

Trust Board Meeting: Wednesday 11 May 2016
TB2016.45

Title	Financial Performance for the Financial Year to 31 March 2016
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Status	A paper for report
History	Regular report

Board Lead	Mr Mark Mansfield, Executive Director of Finance and Procurement			
Key purpose	Strategy	Assurance	Policy	Performance

Financial Performance for the Financial Year to 31 March 2016

Summary

This report informs the Board of the Trust's outturn position for the financial year 2015/16. The financial position is subject to audit and therefore the final published figures for the year may differ from those presented in this report.

The Trust became a Foundation Trust on 1st October 2015 and was required to provide separate financial accounts for the periods 1 April 2015 to 30 September 2015 and 1 October 2015 to 31 March 2016. The tables included in this report cover the "cumulative consolidated position" for the full year from 1 April 2015 to 31 March 2016. The Draft statutory accounts for the period 1 October to 31 March are submitted to the Board under a separate cover (item TB2016.49)

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Summary Financial Performance – including Research

This section of the report provides Board members with additional information about the Trust's final outturn for the financial year 2015/16.

I&E (including R&D)	Outturn 2015/16		
	Plan	Actual	Variance
	£m	£m	£m
Operating Income			
Commissioning Income	776.79	783.84	7.06
PP, Overseas & RTA Income	13.48	12.04	(1.44)
Other Income	149.41	155.86	6.45
Total Income	939.68	951.75	12.07
Operating Expenditure			
Pay	(521.02)	(537.73)	(16.72)
Non-Pay	(358.75)	(357.60)	1.15
Total Expenditure	(879.77)	(895.33)	(15.57)
EBITDA	59.91	56.41	(3.50)
EBITDA margin	6.38%	5.93%	
Non-Operating Expenditure	(63.49)	(58.18)	5.31
Retained Surplus/(Deficit)	(3.58)	(1.77)	1.81
Technical Adjustments	3.58	7.19	3.61
Break Even Surplus	(0.00)	5.42	5.42

- The Trust is reporting a year-end “bottom line” **£5.42m surplus** against the breakeven plan.
- The Trust has achieved an EBITDA of £56.41m which is 5.93% of Trust Income, but below the planned figure of £59.91m.
- Commissioning income is reported as being £7.06m ahead of plan, this includes the planned receipt of £6m relating to a capital to revenue funding.
- Private Patients, overseas and road traffic accident income is £1.44m below plan.
- Pay expenditure is £16.72m overspent (and £15.9m when research activities are excluded). The Trust spent £24.9m on agency for healthcare activities. This is lower than the £28m incurred in 2014/15. However, the total expenditure on pay increased by 4.92% year on year, compared to 4.2% growth on income.
- Non-pay expenditure is £1.15m below plan which includes £6.7m additional expenditure on clinical supplies, offset by underspends on utilities and one-off benefits relating to PFI contracts.
- £5.31m overall benefit from non EBITDA items due to the disposal of assets, offset by the revaluation of Estates as at 31 March in line with accounting policy. The net movement in the valuation of the Trust's Estates was an impairment of £4.4m, resulting in a reduction in the Trust's dividend liability

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

OUH (excluding R&D)	Outturn 2015/16			Mvmt
	Plan	Actual	Variance	in month
	£m	£m	£m	£m
Income				
Commissioning Income	776.79	783.84	7.06	(0.00)
PP & Overseas Income	13.48	12.04	(1.44)	(0.04)
Other Income	104.13	109.70	5.57	2.81
Total Income	894.40	905.58	11.19	2.76
Expenditure				
Pay	(486.30)	(502.22)	(15.92)	0.19
Non-Pay	(348.19)	(346.95)	1.24	(5.88)
Total Expenditure	(834.48)	(849.17)	(14.69)	(5.69)
EBITDA	59.91	56.41	(3.50)	(2.93)
Non-Operational Expenditure	(63.49)	(58.18)	5.31	(3.50)
Retain Surplus/(Deficit)	(3.58)	(1.77)	1.81	(6.43)
Technical Adjustment	3.58	7.19	3.61	14.24
Break Even Surplus	(0.00)	5.42	5.42	7.81

OUH R&D Only	Outturn 2015-16		
	Plan	Actual	Variance
	£m	£m	£m
Income			
Other Income	45.3	46.2	0.9
Total Income	45.3	46.2	0.9
Expenditure			
Pay	(34.7)	(35.5)	(0.8)
Non-Pay	(10.6)	(10.6)	(0.1)
Total Expenditure	(45.3)	(46.2)	(0.9)
EBITDA	0	0	0

OUH excluding Research & Development

- This table **excludes** the effect of R&D activities on the Trust's financial position. It sets out the operational performance in healthcare activities. The analysis presented on page 3 of this report reflects the "consolidated" position, including R&D activities, and is compatible with that seen in the statutory accounts for the organisation.

