Whittington Health NHS

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Whittington Health Trust Board Meeting

24 October 2012

Title:	**Financial Position – Month 6 (September 2012)**		
Agenda item:	**9**	**Paper**	**E**
Action requested:	For information & discussion.		
Executive Summary:	**This paper provides an overview of the year to date and year end forecast financial position. Key headlines include;** – In month deficit of £555k (£734k YTD) on an IFRS basis. Note, there is a planned deficit within month aligned to the activity and income profile within the block contract. This will revert to planned surplus positions in subsequent months. – The in month position is £295k better than plan (£57k adverse variance YTD). – The underlying position shows a deficit of £1,376k (£2,167k worse than plan). – Estimated CIP underperformance of £905k (YTD). – Significant restraint should be exercised in the approval of further cost pressures, unless absolutely unavoidable.		
Summary of recommendations:	That the Trust Board note the contents of this report.		
Fit with WH strategy:	– This report fits with the strategic objective to deliver efficient, effective services that improve outcomes for patients and service users, while providing value for every pound spent. – This report is also required to update the Trust Board of progress in achieving statutory financial requirements.		
Reference to related / other documents:			
Date paper completed:	15 October 2012		

Author name and title:		**Jim Davies Deputy Director of Finance**		**Director name and title:**		**Richard Martin Director of Finance**	
Date paper seen by EC		**Equality Impact Assessment complete?**		**Risk assessment undertaken?**		**Legal advice received?**	

Month 6 Finance Report

1 Introduction

- The purpose of this paper is to provide an overview of the year to date financial and year end forecast position.
- This report fits with the strategic objective to deliver efficient, effective services that improve outcomes for patients and service users, while providing value for every pound spent.
- This report is also required to update the Trust Board of progress in achieving statutory financial requirements.

2 Description of the proposals/ requirement

The Trust Board is asked to;

- **Note**: An in month deficit of £555k, which is £295k better than planned.
- **Note**: A year to date surplus of £734k, which is £57k worse than planned.
- **Note**: The year date position include non recurrent adjustments of £2,110k. The underlying position which excludes non recurrent adjustments shows a deficit of £1,376k which is £2,167k worse than plan. This position is not sustainable and it is imperative that recovery plans / mitigations are fully implemented.
- **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 2012/13 CIP position which shows estimated underperformance of £905k in the year to date. In order to deliver the planned position the CIP will need to be delivered in full.

3 Impact on the work of Whittington Health

- The Trust is monitored against its planned position by NHS London, failure to achieve this control total with NHS London, which result in closer performance management, and could also jeopardise the Trusts Foundation trust application.
- The Trust has a statutory requirement to meet its financial obligations, failure to do so could lead in direct intervention / imposition of turnaround arrangements by external bodies.

4 Next steps

- The Trust needs to improve the monthly run rate, in order to achieve the financial plan recurrently by the year end.
- An integral part of restoring the run rate is to get the CIP back in line with plan.

Appendix 1

Month 6 Finance Report

5. Month 6 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 £0.6m is reported, which is £0.3m more 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	19,025	19,394	(370)	119,579	118,561	1,018	239,493	240,678
Non NHS Clinical Income	556	640	(84)	3,373	3,619	(246)	7,205	6,959
All Other Non Clinical Income	2,467	2,329	138	14,728	14,084	644	27,960	28,604
Total Income	**22,048**	**22,364**	**(316)**	**137,680**	**136,264**	**1,416**	**274,658**	**276,241**
Pay	15,625	16,173	548	97,533	96,333	(1,199)	191,554	192,835
Non Pay	5,832	5,880	48	32,421	32,119	(302)	65,573	65,875
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	**21,457**	**22,053**	**596**	**129,954**	**128,453**	**(1,501)**	**257,127**	**258,710**
EBITDA	**591**	**311**	**280**	**7,726**	**7,812**	**(85)**	**17,531**	**17,531**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	16	2	15	35	12	23	20	20
Less Interest Payable	218	218	0	1,321	1,323	2	2,651	2,651
Less Depreciation	710	710	-	4,298	4,301	3	8,964	8,964
Less PDC Dividend	235	235	-	1,408	1,408	-	2,816	2,816
Net Surplus / (Deficit)	**(555)**	**(850)**	**295**	**734**	**791**	**(57)**	**3,120**	**3,120**
Net Surplus / (Deficit) excluding PFI IFRS (***relevant for break-even duty***)	(633)	(928)	295	841	899	(57)	3,504	3,504

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £734k, which is £57k worse than planned. This includes the in month deficit of £555k which is £295k better than plan.

5.6. An analysis of the underlying position, which excludes the effect of non recurrent adjustments of £2,110k shows a deficit position of £1,376k, which is £2,167k worse than planned, and a deterioration on the month 6 position, although it does represent an improvement in the average monthly run rate of £361k, from the month 5 year to date run rate of £411k.

FIGURE 2: Month 6 Underlying Financial Position

Detail	Reported Position £000	Underlying Position £000	Non Recurrent Adjustments £000
Income	137,680	136,431	1,249
Operating Expenditure	129,954	130,815	(861)
EBITDA	7,726	5,616	2,110
Non Operating Items	6,992	6,992	-
Net Surplus / (Deficit)	734	(1,376)	2,110
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	841	(1,269)	2,110
Variance from Plan	(57)	(2,167)	2,110

5.7. Based on the current run rate, a straight line forecast based on the year to date run rate would show a net underlying deficit position of £1,270k, which would be £4,390k worse than planned. In terms of the overall unmitigated forecast position, the non recurrent adjustments would be added back in to provide a surplus position of £840k, which would be £2,280k worse than planned. While there has been some improvement in the in month run rate, it continues to be essential that the run rate is significantly improved in the remaining months of the year, to avoid further deterioration in the underlying position. As part of this it is essential that recovery plans and mitigating actions identified are fully implemented. The figure below illustrates the consequence of no further improvement in the run rate. It should be noted that this position is unmitigated, and does not form the basis for the actual trust forecast position.

