

Board of Directors Meeting: Thursday 21 May 2009

BD2009.40

Subject/title	Financial performance to 31 March (Month 12)			
Lead Executive	Mr Chris Hurst, Director of Finance & Procurement			
Background papers	None			
Purpose of paper	To update the Board on the outturn financial position for 2008/09 and the latest financial outlook for 2009/10			
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	-			
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			
Full year outturn	£2.405m surplus	Better than plan and forecast by £105k	2
CIPS	£24.8m	Achieved 113% of original plan (£22m), 92% of increased plan (£27m)	12-16
Budgeting	£2.3m surplus	Significant income and cost variances during year (re. PCT workload assumptions)	7
Forecasting	£0.1m F	Forecasting accurate to within £100k	7

Annual Accounts and Financial Duties			
Annual Accounts	Due Apr 22	Submitted on time and currently subject to Audit	3
Break-even duty	Surplus £2.405m	Achieved in year (and better than plan). Cumulative break-even due by March 2012	3
CCA rate	4%	Better than 3.5% target set by DH for NHS trusts	3
External Financing limit	Undershoot of £15.1m	Undershoot allowable and agreed with SHA, to strengthen liquidity	3
Capital Resource Limit	Undershoot of £0.352m	Undershoot allowable - final capital spend £37.586m	3

Divisional financial performance			
A	£2.7m A	FY outturn £2.7m adverse to plan, marginally better (£0.2m) than M11 forecast	18
B	£7.8m A	FY outturn £7.8m adverse to plan, marginally better (£0.2m) than M11 forecast	19
C	£2.6m A	FY outturn £2.6m adverse to plan, marginally better (£0.3m) than M11 forecast	20
D - Corporate	£2.5M F	FY outturn £2.5m favourable to plan, per M11 forecast, largely due to Cancer Centre	21
E - BRC	On plan	Underspend of £2.1m against £12.1m budget, carried forward to 2009/10	22
F - Trustwide	£8.2m F	FY outturn £8.2m favourable to plan, below M11 forecast	22
G - Capital charges	£2.4m F	FY outturn £2.4m favourable to plan, better than forecast (0.6m)	22

Capital			
Full year outturn	£37.585m	Per forecast but within original budget (as schemes held to contain cost and cash)	23
Capital Resource Limit	Undershoot of £0.352m	Spend of £37.585m was £352k less than limit set by DH	23

Balance Sheet			
Outstanding debt	£24.9m	Reduction of £1.8m over the year as a whole	25
Total overdue debt	£7.6m (30%)	Total level reduced during year but still subject to intensive action	25
Better Practice Pyt Code	89% (by no.)	Sustained improvement made over the year, but NHS invoices to be targeted	26

Cash			
End of year cash balance	£19.287m	Strong cash balance to support financial position in 2009/10	27
External Financing Limit	Undershoot of £15.1m	See Financial Duties	27

Key metrics and ratios			
! Financial Risk Rating	3	Year end rating remains at 3 overall but showing marginal reduction	10
EBTIDA margin	5.30%	0.5% below plan due to impact of Oxon PCT income cap	2
Liquidity	16.8 days	Small increase	10
Workforce - employed	+555 WTEs	Total 8,019 WTEs at year end, a 7% increase over the year	11
Workforce - agency	+£0.25m	Full year spend of £12.2m. Average monthly spend of £1.0m	11

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

Section B - Financial performance

(a) Outturn position for 2008/09

Table B1: Income and Expenditure Year to date: 13 months	Actual	Plan	Variance	Last Yr Actual
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA Income	489,781	476,116	13,665	446,503
PP and O/seas Income	9,753	12,317	(2,563)	9,049
Other Income	111,074	96,724	14,350	94,790
Total Income	610,608	585,157	25,451	550,342
Expenditure:				
Pay costs	(351,681)	(330,972)	(20,709)	(316,381)
Non Pay costs	(226,452)	(219,463)	(6,990)	(202,571)
Total Expenditure	(578,133)	(550,434)	(27,699)	(518,952)
EBITDA*	32,475	34,722	(2,247)	31,390
Depreciation	(16,885)	(19,344)	2,459	(15,476)
Net Interest and Dividends	(13,185)	(13,078)	(107)	(11,601)
Exceptionals				
Surplus/(deficit)	2,405	2,300	105	4,312
EBITDA %	5.3%	5.9%		5.7%

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

Key points

- The Trust made an actual trading surplus of £2.405m for the year, which is £105k better than forecast and the original budget of £2.3m surplus. EBITDA of 5.3% was 0.5% below the original plan, but this variance was due to the impact of the Oxfordshire income “cap”.
- PCT income for the year was £14m greater than the original plan, but this excludes the £6m of the additional work undertaken but not remunerated as a result of the income cap agreed with Oxfordshire PCT. Services used by Oxfordshire PCT residents ended the year £16.0m (7%) above the SLA (excluding the impact of the cap).
- As in the past months, the year-end position includes an estimate for PCT income in March. The requirement to complete the Annual Accounts to an earlier national timetable than in previous years has meant it has not been possible to establish actual income for March.
- PP income ended the year below target by £2.5m (21%) due to the delay in the opening of the Cancer Centre, which significantly reduced the potential for the planned income growth.
- The positive variance on Other income reflects additional R& D funding for infrastructure costs, additional training monies for junior doctors and significant growth in the income from the sale of drugs to other bodies.
- Pay and Non-pay costs ran above planned levels due to the impact of additional patient activity. However, the additional financial contribution generated by doing more work was largely offset by in-year costs pressures, including the unfunded cost of the national pay award (+£3m) and some premium costs incurred to deliver the additional activity (eg. weekend lists).

(b) Annual Accounts 2008/09 and financial duties

Annual accounts

- The Annual Accounts for 2008/09 have been prepared and submitted for audit by April 22, a week earlier than the 2007/08 accounts. The District Auditor is required to issue his opinion on the Accounts by June 12, after they have formally been adopted by the Trust Board.
- The Accounts comprise of four primary accounting statements:
 - Income & Expenditure Account
 - Balance Sheet
 - Statement of Total Recognised Gains and Losses
 - Cash flow statement
- These statements will be presented to the Audit Committee, with the supporting notes to the Accounts, for review in early June. Subject to Audit Committee endorsement, formal adoption of the Annual Accounts and the Directors' Statements will be recommended to the Trust Board in advance of the June 12 national deadline.

Financial Duties

- The position in relation to the Trust's financial duties in 2008/09 is summarised as follows:

Duty	Comment re. compliance/performance
Break-even duty (on Income & Expenditure)	In year - the Trust made a surplus for of £2.405m in the year - better than its plan of £2.3m and better than break-even. Cumulative - the Trust's cumulative deficit reduces to £19.729m at 31 March 2009. Its approved plan is for cumulative break-even to be achieved by March 2012.
Capital Cost Absorption rate (a measure of Balance Sheet management)	The ORH out-performed the target rate set for NHS trusts of 3.5%, returning an actual rate of 4.0%.
External Financing Limit (an overall cash management control)	The Trust was set an EFL of £15.243m. At the year-end it undershot this by £15.1m (acceptable) as a result of its revised cash management strategy. The latter was implemented to strengthen liquidity in the face of the emerging economic situation. The Trust achieved this and closed the year with a cash balance of £19.287m.
Capital Resource Limit (a net capital expenditure spending control)	The Trust's CRL was £37.937m. Net capital expenditure in 2008/09 was £0.352m within the limit, at £37.585m.

