

# Sandwell and West Birmingham Hospitals

NHS Trust

## Financial Performance Report – May 2011

### EXECUTIVE SUMMARY

- For the month of May 2011, the Trust delivered a “bottom line” surplus of £25,000 compared to a planned surplus of £19,000 (as measured against the DoH performance target).
- For the year to date, the Trust has a deficit of (£204,000) compared with a planned surplus of £92,000 so generating a £296,000 adverse variance from plan.
- At month end, WTE's (whole time equivalents), excluding the impact of agency staff, were approximately 155 below plan. After taking into account the impact of agency staff, actual wte numbers are 17 above planned levels. Total pay expenditure for the month, inclusive of agency costs, was £29,000 or 0.12% above plan.
- The month-end cash balance is approximately £12.6m above the plan, a slight increase on the April position.
- Capital expenditure is below plan for the month but this is largely a consequence of later than planned land purchases in Grove Lane.

### Financial Performance Indicators - Variances

Measure	Current Period	Year to Date	Thresholds		
			Green	Amber	Red
I&E Surplus Actual v Plan £000	6	(296)	>= Plan	> = 99% of plan	< 99% of plan
EBITDA Actual v Plan £000	(7)	(308)	>= Plan	> = 99% of plan	< 99% of plan
Pay Actual v Plan £000	(29)	(294)	<= Plan	< 1% above plan	> 1% above plan
Non Pay Actual v Plan £000	14	49	<= Plan	< 1% above plan	> 1% above plan
WTEs Actual v Plan	(17)	(54)	<= Plan	< 1% above plan	> 1% above plan
Cash (incl Investments) Actual v Plan £000	12,938	12,938	>= Plan	> = 95% of plan	< 95% of plan

Note: positive variances are favourable, negative variances unfavourable

### Performance Against Key Financial Targets

Target	Year to Date	
	Plan £000	Actual £000
Income and Expenditure	92	(204)
Capital Resource Limit	5,010	1,017
External Financing Limit	---	12,938
Return on Assets Employed	3.50%	3.50%

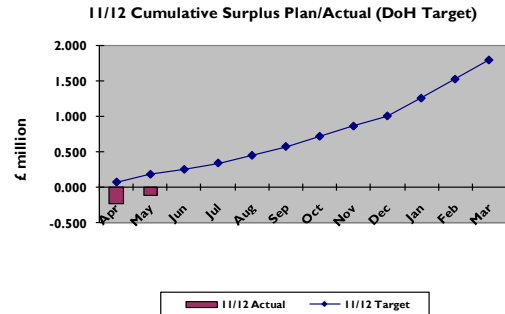
2010/2011 Summary Income & Expenditure Performance at May 2011	Annual Plan £000's	CP Plan £000's	CP Actual £000's	CP Variance £000's	YTD Plan £000's	YTD Actual £000's	YTD Variance £000's	Forecast Outturn £000's
Income from Activities	373,981	31,194	31,115	(79)	62,373	62,124	(249)	373,981
Other Income	39,220	3,201	3,288	87	6,406	6,592	186	39,220
Operating Expenses	(389,633)	(32,562)	(32,577)	(15)	(65,061)	(65,306)	(245)	(389,633)
EBITDA	23,568	1,833	1,826	(7)	3,718	3,410	(308)	23,568
Interest Receivable	25	2	15	13	4	16	12	25
Depreciation & Amortisation	(13,269)	(1,106)	(1,106)	0	(2,212)	(2,212)	0	(13,269)
PDC Dividend	(5,803)	(484)	(484)	0	(967)	(967)	0	(5,803)
Interest Payable	(2,156)	(180)	(180)	0	(359)	(359)	0	(2,156)
<b>Net Surplus/(Deficit)</b>	<b>2,365</b>	<b>65</b>	<b>71</b>	<b>6</b>	<b>184</b>	<b>(112)</b>	<b>(296)</b>	<b>2,365</b>
IFRS/Impairment Related Adjustments	(557)	(46)	(46)	0	(92)	(92)	0	(557)
<b>SURPLUS/(DEFICIT) FOR DOH TARGET</b>	<b>1,808</b>	<b>19</b>	<b>25</b>	<b>6</b>	<b>92</b>	<b>(204)</b>	<b>(296)</b>	<b>1,808</b>

The Trust's financial performance is monitored against the DoH target shown in the bottom line of the above table. IFRS and impairment adjustments are technical, non cash related items which are discounted when assessing performance against this target.

