

Trust Board Meeting: Wednesday 9 July 2014

TB2014.78

Title	Financial Performance to 31 May 2014
--------------	---

Status	For information
History	Regular report

Board 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 first two months of the financial year 2014/15.

Members will be mindful of the uncertainties which are traditionally associated with reports made in the early months of the financial year. In particular, the information available about commissioning income is based on only one month's data and therefore any estimates based on this may be misleading.

Contents

The report contains information on the following:

- The Trust's Statement of Comprehensive Income [income & expenditure (I&E)] position after the first two months of the year (Pages 4 to 14), including:
 - Statements on the Trust's overall I&E position Pages 3 & 4
 - Details about its income and expenditure position Pages 5 to 11
 - Details about non-operational income & expenditure Page 12
- The Statement of Financial Position at 31 May 2014 Pages 13 to 15
- The Statement of Cashflow and cashflow forecast Pages 16 & 17
- The Trust performance against Monitor's Continuity of Services rating Pages 18 to 20
- The position of the capital programme Page 21

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

I&E (including R&D)	Annual	Year to Date		
	Plan £000	Plan £000	Actual £000	Variance £000
Operating Income				
Commissioning Income	736,400	120,035	121,925	1,890
PP, Overseas & RTA Income	13,823	2,300	2,597	297
Other Income	137,467	22,838	21,351	(1,487)
Total Income	887,690	145,173	145,873	700
Operating Expenditure				
Pay	(482,803)	(80,169)	(82,120)	(1,951)
Non-Pay	(329,724)	(53,867)	(52,584)	1,283
Total Expenditure	(812,527)	(134,036)	(134,704)	(668)
EBITDA	75,163	11,137	11,169	32
Non-Operating Expenditure	(66,193)	(11,064)	(11,419)	(355)
Retained Surplus/(Deficit)	8,970	73	(250)	(323)
Technical Adjustments	2,512	418	756	338
Break Even Surplus	11,482	491	506	15

- The figures shown in the table on the left reflect the way in which financial performance is reported in the Trust's Statutory Statements.
- The Trust's financial position was £15,000 better than plan against its break even duty after the first two months of the year.
- Commissioning income was £1.9m above plan. Because data for only one month was available, most lines of commissioning income were adjusted to plan. The exceptions were for "pass through" drugs and devices, which were £2.1m above plan, and differences between the estimates made at the end of 2013/14 for amounts due and the final invoices raised for the actual activity carried out in the year, which were £0.2m less than anticipated. Further details are shown on Page 5 of this report.
- Private patient income is on plan after the first two months of 2014/15 while RTA (road traffic accident) income is £0.3m better than plan.
- The pay trends from 2013/14 have continued into the new financial year with the cost of bank and agency staff more than offsetting underspends against establishment. In May itself payroll costs were £0.13m higher than in April and bank staff costs were £0.27m higher. Spend on agency staff fell in May by £0.24m when compared to the amount spent in April.
- The non-pay position is affected by the volume of "pass through" drugs and devices that have been used.

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

Research & Development	Annual	Year to Date		
	Plan £000	Plan £000	Actual £000	Variance £000
Income				
Commissioning Income				
PP & Overseas Income				
Other Income	46,020	7,670	6,229	(1,441)
Total Income	46,020	7,670	6,229	(1,441)
Expenditure				
Pay	(36,116)	(6,019)	(4,836)	1,183
Non-Pay	(9,904)	(1,651)	(1,393)	258
Total Expenditure	(46,020)	(7,670)	(6,229)	1,441
EBITDA	0	0	0	0

- At the end of May expenditure on research & development (R&D) was £1.4m less than plan with pay being £1.2m below plan and non-pay £0.26m less than anticipated. R&D income for this amount should therefore be adjusted to take this into account, resulting in an adverse variance against plan on “other” income.

I&E (excluding R&D)	Annual	Year to Date		
	Plan £000	Plan £000	Actual £000	Variance £000
Operating Income				
Commissioning Income	736,400	120,035	121,925	1,890
PP, Overseas & RTA Income	13,823	2,300	2,597	297
Other Income	91,447	15,168	15,122	(46)
Total Income	841,670	137,503	139,644	2,141
Operating Expenditure				
Pay	(446,687)	(74,150)	(77,284)	(3,134)
Non-Pay	(319,820)	(52,216)	(51,191)	1,025
Total Expenditure	(766,507)	(126,366)	(128,475)	(2,109)
EBITDA	75,163	11,137	11,169	32
Non-Operating Expenditure	(66,193)	(11,064)	(11,419)	(355)
Retained Surplus/(Deficit)	8,970	73	(250)	(323)
Technical Adjustments	2,512	418	756	338
Break Even Surplus	11,482	491	506	15

- This table excludes the effect of R&D activities on the Trust’s financial position. It sets out the underlying operational performance in healthcare activities.
- The information about income and expenditure presented in the remainder of this report is based on this position – the Trust’s operational activities excluding R&D.

