Oxford University Hospitals NHS
NHS Trust

Trust Board Meeting: Thursday 1 March 2012

TB2012.20

Title	**Financial Performance to 31 January 2012 Month 10**

Status	A paper for information
History	Regular monthly report

Board Lead(s)	Mr Mark Mansfield, Director of Finance and Procurement			
Key purpose	Strategy	Assurance	Policy	**Performance**

Summary

This report on the Trust's financial position after the first ten months of the financial year 2011/12 is set out as follows:

1 – Statement of Comprehensive Income (Income & Expenditure Account);

2 – Statement of Financial Position (Balance Sheet);

3 – Statement of Cashflows;

4 – Financial Risk Rating;

5 – Analysis of Income by Commissioner;

6 – Analysis of the Capital Programme for 2011/12;

7 – Analysis of the Savings Programme for 2011/12; and

8 – Risks

Key points to note:

1	The Trust's financial position was £316,000 better than plan in January. (See page 3)
2	Part of the slippage on the capital programme has been mitigated by bringing forward priority schemes originally planned for 2012/13, but the Trust could still be underspent on capital by £2.5m at the year-end. (Page 8)
3	The Trust has found 95% of its planned year-to-date savings target. (Page 9)
4	The income risks associated with achieving the year end planned surplus have been partly mitigated through agreements reached with some of the Trust's main Commissioners. (Page 11)

1 – Statement of Comprehensive Income (Income & Expenditure Account)

Line Description	Annual Plan £000	Current Month Plan £000	Current Month Actual £000	Current Month Variance £000	Year to Date Plan £000	Year to Date Actual £000	Year to Date Variance £000
Income							
Commissioning & RTA	606,584	51,331	52,505	**1,174**	504,683	522,983	**18,300**
PP & Overseas	11,350	459	844	**385**	9,514	9,228	**(286)**
Other Income	111,505	9,197	9,642	**445**	92,955	95,126	**2,171**
Total Income	**729,439**	**60,987**	**62,991**	**2,004**	**607,152**	**627,337**	**20,185**
Expenditure							
Pay	(402,821)	(33,696)	(34,784)	**(1,088)**	(333,811)	(347,899)	**(14,088)**
Non-Pay	(255,702)	(21,869)	(22,340)	**(471)**	(213,401)	(221,412)	**(8,011)**
Total Expenditure	**(658,523)**	**(55,565)**	**(57,124)**	**(1,559)**	**(547,212)**	**(569,311)**	**(22,099)**
EBITDA	**70,916**	**5,422**	**5,867**	**445**	**59,940**	**58,026**	**(1,914)**
Depreciation	(34,694)	(2,891)	(2,821)	**70**	(28,911)	(27,638)	**1,273**
Impairments	(308)				(308)	(437)	**(129)**
Investment Revenue	115	9	12	**3**	95	119	**24**
Other Gains & Losses	(179)	(15)		**15**	(149)		**149**
Finance Costs	(21,369)	(1,780)	(1,581)	**199**	(17,807)	(17,986)	**(179)**
PDC Dividend Payable	(8,404)	(700)	(700)		(7,003)	(7,241)	**(238)**
Retained Surplus	**6,077**	**45**	**777**	**732**	**5,857**	**4,843**	**(1,014)**
IFRIC12 Technical Deficit	526	38	(496)	**(534)**	450	331	**(119)**
Impairments	308				308	437	**129**
Donated Asset Addns.	2,790	233	154	**(79)**	2,325	1,514	**(811)**
Donated Asset Depn.	(2,560)	(214)	(17)	**197**	(2,133)	(819)	**1,314**
Break Even Surplus	**7,141**	**102**	**418**	**316**	**6,807**	**6,306**	**(501)**

- The Trust made a surplus of £0.4m in January (as measured against its break even duty) which was £0.3m better than plan. It is now £0.5m behind the year-to-date plan.
- All sources of income exceeded plan, reflecting the trend followed year-to-date for commissioning income and, in some areas, seasonal increases in activity which occur through the winter months.
- Although there was an overspend on pay, expenditure in the month was in line with the year-to-date average monthly spend. This year-to-date overspend partly reflects the over-performance on activity, and controls over recruitment and the use of agency staff are now having an impact on pay costs.
- There has been a re-calculation of the value of interest the Trust is paying within its PFI Unitary Payments (UP). This does not affect the amount paid in UP but has increased the IFRIC 12 "technical" adjustment in the month. The offsetting adjustment is against non-pay expenditure and has made the non-pay variance against plan lower than it would otherwise have been. If this adjustment is excluded then January's variance against plan is in line with the run rate for the rest of the year and reflects over-performance against commissioned activity.
- The Trust's year-to-date EBITDA remains at 9.2% of turnover (as it was in December).

