

**Trust Board Meeting: Wednesday 12 March 2014**  
**TB2014.33**

|              |   |
|--------------|---|
| <b>Title</b> | <b>Financial Performance to 31 January 2014</b> |
|--------------|---|

|                |  |
|----------------|--|
| <b>Status</b>  | For Information  |
| <b>History</b> | This is a regular report to the Trust Board and the Finance & Performance Committee. |

|                      |   |           |        |                    |
|----------------------|---|-----------|--------|--------------------|
| <b>Board Lead(s)</b> | <b>Mr Mark Mansfield, Director of Finance and Procurement</b> |           |        |                    |
| <b>Key purpose</b>   | Strategy  | Assurance | Policy | <b>Performance</b> |

**Summary**

This report informs the Board of the Trust's financial position for the ten month period from 1 April 2013 to 31 January 2014.

1. The financial position at the end of the ten months of the year was £82,000 better than plan. (Page 4)
2. It is currently estimated that the Trust could generate its planned surplus for the year (Page 6).

**Recommendation**

The Trust Board is asked to note this report.

## Contents

The report contains information on the following:

- The Trust’s Statement of Comprehensive Income [income & expenditure (I&E)] position after the first ten months of the year (Pages 4 to 14), including:
  - Statements on the Trust’s overall I&E position Pages 4 to 6
  - Details about its income and expenditure position Pages 7 to 13
  - Details about non-operational income & expenditure Page 14
- The Statement of Financial Position at 31 January 2014 Pages 15 to 17
- The Statement of Cashflow Page 18
- The Trust performance against Monitor’s financial risk ratings Page 19
- The position of the capital programme Page 20

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

| I&E (including R&D)               | Annual           | Year to Date     |                  |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | Plan<br>£000     | Plan<br>£000     | Actual<br>£000   | Variance<br>£000 |
| <b>Operating Income</b>           |                  |                  |                  |                  |
| Commissioning Income              | 690,507          | 577,000          | 601,766          | 24,766           |
| PP, Overseas & RTA Income         | 13,578           | 11,320           | 8,341            | (2,979)          |
| Other Income                      | 131,947          | 109,931          | 108,952          | (979)            |
| <b>Total Income</b>               | <b>836,032</b>   | <b>698,251</b>   | <b>719,059</b>   | <b>20,808</b>    |
| <b>Operating Expenditure</b>      |                  |                  |                  |                  |
| Pay                               | (465,196)        | (388,506)        | (402,467)        | (13,961)         |
| Non-Pay                           | (296,974)        | (247,143)        | (255,538)        | (8,395)          |
| <b>Total Expenditure</b>          | <b>(762,170)</b> | <b>(635,649)</b> | <b>(658,005)</b> | <b>(22,356)</b>  |
| <b>EBITDA</b>                     | <b>73,862</b>    | <b>62,602</b>    | <b>61,054</b>    | <b>(1,548)</b>   |
| Non-Operating Expenditure         | (65,492)         | (54,586)         | (52,970)         | 1,616            |
| <b>Retained Surplus/(Deficit)</b> | <b>8,370</b>     | <b>8,016</b>     | <b>8,084</b>     | <b>68</b>        |
| Technical Adjustments             | 2,501            | 2,080            | 2,094            | 14               |
| <b>Break Even Surplus</b>         | <b>10,871</b>    | <b>10,096</b>    | <b>10,178</b>    | <b>82</b>        |

- 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 £82,000 better than plan against its break even duty after ten months of the year.
- Commissioning income was £24.7m, or 4.3%, above plan (December = £22.4m). Details of performance by type of activity are shown on Pages 7 & 8 of this report.
- Private patient, overseas & RTA income was £3.0m below plan (December = £2.4m) – see Page 9.
- "Other" income was £1.0m behind plan (December = £2.1m). However this includes R&D income where funds have been deferred because expenditure is behind plan – see Pages 5 and 10 for further details.
- Pay costs after the first ten months of the year were £14.0m overspent. This is being driven by the continuing high use of bank & agency staff, and additional payments made to staff to work those weekend sessions required to meet waiting list and activity targets. Further information can be found on Pages 11 & 12.
- Non-pay expenditure was £8.4m, or 3.4%, above plan. The amount by which the cost of "pass through" drugs and devices exceeds plan is £4.5m. Expenditure on drugs and clinical supplies, excluding "pass through" items, is overspent by £5.0m; this overspend may be linked to the Trust's activity over-performance. Further details can be found on Page 13.
- The Trust's overall EBITDA (earnings before interest, tax, dividend and amortisation) was 8.5% of Trust turnover (December = 8.3%). The annual plan is for the Trust's EBITDA to be 8.8% of turnover for the full year.
- The Trust's underlying financial performance on its operations, excluding R&D, can be found on Page 5.

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

| Research & Development   | Annual          | Year to Date    |                 |                  |
|--------------------------|-----------------|-----------------|-----------------|------------------|
|                          | Plan<br>£000    | Plan<br>£000    | Actual<br>£000  | Variance<br>£000 |
| <b>Income</b>            |                 |                 |                 |                  |
| Commissioning Income     |                 |                 |                 |                  |
| PP & Overseas Income     |                 |                 |                 |                  |
| Other Income             | 44,566          | 37,087          | 34,250          | (2,837)          |
| <b>Total Income</b>      | <b>44,566</b>   | <b>37,087</b>   | <b>34,250</b>   | <b>(2,837)</b>   |
| <b>Expenditure</b>       |                 |                 |                 |                  |
| Pay                      | (34,833)        | (28,977)        | (26,831)        | 2,146            |
| Non-Pay                  | (9,733)         | (8,110)         | (7,419)         | 691              |
| <b>Total Expenditure</b> | <b>(44,566)</b> | <b>(37,087)</b> | <b>(34,250)</b> | <b>2,837</b>     |
| <b>EBITDA</b>            | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

- At the end of January expenditure on R&D was £2.8m less than plan (December = £3.1m) with pay being £2.1m below plan and non-pay £0.7m 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<br>£000     | Plan<br>£000     | Actual<br>£000   | Variance<br>£000 |
| <b>Operating Income</b>           |                  |                  |                  |                  |
| Commissioning Income              | 690,507          | 577,000          | 601,766          | 24,766           |
| PP, Overseas & RTA Income         | 13,578           | 11,320           | 8,341            | (2,979)          |
| Other Income                      | 87,381           | 72,844           | 74,702           | 1,858            |
| <b>Total Income</b>               | <b>791,466</b>   | <b>661,164</b>   | <b>684,809</b>   | <b>23,645</b>    |
| <b>Operating Expenditure</b>      |                  |                  |                  |                  |
| Pay                               | (430,363)        | (359,529)        | (375,636)        | (16,107)         |
| Non-Pay                           | (287,241)        | (239,033)        | (248,119)        | (9,086)          |
| <b>Total Expenditure</b>          | <b>(717,604)</b> | <b>(598,562)</b> | <b>(623,755)</b> | <b>(25,193)</b>  |
| <b>EBITDA</b>                     | <b>73,862</b>    | <b>62,602</b>    | <b>61,054</b>    | <b>(1,548)</b>   |
| Non-Operating Expenditure         | (65,492)         | (54,586)         | (52,970)         | 1,616            |
| <b>Retained Surplus/(Deficit)</b> | <b>8,370</b>     | <b>8,016</b>     | <b>8,084</b>     | <b>68</b>        |
| Technical Adjustments             | 2,501            | 2,080            | 2,094            | 14               |
| <b>Break Even Surplus</b>         | <b>10,871</b>    | <b>10,096</b>    | <b>10,178</b>    | <b>82</b>        |

- This table excludes the effect of research (R&D) activities on the Trust's financial position. It sets out the underlying operational performance in healthcare activities.

