The Whittington Hospital NHS
NHS Trust

ITEM: 09/126
Doc : 07

MEETING:	Trust Board 16th September 2009

TITLE:	Financial Position – Month 5 (August 2009)

Executive Summary

1. Month 5 Income and Expenditure

1.1. The I&E position for Month 5 2009/10 (before impairments) is a surplus of £232k, which is £640k better than planned, giving a year-to-date deficit of £716k, £237k worse than planned. The in-month surplus is predominantly due to changes in IFRS accounting following the release of a new PFI modelling tool by the Department of Health.

1.2. The underlying financial position, including recurrent IFRS impact but removing the effect of non-recurrent items such as provision release, is a year-to-date deficit of some £2.2m.

1.3. July clinical activity was high at £311k above the Trust's internal income plan – however, activity in August is estimated to be £0.6m worse than planned and this estimate is included in the in-month position. These factors together with late June data entry and provision release of £640k result in an in-month £434k favourable variance.

1.4. Pay expenditure was £238k worse than planned in August – total agency and bank costs together were similar to July, but 9% higher than August 2008 (after inflation).

1.5. Non-pay expenditure was £78k higher than planned in August – this includes a cancellation charge for bringing the finance system in-house (£45k) which will save money over the course of the year. Drugs are significantly underspent (£287k to date).

2. Month 5 Balance Sheet and Cash

2.1. Changes in Month 5 to the IFRS accounting treatment of the PFI have resulted in a significant I&E benefit due to a lower implied interest rate, which means interest payable for the year will be £950k lower than reported at Month 4. A year-to-date proportion of this is benefit is reported at Month 5.

2.2. The impairment due to revaluation of fixed assets is now £1.05m, relating mainly to the district valuers changing apportionment methodologies since the last valuation. This is shown separately as it does not impact upon the Trust's break-even duty.

2.3. The Trust's cash balance at the end of August was £2.3m – the Trust has settled all supplier payments that had previously been on hold, following over-performance payments from PCTs totalling £2.7m in August.

3. Recovery Plans and Forecast

3.1. The variance on the top 15 overspending areas identified at the end of Quarter 1 was £147k worse than forecast last month (excluding ITU which is underspent due to low activity levels).

3.2. Following investigative work led by the Director of Planning and Performance in August, a new list of the top 25 year-to-date overspending areas has been drawn up. A rigorous and consistent approach will be followed by producing risk-rated action plans by 14th September describing how expenditure can be reduced by the year-end and what the service and staffing implications of this are. Recovery in these areas is crucial to achieving the planned £212k surplus for the year.

3.3. The year-end forecast *before further recovery actions* is a deficit of £1.19m. However, there remain significant risks that are not reflected in the £212k surplus forecast.

4. Recommendations

4.1. The Trust Board is asked to:

- **Note** the reported financial position in Month 5 of a £232k surplus, and the extent to which non-recurrent items are supporting the year-to-date position of a £716k deficit
- **Note** the new recovery plan proposals and the new top 25 overspending areas to be focussed upon
- **Note** the revised 2009/10 forecast and the risks to achieving the planned £212k surplus

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 5 Finance Report

5. Month 5 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, and the Trust submitted its IFRS restated 2008/09 accounts in August.

5.2. Following the release within the last month of a Department of Health 'universal model' for assessing the impact of IFRS on PFI schemes, there have been significant changes in Month 5 to the accounting treatment of the PFI buildings and the recent revaluation exercise (up to Month 4 these had been accounted for using the Trust's KPMG-developed model). The main change has been a significant I&E benefit due to a lower implied interest rate, which means interest payable for the year will be £950k lower than reported at Month 4 from the KPMG model. A year-to-date proportion of this is reported at Month 5.

5.3. The impairment due to revaluation of fixed assets is now £1.05m, representing the downward revaluation for assets where insufficient revaluation reserve is held. The majority of the impairment is due to the district valuers changing their apportionment methodology for external works. It is shown 'below the line' because although the impairment impacts adversely on the I&E position, it is not relevant for the purposes of the Trust achieving its break-even duty.

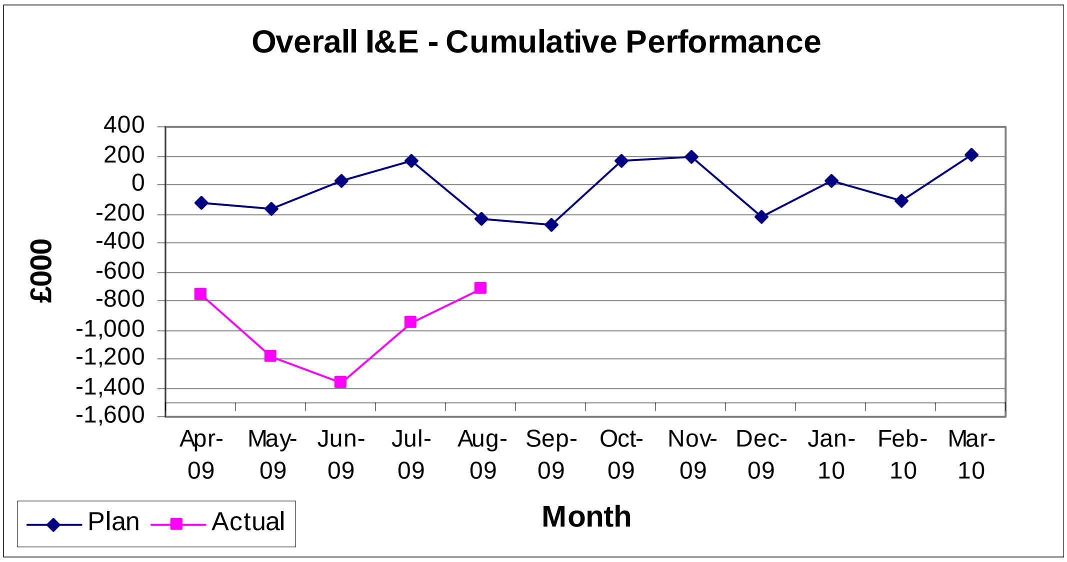
5.4. The break-even plan had a budgeted impairment of £212k. Now that this impairment is reported 'below the line' the plan is for a £212k surplus before impairments.

