

FINANCIAL REPORT – 28 FEBRUARY 2010

Report of: David Smith, Director of Finance

1. Executive Summary

Headlines

1.1 At 28 February the Trust was at **£2.9m below plan year-to-date** with a **deficit of £3.9m**.

1.2 An update on the 31 March outturn will be provided at the meeting.

1.3 The Trust has achieved a **FRR of 3 in February**. The calculated score of 2.7 is on plan.

Financial Summary

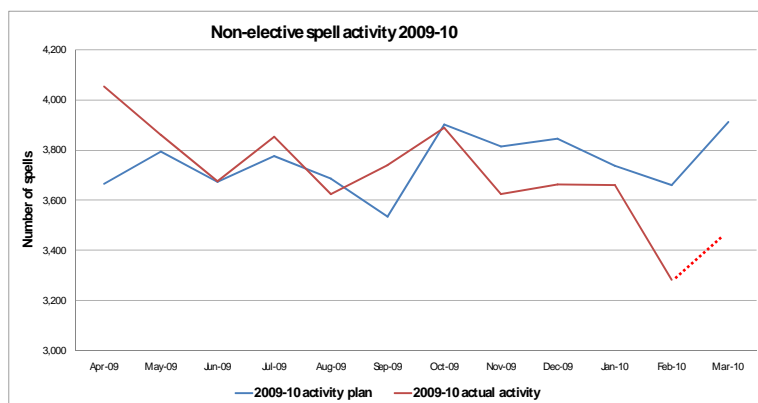
F = favourable variance, A= adverse variance, YTD = Year-to-date

	YTD actual			YTD F/(A) to plan				Prior year F/(A)	WTE F/(A)
	Income £m	Expendi- ture £m	Net (I-E) £m	Income £m	Expend- iture £m	Net (I-E)			
						£m	%	£m	No.
Medicine	96.1	54.1	42.0	(0.8)	0.3	(0.6)	(1%)	(2.4)	9
Surgery	113.1	31.6	81.5	0.1	0.4	0.5	1%	8.6	6
Neuroscience	22.1	9.8	12.2	(0.1)	(0.4)	(0.5)	(4%)	(4.8)	18
Critical Care	32.0	57.8	(25.8)	(0.7)	(0.9)	(1.6)	7%	(3.5)	63
Cancer	36.8	19.6	17.2	0.2	0.2	0.4	3%	5.7	(34)
Women's and Children's	58.7	28.9	29.8	0.3	0.1	0.4	1%	7.0	40
Investigative Sciences	13.5	34.7	(21.2)	0.0	(0.3)	(0.3)	1%	1.2	15
Other Operational Areas	11.0	31.3	(20.3)	(1.1)	(0.0)	(1.1)	6%	6.1	(12)
Total operational areas	383.3	267.8	115.5	(2.1)	(0.6)	(2.7)	(2%)	17.9	105
Other protected clinical income	46.6		46.6	0.2		0.2	0%	2.1	
Other income	5.2		5.2	(0.2)		(0.2)	(4%)	(7.7)	
Medical staff		73.0	(73.0)		(0.1)	(0.1)	0%	(10.0)	(9)
Estates & Facilities		36.0	(36.0)		(0.2)	(0.2)	1%	4.3	9
Corporate services		17.9	(17.9)		0.6	0.6	(3%)	(2.6)	12
R&D		17.6	(17.6)		0.1	0.1	(0%)	(5.7)	(23)
Other (inc reserves)		(3.9)	3.9		-	-		3.9	-
Sub-total EBITDA	435.2	408.5	26.6	(2.1)	(0.2)	(2.3)	(8%)	2.2	94
Depreciation		19.2	(19.2)		0.0	0.0	(0%)	(4.3)	
Net interest (receivable)/payable		11.4	(11.4)		(0.6)	(0.6)	6%	(6.0)	
Total Net surplus / (deficit)	435.2	439.1	(3.9)	(2.1)	(0.8)	(2.9)	279%	(8.1)	94

