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Whittington Health Trust Board

27 February 2013

Title:	**Financial Position – Month 10 (January 2013)**		
Agenda item:	**13/027**	**Paper**	**6**
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 surplus of £1,247k (£3,742k YTD) on an IFRS basis. – The in month position is £318k better than plan (£453k YTD). – The underlying position shows a surplus of £1,427k (£1,863k worse than plan). – Estimated CIP underperformance of £914k YTD with 91% overall achievement of plan. – The in month position has benefited by £1k of non-recurrent adjustments. When normalised, the underlying position for the month shows a positive variance of £317k, which represents an improvement on the Month 9 position, and the average monthly negative variance of £281k. – The month end cash balance is £16,064k against a planned balance of £13,566k due to the timing of payments scheduled around month end. – An overall Financial Risk Rating (FRR) of 3 for the YTD and forecast outturn position. – A temporary staffing increase of £193k compared to M9 largely due to prudent estimates included due to agency system problems. – A restructuring provision increase of £1.9m within the month. – In month income positive variance of £1,564k due to release of credit note provisions and additional non-recurrent income received from NCL. – In month non-pay variance of £896k due to release of provisions made for invoices received which have subsequently been credited.		
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,		

<table>
<tr><td colspan="3"></td><td colspan="5">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.</td></tr>
<tr><td colspan="3">Reference to related / other documents:</td><td colspan="5"></td></tr>
<tr><td colspan="3">Date paper completed:</td><td colspan="5">18th February 2013</td></tr>
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Director of Finance</td></tr>
<tr><td>Date paper seen by EC</td><td>n/a</td><td>Equality Impact Assessment complete?</td><td>n/a</td><td>Risk assessment undertaken?</td><td>n/a</td><td>Legal advice received?</td><td>n/a</td></tr>
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Month 10 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 surplus of £1,247k, which is £318k better than planned.
- **Note**: A year to date surplus of £3,742k, which is £453k better than planned.
- **Note**: The year date position include non recurrent adjustments of £2,315k. (Fig 6) The underlying position which excludes non recurrent adjustments shows a surplus of £1,427k which is £1,863k worse than plan. This position is not sustainable and it is imperative that the recent improvement in the monthly run-rate is maintained.
- **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 £914k in the year to date. In order to deliver the planned position the CIP will need to be delivered in full or additional non-recurrent benefits, or reduced levels of overspending.

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 maintain the improved 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.
- The in year levels of overspending to be re-examined in order to establish the extent to which the position could be considered as being non-recurrent. The calculation of the underlying position would then be re-worked with a view to

improving the underlying surplus of £1,427k closer to the target surplus of £3,120k.

Appendix 1

Month 10 Finance Report

5. Month 10 Financial Update

5.1. 2012/13 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £383k impact of IFRS on Private Finance Initiatives (PFIs) and the impact of donated assets (£59k) 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 £2.3m is reported, which is £0.3m better than the planned position.

5.3. A risk based approach to the forecast position has been undertaken, which identifies the worst, best and most likely positions. This is covered in further detail within the section "*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	21,051	20,518	533	202,586	200,764	1,823	241,564	243,301
Non NHS Clinical Income	751	672	79	5,852	6,102	(250)	7,333	7,020
All Other Non Clinical Income	3,221	2,269	952	24,947	23,374	1,573	28,251	30,092
Total Income	25,023	23,459	1,564	233,385	230,239	3,146	277,148	280,404
Pay	18,090	15,945	(2,145)	164,199	161,360	(2,839)	193,766	194,916
Non Pay	4,515	5,411	896	53,704	53,883	179	66,090	68,193
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	22,605	21,356	(1,249)	217,903	215,243	(2,660)	259,855	263,111
EBITDA	2,418	2,103	315	15,482	14,997	486	17,293	17,293
Loss on Disposal of Assets	-	-	-	79	-	(79)	-	-
Plus Interest Receivable	3	2	2	51	19	32	20	20
Less Interest Payable	223	225	2	2,204	2,216	11	2,651	2,651
Less Depreciation	716	716	-	7,161	7,163	2	8,726	8,964
Less PDC Dividend	235	235	-	2,347	2,347	-	2,816	2,816
Net Surplus / (Deficit)	**1,247**	**929**	**318**	**3,742**	**3,290**	**453**	**3,120**	**3,120**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	**1,293**	**975**	**318**	**4,090**	**3,637**	**453**	**3,560**	**3,560**

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £3,742k, which is £453k better than planned. This includes the in month surplus of £1,247k which is £318k better than plan.

5.6. Following discussions with CCG's over recent months, it has been identified that there is an opportunity for further investment of a figure in the region of £2.1m. Agreement in principle has been received for this income, but final agreement has yet to be confirmed. Where appropriate and where schemes have commenced the income and expenditure has been reported and is included within the month 10 position. In addition winter pressure funding of £1.8m has been agreed and income of £0.6m is included within the year to date position along with £0.3m of expenditure.

5.7. An analysis of the underlying position, which excludes the effect of non recurrent adjustments of £2,315k shows a surplus position of £1,427k, which is £1,863k worse than planned. The average adverse run rate to month 10 of £186k is an improvement on the year to date performance to Month 9 (£281k).

FIGURE 2: Month Underlying Financial Position

Detail	Reported Position £000	Underlying Position £000	Non Recurrent Adjustments £000
Income	233,385	230,791	2,594
Operating Expenditure	217,903	217,642	(279)
EBITDA	15,482	13,167	2,315
Non Operating Items	11,740	11,740	
Net Surplus / (Deficit)	3,742	1,427	2,315
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	4,090	1,775	-
Variance from Plan	453	(1,863)	2,315

5.8. Based on the current run rate, a forecast based on the year to date run rate would show a net underlying surplus position of £925k, which would be £2,196k 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 £3,240k, which would be £120k better than planned. This represents a significant improvement in the in month run rate, however it continues to be essential that the run rate remains at the improved level in the remaining two months of the year, to avoid any 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.

