

Board of Directors Meeting: Thursday 29 January 2009

BD2009.8

Subject/title	Financial performance to 31 December (Month 9)			
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	None			
Action/decision required	For discussion and review			
Key purpose (please mark)	Strategy	Assurance	Policy	<u>Performance</u>
Strategic Goal(s)	-			
Strategic Objective (s)	To achieve financial sustainability and long-term growth (SG3)			
Link to: Board Assurance Framework, Trust Key Risks, Annual health check element(s)	RR3, RR4, 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	£0.3m surplus	£1.1m favourable to plan, £0.2m adverse to forecast	2
Year-to-date	£5.0m surplus	£0.3m adverse to plan, £0.2m adverse to forecast	4
Full year forecast	£2.3m surplus	Per plan	5-6
Risks to forecast	£2-3m residual risk to delivery of additional £5m savings. Oxon income now secure.		7

CIPs			
In month	£3.6m	£0.5m adverse to plan	14-18
Year-to-date	£14.5m	92% achievement, £1.3m adverse to plan due to slippage on VFM schemes	14-18
Full year forecast	£27m	Increased to reflect new measures (£5m) but with £2-3m risk	14-18

Divisional financial performance			
A	YTD = £1.8 A	FY forecast £2.2m adverse to plan	20-21
B	YTD = £5.6m A	FY forecast £6.4m adverse to plan (highest risk)	22-23
C	YTD = £1.4m A	FY forecast £1.3m adverse to plan	24-25
D - Corporate	YTD = £2.4m F	FY forecast £3.6m favourable to plan	26
E - BRC	YTD = on plan	FY forecast £2.2m below original budget (secure)	27
F - Trustwide	YTD = £4.3m F	FY forecast £4.1m better than plan (secure)	27
G - Capital charges	YTD = £1.8m F	FY forecast £2.1m better than plan (secure)	27

Capital			
Year-to-date	£21.8m (57%)	On plan - release of 2nd tranche schemes delayed to support cash	28
Full year forecast	£38.2m	Within revised and approved CRL and forecast to remain within	28

Balance Sheet			
Outstanding debt	£21.2m	Decrease of £0.5m from previous month, balance driven by SLA over-performance	32
! Overdue debt	£13.3m (63%)	Decrease of £3.4m - options for redeploying staff to credit control in train	32
Better Practice Pyt	93% (by no)	Performance further improved	33

Cash			
In-month movement	£3.5m inflow	Favourable to forecast	34

Key metrics and ratios			
Financial Risk Rating	3	Acceptable for FT applicant	11
EBTIDA margin	YTD = 6.1%	Adverse to YTD plan of 6.7%. Full year target 5.9% (impact of Cancer Ctre)	4
Liquidity	19.2 days	No significant change	11
PCT SLA performance	YTD = +£13.4m	Oxfordshire PCT £9.7m (+7.5%) above SLA	12
Workforce - employed	Dec = +10 WTEs	Total 7,921 WTEs, 0.1% increase in month	13
Workforce - agency	Dec = ↓ £0.4m	YTD = £9.6m (ave £1.1m per month, this month £0.7m)	13

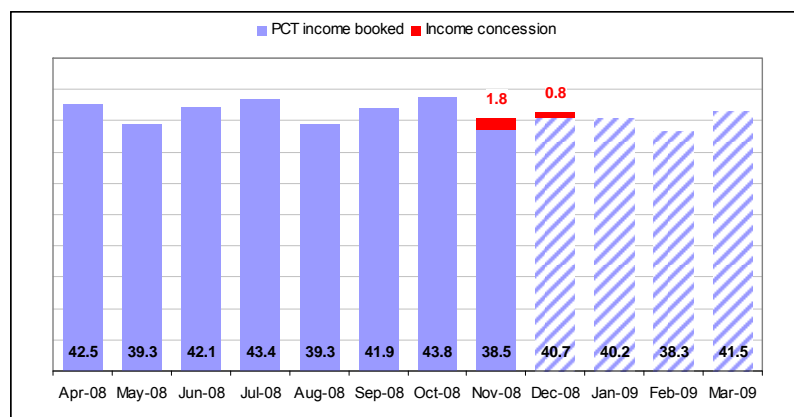
Key: A=adverse variance, F=favourable variance, "!" indicates important point to note

Section B - Financial performance

B1. In-month

Table B1: Income and Expenditure Current Month Position:	Actual £000s	Plan £000s	Variance £000s	Last Month Variance £000s
Income:				
Commissioning & RTA Income	40,652	39,605	1,047	299
PP and O/seas Income	950	1,171	(221)	(616)
Other Income	9,091	8,093	998	414
Total Income	50,693	48,869	1,825	97
Expenditure:				
Pay costs	(29,445)	(28,159)	(1,286)	(7)
Non Pay costs	(18,457)	(18,794)	337	(414)
Total Expenditure	(47,902)	(46,953)	(949)	(421)
EBITDA*	2,792	1,915	876	(324)
Depreciation	(1,386)	(1,612)	226	133
Net Interest and Dividends	(1,135)	(1,090)	(46)	(3)
Exceptionals	0	0	0	0
Surplus/(deficit)	270	(786)	1,056	(194)
EBITDA %	5.5%	3.9%		

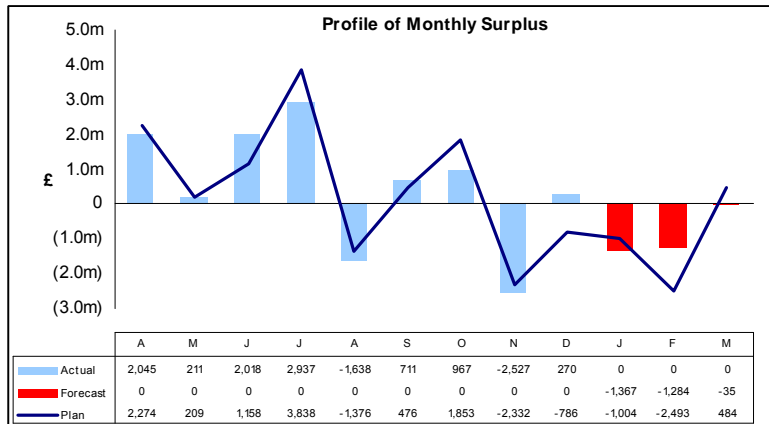
*EBITDA = earnings before interest, tax, depreciation and amortisation



Key points

- The Trust reported an actual trading surplus of £0.3m in December, compared to a planned deficit of £0.8m (£1.1m favourable to plan) and a forecast surplus of £0.5m (£0.2m adverse).
- In arriving at the M9 position we have estimated actual PCT income for the month, which is not yet available. The reported position reflects the financial impact of activity and income “caps” we have applied from M7 for Oxfordshire PCT. This action has reduced income by £0.8m in the month and by £2.6m YTD (see graph).
- The YTD financial position includes income for Oxfordshire PCT which is £9.7m above the SLA. This is consistent with the recent agreement we have signed with the PCT.
- Activity has shown further signs of slowing down in the month, with the number of theatre sessions falling by 424 cases (-12% since November), despite M9 being a 21 day “working” month (with 5% more days than M8). In addition, it is pleasing that total expenditure in the month was only marginally higher (0.91%) than in M8 despite the longer month.
- Agency costs have continued to fall, despite operational capacity pressures and a rise in sickness. Agency spend in M9 (£0.7m) is 39% lower than November and is the lowest reported for any month in this financial year. A marginal increase (0.1%) in WTE employed staff in the month also indicates recruitment is slowing down.
- Divisional non-pay spend was only marginally higher than in November (£0.2m, 2.6%). This in part reflected the additional spend on ward stocks and drugs issues for the Christmas period. It is anticipated that non-pay spend will reduce over the last quarter as; stocks are run down in January, activity continues to reduce, and due to the increasing impact of the non-pay controls now in place.

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- The in-month surplus continues to be lower than would be expected given the delayed handover of the Cancer Centre. However, the £1.3m per month saving of the Unitary Payment (UP) continues to be partially offset by additional costs (eg. the arrival of new staff) and the delay in accessing additional private patient capacity (£0.2m “shortfall” in the month).

