 Financial Year (April-June), this represents a favourable variance of £0.029m against the planned year to date surplus of £2.700m.
Recommendations:	The Board of Directors is asked to: <ul style="list-style-type: none"> • 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.

Signed: 	Date: 15 July 2013
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS THURSDAY 25 JULY 2013

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 30 JUNE 2013

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first three months of the 2013/14 financial year (1 April to 30 June 2013). It includes the three main financial statements, the Statement of Comprehensive Income, 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 provides for an annual surplus of £3.900m. An actual surplus of £2.729m has been realised in the first quarter of the financial year resulting in a favourable variance of £0.029m against the planned surplus of £2.700m. The in month surplus was £2.445m against a budget of £2.400m, representing a favourable variance of £0.045m for June. The position includes £2.306m of income (budget and actual) recognised during June in respect of the donation of the Cyberknife by QEHB Charities.

The reported position includes year to date overspends totalling (£4.474m) across operational budgets, due largely to capacity pressures and CIP slippage. The monthly variance in June has reduced to (£1.214m) as compared to an average of (£1.630m) for each of the first two months and action plans have now been agreed with Divisions to further improve the monthly run rate. The operational overspend has been offset by the release of Trust reserves and underspends against Corporate budgets.

The Financial Risk Rating remains at 3 based on self assessment of the financial performance in the first three months of the 2013/14 financial year.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the income and expenditure surplus of £2.729m compared to year to date planned of £2.700m.

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

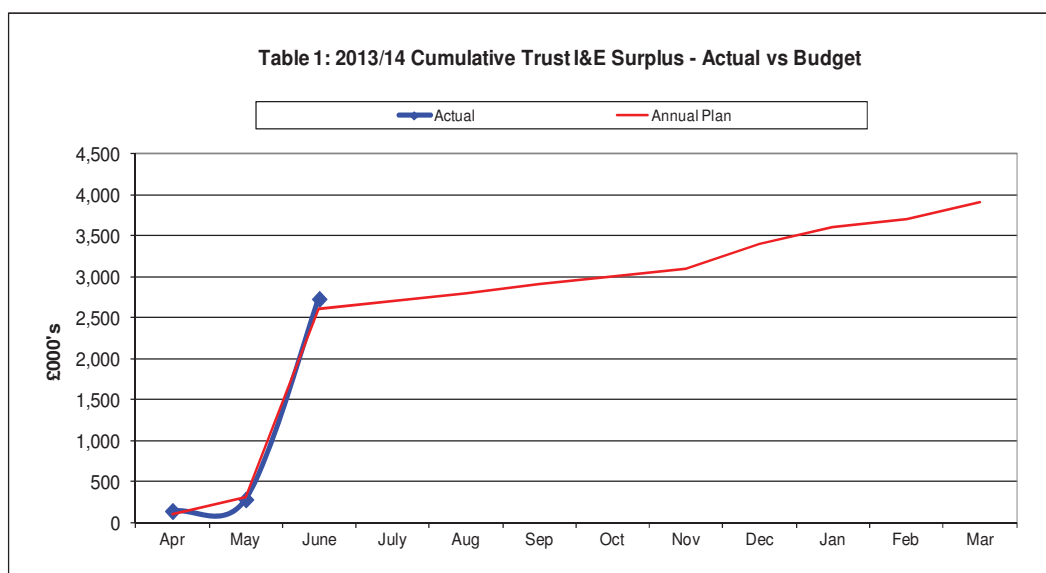


Table 2 below summarises the Trust's income & expenditure position for the first quarter of the financial year (three months to the end June 2013). A more detailed analysis of income is included in section 2.2 and detail regarding operating expenditure is set out in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget April - June £m	Actual April - June £m	Variance £m
Revenue	161.5	163.5	2.0
Operating Expenses	(150.6)	(152.7)	(2.1)
EBITDA	10.9	10.8	(0.1)
Depreciation	(5.0)	(4.9)	0.1
Donated Asset Revenue	2.3	2.3	0.0
Interest Receivable	0.2	0.2	0.0
Interest Payable	(4.5)	(4.5)	0.0
Contingent Rental	(1.2)	(1.2)	0.0
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Surplus before impairments	2.7	2.7	(0.0)
Impairments on Property	0.0	0.0	0.0
Total Surplus / (Deficit)	2.7	2.7	(0.0)

Note - may include rounding differences

2.2 Income Analysis

Total operating income is £2.0m above plan for the first three months of the financial year as shown in table 3 below.

