

Trust Board Meeting: Thursday 1 November 2012

TB2012.104

Title	Financial Performance to 30 September 2012
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Status	A paper for information
History	Monthly report to the public meeting of the Board

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

Summary

This report informs the Board on the Trust's financial position for the first six months of the financial year 2012/13.

Key points to note:

1	The financial position at the end of Month 6 was £39,000 better than plan. (Page 3.)
2	The Trust held cash at 30 September which would be sufficient to cover 24 days of operations. (Page 6.)
3	Against the Foundation Trust Risk Rating regime the Trust's performance would be rated at 3.00 (Page 7.)

The report contains information on the following:

- Statements about Comprehensive Income (Pages 3 & 4)
- The Statement of Financial Position at 30 September 2012 (Page 5)
- The Statement of Cashflows for the first half of the year (Page 6)
- Performance against Monitor's financial risk ratings (Page 7)
- Details about commissioning income earned (Pages 8 & 9)
- Performance against the savings target (Page 10)
- Details about the capital programme (Page 11)
- Performance against the Trust financial duties (Page 12)

1. Statement of Comprehensive Income (Income & Expenditure Account) – excluding Research

	Annual Plan £000	Year to Date		
		Plan £000	Actual £000	Variance £000
Operating Income				
Commissioning Income	644,928	322,127	329,702	7,575
PP & Overseas	13,557	6,557	6,547	(10)
Other Income	90,366	45,923	47,492	1,569
Total Income	748,851	374,607	383,741	9,134
Operating Expenditure				
Pay	(408,480)	(204,630)	(208,851)	(4,221)
Non-Pay	(274,847)	(137,249)	(140,291)	(3,042)
Total Expenditure	(683,327)	(341,879)	(349,142)	(7,263)
EBITDA	65,524	32,728	34,599	1,871
Non-Operating Expenditure	(63,970)	(31,885)	(32,512)	(627)
Retained Surplus/(Deficit)	1,554	843	2,087	1,244
Technical Adjustments	2,048	1,019	(186)	(1,205)
Break Even Surplus	3,602	1,862	1,901	39

- The Trust's financial position remained broadly on plan at the end of September.
- This summary describes the position excluding the impact of research income and expenditure.
- Commissioning income was £7.6m above plan. Details of activity performance by individual commissioner are shown on Page 8.
- Pay expenditure was £4.2m above plan. This is explained by the staff required to deliver additional activity, other cost pressures and, partially, delays to the implementation of Cost Improvement Programmes.
- The Trust has spent £9.5m on bank & agency staff in the first six months of the year. This is £1.3m higher than for the same period in 2011/12.
- Increased activity is also having an impact on the non-pay budgets. The drugs budgets are overspent by £2.4m and medical & surgical supplies budgets (including appliances) are overspent by £0.6m. Some of the expenditure on drugs and devices are "pass through" and will be recovered directly from commissioners.

2. Statement of Comprehensive Income (Income & Expenditure Account) – including Research

	Annual Plan £000	Year to Date		
		Plan £000	Actual £000	Variance £000
Operating Income				
Commissioning Income	644,928	322,127	329,702	7,575
PP & Overseas	13,557	6,557	6,547	(10)
Other Income	122,529	61,715	60,790	(925)
Total Income	781,014	390,399	397,039	6,640
Operating Expenditure				
Pay	(430,407)	(215,310)	(217,857)	(2,547)
Non-Pay	(285,083)	(142,361)	(144,583)	(2,222)
Total Expenditure	(715,490)	(357,671)	(362,440)	(4,769)
EBITDA	65,524	32,728	34,599	1,871
Non-Operating Expenditure	(63,970)	(31,885)	(32,512)	(627)
Retained Surplus/(Deficit)	1,554	843	2,087	1,244
Technical Adjustments	2,048	1,019	(186)	(1,205)
Break Even Surplus	3,602	1,862	1,901	39

- This Statement of Comprehensive Income includes the effect of research (R&D) activities on the Trust's financial position. This treatment reflects the way in which financial performance is reported in the Trust's Statutory Statements. The financial position shown on page 3 show the underlying operational performance in healthcare activities.
- At the end of September expenditure on R&D was £2.5m less than plan with pay being £1.7m below plan and non-pay £0.8m less than anticipated. R&D income for this amount was therefore deferred to take this into account, resulting in an adverse variance against plan on "other" income.
- EBITDA was 8.7% of Trust turnover, including R&D income. The annual plan is for the Trust's EBITDA to be 8.3% for the full year.

