ITEM 11/030
Doc 03

MEETING:	Trust Board 23 February 2011

TITLE:	Financial Position – Month 10 (January 2011)

Executive Summary

1. Month 10 Income and Expenditure

1.1. The I&E position including the impact of IFRS is an actual in-month surplus of £470k, which is £66k better than plan. The year-to-date surplus is £1,019k, £1,469k better than planned. Once the impact of IFRS is excluded the surplus achieved to date rises to £1,405k compared to a target deficit of £65k.

1.2. Year to date clinical activity is £15k below the Trust's internal income plan, which includes the cumulative impact of adjustments to reflect additional activity. Activity in January is estimated to be £379k below the internal plan.

1.3. Pay expenditure was £265k over spent in January. Agency spend has reduced in month to £443k compared with £483k in December.

1.4. Non-pay expenditure is under spent by £426k in January.

2. Month 10 Balance Sheet and Cash

2.1. The impact of IFRS on the Trust relating to PFI is £463k, which is excluded from break-even duty performance.

2.2. The Trust's cash balance at the end of January was £6,898k and this reflects the reduced dependency on SLA over-performance this year, movements in working capital balances and the receipt of cash relating to SLA over performance for both 2009/10 and in the year to date. It is not assumed at this stage that the year end cash balance will be materially different to the opening balance of £1.1m. Achievement of the External Financing Limit (EFL) would require a year end cash balance that is not less than the opening value.

3. Recovery Plans and Forecast

3.1. A weekly budget review process has been established involving the lead budget holder together with the Chief Executive and Director of Finance, whereby the financial performance of key Directorates is reviewed on a cyclical basis.

3.2. As previously reported, the Trust has entered into a risk sharing arrangement with the North Central London (NCL) sector, which places a non recurrent cap in 2010/11 on the Trusts outturn position for NCL clinical income of £2.3m in return for the avoidance of existing and future 2010/11 challenges/claims/income abatements. The level of over performance based on Month 9 data is £2.1m. The estimated position for month 10 is below plan, which means that the Trust will remain below the capped level in Month 10.

3.3. To be consistent with previous months an adjustment has been made to reflect the cumulative impact of additional activity (£300k), this is a contra entry increasing both the income plan and expenditure budget, so has no impact on the bottom line position.

3.4. The year-end forecast is to break even and this assumes that the unidentified savings target is achieved by the year end, this has been achieved in Month 10. In order to deliver a break even position at year end it will be necessary to ensure a) Robust monitoring of budgets, cost pressures and CIPs b) Non-recurrent opportunities c) ongoing review of budgets. The NHS London control target is to break even after excluding IFRS.

4. Recommendations

4.1. The Trust Board is asked to:

- **Note** the reported financial position in Month 10 of a £1,405k surplus after excluding IFRS
- **Note** the unidentified savings target has been achieved in Month 10 and support the approach to managing the achievement of a break even position on a recurrent basis.

ACTION:	For information / discussion

REPORT FROM:	Jim Davies, Deputy Director of Finance

SPONSORED BY:	Richard Martin, Finance Director

Financial Validation Lead: Director of Finance	Jim Davies

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

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

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

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

Month 10 Finance Report

5. Month 10 Income and Expenditure Summary

5.1. The Income and Expenditure position is summarised in Figure 1 below. 2010/11 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £463k impact of IFRS on Private Finance Initiatives (PFIs) is excluded from the Trust's break-even duty.

5.2. Year-to-date EBITDA of £12.1m is reported, which is £1.3m better than planned due to higher levels of clinical and non clinical activity, revised accounting treatment of two specific items, release of provisions and relatively contained levels of expenditure.

5.3. The income and expenditure forecast for the full year reflects the year to date position, together with known changes and estimates for the remainder of the year. As part of this process consideration is also given to the risk of a) the potential for future cost pressures b) risks associated with the recovery of income due to the Trust. On this basis the Trust's plan continues to show a £463k deficit at the year-end on an IFRS basis. The forecast year-end position assumes at this stage that the "forecast" value of the unallocated and unidentified savings target has been achieved, and therefore a balanced forecast outturn has been assumed excluding the effect of IFRS. A forecast of break even is prudent given the achievement to date.