## Statement of Comprehensive Income (Income &amp; Expenditure Account) – excluding “Pass Through” Expenditure

| Activity                     | Pass Through Income - Year-to-Date |                |               |             |
|------------------------------|------------------------------------|----------------|---------------|-------------|
|                              | Plan<br>£000                       | Actual<br>£000 | Diff.<br>£000 | Diff.<br>%  |
| Drugs (Pass Through)         | 47,301                             | 49,687         | 2,386         | 5.0%        |
| Devices (Pass Through)       | 12,764                             | 14,883         | 2,119         | 16.6%       |
| <b>"Pass Through" Totals</b> | <b>60,065</b>                      | <b>64,570</b>  | <b>4,505</b>  | <b>7.5%</b> |

- Year-to-date income and expenditure on “pass through” drugs and devices is £4.5m (December = £3.65m), or 7.5% higher than plan.

| I&E (excl. "Pass Through")        | Year to Date     |                  |                  |
|-----------------------------------|------------------|------------------|------------------|
|                                   | Plan<br>£000     | Actual<br>£000   | Variance<br>£000 |
| <b>Operating Income</b>           |                  |                  |                  |
| Commissioning Income              | 516,935          | 537,196          | <b>20,261</b>    |
| PP, Overseas & RTA Income         | 11,320           | 8,341            | <b>(2,979)</b>   |
| Other Income                      | 72,844           | 74,702           | <b>1,858</b>     |
| <b>Total Income</b>               | <b>601,099</b>   | <b>620,239</b>   | <b>19,140</b>    |
| <b>Operating Expenditure</b>      |                  |                  |                  |
| Pay                               | <b>(359,529)</b> | <b>(375,636)</b> | <b>(16,107)</b>  |
| Non-Pay                           | <b>(178,968)</b> | <b>(183,549)</b> | <b>(4,581)</b>   |
| <b>Total Expenditure</b>          | <b>(538,497)</b> | <b>(559,185)</b> | <b>(20,688)</b>  |
| <b>EBITDA</b>                     | <b>62,602</b>    | <b>61,054</b>    | <b>(1,548)</b>   |
| Non-Operating Expenditure         | <b>(54,586)</b>  | <b>(52,970)</b>  | <b>1,616</b>     |
| <b>Retained Surplus/(Deficit)</b> | <b>8,016</b>     | <b>8,084</b>     | <b>68</b>        |
| Technical Adjustments             | 2,080            | 2,094            | <b>14</b>        |
| <b>Break Even Surplus</b>         | <b>10,096</b>    | <b>10,178</b>    | <b>82</b>        |

- If both R&D and the difference between plan and actual expenditure for “pass through” items are disregarded then:
  - Commissioning income is £20.3m above plan; and
  - Non-pay expenditure is £4.6m overspent against plan. A proportion of this may be activity-driven – see Page 13.
- The Trust’s EBITDA (earnings before interest, taxation, dividend and amortisation) remains £1.5m less than plan. This is offset by the £1.6m underspend against non-operating items (see Page 14).
- **The Trust remains on plan to achieve both its retained surplus and its “break even” target surplus.**

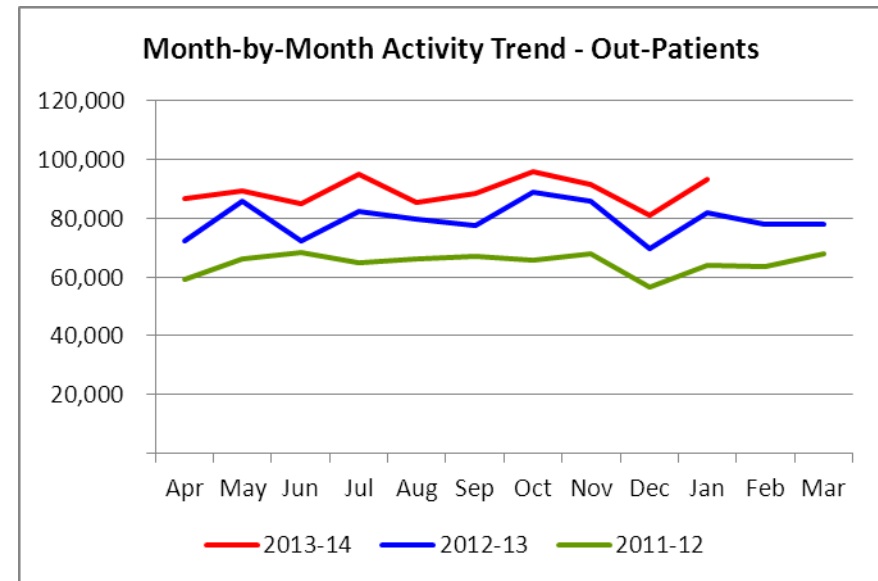
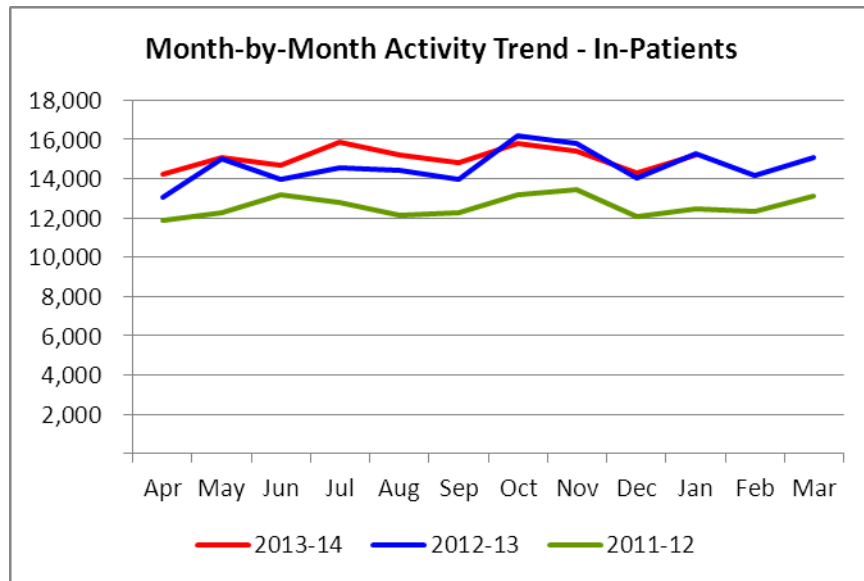
## Analysis of Activity and Activity-Related Income

| 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)      | 79,932                  | 85,202     | 5,270     | 6.6%        | 125,837               | 132,034        | 6,197         | 4.9%        |
| Non-Elective                    | 63,424                  | 65,371     | 1,947     | 3.1%        | 136,916               | 139,955        | 3,039         | 2.2%        |
| Out-Patients                    | 734,194                 | 787,098    | 52,904    | 7.2%        | 113,477               | 121,530        | 8,053         | 7.1%        |
| Chemotherapy                    | 21,868                  | 24,319     | 2,451     | 11.2%       | 18,504                | 21,596         | 3,092         | 16.7%       |
| Critical Care                   | 40,324                  | 40,816     | 492       | 1.2%        | 45,632                | 46,625         | 993           | 2.2%        |
| Excess Beds                     | 39,466                  | 37,381     | (2,085)   | (5.3%)      | 10,064                | 9,730          | (334)         | (3.3%)      |
| Drugs & Devices (Pass Through)  |                         |            |           |             | 60,065                | 64,570         | 4,505         | 7.5%        |
| Other Activity                  |                         |            |           |             | 76,244                | 74,920         | (1,324)       | (1.7%)      |
| <b>Total before Adjustments</b> |                         |            |           |             | <b>586,739</b>        | <b>610,960</b> | <b>24,221</b> | <b>4.1%</b> |
| Adjustment for Thresholds       |                         |            |           |             | (9,739)               | (9,194)        | 545           |             |
| <b>Commissioning Income</b>     |                         |            |           |             | <b>577,000</b>        | <b>601,766</b> | <b>24,766</b> | <b>4.3%</b> |

- The Trust is ahead of, or on, plan for most areas of activity. Out-patient activity remains higher than expected – the Trust has seen 14,600 more first attendances than planned (8.1%), and carried out in excess of 34,200 more out-patient procedures than anticipated (14.5%). In addition, the number of day cases carried out is 4,000, or 7.7%, higher than plan.
- The cost of “pass through” drugs and devices is £4.5m, or 7.5%, higher than anticipated.
- The adjustment for thresholds figure reflects the 70% discount provided to commissioners in respect of non-elective activity above 2008/09 baseline levels and is in line with the national standard contract.
- The Trust’s activity position for Month 10 was calculated from nine months of data. There therefore remains an element of estimation within the figures.

