Whittington Health NHS

ITEM 12/011
Doc: 07

MEETING:	Trust Board 25 January 2012

TITLE:	**Financial Position – Month 9 (December 2011)**

Executive Summary

1. Month 9 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month deficit of £145k, which is £248k better than plan. The year to date surplus is £698k, which is £288k better than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £1,114k.

1.2. The clinical income position is £24k above the Trust plan, this includes both acute and community services and is based on eight months worth of fully coded activity.

1.3. The financial position includes additional unplanned non-recurrent provision releases of £128k 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 9 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 December was £13,784k. 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 December, 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 £5,558k, 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 £698k, which is £288k better than planned at this stage of the year. 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 £1,475k, 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 £0.4m 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 £442k have been agreed, with a full year effect of £977k.**

4. Recommendations

4.1. The Trust Board is asked to:

- **Note**: An in month deficit of £145k, which is £248k 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 £4,018k to be allocated. In terms of delivery the most upto date position reflected in the latest submission to NHS London indicates a remaining value of £0.4m 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 9 Finance Report

5. Month 9 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 £988k is reported, which is £191k 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 £4.0m, at the time of writing this report £0.4m had yet to be identified. The £0.4m 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

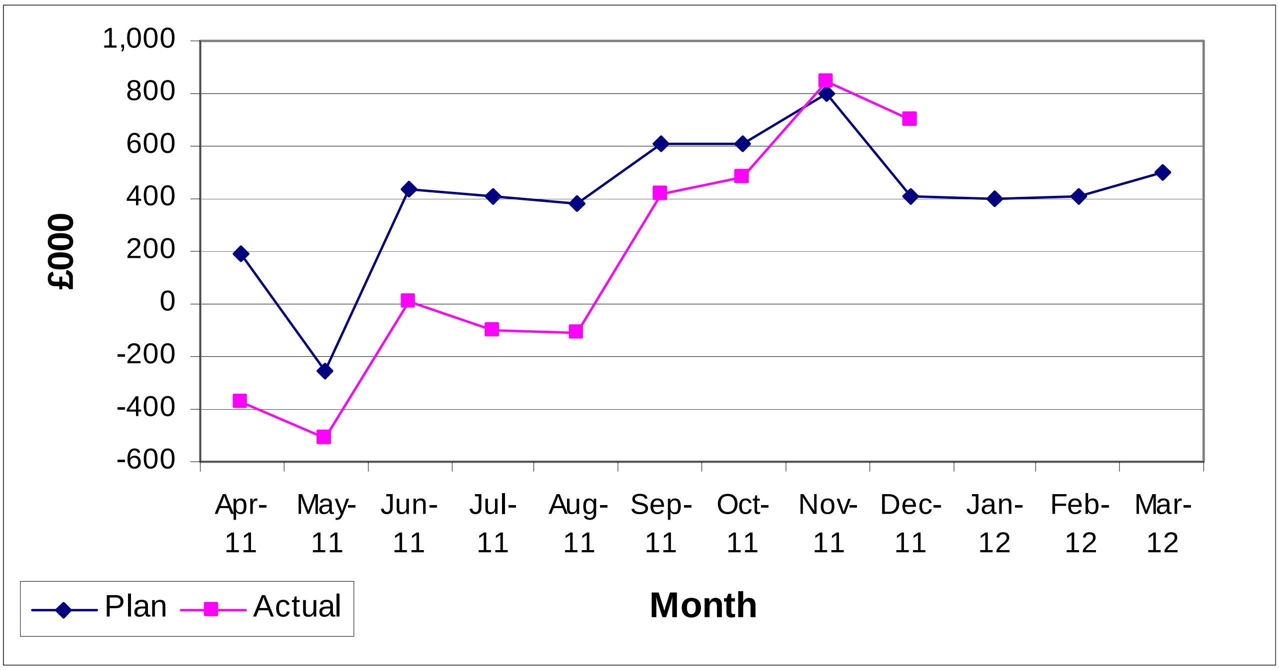
Description	Current Month			Year To Date			Annual Budget £'000	Year End Forecast £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000		
NHS Clinical Income	19,133	19,285	(152)	178,846	178,822	24	240,109	240,133
Non NHS Clinical Income	647	533	114	4,730	4,840	(111)	6,492	6,381
All Other Non Clinical Income	3,665	3,562	103	21,907	21,371	536	28,132	28,604
Total Income	**23,445**	**23,380**	**65**	**205,482**	**205,033**	**449**	**274,734**	**275118**
Pay	17,720	17,983	262	147,183	150,612	3,430	200,873	197,019
Non Pay	4,737	4,744	7	47,289	47,044	(245)	63,234	63,476
Centrally Held Savings	-	(144)	(144)	-	(3,606)	(3,606)	(4,018)	-
Total Expenditure	**22,458**	**22,583**	**126**	**194,472**	**194,051**	**(421)**	**260,089**	**260495**
EBITDA	**988**	**797**	**191**	**11,010**	**10,982**	**28**	**14,644**	**14623**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	4	2	2	28	15	13	20	20
Less Interest Payable	226	223	(3)	1,992	2,007	16	2,677	2,666
Less Depreciation	676	716	40	6,239	6,309	70	8,457	8,461
Less PDC Dividend	234	252	18	2,110	2,272	162	3,030	3,016
Net Surplus / (Deficit)	**(145)**	**(393)**	**248**	**698**	**409**	**288**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	(99)	(347)	248	1,114	826	288	1,055	1,055

