Whittington Health NHS

ITEM: 11/138
Doc: 08

MEETING:	Trust Board 26th October 2011

TITLE:	Financial Position – Month 6 (September 2011)

Executive Summary

1. Month 6 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month surplus of £528k, which is £296k better than plan. The year to date surplus is £420k, which is £191k worse than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £697k.

1.2. The clinical income position is £306k below the Trust plan, this includes both acute and community services and is based on five months worth of fully coded activity.

1.3. The financial position includes additional unplanned non-recurrent provision releases of £662k in the year to date which has contributed to an improved actual position and reduced adverse variance against plan. Without these adjustments the reported position would be consequently worse than that reported.

2. Month 6 Balance Sheet & Cash

2.1. The impact of IFRS on the Trust relating to PFI is £555k, which is excluded from break-even duty performance.

2.2. The cash balance at the end of September was £9,653k. This position reflects a higher than expected balance, largely due to lower than expected outgoings at this stage of the year. This position reflects a snapshot as at the end of September, and is not representative of expected cash balances looking forward. Strong cash management will continue to be essential throughout this year to ensure that the Trust has sufficient cash balances to meet ongoing operating expenses and obligations. The year end forecast cash position is £5,528k, which reflects the opening balance together with the planned surplus position and other benefits arising from working capital balances and the profile of commitments. Achievement of the forecast cash position is dependent on the delivery of cost improvements, effective cost control and income recovery. Achievement of the External Financing Limit (EFL) would require a year end cash balance that is not less than the opening value.

3. 2011/12 Forecast and Risks

3.1. The year to date position shows a surplus of £420k, which is £191k less favourable than planned at this stage of the year. In view of this position, a risk based approach has been taken in developing the forecast, which uses a number of assumptions to show the best, worst and most likely forecast position. On this basis the worst case position shows a deficit of £2,075k, a best case surplus position of £1,480k, with the most likely case consistent with the current planning assumptions of delivering a £500k surplus.

3.2. The delivery of the planned position will depend on progress made in delivering the CIP programme, avoiding further cost pressures and over spends, and in maintaining income and activity levels in line with plan. This position will continue to be monitored over the coming months, and if progress is not made across these areas it will be necessary to adjust the likely forecast position accordingly.

3.3. In last months report a specific risk was noted in respect of a revised contribution schedule received from NHS Litigation Authority for the ICO. Further clarification has now been received, and it can be confirmed that this position did not include discounts applicable, and that the Trust is not at risk of the additional premium (£600k) as previously thought.

3.4. Significant restraint should be exercised in the consideration of future cost pressures, unless absolutely unavoidable. Without exercising this level of control the delivery of the planned position, and control total will be at further risk. In terms of capital expenditure, the trust is not permitted to exceed it's Capital Resource Limit, and at this stage the ability to include additional schemes is doubtful given that the CRL is still unconfirmed by the Department of Health and additional charges for PFI lifecycle costs will need to be included within the capital programme this year.

3.5. Progress has been made in identifying additional savings, and the most upto date position reflected in the latest submission to NHS London indicates a remaining value of £1.1m slippage against existing CIP schemes, which will be offset by additional savings agreed by the CIP Board to reduce staff costs, which will be achieved through; the targeted reduction in the number of vacant posts recruited to; and the reduction in the use of temporary staffing and agency. As a result, the forecast position assumes that the forecast £6.9m unidentified savings target (which was identified at the start of the year) will be achieved in full. It is also assumed that there is no deterioration in the income and expenditure position from plan.

3.6. **To achieve the forecast position, the focus of attention will need to be on the delivery of the CIP, robust budgetary control, the restraint around the agreement of new cost pressures, and the identification of opportunities to reduce the unidentified savings target. Financial performance will be monitored closely both within the Divisional teams and by the Executive team and Trust Board**. **To date unavoidable cost pressures of £476k have been agreed, with a full year effect of £1,039k.**

4. Recommendations

4.1. The Trust Board is asked to:

- **Note**: An in month surplus of £528k, which is £296k better than planned, which includes the benefit relating to unplanned non recurrent gains.
- **Note**: The risk based approach to the forecast surplus position, which is dependent on achievement of CIP plans, avoidance of further cost pressures and for income to be maintained within plan.
- **Note:** The 2011/12 CIP position which shows a balance of £4,598k to be allocated (The target has reduced from £6.9m to £4.6m this month as some detailed budget adjustments have been possible). In terms of delivery the most upto date position reflected in the latest submission to NHS London indicates a remaining value of £1.1m slippage against original CIP schemes, which will be offset by additional savings agreed by the CIP Board to reduce staff costs, which will be achieved through; the targeted reduction in the number of vacant posts recruited to; and the reduction in the use of temporary staffing and agency. In forecast terms it is assumed that the full £19.6m target will be achieved.
- **Note:** Significant restraint should be exercised in the approval of further cost pressures, unless absolutely unavoidable.

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:**

5. Month 6 Financial Update

5.1. 2011/12 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £555k impact of IFRS on Private Finance Initiatives (PFIs) is excluded from the Trust's break-even duty.

5.2. An in month EBITDA position of £1,677k is reported, which is £277k better than the planned position.

5.3. A risk based approach to the forecast position has been undertaken, which identifies the worst, best and most likely positions. This is covered in further detail within the section "*2011/12 Forecast and Risks*". At this stage the most likely position has been applied, which is consistent with current planning assumptions of delivering a £500k surplus at the year-end on an IFRS basis. This forecast position 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) underachievement against CIP plans, b) the potential for future cost pressures; and c) risks associated with the recovery of income due to the Trust. The forecast year-end position assumes at this stage that the "forecast" value of the unallocated and unidentified savings target of £6.9m (which was identified at the start of the year) remains achievable. In month 4 the process of reallocating savings identified by budget holders against centrally held savings commenced, and will continue over the coming months. The latest position which reflects these adjustments is £4.6m, at the time of writing this report £1.1m had yet to be identified. The £1.1m represents the "likely case" forecast shortfall on the identified schemes that make up the £19.6m plan. Consequently additional actions, such as the review of vacancies and temporary staffing are underway in order to maximise the prospects of achieving or exceeding the full CIP. Any additional cost pressures would effectively add to the CIP requirement as no contingency is held.

