

Finance Report Month 11 (February) 2011/12

Key Financial Indicators

	Year to Date (Month 11)		Page
		RAG	
Financial performance	Actual surplus £0.7m ahead of the recovery plan agreed by the Board in month 5	G	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£2.8m behind plan	R	3
Liquidity (Net Current Liabilities)	(£8.2m)	R	7

Commentary

The Trust achieved a YTD actual surplus of £1.3m as at the end of Month 11; a favourable position of £0.7m in comparison to the financial recovery plan.

Over-performance on patient treatment income, of approximately £2.0m above the revised plan year-to-date, off-set by a shortfall in savings continues to drive the position.

The Trust's forecast outturn has been maintained at a surplus of £3.6m. This is considered the most likely outcome but is predicated on actions agreed and implemented in recent months with regard to the capture of activity, reduction of expenditure and delivery of savings.

The YTD Monitor Financial Risk Rating (FRR) remains at a 3 or 'Acceptable'; the minimum level required to achieve Foundation Trust (FT) status.

In month, Big Ask Delivery was above plan; the value of 'green' categorised savings increasing by £1.3m to £11.6m. Forecast savings for 2011/12 equates to approximately £13.4m; the achievement of which is necessary in order to deliver the surplus target of £3.6m.

Included in the Board Report, from this month, is a 12 month rolling cash flow forecast. This is a recommendation made during the Historical Due Diligence review.

The cash forecast for the year-end is £9.8m. This is a significant increase in comparison to the forecast as at Month 10 and reflects the receipt of the £7.0m PDC allocation, in March, in relation to the link road. The graph in the body of the report shows the cash position including and excluding these funds. It is important to note that the receipt of additional cash does not negate the requirement for loan rescheduling, at the point of Foundation Trust authorisation, as these additional funds are fully committed against the construction of the road, and will only provide a short term improvement in the Trust's cash and liquidity.

The reported surplus for Month 11, at £1.3m, is £1.0m lower than the FIMS plan as submitted to the SHA but favourable when compared to the revised financial plan as agreed by the Board in September.

The SLR report, as at December, is included.

Month 11 - February - 2011/2012

Income & Expenditure compared to September recovery plan

Full Year FRP £'000	Forecast to date £'000	YTD Actuals to date £'000	Variance £'000	Variance %
NHS Activity Revenue				
77,744 - Non Elective	70,726	72,319	1,593	2.3%
48,278 - Elective	43,969	43,160	(809)	-1.8%
50,431 - Outpatient	45,929	46,376	447	1.0%
9,059 - A&E	8,250	8,415	165	2.0%
42,731 - Other Activity	38,949	39,587	639	1.6%
228,243 NHS Activity Revenue, Total	207,823	209,857	2,034	1.0%
Other Income & Revenue				
3,322 Non SLA Central Income	3,045	2,891	(154)	-5.0%
26,630 Divisional Income	24,463	25,881	1,417	5.8%
29,952 Other Income & Revenue, Total	27,508	28,772	1,264	4.6%
258,194 Operating Revenue & Income, Total	235,331	238,629	3,297	1.4%
Operating Expenses				
163,488 Employee benefits expense	150,791	152,236	(1,445)	-1.0%
79,265 Non pay	73,151	74,289	(1,137)	-1.6%
242,753 Operating Expenses, Total	223,942	226,524	(2,582)	-1.2%
EBITDA				
15,441 Surplus (Deficit) from operations margin	11,389	12,105	716	6.3%
Non-Operating Expenses				
1,283 Interest/Finance Cost	1,191	1,198	(7)	-0.6%
7,350 Depreciation & Amortisation	6,650	6,614	36	0.5%
3,206 PDC Dividend	2,938	3,028	(90)	-3.0%
11,839 Non-Operating expenses, Total	10,779	10,840	(61)	-0.6%
3,602 Surplus / (Deficit)	610	1,264	654	107.2%
<i>Impairment</i>		1,512		
3,602 Revised Surplus/(Deficit) after impairment	610	2,776	2,166	
Analysed by Division				
66,379 Medicine	60,773	61,367	(594)	-1.0%
54,602 Surgery	50,014	49,212	802	1.6%
27,715 Women & Children	25,410	25,417	(6)	0.0%
28,215 Clinical Support	25,883	25,294	589	2.3%
19,982 Estates & Hotel Services	18,479	18,155	324	1.8%
23,762 Corporate	22,023	21,526	497	2.3%
231,565 Central Income	210,868	212,748	1,880	0.9%
7,308 Other	7,676	10,513	(2,837)	-37.0%
3,602 TOTAL	610	1,264	654	
<i>Impairment</i>		1,512		
3,602 Revised Surplus/(Deficit) after impairment	610	2,776	2,166	

Income and Spend Variances from the Forecast Recovery Plan

SLA Income is £2m ahead of the forecast plan to month 11, an increase of £500k in month. The Trust is reporting a higher than forecast position in non-elective, outpatients and critical care activity and high cost drug spend. This is offset by under-performance in elective income when compared to the recovery plan, although activity in this POD has met the forecast position for the past two months.

