

AGENDA ITEM NO:

**UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST
BOARD OF GOVERNORS
THURSDAY 05 JUNE 2008**

Title:	FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 MARCH 2008
Responsible Director:	Mike Sexton, Director of Finance
Contact:	Julian Miller, Head of Financial Management and Planning, ext. 53074

Purpose:	To present an update to the Board of Governors
Confidentiality Level & Reason:	N/A
Medium Term Plan Ref:	Aim 2: Maintain our reputation and position at the leading edge of performance and quality Aim 3: Enhance our reputation for excellent financial management
Key Issues Summary:	The Trust has recorded a favourable variance of £12,040,000 against Income and Expenditure budgets during March 2008 leading to a surplus of £12,228,000 for the 2007/08 financial year.
Recommendations:	The Board of Governors is asked to receive the contents of this report

Signed: M Sexton	Date: 11 April 2008
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UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS THURSDAY 24 APRIL 2008

FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 MARCH 2008

PRESENTED BY THE DIRECTOR OF FINANCE

1. Introduction

This financial report covers the 2007/08 accounting year from 1 April 2007 to 31 March 2008. The report contains information on three key financial statements, namely the Income and Expenditure Account (I&E), the Balance Sheet and the Cash Flow Statement.

The report provides detail of operating variances during the month and expenditure against the Capital Programme. Activity performance data is also included for the first eleven months of the financial year, and this is used to restate Divisional positions to reflect the marginal value of over and under performance against healthcare income targets.

At the end of twelve months the Trust has reported a cumulative net surplus of £12,228,000 against income and expenditure budgets. This position represents a £12,040,000 improvement on the previously reported position due to a release of £12,099,000 from reserves in the period.

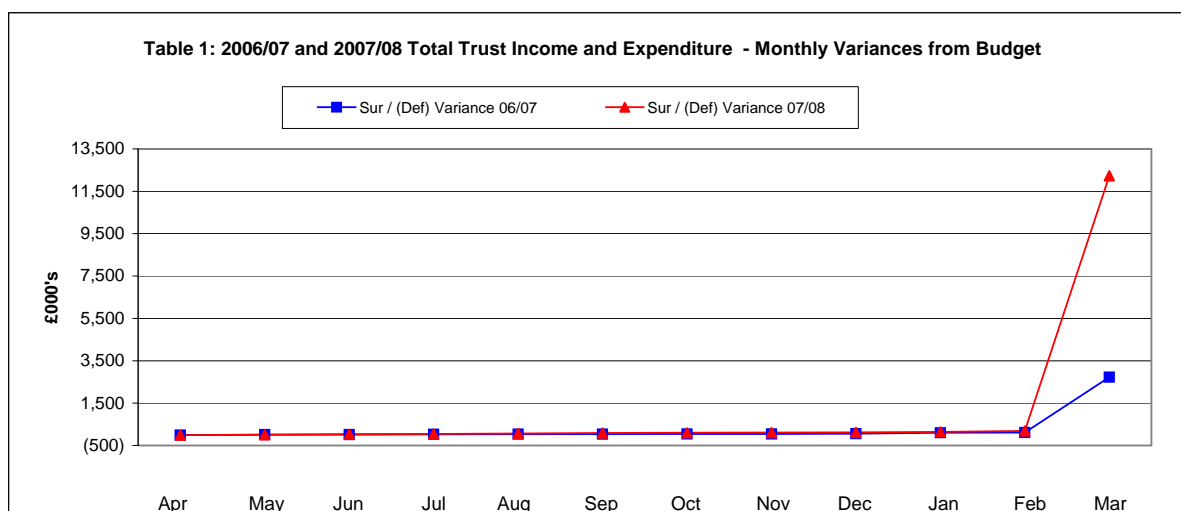
The Monitor risk rating remains at 4 (the second best rating available) based on the published results of Quarter Three monitoring.

