

## Finance Report Month 09 (December) 2012/13

### Key Financial Indicators

	2012/13 (Month 9)	RAG	Page
Financial Performance	Break even	R	2
Monitor Financial Risk Rating	3 (YTD)	A	9
CIP performance	£5.4m ytd	R	3
Liquidity (Net Current Liabilities)	£(1.5m)	R	7

### Commentary

In the month of December, the Trust had a deficit of £1.6m which reduces the year to date position to break-even.

A deficit in December was expected because activity and income dropped in the month with only limited changes in expenditure. As expected, December income was £2m less than in November.

The reported position to Month 9 is £3m below the surplus in the FIMS plan submitted to the SHA.

The £4.4m shortfall against the original plan is broadly in line with Month 8. This shortfall relates to the cost of delivering increased activity and lower than planned savings offset by an increase in income. Following revision of expenditure assumptions in relation to the IT infrastructure project in Month 8, some reserves have been released this month to support the Trust's position.

The forecast delivery of CIPs has decreased to £8.3m against the target of £11.9m. This compares to a forecast of £8.4m at the end of November.

Work has been ongoing to implement the financial recovery measures notified to the Board in Month 8. The value of these was estimated at £3.5m but has now been reduced to £2m and this is still very challenging. On a positive note, the Trust expects to get winter pressure funding, as announced shortly before Christmas, primarily to cover costs that are already being incurred or forecast to be incurred in the last quarter. As discussed in December, the Trust must manage its financial challenges and risks to achieve at least a break-even position at year end. However delivery of break-even at year-end continues to be very challenging and will require delivery of planned savings.

Other 'Technical' items of £1.4m from NHS Hertfordshire towards the capital costs of the extra wards at Watford and £0.5m of revenue funding used for capital 'invest to save' schemes will improve the actual reported financial position.

The cash balance as at 31<sup>st</sup> December 2012 was £13.4m; this equates to 19 days of operating expenses and includes £7m relating to the link road. Assuming planned capital spending, retention of the link road funding and achievement of breakeven, the year end cash balance will be less than £1m. This is lower than the £7.9m planned mainly due to the Trust's loans not being refinanced. The issue has been discussed with the SHA and Finance Committee and a proposal to the Department of Health is being worked up (see the separate board paper). Capital spend to date is behind plan and the Trust needs to improve mechanisms to ensure agreed schemes are implemented in a timely way.

The Income & Expenditure surplus margin and EBITDA margin are showing a "2" but the Trust has just managed to achieve an overall rating of "3" using the Monitor Financial Risk Rating (FRR) ratios.

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

**M09 I&E - December 2012/13**

Full Year Budget £'000		Year to Date			
		Budget to Date £'000	Actuals to Date £'000	Variance £'000	Variance %
<b>NHS Acute Activity Revenue</b>					
47,413	Elective revenue (long and short stay)	35,198	36,541	1,343	3.8
82,831	Non-Elective revenue	61,997	63,682	1,685	2.7
54,889	Outpatient	40,835	40,180	(655)	(1.6)
9,936	A&E	7,404	7,867	463	6.3
45,920	Other NHS	34,138	34,294	156	0.5
<b>240,989</b>	<b>NHS Clinical Revenue, Total</b>	<b>179,572</b>	<b>182,564</b>	<b>2,992</b>	<b>1.7</b>
<b>Non NHS Clinical Revenue</b>					
2,526	Non NHS Clinical Revenue	1,872	1,611	(261)	(13.9)
<b>2,526</b>	<b>Non NHS Clinical Revenue, Total</b>	<b>1,872</b>	<b>1,611</b>	<b>(261)</b>	<b>(13.9)</b>
<b>Other Operating income</b>					
9,077	Education and Training income	6,804	6,890	85	1.3
18,848	Other Operating Income	14,035	14,444	409	2.9
<b>27,925</b>	<b>Other Operating income, Total</b>	<b>20,839</b>	<b>21,334</b>	<b>494</b>	<b>2.4</b>
<b>271,440</b>	<b>Operating Revenue and Income, Total</b>	<b>202,284</b>	<b>205,509</b>	<b>3,225</b>	<b>1.6</b>
<b>Operating Expenses</b>					
168,630	Employee benefits expense	125,685	129,688	(4,003)	(3.2)
14,282	Drug expense	10,683	11,698	(1,015)	(9.5)
24,420	Clinical supplies	18,314	20,029	(1,716)	(9.4)
28,452	Non Clinical Supplies	21,041	22,175	(1,133)	(5.4)
20,558	Other Operating expenses	13,162	12,909	253	1.9
<b>256,343</b>	<b>Operating Expenses, Total</b>	<b>188,885</b>	<b>196,499</b>	<b>(7,615)</b>	<b>(4.0)</b>
<b>EBITDA</b>					
15,097	Surplus (Deficit) from Operations margin	13,399	9,010	4,390	32.8
<b>Non-Operating expenses</b>					
1,098	Interest	824	812	12	1.4
7,596	Depreciation and Amortisation	5,697	5,697	0	0.0
3,300	PDC Dividend	2,475	2,475	0	0.0
<b>11,994</b>	<b>Non-Operating expenses, Total</b>	<b>8,996</b>	<b>8,983</b>	<b>12</b>	<b>0.1</b>
<b>3,102</b>	<b>Surplus/(Deficit)</b>	<b>4,404</b>	<b>25</b>	<b>(4,379)</b>	
	Technical adjustment		52	(52)	
<b>3,102</b>	<b>Financial Performance Measure</b>	<b>4,404</b>	<b>(27)</b>	<b>(4,431)</b>	
<b><u>Analysed by Division</u></b>					
(26,047)	Medicine	(19,360)	(16,495)	(2,865)	(14.8)
(30,948)	Surgery	(23,005)	(21,482)	(1,523)	(6.6)
(21,206)	Women's	(15,810)	(14,391)	(1,419)	(9.0)
16,668	Clinical Support	12,528	13,155	(627)	(5.0)
20,346	Estate & Facilities	15,048	15,784	(736)	(4.9)
24,631	Corporate	18,174	17,573	601	3.3
(3,832)	Central Income	(2,874)	(2,861)	(13)	(0.5)
17,286	Reserves and Financing	10,896	8,692	2,203	20.2
<b>3,102</b>		<b>4,404</b>	<b>25</b>	<b>(4,379)</b>	
	Technical adjustment		52	(52)	
<b>3,102</b>	<b>Financial Performance Measure</b>	<b>4,404</b>	<b>(27)</b>	<b>(4,431)</b>	

