West Hertfordshire Hospitals NHS Trust

Finance Report Month 11 (February) 2012/13

Key Financial Indicators

	2012/13 (Month 11)	RAG	Page
Financial Performance	Deficit of £(0.5m)	R	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£7.4 (YTD)	R	3
Liquidity (Net Current Liabilities)	£(3.7m)	R	7

Commentary

The Trust has a year-to-date deficit excluding technical adjustments of £520k[1] at the end of February, this position is marginally better than the forecast. There was a deficit in February due to the lower number of working days in the month which reduced elective and outpatient income.

There is a £3.2m shortfall in comparison to the original plan. As in previous months, this relates to the costs of delivering increased activity (partially offset by an increase in income) and lower delivery of savings than planned. Following a revision of expenditure assumptions, budget reserves have been released in this month to support the position.

The reported position to Month 11 is £2.8m below the planned surplus in the FIMS plan submitted to the SHA.

£7.4m of savings have been delivered to date and the year end forecast has decreased from £8.9m at the end of M10 to £8.5m at the end of M11. It is concerning that forecasts are still changing at this point in the year and this reinforces the need for a more rigorous sign off process and project management.

As discussed previously, the Trust must manage its financial challenges and risks to achieve at least a break-even position at year end. In terms of the year end outturn, a payment for activity net of fines has now been agreed with the CCG but income in relation to ‘estates double running’ and other transformation bids has not yet been confirmed. Assuming these are agreed, the Trust should still be able to breakeven, before technical items.

Technical adjustments include £1.4m from NHS Hertfordshire towards the capital costs of the extra wards at Watford and £0.5m of revenue funding used for capital ‘invest to save’ schemes. There will also be an impairment of £2.8m in relation to the 2012/13 revaluation of buildings which has recently been finalised. The overall impact of these is a deficit of £0.9m.

The cash balance as at 28th February 2013 was £11.3m; this equates to 16 days of operating expenses and includes £7m relating to the link road. Year end cash levels are now forecast to be £3m, due to slippage on capital payments. This is lower than the £7.9m planned, primarily because of the Trust’s loan refinancing being delayed and the shortfall against the planned surplus. The issue has been discussed with the SHA and Finance Committee and a proposal to the Department of Health is being worked up. Capital spend to date is behind plan and the Trust needs to improve mechanisms to ensure agreed schemes are implemented in a timely way.

The Income & Expenditure surplus margin and EBITDA margin are showing a “2” but the Trust has just managed to achieve an overall rating of “3” using the Monitor Financial Risk Rating (FRR) ratios. The forecast rating for 2012/13 is “2” using the SHA Financial Risk Ratios.

[1] This excludes the effect of technical adjustments (chiefly the impairment of fixed assets).

Income & Expenditure - February 2012/13

Full Year Budget £'000		Year to Date Budget to Date £'000	Actuals to Date £'000	Variance £'000	Variance %
	NHS Acute Activity Revenue				
47,413	Elective revenue (long and short stay)	43,028	45,055	2,027	4.7
82,831	Non-Elective revenue	75,722	77,524	1,803	2.4
54,889	Outpatient	49,948	49,212	(736)	(1.5)
9,936	A&E	9,034	9,460	426	4.7
45,919	Other NHS	41,749	41,802	53	0.1
240,989	NHS Clinical Revenue, Total	**219,481**	**223,054**	**3,573**	1.6
	Non NHS Clinical Revenue				
2,526	Non NHS Clinical Revenue	2,308	2,018	(290)	(12.6)
2,526	Non NHS Clinical Revenue, Total	**2,308**	**2,018**	**(290)**	**(12.6)**
	Other Operating income				
9,084	Education and Training income	8,326	8,398	73	0.9
18,919	Other Operating Income	17,254	17,536	282	1.6
28,003	Other Operating income, Total	**25,579**	**25,934**	**355**	**1.4**
271,517	**Operating Revenue and Income, Total**	**247,368**	**251,006**	**3,638**	**1.5**
	Operating Expenses				
168,776	Employee benefits expense	154,136	159,405	(5,269)	(3.4)
14,281	Drug expense	13,082	14,433	(1,351)	(10.3)
24,227	Clinical supplies	22,163	24,013	(1,850)	(8.3)
28,448	Non Clinical Supplies	25,728	26,861	(1,133)	(4.4)
20,687	Other Operating expenses	18,578	18,586	(8)	(0.0)
256,420	**Operating Expenses, Total**	**233,686**	**243,297**	**(9,611)**	**(4.1)**
	EBITDA				
15,097	*Surplus (Deficit) from Operations margin*	13,682	7,709	5,973	43.7
	Non-Operating expenses				
1,098	Interest	1,007	994	13	1.3
7,596	Depreciation and Amortisation	6,963	6,963	0	0.0
3,300	PDC Dividend	3,025	3,025	0	0.0
11,994	**Non-Operating expenses, Total**	10,995	10,982	13	0.1
3,100	**Surplus/(Deficit)**	2,687	(3,274)	(5,962)	
	Impairment		2,810	(2,810)	
	Donated Asset Adjustment		(57)	57	
3,100	Financial Performance Measure	2,687	(520)	(3,207)	
	Analysed by Division				
(26,252)	Medicine	(23,499)	(19,540)	(3,959)	(16.8)
(30,710)	Surgery	(28,022)	(26,162)	(1,861)	(6.6)
(21,181)	Women's	(19,317)	(17,378)	(1,938)	(10.0)
16,694	Clinical Support	15,385	15,771	(386)	(2.5)
20,346	Estate & Facilities	18,402	18,815	(413)	(2.2)
24,790	Corporate	22,634	21,645	989	4.4
(3,885)	Central Income	(3,566)	(3,404)	(162)	(4.5)
17,097	Reserves and Financing	15,295	13,525	1,770	11.6
3,100		2,687	(3,272)	(5,959)	
	Impairment		2,810	(2,810)	
	Donated Asset Adjustment		(57)	57	
3,100	Financial Performance Measure	2,687	(520)	(3,207)	

