

Finance Report Month 5 (August) 2011/12

Key Financial Indicators

	Year to Date (Month 5)		Page
		RAG	
Financial performance	Actual surplus £2.4m below plan	R	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£2.5m behind plan	R	3
Liquidity (Net Current Liabilities)	(£5.1m)	R	7

Commentary

The planned surplus to the end of Month 5 (August 2011) was £3.3m. The Trust has achieved an actual surplus of £0.9m, giving a deficit compared to plan of £2.4m.

The key reason for this deficit is a shortfall against the savings target to date of £2.5m. The shortfall increased in the month by £0.7m as limited progress was made in converting potential schemes into actual savings over the August holiday period.

Excluding the effect of the savings schemes, pay and non-pay spend is above budget, with an over spend of £0.9m. Pay expenditure is continuing on an upward trend and further efforts are required to deliver the headcount reductions required to reverse this. SLA income is £0.3m higher than plan in August, with variances particularly in elective work and outpatients.

Interest was £0.3m higher than budget as the application to the Department of Health to restructure the Trust's debt is still pending. The budgeted balance sheet and cash plans also assume a liquidity benefit from the revision to the Trust's loans.

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 £0.8m surplus at the end of August and the actual surplus is £0.1m above this.

The SLR report to the end of June is included. This shows a 1.1% increase in contribution since the last reported position.

The Department of Health requires aspirant FTs to have a minimum of 10 days' cash. At the end of August the Trust had 19 days mainly due to additional PCT income and slippage against the capital programme. The year end position will depend on overall financial performance and a decision on loan rescheduling.

The main challenge for the Trust is to achieve the planned savings and to cover the costs of investment required in emergency care & maternity services. £5.7m of the £15.5m savings target is fully worked so far with nearly £10m requiring further work. Recent input from productivity specialists will help with this. The Trust aims to achieve the planned surplus and a separate paper sets out work in progress to achieve this.

Statement of Comprehensive Income (Income & Expenditure)² for the period 1 April 2011 to 31 August 2011

M5 I&E -

Full Year Budget £'000		Budget to Date £'000	Actuals to Date £'000	Variance ³ £'000	Variance %
NHS Acute Activity Revenue					
43,934	Elective revenue (long and short stay)	18,775	20,726	1,950	10.4
75,744	Non-Elective revenue	31,781	32,186	405	1.3
49,072	Outpatient	20,682	21,172	490	2.4
8,648	A&E	3,625	3,803	178	4.9
48,782	Other NHS	19,740	17,695	(2,045)	(10.4)
226,180	NHS Clinical Revenue, Total	94,604	95,583	979	1.0
Non NHS Clinical Revenue					
2,307	Private patient revenue	963	1,031	68	7.0
2,307	Non NHS Clinical Revenue, Total	963	1,031	68	7.0
Other Operating Income					
8,674	Education and Training income	3,618	3,652	34	0.9
19,506	Other Operating Income	7,751	7,959	208	2.7
28,180	Other Operating income, Total	11,369	11,610	242	2.1
256,666	Operating Revenue and Income, Total	106,935	108,223	1,286	1.2
Operating Expenses					
167,122	Employee benefits expense	68,622	69,096	(473)	(0.7)
14,244	Drug expense	5,938	6,453	(515)	(8.7)
23,383	Clinical supplies	9,661	10,051	(390)	(4.0)
27,379	Non Clinical Supplies	10,754	10,589	166	1.5
18,775	Other Operating expenses	6,498	6,195	303	4.7
250,904	Operating Expenses, Total	101,473	102,382	(909)	(0.9)
9,768	Savings yet to be finalised	2,500	(2,500)	(100.0)	
EBITDA					
15,530	Surplus (Deficit) from Operations margin	7,962	5,841	(2,121)	(26.6)
Non-Operating expenses					
630	Interest	263	579	(317)	(120.6)
7,400	Depreciation and Amortisation	3,083	3,083	0	0.0
3,100	PDC Dividend	1,292	1,292	(0)	(0.0)
11,130	Non-Operating expenses, Total	4,638	4,954	(317)	(6.8)
4,400	Surplus/(Deficit)	3,324	887	(2,437)	

Analysed by Division⁴

61,470	Medicine	25,511	27,451	(1,941)	(7.6)
52,105	Surgery	21,628	22,595	(966)	(4.5)
25,801	Women's	10,744	11,463	(720)	(6.7)
26,485	Clinical Support	10,944	11,526	(581)	(5.3)
19,262	Estate & Facilities	7,705	7,788	(83)	(1.1)
24,018	Corporate	10,153	10,439	(285)	(2.6)
(229,450)	Central Income	(95,966)	(96,966)	1,000	0.2
15,909	Other	5,957	4,818	1,139	19.1
(4,400)		(3,324)	(887)	(2,437)	

Income and Spend Variances

SLA Income is £1m above plan, an increase of £0.3m in month. All elements of the contracts were above plan in August as activity has not fallen in line with PCT expectations. The service re-provision funding included in the contract is being used to fund additional activity. Over performance above this level is being funded at marginal rates. Before adjusting for re-provision and marginal rates, the gross value of the over performance is £4.4m.