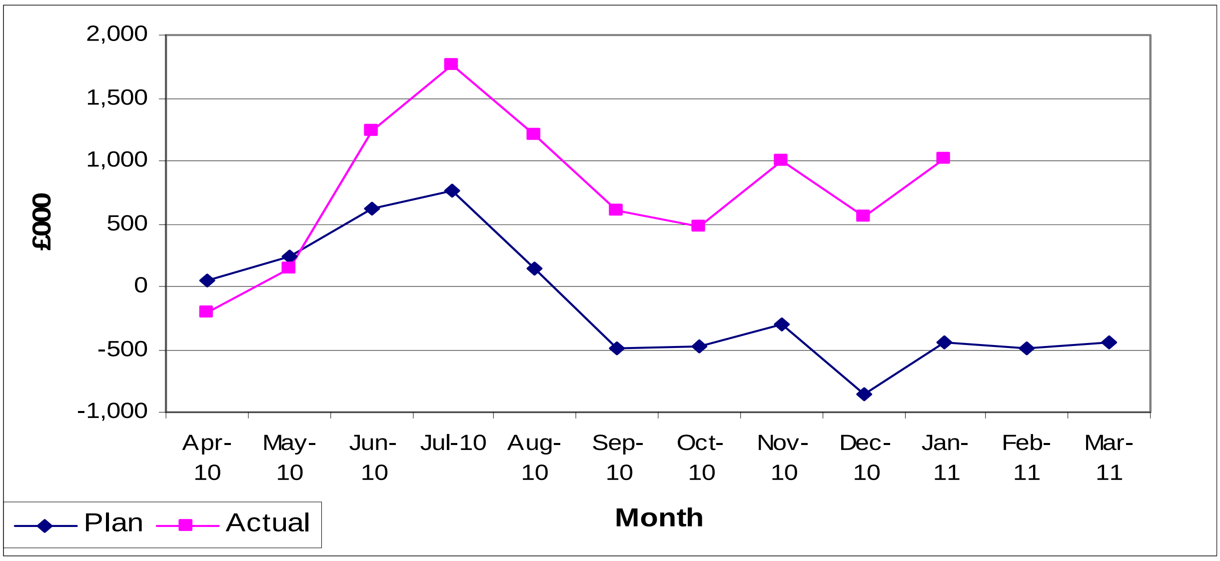
5.4. The income and expenditure is illustrated as follows:

FIGURE 1: Income & Expenditure Summary

Description	Current Month			Year To Date			Annual	Year-end
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	Budget £'000	Forecast £'000
NHS Clinical Income	13,536	13,885	(349)	131,928	131,943	(15)	157,799	159,397
Non NHS Clinical Income	58	54	4	975	535	439	642	1,109
All Other Non Clinical Income	2,253	2,130	123	20,614	19,376	1,238	23,407	24,028
Total Income	**15,846**	**16,068**	**(222)**	**153,516**	**151,854**	**1,662**	**181,849**	**184,535**
Pay	10,973	10,708	(265)	105,341	105,676	335	126,834	127,442
Non Pay	3,276	3,702	426	36,077	36,409	332	43,346	44,087
Centrally Held Savings	0	130	130	0	(1,061)	(1,061)	(1,401)	0
Total Expenditure	**14,248**	**14,540**	**291**	**141,418**	**141,023**	**(394)**	**168,779**	**171,529**
EBITDA	**1,598**	**1,529**	**69**	**12,099**	**10,831**	**1,268**	**13,070**	**13,006**
Loss on Disposal of Assets	-	-	-	84	-	84	-	84
Plus Interest Receivable	1	2	(0)	16	17	(1)	20	19
Less Interest Payable	210	220	10	2,123	2,233	109	2,675	2,564
Less Depreciation	645	654	9	6,448	6,540	92	7,849	7,911
Less PDC Dividend	274	252	(21)	2,441	2,525	84	3,030	2,929
Net Surplus / (Deficit) - excluding Impairments	**470**	**404**	**66**	**1,019**	**(450)**	**1,469**	**(463)**	**(463)**
Net Surplus / (Deficit) before IFRS (relevant for break-even duty)	509	442	66	1,405	(65)	1,469	0	**0**

5.5. The year to date income and expenditure position shows a net surplus position which is £1,469k better than the planned position. This includes the in month surplus of £470k, which is £66k better than the planned position for the month. This is further reflected in the following figure which illustrates the cumulative income and expenditure performance for the year to date.

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



5.6. A more detailed overview of the financial position is further illustrated in the following figure:

Figure 3: Comparison of Forecast Pay Expenditure Position Against Budget

Division	Forecast Outturn Pay £000	2010/11 Budget £000	Outturn (above)/below budget £000
Access/Diagnostics/Planned Care	15,058	14,944	(114)
Central CIP Target (Operations)	648	161	(488)
Director Of Primary Care	364	360	(5)
Medicine & Therapies	32,945	31,307	(1,638)
Surgery & Cancer	28,461	28,464	3
Women & Children Servs	25,721	25,935	215
Pharmacy	3,897	4,110	214
Facilities	10,527	10,750	222
Finance	2,773	2,925	152
Human Resource Directorate	1,356	1,345	(11)
Information Mgmt & Tech	2,162	2,223	61
Medical Education	248	244	(3)
Nursing & Clinical Develop	1,503	1,569	65
Planning & Performance	679	790	111
Clinical Trials	104	99	(5)
Business Cases/Reserves/Trust Finance	996	1,608	612
Total Pay	**127,442**	**126,834**	**(609)**

5.7. The ongoing review of the areas which show forecasts above the budgeted position concentrates on pressures that are absolutely unavoidable, as cost containment and productivity improvement is a key theme in securing and maintaining a viable organisation. Consideration has been given to 'locking' in under spending positions in order to contain overall expenditure.

