

Trust Board Meeting: Wednesday 13 March 2013

TB2013.44

Title	Financial Performance to 31 January 2013
--------------	---

Status	A paper for information.
History	Regular report

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

Summary

This report informs the Board of the Trust's financial position for the period 1 April 2012 to 31 January 2013.

1. The financial position at the end of Month 10 was £201,000 better than plan. (Page 3)
2. It is forecast that the Trust will generate its planned surplus for the year but there are risks which could affect this position. (Page 6)
3. The Trust has now reached settlement on the year-end position for the Oxfordshire element of the contract with NHS Buckinghamshire & Oxfordshire and with South Central Specialist Commissioning Group. There will be a financial pressure if activity levels against these contracts exceed the amount agreed. (Page 9)

The report contains information on the following:

- The Trust's Statement of Comprehensive Income [income & expenditure (I&E)] position after the first 10 months of the year (Pages 3 to 20), including:
 - Statements on the Trust's overall I&E position (Pages 3 & 4)
 - Details about non-operational income & expenditure (Page 5)
 - A forecast of its year-end position (Page 6)
 - Details about commissioning income earned (Pages 7 to 9)
 - Year-to-date performance against the savings target (Page 10)
 - An analysis of bank & agency pay spend (Page 11)
- The Statement of Financial Position at 31 January 2013 (Pages 12 to 15), including:
 - An analysis of Accounts Receivable at 31 January (Pages 13 & 14)
 - An analysis of Accounts Payable at 31 January (Page 15)
- The Statement of Cashflow and forecast cash position (Pages 16 to 18)
- The Trust's performance as measured against Monitor's financial risk ratings and its performance against its financial duties (Pages 19 to 23)
(Page 24)
- The amount spent, and forecast to be spent, against the capital programme for the year (Page 25)

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

	Annual	Year to Date		
	Plan £000	Plan £000	Actual £000	Variance £000
Operating Income				
Commissioning Income	645,030	541,301	562,785	21,484
PP & Overseas	13,558	11,189	10,885	(304)
Other Income	93,289	78,457	80,095	1,638
Total Income	751,877	630,947	653,765	22,818
Operating Expenditure				
Pay	(412,404)	(343,794)	(348,715)	(4,921)
Non-Pay	(273,949)	(232,188)	(246,905)	(14,717)
Total Expenditure	(686,353)	(575,982)	(595,620)	(19,638)
EBITDA	65,524	54,965	58,145	3,180
Non-Operating Expenditure	(63,970)	(53,141)	(54,496)	(1,355)
Retained Surplus/(Deficit)	1,554	1,824	3,649	1,825
Technical Adjustments	2,048	1,704	80	(1,624)
Break Even Surplus	3,602	3,528	3,729	201

- The Trust's financial position remained on plan at the end of January. This describes the position excluding the impact of research income and expenditure.
- Commissioning income was £21.5m better than plan (December = £18.5m). Details of activity performance by individual commissioner are shown on Page 9.
- At 31 January the Trust had over-performed against NHS Oxfordshire (NHSO) by £14.1m (December = £12.3m). The Trust remains on track to keep activity within the financial cap agreed with the commissioners.
- The Trust had over-performed against South Central Specialist Commissioning Group (SCSCG) by £1.0m at the end of January (December = £0.4m). The Trust has also agreed a year end position with these commissioners and the over-performance is within the agreed financial cap (see Page 10).
- 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. The estimated impact of this adjustment is £10.1m (December = £9.0m).
- Pay expenditure was £4.9m, or 1.4%, worse than plan (December = £5.2m, or 1.7%). The main reason for the overspend is the Trust's over-performance against contracted levels of activity:

– The Trust's level of activity for patient services is in aggregate £19.2m, or 5.7%, higher than plan for the year-to-date (December = £14.9m,

or 4.9%) with non-elective activity in particular over-performing (see Page 8).

- Non-pay expenditure was £14.7m, or 6.3%, above plan (December = £11.7m). The reasons for the overspend include:
 - Expenditure on "pass through" drugs and devices was £3.0m greater than plan after the first 10 months of the year (December = £3.6m) (Page 8). 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 £6.2m additional non-pay spend on a proportionate basis.

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	541,301	562,785	21,484
PP & Overseas	13,558	11,189	10,885	(304)
Other Income	131,977	109,871	106,510	(3,361)
Total Income	790,565	662,361	680,180	17,819
Operating Expenditure				
Pay	(439,937)	(365,849)	(366,834)	(985)
Non-Pay	(285,104)	(241,547)	(255,201)	(13,654)
Total Expenditure	(725,041)	(607,396)	(622,035)	(14,639)
EBITDA	65,524	54,965	58,145	3,180
Non-Operating Expenditure	(63,970)	(53,141)	(54,496)	(1,355)
Retained Surplus/(Deficit)	1,554	1,824	3,649	1,825
Technical Adjustments	2,048	1,704	80	(1,624)
Break Even Surplus	3,602	3,528	3,729	201

- 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 January expenditure on R&D was £5.0m less than plan with pay being £3.9m below plan and non-pay £1.1m less than anticipated. R&D income for this amount was therefore adjusted to take this into account, resulting in an adverse variance against plan on "other" income.
- Funders assume the Trust will spend R&D funding in the year it is received and therefore there is a risk that any significant underspend reported at the end of the year could be clawed back.
- EBITDA (earnings before interest, tax, dividend and amortisation) was 8.5% of Trust turnover, including R&D income. The annual plan is for the Trust's EBITDA to be 8.3% for the full year.

Non-EBITDA Income & Expenditure

The year-to-date position, and full year plan and forecast, figures for the Trust's non-EBITDA items of income & expenditure are as below:

	YTD	YTD	YTD	Full Year	Full Year	
	Plan	Actuals	Variance	Plan	Forecast	Variance
	£000	£000	£000	£000	£000	£000
Income						
Donated Asset Additions	103	2,255	2,152	123	3,105	2,982
Impact on EBITDA	103	2,255	2,152	123	3,105	2,982
Depreciation	(28,333)	(29,773)	(1,440)	(34,000)	(35,395)	(1,395)
Impairments/Reversal of Imp.					3,346	3,346
Investment Revenue	110	153	43	132	132	
Other Gains & Losses				(200)	(200)	
Finance Costs	(17,233)	(17,040)	193	(20,680)	(20,683)	(3)
PDC Dividend Payable	(7,685)	(7,836)	(151)	(9,222)	(9,292)	(70)
Sub-Total: Non-Op. Exps.	(53,141)	(54,496)	(1,355)	(63,970)	(62,092)	1,878
Impact on Retained Surplus	(53,038)	(52,241)	797	(63,847)	(58,987)	4,860
<i>Technical Adjustments</i>						
IFRIC 12 Technical Deficit (PFI)	46	2	(44)	58	3	(55)
Impairments					(3,346)	(3,346)
Donated Asset Additions	(103)	(2,255)	(2,152)	(123)	(3,105)	(2,982)
Donated Asset Depreciation	1,761	2,333	572	2,113	2,438	325
Sub-Total: Technical	1,704	80	(1,624)	2,048	(4,010)	(6,058)
Impact on Break Even	(51,334)	(52,161)	(827)	(61,799)	(62,997)	(1,198)