Table 3 – Income against plan

	Budget April - June £m	Actual April - June £m	Variance £m
Clinical - NHS	128.8	130.7	1.9
Clinical - Non NHS	4.9	4.8	(0.1)
Other	27.8	28.0	0.2
TOTAL	161.5	163.5	2.0

Note - may include rounding differences

NHS Clinical Revenue is £1.9m above plan for the year to date, primarily due to increased use of cost per case drugs and devices. Non NHS clinical revenues are (£0.1m) below plan due to under performance against private patient income targets. Other Operating Income is £0.2m above plan at the end of June due largely to research income.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares 2013/14 monthly admitted patient care activity against target levels for the two months of the financial year. This shows that both Payment by Results (PbR) spells and Non PbR inpatient FCEs were above plan in May.

Table 4.1 – Trust Inpatient Activity

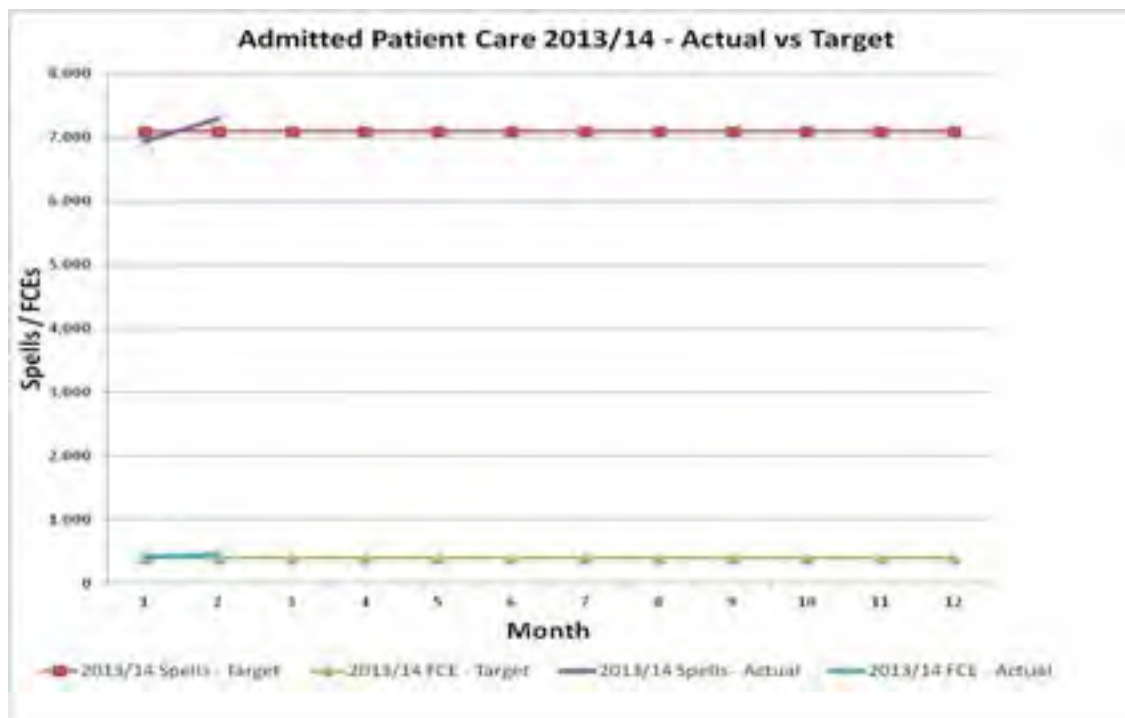


Table 4.2 shows outpatient activity against the expected contract target. Each type of outpatient attendance (New, Follow Up and Outpatient Procedures) is above plan both in the month (May) and for the year to date.