5.4. The income and expenditure position is illustrated as follows:

FIGURE 1: Income & Expenditure Summary – Consolidated Position

Description	Current Month			Year To Date			Annual Budget £'000	Year End Forecast £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000		
NHS Clinical Income	19,841	19,964	(123)	118,757	119,063	(306)	240,599	239,835
Non NHS Clinical Income	602	529	73	3,028	3,393	(365)	6,830	6,465
All Other Non Clinical Income	2,390	2,273	117	13,276	12,845	431	25,345	25,776
Total Income	**22,833**	**22,766**	**66**	**135,061**	**135,301**	**(240)**	**272,774**	**272,076**
Pay	15,911	16,714	804	96,667	99,227	2,560	199,190	194,836
Non Pay	5,245	5,242	(3)	31,107	31,530	423	63,538	62,644
Centrally Held Savings	-	(590)	(590)	-	(3,069)	(3,069)	(4,598)	-
Total Expenditure	**21,156**	**21,366**	**210**	**127,774**	**127,688**	**(86)**	**258,130**	**257,480**
EBITDA	**1,677**	**1,400**	**277**	**7,287**	**7,613**	**(326)**	**14,644**	**14,596**
Loss on Disposal of Assets	-	-	-	-	-	-	-	
Plus Interest Receivable	3	2	1	17	10	7	20	20
Less Interest Payable	220	223	3	1,327	1,337	10	2,677	2,668
Less Depreciation	697	695	(3)	4,150	4,160	10	8,457	8,428
Less PDC Dividend	234	252	18	1,407	1,515	108	3,030	3,020
Net Surplus / (Deficit)	**528**	**232**	**296**	**420**	**611**	**(191)**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (***relevant for break-even duty***)	574	278	296	697	888	(191)	1,055	**1,055**

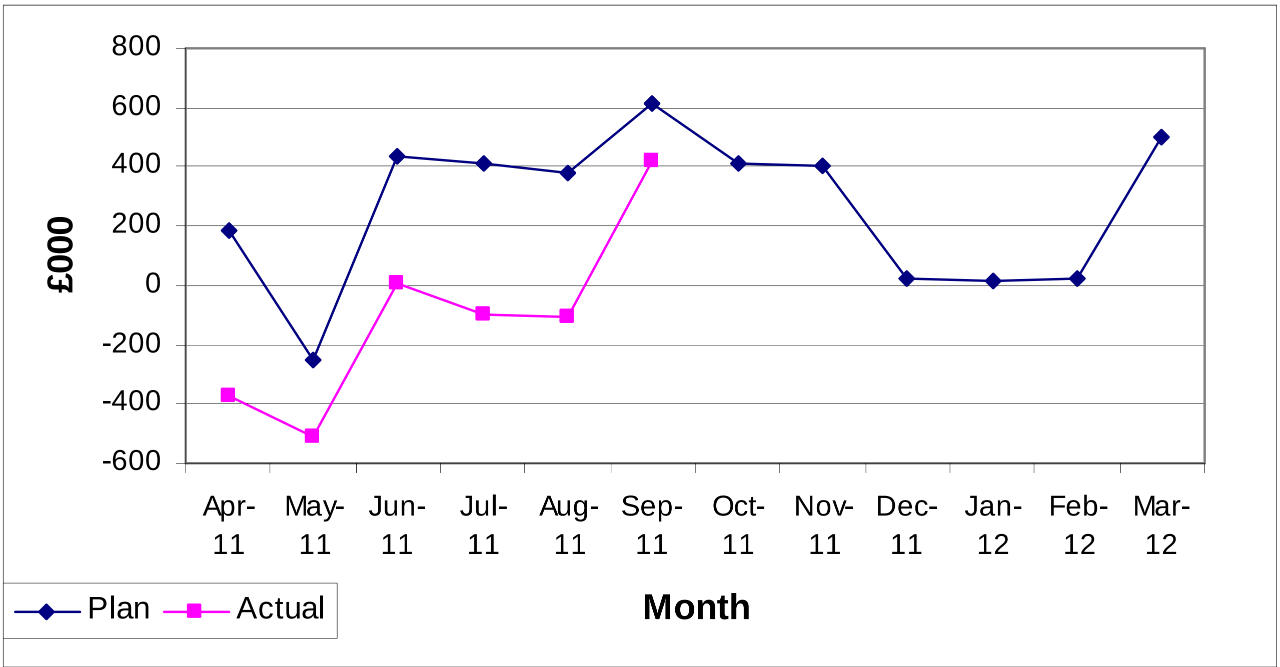
5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £420k, which is £191k worse than planned. This includes the in month surplus of £528k which is £296k better than plan.

5.6. While the year to date position has shown a significant improvement from the Month 5 position, the key factor contributing to the cumulative deficit at month 6 continues to relate to slippage in the early months against central savings targets which have yet to be identified, although a proportion of the potential CIP schemes are already being reflected within the overall year to date position. The target has reduced from £6.9m to £4.6m this month as some detailed budget adjustments have been possible. Further adjustments to amend specific budgets and the central target will be made as specific details of CIP schemes are confirmed. The value of the slippage for the year to date represents £255k of the total variance of £191k.

5.7. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £383k for the first 6 months of the year. As part of the budget setting process a reserve has been established, it should be noted however that the resource available within this reserve is limited, and that in the first 6 months of the year £241k funding has been added to budgets.

5.8. The income and expenditure performance in the year to date is further illustrated in the following figure:

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



5.9. A more detailed analysis of financial position is provided in the following tables and supporting narrative. It should be noted that as services have been brought together since the creation of the ICO, budgets have been adjusted accordingly. This is particularly prevalent in respect of corporate budgets such as Finance and Overheads, where budgets have been consolidated largely within the Whittington Hospital statement. While this makes the process of budgetary control more manageable, It does obscure the actual and budgeted income and expenditure position across each of the areas, as corresponding income and planned income adjustments are not actioned alongside the expenditure adjustments. As a result it is likely that the current reporting format of showing Whittington Hospital, Islington, Haringey and Haringey Childrens services separately will have a limited shelf life.

Whittington Hospital

FIGURE 3a: Income & Expenditure Summary – Whittington Hospital

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	12,922	12,988	(66)	77,661	77,866	(204)	156,980	156,752
Non NHS Clinical Income	73	54	19	323	321	2	642	641
All Other Non Clinical Income	2,115	2,018	98	11,906	11,514	393	22,850	23,243
Total Income	**15,111**	**15,059**	**51**	**89,891**	**89,700**	**191**	**180,472**	**180,636**
Pay	10,456	10,844	389	63,847	64,627	780	128,995	126,458
Non Pay	3,464	3,645	181	21,105	21,566	461	43,233	42,550
Centrally Held Savings	-	(590)	(590)	-	(3,069)	(3,069)	(4,598)	-
Total Expenditure	**13,919**	**13,899**	**(21)**	**84,952**	**83,123**	**(1,829)**	**167,631**	**169,008**
EBITDA	**1,191**	**1,161**	**31**	**4,939**	**6,577**	**(1,638)**	**12,841**	**11,628**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	3	2	1	17	10	7	20	20
Less Interest Payable	220	223	3	1,327	1,337	10	2,677	2,668
Less Depreciation	697	695	(3)	4,150	4,160	10	8,457	8,428
Less PDC Dividend	234	252	18	1,407	1,515	108	3,030	3,020
Net Surplus / (Deficit)	**42**	**(8)**	**51**	**(1,928)**	**(425)**	**(1,503)**	**(1,302)**	**(2,468)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	89	38	51	(1,650)	(147)	(1,503)	(747)	**(2,468)**

