ITEM: 09/108
Doc: 05

MEETING:	Trust Board 15th July 2009

TITLE:	Financial Position – Month 3 (June 2009)

Executive Summary

1. Month 3 Income and Expenditure

1.1. This report details the financial position for Month 3, together with an update on existing recovery plans and new areas requiring plans in the next month to reduce expenditure.

1.2. The I&E position for Month 3 2009/10 is a deficit of £174k, which is £355k worse than planned. Whilst agency usage has reduced in June to £759k, this is still above levels seen throughout the calendar year 2008 and further work is required in this area. Section 7 describes agency expenditure in more detail.

1.3. May activity under-performed against SLAs by £5k, £815k worse than planned. However, after adjusting for an increase in critical care work-in-progress and late data entry, this reduced to £560k. In addition, non-recurrent provision release of £238k and a reduction in bad debt provision have resulted in an overall adverse variance of £134k on NHS clinical income.

1.4. Pay expenditure was £328k worse than planned in June – an improvement on the May overspend of £573k but still higher than anticipated due to shortfalls on recovery plans.

1.5. Non-pay expenditure was £47k lower than planned in June – however, this was after two non-recurrent items: a £277k saving relating to a manual review of historical non-pay accruals, and a £76k VAT refund relating to 2008/09. Underlying non-pay expenditure was overspent in June by around £300k, a significant worsening of the position due to a number of reasons explained in section 7.3

2. Month 3 Balance Sheet and Cash

2.1. The Trust's cash balance at the end of June was £2.1m – the Trust is continuing to delay payments to some suppliers as SLA over-performance is settled in arrears and has not yet been received, and expenditure has been higher than planned in 2009/10.

2.2. Payment of around £1m is being made in early July by Islington PCT to clear historical debts and also pay £700k relating to estimated over-performance in advance of the usual timetable. Furthermore, Quarter 4 and Month 1 over-performance (totalling just under £2m) has now been invoiced and payment is expected within the next month.

3. Recovery Plans and Forecast

3.1. Recovery plans have continued in the original five areas identified in April – however, there has been slippage against the recovery targets that were set and agreed in May, totalling £163k. Particular issues remain with ED and midwifery, and if performance remains worse than plan for the remainder of the year will add an additional cost pressure.

3.2. The year-end forecast after adjusting for changes to the recovery plans and updating assumptions on both income and expenditure remains a deficit of £1.1m (as at Month 2) before further recovery actions such as head-count reduction, further reduction in overspending areas and new cost improvement programmes.

3.3. However, there remain significant risks that are not reflected in the 'likely case' break-even forecast (see section 12).

4. Recommendations

4.1. The Trust Board is asked to:

- **Note** the reported deficit in Month 3 of £174k (£355k worse than planned)
- **Note** the performance against existing recovery plans, and the new 'top 5' areas to be focussed upon
- **Note** the 2009/10 forecast and the risks to achieving a break-even position

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

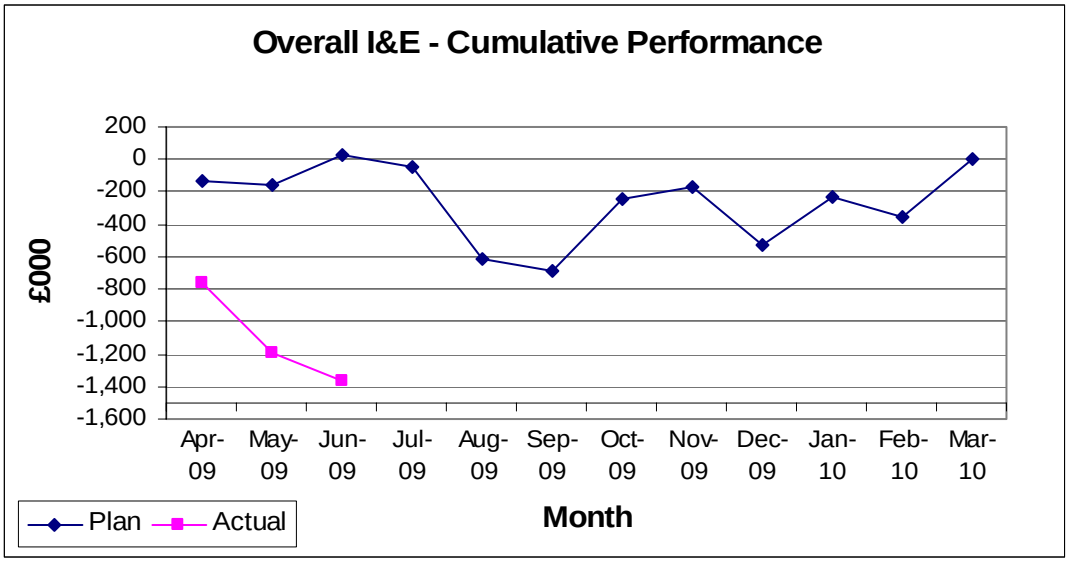
Month 3 Finance Report

5. Month 3 Income and Expenditure Summary

5.1. The Income and Expenditure position is summarised in the table and chart below. 2009/10 accounts are prepared on an International Financial Reporting Standards (IFRS) basis. The chart shows the cumulative planned monthly income and expenditure profile for the year – with forecast deficits in months such as August and December due to the planned reduction in activity.

