

Report to:	Public Trust Board	Agenda item:	10 (ii)
Date of Meeting:	9 February 2011		

Title of Report:	Finance report
Status:	Discussion
Board Sponsor:	Catherine Phillips, Director of Finance
Author:	Beverley Goddard, Deputy Director of Finance
Appendices	<ol style="list-style-type: none"> 1 Income & expenditure summary as at 31st January 2011 2 Savings position as at 31st January 2011 3 Balance Sheet as at 31st January 2011 4 Cash flow as at 31st January 2011 5 Capital programme as at 31st January 2011 6 Financial risks 2010/11 7 Indicative financial risk rating 2010/11

1. Purpose of Report (Including link to objectives)

The purpose of this report is to set out the Trust's financial performance for the period to 31st January 2011, including:

- Income and expenditure;
- Savings plans;
- Capital expenditure;
- Financial risks.

This report is linked to the Trust's priority objective for 2010/11 of improving value for money and the key standard of delivering financial balance.

2. Summary of Key Issues for Discussion

This report details the current and forecast performance against each of the Trust's main financial duties and the key risks and assumptions in the delivery of those financial targets, and includes recommendations where further action is required.

3. Recommendations (Note, Approve, Discuss etc)

The Board should note the Trust's financial forecasts including the change to the planned surplus (see section 1). **Action: All**

The Board should note the basis of the Trust's income for January 2011 (based on activity for the nine months to December 2010), and the over-performance against plan year to date relating to the Trust's eighteen week recovery plan (see section 2.2). **Action: All**

The Board should note that the deficit year to date is mainly generated by unachieved

savings and non-pay expenditure, but pay expenditure is also increasing (see section 2.3 and 2.4). **Action: All**

Savings plans need to be fully identified and implemented (sections 2.4). **Action – Divisions/Director of Operations**

The Board should note the forecast for capital expenditure, which includes additional funding from the Department of Health (section 3). **Action – All**

To understand the key risks and the actions being taken to mitigate them (section 4). **Action – All.**

4. Care Quality Commission Regulations (which apply)

Care Quality Commission Regulation 13: Financial position
‘People can be confident that the provider has the financial resources needed to provide safe and appropriate services.’

5. Legal / Regulatory Implications (NHSLA / ALE etc)

ALE implications: all themes (Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money)

6. Risk (Threats or opportunities link to risk on register etc)

See section 5: ‘Financial Risks’

7. Resources Implications (Financial / staffing)

Not applicable

8. Equality and Diversity

Not applicable

9. Communication

Not applicable

10. References to previous reports

Standing item

11. Freedom of Information

Public

**The Trust's Financial Performance as at 31st January 2011
(Month 10 2010/11)**

1 Summary Performance – Financial Duties

1.1 The table below summarises the current and forecast performance against the financial duties of the Trust.

Financial Duties	Target	Current Performance	Forecast Outturn
Balancing Income & Expenditure in year	0	£0.9m deficit	Break even
Meeting the planned surplus	+£4.2m	See sections 1 & 2	+4.2m
Achieving the External Financing Limit	-£8.4m	On target	-£8.4m
Achieve the Capital Resource Limit	+£12.6m	See section 3	+£12.6m
In addition the Trust has subsidiary duties:			
Capital Cost Absorption Rate	3.5%	On target	3.5%
Better Payments Practice Code – number of invoices (non NHS)	95%	95%	95%
Better Payments Practice Code – value of invoices (non NHS)	95%	91%	90%

1.2 The Trust is forecasting breakeven against its planned budget in 2010/11.

1.3 This will enable the Trust to meet its control total of £4.2m surplus, as agreed with NHS South West.

1.4 The Trust's control total has been revised following a review of the Trust's outstanding legacy debt by NHS South West and the Department of Health.

1.5 The Trust will pay its loan repayment as planned for the year but the surplus necessary to achieve this has been reassessed as £4.2m. The reassessment was based on the Trust's balance sheet and the impact of impairments in previous years on the Trust's income and expenditure reserve.

1.6 This technical adjustment to the Trust's control total does not detract from the Trust's requirement to break-even against its planned budget in 2010/11, nor does it increase the budget available to the Trust in year.

1.7 The External Financing Limit will be achieved through the management of cash and working balances, and the planned repayment of the loan.

- 1.8 The Trust will comply with its Capital Resource Limit (see section 3).
- 1.9 The Trust's Capital Cost Absorption rate (CCA) will be 3.5% in 2010/11.
- 1.10 The Trust is planning to maintain its Better Payment Practice Code performance in 2010/11, and is working to achieving the targets for the year.

2. Income and Expenditure

2.1 The Trust has a deficit against its planned budgets for the year to date of £0.9m as shown in Appendix 1.

2.2 Income and Activity

- 2.2.1 The Trust's planned income (as shown in Appendix 1) is based on the income and activity contract signed with its commissioners on 17th May 2010.
- 2.2.2 The actual income shown in Appendix 1 is based on the Trust's performance for the nine months to 31st December 2010, as income figures for January were not available at the time of writing.
- 2.2.3 This shows that the Trust's activity-related income has exceeded its plan in the year to date by £2.6m, particularly for elective inpatient and day case work.
- 2.2.4 The Trust is anticipating payment for elective work undertaken under the terms of the signed contract as part of the eighteen-week recovery plan, whilst working with its commissioners to understand and manage the impact of further activity increases.
- 2.2.5 The level of over-performance against plan has meant that the Trust has been unable to disinvest from operational areas as intended; this cost equates to £1.6m for the year to date and has been recognised in the expenditure position as set out below (see section 2.3).

