

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD
DATE: 27 JUNE 2013
REPORT FROM: ANDREW SEDDON – DIRECTOR OF FINANCE & BUSINESS SERVICES
SUBJECT: FINANCIAL PERFORMANCE 2013/14 – APRIL TO MAY 2013 (MONTH 2)

1. Introduction

1.1 This paper summarises the Month 2 financial position. As well as the following commentary, this report contains a number of key financial statements included within Appendix 1:

- Income & Expenditure
- Balance Sheet
- Cash Flow
- Capital Programme
- CIP Performance by Division and CBU
- Financial Performance by Division and CBU

2. Financial position as at end of May 2013

2.1. The Trust is reporting a deficit at the end of May 2013 of £3.5m, which is approximately £2.6m adverse to the planned deficit of £0.9m. The position to date also reflects £2.7m of the contingency release recognised in the Month 2 result – consistent with the Annual Plan assumptions.

2.2. The in month position is a £2.5m deficit, £2.0m adverse to the Plan.

2.3. Table 1 outlines the current position and Table 2 outlines the Financial Risk Rating (FRR). The consequence of the current financial performance, predominately the £3.5m actual deficit, is that the FRR has fallen to 2.3.

Table 1 – Income & Expenditure Position

	May 2013			April - May 2013		
	Plan £m	Actual £m	Var £m	Plan £m	Actual £m	Var £m
Income						
Patient income	52.7	53.9	1.2	105.2	105.8	0.7
Contingency Release	1.4	1.4	-	2.7	2.7	-
Teaching, R&D	6.1	6.4	0.2	12.7	13.2	0.4
Other operating Income	3.3	3.5	0.2	6.6	7.1	0.4
Total Income	63.6	65.2	1.6	127.2	128.8	1.5
Operating expenditure						
Pay	37.0	39.1	(2.1)	74.3	77.3	(2.9)
Non-pay	23.4	25.0	(1.5)	46.4	47.9	(1.4)
Total Operating Expenditure	60.4	64.1	(3.7)	120.8	125.1	(4.4)
EBITDA	3.2	1.1	(2.1)	6.4	3.6	(2.8)
Net interest	-	-	-	0.0	0.1	0.1
Depreciation	(2.7)	(2.6)	0.1	(5.4)	(5.3)	0.1
PDC dividend payable	(1.0)	(1.0)	-	(1.9)	(1.9)	0.0
Net deficit	(0.5)	(2.5)	(2.0)	(0.9)	(3.5)	(2.6)
EBITDA %		1.7%			2.8%	

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

Table 2: Financial Risk Rating

Criteria	Indicator	Weight	Risk Ratings					Reported Position	
			5	4	3	2	1	Year to Date	Forecast Outturn
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	2	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	2	4
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	3	5
	I&E surplus margin %	20%	3	2	1	-2	<-2	1	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	3	3
Weighted Average		100%						2.3	3.3

2.4. The key points to highlight in the YTD position are:

- **Patient care income** £0.7m (0.6%) favourable against Plan, mainly due to outpatients
- **Pay costs, £2.9m (3.9%) adverse to Plan.** This represents an increase of £4.5m, 7%, above the same period last year
- **Non pay costs, £1.4m (3.0%) adverse to Plan**
- **CIP performance** of £1.2m (24%) adverse to Plan

The **Month 2 position** may be analysed as follows.

3. Income

3.1. NHS patient care income is £0.8m (0.8%) favourable to Plan ytd. The key areas are shown in the following table:

- Elective IP activity 5% down against the activity plan, £187k adverse in value (1.6%)
- Emergency IP activity adverse to Plan by £179k (0.6%), despite the 2.1% over-performance on activity
- Over-performance in outpatients, £1.1m (8%) and ED, £244k (8.6%)

