

## Whittington Health Trust Board

24 April 2013

<b>Title:</b>	Provisional Financial Position – Month 12 (March 2013)		
<b>Agenda item:</b>	<b>13/061</b>	<b>Paper</b>	<b>7</b>
<b>Action requested:</b>	For agreement		
<b>Executive Summary:</b>	<p>This paper provides an overview of the 2012/13 provisional year end financial position and provides an update on the 2013/14 operating plan. Key headlines include:</p> <p><b>Provisional Year End Financial Position 2012/13</b></p> <ul style="list-style-type: none"> <li>- Year end surplus of £3,201k on an IFRS basis excluding impairments. This represents a positive variance of £80k compared to the planned position.</li> <li>- In month deficit of £345k on an IFRS basis. This is before the impact of impairments following a fixed asset revaluation, which increases the in month deficit to £4,548k (£1,157k deficit YTD).</li> <li>- Estimated CIP achievement of £13,120k YTD with 100% overall achievement of plan, compared to 96% in M11.</li> <li>- The year end cash balance is £15,088k against a planned balance of £9,927k (as per FIMS return) due to an increase in debts paid and additional levels of income above plan.</li> <li>- An overall Financial Risk Rating (FRR) of 3 for the year end position in line with the planned position.</li> </ul> <p><b>Financial Plan 2013/14</b> Further to the 2013/14 Budget Proposal paper presented to the March 2013 Trust Board and in line with the latest submission of the Operating Plan to NHS London, the Trust is projecting a breakeven position for 2013/14 (which equates to £1,091k after excluding the impact of IFRS and depreciation on donated assets). This plan is dependent on the full achievement of a £15.0m (5.6%) CIP within the year</p>		
<b>Summary of recommendations:</b>	That the Trust Board note the contents of this report.		
<b>Fit with WH strategy:</b>	This report is also required to update the Trust Board of progress		

		in achieving statutory financial requirements.					
<b>Date paper completed:</b>		15 <sup>th</sup> April 2013					
<b>Author name and title:</b>		<b>Guy Dentith Deputy Director of Finance</b>		<b>Director name and title:</b>		<b>Richard Martin Director of Finance</b>	
<b>Date paper seen by EC</b>	<b>N/A</b>	<b>Equality Impact Assessment complete?</b>	<b>N/A</b>	<b>Risk assessment undertaken?</b>	<b>N/A</b>	<b>Legal advice received?</b>	<b>N/A</b>



# Month 12 Finance Report

## 1. Month 12 Financial Update

- 1.1. The provisional Income and Expenditure position is summarised in Figure 1 below. 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 £4,357k fixed asset impairment are excluded from the Trust's break even duty.
- 1.2. Year to date EBITDA of £17.1m is reported, which is £0.2m less than planned.
- 1.3. The reported position includes the impact of impairments, the value for which has yet to be finalised. The reported impairment of £4,357 has a direct impact on the bottom line position, they are not included as part of the break even position against which the Trust is monitored. The reported impairment is due to a combination of revaluations which arose from the mandatory annual revaluation exercise. The two most significant revaluations are an £850k impairment due to a fall in value of elements of the Trust's buildings, and a £3,353k impairment on assets under construction which reflects elements of the capital programme adding no value to the buildings, such as stripping out costs.
- 1.4. The income and expenditure position is illustrated as follows:

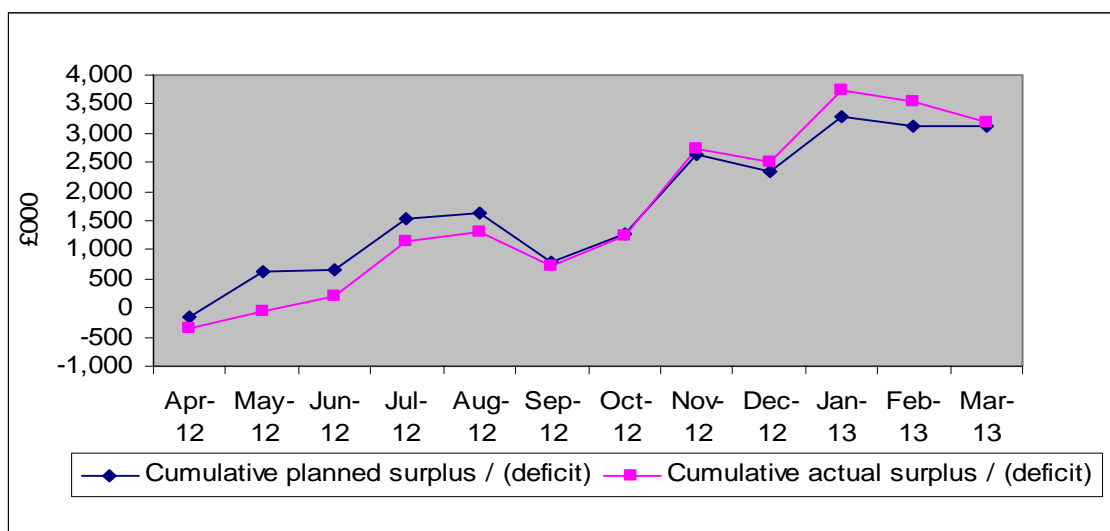
**FIGURE 1: Income & Expenditure Summary – Consolidated Position**