### Analysis of Activity Trends

The month-by-month pattern of *clinical activity* for in-patient and out-patient activity in the first ten months of the year is shown below and compared to the last two financial years:



| Year    | Q1     | Q2     | Q3     | Jan    |
|---------|--------|--------|--------|--------|
| 2013-14 | 44,014 | 45,938 | 45,478 | 15,195 |
| 2012-13 | 42,064 | 43,024 | 46,040 | 15,249 |
| 2011-12 | 37,280 | 37,136 | 38,737 | 12,479 |

| Year    | Q1      | Q2      | Q3      | Jan    |
|---------|---------|---------|---------|--------|
| 2013-14 | 260,467 | 268,428 | 267,838 | 15,195 |
| 2012-13 | 230,309 | 239,478 | 244,222 | 81,762 |
| 2011-12 | 193,565 | 197,771 | 189,762 | 63,839 |

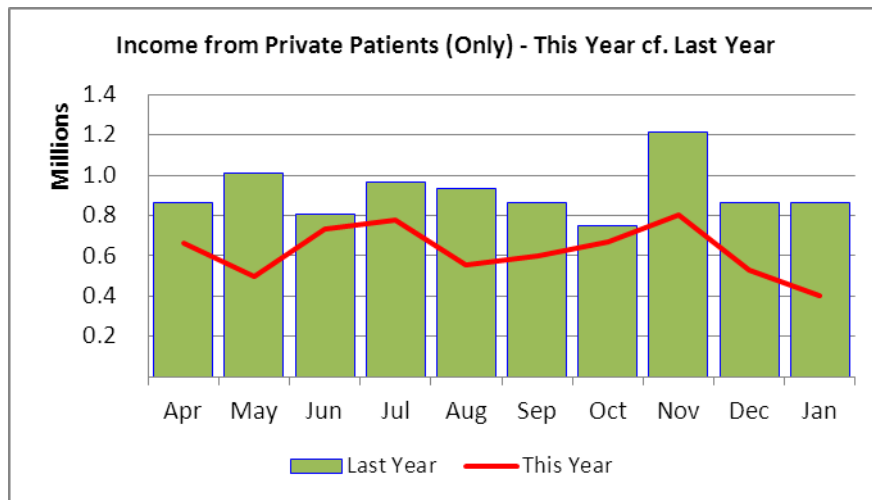
- The number of in-patients is 2.9% above the year-to-date figure for last year.
- Out-patient activity has been consistently higher throughout 2013/14 when compared to 2012/13. Year-to-date the volume of activity is 11.8% higher than the first ten months of last year.



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           |
|               | <b>PP, Overseas &amp; RTA Income</b> |               |               |              |                |
| 9,136         | Private Patients                     | 10,943        | 9,124         | 6,246        | (2,878)        |
| 1             | Overseas Patients                    | 227           | 189           | 16           | (173)          |
| 1,748         | RTA Income                           | 2,350         | 1,959         | 2,079        | 120            |
| 299           | Other non-NHS Patient Activity       | 58            | 48            |              | (48)           |
| <b>11,184</b> | <b>Total - PP, Overseas, RTA</b>     | <b>13,578</b> | <b>11,320</b> | <b>8,341</b> | <b>(2,979)</b> |

- Income from private and overseas patients, and road traffic accidents (RTAs), is £3.0m behind plan (Month 9 = £2.4m). Private patient income is £2.9m lower than for the same period in 2012/13.
- Private patient income is below plan for all Divisions.



## Other Income

| Last Year     |                             | Annual        | Year to Date  |               |              |
|---------------|-----------------------------|---------------|---------------|---------------|--------------|
| YTD Actual    | Other Income (excl. R&D)    | Plan          | Plan          | Actual        | Variance     |
| £000          |                             | £000          | £000          | £000          | £000         |
|               | <b>Other Income</b>         |               |               |               |              |
| 38,256        | Training & Education        | 45,249        | 37,827        | 39,390        | 1,563        |
| 8,649         | Research                    | 6,580         | 5,461         | 4,841         | (620)        |
| 2,553         | Income Generation           | 3,496         | 2,906         | 3,086         | 180          |
| 3,562         | Rental Revenues             | 2,905         | 2,600         | 2,852         | 252          |
| 212           | Patient Transport           | 302           | 252           | 237           | (15)         |
| 16,580        | Services to Other Bodies    | 23,099        | 18,184        | 17,772        | (412)        |
| 2,318         | Donations                   | 362           | 313           | 333           | 20           |
| 7,666         | Other Income & Charges      | 5,388         | 5,301         | 6,191         | 890          |
| <b>79,796</b> | <b>Total - Other Income</b> | <b>87,381</b> | <b>72,844</b> | <b>74,702</b> | <b>1,858</b> |

- “Other” income is £1.9m above plan if specific funding for R&D projects is excluded.
- The main area where the Trust has received more funding than was in the initial plan is training and education. However some of this is due to the timing of these receipts as some streams of education funding are not distributed equally throughout the year. It is anticipated that the final amount received will be closer to plan at the end of the year.