Income and Spend Variances

SLA Income - At month 11, SLA income is £3,573k above the year to date plan, a decrease of £257k on the month 10 position. Non-elective income variance decreased by £112k in month. In contrast, the elective over-performance increased by £208k. The outpatient adverse variance increased by £141k in February. Maternity inpatients and cardiology and gynaecology outpatients continue to underperform whereas emergency medical and general surgical inpatients and orthopaedic elective income remain significantly above plan.

Non NHS Clinical Revenue - Income is below plan due to under recovery of private income in maternity and cardiology. This is linked to the levels of births and use of the cardiac catheter laboratory for emergency patients.

Other Operating Income - The £282k positive variance is due to the receipt of £225k donations and higher car parking income than planned.

Operating Expenses - There is an overspend of £9,611k compared to budgeted spend. £3,918k of this relates to delays in identifying savings. £733k relates to the non-delivery of QIPP reductions (activity changes commissioned by NHS Hertfordshire). £2,810k is technical and relates to the impairment of assets. £2,150k relates to the staffing, premises and other costs of providing higher activity than planned. Pay exceeds budget by £5,269k. The majority of this relates to unachieved savings and QIPP. Non-pay is overspent compared to budget by £4,342k. £721k of this relates to delay in delivery of savings; £2,810k relates to the impairment. The remaining overspend relates to the cost of delivering increased levels of emergency activity.

Divisional Positions

Medicine - The overspend is made up of £1,320k shortfall on savings, the loss of £506k elective cardiology activity due to use of capacity in the Cardiology Catheter Laboratory for emergency activity, lower than planned levels of outpatient procedures of £465k and the cost of increased emergency activity of £1,668k.

Surgery - The division is £1,861k overspent compared to plan. £1,271k of this relates to savings which have not been identified. The cost of additional lists, consumables and outsourcing to deliver higher activity is partially offset by over performance on SLA income of £3,223k.

Women & Children's - The overspend of £1,938k is due to savings which have not been identified of £421k, the £300k cost of outsourcing in gynaecology, a £1,223k shortfall in maternity SLA income and a £186k shortfall in private practice income. This is partially offset by lower spend on maternity which is linked to a lower number of births than planned.

Clinical Support - is overspent by £386k due to savings which have not been identified.

Estates & Facilities - is overspent by £413k due to savings which have not been identified.

Corporate - spend is £989k below budget. This is mainly due to vacancies across the division, an under spend on IT hardware and software and the recovery of VAT.

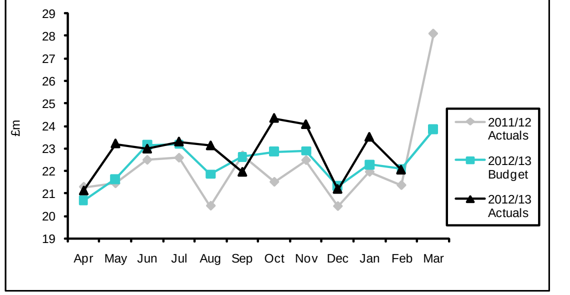
Performance by Contract

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	2,946	(27)
NHS Hertfordshire (incl specialist commissioning)	206,738	2,866
NHS Hillingdon	5,099	404
Other Primary Care Trusts	5,120	(235)
Non-Contract Activity	3,151	565
	223,054	3,573

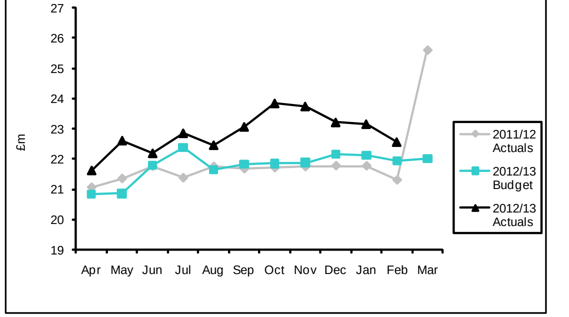
SLA Income Variances by Division

	YTD Actuals £'000	YTD Variance £'000
Medicine	87,812	1,577
Surgery	78,817	3,223
Women's	44,591	(1,483)
Clinical Support	10,501	255
Facilities	1,334	0
	223,054	3,573