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £698k, which is £288k better than planned. This includes the in month deficit of £145k which is £248k better than plan.

5.6. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £510k for the first 9 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 9 months of the year £361k funding has been added to budgets.

5.7. 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



5.8. 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 and Community 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	12,123	12,210	(88)	115,960	116,380	(420)	156,436	155,803
Non NHS Clinical Income	91	54	37	545	482	63	642	705
All Other Non Clinical Income	2,195	2,172	24	18,327	17,964	363	23,853	24,216
Total Income	**14,409**	**14,435**	**(27)**	**134,832**	**134,826**	**6**	**180,932**	**180,724**
Pay	10,948	10,945	(3)	96,205	97,299	1,094	129,743	128,260
Non Pay	3,397	3,138	(258)	32,103	31,990	(112)	42,894	43,201
Centrally Held Savings	-	(144)	(144)	-	(3,606)	(3,606)	(4,018)	-
Total Expenditure	**14,344**	**13,940**	**(404)**	**128,307**	**125,683**	**(2,624)**	**168,619**	**171,461**
EBITDA	**64**	**496**	**(431)**	**6,525**	**9,143**	**(2,618)**	**12,313**	**9,263**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	4	2	2	28	15	13	20	20
Less Interest Payable	226	223	(3)	1,992	2,007	16	2,677	2,666
Less Depreciation	676	716	40	6,239	6,309	70	8,457	8,461
Less PDC Dividend	234	252	18	2,110	2,272	162	3,030	3,016
Net Surplus / (Deficit)	**(1,068)**	**(695)**	**(374)**	**(3,788)**	**(1,430)**	**(2,358)**	**(1,831)**	**(4,860)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(1,022)	(649)	(374)	(3,371)	(1,014)	(2,358)	(1,276)	(4,305)

5.9. In terms of pay expenditure it should be noted that while in overall terms the pay line shows an under spending position for the year to date, there are some significant areas of over spend. The most significant areas being the Maternity unit and the Emergency Department, which are showing total year to date pay over spends of £416K (£82k in month underspend) and £303K (£76k in month) respectively. The key year to date issues are summarised as follows:

- Use of a more expensive skillmix of midwives to ensure safe treatment of an increasingly complex casemix of patients, combined with issues around midwife sickness/absence.
- ED 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.
- Twilight shift agreed for ED registrars in June which continued through until the end of August.

5.10. In terms of non pay expenditure, there is a £258k in month overspend on acute services, the key areas of over spend are summarised as follows;

- Pharmacy (£97k): Whilst the volume of drugs issued in the year to date are comparable to the same period last year, the over spending position is attributable to higher unit costs.
- Orthopaedic prosthetics (£78k): This increased level of expenditure has resulted from a combination of increased activity volumes and a more complex and expensive levels of casemix.

– Estates (£75k): Gas prices have increased in year, the full extent of this, and the impact on the remainder of the year will be further reviewed in advance of month 10, and a further update will be provided.

