

Trust Board

TB2008.69

From: Mr Chris Hurst, Director of Finance and Procurement

Date: July 2008

Subject: **Financial performance to 31 July, 2008 (Month 4)**

For: **Information**

Synopsis

In July (M4) the Trust generated an in month actual surplus of £2.9m. This was £0.9m lower than the profiled planned surplus for the month but the cumulative position for the first four months remains on target for year end. Income exceeded the month's plan by £2.9m with expenditure above plan by £3.9m. The positive income variance comprised; PCT income +£1.5m, Private Patient income +£0.2m and Other income +£1.2m.

Over the four months to the end of July, the Trust has made an actual surplus of £7.2m, which is on target with its planned surplus of £7.5m – that is, I do not consider the small variance (of £0.3m) over four months to be material.

The forecast surplus for the full year is £4.3m, an increase of £2m compared to the plan for the year. This reflects the increased level of clinical work which has presented to our services, which has generated an additional financial contribution. The forecast reduction in the cumulative surplus in the second half of the year reflects the reduced number of elective days in some of the remaining months and, more significantly, the commencement of the PFI unitary charge following practical completion and handover of the Cancer Centre (expected from October). The Trust's forecast also anticipates that the additional activity will reduce in the second half of the financial year, as the joint Activity Management Plan it is implementing with Oxfordshire PCT begins to take effect.

Financial, legal and risk impact

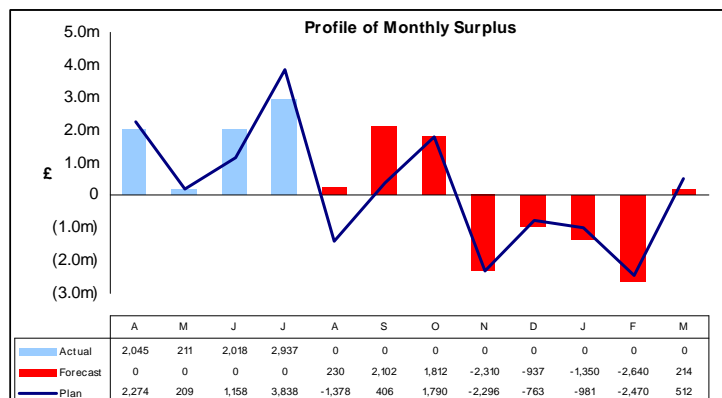
As reported.

Section 1 - Trust level financial performance

(a) Income & Expenditure performance in the month

Table 1: Income and Expenditure Current Month Position:	Actual £000s	Plan £000s	Variance £000s	Last Month Variance £000s
Income:				
Commissioning & RTA Income	43,438	41,926	1,512	2,811
PP and O/seas Income	1,085	925	160	195
Other Income	9,259	8,018	1,241	579
Total Income	53,782	50,869	2,913	3,586
Expenditure:				
Pay costs	(29,659)	(26,899)	(2,760)	(2,776)
Non Pay costs	(18,670)	(17,430)	(1,240)	(170)
Total Expenditure	(48,329)	(44,329)	(4,000)	(2,946)
EBITDA*	5,453	6,540	(1,087)	640
Depreciation	(1,460)	(1,612)	152	164
Net Interest and Dividends	(1,056)	(1,090)	34	56
Exceptionals	0	0	0	0
Surplus/(deficit)	2,937	3,838	(901)	860
EBITDA %	10.1%	12.9%		

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



Key points - in month performance

- In July the Trust reported an actual surplus of £2.9m, compared to a planned surplus of £3.8m. This variance principally reflects the margin of error in estimation of the new “jagged edge” income profile we have introduced this year. The cumulative position remains on target (see overleaf).
- The favourable variance on Other income relates largely to above planned performance on laboratory income from other hospitals and other recharges. This is partially linked to the higher than planned patient activity. While the PCT income budget is now profiled to take account of variations in the number of working days between months, this component of Other Income is still budgeted for in twelfths.
- Both Pay and Non-pay expenditure were above budget in the month, reflecting the higher than planned level of clinical activity. The additional operating expenditure above plan in the month exceeded the additional level of income generated by £1.1m. This is in part because the income plan is profiled to reflect the very high working days in July whereas the expenditure plan is not. There was also some non recurring high non pay spend recorded in Radiology.
- The surplus is forecast to vary from month to month in accordance with the charted profile, culminating in a forecast year-end surplus of £4.3m (compared to the Plan of £2.3m).

