

**Finance Report (Month 12)**

<b>Trust Board</b>	<b>Item: 7.4.2</b>
<b>25<sup>th</sup> April 2012</b>	<b>Enclosure: H</b>
<b>Purpose of the Report / Paper:</b> To update the Board on the Trust's financial position at the end of Month 12	
<b>For Information</b> <input checked="" type="checkbox"/>	<b>For Decision</b> <input type="checkbox"/>
<b>Sponsor (Executive Lead):</b>	Simon Milligan, Director of Finance and Information
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<b>Financial / Resource Implications:</b>	See below
<b>Quality Governance:</b>	N/A
<b>Risk Implications - Link to Assurance Framework or Corporate Risk Register:</b>	N/A
<b>Legal / Regulatory / Reputation Implications:</b>	None
<b>Link to Relevant CQC Standard:</b>	None
<b>Link to Relevant Corporate Objective:</b>	Corporate Objective 5.1 – To deliver the 2011/12 financial plan
<b>Impact on Patients and Carers:</b>	
<b>Document Previously Considered By:</b>	FIC – 18 <sup>th</sup> April 2012 EMC – 18 <sup>th</sup> April 2012
<b>Recommendations &amp; Action required by the Trust Board:</b>  <b>The Trust Board is asked to consider the Trust's year end financial position.</b>	

# **Finance Report**

## **March 2012 results – Month 12**

**(Trust Board Meeting 25 April 2012)**

## CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>FINANCE AND ACTIVITY SUMMARY .....</b>	<b>4</b>
<b>SECTION 1: OVERALL INCOME AND EXPENDITURE .....</b>	<b>5</b>
<b>SECTION 2: DIVISIONAL POSITION .....</b>	<b>8</b>
<b>SECTION 3: INCOME .....</b>	<b>10</b>
<b>SECTION 4: PAY COSTS .....</b>	<b>13</b>
<b>SECTION 5: NON-PAY .....</b>	<b>14</b>
<b>SECTION 6: COST IMPROVEMENT PROGRAMME .....</b>	<b>15</b>
<b>SECTION 7: STATEMENT OF FINANCIAL POSITION.....</b>	<b>18</b>
<b>SECTION 8: CASH POSITION .....</b>	<b>19</b>
<b>SECTION 9: CAPITAL .....</b>	<b>21</b>
<b>SECTION 10: FINANCIAL RISK RATING (FRR) .....</b>	<b>1</b>
<b>SECTION 11: TECHNICAL ADJUSTMENTS .....</b>	<b>23</b>
<b>SECTION 12: DH/NHS LONDON OUTTURN POSITION .....</b>	<b>24</b>

## EXECUTIVE SUMMARY

### Financial Targets

Each year the financial performance of the Trust is judged externally against a range of financial duties and targets. A summary of the Trust's duties and performance against them is detailed in the table below.

	Plan	Actual	Achieved
Financial Balance before impairments	£2.1m surplus	£2.1m surplus	✓
External Financing Limit	£-0.2m	£-0.2m	✓
Capital Resource Limit	£8.3m	£8.3m	✓
Capital Cost Absorption	3.50%	3.50%	✓

All figures are subject to finalisation pre submission of the draft accounts by noon on Monday 23<sup>rd</sup> April 2012.

In terms of CIP achievement the Trust achieved 95% of the £12.6m CIP programme for the year.

### Month 12 in month position

The Trust's position recorded in the month was £1.2m surplus against a (re-profiled) plan of a £1.1m surplus. The Trust achieved an EBITDA of 119.7% in the month, and an in month EBITDA margin of 19%.

The Trust's income exceeded plan by £0.2m, due to a combination of additional patient care activity, which included activity in relation to the waiting list initiative, and also other operating income for a charitable fund donation and increased provider to provider income.

In terms of expenditure, additional costs were incurred in month on pay (£0.4m) as a result of agency and bank costs to cover key posts vacancies and for maternity leave cover, together with an element of extra consultant sessions in relation to activity pressures. Non pay costs have exceeded planned levels in March by £1.1m. This has predominantly been on clinical supplies and services and includes additional costs relating to waiting list initiatives (£0.3m), and higher than anticipated theatre consumables and diagnostic reagents and blood products. Additional costs of £0.2m were also incurred in month following review of the PFI model. The Trust released £1.2m of contingency reserve in month as planned, primarily to cover the income deal agreed with our main PCTs. The Trust exceeded its in month CIP target by £0.1m achieving an overall total of £1.3m for March.

Provision has been made for £0.8m of redundancies in month.

As part of the year end process the Trust has reviewed the level of provisions within the balance sheet and as a result released £1.2m into the position. Asset impairments of £0.6m have been incorporated into the position following an asset valuation in line with IFRS.

## FINANCE AND ACTIVITY SUMMARY

Area of Review	Key Highlights	Month	Year End rating
<b>Financial Position</b>	In month the Trust reported a £1.2m surplus. This was favourable against the Trust's re-profiled internal surplus plan of £1.1m (and on plan against its submitted Operating Plan £1.2m surplus position).		
<b>Activity / Income</b>	Patient care related income was £0.1m above plan with SLA Income being above target by £0.2m and SLA activity being above plan by 0.6%. Other patient care related income was £0.1m below plan in month. Other operating income was £0.2m above plan overall in the month.		
<b>Expenditure</b>	Expenditure in March was above plan against the re-profiled budget with pay £0.4m above plan and non pay £1.1m adverse. £1.2m of contingency was released into the position in month as planned.		
<b>EBITDA</b>	The in-month actual for EBITDA increased significantly to a 19% EBITDA margin achieved in March. The outturn is marginally below the 7.5% annual plan.		
<b>Cash</b>	Cash remained at £5.3m in March as per the plan, meaning that the Trust achieved its EFL.		
<b>Capital</b>	Expenditure in month was £2.5m above plan and on plan for the year. The Trust achieved its CRL.		
<b>CIPs</b>	In month performance was £0.1m above plan with the cumulative position increasing to 94.9% achievement against the annual plan.		

## SECTION 1: OVERALL INCOME AND EXPENDITURE

### Summary as at the end of March

Income & Expenditure	Annual Plan £000's	Plan £000's	In Month Actual £000's	Variance £000's	Plan £000's	Outturn Actual £000's	Variance £000's	Month 8 Variance £000's	Month 9 Variance £000's	Month 10 Variance £000's	Month 11 Variance £000's
Income - Patient Care Activities	178,089	15,817	15,932	114	177,991	180,641	2,650	503	1	218	351
- Other	22,840	3,469	3,745	275	22,938	23,885	946	-1	-49	18	27
<b>Income</b>	<b>200,929</b>	<b>19,287</b>	<b>19,676</b>	<b>390</b>	<b>200,929</b>	<b>204,525</b>	<b>3,596</b>	<b>502</b>	<b>-47</b>	<b>236</b>	<b>378</b>
Expenditure - Pay	-126,807	-12,315	-12,472	-157	-126,807	-129,340	-2,533	-293	-2	29	-18
- Non Pay	-59,018	-3,974	-5,074	-1,100	-59,018	-62,741	-3,723	-358	17	-547	-465
- Contingency Release	0	0	1,190	1,190	0	2,236	2,236	95	11	0	400
- Redundancy Provision	0	0	-850	-850	0	-850	-850	0	0	0	0
- Provisions Release	0	0	1,260	1,260	0	1,260	1,260	0	0	0	0
<b>Expenditure</b>	<b>-185,824</b>	<b>-16,290</b>	<b>-15,946</b>	<b>344</b>	<b>-185,824</b>	<b>-189,434</b>	<b>-3,610</b>	<b>-555</b>	<b>27</b>	<b>-517</b>	<b>-83</b>
<b>EBITDA</b>	<b>15,105</b>	<b>2,997</b>	<b>3,730</b>	<b>733</b>	<b>15,105</b>	<b>15,091</b>	<b>-14</b>	<b>-53</b>	<b>-21</b>	<b>-281</b>	<b>294</b>
Depreciation	-7,091	-593	-561	32	-7,091	-6,563	528	52	53	53	53
Impairments & Disposals	0	0	-615	-615	0	-615	-615	0	0	0	0
Interest	-3,226	-1,100	-1,161	-61	-3,226	-3,320	-94	-2	-2	-3	-2
Dividend Payable	-2,737	-228	-194	34	-2,737	-2,527	210	0	0	161	16
<b>Total I&amp;E</b>	<b>2,051</b>	<b>1,076</b>	<b>1,200</b>	<b>124</b>	<b>2,051</b>	<b>2,066</b>	<b>15</b>	<b>-4</b>	<b>31</b>	<b>-71</b>	<b>361</b>
Surgery CIP Revised Profile	0	119	0	-119	0	0	0	-119	-119	-119	-119
<b>Total as per Operating Plan</b>	<b>2,051</b>	<b>1,194</b>	<b>1,200</b>	<b>5</b>	<b>2,051</b>	<b>2,066</b>	<b>15</b>	<b>-122</b>	<b>-88</b>	<b>-190</b>	<b>243</b>

	Plan	In Month	Plan	YTD	YTD -M8	YTD -M9	YTD -M10	YTD -M11
EBITDA Margin	15.5%	19.0%	7.5%	7.4%	5.9%	5.9%	6.1%	6.1%
EBITDA Achieved	100.0%	119.7%	100.0%	99.9%	96.7%	95.6%	92.7%	94.8%
ROA	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
I&E surplus margin	5.6%	6.1%	1.0%	1.0%	0.1%	0.1%	0.4%	0.5%

Adds into form part  
of the EBITDA  
calculation

## COMMENTARY

The Trust's position recorded in the month was £1.2m surplus against a (re-profiled) plan of a £1.1m surplus. Income from patient care activities was £0.1m above plan with other income £0.2m higher than plan. Pay was £0.4m adverse in month with non pay expenditure £0.4m adverse.

