

Public Trust Board Meeting: Thursday 6 September 2012
 TB2012.86

Title	Financial Performance to 31 July 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 four months of the financial year 2012/13.

Key points to note:

1	The financial position at the end of Month 4 was £110,000 better than plan. (See page 3.)
2	The Trust held cash at 31 July which would be sufficient to cover 29 days of operations. (See page 6.)
3	Against the Foundation Trust Risk Rating regime the Trust's performance would be rated at 2.75. (See page 7.)
4	Recommendation: The Board is asked to note the content of this report.

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

	Annual	Year to Date		
	Plan	Plan	Actual	Variance
	£000	£000	£000	£000
Operating Income				
Commissioning Income	643,944	211,990	218,577	6,587
PP & Overseas	13,432	4,305	4,397	92
Other Income	94,843	32,249	32,157	(92)
Total Income	752,219	248,544	255,131	6,587
Operating Expenditure				
Pay	(404,656)	(135,446)	(137,860)	(2,414)
Non-Pay	(282,039)	(91,867)	(95,716)	(3,849)
Total Expenditure	(686,695)	(227,313)	(233,576)	(6,263)
EBITDA	65,524	21,231	21,555	324
Non-Operating Expenditure	(63,970)	(21,256)	(21,538)	(282)
Retained Surplus/(Deficit)	1,554	(25)	17	42
Technical Adjustments	2,048	677	745	68
Break Even Surplus	3,602	652	762	110

- The Trust's financial position remained broadly on plan at the end of July.
- Commissioning income was £6.6m better than plan. Details of activity performance by individual commissioner are shown in Section 7.
- Pay expenditure was £2.4m above plan. This is explained by the staff required to deliver additional activity, other cost pressures and, partially, delays in delivery of Cost Improvement Programmes.
- The Trust has spent £7.0m on bank & agency staff in the first four months of the year. This is £1.1m higher than for the same period in 2011/12.
- The non-pay overspend is explained by activity trends and an associated impact on Cost Improvement Programmes.

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

	Annual	Year to Date		
	Plan	Plan	Actual	Variance
	£000	£000	£000	£000
Operating Income				
Commissioning Income	643,944	211,990	218,577	6,587
PP & Overseas	13,432	4,305	4,397	92
Other Income	128,006	43,197	40,731	(2,466)
Total Income	785,382	259,492	263,705	4,213
Operating Expenditure				
Pay	(427,280)	(142,881)	(143,801)	(920)
Non-Pay	(292,578)	(95,380)	(98,349)	(2,969)
Total Expenditure	(719,858)	(238,261)	(242,150)	(3,889)
EBITDA	65,524	21,231	21,555	324
Non-Operating Expenditure	(63,970)	(21,256)	(21,538)	(282)
Retained Surplus/(Deficit)	1,554	(25)	17	42
Technical Adjustments	2,048	677	745	68
Break Even Surplus	3,602	652	762	110

- 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 Treatments shown on page 3 show the underlying operational performance in healthcare activities.
- At the end of July expenditure on R&D was £2.4m less than plan with pay being £1.5m below plan and non-pay £0.9m 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 8.2% 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)