5.9. It is still expected that the target surplus of £3.1m will be achieved and non recurrent measures are available.

FIGURE 3: Unmitigated Forecast Position Based on Current Run Rate

Detail	YTD Underlying Position £000	Unmitigated Underlying Forecast YTD Position £000	YTD Non Recurrent Adjustments £000	YTD Unmitigated Forecast Position £000
Income	230,791	277,810	2,594	280,404
Operating Expenditure	217,642	262,713	(279)	262,992
EBITDA	13,167	15,097	2,315	17,413
Non Operating Items	11,740	14,173	-	14,173
Net Surplus / (Deficit)	1,427	925	2,315	3,240
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	1,775	1,365	-	3,680
Variance from Plan	(1,863)	(2,196)	2,315	120

5.10. 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 or using the budget set aside as part of the implied efficiency assumptions. 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.

5.11. The underlying position highlighted above shows an adverse run rate equating to £186k per month for the year to date, which is an improvement from the Month 9 position which showed an average YTD adverse run rate of £281k. In order to deliver the planned surplus by the year end it will be necessary to;

– Maintain the run rate in line with plan for the remainder of the year with a focus on managing levels of temporary staff and minimising avoidable cost pressures.

– 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.

FIGURE 4: Summary of Underlying Position August 2012 – January 2013

Detail	Month 5 £000’s	Month 6 £000’s	Month 7 £000’s	Month 8 £000’s	Month 9 £000’s	Month 10 £000’s
In month net surplus / (deficit) planned as per financial ledger	102	(850)	478	1,352	179	929
In month net surplus / (deficit) actual as per financial ledger	145	(555)	497	1,515	466	1,247
Variance as per financial ledger	43	295	19	162	10	318
Remove non-recurrent items	(400)	(457)	(358)	(138)	(42)	(1)
Underlying variance from planned position.	(357)	(162)	(339)	24	(32)	317

5.12. A key contributory factor to the adverse run rate in year to date position is in respect of temporary staffing expenditure, which is illustrated in the following figure;

FIGURE 5: Temporary Staffing Summary by Division Sep 2012 – Jan 2013

Temporary staffing	Division	Month 6 £000's	Month 7 £000's	Month 8 £000's	Month 9 £000's	Month 10 £000's	Variance (Month 9 - 10) £000's
Agency	Corporate	113	92	124	144	326	(182)
	IC&AM	365	576	404	383	330	53
	SC&D	80	167	162	58	83	(25)
	WC&F	154	216	143	199	213	(14)
Agency Total		711	1,050	883	784	953	(169)
Bank	Corporate	354	368	327	350	501	(151)
	IC&AM	414	359	410	393	447	(54)
	SC&D	302	421	313	281	268	13
	WC&F	228	245	280	252	253	(1)
Bank Total		1,297	1,394	1,330	1,275	1,468	(193)

5.13. Specific operational issues and remedial actions for the high levels of temporary staffing expenditure are covered in detail in section 6. The higher level of spend within the corporate division relates to a prudent provision of £150k for the Trust due to a potential delay in reporting costs as a result of agency system downtime.

5.14. Prudent provisions have been made within the accounts in respect of aged debt, it is however expected that for the most part invoices will be paid in full. Where invoices are paid in this way, it will enable release of the provisions which provides non-recurrent benefits. A breakdown of the non-recurrent benefits released within the year to date position is shown below:

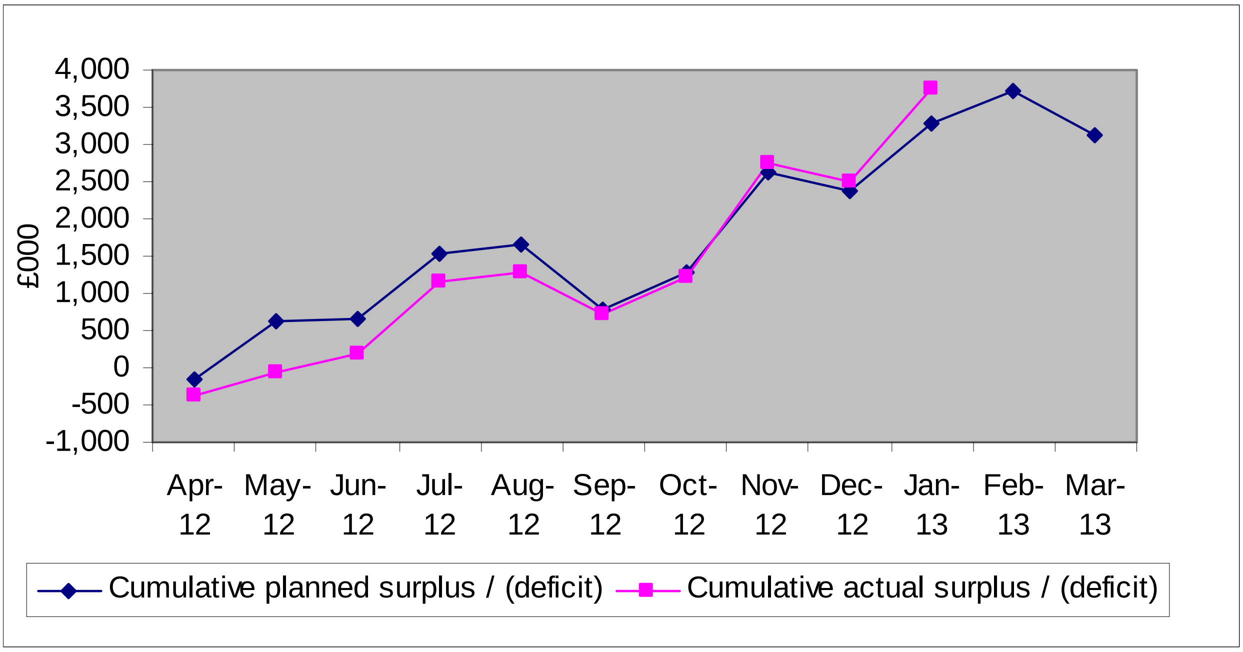
FIGURE 6: Non-Recurrent Provision Release

