Trust Board Meeting: Wednesday 13 March 2013

TB2013.47

Title	**Initial Revenue & Capital Plans 2013/14**

Status	A paper for discussion
History	Previously presented to Trust Management Executive Committee in October, November and February

Board Lead	Mr Mark Mansfield, Director of Finance and Procurement			
Key purpose	Strategy	Assurance	Policy	**Performance**

Summary

1. This paper outlines the Trust's financial plans for the 2013/14 financial year. It reflects the principles set out by the NHS Commissioning Board (NHSCB) and NHS Trust Development Authority (TDA), and the budget setting policies agreed by the Trust's Management Executive at its meetings on 25 October 2012, 12 November 2012 and 28 February 2013.

2. At this stage and in accordance with planning expectations from the NCB and the TDA, the Trust is planning a surplus of 1% of turnover, or **£8.1m**, for 2013/14.

3. The main uncertainty at this stage in the budget setting process relates to the on-going negotiations with commissioners. This may materially impact on the level of the planned surplus, and risk, in the final agreed plans.

4. The Board is asked to approve the opening financial plan for 2013/14. This will enable expenditure plans to proceed with effect from 1 April 2013. The Board is asked also to note the next steps for developing final plans for the year.

1. Introduction

1.1 This paper sets out the opening financial operating plan for 2012/13. It is the responsibility of the Trust Board to scrutinise, and approve, the Trust's financial plans ahead of the financial year to which they relate.

2. Background

2.1 There is a continuing requirement for the NHS as a whole to make efficiency savings of £15-20 billion by 2014/15 for re-investment back into services. This is usually referred to as the Quality, Innovation, Productivity & Prevention (QIPP) challenge and 2013/14 will be the third year for the delivery of these plans.

2.2 Within this context the NHS Commissioning Board (NHSCB) and the Trust Development Authority (TDA) issued their respective planning guidance for NHS Trusts for 2013/14 in late December 2012. As well as setting out the agenda for quality and reform for the coming year, these documents also laid out the financial and business rules within which NHS Trusts are to operate. They emphasised that strong financial management and control needs to continue to be exercised.

2.3 The tariffs for NHS services for NHS services for 2013/14 have not yet been published at the date of writing (1 March 2013). It is known that tariffs will reflect a reduction in prices (see 3.1(d) below) and that the use of Best Practice tariffs will continue. However, the precise impact of national tariff on the Trust is as yet unclear. The implications of the new tariffs for contracts with the commissioners of the Trust's services will need to be addressed in contract negotiations for 2013/14.

3. The Planning Context

3.1 The planning framework from the NHSCB in their document *Everybody Counts*, and from the TDA in *Towards High Quality, Sustainable Services*, included the following matters that need to be taken into consideration by Trusts when setting their financial plans for 2013/4:

(a) Commissioners must plan for a 2% recurrent surplus by the end of 2013/14. (From the NHSCB document)

(b) There is also a requirement for all commissioning organisations to set aside 2% of funding for non-recurrent expenditure. (NHSCB)

(c) Clinical commissioning groups (CCGs) must hold a contingency of at least 0.5%. (NHSCB)

(d) The national provider requirement for tariffs is 4%, offset against estimated provider cost inflation of 2.7%, leading to a net tariff reduction of 1.3% (NHSCB). The TDA provided an amendment to this which said that tariff prices will increase on average by an additional 0.2% in recognition of other underlying costs faced by providers so that the change in tariff is a **reduction of 1.1%**.

(e) The 30% marginal tariff for non-elective admissions above the 2008/9 baseline will continue. (NHSCB)

(f) There will be contractual fines for referral to treatment (RTT) waits of more than 52 weeks. (NHSCB)

(g) There will be contractual fines for A&E handovers that take longer than 30 minutes and a further fine for delays over an hour. (NHSCB)

(h) Trusts will continue not to be paid for emergency readmissions within 30 days of discharge from an elective admission. (NHSCB)

(i) Any reinvestment decisions of the funds realised from the application of marginal rates, or from the non-payment of emergency readmissions, will be jointly owned by both providers and commissioners. (TDA)

(j) No Trust is to plan for an operating deficit in 2013/14 or beyond. (TDA)

(k) Commissioners must enforce use of the terms set out in the NHS Standard Contract, including the financial consequences for under-performance or failure to provide data used to assess performance. (NHSCB)

(l) Commissioning for Quality & Innovation (CQUIN) payments will be set at 2.5% of contract. One fifth of this will be linked to four national CQUIN targets (for the “Family & Friends” test, the NHS “Safety Thermometer”, improving dementia care and venous thromboembolism (VTE) standards). (NHSCB)

(m) CQUIN payments will *only* be made to providers that meet the minimum requirements of the high impact innovations set out in the Department of Health’s (DH) publication *Innovation, Health and Wealth*.