Pay continues to over spend being a further £0.1m over budget in August. This represents an increase in the rate of over spend. Permanent pay costs have increased by a greater amount than the decrease in temporary staffing costs.

Drugs continue to over spend due to greater levels of prescribing of high cost drugs, this being offset by additional SLA income.

Clinical supplies are overspent largely linked to the higher levels of elective activity in orthopaedics and general surgery and higher levels of critical care activity.

Unidentified savings represent the largest variance from plan of £2.5m. This target prudently reflects 5/12 for the impact of schemes which have yet to be finalised. There are £15m worth of schemes still being pursued, and the Trust must focus on delivering these to achieve the year end planned surplus.

Interest is higher than planned as the application to restructure the Trust's debt profile is still pending. A reduced loan payment profile was assumed in the budget.

Divisional Positions

There are overspends across all divisions to month 5.

Medicine - the over spend of £1.9m is due to: a £1m shortfall on savings target; High Cost Drug prescribing above plan of £0.5m, and measures to support emergency care performance of £0.4m.

Surgery - the over spend of £0.9m is due to: a shortfall in savings of £0.4m; costs of additional elective and critical care activity £0.3m, and £0.2m on medical locums.

Women's, Clinical Support, Estates & HS and Corporate variances are all due to unidentified savings to date.

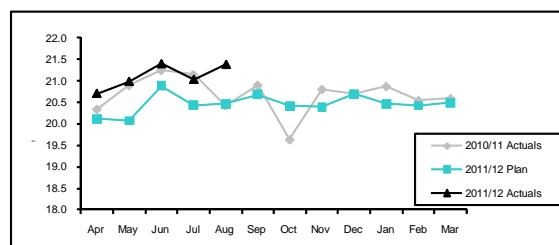
Performance by Contract

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	1,392	(76)
NHS Hertfordshire (incl specialist commissioning)	85,841	1,345
NHS Hillingdon	2,263	(83)
Other Primary Care Trusts	5,004	(290)
Non-Contract Activity	1,083	83
	95,583	979

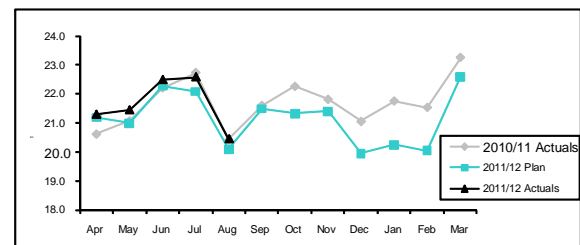
SLA Income Variances by Division

	YTD Actuals £'000	YTD Variance £'000
Medicine	32,150	290
Surgery	33,224	794
Women's	18,504	46
Clinical Support	4,317	(63)
Other	7,388	(88)
	95,583	979

Actual Spend compared to Plan



Actual Income compared to Plan



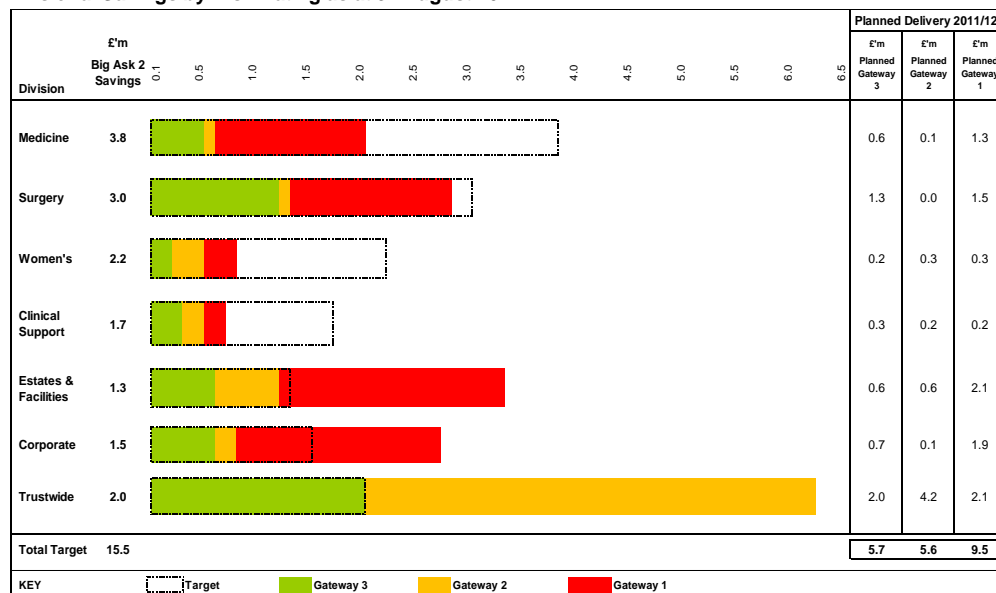
²Red, greater than 1% variance from budget or greater than £0.5m negative variance; Amber negative variance of less than 1% or £0.5m. Variances less than £0.1m will not be highlighted as they are less material.

