

Trust Board meeting 20 November 2008

TB2008.80

Subject	Financial performance - September 2008 (Month 6)			
Purpose of paper	To update the Board on the latest financial position, the risks to the full-year forecast and the financial outlook for 2008/09. Where appropriate, the paper also summarises the actions being taken to secure the delivery of the financial forecast.			
Board Lead(s)	Mr Chris Hurst, Director of Finance & Procurement			
Background papers (if any)	None			
Action/decision required	For discussion and review			
Key purpose	Strategy	Assurance	Policy	<u>Performance</u>
Strategic Goal(s)	To achieve financial sustainability and long-term growth (SG3)			
Strategic Objective(s)	To become a strategic, high performing and agile organisation supported by efficient and patient focused clinical processes, modern systems and business processes.			
Links to: Board Assurance Framework/ Trust Key Risks/Annual Health Check element(s)	Trust Key Risks: PCTs' financial pressures (RR3), Cost Improvement Programme (RR4), Expenditure (RR5)			
Also considered by	Finance & Performance Committee			
Resource and financial impact				
Consideration of legal/equality/diversity/engagement issues				
Acronyms and abbreviations used	Defined in the Annex to this report			

Section A – At a glance

Page ref.

I&E position				
!	In month	£0.7m surplus	£0.2m fav to plan but larger variance expected due to Cancer Centre delay	2
!	Year-to-date	£6.3m surplus	£0.3m adverse to plan but fav variance expected (extra work and CC delay)	3
	Full year forecast	£2.3m surplus	Reduced from previous forecast of £4.3m in light of SLA negotiations	4
	Risks to forecast	Factors unchanged (CIPs, ↓ capacity=↓ costs, Cancer Centre) but level of risk has increased		6

CIPs				
	In month	£1.1m	£0.5m adverse to plan, principally due to slippage on VFM schemes	11-14
	Year-to-date	£7.3m	£0.4m adverse to plan, principally due to slippage on VFM schemes	11-14
	Full year forecast	£22m	Risk that VFM slippage will not be fully mitigated by contingency schemes	11-14

Divisional financial performance				
	A	YTD on plan	Forecast on plan (low risk)	16-17
	B	YTD £3.4m adv	Forecast £5.8m adverse to plan (high risk)	18-19
	C	YTD £1.2m adv	Forecast £2.8m adverse to plan (some scope for improvement)	20-21
	D - Corporate	YTD on plan	Forecast £1.4m fav to plan but some cost press have reduced UP savings	22
	E - BRC	YTD on plan	Forecast on plan (low risk)	23
	F - Trustwide	YTD £3.0m fav	Forecast £3.8m fav to plan (low risk)	23
	G - Capital charges	YTD £1.3m fav	Forecast £1.5m fav to plan (low risk)	23

Capital				
!	Year-to-date	£15.7m (40%)	On plan but some pressure to agree and release 2nd Tranche schemes	24
	Full year forecast	£39.5m	Within approved Capital Resource Limit	24

Balance Sheet				
	Outstanding debt	£17.9m	Reduction of 10% compared to previous month	26
!	Overdue debtors	£9.6m (54%)	Down by 25% in month but with 50% related to Q1 PCT invoices o/s	26
	Better Practice Pyt	90% (by no.)	August performance maintained	27

Cash				
!	In month movement	£9.3m outflow	Per forecast but monitoring risk from delayed settlement of PCT invoices	27

Key metrics and ratios				
	<b>Financial Risk Rating</b>	<b>3</b>	Acceptable for FT applicant	8
!	EBTIDA margin	YTD 7.0%	YTD plan 7.8%. Full year plan 5.9% (impact of Cancer Ctre in 2nd half of yr)	3
	PCT SLA performance	YTD +£10.4m	Equivalent to +4.4% YTD for all PCTs, Oxfordshire PCT +6.7%	3 and 9
	Workforce - employed	Month +100 WTEs	Total 7,783 WTEs, 4% increase since April 2008	10
	Workforce - agency	Month +£44k	Total £6.6m YTD (ave £1.1m per month), this month £1.4m	10
-	Liquidity	(to follow)		-

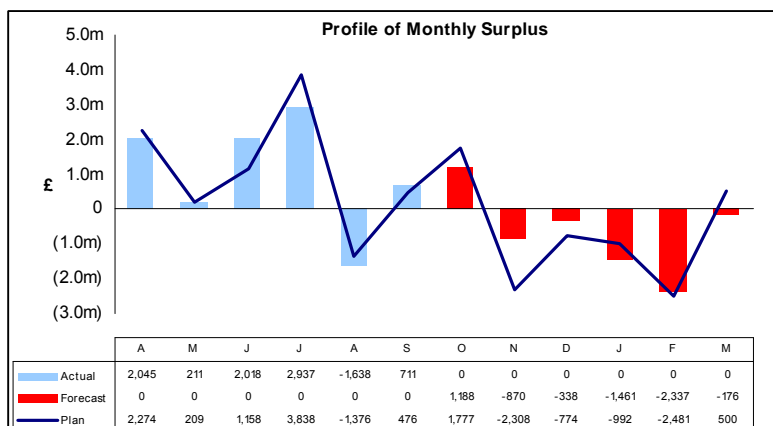
# Oxford Radcliffe Hospitals

## Section B - Financial performance

### B1. In-month

Table B1: Income and Expenditure Current Month Position:	Actual	Plan	Variance	Last Month Variance
	£000s	£000s	£000s	£000s
<b>Income:</b>				
Commissioning & RTA Income	41,943	40,418	1,525	1,227
PP and O/seas Income	745	882	(137)	(176)
Other Income	7,977	8,088	(112)	601
<b>Total Income</b>	<b>50,665</b>	<b>49,388</b>	<b>1,277</b>	<b>1,652</b>
<b>Expenditure:</b>				
Pay costs	(29,710)	(27,582)	(2,127)	(2,156)
Non Pay costs	(17,825)	(18,628)	803	83
<b>Total Expenditure</b>	<b>(47,534)</b>	<b>(46,210)</b>	<b>(1,324)</b>	<b>(2,073)</b>
<b>EBITDA*</b>	<b>3,131</b>	<b>3,178</b>	<b>(47)</b>	<b>(421)</b>
Depreciation	(1,366)	(1,612)	246	145
Net Interest and Dividends	(1,054)	(1,090)	36	14
Exceptionals	0	0	0	0
<b>Surplus/(deficit)</b>	<b>711</b>	<b>476</b>	<b>235</b>	<b>(262)</b>
EBITDA %	6.2%	6.4%		

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



### Key points

- In September, the Trust reported an actual trading surplus of £0.7m, compared to a planned surplus of £0.5m – that is, £0.2m better than plan.
- Notwithstanding the positive variance, for the second month running the in-month surplus is lower than would have been expected given the continuing delay in the hand over of the Cancer Centre. The Trust is currently saving £1.3m on the Unitary Payment (UP) but this savings is partially offset by some costs (the arrival of some of the additional staff) and the delay in accessing additional private patient capacity. Wherever possible, staff are being redeployed to other areas in this interim period.
- PCT income continues to run above plan, by £1.5m in the month.
- Pay expenditure also continues to run above budget - largely as a result of the higher than planned level of clinical activity - with agency expenditure of £1.4m in the month.
- Non-pay costs were below plan for the second consecutive month but this position is net of the UP savings from the delay in the opening of the Cancer Centre.

## Oxford Radcliffe Hospitals

### B2. Year-to-date

Table B2: Income and Expenditure Year to date: 6 months	Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s	Full Year Estimate as at September			
					Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s
Income:								
Commissioning & RTA Income	248,656	238,238	10,418	211,105	492,601	475,930	16,671	446,503
PP and O/seas Income	5,231	5,293	(62)	4,579	11,511	12,317	(806)	9,049
Other Income	50,631	48,177	2,455	42,850	99,919	96,724	3,194	94,790
<b>Total Income</b>	<b>304,519</b>	<b>291,707</b>	<b>12,811</b>	<b>258,535</b>	<b>604,030</b>	<b>584,971</b>	<b>19,060</b>	<b>550,342</b>
Expenditure:								
Pay costs	(173,631)	(161,715)	(11,916)	(152,267)	(347,305)	(330,029)	(17,276)	(316,381)
Non Pay costs	(109,613)	(107,201)	(2,411)	(92,540)	(223,579)	(220,219)	(3,360)	(202,578)
<b>Total Expenditure</b>	<b>(283,244)</b>	<b>(268,916)</b>	<b>(14,328)</b>	<b>(244,806)</b>	<b>(570,885)</b>	<b>(550,248)</b>	<b>(20,637)</b>	<b>(518,959)</b>
<b>EBITDA*</b>	<b>21,275</b>	<b>22,791</b>	<b>(1,516)</b>	<b>13,728</b>	<b>33,145</b>	<b>34,722</b>	<b>(1,577)</b>	<b>31,383</b>
Depreciation	(8,594)	(9,672)	1,078	(7,945)	(17,753)	(19,344)	1,591	(15,476)
Net Interest and Dividends	(6,396)	(6,539)	143	(6,009)	(13,103)	(13,078)	(25)	(11,594)
Exceptionals								
<b>Surplus/(deficit)</b>	<b>6,284</b>	<b>6,580</b>	<b>(296)</b>	<b>(226)</b>	<b>2,289</b>	<b>2,300</b>	<b>(11)</b>	<b>4,312</b>
EBITDA %	7.0%	7.8%		5.3%	5.5%	5.9%		5.7%