3. Statement of Financial Position (Balance Sheet)

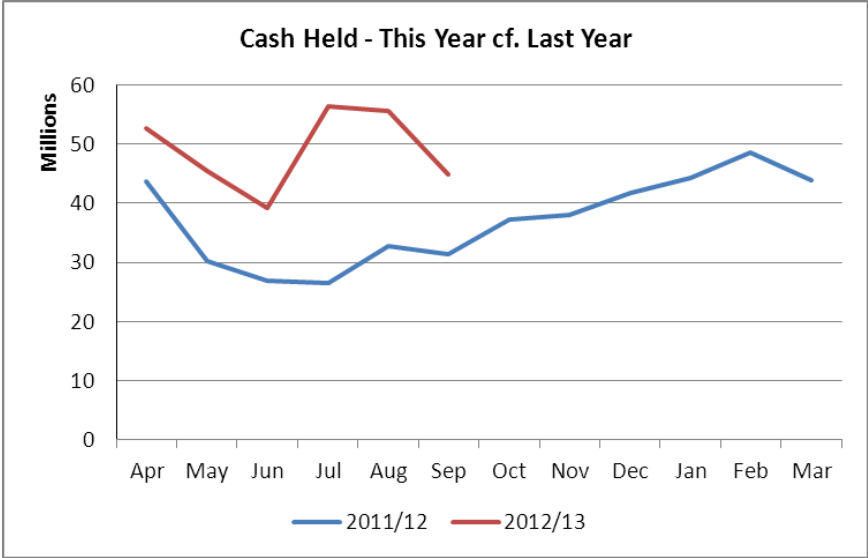
	Opening Balance	Closing Balance	Movement	Mvmt. In Month
	01-Apr-12	30-Sep-12		
NON-CURRENT ASSETS				
Property, Plant & Equipment	696,398	686,817	(9,581)	(1,477)
Intangible Assets	7,301	7,963	662	527
Trade & Other Receivables	3,742	4,167	425	19
NON-CURRENT ASSETS	707,441	698,947	(8,494)	(931)
CURRENT ASSETS				
Inventories	12,761	13,450	689	269
Trade & Other Receivables	36,462	49,483	13,021	1,022
Cash & Cash Equivalents	43,884	44,881	997	(10,682)
CURRENT ASSETS	93,107	107,814	14,707	(9,391)
CURRENT LIABILITIES				
Trade & Other Payables	(100,141)	(99,847)	294	21,381
Borrowings	(17,356)	(13,582)	3,774	3,553
Current Provisions	(8,421)	(7,403)	1,018	464
CURRENT LIABILITIES	(125,918)	(120,832)	5,086	25,398
NET CURRENT ASSETS/(LIABILITIES)	(32,811)	(13,018)	19,793	16,007
NON-CURRENT LIABILITIES				
Borrowings	(299,314)	(295,987)	3,327	(411)
Trade & Other Payables	(1,930)	(14,502)	(12,572)	(12,929)
Non-Current Provisions	(1,426)	(1,393)	33	33
NON-CURRENT LIABILITIES	(302,670)	(311,882)	(9,212)	(13,307)
TOTAL ASSETS EMPLOYED	371,960	374,047	2,087	1,769
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	206,873	206,873		
Retained Earnings	15,600	18,012	2,412	1,769
Revaluation Reserve	147,744	147,419	(325)	
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	371,960	374,047	2,087	1,769

- £13m has been transferred from current Trade & other Payables to non-current Payables. This represents funding received for R&D projects where expenditure is not expected to be incurred within the next 12 months.
- The payment of amounts due to the Department of Health for the Trust's loans and public dividend, and a payment to the NHS Litigation Authority for accrued CNST contributions, has led to a reduction in Trade & Other Payables in September.

4. Statement of Cashflows

	Q1 2012/13	July 2012	Aug 2012	Sept 2012	Year-to- Date
	£000	£000	£000	£000	£000
Cash Flows from Operating Activities					
Operating Surplus/(Deficit)	7,142	2,720	2,764	4,379	17,005
Depreciation & Amortisation	8,759	2,932	2,933	2,971	17,595
Interest Paid	(4,895)	(2,127)	(1,624)	(1,868)	(10,514)
Dividend Paid				(4,876)	(4,876)
Receipt of Donated Assets			(192)	(209)	(401)
(Increase) in Inventories	(706)	797	(513)	(269)	(691)
(Increase) in Trade & Other Receivables	(17,575)	5,087	400	(1,085)	(13,173)
Increase in Trade & Other Payables	13,325	9,834	(2,211)	(5,201)	15,747
Increase in Provisions	(327)	(99)	(128)	(497)	(1,051)
Cash Flow from Operating Activities	5,723	19,144	1,429	(6,655)	19,641
Cash Flows from Investing Activities					
Interest Received	39	13	14	15	81
(Payments) for Fixed Assets	(8,032)	(1,160)	(1,533)	(898)	(11,623)
Cash Flow from Investing Activities	(7,993)	(1,147)	(1,519)	(883)	(11,542)