³A negative variance (shown in brackets) denotes an under recovery of income or an overspend compared to plan

⁴Divisional variances exclude SLA income variances, which are shown under "Central Income"

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

Divisional Savings by Risk Rating as at 31 August 2011



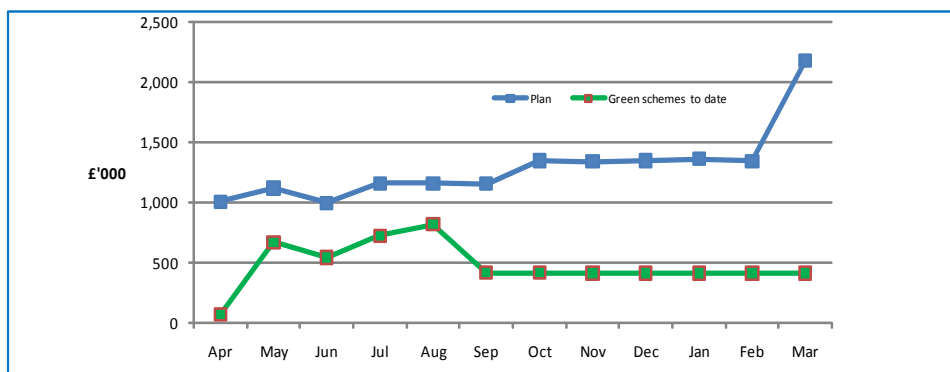
Big Ask Planned vs Actual Delivery

Month	Plan	Green schemes to date	Variance from plan YTD
	£'000	£'000	£'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	416	(737)
Oct	1,345	416	(929)
Nov	1,338	415	(923)
Dec	1,345	413	(932)
Jan	1,359	413	(946)
Feb	1,343	413	(930)
Mar	2,177	412	(1,765)
Total	15,500	5,731	(9,769)

Annual Green savings identified as at 31/08/2011

Division	£'000
Medicine	584
Surgery	1,274
Women's & Children's	240
Clinical Support	312
Estates & Hotel Servs	645
Corporate & Trustwide	2,678
Total	5,731

Big Ask 2 Plan vs Actual



The "Divisional Savings by Risk Rating" table shows the value of all potential schemes to be £20.8m. After applying risk weightings to the Amber & Red schemes the adjusted total is £13.5m. This represents a £2m shortfall from the target of £15.5m.

The graph shows how the year to date delivery of savings falls below the plan level. The productivity specialists brought into the Trust to enhance delivery of savings have identified further savings opportunities. These will be pursued and will contribute to closing the savings gap.

Trustwide savings include £2m of capacity reductions in the light of NHS Hertfordshire's plan to re-provide services within the community. Until these plans deliver, additional activity income is offsetting this saving.

Other Trustwide savings represent projects which will impact on more than one division eg. the development of private facility within the Trust, procurement and staffing reviews. As these schemes are worked up, savings will move into divisions.

Activity and Income by Division for the month ended 31 August 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	11,688	11,831	143	640	51,553	53,713	2,160	160	29,119	30,557	1,438	156	(666)	290
Surgery	10,715	11,276	561	1,272	61,043	64,802	3,759	434	1,258	1,878	620	47	(960)	793
Women's	9,128	9,153	25	444	48,109	45,682	(2,427)	(105)	8,649	8,352	(297)	(25)	(268)	46
Clinical Support													(63)	(63)
High Cost Drugs													729	729
Other													(816)	(816)
Total	31,531	32,260	729	2,355	160,705	164,197	3,492	490	39,026	40,787	1,761	178	(2,044)	979