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	12,238	12,372	(134)	36,872	36,859	13	149,327
Non NHS Clinical Income	79	51	28	265	152	113	609
All Other Non Clinical Income	1,883	1,813	70	5,502	5,488	14	21,923
Total Income	**14,199**	**14,236**	**(36)**	**42,639**	**42,499**	**140**	**171,860**
Pay	10,021	9,693	(328)	30,786	29,309	(1,477)	117,734
Non Pay	3,199	3,246	47	9,730	9,797	67	40,689
Centrally Held Savings	0	(65)	(65)	0	(129)	(129)	(710)
Total Expenditure	**13,219**	**12,874**	**(345)**	**40,516**	**38,977**	**(1,539)**	**157,713**
EBITDA	**980**	**1,362**	**(382)**	**2,123**	**3,522**	**(1,400)**	**14,147**
Plus Interest Receivable	1	8	(7)	2	25	(23)	100
Less Interest Payable	297	331	34	917	951	34	3,968
Less Depreciation	577	577	(0)	1,730	1,730	(0)	6,901
Less PDC Dividend	282	282	0	845	845	0	3,378
Net Surplus / (Deficit)	**(174)**	**181**	**(355)**	**(1,367)**	**22**	**(1,389)**	**(0)**

FIGURE 2



5.2. Year-to-date EBITDA of £2.1m is reported, which is £1.4m worse than planned, predominantly due to the overspend on pay in the first three months of the year. Interest receivable is lower than planned due to continuing low cash balances and low interest rates.

5.3. As reported in May, an adjustment was made to reflect the anticipated reduction in IFRS interest payable charges as a result of the expected lower unitary payment from 2010/11 (as the retail prices index becomes negative). In addition, in June the same assumption has been applied to the managed equipment service – this explains the £34k favourable variance on interest payable.

5.4. The Trust's plan is to achieve a break-even position at the year-end, and this remains the likely case forecast – although there are significant risks (see section 12). This budgeted break-even position includes £710k of unidentified CIP. It also assumes that the first quarter's adverse variance from plan can be offset by recovery plans for poor performing areas and other mitigating actions (see sections 11 and 12).

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity data (May 2009). The April activity reported last month has increased slightly due to late data entry – this month's data is now 'frozen' and has been billed to PCTs. As in previous months, June income has been accrued to plan with the exception of:

- Assumption that the internal income target for HDU activity in June will *not* be met - £108k
- Additional income has been recognised for increase in the level of critical care 'work in progress' at then of May (activity completed but with the patient remaining in hospital) - £198k

6.2. As in previous months, adjustments have been made to reduce income based on anticipated non-payment for certain items. These credit note provisions are reviewed each month, and in Month 3 include a prudent provision for non-payment of a small proportion of PCT over-performance at the same level as Month 2.

6.3. Other provisions remain as in May with the exception of:

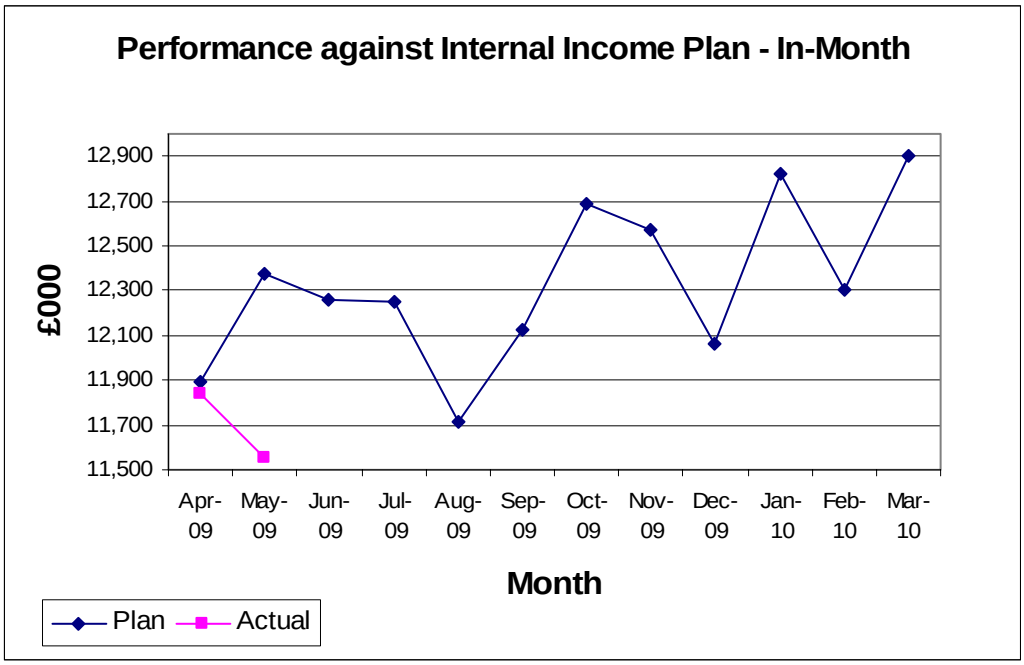
- Release of £238k provision relating to diagnostic tests where a dispute has been resolved
- A reduction in bad debt provision of around £200k due to unanticipated payment of historic debt

6.4. Credit note provisions for all receivable income (NHS and non-NHS) now total £2.3m. The forecast likely case break-even assumes that provisions totalling £1m are released (i.e. a further £762k in the remainder of the year).

6.5. Income over-performance in 2009/10 is reported as variance from the total profiled Trust plan for NHS clinical income, rather than against SLA plans – this is a more relevant measurement due to SLAs being set at a lower level than anticipated activity for 2009/10. In May, there was under-performance of £815k against this plan – however, critical care work in progress increased by £198k and known late data entry amounts to £57k, giving an adjusted under-performance figure of £560k.

