

Trust Board Part 1 Item 14 Finance Report Month 07 (October) 2012/13

Key Financial Indicators

	2012/13 (Month 7)	RAG	Page
Financial Performance	Surplus £1.4m	R	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£6.9m – G3 @ M7	R	3
Liquidity (Net Current Assets)	£0.6m	R	7

Commentary

The Trust's cumulative surplus has increased from £0.7m at the end of September to £1.4m at the end of October. This improvement is mainly due to higher income for elective and outpatient activity following very low levels of income in September.

However the shortfall against the original plan has deteriorated from £3.6m in Month 6 to £4.2m in Month 7. This relates to delays in delivering Getting Better savings of £0.7m and overspends of £1.5m associated with higher levels of activity which have been partially offset by an increase in SLA income of £1.4m. It should also be noted that spend on temporary staffing is on an increasing trend.

The reported surplus of £1.4m to Month 7 is £1.6m below the surplus in the FIMS plan submitted to the SHA.

Whilst the current surplus does not look too far adrift in relation to the planned year end surplus of £3.1m, the Trust is expecting to be fined up to c£4m by the CCG for the high level of C Diff cases which will be very hard to mitigate. The CCG has also indicated that it is potentially facing a deficit at the year end and is planning actions to reduce demand to avoid this and this will impact on income to the Trust.

Over the past month, work has been continuing to identify savings and expenditure controls to get the Trust back on track. These include:

- Further controls on temporary pay spend and recruitment and reinforcement of the need for all budget holders to adhere to SFIs
- Reducing inappropriate delayed discharges and reduce length of stay by better management within the hospital
- Review of all corporate spend
- Further review of all weekend working and outsourcing for surgical activity to reduce the marginal cost of extra activity

The forecast delivery of CIPs has dropped to £8.8m against the target of £11.9m, this compares to a forecast of £9.4m at the end of September. Delivery of the savings target continues to be a substantial challenge for the Trust. The Trust Executive Team monitors the delivery of savings on a weekly basis and the Getting Better Project Management Office, under new leadership, has been re-focussed onto larger transformational schemes which will impact across the Trust, leaving smaller initiatives to be delivered by Divisions. The Trust now also has a considerably strengthened tracking system to monitor action and progress on all savings schemes.

The expected impact of remedial actions will be assessed during November so that the Board can be advised of how much of the shortfall can be managed.

The cash balance as at 31st October 2012 was £11.5m; this equates to 16 days of operating expenses. Excluding the £7m relating to the Watford Hospital Link Road reduces cash to £4.5m which is 6 days' operating expenses. Even with achievement of a £3.1m surplus, the year end cash position was challenging and a discussion is planned with the SHA to review the options to maintain liquidity for both this year and next. The expected loan rescheduling is likely to be delayed further in the light of the deterioration in the Trust's overall performance and the delay in achieving FT status.

The Income & Expenditure surplus margin remains at "2" but the Trust has an overall rating of "3" using the Monitor Financial Risk Rating (FRR) ratios.

In Month 7 the Trust has devolved SLA income budgets and income to the divisions which earn it. This will support the Trust in managing its business as a whole and considering both the income and expenditure implications of activities.

¹ This excludes the effect of a technical adjustment of £0.1m which is the net effect of donated assets offset by depreciation.

M07 I&E - October 2012/13

Full Year Budget £'000	Year to Date			
	Budget to Date £'000	Actuals to Date £'000	Variance £'000	Variance %
NHS Acute Activity Revenue				
47,413	27,458	28,527	1,070	3.9
82,831	48,314	49,282	968	2.0
54,769	31,706	31,411	(296)	(0.9)
9,936	5,755	6,228	472	8.2
45,919	26,541	26,911	370	1.4
240,868	139,774	142,359	2,584	1.8
Non NHS Clinical Revenue				
2,522	1,437	1,324	(113)	(7.8)
2,522	1,437	1,324	(113)	(7.8)
Other Operating Income				
8,921	5,198	5,276	78	1.5
18,798	10,917	11,230	312	2.9
27,719	16,115	16,505	390	2.4
271,109	157,326	160,188	2,862	1.8
Operating Revenue and Income, Total				
Operating Expenses				
167,940	97,185	100,471	(3,286)	(3.4)
14,283	8,311	9,210	(898)	(10.8)
24,478	14,361	15,364	(1,003)	(7.0)
28,486	16,092	16,847	(755)	(4.7)
20,825	8,866	9,865	(999)	(11.3)
256,013	144,815	151,757	(6,941)	(4.8)
EBITDA				
15,096	12,511	8,431	4,080	32.6
Non-Operating expenses				
1,098	641	631	10	1.5
7,596	4,431	4,428	3	0.1
3,300	1,925	1,925	0	0.0
11,994	6,997	6,984	13	0.2
Surplus/(Deficit)				
3,102	5,515	1,445	(4,069)	
		88	(88)	
3,102	5,515	1,357	(4,156)	
Analysed by Division				
(25,905)	(14,877)	(13,054)	(1,823)	(12.3)
(30,935)	(17,865)	(17,442)	(423)	(2.4)
(21,228)	(12,647)	(11,262)	(1,385)	(11.0)
16,501	9,571	10,039	(468)	(4.9)
20,273	11,351	11,963	(612)	(5.4)
24,246	14,192	13,779	414	2.9
(3,832)	(2,235)	(2,228)	(7)	(0.3)
17,777	6,997	6,762	235	3.4
3,102	5,515	1,445	(4,069)	
		88	(88)	
3,102	5,515	1,357	(4,156)	

