

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: TRUST BOARD

DATE: 7 MAY 2015

REPORT FROM: PAUL TRAYNOR - DIRECTOR OF FINANCE

SUBJECT: 2014/15 FINANCIAL POSITION TO MONTH 12 – MARCH

1. INTRODUCTION AND CONTEXT

1.1. This paper provides the Trust Board with an update on performance against the Trust's key financial duties, namely:

- Delivery against the planned deficit
- Achieving the External Financing Limit (EFL)
- Achieving the Capital Resource Limit (CRL)

2. KEY FINANCIAL DUTIES

2.1. The following table summarises the full year position against the financial duties of the Trust:

Financial Duty	Full Year Plan £'Ms	Full Year Actual £'Ms	RAG
Delivering the Planned Deficit	(40.7)	(40.6)	G
Achieving the EFL	50.3	46.2	G
Achieving the Capital Resource Limit	46.2	46.2	G

2.2 As well as the key financial duties, a subsidiary duty is to ensure suppliers invoices are paid within 30 days – the Better Payment Practice Code (BPPC). The year to date performance is shown in the table below:

Better Payment Practice Code	2014-15 Full Year	
	Number	Value £000s
Total bills paid in the year	148,560	664,882
Total bills paid within target	78,639	466,936
Percentage of bills paid within target	53%	70%

Key issues

- Subject to audit, the I&E position is a £40.6m deficit, £0.1m better than the planned deficit of £40.7m.
- The EFL and the CRL have been delivered
- In total £48m of CIP has been delivered in 2014/15, compared to a plan of £45m

3. Financial Position (Month 12 - March)

3.1. The Month 12 results may be summarised as follows and as detailed in Appendix 1:

	March 2015			April - March 2015		
	Plan £m	Actual £m	Var (Adv) / Fav £m	Plan £m	Actual £m	Var (Adv) / Fav £m
Income						
Patient income	66.4	68.6	2.2	707.4	713.5	6.1
Teaching, R&D	7.1	7.9	0.8	81.4	82.1	0.7
Other operating Income	3.7	4.2	0.5	37.4	38.8	1.4
Total Income	77.2	80.7	3.5	826.2	834.4	8.2
Operating expenditure						
Pay	42.4	43.6	(1.2)	497.6	497.4	0.3
Non-pay	32.4	33.7	(1.3)	325.7	333.8	(8.1)
Total Operating Expenditure	74.7	77.3	(2.6)	823.3	831.2	(7.8)
EBITDA	2.4	3.4	0.9	2.9	3.2	0.3
Net interest	0.0	0.0	0.0	0.1	0.1	0.0
Depreciation	(3.3)	(2.7)	0.6	(33.9)	(33.2)	0.7
Impairment	-	(2.3)	(2.3)	(1.4)	(6.8)	(5.3)
PDC dividend payable	(0.8)	(0.5)	0.4	(10.4)	(10.7)	(0.2)
Net deficit	(1.7)	(2.1)	(0.4)	(42.8)	(47.4)	(4.6)
EBITDA %		4.2%			0.4%	
Less Impairments and donated asset adjustment	0.7	2.3	1.7	2.1	6.8	4.7
RETAINED SURPLUS / (DEFICIT)	(1.0)	0.3	1.3	(40.7)	(40.6)	0.1

3.2 In the month of March, the Trust delivered a surplus of £0.3m against a planned deficit of £1.0m, a favourable variance of £1.3m.

3.3 At year end, subject to audit, the Trust has delivered a deficit of £40.6m, £0.1m better than the planned deficit of £40.7m.

