Whittington Health NHS

Trust Board Meeting

ITEM:16
Doc: 13

DATE:	28th March 2012

TITLE:	Financial Position – Month 11 (February 2011)

SPONSOR: Richard Martin, Finance Director	**REPORT FROM:** Jim Davies, Deputy Director of Finance

PURPOSE OF REPORT:

The purpose of the report is to provide an overview of the Month 11 financial and year end forecast position .

EXECUTIVE SUMMARY:

1. Month 11 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month deficit of £348k, which is £98k worse than plan. The year to date surplus is £561k, which is £240k better than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £1,115k.

1.2. The clinical income position is £91k 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 £124k in the year to date which has contributed to an improved actual position and reduced adverse variance against plan.

2. Month 11 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 February was £15,574k. 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 February, 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 £561k, which is £240k 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 £0.5m 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.**

PROPOSED ACTION:

The Trust Board is asked to

- **Note:** An in month deficit of £348k, which is £98k worse 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 £0.5m 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

APPENDICES:

DECLARATION
In completing this report, I confirm that the implications associated with the proposed action shown above have been considered – any exceptions are reported in the Supporting Information:

Implications for the NHS Constitution, CQC registration
Financial, regulatory and legal implications of proposed action
Risk management, Annual Plan/IBP
Moving Ahead – how does this report support any of the Trust’s 5 Strategic Goals

Month 11 Finance Report

4. Month 11 Financial Update

4.1. 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.

4.2. An in month EBITDA position of £769k is reported, which is £171k worse than the planned position.

4.3. 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 £0.5m had yet to be identified. The £0.5m represents the "likely case" forecast shortfall on the identified schemes that make up the £19.6m plan, which will be offset by additional savings agreed by the CIP Board to reduce staff costs.

4.4. 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	20,572	20,634	(62)	220,143	220,234	(91)	241,045	240,715
Non NHS Clinical Income	685	545	141	6,001	5,878	123	6,422	6,545
All Other Non Clinical Income	2,869	2,956	(87)	27,476	26,815	661	29,049	29,710
Total Income	**24,127**	**24,135**	**(8)**	**253,619**	**252,926**	**693**	**276,516**	**276,970**
Pay	17,177	17,381	204	181,485	184,850	3,365	201,509	200,358
Non Pay	6,181	5,822	(359)	58,987	58,094	(893)	63,671	62,335
Centrally Held Savings	-	(8)	(8)	-	(3,293)	(3,293)	(3,308)	-
Total Expenditure	**23,358**	**23,194**	**(164)**	**240,472**	**239,651**	**(821)**	**261,872**	**262,693**
EBITDA	**769**	**940**	**(171)**	**13,147**	**13,275**	**(128)**	**14,644**	**14,277**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	5	2	3	36	18	17	20	37
Less Interest Payable	207	223	16	2,421	2,454	33	2,677	2,644
Less Depreciation	681	716	35	7,623	7,741	118	8,457	8,339
Less PDC Dividend	234	252	18	2,578	2,777	199	3,030	2,831
Net Surplus / (Deficit)	**(348)**	**(250)**	**(98)**	**561**	**321**	**240**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	(287)	(188)	(98)	1,155	916	240	1,156 *	1,156 *

** Note: Depreciation on donated assets is now excluded from the net surplus position relevant for break even duty, this increases the net surplus from £1,055k to £1,156k. This reflects a required change to the reporting position, and does not an underlying improvement in the planned / forecast surplus position.*