Table 4.2 – Trust Outpatient Activity

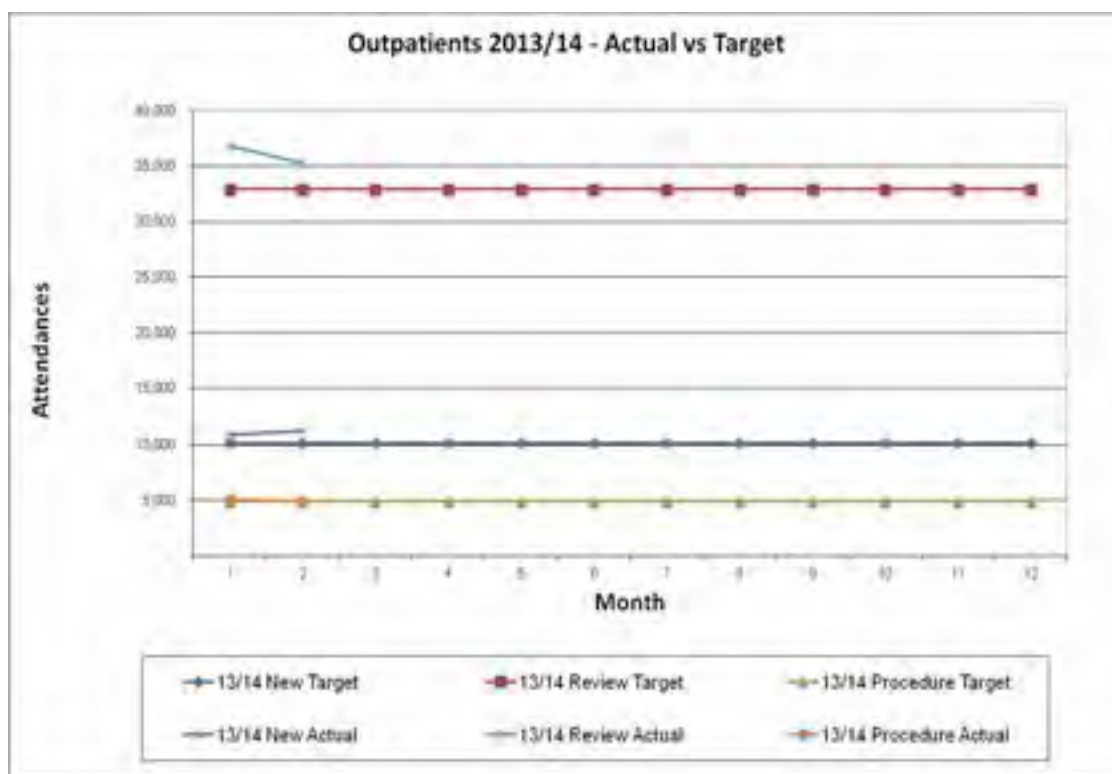


Table 5 below shows the variance by Division and Point of Delivery against 2013/14 healthcare income targets. This shows healthcare income (excluding cost per case) being £2.8m ahead of plan for the first two months of the financial year. This should be considered as indicative only until 2013/14 contracts are signed and therefore this over-performance is not yet recognised in the accounts.

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	(22)	(439)	1,018	334	890
Outpatient	48	194	589	185	1,017
Other	682	(111)	54	251	876
Total	708	(356)	1,661	771	2,783

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows an overspend of (£2.1m) against budgeted expenditure of £150.6m year to date. The main areas of overspend are medical and nursing pay reflecting the costs of the additional capacity that is open.

Table 6 – Expenditure against plan

	Budget April - June £m	Actual April - June £m	Variance £m
PAY			
Medical Staff	26.1	27.8	(1.7)
Nursing	29.4	30.5	(1.1)
Scientific & Technical	10.5	10.6	(0.1)
SMP / A&C	13.2	13.0	0.2
Other / Pay Reserves	3.2	3.4	(0.2)
Total Pay	82.4	85.3	(2.9)
NON PAY			
Drugs	20.3	19.8	0.5
Clinical Supplies & Services	20.8	20.8	0.0
Other / Non-Pay Reserves	27.1	26.8	0.3
Total Non Pay	68.2	67.4	0.8
GRAND TOTAL	150.6	152.7	(2.1)

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. As at quarter 1 the total slippage is (£0.8m) meaning that 81% of the year to date target has been achieved. Recovery plans are being developed for key areas of slippage and high risk schemes will be reviewed in divisional meetings during July. As in previous years it is expected that performance will continue to improve throughout the year as delayed schemes start to deliver and contingencies are developed. A forecast for the CIP achievement by the end 31 March 2014 will be included in the next quarterly update.