5.10. As previously noted, the key factor contributing to the year to date negative variance relates to the central targets which have yet to be allocated, and slippage on identified schemes. It should also be noted that while in overall terms the pay and non pay lines show an under spending position for the year to date, there are some significant areas of over spend. As with last month, the most significant areas being the Emergency Department and the Medical Wards, which are showing over spends of £177K and £216K year to date respectively. The in month position has improved due to a robust control mechanism within Medical Wards shifting the bookings for nurse rotas to bank rather than agency. The key year to date issues are summarised as follows:

- Additional use of bank staff to cover micro-filming and reception duties from April to August.
- Twilight shift agreed for registrars in June which continued through until the end of August.
- Nursing & HCA overspend, which are largely due to use of additional agency and bank staff to cover special patient care, long-term sickness and vacancies.

5.11. Surgery is also over spent in month by £141k on non-pay predominantly due to increasing levels of expenditure on orthopaedic prosthetics.

5.12. Finally it should be noted that the year to date position has been supported by under spending budgets. A reduction in levels of under spends in month has also contributed towards the in month position.

Islington Community Services

FIGURE 3b: Income & Expenditure Summary – Islington Community Services

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	4,047	3,973	74	23,645	23,645	(1)	47,433	47,408
Non NHS Clinical Income	263	272	(9)	1,417	1,631	(215)	3,263	2,876
All Other Non Clinical Income	140	127	13	910	888	22	1,652	1,677
Total Income	**4,450**	**4,372**	**78**	**25,971**	**26,164**	**(193)**	**52,348**	**51,961**
Pay	3,054	3,207	153	18,749	19,439	690	38,933	38,269
Non Pay	1,117	968	(149)	6,072	5,915	(157)	11,902	12,150
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**4,171**	**4,175**	**4**	**24,821**	**25,354**	**533**	**50,835**	**50,419**
EBITDA	**280**	**197**	**82**	**1,150**	**811**	**340**	**1,512**	**1,542**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**280**	**197**	**82**	**1,150**	**811**	**340**	**1,512**	**1,542**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	280	197	82	1,150	811	340	1,512	**1,542**

5.13. Islington has a reported surplus at month 6 of £1,150k, which is £340k better than the planned position. The positive variance is fairly evenly split across Adults £134k, Children's £209k and Non Clinical Services £44k, with the remaining amount relating to non devolved income.

5.14. Although Children's Services are reporting a positive overall variance, there are some areas that are currently showing adverse variances. The CAMHS Service within Children's includes Simmons House for which income received is dependent on activity levels, activity levels have been below plan in the early part of the year and as a result Simmons House continues to report a deficit for the year to date (£146k). Activity levels have improved; and from the beginning of July the planned increase in the block contract from Camden PCT was confirmed. However there is still an issue at Simmons House with regard to the ability to achieve the income targets in full.

5.15. The remainder of CAMHS services has a reported adverse variance at month 6 of £64k which relates to underachievement against the income plan to month 5.

5.16. In order to achieve the 2011/12 CIP targets, it has been agreed that the surplus will be maintained, and treated as part of the CIP delivery for the year.

5.17. Excluding the under recovery of CAMHS income outlined above, income is in largely in line with the expected plans, with the majority of other contracts being either block arrangements or based on 100% cost recovery, e.g. Complex Child Care packages.

Haringey Community Services

FIGURE 3c: Income & Expenditure Summary – Haringey Community Services

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	2,118	2,249	(132)	14,212	14,322	(110)	28,430	28,220
Non NHS Clinical Income	141	170	(29)	932	1,071	(138)	2,042	1,804
All Other Non Clinical Income	134	128	7	460	444	16	843	827
Total Income	**2,393**	**2,547**	**(154)**	**15,604**	**15,836**	**(232)**	**31,315**	**30,851**
Pay	1,682	1,947	265	10,902	11,881	978	23,396	22,426
Non Pay	626	588	(38)	3,734	3,870	136	7,969	7,469
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**2,308**	**2,535**	**227**	**14,636**	**15,750**	**1,114**	**31,365**	**29,895**
EBITDA	**85**	**12**	**73**	**968**	**86**	**882**	**(50)**	**956**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**85**	**12**	**73**	**968**	**86**	**882**	**(50)**	**956**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	85	12	73	968	86	882	(50)	**956**

5.18. Haringey has a reported surplus at month 6 of £968k, which is £882k better than the planned position. This is split between a £727k positive variance on Adult Clinical services and a £155k positive variance on Non Clinical/Overhead budgets.

5.19. There is a significant under spend against pay budgets of £978K. Of this £176k has been matched with corresponding reductions in income, for activity related contracts. The non clinical element of this value (£554k) has been given up as CIP on a non recurrent basis in this year.

Haringey Children's Services

FIGURE 3d: Income & Expenditure Summary – Haringey Children's Services

Description	Current Month Actual £'000	Current Month Budget £'000	Current Month Variance £'000	Year To Date Actual £'000	Year To Date Budget £'000	Year To Date Variance £'000	Annual Budget £'000	Year End Forecast £'000
NHS Clinical Income	754	754	(0)	3,239	3,230	9	7,756	7,765
Non NHS Clinical Income	125	34	91	356	370	(14)	883	864
All Other Non Clinical Income	-	-	-	-	-	-	-	-
Total Income	**879**	**788**	**91**	**3,595**	**3,600**	**(5)**	**8,639**	**8,629**
Pay	719	716	(3)	3,169	3,281	112	7,865	7,683
Non Pay	39	42	3	197	180	(16)	433	475
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**758**	**758**	**(0)**	**3,365**	**3,461**	**96**	**8,298**	**8,158**
EBITDA	**121**	**30**	**91**	**230**	**139**	**91**	**341**	**471**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**121**	**30**	**91**	**230**	**139**	**91**	**341**	**471**
Net Surplus / (Deficit) before IFRS (relevant for break-even duty)	121	30	91	230	139	91	341	471

5.20. Haringey Children's services has a reported surplus at month 6 of £230k, which is £91k better than with the planned position.

5.21. The current position reflects a number of vacancies within services that are currently being recruited to, in addition to staff returning from maternity leave. This will reduce the level of under spend against these areas, and will potentially add further pressure to the financial position.

