

Trust Board

TB2008.49

From: Mr Chris Hurst, Director of Finance & Procurement
Date: July 2008
Subject: **Financial performance to 31st May (Month 2)**
For: **Information**

Synopsis

In May 2008 (M2) the Trust generated an in-month actual surplus of £0.2m, in line with its planned surplus for the month. In month income exceeded plan by £1.3m and expenditure also exceeded plan by the same amount. In month PCT income exceeded plan by £1.2m and private patient income also exceeded plan, by £0.1m.

In the two months to the end of May 2008 the Trust has generated an actual surplus of £2.3m, compared to a planned surplus of £2.5m. The small net adverse variation to Plan (of £0.2m) is not considered to be significant and needs to be seen in the context of a very ambitious plan for April and May which is equivalent to the target surplus for the year as a whole of £2.3m. The income plan is profiled across months according to the number of weighted working and calendar days in each month as explained in my M1 report.

The year end forecast is a surplus of £2.3m, in line with the planned surplus for the year. The forecast reflects the lower number of income generating days in some of the remaining months of the year as well as the commencement of the PFI unitary charge following practical completion and handover of the Cancer Centre.

The Trust is forecasting that it will continue to exceed its income plan, although at a reduced rate compared to the first 2 months of the year. The year end forecast shows that we expect to exceed target income across all commissioners by £17m, offset by a similar level of expenditure above plan. The clinical divisions need to continue to exceed their planned contribution levels ensuring their cost bases are flexible enough to reduce in months of lower planned activity as well as prioritising the delivery of the cost improvement programme.

Financial, legal and risk impact

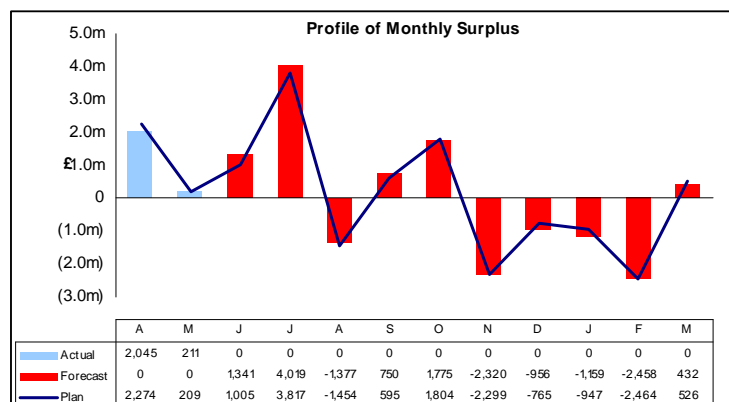
As reported.

Section 1 - Trust level financial performance

(a) Income & Expenditure performance in the month

Table 1: Income and Expenditure Current Month Position:	Actual	Plan	Variance	Last Month Variance
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA Income	39,331	38,131	1,200	2,142
PP and O/seas Income	860	737	123	(226)
Other Income	8,040	8,013	26	119
Total Income	48,231	46,882	1,349	2,035
Expenditure:				
Pay costs	(27,635)	(26,701)	(934)	(1,163)
Non Pay costs	(18,925)	(18,346)	(579)	(1,355)
Total Expenditure	(46,559)	(45,047)	(1,512)	(2,518)
EBITDA*	1,671	1,834	(163)	(484)
Depreciation	(1,440)	(1,612)	172	198
Net Interest	(21)	(13)	(8)	57
Exceptionals	0	0	0	0
Surplus/(deficit)	211	209	2	(229)
EBITDA %	3.5%	3.9%		

*EBITDA = earnings before interest, tax, depreciation and amortisation



Key points - in month performance

- In May the Trust reported an actual surplus of £0.2m, in line with its planned surplus of £0.2m.
- Private Patient Income was over plan by £0.1m in the month. The private patient income target is still regarded as quite ambitious and this has been prudently reflected in the income forecast for the remainder of the year.
- Expenditure was above budget in the month, reflecting the higher than planned level of clinical activity. The Divisions will need to ensure they take appropriate action either to maintain high levels of activity and income, or to flex costs down when and if activity and income reduces in months with a lower number of working days.
- The surplus is forecast to vary from month to month in accordance with the charted profile, culminating in a forecast year-end surplus of £2.3m (per the Plan of £2.3m).