Research & Development only

- At the end of March expenditure on Research and Development (R&D) was £0.9m higher (adverse) than plan, including £0.8m against pay. R&D income is adjusted to take into account any variances on expenditure.

Non-EBITDA Income & Expenditure

The year-end position for the Trust's non-EBITDA items of income & expenditure are shown below:

Non-EBITDA Items	Outturn 2015-16		
	Plan	Actual	Variance
	£000	£000	£000
<i>Non-Operating Items</i>			
Depreciation	(35,900)	(36,733)	(833)
Impairments		(4,401)	(4,401)
Investment Revenue	238	252	14
Other Gains & Losses	(200)	10,379	10,579
Finance Costs	(20,494)	(20,135)	359
PDC Dividend Payable	(7,134)	(7,544)	(410)
Total for Non-Op.Items	(63,490)	(58,182)	5,308
<i>Technical Adjustments</i>			
IFRIC 12 Technical Deficit (PFI)	437	437	(0)
Impairments		4,401	4,401
Donated Asset Receipts	(269)	(592)	(323)
Donated Asset Depreciation	3,408	2,942	(466)
Total for Technical Adjs	3,576	7,188	3,612
Overall Impact on Break Even	(59,914)	(50,994)	8,920

Non-EBITDA items of income and expenditure are £8.9m above plan for the financial year.

Non-Operating Items – refers to items of income or expenditure which are not regarded as being directly associated with the day-to-day running costs of the Trust and are included in the income and expenditure tables on Pages 3 and 4 of this report.

- The Trust's Estate was revalued on the closure of the OUH accounts at the end of September and again on 31 March 2016. This resulted in a net impairment of £4.4m.
- "Other Gains & Losses" is a technical accounting adjustment which is made following the disposal of assets. The disposal of assets in 2015/16 resulted in a large favourable variance which was not included in the Annual Plan and which benefitted the Trust's position.

Technical Adjustments – refers to items of income or expenditure which are included within the Trust's income and expenditure tables on Pages 3 and 4 of this report but are excluded 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 in respect of 2015/16 was £0.437m.

Statement of Financial Position (Balance Sheet)