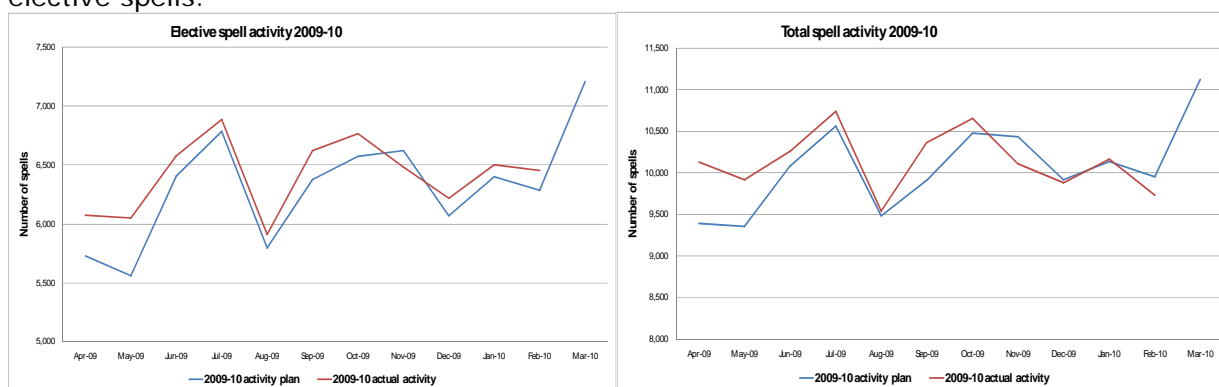
1.4 An explanation for the £2.9m variance at M11 can be summarised as follows:

- £2.1m down on Clinical Income (particularly due to Non Elective activity dropping in the recent months, with a £1.3m erosion in February month alone)
- £0.6m overspend on EAU expenditure plan to achieve the 98% waiting target (increased staffing in isolation areas partly in response to swine flu; bank usage up to manage overcrowding and peaks in attendances; increased capacity on Clinical Decision Unit from 8 to 26 beds from December)
- £0.2m lost interest income due to lower cash balances

1.5 The chart below shows that non-elective spells activity has clearly fallen away in recent months, but particularly in February. The dotted line shows the forecast activity for month 12 based on current trend.



1.6 Furthermore, the next two graphs show that: (a) elective spells are tracking the plan closely with a slight overperformance, and (b) the plan clearly shows a large increase in spells in month 12 which is also factored into the forecast, but tempered by the adjustment to non-elective spells.



2. Balance sheet as at 28 February 2010

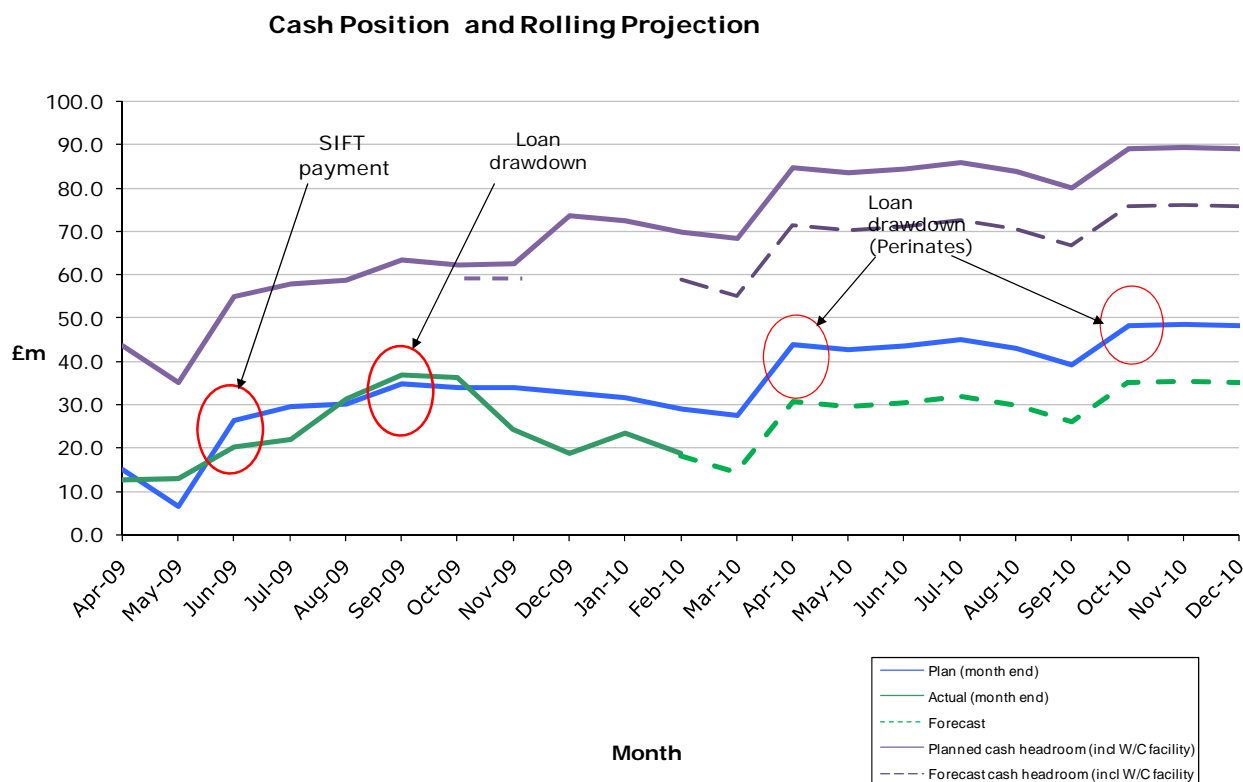
Variance = increase/(decrease) in balance

