

Trust Board Meeting : Tuesday, 12 February 2013

TB2013.29

Title	Financial Performance to 31 December 2012
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Status	A paper for information
History	Monthly report to the public meeting of the Board

Board Lead	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 nine months of the financial year 2013/13.

Key points to note:

1	The Trust's income and expenditure position at the end of Month 9 was £216,000 better than plan. (Page 3)
2	The Trust held cash at 31 December which would be sufficient to cover 32 days of operations. (Page 6)
3	Against the Foundation Trust Risk Rating regime the Trust's performance would be rated at 3.0 (Page 7)

The report contains information on the following:

- Statements regarding Comprehensive Income (Pages 3 & 4)
- The Statement of Financial Position (Balance Sheet)
at 31 December 2012 (Page 5)
- The Statement of Cashflows for the first 9 months of the year (Page 6)
- Performance against Monitor's financial risk ratings (Page 7)
- Details regarding commissioning income earned (Pages 8 & 9)
- Performance against the savings target (Page 10)
- Details about the capital programme (Page 11)
- Performance against the Trust's financial duties (Page 12)

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	645,030	485,943	504,448	18,505
PP & Overseas	13,557	9,931	9,789	(142)
Other Income	90,641	68,119	69,498	1,379
Total Income	749,228	563,993	583,735	19,742
Operating Expenditure				
Pay	(411,654)	(308,722)	(313,943)	(5,221)
Non-Pay	(272,050)	(205,764)	(217,509)	(11,745)
Total Expenditure	(683,704)	(514,486)	(531,452)	(16,966)
EBITDA	65,524	49,507	52,283	2,776
Non-Operating Expenditure	(63,970)	(47,828)	(48,706)	(878)
Retained Surplus/(Deficit)	1,554	1,679	3,577	1,898
Technical Adjustments	2,048	1,533	(149)	(1,682)
Break Even Surplus	3,602	3,212	3,428	216

- The Trust’s financial position remained on plan at the end of December. This describes the position excluding the impact of research income and expenditure.
- Commissioning income was £18.5m better than plan (November = £14.4m). Details of activity performance by individual commissioner are shown on Page 7.
- At 31 December the Trust had over-performed against NHS Oxfordshire (NHSO) by £12.3m (November = £9.8m). The Trust has now agreed a year end position with NHSO (see Page 7) and at 31 December was on track to keep activity within the agreed financial cap.
- The Trust is over-performing on non-elective activity. Because this exceeds 2008/09 activity levels, a marginal rate of 30% has been applied in accordance with national guidelines.
- Pay expenditure was £5.2m, or 1.7%, worse than plan (November = £5.5m, or 2.0%). The reasons for the overspend include:
 - The Trust’s level of activity for patient services is in aggregate £14.9m, or 4.9%, higher than plan for the year-to-date with non-elective activity in particular over-performing (see Page 6).
 - The Trust has spent £12.3m on agency staff in the first nine months of the year partly to meet the impact of the additional activity being carried out.

- Non-pay expenditure was £7.9m, or 4.2%, worse than plan (November = £5.1m). The reasons for the overspend include:
 - Expenditure on “pass through” drugs and devices was £3.6m greater than plan after the first nine months of the year (November = £2.4m) (Page 6). This increases the level of income recovered concomitantly.
 - The Trust’s level of activity over-performance as described above. Non-pay costs represent approximately one third of cost and are variable to a significant degree; the over-performance on elective, non-elective and out-patient activities would result in £5.0m additional non-pay spend on a proportionate basis.