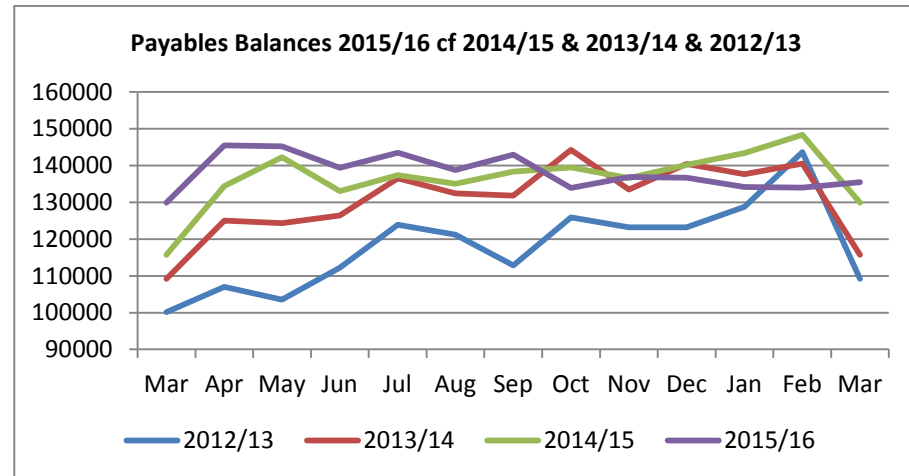
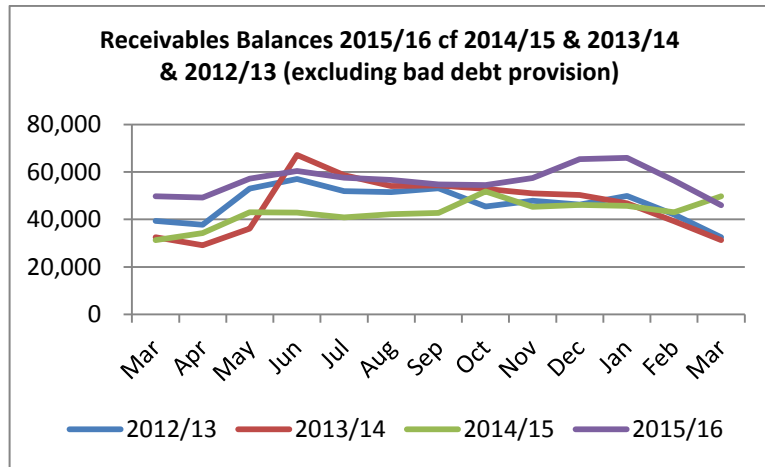
	Opening Balance 01-Apr-15	Closing Balance 31-Mar-16	Movement	Mvmt. In Month
NON-CURRENT ASSETS				
Property, Plant & Equipment	652,888	629,611	(23,277)	(38,481)
Intangible Assets	11,212	10,043	(1,169)	1,464
Trade & Other Receivables	5,091	5,682	591	142
NON-CURRENT ASSETS	669,191	645,336	(23,855)	(36,875)
CURRENT ASSETS				
Inventories	14,715	15,678	963	408
Trade & Other Receivables	42,212	38,557	(3,655)	(9,091)
Cash & Cash Equivalents	79,383	89,434	10,051	13,622
Assets Held for Sale				(6,750)
CURRENT ASSETS	136,310	143,669	7,359	(1,811)
CURRENT LIABILITIES				
Trade & Other Payables	(129,882)	(135,467)	(5,585)	(1,480)
Borrowings	(10,874)	(8,249)	2,625	809
Current Provisions	(2,476)	(322)	2,154	994
CURRENT LIABILITIES	(143,232)	(144,038)	(806)	323
NET CURRENT ASSETS/(LIABILITIES)	(6,922)	(369)	6,553	(1,488)
NON-CURRENT LIABILITIES				
Borrowings	(263,185)	(254,046)	9,139	1,425
Trade & Other Payables	(16,359)	(15,256)	1,103	1,270
Non-Current Provisions	(2,559)	(2,461)	98	63
NON-CURRENT LIABILITIES	(282,103)	(271,763)	10,340	2,758
TOTAL ASSETS EMPLOYED	380,166	373,204	(6,962)	(35,605)
FINANCED BY TAXPAYERS EQUITY				
Public Dividend Capital	208,115	202,781	(5,334)	(5,977)
Retained Earnings	25,076	24,324	(752)	(2,608)
Revaluation Reserve	145,232	144,356	(876)	(27,020)
Other Reserve	1,743	1,743		
TOTAL TAXPAYERS EQUITY	380,166	373,204	(6,962)	(35,605)

- The assessed value of plant, property and equipment reduced following the revaluation exercises carried out as part of the statutory accounts. The closing balance reflects the revaluation carried out for the Foundation Trust as at 31 March 2016.
- Total debtors are 4.2% of planned turnover compared with 5.2% in February.
- The Trust held enough cash to cover 37 days of planned operating expenditure at 31 March 2016 (32 days at 29 February).
- Current payables constituted 15.7% of planned operating expenditure (15.5% in February).

Segmented Balance Sheet

	NHS £000	R&D £000	Third Party £000	Balance Sheet £000
Non-Current Assets	645,336			645,336
Current Assets				
Inventories	15,678			15,678
Trade & Other Receivables	38,110	337	109	38,556
Cash & Cash Equivalents	62,875	24,182	2,376	89,433
Current Assets	116,663	24,519	2,485	143,667
Current Liabilities				
Trade & Other Payables	(120,300)	(13,538)	(1,628)	(135,466)
Current Borrowings & Provisions	(8,571)			(8,571)
Current Liabilities	(128,871)	(13,538)	(1,628)	(144,037)
Net Current Assets /(Liab.)	(12,208)	10,981	857	(370)
Non-Current Liabilities				
Trade & Other Payables	(3,418)	(10,981)	(857)	(15,256)
Non-Current Borrowings & Provs.	(256,506)			(256,506)
Non-Current Liabilities	(259,924)	(10,981)	(857)	(271,762)
TOTAL ASSETS EMPLOYED	373,204	0	0	373,204
TOTAL TAXPAYERS EQUITY	373,204			373,204

Analysis of Accounts Receivable (Debtors) and Accounts Payable (Creditors)