B2. Year-to-date

Table B2: Income and Expenditure Year to date: 9 months	Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s	Full Year Estimate as at December			Last Yr Actual £000s
					Actual £000s	Plan £000s	Variance £000s	
Income:								
Commissioning & RTA Income	371,518	358,101	13,417	328,178	492,085	476,116	15,969	446,503
PP and O/seas Income	7,501	8,904	(1,303)	6,341	11,300	12,317	(1,017)	9,049
Other Income	76,394	72,448	3,946	66,103	100,736	96,724	4,012	94,790
Total Income	455,413	439,353	16,059	400,621	604,121	585,157	18,964	550,342
Expenditure:								
Pay costs	(260,388)	(246,288)	(14,100)	(231,124)	(347,137)	(330,820)	(16,317)	(316,381)
Non Pay costs	(167,412)	(163,435)	(3,977)	(147,473)	(224,306)	(219,615)	(4,691)	(202,578)
Total Expenditure	(427,799)	(409,723)	(18,076)	(378,597)	(571,443)	(550,434)	(21,008)	(518,959)
EBITDA*	27,613	29,630	(2,017)	22,024	32,678	34,722	(2,044)	31,383
Depreciation	(12,943)	(14,508)	1,566	(11,970)	(17,379)	(19,344)	1,966	(15,476)
Net Interest and Dividends	(9,677)	(9,808)	132	(8,799)	(12,992)	(13,078)	86	(11,594)
Exceptionals								
Surplus/(deficit)	4,994	5,314	(320)	1,255	2,308	2,300	8	4,312
EBITDA %	6.1%	6.7%		5.5%	5.4%	5.9%		5.7%

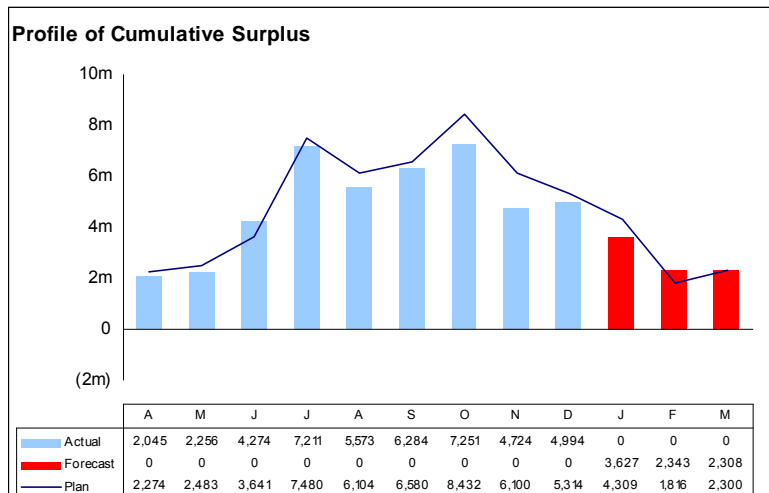
*EBITDA = earnings before interest, tax, depreciation and amortisation

Key points

- The YTD trading surplus increased to £5.0m in the month (£4.7m to M8). This compares to an original plan of £5.3m and a forecast of £5.2m.
- We continue to forecast that the surplus will reduce to £2.3m by the end of the financial year, principally following the handover of the Cancer Centre, from which point the £1.3m per month Unitary Payment will become payable.
- Total PCT income is £13.4m above plan at M9 (Oxfordshire +£9.7m). This is £2.6m lower than the level of additional work actually undertaken as a consequence of the income “cap” we have agreed with Oxfordshire PCT. We must continue to strive to help reduce activity as any further Oxfordshire over-performance will not be remunerated.
- While the additional PCT income has generated some additional financial contribution in-year, this positive impact has been offset by:
 - In-year cost pressures – eg. pay award (+£3m) and energy costs
 - Premium costs of delivering extra activity – eg. agency, overtime
 - Cancer centre costs – eg. new staff and delay in PP income growth.
- The focus for the remaining months of this financial year is to ensure that capacity and activity are reduced with a compensating reduction in costs, and that costs in general are minimised by stringent control.

Section C - Financial outlook

C1. Full-year forecast



Key points

- The scale of the Trust’s financial risks reduced significantly with the satisfactory conclusion of the Oxfordshire PCT negotiations.
- The Trust continues to target delivery of a planned surplus of £2.3m. The principal risks to delivery of this remain:
 - The increased scale of costs savings directors have been challenged to deliver between now and the year-end (+£5m)
 - The potential for extreme winter pressures between now and March, which would serve to increase lengths of stay (thereby depressing “average income per bed day”) and drive extra costs; and
 - The risk that elective referrals in Oxfordshire increase (and not reduce), driving additional costs but without additional income.
- As in recent months, the “raw forecast” from the divisions has been overlaid with our assessment of the amount of additional savings that will be delivered from the extra £5m that has been targeted. This is necessary to allow for savings initiatives that are just beginning, or which have yet to commence, and which are not yet included in the divisions’ forecasts.
- The current forecast recognises that some costs will be avoided as activity falls (eg. clinical supplies) but that these savings will be less than the “lost” income. Therefore, additional efficiencies and savings are required over months 10-12 to secure the planned surplus.

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M9 full-year forecast - basis of preparation

- The M9 full-year forecast is posited on:
 - Oxon activity levels and activity being maintained within the proposed annual payment of £9.7m, which means activity at SLA values
 - The divisions' updated assessment of their latest FY outturn position
 - The Cancer Centre being handed over in mid-January
 - Our assessment of additional savings that will be realised over the remaining months of the year, including the impact of the rigorous controls on pay expenditure levels.
 - As previously reported, each directorate has now been set an expenditure control total against which it is being monitored. The control totals are fully adjusted for the savings already agreed at a local level.
 - The divisional forecasts alone will not deliver the required surplus and therefore it has been necessary to target additional savings. In addition, additional controls have been introduced to reduce the pay run-rate over the coming months by a target of £2m. It is anticipated that this can be achieved by holding recruitment and with additional agency controls.
 - We also forecast that non-pay can be reduced in the remaining months of the financial year as a direct result of reductions in activity levels, and given the reduced number of working days in the last quarter of the financial year. A heightened level of scrutiny continues to be targeted in this area, particularly in relation to non-pay requisitioning.
- Specific savings targets have also be set for tactical procurement (£0.5m), VAT (£0.4m), and for further income opportunities (£0.5m).

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C2. Risks to forecast

- The principal risks to the delivery of the forecast are summarised below, but the primary challenge continues to be for capacity and costs to be proactively managed down in services where activity is reducing, alongside the delivery of savings.
- The risks are assessed on a monthly basis and updated to reflect current assessment of the financial position. Whilst the Trust continues to face a significant risk in delivery of the £2.3 surplus, this risk has been abated following the successful conclusion of negotiations with Oxfordshire PCT. The table sets out risks.

Description of risk	Gross financial risk (£000s)	Probability of risk materialising	Risk adjusted value not included in forecast	Mitigating actions
Costs are not contained to adequately compensate for the income cap agreed with Oxfordshire PCT	7,600	25%	1,900	The income cap is expected to total £7.6m. Additional savings are required, as costs avoided will not match this loss.
Pay and non-pay controls introduced from January do not deliver the required level of savings	3,750	33%	1,250	We have put in place corporate groups to review of all vacant and new posts. These controls are expected to reduce the pay run rate.
Savings agreed at the directorate reviews are not delivered	2,800	10%	280	Directorate teams are fully engaged in delivering the savings required. The achievement of these savings is being monitored through regular review meetings and risk of non achievement is low.
The adjustments made to the divisional "raw forecasts" prove to be over-estimated/ inaccurate.	3,000	0	0	Contingency savings plans have been identified to mitigate this risk.

- The risks to the delivery of the £2.3m surplus, whilst still significant, have reduced and can be assessed with more certainty following the agreement with Oxfordshire. The scope to deliver further savings in this year (above the raised target) is now considered to be negligible.

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Action log

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

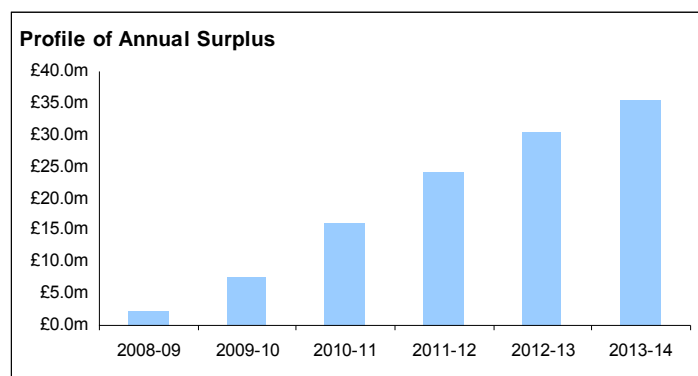
Action	Who	Objective	Timescale
Hold directorate review where an adverse variance is forecast to the control total at M9	Director of Cost Improvement Deputy Director of Finance	Target directorate risks to ensure management action will deliver savings at the required level and cost release is maximised from capacity reduction.	End of Jan 09
Implement short term pay and recruitment controls	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.	Ongoing
Agree M9 Trust forecast, following completion of local revisions to forecasts for "corporate adjustments"	Directors of Operations Director of Cost Improvement Deputy Director of Finance	To ensure the divisional forecasts are aligned to the overall Trust forecast and the target full-year surplus of £2.3m.	31 Jan 09
Review actual monthly financial contribution to ensure planned contributions levels are achieved.	All Directorate Managers	Where contribution is below the planned level, additional savings and efficiencies must be reviewed and introduced.	Ongoing

C3. Impact of current outlook on future years' performance

Table C3: Income and Expenditure (Forecast as at December)	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	492,085	519,616	545,922	570,894	597,174	624,120
PP and O/seas Income	11,300	18,003	19,298	19,988	20,712	21,472
Other Income	100,736	97,807	101,935	106,007	110,235	114,618
Total Income	604,121	635,426	667,156	696,889	728,120	760,210
Expenditure:						
Pay costs	(347,137)	(339,446)	(344,257)	(346,500)	(349,833)	(353,303)
Non Pay costs	(224,306)	(251,864)	(267,403)	(282,555)	(300,364)	(320,044)
Total Expenditure	(571,443)	(591,310)	(611,660)	(629,055)	(650,196)	(673,346)
EBITDA*	32,678	44,116	55,496	67,835	77,924	86,863
Depreciation	(17,379)	(21,861)	(23,265)	(25,634)	(28,218)	(31,038)
Net Interest and Dividends	(12,992)	(14,703)	(16,134)	(17,993)	(19,246)	(20,401)
Exceptionals						
Surplus/(deficit)	2,308	7,551	16,097	24,208	30,460	35,424
EBITDA %	5.4%	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