3.2 The commissioning picture will change on 1 April 2013. Some services that were previously commissioned by Primary Care Trusts (PCTs) will be the responsibility of CCGs from 1 April 2013 whilst others will be commissioned by the NHSCB.

3.3 In addition, £622m has been transferred at a national level for Social Care to use in a way that benefits health. This is in addition to £300m reablement funding already earmarked for transfer and also affects the commissioning picture.

4. The OUH’s own Planning Context

4.1 The Trust is forecasting that it will deliver a £3.6m surplus against its break even duty in the current financial year 2012/13.

4.2 The planned surplus for 2012/13 was reduced by £4m following the settlement of the contract with NHS Oxfordshire and hence was lower than 1% of planned turnover. The Trust needs both to demonstrate on-going financial stability, and to strengthen its liquidity position, as part of its preparation for Foundation Trust (FT) status. The Trust’s Long Term Financial Model therefore proposes that the organisation should restore its planned retained surplus to 1% of its turnover. Based on its current estimates of planned revenue, this equates to **£8.1m**.

The Board is asked to endorse the outline plan to set a target retained surplus of £8.1m, or 1% of planned turnover for 2013/14.

4.3 Next year's financial plans must take into account the following previously agreed service developments:

(i) The full year effect of the development of the Trust's neonatology service, and the expansion of Intensive Care cots; and

(ii) The full year effect of being designated as a Major Trauma Centre within the region.

4.4 Financial pressures may also arise next year in the following ways:

(a) Levels of over-performance against contracted levels are paid at marginal rates.

(b) Marginal tariff is applied to emergency admissions (see 3.1(e) above).

(c) CQUIN payments are not received at all because the Trust fails to meet minimum requirements (3.1(m) above).

(d) The Trust meets the minimum requirements for CQUIN payments but does not achieve all criteria for receiving full payment from commissioners.

(e) Penalties are applied by commissioners because key quality and other performance measures are not met.

(f) There are inflation increases to agreed contract values – for example, there will be annual increases to the three private finance initiative (PFI) contracts that are linked to the retail price index (RPI). RPI is higher than the level of inflation assumed within tariff.

(g) It costs more to provide the same level of service as a result of (for example) incremental pay drift; expenditure on agency staff; patient, clinical or quality decisions leading to an increased use of high cost drugs; and backlog maintenance needing to be carried out.

(h) The NHS clinical negligence scheme (CNST) changes the way it calculates the contributions paid by its members. The intention is to narrow the gap between payments made into CNST and payments made out on behalf of its members. As a result the Trust's contribution is increasing from £17.1m in 2012/13 to a gross figure of £21.0m next year. The CNST has introduced some support to ease the transition to the new levels of contribution and the Trust is expected to pay £18.1m next year. Nevertheless this is an increase of 5.4% above its 2012/13 contribution payment.

(i) The Department of Health has introduced tariffs for the provision of education & training. It is currently estimated that the Trust will lose £4.8m funding for the training of undergraduate medical students.

(j) Capital charges rise, partly as a result of increases in the value of the Trust's land and buildings as assessed by District Valuer (DV), and partly from the investment the Trust makes in fixed assets through its capital programme.

Before knowing the final financial implications of the DV's assessment for 31 March 2013 it is estimated that the Trust's depreciation charge for next year will increase by £2.5m.

4.5 The financial context within which the Trust will operate next year presents significant challenges. It is therefore considered prudent that reserves are put in place in 2013/14. It is recommended that the Trust identifies a general contingency of 1% of turnover to mitigate against risk.

The Board is asked to endorse the initial plan to include a contingency of 1% of planned turnover within its 2013/14 budgets.

4.6 It is generally indicated that the Trust will be subject to a significantly higher level of commissioner-applied penalties and denials when compared to previous years. It is therefore also recommended that separate reserves are also put in place in 2013/14 to mitigate against this risk.

