Whittington Health NHS

ITEM: 11

Trust Board Meeting

DATE:	27 June 2012

TITLE:	**Financial Position – Month 2 (May 2012)**

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 2 financial position.

EXECUTIVE SUMMARY:

1. Month 2 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month surplus of £309k, which is £468k worse than plan. The year to date deficit is £52k, which is £670k worse than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £14k.

1.2. The clinical income position is £220k above the Trust plan, this includes both acute and community services and is based on one months worth of fully coded activity and an estimate for May.

1.3. Included within the month 2 position is a favourable movement on income of £349k, which relates to the 2011/12 income position, the final outturn for which was higher than originally forecast. This additional income has contributed to an improved actual position and reduced adverse variance against plan.

2. 2012/13 CIP Position

2.1. The overall plan is dependent on the full achievement of a £13.1m (4.8%) CIP within the year. The most upto date assessment of schemes highlights the level of risk associated with non achievement as ranging between a best case position of £1.4 million and a worst case position of £4.6 million shortfall. The income & expenditure position as at month 2 includes estimated under achievement of £804k. Where slippage / non achievement against schemes occurs it is essential to the delivery of the financial plan that compensating schemes are identified.

3. Month 2 Balance Sheet & Cash

3.1. The impact of IFRS on the Trust relating to PFI is £305k, and donated assets is £79k, both of which are excluded from break-even duty performance.

3.2. The cash balance at the end of May was £10,036k. 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 £9,924k, which reflects the opening balance together with the planned surplus position and other movements in 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.

4. 2012/13 Forecast and Risks

4.1. The year to date position shows a deficit of £52k, which is £670k worse 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 £610k, a best case surplus position of £3,775k, with the most likely case consistent with the current planning assumptions of delivering a £3,120k surplus.

4.2. 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.

4.3. 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 (see paragraph 7.1).

4.4. **To achieve the forecast position, the focus of attention will need to be on the delivery of the CIP, robust budgetary control and restraint around the agreement of new cost pressures. 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 £630k have been agreed.**

PROPOSED ACTION:

The Trust Board is asked to

- **Note:** An in month surplus of £309k, which is £468k worse than planned.
- **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 estimated underperformance of £804k in the year to date. In order to deliver the planned position the CIP will need to be delivered in full.
- **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 2 Finance Report

5. Month 2 Financial Update

5.1. 2012/13 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £305k impact of IFRS on Private Finance Initiatives (PFIs) and the impact of donated assets (£79k) are excluded from the Trust's break-even duty. Impairments would also be excluded although none have been forecast at this stage.

5.2. An in month EBITDA position of £1.5m is reported, which is £0.5m less favourable 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 "*2012/13 Forecast and Risks*". At this stage the most likely position has been applied as the forecast position, which is consistent with current planning assumptions of delivering a £3,120k surplus at the year-end on an IFRS basis. **This forecast position is dependent on effective management of key risks identified, which require full delivery of CIP programme, containment of cost pressures and maintaining income at or above the planned position. Any adverse performance against the risks identified will need to be mitigated in full for the Trust to deliver against it's planned position.**

