

Finance Report Month 01 (April) 2012/13

Key Financial Indicators

	2012/13 (Month 1)		Page
		RAG	
Financial Performance	Actual deficit (£503k) in line with the plan	R	2
Monitor Financial Risk Rating	2 (YTD)	R	9
CIP performance	£156k – G3 @ M1	R	3
Liquidity (Net Current Liabilities)	(£0.497m)	G	7

Commentary

The Trust had a deficit of £0.5m as at the end of Month 1. This is in line with the plan which reflected the historically lower level of activity in April, and anticipated less that a 1/12 of the savings target being achieved. This position has to be improved quickly.

Income from patient activity in month, showed a favourable variance of £0.5m against plan. This was mainly due to increases in both emergency and elective activity; the latter relating to the achievement of 18 week targets. Upon conclusion of contract negotiations with NHS Hertfordshire, the annual plan for 2012/13 increased to £234.5m; £0.5m higher than reported to the March Board.

Operating expenses showed an unfavourable variance of £0.4m in month; driving this position were unidentified/red savings schemes phased into Month 1. There were only £156K of 'Green' savings schemes finalised in April. Due to changes in processes relating to the new Getting Better approach there have been some delays in the completion of Gateway forms. This is being addressed and an update, including a revised savings trajectory will be shown in the Month 2 report.

The cash balance as of 30th April 2012 was £15.2m, and represents 22 days of operating expenses. Note that once the £7m relating to Watford Hospital Link Road is excluded the cash balance is reduced to £8.2m; which is equivalent to 12 days of operating expenses.

The Monitor Financial Risk Rating (FRR) was an overall rating of "2" in April and the minimum level required to achieve Foundation Trust (FT) is a "3". The Trust had a rating of 1 for the I&E surplus margin, and a lower than planned EBITDA due primarily to the low level of savings in April, this is the key financial challenge to be addressed over the next few weeks.

M01 I&E - April 2012/13

Full Year Budget £'000		Year to Date			
		Budget to Date £'000	Actuals to Date £'000	Variance ³ £'000	Variance %
NHS Acute Activity Revenue					
45,833	Elective revenue (long and short stay)	3,525	3,827	302	8.6
80,791	Non-Elective revenue	6,320	6,564	243	3.8
53,495	Outpatient	4,217	4,082	(135)	(3.2)
9,431	A&E	777	823	46	5.9
44,987	Other NHS	3,487	3,543	55	1.6
234,537	NHS Clinical Revenue, Total	18,327	18,838	511	2.8
Non NHS Clinical Revenue					
2,404	Non NHS Clinical Revenue	200	125	(75)	(37.6)
2,404	Non NHS Clinical Revenue, Total	200	125	(75)	(37.6)
Other Operating income					
8,635	Education and Training income	720	740	21	2.9
17,444	Other Operating Income	1,447	1,414	(33)	(2.3)
26,080	Other Operating income, Total	2,167	2,154	(12)	(0.6)
263,020	Operating Revenue and Income, Total	20,694	21,117	423	2.0
Operating Expenses					
159,038	Employee benefits expense	13,520	13,832	(313)	(2.3)
14,282	Drug expense	1,190	1,215	(25)	(2.1)
24,337	Clinical supplies	2,088	2,091	(3)	(0.1)
28,443	Non Clinical Supplies	2,192	2,191	1	0.0
22,127	Other Operating expenses	1,219	1,292	(74)	(6.1)
248,226	Operating Expenses, Total	20,208	20,621	(413)	(2.0)
EBITDA					
14,794	Surplus (Deficit) from Operations margin	485	496	10	2.1
Non-Operating expenses					
1,098	Interest	92	90	2	2.0
7,596	Depreciation and Amortisation	633	633	0	0.0
3,300	PDC Dividend	275	275	0	0.0
11,994	Non-Operating expenses, Total	1,000	997	2	0.2
2,800	Surplus/(Deficit)	(514)	(503)	11	
	Impairment		0		
	Surplus/(Deficit)	(514)	(503)	11	
Analysed by Division					
64,058	Medicine	5,508	5,722	(215)	(3.9)
50,743	Surgery	4,351	4,489	(138)	(3.2)
28,460	Women's	2,347	2,359	(12)	(0.5)
26,899	Clinical Support	2,258	2,323	(64)	(2.8)
21,189	Estate & Facilities	1,632	1,639	(7)	(0.4)
24,084	Corporate	2,064	2,064	1	0.0
238,369	Central Income	18,646	19,090	444	0.2
20,136	Other	1,000	997	2	0.2
2,800		(514)	(503)	11	

Income and Spend Variances

SLA Income - At month 1, the Trust is reporting a value of £511k above the year-to-date plan. Of this, £243k relates to non-elective activity, reflecting the increased emergency pressures being reported towards the end of 2011/12 and continuing into this financial year. Elective activity is £302k above plan, which appears to relate to a catching up on 18 week wait work, combined with QIPP reductions not achieved in month 1. Outpatient work is £135k below plan; this is being investigated further. A&E income is over-performing by 6%, reflecting ongoing emergency pressures.

