ITEM: 09/061
Doc: 7

MEETING:	Trust Board 15th April 2009

TITLE:	Provisional Financial Position – Month 12 (March 2009) Appendix 1 – Finance Dashboard Report Month 12

Executive Summary

1. Month 12 Income and Expenditure

1.1. The provisional I&E position for the year 2008/09 is a surplus of £1,983k, in line with the planned £2m surplus. This is consistent with last month's forecast. Some changes may occur before accounts are finalised, but these are expected to be minimal.

1.2. The income position in March was exceptionally good, with over-performance in February of £740k in-month, and significant non-recurrent income from Islington PCT relating to performance incentive payments for meeting and exceeding the 98% ED target.

1.3. Pay expenditure remained extremely high in March – some £1.6m above budget in-month. Expenditure on bank, and in particular agency, staff was very high, with the total spend on agency between January and March this year exceeding £1.7m.

1.4. Non-pay expenditure was £321k lower than planned in February – however, this underspend was primarily due to an accounting adjustment for bad debt provisions, explained in more detail in section 6.4. Expenditure on clinical supplies was high, particularly on drugs which were £111k above budget.

1.5. The planned £250k of provision release in March was achieved through a reduction in the provisions held for N12s and follow-up ratios following Islington PCT's decision to reinvest in the Trust the penalties that were due to be paid. Other PCTs will still require reimbursement.

1.6. The provisional year-end position continues to include many non-recurrent items (see section 4.3), which when removed show a significant underlying financial deficit of around £4.7m.

2. Month 12 Balance Sheet and Cash

2.1. The closing cash balance at the end of February was £3.03m, exactly in line with the year-end forecast position.

2.2. Recent discussions with external auditors have resulted in a change in approach to indexation of fixed assets in 2008/09. The final indices used were negative, reflecting the reduction in building and land values over the course of the year – this has led to a reduction in fixed assets of around £9m (predominantly relating to land values) and a further small reduction in depreciation.

3. Recommendations

3.1. The Trust Board is asked to:

- **Note** the provisional financial performance for the full year 2008/09
- **Note** the continuing high expenditure, particularly on agency staff, and that the £2m surplus has been made possible only through significant non-recurrent factors

