Whittington Health NHS

ITEM: 12/026
Doc: 10

MEETING:	Trust Board 22nd February 2012

TITLE:	Financial Position – Month 10 (January 2011)

Executive Summary

1. Month 10 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month surplus of £212k, which is £50k better than plan. The year to date surplus is £909k, which is £338k better than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £1,372k.

1.2. The clinical income position is £29k below the Trust plan, this includes both acute and community services and is based on nine 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 10 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 January was £13,861k. 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 January, 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 £6,035k, 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 £909k, which is £338k 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.

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 £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 surplus of £212k, which is £50k 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 £3,308k 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 £0.6m 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 10 Finance Report

5. Month 10 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 £1,368k is reported, which is £15k 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 £3.3m, 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

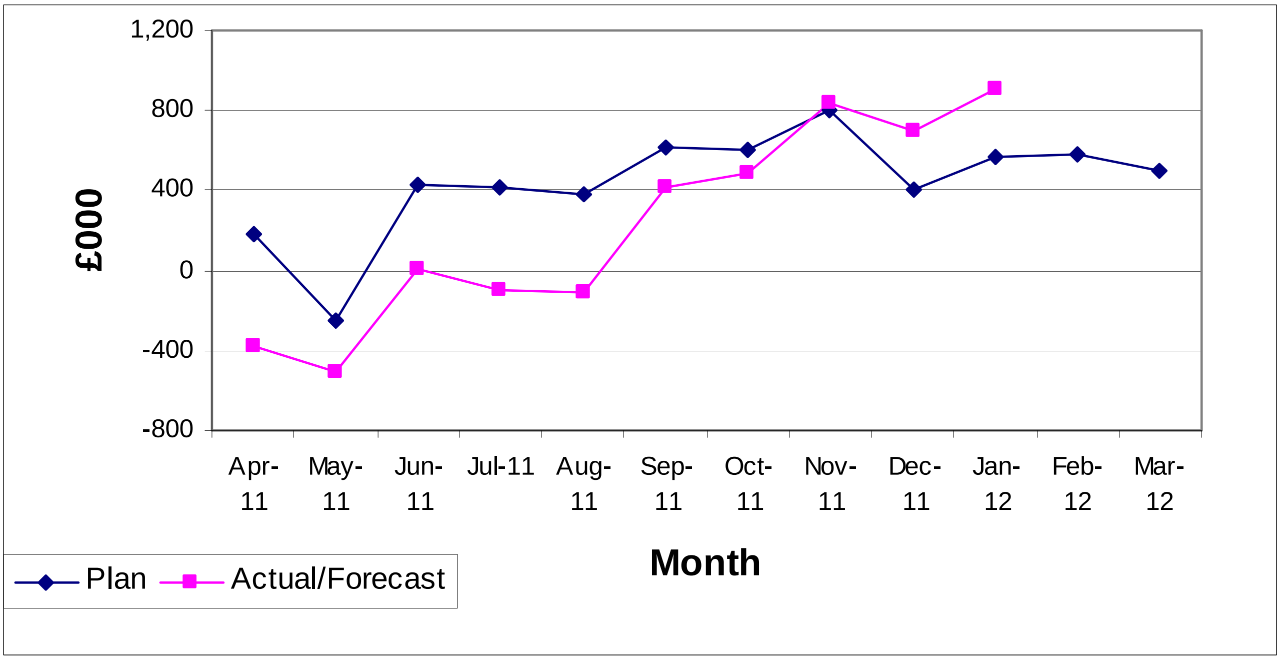
	Current Month			Year To Date				
Description	**Actual £'000**	**Budget £'000**	**Variance £'000**	**Actual £'000**	**Budget £'000**	**Variance £'000**	**Annual Budget £'000**	**Year End Forecast £'000**
NHS Clinical Income	20,725	20,778	(53)	199,570	199,599	(29)	240,509	240,133
Non NHS Clinical Income	585	492	93	5,315	5,333	(17)	6,422	6,381
All Other Non Clinical Income	2,700	2,488	212	24,606	23,859	748	28,330	28,604
Total Income	**24,010**	**23,758**	**252**	**229,492**	**228,791**	**701**	**275,261**	**275118**
Pay	17,125	16,857	(269)	164,308	167,469	3,161	200,783	197,019
Non Pay	5,517	5,229	(288)	52,806	52,273	(534)	63,141	63,476
Centrally Held Savings	-	320	320	-	(3,285)	(3,285)	(3,308)	-
Total Expenditure	**22,643**	**22,406**	**(237)**	**217,114**	**216,457**	**(658)**	**260,617**	**260495**
EBITDA	**1,368**	**1,352**	**15**	**12,378**	**12,335**	**43**	**14,644**	**14623**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	3	2	1	31	17	14	20	20
Less Interest Payable	222	223	1	2,214	2,230	17	2,677	2,666
Less Depreciation	703	716	13	6,942	7,025	83	8,457	8,461
Less PDC Dividend	234	252	18	2,344	2,525	181	3,030	3,016
Net Surplus / (Deficit)	**212**	**162**	**50**	**909**	**571**	**338**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	258	208	50	1,372	1,034	338	1,055	1,055

