Whittington Health NHS

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Whittington Health Trust Board

26th June 2013

Title:	**Financial position – Month 2 (May 2013)**		
Agenda item:	**13/092**	**Paper**	**8**
Action requested:	For agreement.		
Executive Summary:	**This paper provides an overview of the year to date and year end forecast financial position. Key headlines include;** - In month actual surplus of £904k (£113k surplus YTD) on an IFRS basis. - The in month variance is £182k worse than plan (£720k worse than plan YTD). - Estimated CIP underperformance of £699k YTD with 64% overall achievement of plan, compared to 62% in M1. - The month end cash balance is £11,218k against a planned balance of £16,576k due to delay in contractual agreement leading to underpayments by commissioners. - An overall Financial Risk Rating (FRR) of 3 for the YTD and forecast outturn position. - A temporary staffing decrease of £25k compared to M1, with Agency spend increasing by £119k over the month, offset by Bank spend which has reduced by £144k - In month income positive variance of £355k due to release of credit note provisions and additional non-recurrent income received from NCL. - In month negative pay variance of £408k predominantly due to non-delivery of CIP.		
Summary of recommendations:	That the Trust Board note the contents of this report.		
Fit with WH strategy:	This report is also required to update the Trust Board of progress in achieving statutory financial requirements.		
Date paper completed:	17th June 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	n/a	**Equality Impact Assessment complete?**	n/a	**Risk assessment undertaken?**	n/a	**Legal advice received?**	n/a

Month 2 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 £904k, which is £182k worse than planned.
- **Note**: A year to date surplus of £113k, which is £720k worse than planned.
- **Note**: The year date position includes non-recurrent adjustments of £464k relating to provision release; however, there are offsetting non-recurrent expenditure items to match, therefore the underlying position excluding non-recurrent items is not materially different to the reported position.
- **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 consistent with the planned position.
- **Note**: The 2013/14 CIP which shows underperformance of £699k in the year to date position. In order to deliver the planned position the CIP will need to be delivered in full or any slippage replaced by additional non-recurrent benefits, or reduced levels of overspending.
- **Note**: The risks outlined in section 11 regarding CIP, cost pressures, contracting and cashflow.

3 Impact on the work of Whittington Health

- The Trust is monitored against its planned position by the TDA (Trust Development Authority) and NHS England; failure to achieve the break even target for 2013/14 may 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 to direct intervention / imposition of turnaround arrangements by external bodies.

4 Next steps

- To achieve the forecast position, the focus of attention will need to be on the delivery of the CIP, robust budgetary control and restraint around the agreement of new cost pressures.
- Financial performance will be monitored closely both within the divisional teams and by the executive team and Trust Board
- An integral part of restoring the financial position is to get the CIP back in line with plan.

Appendix 1

1. Month 2 Financial Update

1.1. 2013/14 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £303k impact of IFRS on Private Finance Initiatives (PFIs), the net impact of donated assets £147k, and the £641k fixed asset impairment are excluded from the Trust's break-even duty.

1.2. An in month EBITDA position of £2,016k is reported, which is £190k worse than the planned position.

1.3. 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 11 "*2013/14 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 break even position 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 its planned position.**