Table 3 – Patient Care Activity

Summary by Point of Delivery of Patient Related Income - May 2013

Case mix	Plan to Date (Activity)	Total YTD (Activity)	Variance YTD (Activity)	Plan to Date (£000)	Total YTD (£000)	Variance YTD (£000)
Day Case	13,363	13,514	151	8,153	8,127	(26)
Elective Inpatient	3,760	3,561	(199)	11,515	11,328	(187)
Emergency / Non-elective Inpatient	15,844	16,181	337	29,420	29,241	(179)
Marginal Rate Emergency Threshold (MRET)	0	0	0	(569)	(521)	48
Outpatient	119,813	125,810	5,997	13,427	14,488	1,061
Emergency Department	26,369	28,627	2,258	2,830	3,074	244
Other	1,285,780	1,347,146	61,366	41,891	41,730	(162)
Grand Total	1,464,928	1,534,839	69,911	106,669	107,468	799

3.2. Table 4 below highlights the impact of price and volume changes in activity across the major “points of delivery”. This shows that the overall £799k over-performance is as a consequence of volume (activity) increases at a Trust level.

3.3. It is important to note that whilst we are seeing significant increases in outpatients and ED attendances, the elective inpatients are below Plan. The overall volume impact of £0.6m also masks the specific impact in the Planned Care Division of a £0.9m adverse position across all the CBUs.

Table 4 – Price and Volume Impact on Patient Care Activity

Average tariff	Price Variance YTD %	Volume Variance YTD %	Price / Mix Variance (£000)	Volume Variance (£000)	Variance YTD (£000)
Day Case	(1.4)	1.1	(118)	92	(26)
Elective Inpatient	3.9	(5.3)	421	(608)	(187)
Emergency / Non-elective Inpatient	(2.7)	2.1	(805)	626	(179)
Marginal Rate Emergency Threshold (MRET)			48	0	48
Outpatient	2.8	5.0	389	672	1,061
Emergency Department	0.0	8.6	1	242	244
Other			0	(162)	(162)
Grand Total	(3.8)	4.8	(63)	862	799

The price variances are greater than would reasonably be expected and are under review.

4. Expenditure

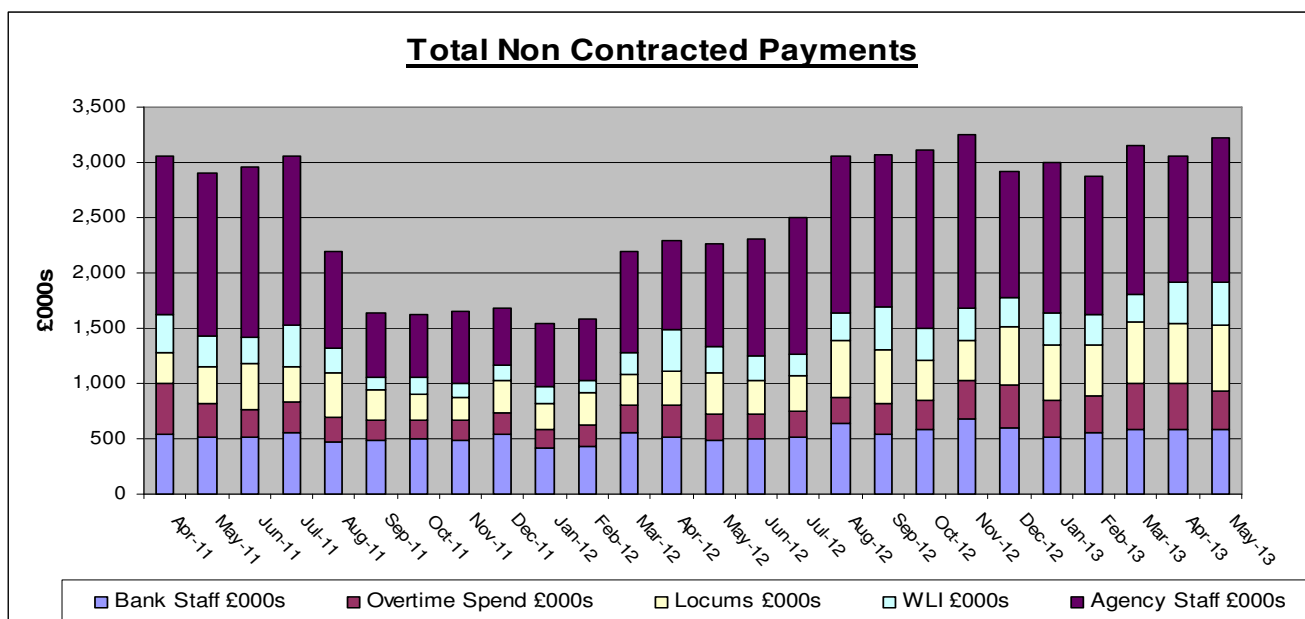
4.1. **Operating expenditure** for the year is £4.4m (3.6%) adverse to Plan, comprising of pay £2.9m adverse and non-pay £1.5m adverse.