- The Trust held £44.9m in cash at the end of September. This is £1.0m more than the start of the year.
- Cash fell by £10.7m in September. Partly this was due to the payment of £6.6m to the NHS Litigation Authority. This represented the amount due to NHSLA for the first 6 months of the year for clinical negligence and other insurance, less the £3.0m that the Trust had already paid on account.
- The Trust also made its 6-monthly payment of public dividend of £4.9m in September, and made £2.4m payments against the loans it has borrowed from the Department of Health.
- The Trust held enough cash to cover 24 working days of planned operating expenditure at 30 September 2012.

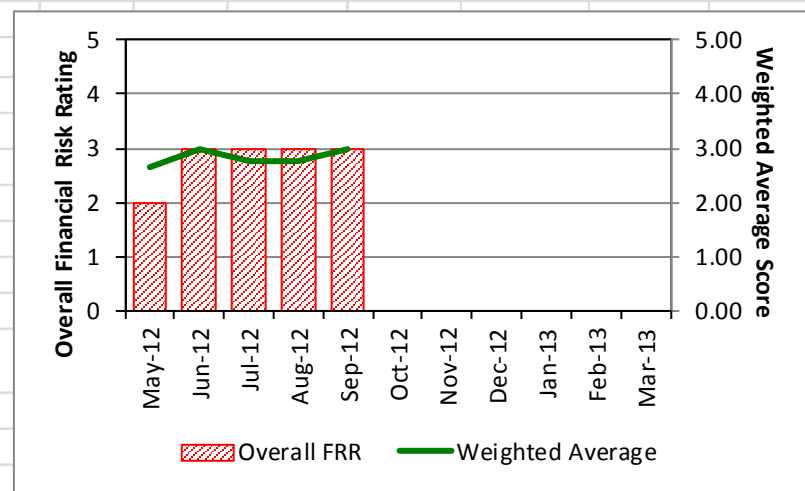


5. Financial Risk Rating

Financial Criteria	Risk Rating	Weight	Scores					Sept. 2012		August 2012	
			5	4	3	2	1	Metric	Score	Metric	Score
Achievement of Plan	EBITDA % achieved	10%	100%	85%	70%	50%	<50%	105.7%	5	101.2%	5
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	8.7%	3	8.3%	3
Financial Efficiency	Net return after Financing	20%	3%	2%	(0.5%)	(5%)	< (5%)	0.6%	3	0.1%	3
	I & E Surplus Margin	20%	3%	2%	1%	(2%)	< (2%)	0.5%	2	0.1%	2
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	15	3	14	2
Weighted Average									3.00	2.75	
Overall Rating (see rules below)									3	3	

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 planned surplus for 2012/13 is less than 1% and therefore the score for the I&E surplus margin is “2”.
- Because the rating for liquidity strengthened in September, the Trust’s overall weighted average score rose from 2.75 in August to 3.00 in September. The overall financial risk rating (FRR), using the criteria applied by Monitor, also remained at “3”.

6. Analysis of Activity and Activity-Related Income

Activity	Activity - Year-to-Date				Income - Year-to-Date			
	YTD Plan	YTD Actual	YTD Diff.	YTD Diff. %	Plan £000	Actual £000	Diff. £000	Diff. %
Elective (incl. day cases)	48,036	45,222	(2,814)	(5.9%)	73,222	69,371	(3,851)	(5.3%)
Non-Elective	34,202	39,507	5,305	15.5%	74,276	83,889	9,613	12.9%
Out-Patients	391,544	397,909	6,365	1.6%	52,779	55,205	2,426	4.6%
Other								
Chemotherapy	11,470	12,926	1,457	12.7%	9,423	10,922	1,499	15.9%
Critical Care	18,521	21,095	2,574	13.9%	24,084	26,342	2,258	9.4%
Devices	3,601	3,664	64	1.8%	7,438	7,139	(299)	(4.0%)
Direct Access	2,137,022	2,154,890	17,868	0.8%	8,972	9,048	76	0.8%
Drugs	21,545	22,762	1,216	5.6%	23,955	25,204	1,249	5.2%
Excess Beds	17,375	22,750	5,374	30.9%	4,627	5,858	1,231	26.6%
A&E & Cystic Fibrosis O/Ps	68,606	75,808	7,202	10.5%	8,687	9,435	748	8.6%
Radiotherapy	24,522	24,181	(341)	(1.4%)	5,180	4,626	(554)	(10.7%)
Renal Replacement Therapy	52,626	51,628	(998)	(1.9%)	8,953	9,130	177	2.0%
Screening	84,711	75,272	(9,439)	(11.1%)	2,823	2,641	(182)	(6.4%)
Other Activity	9,046	9,824	778	8.6%	18,794	16,514	(2,280)	(12.1%)
Adjustments for Thresholds & Denials					(1,086)	(5,622)	(4,536)	
Totals					322,127	329,702	7,575	2.4%