## Pay Expenditure – Analysis by Staff Group

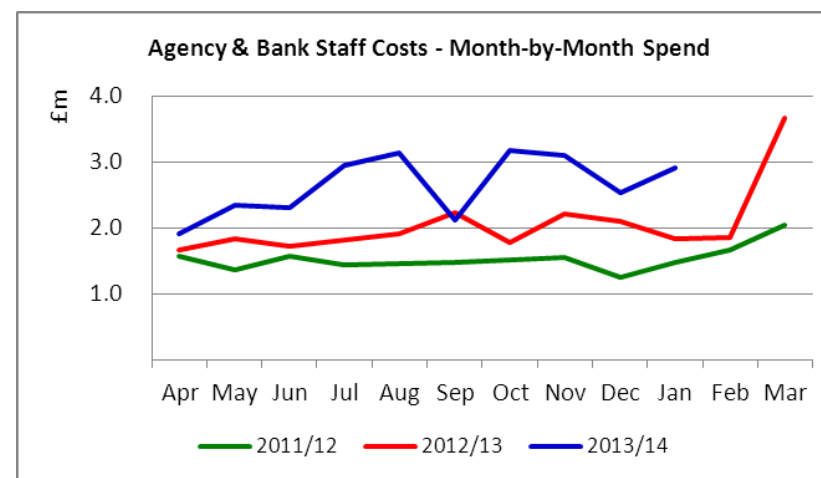
| OUH (excluding R&D)                   | Staff Type   | Year to Date   |                |                  |
|---------------------------------------|--------------|----------------|----------------|------------------|
|                                       |              | Plan<br>£000   | Actual<br>£000 | Variance<br>£000 |
| <b>Consultants &amp; Medics</b>       | Staff        | 122,740        | 128,548        | (5,808)          |
|                                       | Agency       |                | 3,413          | (3,413)          |
| <b>Consultants &amp; Medics</b>       | <b>Total</b> | <b>122,740</b> | <b>131,961</b> | <b>(9,221)</b>   |
| <b>Nurses &amp; Midwives</b>          | Staff        | 105,905        | 96,551         | 9,354            |
|                                       | Bank         |                | 5,257          | (5,257)          |
|                                       | Agency       | (286)          | 8,881          | (9,167)          |
| <b>Nurses &amp; Midwives</b>          | <b>Total</b> | <b>105,619</b> | <b>110,689</b> | <b>(5,070)</b>   |
| <b>Nurse Support</b>                  | Staff        | 19,104         | 17,669         | 1,435            |
|                                       | Bank         |                | 1,613          | (1,613)          |
|                                       | Agency       |                | 248            | (248)            |
| <b>Nurse Support</b>                  | <b>Total</b> | <b>19,104</b>  | <b>19,530</b>  | <b>(426)</b>     |
| <b>Scientific, Tech., Therapeutic</b> | Staff        | 46,375         | 45,459         | 916              |
|                                       | Agency       | (15)           | 3,598          | (3,613)          |
| <b>Scientific, Tech., Therapeutic</b> | <b>Total</b> | <b>46,360</b>  | <b>49,057</b>  | <b>(2,697)</b>   |
| <b>ST&amp;T Support</b>               | Staff        | 7,698          | 7,596          | 102              |
| <b>ST&amp;T Support</b>               | <b>Total</b> | <b>7,698</b>   | <b>7,601</b>   | <b>97</b>        |
| <b>Managers, Admin, Other Staff</b>   | Staff        | 58,002         | 53,584         | 4,418            |
|                                       | Agency       | 6              | 3,214          | (3,208)          |
| <b>Managers, Admin, Other Staff</b>   | <b>Total</b> | <b>58,008</b>  | <b>56,798</b>  | <b>1,210</b>     |
| <b>OUH (excluding R&amp;D)</b>        | Staff        | 359,824        | 349,407        | 10,417           |
|                                       | Bank         |                | 6,870          | (6,870)          |
|                                       | Agency       | (295)          | 19,359         | (19,654)         |
| <b>OUH (excluding R&amp;D)</b>        | <b>Total</b> | <b>359,529</b> | <b>375,636</b> | <b>(16,107)</b>  |

- 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 consultant and other medical staff (£9.2m) and nurses & midwives (£5.1m) with the cost of bank & agency staff being more than any savings generated from vacancies within established posts.
- The Trust has also spent £0.54m on enhanced overtime payments, and £5.56m on medical staff sessional payments (or an average of £556,000 per month).
- Bank, agency, overtime and sessional payments will be incurred both to allow the Trust to manage additional activity demands and to cover for staff absences that arise through maternity leave, sickness or turnover.
- At the end of January:
  - The Trust had paid £3.1m to staff on maternity leave and £2.1m to in-house bank and locum staff (in addition to payments to external agencies).
- At the end of December:
  - The Trust's sickness absence rate (excluding R&D) was 3.3%;
  - Its vacancy rate was 5.4%; and
  - Its staff turnover rate was 11.5%

## Bank & Agency Spend

An analysis of bank and agency staff costs by staff group for the last six months (August 2013 to January 2014) is shown below:

|  | Aug          | Sep          | Oct          | Nov          | Dec          | Jan          | YTD           |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>Bank &amp; Agency - including R&amp;D</b> | <b>£000</b>  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>  | <b>£000</b>   |
| <b>Bank</b>                                  |              |              |              |              |              |              |               |
| Nurses (excl. Midwives)                      | 593          | 529          | 565          | 588          | 509          | 622          | <b>5,256</b>  |
| Clinical Support - Nursing                   | 177          | 144          | 131          | 146          | 157          | 182          | <b>1,613</b>  |
| Allied Health Professionals                  |              |              | 2            | 1            | 1            | 1            | <b>8</b>      |
| Admin. & Estates                             | 13           | 5            | 3            | 3            | 5            | 2            | <b>47</b>     |
| <b>Total - Bank Staff</b>                    | <b>783</b>   | <b>678</b>   | <b>701</b>   | <b>738</b>   | <b>672</b>   | <b>807</b>   | <b>6,924</b>  |
| <b>Agency</b>                                |              |              |              |              |              |              |               |
| Consultants                                  | 341          | 29           | 147          | 219          | 85           | 28           | <b>997</b>    |
| Medical and Dental                           | 182          | 189          | 331          | 364          | 288          | 177          | <b>2,429</b>  |
| Nurses (excl. Midwives)                      | 1,044        | 816          | 1,147        | 932          | 829          | 866          | <b>8,881</b>  |
| Clinical Support - Nursing                   | 21           | 20           | 37           | 37           | 28           | 19           | <b>248</b>    |
| Allied Health Professionals                  | 180          | 179          | 297          | 349          | 208          | 329          | <b>2,376</b>  |
| Healthcare Scientists                        | 70           | 57           | 80           | 46           | 67           | 97           | <b>765</b>    |
| Other Scientific, Tech., Therapeutic         | 121          | 66           | 31           | 19           | 72           | 36           | <b>640</b>    |
| Clinical Support - ST&T                      |              |              |              |              |              |              | <b>5</b>      |
| Clinical Support - Other                     | 21           | (41)         | 5            | 2            | 2            | 1            | <b>46</b>     |
| Managers                                     | 8            | 37           | 32           | 38           | 22           | 70           | <b>228</b>    |
| Admin. & Estates                             | 361          | 95           | 371          | 354          | 266          | 490          | <b>2,967</b>  |
| <b>Total - Agency Staff</b>                  | <b>2,349</b> | <b>1,447</b> | <b>2,478</b> | <b>2,360</b> | <b>1,867</b> | <b>2,113</b> | <b>19,582</b> |
| <b>Total Bank &amp; Agency</b>               | <b>3,132</b> | <b>2,125</b> | <b>3,179</b> | <b>3,098</b> | <b>2,539</b> | <b>2,920</b> | <b>26,506</b> |



- The Trust has spent £26.5m on pay bank and agency staff costs in the ten months of the year. (The figures above *include* bank and agency staff employed on R&D projects.)
- The Trust has spent £7.4m more on bank and agency staff in the first ten months of 2013/14 compared to the same period for 2012/13 – £1.3m more on bank staff and £6.1m more on agency staff.
- Agency costs in January were less than the average monthly amount spent in the five months from July to November 2013 when spend was at its highest.
- The year-to-date spend on bank & agency staff was 6.6% of total pay costs.

## Non-Pay Expenditure

| Last Year      |                                     | Year to Date   |                |                |
|----------------|-------------------------------------|----------------|----------------|----------------|
| YTD Actual     | OUH (excluding R&D)                 | Plan           | Actual         | Variance       |
| £000           |                                     | £000           | £000           | £000           |
|                | <b>Non-Pay</b>                      |                |                |                |
| 64,802         | Drugs & Blood Products              | 20,202         | 21,649         | (1,447)        |
| 3              | Drugs - Pass Through                | 47,301         | 49,687         | (2,386)        |
| 73,216         | Clinical Supplies & Services        | 59,954         | 63,548         | (3,594)        |
|                | Devices - Pass Through              | 12,764         | 14,883         | (2,119)        |
| 16,092         | General Supplies                    | 4,086          | 4,459          | (373)          |
| 8,130          | Office Expenses                     | 8,511          | 8,974          | (463)          |
| 2,146          | Staff Related Expenditure           | 2,726          | 2,917          | (191)          |
| 939            | Training, Education & Research      | 1,299          | 1,144          | 155            |
| 5,405          | Consultancy & Professional Fees     | 6,433          | 6,450          | (17)           |
| 33,504         | PFI Expenditure                     | 51,825         | 50,856         | 969            |
| (24,646)       | PFI Interest & Creditor Adjustments | (25,443)       | (25,455)       | 12             |
| 24,985         | Premises & Transport                | 22,331         | 22,520         | (189)          |
| 17,837         | Insurance                           | 17,819         | 17,803         | 16             |
| 3,765          | Services Received (NHS)             | 3,279          | 3,646          | (367)          |
| 4,565          | Services Received (non-NHS)         | 5,214          | 5,323          | (109)          |
| (653)          | Internal Recharges                  | (2,513)        | (3,295)        | 782            |
| 16,814         | Other Non-Pay Expenditure           | 3,245          | 3,010          | 235            |
| <b>246,904</b> | <b>Total Non-Pay</b>                | <b>239,033</b> | <b>248,119</b> | <b>(9,086)</b> |