2.3 Expenditure

- 2.3.1 The Trust has an adverse variance against plan of £0.9 m as at 31st January 2011.
- 2.3.2 This variance comprises the net impact of additional income and disinvestment foregone, unmet savings, and expenditure excesses as follows:

	£m
Income over-performance (see section 2.2)	-2.6
Disinvestment not achieved	1.6
Savings unachieved	1.6
Pay overspends	0.2
Non pay overspends	1.3
Other income received	-0.4
Depreciation (less than planned)	-0.8
Financial position as at 31st January 2011	0.9

2.3.3 The overspend against the planned expenditure budget of £4.7m (including disinvestment) is summarised in the table below:

Key expenditure variances - ten months to January 2011	Budget – Planned Expenditure £m	Actual Expenditure £m	Variance to plan January 2011 £m
Pay			
Medical staff establishment	33.8	33.1	-0.8
Locum doctors & waiting list initiatives	0.5	1.8	1.3
Medical staff savings unmet	-0.2	0.0	0.2
Nursing establishment	37.9	35.7	-2.2
Nurse bank	0.4	3.2	2.8
Agency nursing	0.0	0.4	0.4
Nursing savings unmet	-0.1	0.0	0.1
Other pay costs	40.3	39.0	-1.3
Other pay savings	-0.1	0.0	0.1
Total pay variances			0.6
Non pay expenditure			
General non pay	48.6	49.9	1.2
Non pay savings unmet	-1.2	0.0	1.2
Disinvestment foregone	-1.6	0.0	1.6
Total variance to divisional plans			4.7

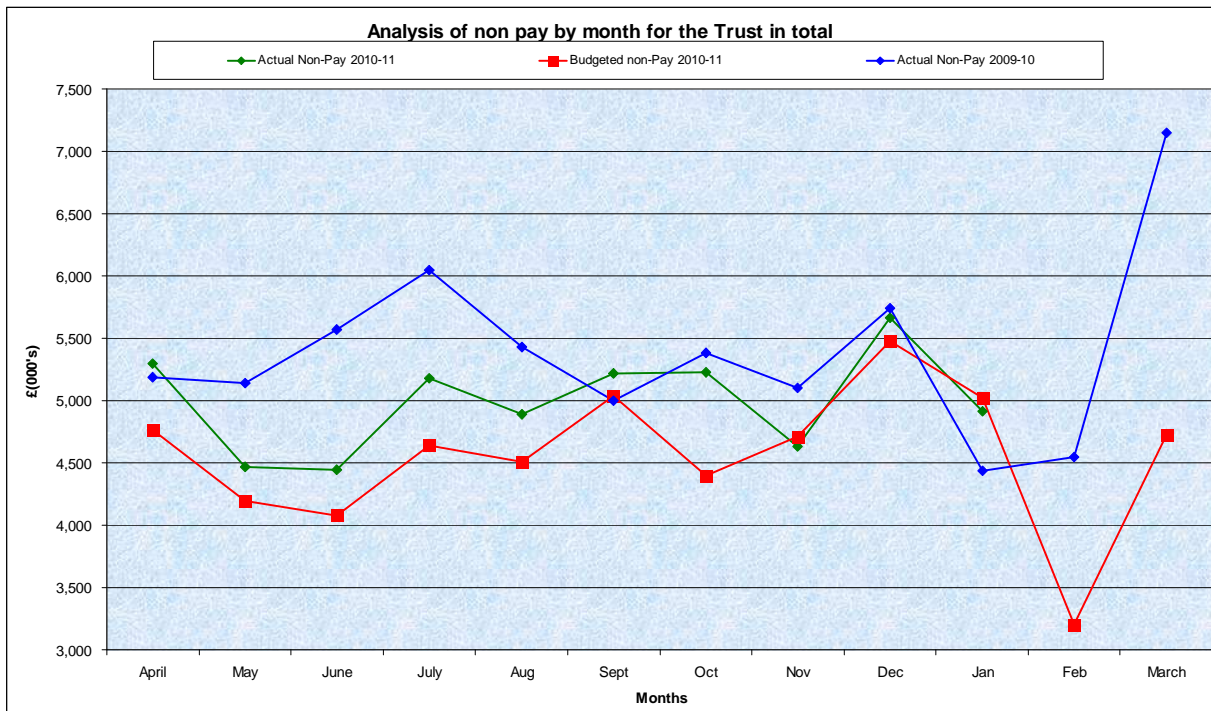
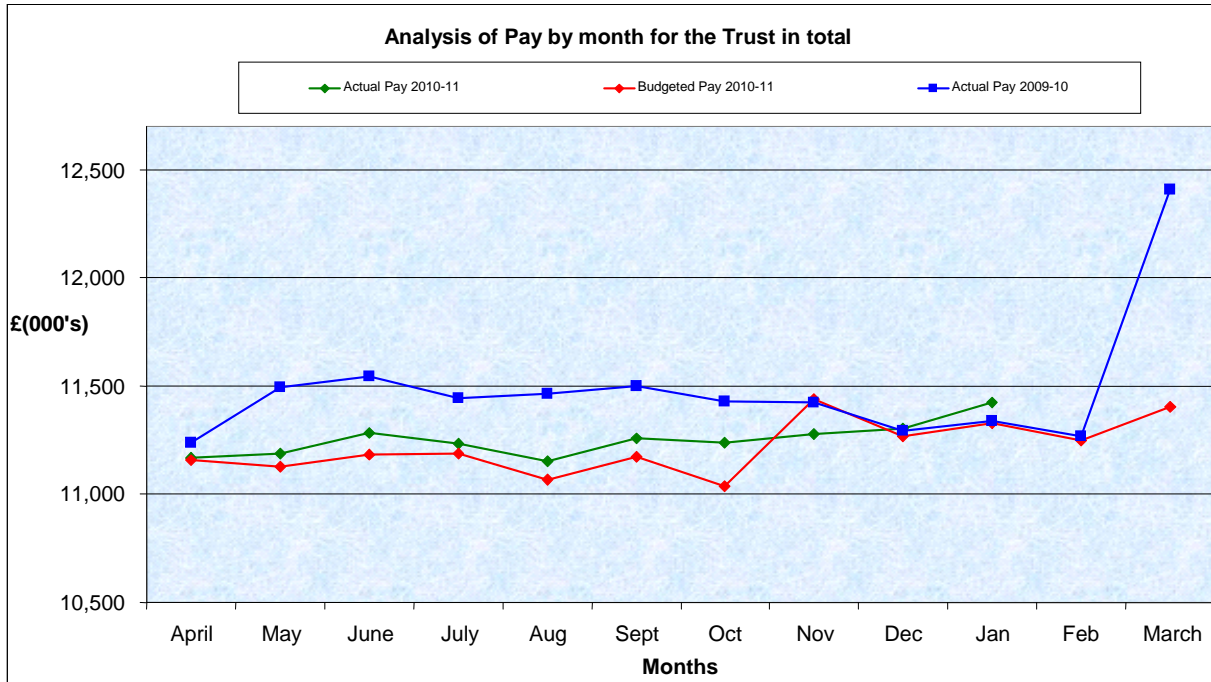
2.3.4 Unmet savings have been allocated to staff group or non pay category, and total £1.6m for the year to date (staffing £0.4m; non pay £1.2m).

