

Board of Directors Meeting: Thursday 26 March 2009

BD2009.26

Subject	Financial performance to 28 February (Month 11)
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Purpose of paper	To update the Board on the latest financial position, the financial outlook for 2008/09 and the risks to the full-year forecast. The paper also summarises the actions being taken to secure delivery of the forecast.
Lead Executive	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 and 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	£2.5m deficit	As forecast	2
Year-to-date	£1.3m surplus	As forecast but £0.5m adverse to plan	4
Full year forecast	£2.3m surplus	Per plan but position remains very tight	6
Risks to forecast	£1-2m residual risk to delivery of additional £5m savings		8

CIPs			
In month	£2.7m	£0.5m adverse to plan	17-21
Year-to-date	£21.4m	93% of plan - deterioration from month 10	17-21
Full year forecast	£27.0m	With acknowledged risks of £1-2m	17-21

Divisional financial performance			
A	YTD = £2.6 A	FY forecast £2.9m adverse to plan	23-24
B	YTD = £7.2m A	FY forecast £8.0m adverse to plan (highest risk)	25-27
C	YTD = £2.4m A	FY forecast £2.9m adverse to plan	28-30
D - Corporate	YTD = £2.9m F	FY forecast £2.7m favourable to plan	31
E - BRC	YTD = on plan	FY forecast £3.0m below original budget (secure)	32
F - Trustwide	YTD = £6.9m F	FY forecast £9.3m better than plan and £2m better than Mth10 due to corp adjustments	32
G - Capital charges	YTD = £1.8m F	FY forecast £1.8m better than plan (secure)	32

Capital			
Year-to-date	£26.9m (70%)	On plan	33
! Full year forecast	£36.9m	Small undershoot against approved CRL .	33

Balance Sheet			
Outstanding debt	£19.5m	Reduction of £11.1m from month 10	36
! Total overdue debt	£13.6m (70%)	An increase from month 10 of £4.5m	36
Better Practice Pyt	92% (by no.)	improvement in processes	37

Cash			
In-month movement	£8.4m inflow	£5.9m favourable to forecast	38

Key metrics and ratios			
! Financial Risk Rating	3	Constituent rating reflect reducing surplus but remains at 3 overall	12
EBTIDA margin	YTD = 5.3%	Adverse to original YTD plan of 5.9%. FY target and forecast is 5.9%	4
Liquidity	15	No significant change	12
PCT SLA performance	YTD = +£13.2m	Oxfordshire PCT £9.7m (+6.9%) above SLA	4
Workforce - employed	Feb =+167 WTEs	Total 8,022 WTEs, 7% increase in month	15
Workforce - agency	no change	YTD = £11.2m (ave £1.0m per month, this month £0.8m)	15

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

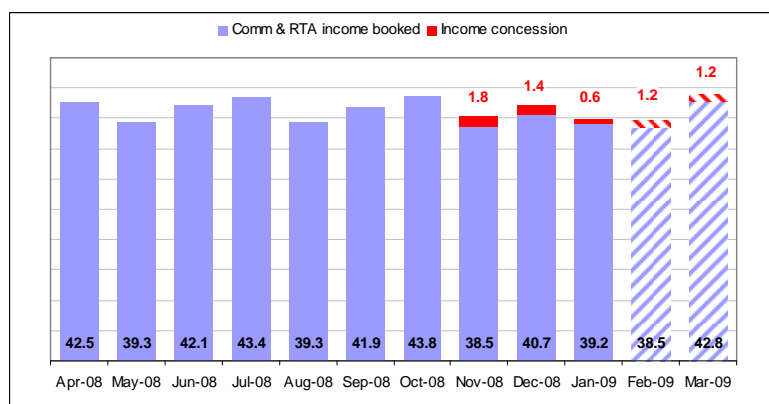
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Section B - Financial performance

B1. In-month

Table B1: Income and Expenditure Current Month Position:	Actual	Plan	Variance	Last Month Variance
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA Income	37,690	37,619	71	(335)
PP and O/seas Income	793	1,171	(378)	(519)
Other Income	7,410	8,090	(680)	2,280
Total Income	45,893	46,880	(987)	1,425
Expenditure:				
Pay costs	(27,822)	(28,188)	366	(1,361)
Non Pay costs	(17,911)	(18,483)	572	(407)
Total Expenditure	(45,733)	(46,671)	938	(1,768)
EBITDA*	160	208	(49)	(343)
Depreciation	(1,516)	(1,612)	96	224
Net Interest and Dividends	(1,162)	(1,090)	(72)	(83)
Exceptionals	0	0	0	0
Surplus/(deficit)	(2,518)	(2,493)	(25)	(201)
EBITDA %	0.3%	0.4%		

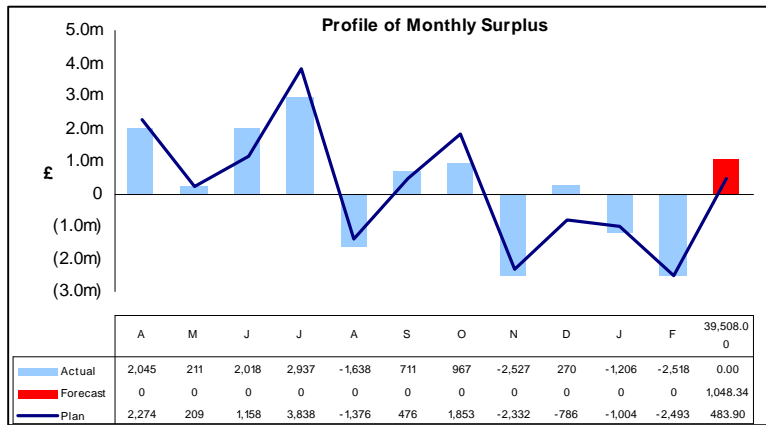
*EBITDA = earnings before interest, tax, depreciation and amortisation



Key points

- The Trust reported an actual trading deficit of £2.5m in February, which is in line with both the forecast and the original budget (both £2.5m). The deficit reflects the fact that February is the shortest working month of the year.
- As in past months, in arriving at the month's position we have had to estimate PCT income for the month which is not yet available. Since M7, our monthly estimates of PCT income have reflected the impact of activity and income "cap" we agreed with Oxfordshire PCT in December 2008. This has served to reduce YTD income by £5.0m (see graph).
- At £0.8m, PP income in the month was £0.4m lower than forecast but was £141k (21%) higher than in January. This is partly due to an increased volume of work but also attributable to improved billing arrangements.
- Pay costs were marginally higher than in January (+£111k, <0.01%). Pay costs were expected to reduce in the month due to the vacancy controls we have put in place, but this reduction was offset by the increase in contracted staff (of 167 WTEs) during February. This reflects appointments made in previous months.
- Agency costs were £791k in the month (included within total pay costs), which was an increase of £54k (7%) compared to January. Nearly half of this increase (£23k) reflects backdated costs for unsocial hours worked in previous months. Agency spend in the month remained significantly below the YTD average.

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- With only 20 working days in February, non-pay spend reduced, as forecast, by 9% across the three operating divisions. This is consistent with the reduction in theatre activity of c. 6% lower compared to January.

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B2. Year-to-date

Table B2: Income and Expenditure Year to date: 11 months	Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s	Full Year Estimate as at February			
					Actual £000s	Plan £000s	Variance £000s	Last Yr Actual £000s
Income:								
Commissioning & RTA Income	448,411	435,259	13,152	404,210	489,505	476,116	13,389	446,503
PP and O/seas Income	8,945	11,145	(2,200)	8,208	10,051	12,317	(2,265)	9,049
Other Income	94,174	88,628	5,546	80,694	105,646	96,724	8,921	94,790
Total Income	551,530	535,032	16,498	493,112	605,202	585,157	20,045	550,342
Expenditure:								
Pay costs	(317,830)	(302,735)	(15,095)	(285,188)	(348,007)	(330,972)	(17,036)	(316,381)
Non Pay costs	(204,573)	(200,761)	(3,812)	(180,112)	(224,281)	(219,463)	(4,818)	(202,578)
Total Expenditure	(522,402)	(503,496)	(18,907)	(465,300)	(572,288)	(550,434)	(21,853)	(518,959)
EBITDA*	29,127	31,537	(2,409)	27,812	32,915	34,722	(1,808)	31,383
Depreciation	(15,846)	(17,732)	1,886	(14,320)	(17,394)	(19,344)	1,950	(15,476)
Net Interest and Dividends	(12,011)	(11,988)	(23)	(10,702)	(13,202)	(13,078)	(124)	(11,594)
Exceptionals								
Surplus/(deficit)	1,270	1,816	(546)	2,790	2,318	2,300	18	4,312
EBITDA %	5.3%	5.9%		5.6%	5.4%	5.9%		5.7%

