

## Finance Report Month 11 (February) 2010/11

### Key Financial Indicators

	Year to Date (Month 11)		Page
		RAG rating compared	
Financial performance (excluding impairment)	Actual surplus £1.1m below plan	R	2
Monitor Financial Risk Rating	3	A	9
CIP performance	£15.0m delivered year to date; £1.3m behind plan	R	3
Liquidity (Net Current Liabilities)	£5.9m	A	7

### Commentary

The original planned surplus to the end of Month 11 was £6.3m. An actual surplus of £5.2m has been delivered to date, giving a shortfall against plan of £1.1m (£1.3m in M10). An impairment of £6.2m, relating to the revaluation of assets, is also included.

This position represents a cumulative shortfall of £0.2m compared to the Financial Recovery Plan (FRP) sent to the Strategic Health Authority in November (compared to a shortfall of £0.05m in M10). This deterioration relates to lower levels of SLA income than planned.

The forecast outturn is £7.5m. An estimate of the outturn value of activity has now been agreed with NHS Hertfordshire which removes the greatest risk to achieving this level of surplus.

Pay remains overspent due to the continued use of high cost temporary staff in theatres and midwifery. Clinical non-pay costs are in excess of budget mainly due to drugs (for which there is some offsetting of income for high cost drugs) and medical and surgical consumables. "Big Ask" savings are running £1.3m behind plan year to date (£1.3m at M10) and the annual total of green schemes is £17.1m (£16.3m at M10) against the target of £19.3m (please see page 3 for further information).

The Trust reports on financial performance to the SHA through the FIMS process and a number of assumptions about the profiling of income and expenditure have changed since the FIMS plan was submitted. The FIMS plan was for a surplus of £5.6m at the end of February and the actual surplus is £0.4m below this.

Anna Anderson, Finance Director

## Statement of Comprehensive Income (Income & Expenditure)<sup>1</sup> for the period 1 April 2010 to 28 February 2011

Annual Budget £'000		Budget to Date £'000	Actuals to Date £'000	Variance <sup>2</sup> £'000	Variance %
	<b>NHS Acute Activity Revenue</b>				
48,971	Elective revenue (long and short stay)	44,570	44,297	(274)	(0.6)
79,162	Non-Elective revenue	72,676	71,738	(938)	(1.3)
51,249	Outpatient	46,738	48,219	1,481	3.2
8,769	A&E	8,052	8,196	144	1.8
38,612	Other NHS	35,249	37,599	2,350	6.7
<b>226,763</b>	<b>NHS Clinical Revenue, Total</b>	<b>207,285</b>	<b>210,048</b>	<b>2,763</b>	<b>1.3</b>
	<b>Non NHS Clinical Revenue</b>				
2,270	Private patient revenue	2,080	1,961	(119)	(5.7)
<b>2,270</b>	<b>Non NHS Clinical Revenue, Total</b>	<b>2,080</b>	<b>1,961</b>	<b>(119)</b>	<b>(5.7)</b>
	<b>Other Operating income</b>				
8,668	Education and Training income	7,948	7,920	(29)	(0.4)
18,045	Other Operating Income	16,410	17,199	789	4.8
<b>26,714</b>	<b>Other Operating income, Total</b>	<b>24,358</b>	<b>25,118</b>	<b>760</b>	<b>3.1</b>
<b>255,747</b>	<b>Operating Revenue and Income, Total</b>	<b>233,723</b>	<b>237,128</b>	<b>3,403</b>	<b>1.5</b>
	<b>Operating Expenses</b>				
160,030	Employee benefits expense	146,888	149,268	(2,380)	(1.6)
12,264	Drug expense	11,246	13,132	(1,886)	(16.8)
23,328	Clinical supplies	21,347	21,952	(605)	(2.8)
26,235	Non Clinical Supplies	23,929	23,680	249	1.0
16,630	Other Operating expenses	14,658	13,212	1,446	9.9
<b>238,487</b>	<b>Operating Expenses, Total</b>	<b>218,068</b>	<b>221,243</b>	<b>(3,175)</b>	<b>(1.5)</b>
<b>2,684</b>	<b>Savings yet to be finalised</b>	<b>1,320</b>		<b>(1,320)</b>	<b>(100.0)</b>
	<b>EBITDA</b>				
19,944	Surplus (Deficit) from Operations margin	16,975	15,885	(1,090)	(6.4)
	<b>Non-Operating expenses</b>				
1,570	Interest	1,449	1,460	(11)	(0.7)
7,142	Depreciation and Amortisation	6,362	6,362	0	0.0
3,135	PDC Dividend	2,874	2,870	4	0.1
<b>11,847</b>	<b>Non-Operating expenses, Total</b>	<b>10,685</b>	<b>10,692</b>	<b>(7)</b>	<b>(0.1)</b>
<b>8,100</b>	<b>Surplus/(Deficit) before Impairment</b>	<b>6,291</b>	<b>5,193</b>	<b>(1,098)</b>	
	Net margin				
<b>8,100</b>	<b>Surplus/(Deficit)</b>	<b>6,291</b>	<b>(1,041)</b>	<b>(7,332)</b>	
	<b>Analysed by Division<sup>3</sup> (before impairment)</b>				
55,751	Medicine	51,246	52,309	(1,062)	(2.1)
49,541	Surgery	45,567	48,635	(3,068)	(6.7)
26,757	Women's	24,551	24,625	(75)	(0.3)
28,088	Clinical Support	25,847	25,009	837	3.2
18,112	Estate & Facilities	16,451	18,086	(1,635)	(9.9)
22,799	Corporate	20,993	20,846	147	0.7
(222,868)	Central Income	(203,731)	(204,674)	943	0.2
<b>13,721</b>	<b>Other</b>	<b>12,784</b>	<b>9,971</b>	<b>2,814</b>	<b>22.0</b>
<b>(8,100)</b>		<b>(6,291)</b>	<b>(5,193)</b>	<b>(1,098)</b>	