Commissioning Income

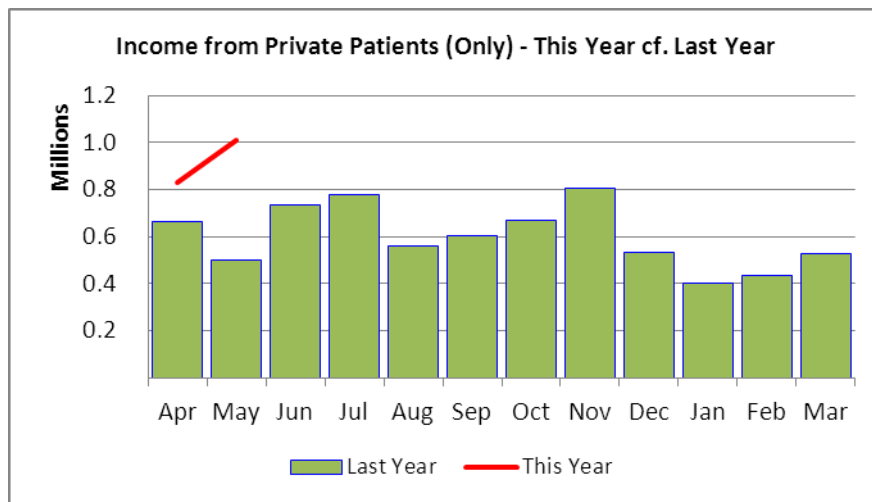
	Plan £000	Actual £000	Variance £000
Commissioning Income	103,586	103,586	
Pass Through - Devices	2,784	3,177	393
Pass Through - Drugs	13,355	15,019	1,664
Prior Year Income	310	143	(167)
Grand Total	120,035	121,925	1,890

- The information available at Month 2 is based on only one month's activity data projected forward for a further month and this is unlikely to provide an effective or accurate picture. Therefore, to avoid presenting a misleading income position, actual income earned is being reported as in line with plan with the exception of "pass through" drugs and devices (where any variance is matched by an opposite variance in non-pay expenditure) and prior year income.
- There will be some prior year income debited or credited in 2014/15 because the final invoices raised to commissioners in 2013/14 were based on estimates of final activity for the year. Actual activity carried out, and agreed to be paid by commissioners, will vary from these estimated sums.

Private Patient, Overseas and Road Traffic Accident (RTA) Income

Last Year		Annual	Year to Date		
YTD Actual	Analysis - PP, Overseas, RTA	Plan	Plan	Actual	Variance
£000		£000	£000	£000	£000
	PP, Overseas & RTA Income				
1,164	Private Patients	11,413	1,905	1,837	(68)
	Overseas Patients	60	3	14	11
477	RTA Income	2,350	392	746	354
9	Other non-NHS Patient Activity				
1,650	Total - PP, Overseas, RTA	13,823	2,300	2,597	297

- Income from private and overseas patients, and road traffic accidents (RTAs), is £0.3m more than plan for the first two months of the year. The variance is in the amount received relating to road traffic accidents. These receipts are volatile and RTA income earned in the first two months is not necessarily an indication of the trend that may follow through the remainder of the year.
- Although a little below planned levels, private patient income exceeded the amounts earned in the first two months of 2013/14 by £0.67m.



Other Income

Last Year		Annual	Year to Date		
YTD Actual	Other Income (excl. R&D)	Plan	Plan	Actual	Variance
£000		£000	£000	£000	£000
	Other Income				
8,235	Training & Education	45,631	7,630	8,038	408
1,264	Research	6,011	1,002	777	(225)
562	Income Generation	3,665	611	631	20
352	Rental Revenues	1,921	320	316	(4)
	Patient Transport	193	32	32	
16	Donations	274	46	37	(9)
5,420	Other Income & Charges	30,129	4,994	4,766	(228)
	Income Savings Targets	3,623	533	525	(8)
15,849	Total - Other Income	91,447	15,168	15,122	(46)

- “Other” income is slightly below plan if specific funding for R&D projects is excluded.
- Training & education income has been received by the Trust ahead of budget. It is not expected that the final amount received by the end of the year will be materially different to that planned.
- The variance on “Research”, and £0.17m of the variance against “Services to Other Bodies”, are the result of expenditure against specific projects being less than planned to date. There are favourable expenditure variances which offset the adverse income differences, and no net variance to plan when both income and expenditure are considered together.
- £0.3m of the under recovery of income against “Other Income & Charges” is for non-activity related services provided to commissioners over the year-end period.
- “Other Income & Charges” includes a non-recurrent invoice raised to the University for services provided to them during the Trust’s financial year 2013/14.

Pay Expenditure – Analysis by Staff Group

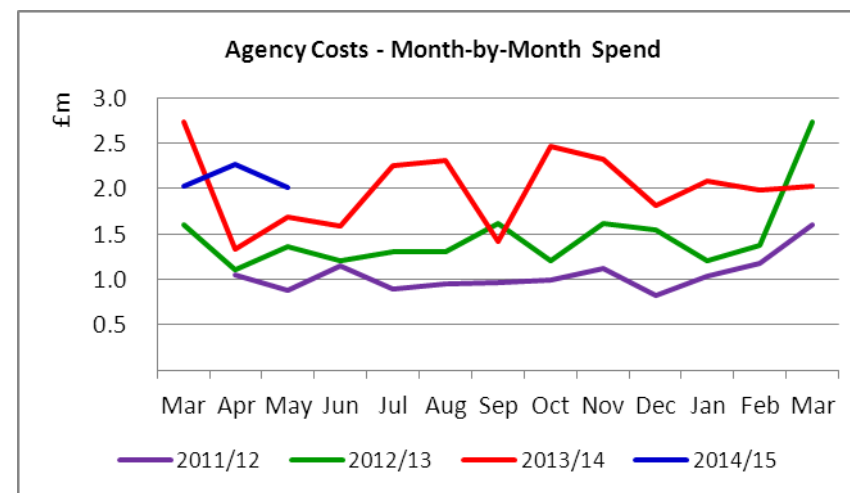
OUH (excluding R&D)	Staff Type	Year to Date		
		Plan £000	Actual £000	Variance £000
Consultants	Payroll	15,172	15,355	(183)
	Agency	(12)	86	(98)
Consultants	Total	15,160	15,441	(281)
Other Medical Staff	Payroll	10,803	10,977	(174)
	Bank		321	(321)
	Agency	(13)	645	(658)
Other Medical Staff	Total	10,790	11,943	(1,153)
Nurses & Midwives	Payroll	22,851	20,209	2,642
	Bank	28	1,243	(1,215)
	Agency	(86)	1,947	(2,033)
Nurses & Midwives	Total	22,793	23,399	(606)
Scientific, Tech., Therapeutic	Payroll	9,625	9,361	264
	Bank		3	(3)
	Agency	(69)	783	(852)
Scientific, Tech., Therapeutic	Total	9,556	10,147	(591)
Other Staff	Payroll	15,869	15,190	679
	Bank		344	(344)
	Agency	(18)	820	(838)
Other Staff	Total	15,851	16,354	(503)
OUH (excluding R&D)	Payroll	74,320	71,092	3,228
	Bank	28	1,911	(1,883)
	Agency	(198)	4,281	(4,479)
OUH (excluding R&D)	Total	74,150	77,284	(3,134)