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

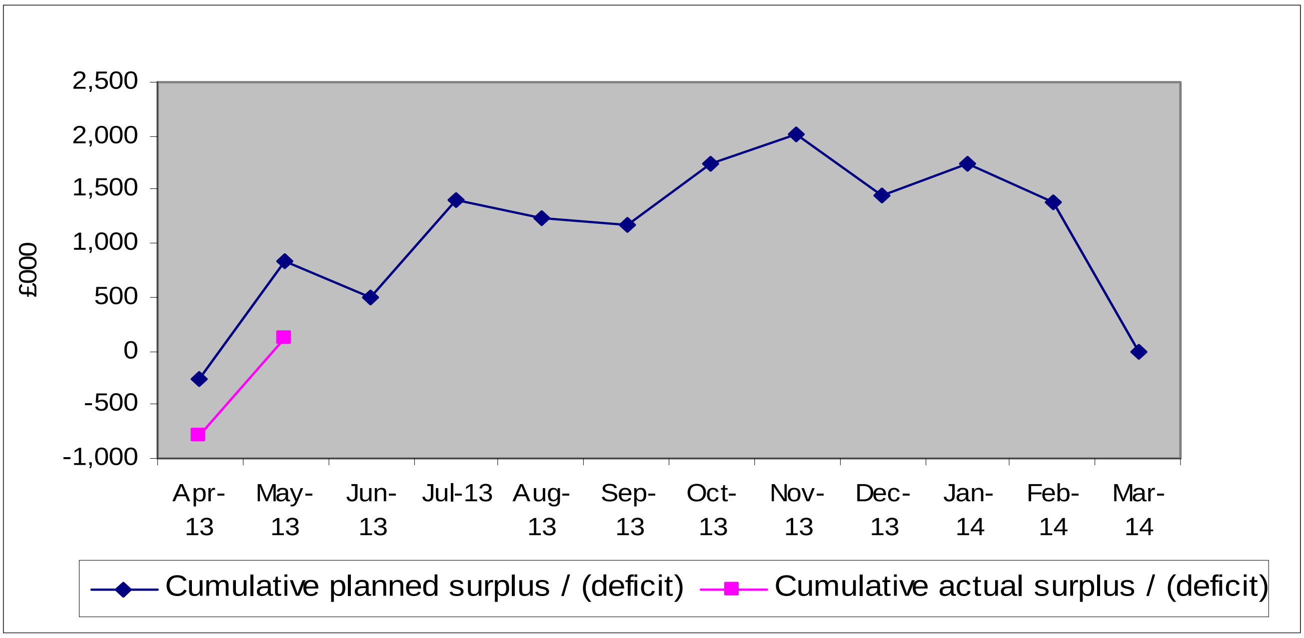
FIGURE 1: Income & Expenditure Summary – Consolidated Position

Description	Current Month			Year To Date			Annual Budget £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	
NHS Clinical Income	20,351	20,270	81	40,434	39,804	630	235,838
Non NHS Clinical Income	713	749	(35)	1,353	1,416	(63)	8,239
All Other Non Clinical Income	2,403	2,094	309	4,505	4,152	353	24,982
Total Income	**23,467**	**23,113**	**355**	**46,293**	**45,372**	**920**	**269,059**
Pay	16,495	16,087	(408)	33,097	32,195	(902)	189,787
Non Pay	4,957	4,836	(121)	10,622	9.891	(731)	63,220
Centrally Held Savings	-	(15)	(15)	-	(18)	(18)	(163)
Total Expenditure	**21,452**	**20,907**	**(544)**	**240,692**	**42,068**	**(1,651)**	**252,844**
EBITDA	**2,016**	**2,205**	**(190)**	**16,427**	**3,304**	**(731)**	**16,215**
Loss on Disposal of Assets	-	-	-	-	-	-	-
Plus Interest Receivable	3	6	(3)	8	12	(4)	71
Less Interest Payable	234	233	(1)	462	465	3	2,791
Less Depreciation	677	677	0	1,585	1,585	0	10,899
Less PDC Dividend	205	216	12	421	433	12	2,596
Net Surplus/(Deficit) before impairments	**904**	**1,086**	**(182)**	**113**	**833**	**(720)**	**0**
Less Impairments	0	0	0	0	0	0	0
Net Surplus / (Deficit)	**904**	**1,086**	**(182)**	**113**	**833**	**(720)**	**0**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	**921**	**1,103**	**(182)**	**166**	**886**	**(720)**	**1,091**

1.5. The income and expenditure position before adjusting for IFRS shows a net year to date surplus position of £113k, which is £720k worse than planned. This includes the in month surplus of £904k which is £182k worse than plan.

