


**AGENDA ITEM NO: 10**

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
 BOARD OF GOVERNORS  
 THURSDAY 17 MARCH 2009**

<b>Title:</b>	<b>FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 JANUARY 2009</b>
<b>Responsible Director:</b>	Mike Sexton, Director of Finance
<b>Contact:</b>	Julian Miller, Head of Financial Management and Planning, ext. 53074

<b>Purpose:</b>	To present an update to the Board
<b>Confidentiality Level &amp; Reason:</b>	N/A
<b>Medium Term Plan Ref:</b>	Aim 2: Maintain our reputation and position at the leading edge of performance and quality Aim 3: Enhance our reputation for excellent financial management
<b>Key Issues Summary:</b>	The Trust has recorded a £16.140m surplus for the 10 months to 31 January 2009. This represents a favourable variance of £548,000 against the budgeted surplus of £15.583m for the year to date.
<b>Recommendations:</b>	The Board of Directors is asked to receive the contents of this report

<b>Signed:</b> 	<b>Date:</b> 18 February 2009
--	-------------------------------

# UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST

## BOARD OF DIRECTORS THURSDAY 26 FEBRUARY 2009

### FINANCE AND ACTIVITY PERFORMANCE REPORT FOR THE PERIOD ENDING 31 JANUARY 2009

#### PRESENTED BY THE DIRECTOR OF FINANCE

#### 1. Introduction

This financial report covers the first ten months of the 2008/09 accounting year from 1 April 2008 to 31 January 2009. The report contains information on three key financial statements; 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 nine months of the financial year. This has been used as the basis for budgetary adjustments that have been made to Divisional baselines to reflect the impact of activity changes on variable costs.

The Trust has budgeted for a surplus of £18.7m in 2008/09 as set out in the Financial Plan approved by the Board of Directors. For the ten months to 31 January 2009 an actual surplus of £16.140m has been achieved. This equates to a favourable variance of £557,000 against the budgeted surplus of £15.583m for the year to date. This represents an improvement of £9,000 from the previously reported variance of £548,000.

The Financial Risk Rating (FRR) issued by Monitor remains at 5 (the best available rating) based on the Annual Plan, published monitoring results for Quarter 1 and Quarter 2 and self assessment of Quarter 3.