6. Health Economy Context

6.1. As previously reported, the Trust has agreed to a risk sharing arrangement with the North Central London (NCL) sector. This arrangement places a non recurrent cap on the Trusts outturn position for NCL clinical income in 2010/11 of £2.3m in return for the avoidance of existing and future 2010/11 challenges/claims/income abatements. The level of over performance based on Month 9 data is £2.1m. The estimated position for month 10 is below plan, and based on this estimate the Trust would remain below the capped level in Month 10.

6.2. This agreement relates only to NCL providers, and is agreed on a non recurrent basis. The purpose of this arrangement reduces the risk to the NCL of an outturn position which cannot be afforded, and while transfering an element of risk to the Trust it also reduces the risk to the Trust of ongoing challenges against reported income. The potential year end over performance could reach £6m compared to a cap of £2.3m, meaning that an income concession of £3.7m has been made available. In addition there is an estimated underachievement of £0.3m of CQUIN, making a total potential income concession to NCL of £4.0m in 2010/11. This has been recognised in both the forecast and the actual position to date.

7. Income Performance

7.1. NHS Clinical Income is reported based upon the latest coded activity data (December 2010), together with an initial estimate for the January position. On this basis the in month position shows an over performance against plan of £349k.

7.2. The assessment of the January NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates a positive variance against plan of £379k, which is included in the in month position.

7.3. Figure 5 below shows income performance by patient type:

FIGURE 4: Income Performance by Patient Type

Point of Delivery	YTD SLA To M9	YTD Actual To M9	YTD Marginal Tariff Adjust-ment	YTD Variance To M9	In Month Variance M9	M8 Late Data Added
Block Contract/Adjustments	4,801	4,911	0	110	17	0
Elective Inpatients	6,198	6,393	0	195	(48)	(9)
Non-Elective Inpatients	35,049	36,838	(967)	821	191	12
Excess Bed days	2,328	3,024	(151)	545	95	(16)
Planned Same Day (Day Case)	11,243	11,180	0	(63)	(56)	1
Outpatient Procedures	1,959	2,134	0	175	25	1
Outpatient 1st Attends	9,928	9,754	0	(175)	(1)	8
Outpatient Follow Ups	12,856	12,358	0	(498)	(98)	15
Adult High Dependency Bed days	2,078	2,963	0	886	112	(23)
Adult Intensive Care Bed days	4,179	4,224	0	45	(171)	0
Paediatrics High Dependency	595	515	0	(79)	3	0
NICU High Dependency Bed days	1,121	1,072	0	(49)	16	8
NICU Intensive Care Bed days	486	609	0	123	4	4
NICU Special Care Bed days	2,907	3,479	0	572	126	4
ED Attendances	6,385	6,730	0	345	63	(1)
Direct Access	6,463	6,924	0	461	(97)	1
Unbundled Imaging	578	986	0	408	55	(0)
Other Activity	3,268	3,029	0	(239)	(47)	26
Grand Total	**112,422**	**117,123**	**(1,118)**	**3,582**	**187**	**29**

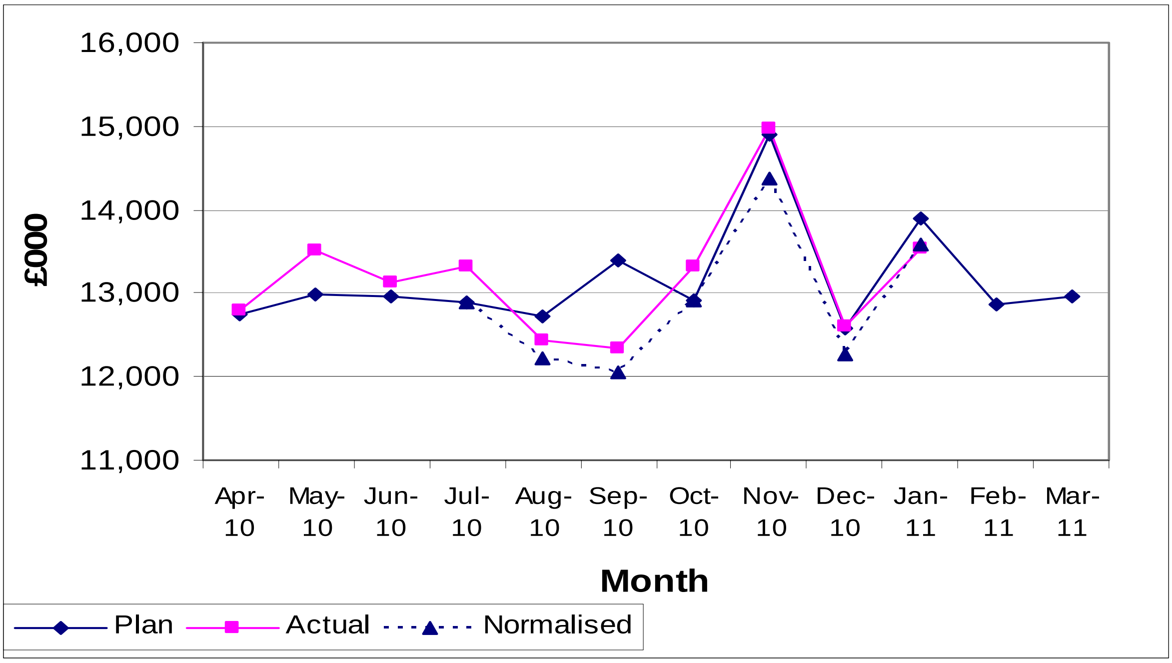
7.4. The year to date variance to Month 9 is shown net of the marginal tariff adjustment for non elective activity. In terms of the total over performance shown to date(£3.6m) £2.1m relates to NCL activity.