Description	Current Month			Year To Date			Annual Budget £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	
NHS Clinical Income	20,338	20,955	(617)	242,752	241,564	1,188	241,564
Non NHS Clinical Income	600	616	(16)	7,047	7,333	(286)	7,333
All Other Non Clinical Income	3,286	2,412	874	31,544	28,094	3,450	28,094
<b>Total Income</b>	<b>24,223</b>	<b>23,982</b>	<b>241</b>	<b>281,343</b>	<b>276,991</b>	<b>4,352</b>	<b>276,991</b>
Pay	16,940	16,451	(489)	198,066	193,881	(4,185)	193,881
Non Pay	6,574	6,238	(336)	66,140	65,817	(323)	65,817
Centrally Held Savings	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>23,514</b>	<b>22,689</b>	<b>(826)</b>	<b>264,207</b>	<b>259,698</b>	<b>(4,508)</b>	<b>259,698</b>
<b>EBITDA</b>	<b>709</b>	<b>1,293</b>	<b>(584)</b>	<b>17,137</b>	<b>17,293</b>	<b>(156)</b>	<b>17,293</b>
Loss on Disposal of Assets	-	-	-	79	-	(79)	-
Plus Interest Receivable	5	-	5	60	20	40	20
Less Interest Payable	269	230	(39)	2,674	2,651	(23)	2,651
Less Depreciation	714	844	130	8,587	8,726	139	8,726
Less PDC Dividend	75	235	160	2,656	2,816	160	2,816
<b>Net Surplus/(Deficit) before impairments</b>	<b>(345)</b>	<b>(16)</b>	<b>(329)</b>	<b>3,201</b>	<b>3,120</b>	<b>80</b>	<b>3,120</b>
Less Impairments	4,203	0	4,203	4,357	0	4,357	0
<b>Net Surplus / (Deficit)</b>	<b>(4,548)</b>	<b>(16)</b>	<b>(4,532)</b>	<b>(1,157)</b>	<b>3,136</b>	<b>4,277</b>	<b>3,120</b>
<b>Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)</b>	<b>(299)</b>	<b>30</b>	<b>(329)</b>	<b>3,612</b>	<b>3,560</b>	<b>52</b>	<b>3,560</b>

The Trust's plan was to deliver a £3,120k surplus at the year-end on an IFRS basis. The provisional year end position is a surplus of £3,201k. After adding back the £383k impact of IFRS on PFI and net impact on donated assets (£27k) this results in a £3,612k surplus, against the planned break-even target of £3,560k.

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

**FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance**



The cumulative actual surplus / (deficit) in figure 2 excludes the impact of impairments.

## 2. Income Performance

- 2.1. NHS Clinical Income is reported based upon the latest coded activity (February 2013), together with an initial estimate for the March position. On this basis the in month position shows an under performance against plan of £613k. Key components of the adverse variance include £554k of additional credit note provision and a £165k reduction in the value of the work in progress (WIP) accrual to reflect the value of the income we will receive for inpatients on March 31<sup>st</sup> 2013.
- 2.2. The assessment of the March NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that there is likely to be an adverse variance of £64k, which is included in the in month position.
- 2.3. Figure 3 below shows income performance by patient type:

**FIGURE 3: Income Performance by Patient Type**

	Year to date (to Month 11)	In Month

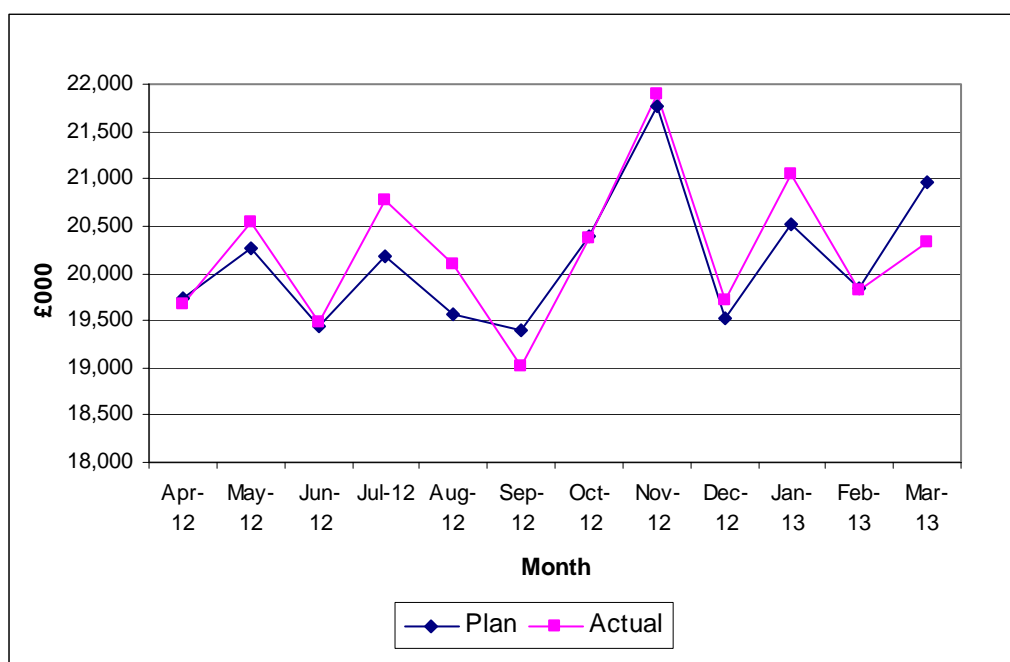
Point of Delivery	Plan £000	Actual £000	Variance £000	Variance £000	Late Data Added £000
Block Contract/Adjustments	10,690	10,711	21	(2)	0
Elective Inpatients	8,566	8,634	68	67	0
Non-Elective Inpatients	42,331	42,616	285	56	2
Excess Beddays	2,113	2,105	(8)	(9)	0
Day Cases	10,568	10,604	36	2	0
Outpatient Procedures	2,700	2,694	(6)	1	0
Outpatient 1st Attends	11,132	11,114	(18)	(5)	16
Outpatient Follow Ups	13,384	13,478	93	(1)	7
Adult Critical Care	7,971	8,397	425	42	0
Paediatrics High Dependency	282	267	(15)	(2)	0
NICU High Dependency Beddays	1,381	1,464	83	11	(1)
NICU Intensive Care Beddays	515	678	163	(12)	0
NICU Special Care Beddays	4,349	3,953	(396)	(106)	118
ED Attendances	8,920	8,962	41	8	(0)
Direct Access	9,163	9,154	(10)	(1)	1
Maternity Ultrasound	1,470	1,466	(3)	0	0
Other Activity	3,291	3,260	(31)	(5)	6
<b>Grand Total</b>	<b>138,827</b>	<b>139,556</b>	<b>729</b>	<b>45</b>	<b>150</b>

2.4. Key points to note from the analysis of income (year to date variance to Month 11) are summarised as follows:

- The main areas of over performance relate to non-elective inpatients (£285k) and adult critical care (£425k).
- The main area where income is below the planned level is NICU special care bed days (£396k).

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

**FIGURE 4: Performance Against Internal Clinical Income Plan – In Month**



- 2.6. The total value of all other non clinical income highlighted in Figure 1 is £3,286k in Month 12 and £31,544k cumulatively. This is further illustrated in the following figure:

**FIGURE 5: All Other Non Clinical Income**

Description	Current Month			Year To Date			Annual Budget £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	
Service Increment for Teaching & Research (SIFT)	747	747	(0)	8,968	8,968	(0)	8,968
Medical & Dental Education Levy (MADEL)	470	470	(0)	5,656	5,656	0	5,656
Non Medical Education & Training (NMET)	189	185	5	2,011	1,979	32	1,979
Income from Service Level Agreements	260	350	(90)	3,942	4,205	(263)	4,205
Excellence Award Income	122	52	70	501	621	(120)	621
Income Generation e.g. car park, accommodation, canteen	80	88	(8)	1,067	1,054	14	1,054
Research & Development	75	43	32	1,163	557	606	557
Other	1,343	477	866	8,236	5,054	3,182	5,054
<b>Total</b>	<b>3,286</b>	<b>2,412</b>	<b>874</b>	<b>31,544</b>	<b>28,094</b>	<b>3,450</b>	<b>28,094</b>

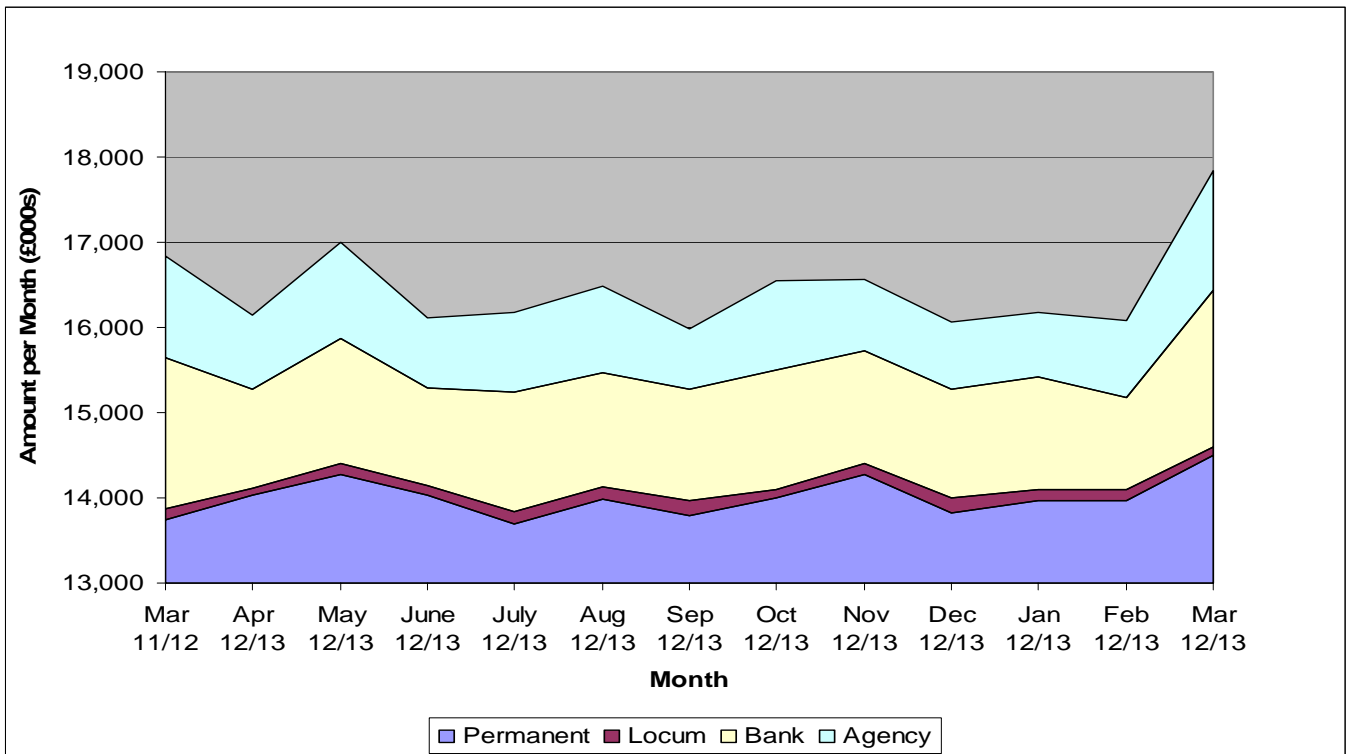
### 3. Expenditure Performance

- 3.1. Overall performance against the expenditure budget shows an over spend in month of £826k, with a cumulative over spend of £4,508k.