FIGURE 3	Activity			£000s		
Point of Delivery (POD)	**YTD Plan To M2**	**YTD Actual To M2**	**YTD Variance To M2**	**YTD Plan To M2**	**YTD Actual To M2**	**YTD Variance To M2**
Block Contract/Adjustments	0	0	0	1,241	1,111	(130)
Elective Inpatients	428	445	17	1,301	1,348	48
Non-Elective Inpatients	4,123	4,194	71	7,916	7,924	9
Excess Beddays	2,517	1,936	(581)	724	539	(185)
Planned Same Day (Day Case)	2,902	2,982	80	2,173	2,133	(40)
Outpatient Procedures	1,880	1,984	104	580	637	57
Outpatient 1st Attends	10,345	9,425	(920)	2,069	1,869	(199)
Outpatient Follow Ups	23,242	24,104	862	2,182	2,286	104
Adult High Dependancy Beddays	832	413	(419)	650	323	(327)
Adult Intensive Care Beddays	678	426	(252)	1,310	823	(487)
NICU High Dependancy Beddays	201	340	139	197	334	137
NICU Intensive Care Beddays	127	48	(79)	175	66	(109)
NICU Special Care Beddays	1,172	1,482	310	476	602	126
ED Attendances	13,038	14,109	1,071	1,310	1,336	26
Direct Access	112,933	116,037	3,104	1,260	1,329	69
Unbundled Imaging	3,566	4,003	437	309	345	36
Other Activity	5,072	4,957	(115)	392	389	(3)
Grand Total				**24,263**	**23,394**	**(869)**

FIGURE 4



6.6. Income performance in May was lower than planned in areas of elective care – in particular outpatient first attendances, elective and day case activity. This is consistent with the weekly elective surgery flash report that is reported to Executive Committee each week. There are particular problems in Trauma and Orthopaedics where the pipeline of work has reduced, and is exacerbated by the loss of back surgery capacity.

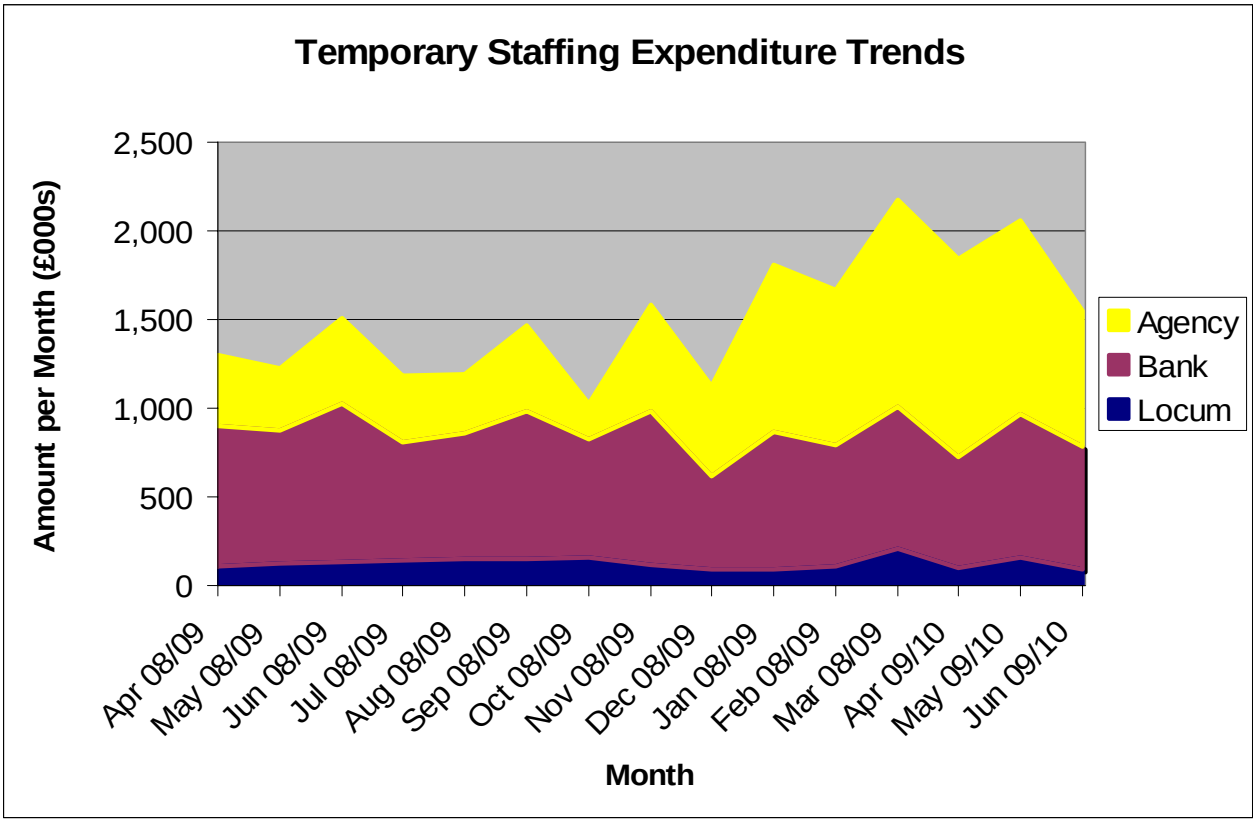
6.7. Critical care performance was well below plan in May (£409k). However, this is partially due to: a) non-achievement of the ward-based HDU CIP target as this data remains largely un-captured despite significant work to record this activity, and b) an increase in 'work in progress' (critical care bed days relating to un-discharged patients) – an accrual of £198k is included in the financial position and effectively reduces critical care under-performance to £211k in May.

6.8. EWTD funding of £315k has been confirmed by the North Central London Interim Commissioning Agency, representing 25% of the Trust's costs of meeting EWTD by August (assuming that derogations are used). A tenth of this value has been reflected as a benefit in June as expenditure is already being incurred against this target.