## Financial Performance Report – May 2011

### Overall Performance Against Plan

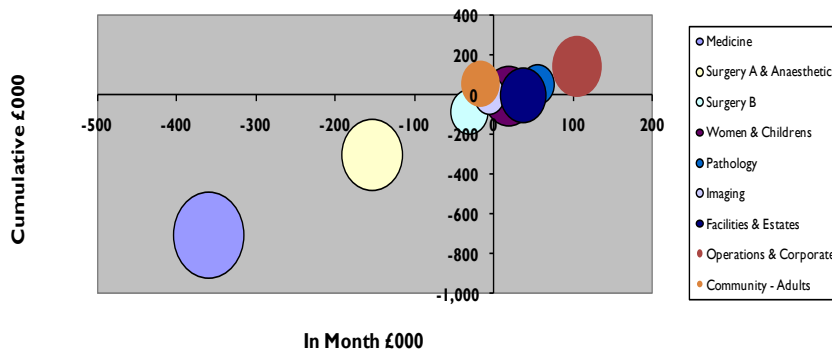
- The overall performance of the Trust against the DoH planned position is shown in the adjacent graph. Performance in April was significantly worse than plan while May was marginally better resulting in an overall year to date adverse variance of £296,000 and a “bottom line” deficit of (£204,000).



### Divisional Performance

- For May, significant deficits persisted within a number of major clinical divisions, primarily Medicine at (£360,000) and Surgery A, Anaesthetics & Critical Care at (£153,000). This broadly continues the bottom line level of performance being delivered by these divisions in April.
- In month performance of corporate divisions and Miscellaneous and Reserves was better than planned with surpluses of £106,000 and £342,000 respectively.
- Community – Adult Services has generated a small deficit in month although still remains in surplus for the year to date.
- The pressures within Medicine (mainly seen through high staffing costs) are linked with the maintenance of high levels of capacity, in part linked with the loss of beds through the norovirus outbreak, and the need to maintain capacity within A&E to ensure delivery of maximum waiting times for patients. For Surgery A, significant levels of bank and agency staff have been used to cover vacancies and sickness as well as high demand in critical care.
- Although overall performance is in line with plan for May, the financial performance of key clinical divisions must be rectified if the Trust is to meet its financial targets for the year.

Current Period and Year to Date Divisional Variances excluding Miscellaneous and Reserves



The tables adjacent and overleaf shows adverse performance of particularly of Medicine and Surgery A, offset by better than planned performance corporate divisions and reserves and miscellaneous.

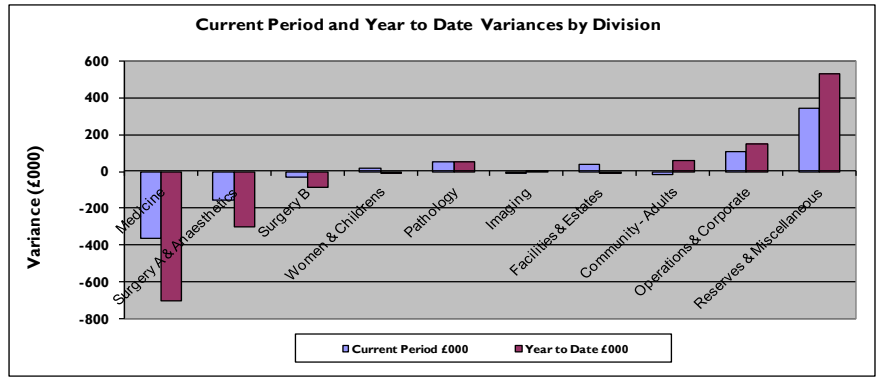
# Sandwell and West Birmingham Hospitals