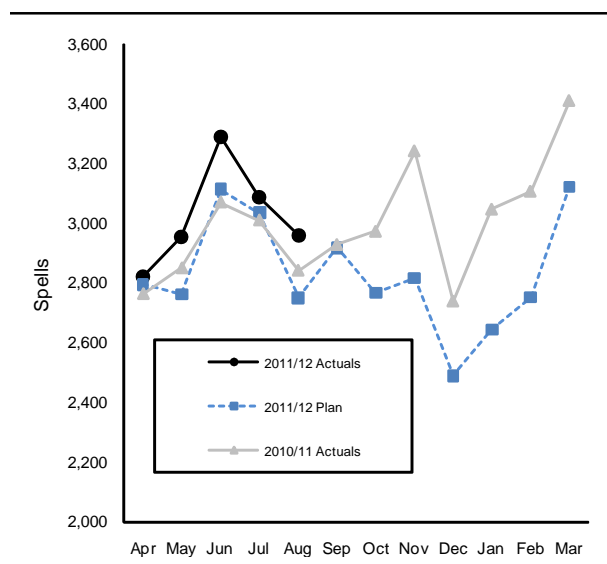
Income by Division

Medical inpatient activity is above plan in both spells and money. This is largely due to the transfer of some Endoscopy activity from Surgery to Gastro-enterology. Outpatient and A&E activity are over plan by 4% and 5% respectively.

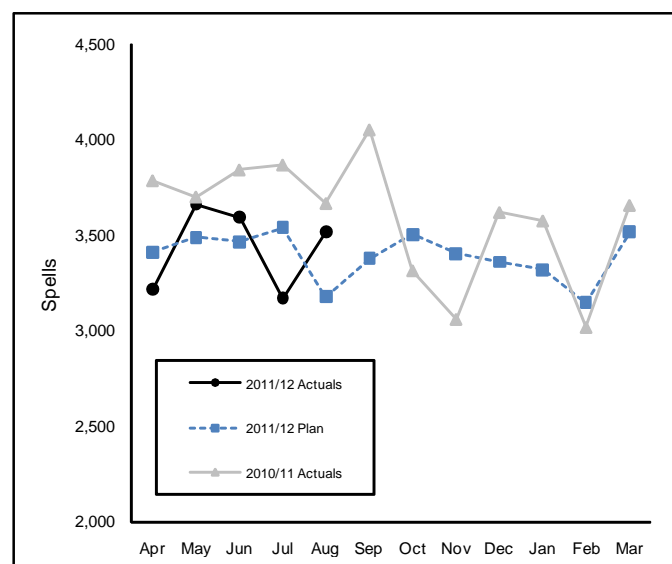
Surgery inpatient activity continues above plan mainly due to General Surgery and Orthopaedic elective activity not decreasing as planned by the PCT. Most of this additional activity will be covered by the reprovision funding built into the contract.

Women's inpatient activity is above plan mainly due to paediatrics. Activity is below plan for midwife led out patient activity.

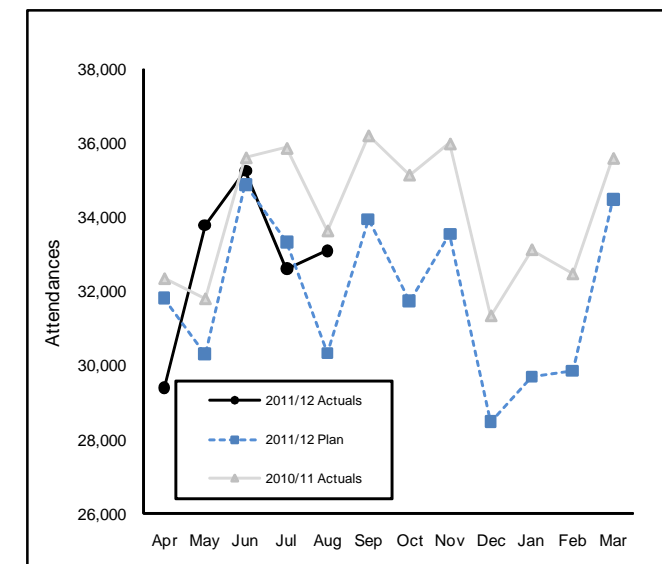
2011/12 Elective Activity Actuals compared to Plan



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



2011/12 Outpatient Activity Actuals compared to Plan



Workforce spend and Whole Time Equivalents for the month ended 31 August

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	18,267	1,976	1,066	21,309	21,039	(270)	1,245.8	1,238.6	7.2
Surgery	15,351	1,032	908	17,291	17,079	(212)	857.3	837.7	19.6
Women's	9,253	918	848	11,019	11,019	0	573.1	543.5	29.6
Clinical Supp.	10,244	64	251	10,560	10,592	32	593.5	567.6	26.0
Estates	1,317	4	27	1,347	1,372	25	89.1	86.6	2.5
Corporate	7,309	140	120	7,569	7,521	(49)	463.0	433.5	29.5
Total	61,741	4,134	3,221	69,096	68,622	(473)	3,821.8	3,707.5	114.4
% Variance						(0.7)			3.0