Income and Spend Variances

SLA Income - at Month 7, the Trust is £2,584k above the year to date plan, representing an increase of £1,398k on the cumulative month 6 position. This improvement relates in part to the phasing of working days within the September plan and the subsequent recovery in elective and outpatient performance in October. Maternity inpatients, cardiology elective and gynaecology outpatients continue to under perform.

Non NHS Clinical Revenue - is showing an under recovery of private patient income, particularly in the catheter laboratory and endoscopy.

Other Operating Income - The £390k favourable variance is largely driven by £224k of donated assets income which was not budgeted for. This is partially offset by depreciation on donated assets.

Operating Expenses - are £6,941k above budget at the end of Month 7. £2,607 relates to unachieved savings (CIP), £466k relates to non-delivery of QIPP reductions (activity changes commissioned by NHS Hertfordshire) and the £3,868k remainder relates to the cost of delivering increased levels of activity. Across the main expense heads, pay is overspent by £3,286k, of which the majority relates to CIP and QIPP performance. Non pay is overspent by £3,655k of which non delivery of CIP equates to £558k and the remainder to the delivery of activity. Spend on drugs and medical and surgical supplies has increased by £403k and £218k respectively compared to Month 6 as non-pay costs increased in line with higher activity. Of the £403k drugs spend, £185k relates to high cost drugs and will be offset by recharge income.

Divisional Positions

Medicine - The overspend is made up of £630k on savings to be finalised, the loss of cardiology activity due to emergency overspill in the Cardiology Catheter Laboratory of £234k and the cost of measures in response to increased emergency activity of £959k.

Surgery - The division is £423k overspent compared to plan. £1,434k of this relates to delays in CIP delivery and £372k relates to activity savings which have yet to be delivered. £354k relates to high cost drugs spend which is offset by SLA income. £426k relates to the cost of additional lists to deliver higher activity. This is partially offset by over performance on SLA income of £2,163k.

Women & Children's - This division is overspent due to delays in delivering savings, the £230k cost of outsourcing in gynaecology, a £1,085k shortfall in maternity SLA income and a £33k shortfall in private practice income. This is partially offset by lower spend on maternity which is linked to a lower number of births than planned.

Clinical Support - The Clinical Support division is overspent due to delays in delivering £392k savings and additional diagnostics activity linked to higher activity levels.

Estates & Hotel Services - is overspent by £612k due to delay in delivering £558k savings and overspends on maintenance.

Corporate - spend is £414k below budget due to £133k vacancies across the division, an under spend of £116k on IT hardware and software, recovery of £69k more VAT than budgeted, £78k more research income than budgeted for and £18k miscellaneous under spends.

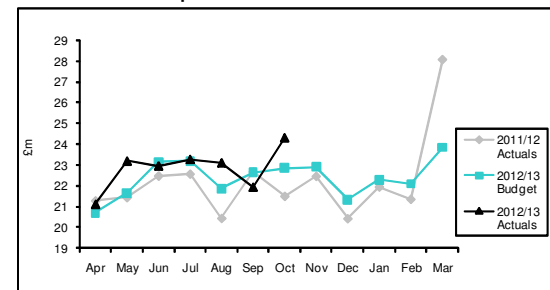
Performance by Contract

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	1,841	(63)
NHS Hertfordshire (incl specialist commissioning)	131,930	2,195
NHS Hillingdon	3,230	232
Other Primary Care Trusts	3,429	(60)
Non-Contract Activity	1,929	280
	142,359	2,584

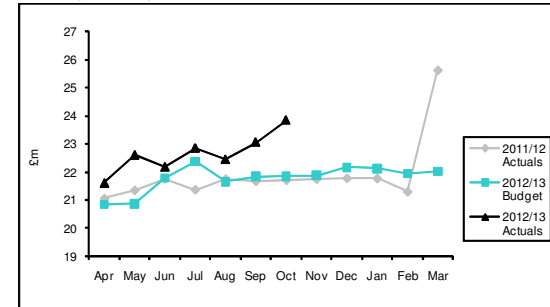
SLA Income Variances by Division

	YTD Actuals £'000	YTD Variance £'000
Medicine	55,890	1,173
Surgery	50,329	2,164
Women's	28,554	(947)
Clinical Support	6,734	194
Other	851	0
	142,359	2,584