5.22. The year to date position includes a reduced income value from the London Borough of Haringey, the actual value of which has now been confirmed with a favourable impact of £70k in month, compared to the estimate included in previous months. This is the key contributor to the in month surplus position.

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity (August 2011), together with an initial estimate for the September position. On this basis the in month position shows an under performance against plan of £123k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services

6.2. The assessment of the September NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that there is likely to be an adverse variance of £91k, which is included in the in month position.

6.3. The finance and activity schedule has now been agreed with the Trusts main commissioning agency - North Central London, and the updated activity profile is reflected in the year to date income position

FIGURE 4: Comparison of NHS Clinical Income Against the Planned Position

Description	Amount £000
August NHS income compared to Month 5 estimate	(£55k)
Estimated September adverse variance on NHS income	(£91k)
Community Services adverse performance (September)	(£57k)
Income Relating to Prior Year	£14k
Work in Progress – Critical Care	£106k
Other	(£40k)
Total in-month variance against NHS income plan	**(£123k)**

6.4. The current income and expenditure position is supported by £1,455k of non recurrent provisions which have been released. This is made up of £698k of income provisions, which following the final activity and income figures for 2010/11, and an evaluation of performance against the agreed cap with NCL are considered no longer necessary. Further expenditure provisions for £757k have also been released, following a re-evaluation of the relevant liabilities. Of the total value of provisions released, £662k relates to unplanned adjustments, without this adjustment the reported year to date position would be significantly worse, and consequently the variance against plan would be worse than the reported position.

6.5. The basis for the acute contract with NCL is based on a “cap” and a “floor” arrangement (the term “floor” is also referred to as “collar” i.e. “cap” and “collar” arrangement) which provides a baseline position of £140.75m, with an allowance for under and over performance to be recognised at 30% limited to a “floor” of £139m, and a “cap of £142.5m. Contracts with commissioners outside NCL are based on national Payments by Results guidance. Contracts for community services are largely based on block arrangements, with the exception of a limited number of service areas such as GUM and CAMHS (Simmons House) where activity based contracts are in place.

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

FIGURE 5: Income Performance by Patient Type

Point of Delivery	YTD SLA To M5	YTD Actual To M5	YTD Variance To M5	In Month Variance M5	M4 Late Data Added
Block Contract/Adjustments	3,055	2,971	(84)	11	(0)
Elective Inpatients	3,613	3,511	(102)	(32)	(1)
Non-Elective Inpatients	19,543	19,456	(87)	(6)	3
Excess Beddays	1,620	1,505	(115)	(16)	13
Day Cases	5,154	5,186	32	1	1
Outpatient Procedures	1,512	1,543	31	8	2
Outpatient 1st Attends	5,099	5,024	(75)	(12)	(3)
Outpatient Follow Ups	6,671	6,635	(36)	(7)	22
Adult Critical Care	4,582	4,455	(127)	15	(0)
Paediatrics High Dependency	187	164	(23)	(10)	0
NICU High Dependancy Beddays	595	582	(13)	(8)	2
NICU Intensive Care Beddays	331	264	(66)	(26)	(1)
NICU Special Care Beddays	1,761	1,908	148	(1)	5
ED Attendances	3,667	3,703	36	15	(1)
Direct Access	3,999	4,062	64	19	0
Maternity Ultrasound	550	576	27	7	0
Other Activity	1,728	1,666	(62)	(15)	1
Grand Total	**63,666**	**63,211**	**(455)**	**(56)**	**43**

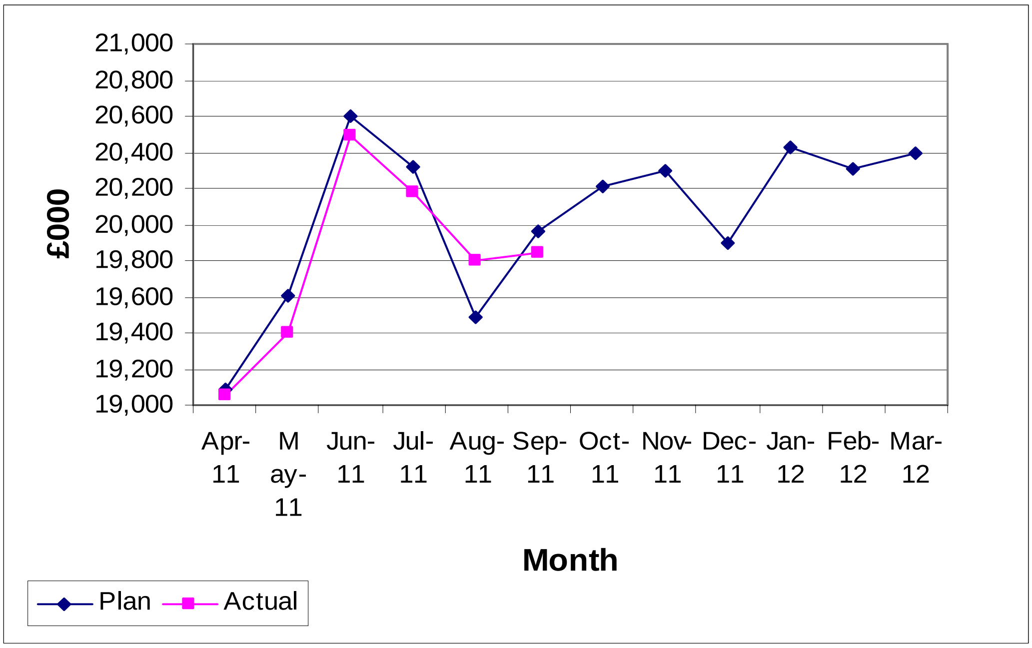
6.7. The year to date variance to Month 5 is shown net of the marginal tariff adjustment for non elective activity. In terms of the position reported to date, the NCL position is broadly in line with planned levels of activity and income.

6.8. Key points to note from the analysis of income (year to date variance to Month 4) are summarised as follows:

- The main areas of over performance relate to NICU special care (£148k).
- The main areas where income is below the planned level include Adult Critical Care (£127k) and excess beddays (£115k).

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

FIGURE 6: Performance Against Internal Clinical Income Plan – In Month



6.10. The total value of all other non clinical income highlighted in Figure 1 is £2,390k in month 6 and £13,276k cumulatively. This is further illustrated in the following figure:

FIGURE 7: 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)	733	733	(0)	4,398	4,398	0	8,796
Medical & Dental Education Levy MADEL)	451	449	2	2,697	2,697	(0)	5,393
Non Medical Education & Training NMET)	154	149	5	754	751	4	1,713
Income from Service Level Agreements	442	451	(9)	2,145	2,090	55	3,968
Excellence Award Income	54	27	27	330	308	22	616
Income Generation e.g. car park, accommodation, canteen	88	104	(15)	482	585	(103)	1,208
Research & Development	64	46	18	356	279	77	557
Other	403	313	90	2,114	1,738	376	3,093
Total	**2,390**	**2,273**	**117**	**13,276**	**12,845**	**431**	**25,345**

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an under spend in month of £210k, with a cumulative over spend of £86k.