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £909k, which is £338k better than planned. This includes the in month surplus of £212k which is £338k better than plan.

5.6. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £612k for the first 10 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 10 months of the year £403k 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	13,214	13,366	(152)	129,174	129,746	(572)	156,436	155,803
Non NHS Clinical Income	99	54	45	644	535	108	642	705
All Other Non Clinical Income	2,119	2,033	86	20,446	19,997	448	23,896	24,216
Total Income	**15,431**	**15,452**	**(21)**	**150,263**	**150,279**	**(15)**	**180,975**	**180,724**
Pay	11,624	11,107	(517)	107,828	108,405	577	130,015	128,260
Non Pay	3,860	3,673	(187)	35,963	35,663	(299)	42,992	43,201
Centrally Held Savings	-	320	320	-	(3,285)	(3,285)	(3,308)	-
Total Expenditure	**15,484**	**15,100**	**(383)**	**143,791**	**140,784**	**(3,007)**	**169,699**	**171,461**
EBITDA	**(52)**	**352**	**(405)**	**6,472**	**9,495**	**(3,023)**	**11,275**	**9,263**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	3	2	1	31	17	14	20	20
Less Interest Payable	222	223	1	2,214	2,230	17	2,677	2,666
Less Depreciation	703	716	13	6,942	7,025	83	8,457	8,461
Less PDC Dividend	234	252	18	2,344	2,525	181	3,030	3,016
Net Surplus / (Deficit)	**(1,209)**	**(838)**	**(371)**	**(4,996)**	**(2,268)**	**(2,728)**	**(2,869)**	**(4,860)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(1,162)	(792)	(371)	(4,534)	(1,806)	(2,728)	(2,314)	(4,305)

5.9. Whilst in overall terms the pay expenditure shows an in month overspend of £269k, it should be noted that this position is affected by a £500k non-recurrent provision made in month 10 relating to restructuring costs. The underlying pay expenditure position therefore shows a favourable in month pay movement, the key reasons for this are as follows:

- The reduction in pay overspends in materially overspending areas such as A&E (£14k underspend in month compared to YTD £376k overspend) and Maternity (£45k overspend in month compared to £76k overspend in month 9) whilst under spending directorates have continued to underspend due to the vacancy scrutiny panel.
- Capitalisation of £128k of Pharmacy staff costs associated with the implementation of eprescribing, based on an internal assessment of which costs are liable for capitalisation

5.10. In terms of non pay expenditure, there is a £187k in month overspend on acute services, the key areas of over spend are summarised as follows:

- Orthopaedic prosthetics (£62k): This increased level of expenditure has resulted from a combination of increased activity volumes and a more complex and expensive levels of casemix.
- Medical transport (£47k): This increased level of expenditure has resulted from increased volume of patient journeys which are outside of our main patient transport contract with M&L.
- Imaging (£19k): The overspend in month is due to purchases of x-ray products and office equipment for the new ultrasound rooms.