- The table on the left shows the year-to-date spend on pay by staff group against plan (excluding R&D).
- The overspend on pay is occurring mainly against the budgets for non-consultant medical staff (£1.15m) but for all staff groups the cost of bank & agency staff is higher than any savings generated from vacancies within established posts.
- The Trust has also spent £0.4m on overtime payments, and £1.43m on medical staff sessional payments in the first two months of the year.

Bank & Agency Spend

An analysis of bank and agency staff costs by staff group for the first two months of the year is shown below:

OUH (excluding R&D)	Apr	May	YTD
Analysis of Bank Spend	£000	£000	£000
Consultants			
Other Medical Staff	159	162	321
Nurses & Midwives	531	712	1,243
Scientific, Tech., Therapeutic	1	2	3
Other Staff	127	216	343
OUH (excluding R&D)	818	1,092	1,910
OUH (excluding R&D)	Apr	May	YTD
Analysis of Agency Spend	£000	£000	£000
Consultants	39	47	86
Other Medical Staff	319	327	646
Nurses & Midwives	958	989	1,947
Scientific, Tech., Therapeutic	550	234	784
Other Staff	397	423	820
OUH (excluding R&D)	2,263	2,020	4,283



- The Trust has spent £6.2m on pay bank and agency staff costs in the two months of the year. This compares against £4.25m for the first two months of 2013/14. Average agency spend is £2.14m per month compared to £2.04m for the last quarter of 2013/14.
- The year-to-date spend on agency staff was 5.54% of total pay costs compared to 5.59% for the last quarter of last year. Agency costs have remained at approximately the same level of total spend for the last six months.

Non-Pay Expenditure

OUH (excluding R&D)	Year to Date		
	Plan	Actual	Variance
	£000	£000	£000
Non-Pay			
Drugs & Blood Products	1,187	362	825
Drugs - Pass Through	13,355	15,019	(1,664)
Clinical Supplies & Services	12,927	12,701	226
Devices - Pass Through	2,784	3,177	(393)
General Supplies	878	1,130	(252)
Office Expenses	2,100	1,936	164
Staff Related Expenditure	578	577	1
Training, Education & Research	247	114	133
PFI Expenditure	10,869	10,597	272
PFI Interest & Creditor Adjustments	(5,217)	(5,224)	7
Premises & Transport	4,791	4,661	130
Insurance	4,019	4,004	15
Services Received (NHS)	750	750	
Services Received (non-NHS)	1,334	1,087	247
Internal Recharges	(695)	(590)	(105)
Other Non-Pay Expenditure	830	890	(60)
Utilisation of 1% Contingency	1,479		1,479
Total Non-Pay	52,216	51,191	1,025

- Non-pay expenditure to date is £1.0m underspent when R&D activity is excluded.
- “Pass through” drugs are overspent by £1.7m and devices by £0.4m. These are matched by income and partly offset by expenditure on other drugs and clinical supplies being below plan.
- PFI interest & creditor adjustments are the accounting entries made to remove the interest and principal repayments from the PFI unitary payments and other lease agreements.
- The Trust has allocated £1.5m of its 1% contingency to support activity and cost pressures that have occurred in the first two months of the year.

Savings

	Plan £000	YTD Plan £000	YTD Act. £000	Diff. £000
Divisional General Efficiency	19,434	2,470	1,820	(650)
CIP Blood Product Orders	282	46	46	
Core Automated Lab Tender	200	32	32	
Agency Staffing	749	126	126	
Medical Staffing - Job Planning	1,578	263	263	
Medical Staffing - Medical On Call	1,216	203	203	
Medical Staffing - Additional Session Rates	910	152	152	
Non Medical Staffing	1,780	296	229	(67)
Non Medical AFC - Inside T&Cs	397	67		(67)
Non Medical AFC - Spot Contracts	145	24	23	(1)
Staff R&R Premia	79	13		(13)
Pay & increments	1,608	268	536	268
Resource alignment	3,141			
Junior doctor bandings	575			
Outpatients	400	68		(68)
Procurement and Partnerships	2,028	66		(66)
R&D plus Training and Education	3,150	525	525	
Private Patients	1,500	250	276	26
Oveseas Patients	150	24	24	
Medicines Management	1,350	224	205	(19)
Estates - Reduced m2 of Buildings	700		50	50
Theatres phase 2	800			
Average Length of Stay	1,200			
EPR	1,000			
SLR/SLM Portfolio Optimisation	1,000			
Agency (phase 2)	667	111		(111)
NHSLA			146	146
FYE Balance			4	4
Total	46,039	5,228	4,660	(568)
Analysis of Savings by Type				
Savings - Pay (WTE reductions)	12,262	347	236	(111)
Savings - Pay (Skill Mix)	15,591	2,136	1,980	(156)
Savings Non Pay	6,784	1,012	1,038	26
Income	11,402	1,733	1,406	(327)
Total	46,039	5,228	4,660	(568)
Recurrent & Non-Recurrent Savings				
Recurrent	44,039	4,894	4,108	(786)
Non-Recurrent	2,000	334	552	218
Total	46,039	5,228	4,660	(568)