- Non-pay expenditure to date is £9.1m overspent (when R&D activity is excluded). Of this, £4.5m is due to the overspend on “pass through” drugs and devices and is matched by income.
- £5.0m of the remainder of the non-pay overspend is on drugs and clinical supplies, and could therefore be activity-related.
- Drugs spend (*including* “pass through” drugs) is £6.5m, or 10.1%, higher than for the first ten months of 2012/13, while clinical supplies expenditure (*including* “pass through” devices) is £5.2m, or 7.1%, higher. Income from elective, non-elective and out-patient work is 4.6% higher than last year.
- 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.
- Services received from non-NHS organisations comprise work outsourced to third parties and form part of the Trust’s plans to deliver its waiting list performance targets.

## 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<br>£000    | Plan<br>£000    | Actual<br>£000  | Variance<br>£000 |
| <b>Income</b>                     |                 |                 |                 |                  |
| Donated Asset Additions           | 260             | 220             | 229             | 9                |
| <b>Impact on EBITDA</b>           | <b>260</b>      | <b>220</b>      | <b>229</b>      | <b>9</b>         |
| <b>Non-Operating Items</b>        |                 |                 |                 |                  |
| Depreciation                      | (36,171)        | (30,140)        | (30,435)        | (295)            |
| Investment Revenue                | 298             | 248             | 195             | (53)             |
| Other Gains & Losses              | (200)           | (166)           | 394             | 560              |
| Finance Costs                     | (21,235)        | (17,708)        | (17,174)        | 534              |
| PDC Dividend Payable              | (8,184)         | (6,820)         | (5,950)         | 870              |
| <b>Sub-Total: Non-Op. Exps.</b>   | <b>(65,492)</b> | <b>(54,586)</b> | <b>(52,970)</b> | <b>1,616</b>     |
| <b>Impact on Retained Surplus</b> | <b>(65,232)</b> | <b>(54,366)</b> | <b>(52,741)</b> | <b>1,625</b>     |
| <i>Technical Adjustments</i>      |                 |                 |                 |                  |
| Donated Asset Additions           | (260)           | (220)           | (229)           | (9)              |
| Donated Asset Depreciation        | 2,761           | 2,300           | 2,323           | 23               |
| <b>Sub-Total: Technical</b>       | <b>2,501</b>    | <b>2,080</b>    | <b>2,094</b>    | <b>14</b>        |
| <b>Impact on Break Even Duty</b>  | <b>(62,731)</b> | <b>(52,286)</b> | <b>(50,647)</b> | <b>1,639</b>     |

*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 4 to 6 of this report.

- “Other Gains & Losses” is a technical accounting adjustment that is made following the disposal of assets.
- The PDC dividend is below plan following a national change made to the methodology used to calculate the amount of dividend to be paid in a year.

*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 4 to 6 of this report but are disregarded under NHS accounting rules when the Trust's financial duty to break even is measured.

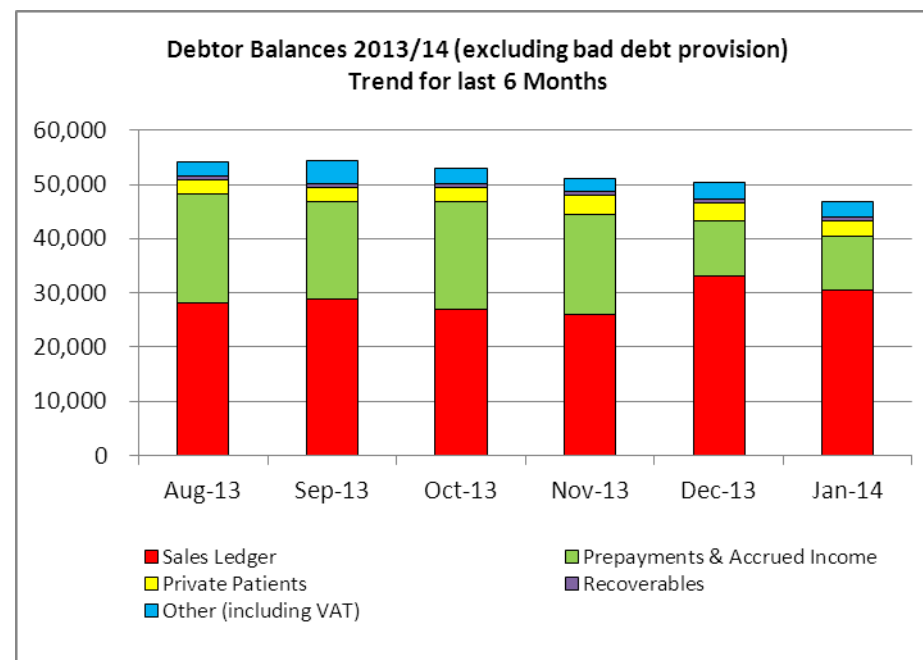
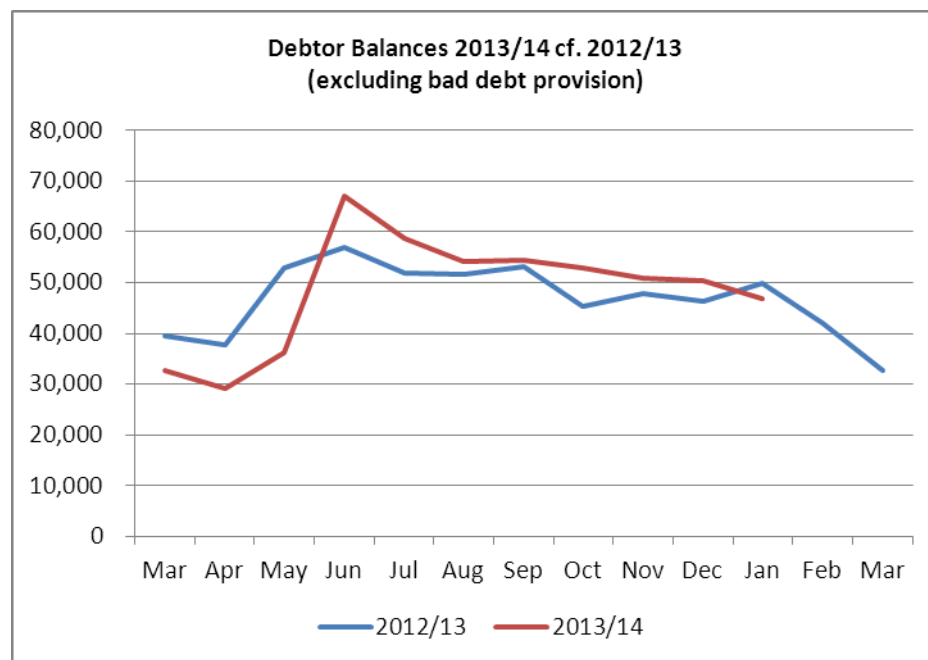
- Donated asset accounting adjustments for additions and depreciation are not included in the Trust's performance against its break even duty and hence are removed as “technical adjustments”.
- Technical adjustments are also made for accounting entries relating to any impairment in the value of the Trust's assets, or any reversal of impairments made in previous years. Any adjustments for impairments will only be known once the DV values the assets in March 2014.
- The other “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. Currently the financial impact of the change in 2013/14 is having a positive effect on the retained surplus, and therefore no technical adjustment is required under NHS accounting rules.