Pay Expenditure

7.2. The in month position shows an under spend of £804k and a cumulative under spend position of £2,560k for the year to date. The in month position is further illustrated in the following figure:

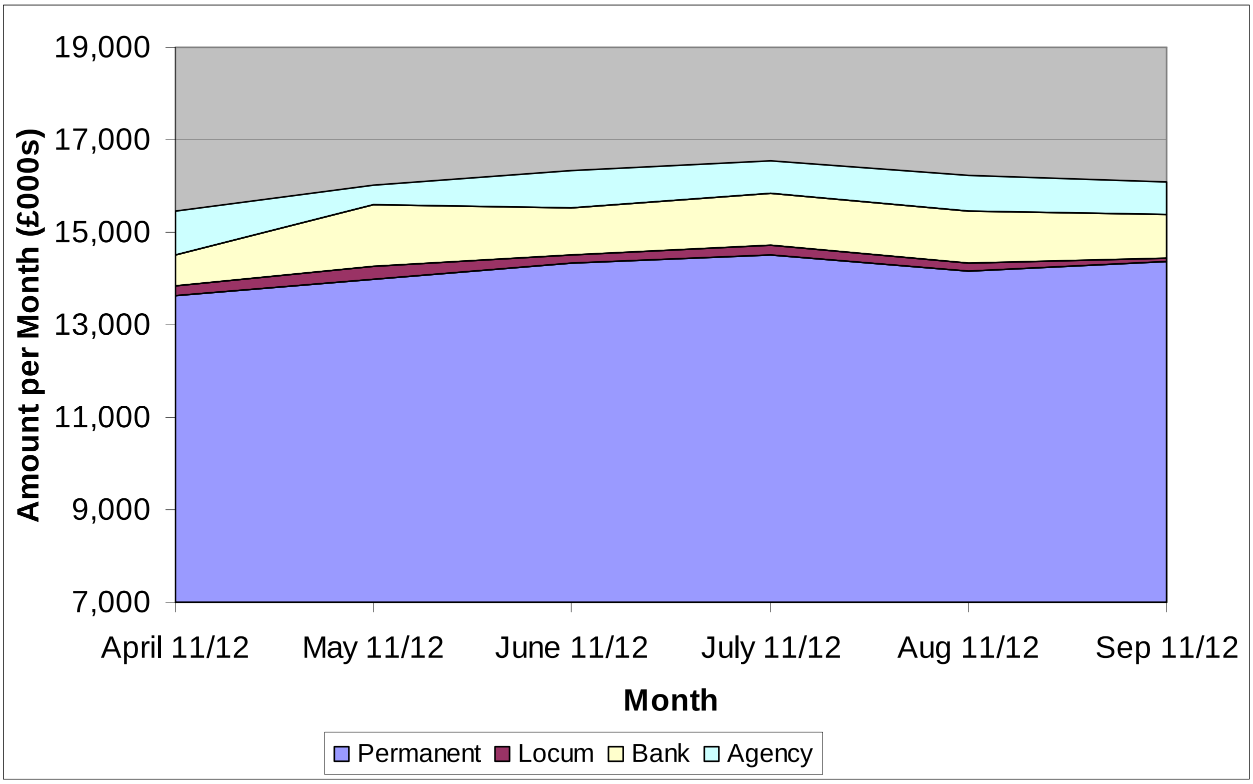
FIGURE 8: Summary Analysis of Month 6 Pay Expenditure

Description	Current Month							Annual Budget £'000
	Budget £000	Permanent £000	Bank £000	Locum £000	Agency £000	Total £000	Under / (Over) Spend £000	
Whittington								
Medical	2,815	2,501	94	114	71	**2,780**	35	33,739
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,037	3,491	322	0	187	**3,999**	38	48,708
Scientific, Therapeutic & Tech.	1,374	1,225	48	0	45	**1,318**	57	16,431
Admin. & Clerical	1,366	1,148	170	0	40	**1,358**	9	16,490
Other	1,252	904	72	0	27	**1,001**	251	13,627
Subtotal	**10,844**	**9,269**	**705**	**114**	**370**	**10,456**	**389**	**128,995**
Islington								
Medical	248	220	0	(17)	25	**228**	20	3,003
Dental	111	101	0	0	1	**103**	8	1,331
Nursing	1,191	1,040	31	0	159	**1,230**	(39)	14,411
Scientific, Therapeutic & Tech.	1,213	1,193	1	0	44	**1,238**	(25)	14,268
Admin. & Clerical	318	266	21	0	11	**298**	20	4,375
Other	126	(43)	0	0	0	**(43)**	169	1,547
Subtotal	**3,207**	**2,778**	**53**	**(17)**	**240**	**3,054**	**153**	**38,933**
Haringey								
Medical	43	21	0	13	18	**51**	(8)	1,043
Dental	63	51	10	0	0	**60**	2	753
Nursing	736	528	87	0	6	**621**	116	8,636
Scientific, Therapeutic & Tech.	708	638	16	0	(36)	**618**	90	8,230
Admin. & Clerical	391	180	75	0	0	**255**	136	4,143
Other	5	76	0	0	0	**76**	(71)	592
Subtotal	**1,947**	**1,494**	**187**	**13**	**(12)**	**1,682**	**265**	**23,396**
Haringey Children's								
Medical	85	72	0	(50)	56	79	7	876
Dental	0	(0)	0	0	0	0	0	(0)
Nursing	363	313	0	0	24	337	25	3,656
Scientific, Therapeutic & Tech.	152	173	4	0	12	189	(37)	2,170
Admin. & Clerical	79	80	2	0	0	82	(3)	864
Other	37	32	(1)	0	0	32	5	298
Subtotal	**716**	**670**	**5**	**(50)**	**92**	**719**	**(3)**	**7,865**
Total								
Medical	3,192	2,814	94	60	170	**3,138**	54	38,662
Dental	174	152	10	0	1	**163**	11	2,084
Nursing	6,327	5,371	440	0	376	**6,187**	140	75,411
Scientific, Therapeutic & Tech.	3,448	3,229	69	0	66	**3,364**	84	41,099
Admin. & Clerical	2,155	1,674	267	0	51	**1,993**	162	25,871
Other	1,420	969	71	0	27	**1,067**	354	16,063
Total	**16,714**	**14,211**	**950**	**60**	**690**	**15,911**	**804**	**199,190**

7.3. The under spending position reflects a continuation of the robust process by which recruitment to vacancies are assessed and in the use of agency / temporary staffing.