**Income and Spend Variances**

**SLA Income** - at Month 9, the Trust is £2,992k above the year to date plan, representing a decrease of £3k on the cumulative month 8 position. Non-elective income increased £454k in month, whereas outpatient income deteriorated by £318k. Maternity inpatients, cardiology and gynaecology outpatients continue to underperform. In contrast, emergency medical and surgical inpatients and orthopaedic elective income remain significantly above plan.

**Non NHS Clinical Revenue** - Income is below plan due to under recovery of private income in maternity and cardiology. This is linked to the levels of births and use of the cardiac catheter laboratory as overspill for emergency patients.

**Other Operating Income** - The £494k positive variance is due to the receipt of £225k donations, higher car parking income than planned of £113k and increased recharge income from local NHS organisations which is offset by spend elsewhere.

**Operating Expenses** - There is an overspend of £7,615k compared to budgeted spend. £3,105k of this relates to delays in identifying savings. £600k relates to the non-delivery of QIPP reductions (activity changes commissioned by NHS Hertfordshire). £3,910k relates to the staffing, premises and other costs of providing higher activity than planned. Pay exceeds budget by £4,003k. The majority of this relates to unachieved savings and QIPP. Non-pay is overspent compared to budget by £3,612k. £603k of this relates to delay in delivery of savings. The remaining overspend relates to the cost of delivering increased levels of emergency activity.

**Divisional Positions**

**Medicine** - The overspend is made up of £950k on savings to be identified, the loss of cardiology activity due to emergency overspill in the Cardiology Catheter Laboratory of £402k, lower than planned levels of outpatient procedures of £380k and the cost of measures in response to increased emergency activity of £1,133k.

**Surgery** - The division is £1,523k overspent compared to plan. £1,021k of this relates to delays in identifying savings. The cost of additional lists, consumables and outsourcing to deliver higher activity is partially offset by over performance on SLA income of £2,517k. Additional elective weekend working and additional trauma lists to avert pressures presented by the holiday season have delivered higher than expected income for the month delivering a favourable position against forecast.

**Women & Children's** - The overspend of £1,419k is due to delays in identifying savings of £347k, the £250k cost of outsourcing in gynaecology, a £980k shortfall in maternity SLA income and a £130k 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** - is overspent due to delays in identifying £446k savings and the additional costs of diagnostics activity linked to higher activity levels.

**Estates & Facilities** - is overspent by £736k due to delay in delivering £603k savings and overspends on maintenance and facilities contracts.

**Corporate** - spend is £601k below budget. This is mainly due to vacancies across the division, an under spend on IT hardware and software and the recovery of VAT.

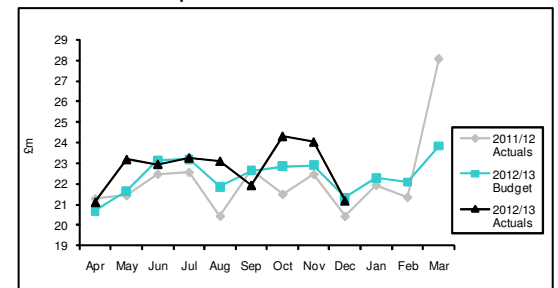
**Performance by Contract**

	YTD Actuals £'000	YTD Variance £'000
NHS Harrow	2,412	(24)
NHS Hertfordshire (incl specialist commissioning)	169,382	2,596
NHS Hillingdon	4,147	301
Other Primary Care Trusts	4,177	(208)
Non-Contract Activity	2,445	327
	<b>182,564</b>	<b>2,992</b>