7. Expenditure Performance

7.1. Pay to be overspent in June, by £328k. However, there has been a significant reduction in pay, which in actual terms is £427k lower than in May. Total agency expenditure across all staff groups was £759k, a reduction of over £300k compared to May but significantly higher than historical average agency expenditure (see chart below):

FIGURE 5



7.2. The action plan to reduce agency expenditure in ITU has been successful, with the ITU overspend reducing from £224k in May to £71k in June. This is partially due to a reduction in bed occupancy in ITU, and the recovery plan and forecast section below details the risk to the Trust's break-even plan of this continuing overspend.

7.3. Non-pay expenditure was £47k lower than planned in June but the underlying position was an overspend of around £300k prior to two non-recurrent items:

- £277k relating to a manual review of historical automated non-pay accruals from the ordering and receipting system (EROS)
- £76k relating to 2008/09 VAT reclaims

7.4. This overspend is across a number of areas, and includes amongst other things £37k of oil due to malicious damage to the supply pipe, £37k increase in bad debt provisions relating to UCL, and £117k of unmet CIP targets held centrally.

7.5. The table below shows the June and year-to-date expenditure variances for a) the ten areas identified in April and May, and b) the new top five overspent areas for June. The net variance of all other devolved cost centres in the Trust was an underspend of £402k in June.

FIGURE 6 Cost Centre Description	M1 Position	M2 Position	M3 Position	Year-to-date Position
Month 1 Top Five Overspending Areas - Update				
ITU	(117,776)	(224,017)	(71,150)	(412,943)
ED / Isis / Paeds ED	(122,900)	(100,436)	(132,561)	(355,897)
Midwifery	(129,690)	(88,513)	(96,799)	(315,001)
Medical Wards	(192,437)	(79,594)	(57,952)	(329,983)
Orthopaedics	(108,945)	57,261	24,593	(27,091)
TOTALS:	**(671,749)**	**(435,298)**	**(333,868)**	**(1,440,915)**
Month 2 Top Five Overspending Areas - Update				
Obstetrics & Gynae	(19,232)	(75,341)	(34,048)	(128,620)
Histopathology	7,211	(39,477)	95	(32,171)
General Surgery	(34,430)	(36,020)	(35,409)	(105,859)
Anaesthetics & Itu Medical	(37,606)	(34,961)	(55,232)	(127,799)
Coyle	(14,853)	(27,629)	(14,205)	(56,688)
TOTALS:	**(98,911)**	**(213,428)**	**(138,799)**	**(451,137)**
Month 3 New Top Five Overspending Areas				
Imaging	21,992	32,909	(47,080)	7,821
Generic Workers	83,166	(23,083)	(46,730)	13,352
Resuscitation Officer	17,759	(4,417)	(44,176)	(30,834)
Estates Management	49,902	(54,117)	(36,332)	(40,547)
Haematology	14,060	168	(35,794)	(21,566)
TOTALS:	**186,879**	**(48,540)**	**(210,113)**	**(71,774)**
All other devolved cost centres:	256,750	398,240	402,238	1,057,228
TOTAL DEVOLVED COST CENTRE OVERSPEND:	**(700,789)**	**(298,936)**	**(280,542)**	**(1,280,267)**

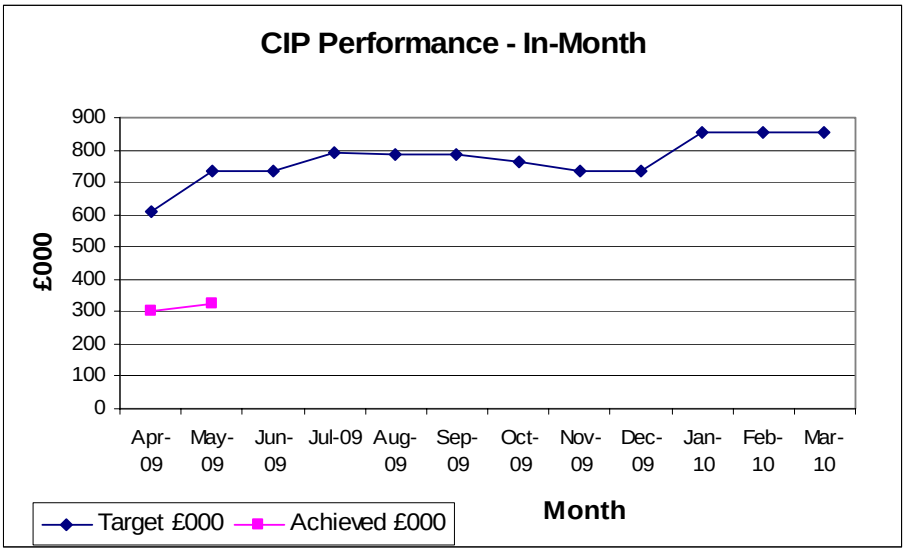
7.6. Several of the new 'top five' areas are showing significant in-month variances for the first time. Initial indications are that the imaging overspend is due to the potential ongoing payment of middle grade doctors after they had moved on from the Trust, whereas for Resuscitation Officer an invoice was received from an external training company for £45k which was unexpected and is being looked into as a priority. Other areas have not yet been reviewed in detail but within the next month a recovery plan will be developed for each of the new five overspending areas. The top overspending areas are reported each month to Executive Committee and to Trust Board, so that prompt corrective action can be taken if there are overspends in areas other than those that have to date been the focus of action

8. Cost Improvement Programme (CIP)

8.1. Of the total CIP target of £9.2m, the phased target to the end of May was £2.1m. This is less than one quarter of the full-year target, as some of the projects are planned to commence later in the financial year.