2 – Statement of Financial Position (Balance Sheet)

	Opening Balance 01-Apr-11	Closing Balance 31-Jan-12	YTD Movement	Mvmt. In Month
NON-CURRENT ASSETS				
Property, Plant and Equipment	703,411	682,649	(20,762)	(1,677)
Intangible Assets	4,253	5,924	1,671	(63)
Trade and Other Receivables	4,259	4,222	(37)	127
NON-CURRENT ASSETS	**711,923**	**692,795**	**(19,128)**	**(1,613)**
CURRENT ASSETS				
Inventories	13,014	13,501	487	(537)
Trade and Other Receivables	28,746	51,363	22,617	3,904
Cash and Cash Equivalents	25,799	44,310	18,511	2,514
CURRENT ASSETS	**67,559**	**109,174**	**41,615**	**5,881**
CURRENT LIABILITIES				
Trade and Other Payables	(86,848)	(114,970)	(28,122)	(4,877)
Borrowings	(17,088)	(17,139)	(51)	(4)
Current Provisions	(3,641)	(1,485)	2,156	67
CURRENT LIABILITIES	**(107,577)**	**(133,594)**	**(26,017)**	**(4,814)**
NET CURRENT ASSETS/(LIABILITIES)	**(40,018)**	**(24,420)**	**15,598**	**1,067**
NON-CURRENT LIABILITIES				
Borrowings	(316,051)	(305,469)	10,582	1,306
Trade and Other Payables	(630)	(601)	29	4
Non-Current Provisions	(1,565)	(3,803)	(2,238)	13
NON-CURRENT LIABILITIES	**(318,246)**	**(309,873)**	**8,373**	**1,323**
TOTAL ASSETS EMPLOYED	**353,659**	**358,502**	**4,843**	**777**
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	203,912	203,912		
Retained Earnings	15,748	20,591	4,843	777
Revaluation Reserve	132,256	132,256		
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	**353,659**	**358,502**	**4,843**	**777**

- Non-Current Assets reduced in the month because depreciation on the existing asset base exceeded new capital additions. This trend should reverse in the last two months of the year as the Trust completes its capital programme for 2011/12.
- Current Receivables increased in the month due to an increase in VAT receivable. Some NHS Commissioners have settled old outstanding debt relating to over-performance in February.
- The increase in cash reflects the low level of capital investment in the month and the increase in Payables.
- The increase in Payables was partly due to an increase in accruals for energy costs, and partly due to a further deferral of monies received for the Biomedical Research Centre and Biomedical Research Unit as the Trust receives the funding for these quarterly in advance of expenditure.
- The fall in borrowings reflects the regular repayments on the capital element of the PFI contracts made to the Trust's PFI providers through the monthly unitary payments.

3 – Statement of Cashflows

	Current Month £000	YTD Mvmt £000
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	2,512	29,822
Depreciation and Amortisation	2,821	27,636
Impairments and Reversals		437
Interest Paid	(1,491)	(17,083)
Dividend Paid	(688)	(5,078)
Receipt of Donated Assets		(45)
(Increase)/Decrease in Inventories	538	(486)
(Increase)/Decrease in Trade and Other Receivables	(3,481)	(23,066)
Increase/(Decrease) in Trade and Other Payables	4,711	27,952
Increase/(Decrease) in Provisions	(79)	81
Net Cash Flow from Operating Activities	**4,843**	**40,170**
Cash Flows from Investing Activities		
Interest Received	13	119
(Payments) for Property, Plant and Equipment	(981)	(9,523)
(Payments) for Intangible Assets	(59)	(1,724)
Net Cash Flow from Investing Activities	**(1,027)**	**(11,128)**
NET CASH FLOW BEFORE FINANCING	**3,816**	**29,042**
Cash Flows from Financing Activities		
Capital Investment Loans - Repayment of Principal		(702)
Working Capital Loans - Repayment of Principal		(1,666)
Capital Element of Finance Leases and PFI	(1,302)	(8,164)
Net Cash Flow from Financing	**(1,302)**	**(10,532)**
Net Increase/(Decrease) in Cash	**2,514**	**18,510**
Cash at the Beginning of the Period	**41,796**	**25,800**
Cash at the End of the Period	**44,310**	**44,310**

- The Trust's cash holdings increased by £2.5m in January.
- Depreciation charges were £2.8m in the month. The cash received from the inclusion of depreciation in the Trust's prices is used to finance the Trust's capital programme and to repay its loans. £1.0m was spent on capital in January and £1.3m was used to settle the capital element of its PFI and finance leases.
- A proportion of the increase in cash was generated through short-term movements in current assets and liabilities. It is expected that these will reverse over the next two months.
- The Trust held enough cash to cover 25 working days of operating expenditure at 31 January. This is unlikely to be sufficient to support the Trust's Foundation Trust application and remains an area of concern (see Financial Risk Rating – page 6).