- Included within “other income” are donated asset receipts. Under a change in NHS accounting rules introduced in 2011/12, when an asset is donated to the Trust then an amount equivalent to its fixed asset value is credited to income in full in the year of receipt. For NHS Trusts this credit is then discounted when assessing a Trust's performance against its duty to break even.
- The change in accounting rules in 2011/12 means that depreciation on donated assets is also not included in the Trust's performance against its break even duty and hence is removed as a “technical adjustment”.
- Depreciation for the year is forecast to be higher than originally planned. As part of the requirements to comply with International Financial Reporting Standards (IFRS) the Trust asks the District Valuer (DV) to value its estate at the end of each financial year. However the estimate for the following year's depreciation has to be calculated before the DV's figures are known. Following the valuation made at 31 March 2012 depreciation in 2012/13 is higher than was anticipated when the current year's financial plans were formed.
- The figure for impairments/reversal of impairments is positive because it is forecast that there will be a reversal of impairments charged in 2009/10 to the Statement of Comprehensive Income. In that year the Trust had to impair its PFI buildings following a significant fall in their values. As these assets recover their values this impairment is reversed, and credited to the Statement of Comprehensive Income, until the assets reach the value that they were at prior to the impairment taking place. Both the original impairment and its subsequent reversal are disregarded when assessing the Trust's performance against the break even duty. Hence both are removed as “technical adjustments”.
- The other “technical adjustment” compares the impact on the Trust's financial position resulting from its PFI buildings being classified as “on balance sheet” from being “off balance sheet” following the adoption of IFRS by the NHS. It is forecast that the accounting impact of this change will be negligible in 2012/13.

Forecast of the Trust's Year End Position – as at Month 10

- It is currently forecast that the Trust will generate its planned “break even” surplus at the end of the year.
- The Trust is incurring additional expenditure to deal with winter pressures. It has received additional funding from NHS Buckinghamshire & Oxfordshire over and above the cap agreed (see Page 3) but this may not be sufficient to cover the additional costs incurred given the activity trends seen in February.
- Elective activity continues to be “crowded out” by non-elective work. This means that the Trust had less capacity to carry out work for which it would have received full tariff, and substituted this for work at marginal rates which do not cover costs. (See also Page 7.)
- Premium costs continue to be spent on agency staff as part of the Trust's response to the high levels of activity.
- Activity continues to be transferred to third parties (such as the Manor, Medinet and Ramsay) to tackle waiting list pressures because non-elective activity levels prevent these from being managed in-house.

I&E Forecast	Annual Plan	Curr. Fcst	Fcst B/(W)	M10 YTD (No R&D)
	£m	£m	£m	£m
Income				
Commissioning Income	645.0	670.5	25.5	562.8
PP & Overseas Income	13.6	13.1	(0.5)	10.9
Other Income	93.3	97.6	4.3	80.0
Total Income	751.9	781.2	29.3	653.7
Expenditure				
Pay	(412.4)	(419.7)	(7.3)	(348.7)
Non-Pay	(273.9)	(291.7)	(17.8)	(246.9)
Total Expenditure	(686.3)	(711.4)	(25.1)	(595.6)
EBITDA	65.6	69.8	4.2	58.1
Non-Operating Exps.	(64.0)	(62.1)	1.9	(54.5)
Retained Surplus	1.6	7.7	6.1	3.6
Technical Adjs.	2.0	(4.0)	(6.0)	0.1
Break Even	3.6	3.7	0.1	3.7

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)	80,856	78,102	(2,755)	(3.4%)	123,296	120,081	(3,215)	(2.6%)
Non-Elective	57,439	67,644	10,205	17.8%	125,365	143,956	18,591	14.8%
Out-Patients	659,694	665,456	5,762	0.9%	88,906	92,703	3,797	4.3%
Critical Care	30,953	36,507	5,554	17.9%	40,244	45,408	5,164	12.8%
Chemotherapy	19,319	20,961	1,641	8.5%	15,873	18,035	2,162	13.6%
Excess Beds	29,051	35,446	6,395	22.0%	7,736	9,119	1,383	17.9%
Drugs & Devices (Pass Through)					52,551	55,557	3,006	5.7%
Other Activity					90,726	88,461	(2,265)	(2.5%)
Total before Adjustments					544,697	573,320	28,623	5.3%
Adj. for Thresholds & Denials					(3,396)	(10,535)	(7,139)	
Commissioning Income					541,301	562,785	21,484	4.0%

- The Trust's activity position for the first 10 months of the year was calculated from data for nine months.
- 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.
- Elective activity (excluding day cases) is 1,662 episodes below plan year-to-date with average income of £3,726 per case. If the Trust had carried out less non-elective work, and was able instead to achieve its planned level of elective activity, it is estimated that the Trust would have generated an additional £4.1m in income year-to-date. This figure does not take into account the additional costs paid to third parties (such as the Manor and Medinet) for them to carry out elective activity as part of the Trust's current strategy for meeting waiting list targets.
- The adjustment for thresholds and denials includes £10.1m where a marginal rate of 30% has been applied to the Trust's over-performance on non-elective activity over and above 2008/09 activity levels. This marginal rate is required under national guidelines on tariffs.

