MEETING: Trust Board
23rd November 2011

TITLE: **Financial Position – Month 7 (October 2011)**

Executive Summary

1. Month 7 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month surplus of £63k, which is £65k better than plan. The year to date surplus is £483k, which is £126k worse than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £806k.

1.2. The clinical income position is £165k below the Trust plan, this includes both acute and community services and is based on six months worth of fully coded activity.

1.3. The financial position includes additional unplanned non-recurrent provision releases of £617k 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 7 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 October was £14,415k. 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 October, 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 £5,514k, 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 £483k, which is £126k 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. 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.

3.4. 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 £0.6m 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.

3.5. **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 £63k, which is £65k 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 £4,496k to be allocated (The target has reduced from £6.9m to £4.5m 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 £0.6m 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:**

Month 7 Finance Report

5. Month 7 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 £1,209k is reported, which is £21k 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 £4.5m, at the time of writing this report £0.6m had yet to be identified. The £0.6m 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	19,964	19,823	141	138,721	138,886	(165)	240,087	239,600
Non NHS Clinical Income	533	556	(23)	3,561	3,949	(388)	6,800	6,412
All Other Non Clinical Income	2,381	2,408	(26)	15,657	15,253	404	25,979	26,383
Total Income	**22,878**	**22,787**	**92**	**157,939**	**158,088**	**(148)**	**272,866**	**272,396**
Pay	16,205	16,538	333	112,872	115,765	2,893	199,007	194,902
Non Pay	5,464	5,298	(166)	36,572	36,829	257	63,710	62,868
Centrally Held Savings	-	(238)	(238)	-	(3,307)	(3,307)	(4,496)	-
Total Expenditure	**21,669**	**21,599**	**(71)**	**149,444**	**149,287**	**(157)**	**258,222**	**257,770**
EBITDA	**1,209**	**1,188**	**21**	**8,496**	**8,801**	**(305)**	**14,644**	**14,626**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	3	2	2	20	12	9	20	20
Less Interest Payable	224	223	(1)	1,551	1,561	9	2,677	2,673
Less Depreciation	691	716	25	4,841	4,876	35	8,457	8,446
Less PDC Dividend	234	252	18	1,641	1,767	126	3,030	3,027
Net Surplus / (Deficit)	**63**	**(2)**	**65**	**483**	**609**	**(126)**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	109	44	65	806	932	(126)	1,055	**1,055**

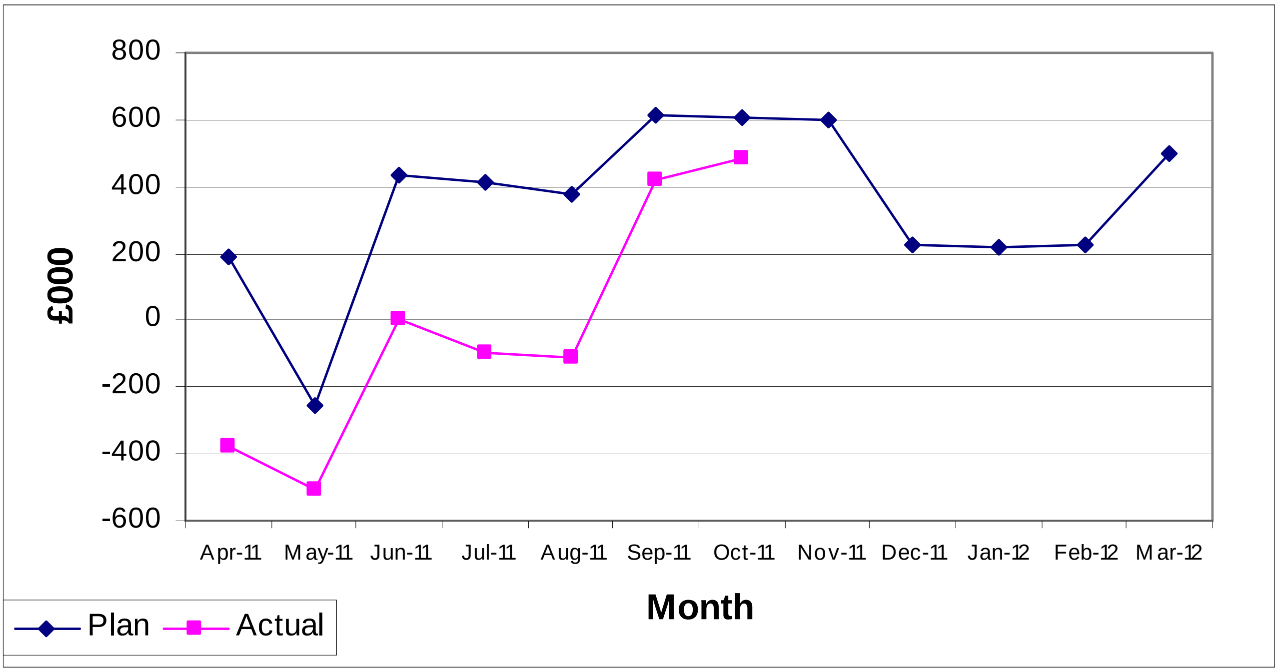
5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £483k, which is £126k worse than planned. This includes the in month surplus of £63k which is £65k better than plan.