4 – Financial Risk Rating

Financial Criteria	Risk Rating	Weight	Scores					YTD January 2012		YTD December 2011	
			5	4	3	2	1	Metric	Score	Metric	Score
Achievement of Plan	EBITDA % achieved	10%	100%	85%	70%	50%	<50%	96.8%	4	96.4%	4
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	9.2%	4	9.2%	4
Financial Efficiency	Return on Assets	20%	6%	5%	3%	-2%	< -2%	5.4%	4	4.9%	3
	I & E Surplus Margin	20%	3%	2%	1%	-2%	< -2%	0.8%	2	0.9%	2
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	-14	1	-17	1
Weighted Average									**2.85**		**2.65**
Overall Rating (see rules below)									**2**		**2**

Monitor - Rules Used to Adjust the Financial Risk Rating

Situation	Maximum Rating
Plan not submitted on time	3
Plan not submitted complete and correct	3
PDC dividend not paid in full	2
One financial criterion scored at '1'	2
One financial criterion scored at '2'	3
Two financial criteria scored at '2'	2
Two financial criteria at '1'	1
Unplanned breach of Prudential Borrowing Code (PBC)	2
Previous year's annual rating worse	No more than 2 points better than previous year
Less than 1 year as an NHS Foundation Trust	4
Deficit forecast in year 2 or 3	3
Deficit forecast in both years 2 and 3	2

- The Trust’s financial risk rating (FRR) rose from a weighted average score of 2.65 in December to 2.85 in January. This was because the measure for the return on assets moved above the 5% threshold return.

- Although the Trust’s liquidity improved once again in January, the score remains below the number of days needed to achieve an improved risk score. This means that the Trust’s overall rating is restricted to a “2” and it is not expected that this will vary during the rest of the financial year.

5 – Analysis of Income by Commissioner

Commissioner	Plan Price Annual £000	Price Plan YTD £000	Price Actual YTD £000	Variance YTD £000	Var. YTD %
NHS Buckinghamshire & Oxfordshire	365,234	304,154	312,785	8,631	2.8%
South Central Specialised Commission.	79,231	66,078	68,386	2,308	3.5%
Northamptonshire PCT	19,013	15,836	16,675	839	5.3%
East Midlands Specialised Commission.	16,733	13,945	15,059	1,114	8.0%
South West Specialised Commission.	16,481	13,736	13,817	81	0.6%
Berkshire West PCT	14,484	12,064	13,156	1,092	9.1%
Milton Keynes PCT	14,097	11,741	10,511	(1,230)	(10.5%)
Swindon PCT	5,636	4,685	5,058	373	8.0%
Bedfordshire PCT	4,394	3,660	4,253	593	16.2%
NCG Kidney & Pancreatic Transplantation	4,211	3,521	3,763	242	6.9%
Berkshire East PCT	1,623	1,353	1,467	114	8.4%
Warwickshire PCT	5,413	4,509	4,574	65	1.4%
Others	52,670	43,256	49,208	5,952	13.8%
Total	**599,220**	**498,538**	**518,712**	**20,174**	**4.0%**

- The overall variance against plan increased by £1.1m in January.
- Of this increase £0.8m was against the planned figure for NHS Buckinghamshire & Oxfordshire.
- The over-performance against the NHS Buckinghamshire & Oxfordshire contract is a little ahead of the agreement on the year-end position reached with the Commissioners.

6 – Analysis of the Capital Programme for 2011/12

	Annual Plan £000s	Expenditure: Current Month £000s	Expenditure: YTD £000s	Balance Remaining £000s
Buildings				
Projects B/F from 2010/11	693		371	**322**
Estates Programme	2,400	77	1,237	**1,163**
JR Window Upgrade	300	25	224	**76**
JR Theatres Enhancement	100			**100**
Cardiac Repatriation Scheme	596	250	403	**193**
Maternity Pathway Improvements	562	49	333	**229**
Neonatal Interim Development	500	15	36	**464**
Level 1 X-Ray Rooms (x2)	658		108	**550**
Elimination of MSA & Ward Moves	700		95	**605**
Head and Neck Relocation scheme	1,172		521	**651**
Third Party Commitments	3,660	19	383	**3,277**
Fifth Endoscopy Room	566			**566**
Clinical Trials Unit - Building	375		167	**208**
Sub-Total - Buildings	**12,282**	**435**	**3,878**	**8,404**
Equipment				
Medical Equipment	4,565	189	1,057	**3,508**
Lab. Equipment & Theatre Lights	563		57	**506**
Managed Eqpt. Services (Churchill PFI)	728	(21)	549	**179**
Clinical Trials Unit - Equipment	25		11	**14**
Minor Equipment Projects			17	**(17)**
Sub-Total - Equipment	**5,881**	**168**	**1,691**	**4,190**
I.T.				
EPR and Infrastructure	4,434	471	3,276	**1,158**
PACS	400		13	**387**
Automated Sensitivity Testing System	150			**150**
I.T. Replacement	500	9	96	**404**
Minor I.T. Projects	100			**100**
Sub-Total - Equipment	**5,584**	**480**	**3,385**	**2,199**
Technical Accounting Adjs. (IFRIC 12)	910			**910**
Adjustment to Plan	(2,357)	13	27	**(2,384)**
Total Capital	**22,300**	**1,096**	**8,981**	**13,319**