4.2. **CIP savings** of £3.9m were delivered ytd, £1.2m adverse to the £5.1m Plan. The 2013/14 CIP paper provides further details on the CIP performance to date, year end forecasts, remedial action plans and RAG ratings.

5. **Pay:** YTD position of £2.9m adverse to Plan is as a result of a number of key factors:

- The continued use of extra capacity wards (Fielding Johnson, Ward 1 LRI; Ward 2 LGH; Ward 19 LRI and Odames LRI) to meet the emergency activity levels. Premium spend has covered a significant amount of the staff costs in these areas. Nursing incentives are also being paid to bank and agency to increase the “fill rates”
- 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
- A continued reliance on premium payments as per Chart 1. Whilst premium payments were stable between September 2011 and February 2012, increases have continued into this financial year. Spend is again in excess of £3.2m in the month

Chart 1 – Non Contracted Spend



5.1. Table 5 identifies the WTE associated with the key areas of premium spend – 616 wte in May 2013.

Table 5 – Premium WTE

PREMIUM STAFFING				
	WTE	(%)	May 13 WTE	March 12 WTE
BANK	(9)	(3.1)	265	274
OVERTIME	16	19.3	100	84
AGENCY	145	136.8	251	106
TOTAL	153	32.9	616	464

5.2. Pay costs have continued to rise steadily since April 2012, yet have seen the largest monthly increase in May 2013 – an increase of over £1m from April 2013, now at £39.1m. This monthly spend is not sustainable. Chart 2 shows the pay costs from April 2012 until May 2013.

Chart 2 – Monthly Pay Costs



5.3. The continued reliance on premium staff comes at the same time as our contracted staff numbers in medical and nursing professions have increased by almost 3%, equivalent to an increase of 171 WTE since March 2012 (Table 6).

Table 6 – Contracted WTE

Staff Type	Movement May 13 - March 12		Contracted Staff	
	WTE	(%)	May 13 WTE	March 12 WTE
ADMIN & CLERICAL	(22)	(1.2)	1,765	1,787
ALLIED HEALTH PROFESSIONALS	(16)	(3.6)	441	458
CAREER GRADES	(2)	(2.5)	68	70
CONSULTANT	29	5.5	562	533
HEALTHCARE ASSISTANTS	15	6.7	232	217
HEALTHCARE SCIENTISTS	(18)	(2.4)	723	741
MAINTENANCE & WORKS	(1)	(21.5)	5	6
NURSING QUALIFIED	61	1.8	3,409	3,348
NURSING UNQUALIFIED	64	5.4	1,259	1,195
OTHER MEDICAL & DENTAL STAFF	5	0.5	903	899
OTHER SCIEN, THERAP & TECH	30	10.8	304	274
SENIOR MANAGERS	(27)	(15.9)	144	171
TOTAL	116	1.2	9,815	9,699
MEDICAL & NURSING	171	2.7	6,433	6,262
OTHER STAFF GROUPS	(55)	(1.6)	3,382	3,437
TOTAL	116	1.2	9,815	9,699

5.4. Following the Divisional Confirm & Challenge sessions (19 June 2013), the key areas for urgent review and action are:

- The use of premium staffing, particularly agency staff and WLI
- The current pay regime of part time nursing (in certain areas) receiving overtime and the £50 per shift bonus
- Recruitment and retention plans
- Performance against the workforce related CIPs
- Enhanced control on the authorisation of premium spend
- Weekly metric meetings

The Finance & Performance Committee will receive a verbal update on progress against these actions.

6. Non Pay

6.1. Non pay spend is now showing a YTD adverse position to Plan of £1.4m, 3%. This is as a result of 4 main factors; undelivered CIP, activity related pressures e.g. keeping Ward 19 open, NICE/HCT costs (which are 100% backed by income) and cost pressures.

