


UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST
REPORT TO THE BOARD OF DIRECTORS
26 SEPTEMBER 2013

Title:	FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 AUGUST 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 £2.994m has been realised in the first five months of the 2013/14 Financial Year (April-August), this represents a favourable variance of £0.094m against the planned year to date surplus of £2.900m.
Recommendations:	The Board of Directors is asked to: <ul style="list-style-type: none"> • Receive the contents of this report.

Signed: 	Date: 16 September 2013
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UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

REPORT TO THE BOARD OF DIRECTORS 26 SEPTEMBER 2013

FINANCE AND ACTIVITY REPORT FOR THE PERIOD ENDING 31 AUGUST 2013

PRESENTED BY THE CHIEF FINANCIAL OFFICER

1. Introduction

This report covers the first five months of the 2013/14 financial year (1 April to 31 August 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 £2.994m has been realised in the first five months of the financial year resulting in a favourable variance of £0.094m against the planned surplus of £2.900m. The in month surplus was £0.181m against a plan of £0.100m, a positive variance of £0.081m in the month.

The reported position includes a (£7.253m) year to date overspend across operational budgets, caused primarily by capacity pressures, increased staffing costs (including the use of external agency nurses and locum doctors) and CIP slippage. The monthly operational budget variance was (£1.106m) in August, after recognition of £1.000m of healthcare income over performance. The operational overspend is being offset by Trust specific and general reserves. However, Divisions have developed year end forecasts and action plans to address the main areas of over spend and review meetings will be held with the Chief Financial Officer and the Chief Operating Officer.

The Trust's Financial Risk Rating remains a 3 based on the Strategic Plan and self assessment of the results for the first five months of the 2013/14 financial year.

2. Income & Expenditure Position

2.1 Year to Date Summary

Table 1 below shows the year to date income and expenditure surplus of £2.994m compared to plan of £2.900m.

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

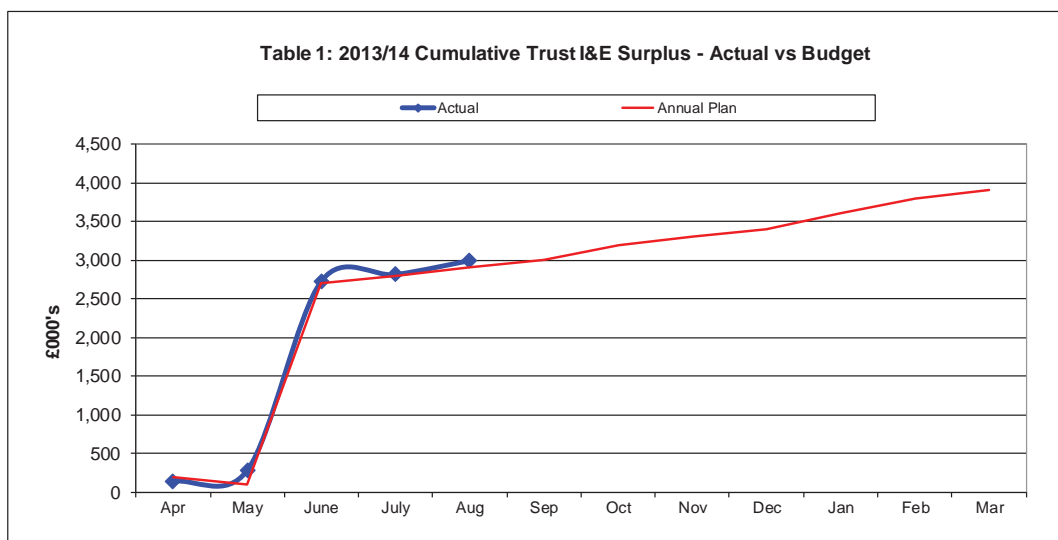


Table 2 below summarises the Trust’s income & expenditure position for the five months to the end of August 2013. A detailed analysis of income is included in section 2.2 and the operating expenditure variances are set out in section 2.4 below.