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

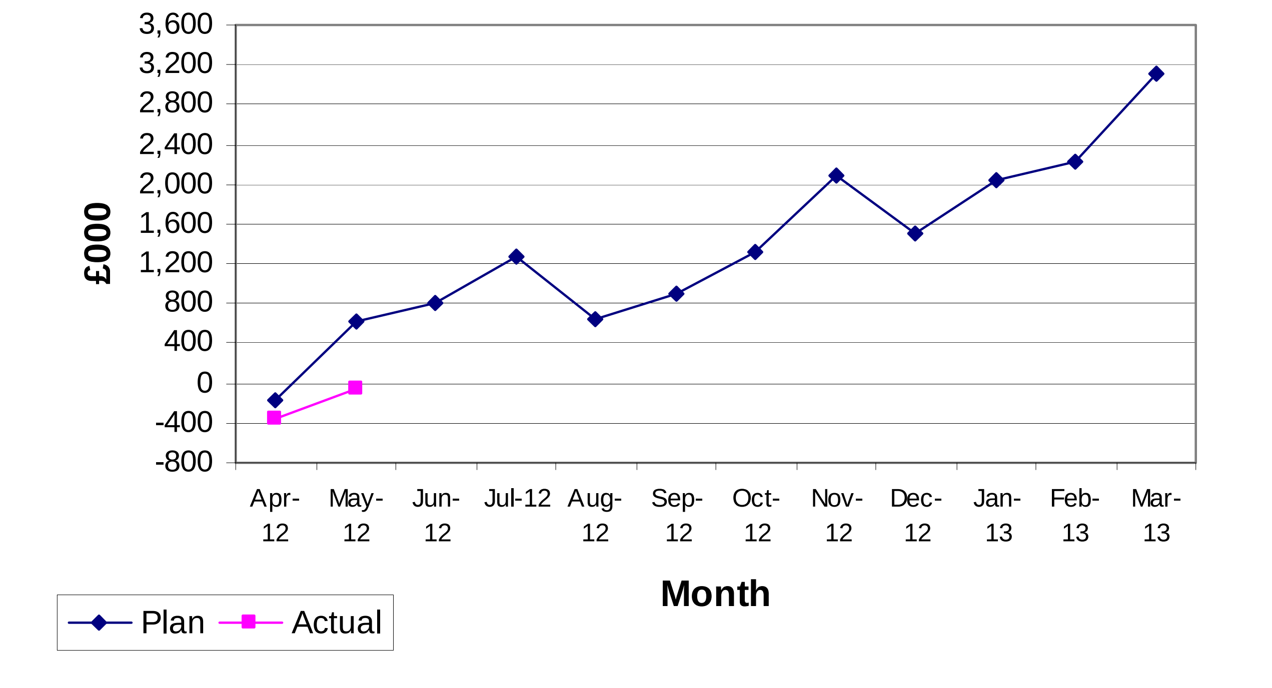
FIGURE 1: Income & Expenditure Summary – Consolidated Position

Description	Current Month			Year To Date			Annual Budget £'000	Year End Forecast £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000		
NHS Clinical Income	20,533	20,255	278	40,205	39,985	220	241,115	241,115
Non NHS Clinical Income	615	621	(6)	1,086	1,174	(88)	7,054	7,054
All Other Non Clinical Income	2,368	2,275	93	4,575	4,398	177	26,521	26,521
Total Income	**23,516**	**23,151**	**365**	**45,865**	**45,557**	**308**	**274,690**	**274,690**
Pay	16,925	16,131	(795)	33,154	32,140	(1,014)	190,790	190,790
Non Pay	5,102	5,036	(66)	10,437	10,471	35	66,406	66,406
Centrally Held Savings	-	28	28	-	-	-	-	-
Total Expenditure	**22,028**	**21,194**	**(833)**	**43,591**	**42,611**	**(979)**	**257,196**	**257,196**
EBITDA	**1,488**	**1,957**	**(469)**	**2,275**	**2,946**	**(671)**	**17,494**	**17,494**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	3	2	1	7	5	1	20	20
Less Interest Payable	227	226	(1)	442	441	(1)	2,651	2,651
Less Depreciation	732	733	0	1,431	1,431	-	8,975	8,975
Less PDC Dividend	223	223	(0)	461	461	-	2,771	2,771
Net Surplus / (Deficit)	**309**	**777**	**(468)**	**(52)**	**618**	**(670)**	**3,120**	**3,120**
Net Surplus / (Deficit) excluding PFI IFRS (***relevant for break-even duty***)	349	817	(468)	14	684	(670)	3,504	3,504

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date deficit position of £52k, which is £670k worse than planned. This includes the in month surplus of £309k which is £468k worse than plan.

