

## Finance Report Month 7 (October) 2011/12

### Key Financial Indicators

	Year to Date (Month 7)		Page
		RAG	
Financial performance	Actual surplus £0.2m ahead of the recovery plan agreed by the Board in month 5	G	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£3.0m behind plan	R	3
Liquidity (Net Current Liabilities)	(£6.4m)	R	7

### Commentary

The forecast surplus to the end of Month 7 (October 2011) was £1.4m. The Trust has achieved an actual surplus of £1.7m, meaning the Trust is £0.3m ahead of the revised plan.

The key reason for this improvement in the position is that patient related income remained ahead of the revised plan by £0.4m, but this was partly offset by a shortfall in the delivery of savings of £0.2m. The additional income relates to higher levels of non-elective, out patient and critical care income than was forecast, however, elective activity is below forecast.

The Trust reports on financial performance to the SHA based on a FIMS plan. Whilst the annual plan in FIMS is the same as the internal one, the phasing of some elements is different. The FIMS plan is for a £2.5m surplus at the end of October and the actual surplus is £0.8m below this. The Trust submitted its revised financial forecast to the Strategic Health Authority (SHA) in September to demonstrate how this shortfall will be addressed. The Trust has also received confirmation from the SHA to vary the required year end surplus from £4.4m to £3.6m to reflect the higher than planned interest payments resulting from the Trust's loans not being rescheduled.

Revised forecasts are being produced on a monthly basis and show that the Divisions are now expected to be £0.2m ahead of the original recovery plan.

The SLR report to the end of August is included. This shows a 1.2% fall in contribution since the last reported position. This fall is consistent with the planned reduction in activity income during August being only partly offset by marginal reductions in costs.

The Department of Health requires aspirant FTs to have a minimum of 10 days' cash. At the end of October the Trust had 10 days mainly due to additional PCT income and slippage against the capital programme. The capital programme is forecast to spend to budget by March 2012 so the Trust is taking measures to mitigate the impact of the loan rescheduling being delayed. Assuming the year end surplus target is met, the Trust will be able to manage its cash to be in the black.

In October, the value of savings identified increased by £0.5m to £7.9m. Work is ongoing to convert the remaining Amber and Red schemes into confirmed plans. Additional savings are being identified including productivity improvements; maximising the use of the St Albans site and bids to the PCT for Transformation Funding to support redesign of services. There remains a lot to deliver to ensure the Trust meets its revised forecast surplus whilst also investing in emergency care & maternity services.

Month 7 - October - 2011/2012

Income & Expenditure compared to Forecast Position reported in month 5

	YTD			
	Forecast to date £'000	Actuals to date £'000	Variance £'000	Variance %
<b>NHS Activity Revenue</b>				
- Non Elective	45,152	45,609	457	1.0%
- Elective	28,681	28,087	(594)	-2.1%
- Outpatient	29,720	29,823	103	0.3%
- A&E	5,340	5,331	(8)	-0.2%
-Other Activity	25,313	25,724	412	1.6%
<b>NHS Activity Revenue, Total</b>	<b>134,206</b>	<b>134,574</b>	<b>369</b>	<b>0.3%</b>
<b>Other Income &amp; Revenue</b>				
Non SLA Central Income	1,937	1,894	(43)	-2.2%
Divisional Income	15,578	15,952	374	2.4%
<b>Other Income &amp; Revenue, Total</b>	<b>17,515</b>	<b>17,846</b>	<b>331</b>	<b>1.9%</b>
<b>Operating Revenue &amp; Income, Total</b>	<b>151,720</b>	<b>152,420</b>	<b>700</b>	<b>0.5%</b>
<b>Operating Expenses</b>				
Employee benefits expense	96,432	96,799	(367)	-0.4%
Non pay	46,961	47,025	(64)	-0.1%
<b>Operating Expenses, Total</b>	<b>143,393</b>	<b>143,824</b>	<b>(431)</b>	<b>-0.3%</b>
<b>EBITDA</b>				
Surplus (Deficit) from operations margin	8,328	8,596	269	3.2%
<b>Non-Operating expenses</b>				
Interest	812	789	23	2.8%
Depreciation & Amortisation	4,301	4,317	(15)	-0.4%
PDC Dividend	1,809	1,808	0	0.0%
<b>Non-Operating expenses, Total</b>	<b>6,922</b>	<b>6,914</b>	<b>7</b>	<b>0.1%</b>
<b>Surplus / (Deficit)</b>	<b>1,406</b>	<b>1,682</b>	<b>276</b>	<b>19.6%</b>
<b>Analysed by Division</b>				
Medicine	38,391	38,493	(101)	-0.3%
Surgery	31,698	31,482	217	0.7%
Women & Children	16,090	16,075	15	0.1%
Clinical Support	16,288	16,263	26	0.2%
Estates & Hotel Services	11,192	11,185	7	0.1%
Corporate	14,776	14,623	153	1.0%
Central Income	(136,143)	(136,468)	326	-0.2%
Other	6,301	6,667	(366)	-5.8%
<b>TOTAL</b>	<b>(1,406)</b>	<b>(1,682)</b>	<b>276</b>	

### Income and Spend Variances from the Forecast Recovery Plan

SLA Income is £0.4m ahead of the forecast plan, however this is a reduction of £0.2m from last month. This is mainly due to a slowing in elective activity in General Surgery, Orthopaedics and Cardiology as the PCT reductions are starting to impact earlier than was forecast in the recovery plan.