2. Summary of Financial Position

2.1 Year to Date Position

The trend line in Table 1 shows the cumulative income and expenditure (I&E) variance from budget at the end of each month before exceptional items. The trend line for 2006/07 is also included for comparison. As stated above the Trust has recorded a surplus of £12,228,000 for the period to 31 March 2008, compared to a surplus of £2,754,000 before exceptional items in 2006/07. The Trust's I&E performance by Executive Director is summarised in Appendix A.

Table 1 – Income and Expenditure Variance before exceptional items 2007/08 & 2006/07



The income and expenditure account appears in Appendix C. Table 2 below shows the summarised revenue transactions of the Trust for the accounting period. An income summary appears in section 3.1 below. Operating expenses are shown in 3.3 below.

Table 2 – Income and Expenditure against plan

	Budget	Actual	Variance
	Apr-Mar 08	Apr-Mar 08	
	£m	£m	£m
Total Income	415.1	425.1	10.0
Total Expenditure (excl depreciation)	(394.0)	(397.9)	(3.9)
EBITDA	21.1	27.2	6.1
Profit / loss on asset disposals	0.0	0.0	0.0
Exceptional Costs	(5.7)	0.0	5.7
Depreciation	(9.5)	(9.7)	(0.2)
Interest Receivable	1.8	2.4	0.6
PDC Dividend	(7.7)	(7.7)	0.0
Net (Deficit)/Surplus	0.0	12.2	12.2

* may include rounding differences

3. Income and Expenditure

3.1 Income Analysis

The income position shows a net £10.0m over-recovery against budget for the year. NHS Clinical income includes healthcare contract income

and a small favourable variance on Trust to Trust patient care SLAs. Non-NHS Clinical Income includes Private Patients, RCDM and RTA Income. Other income reflects over-recovery against non-patient care services provided to other bodies (SLAs), trading income and other ad-hoc sources usually with corresponding expenditure commitments. Further detail of healthcare income and activity performance is set out in section 3.2.

Table 3 – Income against plan

	Budget Apr-Mar 08	Actual Apr-Mar 08	Variance
	£m	£m	£m
Clinical - NHS	343.0	343.1	0.1
Clinical - Non NHS	10.0	10.9	0.9
Other	62.2	71.1	8.9
TOTAL	415.1	425.1	10.0

* may include rounding differences

3.2 NHS Clinical Income / Activity

Table 4.1 shows the monthly inpatient (IP) activity for the first eleven months of 2007/08 against 2006/07. This shows that total PbR spells for 2007/08 are slightly ahead of the previous year, whilst non-PbR FCEs are slightly below 2006/07 levels. This is due to the transfer of Oncology activity (that was previously sub-contracted through UHBFT) to Sandwell and West Birmingham NHS Trust from 1 July 2007.

Table 4.2 shows the monthly outpatient (OP) activity to 29 February 2008 against 2006/07 activity. This shows that 2007/08 OP activity remains significantly above 2006/07 levels although this is largely due to the introduction of charging for anti-coagulation follow ups.