2.3.5 There are other variances in pay and non pay; the most significant of these are:

2.3.6 Non pay - Medical & surgical consumables (£0.6m year to date) and prosthesis (£0.2m).

2.3.7 Pay - Nursing staff (£1.0m year to date) and medical staffing (£0.6m) which are offset in part by reduced expenditure on other staff groups.

2.3.8 The performance against budget for the year to date, compared to expenditure in 2009/10, is shown in the charts below:



2.3.9 All expenditure that exceeds planned budgets is investigated and monitored as part of the Trust’s performance regime, and remedial actions are put into place to re-gain financial control.

2.3.10 Actions to control expenditure must be sustained and extended to ensure that the Trust maintains financial stability in 2010/11.

2.4 Savings 2010/11

2.4.1 The Trust had an initial savings requirement of £11m for the financial year and is projecting to achieve this target through recurrent cash savings.

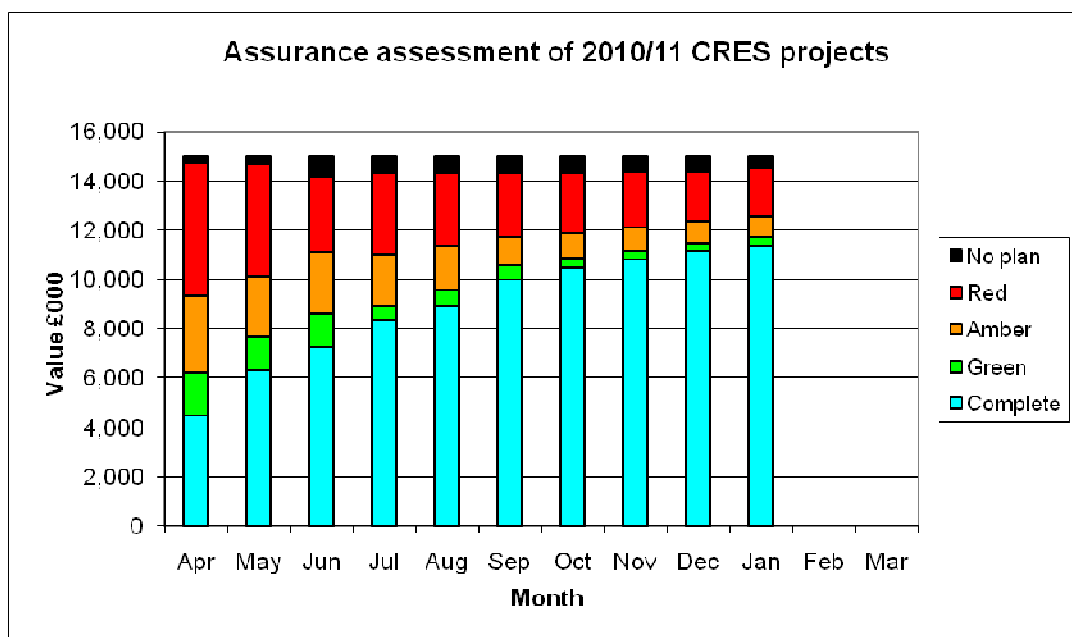
2.4.2 A further £2.4m savings were met non-recurrently in 2009/10 and have therefore been brought forward to 2010/11.

2.4.3 In order to ensure that savings are achieved in 2010/11 in full, additional ‘stretch’ plans have been identified of £1.5m.

2.4.4 The Trust is therefore aiming for a total savings target of £15m. Appendix 2 details the progress to date against the Trust’s savings plans for 2010/11.

2.4.5 The Trust planned to make savings of £12.3m year to date, and achieved £10.7m of this target. There are unachieved savings of £1.6m at 31st January 2011 which have contributed to the Trust’s adverse financial position in year.

2.4.6 The Trust has risk assessed its savings throughout the year and the changing risk profile is shown in the following graph:



2.4.7 Divisions must ensure that all savings plans are fully identified and implemented. Plans will be monitored through the financial performance review process to ensure that they are being delivered.

2.5 Forecast outturn 2010/11

2.5.1 The Trust is forecasting that it will manage its income and expenditure within its planned budgets in order to generate the £4.2m surplus required to make its loan repayment in 2010/11 (see section 1 for the change in target surplus).