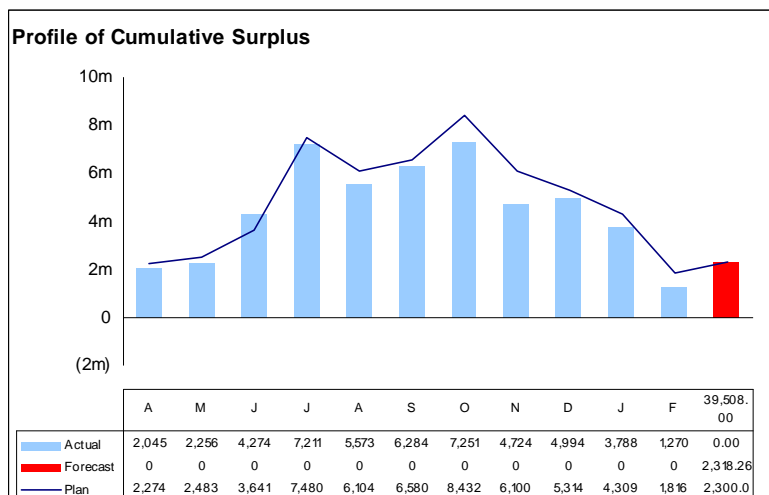
*EBITDA = earnings before interest, tax, depreciation and amortisation

- As a consequence of the in-month deficit, the M11 YTD surplus has reduced to £1.3m. This is in line with the YTD forecast (original plan YTD surplus £1.8m).
- To M11, total PCT income is £13.1m above plan (Oxfordshire +£9.7m). However, the income we have accounted for is £5.08m lower than the value of the additional work we have undertaken due to the income “cap” agreed with Oxfordshire PCT.
- The forecast outturn position of Oxfordshire PCT’s uncapped SLA remains consistent with the previous month at £16.0m. We continue to strive to reduce activity as further activity is unaffordable to the PCT and 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 – e.g. pay award (+£3m) and energy costs
 - The costs of delivering the extra but unfunded activity; and
 - Cancer centre costs – e.g. new staff and delay in PP income growth.
- During March we need to continue to tightly control costs and ensure that current year.
- It should be noted that the 2008/09 Annual Accounts are due to be submitted to the Department of Health by April 22 this year, a week earlier than the 2007/08 accounts.

Key points

Section C - Financial outlook

C1. Full-year forecast



Key points

- We continue to forecast delivery of the target full-year surplus of £2.3m, in line with both the original plan and forecast. This requires the Trust to make a £1m trading surplus in March. This is considered to be both a realistic and marginally prudent ambition. March is one of the three longest operating months in the financial year.
- With only a month of the financial year remaining, the residual risk to the forecast is reducing but a continued focus on cost control remains essential.

M11 full-year forecast - basis of preparation

- As in recent months, the “raw forecast” for the Trust has been overlaid with our assessment of the amount of additional measures that will be required to be delivered. However, in M11 adjustments have not been made to the divisional forecasts so these will provide a good benchmark for comparing outturn performance.
- In forecasting pay spend, no further changes have been made to the current run-rate on pay expenditure. This is considered a prudent assumption given the current rigorous review of vacancies and the controls on recruitment and use of agency staffing. However, it does allow for the impact of recruitment in place before the implementation of these controls.
- The forecast for non-pay expenditure assumes a marginally higher than average spend in the final month of the year. This is realistic given the higher number of working days in March, but it makes allowance for the impact of year-end accounting adjustments (eg. stock takes).
- Specific targets have been allowed for in the forecast for VAT savings (£0.2m) and for Q4 income settlements and adjustments (£2.5m). A review of provisions from 2007/08 has also been undertaken.

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C2. Risks to forecast

- The principal risks to the delivery of the forecast are summarised below.
- The risks are assessed on a monthly basis and updated to reflect current assessment of the financial position. With only one month of the financial year remaining the scale of risks to this year's position have reduced further.

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	6,600	25%	1,650	The income cap is expected equate to £6.6m by the year-end. Cost reductions are in the process of being delivered.
Pay and non-pay controls introduced do not deliver the required level of savings	2,600	33%	850	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. Non-pay spend is expected to be lower in February due to the lower number of working days.
The additional measures, additional income, identified to meet target surplus do not fully materialise	2,800	10%	280	Plans are well advanced to ensure delivery of the additional income targets. It is probable that alternative measures could be identified to mitigate any additional risk.

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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
Implement short term pay and recruitment controls	All Directors	All Directors have been asked to defer investment in staffing and undertake detailed scrutiny of staff resources and the timing of recruitment to vacancies.	Ongoing
Agree M11 Trust forecast following completion of corporate adjustments to overall Trust forecast	Directors of Operations Director of Performance Improvement Deputy Director of Finance	To ensure the divisional forecasts are aligned to the overall Trust forecast and the delivery of the target full-year surplus of £2.3m.	March 09
Income and Expenditure for Operational Divisions are contained within forecast levels	Directors of Operations	To ensure the divisional forecasts are aligned to the overall Trust forecast and the delivery of the target full-year surplus of £2.3m.	March 09
Complete and deliver the 2008/09 Final Accounts in line with the timetable set	Director of Finance and Procurement Directors of Operations	<ul style="list-style-type: none"> To ensure all income and expenditure for 2008/09 is accurately and appropriately accounted for. The Final Accounts are completed on time and an unqualified opinion is awarded. 	Mid-April 09

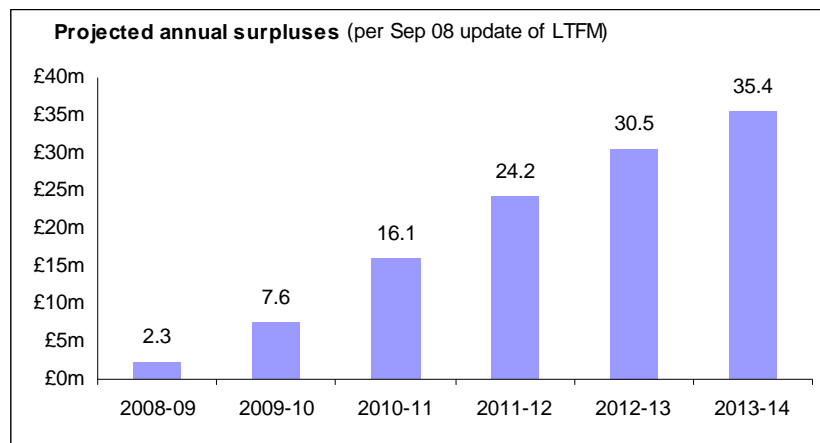
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C3. Impact of current outlook on future years' performance

Table C3: Income and Expenditure (Forecast as at February)	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	489,505	519,616	545,922	570,894	597,174	624,120
PP and O/seas Income	10,051	18,003	19,298	19,988	20,712	21,472
Other Income	105,646	97,807	101,935	106,007	110,235	114,618
Total Income	605,202	635,426	667,156	696,889	728,120	760,210
Expenditure:						
Pay costs	(348,007)	(339,446)	(344,257)	(346,500)	(349,833)	(353,303)
Non Pay costs	(224,281)	(251,864)	(267,403)	(282,555)	(300,364)	(320,044)
Total Expenditure	(572,288)	(591,310)	(611,660)	(629,055)	(650,196)	(673,346)
EBITDA*	32,915	44,116	55,496	67,835	77,924	86,863
Depreciation	(17,394)	(21,861)	(23,265)	(25,634)	(28,218)	(31,038)
Net Interest and Dividends	(13,202)	(14,703)	(16,134)	(17,993)	(19,246)	(20,401)
Exceptionals						
Surplus/(deficit)	2,318	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



Update of the LTFM

- This section considers the impact of the current year financial outlook on the Trust's future 5 year projections - i.e. the extant Long-Term Financial Model (LTFM).
- There has been no update on the LTFM since the last reported position at M10.
- The current (Sep 08) revision of the Trust's LTFM projects a surplus of £7.6m for 2009/10 - this is no longer realistic. The underlying assumptions do not yet reflect the impact of the downturn in the economy or the impact of the significant activity reductions which are to be targeted due to Oxfordshire PCT's affordability considerations. Unfortunately, this challenge will be exacerbated by the difficult economic situation, which we can expect to drive a greater demand for NHS services and to impact adversely on future NHS funding.
- A major refresh of the LTFM is scheduled by June. By this time the outcome of the current SLA negotiations and the level of actual income under HRG4 will be clearer. The work, currently being undertaken on budget setting for 2009/10 will also inform the refresh.
- The updated LTFM will be used in advancing the final stage of the Trust's Foundation Trust assessment, together with an updated Integrated Business Plan.