#### Pay Expenditure

- 3.2. The in month position shows an over spend of £489k and a cumulative over spend position of £4,185k year to date. Included within the position are c. £700k of non-recurrent adjustments which affect the in month position, including generation of provisions, prudent levels of agency / bank accruals due to agency system problems and additional FT staff costs. In the YTD variance there are c. £2m of severance provision along with additional expenditure associated with NCL winter pressure funding.
- 3.3. Pay expenditure trends are further illustrated in the following figure:

**FIGURE 6: Whittington Health Staffing Expenditure Trends April 2012- March 2013**



### Non Pay Expenditure

- 3.4. The overall non pay position shows an in month over spend of £336k, with a cumulative over spend of £323k, which is further illustrated in the following figure:

**FIGURE 7: Summary Analysis of Month 12 Non Pay Expenditure**

Expenditure type	Annual Budget £000	Current Month			Year to Date		
		Actual £000	Budget £000	Variance £000	Actual £000	Budget £000	Variance £000
Clinical Supplies & Services	31,463	3,011	2,551	(459)	33,011	31,463	(1,548)
General Supplies & Services	2,974	(386)	248	634	3,167	2,974	(194)
Establishment Expenses	2,267	356	203	(153)	2,458	2,267	(218)
Premises & Fixed Costs	14,030	1,047	1,158	110	13,183	14,030	847
Other	15,083	2,546	2,078	(468)	14,294	15,083	789
<b>Total</b>	<b>65,817</b>	<b>6,574</b>	<b>6,238</b>	<b>(336)</b>	<b>66,140</b>	<b>65,817</b>	<b>(323)</b>

- 3.5. The overall position for the year to date shows an over spend of £323k, there are specific areas of over spend, the most significant of which being clinical supplies and services. Increases in expenditure have been largely attributable to changes in activity and inflationary increases. This is largely offset by

'premises and fixed costs' and 'other' expenditure, the most significant element of which relates to reserve adjustments.

#### 4. Cash and Balance Sheet / Statement of Financial Position

- 4.1. The cash balance at the end of March was £15,088k, which reflects an improved position when compared against the forecast position. This is largely due to the clearance of outstanding debt combined with higher than forecast income position. After finance leases are taken into account, the Trust expects to be within its EFL, which is a limit on the external financing that the Trust may bring in during the year.
- 4.2. The balance sheet is summarised below, showing the opening position for April 2012, and the provisional year end position as at the 31<sup>st</sup> March 2013.

**FIGURE 8: Balance Sheet / Statement of Financial Position**

Description	As at 1st April 2011 £'000	2012/13 Year-end Forecast £'000
Property, plant and equipment	136,944	137,433
Intangible assets	1,360	1,337
Trade and other receivables	2,022	635
<b>Non-current assets</b>	<b>140,325</b>	<b>139,406</b>
Inventories	1,115	1,290
Trade and other receivables	12,044	10,672
Cash and cash equivalents	9,933	15,088
<b>Current assets</b>	<b>23,092</b>	<b>27,049</b>
Trade and other payables	30,394	31,769
Borrowings	1,209	1,146
Provisions	3,403	4,292
<b>Current liabilities</b>	<b>35,007</b>	<b>37,208</b>
Borrowings	36,834	38,593
Provisions	1,771	1,764
<b>Non-current liabilities</b>	<b>38,606</b>	<b>40,356</b>
<b>Total assets employed</b>	<b>89,805</b>	<b>88,891</b>
Public dividend capital	53,206	53,344
Retained earnings	6,930	5,912
Revaluation reserve	29,669	29,635
Donated asset reserve	0	0
<b>Total taxpayers' equity</b>	<b>89,805</b>	<b>88,891</b>

#### 5. Payment of Creditors

- 5.1. 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.



- 5.2. The Trust's performance, which is measured both in terms of volume and value, is illustrated below, a comparison to the performance in the previous year shows that there has been a deterioration in the Non NHS Payables. The key reason for this deterioration relates to the implementation of a new receipting system which impairs the ability of the payments team to review the outstanding Non-NHS payments and exclude specific items. There is a plan in place to rectify this within 2013/14 and improved performance is to be expected.