7.5. Key points to note from the analysis of income (year to date variance to Month 9) are summarised as follows:

- The main areas of over performance relate to non elective inpatients (£821k), together with high dependency critical care bed days (£886k), excess bed days (£545k) and NICU special care (£572k).
- The main areas where income is below the planned level include outpatients (first appointments £175k and follow up appointments £498k).

7.6. Performance against the internally set income plan is further illustrated in the following figure:

FIGURE 5: Performance Against Internal Income Plan – In Month



7.7. As well as the planned and actual position a further line is included to show the income plan excluding the effect of activity related budget adjustments from August onwards. This provides a clearer indication of actual performance against the original planned income position (before activity related increases to the plan).

7.8. The total value of all other non clinical income highlighted in Figure 1 is £2,253k in month 10 and £20,614k cumulatively. This if further illustrated in the following figure:

FIGURE 6: All Other Non Clinical Income

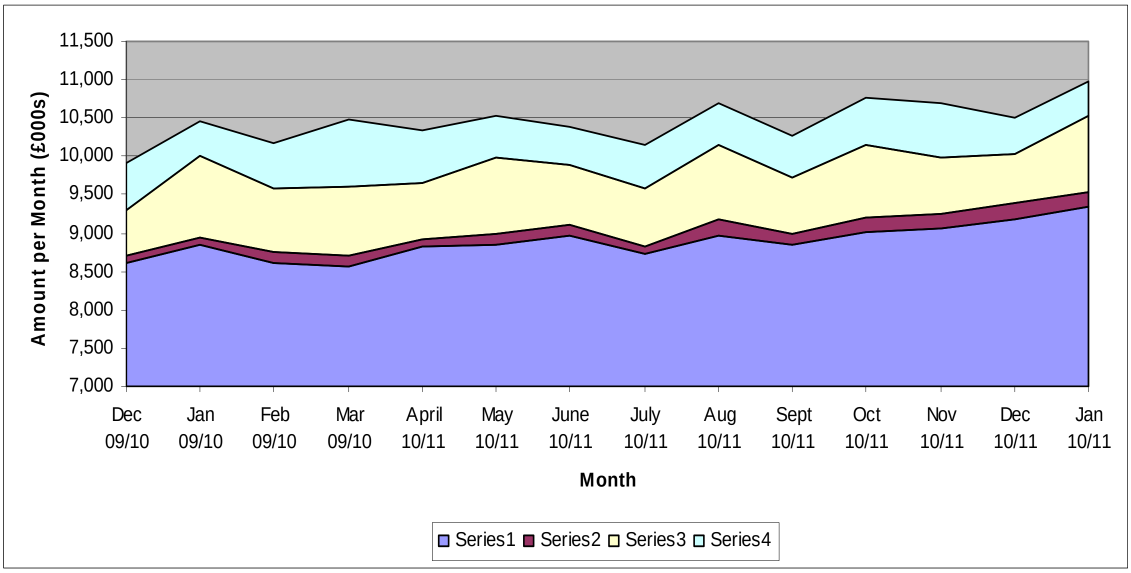
Description	Current Month			Year To Date			Annual
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	Budget £'000
Service Increment for Teaching & Research SIFT)	721	721	0	7,208	7,208	0	8,649
Medical & Dental Education Levy MADEL)	433	433	0	4,235	4,235	0	5,082
Non Medical Education & Training NMET)	209	147	62	825	778	47	979
Provider to Provider SLAs	348	347	1	2,412	2,402	10	3,096
Merit Awards	55	56	-1	532	561	-29	673
Income Generation e.g. car park, accommodation, canteen	85	91	-6	784	908	-124	1,089
Research & Development	-48	33	-81	335	372	-37	439
Other	450	302	148	4,283	2,912	1,371	3,400
Total	**2,253**	**2,130**	**123**	**20,614**	**19,376**	**1,238**	**23,407**

8. Expenditure Performance

8.1. The in month position shows an under spend of £291k against a cumulative over spend position of £394k for the year to date.