5.8. It is still expected that the target surplus of £3.1m will be achieved and non recurrent measures are available, even if there is a minimal improvement in the run rate.

FIGURE 3: Unmitigated Forecast Position Based on Current Run Rate

Detail	Underlying Position £000	UNMITIGATED Underlying Forecast Position £000	Non Recurrent Adjustments £000	Unmitigated Forecast Position £000
Income	136,431	274,992	1,249	276,241
Operating Expenditure	130,815	261,852	(861)	260,991
EBITDA	5,616	13,140	2,110	15,250
Non Operating Items	6,992	14,411	0	14,411
Net Surplus / (Deficit)	(1,376)	(1,270)	2,110	840
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(1,269)	(886)	2,110	1,224
Variance from Plan	(2,167)	(4,390)	2,110	(2,280)

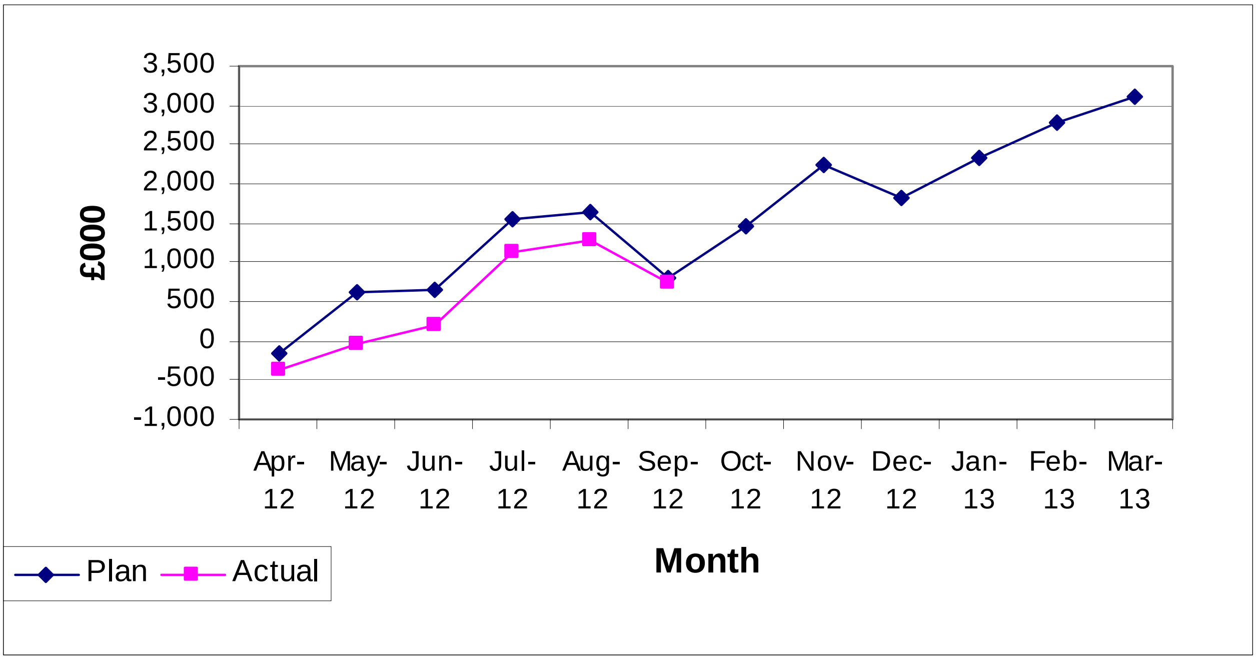
5.9. It is important to note that future year plans are dependent on the 2012/13 plan being delivered recurrently and in full. Any shortfall in the recurrent 12/13 plan will undermine the ability of the Trust to deliver future year plans (i.e. 13/14 onwards), without increasing the level of CIP required. Any shortfall at the year end could also be perceived by external assessors as a lack of capacity by the Trust to deliver against plans, and could in turn undermine confidence in future year plans.

5.10. The underlying position highlighted above shows an adverse run rate equating to circa £361k per month for the year to date, which is an improvement from the Month 5 position which showed an adverse run rate of £411k. In order to deliver the planned surplus by the year end it will be necessary to;

- Deliver an improved run rate for the remainder of the year, which as minimum on a monthly basis eliminates in full the £361k adverse variance which has been evident in the first six months of the year i.e. the month 7 to 12 positions would need to be in line with plan.
- Restoring the run rate in line with plan for the remainder of the year will prevent further deterioration in the position, however it will still be necessary to recover the adverse variance reported for the first five months i.e. £57k.
- As highlighted above future year plans are dependent on the delivery of this years plan – recurrently and in full. Therefore where non recurrent items are included in the 12/13 position, recurrent solutions will need to be identified in full, to prevent any compromise to the 13/14 plan.

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

FIGURE 4: 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 5: Divisional Budget Analysis

Division		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Integrated Care & Acute Medicine	Income	939	888	52	5,892	5,618	274
	Expenditure	7,155	7,062	(93)	42,819	41,254	(1,565)
	Total	**(6,216)**	**(6,175)**	**(41)**	**(36,926)**	**(35,636)**	**(1,290)**
Surgery, Cancer & Diagnostics	Income	290	277	13	1,708	1,648	60
	Expenditure	4,826	4,565	(260)	28,282	27,293	(989)
	Total	**(4,536)**	**(4,289)**	**(247)**	**(26,574)**	**(25,645)**	**(929)**
Women, Children & Families	Income	1,086	1,123	(37)	6,769	6,803	(34)
	Expenditure	5,104	5,148	43	31,076	30,801	(275)
	Total	**(4,018)**	**(4,024)**	**6**	**(24,306)**	**(23,997)**	**(309)**
Corporate	Income	19,733	20,076	(344)	123,311	122,195	1,116
	Expenditure	4,372	5,278	906	27,778	29,105	1,327
	Total	**15,361**	**14,799**	**562**	**95,533**	**93,090**	**2,443**
Total	Income	22,048	22,364	(316)	137,680	136,264	1,416
	Expenditure	21,457	22,053	596	129,954	128,453	(1,501)
	EBITDA	**591**	**311**	**280**	**7,726**	**7,812**	**(85)**