5.11. Finally it should be noted that the year to date position has been supported by under spending budgets.

Community Services

FIGURE 3b: Income & Expenditure Summary – 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	7,010	7,075	(64)	62,886	62,442	444	83,673	84,266
Non NHS Clinical Income	556	479	77	4,185	4,358	(174)	5,850	5,676
All Other Non Clinical Income	1,470	1,390	79	3,580	3,407	173	4,279	4,452
Total Income	**9,036**	**8,945**	**92**	**70,650**	**70,207**	**443**	**93,802**	**94394**
Pay	6,772	7,038	265	50,978	53,313	2,336	71,130	68,759
Non Pay	1,340	1,606	265	15,186	15,054	(133)	20,340	20,275
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**8,114**	**8,643**	**530**	**66,165**	**68,368**	**2203**	**91,470**	**89034**
EBITDA	**924**	**301**	**622**	**4,485**	**1,839**	**2646**	**2,331**	**5360**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**923**	**302**	**622**	**4486**	**1839**	**2646**	**2331**	**5,360**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	923	302	622	4,485	1840	2646	2,331	5,360

5.12. Community Services show a reported surplus at Month 9 of £4,485k, which is £2,646k better than the planned position. This position is distributed across the community services as follows; Haringey Children's services - £426k, Haringey Adults - £1,422k, Islington Adults & Children's services - £798k.

5.13. The favourable variance of £2,648k is further split across the Divisions as follows:

– Women, Children's & Families : £787k

– ICAM : £785K

– Surgery & Diagnostics : £102k

– Corporate Services : £794k

– Non Devolved Income : £179k

5.14. Further detailed explanations by Division are provided as follows;

Women, Children's & Families (WC&F)

– Haringey Children's Services (£426K positive variance) has continuing vacancies which equate to 21 whole time equivalents, some of which are now being recruited to. In addition, further progress has been reached with the London Borough of Haringey in agreeing income levels, as a result the income position has improved in month, contributing towards the favourable variance against plan.

- Islington Children's services continue to underspend across all areas with the exception of CAMHS and Simmons House. The overall underspend in Non CAMHS areas is £583k, which is largely attributable to ongoing vacancies. CAMHS is reporting an adverse variance of £151k due to lower than expected income levels. This position will be reviewed with a business plan being developed to outline how the service will be taken forward. Simmons House has a reported adverse variance of £271k which is due to the level of day patient activity currently being below the required break even position.

Integrated Care & Acute Medicine (ICAM)

- The favourable variance reported for ICAM at month 9 was £787k. This as with other areas is due to vacancies across most areas that have not been fully covered by Bank / Agency staff, especially earlier in the financial year.
- As planned in previous months funding for Interpreting Services of £110k, was transferred to Corporate services which is reported within the Whittington Acute segment of the ledger.
- There are underlying cost pressures within Community Nursing (District Nursing) that are offset by vacancies elsewhere

Surgery & Diagnostics:

- The positive variance is predominantly related to Haringey Dental services which is reporting an underspend on Non Pay budgets.

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity (November 2011), together with an initial estimate for the December position. On this basis the in month position shows an under performance against plan of £152k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services.

6.2. The assessment of the December 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 £141k, which is included in the in month position.

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

Description	**Amount £000**
November NHS income compared to Month 8 estimate	£125k
Estimated December adverse variance on NHS income	(£141k)
Community Services adverse performance (December)	(£65k)
Income Relating to Prior Year	£5k
Work in Progress – Critical Care	£4k
Other	(£80k)
Total in-month variance against NHS income plan	**(£152k)**

6.3. The current income and expenditure position is supported by £1,435k of net non recurrent provisions which have been released. This is made up of £110k 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 net expenditure provisions for £1,325k have also been released, following a re-evaluation of the relevant liabilities. Of the total value of provisions released, £128k relates to unplanned adjustments, without this adjustment the year to date position would be worse than the reported position. In month 9 two further adjustments were made; firstly a drug stock adjustment which reduced expenditure by circa £500k and secondly a restructuring provision was included for £500k, to reflect additional costs expected to support restructuring of the organisation in delivering transformational change programmes.

6.4. 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.