#### 2. Summary of Financial Position

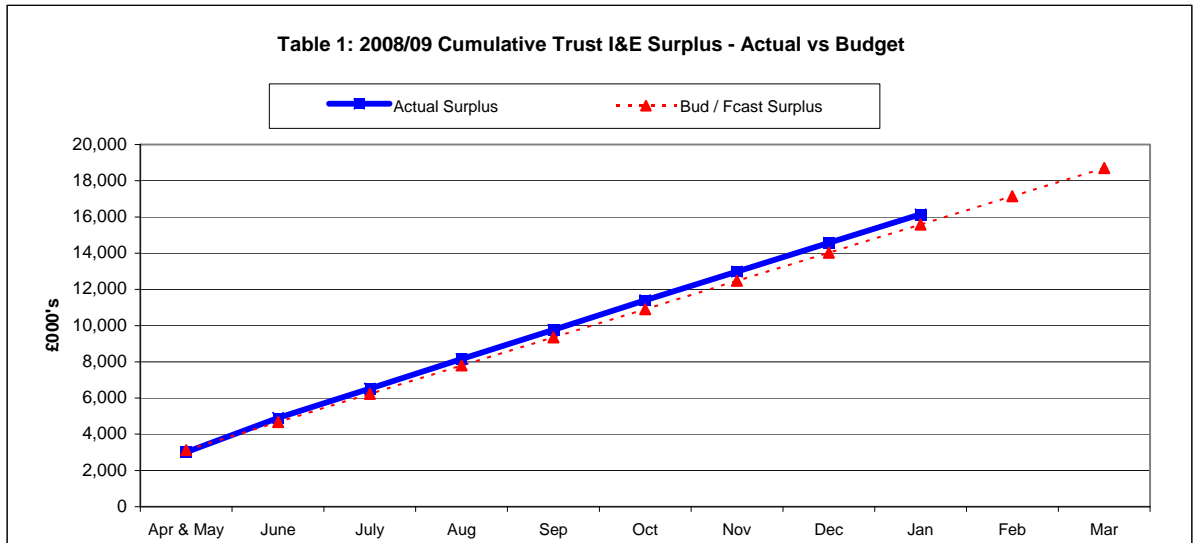
##### 2.1 Year to Date Position

The trend line in Table 1 shows the cumulative income and expenditure (I&E) surplus achieved compared against budgeted levels at the end of each month. As stated above, the Trust has recorded a surplus of £16.140m for the ten months to 31 January 2009 compared to a budgeted value of £15.583m for the period. The Trust's I&E performance by Executive Director is summarised in Appendix A.

It is necessary for the Trust to deliver a surplus broadly in line with the planned value of £18.7m in order to meet the future cost increases linked to the New Hospital and generate the cash required to fund the investment in new major medical equipment without recourse to borrowing. Full achievement of plan would result in an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation – a

measure of profitability) margin of 7.3% in 2008/09. This is slightly above the FT sector average planned margin of 6.9% for 2008/09, although it is slightly below the actual sector average margin in 2007/08 of 8.0%.

**Table 1 – I&E Surplus vs Plan 2008/09**



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 – YTD Income and Expenditure Budget vs Actual**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>Apr-Jan 09</b>	<b>Apr-Jan 09</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total Income	374.2	382.7	8.5
Total Expenditure (excl depreciation)	(347.1)	(355.9)	(8.8)
<b>EBITDA</b>	<b>27.1</b>	<b>26.8</b>	<b>(0.2)</b>
Profit / loss on asset disposals	(0.1)	(0.4)	(0.3)
Exceptional Costs	0.0	0.0	0.0
Depreciation	(9.2)	(8.6)	0.7
Interest Receivable	2.8	3.1	0.4
PDC Dividend	(4.9)	(4.9)	0.0
<b>Net (Deficit)/Surplus</b>	<b>15.6</b>	<b>16.1</b>	<b>0.6</b>

\* may include rounding differences

### 3. Income and Expenditure

#### 3.1 Income Analysis

The overall income position shows a net £8.5m over-recovery against budget for the year to date. NHS Clinical income reflects over-performance against contracted healthcare income, including cost per case funded treatments, and Trust to Trust patient care SLAs. The additional Non-NHS Clinical Income relates to Private Patients, the RCDM contract and RTA Income. Other income includes education, R&D, non-patient care services provided to other bodies (SLAs), trading income and other ad-hoc sources. Further detail of healthcare income and activity performance is set out in section 3.2.

Table 3 – Income against plan

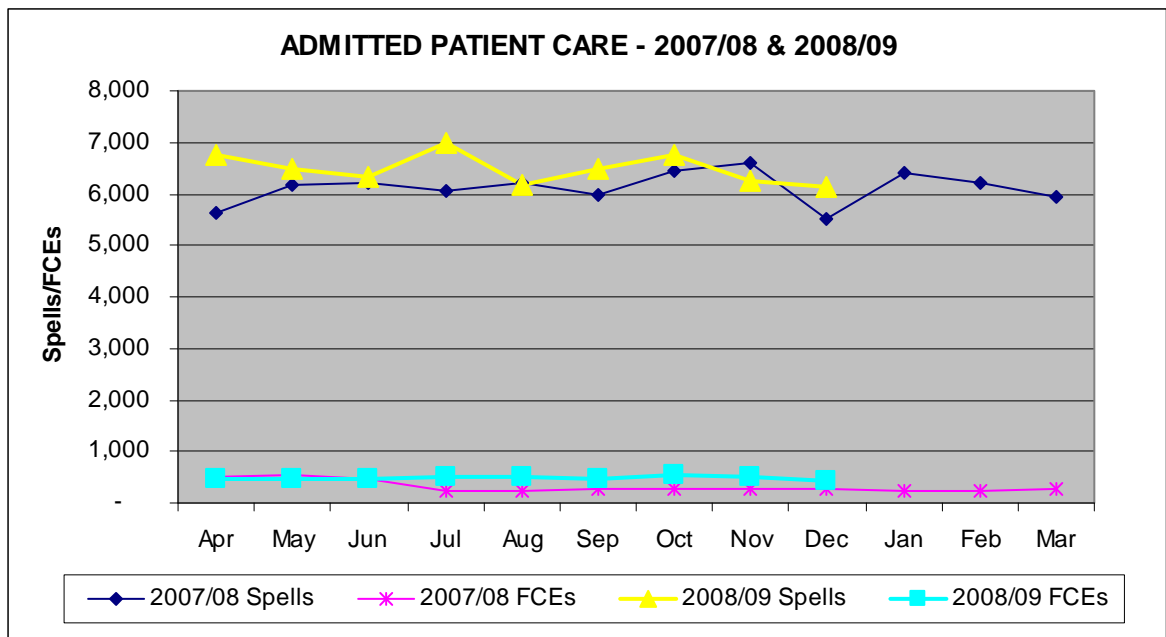
	<b>Budget Apr-Jan 09</b>	<b>Actual Apr-Jan 09</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Clinical - NHS	304.7	309.6	5.0
Clinical - Non NHS	9.9	10.9	1.0
Other	59.6	62.2	2.5
<b>TOTAL</b>	<b>374.2</b>	<b>382.7</b>	<b>8.5</b>