3.4 The significant reasons for the in month and year to date variances against income and operating expenditure are:

Income

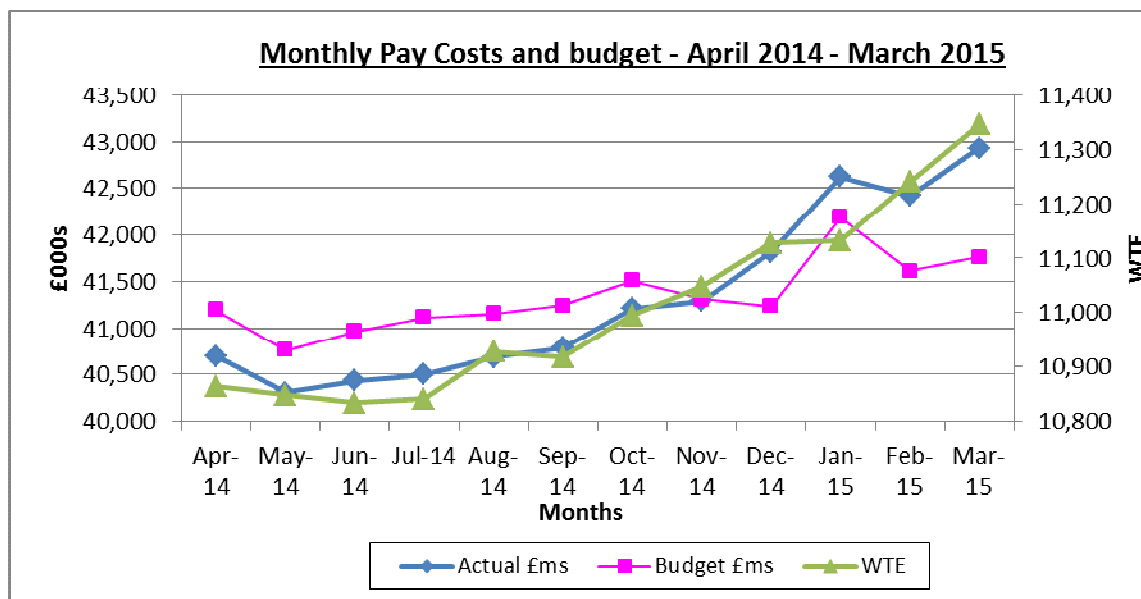
Patient care income is £3.5m favourable to plan in month following the release of operational resilience monies and the recognition of income for additional Q4 RTT activity as requested by the TDA and NHSE.

Teaching income is £0.4m better than plan following finalisation of the year end education monies and R&D income £0.4m better than plan offset with cost. Other operating income is £0.5m better than plan following the finalisation of the Alliance income.

Pay

Pay costs are £1.2m adverse to plan in March and £0.3m favourable to plan at year end. Appendix 5 details this by CMG and Directorate.

The total paybill compared to budget since April 2014 can be seen in chart 1 below, including number of WTE worked. This removes VSS costs paid in year and technical year end adjustments. This shows the sharp upward trend in cost since December, continuing in excess of budget. In addition it shows c500 wte more in post in March compared to June 2014.



The variance to plan by staff group can be seen in Table 2 below, including all premium costs. It is clear from this table that pressures on the pay budget are most prominent within Medical and Dental staffing and the risk of continued overspends in 2015/16 is high. Nursing budgets are becoming more pressured as recruitment increases and ensuring that premium spend reduces appropriately as substantive staff come into post is key.

Pay Type	In Month £000s			YTD £000s			WTE		
	Plan	Actual	Better / (worse)	Plan	Actual	Better / (worse)	Plan	Actual	Better / (worse)
Non Clinical	5,956	6,078	(123)	71,343	70,514	829	2,420	2,468	(49)
Other Clinical	5,281	5,351	(70)	63,751	60,971	2,780	1,710	1,649	62
Medical & Dental	14,468	15,542	(1,074)	167,345	172,482	(5,137)	1,745	1,731	14
Nursing & Midwifery	16,661	16,640	21	195,191	193,389	1,802	5,661	5,497	164
Total	42,365	43,611	(1,246)	497,630	497,357	273	11,536	11,345	191

Non Pay

Operating non pay spend is £1.3m adverse to plan in March and £8.1m adverse to plan at year end.

