ITEM: 08/167
Doc: 6

MEETING:	Trust Board 19th November 2008

TITLE:	Financial Position – Month 7 (October 2008)

SUMMARY:

1. In-month actual Income & Expenditure performance is a surplus of £376k. This is £295k worse than planned, primarily due to large increases in CIP and income targets in October that were not fully met.
2. Year to date surplus is £1,482k (overachievement of £312k against plan)
3. The cash position remains strong with a balance of £2.8m held at 31st October
4. The forecast has been revised in conjunction with operational management (as at Month 6), and now projects a £2,057k year-end surplus.
3. This performance indicates a year-to-date risk rating (using the Monitor methodology) of 3.

Financial performance is described in more detail in the following sheets & tables.

ACTION:	For information / discussion

REPORT FROM:	Tim Jaggard, Deputy Director of Finance

SPONSORED BY:	Richard Martin, Finance Director

Financial Validation Lead: Director of Finance	Tim Jaggard

Compliance with statute, directions, policy, guidance Lead: All directors	**Reference:** Best Practice – financial assurance standards; ALE; Accounting Standards; Monitor financial regime

Compliance with Healthcare Commission Core/Developmental Standards Lead: Director of Nursing & Clinical Development	**Reference:**

Compliance with Auditors' Local Evaluation standards (ALE) Lead: Director of Finance	**Reference:** ALE – Financial Management and Financial Reporting Domains

Compliance with requirements of FT application and monitoring regime Lead: Director of Strategy & Performance	**Reference:**

Executive Summary

1. Month 7 Income and Expenditure

1.1. The overall I&E position to 31st October 2008 is a surplus of £1,482k, which is £312k better than planned. This year-to-date position builds on the strong financial position reported last month – however, the in-month surplus for Month 7 was lower due to the lack of exceptional non-recurrent items that occurred in Month 6.

1.2. The year-to-date position of £1,482k includes several non-recurrent items, which when removed show an underlying financial position of break-even (see section 5.3 below). Therefore the current forecast remains at £2m despite being just £518k away from the year-end target surplus.

1.3. Pay expenditure remains significantly above plan (£1.55m variance to date). The monthly overspend on pay has slowed to £46k in Month 7, although this is partly due to actual September agency expenditure on nursing being lower than predicted at Month 6 – the benefit of this underestimate is therefore showing in Month 7.

1.4. Of particular concern is the underachievement against the vacancy factor target (£673k) and large overspend on medical staff (now £786k).

1.5. Overall, non-pay expenditure was well above plan in October – this is composed of an overspend within directorates, particularly in clinical supplies, and an underspend against central budgets, as in previous months.

2. Month 7 Balance Sheet and Cash

2.1. The cash balance grew in October over and above forecast, with a closing cash balance for October of £2.8m, around £1m above the forecast position. This was primarily due to un-notified payment of 2007/08 Market Forces Factor from the Department of Health and earlier than usual settlement of a number of Quarter 1 over-performance invoices. The rolling cashflow forecast is shown in Section 10.

3. 2008/09 Forecast

3.1. The detailed bottom-up forecasting exercise that was undertaken at Month 6 has been repeated for Month 7, improving on the methodology. This indicates that the Trust is projecting a 'likely case' £2.06m surplus for 2008/09. Further details of this forecast are given in Section 14.

3.2. The five previously identified key risks / priorities remain:

- Achievement of CIP target (or ensuring additional activity income covers CIP shortfall e.g. for Reckitt and Eddington wards)
- Achievement of DTC income target – currently significantly below plan
- Maintenance of income levels sufficiently above SLA plan to cover other targets and cost pressures
- Reduction of overspend on pay, including achievement of vacancy factor
- Resolution of long-standing Whittington Facilities Ltd. (WFL) debt

4. Recommendations

4.1. The Trust Board is asked to:

- **Note** the financial performance for the first seven months of 2008/09
- **Note** the revised year-end forecast of £2.06m
- **Note** the continued importance of the five key risks / priorities in achieving this planned £2m surplus