Key points

- This section considers the impact of the current year financial outlook on the Trust's future 5 year projections (ie. its extant Long-Term Financial Model).
- The future must be increasingly viewed in light of the international and national economic challenges. These challenges are likely to impact on the demand for NHS services, our staff and suppliers, and on the level of future NHS funding. It is more difficult to update our long-term financial plans in the face of these uncertainties.
- Currently the Trust's Long Term Financial Model (LTFM) targets a surplus of £7.5m for 2009/10 but the LTFM (Table C3) is not scheduled to be updated to take into account the emerging issues relating to 2009/10 and subsequent years until March. The work, currently being undertaken on budget setting for 2009/10, the SLA negotiations and our assessment of IRFS implementation will all inform a major refresh of the LTFM in March 2009.
- The Trust continues to review its assumptions for future years to enable more detailed planning for next year to take place. These issues, as previously reported, include the impact of:
 - The reduced 2008/09 surplus (from £4.3m to £2.3m)
 - Required efficiency savings of 3% (circa £18m)
 - The impact of the agreement of the 2008/09 Oxfordshire SLA for 2009/10 capacity and income plans
 - Our emerging assessment of the impact of the 2009/10 National Tariff and the associated significant reduction in the Market Forces Factor (MFF) funding

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- o The FYE of the new Cancer and Cardiac developments; and
 - o The implementation of IFRS.
 - From this work we have assessed that savings of between £40-£50m are likely to be required in 2009/10. This is significantly higher than the £18m we had previously targeted in the LTFM in September 2008.
 - The Trust is formulating strategies to deal with this challenge, which include:
 - o The potential for offsetting the adverse impact of the new National Tariff and MFF changes by agreeing changes to local pricing arrangements (which appear to be consistent with DH expectations)
 - o The case for setting a reduced surplus for next year, to compensate for the impact of IFRS (note – although adverse in I&E terms, IFRS has no cash impact, will improve the Trust’s EBITDA and reduce its capital charges).
 - o Scaling up the Cost Improvement Programme for 2009/10 (note – KPMG has been commissioned to support this work).
 - We have calculated and issued outline “resource envelopes” (aggregate budgets) for 2009/10 to directorates, which are based on reasonable assumptions and which take into account the factors outlined above. These resource envelopes are being aligned to activity assumptions, which will be subject to further review over the coming months when next year’s SLA agreements have been concluded. Over the coming weeks, as activity and financial plans are finessed, divisional teams may be required to revise their detailed plans.
- Financial plans are due to be submitted to the SHA by the March 11. At this point we must ensure that our SLA, capacity and financial plans remain aligned.

Section D - Financial Risk Rating

Table D1: Financial Risk Rating Year to date: 9 months			
Metric	Weight	Metric %	Risk Rating
EBITDA margin	25%	6.1%	3
EBITDA, % achieved	10%	93.2%	4
ROA	20%	3.9%	3
I&E surplus margin	20%	1.1%	3
Liquid ratio	25%	19.2	3
Weighted Average	100%		3.1

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 % - ie. the ratio of EBITDA to total income
 - EBITDA % achieved - ie. the ratio of the actual year-to-date EBITDA to the plan year-to-date EBITDA
 - Return on Assets % - ie. the ratio of the returns generated to average total assets employed
 - I&E surplus margin % - ie. the ratio of the returns generated to total income
 - Liquidity ratio (days) - ie. 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 3.1 based on its results to date. This is an acceptable rating.
- In setting budgets for next year we wish to target a FRR of 4, which will be challenging.

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	299	(616)	424	(7)	(200)	(94)	(194)
Change this month	748	396	659	(1,279)	735	(8)	1,251
Position at month 9	1,047	(221)	1,083	(1,286)	534	(102)	1,056

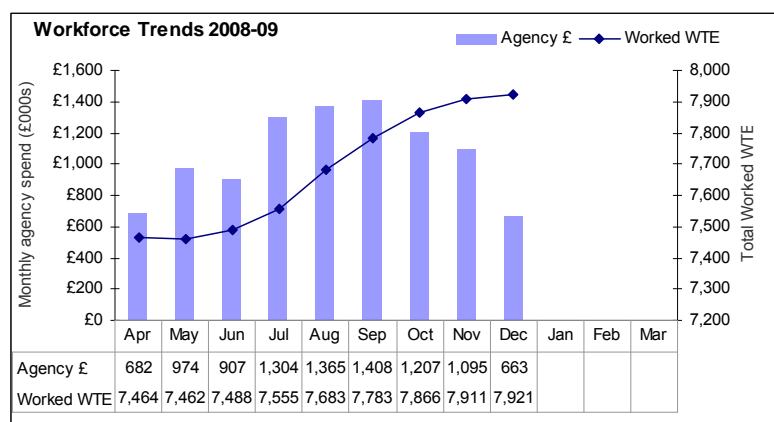
Key points

- To M9 PCT income (including RTA income) is above plan by £13.4m. Both activity and income run-rates exceeded plan in December.
- The YTD position reflects a capped level of income for Oxfordshire, for which workload is running at 7.5% above the SLA.
- Private patient income is behind plan after 9 months, principally due to the delay in the availability of extra capacity in the new Cancer Centre. However, the in-month position was significantly better than previous months.
- The forecast for the full year reflects the impact of the continued delay in the handover of the Cancer Centre. Wherever possible, other opportunities for income generation are being exploited.
- The large movement in the pay and non-pay variances reflects an adjustment to the classification of some costs within the Biomedical Research Centre budgets.

E2. Workforce statistics

By Staff Group	As at April 2008	Position after 8 months	Position after 9 months	Change from last month	% Change from April 2008
Medics	1,114	1,175	1,171	(4)	5%
Consultants	397	409	410	2	3%
Nursing, Midwifery & Health Visiting Staff	2,751	2,899	2,918	19	6%
Midwives	245	256	253	(2)	4%
Healthcare Assistants	974	1,021	1,039	17	7%
Managers and Senior Managers	233	237	239	1	2%
Admin & Estates	1,382	1,512	1,487	(25)	8%
Scientist, Therapists and Technical	990	1,062	1,064	1	8%
Allied Health Professionals	386	416	414	(2)	7%
Healthcare Scientists	464	495	495	0	7%
Other S T & Ts	140	152	155	3	11%
Other Staff	21	4	3	(0)	(84%)
Total	7,464	7,911	7,921	10	6%

By Division	As at April 2008	Position after 8 months	Position after 9 months	Change from last month	% Change from April 2008
Division A	1,653	1,750	1,776	26	7%
Division B	2,439	2,581	2,601	20	7%
Division C	2,294	2,388	2,393	5	4%
Division D - Corporate Directorates	1,008	1,085	1,046	-39	4%
Division E - Biomedical Research	20	45	45	0	128%
Division F - Trustwide	50	61	60	-1	20%
Division G - Operating Expenses	0	0	0	0	
Total	7,464	7,911	7,921	10	6%



Explanatory note

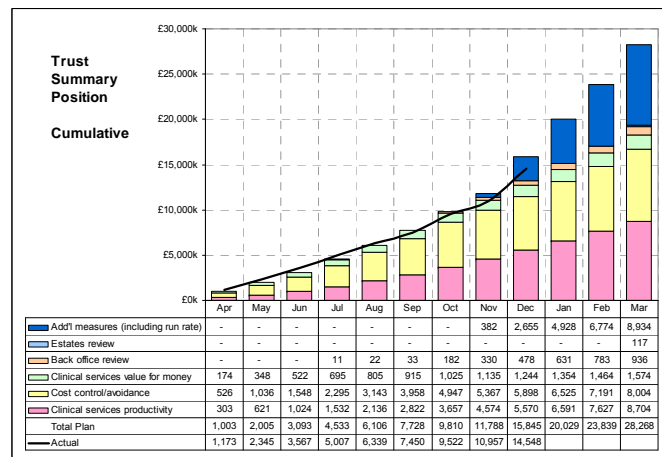
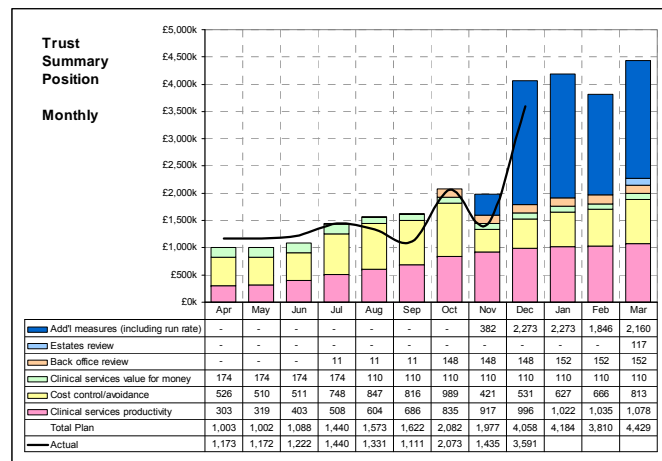
- The tables provide details of the number of staff employed (using a “worked” WTE measure) at the beginning of the financial year and at the end of the current and previous months.
- The first of the two tables analyses the workforce by occupational staff group and the second provides an analysis by division.