5.6. While the year to date position shows a surplus position, together with an improvement in month, the cumulative position continues to be less favourable than the planned position for this stage of the year. This largely relates 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 £4.5m 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 £196k of the total variance of £126k.

5.7. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £443k for the first 7 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 7 months of the year £281k 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 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	12,686	12,764	(77)	90,348	90,629	(281)	156,480	156,405
Non NHS Clinical Income	106	54	53	429	375	55	642	644
All Other Non Clinical Income	2,069	2,083	(14)	13,976	13,597	379	23,127	23,243
Total Income	**14,862**	**14,901**	**(39)**	**104,753**	**104,601**	**152**	**180,249**	**180,292**
Pay	10,542	10,560	18	74,389	75,187	797	128,744	127,560
Non Pay	3,599	3,589	(11)	24,704	25,154	450	43,335	42,457
Centrally Held Savings	-	(238)	(238)	-	(3,307)	(3,307)	(4,496)	-
Total Expenditure	**14,142**	**13,911**	**(231)**	**99,093**	**97,034**	**(2,059)**	**167,584**	**170,017**
EBITDA	**720**	**990**	**(269)**	**5,660**	**7,567**	**(1,907)**	**12,665**	**10,275**
Loss on Disposal of Assets	-	-	-	-	-	-	-	0
Plus Interest Receivable	3	2	2	20	12	9	20	20
Less Interest Payable	224	223	(1)	1,551	1,561	9	2,677	2,673
Less Depreciation	691	716	25	4,841	4,876	35	8,457	8,446
Less PDC Dividend	234	252	18	1,641	1,767	126	3,030	3,027
Net Surplus / (Deficit)	**(426)**	**(201)**	**(225)**	**(2,353)**	**(625)**	**(1,728)**	**(1,479)**	**(3,851)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(379)	(154)	(225)	(2,030)	(301)	(1,728)	(924)	**(3,371)**

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 year to date over spends of £241K (£64k in month) and £261K (£55k in month) respectively. 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.
- Medical, Nursing & HCA pay 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 £129k on non-pay predominantly due to additional trauma cases and 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.

Islington Community Services

FIGURE 3b: Income & Expenditure Summary – Islington Community 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	4,160	3,965	195	27,805	27,610	195	47,433	47,719
Non NHS Clinical Income	198	261	(63)	1,615	1,893	(278)	3,245	3,048
All Other Non Clinical Income	187	203	(16)	1,097	1,091	6	1,896	1,674
Total Income	**4,546**	**4,429**	**116**	**30,517**	**30,594**	**(77)**	**52,574**	**52,441**
Pay	3,081	3,197	117	21,830	22,636	806	38,893	37,701
Non Pay	1,058	1,011	(48)	7,130	6,926	(204)	11,972	12,229
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**4,139**	**4,208**	**69**	**28,960**	**29,562**	**602**	**50,864**	**49,930**
EBITDA	**407**	**221**	**185**	**1,557**	**1,032**	**525**	**1,709**	**2,511**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**407**	**221**	**185**	**1,557**	**1,032**	**525**	**1,709**	**2,511**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	407	221	185	1,557	1,032	525	1,709	**2,511**

5.13. Islington has a reported surplus at Month 7 of £1,557k, which is £525k better than the planned position. This largely relates to an under spend against pay budgets, and in particular relating to ongoing vacancies.