Table 2 – YTD Income and Expenditure Budget vs. Actual

	Budget April - Aug £m	Actual April - Aug £m	Variance £m
Revenue	271.5	279.7	8.2
Operating Expenses	(251.0)	(259.3)	(8.3)
EBITDA	20.5	20.4	(0.1)
Depreciation	(8.3)	(8.1)	0.2
Donated Asset Revenue	0.0	0.0	0.0
Interest Receivable	0.3	0.3	0.0
Interest Payable	(7.6)	(7.6)	0.0
Contingent Rental	(2.0)	(2.0)	0.0
Corporation Tax	0.0	0.0	0.0
PDC Dividend	0.0	0.0	0.0
Surplus before impairments	2.9	3.0	0.1
Impairments on Property	0.0	0.0	0.0
Total Surplus / (Deficit)	2.9	3.0	0.1

Note - may include rounding differences

2.2 Income Analysis

Total operating income is £8.2m above plan for the first five months of the financial year as shown in table 3 below.

Table 3 – Income against plan

	Budget April - Aug £m	Actual April - Aug £m	Variance £m
Clinical - NHS	214.7	222.3	7.6
Clinical - Non NHS	8.2	8.3	0.1
Other	48.6	49.1	0.5
TOTAL	271.5	279.7	8.2

Note - may include rounding differences

NHS Clinical Revenue is £7.6m higher year than budget for the year to date. Of this £4.8m is attributable to over-performance against plan for high cost drugs and devices which are funded on a cost per case basis. The balance reflects contract variations and other cost per case activity as well as £1.0m recognised in respect of general over-performance against the activity plan (see 2.3 below). Non NHS clinical revenues are £0.1m above plan with MoD activity over performance offsetting private patient income under performance. Other Operating Income is £0.5m above plan year to date largely due to additional SLA income.

2.3 NHS Clinical Income / Activity

Table 4.1 below compares 2013/14 monthly admitted patient care activity against target levels for the four months of the financial year. This shows that both Payment by Results (PbR) spells and Non PbR inpatient FCEs was significantly above plan in July activity and continues to remain above plan year to date.

Table 4.1 – Trust Inpatient Activity

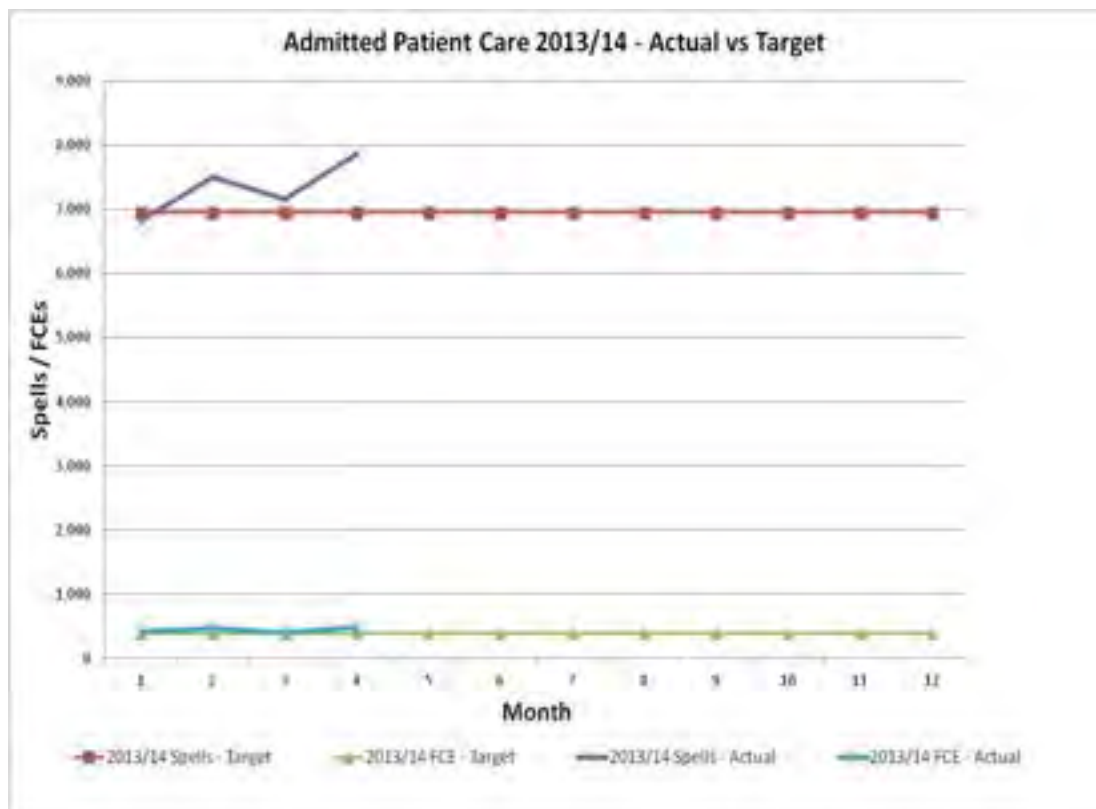


Table 4.2 shows outpatient activity against target. New and Follow Up attendances and Outpatient Procedures are all above plan both in the month (July) and on a year to date basis.