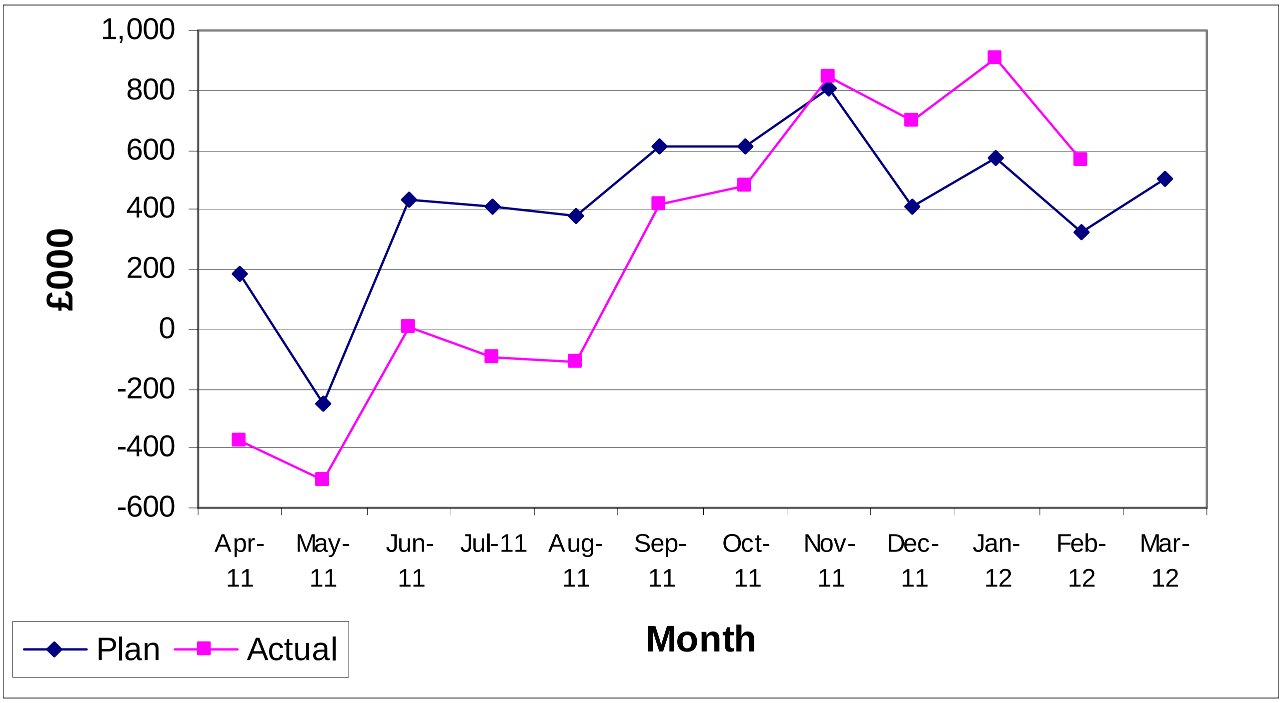
4.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £561k, which is £240k better than planned. This includes the in month deficit of £348k which is £98k worse than plan.

4.6. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £656k for the first 11 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 11 months of the year £443k funding has been added to budgets.

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

4.8. Land and Buildings, in –year capital programme (excluding equipment and IT) and life cycle costs associated with the PFI are to be reviewed by the District Valuer for impairments and the annual effect of any inflation/deflation. Any such loss in value may in the first instance be charged to the Revaluation reserve(where sufficient reserve exists) or to the I&E a/c. As a non FT impairments are excluded from the break even-requirement and will result in a lower level of capital charges for the Trust.

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



5. Divisional Analysis

5.1. The Divisional analysis which follows provides an overview of performance against budget at a divisional level.

5.2. The key purpose of this analysis is to identify key variances against budget. It should be noted that not all income and expenditure is devolved to budget holders, and that the income & expenditure position for each division should be viewed within this context. Key elements of the income & expenditure position not devolved include:

- PbR income which can span across a number of areas depending on nature of treatment.
- Non-operating expenditure such as depreciation, PDC and interest

FIGURE 3: Divisional Budget Analysis

Division		Current Month			Year To Date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Integrated Care & Acute Medicine	Income	1,669	1,568	101	12,802	12,274	528
	Expenditure	8,012	7,831	(181)	80,366	80,092	(273)
	Total	**(6,343)**	**(6,263)**	**(80)**	**(67,563)**	**(67,818)**	**(255)**
Surgery, Cancer & Diagnostics	Income	396	269	128	3,332	3,036	296
	Expenditure	4,824	4,644	(180)	53,177	51,850	(1,327)
	Total	**(4,428)**	**(4,376)**	**(52)**	**(49,844)**	**(48,813)**	**(1,031)**
Women, Children & Families	Income	1,086	1,147	(61)	11,923	12,128	(205)
	Expenditure	5,269	5,247	(22)	56,195	57,020	824
	Total	**(4,183)**	**(4,100)**	**(83)**	**(44,273)**	**(44,892)**	**619**
Corporate	Income	20,975	21,151	(176)	225,561	225,487	73
	Expenditure	5,252	5,472	220	50,734	50,689	(44)
	Total	**15,724**	**15,679**	**45**	**174,827**	**174,798**	**29**
Total	Income	24,127	24,135	(8)	253,618	252,926	692
	Expenditure	23,357	23,194	(163)	240,472	239,651	(821)
	EBITDA	**770**	**940**	**(171)**	**13,147**	**13,275**	**(128)**