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

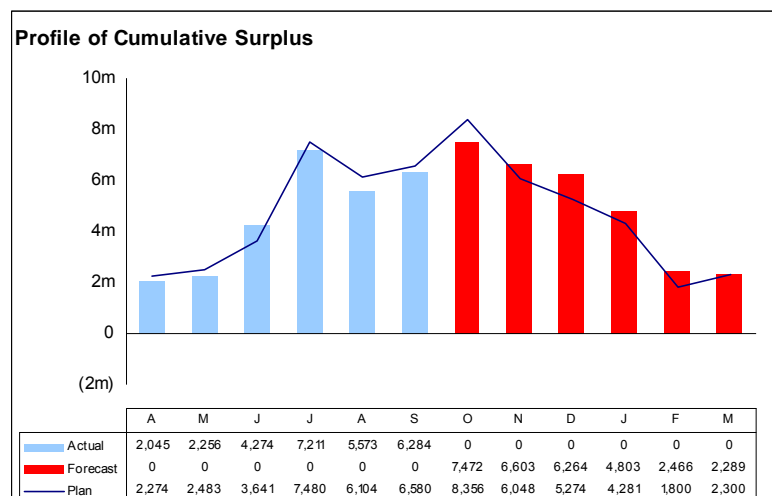
- The actual net trading surplus for the half-year is £6.3m, compared to a plan of £6.6m. While the headline adverse variance of £0.3m is not material, a positive variance would be expected given the size of the SLA over-performance and delay to the handover of the Cancer Centre.
- Our financial forecast allows for the cumulative surplus to reduce by March 2009 because:
  - Activity (and income) is expected to reduce significantly between now and March 2009, and
  - The Trust's expenditure run rate will increase from the point the Cancer Centre is handed over.
- PCT income is £10.4m above plan at M6. The Activity Management Plan agreed with Oxfordshire PCT is expected to reduce this trend by c. £7m between M7 and M12 (ie. to c. £13m for all commissioners).
- While the additional PCT income can be expected to generate additional financial contribution in-year, this positive impact has been offset by:
  - In-year cost pressures - eg. the pay award (+£3m) and rising energy costs; and
  - Premium costs incurred to deliver extra activity - eg. the need to use more agency staff, weekend lists, and overtime.

### Key points

## Section C - Financial outlook

### C1. Full-year forecast

Table C1: Full Year Forecast as at September	Plan £000s	Latest Forecast £000s	Previous Forecast £000s	Movement £000s
Operating Divisions				
A	60,053	60,226	60,160	66
B	46,121	40,328	47,428	(7,100)
C	(201)	(2,750)	(2,921)	171
D - Corporate directorates	(80,416)	(79,066)	(83,874)	4,808
E - Biomedical Research	(0)	(0)	0	(0)
F - Trustwide (incl PCT income)	9,366	14,607	14,389	218
G - Capital Charges	(32,622)	(31,056)	(31,162)	106
<b>Surplus/(deficit)</b>	<b>2,300</b>	<b>2,289</b>	<b>4,020</b>	<b>(1,731)</b>



### Key points

- Monthly forecasts are derived by the summation of divisional forecasts, which are signed off by the three Directors of Operations and represent the agreed targets required to achieve the overall full-year surplus. In reviewing and agreeing the M6 forecast it has been necessary to make a corporate assessment of the financial outlook. This is because over the last few weeks, activity plans have been subject to significant change as a result of the dialogue with Oxfordshire PCT. It has become increasingly difficult to model the impact of these changes at a directorate level, which is required for us to agree realistic and achievable forecast positions with individual Directors.
- PCT income appears to be reducing, as forecast. However, costs have not reduced in proportion to income and consequently the YTD surplus is marginally below the plan.
- At M5 the forecast surplus was £4.0m, based on forecast over-performance of £15.3m on the Oxfordshire SLA. The Trust has agreed with the PCT that activity will be managed down over the remaining 6 months of 2008/09 and, consequently, I would expect the over-performance to reduce to c. £10m by the year-end. The PCT is targeting a much greater reduction.
- Some costs will be avoided as activity falls (eg. clinical supplies) but these will be less than the reduction in income. In revising the forecast it has been necessary to recognise the additional risk of the challenge to release "full cost". Consequently, the full-year forecast surplus has been revised back to the original level of £2.3m.
- It is anticipated that reduced activity will be achieved by a combination of increasing referral to treatment times (to an average of 12 weeks) and by a reduction in the level of GP referrals.

### M6 full-year forecast - basis of preparation

- The “raw” M6 forecasts prepared by each division have been adjusted for:
  - Our assessment of revised activity (M7-12) and its impact on income, pay, and non-pay costs

- The delay to the Cancer Centre opening; and
- An assessment of the shorter-term financial measures which are to be taken in the second half of the financial year to mitigate the residual pressure caused by falling income and known CIP slippage.
- The most significant changes made to the “raw” forecasts at M6 relate to Divisions B and D. The impact of reducing (elective) activity is greatest for Division B, whose surplus is expected to reduce by £7m. The delay in the opening of the Cancer Centre and additional planned savings for corporate areas has resulted in the Division D forecast improving by £4.8m.

### M6 Directorate reviews

- A comprehensive programme of directorate reviews has taken place following M6’s results and this process is being used to ensure that the monthly directorate forecasts are aligned with the M6 “corporate” forecast in subsequent months.
- Each Directorate has been tasked with identifying additional efficiencies and savings. A second round of meetings is being held in early November to review directorate savings plans.
- To reflect the differential starting points of, and risks faced by, each directorate each will be assigned a “traffic light” at the conclusion of the review process. This will allow management attention to be appropriately directed to the higher risk areas over the rest of this year.

### C2. Risks to forecast

- The principal risks to the delivery of the forecast are:
  - Delivery of the £22m CIP - directorates are working closely with the Performance Improvement Team to ensure ongoing delivery of planned savings. Overall progress to date is on track but some projects are not delivering in full (eg. theatres) and are subject to

## Oxford Radcliffe Hospitals

additional support. The fact that the phasing of the overall CIP budget is weighted more heavily to the second half of the financial year represents additional risk. Contingency plans and shorter-term cost control measures are being implemented to mitigate the impact of slippage and other risks.

- o Reducing activity (capacity and cost reduction) – capacity and cost must be proactively managed down in services where activity is expected to reduce. This is particularly relevant to elective activity, which will have a disproportionate impact on Division B (which manages the majority of elective surgical activity and all theatres).
- o Cancer Centre – the consequential costs of the move and the associated investments must be rigorously managed to ensure delivery of the £2.3m surplus. The transfer has been subject to detailed operational and financial planning and is expected to be well managed. The timing and the extent of planned investments will be kept under review to ensure that all opportunities are taken to contain the additional net expenditure.

Traffic lighting of Directorates post Month 6 reviews	Director of Cost Improvement Director of Finance	Target differential directorate risks to ensure management action will deliver savings at the required level and cost release is maximised with capacity reduction.	Nov 21
Divisions to implement short term controls for all proposed staffing changes	All Directors	All Directors have been asked to defer investment in staffing and undertake detailed scrutiny of staffing resources and the timing of recruitment to vacancies.	From M7
Agree M7 Trust forecast	Directors of Operations Director of Cost Improvement Director of Finance	To ensure the overall Trust forecast is aligned to divisional forecasts. This provides assurance that realistic action plans have been identified to achieve the planned surplus.	Nov 21

### Action Log

- The attached summaries the key actions required in the coming weeks to ensure the financial position is maintained:

Action	Who	Objective	Timescale
--------	-----	-----------	-----------

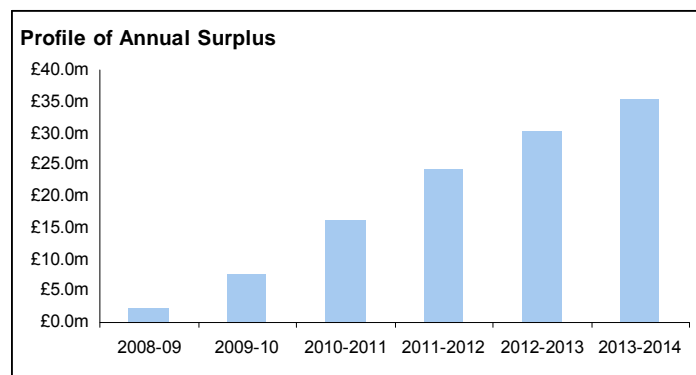
## Oxford Radcliffe Hospitals

### C3. Impact of current outlook on future years' performance

Table C3: Income and Expenditure Year to date: 6 months	2008-09 Forecast £000s	2009-10 Plan £000s	2010-11 Plan £000s	2011-12 Plan £000s	2012-13 Plan £000s	2013-14 Plan £000s
Income:						
Commissioning & RTA Income	492,601	519,616	545,922	570,894	597,174	624,120
PP and O/seas Income	11,511	18,003	19,298	19,988	20,712	21,472
Other Income	99,919	97,807	101,935	106,007	110,235	114,618
<b>Total Income</b>	<b>604,030</b>	<b>635,426</b>	<b>667,156</b>	<b>696,889</b>	<b>728,120</b>	<b>760,210</b>
Expenditure:						
Pay costs	(347,305)	(339,446)	(344,257)	(346,500)	(349,833)	(353,303)
Non Pay costs	(223,579)	(251,864)	(267,403)	(282,555)	(300,364)	(320,044)
<b>Total Expenditure</b>	<b>(570,885)</b>	<b>(591,310)</b>	<b>(611,660)</b>	<b>(629,055)</b>	<b>(650,196)</b>	<b>(673,346)</b>
<b>EBITDA*</b>	<b>33,145</b>	<b>44,116</b>	<b>55,496</b>	<b>67,835</b>	<b>77,924</b>	<b>86,863</b>
Depreciation	(17,753)	(21,861)	(23,265)	(25,634)	(28,218)	(31,038)
Net Interest and Dividends	(13,103)	(14,703)	(16,134)	(17,993)	(19,246)	(20,401)
Exceptionals						
<b>Surplus/(deficit)</b>	<b>2,289</b>	<b>7,551</b>	<b>16,097</b>	<b>24,208</b>	<b>30,460</b>	<b>35,424</b>
EBITDA %	5.5%	6.9%	8.3%	9.7%	10.7%	11.4%