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 £41k (£1,290k YTD). The most significant variances within the division include:

- A&E (£33k overspend in month, £401k YTD): This is due to a combination of additional use of medical agency to cover junior doctors induction period, sickness / absence / maternity over and above budgeted levels and delays in achieving CIP due to the pressure of high activity levels and meeting the 4 hour target.
- COOP Wards (£33k overspend in month, £268k YTD): This relates to temporary staffing usage above budgeted levels to cover long-term sickness, vacancies and maternities and higher dependency patients "specials" on Meyrick ward requiring more intensive care.
- IC&AM Management (£61k underspend in month, £176k overspend YTD): This relates to slippage / non achievement of the Divisional CIP target as all targets not applied to specific areas are held here.
- Pharmacy medicine (£14k underspend in month, £137k YTD): The YTD overspending position relates to non-pay efficiency targets, which have not been achieved, together with over spends on drugs due to higher than planned volumes used.
- Long Term Conditions – Community (£75k underspend in month, £116k YTD): IAPT posts have been held vacant until filled by the next tranche of trainees starting in October. Within the Palliative Care and Community Respiratory Service additional income relating to prior year activity has been released. These underspends are partially offset by cost pressures within the Bowel & Bladder Service due to increases in product prices.
- Rehabilitation – Community (£58k underspend in month, £124k YTD): Continued vacancies within the ICTT service in Haringey and the Community Rehabilitation service in Islington. Pharmacy expenditure on Cavell Ward (formerly known as Greentrees) has been confirmed and is lower than had been recorded whilst the service was based on the St Anns site.

Surgery & Diagnostics:

6.5. The overall divisional income & expenditure position shows an in month negative variance of £247k (£929k adverse YTD). The most significant variances within the division include:

- Surgical Wards (£34k overspend in month, £288k overspend YTD): The rate of overspending reported in previous months has reduced due to the closure of surgical beds previously occupied with medical outlier patients. The in month overspend relates to non delivery of specific CIP plans.
- SC&D Management (£32k overspend in month, £262k YTD): This relates to slippage / non achievement of the Divisional CIP target.
- Imaging (£38k in month underspend, £118k overspend YTD): The underspend in month is due to the transfer of unidentified CIP target to

SC&D Management. The YTD overspend is due to increased levels of admin and SPR bank usage above budgeted levels to cover the waiting list initiative.

- Integrated Blood Sciences (£5k in month overspend, £51k YTD): A consultation on reorganisation planned to deliver CIP is experiencing delays therefore CIP isn't being delivered in line with plans. Additionally there are overspends on non-pay consumables due to activity levels above plan.
- ITU (£71k overspend in month, £172k underspend YTD): The overspend in month is due to the intensity of care increasing with subsequent temporary staffing demand. The YTD underspend is largely due to reduced levels of agency staff, together with changes to skill mix and improved efficiency in matching staff to activity levels.
- Community Dental Services (£9k underspend in month, £26k underspend YTD): Community Dental Services has a continued surplus due to fully achieving all of its KPI and UDA (Units of Dental Activity) targets for 12/13.

Women & Children's

6.6. The overall divisional income & expenditure position shows an in month positive variance of £6k (£309k adverse YTD). The most significant variances within the division include:

- Midwifery (£24k expenditure overspend in month £269k YTD): There continues to be high levels of agency and bank pay as a result of high levels of sickness / absence above budgeted levels. This has reduced from previous months and expenditure relating to maternity cover has now been transferred from central WC&F budgets.
- Women's Health (Obstetrics & Gynaecology) (£13k overspend in month £173k YTD): The three extra medical outlier beds that were closed in month 3 were reopened in month 5 and this is where a large element of agency spend is incurred.
- Acute Paediatric Wards & NICU (£19k overspend in month, £93k YTD). The YTD overspend is due to a combination of high levels of activity, an increase in the use of agency nurses above budgeted levels and the inability of the service to achieve all of its staff productivity CIP.
- Universal Services (£25k underspend in month, £73k YTD). The year to date position is primarily due to continuing Health Visitor vacancies although recruitment is going ahead and will enable the service to fully achieve newborn visit targets. Income targets with regard to Newborn Hearing Screening and despite an increase in establishment within this service income is still higher than spend.
- Speech & Language Therapy (£6k underspend in month, £61k YTD). In addition to a number of vacancies within the Camden SLT service, income for the Michael Palin Stammering centre from outside of North Central London is high for the first six months of the year (£41k surplus).