Of the in month overspends £0.8m relates to use of the Independent Sector to support delivery of backlog clearance. This is supported by additional income. The remainder of the overspend relates to clinical supplies and services.

Year to date the key drivers of the overspend relate to consumables £5.8m, independent sector £1.4m, security £0.8m, printing and postage £1.0m, consultancy £0.8m, international nurse recruitment cost £0.3m, NICE drugs £0.8m, offset with phased release of reserves and supplier discounts of £2.2m.

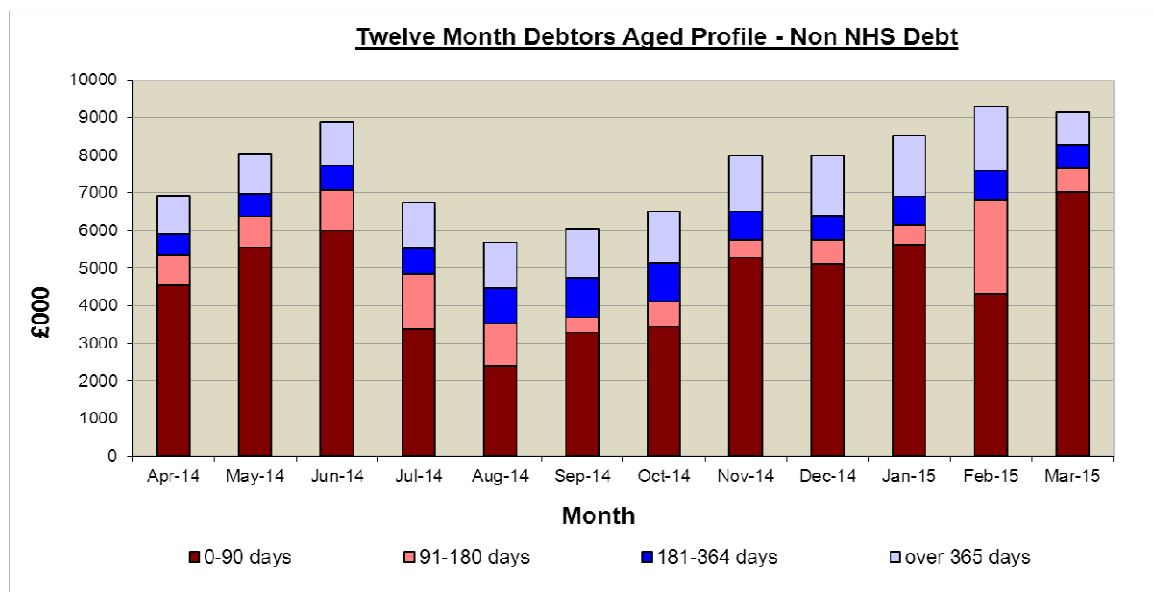
A more detailed financial analysis of CMG and Corporate performance (see Appendix 2) is provided through the Executive Performance Board financial report and reviewed by the Integrated Finance, Performance & Investment Committee.

Cost Improvement Programme

Appendix 2 shows CIP performance in March by CMG and Corporate Directorate against the 2014/15 CIP plan. This shows delivery of £48m against a target of £45m.

4. BALANCE SHEET AND CASHFLOW

The effect of the Trust's financial position on its balance sheet is provided in Appendix 3. The retained earnings reserve has reduced by the Trust's deficit for the year to date. The level of non-NHS debt has fluctuated across the year as shown in the following table.