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	12,326	11,892	434	62,374	61,119	1,255	149,477
Non NHS Clinical Income	49	51	(2)	238	254	(15)	609
All Other Non Clinical Income	2,026	1,883	143	9,376	9,214	162	22,154
Total Income	**14,401**	**13,826**	**575**	**71,988**	**70,587**	**1,401**	**172,240**
Pay	10,129	9,892	(238)	50,824	48,939	(1,885)	118,064
Non Pay	3,043	2,956	(87)	16,309	16,070	(239)	40,087
Centrally Held Savings	0	(65)	(65)	0	(258)	(258)	(710)
Total Expenditure	**13,172**	**12,783**	**(389)**	**67,133**	**64,750**	**(2,383)**	**157,442**
EBITDA	**1,229**	**1,043**	**186**	**4,855**	**5,837**	**(982)**	**14,798**
Plus Interest Receivable	1	8	(7)	4	42	(38)	100
Less Interest Payable	(198)	305	503	1,035	1,579	544	3,888
Less Depreciation	865	890	25	3,155	3,218	63	7,634
Less PDC Dividend	330	264	(67)	1,385	1,318	(67)	3,164
Net Surplus / (Deficit) - excluding Impairments	**232**	**(407)**	**640**	**(716)**	**(237)**	**(479)**	**212**
Less Impairments				1,048	212	(836)	212
Net Surplus / (Deficit) - including Impairments				(1,764)	(449)	(1,315)	(0)

5.5. Year-to-date EBITDA of £4.9m is reported, which is £1m worse than planned, predominantly due to the overspend on pay in the first five months of the year. Interest receivable is lower than planned due to continuing low interest rates.

5.6. The £63k favourable variance on depreciation is primarily due to the recent revaluation of Trust fixed assets, which delivered additional depreciation savings over and above the CIP target set at the beginning of the year. The PDC dividend variance is due to revaluation and IFRS factors as a result of using the new DH model.

FIGURE 2



5.7. The Trust's plan is to achieve a £212k surplus at the year-end (before impairments). There are significant risks to achieving this plan (see section 12), which includes £710k of unidentified CIP. It also assumes that the first five months' adverse expenditure variance from plan can be reduced in future months 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 (July 2009) which showed an in-month favourable variance against plan of £311k.

6.2. For the first time this year, in-month uncoded raw activity data has been used to estimate in-month income performance – this was important as we know August saw a large reduction in elective capacity over and above the usual summer reduction. This analysis gives a preliminary indication that August NHS clinical income was around £0.6m below plan – an adjustment has been made in Month 5 to reflect this.

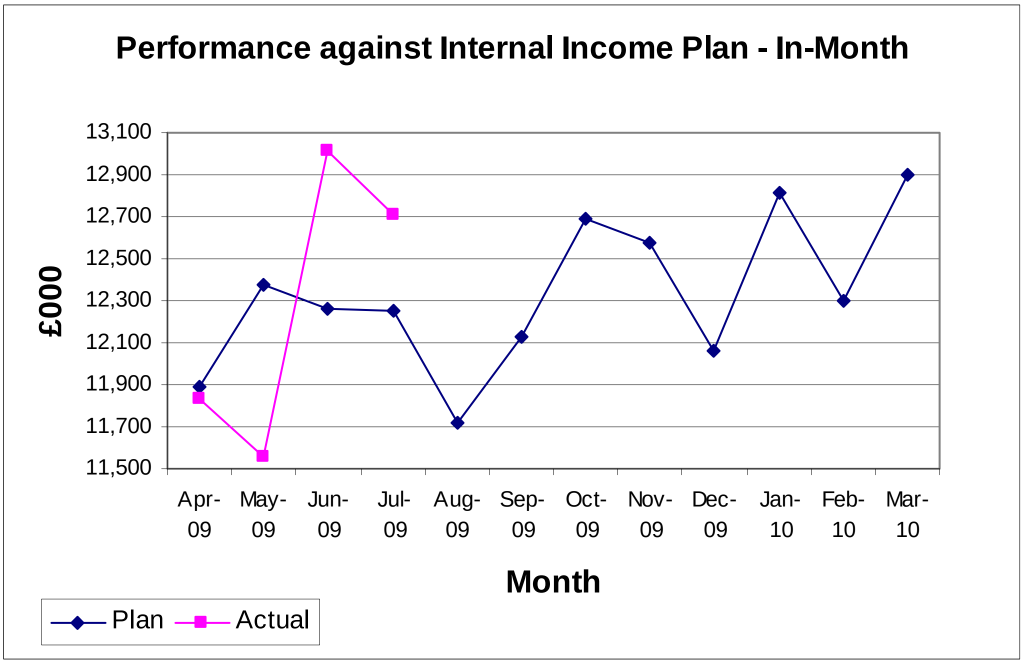
Description	Amount
July favourable variance against NHS income plan	£311k
June late data entry not included last month	£149k
Release of provisions due to invoice payment	£640k
Expected August adverse variance on NHS income	(£629k)
Other adjustments (e.g. work in progress)	£37k
Total in-month variance against NHS income plan	**£434k**