Actual Income compared to Plan



Actual Spend compared to Plan



Delivery of Getting Better Savings

Divisional Savings by Risk Rating as at 31 October 2012

Division	£'m Getting Better Savings	Planned Delivery 2012/13												
		0.1	0.5	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	Planned Gateway 3	Planned Gateway 2
Medicine	3.9											2.24	0.3	0.2
Surgery	3.3											1.70	0.2	0.8
Women's	1.4											0.86	0.0	0.1
Clinical Support	0.9											0.35	0.1	0.0
Estates & Facilities	1.3											0.45		0.2
Corporate	1.1											1.15	0.1	0.1
Total Target	11.9											6.7	0.6	1.4

KEY: Target Gateway 3 Gateway 2 Gateway 1

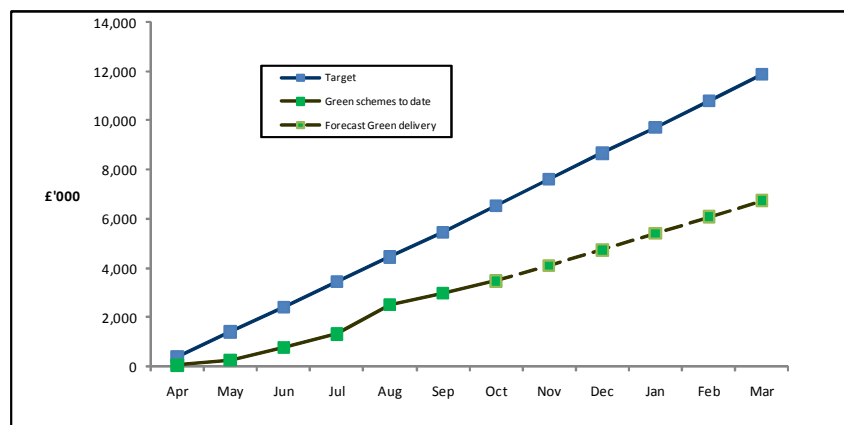
Getting Better Planned vs Actual Delivery

Month	Target £'000	Green schemes £'000	Variance from plan £'000
Apr	401	57	(344)
May	1,014	213	(801)
Jun	1,014	496	(518)
Jul	1,014	553	(461)
Aug	1,014	1,183	169
Sep	1,014	367	(647)
Oct	1,071	605	(466)
Nov	1,071	626	(445)
Dec	1,071	635	(436)
Jan	1,071	674	(397)
Feb	1,071	674	(397)
Mar	1,073	662	(411)
Total	11,900	6,747	(5,153)

Annual Green Savings Identified as at 31/10/12

Division	Target £'000	Green £'000
Medicine	3,941	2,339
Surgery	3,260	1,777
Women's & Children's	1,422	842
Clinical Support Servs	886	295
Estates & Facilities	1,302	438
Corporate	1,089	1,173
Total	11,900	6,864

Getting Better: Plan vs Actual



Savings delivered to date total £3.5m.

Cost improvement delivery is forecast at £8.8m against the savings target of £11.9m. This is a deterioration of £0.6m compared to the M6 forecast of £9.4m. This follows the commencement of a detailed review of assumptions and forecasts. Further work is being undertaken by the Trust to establish the extent of risks to remaining schemes.

The "Getting Better Planned vs Actual Delivery" table shows the £6.7m forecast actual delivery of the green (fully implemented) schemes. This is different from the total value of green schemes identified (£6.9m) due to a small number of schemes previously considered as delivering which are not now going to be achieved.

Delivery of forecast red and amber savings remains at risk as plans have yet to be fully worked up and implemented. The Trust Executive and Savings Delivery Project team continue to focus on delivering the whole value of targeted savings however this represents a real risk to the Trust's financial position. The Trust urgently needs to identify schemes to address the shortfall between plans and target.

Income by Division compared to activity plan for the month ended 31 October 2012

Income by Division compared against the original activity plan

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	20,075	20,488	413	790	80,786	78,647	(2,139)	(121)	42,930	45,366	2,436	399	106	1,173
Surgery	16,016	16,352	336	1,664	92,007	93,409	1,402	270	2,589	3,050	461	36	194	2,164
Women's	13,659	13,308	(351)	(417)	70,901	69,163	(1,738)	(444)	12,134	12,999	865	38	(124)	(947)
Clinical Support													194	194
High Cost Drugs													(46)	(46)
Other													47	47
Total	49,750	50,148	398	2,038	243,694	241,219	(2,475)	(296)	57,653	61,415	3,762	472	371	2,584