Non NHS Clinical Revenue - was below plan in April, this was mainly in compensation recovery eg RTA Income.

Operating Expenses - Pay is £313k overspent, £353k of this is due to unachieved savings. Non-Pay is overspent due to unidentified savings to date of £35k. Additional patient activity also increased costs of outsourcing and drugs in the month.

Divisional Positions

Medicine - The Medical Division variance is due to a shortfall on savings of £118k and no reductions in activity or expenditure relating to QIPP schemes £28k. The remaining variance is due to the additional costs associated with emergency activity that continues above plan and is offset by additional SLA income.

Surgery - The overspend reflects the cost of over performance in the month. Additional weekend lists have increased costs in medical staffing and consumables.

Women & Children - Outsourcing of 22 patients in Gynaecology caused an adverse variance of £56k. This was offset by a favourable variance of £62k in Maternity due to actual births being lower than plan.

Clinical Support - M1 variance is £64k adverse due to the CIP savings target for the month not being achieved offset by under spends in Pathology and Orthotics.

Estates & Hotel Services - M1 variance is £7k adverse due to CIP savings target not achieved offset by pay and maintenance under spends.

Corporate - Savings yet to be finalised are offset by favourable variances across several Directorates.

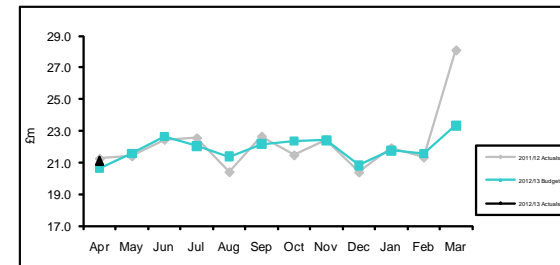
Performance by Contract

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	215	(63)
NHS Hertfordshire (incl specialist commissioning)	17,435	848
NHS Hillingdon	390	(48)
Other Primary Care Trusts	578	(63)
Non-Contract Activity	221	(164)
	18,838	511

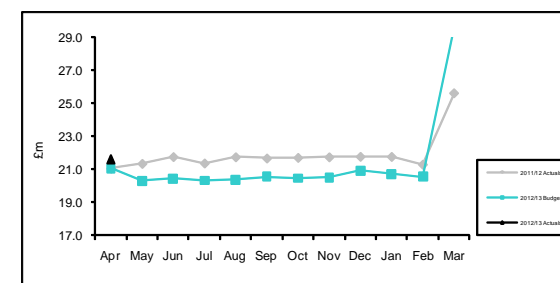
SLA Income Variances by Division

	YTD Actuals £'000	YTD Variance £'000
Medicine	6,480	274
Surgery	6,605	249
Women's	3,773	(54)
Clinical Support	885	24
Other	1,095	18
	18,838	511