5.3. Key variances identified are summarised as follows;

IC&AM

5.4. The overall divisional income & expenditure position shows an in month adverse variance of £80k (£255k YTD). The most significant variances within the division include:

- A&E (£124k pay overspend in month, £500k YTD). This is due to a combination of additional use of agency to backfill bank staff working for ambulatory care work and high levels of sickness/absence.
- Medical wards (£32k overspend in month, £292k YTD). This is due to the temporary staffing usage across medical wards to cover long-term sickness, vacancies and maternities.
- Pharmacy medicine (£561k YTD overspend) due to increasing drug costs.
- Significant pay underspends (£16k in month £1,107k YTD) within community teams due to vacancies which have not been fully covered by Bank / Agency staff, especially earlier in the financial year.

Surgery & Diagnostics:

5.5. The overall divisional income & expenditure position shows an in month adverse variance of £52k (£1,031k YTD). The most significant variances within the division include:

- Orthopaedic prosthetics (£52k overspend in month £376k YTD): This increased level of expenditure has resulted from a combination of increased activity volumes and a more complex and expensive levels of casemix.

- Acute surgical specialties (£24k overspend in month, 142k YTD) Material cost pressures which are expected to continue include Bed Hire Mgt (extra-contractual rental for bed hire management due to volume of patients this year, Unidentified CIP for 11/12, and GPSI and Locum Consultants required to run Dermatology service.
- Medical transport (£30k overspend in month 100k YTD): 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 (£21k in month overspend 67k YTD): The overspend in month is due to Consultant Locums and SpR bank required for higher levels of activity due to waiting list initiative.

Women & Children's

5.6. The overall divisional income & expenditure position shows an in month adverse variance of £83k (£619k favourable variance YTD). The most significant variances within the division include:

- Haringey Children's Services (£500K YTD under spend) has continuing vacancies of 24 wte, some of these are now being recruited to.
- Islington Children's has continued under spends across all areas apart from CAMHS (£217k) and Simmons House (£275k). The overall under spend in Non CAMHS areas is £1,164k, which includes Sexual Health (£304k), Speech & Language Therapy (£243k) and Universal Services (£301k). Under spends are primarily due to ongoing vacancies.
- There is an adverse variance within CAMHS (£217k) 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 £275k which is due to the level of day patient activity currently being below the required break even position
- Maternity (£462k YTD) due to high levels of agency/bank pay expenditure following high levels of sickness/absence.

Corporate Directorates

5.7. The overall position across corporate directorates is broadly in line with plan, with an in month favourable variance of £45k (£29k favourable variance YTD).

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity (January 2011), together with an initial estimate for the February position. On this basis the in month position shows an under performance against plan of £62k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services.

6.2. The assessment of the February 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 £180k, which is included in the in month position.

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

Description	Amount £000
January NHS income compared to Month 10 estimate	£16k
Estimated February adverse variance on NHS income	(£180k)
Community Services adverse performance (February)	(£86k)
Income Relating to Prior Year	£84k

Work in Progress – Critical Care	£22k
Other	£82k
Total in-month variance against NHS income plan	**(£62k)**

6.3. The current income and expenditure position is supported by £124k of net non recurrent provisions which have been released. This is made up of a £66k increase in income provisions. Net expenditure provisions for £190k 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 11 year to date surplus of £561k is replaced by an underlying deficit position of £1,301k.