Detail	Type	Amount Released £000's	Basis for release
Credit Note Release	Income	1,619	Invoices paid, credit notes no longer required
Bad Debt provisions release	Expenditure	1,82	Agreement reached for payment of invoices, provision no longer required.
Net Release of Redundancy Provisions	Expenditure	288	Cases settled at lower value or not materialised.
Accruals movements	Expenditure	189	Net movement in accruals where agreements reached, or new values disputed
Expedition of Employment Tribunal Case Provisions	Expenditure	188	Cases settled at lower value or not materialised.
Sensory Garden	Expenditure	118	Under new accounting guidance, charitable income is reported in the period received. This is shown as non recurrent income, and is not provision related.
Unipart Redundancy Provision Release	Expenditure	496	Total number and cost of redundancies less than provided for. Release of provision is in line with slippage in proposed savings as part of the original

			scheme.
Other	Expenditure	131	A combination of multiple smaller non-recurrent benefits.
Workforce restructuring provision	Expenditure	-1,896	Generation of a restructuring provision to reflect potential future costs associated with restructure.
Total		**2,315**	

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

FIGURE 7: 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 8: Divisional Budget Analysis

Division		Month 10 Actual £'000	Month 10 Budget £'000	Month 10 Variance £'000	Year to Date Actual £'000	Year to Date Budget £'000	Year to Date Variance £'000
Integrated Care & Acute Medicine	Income	**1,030**	**897**	**133**	**9,742**	**9,182**	**560**
	Expenditure	6,969	6,886	(83)	71,146	69,251	(1,895)
	Total	**(5,939)**	**(5,989)**	**50**	**(61,404)**	**(60,069)**	**(1,335)**
Surgery, Cancer & Diagnostics	Income	314	284	30	2,959	2,832	127
	Expenditure	4,695	4,637	(58)	48,208	46,091	(2,118)
	Total	**(4,381)**	**(4,353)**	**(28)**	**(45,249)**	**(43,259)**	**(1,990)**
Women, Children & Families	Income	1,295	1,141	154	11,532	11,707	(175)
	Expenditure	5,246	5,232	(14)	51,827	52,114	287
	Total	**(3,951)**	**(4,091)**	**140**	**(40,295)**	**(40,407)**	**112**
Corporate	Income	22,383	21,137	1,180	209,152	206,519	2,567
	Expenditure	5,695	4,601	(1,094)	46,722	47,787	1,065
	Total	**16,688**	**16,536**	**153**	**162,430**	**158,731**	**3,699**
Total	Income	25,023	23,459	1,497	233,385	230,239	3,079
	Expenditure	22,605	21,356	(1,249)	217,903	215,243	(2,660)
	EBITDA	**2,418**	**2,103**	**315**	**15,482**	**14,997**	**486**

6.3. Key variances identified are summarised as follows;

IC&AM

6.4. The overall divisional income & expenditure position shows an in month positive variance of £50k (£1,335k adverse YTD). The most significant variances within the division include:

- A&E (£77k overspend in month, £732k YTD): This is due to a combination of in month additional usage of medical / nursing temporary staffing 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.
- Medical wards (£43k overspend in month, £559k 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.
- Pharmacy medicine (£106k overspend in month, £301k overspend 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. Additionally, it should be noted that while Pharmacy is managed within the IC&AM division, the drugs overspend relates to Trust-wide activity.
- Long Term Conditions – Community (£108k underspend in month, £385k YTD): There are continued underspending positions reported within the IAPT and Dietetics services due to vacancies and controls introduced with regard to non pay expenditure across all areas.
- Rehabilitation – Community (£56k underspend in month, £134k underspend YTD): The year to date underspend relates to vacant posts within the ICTT service which are being recruited. Additionally, there was an in month reduction with regard to agency staffing expenditure.

Surgery & Diagnostics:

6.5. The overall divisional income & expenditure position shows an in month negative variance of £28k (£1,990k adverse YTD). The most significant variances within the division include:

- Surgical Wards (£84k overspend in month, £663k overspend YTD): The rate of overspending reported in previous months has increased due to the requirement to open surgical beds occupied with medical outlier patients. In addition to the additional beds there was additional usage of medical / nursing temporary staffing to cover sickness / absence / maternity over and above budgeted levels.
- SC&D Management (£9k overspend in month, £254k YTD): This relates to slippage / non achievement of the Divisional CIP target.
- Imaging (£23k in month overspend, £181k overspend YTD): The YTD overspend is due to increased levels of admin and SPR bank usage above budgeted levels to ensure the Trust meets the 18 week RTT target.
- Integrated Blood Sciences (£31k in month underspend, £120k overspend YTD): The YTD overspend is due to slippage on delivering planned CIP. Additionally there are overspends on non-pay consumables due to activity levels above plan.
- ITU (£9k overspend in month, £99k underspend YTD): The overspend in month is due to a combination of an increase in patient intensity of care and a staff training requirement 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.