- Savings schemes are £0.6m behind plan with Divisional projects slipping. Divisions are aware that they have to make up any shortfall in the remainder of the year.
- £2.0m of Divisional schemes (on a full year basis) are non-recurrent and Divisions will have to identify alternative recurrent plans ahead of 2015/16.
- A number of cross-Divisional schemes are not planned to start until the second half of 2014/15.

Non-EBITDA Income & Expenditure

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

Non-EBITDA Items	Annual	Year to Date		
	Plan £000	Plan £000	Actual £000	Variance £000
Income				
Donated Asset Income	260	44		(44)
Impact on EBITDA	260	44		(44)
Non-Operating Items				
Depreciation	(38,436)	(6,406)	(6,820)	(414)
Investment Revenue	300	50	55	5
Other Gains & Losses	(200)	(33)		33
Finance Costs	(20,654)	(3,475)	(3,454)	21
PDC Dividend Payable	(7,203)	(1,200)	(1,200)	
Sub-Total: Non-Op. Exps.	(66,193)	(11,064)	(11,419)	(355)
Impact on Retained Surplus	(65,933)	(11,020)	(11,419)	(399)
<i>Technical Adjustments</i>				
IFRIC 12 Technical Deficit (PFI)			63	63
Donated Asset Income	(260)	(44)		44
Donated Asset Depreciation	2,772	462	693	231
Sub-Total: Technical	2,512	418	756	338
Impact on Break Even Duty	(63,421)	(10,602)	(10,663)	(61)

Non-Operating Items – refers to items of income or expenditure that are not regarded as being directly associated with the day-to-day running costs of the Trust and are included in a summary line in the Statement of Comprehensive Income on Pages 3 & 4 of this report.

- A significant element of the variance to plan on depreciation is for a one-off adjustment relating to the Trust's donated assets and which is removed as a "technical adjustment" when the Trust's financial performance is measured against its break even duty – see below.
- "Other Gains & Losses" is a technical accounting adjustment that is made following the disposal of assets.

Technical Adjustments – refers to items of income or expenditure that are included within the Trust's income & expenditure in the Statement of Comprehensive Income on Pages 3 & 4 of this report but are disregarded under NHS accounting rules when the Trust's financial duty to break even is measured.

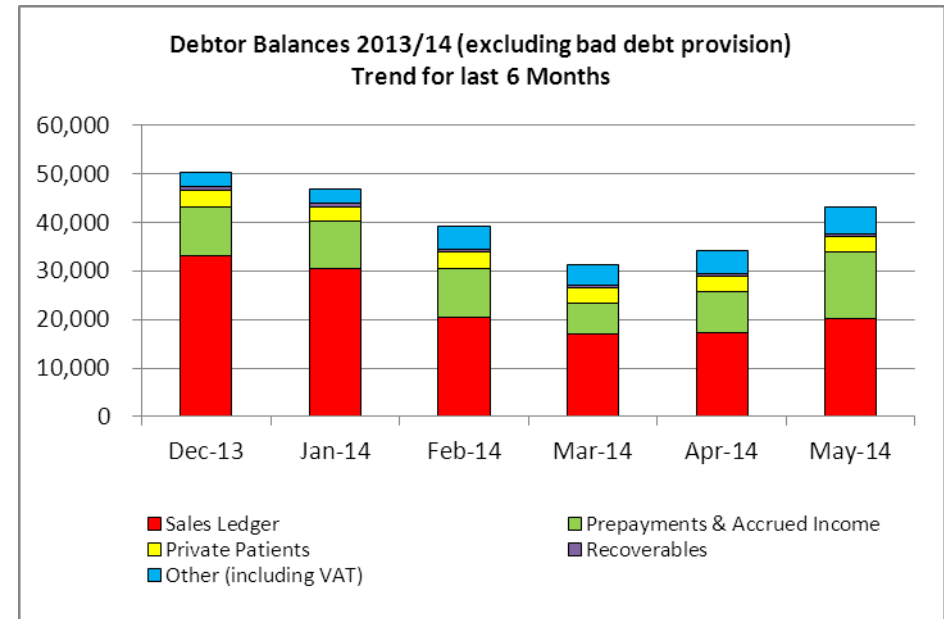
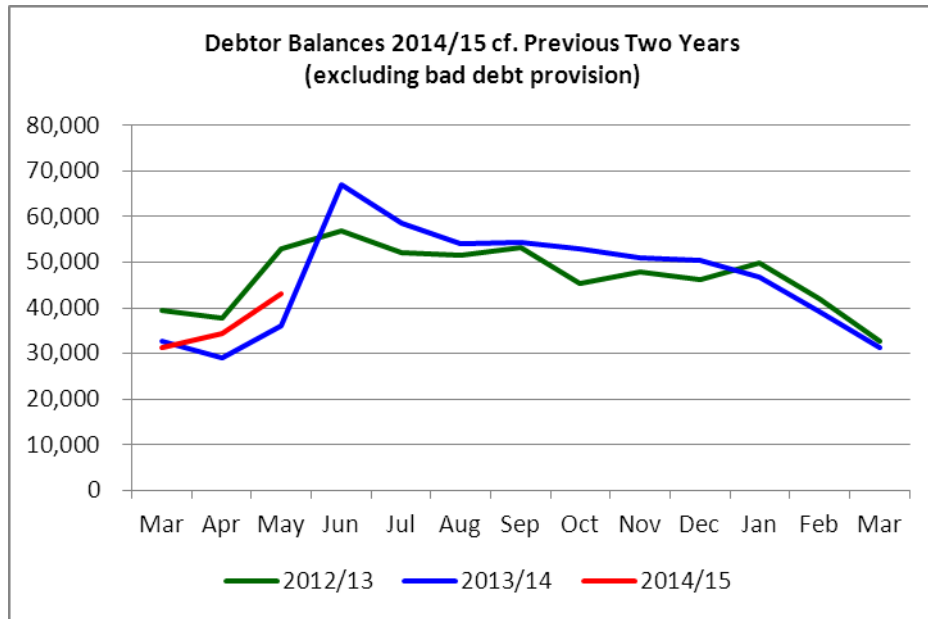
- The IFRIC 12 "technical adjustment" compares the impact on the Trust's financial position resulting from its PFI buildings being classified as "on balance sheet" rather than "off balance sheet" following the adoption of IFRS by the NHS. If the effect of this change is to worsen the position of the Statement of Comprehensive Income then the financial impact is removed as a technical adjustment. The adjustment for this to date is £63,000.
- Donated asset accounting adjustments for additions and depreciation are not included in the Trust's performance against its break even duty and hence are removed as "technical adjustments".
- Technical adjustments are also made for accounting entries relating to any impairment in the value of the Trust's assets, or any reversal of impairments made in previous years. Any adjustments for impairments in 2014/15 will only be known once the District Valuer assesses the value of the Trust's estate in March 2015.