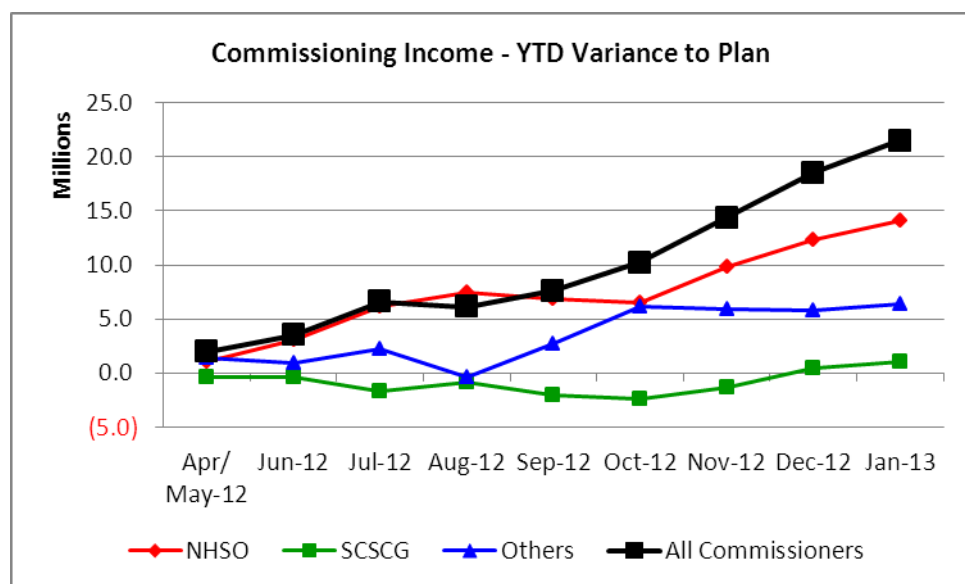
Analysis of Income by Commissioner

	Annual	YTD	YTD	YTD	Var.
	Plan	Plan	Actual	Variance	YTD
Commissioner	£000	£000	£000	£000	%
NHS Buckinghamshire & Oxfordshire:					
Oxfordshire	328,005	275,467	289,560	14,093	5.1%
Buckinghamshire	28,544	23,985	25,911	1,926	8.0%
South Central Specialised Comm.	115,789	97,177	98,156	979	1.0%
East Midlands Specialised Comm.	38,205	32,212	32,194	(18)	(0.1%)
Northamptonshire PCT	18,733	15,663	15,732	69	0.4%
South West Specialised Comm.	17,935	15,044	16,717	1,673	11.1%
National Commissioning Groups	12,471	10,441	10,003	(438)	(4.2%)
Berkshire West PCT	12,211	10,261	9,339	(922)	(9.0%)
Milton Keynes PCT	8,307	6,887	6,945	58	0.8%
Swindon PCT	6,676	5,611	5,756	145	2.6%
Warwickshire PCT	5,489	4,610	4,932	322	7.0%
Bedfordshire PCT	5,294	4,444	4,555	111	2.5%
Berkshire East PCT	4,582	3,849	4,183	334	8.7%
Gloucestershire PCT	4,396	3,691	4,320	629	17.0%
Wiltshire PCT	3,738	3,142	3,427	285	9.1%
Hertfordshire PCT	2,932	2,462	3,415	953	38.7%
West Midlands Specialised Comm.	2,803	2,356	2,751	395	16.8%
Hampshire PCT	2,421	2,034	1,635	(399)	(19.6%)
Others (incl. non-Contract Income)	26,499	21,965	23,254	1,289	5.9%
Total	645,030	541,301	562,785	21,484	4.0%

- Income from commissioners was £21.5m above plan for the first 10 months of the year once performance against contracts has been adjusted for marginal rates (December = £18.5m above plan).
- 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. The impact of these adjustments is estimated to be £4.4m against the Oxfordshire contract and £10.5m across all commissioner contracts.
- The Trust is over-performing against its contracts with South East and South West Specialist Commissioning Groups, Milton Keynes, Hertfordshire and Gloucestershire, but continues to under-perform against the contracts for Berkshire West, National Commissioning Groups (NCG) and Hampshire.
- The contract with West Berkshire is below plan for work for trauma & orthopaedics (T&O), neurosurgery devices, critical care and elective oral surgery activity. The under-performance against the NCG contract is mainly in transplant and neurology.
- The main variance under "Others" is against the South Central Cancer Drug Fund. The plan for 2012/13 was based on spend incurred in the first half of 2011/12 and there has been a significant increase in activity since then.

Analysis of Income by Commissioner – Trends

YTD Variances to Plan (last 6 Mths)	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13
NHSO	7,408	6,894	6,508	9,804	12,273	14,093
SCSCG	(892)	(2,064)	(2,438)	(1,329)	448	979
Others	(399)	2,745	6,147	5,894	5,784	6,412
All Commissioners	6,117	7,575	10,217	14,369	18,505	21,484



- The table and chart on the left show how the Trust’s year-to-date performance against commissioning contracts has varied against plan. This is shown for:
 - The Oxfordshire (NHSO) part of the contract agreed with NHS Buckinghamshire & Oxfordshire;
 - South Central Specialist Commissioning Group (SCSCG);
 - Other commissioners; and
 - All commissioner income.
- As part of its risk sharing strategy the Trust has agreed with NHSO that the commissioners will pay for a fixed amount that is £17m higher than the amount contracted at the start of the year. 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 10 year-to-date over-performance suggests the Trust will end the year £16.9m better than contract and therefore there is some risk that the cap will be exceeded.
- Similarly the Trust has agreed with SCSCG the amount that the commissioners will pay £2.85m more than plan. A straight line projection of the Month 10 year-to-date over-performance suggests the Trust will end the year £1.17m better than contract.
- Performance against the SCSCG contract continued to improve in Month 10.
- Performance against other contracts also improved in the month.
- Overall the Trust’s performance against all contracts has grown steadily stronger over the last 6 months.

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	9,269	6,447	(2,822)	6,468	Low
Divisional Efficiency	14,400	11,321	15,718	4,396	19,708	Low
Divisional Efficiency - High Risk	100	79		(79)		High
Consultant Job Plans	2,000	1,466	846	(620)	1,067	Low
Medical Staff/On-Call Rotas	1,000	666		(666)		High
Research Fellow s	500	332		(332)		High
High Cost Post Review	2,500	1,874	856	(1,018)	1,234	Low
Adult Ward Nursing	3,200	2,610	1,588	(1,022)	1,989	Low
Agency Bus. Process Outsourcing	300	200		(200)		High
Non-Medical On Call	500	332		(332)		High
Reduction in Waiting Lists	2,300	1,917	1,917	0	2,300	Low
Ward Closures	3,600	2,800		(2,800)		High
Procurement Initiatives - Low Risk	2,800	2,220	2,806	586	4,054	Low
Procurement Initiatives - High Risk	1,600	1,142		(1,142)		High
Energy Management	1,200	932		(932)		High
Medicines Management	3,100	2,574	1,468	(1,106)	1,756	Medium
Private Patient Joint Venture	1,000	666		(666)		High
Theatre/Endoscopy Efficiency			204	204	297	Low
R&D & Other Income			4,836	4,836	6,150	Low
Total	49,500	40,400	36,685	(3,714)	45,024	
Shortfall against Original Plan					4,476	
Total - Original Plan					49,500	

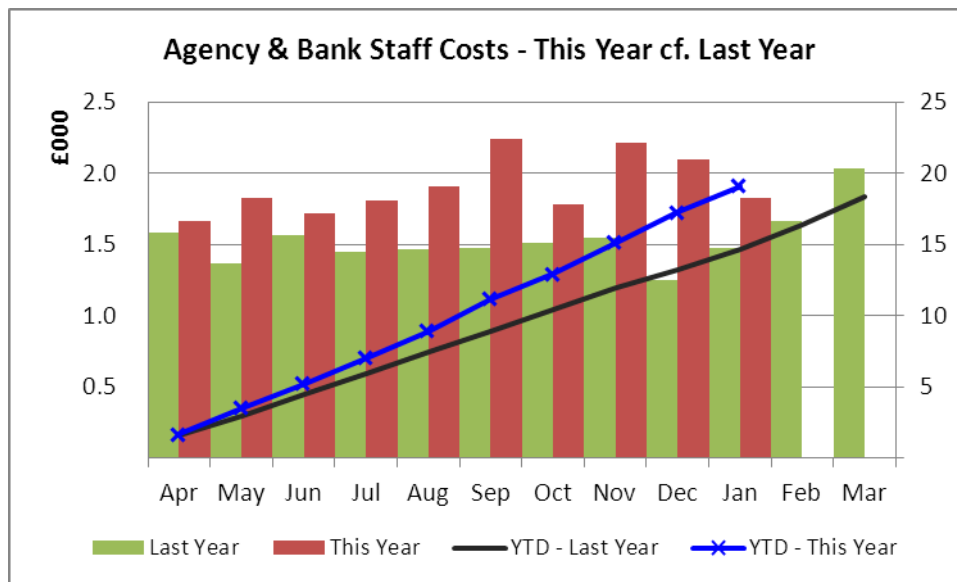
- The Trust has delivered £36.7m in savings year-to-date. This represents 90.8% of the year-to-date plan.
- As previously reported the high level of bed occupancy within the Trust means that the full level of planned savings from ward closures will not be realised in the current year.
- None of the existing savings plan are currently categorised as being high risk and there is thought to be a medium risk only against the medicines management scheme.
- 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, £4.7m relates to the non-recurrent receipt of income credited to the Trust in the current financial year.

