APPENDICES – Supplementary Reports

Financial Report – July 2012

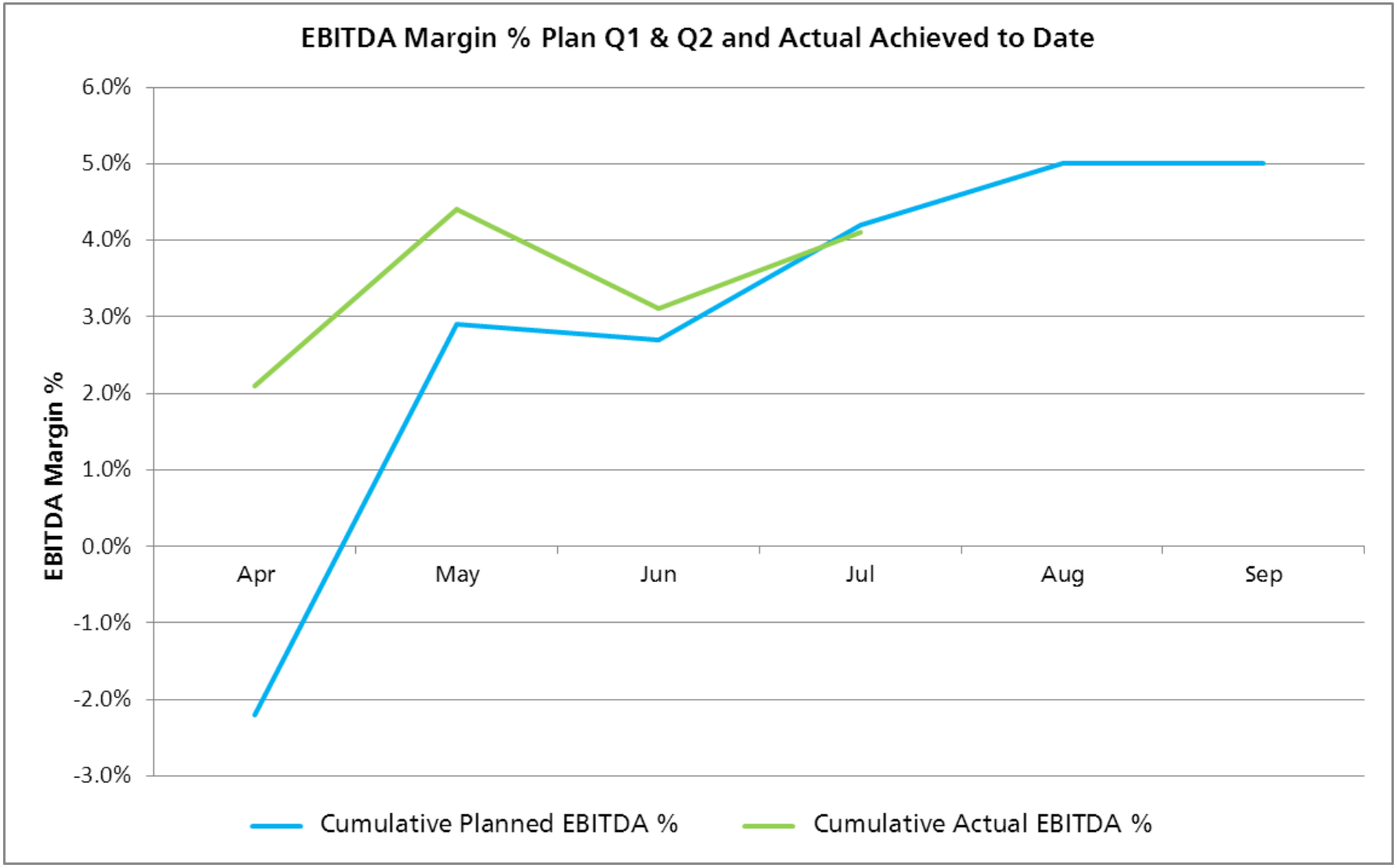
Table of Contents	Report Status
Appendix 1 - Summary Financial Performance	Complete
Appendix 2 - Financial Risk Rating (FRR)	Complete
Appendix 3 - Business Sustainability Programme	Complete
Appendix 4 – Financial Risk Scenarios & Impact	Complete
Appendix 5 – Balance Sheet & Cash-flow summary	Complete