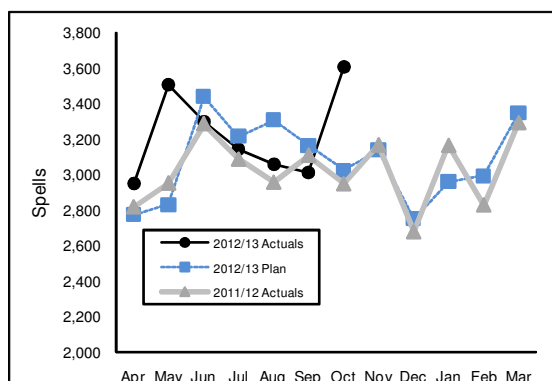
Medicine - £940k of the inpatient over performance relates to emergency activity, due to ongoing emergency pressures and an increase in the number of St Albans residents presenting at Wafford General. This also explains the favourable A&E variance. Elective income is £150k below plan, of which £310k relates to cardiology. This is due to elective capacity being reduced as beds are filled with emergency patients and the cardiac catheter laboratory is used as overspill emergency capacity. The £121k cumulative outpatient under performance represents an improvement of £150k in October reflecting a phasing issue between September and October plans.

Surgery - Surgical inpatient income has increased by £733k in October, of which £647k is in elective income, reflecting a phasing issue between the September and October plans, as also occurred in Medicine. £414k of this increased variance is in orthopaedics, which is now £647k above plan. The outpatient variance has increased by £250k in October, with orthopaedics & ophthalmology being the most over performing specialities.

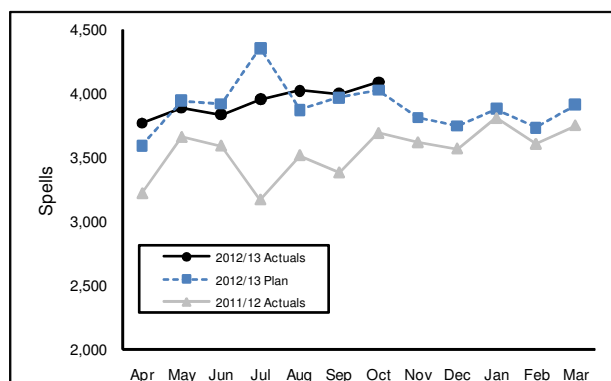
WACS - The £417k adverse variance in inpatients includes £1,074k in maternity where actual births are lower than planned (498 compared to a plan of 519). £525k of the outpatient under performance relates to gynaecology; approximately 50% of this activity continues to be undertaken as a day case, contributing to the division's elective inpatient over performance. Across all services, Paediatrics is £400k above plan.

Clinical Support - This over performance relates to radiology (£140k) and physiotherapy (£44k).

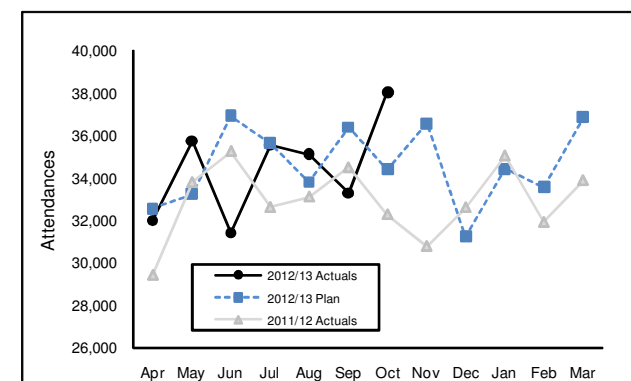
2012/13 Elective Activity Actuals Compared to Plan



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



2012/13 Outpatient Activity Actuals Compared to Plan

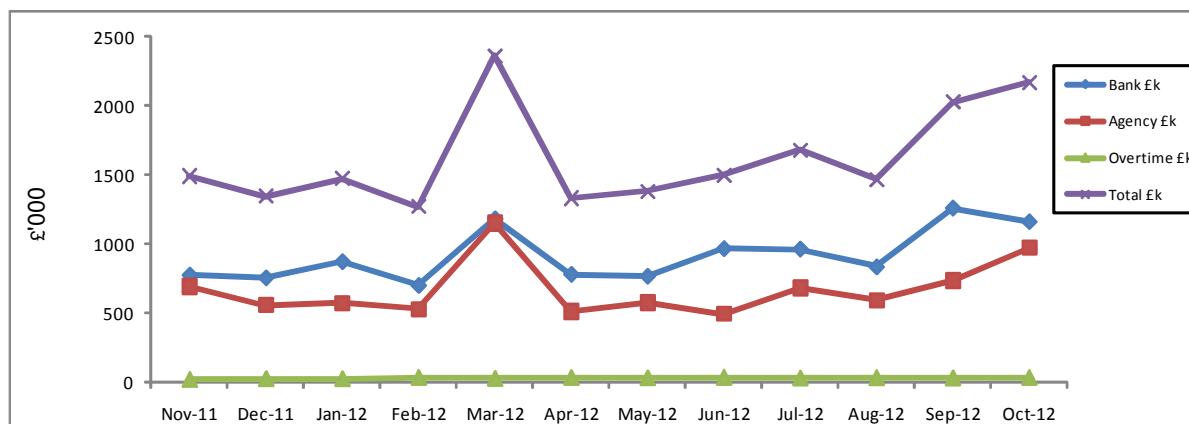


Workforce spend and Average Whole Time Equivalents for the period April to October 2012