(c) Year-end financial analysis

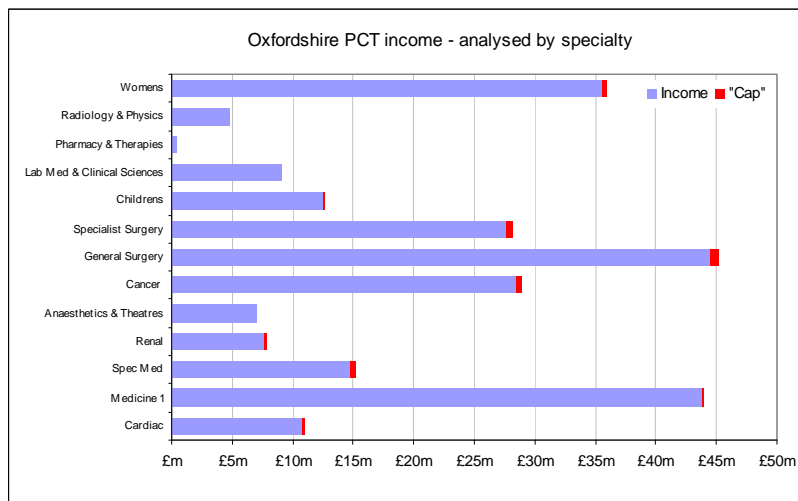
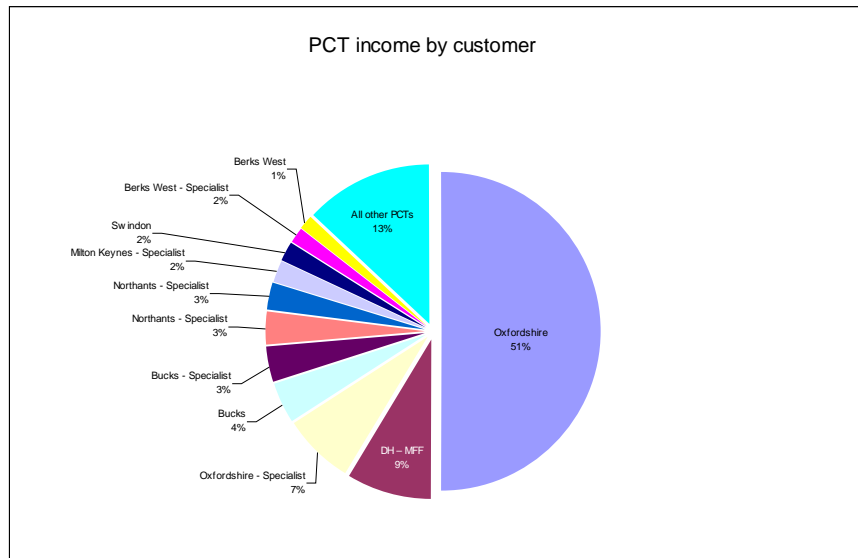
Income from Activities	2008/09 £000	2007/08 £000
Primary Care Trusts	440,518	414,348
Department of Health	46,956	30,466
- Private patients	9,527	8,713
- Overseas patients (non-reciprocal)	226	336
- Injury cost recovery	2,306	1,688
Patient transport services	944	987
Education, training and research	66,312	55,938
Charitable and other contributions to expenditure	3,845	3,817
Transfers from Donated Asset Reserve	2,886	2,675
Non-patient care services to other bodies	15,003	13,257
Rental income from operating leases	4,093	3,956
Income generation	4,482	8,398
Other income	17,159	8,517
	614,257	553,096

Extract from pre-audited Annual Accounts 2008/09 (Notes 3 & 4)

Total income

- The table is extracted from the pre-audited Annual Accounts and summarises income, by source, for 2008/09 and 2007/08.
- Total income was £61m (11%) higher than in the previous years. After allowing for the impact of inflation (c. £12m) the significant changes were:
 - An increase in PCT income (£26m) - largely volume related
 - An increase in DH income (£12m) - due to the full implementation of Payment by Results (gains have been phased in over 4 years)
 - An increase in education, training and research funding (£10m) - largely due to impact of the first full-year's funding for the Biomedical Research Centre.

Oxford Radcliffe Hospitals



PCT income

- Oxfordshire PCT accounted for 58% of the Trust's PCT income in 2008/09 (including specialist services).
- Oxfordshire PCT's contract over-performed by 7% in the year, but not all of this additional work was paid for. The income cap equated to £6m at the year-end.
- The over-performance was not evenly distributed across specialties. The second graph shows the value of work undertaken for Oxfordshire PCT, by specialty, and the impact of the cap.
- The SLA agreed with Oxfordshire for 2009/10 has been set to reflect the level of work which is affordable to the PCT, which is significantly lower than the actual volume of services used in 2008/09.

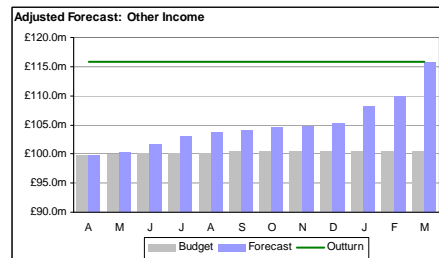
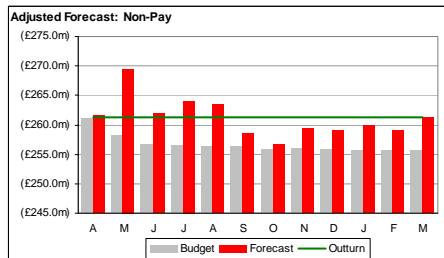
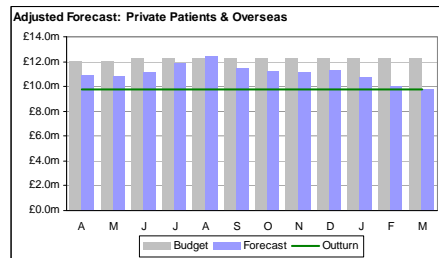
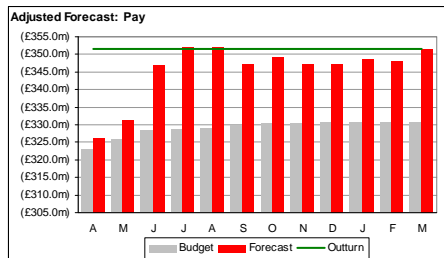
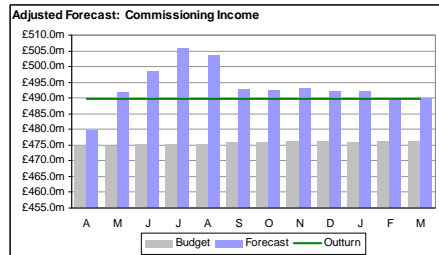
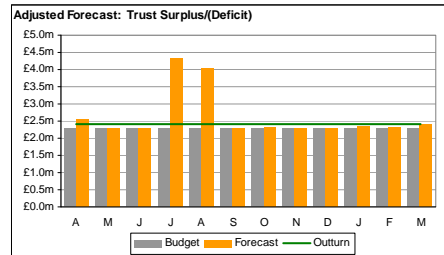
Operating expenses	2008/09 £000	2007/08 £000
Services from other NHS Trusts	964	2,019
Services from PCTs	944	1,332
Services from other NHS bodies	1	1,319
Services from Foundation Trusts	39	381
Purchase of healthcare from non NHS bodies	124	16
Directors' costs	1,607	1,571
Staff costs	350,074	314,921
Supplies and services - clinical	127,203	110,862
Supplies and services - general	15,318	12,785
Consultancy services	3,856	2,210
Establishment	7,154	6,633
Transport	5,973	5,768
Premises	47,239	37,857
Impairment of debtors	742	(121)
Depreciation	19,731	17,860
Amortisation	777	724
Tangible fixed asset impairments and reversals	0	7,915
Audit fees	334	352
Other auditor's remuneration	238	233
Clinical negligence	5,726	6,682
Redundancy costs	0	(240)
Education and training	1,120	1,592
Other	9,374	3,634
	598,538	536,305