Bank & Agency Spend

An analysis of pay costs by Division for the first 10 months of the year is shown below:

Division	Pay - Year to Date			Bank & Agency Spend		
	Plan	Actual	Variance	Plan	Actual	Variance
	£000	£000	£000	£000	£000	£000
Neurosciences	36,930	37,559	(629)	208	2,175	(1,967)
Cardiac, Thoracic	20,199	18,941	1,258		1,357	(1,357)
Children & Womens	45,623	48,603	(2,980)	454	2,070	(1,616)
Emergency Medicine	44,469	49,032	(4,563)	(50)	3,913	(3,963)
Surgery & Oncology	53,828	55,067	(1,239)	312	3,526	(3,214)
Critical Care	76,095	75,009	1,086		3,044	(3,044)
Musculoskeletal	24,533	23,205	1,328		379	(379)
Sub-Total: Divisions	301,677	307,416	(5,739)	924	16,464	(15,540)
Support Services	42,117	41,299	818	353	2,531	(2,178)
Total Pay	343,794	348,715	(4,921)	1,277	18,995	(17,718)

- The Trust has overspent against plan by £4.9m on pay (excluding R&D) and incurred £19.0m on bank and agency staff costs (£5.5m on bank staff and £13.5m on agency).
- The Trust spent £4.4m more on bank and agency staff in the first 10 months of 2012/13 compared to the same period for 2011/12 – £0.8m more on bank staff and £3.6m more on agency staff.



- 46.4% of the total amount spent on agency staff has been on nurses & midwives, and 20.5% on medical staff.

Statement of Financial Position (Balance Sheet)

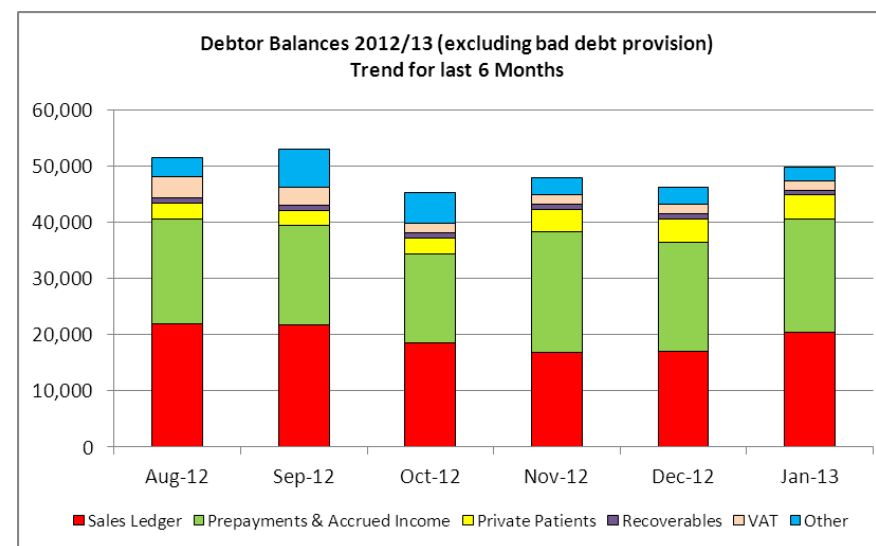
	Opening Balance	Closing Balance	Movement	Mvmt. In Month
	01-Apr-12	31-Jan-13		
NON-CURRENT ASSETS				
Property, Plant & Equipment	696,398	682,092	(14,306)	(1,279)
Intangible Assets	7,301	7,132	(169)	(210)
Trade & Other Receivables	3,742	4,115	373	173
NON-CURRENT ASSETS	707,441	693,339	(14,102)	(1,316)
CURRENT ASSETS				
Inventories	12,761	13,678	917	(277)
Trade & Other Receivables	36,462	45,046	8,584	2,979
Cash & Cash Equivalents	43,884	66,516	22,632	2,894
CURRENT ASSETS	93,107	125,240	32,133	5,596
CURRENT LIABILITIES				
Trade & Other Payables	(100,141)	(115,765)	(15,624)	(5,554)
Borrowings	(17,356)	(14,072)	3,284	(1,582)
Current Provisions	(8,421)	(5,671)	2,750	264
CURRENT LIABILITIES	(125,918)	(135,508)	(9,590)	(6,872)
NET CURRENT ASSETS/(LIABILITIES)	(32,811)	(10,268)	22,543	(1,276)
NON-CURRENT LIABILITIES				
Borrowings	(299,314)	(291,892)	7,422	2,594
Trade & Other Payables	(1,930)	(14,216)	(12,286)	71
Non-Current Provisions	(1,426)	(1,354)	72	
NON-CURRENT LIABILITIES	(302,670)	(307,462)	(4,792)	2,665
TOTAL ASSETS EMPLOYED	371,960	375,609	3,649	73
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	206,873	206,873		
Retained Earnings	15,600	19,574	3,974	73
Revaluation Reserve	147,744	147,419	(325)	
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	371,960	375,609	3,649	73

- The value for Non-Current Assets has reduced because depreciation on the existing asset base has exceeded new capital additions to date.
- Further detail on the Trust's Trade & Other Receivables position can be found on Pages 13 & 14.
- Further information about Trade & Other Payables is on Page 15.
- The increase in cash in the month largely reflects the quarterly receipt of R&D monies which will be spent over the next three months. Further information about the Trust's cashflows is shown on Page 16 of this report.
- Part of the non-current borrowings has been re-classified as being a current liability (i.e. payable within one year) in the month.
- The fall in borrowings (current and non-current) 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.

Analysis of Accounts Receivable (Debtors)

Current Receivables – Analysis by Type of Debtor

Current Receivables	Balance 1-Apr-12	Balance 31-Jan-13	Movement YTD	Balance 31-Dec-12	Movement in Mth.
NHS Receivables	13,700	14,193	493	9,599	4,594
Non-NHS Receivables	6,598	6,311	(287)	7,443	(1,132)
Private Patients	2,217	4,189	1,972	4,208	(19)
Provision for Impairment	(3,031)	(4,901)	(1,870)	(4,248)	(653)
Prepayments & Accrued Income	3,612	20,200	16,588	19,456	744
VAT	4,138	1,571	(2,567)	1,779	(208)
Recoverables	3,215	857	(2,358)	857	
Other Receivables	5,943	2,626	(3,317)	2,903	(277)
Current Receivables	36,392	45,046	8,654	41,997	3,049
Other Current Assets	70	70		70	
Total	36,462	45,116	8,654	42,067	3,049