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

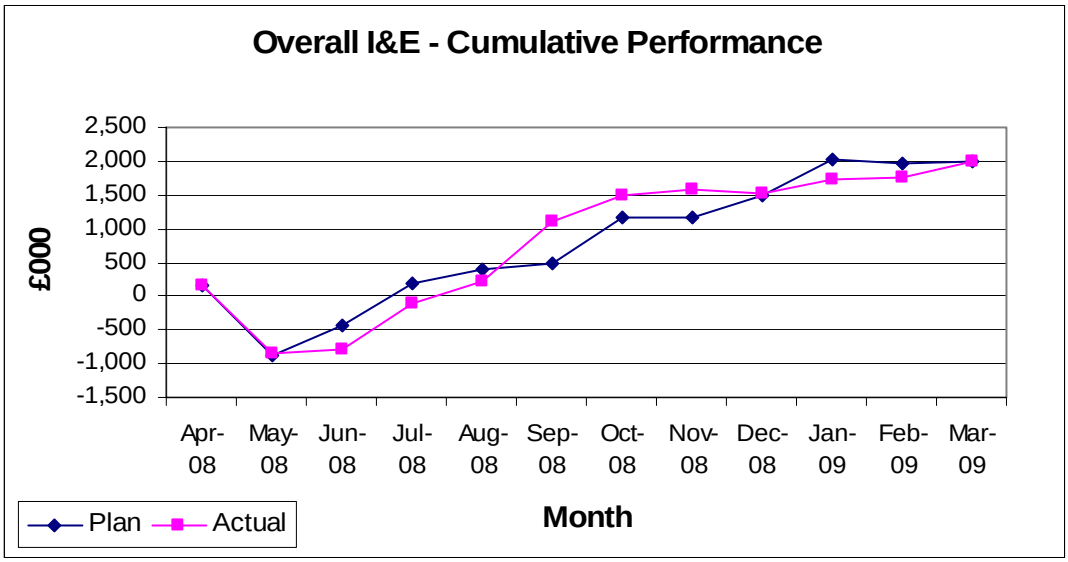
Month 12 Finance Report

4. Income and Expenditure Summary

4.1. The provisional 2008/09 Income and Expenditure position is summarised in the table and chart below:

FIGURE 1	Current Month			Year To Date			Annual
Description	Actual	Budget	Variance	Actual	Budget	Variance	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NHS Clinical Income	13,897	11,935	1,962	141,551	138,785	2,766	138,785
Non NHS Clinical Income	(139)	64	(203)	658	769	(111)	769
All Other Non Clinical Income	1,763	2,037	(275)	23,853	22,494	1,360	22,494
Total Income	**15,520**	**14,036**	**1,484**	**166,062**	**162,048**	**4,015**	**162,048**
Pay	10,995	9,336	(1,659)	113,395	109,118	(4,277)	109,118
Non Pay	3,577	3,898	321	42,253	41,957	(296)	41,957
Total Expenditure	**14,572**	**13,234**	**(1,338)**	**155,649**	**151,075**	**(4,574)**	**151,075**
EBITDA	**948**	**802**	**146**	**10,414**	**10,973**	**(559)**	**10,973**
Profit/(loss) on disposal of Asset	1	(0)	1	1	(0)	1	(0)
Plus Interest Receivable	3	50	(47)	245	355	(110)	355
Less Interest Payable	47	50	3	48	50	2	50
Less Depreciation	373	455	82	4,813	5,462	649	5,462
Less PDC Dividend	318	318	0	3,816	3,816	0	3,816
Net Surplus / (Deficit)	**214**	**29**	**186**	**1,983**	**2,000**	**(17)**	**2,000**

FIGURE 2



4.2. EBITDA of £10,973 to date is reported, which is £559k worse than planned as this is calculated before the depreciation underspend that is contributing to the overall I&E surplus.

4.3. The apparent strong financial performance for 2008/09 is due to a number of factors:

- Planned release of provisions – totalling £3m for the year (£2.75m to date)
- Additional 2007/08 Market Forces Factor (MFF) payment from DH - £50k
- A favourable variance on depreciation (£649k) – see section 4.6 below for details
- Recognition of a) £500k maternity funding and b) £400k waiting list funding from Islington PCT
- Unanticipated payment of a number of 2007/08 outstanding debts of around £400k relating largely to SLA over-performance
- Review of creditor balances held (i.e. amounts owing to other organisations) - £341k released in November
- Reduced credit note provisions following an assessment of outstanding claims – in November and December these reductions together amounted to £429k above the planned £250k per month provision release
- Recognition of the WFL settlement – a total positive impact on the I&E position of £590k due to clearing historical debts that had been provided for
- Reduction in provision held for agenda for change costs in Month 11 (above £250k planned provision release) - £260k
- Additional incentive payment from Islington PCT agreed in Month 12 for ED performance of 98.3% against the 98% target - £440k

4.4. The total of the non-recurrent items above is around £6.7m. At the same time as reviewing and releasing old provisions, new provisions are also added where necessary. It is also worth noting that there will almost certainly be some non-recurrent items in future years, but that the extent of these is estimated to be significantly lower than in 2008/09.

Description of non-recurrent item	Month 12 Value (£000s)
Surplus reported at Month 12	**1,983**
Planned provision release to Month 12	3,000
Additional MFF from 2007/08	50
Non-recurrent reduction in depreciation	553
Maternity and Waiting List Funding	900
Unanticipated payment of 07/08 debt	400
Release of creditor balances	341
Unplanned provision release at M8, 9 & 11	689
Recognition of WFL settlement (amount over and above planned provision release shown above)	340
Additional ED target incentive payment from Islington PCT	440
Underlying deficit after adjusting for items above	**(4,730)**

4.5. The Trust had a number of provisions at the start of 2008/09 that have subsequently been assessed as not being required – however, the Trust's income and expenditure position in 2009/10 cannot be reliant upon significant provision releases on a similar scale to 2008/09.