2.5.2 The main risks to the forecast outturn year to date are unmet savings (see 2.4 above) and divisional cost control, in both pay & non-pay (see 2.3 above).

2.5.3 The Trust's savings plans for the year include 'stretch' targets which should mitigate the unmet savings year to date.

2.5.4 Expenditure must be carefully controlled and kept within budgets, including the additional costs of meeting targets such as waiting times.

2.5.5 The Trust's activity and income contract for 2010/11 includes provisions for reimbursement for additional activity.

2.5.6 The Trust, however, is planning that it will work with commissioners to manage the flow of activity, and therefore additional income above plan should not form part of the Trust's forecast outturn. The exceptions to this, as discussed in section 2.2 above are:

- The eighteen-week waiting times recovery plan;
- The extent to which the Trust has been unable to disinvest as planned in response to the anticipated Treatment Centre transfers.

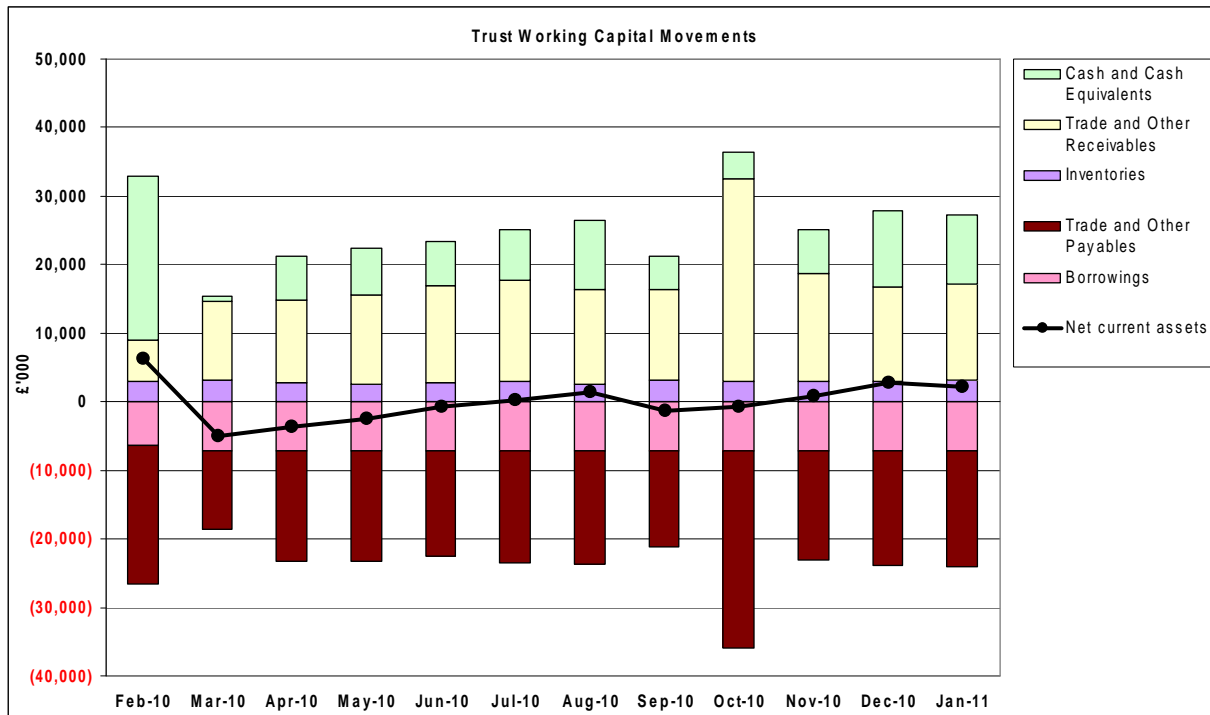
3. The Trust's Balance Sheet including cash and debt

3.1 Appendix 3 details the current and forecast balance sheet for the financial year. There are currently no significant issues to note.

3.2 Cash position

3.2.1 The Trust is forecasting that it will meet its External Financing Limit (EFL) and planned cash balance at the year-end.

3.2.2 The Trust's actual and forecast cash flow for the year is shown in Appendix 4, and its movements in cash and working capital (debtors and creditors) are shown in the graph below.