6.3. As in previous months, credit note provisions were reviewed and payment of a number of 2008/09 over-performance invoices has allowed a net provision release of £640k to support the I&E position. This brings total provision release for the year up to £1.15m. **When interpreting the year-to-date deficit of £716k it should be remembered that this includes £1.5m of non-recurrent items, which will not recur in months 6-12.**

FIGURE 3

POD	YTD Plan To M4	YTD Actual To M4	YTD Variance To M4	In Month Variance M4	M3 Late Data Added
Block Contract/Adjustments	2,482	2,221	(261)	(65)	(0)
Elective Inpatients	2,723	2,970	247	97	0
Non-Elective Inpatients	15,722	15,893	171	122	20
Excess Beddays	1,383	1,153	(229)	(113)	2
Planned Same Day (Day Case)	4,552	4,490	(62)	(68)	21
Outpatient Procedures	1,194	1,442	248	78	6
Outpatient 1st Attends	4,096	3,967	(128)	20	0
Outpatient Follow Ups	4,466	4,874	408	104	7
Adult High Dependancy Beddays	1,264	851	(414)	(7)	7
Adult Intensive Care Beddays	2,548	1,970	(578)	(106)	0
NICU High Dependancy Beddays	379	644	265	43	0
NICU Intensive Care Beddays	336	228	(108)	21	0
NICU Special Care Beddays	914	1,219	305	34	56
ED Attendances	2,646	2,755	109	56	0
Direct Access	2,648	2,929	281	88	22
Unbundled Imaging	636	688	52	(9)	9
Other Activity	785	823	38	17	(0)
Grand Total	**48,774**	**49,118**	**344**	**311**	**149**

FIGURE 4



6.4. Income performance by point of delivery in July has followed the trends seen in earlier months of the year, with outpatient follow-up attendances over-performing more than first attendances, under-performance in adult intensive care and the Trust's day case plan, with over-performance on emergency and ED activity.

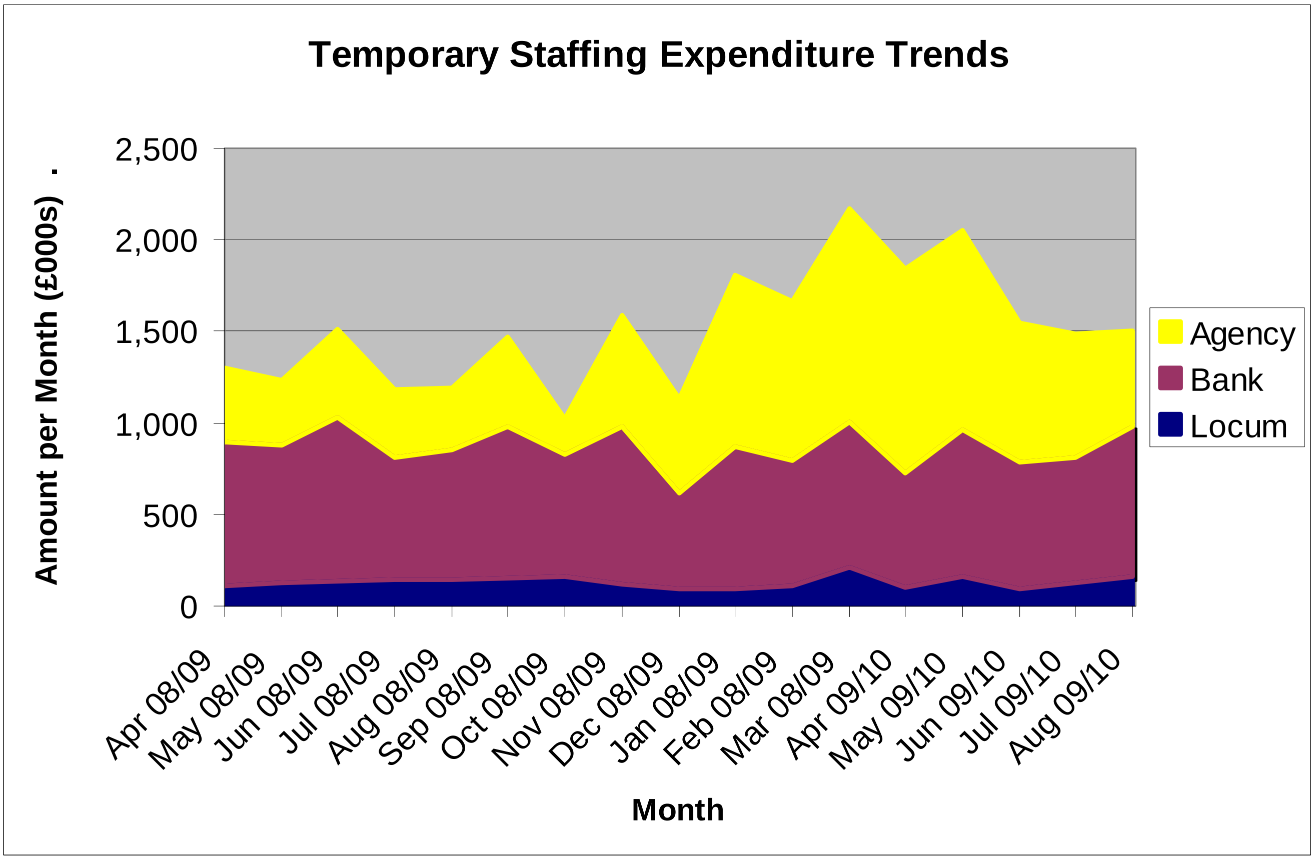
6.5. Improved recording of adult HDU activity on the wards in July (a CIP target) has reduced the year-to-date under-performance to £414k.