(b) Income & Expenditure performance year to date

Table 2: Income and Expenditure Year to date: 2 months				Last Yr Actual £000s	Full Year Estimate as at May			Last Yr Actual £000s
	Actual £000s	Plan £000s	Variance £000s		Actual £000s	Plan £000s	Variance £000s	
Income:								
Commissioning & RTA Income	81,860	78,518	3,342	70,180	491,764	474,709	17,055	446,503
PP and O/seas Income	1,591	1,694	(103)	1,495	10,818	12,040	(1,222)	9,049
Other Income	16,149	16,004	145	14,592	96,623	96,071	552	94,790
Total Income	99,599	96,215	3,384	86,267	599,205	582,819	16,385	550,342
Expenditure:								
Pay costs	(55,227)	(53,131)	(2,097)	(50,150)	(331,122)	(326,041)	(5,081)	(316,381)
Non Pay costs	(39,284)	(37,351)	(1,934)	(32,889)	(246,412)	(234,973)	(11,439)	(214,372)
Total Expenditure	(94,512)	(90,481)	(4,031)	(83,038)	(577,534)	(561,014)	(16,520)	(530,753)
EBITDA*	5,088	5,734	(647)	3,229	21,671	21,805	(134)	19,589
Depreciation	(2,854)	(3,224)	370	(2,713)	(19,207)	(19,344)	138	(15,476)
Net Interest	22	(27)	49	52	(161)	(161)	0	200
Exceptionals								
Surplus/(deficit)	2,256	2,483	(227)	567	2,303	2,300	3	4,312
EBITDA %	5.1%	6.0%		3.7%	3.6%	3.7%		3.6%

*EBITDA = earnings before interest, tax, depreciation and amortisation

Table 3: Movement in monthly variances (subjective analysis)	Income			Expenditure			Net Position £000s
	Comm & RTA £000s	Private Patients £000s	Other £000s	Pay £000s	Non-Pay £000s	Capital Charges £000s	
Previous month	2,142	(226)	179	(1,163)	(1,067)	(94)	(229)
Change this month	(942)	349	(152)	230	755	(8)	231
Position at month 2	1,200	123	27	(934)	(312)	(102)	2

Key points – year to date performance

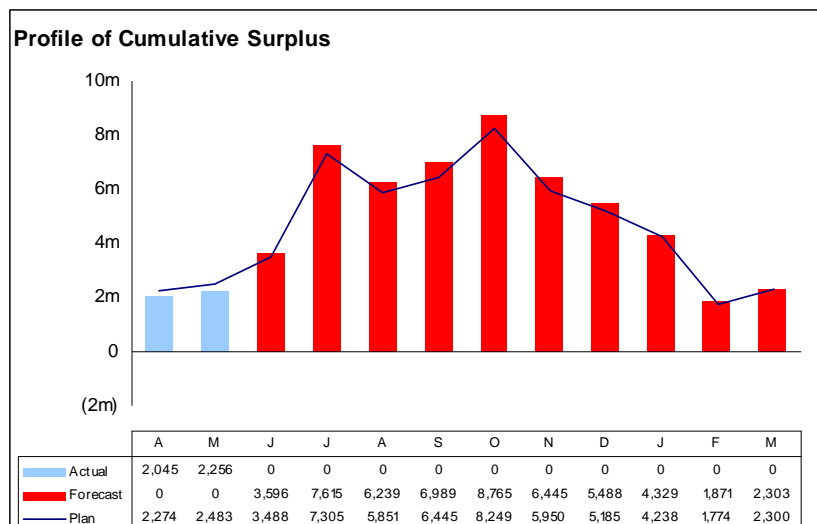
- The year to date performance is an actual surplus of £2.3m compared to a planned surplus of £2.5m. The small adverse variance against the planned surplus of £0.2m is not considered significant in view of the ambitious planned surplus for the first 2 months of the year, which is close to the planned surplus for the whole year.

Key points – subjective analysis

- The M2 year to date **PCT income** is above Plan by £3.3m. The activity and income run rate continued to exceed plan in May although not to the same extent as in April. The PCT Income forecast reflects a balance between the continuation of the run rate of the first two months, but makes some allowance for its reduction in future months. Overall, PCT income is expected to be £17m above target due to additional patient activity (driving a similar increase in costs).
- Private patient income** is £0.1m below Plan after 2 months and the full-year forecast prudently predicts an under-recovery against plan of £1.2m. There should be scope to improve this forecast based on the plans the new Director of Private Patients has put in place, but this has to be set against the fact that the target for the year is £2m higher than last year's income. The Trust needs to maximise the opportunity of the new Cancer Centre Private Patient Unit at the same time as ensuring any investment is phased in appropriately.
- Other Income** is close to Plan and forecast to remain so based on the lower opportunity and risk profile of this income compared to that for patient treatment income.

(c) Full year Income & Expenditure forecast

Table 4: Full Year Forecast as at May	Plan £000s	Latest Forecast £000s	Previous Forecast £000s	Movement £000s
Operating Divisions				
A	58,035	60,932	58,181	2,750
B	46,428	50,423	46,671	3,752
C	51	(1,990)	(519)	(1,471)
D - Corporate directorates	(78,370)	(83,045)	(78,680)	(4,365)
E - Biomedical Research	0	(0)	3	(3)
F - Trustwide (incl PCT income)	8,778	8,353	9,242	(889)
G - Capital Charges	(32,622)	(32,370)	(32,348)	(22)
Surplus/(deficit)	2,300	2,303	2,550	(247)



Key Points – Full year forecast

- After 2 months the overall full-year forecast outturn is a surplus of £2.3m, which is in line with the planned surplus of £2.3m. The breakdown of the surplus across the Divisions looks radically different to previous years, because PCT income has been (for the first time) reported at clinical directorate level.
- Divisions A and B show above the planned contribution they were to generate reflecting the forecast higher than planned PCT income and the (largely) direct costs held within their budgets. In the case of Division B, the inclusion of theatre costs for all surgical activity is a significant factor which has to be considered when interpreting financial performance, because PCT income for surgery is not reported against theatres.
- The full-year forecast is based on the Divisional forecasts with the assumption incorporated that the Trust £22m CIP programme will be delivered.