\* may include rounding differences

#### 3.2 NHS Clinical Income / Activity

Table 4.1 shows the Trust's admitted patient care (APC) activity for the first nine months of 2008/09 compared to 2007/08 monthly levels. This shows that total PbR spells to December remain ahead of the equivalent period in the 2007/08. Outpatient (OP) activity is shown in Table 4.2. This shows that both new and follow up attendances in the first eight months of 2008/09 are above monthly levels in the previous financial year.

**Table 4.1 – Trust Inpatient Activity**



**Table 4.2 – Trust Outpatient Activity**

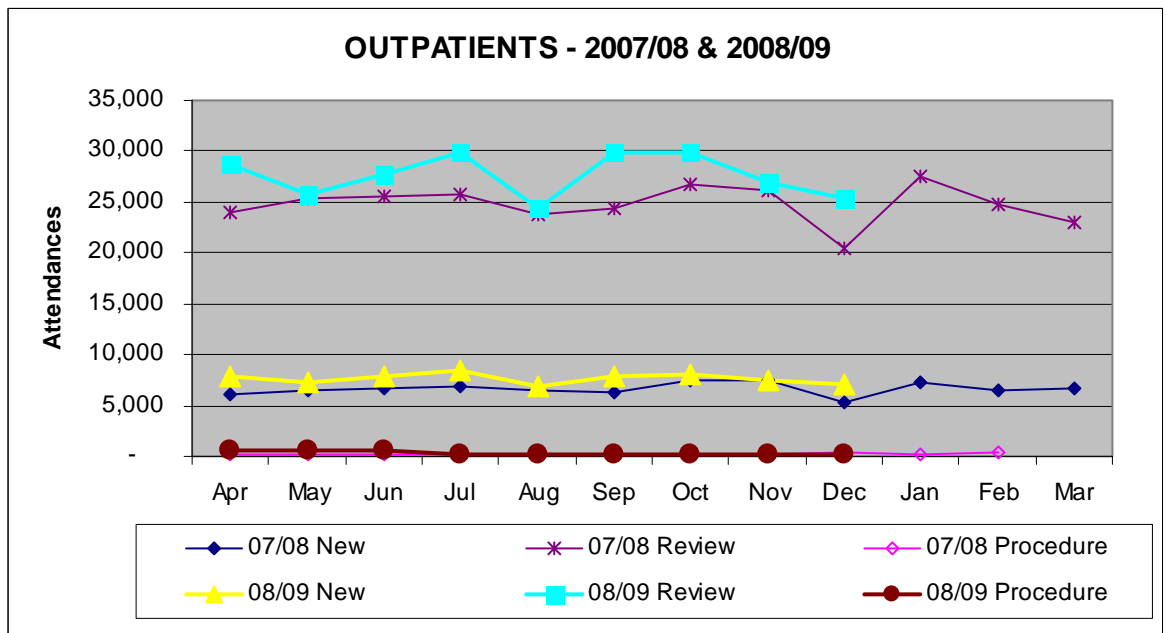


Table 5 below summarises the cumulative income variance by Division and Point of Delivery (POD) against internal targets (based on 2007/08 outturn plus business cases) and also total net over-performance against the external (commissioned) targets on which the Financial Plan is based. This shows that healthcare income is £6.95m ahead of internal divisional targets at month 9.