Women & Children's

6.6. The overall divisional income & expenditure position shows an in month positive variance of £140k (£112k positive YTD). The most significant variances within the division include:

- Midwifery (£100k expenditure overspend in month £365k overspend YTD): In year actions to reduce the high levels of agency and bank expenditure have taken effect contributing towards a reduction in the preceding two months to reverse the year to date trend and show an underspending position. This has reversed in M10 as a result of high levels of agency spend due to sickness / absence above budgeted expenditure levels.
- Acute Paediatric Wards & NICU (£4k overspend in month, £152k 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. In month 7 there were a number of very high dependency children, with one requiring two to one specialist mental healthcare which was provided by agency staff.
- Universal Services (£27k underspend in month, £240k YTD). Recruitment within the Health Visitor service is continuing but at a slower rate than anticipated and although sufficient cover has been recruited to help with HV newborn visit targets there is still a non recurrent financial surplus. There are also vacancies within the School Nursing service due to difficulties with recruitment.

– Speech & Language Therapy (£11k underspend in month, £115k YTD). The underspend relates to robust management of staffing levels within the Camden SLT service and high levels of income for the Michael Palin Stammering centre from outside of North Central London.

– CAMHS (£39k underspend in month, £11k YTD). The favourable financial position within CAMHS is a result of increased income for Close Observation work within Simmons House that with the combination of a fully occupied inpatient unit is offsetting the fact that there are no day patients pending the agreed building works and expansion of the inpatient unit.

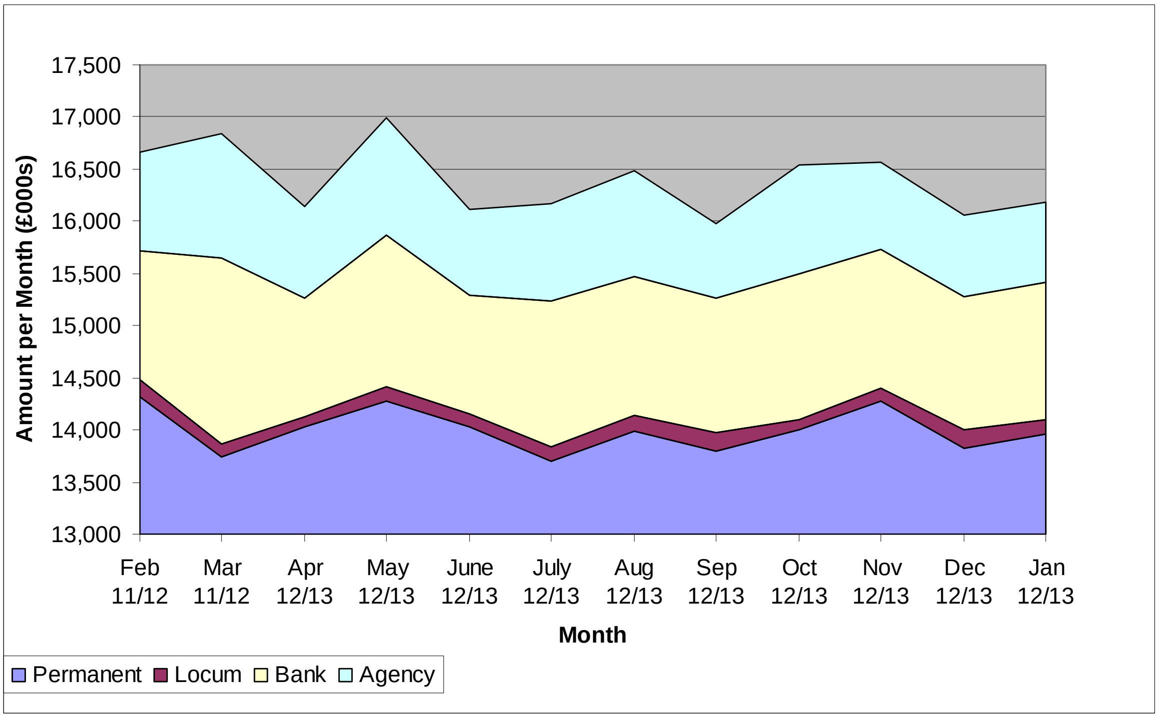
Corporate Directorates

6.7. The overall divisional income & expenditure position for corporate services shows an in month positive variance of £153k (£3,699k 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 Facilities generic workers (£29k overspend in month, £270k YTD) and ICT (£110k under spend in month, £38k overspend YTD) which reflects disputed external staff recharges which have been settled enabling the release of an expenditure accrual previously included as a prudent measure.

Pay Expenditure

6.8. The following figure provides a further analysis of staffing costs, providing the trend for the last 12 months.

FIGURE 9: Whittington Health Staffing Expenditure Trends February 2012-January 2013



Expenditure Remedial Actions

6.9. Based on the underlying adverse run rate equating to £186k per month, specific remedial action plans have been agreed by the Trust's Executive committee in order to bring the position back in line with plan on a recurrent basis by year end. Specific projects included as part of this are as follows:

- A pool of 22 WTE band 5 nurses is being recruited to the general medical and surgical wards in order to deliver agency premium costs savings.
- Recruitment days have been arranged for nurses and midwives to reduce the requirement for agency / bank expenditure with subsequent agency premium costs savings.
- A number of cost pressures have been identified as non-recurrent within the year to date position i.e. the cost associated with training staff on ITU, temporary winter pressure beds opened, therefore the run rate will improve when the non recurrent pressures cease to exist.

7. Income Performance

7.1. NHS Clinical Income is reported based upon the latest coded activity (December 2012), together with an initial estimate for the January position. On this basis the in month position shows an over performance against plan of £533k.

7.2. Key variances contained within the over performance relate to both non-recurrent credit note releases as described in figure 6 and to the fully coded clinical income position for December differing from the previous early assessment included within the M9 position by £41k. 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 January NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that there is likely to be a positive variance of £9k, which is included in the in month position.