1.6. The overall income and expenditure position against plan is further summarised as follows:

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



1.7. 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 3: Non-Recurrent Provision Release

Detail	**Type**	**Amount Released £000's**	**Basis for release**
Credit Note Release	Income	72	Invoices paid, credit notes no longer required
Accruals movements	Income	92	Net movement in accruals where agreements reached, or new values disputed
Prior year provision release	Expenditure	300	Assessment of provision relating to audit expenditure enabled release
Total		**464**	

1.8. It is important to note, that while the non-recurrent releases are supporting the overall financial position, there is £1m of provision release built within the full year budget. This budget has been profiled to offset the release meaning that the release does not contribute to the overall adverse variance reported.

2. Divisional Analysis

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

2.2. 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 4: Divisional Budget Analysis

Division		Month 2			Year to Date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Integrated Care & Acute Medicine	Income	1,069	893	175	2,167	1,800	368
	Expenditure	7,113	6,563	(550)	14,345	13,354	(991)
	Total	**(6,045)**	**(5,670)**	**(374)**	**(12,178)**	**(11,554)**	**(623)**
Surgery, Cancer & Diagnostics	Income	281	299	(18)	530	590	(60)
	Expenditure	4,797	4,408	(389)	9,623	8,979	(644)
	Total	**(4,516)**	**(4,109)**	**(408)**	**(9,093)**	**(8,389)**	**(704)**
Women, Children & Families	Income	1,202	1,174	28	2,315	2,281	34
	Expenditure	5,424	5,294	(130)	10,699	10,562	(138)
	Total	**(4,222)**	**(4,120)**	**(102)**	**(8,385)**	**(8,281)**	**(104)**
Corporate	Income	20,915	20,746	169	41,281	40,702	579
	Expenditure	4,117	4,642	525	9,052	9,173	122
	Total	**16,798**	**16,104**	**694**	**32,229**	**31,528**	**701**
Total	Income	**23,467**	**23,113**	**355**	**46,293**	**45,372**	**920**
	Expenditure	**21,452**	**20,907**	**(544)**	**43,719**	**42,068**	**(1,651)**
	EBITDA	**2,016**	**2,205**	**(190)**	**2,574**	**3,304**	**(731)**

2.3. Key variances identified are summarised as follows;

IC&AM

2.4. The overall divisional income & expenditure position shows an in month negative (adverse) variance of £374k (£623k negative YTD). The most significant variances within the division include:

– Medical specialty (£78k overspend in month, £193k YTD): This relates mainly to medical staffing expenditure which was expected to reduce in line with CIP plans but are still being covered due high to levels of activity.

– Pharmacy medicine (£80k overspend in month, £188k 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.

– Ward Nursing (£97k overspend in month, £177k YTD): This relates to temporary staffing usage above budgeted levels to cover long-term sickness, vacancies and maternities and higher dependency patients.

– A&E (£13k overspend in month, £101k 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.

– Overall the division effect of delayed achievement of CIPs as at month 2 is £379k.

Surgery, Cancer & Diagnostics:

2.5. The overall divisional income & expenditure position shows an in month negative (adverse) variance of £408k (£704k negative YTD). The most significant variances within the division include:

– Surgical Wards (£83k overspend in month, £167k overspend YTD): The YTD overspend relates to temporary staffing usage to cover the additional beds opened in Victoria and Coyle. There were 10 additional beds opened in Victoria (£85K) and 6 extra beds in Coyle (£26K) due to pressures relating to achievement of access targets and high activity levels.

– Theatres & Day Ward (£102K overspend in month, £187K YTD): The overspending position is due to a combination of: bank nursing usage within theatres to cover gaps within the rota due to vacancies, long-term sickness and staffing suspensions; non-pay expenditure increase within clinical consumables; underachieved income target from theatre rental plans.

– Surgical Specialties (£52K overspend in-month, £100K YTD): This was because of the additional locum medical staffing used across several specialties along with un-met CIP targets in Dermatology, Urology and General Surgery. There was also £22K of arrears paid to a consultant in M02.

– Diagnostics (£3k in month overspend, £83k overspend YTD): The YTD overspend is due to non-delivery of CIP combined with usage of temporary staffing to ensure the Trust meets the 18 week RTT target.