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	7,511	7,412	99	70,397	69,854	543	84,072	84,266
Non NHS Clinical Income	487	439	48	4,671	4,797	(126)	5,780	5,676
All Other Non Clinical Income	581	455	126	4,161	3,861	299	4,434	4,452
Total Income	**8,579**	**8,306**	**273**	**79,229**	**78,512**	**717**	**94,286**	**94394**
Pay	(5,502)	(5,750)	(248)	(56,480)	(59,064)	(2,584)	(70,768)	68,759
Non Pay	(1,657)	(1,556)	101	(16,843)	(16,609)	234	(20,150)	20,275
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**(7,159)**	**(7,306)**	**(147)**	**(73,323)**	**(75,673)**	**(2,350)**	**(90,917)**	**89034**
EBITDA	**1,420**	**1,000**	**420**	**5,906**	**2,839**	**3,066**	**3,369**	**5360**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**1,420**	**1,000**	**420**	**5,906**	**2,839**	**3,066**	**3,369**	**5,360**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	**1,420**	**1,000**	**420**	**5,906**	**2,839**	**3,066**	**3,369**	5,360

5.12. Community Services show a reported surplus at Month 10 of £5,906k, which is £3,066k better than the planned position. This position is distributed across the community services as follows; Haringey Children's services - £493k, Haringey Adults - £1,488k, Islington Adults & Children's services - £1,045k.

5.13. The favourable variance of £3,066k is further split across the Divisions as follows:

– Women, Children's & Families: £1,013k

– ICAM : £1,032k

– Surgery & Diagnostics : £62k

– Corporate Services : £717k

– Non Devolved Income : £243k

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

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

– Haringey Children's Services (£493K positive variance) has continuing vacancies which equate to 20 whole time equivalents, some of which are now being recruited to.

– 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 £696k, which is largely attributable to ongoing vacancies. CAMHS is reporting an adverse variance of £185k 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 £252k 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 10 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.

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 January position. On this basis the in month position shows an under performance against plan of £53k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services.

6.2. The assessment of the January NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that there is likely to be an adverse variance of £423k, which is included in the in month position.

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

Description	**Amount £000**
December NHS income compared to Month 9 estimate	£48k
Estimated January adverse variance on NHS income	(£423k)
Community Services adverse performance (January)	£99k
Income Relating to Prior Year	(£8k)
Work in Progress – Critical Care	£136k
Other	£96k
Total in-month variance against NHS income plan	**(£53k)**

6.3. The current income and expenditure position is supported by £935k 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 £825k have also been released, following a re-evaluation of the relevant liabilities. As shown in figure 5; if all non-recurrent elements of provision increases/releases and CIP are removed from the financial position the month 10 year to date surplus of 909k is replaced by an underlying deficit position of £461k.

FIGURE 5: Analysis of year to date recurrent income/expenditure position

		Recurrent (£000's)	Non-Recurrent (£000's)	Total (£000's)
M10 YTD Income	recurrent income	229,413	-	229,413
	provision release	-	666	666
	provision increase	-	(556)	(556)
M10 YTD Expenditure	recurrent expenditure	244,771	-	244,771
	provision release	-	(1,886)	(1,886)
	provision increase	-	1,061	1,061
	CIP	(14,897)	(435)	(15,332)
M10 YTD Net surplus/(deficit)		**(461)**	**1,370**	**909**

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 6 below shows income performance by patient type:

FIGURE 6: Income Performance by Patient Type

Point of Delivery	YTD SLA To M9	YTD Actual To M9	YTD Variance To M9	In Month Variance M9	M8 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 9 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.

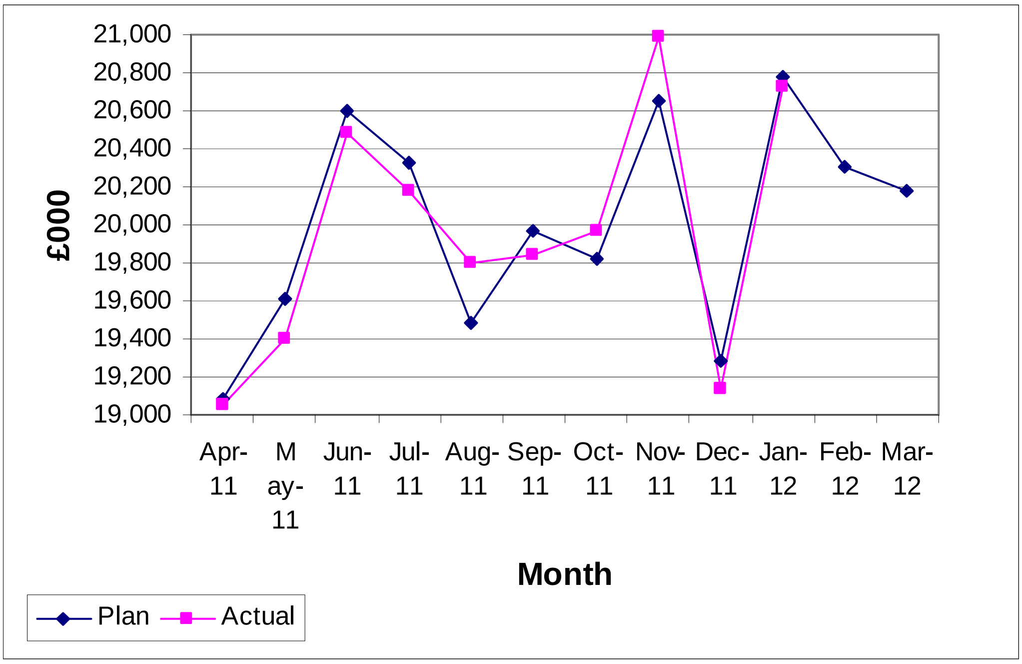
6.7. Key points to note from the analysis of income (year to date variance to Month 9) are summarised as follows:

– The main areas of over performance relate to NICU special care (£195k) and Direct Access (£162k).

– 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 7: Performance Against Internal Clinical Income Plan – In Month



6.9. The total value of all other non clinical income highlighted in Figure 1 is £2,700k in Month 10 and £24,606k cumulatively. This is further illustrated in the following figure:

FIGURE 8: 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)	916	798	118	7,510	7,395	115	8,876
Medical & Dental Education Levy MADEL)	406	410	(4)	4,451	4,451	0	5,340
Non Medical Education & Training NMET)	176	225	(49)	1,828	1,851	(23)	2,311
Income from Service Level Agreements	578	546	32	4,879	4,753	126	5,464
Excellence Award Income	49	57	(8)	540	575	(35)	690
Income Generation e.g. car park, accommodation, canteen	97	104	(7)	856	1,001	(144)	1,208
Research & Development	108	46	62	682	509	173	602
Other	370	302	67	3,859	3,324	535	3,838
Total	2,700	2,488	212	24,606	23,859	748	28,330

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an over spend in month of £237k, with a cumulative over spend of £658k.

Pay Expenditure

7.2. The in month position shows an over spend of £269k and a cumulative under spend position of £3,161k for the year to date. The in month position is further illustrated in the following figure:

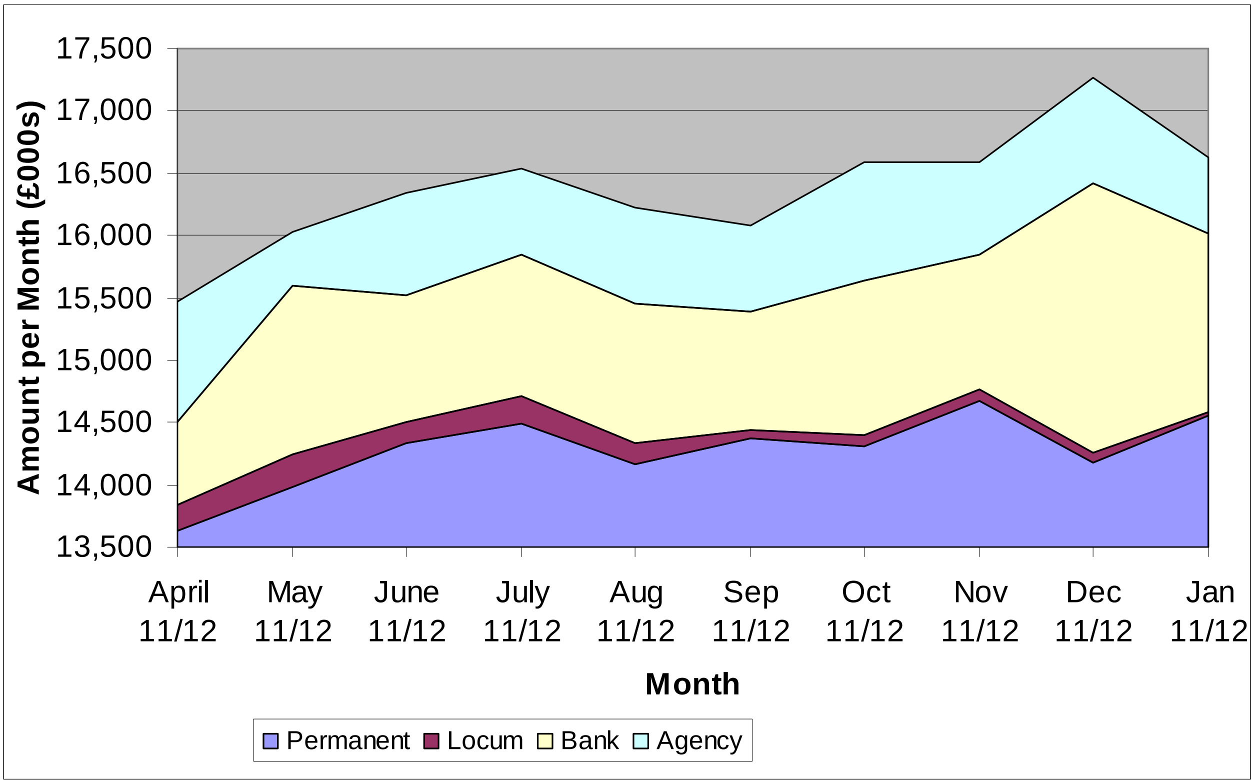
FIGURE 9: Summary Analysis of Month 10 Pay Expenditure