8.2. Pay expenditure has increased in month from £10,514k in December to £10,973k in January. The following figure illustrate staffing expenditure trends, together with the split between agency, bank, locum and permanent staff.

Figure 7: Staffing Expenditure Trends



8.3. A comparison of expenditure against the budgeted position shows an overspend of £265k. The following figure further illustrates the in month pay variance for each Directorate and how much of that variance is attributable to CIP savings.

FIGURE 8: Comparison of Pay Expenditure Against Budget by Directorate

Directorate	Mth 10 Pay actuals (£)	Mth 10 Pay Budget (£)	Mth 10 Variance (£)	Pay CIP Mth 10 (£)
Access/Diagnostics/Planned Care	1,303	1,251	(53)	(24)
Central CIP Target (Operations)	53	(23)	(75)	(80)
Director Of Primary Care	35	33	(2)	0
Medicine & Therapies	2,787	2,539	(247)	(58)
Surgery & Cancer	2,440	2,355	(85)	(8)
Women & Children Servs	2,282	2,182	(101)	(4)
Pharmacy	336	345	8	0
Facilities	1,003	1,052	48	(10)
Finance	226	244	18	0
Human Resource Directorate	108	112	4	0
Information Mgmt & Tech	178	186	8	1
Medical Education	21	21	1	1
Nursing & Clinical Develop	135	135	0	0
Planning & Performance	70	66	(4)	0
Clinical Trials	7	7	(0)	0
Reserves	0	277	277	0
Trust Finance	(12)	(75)	(62)	(75)
Grand Total	**10,973**	**10,708**	**(265)**	**(256)**

8.4. Total expenditure on bank and agency increased from £1,124k in December to £1,436k in January. Expenditure on agency during this period reduced by £40k, while bank expenditure has increased by £352k.

8.5. In overall terms ay expenditure is 265k higher than budgeted levels in month, this is due to an increase in both bank and substantive pay in month without a corresponding reduction in agency/locum pay. Areas particularly overspent are A&E and the medical wards which contribute to a 247k pay overspend in the medicine & therapies division.

8.6. Non-pay expenditure was £426k under spent in January, compared to a cumulative over spend of £332k. Further analysis shows that this position includes one particular item where it has been identified that an expenditure provision made in 2009/10 is no longer required, amounting to a £100k benefit in month. The remainder of the over spend is attributable to a re-evaluation of cumulative spend positions, particularly in respect of theatre consumable and ophthalmic lenses.

9. Cost Improvement Programme (CIP)

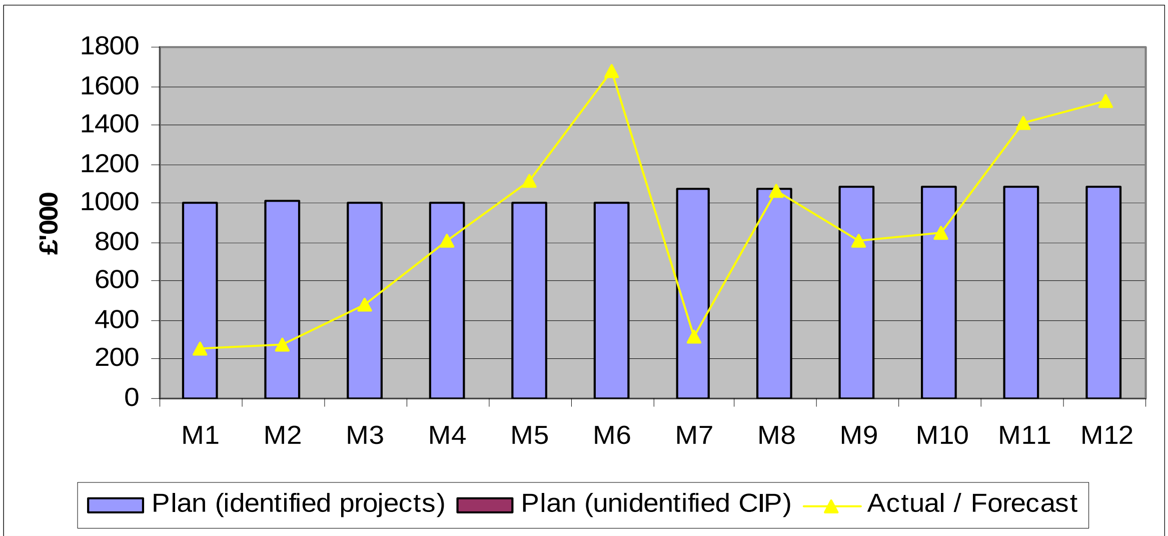
9.1. Performance against the year-to-date proportion of CIP target of £12.5 million is summarised in the table below. As reported last month, the previously unidentified CIP target has this month been converted into a productivity improvement target.