Appendix 1 – Summary Financial Performance – Income & Expenditure Position

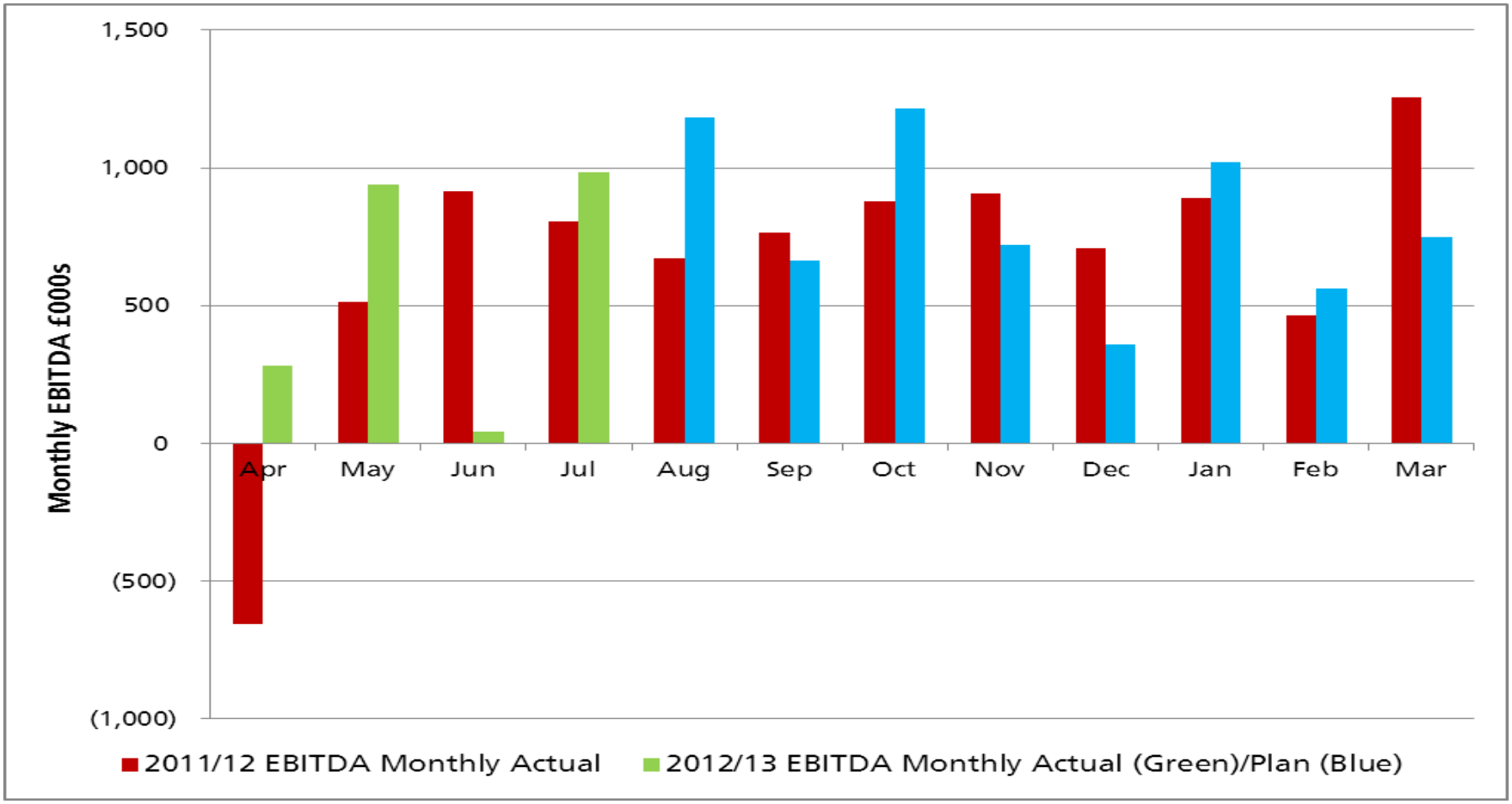
Income & Expenditure Summary July 2012

£000's	Current Period Actual	Current Period Plan	Current Period Variance	Year To Date Mth 4 Actual	Year To Date Mth 4 Plan	Year To Date Mth 4 Variance	Prev Mths Actuals Mth 1	Prev Mths Actuals Mth 2	Prev Mths Actuals Mth 3	Forecast Outturn Actual	Forecast Outturn Plan	Forecast Outturn Oper Var	Forecast Outturn BSP Var	Forecast Outturn Tot Var	Prev Mth Forecast
Revenue															
NHS Clinical Revenue	12,480	12,574	**(94)**	47,951	48,325	**(374)**	11,552	12,526	11,393	145,602	145,021	329	252	**581**	145,641
Other Non Clinical Revenue	608	612	**(4)**	2,542	2,448	**94**	653	619	662	7,849	7,443	167	239	**406**	7,443
Education, Training & Research	558	436	**122**	1,869	1,747	**122**	437	429	445	5,119	5,243	(124)	0	**(124)**	5,226
Sub Total Revenue	**13,646**	**13,622**	**24**	**52,362**	**52,520**	**(158)**	**12,642**	**13,574**	**12,500**	**158,570**	**157,707**	**372**	**491**	**863**	**158,310**
Drugs Excluded From Tariff	630	626	**4**	2,586	2,502	**84**	606	721	629	7,590	7,506	84	0	**84**	7,586
Total Revenue	**14,276**	**14,248**	**28**	**54,948**	**55,022**	**(74)**	**13,248**	**14,295**	**13,129**	**166,160**	**165,213**	**456**	**491**	**947**	**165,896**
Expenditure															
Employee benefit expenses	(9,457)	(9,352)	**(105)**	(37,592)	(37,658)	**66**	(9,305)	(9,393)	(9,437)	(112,035)	(111,646)	1,670	(2,059)	**(389)**	(112,092)