(b) Income & Expenditure performance year to date

Table 2: Income and Expenditure Year to date: 4 months	Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s	Full Year Estimate as at July			
					Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s
Income:								
Commissioning & RTA Income	167,385	159,720	7,666	139,785	505,688	475,284	30,404	446,503
PP and O/seas Income	3,780	3,529	251	3,137	11,897	12,291	(393)	9,049
Other Income	34,036	32,070	1,965	29,068	98,804	96,262	2,542	94,790
Total Income	205,201	195,318	9,882	171,991	616,389	583,837	32,552	550,342
Expenditure:								
Pay costs	(114,747)	(107,115)	(7,632)	(100,450)	(352,179)	(328,742)	(23,437)	(316,381)
Non Pay costs	(73,214)	(69,917)	(3,298)	(61,209)	(228,887)	(220,373)	(8,515)	(202,578)
Total Expenditure	(187,961)	(177,031)	(10,930)	(161,660)	(581,066)	(549,115)	(31,951)	(518,959)
EBITDA*	17,240	18,287	(1,047)	10,331	35,323	34,722	601	31,383
Depreciation	(5,762)	(6,448)	686	(5,213)	(18,144)	(19,344)	1,200	(15,476)
Net Interest and Dividends	(4,267)	(4,359)	92	(4,113)	(12,847)	(13,078)	231	(11,594)
Exceptionals								
Surplus/(deficit)	7,211	7,480	(269)	1,005	4,332	2,300	2,032	4,312
EBITDA %	8.4%	9.4%		6.0%	5.7%	5.9%		5.7%

*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	2,811	195	657	(2,776)	66	(94)	860
Change this month	(1,299)	(35)	706	16	(1,141)	(8)	(1,761)
Position at month 4	1,512	160	1,364	(2,760)	(1,075)	(102)	(901)

Key points – year to date performance and forecasts

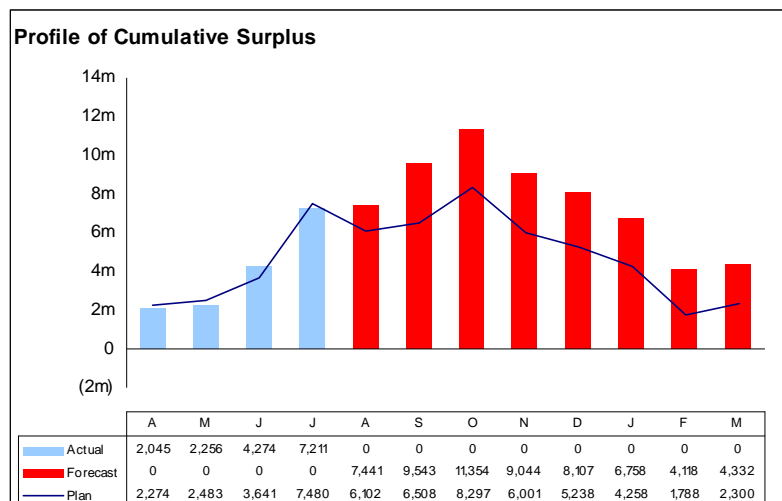
- The year to date actual surplus is on target at £7.2m, compared to a planned surplus of £7.5m. The adverse variance of £0.3m against the planned surplus is not considered to be material.

Key points – subjective analysis

- To M4, **PCT income** is above Plan by £7.7m. The activity and income run rate continued to exceed plan in July but to a lesser extent than anticipated. The run rate reduced compared to the earlier months. This may include the initial impact of the joint Activity Management Plan, but it is too early to tell.
- Private patient income** is £0.3m above Plan after 4 months and the full-year forecast prudently predicts an under-recovery against plan of £0.4m. For the last 2 months, a surplus has been reported against the plan for PP income. It is anticipated that this improvement can be sustained as the Trust works to maximise the opportunity of the new Cancer Centre Private Patient Unit at the same time as ensuring investment is phased in appropriately.
- Other Income** is £2.0m up against Plan and forecast to increase to £2.5m by the year end.
- Forecast levels of **pay and non-pay expenditure** are closely linked to our estimates of clinical activity. In the services where we expect demand to reduce, the Divisions are required to ensure that timely action is taken to flex costs down over and above the consequent savings on the use of clinical supplies.
- The pay award was funded in the Tariff at 2% but has been agreed nationally at 2.75%. This is a large component of the actual and forecast pay variance.

(c) Full year Income & Expenditure forecast

Table 4: Full Year Forecast as at July	Plan £000s	Latest Forecast £000s	Previous Forecast £000s	Movement £000s
Operating Divisions				
A	60,160	60,728	59,996	731
B	46,298	46,816	47,542	(725)
C	(98)	(1,446)	(696)	(750)
D - Corporate directorates	(80,341)	(84,053)	(83,988)	(65)
E - Biomedical Research	(0)	0	0	0
F - Trustwide (incl PCT income)	8,903	13,478	11,806	1,672
G - Capital Charges	(32,622)	(31,191)	(32,357)	1,166
Surplus/(deficit)	2,300	4,332	2,303	2,029



Key Points – Full year forecast

- After 4 months the full-year forecast outturn is a surplus of £4.3m which is a £2.0m increase on the planned surplus of £2.3m. The forecast reflects continuing high levels of patient referrals from which we can expect to secure a higher level of financial contribution. This is consistent with the conclusions of the recently completed revisions to our LTFM.
- Division A is forecasting an over-achievement of its planned contribution of £568k. The latest forecast represents an improved financial contribution of £731k from that previously reported at M3.
- Division B is forecasting an over-achievement of its planned contribution of £518k, which reflects the additional financial contribution it has earned from seeing and treating more patients, netted down by increased theatre costs for the additional work being undertaken by all divisions.
- The Division C forecast of £1.3m under-achievement of its planned contribution, which reflects the additional clinical support service costs associated with the additional activity across all three divisions. This is outweighing the underlying additional contribution it is making from its front line clinical services.