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

All plan figures are as submitted to the SHA in September - these are currently being reviewed by the Trust



- As a result of revising the 2008/09 forecast surplus, the Trust longer-term financial projections must also be reviewed.
- Currently the Trust's Long Term Financial Model (LTFM) indicates that the Trust will make a surplus of £7.5m in 2009/10, but this is posited on an underlying surplus of £4.3m being carried into next year. In addition, the actions being taken to reduce activity in this year (and in future years) will impact on the Trust's future capacity plans, income and costs.
- Work will be carried out over the next quarter to model the impact of these changes on the LTFM, as the activity reductions are defined.
- Our future plans currently target overall CIPs of 2.5% to 3.0% in each year. The current year income reductions and reduced growth assumptions for future years will mean that greater (cash releasing) CIPs will be required.

#### Key points

## Oxford Radcliffe Hospitals

### Section D - Financial Risk Rating

Table: Financial Risk Rating Year to date: 6 months	Weight	Metric %	Risk Rating
<b>Metric</b>			
EBITDA margin	25%	7.0%	3
EBITDA, % achieved	10%	93.3%	4
ROA	20%	3.3%	3
I&E surplus margin	20%	2.1%	4
Liquid ratio	25%	20.2	3
<b>Weighted Average</b>	100%		<b>3.3</b>

FRR	Definition
1	Highest risk - high probability of significant breach of Terms of Authorisation in the short-term (eg. less than 9 months) unless remedial action is taken
2	Risk of significant breach in Terms of Authorisation in the medium term (eg. 9 to 18 months in the absence of remedial action)
3	Regulatory concerns in one or more components. Significant breach of Terms of Authorisation is unlikely.
4	No regulatory concerns
5	Lowest risk - no regulatory concerns

Explanatory note

- Monitor uses the Financial Risk Rating (FRR) to measure ongoing financial health. Other important measures include working capital (see Cash) and also the ability to generate surpluses over the longer term.
- A FT is required to have a minimum FRR of 3 at the point of authorisation and in its first full year as an FT, rising to 4 thereafter.
- Five financial ratios are used and a weighted average of these scores is then used to determine a trust's overall FRR:
  - EBITDA margin % - calculated as the ratio of EBITDA, to total income
  - EBITDA % achieved - calculated as the ratio of the actual year-to-date EBITDA, to the plan year-to-date EBITDA
  - Return on Assets % - calculated as the ratio of the returns generated, to average total assets employed
  - I&E surplus margin % - calculated as the ratio of the returns generated, to total income
  - Liquidity ratio (days) - calculated as the number of days costs that the Trust can cover from its liquid resources.
- Achievement against each of these measures is scored from 1 to 5, with 1 indicating the highest level of risk (see table).

#### Current FRR

- The Trust currently has an overall FRR of 3 (3.3) based on its results to date. This is an acceptable rating.

## Oxford Radcliffe Hospitals

### Section E – Supplementary performance analysis and information

#### E1. Subjective analysis of I&E

Table E1: 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	1,227	(176)	640	(2,156)	297	(94)	(262)
Change this month	298	40	(592)	29	731	(8)	497
Position at month 6	1,525	(137)	48	(2,127)	1,028	(102)	235

#### Key points

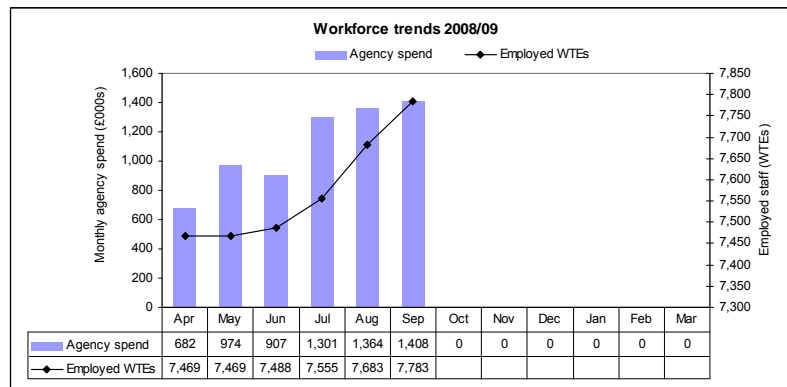
- To M6, PCT income (including RTA income) is above Plan by £10.4m. The activity and income run rate continued to exceed plan in September but to a lesser extent. Oxfordshire workload is running at 6.7% above the SLA, compared to a high of 7.6% above plan in M3. The Activity Management Plan is expected to reduce the level of over-performance further over the coming months.
- Private patient income is on plan after 6 months but the revised forecast predicts an under-performance for the full year of £0.8m. The forecast income for the year has been revised downwards in M6 to reflect the delay in the dedicated PP ward within the Cancer Centre. This will be closely monitored over the coming months and where appropriate other opportunities for income generation will be explored.
- Other Income is £2.4m above plan and forecast to be £3.2m over plan by the year end. This is primarily due to higher than planned income from Teaching and Training and additional (activity related) DGH laboratory income. The adverse movement in the month arises from the re-profiling of training, teaching and research funding.
- Pay and Non-pay expenditure forecasts are largely driven our forecasts of clinical activity. The Pay variance also reflects the adverse impact of the national pay settlement. The pay award was funded in the Tariff at 2% but was subsequently agreed at 2.75%. This contributes to both the actual and forecast pay variance (c. +£3m for the full year).

# Oxford Radcliffe Hospitals

## E2. Workforce statistics

Whole Time Equivalent Analysis (Worked) By Staff Group	As at April 2008	Position after 6 months	Change	% Change
Medics	1,114	1,189	75	7%
<i>Consultants</i>	397	415	18	5%
Nursing, Midwifery & Health Visiting Staff	2,751	2,864	113	4%
<i>Midwives</i>	245	253	8	3%
Healthcare Assistants	974	991	17	2%
Managers and Senior Managers	233	241	8	3%
Admin & Estates	1,382	1,454	73	5%
Scientist, Therapists and Technical	990	1,042	53	5%
<i>Allied Health Professionals</i>	386	408	23	6%
<i>Healthcare Scientists</i>	464	487	23	5%
<i>Other S T &amp; Ts</i>	140	147	7	5%
Other Staff	21	1	(19)	(94%)
<b>Total</b>	<b>7,464</b>	<b>7,783</b>	<b>319</b>	<b>4%</b>

Whole Time Equivalent Analysis (Worked) By Division	As at April 2008	Position after 6 months	Change	% Change
Division A	1,653	1,729	76	5%
Division B	2,439	2,582	142	6%
Division C	2,294	2,342	48	2%
Division D - Corporate Directorates	1,008	1,037	29	3%
Division E - Biomedical Research	20	43	23	116%
Division F - Trustwide	50	51	1	2%
Division G - Operating Expenses	0	0	0	
<b>Total</b>	<b>7,464</b>	<b>7,783</b>	<b>319</b>	<b>4%</b>



## Explanatory note

- The tables provide details of the number of staff employed (using a “worked” WTE measure) at the beginning of the financial year and at the end of the current month.

- The first of the two tables analyses the workforce by occupational staff group and the second provides an analysis by division.

## Key points

- WTEs have increased by 319 (4%) over the 6 months, without a commensurate reduction in agency spend. The net growth is lower than the additional volume of work being undertaken and reflects some new staff recruited for the Cancer Centre.

- The largest proportionate increase has been in medical staff and the largest in number has been nursing & midwifery staff. The divisional analysis reveals that nearly 50% of the growth is in Division B, which includes the majority of surgical activity and anaesthetics for the whole Trust.

- For the Trust to manage down its costs over the coming months (as income reduces), it is essential that all managers actively manage staff numbers and costs including over-time and agency.