Table 4.2 – Trust Outpatient Activity

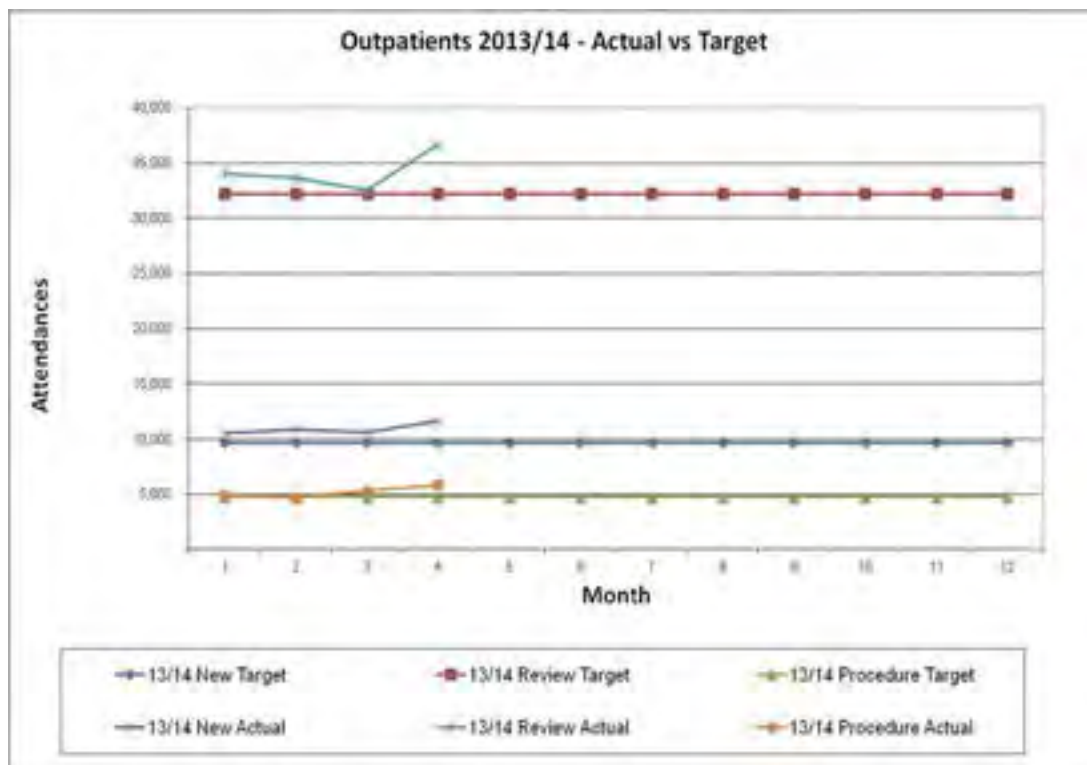


Table 5 below shows the variance by Division and Point of Delivery against 2013/14 healthcare income targets. This shows healthcare income (excluding cost per case) being £2.9m above plan for the first four months of the financial year (April-July). At present only £1.0m of this has been recognised in the accounts due to payment risks including outstanding commissioner queries.

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	(65)	(487)	596	87	131
Outpatient	87	692	624	361	1,765
Other	543	(219)	93	548	964
Total	565	(15)	1,314	996	2,860

Note - may include rounding differences

2.4 Expenditure Analysis

The Trust wide subjective expenditure analysis in Table 6 shows an overspend of (£8.3m) against budgeted expenditure of £251.0m year to date. The main areas of overspend relate to medical and nursing pay.