Key points – Risks to forecast

- The two principal in-year financial risks are unchanged - the delivery of the CIP programme and the level of additional activity and associated PCT income we are forecasting.
- The Trust continues to work with Oxfordshire PCT to help to manage activity levels down wherever possible, and has anticipated an impact from this work in its income forecast. Divisions have been asked to maintain sufficient operational flexibility to enable services to manage down costs alongside reductions in activity.

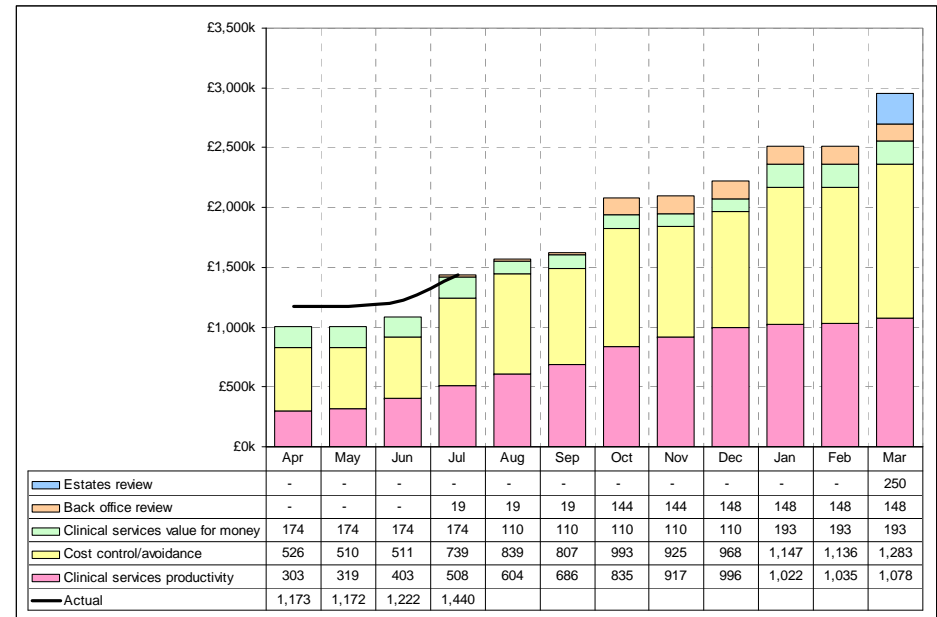
Section 2 – PICRP

PICRP – Month Four

Performance against planned profile remains on track. Productivity has continued to improve with a reduction in length of stay from 2007/8 of 4.1% and an improvement in bed utilisation of 2.4% and theatre utilisation of 4%. Clinical services value for money is on track with a reduction in bed day cost of 1%, however this has been offset to some extent by an increase in the cost of each hour of theatre time. Cost control and avoidance, which includes procurement and medicines management continues to deliver month on month savings.

The Trust is in a good position to deliver the full £22m programme.

Figure 1



Section 3 – Overall Divisional financial performance

(a) Summary position

Table 6: Performance by division	Year to date: July			Last Year Actual £000s	Full Year		Variance to Plan £000s
	Actual £000s	Plan £000s	Variance £000s		Plan £000s	Forecast £000s	
Operating Divisions							
A	20,848	20,816	32		60,160	60,728	567
B	15,265	17,057	(1,792)		46,298	46,816	518
C	154	710	(556)		(98)	(1,446)	(1,348)
D - Corporate directorates	(24,754)	(23,234)	(1,520)	(20,573)	(80,341)	(84,053)	(3,712)
E - Biomedical Research	171	115	56	(13)	(0)	0	0
F - Trustwide (incl PCT inc)	5,557	2,889	2,668		8,903	13,478	4,575
G - Capital Charges	(10,030)	(10,874)	844	(9,429)	(32,622)	(31,191)	1,431
Surplus/(deficit)	7,211	7,480	(269)	1,005	2,300	4,332	2,032

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

- Division A is favourable to plan by £32k, year to date, due largely to additional work and additional PCT Income. It is currently forecasting that its position will be favourable to plan by £567k at the year end.
- Division B has under-achieved its plan to date by £1.792m, but is forecasting an improved position - of £518k better than plan - by the year end. This is considered to be a more challenging forecast, but is achievable if activity continues at the levels forecast and assuming CIPs continue to be delivered per the forecast. The forecast reflects the additional theatre costs which support the additional activity across the Trust.
- Division C is under-achieving its plan to date by £556k and forecasts that its year end position will be £1.348m adverse to plan. This is linked to planned investments in staffing - in radiology and labs - for the Cancer Centre; and the cost of providing additional clinical support services in support of the additional activity across the Trust.
- As previously reported, the Corporate Directorate position and forecast reflects some specific cost pressures which are highlighted in the Division D report, which are partially offset by additional Teaching, Training and Research income.