### **Income**

The overall income position in March was £0.1m above plan for patient care activities and £0.3m above plan for other income. SLA income was £0.2m above plan for finance and slightly above plan for activity. The main points to note are:

- Non elective income is adverse by £0.8m in month predominately in relation to general medicine but also within general surgery.
- Elective income is favourable by £0.1m in month within Surgery and Critical Care. Day case income overperformance was seen across all divisions in month, in particular within pain management, trauma and orthopaedics and clinical haematology (£0.4m).
- A&E attendances are above planned levels in March resulting in a favourable income position of £0.1m.
- Direct access income is favourable in month, with particular increased activity in chemical pathology, cytology gynae and haematology (£0.1m).
- The Trust as at month 12 overperformed against the agreed SLA value by £7.6m, after adjusting for estimated penalties for the key performance indicators. This was in line with the forecast year end performance estimated in the year end settlement.
- Other income was £0.3m above plan in month with improved positions on provider to provider contracts and also a donation from Charitable Trust funds for capital expenditure on the simulation suite.

### **Pay**

Pay costs were £0.2m above plan in-month, a deterioration from the previous month. The main points to note are:

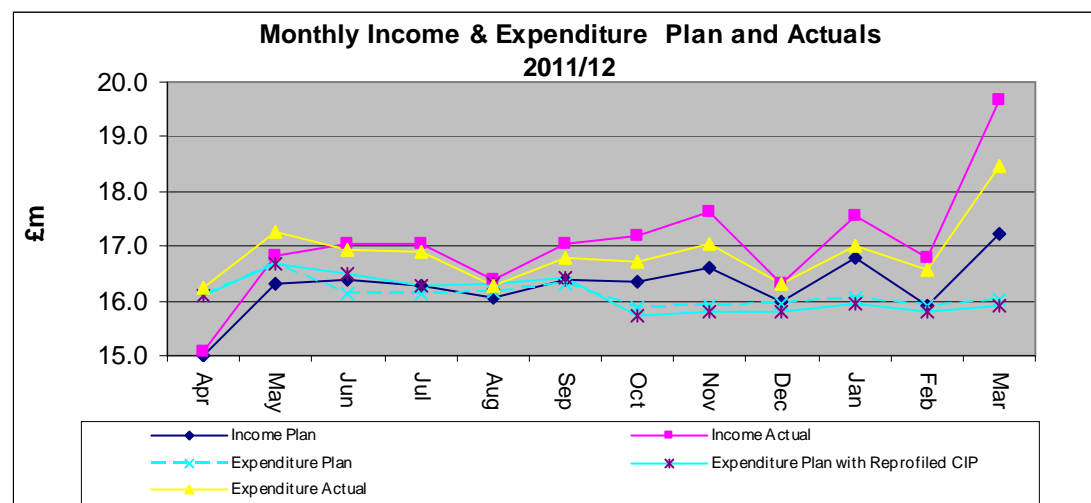
- Medical costs are adverse in month a worsening from February. This is due to overspends for maternity leave cover in paediatrics, additional locum costs in orthopaedics and agency costs to cover vacancies in medicine, together with the costs of flexible trainees (the latter offset by £17k of income from the Deanery). Additional costs were also incurred for extra consultant sessions in anaesthetics and pain management.
- Nursing pay costs were adverse to plan, but an improvement from the previous month. Within the Medicine and Emergency Care division nursing costs were favourable overall with the AAU and A&E having improved significantly, coupled with the impact of savings from the non opening of winter ward, partially offset by the medical wards due to agency and bank usage. Surgery and Critical Care continued to overspend in month within orthopaedic nursing, together with the Midwifery teams as a result of 17.63wte midwives are on maternity leave and a further 3.56wte on long term sick.
- Admin and clerical staff overspend includes continuing pressures within the patient access team and health records (the latter offset by additional income).

### **Non Pay**

The in-month non pay position for March was £1.1m adverse, worse than last month. The main points to note:

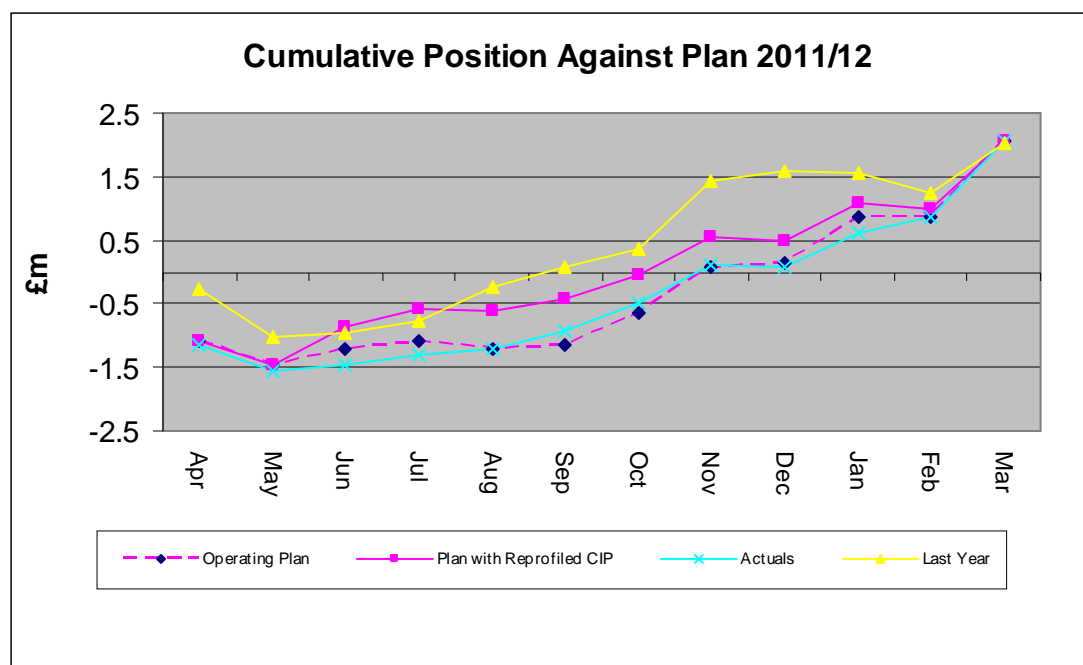
- The clinical supplies overspend includes additional costs in relation to outsourcing waiting list initiative work, consumables in main theatres and the DSU, and orthopaedic implants within Surgery & Critical care and within Women and Children costs for the egg collection charges for ACU and the maternity scanning services at QMH, together with costs for the purchase of biopsy forceps and also a Colposcope. Increased costs for diagnostic reagents and blood products were seen within Ambulatory care.
- Drugs within tariff are favourable in month within medicine in relation to HIV.
- Establishment costs are overspent in month primarily in relation to higher postage costs and costs for project fees in particular in relation to the SWL pathology review.
- The premises cost adverse position reflects overspends on engineering contracts and IT project costs.

## Charts showing in month and cumulative position against plan



### COMMENTARY

- In its Operating Plan for 2011/12 the Trust planned to achieve a surplus of £2.1m. The monthly profile reflects the Operating Plan submitted to NHSL. The internal plan with the re-profiled CIP is also shown.
- In March the Trust was on plan in month against its Operating Plan, and breakeven against the plan cumulatively, after release of an element of the contingency reserve in months 5, 8 and 11 totalling £1.0m, with the remaining £1.2m (to support the year end SLA settlement) released into the position in month 12.
- Against the re-profiled expenditure plan the Trust's position is on plan at the year end and £0.1m favourable to plan in month, (after release of an element of the contingency reserve as noted above).
- The Trust has achieved its year end planned surplus of £2.1m, and therefore its primary financial target for 2011/12.