Key points

- Employed staff increased by 10 WTEs (0.13%) over the last month. This marginal increase marks a slow down in recruitment. The rate of growth is being monitored closely.
- Agency spend continues to reduce, with the spend in the month being c. 40% lower than the previous month, despite operational pressures (both additional winter capacity and higher levels of staff sickness).
- A reduction in the pay run-rate of £2m is forecast over the remaining months of the financial year. To achieve this it is essential that managers actively manage staff numbers and costs, including overtime and agency.
- In addition to reviewing the pay run rate, directorates must continue to deliver their agreed CIPs and have been challenged to deliver further costs reductions in the last three months of this year. It is anticipated that with overall activity levels reducing over the coming months and the measures that are in place to deliver CIPS that workforce numbers will reduce in many areas.

E3. Cost Improvement Programme (CIPs)

(a) Overall position



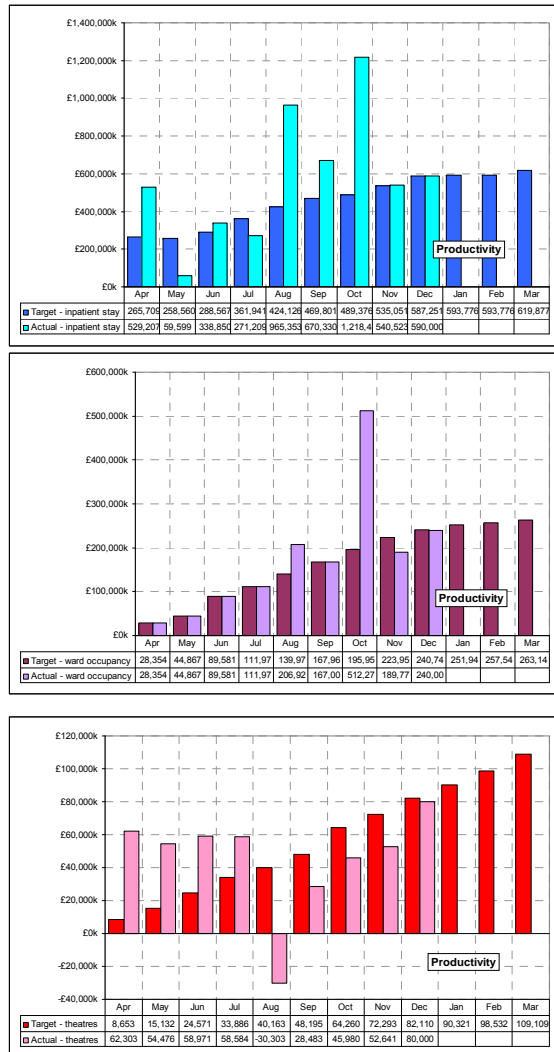
Coverage and structure of programme

- The Performance Improvement & Cost Reduction Programme (PICRP) is the vehicle used to deliver the Trust's required level (£22m) of annual cost improvements (CIPs). In M6 the target was adjusted to £27m to mitigate the predicted reduction in activity and income from M8.
- The programme is structured into three work stream areas; productivity, value for money and cost avoidance. An additional work stream has been established to reflect the extra measures required to deliver the additional £5m.

Key points – programme delivery

- Progress in December, in terms of productivity and value for money, is to some degree masked by the seasonal reduction in activity over the Christmas period. In addition, the calculation of value for money and productivity gained has been later than usual due to the investment of time by finance and performance management staff in the planning and budget setting process for 2009/10. Therefore, provisional figures for value for money and clinical services productivity have been used in M9 report.
- Actual savings in M9 are assessed to be £3.6m, compared to the increased target of £4.1m for the month. This brings the YTD savings to c. £14.5m, as compared to a raised target of £15.8m – ie. 92% achievement to date.
- The position continues to be reviewed at the weekly Executive Action Group, chaired by the Director of Finance. Directorate reviews continue to be held for high risk areas. In addition, and in preparation for 2009/10, greater controls over agency, overtime and vacancies will be introduced in January 2009.
- £2-3m of the increased target is assessed to be high risk, which has been factored into our management strategy to deliver the £2.3m surplus.

(a) Productivity work streams



Focus of productivity initiatives

- The initiatives cover; improved utilisation of outpatient clinics and of clinical time, improved theatre utilisation and further reductions in length of stay to improve patient throughput.

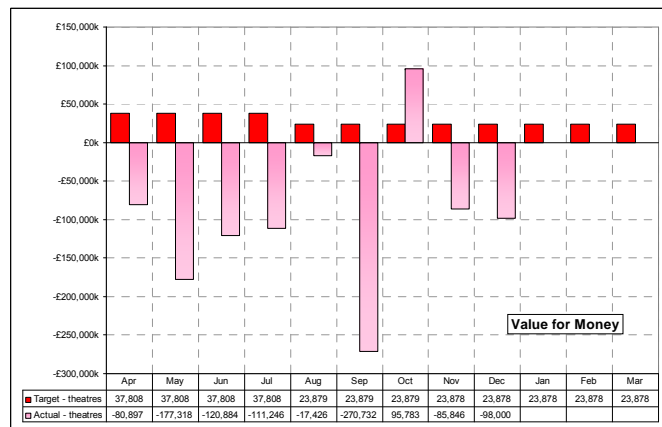
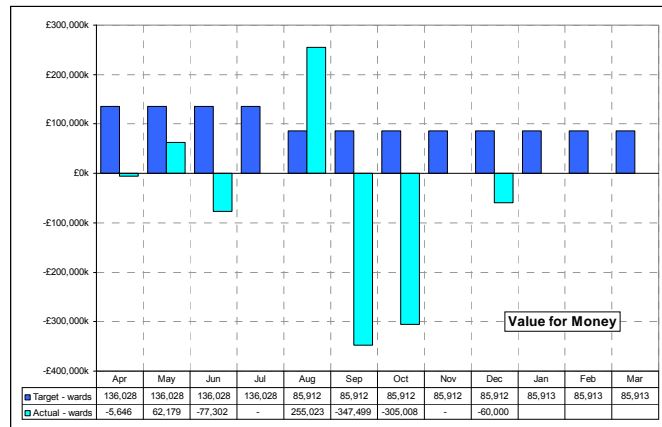
Key points – productivity performance

- Productivity improvement projects continue to deliver ahead of plan, despite the reduction in Oxfordshire work. This is largely because the Trust has taken early action to reduce both ward and theatre capacity and delay the opening of additional winter beds.
- It is likely that the delivery profile will change across the winter months, and the financial benefit will reduce closer to plan. This has been accounted for in the current forecast.

Actions required/ in hand to secure delivery

- Improvements in speed of complex discharges through a range of actions agreed by Oxfordshire CEOs.
- Changes to the organisation of operational management and discharge support, including the appointment of a senior “Discharge Czar”.
- Continual scrutiny of activity and length of stay, with reductions in capacity.

(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).

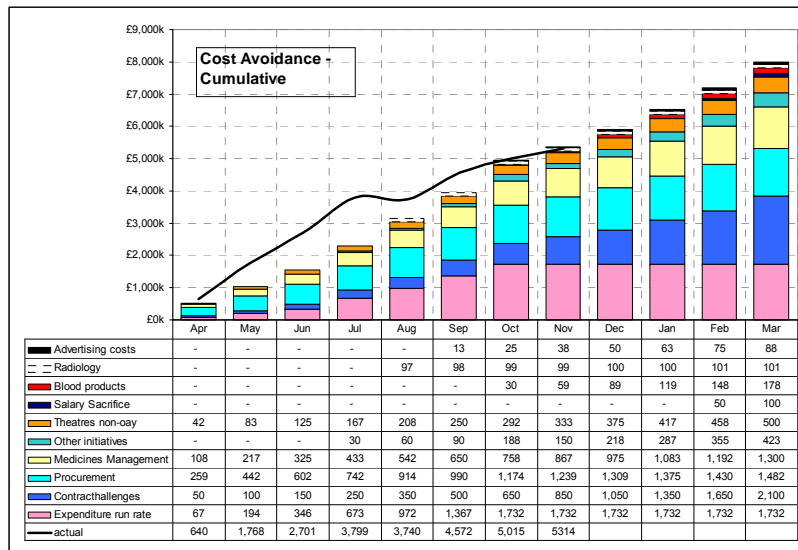
Key points - value for money performance

- The higher unit costs which are driving the under-performance derive largely from the use of agency to resource the SLA over-performance. However, levels of agency have continued to reduce in November, as activity and capacity reduced.
- As the use of high cost agency reduces (and unit costs) the adverse variance is forecast to fall.

Actions required/ in hand to secure delivery

- Greater scrutiny of agency posts has been implemented.
- The Performance Improvement Team continues to work with wards and theatres reviewing working practices.
- Directorates are reviewing ward and unit staffing models as part of the preparation for next financial year.
- The "Productive Ward" project has now started in two areas - Trauma and Specialist Medicine.

(c) Cost avoidance work streams



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.