5.14. The CAMHS Service within Children's includes services for which income received is dependent on activity levels, activity levels have been below plan in the year to date, however it appears that recruitment to vacant posts has still gone ahead. As a consequence there is a pressure across the relevant service areas. This is being further reviewed, and an update will be provided for the next Board meeting.

5.15. 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	2,363	2,340	23	16,575	16,662	(87)	28,418	28,279
Non NHS Clinical Income	149	162	(13)	1,081	1,233	(152)	2,042	1,904
All Other Non Clinical Income	124	121	4	584	564	20	956	859
Total Income	**2,636**	**2,623**	**13**	**18,240**	**18,459**	**(219)**	**31,417**	**31,042**
Pay	1,803	1,958	155	12,705	13,838	1,133	23,485	21,898
Non Pay	749	651	(98)	4,483	4,521	37	7,961	7,686
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**2,552**	**2,609**	**56**	**17,189**	**18,359**	**1,170**	**31,446**	**29,584**
EBITDA	**84**	**14**	**70**	**1,052**	**100**	**951**	**(30)**	**1,458**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**84**	**14**	**70**	**1,052**	**100**	**951**	**(30)**	**(30)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	84	14	70	1,052	100	951	(30)	**1,458**

5.16. Haringey has a reported surplus at Month 7 of £1,052k, which is £951k better than the planned position. This is split between a £718k positive variance on Adult Clinical services, with the remaining value relating to Non Clinical/Overhead budgets.

Haringey Children's Services

FIGURE 3d: Income & Expenditure Summary – Haringey Children's 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	754	754	(0)	3,994	3,984	9	7,756	7,751
Non NHS Clinical Income	80	79	1	436	449	(13)	871	869
All Other Non Clinical Income	-	-	-	-	-	-	-	-
Total Income	**835**	**834**	**1**	**4,429**	**4,434**	**(4)**	**8,627**	**8,620**
Pay	779	823	44	3,948	4,104	156	7,884	7,743
Non Pay	57	48	(9)	254	228	(26)	443	496
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**837**	**871**	**34**	**4,202**	**4,332**	**130**	**8,327**	**8,239**
EBITDA	**(2)**	**(37)**	**35**	**227**	**102**	**126**	**300**	**381**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**(2)**	**(37)**	**35**	**227**	**102**	**126**	**300**	**381**
Net Surplus / (Deficit) before IFRS (relevant for break-even duty)	(2)	(37)	35	227	102	126	300	**381**

5.17. Haringey Children's services has a reported surplus at Month 7 of £227k, which is £126k better than with the planned position.

5.18. 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.

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity (September 2011), together with an initial estimate for the October position. On this basis the in month position shows an over performance against plan of £141k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services.

6.2. The assessment of the October 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 £115k, 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
September NHS income compared to Month 6 estimate	£112k
Estimated October adverse variance on NHS income	(£115k)
Community Services positive performance (October)	£218k
Work in Progress – Critical Care	£76k
Other	(£151k)
Total in-month variance against NHS income plan	**£141k**