Pay spend is above forecast by £0.4m due to delays in achieving planned savings. This shortfall is planned to be recovered through more effective utilisation of capacity in the coming months and the implementation of additional savings schemes.

Non pay spend in excess of forecast mainly links to the costs of undertaking additional activity. In particular, there are additional costs in ITU from treating additional critical care patients.

The forecast position now assumes that the Trust's loans will not be reprofiled. Consequently, forecast interest has increased to reflect this. The year to date position reflects the new assumptions.

### Divisional Positions

Medicine - The main variances from the forecast are the additional costs being incurred in order to respond to the emergency care pressures. A review of the forecast by the Division has identified that costs are estimated to exceed the financial recovery plan by £218k.

Surgery - The improvement from the forecast reflects: additional non recurrent funding for a junior doctor £35k and reduced pay and non pay costs reflecting reduced activity. This is not forecast to continue. The Division has revised its year end forecast to be £200k better than the financial recovery plan.

Women & Children - The division is in line with forecast at the end of October. Due to slippage against savings, the forecast is now £99k worse than the financial recovery plan.

Clinical Support - The division is in line with forecast and will be £132k ahead of forecast by the year end.

Estates & Hotel Services - The division is in line with forecast at the end of October and is now forecasting a year end position £58k better than the recovery plan due to additional savings.

Corporate - Is ahead of forecast due to additional savings and has a revised forecast £152k better than the recovery plan.

Other - this variance from forecast reflects savings that have not been realised. This will be recovered through more effective utilisation of capacity in the coming months and new savings schemes being implemented.

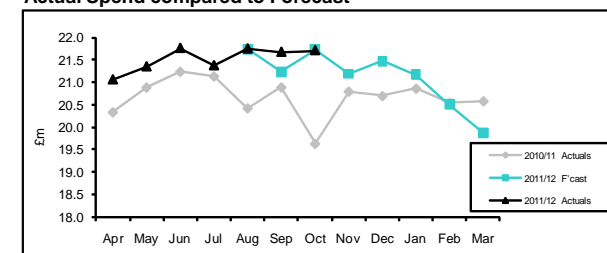
### Performance by Contract Compared to Forecast Position

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	2,001	47
NHS Hertfordshire (incl specialist commissioning)	122,949	305
NHS Hillingdon	3,177	(1)
Other Primary Care Trusts	4,839	41
Non-Contract Activity	1,610	(23)
	134,574	368

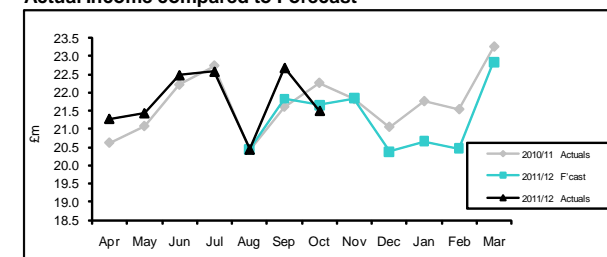
### SLA Income Variances by Division Compared to Forecast Position

	YTD Actuals £'000	YTD Variance £'000
Medicine	45,172	30
Surgery	46,528	(121)
Women's	26,164	182
Clinical Support	6,267	206
Other	10,443	72
	134,574	368

### Actual Spend compared to Forecast



### Actual Income compared to Forecast



## Delivery of Big Ask 2 Savings and Progress against the Financial Recovery Plan

### Divisional Savings by Risk Rating as at 31 October 2011

Division	£'m m Big Ask 2 Savin		Planned Delivery 2011/12		
			£'m Planned Gateway 3	£'m Planned Gateway 2	£'m Planned Gateway 1
Medicine	3.8		0.9	0.3	0.1
Surgery	3.0		1.5	0.7	0.1
Women's	2.2		0.3	0.2	0.3
Clinical Support	1.7		0.4	0.2	0.1
Estates & Facilities	1.3		0.6	0.6	1.5
Corporate	1.5		0.8	0.4	0.9
Trustwide	2.0		3.3	3.9	0.9
<b>Total Targ</b>	<b>15.5</b>		<b>7.9</b>	<b>6.2</b>	<b>4.0</b>
KEY  Target  Gateway 3  Gateway 2  Gateway 1					