FIGURE 9: CIP Monthly Performance and Forecast Against Plan

Category	Initial full year target £'000	Target to month 10 £'000	Savings achieved at month 10 £'000	Proportion of Year-to-date target achieved £'000	Year-to-date shortfall £'000
"CIP A" workstreams	4,982	4,052	2,358	58%	(1,694)
"CIP B" savings identified through budget-setting	3,676	3,050	2,118	69%	(932)
Year-to-date underspends locked into budgets	0	0	216		216
Activity-related productivity improvements	3,842	3,232	2,950	91%	(282)
Total	**12,500**	**10,334**	**7,642**	**74%**	**(2,692)**

9.2. Month by month savings delivered against the target, and forecast, are represented in the graph below. The uneven profile is due to the timing of recognition of activity-related productivity improvements : in months 5 and 6, the productivity improvements achieved in months 1-5 were recognised, and in months 8-9 the productivity improvements achieved in months 6-8 were recognised, and in month 10 we recognised productivity improvements in month 9.

FIGURE 10: CIP Monthly Performance and Forecast Against Plan



9.3. Year-to-date cumulative performance has improved slightly to 74% this month, compared to 73% last month.

9.4. **CIP A Projects**

58% of the year-to-date target has been delivered; this is a slight improvement on previous months when the ytd performance stood at 55% - 56%.

9.5. **CIP B Projects**

The rate of achievement overall has fallen from 72% last month to 69% this month. This reflects the difficulties that managers are encountering in delivering the savings that were agreed within their initial budgets. These are under review as part of the monthly financial performance management process. In some cases, activity pressures have rendered the original cost reduction targets difficult to deliver. Under-spends in non-clinical budgets that emerged in the first six months of the year have been maintained and are helping to offset the under-achievement of these targets.

9.6. **Activity-related Productivity Improvements**

As described last month, clinical activity has been running significantly higher than the planned levels. The marginal costs associated with this activity have now been funded within budgets, to offset against those budgets which have not been able to deliver their "CIP B" savings or their activity-related "CIP A" savings. Effectively, the marginal cost of additional activity has therefore been absorbed within existing budget levels through the delivery of productivity improvements. The estimated benefit for months 1 to 9 has been set against the CIP year to date, and in months 11 and 12 the benefit for the remaining months of the year is forecast.

9.7. **Forecast**

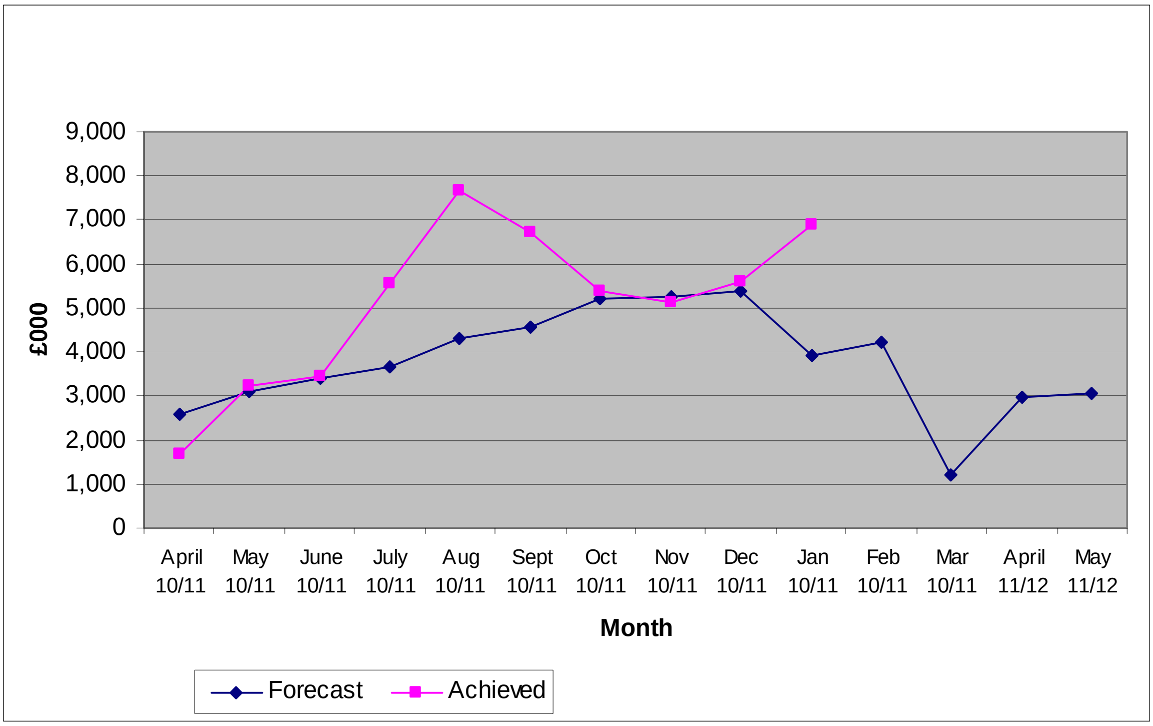
The forecast CIP achievement by year-end is £10.58 million, a small improvement on last month. This forecast comprises £2.8m to be delivered by the CIP "A" workstreams, £2.78 m by the CIP "B" savings identified by budget holders (including agreed underspends), and £5 m through activity-related productivity improvements.