Extract from pre-audited Annual Accounts 2008/09 (Note 5)

Operating costs

- The table is extracted from the pre-audited Annual Accounts and summarises operating costs, by element, for 2008/09 and 2007/08.
- Operating expenses in 2008/09 were £62m (11.6%) higher than the previous year. After allowing for the impact of inflation and incremental pay costs (c. £25m) the significant changes were:
 - An increase in Pay costs due to increased levels of activity and some premium costs (eg. additional consultant sessions and agency costs). WTE staff increased 555 over the twelve months.
 - An increase of £19m in clinical and general supplies and services which largely reflected additional patient activity.
 - The cost of external specialist support to assist with Trust's AHSC and FT applications and some additional expert support to assist with the delivery of the CIP target, which was raised materially in the autumn 2008.
 - A reduction in fixed asset impairments chargeable to Income & Expenditure – none were chargeable in 2008/09, as compared to the £7.9m charge in 2007/08.
- It should be noted that University recharges to the Trust for the BRC, and from other DGHs for the renal satellite units, are included within Other costs.

Section C – Budgets and Forecasts



Key points

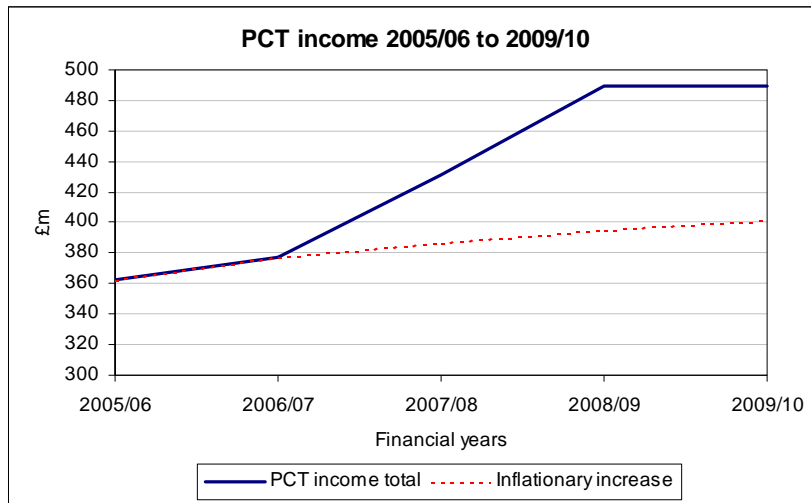
- The Trust marginally over-achieved its full-year target surplus of £2.3m, but as the graphs show, there were significant component budget variances.
- In-year, budgets only changed marginally from the original budget approved by the Board and these changes were largely made to reflect service developments agreed by the Executive Board during the year. Budgets were not adjusted for the impact of additional activity.
- The management of variances were monitored and controlled through the forecasting process and regular reviews with the divisional teams. As reported previously, over the last quarter, it had been necessary to overlay the “raw” divisional forecasts with an assessment of the additional savings being targeted.
- The graphs illustrate the changing forecast during the year. In the first quarter, the higher than expected levels of PCT income being experienced were forecast for the full year, with a consequent higher level of surplus (£4.3m) also forecast. This outlook subsequently changed as it became increasingly clear that Oxfordshire PCT was not going to be pay for all the additional activity.
- The Trust achieved its target surplus, notwithstanding the December 2008 income cap, through very strict spending controls. This is continuing in 2009/10 in light of the challenging financial outlook.

Section D - Impact of current outlook on future years' performance

Table: Summary Budget 2009/10	2008/09		2009/10 Budget	Change from 2008/09 FOT
	Last Yr Plan	Actual outturn		
	£k	£k	£k	£k
Income:				
Commissioning & RTA Income	476,033	489,781	496,511	6,730
PP and O/seas Income	12,317	9,753	15,467	5,714
Other Income	96,724	111,074	101,039	(10,035)
Total Income	585,074	610,608	613,017	2,409
Expenditure:				
Pay costs	(330,932)	(351,681)	(343,797)	7,884
Non Pay costs	(219,420)	(226,452)	(205,208)	21,244
Total Expenditure	(550,352)	(578,133)	(549,005)	29,128
EBITDA	34,722	32,475	64,012	31,537
Depreciation	(19,344)	(16,885)	(30,907)	(14,022)
Net Interest and Dividends	(13,078)	(13,185)	(30,728)	(17,543)
Exceptionals	0	0	0	0
Surplus/(deficit) before impairment	2,300	2,405	2,377	(28)
Impairments			(35,598)	(35,598)
Surplus/(deficit) after impairment	2,300	2,405	(33,221)	(35,626)

Update on 2009/10 Budget

- The 2009/10 Budget was approved by the Board at its meeting on March 26. At the time, the 2008/09 surplus was assumed to be £2.3m. The actual position, now known, remains consistent with this assumption.
- It was agreed in March, that the Board would be updated once the service level agreements had been agreed. Over this period, the main changes have been:
 - PCT Income - at the time of setting the budget, there was a degree of risk associated with the budgeted level of income but this was regarded as relatively small. PCT income has now been adjusted downwards by £5.9m to reflect know commissioning intentions. However a technical change, relating to the funding flow for patient transport, accounts for £3m of this movement.
 - Other income - an additional £1.4m has been secured from the NIHR for the revenue consequences of BRC capital spend.
 - Non-pay - the budget has been amended (reduced) to remain consistent with the adjusted PCT income budget and the non-pay inflation budget has been used to offset the fixed cost impact of reduced income. This is considered to be appropriate given the static, or possibly deflationary, economic environment.
- The budgeted surplus is unchanged at £2.37m, excluding the impact of IFRS impairments (and a technical deficit of £33.2m after impairments).
- CIPs are also unchanged, with a target of £40.1m required to deliver the planned surplus, but £44.5m is being targeted to allow for risk. CIP implementation plans are well advanced.



Update of the LTFM

- This section considers the impact of the financial outlook on the Trust's future 5 year projections - i.e. the extant Long-Term Financial Model (LTFM).
- A major refresh of the LTFM is scheduled by June 2009. The refresh will reflect the impact of the downturn in the economy and also the impact of the significant activity reductions which will be targeted to ensure service activity remains affordable to Oxfordshire PCT in the longer term.
- It is clear that the Trust can no longer rely on generating significant additional PCT income. In recent years the Trust's level of PCT income has grown dramatically (see the graph) but this growth has now halted and may reverse in future years.
- In the Chancellor's Budget Statement in April, he stated that the NHS will have little or no growth in funding from 2011. Public spending is to be cut by 2.3% in real terms from 2011/12 onwards. This is after taking into account additional target savings of £2.3 billion for the NHS in 2010/11.