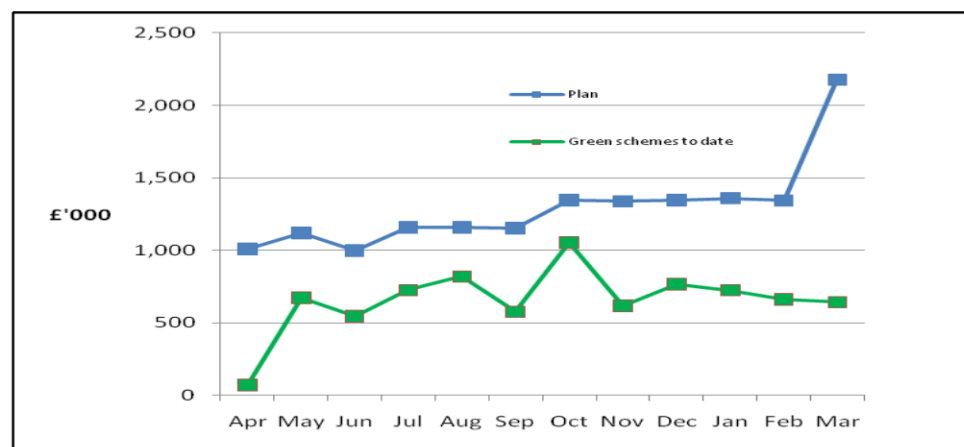
### Big Ask Planned vs Actual Delivery

Month	Plan £'000	Green schemes to date £'000	Variance from plan YTD £'000
Apr	1,008	70	(938)
May	1,119	672	(447)
Jun	997	545	(452)
Jul	1,158	726	(432)
Aug	1,158	820	(338)
Sep	1,153	577	(576)
Oct	1,345	1,053	(292)
Nov	1,338	617	(721)
Dec	1,345	768	(577)
Jan	1,359	724	(635)
Feb	1,343	662	(681)
Mar	2,177	643	(1,534)
<b>Total</b>	<b>15,500</b>	<b>7,877</b>	<b>(7,623)</b>

### Annual Green savings identified as at 31/10/2011

Division	£'000
Medicine	860
Surgery	1,486
Women's & Children's	331
Clinical Support	394
Estates & Hotel Sews	639
Corporate & Trustwide	4,169
<b>Total</b>	<b>7,877</b>

### Big Ask 2 Plan vs Actual



The "Divisional Savings by Risk Rating" table shows the value of all potential schemes to be £18.1m. After applying risk weightings to the Amber & Red schemes the adjusted total is £14.3m. This represents a £1.2m shortfall from the target of £15.5m. The value of Green schemes has increased by £0.5m in month to £7.9 m.

A range of actions are being taken to cover the shortfall from target, these include: reducing the number of additional sessions ahead of finalising the work from the productivity specialists; maximising the use of the St Albans site; reviewing a visit to Basildon & Thurrock Hospitals Trust to learn from their successes and understand what immediate actions can be taken to reduce costs and applying to the PCT for additional Transformation Funding to support the redesign of services.

Other Trustwide savings represent additional PCT income resulting from delays in the PCT's plan to reduce activity and projects which will impact on more than one division eg. the development of private facility within the Trust, procurement and staffing reviews. Further work is being undertaken to confirm these savings and move into the relevant divisions.

# Income by Division compared against the original activity plan for the month ended 31 October 2011

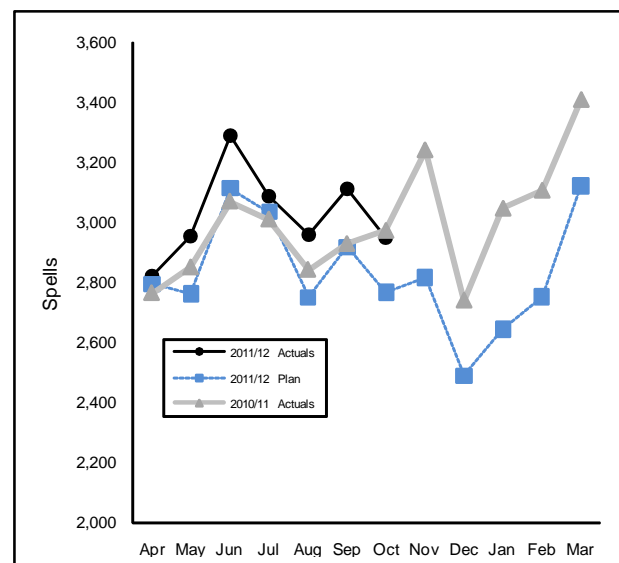
Division	Inpatient				Outpatient				A&E				Other	Total
	Budget	Actuals	Variance	Variance (£'000)	Budget	Actuals	Variance	Variance (£'000)	Budget	Actuals	Variance	Variance (£'000)	Variance (£'000)	Variance (£'000)
	Spell	Spell	Spell		Attendance	Attendance	Attendance		Attendance	Attendance	Attendance			
Medicine	16,390	16,687	297	1,628	72,506	75,265	2,759	226	40,976	42,744	1,768	203	(1,666)	391
Surgery	14,951	15,604	653	1,542	86,012	91,375	5,363	617	1,770	2,598	828	63	(1,101)	1,122
Women's	12,753	13,099	346	890	67,855	64,329	(3,526)	(104)	12,171	11,751	(420)	(36)	(410)	340
Clinical Support													74	74
High Cost Drugs													855	855
Other													(1,593)	(1,593)
Total	44,094	45,390	1,296	4,060	226,373	230,969	4,596	739	54,917	57,093	2,176	230	(3,841)	1,189

Medical inpatient activity remains above the original plan in both spells and money. However, in month there was a slowing of over performance, particularly in cardiology as activity was cancelled to provide additional emergency beds in the Cath Lab. Out-patient activity was in line with plan in month and A&E continued to over perform at the previous rate.

