

MONITOR POTENTIAL FINANCIAL RISK INDICATORS

Potential financial risk indicators	Traffic light	Comments
1. Unplanned decrease in EBITDA margin in two consecutive quarters	Green	None expected in 2011/12
2. Quarterly self-certification by trust that the financial risk rating (FRR) may be less than 3 in the next 12 months	Green	After including including a notional Working Capital Facility of £15.0m, which is the amount assumed in the Monitor Long Term Financial Plan, the Trust is predicting a FRR of at least 3 throughout 2011/12
3. FRR 2 for any one quarter	Green	After including including a notional Working Capital Facility of £15.0m, which is the amount assumed in the Monitor Long Term Financial Plan, the Trust is predicting a FRR of at least 3 throughout 2011/12
4. Working capital facility (WCF) agreement includes default clause	Amber	It has been agreed that the WCF will be sourced from Natwest and once the go ahead has been given to proceed with this facility the agreement will include a default clause.
5. Debtors > 90 days past due account for more than 5% of total debtor balances	Red	The Month 12 position shows this as 7.2%. *There is a note below that explains this adverse variance in more detail. Risk is managed month on month by reporting a commentary as part of the supplementary reports. This shows the debts over 90 days and an update on who the credit controller is liaising with and the response and action expected by the accountant responsible for resolving any issues so that payment can be made. This is evidenced by the ledger statements for all sales sub ledgers.
6. Creditors > 90 days past due account for more than 5% of total creditor balances	Green	The Month 12 position shows this at 0.5%. This is evidenced by ledger statements for all purchase sub ledgers.
7. Two or more changes in Finance Director in a twelve month period	Green	Current FD in post since December 2008
8. Interim Finance Director in place over more than one quarter end	Green	Current FD in post since December 2008
9. Quarter end cash balance <10 days of operating expenses	Green	At the end of Quarter 4 2011/12 the cash balance was £7.1million against operating expenses required for 10 days of £4.8million. Assumed £15million as requirement for a months operating expenses.
10. Capital expenditure > 75% of plan for the year to date	Amber	Capital expenditure broadly in line with internal profile

*Note 1

The adverse variance was caused by an invoice to a PCT for £166k relating to an out of area patient.

A local PCT are disputing over "who arranged placement" although backup information sent. This is currently with finance staff to resolve with the PCT.