Section E - Financial Risk Rating

Table D1: Financial Risk Rating as at 31st March 2009			
Metric	Weight	Metric %	Risk Rating
EBITDA margin	25%	5.3%	3
EBITDA, % achieved	10%	93.5%	4
ROA	20%	3.5%	3
I&E surplus margin	20%	0.4%	2
Liquid ratio	25%	16.8	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:

1. EBITDA margin % - the ratio of EBITDA to total income
2. EBITDA % achieved - the ratio of the actual year-to-date EBITDA to the plan year-to-date EBITDA
3. Return on Assets % - the ratio of the returns generated to average total assets employed
4. I&E surplus margin % - the ratio of the returns generated to total income
5. Liquidity ratio (days) - 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).

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

Key points

- 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 its authorisation and in its first full year as an FT, rising to 4 thereafter.

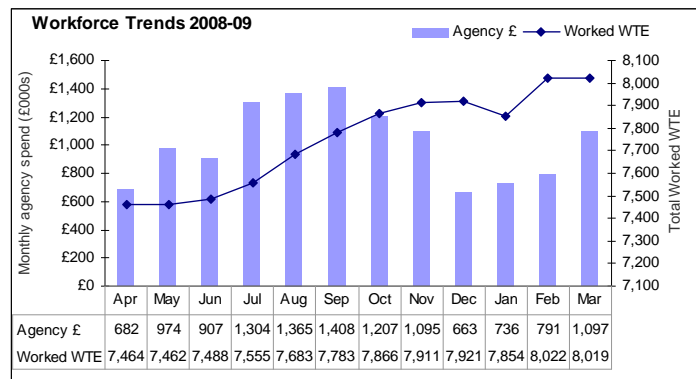
Current FRR

- The overall rating for the Trust remains, as in previous months, at 3. This is consistent with Monitor's requirements for an aspirant FT immediately prior to authorization.

Section F - Workforce statistics

By Staff Group	As at April 2008	As at March 2009	Annual change	% Change from April 2008
Medics	1,114	1,198	84	8%
<i>Consultants</i>	397	421	24	6%
Nursing, Midwifery & Health Visiting Staff	2,751	3,001	250	9%
<i>Midwives</i>	245	254	9	4%
Healthcare Assistants	974	1,031	57	6%
Managers and Senior Managers	233	239	5	2%
Admin & Estates	1,382	1,487	105	8%
Scientist, Therapists and Technical	990	1,060	70	7%
<i>Allied Health Professionals</i>	386	407	22	6%
<i>Healthcare Scientists</i>	464	494	30	7%
<i>Other S T & Ts</i>	140	158	18	13%
Other Staff	21	3	(17)	(84%)
Total	7,464	8,019	555	(7,464)

By Division	As at April 2008	As at March 2009	Annual change	% Change from April 2008
Division A	1,653	1,801	147	9%
Division B	2,439	2,653	214	9%
Division C	2,294	2,417	123	5%
Division D - Corporate Directorates	1,008	1,040	32	3%
Division E - Biomedical Research	20	48	29	145%
Division F - Trustwide	50	59	9	19%
Division G - Operating Expenses	0	0	0	
Total	7,464	8,019	555	7%



Explanatory note

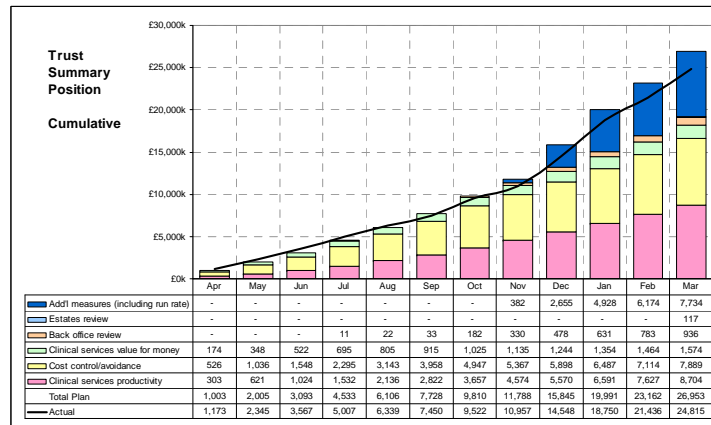
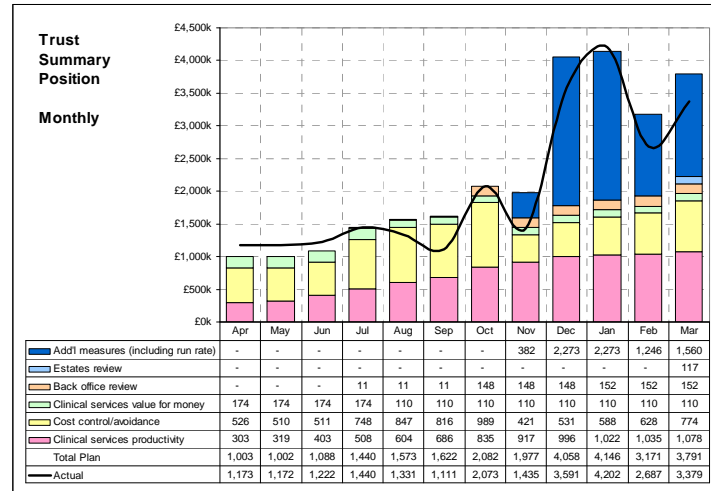
- The tables provide details of the number of staff employed (using a “worked” WTE measure) at the beginning of the financial year and at the end of the current and previous months.
- The first of the two tables analyses the workforce by occupational staff group and the second provides an analysis by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

Key points

- Employed staff increased by 555 WTEs (7%) over the last year, with a corresponding increase in pay costs of £35m (11%). After allowing for inflation, the real terms increase was 6.5%.
- The increasing staff costs have been subject to continuing review and have been driven by additional service activity and service developments (including the Cancer Centre, quality and safety initiatives).
- In meeting the increased activity levels, some premium costs were incurred. Expenditure on temporary staff totalled £12.2m in the year.
- Pay costs were £352m in 2008/09. The pay budget for 2009/10 is £336m (before inflation), an overall reduction of £16m. With activity expected to reduce and a very large CIP requirement, workforce numbers will need to reduce significantly. Directorates are being challenged to manage down staff numbers and costs now (including overtime and agency costs) to minimise the impact for permanent staff.
- All vacancies continue to be subject to scrutiny by the three workforce review panels. The panels are also co-ordinating redeployment and reassignment initiatives across divisions.