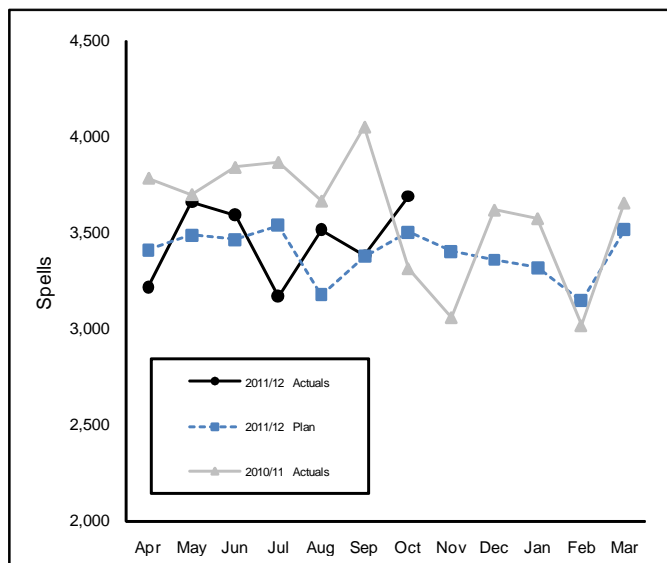
Surgery inpatient activity remains above the original plan, notably in General Surgery and Orthopaedics, but is below the forecast. This is due to PCT activity reductions impacting earlier than was forecast. Critical care activity over performed at a greater rate in month than previously.

Women's inpatient activity continues to over perform in Paediatrics. Midwife led out patient activity continues to under perform.

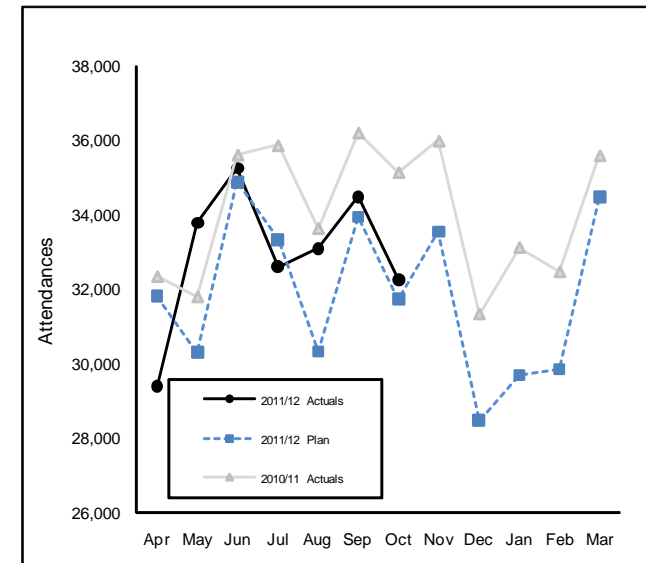
2011/12 Elective Activity Actuals compared to Original Plan



2011/12 Emergency &amp; Non-Elective Actuals compared to Original Plan



2011/12 Outpatient Activity Actuals compared to Original Plan



## Workforce spend and Average Whole Time Equivalents for the period April – October 2011

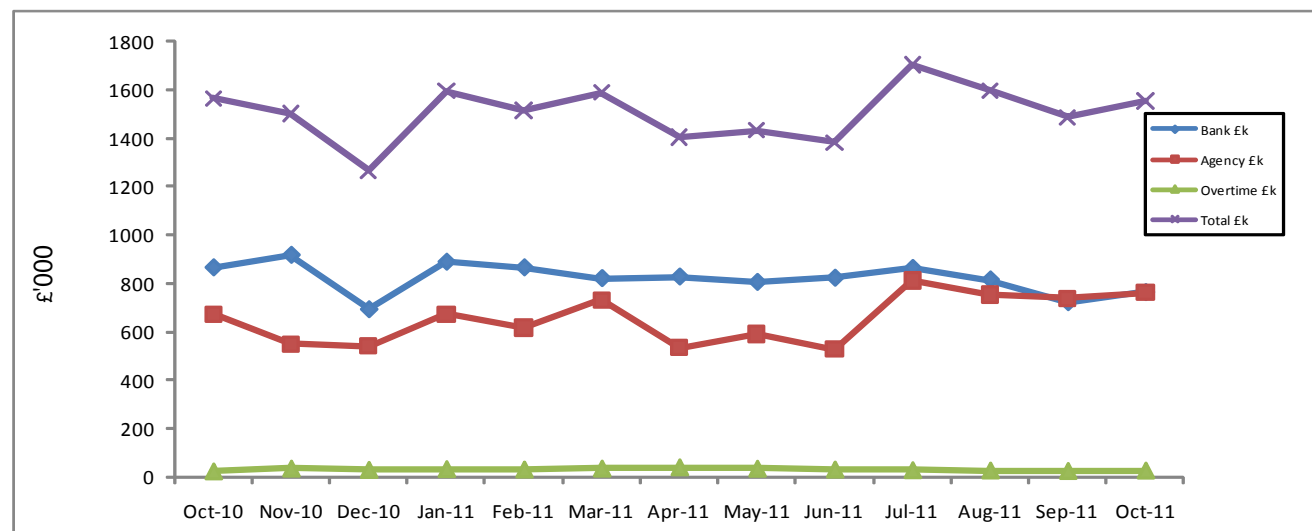
Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Budget WTE	Actuals Worked WTE	Variance WTE
Medicine	25,623	2,799	1,512	29,934	29,440	(493)	1,246.0	1,245.3	0.7
Surgery	21,547	1,305	1,338	24,190	23,927	(262)	861.2	842.6	18.5
Women's	12,934	1,244	1,303	15,481	15,486	5	573.3	547.3	26.0
Clinical Supp.	14,455	83	378	14,916	14,913	(3)	595.9	571.3	24.5
Estates	1,837	4	0	1,841	1,897	56	87.7	84.7	3.1
Corporate	10,060	186	191	10,438	10,388	(50)	459.2	432.5	26.7
<b>Total</b>	<b>86,457</b>	<b>5,621</b>	<b>4,722</b>	<b>96,799</b>	<b>96,051</b>	<b>(748)</b>	<b>3,823.3</b>	<b>3,723.8</b>	<b>99.5</b>
<b>% Variance</b>						<b>(0.8)</b>			<b>2.6</b>