Division	Permanent Staff £'000	Bank £'000	Agency £'000	Total Staff Costs £'000	Budget £'000	Variance £'000	Average Budget WTE	Average Actuals Worked WTE	Variance WTE
Medicine	26,968	3,567	1,772	32,307	31,269	(1,039)	1,327.4	1,327.3	0.2
Surgery	22,342	1,281	977	24,600	24,265	(334)	863.6	857.1	6.4
Women's	13,786	1,626	818	16,230	16,500	270	623.9	572.5	51.4
Clinical Supp.	14,300	125	503	14,928	15,102	174	588.1	558.9	29.2
Estates	1,664	13	48	1,725	1,808	83	85.4	78.9	6.5
Corporate	10,091	132	458	10,682	10,757	75	460.7	429.1	31.7
Total	89,151	6,744	4,575	100,471	99,700	(771)	3,949.2	3,823.9	125.3
% Variance						(0.8)			3.2

Note: Total pay equates to an overspend against plan of £771k excluding the impact of unachieved CIP/QIPP of £2,048k and £466k respectively.

Temporary staffing spend on a 12 month rolling period



Variance Analysis

Whole Time Equivalent actuals include estimated WTE for agency staff². Average WTE worked remains lower than budgeted WTE due to vacancies across the Trust. However spend is higher than budget due to the premium costs of agency staffing.

Medicine division continues to show a large pay overspend to date as a result of supporting the higher than planned patient activity.

The overall average WTE worked to Month 7 was 3,823. This is higher than the Month 6 figure of 3,808 due to a continuing increase in bank and agency usage in Medicine and Surgery. The 2011/12 WTE average was 3,772.

Overall the Trust's spend on temporary staffing is on an increasing trend. It is also concerning that spend on agency has increased in month, while spend on bank has decreased.

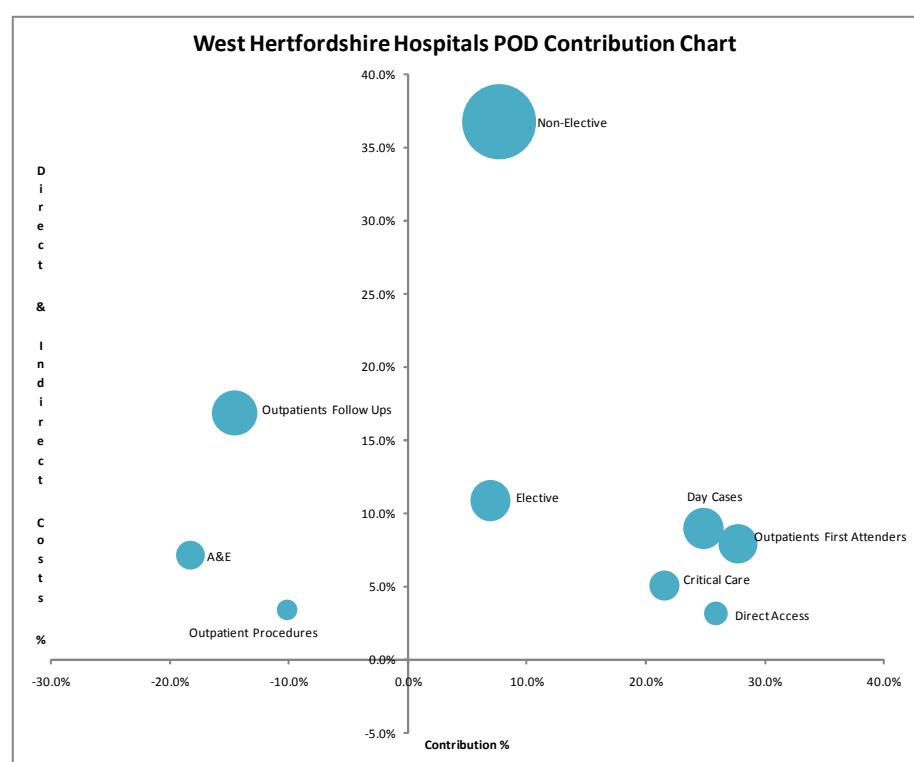
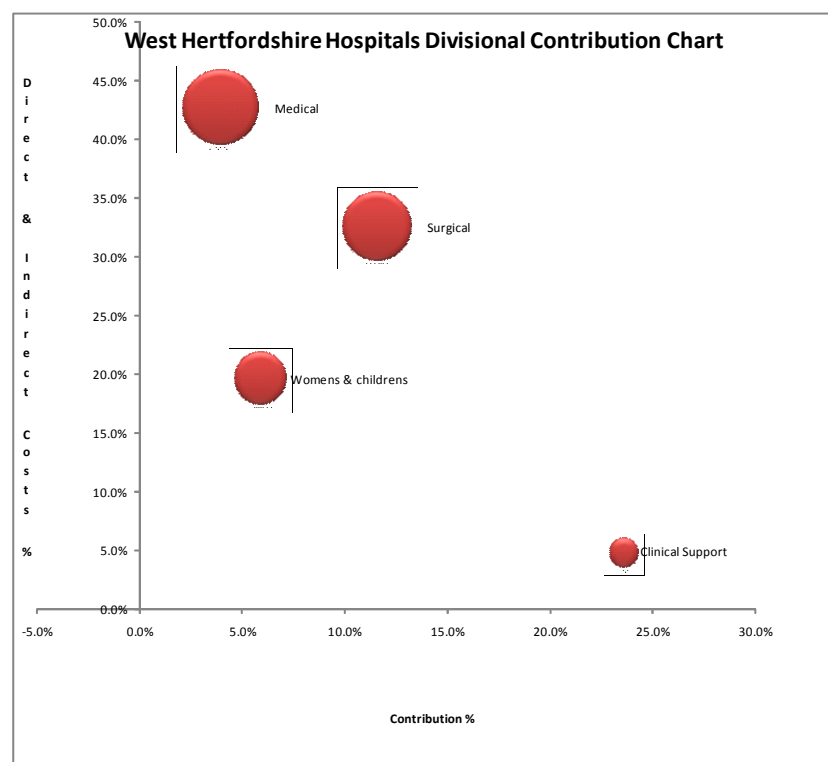
The Trust needs to ensure that this is managed and additional controls on staffing are currently being considered.