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

FIGURE 5: Income Performance by Patient Type

Point of Delivery	YTD SLA To M8	YTD Actual To M8	YTD Variance To M8	In Month Variance M8	M7 Late Data Added
Block Contract/Adjustments	4,859	4,737	(122)	(7)	0
Elective Inpatients	5,936	5,916	(20)	19	0
Non-Elective Inpatients	31,731	31,561	(170)	(1)	8
Excess Beddays	2,580	2,371	(209)	(29)	0
Day Cases	8,470	8,503	33	(5)	14
Outpatient Procedures	2,484	2,561	77	14	(1)
Outpatient 1st Attends	8,379	8,241	(139)	(16)	(6)
Outpatient Follow Ups	10,963	10,854	(109)	(24)	3
Adult Critical Care	7,085	6,901	(184)	(26)	(9)
Paediatrics High Dependency	299	261	(38)	(6)	0
NICU High Dependancy Beddays	952	988	36	13	2
NICU Intensive Care Beddays	529	423	(106)	(12)	(1)
NICU Special Care Beddays	2,893	3,088	195	(5)	(2)
ED Attendances	5,823	5,924	101	11	(3)
Direct Access	6,398	6,560	162	42	0
Maternity Ultrasound	903	953	50	4	0
Other Activity	2,826	2,689	(137)	(27)	0
Grand Total	**103,112**	**102,532**	**(580)**	**(56)**	**6**

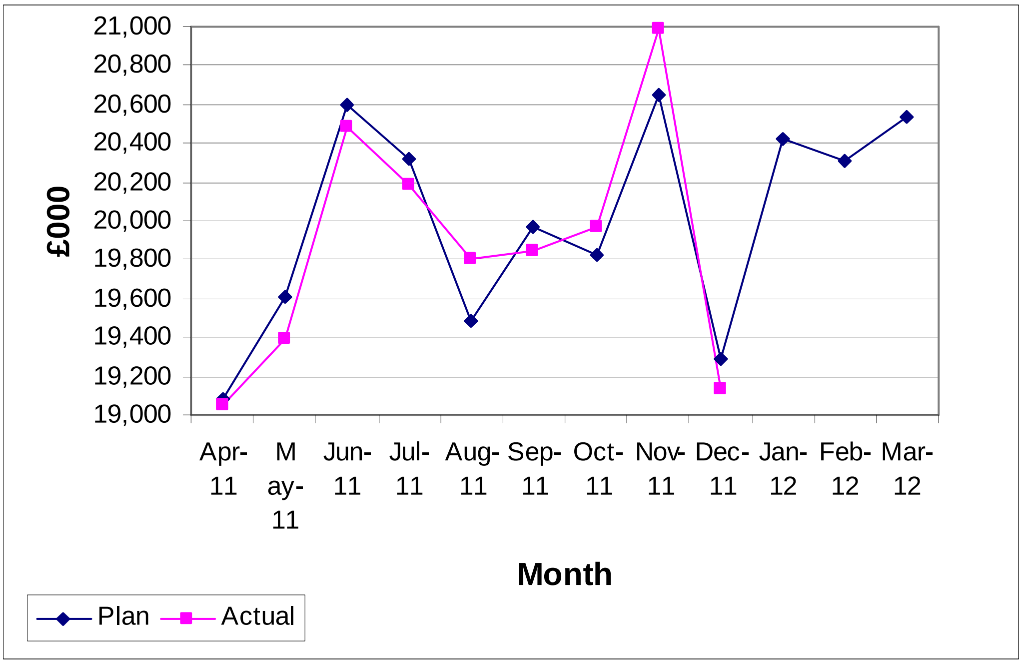
6.6. The year to date variance to Month 8 is shown net of the marginal tariff adjustment for non elective activity. In terms of the position reported to date, the NCL position is broadly in line with planned levels of activity and income.

6.7. Key points to note from the analysis of income (year to date variance to Month 8) are summarised as follows:

- The main areas of over performance relate to NICU special care (£195k).
- The main areas where income is below the planned level include excess beddays (£209k), adult critical care (£184k) and non elective inpatients (£170k).