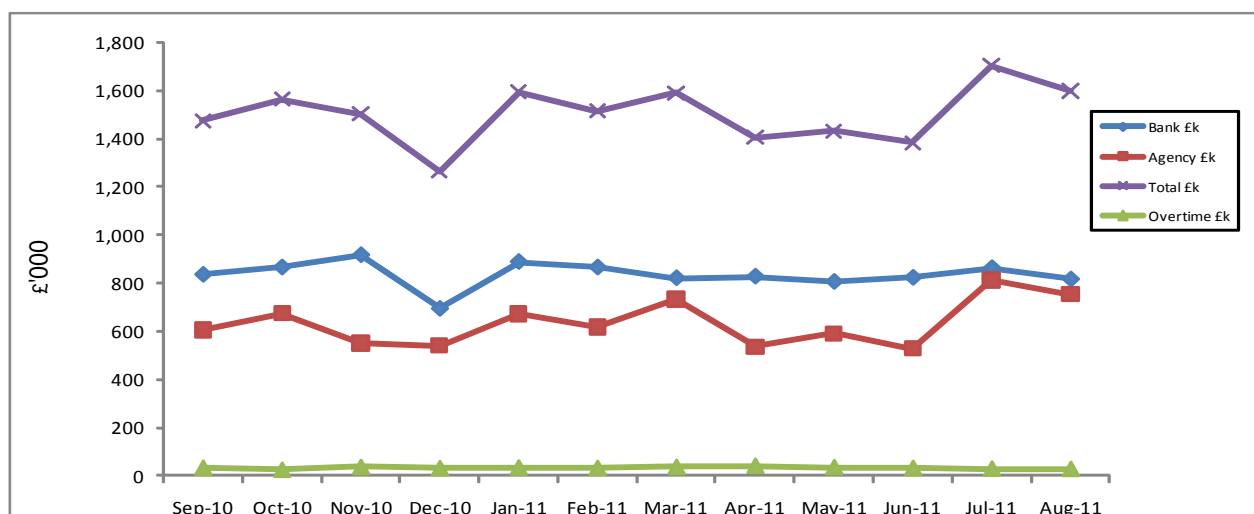
Analysis of Variances

Whole Time Equivalent actuals include estimated WTE for agency staff. WTE worked is lower than budgeted due to vacancies across the Trust. The actual WTE has increased from an average of 3,668 WTE in 2010/11 to the current level of 3,707.

Pay is continuing to over spend. The main reasons are: premium costs of agency medics and midwives; additional doctors to support delivery of emergency care performance, and costs of opening additional beds at Hemel.

Temporary staffing costs have reduced, but remain above the 12 month average. Also, the decrease has been more than offset by an increase in permanent staffing costs.

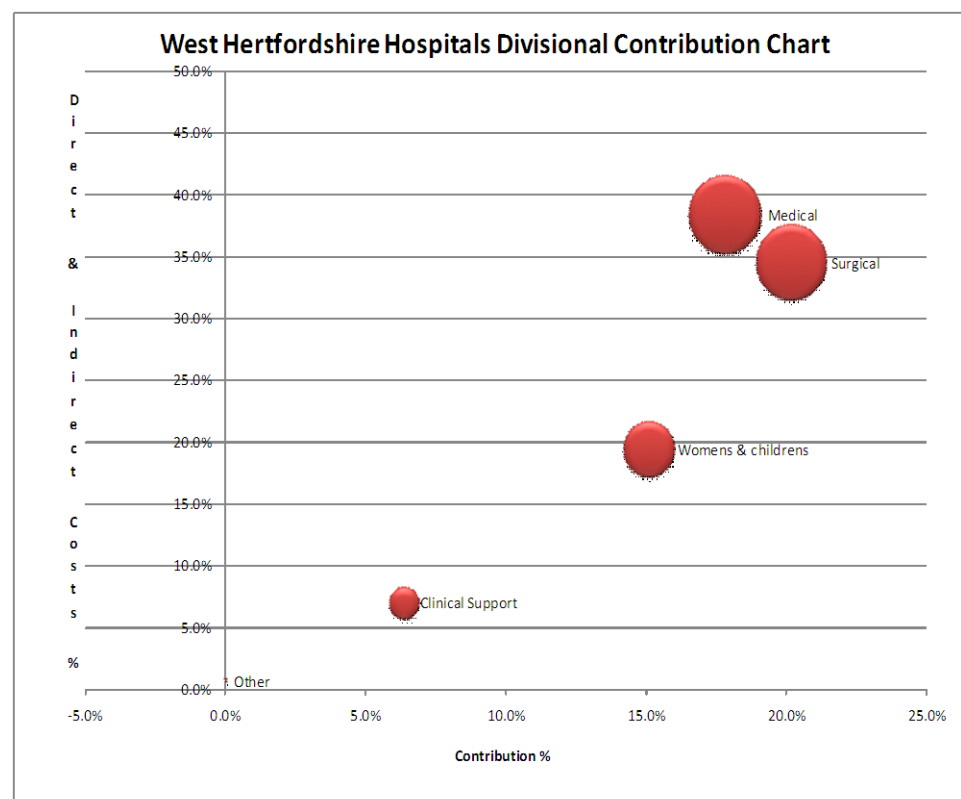
Temporary staffing spend on a 12 month rolling period