Actual Income compared to Plan



Actual Spend compared to Plan



Income by Division compared to activity plan for the month ended 30 April 2012

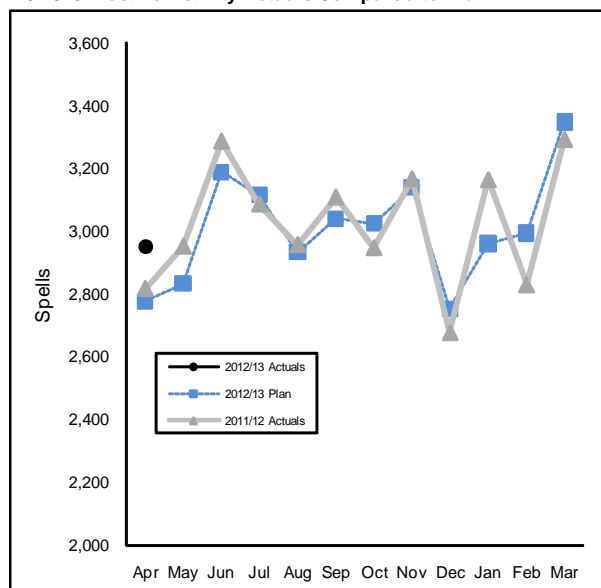
Division	Inpatient				Outpatient				A&E				Other	Total
	Budget Spell	Actuals Spell	Variance Spell	Variance (£'000)	Budget Attendance	Actuals Attendance	Variance Attendance	Variance (£'000)	Budget Attendance	Actuals Attendance	Variance Attendance	Variance (£'000)		
Medicine	2,490	2,721	231	282	10,705	10,059	(646)	(94)	5,751	5,929	178	51	9	249
Surgery	2,078	2,180	102	271	12,370	12,369	(1)	(22)	368	403	35	3	22	274
Women's	1,803	1,819	16	(8)	9,491	9,563	72	(20)	715	715	0	(8)	(18)	(54)
Clinical Support													24	24
High Cost Drugs													(13)	(13)
Other													31	31
Total	6,371	6,720	349	545	32,566	31,991	(575)	(135)	6,834	7,047	213	46	55	511

Medical Inpatients activity is over-performing by £282k, of which £258k relates to non-elective activity due to ongoing emergency pressures. Outpatient activity is £94k below plan, in part due to late recording on PAS. The A&E over-performance of £51k represents a 9% variance to the month 1 plan.

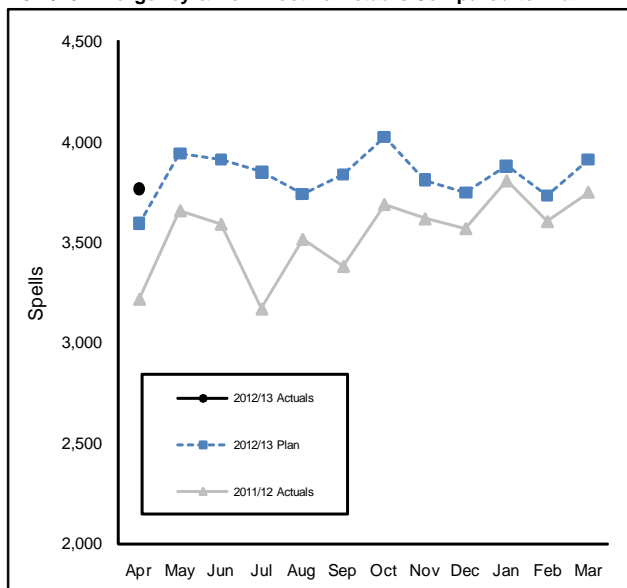
Surgery's inpatient over-performance largely relates to elective activity £229k, of which £131k is in orthopaedics. This is driven by the division putting on additional lists to achieve 18 week targets. The complexity of the work on these additional lists has increased income within this speciality, despite an elective activity variance of 17 spells below plan.

Women & Children's - Variances at specialty level reveal obstetrics and midwifery inpatients to be £77k below plan due to a lower than predicted number of births in April. This may be in part due to the removal of the non-Hertfordshire cap not as yet impacting on patients from North West London. Neo-natal critical care is £18k below plan, which is being investigated by the division.

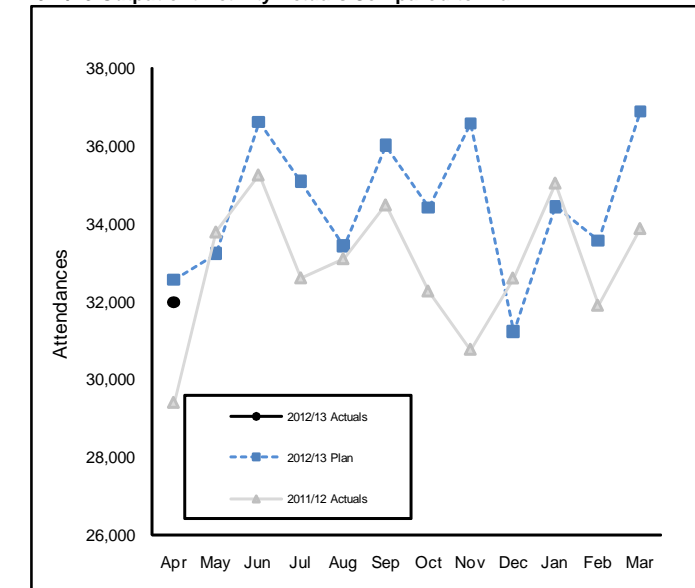
2012/13 Elective Activity Actuals Compared to Plan



