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Whittington Health Trust Board

27 March 2013

Title:	**Financial Position – Month 11 (February 2013)**		
Agenda item:	**13/046**	**Paper**	**7**
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 £197k (£3,545k surplus YTD) on an IFRS basis. This is before the impact of impairments following a fixed asset revaluation, which increases the in month deficit to £351k (£3,391k surplus YTD). – The in month position is £44k worse than plan (£409k better YTD), before the impact of the fixed asset impairment which adds £154k negative variance to the in-month and YTD position. – The underlying position shows a surplus of £1,310k (£1,827k worse than plan). – Estimated CIP underperformance of £435k YTD with 96% overall achievement of plan, compared to 91% in M10. – The in month position includes a negative impact of £80k of non-recurrent adjustments. When normalised, the underlying position for the month shows a positive variance of £36k, which represents an improvement on the average monthly negative variance of £186k. – The month end cash balance is £18,659k against a planned balance of £11,195k 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 decrease of £381k compared to M10. – In month income positive variance of £965k due to release of credit note provisions and additional non-recurrent income received from NCL. – In month negative pay variance of £856k due to a restructuring provision increase of £1.2m within the month.		
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:	18th March 2013						
Author name and title:		**Guy Dentith 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 11 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 £197k, which is £44k worse than planned.
- **Note** : a fixed asset impairment of £154k in month 11 which increases the in month deficit to £351k
- **Note**: A year to date surplus of £3,545k, which is £409k better than planned. This is before the impact of the fixed asset impairment.
- **Note**: The year to date position include non recurrent adjustments of £2,235k, plus the £154k impairment. (Fig 6) The underlying position which excludes non recurrent adjustments shows a surplus of £1,310k which is £1,827k worse than plan. This position is not sustainable and it is imperative that the recent improvement in the monthly run-rate is maintained. In light of the sustained improvement to the run rate, the underlying position will recalibrate and an increase to the normalised or underlying position is expected.
- **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 £435k 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 £1,310k closer to the target surplus of £3,120k.

Appendix 1

Month 11 Finance Report

5. Month 11 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), the net impact of donated assets (£27k), and the £154k fixed asset impairment are excluded from the Trust's break-even duty.

5.2. An in month EBITDA position of £945k is reported, which is £58k worse 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	19,828	19,846	(18)	222,414	220,610	1,805	241,564	243,335
Non NHS Clinical Income	595	615	(20)	6,448	6,718	(270)	7,333	7,055
All Other Non Clinical Income	3,311	2,308	1,003	28,258	25,682	2,576	28,257	30,916
Total Income	23,734	22,770	965	257,120	253,009	4,111	277,154	281,306
Pay	16,927	16,071	(856)	181,126	177,431	(3,696)	193,838	194,916
Non Pay	5,862	5,696	(166)	59,566	59,579	13	66,023	68,193
Centrally Held Savings	-	-	-	-	-	-	-	-
Total Expenditure	22,789	21,767	(1,022)	240,692	237,010	(3,683)	259,861	263,781
EBITDA	945	1,003	(58)	16,427	16,000	428	17,293	17,526
Loss on Disposal of Assets	-	-	-	79	-	(79)	-	79
Plus Interest Receivable	5	2	3	55	20	35	20	58
Less Interest Payable	200	205	5	2,405	2,421	16	2,651	2,689
Less Depreciation	712	718	6	7,872	7,881	9	8,726	8,726
Less PDC Dividend	235	235	-	2,581	2,581	-	2,816	2,816
Net Surplus/(Deficit) before impairments	**(197)**	**(153)**	**(44)**	**3,545**	**3,136**	**409**	**3,120**	**3,274**
Less Impairments	154	0	(154)	154	0	(154)	0	154
Net Surplus / (Deficit)	**(351)**	**(153)**	**(198)**	**3,391**	**3,136**	**255**	**3,120**	**3,120**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	**(151)**	**(107)**	**(44)**	**3,925**	**3,530**	**395**	**3,560**	**3,684**

5.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £3,391k, which is £255k better than planned. This includes the in month deficit of £351k which is £198k worse than plan.

5.6. Following discussions with CCG's over recent months, agreement has been reached around further investment of a figure of £2.2m. Where appropriate and where schemes have commenced the income and expenditure has been reported and is included within the month 11 position. In addition winter pressure funding of £1.8m has been agreed and income of £1.2m is included within the year to date position along with £0.8m of expenditure.

5.7. An analysis of the underlying position, which excludes the effect of non recurrent adjustments of £2,235k shows a surplus position of £1,310k, which is £1,827k worse than planned. The average adverse run rate to month 11 of £166k is an improvement on the year to date performance to Month 10 (£186k).