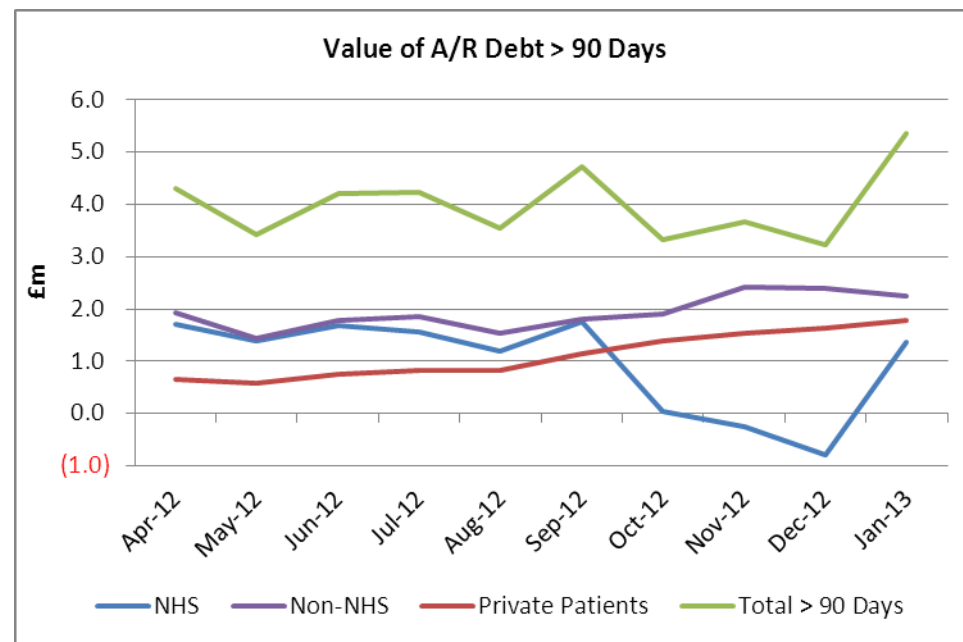
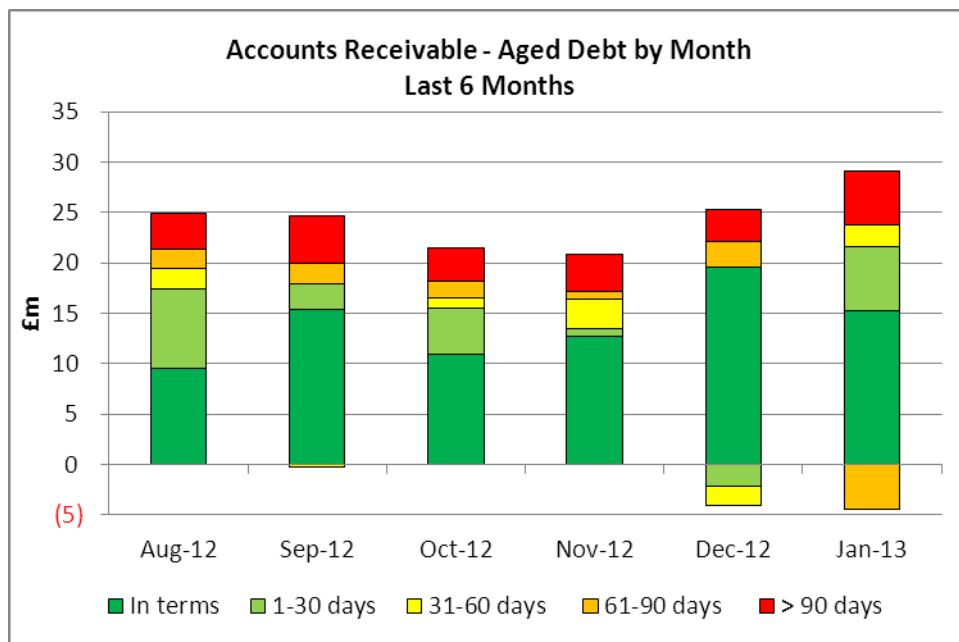


Current Receivables – Aged Debt Analysis

Aged Debt Analysis	NHS	Non-NHS	Private Patients	Total	Balance 31-Dec-12	Mvmt. in Mth.
In terms	13,360	1,399	526	15,285	19,557	(4,272)
1-30 days overdue	3,921	1,811	594	6,326	(2,213)	8,539
31-60 days	863	309	960	2,132	(1,904)	4,036
61-90 days	(5,303)	553	339	(4,411)	2,528	(6,939)
In excess of 90 days	1,352	2,239	1,770	5,361	3,227	2,134
A/R Receivables	14,193	6,311	4,189	24,693	21,195	3,498
Other non-A/R Receivables	6,689	13,664		20,353	20,802	(449)
Total Current Receivables	20,882	19,975	4,189	45,046	41,997	3,049

Current Receivables – Main Debtors

Top 10 Debtors	Total Due	Current	1-30 Days	31-60 Days	61-90 Days	> 90 Days
NHS Leicestershire County	4,495	3,625	802	22	10	36
Oxfordshire PCT	3,171	2,237	702	2	110	119
National Commissioning Group	2,100	2,099	1			
Oxford University	1,534	206	376	61	19	872
Specialised Commissioning	1,002	195	246	561		(0)
South Central Specialist	906	841	358	(299)		5
Buckinghamshire Healthcare	839	18	219	8	6	588
South Central Strategic	683	3	52			628
East of England Specialist	596	146	78	87	63	222
Jersey General Hospital	494	237	93	9	155	1
Totals	15,820	9,609	2,927	451	363	2,471

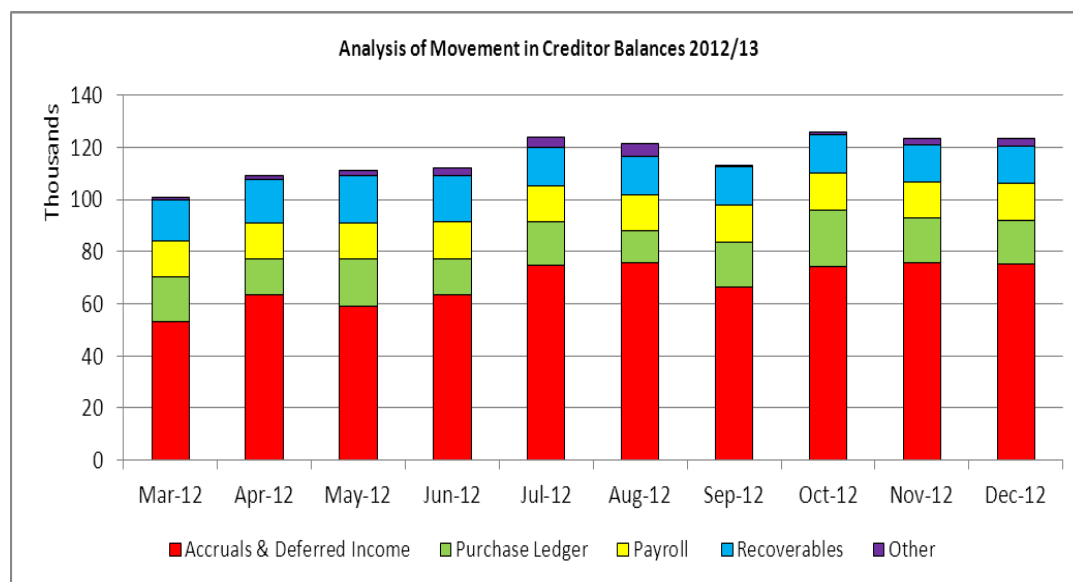


1. Current Receivables have increased by £8.7m since the start of the year and by £3.0m in January. The January increase was due to a rise in the amount owed by NHS commissioners, and is seasonal. Invoices for commissioning activity are raised every quarter end and may not always be settled within 30 days, particularly when a commissioner disputes any of the supporting data. It is expected that most disputes will be resolved, and the outstanding sums paid, by the end of February. (Leicestershire County, and Oxfordshire, have already settled £4.3m of the amounts owed by NHS commissioners.)
2. The provision for impairment is calculated as being 100% on all debts more than 180 days old and 5% on other debts greater than 90 days old.
3. The amount of debt on the A/R system owed for more than 90 days rose by £2.1m. Of the £5.4m owed, £2.5m is due from the Trust's "top ten" debtors.
4. The Trust continues to manage payments due to the University of Oxford, and will do so until the disputes over the aged debt of £0.9m are resolved.
5. The aged debt due from Jersey Hospital has been settled.
6. The old debt relating to Buckinghamshire Healthcare relates to disputes over salary recharges and has been escalated to the relevant Division for resolution.
7. The amount owed by South Central SHA is a claim for financial support towards the additional costs being incurred by the Trust to support its Foundation Trust (FT) application. The SHA is challenging the amount claimed.