4.6. The depreciation underspend of £649k is £37k higher than forecast in Month 11 due to the use of a revised indexation figure for the Trust's assets. A negative indexation figure has been used, approved by external audit, reflecting the reduction in land and building values over the past year. This has resulted in a reduction in the Trust's assets of around £9m, the majority of this relating to land (which is not depreciated).

5. Income Performance

5.1. NHS Clinical Income has increased significantly in Month 12 compared to Month 11 due to a number of factors, including:

- Actual coded activity in February was around £200k higher than anticipated at Month 11
- Islington PCT have agreed to provide an incentive payment totalling £440k relating to the achievement of 98.3% against the ED target
- Islington PCT have agreed that they will not require reimbursement relating to N12 and outpatient follow-up ratio penalties in 2008/09 (worth around £300k)
- March over-performance has been included based on the average of Months 1-11 (£465k). This has been used in place of the normal in-month income estimate based on raw activity data as the latter methodology tends to underestimate actual income (due to raw data not being available for some areas of activity)
- An increase in the estimate for income due to the Trust for the treatment of patients that have not yet been discharged – from £1.4m to £1.7m

5.2. Adjustments have been made, as in previous months, to reduce income based on anticipated non-payment for certain items. Changes from Month 11 include:

- Reduction in provisions for N12 and outpatient follow-up reimbursement, following agreement with Islington PCT that these penalties will not apply to Islington (provisions remain for other PCTs)
- Disputed activity – as in previous months, a general provision has been made for estimated disputes from PCTs based on the recent 'agreement of balances' exercise with other NHS organisations

5.3. The total of all in-year provisions relating to 2008/09 income is £1.7m at Month 12, a reduction of around £0.2m from Month 11 which is further supporting the I&E position

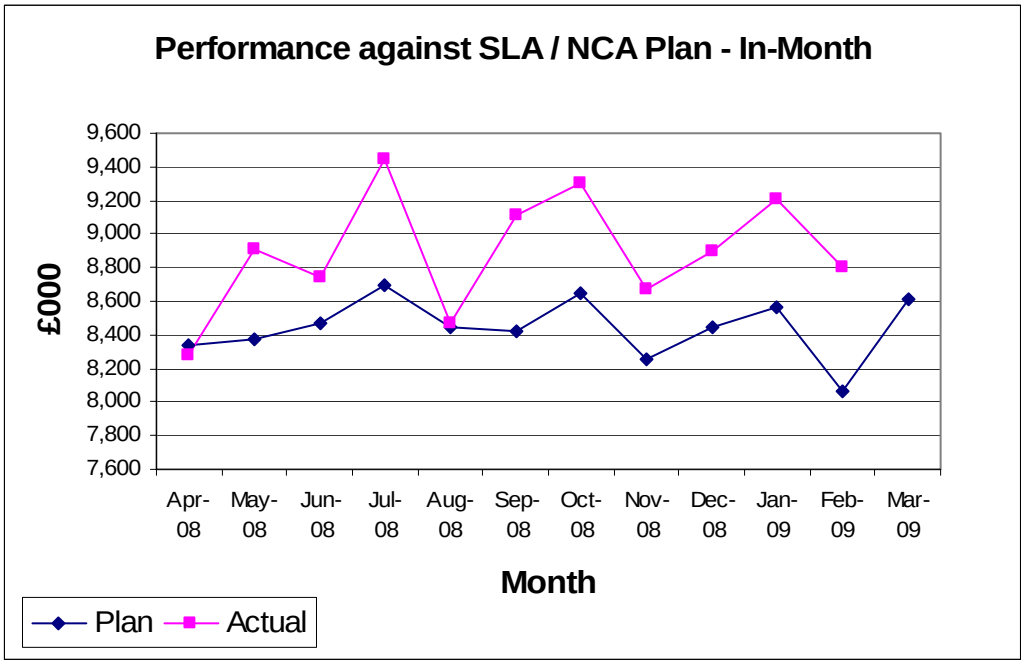
5.4. Over-performance against SLAs (including non-contract activity) increased by £740k in February, which was a very strong month in activity terms.