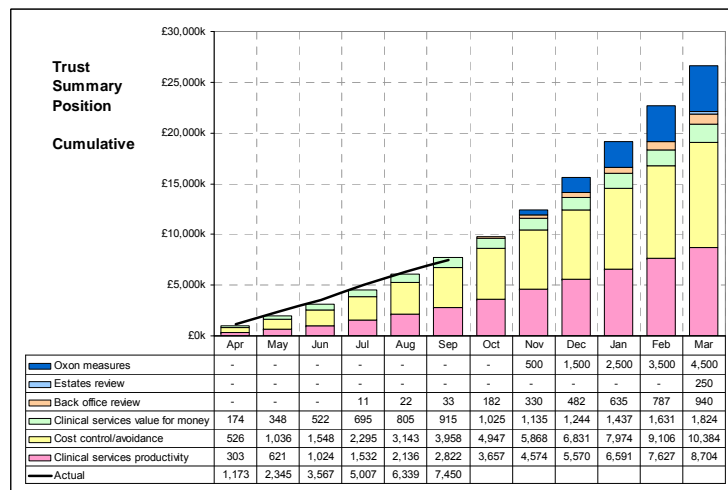
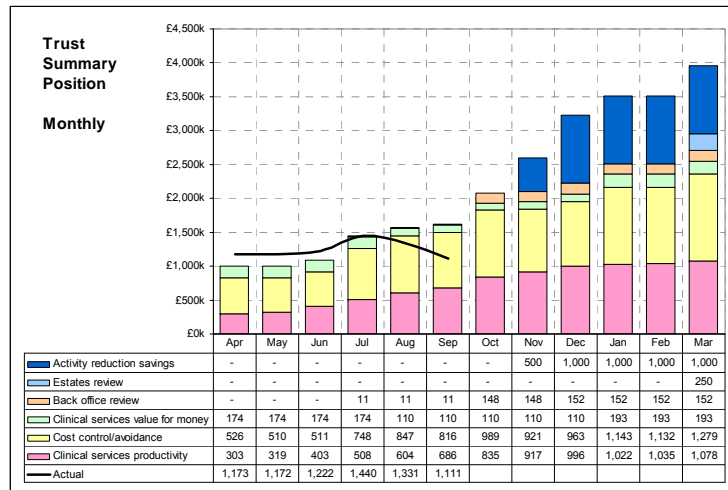
- The full-year financial forecast challenges directorates to hold pay costs and WTEs to the September level. This will require directorates to defer investment in staffing and scrutinise both the timing of, and short-term need for, recruitment to vacancies.

- In addition to holding the pay run rate, directorates must continue to deliver their CIPs and have been challenged to deliver some further costs reductions in the second half of the year. These measures are expected to reduce the workforce numbers in many areas.

## Oxford Radcliffe Hospitals

### E3. Cost Improvement Programme (CIPs)

#### (a) Overall position



#### Coverage and structure of programme

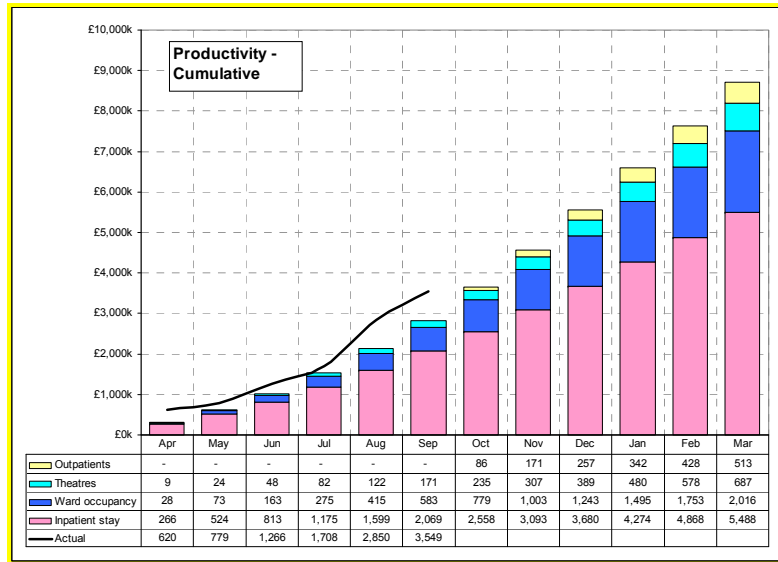
- The Performance Improvement & Cost Reduction Programme (PICRP) is the vehicle used to deliver the Trust's required level (£22m) of annual cost improvements (CIPs).
- The programme is structured into three work stream areas; productivity, value for money and cost avoidance.
- Following agreement with Oxfordshire PCT to reduce activity in the second half of the year by approximately £7m, it is necessary to achieve an additional £4.5m of savings. These have been allocated to corporate and clinical directorates based on the relative size of expenditure budget.

#### Key points – programme delivery

- M6 delivery is lower than M5 and £0.5m below the plan for the month. Year-to-date, the PICRP has delivered £7.3m compared to a plan of £7.7m.
- The monthly and cumulative shortfalls largely relate to higher unit costs in theatres and in wards (driven by high agency expenditure).
- The reduction in Oxfordshire activity coupled with improved length of stay has enabled the Trust to close a number of beds and thereby reduce agency spend in some areas.
- The position continues to be reviewed at the weekly Executive Action Group, chaired by the Director of Finance. In addition, detailed directorate reviews have been held in the last two weeks of October to discuss action plans (due from Nov 3) to shore up delivery of the original £22m and further deliver £4.5m to mitigate the expected fall in income.

# Oxford Radcliffe Hospitals

## (a) Productivity work streams



- The initiatives cover:
  - Improved utilisation of outpatient clinics and of clinical time
  - Improved theatre utilisation
  - Further reductions in length of stay to improve patient throughput

### Key points – productivity performance

- Productivity improvement projects continue to deliver ahead of plan, cumulatively achieving £3.5m YTD, compared to a plan of £2.8m.
- To date, this has been delivered by increasing the patient throughput of existing bed and theatre capacity to help deliver extra work. The reduction in Oxfordshire activity means that the Trust now needs to reduce capacity in line with falling activity and the productivity improvement profile.
- Directorates have been challenged at the M6 reviews to include a capacity reduction plan as part of their action plan – this are being developed within two weeks of each review.
- To date, weekend elective theatre sessions have reduced by 90%, a number of ad-hoc theatre sessions have been stopped, and a total of 20 inpatient beds will be closed by the end of the first week in November.

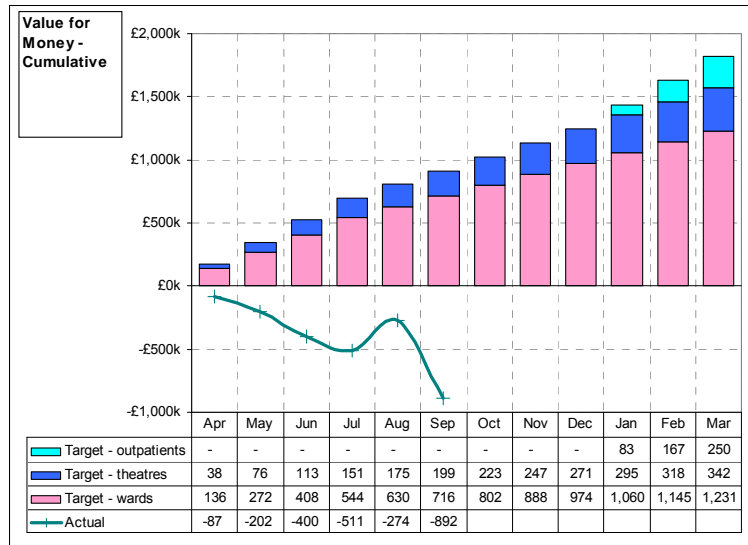
### Actions required/ in hand to secure delivery

- Full implementation of capacity reductions to drive productivity, and in response to Oxfordshire activity reductions.

Focus of productivity initiatives

## Oxford Radcliffe Hospitals

### (b) Value for money work streams



### Focus of value for money initiatives

- The initiatives cover; outpatients (reducing pay cost/patient and variability), Theatres (reducing pay cost/ theatre hour and variability), and Wards (reducing pay cost/ bed day and variability).

### Key points - value for money performance

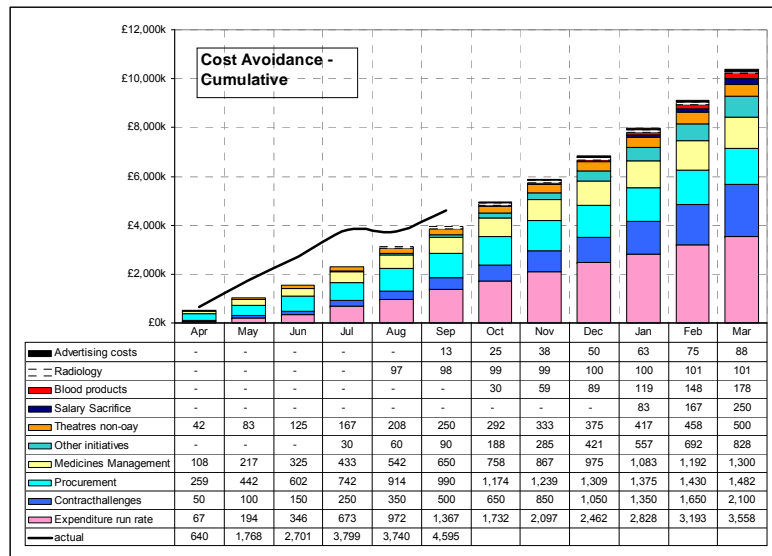
- Unit costs in both Theatres and Wards continue to be higher than last financial year, driven largely by the high number of expensive agency staff used to support the continuation of high activity rates.
- Unit costs are assessed to have increased by £2.3m YTD, compared to a targeted reduction of £3.5m. These premium costs have reduced the additional financial contribution the Trust would have expected to make from work above the SLA.

### Actions required/ in hand to secure delivery

- Directorates have been challenged to reduce agency in these areas by 50% by mid-November and by a further 40% by January. This will be enabled by the reduction in capacity in both theatres and wards over the next two months. The remaining capacity will be run at lower unit costs.
- The Performance Improvement Team is working with theatres to review working practices.
- Directorates have been challenged to reduce ward staffing levels and change shift patterns by January 2009.
- The "Productive Ward" project has now started in two areas - Trauma and Specialist Medicine.