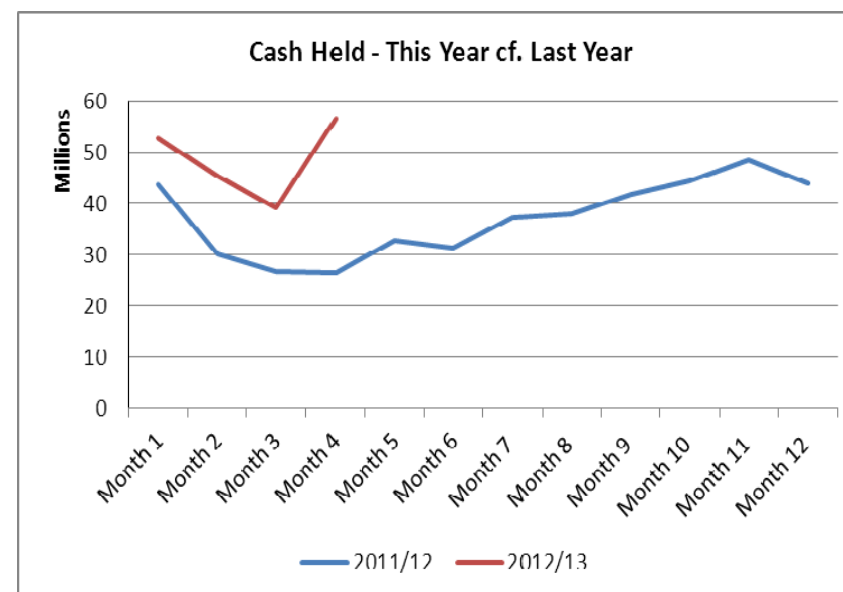
	Opening Balance 01-Apr-12	Closing Balance 31-Jul-12	Movement	Mvmt. In Month
NON-CURRENT ASSETS				
Property, Plant & Equipment	696,398	690,058	(6,340)	(1,705)
Intangible Assets	7,301	7,577	276	47
Trade & Other Receivables	3,742	4,189	447	114
NON-CURRENT ASSETS	707,441	701,824	(5,617)	(1,544)
CURRENT ASSETS				
Inventories	12,761	12,667	(94)	(801)
Trade & Other Receivables	36,462	48,864	12,402	(4,720)
Cash & Cash Equivalents	43,884	56,457	12,573	17,203
CURRENT ASSETS	93,107	117,988	24,881	11,682
CURRENT LIABILITIES				
Trade & Other Payables	(100,707)	(123,255)	(22,548)	(11,034)
Borrowings	(17,356)	(17,131)	225	526
Current Provisions	(8,421)	(7,995)	426	99
CURRENT LIABILITIES	(126,484)	(148,381)	(21,897)	(10,409)
NET CURRENT ASSETS/(LIABILITIES)	(33,377)	(30,393)	2,984	1,273
NON-CURRENT LIABILITIES				
Borrowings	(299,314)	(296,383)	2,931	272
Trade & Other Payables	(1,364)	(1,645)	(281)	277
Non-Current Provisions	(1,426)	(1,426)		
NON-CURRENT LIABILITIES	(302,104)	(299,454)	2,650	549
TOTAL ASSETS EMPLOYED	371,960	371,977	17	278
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	206,873	206,873		
Retained Earnings	15,600	15,942	342	278
Revaluation Reserve	147,744	147,419	(325)	
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	371,960	371,977	17	278

- The value for Non-Current Assets continues to fall because depreciation on the existing asset base exceeds new capital additions to date.
- As the result of a reduction in accrued income, and the amount of recoverable VAT owed to the Trust, Trade & Other Receivables fell by £4.7m in July.
- The increase in Trade & Other Payables is largely the result of deferring research income received in July. It is anticipated that this income will be spent, in accordance with the research expenditure plans, in the remainder of the financial year.

4. Statement of Cashflows

	April 2012	May 2012	June 2012	July 2012	Year-to- Date
	£000	£000	£000	£000	£000
Cash Flows from Operating Activities					
Operating Surplus/(Deficit)	1,161	6,105	(124)	2,720	9,862
Depreciation & Amortisation	2,911	2,911	2,937	2,932	11,691
Interest Paid	(1,632)	(1,632)	(1,631)	(2,127)	(7,022)
(Increase) in Inventories	(362)	68	(412)	800	94
(Increase) in Trade & Other Receivables	1,306	(15,103)	(3,778)	5,087	(12,488)
Increase in Trade & Other Payables	10,836	2,397	92	9,834	23,159
Increase in Provisions	(295)	(32)		(99)	(426)
Cash Flow from Operating Activities	13,925	(5,286)	(2,916)	19,147	24,870
Cash Flows from Investing Activities					
Interest Received	16	9	14	13	52
(Payments) for Fixed Assets	(4,362)		(3,670)	(1,160)	(9,192)
Cash Flow from Investing Activities	(4,346)	9	(3,656)	(1,147)	(9,140)
Cash Flows from Financing Activities					
Capital Element of Finance Leases & PFI	(854)	(1,954)	448	(797)	(3,157)
Cash Flow from Financing Activities	(854)	(1,954)	448	(797)	(3,157)
Net Increase/(Decrease) in Cash	8,725	(7,231)	(6,124)	17,203	12,573
Cash - Beginning of the Period	43,884	52,609	45,378	39,254	43,884
Cash - End of the Period	52,609	45,378	39,254	56,457	56,457