5.6. The overall income & expenditure position is further summarised as follows:

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



6. Divisional Analysis

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

6.2. 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	1,139	957	182	2,104	1,901	203
	Expenditure	7,386	6,804	(582)	14,436	13,660	(776)
	Total	**(6,247)**	**(5,847)**	**(399)**	**(12,332)**	**(11,759)**	**(573)**
Surgery, Cancer & Diagnostics	Income	281	274	7	557	544	13
	Expenditure	4,939	4,629	(310)	9,706	9,255	(451)
	Total	**(4,658)**	**(4,355)**	**(302)**	**(9,149)**	**(8,711)**	**(439)**
Women, Children & Families	Income	1,064	1,204	(140)	2,099	2,224	(125)
	Expenditure	5,401	5,221	(180)	10,536	10,308	(228)
	Total	**(4,337)**	**(4,017)**	**(321)**	**(8,437)**	**(8,084)**	**(352)**
Corporate	Income	21,031	20,715	316	41,104	40,888	216
	Expenditure	5,481	5,719	238	11,240	11,717	477
	Total	**15,550**	**14,996**	**553**	**29,864**	**29,171**	**693**
Total	Income	23,515	23,150	365	45,864	45,557	307
	Expenditure	23,207	22,373	(834)	45,918	44,940	(978)
	EBITDA	**308**	**777**	**(468)**	**(54)**	**617**	**(670)**

6.3. Key variances identified are summarised as follows;

IC&AM

6.4. The overall divisional income & expenditure position shows an in month adverse variance of £399k (£573k YTD). The most significant variances within the division include:

- IC&AM Management (£82k overspend in month 109k YTD): This relates to the divisional CIP target which has not been achieved in full.
- A&E (£59k overspend in month, £91k YTD): This is due to a combination of additional use of agency to cover sickness/absence/maternity and a delay in achieving the CIP. This in turn reflects activity and performance pressures currently being experienced.
- Pharmacy medicine (£97k YTD overspend): This is due to not achieving non-pay efficiency target and drug expenditure overspend.
- Acute Assessment Unit wards (£39k overspend in month, £76k YTD). This relates to the temporary staffing usage to cover long-term sickness, vacancies, maternity leave and RMN special patients who require more intensive care.
- Significant pay underspends (£57k YTD) within community teams due to vacancies which have not been fully covered by Bank / Agency staff.

Surgery & Diagnostics:

6.5. The overall divisional income & expenditure position shows an in month adverse variance of £302k (£439k YTD). The most significant variances within the division include:

- Surgical Wards (£95k overspend in month £200k YTD): This relates to bank and agency nursing overspend due to 6 surgical beds planned for closure opened for surgical patients and medical outliers.
- Imaging (£63k in month overspend, 93k YTD): The overspend in month is due to SpR and admin staff bank usage, unidentified CIP, and overspends on clinical consumables.
- Theatres (£83k YTD): This relates to an increased level of expenditure in Non-pay overspend on MSSE and sterile disposables due to high levels of activity.
- SC&D Management (£49k overspend in month, £74k YTD): This is due to a divisional CIP target which has not been achieved in full.

Women & Children's

6.6. The overall divisional income & expenditure position shows an in month adverse variance of £321k (£352k YTD). The most significant variances within the division include:

- Midwifery (£101k expenditure overspend in month £168k YTD): This relates to due to high levels of agency/bank pay expenditure following high levels of sickness/absence.
- WC&F Management (£98k expenditure overspend in month £133k YTD): This is due to a divisional CIP target which has not been achieved in full.
- Obstetrics & Gynaecology (£44k overspend in month £111k YTD): This is due to a combination of high levels of bank/agency nursing expenditure due to 3 extra beds opened for medical outliers on Betty Mansell ward and medical agency expenditure relating to 2.3 WTE agency doctors booked over establishment.
- Haringey Children's Services have continued pay underspends in Health visiting (£44k YTD) and Community Paediatrics (£22k YTD) services due to vacancies which have not been fully covered by Bank / Agency staff.

Corporate Directorates

6.7. The overall divisional income & expenditure position for corporate services shows an in month positive variance of £553k (£693k YTD). This relates largely to additional income and central reserves.

7. Income Performance

7.1. NHS Clinical Income is reported based upon the latest coded activity (April 2012), together with an initial estimate for the May position. On this basis the in month position shows an over performance against plan of £278k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services.

7.2. The assessment of the May 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 a positive variance of £6k, which is included in the in month position.