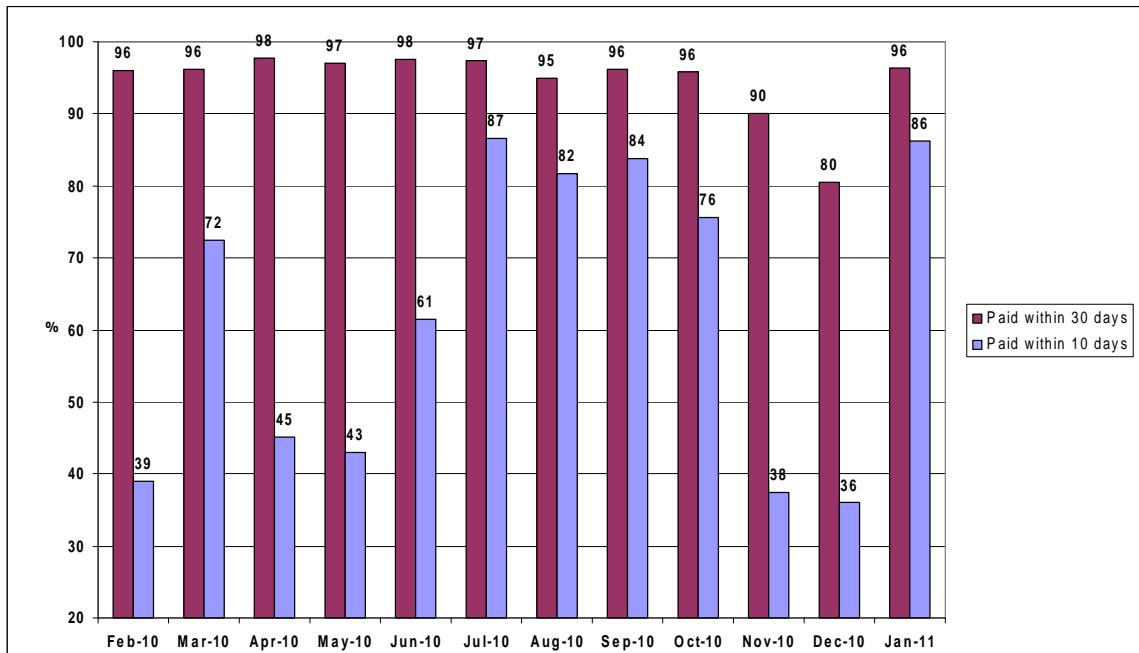


3.3 Better Payment Practice Policy

3.3.1 The Trust's Better Payment Practice percentages over the past twelve months are shown in the graph below.

3.3.2 The Trust upgraded its financial system in November 2010. There was a temporary adverse affect on the Trust's Better Payment Practice performance as the new system was implemented and payment times delayed. An action plan was implemented in January which has resolved this issue.

3.3.3 The Trust is now on target to achieve 95% compliance when measured for the whole year (based on the number of invoices paid), and 90% compliance (by value of invoices paid).



3.4 Outstanding Debts Owed to the Trust

3.4.1 An analysis of income earned by the Trust but unpaid as at 31st January 2011 is shown in the table below:

Debt	Total £m	Not due £m	Up to 30 days £m	Up to 60 days £m	Up to 90 days £m	Older £m
NHS	5.9	1.7	1.2	0.1	0.3	2.6
Non-NHS	1.1	0.6	0.3	0.0	0.1	0.1
Total	7.0	2.3	1.5	0.1	0.4	2.7

3.4.2 Of the NHS debt outstanding for more than thirty days at 31st January, £0.4m is owed by the Royal National Hospital for Rheumatic Diseases Foundation Trust (RNHRD FT); this position is being monitored closely.

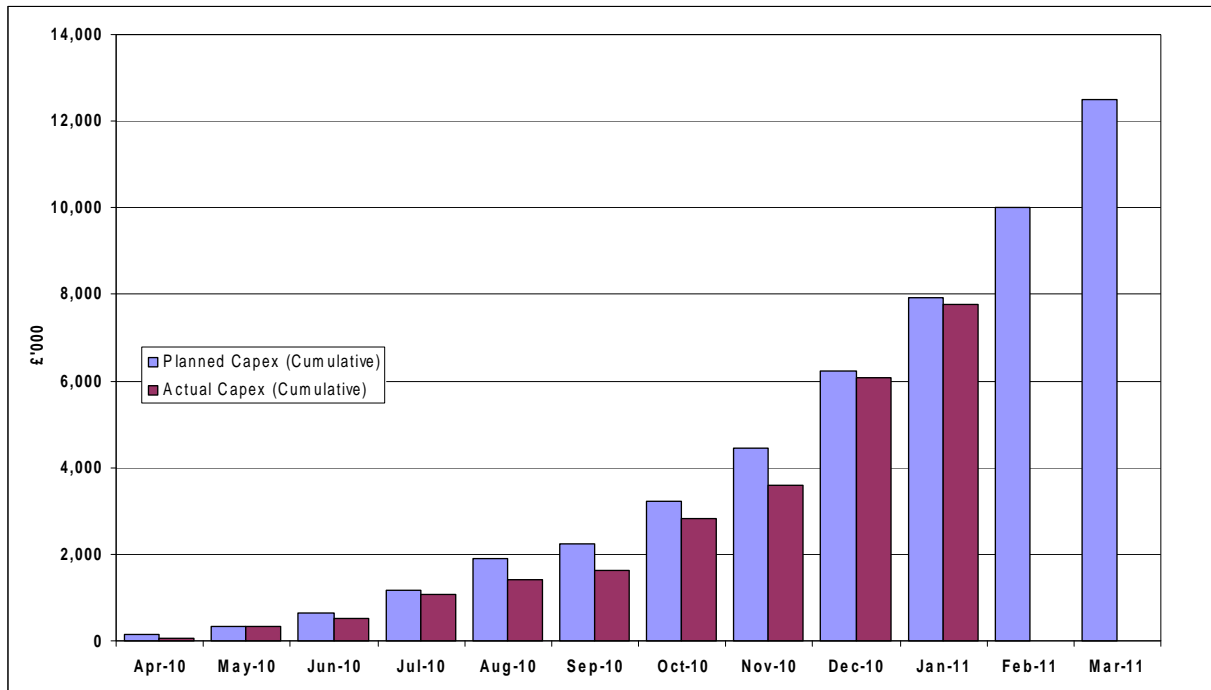
4. Capital investment in 2010/11

4.1 Appendix 5 details the current capital programme of the Trust and expenditure to date.

4.2 The Trust had an original Capital Resource Limit (CRL) for 2010/11 of £8.5m, with further investment plans of £2.5m from charitable funding.

4.3 The Trust's capital expenditure plans have been increased to £12.6m because the Trust has received an additional allocation of capital funding this year from the Department of Health of £5.1m which supports the Trust's plans to invest in Combined Heat and Power plant.

- 4.4 There are two other major capital schemes planned for the year: the new NICU (£3.6m) and the Linac bunker and equipment (£2.5m). Both of these schemes are part funded from charitable donations, as shown in Appendix 5.
- 4.5 Orders have been placed for all capital schemes totalling £3.7m, and actual expenditure up to 31st January 2011 amounts to £7.7m.
- 4.6 The remaining orders will be placed as soon as possible so that capital funding is invested as planned before the end of the financial year. The forecast trend for capital expenditure is shown in the graph below.