(b) Division A

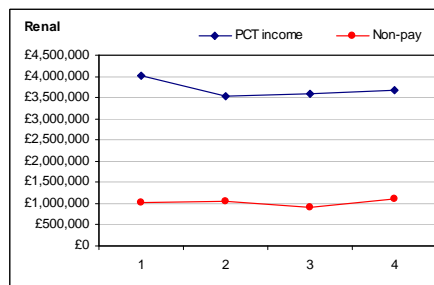
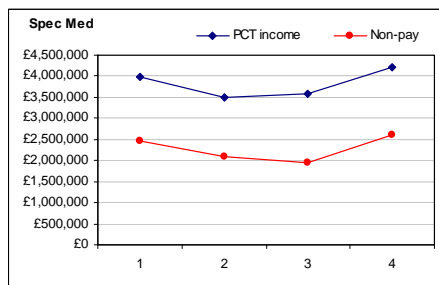
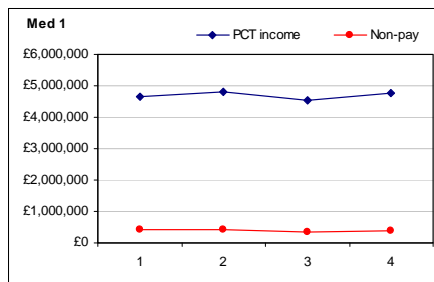
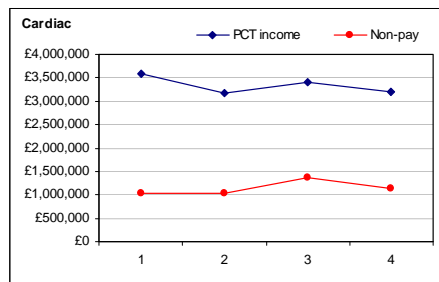
Table 7: Division A Summary	Year to date: July				Plan	Full Year		Variance to Plan
	Actual	Plan	Variance	Last Year Actual		Forecast		
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Income:								
Commissioning & RTA	62,194	60,039	2,155		178,760	187,881	9,121	
PP & O/seas	815	844	(29)	423	2,531	2,034	(497)	
Other Income	852	936	(85)	893	2,798	2,511	(287)	
Total Income	63,861	61,819	2,041	1,317	184,089	192,426	8,337	
Expenditure:								
Pay costs	(23,581)	(22,259)	(1,322)	(21,857)	(67,711)	(73,021)	(5,311)	
Non Pay costs	(19,431)	(18,744)	(688)	(16,758)	(56,218)	(58,678)	(2,460)	
Total Expenditure	(43,012)	(41,003)	(2,010)	(38,615)	(123,929)	(131,699)	(7,770)	
Net position	20,848	20,816	32		60,160	60,728	567	

Table 8: Directorate Summary Division A	Position after 4 months		
	Expend variance £000s	Income variance £000s	Net variance £000s
Cardiac	(840)	1,390	550
Div A Divisionwide	(1,376)	(355)	(1,731)
Medicine 1	(524)	733	210
Renal Centre	539	(248)	291
Specialist Medicine	190	521	712
Division Total	(2,010)	2,041	32

Key points – year to date performance

- The year to date favourable variance of £32k is largely due to:
 - The high level of patients presenting and consequent increase in PCT Income (£2.155m above plan); offset by
 - The additional costs of undertaking this work (£2.010m in excess of plan).
- Cardiac is £1.184m above its PCT income plan in the first 4 months, Medicine £668k above plan, Specialist Medicine £550k above plan, and Renal £247k below plan.
- PP income is £29k below plan. The Division has an increased target of £2.531m for this year.
- There is a large increase in haemophilia factor cost (£350k) from M3 which is covered by additional income.
- The AGM position includes £350k for the use of beds at the Manor to support the achievement of the ED target.
- 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.

CONTRIBUTION Directorate Summary Division A	Cumulative Position after 4 months		Full Year	
	Plan	Actual	Plan	Forecast
	%	%	%	%
Cardiac	33%	34%	32%	34%
Medicine 1	39%	39%	38%	37%
Renal Centre	39%	42%	38%	39%
Specialist Medicine	14%	18%	12%	16%



Key points – contribution analysis

- For the first month, 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.
- The analysis builds on work currently being undertaken through Service Line Reporting which overtime, will provide us with granular and sophisticated financial analysis to help manage the business and target resources most effectively.
- In Division A, all directorates (except Medicine 1) are forecasting they will meet or better their planned financial contributions by the year end. This is borne out by actual performance over the first four months.

Key points – 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.
- This analysis will be included in future Board reports and can be helpful in helping to identify non-pay anomalies, changes in clinical and/or procurement practice etc.