Table 6 – Expenditure against plan

	Budget April - Aug £m	Actual April - Aug £m	Variance £m
PAY			
Medical Staff	43.2	46.3	(3.1)
Nursing	48.4	51.3	(2.9)
Scientific & Technical	17.4	17.8	(0.4)
SMP / A&C	22.3	22.0	0.3
Other / Pay Reserves	6.0	6.0	0.0
Total Pay	137.3	143.4	(6.1)
NON PAY			
Drugs	33.8	34.3	(0.5)
Clinical Supplies & Services	34.7	33.7	1.0
Other / Non-Pay Reserves	45.2	47.9	(2.7)
Total Non Pay	113.7	115.9	(2.2)
GRAND TOTAL	251.0	259.3	(8.3)

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. The total slippage at the end of quarter 1 was (£0.8m) meaning 81% of the year to date target has been achieved. This is broadly consistent with delivery at the same stage in recent years (85% at Q1 2012/13 and 70% at Q1 in 2011/12) and reflects the profile of schemes throughout the year. Overall performance is expected to improve to at least 90% by the end of the financial year and a further update on CIP achievement will be provided at the end of Quarter 2.

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 (£7.253m) has been recorded against operational budgets for the first five months of 2013/14. This has been offset year to date by a combination of Trust reserves (specific and general).

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	Total £'000	Year End Forecast £'000
Division A	515	(3,623)	(3,108)	0
Division B	797	(3,474)	(2,677)	0
Division C	0	(1,332)	(1,332)	0
Division D	(309)	(1,675)	(1,984)	0
Division E	4,477	(3,629)	848	0
Sub - Total	5,480	(13,733)	(8,253)	0
Healthcare Income	1,000	0	1,000	0
TOTAL	6,480	(13,733)	(7,253)	0
<i>Memo General Contingency Reserve</i>			780	1871

Note - may include rounding differences

The total operational budget overspend in August was (£1.106m) after the recognition of £1.000m of healthcare income in respect of year to date activity over-performance. The key expenditure variances in the month included Nursing pay (including Theatre ODPs), which was (£750,000) above budget. Specific departmental nursing pressures included Critical Care (£157,000), Theatres (£61,000), A&E (£31,000) and CDU (£24,000) due largely to the usage of external agency to cover vacancies, annual leave and new starters undertaking induction. A further (£295,000) relates to ward based nursing (primarily the 5th floor) covering additional nursing for specific patients ('specials') and the use of external agency staff to cover sickness and leave.

Medical staffing was (£644,000) above plan including a (£478,000) variance against senior medical staff caused by locum cover for vacancies, sickness and absence, unfunded consultant posts and additional session payments for cover and waiting list initiatives. Overspends were across a number of specialties including Anaesthetics (£95,000), Cardiac surgery (£51,000), Neurosurgery (£46,000), Liver (£42,000), Ophthalmology (£34,000), General Surgery (£31,000), ENT (£34,000), Burns & Plastics (£28,000) and GI Medicine (£28,000). The balance of the medical staff over spend (£166,000) relates to junior and middle grade doctors with agency costs in excess of funded vacancies in several areas including A&E (£70,000), Anaesthetics (£30,000), General Medicine (£31,000) and Livers (£19,000).

Other significant over spends during August included charges for activity undertaken in the private sector and CIP slippage across all divisions. Income deficits occurred against RTA income (£65,000) and against private patient targets in across Division D (£194,000), these were partially offset by variable SLA income £109,000 within Laboratories and £72,000 of transplant and private patient income within Liver services.

Action plans to address the continuing high monthly 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 31 August 2013.