Non Pay expenditure	(3,206)	(3,095)	**(111)**	(12,524)	(12,568)	**44**	(3,056)	(3,242)	(3,020)	(37,775)	(37,301)	(436)	(38)	**(474)**	(37,458)
Sub Total Expenditure	**(12,663)**	**(12,447)**	**(216)**	**(50,116)**	**(50,226)**	**110**	**(12,361)**	**(12,635)**	**(12,457)**	**(149,810)**	**(148,947)**	**1,234**	**(2,097)**	**(863)**	**(149,550)**
Drugs Excluded From Tariff	(630)	(626)	**(4)**	(2,586)	(2,502)	**(84)**	(606)	(721)	(629)	(7,590)	(7,506)	(84)	0	**(84)**	(7,586)
Total Costs	**(13,293)**	**(13,073)**	**(220)**	**(52,702)**	**(52,728)**	**26**	**(12,967)**	**(13,356)**	**(13,086)**	**(157,400)**	**(156,453)**	**1,150**	**(2,097)**	**(947)**	**(157,136)**
EBITDA	**983**	**1,175**	**(192)**	**2,246**	**2,294**	**(48)**	**281**	**939**	**43**	**8,760**	**8,760**	**1,606**	**(1,606)**	**0**	**8,760**
Transfer from Donation Reserve	(1)	33	**(34)**	94	193	**(99)**	0	60	35	860	860	0	0	**0**	860
Interest Receivable	3	4	**(1)**	15	14	**1**	3	3	6	41	41	0	0	**0**	41
PDC Dividends Payable	(169)	(176)	**7**	(701)	(703)	**2**	(168)	(186)	(178)	(2,108)	(2,108)	0	0	**0**	(2,108)
Interest Payable	(46)	(21)	**(25)**	(94)	(83)	**(11)**	(17)	(16)	(15)	(249)	(249)	0	0	**0**	(249)
Depreciation	(438)	(477)	**39**	(1,726)	(1,706)	**(20)**	(429)	(430)	(429)	(5,656)	(5,656)	0	0	**0**	(5,656)
Profit or (Loss) on Disposal	(15)	0	**(15)**	(1)	0	**(1)**	21	(7)	0	0	0	0	0	**0**	0
Net Surplus	**317**	**538**	**(221)**	**(167)**	**9**	**(176)**	**(309)**	**363**	**(538)**	1,648	1,648	1,606	**(1,606)**	**0**	**1,648**
EBITDA Margin	**6.9%**	**8.2%**		**4.1%**	**4.2%**		**2.1%**	**6.6%**	**0.3%**	**5.3%**	5.3%				