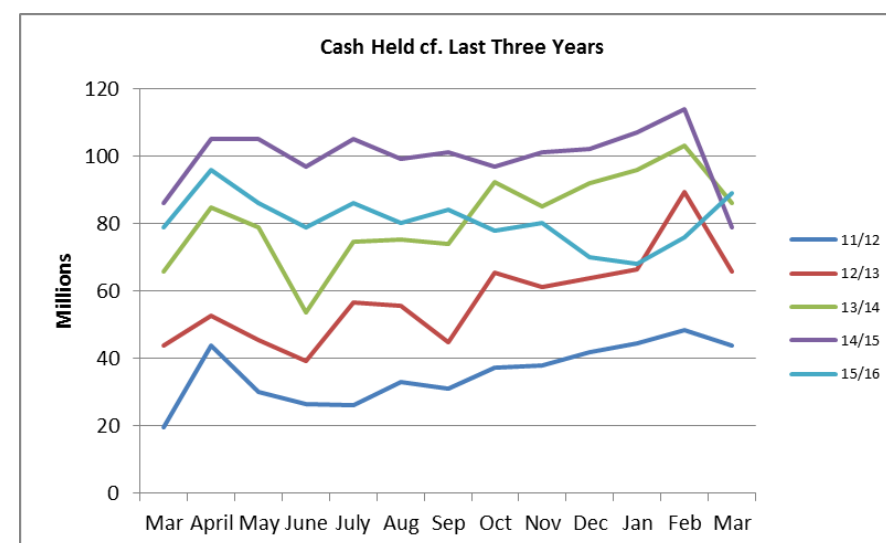
- The value of Trade and Other Receivables decreased by £9.1m in month 12 primarily due to a reduction in divisional prepayments and accrued income. This is a pattern seen in previous years.
- Trade and Other Payables increased by £1.5m in month 12, mostly due to an increase in capital creditors outstanding at year end.
- The Trust is required to observe the Better Payment Practice Code. In 2015/16 the Trust delivered total performance of 94.9% (by value) and 94.7% (by number).

Better Payment Practice Code Performance			
		YTD to Mar 2016	
		Number	Value (£000)
Non NHS	Bills paid in the year	133,570	354,567
	Bills paid within target	126,972	334,160
		95.1%	94.2%
NHS	Bills paid in the year	5,441	121,152
	Bills paid within target	4,717	117,438
		86.7%	96.9%
All	Bills paid in the year	139,011	475,719
	Bills paid within target	131,689	451,598
		94.7%	94.9%

Statement of Cash flow

	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Year-to- Date
	£000	£000	£000	£000	£000	£000	£000
Cash Flows from Operating Activities							
Operating Surplus/(Deficit)	3,988	2,534	371	1,541	2,212	(12,349)	15,277
Depreciation & Amortisation	3,111	3,129	3,130	3,082	3,091	3,206	36,733
Impairments & Reversals						14,338	4,401
Receipt of Donated Assets		(101)	(12)	(44)		(158)	(592)
Interest Paid	(1,661)	(1,661)	(1,661)	(1,661)	(1,661)	(1,734)	(20,082)
Dividend Paid						(4,668)	(7,371)
(Increase) in Inventories	34		(606)	485	(1)	(408)	(963)
(Increase) in Trade & Other Receivables	526	(3,004)	(7,858)	55	9,261	9,641	2,898
Increase in Trade & Other Payables	(10,025)	2,503	(445)	(2,700)	(1,670)	677	4,872
Increase in Provisions	0		(156)	(26)	(663)	(1,057)	(2,304)
Cash Flow from Operating Activities	(4,027)	3,400	(7,237)	732	10,569	7,489	32,868
Cash Flows from Investing Activities							
Interest Received	20	21	21	19	17	18	252
(Payments) for Fixed Assets	(975)	(1,077)	(1,553)	(2,186)	(1,671)	(2,881)	(23,221)
Receipts from Disposal of Fixed Assets		43				17,207	17,250
Cash Flow from Investing Activities	(955)	(1,013)	(1,532)	(2,168)	(1,654)	14,345	(5,719)
Cash Flows from Financing Activities							
Public Dividend Capital Received						23	666
Public Dividend Capital Repaid						(6,000)	(6,000)
Capital Loans - Repayment of Principal						(702)	(1,404)
FT Liquidity Loan - Principal Repayment							
Capital Element of Finance Leases & PFI	(768)	(769)	(1,097)	(714)	(769)	(1,533)	(10,360)
Cash Flow from Financing Activities	(768)	(769)	(1,097)	(714)	(769)	(8,212)	(17,098)
Net Increase/(Decrease) in Cash	(5,750)	1,618	(9,866)	(2,150)	8,146	13,622	10,051
Cash - Beginning of the Period	83,815	78,064	79,683	69,816	67,667	75,812	79,383
Cash - End of the Period	78,064	79,683	69,816	67,667	75,812	89,434	89,434

- The Trust's cashflow for the year-to-date is shown in the table left.
- Cash increased by £13.6m in the month of March to £89.4m. This was in line with the forecast produced in February. The increase related to the receipt of the sale proceeds from the disposal of an asset.
- The Trust held enough cash to cover 37 days of planned operating expenditure as at 31 March 2016 (32 days as at February 2016).