Key points – Risks to forecast

- The principal risk to the forecast is the delivery of the CIP programme. The process, actions and measures in place to ensure delivery are explained in more detail in the relevant section of this report.
- In months 1 and 2 the expenditure above budget has been covered by the additional income generated and the Trust made an actual surplus of £2.3m in 2 months. It is crucial that in future months the planned levels of contribution continue to be generated, by a combination of achieving the activity plan and (in months where the planned activity is lower) by managing activity related costs downwards.

Section 2 – PICRP

The Trust programme in 2008/9 builds upon the success of the last two years and is a continuation of a rolling five year programme of improvement and development.

By delivering sustainable improvements in productivity, increasing value for money and enhancing quality, the programme is critical to deliver investments in improved facilities, support cost pressures and deliver improvements in access.

This programme supports the key strategic objectives identified in the Strategic Review that are also central to the organisations' Foundation Trust application:

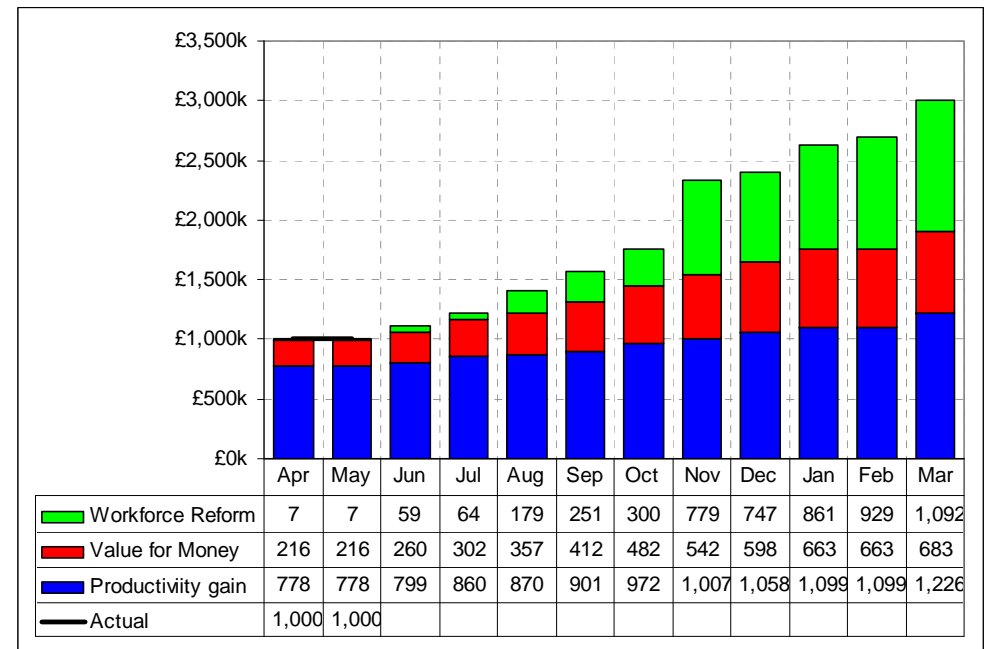
- To achieve financial sustainability and long-term growth.
- To be the hospitals of choice
- To be world-leading teaching hospitals and an Academic Health Sciences Centre
- To be an excellent employer

The impact of performance improvement on financial sustainability is self-evident. The choice goal is supported by, for instance, reductions in waiting times and improvements in patient experience that performance improvement brings. The performance improvement philosophy of empowering staff, devolving responsibility and accountability, and providing management development supports the Trust's goal of employer excellence. Performance improvement also seeks to actively engage clinicians and ensure that our excellence in clinical research and practice is matched by excellence in patient pathway design and the use of the latest management methodologies.

Performance improvement should also be seen as part of the shift to a more entrepreneurial attitude engendered by Foundation Trust status.

The programme is increasingly not punctuated by financial years: individual initiatives are developed, delivered and enhanced in a staged manner across and between financial years. This will increasingly flatten the traditional delivery profile within financial years. The 2008/9 profile is illustrated in Figure 1 below.