### Income and Spend Variances

Clinical income year to date exceeds plan by £2.8m. This is a deterioration compared to M9 of £0.2m which substantially relates to non-elective income. (This is due to a correction to maternity income figures and a reduction in some care of the elderly activity).

Overall, inpatient activity continues to underperform. This is linked to a lower level of elective activity, changes in casemix and the marginal rate of 30% for non-elective overperformance. The main areas of income over recovery relate to: first outpatient attendances, critical care and high cost drugs.

Use of high cost agency staff continues to exceed the budget available from vacant posts. Staffing is discussed more fully on page 5. £1.2m of the overspend on drugs relates to high cost drugs which is offset by income from NHS Hertfordshire.

"Big Ask" savings are £1.3m behind plan year to date. Work continues to identify as many savings as possible however the current forecast is for a shortfall of £1m against the £19.3m target. Please see page 3 for further details.

### Divisional Positions

The divisional analysis shows concerns in four divisions:

The Acute Medical Care division is overspent due to medical and nursing pay overspends in a range of areas, in part due to the winter pressures experienced in the last two months and the opening of additional beds.

The Surgical division, which was funded for 2010/11 at 2009/10 outturn, has overspent by £3.1m to the end of February. A plan has been agreed to address some aspects of the theatres overspend. Further actions are being developed to address other issues in the division.

For the Women's & Children's division, the main issue is an overspend on midwifery pay. Implementation of a plan to reduce the use of agency through additional recruitment and other measures is ongoing.

The main issue for Estates & Facilities is the non-delivery of savings schemes.

All divisions with adverse variances will continue to attend monthly PMO performance management meetings to discuss the variances and agree the actions required to turn around the situation.

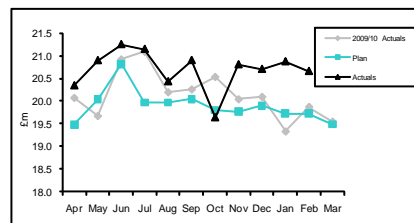
### Performance by Contract

	Year to Date Actuals £'000	Year to Date Variance £'000
NHS Harrow	3,221	82
NHS Hertfordshire	194,808	2,138
NHS Hillingdon	5,162	406
Other Primary Care Trusts	4,738	217
Non-Contract Activity	2,119	(79)
	<b>210,048</b>	<b>2,763</b>

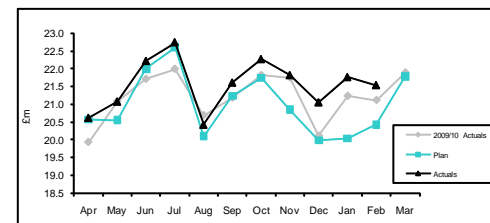
### SLA Income Variances by Division

	Year to Date Actuals £'000	Year to Date Variance £'000
Medicine	70,974	(687)
Surgery	75,172	1,738
Women's	43,014	(431)
Clinical Support	10,723	(223)
Other	10,165	2,367
	<b>210,048</b>	<b>2,763</b>

### Actual Spend compared to Plan



### Actual Income compared to Plan



<sup>1</sup> Red, greater than 1% variance from budget or greater than £0.5m negative variance; Amber negative variance of less than 1% or £0.5m. Variances less than £0.1m will not be highlighted as they are less material.

<sup>2</sup> A negative variance (shown in brackets) denotes an under recovery of income or an overspend compared to plan

<sup>3</sup> Divisional variances exclude SLA income variances, which are shown under "Central Income"

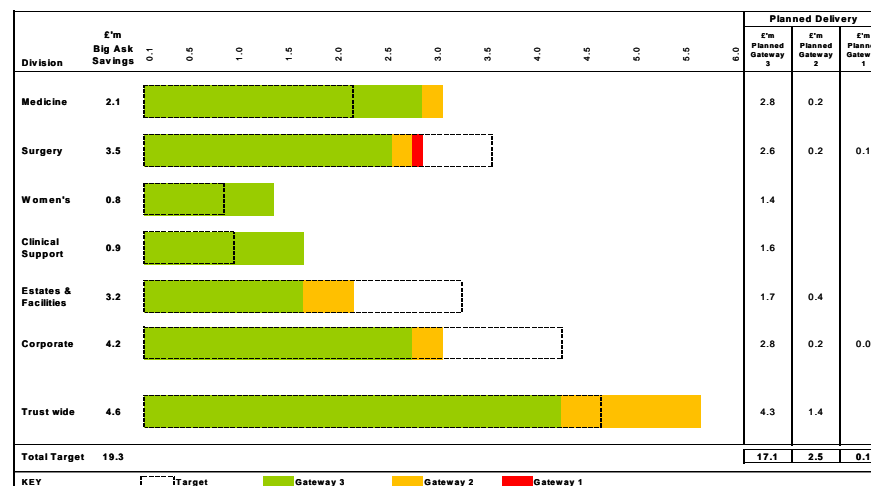
<sup>4</sup> The impairment is a technical adjustment. This is not counted towards the Trust's financial position for performance management purposes.