C4. Budget setting 2009/10

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Table 1: Summary Budget 2009/10		2008/09	2009/10	Change from 2008/09 FOT
	Last Yr Plan	Forecast outturn	Planned Budget	
	£m	£m	£m	£m
Commissioning & RTA Income	476,033	492,085	502,407	10,322
PP and O/seas Income	12,317	11,300	15,467	4,167
Other Income	96,724	100,736	99,639	(1,097)
Total Income	585,074	604,121	617,513	13,392
Expenditure:				
Pay costs	(330,932)	(347,137)	(343,797)	3,340
Non Pay costs	(219,420)	(224,306)	(209,704)	14,602
Total Expenditure	(550,352)	(571,443)	(553,501)	17,942
EBITDA*	34,722	32,678	64,012	31,334
Depreciation	(19,344)	(17,379)	(30,907)	(13,528)
Net Interest and Dividends	(13,078)	(12,992)	(30,728)	(17,736)
Exceptionals	0	0	0	0
Surplus/(deficit) before impairment	2,300	2,307	2,377	70
Impairments	0	0	(35,598)	(35,598)
Surplus/(deficit) after impairment	2,300	2,307	(33,221)	(35,528)

summarised, together with the 2008/09 Budget and M9 Forecast Outturn, in the table.

- NHS organisations are expected to produce financial plans for 2009/10 which are fully compliant with the adoption of IFRS. This has been reflected in the preparation of the Budget.
- The Trust is planning a surplus of £2.37m, before the impact of IFRS impairments. With impairments, the Budget is adjusted to a technical bottom line deficit of £33.2m.
- The surplus carried forward from 2008/09 is assumed to be £2.3m, which is consistent with current year forecast and with the financial returns we have made to the DH.
- The budgets include CIPs at a directorate level. Total CIPs are being targeted at £44.5m (including a 10% risk contingency). The Board should note that the savings plans have been worked up in greater detail than in previous years at this stage of the process. Some plans are subject to later revision following the conclusion of work currently being undertaken with the directors and their teams.
- A consistent Financial Plan return was submitted to the NHS South Central SHA on March 13, in accordance with the national reporting timetable.

Key points

- Draft budgets have been prepared for the review and approval by the Board at its meeting on March 26. The 2009/10 draft Trust budget is

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Section D - Financial Risk Rating

Table D1: Financial Risk Rating Year to date: 11 months	Weight	Metric %	Risk Rating
Metric			
EBITDA margin	25%	5.3%	3
EBITDA, % achieved	10%	92.4%	4
ROA	20%	3.1%	3
I&E surplus margin	20%	0.2%	2
Liquid ratio	25%	15.0	3
Weighted Average	100%		2.9

Explanatory note

Five financial ratios are used and a weighted average of these scores is then used to determine a trust's overall FRR:

- EBITDA margin % - the ratio of EBITDA to total income
- EBITDA % achieved - the ratio of the actual year-to-date EBITDA to the plan year-to-date EBITDA
- Return on Assets % - the ratio of the returns generated to average total assets employed
- IandE surplus margin % - the ratio of the returns generated to total income
- Liquidity ratio (days) - the number of days costs that can be covered by liquid resources.

Achievement against each of these measures is scored from 1 to 5, with 1 indicating the highest level of risk (see table).

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

- The Financial Risk Rating (FRR) is used as a measure of a trust's 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.

Current FRR

- The rating has not changed from that reported at M10. The overall rating remains at 3, which is deemed acceptable prior to FT authorisation.

FRR and Budgets for 2009/10

- The adoption of IFRS is expected to impact on the calculation of FRR but the impact, on individual metrics and the overall FRR, is expected to be relatively small. However, Monitor is expected to revise the methodology for IFRS.
- It is not possible to calculate the FRR for the draft 2009/10 Budget until the revised guidance has been issued.

Purpose

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Section E – Supplementary performance analysis and information

E1. Subjective analysis of landE

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	(335)	(519)	2,328	(1,361)	(220)	(94)	(201)
Change this month	406	141	(3,074)	1,728	984	(8)	177
Position at month 11	71	(378)	(747)	366	764	(102)	(25)

- To M11, **PCT income** (including RTA income) is above plan by £13.1m. The forecast FY over-performance of the Oxfordshire PCT contract has been fairly consistent for the last two months, at c. £16m, but with payment capped at under £10m for the year.
- YTD actual income position continues to reflect the full income cap income for Oxfordshire, which cut in from M8. Activity continues to run at 7.0% above the SLA.
- **Private patient income** is behind plan after 11 months, principally due to the delay in the availability of extra capacity in the Cancer Centre. PP income for the month was £0.8m, which is £0.4m lower than forecast but 21% higher (£141k) than January. This is partly due to an increased volume of work but also attributed to improved billing arrangements.
- **Other income** was less than plan in M11. The YTD position reflects the additional funding secured from the Post-Graduate Dean for medical staff training.
- **Pay costs** in the month are distorted by the in-month BRC spend, where the accrual was adjusted downwards in the month to more accurately forecast YTD costs. Some pay costs are incurred by the University of Oxford, on the Trust's behalf, and have to be estimated until billed.
- Pay in the operating divisions remained fairly static between months (0.01% increase).
- **Non-pay costs** were lower than M10 due to the lower number of working days. This was partially offset by the costs for the Churchill Cancer Centre, which are beginning to cut in.

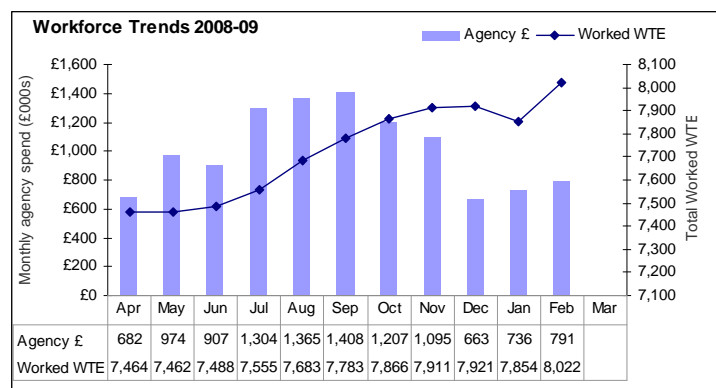
Key points

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E2. Workforce statistics

Staff Group	As at April 2008	Position after 10 months	Position after 11 months	Change from last month	% Change from April 2008
Medics	1,114	1,158	1,186	28	6%
Consultants	397	407	413	6	4%
Nursing, Midwifery & Health Visiting Staff	2,751	2,911	2,983	72	8%
Midwives	245	249	252	3	3%
Healthcare Assistants	974	1,022	1,046	24	7%
Managers and Senior Managers	233	237	238	1	2%
Admin & Estates	1,382	1,452	1,500	48	9%
Scientist, Therapists and Technical	990	1,072	1,067	(4)	8%
Allied Health Professionals	386	419	419	0	9%
Healthcare Scientists	464	499	495	(4)	7%
Other S T & Ts	140	154	154	(0)	10%
Other Staff	21	3	2	(2)	(92%)
Total	7,464	7,854	8,022	167	7%

Division	As at April 2008	Position after 10 months	Position after 11 months	Change from last month	% Change from April 2008
Division A	1,653	1,769	1,806	37	9%
Division B	2,439	2,576	2,637	62	8%
Division C	2,294	2,389	2,409	19	5%
Division D - Corporate Directorates	1,008	1,015	1,062	47	5%
Division E - Biomedical Research	20	46	51	5	157%
Division F - Trustwide	50	60	57	-2	16%
Division G - Operating Expenses	0	0	0	0	
Total	7,464	7,854	8,022	167	7%



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.