Whole Time Equivalent actuals include estimated WTE for agency staff. Average WTE worked remains lower than budgeted due to vacancies across the Trust. The actual WTE has increased from an average of 3,668 in 2010/11 to an average 3,724 in 2011/12. The increase of 5 WTE in October reflects additional midwives in response to the high rate of deliveries in month and the additional WTE employed to support emergency care pressures.

Pay continues to over spend. The main reasons remain: premium costs of agency medics and midwives and the additional costs to support delivery of the emergency care targets.

The graph shows a rise in temporary staffing costs in October. This relates to additional midwives and medical locums.

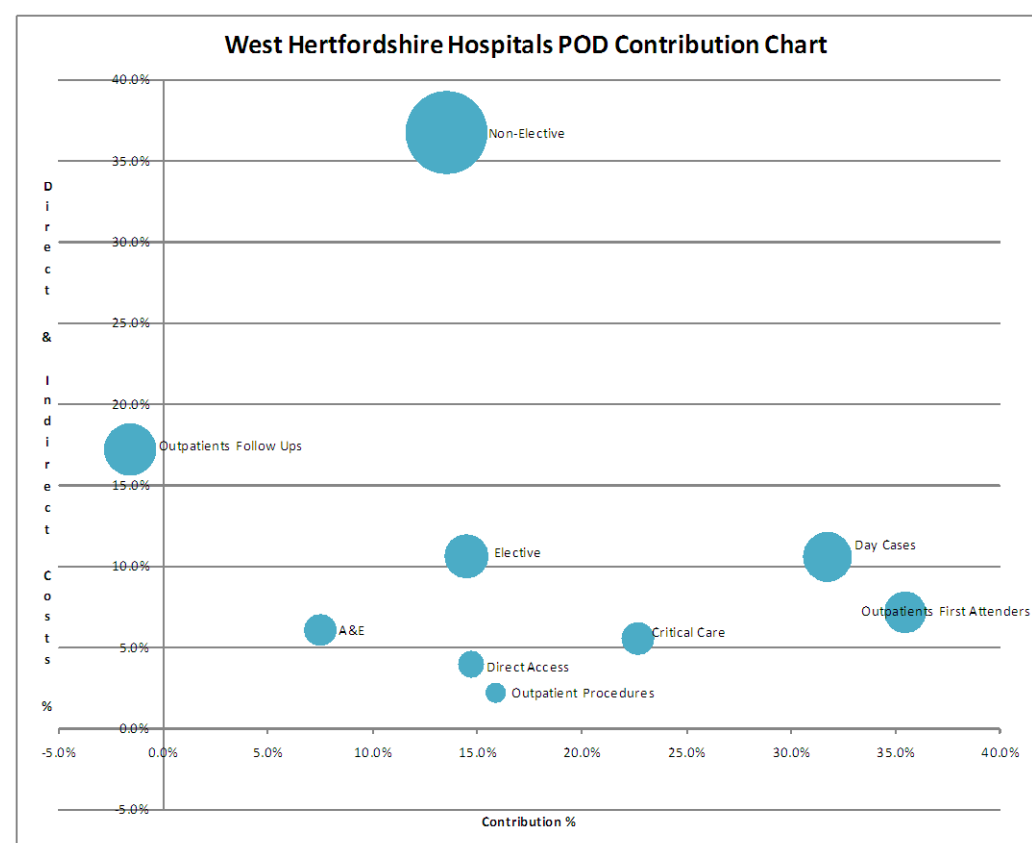
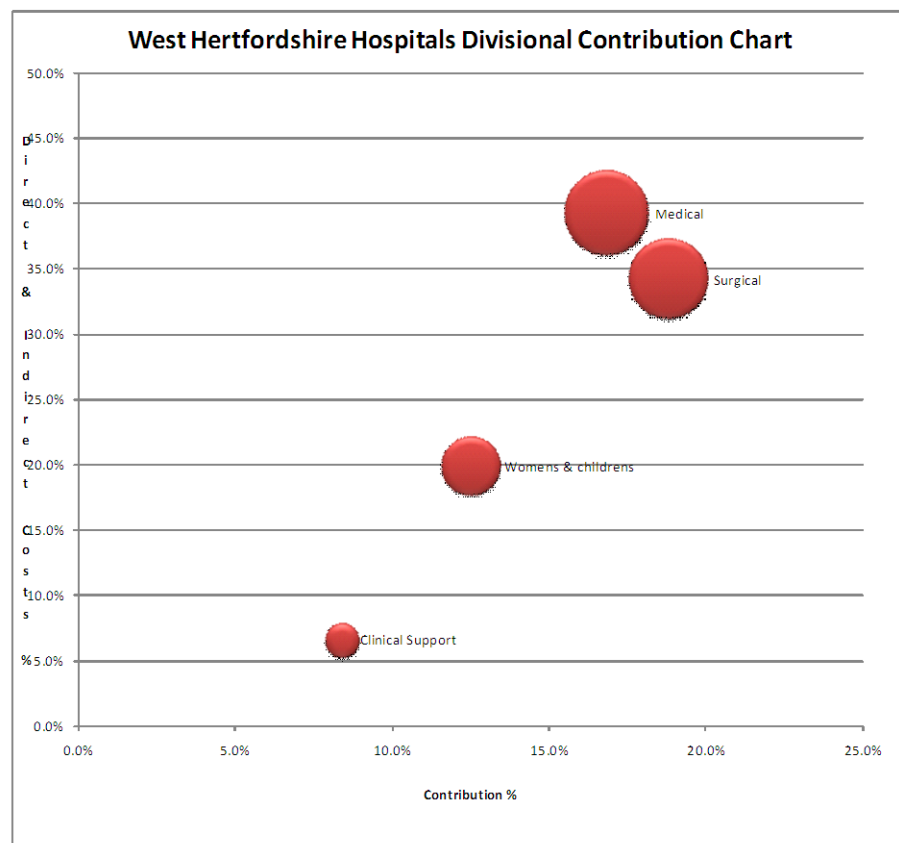
## Temporary staffing spend on a 12 month rolling period