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

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



6.9. The total value of all other non clinical income highlighted in Figure 1 is £3,665k in Month 9 and £21,907k cumulatively. This is further illustrated in the following figure:

FIGURE 7: All Other Non Clinical Income

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
Service Increment for Teaching & Research SIFT)	730	733	(3)	6,594	6,597	(3)	8,796
Medical & Dental Education Levy MADEL)	453	449	4	4,045	4,041	4	5,389
Non Medical Education & Training NMET)	234	221	14	1,652	1,626	26	2,369
Income from Service Level Agreements	1,566	1,555	11	4,301	4,207	94	5,273
Excellence Award Income	77	84	(6)	492	518	(26)	690
Income Generation e.g. car park, accommodation, canteen	89	104	(15)	759	897	(137)	1,208
Research & Development	64	46	17	574	463	112	602
Other	453	370	82	3,489	3,021	468	3,804
Total	**3,665**	**3,562**	**103**	**21,907**	**21,371**	**536**	**28,132**

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an under spend in month of £126k, with a cumulative over spend of £421k.

Pay Expenditure

7.2. The in month position shows an under spend of £262k and a cumulative under spend position of £3,430k for the year to date. The in month position is further illustrated in the following figure:

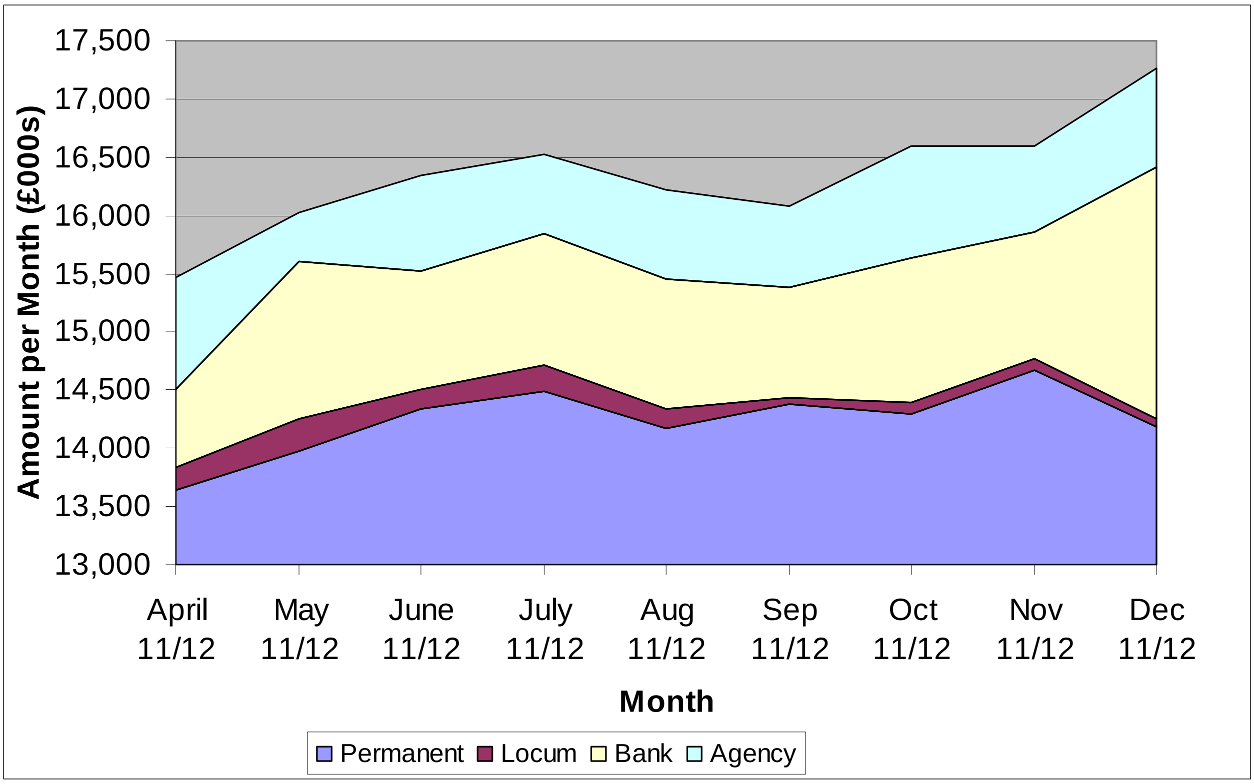
FIGURE 8: Summary Analysis of Month 9 Pay Expenditure