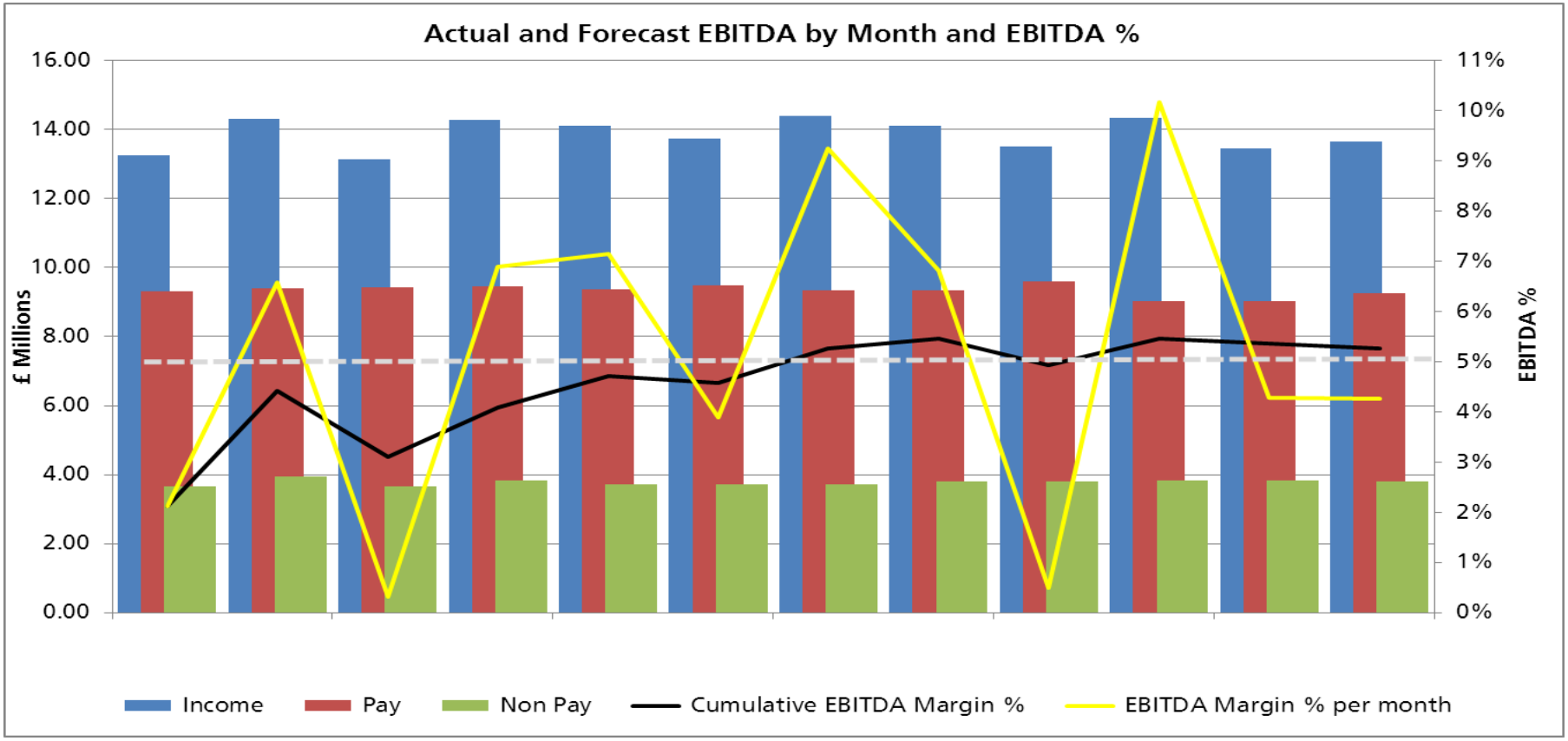
Appendix 1 (cont.) – Summary Financial Performance – EBITDA Margin %



Appendix 1 (cont.) – Summary Financial Performance – EBITDA by Month



Appendix 1 (cont.) – Summary Financial Performance – I&E by Month and EBITDA Margin %



TRUST TOTALS £000's	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Clinical Income	12,158	13,247	12,021	13,111	13,065	12,695	13,319	13,016	12,417	13,236	12,352	12,555	153,192
Non Clinical Income	1,090	1,048	1,110	1,163	1,029	1,040	1,061	1,079	1,078	1,085	1,092	1,093	12,968
Pay	(9,305)	(9,394)	(9,437)	(9,454)	(9,369)	(9,493)	(9,331)	(9,329)	(9,607)	(9,030)	(9,031)	(9,255)	(112,035)
Non Pay	(3,662)	(3,962)	(3,651)	(3,835)	(3,718)	(3,708)	(3,719)	(3,806)	(3,821)	(3,835)	(3,836)	(3,812)	(45,365)
EBITDA Actual & Forecast	281	939	43	985	1,007	534	1,330	960	67	1,456	577	581	8,760
Actual/Forecast Cummulative EBITDA	281	1,220	1,263	2,248	3,255	3,789	5,119	6,079	6,146	7,602	8,179	8,760	
Planned Cummulative EBITDA	(287)	799	1,119	2,294	3,479	4,140	5,354	6,073	6,433	7,452	8,013	8,760	
Variance	568	421	144	(46)	(224)	(351)	(235)	6	(287)	150	166	0	

See Appendix 5 for detailed divisional run rates

Appendix 2 – Financial Risk Rating (FRR)

Criteria	Metric	Weight	5	4	3	2	1	Annual Plan Risk ratings 12/13	Month 4 Score 12/13	Month 4 Risk ratings 12/13	Year to Date Score 12/13	Year to Date Risk ratings 12/13
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	6.9%	3	4.1%	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	3	83.7%	3	97.9%	4
Financial efficiency	Net return after financing %	20%	3	2	-1	-5	<-5	3	5.2%	5	-1.0%	2
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	2.2%	4	-0.3%	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	26.6	4	26.6	4
Average								3.25		3.85		2.70
Overriding rules	Overriding rules	At least two criteria on 2						No		No		Yes
Overall rating	Overall rating							3		4		2