Pay spend is above forecast by £1.4m due to delays in achieving planned savings, premium costs of agency medics and midwives and additional costs to support the delivery of the emergency care activity.

Non pay spend is higher than forecast and is mainly due to the additional activity in outpatient, emergency care and high cost drugs spend.

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 YTD variance deteriorated in month due to: costs of additional beds and outsourcing Cardiology activity to the private sector due to increased emergency activity; costs of medical staff in A&E linked to the response to the deanery action plan; high cost drugs above forecast, and shortfall against savings plans.

Surgery -YTD favourable variance against FRP of £800k. This represents a reduction in spend as a result of expenditure controls in theatres and anaesthetics (£470k). In addition, lower winter pressures in comparison to the previous year, principally in ITU, has released £330k.

Women & Children - The YTD position is broadly in line with FRP

For all three divisions below the actuals improved against the FRP in month. This is as a result of the continued impact of run rate reviews and revised assessment of future spend.

Clinical Support

Estates & Hotel Services

Corporate

Other - YTD position relates to slippage against CIP plans.

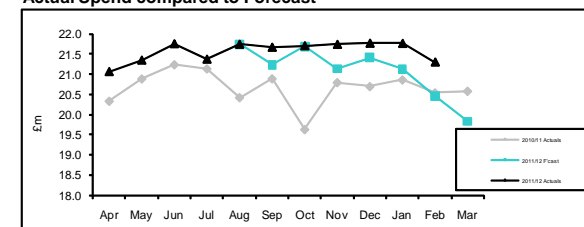
Performance by Contract Compared to Forecast Position

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	3,018	(8)
NHS Hertfordshire (incl specialist commissioning)	192,168	2,250
NHS Hillingdon	4,684	(236)
Other Primary Care Trusts	7,404	(26)
Non-Contract Activity	2,583	55
	209,857	2,034

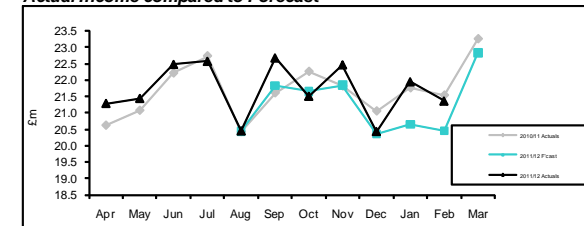
SLA Income Variances by Division Compared to Forecast Position

	YTD Actuals £'000	YTD Variance £'000
Medicine	70,792	889
Surgery	72,292	53
Women's	40,848	615
Clinical Support	9,781	394
Other	16,143	84
	209,857	2,034

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 29 February 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		1.5	0.0	0.0
Surgery	3.0		2.6	0.0	0.0
Women's	2.2		0.6	0.0	0.0
Clinical Support	1.7		0.8	0.1	0.0
Estates & Facilities	1.3		1.1	0.0	0.0
Corporate	1.5		1.6	0.0	0.3
Trustwide	2.0		3.4	1.3	0.0
Total Targ	15.5		11.6	1.5	0.3
KEY Target Gateway 3 Gateway 2 Gateway 1					