NHS Trust

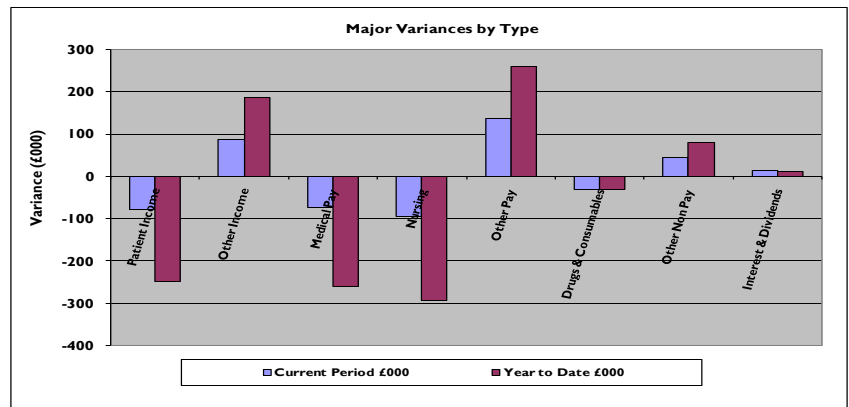
## Financial Performance Report – May 2011

Divisional Variances from Plan		
	Current Period £000	Year to Date £000
Medicine	-360	-705
Surgery A & Anaesthetics	-153	-303
Surgery B	-31	-85
Women & Childrens	19	-6
Pathology	56	55
Imaging	-5	1
Facilities & Estates	37	-3
Community - Adults	-17	62
Operations & Corporate	106	147
Reserves & Miscellaneous	342	529



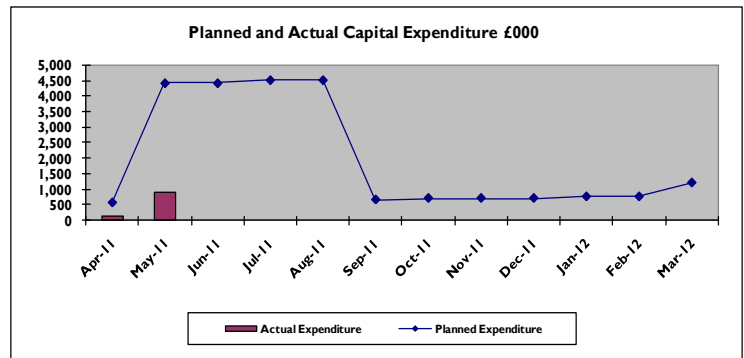
For May, the table and graph below show the adverse in month performance against patient related income, medical and nursing pay budgets with a better than planned position for other income, other pay and other non pay.

Variance From Plan by Expenditure Type		
	Current Period £000	Year to Date £000
Patient Income	-79	-249
Other Income	87	186
Medical Pay	-73	-261
Nursing	-94	-293
Other Pay	138	260
Drugs & Consumables	-31	-30
Other Non Pay	45	79
Interest & Dividends	13	12



**Capital Expenditure**

- Planned and actual capital expenditure by month is summarised in the adjacent graph.
- The profile (particularly the high level of expenditure between May and August, reflects the expected pattern of expenditure on Grove Lane land although this area is more volatile than others.
- May expenditure is lower than planned wholly because actual land purchases will be later than originally planned. Excluding land purchases, actual spend is broadly in line with the plan for the month.



## Sandwell and West Birmingham Hospitals



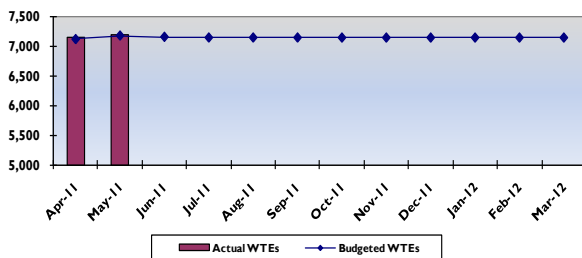
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## Financial Performance Report – May 2011

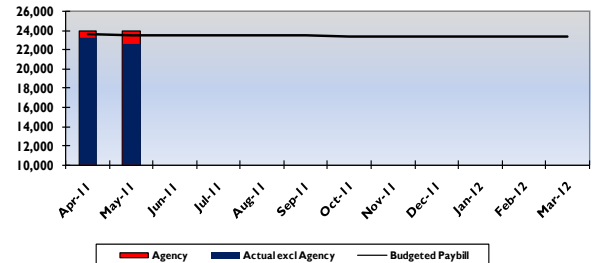
### Paybill & Workforce

- Workforce numbers, including the impact of agency workers, are approximately 17 above plan for May. Excluding the impact of agency staff, wte numbers are around 189 below plan. This is an improvement on the position reported for April although this is driven by an increase in budgeted wtes as reserves are distributed to divisions. The actual number of wtes has risen by 30 since April.
- Total pay costs (including agency workers) are £29,000 above budgeted levels for the month, mainly focussed in medical, nursing and HCA/support staff pay groups with particularly high levels of spend in Medicine and Surgery A. To some degree, the high levels of expenditure for these pay groups is offset by lower than planned expenditure on Management, Administrative and Scientific, Therapeutic and Technical staff.
- Expenditure for agency staff in May was £782,000 compared £698,000 in April, an average of £673,000 for 2010/11 and spend in May 2010 of £467,000. The biggest single group accounting for agency expenditure remains medical staffing.

