Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

TRUST BOARD
28th April 2011

TITLE	**Revised Budget 2011/12**
EXECUTIVE SUMMARY	This paper summarises an updated budget for 2011/12 following the agreement of Heads of Terms for the 2011/12 contract with NHS Surrey. At its meeting in March the Trust Board agreed to a reduction in the target surplus of c£1m following a corresponding reduction in the value of the contract. The attached report sets out the revised budget for 2011/12 of £2.1m and FRR of 3 (rounded from 3.3). The decrease in surplus of £1.3m has been made as follows: • Reduction in PCT income of £1m; and • Increase in cost contingency of £0.3m (to £1.8m). Apart from these three changes, assumptions on activity, income, cost, headcount, CIP, capital programme, etc are all unchanged from the budget which was reviewed and approved at the March Board. The Finance Committee has reviewed and approved this revised budget.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Finance Committee on matters of financial risk.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Approve the revised budget for 2011/12.
Submitted by:	John Headley, Director of Finance and Information Paul Doyle, Deputy Director of Finance
Date:	20th April 2011
Decision:	For Approval

Ashford and St. Peter's Hospitals NHS
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TRUST BOARD
28th April 2011

Revised Budget 2011/12

INTRODUCTION

This paper provides the Trust Board with an update on the Trust's budget for 2011/12 following the agreement of a contract with NHS Surrey.

BUDGET 2011/12

The Trust Board in March 2011 received the Corporate Business Plan for 2011/12 including the budget. Financial tables showed a budgeted surplus of £3.4m and a Financial Risk Rating (FRR) of 4 (rounded from 3.7). This had been previously discussed at the March 2011 Finance Committee meeting.

At its meeting the Trust Board agreed to a reduction in the target surplus of c£1m, in the context of a base contract value of £170.3m with NHS Surrey. The attached Appendix A sets out the revised budget for 2011/12 with a surplus of £2.1m and FRR of 3 (rounded from 3.3). The decrease in surplus of £1.3m has been made as follows:

- Reduction in PCT income of £1m; and
- Increase in cost contingency of £0.3m (to £1.8m).

SUMMARY

The Trust Board are asked to approve the revised budget for 2011/12.

Paul Doyle
Deputy Director of Finance
13th April 2011

Appendix A

FINANCIAL PLAN 2011/12
STATEMENT OF COMPREHENSIVE INCOME

	Forecast 10/11 £m	Budget 11/12 £m
Income		
Primary Care Trust income *	205.9	200.4
Other Income from Activities	1.8	2.0
Income from patient care activities	**207.7**	**202.4**
Education, Training and Research	8.0	8.0
Other Operating Revenue	8.5	8.8
Other Income	**16.5**	**16.8**
TOTAL INCOME	**224.2**	**219.2**
Pay	**(140.4)**	**(134.9)**
Non-Pay		
Supplies and Services - Clinical	(39.9)	(38.4)
Supplies and Services - General	(4.1)	(3.7)
Other Non Pay	(23.2)	(23.0)
Contingency *	0.0	(1.8)
Total Non-Pay	**(67.2)**	**(66.9)**
TOTAL EXPENDITURE	**(207.6)**	**(201.8)**
EBITDA	16.6	17.4
Non-Operating Income		
Finance Income	0.1	0.1
Transfer from Donated Asset Reserve **	0.0	0.3
Non-Operating Expenses		
Finance Costs	(0.4)	(0.3)
Depreciation & Amortisation	(8.2)	(8.3)
Dividends Payable on Public Dividend Capital (PDC)	(4.8)	(4.9)
Impairments	0.0	(1.0)
Other non-operating expenses	0.0	(1.2)
SURPLUS	**3.3**	**2.1**
EBITDA Margin	7.40%	7.94%
EBITDA % of Plan Achieved/Planned ***	89.35%	89.35%
IS Surplus Margin	1.47%	1.96%

* EBITDA reduced by £1.3m (£1m less income and £0.3m extra contingency)
** note that this item was treated as operating income in 2010/11
*** Monitor plans assume same level of EBITDA plan achieved as prior year

FINANCIAL PLAN 2011/12
FORECAST FINANCIAL RISK RATING

			2010/11	
	Monitor Metric	**Weighting**	**Forecast**	**Score**
EBITDA	EBITDA Margin	25%	7.40%	3
	EBITDA % Achieved	10%	89.35%	4
Financial Efficiency	Return on Assets Excl Dividend (%)	20%	5.18%	4
	I&E Surplus Margin net of Dividend (%)	20%	1.47%	3
	Liquidity Ratio (days)	25%	27.57	4
	Weighted Total Score			**3.6**
	Capped Total Score			**4**

Monitor Metric	**Weight**	**5**	**4**	**3**
EBITDA margin	25%	11%	9%	5%
EBITDA, % achieved	10%	100%	85%	70%
Return on Assets	20%	6%	5%	3%
I&E surplus margin	20%	3%	2%	1%
Liquid ratio	25%	60	25	15
Weighted Average	**100%**			