## Delivery of Big Ask Savings and Progress against the Financial Recovery Plan

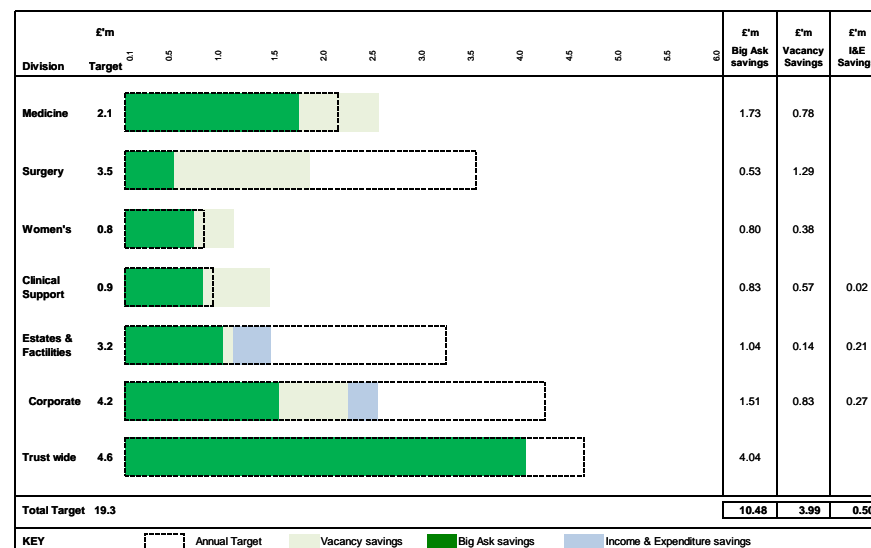
### Performance compared to the Financial Recovery Plan (FRP)

	Month 11			Months 1 - 11		
	FRP £'000	Actual £'000	Variance £'000	FRP £'000	Actual £'000	Variance £'000
SLA Income	18,651	17,855	(796)	205,365	204,675	(690)
Medicine	4,566	4,678	(112)	51,739	52,308	(569)
Surgery & Anaesthetics	4,294	4,439	(145)	47,943	48,634	(691)
Womens and Childrens Services	2,184	2,169	15	24,567	24,625	(58)
Clinical Support	2,291	2,247	44	25,164	25,010	154
Estates & Hotel Services	1,684	1,531	153	18,622	18,086	536
Corporate	1,892	1,368	524	21,210	20,344	866
Other	1,057	915	142	10,706	10,475	231
<b>Grand Total</b>	<b>682</b>	<b>508</b>	<b>(175)</b>	<b>5,414</b>	<b>5,193</b>	<b>(220)</b>

### Divisional Savings by Risk Rating as at 28 February 2011



### Delivery of Savings to 28 February 2011



In M11 the Trust is cumulatively £0.22m behind the Financial Recovery Plan (M10 £0.045m). The Trust continues to forecast that it will achieve the £7.5m forecast year-end outturn.

The "Divisional Savings by Risk Rating" table sets out divisional savings schemes at the end of February by risk rating. £17.1m of savings have been fully identified. The challenge is to convert as much as possible of the amber schemes into realised savings in the remainder of the financial year.

I&E forecast savings represent other measures included in the FRP which (unlike Big Ask schemes) do not impact on budgets. To M11, £0.5m I&E savings have been identified from the transfer of funds from revenue to capital. The outstanding budgeted savings target therefore totals £2.7m (£19.3m less the £16.6m budgeted Big Ask savings delivered).

Of the £2.2m Big Ask gap, there is significant confidence that £1.2m will be delivered by year end and the Trust expects to achieve a total of £18.3m.

## Activity and Income by Division for the eleven months ended 28 February 2011

### Income by Division

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	25,179	26,118	939	(556)	117,457	117,070	(387)	(21)	65,674	65,270	(404)	117	(225)	(686)
Surgery	23,195	24,449	1,254	472	138,336	145,816	7,480	954					312	1,738
Women's	23,394	21,448	(1,946)	(1,127)	100,372	110,853	10,481	559	18,989	19,090	101	27	109	(432)
Clinical Support													(223)	(223)
High Cost Drugs													1,353	1,353
Other								(10)					1,024	1,014
<b>Total</b>	<b>71,768</b>	<b>72,015</b>	<b>247</b>	<b>(1,211)</b>	<b>356,165</b>	<b>373,739</b>	<b>17,574</b>	<b>1,481</b>	<b>84,663</b>	<b>84,360</b>	<b>(303)</b>	<b>144</b>	<b>2,350</b>	<b>2,763</b>