7.4. Pay expenditure trends are further illustrated in the following figure:

FIGURE 9: Whittington Health Staffing Expenditure Trends April 2011- September 2012



Non Pay Expenditure

7.5. The overall non pay position shows an over spend of £3k, with a cumulative under spend of £423k, which is further illustrated in the following figure:

FIGURE 10: Summary Analysis of Month 5 Non Pay Expenditure

Description	Annual Budget £'000	Current Month Actual £'000	Current Month Budget £'000	Current Month Under / (Over) Spend £'000	Cumulative Position Actual £'000	Cumulative Position Budget £'000	Cumulative Position Under / (Over) Spend £'000
Whittington							
Clinical supplies & services	23,486	2,206	1,988	(218)	12,699	11,803	(896)
Supplies & services – general	2,553	181	214	33	1,145	1,280	135
Establishment expenses	1,294	131	112	(19)	689	648	(41)
Premises & fixed costs	5,904	453	477	25	2,781	2,931	150
Other expenditure	9,996	493	853	360	3,790	4,904	1,114
Subtotal	**43,233**	**3,464**	**3,645**	**181**	**21,105**	**21,566**	**461**
Islington							
Clinical supplies & services	4,517	440	372	(68)	2,389	2,258	(131)
Supplies & services – general	4,587	387	383	(4)	2,272	2,291	19
Establishment expenses	402	46	33	(12)	129	199	70
Premises & fixed costs	272	30	23	(7)	163	136	(27)
Other expenditure	2,125	214	157	(57)	1,118	1,032	(87)
Subtotal	**11,902**	**1,117**	**968**	**(149)**	**6,072**	**5,915**	**(157)**
Haringey							
Clinical supplies & services	2,602	225	225	1	1,282	1,301	19
Supplies & services - general	3,765	298	296	(2)	1,769	1,892	123
Establishment expenses	486	46	39	(7)	269	243	(26)
Premises & fixed costs	222	10	19	9	118	111	(7)
Other expenditure	894	48	8	(39)	296	322	26
Subtotal	**7,969**	**626**	**588**	**(38)**	**3,734**	**3,870**	**136**
Haringey Children's							
Clinical supplies & services	91	33	34	2	40	38	(2)
Supplies & services - general	0	0	0	(0)	0	0	(0)
Establishment expenses	181	12	18	6	81	75	(6)
Premises & fixed costs	34	(19)	(23)	(3)	20	14	(6)
Other expenditure	127	14	12	(2)	56	53	(3)
Subtotal	**433**	**39**	**42**	**3**	**197**	**180**	**(16)**
Total							
Clinical supplies & services	30,696	2,904	2,620	(284)	16,410	15,400	(1,010)
Supplies & services - general	10,905	866	893	27	5,187	5,463	276
Establishment expenses	2,363	234	202	(32)	1,168	1,165	(3)
Premises & fixed costs	6,432	473	496	23	3,082	3,191	109
Other expenditure	13,142	768	1,031	263	5,261	6,311	1,050
Total	**63,538**	**5,245**	**5,242**	**(3)**	**31,107**	**31,530**	**423**

7.6. While the overall position for the year to date shows an under spend of £423k, there are specific areas of over spend, the most significant of which being clinical supplies and services. This is largely offset by other expenditure, the most significant element of which relates to reserve adjustments.

Cost pressures

7.7. It has been agreed by the Executive Committee that only cost pressures which are absolutely unavoidable will be agreed, in these instances Executive team approval and Chief Executive sign off is required. In 2011/12 unavoidable cost pressures which total £476k have been approved, with a full year effect of £1,039k. This is further illustrated in the following figure:

FIGURE 11: Unavoidable Cost Pressures Approved at Executive Committee in 2011/12

Executive Committee Date	Detail	2011/12 Revenue Cost Pressure (£000)	Full Year Revenue Cost Pressure (£000)	Comments
02-Aug-11	Greentrees tender : reduction in overhead contribution	217	650	
09-Aug-11	Staff name badges	5	22	
09-Aug-11	Outpatient Dept toilet cleaning	17	29	approved increase of 1 w.t.e. only
16-Aug-11	Ante natal clinic FSA staffing	14	24	approved increase of 48 hours per week only
16-Aug-11	Second breast cancer CNS	20	80	see AOB 16.8.11 : need to confirm timing and cost
23-Aug-11	ED consultants	72	123	approved for 6 months then review
30-Aug-11	Staff CRB checks	86	22	
27-Sep-11	Locum consultant COOP 8 PA	45	89	assumed for 6 months
Running total as at end August		**476**	**1,039**	

7.8. Further cost pressures which have not been realised at this stage, but which do represent a risk to the Trust include;

- Laporascopic surgical equipment
- Agency Work Regulations (FSAs & catering staff). Estimated full year cost = £300k.
- NHSI . Estimated full year cost = £50k.
- The potential for increased costs relating to the decontamination tender.
- The potential for increased costs linked to requirements for office space.

8. Cost Improvement Programme (CIP)

8.1. The table below reports on progress made with implementation of the savings identified to date. Over the past month, a review of the budgetary position has been undertaken, and savings which are being delivered through the holding under-spends against budgets have now been recognised as contributing towards the CIP. As a result, the "unidentified CIP" requirement has been reduced to £242k. As details at individual budget level become available, the centrally held savings target of £4,598k will be reduced to the latest estimate for residual unidentified savings, the total of which at the time of writing this report was £1,100k, which consists of the residual £242k unidentified CIP, with the remaining balance relating to slippage against existing schemes. It is expected that this will be met through the review of vacancies and temporary staffing.

8.2. Across the organisation as a whole, savings have been delivered to the level of 98% of the profiled year to date target. A number of high and medium risk schemes are falling short of their planned targets, however this is being offset by under-spending budgets (predominantly through holding posts vacant).

8.3. The profiling of the target reflects the fact that a significant proportion of the planned savings will not deliver cost reductions until the second half of the financial year. Overall, taking account of this phasing, and of the remaining unidentified CIP target, at this half-way point in the year we have only achieved 42% of the full £19.6 million cost improvements required to achieve the financial target at year-end.