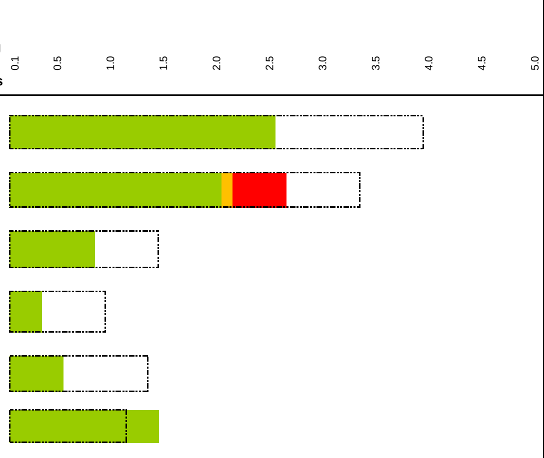
Actual Income compared to Plan



Actual Spend compared to Plan



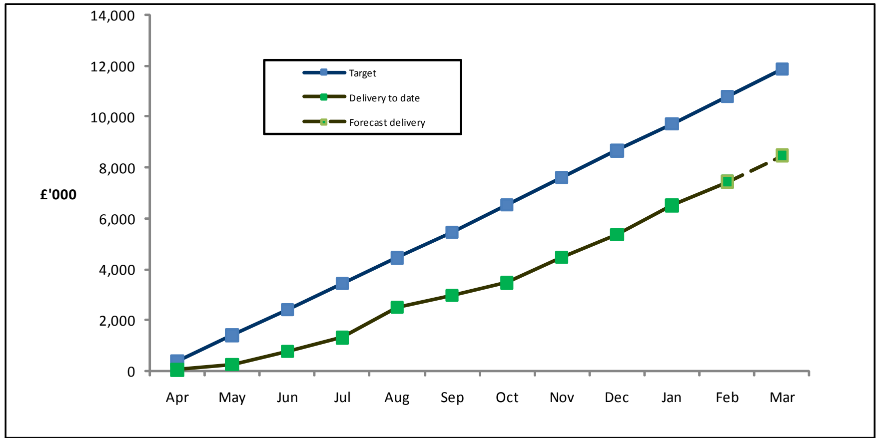
Delivery of Getting Better Savings



Division	£'m Getting Better Savings	Forecast Delivery 2012/13 £'m Gateway 3	£'m Gateway 2	£'m Gateway 1
Medicine	3.9	2.50		
Surgery	3.3	2.02	0.1	0.6
Women's	1.4	0.87		
Clinical Support	0.9	0.34		
Estates & Facilities	1.3	0.53		
Corporate	1.1	1.42	0.1	
Total Target	11.9	7.7	0.2	0.6

KEY: Target, Green, Amber, Red

Month	Target £'000	Actual / Forecast £'000	Variance from plan £'000
Apr	401	57	(344)
May	1,014	213	(801)
Jun	1,014	496	(518)
Jul	1,014	553	(461)
Aug	1,014	1,183	169
Sep	1,014	367	(647)
Oct	1,071	605	(466)
Nov	1,071	1,001	(70)
Dec	1,071	897	(175)
Jan	1,071	1,148	77
Feb	1,071	925	(146)
Mar	1,073	1,029	(44)
Total	**11,900**	**8,473**	**(3,428)**



Savings delivered to date total £7.4m. The "Getting Better Planned vs Actual Delivery" table shows the £8.5m forecast actual delivery of schemes by year end.

This is a decrease of £0.4m compared to the M10 forecast of £8.9m due to the reductions in forecast on a number of schemes. These include a shortfall against surgical income of £0.17m due to waiting list fines and a shortfall on planned agency savings in the Medicine division of £0.06m

Delivery of £0.8m savings categorised red and amber remains at risk as plans have yet to be fully worked up and implemented. The Trust Executive and Savings Delivery Project team continue to focus on maximising the value of targeted savings however the value of savings delivered at year end is unlikely to be greater than £8.5m.

Income by Division compared to activity plan for the period April 2012 to February 2013

Income by Division compared against the original activity plan

Division	Inpatient				Outpatient				A&E				Other	Total
	Budget Spell	Actuals Spell	Variance Spell	Variance (£'000)	Budget Attendance	Actuals Attendance	Variance Attendance	Variance (£'000)	Budget Attendance	Actuals Attendance	Variance Attendance	Variance (£'000)	Variance (£'000)	Variance (£'000)
Medicine	31,852	32,661	809	1,542	127,615	121,588	(6,027)	(565)	67,376	68,544	1,168	381	220	1,578
Surgery	25,065	25,613	548	2,611	144,231	147,099	2,868	554	4,060	4,820	760	60	(1)	3,224
Women's	21,082	21,084	2	(323)	111,036	108,835	(2,201)	(724)	19,043	20,050	1,007	(15)	(421)	(1,483)
Clinical Support													255	255
Total	**77,999**	**79,358**	**1,359**	**3,830**	**382,882**	**377,522**	**(5,360)**	**(735)**	**90,479**	**93,414**	**2,935**	**426**	**53**	**3,574**