Statement of Financial Position (Balance Sheet)

	Opening Balance	Closing Balance	Movement	Mvmt. In Month
	01-Apr-14	31-May-14		
NON-CURRENT ASSETS				
Property, Plant & Equipment	696,042	692,427	(3,615)	(1,649)
Intangible Assets	9,215	7,796	(1,419)	(364)
Trade & Other Receivables	4,945	5,058	113	(55)
NON-CURRENT ASSETS	710,202	705,281	(4,921)	(2,068)
CURRENT ASSETS				
Inventories	11,807	11,919	112	(20)
Trade & Other Receivables	24,361	35,495	11,134	8,728
Cash & Cash Equivalents	86,448	104,799	18,351	161
CURRENT ASSETS	122,616	152,213	29,597	8,869
CURRENT LIABILITIES				
Trade & Other Payables	(115,675)	(142,287)	(26,612)	(7,866)
Borrowings	(11,261)	(11,094)	167	(191)
Current Provisions	(4,251)	(4,302)	(51)	
CURRENT LIABILITIES	(131,187)	(157,683)	(26,496)	(8,057)
NET CURRENT ASSETS/(LIABILITIES)	(8,571)	(5,470)	3,101	812
NON-CURRENT LIABILITIES				
Borrowings	(275,107)	(273,600)	1,507	1,058
Trade & Other Payables	(14,251)	(14,250)	1	1
Non-Current Provisions	(2,447)	(2,385)	62	
NON-CURRENT LIABILITIES	(291,805)	(290,235)	1,570	1,059
TOTAL ASSETS EMPLOYED	409,826	409,576	(250)	(197)
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	208,935	208,935		
Retained Earnings	34,413	34,163	(250)	(197)
Revaluation Reserve	164,735	164,735		
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	409,826	409,576	(250)	(197)

- The value for Non-Current Assets has reduced because depreciation on the existing asset base continues to exceed 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.
- Further information about Trade & Other Receivables can be found on Page 14, about Trade & Other Payables on Page 15, and about the movement in cash balances on Page 16.