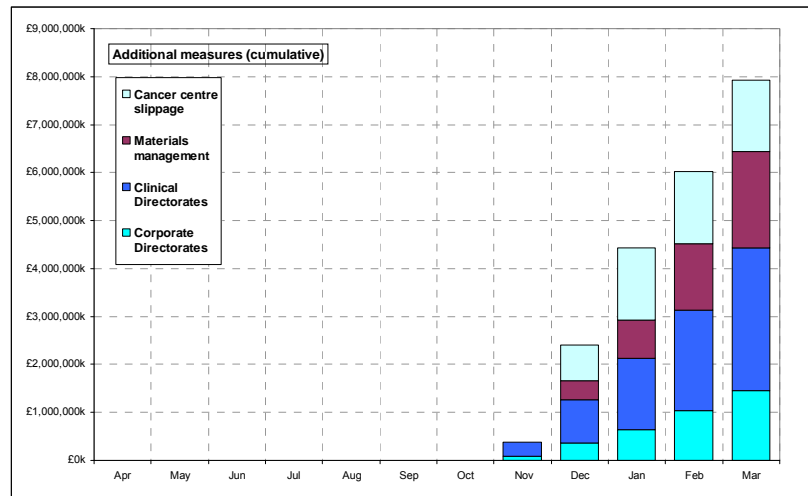
Key points - cost avoidance performance

- The detailed analysis is not yet available for December but the back office review, cost control and avoidance schemes are assessed to remain in line with expectations.

Actions required/ in hand to secure delivery

- The following actions are being taken to improve the position:
 - Directorate level I&E reviews continue to be held where there are risks to delivery.
 - Additional non-pay controls have been put in place, including the restriction of non-clinical, non-consumable expenditure.
 - Additional agency controls have been implemented.
 - Materials management and procurement activities are also being targeted for additional savings in this year and in the longer term.

(d) Additional measures



Focus of additional measures

- The initiatives cover:
 - Projects identified in the clinical and corporate directorate reviews to arrest the run rate, ensure that costs associated with activity are removed as activity reduces, and provide extra savings to secure the year-end position.
 - An externally supported review of the materials management and procurement services which is designed to reduce usage, waste and price.

Key points - additional measures performance

- The detailed analysis is not yet available for December but the back office review, cost control and avoidance schemes are assessed to remain in line with expectations.

Actions required/ in hand to secure delivery

- The following actions are being taken to secure the position:
 - Directorate level I&E reviews continue to be held and £4.4m of additional savings have been identified.
 - An initial scoping exercise has been carried out to assess the potential savings from materials management and procurement. External support has been commissioned to assist with delivery.

E4. Divisional financial performance

(a) Divisional summary

Table E4.1: Performance by division	Year to date: December				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operating Divisions							
A	43,980	45,806	(1,826)		60,194	58,009	(2,185)
B	30,080	35,641	(5,560)		46,009	39,619	(6,390)
C	(850)	582	(1,432)		(105)	(1,294)	(1,189)
D - Corporate directorates	(56,946)	(59,338)	2,391	(48,794)	(80,673)	(77,077)	3,596
E - Biomedical Research	102	102	0	790	0	0	0
F - Trustwide (incl PCT inc)	11,249	6,988	4,261		9,497	13,600	4,103
G - Capital Charges	(22,621)	(24,467)	1,846	(27,566)	(32,622)	(30,550)	2,073
Surplus/(deficit)	4,994	5,314	(320)	1,255	2,300	2,308	8

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.

Key points

- As in past months, the full-year forecast reflects the corporate assessment of certain factors (e.g. activity trends and supplementary savings) and adjusts the divisional “raw” forecasts accordingly.
- The divisional position is summarised as follows
 - Division A is under-achieving against its YTD plan by £1.8m, with the FY forecast to improve (to £2.2m). 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 £5.6m. The impact of reducing elective activity is greatest for Division B. With activity levels falling significantly in the latter part of the financial year, it is anticipated that costs, and particularly premium costs, can be reduced. This is reflected in the FY forecast of £6.6m. At the directorate reviews a significant level of cost reductions measures have been agreed in response to the prospect of falling elective income and the need to deliver further CIPs.
 - Division C is under-achieving its YTD plan by £1.4m, with the FY forecast to improve (to £1.2m). The current forecast reflects planned investments in staffing for the Cancer Centre (radiology and labs) and has been adjusted for the actions agreed at the directorate reviews, some of which require more detailed plans.
 - Corporate Directorates' - both the YTD and FY forecast positions reflect specific cost pressures which are highlighted in the Division D report. These are partially offset by additional Teaching, Training and Research income.

(b) Division A

Table E4.2: Division A Summary	Year to date: December				Plan	Full Year		Variance to Plan
	Actual	Plan	Variance	Last Year Actual		Forecast	Variance to Plan	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:								
Commissioning & RTA	137,283	134,616	2,667		179,031	181,852	2,821	
PP & O/seas	1,500	1,911	(411)	913	2,557	2,097	(460)	
Other Income	1,934	2,099	(165)	2,154	2,798	2,547	(251)	
Total Income	140,718	138,627	2,091	3,066	184,385	186,496	2,110	
Expenditure:								
Pay costs	(53,595)	(50,652)	(2,943)	(50,198)	(67,924)	(71,800)	(3,876)	
Non Pay costs	(43,143)	(42,169)	(974)	(38,799)	(56,267)	(56,687)	(419)	
Total Expenditure	(96,738)	(92,821)	(3,917)	(88,997)	(124,192)	(128,487)	(4,296)	
Net position	43,980	45,806	(1,826)		60,194	58,009	(2,185)	

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.

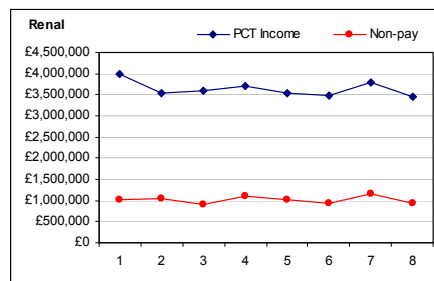
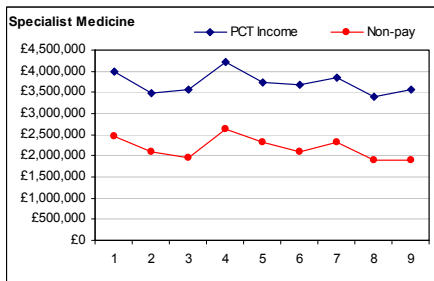
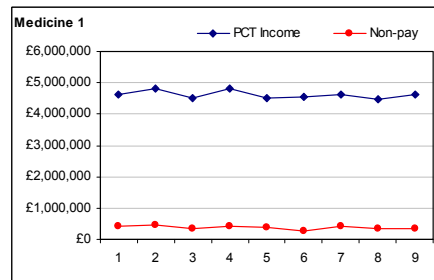
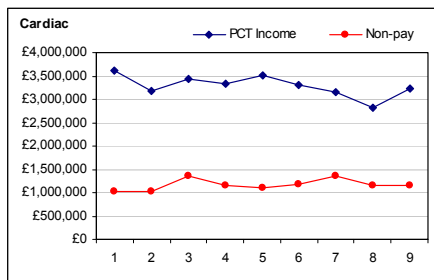
Table E4.3: Directorate Summary Division A	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Cardiac	(3,663)	2,252	(1,411)
Div A Divisionwide	559	(799)	(240)
Medicine 1	(1,512)	1,104	(409)
Renal Centre	1,049	(1,074)	(25)
Specialist Medicine	(349)	608	259
Division Total	(3,917)	2,091	(1,826)

Year-to-date performance

- Year to date, the Division is adverse to plan by £1.8m.
- The high level of patients presenting and consequent increase in PCT Income (£2.7m above plan) is largely offset by the additional costs of undertaking this work (£3.9m in excess of plan). Cardiac is £2.2m above its income plan in the first 9 months, Medicine £1.1m above plan, Specialist Medicine £0.6m above plan, and Renal £1.1m below plan.
- PP income is £0.4m below plan against an increased target for the year - largely on Division-wide.
- The variance against plan on Pay is primarily related to higher levels of activity. WTEs increased by 26 in December, largely due to escalation capacity across Acute General Medicine, Geratology and Emergency Medicine; with 7 additional beds opened in December...
- The FY pay forecast has improved £250k since M8 due to delayed recruitment.
- Generally, the non-pay spend is a factor of both increased expenditure to deliver activity but also reflects spend on pass-through costs (eg. haemophilia products) which are recovered through income. There was an in month gain of £200k on the Cardiac M9 stock take.

Table E4.4:
CONTRIBUTION
Directorate Summary
Division A

	Cumulative Position after 9 months	
	Plan %	Actual %
Cardiac	38%	31%
Medicine 1	39%	37%
Renal Centre	39%	40%
Specialist Medicine	16%	17%



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.
- This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets. It is important that directorates aim to at least achieve or better their budgeted contribution levels for the remainder of the financial year.
- YTD contributions are below plan in both Cardiac and Medicine 1. As income levels reduce without a compensating decrease in expenditure, the contribution levels fall. The increased level of non-pay spend, especially from the changing case-mix in Cardiac, has impacted adversely on the percentage contribution. Both of these factors are being monitored closely by the local teams.

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, with decreased in income (activity) matched by decreased non-pay spend. Exceptionally Cardiac non-pay has reduced slightly in month whilst income has increased – this is due to the stock take adjustment.