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



2012/13 Outpatient Activity Actuals Compared to Plan



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

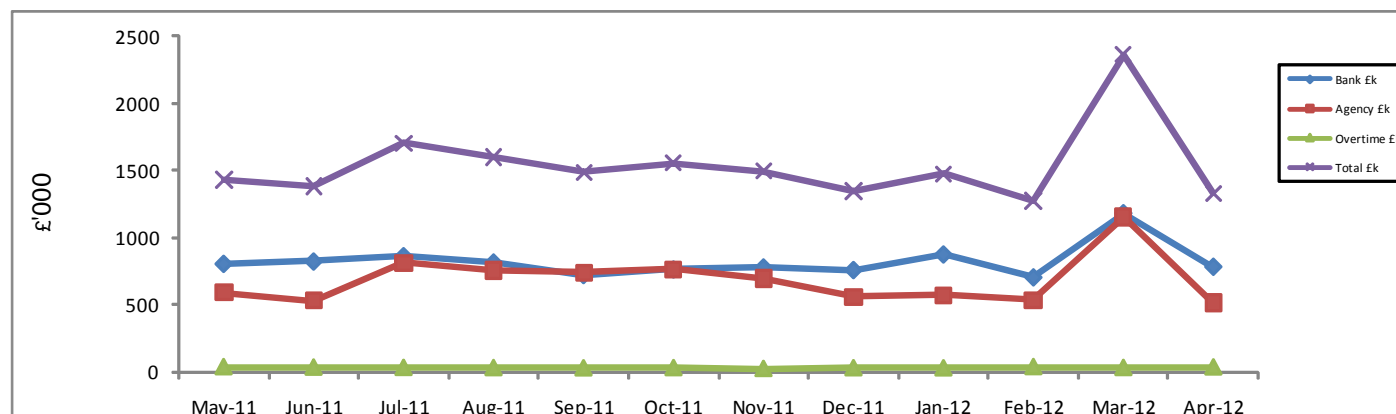
Analysis of Variances

Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Budget WTE	Actuals Worked WTE	Variance WTE
Medicine	3,806	405	193	4,404	4,344	(60)	1,268.7	1,279.8	(11.1)
Surgery	3,119	151	88	3,358	3,368	10	854.3	839.7	14.6
Women's	1,918	194	115	2,227	2,297	70	573.9	559.1	14.8
Clinical Supp.	2,034	13	66	2,112	2,105	(7)	593.4	559.3	34.1
Estates	232	(0)	2	233	255	22	85.0	78.5	6.5
Corporate	1,426	23	50	1,498	1,503	5	467.7	436.0	31.6
Total	12,534	784	514	13,832	13,872	40	3,842.9	3,752.4	90.5
% Variance						0.3			2.4

Whole Time Equivalent actuals include estimated WTE for agency staff. Average WTE worked remains lower than budgeted due to vacancies across the Trust.

An increase in WTE and cost in Agency/Bank was reported in March 2012 due to additional annual leave and maternity cover. The trend on spend has now come back in line to the months prior to March 2012.