(c) Division B

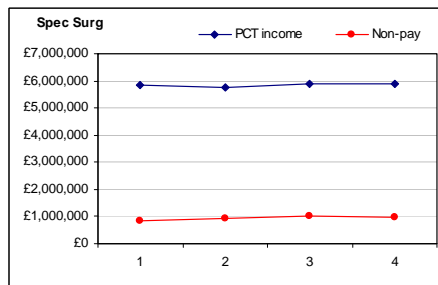
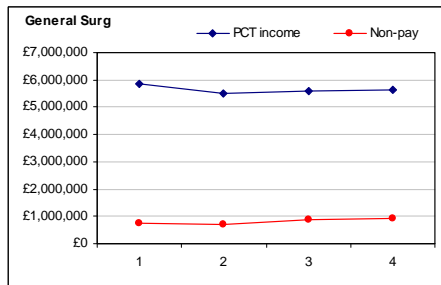
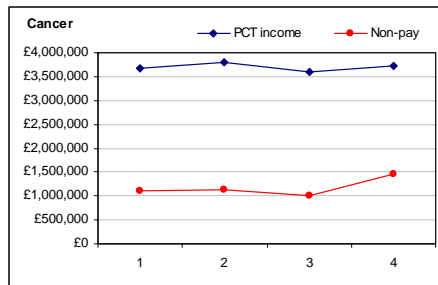
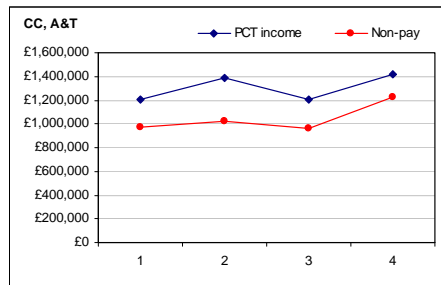
Table 9: Division B Summary	Year to date: July				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	66,620	61,603	5,017		183,203	199,314	16,111
PP & O/seas	1,155	1,023	132	1,096	4,286	4,345	59
Other Income	1,893	1,641	251	1,825	4,925	5,405	480
Total Income	69,667	64,267	5,400	3,431	192,414	209,063	16,650
Expenditure:							
Pay costs	(38,306)	(33,478)	(4,828)	(33,241)	(104,525)	(118,633)	(14,108)
Non Pay costs	(16,096)	(13,732)	(2,365)	(11,792)	(41,591)	(43,614)	(2,023)
Total Expenditure	(54,402)	(47,210)	(7,192)	(45,033)	(146,116)	(162,247)	(16,132)
Net position	15,265	17,057	(1,792)		46,298	46,816	518

Table 10: Directorate Summary Division B	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Anaesthetics & Theatres	(1,437)	271	(1,166)
Cancer	(1,671)	1,467	(204)
Division B Management	(1,813)	(6)	(1,819)
General Surgery	(1,130)	1,209	78
Specialist Surgery	(1,141)	2,460	1,319
Division Total	(7,192)	5,400	(1,792)

Key points - year to date performance

- A year to date adverse variance of £1.792m, which is largely due to:
 - The additional level of PCT Income generated (£5.016m above plan); offset by
 - The costs of undertaking the additional activity (£7.192m), which includes the theatre costs for all additional surgical activity undertaken by all three divisions.
- PCT income in Specialist Surgery is £2.429m above plan, Cancer £1.508m and General Surgery £1.163m.
- There is a large increase in spend on Cancer drugs (£350k) from M3 which is partially offset by income.
- PP income is better than plan by £132k. Anaesthetics and Theatres account for £264k of this- which reflects the increase in Cardiac PP work. Cancer PP income is below plan, partly due to delayed billing because of the lengthy patient pathway. The Division has an increased PP target of £4.286m for this year.
- The £2.364m adverse non-pay variance is activity driven (see overleaf).
- 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.

CONTRIBUTION Directorate Summary Division B	Cumulative Position after months		Full Year	
	Plan	Actual	Plan	Forecast
	%	%	%	%
Anaesthetics & Theatres	-170%	-181%	-180%	-194%
Cancer	43%	38%	41%	38%
General Surgery	51%	49%	49%	48%
Specialist Surgery	44%	45%	42%	43%



Key points – contribution analysis

- For the first month, 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.
- The analysis builds on work currently being undertaken through Service Line Reporting which overtime, will provide us with granular and sophisticated financial analysis to help manage the business and target resources most effectively.
- In Division B, only Specialist Surgery is forecasting it will do better its planned financial contribution by the year end, which is borne out by its actual performance over the first four months. The remaining front line services (ie. excluding Theatres & Anaesthetics) have been asked to review their forecasts in light of the additional work being undertaken.

Key points – 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.
- This analysis will be included in future Board reports and can be helpful in helping to identify non-pay anomalies, changes in clinical and/or procurement practice etc.

(d) Division C

Table 11: Division C Summary	Year to date: July				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	38,595	37,773	822		112,373	114,916	2,543
PP & O/seas	837	832	5	607	2,982	2,884	(98)
Other Income	4,688	4,080	608	3,972	12,285	14,359	2,074
Total Income	44,120	42,685	1,435	4,579	127,640	132,159	4,520
Expenditure:							
Pay costs	(33,593)	(32,654)	(938)	(30,018)	(99,888)	(102,636)	(2,747)
Non Pay costs	(10,373)	(9,321)	(1,053)	(8,820)	(27,849)	(30,969)	(3,120)
Total Expenditure	(43,966)	(41,975)	(1,991)	(38,838)	(127,738)	(133,605)	(5,867)
Net position	154	710	(556)		(98)	(1,446)	(1,348)

