APPENDICES – Supplementary Reports

Financial Report – August 2012

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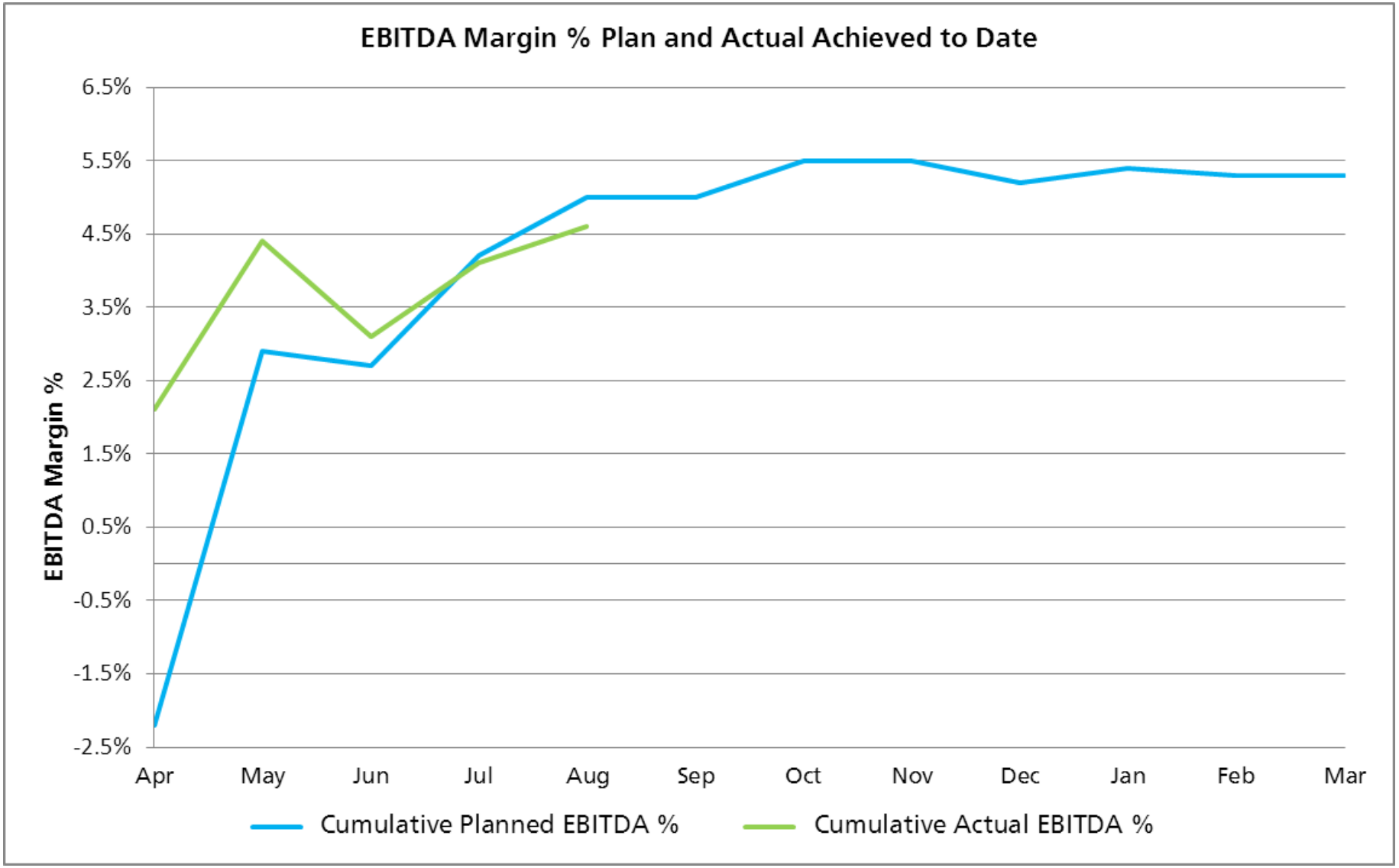
Appendix 1 – Summary Financial Performance – Income & Expenditure Position