FIGURE 12: CIP Monthly Performance

Division	Full Year Target £'000	Target to Month 6 £'000	Proportion of annual target planned to date %	Actual saving delivered to date £'000	Proportion of profiled target delivered %	Proportion of annual target delivered to date %
Integrated Care & Acute Medicine	4,787	2,187	46%	2,275	104%	47.5%
Surgery & Diagnostics	3,127	1,100	35%	929	85%	30%
Women Children & Families	1,190	556	47%	684	123%	57%
Estates, Facilities & Corporate	4,878	1,770	36%	1,710	97%	35%
Community Savings (identified before April)	4,400	2,200	50%	2,200	100%	50%
Other savings / benefits	976	488	50%	488	100%	50%
Total Identified CIPs	**19,358**	**8,300**	**43%**	**8,286**	**99.8%**	**43%**
Unidentified CIPs	242	121	50%	0	0	0
TOTAL	**19,600**	**8,421**	**43%**	**8,286**	**98%**	**42%**

Under-delivering savings schemes

8.4. The reasons for reported under-achievement include:

- Original assumptions behind some savings proposals have been found, on more investigation, to be invalid;
- Delays in implementation of projects and/or achievable savings turning out to be lower than was assumed in the planning process. There are a variety of reasons for these shortfalls; some are due to external factors, some are due to management capacity constraints during a period of major reorganisation;
- Some proposed savings were referred back by senior managers for additional work, and have in some cases become part of a more wide ranging review of the service, which has inevitably taken longer to implement;
- Activity levels in some areas have prevented cost reductions from being achieved.
- Continued reliance on high cost agency staff in specific service areas, although this continues to be reviewed, and a range of projects are aiming to address this.

Forecast

8.5. The risk-rating of each project is under continual review; Projects have been assessed as "green" (no risk of under-achievement), "amber" (some risk of under-achievement) or "red" (definite risk of under-achievement). In each case, a "most likely" forecast has been produced (although in the case of projects which have yet to be implemented, there are a range of possible scenarios around this figure).

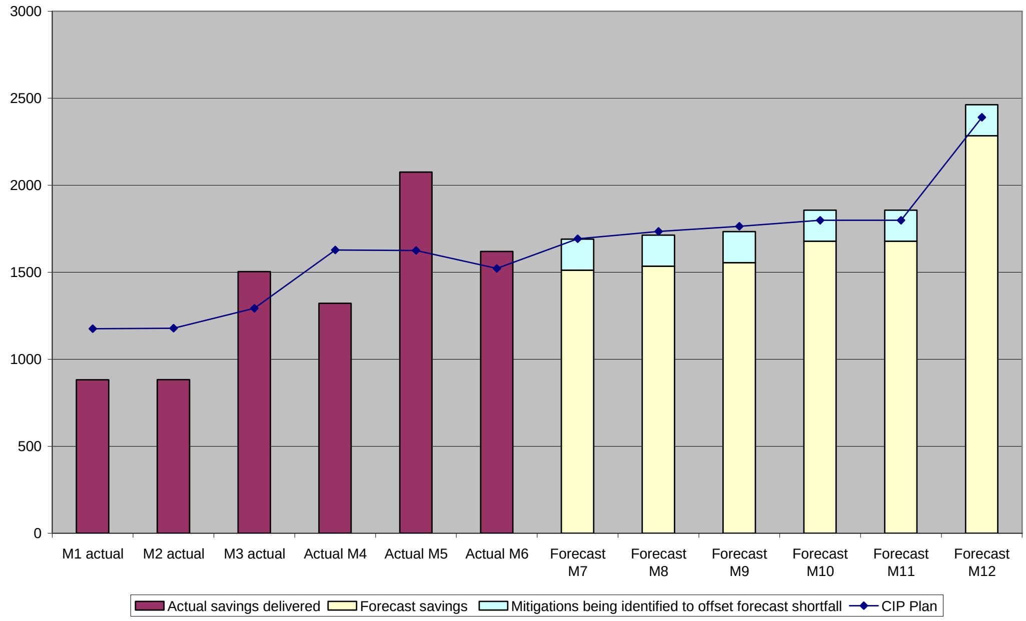
8.6. The risk-rating and forecasts are set out in the table below. The potential shortfall against the £19.6 million target is £1.1 million. To address this, the approach as agreed by the CIP Board is to draw up a programme of expenditure control through headcount reductions re. vacant posts / reductions in use of temporary staffing.

FIGURE 13: CIP Forecast Position

Project Risk Category	2011/12 Savings Target £'000	Target YTD at M6 £'000	Achieved YTD at M6 £'000	Variance YTD £'000	Forecast Achievement "Likely case" £'000	Forecast Variance £'000
Green	14,998	7,023	7,510	487	15,291	403
Amber	2,992	796	566	(229)	2,648	(344
Red	1,719	603	210	(393)	590	(1,128)
Headcount/ temp staff reductions					1,070	1,070
TOTAL	**19,600**	**8,421**	**8,286**	**(135)**	**19,600**	**0**

8.7. The month-by-month forecast savings required are presented in the graph below, which shows how the mitigations in the final quarter of the year are planned to offset the slippage in the earlier months.

FIGURE 14: CIP Performance to Date / Forecast



8.8. In order to deliver the CIP programme, which will under pin the Trusts ability to achieve the planned financial position, the following actions will be necessary:

- The identification of schemes to bridge the current gap (£1.1m), this is being managed through reductions in the number of vacant posts recruited to, and through reduced usage of temporary staffing and agency.
- Close monitoring of delivery against schemes, and particularly those identified as being high risk.
- The ongoing consideration and development of mitigating / corrective action to address any shortfalls in delivery against current CIP schemes.
- Detailed project plans with accountable leads.
- Confirmation by lead directors that the schemes identified are feasible and realistic in all respects.
- Agreed phasing of actions and savings to be agreed, to enable monitoring to take place.

8.9. It should be noted that the resource available to cover the costs of severance has now not been fully committed. Approximately £675k has been committed to date out of the £1.2m available (this excludes any impact resulting from the review of personal assistant posts).

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of September was £9,653k. This position reflects a higher than expected balance, largely due to the receipt of cash payments in advance, and lower than expected outgoings. This position reflects a snapshot as at the end of September, and is not representative of expected cash balances looking forward. Maintaining positive cash balances over the course of the year will depend on the delivery of the cost improvement programmes which underpin the financial plan.

9.2. Good cash management will be essential in 2011/12, with a focus on the following.

- Prompt collection of cash from PCTs
- Use of leasing as a mechanism for purchasing capital equipment where possible, to spread the cash outflow over a number of years
- Regular cash flow forecasts based upon estimated income and expenditure and non-cash items

9.3. The year end forecast cash position is £5,528k, which reflects the opening balance together with the planned surplus position and other benefits arising from working capital balances and the profile of commitments during the year. As with the income and expenditure position, the achievement of this forecast position is dependent on the delivery of cost improvements, and effective cost control and income recovery during the year. Achievement of the External Financing Limit (EFL) would require a year end cash balance that is not less than the opening value.

9.4. The balance sheet is summarised below, showing the opening position for April 2011, the position as at the 31st August, and the year end forecast position.