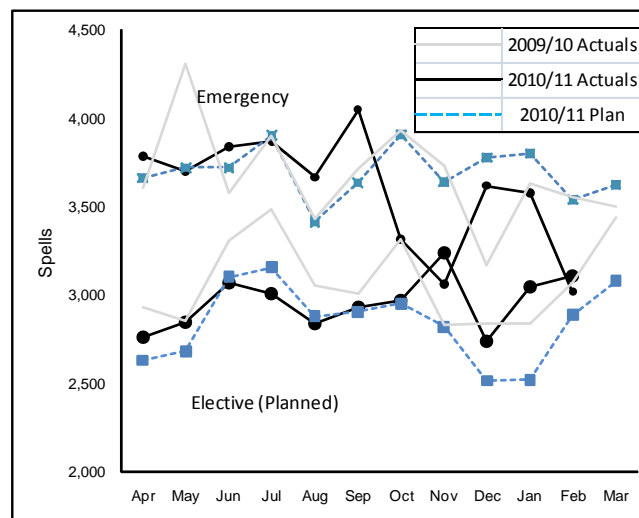
### Analysis of variances

Although elective activity levels are higher than planned, income is £0.3m below plan. This is linked to activity levels in some specialties, chiefly: casemix issues in general surgery, urology, and, in general medicine, due to underperformance against plan in both activity and income.

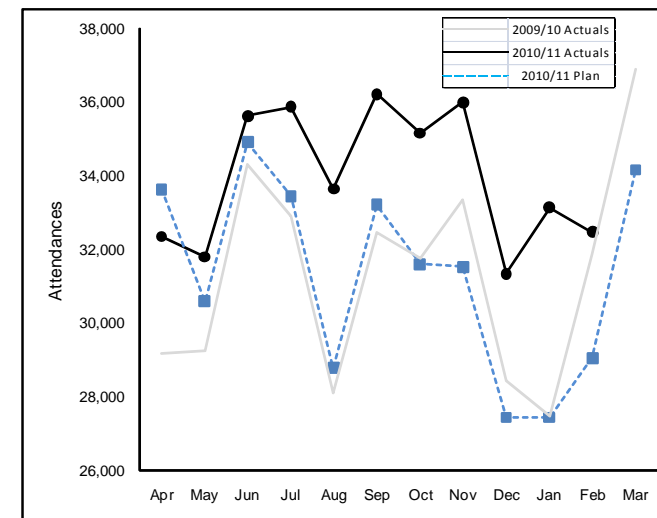
Non-elective activity is below plan and shows an underrecovery of income of £0.9m (compared to £0.6m in January). In the Medical Division, this mainly relates to levels of activity and the impact of the marginal tariff for activity over 2008/09 levels. Women's & Children's performance is below plan for both activity and income, this is mainly within paediatrics and GP Led midwifery

Outpatient activity and income is over plan. Key specialties which are overperforming are: general surgery, midwifery, ophthalmology, orthopaedics and GUM.

### 2010/11 Inpatient Activity Actuals compared to Plan



### 2010/11 Outpatient Activity Actuals compared to Plan



## Workforce spend and Whole Time Equivalents for the eleven months ended 28 February 2011

### Divisional Pay Spend compared to Budget

Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Budget WTE	Actuals Worked WTE	Variance WTE
Medicine	40,079	4,316	1,509	45,904	44,909	(995)	1,110.8	1,125.8	(15.0)
Surgery	33,168	2,432	2,333	37,932	36,707	(1,226)	842.8	832.6	10.2
Women's	19,453	2,047	2,166	23,666	23,309	(357)	552.7	507.2	45.5
Clinical Supp.	21,896	245	696	22,837	22,851	13	587.5	552.7	34.8
Estates	3,018	28	13	3,058	3,060	2	90.1	88.7	1.4
Corporate	15,353	326	192	15,871	16,052	181	580.3	538.9	41.4
<b>Total</b>	<b>132,967</b>	<b>9,393</b>	<b>6,908</b>	<b>149,268</b>	<b>146,888</b>	<b>(2,381)</b>	<b>3,764.2</b>	<b>3,645.9</b>	<b>118.3</b>