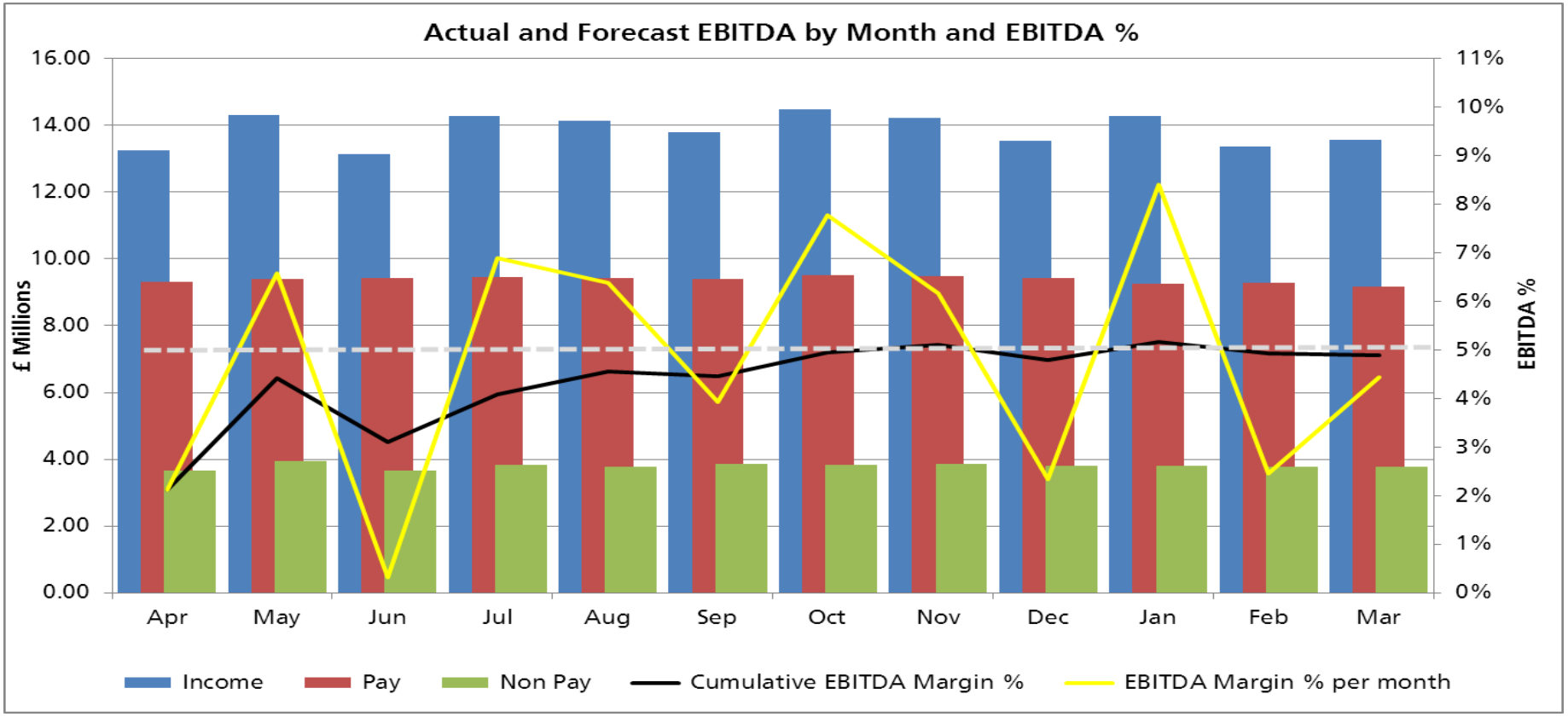
Income & Expenditure Summary August 2012