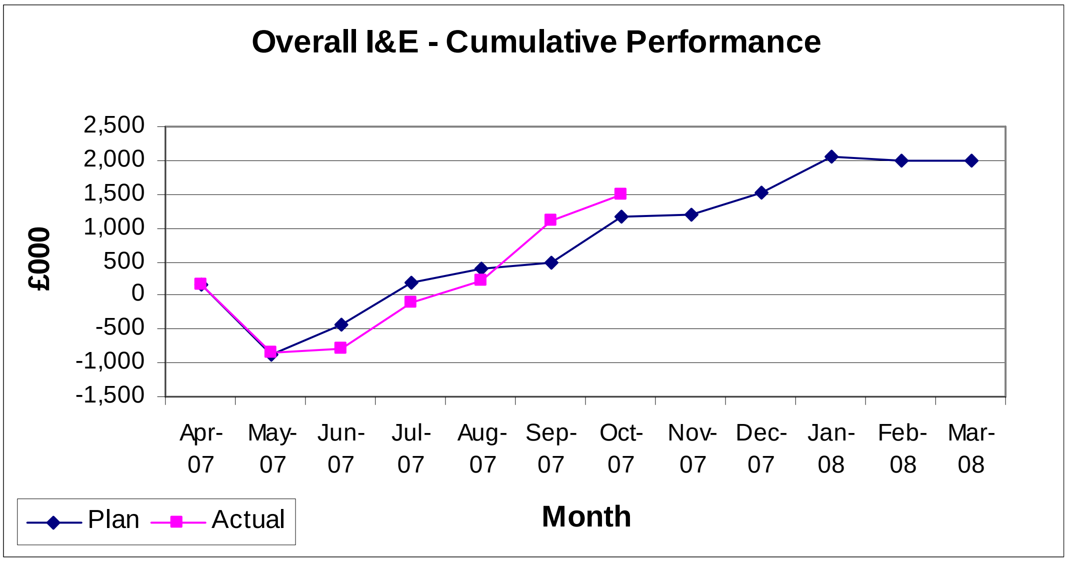
Month 7 Finance Report

5. Income and Expenditure Summary

5.1. Income and Expenditure is summarised in the table and chart below:

FIGURE 1 Description	Current Month Actual £'000	Current Month Budget £'000	Current Month Variance £'000	Year To Date Actual £'000	Year To Date Budget £'000	Year To Date Variance £'000	Annual Budget £'000
NHS Clinical Income	11,760	11,788	(28)	82,085	81,145	940	137,941
Non NHS Clinical Income	67	64	3	436	449	(13)	769
All Other Non Clinical Income	2,274	2,223	51	13,047	12,865	182	21,929
Total Income	**14,101**	**14,075**	**26**	**95,568**	**94,459**	**1,109**	**160,638**
Pay	9,417	9,371	(46)	64,596	63,049	(1,547)	107,781
Non Pay	3,598	3,290	(308)	24,737	25,015	278	41,885
Total Expenditure	**13,015**	**12,660**	**(355)**	**89,333**	**88,064**	**(1,270)**	**149,665**
EBITDA	**1,086**	**1,414**	**(329)**	**6,235**	**6,395**	**(160)**	**10,973**
Plus Interest Receivable	19	30	(11)	205	187	17	355
Less Interest Payable	0	0	0	1	0	(1)	50
Less Depreciation	410	455	45	2,730	3,186	456	5,462
Less PDC Dividend	318	318	0	2,226	2,226	0	3,816
Net Surplus / (Deficit)	**376**	**671**	**(295)**	**1,482**	**1,170**	**312**	**2,000**

FIGURE 2



5.2. EBITDA of £6,235k to date is reported, which is £160k worse than planned as this is calculated before the depreciation which is contributing to the overall I&E surplus of £1,482k, which is £312k better than planned.

5.3. The apparent strong financial performance to date is due to a number of non-recurrent factors:

- Additional Market Forces Factor payment from the Department of Health relating to 2007/08 - £50k higher than expected
- A favourable variance on depreciation (£456k total to Month 7), partially due to a change in indexation rules and partially due to a lower level of assets as a result of capital programme slippage
- The fact that the reported position now includes income relating to estimated over-performance for the reported month, using raw, un-coded activity data (see section 6 below)
- Recognition of the year-to-date proportion of a) £500k maternity funding and b) £400k waiting list funding from Islington PCT, with the assumption that these will remain unspent or expenditure is already accounted for within directorates
- Unanticipated payment of a number of 2007/08 outstanding debts of around £400k relating largely to SLA over-performance – over and above planned provision release

5.4. Year-to-date performance, if adjusted to reflect the non-recurrent items above, would be approximately break-even. It is important to note, therefore, that the underlying recurrent financial position is not as strong as the actual position initially suggests.

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity data (September 2008), with October income performance accounted for as in Month 6, using un-coded activity where available to estimate the total chargeable activity that will be billed to PCTs. Where this is not available, income is reported as being equal to SLA plan.

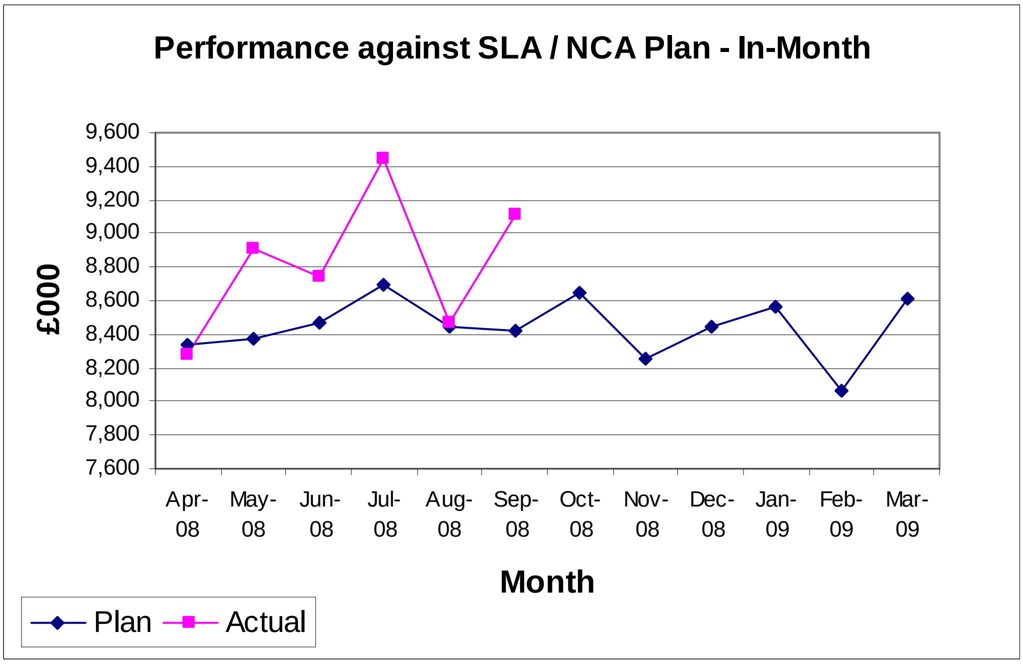
6.2. As in previous months, adjustments have been made to reduce income based on anticipated non-payment for certain items:

- Follow-up outpatient attendances above the PCT target. This will reduce income by an estimated £576k relating to the period from July-October. The Trust has written to PCTs asking for exemption from some targets, but attention must be given to the specialties that are above target to avoid a potential £2m reimbursement to PCTs at the end of the financial year
- Estimated invoices disputed by PCTs – amount based on the recent 'agreement of balances' exercise is £720k
- Glucose tolerance test activity – currently incorrectly coded as outpatient activity, and likely to result in reimbursement to PCTs.

6.3. Performance against SLAs (including non-contract activity) was strong in September, and, encouragingly, was in line with the estimate that was made for the first time in Month 6 based on un-coded data. In-month over-performance (before non-SLA income targets) was £690k (now £2.2m to date). The year-to-date position is summarised below by patient type:

FIGURE 3	Activity			Finance £000s		
Patient Type	**Plan To M6**	**Actual To M6**	**Variance To M6**	**Plan To M6**	**Actual To M6**	**Variance To M6**
Block Contract/Emergency Threshold	0	0	0	8,796	8,796	0
Adult High Dependancy Beddays	1,259	1,247	(11)	982	973	(9)
Adult Intensive Care Beddays	1,588	1,896	308	3,015	3,601	585
Day Cases	7,093	7,963	879	4,345	4,856	511
Direct Access	308,349	337,984	29,636	3,427	3,616	189
ED Attendances	40,746	38,088	(2,658)	2,991	2,807	(184)
Elective Inpatients	1,704	1,405	(296)	3,203	2,928	(275)
Excess Beddays	6,716	6,574	(136)	1,101	1,028	(73)
NICU High Dependancy Beddays	626	541	(83)	602	522	(80)
NICU Intensive Care Beddays	452	433	(8)	596	585	(11)
NICU Special Care Beddays	3,564	3,197	(338)	1,411	1,300	(111)
Non-Elective Inpatients	11,665	12,042	399	10,001	10,073	72
Other Activity	7,162	10,598	3,431	281	437	156
Outpatient 1st Attends	26,748	30,202	3,458	4,631	5,255	625
Outpatient Follow Ups	59,226	68,585	9,401	4,956	5,640	684
Outpatient Procedures	1,927	2,614	687	409	545	136
Grand Total				**50,747**	**52,962**	**2,215**

FIGURE 4



6.4. Significant favourable in-month variances were in adult critical care (£152k), day case activity (£176k) and outpatients (£294k). Non-elective inpatient activity was also stronger than in previous months, with an in-month over-performance of £103k.

6.5. Day case performance against SLA is favourable due to additional DTC activity. The combined performance of day cases and elective inpatients – i.e. total elective activity - is now £236k above SLA plan. However, this is before meeting additional DTC income targets which at Month 7 totalled £1.2m. After factoring in the year-to-date ophthalmology income from the Royal Free (£226k of a total £700k now agreed for 2008/09) this brings total elective income to £700k below target.

7. Expenditure Performance

7.1. Pay expenditure remains significantly above plan in August, by £1.55m – an increase of £215k in the month. This is due to the following:

- Vacancy factor not met - £673k to date
- Historical over-establishment in the early part of the year
- Higher expenditure on agency staff – although in Month 7 this has been partially offset by the fact that nursing agency was estimated higher than was actually the case
- Higher than expected levels of activity

7.2. Spend on agency staff remains high at £2.6m to date. A substantial proportion of this relates to nursing pay, and there is significant overspend in medical staffing, A&C and other support staff.

7.3. Medical staffing continues to be overspent, by £786k to date. An overspend of £650k on locum medical staffing is contributing to this, which is not sufficiently offset by an underspend against permanent medical staff.

7.4. As noted above, non-pay expenditure is significantly above plan in Month 7, by £308k. Most of this in-month overspend is within the category of clinical supplies and services, and drugs in particular. Some of this deterioration in performance from the early months of the year is due to increased levels of activity – however, this cannot explain the entirety of the variance, and there should be an emphasis within directorates to control non-pay expenditure in the remaining months of the year.