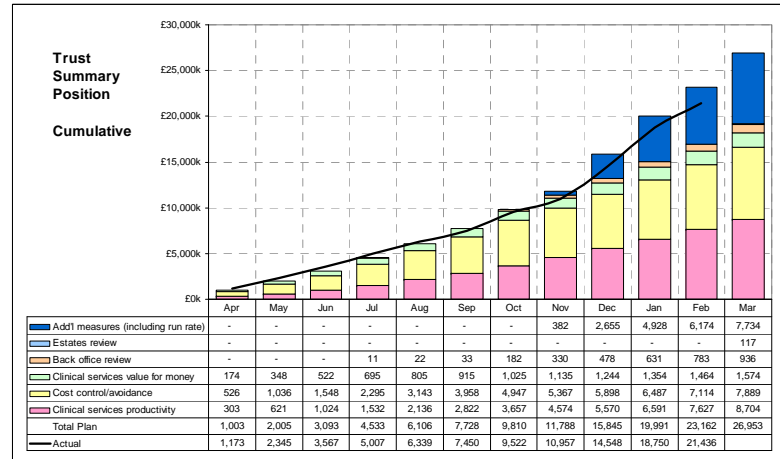
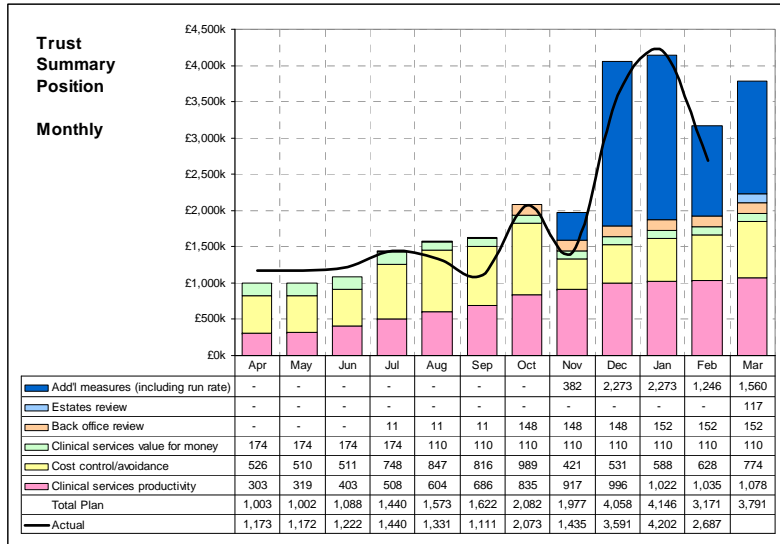
Key points

- Employed staff increased by 167 WTEs (2.1%) over the last month. The increase in WTE reflects appointments made in previous months.
- All vacancies continue to be subject to scrutiny by the three workforce review groups. This will continue for the immediate future.
- Agency costs were £791k in the month, an increase of £54k (7%) compared to M10. However, nearly half of this increase (£23k) reflects backdated payments for unsocial hours worked in previous months. Agency spend in the month remains significantly below the YTD average.
- Pay is forecast to total £347m this year. The draft Budget for 2009/10 is £336m (before inflation), requiring an overall reduction of £11.3m. This is driven by both the CIPs planned and PCT requirements to reduce activity.
- Directorates are being challenged to manage down staff numbers and costs now (including overtime and agency) in anticipation of this requirement and to minimise the impact for staff.
- The workforce panels are leading and promoting initiatives to reduce workforce, as well as co-ordination redeployment and reassignment opportunities across divisions.

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E3. Cost Improvement Programme (CIPs)

(a) Overall position



Coverage and structure of programme

- The Performance Improvement and 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 commissioning income from M8.

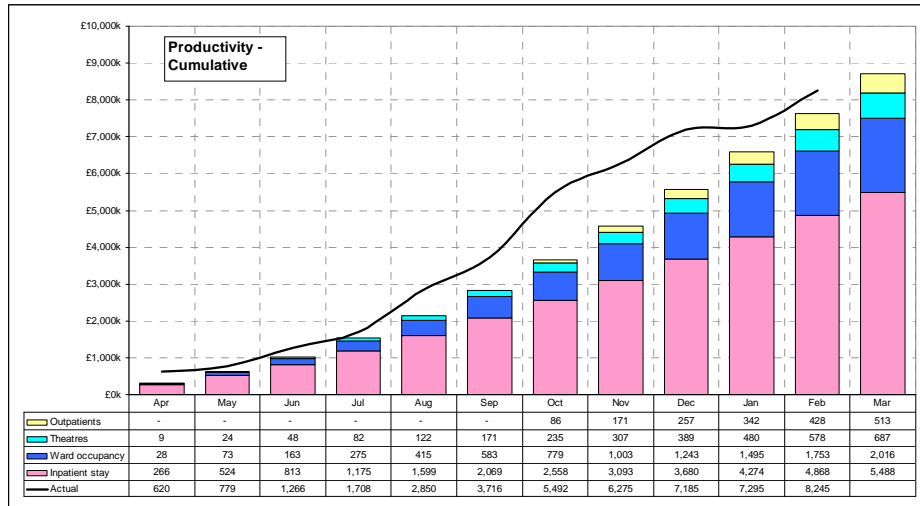
- The programme is structured into three work stream areas; productivity, value for money and cost avoidance. An additional work stream has been established to reflect the extra measures required to deliver the additional £5m.

Key points – programme delivery

- The programme delivered £0.5m less than the revised plan in February - £2.7m, compared to a plan of £3.2m. This was largely due to value for money work streams, the metrics for which have been adversely affected by the recent growth in staff numbers (for the Cancer Centre) and the short working month.
- Cumulative savings total £21.4m to M11, compared to the revised plan of £23.2m – ie. they are running at 93% of plan.
- The programme is forecast to deliver within £1-2m of the revised target by the year-end.

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(a) Productivity work streams



- 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

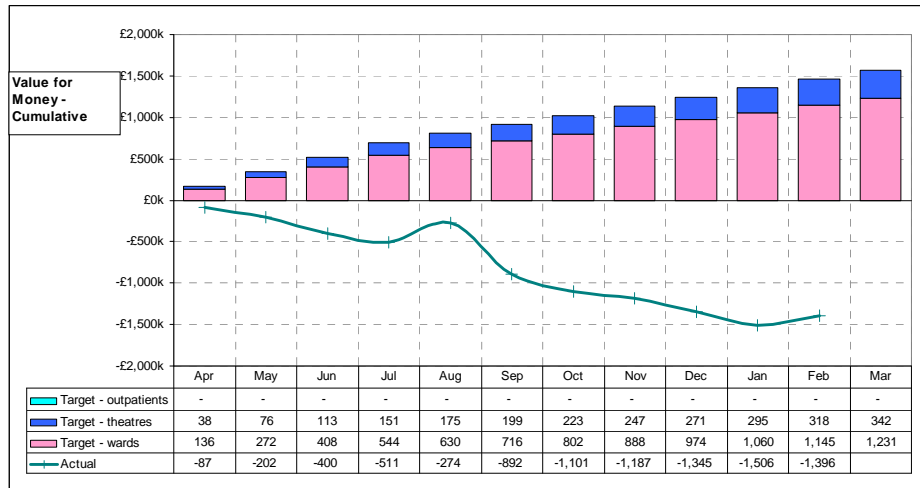
- Cumulative performance continues to be strong, with savings now totalling £8.2m compared to a plan of £7.6m.
- In contrast to this success, length of stay has increased above target, largely as a result of the higher acuity of patients over recent months.
- The Trust is still on track to deliver plan, or better, by the year end.

Actions required/ in hand to secure delivery

- We are continuing to flex capacity according to day to day operational requirements.

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(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).
- Performance is measured as a targeted reduction of unit costs compared to the previous financial year. February, as a short working month, has higher staff unit costs.

Key points - value for money performance

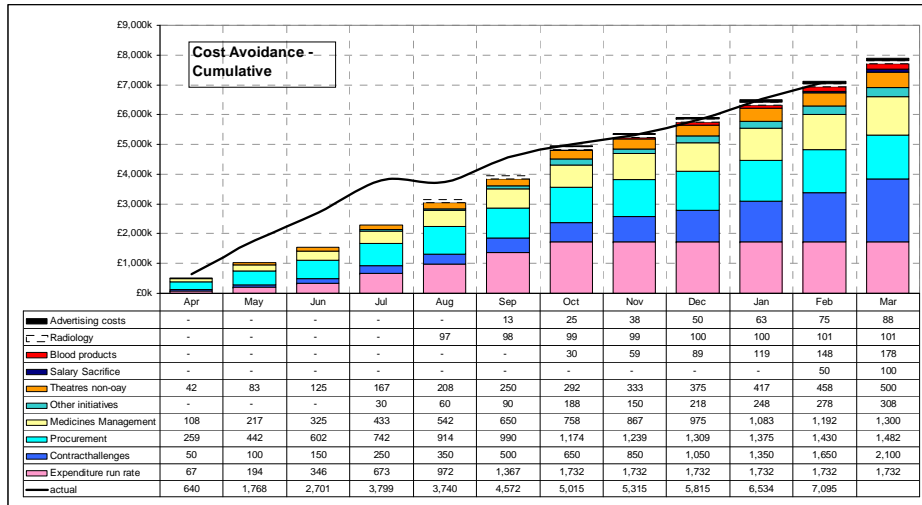
- Unit costs continue to run higher than last year – ie. £1.4m greater in the YTD, compared to a targeted reduction of £1.4m.
- The adverse variance is partly driven by the time lag between reducing capacity to match the Oxfordshire contract and the corresponding reduction in staff costs.

Actions required/ in hand to secure delivery

- Continued focus on the reduction of nurse agency costs usage.
- Restraint in appointing new staff through the nursing, medical and other staff vacancy control panels.
- Modelling nurse staffing requirements using the “Hurst” acuity tool. This is expected to enable ward pay costs to be reduced over time by varying grade mix.