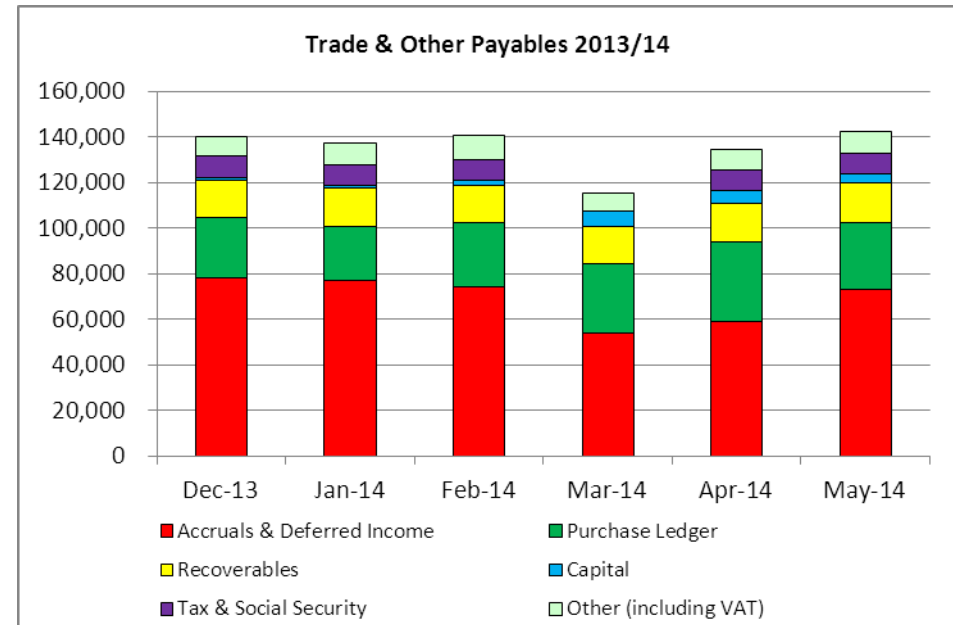
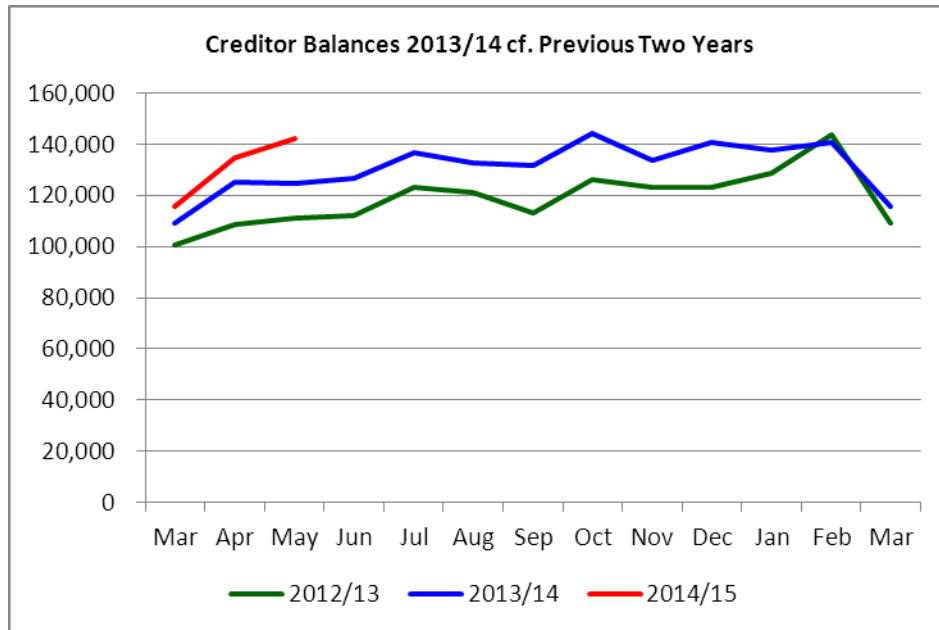
Analysis of Accounts Receivable (Debtors)



- Details of the position are reflected in the tables above and to the right.
- Sales ledger debt has remained low since February. The increase in accrued income reflects the adjustment to bring commissioning income in line with plan (see Page 5).

	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Sales Ledger	33,168	30,385	20,465	16,916	17,190	20,232
Prepayments & Accrued Income	10,113	9,932	10,135	6,383	8,559	13,727
Private Patients	3,220	2,930	3,192	3,091	3,180	3,069
Recoverables	800	655	783	553	557	615
Other (including VAT)	3,047	2,958	4,675	4,283	4,769	5,396
	50,348	46,860	39,250	31,226	34,255	43,038

Analysis of Accounts Payable (Creditors)



The Trust's performance against the Better Payment Practice Code (BPPC) is shown in the table on the right.

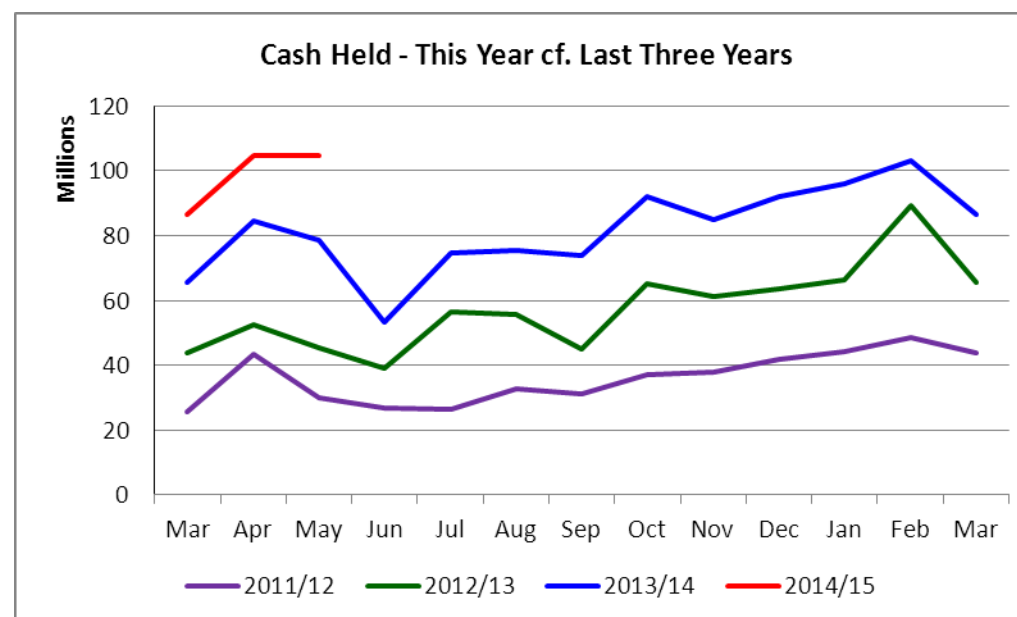
		May YTD	
		Number	Value (£000)
Non-NHS	Bills paid in the year	18,472	40,919
	Bills paid within target	16,682	37,140
		90.3%	90.8%
NHS	Bills paid in the year	862	16,063
	Bills paid within target	775	15,783
		89.9%	98.3%
All	Bills paid in the year	19,334	56,982
	Bills paid within target	17,457	52,923
		90.3%	92.9%