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

Description	Amount £000
April NHS income compared to Month 1 estimate	£95k
Estimated May adverse variance on NHS income	£6k
Income Relating to Prior Year	£349k
Work in Progress – Critical Care	(£59k)
Other	(£113k)
Total in-month variance against NHS income plan	**(£62k)**

7.3. Included within the month 2 position is a favourable movement on income of £349k, which relates to the 2011/12 income position, the final outturn for which was higher than originally forecast.

7.4. The contract with NCL (the Trusts main commissioning agency) is based on a block arrangement. Included within this contract is the 2012/13 base contract offer which represents £220.3m, plus a risk share against the gap value of £1.46m. Of the risk share value 50% is guaranteed as a further reimbursement from NCL making £221.03m the full income value. The maximum potential risk to the organisation in respect of NCL income is therefore £0.73m in 2012/13. Over performance in 2012/13 relates to non NCL commissioners.

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

FIGURE 5: Income Performance by Patient Type

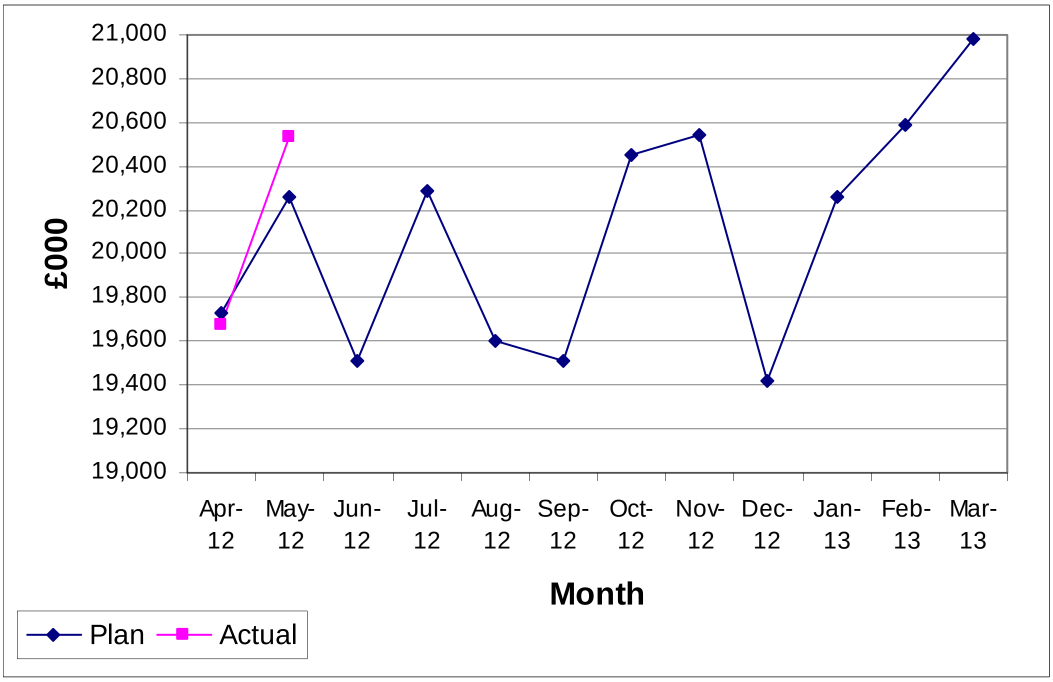
Point of Delivery	YTD SLA To M1	YTD Actual To M1	YTD Variance To M1	In Month Variance M1	Late Data Added
Block Contract/Adjustments	964	1,044	81	81	0
Elective Inpatients	645	669	23	23	0
Non-Elective Inpatients	3,796	3,814	18	18	0
Excess Beddays	241	237	(4)	(4)	0
Day Cases	920	930	10	10	0
Outpatient Procedures	225	227	2	2	0
Outpatient 1st Attends	926	923	(4)	(4)	0
Outpatient Follow Ups	1,113	1,121	8	8	0
Adult Critical Care	873	872	(1)	(1)	0
Paediatrics High Dependency	26	24	(2)	(2)	0
NICU High Dependancy Beddays	126	154	28	28	0
NICU Intensive Care Beddays	47	86	40	40	0
NICU Special Care Beddays	395	300	(96)	(96)	0
ED Attendances	816	810	(7)	(7)	0
Direct Access	833	834	1	1	0
Maternity Ultrasound	123	120	(3)	(3)	0
Other Activity	279	279	1	1	0
Grand Total	**12,348**	**12,443**	**95**	**95**	**0**

7.6. The analysis of clinical income (above) is based on only one months data, and so it is difficult to identify key trends. The key are of over performance shown in month 1 relates to block contract / adjustments (£81k) which includes a range of items such as cost per case drugs.