## Service Line Reporting to 31 August 2011

Division	August YTD							
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Medicine	39,216	31,210	1,403	6,602	6,467	135	16.8%	0.3%
Surgery	35,005	24,867	3,557	6,581	5,033	1,548	18.8%	4.4%
Womens & Children	18,909	16,274	266	2,369	2,767	(398)	12.5%	-2.1%
Clinical Support	5,935	3,917	1,519	499	895	(396)	8.4%	-6.7%
<b>Total</b>	<b>99,065</b>	<b>76,268</b>	<b>6,745</b>	<b>16,052</b>	<b>15,162</b>	<b>890</b>	<b>16.2%</b>	<b>0.9%</b>

Point Of Delivery (POD)	August YTD							
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Day Case	12,834	7,330	1,430	4,074	1,294	2,780	31.7%	21.7%
Elective	10,320	6,822	2,004	1,495	1,315	180	14.5%	1.7%
Non-Elective	35,271	27,285	3,208	4,778	4,487	291	13.5%	0.8%
Outpatients FA	9,220	6,374	(422)	3,268	1,465	1,803	35.4%	19.6%
Outpatients FU	14,035	14,662	(401)	(225)	3,664	(3,889)	-1.6%	-27.7%
Outpatients Procedures	2,152	1,876	(65)	341	407	(66)	15.9%	-3.1%
Critical Care	5,935	4,362	227	1,346	570	776	22.7%	13.1%
A&E	5,456	5,193	(146)	409	1,332	(923)	7.5%	-16.9%
Direct Access	3,842	2,365	912	565	628	(63)	14.7%	-1.6%
<b>Total</b>	<b>99,065</b>	<b>76,268</b>	<b>6,745</b>	<b>16,052</b>	<b>15,162</b>	<b>890</b>	<b>16.2%</b>	<b>0.9%</b>



### Key Headlines:

There was an across the board fall in Contribution and Surplus in August due to a reduction in activity and income of £1430K (7.0%) as a result of it being a peak holiday time. The income plan in the budget reflects this in it's phasing. Costs have not fallen proportionately due to the fact that most are fixed in nature.