Budgeted and Actual WTEs (Including Agency Workers)



Budgeted and Actual Paybill £000



### Pay Variance by Pay Group

- The table below provides an analysis of all pay costs by major staff category with actual expenditure analysed for substantive, bank and agency costs.

	Analysis of Total Pay Costs by Staff Group					Variance £000
	Budget £000	Year to Date to May Actual			Total £000	
		Substantive £000	Bank £000	Agency £000		
Medical Staffing	12,745	12,213		793	13,006	(261)
Management	2,706	2,505		0	2,505	201
Administration & Estates	5,408	4,980	148	208	5,336	72
Healthcare Assistants & Support Staff	4,936	4,730	382	65	5,177	(241)
Nursing and Midwifery	14,506	13,796	715	289	14,799	(293)
Scientific, Therapeutic & Technical	7,355	7,001		125	7,126	229
Other Pay	(26)	(25)			(25)	(1)
<b>Total Pay Costs</b>	<b>47,630</b>	<b>45,199</b>	<b>1,245</b>	<b>1,480</b>	<b>47,924</b>	<b>(294)</b>

NOTE: Minor variations may occur as a result of roundings

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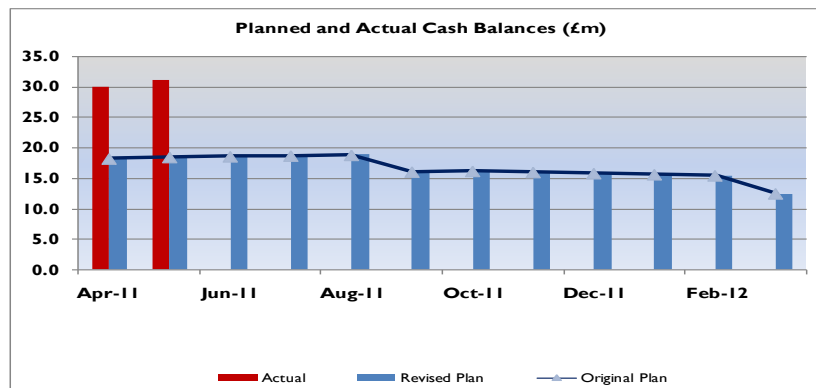
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## Financial Performance Report – May 2011

### Balance Sheet

- The opening Statement of Financial Position (balance sheet) for the year at 1<sup>st</sup> April reflects the statutory accounts for the year ended 31<sup>st</sup> March 2011.
- Cash balances at 31<sup>st</sup> May are approximately £12.6m (£0.9m greater than at 30<sup>th</sup> April) higher than the plan although, part, this reflects the fact that cash balances at 31<sup>st</sup> March 2011 were higher than originally assumed in the 11/12 financial plan.

Sandwell & West Birmingham Hospitals NHS Trust			
STATEMENT OF FINANCIAL POSITION			
		Opening Balance as at 1st April 2011 £000	Balance at 31st May 2011 £000
<b>Non Current Assets</b>	Intangible Assets	1,077	1,057
	Tangible Assets	216,199	215,004
	Investments	0	0
	Receivables	649	650
<b>Current Assets</b>	Inventories	3,531	3,639
	Receivables and Accrued Income	12,652	12,839
	Investments	0	0
	Cash	20,666	31,145
<b>Current Liabilities</b>	Payables and Accrued Expenditure	(33,513)	(43,910)
	Loans	0	0
	Borrowings	(1,262)	(1,250)
	Provisions	(4,943)	(4,639)
<b>Non Current Liabilities</b>	Payables and Accrued Expenditure	0	0
	Loans	0	0
	Borrowings	(31,271)	(30,771)
	Provisions	(2,237)	(2,237)
		<b>181,548</b>	<b>181,527</b>
<b>Financed By</b>			
<b>Taxpayers Equity</b>	Public Dividend Capital	160,231	160,231
	Revaluation Reserve	36,573	36,573
	Donated Asset Reserve	2,099	2,099
	Government Grant Reserve	1,662	1,662
	Other Reserves	9,058	9,058
	Income and Expenditure Reserve	(28,075)	(28,096)
		<b>181,548</b>	<b>181,527</b>