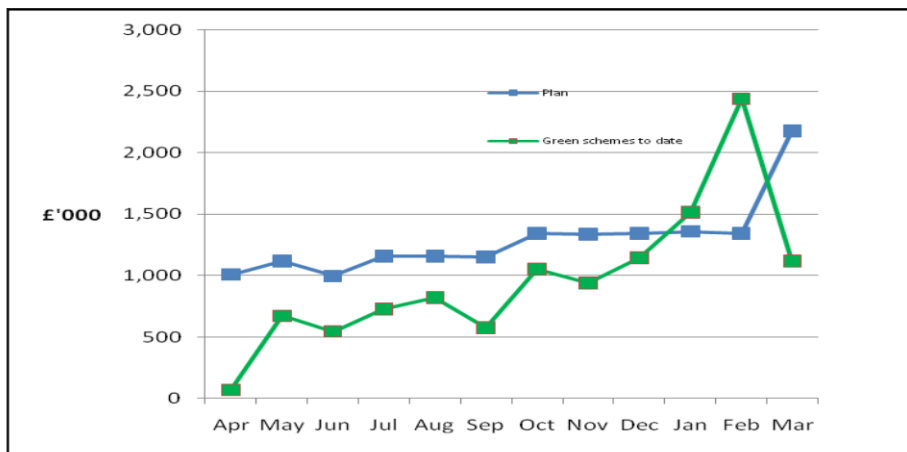
Big Ask Planned vs Actual Delivery

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	577	(576)
Oct	1,345	1,053	(292)
Nov	1,338	938	(400)
Dec	1,345	1,145	(200)
Jan	1,359	1,515	156
Feb	1,343	2,440	1,097
Mar	2,177	1,117	(1,060)
	15,500	11,618	(3,882)

Annual Green savings identified as at 29 February 2011/12

Division	£'000
Medicine	1,485
Surgery	2,584
Women's & Children's	508
Clinical Support	867
Estates & Hotel Servs	1,114
Corporate & Trustwide	5,060
Total	11,618

Big Ask 2 Plan vs Actual



Forecast savings are maintained at approximately £13.4m, in line with previous months.

Savings delivered in February equated to £2.4m; £1.1m above plan.

Green schemes now equate to £11.6m; an increase of £1.3m in comparison to month 10.

Income by Division compared against the original activity plan for the month ended 29 February 2011

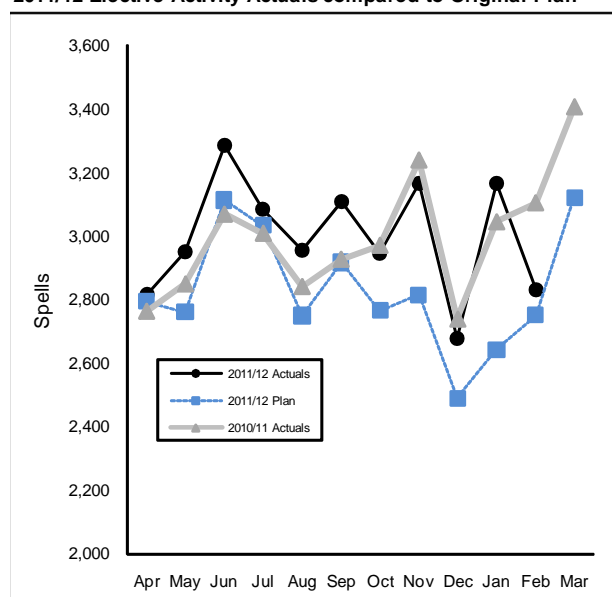
Division	Inpatient				Outpatient				A&E				Other	Total
	Budget	Actuals	Variance	Variance	Budget	Actuals	Variance	Variance	Budget	Actuals	Variance	Variance	Variance	Variance
	Spell	Spell	Spell	(£'000)	Attendance	Attendance	Attendance	(£'000)	Attendance	Attendance	Attendance	(£'000)	(£'000)	(£'000)
Medicine	25,228	27,157	1,929	4,352	111,443	118,418	6,975	813	63,455	65,809	2,354	399	(3,924)	1,640
Surgery	22,926	24,061	1,135	2,858	132,224	142,716	10,492	1,180	2,741	4,175	1,434	109	(1,618)	2,530
Women's	19,805	20,611	806	1,794	104,366	100,187	(4,179)	106	18,847	18,990	143	7	(1,059)	847
Clinical Support													83	83
High Cost Drugs													1,431	1,431
Other													(3,485)	(3,485)
Total	67,959	71,829	3,870	9,004	348,033	361,321	13,288	2,099	85,043	88,974	3,931	515	(8,573)	3,046

Medical inpatient activity remains above the original plan in both spell numbers and values. As per recent months, there has been a significant increase in non-elective activity, due to increased emergency pressures. Outpatient and A&E activity continue to over-perform.