FIGURE 10: Comparison of NHS Clinical Income Against the Planned Position

Description	Amount £000
December NHS income compared to Month 8 estimate	-41
Estimated January variance on NHS income	9
Income Relating to Prior Year	208
Work in Progress – Critical Care	62
Community clinical income year to date amount paid	275
Other	20
Total in-month variance against NHS income plan	533

7.4. Included within the cumulative position to month 9 is a favourable movement on income of £1,619k 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.

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

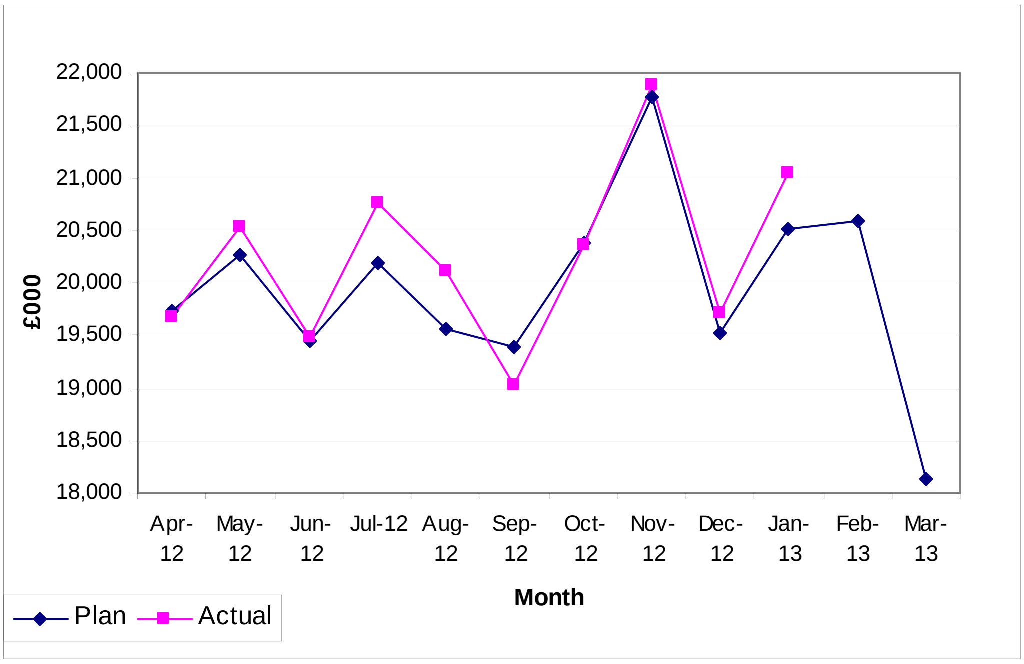
7.7. Figure 10 provides an overview of total clinical income for Month 9, and contains a combination of actual income and estimates. Figure 11 provides an overview of actual income, based on month 1 – 9 activity, relating specifically to acute activity, and showing income performance by patient type:

FIGURE 11: Income Performance by Patient Type

	Year to date (to Month 9)			In Month	
Point of Delivery	**Plan £000**	**Actual £000**	**Variance £000**	**Variance £000**	**Late Data Added £000**
Block Contract/Adjustments	7,775	7,775	1	2	(2)
Elective Inpatients	6,973	6,994	20	1	0
Non-Elective Inpatients	34,620	34,850	230	23	6
Excess Beddays	2,037	2,027	(10)	(3)	(8)
Day Cases	8,603	8,628	25	4	75
Outpatient Procedures	2,198	2,191	(7)	(2)	(0)
Outpatient 1st Attends	9,063	9,044	(19)	2	(2)
Outpatient Follow Ups	10,896	10,988	92	8	31
Adult Critical Care	7,296	7,722	426	20	12
Paediatrics High Dependency	231	220	(11)	(2)	0
NICU High Dependancy Beddays	1,130	1,180	50	14	0
NICU Intensive Care Beddays	422	592	170	12	(1)
NICU Special Care Beddays	3,558	3,272	(286)	(78)	0
ED Attendances	7,343	7,363	20	0	0
Direct Access	7,497	7,490	(7)	(4)	6
Maternity Ultrasound	1,196	1,191	(5)	(1)	(0)
Other Activity	2,682	2,655	(27)	(6)	30
Grand Total	**113,520**	**114,182**	**662**	**(9)**	**147**

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, with approximately 0.5% of overperformance - £0.8m forecast outturn - on an annual baseline of £221m. The over performance of £662k in the YTD position relates to non NCL commissioners.

FIGURE 12: Performance Against Internal Clinical Income Plan – In Month



7.9. The total value of all other non clinical income highlighted in Figure 13 is £3,221k in Month 10 and £24,947k cumulatively. The high in month variance for 'other' income relates to a combination of income provision release and income received from NCL previously described in section 5.6. This is further illustrated in the following figure:

FIGURE 13: 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)	715	715	(0)	7,473	7,473	(0)	8,968
Medical & Dental Education Levy MADEL)	470	470	0	4,715	4,715	0	5,656
Non Medical Education & Training NMET)	206	171	35	1,646	1,634	12	1,953
Income from Service Level Agreements	348	350	(2)	3,370	3,504	(134)	4,205
Excellence Award Income	18	52	(33)	348	518	(169)	621
Income Generation e.g. car park, accommodation, canteen	76	88	(12)	916	878	38	1,054
Research & Development	178	43	135	991	471	519	557
Other	1,209	380	829	5,488	4,180	1,307	5,237
Total	**3,221**	**2,269**	**952**	**24,947**	**23,374**	**1,573**	**28,251**

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 £1,065k have been approved, the equivalent value for 2013/14 being £623k. This is further illustrated in the following figure:

FIGURE 14: 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
IC&AM	MSK relocation to Somerset Gardens	35	0
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
Trust-wide	HCA bank rate increase	50	0
Trust-wide	Bed escalation plan - winter pressures	TBC	TBC
W,C&F	Cell Saver CATS machine	(2)	(2)
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		**1,065**	**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 91.3% of the profiled year to date target, an improvement on the 89.4% delivered as at M9.