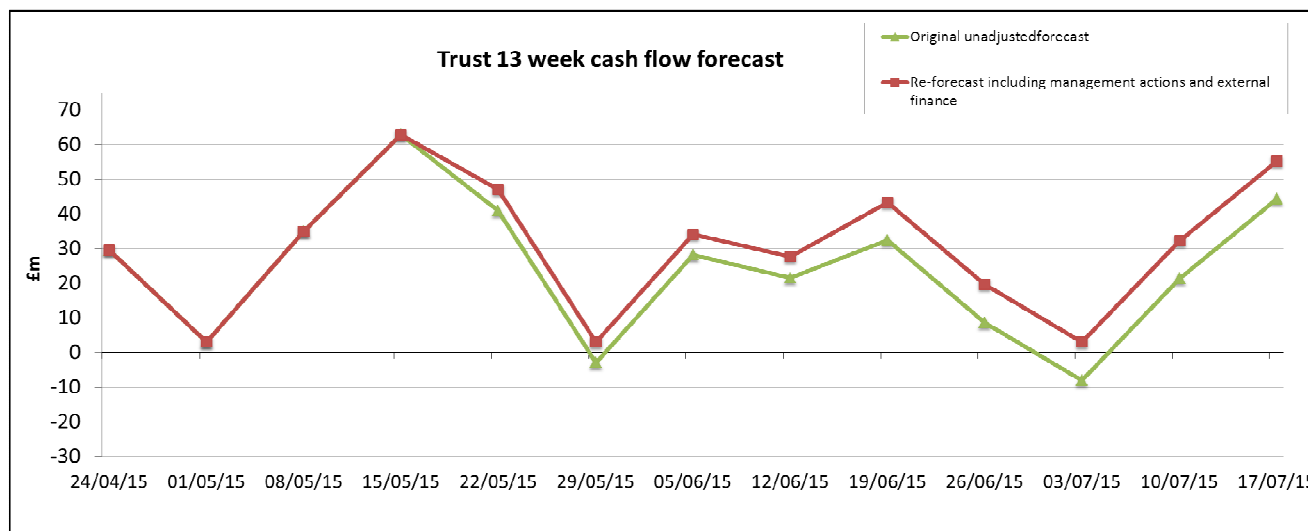


- 4.2 The overall level of non-NHS debt at the end of February decreased to £9.1m from £9.3m in February. Total debt over 90 days is £2.0m compared to £4.9m in March and of the £7.0m of debt under 90 days, £4.7m of this is less than 30 days and is therefore still within terms and not overdue.
- 4.3 The Better Payments Practice Code (BPPC) performance for the year up to the end of February, shown in the table below, shows that performance has been 70% in terms of invoices paid within 30 days by value. There has been a slight improvement in month from 51% to 53% in terms of invoices paid within 30 days by volume.

	By Volume Number	By Value £000s
Current Month YTD		
Total bills paid in the year	148,560	664,882
Total bills paid within target	78,639	466,936
Percentage of bills paid within target	53%	70%
Prior month YTD		
Total bills paid in the year	131,073	599,570
Total bills paid within target	66,849	414,784
Percentage of bills paid within target	51%	69%

4.4 The Trust's cashflow forecast is consistent with the income and expenditure position. The cash balance at the end of March was £8.5m, and this is £8.2m above the plan of £0.3m. The actual year-end balance was as expected following the draw-down of the £12m cash loan which will mainly be used to pay capital creditors outstanding at the year-end.

4.5 The Trust's cash forecast for the next 13 weeks is shown in the graph below.



4.6 We have drawn down £11m of our agreed working capital facility (out of a total available of £22m) which will provide short term funding to us in 2015-16 until we receive more permanent funding for our major capital schemes and to cover our deficit. We will draw down further amounts in late May and June to cover the cash shortfalls indicated in the above graph

5. CAPITAL

5.1 The total capital expenditure at the end of March 2015 was £46.8m. Whilst we have overspent our capital plan of £46.5m, as the overspend is due to higher donations than forecast, we remain within our Capital Resource Limit (CRL). The capital plan and expenditure can be seen in Appendix 4.