6.4. The current income and expenditure position is supported by £1,410k of net non recurrent provisions which have been released. This is made up of £122k 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 £1,288k have also been released, following a re-evaluation of the relevant liabilities. Of the total value of provisions released, £617k 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 M6	YTD Actual To M6	YTD Variance To M6	In Month Variance M6	M5 Late Data Added
Block Contract/Adjustments	3,666	3,548	(118)	(34)	0
Elective Inpatients	4,382	4,306	(76)	26	(0)
Non-Elective Inpatients	23,510	23,415	(95)	(13)	5
Excess Beddays	1,922	1,760	(162)	(47)	(0)
Day Cases	6,252	6,285	32	(0)	1
Outpatient Procedures	1,834	1,885	52	20	1
Outpatient 1st Attends	6,185	6,084	(101)	(23)	(3)
Outpatient Follow Ups	8,092	8,043	(50)	(16)	3
Adult Critical Care	5,327	5,249	(78)	57	(8)
Paediatrics High Dependency	224	195	(30)	(7)	0
NICU High Dependancy Beddays	714	721	7	20	0
NICU Intensive Care Beddays	397	313	(84)	(17)	0
NICU Special Care Beddays	2,099	2,271	173	26	(1)
ED Attendances	4,377	4,432	55	21	(2)
Direct Access	4,798	4,887	89	24	1
Maternity Ultrasound	667	704	37	10	0
Other Activity	2,092	2,003	(89)	(27)	0
Grand Total	**76,538**	**76,102**	**(436)**	**21**	**(2)**

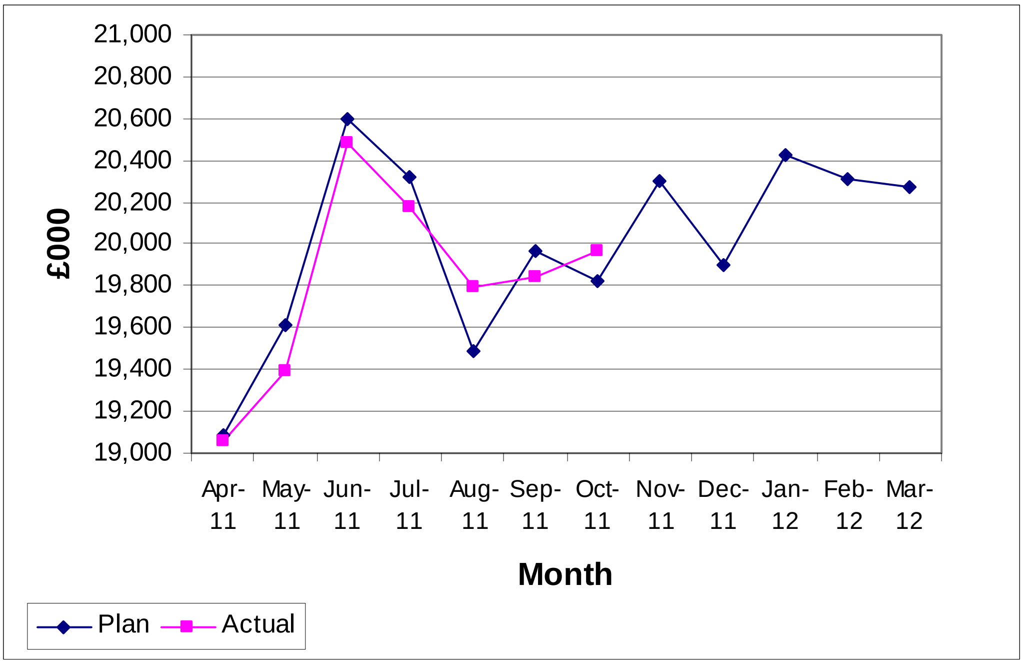
6.7. The year to date variance to Month 6 is shown net of the marginal tariff adjustment for non elective activity. In terms of the position reported to date, the NCL position is broadly in line with planned levels of activity and income.

6.8. Key points to note from the analysis of income (year to date variance to Month 6) are summarised as follows:

- The main areas of over performance relate to NICU special care (£173k).
- The main areas where income is below the planned level include excess beddays (£162k).

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 £2,381k in Month 7 and £15,657k 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)	5,131	5,131	(0)	8,796
Medical & Dental Education Levy MADEL)	447	447	0	3,144	3,144	0	5,389
Non Medical Education & Training NMET)	363	385	(22)	1,118	1,136	(18)	2,075
Income from Service Level Agreements	313	346	(32)	2,458	2,435	22	4,175
Excellence Award Income	55	51	4	385	360	26	616
Income Generation e.g. car park, accommodation, canteen	89	104	(15)	571	689	(118)	1,208
Research & Development	54	46	8	410	325	85	557
Other	327	295	32	2,440	2,033	408	3,161
Total	**2,381**	**2,408**	**(26)**	**15,657**	**15,253**	**404**	**25,979**

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an over spend in month of £71k, with a cumulative over spend of £157k.