FIGURE 15: CIP Monthly Performance

Workstream	Latest 12/13 Target £'000	Target to Month 10 £'000	Actual saving delivered to date £'000	Proportion of profiled target delivered %
Productivity : Acute	1,866	1,485	1,139	77%
Productivity : Community	2,012	1,656	1,765	107%
Productivity : integration	578	300	578	193%
Agency staff	580	483	33	7%
Medicines management	200	167	206	124%
Procurement	949	788	486	66%
Management of consumables	581	484	105	22%
Estates / soft FM	708	515	242	47%
Corporate overheads & management costs	481	398	473	119%
LEAN project (gross savings less project costs)	500	104	(500)	100%
LEAN project : release of severance provision unlikely to be required	-	-	604	
E-communications	100	83	0	0%
Service transformation : acute bed base	2,093	1,737	1,309	75%
CNST	342	286	285	100%
Other service transformation	79	66	0	0%
Income generation	605	503	338	67%
Bal to fye of 11/12 programme	1,447	1,435	1,435	100%
Non recurrent financial mitigations against programme slippage	-	-	1,076	-
TOTAL	**13,122**	**10,490**	**9,576**	**91.3%**

8.2. 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 plan represents the original target for the year, which was to reduce 2011/12 agency expenditure by 50%. From October, a revised agency reduction programme has been in place, with projects in a range of work-streams. Savings are quantified by measuring expenditure against a baseline of 2011/12 expenditure. There were reductions in the run-rate of agency expenditure in November and December, and in December (for the first time this year) the level of expenditure dropped below that for the equivalent month in 2011/12. However, in January, estimated agency expenditure has risen and is again above the level for the equivalent month last year.
- Transforming the Patient Experience (LEAN) project : the original project plan scheduled phase 1 savings to be delivered by October, and phase 2 savings from December. The profile of the project year-to-date reflects project costs of £500k and planned savings of £604k (as at the end of January), giving a net savings target to date of £104k. In phase 1, appointments have been made to the new posts, and implementation is planned for to take place during February and March. A re-deployment process is being implemented for staff placed at risk by the project. Savings are therefore unlikely to be realised until the end of 2012/13 or early 2013/14. Project slippage will be mitigated by the fact that the level of redundancies arising from the project will be much lower than was initially thought

(due to the availability of redeployment opportunities), so the full value of the severance cost provision is unlikely to be required. In the year-to-date position, £604k of the severance provision has been released to offset the delay in realising savings. The current assumption is that the slippage as well as the release of severance provision are non-recurrent and that there is not an additional pressure on 2013/14.

- A number of organisational change processes have taken longer to complete than was envisaged in the initial planning and/or have released lower savings than were initially scoped;
- The procurement target has been phased evenly throughout the year, but savings are only reported against the target once the financial benefit has been realised. For some projects there is a timelag in delivering financial savings. For example, the Managed Print Project :, the procurement stage of the project has been completed successfully, but the savings will not be delivered until the new print management regime is implemented throughout the organisation;
- The "management of consumables" target remains challenging in some parts of the organisation, where stock control and management is already well developed;

Forecast

8.3. 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 16 below.

FIGURE 16 : CIPs and Mitigations : range of year-end forecasts

	For comparison : Month 9 Likely Case £m	Month 10 Likely Case £m	Month 10 Best Case £m	Month 10 Worst Case £m
CIP projects	10.120	9.850	9.925	9.670
Bariatric reserve	0.650	0.650	0.650	0.545
Pay reserve	0.785	0.785	0.785	0.785
Vacancy Scrutiny Panel	0.695	0.835	0.760	0.0
Severance provision not required	0.870	1.000	1.000	1.000
Total benefit	**13.120**	**13.120**	**13.120**	**12.0**

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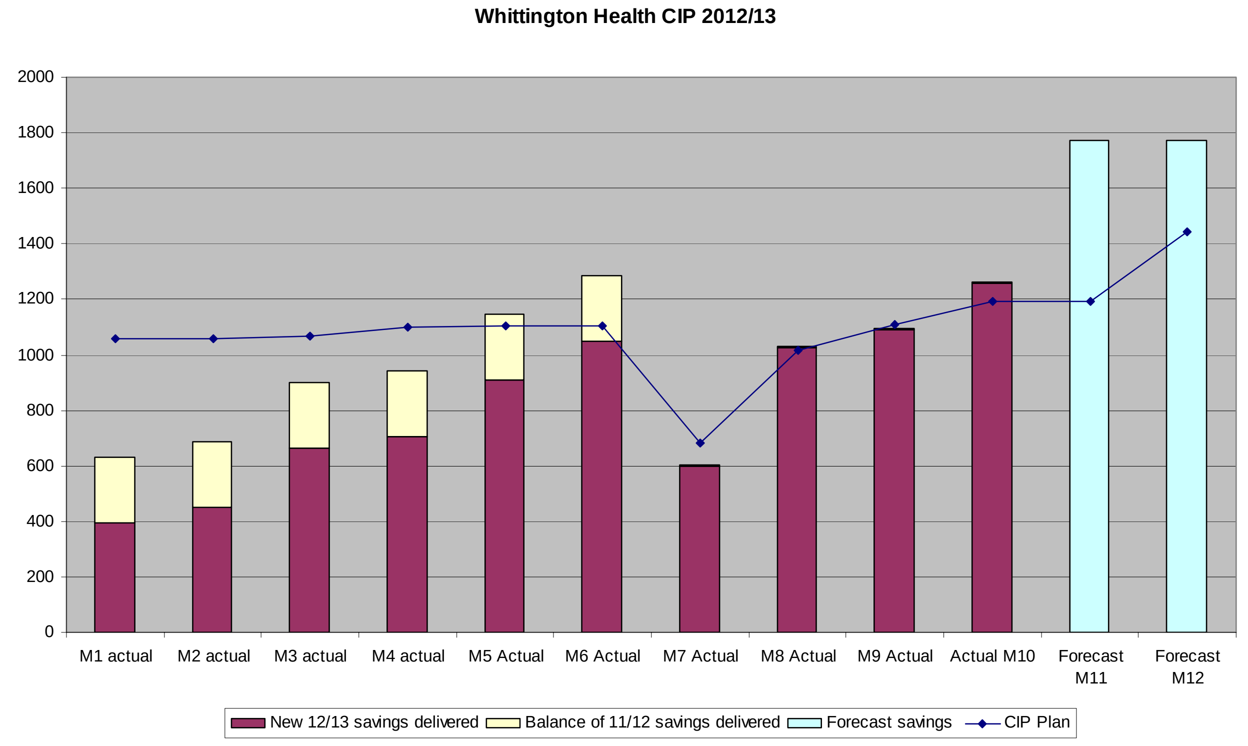
8.4. The "likely case" forecast is that the £13.1 m target will be met in full, but this is on the assumption that £835k of savings can be delivered in February and March through a continued improvement in the expenditure run-rate. This will need to be delivered primarily through tight control of vacancies and temporary staff bookings, in addition to continued delivery of the planned CIPs