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

		Recurrent (£000's)	Non-Recurrent (£000's)	Total (£000's)
M11 YTD Income	Recurrent income	253,037	-	253,037
	Provision release	-	820	820
	Provision increase	-	(886)	(886)
	Non Recurrent Income	-	648	648
	Total YTD Income	**253,037**	**582**	**253,619**
M11 YTD Expenditure	Recurrent expenditure	(269,580)	-	(269,580)
	provision release	-	1,932	1,932
	provision increase	-	(1,742)	(1,742)
	Non Recurrent Expenditure	-	(648)	(648)
	CIP	15,242	1,738	16,980
	Total YTD Expenditure	**(254,338)**	**1,280**	**(253,058)**
M11 YTD Net surplus/(deficit)		**(1,301)**	**1,862**	**561**

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 M10	YTD Actual To M10	YTD Variance To M10	In Month Variance M10	M10 Late Data Added
Block Contract/Adjustments	6,073	5,900	(173)	3	(22)
Elective Inpatients	7,255	7,187	(68)	(63)	0
Non-Elective Inpatients	40,137	39,769	(368)	(130)	6
Excess Beddays	3,263	2,979	(284)	(15)	0
Day Cases	10,351	10,423	72	(21)	1
Outpatient Procedures	3,036	3,132	96	(0)	(0)
Outpatient 1st Attends	10,240	10,118	(122)	(13)	(6)
Outpatient Follow Ups	13,397	13,326	(72)	(27)	(10)
Adult Critical Care	8,960	8,521	(439)	(143)	(7)
Paediatrics High Dependency	374	328	(46)	(5)	0
NICU High Dependancy Beddays	1,190	1,234	44	(9)	0
NICU Intensive Care Beddays	661	549	(112)	(13)	0
NICU Special Care Beddays	3,667	3,890	223	(2)	8
ED Attendances	7,284	7,392	108	13	3

Direct Access	7,997	8,188	190	46	0
Maternity Ultrasound	1,104	1,177	73	7	0
Other Activity	3,467	3,299	(169)	(35)	1
Grand Total	**128,456**	**127,412**	**(1,044)**	**(407)**	**(26)**

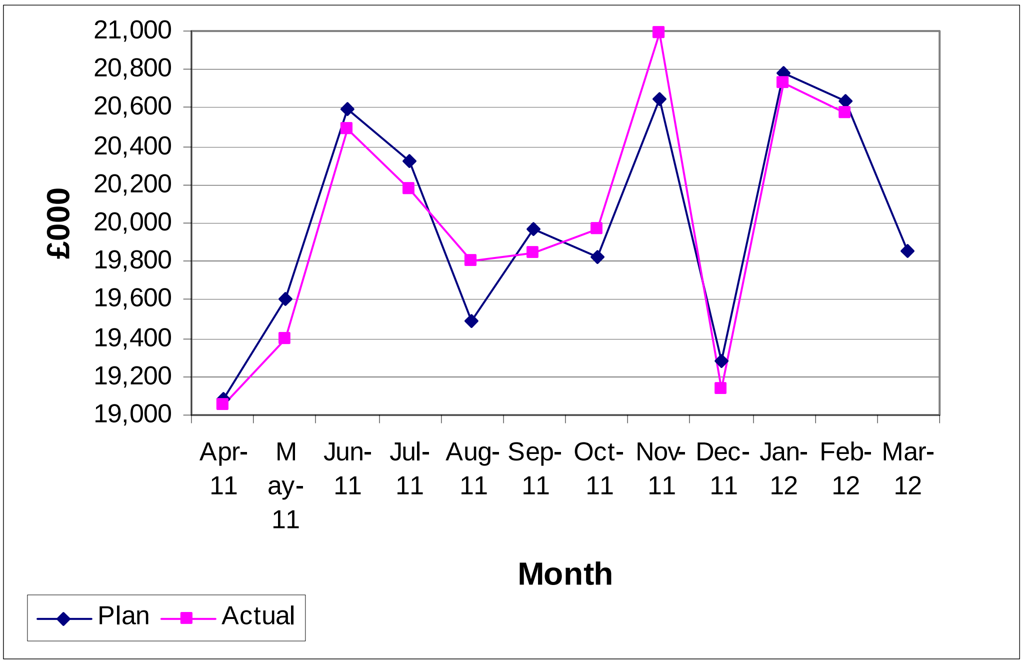
6.6. The year to date variance to Month 10 is shown net of the marginal tariff adjustment for non elective activity. In terms of the position reported to date, the NCL position is broadly in line with planned levels of activity and income.