### (c) Cost avoidance work streams

## Oxford Radcliffe Hospitals



### Focus of cost avoidance initiatives

- The initiatives cover:

- More effective and reduced use - including; advertising costs, blood products, radiology, medicines management, theatres non-pay and the annual procurement programme.
- Financial strategies - avoiding the use of the contingency and expenditure run rate management, a salary sacrifice scheme and other initiatives.

### Key points - cost avoidance performance

- The cost avoidance projects are delivering ahead of plan; cumulatively achieving £4.6m YTD against a target of £3.9m.
- The past over-achievement of the plan has not been maintained in M6.

### Actions required/ in hand to secure delivery

- The following actions are being taken to improve the position:
  - Directorate level I&E reviews have been held in the last two weeks of October - consequent action plans to reduce expenditure run rates are due within two weeks
  - Additional non-pay controls have been put in place, including the restriction of non-clinical, non-consumable expenditure
  - Additional agency controls have been implemented
  - The Trust is targeting materials management and procurement to secure additional savings in this year and in the longer term.

## Oxford Radcliffe Hospitals

### E4. Divisional financial performance

#### (a) Divisional summary

Table E4.1: Performance by division	Year to date: September			Last Year Actual £000s	Full Year		Variance to Plan £000s
	Actual £000s	Plan £000s	Variance £000s		Plan £000s	Forecast £000s	
Operating Divisions							
A	30,586	30,632	(45)		60,053	60,226	174
B	21,072	24,475	(3,404)		46,121	40,328	(5,793)
C	(639)	561	(1,200)		(201)	(2,750)	(2,549)
D - Corporate directorates	(37,375)	(37,415)	40	(31,413)	(80,416)	(79,066)	1,350
E - Biomedical Research	184	178	6	104	(0)	(0)	(0)
F - Trustwide (incl PCT inc)	7,448	4,460	2,988		9,366	14,607	5,241
G - Capital Charges	(14,993)	(16,311)	1,319	(14,109)	(32,622)	(31,056)	1,566
Surplus/(deficit)	6,284	6,580	(296)	(226)	2,300	2,289	(11)

Note - 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.

- The forecast figures reflect the impact of corporate assessment made this month (as previously outlined) and the subsequent adjustments made to the divisional “raw” M6 forecasts.
- The divisional position is summarised as follows
  - Division A is on plan year to date and is reporting a forecast full-year favourable variance to plan of £0.2m. The forecast allows for additional costs associated with winter pressures and additional capacity to meet emergency demands.
  - Division B is under-achieving its YTD plan to date by £3.4m. The forecast for the Division has been subject to review since the last reported position, in light of both local pressures and the impact of activity changes. As a consequence it is anticipated that the full-year variance to plan will worsen to £5.8m adverse.
  - Division C is under-achieving its YTD plan by £1.2m and is forecasting that its year-end position will be £2.6m adverse. The current forecast profile reflects both planned investments in staffing in radiology and laboratories (for the Cancer Centre), and the cost of providing additional clinical support services across the Trust. The forecast is considered to be prudent but will also be subject to revision as actions are agreed from the directorate review meetings.
  - Corporate Directorates’ year-to-date position and full year forecast reflect specific cost pressures which are highlighted in the Division D report. These are partially offset by additional Teaching, Training and Research income.

#### Key points

## Oxford Radcliffe Hospitals

### (b) Division A

	Year to date: September				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	92,636	89,539	3,097		179,031	184,628	5,597
PP & O/seas	1,072	1,265	(193)	622	2,557	2,149	(408)
Other Income	1,259	1,402	(143)	1,349	2,798	2,522	(275)
<b>Total Income</b>	<b>94,967</b>	<b>92,206</b>	<b>2,761</b>	<b>1,971</b>	<b>184,385</b>	<b>189,299</b>	<b>4,914</b>
Expenditure:							
Pay costs	(35,620)	(33,490)	(2,130)	(32,989)	(68,030)	(72,284)	(4,254)
Non Pay costs	(28,761)	(28,085)	(676)	(25,640)	(56,303)	(56,789)	(486)
<b>Total Expenditure</b>	<b>(64,381)</b>	<b>(61,575)</b>	<b>(2,806)</b>	<b>(58,629)</b>	<b>(124,333)</b>	<b>(129,073)</b>	<b>(4,740)</b>
<b>Net position</b>	<b>30,586</b>	<b>30,632</b>	<b>(45)</b>		<b>60,053</b>	<b>60,226</b>	<b>174</b>

Note - 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.

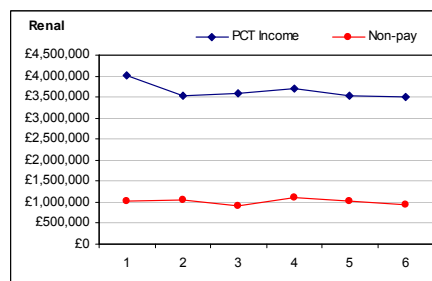
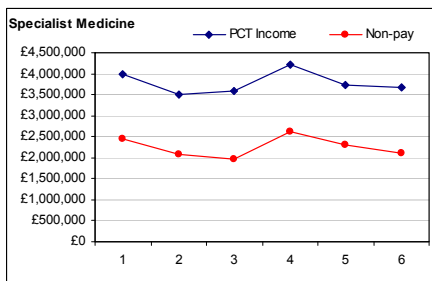
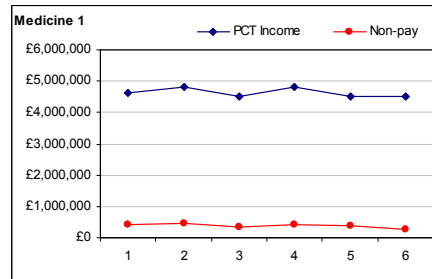
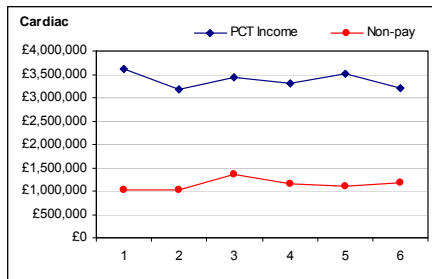
	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Cardiac	(1,303)	2,335	1,032
Div A Divisionwide	(2,061)	(532)	(2,593)
Medicine 1	(784)	825	41
Renal Centre	934	(572)	362
Specialist Medicine	408	705	1,113
<b>Division Total</b>	<b>(2,806)</b>	<b>2,761</b>	<b>(45)</b>

### Year-to-date performance

- Year to date, the Division is meeting its plan but with some directorate level variances.
- The high level of patients presenting and consequent increase in PCT Income (£3.1m above plan) is largely offset by the additional costs of undertaking this work (£2.8m in excess of plan). Cardiac is £2.3m above its income plan in the first 6 months, Medicine £0.8m above plan, Specialist Medicine £0.7m above plan, and Renal £0.6m below plan.
- PP income is £0.2m below plan against an increased target for the year - mainly in Renal and Specialist Medicine. Cardiac is above plan.
- The variance against plan on Pay is primarily related to higher levels of activity. In some cases, premium costs have been incurred to deliver activity levels - eg. additional consultant payments for additional sessions.
- The variance on Non-pay expenditure is a factor of both increased expenditure to deliver activity but also will reflect spend on pass through costs (eg. haemophilia products) which are recovered through income.

**Table E4.4:**  
**CONTRIBUTION**  
**Directorate Summary**  
**Division A**

	Cumulative Position after 6 months	
	Plan %	Actual %
Cardiac	32%	33%
Medicine 1	38%	37%
Renal Centre	38%	41%
Specialist Medicine	13%	17%



- The Board analysis shows the percentage financial contribution being made by each of the clinical directorates. This represents the percentage surplus made, as a proportion of the total income generated by each directorate. It is a simple measure of the gross contribution.
- This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets.
- Actual YTD directorate contributions are at or better than planned except for Medicine 1. Forecast contributions are not available this month because it has been necessary to make a corporate assessment of the M6 full-year forecast.
- It is important that directorates aim to at least achieve or better their budgeted contribution levels for the remainder of the financial year.

### PCT income/ non-pay trends

- The graphs plot PCT income and Non-pay expenditure for each clinical directorate. We expect to see a strong relationship between the two, as clinical non-pay costs are largely activity driven.
- The analysis shows that the directorates are broadly in line with expectation. However, in Cardiac income has reduced but non-pay costs have increased. This is assessed to be due to a change in case mix. In the month, activity for both Cardiac Angiography and EP were high. The graph also reflects work on Trans Aortic Valve implants (TAVI) where, currently, costs are not being fully covered by income.

Contribution analysis

## Oxford Radcliffe Hospitals

### (c) Division B

	Year to date: September				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Income:</b>							
Commissioning & RTA	98,662	91,863	6,799		183,203	191,834	8,632
PP & O/seas	1,619	1,534	85	1,470	4,286	3,671	(615)
Other Income	2,928	2,462	466	2,795	4,925	5,594	669
<b>Total Income</b>	<b>103,209</b>	<b>95,859</b>	<b>7,350</b>	<b>5,076</b>	<b>192,414</b>	<b>201,100</b>	<b>8,686</b>
<b>Expenditure:</b>							
Pay costs	(58,260)	(50,807)	(7,453)	(50,174)	(104,843)	(114,978)	(10,135)
Non Pay costs	(23,877)	(20,577)	(3,300)	(18,215)	(41,450)	(45,794)	(4,344)
<b>Total Expenditure</b>	<b>(82,137)</b>	<b>(71,384)</b>	<b>(10,753)</b>	<b>(68,389)</b>	<b>(146,293)</b>	<b>(160,772)</b>	<b>(14,479)</b>
<b>Net position</b>	<b>21,072</b>	<b>24,475</b>	<b>(3,404)</b>		<b>46,121</b>	<b>40,328</b>	<b>(5,793)</b>

Note - 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.