## Financial Performance Report – May 2011

Risk Ratings			
Measure	Description	Value	Score
EBITDA Margin	Excess of income over operational costs	5.4%	3
EBITDA % Achieved	Extent to which budgeted EBITDA is achieved/exceeded	91.9%	4
Return on Assets	Surplus before dividends over average assets employed	1.5%	2
I&E Surplus Margin	I&E Surplus as % of total income	0.0%	2
Liquid Ratio	Number of days expenditure covered by current assets less current liabilities	23.5	3
<b>Overall Rating</b>			<b>2.6</b>

### Risk Ratings

- The adjacent table shows the Monitor risk rating score for the Trust based on performance at May.
- An adjustment has now been made to the liquidity ratio to reflect an uncommitted overdraft facility (which would be in place as an FT) as this more accurately reflects performance against the Monitor risk rating regime. The changes the Liquid Ratio score from 1 to 3.
- Return on Assets and I&E Surplus Margin are poorer than would normally be expected because of the adverse year to date financial performance being reported.

### External Focus

- The outcome of the consultations supporting the NHS Future Forum and the Government's response should be published shortly. To the extent that changes are made to existing policies, these will take time to ripple through the component parts of the NHS. The extent of any direct impact on Sandwell & West Birmingham Hospitals is unlikely to be known with any degree of certainty for some time but any proposed changes and their potential impact will be monitored on an ongoing basis.
- The NHS continues to target very significant savings over the next few years and this will impact on all parts of the service. There is already significant scrutiny underway as part of the DH assurance process for Clusters and this extends to the deliverability of savings within individual organisations. Consequently, all parts of the local health economy will be under pressure to deliver financial targets this year.
- PCTs across both Birmingham and the Black Country have expressed considerable concern over the deliverability of QIPP programme. For example, Heart of Birmingham PCT have identified a potential shortfall of £4.8m against a programme of £11.7m in 2011/12. In addition and based on experience from 2010/11, there is some anticipation of over performance against SLA values, particularly where reductions have been made in 2011/12 to reflect expectations of better management of demand. All of these issues place significant pressures on the local health economy to deliver its financial targets and Sandwell & West Birmingham Hospitals will not be isolated from any actions taken by PCTs to attempt to deliver these targets.

## Financial Performance Report – May 2011

### Conclusions

- The Trust's year to date performance against both its Department of Health control total (i.e. the bottom line budget position it must meet) and the statutory accounts target shows a shortfall of (£296,000).
- In month, the Trust delivered an overall surplus of £25,000 which is £6,000 ahead of plan.
- Year to date capital expenditure was £1,017,000 which is lower than plan but this is the result of actual land acquisition in Grove Lane being later than originally expected.
- At 31st May, cash balances are approximately £12.6m higher than the cash plan.
- Once again, significant in month shortfalls against plan have been generated by Medicine and, to a lesser extent, Surgery A, Anaesthetics & Critical Care. High levels of cost are primarily being driven by increased staffing levels in these divisions, manifested particularly through bank and agency spend and reflecting additional ward capacity being opened and the continuation of out of hours working and waiting list initiatives.
- The adverse performance in key clinical divisions is offset by better than planned performance in corporate services along with a release of reserves and miscellaneous divisions.
- Although it remains early in the financial year and thus allows maximum time for rectification to take place, current levels of expenditure in certain areas and divisions, if left unaddressed, poses a risk to the delivery of financial targets for the year. Consequently, financial performance in key divisions will need to be managed within the constraints of the Trust's financial plan in order to ensure these targets are met. Rectification meetings have been held with the two key divisions and action plans are being drawn up to deal with specific operational and financial issues.

### Recommendations

The Trust Board is asked to:

- i. NOTE the contents of the report; and
- ii. ENDORSE any actions taken to ensure that the Trust remains on target to achieve its planned financial position.

**Robert White**

**Director of Finance & Performance Management**