In overall terms this position equates to net over-performance of £3.04m against the external contract targets agreed with commissioners, although payment risks remain in some areas under the new NHS contract. 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 Divisional Baselines			
	Inpatient (£000)	Outpatient (£000)	Other (£000)	Total (£000)
Div 1	10	3	580	593
Div 2	2496	959	30	3485
Div 3	(16)	360	280	621
Div 4	207	210	157	574
Div 5	993	695	(10)	1678
<b>Total</b>	<b>3690</b>	<b>2227</b>	<b>1037</b>	<b>6951</b>

Total Variance against 2008/09 Commissioner Targets	3038
---	------

\* 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 (£8.8m) against a budget of £347.1m for the year to date excluding depreciation and PDC dividend payments.

**Table 6 – Expenditure against plan**

	Budget Apr-Jan 09 £m	Actual Apr-Jan 09 £m	Variance £m
<b>PAY</b>			
Medical Staff	62.4	64.5	(2.1)
Nursing	69.6	68.1	1.5
Scientific & Technical	30.5	30.7	(0.3)
SMP/A&C	38.1	36.7	1.4
Other	9.9	10.8	(1.0)
<b>Total Pay</b>	<b>210.3</b>	<b>210.8</b>	<b>(0.5)</b>
<b>NON PAY</b>			
Drugs	49.5	50.0	(0.6)
Clinical Supplies & Services	32.8	37.5	(4.7)
Other	54.5	57.5	(3.0)
<b>Total Non Pay</b>	<b>136.8</b>	<b>145.0</b>	<b>(8.3)</b>
<b>GRAND TOTAL</b>	<b>347.1</b>	<b>355.9</b>	<b>(8.8)</b>

\* may include rounding differences

### 3.4 Cost Improvement Programme

The Trust's Financial Plan for 2008/09 includes total efficiency savings of £11.5m. Quarterly progress against delivery of this target is shown in Table 7 below. There is total slippage of (£387,000) at quarter three, which equates to 95% overall delivery of planned savings. This represents an improvement against the 92% achievement reported at quarter two.

All areas of slippage are continuously reviewed and contingency schemes will be implemented where possible. The forecast year end position remains 98% achievement of plan.

**Table 7 – Delivery of Cost Improvements**

	Cumulative variance against plan (£000)				
	Q1	Q2	Q3	Q4	Forecast
Division 1	(5)	(185)	(242)		(198)
Division 2	(44)	(41)	(35)		0
Division 3	(42)	(31)	(33)		0
Division 4	(51)	(60)	(59)		(60)
Division 5	(30)	(47)	(8)		63
Corporate	(15)	(36)	(10)		0
<b>Total</b>	<b>(187)</b>	<b>(400)</b>	<b>(387)</b>		<b>(246)</b>

% Achieved	92%	92%	95%		98%
------------	-----	-----	-----	--	-----

#### 4. Divisional Analysis

In total, divisional budgets (including the Chief Operating Officer's direct budgets) have recorded an adverse variance of (£1,288,000) for the ten months to 31 January 2009. The ledger position now includes additional budget of £1,415,600 across the five Divisions to reflect the variable costs of over-performance against divisional healthcare income targets based on the data to 31 December 2008 (adjusted pro-rate to 10 months) as detailed in section 3.2. The marginal rates used to make this adjustment vary from specialty to specialty based on the cost profiles derived from Service Line Reporting. However, in overall terms the adjustment equates to an average variable cost of 20.4%, including recognition of variable non-pay costs in theatres. The net variances by individual Division are shown in Appendix B and the year to date position is summarised in Table 8 below.