	Plan £m	Year to date Actual £m	Variance £m	Annual Plan £m	Prior year Outturn £m
Fixed assets	341.1	340.5	(0.6)	340.7	335.5
Current assets					
Stock	7.1	7.1	0.0	7.3	7.1
Trade debtors	37.4	43.6	6.2	30.9	28.6
Other debtors	4.0	5.5	1.5	10.7	12.1
Cash	29.0	18.9	(10.1)	27.6	23.5
Total current assets	77.6	75.1	(2.4)	76.4	71.2
Current liabilities	77.5	80.2	2.7	74.6	72.8
Net current assets / (liabilities)	0.1	(5.0)	(5.1)	1.8	(1.6)
Total assets less current liabilities	341.2	335.5	(5.7)	342.5	333.9
Long-term liabilities					
Provisions	2.4	2.4	0.0	2.4	2.4
PFI lease	66.9	62.8	(4.1)	66.9	67.4
Loans	39.0	39.1	0.1	38.3	29.5
	108.3	104.3	(4.1)	107.6	99.3
Net assets	232.9	231.3	(1.6)	234.9	234.7
Taxpayers' equity					
Public dividend capital (PDC)	114.8	116.2	1.4	114.8	114.8
I&E reserve	25.4	21.8	(3.6)	27.4	26.4
Other reserves	92.8	93.3	0.5	92.7	93.5
Total taxpayers' equity	232.9	231.3	(1.6)	234.9	234.7
Key ratios					
Liquidity ratio (days)	15.7	21.0		16.6	17.1
Unused working capital facility	28.4	40.8		28.4	28.4
Trade debtor days	28.5	33.2		23.5	26.9
Return on assets (excl. dividend)				3.08%	5.50%

Note: The above ratios are based on income and expenditure gross of devolved income where applicable

Cash and liquidity

- 2.1 Cash is £10.1m behind annual plan at £18.9m. The timing of payments for over-performance remains the key issue, but only £0.9m is now outstanding for the period April to July. PCTs are generally paying, but they are doing so slowly after protracted dialogue. The Strategic Health Authority has been asked to help expedite payments by PCTs, but we have yet to see any results of this action.
- 2.2 The liquidity ratio stands at 20.2 days, which is 4.7 days better than plan. This follows the increasing of the Trust's Working Capital Facility from £28.4m to £40.8m during December.
- 2.3 The following chart shows the planned cash position by month for the year ahead, together with actual cash balances for the year to date. Also superimposed is a line showing planned cash headroom (cash plus our short term working capital facilities with Barclays) based on the Trust's current working capital facility of £40.8m (£28.4m up to November). Forecast actual and forecast headroom lines have also been included to show the cash position if the current delays in cashflow continue through year end and into next year:



- 2.4 The current capital expenditure forecast projects an over spend of £3.8m (£0.8m above the position reported at 31 October 2009) against a £26.8m budget allocation.
- 2.5 Cash to 31 March was £13m lower than plan, but exactly per the revised forecast shown in the above graph.