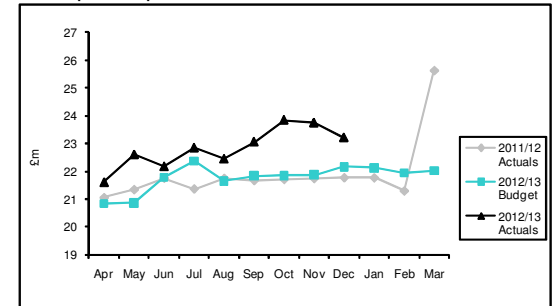
**SLA Income Variances by Division**

	YTD Actuals £'000	YTD Variance £'000
Medicine	71,843	1,335
Surgery	64,390	2,517
Women's	36,692	(1,025)
Clinical Support	8,548	165
Facilities	1,091	0
	<b>182,564</b>	<b>2,992</b>

**Actual Income compared to Plan**

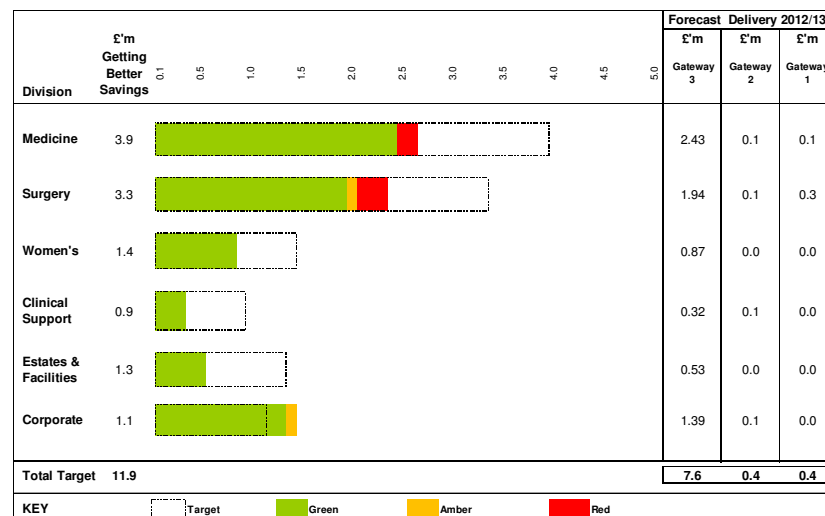


**Actual Spend compared to Plan**

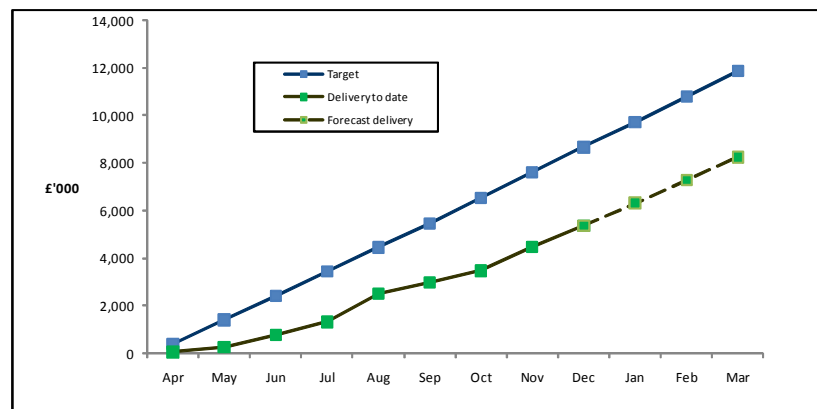


## Delivery of Getting Better Savings

### Divisional Savings by Risk Rating as at 31st December 2012



### Getting Better: Plan vs Actual



### Getting Better Planned vs Actual Delivery

Month	Target £'000	Actual / Forecast £'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	1,001	(70)
Dec	1,071	897	(175)
Jan	1,071	946	(125)
Feb	1,071	970	(101)
Mar	1,073	961	(112)
<b>Total</b>	<b>11,900</b>	<b>8,248</b>	<b>(3,652)</b>

Savings delivered to date total £5.4m. The "Getting Better Planned vs Actual Delivery" table shows the £8.3m forecast actual delivery of schemes.

This is a deterioration of £0.1m compared to the M8 forecast of £8.4m. This is due to the fact that assumptions around surgical income have been reduced. There has been no substantial progress in identifying further schemes to increase the delivery of savings.

Delivery of forecast savings categorised red and amber of £0.8m 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 significant risk to the Trust's financial position.

Plans to deliver an additional £3.5m in support of the Trust's position have been scoped over the past month. Forecast delivery for these schemes for 2012/13 has been reduced to £2m but significant progress has to be made quickly even to achieve this lower forecast.

## Income by Division compared to activity plan for the month ended 31 December 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	25,968	26,776	808	1,262	104,239	99,949	(4,290)	(380)	55,225	56,964	1,739	374	79	1,335
Surgery	20,519	21,030	511	2,021	118,128	119,866	1,738	349	3,329	3,974	645	51	97	2,518
Women's	17,324	17,242	(82)	(256)	90,906	88,688	(2,218)	(624)	15,609	16,864	1,255	38	(184)	(1,026)
Clinical Support													165	165
<b>Total</b>	<b>63,811</b>	<b>65,048</b>	<b>1,237</b>	<b>3,027</b>	<b>313,273</b>	<b>308,503</b>	<b>(4,770)</b>	<b>(655)</b>	<b>74,163</b>	<b>77,802</b>	<b>3,639</b>	<b>463</b>	<b>157</b>	<b>2,992</b>