7.7. It should be noted that because there is a block contract in place with NCL, the opportunity for significant variances from plan will be limited. Over performance shown above is against non NCL contracts / non contract activity.

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

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



7.9. The total value of all other non clinical income highlighted in Figure 1 is £2,368k in Month 2 and £4,575k cumulatively. This is further illustrated in the following figure:

FIGURE 7: All Other Non Clinical Income

	Current Month			Year To Date			Annual
Description	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	Budget £'000
Service Increment for Teaching & Research SIFT)	712	730	(18)	1,463	1,463	(0)	8,778
Medical & Dental Education Levy MADEL)	453	491	(38)	937	936	1	5,616
Non Medical Education & Training NMET)	117	120	(2)	260	273	(12)	1,673
Income from Service Level Agreements	343	350	(7)	682	701	(19)	4,205
Excellence Award Income	52	58	(6)	92	115	(23)	690
Income Generation e.g. car park, accommodation, canteen	94	88	6	179	176	3	1,054
Research & Development	71	15	56	157	30	127	179
Other	526	424	102	805	705	100	4,327
Total	**2,368**	**2,275**	**93**	**4,575**	**4,398**	**177**	**26,521**

Cost pressures

7.10. 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 2012/13 unavoidable cost pressures which total £630k have been approved, the equivalent value for 2013/14 being £645k. This is further illustrated in the following figure:

FIGURE 8: Unavoidable Cost Pressures Approved in 2012/13

Division / Service	Description	2012/13 Cost Pressure £000's	2013/14 Cost Pressure £000's
Chief Operating Officer	Business Manager to Chief Operating Officer	15	7
Chief Operating Officer	Performance Manager Operations	75	75
Estates and Facilities	NWL Decontamination Report	96	96
Estates and Facilities	Accommodation	16	16
Estates and Facilities	UCLP	50	50
Estates and Facilities	NCL Transport	40	40
Estates and Facilities	Non Clinical risk and premises management	70	70
Facilities	Dartmouth Park House rent loss	16	16
HR	Band 7 ESR Employee Rollout	47	4
IC&AM	Additional 7/7 working	TBC	TBC
Nursing and Patient Experience	NHSLA Temporary Staffing Requirements	58	87
Strategy	Fundraising officer	33	50
S,C&D	Emergency Planning and Business Continuity Management	48	72
S,C&D	Orthogeriatrician	47	62
S,C&D	SC&D staff development	20	0
	Staff Conference/Nursing Event/Jubilee BBQ	TBC	TBC
	Board Development Programme	TBC	TBC
Total		**630**	**645**

8. Cost Improvement Programme (CIP)

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

8.2. At this relatively early stage in the year, monitoring data is not available for all the CIP schemes; in the absence of specific data, an assessment has been made based on past CIP track record and on bottom-line budget performance.

8.3. Across the organisation as a whole, savings have been delivered to the level of 62% of the profiled year to date target.

FIGURE 9: CIP Monthly Performance

Workstream	Full Year Target £'000	Target to Month 2 £'000	Proportion of annual target planned to date %	Actual saving delivered to date £'000	Proportion of profiled target delivered %
Productivity : Acute	1,881	248	13%	80	32%
Productivity : Community	2,080	302	15%	297	98%
Productivity : integration	424	56	13%	56	100%
Agency	580	97	17%	0	0%
Medicines	200	33	17%	33	100%
Procurement	849	139	16%	73	53%
Management of consumables	581	97	17%	0	0%
Estates / soft FM	700	83	12%	50	60%
Corporate overheads & management costs	448	68	15%	68	0%
LEAN projects	800	17	2%	0	0%
Sevrice transformation : acute bed base	2.093	342	16%	109	32%
CNST	342	57	17%	57	100%
Other service transformation	79	13	17%	0	0%
Income generation	605	97	16%	22	23%
Bal to fye of 11/12 programme	1,447	470	32%	470	100%
TOTAL	**13.108**	**2,119**	**16%**	**1,315**	**62%**

8.4. Across the organisation as a whole, savings have been delivered to the level of 62% of the profiled year to date target.