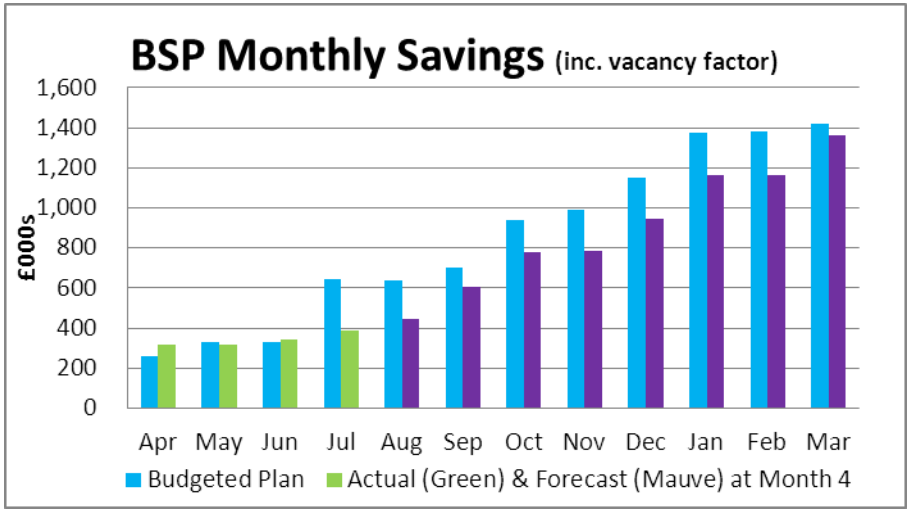
Year to date three of the individual metric have scored 2 (EBITDA Margin %, Net Return After Financing % and I&E Surplus Margin %). The Financial Efficiency criterion is the only one that combines two metrics (Net Return After Financing % and I&E Surplus Margin %) and since both of these have scored a 2, the Financial Efficiency criterion also scores a 2.

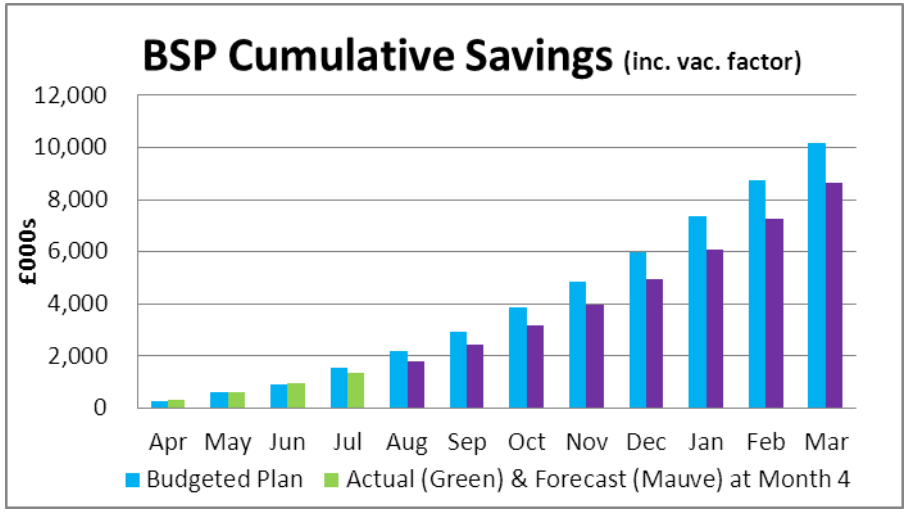
The overall consequence of this is that year to date the Underlying Performance criterion and Financial Efficiency criterion both score a 2, the override rule applies and the Trust scores an FRR of 2 year to date.

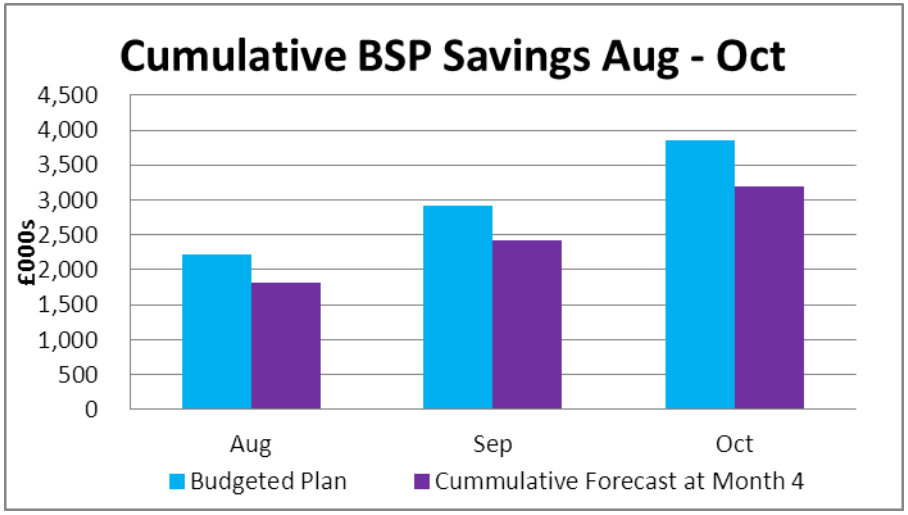
Appendix 2 (cont.) – Monitor Financial Risk Indicators –