Pay Expenditure

7.2. The in month position shows an under spend of £333k and a cumulative under spend position of £2,893k for the year to date. The in month position is further illustrated in the following figure:

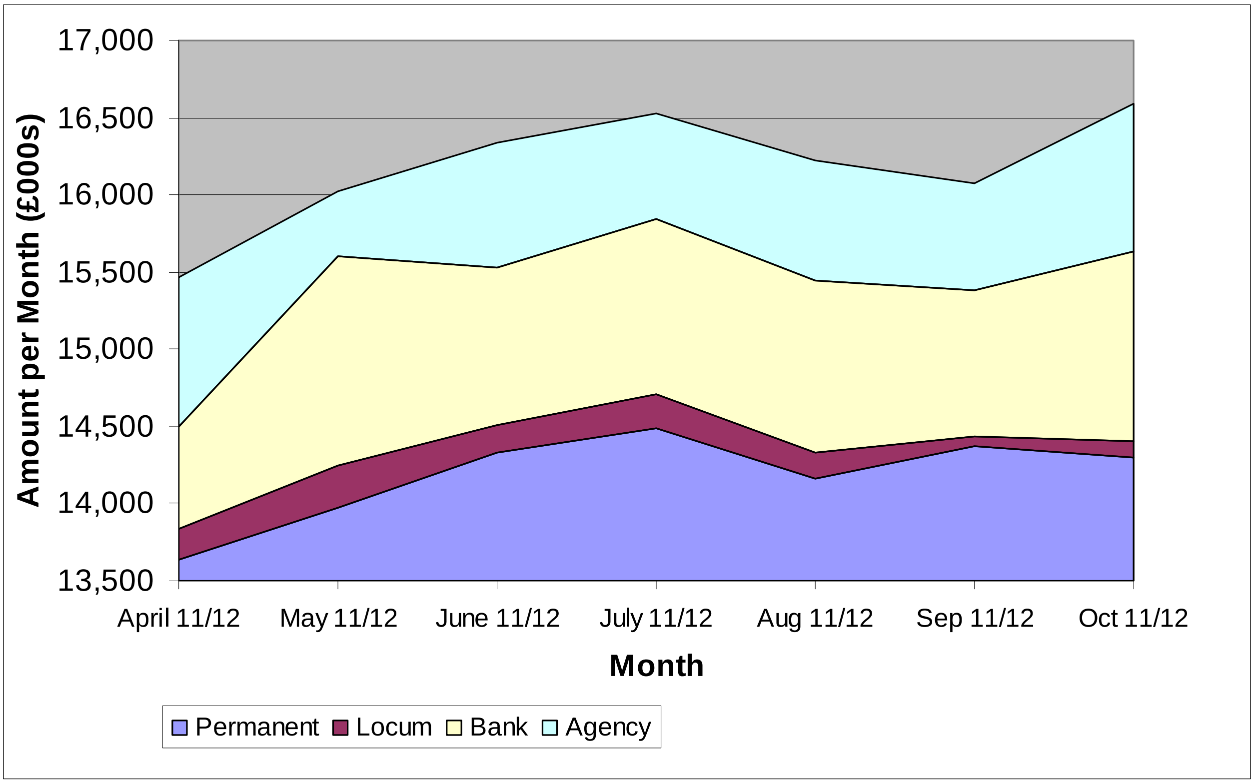
FIGURE 8: Summary Analysis of Month 7 Pay Expenditure

