

### **Action required by the Board of Directors**

To receive and note the financial report and associated appendices.

## PUBLIC FINANCE REPORT FOR THE PERIOD ENDING 31 AUGUST 2012

### Financial Performance Summary

Area of Review	Key Highlights	Year to date Monitor Financial		
		August Plan	Actual For August	Q2 Plan
<b>Financial Summary ~ Overall Risk Rating</b>	* As at month 05 the EBITDA value is marginally below the plan mainly due to shortfalls in CIP performance. * PBR contract income is an estimated figure for August but indications are from informational data that activity levels remain above plan. * Overall the FRR is 3.0 which is the same as the plan for August. *The overall position is a surplus of £664,000 which is higher than expected for August due to underspend s on depreciation and PDC. The overall trading position on the PCT contracts is still indicating a significant overtrade . As noted last month expenditure levels across the groups notably in Medicine and Diagnostics have also increased which in part will be linked to the activity increases but this level of expenditure needs managing down as the level of income overtrade will not be sustainable with the PCT's and thus may create further risks, also the proportion of expenditure compared to the levels of income will affect the EBITDA margin if income levels do start to fall. The level of expenditure is also linked to the shortfall in the expected CIP plans.	3	3	3
<b>Operational Performance EBITDA Margin %</b>	* At month 05 against EBITDA the Trust has a 5.36% return on Income FRR 3. * Although the actual income appears to be higher than expected the level of operational expenditure notably in the clinical groups is also higher than expected, continued increased expenditure levels are noted in Medicine which is linked to additional nursing costs from additional beds being opened and also levels of agency costs in medical staffing remaining high. Adverse variances have also continued in Diagnostics and CWS services.	3	3	3
<b>Operational Performance EBITDA Margin % Achieved to plan</b>	The EBITDA margin achieved is in line with what was expected .	5	5	5
<b>Liquidity</b>	* The liquidity ratio shows that working capital (cash + debtors- Creditors) is able to cover 38 days of the Trust's operating expenses, this is below the plan of 40 days. Cash was £10.2 M which is £0.8M above the expected plan of £9.4M .	4	4	4
<b>Use Of Assets</b>	* The Trust has made a 5.57% return on capital employed which is better than the expected plan for August of 5.27% . * The current capital programme of £6.2M is approved, capital spend to date is £310,000. Payments for Intervase and the Cardiology Catheter lab work accounting for the majority of the spend to date.	4	4	3
<b>Income &amp; Expenditure Position</b>	* The overall position is a surplus of £664,000 which is better than the plan. as noted above due to underspends on depreciation and PDC. The main issues for August are the continued high levels of overtrade on income with the PCTs PBR contract. Continued expenditure pressures in Medicine and Diagnostics, increasing spend in CWS services, levels of unfunded beds still being required and the shortfall on CIP plans from the expected trajectory as well as the total CIP target. If income starts to fall and the CIP plans continue to deteriorate then the EBITDA margin will also start to deteriorate as covered in the forecast scenarios.	2	3	2

**Cumulative Surplus Position**