Figure 1 – 2008/9 profile



Programme progress is assured by comprehensive governance arrangements including a monthly Divisional I&E review, weekly monitoring of progress using a range of leading indicators and KPIs, standard documentation which will feed through into cost centre level financial reporting and forecasts by the

Oxford Radcliffe Hospitals

end of quarter one, and monthly formal project reviews. The programme is integrated with the delivery of core access targets through a weekly performance meeting chaired by the Director of Performance Improvement.

The programme is on track to deliver its aims, with productivity improvements contributing to the delivery of surplus positions in month one and two. This is validated by a 0.5% reduction in pay expenditure within the frontline clinical Divisions and a 5% increase in income compared with the 2007/8 Quarter Four run rate, reflecting in large part the impact of 2007/8 productivity improvements.

Productivity

The relatively flat profile reflects the full year effect of initiatives which have already delivered for part of 2007/8 and staged impact of ongoing as well as new initiatives. For instance, length of stay as a whole reduced by 6% in 2006/7, and by a further 5% in 2007/8. (The Surgical Emergency Unit project alone has reduced surgical emergency length of stay by 16%.) The ongoing delivery of this programme, with both the rollout of existing initiatives and staged development and implementation of fresh initiatives will assure a minimum of a further 5% improvement in 2008/9. The theatre improvement work delivered a 2% productivity improvement in Quarter Four of 2007/8. The full year benefit of this is immediately reflected in 2008/9. As demand in month one and two has continued at Quarter Four levels, the notional savings from these productivity gains has been reinvested to deliver a higher level of income without a proportionate increase in cost.

2008/9 initiatives:

Theatre efficiency

- Reduction in late starts
- Cancellation reduction
- Booking and pre-operative assessment
- Productive time

- DNA reduction – reminder calls
- Inpatient Stay** Enhanced Recovery after Surgery (ERAS)
- Short-stay programme
- TTO & IDD
- Operational Management and real time bed state
- Productive Ward
- Outpatients** Efficiency and Utilisation
- One-stop
- DNA reduction – text reminders
- Expenditure run rate control**

Table 1 – Productivity

Theme	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Theatres (utilisation)	180	180	201	262	262	283	344	344	385	426	426	537	3,830
Inpatient stay	431	431	431	431	431	431	431	431	431	431	431	431	5,166
Outpatients	-	-	-	-	10	20	30	65	75	75	75	95	445
Expenditure Run Rate	167	167	167	167	167	167	167	167	167	167	167	163	2,000
Total	778	778	799	860	870	901	972	1,007	1,058	1,099	1,099	1,226	11,441

Value for money

As part of a rolling programme, there are detailed plans to deliver further savings through procurement and the more cost effective use of drugs. These two projects together will produce over £2.4m of savings in the current financial year. This is supplemented by initiatives such as Estates utilisation and the rollout of letter transcription services delivering a further £.75m.

2008/9 initiatives:

- Procurement and non-pay review
- Medicines Management
- Transcription
- Estate review

Table 2 – Value for Money

Theme	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Non Pay VFM	118	118	118	118	118	118	118	118	118	118	118	118	1,419
Medicines management	83	83	83	83	83	83	103	113	123	143	143	143	1,270
Transcription	14	14	18	20	20	20	20	20	26	26	26	26	250
Estate review	-	-	-	-	15	30	40	50	50	55	55	55	350
Other	-	-	40	80	120	160	200	240	280	320	320	340	2,100
Total	216	216	260	302	357	412	482	542	598	663	663	683	5,389

Workforce development

One of the key challenges for the Trust is to ensure that not only are we an excellent employer able to recruit the best staff, but also that the workforce is flexible to the changing demands of our customers, whilst improving value for money. For instance, nurse agency use increased in the final quarter of 2007/8 in order to deliver an 18 week wait and respond to increased GP demand. This was in part offset by a successful project to improve the recruitment of theatre nurses. The approach used by this project has been extended to the recruitment of all band 2 to 5 nurses across the organisation reducing recruitment lead time. The strategy is to recruit to budgeted staffing levels, incorporating an incremental change in skill mix (supported by a new Health Care Assistant training programme) plus turnover, and to develop an internal pool of staff which provides flexibility in capacity and reduces reliance upon external agency. In addition, projects such as roster management, which standardises the use of best practice across the Trust, improve value for money.

There are a range of short term initiatives in Nursing, Medical staffing and non-clinical support services which are being implemented in 2008/9 and fit more strategic development work which will produce benefits across the next five years. For instance the development of a Customer Service department incorporating Switchboard, The Trust Call Centre and key Hospital reception points will improve cost, quality and access, and is congruent with the clinical administration review being piloted in Children’s Services and the review of the Trust back office functions.

To support delivery the Trust is developing training packages for Health Care Assistants, non-acute nurse fast track programme, a front line management development programme, and an extension of the successful medical manager initiative.