Table 9 – Statement of Financial Position

	Audited Mar 2013 £m	Actual Aug 2013 £m	YTD Plan Aug 2013 £m	Annual Plan Mar 2014 £m
Non Current Assets:				
Property, Plant and Equipment	491.8	490.1	491.2	488.0
Intangible Assets	0.5	0.4	0.5	0.5
Trade and Other Receivables	2.8	3.0	2.8	0.0
Other Assets	0.0	0.0	0.0	2.8
Total Non Current Assets	495.1	493.5	494.5	491.3
Current Assets:				
Inventories	13.4	18.7	13.3	13.0
Trade and Other Receivables	32.8	23.3	24.4	31.5
Other Financial Assets	0.3	6.4	0.2	0.2
Other Current Assets	5.3	11.0	9.5	7.7
Cash	76.2	58.5	77.7	65.5
Total Current Assets	128.0	117.9	125.1	117.9
Current Liabilities:				
Trade and Other Payables	91.5	78.1	91.2	103.0
Borrowings	11.8	11.8	11.8	0.0
Provisions	1.8	1.7	1.8	1.8
Tax Payable	7.1	7.2	6.9	7.1
Other Liabilities	21.0	23.0	17.5	12.0
Total Current Liabilities	133.2	121.8	129.2	123.9
Non Current Liabilities:				
Borrowings	534.4	529.6	529.6	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	552.9	553.4	547.3
TOTAL ASSETS EMPLOYED	(67.8)	(63.3)	(63.0)	(62.0)
Financed by:				
Public Dividend Capital	171.0	171.0	171.0	171.0
Income & Expenditure Reserve	(345.5)	(342.5)	(342.6)	(341.6)
Donated Asset Reserve	0.0	0.0	0.0	0.0
Revaluation Reserve	106.7	106.8	106.7	106.7
Merger Reserve	0.0	1.5	1.9	1.9
TOTAL TAXPAYERS EQUITY	(67.8)	(63.3)	(63.0)	(62.0)

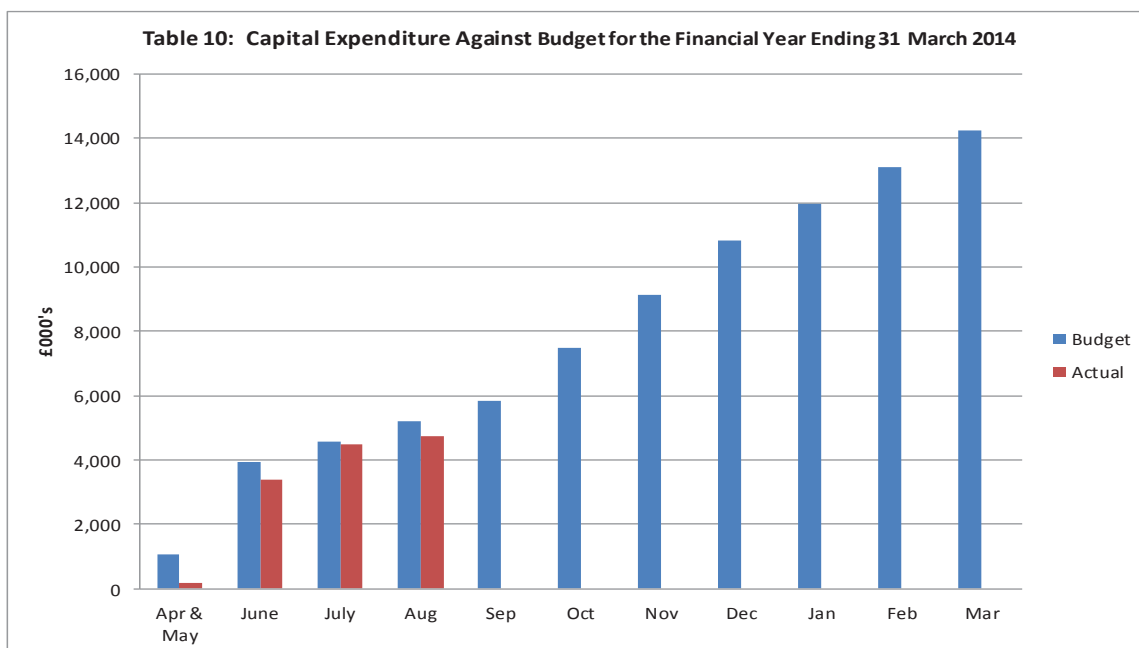
Note - may include rounding differences

6. Capital Expenditure (Non Current Assets)

The total value of the Capital Programme for 2013/14 is £14.2m, including £2.5m relating to donated assets. Actual capital expenditure in the first five months of 2013/14 was £4.8m which is £0.4m below the planned expenditure for the year to date. Additions during the month totalled £0.3m which included

£0.1m relating to the day case theatres scheme (East Block), £0.1m of fees for the ITM project and £0.1m for replacement medical equipment.