5.5. The position to February 2009 is summarised below by patient type - note that these values exclude the Market Forces Factor (MFF) top-up of 37% which is payable separately on PbR activity by the Department of Health until the end of 2008/09:

FIGURE 3	Activity			Finance £000s		
Patient Type	Plan To M11	Actual To M11	Variance To M11	Plan To M11	Actual To M11	Variance To M11
Block Contract/Emergency Threshold	0	0	0	15,472	15,472	0
Adult High Dependency Bed days	2,293	2,553	260	1,792	1,995	203
Adult Intensive Care Bed days	2,898	3,308	410	5,503	6,282	779
Day Cases	12,883	15,278	2,395	7,909	9,394	1,485
Direct Access	565,306	613,929	48,623	6,283	6,552	269
ED Attendances	72,788	68,922	(3,866)	5,343	5,026	(317)
Elective Inpatients	3,092	2,571	(521)	5,831	5,358	(473)
Excess Bed days	12,499	11,741	(758)	2,043	1,870	(173)
NICU High Dependency Bed days	1,139	1,116	(23)	1,099	1,077	(22)
NICU Intensive Care Bed days	805	707	(98)	1,087	954	(133)
NICU Special Care Bed days	6,452	6,438	(14)	2,575	2,499	(76)
Non-Elective Inpatients	21,538	22,410	872	18,417	18,822	405
Other Activity	13,038	32,679	19,641	1,166	1,691	525
Outpatient 1st Attends	48,621	54,806	6,185	8,429	9,467	1,038
Outpatient Follow Ups	107,676	126,853	19,177	9,021	10,415	1,393
Outpatient Procedures	3,506	4,617	1,111	745	964	219
Grand Total				**92,717**	**97,839**	**5,122**

5.6. The total over-performance estimate included in provisional Month 12 income figures is £5,587k

FIGURE 4



5.7. Significant favourable in-month variances were in critical care (£190k), in line with reports that the unit has been busy, and in day case activity (see below). Outpatient first attendance activity was much lower than in recent months, and timely data entry must remain a priority given the tighter timescale for reporting activity that is set to commence in 2009/10.

5.8. Day case activity was strong at £187k above SLA plan but was still below the Trust's internal target. The combined performance of day cases and elective inpatients – i.e. total elective activity - is now £1,012k above SLA plan. However, this is before meeting additional DTC income targets which at Month 11 totalled some £2.3m (before MFF). After factoring in the anticipated ophthalmology income to Month 11 from the Royal Free (£599k) this brings total elective income to £690k below target as at the end of February.

5.9. DTC activity targets continue to be missed on a weekly basis. However, it is also important to consider the cost of meeting the targets if this involves running relatively inefficient Saturday lists with few patients. In 2009/10 there must be a focus on reducing these additional lists and making best use of theatre capacity within standard hours.

6. Expenditure Performance

6.1. Pay expenditure in March has been much higher than expected, and higher than in recent months – overspent by £1.7m in March alone. This would have been disastrous to the Trust's forecast £2m surplus were it not for the additional clinical income in Month 12 as described above. The pay overspend for the year is £4.3m – this is of course in addition to the planned cost pressures that have materialised throughout the year. The particular issues in the last three months contributing to high pay expenditure include:

- Extremely high usage of agency staff – some £2.7m between January and March, with nearly £1m in March alone (partially due to late receipt of invoices)
- High levels of staff sickness
- Increased numbers of admissions leading to additional wards being opened (Coyle, Victoria, Eddington and Reckitt were all fully open for the whole of February)
- Reported high levels of activity on the Intensive Care Unit
- Expenditure on the new Midwifery-Led Birthing Unit

6.2. Additional activity income will not cover this additional spend. Therefore control of pay expenditure must be a priority and a focus for 2009/10 – particularly in areas such as theatres, ITU and the emergency department where expenditure is well in excess of agreed establishment levels.

6.3. Medical staffing expenditure deteriorated in March, with a small overspend on permanent staff and £510k overspend on locum and agency staff. The year-to-date overspend of £2.2m on locum, bank and agency medical staffing is significant and better aligning of activity and capacity planning will be required in 2009/10.