2008/9 initiatives

- Trust wide**
 - Front line management development programme
 - Sickness management
 - Performance management
 - Staff turnover
- Nursing**
 - Generic recruitment
 - Skill mix development
 - Specialist nurse review
 - Support worker development
 - Internal agency
 - Model ward for the future
- Medical**
 - Locum and agency review
 - Workforce review
- Non-clinical support**
 - Clinical administration (Children’s pilot)
 - Customer service development
 - Back office review
 - Medical Records review
 - Records delivery initiative

Table 3 – Workforce development

Theme	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Trust wide	-	-	-	-	50	50	50	150	150	150	200	240	1,040
Nursing	-	-	20	25	90	137	161	210	228	261	274	282	1,688
Medical	-	-	-	-	-	-	-	200	200	200	200	200	1,000
Non-clinical support	7	7	39	39	39	64	89	219	169	250	255	370	1,551
Total	7	7	59	64	179	251	300	779	747	861	929	1,092	5,279

Section 3 – Overall Divisional financial performance

(a) Summary position

Table 6: Performance by division	Year to date: May				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operating Divisions							
A	10,149	9,618	531		58,035	60,932	2,897
B	7,433	8,017	(585)		46,428	50,423	3,995
C	(844)	47	(891)		51	(1,990)	(2,042)
D - Corporate directorates	(12,031)	(11,227)	(803)	(10,235)	(78,370)	(83,045)	(4,675)
E - Biomedical Research	(5)	(5)	(0)	(0)	0	(0)	(0)
F - Trustwide (incl PCT inc)	2,619	1,471	1,148		8,778	8,353	(425)
G - Capital Charges	(5,064)	(5,437)	373	(4,785)	(32,622)	(32,370)	253
Surplus/(deficit)	2,256	2,483	(227)	567	2,300	2,303	3

RAG ratings

Each division's year to date financial performance is colour-coded (red, amber, or green) as a guide to assessment. However, it is important to note that Red and amber status is triggered by the size of the absolute size of the cumulative adverse variance.

Key points

- The front line Clinical Divisions A and B are forecasting over achievement of their financial plans due to higher than planned PCT Income with predominantly only the direct costs of delivering this over performance being charged against these divisions.
- The adverse variance in Division C is driven by the clinical support costs of delivering higher than planned activity levels.
- The Corporate Directorates have been affected by some specific cost pressures which are highlighted in the Division D report below.

(b) Division A

Table 7: Division A Summary	Year to date: May				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	31,021	29,500	1,522		178,268	184,443	6,176
PP & O/seas	314	422	(107)	111	2,531	1,559	(972)
Other Income	369	477	(108)	464	2,831	2,272	(559)
Total Income	31,705	30,398	1,307	575	183,630	188,274	4,644
Expenditure:							
Pay costs	(11,953)	(11,411)	(542)	(11,069)	(69,365)	(69,848)	(483)
Non Pay costs	(9,603)	(9,370)	(233)	(8,503)	(56,230)	(57,495)	(1,265)
Total Expenditure	(21,556)	(20,780)	(776)	(19,572)	(125,595)	(127,342)	(1,748)
Net position	10,149	9,618	531		58,035	60,932	2,897

Table 8: Directorate Summary Division A	Position after 2 months		
	Expend variance £000s	Income variance £000s	Net variance £000s
Cardiac	(191)	762	572
Div A Divisionwide	(530)	(177)	(708)
Medicine 1	(368)	413	45
Patient Access	(5)	(6)	(11)
Renal Centre	228	53	282
Specialist Medicine	90	261	351
Division Total	(776)	1,307	531

Key points – year to date performance

- The year to date favourable variance of £531k is largely due to:
 - High level of PCT Income generated - £1.522m above plan - and a total income variance of £1.307m above plan.
 - This is offset by expenditure of £776k in excess of plan
- Cardiac was £748k above Plan on PCT income for the first 2 months, Medicine £424k above plan, with the remainder of the surplus of PCT income spread across Renal and Specialist Medicine
- The comparator figures for the old year for PCT income and the net position are greyed out because PCT income was not reported to front line Divisions last year so the comparison would not be meaningful.

(c) Division B

Table 9: Division B Summary	Year to date: May				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	32,755	30,260	2,496		183,120	197,325	14,205
PP & O/seas	495	511	(16)	408	4,286	4,210	(76)
Other Income	880	821	59	955	4,925	4,981	56
Total Income	34,130	31,592	2,538	1,565	192,331	206,516	14,185
Expenditure:							
Pay costs	(19,143)	(16,688)	(2,455)	(16,632)	(104,219)	(111,722)	(7,503)
Non Pay costs	(7,554)	(6,887)	(668)	(5,689)	(41,684)	(44,371)	(2,687)
Total Expenditure	(26,697)	(23,575)	(3,123)	(22,321)	(145,903)	(156,093)	(10,190)
Net position	7,433	8,017	(585)		46,428	50,423	3,995

Table 10: Directorate Summary Division B	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Anaesthetics & Theatres	(874)	107	(767)
Cancer	(792)	902	109
Division B Management	(455)	(3)	(458)
General Surgery	(498)	421	(77)
Specialist Surgery	(503)	1,112	609
Division Total	(3,123)	2,538	(585)