Description	Current Month							Annual Budget £'000
	Budget £000	Permanent £000	Bank £000	Locum £000	Agency £000	Total £000	Under / (Over) Spend £000	
Whittington								
Medical	2,677	2,658	83	36	(15)	**2,762**	(84)	33,960
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,014	3,529	381	0	237	**4,147**	(133)	48,781
Scientific, Therapeutic & Tech.	1,362	1,120	51	0	14	**1,186**	176	16,452
Admin. & Clerical	1,602	1,370	220	0	6	**1,596**	5	16,690
Other	1,452	1,789	83	0	62	**1,933**	(481)	14,132
Subtotal	**11,107**	**10,465**	**818**	**36**	**306**	**11,624**	**(517)**	**130,015**
Islington								
Medical	253	202	8	(29)	46	**227**	26	3,033
Dental	111	106	8	0	10	**124**	(13)	1,331
Nursing	1,222	1,031	49	0	139	**1,219**	2	14,621
Scientific, Therapeutic & Tech.	1,211	1,136	14	0	22	**1,172**	39	14,312
Admin. & Clerical	208	126	51	0	2	**179**	29	4,048
Other	272	110	0	0	0	**110**	162	1,280
Subtotal	**3,276**	**2,711**	**130**	**(29)**	**219**	**3,031**	**245**	**38,625**
Haringey								
Medical	68	60	0	20	1	**81**	(13)	1,016
Dental	63	51	5	0	0	**56**	7	753
Nursing	719	695	92	0	(14)	**773**	(54)	8,723
Scientific, Therapeutic & Tech.	712	560	18	0	30	**607**	104	8,506
Admin. & Clerical	256	(57)	358	0	0	**301**	(45)	4,883
Other	(122)	(81)	0	0	0	**(81)**	(42)	279
Subtotal	**1,695**	**1,227**	**474**	**20**	**17**	**1,738**	**(43)**	**24,161**
Haringey Children's								
Medical	88	53	2	0	20	75	13	910
Dental	0	0	0	0	0	(0)	0	(0)
Nursing	347	307	2	0	30	338	8	3,546
Scientific, Therapeutic & Tech.	226	182	6	0	17	205	21	2,221
Admin. & Clerical	96	93	1	0	(2)	93	3	1,016
Other	22	21	(1)	0	0	21	1	290
Subtotal	**779**	**656**	**10**	**0**	**65**	**733**	**46**	**7,982**
Total								
Medical	3,086	2,973	93	27	52	**3,144**	(59)	38,920
Dental	174	157	13	0	10	**180**	(7)	2,084
Nursing	6,302	5,562	524	0	392	**6,478**	(176)	75,671
Scientific, Therapeutic & Tech.	3,510	2,997	89	0	84	**3,170**	340	41,491
Admin. & Clerical	2,162	1,532	631	0	7	**2,169**	(7)	26,638
Other	1,624	1,840	82	0	62	**1,984**	(360)	15,980
Total	**16,857**	**15,060**	**1,431**	**27**	**607**	**17,125**	**(269)**	**200,783**