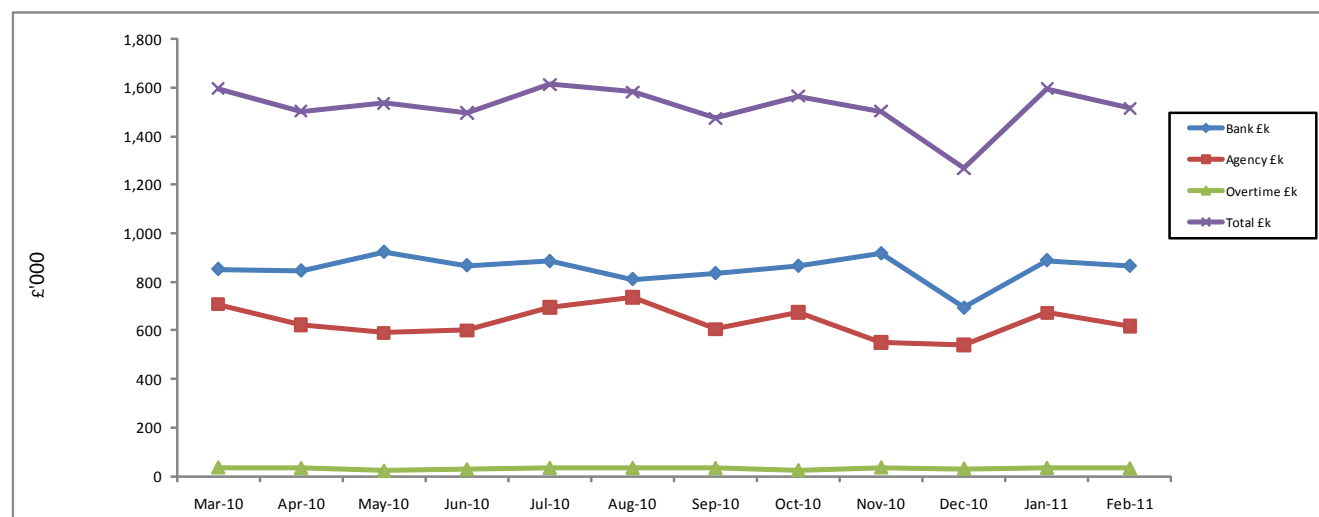
### Analysis of Pay Variances

Whole Time Equivalent (WTE) actuals include estimated hours for agency staff. WTE worked is lower than budgeted due to vacancies across the Trust.

Spend has exceeded budget due to the premium costs of paying for agency staff and for additional clinics and sessions.

Management of pay spend will be critical to the delivery of the planned surplus. Additional controls on the appointment of temporary and permanent staff have recently been implemented across the Trust.

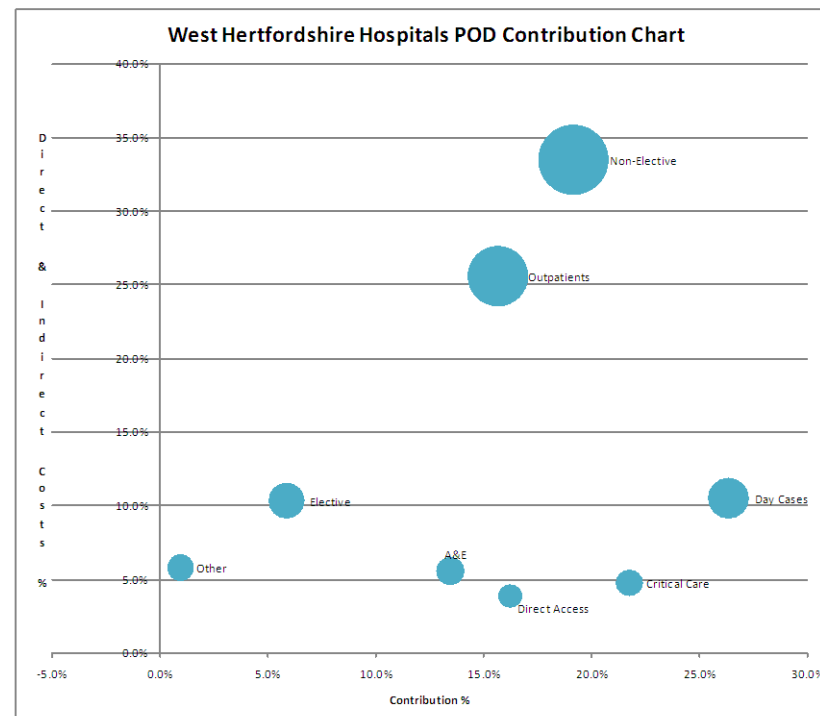
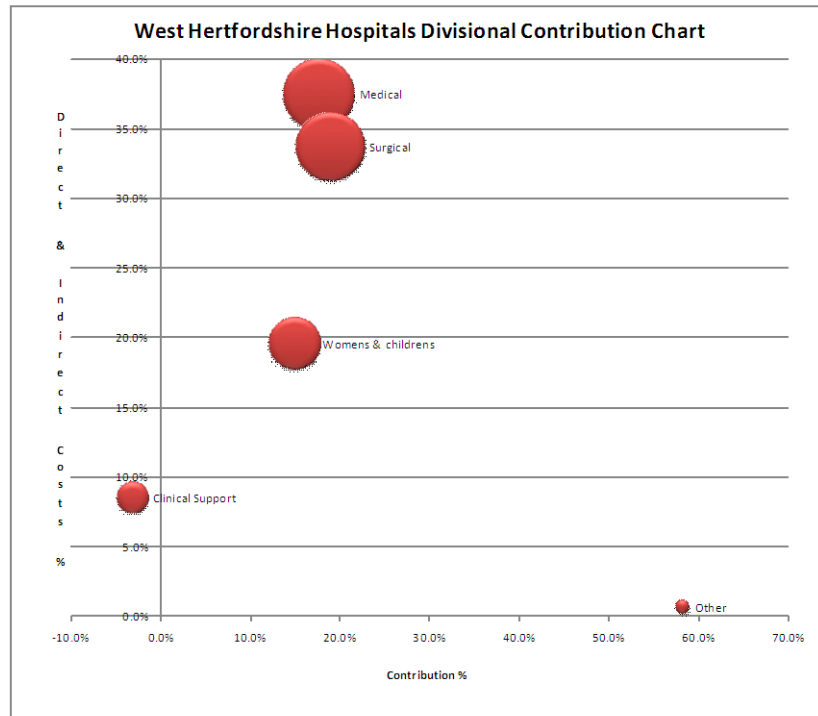
### Temporary staffing spend on a 12 month rolling period