### 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

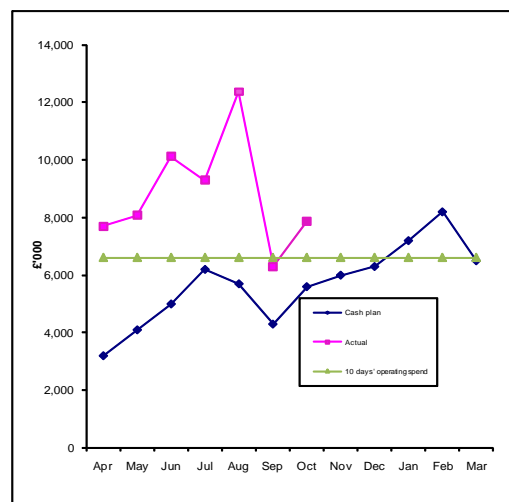
### Cash Balance

	£m
Opening balance 01/04/11	1.8
Surplus to 31/10/11	1.7
Movement in working capital	1.9
Capital spend	(1.8)
Depreciation	4.3
	7.9

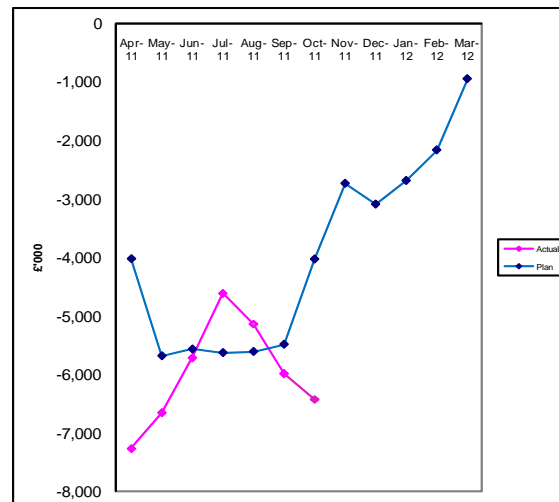
### BPPC Performance<sup>5</sup>

	M7 Actuals	Target	Cumulative Variance
By number of invoices	87%	95%	(8%)
By value of invoices	80%	95%	(15%)

### Cash Balances



### Liquidity as measured by Net Current Liabilities



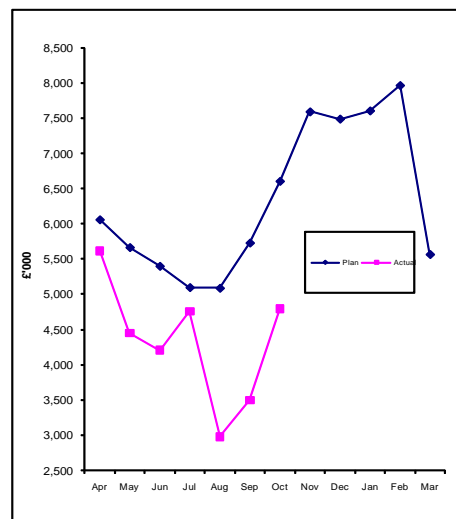
**Liquidity / cash** - The cash balances graph shows: i) actual cash balance at the end of each month ii) planned cashflow as reviewed by the Finance Committee and iii) the level of cash to cover 10 days of operating expenditure.

**Cash** - the October balance is above plan due to slippage in capital spend and receipt of £1.2m transformation funding.

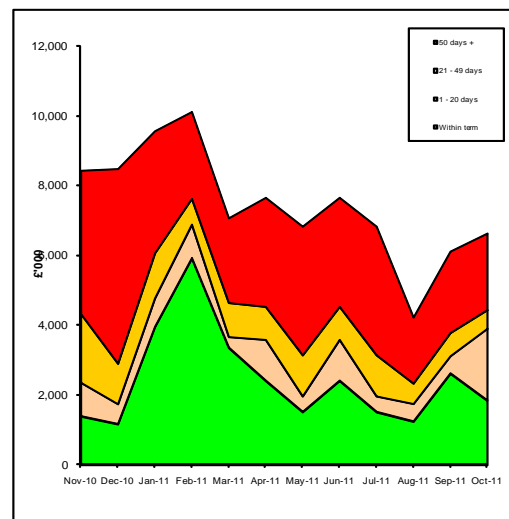
**Net Current Liabilities** - this shows the extent to which the payables due within a year exceed the value of the Trust's cash, inventories (stocks) and receivables.

**Liquidity levels** - liquidity levels are lower than planned because the plan assumed a reprofiling of the Trust loans. This will not occur until the Trust is awarded FT status and consequently September loan payments have been based on the existing loans. The further deterioration in October relates to the build up of the March payment of the existing loans.

### Receivables against Plan



### NHS and Trade Receivables by Age Profile



### Capital Programme

	Revised Plan	Year to Date Budget	Year to Date Actual	Year to Date Variance
	£m	£m	£m	£m
Estates	3.6	0.6	0.3	0.3
Theatre Decontamination	0.1	0.0	0.1	(0.1)
Endoscopy Decontamination	1.3	0.5	0.6	(0.1)
Information Technology	0.8	0.0	0.0	0.0
Medical Equipment	0.7	0.2	0.3	(0.1)
Service Reconfiguration	0.6	0.1	0.1	0.0
Managing Capacity	1.5	0.1	0.2	(0.1)
Brought Forward Schemes	0.5	0.3	0.2	0.1
Sales	(1.2)	0.0	0.0	0.0
<b>Total</b>	<b>7.7</b>	<b>1.7</b>	<b>1.8</b>	<b>(0.1)</b>

**Capital** - the capital budget for 2011/12 has been set at £7.7m. Changes agreed by the Trust Board to delay the decontamination projects to fund the urgent need to increase capacity, is reflected. A revised capital programme expected to be presented to the Board is not yet complete.