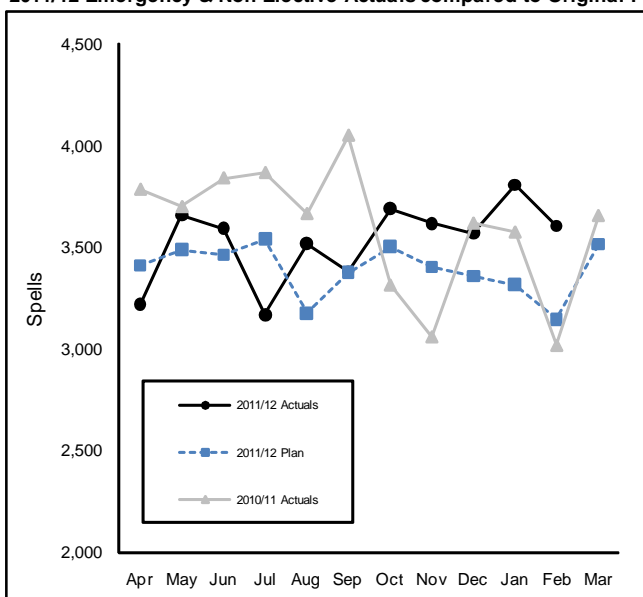
Surgery inpatient activity continues to over-perform, particularly in general surgery, orthopaedics, ENT and oral surgery. In contrast to medicine, this over-performance pertains mostly to elective work, driven by increases in referrals against plan and increased inpatient conversion rates. Similarly, both first and follow-up outpatient activity is significantly above plan. Critical care income continues to over-perform, as a consequence of over-performance in both elective and non-elective work.

Women's inpatient activity relates to both Paediatrics and Gynaecology. Outpatient activity is now showing an over-performance, largely due to improvements in the recording of community midwifery attendances.

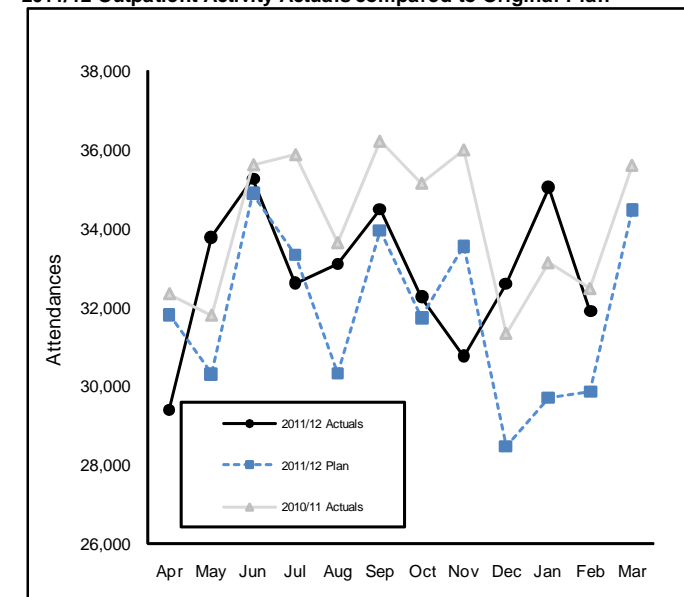
2011/12 Elective Activity Actuals compared to Original Plan



2011/12 Emergency & Non-Elective Activity 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 2011 – February 2012