## Statement of Financial Position (Balance Sheet)

|   | Opening<br>Balance | Closing<br>Balance | Movement        | Mvmt. In<br>Month |
|---|--------------------|--------------------|-----------------|-------------------|
|   | 01-Apr-13          | 31-Jan-14          |                 |                   |
| <b>NON-CURRENT ASSETS</b>               |                    |                    |                 |                   |
| Property, Plant & Equipment             | 681,746            | 660,020            | (21,726)        | (964)             |
| Intangible Assets                       | 7,745              | 7,380              | (365)           | (332)             |
| Trade & Other Receivables               | 3,774              | 4,495              | 721             | (362)             |
| <b>NON-CURRENT ASSETS</b>               | <b>693,265</b>     | <b>671,895</b>     | <b>(21,370)</b> | <b>(1,658)</b>    |
| <b>CURRENT ASSETS</b>                   |                    |                    |                 |                   |
| Inventories                             | 11,353             | 13,596             | 2,243           | 457               |
| Trade & Other Receivables               | 27,054             | 41,505             | 14,451          | (3,927)           |
| Cash & Cash Equivalents                 | 65,657             | 96,021             | 30,364          | 3,928             |
| <b>CURRENT ASSETS</b>                   | <b>104,064</b>     | <b>151,122</b>     | <b>47,058</b>   | <b>458</b>        |
| <b>CURRENT LIABILITIES</b>              |                    |                    |                 |                   |
| Trade & Other Payables                  | (109,204)          | (137,681)          | (28,477)        | 2,737             |
| Borrowings                              | (11,458)           | (12,786)           | (1,328)         | (288)             |
| Current Provisions                      | (2,902)            | (2,069)            | 833             | 56                |
| <b>CURRENT LIABILITIES</b>              | <b>(123,564)</b>   | <b>(152,536)</b>   | <b>(28,972)</b> | <b>2,505</b>      |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b> | <b>(19,500)</b>    | <b>(1,414)</b>     | <b>18,086</b>   | <b>2,963</b>      |
| <b>NON-CURRENT LIABILITIES</b>          |                    |                    |                 |                   |
| Borrowings                              | (289,162)          | (278,300)          | 10,862          | 961               |
| Trade & Other Payables                  | (11,616)           | (11,109)           | 507             |                   |
| Non-Current Provisions                  | (1,602)            | (1,603)            | (1)             | 37                |
| <b>NON-CURRENT LIABILITIES</b>          | <b>(302,380)</b>   | <b>(291,012)</b>   | <b>11,368</b>   | <b>998</b>        |
| <b>TOTAL ASSETS EMPLOYED</b>            | <b>371,385</b>     | <b>379,469</b>     | <b>8,084</b>    | <b>2,303</b>      |
| <b>FINANCED BY TAXPAYERS EQUITY</b>     |                    |                    |                 |                   |
| Public Dividend Capital                 | 207,673            | 207,673            |                 |                   |
| Retained Earnings                       | 14,609             | 24,672             | 10,063          | 2,303             |
| Revaluation Reserve                     | 147,360            | 145,381            | (1,979)         |                   |
| Other Reserve                           | 1,743              | 1,743              |                 |                   |
| <b>TOTAL TAXPAYERS EQUITY</b>           | <b>371,385</b>     | <b>379,469</b>     | <b>8,084</b>    | <b>2,303</b>      |

- 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.
- A technical adjustment has been made on the Statement of Finance Position between the Revaluation Reserve and Retained Earnings for an amount held in the Revaluation Reserve relating to assets that have now been disposed.
- Further information about Trade & Other Receivables can be found on Page 16, about Trade & Other Payables on Page 17, and about the movement in cash balances on Page 18.

Analysis of Accounts Receivable (Debtors)



- Details of the total position is reflected in the tables above.
- Debt owed for more than 90 days by non-NHS customers and private patients was £4.1m at 31 January (December= £3.9m).

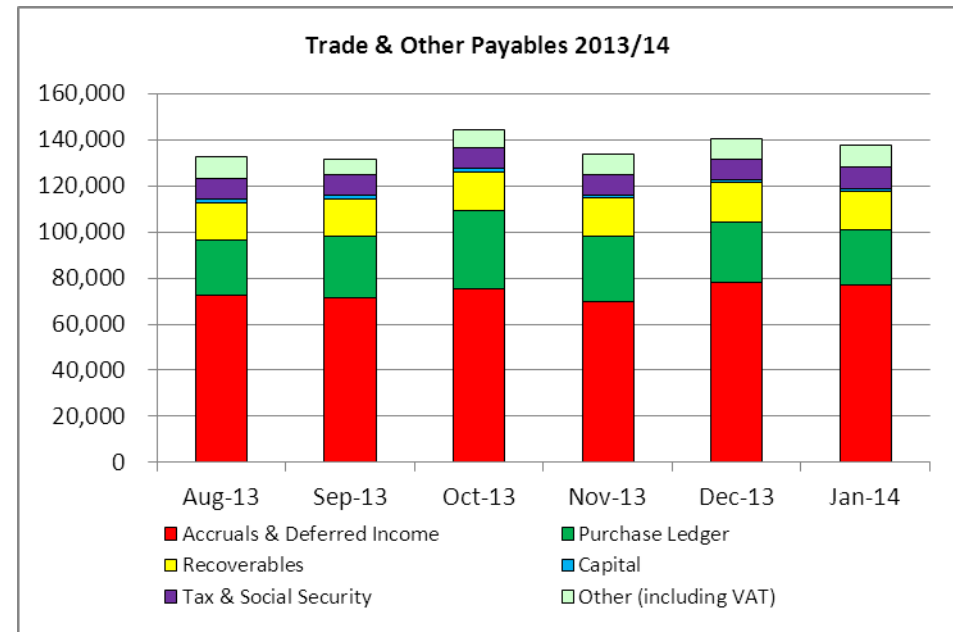
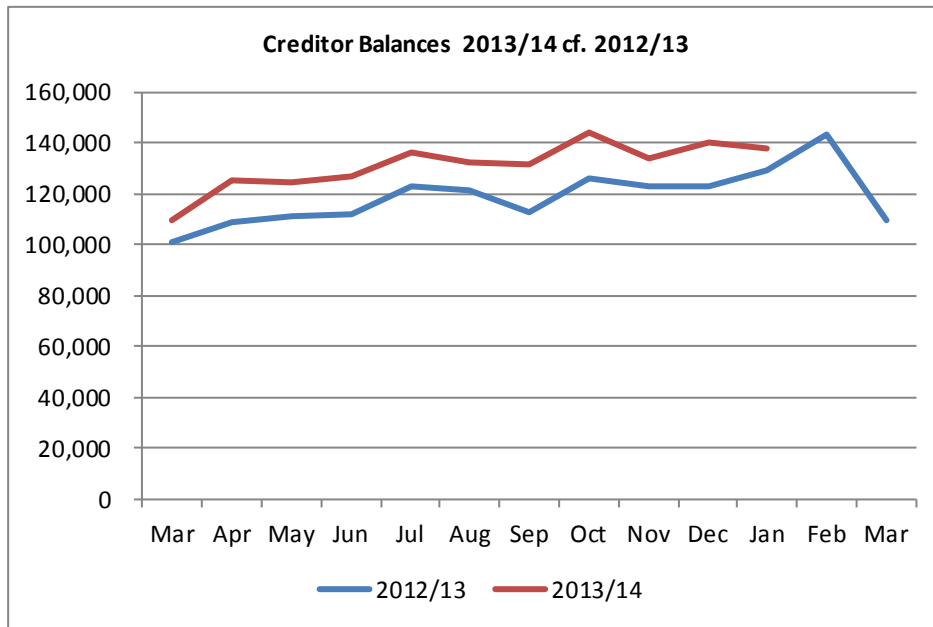
| This Month           | NHS           | Non-NHS      | Private Patients | TOTAL         |
|----------------------|---------------|--------------|------------------|---------------|
|                      | £000s         | £000s        | £000s            | £000s         |
| In terms             | 9,047         | 1,291        | 179              | 10,517        |
| 1-30 days overdue    | 5,945         | 1,505        | 197              | 7,647         |
| 31-60 days           | 1,364         | 452          | 410              | 2,226         |
| 61-90 days           | 712           | 350          | 122              | 1,184         |
| In excess of 90 days | 2,250         | 1,496        | 2,091            | 5,837         |
| <b>A/R Debtors</b>   | <b>19,318</b> | <b>5,094</b> | <b>2,999</b>     | <b>27,411</b> |