Section G - Cost Improvement Programme (CIPs)

(a) Overall position



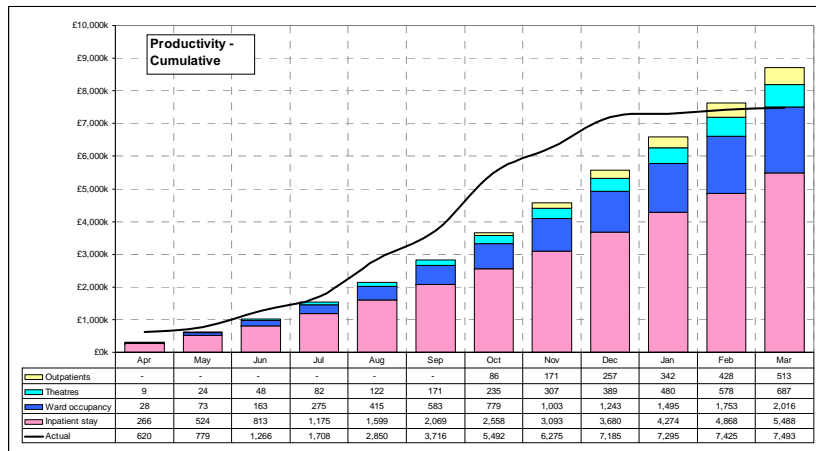
Coverage and structure of programme

- 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 commissioning income from M8.
- The programme is structured into three work stream areas; productivity, value for money and cost avoidance. An additional work stream was established to reflect the extra measures required to deliver the additional £5m.

Key points – programme delivery

- The programme delivered £0.5m below plan in March - £3.3m compared to the plan of £3.8m. This was largely due to “value for money” schemes.
- The cumulative savings for the year totalled £24.8m, compared to the raised plan of £27m (92% of the increased plan). These savings stand at c. 13% above the original target set by the Board in March 2008.

(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.

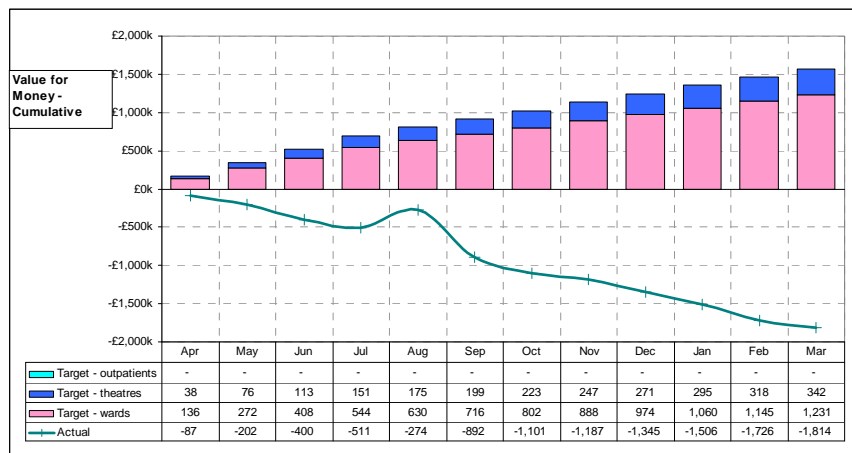
Key points – productivity performance

- Cumulative performance flattened out in the last month, largely because the previous positive performance on length of stay has reversed marginally.
- The original target anticipated the outpatient workstream to start delivering towards the end of the year – this will only deliver in the new financial year.

Actions required/ in hand to secure delivery

- The Trust is continuing to adjust capacity according to day to day operational requirements and to match the emerging commissioning environment.

(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.

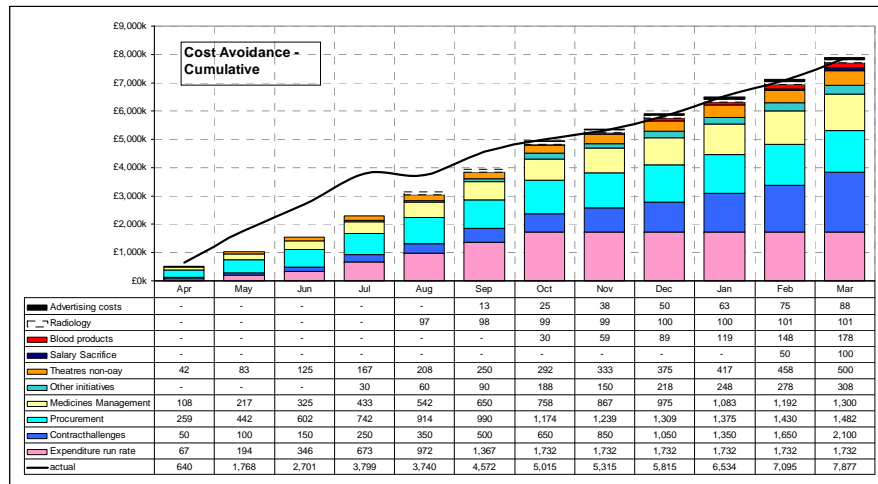
Key points - value for money performance

- Unit costs in these areas continue to be higher than last year
- The adverse variance is partly driven by the time lag between reducing capacity to match Oxfordshire contract activity and the corresponding reduction in staff costs.

Actions required/ in hand to secure delivery

- A continued focus on the reduction of nurse agency costs usage.
- Restraint in appointing new staff through the nursing, medical and other workforce control panels, to ensure that staffing patterns rapidly move to match the expected reductions in Oxfordshire PCT commissioned activity in 2009/10.
- Nurse staffing reviews, using the "Hurst" acuity tool, which is expected to result in reduced ward pay costs over time.

(c) Cost avoidance work streams



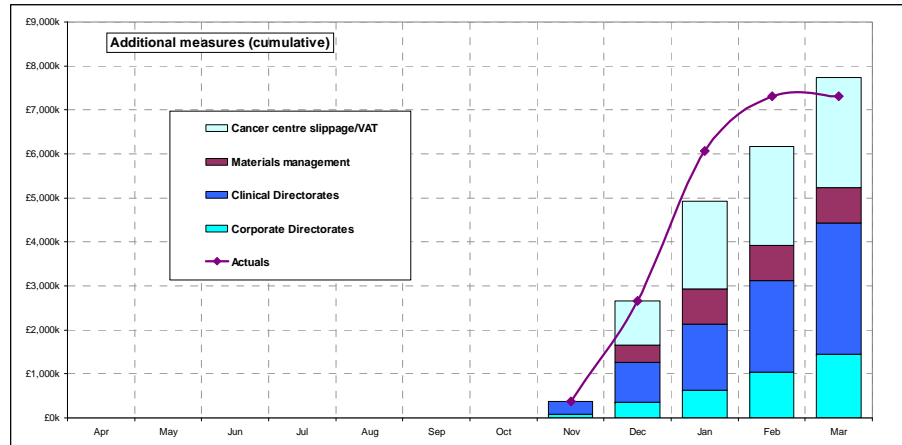
Focus of cost avoidance initiatives

- 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 savings realised match the target set at £7.9m.

(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.
- Clinical directorate performance continues to improve.

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.

Section H - Divisional financial performance

(a) Divisional summary

Table H1.1: Performance by division	Final Year End			
	Actual	Plan	Variance	Last Year Actual
	£000s	£000s	£000s	£000s
Operating Divisions				
A	57,535	60,218	(2,683)	
B	38,229	46,038	(7,809)	
C	(2,717)	(159)	(2,558)	
D - Corporate directorates	(78,133)	(80,673)	2,540	(67,106)
E - Biomedical Research	(0)	(0)	(0)	0
F - Trustwide (incl PCT inc)	17,708	9,497	8,211	
G - Capital Charges	(30,217)	(32,622)	2,405	(35,758)
Surplus/(deficit)	2,405	2,300	105	4,312

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

- The divisional position is summarised as follows
 - o Division A under-achieved against the annual plan by £2.7m. The outturn position was £215k better than forecast at M11.
 - o Division B under-achieved against the annual plan by £7.8m .The outturn position was £205k better than forecast at M11.
 - o Division C under-achieved its annual plan by £2.6m. The outturn position was £327k better than forecast at M11.
 - o Corporate Directorates - overall, performance was favourable to plan by £13.2m.