FIGURE 2: Year to date Underlying Financial Position

Detail	Reported Position £000	Underlying Position £000	Non Recurrent Adjustments £000
Income	257,120	253,466	3,654
Operating Expenditure	240,692	239,274	(1,418)
EBITDA	16,427	14,192	2,235
Non Operating Items	12,882	12,882	-
Net Surplus / (Deficit)	3,545	1,310	2,235
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	3,925	1,690	2,235
Variance from Plan	395	(1,827)	2,235

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 £1,429k, which would be £1,692k 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 £3,664k, which would be £544k better than planned. This represents an 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 final month 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	253,466	276,508	3,654	280,162
Operating Expenditure	239,274	261,026	(1,418)	262,444
EBITDA	14,192	15,482	2,235	17,718
Non Operating Items	12,882	14,053	-	14,053
Net Surplus / (Deficit)	1,310	1,429	2,235	3,664
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	1,690	1,993	2,235	4,228
Variance from Plan	(1,827)	(1,692)	2,235	544

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 £166k per month for the year to date, which is an improvement from the Month 10 position which showed an average YTD adverse run rate of £186k. 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 September 2012 – February 2013

Detail	Month 6 £000's	Month 7 £000's	Month 8 £000's	Month 9 £000's	Month 10 £000's	Month 11 £000's
In month net surplus / (deficit) planned as per financial ledger	(850)	478	1,352	179	929	(153)
In month net surplus / (deficit) actual as per financial ledger	(555)	497	1,515	466	1,247	(197)
Variance as per financial ledger	295	19	162	10	318	(44)
Remove non-recurrent items	(457)	(358)	(138)	(42)	(1)	80
Underlying variance from planned position.	(162)	(339)	24	(32)	317	36

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 Oct. 2012 - Feb. 2013

Temporary staffing (Actual Spend)	Division	Month 7 £000's	Month 8 £000's	Month 9 £000's	Month 10 £000's	Month 11 £000's	Variance (Month 10 - 11) £000's
Agency	Corporate	92	124	144	326	201	125
	IC&AM	576	404	383	330	460	(130)
	SC&D	167	162	58	83	75	8
	WC&F	216	143	199	213	164	50
Agency Total		1,050	883	784	953	899	53
Bank	Corporate	368	327	350	501	183	318
	IC&AM	359	410	393	447	391	56
	SC&D	421	313	281	268	284	(16)
	WC&F	245	280	252	253	229	24
Bank Total		1,394	1,330	1,275	1,468	1,087	381

5.13. Specific operational issues and remedial actions for the high levels of temporary staffing expenditure are covered in detail in section 6.

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:

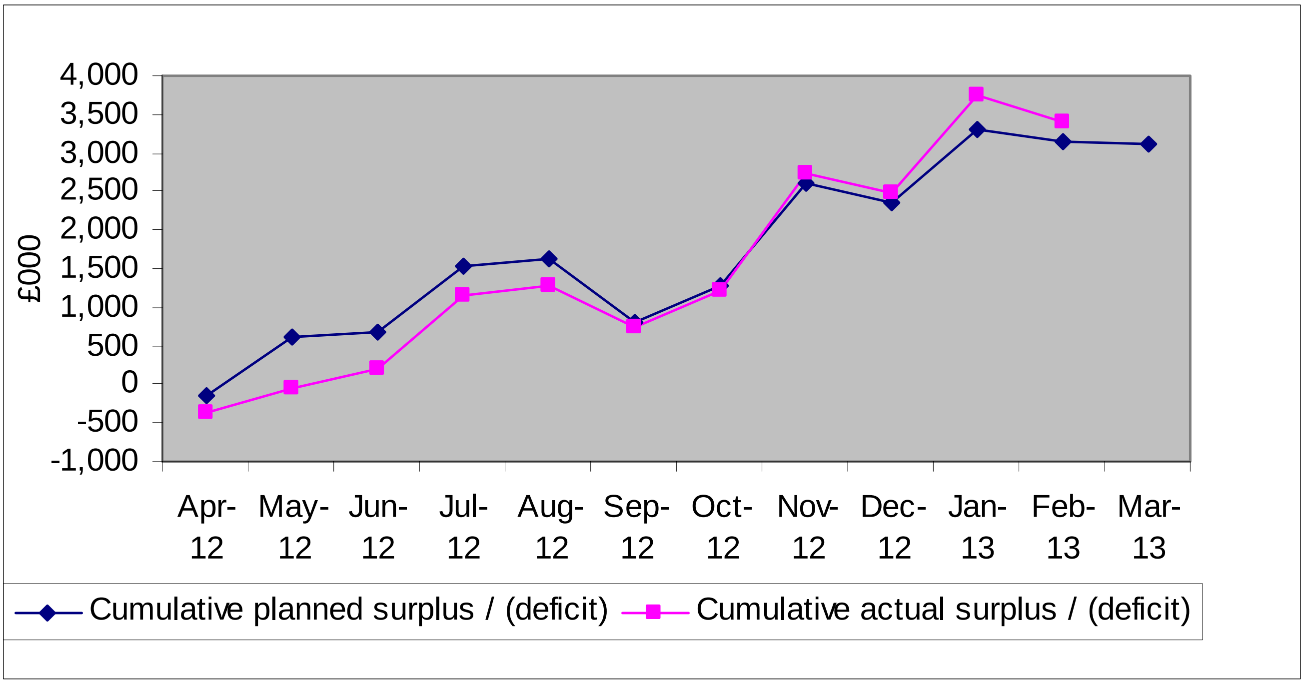
FIGURE 6: Non-Recurrent Movements

Detail	Type	Amount Released / Benefit £000's	Basis for release / benefit
Credit Note Release	Income	1,792	Invoices paid, credit notes no longer required
Bad Debt provisions release	Expenditure	1,143	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	684	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	836	A combination of multiple non-recurrent

			benefits including the benefit associated with NCL winter pressure funding.
Workforce restructuring provision	Expenditure	-3,013	Generation of a restructuring provision to reflect potential future costs associated with restructure.
Total		**2,235**	