**Receivables against plan**- this shows receivables overdue compared with plan, reduced to £4.8m in month 7 through resolving overdue invoices with NHS Hertfordshire. The increase in October relates to Q1 overperformance due in October but paid in November.

<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)

	Opening Bal as at 01 Apr 2011	Actual as at 31 Oct 2011	Forecast as at 31 Mar 2012
<u>Non Current Assets</u>			
Property Plantand Equipment	119,023	117,474	115,763
Intangible Assets	3,327	2,653	3,183
Trade and Other Receivables	1,683	1,652	1,683
<b>Total non current assets</b>	<b>124,033</b>	<b>121,779</b>	<b>120,629</b>
<u>Current assets</u>			
Inventories	3,542	3,384	3,542
Trade and Other Receivables	5,568	7,681	5,568
Other Assets	4,877	4,814	4,877
Cash and Cash equivalents	1,785	7,880	500
<b>Total current assets</b>	<b>15,772</b>	<b>23,759</b>	<b>14,487</b>
<b>Total Assets</b>	<b>139,805</b>	<b>145,538</b>	<b>135,116</b>
<u>Current liabilities (amounts due in less than one year)</u>			
NHS Trade Payables	893	2,023	1,257
Non NHS Trade Payables	4,775	8,883	7,469
Other Liabilities	11,284	13,393	11,284
DH Working Capital Loan Principal Repayments	3,640	2,520	1,400
DH Capital Loan Principal Repayments	2,772	2,772	2,772
Provisions for Liabilities and Charges	562	587	591
<b>Total current liabilities</b>	<b>23,926</b>	<b>30,178</b>	<b>24,773</b>
<b>Net current assets (liabilities)</b>	<b>(8,154)</b>	<b>(6,419)</b>	<b>(10,286)</b>
<b>Total assets less current liabilities</b>	<b>115,879</b>	<b>115,360</b>	<b>110,343</b>
<u>Non Current Liabilities (Due &gt; 1 Year)</u>			
DH Working Capital Loan Principal Repayments	4,200	3,500	2,800
DH Capital Loan Principal Repayments	16,623	15,237	13,851
Provisions for liabilities and charges	5,430	5,316	5,066
<b>Total Non current liabilities</b>	<b>26,253</b>	<b>24,053</b>	<b>21,717</b>
<b>Total assets employed</b>	<b>89,626</b>	<b>91,307</b>	<b>88,626</b>
<u>Financed by Taxpayers Equity</u>			
Public Dividend Capital	173,668	173,668	173,668
Retained Earnings	(98,561)	(96,086)	(98,767)
Revaluation reserve	13,741	13,725	13,725
Donated asset reserve	778	0	0
<b>Total funds employed</b>	<b>89,626</b>	<b>91,307</b>	<b>88,626</b>

Property, Plant and Equipment have reduced in value compared to 1 April 2011 due to depreciation. Their value is forecast to reduce further as an impairment of around £4m is anticipated following a revaluation later in 2011/12.

Intangible Assets mainly relates to computer systems

Trade and Other Receivables represent invoices raised but not yet paid. The 31 October shows an increase of £2.1m relating to overperformance of July activity to be settled in November.

Other Assets these relate to non NHS and NHS accruals

Cash balance has increased due to receipt of Transformation funding and slippage in capital spend.

NHS Trade Payables have increased from 1st April reflecting the build up of creditors to pay the interest and dividends scheduled for March 2012. and include NHS invoices that have been accrued this month.

Non NHS Trade Payables have increased by £4.1m due to March's PAYE and NI being paid early; March 2011 rather than April.

Other Liabilities have increased by £2.1m due to the advance receipt of transformation funding and the accrual of NHS and Non NHS expenditure not yet invoiced.



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

### Monitor

Financial Risk Ratings		Month	Oct-11					Risk rating ytd	Forecast rating 11/12
Criteria	Metric	Weight	5	4	3	2	1		
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	4	5
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2	5	5
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	2	2
Average								3.25	3.35
Overriding rules	Overriding rules							-25	-0.35
Overall rating	Overall rating							3	3

### SHA

Financial Risk Ratings		Month	Oct-11					Annual Plan 11/12	YTD Risk ratings 11/12	Forecast Risk ratings 11/12
Criteria	Metric	Weight	5	4	3	2	1			
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	3	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	4	5
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2	5	5	5
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	3	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	3	3
Average								3.85	3.50	3.6
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	0	0
Overall rating	Overall rating							4	4	4

The Trust plans are to deliver a 2011/12 "3" "Acceptable" rating using the Monitor Financial Risk Rating (FRR) ratios and a "4" "Good" rating based on the ratios used by the SHA Management Board to assess performance.

Despite a £0.2m reduction in the level of surplus in October, the I&E surplus ratio remains at an "acceptable" level.

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 £6.5m. Without the change in loan terms the Trust will have very low cash balance, potentially reducing to £500k by the end of the year.

<sup>6</sup> Monitor calculations for liquidity and EBITDA achieved are based on 2010/11 performance. The SHA ratings are based on 2011/12 for all ratings. Monitor also excludes the value of inventories (stocks) from the liquidity calculation.