(b) Division A

Table H1.2: Division A Summary	Final Year End			
	Actual	Plan	Variance	Last Year Actual
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA	182,381	179,113	3,268	
PP & O/seas	1,738	2,557	(819)	1,318
Other Income	2,621	2,798	(177)	2,741
Total Income	186,740	184,468	2,272	4,059
Expenditure:				
Pay costs	(71,838)	(67,990)	(3,848)	(67,735)
Non Pay costs	(57,367)	(56,259)	(1,108)	(51,993)
Total Expenditure	(129,205)	(124,250)	(4,956)	(119,728)
Net position	57,535	60,218	(2,683)	

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 H1.3: CONTRIBUTION Directorate Summary Division A	As at Year End	
	Plan	Actual
	%	%
Cardiac	38%	29%
Medicine 1	39%	37%
Renal Centre	38%	40%
Specialist Medicine	16%	16%

Financial performance

- The Division reported an adverse variance to plan of £2.68m.
- The increase in PCT Income from additional activity (£3.3m above plan) was offset by the costs of undertaking the work (£4.9m in excess of plan). The income reported reflects the cap applied to Oxfordshire PCT income. Activity was highest in Cardiac and Medicine 1 and this is reflected in the cost profile for these services.
- PP income is £0.8m below plan against an increased target for the year.
- The adverse Pay variance is primarily related to activity and, in particular, for additional capacity in Medicine to cope with operational pressures. The staffing costs of the winter capacity plan (£750k) are reflected in the pay spend for the year.
- Non-pay spend reflects the cost of the additional activity and additional “pass-through costs” (eg. haemophilia products).

Contribution analysis

- The analysis shows the percentage financial contribution being made by each of the clinical directorates. This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets.
- The full-year contribution rates of Cardiac and Medicine 1 were both below plan. The increased level of non-pay spend, especially from the changing case-mix in Cardiac, has impacted adversely on the percentage contribution, but these statistics have also been adversely affected by the income cap.

(c) Division B

Table H1.4: Division B Summary	Final Year End			
	Actual	Plan	Variance	Last Year Actual
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA	194,910	183,120	11,790	
PP & O/seas	3,143	4,286	(1,143)	2,907
Other Income	6,326	4,925	1,401	5,833
Total Income	204,379	192,331	12,048	10,427
Expenditure:				
Pay costs	(117,018)	(104,612)	(12,406)	(103,686)
Non Pay costs	(49,132)	(41,681)	(7,451)	(39,686)
Total Expenditure	(166,150)	(146,293)	(19,857)	(143,372)
Net position	38,229	46,038	(7,809)	

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 H1.5: CONTRIBUTION Directorate Summary Division B	As at Year End	
	Plan	Actual
	%	%
Anaesthetics & Theatres	-173%	-181%
Cancer	44%	37%
General Surgery	51%	45%
Specialist Surgery	44%	41%

Financial performance

- The year-end position is an adverse variance against plan of £7.8m. This was largely due to the net impact of the additional income earned (£11.8m above plan), offset by the costs of undertaking the additional activity (£19.8m above plan). The latter include the theatre costs for additional surgical activity undertaken by all three clinical divisions.
- PCT income for Specialist Surgery was £3.0m above plan, Cancer +£5.1m, General Surgery +£3.1m, and Critical Care +£0.8m.
- PP income is below than plan by £1.1m, largely due to the delay in opening the Cancer Centre.
- The £12.4m adverse Pay variance is primarily activity and includes; premium agency costs, extra beds in Specialist Surgery and Neurosurgery, additional sessions to maintain waiting lists and additional theatre lists.
- The Non-pay variance (£5.9m) is mainly linked to activity (Cancer and General Surgery), driven by “pass through” drug costs.

Contribution analysis

- The analysis shows the percentage financial contribution being made by each of the clinical directorates. This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets.
- At M12 the contribution levels for all the directorates are lower than plan. This reflects; the costs of additional activity within the division where the income cap has impacted and the cost of supporting the delivery (eg. via theatres) of extra activity in other divisions where the extra income sits.

(d) Division C

Table H1.6: Division C Summary	Final Year End			Last Year Actual £000s
	Actual £000s	Plan £000s	Variance £000s	
Income:				
Commissioning & RTA	113,224	112,934	289	
PP & O/seas	2,397	3,299	(902)	2,512
Other Income	16,780	12,285	4,494	12,950
Total Income	132,400	128,518	3,882	15,408
Expenditure:				
Pay costs	(103,196)	(100,470)	(2,727)	(93,568)
Non Pay costs	(31,921)	(28,207)	(3,714)	(27,567)
Total Expenditure	(135,117)	(128,677)	(6,440)	(121,134)
Net position	(2,717)	(159)	(2,558)	

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 H1.7: CONTRIBUTION Directorate Summary Division C	As at Year End	
	Plan %	Actual %
Childrens & Genetics	32%	33%
Women's & Sexual Health	48%	44%
Lab Med & Clinical Sciences	-50%	-48%
Pharmacy and Therapies	-257%	-170%
Radiology & Physics	-167%	-160%

Financial Performance

- The division ended the year £2.6m adverse to plan, which reflected the net impact of; extra PCT income (£0.3m above plan) and extra Other income (£4.5m above plan), offset by the additional clinical support service costs to deliver this activity for the additional work undertaken by all three divisions (£6.4m).
- PP income was adverse to plan by £0.9m, due largely to the delay in opening of the Cancer Centre (clinical support services) and paediatric orthopaedic PP income (which did not reach the level anticipated following the transfer from the NOC).
- The majority of the £4.5m favourable variance on Other income related to; lab testing for DGHs, income for genetics testing, drug sales and additional training posts agreed in the year.
- Despite a significant vacancy level across the Division, the pay budget was adverse to plan because savings targets were not fully realised. Some limited investment in staff was made to support the Horton which is being partially funded by Oxfordshire PCT.
- The Non-pay overspend (+13%) was driven by increased activity - both front line clinical care and support services. However, a large proportion of this is offset by additional Other income for Labs tests and sale of drugs.

Contribution analysis

- The analysis shows the percentage financial contribution being made by each of the clinical directorates. This statistic provides a better measure of resource management when activity levels are varying significantly from the levels that were assumed when setting budgets.
- 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.

(e) Division D

Table H1.8: Division D (Corporate Directorates) Summary	Year to date: Final Year End			
	Actual	Plan	Variance	Last Year Actual
	£000s	£000s	£000s	£000s
Income:				
Commissioning & RTA	0	0	0	0
PP & O/seas	2,475	2,175	301	2,312
Other Income	18,905	16,923	1,983	16,195
Total Income	21,381	19,098	2,283	18,507
Expenditure:				
Pay costs	(36,434)	(37,351)	917	(33,452)
Non Pay costs	(63,080)	(62,419)	(661)	(52,161)
Total Expenditure	(99,514)	(99,771)	256	(85,613)
Net position	(78,133)	(80,673)	2,540	(67,106)

Financial performance

- Overall, the Division was favourable to plan by £2.5m, 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 circa £1.5m. The Cancer Centre was handed over to the Trust in January.
- The underlying position however reflects a number of in-year cost pressures which included:
 - Additional PFI contract variations, spend and provisions of £2.5m, much of which are non-recurrent.
 - Increased facilities costs of £0.7m, driven by activity and enhanced cleaning regimes
 - Other cost pressures, including energy prices (£0.7m) and maintenance costs (£0.1m).
 - Additional costs related to the Foundation Trust and AHSC application (£0.4m).