8.2. Against the £1.3m year-to-date target, £628k of savings / additional income has been validated to date, which represents 47% of the target (a £1.1m shortfall), as shown in the chart below:

FIGURE 7



8.1. A further £177k is likely to have been achieved but cannot be validated as the necessary audit data is not yet available. This would bring achievement to 62%.

8.2. The biggest under-achieving savings projects are :

- **HDU bed configuration**: this relates to the classification of patients as high dependency, when they are being nursed in locations other than the main critical care unit. The target assumed activity of approximately 170 new high dependency bed-days per month from April; data collection commenced in June and has so far identified 29 bed-days in a four week period. The shortfall against the financial target to date is £302k.
- **Outpatient productivity**: a range of projects, including reducing the rate of DNAs in outpatient clinics, and reducing the volume of clinically inappropriate follow-up appointments. The target relates to the ability to re-allocate the freed-up capacity to absorb more new referrals. However, although April outpatient performance was good, overall in the two months to May these targets have not been met due to the fact that a) outpatient income is below target, b) there is no evidence of an overall reduction in the DNA rate, and c) the under-performance is in first appointments, not follow-ups. The shortfall against the financial target is £250k to date.
- **Ward nursing establishments**: High levels of reliance on agency nurses in the first three months of the year (although this has been lower in June) mean that the ward nursing budget remains cumulatively over-spent to date. Shortfall against financial target to date: £120k.
- **Reduced sickness absence**: it is proposed to quantify the benefit obtained from reduced levels of sickness absence by applying a daily cost to each day of absence recorded on the ESR system. The average level of sickness cost for April and May was however higher than the monthly

average for the last financial year, so no saving is reported. Shortfall against financial target to date: £98k.

- **ED establishment review** : the CIP was predicated on the assumption that establishing and recruiting to a number of new nursing posts in ED would enable the unit to reduce its reliance on agency nurses and to generate a net saving, due to the high premium charged by the agencies. However in practice the recruitment process has not yet delivered these objectives, and the shortfall against the target to date is £69k.

8.3. **Year-end forecast** - For much of the CIP programme, extrapolating from two or three months' achievement data will lead to a projection of year-end performance close to the worst case. The forecast of a shortfall of £3.6 million against the target of £9.2 million is therefore likely to improve as the year progresses. In addition, a number of new savings projects have been identified and are being worked up, to substitute for the potential shortfalls within the initial programme.

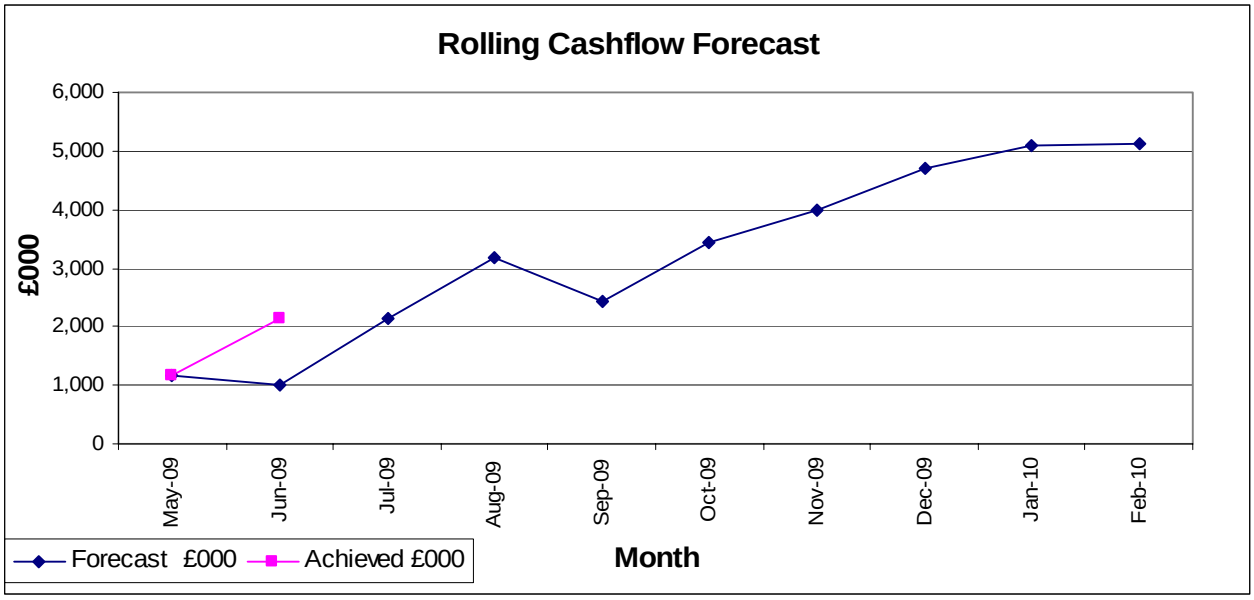
8.4. The table below shows a revised risk-assessment to the CIP programme. Note that this refers to programmes in full – therefore a programme that is likely to deliver half of its target but is certain not to deliver all of its target would be rated as high-risk.

Risk category	Risk Assessment June 2009
Project completed	8%
Low	20%
Medium	50%
High	22%
	100%

9. Cash

9.1. The table below provides a summarised cash flow forecast. Creditor levels remain approximately £2m higher than would normally be expected due to the withholding of payment.

FIGURE 8



9.2. The Trust's cash balance at the end of June was £2.1m – the Trust is continuing to delay payments to some suppliers as SLA over-performance is settled in arrears and has not yet been received, and expenditure has been higher than planned in 2009/10.