Weakness	Metric	Scoring	Monthly Rating
Deteriorating trend in operating performance	Unplanned decrease in EBITDA margin in two consecutive quarters	Using current quarter results and comparing with two prior quarter results. If the consecutive quarter results show unplanned deteriorating EBITDA margin then TRUE.	FALSE
Risk of financial breach within next year	Quarterly certification by Trust that FRR may be less than 3 in next 12 months	Applying all the normal monthly risk ratings to the current and forecast periods for a 12 month rolling period.	TRUE
Working capital facility used in the reporting period	Working capital facility used in previous quarter	Working capital facility used in the previous quarter = TRUE	FALSE
Potential for debtor collection concerns	Debtors > 90 days past due account for more than 5% of total debtor balances	At month end, debtors > 90 days past due should be less than 5% of total debtors.	TRUE
Potential for build up in creditors impacting liquidity	Creditors > 90 days past due account for more than 5% of total creditor balances	At month end, creditors > 90 days past due should be less than 5% of total creditors.	FALSE
Short term instability in lead financial role	Two or more changes in Finance Director in a twelve month period	More than 1 change in the last 12 months = TRUE	FALSE
Absence of permanent appointment in key position	Interim D.o.F in place over more than 1 quarter-end	If interim DoF in place over more than 1 quarter-end = TRUE	FALSE
Potential liquidity concerns and ability to meet liabilities	Quarter end cash balance < 10 days of operating expenses	Latest quarter actual cash balance covers < 10 days operating expense (annualised) = TRUE	FALSE
Delay in capital plans to conserve cash	Capital expenditure is < 75% of plan YTD	Comparing actual capital expenditure against plan	FALSE
Risk of financial breach within next year	Capital expenditure is > 125% of plan YTD	Comparing actual capital expenditure against plan	FALSE