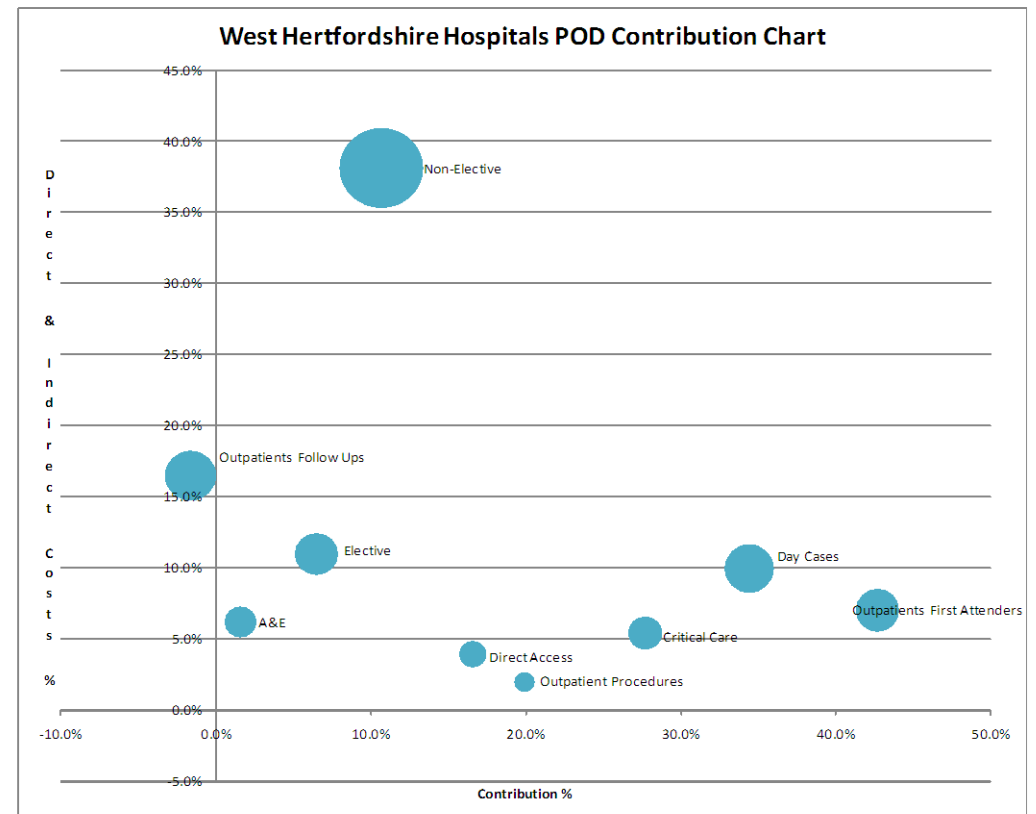
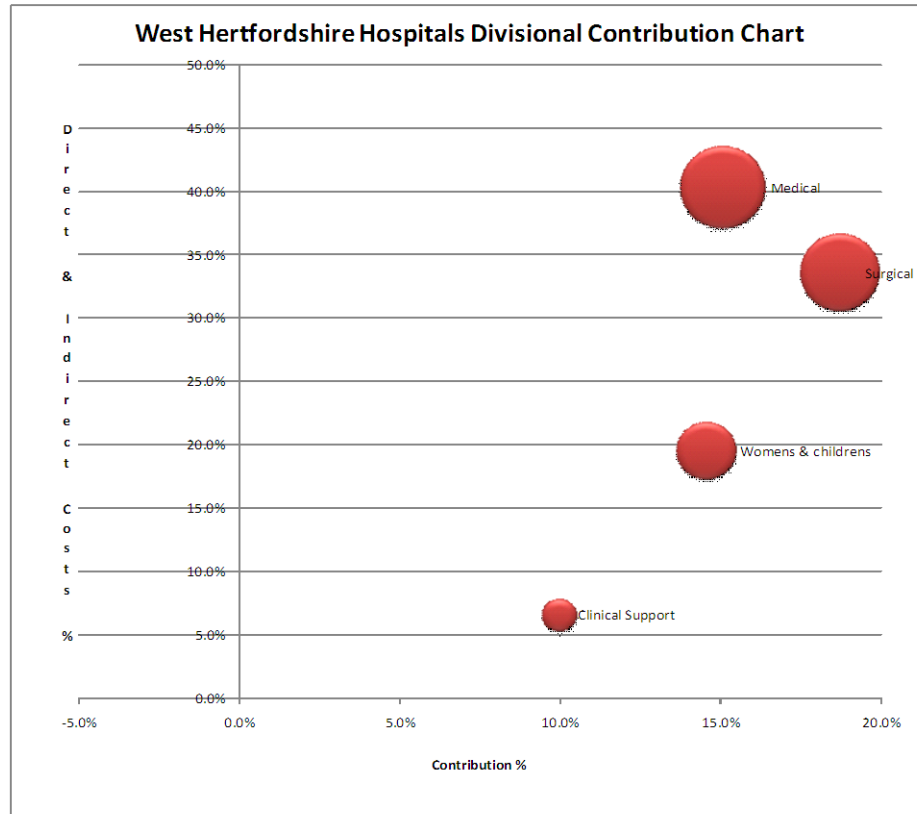
Temporary staffing spend on a 12 month rolling period



Service Line Reporting to 29 February 2012

Division	February YTD						Contribution %	Surplus/(Deficit) %
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000		
Medicine	86,631	70,458	3,130	13,043	14,485	(1,442)	15.1%	-1.7%
Surgery	75,413	53,692	7,612	14,110	10,770	3,339	18.7%	4.4%
Womens & Children	41,724	35,643	10	6,071	6,102	(31)	14.6%	-0.1%
Clinical Support	13,326	8,366	3,631	1,329	1,935	(605)	10.0%	-4.5%
Total	217,095	168,158	14,384	34,554	33,292	1,261	15.9%	0.6%