7. Expenditure Performance

7.1. Pay continued to be overspent in August despite the low levels of activity, by £238k – this is a worsening of the July position and pay is now £1.9m overspent to date. Within the August overspend, total agency expenditure across all staff groups was lower than July at £521k but offset by higher bank expenditure. These figures are significantly higher than historical averages (see figure 5), and despite improvements that have been made in some areas (for example, theatres and ITU) this represents disappointing progress as illustrated in the comparison below:

Type of Staff Expenditure	August 2008 rebased for inflation	August 2009	Increase
Permanent staff	£8.1m	£8.6m	6.8%
Bank staff	£727k	£819k	12.8%
Agency staff	£346k	£521k	50.1%
Locum staff	£150k	£162k	8.0%
All Staff Expenditure	**£9.3m**	**£10.1m**	**8.9%**

FIGURE 5



7.2. Nursing pay in total remains within budget for the second month in a row – helped partly by low levels of activity in areas of the hospital heavily dependent upon specialise nursing staff such as ITU and theatres. In contrast, medical pay was overspent by £171k in the month (£964k year-to-date), with continuing high locum and agency costs in areas such as ED and anaesthetics being significant contributors.

7.3. It must remain a Trust priority to reduce agency and locum spend across the hospital – if the current year-to-date overspend on temporary staffing is extrapolated to the end of the year, the planned I&E position will almost certainly not be achieved.

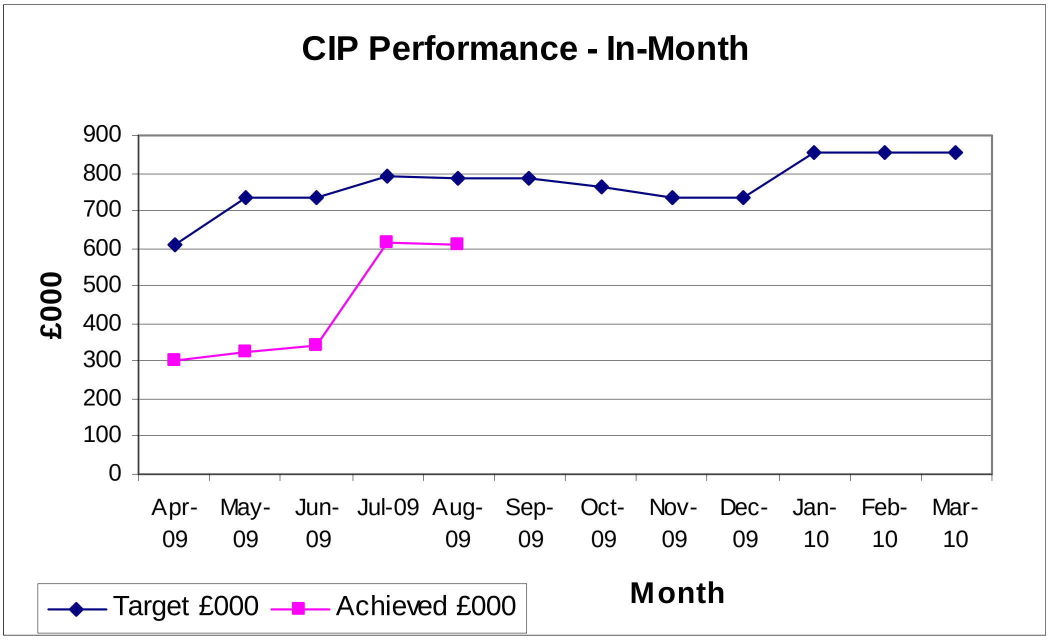
7.4. Non-pay expenditure was £87k higher than planned in August, a reduction in the previous two months' overspend assisted by lower activity levels. Within this, drugs remain underspent, by £287k year-to-date. This is encouraging and predominantly due to the decision to make pharmacy accountable for all drugs budgets rather than individual specialties.