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 11			Year to Date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Integrated Care & Acute Medicine	Income	983	903	80	10,725	10,085	639
	Expenditure	6,954	6,979	25	78,100	76,230	(1,870)
	Total	**(5,971)**	**(6,076)**	**105**	**(67,375)**	**(66,144)**	**(1,231)**
Surgery, Cancer & Diagnostics	Income	349	284	65	3,308	3,116	192
	Expenditure	4,954	4,635	(320)	53,163	50,726	(2,437)
	Total	**(4,606)**	**(4,351)**	**(255)**	**(49,855)**	**(47,609)**	**(2,245)**
Women, Children & Families	Income	1,059	1,135	(76)	12,590	12,842	(251)
	Expenditure	5,163	5,384	221	56,990	57,498	508
	Total	**(4,105)**	**(4,249)**	**145**	**(44,400)**	**(44,656)**	**257**
Corporate	Income	21,344	20,447	897	230,496	226,966	3,530
	Expenditure	5,717	4,769	(948)	52,439	52,556	117
	Total	**15,627**	**15,678**	**(52)**	**178,057**	**174,410**	**3,647**
Total	Income	**23,734**	**22,770**	**965**	**257,120**	**253,009**	**4,111**
	Expenditure	**22,789**	**21,767**	**(1,022)**	**240,692**	**237,010**	**(3,683)**
	EBITDA	**945**	**1,003**	**(58)**	**16,427**	**16,000**	**428**

6.3. Key variances identified are summarised as follows;

Integrated Care and Acute Medicine

6.4. The overall divisional income & expenditure position shows an in month positive variance of £105k (£1,231k adverse YTD). The most significant variances within the division include:

– A&E (£22k underspend in month, £710k overspend YTD): The in month underspend is due to reduced agency nursing spend following operational management plans / actions. The YTD overspend is due to a combination of 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 (£50k overspend in month, £684k overspend 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 (£96k overspend in month, £397k 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.

Surgery, Cancer & Diagnostics

6.5. The overall divisional income & expenditure position shows an in month negative variance of £255k (£2,245k adverse YTD). The most significant variances within the division include:

– Surgical Wards (£9k overspend in month, £672k 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 (£15k overspend in month, £353k YTD): This relates to slippage / non achievement of the Divisional CIP target, and the recruitment of an emergency planner approved at EC as a cost pressure.
- Imaging (£9k in month overspend, £190k 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.
- Pathology (£133k in month overspend, £199k overspend YTD): This overspend is predominantly due to additional Roche invoices which covered YTD cost of additional reagent usage above anticipated levels.
- ITU (£76k underspend in month, £176k underspend YTD): 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 £145k (£257k positive YTD). The most significant variances within the division include:

- Midwifery (£25k expenditure underspend in month £330k overspend YTD): The overspend relates to earlier in the year before actions to reduce the high levels of agency and bank expenditure took effect. The service is now able to operate within budget unless there is unexpectedly high levels of agency spend due to sickness / absence or a high number of births.
- Acute Paediatric Wards & NICU (£3k underspend in month, £149k overspend 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. Earlier in the year there were a number of very high dependency children, with one requiring two to one specialist mental healthcare which was provided by agency staff. Arrangements are in progress to replace this type of agency with bank staff to reduce the likelihood of further overspends.
- Universal Services (£57k underspend in month, £297k 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 (£14k underspend in month, £129k 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.