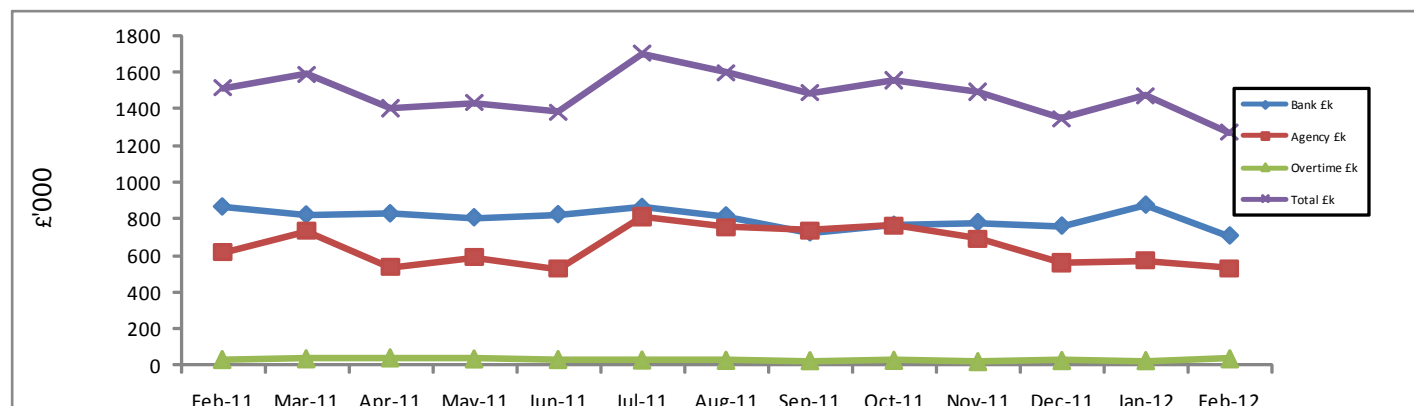
Analysis of Variances

Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Budget WTE	Actuals Worked WTE	Variance WTE
Medicine	40,770	4,540	2,251	47,561	46,810	(751)	1,261.7	1,263.1	(1.4)
Surgery	34,011	1,920	1,843	37,774	37,464	(310)	866.7	843.4	23.4
Women's	20,477	1,895	2,102	24,474	24,252	(222)	574.1	550.3	23.7
Clinical Supp.	22,734	127	515	23,375	23,515	140	601.2	571.9	29.3
Estates	2,768	8	0	2,776	2,894	118	83.7	80.3	3.4
Corporate	15,657	251	367	16,275	16,370	95	461.6	432.3	29.4
Total	136,417	8,740	7,078	152,236	151,306	(930)	3,849.1	3,741.3	107.7
% Variance						(0.6)			2.8

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 3,741 in 2011/12.

The increase is due to both the additional WTE employed to support emergency care pressures and increase in midwifery staffing.

Temporary staffing spend on a 12 month rolling period

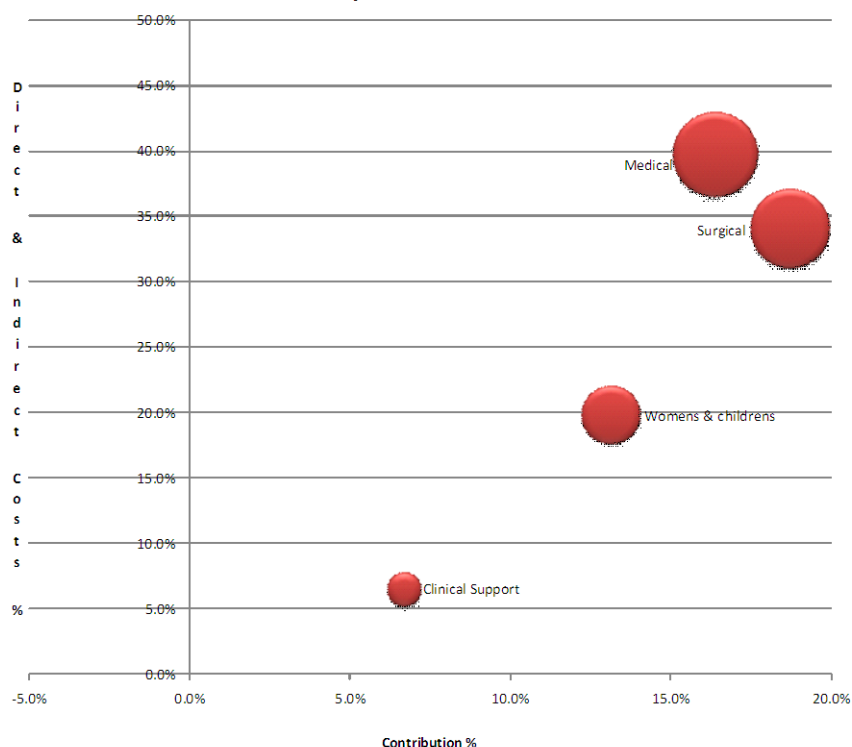


Service Line Reporting to 31 December 2011

Division	December YTD						Contribution Surplus/(Deficit)	
	Income £000	Direct Cost £000	Indirect Costs £000	Contribution £000	Overheads £000	Surplus/(Deficit) £000	%	%
Medicine	70,980	56,822	2,531	11,627	11,930	(303)	16.4%	-0.4%
Surgery	62,562	44,106	6,760	11,725	8,976	2,749	18.7%	4.4%
Womens & Children	34,094	29,401	218	4,476	5,043	(568)	13.1%	-1.7%
Clinical Support	10,426	6,804	2,923	699	1,533	(834)	6.7%	-8.0%
Total	178,091	137,133	12,432	28,526	27,482	1,044	16.0%	0.6%