8. Cost Pressures and Central Budgets

8.1. Claims against central cost pressure budgets totalled £235k. Significant items included £60k to meet the European Working Time Directive, £77k to fund a North Central London TB service (although the Trust is disputing this charge), and £70k for additional Orthopaedic consultant capacity.

8.2. The 'Centrally Held Savings' budget line that has been shown in previous reports has been removed and transferred to pay or non-pay as suggested. It is worth noting at this point the way that central budgets are used in the financial management of the Trust:

- Some cost pressure budgets are held centrally and released as they are required. This is preferable to releasing to directorates at the start of the year as this would mask underlying budgetary performance
- Most central budgets are profiled equally in each month – if actual expenditure is expected to be incurred towards the end of the year, this is accrued to avoid an overstated financial position
- Some CIP targets are shown centrally where they cannot be devolved to directorates (e.g. reducing sickness absence) – these targets will never have any actual expenditure against them, as the achievement is within individual directorates

8.3. As a result of the monthly release of central budgets and changing forecasts of actual expenditure against cost pressure budgets, the in-month central budget figures may fluctuate from month to month – however, the year-to-date position will always accurately reflect the current financial position of the Trust.

9. Cost Improvement Programme (CIP)

9.1. Performance against the CIP is summarised in the charts below. The target to the end of October was £2.1m, against which £2.2m has been validated. In-month performance was on target, despite a challenging increase in October – although this was partly due to retrospective validation of previous months' achievement.

9.2. The total target for the year remains at £4.2m, with a forecast shortfall of recurrent CIP of £150k (overall overachievement of £400k). The year-end forecast assumes the likely scenario that Reckitt will remain open and that Eddington will re-open, with additional income due to increased activity offsetting the CIP underachievement.

9.3. Developing the CIP for 2009/10 (a minimum target of a challenging £8.6m recurrent savings) remains a priority, with Directors involved in forming detailed plans for achieving this target, managed by the Efficient Services Collaborative headed by Fiona Elliott, Director of Planning and Performance.

9.4. The target is high, partly due to the normal requirement for annual CIP of around £4m, but also due to additional investment in services and a number of cost pressures – some of which are being implemented in 2008/09 with significant full year effects in 2009/10. Examples include MRSA screening and cleaning, DTC facilities costs, a higher than expected pay award, midwifery-led birthing unit, maternity day unit, Paediatric ED, chemotherapy manufacturing unit and increased energy prices.

FIGURE 5

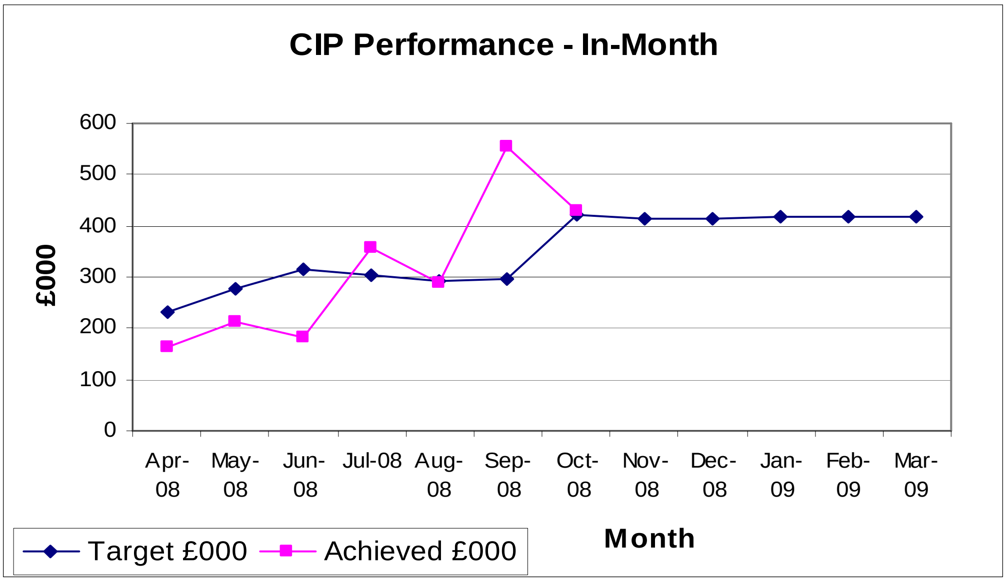
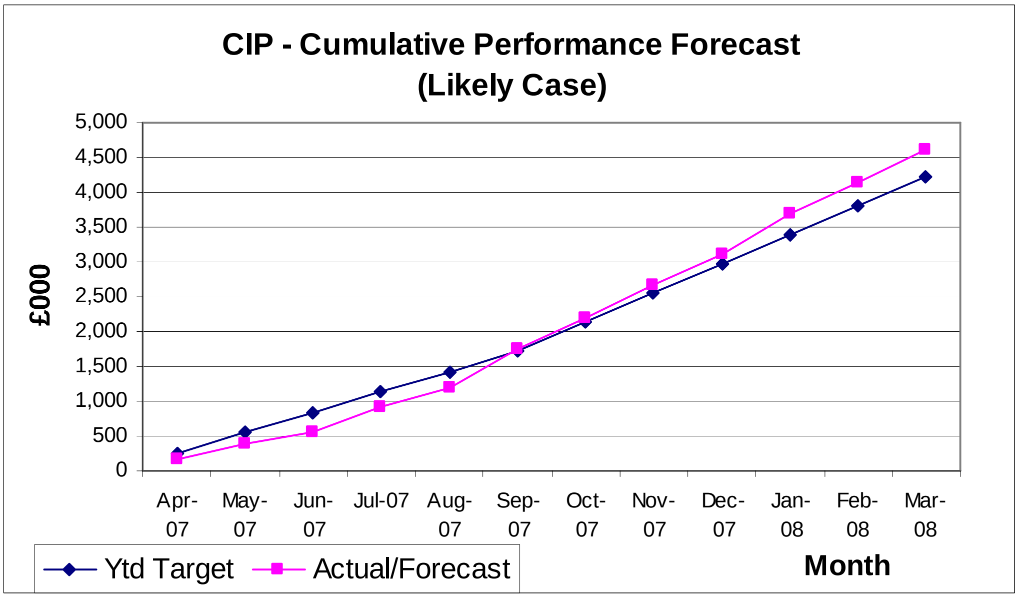