Key points - year to date performance

- The year to date adverse variance of £585k is largely due to:
 - High level of PCT Income generated - £2,496k above plan - and a total income variance of £2,538k above Plan.
 - This is however more than offset by expenditure in excess of plan of £3.123m partly, but not wholly, attributable to the fact that the theatre costs for all activity go through Division B.
- Specialist Surgery was £1,109k above plan on PCT income. Cancer £968k above plan and General Surgery £387K above plan.
- The expenditure overspend is of concern only to the extent that it is not linked to the high activity and the Division needs to understand and manage this carefully.
- The comparator figures for the old year for PCT income and the net position are greyed out because PCT income was not reported to front line Divisions last year so the comparison would not be meaningful.

(d) Division C

Table 11: Division C Summary	Year to date: May				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	18,456	18,594	(138)		112,373	111,444	(929)
PP & O/seas	276	346	(70)	279	2,731	2,467	(264)
Other Income	2,324	2,061	263	2,027	12,422	13,360	937
Total Income	21,055	21,000	55	2,307	127,526	127,270	(256)
Expenditure:							
Pay costs	(16,858)	(16,301)	(557)	(14,942)	(99,669)	(99,565)	104
Non Pay costs	(5,042)	(4,652)	(389)	(4,270)	(27,806)	(29,696)	(1,890)
Total Expenditure	(21,899)	(20,953)	(946)	(19,212)	(127,475)	(129,261)	(1,786)
Net position	(844)	47	(891)		51	(1,990)	(2,042)

Key points - year to date performance

- The year to date adverse variance of £891k is largely due to the high activity in the month and the associated clinical support service costs, with the income falling predominantly in Divisions A and B, but diagnostic and laboratory costs in Division C.
- Like all Divisions the key risk is on going delivery of the planned savings schemes.

Table 12: Directorate Summary Division C	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Childrens & Genetics	117	(183)	(66)
Divisional Services	(697)	3	(694)
Lab Med & Clinical Sciences	100	115	216
Pharmacy and Therapies	7	95	101
Radiology & Physics	(241)	127	(113)
Women's & Sexual Health	(233)	(102)	(335)
Division Total	(946)	55	(891)

(e) Division D

Table 13: Division D (Corporate Directorates) Summary	Year to date: May				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	0	0	0	0	0	0	0
PP & O/seas	505	415	90	697	2,492	2,582	90
Other Income	2,559	2,787	(229)	2,553	16,742	16,875	133
Total Income	3,064	3,203	(139)	3,249	19,234	19,457	223
Expenditure:							
Pay costs	(5,759)	(5,711)	(48)	(5,467)	(34,690)	(33,480)	1,210
Non Pay costs	(9,335)	(8,719)	(617)	(8,017)	(62,914)	(69,022)	(6,108)
Total Expenditure	(15,095)	(14,430)	(665)	(13,484)	(97,604)	(102,502)	(4,898)
Net position	(12,031)	(11,227)	(803)	(10,235)	(78,370)	(83,045)	(4,675)

Table 14: Directorate Summary Division D (Corporate Directorates)	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
CRS Implementation	(4)	(12)	(16)
Central Trust Services	15	(15)	(1)
Clinical Governance Unit	31	(10)	21
Elective Access	(1)	(0)	(2)
Estates and Facilities	(550)	(57)	(607)
Finance & Procurement	(314)	(6)	(320)
Horton Management	(11)	0	(11)
Human Resources & Admin	64	(3)	61
Medical Director	(5)	(27)	(32)
Nursing/Midwifery Directorate	68	19	87
Planning & Information	55	(117)	(62)
Private Patients	(11)	90	79
Division Total	(665)	(139)	(803)

Key points - year to date performance

The year to year to date variance of £0.8M is caused predominantly by

- Some slippage on achievement of CIP (£0.3m), this is being addressed
- Additional PFI contract costs due to agreed scheme variations (£0.4m)
- Other cost pressures including energy prices (£0.1m)

(f) Other budgets

Table 15: Biomedical Research Centre Division E	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	1,398	(1,398)	(0)
Division Total	1,398	(1,398)	(0)

Table 16: Trustwide budgets Division F	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	158	(150)	8
Teaching Training Research	(92)	471	380
Trust Wide	61	699	761
Division Total	128	1,021	1,148

Table 17: Operating Expenses Division G	Position after 2 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	312	61	373
Division Total	312	61	373

Key points – Biomedical Research Centre

- The BRC income budget for 2008/09 is £11.96m which is matched by expenditure (pay £4.224m and non pay £7.736m).
- The accounting is in accordance with the accrual or *matching principle*, in that income is accounted for in the period of the expenditure it is funding. So where there is slippage in the timing of the expenditure, income is deferred to future periods accordingly. The BMRC as a whole will therefore breakeven regardless of the timing of the themes providing all themes at completion are within budget.