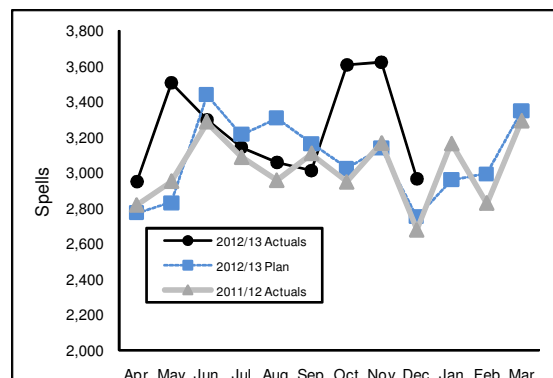
**Medicine** - £1,407k of the inpatient over performance relates to non-elective activity, offset by an adverse elective variance of £145k. Ongoing emergency pressures and the increase in St Albans residents presenting at Watford is driving the emergency variance and is also a major contributing factor in the cumulative A&E position. The elective under performance includes an adverse variance in cardiology of £400k, caused by the cardiac catheter laboratory being used as overspill emergency capacity. The cumulative outpatient under performance mostly relates to cardiology and dermatology.

**Surgery** - £1,241k of the inpatient over performance relates to elective income, of which orthopaedics is £934k over plan. Non-elective income is £780k above plan, including an over performance in general surgery of £350k. This reflects emergency pressures. The outpatient variance substantially relates to orthopaedics and ophthalmology, which are £154k and £254k above plan, respectively.

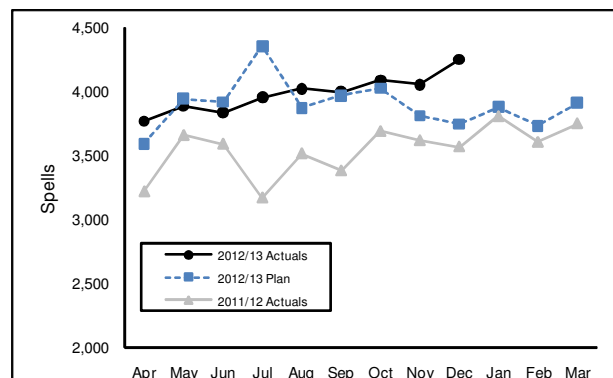
**WACS** - The adverse variance in inpatients includes £964k in maternity where actual births are lower than planned (4,265 compared to a year to date plan of 4,425). £711k of the outpatient under performance relates to gynaecology; approximately 50% of this activity continues to be undertaken as a day case, contributing to the division's elective inpatient over performance. Across all services, paediatrics is £530k above plan.

**Clinical Support** - This over performance includes radiology (£164k) and pathology (£60k).

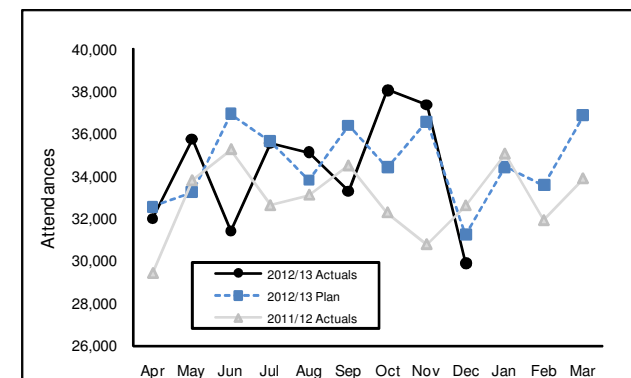
2012/13 Elective Activity Actuals Compared to Plan