**FIGURE 9: Better Payments Practice Code**

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
<i>Current Year to Date Performance</i>				
Total bills paid	5,841	92,351	22,935	64,904
Total paid within target	5,377	68,396	14,454	49,479
<b>Percentage paid within target</b>	92.1%	74.1%	63%	76.2%
<i>2010/11 Performance</i>				
Total bills paid	5,841	66,238	23,045	58,971
Total paid within target	5,381	57,963	14,817	52,705
<b>Percentage paid within target</b>	92.1%	87.5%	64.3%	89.4%

## 6. 2013/14 Financial Plan

### 2013/14 Financial Plan

- 6.1. Further to the *2013/14 Budget Proposal* paper presented to the March Trust Board and in line with the latest submission of the Operating Plan to NHS London, the Trust is projecting a breakeven position for 2013/14 (which equates to a £1,091k surplus after excluding the impact of IFRS, impairments and depreciation on donated assets). This plan is dependent on the full achievement of a £15.0m (5.6%) CIP within the year.
- 6.2. The operating plan submitted to the TDA reflects I&E changes informed by decisions made at the March Trust Board. Agreed adjustments which impact upon the £4,356 net surplus presented in the *2013/14 Budget Proposal* paper are as follows:
- The 2013/14 CIP plan is reduced from £18.0m to £15.0m
  - An MPET tariff reduction of £1.14m is included based on values from the latest schedule received from NHS London.
  - Additional cost pressures of £1.1m relating to the agreed organisational development staffing requirement.
  - The impact of the estates transfer assumes that negotiations are successful and the transfer is financially neutral to the Trust.
  - The 2012/13 proposed re-structuring provision has been re-calculated removing any component relating to medical and nursing staff.
  - Additional release of general un-utilised provision of £0.5m has been built into the 2013/14 plan based on historic levels of utilisation.
  - An additional income target of £0.1m has been assumed for non-NCL Trusts which reflects on-going levels of over-performance on PbR contracts.

## **Income SLA Position**

- 6.3. Contracts with the Trusts main commissioners have been agreed and signed as part of the 2012/13-2013/14 two year block arrangement, however at the time of writing this report the deed of variation detailing treatment of mandated components, is as yet to be formally signed off. Due to the delay in agreeing contractual details with the main commissioner, this has had a consequent delay on agreeing contracts with associate commissioners.
- 6.4. The contract for NCL commissioners is a continuation of the two year block contract agreed in 2012/13. The details of the contract are summarised as follows;
- A total income requirement in 2013/14 from NCL of £216.5m before mutually agreed adjustments such as NHS CB transfers and additional community investments.
  - Against this requirement the 2013/14 contract offer represents £215.2m plus a risk share against the gap value of £1.3m of which 50% is guaranteed as a further reimbursement from NCL making £215.9m the full guaranteed income value.
  - The gap of £1.3m will potentially be mitigated through readmissions funding and community reprovision investment not yet included in the offer and acute service developments. Any residual shortfall will be shared 50:50 with NCL making up therefore the maximum risk to the Trust of £0.65m in 2013/14.
  - Due to changes in the commissioning structure in 2013/14 the NHS Commissioning Board (NHS CB), as part of its portfolio of directly commissioned services, will be responsible for the commissioning of all of the Trust's specialised services. Based on this change of commissioner there is a transfer of activity currently estimated at £34m out of CCG contracts including the NCL commissioner block contract. The transfer is intended to be financially neutral for providers and is built into the operating plan as such, but should be noted as a potential risk.
  - 2013/14 includes 6 months funding for the current readmission schemes to continue (with 50% marginal costs included associated with delivery of the additional activity). With CCG support this may be extended to the full year and this second six months would offset the £1.3m gap as described above
  - During 2012/13 an additional £2.2m of community investment was mutually agreed between the Trust and commissioners which will be added on top of contract values as a deed of variation. This additional income is reflected in the operating plan submission.
- 6.5. The block contract applies only to NCL Commissioners, under and over performance for other commissioners will be reimbursed / paid as per normal Payment by Results rules.

## **Key Next Steps**

- 6.6. Key next steps required to support the delivery of the financial plan as outlined above are summarised as follows:
- Conclude associate SLA's with non NCL commissioners and NHS CB.

- Conclusion of the agreement of subleases and funding settled in respect of community properties.
- As identified above the financial position is dependent on the delivery of a £15.0m CIP target, it is essential the Trust operates within budgets and delivers against identified CIP schemes.
- Wherever possible under spend against budget to offset centrally help unidentified CIP.
- Ensure capture of high quality data to ensure that all income due to the Trust is identified and recovered.
- Management organisational change.
- Review of vacancies, temporary staffing and recruitment.
- Reconsider all cost pressures and minimise new ones.
- Service review using Service Line Reporting to remove duplication and generate economies of scale.
- Consider decisions in respect of first to follow up ratio and consultant to consultant referrals in view of requirements for improved productivity.