Point Of Delivery (POD)	February YTD						Contribution %	Surplus/(Deficit) %
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000		
Day Case	27,704	16,074	2,088	9,532	2,657	6,875	34.4%	24.8%
Elective	21,374	14,784	5,208	1,381	2,916	(1,534)	6.5%	-7.2%
Non-Elective	77,921	61,606	7,990	8,325	9,922	(1,597)	10.7%	-2.0%
Outpatients FA	22,301	14,120	(1,337)	9,518	3,286	6,232	42.7%	27.9%
Outpatients FU	29,590	31,269	(1,195)	(485)	8,188	(8,673)	-1.6%	-29.3%
Outpatients Procedures	4,512	3,933	(319)	898	863	35	19.9%	0.8%
Critical Care	13,678	9,362	530	3,786	1,211	2,575	27.7%	18.8%
A&E	11,503	11,703	(386)	186	2,927	(2,741)	1.6%	-23.8%
Direct Access	8,513	5,306	1,795	1,412	1,322	89	16.6%	1.0%
Total	217,095	168,158	14,384	34,554	33,292	1,261	15.9%	0.6%



Key Headlines:

The cumulative Contribution figures per Division are now starting to reflect the changes in methodology introduced in month 8 for Pathology, Radiology, Theatres etc as all the periods have been recalculated. These changes have improved Womens & Children's and Clinical Support's Contribution figures and have adversely affected the contribution for Medicine and, to a much lesser extent, Surgery. These methodology changes weight more cost towards the AAU and A&E and take cost away from GP Direct Access and Outpatient work. These changes are now thought to more accurately reflect resource use by both the providing departments and the front-line divisions.

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).

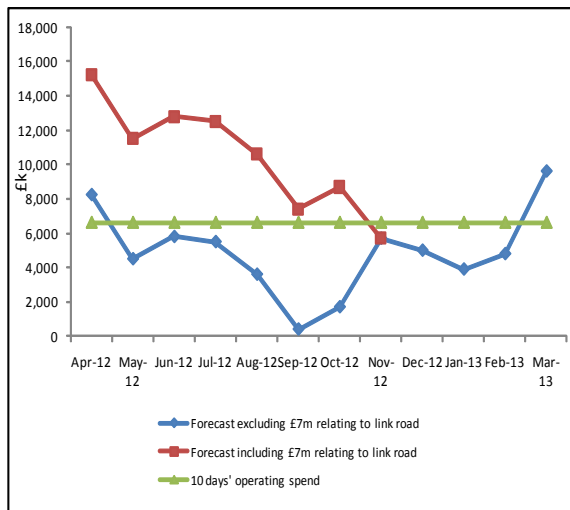
Cash and Capital Management

Month End Cash Balance

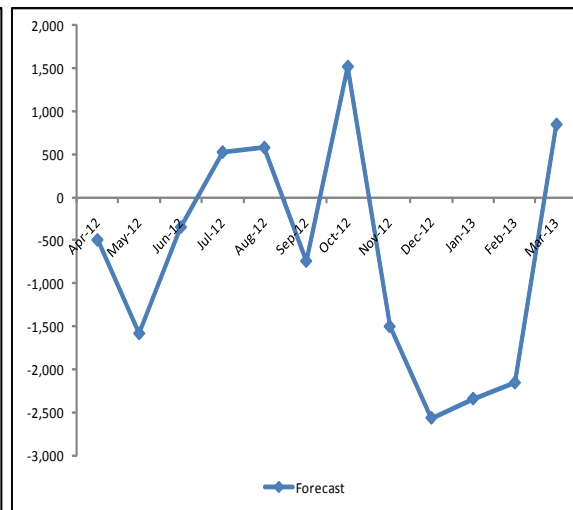
	£m
Opening balance 01-04-12	9.8
Deficit to 30-04-12	(0.5)
Capital spend	(0.2)
Depreciation	0.6
Other changes in working capital	5.5
Cash balance as at 30-04-12	15.2

£15.2m represents 22 days of operating expenses. Excluding £7m relating to Watford Hospital link road the cash balance of £8.2m is 12 days of operating expenses.