5. Financial Risks

- 5.1 A summary of the Trust’s financial risks which have been highlighted through the business planning process are set out in Appendix 6.
- 5.2 These risks, comments and actions form part of the Trust’s normal planning and risk management processes.
- 5.3 The Trust’s indicative financial risk rating has been calculated according to the criteria set out by Monitor for foundation trusts, and is set out in Appendix 7. Based on the Trust’s financial plans for 2010/11, the Trust’s indicative risk rating is 4.
- 5.4 Appendix 7 also shows an assessment of the Trust’s financial risk rating for

its performance year to date which indicates a score of 2. This is because the Trust is showing an in-year deficit which causes low scores for two of the measures relating to return on assets and net surplus; this means that the Trust's overall score is capped at 2.

5.5 The Trust expects to recover the in-year deficit and to meet its planned surplus by March 2011, which will improve the Trust's final risk rating.

5.6 The Trust would need a risk rating of at least 3 to become a foundation trust, whilst a score of 5 would be the equivalent of a high-performing foundation trust.

6. Conclusion

6.1 The Trust is forecasting that it will comply with all its statutory financial duties for the financial year (see section 1).

6.2 The Trust has not balanced its income and expenditure year to date, but will redress this during the remainder of the year in order to achieve the £4.2m surplus required to meet its planned loan repayments.

6.3 The adverse variance compared to expenditure plans for the ten months to 31st January 2011 is mainly due to unachieved savings and non pay expenditure.

7. Recommendations

7.1 The Board should note the Trust's financial forecasts including the change to the planned surplus (see section 1). **Action: All**

7.2 The Board should note the basis of the Trust's income for January 2011 (based on activity for the nine months to December 2010), and the over-performance against plan year to date relating to the Trust's eighteen week recovery plan (see section 2.2). **Action: All**

7.3 The Board should note that the deficit year to date is mainly generated by unachieved savings and non-pay expenditure, but pay expenditure is also increasing (see section 2.3 and 2.4). **Action: All**

7.4 Savings plans need to be fully identified and implemented (sections 2.4). **Action – Divisions/Director of Operations**

7.5 The Board should note the forecast for capital expenditure, which includes additional funding from the Department of Health (section 3). **Action – All**

7.6 To understand the key risks and the actions being taken to mitigate them (section 4). **Action – All.**

Appendix 1: Income and expenditure summary for the ten months to 31st January 2011

	Annual Budget £000s	In Month Budget £000s	In Month Expend £000s	Variance In Month (Favourable) / adverse £000s	Year-to Date Budget £000s	Actual Year-to Date £000s	Variance Year-to (Favourable) / adverse £000s
INCOME FROM ACTIVITIES	(177,826)	(14,668)	(14,874)	(206)	(148,245)	(150,824)	(2,579)
OTHER INCOME	(7,055)	(587)	(805)	(218)	(5,919)	(6,883)	(964)
EDUCATION, TRAINING AND RESEARCH	(8,418)	(820)	(820)	0	(6,798)	(6,798)	(0)
NON-PATIENT CARE SERVICES TO OTHER BODIES	(197)	(16)	(14)	3	(164)	(156)	8
INTER TRUST INCOME	(9,301)	(768)	(768)	(0)	(7,753)	(7,712)	41
PRIVATE & OVERSEAS PATIENTS	(1,319)	(91)	(39)	52	(1,099)	(670)	429
DIRECT CREDITS	(9,243)	(633)	(562)	71	(7,767)	(7,727)	40
TRUST REVENUE = TOTAL INCOME	(213,359)	(17,583)	(17,882)	(299)	(177,745)	(180,768)	(3,023)
OPERATING EXPENSES							
PAY	135,123	11,328	11,488	160	112,473	113,110	638
NON PAY	61,667	5,108	5,000	(108)	47,660	50,117	2,457
DISINVESTMENT	(1,600)	0	0	0	(1,600)	0	1,600
EBITDA *	(18,170)	(1,147)	(1,394)	(247)	(19,212)	(17,541)	1,672
Capital Charges							
INTEREST PAYABLE	1,030	86	72	(14)	858	816	(43)
INTEREST RECEIVABLE	(34)	(3)	(2)	1	(28)	(23)	5
PDC	4,699	392	356	(35)	3,916	3,680	(236)
DEPRECIATION	8,280	690	651	(39)	6,900	6,412	(488)
Capital Charges	13,975	1,165	1,078	(87)	11,646	10,884	(761)
NET (SURPLUS) / DEFICIT	(4,195)	18	(317)	(334)	(7,567)	(6,656)	910

* Earnings before, interest, taxation, depreciation and amortisation

Appendix 2: Savings 2010/11 as at 31st January 2011

Savings by Division – year to date (YTD)

Note (negative figures) denote an adverse variance

Division	YTD plan £000s	YTD achievement £000s	YTD variance £000s
Medicine	2,568	1,961	(607)
Surgery	2,595	1,878	(717)
Specialty	2,042	1,704	(338)
Facilities	914	928	14
Corporate	1,166	1,196	30
Central Schemes	3,030	3,030	0
TOTAL	12,315	10,697	(1,618)

Savings by theme – year to date (YTD)

SHA theme - total	Full year Plan £000s	YTD plan £000s	YTD achievement £000s	YTD variance £000s
Income	507	422	422	0
Procurement	1,828	1,441	1,052	(390)
Medicines Management	905	773	543	(230)
Staff Productivity	3,462	2,818	2,584	(233)
Service reviews and activity controls	3,576	2,883	2,646	(237)
Length of stay projects	1,243	969	967	(3)
Back office reviews	799	689	653	(35)
Further workstreams	2,186	1,831	1,831	0
Gap	463	489	0	(489)
TOTAL	14,970	12,315	10,697	(1,618)