The Board is asked to endorse the initial plan to include a reserve for penalties and denials within its 2013/14 budgets.

5. Budget Setting Principles 2012/13

5.1 The approach taken for the setting the 2013/14 financial plan for the income & expenditure (I&E) account has been as follows:

(a) The starting point is the 2012/13 plan from which any non-recurrent adjustments made in the current year have been removed.

(b) The full year effect of any 2012/13 plan adjustments, where there was only a part-year impact in the year, has been made. This includes the full year effect of any savings plans started in the current year.

(c) Adjustments have been made for pressures known, or expected, to arise next year. These include inflationary changes to agreed contracts and any known losses of non-commissioner funding.

(d) The setting of the pay budgets has started with using the 2012/13 budgeted establishment. This has been defined as:

(i) *Total contract whole time equivalents (WTE) for all permanent staff*, plus

(ii) *Total WTE for vacant posts.*

The cost of the posts has been set using the cost of actual staff in post with adjustments being made to take account of incremental drift. Staff establishment vacancies have been funded at bottom of the salary scale. Budgets have not been set for bank or agency staff. If these staff are required then the funding to pay for them should either be included within the agreed establishment or become available when a post is vacated.

(e) The starting point for the 2013/14 non-pay budgets has also been the budgets set for 2012/13. These may have been adjusted to forecast outturn where this is materially different to plan and where the variance appears to have been generated by changes in the levels of clinical activity.

(f) Estimates for capital charges have been made based on the planned capital programme for 2012/13 and 2013/14, together with an estimate of the change in the value of the Trust's estate that will occur when the District Valuer re-values it as at 31 March 2013.

5.2 Each individual Division has set their own budgets within the principles agreed. The budgets are the result of discussions held between Divisional budget managers and Divisional business partners, with the central Finance department providing a facilitating role in helping to cost the budgets. Each Division is expected to manage their budgets within their recurrent contribution targets. Because there is currently little information about the volumes of activity that commissioners plan to contract in 2013/14 then Divisions have had to base their initial budgets on the amount of activity *contracted* by commissioners from the Divisions in 2012/13 (not the amount forecast to be delivered in the year). These will then be amended when commissioning intentions become clearer.

5.3 Within each Division, the Divisional Directors, General Managers and Business Partners have drawn up a list of cost pressures and developments that they believe need to be funded. These will be subject to discussion with the Director of Clinical Services and Director of Finance & Procurement at the divisional performance meetings scheduled to be held in March. The final, agreed list of divisional cost pressures will be presented to the Trust Management Executive (TME) for funding approval at its meeting on 28 March. The funding of divisional cost pressures will increase the savings that need to be found next year.

5.4 Adjustments still need to be made for the differences that will arise between the value of contracts finally agreed with commissioners and those assumed in the plan.

5.5 To produce an initial financial plan for the Board to approve it has been assumed that commissioners will agree to contracted levels of activity that are at 70% of the forecast over-performance occurring in 2012/13. Based on this assumption the resulting I&E Account plan for next year is shown in Appendix A. It is compared to the annual I&E plan, and forecast outturn, for 2012/13.

The Board is asked to note the overall approach for setting the 2013/14 operational budgets and to approve the initial income & expenditure plan for the year, noting that the Board will need to approve a further version of the plan when commissioner contracts for the year have been finalised.

6. Savings Plans

6.1 In order to meet the financial challenges for 2013/14 the Trust expects to need to save at least **£44.7m** next year. This is 5.5% of planned turnover. The final plan for the year will be dependent on the outcome to the issues outlined in sections 3,4 and 5 above.

The Board is asked to note the Trust's savings target for 2013/14.

7. Capital Plan 2013/14

7.1 It is assumed that the sum invested in new capital projects in 2013/14 is equal to the cash generated from depreciation less the repayments of principal that the Trust has to make on its PFI contracts and finance lease agreements.

7.2 It is currently also assumed that funds generated from the surplus will not be invested in capital expenditure but will be used to strengthen the Trust's liquidity position.

7.3 A capital plan was considered by the Trust's Strategic Planning Committee (SPC) at its meeting on 14 February 2013. This showed a plan for 2013/14 and draft plans for 2014/15 and 2015/16. The plan considered by SPC is shown in Appendix B of this paper.