Analysis of Accounts Payable (Creditors)

Current Payables	Balance 1-Apr-12	Balance 31-Jan-13	Movement YTD	Balance 31-Dec-12	Movement in Mth.
Purchase Ledger	17,281	14,607	(2,674)	16,711	(2,104)
Accruals & Deferred Income	52,977	69,009	16,032	62,498	6,511
Payroll	13,686	14,031	345	13,775	256
Recoverables	16,064	14,464	(1,600)	14,389	75
Other	699	3,654	2,955	2,837	817
Current Receivables	100,707	115,765	15,058	110,210	5,555
Other Current Liabilities	(566)		566		
Total	100,141	115,765	15,624	110,210	5,555

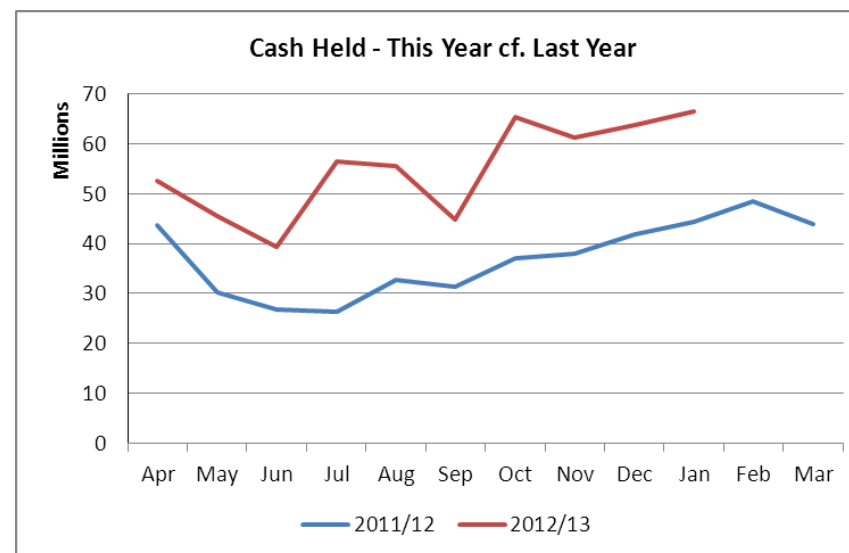
- The increase in total current payables is the result of a higher level of accruals and deferred income being recognised in the accounts.
- Accruals & deferred income relating to research were £12.2m higher at the end of January compared to the start of the year (December = £8.7m). This is a seasonal movement because research funding is received quarterly in advance and is then expensed over the following three months. Funds that were received in January need to be deferred to cover expenditure incurred in February and March.



Statement of Cashflows

	Q1 2012/13	Q2 2012/13	Q3 2012/13	Jan 13	Year-to- Date
	£000	£000	£000	£000	£000
Cash Flows from Operating Activities					
Operating Surplus/(Deficit)	7,142	9,862	8,823	2,544	28,371
Depreciation & Amortisation	8,759	8,836	8,861	3,318	29,774
Interest Paid	(4,895)	(5,619)	(4,872)	(1,624)	(17,010)
Dividend Paid		(4,876)			(4,876)
Receipt of Donated Assets		(401)	(362)		(763)
(Increase) in Inventories	(706)	20	(505)	277	(914)
(Increase) in Trade & Other Receivables	(17,575)	4,401	7,510	(3,196)	(8,860)
Increase in Trade & Other Payables	13,325	2,420	7,856	4,343	27,944
Increase in Provisions	(327)	(724)	(1,507)	(264)	(2,822)
Cash Flow from Operating Activities	5,723	13,919	25,804	5,398	50,844
Cash Flows from Investing Activities					
Interest Received	39	42	51	13	145
(Payments) for Fixed Assets	(8,032)	(3,591)	(4,524)	(1,503)	(17,650)
Cash Flow from Investing Activities	(7,993)	(3,549)	(4,473)	(1,490)	(17,505)
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)	(2,591)	(1,014)	(8,339)
Cash Flow from Financing Activities	(2,360)	(4,742)	(2,591)	(1,014)	(10,707)
Net Increase/(Decrease) in Cash	(4,630)	5,628	18,740	2,894	22,632
Cash - Beginning of the Period	43,884	39,254	44,882	63,622	43,884
Cash - End of the Period	39,254	44,882	63,622	66,516	66,516

- Cash increased by £2.9m in January. This was in part because the amount invested in the capital programme in the month was lower than depreciation charged against the operating surplus.
- There was an increase in net current assets of £1.1m in the month.
- The Trust held enough cash to cover over 33 working days of planned operating expenditure at 31 January 2013.



Cashflow Forecast

	Full Year	YTD M10	M11	M12	Full Year	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Full Year
FORECAST STATEMENT OF CASH FLOWS	2011-12	2012-13	2012-13	2012-13	2012-13	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash Flows from Operating Activities																		
Operating Surplus/(Deficit)	36,992	28,371	3,932	2,102	34,405	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,203	38,513
Depreciation & Amortisation	34,850	29,774	2,980	2,841	35,595	3,014	3,014	3,014	3,030	3,030	3,030	3,046	3,046	3,046	3,062	3,062	3,064	36,458
Impairments & Reversals	(2,328)			(3,346)	(3,346)													
Interest Paid	(20,436)	(17,010)	(1,773)	(1,922)	(20,705)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,765)	(21,235)
Dividend Paid	(8,983)	(4,876)		(4,754)	(9,630)						(4,761)						(4,760)	(9,521)
Receipt of Donated Assets	(45)	(763)	(733)	(1,466)	(2,962)						(130)						(130)	(260)
(Increase) in Inventories	253	(914)		2,914	2,000	500					(250)						(150)	100
(Increase) in Trade & Other Receivables	(7,138)	(8,860)	5,167	5,167	1,474	(4,000)	(4,000)				3,000	2,000	3,000	2,000	3,000	2,000	(4,346)	2,654
Increase in Trade & Other Payables	13,448	27,944	(10,051)	(13,060)	4,833	6,550		9,321			5,000		(5,000)	(5,000)		(5,000)	(11,053)	(5,182)
Increase in Provisions	4,599	(2,822)	(1,617)	1,029	(3,410)	(500)	(500)	(500)	(500)	(1,000)	(1,000)	(1,000)	(1,000)	375			6,125	500
Cash Flow from Operating Activities	51,212	50,844	(2,095)	(10,495)	38,254	7,004	(46)	13,275	3,970	3,470	6,329	5,486	1,486	1,861	7,502	1,502	(9,812)	42,027
Cash Flows from Investing Activities																		
Interest Received	145	145	14	15	174	25	25	25	25	25	25	25	25	25	25	25	23	298
(Payments) for Fixed Assets	(17,438)	(17,650)	(1,928)	(2,354)	(21,932)	(3,500)	(1,500)	(2,650)	(1,500)	(1,500)	(1,650)	(1,500)	(1,500)	(1,650)	(1,500)	(3,447)	(3,497)	(25,394)
Cash Flow from Investing Activities	(17,293)	(17,505)	(1,914)	(2,339)	(21,758)	(3,475)	(1,475)	(2,625)	(1,475)	(1,475)	(1,625)	(1,475)	(1,475)	(1,625)	(1,475)	(3,422)	(3,474)	(25,096)
Cash Flows from Financing Activities																		
New Working Capital Loans	2,961											20,000						20,000
Capital Loans - Repayment of Principal	(1,404)	(702)		(702)	(1,404)						(702)						(702)	(1,404)
Working Capital Loans - Principal Repayment	(3,332)	(1,666)		(1,660)	(3,326)												(1,660)	(1,660)
Capital Element of Finance Leases & PFI	(14,059)	(8,339)	(1,958)	(2,902)	(13,199)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(987)	(11,877)
Cash Flow from Financing Activities	(15,834)	(10,707)	(1,958)	(5,264)	(17,929)	(990)	(990)	(990)	(990)	(990)	(1,692)	19,010	(990)	(990)	(990)	(990)	(3,349)	5,059
Net Increase/(Decrease) in Cash	18,085	22,632	(5,967)	(18,098)	(1,433)	2,539	(2,511)	9,660	1,505	1,005	3,012	23,021	(979)	(754)	5,037	(2,910)	(16,635)	21,990
Cash - Beginning of the Period	25,799	43,884	66,516	60,549	43,884	42,451	44,990	42,479	52,139	53,644	54,649	57,661	80,682	79,703	78,949	83,986	81,076	42,451
Cash - End of the Period	43,884	66,516	60,549	42,451	42,451	44,990	42,479	52,139	53,644	54,649	57,661	80,682	79,703	78,949	83,986	81,076	64,441	64,441