- The Trust's cash holdings increased by £17.2m in June.
- The Trust held enough cash to cover 29 working days of operating expenditure at 31 July 2012.

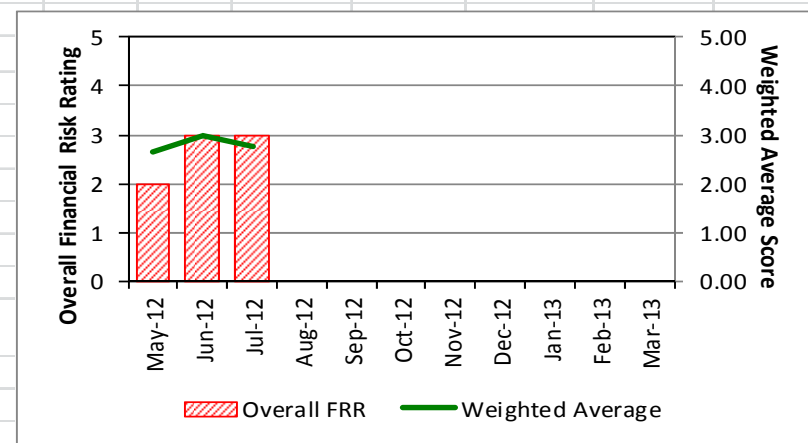


5. Financial Risk Rating

Financial Criteria	Risk Rating	Weight	Scores					July 2012		June 2012	
			5	4	3	2	1	Metric	Score	Metric	Score
Achievement of Plan	EBITDA % achieved	10%	100%	85%	70%	50%	<50%	101.5%	5	100.6%	5
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	8.2%	3	8.2%	3
Financial Efficiency	Net return after Financing	20%	3%	2%	(0.5%)	(5%)	< (5%)	0.0%	3	(0.2%)	3
	I & E Surplus Margin	20%	3%	2%	1%	(2%)	< (2%)	0.0%	2	(0.1%)	2
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	13	2	17	3
Weighted Average									2.75	3.00	
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”.
- The reduction in net working capital resulting from the increase in current liabilities meant that the Trust’s weighted average score fell from 3.00 in June to 2.75 in July. Nevertheless the overall financial risk rating (FRR), using the criteria applied by Monitor, remained at “3” (because Monitor uses a single, average score for “financial efficiency”).

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)	31,326	29,703	(1,623)	(5.2%)	47,667	45,517	(2,150)	(4.5%)
Non-Elective	22,801	26,537	3,735	16.4%	51,671	55,776	4,105	7.9%
Out-Patients	254,866	263,327	8,462	3.3%	34,362	36,995	2,633	7.7%
Other								
Chemotherapy	7,464	8,268	804	10.8%	6,133	7,050	917	15.0%
Critical Care	12,164	13,966	1,802	14.8%	15,818	17,498	1,680	10.6%
Devices	2,343	2,317	(26)	(1.1%)	4,874	4,737	(137)	(2.8%)
Direct Access	1,390,760	1,435,488	44,728	3.2%	5,839	5,832	(7)	(0.1%)
Drugs	14,364	14,649	285	2.0%	15,927	16,159	232	1.5%
Excess Beds	11,583	14,895	3,312	28.6%	3,085	3,853	768	24.9%
A&E & Cystic Fibrosis O/Ps	45,568	49,406	3,838	8.4%	5,781	6,265	484	8.4%
Radiotherapy	15,959	15,928	(31)	(0.2%)	3,371	3,013	(358)	(10.6%)
Renal Replacement Therapy	35,084	34,413	(671)	(1.9%)	5,969	6,094	125	2.1%
Screening	55,129	51,689	(3,441)	(6.2%)	1,871	1,785	(86)	(4.6%)
Other Activity	5,720	6,810	1,090	19.1%	9,120	8,599	(521)	(5.7%)
Adjustments for Estimates					502	(596)	(1,098)	
Totals					211,990	218,577	6,587	3.1%
Note - SLAM includes an accrual for potential income that may be uploaded before the "freeze" date. This is removed in the "Adjustments for Estimates" line above								