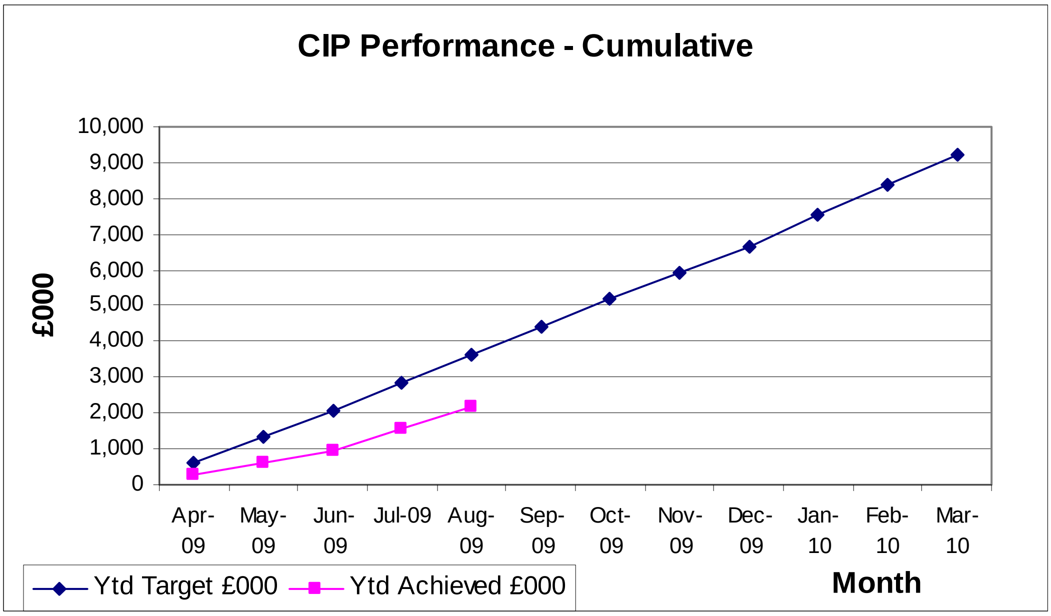
7.5. Phasing adjustments to utility budgets have caused some in-month variances, although electricity, gas and oil all remain within year-to-date budget. A cancellation charge of £45k relating to transfer of the Trust's financial systems to an in-house server has also affected the Month 5 position, although overall across the year savings will be made (with further savings of several hundred thousand pounds in the next four years).

8. Cost Improvement Programme (CIP)

8.1. The validated level of savings delivered to date represents 59.5 % of the target to month 5 (£2.2m validated as achieved, against a target of £3.7m).This is a slight deterioration in the achievement rate compared to month 4 as achievement against some projects was estimated in month 4 on the basis of partially complete data, whereas more accurate and complete data is now available that supports a lower level of achievement to date.

FIGURE 7





8.2. The under-achievement of £1.49m against the year-to-date target is explained below.

8.3. **Delayed implementation of projects (£507k shortfall).** Most targets were profiled to be achieved from April, but a number of project plans have slipped. Most have now commenced, and it is possible that the bulk of this year-to-date shortfall can be made up by over-achievement in the latter months of the year.

8.4. **Savings not delivered due to activity or other operational pressures (£813k shortfall).** The main under-achieving projects are:

- Outpatient productivity: in April-July, the level of income from first appointments was below target. Plans are in place to reduce follow-up ratios, which have been higher in the early part of the year partly due to the recovery of a backlog of follow-ups from last year that enabled the Trust to meet its 18-week target
- Ward nursing establishments: during August there were a number of bed and ward closures, resulting in a net underspend against ward nursing budgets. However, high levels of reliance on agency nurses in the first two months of the year mean that the ward nursing budget is still cumulatively overspent to date
- 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. Although progress has been made to reduce nursing agency usage in ED, a net saving has not been delivered.

8.5. **Data not yet available to validate the delivery of savings (£398k shortfall).** Some of this shortfall may in fact be being delivered, but it is not yet possible to validate the savings or to demonstrate a clear causal relationship between the project actions plans and the related income or expenditure performance.

- Outpatient productivity through reducing the rate of DNAs in outpatient clinics. There are a number of projects in hand to address the levels of DNAs and patient cancellations, but it is not yet possible to clearly demonstrate that these have led to an increase in outpatient income or a reduction in cost.
- 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, and work is underway to develop a robust calculation to support this.

8.6. **Over-achieving projects (£225k)**. A number of projects are delivering more than the year-to-date target. The projects which were over-achieving at month 4 have continued to deliver consistent results.

8.7. **Year-end forecast -** the forecast has been reviewed and revised in light of the latest month's performance, and has been built up from a combination of factors, dependent on the status and nature of each project:

- straight-line extrapolation;
- anticipated future events / project completion dates etc.
- senior managers' judgements.