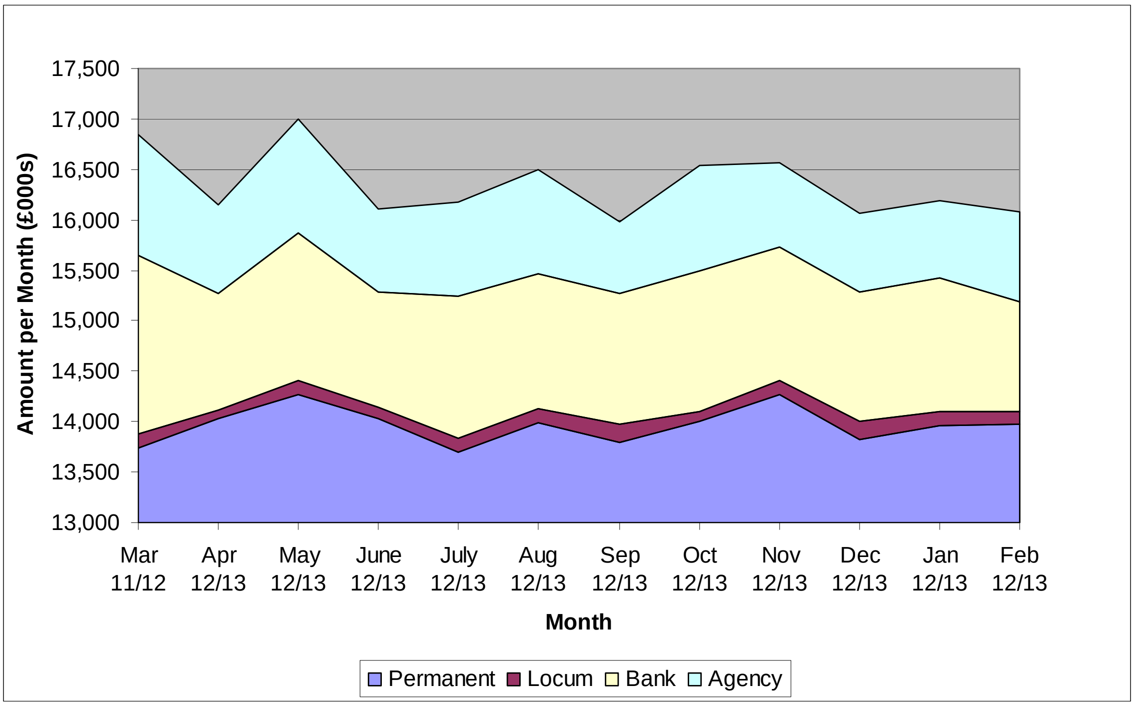
Corporate Directorates

6.7. The overall divisional income & expenditure position for corporate services shows an in month negative variance of £52k (£3,647k 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 (£30k overspend in month, £300k YTD) and Procurement (£67k overspend in month, £9k underspend YTD) which reflects one off additional invoices received in month above previously planned levels.

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 March 2012-February 2013



Expenditure Remedial Actions

6.9. Based on the underlying adverse run rate equating to £166k 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 (January 2013), together with an initial estimate for the February position. On this basis the in month position shows an under performance against plan of £18k.

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 January differing from the previous early assessment included within the M10 position by £177k. 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 February NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that there is likely to be a positive variance of £18k, which is included in the in month position.

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

Description	Amount £000
January NHS income compared to Month 10 estimate	(177)
Estimated February variance on NHS income	18
Income Relating to Prior Year	171
Work in Progress – Critical Care	(47)
Other	17
Total in-month variance against NHS income plan	(18)

7.4. Included within the cumulative position to month 10 is a favourable movement on income of £1,792k 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.

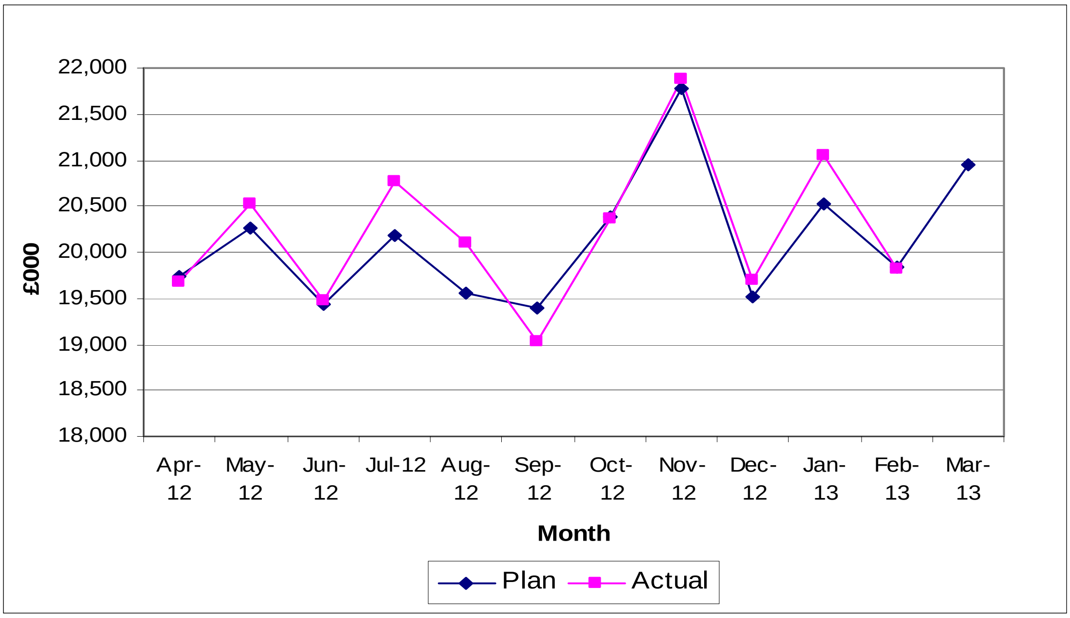
7.7. Figure 10 provides an overview of total clinical income for Month 10, and contains a combination of actual income and estimates. Figure 11 provides an overview of actual income, based on month 1 – 10 activity, relating specifically to acute activity, and showing income performance by patient type:

FIGURE 11: Income Performance by Patient Type

Point of Delivery	Year to date (to Month 10) Plan £000	Actual £000	Variance £000	In Month Variance £000	Late Data Added £000
Block Contract/Adjustments	9,718	9,741	23	22	203
Elective Inpatients	7,801	7,802	1	(19)	(2)
Non-Elective Inpatients	38,633	38,857	224	(17)	9
Excess Beddays	1,935	1,937	1	12	(3)
Day Cases	9,624	9,658	34	8	2
Outpatient Procedures	2,459	2,451	(8)	(1)	0
Outpatient 1st Attends	10,138	10,119	(19)	(2)	1
Outpatient Follow Ups	12,189	12,280	91	(2)	7
Adult Critical Care	7,233	7,617	384	(42)	27
Paediatrics High Dependency	257	244	(13)	(2)	0
NICU High Dependancy Beddays	1,256	1,328	72	22	(0)
NICU Intensive Care Beddays	469	643	174	4	0
NICU Special Care Beddays	3,953	3,546	(407)	(149)	27
ED Attendances	8,159	8,187	28	2	0
Direct Access	8,330	8,321	(9)	(3)	4
Maternity Ultrasound	1,338	1,334	(4)	0	0
Other Activity	2,996	2,970	(27)	(2)	39
Grand Total	**126,487**	**127,032**	**544**	**(168)**	**314**

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 £544k 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 £3,311k in Month 11 and £28,258k 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

Description	Current Month			Year To Date			Annual
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	Budget £'000
Service Increment for Teaching & Research (SIFT)	747	747	(0)	8,221	8,221	(0)	8,968
Medical & Dental Education Levy (MADEL)	470	470	0	5,185	5,185	0	5,656
Non Medical Education & Training (NMET)	176	161	15	1,822	1,795	27	1,953
Income from Service Level Agreements	312	350	(38)	3,682	3,854	(173)	4,205
Excellence Award Income	31	52	(21)	379	570	(190)	621
Income Generation e.g. car park, accommodation, canteen	72	88	(16)	988	966	22	1,054
Research & Development	98	43	55	1,089	514	574	557
Other	1,405	397	1,009	6,893	4,577	2,316	5,243
Total	3,311	2,308	1,003	28,258	25,682	2,576	28,257

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 £1,291k have been approved, the equivalent value for 2013/14 being £1,107k. 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
Estates and Facilities	Community Local Security Management Specialist	8	23
Estates and Facilities	Decontamination of T-V probes		44
Estates and Facilities	Records Management : initial investment pending reviewed b/case	25	0
Estates and Facilities	Postage costs	145	0
Estates and Facilities	Relocation of Clinical Skills Centre & Undergraduate Library		157
Facilities	Dartmouth Park House rent loss	16	16

HR	Band 7 ESR Employee Rollout	47	4
HR	Full time PA for Directors of People & OD	0	34
IC&AM	Additional 7/7 working	TBC	TBC
IC&AM	Finsbury Health Centre refurbishment	50	0
IC&AM	MSK relocation to Somerset Gardens	35	0
IC&AM	Ambulatory Care interim solution		197
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
S,C&D (Trust Finance)	Increased Asteral UP : ultrasound machine for Imaging and Vascular team	0	32
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	Patient administration process support and implementation	74	74
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)
Total		**1,291**	**1,107**

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 96% of the profiled year to date target, an improvement on the 91% delivered as at M10. The improvement is due to (a) improved rate of delivery against in-month targets and (b) some "catch-up" in reporting due to monitoring information becoming available retrospectively and to evidence of sustained improvement in the expenditure run-rate in a number of areas.

FIGURE 15: CIP Monthly Performance

Workstream	**Latest 12/13 Target £'000**	**Target to Month 11 £'000**	**Actual saving delivered to date £'000**	**Proportion of profiled target delivered %**
Productivity : Acute	1,866	1,675	1,555	93%
Productivity : Community	2,012	1,834	1,946	106%
Productivity : integration	578	339	663	196%

Agency staff	580	532	96	18%
Medicines management	200	183	230	126%
Procurement	949	868	555	64%
Management of consumables	581	532	107	20%
Estates / soft FM	708	587	308	52%
Corporate overheads & management costs	481	440	529	120%
LEAN project (gross savings less project costs)	500	302	(500)	100%
LEAN project : release of severance provision unlikely to be required	0	0	802	
E-communications	100	92	3	3%
Service transformation : acute bed base	2,093	1,915	1,437	75%
CNST	342	314	314	100%
Other service transformation	79	72	145	201%
Income generation	605	554	358	65%
Bal to fye of 11/12 programme	1,447	1,441	1,441	100%
Financial mitigations against programme slippage			1,256	
TOTAL	**13,122**	**11,681**	**11,246**	**96%**