(c) Division B

Table E4.5: Division B Summary	Year to date: December				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	147,733	137,870	9,863		183,203	195,427	12,224
PP & O/seas	2,391	2,910	(519)	2,025	4,286	3,699	(587)
Other Income	4,358	3,693	665	4,199	4,925	5,721	796
Total Income	154,482	144,473	10,009	7,562	192,414	204,847	12,433
Expenditure:							
Pay costs	(88,009)	(77,660)	(10,350)	(76,151)	(104,724)	(116,677)	(11,953)
Non Pay costs	(36,392)	(31,172)	(5,220)	(28,490)	(41,681)	(48,551)	(6,870)
Total Expenditure	(124,402)	(108,832)	(15,569)	(104,640)	(146,405)	(165,228)	(18,823)
Net position	30,080	35,641	(5,560)		46,009	39,619	(6,390)

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.

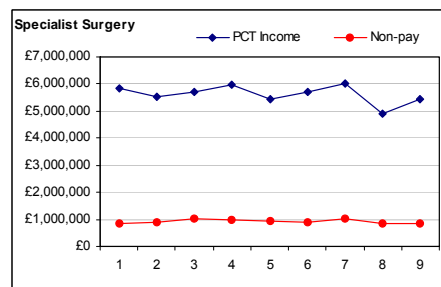
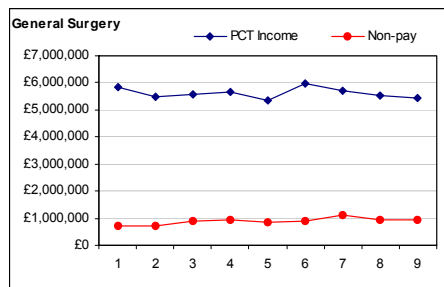
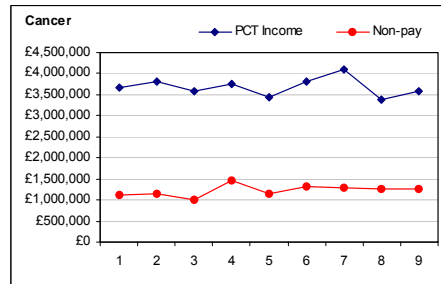
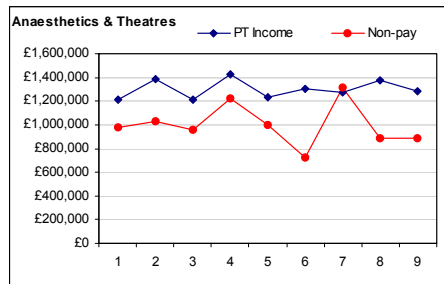
Table E4.6: Directorate Summary Division B	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Anaesthetics & Theatres	(3,358)	344	(3,014)
Cancer	(4,611)	3,233	(1,378)
Division B Management	(113)	(5)	(119)
General Surgery	(4,109)	2,887	(1,222)
Specialist Surgery	(3,377)	3,550	173
Division Total	(15,569)	10,009	(5,560)

Year-to-date performance

- The year-to-date adverse variance of £5.6m is largely due to the net impact of:
 - The additional PCT income earned (£9.9m above plan); offset by
 - The costs of undertaking the additional activity (£15.6m above plan), which includes the theatre costs for additional surgical activity undertaken by all three clinical divisions.
- PCT income is favourable to plan overall by £9.9m - Specialist Surgery is £3.7m above plan, Cancer £3.4m and General Surgery £2.9m.
- PP income is worse than plan by £0.5m. The in-month divergence from plan (£0.2m) reflects changes relating to the Cancer Centre. It had been anticipated that this would now be operational and income generating. The delay has reduced income reported within the Division.
- The £10.3m adverse Pay variance (up £0.9m from M8) 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). Some Surgery beds were closed for 2 weeks over Christmas to reduce costs.
- The Non-pay variance (£5.2m) is mainly linked to activity (Cancer and General Surgery), where the variance is driven by “pass through” drug costs which are matched by additional income.
- The M9 stock take gain of £150k contributed to the reduced non-pay spend in the month.

Table E4.7:
CONTRIBUTION
Directorate Summary
Division B

	Cumulative Position after 9 months	
	Plan %	Actual %
Anaesthetics & Theatres	-172%	-188%
Cancer	45%	37%
General Surgery	51%	46%
Specialist Surgery	45%	42%



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.
- At M9, the contribution levels for all the directorates are lower than plan. It is important that directorates aim to at least achieve or better their budgeted contribution levels for the remainder of the financial year.
- The failure to meet the planned target is indicative of the costs incurred in delivery current levels of activity. Activity delivered at “premium” costs is not sustainable for the Trust and impacts on sustainability of services to be able to contribute to the overall financial position of the Trust.
- As part of their savings plans for 2008/09 and in planning for 2009/10, the Division are being asked to review how services can be provided in a more efficient and affordable way to achieve their target contributions.

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.
- Non-pay spend has stayed broadly level with M8 in all areas across the Division, despite increase activity. This is, in part, due to the stock take benefit (£150k).

(d) Division C

Table E4.8: Division C Summary	Year to date: December				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	86,225	84,913	1,313		112,934	114,538	1,603
PP & O/seas	1,823	2,352	(529)	1,679	3,299	2,856	(443)
Other Income	10,978	9,200	1,778	9,490	12,285	14,584	2,299
Total Income	99,027	96,465	2,562	11,169	128,518	131,978	3,460
Expenditure:							
Pay costs	(76,549)	(74,750)	(1,799)	(68,961)	(100,424)	(102,709)	(2,286)
Non Pay costs	(23,328)	(21,133)	(2,195)	(20,678)	(28,199)	(30,562)	(2,363)
Total Expenditure	(99,877)	(95,883)	(3,993)	(89,640)	(128,623)	(133,271)	(4,649)
Net position	(850)	582	(1,432)		(105)	(1,294)	(1,189)

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.

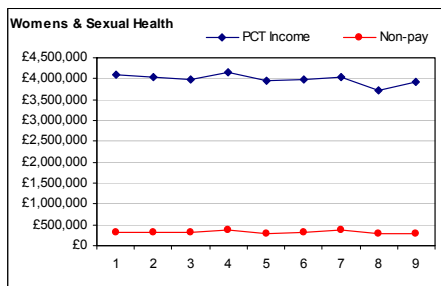
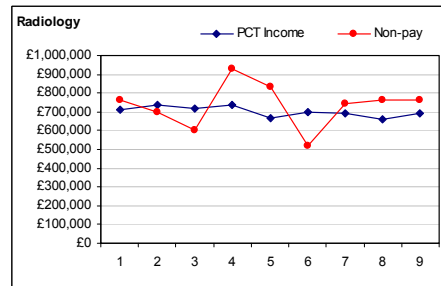
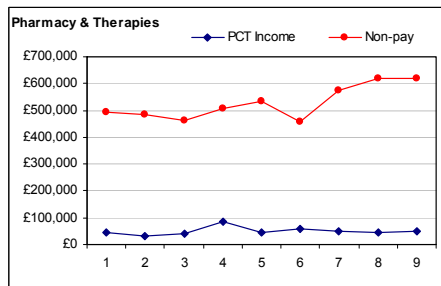
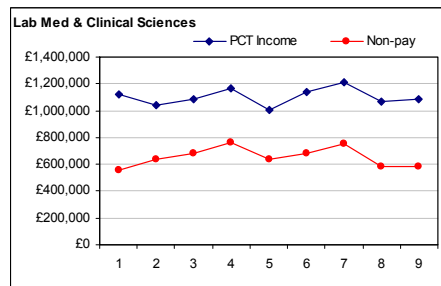
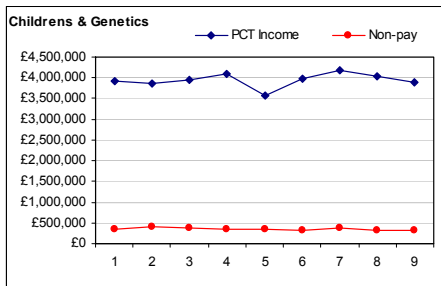
Table E4.9: Directorate Summary Division C	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Childrens & Genetics	(260)	1,011	751
Divisional Services	(22)	15	(7)
Lab Med & Clinical Sciences	(589)	758	169
Pharmacy and Therapies	(966)	460	(506)
Radiology & Physics	(666)	455	(211)
Women's & Sexual Health	(1,490)	(136)	(1,626)
Division Total	(3,993)	2,562	(1,432)

Year-to-date performance

- The year- to-date adverse variance of £1.4m reflects the net impact of:
 - The higher levels of PCT income (£1.3m above plan) and Other income (£1.8m above plan); offset by
 - The additional clinical support service costs to deliver this activity for the additional work undertaken by all three divisions (£4.0m).
- Overall PCT Income is favourable to plan by £1.3m - Children and Genetics and Radiology are above plan (by £1.0m and £0.4m respectively) and Women's behind plan by £0.3m
- PP income has worsened by £0.3m to £0.5m below plan. The delay in opening of the new Cancer Centre has led to a shortfall across Support Services. Children's PP income is not reaching the level anticipated when the paediatric orthopaedic services moved from NOC. The impact of both these factors has been built into future projections for PP.
- The majority of the £1.8m favourable Other income variance related to income generated from lab testing for DGHS, income for genetics testing and pharmacy drug sales.
- Despite a significant level of vacancies across the Division, the pay budget shows an adverse variance to budget. The pay budget was adjusted to reflect savings targets and these savings have not been fully realised to date. Some limited investment in staff is happening to support the Horton and Lab activity but this is being managed strictly across the Division.
- Non-pay expenditure is £2.2m over plan YTD primarily because of the additional activity undertaken to support frontline services. Some of the non-pay spend is offset by "Other income" from labs testing, drugs sales and genetics testing.