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(c) Cost avoidance work streams



- 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

- YTD savings are on plan, at £7.1m.

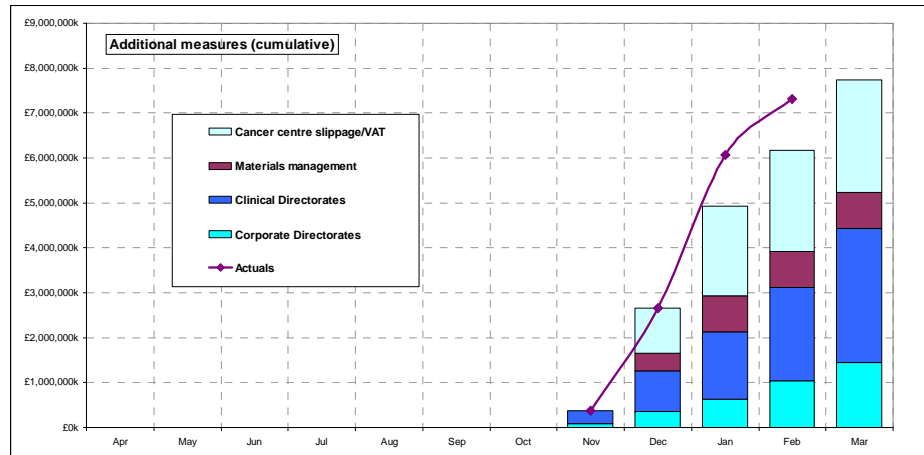
Actions required/ in hand to secure delivery

- No further actions required.

Focus of cost avoidance initiatives

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(d) Additional measures



Focus of additional measures

- The initiatives cover projects identified in the clinical and corporate directorate reviews to reduce the run rate, ensure that costs associated with activity are removed as activity reduces, and provide extra savings to secure the year-end position.

Key points - additional measures performance

- The additional savings targeted from clinical and corporate directorates are now being delivered above initial expectations.
- Directorate performance continues to improve, as evidenced by the favourable movement of £6m in the directorate FY forecasts between M6 and M10.

Actions required/ in hand to secure delivery

- Continuation of the monthly directorate reviews.
- Additional support from KPMG which, although focussed primarily on next financial year, will help to maintain the level of scrutiny and control required for the remainder of this year.

E4. Divisional financial performance

(a) Divisional summary

Oxford Radcliffe Hospitals

Table E4.1: Performance by division	Year to date: February				Full Year		
	Actual £000s	Plan £000s	Variance £000s	Last Year Actual £000s	Plan £000s	Forecast £000s	Variance to Plan £000s
Operating Divisions							
A	52,263	54,878	(2,615)		60,218	57,319	(2,900)
B	34,803	42,005	(7,202)		46,038	38,024	(8,014)
C	(2,619)	(272)	(2,346)		(159)	(3,043)	(2,884)
D - Corporate directorates	(70,691)	(73,597)	2,906	(60,221)	(80,673)	(77,995)	2,678
E - Biomedical Research	26	35	(9)	0	(0)	(0)	(0)
F - Trustwide (incl PCT inc)	15,554	8,670	6,884		9,497	18,832	9,335
G - Capital Charges	(28,068)	(29,904)	1,836	(32,551)	(32,622)	(30,819)	1,803
Surplus/(deficit)	1,270	1,816	(546)	2,790	2,300	2,318	18

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).
- The divisional position is summarised as follows
 - Division A is under-achieving against its YTD plan by £2.6m, which is forecast to increase to £2.9m by the year-end.
 - Division B is under-achieving its YTD plan to date by £7.2m, which is forecast to increase to £8.0m by the year-end.
 - Division C is under-achieving its YTD plan by £2.3m, which is forecast to increase to £2.9m by the year-end. The current forecast reflects planned investments in radiology and labs staffing for the Cancer Centre.
 - 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: February				Full Year		
	Actual £000s	Plan £000s	Variance £000s	Last Year Actual £000s	Plan £000s	Forecast £000s	Variance to Plan £000s
Income:							
Commissioning & RTA	166,464	163,735	2,730		179,113	181,906	2,793
PP & O/s eas	1,729	2,342	(612)	1,215	2,557	1,827	(730)
Other Income	2,362	2,565	(202)	2,544	2,798	2,577	(221)
Total Income	170,556	168,641	1,915	3,760	184,468	186,310	1,842
Expenditure:							
Pay costs	(65,799)	(62,209)	(3,590)	(62,001)	(67,990)	(71,815)	(3,824)
Non Pay costs	(52,494)	(51,554)	(941)	(47,568)	(56,259)	(57,177)	(918)
Total Expenditure	(118,293)	(113,762)	(4,530)	(109,568)	(124,250)	(128,992)	(4,742)
Net position	52,263	54,878	(2,615)		60,218	57,319	(2,900)

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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 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Cardiac	(4,100)	1,757	(2,343)
Div A Divisionwide	683	(976)	(293)
Medicine 1	(1,943)	1,716	(227)
Renal Centre	1,281	(1,328)	(47)
Specialist Medicine	(453)	747	295
Division Total	(4,530)	1,915	(2,615)

Year-to-date performance

- The Division is adverse to the YTD plan by £2.6m.
- 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 (£4.5m in excess of plan). Cardiac is £1.8m above its income plan, Medicine £1.6m above plan, Specialist Medicine £0.7m above plan, and Renal £1.4m below plan.
- PP income is £0.6m below its increased target for the year.

- The Pay variance is primarily related to higher levels of activity. Additional pay costs continue to be incurred for additional capacity in medical beds to cope with operational pressures.
- 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 factor) which are covered by additional income.

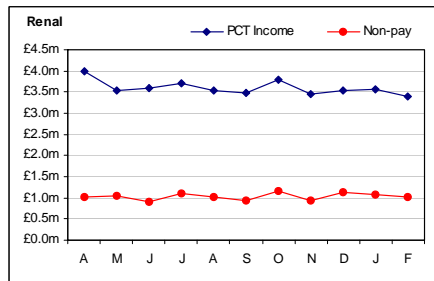
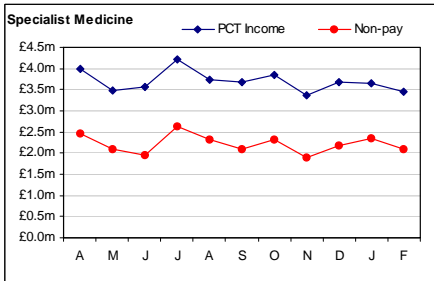
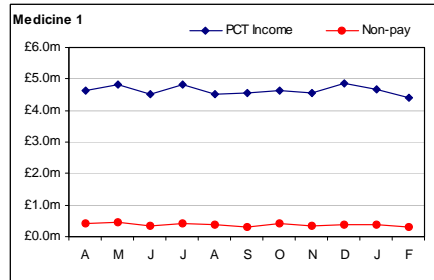
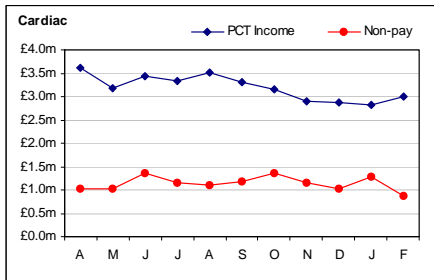
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Table E 4.4:
CONTRIBUTION
Directorate Summary
Division A

Cardiac
Medicine 1
Renal Centre
Specialist Medicine

Cumulative Position after
11 months
Plan **Actual**
% **%**

38% 30%
39% 37%
38% 39%
16% 16%



- The 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 changes in income (activity) matched by changes in non-pay. Exceptionally for Cardiac, non-pay was significantly lower due to a lower spend on pacing, Homograft and Angiography consumables. This is reflective of reduced capacity and case-mix changes.