Corporate Directorates

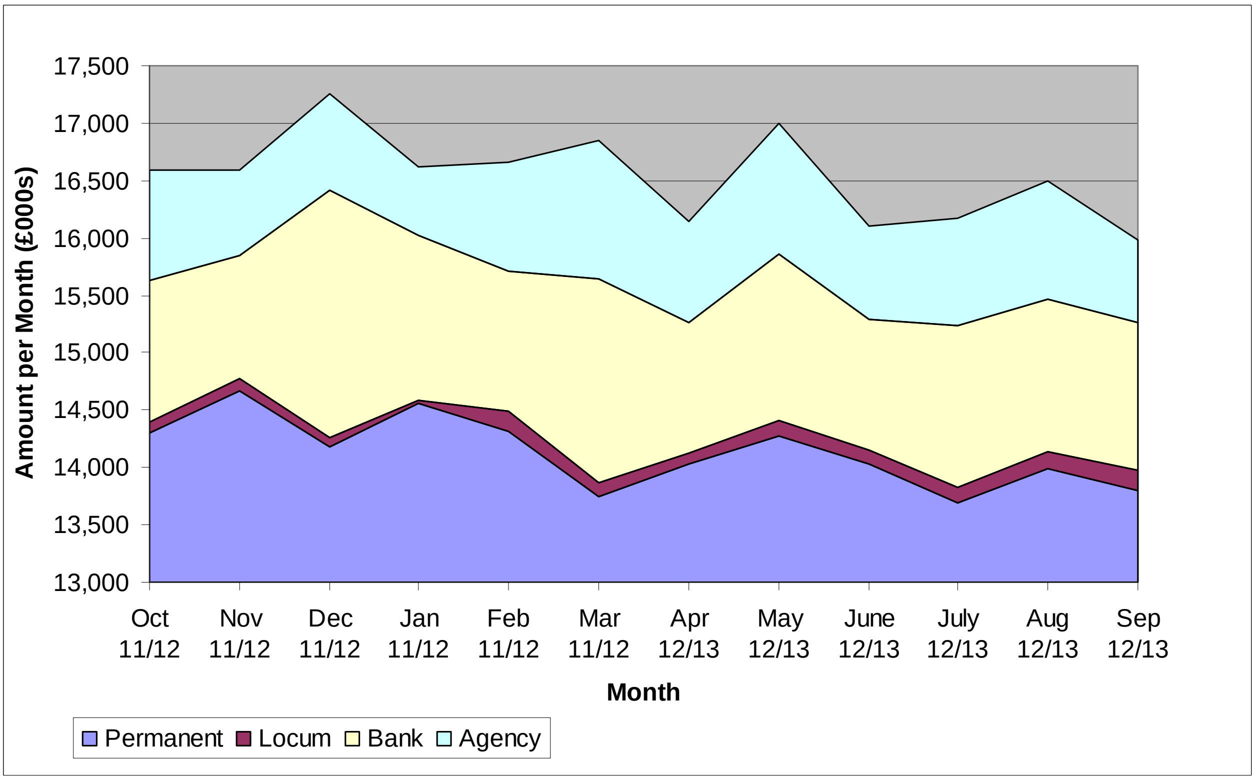
6.7. The overall divisional income & expenditure position for corporate services shows an in month positive variance of £562k (£2,443k YTD). This relates largely to additional income and central reserves and a non-recurrent benefit resulting from release of provisions described in the report. Significant variances worth highlighting within the Corporate position include ICT (£46k underspend in month, £263k YTD) which is predominantly due to external staff recharges and a further update will be provided following investigation.

Pay Expenditure

6.8. In terms of the overall year to date expenditure position £1,199k of the over spend relates to pay costs. The following figure provides a further analysis of staffing costs, providing the trend for the last 12 months.

6.9. The significantly reduced level of expenditure in month is influenced by circa £400k.

FIGURE 6: Whittington Health Staffing Expenditure Trends October 2011-September 2012



7. Income Performance

7.1. NHS Clinical Income is reported based upon the latest coded activity (August 2012), together with an initial estimate for the September position. On this basis the in month position shows an under performance against plan of £370k.

7.2. A key variance contained within the underperformance relates to the fully coded clinical income position for August differing from the previous early assessment included within the M5 position by £216k. This is due to the timing of when data is fully coded on the PAS system which can affect the initial value estimated.

7.3. The assessment of the September 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 £44k, which is included in the in month position.

FIGURE 7: Comparison of NHS Clinical Income Against the Planned Position

Description	Amount £000
August NHS income compared to Month 5 estimate	(216)
Estimated September adverse variance on NHS income	44
Income Relating to Prior Year	(87)
Work in Progress – Critical Care	42
Other	(154)
Total in-month variance against NHS income plan	**(370)**

7.4. Included within the cumulative position to month 6 is a favourable movement on income of £1,249k which relates to the previous year.

7.5. 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. This risk has to a large extent been mitigated as a result of additional income identified and reported relating to the previous year. Over performance in 2012/13 relates to non NCL commissioners.

7.6. Over performance against income targets in the year to date relates largely to non NCL commissioners.

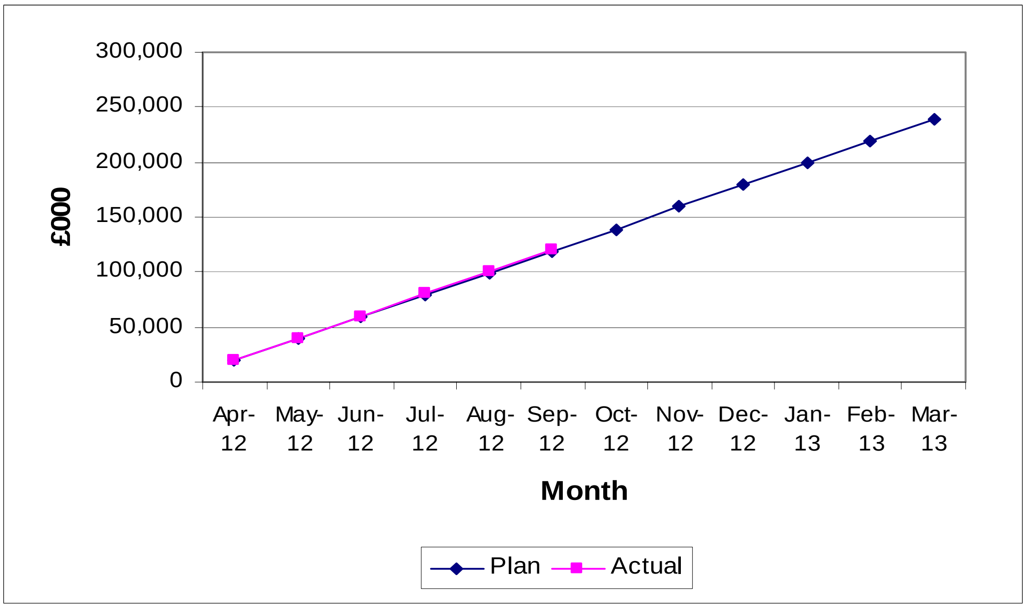
7.7. Figure 7 provides an overview of total clinical income for Month 6, and contains a combination of actuals and estimates. Figure 8 provides an overview of actuals, based on month 1 – 5 activity, relating specifically to acute activity, and showing income performance by patient type:

FIGURE 8: Income Performance by Patient Type

Point of Delivery	Year to date (to Month 5) Plan £000	Actual £000	Variance £000	In Month Variance £000	Late Data Added £000
Block Contract/Adjustments	4,094	4,120	27	(4)	0
Elective Inpatients	3,507	3,532	25	(32)	2
Non-Elective Inpatients	19,037	19,081	44	(27)	5
Excess Beddays	1,151	1,152	1	(4)	0
Day Cases	4,999	5,027	28	(2)	28
Outpatient Procedures	1,223	1,226	3	(1)	0
Outpatient 1st Attends	5,033	5,017	(15)	(3)	4
Outpatient Follow Ups	6,048	6,092	44	1	3
Adult Critical Care	4,371	4,366	(5)	(33)	0
Paediatrics High Dependency	128	124	(4)	0	0
NICU High Dependancy Beddays	628	737	109	21	1
NICU Intensive Care Beddays	234	318	84	(1)	(1)
NICU Special Care Beddays	1,977	1,835	(141)	(40)	2
ED Attendances	4,090	4,096	6	9	(0)
Direct Access	4,165	4,167	1	(1)	1
Maternity Ultrasound	666	662	(4)	(2)	0
Other Activity	1,492	1,487	(5)	(3)	13
Grand Total	**62,841**	**63,039**	**198**	**(122)**	**57**

7.8. The figure illustrates the variance against plan after applying adjustments to reflect the block contract arrangement with NCL, which makes up the largest part of the clinical income position. The position in terms of NCL is broadly in line with the planned position. The over performance of £198k relates to non NCL commissioners.

FIGURE 9: Performance Against Internal Clinical Income Plan – In Month



7.9. The total value of all other non clinical income highlighted in Figure 1 is £2,467k in Month 6 and £14,728k cumulatively. This is further illustrated in the following figure:

FIGURE 10: 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)	472	471	1	2,835	2,831	4	5,649
Medical & Dental Education Levy MADEL)	751	751	(0)	4,506	4,506	(0)	9,012
Non Medical Education & Training NMET)	180	150	30	913	867	45	1,697
Income from Service Level Agreements	323	350	(28)	2,102	2,102	(0)	4,205
Excellence Award Income	40	52	(11)	185	311	(126)	621
Income Generation e.g. car park, accommodation, canteen	81	88	(7)	527	527	0	1,054
Research & Development	125	43	82	516	300	216	557
Other	495	424	71	3,144	2,639	505	5,165
Total	**2,467**	**2,329**	**138**	**14,728**	**14,084**	**644**	**27,960**

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 £981k have been approved, the equivalent value for 2013/14 being £623k. This is further illustrated in the following figure:

FIGURE 11: 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
Corporate	Information Governance	14	14
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
Medical Director	GMC revalidation support system	16	28
Nursing and Patient Experience	NHSLA Temporary Staffing Requirements	58	87
Nursing and Patient Experience	Health Assure system CQC	61	36
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
S,C&D	Endoscopy suite equipment	131	36
S,C&D	Point of Care Testing	26	52
Strategy	Fundraising officer	33	50
Trust-wide	Staff Conference/Nursing Event/Jubilee BBQ	TBC	TBC
Trust-wide	Board Development Programme	TBC	TBC
Trust-wide	CBRN replacement equipment	25	4
Trust-wide	WEALTH evaluation report	25	14
W,C&F	Simmonds house – additional beds	75	(183)
Trust-wide	Additional non recurrent programme staff	TBC	TBC
Trust-wide	Patient administration process support and implementation	74	74
Total		**981**	**623**

8. Cost Improvement Programme (CIP)

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

Across the organisation as a whole, savings have been delivered to the level of 86% of the profiled year to date target, an improvement from last month's 80%.

8.2. This improvement is largely due to the better identification of the value of delivered CIP schemes.

8.3. Some changes to the targets have been approved this month by the CIP Board; abandoned schemes have been removed from the target and replaced with agreed substitute schemes. The allocation of the 12/13 target in figure 10 has been amended to reflect these changes.

FIGURE 12: CIP Monthly Performance

Workstream	Latest 12/13 Target £'000	Target to Month 6 £'000	Proportion of annual target planned to date %	Actual saving delivered to date £'000	Proportion of profiled target delivered %
Productivity : Acute	1,866	763	41%	809	106%
Productivity : Community	2,012	944	47%	975	103%
Productivity : integration	678	224	33%	462	206%
Agency staff	580	290	50%	0	0%
Medicines management	200	100	50%	125	125%
Procurement	849	418	49%	280	67%
Management of consumables	581	290	50%	70	24%
Estates / soft FM	708	229	32%	125	55%
Corporate overheads & management costs	481	232	48%	251	108%
LEAN project	500	0	0%	0	0%
E-communications	100	50	50%	0	0%
Service transformation : acute bed base	2,093	1,025	49%	778	76%
CNST	342	171	50%	171	100%
Other service transformation	79	39	50%	0	0%
Income generation	605	299	49%	125	42%
Bal to fye of 11/12 programme	1,447	1,410	97%	1,410	100%
TOTAL	**13,122**	**6,486**	**49%**	**5,581**	**86%**

8.4. The major reasons for shortfall against the year-to-date target are:

- Acute bed base reduction : it is not possible to recover the financial impact of the delays in closing medical and surgical beds at the start of the year, and the planned surgical bed base reduction has not yet been fully achieved, due to continuing levels of medical patient activity.
- Nursing agency : the CIP target was to halve last year's level of expenditure, but in the period April-September actual nursing agency expenditure has been running above the level of 2011/12 expenditure, although the run-rate is broadly on a downward trend.
- A number of organisational change processes are underway currently or are scheduled to commence later in the year, however the associated savings targets relate to a full financial year, so these are reporting a non-recurrent YTD shortfall;
- Delays in implementing some change management projects, compared to the timescales in the original CIP plan;
- The "management of consumables" target remain challenging in some parts of the organisation, where stock control and management is already well developed;

Forecast

8.5. The forecast has again been compiled on the basis of a "best case" and "worst case" scenario for each scheme. The extent to which additional financial mitigations will be needed to address a shortfall in delivery against the CIP targets is illustrated in Figure 11 below. This illustrates how the likely case forecast of project delivery has improved by a net £330k since last month. This is largely due to better identification of actual and potential delivered savings in a number of areas (including Health Centre administration, procurement, skill-mix changes in ITU, agency nursing).