8.5. The month-by-month "likely-case" forecast savings (including substitutes and mitigations identified to date) is presented in the graph below. This illustrates how additional savings will need to be delivered in the final two months of the year, in order to off-set the shortfall in delivery in April – July.

FIGURE 17: CIP Performance to Date / Forecast

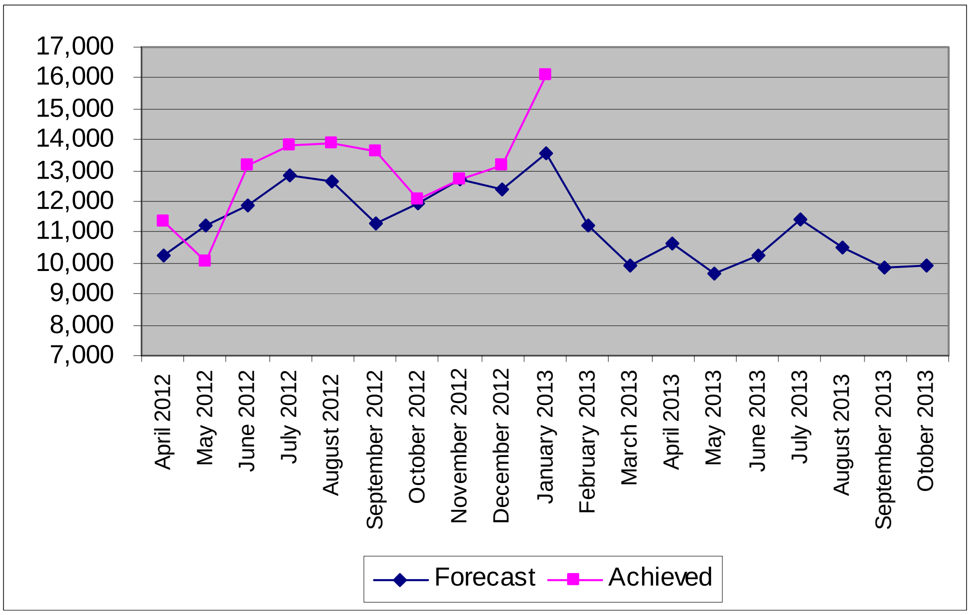


Note : the low Planned and Actual figures in M7 are due to the re-phasing of the bulk of the TPE(LEAN) project costs into the early months of the year; this adjustment has taken place in the month of October, as it is not possible to re-state the profile in earlier months.

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of January was £16,064k against a planned balance of £13,566k. The key reason for this positive variance is due to the timing of the payments corresponding with the end of the month i.e. there was a payment run of £2m shortly after month end which reduced the overperformance against plan.

FIGURE 18: Rolling Cash flow Forecast 2012/13



9.2. 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.

9.3. The balance sheet is summarised below, showing the opening position for the year, the closing position for January 2013 and the forecast outturn for the year.

FIGURE 19: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2012 £'000	As at 31st January 2012 £'000	As at 31st March 2013 £'000
Property, plant and equipment	136,944	136,469	167,978
Intangible assets	1,360	1,267	3,326
Trade and other receivables	2,022	1,226	1,823
Non-current assets	**140,325**	**138,961**	**173,127**
Inventories	1,115	1,359	1,189
Trade and other receivables	12,044	13,935	10,242
Cash and cash equivalents	9,933	16,064	11,766
Current assets	**23,092**	**31,358**	**23,197**
Trade and other payables	30,394	34,705	31,348

Borrowings	1,209	1,209	2,937
Provisions	3,403	3,466	1,911
Current liabilities	**35,007**	**39,380**	**36,196**
Net Current Liabilities	**11,915**	**8,022**	**12,999**
Borrowings	36,834	35,816	36,796
Provisions	1,771	1,576	1,890
Non-current liabilities	**38,606**	**37,392**	**38,686**
Total assets employed	**89,805**	**93,547**	**112,442**
Public dividend capital	53,206	53,206	83,897
Retained earnings	6,930	10,735	10,254
Revaluation reserve	29,669	29,606	27,291
Total taxpayers' equity	**89,805**	**93,547**	**112,442**

9.4. the above balance sheet differs from the latest version 6.1 of the LTFM. The working capital loan of £7.5m has not been reflected as it physically cannot be drawn down according to NHSL.