6. Conclusion

6.1. The Trust is reporting a deficit of £40.6m subject to audit, £0.1m better than the planned £40.7m deficit.

7. Next Steps and Recommendations

7.1. The Trust Board is **recommended** to:

- **Note** the contents of this report and delivery of the planned deficit, subject to audit

Paul Traynor
Director of Finance
7th May 2015

	March 2015			April - March 2015		
	Plan	Actual	Variance (Adv) / Fav	Plan	Actual	Variance (Adv) / Fav
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Elective	6,531	6,652	121	74,019	71,743	(2,276)
Day Case	5,252	4,770	(482)	60,744	58,522	(2,222)
Emergency (incl MRET)	14,947	15,086	139	175,406	176,104	698
Outpatient	9,114	9,356	242	105,399	104,992	(407)
Penalties	(292)	(330)	(39)	(3,500)	(8,357)	(4,857)
Non NHS Patient Care	483	584	101	5,660	6,376	716
Resilience Funding	0	0	0			0
Other	30,355	32,455	2,100	289,654	304,149	14,496
Patient Care Income	66,390	68,573	2,182	707,381	713,528	6,147
Teaching, R&D income	7,098	7,888	790	81,429	82,096	667
Other operating Income	3,718	4,210	492	37,429	38,752	1,323
Total Income	77,206	80,671	3,464	826,239	834,376	8,137
Pay Expenditure	42,365	43,533	(1,168)	497,630	497,278	352
Non Pay Expenditure	32,391	34,169	(1,778)	325,733	334,298	(8,565)
Total Operating Expenditure	74,756	77,702	(2,946)	823,363	831,576	(8,213)
EBITDA	2,450	2,969	518	2,876	2,800	(76)
Interest Receivable	8	6	(2)	96	83	(13)
Interest Payable	0	(4)	(4)	0	(27)	(27)
Depreciation & Amortisation	(3,318)	(2,686)	632	(33,887)	(33,232)	655
Impairment	0	(2,314)	(2,314)	(1,445)	(6,761)	(5,316)
Surplus / (Deficit) Before Dividend and Disposal of Fixed Assets	(860)	(2,029)	(1,170)	(32,360)	(37,137)	(4,777)
Profit / (Loss) on Disposal of Fixed Assets	(1)	13	14	(14)	13	27
Dividend Payable on PDC	(826)	(154)	672	(10,428)	(10,369)	59
Net Surplus / (Deficit)	(1,687)	(2,170)	(484)	(42,802)	(47,493)	(4,691)
Less Impairments	0	2,314	2,314	1,445	6,761	5,316
Adjustments in respect of donated assets	612	84	(528)	612	84	(528)
RETAINED SURPLUS / (DEFICIT)	(1,075)	228	1,302	(40,745)	(40,648)	97

Financial Performance by CMG & Corporate Directorate

I&E and CIP – to March 2015

CMG / Directorate	Year to Date					
	I&E			CIP		
	YTD Budget £000s	YTD Actual £000s	Variance £000s	YTD Plan £000s	YTD Actual £000s	Variance £000s
CMGs:						
C.H.U.G.S	43,941	44,868	926	5,262	5,415	153
Clinical Support & Imaging	-36,637	-36,735	-98	5,507	5,868	361
Emergency & Specialist Med	16,407	18,510	2,103	6,540	7,591	1,051
I.T.A.P.S	-43,250	-45,391	-2,140	4,328	4,107	-221
Musculo & Specialist Surgery	39,744	36,047	-3,697	5,111	5,169	58
Renal, Respiratory & Cardiac	31,329	31,380	51	5,961	6,124	163
Womens & Childrens	44,041	43,705	-335	6,335	6,483	148
	95,575	92,385	-3,190	39,044	40,758	1,714
Corporate:						
Communications & Ext Relations	-725	-655	69	59	59	0
Corporate & Legal	-3,609	-3,583	26	85	112	27
Corporate Medical	-1,762	-1,651	111	96	108	12
Facilities	-39,785	-39,946	-161	4,402	5,078	676
Finance & Procurement	-6,941	-6,617	324	329	559	231
Human Resources	-5,684	-5,369	315	212	366	154
Im&T	-9,840	-9,816	25	58	78	20
Nursing	-20,097	-19,855	242	349	413	64
Operations	-10,963	-11,472	-509	160	271	111
Strategic Devt	-1,172	-877	294	202	229	27
	-100,577	-99,842	735	5,952	7,272	1,320
Other:						
Alliance Elective Care	-5	482	487			
R&D	4	328	324			
Central	-36,354	-34,086	2,268	14	14	0
	-36,354	-33,275	3,079			
Total	-41,356	-40,731	625	45,010	48,044	3,034