- The Trust's activity position for the first six months of the year is calculated from five months' data.
- Non-elective activity and excess bed-days continue to exceed plan.
- Some non-consultant out-patient activity had previously been recorded as consultant work. This was corrected in September and, because the tariff for non-consultant activity is lower, has reduced the amount owed to the Trust by commissioners.

7. Analysis of Income by Commissioner

	Annual	YTD	YTD	YTD	Var.
	Plan	Plan	Actual	Variance	YTD
Commissioner	£000	£000	£000	£000	%
NHS Buckinghamshire & Oxfordshire:					
Oxfordshire	327,404	163,853	170,747	6,894	4.2%
Buckinghamshire	28,206	14,032	15,137	1,105	7.9%
South Central Specialised Comm.	116,234	57,959	55,895	(2,064)	(3.6%)
East Midlands Specialised Comm.	29,718	14,881	14,579	(302)	(2.0%)
South West Specialised Comm.	17,935	8,939	9,612	673	7.5%
Northamptonshire PCT	20,247	10,141	10,083	(58)	(0.6%)
Milton Keynes PCT	15,297	7,675	8,306	631	8.2%
National Commissioning Groups	12,471	6,243	5,947	(296)	(4.7%)
Berkshire West PCT	12,374	6,103	5,623	(480)	(7.9%)
Swindon PCT	6,676	3,319	3,534	215	6.5%
Warwickshire PCT	5,489	2,746	2,782	36	1.3%
Bedfordshire PCT	5,294	2,643	2,628	(15)	(0.6%)
Berkshire East PCT	4,790	2,354	2,539	185	7.9%
Hertfordshire PCT	2,932	1,460	1,995	535	36.6%
West Midlands Specialised Comm.	3,738	1,853	2,031	178	9.6%
Wiltshire PCT	2,803	1,403	1,411	8	0.6%
Hampshire PCT	2,421	1,211	1,041	(170)	(14.0%)
Gloucestershire PCT	4,396	2,199	2,402	203	9.2%
Others (incl. non-Contract Income)	26,503	13,113	13,410	297	2.3%
Total	644,928	322,127	329,702	7,575	2.4%

- Income from commissioners was £7.6m more than plan for the first half of the year once performance against contracts has been adjusted for marginal rates.
- Against the Oxfordshire contract emergency activity exceeded the contract threshold and the nationally-mandated 30% marginal rate has been applied to the over-performance. The impact of these adjustments against the Oxfordshire contract alone is estimated to be £1.9m.
- The Trust has over-performed against its contracts with Milton Keynes, Swindon, Hertfordshire and the South West Specialist Commissioners, but under-performed against the contracts for the South Central and East Midlands Specialist Commissioners, and Berkshire West.

8. Analysis of the Savings Programme for 2012/13

	Plan £000	YTD Plan £000	YTD Act. £000	Diff. £000	Forecast £000	Risk Rating
FYE 2011/12 Schemes	9,400	6,717	6,133	(584)	6,468	Low
Divisional Efficiency - Low Risk	8,700	3,540	3,666	126	8,629	Low
Divisional Efficiency - Medium Risk	5,800	2,360	2,850	490	10,357	Medium
Consultant Job Plans	2,000	402	433	31	893	High
Medical Staff/On-Call Rotas	1,000					High
Research Fellow s	500					High
High Cost Post Review	2,500	624	101	(524)	1,234	Low
Adult Ward Nursing	3,200	1,430	825	(605)	2,001	Low
Agency Bus. Process Outsourcing	300	30		(30)	300	Medium
Non-Medical On Call	500					High
Reduction in Waiting Lists	2,300	1,150	1,150		2,300	Low
Ward Closures	3,600	1,200		(1,200)		High
OUH Local Procurement Initiatives	300	150	843	693	4,465	Low
Procure Initiatives	2,500	914		(914)		Low
Energy Management	1,200	399		(399)	200	High
Medicines Management	3,100	1,524	792	(732)	1,860	Medium
Private Patient Joint Venture	1,000		4	4	50	High
Theatre/Endoscopy Efficiency	1,600	228	17	(212)	297	Medium
R&D & Other Income			1,876	1,876	6,004	Medium
Total	49,500	20,668	18,689	(1,979)	45,059	
Shortfall against Original Plan					4,441	High
Total - Original Plan					49,500	
Analysis of Savings by Risk						
Low	28,900	14,525	12,718	(1,807)	25,098	
Medium	10,800	4,142	5,534	1,392	18,819	
High	9,800	2,001	437	(1,564)	5,584	
Total	49,500	20,668	18,689	(1,979)	49,500	