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



2012/13 Outpatient Activity Actuals Compared to Plan

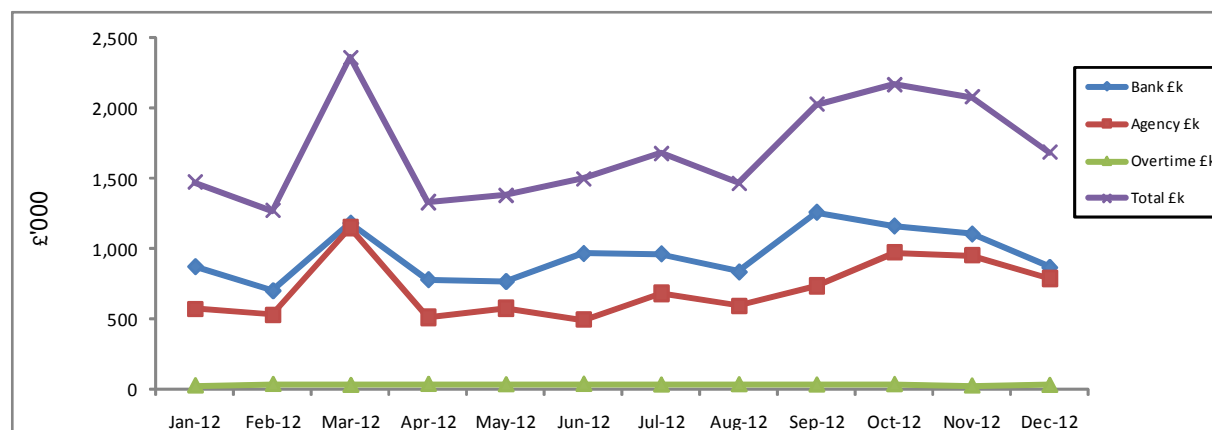


## Workforce spend and Average Whole Time Equivalents for the period April to December 2012

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	34,768	4,621	2,527	41,915	40,398	(1,518)	1,335.2	1,339.8	(4.6)
Surgery	28,822	1,743	1,429	31,994	31,261	(733)	864.2	866.7	(2.5)
Women's	17,732	2,003	1,121	20,856	21,445	589	623.8	573.5	50.3
Clinical Supp.	18,329	181	675	19,185	19,425	241	587.0	558.7	28.3
Estates	2,149	15	63	2,227	2,332	105	85.5	78.2	7.3
Corporate	12,919	89	505	13,512	13,925	412	462.1	427.0	35.1
<b>Total</b>	<b>114,718</b>	<b>8,652</b>	<b>6,319</b>	<b>129,688</b>	<b>128,785</b>	<b>(903)</b>	<b>3,957.9</b>	<b>3,843.9</b>	<b>114.0</b>
<b>% Variance</b>						<b>(0.7)</b>			<b>2.9</b>

Note: Total pay equates to an overspend against plan of £903k excluding the impact of unachieved CIP/QIPP of £2,501k and £600k respectively.

### Temporary staffing spend on a 12 month rolling period



### Variance Analysis

Whole Time Equivalent actuals include estimated WTE for agency staff<sup>2</sup>. 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 as a result of supporting the higher than planned patient activity.

The overall average WTE worked to Month 9 was 3,844 compared to the Month 8 figure of 3,838. The 2011/12 WTE average was 3,772, the current staffing level is 72 WTE higher so the trend is in the opposite direction to that required.

Spend on bank and agency staffing has decreased compared to November however it remains considerably higher than at the start of the year. The Trust needs to ensure that this is managed. To this end, all recruitment, including that on a temporary basis, continues to be scrutinised at the Vacancy Control Panel, which is attended by the Directors of Operation, HR and Finance.

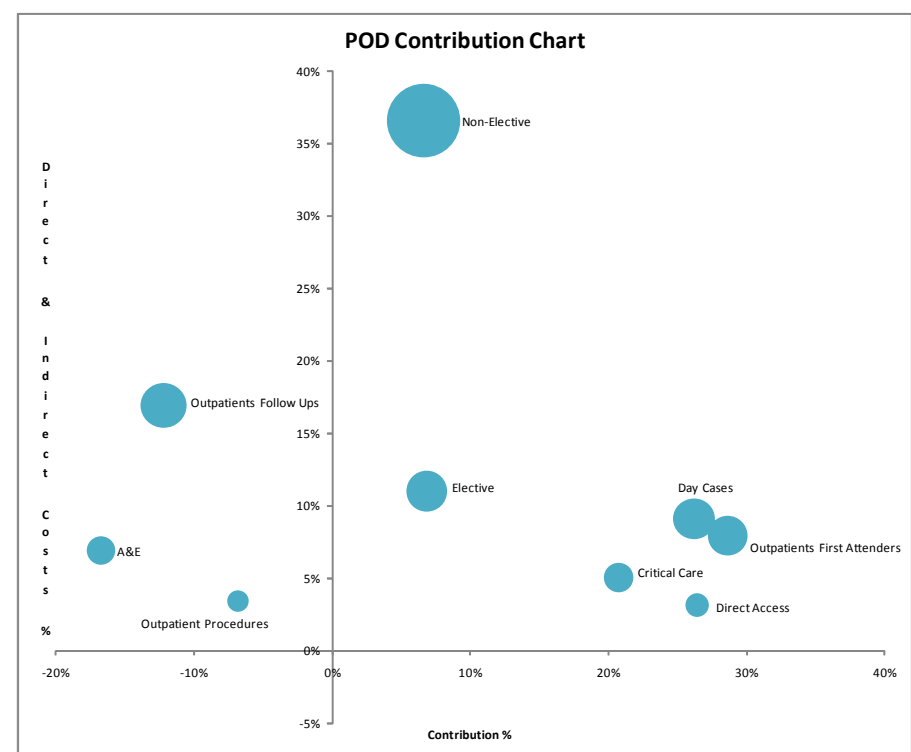
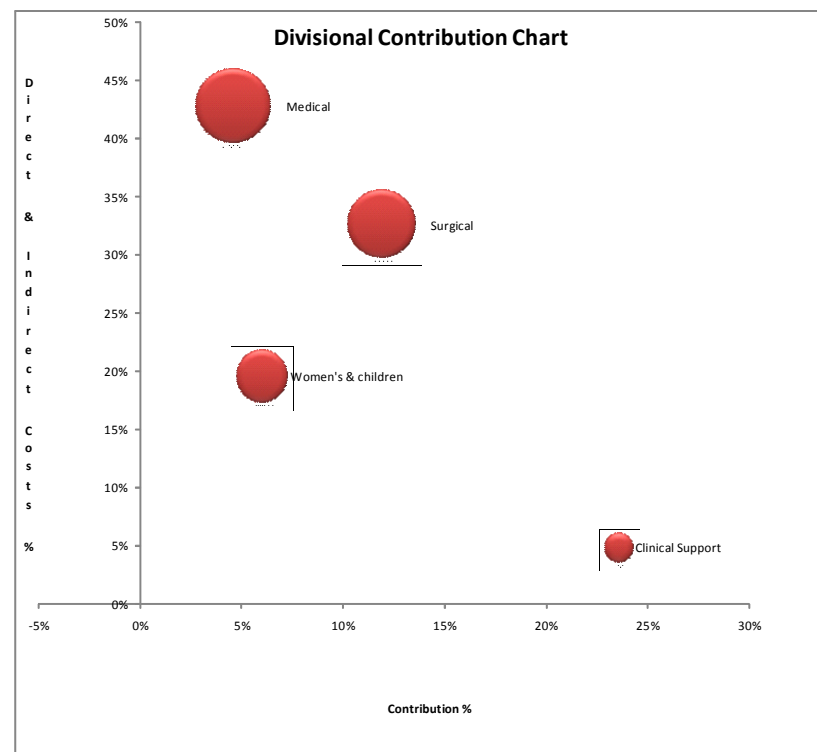
The e-rostering system also needs to be used more effectively to inform management decisions in relation to staffing.