Description	Current Month							Annual Budget £'000
	Budget £000	Permanent £000	Bank £000	Locum £000	Agency £000	Total £000	Under / (Over) Spend £000	
Whittington								
Medical	2,854	2,530	83	94	122	**2,829**	26	33,839
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,073	3,465	416	0	279	**4,161**	(87)	48,701
Scientific, Therapeutic & Tech.	1,372	1,219	63	0	65	**1,347**	25	16,453
Admin. & Clerical	1,336	1,118	235	0	18	**1,371**	(34)	16,379
Other	923	665	92	0	79	**835**	88	13,372
Subtotal	**10,560**	**8,997**	**889**	**94**	**563**	**10,542**	**18**	**128,744**
Islington								
Medical	250	180	0	(3)	55	**232**	18	3,003
Dental	111	116	3	0	10	**129**	(18)	1,331
Nursing	1,248	985	73	0	149	**1,208**	41	14,600
Scientific, Therapeutic & Tech.	1,165	1,090	1	0	37	**1,127**	37	14,206
Admin. & Clerical	345	187	85	0	8	**279**	66	4,320
Other	78	105	0	0	0	**105**	(27)	1,433
Subtotal	**3,197**	**2,664**	**162**	**(3)**	**259**	**3,081**	**117**	**38,893**
Haringey								
Medical	87	79	0	8	(19)	**68**	19	1,043
Dental	63	51	7	0	0	**58**	5	753
Nursing	819	576	95	0	63	**734**	85	8,836
Scientific, Therapeutic & Tech.	680	565	(3)	0	29	**592**	89	8,230
Admin. & Clerical	277	217	73	0	0	**289**	(13)	4,032
Other	32	62	0	0	0	**62**	(30)	592
Subtotal	**1,958**	**1,550**	**172**	**8**	**73**	**1,803**	**155**	**23,485**
Haringey Children's								
Medical	85	71	0	0	35	105	(20)	876
Dental	0	0	0	0	0	0	(0)	(0)
Nursing	308	279	7	0	39	325	(17)	3,546
Scientific, Therapeutic & Tech.	205	174	2	0	(17)	158	47	2,158
Admin. & Clerical	170	167	6	0	(0)	173	(3)	1,014
Other	54	17	(1)	0	0	17	37	290
Subtotal	**823**	**708**	**14**	**0**	**57**	**779**	**44**	**7,884**
Total								
Medical	3,277	2,860	83	98	193	**3,234**	42	38,761
Dental	174	167	10	0	10	**186**	(13)	2,084
Nursing	6,450	5,306	591	0	530	**6,428**	22	75,684
Scientific, Therapeutic & Tech.	3,422	3,048	62	0	114	**3,224**	198	41,046
Admin. & Clerical	2,128	1,688	398	0	26	**2,113**	16	25,745
Other	1,087	849	91	0	79	**1,020**	68	15,687
Total	**16,538**	**13,919**	**1,236**	**98**	**952**	**16,205**	**333**	**199,007**

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- October 2012



Non Pay Expenditure

7.5. The overall non pay position shows an over spend of £166k in month, with a cumulative under spend of £257k, 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	23,492	2,216	1,958	(257)	14,915	13,761	(1,154)
Supplies & services – general	2,553	214	214	(0)	1,360	1,494	134
Establishment expenses	1,294	145	108	(37)	834	756	(78)
Premises & fixed costs	5,904	447	482	35	3,228	3,413	184
Other expenditure	10,091	577	826	250	4,367	5,731	1,364
Subtotal	**43,335**	**3,599**	**3,589**	**(11)**	**24,704**	**25,154**	**450**
Islington							
Clinical supplies & services	4,498	413	369	(44)	2,802	2,627	(175)
Supplies & services – general	4,587	372	383	10	2,645	2,673	29
Establishment expenses	401	69	34	(35)	198	233	35
Premises & fixed costs	254	(22)	12	34	141	148	7
Other expenditure	2,232	226	213	(12)	1,344	1,245	(99)
Subtotal	**11,972**	**1,058**	**1,011**	**(48)**	**7,130**	**6,926**	**(204)**
Haringey							
Clinical supplies & services	2,460	228	130	(98)	1,510	1,431	(79)
Supplies & services - general	3,899	345	390	46	2,114	2,282	169
Establishment expenses	486	71	41	(30)	340	284	(57)
Premises & fixed costs	222	57	19	(38)	175	130	(46)
Other expenditure	894	49	71	23	344	394	49
Subtotal	**7,961**	**749**	**651**	**(98)**	**4,483**	**4,521**	**37**
Haringey Children's							
Clinical supplies & services	91	14	9	(5)	54	47	(7)
Supplies & services - general	1	1	1	(0)	1	1	(0)
Establishment expenses	196	20	26	7	101	102	1
Premises & fixed costs	33	9	3	(6)	29	17	(12)
Other expenditure	122	14	10	(5)	70	62	(8)
Subtotal	**443**	**57**	**48**	**(9)**	**254**	**228**	**(26)**
Total							
Clinical supplies & services	30,541	2,871	2,466	(405)	19,281	17,866	(1,415)
Supplies & services - general	11,040	932	988	55	6,119	6,451	332
Establishment expenses	2,378	305	209	(96)	1,473	1,374	(99)
Premises & fixed costs	6,412	491	515	24	3,573	3,707	134
Other expenditure	13,339	865	1,121	255	6,126	7,432	1,306
Total	**63,710**	**5,464**	**5,298**	**(166)**	**36,572**	**36,829**	**257**