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 10: Whittington Health Staffing Expenditure Trends April 2011- January 2012



Non Pay Expenditure

7.5. The overall non pay position shows an over spend of £288k, with a cumulative over spend of £534k, which is further illustrated in the following figure:

FIGURE 11: Summary Analysis of Month 10 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	23,183	2,170	2,058	(112)	20,994	19,254	(1,740)
Supplies & services – general	2,558	211	213	2	1,985	2,131	146
Establishment expenses	1,351	142	109	(33)	1,223	1,135	(88)
Premises & fixed costs	6,025	525	615	89	4,914	5,013	99
Other expenditure	9,876	811	678	(133)	6,846	8,130	1,283
Subtotal	**42,992**	**3,860**	**3,673**	**(187)**	**35,963**	**35,663**	**(299)**
Islington							
Clinical supplies & services	4,498	330	374	44	3,988	3,750	(238)
Supplies & services – general	4,704	392	480	89	3,942	3,919	(23)
Establishment expenses	387	17	28	11	315	322	7
Premises & fixed costs	253	42	21	(21)	312	211	(102)
Other expenditure	2,128	388	104	(284)	1,938	1,754	(184)
Subtotal	**11,970**	**1,168**	**1,008**	**(161)**	**10,495**	**9,955**	**(539)**
Haringey							
Clinical supplies & services	2,458	243	204	(38)	2,112	2,047	(65)
Supplies & services - general	3,899	410	323	(86)	2,997	3,252	255
Establishment expenses	488	38	36	(2)	458	407	(51)
Premises & fixed costs	218	16	15	(1)	227	182	(45)
Other expenditure	704	(229)	(70)	158	313	433	121
Subtotal	**7,767**	**478**	**508**	**31**	**6,107**	**6,321**	**214**
Haringey Children's							
Clinical supplies & services	90	9	9	0	70	72	3
Supplies & services - general	1	0	0	(0)	1	1	(0)
Establishment expenses	198	(6)	19	25	102	160	57
Premises & fixed costs	41	4	4	(0)	33	33	(0)
Other expenditure	83	4	8	4	36	67	31
Subtotal	**413**	**12**	**40**	**28**	**242**	**333**	**91**
Total							
Clinical supplies & services	30,228	2,751	2,645	(106)	27,163	25,122	(2,041)
Supplies & services - general	11,162	1,013	1,017	4	8,926	9,304	378
Establishment expenses	2,423	191	192	1	2,098	2,023	(74)
Premises & fixed costs	6,536	587	654	67	5,486	5,438	(48)
Other expenditure	12,791	974	720	(255)	9,133	10,385	1,252
Total	**63,141**	**5,517**	**5,229**	**(288)**	**52,806**	**52,273**	**(534)**

7.6. The overall position for the year to date shows an over spend of £534k, 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 12: 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 January		**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 is the reason 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 13 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 (83% on a straight-line basis) we have achieved 78% of the full £19.6 million cost improvements required to achieve the financial target at year-end. This is in line with the profiled plan.

FIGURE 13: CIP Monthly Performance

Division	Full Year Target £'000	Target to Month 10 £'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	3,799	80%	3,959	104%	84%
Surgery & Diagnostics	3,279	2,441	74%	1,810	74%	55%
Women Children & Families	1,190	969	82%	1,636	169%	138%
Estates & Facilities	785	635	815	736	116%	94%
Corporate Directorates & trust-wide initiatives	4,093	2,863	70%	2,437	85%	60%
Community Savings (identified pre-ICO)	4,400	3,667	83%	3,667	100%	835
Other savings / benefits	976	813	835	1,088	134%	112%
Total Identified CIPs	**19,450**	**15,187**	**78%**	**15,332**	**101%**	**79%**
Unidentified CIPs	150	125	83%	0	0	0
TOTAL	**19,600**	**15,312**	**78%**	**15,332**	**100%**	**78%**

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, reflecting year-to-date performance and management assessment of likely achievement in the final two months of the financial year. The risk-rating and forecasts are set out in the table below. The potential shortfall against the £19.6 million target is £611k.