10. Cash

10.1. The chart below provides a summarised cash flow forecast. The Trust's cash balance at the end of January was £6,898k. Higher levels of balance will be possible this year as SLAs have been set at a more realistic level and this is equivalent to approximately £1m per month in cash that was not seen in the early months last year. Some movement in working capital balances have also assisted the position. In addition to which the trust has received payment for invoices relating to SLA over performance for 2009/10 and in the year to date, against which provisions had previously been made.

10.2. The year end target is £1.1m and there is no penalty to over-achieving this value although failure would result in a breach of a statutory duty (EFL). An improvement in the cash balance would require either a surplus or an improved working capital position relative to the values held at the start of the year. Neither is assumed at this stage.

FIGURE 11: Rolling Cashflow Forecast



11. Balance Sheet / Statement of Financial Position

11.1. The adverse I&E impact of IFRS accounting on the Trust's PFI scheme remains at £463k for the full year, as reported last month. As described above, this impact is excluded for the purposes of performance against statutory break-even duty.

11.2. The large increase in fixed assets, current and non-current liabilities is as a result of the IFRS requirement to bring PFI onto the balance sheet. It is now 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:

FIGURE 12: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2010 £'000	As at 31st January 2010 £'000	2010/11 Year-end Forecast £'000
Property, plant and equipment	132,801	131,331	134,965
Intangible assets	1,186	970	895
Trade and other receivables	2,346	2,619	2,683
Non-current assets	**136,334**	**134,920**	**138,543**
Inventories	1,122	1,127	1,127
Trade and other receivables	7,089	5,673	5,693
Cash and cash equivalents	1,146	6,898	1,194
Current assets	**9,357**	**13,697**	**8,014**
Trade and other payables	15,543	17,673	14,624
Borrowings	1,964	1,962	1,962
Provisions	1,424	2,374	2,374
Current liabilities	**18,930**	**22,009**	**18,960**
Borrowings	38,838	37,884	38,105
Provisions	1,946	1,807	1,807
Non-current liabilities	**40,784**	**39,691**	**39,913**
Total assets employed	**85,976**	**86,917**	**87,684**
Public dividend capital	48,134	48,134	48,206
Retained earnings	10,658	11,696	10,664
Revaluation reserve	25,904	25,885	27,667
Donated asset reserve	1,280	1,202	1,147
Total taxpayers' equity	**85,976**	**86,917**	**87,684**

12. Payment of Creditors

12.1. The Department of Health requires that Trusts pay creditors in accordance with the Better Payments Practice Code. The target is to pay creditors within 30 days of receipt of goods or a valid invoice, whichever is later, unless other terms have been agreed.

12.2. The Trust's performance, which is measured both in terms of volume and value, is illustrated below, a comparison to the performance in the previous year shows that there has been significant improvements in each of the areas.

FIGURE 13: Comparison of Pay Expenditure Against Budget by Directorate

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
Current Year to Date Performance				
Total bills paid	4,705	40,203	11,140	37,993
Total paid within target	4,334	33,580	9,888	32,536
Percentage paid within target	**92%**	**84%**	**89%**	**86%**
2009/10 Performance				
Total bills paid	5,064	50,163	10,439	52,150
Total paid within target	4,320	33,253	6,252	35,096
Percentage paid within target	**85%**	**66%**	**60%**	**67%**

13. Top 10 Overspending Areas, 2010/11 Forecast and Risks

13.1. The forecast position for NHS Clinical income is not assumed to be materially different from plan. The effect of the NCL income cap and non recurrent gains have been reflected. In overall terms the plan takes into considerations such risks can be considered at this stage to be prudent. Expenditure levels have been, and continue to be reviewed with budget holders and the forecast reflects actual levels along with expected trends for the remainder of the year. Clearly for the Trust to achieve a balanced position particularly within the context of the current economic environment it is essential that costs are controlled effectively for the remainder of the year. Cost containment and productivity improvement continues to be a key theme in securing and maintaining a viable organisation.

13.2. In order to improve the likely forecast, the focus will be on the delivery of the CIP, robust budgetary control and the identification of opportunities to reduce the unidentified savings target. While the income cap referred to earlier does provide more certainty in terms of NCL income, overall income levels do fluctuate and it is not possible to be certain over the likely year end position at this point. Financial performance meetings continue to be held with all budget holders/managers, CIP and budgetary performance will be reviewed by the Chief Executive and Director of Finance, and the Executive Committee. At these meetings financial performance is scrutinised, action plans are identified, and forecasts challenged.