8.2. The main projects for which an improvement is being reported this month are :

Nursing agency : bookings and expenditure have reduced in February and are now showing a sustained downward trend. The savings target was set with reference to the 2011/12 expenditure baseline, and so as to ensure a like-for-like comparison, agency costs incurred by services and initiatives funded specifically by commissioners in 2012/13 (eg. ambulatory care project, flu vaccinations and winter pressures initiatives) are excluded from the monitoring. Expenditure on agency nursing staff in core acute and community services has now started to reduce in line with the target :

Midwifery staffing : there has been a sustained reduction in the run-rate of expenditure through tighter control of temporary staff bookings, and for the fifth successive month expenditure has been contained within budget.

ED nursing staffing : the financial recovery plan agreed at F&D Committee has been implemented from January and there is a clear reduction in the level of temporary staff bookings and expenditure levels.

Note : in allocating savings to projects, care has been taken not to double-count agency staff reductions. As a general rule, the saving from reduced premium/commission costs has been set against the Agency Reduction project and the saving from the reduction in absolute staffing levels has been set against the divisional service projects.

Medical ward establishment review : has been implemented in February.

Carbon reduction : in the year to date, the Trust's degree-day normalised gas consumption has reduced by 19% compared to 2011/12.

Clinical waste : in the year to date, the Trust's clinical waste tonnage has reduced by 11% compared to 2011/12.

Car parking and staff accommodation income : the impact of delays in implementing increased rents and tariffs has been almost fully recovered through over-delivery of income targets in the latter months of the year.

Drug cost savings : data analysis produced by the Pharmacy department has shown that medicines procurement savings have exceeded the targeted value this year.

Forecast

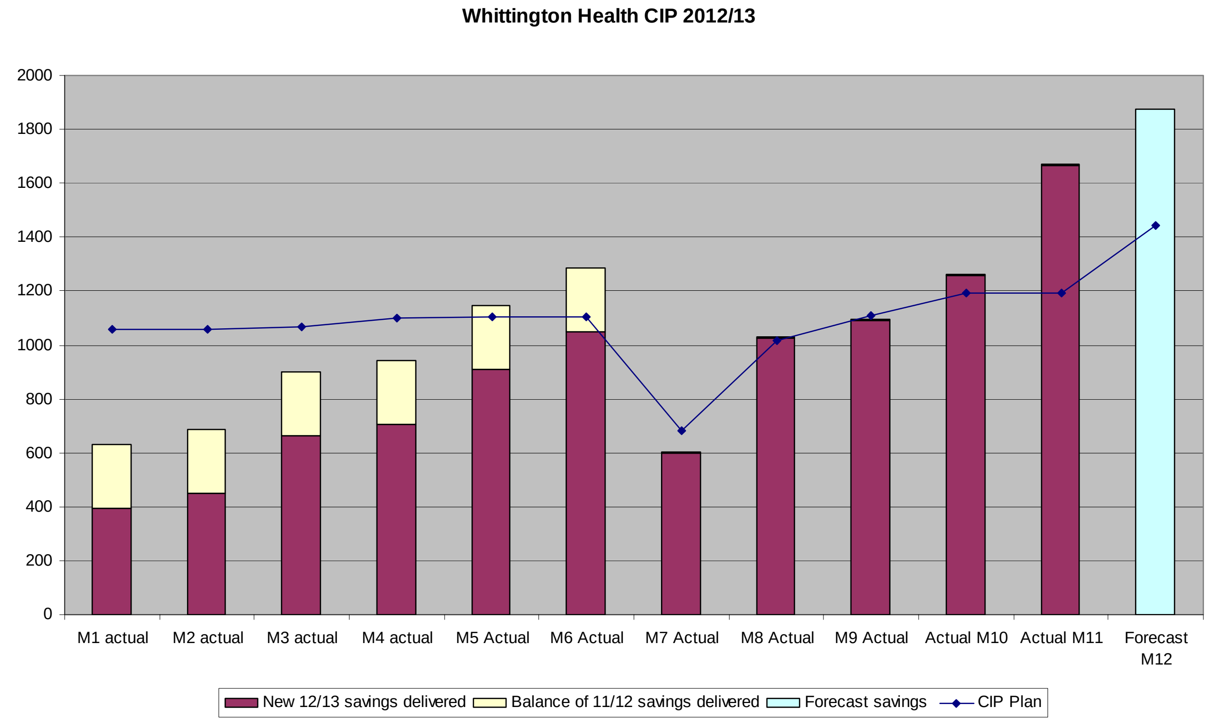
The forecast has again been compiled on the basis of a "best case" and "worst case" scenario for each scheme. The extent to which additional financial mitigations will be needed to address a shortfall in delivery against the CIP targets is illustrated in Figure 17 below. This illustrates how, following on from the improvement reported in month 11, the likely case forecast of project delivery has improved by £435k since last month, therefore the level of mitigation that will be required from the substitute measures has reduced to £320 k, if the full CIP target is to be achieved by year-end.