Point Of Delivery (POD)	December YTD						Contribution Surplus/(Deficit)	
	Income £000	Direct Cost £000	Indirect Costs £000	Contribution £000	Overheads £000	Surplus/(Deficit) £000	%	%
Day Case	22,911	13,164	2,489	7,258	2,268	4,991	31.7%	21.8%
Elective	18,107	11,907	4,080	2,120	2,348	(228)	11.7%	-1.3%
Non-Elective	64,598	49,731	6,691	8,176	8,200	(24)	12.7%	0.0%
Outpatients FA	17,424	11,555	(1,086)	6,955	2,697	4,258	39.9%	24.4%
Outpatients FU	24,360	25,944	(1,227)	(357)	6,711	(7,069)	-1.5%	-29.0%
Outpatients Procedures	3,743	3,317	(213)	639	732	(92)	17.1%	-2.5%
Critical Care	10,848	7,812	491	2,545	1,026	1,519	23.5%	14.0%
A&E	9,552	9,440	(469)	581	2,423	(1,842)	6.1%	-19.3%
Direct Access	6,550	4,263	1,676	610	1,079	(469)	9.3%	-7.2%
Total	178,091	137,133	12,432	28,526	27,482	1,044	16.0%	0.6%

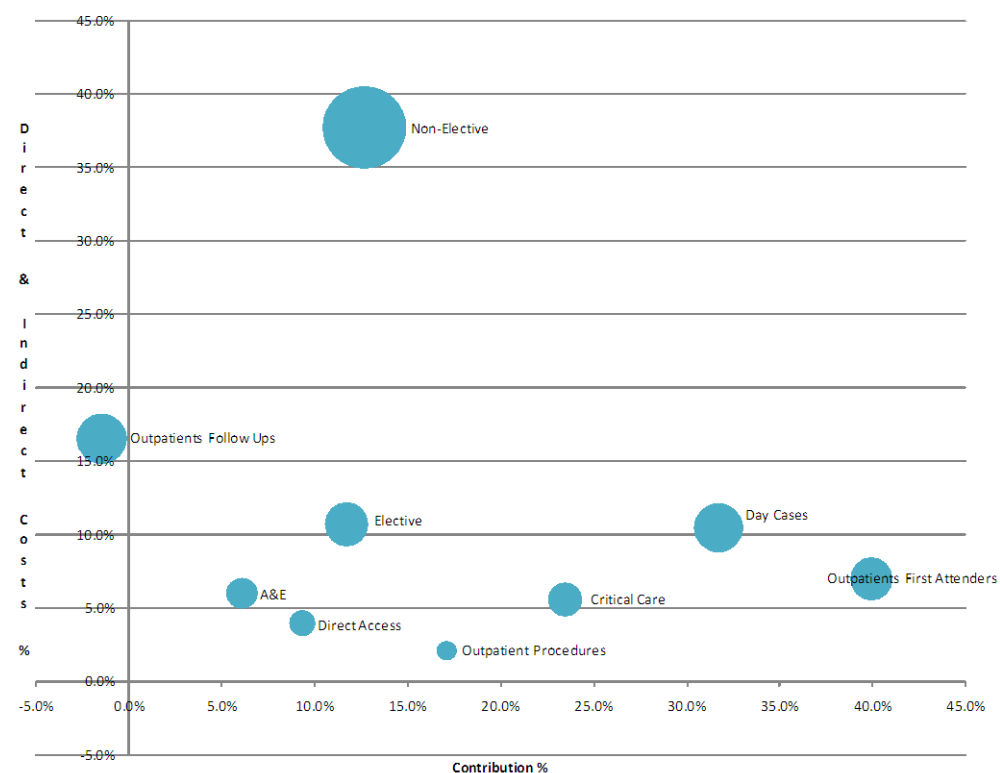
West Hertfordshire Hospitals Divisional Contribution Chart



Key Headlines:

Based on a month to month comparison there has been a small increase of 0.2% in the contribution level towards overheads.

West Hertfordshire Hospitals POD Contribution Chart



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

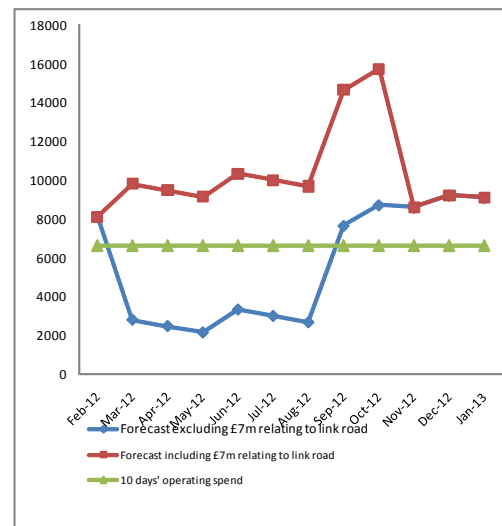
Cash Balance

	£m
Opening balance 01/04/11	1.8
Surplus to 29/02/12	1.3
Movement in working capital	3.5
Capital spend	(5.1)
Depreciation	6.6
	8.1