² Estimates are based on average costs from a sample of invoices, adjusted for inflation in 2012/13.

Service Line Reporting to 30 September 2012

Division	September YTD						Contribution %	Surplus/(Deficit) %
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000		
Medicine	50,651	39,890	8,769	1,992	3,702	(1,710)	3.9%	(3.4%)
Surgery	42,083	28,474	8,737	4,872	3,156	1,716	11.6%	4.1%
Womens & Children	23,791	19,826	2,563	1,401	1,287	114	5.9%	0.5%
Clinical Support	7,232	3,843	1,683	1,706	1,052	654	23.6%	9.0%
Total	123,756	92,033	21,752	9,971	9,197	774	8.1%	0.6%

Point Of Delivery (POD)	September YTD						Contribution %	Surplus/(Deficit) %
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000		
Day Case	13,525	8,471	1,695	3,359	858	2,501	24.8%	18.5%
Elective	13,269	8,405	3,945	919	1,044	(125)	6.9%	(0.9%)
Non-Elective	45,267	33,451	8,355	3,462	4,563	(1,101)	7.6%	(2.4%)
Outpatients FA	12,465	7,944	1,065	3,456	418	3,039	27.7%	24.4%
Outpatients FU	16,740	15,990	3,188	(2,437)	575	(3,012)	-14.6%	(18.0%)
Outpatients Procedures	3,505	3,407	453	(355)	188	(543)	-10.1%	(15.5%)
Critical Care	7,317	5,069	671	1,578	483	1,095	21.6%	15.0%
A&E	6,863	6,628	1,488	(1,254)	243	(1,497)	-18.3%	(21.8%)
Direct Access	4,805	2,668	893	1,244	827	417	25.9%	8.7%
Total	123,756	92,033	21,752	9,971	9,197	774	8.1%	0.6%



Key Headlines:

The Trust's £0.7m cumulative surplus at the end of Month 6 was below August by £1.1m. Income was significantly lower than in previous months as there were only 20 working days in September. Costs have not fallen in line with the reduction in income because of delays in implementing savings schemes. As a result of these factors, contribution and profitability have fallen considerably from that previously reported across all the clinical divisions. This has substantially impacted on the Medical Division, which has seen large rises in activity during the year as a whole. Contribution for the medicine now sits at only 3.4% and there is a deficit for the 6 months of £1.7m. The other 3 divisions are all making surpluses.

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).