Figure 14: Top 10 Overspending Areas and year End Forecasts

	Month 10 Variance		Year End variance	
Top 10 Overspending areas	**In-month £000**	**Year-to-date £000**	**Straight-line projection £000**	**Forecast £000**
Emergency Department	(68)	(734)	(880)	(967)
Operations Managers	(83)	(324)	(389)	(474)
Medical Wards	(84)	(199)	(239)	(305)
Midwives	(103)	(195)	(234)	(263)
Pharmacy Medicine	(146)	(194)	(233)	(163)
Director Facilities	(41)	(189)	(226)	(263)
Histopathology	(12)	(158)	(189)	(170)
Acute Medicine Admin	(55)	(146)	(175)	(251)
Urology	(23)	(129)	(155)	(165)
Med Junior Doctor Training	(8)	(117)	(140)	(231)
Total	**(625)**	**(2,384)**	**(2,861)**	**(3,253)**

13.3. It should be noted that CIP targets that have not been allocated to specific budget lines or service areas, and are instead held centrally, are showing a shortfall. It is the intention to agree a method to reallocate to those areas where the savings will be achieved.

13.4. The year to date position now includes £1,208k of non-recurrent credits that were not planned for in the original budget and so it is stressed that a recurrent solution to balancing the budget remains a priority. There are a number of significant risks remaining and these are described below:

- Activity exceeds the agreed cap with NCL commissioners, incurring additional costs with no additional income through activity, although expected levels of cost have been reflected in the forecast.
- Increased non-achievement of CIP targets – the forecast 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 e.g. productivity gains do not achieve the expectations.
- Legal costs are higher than anticipated
- Cost pressures materialise that were not anticipated in budget-setting
- Data is not input onto PAS and other information systems in a timely way
- Recruitment problems and increased use of Agency staff
- Further upward trends in expenditure forecasts

Overall, the position for the first four months of the year has demonstrated a stronger than expected level of activity, while the level of activity over plan for the last six months has been at a more modest level. Non recurrent solutions and improvements in the forecast for non clinical income and expenditure areas have helped to resolve the in year risk from the original £3.2m. Additional ideas to complete the CIP and continued efforts to deliver the existing CIP would place the Trust in a stronger position going forward.

14. Trust Board Subgroup: Review of Financial Position (Month 9)

14.1. A formal subgroup of the Board met on the 19th January, in order to undertake a review of the financial position for the first nine months of the year. The meeting was attended as follows; Joe Liddane (Chair), Anna Merrick (Non Executive Director), Robert Aitken (Non Executive Director), Marisha Ray (Non Executive Director), (Rob Larkman (CEO), Richard Martin (Director of Finance), Jim Davies (Deputy Director of Finance), Guy Dentith (Assistant Director of Finance). Key areas for discussion are summarised as follows:

14.2. Year to Date Income & Expenditure Position (Month 9)

- The year to date performance (Month 9) showed a surplus after IFRS of £896k, against a target deficit of £507k, reflecting £1,403k improvement against plan.
- At this stage the year end target is to break even after allowing for IFRS.
- The proportion of bank and agency expenditure has reduced from £1.4m to £1.1m between month 8 and Month 9.
- The Trust has agreed to a risk sharing arrangement with the North Central London (NCL) sector. This arrangement places a non recurrent cap on the Trusts outturn position for NCL clinical income in 2010/11 of £2.3m in return for the avoidance of existing and future 2010/11 challenges/claims/income abatements. The potential year end over performance could reach £6m compared to a cap of £2.3m, meaning that an income concession of £3.7m has been made available. In addition there is an estimated underachievement of £0.3m of CQUIN, making a total potential income concession to NCL of £4.0m in 2010/11.
- Further work to be undertaken to show the movement between the original forecast position at the start of the year, to the latest forecast position (Month 9).

- Following discussion re. CIP it was noted that there were some difficulties in attributing savings accurately against programmes. For example this Trust is one of the best performers in terms of length of stay, however because capacity hasn't been taken out of the Trust, savings have been recorded as being through improved productivity.
- It was noted that through preliminary discussions relating to Service level Agreements that there would be a greater emphasis in 2011/12 on the application of productivity metrics and key performance indicators.

14.3. Operating Plan

- A discussion took place in respect of the Operating Plan Submission required by NHS London, following which it was agreed that a paper would be provided to the Trust Board outlining the key high level assumptions.

14.4. Service Line Reporting

- A discussion took place to identify how service line reporting (SLR) could contribute more as part of the performance management process.
- It was noted that the effective use of SLR would enable better bench marking, performance management.
- It was also noted that SLR would need to be adapted to reflect changes to patient pathways once the Trust becomes an ICO.
- It was noted that a meeting was scheduled to verify the quality of data with the Deputy medical Director, as there has been some concerns about the reliability of outputs, and in particular where activity is attributed to consultants.