Table 4.1 – Trust Inpatient Activity

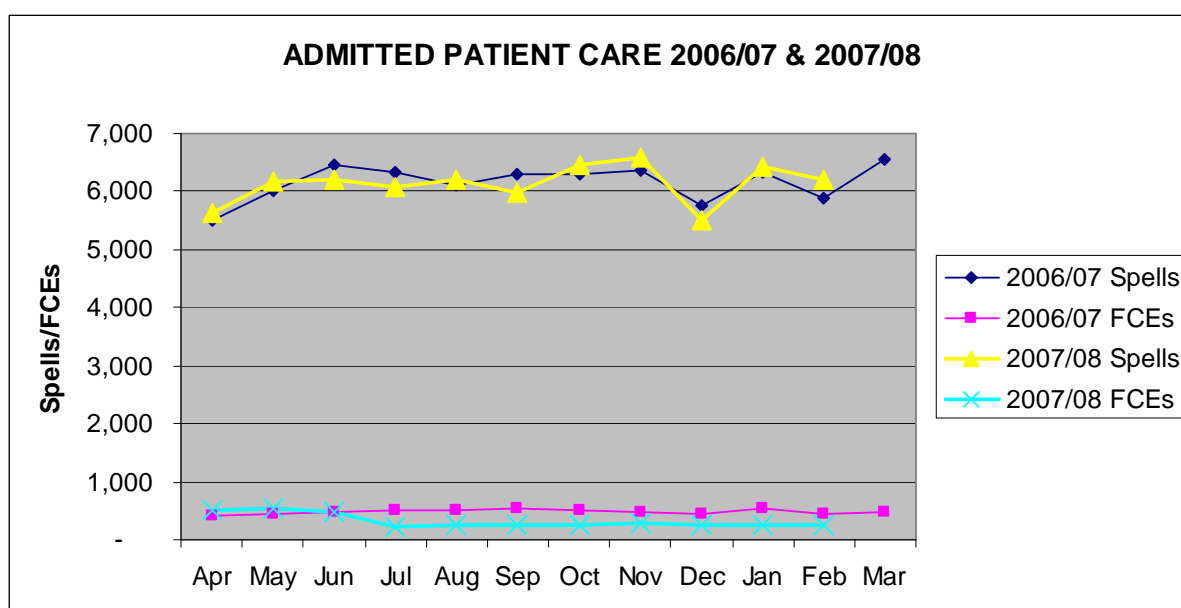


Table 4.2 – Trust Outpatient Activity

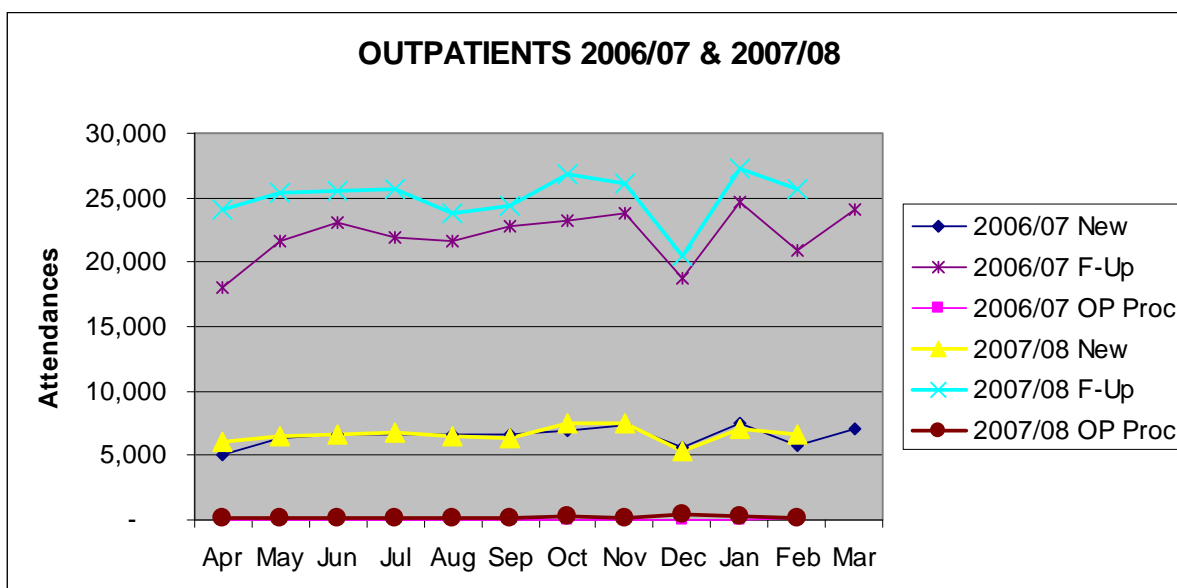


Table 5 below summarises the cumulative income variance by Division and Point of Delivery (POD) against the targets included in the Trust's 2007/08 Financial Plan. In overall terms the financial value of activity performance against targets is £3.9m ahead of plan for the eleven months to 29 February 2008. This reflects over-performance against both inpatients and outpatients as well as other healthcare income which comprises Critical Care, A&E, Rehab (Head Injuries) and External Beam Treatments.