£000's	Current Period			Year To Date Mth 5			Prev Mths Actuals				Forecast Outturn					Prev Mth
	Actual	Plan	Variance	Actual	Plan	Variance	Mth 1	Mth 2	Mth 3	Mth 4	Actual	Plan	Oper Var	BSP Var	Tot Var	Forecast
Revenue																
NHS Clinical Revenue	12,319	12,474	**(155)**	60,270	60,799	**(529)**	11,552	12,526	11,393	12,480	145,370	145,021	427	(78)	**349**	145,602
Other Non Clinical Revenue	653	612	**41**	3,195	3,060	**135**	653	619	662	608	8,125	7,443	536	146	**682**	7,849
Education, Training & Research	437	438	**(1)**	2,306	2,185	**121**	437	429	445	558	5,104	5,243	(139)	0	**(139)**	5,119
Sub Total Revenue	**13,409**	**13,524**	**(115)**	**65,771**	**66,044**	**(273)**	**12,642**	**13,574**	**12,500**	**13,646**	**158,599**	**157,707**	**824**	**68**	**892**	**158,570**
Drugs Excluded From Tariff	709	625	**84**	3,295	3,127	**168**	606	721	629	630	7,677	7,506	171	0	**171**	7,590
Total Revenue	**14,118**	**14,149**	**(31)**	**69,066**	**69,171**	**(105)**	**13,248**	**14,295**	**13,129**	**14,276**	**166,276**	**165,213**	**995**	**68**	**1,063**	**166,160**
Expenditure																
Employee benefit expenses	(9,438)	(9,240)	**(198)**	(47,030)	(46,898)	**(132)**	(9,305)	(9,393)	(9,437)	(9,457)	(112,539)	(111,647)	2,677	(3,569)	**(892)**	(112,035)
Non Pay expenditure	(3,070)	(3,099)	**29**	(15,594)	(15,667)	**73**	(3,056)	(3,242)	(3,020)	(3,206)	(37,922)	(37,299)	(402)	(221)	**(623)**	(37,775)
Sub Total Expenditure	**(12,508)**	**(12,339)**	**(169)**	**(62,624)**	**(62,565)**	**(59)**	**(12,361)**	**(12,635)**	**(12,457)**	**(12,663)**	**(150,461)**	**(148,946)**	**2,275**	**(3,790)**	**(1,515)**	**(149,810)**
Drugs Excluded From Tariff	(709)	(625)	**(84)**	(3,295)	(3,127)	**(168)**	(606)	(721)	(629)	(630)	(7,677)	(7,506)	(171)	0	**(171)**	(7,590)
Total Costs	**(13,217)**	**(12,964)**	**(253)**	**(65,919)**	**(65,692)**	**(227)**	**(12,967)**	**(13,356)**	**(13,086)**	**(13,293)**	**(158,138)**	**(156,452)**	**2,104**	**(3,790)**	**(1,686)**	**(157,400)**
EBITDA	**901**	**1,185**	**(284)**	**3,147**	**3,479**	**(332)**	**281**	**939**	**43**	**983**	**8,138**	**8,761**	**3,099**	**(3,722)**	**(623)**	**8,760**
Restructuring Costs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	(800)	0	(800)	0	**(800)**	0
Transfer from Donation Reserve	160	33	**127**	254	226	**28**	0	60	35	(1)	860	860	0	0	**0**	860
Interest Receivable	5	3	**2**	20	17	**3**	3	3	6	3	41	41	0	0	**0**	41
PDC Dividends Payable	(164)	(175)	**11**	(865)	(878)	**13**	(168)	(186)	(178)	(169)	(2,108)	(2,108)	0	0	**0**	(2,108)
Interest Payable	(16)	(21)	**5**	(110)	(104)	**(6)**	(17)	(16)	(15)	(46)	(249)	(249)	0	0	**0**	(249)
Depreciation	(437)	(477)	**40**	(2,163)	(2,183)	**20**	(429)	(430)	(429)	(438)	(5,656)	(5,656)	0	0	**0**	(5,656)
Profit or (Loss) on Disposal	0	0	**0**	(1)	0	**(1)**	21	(7)	0	(15)	0	0	0	0	**0**	0
Net Surplus	**449**	**548**	**(99)**	**282**	**557**	**(275)**	**(309)**	**363**	**(538)**	**317**	226	1,649	2,299	**(3,722)**	**(1,423)**	**1,648**
EBITDA Margin	**6.4%**	**8.4%**		**4.6%**	**5.0%**		**2.1%**	**6.6%**	**0.3%**	**6.9%**	**4.9%**	**5.3%**				**5.3%**