- The Trust's activity position for the first four months of the year is calculated from three months' data.
- Non-elective activity and excess bed-days continue to be high compared to plan.
- Some elective activity may have been recorded as non-elective in the early months of the year. This issue has now been resolved.

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	352,019	115,974	122,096	6,122	5.3%
Buckinghamshire	35,700	11,608	12,060	452	3.9%
South Central Specialised Comm.	76,130	25,281	23,520	(1,761)	(7.0%)
East Midlands Specialised Comm.	29,718	9,852	9,601	(251)	(2.5%)
South West Specialised Comm.	22,349	7,398	7,633	235	3.2%
Northamptonshire PCT	20,247	6,677	6,662	(15)	(0.2%)
Berkshire West PCT	15,803	5,072	4,771	(301)	(5.9%)
Milton Keynes PCT	15,297	5,056	5,790	734	14.5%
National Commissioning Groups	12,388	4,117	4,167	50	1.2%
Berkshire East PCT	8,005	2,585	2,715	130	5.0%
Swindon PCT	6,224	2,005	2,237	232	11.6%
Warwickshire PCT	5,489	1,809	1,917	108	6.0%
Bedfordshire PCT	5,294	1,743	1,694	(49)	(2.8%)
Hertfordshire PCT	2,932	962	1,233	271	28.2%
Hampshire PCT	2,909	957	905	(52)	(5.4%)
Wiltshire PCT	2,825	905	1,108	203	22.4%
West Midlands Specialised Comm.	2,803	922	912	(10)	(1.1%)
Gloucestershire PCT	2,112	693	821	128	18.5%
Others (incl. non-Contract Income)	25,700	8,374	8,735	361	4.3%
Total	643,944	211,990	218,577	6,587	3.1%

- The Trust's activity position for the first four months of the year is calculated from three months' data.
- Against the Oxfordshire contract emergency activity exceeded the contract threshold and the nationally-mandated 30% marginal rate has been applied to the over-performance. Similarly out-patient activity also was greater than contract and the 50% marginal rate has been applied to this category. The estimated impact of these adjustments is £2.4m.
- The Trust has over-performed against its contracts with Milton Keynes, Swindon, Hertfordshire and Wiltshire, but under-performed against the contracts for South Central and East Midlands Specialist Commissioners, and Berkshire West.
- The main areas of under-performance against the South Central Specialist Commissioning contract are for neuroscience activity (£0.7m), haemophilia (£0.4m) and blood & marrow transplants (£0.3m). This is under review.
- The transfer of specialised services to Specialised Commissioning Groups is expected to occur in Month 5. This will result in adjustments to the contracts for individual commissioners but should not affect the Trust's overall contract position.