(f) Other budgets

Table H1.9: Biomedical Research Centre Division E	As at Year End		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
	1,745	(1,745)	(0)
Division Total	1,745	(1,745)	(0)

Table H1.10: Trustwide budgets Division F	As at Year End		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Strategic Change	303	(900)	(597)
Teaching Training Research	(337)	5,595	5,258
Trust Wide	1,534	2,016	3,550
Division Total	1,500	6,711	8,211

Table H1.11: Operating Expenses Division G	As at Year End		
	Expend variance	Income variance	Net variance
	£000s	£000s	£000s
Operating Expenses	1,323	1,083	2,405
Division Total	1,323	1,083	2,405

Biomedical Research Centre (BRC)

- The BRC budget for 2008/09 (its first full year) was £12.3m. Accounting is in accordance with the accrual or matching principle, in that income is accounted to match the profile of spend.
- Actual expenditure for the year was £10.119m (82.3% of budget). The under-drawing of resources £2.17m will be treated, appropriately, as deferred income and will be available to fund the re-profiled theme expenditure over the next 3 financial years.
- Pay expenditure in the year was £6.445m and represented 27% of total expenditure, with Non-pay totalling £3.673m. With agreement, the Theme budget managers used budgets flexibly to maximise research activities and this resulted in Non-pay budgets being 6% overspent and Pay budgets being 27% underspent.
- In this second year of the BRC, the average monthly run rate has been 82% of budget, compared to 53% in the first year.

Trust wide budgets

- We ended the year with a favourable variance of £8.2m, due to; our success in securing additional NIHR funding for BRC infrastructure costs, additional training monies for junior doctors, and significant growth in the income from the sale of drugs to other bodies.

Operating expenses (capital charges)

- The variance reflects savings on depreciation as a result of the changed profile of capital expenditure. The saving is largely been on the Cardiac development, which while still in construction does not incur depreciation.

Section I – Capital Programme

Table I1: Capital Expenditure Summary Project Code/Name	Annual Forecast £000s	End	
		Actual £000s	Forecast Achieved %
Cardiac Expansion	12,374	11,919	96%
CRS	872	290	33%
Churchill PFI Group 3 Medical equipment	4,980	1,041	21%
JR PFI Unitary payment reversionary interest	1,273	1,273	100%
CH PFI Unitary payment reversionary interest	677	352	52%
Bio Medical Research Centre	3,940	2,861	73%
All Other Schemes	13,821	20,073	145%
Disposals	0	-224	
Total	37,937	37,585	99%

Capital Resource Limit (CRL) and capital expenditure

- The Trust's Capital Resource Limit (CRL) for 2008/09 was £37.9m for 2008/09. Expenditure "chargeable" against the approved CRL for the year was £37.585m. Consequently, the Trust has reported a small undershoot against the CRL of £0.352m.
- The undershoot is permissible and was marginally less than anticipated due to additional leasing opportunities taken to maximise in-year spend.
- Capital expenditure in this year has been funded as follows:
 - 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 Programme/ Budget for 2009/10

- A Capital Programme for 2009/10 was agreed by the Board at its meeting on March 26. Capital expenditure for 2009/10 is £31.7m, with a further £2.3m to be incurred on behalf of other organisations which will be fully reimbursed.
- We plan to fund capital entirely through internally generated resources to avoid the additional costs of servicing further capital loans.

Section J - Balance Sheet and cash

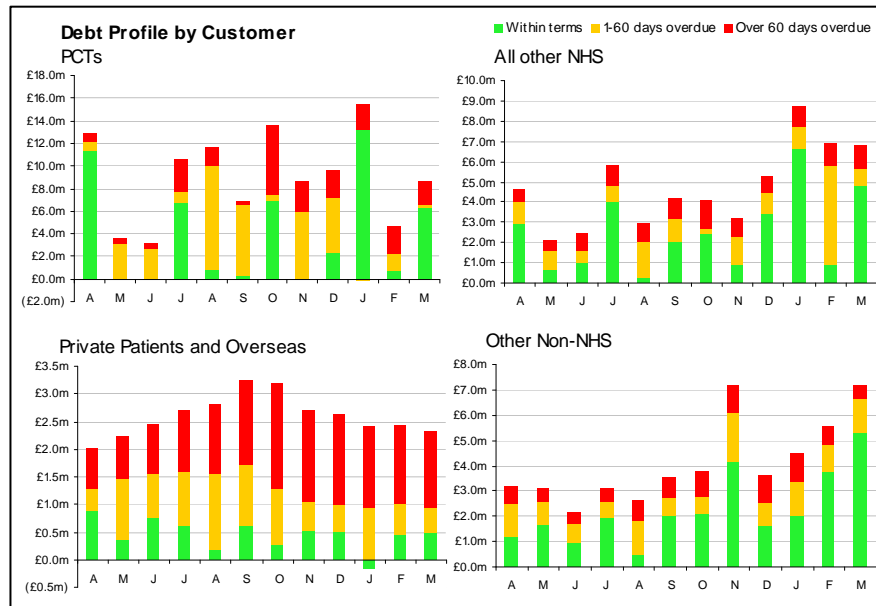
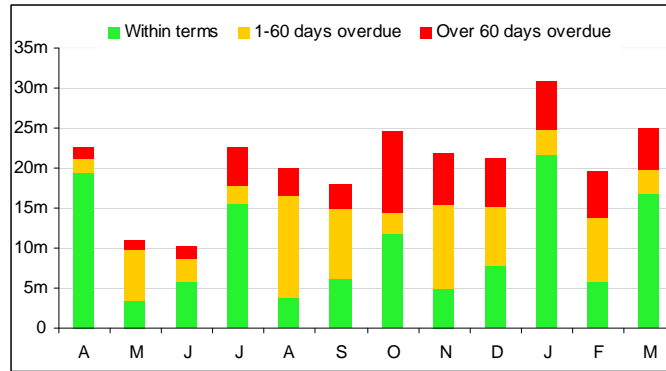
(a) Balance Sheet

Balance Sheet for Year ending 31 st March 2009	Year end 2009 £000s	Year end 2008 £000s	Movement in Year £000s
Fixed Assets			
Intangible Fixed Assets	3,875	4,315	(440)
Tangible Fixed Assets	429,919	448,666	(18,747)
Total Fixed Assets	433,794	452,981	(19,187)
Current Assets			
Stocks and work in progress	8,895	8,498	397
Debtors	52,957	57,853	(4,896)
Other financial assets	0	0	0
Cash at bank and in hand	19,287	12,498	6,789
Total Current Assets	81,139	78,849	2,290
Current Liabilities			
Creditors < 1 year	(79,478)	(61,974)	(17,504)
Total Current Liabilities	(79,478)	(61,974)	(17,504)
Other Liabilities			
Creditors > 1 year	(34,323)	(32,415)	(1,908)
Provisions for liabilities and charges	0	0	0
Total Other Liabilities	(34,323)	(32,415)	(1,908)
Total Assets Employed	398,873	432,693	(33,820)
Taxpayer's Equity			
Public dividend capital	172,586	169,547	3,039
Revaluation reserve	144,468	189,303	(44,835)
Donated asset reserve	67,801	67,374	427
Government grant reserve	77	0	77
Other reserves	1,743	1,743	0
Income and expenditure reserve	12,198	4,726	0
Total Taxpayer's Equity	398,873	432,693	(41,292)