FIGURE 6

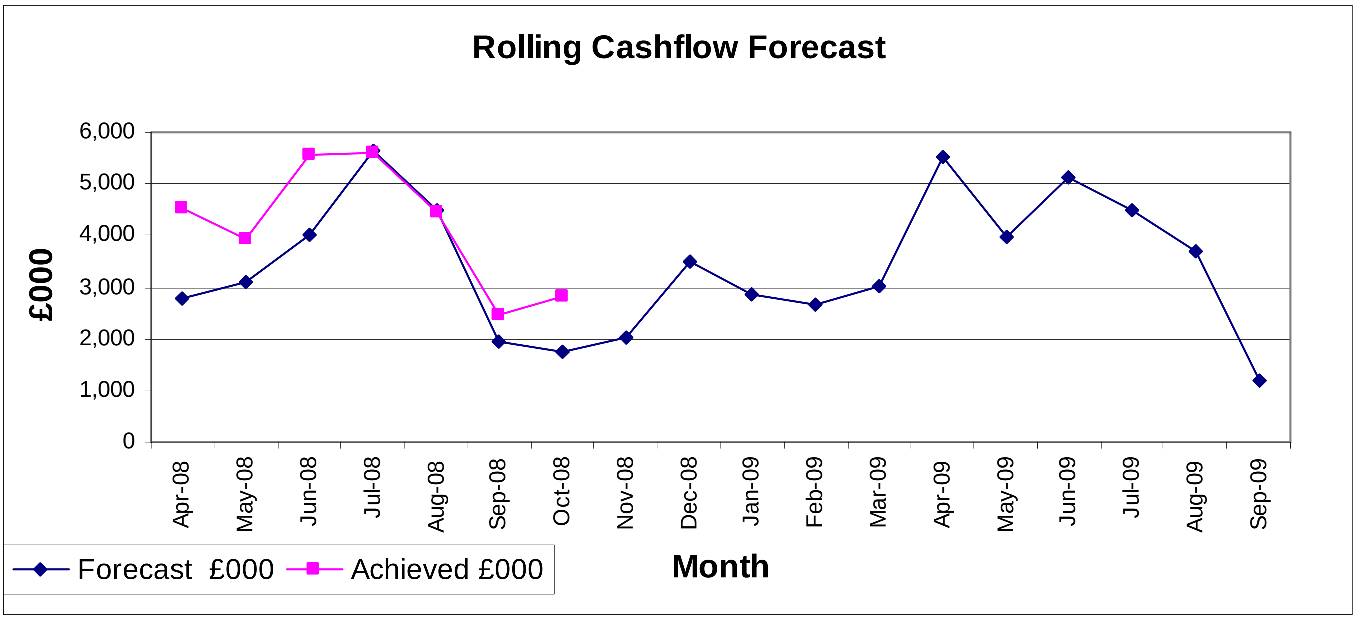


10. Cash

10.1. The cash balance at the end of August was £2.8m, around £1m higher than the previously published forecast. The higher than anticipated cash balance was due mainly to two items: earlier than usual settlement by Islington PCT of SLA over-performance relating to Quarter 1, and the receipt of 2007/08 Market Forces Factor funding from the Department of Health that had not been notified to the Trust.

10.2. The rolling twelve-month cashflow forecast is shown below:

FIGURE 7



10.3. Where exact timings are unknown, estimates have been included. The reduction in the cash balance that occurred in September is due to the half-yearly Public Dividend Capital payment of £1.9m.

11. Risk Rating

11.1. An indicative risk rating is shown below, based upon the Monitor methodology. There has been no change in the scores since Month 6, with the year-to-date and forecast risk ratings remaining at a score of 3.