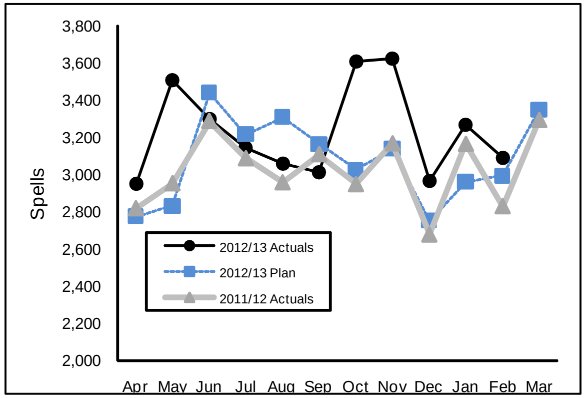
Medicine - £1,815k of the inpatient variance relates to non-elective activity, offset by an adverse elective variance of £272k. Ongoing emergency pressures and the increase in St Albans residents presenting at Watford is driving the emergency variance and is also a contributing factor in the cumulative A&E position. The elective under performance includes an adverse variance in cardiology of £500k, caused by the cardiac catheter laboratory being used as overspill emergency capacity. The cumulative outpatient under performance relates to cardiology and dermatology, offset by over performance in both respiratory and general medicine.

Surgery - Both elective (£1,936k) and non-elective admitted income (£675k) are significantly over performing against plan. Elective orthopaedic over performance is now £1.4m above plan. General surgery and orthopaedic emergency income favourable variances are £318k and £359k, respectively. This reflects the emergency pressures also being experienced in the medical division. The outpatient over performance largely relates to orthopaedics and ophthalmology.

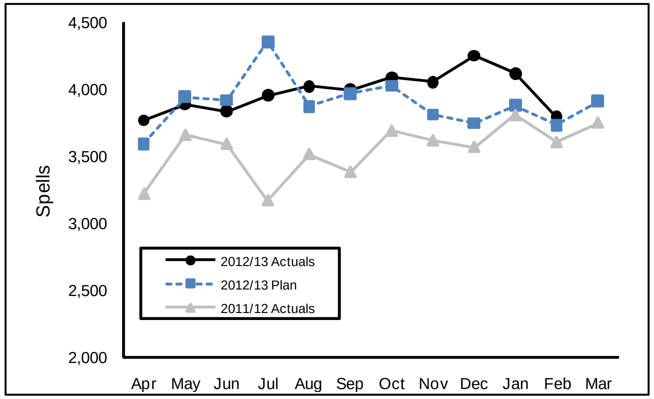
WACS - The adverse variance in inpatients includes £1,250k in maternity where actual births are lower than planned (5,118 compared to a year to date plan of 5,408). £800k of the outpatient under performance relates to gynaecology; half of this activity continues to be undertaken as a day case, contributing to the division's elective inpatient over performance. Paediatrics is showing the largest favourable variance (£580k above plan) across all services.

Clinical Support - This over performance includes radiology (£207k) and physiotherapy (£78k).

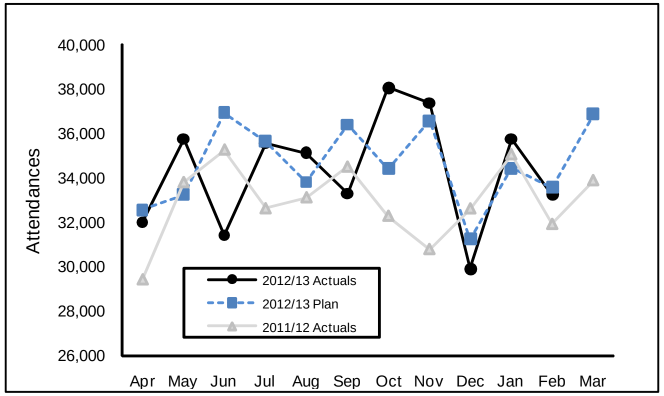
2012/13 Elective Activity Actuals Compared to Plan



2012/13 Emergency & Non-Elective Actuals Compared to Plan



2012/13 Outpatient Activity Actuals Compared to Plan

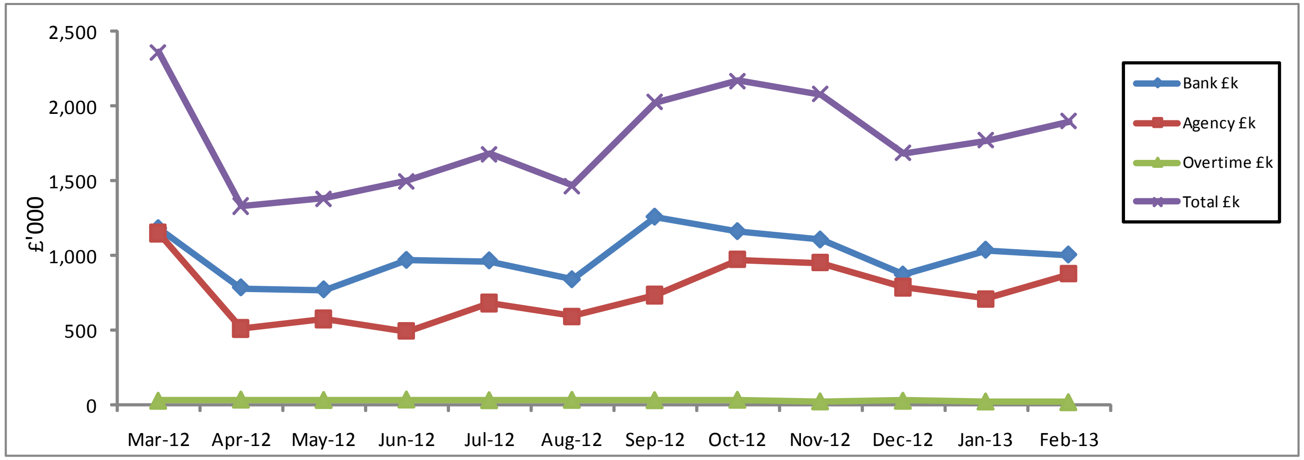


Workforce spend and Average Whole Time Equivalents for the period April 2012 to February 2013

Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Average Budget WTE	Average Actuals Worked WTE	Variance WTE
Medicine	42,668	5,698	3,355	51,721	49,704	(2,017)	1,328.8	1,349.5	(20.7)
Surgery	35,427	2,231	1,869	39,527	38,405	(1,121)	860.5	870.4	(9.9)
Women's	21,857	2,407	1,168	25,431	26,201	770	602.4	576.4	26.0
Clinical Supp.	22,384	218	826	23,427	23,814	387	570.0	557.6	12.4
Estates	2,605	21	86	2,713	2,857	144	81.9	77.7	4.1
Corporate	15,797	184	605	16,586	17,084	498	444.4	427.4	17.0
Total	**140,737**	**10,759**	**7,909**	**159,405**	**158,066**	**(1,339)**	**3,887.9**	**3,859.0**	**28.9**
% Variance						***(0.8)***			***0.7***

Note: Total pay equates to an overspend against plan of £903k excluding the impact of unachieved CIP/QIPP of £3,197k and £733k respectively.

Temporary staffing spend on a 12 month rolling period



Variance Analysis

Whole Time Equivalent actuals include estimated WTE for agency staff[2]. Average WTE worked remains lower than budgeted WTE due to vacancies across the Trust. However spend is higher than budget due to the premium costs of agency staffing.

Medicine and surgery divisions continue to show a large pay overspend as a result of supporting the higher than planned patient activity.

The overall average WTE worked to Month 11 was 3,859 compared to the Month 10 figure of 3,851. The 2011/12 WTE average was 3,772. The current staffing level is 87 WTE higher.

Spend on bank and agency staffing remains high and has increased compared to January. The Trust needs to ensure that this is managed. To this end, all recruitment, including for temporary posts, continues to be scrutinised at the Vacancy Control Panel, which is attended by the Directors of Operations, HR and Finance.

Work is underway to use the e-rostering system more effectively to inform management decisions in relation to staffing. Improving control of temporary staffing is also a key element of the 2013/14 savings programme.

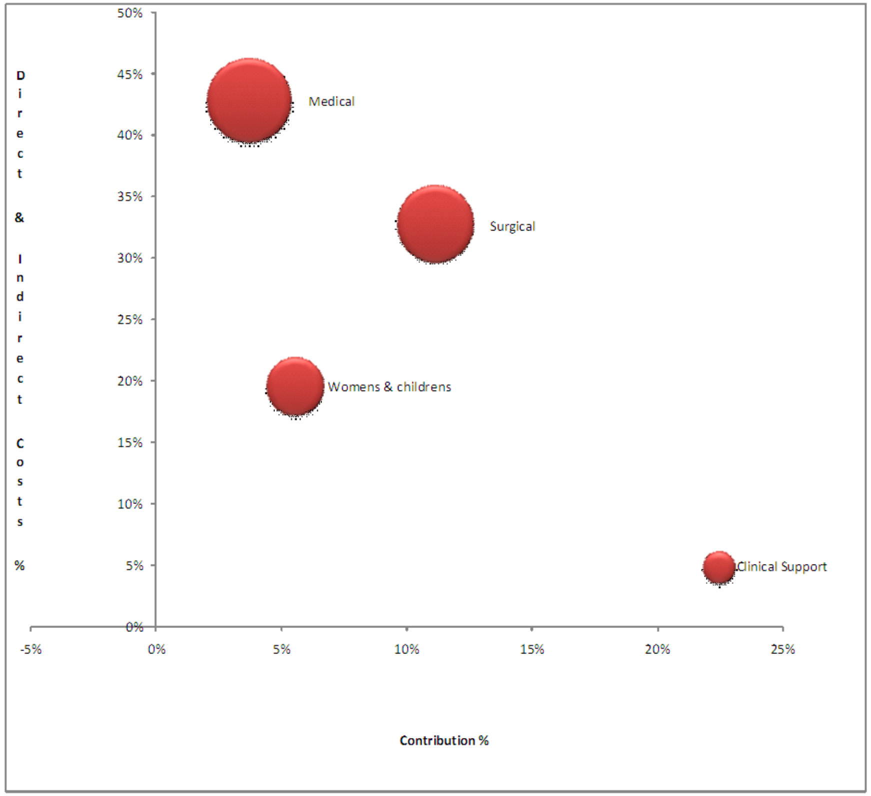
[2] Estimates are based on average costs from a sample of invoices, adjusted for inflation in 2012/13.