	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Anaesthetics & Theatres	(2,064)	381	(1,683)
Cancer	(2,397)	2,091	(306)
Division B Management	(2,783)	(3)	(2,786)
General Surgery	(1,857)	2,025	168
Specialist Surgery	(1,651)	2,856	1,204
<b>Division Total</b>	<b>(10,753)</b>	<b>7,350</b>	<b>(3,404)</b>

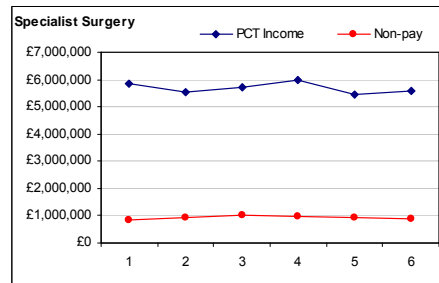
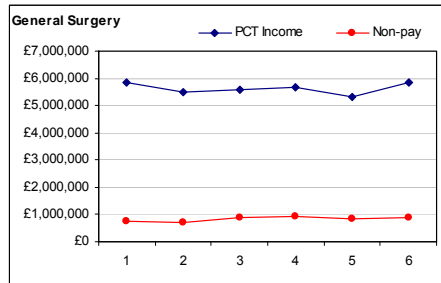
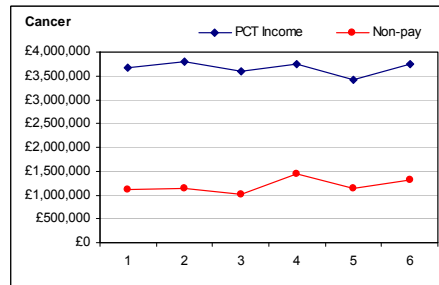
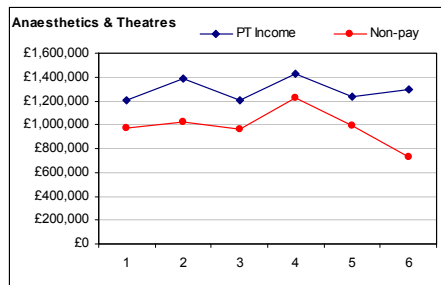
Year-to-date performance

- The year-to-date adverse variance of £3.4m is largely due to the net impact of:
  - The additional PCT income earned (£6.8m above plan); offset by
  - The costs of undertaking the additional activity (£10.7m above plan), which includes the theatre costs for additional surgical activity undertaken by all three divisions.
- PCT income is favourable to plan overall by £7.4m - Specialist Surgery is £2.8m above plan, Cancer £2.10m and General Surgery £2.0m.
- PP income is better than plan by £85k. PP prices in Cancer are being reviewed which further improve the position, although this will depend on reaching agreement with the insurers, particularly regarding the timing of any changes. Overall PP income was down in month, due to seasonal variation.
- The £3.3m adverse Pay variance is primarily activity driven by the premium costs of agency staffing and cost pressures (unfunded beds in Specialist Surgery and Neurosurgery, additional sessions to maintain waiting lists and additional theatre lists).
- The Non-pay variance is also linked to activity (Cancer and General Surgery) where the variance is driven by "pass-through" drug costs (£1.4m YTD) which is matched with additional income.

# Oxford Radcliffe Hospitals

**Table E4.7**  
**CONTRIBUTION**  
**Directorate Summary**  
**Division B**

	Cumulative Position after 6 months	
	Plan %	Actual %
Anaesthetics & Theatres	-177%	-187%
Cancer	42%	37%
General Surgery	50%	47%
Specialist Surgery	43%	43%



- The Board analysis shows the percentage financial contribution being made by each of the clinical directorates. This represents the percentage surplus made, as a proportion of the total income generated by each directorate. It is a simple measure of the gross contribution.
- At Month 6, only Specialist Surgery is meeting its planned contribution. The contribution levels for Cancer and General Surgery are below target.
- Forecast contributions are not available this month because it has been necessary to make a corporate assessment of the M6 full-year forecast.
- It is important that directorates aim to at least achieve or better their budgeted contribution levels for the remainder of the financial year.

## PCT income/ non-pay trends

- The graphs plot PCT income and Non-pay expenditure for each clinical directorate. We expect to see a strong relationship between the two, as clinical non-pay costs are largely activity driven.
- The analysis shows that most directorates are in line with expectations, with both income and non-pay reducing. In Anaesthetics & Theatres income is increasing but non-pay decreasing. The income for month 6 included some previous months' income (for ITU). The Directorate are undertaking a review of stock levels which has resulted in fewer purchases on consumable and equipment in the month.

Contribution analysis

## Oxford Radcliffe Hospitals

### (d) Division C

	Year to date: September				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	57,290	56,367	923		112,748	113,822	1,074
PP & O/seas	1,154	1,248	(94)	852	2,982	2,590	(392)
Other Income	6,948	6,117	831	6,124	12,285	14,090	1,805
<b>Total Income</b>	<b>65,391</b>	<b>63,731</b>	<b>1,660</b>	<b>6,975</b>	<b>128,015</b>	<b>130,502</b>	<b>2,488</b>
Expenditure:							
Pay costs	(50,707)	(49,208)	(1,498)	(45,217)	(100,334)	(103,025)	(2,691)
Non Pay costs	(15,323)	(13,962)	(1,362)	(13,410)	(27,882)	(30,227)	(2,346)
<b>Total Expenditure</b>	<b>(66,030)</b>	<b>(63,170)</b>	<b>(2,860)</b>	<b>(58,627)</b>	<b>(128,216)</b>	<b>(133,252)</b>	<b>(5,036)</b>
<b>Net position</b>	<b>(639)</b>	<b>561</b>	<b>(1,200)</b>		<b>(201)</b>	<b>(2,750)</b>	<b>(2,549)</b>

Note - 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.

	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Childrens & Genetics	591	545	1,136
Divisional Services	(3,037)	0	(3,037)
Lab Med & Clinical Sciences	118	507	625
Pharmacy and Therapies	(102)	55	(47)
Radiology & Physics	(27)	450	423
Women's & Sexual Health	(403)	104	(300)
<b>Division Total</b>	<b>(2,860)</b>	<b>1,660</b>	<b>(1,200)</b>

### Year-to-date performance

- The year- to-date adverse variance of £1.2m is a combination of the net impact of:
  - The higher levels of PCT income (£0.9m above plan) and Other income (£0.8m above plan); offset by
  - The additional costs required in clinical support services to deliver this activity for the additional work undertaken by all three divisions (£2.9m).
- Overall PCT income is favourable to plan by £1.7m - Children and Genetics, Lab Medicine and Clinical Services and Radiology are all above plan (by £0.6m, £0.5m and £0.4m respectively).
- PP income is £94k below plan but this is primarily offset by additional income reported as Other income, relating to pharmacy drug sales. The Division has taken account of the impact of the delay in the Cancer Centre opening in relation to its target for increased PP income.
- The majority of the £831k favourable Other income variance relates to income generated from lab testing for DGHs (an increase of £179k from last month, £590k favourable YTD). Also included is the income for genetics testing and pharmacy drug sales.
- The adverse Pay variance arises because the Division is not fully meeting its pay savings target, despite the significant level of continuing vacancies across the Division. The consequent savings will reduce in the latter months of the financial years where staff are appointed to fill existing essential vacancies.
- Non-pay expenditure is £1.3m over plan YTD because of the additional activity, costs of a replacement scanner and unmet savings.