Description	Current Month							Annual Budget £'000
	Budget £000	Permanent £000	Bank £000	Locum £000	Agency £000	Total £000	Under / (Over) Spend £000	
Whittington								
Medical	2,918	2,450	51	73	167	**2,741**	177	34,046
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,095	3,501	331	0	236	**4,068**	27	48,861
Scientific, Therapeutic & Tech.	1,374	1,233	57	0	30	**1,320**	55	16,472
Admin. & Clerical	1,383	1,120	200	0	9	**1,329**	54	16,427
Other	1,175	1,354	70	0	67	**1,490**	(316)	13,938
Subtotal	**10,945**	**9,658**	**708**	**73**	**510**	**10,948**	**(3)**	**129,743**
Islington								
Medical	253	203	7	6	39	**255**	(3)	3,033
Dental	111	108	1	0	3	**112**	(1)	1,331
Nursing	1,222	1,042	100	0	128	**1,270**	(48)	14,621
Scientific, Therapeutic & Tech.	1,178	1,076	0	0	52	**1,128**	50	14,312
Admin. & Clerical	368	269	71	0	4	**343**	24	4,223
Other	86	121	0	0	0	**121**	(35)	1,061
Subtotal	**3,218**	**2,818**	**180**	**6**	**226**	**3,230**	**(12)**	**38,581**
Haringey								
Medical	87	86	0	3	(15)	**74**	13	1,043
Dental	63	51	10	0	0	**61**	2	753
Nursing	780	444	137	0	53	**634**	147	8,726
Scientific, Therapeutic & Tech.	715	580	13	0	44	**638**	77	8,505
Admin. & Clerical	1,349	271	1,087	0	1	**1,359**	(10)	5,057
Other	24	78	0	0	0	**78**	(55)	484
Subtotal	**3,018**	**1,510**	**1,248**	**3**	**83**	**2,844**	**174**	**24,567**
Haringey Children's								
Medical	111	47	1	0	4	51	60	910
Dental	0	0	0	0	0	0	0	(0)
Nursing	347	297	10	0	19	326	21	3,546
Scientific, Therapeutic & Tech.	226	194	5	0	8	207	19	2,221
Admin. & Clerical	96	91	2	0	0	93	3	1,016
Other	22	21	(1)	0	0	21	1	290
Subtotal	**802**	**650**	**17**	**0**	**31**	**699**	**103**	**7,982**
Total								
Medical	3,369	2,785	59	83	195	**3,122**	247	39,032
Dental	174	159	11	0	3	**173**	1	2,084
Nursing	6,444	5,284	577	0	436	**6,298**	146	75,754
Scientific, Therapeutic & Tech.	3,493	3,083	76	0	134	**3,292**	201	41,509
Admin. & Clerical	3,196	1,751	1,360	0	13	**3,124**	72	26,723
Other	1,307	1,575	69	0	67	**1,711**	(404)	15,772
Total	**17,983**	**14,636**	**2,152**	**83**	**849**	**17,720**	**262**	**200,873**

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. It should be noted that there has been a significant increase in the value of bank expenditure in Month 9. This is largely due to a change in accounting requirements as set out by the Department of Health rather than a genuine increase in expenditure. Previously where bank costs were recharged to other organisations, the net position was reported i.e. the total expenditure less the total value of income recharged, which effectively provided the true cost to the organisation. Under the new arrangements the trust are required to report the gross position for both income and expenditure, thus while the expenditure position has increased – there has been a corresponding increase in the income position. Income and expenditure budgets have been updated to match the change in the income and expenditure reported, so this change in accounting arrangements does not impact on the Month 9 variance. Pay expenditure trends are further illustrated in the following figure:

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



Non Pay Expenditure

7.5. The overall non pay position shows an under spend of £7k, with a cumulative over spend of £245k, which is further illustrated in the following figure:

FIGURE 10: Summary Analysis of Month 9 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	23,061	1,675	1,444	(232)	18,823	17,195	(1,628)
Supplies & services – general	2,558	204	216	11	1,775	1,918	144
Establishment expenses	1,350	126	164	38	1,081	1,027	(54)
Premises & fixed costs	5,914	574	503	(71)	4,389	4,399	10
Other expenditure	10,011	817	812	(5)	6,035	7,451	1,416
Subtotal	**42,894**	**3,397**	**3,138**	**(258)**	**32,103**	**31,990**	**(112)**
Islington							
Clinical supplies & services	4,498	361	374	13	3,658	3,375	(283)
Supplies & services – general	4,587	365	383	18	3,550	3,439	(111)
Establishment expenses	392	78	27	(51)	297	293	(4)
Premises & fixed costs	254	72	21	(51)	270	190	(80)
Other expenditure	2,239	(52)	189	241	1,551	1,651	100
Subtotal	**11,969**	**825**	**994**	**169**	**9,326**	**8,948**	**(379)**
Haringey							
Clinical supplies & services	2,460	187	206	19	1,870	1,843	(27)
Supplies & services - general	3,899	94	323	229	2,588	2,929	341
Establishment expenses	494	38	42	4	420	371	(49)
Premises & fixed costs	222	29	19	(10)	211	167	(44)
Other expenditure	883	139	1	(139)	541	504	(38)
Subtotal	**7,958**	**488**	**591**	**103**	**5,629**	**5,813**	**184**
Haringey Children's							
Clinical supplies & services	90	7	8	1	61	64	3
Supplies & services - general	1	0	0	(0)	1	1	(0)
Establishment expenses	198	11	19	8	108	141	33
Premises & fixed costs	41	6	6	(0)	29	29	(0)
Other expenditure	83	4	(12)	(16)	31	59	27
Subtotal	**413**	**29**	**21**	**(7)**	**231**	**293**	**62**
Total							
Clinical supplies & services	30,108	2,231	2,031	(199)	24,412	22,477	(1,935)
Supplies & services - general	11,045	664	922	258	7,913	8,287	373
Establishment expenses	2,434	253	252	(1)	1,906	1,831	(75)
Premises & fixed costs	6,430	681	549	(132)	4,899	4,784	(115)
Other expenditure	13,217	909	990	81	8,158	9,665	1,506
Total	**63,234**	**4,737**	**4,744**	**7**	**47,289**	**47,044**	**(245)**

7.6. The overall position for the year to date shows an over spend of £245k, 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 £442k have been approved, with a full year effect of £977k. 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
06-Dec-11	Reusable sigmoidoscopies	11	27	
Running total as at end December		**442**	**977**	

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. Across the organisation as a whole, savings have been delivered to the level of 100% 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 mitigated by under-spending budgets. This explains why the IC&AM and WC&F Divisions and Estates & Facilities Directorate are reporting delivery of more than 100% against their year-to-date CIP targets. (see figure 12 below).

8.3. The profiling of the target reflects the fact that a significant proportion of the planned savings were not identified until after the formation of the new ICO management structure and are starting to deliver cost reductions in the second half of the financial year. Overall, taking account of this phasing, at this point in the year (75% on a straight-line basis) we have achieved 69% 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 9 £'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	4,727	3,381	72%	3,461	102%	73%
Surgery & Diagnostics	3,279	2,022	62%	1,668	82%	51%
Women Children & Families	1,190	859	72%	1,337	156%	112%
Estates & Facilities	785	559	71%	671	120%	86%
Corporate Directorates & trust-wide initiatives	4,093	2,498	61%	2,168	87%	53%
Community Savings (identified pre-ICO)	4,400	3,300	75%	3,300	100%	75%
Other savings / benefits	976	732	75%	919	126%	94%
Total Identified CIPs	**19,450**	**13,352**	**69%**	**13,525**	**101%**	**70%**
Unidentified CIPs	150	113	75%	0	0	0
TOTAL	**19,600**	**13,464**	**69%**	**13,525**	**100%**	**69%**

Forecast

8.4. 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.