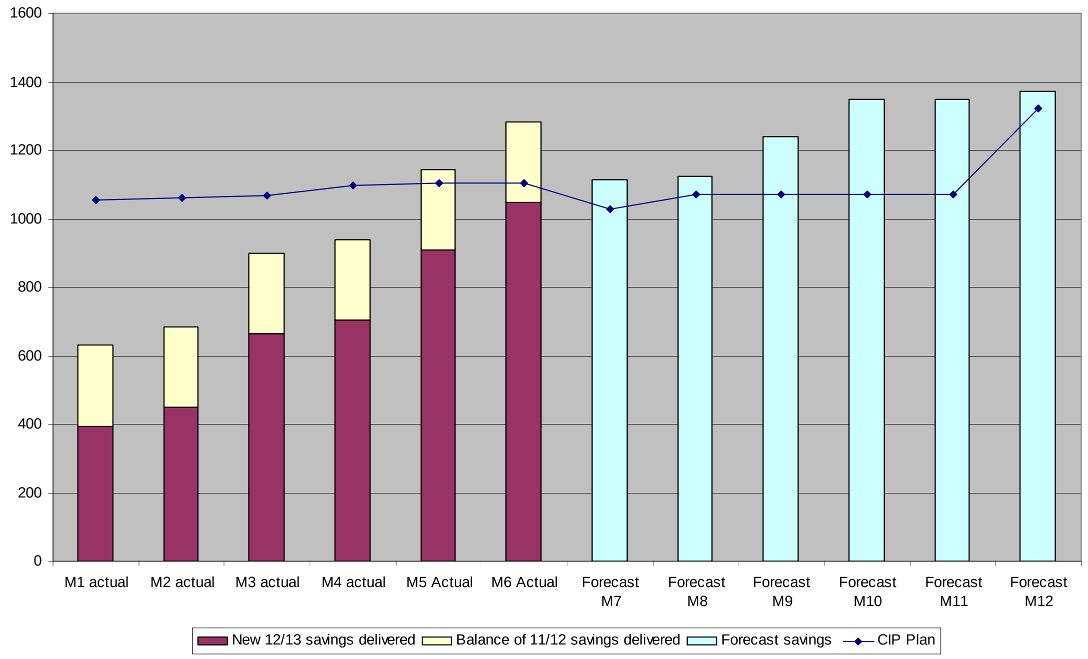
Figure 11 : CIPs and Mitigations : range of year-end forecasts

	Month 6 Likely Case £m	Month 6 Likely Case £m	Month 6 Best Case £m	Month 6 Worst Case £m
CIP projects	11.08	11.35	11.79	10.43
Bariatric reserve	0.65	0.65	0.65	0.0
Pay reserve	1.0	0.785	0.68	0.0
Vacancy Scrutiny Panel	0.38	0.331	0.0	0.0
Total benefit	13.11	13.12	13.12	10.43

8.6. The “likely case” forecast is that the £13.1 m target will be met in full.

8.7. The month-by-month “likely-case” forecast savings (including substitutes and mitigations identified to date) is presented in the graph below.

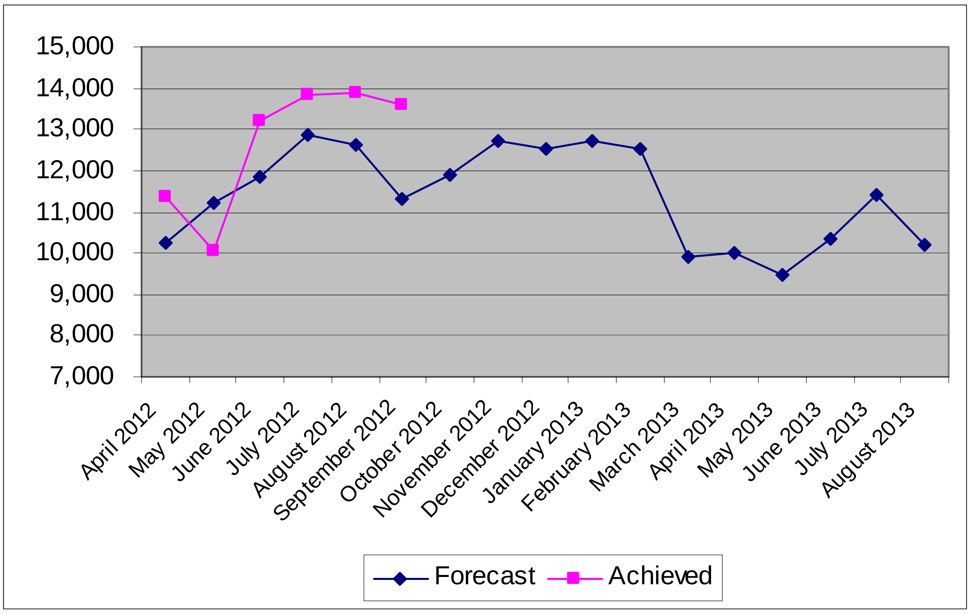
FIGURE 13: CIP Performance to Date / Forecast



9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of September was £13,606k against a planned balance of £11,306k.