Table E4.10:
CONTRIBUTION
Directorate Summary
Division C

	Cumulative Position after 9 months	
	Plan %	Actual %
Childrens & Genetics	32%	34%
Women's & Sexual Health	49%	45%
Lab Med & Clinical Sciences	-50%	-46%
Pharmacy and Therapies	-254%	-236%
Radiology & Physics	-165%	-159%



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.
- This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets. It is important that directorates achieve or better their budgeted contribution levels.
- For the clinical specialties, the contribution for Childrens & Genetics is slightly above plan. The contribution made by Women's remains adverse to plan with an increase in activity and income levels. For clinical support services, this measure is of limited application.

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.
- Pharmacy & Therapies and Radiology non-pay costs increased marginally from previous months. For the former, the non-pay costs related to drugs that are bought for resale and for which income is collected.
- For each Directorate the non pay and income trends correlate – apart from Womens & Sexual Health where the non pay has not increased in line with the increase in income

(e) Division D

	Year to date: December				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	0	0	0	(15)	0	0	0
PP & O/seas	1,787	1,631	156	1,725	2,175	2,648	473
Other Income	12,879	12,666	213	11,627	16,923	17,628	705
Total Income	14,666	14,297	369	13,337	19,098	20,276	1,178
Expenditure:							
Pay costs	(27,505)	(27,962)	457	(25,048)	(37,351)	(36,384)	967
Non Pay costs	(44,108)	(45,673)	1,565	(37,082)	(62,419)	(60,969)	1,450
Total Expenditure	(71,613)	(73,635)	2,022	(62,131)	(99,771)	(97,353)	2,417
Net position	(56,946)	(59,338)	2,391	(48,794)	(80,673)	(77,077)	3,596

	Position after 9 months		
	Expend variance £000s	Income variance £000s	Net variance £000s
CRS Implementation	(44)	(133)	(176)
Central Trust Services	(67)	13	(54)
Clinical Governance Unit	122	(2)	120
Division D Division Wide	0	0	0
Elective Access	(167)	(1)	(168)
Estates and Facilities	2,568	70	2,638
Finance & Procurement	97	14	111
Horton Management	(45)	0	(45)
Human Resources & Admin	(121)	57	(64)
Medical Director	121	(44)	77
Nursing/Midwifery Directorate	179	206	384
Patient Access	(23)	(1)	(24)
Planning & Information	(601)	41	(560)
Private Patients	3	150	154
Division Total	2,022	369	2,391

Year-to-date performance

- The year to date position shows a favourable variance against budget of £2.4m
- The continued improvement to the YTD variance reflects the ongoing delay to the opening of the Cancer Centre. For each month the opening is delayed, the Division saves the Unitary Payment, rates and energy costs of circa £1.5m. This non-recurring benefit is, however, masking a number of underlying cost pressures:
 - Additional PFI contract variations of £1.0m, much of which are non-recurrent
 - Increased facilities costs of £0.6m, driven by activity and enhanced cleaning regimes
 - Other cost pressures, including energy prices (£0.8m) and maintenance costs (£0.3m).
 - Additional costs related to the Foundation Trust and AHSC application (£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.
- The forecast for Division D includes a significant level of savings to be realised over M10-12. Work is ongoing on these supported by directorate reviews.

(f) Other budgets

Table E4.13: Biomedical Research Centre Division E	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	2,222	(2,222)	0
Division Total	2,222	(2,222)	0

Table E4.14: Trustwide budgets Division F	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	482	(359)	122
Teaching Training Research	(16)	1,881	1,865
Trust Wide	545	1,729	2,274
Division Total	1,011	3,251	4,261

Table E4.15: Operating Expenses Division G	Position after 9 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	1,235	610	1,846
Division Total	1,235	610	1,846

Biomedical Research Centre (BRC)

- 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 72% 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 M9 the FY outturn is forecast to be £2.2m less than was originally planned for the year. This budget will be carry forward.

Trust wide budgets

- There is a favourable variance of £4.3m reflecting the fact that Teaching, Training and Research income is above plan.
- The Trust wide favourable variance is primarily as a result of a review of provisions from 2007/08.

Operating expenses

- The favourable variance reflects a YTD saving on depreciation as a result of the changed profile of capital expenditure. At M9 we have incurred 50% 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 £2.1m.

Section F – Capital Programme

Table F1: Capital Expenditure Summary			
Project Code/Name	Annual CRL* £000s	Year to date: December	
		Actual £000s	%Actual achieved of CRL
Cardiac Expansion	12,374	9,557	77%
CRS	872	62	7%
Churchill PFI Group 3 Medical equipment	4,980	725	15%
JR PFI Unitary payment reversionary interest	1,950	955	49%
Bio Medical Research Centre	4,440	2515	57%
All Other Schemes	13,571	8,018	59%
Total	38,187	21,832	57%

Capital resources

- The Trust's Capital Resource Limit (CRL) for 2008/09 is currently set by the DH at £38.2m. Capital expenditure in this year is to be funded by:
 - Internally generated resources (cash) of £19.3m
 - DH funding (new Public Dividend Capital) for the Cardiac Expansion (£10.4m) and Bio Medical Research Centre (£0.5m)
 - New capital loans of £7.9m.

Capital expenditure

- Expenditure "chargeable" against the approved CRL at M9 is £21.8m, 57% of the full-year forecast. Capital expenditure for the year as a whole is forecast to reach the CRL level of £38.2m.
- The capital programme for the current year is still subject to revision. Plans for a "Second tranche" are being reviewed by the Executive Board meeting in January. These plans have been revised to take account of in-year changes, including; changes to the CRL, slippage on some schemes, and investments required to support further cost savings.
- The cash profile of the capital expenditure is being managed carefully to ensure the overall cash position of the Trust remains positive.

Longer term outlook for investment

- Work is also on-going on the revenue and cash position for future years and this will impact on planned capital expenditure levels. The detailed outcome of this work will not be known until early in the new-year, when we are clearer about the outcome of the main risks facing the Trust (HRG4 tariff and PCT income). However, it is likely that the capital programme for

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future years will need to be curtailed significantly from that currently being planned. This may be for one year only, but early indications are that expenditure levels for capital spend in 2009/10 may need to halve. Plans are currently being considered as to how this could be achieved and to assess the impact. The process to prioritise schemes has already started and is linked to the Business planning process.

- The Physical Resources Group (PRG) meets monthly to ensure delivery of the programme within the approved capital budget and will also recommend the Capital Programme for 2009/10 to the Board before the start of the new financial year.

Section G - Balance Sheet and cash

G1. Balance Sheet

Table G1: Balance Sheet for December	Last month balance	Current Month	Movement in Month
	£000s	£000s	£000s
Fixed Assets			
Intangible Fixed Assets	3,835	3,789	-46
Tangible Fixed Assets	472,276	466,838	-5,438
Total Fixed Assets	476,111	470,627	-5,484
Current Assets			
Stocks and Work in progress	8,814	9,523	709
Debtors	75,719	73,642	-2,078
Investments	126	126	0
Cash	13,363	16,867	3,504
Total Current Assets	98,023	100,158	2,135
Current Liabilities			
Creditors < 1 year	(82,333)	(87,814)	-5,481
Total Current Liabilities	(82,333)	(87,814)	-5,481
Other Liabilities			
Creditors > 1 year	(30,419)	(30,070)	348
Provisions for liabilities and charges	(4,292)	(2,448)	1,844
Total Other Liabilities	(34,711)	(32,518)	2,193
Total Assets Employed	457,090	450,453	-6,636
Taxpayer's Equity			
Public Dividend Capital	(172,585)	(172,585)	0
Revaluation Reserve	(197,862)	(198,315)	-453
Donated Asset Reserve	(68,333)	(68,103)	230
Government Grant Reserve	(126)	(126)	0
Other Reserves	(1,743)	(1,743)	0
I&E Reserve	(11,716)	(4,587)	7,129
Current year I&E	(4,724)	(4,994)	-270
Total Taxpayer's Equity	(457,090)	(450,453)	6,636

Principal movements in the month

- Fixed Assets - The net book value of land, buildings and plant has been decreased by £5.4m since last month. The principal reason for this was the impairment related to the completion of the Geratology works on the JR site (£6.5m). This impairment has been charged against the Revaluation Reserve for the JR. Other movements were additions of £2.8m and depreciation of £1.7m.
- Current Assets - Total current assets increased by £2.1m in the month. This comprised a £3.5m increase in cash balances (largely due to receipt of AVIC monies from Oxford University), an increase in stocks of £0.7m (primarily an increase in pharmacy stock), and a decrease in Debtors of £2.1m. The debtor balance and the movement in the month is made up as follows:

Analysis of debtors at December 2008	Movement £m	Balances £m	Overdue £m
NHS Invoices Outstanding	3	14.9	9.1
NHS Accruals and Other Debtors	-10.6	13.9	
Non-NHS Invoices Outstanding	-3.5	3.6	2.1
Private & Overseas Patients	0.7	2.7	2.1
Non-NHS Accruals and Other Debtors	8.3	38.5	
Total debtors	-2.10	73.60	

The reduction in non-NHS invoices outstanding was due to the payment of AVIC invoices by Oxford University. The reduction in NHS accruals and increase in non-NHS accruals is largely the result of changes in the way debts are analysed in the balance sheet, with debts that were previously classed as NHS being reallocated to non-NHS. The non-NHS Accruals of £38.5m included a £14.0m long-term debtor in relation to the JR PFI scheme, which is amortised over the life of the scheme.