| Last Month           | NHS           | Non-NHS      | Private Patients | TOTAL         |
|----------------------|---------------|--------------|------------------|---------------|
|                      | £000s         | £000s        | £000s            | £000s         |
| In terms             | 16,844        | 3,587        | 138              | 20,569        |
| 1-30 days overdue    | 1,423         | 968          | 858              | 3,249         |
| 31-60 days           | 1,019         | 753          | 215              | 1,987         |
| 61-90 days           | 1,120         | 540          | 83               | 1,743         |
| In excess of 90 days | 1,564         | 1,201        | 2,093            | 4,858         |
| <b>A/R Debtors</b>   | <b>21,970</b> | <b>7,049</b> | <b>3,387</b>     | <b>32,406</b> |



Analysis of Accounts Payable (Creditors)



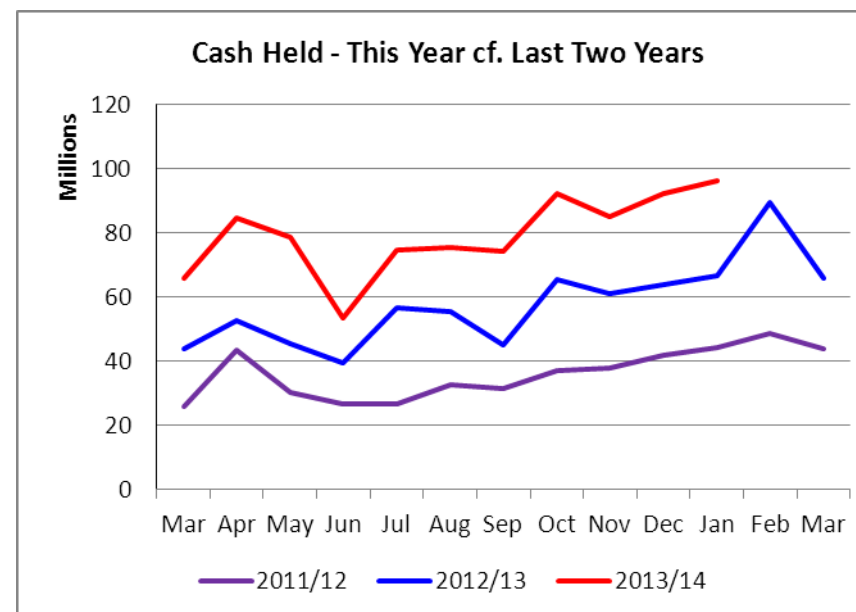
- To date the Trust has paid 84.8% of its non-NHS creditor invoices within 30 days or the terms of supplier contracts.

|                            | Aug-13         | Sep-13         | Oct-13         | Nov-13         | Dec-13         | Jan-14         |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Accruals & Deferred Income | 72,782         | 71,436         | 75,540         | 69,775         | 78,108         | 77,193         |
| Purchase Ledger            | 23,619         | 26,496         | 33,463         | 28,264         | 26,411         | 23,801         |
| Recoverables               | 16,391         | 16,113         | 16,724         | 16,549         | 16,739         | 16,768         |
| Capital                    | 1,391          | 1,691          | 1,924          | 1,290          | 1,212          | 1,169          |
| Tax & Social Security      | 8,717          | 8,936          | 8,947          | 8,837          | 9,055          | 9,131          |
| Other (including VAT)      | 9,485          | 7,108          | 7,677          | 8,761          | 8,894          | 9,621          |
| <b>Total</b>               | <b>132,385</b> | <b>131,780</b> | <b>144,275</b> | <b>133,477</b> | <b>140,419</b> | <b>137,683</b> |

## Statement of Cashflows

|   | Q1<br>2013/14   | Q2<br>2013/14  | Q3<br>2013/14  | Jan<br>2014    | Year-to-<br>Date |
|---|-----------------|----------------|----------------|----------------|------------------|
|   | £000            | £000           | £000           | £000           | £000             |
| <b>Cash Flows from Operating Activities</b> |                 |                |                |                |                  |
| Operating Surplus/(Deficit)                 | 7,241           | 8,982          | 9,775          | 4,618          | 30,616           |
| Depreciation & Amortisation                 | 9,131           | 8,919          | 9,216          | 3,169          | 30,435           |
| Impairments & Reversals                     |                 |                |                |                |                  |
| Interest Paid                               | (4,980)         | (5,108)        | (5,039)        | (1,774)        | (16,901)         |
| Dividend Paid                               |                 | (3,095)        |                |                | (3,095)          |
| Receipt of Donated Assets                   |                 |                |                | (213)          | (213)            |
| (Increase) in Inventories                   | (389)           | (789)          | (608)          | (457)          | (2,243)          |
| (Increase) in Trade & Other Receivables     | (35,887)        | 11,539         | 3,888          | 4,342          | (16,118)         |
| Increase in Trade & Other Payables          | 19,354          | 6,316          | 7,460          | (3,310)        | 29,820           |
| Increase in Provisions                      | (146)           | (90)           | (501)          | (92)           | (829)            |
| <b>Cash Flow from Operating Activities</b>  | <b>(5,676)</b>  | <b>26,674</b>  | <b>24,191</b>  | <b>6,283</b>   | <b>51,472</b>    |
| <b>Cash Flows from Investing Activities</b> |                 |                |                |                |                  |
| Interest Received                           | 58              | 55             | 60             | 21             | 194              |
| (Payments) for Fixed Assets                 | (6,565)         | (2,638)        | (3,348)        | (1,702)        | (14,253)         |
| Receipts from Disposal of Fixed Assets      | 2,487           |                |                |                | 2,487            |
| <b>Cash Flow from Investing Activities</b>  | <b>(4,020)</b>  | <b>(2,583)</b> | <b>(3,288)</b> | <b>(1,681)</b> | <b>(11,572)</b>  |
| <b>Cash Flows from Financing Activities</b> |                 |                |                |                |                  |
| Public Dividend Capital Received            |                 |                |                |                |                  |
| Capital Loans - Repayment of Principal      |                 | (702)          |                |                | (702)            |
| Working Capital Loans - Principal Repayment |                 |                |                |                |                  |
| Capital Element of Finance Leases & PFI     | (2,488)         | (2,857)        | (2,815)        | (674)          | (8,834)          |
| <b>Cash Flow from Financing Activities</b>  | <b>(2,488)</b>  | <b>(3,559)</b> | <b>(2,815)</b> | <b>(674)</b>   | <b>(9,536)</b>   |
| <b>Net Increase/(Decrease) in Cash</b>      | <b>(12,184)</b> | <b>20,532</b>  | <b>18,088</b>  | <b>3,928</b>   | <b>30,364</b>    |
| <b>Cash - Beginning of the Period</b>       | <b>65,657</b>   | <b>53,473</b>  | <b>74,005</b>  | <b>92,093</b>  | <b>65,657</b>    |
| <b>Cash - End of the Period</b>             | <b>53,473</b>   | <b>74,005</b>  | <b>92,093</b>  | <b>96,021</b>  | <b>96,021</b>    |

- The Trust held enough cash to cover 46 working days of planned operating expenditure at 31 January.