FIGURE 8

Weighting	Metric Description	Month 5 Rating	Weighted	Forecast Year-end Rating	Weighted
10%	EBITDA achieved (% of plan)	4	**0.40**	5	**0.50**
25%	EBITDA margin (%)	3	**0.75**	3	**0.75**
20%	Return on Assets (%)	2	**0.40**	2	**0.40**
20%	I&E surplus margin (%)	3	**0.60**	3	**0.60**
25%	Liquid ratio (days)	5	**1.25**	3	**0.75**
	Overall rating		**3.40**		**3.00**

12. Balance Sheet

12.1. The balance sheet is summarised below, showing the opening, current month and year-end forecast position. The year-end forecast has been updated using the same detailed forecasting exercise that was implemented last month:

FIGURE 9

Description	As at 1st April 2008	End of Month Actual	2008/09 Year End Forecast
	£'000	£'000	£'000
Fixed Assets	**92,504**	**91,287**	**93,030**
Stock	1,230	1,509	1,274
Debtors	7,457	13,390	6,414
Debtors - Deferred Asset	24,933	24,359	23,949
Cash in hand & at Bank	2,515	2,833	3,030
Total Current Assets	**36,135**	**42,092**	**34,667**
Creditors - Revenue	11,468	16,253	9,587
Creditors - Capital	3,150	960	2,200
Total Current Liabilities	**14,618**	**17,213**	**11,787**
Net Current Assets	**21,517**	**24,879**	**22,880**
Provisions for Liabilities & Charges	**3,289**	**3,193**	**2,396**
Total Assets Employed	**110,732**	**112,973**	**113,514**
Public Dividend Capital	47,258	48,084	48,084
Revaluation Reserve	40,426	40,297	40,297
Donated Asset Reserve	1,221	1,154	1,102
Income & Expenditure Reserve	21,827	23,438	24,031
Total Capital & Reserves	**110,732**	**112,973**	**113,514**
Capital Cost Absorption Rate		**2.05%**	**3.51%**

12.2. As described previously, figures for debtors and creditors have increased over previous months by around £1.4m due to the accounting treatment for Work In Progress introduced in August.

12.3. Average invoiced debtor days are currently 21 (an increase from 15 in the previous month) against a target maximum of 30 days. The invoiced debt at the end of October represents 5.75% of the Trust's turnover (target maximum of 5%). However, the Month 7 debtor figure is skewed due to the quarterly invoicing of NHS London for all MPET training funding.

12.4. The year-end debtors and creditors forecast is low, reflecting previous years' experience of other organisations wishing to pay debt at the year-end to reduce their cash balances.

12.5. As at 31st October, 90.3% of NHS Creditors and 84.8% of Non-NHS Creditors were paid within the target 30 days.

13. Progress Against KPMG Finance Function Review Recommendations

13.1. Four key recommendations were made in the recent KPMG review of the Finance Function, and progress against these is described below. The four areas are:

- Improvement of the Trust's forecasting processes
- Improvement of management information produced for internal finance 'customers'
- Appointment of a replacement for the then Deputy Director of Finance, Trish Donovan
- Improvement in financial management of the balance sheet and cash position

13.2. A substantial amount of work has been undertaken since August to develop a methodology and set of assumptions that can be used to forecast as accurately as possible, utilising operational managers' knowledge to build a 'bottom-up' forecast that is owned by the organisation (rather than a top-down forecast owned by finance).

13.3. Crucially, the new forecasting process focuses on *actual* income and expenditure (ignoring budgets), compared to the previous methodology of extrapolating variance from plan to the year-end and applying high-level adjustments.

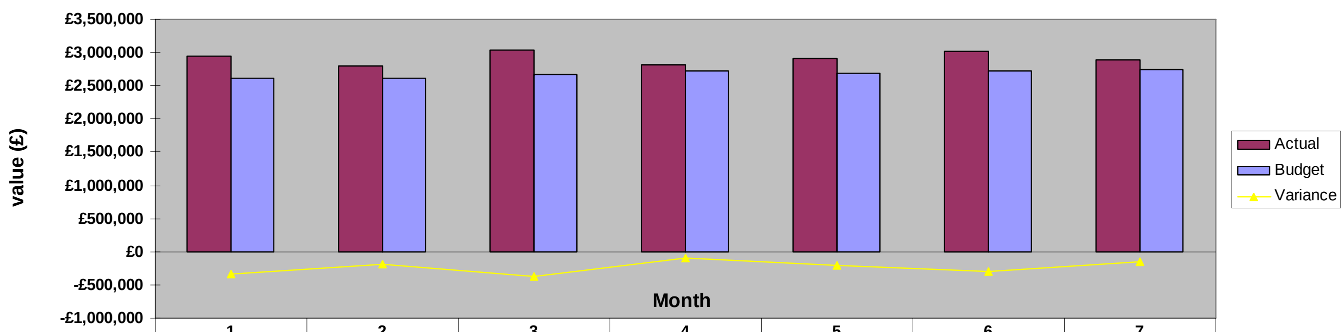
13.4. A forecasting procedure and action plan has been produced with operational management input. This details the underlying assumptions behind the 'base case' forecast together with the methodology for adjusting for known future events. Specific developments are as follows:

- Ensuring that management accountant meetings with budget holders are forward-looking, with service changes identified at an early stage
- Producing summary level forecasts within each directorate, which are then signed off and fed into the Trust-wide forecast reported to Executive Committee and Trust Board
- Including updated forecasts on the budget statement packs that are sent to operational managers and budget holders

13.5. The results of the Month 7 forecasting exercise are shown in section 14.

13.6. Work is well underway to improve the format and style of management information provided by finance to divisions. November will see divisional 'dashboards' produced for the first time, which will summarise key financial and activity information together to provide an overview of divisional performance. An example of a chart that will be included is shown below – this shows actual Surgery and Cancer performance for Month 7:

Graph to show monthy analysis of expenditure vs budget



	1	2	3	4	5	6	7
Actual	£2,943,821	£2,792,758	£3,036,505	£2,824,177	£2,904,299	£3,025,517	£2,887,647
Budget	£2,609,958	£2,609,959	£2,667,459	£2,731,384	£2,689,453	£2,719,911	£2,742,978
Variance	-£333,863	-£182,800	-£369,046	-£92,793	-£214,845	-£305,606	-£144,668

13.7. The Trust has appointed Tim Jaggard to the position of Deputy Director of Finance.

13.8. The fourth area that required improvement was the financial management of the balance sheet and that the related roles and capabilities of staff should be clarified and strengthened. The Trust now has weekly cash management and monthly balance sheet meetings of specific staff under the leadership of the Assistant Director of Finance and Deputy Director of Finance respectively. Details of receipts and payments, Capital programme, debtors, creditors and other balance sheet values are shared, discussed and common agreed assumptions are used to project the balance sheet and cash balances going forward.

13.9. The benefits of this approach are:

- Understanding variances against plan
- Taking corrective action on debtor management
- Ensuring no undue delays on paying creditors
- Ensuring that cash exists to meet liabilities
- Advance notice of undue slippage on capital programme
- Manage the achievement of the External Financing Limit (currently £3m to be held at the year end in the form of cash) anything more would be lost
- Forecast cash balances and ability to invest at a higher interest rate for longer periods with manageable degrees of risk

13.10. The outputs of these regular cash management and balance sheet meetings are a forecast balance sheet and cash flow statement on a rolling 12 month basis which in turn are reported to both the Trust Board and NHS London/Department of Health.

13.11. Key to the success of implementing the recommendations above is the need for finance staff to be fully engaged with operational areas of the Trust. This requires work within and outside of the finance department – for example, finance staff should be involved in directorate and departmental meetings and are included in the early stages of any service development plans. Senior finance staff now attend regular General Managers’ meetings.

13.12. The new forecasting methodology will be developed and refined over time, improving the accuracy of the projected I&E position of the Trust.

14. 2008/09 Forecast Income and Expenditure

14.1. The table below summarises the forecast I&E position for 2008/09 – the result of the bottom-up forecasting process undertaken by finance/operational management, with very limited high-level adjustments. The full summary forecast is shown in Appendix 1.

Description	Forecast Year End Actual		
	Worst £'000	Likely £'000	Best £'000
NHS Clinical Income	134,284	137,923	140,887
Non NHS Clinical Income	747	747	747
All Other Non Clinical Income	25,931	25,931	25,931
Total Income	**160,961**	**164,601**	**167,565**
Pay	110,888	110,761	111,557
Non Pay	43,448	43,398	43,710
Total Expenditure	**154,337**	**154,159**	**155,267**
EBITDA	**6,625**	**10,442**	**12,298**
Plus Interest Receivable	369	389	390
Less Interest Payable	20	20	1
Less Depreciation	4,938	4,938	4,938
Less PDC Dividend	3,816	3,816	3,816
Net Surplus / (Deficit)	**(1,780)**	**2,057**	**3,933**

14.2. The broad methodology for deriving the forecast income has changed from Month 6. In Month 7, detailed discussions took place with all General Managers as to the estimated activity by specialty and patient type – flexed as appropriate to give best and worst cases. This took into account the forecast for DTC activity.

14.3. For expenditure, the methodology remains as in Month 6, with the 'baseline' likely case calculated from the previous two months' actual expenditure, and adjustments made at a detailed level from meetings with operational management and budget holders.

14.4. CIP – the forecast assumes that CIP will overachieve by £0.4m at the year-end (including non-recurrent items). However, as described in Section 9 above an element of this is due to retrospective validation of savings already included in the financial position – hence there is no major change in the forecast from Month 6 due to this.

14.5. Release of Provisions – the forecast assumes that £250k will be released from provisions per month as planned, to reach a total of £3m by the end of the year.