## SECTION 2: DIVISIONAL POSITION

### Summary

Income & Expenditure	Annual Plan £000's	In Month							Outturn							Variances £000's			
		Budget v Actuals			Variances				Budget v Actuals			Variances				M8	M9	M10	M11
		Plan £000's	Actual £000's	Var £000's	Inc	Pay	Non Pay	Total	Plan £000's	Actual £000's	Var £000's	Inc	Pay	Non Pay	Total				
Ambulatory Care	-11,005	-785	-740	45	221	-96	-80	45	-11,005	-10,612	393	1,067	-250	-424	393	12	303	38	-73
Medicine & Emergency Care	23,133	2,232	1,890	-342	-326	58	-73	-342	23,133	20,017	-3,116	-1,335	-729	-1,052	-3,116	-302	-932	-506	108
Surgery & Critical Care	13,971	1,401	1,277	-124	551	-153	-522	-124	13,971	14,016	45	3,175	-1,508	-1,622	45	215	138	344	-33
Women & Child Health	12,880	1,257	1,292	35	166	-68	-63	35	12,880	12,222	-657	36	-392	-301	-657	-88	186	-126	-98
<b>Clinical Divisions</b>	<b>38,978</b>	<b>4,105</b>	<b>3,719</b>	<b>-386</b>	<b>612</b>	<b>-260</b>	<b>-738</b>	<b>-386</b>	<b>38,978</b>	<b>35,642</b>	<b>-3,335</b>	<b>2,943</b>	<b>-2,879</b>	<b>-3,398</b>	<b>-3,335</b>	<b>-162</b>	<b>-305</b>	<b>-250</b>	<b>-97</b>
Commercial Director	-513	-56	-56	0	0	-6	6	0	-513	-490	23	1	-28	51	23	-4	-2	-8	-1
Corporate Affairs	-3,488	-306	-284	22	74	-12	-41	22	-3,488	-3,283	205	171	91	-57	205	17	-1	26	-10
Finance	-4,685	-399	-369	30	0	8	22	30	-4,685	-4,657	28	50	-28	6	28	-14	7	-3	-3
Human Resources	-1,700	-140	-207	-67	28	-99	4	-67	-1,700	-1,800	-100	63	-249	87	-100	6	3	-35	-21
IM&T	-2,590	-225	-310	-85	69	17	-171	-85	-2,590	-2,450	140	59	181	-100	140	22	47	36	25
Medical Director	-245	-20	-13	7	8	-8	6	7	-245	-206	40	70	-40	9	40	1	3	5	0
Nursing Director	-877	-68	-76	-8	-15	16	-9	-8	-877	-863	13	46	-17	-15	13	12	10	-28	-1
Operations	-14,833	-442	-490	-48	-51	-1	4	-48	-14,833	-15,317	-484	-212	60	-333	-484	-53	25	-70	-116
<b>Directorates</b>	<b>-28,931</b>	<b>-1,657</b>	<b>-1,806</b>	<b>-149</b>	<b>115</b>	<b>-87</b>	<b>-177</b>	<b>-149</b>	<b>-28,931</b>	<b>-29,066</b>	<b>-135</b>	<b>248</b>	<b>-31</b>	<b>-352</b>	<b>-135</b>	<b>-13</b>	<b>92</b>	<b>-77</b>	<b>-127</b>
Central Income	7,585	605	571	-34	-73	-1	40	-34	7,585	7,773	188	47	-9	150	188	7	-64	-50	9
Contingency Release	0	0	1,191	1,191	0	0	1,191	1,191	0	2,236	2,236	0	0	2,236	2,236	95	11	-11	400
Other Central Budgets	-2,526	-56	55	111	-267	-77	455	111	-2,526	-1,495	1,032	355	120	557	1,032	20	244	106	109
<b>EBITDA</b>	<b>15,105</b>	<b>2,997</b>	<b>3,730</b>	<b>733</b>	<b>386</b>	<b>-424</b>	<b>771</b>	<b>733</b>	<b>15,105</b>	<b>15,091</b>	<b>-14</b>	<b>3,593</b>	<b>-2,800</b>	<b>-807</b>	<b>-14</b>	<b>-53</b>	<b>-21</b>	<b>-281</b>	<b>294</b>
Depreciation & Losses	-7,091	-593	-1,176	-583				-583	-7,091	-7,178	-87				-87	52	53	53	53
Interest	-3,226	-1,100	-1,161	-61				-61	-3,226	-3,320	-94				-94	-2	-2	-3	-2
PDC	-2,737	-228	-194	34				34	-2,737	-2,527	210				210	0	0	161	16
<b>Total I&amp;E</b>	<b>2,051</b>	<b>1,076</b>	<b>1,200</b>	<b>124</b>				<b>124</b>	<b>2,051</b>	<b>2,066</b>	<b>15</b>				<b>15</b>	<b>-4</b>	<b>31</b>	<b>-71</b>	<b>361</b>

### COMMENTARY

- The Clinical divisions positions are explained on page 10

### Ambulatory Care

- Favourable variance against plan of £45k for month 12, giving a year end favourable position of £393k.
- Month 12 performance was £46k better than forecast due to additional income for direct access and a better than anticipated position on other income, partially offset by increased pay costs in health records and non-pay costs in Pathology.
- Income favourable in month primarily due to overperformance in daycase, elective and direct access together with winter access monies for health records, partially offset by an adverse position on provider to provider contracts and BMI income.
- Pay is adverse in month due to expected slippage on a CIP scheme, costs relating to a winter access initiative and bank usage. Non pay spend is adverse due to an overspend on pathology for activity related drugs and blood products and diagnostic reagents.

### Surgery & Critical Care

- Adverse variance against plan of £124k for month 12, giving a year end favourable position of £26k.
- Month 12 performance was £249k worse than the forecast due to higher than expected pay spend and non pay consumables.
- Income favourable in month with overperformance on electives (including daycases) and outpatients offsetting non elective and critical care underperformance.
- Pay was adverse to plan in month, with overspends in orthopaedic nursing and junior doctors and admin bank usage. The adverse non pay position continued in month, with additional spend on orthopaedic implants and consumables in main theatres and the SSU, together with outsourcing costs for some patient activity.

### Medicine & Emergency Care

- Adverse variance against plan of £342k for month 12, giving a year end adverse position of £3,116k.
- Month 12 performance was £119k worse than forecast primarily due to lower than anticipated non elective, partially offset by increased A&E income, together with lower pay and non pay spend than expected.
- Income adverse in month with underperformance on non elective and outpatients offset by overperformance on daycase and A&E income.
- Pay was favourable again in month. The non opening of the winter ward continued to contribute to the position together with nursing in AAU and A&E and allied health professionals. Non pay overspends continue in relation to pathology and radiology recharges and non delivery of CIP scheme on drugs, partially offset by underspends on HIV drugs.

### Women and Child Health

- Favourable variance against plan of £35k for month 12, giving a year end adverse position of £657k.
- Month 12 performance £54k better than the forecast primarily due to higher than anticipated non elective income, together with lower non pay spend, partially offset by a deterioration in pay.
- Income above plan in month mainly due to obstetric non elective income. Income shortfalls on paediatric elective activity are offset by outpatient activity.
- Pay was adverse in month. Nursing is overspent due to maternity and sick leave cover for midwives. Non pay is above plan in month with overspends on egg collection charges and scanning services together with ambulance recharges and equipment purchases.

Note from question raised at the March Board – Q – 'The Feb performance report noted that Obstetric activity was high in February, but this did not appear to accord with the Feb finance report showing an under-recovery on income for W&C'. A - The income plan for Obstetrics in Feb already assumed a high level of activity and actual activity was 29 deliveries above this plan. The favourable variance this generated was offset by an under recovery in Paediatrics

## SECTION 3: INCOME

### Income Summary

Income	Annual	Plan £000's	In Month Actual £000's	Var £000's	Plan £000's	Outturn Actual £000's	Variance £000's	Month 8 Variance £000's	Month 9 Variance £000's	Month 10 Variance £000's	Month 11 Variance £000's
	Plan £000's										
Patient Care Activities - PCT	175,552	15,774	16,002	228	175,552	177,873	2,321	616	-35	-69	256
RTA/OSV	733	61	-8	-69	733	716	-17	-13	13	-7	-30
Private Patients	1,126	92	54	-37	1,126	931	-195	-103	-8	-8	-33
Other	580	-110	-117	-7	580	1,121	540	3	31	303	158
<b>Total Patient Care Income</b>	<b>177,991</b>	<b>15,817</b>	<b>15,932</b>	<b>114</b>	<b>177,991</b>	<b>180,641</b>	<b>2,650</b>	<b>503</b>	<b>1</b>	<b>218</b>	<b>351</b>
Education	7,938	636	658	22	7,938	8,357	419	33	98	54	10
BMI	4,381	2,043	2,050	7	4,381	4,208	-173	-46	41	-45	-65
Provider to Provider	5,203	430	486	56	5,203	5,120	-83	41	-20	-21	-29
Income Generation & Other	5,417	361	551	190	5,417	6,200	783	-28	-168	30	111
<b>Total Income</b>	<b>200,929</b>	<b>19,287</b>	<b>19,676</b>	<b>390</b>	<b>200,929</b>	<b>204,525</b>	<b>3,596</b>	<b>502</b>	<b>-47</b>	<b>236</b>	<b>378</b>

### SLA Income

Income	Annual	Plan £000's	In Month Actual £000's	Var £000's	Plan £000's	Outturn Actual £000's	Variance £000's	Month 8 Variance £000's	Month 9 Variance £000's	Month 10 Variance £000's	Month 11 Variance £000's
	Plan £000's										
<b>SLA Income</b>											
Elective	9,606	866	958	92	9,606	9,584	-22	30	-2	15	-131
Day Cases	15,759	1,433	1,867	434	15,759	19,113	3,354	368	282	164	271
Non Elective	69,659	6,241	5,435	-807	69,659	66,578	-3,081	-270	-459	-679	-33
Non Elective Threshold	-313	-27	-35	-8	-313	-466	-153	161	-1	3	63
Readmissions	-1,593	-144	-179	-34	-1,593	-2,145	-553	86	-270	-30	-47
Out Patients	42,176	3,786	3,836	50	42,176	43,450	1,275	375	377	290	-2
A&E	10,628	910	1,031	121	10,628	10,799	171	0	-73	11	145
Critical Care	9,175	816	755	-60	9,175	8,883	-292	-182	-103	1	-111
Direct Access	7,279	664	770	105	7,279	7,621	341	20	38	38	76
High Cost Drugs	6,356	584	584	0	6,356	6,356	0	0	0	0	0
Other	4,892	444	678	234	4,892	5,815	923	12	141	-9	25
CQUIN	1,929	201	303	102	1,929	2,286	357	18	37	126	0
<b>SLA Income</b>	<b>175,552</b>	<b>15,774</b>	<b>16,002</b>	<b>228</b>	<b>175,552</b>	<b>177,873</b>	<b>2,321</b>	<b>616</b>	<b>-35</b>	<b>-69</b>	<b>256</b>