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	645,030	485,943	504,448	18,505
PP & Overseas	13,557	9,931	9,789	(142)
Other Income	128,965	95,680	92,536	(3,144)
Total Income	787,552	591,554	606,773	15,219
Operating Expenditure				
Pay	(439,198)	(328,014)	(329,738)	(1,724)
Non-Pay	(282,830)	(214,033)	(224,752)	(10,719)
Total Expenditure	(722,028)	(542,047)	(554,490)	(12,443)
EBITDA	65,524	49,507	52,283	2,776
Non-Operating Expenditure	(63,970)	(47,828)	(48,706)	(878)
Retained Surplus/(Deficit)	1,554	1,679	3,577	1,898
Technical Adjustments	2,048	1,533	(149)	(1,682)
Break Even Surplus	3,602	3,212	3,428	216

- 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 sets out the underlying operational performance in healthcare activities.
- At the end of December expenditure on R&D was £4.5m less than plan with pay being £3.5m below plan and non-pay £1.0m 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 remained at 8.6% 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)

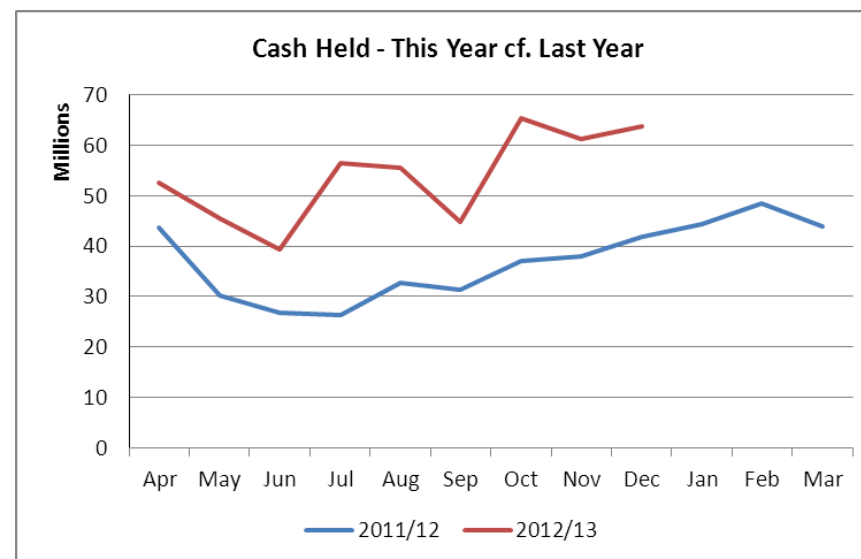
	Opening Balance	Closing Balance	Movement	Mvmt. In Month
	01-Apr-12	31-Dec-12		
NON-CURRENT ASSETS				
Property, Plant & Equipment	696,398	683,371	(13,027)	(944)
Intangible Assets	7,301	7,342	41	(209)
Trade & Other Receivables	3,742	3,942	200	(115)
NON-CURRENT ASSETS	707,441	694,655	(12,786)	(1,268)
CURRENT ASSETS				
Inventories	12,761	13,955	1,194	282
Trade & Other Receivables	36,462	42,067	5,605	(2,239)
Cash & Cash Equivalents	43,884	63,622	19,738	2,422
CURRENT ASSETS	93,107	119,644	26,537	465
CURRENT LIABILITIES				
Trade & Other Payables	(100,141)	(110,210)	(10,069)	(25)
Borrowings	(17,356)	(12,490)	4,866	514
Current Provisions	(8,421)	(5,935)	2,486	304
CURRENT LIABILITIES	(125,918)	(128,635)	(2,717)	793
NET CURRENT ASSETS/(LIABILITIES)	(32,811)	(8,991)	23,820	1,258
NON-CURRENT LIABILITIES				
Borrowings	(299,314)	(294,486)	4,828	239
Trade & Other Payables	(1,930)	(14,287)	(12,357)	72
Non-Current Provisions	(1,426)	(1,354)	72	39
NON-CURRENT LIABILITIES	(302,670)	(310,127)	(7,457)	350
TOTAL ASSETS EMPLOYED	371,960	375,537	3,577	340
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	206,873	206,873		
Retained Earnings	15,600	19,502	3,902	340
Revaluation Reserve	147,744	147,419	(325)	
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	371,960	375,537	3,577	340

- The value for Non-Current Assets has reduced because depreciation on the existing asset base has exceeded new capital additions to date.
- The fall in borrowings reflects the regular repayments on the capital element of the contracts with the Trust's PFI providers. These repayments are made through the monthly PFI unitary payments.
- The increase in cash in the month was, in part, the result of invoice disputes with some NHS commissioners being resolved ahead of the quarter end. (See also Section 4 below.)