7.4 The current proposals for the capital programme for 2013/14 are higher than the funding available for capital projects if the principles set out in paragraphs 7.1 and 7.2 are followed. However it is likely that some schemes currently planned to start in 2013/14 will not incur major expenditure until 2014/15. A detailed assessment of all plans is currently underway to see where such slippage may occur.

The Board is asked to note the current proposals for the capital programme for the Trust in 2013/14 and to note the draft plans for 2014/15 and 2015/16.

8. Balance Sheet

8.1 The forecast balance sheet for the start and end of 2013/14 is shown in Appendix C.

8.2 The increase in property, plant & equipment reflects the investments the Trust plans to make through its capital programme next year, and an increase in the asset values of land and buildings that is estimated to occur next year. This increase will be confirmed when the DV's valuation of the Trust's land and buildings as at 31 March 2013 is known.

8.3 The Trust expects it will take out a working capital loan should it become a Foundation Trust. This is reflected in the increase in borrowing expected to happen next year, but will be offset to some extent by the repayments the Trust will make against the amounts owed on the working capital loans, capital loans, PFI contracts, and other finance lease contracts for equipment items.

8.4 The movement in retained earnings reflects the planned retained deficit for 2013/14.

8.5 The Revaluation Reserve has increased to reflect the assumption of an increase in land & building values next year following the DV's revaluation of the Trust's land and buildings.

The Board is asked to note the planned balance sheet positions for the Trust in 2013/14.

9. Cashflow 2013/14

9.1 The forecast annual cashflow position for 2013/14 is shown in Appendix D and the month-by-month movement in Appendix E.

9.2 It is anticipated that the Trust will end next year with £22.0m more cash than at the start of the year. This is largely the result of the £20m new working capital loan taken out during the course of the year to strengthen the Trust's liquidity position.

9.3 It is forecast that the Trust hold £64.4m in cash and cash equivalents at 31 March 2014.

The Board is asked to note the planned cashflow position for the Trust in 2013/14.

10. Monitor Financial Risk Ratings 2013/14

10.1 Although the financial regimes for NHS Trusts and Foundation Trusts are different, it is regarded as good practice for NHS Trusts to have certain policies and systems that meet the Foundation Trust regime where appropriate. One way of doing this is for the Trust to calculate the ratios used by Monitor to assess an organisation's financial risk rating.

10.2 The risk rating scores for the Trust based on its financial operating plans for 2013/14 are shown in Appendix F.

10.3 Monitor weights the individual metrics to produce an overall risk rating for each Foundation Trust. Using the same weightings, the Trust's overall rating for 2013/14 would be **3.2** based on its financial plans for next year. This would produce an overall score of "3".

The Board is asked to note the Trust's financial risk ratings for 2013/14 as calculated from the opening plans for the year.

11. Risks

11.1 The main uncertainty at this stage in the financial planning process relates to the on-going negotiations with commissioners. The results of these negotiations could materially impact on the final financial plan.

11.2 Commissioners are likely to exercise financial penalties more robustly. It will therefore be more important than in previous years to ensure that the Trust delivers against access, infection control and other quality targets.

11.3 Because of the "gateway" associated with CQUINs – that the Trust has to meet a set of minimum requirements before it receives *any* CQUINs monies –the risks associated with receipt of these monies has increased.

11.4 It is also more important that the Trust meets the targets associated with CQUIN payments to ensure it maximises receipt of the monies.

11.5 The Trust is required to find savings of at least £44.7m. The achievement of this, in an environment where the generation of additional income is likely to be more difficult, represents a major challenge both for 2013/14 and beyond.

11.6 Tariffs for 2013/14 are unknown. Changes to tariffs may mean that the Trust's financial position is more understated than currently estimated. If this is the case there will be further pressure on the financial position.

11.7 Partly to offset these risks it has been proposed that the Trust restores its 1% contingency reserve, and sets aside a further reserve to mitigate against commissioner penalties and denials.

The Board is asked to note the financial risks within the plans for 2013/14 presented in this paper.

12. Next Steps

12.1 The opening financial operating plan shows a retained surplus of £8.1m or 1% or planned turnover.

12.2 A key feature of the process is the requirement for a formal sign off of financial plans by Divisions. An initial sign off of plans is in process, with final sign off not being achievable until contracts have been agreed with commissioners.