# Reconciliation of PCT contract to SLA Income per Ledger

Income	Annual Plan £000's	Plan £000's	In Month Actual £000's	Var £000's	Plan £000's	Outturn Actual £000's	Variance £000's	Month 8 Variance £000's	Month 9 Variance £000's	Month 10 Variance £000's	Month 11 Variance £000's
<b>SLA Income</b>											
PCT Contract	170,231	15,157	16,002	845	170,231	177,873	7,642	1,252	472	562	822
Growth	2,042	202	0	-202	2,042	0	-2,042	-202	-176	-190	-180
Demand Management	2,387	328	0	-328	2,387	0	-2,387	-313	-266	-305	-300
Additional High Cost Drugs	893	87	0	-87	893	0	-893	-121	-65	-136	-86
<b>SLA Income per Ledger</b>	<b>175,552</b>	<b>15,774</b>	<b>16,002</b>	<b>228</b>	<b>175,552</b>	<b>177,873</b>	<b>2,321</b>	<b>616</b>	<b>-35</b>	<b>-69</b>	<b>256</b>

## SLA Activity

Income	Annual Plan	In Month Plan	FCE's \ Actual	Attendances Variance	Outturn Plan	FCE's \ Actual	Attendances Variance	Month 8 Variance	Month 9 Variance	Month 10 Variance	Month 11 Variance
<b>SLA Activity</b>											
Elective	4,642	420	401	-19	4,642	4,432	-210	-24	-45	-22	-17
Day Cases	18,946	1,711	1,893	182	18,946	21,876	2,930	315	252	249	295
Non Elective	53,238	4,758	4,576	-182	53,238	52,292	-946	12	-231	-361	35
Out Patients	387,336	34,708	34,145	-563	387,336	397,722	10,386	2,567	2,738	2,565	986
A&E	111,574	9,555	11,007	1,452	111,574	111,792	218	26	-588	-313	115
Critical Care	9,254	812	929	117	9,254	9,179	-75	-128	-45	-84	71
Direct Access	2,313,338	211,138	211,832	694	2,313,338	2,397,969	84,631	16,386	3,311	18,958	29,752
Other	1,899	173	127	-46	1,899	2,987	1,088	269	187	265	137

## COMMENTARY

Income overall is £0.4m above plan in month and within this PCT patient care income is £0.2m above the Trust's plan, partially offset by underperformance on RTAs and private patient income. Other operating income was £0.3m above plan in March.

- The April to January income positions are now 'frozen' with 'flex' data available for February activity and March's income based on coded data input at the end of the month with the remainder of the income position being estimated. Highlights of the Trust's SLA performance are as follows:
  - Non elective income is adverse by £0.8m in month predominately in relation to general medicine but also within general surgery.
  - Elective income is favourable by £0.1m in month within Surgery and Critical Care.
  - Day case income overperformance was seen across all divisions in month, in particular within pain management, trauma and orthopaedics and clinical haematology (£0.4m).
  - A&E attendances are above planned levels in March resulting in a favourable income position (£0.1m).
  - Direct access income is favourable in month, with in particular increased activity in chemical pathology, cytology gynae and haematology (£0.1m).
  - Re-admissions reduction targets and CQUINS targets have been devolved to divisions.
    - For CQUINS, performance of 90% achievement for the year has been reflected in the figures (an in month £0.1m favourable position).
    - The calculation of the re-admissions reduction penalty is based on the quarter 1 and 2 PCT data, which includes the impact of cross-provider activity. The mechanisms applied in calculating readmissions penalties reflect the agreed methodology used for quarter 1 'soft close'.
  - Contract penalties have been estimated and applied to the income figures. Outturn PoLCE is £59k favourable with Day case to outpatient £146k adverse and outpatient first to follow up being £153k favourable.
  - The Trust as at month 12 overperformed against the agreed SLA value by £7.6m for the year, after adjusting for estimated penalties for the key performance indicators and the overperformance invoices have been paid. Year end agreements have been concluded with Surrey and SWL Cluster commissioners and incorporated into the position. All other commissioners are based on outturn activity.
- Other income was £0.3m above plan in month with improved positions on provider to provider contracts and also a donation from Charitable Trust funds for capital expenditure on the simulation suite.

## SECTION 4: PAY COSTS

### Costs

Pay Summary	Annual	Plan	In Month	Variance	Plan	Outturn	Variance	Month 8	Month 9	Month 10	Month 11
	Plan £000's	£000's	Actual £000's	£000's	£000's	Actual £000's	£000's	Variance £000's	Variance £000's	Variance £000's	Variance £000's
Medical & Dental	-37,350	-4,403	-4,511	-108	-37,350	-38,251	-900	-68	-33	-68	23
Nursing & Midwifery	-44,862	-3,864	-3,902	-38	-44,862	-45,585	-723	-163	-38	74	-87
AHP	-6,620	-583	-585	-2	-6,620	-6,684	-64	-13	19	6	5
Scientific, Professional & Tech	-12,538	-1,039	-1,034	5	-12,538	-12,317	221	-9	30	27	37
Directors & Managers	-9,667	-881	-770	111	-9,667	-9,726	-59	18	29	-4	-15
Admin & Clerical	-14,595	-1,216	-1,376	-160	-14,595	-14,797	-201	-45	35	-38	-19
Support Staff	-814	-74	-74	0	-814	-748	67	9	9	4	10
Maintenance	-1,115	-93	-95	-2	-1,115	-1,107	8	-1	6	6	9
<b>Total Pay before Central Budgets</b>	<b>-127,563</b>	<b>-12,152</b>	<b>-12,347</b>	<b>-196</b>	<b>-127,563</b>	<b>-129,215</b>	<b>-1,652</b>	<b>-272</b>	<b>56</b>	<b>7</b>	<b>-38</b>
Central Budgets	-553	-261	-125	136	-553	-125	428	6	6	120	117
CIPS Re-profiled	711	0	0	0	711	0	-711	0	0	0	0
CIPS Awaiting allocation	598	97	0	-97	598	0	-598	-27	-64	-98	-98
<b>Total Pay</b>	<b>-126,807</b>	<b>-12,315</b>	<b>-12,472</b>	<b>-157</b>	<b>-126,807</b>	<b>-129,340</b>	<b>-2,533</b>	<b>-293</b>	<b>-2</b>	<b>29</b>	<b>-18</b>

### COMMENTARY

Pay costs were £0.2m above plan in-month, a deterioration from February. The total pay cost can be analysed as 88% in-post, 6% agency and 6% bank, a 1% shift from bank to in-post from last month.

The key points to note are:

- Medical costs are adverse in month, a worsening from February. This is due to overspends for maternity leave cover in paediatrics, additional locum costs in orthopaedics and agency costs to cover vacancies in medicine, together with the costs of flexible trainees (the latter offset by £17k of income from the Deanery). Additional costs were also incurred for extra consultant sessions in anaesthetics and pain management.
- Nursing pay costs were adverse to plan, but showed an improvement from the previous month. Within the Medicine and Emergency Care division, nursing costs were favourable overall with the AAU and A&E having improved significantly, coupled with the impact of savings from the non opening of winter ward, partially offset by the medical wards due to agency and bank usage. Surgery and Critical Care continued to overspend in month within orthopaedic nursing, together with the Midwifery teams as a result of 17.63wte midwives are on maternity leave and a further 3.56wte on long term sick.
- Admin and clerical staff overspend includes continuing pressures within the patient access team and health records (the latter offset by additional income).
- Within the overall year end pay variance £630k is attributable to underachievement of CIPs (of which £711k relates to the re-profiling of Surgery & Critical Care CIP).

## SECTION 5: NON-PAY

Non Pay	Annual	In Month			Outturn			Month 8	Month 9	Month 10	Month 11
	Plan £000's	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's	Variance £000's	Variance £000's	Variance £000's	Variance £000's
Clinical Supplies & Services	-15,011	-1,206	-1,899	-693	-15,011	-17,659	-2,648	-274	-7	-311	-318
Drugs	-6,308	-533	-478	55	-6,308	-6,186	122	-28	4	-12	79
High Cost Drugs	-6,356	-584	-584	0	-6,356	-6,356	0	0	0	0	0
Transport	-761	-63	-40	24	-761	-1,005	-244	-23	-6	-40	-113
<b>Variable</b>	<b>-28,436</b>	<b>-2,386</b>	<b>-3,001</b>	<b>-614</b>	<b>-28,436</b>	<b>-31,206</b>	<b>-2,770</b>	<b>-325</b>	<b>-10</b>	<b>-362</b>	<b>-352</b>
Establishment	-2,559	-211	-374	-164	-2,559	-2,950	-391	-56	21	-73	-117
Other	-2,948	-258	-316	-59	-2,948	-3,208	-259	41	0	-5	-12
Premises	-6,972	-624	-759	-136	-6,972	-7,480	-508	-27	24	-97	-63
PFI	-9,206	75	-59	-134	-9,206	-9,009	196	28	0	-6	-1
CNST	-6,654	-554	-554	1	-6,654	-6,652	1	0	0	1	0
<b>Fixed</b>	<b>-28,338</b>	<b>-1,571</b>	<b>-2,062</b>	<b>-491</b>	<b>-28,338</b>	<b>-29,299</b>	<b>-960</b>	<b>-14</b>	<b>45</b>	<b>-180</b>	<b>-193</b>
<b>Non Pay before Central Budgets</b>	<b>-56,774</b>	<b>-3,957</b>	<b>-5,063</b>	<b>-1,106</b>	<b>-56,774</b>	<b>-60,505</b>	<b>-3,731</b>	<b>-339</b>	<b>36</b>	<b>-542</b>	<b>-544</b>
Central Budgets	-2,384	-36	-12	24	-2,384	-2,236	148	0	0	15	98
CIPS Awaiting allocation	140	19	0	-19	140	0	-140	-19	-19	-19	-19
<b>Total Non Pay</b>	<b>-59,018</b>	<b>-3,974</b>	<b>-5,075</b>	<b>-1,101</b>	<b>-59,018</b>	<b>-62,741</b>	<b>-3,723</b>	<b>-358</b>	<b>17</b>	<b>-547</b>	<b>-465</b>