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



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	13,028	12,740	13,383	13,101	12,427	13,148	12,247	12,436	153,047
Non Clinical Income	1,090	1,048	1,110	1,163	1,090	1,064	1,090	1,107	1,107	1,121	1,122	1,117	13,229
Pay	(9,305)	(9,394)	(9,437)	(9,454)	(9,438)	(9,406)	(9,507)	(9,465)	(9,422)	(9,262)	(9,267)	(9,182)	(112,539)
Non Pay	(3,662)	(3,962)	(3,651)	(3,835)	(3,779)	(3,856)	(3,842)	(3,866)	(3,796)	(3,808)	(3,773)	(3,769)	(45,599)
EBITDA Actual & Forecast	281	939	43	985	901	542	1,124	877	316	1,199	329	602	8,138
Actual/Forecast Cummulative EBITDA	281	1,220	1,263	2,248	3,147	3,689	4,813	5,690	6,006	7,205	7,536	8,138	
Planned Cummulative EBITDA	(287)	799	1,119	2,294	3,479	4,140	5,354	6,073	6,433	7,452	8,013	8,761	
Variance	568	421	144	(46)	(332)	(451)	(541)	(383)	(427)	(247)	(477)	(623)	

See Appendix 5 for detailed divisional run rates

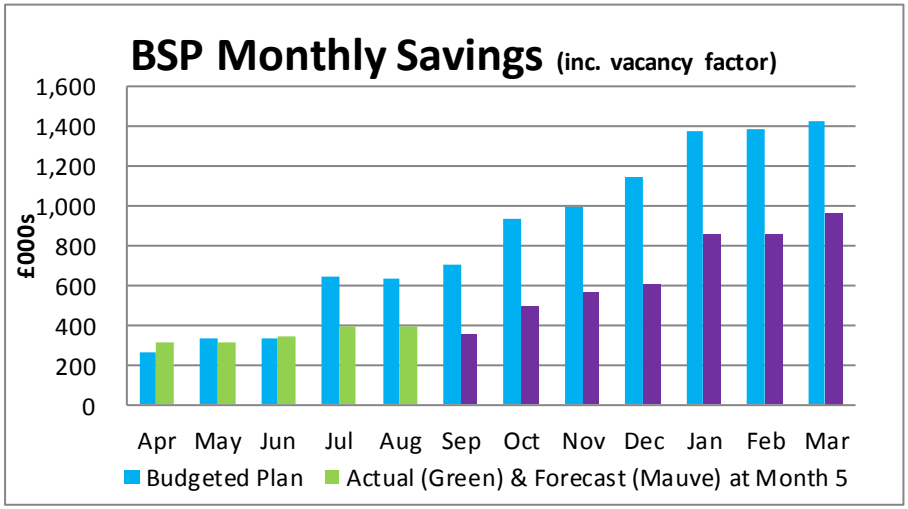
Appendix 2 – Financial Risk Rating (FRR)

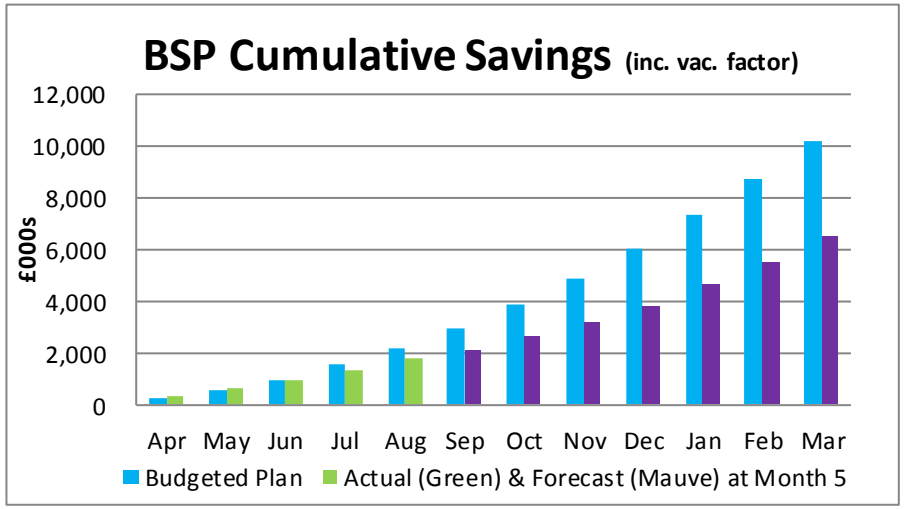
Criteria	Metric	Weight	5	4	3	2	1	Annual Plan Risk ratings 12/13	Month 5 Score 12/13	Month 5 Risk ratings 12/13	Year to Date Score 12/13	Year to Date Risk ratings 12/13
Underlying performance	EBITDA margin %	25%	11	9	5	1	<1	3	6.4%	3	4.6%	2
Achievement of plan	EBITDA achieved %	10%	100	85	70	50	<50	3	76.0%	3	90.4%	4
Financial efficiency	Net return after financing %	20%	3	2	-1	-5	<-5	3	4.5%	5	0.1%	3
	I&E surplus margin %	20%	3	2	1	-2	<-2	3	3.1%	5	0.4%	2
Liquidity	Liquid ratio days	25%	60	25	15	10	<10	4	26.7	4	26.7	4
Average								3.25		4.05		2.90
Overriding rules	Overriding rules	At least two criteria on 2						No		No		No
Overall rating	Overall rating							3		4		3