As in previous months, financial pressures persist across operational areas. The main issue during January remains the overspend within UHB Medicines (£98k) due to loss of contribution from sales and the costs of production that has recommenced in anticipation of the MHRA inspection scheduled for 19 February. The other significant pressures during the period are primarily activity related and include PCI consumables (£35k), private sector costs in Neurosurgery (£66k) and Urology (£45k) and BMT non-pay (£107k), although this should be reflected in increased healthcare income next month. Theatres non-pay costs were (£127k) over budget due in the main to increased surgical activity with Galaxy data showing a 4% increase in operative procedures during the month. These pressures were partially offset by gains in other areas including £50k of Liver Transplant over-performance, £41k additional RTA income and pay underspends totalling £94k in Oncology.

**Table 8 – Analysis of year to date variances by Division**

	Income	Expenditure	Total
	£'000	£'000	£'000
Division 1	25	(1,058)	<b>(1,033)</b>
Division 2	1	(740)	<b>(739)</b>
Division 3	1,016	(1,640)	<b>(624)</b>
Division 4	(1,068)	913	<b>(155)</b>
Division 5	192	(380)	<b>(188)</b>
COO	7,714	(6,263)	<b>1,451</b>
<b>Sub - Total</b>	<b>7,880</b>	<b>(9,168)</b>	<b>(1,288)</b>
Healthcare Income	0	0	<b>0</b>
<b>TOTAL</b>	<b>7,880</b>	<b>(9,168)</b>	<b>(1,288)</b>

## 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 January 2008 is shown in Table 9 below.

**Table 9 – Balance Sheet Report**

		Opening balance 1 Apr 2008	Actual Jan 2009	Forecast Jan 2009	Annual Plan Mar 2009
		£m	£m	£m	£m
5.1	Fixed Assets	182.1	180.5	184.4	185.2
<b>5.2</b>	<b>Current Assets:</b>				
5.3	Stock	9.7	9.9	9.7	9.7
5.4	Debtors	25.5	44.4	26.6	25.3
5.5	Cash	71.4	88.6	89.2	93.7
<b>5.6</b>	<b>Total Current Assets</b>	106.6	142.9	125.5	128.7
5.7	Creditors/Provisions	85.9	102.8	92.2	93.2
5.8	Net Assets / (Liabilities)	20.7	40.1	33.3	35.5
5.9	Total Assets Employed	202.8	220.6	217.7	220.7
	<b>Financed By:</b>				
5.1	Government Equity & reserves	202.8	220.6	217.7	220.7