- Acute bed base reduction : although one medical ward was closed from mid-April, the ongoing pressure on the total bed base has prevented the surgical ward reconfiguration from proceeding.
- Nursing agency : the CIP target was to halve last year's level of expenditure, but so far in April and May, agency expenditure has continued at a level above the monthly average for last year.
- Staffing reductions have not been delivered, due to activity and other pressures (eg in ED and Midwifery);
- A number of organisational change processes are underway currently, but the associated savings targets relate to the full financial year;
- Delays in implementing some change management projects eg. The transition to paperless communications with patients and GPs.

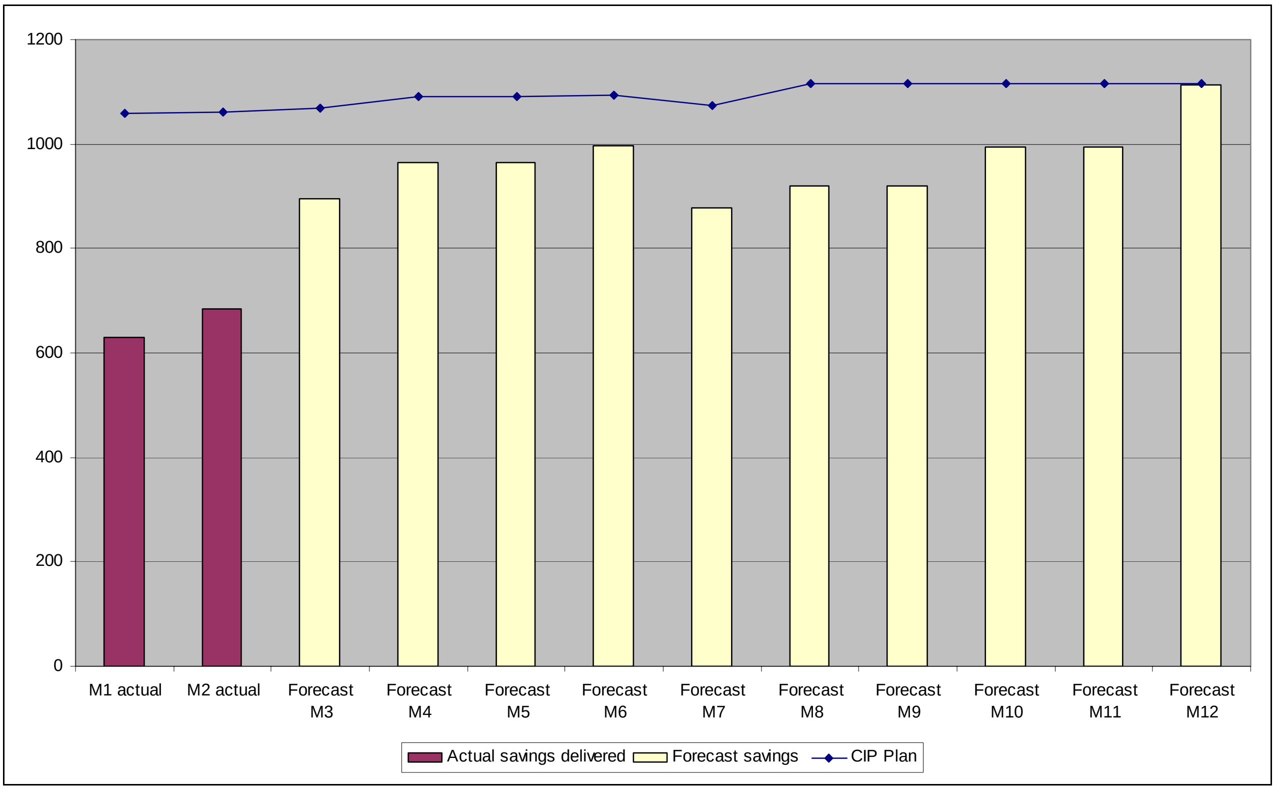
- Non-pay waste and inefficiency target : At the current time there is no specific monitoring data available. This is a general target and is expected to be challenging.