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

	For comparison : Month 10 Likely Case £m	Month 11 Likely Case £m	Month 11 Worst Case £m
CIP projects	9.850	10.285	10.285
Bariatric reserve	0.650	0.650	0.650
Pay reserve	0.785	0.785	0.785
Further mitigations required	0.835	0.320	0.0
Severance provision not required	1.000	1.080	1.080
Total benefit	13.120	13.120	12.800

The "likely case" forecast is that the £13.1 m target will be met in full, but this is on the assumption that £320k of additional savings can be delivered in 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. The month-by-month actual and "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 month of the year, in order to off-set the shortfall in delivery in April – July.

FIGURE 17 : CIP Performance to Date / Forecast

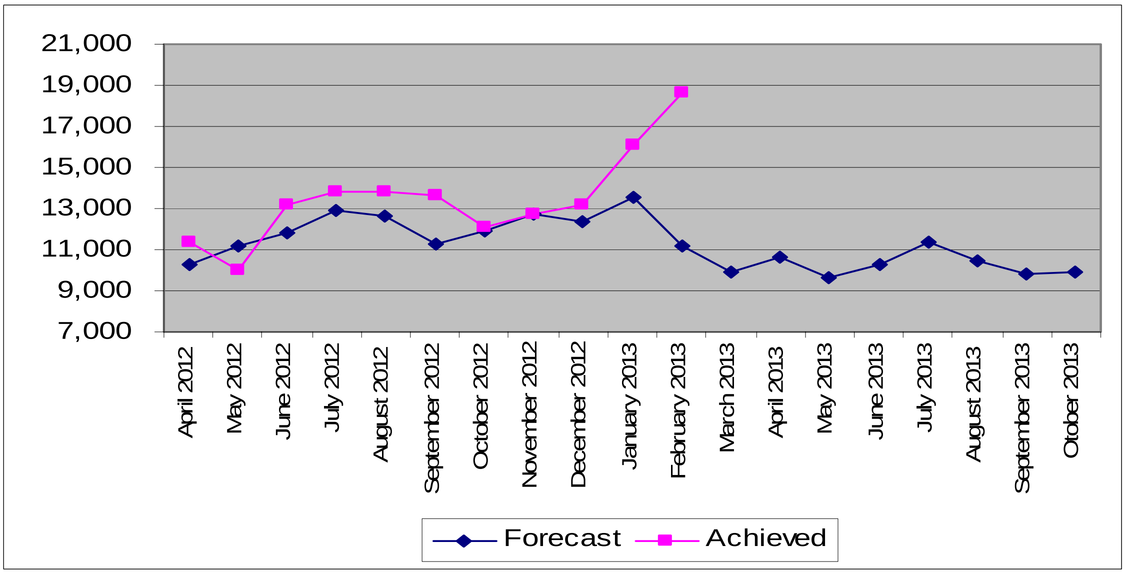


Note : the low Planned and Actual figures in M7 are due to the re-phasing of the planned TPE(LEAN) project costs into the early months of the year; this adjustment has taken place in the month of October, as it is not possible to re-state the plan profile for earlier months.

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of February 2013 was £18,659k against a planned balance of £11,195k. The key reason for this positive variance is that a payments run totalling £2,635k, scheduled to happen on 28 February, was delayed until 1 March. There were also substantial non-recurrent payments received in the month, notably community SLA adjustments (£2,012k), HCAS (£405k) and clinical excellence awards (£202k).

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 February 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 28th February 2013 £'000	As at 31st March 2013 £'000
Property, plant and equipment	136,944	138,140	140,314
Intangible assets	1,360	1,379	3,326
Trade and other receivables	2,022	1,826	1,823
Non-current assets	**140,325**	**141,345**	**145,463**
Inventories	1,115	1,339	1,189
Trade and other receivables	12,044	9,660	10,177
Cash and cash equivalents	9,933	18,659	11,766
Current assets	**23,092**	**29,659**	**23,132**
Trade and other payables	30,394	34,966	31,348
Borrowings	1,209	1,209	2,937
Provisions	3,403	4,321	1,911
Current liabilities	**35,007**	**40,496**	**36,196**
Net Current liabilities	**11,915**	**10,837**	**13,064**
Borrowings	36,834	35,811	36,796
Provisions	1,771	1,501	1,890
Non-current liabilities	**38,606**	**37,312**	**38,686**
Total assets employed	**89,805**	**93,196**	**93,713**
Public dividend capital	53,206	53,206	53,994
Retained earnings	6,930	10,455	10,189
Revaluation reserve	29,669	29,534	29,530
Total taxpayers' equity	**89,805**	**93,196**	**93,713**

9.4. The balance sheet differs from the latest version 6.1 of the LTFM as the LTFM was based on forecast outturn based on M7 information whereas figure 19 reflects a more updated position. 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 £7,876k, against which £9,238k has been spent, a variance of £1,362k. The plan excludes CRL additions of £2,900k (ambulatory care centre), £750k (maternity) and £38k (IT).