10. Capital Plan

10.1. Total planned capital expenditure for 2012/13 is £14,126k. This represents a charge of £14,008k 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 £6,531k, against which £6,707k has been spent, a variance of £176k.

10.3. Total capital payments in the year to date total £7,021k, of which £3,080k 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 20: Better Payments Practice Code

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
Current Year to Date Performance				
Total bills paid	4,792	74,112	17,853	51,749
Total paid within target	4,431	54,522	11,146	38,955
Percentage paid within target	92.5%	74%	62.4%	75.3%
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 10, the total value of debtors was £7,402k, a deterioration on the Month 9 position (£5,761k).

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 21: Analysis of Debtors and Aged Debt

	Number of Days Range					
NHS Debtors	**30 Days & Under £000**	**30 - 60 Days £000**	**60 - 90 Days £000**	**> 90 Days £000**	**> 365 Days £000**	**Grand Total £000**
NHS ISLINGTON	1,027	1,370	473	-196	450	3,124
LONDON STRATEGIC HEALTH AUTHORITY	990	164	0	0	0	1,154
NHS CAMDEN	2	625	3	-49	0	581
CITY & HACKNEY PCT (COMMISSIONING)	230	79	4	9	0	322
THE UCL HOSPITALS NHS FOUNDATION TRUST	178	23	39	32	0	273
THE ROYAL FREE AND HAMPSTEAD NHS TRUST	174		2	8	0	185
BARNET ENFIELD & HARINGEY MENTAL HEALTH	103	9	3	22	0	137
CAMDEN & ISLINGTON NHS FOUNDATION TRUST	65	6	0	51	0	123
CENTRAL & EAST LONDON CLRN	77	0	0		0	78
NHS HILLINGDON	1	8		46	2	57
Other NHS	307	-849	202	-203	-142	-686
Subtotal NHS Debtors	**3,155**	**1,437**	**725**	**-279**	**309**	**5,347**
Other Non NHS Debtors	1,078	276	210	514	-23	2,055
Total:	**4,233**	**1,713**	**935**	**235**	**286**	**7,402**

12.3. An analysis of the aged debt position illustrates that of the £7,402k, £1,713k 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 and the most material item relates to invoices to the SHA which reflect their mandated payment mechanism as opposed to any risk associated with 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 £1,456k. The most significant element of which relates to NHS Islington, which totals £726k, 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 5 for ***EBITDA achieved % of plan*** the Trusts EBITDA would need to be 100% or more of the plan. The actual score is 100.38%, so the Trust rating equals 5;

FIGURE 22: Risk Rating Scoring

Metric Description	YTD Trust Score	Rating Categories				
		5	4	3	2	1
EBITDA achieved (% of plan)	102.45%	100%	85%	70%	50%	<50%
EBITDA margin (%)	6.59%	11%	9%	5%	1%	<1%
Net return after financing (%)	2.89%	3%	2%	-0.5%	-5%	<-5%
I&E surplus margin (%)	1.64%	3%	2%	1%	-2%	<-2%
Liquid ratio (days)	12.52	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 reliance on non-recurrent sources in the YTD position, the risk rating when "normalised" remains a 3 overall but is closer to reducing to a 2.

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

FIGURE 23: 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)	102.5%	**5**	100%	**5**
EBITDA margin (%)	**Underlying performance**	=(EBITDA actual less Donated Asset Income) / (Total Operating Revenue less Donated Asset Income)	6.59%	**3**	6.13%	**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)	2.89%	**4**	2.37%	**4**
I&E surplus margin (%)	**Financial efficiency**	=(Net surplus add back Impairments add back profit/loss on disposal) / Total Operating Revenue	1.64%	**3**	1.11%	**3**
Liquid ratio (days)	**Liquidity**	=((Current Assets less Inventory less Current Liabilities add WC Facility - (£22m)) / Total Costs)*365	12.52	**2**	12.44	**2**

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

14. 2012/13 Forecast and Risks

14.1. The year to date position shows a surplus of £3,742k (IFRS basis), which is £453k better than the planned position. This position includes £2,315k 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 surplus of £1,775k, £1,863k 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 10 is identified, which identifies the worst case position of slippage/non delivery of £1.1m. While the risk of slippage against CIP has been recognised, the overall year to date position at month 10 is showing 91% achievement of plan, as a result the impact of the worst case CIP slippage has been scaled down to the equivalent of 50% - to provide a more realistic worst case position, this position will continue to be reviewed over the remaining two months of the year;
- Additional unavoidable cost pressures: Within the worst case position it is assumed that additional unmitigated cost pressures of £1,065k are included in the financial position, which reflects the latest estimate of approved in year cost pressures. As with the risk of non delivery on CIP, the worst case unmitigated cost pressure position has been scaled down to the equivalent of 50% - to provide a more realistic worst case position, this position will continue to be reviewed over the remaining four months of the year ;
- 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 £3,562k 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). As with the worst case position, this has been scaled down to reflect 50% of this value, to reflect a more realistic best case position, this position will continue to be reviewed over the remaining two months of the year. This would provide for a best case surplus position of £3,448k, which equates to £3,889k 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 2.5%.
- 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 24: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	280,104	280,404	280,404
Operating Expenditure	264,206	263,111	262,784
EBITDA	15,898	17,293	17,620
Non Operating Items	14,173	14,173	14,173
Net Surplus / (Deficit)	1,726	3,119	3,448
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	2,168	3,560	3,889

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 surplus position of £1,726k, which equates to a £2,168k surplus 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 for the remaining two months 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: The Month 10 year to date clinical income 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.