(c) Division B

Contribution analysis

Oxford Radcliffe Hospitals

Table E4.5: Division B Summary	Year to date: February				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	177,840	167,414	10,425		183,120	194,268	11,148
PP & O/seas	2,953	3,827	(875)	2,532	4,286	3,242	(1,044)
Other Income	5,743	4,514	1,229	5,243	4,925	6,197	1,272
Total Income	186,535	175,756	10,779	9,454	192,331	203,707	11,376
Expenditure:							
Pay costs	(107,642)	(95,585)	(12,057)	(94,317)	(104,612)	(117,479)	(12,867)
Non Pay costs	(44,089)	(38,165)	(5,925)	(35,689)	(41,681)	(48,204)	(6,523)
Total Expenditure	(151,732)	(133,750)	(17,982)	(130,006)	(146,293)	(165,683)	(19,390)
Net position	34,803	42,005	(7,202)		46,038	38,024	(8,014)

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 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Anaesthetics & Theatres	(3,473)	831	(2,642)
Cancer	(5,681)	4,427	(1,254)
Division B Management	(141)	(11)	(152)
General Surgery	(5,086)	2,741	(2,344)
Specialist Surgery	(3,601)	2,791	(810)
Division Total	(17,982)	10,779	(7,202)

Year-to-date performance

- The YTD adverse variance of £7.2m is largely due to the net impact of:

- o The additional income earned (£10.8m above plan); offset by
- o The costs of undertaking the additional activity (£18.0m above plan), which includes the theatre costs for additional surgical activity undertaken by all three clinical divisions.
- PCT income is favourable to plan by £10.4m - Specialist Surgery is £3.1m above plan, Cancer £4.1m, General Surgery £2.8m and Critical Care £0.4m.
- PP income is worse than plan by £0.9m, which is largely attributable to unavailability of the available capacity in the new Cancer Centre.
- The £12.1m adverse Pay variance (up £0.9m from M10) is primarily activity driven which has resulted in agency staffing and cost pressures. The latter include; extra beds in Specialist Surgery and Neurosurgery, additional sessions to maintain waiting lists and additional theatre lists.
- Spend over the last 3 months has been steady (ave £9.8m pm) despite a reduction in activity. No material change is anticipated in pay costs for the remainder of the financial year. The team are, however, beginning to identify savings and efficiencies with KPMG for 2009/10. It is anticipated that these will begin to materialise early in the financial year.
- The Non-pay variance (£5.9m) is mainly linked to activity (Cancer and General Surgery), driven by pass through drug costs (c. £2.2m YTD) which are matched by additional income. Non-pay costs in the month were £0.2m better than forecast.
- There has been a reduction in the number of theatre lists in response to commissioned requirements.

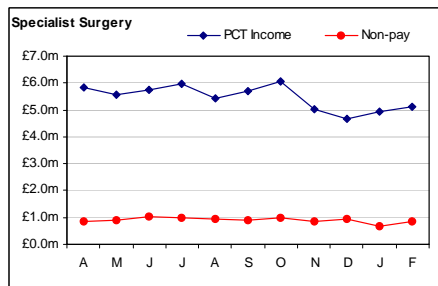
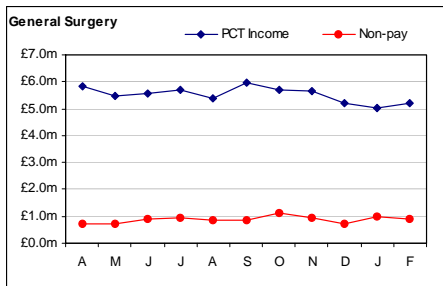
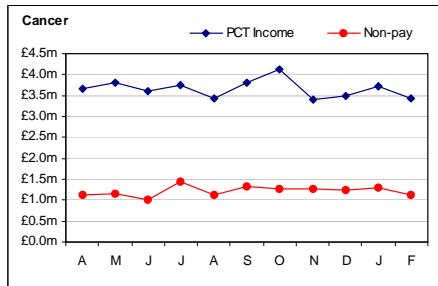
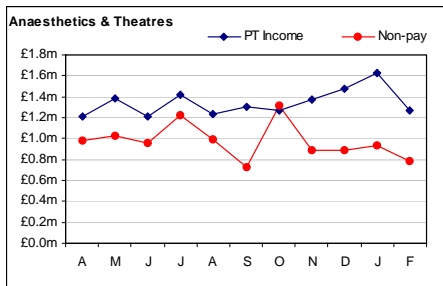
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Table E4.7:

CONTRIBUTION
Directorate Summary
Division B

Cumulative Position after
11 months

	Plan	Actual
	%	%
Anaesthetics & Theatres	-174%	-180%
Cancer	44%	37%
General Surgery	51%	45%
Specialist Surgery	44%	41%



made, as a proportion of the total income generated by each directorate. It is a simple measure of the gross contribution.

- At M11 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” cost impacts adversely on the sustainability of the service.
- 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 flat in all directorates, with spend reducing across Theatres and Anaesthetics and Cancer, and to a lesser extent General Surgery. This is largely as a result of reduced surgical sessions and activity.
- In Specialist Surgery non-pay was marginally higher in M10. The M11 spend includes accruals to reflect the most up-to-date assessment of known commitment for audiology consumables.

Contribution analysis

- The analysis shows the percentage financial contribution being made by each of the clinical directorates. This represents the percentage surplus

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(d) Division C

	Year to date: February				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	103,732	103,232	500		112,934	113,397	463
PP & O/s/eas	2,199	2,983	(784)	2,477	3,299	2,436	(863)
Other Income	14,436	11,256	3,180	11,792	12,285	15,700	3,415
Total Income	120,367	117,471	2,896	14,269	128,518	131,534	3,015
Expenditure:							
Pay costs	(94,031)	(91,891)	(2,140)	(85,554)	(100,470)	(102,963)	(2,493)
Non Pay costs	(28,955)	(25,852)	(3,103)	(25,748)	(28,207)	(31,613)	(3,406)
Total Expenditure	(122,986)	(117,743)	(5,242)	(111,301)	(128,677)	(134,576)	(5,899)
Net position	(2,619)	(272)	(2,346)		(159)	(3,043)	(2,884)

Note - the comparator figures for the old year for PCT income and the net position are greyed out because PCT income was not reported to front line Divisions last year so the comparison would not be meaningful.

	Position after 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Childrens & Genetics	(321)	1,181	859
Divisional Services	(27)	15	(12)
Lab Med & Clinical Sciences	(683)	825	141
Pharmacy and Therapies	(1,985)	1,654	(331)
Radiology & Physics	(539)	307	(232)
Women's & Sexual Health	(1,687)	(1,085)	(2,773)
Division Total	(5,242)	2,896	(2,346)

Year-to-date performance

- The YTD adverse variance of £2.3m reflects the net impact of:

- The higher levels of PCT income (£0.5m above plan) and Other income (£3.2m above plan); offset by
- The additional clinical support service costs to deliver this activity for the additional work undertaken by all three divisions (£5.2m).

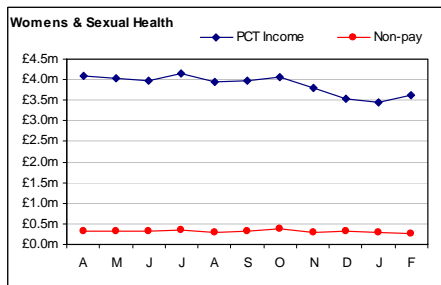
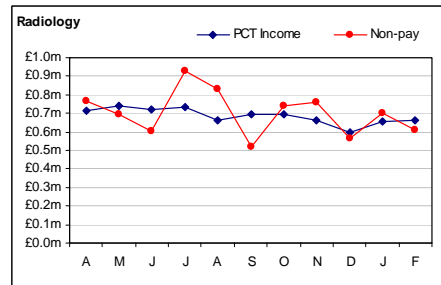
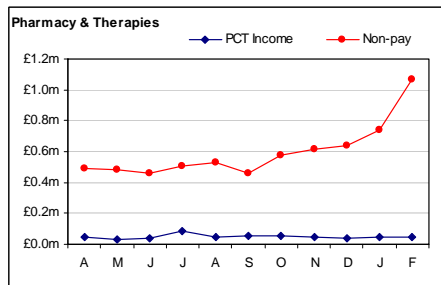
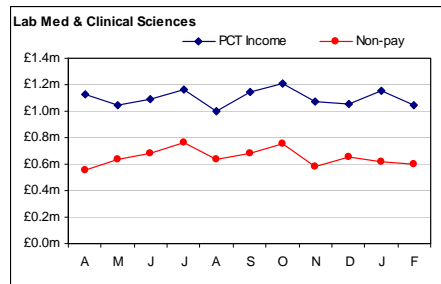
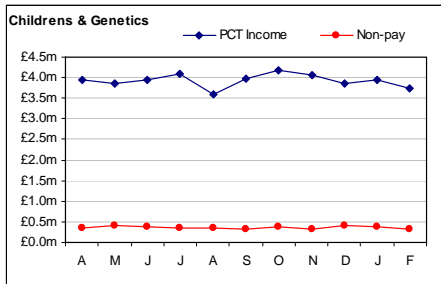
- PCT Income is favourable to plan by £0.5m, with Children and Genetics and Radiology above plan (£1.2m and £0.4m), and Women's below (£1.2m).
- PP income is adverse to budget by £0.8m. This is due to the delay in the opening of the Cancer Centre (clinical support) and Children's PP income (paediatric orthopaedic services). The impact of both these factors has been built into future projections for PP income.
- The majority of the Other Income £3.2m favourable variance relates to lab testing for DGHs, genetics testing and pharmacy drug sales. Laboratory DGH testing is over target by £355k (19%) and Genetics Sudden Cardiac Death testing is up by £227k. Other positive variances include - recharges for blood products (£138k), Pharmacy drug sales (£1.2M) and LBC set-up funding in Cellular Pathology. There are also a number of additional training posts agreed this year which are supported by external income.
- Despite significant vacancies in the Division, pay is adverse to budget. Savings targets have not been fully realised and some limited investment in staff is being made to support the Horton and Lab activity. This is being managed within the Division and costs fully reflected in the outturn forecast.
- Non-pay expenditure is £3.1m over the YTD plan, primarily because of additional activity undertaken to support frontline services and the increase in the number of births. Some of this variance is offset by the positive Other Income variance.