Forecast Cash Balances - Next 12 Months



Forecast Liquidity as Measured by Net Current Assets/Liabilities for the Next 12 Months



Cash and Liquidity

The cash balance and liquidity are forecasts for the next twelve months. Both are under-going review as part of the Trust's refresh of its plans following 2011-12 outturn, contract agreement for 2012-13, and feedback from the DH concerning FT application. Cash balance shows both cash with and without the short term benefit of funds for the link road to Watford Hospital received in 2011-12. The forecast is based on the Trust's loans being re-phased March 2013, this may occur sooner depending on the Trust's FT application. Cash is particularly tight in September when loan and dividend payments are due. Liquidity each month is affected by the phasing of I&E and delivery of savings, both subject of review. The improvement shown in March relates to re-phasing of the Trust's loans resulting in additional borrowing and a reduction in the loan liability due within one year.

Payables

The Trust strives to meet the BPPC, which targets paying at least 95% of invoices both in numbers and value within 30 days or earlier.

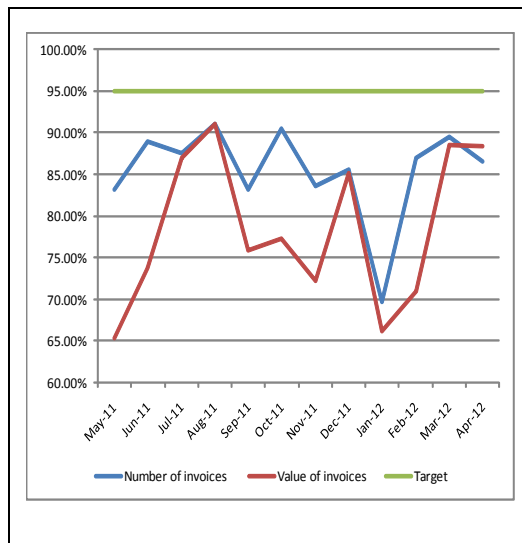
Receivables

The age of debts not covered by provision is shown. The Trust has increased its level of bad debt provision in March to cover all those over 90 days old. The Trust's debt collection team will however continue to pursue these. The spike in current invoices in February related to those raised with NHS Hertfordshire for transformation funds; these being paid in March.

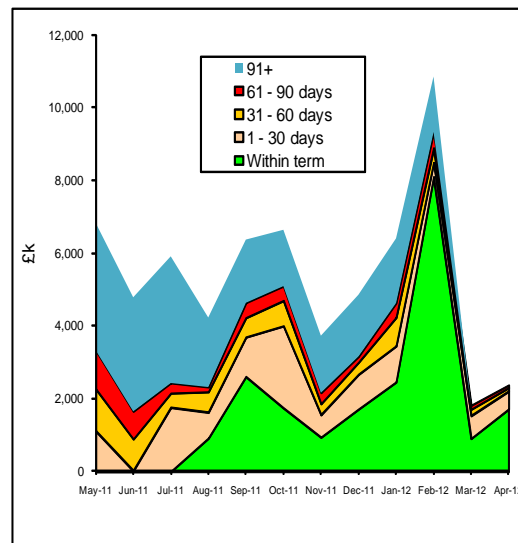
Capital Programme

The capital plan is based on that agreed by the Board as part of budget setting. It is subject to review (see cash and liquidity above). Less than £200k capital was spent in April, however £60k of this was residual spending on 2011-12 capacity projects not budgeted for. This includes potential investment of up to £0.5m to facilitate Getting Better schemes where there is a rapid payback.

Payables: Better Practice Payment Code Performance



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



Capital Programme

	Plan £m	YTD Actual £m	Balance £m
Estate Maintenance	5.11	0.10	5.00
TSSU Decontamination	1.93	0.00	1.92
Endoscopy Decontamination - Watford	1.53	0.00	1.53
Capacity Works	0.00	0.06	-0.06
Other Committed	2.44	0.00	2.43
Total Trust funded Capital Programme	11.00	0.16	10.84
PDC funding			£m
Watford Hospital Link Road			7.00
Combined Heat and Power Plant			2.90
PDC funded Capital Programme			9.90

⁶Under 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)