6.7. Key points to note from the analysis of income (year to date variance to Month 10) are summarised as follows:

- The main areas of over performance relate to NICU special care (£223k) and Direct Access (£190k).
- The main areas where income is below the planned level include excess beddays (£284k), adult critical care (£439k) and non elective inpatients (£368k).

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 11 and £24,606k cumulatively. This is further illustrated in the following figure:

FIGURE 8: All Other Non Clinical Income

Description	Current Month			Year To Date			Annual
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	Budget £'000
Service Increment for Teaching & Research SIFT)	802	741	61	8,312	8,135	176	8,876
Medical & Dental Education Levy MADEL)	444	444	(0)	4,896	4,896	(0)	5,340
Non Medical Education & Training NMET)	197	230	(33)	2,025	2,081	(56)	2,311
Income from Service Level Agreements	513	500	13	5,392	5,253	139	5,609
Excellence Award Income	33	57	(25)	573	633	(60)	690
Income Generation e.g. car park, accommodation, canteen	97	104	(6)	954	1,105	(151)	1,208

Research & Development	61	46	15	743	556	188	602
Other	722	833	(111)	4,581	4,156	424	4,413
Total	**2,869**	**2,956**	**(87)**	**27,476**	**26,815**	**661**	**29,049**

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an over spend in month of £164k, with a cumulative over spend of £821k.

Pay Expenditure

7.2. The in month position shows an under spend of £204k and a cumulative under spend position of £3,365k for the year to date. The in month position is further illustrated in the following figure:

FIGURE 9: Summary Analysis of Month 11 Pay Expenditure

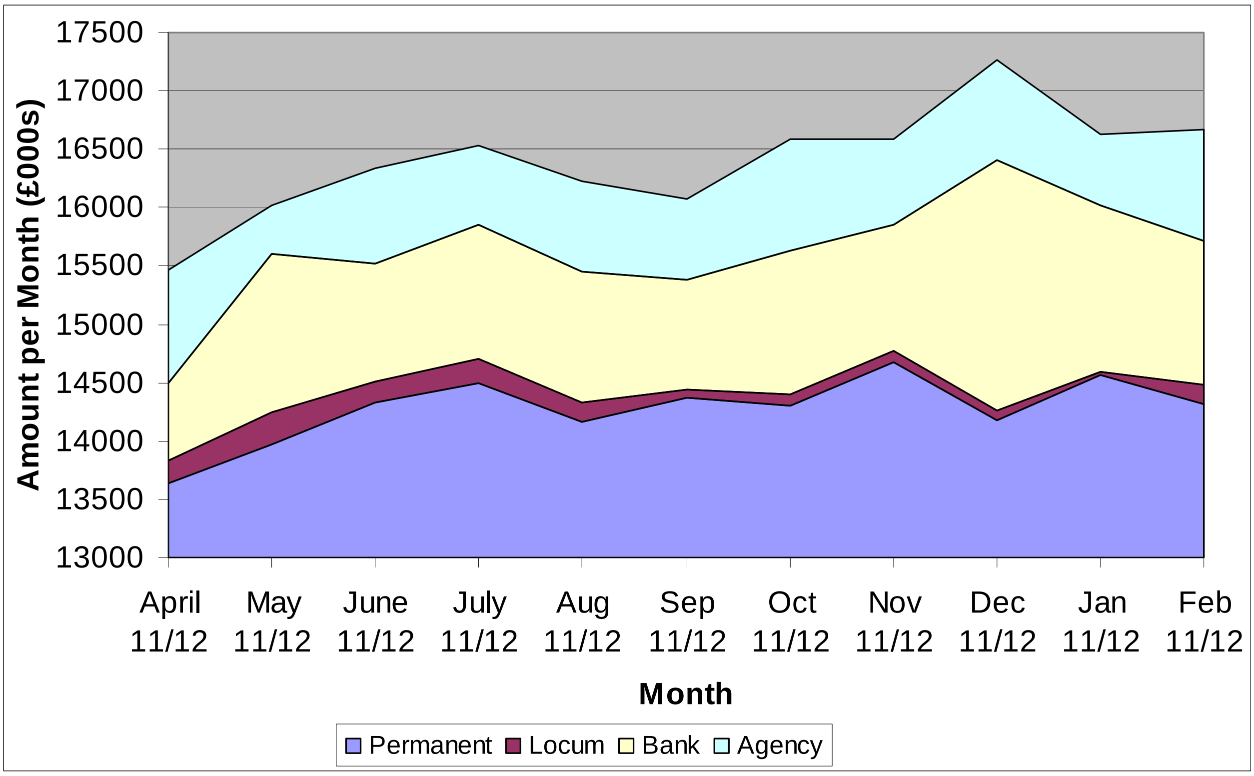
	Current Month							
Description	**Budget £000**	**Permanent £000**	**Bank £000**	**Locum £000**	**Agency £000**	**Total £000**	**Under / (Over) Spend £000**	**Annual Budget £'000**
Whittington								
Medical	2,731	2,530	87	136	129	**2,881**	(150)	33,901
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,097	3,451	381	0	298	**4,129**	(32)	48,857
Scientific, Therapeutic & Tech.	1,421	1,219	62	0	37	**1,318**	103	16,522
Admin. & Clerical	1,348	1,163	207	0	29	**1,399**	(51)	16,664
Other	1,777	1,471	54	0	106	**1,630**	147	14,652
Subtotal	**11,374**	**9,833**	**790**	**136**	**599**	**11,357**	**17**	**130,597**
Islington								
Medical	253	196	11	19	45	**270**	(17)	3,033
Dental	111	108	15	0	4	**127**	(16)	1,331
Nursing	1,222	1,051	69	0	116	**1,236**	(14)	14,621
Scientific, Therapeutic & Tech.	1,211	1,123	30	0	54	**1,207**	4	14,312
Admin. & Clerical	339	268	73	0	10	**351**	(12)	4,048
Other	96	75	0	0	0	**75**	21	1,280
Subtotal	**3,231**	**2,822**	**197**	**19**	**228**	**3,266**	**(34)**	**38,625**
Haringey								
Medical	83	55	0	14	1	**70**	13	1,016
Dental	63	60	1	0	0	**62**	1	753
Nursing	745	496	81	0	45	**622**	123	8,750
Scientific, Therapeutic & Tech.	698	616	9	0	48	**672**	25	8,492
Admin. & Clerical	414	184	140	0	0	**324**	89	5,016
Other	(5)	28	0	0	0	**28**	(33)	279
Subtotal	**1,997**	**1,439**	**231**	**14**	**94**	**1,778**	**218**	**24,306**
Haringey Children's								
Medical	88	153	1	0	(4)	149	(61)	910
Dental	0	0	0	0	0	0	(0)	(0)
Nursing	347	295	0	0	6	302	45	3,546
Scientific, Therapeutic & Tech.	226	182	8	0	23	213	12	2,221
Admin. & Clerical	96	87	3	0	2	91	5	1,016
Other	22	21	(1)	0	0	21	1	290
Subtotal	**779**	**738**	**10**	**0**	**27**	**776**	**3**	**7,982**
Total								
Medical	3,155	2,934	98	168	171	**3,370**	(215)	38,860
Dental	174	169	16	0	4	**188**	(14)	2,084
Nursing	6,410	5,293	531	0	465	**6,289**	121	75,774
Scientific, Therapeutic & Tech.	3,555	3,140	108	0	163	**3,410**	145	41,547
Admin. & Clerical	2,197	1,702	422	0	41	**2,165**	32	26,744

Other	1,890	1,595	53	0	106	**1,754**	136	16,501
Total	**17,381**	**14,832**	**1,229**	**168**	**949**	**17,177**	**204**	**201,509**

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- February 2012



Non Pay Expenditure

7.5. The overall non pay position shows an over spend of £359k, with a cumulative over spend of £893k, which is further illustrated in the following figure:

FIGURE 11: Summary Analysis of Month 11 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	23,188	2,204	1,970	(234)	23,198	21,224	(1,974)
Supplies & services – general	2,558	203	213	10	2,189	2,344	156
Establishment expenses	1,351	152	108	(44)	1,375	1,243	(132)
Premises & fixed costs	6,025	517	517	0	5,431	5,530	99
Other expenditure	9,863	824	779	(45)	7,670	8,909	1,239
Subtotal	**42,985**	**3,900**	**3,587**	**(313)**	**39,863**	**39,250**	**(613)**
Islington							
Clinical supplies & services	4,498	309	374	65	4,297	4,124	(173)
Supplies & services – general	4,704	408	392	(15)	4,350	4,312	(38)
Establishment expenses	387	50	33	(17)	364	354	(10)
Premises & fixed costs	253	95	21	(74)	408	232	(176)
Other expenditure	2,664	680	723	43	2,618	2,477	(141)
Subtotal	**12,506**	**1,542**	**1,543**	**1**	**12,037**	**11,499**	**(538)**
Haringey							
Clinical supplies & services	2,458	207	206	(2)	2,319	2,253	(67)
Supplies & services - general	3,899	388	323	(65)	3,385	3,576	190
Establishment expenses	488	49	41	(8)	507	447	(59)
Premises & fixed costs	218	19	18	(0)	245	200	(45)
Other expenditure	704	53	64	11	365	497	132
Subtotal	**7,767**	**715**	**652**	**(64)**	**6,822**	**6,973**	**151**
Haringey Children's							
Clinical supplies & services	90	(6)	9	15	64	81	17
Supplies & services - general	1	0	0	0	2	1	(0)
Establishment expenses	198	6	19	13	109	179	70
Premises & fixed costs	41	9	4	(5)	42	37	(6)
Other expenditure	83	14	8	(6)	49	75	26
Subtotal	**413**	**24**	**40**	**16**	**266**	**373**	**107**
Total							
Clinical supplies & services	30,234	2,714	2,558	(156)	29,878	27,681	(2,197)
Supplies & services - general	11,162	999	929	(70)	9,925	10,233	308
Establishment expenses	2,424	257	200	(57)	2,355	2,224	(131)
Premises & fixed costs	6,536	640	560	(80)	6,126	5,998	(128)
Other expenditure	13,315	1,570	1,574	3	10,703	11,958	1,255
Total	**63,671**	**6,181**	**5,822**	**(359)**	**58,987**	**58,094**	**(893)**

7.6. The overall position for the year to date shows an over spend of £893k, 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 February		**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 attributing some budget under-spends against the CIP target. 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, as at the end of February we have achieved 86.6% of the full £19.6 million cost improvements required to achieve the financial target at year-end. This is broadly in line with the profiled plan.

FIGURE 13: CIP Monthly Performance

Division	Full Year Target £'000	Target to Month 11 £'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	4,217	89%	4,463	106%	94%
Surgery & Diagnostics	3,279	2,860	87%	2,013	70%	61%
Women Children & Families	1,190	1,080	91%	1,701	158%	143%
Estates & Facilities	785	710	91%	798	112%	102%
Corporate Directorates & trust-wide initiatives	4,093	3,228	79%	2,715	84%	66%
Community Savings (identified pre-ICO)	4,400	4,033	92%	4,033	100%	92%
Other savings / benefits	976	895	92%	1,257	140%	129%
Total Identified CIPs	**19,450**	**17,023**	**88%**	**16,980**	**100%**	**87%**
Unidentified CIPs	150	138	92%	0	0	0
TOTAL	**19,600**	**17,160**	**88%**	**16,980**	**99%**	**87%**

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 £515k. This shortfall is effectively being delivered through tight budget management controls and additional savings agreed by the CIP Board to reduce staff costs which are enabling the Trust to deliver it's planned financial position.

