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Introduction

The financial situation in 2013 was again very challenging, but significantly improved from the 2012 position with an increase of €26.505 million in funding. Activity and demand levels continued to increase across most hospital services.

The significant financial pressures remained from an opening deficit of €24m, continued reduction in patient income and the costs associated with opening additional capacity leading to higher patient care costs, eg medical and surgical supplies, agency staff and patient support costs. The introduction of the Haddington Road Agreement from July 2013 resulted in significant cost retractions in most pay categories.

These factors culminated in a decrease in pay, marginal increase in non-pay and decrease in income. However, with an increased funding allocation, the funding deficit for 2013 closed at €19.303m.

Financial Outcome

At the end of 2013 the hospital had a cumulative deficit of €19.303m compared to a deficit of €24.198m at the end of 2012.

Gross expenditure in the year decreased by €3.736m. This decrease was largely attributable to:

☐ Pay cost decreases	€1.592m
☐ Pension and Lump Sums decreases	€2.602m
☐ Non-pay increases	€0.458m

Income decreased by €3.542m compared to 2011. All of these factors contributed to an overall increase in net expenditure of €0.194m.

Funding

The hospital receives separate allocations from HSE in respect of revenue and capital expenditure.

The revenue allocation for 2013 was €262.594m, an increase of €26.505m from 2012. The 2013 capital allocation, at €8m, increased by €6m on 2012's outcome.

Revenue Funding

The 2013 funding increase followed the “re-balancing” commitment made by the HSE following the PA Consulting review of the funding of all aspects of healthcare with the expectation that hospital's breakeven in 2013.

The main changes in the 2013 revenue allocation were:

☐ General allocation cut	€5.405m
☐ Staff retirements cut	€4.385m
☐ Increased private income charges	€1.222m
☐ Legislation to charge all private patients	€5.526m

Haddington Road Agreement (HRA)

Beaumont's allocation cuts for HRA totalled €4.350m in 2013.

Capital Funding

Capital funding increased significantly in 2013, predominantly in the areas of equipment replacement and infrastructural reconfiguration.

The most significant capital projects in 2013 were:

❑ National Renal Transplant Programme	€1.300m
❑ Second Cardiac Cath Laboratory	€1.000m
❑ Equipment Replacement Programme	€3.151m
❑ Minor Capital Infrastructure	€0.835m
❑ ICT Licences and support	€0.706m
❑ ICU & Neuro ICU Systems	€0.456m

Service Developments

A number of important clinical developments were progressed or completed in 2013, including:

- ❑ Living Donor Programme
- ❑ Cancer Services
- ❑ Care Programme funding for:
 - ❑ Acute Coronary Syndrome
 - ❑ Critical Care Programme
 - ❑ Epilepsy Care Programme

Income and Expenditure Account

Pay Costs

Pay costs (including superannuation) decreased by €4.194m (1.8%) reflecting the impact of the Haddington Road Agreement pay reductions for salaries above €65k per annum, unpaid overtime requirements for Support Services staff and the implementation of increased working hours for administration, nursing and NCHD staff. 2013 also saw a significant decrease in pensions and lump sums based on the numbers retiring.

The principal causal factors behind the decreases in pay were:

o Consultant and NCHD	€1.699m
o Support Services	€0.864m
o Maintenance/Technical	€0.164m

The principal factors behind the increases in Pay were:

o Nursing: opening capacity and service developments	€0.830m
o AHP: service developments	€0.221m

The breakdown of the decrease in pensions and lump sums is shown below.

Table 1

Decrease in Pension and Lump Sum Costs	
Description	€m
Increase in pensions paid and contribution refunds	0.117
Increase in Lump Sums	2.485
Total increase in pensions and lump sums	2.602

Non-Pay Costs

Non-pay expenditure increased by €0.458m (<1%). The increase was due to increased direct patient care non-pay costs, due to the increased patient activity volumes. These additional costs were offset by gains in the cost containment and procurement savings in the year.

The majority of the increase in non-pay costs is shown in Table 2 below.

Table 2

Increase in Non-Pay Costs	
Description	€m
Medical & Surgical Supplies	1.224
Laboratory Reagent Costs	0.426
Medical Equipment Purchases	0.212
X-ray/imaging	0.362
Total increase in patient activity non-pay costs	2.224

Direct patient care costs increased by €0.376m, support costs increased by €0.341m and financial and administrative costs decreased by €0.259m. The proportion of non-pay spending on direct patient care is 56.7%, 28.7% on support services and 14.6% relates to financial and administration expenses.