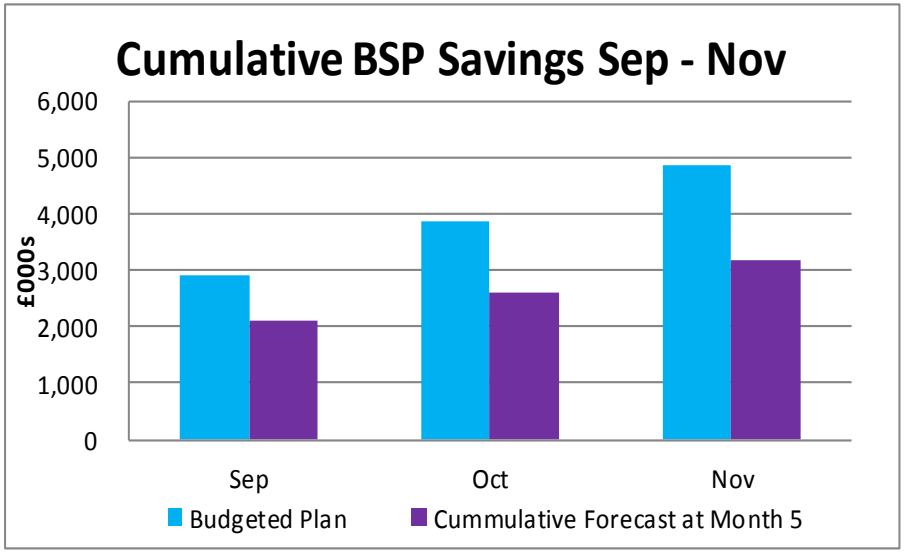
Appendix 2 (cont.) – Monitor Financial Risk Indicators