Appendix 3 – Business Sustainability Programme - Financial Analysis



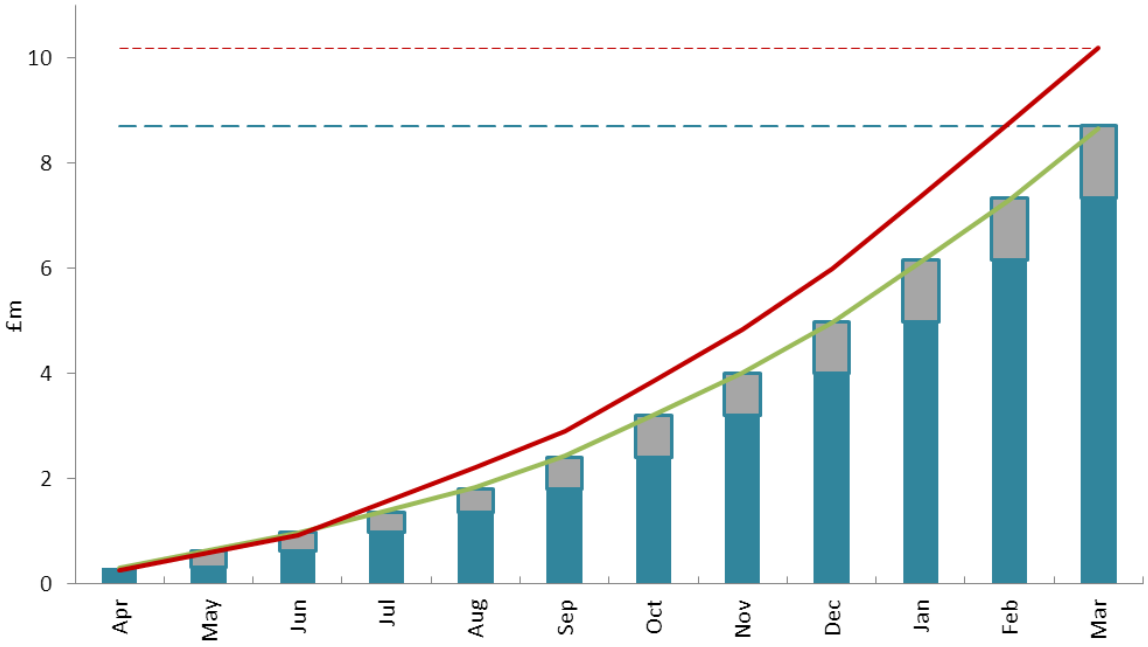




Key Issues & Commentary

- The Trust Financial Plan assumed BSP savings of £647k in June, £547k schemes & £100k vacancy factor.
- At the time of preparing the financial forecast the Trust had validated savings of £335k in the month, £235k schemes & £100k vacancy factor. This was £312k less than planned.
- Cumulatively the BSP programme has achieved £1,311k, £911k schemes & £400k vacancy factor. Against the original plan, this is an underachievement of £262k at month 4. However, this is in line with the latest BSP trajectory.
- The BSP is forecast to under deliver against the Trust plan by £1,606k for the year.
- The Trust plan requires cumulative BSP savings of £2,913m by the end of Q2, at month 4 the BSP is forecast to deliver £2,363k by the end of Q2, an underperformance of £550k.

Appendix 3 (cont.) – Business Sustainability Programme - Latest BSP Situation



Key points

1. **Gap of Latest Actuals + Forecast (£8.7m) against the target and budget of £10.2m is £1.5m.**

2. **Latest Actuals + Forecast (£8.7m) up £45k compared to £8.65m last week.**

- In month Actual/Forecast
- Latest Actuals/Forecast (including £400k vacancy factor)
- Current y/e forecast
- Prior week Actuals/Forecast (including £400k vacancy factor)
- BSP Finance Budget (including £400k vacancy factor)
- Target

Net contribution to savings (net of recurring implementation costs) ***£ k***

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
BSP Finance Budget (including £400k vacancy factor)	263	594	926	1,572	2,209	2,911	3,849	4,841	5,991	7,366	8,750	10,172
Latest Actuals/Forecast (including £400k vacancy factor)	317	634	976	1,366	1,815	2,408	3,204	4,005	4,967	6,145	7,320	8,695
In month Actual/Forecast	-	317	342	390	449	593	797	801	961	1,178	1,175	1,375
Prior week Actuals/Forecast (including £400k vacancy factor)	317	634	976	1,390	1,838	2,442	3,224	4,010	4,957	6,123	7,286	8,649

1

2

Appendix 4 – Financial Risk Scenarios & Impact

	Value inc. In Original Trust Plan	Value inc. In Previous Mths Forecast	Value inc. In Current Mths Forecast	Potential Impact on EBITDA Best Case Variance	Potential Impact on EBITDA Worst Case Variance
	£000s	£000s	£000s	£000s	£000s
Mth 4 Forecast EBITDA				8,760	8,760
RISK DESCRIPTION					
Trust BSP					
Trust BSP is back ended in the year and many schemes, whilst 100% committed to, have considerable delivery risks Based on current forcast the best case scenario is considered to be 5% over delivery, worst case is 20% under delivery This assessment has not changed form month 4. Rag-rating work is on-going to include in the month 5 report.	10,200	10,200	8,500	425	(1,700)
Emergency Readmission Risk					
The Trust has planned to incur a penalty of £608k as a result of episodes of re-admission. Currently it is expected that there will be no further risk than the sums already identified.	(608)	(608)	(608)	0	0
New to Follow Up Outpatient Ratios					
The Trust has planned to deliver to the outpatient activity plan which has been set according to the follow-up ratio agreed with commissioners. The best case scenario is that the planned ratios are delivered. The worst case scenario is that penalties to the level of 2011/12 are incurred.	0	0	0	0	(150)
Single Sex Accommodation					
The Trust has planned not to incur a penalty. Actions to address "hot-spots" i.e. critical care have been implemented. The Best case scenario is that the plan is delivered. The worst case scenario is that penalties are incurred to the level of 2011/12.	0	0	0	0	(50)
CQUIN Income					
The Trust had originally planned to receive the additional 1% CQUIN income. During negotiations and discusion an element of that funding is now expected to be diverted to other providers for CQUIN delivery. The imapct of this risk is now included within the base-line income and expenditure forecast.	1,400	1,400	1,137	0	0
Contract Performance					
There is a risk that the Trust forecast activity is not delivered. This is currently being mitigated through the divisional recovery actions being put in place.	145,021	145,549	145,602	0	(500)
Other Penalties					
The Trust has not planned to incur any other penalties. Best case scenario is that the Trust does not incur further penalties. Worst case scenario is that penalties for C-Diff, Patient survey, 18 weeks etc. are incurred. The worst case scenario remains an estimated figure.	0	0	0	0	(800)
EBITDA Projection Range				9,185	5,560