- A cashflow forecast for the remainder of the year, and for 2013/14, is shown above.
- It is forecast that the Trust's cash holdings will fall by £21.2m in the remainder of 2012/13 as the result of the payment of the Dividend and the payment of outstanding trade payables.
- When the Trust becomes a Foundation Trust in 2013/14 it will have access to working capital facilities and it is forecast that it will draw down £20m next year from this facility to support its cash position. This will mean that its cash holdings will increase by £22.0m in 2013/14. It is forecast that the Trust's cash balance will be not less than £44m to 31 March 2014. This minimum represents more than 21 days' operating expenditure.

Cashflow Forecast – Assumptions

The main assumptions that lie behind the cashflow forecast are:

1. Operating activities

- (i) The operating surplus will be achieved according to forecast;
- (ii) Depreciation, impairments, donated assets have been forecast from year-to-date and expected capital changes such as the completion of agreed capital projects;
- (iii) Inventories – it is expected that there will be some stock movements following a review of the Trust's inventory policy;
- (iv) Receivables – the targeted trade debt reduction of £3m has now been increased with a £3m stretch target and other receivables reduction of £3m;
- (v) Payables – it is assumed there will be an acceleration of trade payables to mirror increased debt recovery and improve prompt payment performance.

2. Investing activities

- (i) It is assumed that capital payments will be made in accordance with the Trust's capital programme.

3. Financing activities

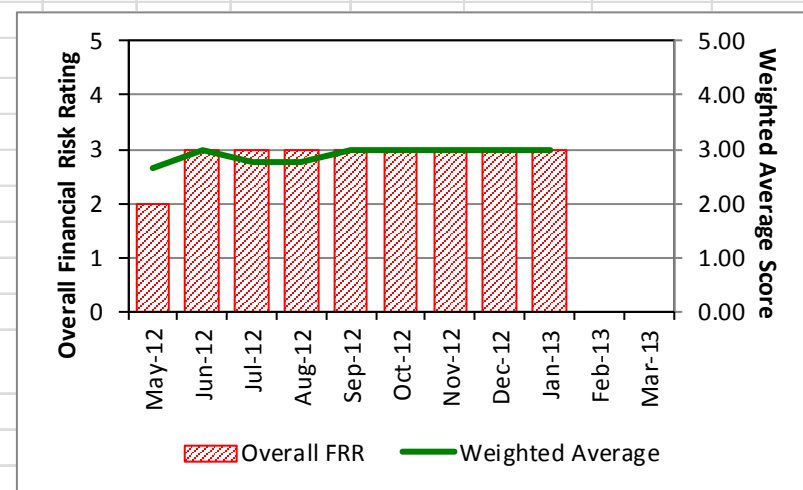
- (i) It is assumed that loan principal repayments will be made in accordance with Department of Health agreements;
- (ii) It is assumed that the capital element of finance payments are those as set out within the Trust's PFI lease agreements.

Financial Risk Rating

Financial Criteria	Risk Rating	Weight	Scores					January 2013		December 2012	
			5	4	3	2	1	Metric	Score	Metric	Score
Achievement of Plan	EBITDA % achieved	10%	100%	85%	70%	50%	<50%	105.8%	5	105.6%	5
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	8.5%	3	8.6%	3
Financial Efficiency	Net return after Financing	20%	3%	2%	(0.5%)	(5%)	< (5%)	0.6%	3	0.7%	3
	I & E Surplus Margin	20%	3%	2%	1%	(2%)	< (2%)	0.5%	2	0.6%	2
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	16	3	17	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 January as all scores remained the same.

Calculation of the Trust's Financial Risk Rating (FRR)

- 2.1 Monitor uses four criteria to assess the financial risks under which Trusts are operating:
- Achievement of Plan** – this criterion looks at how the Trust's year-to-date income & expenditure operating performance compares with the plans it set itself at the start of the year.
 - Underlying Performance** – this assesses the operating surplus the Trust makes (EBITDA) as a percentage of turnover.
 - Financial efficiency** – this evaluates the Trust's retained surplus as a percentage of turnover and assesses (i) as a return on its assets and (ii) as a percentage of turnover.
 - Liquidity** – this assesses whether the Trust has access to enough cash to support its day-to-day operations.
- 2.2 For each financial criterion a Trust's performance is rated between 1 (high risk) and 5 (low risk) and compared to a grid of standard values. Once the score against each criterion has been found, it is then weighted to produce an overall aggregate score. Monitor's current list of values and scores can be found on Page 21.
- 2.3 In order to produce the Trust's final overall FRR score, a set of over-riding rules are then applied by Monitor. These rules are also set out on Page 21.
- 2.4 The scores for the Trust's FRR for January have been calculated as follows:

Achievement of Plan

The Trust's year-to-date EBITDA is compared with its planned EBITDA.

For January, the Trust's EBITDA of £58,145k compares to a planned figure of £54,965k – i.e. it is 105.8% of plan.

Against Monitor's ratings this scores 5.

	Year to Date		
	Plan	Actual	Diff.
	£000	£000	£000
Operating Income	662,361	680,180	17,819
Operating Expenditure	(607,396)	(622,035)	(14,639)
EBITDA	54,965	58,145	3,180

Financial Criteria	Risk Rating	Scores					January 2013	
		5	4	3	2	1	Metric	Score
Achievement of Plan	EBITDA % achieved	100%	85%	70%	50%	<50%	105.8%	5

Underlying Performance

The Trust's year-to-date EBITDA is compared with its turnover.