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

## Service Line Reporting to 30th November 2012

Division	November YTD								
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %	
Medicine	69,159	54,384	11,619	3,156	5,149	(1,993)	4.6%	(2.9%)	
Surgery	57,145	38,570	11,789	6,786	4,168	2,618	11.9%	4.6%	
Women's & Children	32,098	26,751	3,431	1,916	1,765	151	6.0%	0.5%	
Clinical Support	9,757	5,149	2,306	2,302	1,401	901	23.6%	9.2%	
Total	168,158	124,854	29,145	14,159	12,483	1,676	8.4%	1.0%	

Point Of Delivery (POD)	November YTD								
	Income £'000	Direct Cost £'000	Indirect Costs £'000	Contribution £'000	Overheads £'000	Surplus/(Deficit) £'000	Contribution %	Surplus/(Deficit) %	
Day Case	18,931	11,643	2,331	4,957	1,151	3,805	26.2%	20.1%	
Elective	18,195	11,529	5,424	1,242	1,389	(147)	6.8%	(0.8%)	
Non-Elective	60,303	45,290	11,002	4,011	6,186	(2,175)	6.7%	(3.6%)	
Outpatients FA	17,075	10,733	1,455	4,887	577	4,310	28.6%	25.2%	
Outpatients FU	23,196	21,709	4,322	(2,835)	824	(3,659)	(12.2%)	(15.8%)	
Outpatients Procedures	4,966	4,678	626	(338)	281	(619)	(6.8%)	(12.5%)	
Critical Care	9,777	6,872	875	2,030	620	1,410	20.8%	14.4%	
A&E	9,145	8,819	1,857	(1,531)	349	(1,879)	(16.7%)	(20.6%)	
Direct Access	6,570	3,581	1,253	1,736	1,105	631	26.4%	9.6%	
Total	168,158	124,854	29,145	14,159	12,483	1,676	8.4%	1.0%	



### Key Headlines:

The Trust's overall November financial surplus of £1.6m is £0.2m higher than in October. However, although the surplus increased, there was a shortfall against the planned surplus of £4.6m due to the cost of delivering increased emergency activity and below plan delivery of savings. Consequently the contribution earned on non-elective activity has fallen by 0.2% from October. In addition to this movement, the re-costing of histology has now been completed and updated in the SLR model. The Clinical Support division's contribution has consequently risen but there is an offsetting reduction in contribution for the other divisions. Overall, the Trust's contribution has changed marginally from 8.5% to 8.4%. This is well below the planned levels of contribution due to the shortfall against the planned surplus.

### How to Interpret your 'Portfolio Matrix':

The size of each bubble shows how much income is generated by that Division or 'Point of Delivery'(POD). '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 Division's/ POD's percentage share of overall Trust costs (direct and indirect costs).

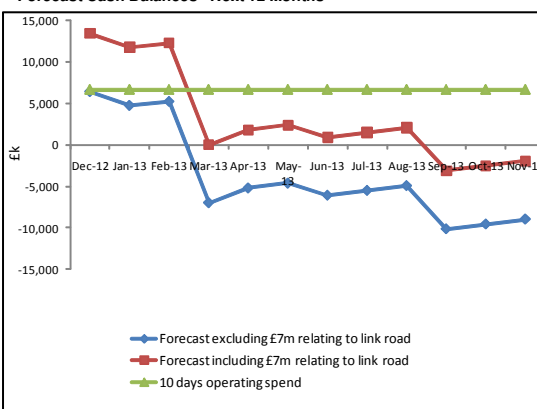
## Cash and Capital Management

Month end cash balance

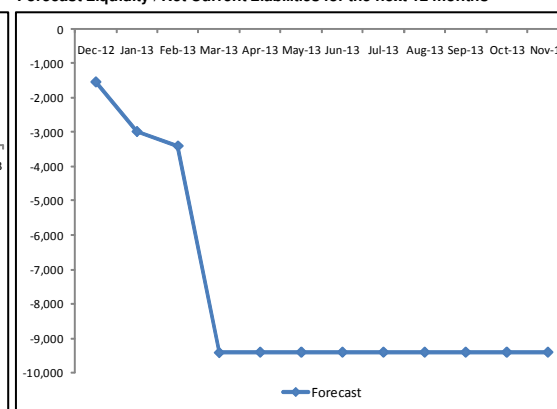
	£m
Opening balance 01/04/12	9.8
Breakeven at 31/12/12	0.0
Capital spend	(5.7)
Depreciation	5.7
Other changes in working capital	3.6
<b>Cash balance as at 31/12/12</b>	<b>13.4</b>

£13.4m represents 19 days of operating expenses. Excluding £7m relating to Watford Hospital link road the cash balance of £6.4m is 9 days of operating expenses. A minimum of 10 days is required to meet FT application criterion.