### COMMENTARY

The in month non pay position for March was £1.1m adverse, a deterioration from February. The main points to note are:

- The clinical supplies overspend includes additional costs in relation to outsourcing waiting list initiative work (£275k of costs covered by income), consumables in main theatres and the DSU, and orthopaedic implants within Surgery & Critical care and within Women and Children costs for the egg collection charges for ACU and the maternity scanning services at QMH, together with costs for the purchase of biopsy forceps and also a colposcope. Increased costs for diagnostic reagents and blood products were seen within Ambulatory care.
- Drugs within tariff are favourable in month within medicine in relation to HIV.
- Establishment costs are overspent in month primarily in relation to higher postage costs and costs for project fees in particular in relation to the SWL pathology review.
- The premises cost adverse position reflects overspends on engineering contracts and IT project costs.
- The PFI position is adverse in month due to budget realignment between capital repayments and interest payments following a review of the PFI model.
- Within the overall year end non pay variance £760k is attributable to underachievement of CIPs.

## SECTION 6: COST IMPROVEMENT PROGRAMME

### Results for March 2012

Division	In Month			Outturn		
	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's
Ambulatory Care	170	159	-11	1,627	1,386	-241
Medicine & Emergency Care	314	402	87	3,115	2,688	-428
Surgery & Critical Care	285	255	-29	3,336	3,251	-85
Women & Child Health	214	230	15	2,234	2,191	-43
Commercial Director	3	2	0	33	39	6
Corporate Affairs	23	35	12	272	418	146
Finance	42	79	37	578	614	36
Human Resources	41	40	-1	358	333	-24
IM&T	6	6	0	240	240	0
Medical Director	2	16	14	29	31	3
Nursing Director	5	5	0	56	63	7
Operations	63	59	-4	686	674	-12
<b>Total CIP</b>	<b>1,168</b>	<b>1,289</b>	<b>121</b>	<b>12,564</b>	<b>11,929</b>	<b>-635</b>

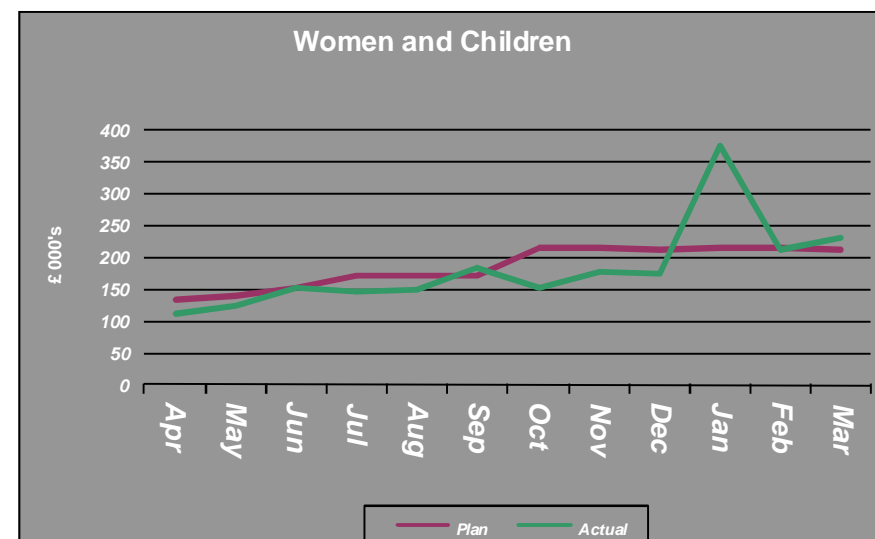
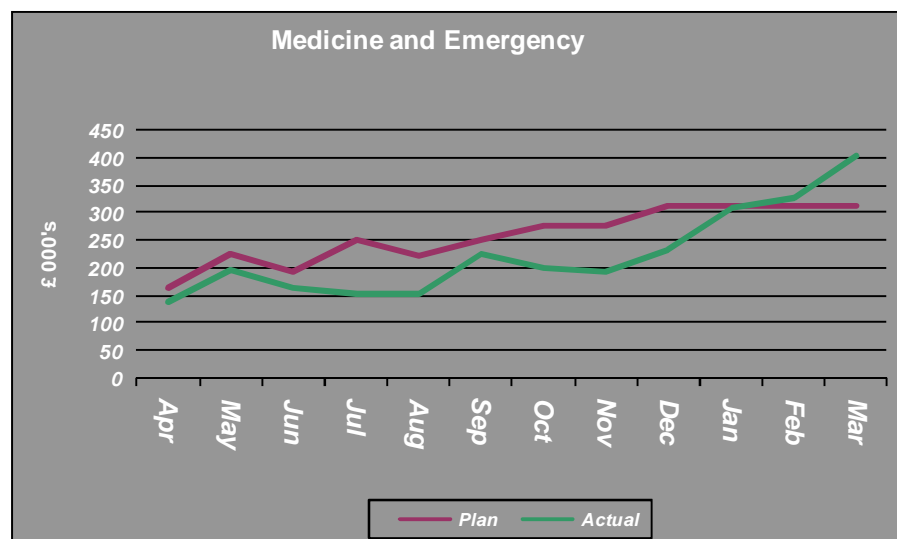
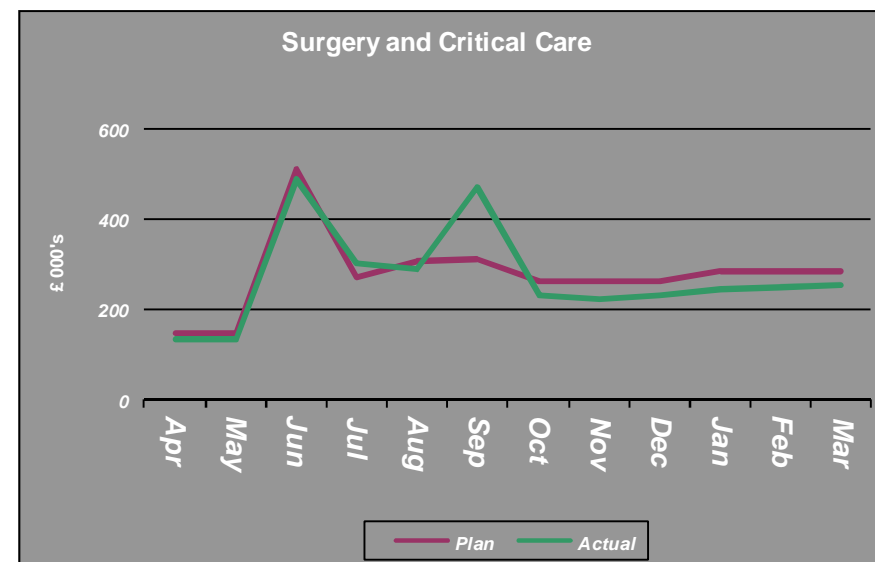
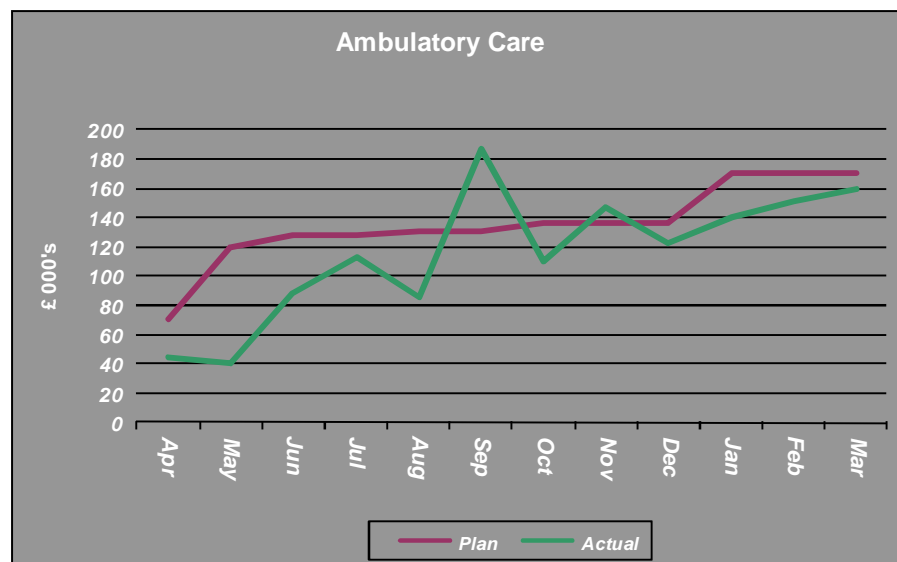
Type	In Month			Outturn		
	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's
QIPP schemes	1,166	1,149	-17	11,495	10,105	-1,390
		98.5%			87.9%	
QIPP schemes - Accelerated	-119	0	119	0	0	0
<b>QIPP</b>	<b>1,047</b>	<b>1,149</b>	<b>102</b>	<b>11,495</b>	<b>10,105</b>	<b>-1,390</b>
		109.7%			87.9%	
Income related schemes	121	140	19	1,069	1,113	44
		115.5%			104.1%	
Income related schemes-Accelerated	0	0	0	0	711	711
<b>Income Generation</b>	<b>121</b>	<b>140</b>	<b>19</b>	<b>1,069</b>	<b>1,824</b>	<b>755</b>
		115.5%			170.6%	
<b>Total CIP</b>	<b>1,168</b>	<b>1,289</b>	<b>121</b>	<b>12,564</b>	<b>11,929</b>	<b>-635</b>
		110.3%			94.9%	

### COMMENTARY

- The Trust has set a CIP target of £12.6m for the year.
- The Trust has set an internal stretch target to re-profile the CIP from that profiled within its Operating Plan. This is discussed further in section 11.
- In-month, the Trust achieved 110% of the target (February YTD: 93.5%) which brings the cumulative position to 95% achievement of plan, giving an outturn financial variance of £0.6m.