Service Line Reporting to 30 June 2011

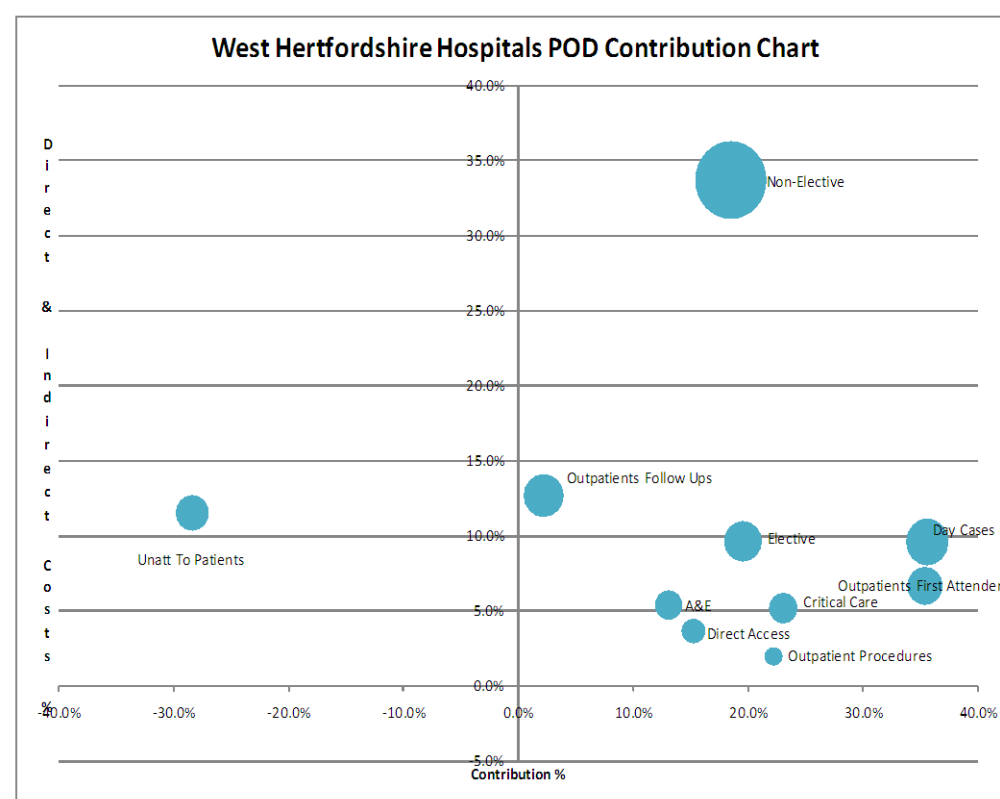
Division	June YTD							
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Medicine	23,172	18,425	617	4,130	3,798	332	17.8%	1.4%
Surgery	21,433	14,923	2,190	4,320	3,021	1,299	20.2%	6.1%
Womens & Children	11,336	9,572	52	1,711	1,621	90	15.1%	0.8%
Clinical Support	3,696	2,371	1,088	237	547	(311)	6.4%	-8.4%
Other	(33)	342	(0)	(375)	26	(401)	0.0%	0.0%
Total	59,604	45,634	3,947	10,023	9,014	1,009	16.8%	1.7%

Point Of Delivery (POD)	June YTD							
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %
Day Case	7,395	4,053	714	2,628	721	1,908	35.5%	25.8%
Elective	5,929	3,737	1,033	1,159	755	403	19.5%	6.8%
Non-Elective	20,486	15,070	1,635	3,781	2,540	1,241	18.5%	6.1%
Outpatients FA	5,105	3,598	(300)	1,807	812	995	35.4%	19.5%
Outpatients FU	6,426	6,983	(699)	142	1,822	(1,681)	2.2%	-26.2%
Outpatients Procedures	1,246	1,031	(62)	276	225	52	22.2%	4.1%
Critical Care	3,335	2,438	129	768	322	446	23.0%	13.4%
A&E	3,092	2,886	(198)	404	720	(315)	13.1%	-10.2%
Direct Access	2,125	1,310	492	323	351	(28)	15.2%	-1.3%
Other Inc Unattributable To Patients	4,465	4,528	1,202	(1,266)	746	(2,012)	-28.4%	-45.1%
Total	59,604	45,634	3,947	10,023	9,014	1,009	16.8%	1.7%



Key Headlines:

There has been no significant changes on a month to month comparison to the SLR contribution levels towards overheads. Outpatient first attended has moved from 16% to 19% but is minimal in value terms. There has been a rise in the non elective income which is offset by an equal rise in direct costs. There has been a rise in Surplus created by 0.9% increase in contribution towards overheads.