6.2. The Non-Pay Framework paper provides further details around the management, control, reporting and assurance on non-pay.

7. CIP Performance

7.1. Performance against the 2013/14 Plan is showing a disappointing adverse position of £1.2m against the Plan of £5.1m – 76% delivery. The CBU and Divisional details are reflected in the appendices and further analysis is covered within the CIP paper.

7.2. In summary, assurance has been sought on the following at a Divisional and Corporate level:

- What process is being applied to make-up the gap?
- What assurance have we that substitute schemes can be found to support the CIP in the event of continued under delivery? If so, what are these schemes?
- What is the trajectory for getting back on track?

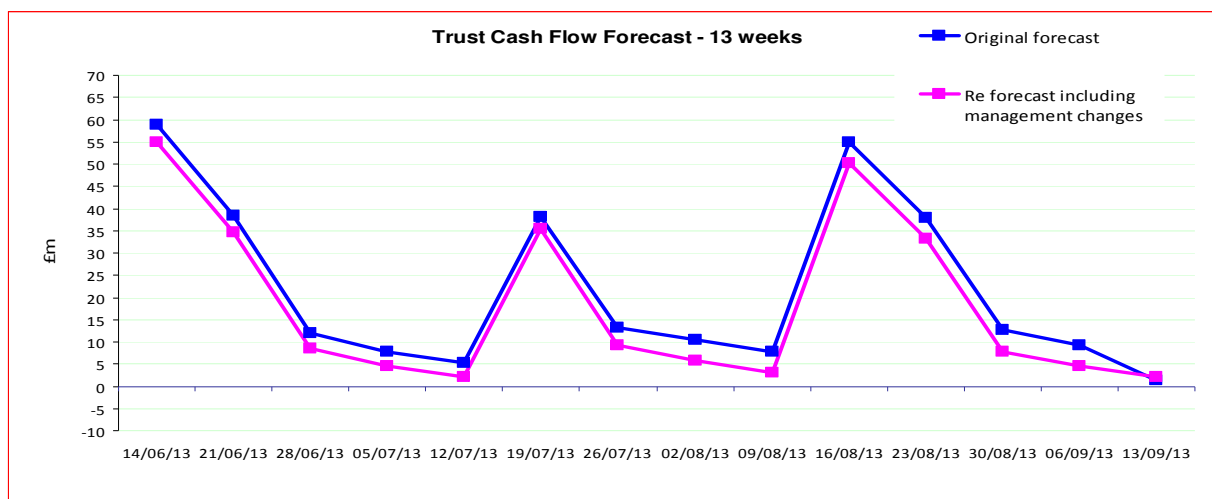
7.3. Recovery against the CIP trajectory is but part of the task to get back on to financial plan.

8. Cash

8.1. The Trust has a £14.3m cash balance as at the end of April. The chart below shows that in mid July and September, the cash balance is forecast to fall below the £2m minimum allowable level that has been set by the Trust. Cash is also low in mid August and is usually at its lowest just prior to the 15th of each month, which is the deadline for the receipt of NHS SLA payments.

8.2. We have a number of actions that we are able to take to mitigate this risk:

- Delaying creditor payment runs
- Adjusting payment terms
- Negotiating with CCGs for an earlier payment of SLA funds within month
- If there is longer term pressure on cash, we can re-phase expenditure within the capital programme



8.3. At this stage, the only action proposed is to manage the creditor payment runs around the in-month pressure points.

9. Capital

- 9.1. The Trust has spent £2.8m of capital at the end of May 2013, approximately 70% of the YTD Plan.
- 9.2. Progress against the Capital Plan will be monitored via the Commercial Executive and actions taken as appropriate to ensure the £37.8m year end plan is achieved.

10. Strategic transformation and transitional support

- 10.1. The Trust Executive continue work with commissioning organisations, and in particular with the Leicestershire and Lincoln Area Team, to secure transitional funding. Among other things, this will allow UHL to progress with key strategic reconfiguration projects. Of particular urgency is the development of a strategic business case for an expanded Emergency Department.
- 10.2. In addition, we are submitting bids to local commissioners to be funded through the 2% non recurrent transformational fund held by commissioners. This will support local improvement initiatives and improvement schemes.