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	4,780	4,780		6,500	Low
Divisional Efficiency	14,500	3,400	3,899	499	16,355	Medium
Consultant Job Plans	2,000	268	182	(86)	1,800	High
Medical Staff/On-Call Rotas	1,000				1,000	High
Research Fellows	500				500	High
High Cost Post Review	2,500		30	30	2,500	Low
Adult Ward Nursing	3,200	840	567	(273)	2,400	Low
Reduction in Premium costs	300				300	Medium
Non-Medical On Call	500				500	High
Reduction in Waiting Lists	2,300	767	767	0	2,300	Low
Ward Closures	3,600	400		(400)		High
Local Procurement Initiatives	300	100	263	163	4,144	Low
Targeted Procurement Initiatives	2,500	450		(450)		Low
Energy Management	1,200	133		(133)	200	High
Medicines Management	3,100	1,000	757	(243)	2,272	Medium
Private Patient Joint Venture	1,000					High
HTE Partnership						Medium
Theatre/Endoscopy Efficiency	1,600				1,700	High
Other Income			124	124	4,756	High
Total	49,500	12,138	11,369	(768)	47,227	
Shortfall against Original Plan					2,273	High
Total - Original Plan					49,500	
Analysis of Savings by Risk						
Low	20,200	6,937	7,592	655	20,312	
Medium	17,900	4,400	3,595	(805)	18,414	
High	11,400	801	182	(619)	10,773	
Total	49,500	12,138	11,369	(768)	49,500	
Analysis of Savings by Type						
Pay	28,538	6,639	6,936	297	22,917	
Non-Pay	19,717	5,375	4,327	(1,048)	19,714	
Income	1,245	125	107	(18)	4,596	
Total	49,500	12,138	11,369	(768)	47,227	

- The Trust has delivered £11.4m in savings year-to-date. This represents 93.6% of the year-to-date plan.
- £11.4m of the original savings plan remains categorised as being high risk. The Trust is reviewing these plans to see what actions can be taken to mitigate this risk.
- Due to the high level of bed occupancy within the Trust it is unlikely that the full level of planned savings from ward closures will be realised in the current year. Efforts are continuing to find alternative schemes to remedy this position.
- All savings plans have been risk assessed and signed off by the Trust's Medical Director and Chief Nurse.

9. Capital Programme

Capital Programme 2012/13	Annual Plan £000s	Month 4 Plan YTD £000s	Month 4 Spend YTD £000s
Approved:			
Leisure Centre Café	2,000	487	470
Leisure Centre Blue Room Café	750	283	148
Leisure Centre Blue Room Café - IT	110	33	24
Leisure Centre Blue Room Café - IT	1,100	487	112
Leisure Centre Blue Room Café - IT	40	22	10
Leisure Centre Blue Room Café - IT	11	137	
Leisure Centre Blue Room Café - IT	1,200	487	148
Leisure Centre Blue Room Café - IT	1,300	487	21
Feeability Approved:			
Leisure Centre Blue Room Café	470	187	
Leisure Centre Blue Room Café	470	187	
Ongoing:			
Leisure Centre Blue Room Café	2,000	487	487
Leisure Centre Blue Room Café	2,000	1,000	1,000
Leisure Centre Blue Room Café	2,000	1,000	2
Leisure Centre Blue Room Café	750	283	12
Leisure Centre Blue Room Café			127
Donations:			
Leisure Centre Blue Room Café			487
Not Yet Approved:			
Leisure Centre Blue Room Café	2,000	487	
Leisure Centre Blue Room Café	250	53	
Leisure Centre Blue Room Café	250	53	
Leisure Centre Blue Room Café	300	300	
Leisure Centre Blue Room Café	750	283	
Leisure Centre Blue Room Café	1,800	1,300	
Total Capital Expenditure Spend	20,934	6,978	3,588
Leisure Centre Blue Room Café	1,800	487	2,037
Donations:			
Leisure Centre Blue Room Café			1,487
Capital Resource Limit (Including IFR 5)	22,888	7,629	5,128

- The Trust charged £3.6m against its capital programme in the first four months of the year and has made £2.0m in capital-related lease payments.
- The largest areas of spend were on expenditure associated with medical equipment, which had previously been earmarked for leasing, and the costs of the implementation for the electronic patient record (EPR) project.
- The Trust currently has potential capital commitments of £25.9m against its agreed capital resource limit (CRL) of £20.9m for the year. It is currently planned that this will be managed through slippage against agreed schemes. Trust Management Executive will review the implications of this plan in September and make recommendations to the Trust Board in October.

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	652	762	110
2.	To manage within the capital resource limit (CRL)	7,629	5,128	(2,501)
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%	84.7%	(10.3%)

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

August 2012