For January, the Trust's EBITDA of £58,145k is 8.5% of its turnover of £680,180k.

Against Monitor's ratings this scores 3.

Financial Criteria	Risk Rating	Scores					January 2013	
		5	4	3	2	1	Metric	Score
Underlying Performance	EBITDA margin	11%	9%	5%	1%	<1%	8.5%	3

	Year to Date		
	Plan	Actual	Diff.
	£000	£000	£000
Operating Income	662,361	680,180	17,819
Operating Expenditure	(607,396)	(622,035)	(14,639)
EBITDA	54,965	58,145	3,180

Financial Efficiency (1)

1. The Trust's retained surplus is assessed as a return on its assets after adjusting for financing arrangements.

At the end of January the Trust's retained surplus was £3,649k. (If the Trust had had to charge any impairments or losses on asset disposals against its income & expenditure position then the retained surplus would be adjusted for these.)

The Statement of Financial Position (or Balance Sheet) is used to calculate the denominator for this rating. The starting point is the average of the total assets employed for (i) the beginning of the year, and (ii) at the end of the current period. Because these reduce the value of total assets employed any borrowings for loans, leases or PFI agreements are then added back.

The projected retained earnings figure is then compared to the adjusted figure for net assets employed – i.e. for January the return is 0.6% (= [4,379 x 100] / 685,102).

Against Monitor's ratings this scores 3.

Financial Criteria	Risk Rating	Scores					January 2013	
		5	4	3	2	1	Metric	Score
Financial Efficiency (1)	Net return after Financing	3%	2%	-1%	-5%	< (5%)	0.6%	3

	Year to Date		
	Plan	Actual	Diff.
	£000	£000	£000
Operating Income	662,361	680,180	17,819
Operating Expenditure	(607,396)	(622,035)	(14,639)
EBITDA	54,965	58,145	3,180
Non-Operating Exps.	(53,141)	(54,496)	(1,355)
Retained Surplus	1,824	3,649	1,825
Projected for 12 Months		4,379	
Statement of Fin. Position			
	Opening Balance	End Balance	Average
	1-Apr-12	31-Jan-13	
Total Assets Employed	371,960	375,609	373,785
Add back:			
Borrowings (Current)	17,356	14,072	15,714
Borrowings (Non-Current)	299,314	291,892	295,603
Assets	688,630	681,573	685,102

Financial Efficiency (2)

2. The Trust's retained surplus is assessed as a percentage of turnover.

For January, the Trust's retained surplus of £3,649k is 0.5% of its turnover of £680,180k.

Against Monitor's ratings this scores **2**.

Financial Criteria	Risk Rating	Scores					January 2013	
		5	4	3	2	1	Metric	Score
Financial Efficiency (1)	I & E Surplus Margin	3%	2%	1%	-2%	< (2%)	0.5%	2

	Year to Date		
	Plan	Actual	Diff.
	£000	£000	£000
Operating Income	662,361	680,180	17,819
Operating Expenditure	(607,396)	(622,035)	(14,639)
EBITDA	54,965	58,145	3,180
Non-Operating Exps.	(53,141)	(54,496)	(1,355)
Retained Surplus	1,824	3,649	1,825

Financial Efficiency (3)

3. To assess whether Monitor's over-riding rules apply, the overall score for "financial efficiency" is the average of the two separately calculated scores.

In January the two separate scores for financial efficiency for the Trust were "3" and "2". This gives an average of 2.5. For the purpose of assessing the Trust's financial performance against Monitor's over-riding rules, this means the score for financial efficiency is rounded up to **3**.

Liquidity

The Trust's access to readily liquid resources is compared against its daily operating expenditure commitments.

The Trust's year-to-date operating expenditure at 31 January was £622,035 and therefore projected expenditure is £746,442k. One day's operating expenditure is therefore £2,045k (= 746,442 / 365).

From the Statement of Financial Position, the Trust's current assets at the end of January were £125,240k but inventories are not regarded as being a liquid asset and therefore need to be excluded. Current liabilities at 31 January 2013 were £135,508k.

If the Trust were to become a Foundation Trust, it is believed it would have access to a working capital facility of £57m. With this the Trust's net liquid assets would be £33,054k.

Based on these figures it means that the Trust held 16 days' worth of operating expenditure as liquid assets at the end of December (= 33,054 / 2,045).

Against Monitor's ratings this scores **3**.

Financial Criteria	Risk Rating	Scores					January 2013	
		5	4	3	2	1	Metric	Score
Liquidity	Liquid ratio (days)	60	25	15	10	<10	16	3

	Year to Date		
	Plan £000	Actual £000	Diff. £000
Operating Income	662,361	680,180	17,819
Operating Expenditure	(607,396)	(622,035)	(14,639)
EBITDA	54,965	58,145	3,180
12 Months' Expenditure		746,442	
One Day's Expenditure		2,045	

	Financial Position
	31-Jan-13
Current Assets	125,240
Less: Inventories	(13,678)
Current Liabilities	(135,508)
Working Capital Facility	57,000
Net Liquid Assets	33,054

Performance Indicators against Financial Duties

The Trust's performance against its financial duties at 31 January is summarised below:

Financial Duty		Plan (£000)	Actual (£000)	Better/ (Worse) (£000)
1.	To achieve break even on Income & Expenditure	3,528	3,729	201
2.	To manage within the capital resource limit (CRL)	12,628	13,892	(1,264)
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%)

Although the Trust is overspent against its capital programme in the first 10 months of the year, 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.

Capital Programme

	Forecast	M th 10	M th 10	M th 10
OUH Capital Programme 2012/13	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Maintenance Expenditure				
IT/EPR	3,000	1,512	2,473	(961)
NOC Theatres	1,734	1,159	328	831
Medical and Surgical Equipment	2,560	1,290	2,168	(878)
Estates Maintenance	2,790	1,406	1,745	(339)
Other Maintenance Schemes	1,695	1,336	1,039	297
Non-Maintenance Expenditure				
Neonatal Intensive Care	1,900	957	1,568	(611)
Cardiac (Adult) Business Case	800	705	289	416
Vascular Business Case - Equipment	1,400	705	816	(111)
Trauma Centre Business Case	790	398	589	(191)
Head & Neck Relocation	751	378	274	104
Other Non-Maintenance Expenditure	1,477	745	566	179
Projects funded from Donations				
Donations - Medical Equipment	1,155	763	763	
Donations - Kadoori Centre Expansion	1,700	1,300	1,300	
Total Capital Programme Spend	21,752	12,654	13,918	(1,264)
	Forecast	M th 10	M th 10	M th 10
Capital Resource Lim it 2012/13	Outturn	YTD Plan	YTD Spend	Variance
	£000s	£000s	£000s	£000s
Total Capital Programme Spend	21,752	12,654	13,918	(1,264)
PFI lifecycle and Equipment Leasing (IFRIC 12)	2,037	2,037	2,037	
Kadoori Centre Expansion	(1,700)	(1,300)	(1,300)	
Charitable Funds - Medical Equipment	(1,155)	(763)	(763)	
Capital Resource Lim it 2012/13	20,934	12,628	13,892	(1,264)

- The Trust has charged £13.9m against its capital programme in the first 10 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 in the second table (below). This includes expenditure made by the Trust on finance leases but excludes capital items funded via donations from third parties.

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 2013