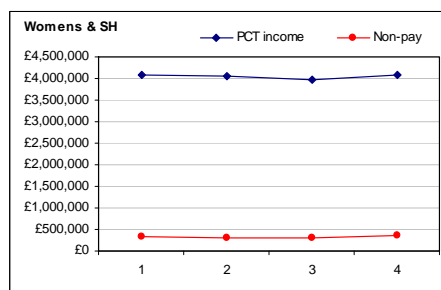
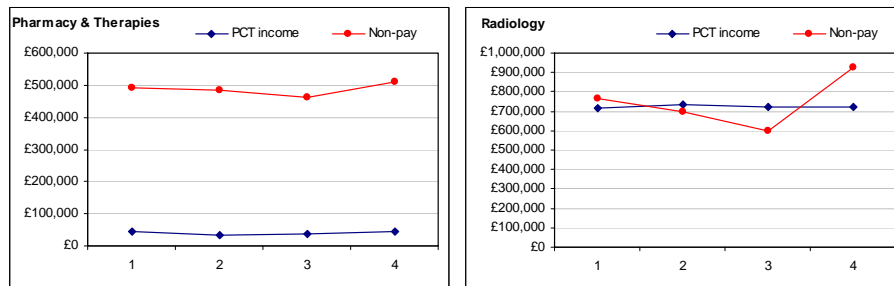
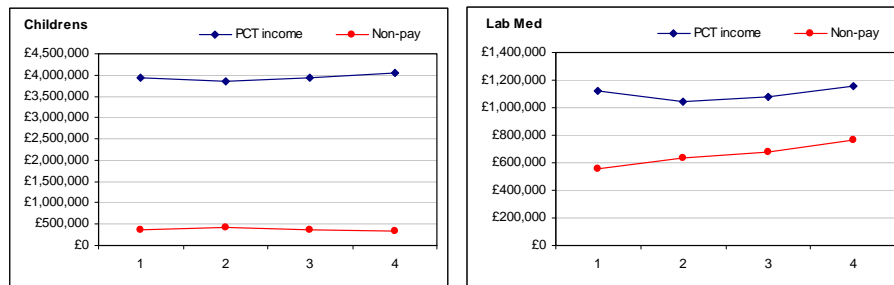
Table 12: Directorate Summary Division C	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Childrens & Genetics	383	475	858
Divisional Services	(1,971)	0	(1,971)
Lab Med & Clinical Sciences	62	353	415
Pharmacy and Therapies	(28)	107	79
Radiology & Physics	(174)	345	170
Women's & Sexual Health	(263)	155	(108)
Division Total	(1,991)	1,435	(556)

Key points - year to date performance

- The year to date adverse variance of £556k is a combination of :
 - The higher level of Income secured (PCT income £822k above plan) and Other income (£607k above plan); offset by
 - Additional costs of £1.991m required in clinical support services to deliver this activity for the additional work undertaken by all three divisions.
- Childrens' Services are £487k above plan on PCT income, Radiology £258k, and Women's & Sexual Health £86k.
- PP income is £5k above plan - Labs, Children's and Pharmacy & Therapies are each below plan by approx. £50k, with Radiology and Womens above plan by £113k and £46k respectively. The Division has an increased PP target of £2.982m for this year.
- Of the £608k variance on Other income, £411k relates to the work Pathology services undertake for other DGHs.
- 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.

Oxford Radcliffe Hospitals

CONTRIBUTION Directorate Summary Division C	Cumulative Position after months		Full Year	
	Plan	Actual	Plan	Forecast
	%	%	%	%
Childrens & Genetics	30%	35%	28%	33%
Women's & Sexual Health	48%	47%	46%	45%
Lab Med & Clinical Sciences	-56%	-46%	-58%	-46%
Pharmacy and Therapies	-283%	-257%	-292%	-265%
Radiology & Physics	-170%	-151%	-178%	-160%



Key points – contribution analysis

- For the first month, 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.
- The analysis builds on work currently being undertaken through Service Line Reporting which overtime, will provide us with granular and sophisticated financial analysis to help manage the business and target resources most effectively.
- In Division C, the Children's & Genetics directorate is forecasting it will meet or better its planned financial contributions by the year end, which is borne out by actual performance over the first four months. Women's services are broadly on plan and expect to maintain the position.
- The three clinical support directorates are all undertaking additional paid work (which is making an additional financial contribution for the Trust) but this is not visible in the Division because the associated income is currently accounted for in front line services.

Key points – 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.
- This analysis will be included in future Board reports and can be helpful in helping to identify non-pay anomalies, changes in clinical and/or procurement practice etc. This is illustrated in Radiology, where some lease rental costs were accounted for in month 4 at a non recurring level.

(e) Division D

Table 13: Division D (Corporate Directorates) Summary	Year to date: July				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	3	0	3	(25)	0	(0)	(0)
PP & O/seas	973	831	143	1,010	2,492	2,635	143
Other Income	5,702	5,586	117	5,520	16,775	17,135	360
Total Income	6,678	6,416	262	6,505	19,267	19,770	503
Expenditure:							
Pay costs	(12,264)	(12,075)	(189)	(11,059)	(36,528)	(37,550)	(1,022)
Non Pay costs	(19,169)	(17,576)	(1,593)	(16,019)	(63,080)	(66,272)	(3,192)
Total Expenditure	(31,433)	(29,651)	(1,782)	(27,078)	(99,608)	(103,822)	(4,214)
Net position	(24,754)	(23,234)	(1,520)	(20,573)	(80,341)	(84,053)	(3,712)