7.6. While the overall position for the year to date shows an under spend of £257k, 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 October		**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.
- NHS Institute - 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.
- Infection control training to GP practices.

8. Cost Improvement Programme (CIP)

8.1. The table below reports on progress made with implementation of the savings identified to date.

8.2. Over the past month, Directors have undertaken further reviews of staffing structures, and some posts have been removed from establishments, reducing the “unidentified savings” from £242k to £187k. Not all of the identified savings have yet been able to be removed from budgets, but there has been some progress on this in October and the centrally-held savings target of £4,682k has been able to be reduced to £4,496k.

8.3. 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).

8.4. 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 point in the year (58% on a straight-line basis) we have only achieved just over 50% 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 7 £'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	4,842	2,577	53%	2,595	101%	54%
Surgery & Diagnostics	3,127	1,403	45%	1,176	84%	38%
Women Children & Families	1,190	652	55%	872	134%	73%
Estates, Facilities & Corporate	4,878	2,189	45%	2,093	96%	43%
Community Savings (identified before April)	4,400	2,567	58%	2,567	100%	58%
Other savings / benefits	976	569	58%	569	100%	58%
Total Identified CIPs	**19,413**	**9,958**	**51%**	**9,871**	**99%**	**51%**
Unidentified CIPs	187	109	58%	0	0	0
TOTAL	**19,600**	**10,067**	**51%**	**9,871**	**98%**	**50%**

Under-delivering savings schemes

8.5. 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

8.6. 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, the progress and performance of each project has been reviewed and a "most likely" forecast has been produced. In the case of projects which have yet to be implemented, there are a range of possible scenarios around this figure, and "best" and "worst" case forecasts have been reviewed.