12.3 Once contracts have been agreed the implications of changes to contracted activity and tariffs can be attributed to individual Divisions and Directorates.

12.4 At its meeting on 28 March TME will consider options for dealing with Divisional cost pressures. It will note the progress on establishing the financial plans for next year, as set out in this paper, and be prepared to approve the plan to go forward to the Board should further details about the commissioning position be available.

12.5 At its meeting on 10 April the Board's Finance & Performance Committee will receive an updated plan as approved by TME and as amended for any agreements reached with commissioners at that time. The Committee will be asked to approve any amendments to the financial plan that differ from the opening plans set out in this paper.

12.6 If, by 10 April, agreement with commissioners on 2013/14 contracted levels has not been reached then the Committee will be updated on the latest position regarding contract negotiations. Once discussions on key contracts have been finally concluded the Board will be presented with an updated and final financial plan at its first meeting thereafter.

12.7 ***The Board is asked to approve the opening financial plan for 2013/14 as set out in Appendices A to E, taking full account of the assumptions and level of risk identified within it, and to agree the next steps for approving the final financial plan once contracts with commissioners are agreed.***

13. Recommendations

13.1 The Trust Board is asked to:

(a) Endorse the outline plan to set a target retained surplus of £8.1m, or 1% of planned turnover (paragraph 4.2);

(b) Endorse the plan to include a contingency of 1% of planned turnover (paragraph 4.5), and a separate reserve for penalties and denials, within its 2013/14 budgets (paragraph 4.6);

(c) Endorse the overall approach of this methodology for setting the 2013/14 operational budgets, noting that the Board will need to approve a further version of the plan when commissioner contracts for the year have been finalised (paragraph 5.6);

(d) Note the Trust's savings target for 2013/14 (paragraph 6.1);

(e) Note the capital programme for the Trust in 2013/14 and to note the draft plans for 2014/15 and 2015/16 (paragraph 7.4);

(f) Note the planned balance sheet positions for the Trust for 2013/14 (paragraph 8.5);

(g) Note the planned cashflow position for the Trust in 2013/14 (paragraph 9.3);

(h) Note the Trust's financial risk ratings for 2013/14 as calculated from the opening plans for the year (paragraph 10.3);

(i) Note the financial risks within the plans for 2013/14 presented in this paper (paragraph 11.7); and

(j) Approve the opening financial plan for 2013/14 as set out in Appendices A to F, taking full account of the assumptions and level of risk identified within it, and to agree the next steps for approving the final financial plan once contracts with commissioners are agreed (paragraph 12.7).

Mr Mark Mansfield, Director of Finance and Procurement
Mr Kevin Davis, Senior Business Partner

March 2013

Appendix A – Statement of Comprehensive Income 2013/14

	2012/13 Plan £000	2012/13 Forecast £000	2013/14 Plan £000
Income			
Commissioning & RTA	645,030	670,500	662,860
PP & Overseas	13,558	13,100	13,100
Other Income	131,977	129,280	129,540
Total Income	**790,565**	**812,880**	**805,500**
Expenditure			
Pay	(439,937)	(441,420)	(433,965)
Non-Pay	(285,104)	(301,710)	(296,564)
Total Expenditure	**(725,041)**	**(743,130)**	**(730,529)**
EBITDA	**65,524**	**69,750**	**74,971**
Depreciation	(34,000)	(35,395)	(36,458)
Impairments		3,346	
Investment Revenue	132	174	298
Other Gains & Losses	(200)	(200)	
Finance Costs	(20,680)	(20,683)	(21,235)
PDC Dividend Payable	(9,222)	(9,292)	(9,521)
Retained Surplus/(Deficit)	**1,554**	**7,700**	**8,055**

Appendix B – Proposed Capital Programme for 2013/14, and draft plans for 2014/15 & 2015/16