4. Statement of Cashflows

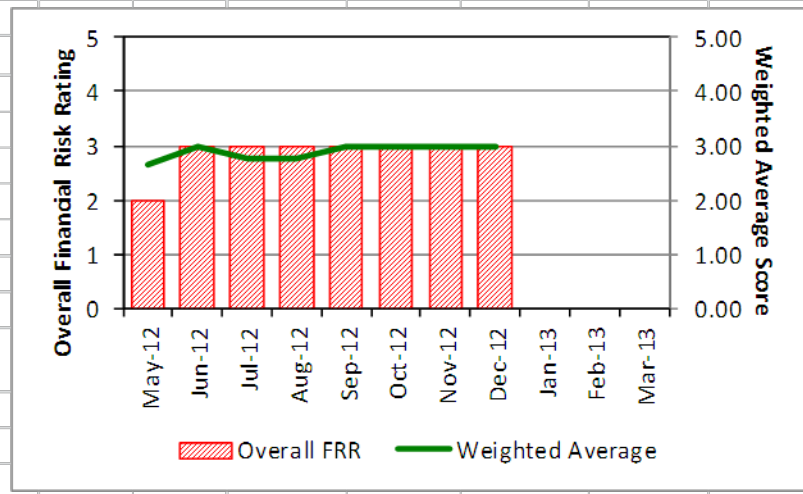
	Q1 2012/13	Q2 2012/13	Oct 2012	Nov 2012	Dec 2012	Year-to- Date
	£000	£000	£000	£000	£000	£000
Cash Flows from Operating Activities						
Operating Surplus/(Deficit)	7,142	9,862	3,092	2,988	2,743	25,827
Depreciation & Amortisation	8,759	8,836	2,943	2,955	2,963	26,456
Interest Paid	(4,895)	(5,619)	(1,624)	(1,624)	(1,624)	(15,386)
Dividend Paid		(4,876)				(4,876)
Receipt of Donated Assets		(401)			(362)	(763)
(Increase) in Inventories	(706)	17	184	(407)	(282)	(1,194)
(Increase) in Trade & Other Receivables	(17,575)	4,401	7,393	(2,195)	2,312	(5,664)
Increase in Trade & Other Payables	13,325	2,423	11,656	(3,190)	(610)	23,604
Increase in Provisions	(327)	(724)	(1,101)	(63)	(343)	(2,558)
Cash Flow from Operating Activities	5,723	13,919	22,543	(1,536)	4,797	45,446
Cash Flows from Investing Activities						
Interest Received	39	42	14	20	17	132
(Payments) for Fixed Assets	(8,032)	(3,591)	(1,367)	(1,517)	(1,640)	(16,147)
Cash Flow from Investing Activities	(7,993)	(3,549)	(1,353)	(1,497)	(1,623)	(16,015)
Cash Flows from Financing Activities						
Capital Loans - Repayment of Principal		(702)				(702)
Working Capital Loans - Principal Repayment		(1,666)				(1,666)
Capital Element of Finance Leases & PFI	(2,360)	(2,374)	(753)	(1,086)	(752)	(7,325)
Cash Flow from Financing Activities	(2,360)	(4,742)	(753)	(1,086)	(752)	(9,693)
Net Increase/(Decrease) in Cash	(4,630)	5,628	20,437	(4,119)	2,422	19,738
Cash - Beginning of the Period	43,884	39,254	44,882	65,319	61,200	43,884
Cash - End of the Period	39,254	44,882	65,319	61,200	63,622	63,622

- The Trust held £63.6m in cash at the end of December. This is £19.7m more than the start of the year.
- Cash increased by £2.4m in December.
- The amount owed by debtors as recorded on the Accounts Receivable system also fell by £2.3m following payment of amounts owed by third parties in the month. (See also Section 3 above.)
- The Trust held enough cash to cover over 32 working days of planned operating expenditure at 31 December 2012.