- The Trust has delivered £18.7m in savings year-to-date. This represents 90.4% of the year-to-date plan.
- £5.6m of the original savings plan remains categorised as being high risk. This is primarily because planned ward closures have not taken place due to the levels of bed occupancy. Working with the Project Director for Efficiency and Improvement divisions are currently reviewing this position to see what actions can be taken to mitigate this risk.

9. Capital Programme

OUH Capital Programme 2012/13	Forecast	Mth 6	Mth 6	Mth 6
	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Maintenance Expenditure				
Estates Maintenance	1,240	258	246	12
Medical and Surgical Equipment	2,000	416	1,509	(1,093)
IT/EPR	3,000	624	1,528	(904)
Ward Relocations: Respiratory, I.D., Urology	2,000	624	15	609
Cardiac (Adult) Business Case (Refurb.)	250			
Vascular Business Case (Refurb.)	400			
NOC Theatres	2,300	52	117	(65)
PACS replacement	250	52		52
Occupational Health Relocation	470			
Pharmacy: 2nd Robot (replacement)	411	85		85
Small Schemes (Various)	300		31	(31)
Maternity Recovery, Ultrasound and Triage	116	24	78	(54)
Neonatal Intensive Care (Refurb.)	684			
Estates project staff (capitalisation)	350	256	243	13
Molecular Diagnostic Centre	500	416		416
West Wing Day Theatre	250			
Cardiac Eco	400			
SEU	110			
Non-Maintenance Expenditure				
Cardiac (Adult) Business Case	1,150	291	107	184
Neonatal Intensive Care	2,053	558	746	(188)
Trauma Centre Business Case	790	164	354	(190)
Vascular Business Case (for 2nd IR room)	1,400	270	38	232
Head & Neck Relocation (Churchill)	651			
Endoscopy Business Case – 5th Room	65	14	45	(31)
HGH Ultrasound	20			
Radiotherapy: Milton Keynes	470	98		98
ACE Centre	350			
PFI Disputes CH	732	152	68	84
Estates project staff (capitalisation)	350			
Planned Slippage	(558)			
Asset Sales & Acquisitions	(1,570)			
Projects funded from Donations				
Medical and Surgical Equipment	1,155	401	401	
Kadoori Centre Expansion	1,700	1,111	1,111	
Total Capital Programme Spend	23,789	5,866	6,638	(772)

- At its Strategic Planning Committee meeting on 13 September the Trust agreed various revisions to the capital programme for the year taking into account how far business cases had been implemented at that time. The revised plan is included in the table opposite and is shown as the forecast outturn for the capital programme for the year.
- The Trust's year-to-date position against its capital resource limit is shown below. This includes expenditure made by the Trust on finance leases but excludes capital items funded via donations from third parties.

Capital Resource Limit 2012/13	Forecast	Mth 6	Mth 6	Mth 6
	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Total Capital Programme Spend	23,789	5,866	6,638	(772)
PFI lifecycle and Equipment Leasing (IFRIC 12)	1,954	977	977	
Kadoori Centre Expansion	(1,700)	(1,111)	(1,111)	
Charitable Funds - Medical Equipment	(1,155)	(401)	(401)	
Capital Resource Limit 2012/13	22,888	5,331	6,103	(772)

10. Performance Indicators against Financial Duties

The Trust's performance against its NHS financial duties is summarised below:

Financial Duty		Plan (£000)	Actual (£000)	Better/ (Worse) (£000)
1.	To achieve break even on Income & Expenditure	1,862	1,901	39
2.	To manage within the capital resource limit (CRL)	5,331	6,103	(772)
3.	To operate within an External Finance Limit (EFL) – Year End Forecast	4,294	4,294	0
4.	Better Payments Practice Code (Average Performance)	95%	84.9%	(10.1%)

11. 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

October 2012