Balance Sheet

	Mar-14 £000's Actual	Apr-14 £000's Actual	May-14 £000's Actual	Jun-14 £000's Actual	Jul-14 £000's Actual	Aug-14 £000's Actual	Sep-13 £000's Actual	Oct-13 £000's Actual	Nov-14 £000's Actual	Dec-13 £000's Actual	Jan-14 £000's Actual	Feb-14 £000's Actual	Mar-15 £000's Forecast
Non Current Assets													
Property, plant and equipment	362,465	360,188	359,769	358,289	359,152	359,238	359,534	361,704	399,441	396,190	402,003	403,523	414,193
Intangible assets	8,019	7,788	7,555	7,338	7,109	6,877	6,636	6,408	6,180	6,452	6,217	5,982	10,134
Trade and other receivables	3,123	3,311	3,152	3,115	3,002	3,004	3,043	3,065	3,087	3,163	3,132	3,115	2,702
TOTAL NON CURRENT ASSETS	373,607	371,287	370,476	368,742	369,263	369,119	369,213	371,177	408,708	405,805	411,352	412,620	427,029
Current Assets													
Inventories	13,937	13,711	14,633	14,627	15,390	14,894	14,579	15,215	15,040	15,009	14,692	14,441	14,141
Trade and other receivables	49,892	44,492	44,580	51,192	47,903	38,966	32,335	36,344	36,383	32,211	33,094	23,188	35,292
Cash and cash equivalents	515	13,850	5,838	13,662	14,954	8,430	7,560	3,205	9,931	9,846	17,252	14,991	8,498
TOTAL CURRENT ASSETS	64,344	72,053	65,051	79,481	78,247	62,290	54,474	54,764	61,354	57,066	65,038	52,620	57,931
Current Liabilities													
Trade and other payables	(109,135)	(102,381)	(100,604)	(100,725)	(100,661)	(88,023)	(86,892)	(91,232)	(102,723)	(85,350)	(96,781)	(91,579)	(103,194)
Dividend payable	0	(1,025)	(1,894)	(2,763)	(3,632)	(4,540)	0	0	(2,080)	(3,120)	(4,160)	(5,200)	0
Borrowings / Finance Leases	(6,590)	(6,590)	(6,590)	(6,590)	(6,590)	(6,590)	(2,919)	(2,919)	(3,753)	(4,170)	(4,170)	(4,170)	(4,919)
Loan	0	0	0	0	0	0	0	0	0	0	0	0	(545)
Provisions for liabilities and charges	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(512)	(1,585)	(1,585)	(820)
TOTAL CURRENT LIABILITIES	(117,310)	(111,581)	(110,673)	(111,663)	(112,468)	(100,738)	(91,396)	(95,736)	(110,141)	(93,152)	(106,696)	(102,534)	(109,478)
NET CURRENT ASSETS (LIABILITIES)	(52,966)	(39,528)	(45,622)	(32,182)	(34,221)	(38,448)	(36,922)	(40,972)	(48,787)	(36,086)	(41,658)	(49,914)	(51,547)
TOTAL ASSETS LESS CURRENT LIABILITIES	320,641	331,759	324,854	336,560	335,042	330,671	332,291	330,205	359,921	369,719	369,694	362,706	375,482
Non Current Liabilities													
Borrowings / Finance Leases	(5,890)	(5,794)	(5,785)	(5,730)	(5,676)	(5,683)	(9,179)	(9,186)	(8,075)	(7,663)	(7,668)	(7,674)	(6,869)
Other Liabilities / Loan	0	0	0	0	0	0	0	0	0	0	0	0	(11,455)
Provisions for liabilities and charges	(2,070)	(2,048)	(2,022)	(2,006)	(1,830)	(1,207)	(1,171)	(1,156)	(1,110)	(2,194)	(1,069)	(1,058)	(1,982)
TOTAL NON CURRENT LIABILITIES	(7,960)	(7,842)	(7,807)	(7,736)	(7,506)	(6,890)	(10,350)	(10,342)	(9,185)	(9,857)	(8,737)	(8,732)	(20,306)
TOTAL ASSETS EMPLOYED	312,681	323,917	317,047	328,824	327,536	323,781	321,941	319,863	350,736	359,862	360,957	353,974	355,176
Public dividend capital	282,625	298,125	298,125	311,625	311,625	311,625	311,625	311,625	311,625	329,837	329,725	329,725	329,837
Revaluation reserve	64,598	64,598	64,598	64,598	64,598	64,598	64,598	64,598	104,278	99,785	104,230	104,230	107,356
Retained earnings	(34,542)	(38,806)	(45,676)	(47,399)	(48,687)	(52,442)	(54,282)	(56,360)	(65,167)	(69,760)	(72,998)	(79,981)	(82,017)
TOTAL TAXPAYERS EQUITY	312,681	323,917	317,047	328,824	327,536	323,781	321,941	319,863	350,736	359,862	360,957	353,974	355,176