5. Financial Risk Rating

Financial Criteria	Risk Rating	Weight	Scores					December 2012		November 2012	
			5	4	3	2	1	Metric	Score	Metric	Score
Achievement of Plan	EBITDA % achieved	10%	100%	85%	70%	50%	<50%	105.6%	5	105.5%	5
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	8.6%	3	8.6%	3
Financial Efficiency	Net return after Financing	20%	3%	2%	(0.5%)	(5%)	<(5%)	0.7%	3	0.7%	3
	I & E Surplus Margin	20%	3%	2%	1%	(2%)	<(2%)	0.6%	2	0.6%	2
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	17	3	16	3
Weighted Average									3.00		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 Trust's weighted average score remained at 3.00 in December as all scores remained the same.

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)	72,537	69,958	(2,578)	(3.6%)	110,598	105,856	(4,742)	(4.3%)
Non-Elective	51,620	60,649	9,029	17.5%	112,658	128,407	15,749	14.0%
Out-Patients	591,725	600,351	8,626	1.5%	79,748	83,593	3,845	4.8%
Other								
Chemotherapy	17,328	18,897	1,568	9.1%	14,237	16,112	1,875	13.2%
Critical Care	27,817	32,621	4,805	17.3%	36,166	40,669	4,503	12.5%
Devices	5,440	5,524	85	1.6%	11,215	11,084	(131)	(1.2%)
Direct Access	3,228,601	3,237,408	8,807	0.3%	13,554	13,736	182	1.3%
Drugs	32,375	34,865	2,490	7.7%	36,011	39,708	3,697	10.3%
Excess Beds	26,108	32,483	6,375	24.4%	6,953	8,359	1,406	20.2%
A&E & Cystic Fibrosis O/Ps	103,278	116,132	12,854	12.4%	13,080	14,339	1,259	9.6%
Radiotherapy	37,048	35,921	(1,127)	(3.0%)	7,826	6,931	(895)	(11.4%)
Renal Replacement Therapy	79,076	77,741	(1,335)	(1.7%)	13,453	13,833	380	2.8%
Screening	127,981	117,595	(10,385)	(8.1%)	4,241	4,079	(162)	(3.8%)
Other Activity	13,652	14,727	1,075	7.9%	29,376	28,196	(1,180)	(4.0%)
Adjustments for Thresholds & Denials					(3,173)	(10,454)	(7,281)	
Totals					485,943	504,448	18,505	3.8%

- The Trust's activity position for the first nine months of the year was calculated from actual data for eight months up to 30 November.
- Non-elective activity remains well above plan for the year and elective activity, including day case work, below plan. The Trust has had to put arrangements in place for some activity to be carried out by third party providers in order to meet its waiting list targets.

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	328,005	247,315	259,588	12,273	5.0%
Buckinghamshire	28,544	21,533	23,200	1,667	7.7%
South Central Specialised Comm.	115,789	87,280	87,728	448	0.5%
East Midlands Specialised Comm.	38,205	28,937	28,699	(238)	(0.8%)
South West Specialised Comm.	17,935	13,514	14,845	1,331	9.8%
Northamptonshire PCT	18,733	14,063	14,165	102	0.7%
Milton Keynes PCT	8,307	6,183	6,184	1	
National Commissioning Groups	12,471	9,385	8,837	(548)	(5.8%)
Berkshire West PCT	12,211	9,211	8,302	(909)	(9.9%)
Swindon PCT	6,676	5,037	5,196	159	3.2%
Warwickshire PCT	5,489	4,139	4,332	193	4.7%
Bedfordshire PCT	5,294	3,991	4,129	138	3.5%
Berkshire East PCT	4,582	3,456	3,794	338	9.8%
Hertfordshire PCT	2,932	2,211	2,999	788	35.6%
West Midlands Specialised Comm.	2,803	2,115	2,427	312	14.8%
Wiltshire PCT	3,738	2,820	3,089	269	9.5%
Hampshire PCT	2,421	1,827	1,483	(344)	(18.8%)
Gloucestershire PCT	4,396	3,314	3,852	538	16.2%
Others (incl. non-Contract Income)	26,499	19,612	21,599	1,987	10.1%
Total	645,030	485,943	504,448	18,505	3.8%