\* may include rounding differences

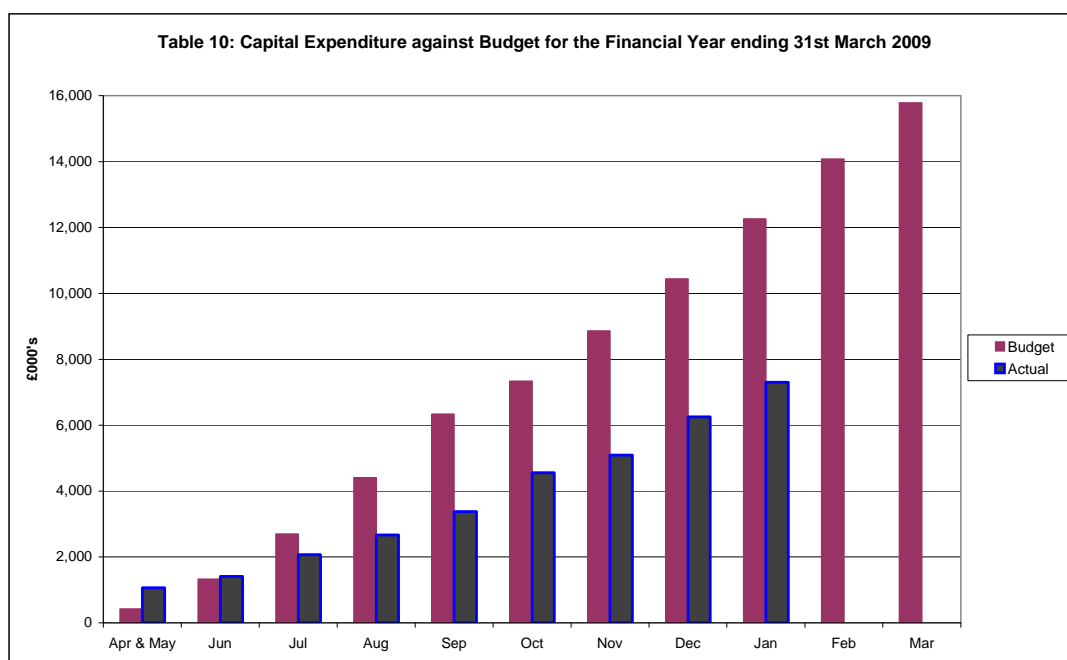


## 6. Capital Programme

The total value of the Capital Programme stands at £14.8m at 31 January 2009. This programme excludes planned expenditure of £1.0m on the non-retained estate which is funded from revenue sources.

Total capital expenditure for the year to date is £7.3m which is £4.6m behind plan as shown in Table 10 below. The main areas of slippage include expenditure on the Retained Estate and the Equipment Replacement programme. The forecast year end expenditure is £11.0m and therefore there will be approximately £3.8m of slippage into 2009/10. A summary of expenditure against each scheme is provided in Appendix D.

**Table 10 – Capital Expenditure against plan**



## 7. Aged Debtor Analysis

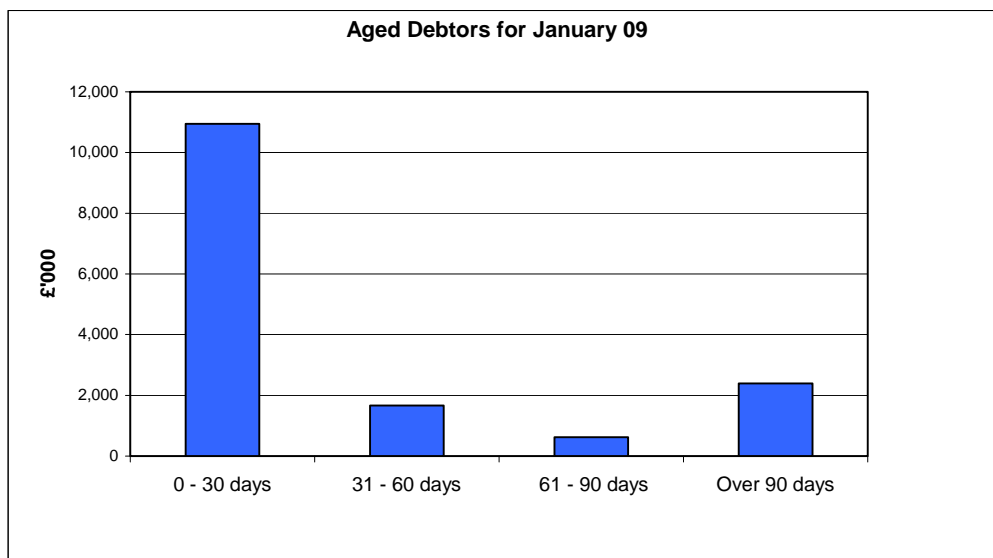
The total value of Debtors is £44.4m at 31 January 2009, as shown in the Balance Sheet report above. An analysis of the Debtor balance by type is shown in table 11 below. This shows that £15.6m relates to outstanding (unpaid) invoiced income.

An analysis of outstanding invoiced debt by age is included with this report at Appendix E and is summarised in table 12 below. Over 90 day debt has reduced from £3.4m at 31 December 2008 to £2.4m as at 31 January 2009. The main components of the outstanding balance again relate to over-performance against healthcare contracts and outstanding SLA charges to other Trusts.