FIGURE 14: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2011 £'000	As at 30th September 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	129,902	131,881
Intangible assets	1,008	853	633
Trade and other receivables	2,800	2,871	3,050
Non-current assets	**136,493**	**133,627**	**135,565**
Inventories	1,064	1,101	1,101
Trade and other receivables	6,966	13,218	12,785
Cash and cash equivalents	3,199	9,653	5,528
Current assets	**11,229**	**23,973**	**19,415**
Trade and other payables	17,028	28,398	29,470
Borrowings	1,477	1,477	1,477
Provisions	3,633	2,870	189
Current liabilities	**22,137**	**32,745**	**31,135**
Borrowings	38,101	37,115	36,041
Provisions	1,937	1,772	1,756
Non-current liabilities	**40,038**	**38,887**	**37,797**
Total assets employed	**85,548**	**85,968**	**86,048**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	10,470	10,574
Revaluation reserve	27,315	27,291	27,267
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**85,968**	**86,048**

10. Payment of Creditors

10.1. 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.

10.2. 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 15: Better Payments Practice Code

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
Current Year to Date Performance				
Total bills paid	2,730	28,004	6,968	23,690
Total paid within target	2,539	24,688	6,477	20,748
Percentage paid within target	93%	88%	93%	88%
2010/11 Performance				
Total bills paid	5,816	49,858	13,447	48,604
Total paid within target	5,368	42,397	12,065	41,923
Percentage paid within target	92%	85%	90%	86%

11. 2011/12 Forecast and Risks

11.1. The year to date position shows a surplus of £420k (IFRS basis), which is £191k worse than the planned position. In view of this, a risk assessed forecast outturn position has been developed providing an assessment of the worst case position, the best case position and the most likely position. The basis for each of these scenarios is set out as follows:

Worst Case Position

11.2. The key risks which are characterised within the worst case position include:

- Under achievement against the CIP programme.
- Under achievement against activity and income targets; and
- Additional cost pressures beyond those considered as part of the budget setting exercise.

Likely Case

11.3. The likely case forms the basis of the current forecast included within the report, and assumes that a surplus of £500k to be made which increases to £1,055k after excluding the effect of IFRS. It is important to emphasise that the continued viability of the likely case is dependent on the mitigation of the worst case scenarios i.e.

- Identification of CIPs in full
- Income levels maintained to plan.
- Strong budgetary control and avoidance of further cost pressures.

11.4. The position in month 6 shows an improvement from previous months, however given that the current year to date position is £191k worse than plan, then the forecast position will continue to be closely monitored over the coming months, and if the risks outlined above are not mitigated, it may be necessary to adjust the forecast downwards in line with the residual risk.

Best Case

11.5. The best case scenario assumes the delivery of the planned position, together with delivery over plan on CIP of 5% (£980k). This would provide for a best case surplus position of £1,480k, which equates to £2,035k after excluding the effect of IFRS.

11.6. To achieve the best case scenario it would be necessary for:

- Identification of CIPs in full, together with an over achievement of 5%.
- Income and expenditure to be otherwise maintained in line with the planned position for the remainder of the year.

11.7. A risk based value has been calculated for each, and is summarised as follows:

FIGURE 16: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	271,202	272,077	272,077
Operating Expenditure	259,152	257,452	256,472
EBITDA	12,050	14,625	15,605
Non Operating Items	14,125	14,125	14,125
Net Surplus / (Deficit)	(2,075)	500	1,480
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(1,520)	1,055	2,035

11.8. The forecast positions outlined are consistent with the latest FIMs return to the SHA, and show an unmitigated worst case position of £2,075k, which equates to £1,520k after excluding the effect of IFRS.

11.9. As outlined above, at this stage the Trust forecast position is based on the most likely position outlined i.e. that the Trust complete the year broadly in line with the planned position. This will continue to be monitored alongside performance against key risks as outlined above.

11.10. A summary of key risks which remain and which need to be managed during the course of the year 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.
- 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.
- Further restructuring proposals which generate severance costs are covered by the in year savings due to the central reserve being exhausted.

Mitigations

11.11. Delivery of the Trust CIP target of £19.6m: The Trust has identified schemes which will deliver the full value of the CIP programme. The Trust has established a strong governance process, the focal point of which is the CIP Board which reviews the CIP programme on a weekly basis, assessing savings on a scheme by scheme basis, agreeing RAG rated assessments of each. Where slippage is identified the CIP Board has agreed specific and measurable actions, to bring the position back into line. As a process this involves specific targets to reduce headcount / agency usage on a department by department basis. Progress is monitored on a weekly basis and individual managers held to account. As outlined above, the Trust position assumes that the total CIP will be delivered in full, and that where slippage occurs – specific and timely remedial action will be taken to bring the position back into line.

11.12. Underachievement against activity and income targets: The trust income is broadly in line with the planned position, and where income has fallen below plan, this has largely been matched by equivalent reductions in expenditure. This is particularly prevalent within community services and specifically in respect of cost per case services. The Trust has a “cap and collar” arrangement in place with NCL – the main commissioner, which limits the extent to which under performance translates into lost income to 30%, which provides mitigation against material income loss. The drive within the sector to improve productivity and to move to upper quartile against a number of measures means the Trust is more aware and proactive in the management of activity, and any real / material reduction of activity will be managed in part through the flexing of variable and semi fixed costs. As a further mitigation the trust would also seek to utilise spare capacity through negotiations with commissioners. In summary, the risk of material income loss to the overall position in 2011/12 in considered to be low. It should also be noted that performance is traditionally stronger in the latter half of the year, and that the current position is only based on 5 months fully coded activity.

11.13. Additional cost pressures: In the same way that the trust would manage slippage on cost improvements, remedial action would be taken to mitigate the effect of additional and unexpected cost pressures. The Trust has taken an extremely robust position in terms of cost pressures, with executive agreement required for discretionary initiatives. In summary, the risk of cost pressures to the overall position in 2011/12 is not considered at this stage to be significant. As outlined above the Trust is acting proactively in reducing headcount, and agency usage, and on this basis it is anticipated that the trust would be in a position to mitigate the impact of this potential cost pressure. In last months report a specific risk was noted in respect of a revised contribution schedule received from NHSLA for the ICO. Further clarification has now been received, and it can be confirmed that this position did not include discounts applicable, and that the Trust is not at risk of the additional premium (£600k) as previously thought.

11.14. In summary for the worst case to come to fruition, there would have to be; unmitigated slippage against CIP schemes, with actions as illustrated above not affecting the position; additional cost pressures – with mitigating actions as described not having the required impact; and in terms of income; i) no recovery on the current position; and ii) further unmitigated deterioration in the income position.