The main pressure in non-pay costs related to increased treatment (surgical implants and medical surgical consumables) costs related to the increased activity levels experienced during the year, this resulted in €1.6m increases in related costs.

Income

Income decreased by €3.542m (5.8%).

The main factors in this outcome were:

- ❑ Private bed income declined by €2.390m (9%) as a result of declining private patient volumes attending the hospital, and reciprocal lower private bed utilisation rates.
- ❑ Statutory inpatient charges declined by €0.142m (5%)
- ❑ Superannuation deductions fell by €0.106m (5%) and payroll deductions fell by €0.293m (18%) in line with the reduction in pay costs.
- ❑ Income from research funds decreased by €1.274m (38%) in the year

Liquidity

The hospital had a net cash outflow of €4.311m in 2013. The main components were:

Inflows

❑ HSE capital grants received	€8.306m
❑ Operating Surplus	€4.895m
❑ Acquisition of fixed Assets	€1.656m

Outflows

❑ Capital expenditure payments	(€6.744m)
❑ Changes in net debt	(€3.539m)

There was a significant increase in HSE and non-HSE debtors in the year of €14.853m. There was also an increase in creditors of €2.759m

During 2013 the hospital increased its dependence on overdraft funding to manage the brought forward deficit of €24m. The issue was further compounded by the reduction of the bank overdraft facility set by HSE to €15.452m. The book value of loans and overdrafts at year end was €24.379m, the bank overdraft threshold of was not breached.

The provisions of the Prompt Payments Act 1997 apply to the payment practices of the hospital. Under Section 12 of the Act the hospital issues a Prompt Payments of Account Statement to the Minister for Enterprise Trade and Employment.

Balance Sheet

Capital employed at the end of 2013 was €114.732m (2012: €105.534m). This comprised fixed assets at net book value, €129.934m, current assets, €36.557m and current liabilities of €66.0m.

Significant Issues

We closed out the surrender, and release, of the original multi-storey car park lease on the July 31, 2013, effectively ceasing all commercial arrangements with Howard Holdings/Winston and KBC.

QPark Ireland Limited commenced as the new operator of the multi-storey car park from the same date, under a new two-year, extendable lease, with amended First (guaranteed) and Second (profit sharing) Lease Rent arrangements.

Finance Developments

The most important development priorities for the Finance function are:

- ❑ Operation of effective cost, revenue and cash management controls: In the context of continually reducing allocations this is the overriding priority and will remain so for the foreseeable future.
- ❑ Support for Clinical Directorates: The Finance function has supported the roll-out of the directorate structure and will continue to refine and expand its services particularly in the areas of cross-charging and devolved budgetary control.
- ❑ Costing: The Finance function delivered patient level costing in 2012. The data sources continue to be improved and the hospital is now capable of delivering business value from the system. Beaumont continues to prepare for the move to the “Money Follows the Patient” funding model.
- ❑ Debtors and Debt Collection: The Claimsure system went “live” in January 2013 and helped reduce debtors’ days and improve visibility on the private health submissions process to help release important working capital.
- ❑ We successfully delivered our waiting list and OPD targets for 2013. As part of the initiative, Finance negotiated pricing for outsourced activity costing approximately €900k to private hospitals; this impacted in additional costs in our final year figures and was fully funded by HSE by additional allocation.

BALANCE SHEET
AT 31ST DECEMBER 2013

	Notes	2013		2012	
		€'000	€'000	€'000	€'000
FIXED ASSETS	4		129,934		127,749
CURRENT ASSETS					
Debtors		41,788		27,506	
Stocks		7,915		8,002	
Bank/Cash Balance		1,144	50,847	1,049	36,557
CURRENT LIABILITIES					
Creditors		41,667		38,024	
Bank Overdraft / Loan		24,379		19,973	
Finance Leases					
Taxation	3		66,049	3	58,000
NET CURRENT ASSTS / (LIABILITIES)			-15,202		-21,443
LONG TERM LIABILITIES					
Financing Obligations				772	
Finance Leases					772
NET ASSETS			114,732		105,534
FINANCED BY:					
Non-Capital Income & Expenditure Account (Deficit) / Surplus			(19,303)		(24,198)
Capital Income & Expenditure Account (Deficit) / Surplus			4,101		1,983
Capitalisation Account			129,934		127,749
			114,732		105,534