- The Trust charged £1.1m against the capital programme in January. The largest area of spend continues to be for costs associated with the implementation of the electronic patient record (EPR) project.
- The underspend against "Third Party Commitments" relates to capital projects associated with the Biomedical Centre and where funding is "ring-fenced" and, if unspent, carried into 2012/13.
- Slippage on the capital programme will result in an undershoot against the Trust's Capital Resource Limit (CRL). This underspend cannot be carried forward to future years. Hence, if a particular project underspends then provision will need to be made in the 2012/13 programme for future expenditure to complete the work.
- The Trust's Strategic Planning Committee has therefore agreed to mitigate part of the slippage by bringing forward £1.8m of prioritised investment in medical equipment and I.T. that was planned to be spent in 2012/13 and by accelerating those schemes due to be completed by the end of the current year.
- By bringing capital expenditure forward from next year, room has been created in the 2012/13 capital programme for those schemes that have slipped against their original planned timelines.
- Although part of the 2012/13 capital programme has now been accelerated into this year, the Trust may undershoot its CRL by up to £2.5m at the end of the year.

7 – Analysis of the Savings Programme for 2011/12

	Target £000	YTD Plan £000	YTD Act. £000	Variance £000	Green £000	Amber £000	Red £000	Unident. £000
FYE of 2010/11 schemes	**10,560**	8,800	8,800		10,560			
Divisional General Efficiency	**12,411**	10,640	15,645	5,005	18,746		560	(6,895)
Procurement	**4,403**	3,641	3,115	(526)	3,494	111	5	793
Staff Productivity:								
Review of Specialist Nurses	**100**	75	33	(42)	33		67	
Agency	**2,000**	1,455	326	(1,129)	324	99		1,577
Consultant Job Plans	**500**	333	264	(69)	300	3	50	147
Radiology Retention	**400**	300		(300)				400
Other Workforce Measures	**6,577**	5,115	1,993	(3,122)	1,993	1,122		3,462
Outpatients - Use of Clinics	**500**	389		(389)			25	475
Reduce Pre-Op. LOS	**400**	320		(320)				400
Medicines Management	**3,500**	2,917	2,917		3,500			
Productive Theatres	**999**	833	60	(773)	60	125		814
Estates Management	**700**	467	233	(234)	233		467	
Ward Moves	**1,200**	933	687	(246)	848		75	277
Reduce 18 Week Premium Costs	**7,000**	5,444	5,444		7,000			
R & D Income	**1,500**	1,250	1,250		1,500			
Former NOC Schemes	**5,625**	4,625	4,388	(237)	3,861	1,129	583	53
Grand Total	**58,375**	**47,537**	**45,155**	**(2,382)**	**52,452**	**2,589**	**1,832**	**1,503**

- The Trust has delivered £45.2m in savings year-to-date. This represents 95% of the year-to-date target.
- The Trust remains £2.4m behind plan year-to-date. This is the same position as at the end of December.
- Whilst a number of schemes are not yet generating savings, this is being offset by general efficiencies being identified within the Divisions. Some of the projects originally identified for 2011/12 will now impact in 2012/13 such as schemes linked to consultant job planning.
- The Trust is on course to deliver at least the “Green” and “Amber” schemes which represents over 94% of the annual total.

8 – Risks

- A failure to deliver the planned level of activity for the final months of the year could lead to a loss of income and “margin”. Although the Trust has mitigated a large part of this risk by reaching agreement with two of its main Commissioners – NHS Oxfordshire and the Specialised Commissioning Group – on contract values for the remainder of the year, 25% of planned contract income is not covered by these agreements.

- Delayed transfers of care (DTOCs) continue to “crowd out” other elective activity. This has an impact on the achievement of referral to treatment targets (RTT) and may have a financial impact either in the form of penalties imposed by Commissioners for failure to meet these targets or because the Trust has to pay to transfer the activity to other healthcare providers or engage in premium rate working.

9 – Conclusion

The Board is asked to note the content of this report.

Mr Mark Mansfield, Director of Finance and Procurement

Mr Kevin Davis, Senior Business Partner

February 2012