Forecast

8.5. At this relatively early stage in the year, there is a wide range of possible outcomes for many of the CIP schemes. Therefore the forecast has been compiled on the basis of a "best case" and "worst case" scenario for each scheme. The aggregate best case is a shortfall of £1.4 million against the £13.1 m target (assuming no mitigating actions or substitute savings are identified) and the worst case is a £4.6 m shortfall.

8.6. The month-by-month "mid-case" forecast savings (assuming no mitigations) are presented in the graph below.

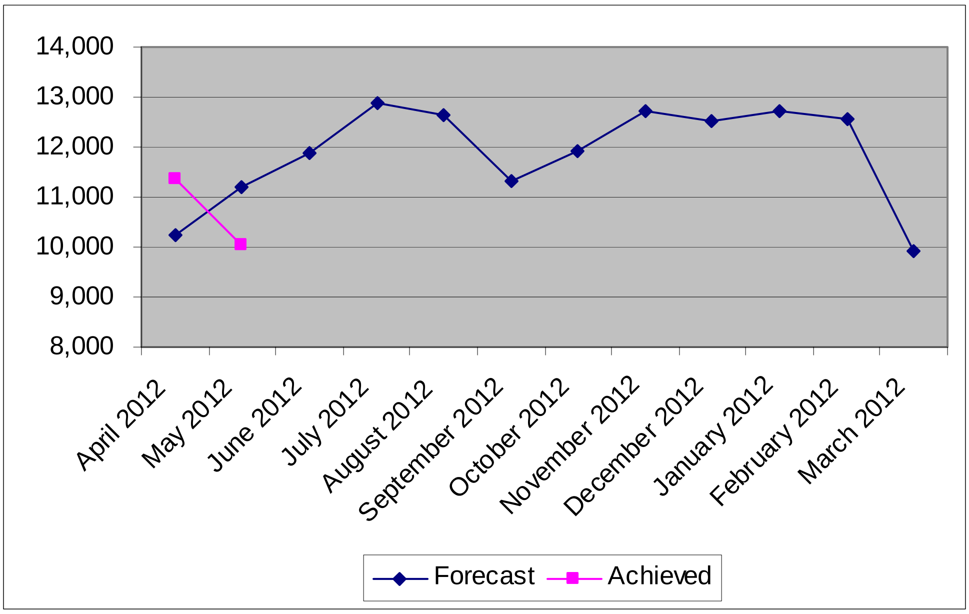
FIGURE 10: CIP Performance to Date / Forecast



9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of May was £10,036k against a planned balance of £11,205k.

FIGURE 11: Rolling Cash flow Forecast 2012/13



9.2. The cash balance at the end of May was £10,036k. The deterioration in the cash position during May was due largely to an increase in outgoings including the shortfall on CIP.

9.3. Good cash management and the ability to maintain positive cash balances over the course of the year will depend on strong budgetary control and delivery of the cost improvement programmes which underpin the financial plan, together with a focus on the following areas:

- 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

9.4. The balance sheet is summarised below, showing the opening and closing positions for May 2012.

FIGURE 12: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2012 £'000	As at 31st May 2012 £'000	As at 31st March 2013 £'000
Property, plant and equipment	136,944	135,642	137,385
Intangible assets	1,360	1,291	501
Trade and other receivables	2,022	1,980	1,998
Non-current assets	**140,325**	**138,914**	**139,884**
Inventories	1,115	1,119	1,078
Trade and other receivables	12,044	10,879	8,989
Cash and cash equivalents	9,933	10,036	9,924
Current assets	**23,092**	**22,033**	**19,991**
Trade and other payables	30,394	28,124	26,956
Borrowings	1,209	1,209	2,224
Provisions	3,403	3,357	561
Current liabilities	**35,007**	**32,690**	**29,741**
Borrowings	36,834	36,780	35,216
Provisions	1,771	1,724	2,043
Non-current liabilities	**38,606**	**38,504**	**37,259**
Total assets employed	**89,805**	**89,752**	**92,875**
Public dividend capital	53,206	53,206	53,206
Retained earnings	6,930	6,889	10,979
Revaluation reserve	29,669	29,657	28,690
Total taxpayers' equity	**89,805**	**89,752**	**92,875**