The assessed forecast is £6.6m, a shortfall of £2.6m against the target of £9.2m. However there is a wide range of potential alternative scenarios around this position.

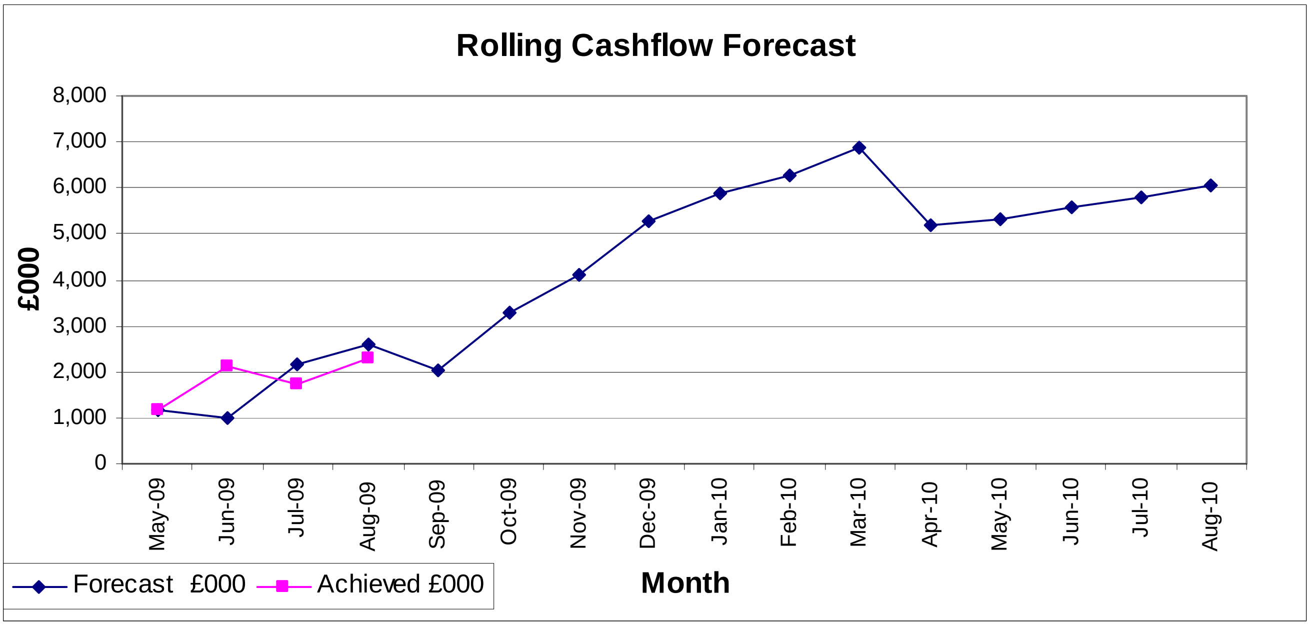
9. Cash

9.1. The table below provides a summarised cash flow forecast. The Trust's cash balance at the end of August was £2.3m. As a result of receiving payment for 2008/09 and 2009/10 SLA over-performance totalling £2.7m, the Trust was able to clear the backlog of unpaid supplier invoices. However, the requirement in September to pay the half-yearly £1.7m PDC dividend will result in further withholding of payment to suppliers unless significant (more recent) PCT debt is collected.

9.2. The cash flow forecast projects regular receipts of in–year over-performance for the remainder of the financial year. The cash flow position improves as the year progresses, due to the forecast reduction in the cumulative I&E deficit and lower capital cash payments (which have been high in the early part of the year due primarily due to single-sex refurbishment work).

9.3. The Trust and local commissioners have recently completed a return to NHS London estimating year-end over-performance. We have been working together with PCTs to develop this forecast – however, if there is a significant difference between PCT and Trust projections, we will 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. This would constitute a change to the current External Financing Limit (EFL) and would reduce the reliance upon PCTs paying in-year.

FIGURE 8



9.4. Key assumptions within the plan are currently as follows:

- The planned income and expenditure position is achieved
- All in-year over-performance is paid this year with a cash surge of £2.5m in March based upon previous practice of PCTs managing their year-end cash positions
- EWTD funding and Single sex accommodation funding is received in September and October respectively
- Dividend payments are made on time
- No temporary borrowing
- Capital programme cash payments of £5.2m with any extra being funded via finance leases. Capital cash payments have totalled £4.2m so far this year. Where finance leases represent good value for money, these are being pursued to spread the cash payments over a number of years

10. Balance Sheet

10.1. As described in section 5 above, the Month 5 figures include the impact both of the recent revaluation of the Trust's fixed assets, and of the new modelling of the PFI as a result of the Department of Health releasing a 'universal model' to be used across the NHS. The accounting is very complex as IFRS restatement requires retrospective adjustment of all previous years' accounts. The main points are summarised below:

- Revaluation – large increase in land values but larger reduction in building values, resulting in a £1.048m one-off impairment charge where no revaluation reserve was available. This is excluded from the Trust's break-even duty
- Capital charges savings totalling £0.6m from the revaluation, of which £0.5m was planned and budgeted for as part of the CIP
- Savings of £1.16m on interest payable as a result of the new DH model excluding inflation of the unitary payment from the implicit interest calculation
- Savings of £0.2m relating to the capitalisation of the lifecycle cost component of the unitary payment
- Minor adjustments relating to finance leases, including the Asteral managed equipment service

10.2. 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 balance sheet is summarised below – the terminology used is now consistent with IFRS requirements and the opening balances have been restated following the recent IFRS restatement exercise

10.3. As at 31st August, 82.6% of NHS creditor invoices and 54.4% of Non-NHS creditor invoices had been paid within the target 30 days as set out in the Better Payment Practice Code. This is significantly below performance levels in previous years due to the tight cash position as described above.