	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Accruals & Deferred Income	78,108	77,193	74,175	54,274	59,021	73,010
Purchase Ledger	26,411	23,801	28,234	29,892	34,792	29,691
Recoverables	16,739	16,768	16,624	16,895	17,037	17,283
Capital	1,212	1,169	2,176	6,337	5,627	3,822
Tax & Social Security	9,055	9,131	9,098	59	9,293	9,355
Other (including VAT)	8,894	9,621	10,246	8,220	8,655	9,128
	140,419	137,683	140,553	115,677	134,425	142,289

Statement of Cashflows

	April 2014	May 2014	Year-to- Date
	£000	£000	£000
Cash Flows from Operating Activities			
Operating Surplus/(Deficit)	2,247	2,100	4,347
Depreciation & Amortisation	3,492	3,328	6,820
Interest Paid	(1,685)	(1,687)	(3,372)
(Increase) in Inventories	(132)	20	(112)
(Increase) in Trade & Other Receivables	(2,599)	(8,694)	(11,293)
Increase in Trade & Other Payables	18,842	9,052	27,894
Increase in Provisions	(14)		(14)
Cash Flow from Operating Activities	20,151	4,120	24,271
Cash Flows from Investing Activities			
Interest Received	26	29	55
(Payments) for Fixed Assets	(1,181)	(3,119)	(4,300)
Cash Flow from Investing Activities	(1,155)	(3,090)	(4,245)
Cash Flows from Financing Activities			
Capital Element of Finance Leases & PFI	(806)	(868)	(1,674)
Cash Flow from Financing Activities	(806)	(868)	(1,674)
Net Increase/(Decrease) in Cash	18,190	161	18,351
Cash - Beginning of the Period	86,448	104,638	86,448
Cash - End of the Period	104,638	104,799	104,799

- The Trust's cash position remained almost unchanged between 30 April and 31 May. The increase in receivables in the month was offset by a similar increase to payables.
- The Trust held enough cash to cover 47 working days of planned operating expenditure at 31 May 2014.



Cashflow Forecast

	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash Flows from Operating Activities												
Operating Surplus/(Deficit)	3,716	4,920	(394)	4,671	5,496	3,085	1,354	2,652	2,603	2,917	1,815	1,037
Depreciation & Amortisation	3,304	3,304	3,304	3,304	3,304	3,304	3,304	3,304	3,304	3,092	3,176	3,176
Interest Paid	(1,706)	(1,706)	(1,706)	(1,811)	(1,706)	(1,706)	(1,706)	(1,706)	(1,706)	(1,826)	(1,693)	(1,693)
Dividend Paid				(3,827)						(3,408)		
(Increase) in Inventories	(114)	(184)	(236)	(400)	211	(172)	(672)	(475)	842	1,312	(534)	244
(Increase) in Trade & Other Receivables	(2,296)	(11,601)	3,785	(1,746)	3,766	948	(286)	2,810	1,434	14,557	(504)	(3,359)
Increase in Trade & Other Payables	14,069	9,824	(1,515)	(234)	12,429	(10,002)	8,181	(3,350)	1,079	(66,953)	25,735	717
Increase in Provisions	40	39	40	40	39	40	39	40	39	133		
Cash Flow from Operating Activities	17,013	4,596	3,278	(3)	23,539	(4,503)	10,214	3,275	7,595	(50,176)	27,995	122
Cash Flows from Investing Activities												
Interest Received	25	25	25	25	25	25	25	25	25	20	20	20
(Payments) for Fixed Assets	(1,497)	(1,567)	(2,126)	(1,358)	(2,521)	(3,599)	(3,042)	(4,879)	(3,698)	(4,068)	(5,680)	(3,205)
Cash Flow from Investing Activities	(1,472)	(1,542)	(2,101)	(1,333)	(2,496)	(3,574)	(3,017)	(4,854)	(3,673)	(4,048)	(5,660)	(3,185)
Cash Flows from Financing Activities												
Public Dividend Capital Received										694		
Public Dividend Capital Repaid										(1,800)		
Capital Loans - Repayment of Principal				(702)						(702)		
Loans received from DH - FT Liquidity Loans										10,000		
Capital Element of Finance Leases & PFI	(753)	(750)	(754)	(793)	(786)	(794)	(795)	(814)	(834)	(2,178)	(852)	(852)
Cash Flow from Financing Activities	(753)	(750)	(754)	(1,495)	(786)	(794)	(795)	(814)	(834)	6,014	(852)	(852)
Net Increase/(Decrease) in Cash	14,788	2,304	423	(2,831)	20,257	(8,871)	6,402	(2,393)	3,088	(48,210)	21,483	(3,915)
Cash - Beginning of the Period	104,799	119,587	121,891	122,314	119,483	139,740	130,869	137,271	134,878	137,966	89,756	111,239
Cash - End of the Period	119,587	121,891	122,314	119,483	139,740	130,869	137,271	134,878	137,966	89,756	111,239	107,324

- A rolling 12-month cash forecast is shown in the table above. The Trust plans to take out a liquidity loan of £10m in March 2015.

Risk Rating – Continuity of Services

On 27 September 2013 Monitor issued a new risk assessment framework to assess Foundations Trusts (FTs) compliance with their governance and continuity of service requirements – see <http://www.monitor.gov.uk/raf>. Monitor uses this assessment framework to identify whether the financial position of a provider of Commissioner Requested Services (CRS) could place key NHS services at risk.

Monitor uses two measures of financial robustness to assess the risk rating:

- (a) **Liquidity** – this criterion looks at the number of days of operating costs held in cash or cash-equivalents; and
- (b) **Capital Servicing Capacity** – this looks at the degree to which generated income covers the Trust’s financing obligations.