A full analysis of activity against plan by specialty and by Commissioner is included as Appendix G.

Table 5 – Summary Healthcare Income Performance by Division by Point of Delivery

	YTD Variance against Income Plan			
	Inpatient (£000)	Outpatient (£000)	Other (£000)	Total (£000)
Div 1	(515)	112	1302	899
Div 2	1248	332	0	1579
Div 3	643	402	(256)	788
Div 4	99	467	86	651
Total	1474	1312	1132	3917

* may include rounding differences

3.3 Expenditure Analysis

A subjective analysis of expenditure variances is set out in Table 6 below. This shows a total variance of £1.8m against a budget of £399.7m for the year to date including exceptional costs but excluding depreciation and PDC dividend payments.

Table 6 – Expenditure against plan (excluding depreciation)

	Budget Apr-Mar 08 £m	Actual Apr-Mar 08 £m	Variance £m
PAY			
Medical Staff	72.9	73.0	(0.1)
Nursing	77.3	77.6	(0.2)
Scientific & Technical	34.8	35.1	(0.2)
SMP/A&C	44.2	43.4	0.7
Other	15.4	12.1	3.3
Total Pay	244.7	241.2	3.4
NON PAY			
Drugs	54.5	53.1	1.4
Clinical Supplies & Services	40.1	43.6	(3.4)
Other	60.4	60.0	0.4
Total Non Pay	155.0	156.7	(1.6)
GRAND TOTAL	399.7	397.9	1.8

* may include rounding differences

3.4 Cost Improvement Programme

Quarterly progress against delivery of the Trust's Cost Improvement Programme (CIP) is shown in Table 7 below. This shows full achievement of plan at the end of Quarter 4, representing an improvement from 96% at Quarter 3. This position is slightly ahead of forecast due to early implementation of 2008/09 schemes.

Table 7 – Delivery of Cost Improvements

	Cumulative variance against plan			
	Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000
Division 1	(129)	(204)	(174)	(27)
Division 2	(37)	(57)	8	11
Division 3	(42)	(80)	(11)	4
Division 4	(31)	(78)	(78)	0
Division 5	0	0	0	15
Corporate	0	0	0	0
Total	(239)	(418)	(255)	3
% Achieved	89%	91%	96%	100%

4. Divisional Analysis

In total, operational budgets have recorded an adverse variance of (£95,000) during March leading to a net overspend of (£1,541,000) for the year. This is balanced by the release of £1,871,000 from the general contingency reserve.

The variances by Division are shown in Appendix B and the year to date position is summarised in Table 8 below. As stated earlier in the report, Divisional positions are shown below both unadjusted and also restated to reflect the marginal value of in year activity variances against plan. The adjustment is based on 40% of the variance against the Division's direct healthcare income targets based on the activity data included in section 3.2 (eleven months only). On this basis the total net value of the healthcare income adjustment is £1,568,000 and therefore the overall adjusted operational position shows a favourable variance of £27,000 for the 12 month period.

The main budgetary pressures within Operational Divisions during March include nursing (£86k) primarily within Medicine and General Surgery, Medical pay (£131k) across a number of areas, and UHB Medicines (£39k) due largely to lower than expected income and additional pay costs. Other issues during the month included the replacement of a CT tube within Imaging (£46k) and activity related non-pay costs in Theatres (£25k). These pressures were offset by favourable stock adjustments of £100k in Imaging and £15k in Pharmacy and additional RTA income totalling £193k during the month.

Table 8 – Analysis of year to date variances by Division

	Income £'000	Expenditure £'000	Total £'000	Income adjustment for activity £'000	Overall adjusted I&E position £'000
Division 1	224	(2,208)	(1,984)	360	(1,624)
Division 2	128	(114)	14	632	646
Division 3	1,292	(1,538)	(246)	315	69
Division 4	(111)	122	11	261	272
Division 5	(306)	349	43	0	43
COO	6,203	(5,582)	621	0	621
TOTAL	7,430	(8,971)	(1,541)	1,568	27
<i>Memo General Contingency Reserve</i>			<i>1871</i>		<i>1871</i>

Note that the activity adjustments have not been posted in the ledger therefore the unadjusted total figures are shown in the appendices.