Women & Children's

2.6. The overall divisional income & expenditure position shows an in month negative (adverse) variance of £102k (£104k negative YTD). The most significant variances within the division include:

- Midwifery (£110k overspend in month, £153k YTD): Additional staffing requirement above budgeted levels has resulted from the EPR project and the maternity triage service in addition to staffing levels not reducing consistent with planned CIP levels.
- WC&F Management (£47k overspend in month, £45k YTD): This relates to slippage / non achievement of the Divisional CIP target.
- Sexual Health (£46k underspend in month, £102k YTD): The underspend is due to additional activity above planned levels where the marginal cost of providing the service is less than the additional income.

- Universal Services (£33k underspend in month, £50k 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.

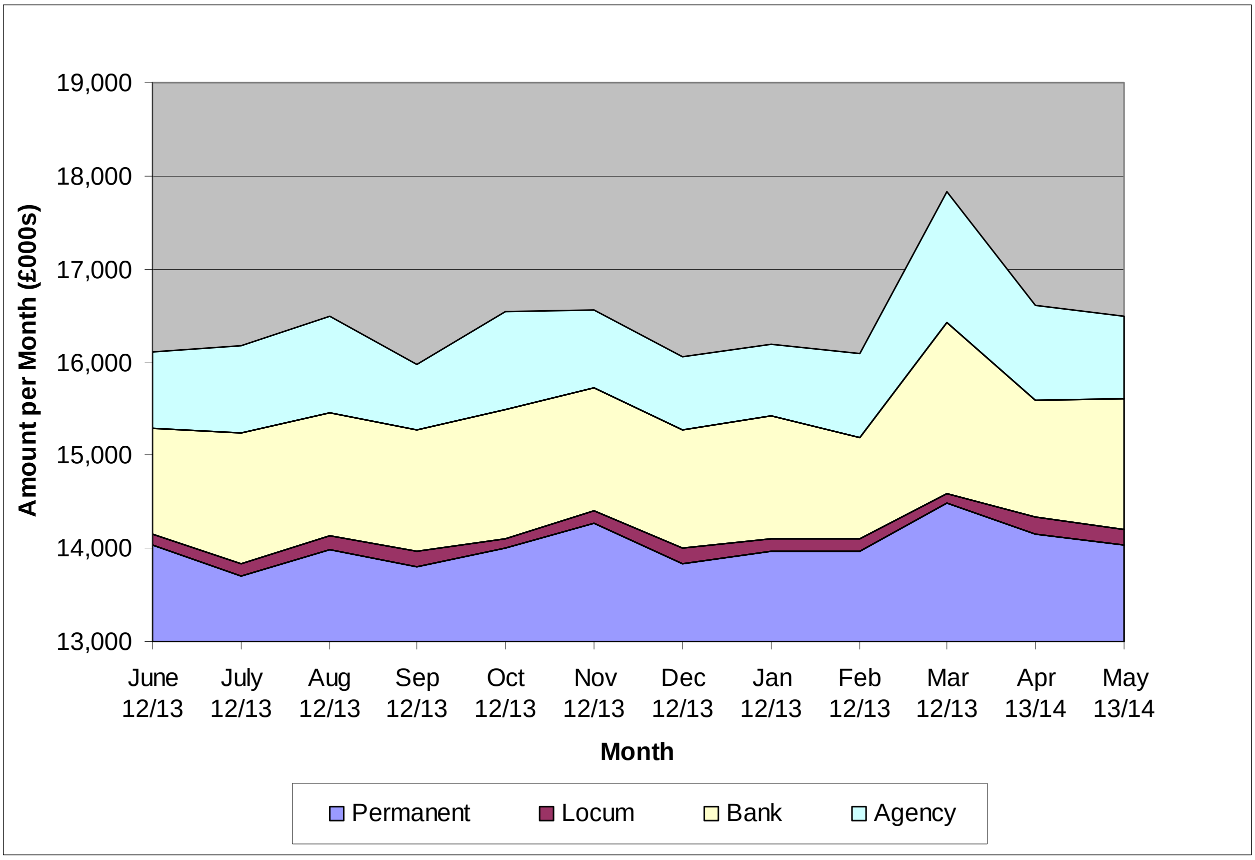
Corporate Directorates

2.7. The overall divisional income & expenditure position for corporate services shows an in month positive (favourable) variance of £694k (£701k positive YTD). This relates largely to additional income and central reserves and a non-recurrent benefit resulting from release of provisions and deferred income as described in the report. Significant variances worth highlighting within the Corporate position include Estates and Facilities (£69k overspend in month, £234k YTD) relating to a combination of medical physics and community facilities overspends.