## Service Line Reporting by Division to 31 October 2010

Division	October 2010 Year To Date							
	Income £000	Direct Cost £000	Indirect Costs £000	Contribution £000	Overheads £000	Surplus/(Deficit) £000	Contribution %	Surplus/(Deficit) %
Medicine	52,651	41,226	2,121	9,304	8,494	810	17.7%	1.5%
Surgery	48,107	33,677	5,308	9,122	6,269	2,853	19.0%	5.9%
Womens & Children	26,620	22,235	406	3,987	3,448	539	15.0%	2.0%
Clinical Support	9,595	6,976	2,912	(293)	1,377	(1,670)	(3.1%)	(17.4%)
Other	1,920	799	2	1,118	45	1,073	58.2%	55.9%
<b>Total</b>	<b>138,901</b>	<b>104,913</b>	<b>10,750</b>	<b>23,238</b>	<b>19,633</b>	<b>3,605</b>	<b>16.7%</b>	<b>2.6%</b>

Point Of Delivery (POD)	October 2010 Year To Date							
	Income £000	Direct Cost £000	Indirect Costs £000	Contribution £000	Overheads £000	Surplus/(Deficit) £000	Contribution %	Surplus/(Deficit) %
Day Case	16,526	10,443	1,730	4,353	1,768	2,585	26.3%	15.6%
Elective	12,701	9,402	2,556	743	1,607	(864)	5.8%	(6.8%)
Non-Elective	47,936	34,073	4,681	9,183	5,737	3,446	19.2%	7.2%
Outpatients	35,063	30,440	(863)	5,486	6,878	(1,392)	15.6%	(4.0%)
Critical Care	7,059	5,312	213	1,534	649	885	21.7%	12.5%
A&E	7,463	6,616	(157)	1,003	1,554	(551)	13.4%	(7.4%)
Direct Access	5,374	3,251	1,251	872	813	58	16.2%	1.1%
Other	6,779	5,376	1,339	64	626	(562)	0.9%	(8.3%)
<b>Total</b>	<b>138,901</b>	<b>104,913</b>	<b>10,750</b>	<b>23,238</b>	<b>19,633</b>	<b>3,605</b>	<b>16.7%</b>	<b>2.6%</b>



### Key Headlines:

Outpatient follow-up attendances provide limited contribution - this is a function of how the national tariff has been set.

The same tariff is earned for elective procedures regardless of whether they are undertaken as an in patient or day-case. Therefore, if procedures that could potentially be daycases are done as inpatients, contribution will be less.

'Other' refers to block contracts such as audiology, bowel screening etc. It also includes 'unmatched' tests that cannot be related to a particular patient and accruals.

### 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 Divisions/ PODs percentage share of overall Trust costs (direct and indirect costs).

## Cash and Capital Management

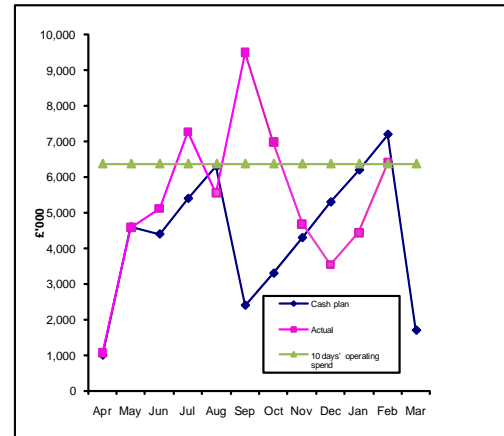
### Cash Balance

	£m
Opening balance 01/04/10	1.8
Surplus to 28/2/11	5.2
Movement in working capital	(1.9)
Capital spend	(5.1)
Depreciation	6.4
	6.4

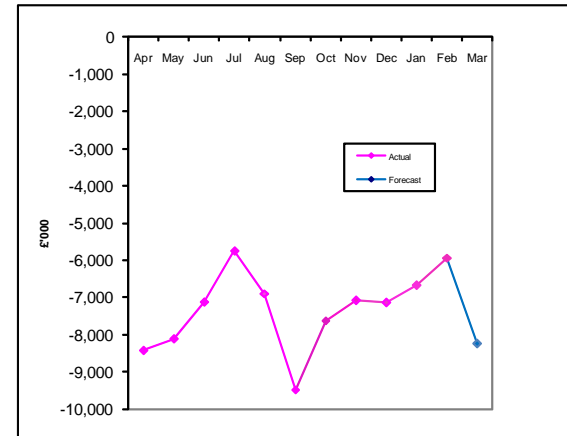
### BPPC Performance<sup>5</sup>

	M1 - 11 Actuals	Target	Cumulative Variance
By number of invoices	83%	95%	(12%)
By value of invoices	80%	95%	(15%)