6.4. The accounting treatment of non-NHS bad debt provisions has changed in Month 12 as a result of year-end guidance which requires these provisions to be recognised as an operating expense rather than a reduction in income. Both the opening and closing bad debt provisions for 2008/09 have been recoded in this way. As the provision has decreased significantly over the course of the year due to effective debt collection and resolution of the WFL settlement, the impact is a reduction in both non-NHS income and non-pay expenditure (this doesn't affect the bottom line surplus).

6.5. Non-pay expenditure remained high particularly within clinical supplies, with a £111k overspend on drugs. Overall non-pay expenditure was £321k better than planned – however this was after the effect of the bad debt accounting adjustment described above, which improved the non-pay position by around £900k.

7. Cost Pressures and Central Budgets

7.1. Significant claims against central budgets in March included £170k relating to Continuing Professional Development income received earlier in the year, and £43k relating to MRSA screening (a known cost pressure).

7.2. The total value of central budgets relating to cost pressures that have not yet been claimed is around £810k. This effective underspend is already included within the pay and non-pay lines in Figure 1.

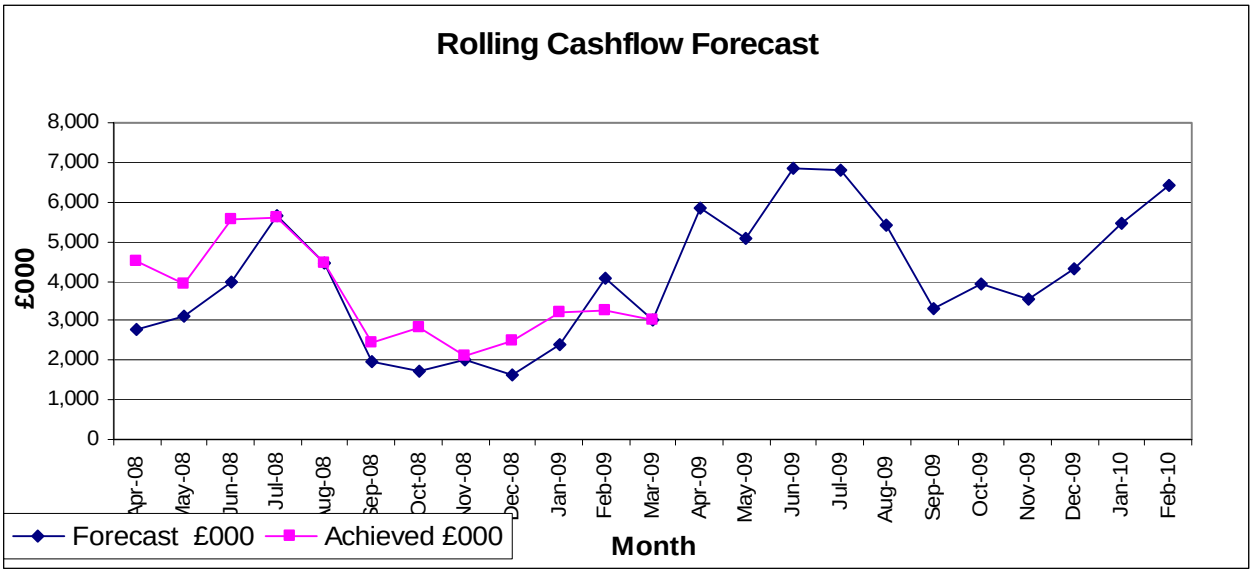
8. Cost Improvement Programme (CIP)

8.1. Detailed validation of the final CIP achievement has not yet been undertaken for the purposes of this provisional Month 12 finance report, although the forecast at Month 11 projected full achievement of the 2008/09 programme. However, this must be viewed together with the large overspends in other areas, such as agency expenditure.

9. Cash

9.1. The cash balance at the end of February was £3.03m, exactly in line with our year-end target and with the previously published forecast.

FIGURE 5



9.2. 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. The final dividend payment due in March was offset by substantial payment of debts as PCTs sought to achieve their year-end cash targets – additional incentive payments from Islington PCT and payment of estimated over-performance invoices assisted in this.