	Balance as at	Balance as at	
	01 Apr 2012	30 Apr 2012	
<u>Non Current Assets</u>			
Property Plant and Equipment	121,896	121,510	<u>Property, Plant and Equipment</u>
Intangible Assets	2,243	2,171	Represents the fair value of the Trust's land, buildings and equipment. The difference between 1 April and 30 April relates to the excess of depreciation over capital investment.
Other Financial Assets	0	0	<u>Intangible Assets</u>
Trade and Other Receivables	1,187	1,167	Represents computer systems and as with PPE the level of amortisation is higher than investment resulting in a reduction in fair value.
Total non current assets	125,326	124,848	<u>Trade and Other Receivables</u>
<u>Current assets</u>			
Inventories	3,031	3,229	Represents injury cost recovery expected in more than one year.
Trade and Other Receivables	3,252	4,028	<u>Trade and Other Receivables</u>
Other Assets	6,126	5,358	Represents invoices raised but not yet paid. The opening balance is lower than that at the end of April because PCTs pay as early as possible at year end in order to reduce their cash balance to a minimum.
Cash and Cash equivalents	9,851	15,244	<u>Other Assets</u>
Total current assets	22,260	27,859	These relate to the accrual of NHS and Non NHS income not yet invoiced. The decrease reflects March 2012 accruals now invoiced in April 2012.
Total Assets	147,586	152,707	<u>Cash balance</u>
<u>Current liabilities (amounts due in less than one year)</u>			
NHS Trade Payables	883	2,265	The cash balance includes £7m of Public Dividend Capital (PDC) received in 2011-12 and retained to fund the proposed link road and is also higher than planned due to a lower level of creditor payments in April 2012.
Non NHS Trade Payables	5,308	8,567	<u>NHS Trade Payables</u>
Other Liabilities	11,980	12,944	These have increased from 1 April reflecting the build up of creditors to pay the loan interest and dividends.
DH Working Capital Loan Principal Repayments	1,400	1,400	<u>Non NHS Trade Payables</u>
DH Capital Loan Principal Repayments	2,772	2,772	These have increased by £3.5m mainly due to March's PAYE and NI being paid early, in March 2012 rather than April 2012.
Provisions for Liabilities and Charges	541	408	<u>Other Liabilities</u>
Total current liabilities	22,884	28,356	These relate to the accrual of NHS and Non NHS expenditure not yet invoiced.
Net current assets (liabilities)	(624)	(497)	
Total assets less current liabilities	124,702	124,351	
<u>Non Current Liabilities (Due > 1 Year)</u>			
DH Working Capital Loan Principal Repayments	2,800	2,800	
DH Capital Loan Principal Repayments	13,851	13,851	
Provisions for liabilities and charges	5,280	5,432	
Total Non current liabilities	21,931	22,083	
Total assets employed	102,771	102,268	
<u>Financed by Taxpayers Equity</u>			
Public Dividend Capital	180,668	180,668	
Retained Earnings	(92,434)	(92,937)	
Revaluation reserve	14,537	14,537	
Donated asset reserve	0	0	
Total funds employed	102,771	102,268	

Monitor

SHA

Financial Risk Ratings		Month	Apr-12					Risk rating ytd	Forecast rating 12/13
Criteria	Metric	Weight	5	4	3	2	1		
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	2	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	5
Financial efficiency	Return on assets %	20%	6	5	3	2	<-2	4	4
	I&E surplus margin %	20%	3	2	1	-2	<-2	1	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	4
Average								3	3.65
Overriding rules	Overriding rules							-1	-0.25
Overall rating	Overall rating							2	4

Financial Risk Ratings		Month	Apr-12					Annual Plan 12/13	YTD Risk ratings 12/13	Forecast Risk ratings 12/13
Criteria	Metric	Weight	5	4	3	2	1			
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	2	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	4	4	4
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	1	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	4	4
Average								3.65	3.00	3.65
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	2	0
Overall rating	Overall rating							4	2	4

The Trust has achieved an overall rating of "2" using the Monitor Financial Risk Rating (FRR) ratios and a "2" rating based on the ratios used by the SHA Management Board to assess performance both of which are below the minimum requirement of "3" to achieve Foundation Trust status.

The I&E surplus margin ratio at the 30th April 2012 is minus 2.4% which achieves a rating of "1". This is below the acceptable level of 1% which has a Financial Risk Rating of "3". The overall rating for Monitor and the SHA is "2". Delivering the planned level of surplus by the year end will result in the overall 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 which equates to cash levels of approximately £6.5m. The Trust received £7m of Public Dividend Capital in March 2012 which has contributed to the Trust holding cash in excess of 10 days' of operating expenses.

⁶ Monitor calculations for liquidity and EBITDA achieved are based on 2011/12 performance. The SHA ratings are based on 2012/13 for all ratings. Monitor also excludes the value of inventories (stocks) from the liquidity calculation.