### Cash Balances



### Liquidity as measured by Net Current Liabilities

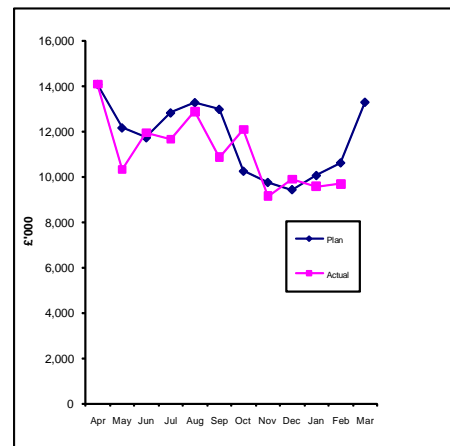


**Liquidity / cash** - The cash balances graph shows: i) actual cash balance at the end of each month ii) planned month end balances as reported to the Board as part of the May financial position, except the March figure, this has been adjusted from nil to £1.7m and iii) the level of cash to cover 10 days of operating expenditure. Following the reduction in the forecast surplus, the contingency actions to manage cash in the event of an I&E shortfall reviewed by the Finance Committee will be implemented.

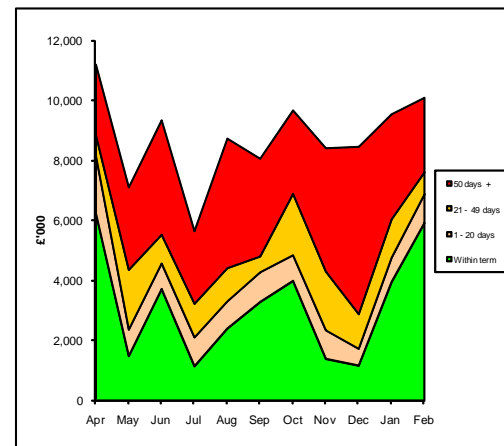
The year-end cash position is forecast to be £1.7m in line with plan.

**Net Current Liabilities** - this shows the extent to which the payables due within a year exceed the value of the Trust's cash, inventories (stocks) and receivables. The forecast deterioration in liquidity reflects the reduction in the forecast surplus from £8.1m to £7.5m.

### Receivables against Plan



### NHS and Trade Receivables by Age Profile



### Capital Programme

	Opening Full Year Budget	Revised Full Year Budget	Revised Budget to 28 February 2011	Actuals to 28 February 2011	Variance from Revised Budget
	£m	£m	£m	£m	£m
Estates	3.7	2.8	2.4	2.3	0.1
Decontamination	1.9	0.1	0.2	0.1	0.1
Information Technology	3.3	3.5	2.8	2.1	0.7
Equipment	0.5	0.6	0.5	0.6	-0.1
Other schemes	1.0	0.5	-	-	-
Expected slippage	-1.8	0.0	-	-	-
<b>Total</b>	<b>8.6</b>	<b>7.6</b>	<b>5.9</b>	<b>5.1</b>	<b>0.8</b>

**Capital** - the capital budget has been reduced by £1m to £7.6m as part of the Trust's Financial Recovery Plan and spending plans have been adjusted accordingly. This reduction in spend will support the Trust's liquidity position. Expenditure relating to decontamination compliance has been delayed while the Trust's options are reviewed. Endoscopy decontamination plans are being revised to take advantage of new systems and a revised business case is being finalised. Decontamination arrangements will continue to be safe while these issues are resolved.

<sup>5</sup>Under the Better Practice Payment Code, the Trust has a duty to pay 95% of its invoices within 30 working days of receipt.