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







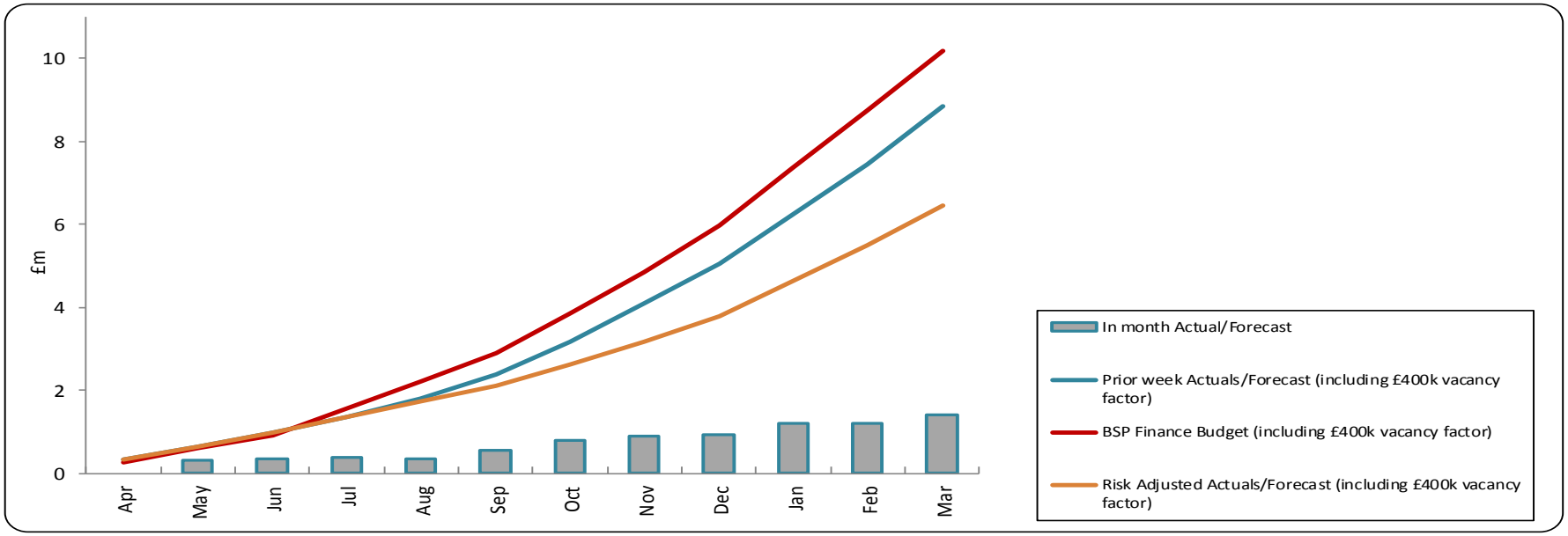
Key Issues & Commentary

- The Trust Financial Plan assumed BSP savings of £637k in August.
- At the time of preparing the finance report, validated savings stood at £452k in the month and cumulatively at £1,764k.
- The minor variations on in month and cumulative to date numbers when compared to the BSP graphs and detailed breakdown table in Appendix 1 are due to timing differences and will be synchronised next month.
- The risk assessed RAG rated BSP is forecast to under deliver against the Trust plan by £3.7m for the year.
- The Trust Financial Plan requires cumulative BSP savings of £2,913m by the end of Q2, at month 5 the BSP is forecast to deliver £2,113k by the end of Q2, an underperformance of £800k.

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

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	1,725	2,291	3,065	3,963	4,903	6,103	7,301	8,699
In month Actual/Forecast	-	317	342	390	359	566	774	898	940	1,200	1,198	1,398
Prior week Actuals/Forecast (including £400k vacancy factor)	317	634	976	1,366	1,815	2,381	3,175	4,093	5,053	6,258	7,461	8,848
Risk Adjusted Actuals/Forecast (including £400k vacancy factor)	317	634	976	1,366	1,725	2,115	2,611	3,181	3,785	4,640	5,494	6,455



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 5 Forecast EBITDA				8,139	8,139
RISK DESCRIPTION					
Trust BSP					
Trust BSP is back ended in the year and many schemes, whilst 100% committed to, have considerable delivery risks. The Trust Forecast now includes the RAG rated assessment of delivery, however there is a residual risk attached to those schemes that remain identified as high risk.	10,200	8,500	6,055	0	(800)
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. Ratios are regularly reviewed at divisional performance meetings at Specialty level.	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 impact of this risk is now included within the base-line income and expenditure forecast. The worst case impact identified is a risk associated with the non-delivery of schemes to date. However, this is still being reviewed and negotiations are ongoing with commissioners as to what evidence satisfies the in-year delivery expectations.	1,400	1,137	1,137	0	(50)
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	145,602	145,370	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 and to date, no material risks have been identified.	0	0	0	0	(800)
EBITDA Projection Range				8,139	5,789