9.3. The projected cash-flow for 2009/10 shows an increase in cash due to higher EBITDA as a result of high income assumptions included to offset the non-cash impact of implementing International Financial Reporting Standards (IFRS). Note that whilst SLAs have been agreed with PCTs, final activity plans have not yet been completed and therefore the cash flow forecast will change when income and expenditure budgets are finalised.

10. Risk Rating

10.1. An indicative risk rating is shown below, based upon the Monitor methodology. The provisional year-end risk rating is a score of 3 as forecast. It should be noted that the Monitor methodology takes into account the overdraft facility of £11m and this helps the liquid ratio part of the rating. The NHS London approach does not take this into account – however, a score of 3 is still predicted under either methodology.

10.2. The risk rating has improved from 3.1 to 3.3 as a result of the negative indexation of assets described in sections 4.6 and 11.2. This has reduced the value of assets, which has resulted in an increased 'return on assets' figure.

FIGURE 6

Weighting	Metric Description	Month 12 Rating	Weighted
10%	EBITDA achieved (% of plan)	4	**0.4**
25%	EBITDA margin (%)	3	**0.75**
20%	Return on Assets (%)	4	**0.8**
20%	I&E surplus margin (%)	3	**0.6**
25%	Liquid ratio (days)	3	**0.75**
	Overall rating		**3.3**

11. Balance Sheet

The balance sheet is summarised below, showing the opening and provisional closing positions for 2008/09.

FIGURE 7

Description	As at 1st April 2008	Provisional as at 31st March 2009
	£'000	£'000
Fixed Assets	**92,504**	**85,961**
Stock	1,230	580
Debtors	7,457	7,347
Debtors - Deferred Asset	24,933	23,949
Cash in hand & at Bank	2,515	3,030
Total Current Assets	**36,135**	**34,906**
Creditors - Revenue	11,468	10,144
Creditors - Capital	3,150	2,384
Total Current Liabilities	**14,618**	**12,527**
Net Current Assets	**21,517**	**22,379**
Provisions for Liabilities & Charges	**3,289**	**2,697**
Total Assets Employed	**110,732**	**105,643**
Public Dividend Capital	47,258	48,084
Revaluation Reserve	40,426	31,861
Donated Asset Reserve	1,221	1,121
Income & Expenditure Reserve	21,827	24,577
Total Capital & Reserves	**110,732**	**105,643**

11.1. As described previously, figures for debtors include around a figure respect of uncompleted spells of patient care – this estimate was recalculated for the year-end as a value of £1.7m (up from £1.4m at Month 11).

11.2. As explained in section 4.6, negative indexation on fixed assets has been used in 2008/09 as a result of recent discussions with external auditors. This has resulted in a £9m reduction in fixed assets (predominantly relating to land, which has seen a large reduction in value over the course of the year). The double entry to this is a reduction in the revaluation reserve – no impairments were made.

12. Year-End Submission of Accounts and Reporting for Month 1 2009/10

12.1. Draft accounts must be submitted to the Department of Health and to external audit on 23rd April – a week earlier than in previous years. External audit will then start work the week after, and final accounts will be presented to the Audit Committee on 9th June.

12.2. For Month 1 2009/10, a more limited finance report than usual will be presented to the Trust Board in May, with key highlights from the conclusion of the budget setting process and financial performance in the first month of the new financial year.

13. 2009/10 SLAs and Annual Plan Next Steps – Executive Summary

13.1. SLA negotiations have concluded, with the Whittington signing an agreement with the North Central London Shadow Commissioning Agency on 31 March 2009 on behalf of the 17 PCTs with whom the Trust holds contracts. The total value of for 2009/10 is £134.9m, compared to an estimated 2008/09 out-turn figure of £133.4m (both including the NICU consortium SLA which has also been agreed)

13.2. New demands from commissioners for performance metrics and penalties have not been agreed with the exception of a) follow-up ratios (with a maximum exposure of £300k) and b) 50% of current payment for procedures cancelled by the hospital (maximum exposure of around £175k).

13.3. SLA baseline activity values have been set at a low level to conform with PCT affordability requirements – therefore strong over-performance can be expected in-year. Modelling of expected activity levels for 2009/10 is being undertaken in line with the recently-agreed SLA principles.