## YTD performance – divisional summaries



### Ambulatory Care

- In March, the division achieved 94% of the in month CIP target to give a cumulative under achievement of £241k (15% below plan).
- The in month under-recovery was £11k, which was £11k better than forecast. Pathology recurring £20k and the new Pathology SAP £33k under achievement on the CIP were partially offset by previously identified recovery schemes. In the month due to high reagent cost, scheme five Pathology activity reduction has worsen by £5k and one off £9k payment in lieu cost for a MLA staff has reduced the recovery plan achievement. Therefore an additional recovery scheme in Radiology on M&S contracts in the month was introduced achieving £33k saving. The Pathology on-call scheme has continued to perform better than plan in-month.
- Cumulatively there remain significant under-achievements :
  - *Divisions have not made the required changes to ensure reduced ordering of diagnostic tests although steps have been taken in January by Medicine division for Consultant only CT referrals and defined test order sets available for junior doctors for emergency admissions.*
  - *Plans to benefit from the introduction of new on-call arrangements were optimistic compared to the timetable for their implementation, although recent performance in pathology is encouraging*

### Surgery & Critical Care

- In March, the division achieved 90% of their planned CIPs, with a cumulative under achievement of CIPs of £85k (3% behind plan).
- 24% of the achievement by the division to-date has been through additional income. Part of this income is non-recurrent, although a high level of recurrent income overperformance has also been achieved this year. Both of these factors have been used to calculate the CIP required for next financial year.
- CIPs achievement in the month was an improvement of £10k although it is £10k lower than forecast. The improvement in the month is within the recovery plan where the savings on medical and secretaries were higher than anticipated, however this was offset by the standardising theatres consumables which was only partially achieved while it was forecast to be fully achieved.
- Aside from income, the division has achieved the vast majority of its planned CIPs. The areas of significant slippage are plans for the significant redesign of the patient access and divisional administration teams, orthodontic lab restructure, realising reduction of consultant PA's and agreeing an increased tariff for breast one stop clinic with commissioners.
- The theatre non-pay CIP schemes are £30k behind plan in the month, a slight improvement on last month.

### Medicine & Emergency Care

- In March, the division achieved 128% of planned CIPs, with a cumulative underachievement of £428k (14% below plan).
- The in month position has improved against the forecast for month 12 by 1% and this is mainly due to vacancies being held within the division in addition to the non opening of winter ward.
- In-month contributing adversely to the position are:
  - *Slippage of the inpatient's drug review*
  - *Not being able to reduce the radiology and pathology tests as planned*
  - *Only one private Cardiac Cath Lab activity*
  - *Charging for Pharmacy prescriptions in A&E*
- The significant areas of slippage in year relate to not being able to reduce the number of radiology and pathology tests despite consultant only CT referrals and defined order test sets for junior doctors for emergency admissions. Contributing to this is AAU summer bed closure which could not proceed as planned. An original plan to reduce cardiology beds did not materialise as per the forecast but will be subsumed within a larger recovery scheme for 2012/13.

### Women and Child Health

- In March, the division achieved 107% of the monthly CIP target; with a cumulative underachievement of CIPs of £43k (2% below plan).
- In-month schemes contributing adversely to the position result from:
  - *Slippage in the planned reductions in diagnostic tests. Although there were indications in the beginning of the year that there was a reduction in the ordering of tests more recently there has been an increase in charges from Ambulatory Care for any overperformance above 2010/11 levels.*
  - *Slippage of ACU relocation to Kingston (Notice has now been served and is expected to deliver savings from 1/6/2012).*
  - *Community Notes – additional stationery requirement to collate evidence for CNST has meant that savings not materialised.*
- Cumulatively, the CIP underachievement results mainly from slippage in Community Midwifery provision as well as the need to fund maternity leave for student midwives.
- Plans to change the opening hours of the Jasmine Unit slipped, this scheme linked to the move of the AAU so began in July.

## SECTION 7: STATEMENT OF FINANCIAL POSITION

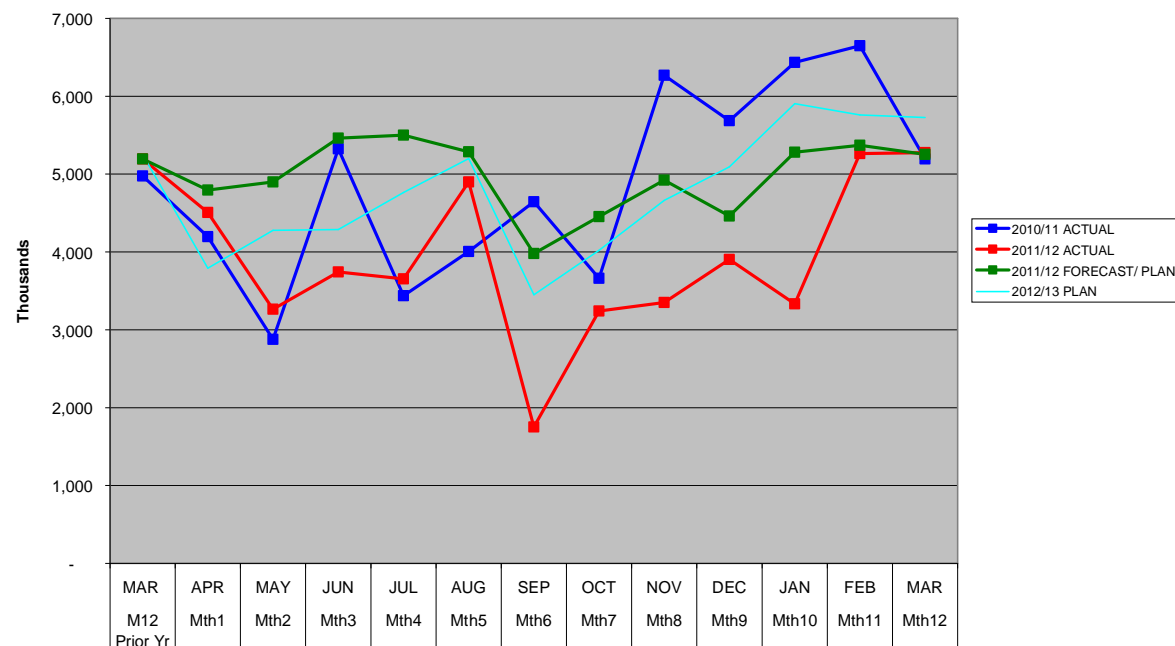
	Opening Balance April 2011 £m	Feb-12 £m	Closing Balance March 2012 £m	Movt in Balances for year £m
<b>NON CURRENT ASSETS:</b>				
Property plant and equipment	116.2	115.6	114.3	(1.9)
Intangible assets	4.8	5.5	6.4	1.6
Other assets	0.3	0.0	0.5	0.2
<b>TOTAL NON CURRENT ASSETS:</b>	<b>121.3</b>	<b>121.1</b>	<b>121.2</b>	<b>(0.1)</b>
<b>CURRENT ASSETS:</b>				
Inventories	1.2	1.2	1.3	0.0
Trade and other receivables	11.3	13.8	10.3	(1.0)
Cash and cash equivalents	5.2	5.3	5.3	0.1
<b>TOTAL CURRENT ASSETS</b>	<b>17.8</b>	<b>20.3</b>	<b>16.8</b>	<b>(0.9)</b>
<b>CURRENT LIABILITIES:</b>				
Trade and other payables	(20.3)	(22.9)	(18.8)	1.5
Borrowings	(1.0)	(1.1)	(0.9)	0.1
Provisions	(0.4)	(0.2)	(1.3)	(0.8)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>117.4</b>	<b>117.2</b>	<b>117.1</b>	<b>(0.3)</b>
<b>NON CURRENT LIABILITIES:</b>				
Borrowings	(33.7)	(32.7)	(33.0)	0.8
Provisions	(1.4)	(1.3)	(1.2)	0.2
<b>TOTAL ASSETS EMPLOYED</b>	<b>82.3</b>	<b>83.1</b>	<b>82.9</b>	<b>0.6</b>
<b>FINANCED BY</b>				
<b>TAXPAYERS EQUITY:</b>				
Public Dividend Capital	57.1	57.1	57.9	0.8
Revaluation reserve	17.7	17.2	14.8	(2.9)
Retained Earnings	7.5	8.9	10.2	2.7
<b>TOTAL TAXPAYERS EQUITY</b>	<b>82.3</b>	<b>83.1</b>	<b>82.9</b>	<b>0.6</b>

### COMMENTARY

- Receivables decreased by £3.8m in month as a result of payment of year end agreement overperformance invoices.
- Payables decreased in month utilising the cash received from the collection of outstanding debts.
- The impact of the asset valuation exercise as at 31 March 2012 is reflected within the closing balances.
- The opening balances for total taxpayers equity has been restated to reflect the change in the 2011-12 Treasury FRm. This abolished the use of Donated Asset and Government Grant reserves. This stated that closing balances from the 2010-11 accounts should instead be reported in the opening balances for the Retained Earnings Reserve or if related to revaluation, the Revaluation Reserve. A national exercise was undertaken in December to collate the data and was actioned as part of month 9 reporting.