**Table 11 – Analysis of Debtors**

	<b>Actual Jan 2009 £'000</b>	<b>Forecast Jan 2009 £'000</b>
Sales Ledger	15.6	15.7
Accrued Income	6.7	2.2
Prepayments	5.5	3.0
RTA	2.8	2.8
Other	13.8	2.9
<b>Total</b>	<b>44.4</b>	<b>26.6</b>

**Table 12 – Aged Debt Analysis**

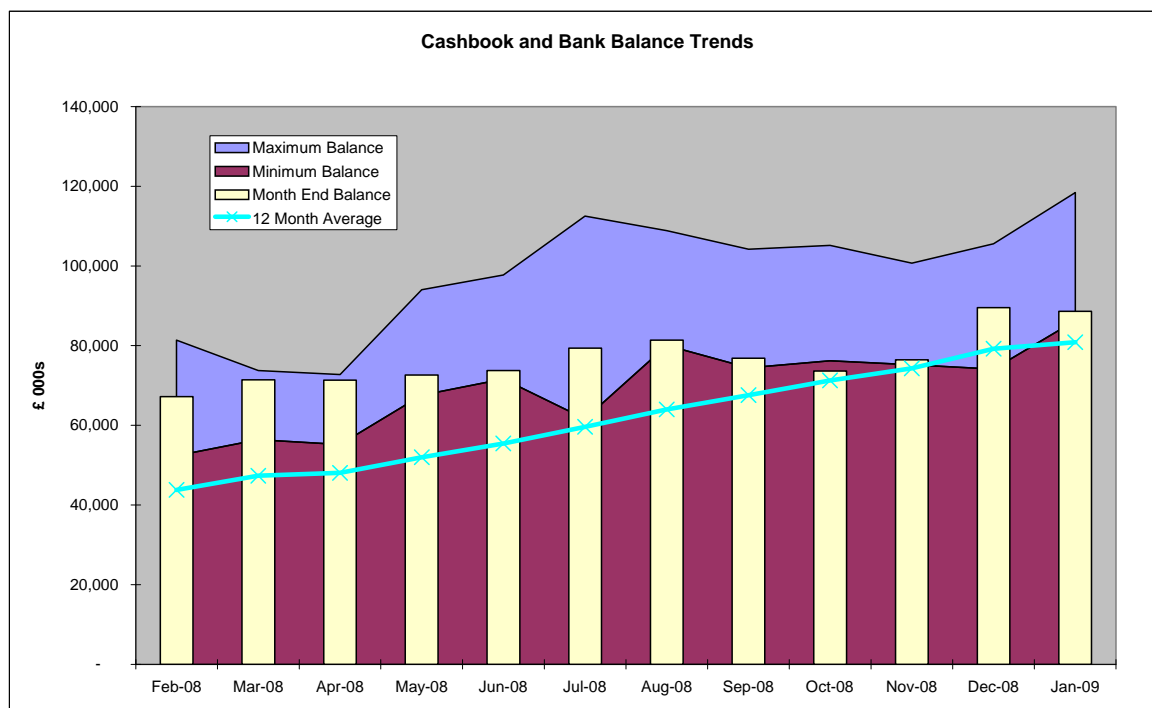


## 8. Cash Flow

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 shows the actual cashbook balance at month end compared against 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 January 2009 was £88.6m which is £0.6m below the planned position. 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 has not been used to date and is unlikely to be required in the immediate future. Therefore the value of this facility has been reduced to £1.0m for 2008/09.

**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 has been set at 5 for 2008/09 based on the Annual Plan. This rating has been maintained during the year based on the published results of Quarter 1 and Quarter 2 monitoring and self assessment of Quarter 3. 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.

**11. Future Financial Outlook**

The draft financial plan for 2009/10 is included on the agenda for the February Board of Directors as a separate item.

12. **Conclusion**

In overall terms performance remains largely consistent with the first three quarters of 2008/09 financial year, with the Trust reporting an income and expenditure surplus of £16.140m for the ten months to 31 January 2009. This represents a favourable variance of £557,000 against the planned surplus of £15.583m for the year to date and reflects an improvement of £9,000 against the previously reported variance. The year end forecast remains a surplus of £19.2m.

13. **Recommendation**

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

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

Mike Sexton  
Director of Finance  
18 February 2008