13.4. The Trust will be required to re-submit its annual plan to NHS London based upon the agreed SLAs. The bottom-line I&E plan will also depend on the outcome of detailed budget setting and activity modelling – projects which are ongoing and due for completion in mid-April.

13.5. The Trust intends to submit a balanced plan for 2009/10, which may include an element of unidentified CIP. The subsequent two years will also be balanced but this may be achieved through strategic reconfiguration and changes in the provider landscape.

14. 2009/10 SLAs and Annual Plan Next Steps – Detailed Report

14.1. Summary of Agreed SLA Financial Values

Summary of SLA Values	Value (£m)	Value (£m) at 09/10 prices
2008/09 Contract Value (inc. MFF)	125.7	127.8
2008/09 Estimated Out-Turn (inc. MFF)	133.4	135.6
2009/10 Agreed Contract Value (inc. MFF)	134.9	134.9

The total 2009/10 SLA contract value is slightly lower than estimated 2008/09 out-turn after adjusting for 1.7% inflation. However, the baseline activity in the SLA is lower than 2008/09 out-turn due to adjustments made in order to reach agreement with PCTs:

- Activity has been based on period October 2007-September 2008 – and does not include, therefore, the full year impact of increased DTC activity
- No population growth included
- Full PCT assumptions for demand management have been included, but the Trust would expect at least part of this effect to not materialise

At the time of writing, detailed activity modelling for 2009/10 is well underway but has not yet been completed. It is expected that actual activity levels will be higher than the activity levels outlined in the SLA – therefore over-performance is expected and planned for, with payment for this activity through Payment by Results.

14.2. Principles Agreed in SLA

This section describes some of the key financial principles agreed in the 2009/10 SLA:

- New HRG Version 4 tariff is used, together with the lower Market forces Factor of 30.1% (down from 37.2% in 2008/09)
- New non-mandatory tariffs for outpatient procedures and diagnostic unbundling – will be priced at 62% of the published tariff, in line with NHS London guidance. Islington PCT is providing £500k of non-recurrent support in 2009/10 relating to this
- Population growth not included in baseline (£1m)
- PCT demand management assumptions related to the impact of Independent Sector Treatment Centres ISTCs) have been included in full (£0.8m)
- HDU activity on wards other than the critical care unit will be funded for the first time (estimated at £0.3m in the 2009/10 SLA)
- Maternity ultrasound activity will be charged for the first time, using the outpatient follow-up tariff (£0.4m)
- Agreed reimbursement to PCTs of £0.2m relating to women inappropriately charged as ante-natal admissions has been included in the SLA
- Follow-up ratios – a target ratio based on benchmark has been agreed, but financial penalties only apply to activity above a higher 'upper threshold'. A Symmetrical incentive scheme is in place for performance below a 'lower threshold' (both capped at £0.3m maximum for the year).
- Hospital-cancelled procedures – a 50% reimbursement to PCTs will apply where no reason is given for planned procedures that are not carried out and no clinical reason is given (approximately £0.2m)
- Additional top-up payment will now be received for gastric bypass surgery (£0.1m)
- Chemotherapy drugs will now include a 15% increase to cover indirect/overhead costs (£0.1m)
- CQUIN payment of 0.5% of contract value is assumed (£0.7m) (see separate section for details)
- Agreement to pay for Paediatric HDU activity from October 2009 (price to be determined in-year)

One remaining area of uncertainty relates to the information requirements for billing in 2009/10. There is still a lack of clarity around the timetable, and whether new monthly deadlines will apply for the finalisation of data. This remains a risk to the Trust as current levels of late data entry would cost well over £1m per year if the new monthly deadlines became mandatory.

All current block contract values are being carried forward to 2009/10, and no other financial penalties associated with performance metrics have been agreed.

14.3. Commissioning for Quality and Innovation (CQUIN)

A draft document setting out a proposed approach to measuring and implementing CQUINs in 2009/10 has been agreed with commissioners. The five areas for which key indicators of performance improvement will be agreed are as follows:

- Patient experience
- Stroke
- Maternity
- End of life care
- Discharge summaries

By mid May, a timetable for agreeing the detail of each quality indicator, related thresholds and implementation timescales will be agreed with the Trust. As a principle, where the indicators are new and not currently reported against, formal measurement will not commence until October 2009.