Principal movements

- **Fixed Assets** - The net book value Fixed Assets decreased by £19.2m in 2008/09 due to; additions of £38.5m, indexation of £18.3m, impairments of £55.3m, depreciation of £20.5m, and disposals of £0.2m. Of the impairments, £6.5m arose on new building works where the cost of construction exceeded valuation, and £48.8m reflected reductions in the value of the Trust's land holdings due the general economic conditions. None of these impairments were chargeable to the I&E account.
- **Current Assets** - Total Current Assets increased by £2.3m in the year. This relates primarily to an improvement in the Cash position (£6.8m), and a reduction in Debtors of £4.9m. The latter was principally due to a decrease in the Q4 PCT invoices for over-performance compared to the previous year.
- **Current Liabilities** - Creditors due within one year increased by £17.5m to £79.5m, largely due to; an increase in accruals and deferred income (£16.2m), other creditors under 1 year (£1.2m), capital creditors (£2.5m), and a decrease in NHS Creditors (£1.8m).
- **Non-Current Liabilities** - these include a long-term creditor in relation to the JR PFI scheme of £12m which is amortised over the life of the scheme, and a long-term loan of £22m.
- **Taxpayers' Equity** - reflects a decrease in Revaluation Reserve of £37.8m (£55m of asset impairments, less an asset indexation increase of £18m), a movement in PDC (£3m), an increase in Donated Asset Reserve (£0.4m), and an increase in the I&E Reserve.

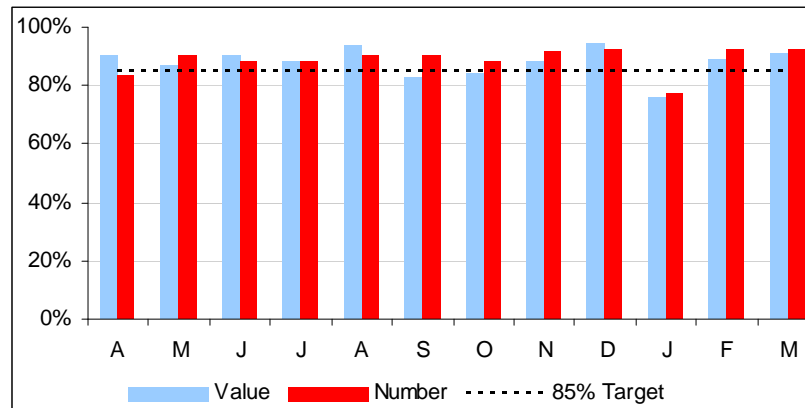
(b) Debtors (money owed to the Trust)



Key points – Debtors

- Total debt decreased in the year from £26.7m to £24.9m (NHS £15.2m, Non-NHS £7.4m, and PP& Overseas £2.3m). This was primarily related to:
 - A reduction in NHS debtors (c. £8m) for Q4 estimated activity above the SLAs agreed with PCTs, together with
 - An increase of £3.3m in Non-NHS Trade Debtors, relating to invoices raised (£2.5m) and Oxford University (£1m).
- Of the total debt, 30% (£7.6m) was overdue at 31 March. This represents a £3.6m increase in total overdue debt, due primarily to Non-NHS Debtors and Oxford University invoices outstanding (less than 30 days overdue).
- Of total Non-NHS invoices outstanding, £2.3m remain overdue. Staff resources continue to be deployed flexibly to give additional attention to these debts which has brought about a further reduction of £600k during March.

(c) 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 2008/09 we have improved performance on Non-NHS invoices - from 86% to 89% by number (from 87.5% to 88.1% by value).
- Whilst there has been an improvement in Non-NHS performance, there are still concerns that the staffing and system problems in Pharmacy may continue to cause a delay in the processing of invoices.
- Agency invoices are generally authorised and passed for payment by the Performance Improvement Team within the agreed timescales. However, there are still problems in getting agencies to bill the Trust promptly and a high error rate in the accuracy of billing. These factors continue to lead to invoices being returned for amendment, which impacts on the Trust’s BPPC performance.
- Our performance in settling NHS invoices continues to show improvement, with 79.7% by number and 81.1% by value being processed within 30 days.

(d) Cash management

Table J4: Cashflow Forecast	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Opening cash balance	29.8	19.3	20.6	33.3	29.0	30.4	29.4	24.3	26.7	27.4	24.6	21.2	19.4	18.6	15.7	19.3	20.9	21.5	29.1	20.2	
Receipts	68.3	48.0	61.6	51.2	51.3	48.7	53.2	54.2	52.5	50.2	48.7	50.4	58.2	54.0	55.5	54.0	53.5	61.0	57.0	53.5	
Payments	-71.9	-40.6	-48.9	-55.0	-49.5	-48.7	-49.6	-49.2	-48.8	-49.0	-47.6	-47.2	-46.7	-51.0	-51.0	-51.0	-51.0	-51.0	-51.0	-51.0	
Dividends & net interest	-7.1	0.0	0.0	0.0	0.0	0.0	-4.8	0.0	0.0	0.0	0.0	0.0	-4.8	0.1	0.1	0.1	0.1	0.1	-8.5	0.1	
Capital investment	-5.8	-6.0	0.0	-0.5	-0.5	-1.0	-1.5	-2.5	-3.0	-4.0	-4.5	-5.0	-5.2	-6.0	-1.0	-1.5	-2.0	-2.5	-3.0	-3.5	
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Loan receipts & payments	5.9	0.0	0.0	0.0	0.0	0.0	-2.4	0.0	0.0	0.0	0.0	0.0	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	-3.4	0.0
Closing cash balance	19.3	20.6	33.3	29.0	30.4	29.4	24.3	26.7	27.4	24.6	21.2	19.4	18.6	15.7	19.3	20.9	21.5	29.1	20.2	19.3	

Key points 2008/09

- The Trust closed the year with a cash balance of £19.287m. This represented an increase of £6.789m from March 2009.
- The Trust was set an External Financing Limit (EFL) of £15.243m for 2008/09. Its actual EFL was £154k – an undershoot of £15.089m. This undershoot was planned when we revised our cash strategy in autumn 2008. An undershoot is not considered to be a breach of a financial duty breach and is allowable.
- In the face of a rapidly changing financial and economic climate, the Trust financial strategy was revised last autumn to strengthen the Trust’s liquidity given the 2009/10 financial outlook.

Key points 2009/10

- The table shows the Trust’s rolling forecast cash position for the next eighteen months.
- The Trust begins 2009/10 with a relatively robust cash position. However, given the difficult financial outlook, our cash strategy for the coming months is to ensure that the position continues to strengthen and that cash balances are maintained at highest possible levels.
- The cash position will be monitored closely over the coming months given the scale of the CIPs being targeted.

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