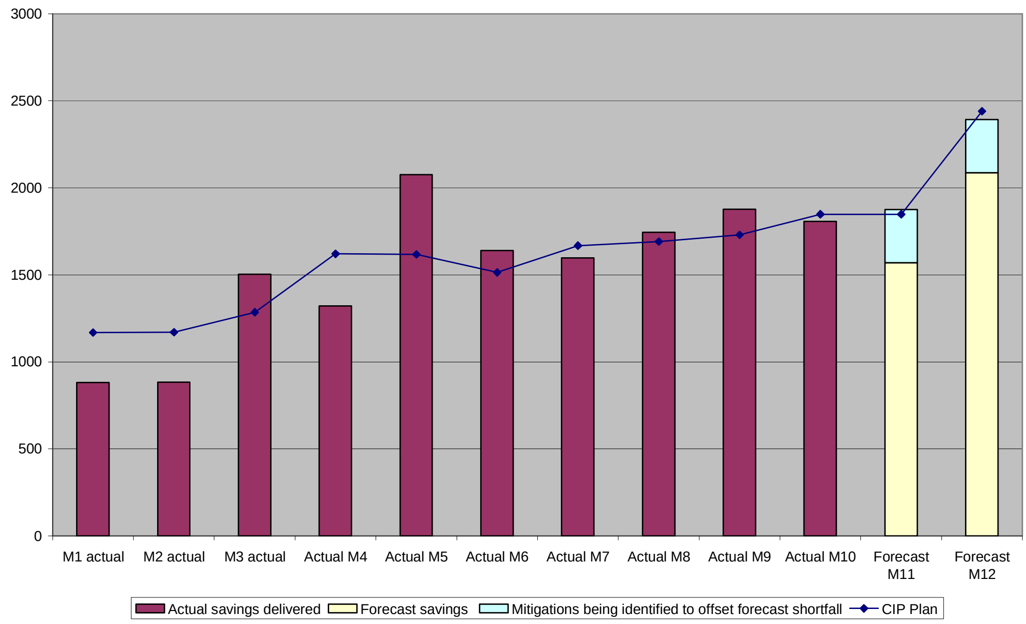
8.5. A proportion of the shortfall relates to schemes which are now assessed as unlikely to deliver savings by 31 March 2012 but are still being progressed towards implementation. These are being incorporated into the 2012/13 CIP programme.

FIGURE 14: CIP Forecast Position

Project Risk Category	2011/12 Savings Target £'000	Target YTD at M10 £'000	Achieved YTD at M10 £'000	Variance YTD £'000	Forecast Achievement "Likely case" £'000	Forecast Variance £'000
Green	14,624	11,606	12,291	685	15,4501	826
Amber	3,303	2,441	2,752	311	3,146	(157)
Red	1,673	1,266	289	(976)	394	(1,280)
Headcount/ temp staff reductions					611	611
TOTAL	**19,600**	**15,312**	**15,332**	**20**	**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 two months of the year are planned to offset the slippage in the earlier months.

FIGURE 15: 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 (£611k 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 January was £13,816k. 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 January, 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 £6,035k, 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 January, and the year end forecast position.

FIGURE 16: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2011 £'000	As at 30th January 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	129,872	133,289
Intangible assets	1,008	880	823
Trade and other receivables	2,800	2,954	2,058
Non-current assets	**136,493**	**133,705**	**136,170**
Inventories	1,064	1,069	1,078
Trade and other receivables	6,966	16,049	8,991
Cash and cash equivalents	3,199	13,861	6,035
Current assets	**11,229**	**30,978**	**16,104**
Trade and other payables	17,028	35,682	22,142
Borrowings	1,477	1,477	1,723
Provisions	3,633	2,632	4,447
Current liabilities	**22,137**	**39,790**	**28,312**
Borrowings	38,101	36,877	36,213
Provisions	1,937	1,678	1,738
Non-current liabilities	**40,038**	**38,555**	**37,951**
Total assets employed	**85,548**	**86,339**	**86,011**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	10,899	10,525
Revaluation reserve	27,315	27,234	27,280
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**86,339**	**86,011**

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 17: 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	4,809	52,478	12,730	41,240
Total paid within target	4,450	45,989	11,795	38,078
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 £909k (IFRS basis), which is £338k 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 18: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	275,041	275,916	275,916
Operating Expenditure	262,691	261,591	260,611
EBITDA	12,350	14,325	15,305
Non Operating Items	13,825	13,825	13,825
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.

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.