Trust Board Paper X1

To:	**Trust Board**
From:	**Andrew Seddon – Director of Finance and Business Services**
Date:	**25 April 2013**
CQC regulation:	**All applicable**
Title:	**2012/13 Year End Financial Position**

Author/Responsible Director:
Andrew Seddon - Director of Finance and Business Services

Purpose of the report:
To update the Trust Board on the year end financial position and cash balance

The report is provided to the Trust Board for:

Decision		Discussion	
Assurance	X	Endorsement	

Summary/Key Points:

The Trust has delivered a £90k surplus which is £44k favourable to the Plan of £46k surplus.

The year end cash balance was £19.9m in excess of the £18m target.

Recommendations:
The Trust Board is asked to **note** the delivery of the key financial targets

Strategic Risk Register:	N/A	**Performance KPIs year to date:**	N/A

Resource implications (e.g. Financial, HR):	N/A
Assurance implications:	N/A
Patient and Public Involvement (PPI) implications:	Not at this stage
Equality Impact:	Low
Information exempt from disclosure:	N/A
Requirement for further review:	No

Andrew Seddon
Director of Finance and Business Services

16 April 2013

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 25 APRIL 2013

REPORT FROM: ANDREW SEDDON – DIRECTOR OF FINANCE & BUSINESS SERVICES

SUBJECT: FINANCIAL PERFORMANCE IN 2012/13

1. Introduction

1.1 This paper summarises the year end financial position.

2. Financial position as at end of March 2013

2.1 The Trust is reporting a year end surplus of £90k, £44k favourable to Plan. Income is £35.8m (5%) over Plan, which is stated net of a £5.1m marginal rate deduction for emergency inpatient income over the 2008/09 baseline. Operating costs cumulatively are £36.1m over Plan, with premium cost staff largely being used to deliver the additional activity.

2.2 Table 1 outlines the current position and Table 2 outlines the Financial Risk Rating:

Table 1 – I&E Summary

	March 2013			April - March 2013		
	Plan £m	Actual £m	Var £m	Plan £m	Actual £m	Var £m
Income						
Patient income	51.6	56.7	5.2	617.9	648.0	30.1
Teaching, R&D	6.3	9.0	2.8	75.2	77.3	2.1
Other operating Income	2.5	3.8	1.2	28.1	31.8	3.6
Total Income	**60.4**	**69.5**	**9.2**	**721.2**	**757.0**	**35.8**
Operating expenditure						
Pay	36.2	39.5	(3.3)	439.7	455.2	(15.5)
Non-pay	20.5	24.8	(4.3)	237.9	258.5	(20.6)
Total Operating Expenditure	**56.7**	**64.3**	**(7.6)**	**677.6**	**713.7**	**(36.1)**
EBITDA	**3.6**	**5.3**	**1.6**	**43.6**	**43.3**	**(0.3)**
Net interest	-	0.0	0.0	0.0	0.0	0.0
Depreciation	(2.7)	(2.7)	0.0	(32.5)	(31.6)	0.9
Loss on Fixed Asset Disposal	-	(0.4)	(0.4)	-	(0.4)	(0.4)
PDC dividend payable	(0.9)	(1.1)	(0.2)	(11.1)	(11.3)	(0.2)
Net deficit	**0.0**	**1.1**	**1.1**	**0.0**	**0.1**	**0.1**
EBITDA %		7.6%			5.7%	

The patient income line includes both NHS and non-NHS patient care income

Table 2 – Financial Risk Ratings

Criteria	Indicator	Weight	Risk Ratings 5	4	3	2	1	Forecast Outturn
Underlying performance	**EBITDA margin %**	25%	11	9	5	1	<1	3
Achievement of plan	**EBITDA achieved %**	10%	100	85	70	50	<50	4
Financial efficiency	**Net return after financing %**	20%	>3	2	-0.5	-5	<-5	5
	I&E surplus margin %	20%	3	2	1	-2	<-2	2
Liquidity	**Liquid ratio days**	25%	60	25	15	10	<10	3
Overall rating								**3**

2.3 The **year end position** may be analysed as follows.

3. Income

3.1 NHS patient care income is £28.3m (4.6%) favourable to Plan. However, the £28.3m over performance includes £21m in relation to the UHL/CCG year end agreement. The £21m can be broken down into the following 3 sections:

- £7.5m from the Local Area Team
- £7.0m from the CCG
- £6.5m from the CCG to reflect the re-investment of the penalties around ED performance and the 62 day Cancer Target

3.2 The first 2 funding sources predominately secure re-imbursement for the MRET reduction (£5m) and performance penalties (£8m) and a contribution to the marginal costs of the extra capacity required.

4. Expenditure

4.1 **Operating expenditure** for the year is £36.1 (5.3%) adverse to Plan, comprising of pay at £15.5m (3.5%) adverse and non-pay £20.6m (8.7%) adverse.

4.2 **CIP performance** was £26.8m savings delivered, £5.2m adverse to the Plan of £32m.

4.3 **The pay position**, the year end position of £15.5m adverse to Plan is as a result of a number of key factors:

- The use of extra capacity wards (Fielding Johnson, Ward 1 LRI; Ward 2 LGH; Ward 19 LRI and Odames LRI – total of 84 beds) to meet the emergency activity levels. Pay spend on these 3 wards is in excess of £5m.
- The Acute Care Division is also rostering more doctors and nurses in Medicine and ED to ensure the flow of patients from ED to support the 4 hour target. £2.7m (17%) increase in ED pay costs in 2012/13 compared to 2011/12 (activity increase of 3.8%).
- An increased reliance on premium payments.

4.4 **Non-pay costs** – operating non pay costs are reporting a year end adverse position against Plan of £20.6m.

4.5 The key areas are drugs, £3.7m adverse to Plan, and clinical supplies, £5.8m adverse, with variances in both categories driven in part by increased activity levels.

5. Cash

5.1 The Trust delivered the £19.9m cash balance at the end of the year against the £18m target.

6. Conclusion

6.1 The Trust Board is asked to **note** the delivery of the year end surplus and the year end cash target.

Andrew Seddon
Director of Finance and Business Services

16 April 2013