FIGURE 14: Rolling Cash flow Forecast 2012/13



9.2. The cash balance at the end of September was £13,606k.

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.
- Significant old year debts with NCL continue to remain outstanding, and prudent provisions have been made within the accounts. In order to maintain liquidity, a similar value of NCL creditors in respect of "old year" are being held in respect of estates pass through costs. Efforts continue to be made by the Trust to effect a resolution.

9.4. The balance sheet is summarised below, showing the opening position for the year, the closing position for September 2012 and the forecast outturn for the year.

FIGURE 15: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2012 £'000	As at 31st September 2012 £'000	As at 31st March 2013 £'000
Property, plant and equipment	136,944	134,799	139,003
Intangible assets	1,360	1,259	1,040
Trade and other receivables	2,022	2,132	2,470
Non-current assets	**140,325**	**138,190**	**142,512**
Inventories	1,115	1,269	1,269
Trade and other receivables	12,044	9,845	7,803
Cash and cash equivalents	9,933	13,606	9,924
Current assets	**23,092**	**24,720**	**18,996**
Trade and other payables	30,394	31,052	28,791
Borrowings	1,209	1,209	1,209
Provisions	3,403	2,538	183
Current liabilities	**35,007**	**34,799**	**30,183**
Net Current Liabilities	**11,915**	**10,079**	**11,187**
Borrowings	36,834	35,897	36,731
Provisions	1,771	1,675	1,669
Non-current liabilities	**38,606**	**37,572**	**38,401**
Total assets employed	**89,805**	**90,539**	**92,925**
Public dividend capital	53,206	53,206	53,206
Retained earnings	6,930	7,694	10,110
Revaluation reserve	29,669	29,639	29,608
Total taxpayers' equity	**89,805**	**90,539**	**92,925**

10. Capital Plan

10.1. Total planned capital expenditure for 2012/13 is £10,438k. This represents a charge of £10,320k against the Trusts capital resource limit (CRL) plus a donated asset of £118k for the sensory gardens, paid for by charitable funds.

10.2. Total planned expenditure for the year to date is £2,198k, against which £1,942k has been spent, a variance of £256k. While expenditure is lower than plan for the first six months of the year, it is expected that the year end position will be in line with plan, and the variance highlighted will be offset over the remaining months of the year.

10.3. Total capital payments in the year to date total £3,926k, of which £3,044k relate to payments to offset 11/12 creditors.

11. Payment of Creditors

11.1. 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.

11.2. The Trust's performance, which is measured both in terms of volume and value, is illustrated below. The deterioration in performance in respect of NHS payables relates to pass through payments payable to NCL which are currently on hold. Payments are currently being withheld because of the level of outstanding debts owed by NCL to the Trust, and to maintain some equilibrium in terms of cash balances. The deterioration in Non NHS payables compared to last year have coincided with the roll out of e-procurement, and it is anticipated that this performance will improve over the coming months.

FIGURE 16: Better Payments Practice Code

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
Current Year to Date Performance				
Total bills paid	2,620	41,106	9,921	28,641
Total paid within target	2,432	30,914	5,668	21,040
Percentage paid within target	93%	75%	57%	74%
2011/12 Performance				
Total bills paid	5,841	66,238	23,045	58,971
Total paid within target	5,381	57,963	14,817	52,705
Percentage paid within target	92%	88%	64%	89%

12. Analysis of Debtors and Aged Debt

12.1. As at Month 6, the total value of debtors was £3,533k, an improvement on the Month 5 position (£7,359k), and is illustrated in the following figure. (This is a lower value than the line within the Balance Sheet (Figure 13), "Trade & Other Receivables", which shows a figure of £9,845k. The figure within the balance sheet includes accruals and prepayments as well as debtors).

12.2. The table below highlights the value of outstanding Debtors that have been raised by way of an invoice. Separate provision has been made for credit notes and therefore the net exposure is a lower sum.

FIGURE 17: Analysis of Debtors and Aged Debt

NHS Debtors	Number of Days Range: 30 Days & Under	30 - 60 Days	60 - 90 Days	> 90 Days	> 365 Days	Grand Total
NHS Haringey	182	(399)	1	863	129	776
NHS Islington	86	115	122	(178)	526	671
The Royal Free & Hampstead FT	147	1	-	5	-	153
NHS Brent	31	7	45	25	-	108
CNWL NHS FT	92	-	-	-	-	92
WEST SUSSEX PCT	7	11	7	66	-	91
NHS Croydon	10	10	9	46	-	75
NHS London	71	-	2	-	-	73
NHS Luton	16	10	22	11	-	60
NHS Hillingdon	9	0	(1)	48	-	56
Other NHS	248	(49)	167	(707)	85	(255)
Subtotal NHS Debtors	**899**	**(293)**	**374**	**180**	**740**	**1,900**
Other Non NHS Debtors	643	175	736	97	(17)	1,633
NHS Total:	**1,542**	**(118)**	**1,110**	**277**	**723**	**3,533**

12.3. An analysis of the aged debt position illustrates that of the £3,533k, £1,542k has been outstanding for less than 30 days. Outstanding debts within 30 days would not be considered a cause for concern, unless specific issues / disputes have been raised, particularly as this category of debtors will include invoices which are not yet due for payment.

12.4. The key areas for concern within the analysis above are those invoices which have been outstanding for longer than 60 days, the total value for which is £2,110k. The most significant element of which relates to NHS Islington and NHS Haringey, which totals £1,463k, and reflects ongoing issues which the Trust have had over the last 12-18 months. While no formal disputes have been raised for any of the invoices, securing payment for outstanding debts continues to require significant effort. Work is ongoing, to secure all outstanding debts, and while payments are expected in full, a prudent level of provisions has been made to mitigate risk of non payment.