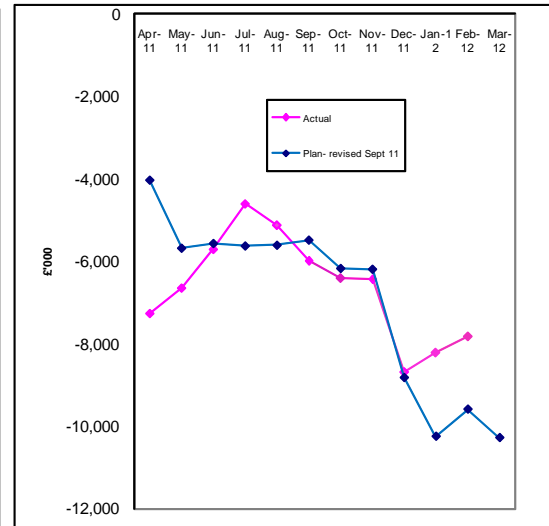
BPCC Performance⁵

	M11 Actuals	Target	Cumulative Variance
By number of invoices	85%	95%	(10%)
By value of invoices	78%	95%	(17%)

Cash Balances - Rolling 12 Months



Liquidity as measured by Net Current Liabilities

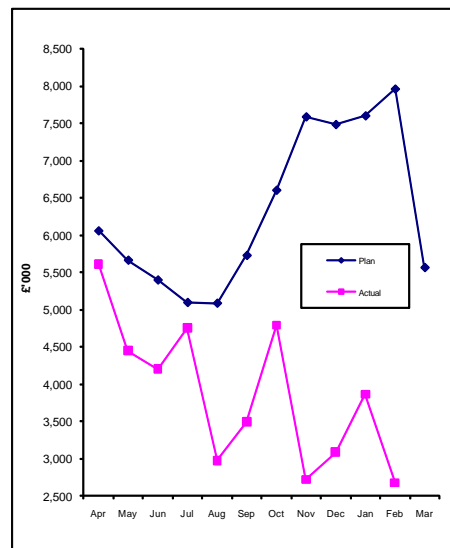


Cash balance - The balance as at the end of February is £8.1m.

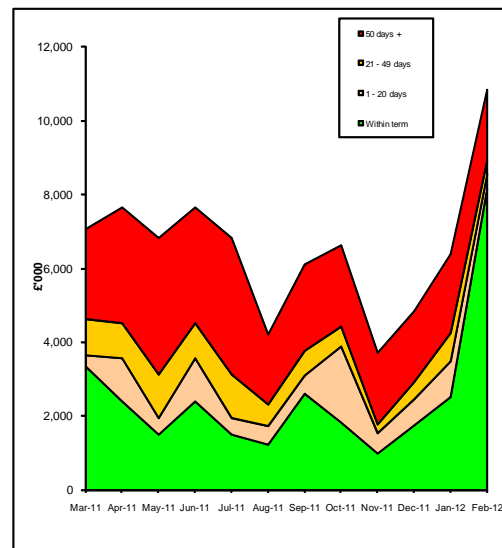
Cash Balances Rolling 12 months - February cash balance at £8.1m is higher than planned due to slower than expected capital spending and early payments by NHS Hertfordshire. Note that in March the Trust will make its 6 monthly loan and dividend payments but will also receive £7m PDC in relation to the link road. The graph shows the forecast cash balance with and without this £7m. The £7m will enable the Trust to hold cash in excess of 10 days of operating expenses without the need to receive cash in advance from NHS Hertfordshire. In September 2012 it is forecast the Trust will receive £9m of cash from revision to the existing loan terms and in November the £7m PDC will be invested in the link road.

Liquidity - this shows the extent to which the payables due within a year exceed the value of the Trust's cash, inventories (stocks) and receivables. Actuals remain above plan because of slower than expected capital spending. The downward movement from September 2011 reflects the change in timing of the Trust's loans being rephased; the existing repayments exceeding the funds generated from the planned surplus.

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	3.5	3.0	0.9	2.1
Theatre Decontamination	0.1	0.1	0.1	0.0
Endoscopy Decontamination	1.3	1.2	1.2	0.0
Information Technology	0.8	0.5	0.1	0.4
Medical Equipment	0.7	0.4	0.6	(0.2)
Service Reconfiguration	0.5	0.6	0.1	0.5
Managing Capacity	1.0	1.0	1.8	(0.8)
Brought Forward Schemes	0.5	0.4	0.3	0.1
Sales	(0.7)	-1.2	0.0	(1.2)
Total	7.7	6.0	5.1	0.9

Capital - Capital spending for 2011/12 is 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. Year to date spend continues to be behind plan, it is forecast that at the year end there will be a £1.5m underspend.