14.4. Link to 2009/10 Annual Plan

The planned 2009/10 Income and Expenditure position depends broadly upon three factors:

a. The financial principles agreed as part of SLA negotiations
b. The actual activity delivered in 2009/10
c. The actual expenditure incurred in 2009/10

The first of these is now agreed and is therefore no longer a risk (with the exception of the impact of a potential new data timetable in 2009/10).

Activity assumptions for 2009/10 are currently being finalised and will drive the planned income figure, whilst expenditure budgets and CIP plans are also being completed which will give a revised planned expenditure figure. When all three pieces of work are complete, a revised annual plan will be submitted to NHS London – it will be important that we are able to demonstrate a balanced plan at this point.

14.5. Update on next steps outlined in Annual Plan report

The Annual plan and budget report that was approved at the March 2009 Board outlined a series of next steps and the progress made to date is set out below:

14.5.1. A deficit budget of £3m was approved by the Board in March and a new plan is now required by NHS London by April 20th which reflects the 2009/10 SLAs agreed. There is a clear expectation that 2009/10 should be balanced although the need to demonstrate that the following two years is not essential at this point. The implications of continuing with a deficit budget were described in the March Board

report and consequently all efforts are currently focussed on ensuring that a balanced plan can be achieved. Consequently, it is recommended that a balanced plan is presented to NHS London for 2009/10.

14.5.2. Proposals to balance the 2009/10 plan by the end of May include creating replacement proposals to return to a CIP target of £8m on a recurrent basis in 2009/10 by April. A provisional list of £2m has been identified which brings the total back to virtually £8m on a recurrent basis. The review of activity levels and the finalisation of budgets will allow a fresh measurement to be made of the bottom line and this is due to be completed by 21 April 21. Additional CIP will be identified to meet any residual shortfall.

14.5.3. The review of all activity projections to confirm feasibility will be completed by 21 April. Early indications show that the elective/day case estimate has identified a shortfall for which an allowance has already been made within the annual plan. Other categories of activity will reflect 2008/09 outturn levels with adjustments for population or known specific service changes, along with an appropriate assessment of the risk associated with the ISTC and demand management.

14.5.4. There is currently a difference between the budgets that have been assembled and the annual plan control total. An exercise is underway to reconcile and agree to the annual plan control total the outcome of the detailed budget setting process or realistically adjust income or CIP plans by April. Discussions with budget holders are in progress to establish the scope to minimise requirements and understand the reasons for the difference. Any residual difference will be considered alongside the refreshed income/activity projection and CIP, with any overall shortfall requiring a further requirement for CIP.

14.5.5. The financial model will be reassembled by May 2009 although an annual plan submission is required by the 20th April to NHS London. This plan covers the first three years and the intention is to submit a balanced plan for 2009/10 and this may include an element of un-identified CIP. The subsequent two years do not require a balanced position to be submitted at this stage although it is proposed that an unidentified savings target associated with the Provider landscape review is included and that attention is specifically drawn to that assumption.

14.5.6. A action plan is in place to capture and code patient data within one month of the month end.

14.5.7. CIPs in 2010/11 should rise to £9.3m from £4.1m by April 2009. This remains a fundamental challenge as it is largely needed on account of the second tranche of the MFF reduction and the higher expectations of CIP going forward generally. In order to identify further levels of CIP that is both recurrent and cumulative, either significant productivity advances are required or opportunities from the provider landscape review. There may be an opportunity to reduce the impact in 2010/11 by approximately £3.3m should non-mandatory tariffs be permitted for out-patients as indicated in the DoH's PbR guidance. Subsequent years would still expect and require approximately £7m to £8m extra each year cumulatively. Should this be possible, the position will gradually improve to one of a surplus assuming a degree of cost containment and satisfactory SLA settlements.

14.5.8. External assurance of the financial model is envisaged for June 2009 although to some extent this will be influenced by the project management arrangements and direction of the provider landscape review. In any case the financial data will be available in time to inform the costing of options when required.