## SECTION 8: CASH POSITION

Cashflow Chart 2011/12

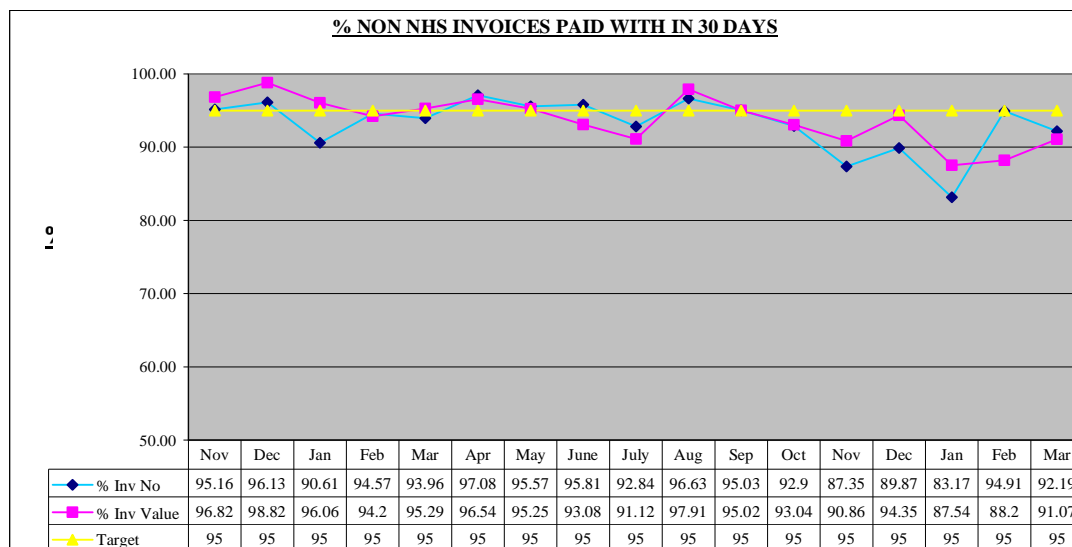


### COMMENTARY

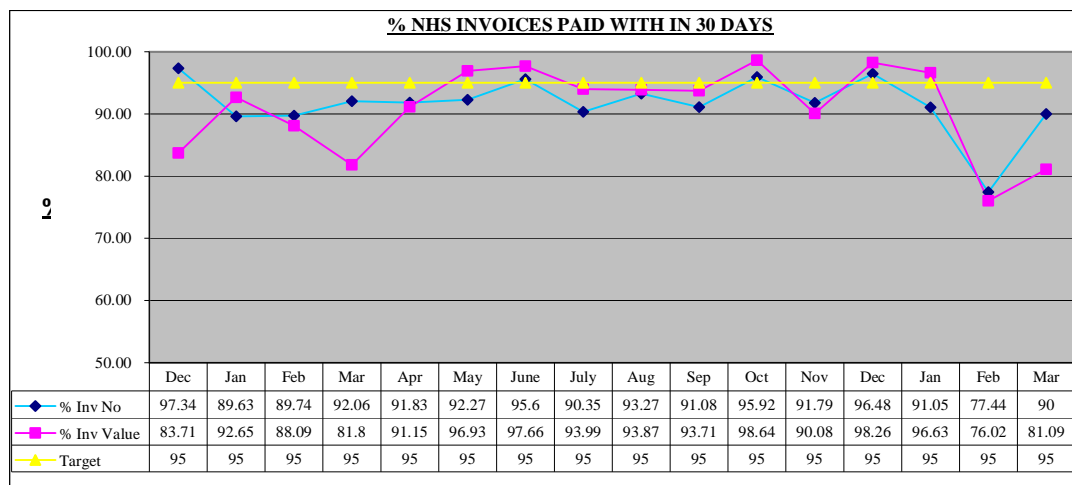
- The cash position remained stable in March with a closing cash balance of £5.3m in line with February. Cash achieved the planned figure of £5.3m, meaning the Trust met its External Financing Limit (EFL), one of the key financial targets.
- Receipt of higher than anticipated outstanding debts lead to increased cash available to increase the level of expenditure payments in month, thus reducing the value of trade creditors.
- The Trust continues to actively chase its debtors and answer queries in a timely manner.

### Analysis of Cash Flow

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
Opening Balance	5,196	4,507	3,266	3,744	3,654	4,900	1,752	3,240	3,351	3,904	3,334	5,263
SLA Income	13,939	13,330	15,419	14,229	15,869	13,731	14,333	14,914	14,547	14,270	15,946	17,985
Other Income	3,848	2,544	1,942	2,653	3,325	2,874	3,030	2,829	2,933	3,014	2,172	5,360
Creditor Payments	-8,204	-6,820	-6,687	-6,672	-7,868	-8,106	-5,584	-7,489	-6,862	-7,797	-6,053	-12,148
Payroll	-10,107	-10,155	-10,115	-10,125	-10,028	-10,097	-10,089	-10,044	-10,011	-9,964	-9,982	-10,007
Other Payments	-165	-140	-81	-175	-52	-132	-201	-99	-54	-93	-154	-
PDC	0	0	0	0	0	-1,418	0	0	0	0	0	-1,176
Closing Balance	4,507	3,266	3,744	3,654	4,900	1,752	3,240	3,351	3,904	3,334	5,263	5,277

**BBPC Report Month 12 2011/12****COMMENTARY**

- Non NHS and NHS by volume and value missed the target of 95% in month and are below target for the year. All BBPC measures have achieved between 91% and 93% cumulatively for the year.
- Late authorisation of invoices by budget holders has led to the deterioration in the position in month.
- Further improvement is required in terms of timely authorisation of invoices.

**2010/11 M11**

Non-NHS	94.57	Volume
	94.20	Value
NHS Invoices	89.74	Volume
	88.09	Value

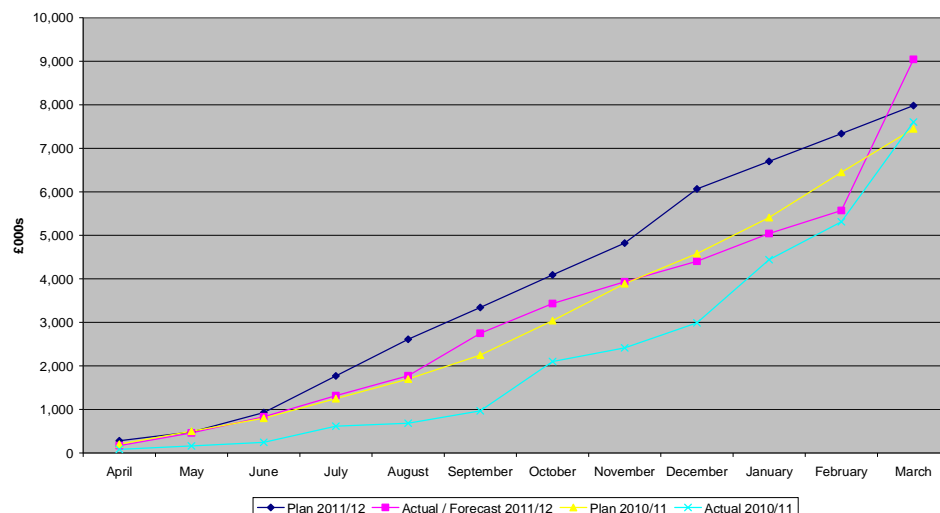
**2011/12 M11**

Non-NHS	92.19	Volume
	91.07	Value
NHS Invoices	90.00	Volume
	81.50	Value

## SECTION 9: CAPITAL

	Annual Plan £'000	Adjusted Annual Plan £'000	Outturn £'000	Variance to Plan £'000
<b>ESTATES TOTAL</b>	4,153	4,153	4,673	(520)
<b>EQUIPMENT TOTAL</b>	1,080	1,880	1,717	163
<b>IT TOTAL</b>	2,755	2,755	2,625	130
<b>ADJUSTMENTS</b>				
2010/11 Schemes	-	-	81	(81)
Disposals	-	-	(48)	48
Net Scheme Slippage	(8)	(8)	-	(8)
<b>ADJUSTMENTS TOTAL</b>	(8)	(8)	33	(41)
<b>TOTAL CAPITAL PROGRAMME</b>	7,980	8,780	9,048	(268)
<b>Donation for Maple Nursery</b>	(480)	(480)	(500)	20
<b>Other Charitable Fund Donations</b>	-	-	(90)	90
<b>Mortuary Fridges Contribution</b>	-	-	(160)	160
<b>CAPITAL RESOURCE LIMIT</b>	7,500	8,300	8,298	2

Cumulative Capital Position Against Plan



### COMMENTARY

- The Trust's planned CRL for 2011/12 is £7.5m. The initial capital programme totals £7.98m which includes a donation from the Trust's charitable funds for the expenditure in relation to the development of the Maple Unit Nursery.
- Additional CRL £800k was awarded to the Trust as part of the winter access initiative, increasing the total CRL to £8.3m. Additional in year donations and contributions increased the overall available level of capital spend to £9.05m.
- The capital investment committee has closely monitored the capital programme during the year. The position was monitored on a daily basis during March to ensure achievement of the CRL.
- Outturn expenditure totalled £9.0m, which after donations and other contributions gives a charge of £8.3m against the final CRL of £8.3m. The Trust therefore achieved this key financial target.