Table 7 – Delivery of Cost Improvements

	Cumulative variance against plan (£000)			
	Q1	Q2	Q3	Q4
Division A	(249)			
Division B	(287)			
Division C	6			
Division D	(238)			
Corporate / NHP	(42)			
Total	(810)			
% Achieved	81%			

4. Divisional Analysis

An adverse variance of (£4.474m) has been recorded against operational budgets for the first three months of the 2013/14 financial year. This has been offset year to date by a combination of Trust Specific Reserves and the General Contingency Reserve.

Table 8 – Analysis of year to date variances by Division

	Income	Expenditure	Total
	£'000	£'000	£'000
Division A	177	(2,069)	(1,892)
Division B	471	(1,997)	(1,526)
Division C	93	(661)	(568)
Division D	(77)	(1,047)	(1,124)
Division E	352	284	636
Sub - Total	1,016	(5,490)	(4,474)
Healthcare Income	0	0	0
TOTAL	1,016	(5,490)	(4,474)

Note - may include rounding differences

The total operational overspend in June was (£1.214m) with the main variances relating to pay budgets. Medical pay was (£378,000) above plan including (£271,000) relating to senior medical staff. This is attributable to a combination of unfunded posts (locum and substantive) and additional session payments for waiting list initiatives and absence cover across a range of specialties including Anaesthetics (£113,000), Ophthalmology (£43,000), Cardiac surgery (£27,000) and Neurosurgery (£55,000). The balance of the medical staff over spend (£107,000) relates to junior and middle grade doctors with agency costs in excess of funded vacancies in several areas including A&E (£25,000), Anaesthetics (£40,000) and Cardiac Surgery (£19,000).

Nursing Pay (including Theatre ODPs) was (£489,000) overspent in June, after the release of funding to support the additional bed capacity on ward 620 and in the retained estate. Specific departmental nursing pressures included Critical Care (£156,000), due to agency cover for super-numery new starters, and Theatres (£65,000) due to additional staff in recovery and agency cover for long term sickness. The balance relates largely to ward based nursing including (£111,000) across the medical wards floor due to additional nursing for specific patients ('specials') and the use of external agency staff to cover sickness and annual leave.

Non-pay overspends (£777,000) also contributed to the in month overspend. This included CIP slippage across all divisions and activity related pressures within laboratories, Cardiology, Cardiac Surgery and Renal Medicine.

The overall position was improved by variable income including £226,000 in Cardiac Surgery, relating to over-performance against the Transplant Programme and Ventricular Assist Devices, and £130,000 of additional SLA income in Imaging and Laboratories.

Action plans to address the main over spends have been agreed with Divisions and will be reviewed in the monthly performance meetings.

5. Statement of Financial Position

The Statement of Financial Position (formerly the 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. The lower part identifies the sources of finance. Table 9 summarises the Trust's Statement of Financial Position at 30 June 2013.