Capital Plan

University Hospitals of Leicester NHS Trust Capital Expenditure Report for the Period 1st April 2014 to 31st March 2015				
March 2015	CMG	Annual Budget £'000	YTD Actual £'000	Variance to Budget £'000
Estates & Facilities				
Accommodation Refurbishment	UHL	52	20	(32)
Aseptic Suite	CSI	400	236	(164)
Bereavement Facilities	W&C	62	162	100
CHP Units LRI & GH	UHL	800	804	4
Facilities Backlog Budget	UHL	5,500	4,795	(705)
Life Studies Centre	W&C	650	85	(565)
Maternity Interim Development	W&C	1,000	963	(37)
MES Installation Costs	CSI	1,302	1,769	467
Theatre Recovery LRI	ITAPS	2,785	1,775	(1,010)
Sub-total: Estates & Facilities		12,551	10,609	(1,942)
IM&T Schemes				
EDRM System	UHL	3,300	2,432	(868)
EPR Programme	UHL	3,100	4,618	1,518
IM&T Sub Group Budget	UHL	3,150	2,758	(392)
LRI Managed Print	UHL	412	232	(180)
Unified Comms	UHL	1,850	205	(1,645)
Sub-total: IM&T Schemes		11,812	10,245	(1,567)
Medical Equipment Schemes				
Lithotripter Machine	CHUGGS	430	430	0
Medical Equipment Executive	UHL	3,237	3,226	(11)
Renal Home Dialysis Expansion	RRC	708	527	(181)
Sub-total: Medical Equipment		4,375	4,183	(192)
Reconfiguration Schemes				
Emergency Floor	ESM	6,000	6,703	703
Endoscopy GH	CHUGGS	309	184	(125)
Feasibility Studies	UHL	100	(8)	(108)
GGH Vascular Surgery	MSS	2,500	533	(1,967)
Interim ITU LRI	ITAPS	590	387	(203)
Multi-Storey Car Park (MSCP)	UHL	250	271	21
Odames Library	UHL	1,500	1,306	(194)
Reprovision of Clinical Services	UHL	9,822	9,484	(338)
Ward 4 LGH	ESM	1,000	886	(114)
Sub-total: Reconfiguration Schemes		22,071	19,746	(2,325)
Corporate / Other Schemes				
LiA Schemes	UHL	250	206	(44)
Other Developments	UHL	469	1,199	730
Sub-total: Corporate / Other Schemes		719	1,405	686
Over Commitment	UHL	(5,321)		
Book value of assets disposed of		0	(6)	(6)
Total CRL / charge against CRL		46,207	46,183	(24)
Donations	UHL	300	576	276
Total Capital Plan		46,507	46,759	251