## SECTION 10: FINANCIAL RISK RATING (FRR)

### Metrics

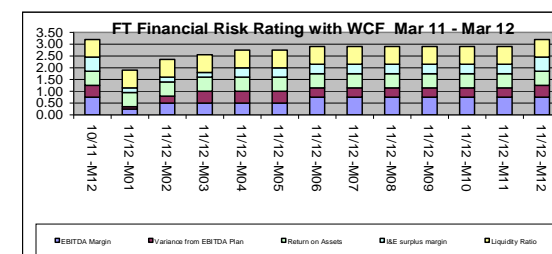
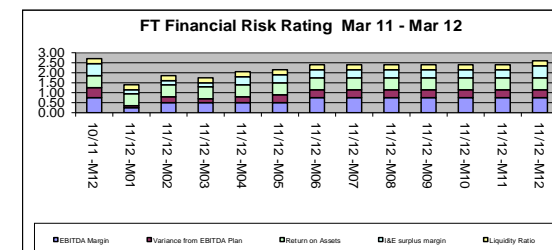
EBITDA margin  
EBITDA, % achvd  
ROA  
I&E surplus margin  
Liquidity ratio

Weight	1	2	3	4	5
25%	0	1%	5%	9%	11%
10%	0	50%	70%	85%	100%
20.0%	< -2%	-2%	3%	5%	6%
20.0%	-6%	-2%	1%	2%	3%
25.0%	-20	10	15	25	60
100%					

	10/11	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12
Heading	M12	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
EBITDA Margin	7.0%	-1.0%	1.3%	3.1%	4.0%	4.5%	5.0%	5.5%	5.9%	5.9%	6.1%	6.1%	7.4%
EBITDA, % achieved	102.4%	-186.7%	70.4%	102.6%	104.1%	113.0%	99.9%	98.5%	96.7%	95.6%	92.7%	94.8%	99.9%
Return on Assets	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
I&E surplus margin	1.0%	-7.7%	-4.9%	-3.0%	-2.0%	-1.5%	-0.9%	-0.4%	0.1%	0.1%	0.4%	0.5%	1.0%
Liquidity Ratio	-10.2%	-9.7%	-10.2%	-10.2%	-10.3%	-9.3%	-9.9%	-9.4%	-8.3%	-8.4%	-7.6%	-7.6%	-8.0%

	10/11	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12
Heading	M12	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
EBITDA Margin	3	1	2	2	2	2	3	3	3	3	3	3	3
EBITDA, % achieved	5	1	3	5	5	5	4	4	4	4	4	4	5
Return on Assets	3	3	3	3	3	3	3	3	3	3	3	3	3
I&E surplus margin	3	1	1	1	2	2	2	2	2	2	2	2	3
Liquidity Ratio (see comments below)	1	1	1	1	1	1	1	1	1	1	1	1	1

	10/11	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12	11/12
Heading	M12	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
EBITDA Margin	0.75	0.25	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75
EBITDA, % achieved	0.50	0.10	0.30	0.50	0.50	0.50	0.40	0.40	0.40	0.40	0.40	0.40	0.50
Return on Assets	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
I&E surplus margin	0.60	0.20	0.20	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.60
Liquidity Ratio	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	2.70	1.40	1.85	2.05	2.25	2.25	2.40	2.40	2.40	2.40	2.40	2.40	2.70
FRR	3.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00



### COMMENTARY

- At the end of 2010/11 the Trust was rated as 3. This fell to a 1 during month 1 of 2011/12 due to the impact of the planned deficit but has risen to a 2 as a result of moving to a cumulative surplus EBITDA.
- The Trust has ended the financial year with an overall rating of 3 at year end, once rounding is applied, as planned.
- The headings reflect the metrics used by Monitor for FTs. However, the Trust's liquidity ratio will always appear low, as if the Trust was an FT it would have access to a working capital facility which improves the liquidity ratio. By adjusting for such a working capital facility, the Trust's FRR would increase to 3.2, which with rounding would give an overall 3 at month 12 (as illustrated graphically above).

## SECTION 11: TECHNICAL ADJUSTMENTS

### The impact of accounting changes made in March (Month 12)

	Original Position £k	Remove demand management £k	After Demand management removal £k	Re-phase Surgery CIP £k	Neutralise YTD High Cost Drugs Variance £k	Gross up of pay recharges to other public bodies £k	PFI realignment of interest and capital payments £k	Reported Variance £k
Income	2,835	(328)	2,507		87	(2,204)		390
Expenditure	(1,311)	328	(983)	119	(87)	2,204	(909)	344
EBITDA	1,524	0	1,524	119	0	0	(909)	733
Depreciation	32	0	32	0				32
Impairments	(615)		(615)					(615)
Interest/PDC	(936)	0	(936)	0			909	(27)
	5	0	5	119	0	0	0	124

#### COMMENTARY

The Trust undertook a number of technical adjustments in relation to its financial reporting at month 3, the impact of which continues in month 12. These relate to re-profiling of the unidentified element of the savings programme within the Surgery & Critical Care Division and to PCT demand management schemes and are outlined in more detail below.

- In order to align the unidentified element of the savings programme within the Surgery & Critical Care Division (profiled in months 7-12) with the impact of additional non-recurrent income from the waiting list activity (happening now), the Trust has decided to internally re-profile these unidentified savings targets (i.e. bring them forward) within the Division to ensure the financial position is not favourably overstated in the early months of the financial year.
- As part of the Operating Plan, PCT demand management schemes were removed from our contract and removed from divisional activity/income targets. The Trust also held centrally a £2.4m marginal cost reduction target. At month 3 the Trust reinstated £2.4m income that has been removed from divisional income targets and used this to offset the £2.4m cost reduction target. If the demand management activity reductions do occur, then further cost reductions will be required within divisions to negate any income shortfall.

In month 4 the Trust adjusted income and expenditure budgets to reflect actual levels of pass through high cost drugs which impacted on the in month position. This was actioned to avoid confusion as to the underlying income and expenditure positions for divisions. An in month budget adjustment will be made each month to neutralise any movement on high cost drugs, this will have no impact on the bottom line position of the divisions.

In month 12 the Trust adjusted income and expenditure budgets to reflect the grossing up of pay recharges to other NHS and public sector bodies (as now required as part of the year end accounts process), in order that divisional and directorate positions were not distorted by this technical change. In addition an adjustment was made to realign PFI costs between capital and interest payments so that the EBITDA position was not overstated.



## SECTION 12: DH/NHS LONDON OUTTURN POSITION

Income & Expenditure	Annual Plan £000's	Outturn £000's	Variance £000's
Income - Patient Care Activities	177,991	180,641	2,650
-Other	22,938	23,885	946
<b>Income</b>	<b>200,929</b>	<b>204,525</b>	<b>3,596</b>
Expenditure - Pay	-126,807	-129,607	-2,800
- Non Pay	-59,018	-59,828	-810
<b>Expenditure</b>	<b>-185,824</b>	<b>-189,434</b>	<b>-3,610</b>
<b>EBITDA</b>	<b>15,105</b>	<b>15,091</b>	<b>-14</b>
Depreciation\Disposals\Impairments	-7,091	-7,178	-87
Interest	-3,226	-3,320	-94
Dividend Payable	-2,737	-2,527	210
<b>Total I&amp;E (Retained Surplus/(Deficit) for the Year)</b>	<b>2,051</b>	<b>2,066</b>	<b>15</b>
Total impairments impacting on the Operating Position	0	615	615
<b>Retained Surplus/(Deficit) for the Year before Impairments</b>	<b>2,051</b>	<b>2,681</b>	<b>630</b>
Value of net change from UK GAAP / ESA95 to IFRS for IFRIC12 schemes included in retained surplus/(deficit) for the year excluding impairments	480	710	230
Adjustments in respect of donated/government grant asset reserve elimination	0	-207	-207
<b>Adjusted Retained Surplus/(Deficit) for the Year (ie Operating Surplus/(Deficit))</b>	<b>2,531</b>	<b>3,184</b>	<b>653</b>

### COMMENTARY

- At month 12 the Trust achieved a £2,066k surplus in line with its planned Retained Surplus.
- For DH/SHA monitoring purposes the Trust's performance is measured against the Adjusted Retained Surplus position.
- The Trust has undertaken an asset valuation in line with IFRS as at 31st March 2012 and this has been reflected in the position, which has resulted in an impairment of £615k. Adjustments have also been made for the impact of the IFRS on the PFI of £710k (which is higher than planned following a review of the PFI model) and also the new adjustment for 2011/12 regarding the impact of the removal of donated assets and government grant reserves. The latter is an adverse impact of £207k as a result of charitable funds income received exceeding the depreciation charge for the Trust's donated assets.
- The Adjusted Retained Surplus now shows a surplus of £3,184k, a favourable variance of £653k against the DH/SHA monitoring position.