- Income from commissioners was £18.5m above plan for the first nine months of the year once performance against contracts has been adjusted for marginal rates.
- Against the Oxfordshire contract (NHSO) emergency activity exceeded the contract threshold and the nationally-mandated 30% marginal rate has been applied to the over-performance.
- As part of its risk sharing strategy the Trust has agreed with NHSO the amount the commissioners will pay for contact activity in the current financial year. This has been settled at £17m higher than the amount contracted at the start of the year (with the possibility that the Trust may be able to claim for additional funding to help tackle winter pressures). If, therefore, the Trust carries out more activity than this capped amount, it will incur costs in carrying out the activity but will not receive additional income. A straight line projection of the Month 9 year-to-date over-performance suggests the Trust will end the year £16.4m better than contract and therefore there is some risk that the cap will be exceeded.
- The Trust over-performed against its contracts with South West Specialist Commissioners, Milton Keynes, Hertfordshire and Gloucestershire, but continues to under-perform against the contracts for Berkshire West, National Commissioning Groups (NCG) and Hampshire.

- The Trust is now over-performing against the South Central Specialist Commissioning Group contract (whereas an under-performance against contract has been reported in earlier months). The improvements have been in paediatrics (£0.7m), neurosurgery (£0.3m), cardiac surgery (£0.2m) and transplant (£0.2m).
- The contract with West Berkshire is below plan for work for trauma & orthopaedics (T&O) (£0.5m), neurosurgery devices (£0.2m), critical care (£0.1m) and elective oral surgery activity (£0.1m). The under-performance against the NCG contract is mainly in transplant (£0.3m) and neurology (£0.2m).
- The main variance under "Others" is against the South Central Cancer Drug Fund. The plan for 2013/13 was based on spend incurred in the first half of 2011/12 and there has been a significant increase in activity since then.

8. Analysis of the Savings Programme for 2013/13

	Plan £000	YTD Plan £000	YTD Act. £000	Diff. £000	Forecast £000	Risk Rating
FYE 2011/12 Schemes	9,400	9,185	6,426	(2,759)	6,468	Low
Divisional Efficiency	14,400	9,832	13,004	3,173	19,565	Low
Divisional Efficiency - High Risk	100	68		(68)		High
Consultant Job Plans	2,000	1,200	828	(372)	1,219	Low
Medical Staff/On-Call Rotas	1,000	499		(499)		High
Research Fellow s	500	249		(249)		High
High Cost Post Review	2,500	1,561	667	(894)	1,234	Low
Adult Ward Nursing	3,200	2,315	1,393	(922)	2,000	Low
Agency Bus. Process Outsourcing	300	150		(150)		High
Non-Medical On Call	500	249		(249)		High
Reduction in Waiting Lists	2,300	1,725	1,725		2,300	Low
Ward Closures	3,600	2,400		(2,400)		High
Procurement Initiatives - Low Risk	2,800	1,931	2,098	167	3,849	Low
Procurement Initiatives - High Risk	1,600	913		(913)	125	High
Energy Management	1,200	798		(798)		High
Medicines Management	3,100	2,311	1,324	(987)	1,811	Medium
Private Patient Joint Venture	1,000	499		(499)		High
Theatre/Endoscopy Efficiency			157	157	297	Low
R&D & Other Income			4,801	4,801	6,157	Low
Total	49,500	35,885	32,423	(3,462)	45,026	
Shortfall against Original Plan					4,474	
Total - Original Plan					49,500	