Table 14: Directorate Summary Division D (Corporate Directorates)	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
CRS Implementation	16	(94)	(78)
Central Trust Services	7	9	16
Clinical Governance Unit	69	(1)	68
Elective Access	(24)	(0)	(25)
Estates and Facilities	(1,215)	47	(1,168)
Finance & Procurement	(634)	51	(583)
Horton Management	(19)	0	(19)
Human Resources & Admin	32	26	58
Medical Director	26	(13)	13
Nursing/Midwifery Directorate	144	51	195
Patient Access	(37)	0	(37)
Planning & Information	(147)	43	(104)
Private Patients	1	142	143
Division Total	(1,782)	262	(1,520)

Key points - year to date performance

- The main factors underlying the year to date variance of £1.5m on Division D relate to Estates & Facilities, which is reporting a year to date adverse variance of £1.2m. The predominant components of the variance are:
 - Additional PFI contract variations of £400k, much of which is non-recurrent spend
 - Increased facilities costs of £300k relating to higher activity levels and enhanced cleaning regimes
 - Other cost pressures, including energy prices (£300k) and maintenance costs (£100k).

(f) Other budgets

Table 15: Biomedical Research Centre Division E	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	1,449	(1,393)	56
Division Total	1,449	(1,393)	56

Table 16: Trustwide budgets Division F	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	372	(300)	72
Teaching Training Research	(228)	937	710
Trust Wide	386	1,500	1,887
Division Total	530	2,137	2,668

Table 17: Operating Expenses Division G	Position after 4 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	583	261	844
Division Total	583	261	844

Key points – Biomedical Research Centre

- The BRC income budget for 2008/09 is £12.3m which is matched by expenditure (pay £8.6m and non-pay £3.7m).
- 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 of £2.668m reflects, in part, that Teaching, Training and Research income is above plan.

Key points – Capital charges and interest

- The favourable variance is on Depreciation is largely due to the timing of capital investment.

Section 4 – Capital Programme

Table 18:
Capital Expenditure Summary

Project Code/Name	Annual CRL* £000s	Year to date: July	
		Actual £000s	%Actual achieved of CRL
Cardiac Expansion	12,374	5,150	42%
CRS	872	19	2%
Churchill PFI Group 3 Medical equipment	4,980	640	13%
JR PFI Unitary payment reversionary interest	1,950	425	22%
Bio Medical Research Centre	3,940	288	7%
All Other Schemes	15,371	3,474	23%
Total	39,487	9,996	25%

Key Points

- The current Capital Resource Limit (CRL) for the Trust for the year is £39.5m, which is to be funded by:
 - Internally generated resources (cash) of £19.3m
 - DH funding (as new Public Dividend Capital) for the Cardiac Expansion of £10.5m; and
 - Drawing down new capital loans of £7.9m
 - Other (£1.8m).
- After 4 months, expenditure chargeable against the CRL is £9.9m, 25% of the expenditure planned for the year as a whole. We forecast that spending will reach our CRL by the year end. The CRL is subject to in year changes and future changes will be reported to the Board.
- 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 19: Balance Sheet for July	Last month balance	Current Month	Movement in Month
	£000s	£000s	£000s
Fixed Assets			
Intangible Fixed Assets	4,124	4,060	-64
Tangible Fixed Assets	468,230	469,897	1,667
Total Fixed Assets	472,354	473,957	1,603
Current Assets			
Stocks and Work in progress	7,483	8,889	1,406
Debtors	58,636	63,311	4,675
Investments	0	0	0
Cash	21,626	26,716	5,090
Total Current Assets	87,745	98,916	11,171
Current Liabilities			
Creditors < 1 year	(68,414)	(78,680)	-10,266
Total Current Liabilities	(68,414)	(78,680)	-10,266
Other Liabilities			
Creditors > 1 year	(32,292)	(32,250)	42
Provisions for liabilities and charges	(4,747)	(4,611)	136
Total Other Liabilities	(37,039)	(36,861)	178
Total Assets Employed	454,646	457,332	2,686
Taxpayer's Equity			
Public Dividend Capital	169,547	169,547	0
Revaluation Reserve	197,862	197,862	0
Donated Asset Reserve	69,504	69,253	-251
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	4,274	7,211	2,937
Total Taxpayer's Equity	454,646	457,332	2,686

Key points – Balance sheet movements

Fixed Assets

- Capital investment in the month was £3.3m, offset by depreciation of £1.7m.

Current Assets

- Debtors increased in the month due to the quarterly cycle of billing of PCTs for activity above SLA.
- Cash receipts exceeded payments by £5m in the month. In July, the Trust received quarterly income for BRC and other research and development projects.