Key points – Trust wide budgets

- The favourable variance reflects predominantly above Plan income in Teaching, Training and Research.
- Key points – Capital charges and interest
- The favourable variance is on Depreciation largely due to the timing of capital investment.

Section 4 – Capital Programme

Project Code/Name	Annual CRL* £000s	Year to date: May	
		Actual	%Actual achieved of CRL
		£000s	
Cardiac Expansion	12,374	1,907	15%
CRS	872	0	0%
Churchill PFI Group 3 Medical equipment	4,980	406	8%
JR PFI Unitary payment reversionary interest	1,950	205	11%
Bio Medical Research Centre	3,940	177	4%
All Other Schemes	15,434	1,085	7%
Total	39,550	3,780	10%

Key Points

- The reported capital resource limit (CRL) for the Trust for the year is £39.6m. This comprises of internally generate cash of £19.4m, Cardiac Expansion public dividend capital (PDC) allocation of £10.5m, capital loan finance of £7.9m and other CRL adjustments of £1.8m
- The expenditure against the capital resource limit after 2 months is £3.8m which is about 10% of the planned expenditure for the year.
- The forecast is that the CRL will be spent by the year end.
- The CRL is subject to in year changes and this new capital programme section of the Board Report will be kept up to date accordingly
- The Physical Resources Group (PRG) meets monthly to ensure governance of delivery of the programme within budget.

Section 5 - Balance Sheet performance and cash management

(a) Balance Sheet

Table 18: Balance Sheet for May			
	Last month balance	Current Month	Movement in Month
	£000s	£000s	£000s
Fixed Assets			
Intangible Fixed Assets	4,251	4,187	(64)
Tangible Fixed Assets	452,420	467,155	14,735
Total Fixed Assets	456,671	471,342	14,671
Current Assets			
Stocks and Work in progress	8,413	8,606	193
Debtors	59,505	51,517	(7,988)
Investments	0	0	0
Cash	14,556	21,292	6,736
Total Current Assets	82,474	81,415	(1,059)
Current Liabilities			
Creditors < 1 year	(62,949)	(62,883)	66
Total Current Liabilities	(62,949)	(62,883)	66
Other Liabilities			
Creditors > 1 year	(32,374)	(32,333)	41
Provisions for liabilities and charges	(4,747)	(4,747)	0
Total Other Liabilities	(37,121)	(37,080)	41
Total Assets Employed	439,075	452,794	13,719
Taxpayer's Equity			
Public Dividend Capital	169,547	169,547	0
Revaluation Reserve	187,125	198,757	11,632
Donated Asset Reserve	67,794	69,670	1,876
Government Grant Reserve	0	0	0
Other Reserves	1,743	1,743	0
I&E Reserve	10,821	10,821	0
Current year I&E	2,045	2,256	211
Total Taxpayer's Equity	439,075	452,794	13,719

Overview

Key points – Balance sheet movements

Fixed Assets

The net book value of land, buildings and plant has been increased by c. £14.7m since the last reported position. The main movements in the month are indexation to current cost added value of £13.7m less depreciation of £1.6m and capital expenditure of £3.3m.

Current Assets

This month debtors reduced by c. £8m. The decrease reflects mainly payments from PCTs, for activity undertaken in 2007/08 but billed in early 2008/09.

Of the total debtor figure, £11m is debt relating to invoices raised to 31st May 08. Other debtors include accrued income and prepayments.

Cash

The increased cash balance is mainly due to the reduction in the overall level of debtors and the resultant cash receipts. The overall level of payments in the month remained fairly static when compared to the previous month and the cash built up is an excess of cash receipts over payments. As reported previously, the Trust does plan to build cash balances over the first six months of the financial year to ensure financing payments i.e. dividends and loan repayments can be made later in the financial year.

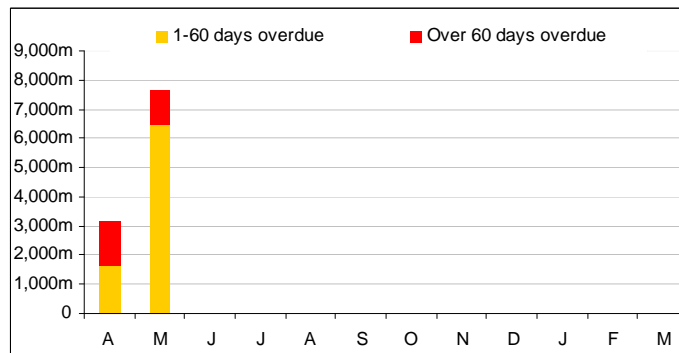
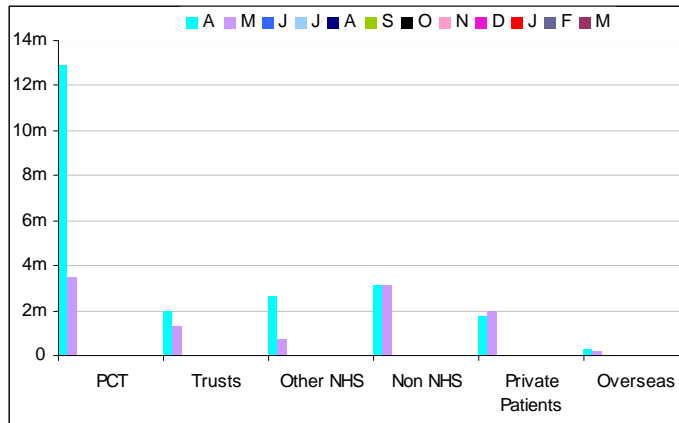
Current liabilities