9.3. Payment of around £1m is being made in early July by Islington PCT to clear historical debts and also includes £700k relating to estimated over-performance in advance of the usual timetable.

9.4. A key factor in the cash flow profile is the time taken to collect cash from PCTs for past over-performance. Quarter 4 2008/09 over-performance was invoiced on 1st July (some £1.3m) and payment is expected in the next month. For 2009/10, invoicing is monthly but two months in arrears – April invoices were sent on 29th June and July will be the earliest that this will be paid. The cash flow forecast projects regular receipts of in–year over-performance from July 2009.

9.5. The cash flow and balances improve as the year progresses and the build up of creditors referred to above is planned to be repaid between July and August so that normal levels of invoice payment can return.

9.6. Key assumptions within the plan are as follows:

- A break –even position is achieved in income and expenditure terms
- In-year over-performance is paid this year (from July onwards) with a cash surge of £2.5m in March based upon previous practice of PCTs managing their year-end cash position
- All outstanding 2008/09 invoiced debtors are collected by August 2009 – Islington PCT have agreed to pay all agreed outstanding debt, together with 2009/10 maternity funding, within the next two weeks, but Haringey owe around £1.2m relating to Quarter 4 and have historically been slower to pay
- EWTD funding and Single sex accommodation funding is received
- Dividend payments are made on time
- No temporary borrowing
- Capital programme cash payments of £5.2m with any extra being funded via finance leases

9.7. It remains the intention to discuss with NHS London the scope to reduce the year-end cash target to £3m and finish the year with a higher level of debtors/lower level of creditors. This would constitute a change to the current External Financing Limit (EFL) and would reduce the reliance upon PCTs paying in-year.

9.8. In summary, subject to the assumptions above that are being closely managed, the cash-flow plan will allow the Trust to achieve an acceptable level of invoice performance and the year end cash target.

10. Balance Sheet

10.1. The large increase in fixed assets, current and non-current liabilities is as a result of the IFRS requirement to account for the PFI scheme by bringing it onto the balance sheet rather than accounting for the unitary payment as an operating expense. This means it is treated as the Trust's asset with a finance arrangement (and associated liability) to pay for the asset over the life of the PFI agreement. The reduction in the income and expenditure reserve is due to backdating the impact of IFRS on previous years' income and expenditure positions. The balance sheet is summarised overleaf:

FIGURE 9

Description	As at 1st April 2009 (prior to IFRS)	30th June 2009	2009/10 Year-end Forecast
	£'000	£'000	£'000
Fixed Assets	**85,249**	**125,781**	**120,800**
Stock	1,241	1,260	1,341
Debtors	7,829	10,718	7,348
Debtors - deferred asset	22,965	22,719	21,981
Cash in hand & at Bank	3,030	2,129	6,897
Total Current Assets	**35,066**	**36,827**	**37,567**
Creditors - Revenue	11,032	20,499	17,219
Creditors - Capital	2,384	874	2,384
Total Current Liabilities	**13,415**	**21,373**	**19,603**
Net Current Assets	**21,650**	**15,454**	**17,964**
Provisions for Liabilities & Charges	**2,595**	**44,135**	**44,050**
Total Assets Employed	**104,305**	**97,099**	**94,714**
Public Dividend Capital	48,084	48,084	48,084
Revaluation Reserve	31,207	31,207	26,409
Donated Asset Reserve	1,109	1,092	1,120
Income & Expenditure Reserve	23,904	16,716	19,101
Total Capital & Reserves	**104,305**	**97,099**	**94,714**
Estimated 2009/10 Capital Cost Absorption Rate		**3.47%**	**3.44%**

11. Recovery Plans

11.1. As reported in the Month 2 finance report, detailed action plans were drawn up for each of the top five overspending areas identified in April. Subsequent to the Month 2 Board report, a detailed forecasting exercise was undertaken in these areas. Actual expenditure in June, however, has in some areas fallen short of the target performance set in this exercise.

11.2. ED and Midwifery continue to overspend to a larger extent than was planned at this stage in the implementation of recovery actions, with respective expenditure £89k and £69k higher in June than projected in the recovery plans. ITU and medical wards, in contrast, are broadly in line with the performance projected in their recovery plans.

11.3. Figure 11 on page 15 shows in detail the actual performance of ITU, ED, medical wards and midwifery together with the forecast changes in expenditure due to recovery actions identified. The projected impact of these recovery plans, together with an assumption that all other devolved cost centres perform at the level seen in June, and with income £46k below plan per month (based on reduced elective and day case work) results in a projected £2.9m year-end deficit for the Trust before further actions (see section 12 for more details on the 2009/10 forecast).

11.4. The net variance in June of all devolved cost centres apart from ITU, ED, medical wards and midwifery was an underspend of £78k. Therefore the bulk of the expenditure problem in the Trust is concentrated in a very limited number of areas.

ED Recovery Plan Update

11.5. The original Emergency Department action plan included some measures to reduce expenditure that have subsequently been determined as unfeasible (such as the reduction in middle-grade staff on the rota). In addition, recent poor performance against the ED 98% target has resulted in an additional expenditure requirement of £122k between now and August, which cancels out some of the planned recovery savings. These two changes have been modelled in the forecast overleaf.

Orthopaedics Recovery Plan Update

11.6. The main expenditure problem in orthopaedics in April related to prosthetics. Plans have been put in place, led by Philip Ient, to reduce this expenditure. In May and June, total prosthetic expenditure in theatres has reduced and the year-to-date variance now stands at just £13k, helped in part by the additional budget that was put in place in 2009/10 for prosthetics.