Appendix 3: Balance Sheet as at 31st January 2011

Statement of Financial Position as at 31 January 2011			
	31 March 2010 £'000	31 January 2011 £'000	31 March 2011 £'000
NON-CURRENT ASSETS			
Property, Plant and Equipment	145,836	147,561	149,115
Intangible Assets	760	689	101
Other Financial Assets	121	121	55
Trade and Other Receivables	1,762	1,762	1,300
TOTAL NON-CURRENT ASSETS	148,479	150,132	150,571
CURRENT ASSETS			
Inventories	3,139	3,164	2,600
Trade and Other Receivables	11,026	14,007	13,594
Other Financial Assets	61	61	55
Cash and Cash Equivalents	690	10,077	2,000
TOTAL CURRENT ASSETS	14,916	27,308	18,249
CURRENT LIABILITIES			
Trade and Other Payables	-10,858	-16,846	-17,321
Other Liabilities	-24	0	-24
DH Working Capital Loan	-7,000	-7,000	-7,200
Borrowings	-233	-122	-217
Provisions for Liabilities and Charges	-1,844	-1,201	-950
TOTAL CURRENT LIABILITIES	-19,959	-25,169	-25,712
NET CURRENT ASSETS/(LIABILITIES)	-5,044	2,140	-7,463
TOTAL ASSETS LESS CURRENT LIABILITIES	143,436	152,272	143,108
NON-CURRENT LIABILITIES			
Borrowings	-497	-497	-276
DH Working Capital Loan	-13,700	-10,200	-6,500
Provisions for Liabilities and Charges	-903	-903	-52
Other Liabilities		0	
TOTAL NON-CURRENT LIABILITIES	-15,100	-11,600	-6,828
TOTAL ASSETS EMPLOYED	128,336	140,672	136,280
FINANCED BY TAXPAYERS EQUITY:			
Public Dividend Capital	-130,445	-135,545	-135,545
Prior Year Retained Earnings	44,425	44,425	40,230
Current Year Retained Earnings	0	-6,656	0
Revaluation Reserve	-37,256	-37,256	-35,023
Donated Asset Reserve	-5,060	-5,640	-5,942
TOTAL TAXPAYERS EQUITY	-128,336	-140,672	-136,280

Appendix 4: Cash flow as at 31st January 2011

Statement of Cash Flows as at 31 January 2011					
	2010/11 Plan £000s	2010/11 Year to date £000s	2010/11 Forecast M9 to M12 £000s	February £000s	March £000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating surplus	11,500	11,128	-1,238	71	-1,309
Depreciation and Amortisation	8,475	6,412	1,679	839	840
Interest Paid	-1,200	-527	-431	0	-431
Dividend Paid	-4,400	-2,298	-2,344	0	-2,344
(Increase)/Decrease in Inventories	539	-25	564	78	486
(Increase)/Decrease in Trade and Other Receivables	-2,568	-2,981	413	0	413
Increase/(Decrease) in Trade and Other Payables	4,695	5,988	475	0	475
Increase/(Decrease) in Provisions	-1,115	-643	-1,102	0	-1,102
Adjustment to accrued interest and dividend payable and other	-36	-1,258	2,233	-463	2,696
Net Cash Inflow/(Outflow) from Operating Activities	15,890	15,796	249	525	-276
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	100	23	2	1	1
(Payments) for Property, Plant and Equipment	-7,500	-7,772	-4,828	-1,372	-3,456
Net Cash Inflow/(Outflow) from Investing Activities	-7,400	-7,749	-4,826	-1,371	-3,455
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	8,490	8,047	-4,577	-846	-3,731
CASH FLOWS FROM FINANCING ACTIVITIES					
Additional Public Dividend Capital	0	5,100	0	0	0
Working Capital Loans Repayment of Principal	-7,000	-3,500	-3,500	0	-3,500
Capital Element of Finance Leases and PFI	-180	-260	-86	0	0
Net Cash outflow from Financing	-7,180	1,340	-3,500	0	-3,500
Net increase/(decrease) in Cash and Cash Equivalents	1,310	9,387	-8,077	-846	-7,231
Cash and Cash Equivalents at the Beginning of the Period	690	690	10,077	10,077	9,231
Cash and Cash Equivalents at the End of the Period	2,000	10,077	2,000	9,231	2,000

Appendix 5: Capital investment plans and expenditure for 2010/11 as at 31st January 2011