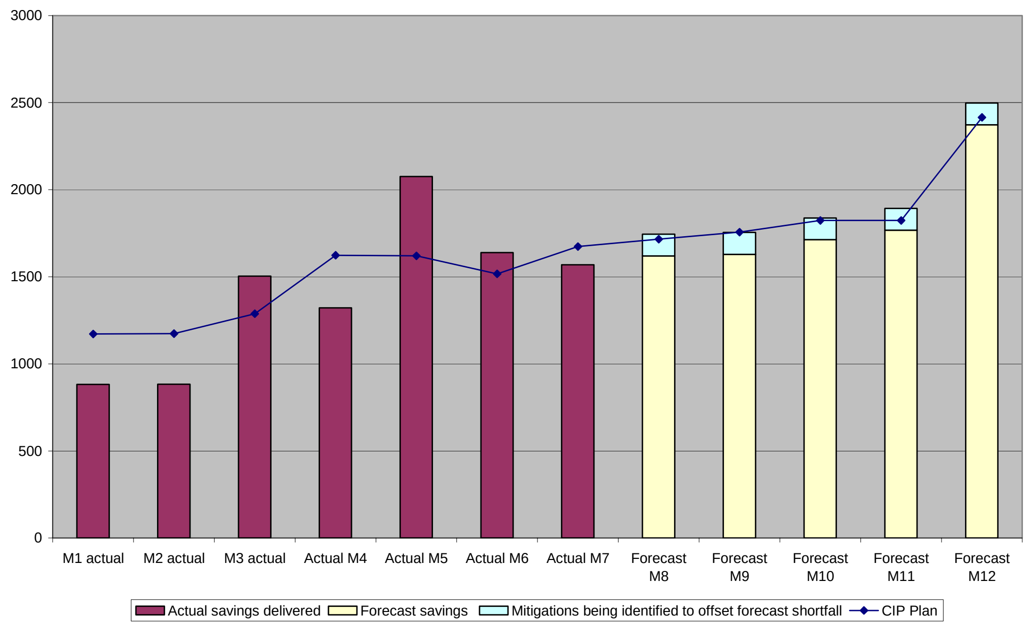
8.7. The risk-rating and forecasts are set out in the table below. The potential shortfall against the £19.6 million target is just over £600k. In addition, the unavoidable cost pressures which have been approved by the Executive over recent months will require managers to release a further £700k of savings to fund the new costs. To address this, managers are implementing a continued 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 M7 £'000	Achieved YTD at M7 £'000	Variance YTD £'000	Forecast Achievement "Likely case" £'000	Forecast Variance £'000
Green	14,653	8,077	8,752	676	15,730	1,077
Amber	3,574	1,445	1,036	(409)	2,887	(687)
Red	1,374	545	85	(460)	358	(1,016)
Headcount/ temp staff reductions					626	626
TOTAL	**19,600**	**10,067**	**9,871**	**(193)**	**19,600**	**0**

8.8. 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



8.9. At last month's Trust Board it was reported that schemes and mitigations had been identified which would enable the full £19.6 million target to be met. The forecasts have been reviewed again subsequent to that report, and the deterioration is due to a number of factors:

- a more prudent view has been taken of the future run-rate of pay under-spends, in the light of month 7 actual costs (eg. essential recruitment to some posts, and increases in agency expenditure in some areas).
- the decision by the Executive to abandon one project which, following a tender exercise, proved to be unsustainable.
- detailed monitoring information has recently become available on a number of projects; in some cases this shows that the initial savings estimates were well-founded, but in others the initial estimates are now revealed to have been over-optimistic.

- a number of transformational programmes are now being established, and in some cases managers are now able, with the availability of better data, to make more realistic assessments of the immediate potential for savings in this financial year.

8.10. 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 (£600k to meet the £19.6m plus a further £700k to meet new unavoidable cost pressures) 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.

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of October was £14,415k. 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 October, 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 £5,514k, 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 October 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	129,648	131,824
Intangible assets	1,008	964	835
Trade and other receivables	2,800	2,908	3,011
Non-current assets	**136,493**	**133,521**	**135,670**
Inventories	1,064	1,130	1,130
Trade and other receivables	6,966	10,395	7,164
Cash and cash equivalents	3,199	14,415	5,514
Current assets	**11,229**	**25,940**	**13,807**
Trade and other payables	17,028	31,085	24,050
Borrowings	1,477	1,477	1,477
Provisions	3,633	2,139	183
Current liabilities	**22,137**	**34,701**	**25,710**
Borrowings	38,101	36,957	36,041
Provisions	1,937	1,772	1,679
Non-current liabilities	**40,038**	**38,729**	**37,720**
Total assets employed	**85,548**	**86,030**	**86,048**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	10,537	10,574
Revaluation reserve	27,315	27,287	27,267
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**86,030**	**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	3,191	33,394	7,836	28,404
Total paid within target	2,980	29,397	7,289	25,025
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 £483k (IFRS basis), which is £126k 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 7 shows an improvement from previous months, however given that the current year to date position is £126k 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	271,521	272,396	272,396
Operating Expenditure	259,470	257,770	256,790
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.
- NCL have raised a number of activity challenges and they are currently being investigated. The initial assessment does not indicate a material Trust exposure at this stage.
- 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 6 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.