The following section explains further the actions that have been taken to investigate the five areas identified in May as being significantly overspent:

Histopathology Recovery Plan Summary

11.7. Histopathology is overspent by £32,171 at the end of Month 3. The overspend relates to the following:

- Agency cover for Consultant sick leave creating double cost
- Late invoices for agency cover from 2008/09
- Agency cover for scientist vacancies

11.8. Actions to prevent continued overspend and bring within budget by year end:

- Consultant has retired on 1 July. Agency cover premium is now offset by a registrar vacancy.
- Vacant Consultant post recruitment underway to prevent use of agency
- Non pay spend on chemicals being reviewed to reduce spend
- Overtime payments to staff have been stopped and demand will be managed within current capacity

Obstetrics and Gynaecology Recovery Plan Summary

11.9. Obstetric and gynaecology is overspent by £128,620 at the end of Month 3. The overspend relates to four registrar vacancies. Last recruitment concluded on 29 June – 4 candidates shortlisted however none arrived for interview. These candidates are being contacted to understand this outcome.

11.10. Actions to prevent continued overspend and bring within budget by year end:

- Plan to convert vacant middle grade doctor budget into specialist nursing post and additional consultant PAs to increase stable out patient capacity and reduce agency spend on cover. This proposal is under review by the Consultants and a decision will be made to progress by 17 July.

11.11. This may create a long term cost reduction in terms of re-providing the capacity in a different lower cost way and will contribute to improving year end position.

General Surgery Recovery Plan Summary

11.12. General surgery is overspent by £105,859 at the end of Month 3. The overspend relates to two unfunded middle grade posts. Actions to prevent continued overspend and bring within budget by year end:

- The department is re-examining middle grade rota to determine whether a further EWTD review could reduce banding. This is due to complete by 24 July.

Anaesthetics and ITU Recovery Plan Summary

11.13. Anaesthetics and ITU is overspent by £127,799 at the end of Month 3. The overspend relates to agency staff used to fill vacant posts and non-compliant EWTD rota. Actions to prevent continued overspend and bring within budget by year end:

- A business case is being finalised to increase middle grade posts from 16 to 21 WTEs to ensure that the rota is EWTD compliant. The increase in WTEs will reduce the pay banding sufficiently to make the development self funding and to provide prospective cover. Prospective cover will reduce the use of agency to cover for any form of middle grade leave. The business case will be reviewed by the Executive committee in 28 July.
- An additional business case which proposes additional consultants part-funded by current agency spend is also under development

Coyle Ward Recovery Plan Summary

11.14. Coyle Ward is overspent by £56,688 at the end of Month 3. The overspend relates to nursing staff predominantly – expenditure in May was particularly high due to the short period when additional beds on the ward were re-opened and a period when there were 24 hour 'specials' booked to provide supervision for a bay of confused female patients who were at a high risk of falling.

11.15. The significant May overspend reduced to around £14k in June, and is expected to reduce further. According to the flash report detailed data, Coyle ward is now running within establishment.

12. 2009/10 Forecast and Risks

12.1. Figure 11 overleaf shows that the likely case variance from plan is projected to be around £2.9m after the recovery plans detailed above have been implemented, but before further mitigating actions. There are then further opportunities for achieving a break-even position in 2009/10, together with further risks. The opportunities are as follows (these are summarised following a detailed explanation in last month's Board paper), and are assumed in the likely case forecast to bring the Trust to a break-even position:

- Funding for single sex accommodation - £425k
- EWTD funding – now confirmed as £315k to meet the Trust's costs of meeting the European Working Time Directive. One-tenth of this has been recognised in June, with the remainder relating to the remaining nine months of the year
- Potential capital charges saving relating to the revaluation of the Trust's estate – this could potentially be as high as £200k and will be confirmed within the next week. The impact would take effect from July.
- There is the potential for approximately £762m of further provisions to become available across the year if they are no longer needed (bringing the annual total to £1m), with the first indications being available from July onwards as to whether these may be released

- A review of vacant posts is currently underway, led by Fiona Elliott, with a view to identifying posts which could be left vacant without temporary staff cover and with acceptable service/risk consequences
- There are a number of underspending cost centres offsetting overspends elsewhere – it is likely that there will be a reduction in the overspending areas whilst still maintaining some under-spend in those areas currently under-spent
- A head-count reduction across the Trust remains an option. Any such exercise would require a careful assessment of the impact upon patient service and safety levels as well as any income loss or governance risk.

12.2. There are also a number of risks that are not included in the likely case forecast:

- Non-achievement of CIP targets – whilst some non-achievement is implicitly assumed within the likely case (as it is based upon April and May projected), there is a risk of further non-achievement
- Activity is lower than planned – for example, some theatres are closing for refurbishment in the summer. This means that it will be necessary to undertake additional activity above plan for the remaining months in the year
- Increased validation queries from commissioners - however, we do have assurances from commissioners that they will pay for all over-performance in line with PbR rules. Worst case – 10% of over-performance is disputed (£1.1m)
- Recovery plans (as detailed in section 11) are not wholly successful
- The potential mixed sex accommodation and revaluation savings do not materialise
- The Trust is unable to release provisions if the risks that they are covering materialise
- Legal costs are higher than anticipated
- Cost pressures materialise that were not anticipated in budget-setting. There is little or no contingency for unanticipated cost pressures in 2009/10
- Data is not input onto PAS and other information systems in a timely way. Due to the compressed timetable for reporting activity in 2009/10, there is a risk that the Trust will not receive payment for activity carried out but recorded late. Worst case - £1.5m

12.3. To summarise, a break-even position is achievable if there is concerted effort to ensure that recovery plans are successfully implemented, that expenditure in other areas is controlled, that income and CIP targets are fully met, that the above risks are minimised and that other potential opportunities for reducing the current variance materialise. Any lapse in controlling expenditure and achieving activity targets will jeopardise the likely case break-even.