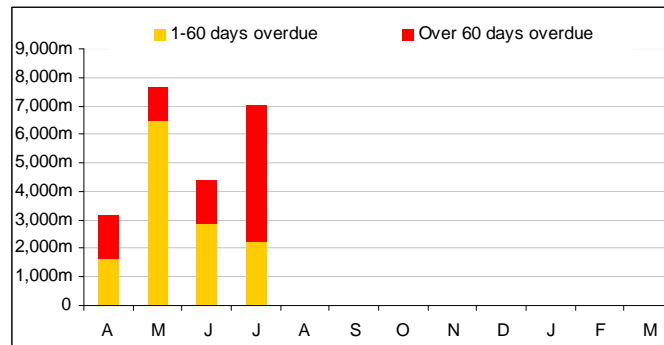
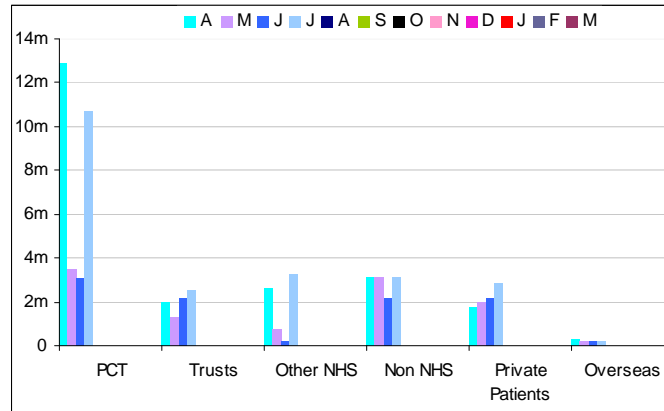
Current liabilities

- Creditors increased by £10.2m in the month.
- The Trust continues to accrue for the dividend on PDC which is payable in September. The creditors balance also takes into account a level of deferred income for the BRC and other research and development schemes, where the income is matched to the profile of actual expenditure. This accounts for most of the in month change.

Taxpayers Equity

- The main factor underlying the change of £2.9m relates to the movement of the Income & Expenditure surplus.

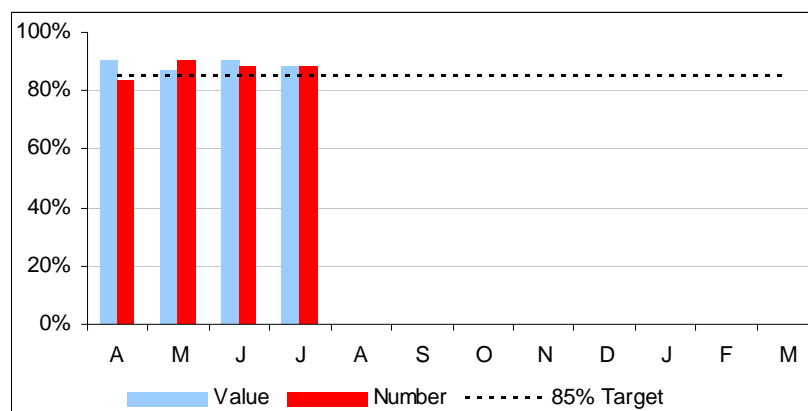
(b) Debtors (money owed to the Trust)



Key points - Debtors

- At July 31, the value of outstanding debt on the Sales ledger is £22.6m. This comprises; NHS and non-NHS debtors of £19.8m and private patient debtors of £2.8m.
- This is an increase of £12m from last month, of which £10m relates to Q1 billing for the activity above SLA on PCT contracts. The remainder of the increase is also linked to increased invoicing following the end of quarter one.
- Of total debt, £15.616m (70%) remains within terms of payment - ie. not yet due for payment. Of the balance, the largest element relate to unpaid PCT invoices. The Trust continues to work with the PCT as part of the normal contract arrangements to secure full payment and resolve any challenges.

(c) Creditors (money owed by the Trust)



(d) Cash Management

	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
Opening Cash Balance	28.3	27.2	25.9	26.9	24.4	23.3	21.8	19.4	15.1	15.2	15.5	17.1
EBITDA	1.8	3.9	4.9	0.8	2.2	2.0	0.7	3.7	2.6	2.7	4.3	5.9
Dividend & Net Interest	0.1	-4.7	0.1	0.1	0.1	0.1	0.1	-7.1	0.1	0.1	0.1	0.1
Working Capital Movements	0.2	-0.2	-0.4	0.1	-0.1	-0.2	-0.1	0.4	-0.2	-0.1	-0.3	-0.4
Capital Investment	-3.2	-3.5	-3.7	-3.5	-3.3	-3.3	-3.1	-3.8	-2.4	-2.4	-2.4	-2.4
PDC Receipts & Repayments	0.0	5.2	0.0	0.0	0.0	0.0	0.0	-2.7	0.0	0.0	0.0	0.0
Loan Receipts & Repayments	-0.0	-2.0	-0.0	-0.0	-0.0	-0.0	-0.0	5.1	0.0	0.0	0.0	0.0
Closing Cash Balance	27.2	25.9	26.9	24.4	23.3	21.8	19.4	15.1	15.2	15.5	17.1	20.3

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 a very challenging goal. The Trust aims to achieve an overall average of at least 85% for the year, while it continues to take steps to further improve its performance.
- In July, the Trust paid 89% (by number) of invoices within 30 days.

Key Points-Cash Management

- The cash flow report has been revised from this month to provide a 12 month rolling cash flow forecast. This is based on the latest version of the five year Long Term Financial Model (LTFM).
- The forecast shows a healthy cash flow position going forwards. The outflow from the September and March dividend, loan and interest payments can be clearly seen.
- The profile of cash management is increasing and will continue to do so as the Trust moves to FT Status.