Appendix 5 – Balance Sheet and Cash Flow Summary

Balance Sheet July 2012	Year To Date			Forecast Outturn			
	Actual	Plan	Variance To Plan	Full Yr Forecast	Full Yr Plan	Variance To Plan	Prior Full Yr Forecast
Total Fixed Assets	74,643	73,967	(676)	77,389	77,728	(339)	77,728
Inventories	2,198	2,350	152	2,350	2,350	0	2,350
Debtors NHS	3,414	2,608	(806)	2,360	2,311	49	2,368
Debtors non NHS	208	452	244	313	452	(139)	313
Accrued Income	2,454	2,795	341	1,773	2,079	(306)	2,197
Cash at Bank and in Hand	16,397	7,075	(9,322)	6,143	6,333	(190)	6,302
Total Assets	**99,314**	**89,247**	**(10,067)**	**90,328**	**91,253**	**(925)**	**91,258**
Current Liabilities							
Trade Creditors	(2,681)	(2,725)	(44)	(3,492)	(3,588)	96	(3,507)
Loan Creditor	(1,263)	(1,156)	107	(1,334)	(1,332)	(2)	(1,334)
Non-Trade Creditor	(18,986)	(8,693)	10,293	(7,612)	(7,529)	(83)	(7,587)
Dividend Provision	(758)	(772)	(14)	0	0	0	0
Total Current Liabilities	**(23,688)**	**(13,346)**	**10,342**	**(12,438)**	**(12,449)**	**11**	**(12,428)**
Assets/Liabilities over 1 Yr							
Debtors > 1 Year	845	879	34	856	881	(25)	856
Finance Leases > 1 Year	(444)	(384)	60	(444)	(384)	(60)	(384)
Creditors > 1 Year	(7,269)	(7,180)	89	(7,706)	(8,706)	1,000	(8,706)
	(6,868)	**(6,685)**	**183**	**(7,294)**	**(8,209)**	**915**	**(8,234)**
Total Assets Less Current Liabilities	**68,758**	**69,216**	**458**	**70,596**	**70,595**	**1**	**70,596**
Provisions	(616)	(636)	(20)	(637)	(636)	(1)	(637)
Net Assets Financed By:	**68,142**	**68,580**	**438**	**69,959**	**69,959**	**0**	**69,959**
PDC	44,812	44,812	0	44,812	44,812	0	44,812
I&E Reserve	9,238	9,032	(206)	11,055	10,411	644	11,055
Other Reserves	14,092	14,736	644	14,092	14,736	(644)	14,092
Total	**68,142**	**68,580**	**438**	**69,959**	**69,959**	**0**	**69,959**

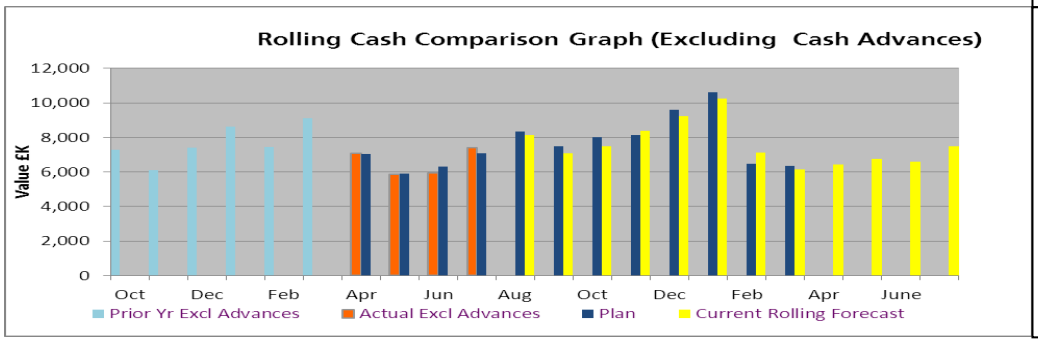
Balance Sheet Narrative

Year to Date

- The fixed asset variance of £676k is due to the capitalisation of the bed lease which was not included within the balance sheet plan.
- An accounting adjustment has been made for the CAP entry, hence the YTD debtor variance.
- Cash is £9m ahead of plan due to an advance from the PCT.
- The trade creditor's variance of £10 million is due to an advance of £9m cash from the PCT and actual accruals being higher than plan by £1.1million.
- Other reserves moved by £644k as a result of a 2011/12 year end Audit adjustment for backlog depreciation.

Forecast Outturn

- From a working capital perspective the forecast year-end balance sheet is expected to be as per plan with the exception of a variance on the fixed assets due to inclusion of the bed lease and a reduction in capital spend and the planned loan draw down of £1m is now forecast to take place in 2013/14. These changes have also been reflected in the cash balance.



Cash Graph Narrative

- Excluding the cash advance in the month, the operational cash balance is as per the plan.
- The forecast cash balance is slightly lower than plan at year end due to the net effect of a reduced capital spend and the fact that the planned loan draw down of £1m is not going to take place until 2013/14.