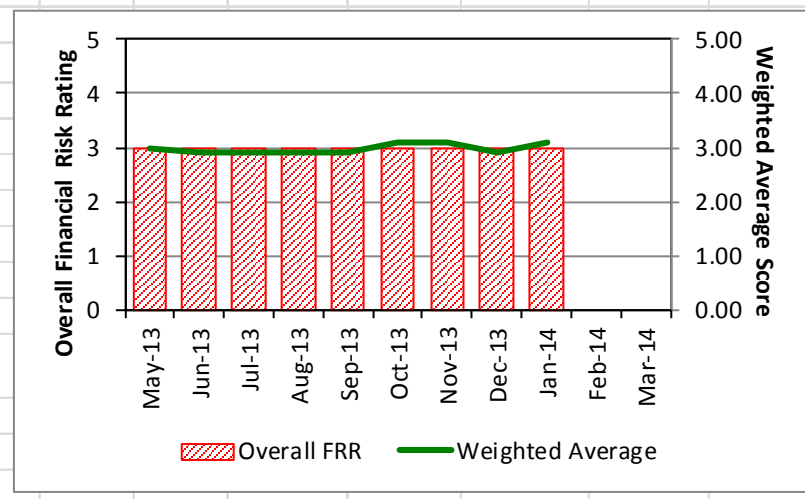


Financial Risk Rating (Old Criteria)

| Financial Criteria                      | Risk Rating                | Weight | Scores |     |        |      |        | January 2014 |             | December 2013 |             |
|---|----------------------------|--------|--------|-----|--------|------|--------|--------------|-------------|---------------|-------------|
|   |                            |        | 5      | 4   | 3      | 2    | 1      | Metric       | Score       | Metric        | Score       |
| Achievement of Plan                     | EBITDA % achieved          | 10%    | 100%   | 85% | 70%    | 50%  | <50%   | 97.5%        | 4           | 97.4%         | 4           |
| Underlying Performance                  | EBITDA margin              | 25%    | 11%    | 9%  | 5%     | 1%   | <1%    | 8.5%         | 3           | 8.3%          | 3           |
| Financial Efficiency                    | Net return after Financing | 20%    | 3%     | 2%  | (0.5%) | (5%) | < (5%) | 1.4%         | 3           | 1.1%          | 3           |
|   | I & E Surplus Margin       | 20%    | 3%     | 2%  | 1%     | (2%) | < (2%) | 1.1%         | 3           | 0.8%          | 2           |
| Liquidity                               | Liquid ratio (days)        | 25%    | 60     | 25  | 15     | 10   | <10    | 22           | 3           | 21            | 3           |
| <b>Weighted Average</b>                 |                            |        |        |     |        |      |        |              | <b>3.10</b> |               | <b>2.90</b> |
| <b>Overall Rating (see rules below)</b> |                            |        |        |     |        |      |        |              | <b>3</b>    |               | <b>3</b>    |

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 increased from 2.9 in December to 3.1 in January with marginal improvements in underlying metric scores.

## Capital Programme

| OUH Capital Programme 2013/14                                | Mth 10        | Mth 10        | Mth 10         | Annual        | Forecast      | Variance       |
|--|---------------|---------------|----------------|---------------|---------------|----------------|
|  | YTD Plan      | YTD Spend     | Variance       | Plan          | Forecast      | Variance       |
|  | £000s         | £000s         | £000s          | £000s         | £000s         | £000s          |
| Maintenance - medical and surgical equipment 13/14           | 1,300         | 1,017         | (283)          | 2,600         | 2,000         | (600)          |
| Maintenance - IT/EPR 13/14-15/16                             | 780           | 2,340         | 1,560          | 1,560         | 4,475         | 2,915          |
| Maintenance - general estates 13/14 and 14/15                | 520           | 508           | (12)           | 1,040         | 1,000         | (40)           |
| Maintenance - ward relocations                               | 520           | 22            | (498)          | 1,040         | 1,400         | 360            |
| Maintenance - laboratories block 4                           | 933           |               | (933)          | 1,865         |               | (1,865)        |
| Maintenance - laboratory IT system replacement               | 520           |               | (520)          | 1,040         |               | (1,040)        |
| Maintenance - other schemes below £1m                        | 988           | 3,628         | 2,640          | 1,976         | 4,106         | 2,130          |
| Maintenance - JR theatre 2 remodelling                       |               |               |                |               | 100           | 100            |
| Radiotherapy   | 2,766         | 60            | (2,706)        | 4,240         | 500           | (3,740)        |
| IMRT - rapid arc installation and upgrade                    | 1,292         | 1,767         | 475            | 2,585         | 2,129         | (456)          |
| Other schemes below £1m                                      | 4,213         | 253           | (3,960)        | 4,346         | 952           | (3,394)        |
| PFI lifecycle and Managed Equipment Service (IFRS - IFRIC12) | 997           |               | (997)          | 1,197         | 1,197         |                |
| Equipment leasing (IFRS non-IFRIC12)                         |               |               |                | 500           | 500           |                |
| Donations  | 131           | 229           | 98             | 260           | 437           | 177            |
| Clinical Genetics Mayfair ward                               |               |               |                |               | 850           | 850            |
| Cardiac Eco  |               | 115           | 115            |               | 1,100         | 1,100          |
| Conversion of MHA  |               | 329           | 329            |               | 329           | 329            |
| Pre operative assessment                                     |               | 17            | 17             |               | 300           | 300            |
| Daycase Unit Churchill remodel or 23 hour unit               |               | 2             | 2              |               | 300           | 300            |
| Home Dialysis modification                                   |               | 7             | 7              |               | 15            | 15             |
| Renal Inpatient CH   |               | 3             | 3              |               | 50            | 50             |
| Anaesthetic room link to vascular IR room                    |               | 23            | 23             |               | 500           | 500            |
| PET/CT Scanner   |               | 76            | 76             |               | 2,200         | 2,200          |
| Delivery Suite Theatre AHU                                   |               | 36            | 36             |               | 500           | 500            |
| Major Radiological Equipment                                 |               |               |                |               | 1,080         | 1,080          |
| Shower Legionella Works                                      |               | 6             | 6              |               | 500           | 500            |
| <b>Total Capital Programme Spend</b>                         | <b>14,960</b> | <b>10,438</b> | <b>(4,522)</b> | <b>24,249</b> | <b>26,520</b> | <b>2,271</b>   |
| Capital Resource Limit 2013/14                               | Mth 10        | Mth 10        | Mth 10         | Forecast      | Forecast      | Variance       |
|  | YTD Plan      | YTD Spend     | Variance       | Outturn       | Outturn       | Variance       |
|  | £000s         | £000s         | £000s          | £000s         | £000s         | £000s          |
| <b>Total Capital Programme Spend</b>                         | <b>14,960</b> | <b>10,438</b> | <b>4,522</b>   | <b>24,249</b> | <b>26,520</b> | <b>(2,271)</b> |
| Asset Disposals  | (166)         | (2,094)       | 1,928          | (200)         | (2,294)       | 2,094          |
| Donations  | (220)         | (229)         | 9              | (260)         | (437)         | 177            |
| <b>Capital Resource Limit 2013/14</b>                        | <b>14,574</b> | <b>8,115</b>  | <b>6,459</b>   | <b>23,789</b> | <b>23,789</b> |                |

- The Trust has charged £10.4m against its capital programme in the first ten months of 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:

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