5. Balance Sheet Report

The balance sheet states the value of assets and liabilities of the Trust. The upper part of the statement shows net assets after deduction of both short and long term liabilities. The lower part identifies the sources of finance or equity used to fund the net asset position. The Trust's Balance Sheet at 31 March 2008 is shown in Table 9 below.

Table 9 – Balance Sheet Report

		Opening Balance as at 1 Apr 2007	Period Ending Mar 2008 Actual	Forecast Mar 2008
		£m	£m	£m
5.1	Fixed Assets	173.6	182.1	184.7
5.2	Current Assets:			
5.3	Stock	9.5	10.2	9.5
5.4	Debtors	28.8	24.7	31.5
5.5	Cash	21.0	71.4	15.3
5.6	Total Current Assets	59.4	106.3	56.3
5.7	Creditors/Provisions	55.4	82.8	59.7
5.8	Net Assets / (Liabilities)	3.9	23.5	(3.4)
5.9	Total Assets Employed (5.1 + 5.8)	177.5	205.6	181.3
	Financed By:			
5.1	Government Equity & reserves	177.5	205.6	181.3

* may include rounding differences

6. Capital Programme

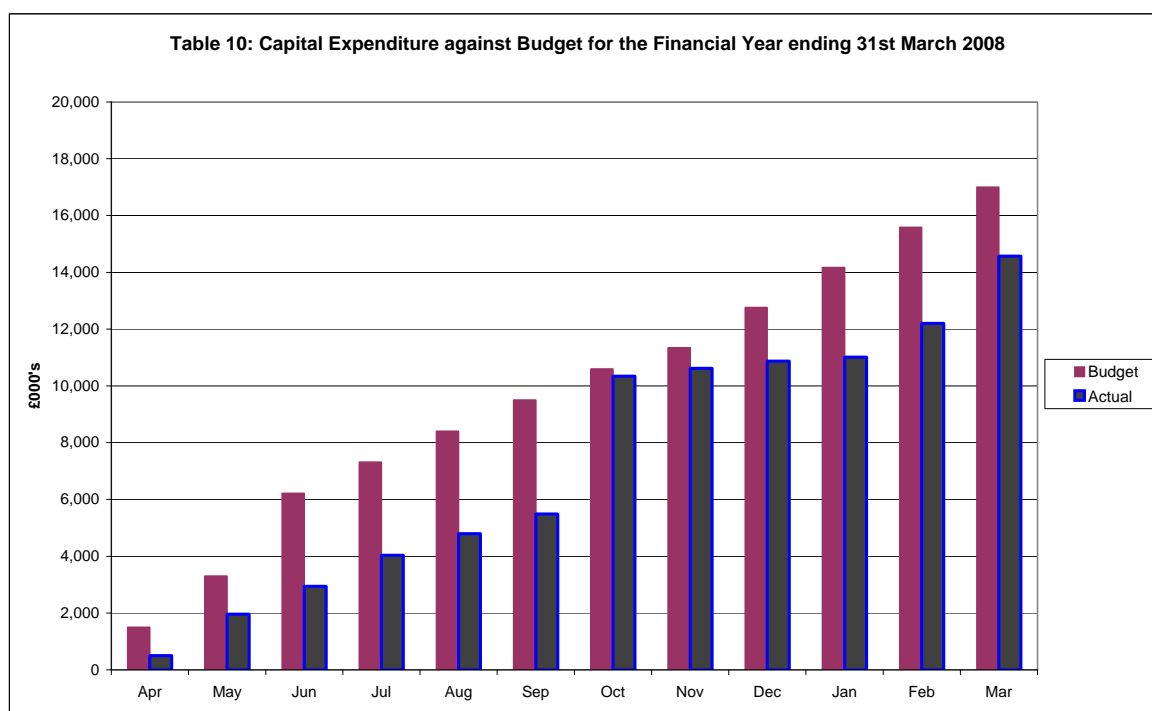
A revised Capital Programme was approved at the November Board of Directors meeting, with a total value of £17.0m excluding £1.0m of planned expenditure on the non-retained estate which is funded from revenue sources. This programme is set out in Appendix D and excludes the impact of the land swap arrangement with Birmingham and Solihull Mental Health Trust.