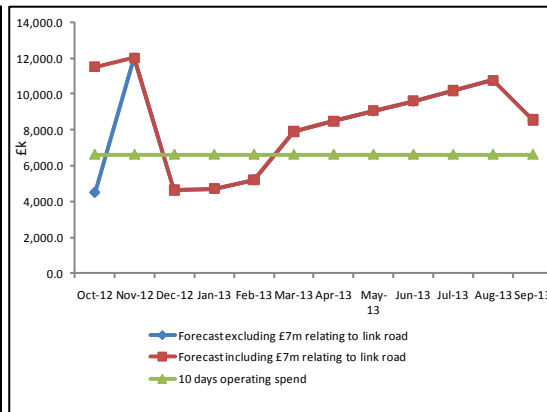
Cash and Capital Management

Month end cash balance

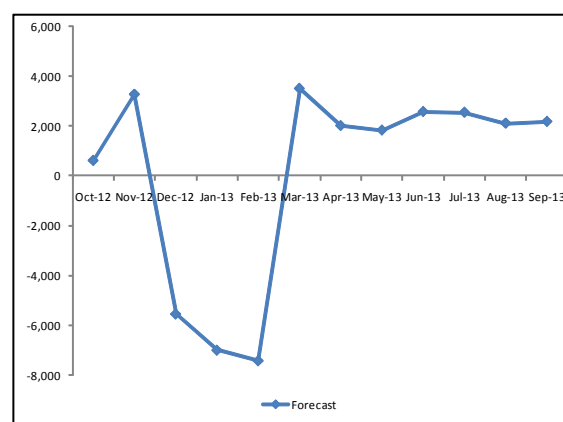
	£m
Opening balance 01/04/12	9.8
Surplus to 31/10/12	1.4
Capital spend	(2.5)
Depreciation	4.4
Other changes in working capital	(1.6)
Cash balance as at 31/10/12	11.5

£11.5m represents 16 days of operating expenses. Excluding £7m relating to Watford Hospital link road the cash balance of £4.5m is 6 days of operating expenses. A minimum of 10 days is required to meet the FT application criterion.

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. Cash balance shows both cash with and without the short term benefit of the WGH link road funds, the spending of which has been slipped from November to December. The remaining months of the year assume the Trust achieves its planned operating surplus and the existing loans are re-phased in March 2012. This is becoming increasingly unlikely and without redress the Trust will have a cash shortfall at year end. The SHA is aware of this and proposals are being discussed to resolve the position over the next few months. Until then both the cash balance and liquidity through to September 2013 reflect the Trust's current LTFM.

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. In October both the number and value of invoices paid has improved.

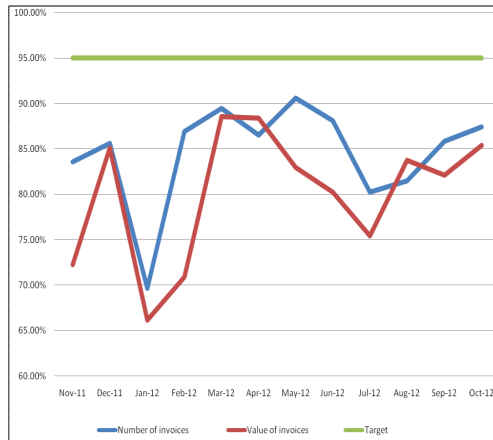
Receivables

The age of debts not covered by provision is shown. The Trust's bad debt provision is to provide for those over 90 days old. The level of debts within terms has increased in October. This mainly relates to bills raised with NHS Hertfordshire for overperformance.

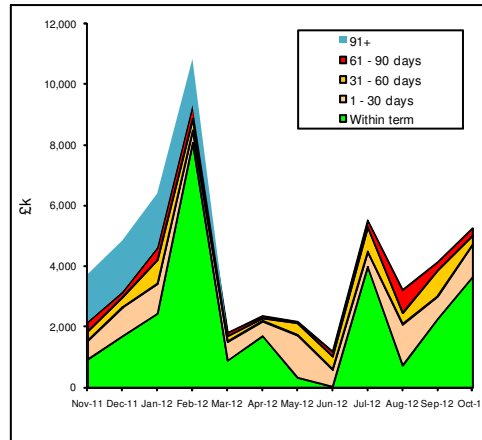
Capital Programme

The pace of spending on Trust funded capital projects continues to lag behind that planned. However there is major works underway and project managers have forecast spend in line with plan by the end of the year. Spending of PDC relates to two projects: 1) The link road spending is dependant on concluding agreement with WBC and 2) the Combined Heat and Power project where contracting is progressing. Given the pace of spending to date the £1.3m overcommitment built into the programme continues to be manageable.