For each criterion a Trust’s performance is rated between 1 (high risk) and 4 (low risk). An average of the two scores provides an overall risk rating and this informs Monitor’s regulatory approach towards the provider:

Overall Rating	Description
4	No evident concerns
3	Emerging or minor concern potentially requiring scrutiny
2*	Level of risk is material but stable
2	material risk
1	Significant risk

The score determines both the frequency of monitoring to which the Trust will be subject (quarterly, monthly or more often) and the level of investigation and activity instigated by Monitor itself.

Calculation of the Trust's Continuity of Service Risk Rating

After the first two months of 2014/15 Trust's Continuity of Service scores are:

Liquidity score = 2

Capital Servicing Capacity score = 3

The average of these two scores is **3** and therefore the Trust would fall into the category of there being an "emerging or minor concern potentially requiring scrutiny". The calculation of the individual scores is shown below.

Liquidity score

In this measure/rating the Trust's working capital balance is measured as a ratio (in days) of the Trust's annual operating expenditure.

The Trust's working capital balance was (£17.456m) at 31 May 2014.

The Trust's year-to-date operating expenses was £134.126m and therefore, based on Monitor's assumption of there being 360 working days in the year, annual operating expenditure will be £804.756m (= £134.126m x 360/60).

The liquidity ratio calculation is therefore $((17.456 \times 360 / 804.756) = -8$ days.

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

Financial Criteria	Score:	2	3	4	Ratio Days	Score
Liquidity Ratio (Days)	Days	-14	-7	0	-8	2

	Balance Sheet
Working Capital Balance	31-May-14
Current Assets	152,213
Less: Inventories	(11,919)
	140,294
Current Liabilities	(157,683)
Less: PFI Prepayments	(67)
Working Capital Balance	(17,456)
Full Year Op. Expenditure	2014/15
	YTD Expend.
	£000
<i>From I&E</i>	
Year-to-date Operating Expenditure	134,704
Less: Impairment of Receivables	(578)
Year-to-Date Op. Expenditure	134,126
Annual Operating Expenditure	804,756

Capital Servicing Capacity score

In this measure/rating the amount of revenue available for servicing capital is compared to the amount required to service the debt.

The amount of revenue available for servicing capital is (i) the EBITDA surplus, plus (ii) the cash received from interest earned, less (iii) any donated asset additions credited to the Statement of Comprehensive Income.

The Trust's year-to-date revenue available is £11.224m.

The amount of debt that requires servicing includes (i) the repayment of the principal on any loans, including the PFI commitments, plus (ii) all interest payable, plus (iii) the contingent rents on the PFI schemes, plus (iv) the PDC dividend.

The year-to-date debt after the first two months of the year is £6.328m.

The capital servicing capacity ratio is therefore $11.224 / 6.328 = 1.77$.

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

Financial Criteria	Score:	2	3	4	Ratio	Score
Capital Servicing Capacity	Ratio	1.25	1.75	2.50	1.8	3

	2014/15
Revenue for Servicing Capital	YTD
	£000
EBITDA	11,169
<i>Add:</i>	
Investment Revenue	55
<i>Less:</i>	
Donated Asset Additions	0
Revenue Available	11,224
	2014/15
Year-to-date Debt	YTD
	£000
<i>Extracts from Cashflow</i>	
Loans repaid to DH (Capital)	0
Other Loans Repaid	1,674
<i>Extracts from I&E</i>	
Finance Costs	3,454
PDC Dividend Payable	1,200
Year-to-date Debt	6,328

Capital Programme

OUH Capital Programme 2014/15	Annual Plan £000s	Mth 2 YTD Plan £000s	Mth 2 YTD Spend £000s	Mth 2 Variance £000s
EPR Implementation	3,500	584	221	(363)
Medical and Surgical Equipment	2,000		132	132
IT General	2,000	333	221	(112)
Respiratory Ward Relocations	2,200			
Major Radiological Equipment	2,700			
Estates General	2,000	333	47	(286)
Day Surgery Unit Churchill	900	150	1	(149)
Outpatient Horton	800		1	1
Ultrasound - JR Horton	969	160	295	135
Expansion of EAU - link to day hospital	1,300	434		(434)
Centralisation of Sw itchBoard	100	34	4	(30)
Small Schemes	1,500		35	35
Other Ward Relocations	1,312	133		(133)
Other Medical Equipment Schemes	571	43	183	140
Other Estates	300		5	5
R&D	400			
Other	191		185	185
SEND Project	345		70	70
End to end electronic prescribing' project	40			
PFI lifecycle	1,280	200	214	14
Equipment leasing	500			
Microbiology automation	750		5	5
Welcome Centre	3,000			
Improving Maternity Care Settings	309			
Radiotherapy Milton Keynes	200	33	174	141
Radiotherapy Sw indon	2,500	322		(322)
Theatre Remodelling - JR	550			
EPR Reprocurement	4,688			
Carbon Energy Fund	6,000			
Total Capital Programme Spend	42,905	2,759	1,793	(966)

The Trust has charged £1.8m against its capital programme in the first two months of the year. This is £1.0m less than planned.

Capital Resource Limit 2014/15

Capital Resource Limit	Annual Plan £000s	YTD Plan £000s	YTD Spend £000s	Mth 2 Diff. £000s
YTD Capital Spend	42,905	2,759	1,793	966
Asset Disposals	(200)	(33)		(33)
Donations	(260)	(43)		(43)
CRL 2014/15	42,445	2,683	1,793	890

The underspend on the capital programme means that the Trust is well within its CRL for the year.

Conclusion

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

Mr Mark Mansfield
Director of Finance and Procurement

Report prepared by:
Mr Kevin Davis, Senior Business Partner
June 2014