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 13: 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	979	11,918	2,422	8,968
Total paid within target	906	10,326	1,860	7,564
Percentage paid within target	93%	87%	77%	84%
2011/12 Performance				
Total bills paid	5,841	66,238	23,045	58,971
Total paid within target	5,401	57,963	21,676	52,705
Percentage paid within target	93%	88%	94%	89%

11. 2012/13 Forecast and Risks

11.1. The year to date position shows a deficit of £52k (IFRS basis), which is £670k worse than the planned position. In view of this, a risk assessed forecast outturn position has been developed providing an assessment of the worst case position, the best case position and the most likely position. The basis for each of these scenarios is set out as follows:

Worst Case Position

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

- Slippage / non delivery against CIP Plans: Within the CIP section of the report a scale of forecast slippage/non delivery as at Month 2 is identified, which ranges between £1.4m and £4.6m. For the purpose of the worst case position an assessment of £2.2m slippage/non delivery as the most probable unmitigated risk has been identified;
- Additional unavoidable cost pressures: Within the worst case position it is assumed that additional unmitigated cost pressures of £600k are included in the financial position;
- Underachievement against NCL income plans: Within the contract agreement with NCL, there is a risk share of which the Trusts maximum exposure is £730k. This has been partially mitigated by additional income relating to the previous year, as a result the unmitigated risk position included in the downside position is £330k.
- Underachievement against Non NCL income plans: A further risk has also been included of £600k which essentially relates to different assumptions relating to activity and income growth.

Likely Case

11.3. The likely case forms the basis of the current forecast included within the report, and assumes that a surplus of £3,120k to be made which increases to £3,504k 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; and
- 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% (£655k). This would provide for a best case surplus position of £3,775k, which equates to £4,159k 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 14: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	273,760	274,690	274,690
Operating Expenditure	259,996	257,196	256,541
EBITDA	13,764	17,494	18,149
Non Operating Items	14,374	14,374	14,374
Net Surplus / (Deficit)	(610)	3,120	3,775
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(226)	3,504	4,159

11.7. The forecast positions outlined are consistent with the latest FIMs return to the SHA, and show an unmitigated worst case deficit position of £610k, which equates to £226k 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. Given that there has been slippage in the first two months of the year – mitigations will need to be identified to bring the cumulative position back into line with the plan. The position for the remaining months of the year will continue to be monitored, and the likely forecast position will be updated accordingly.

11.9. In addition to the key risks identified and included in the worst case position (above) the following key risks remain and will need to be managed during the course of the year:

- Activity exceeds the agreed cap with NCL commissioners, incurring additional costs with no additional income through activity, although expected levels of cost have been reflected in the forecast.
- Increased non-achievement of CIP targets beyond the assessment made in the worst case position.
- Legal costs are higher than anticipated.
- Additional unavoidable cost pressures materialise.
- 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 which are not covered by the in year savings, and thus generating further cost pressures.

Mitigations

11.10. Delivery of the Trust CIP target of £13.1m: 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 Trust Operating Board which reviews the CIP programme on a regular basis, assessing savings on a scheme by scheme basis, agreeing RAG rated assessments of each. Where slippage is identified the Trust Operating Board will agree specific and measurable actions, to bring the position back into line. 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: It is too early in the year to identify key income trends, however the Month 2 position shows an over performance, which relates largely to additional income relating to 2011/12. This goes someway in mitigating the risk of income falling below planned levels. The Trust has a block contract in place with NCL – the main commissioner, which limits the extent to which under performance translates into lost income, with the maximum exposure relating to the risk share arrangement within the contract which places conditions on the receipt of £730k of income. The Trust is working with NCL in order to secure this income through agreement of schemes such as developing integrated care and increasing market share. 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 2012/13 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. Where unfunded cost pressures are agreed, further remedial measures will be required in order to bring the financial position back within plan.