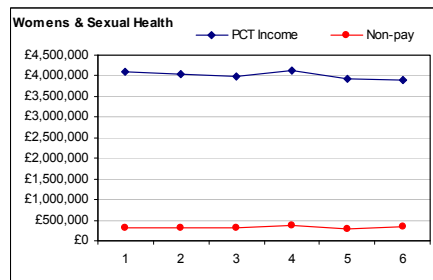
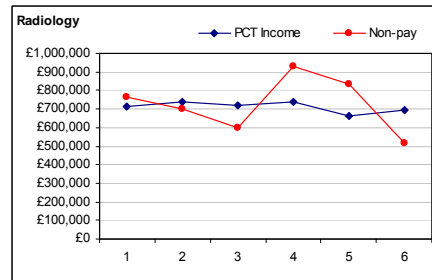
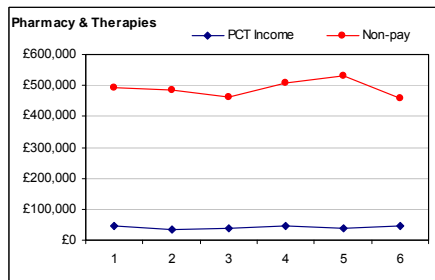
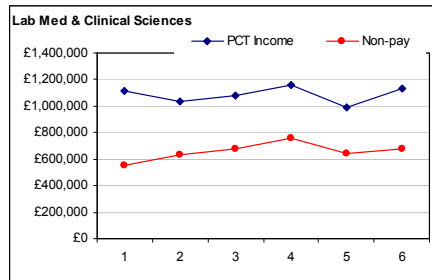
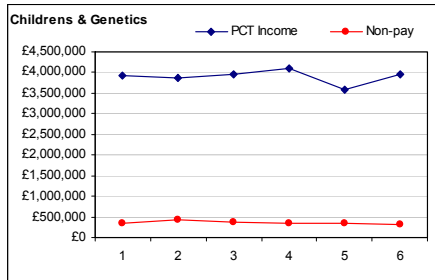
# Oxford Radcliffe Hospitals

**Table E4.10:**  
**CONTRIBUTION**  
**Directorate Summary**  
**Division C**

Childrens & Genetics  
Women's & Sexual Health  
Lab Med & Clinical Sciences  
Pharmacy and Therapies  
Radiology & Physics

**Cumulative Position after 6 months**

	Plan %	Actual %
Childrens & Genetics	29%	33%
Women's & Sexual Health	47%	45%
Lab Med & Clinical Sciences	-58%	-48%
Pharmacy and Therapies	-292%	-286%
Radiology & Physics	-176%	-155%



Contribution analysis

- The Board analysis shows the percentage financial contribution being made by each of the clinical directorates. This represents the percentage surplus made, as a proportion of the total income generated by each directorate. It is a simple measure of the gross contribution.
- It is important that directorates achieve or better their budgeted contribution levels. This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets.
- For all clinical specialties, the contributions are close or higher than plan. For clinical support services, this measure is of limited application.
- Forecast contributions are not available this month because it has been necessary to make a corporate assessment of the M6 full-year forecast.
- It is important that directorates aim to at least achieve or better their budgeted contribution levels for the remainder of the financial year.

## PCT income/ non-pay trends

- The graphs plot income and non-pay expenditure for each clinical directorate. This shows the relationship between the two, as clinical non-pay costs are largely activity driven.
- The analysis shows that all directorates are in line with expectations, with both income and non-pay reducing. For Radiology non-pay costs have been revised downwards to take account of reduced spend on leases and the inclusion of savings in M6.

## Oxford Radcliffe Hospitals

### (e) Division D

	Year to date: September				Full Year		
	Actual £000s	Plan £000s	Variance £000s	Last Year Actual £000s	Plan £000s	Forecast £000s	Variance to Plan £000s
Income:							
Commissioning & RTA	1	0	1	(25)	0	(0)	(0)
PP & O/seas	1,386	1,246	140	1,635	2,492	3,100	608
Other Income	8,470	8,412	58	7,766	16,923	17,181	258
<b>Total Income</b>	<b>9,857</b>	<b>9,658</b>	<b>200</b>	<b>9,377</b>	<b>19,415</b>	<b>20,281</b>	<b>866</b>
Expenditure:							
Pay costs	(18,506)	(18,142)	(365)	(16,567)	(36,575)	(36,547)	28
Non Pay costs	(28,726)	(28,931)	206	(24,223)	(63,255)	(62,799)	456
<b>Total Expenditure</b>	<b>(47,232)</b>	<b>(47,073)</b>	<b>(159)</b>	<b>(40,790)</b>	<b>(99,831)</b>	<b>(99,347)</b>	<b>484</b>
<b>Net position</b>	<b>(37,375)</b>	<b>(37,415)</b>	<b>40</b>	<b>(31,413)</b>	<b>(80,416)</b>	<b>(79,066)</b>	<b>1,350</b>

	Position after 6 months		
	Expend variance £000s	Income variance £000s	Net variance £000s
CRS Implementation	(24)	(94)	(118)
Central Trust Services	(14)	0	(14)
Clinical Governance Unit	107	(0)	107
Division D Division Wide	(1,231)	0	(1,231)
Elective Access	(43)	(2)	(45)
Estates and Facilities	899	57	955
Finance & Procurement	211	(8)	203
Horton Management	(20)	0	(20)
Human Resources & Admin	(17)	25	8
Medical Director	50	(30)	20
Nursing/Midwifery Directorate	181	148	329
Patient Access	(7)	1	(6)
Planning & Information	(283)	(36)	(319)
Private Patients	32	139	170
<b>Division Total</b>	<b>(159)</b>	<b>200</b>	<b>40</b>

Year-to-date performance

- The year to date position shows the Division meeting its planned position
- For the second consecutive month the variance has moved favourably which reflects the delayed opening of the Cancer Centre. For each month the opening is delayed, the Division saves the Unitary Payment, rates and energy costs. This non-recurring benefit is, however, masking a number of underlying cost pressures:
  - Additional PFI contract variations of £0.4m, much of which are non-recurrent
  - Increased facilities costs of £0.5m, driven by activity and enhanced cleaning regimes
  - Other cost pressures, including energy prices (£0.3k) and maintenance costs (£0.3m).
- The forecast for the Division reflects the latest revised opening date for the Cancer Centre.
- The Estates & Facilities Director is reviewing options to mitigate a further expected increase in energy prices and a potential claim from FM providers for additional costs.

## Oxford Radcliffe Hospitals

### (f) Other budgets

Table E4.13: Biomedical Research Centre Division E	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	1,961	(1,955)	6
<b>Division Total</b>	<b>1,961</b>	<b>(1,955)</b>	<b>6</b>

Table E4.14: Trustwide budgets Division F	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	490	(346)	144
Teaching Training Research	(226)	1,655	1,430
Trust Wide	(72)	1,486	1,414
<b>Division Total</b>	<b>192</b>	<b>2,796</b>	<b>2,988</b>

Table E4.15: Operating Expenses Division G	Position after 6 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	858	460	1,319
<b>Division Total</b>	<b>858</b>	<b>460</b>	<b>1,319</b>

- The BRC income and expenditure budget for 2008/09 (its first full year) is £12.3m. Accounting is in accordance with the accrual or matching principle, in that income is accounted to match the profile of actual expenditure.
- The current run rate is about 65% of the full budget and this is lower than expected due to slippage in recruitment and the fact that a number of budgets were awarded to themes later in the year.
- At M6 the forecast outturn is £2m less than was originally planned for this year.

#### Trust wide budgets

- The favourable variance of £3.0m largely reflects that fact that Teaching, Training and Research income is above plan.
- The Trust wide favourable variance is primarily as a result of the reversal of provisions from 2007/08.

#### Operating expenses

- The favourable variance reflects a YTD saving on depreciation as a result of the profile of capital expenditure. At M6 we have incurred 40% of the capital spend but much of this has been on the Cardiac development which is in construction and does not yet incur depreciation.
- This is reflected in the annual forecast which predicts a full-year favourable variance of £1.5m.

Biomedical Research Centre (BRC)

## Oxford Radcliffe Hospitals

### Section F – Capital Programme

<b>Table F1: Capital Expenditure Summary</b>			
<b>Project Code/Name</b>	<b>Annual CRL* £000s</b>	<b>Year to date: September</b>	
		<b>Actual £000s</b>	<b>%Actual achieved of CRL</b>
Cardiac Expansion	12,374	7,785	63%
CRS	872	38	4%
Churchill PFI Group 3 Medical equipment	4,980	666	13%
JR PFI Unitary payment reversionary interest	1,950	637	33%
Bio Medical Research Centre	3,940	525	13%
All Other Schemes	15,371	6,041	39%
<b>Total</b>	<b>39,487</b>	<b>15,692</b>	<b>40%</b>

- The Trust's Capital Resource Limit (CRL) for 2008/09 is currently set by the DH at £39.5m. Capital expenditure in this year is to be funded by:
  - o Internally generated resources (cash) of £19.3m
  - o DH funding (new Public Dividend Capital) for the Cardiac Expansion (£10.5m)
  - o New capital loans of £7.9m
  - o Other sources (£1.8m).
- Approval for £2.0m of the new loans and £1.8m relating to brokerage from the previous financial year is still subject to final confirmation by the DH. In the unlikely event that the approval is not granted, the timing of scheme expenditure will be managed into 2009/10.
- At the end of the half-year capital expenditure "chargeable" against the Trust's approved capital spending ceiling (the CRL) is £15.7m, or 40% of the expenditure planned for the year as a whole.
- Capital expenditure for the year as a whole is forecast to reach the CRL level of £39.5m by the year-end.
- Any future changes will be reported to the Board. The Physical Resources Group (PRG) meets monthly to ensure delivery of the programme within the approved capital budget.

#### Additional actions required/ in hand to secure delivery

- None.