Forecast Cash Balances - Next 12 Months



Forecast Liquidity / Net Current Liabilities for the next 12 months



### Cash and Liquidity

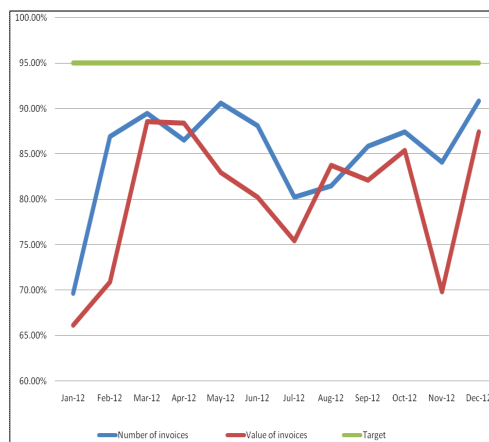
The cash balance shows that it is imperative the Trust retains £7m the road funds. Without this, cash will be overdrawn at year end. This is because of the delay in achieving FT status resulting in the Trust's loans not being re-phased. The cash balance is based on FY13 breakeven and capital being spent. £2m road funds released in June and £1m in September 13 as approved by the Board. The overdrawn position from September 13 is unacceptable and will require resolution to the Trust's loans being refinanced, possibly through an additional loan and agreement of a favourable contract payment profile with Herts Valley Commissioning Group in the new year.

The liquidity position reflects the Trust's loans not being rephased and assumes breakeven at the end of FY13. The position going forward is held unchanged pending conclusion as to the Trust's borrowing.

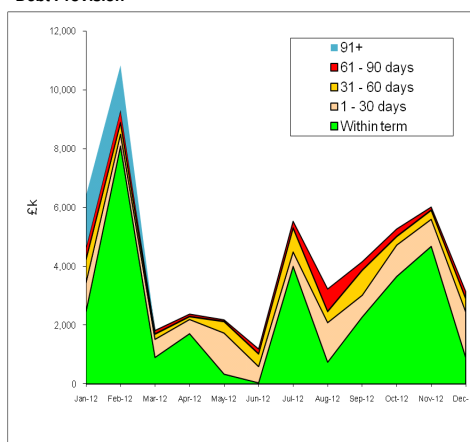
### Better Practice Payment Performance

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. The performance in December improved due to the increased volume of invoices paid within terms.

Payables: Better Practice Payment Code Performance



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



Capital Programme 31st December 2012

	Plan	YTD Actual	Balance
<b>Trust funding</b>	£m	£m	£m
Estate Maintenance	5.0	2.7	2.3
TSSU Decontamination	2.0	0.2	1.8
Endoscopy Decontamination	1.7	0.4	1.3
Capacity Initiatives	2.9	1.4	1.5
IT / Medical Equipment	0.7	0.3	0.4
Getting Better (self funding schemes)	0.5	0.2	0.3
Working Differently	0.3	0.0	0.3
Other Committed	0.3	0.3	0.0
<b>Trust funded capital programme</b>	<b>13.4</b>	<b>5.5</b>	<b>7.9</b>
<b>PDC funding</b>			
Watford Hospital Link Road	7.0	0.0	7.0
Combined Heat and Power Plant	2.9	0.2	2.7
<b>PDC funded capital programme</b>	<b>9.9</b>	<b>0.2</b>	<b>9.7</b>
Sales towards cost of capital programme	-0.4	0.0	-0.4
<b>Overcommitment</b>	<b>-1.2</b>	<b>0.0</b>	<b>-1.2</b>
<b>Charge against Capital Resource Limit</b>	<b>21.7</b>	<b>5.7</b>	<b>16.0</b>

### Receivables

The age of debts not covered by provision is shown. The Trust's bad debt provision provides for those over 90 days old. The level of debts within terms has decreased in December. This mainly relates to credit notes for underperformance of September activity and settlement of invoices ahead of credit terms.

### Capital Programme

Capital spend continues to be below plan. Spending of PDC relates to two projects. i) The link road spending now programmed for FY14 and FY15 ii) the Combined Heat and Power project. The engine for this has been contracted for and the majority of spending will be this year. The agreed over-commitment of £1.3m has reduced to £1.2m reflecting planned slippage. Given the spending to date the remaining £1.2m will be agreed closer to year end.