Appendix 5 – Balance Sheet and Cash Flow Summary

Balance Sheet August 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	74,436	74,155	(281)	76,639	77,728	(1,089)	77,389
Inventories	2,336	2,350	14	2,350	2,350	0	2,350
Debtors NHS	4,862	2,577	(2,285)	2,360	2,311	49	2,360
Debtors non NHS	256	452	196	313	452	(139)	313
Accrued Income	2,477	2,771	294	1,773	2,079	(306)	1,773
Cash at Bank and in Hand	15,972	8,326	(7,646)	5,521	6,333	(812)	6,143
Total Assets	**100,339**	**90,631**	**(9,708)**	**88,956**	**91,253**	**(2,297)**	**90,328**
Current Liabilities				0			
Trade Creditors	(1,595)	(2,959)	(1,364)	(3,492)	(3,588)	96	(3,492)
Loan Creditor	(1,264)	(1,156)	108	(1,334)	(1,332)	(2)	(1,334)
Non-Trade Creditor	(20,596)	(9,330)	11,266	(7,612)	(7,529)	(83)	(7,612)
Dividend Provision	(922)	(952)	(30)	0	0	0	0
Total Current Liabilities	**(24,377)**	**(14,397)**	**9,980**	**(12,438)**	**(12,449)**	**11**	**(12,438)**
Assets/Liabilities over 1 Yr							
Debtors > 1 Year	852	879	27	856	881	(25)	856
Finance Leases > 1 Year	(336)	(384)	(48)	(444)	(384)	(60)	(444)
Creditors > 1 Year	(7,270)	(7,180)	90	(6,956)	(8,706)	1,750	(7,706)
	(6,754)	**(6,685)**	**69**	**(6,544)**	**(8,209)**	**1,665**	**(7,294)**
				0			
Total Assets Less Current Liabilities	**69,208**	**69,549**	**341**	**69,974**	**70,595**	**(621)**	**70,596**
				0			
Provisions	(617)	(636)	(19)	(1,437)	(636)	(801)	(637)
				0			
Net Assets Financed By:	**68,591**	**68,913**	**322**	**68,537**	**69,959**	**(1,422)**	**69,959**
PDC	44,812	44,812	0	44,812	44,812	0	44,812
I&E Reserve	9,687	9,365	(322)	9,633	10,411	(778)	11,055
Other Reserves	14,092	14,736	644	14,092	14,736	(644)	14,092
Total	**68,591**	**68,913**	**322**	**68,537**	**69,959**	**(1,422)**	**69,959**

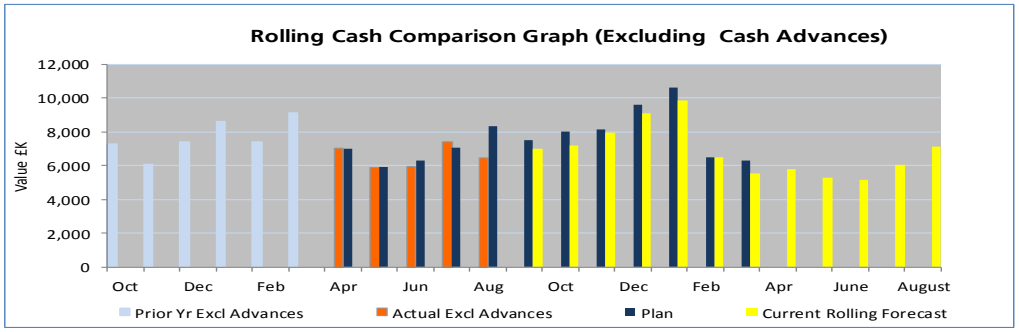
Balance Sheet Narrative

Year to Date

- The fixed asset variance of £281k is due to the capitalisation of the bed lease which was not included within the capital plan and the capital underspend
- Cash is ahead of plan due to an advance from the PCT of £9.5m less EBITDA shortfall and capital underspend.
- The creditor's variance of £10 million is due to the £9.5m advance of cash from the PCT and actual accruals being higher than plan by £1.3million (drugs £300k, KPMG/PMO £830k).
- Other reserves moved by £644k as a result of a 2011/12 year end Audit adjustment for backlog depreciation.

Forecast Outturn

- The forecast shortfall in surplus, partly offset by an increased provision in respect of restructuring costs, has reduced the forecast year-end cash balance.



Cash Graph Narrative

- Excluding the cash advance in the month, the operational cash balance is below plan due to NHS debtors being above plan.
- The forecast cash balance is lower than plan at year-end factoring in the lower forecast out-turn partly offset by the restructuring provision.