13. Financial Risk Rating

13.1. Financial risk ratings are used as part of the assessment and monitoring process for Foundation Trusts, and are used to assess the level of risk for Trusts delivering against plan. In terms of the ratings a score of 1 indicates the highest level of risk, and a score of 5 indicates the lowest level of risk. A score of 3 is considered to be an acceptable level of risk. The financial risk ratings for both the year to date and forecast positions have been calculated as a 3, which as outlined above is considered to be acceptable. As part of the calculation it is necessary to incorporate the value of working capital facility required, whilst this is not applicable to non Foundation Trusts, and as such the Trust does not have a working capital facility in place, inclusion is necessary for the purpose of calculating the risk rating. The assumed level of the working capital facility is £22m.

13.2. The overall financial risk rating, is calculated through a weighted average of 5 metrics, which are summarised as follows – together with the relevant weightings;

- EBITDA achieved (% of plan) – 10%
- EBITDA margin (%) – 25%
- Net return after financing – 20%
- I&E Surplus Margin – 20%
- Liquid ratio days – 25%

13.3. The following figure illustrates the method by which ratings for each of the metrics are assessed, so for example in order to achieve a rating of 4 for ***EBITDA achieved % of plan*** the Trusts EBITDA would need to be 85% or more of the plan. The actual score is 98.91%, so the Trust rating equals 4;

FIGURE 18: Risk Rating Scoring

Metric Description	YTD Trust Score	Rating Categories				
		5	4	3	2	1
EBITDA achieved (% of plan)	98.91%	100%	85%	70%	50%	<50%
EBITDA margin (%)	5.61%	11%	9%	5%	1%	<1%
Net return after financing (%)	0.58%	3%	2%	-0.5%	-5%	<-5%
I&E surplus margin (%)	0.53%	3%	2%	1%	-2%	<-2%
Liquid ratio (days)	14.96	60	25	15	10	<10

13.4. The forecast risk rating of 3 overall has been influenced by the inclusion of a £22m working capital facility as required by the Monitor risk rating methodology and financial regime. At present the Monitor risk rating calculation does not exclude non-recurrent credits from the measurement, although the NHS London / DoH mechanism now collects this further analysis on a monthly basis. Given the substantial reliance on non-recurrent sources in the YTD position, the risk rating when "normalised" will show an inferior score. The year to date position shows a risk rating of 2, which is less favourable than the risk rating of 3 in Month 5. This is largely attributable to the income profile in month which is comparatively low (phased on the basis of activity, and block arrangement), and the planned deficit position; while the in month position shows a positive variance of £295k compared to plan, there has been a reduction in the year to date surplus from £1,289k in month 5 to £734k in month 6.

13.5. The following figure illustrates the risk ratings for both the year to date and the forecast outturn.;

FIGURE 19: Overall Risk Rating

Metric Description	Financial Criteria	Metric Methodology	Metric Value / Rating			
			Year to Date Position		Forecast Position	
			Metric Value	Rating	Metric Value	Rating
EBITDA achieved (% of plan)	**Achievement of plan**	=(EBITDA actual less Donated Asset Income) / (EBITDA budget less Donated Asset Income)	**98.91%**	**4**	**100.00%**	**5**
EBITDA margin (%)	**Underlying performance**	=(EBITDA actual less Donated Asset Income) / (Total Operating Revenue less Donated Asset Income)	**5.61%**	**3**	**6.32%**	**3**
Net return after financing (%)	**Financial efficiency**	=(EBITDA less Donated Asset Income add depreciation add Interest add PDC add Tax) / (Average of opening & closing Total Assets Employed add back PFI liability, Finance Lease liability & loans)	**0.58%**	**3**	**2.36%**	**4**
I&E surplus margin (%)	**Financial efficiency**	=(Net surplus add back Impairments add back profit/loss on disposal) / Total Operating Revenue	**0.53%**	**2**	**1.13%**	**3**
Liquid ratio (days)	**Liquidity**	=((Current Assets less Inventory less Current Liabilities add WC Facility - (£22m)) / Total Costs)*365	**14.96**	**2**	**13.48**	**2**

Overall Rating		**2.65**	**3.15**

14. 2012/13 Forecast and Risks

14.1. The year to date position shows a surplus of £734k (IFRS basis), which is £57k worse than the planned position. This position includes £2,110k of non recurrent adjustments which have had a favourable effect on the position, without these adjustments the year to date position would show the an underlying deficit of £1,376k, £2,167k worse than plan. 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

14.2. 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 6 is identified, which identifies the worst case position of slippage/non delivery of £2.7m;
- Additional unavoidable cost pressures: Within the worst case position it is assumed that additional unmitigated cost pressures of £981k are included in the financial position, which reflects the latest estimate of approved in year cost pressures;
- 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 largely mitigated by additional income relating to the previous year, and as such is no longer included as a specific risk.
- Underachievement against Non NCL income plans: A further risk has also been included of £300k which essentially relates to different assumptions relating to activity and income growth. This risk has been lowered in Month 3 (the risk value in months 1 & 2 was shown as £600k) as a result of favourable variances against non NCL contracts in the first quarter of the year.

Likely Case

14.3. 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

14.4. 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.

14.5. 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.

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

FIGURE 20: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	275,941	276,241	276,241
Operating Expenditure	262,391	258,710	258,055
EBITDA	13,550	17,531	18,186
Non Operating Items	14,411	14,411	14,411
Net Surplus / (Deficit)	(861)	3,120	3,775
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(477)	3,504	4,159

14.7. The forecast positions outlined are consistent with the methodology used in completing FIMs returns submitted to the SHA, and show an unmitigated worst case deficit position of £861k, which equates to a £477k deficit after excluding the effect of IFRS.

14.8. 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. **However, for the Trust to achieve this position, it is imperative that recovery actions are fully implemented, and further mitigations identified together with clearly identified action plans.** The position for the remaining months of the year will continue to be monitored, and the likely forecast position will be updated accordingly.

14.9. 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

14.10. 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.

14.11. Underachievement against activity and income targets: It is too early in the year to identify key income trends, however the Month 6 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, and as highlighted above this risk has been largely offset by additional income relating to the previous year. 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.

14.12. 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.