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

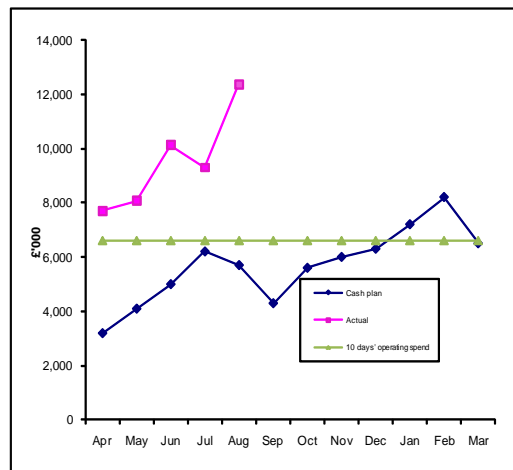
Cash Balance

	£m
Opening balance 01/04/11	1.8
Surplus to 31/8/11	0.9
Movement in working capital	7.4
Capital spend	(0.7)
Depreciation	3.0
	12.4

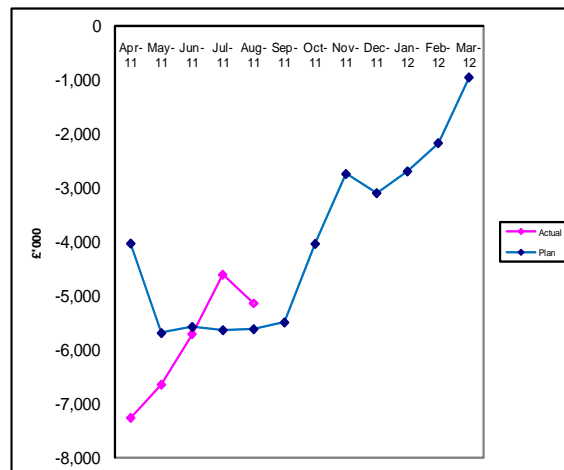
BPPC Performance⁵

	M5 Actuals	Target	Cumulative Variance
By number of invoices	88%	95%	(7%)
By value of invoices	81%	95%	(14%)

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 - balance is higher due to £1.8m creditor still due to Hertfordshire PCT and capital spend below original plan.

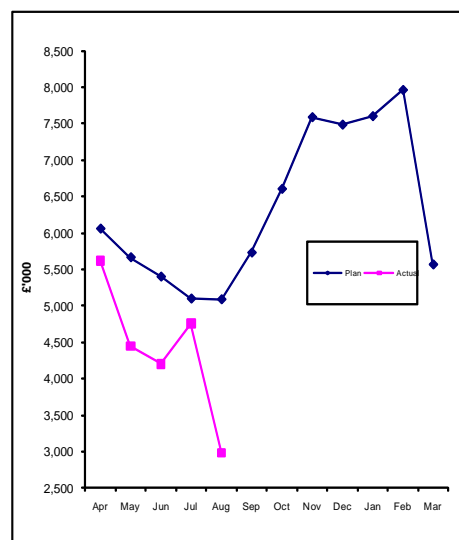
Net Current Liabilities - this shows the extent to which the payables due within a year exceed the value of the Trust's cash, inventories (stocks) and receivables.

Liquidity levels - at month 5 the liquidity levels are above plan mainly due to the slippage in capital spending.

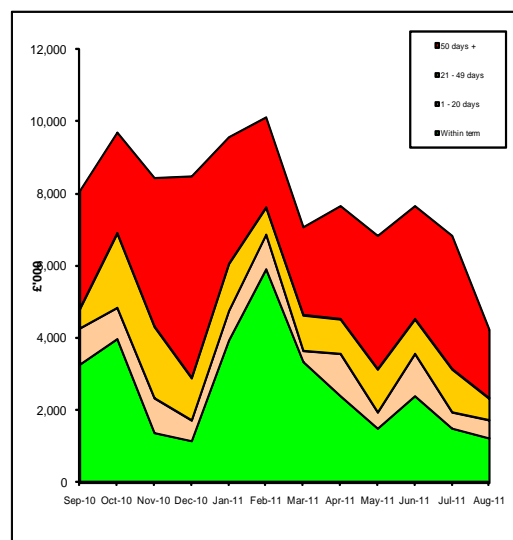
Capital - the capital budget for 2011/12 has been set at £7.7m. Changes agreed by the Trust Board to delay the decontamination projects to fund the urgent need to increase capacity, is reflected.

Receivables against plan - this shows receivables overdue compared with plan, reduced to £2.9m in month 5 through resolving overdue invoices with NHS Hertfordshire totalling £2.2m.