11. Conclusion

- 11.1. The Trust has reported to the TDA that we are £2.6m adverse to our planned £0.9m deficit. Plans and actions are urgently required to improve the current run rate and get back to a sustainable financial position, whilst not impacting negatively of the quality of patient care.
- 11.2. Revised performance management arrangements are to be implemented immediately – as was the case in mid 2011/12 – and will be agreed at the Executive Performance Board meeting on 25 June 2013. The Executive will give an oral update to the F&P Committee on the measures to be adopted and on other remedial actions that may be necessary.

Andrew Seddon

Director of Finance and Business Services

18 June 2013

APPENDIX 1 - FINANCIAL APPENDICES**Income and Expenditure Account for the Period Ended 31 May 2013**

	May 2013			April 2013 - May 2013		
	Plan £ 000	Actual £ 000	Variance (Adv) / Fav £ 000	Plan £ 000	Actual £ 000	Variance (Adv) / Fav £ 000
Elective	5,758	5,911	153	11,515	11,328	(187)
Day Case	4,076	4,090	14	8,153	8,127	(26)
Emergency	14,544	14,649	105	28,852	28,721	(131)
Outpatient	6,703	7,232	529	13,427	14,488	1,061
Other	22,441	22,865	423	44,722	44,804	82
Patient Care Income	53,522	54,747	1,224	106,669	107,468	799
Teaching, R&D income	6,144	6,361	217	12,718	13,168	450
Non NHS Patient Care	602	557	(45)	1,185	1,038	(147)
Other operating Income	3,323	3,519	196	6,646	7,086	440
Total Income	63,591	65,184	1,592	127,218	128,760	1,542
Pay Expenditure	36,978	39,121	(2,143)	74,337	77,268	(2,931)
Non Pay Expenditure	23,438	24,974	(1,536)	46,448	47,880	(1,432)
Total Operating Expenditure	60,416	64,095	(3,679)	120,785	125,148	(4,363)
EBITDA	3,175	1,089	(2,087)	6,433	3,612	(2,821)
Interest Receivable	7	6	(1)	14	99	85
Interest Payable	(5)	(3)	2	(10)	(8)	2
Depreciation & Amortisation	(2,707)	(2,648)	59	(5,414)	(5,281)	133
Surplus / (Deficit) Before Dividend and Disposal of Fixed Assets	470	(1,556)	(2,027)	1,023	(1,578)	(2,601)
Dividend Payable on PDC	(964)	(964)	0	(1,928)	(1,928)	0
Net Surplus / (Deficit)	(494)	(2,520)	(2,027)	(905)	(3,506)	(2,601)
EBITDA MARGIN		1.67%			2.81%	

Balance Sheet

	Mar-13 £000's Actual	Apr-13 £000's Actual	May-13 £000's Actual
BALANCE SHEET			
Non Current Assets			
Intangible assets	5,318	5,160	5,012
Property, plant and equipment	354,680	353,855	353,723
Trade and other receivables	3,125	3,183	3,181
TOTAL NON CURRENT ASSETS	363,123	362,198	361,916
Current Assets			
Inventories	13,064	13,869	13,257
Trade and other receivables	44,616	42,408	42,628
Other Assets	40	40	40
Cash and cash equivalents	19,986	19,957	14,257
TOTAL CURRENT ASSETS	77,706	76,274	70,182
Current Liabilities			
Trade and other payables	(75,559)	(73,056)	(67,971)
Dividend payable	0	(964)	(1,928)
Borrowings	(2,726)	(2,800)	(2,800)
Provisions for liabilities and charges	(1,906)	(1,906)	(1,906)
TOTAL CURRENT LIABILITIES	(80,191)	(78,726)	(74,605)
NET CURRENT ASSETS (LIABILITIES)	(2,485)	(2,452)	(4,423)
TOTAL ASSETS LESS CURRENT LIABILITIES	360,638	359,746	357,493
Non Current Liabilities			
Borrowings	(10,906)	(10,958)	(11,190)
Other Liabilities	0	0	0
Provisions for liabilities and charges	(2,407)	(2,454)	(2,488)
TOTAL NON CURRENT LIABILITIES	(13,313)	(13,412)	(13,678)
TOTAL ASSETS EMPLOYED	347,325	346,334	343,815
Public dividend capital	277,733	277,733	277,733
Revaluation reserve	64,628	64,626	64,628
Retained earnings	4,960	3,975	1,454
TOTAL TAXPAYERS EQUITY	347,325	346,334	343,815