Total capital expenditure to the end of March stands at £14.5m which is £2.5m below the planned programme as shown in Table 10 below. This reflects slippage on a number of schemes including:

- Learning Hub – delays in the start date for the new schedule of works (£200k).
- Equipment – delays to the completion of orders for items such as diathermy, ITU Ventilators and haemodialysis machines (£500k)
- IMT – delays to pacing order for digital signage (£250k)
- Retained Estate – delays to letting or completion of several programmes (radiotherapy, hospital drive drainage)
- Modernisation – lower than expected spend on decontamination, PACS and dosimetry systems.

As a Foundation Trust, slippage in the Capital Programme does not impact adversely on any of the organisation's financial targets and much of this expenditure will be incurred in the early months of 2008/09.

Table 10 – Capital Expenditure against plan



7. Aged Debtor Analysis

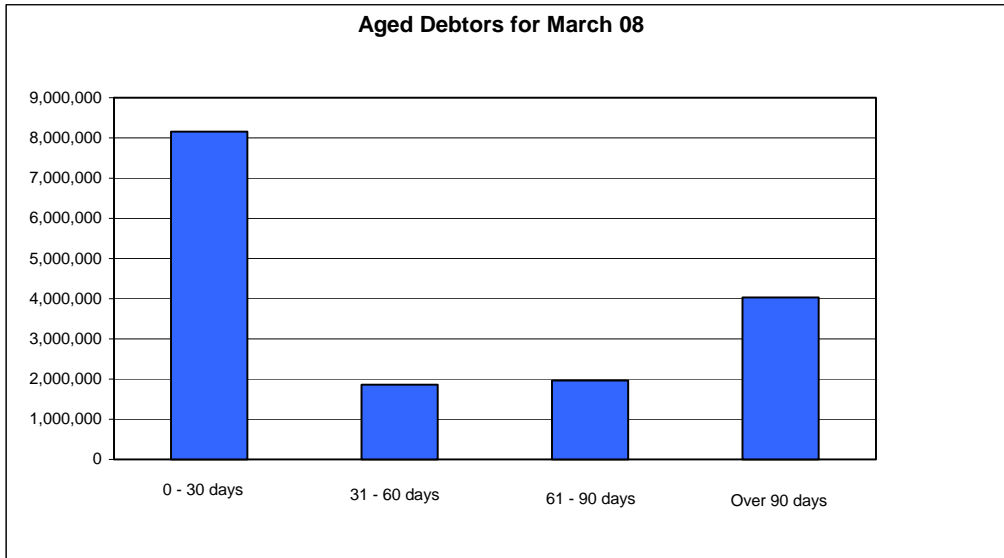
The total value of Debtors is £24.7m at 31 March 2008, as shown in the Balance Sheet report above. An analysis of Debtors by type is shown in table 11 below. This shows that £13.9m of the total value of debtors relates to outstanding (unpaid) invoiced income, which is below the forecast value of £18.5m.

An analysis of the invoiced debt by age is included with this report at Appendix E and is summarised in table 12 below. Over 90 day debt has fallen to just under £3.0m at 31 March 2008. The largest component of this debt is still related to the Defence Bills Agency, accounting for £861k. However, the over 90 day balance on this account has reduced by a further £350k since the previous report.