- Current liabilities - Creditors due within one year increased by £5.5m to £87.8m - £2.4m of this increase related to a rise in outstanding invoices to

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£9.0m, with the balance reflecting movement in a variety of accruals and other non-invoiced creditors. Creditors include a long-term creditor in relation to the JR PFI scheme of £13.1m which is amortised over the life of the scheme.

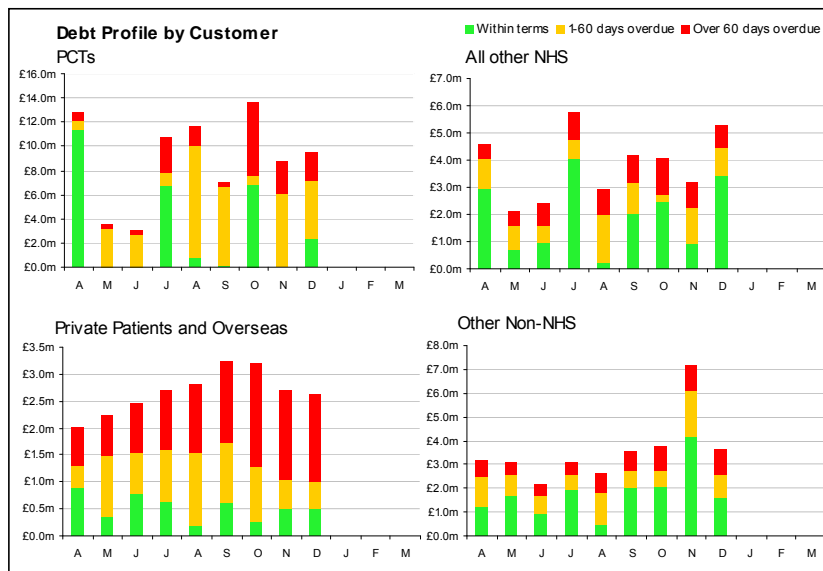
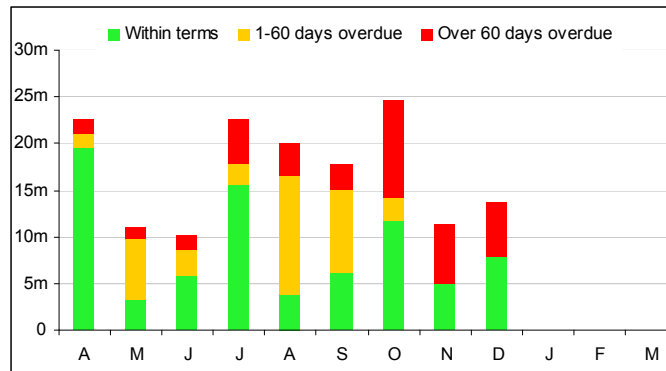
- Taxpayers' Equity - The Revaluation Reserve increased by £0.5m during the month. This was the net effect of two adjustments. The impairment of the Geratology project (£6.5m) was charged against the Revaluation Reserve for the JR. However, with the movement in 2008/09 to full UK GAAP accounting standards, negative balances previously carried forward on Revaluation Reserve have had to be transferred to the Retained Income & Expenditure reserve. This adjustment increased the Revaluation Reserve by £7.0m. In the published accounts the later will be shown as a "prior year adjustment" on a change of accounting policy, but for clarity in the management accounts this has been shown as an adjustment in M9.

The Retained Income & Expenditure reserve brought forward was reduced in the month due to two adjustments related to the introduction of full UK GAAP. One was the £7.0m transfer of negative revaluation balances (mentioned above) and the other was also a prior year adjustment on change of accounting policy of £0.1m. This arises because the debt due from charitable funds for the Children's Hospital was a long-term debtor, and the "carrying value" has had to be adjusted for the "time value of money". This discount will unwind in the current year with the settlement of the debt.

The only other movements on taxpayer's equity were small adjustments related to depreciation on donated assets and the current month surplus

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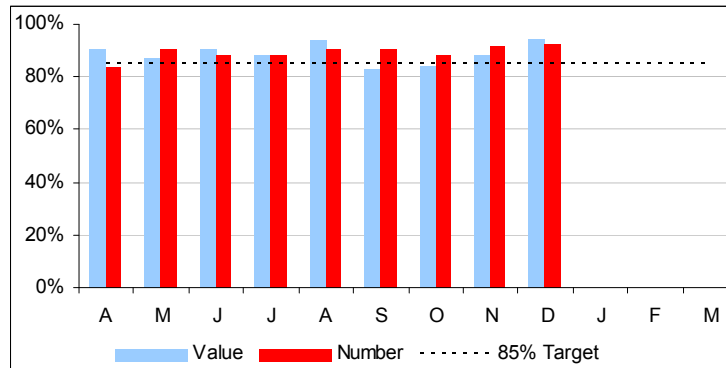
G2. Debtors (money owed to the Trust)



Key points – Debtors

- Total debt reduced by £0.5m in the month, to £21.2m (see Table on p.30 - NHS £14.9m, Non-NHS £3.6m, and PP & Overseas £2.7m).
- Overdue debts totalled £13.2m, a reduction of £3.4m in the month. Of the £9.1m overdue NHS debts, £5.9m was due from Oxfordshire PCT. Most of this balance related to over-performance invoices, of which £3.5m has been paid in January.
- Although Oxfordshire PCT was by far the largest debtor, a further £2.8m of overdue debts (NHS and non-NHS) were accounted for by only 13 debtors. Credit control priority is being given to these debtors.
- Non-NHS debts (principally trade debtors) currently include a large number of substantially overdue small debts, which total very little in monetary terms. A review of these is being conducted, and many of them may be written off to enable staff to concentrate on pursuing the large balances. It is not anticipated that this write off will have a significant financial impact.

G3. Creditors (money owed by the Trust)



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 a large organisation spread over three sites the Trust finds the 95% level difficult to achieve. Consistent performance in excess of 80% has been regarded as reasonable by the SHA, but the Audit Committee has decided that the Trust should be aiming to move to the 95% level (in the light of the Government's commitment to faster payment of suppliers).
- In December 92.7% of non NHS invoices (by number) and by value 94.4% were paid within 30 days. The equivalent figures for NHS invoices 90.1% and 91.4% respectively. The NHS figures represent a considerable improvement on the position earlier in the year. However, there remains work to be done to raise the non-NHS performance to the 95% target.

G4. Cash Management

Table G4: Cashflow Forecast	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Opening cash balance	13.3	16.8	19.8	16.9	9.6	4.9	6.3	9.2	13.3	15.0	6.8	9.3
Receipts	48.8	54.9	48.3	51.3	51.9	52.0	53.5	55.2	52.8	53.5	55.3	53.4
Payments	-45.7	-47.6	-49.5	-52.7	-49.3	-49.3	-49.3	-49.3	-49.3	-49.3	-49.3	-49.3
Dividends & net interest	0.1	0.1	0.1	-7.1	0.1	0.1	0.1	0.1	0.1	-7.6	0.1	0.1
Capital investment	0.3	-4.4	-1.7	-5.6	-7.4	-1.4	-1.4	-1.9	-1.9	-2.4	-3.6	-4.6
PDC receipts & payments	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan receipts & payments	0.0	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0	-2.4	0.0	0.0
Closing cash balance	16.8	19.8	16.9	9.6	4.9	6.3	9.2	13.3	15.0	6.8	9.3	8.9

Key points

- The table shows the rolling forecast cash position for the next twelve months.
- Cash increased in December by £3.5m to £16.8m, compared to a forecast of £11.6m. This arose because receipts were higher than forecast. The biggest single variance was on training funding, where the December receipt was £1.3m higher than anticipated. In addition, in November a number of substantial invoices were either in dispute or delays were being experienced in obtaining payment. Prudent assumptions about the timing of these receipts were made in the previous month's forecast. A number of such items were resolved in December. This included income from PCTs, including over-performance, of £1.6m.
- Overall receipts were £10.2m higher than forecast, but payments were also above forecast by £2.9m (of which £1.1m related to revenue and £1.8m to capital expenditure).
- The difficult cash situation of the last few months has required close monitoring of cash and action to ensure debts are settled. This has been effective, and cash-forecasts now show a relatively healthy and robust position through to the year end. Although problems could still be caused by any further disputes with commissioners, or an unexpected acceleration in the capital programme, any such pressures should be manageable.
- A low point of £4.9m is anticipated in April, but the cash position is then forecast to improve. However, that improvement is dependent upon the Trust achieving its planned surplus for 2009/10; a failure to do so would have serious impacts upon the cash position.

Annex - Abbreviations and acronyms used

Activity Management Plan	The actions agreed with Oxfordshire PCT to target 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
Integrated Business Plan (IBP)	A document setting out the vision and strategic objectives of the Trust for the next five years.
Long-Term Financial Model (LTFM)	The five year (forward) financial model maintained by the Trust for planning purposes
Market Forces Factor (MFF)	An adjustment which captures the difference in costs between the lowest cost area and the highest.

Performance Improvement & Cost Reduction Programme (PICRP)	See CIPs
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