Service Line Reporting to 31st January 2013

	January YTD							
Division	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Medicine	85,902	68,216	14,476	3,210	6,770	(3,560)	3.7%	(4.1%)
Surgery	71,321	48,594	14,771	7,957	5,278	2,679	11.2%	3.8%
Womens & Children	40,013	33,429	4,358	2,225	2,285	(60)	5.6%	(0.2%)
Clinical Support	12,010	6,441	2,872	2,697	1,719	978	22.5%	8.1%
Total	209,246	156,680	36,476.99	16,089	16,052	37	7.7%	0.0%

The £37k surplus figure here includes the £33k technical adjustment. After adjusting for this number, the Trust's overall surplus was £4k.

	January YTD							
Point Of Delivery (POD)	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Day Case	24,123	14,694	2,914	6,515	1,454	5,061	27.0%	21.0%
Elective	22,103	14,346	6,760	996	1,725	(728)	4.5%	(3.3%)
Non-Elective	75,530	57,111	13,922	4,496	7,939	(3,443)	6.0%	(4.6%)
Outpatients FA	21,073	13,355	1,829	5,888	773	5,115	27.9%	24.3%
Outpatients FU	28,625	26,897	5,314	(3,586)	1,154	(4,740)	(12.5%)	(16.6%)
Outpatients Procedures	6,143	5,978	824	(659)	377	(1,036)	(10.7%)	(16.9%)
Critical Care	12,214	8,680	1,094	2,440	787	1,653	20.0%	13.5%
A&E	11,334	11,109	2,248	(2,023)	491	(2,514)	(17.9%)	(22.2%)
Direct Access	8,102	4,509	1,572	2,021	1,353	669	24.9%	8.3%
Total	209,246	156,680	36,477	16,089	16,052	37	7.7%	0.0%



Key Headlines:

The Trust maintained its year to date break even position in January with a small surplus. This was in line with forecast but was a shortfall of £3.6m behind the original plan due to the costs of delivering increased activity and lower delivery of savings than planned. This has particularly impacted the Acute Medicine Division, which now has a deficit in excess of £3.5m. Its contribution has remained steady at 3.7%, but is well below the other divisions. The Surgical Division has seen its contribution increase from December as activity has returned to normal following the Christmas period.

How to Interpret your 'Portfolio Matrix':

The size of each bubble shows how much income is generated by that Division or 'Point of Delivery'. 'Contribution' means the difference between income earned and the costs (direct & indirect costs) before overheads. Services should be aiming to maximise this 'contribution', by moving towards the right of the chart. The vertical axis shows each Division's/ PoD's percentage share of overall Trust costs (direct and indirect costs).

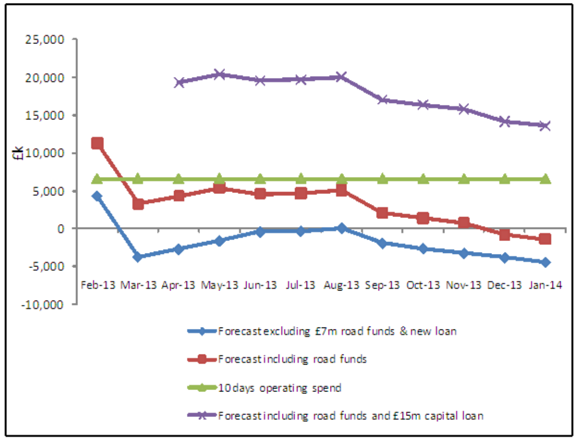
Cash and Capital Management

Month end cash balance

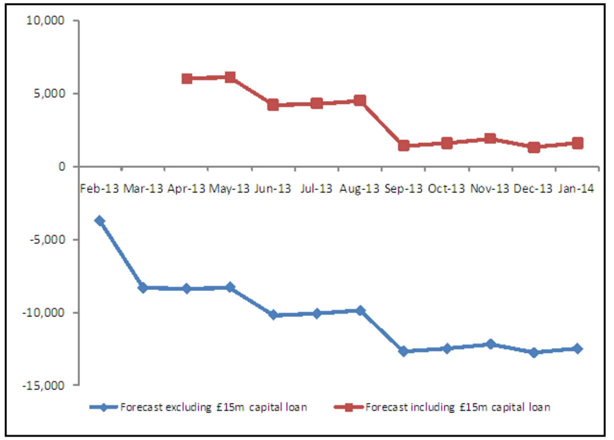
	£m
Opening balance 01/04/12	9.8
Deficit at 28/02/13	(0.5)
Capital spend	(8.6)
Depreciation	6.9
Other changes in working capital	3.7
Cash balance as at 28/02/13	**11.3**

£11.3m represents 16 days of operating expenses. Excluding £7m relating to Watford Hospital link road, the cash balance of £4.3m is 6 days of operating expenses. A minimum of 10 days is required to meet the FT application criterion.

Forecast Cash Balances - Next 12 Months



Forecast Liquidity as measured by Net Current Assets/Liabilities for the next 12 months



Cash and Liquidity
The forecast cash balance shows the cash position including and excluding the £7m received to fund the building of the proposed link road. The forecast including the road funds shows a positive cash balance until December 2013 when £4m of these funds is expected to transfer to Watford Council. By December 2013, the cash position is forecast to become overdrawn which is not acceptable unless a new loan is received. The favourable cash balance assumes a £15m capital loan taken in April 2013. 1 April 2013 has been assumed for planning purposes however the exact timing of this loan is still to be confirmed.