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Table E4.10:
CONTRIBUTION
Directorate Summary
Division C

Cumulative Position after
11 months

	Plan %	Actual %
Childrens & Genetics	32%	33%
Women's & Sexual Health	48%	43%
Lab Med & Clinical Sciences	-51%	-47%
Pharmacy and Therapies	-256%	-188%
Radiology & Physics	-167%	-164%



- The 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 and 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 and Therapies non-pay costs increased from the previous month. The non-pay costs related to drugs that are bought for re-sale and for which income (non-PCT) is collected.
- For all other specialties, non-pay costs were lower in the month than in previous months and reflects the changing activity levels and the efficiencies being realised by Divisional teams.

Contribution analysis

Oxford Radcliffe Hospitals

(e) Division D

Table E4.11: Division D (Corporate Directorates) Summary	Year to date: February				Full Year		
	Actual	Plan	Variance	Last Year Actual	Plan	Forecast	Variance to Plan
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income:							
Commissioning & RTA	2	0	2	(25)	0	2	2
PP & O/seas	2,064	1,994	71	1,983	2,175	2,246	71
Other Income	15,956	15,501	455	14,256	16,923	17,760	837
Total Income	18,023	17,495	528	16,215	19,098	20,008	910
Expenditure:							
Pay costs	(33,403)	(34,224)	821	(30,967)	(37,351)	(36,526)	825
Non Pay costs	(55,310)	(56,868)	1,558	(45,468)	(62,419)	(61,476)	943
Total Expenditure	(88,713)	(91,092)	2,379	(76,435)	(99,771)	(98,003)	1,768
Net position	(70,691)	(73,597)	2,906	(60,221)	(80,673)	(77,995)	2,678

Table E4.12: Directorate Summary Division D (Corporate Directorates)	Position after 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
CRS Implementation	(59)	(150)	(209)
Central Trust Services	(66)	12	(54)
Clinical Governance Unit	154	(2)	152
Division D Division Wide	0	0	0
Elective Access	(208)	(2)	(210)
Estates and Facilities	2,918	102	3,019
Finance & Procurement	118	29	147
Horton Management	(52)	0	(52)
Human Resources & Admin	(73)	73	0
Medical Director	461	(62)	399
Nursing/Midwifery Directorate	123	305	428
Patient Access	(11)	1	(10)
Planning & Information	(792)	166	(627)
Private Patients	(133)	56	(77)
Division Total	2,379	528	2,906

Year-to-date performance

- The YTD position shows a favourable variance against budget of £2.9m, which largely reflects the financial impact of the delay to the opening of the Cancer Centre. For each month the project was delayed, the Division have saved on the Unitary Payment, rates and energy costs of c. £1.5m. The Cancer Centre was handed over to the Trust in January and costs relating to the building are now incorporated into the M11 results.
- The non-recurring benefit has enable the Trust to manage a number of underlying cost pressures including:
 - The income loss for patient services provided for Oxfordshire PCT patients (£5m YTD)
 - Additional PFI contract variations of £1.2m, 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 (£1.0m) and maintenance costs (£0.3m).
 - Additional costs related to the Foundation Trust and AHSC application (£0.4m).

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(f) Other budgets

Table E4.13: Biomedical Research Centre Division E	Position after 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	3,554	(3,563)	(9)
Division Total	3,554	(3,563)	(9)

Table E4.14: Trustwide budgets Division F	Position after 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	503	(409)	94
Teaching Training Research	(340)	2,639	2,299
Trust Wide	2,778	1,713	4,491
Division Total	2,942	3,943	6,884

Table E4.15: Operating Expenses Division G	Position after 11 months		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	1,245	592	1,836
Division Total	1,245	592	1,836

- 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 68% 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 M11 the FY outturn is forecast to be £3m less than was originally planned for the year - this budget will be carried forward. This is higher than previously reported as, in month, expenditure levels fell as a result of more accurate assessment of outstanding commitments

Trust wide budgets

- Division F is favourable to plan by £6.8m, an improvement of £1.0m from last month. This reflects additional income secured for Teaching, Training and Research.
- The Trust-wide favourable variance of £4.5m is, in part, a result of a review of ongoing provisions from 2007/08.

Operating expenses (capital charges)

- The favourable variance reflects an YTD saving on depreciation as a result of the changed profile of capital expenditure. At M11 we have incurred 70% of the capital spend but much of this has been on the Cardiac development which is in construction, and does not yet incur depreciation.
- The FY forecast is for a favourable variance to plan of £1.8m.

Biomedical Research Centre (BRC)

Section F – Capital Programme

Table F1: Capital Expenditure Summary		Year to date: February	
Project Code/Name	Annual Forecast £000s	Actual £000s	Forecast Achieved %
Cardiac Expansion	12,374	11,140	90%
CRS	342	284	83%
Churchill PFI Group 3 Medical equipment	4,980	762	15%
JR PFI Unitary payment reversionary interest	1,273	1167	92%
CH PFI Unitary payment reversionary interest	1,010	841	83%
Bio Medical Research Centre	3,940	2235	57%
All Other Schemes	14,268	10,454	73%
Total	38,187	26,883	70%

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 funded by:
 - o Internally generated resources (cash) of £19.3m
 - o DH funding (new Public Dividend Capital) for the Cardiac Expansion (£10.4m) and Bio Medical Research Centre (£0.5m)
 - o New capital loans of £7.9m.

Capital expenditure

- Expenditure "chargeable" against the approved CRL at M11 is £26.9m, 70% of the full-year forecast.
- The cash loan of £7.9m is due to be drawn down in March 2009. First payment of principal and interest will become due in September 2009 and the impact of financing this loan has been reflected in the budget proposals for 2009/10.
- Following a through assessment of the 2008/09 capital schemes it is anticipated that we will spend less £1.3m than the approved CRL due to the delays we have put in place to manage cash. This has been agreed with NHS South Central. It has been confirmed that the 2009/10 CRL is to be adjusted to take account of £2m of carry-forward schemes.

Capital Programme/ Budget for 2009/10

- A Capital Programme for 2009/10 is to be recommended to the Board at its March meeting. The proposed capital expenditure for 2009/10 is £31.7m (including leases). A further £2.3m will be incurred on behalf of other organisations which will be fully reimbursed.
- The initial Capital Resource Limit (CRL) for next year will be set by the DH at £31.7m. In summary, it is proposed that this is deployed as follows:
 - o Schemes carried forward from 2008/09 (£2.0m)

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- o New prioritised schemes (£23.7m)
- o Leasing (predominantly carried forward from 2008/09) (£6m).
- The Trust has also bid to NHS South Central for a further £2.5m to update facilities to reduce the mixed sex accommodation. The outcome of this bid is not yet known and so they are not included in the current draft budget for 2009/10.
- To avoid the need for the Trust to take additional repayable capital loans, it is proposed that the capital spend next year be funded entirely through internally generated resources, as follows:
 - o From cash represented by depreciation (£30.9m)
 - o From cash generated from the landE surplus (£0.8m).
- These plans align with the overall budgetary proposals for 2009/10.
- The proposed programme is fully supported by the Trust's Physical Resources Group (PRG). The meets monthly to ensure delivery of the programme within the approved capital budget. Divisional teams are involved in this process.