FIGURE 9

Description	As at 1st April 2009 (IFRS-restated)	31st August 2009	2009/10 Year-end Forecast
	£'000	£'000	£'000
Property, plant and equipment	147,415	144,874	144,956
Intangible assets	757	699	699
Trade and other receivables	2,523	2,755	2,809
Non-current assets	**150,695**	**148,328**	**148,465**
Inventories	1,241	1,404	1,404
Trade and other receivables	5,435	8,296	4,721
Cash and cash equivalents	3,030	2,303	6,897
Current assets	**9,706**	**12,003**	**13,022**
Trade and other payables	15,090	18,263	19,949
Borrowings	1,627	1,627	1,649
Provisions	562	562	562
Other liabilities	1,245	1,298	1,298
Current liabilities	**18,524**	**21,750**	**23,457**
Borrowings	38,884	38,370	37,127
Provisions	2,033	1,946	1,662
Non-current liabilities	**40,917**	**40,316**	**38,789**
Total assets employed	**100,960**	**98,265**	**99,241**
Public dividend capital	48,084	48,084	48,134
Retained earnings	17,946	16,182	16,896
Revaluation reserve	33,820	33,048	33,048
Donated asset reserve	1,110	952	1,164
Total taxpayers' equity	**100,960**	**98,265**	**99,241**
Estimated year end capital cost absorption rate		**3.46%**	**3.53%**

11. Review of Existing Recovery Plans and Previous Month's Forecast

11.1. The table below shows actual August performance in the top 15 areas that have been the primary focus of recovery plans to date. This is shown alongside the forecast variance for August presented last month.

11.2. ITU performed significantly better than was forecast – however, bed occupancy has been low (around half of the 15 beds have been occupied on average) and therefore associated income will have decreased dramatically. Excluding ITU, other areas have a combined position in August that is £147k than was forecast a month ago.

11.3. The biggest area of concern is midwifery, which was forecast to be within budget in August due to the closure of Cearns ward. However, actual expenditure was over budget by £145k. This was due to high levels of staff sickness, problems in sourcing bank staff, high levels of staff annual leave, some midwives who do not work during school holidays, high levels of complex deliveries in the third week of August, and staff requiring carers' leave – all resulting in high agency expenditure. Some elements of this should have been forecast and processes are in place to ensure that forecasting improves and that this level of overspend does not recur.

11.4. The Emergency Department budget (including Paediatric ED and Isis Ward) continues to overspend at the rate of £120k per month on average, despite budgets being increased at the beginning of 2009/10. The 98% target is being hit, but the cost of delivering this is high, particularly due to high medical temporary staff expenditure.

FIGURE 10

Description (Top 15 Areas in Q1)	August Forecast as at Month 4	August Actuals	Difference
ED (inc. Isis / Paeds ED)	(117)	(137)	(20)
ITU	(82)	32	114
Midwifery	1	(145)	(145)
Medical Wards	(21)	9	30
Orthopaedics	(9)	(16)	(7)
Obs & Gynae	(7)	8	15
Histopathology	0	(24)	(24)
General Surgery	(35)	(57)	(22)
Anaesth/ITU	(10)	(18)	(8)
Coyle	(14)	(3)	12
Imaging	3	1	(2)
Generic Workers	0	16	16
Resus Officer	(4)	(14)	(10)
Estates Mgt	(4)	(0)	3
Haematology	0	14	14
Total for Above Areas	**(299)**	**(332)**	**(33)**

11.5. Section 12 below describes the top year-to-date overspending areas in more detail, together with a revised forecast for the 2009/10 financial year.

12. Top Overspending Areas, 2009/10 Forecast and Risks

12.1. In August, Fiona Elliott led a piece of work to investigate the top 25 overspending areas as identified at Month 4. This was summarised in a report to the Trust's Executive Committee on 8th September describing the risk of these areas not meeting the planned recovery action targets by the year-end.