## Statement of Financial Position (Balance Sheet)

	2010/11 Opening Bal as at 01/04/2010	2010/11 Actual as at 28 Feb 2011	2010/11 Forecast as at 31 Mar 2011
<b><u>Non Current Assets</u></b>			
Property Plant and Equipment	131,615	117,922	119,177
Intangible Assets	3,325	2,937	3,124
Trade and Other Receivables	1,575	1,674	1,674
<b>Total non current assets</b>	<b>136,515</b>	<b>122,533</b>	<b>123,975</b>
<b><u>Current assets</u></b>			
Inventories	3,530	3,514	3,530
Trade and Other Receivables	5,835	9,697	5,835
Other Assets	7,471	4,864	7,471
Cash and Cash equivalents	1,776	6,404	1,726
<b>Total current assets</b>	<b>18,612</b>	<b>24,479</b>	<b>18,562</b>
Non Current Assets held for sale	260	0	0
<b>Total current assets</b>	<b>18,872</b>	<b>24,479</b>	<b>18,562</b>
<b>Total Assets</b>	<b>155,387</b>	<b>147,012</b>	<b>142,537</b>
<b><u>Current liabilities (amounts due in less than one year)</u></b>			
NHS Trade Payables	2,102	3,286	2,154
Non NHS Trade Payables	8,173	9,333	7,355
Other Liabilities	10,505	10,862	10,368
DH Working Capital Loan Principal Repayments	3,640	3,640	3,640
DH Capital Loan Principal Repayments	2,772	2,772	2,772
Provisions for Liabilities and Charges	550	516	516
<b>Total current liabilities</b>	<b>27,742</b>	<b>30,409</b>	<b>26,805</b>
<b>Net current assets (liabilities)</b>	<b>(8,870)</b>	<b>(5,930)</b>	<b>(8,243)</b>
<b>Total assets less current liabilities</b>	<b>127,645</b>	<b>116,603</b>	<b>115,732</b>
<b><u>Non Current Liabilities (Due &gt; 1 Year)</u></b>			
DH Working Capital Loan Principal Repayments	7,840	6,020	4,200
DH Capital Loan Principal Repayments	19,395	18,009	16,623
Provisions for liabilities and charges	5,430	5,300	5,148
<b>Total Non current liabilities</b>	<b>32,665</b>	<b>29,329</b>	<b>25,971</b>
<b>Total assets employed</b>	<b>94,980</b>	<b>87,274</b>	<b>89,761</b>
<b><u>Financed by Taxpayers Equity</u></b>			
Public Dividend Capital	173,668	173,668	173,668
Retained Earnings	(100,168)	(100,913)	(98,423)
Revaluation reserve	20,545	13,742	13,742
Donated asset reserve	935	777	774
<b>Total funds employed</b>	<b>94,980</b>	<b>87,274</b>	<b>89,761</b>

Property, Plant and Equipment have reduced in value compared to 1 April 2010 following a revaluation of the Trust's land and buildings. This is reflected in the revaluation reserve and the technical impairment charge to the Statement of Comprehensive Income (I&E).

Intangible assets mainly relate to computer systems development. The reduction between 1 April 2010 and 28 February 2011 reflects depreciation. The increase to 31 March reflects forecast additions, mainly the new pathology computer system.

Trade and Other Receivables have increased due to £2.8m of overperformance income due from NHS Hertfordshire. The Trust is confident that these invoices are soundly based and will be paid however delay in payment is due to the national timetable for Trust and PCTs to agree activity data. Overperformance invoices up to Month 8 have been settled in full. Month 9 data was "frozen", that is finalised in line with the national timetable, at the beginning of March.

Cash balances have increased compared to 1 April 2010 due to the build up of reserves to make loan and dividend repayments in March.

NHS Trade Payables have increased from 1 April to 28 February reflecting the build up creditors for interest payable and dividends which will be settled in March.

Non NHS Trade Payables have increased as the Trust has delayed payment of invoices in order to build up cash to make its dividend and interest payments to the Department of Health in March.



## Financial Risk Ratings<sup>6</sup>

### Monitor

Financial Risk Ratings									
		Month	Feb-11						
Criteria	Metric	Weight	5	4	3	2	1	Risk rating ytd	Forecast rating 10/11
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	4	4
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2	5	5
	I&E surplus margin %	20%	3	2	1	-2	<-2	4	4
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	2	2
Average								3.45	3.45
Overriding rules	Overriding rules							-0.45	-0.45
Overall rating	Overall rating							3	3

### SHA

Financial Risk Ratings														
		Month	Feb-11							Annual Plan 10/11	Score 10/11	YTD Risk ratings 10/11	Score 10/11	Forecast Risk ratings 10/11
Criteria	Metric	Weight	5	4	3	2	1							
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1		3	6.7%	3	7.4%	3	
	EBITDA achieved %	10%	100	85	70	50	<50		5	80.9%	3	87.0%	4	
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2		5	11.6%	5	11.6%	5	
	I&E surplus margin %	20%	3	2	1	-2	<-2		5	2.2%	4	2.9%	4	
Liquidity	Liquid ratio days	25%	60	25	15	10	<10		3	22.8	3	22.8	3	
Average									4.00		3.60		3.7	
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2							0		0		0	
Overall rating	Overall rating								4		4		4	
Additional Financial Risks											3		NO	

The Trust is forecasting that Monitor's overall rating will remain at 3. (Although the Trust's liquidity is reduced by the increase in forecast operating expenses as the forecast surplus is reduced from £8.1m to £7.5m, this is offset by an increase in the assumed working capital facility, which is based on 30 days' worth of operating expenses). It should be noted that, 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. This equates to cash levels of approximately £6.6m.

As shown in the SHA table above, under "Additional Financial Risks", the East of England Strategic Health Authority (SHA) has revised its financial risk model to include consideration of a wider range of financial risks. The 3 financial risks flagged on the SHA return are: unplanned decreases in EBITDA margin in two consecutive quarters due to the I&E deficit against plan, debtors more than 90 days old exceed 5% of the total balance and quarter end cash balance is planned to be less than 10 days' operating expenses. As discussed in this report, the Trust is working to manage a range of pressures and risks. However, according to the rules of the SHA financial risk model, these 3 risks listed above do not rate as a material risk to the year-end position.

<sup>6</sup>Monitor calculations for liquidity and EBITDA achieved are based on 2009/10 performance. The SHA ratings are based on 2010/11 for all ratings. Monitor also excludes the value of inventories (stocks) from the liquidity calculation.