- The Trust has delivered £32.4m in savings year-to-date. This represents 90.4% of the year-to-date plan.
- The only scheme still regarded as being “medium” risk is medicines management where the full amount of savings may not be realised in the year but where work continues on the project.
- If the Trust generates savings non-recurrently then these savings need to be found again in the following year *in addition* to the savings target for that year. An assessment of current plans indicates that £37.9m of the forecast savings are being realised recurrently but there is **£7.1m** of schemes where the savings cannot be carried forward into 2013/14. Of this, £3.7m relates to the non-recurrent receipt of income credited to the Trust in the current financial year. The full year effect of the recurrent schemes is anticipated to exceed this non-recurrent element.

9. Capital Programme

OUH Capital Programme 2012/13	Forecast	Mth 9	Mth 9	Mth 9
	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Maintenance Expenditure				
Estates Maintenance	1,240	444	656	(212)
Medical and Surgical Equipment	2,000	715	1,999	(1,284)
IT/EPR	3,000	1,073	2,273	(1,200)
Ward Relocations	1,000	826	81	745
Cardiac Repatriation - Refurbishment	250			
Vascular Business Case - Refurbishment	400			
NOC Theatres	2,300	823	295	528
PACS replacement	250	89		89
Occupational Health Relocation	650			
Pharmacy - 2nd Robot			1	(1)
Small Schemes	900	322	128	194
Maternity Recovery, Ultrasound and Triage	116	41	231	(190)
Neonatal Intensive Care - Cot Replacement	684			
Estates project staff (maintenance)	300	108	142	(34)
Laboratory Business Case				
Day Theatre West Wing	250	89		89
Cardiac Eco	400	36		36
SEU	110	39	53	(14)
MDT Audio Visual Equipment		50		50
Non-Maintenance Expenditure				
Cardiac (Adult) Business Case	1,150	501	230	271
Neonatal Intensive Care	1,316	680	1,399	(719)
Trauma Centre Business Case	790	283	430	(147)
Vascular Business Case - Equipment	1,400	501	780	(279)
Head & Neck Relocation	651			
Endoscopy Business Case – 5th Room	65	23	52	(29)
Ultrasound HGH - feasibility Studies	20	7		7
Radiotherapy: Milton Keynes	250	89		89
PFI Disputes CH	712	255	107	148
Estates project staff (non-maintenance)	300	108	141	(33)
IMRT: Rapid arc installation	165	59		59
JR Theatres	250	89		89
CRM	150	54	26	28
Ace Centre	380	136	350	(214)
Planned Slippage	(515)	49		49
Asset Sales				
Projects funded from Donations				
Donations - Medical Equipment	1,155	763	763	
Donations - Kadoori Centre Expansion	1,700	1,296	1,296	
Total Capital Programme Spend	23,789	9,548	11,433	(1,885)

- The Trust has charged £11.4m against its capital programme in the first nine months of the year. Although capital is overspent this is largely due to the timing of the plan where it was originally assumed that a greater proportion of the programme would be spent in the final quarter of the year.
- The largest areas of spend remain expenditure on medical equipment, the implementation of the electronic patient record (EPR) project, replacement of its medical & surgical equipment and the construction of the new neo-natal extension.
- 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 9	Mth 9	Mth 9
	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Total Capital Programme Spend	23,789	9,548	11,433	(1,885)
PFI lifecycle and Equipment Leasing (IFRIC 12)		2,037	2,037	
Kadoori Centre Expansion	(1,700)	(1,296)	(1,296)	
Charitable Funds - Medical Equipment	(1,155)	(763)	(763)	
Capital Resource Limit 2012/13	20,934	9,526	11,411	(1,885)

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	3,212	3,428	216
2.	To manage within the capital resource limit (CRL)	9,526	11,411	(1,885)
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%	85.8%	(9.2%)

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

January 2013