Table 10 – Capital Expenditure against plan



7. Current Assets

The total value of the Trust's inventories (stock) was £18.7m at the end of Month 5. This is £5.4m above plan having temporarily increased during August due to seasonal increases in pharmacy stock holdings and bulk purchases of cardiac consumables. Inventory levels are expected to move back in line with plan over the next few months. The Trust's other current assets, excluding cash, totalled £40.7m at 31 August 2013, as shown below:

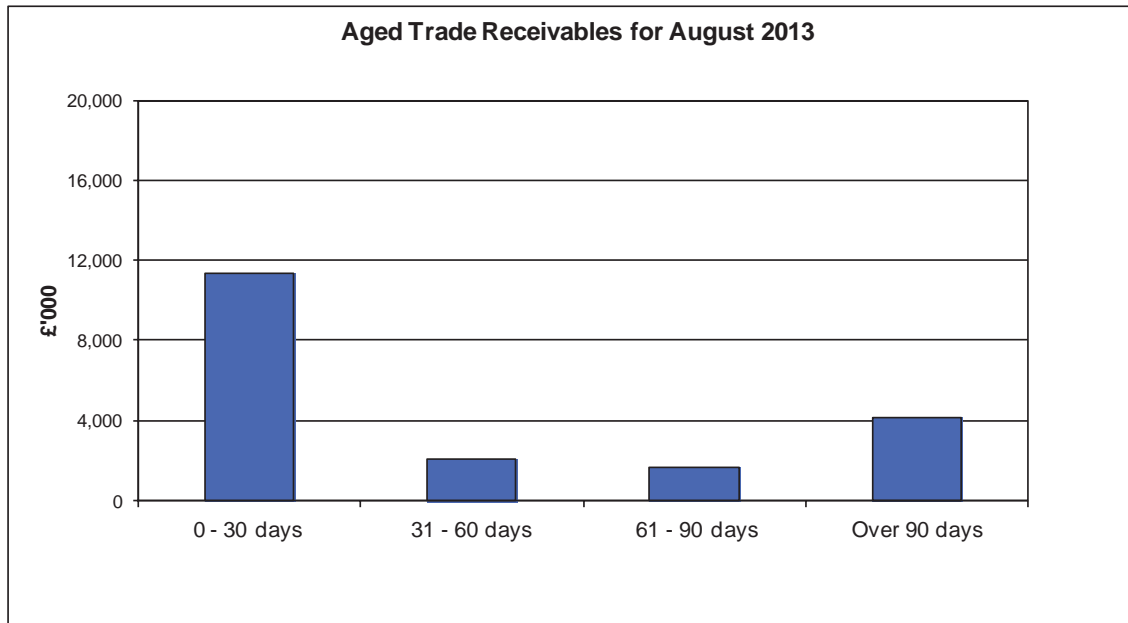
Table 11 – Analysis of Current Assets (excluding Inventories and Cash)

	Actual Aug 2013 £m	Forecast Aug 2013 £m
Trade Receivables	19.2	21.1
Bad Debt Provision	-1.3	-1.8
Other Receivables	5.4	5.1
Trade and Other Receivables	23.3	24.4
Accrued Income	6.4	0.2
Other Financial Assets	6.4	0.2
Prepayments	11.0	9.5
Deferred Asset	0.0	0.0
Other Current Assets	11.0	9.5
TOTAL	40.7	34.1

Analysis of the age profile of the Trade Receivables (unpaid invoices issued by the Trust) is summarised in Table 12 below. This shows that over 90 days debt has reduced by £10.7m during the month to £4.1m at 31 August. This reflects the settlement of 2012/13 healthcare activity invoices with the main PCT

commissioners in line with the national timetable. Of the remaining balance, commissioning organisations account for £2.3m of this debt with the largest amount attributable to Welsh Specialised services (£1.4m). A further £1.7m relates to other NHS providers for service level agreements. This includes £0.4m for Birmingham Women’s Hospital NHS FT and £0.4m for the ROH. These amounts are balanced by NHS creditors so there is little overall impact on cash flow.