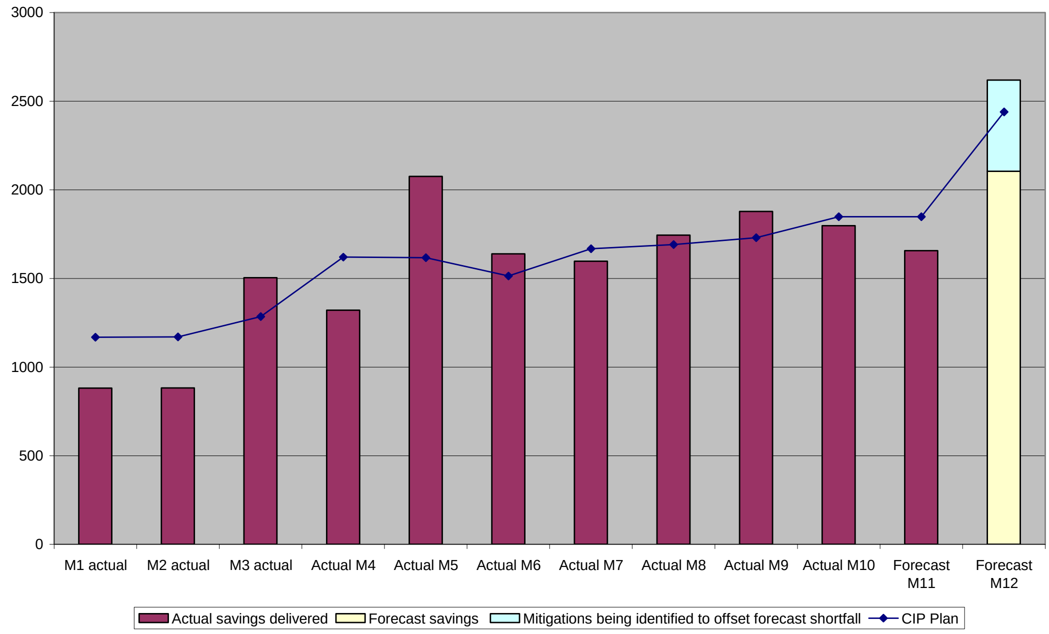
8.5. A proportion of the shortfall relates to schemes which are now assessed as unlikely to deliver savings by 31 March 2012 but are still being progressed towards implementation. These are being incorporated into the 2012/13 CIP programme.

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	14,961	13,174	15,148	1,974	17,034	2,073
Amber	2,966	2,517	1,513	(1,004)	1,681	(1,285)
Red	1,673	1,469	319	(1,150)	370	(1,303)
Headcount/ temp staff reductions					515	515
TOTAL	**19,600**	**17,160**	**16,980**	**(180)**	**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 further savings and continued tight management of budgets. This is being managed through reductions in the number of vacant posts recruited to, and through reduced usage of temporary staffing and agency.
- Close monitoring of delivery against schemes, and particularly those identified as being high risk.
- The ongoing consideration and development of mitigating / corrective action to address any shortfalls in delivery against current CIP schemes.
- Detailed project plans with accountable leads.
- Confirmation by lead directors that the schemes identified are feasible and realistic in all respects.
- Agreed phasing of actions and savings to be agreed, to enable monitoring to take place.
- Delivery 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 February was £15,574k. 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 February, 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 29th February, and the year end forecast position.

FIGURE 16: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2011 £'000	As at 29th February 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	130,022	133,289
Intangible assets	1,008	851	823
Trade and other receivables	2,800	2,910	2,058
Non-current assets	**136,493**	**133,784**	**136,170**
Inventories	1,064	1,104	1,078
Trade and other receivables	6,966	13,827	8,991
Cash and cash equivalents	3,199	15,574	6,035
Current assets	**11,229**	**30,505**	**16,104**
Trade and other payables	17,028	35,245	22,142
Borrowings	1,477	1,477	1,723
Provisions	3,633	3,117	4,447
Current liabilities	**22,137**	**39,838**	**28,312**
Borrowings	38,101	36,782	36,213
Provisions	1,937	1,678	1,738
Non-current liabilities	**40,038**	**38,460**	**37,951**
Total assets employed	**85,548**	**85,991**	**86,011**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	10,555	10,525
Revaluation reserve	27,315	27,230	27,280
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**85,991**	**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	5,384	58,272	14,291	47,350
Total paid within target	4,980	51,119	13,246	41,675
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 £561k (IFRS basis), which is £240k 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 £2,136k 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	276,095	276,970	276,970
Operating Expenditure	263,793	262,693	261,713
EBITDA	12,302	14,277	15,257
Non Operating Items	13,777	13,777	13,777
Net Surplus / (Deficit)	(1,475)	500	1,480
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(819)	1,156	2,136

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 £819k 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.