12.2. Following this investigative work, a General Managers meeting was held on 8th September to decide upon further actions that are required to rectify the continuing problem of large adverse variances on expenditure:

- Identify the top 25 overspending areas to Month 5 (year-to-date) – see fig. 11
- Develop a rigorous and consistent approach to each of these by producing risk-rated action plans in a consistent format describing how expenditure can be reduced by the year-end and what the service and staffing implications of this are. These will be completed by 14th September
- Improve upon the bottom-up forecasting model introduced last year, and ensure forecasts are as accurate and realistic as possible, allowing pro-active action to reduce future risk of overspends. This will completed by mid-September following meetings between finance managers, budget holders and senior management
- Hold areas accountable for delivering within their budgets – using activity information to justify overspends in those few areas (such as gynaecology) where there is large over-performance against the Trust's income plan
- Introduce a consistent capped rate across the Trust for medical staff working additional sessions

FIGURE 11

Description	Month 5 Variance		Year End Variance	
	In-Month	Year-to-Date	Straight-line Projection	Forecast
Emergency Department	(137)	(609)	(1,461)	(1,310)
Midwives	(145)	(542)	(1,301)	(993)
Itu	32	(339)	(813)	(623)
Medical Wards	9	(318)	(762)	(644)
Anaesthetics & Itu Medical	(18)	(216)	(519)	(643)
General Surgery	(57)	(180)	(431)	(290)
Obstetrics & Gynae	8	(164)	(395)	(448)
Surgical Wards	19	(130)	(311)	(256)
Health Records	(14)	(108)	(258)	(111)
Histopathology	(24)	(84)	(202)	(176)
Cardiology	(15)	(83)	(199)	(194)
Urology	(12)	(79)	(190)	(172)
Surgery Ops Managers	42	(56)	(135)	(122)
Resus Officer	(14)	(47)	(112)	(104)
Surg Med Secretaries	(13)	(45)	(109)	(200)
Paediatrics	12	(43)	(104)	(39)
Dermatology	(31)	(42)	(101)	(68)
Audiology	(7)	(40)	(96)	(106)
Oncology	(2)	(39)	(93)	18
Maternity A&C	(9)	(39)	(93)	(91)
Orthopaedics	(16)	(38)	(90)	11
Eeg	(41)	(38)	(90)	(41)
Diabetology	(16)	(37)	(88)	(88)
Im & T Comp Services	25	(35)	(83)	(83)
Security	17	(34)	(83)	(88)
TOTALS FOR TOP 25 OVERSPENDING AREAS:	**(405)**	**(3,383)**	**(8,120)**	**(6,860)**
All other devolved cost centres	265	1,048	2,516	1,982
TOTAL FOR ALL DEVOLVED COST CENTRES:	**(140)**	**(2,335)**	**(5,604)**	**(4,878)**

Year-to-date income variance including provision release		1,401		1,501
EWTD funding		95		315
Single sex funding		0		425
Revaluation savings over and above £500k CIP budget		24		110
IFRS savings following new DH guidance		483		1,160
Other central variances not included above		(147)		(39)
TOTAL TRUST VARIANCE BEFORE IMPAIRMENTS:		**(479)**		**(1,406)**
TOTAL FORECAST TRUST DEFICIT BEFORE IMPAIRMENTS:				**(1,194)**

12.3. This figure shows that the forecast *before any further recovery actions* for the year-end position has worsened from last month to a deficit of £1.19m. This worsening is primarily due to: a) August actual expenditure in the problem areas being worse than forecast in July, and b) August estimated NHS clinical income being £0.6m lower than the Trust plan

12.4. The top 25 areas above account for a combined overspend of £3.4m to date in 2009/10. This is forecast to rise to £6.9m by the year-end. It is important to note that the Month 5 year-to-date deficit of £716k has within it around £1.5m of non-recurrent items (mostly credit note provision release). Therefore the underlying deficit is around £2.2m to Month 5, and further non-recurrent provision release is forecast to be just £100k for the remainder of the year.

12.5. The year-end forecast before further recovery actions of £1.19m is reliant upon continued underspends in areas other than the top 25 identified above. Therefore it remains essential to maintain or increase these underspends in order to achieve the forecast position.

12.6. The forecast in figure 11 includes many of the opportunities identified in previous Trust Board papers to reduce the size of the Trust's deficit – including funding for EWTD and single-sex accommodation, revaluation capital charge savings and provision release. There is also the possibility that some of the cost pressures identified at budget-setting, for which central budgets are held, may not materialise – this factor is not reflected in figure 11.

12.7. There are also a number of risks that are not included in the forecast above:

- Increased non-achievement of CIP targets – figure 11 implicitly assumes the current expenditure CIP achievement percentage remaining constant for the remainder of the year, but there is a risk of further non-achievement
- Activity is lower than planned from September to March
- 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
- The potential mixed sex accommodation funding does not materialise
- Legal costs are higher than anticipated
- Cost pressures materialise that were not anticipated in budget-setting. There are central budgets set aside for anticipated cost pressures that were anticipated at budget-setting but little for further unanticipated cost pressures.
- 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.

12.8. A break-even position remains achievable if there is concerted effort to ensure that the actions identified in section 12.2 are implemented, if recovery plans are successful, and if managers and budget holders are held accountable for overspends in a rigorous way. In addition, expenditure in underspending areas must continue to remain low and income targets must be fully met. Any lapse in controlling expenditure and achieving activity targets will jeopardise the break-even year-end position.

13. Note on Swine Flu

13.1. The Trust has undertaken significant analysis of the potential impact of swine flu in the event of a pandemic this autumn and winter. Various models have been produced reflecting likely hospitalisation and critical care demand from a number of different scenarios. For the purposes of the year-end forecast financial position, the potential impact of a dramatic surge in swine flu activity is not included, either in expenditure or in income terms.