Description	Annual budget 2010/11			Exchequer funding year to date position		
	Total £'000	Donated £'000	Exchequer £'000	Spend £'000	Commitments £'000	Outstanding under/(over) £'000
OPERATIONAL CAPITAL						
Estates 5 year programme	1,674		1,674	1,065	450	159
Information Management & Technology programme						
Servers	100		100	79	0	21
PCs rolling replacement	320		320	189	32	99
Millennium, incl Ward Hardware	125		125	4	4	117
Digital Dictation	150		150		127	23
Wireless Hospital	200		200	103	13	84
Power Management	50		50	45	0	5
Patient First/ICE	25		25		24	1
Total IM&T	970	0	970	420	200	350
Medical Equipment Committee programme						
Medical Equipment Committee rolling replacement (see note)	820	500	320	290	21	9
Linac machine including installation	2,219	1,000	1,219	854	334	31
Cath Lab	950		950		949	1
Total Medical Equipment Committee	3,989	1,500	2,489	1,144	1,304	41
LEASED ASSETS	89		89	89	0	0
TOTAL OPERATIONAL CAPITAL	6,722	1,500	5,222	2,718	1,954	550
STRATEGIC CAPITAL						
NICU	3,785	1,000	2,785	2,784	1	0
CHP scheme	1,500		1,500	783	637	80
Windows	512		512	221	270	21
Corridor upgrades	343		343	6	6	331
Linac Bunker	366		366	373	19	(26)
Theatre Upgrade	353		353	71	257	25
Shared Front Door - SAU	434		434	433	29	(28)
Mini CHP plants	250		250	45	61	144
Hamilton	30		30	21	21	(12)
Cath Lab enabling	141		141	7	69	65
Wayfinding	130		130	19	2	109
Ward kitchens, bathrooms, showers	158		158	9	113	36
CPU	115		115	133	1	(19)
External Lighting	100		100	3	86	11
DSSA compliance	75		75	4	73	(2)
Waste Upgrades	54		54	37	2	15
Demolition	50		50	5	12	33
Urology Outpatients	41		41	7	20	14
Estates Masterplan	50		50	42	4	4
Qulturum	10		10	1	0	9
Other Strategic Projects	26		26	27	7	(8)
Strategic Project Management	80		80	23	57	0
TOTAL STRATEGIC CAPITAL	8,603	1,000	7,603	5,054	1,747	802
Planned (deferral)/underspend	(225)		(225)			(225)
TOTAL CAPITAL REQUIREMENT	15,100	2,500	12,600	7,772	3,701	1,127
CAPITAL FUNDING						
Depreciation (Purchased Assets)	8,500		8,500			
Loan Repayment	(1,000)		(1,000)			
Additional DH capital	5,100		5,100			
TOTAL EXCHEQUER FUNDING	12,600		12,600	7,772	3,701	1,127
Charitable Funding	2,500	2,500				
TOTAL CAPITAL FUNDING	15,100	2,500	12,600	7,772	3,701	1,127

Note: Charitable funding figure for medical equipment is provisional, subject to case by case applications

Appendix 6: Financial Risks 2010/11

Issue	Description of Risk	Controls in Place	Healthcare Standard Domain affected	Core organisational objective affected	Likelihood of Risk	Severity of Risk	Potential value	Risk Score
Delivery of savings	As a result of the divisions not meeting their savings targets there is a risk that the Trust's surplus for the year will not be achieved which means that Trust's expenditure would exceed its plan and the Trust may not achieve its planned surplus of £6.0m and the scheduled repayment of the legacy debt resulting in a breach of statutory duty	Detailed savings plans have been developed by the divisions which will be monitored throughout the year	Governance	Business health	Possible	Moderate	£3m	Low
Finalising contract and business rules	As a result of Trust's contract with commissioners for 2010/11 not being finalised before the start of the financial year, including 'business rules' proposals, there is a risk that the Trust may not earn enough income to make its planned surplus of £6.0m and the scheduled repayment of its legacy debt resulting in a breach of statutory duty	The contract was signed on 17th May 2010 with income at the level set out in the 'most likely' financial management plan	Governance	Business health	Unlikely (was 'Possible')	Moderate	£3m	Low
NHS TC transfers and disinvestment	As a result of unplanned changes in the activity flow to other providers there is a risk that the Trust will incur additional costs or lose additional income which means that the Trust may not achieve its planned surplus and the scheduled repayment of its legacy debt resulting in a breach of statutory duty	Divisions have developed disinvestment plans to reduce their cost base in response to activity transfers to NHS TC which will be monitored throughout the year. Processes set up to ensure that activity transfers to treatment centres as planned.	Governance	Business health	Likely	Moderate	£1m	Medium
Fines within final contract	As a result of the terms of the final contract there is a risk that the Trust may incur fines which will result in unplanned expenditure which means that the Trust may not achieve its planned surplus of £6.0m and the scheduled repayment of its legacy debt resulting in a breach of statutory duty	The contract was signed on 17th May 2010 without excessive fining; the Trust is also planning to meet its performance target and minimise exposure to fines.	Governance	Business health	Possible	Moderate	£3m	Medium

Appendix 7: Indicative Financial Risk Ratings
(based on financial plans for 2010/11 and actual performance to January 2011)

Financial Criteria	Weight %	Metric to be scored	Calculation	PLANNED Indicative rating 2010/11	JANUARY Indicative rating 2010/11
Achievement of plan	10	EBITDA, % achieved	E / PE	4	4
Underlying performance	25	EBITDA margin	E / R	3	4
Financial efficiency	20	Return on Assets (ROA)	Ret / A	5	2
	20	I&E surplus margin	(NS + FAI) / R	4	2
Liquidity	25	Liquid ratio	(NCE + assumed WCF) / TC x days in period	3	3
Weighted indicative score				4	2

Data	Code	Description	Financial Plan 2010/11 £m	JANUARY 2011 Actuals £m
Revenue	R	Total income	213	181
EBITDA	E	Earnings before interest, taxation, depreciation and amortisation	18.2	17.5
Planned EBITDA	PE	As set out in operating plans for the year	20.0	20.0
Net surplus	NS	Surplus or deficit for the period	4.2	0.9
Fixed asset impairments	FAI	Impairments written off to the I&E account	-	-
Return	Ret	Net surplus plus PDC dividend payable plus impairments	8.9	2.8
Assets	A	Average assets over period: fixed assets + stock + current debtors + cash + less current creditors	144.9	143.4
Net cash equivalents	NCE	Cash + debtors + accrued income less trade creditors less other creditors less accruals	-	8.0
Working Capital Facility	WCF	Arrangement between bank & FT similar to an overdraft - estimated for this Trust	10.0	-
Total costs	TC	Total costs excluding impairments, interest, taxation, depreciation and amortisation	195.0	163.2