The overall level of creditors has not changed significantly from the position reported at the end of April 08. There are also no material changes to report on either Creditors >1year or on Provisions for liabilities and charges.

Taxpayers Equity

The overall increase of £13m is largely due to a) revaluation of assets as a result of annual indexation and b) fixed asset additions.

(b) Debtors (money owed to the Trust)



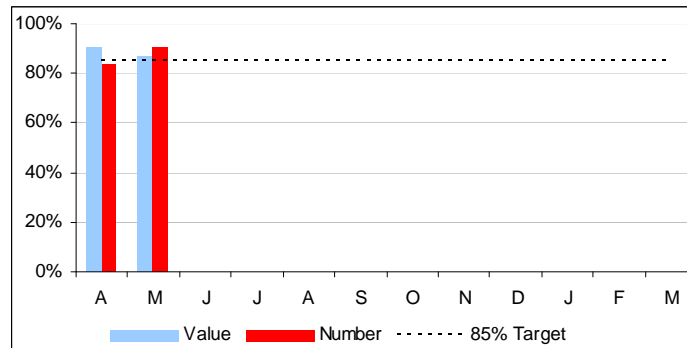
Key points - Debtors

The value of outstanding debt on the Trust sales ledger at 31st May 2008 was £11m. This is significantly lower than the reported figure of £22.6m, reported to the Board in April of this year. The decrease reflects payments, primarily, from PCT, for invoices raised in early April for 2007/08 for Quarter 4 activity.

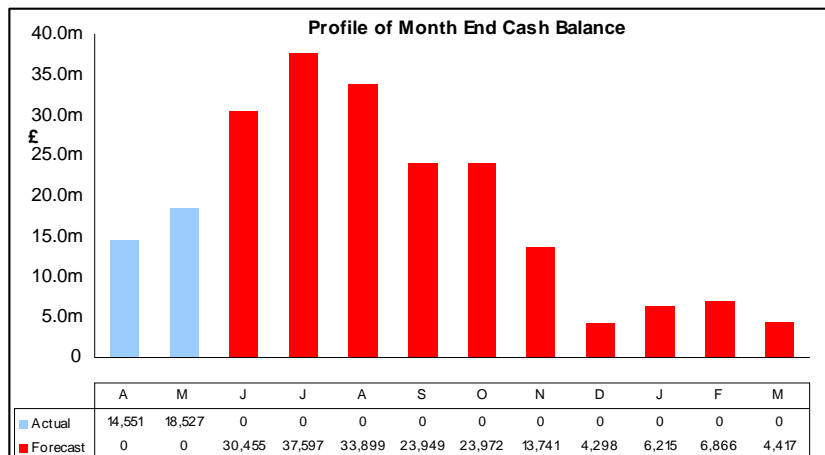
Of the total outstanding debt, £3.3m remains within payment terms i.e. are not yet due for payment, £6.4m is now overdue by 1-60 days and £1.2m of the outstanding debt is >60days.

Invoices for quarter 4 2007/8 PCT patient activity form the main element of the aged-debt of 1-60days old. Whilst a significant proportion of the invoices raised in April have now been paid, approximately £4m remains unpaid and are now circa 20day overdue. Under National billing and payment arrangements, Commissioners have until early July to raise queries on invoices and to agree payment. However, in the meantime, the significant debts, in this category, are each subject to individual review and follow up action by Commissioning and Finance teams. No material under recovery of this debt is anticipated.

(c) Creditors (money owed by the Trust)



(d) Cash management



Key points – creditors and the Better Practice Payment Code

- The Better Practice Payment Code targets NHS organisations to pay 95% of supplier invoices within 30 days of invoice, unless otherwise agreed. As the Trust is spread over 3 sites, some ordering is carried out locally (ie. not by the central Procurement team), which means the 95% target is an unrealistic goal.
- Consistent performance in excess of 80% is regarded as reasonable by the SHA, but the Trust aims to achieve an overall average of 85% for the year.
- In May, 90.5% of invoices (by number) and by value 87.1% were paid within 30 days.

Key points – cash management

- The Trust is forecasting a year end cash balance of approximately £4.4m.
- In-year cash management is aided by the high opening cash balance which includes £8m of cash funding for fixed asset impairments
- The finance team has a daily cash-flow forecast and manages cash in line with best practice.