Proposed Capital Programme	Plan 2013/14 £000s	Plan 2014/15 £000s	Plan 2015/16 £000s
Neonatal Intensive Care	1,200		
Small Schemes	800	700	600
IMRT - Rapid Arc Installation	536		
IMRT - Rapid Arc Upgrade	1,555		
Vascular Business Case (Second IR Room)	400		
Radiotherapy - Milton Keynes	5,000	7,000	
Radiotherapy - Swindon	100	3,000	8,000
Medical & Surgical Equipment	2,000	2,500	2,500
EPR Implementation	1,000	500	500
IT/EPR	1,000	1,000	1,000
Respiratory Ward Relocation	1,250		
ID Ward Relocation	1,500		
Estates Staff Capitalisation	600	600	
Estates Maintenance	1,000	1,000	1,000
Molecular Diagnostics Centre	2,143		
NOC2 Theatres	500		
Major Radiological Equipment	600	900	900
Laboratory IT System Replacement		1,000	500
Cardiology-Eco Scheme	480		
Out-Patient (Mobile) (HH)	1,000		
Clinical Genettics (Mayfair Ward)	950		
Conversion of Manor Annexe for IT	300		
Renal Satellite Dialysis - Milton Keynes	180		
Pre-Operative Assessment	300		
Wolfson Centre Contribution		900	
HDU at JR		750	
Adult Critical Care			5,000
Endoscopy Scopes (6-Day Working)	500		
JR" Theatre Re-modelling		8,000	2,000
Anaesthetic Room - Vascular IR	500		
Total Capital Programme Spend	**25,394**	**27,850**	**22,000**

Appendix C – Statement of Financial Position 2013/14

	Forecast 1-Apr-2013	Forecast 31-Mar-14	Movement
NON-CURRENT ASSETS			
Fixed Assets	710,561	717,251	6,690
Trade & Other Receivables	4,115	4,115	
NON-CURRENT ASSETS	**714,676**	**721,366**	**6,690**
CURRENT ASSETS			
Inventories	10,764	10,664	(100)
Trade & Other Receivables	34,712	32,058	(2,654)
Cash & Cash Equivalents	42,451	64,441	21,990
CURRENT ASSETS	**87,927**	**107,163**	**19,236**
CURRENT LIABILITIES			
Trade & Other Payables	(86,217)	(81,035)	5,182
Borrowings	(14,072)	(14,072)	
Current Provisions	(5,083)	(5,583)	(500)
CURRENT LIABILITIES	**(105,372)**	**(100,690)**	**4,682**
NET CURRENT ASSETS/(LIABILITIES)	**(17,445)**	**6,473**	**23,918**
NON-CURRENT LIABILITIES			
Borrowings	(284,670)	(289,729)	(5,059)
Trade & Other Payables	(14,216)	(14,216)	
Non-Current Provisions	(1,354)	(1,354)	
NON-CURRENT LIABILITIES	**(300,240)**	**(305,299)**	**(5,059)**
TOTAL ASSETS EMPLOYED	**396,991**	**422,540**	**25,549**
FINANCED BY TAXPAYERS EQUITY			
Public Dividend Capital	206,873	206,873	
Retained Earnings	23,625	31,680	8,055
Revaluation Reserve	164,750	182,244	17,494
Other Reserve	1,743	1,743	
TOTAL TAXPAYERS EQUITY	**396,991**	**422,540**	**25,549**

Appendix D – Statement of Cashflows 2013/14

	Forecast 2013-14 £000
Cash Flows from Operating Activities	
Operating Surplus/(Deficit)	38,513
Depreciation & Amortisation	36,458
Interest Paid	(21,235)
Dividend Paid	(9,521)
Receipt of Donated Assets	(260)
(Increase) in Inventories	100
(Increase) in Trade & Other Receivables	2,654
Increase in Trade & Other Payables	(5,182)
Increase in Provisions	500
Cash Flow from Operating Activities	**42,027**
Cash Flows from Investing Activities	
Interest Received	298
(Payments) for Fixed Assets	(25,394)
Cash Flow from Investing Activities	**(25,096)**
Cash Flows from Financing Activities	
New Working Capital Loans	20,000
Capital Loans - Repayment of Principal	(1,404)
Working Capital Loans - Principal Repayment	(1,660)
Capital Element of Finance Leases & PFI	(11,877)
Cash Flow from Financing Activities	**5,059**
Net Increase/(Decrease) in Cash	**21,990**
Cash - Beginning of the Period	42,451
Cash - End of the Period	**64,441**