Table 9 – Statement of Financial Position

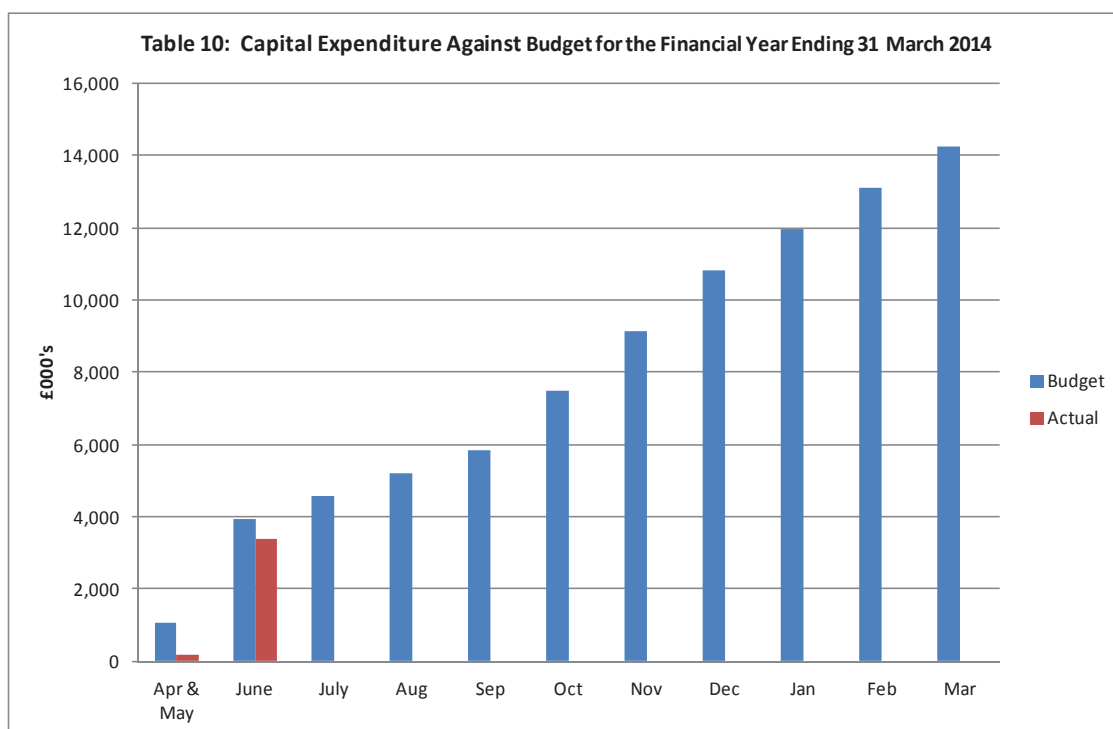
	Audited March 2013 £m	Actual June 2013 £m	YTD Plan June 2013 £m	Annual Plan Mar 2014 £m
Non Current Assets:				
Property, Plant and Equipment	491.8	491.8	492.8	488.0
Intangible Assets	0.5	0.4	0.5	0.5
Trade and Other Receivables	2.8	3.1	2.8	0.0
Other Assets	0.0	0.0	0.0	2.8
Total Non Current Assets	495.1	495.3	496.1	491.3
Current Assets:				
Inventories	13.4	17.8	13.3	13.0
Trade and Other Receivables	32.8	30.0	25.5	31.5
Other Financial Assets	0.3	3.6	0.2	0.2
Other Current Assets	5.3	10.9	10.0	7.7
Cash	76.2	63.5	77.0	65.5
Total Current Assets	128.0	125.8	126.0	117.9
Current Liabilities:				
Trade and Other Payables	91.5	89.1	91.1	103.0
Borrowings	11.8	11.8	11.8	0.0
Provisions	1.8	1.8	1.8	1.8
Tax Payable	7.1	7.3	6.9	7.1
Other Liabilities	21.0	19.8	18.7	12.0
Total Current Liabilities	133.2	129.8	130.3	123.9
Non Current Liabilities:				
Borrowings	534.4	531.5	531.2	522.2
Provisions	1.7	1.7	1.7	1.7
Other Liabilities	21.6	21.6	22.1	23.4
Total Non Current Liabilities	557.7	554.8	555.0	547.3
TOTAL ASSETS EMPLOYED	(67.8)	(63.5)	(63.2)	(62.0)
Financed by:				
Public Dividend Capital	171.0	171.0	171.0	171.0
Income & Expenditure Reserve	(345.5)	(342.8)	(342.8)	(341.6)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	106.8	106.8	108.6	108.6
Merger Reserve	0.0	1.5	0.0	0.0
TOTAL TAXPAYERS EQUITY	(67.8)	(63.5)	(63.2)	(62.0)

Note - may include rounding differences

6. Capital Expenditure (Non Current Assets)

The Capital programme for 2013/14 totals £14.2m including £2.5m of donated assets. Actual capital expenditure in the first quarter was £3.4m which is £0.5m below the year to date plan. Additions during the month totalled £3.2m including £2.2m for the donated Cyberknife machine, £0.3m for replacement medical equipment and £0.4m on estates projects including new hospital lifecycle works. Further details are provided in the separate quarterly Capital Programme Update.

Table 10 – Capital Expenditure against plan



7. Current Assets

The total value of the Trust's inventories (stock) was £17.8m at Q1, which is £4.5m above plan. This is due to a mixture of increases to pharmacy and warehouse stock levels in the month (£1.1m) and a bulk purchase of cardiac consumables (£3.1m). The Trust's other current assets (excluding cash) totalled £44.5m at 30 June 2013, as shown below:

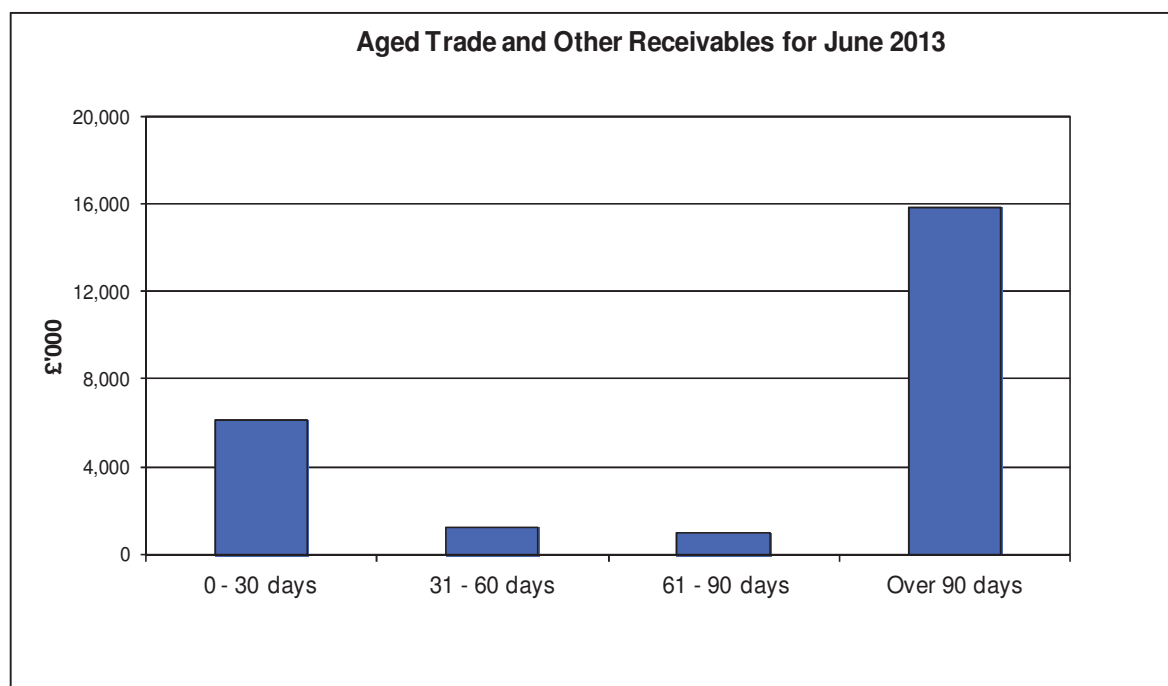
Table 11 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual June 2013 £m	Forecast June 2013 £m
Trade Receivables	24.2	22.2
Bad Debt Provision	-1.5	-1.8
Other Receivables	7.3	5.1
Trade and Other Receivables	30.0	25.5
Accrued Income	3.6	0.2
Other Financial Assets	3.6	0.2
Prepayments	10.9	10.0
Deferred Asset	0.0	0.0
Other Current Assets	10.9	10.0
TOTAL	44.5	35.7

Within this £24.2m relates to Trade Receivables (unpaid invoices issued by the Trust). An analysis of the age profile of this debt at 30 June is summarised in Table 12 below. The value of invoices over 90 days old is £15.8m at 30 June. Commissioning organisations account for £13.0m of this debt, reflecting the 2012/13 estimated healthcare income over performance invoices that were raised at the end of March 2013 but remain unpaid. Under the national timetable payments must be agreed by the end of July and therefore the aged debt is expected to fall sharply over the next few months as cash is received or credit notes are issued.

A further £2.0m of the outstanding debt relates to other NHS providers for service level agreements. These amounts are balanced by NHS creditors so there is little overall impact on cash flow.