10.3. Year to date capital payments total £7,552k, of which £3,086k 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 Non-NHS payables compared to last year has 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	5,269	81,973	20,589	56,376
Total paid within target	4,857	59,912	13,198	42,430
Percentage paid within target	92.2%	73.1%	64.1%	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	92.1%	87.5%	64.3%	89.4%

12. Analysis of Debtors and Aged Debt

12.1. As at Month 11, the total value of debtors was £3,730k, an improvement on the Month 10 position (£7,402k) of £3,672k.

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

NHS Debtors	Number of Days Range					Grand Total £000
	30 Days & Under £000	30 - 60 Days £000	60 - 90 Days £000	> 90 Days £000	> 365 Days £000	
NHS ISLINGTON	282	686	-28	779	0	1,719
WEST ESSEX PRIMARY CARE TRUST	266	0	0	3	0	269
THE ROYAL FREE AND HAMPSTEAD NHS TRUST	148	36	0	10	0	194
THE UCL HOSPITALS NHS FOUNDATION TRUST	40	38	28	67	0	173
CITY & HACKNEY PCT (COMMISSIONING)	136	0	8	0	0	144
BARNET ENFIELD & HARINGEY MENTAL HEALTH	11	93	9	25	0	138
CENTRAL & EAST LONDON CLRN	9	69	0	0	0	78
GREAT ORMOND STREET HOSPITAL NHS TRUST	39	6	0	58	-30	73
CAMDEN & ISLINGTON NHS FOUNDATION TRUST	7	0	6	50	0	63
CNWL NHS FOUNDATION TRUST	48	0	0	0	0	48
Other NHS	14	117	-1011	-99	272	-707
Subtotal NHS Debtors	**1,000**	**1,045**	**-988**	**893**	**242**	**2,192**
Other Non NHS Debtors	512	403	144	510	-31	1,538
Total:	**1,512**	**1,448**	**-844**	**1403**	**211**	**3,730**

12.3. An analysis of the aged debt position illustrates that of the £3,730k, £1,512k 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 £770k. The most significant element of which relates to NHS Islington, which totals £751k, 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 101.94%, 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)	101.94%	100%	85%	70%	50%	<50%
EBITDA margin (%)	6.35%	11%	9%	5%	1%	<1%
Net return after financing (%)	2.74%	3%	2%	-0.5%	-5%	<-5%
I&E surplus margin (%)	1.41%	3%	2%	1%	-2%	<-2%
Liquid ratio (days)	12.3	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. (Weighted average rating is 3.15, reducing to 2.65 when “normalised” by excluding non-recurrent benefits.

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)	101.9%	**5**	101.35 %	**5**
EBITDA margin (%)	**Underlying performance**	=(EBITDA actual less Donated Asset Income) / (Total Operating Revenue less Donated Asset Income)	6.35%	**3**	6.19 %	**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)	2.74%	**4**	2.27%	**4**
I&E surplus margin (%)	**Financial efficiency**	=(Net surplus add back Impairments add back profit/loss on disposal) / Total Operating Revenue	1.41%	**3**	1.19%	**3**
Liquid ratio (days)	**Liquidity**	=((Current Assets less Inventory less Current Liabilities add WC Facility - (£22m)) / Total Costs)*365	12.3	**2**	12.24	**2**

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

14. 2012/13 Forecast and Risks

14.1. The year to date position shows a surplus of £3,391k (IFRS basis and including the impact of fixed asset impairments), which is £255k better than the planned position. This position includes £2,081k of non recurrent adjustments (including £154k fixed asset impairment) which have had a favourable effect on the position. Without these adjustments the year to date position would show the an underlying surplus of £1,310k, £1,827k 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 11 is identified, which identifies the worst case position of slippage/non delivery of £320k, which reflects the best available information about likely delivery of savings in March. Additional CIPs will need to be identified in March, or further improvements made to the run-rate of delivery, to mitigate against this risk.
- Additional unavoidable cost pressures: Within the worst case position it is assumed that additional unmitigated cost pressures of £1,291k are included in the financial position, which reflects the latest estimate of approved in year cost pressures. The worst case unmitigated cost pressure position has been scaled down to the equivalent of 25% - to provide a more realistic worst case position.
- 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. The worst case unmitigated cost pressure position has been scaled down to the equivalent of 25% - to provide a more realistic worst case position.
- **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 £3,684k after excluding the effect of IFRS and fixed asset impairments. 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 25% of this value, to reflect a more realistic best case position. This would provide for a best case surplus position of £3,284k, 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 1.25%.
- 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	281,231	281,306	281,306
Operating Expenditure	264,601	264,013	263,849
EBITDA	16,630	17,293	17,457
Non Operating Items	14,173	14,173	14,173
Net Surplus / (Deficit)	2,457	3,120	3,284
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	3,021	3,684	3,848

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 £2,457k, which equates to a £3,021k surplus after excluding the effect of IFRS and fixed asset impairments.

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.**

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.

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 CIP 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 CIP 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 11 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.