Cash Flow Forecast

Cash Flow for the period ended 31st May				Rolling 12 month cashflow forecast - June 2013 to May 2014											
	2013/14 May Plan £ 000	2013/14 May Actual £ 000	2013/14 May Variance £ 000	2013/14 June Forecast £ 000	2013/14 July Forecast £ 000	2013/14 August Forecast £ 000	2013/14 September Forecast £ 000	2013/14 October Forecast £ 000	2013/14 November Forecast £ 000	2013/14 December Forecast £ 000	2013/14 January Forecast £ 000	2013/14 February Forecast £ 000	2013/14 March Forecast £ 000	2014-15 April Forecast £ 000	2014-15 May Forecast £ 000
CASH FLOWS FROM OPERATING ACTIVITIES															
Operating surplus before Depreciation and Amortisation	6,412	3,612	(2,800)	1,933	5,321	5,321	2,810	6,199	4,566	2,648	5,321	1,279	3,366	2,098	5,468
Donated assets received credited to revenue and non cash	(50)	-	50	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(26)	(26)	(26)
Interest paid	(140)	(141)	(1)	(75)	(76)	(76)	(76)	(77)	(77)	(77)	(77)	(79)	(78)	(82)	(82)
Movements in Working Capital:															
- Inventories (Inc)/Dec		(193)	(193)	-	-	-	-	-	-	-	-	-	-	-	-
- Trade and Other Receivables (Inc)/Dec	(273)	1,932	2,205	67	17	34	67	14	50	65	20	74	2,937	(2,869)	(10)
- Trade and Other Payables Inc/(Dec)	(56)	(3,486)	(3,430)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(64)	(83)	(83)
- Provisions Inc/(Dec)	(356)	81	437	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
PDC Dividends paid	-	-	-	-	-	-	(5,615)	-	-	-	-	-	(5,619)	-	-
Other non-cash movements	-	(70)	(70)	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow / (Outflow) from Operating Activities	5,537	1,735	(3,802)	1,826	5,163	5,180	(2,912)	6,038	4,440	2,537	5,166	1,176	508	(970)	5,259
CASH FLOWS FROM INVESTING ACTIVITIES															
Interest Received	16	14	(2)	6	6	7	7	6	7	8	8	8	8	6	6
Payments for Property, Plant and Equipment	(4,067)	(6,603)	(2,536)	(2,250)	(2,251)	(2,250)	(2,251)	(2,250)	(2,251)	(2,251)	(2,252)	(2,251)	(2,262)	(2,294)	(2,295)
Capital element of finance leases	(770)	(875)	(105)	(382)	(382)	(382)	(382)	(382)	(382)	(382)	(382)	(382)	(384)	(391)	(391)
Net Cash Inflow / (Outflow) from Investing Activities	(4,821)	(7,464)	(2,643)	(2,626)	(2,627)	(2,625)	(2,626)	(2,626)	(2,626)	(2,625)	(2,626)	(2,625)	(2,638)	(2,679)	(2,680)
CASH FLOWS FROM FINANCING ACTIVITIES															
New PDC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflow / (Outflow) from Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening cash	19,986	19,986	-	16,646	15,846	18,382	20,938	15,399	18,811	20,626	20,538	23,078	21,629	19,499	15,850
Increase / (Decrease) in Cash	716	(5,729)	(6,445)	(800)	2,537	2,555	(5,539)	3,412	1,814	(88)	2,540	(1,449)	(2,130)	(3,649)	2,579
Closing cash	20,702	14,257	(6,445)	15,846	18,382	20,938	15,399	18,812	20,626	20,538	23,078	21,629	19,499	15,850	18,429