FIGURE 11

Financial Analysis - Recovery Plans

		Actuals			Forecast Changes due to Recovery Actions (£000s)									
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
ED (inc. Isis / Paeds ED)	**Projected variance before recovery actions**	-123	-100	-133	-133	-133	-133	-133	-133	-133	-133	-133	-133	**-1,553**
	Additional short-term costs to hit ED target				-61	-61								**-122**
	Savings from recruitment plans				8	14	45	53	63	63	63	63	63	**433**
	Reduce ED Nursing day rota				20	20	20	20	20	20	20	20	20	**180**
	New bank rates for nurses				24	24	24	24	24	24	24	24	24	**216**
	Agency shifts at D grade only				5	5	5	5	5	5	5	5	5	**45**
	Reduction in ENP WTE Band 8a						6	6	6	6	6	6	6	**41**
	Lead consultant - extended leave				2	10	3							**15**
	TTA Pharmacy Reductions						2	2	2	2	2	2	2	**15**
	Reduce middle grate rota (no longer in place)													**0**
	New bank rates for doctors				4	4	4	4	4	4	4	4	4	**36**
	Projection variance after recovery actions	**-123**	**-100**	**-133**	**-130**	**-117**	**-24**	**-19**	**-9**	**-9**	**-9**	**-9**	**-9**	**-695**
ITU	**Projected variance before recovery actions**	-118	-224	-71	-118	-224	-71	-118	-224	-71	-118	-224	-71	**-1,651**
	Savings from recruitment plans				0	3	10	18	20	23	23	23	23	**143**
	ITU Matron working on roster				1	1	1	1	1	1	1	1	1	**12**
	Reduce supernumerary period				1	1								**3**
	Stop additional shift for emergency admissions				30	30	30	30	30	30	30	30	30	**272**
	Projection variance after recovery actions	**-118**	**-224**	**-71**	**-85**	**-189**	**-29**	**-68**	**-172**	**-16**	**-63**	**-169**	**-16**	**-1,221**
Midwifery	**Projected variance before recovery actions**	-130	-89	-97	-92	-92	-92	-92	-92	-92	-92	-92	-92	**-1,143**
	Savings from recruitment plans				26	28	28	44	44	44	44	44	44	**343**
	Reduction in student midwife numbers				23	23								**46**
	Relaxation of EWTD rules until August				17									**17**
	Reduction in staffing on each shift				0	0	0	0	0	0	0	0	0	**0**
	Further reduction in agency (increased controls)				30	30	30	30	30	30	30	30	30	**270**
	Projection variance after recovery actions	**-130**	**-89**	**-97**	**4**	**-11**	**-34**	**-18**	**-18**	**-18**	**-18**	**-18**	**-18**	**-467**
Medical Wards	**Projected variance before recovery actions**	-150	-45	-58	-150	-45	-58	-150	-45	-58	-150	-45	-58	**-1,013**
	Savings from recruitment plans				5	10	49	46	46	46	46	46	46	**341**
	Keep one ward closed compared to April				40	40	40	40	40	40	40	40	40	**360**
	Rule to ensure shifts not covered 1:1 by agency				-3	-5	-24	-23	-23	-23	-23	-23	-23	**-170**
	Keeping Reckitt Link closed (see separate line below for any Reckitt Link costs)				54	54	54	54	54	54	54	54	54	**486**
	Projection variance after recovery actions	**-150**	**-45**	**-58**	**-53**	**54**	**60**	**-33**	**72**	**59**	**-33**	**72**	**59**	**4**
Reckitt Link	Projected expenditure by month - best estimate based upon current and projected activity levels	**Included above**			**-10**	**-10**	**-10**	**-10**	**-30**	**-30**	**-30**	**-30**	**-30**	**-190**
Other Devolved Cost Centres	Projected variance on other devolved cost centres (including orthopaedics)	**-179**	**62**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**78**	**663**
Unidentified CIP	Assume that £710k unidentified CIP target is not met		**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-65**	**-715**
Activity Performance	Assume that income is slightly below plan for June-March due to lower elective/day case income		**-133**	**-481**	**-46**	**-46**	**-46**	**-46**	**-46**	**-46**	**-46**	**-46**	**-46**	**-1,026**
Other Variances	Variance on non-clinical income, net release of provisions etc.	**67**	**193**	**472**										**732**
	TOTAL VARIANCE BEFORE FURTHER ACTIONS:	**-632**	**-401**	**-355**	**-308**	**-305**	**-69**	**-182**	**-191**	**-48**	**-187**	**-188**	**-48**	**-2,914**
***Potential* further mitigations**	EWTD funding (£32k already in June position)				32	32	32	32	32	32	32	32	32	**284**
	Single sex funding						425							**425**
	Revaluation				22	22	22	22	22	22	22	22	22	**200**
	IFRS Savings (already in YTD Position)				19	19	19	19	19	19	19	19	19	**169**
	Further provision release					95	95	95	95	95	95	95	95	**762**
	TOTAL VARIANCE AFTER FURTHER ACTIONS:	**-632**	**-401**	**-355**	**-235**	**-138**	**523**	**-14**	**-23**	**120**	**-19**	**-20**	**120**	**-1,075**

Less vacancy review and / or headcount reduction:	
Less effect of reducing other over-spending areas whilst keeping current under-spending areas:	
Less new CIP Ideas identified in June:	