Capital resources and capital expenditure

## Section G - Balance Sheet and cash

### G1. Balance Sheet

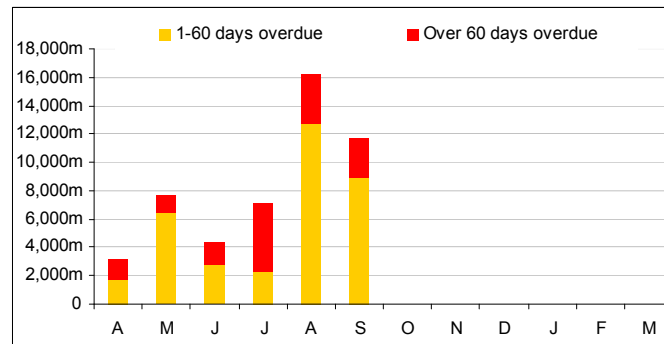
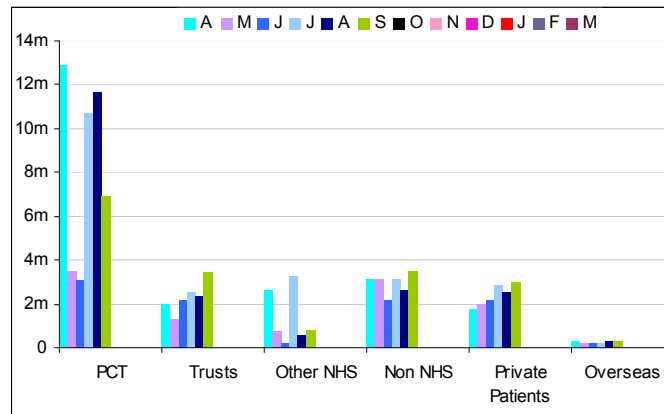
Table G1: Balance Sheet for September	Last month balance	Current Month	Movement in Month
	£000s	£000s	£000s
<b>Fixed Assets</b>			
Intangible Fixed Assets	3,994	3,949	-45
Tangible Fixed Assets	471,405	472,281	876
<b>Total Fixed Assets</b>	<b>475,399</b>	<b>476,230</b>	<b>831</b>
<b>Current Assets</b>			
Stocks and Work in progress	8,895	8,940	45
Debtors	63,526	67,468	3,942
Investments	0	0	0
Cash	20,011	10,725	-9,286
<b>Total Current Assets</b>	<b>92,432</b>	<b>87,133</b>	<b>-5,299</b>
<b>Current Liabilities</b>			
Creditors < 1 year	(75,547)	(70,074)	5,473
<b>Total Current Liabilities</b>	<b>(75,547)</b>	<b>(70,074)</b>	<b>5,473</b>
<b>Other Liabilities</b>			
Creditors > 1 year	(32,209)	(30,194)	2,015
Provisions for liabilities and charges	(4,611)	(4,611)	0
<b>Total Other Liabilities</b>	<b>(36,820)</b>	<b>(34,805)</b>	<b>2,015</b>
<b>Total Assets Employed</b>	<b>455,464</b>	<b>458,484</b>	<b>3,020</b>
<b>Taxpayer's Equity</b>			
Public Dividend Capital	169,547	172,086	2,539
Revaluation Reserve	197,862	197,862	0
Donated Asset Reserve	69,023	68,793	-230
Government Grant Reserve	0	0	0
Other Reserves	1,743	1,743	0
I&E Reserve	11,716	11,716	0
Current year I&E	5,573	6,284	711
<b>Total Taxpayer's Equity</b>	<b>455,464</b>	<b>458,484</b>	<b>3,020</b>

### Balance Sheet movements

- **Fixed assets** - The net book value of land, buildings and plant has increased by £0.8m since last month (depreciation £1.7m, new capital expenditure £2.5m). New capital expenditure relates primarily to spend on the Cardiac and Geratology capital schemes.
- **Current assets** - Total current assets decreased by £5.3m in the month. This comprised a £9.3m reduction in Cash, partially offset by an increase in Debtors of £3.9m and an £0.1m increase in Stock. The overall level of Debtors increased by £3.9m to £67.4m. This relates primarily to the level of prepayment on invoices (£1.5m) and increases of private patients and non-NHS debtors (within terms) of £0.7m. Of debt outstanding at M6, £5.5m relates to Q1 PCT invoices which are considerably overdue. The majority of this is due from Oxfordshire PCT, which is withholding payment for over-performance pending resolution of the overall SLA.
- **Current liabilities** - Outstanding Creditors decreased by £5.4m in the month, to £70.1m. The decrease relates mainly to a reduction of accruals relating the bi-annual payment of PDC and interest in September (£5.6m).
- **Taxpayers' equity** - The movement of £3m principally relates to the in-month increase of I&E surplus (£710k) together with new Public Dividend Capital (£2.5m).

### G2. Debtors (money owed to the Trust)

## Oxford Radcliffe Hospitals

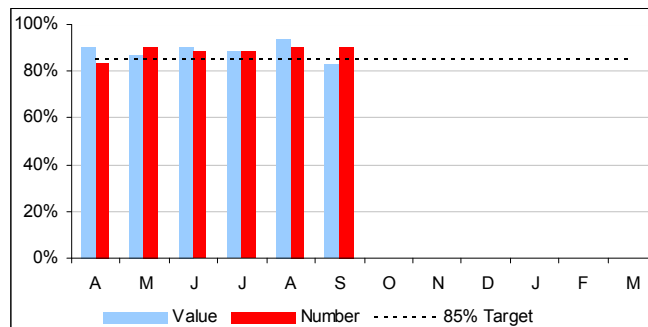


- At the month end the value of outstanding debt on the Sales Ledger was £17.9m, compared to £20.0m at the end of August. This comprised; NHS debts £11.1m, non-NHS £3.6m, Private Patients £2.9m and Overseas Patients £0.3m. Of the total, £6.2m was within terms and £11.7m overdue.
- Of the total overdue, £6.0m related to outstanding Q1 invoices issued to PCTs, of which the substantial majority remains due from Oxfordshire PCT. The PCT is withholding payment pending agreement about the payment for the over-performance of the SLA. The majority of the other overdue debts related to other NHS organisations (£3.2m) and to Private Patients (£2.1m).
- A review of the high level of overdue NHS debt is currently being carried out and the actions required to remedy the position will be taken.

Key points

## Oxford Radcliffe Hospitals

### G3. Creditors (money owed by the Trust)



### G4. Cash Management

Table G4: Cashflow Forecast	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Opening cash balance	20.0	10.7	9.2	12.7	4.7	4.5	1.8	6.7	1.1	1.6	3.6	7.3	8.5
Receipts	50.9	53.3	50.6	44.3	52.7	45.4	58.1	51.9	52.0	53.5	55.2	52.8	53.5
Payments	-50.5	-52.4	-43.2	-51.0	-47.6	-45.9	-50.9	-49.3	-49.3	-49.3	-49.3	-49.3	-49.3
Dividends & net interest	-7.0	0.1	0.1	0.1	0.1	0.1	-7.1	0.1	0.1	0.2	0.2	0.2	-7.5
Capital investment	-3.2	-3.0	-4.0	-1.4	-6.0	-2.2	-1.2	-8.4	-2.4	-2.4	-2.4	-2.4	-2.4
PDC receipts & payments	2.5	0.5	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan receipts & payments	-2.0	0.0	0.0	0.0	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0	-2.4
Closing cash balance	10.7	9.2	12.7	4.7	4.5	1.8	6.7	1.1	1.6	3.6	7.3	8.5	0.5

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.
- In September, 90.2% of non-NHS invoices by number (83% by value) were paid within 30 days. Figures for NHS invoices fell significantly below this level, but initial investigations indicate that there may be issues of data quality.
- The Government has recently requested that NHS bodies look at accelerating payments to suppliers, with a target of 10 days. The Department of Health has asked NHS Trusts to review their practices and consider how far they are able to move in the direction of this target. This work is underway.

#### Cash

- The table shows the rolling forecast cash position for the next 12 months.
- The opening cash balance of £10.6m decreased by £9.3m in September 2008, due to the payment of the half-yearly PDC Dividend (£6.6m) together with the repayment of loans and interest (£2m). This was in line with the cash management plan.
- Cash in the bank at the end of September was £10.7m.
- There is potential for the cash position (and the cash forecast) to be jeopardised by the continuing delay of the settlement of invoices payable by Oxfordshire PCT for the work carried out above the SLA plan. This matter has been escalated.

#### Annex - Abbreviations and acronyms used

Activity Management    The actions agreed with Oxfordshire PCT to target

## Oxford Radcliffe Hospitals

Plan	the reduction in the volume of patient services being used
Better Practice Payment Code	The requirement for public sector bodies to settle all (undisputed) supplier invoices with 30 days of receipt
BRC	Biomedical Research Centre
Capital Resource Limit (CRL)	The maximum level of capital investment set for the year for the Trust by the Department of Health
Cost improvement programme (CIPs)	An annual programme of cash-releasing efficiency and productivity measures
DH	Department of Health
Earnings Before Interest, Taxation, Depreciation & Amortisation (EBITDA)	The surplus of income over expenditure before accounting for these particular costs
Financial Risk Rating (FRR)	A composite measure used by Monitor to assess the financial performance and risk of NHS Foundation Trusts
Long-Term Financial Model (LTFM)	The five year (forward) financial model maintained by the Trust for planning purposes

Reduction Programme (PICRP)	
Plan	The budget agreed by the Board
Primary Care Trust (PCT)	An NHS commissioner of the Trust's patient services
Public Dividend Capital (PDC)	Capital finance (previously) provided by the Department of Health for which a dividend is payable by the Trust to the Treasury in each September and March. This funding source has been superseded by repayable, interest bearing loans.
SLA	Service Level Agreement (the contract agreed with another organisation for the provision of services)
Unitary Payment (UP)	The monthly charge payable to the Trust's Private Finance partners for the serviced buildings they make available to the Trust (ie. the West Wing, Children's Hospital and, shortly, the Cancer Centre)
Traffic light	A simple red, amber, green classification used to denote the level of risk
VFM	Value for money
Whole Time Equivalent (WTE)	A workforce measure which expresses staff in terms of their full-time equivalent numbers – eg. a person working half time would equate to a 0.5 WTE
YTD	Year- to-date

Performance Improvement & Cost	See CIPs
--------------------------------	----------