Table 11 – Analysis of Debtors

	Actual Mar 2008 £'000	Forecast Mar 2008 £'000
Sales Ledger	13.9	18.5
Accrued Income	2.2	4.0
Prepayments	2.8	3.0
RTA	3.8	3.8
Other	1.9	2.2
Total	24.7	31.5

Table 12 – Aged Debt Analysis

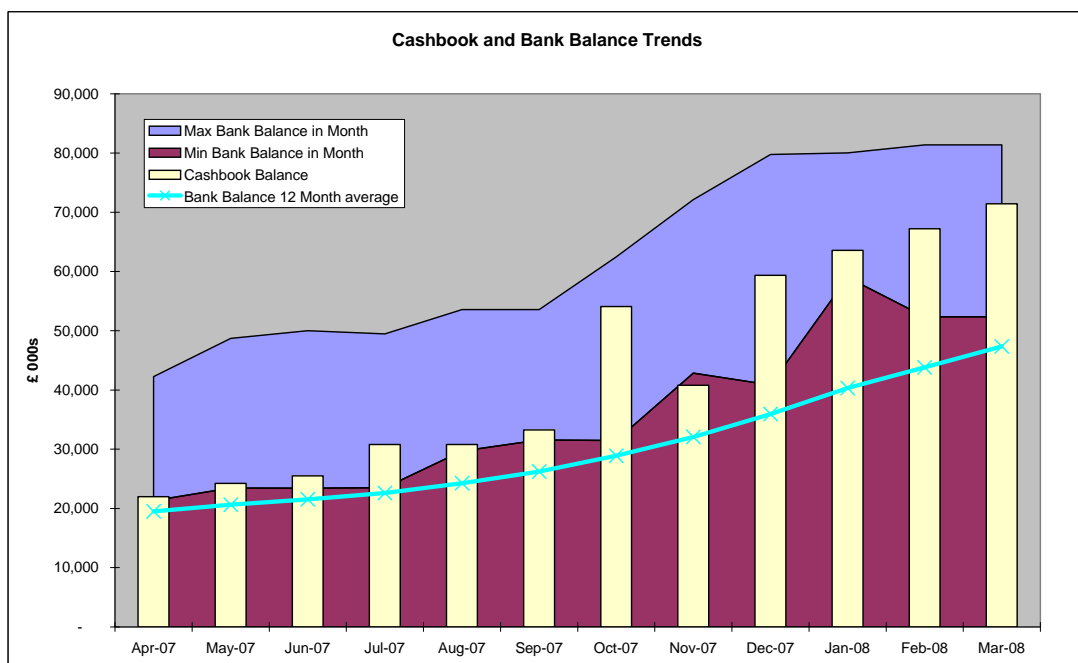


8. Cash Flow

A cash flow statement appears at Appendix F and this provides an analysis of actual and forecast cash received and paid out. Table 13, below, has been revised and now shows the actual cashbook balance at month end (as previously) compared to the minimum and maximum daily bank balances during the month and a twelve month rolling average daily bank balance.

The actual cashbook balance at 31 March 2008 is £71.4m, which is significantly above the forecast position. This reflects additional drawdown of Public Dividend Capital, receipt of the first amount of PFI transitional funding from the SHA and favourable movements in working capital balances. The twelve month rolling average bank balance shows a continued strengthening in the underlying cash position of the Trust.

Table 13 – Cash Flow



9. **Working Capital Facility**

The Trust's overdraft facility for 2007/08 is £32.0m. Use of this facility has not been required to date.

10. **Monitor Ratios**

10.1 Borrowing Ratios

The Trust has not yet utilised the borrowing powers available to Foundation Trusts, therefore the borrowing ratios set out in the Prudential Borrowing Code are not currently applicable.

10.2 Financial Risk Rating

The Trust's Financial Risk Rating remains at 4 based on the 2007/08 Annual Plan and the published results of in year monitoring for the first three quarters. The rating is set between 1 (worst) and 5 (best), based on a series of financial metrics and informs the value of Trust's Prudential Borrowing Limit. Self assessment indicates that this rating will be maintained during quarter 4.

11. **Conclusion**

The Trust has recorded a favourable variance of £12,040,000 against Income and Expenditure budgets during March leading to an overall surplus of £12,228,000 for the period to 31 March 2008. The financial ledgers for 2007/08 will close on 22 April at which point a final end of year position can be determined.

12. **Recommendation**

The Board of Governors is asked to receive the contents of this report



Mike Sexton
Director of Finance
11 April 2008