Section G - Balance Sheet and cash

G1. Balance Sheet

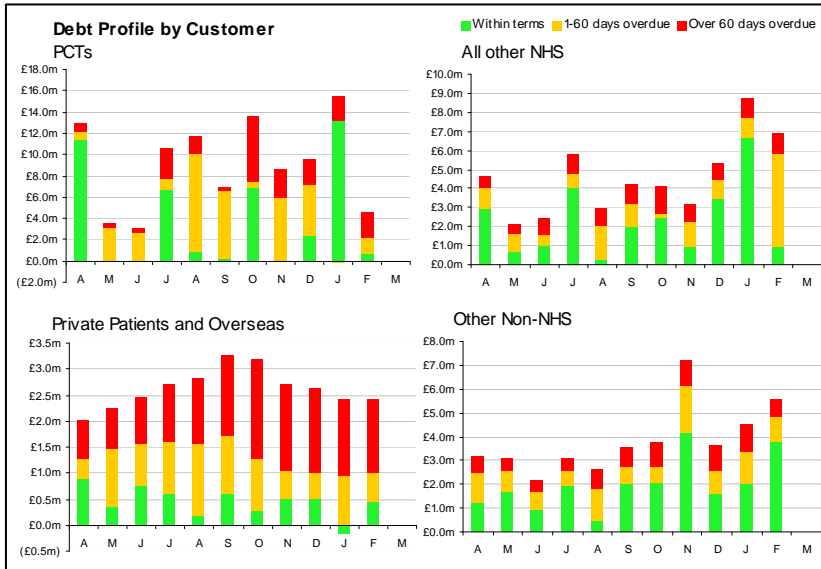
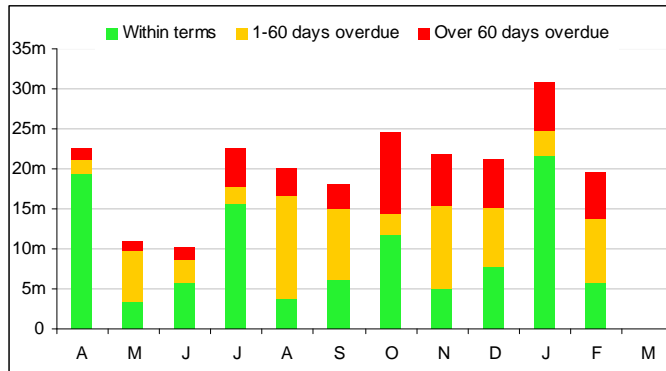
Table G1: Balance Sheet for February	Last month balance	Current Month	Movement in Month
	£000s	£000s	£000s
Fixed Assets			
Intangible Fixed Assets	3,741	3,746	6
Tangible Fixed Assets	467,912	468,194	281
Total Fixed Assets	471,653	471,940	287
Current Assets			
Stocks and Work in progress	9,477	9,402	-75
Debtors	73,690	66,915	-6,774
Investments	126	126	0
Cash	21,379	29,821	8,442
Total Current Assets	104,672	106,265	1,593
Current Liabilities			
Creditors < 1 year	(95,228)	(100,070)	-4,843
Total Current Liabilities	(95,228)	(100,070)	-4,843
Other Liabilities			
Creditors > 1 year	(30,029)	(29,987)	41
Provisions for liabilities and charges	(2,092)	(1,917)	175
Total Other Liabilities	(32,121)	(31,905)	216
Total Assets Employed	448,976	446,230	-2,746
Taxpayer's Equity			
Public Dividend Capital	(172,585)	(172,585)	0
Revaluation Reserve	(198,315)	(198,322)	-7
Donated Asset Reserve	(67,831)	(67,597)	234
Government Grant Reserve	(126)	(126)	0
Other Reserves	(1,743)	(1,743)	0
I&E Reserve	(4,587)	(4,587)	0
Current year I&E	(3,788)	(1,270)	2,518
Total Taxpayer's Equity	(448,976)	(446,230)	2,746

- Fixed Assets - The net book value fixed assets increased by £287k in the month. This reflected additions of £2.3m, less depreciation of £2m.
- Current Assets - Total current assets increased by £1.6m in the month. This relates to an improvement in the cash position (£8.4m) and a reduction in debtors (£6.8m) due primarily to the settlement of the Q3 over-performance invoices issued against PCTs.
- Current liabilities - Creditors due within one year increased by £4.8m to £100m, largely due to an increase in NHS Creditors (£2.2m) and other creditors under 1 year (£0.5m); together with an increase in accruals (£1m) capital creditors (£0.8m).
- Non-Current Liabilities - these include a long-term creditor in relation to the JR PFI scheme of £13.0m which is amortised over the life of the scheme, and the long-term loans outstanding of £16.8m.
- Taxpayers' Equity - reflects a reduction in the donated asset reserve (due to depreciation) and in the landE reserve (deficit for the month).

G2. Debtors (money owed to the Trust)

Principal movements in the month

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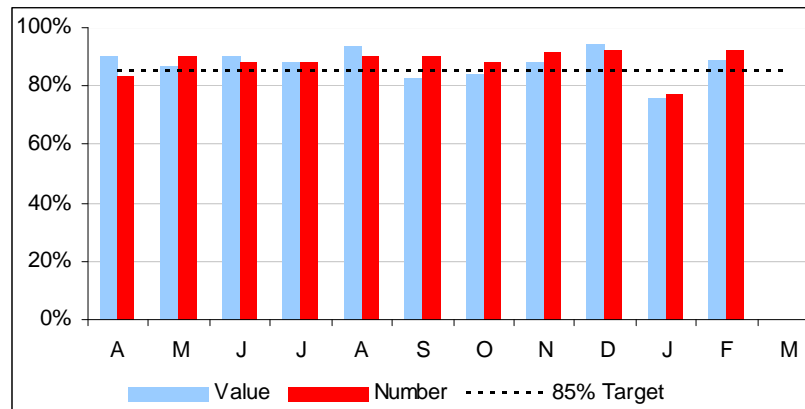


- Total debt decreased in the month from £30.6m to £19.5m (NHS £11.5m, Non-NHS £5.8m, and PPand Overseas £2.1m). This was primarily related to payment of outstanding NHS debtors for Q3 activity above the SLAs and the receipt of £3m for the 2nd instalment of the nationally funded Clinical Excellence Awards.
- Overdue debt totalled £13.6m at the February. There was a £4.5m increase in overdue debt, largely due to £4m SHA debt which has been cleared in March.
- Of non-NHS invoices, £1.8m remains overdue. Staffing resources continue to be re-deployed to give additional attention to these debts, and which have been reduced by £600k in the last month.

Key points – Debtors

G3. Creditors (money owed by the Trust)

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- 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 February, performance in relation to the payment of Non-NHS invoices returned to normal levels - from 77.2% to 92.4%, by number (75.7% to 89%, by value) - following the problems experienced last month regarding the processing of pharmacy and agency invoices.
- Although the M11 pharmacy ledger feed went smoothly, Pharmacy continues to have staffing gaps and there is the potential for delays to re-occur.
- A review has taken place of the centralised system in PIT for authorising agency staff invoices. Invoices are generally passed for payment within agreed timescale but there are still problems with agencies billing the Trust promptly and with high error rates which lead to invoices being returned for amendment. This situation impacts adversely on the payment performance when it arises.
- Performance for the payment of NHS invoices improved, with 86.4% by number (89.6% by value) being processed within 30 days.

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.

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G4. Cash Management

Table G4: Cashflow Forecast	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Opening cash balance	21.4	29.8	18.0	10.5	11.2	12.7	16.1	17.4	11.8	12.7	12.3	11.2
Receipts	57.9	63.0	50.6	50.3	52.2	53.4	51.1	52.2	52.6	51.4	51.8	51.1
Payments	-47.2	-67.8	-52.1	-49.6	-50.2	-49.5	-48.7	-49.1	-49.2	-48.8	-49.0	-47.6
Dividends & net interest	0.0	-7.1	0.0	0.0	0.0	0.0	0.0	-4.8	0.0	0.0	0.0	0.0
Capital investment	-2.3	-5.8	-6.0	0.0	-0.5	-0.5	-1.0	-1.5	-2.5	-3.0	-4.0	-4.5
PDC receipts & payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan receipts & payments	0.0	5.9	0.0	0.0	0.0	0.0	0.0	-2.4	0.0	0.0	0.0	0.0
Closing cash balance	29.8	18.0	10.5	11.2	12.7	16.1	17.4	11.8	12.7	12.3	11.2	10.1

Key points

- The table shows the rolling forecast cash position for the next 12 months.
- Cash increased by £8.4m in February, to £29.8m. This compares favourably to the forecast of £23.9m. This arose because the payment for SLA over-performance (of £4.0m from Oxfordshire PCT and £1.5m from other PCTs) was received but had been forecast to be received in March.
- Payments in the month were £2.3m higher than forecast. This reflects the higher Churchill PFI payments from February. Capital spending was £2.7m lower than forecast.
- The tight cash position which arose during 2008/09 has resulted in very close monitoring of cash balances. This close attention has not only resulted in much healthier cash balances, which has also be supported by consolidation of the processes and procedures in place to ensure timely recovery of debts.
- With a cash forecast of c. £18m for the year-end, the Trust will begin 2009/10 year with a relatively robust cash position.
- The cash strategy for coming months is to further strengthen liquidity and maintain balance the cash at the highest possible level as CIPs take effect.

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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 and 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	See CIPs

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