14.6. Whilst the likely case forecast is still projecting a £2m surplus, this is contingent upon activity over-performance continuing for the remainder of the year. To mitigate the risk of activity not being sustained at these levels, it remains essential to focus on the five key risks / priorities previously identified:

- **Achievement of CIP** – recurrent CIP forecast to be £150k less than the year-end target
- **Achievement of DTC Income Target** – as mentioned in section 6 above, DTC income is currently significantly below plan, despite agreement being reached with the Royal Free to pay £700k for Ophthalmology work. Day case and Elective work continues to be monitored weekly by the Executive Team.
- **Maintenance of income levels sufficiently above SLA plan to cover other targets/pressures** – in-month over-performance against SLA plans in September was high, but is likely to be reduced by the requirement to reimburse PCTs for excessive follow-ups (see section 6 above).
- **Reduction of overspend on pay -** including achievement of vacancy factor. Current pay overspend is £1.55m, with agency use a significant contributory factor. The vacancy factor adjustment to budgets is not being met.
- **Resolution of long-standing Whittington Facilities Ltd. (WFL) debt** – the likely case forecast assumes a benefit of £300k and the best case £492k

Appendix 1: Summary of Month 7 Bottom-up Forecast Income and Expenditure 2008/09

Income

Board Report rollup	Worst case scenario	Likely scenario	Best case scenario
	Year end forecast - from summary sheet		
Adult High Dependancy Beddays	1,937,018	2,034,065	2,131,111
Adult Intensive Care Beddays	7,181,333	7,540,400	7,899,466
Block Contract/Emergency Threshold	17,591,371	17,591,371	17,591,371
Day Cases	9,839,553	10,198,696	10,598,405
Direct Access	6,934,912	7,076,873	7,218,834
ED Attendances	5,164,459	5,497,304	5,753,955
Elective Inpatients	5,526,362	5,892,244	6,136,565
Excess Beddays	2,138,422	2,192,088	2,287,743
NICU High Dependancy Beddays	1,041,257	1,062,083	1,082,908
NICU Intensive Care Beddays	1,165,906	1,189,224	1,212,542
NICU Special Care Beddays	2,617,814	2,642,215	2,654,415
Non-Elective Inpatients	19,916,770	20,478,608	20,981,852
Other Activity	868,360	882,924	897,487
Outpatient 1st Attends	10,299,602	10,541,501	10,821,394
Outpatient Follow Ups	11,048,039	11,300,034	11,660,707
Outpatient Procedures	1,072,657	1,089,241	1,134,502
Total SLAM income	**104,343,836**	**107,208,870**	**110,063,259**
MFF @ 37.2016%	**26,799,568**	**27,824,441**	**28,268,539**
Education & Training Income	**16,545,850**	**16,545,850**	**16,545,850**
Devolved Income (from Expenditure section)	**4,194,451**	**4,194,451**	**4,194,451**
Tariff + Non-Tariff less SLAM	**2,890,151**	**2,890,151**	**2,890,151**
Other Income/Accruals/Adjs	**5,937,430**	**5,937,430**	**5,937,430**
TOTAL INCOME BEFORE HIGH-LEVEL ADJUSTMENTS	**160,711,286**	**164,601,193**	**167,899,679**
High-Level Adjustments			
Adjustment to provisions based on SLA performance	250,000	0	-500,000
Additional Ophthalmology Lists for Royal Free	0	0	165,000
TOTAL INCOME AFTER HIGH-LEVEL ADJUSTMENTS	**160,961,286**	**164,601,193**	**167,564,679**

Expenditure

Division	Worst case scenario	Likely scenario	Best case scenario
	Year end forecast		
Diagnostics	17,774,744	17,691,085	17,677,651
Facilities	16,541,736	16,422,570	16,391,736
Finance	3,295,245	3,295,245	3,295,245
HR & Corporate Affairs	2,232,147	2,231,814	2,229,147
IM&T	3,043,605	3,043,605	3,043,605
Medical Education	862,110	862,110	862,110
Medicine & Therapy	36,849,881	36,782,765	36,762,938
Nursing & Clinical Development	3,323,124	3,323,124	3,323,124
Operations	1,522,905	1,505,722	1,478,360
Pharmacy	3,803,472	3,803,472	3,803,472
Primary Care	368,856	368,856	368,856
Strategy & Performance	8,065,497	8,065,497	8,065,497
Surgery & Cancer	35,536,856	35,470,320	35,460,856
Womens & Children	22,833,420	22,765,184	22,668,994
Total Expenditure in Directorates	**156,053,598**	**155,631,368**	**155,431,591**
50% MARGINAL COST ADJUSTMENT DUE TO ACTIVITY CHANGES	**-1,944,954**	**0**	**1,649,243**
Reserves	**0**	**0**	**0**
Other Trust Finance	**-1,472,089**	**-1,472,089**	**-1,472,089**
TOTAL EXPENDITURE BEFORE HIGH-LEVEL ADJUSTMENTS	**152,636,555**	**154,159,279**	**155,608,745**
High-Level Adjustments			
18 Weeks Penalty	1,700,000	0	0
Full achievement of recurrent CIP	0	0	-150,000
Potential additional WFL Benefit	0	0	-192,000
TOTAL EXPENDITURE AFTER HIGH-LEVEL ADJUSTMENTS	**154,336,555**	**154,159,279**	**155,266,745**
Interest	**-349,444**	**-369,444**	**-389,444**
Depreciation	**4,938,301**	**4,938,301**	**4,938,301**
PDC Dividend	**3,816,000**	**3,816,000**	**3,816,000**
NET FORECAST INCOME/EXPENDITURE POSITION 2008/09	**-1,780,126**	**2,057,057**	**3,933,077**