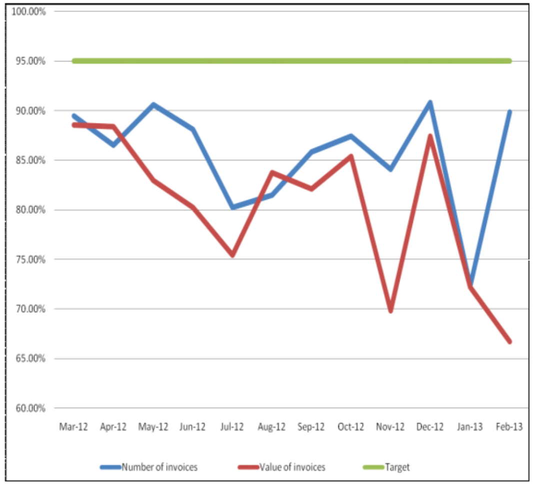
The liquidity chart shows the position both with and without a new £15m capital loan from April 2013. The deterioration in liquidity during the year reflects both the payment of road monies and loan repayments.

Better Payment Practice Code
The Trust strives to meet the BPPC, which targets paying at least 95% of invoices both in numbers and value within 30 days or earlier. In February the value of invoices paid on time has fallen due to a small number of high value invoices not being authorised.

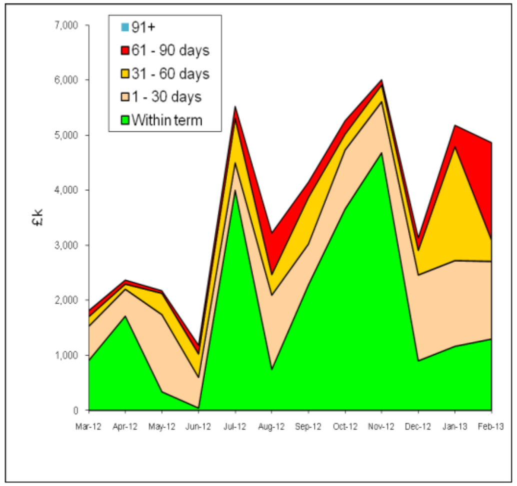
Receivables
The age of debts not covered by provision is shown. The Trust's bad debt provision provides for debts over 90 days old. The level of debts outside of terms has remained constant. The £1.4m NHS Hertfordshire invoice towards the capital cost of increased capacity is now over 61 days over due for payment. Other NHS invoices totalling £1.7m are also overdue for payment.

Capital Programme
Around £3m slippage against planned capital payments is anticipated at financial year end. This is sufficient to cover the planned £0.7m overcommitment. All Trust funded projects are well advanced and will complete in the early months of the new financial year. Public Dividend Capital funded schemes relate to the £1.6m balance of Combined Heat and Power plant (CHP) funding and £0.5m for improving the birthing environment. These funds will be accessed in line with payments. £1m spending on CHP is anticipated in March.

Payables: Better Practice Payment Code Performance



NHS and Trade Receivables by Age Profile Adjusted for Bad Debt Provision



Capital Programme 28th February 2013

Trust funding	Plan £m	YTD Actual £m	Balance £m
Estate Maintenance	5.0	3.4	1.6
TSSU Decontamination	2.0	0.4	1.6
Endoscopy Decontamination	1.7	1.4	0.4
Capacity Initiatives	2.4	2.1	0.3
IT / Medical Equipment	0.8	0.5	0.3
Getting Better (self funding schemes)	0.5	0.3	0.2
Working Differently	0.3	0.0	0.3
Other Committed	0.2	0.3	-0.1
Trust funded capital programme	12.9	8.3	4.6
PDC funding			
Watford Hospital Link Road	7.0	0.0	7.0
Combined Heat and Power Plant	1.3	0.3	1.0
Improving Birthing Environment	0.0	0.0	0.0
PDC funded capital programme	8.3	0.3	8.0
Sales towards cost of capital programme	-0.4	0.0	-0.4
Overcommitment	-0.7	0.0	-0.7
Charge against Capital Resource Limit	20.1	8.6	11.5

Statement of Financial Position (Balance Sheet)

	Balance as at 01 Apr 2012	Balance as at 28 Feb 2013
Non Current Assets		
Property Plant and Equipment	121,896	120,496
Intangible Assets	2,243	1,457
Other Financial Assets	0	0
Trade and Other Receivables	1,187	1,328
Total non current assets	**125,326**	**123,281**
Current assets		
Inventories	3,031	2,833
Trade and Other Receivables	3,252	6,575
Other Assets	6,126	9,642
Cash and Cash equivalents	9,851	11,339
Total current assets	**22,260**	**30,389**
Non Current assets held for sale	**0**	**323**
Total Assets	**147,586**	**153,993**
Current liabilities (amounts due in less than one year)		
NHS Trade Payables	883	3,061
Non NHS Trade Payables	5,308	11,052
Other Liabilities	11,980	15,309
DH Working Capital Loan Principal Repayments	1,400	1,400
DH Capital Loan Principal Repayments	2,772	2,772
Provisions for Liabilities and Charges	541	863
Total current liabilities	**22,884**	**34,457**
Net current assets (liabilities)	**(624)**	**(3,745)**
Total assets less current liabilities	**124,702**	**119,536**
Non Current Liabilities (Due > 1 Year)		
DH Working Capital Loan Principal Repayments	2,800	2,100
DH Capital Loan Principal Repayments	13,851	12,465
Provisions for liabilities and charges	5,280	5,132
Total Non current liabilities	**21,931**	**19,697**
Total assets employed	**102,771**	**99,839**
Financed by Taxpayers Equity		
Public Dividend Capital	180,668	181,968
Retained Earnings	(92,434)	(95,706)
Revaluation reserve	14,537	13,577
Donated asset reserve	0	0
Total funds employed	**102,771**	**99,839**