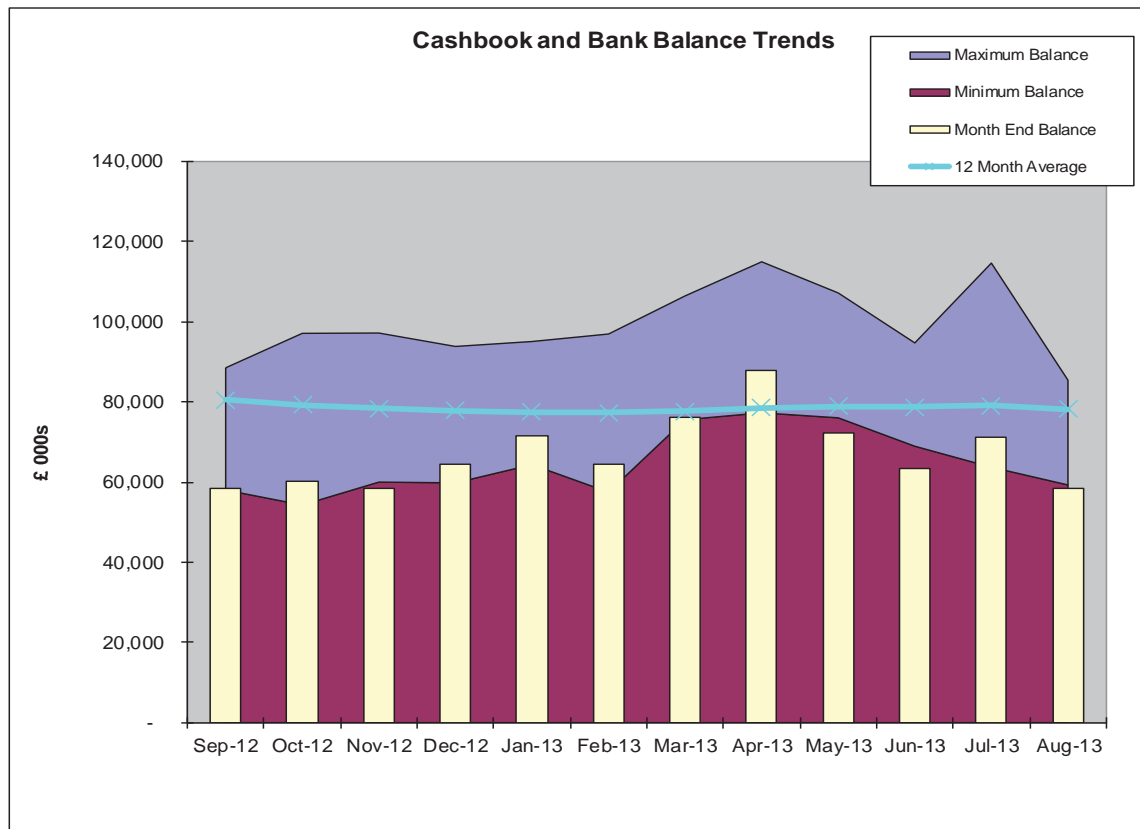
Table 12 – Aged Debt Analysis



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 31 August 2013 was £58.5m which is below plan by (£19.2m). This is largely attributable to movements in working capital balances with increased stock levels (£5.4m) and trade payables (invoices paid by the Trust) which are (£13.1m) lower than plan. This is expected to move back in line with plan over the remainder of the financial year.

Table 13 – Cash Flow



The Trust's working capital facility is £46.6m. This agreement continues until the end of December to ensure that the Trust continues to meet Monitor's liquidity ratio requirements which form part of the Financial Risk Rating. The overdraft facility 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 Health and Social Care Act 2012 has repealed the requirements of the Prudential Borrowing Coded with effect from 1 April 2013 and therefore the previous borrowing ratios no longer apply.

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 financial performance year to date. The rating is set between 1 (worst) and 5 (best) based on a series of financial metrics.

10. Conclusion

An income and expenditure surplus of £2.994m has been reported for the first five months of the 2013/14 financial year (April-August). This represents a small favourable variance of £0.094m against the planned £2.900m surplus for the year to date.

The operational overspend in the first five months of the year averages £1.535m per month. This has largely been driven by ongoing activity and capacity pressures, higher than budgeted staffing costs and slippage against CIP targets. On a year to date basis this has been mitigated by the release of Trust reserves and action plans have been agreed with divisions to address the main areas of over spend and improve the monthly run rate going forwards.

11. Recommendations

The Board of Directors is asked to:

- Receive the contents of this report.

A handwritten signature in black ink, consisting of a large capital 'M' followed by the name 'Sexton' in a cursive script.

Mike Sexton
Chief Financial Officer
16 September 2013