Receivables against Plan



NHS and Trade Receivables by Age Profile



Capital Programme

	Opening Full Year Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance
	£m	£m	£m	£m
Estates	3.6	0.4	0.2	0.2
Theatre Decontamination	1.0	0.0	0.0	0.0
Endoscopy Decontamination	2.1	0.1	0.2	(0.1)
Information Technology	0.8	0.0	0.1	(0.1)
Medical Equipment	0.5	0.0	0.0	0.0
Service Reconfiguration	0.9	0.0	0.0	0.0
Brought Forward Schemes	0.5	0.3	0.2	0.1
Sales	(1.6)	0.0	0.0	0.0
Total	7.7	0.8	0.7	0.1

⁵Under 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 Aug 2011	Forecast as at 31 Mar 2012	
Non Current Assets				<u>Property, Plant and Equipment</u> 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.
Property Plant and Equipment	119,023	117,344	115,238	
Intangible Assets	3,327	2,799	3,184	<u>Intangible Assets</u> mainly relates to computer systems
Trade and Other Receivables	1,683	1,730	1,683	<u>Trade and Other Receivables</u> represent invoices raised but not yet paid. The 31 August shows a reduction of (£0.7m) relating to settlement of overdue invoices.
Total non current assets	124,033	121,873	120,105	<u>Other Assets</u> these relate to non NHS and NHS accruals which have reduced by (£1.2m) from the opening balance due to adjustments to central income to reflect phasing of income against plan, this is offset by an increase in prepayments as new contracts come on line.
Current assets				<u>Cash balance</u> has increased due to build up to fund the September dividend and loan repayments. Please refer to cash and capital management (see page 7) for an explanation of the variance to plan.
Inventories	3,542	3,543	3,542	<u>NHS Trade Payables</u> have increased from the 1 April to 31 August reflecting the built up of creditors for interest payable and dividends £1.9m. The remaining balance relates to NHS invoices that have been accrued this month.
Trade and Other Receivables	5,568	4,864	5,568	<u>Non NHS Trade Payables</u> have increased by £3.5m due to March's PAYE and NI being paid in March.
Other Assets	4,877	3,676	4,877	<u>Other Liabilities</u> , these relate to non NHS and NHS accruals which have reduced by (£0.1m) from the opening balance.
Cash and Cash equivalents	1,785	12,375	500	
Total current assets	15,772	24,458	14,487	
Total Assets	139,805	146,331	134,592	
Current liabilities (amounts due in less than one year)				
NHS Trade Payables	893	3,220	1,257	
Non NHS Trade Payables	4,775	8,233	6,094	
Other Liabilities	11,284	11,135	11,284	
DH Working Capital Loan Principal Repayments	3,640	3,640	1,400	
DH Capital Loan Principal Repayments	2,772	2,772	2,772	
Provisions for Liabilities and Charges	562	589	591	
Total current liabilities	23,926	29,589	23,398	
Net current assets (liabilities)	(8,154)	(5,131)	(8,911)	
Total assets less current liabilities	115,879	116,742	111,194	
Non Current Liabilities (Due > 1 Year)				
DH Working Capital Loan Principal Repayments	4,200	4,200	2,800	
DH Capital Loan Principal Repayments	16,623	16,623	13,851	
Provisions for liabilities and charges	5,430	5,406	5,066	
Total Non current liabilities	26,253	26,229	21,717	
Total assets employed	89,626	90,513	89,477	
Financed by Taxpayers Equity				
Public Dividend Capital	173,668	173,668	173,668	
Retained Earnings	(98,561)	(96,885)	(97,921)	
Revaluation reserve	13,741	13,730	13,730	
Donated asset reserve	778	0	0	
Total funds employed	89,626	90,513	89,477	

Financial Risk Ratings⁶

Monitor

SHA

Financial Risk Ratings									
Month Aug-11									
Criteria	Metric	Weight	5	4	3	2	1	Risk rating ytd	Forecast rating 11/12
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	2	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	2	2
Average								3.05	3.25
Overriding rules	Overriding rules							-0.05	-0.25
Overall rating	Overall rating							3	3

Financial Risk Ratings								Month	Aug-11		
Criteria	Metric	Weight	5	4	3	2	1	Annual Plan 11/12	YTD Risk ratings 11/12	Forecast Risk ratings 11/12	
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	5	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	2	3	
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	3	3	
Average								3.85	3.40	3.6	
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	0	0	
Overall rating	Overall rating								4	3	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.

In August, performance against the Monitor and SHA FRR ratios deteriorated. This was due to the fall in I&E surplus below the acceptable level of 1%. This reduced the overall SHA rating from a 4 to a 3, the Monitor ratio remains a 3. The actual to date position on the I & E surplus would have been a 3 if loan rescheduling had taken place as planned. Delivering the planned level of surplus in September would result in the I&E surplus ratio improving back to 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.

⁶ 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.