Payables: Better Practice Payment Code Performance



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



Capital Programme as at 31 October 2012

	Plan	YTD Actual	Balance
	£m	£m	£m
Trust funding			
Estate Maintenance	5.0	0.9	4.1
TSSU Decontamination	2.1	0.1	2.0
Endoscopy Decontamination - Watford	1.7	0.4	1.3
Capacity Initiatives	2.9	0.3	2.6
IT / Medical Equipment	0.7	0.1	0.6
Getting Better (self funding schemes)	0.5	0.2	0.3
Working Differently	0.3	0.0	0.3
Other Committed	0.3	0.4	-0.1
Trust funded capital programme	13.5	2.4	11.1
PDC funding			
Watford Hospital Link Road	7.0	0.0	7.0
Combined Heat and Power Plant	2.9	0.1	2.8
PDC funded capital programme	9.9	0.1	9.8
Sales towards cost of capital programme	-0.4	0.0	-0.4
Overcommitment	-1.3	0.0	-1.3
Charge against Capital Resource Limit	21.7	2.5	19.2

Statement of Financial Position (Balance Sheet)

	Balance as at 01 Apr 2012	Balance as at 31 Oct 2012	
<u>Non Current Assets</u>			
Property Plant and Equipment	121,896	120,317	<u>Property, Plant and Equipment</u>
Intangible Assets	2,243	1,743	Represents the fair value of the Trust's land, buildings and equipment. The difference between 1 April and 31 October relates to the excess of depreciation over capital investment.
Other Financial Assets	0	0	
Trade and Other Receivables	1,187	1,300	
Total non current assets	125,326	123,360	<u>Intangible Assets</u>
			Represents computer systems and, as with property, plant and equipment, the level of amortisation is higher than investment resulting in a reduction in fair value.
<u>Current assets</u>			
Inventories	3,031	2,717	<u>Non Current Trade and Other Receivables</u>
Trade and Other Receivables	3,252	6,540	Represents injury cost recovery expected in more than one year.
Other Assets	6,126	11,062	
Cash and Cash equivalents	9,851	11,520	<u>Trade and Other Receivables</u>
Total current assets	22,260	31,839	Represents the value of invoices raised but not yet paid. £0.7m of the increase relates to a VAT claim raised at the end of October. The balance of the increase, £2.4m, is explained further in the text accompanying the aged receivables graph on page 7.
Non Current assets held for sale	0	323	<u>Other Assets</u>
			These relate to the accrual of NHS and Non NHS income not yet invoiced. The increase in October reflects accruals for overperformance for August, September and October and six months of estate funding from NHS Hertfordshire.
Total Assets	147,586	155,522	<u>Cash</u>
			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 delays in capital spending.
<u>Current liabilities (amounts due in less than one year)</u>			
NHS Trade Payables	883	1,797	<u>Non Current Assets Held for sale</u>
Non NHS Trade Payables	5,308	10,305	This represents the value of the former Tablet Packing Unit.
Other Liabilities	11,980	14,572	
DH Working Capital Loan Principal Repayments	1,400	1,400	<u>NHS Trade Payables</u>
DH Capital Loan Principal Repayments	2,772	2,772	These relate to NHS invoices received from other NHS organisations not yet paid.
Provisions for Liabilities and Charges	541	705	
Total current liabilities	22,884	31,551	<u>Non NHS Trade Payables</u>
Net current assets (liabilities)	(624)	611	The increase mainly relates to March's taxation and national insurance being paid early in March 2012 rather than April 2012.
Total assets less current liabilities	124,702	123,971	<u>Other Liabilities</u>
			These relate to the accrual of NHS and Non NHS expenditure and include accruals for temporary staffing worked shifts not yet invoiced and drug costs.
<u>Non Current Liabilities (Due > 1 Year)</u>			
DH Working Capital Loan Principal Repayments	2,800	2,100	
DH Capital Loan Principal Repayments	13,851	12,465	
Provisions for liabilities and charges	5,280	5,190	
Total Non current liabilities	21,931	19,755	
Total assets employed	102,771	104,216	
<u>Financed by Taxpayers Equity</u>			
Public Dividend Capital	180,668	180,668	
Retained Earnings	(92,434)	(90,989)	
Revaluation reserve	14,537	14,537	
Donated asset reserve	0	0	
Total funds employed	102,771	104,216	

Financial Risk Ratings³

Monitor

Financial Risk Ratings		Month	Oct-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	3	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	3	5
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	3	4
	I&E surplus margin %	20%	3	2	1	-2	<-2	2	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	3	3
Average								2.8	3.4
Overriding rules	Overriding rules								
Overall rating	Overall rating							3	3

SHA

Financial Risk Ratings		Month	Oct-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	3	3
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	3	5
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	4	3	4
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	2	3
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	4	4
Average								3.65	3.05	3.65
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	-0.8	0
Overall rating	Overall rating							4	3	4

The Trust has achieved an overall rating of "3" using both the Monitor Financial Risk Rating (FRR) ratios and the ratios used by the SHA Management Board to assess performance. A "3" is the minimum acceptable to achieve Foundation Trust status. This has been achieved through rounding up of the average scores.

While an overall score of "3" is the same as achieved in September there has been a small improvement in performance. This is due to the increase in the cumulative I&E surplus from £0.7m at the end of September, to £1.4m at the end of October. This improved the EBITDA margin from "2" at the end of September to "3" at the end of October.

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 £6.9m. 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.

³Monitor calculations for liquidity 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.