## Statement of Financial Position (Balance Sheet)

	Balance as at 01 Apr 2012	Balance as at 31 Dec 2012	
<b><u>Non Current Assets</u></b>			<b><u>Property, Plant and Equipment</u></b>
Property Plant and Equipment	121,896	122,445	This represents the fair value of the Trust's land, buildings and equipment. The difference between 1 April 2012 and 31 December 2012 relates to the excess of capital investment over depreciation.
Intangible Assets	2,243	1,600	
Trade and Other Receivables	1,187	1,304	
<b>Total non current assets</b>	<b>125,326</b>	<b>125,349</b>	<b><u>Intangible Assets</u></b>
			This represents the value of the Trust's computer systems. The level of amortisation is higher than investment which has resulted in a reduction in fair value between 1 April 2012 and 31 December 2012.
<b><u>Current assets</u></b>			<b><u>Non Current Trade and Other Receivables</u></b>
Inventories	3,031	2,929	Represents injury cost recovery expected in more than one year.
Trade and Other Receivables	3,252	5,388	
Other Assets	6,126	12,086	<b><u>Trade and Other Receivables</u></b>
Cash and Cash equivalents	9,851	13,379	The value of invoices raised but not yet paid including £1.4m which relates to the contribution to the additional capacity capital scheme.
<b>Total current assets</b>	<b>22,260</b>	<b>33,782</b>	<b><u>Other Assets</u></b>
			These relate to the accrual of NHS and Non NHS income not yet invoiced. The increase in December reflects accruals for over performance for October, November and December.
Non Current assets held for sale	0	323	<b><u>Cash balance</u></b>
			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 £1.8m higher than planned mainly due to slower than expected capital spending.
<b>Total Assets</b>	<b>147,586</b>	<b>159,454</b>	<b><u>Non Current Assets Held for sale</u></b>
			This relates to the prescription packing unit, now closed and being marketed for sale. In line with Trust accounting policy the value is the lower of book value prior to sale and expected proceeds. After costs of sale, for example the cost of planning permission, the sale is expected to yield a profit before year end.
<b><u>Current liabilities (amounts due in less than one year)</u></b>			<b><u>NHS Trade Payables</u></b>
NHS Trade Payables	883	2,684	The increase mainly relates to the build up of dividends and interest payable in March 2013.
Non NHS Trade Payables	5,308	10,696	
Other Liabilities	11,980	17,424	<b><u>Non NHS Trade Payables</u></b>
DH Working Capital Loan Principal Repayments	1,400	1,400	The increase mainly relates to March's taxation and national insurance being paid early i.e. in March 2012 rather than April 2012 and also includes invoices paid in January.
DH Capital Loan Principal Repayments	2,772	2,772	
Provisions for Liabilities and Charges	541	590	<b><u>Other Liabilities</u></b>
<b>Total current liabilities</b>	<b>22,884</b>	<b>35,566</b>	These relate to the accrual of NHS and non-NHS expenditure and include accruals for NHS Professionals for worked shifts not yet invoiced and drug accruals.
<b>Net current assets (liabilities)</b>	<b>(624)</b>	<b>(1,461)</b>	
<b>Total assets less current liabilities</b>	<b>124,702</b>	<b>123,888</b>	
<b><u>Non Current Liabilities (Due &gt; 1 Year)</u></b>			
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	5,227	
<b>Total Non current liabilities</b>	<b>21,931</b>	<b>19,792</b>	
<b>Total assets employed</b>	<b>102,771</b>	<b>104,096</b>	
<b><u>Financed by Taxpayers Equity</u></b>			
Public Dividend Capital	180,668	181,968	
Retained Earnings	(92,434)	(92,409)	
Revaluation reserve	14,537	14,537	
<b>Total funds employed</b>	<b>102,771</b>	<b>104,096</b>	



## Financial Risk Ratings<sup>3</sup>

### Monitor

Financial Risk Ratings									
Month <b>Dec-12</b>									
Criteria	Metric	Weight	5	4	3	2	1	Risk rating ytd	Forecast rating 12/13
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	2	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	3	3
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	3	3
	I&E surplus margin %	20%	3	2	1	-2	<-2	2	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	3	3
Average								2.55	2.55
Overriding rules	Overriding rules								
Overall rating	Overall rating							3	3

### SHA

Financial Risk Ratings												
Month <b>Dec-12</b>												
Criteria	Metric	Weight	5	4	3	2	1	Annual Plan 12/13	YTD Risk ratings 12/13	Forecast Risk ratings 12/13		
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	2	2		
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	5	3	3		
Financial efficiency	Net return after financing %	20%	>3	2	-0.5	-5	<-5	4	3	3		
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	2	2		
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	3	2		
Average								3.65	2.55	2.3		
Overriding rules	Overriding rules	At least one criteria on Plan 1 or 2						0	3	2		
Overall rating	Overall rating							4	3	2		

The Trust has just 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. The "3" is only achieved through rounding up of the average scores.

There has been a significant decline in the cumulative I&E surplus, from £1.6m at the end of November to a break even position at the end of December. This has had an effect on the EBITDA margin and I&E surplus margin both of which now show a rating of "2".

The forecast risk ratings are now based on the Trust achieving breakeven rather than the planned surplus of £3.1m. At this stage a potential £1.9m technical surplus discussed by the Finance Committee is not included. The Monitor forecast liquidity risk rating is unchanged as it is based on FY12 closing position, unlike the SHA liquidity score which reflects the forecast deteriorating position, resulting in an overall SHA risk score of 2.

Going into FY14, the Monitor liquidity risk score will be based on the FY13 forecast outturn and is forecast to be a score of 2. Adjusting for the Watford road access funds, the score would be 1.

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.

<sup>3</sup>Monitor 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.