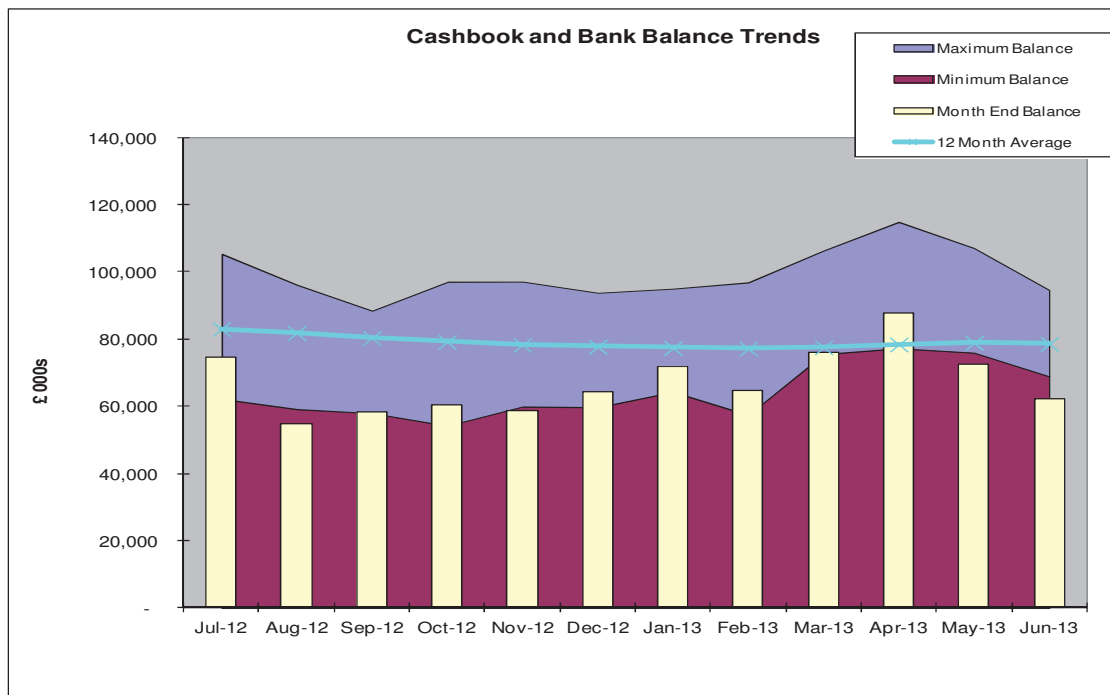
Table 12 – Aged Debt Analysis



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 balance at the 30 June 2013 was £63.5m, which is (£13.5m) below the planned levels. This is primarily due to the increases in stock (£4.5m) and receivables (£4.5m) as detailed above. The Trust's 12 month rolling average bank balance remains broadly stable.

Table 13 – Cash Flow



The Trust's working capital facility is £46.6m. The current agreement expires at the end of July 2013 but will be extended at the same level for a further twelve months to ensure that the Trust continues to meet Monitor's liquidity ratio requirements under the current Financial Risk Rating. The overdraft has not been used to date and there are no plans to utilise the facility in the immediate future.

9. Monitor Ratios

9.1. Borrowing Ratios

The PFI debt 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 2014	Actual - June 2013
Minimum Dividend Cover	> 1.0	n/a	n/a
Minimum Interest Cover	> 2.0	2.2	2.2
Minimum Debt Service Cover	> 1.5	1.3	1.3
Maximum Debt Service to Revenue	< 10%	4.6%	4.5%

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 Annual Plan suggests that the Trust will be slightly outside the Tier 2 Limit for the Minimum Debt Service Cover ratio (1.3 vs 1.5 limit). Monitor's prudential borrowing guidance allows for borrowing limits to be authorised which exceed the ratios in certain circumstances (for example a major renovation or redevelopment). Therefore this does not affect the Financial Risk Rating however access to potential additional borrowing (e.g. Finance Leases) may be restricted.

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

9.2. Financial Risk Rating

The Trust's Financial Risk Rating (FRR) remains at 3 based on self assessment of the 2013/14 Strategic Plan and Q1 actual results. The rating is set between 1 (worst) and 5 (best) based on a series of financial metrics.

10. **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.

A single form needs to be signed covering all three declarations (Finance, Governance and Quality). A copy of this is attached to the separate Monitor Quarterly Governance Declaration Report – Quarter 1. For the Finance Declaration, based on current performance and financial planning, 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.

11. Conclusion

An income and expenditure surplus of £2.729m has been reported for the first quarter of the 2013/14 financial year (April-June). This represents a small favourable variance of £0.029m against the planned £2.700m surplus for the year to date.

There has been a significant operational overspend in the first quarter, due mainly to ongoing activity and capacity pressures and slippage against CIP targets. On a year to date basis this has been mitigated by the release of Trust reserves but action plans have been developed with Divisions to address the main areas of over spend and improve the monthly run rate going forwards.

12. 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 'M' followed by the name 'Sexton' in a cursive script.

Mike Sexton
Chief Financial Officer
15 July 2013