Cash flow Forecast

	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£001
Cash Flows from Operating Activities													
Operating Surplus/(Deficit)	(12,349)	4,542	3,847	5,961	5,263	6,682	5,961	5,263	5,961	3,847	5,263	1,686	8,099
Depreciation & Amortisation	3,206	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,254
Impairments & Reversals	14,338												
Receipt of Donated Assets	(158)												
Interest Paid	(1,734)	(1,633)	(1,633)	(1,633)	(1,633)	(1,633)	(1,691)	(1,633)	(1,633)	(1,633)	(1,633)	(1,633)	(1,667)
Dividend Paid	(4,668)						(4,388)						(4,388)
(Increase) in Inventories	(408)	(396)	33	191	(142)	(108)	(45)	34		(606)	49	(1,097)	2,087
(Increase) in Trade & Other Receivables	9,641	(571)	(4,528)	(1,300)	(9,377)	922	2,963	544	(3,900)	(3,212)	(2,030)	5,260	15,296
Increase in Trade & Other Payables	677	(13,192)	17,310	(5,538)	3,681	(5,694)	7,411	(11,004)	2,183	133	2,557	5,096	(10,031)
Increase in Provisions	(1,057)												
Cash Flow from Operating Activities	7,489	(7,996)	18,283	935	1,046	3,423	13,465	(3,542)	5,865	1,783	7,460	12,566	12,650
Cash Flows from Investing Activities													
Interest Received	18	16	17	17	16	17	17	16	17	17	16	17	17
(Payments) for Fixed Assets	(2,881)	(5,688)	(3,992)	(3,269)	(1,198)	(2,646)	(1,736)	(3,538)	(4,023)	(4,304)	(3,738)	(3,654)	(66)
Receipts from Disposal of Fixed Assets	17,207												
Cash Flow from Investing Activities	14,345	(5,672)	(3,975)	(3,252)	(1,182)	(2,629)	(1,719)	(3,522)	(4,006)	(4,287)	(3,722)	(3,637)	(49)
Cash Flows from Financing Activities													
Public Dividend Capital Received	23												
Public Dividend Capital Repaid	(6,000)												
Capital Loans - Repayment of Principal	(702)						(702)						(702)
FT Liquidity Loan - Principal Repayment													
Capital Element of Finance Leases & PFI	(1,533)	(601)	(601)	(601)	(601)	(601)	(601)	(601)	(601)	(601)	(601)	(601)	(883)
Cash Flow from Financing Activities	(8,212)	(601)	(601)	(601)	(601)	(601)	(1,303)	(601)	(601)	(601)	(601)	(601)	(1,585)
Net Increase/(Decrease) in Cash	13,622	(14,269)	13,707	(2,918)	(737)	193	10,443	(7,665)	1,258	(3,105)	3,137	8,328	11,016
Cash - Beginning of the Period	75,812	89,434	75,165	88,872	85,954	85,217	85,410	95,853	88,188	89,446	86,341	89,478	97,806
Cash - End of the Period	89,434	75,165	88,872	85,954	85,217	85,410	95,853	88,188	89,446	86,341	89,478	97,806	108,822

A rolling 12-month cash forecast is shown in the table above, the Trust held £89.4m at the end of the financial year.

Financial Sustainability Risk Rating (FSRR)

The Trust's final FSRR at the end of March 2016 was a 2. In March Monitor advised of a change in the methodology used to calculate the FSRR. This impacted on the score recorded by the Trust which would have been a rating of 3 under the previous methodology.

	Audited For PrevYE ending 31-Mar-15	Plan For YTD ending 31-Mar-16	Actual For YTD ending 31-Mar-16	Plan For Year ending 31-Mar-16	Simple Forecast Year ending 31-Mar-16	Adjusted Forecast Year ending 31-Mar-16
Financial Sustainability Risk Rating: new measure (excluding £6M receipt as exceptional)						
Capital Service Cover rating	3	2	2	2	2	2
Liquidity rating	2	2	3	2	3	3
I&E Margin rating	3	2	1	2	1	1
I&E Margin Variance From Plan rating		4	2	4	2	2
Overall Financial Sustainability Risk Rating		3	2	3	2	2

Conclusion

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

Mr Mark Mansfield, Executive Director of Finance and Procurement

Ms Maria Moore, Director of Operational Finance

Mrs Mandy Cornford, (Interim) Head of Financial Reporting

March 2016