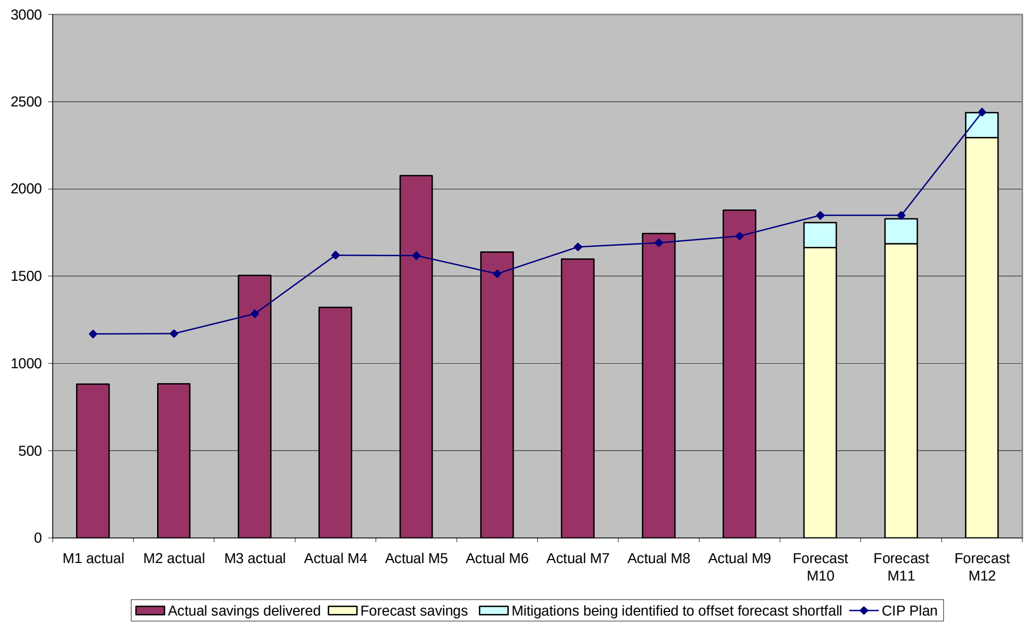
8.5. The risk-rating and forecasts are set out in the table below. The potential shortfall against the £19.6 million target is just over £430k (which has been mitigated by savings resulting from headcount reductions).

FIGURE 13: CIP Forecast Position

Project Risk Category	2011/12 Savings Target £'000	Target YTD at M9 £'000	Achieved YTD at M9 £'000	Variance YTD £'000	Forecast Achievement "Likely case" £'000	Forecast Variance £'000
Green	14,346	10,229	10,923	694	15,431	1,085
Amber	3,486	2,127	2,324	198	3,232	(253)
Red	1,768	1,109	278	(831)	505	(1,263)
Headcount/ temp staff reductions					431	431
TOTAL	**19,600**	**13,464**	**13,525**	**60**	**19,600**	**0**

8.6. 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



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

- The identification of savings to bridge the current gap (£430k to meet the £19.6m plus a further £442k 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.
- Identification of the ongoing CIP requirement, if the key objectives of further capital investment, in year risk mitigation and completion of a viable LTFM is to be undertaken to timetable.

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of December was £13,784k. 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 December, 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 for the remainder of 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 £5,558k, 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 15: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2011 £'000	As at 30th December 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	129,298	133,999
Intangible assets	1,008	908	830
Trade and other receivables	2,800	2,917	1,831
Non-current assets	**136,493**	**133,122**	**136,661**
Inventories	1,064	1,240	1,240
Trade and other receivables	6,966	14,135	14,545
Cash and cash equivalents	3,199	13,784	5,558
Current assets	**11,229**	**29,158**	**21,342**
Trade and other payables	17,028	33,796	28,697
Borrowings	1,477	1,477	1,477
Provisions	3,633	2,356	2,493
Current liabilities	**22,137**	**37,629**	**32,666**
Borrowings	38,101	36,687	36,041
Provisions	1,937	1,719	3,248
Non-current liabilities	**40,038**	**38,406**	**39,289**
Total assets employed	**85,548**	**86,245**	**86,048**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	10,760	10,574
Revaluation reserve	27,315	27,279	27,267
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**86,245**	**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 16: 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	4,324	46,414	11,471	38,633
Total paid within target	4,024	41,000	10,687	34,094
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 £698k (IFRS basis), which is £288k better 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.

Best Case

11.4. 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.

11.5. 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.

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

FIGURE 17: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	274,243	275,118	275,118
Operating Expenditure	261,595	260,495	259,515
EBITDA	12,648	14,623	15,603
Non Operating Items	14,123	14,123	14,123
Net Surplus / (Deficit)	(1,475)	500	1,480
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(920)	1,055	2,035

11.7. The forecast positions outlined are consistent with the latest FIMs return to the SHA, and show an unmitigated worst case position of £1,475k, which equates to £920k after excluding the effect of IFRS.

11.8. 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.

11.9. 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

11.10. 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.

11.11. 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.

11.12. 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.

11.13. 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 further unmitigated deterioration in the income and expenditure position.