Receivables against plan- this shows receivables overdue, these continue to run at less than expected at the start of the year reflecting the resolution of invoices under query.

NHS and Trade Receivables by Age Profile - this shows receivables by their due date. Those within terms have increased between January and February, these relate to invoices for transformation funding payable by NHS Hertfordshire.

⁵ 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 29 Feb 2012	Forecast as at 31 Mar 2012	
<u>Non Current Assets</u>				
Property Plantand Equipment	119,023	121,223	122,051	<u>Property, Plant and Equipment</u> have increased in value compared to 1 April 2011 due to the impact of the 2011/12 revaluation. <u>Intangible Assets</u> mainly relates to computer systems
Intangible Assets	3,327	2,347	2,333	
Other Financial Assets	0	0	0	
Trade and Other Receivables	1,683	1,543	1,683	
Total non current assets	124,033	125,113	126,067	
<u>Current assets</u>				
Inventories	3,542	3,127	3,542	<u>Trade and Other Receivables</u> represent invoices raised but not yet paid. The February balance has increased as invoices for income previously accrued have been raised, this is reflected in the fall in other assets.. <u>Other Assets</u> these relate to the accrual of NHS and NHS income not yet invoiced . <u>Cash balance</u> The forecast cash balance includes £7m of Public Dividend Capital (PDC) to fund the proposed link road. The actual cash balance has increased due to the receipt of overperformance invoices and slippage in the capital spend.
Trade and Other Receivables	5,568	7,126	5,568	
Other Assets	4,877	2,896	4,877	
Cash and Cash equivalents	1,785	8,125	9,800	
Total current assets	15,772	21,274	23,787	
Total Assets	139,805	146,387	149,854	
<u>Current liabilities (amounts due in less than one year)</u>				
NHS Trade Payables	893	2,637	1,257	<u>NHS Trade Payables</u> have increased from 1st April reflecting the build up of creditors to pay the loan interest and dividends scheduled for March 2012. and include NHS invoices that have been accrued this month. <u>Non NHS Trade Payables</u> have increased by £4.2m mainly due to March's PAYE and NI being paid in March 2011 rather than April. <u>Other Liabilities</u> , these relate to the accrual of NHS and Non NHS expenditure not yet invoiced.
Non NHS Trade Payables	4,775	8,952	8,229	
Other Liabilities	11,284	11,622	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	601	591	
Total current liabilities	23,926	29,104	25,533	
Net current assets (liabilities)	(8,154)	(7,830)	(1,746)	
Total assets less current liabilities	115,879	117,283	124,321	
<u>Non Current Liabilities (Due > 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	5,268	5,056	
Total Non current liabilities	26,253	24,005	21,707	
Total assets employed	89,626	93,278	102,614	
<u>Financed by Taxpayers Equity</u>				
Public Dividend Capital	173,668	173,668	180,668	The forecast <u>PDC</u> includes £7m funding for the link road The <u>Revaluation Reserve</u> includes the impact of the 2011-12 revaluation.
Retained Earnings	(98,561)	(94,929)	(92,593)	
Revaluation reserve	13,741	14,539	14,539	
Donated asset reserve	778	0	0	
Total funds employed	89,626	93,278	102,614	

Financial Risk Ratings⁶

Monitor

Financial Risk Ratings									
Month Feb-12									
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	4
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

SHA

Financial Risk Ratings								Month	Feb-12		
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	4	4	
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	3.30	3.5	
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.

There has been a £0.05m increase in the level of surplus in M11. The I&E surplus margin ratio is 0.53% YTD. Although it is below the acceptable level of 1% it is only one element of the Financial efficiency ratio and so does not prevent achievement of an overall rating of 3. Delivery of the surplus target of £3.6m will generate a ratio in excess of 1% at year end. The liquidity ratio relates to the position as at 31st March 2011 so remains at 2.

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. The Trust had been forecasting very low cash balances due to the re-structuring of the loan terms being deferred to 2012-13, however the Trust is due to receive £7.0m of Public Dividend Capital in March which will ensure the year end cash position remains in excess of £6.5m.

Note that the higher cash balance does not negate the need for loan restructuring as the £7.0m draw down of PDC is fully committed to the construction of the road.

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.