Appendix E – Forecast Month-by-Month Movement in Cashflows 2013/14

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	**Full Year**
FORECAST STATEMENT OF CASH FLOWS	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	2013-14	**2013-14**
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	**Forecast**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cash Flows from Operating Activities													
Operating Surplus/(Deficit)	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,203	**38,513**
Depreciation & Amortisation	3,014	3,014	3,014	3,030	3,030	3,030	3,046	3,046	3,046	3,062	3,062	3,064	**36,458**
Impairments & Reversals													
Interest Paid	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,765)	**(21,235)**
Dividend Paid						(4,761)						(4,760)	**(9,521)**
Receipt of Donated Assets						(130)						(130)	**(260)**
(Increase) in Inventories	500					(250)						(150)	**100**
(Increase) in Trade & Other Receivables	(4,000)	(4,000)				3,000	2,000	3,000	2,000	3,000	2,000	(4,346)	**2,654**
Increase in Trade & Other Payables	6,550		9,321			5,000		(5,000)	(5,000)		(5,000)	(11,053)	**(5,182)**
Increase in Provisions	(500)	(500)	(500)	(500)	(1,000)	(1,000)	(1,000)	(1,000)	375			6,125	**500**
Cash Flow from Operating Activities	**7,004**	**(46)**	**13,275**	**3,970**	**3,470**	**6,329**	**5,486**	**1,486**	**1,861**	**7,502**	**1,502**	**(9,812)**	**42,027**
Cash Flows from Investing Activities													
Interest Received	25	25	25	25	25	25	25	25	25	25	25	23	**298**
(Payments) for Fixed Assets	(3,500)	(1,500)	(2,650)	(1,500)	(1,500)	(1,650)	(1,500)	(1,500)	(1,650)	(1,500)	(3,447)	(3,497)	**(25,394)**
Cash Flow from Investing Activities	**(3,475)**	**(1,475)**	**(2,625)**	**(1,475)**	**(1,475)**	**(1,625)**	**(1,475)**	**(1,475)**	**(1,625)**	**(1,475)**	**(3,422)**	**(3,474)**	**(25,096)**
Cash Flows from Financing Activities													
New Working Capital Loans							20,000						**20,000**
Capital Loans - Repayment of Principal						(702)						(702)	**(1,404)**
Working Capital Loans - Principal Repayment												(1,660)	**(1,660)**
Capital Element of Finance Leases & PFI	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(990)	(987)	**(11,877)**
Cash Flow from Financing Activities	**(990)**	**(990)**	**(990)**	**(990)**	**(990)**	**(1,692)**	**19,010**	**(990)**	**(990)**	**(990)**	**(990)**	**(3,349)**	**5,059**
Net Increase/(Decrease) in Cash	**2,539**	**(2,511)**	**9,660**	**1,505**	**1,005**	**3,012**	**23,021**	**(979)**	**(754)**	**5,037**	**(2,910)**	**(16,635)**	**21,990**
Cash - Beginning of the Period	42,451	44,990	42,479	52,139	53,644	54,649	57,661	80,682	79,703	78,949	83,986	81,076	42,451
Cash - End of the Period	**44,990**	**42,479**	**52,139**	**53,644**	**54,649**	**57,661**	**80,682**	**79,703**	**78,949**	**83,986**	**81,076**	**64,441**	**64,441**

Appendix F – Financial Risk Rating 2013/14

			Scores					Plan 2013/14	
Financial Criteria	**Risk Rating**	**Weight**	**5**	**4**	**3**	**2**	**1**	**Metric**	**Score**
Underlying Performance	EBITDA margin	25%	11%	9%	5%	1%	<1%	9.3%	4
Financial Efficiency	Net return after Financing	20%	3%	2%	(0.5%)	(5%)	< (5%)	1.2%	3
	I & E Surplus Margin	20%	3%	2%	1%	(2%)	< (2%)	1.0%	3
Liquidity	Liquid ratio (days)	25%	60	25	15	10	<10	27	4
Weighted Average									**3.20**
Overall Rating (see rules below)									**3**

Monitor - Rules Used to Adjust the Financial Risk Rating

Situation	Maximum Rating
Plan not submitted on time	3
Plan not submitted complete and correct	3
PDC dividend not paid in full	2
One financial criterion scored at '1'	2
One financial criterion scored at '2'	3
Two financial criteria scored at '2'	2
Two financial criteria at '1'	1
Unplanned breach of Prudential Borrowing Code (PBC)	2
Previous year's annual rating worse	No more than 2 points better than previous year
Less than 1 year as an NHS Foundation Trust	4
Deficit forecast in year 2 or 3	3
Deficit forecast in both years 2 and 3	2