Property Plant and Equipment
This represents the fair value of the Trust's land, buildings and equipment. The difference between 1 April 2012 and 28 February 2013 reflects the impact of the annual revaluation.

Intangible Assets
This represents computer systems. The level of amortisation (depreciation of intangible assets) has been higher than investment, resulting in a reduction in fair value.

Non Current Trade and Other Receivables
Represents injury cost recovery expected in more than one year.

Trade and Other Receivables
Represents the value of invoices raised but not yet paid and includes £1.4m which relates to the contribution to the additional capacity scheme.

Other Assets
These relate to the accrual of NHS and non NHS income not yet invoiced. The increase in February reflects accruals for December over performance.

Cash
The cash balance includes £7m of Public Dividend Capital (PDC) received in 2011/12 and retained to fund the proposed link road. Cash is also £0.8m higher than planned main due to slower than expected capital spending.

Non Current Assets held for Sale
This relates to the prescription packing unit, now closed and being marketed for sale. In line with Trust accounting policy, the value is the lower of net book value and expected proceeds. After costs of sale, for example the cost of planning permission, the sale is expected to yield a profit before year end.

NHS Trade Payables
The increase mainly relates to the build up of dividends and interest payable in March 2013.

Non NHS Trade Payables
The increase mainly relates to March's taxation and national insurance paid early in March 2012 rather than April 2012 and also includes invoices relating to facilities management paid in March.

Other Liabilities
These relate to the accrual of NHS and Non NHS expenditure where the Trust has not yet received an invoice.

Public Dividend Capital
PDC includes £1.3m funding for the Combined Heat and Power project.

Retained Earnings Reserve
The retained earnings includes the in year income and expenditure movement and a transfer from the revaluation reserve of £2.8m where the impairment resulting from the estates revaluation could not be covered from the revaluation reserve.

Revaluation Reserve
This includes the impact of the 2012/13 revaluation of land and buildings where sufficient reserve exists to cover the cost of the impairment.

Financial Risk Ratings[3]

Monitor

Financial Risk Ratings — Month: Feb-13

Criteria	Metric	Weight	5	4	3	2	1	Risk rating ytd	Forecast rating 12/13
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	2	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	3	3
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	3	3
	I&E surplus margin %	20%	3	2	1	-2	<-2	2	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	3	3
Average								2.55	2.55
Overriding rules	Overriding rules							3	3
Overall rating	Overall rating							3	3

SHA

Financial Risk Ratings — Month: Feb-13

Criteria	Metric	Weight	5	4	3	2	1	Annual Plan 12/13	YTD Risk ratings 12/13	Forecast Risk ratings 12/13
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	2	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	3	3
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	4	3	3
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	2	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	3	2
Average								3.65	2.55	2.3
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	3	2
Overall rating	Overall rating							4	3	2

The Trust has achieved an overall rating of "3" to date using both the Monitor Financial Risk Rating (FRR) ratios and the ratios used by the SHA Management Board to assess performance. A "3" is the minimum acceptable to achieve Foundation Trust status however this has only been achieved through rounding up of the average scores.

There has been a decline in the cumulative I&E position from breakeven at the end of January to a deficit of £0.5m at the end of February. This has had no effect on the EBITDA margin and I&E surplus margin which both continue to show a rating of "2".

The forecast risk ratings are based on the Trust achieving breakeven rather than the planned surplus of £3.1m. The Monitor forecast liquidity risk rating is unchanged as it is based on 2012/13 closing position, unlike the SHA liquidity score which reflects the forecast deteriorating position, resulting in an overall risk score of 2.

Going into 2013/14, the Monitor liquidity risk score is projected to be 2. This assumes some slippage in capital spending. Adjusting for the Watford road access funds, the score would be 1.

In addition to Monitor liquidity requirements, the Department of Health has also indicated that it expects Trusts to have cash holdings in excess of 10 days' operating expenses which equates to cash levels of approximately £6.9m. The Trust received £7m of capital funding in March 2012 which has contributed to the Trust holding cash in excess of 10 days' of operating expenses year to date. The forecast year end cash holding, including the impact of the £7m received to fund the new road, is £3m, which equates to around 5 days' operating expenses.

[3] Monitor calculations for liquidity are based on 2011/12 performance. The SHA ratings are based on 2012/13 for all ratings. Monitor also excludes the value of inventories (stocks) from the liquidity calculation.