Pay Expenditure

2.8. The following figure provides a further analysis of staffing costs, showing the trend for the last 12 months:

FIGURE 5: Whittington Health Staffing Expenditure Trends June 2012- May 2013



2.9. A key performance indicator in the year to date position is the effective management of temporary staffing expenditure, which is illustrated in the following figure;

FIGURE 6: Temporary Staffing Summary by Division April 2013 – May 2013

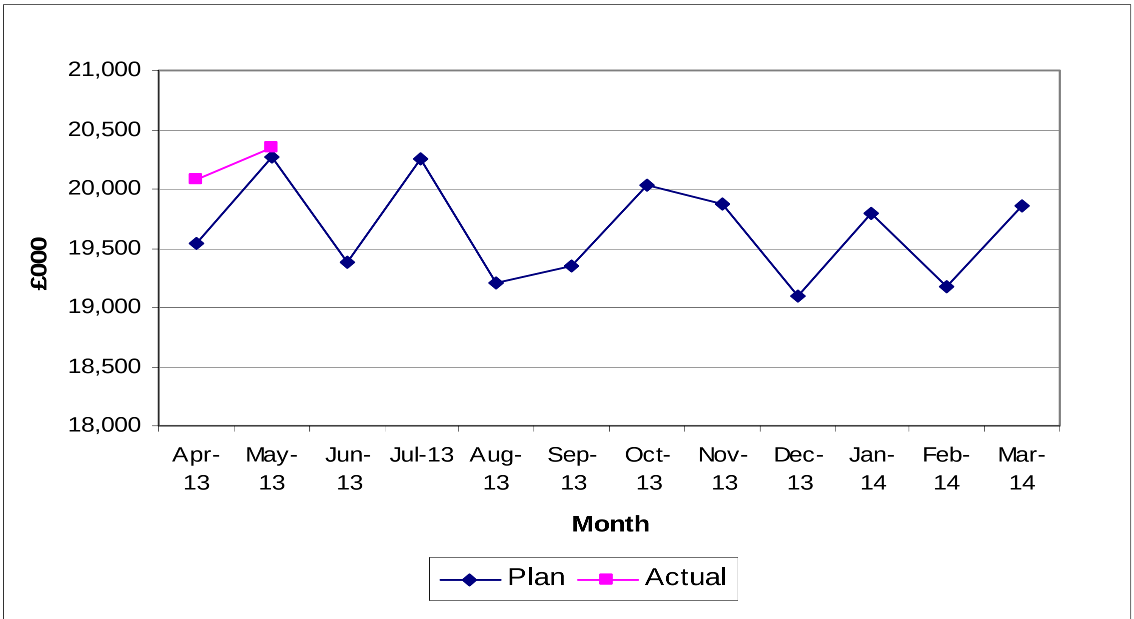
Temporary staffing	Division	Month1 £000's	Month 2 £000's	Variance (Month 2 - 1) £000's
Agency	Corporate	113	215	(102)
	IC&AM	437	500	(63)
	SC&D	132	71	61
	WC&F	205	220	(16)
Agency Total		**887**	**1,007**	**(119)**
Bank	Corporate	313	285	27
	IC&AM	419	403	16
	SC&D	321	299	22
	WC&F	348	270	78
Bank Total		**1,400**	**1,256**	**144**
Total		**2,288**	**2,263**	**25**

2.10. Figure 6 shows that month 2 spend on temporary staffing has reduced by £25k, compared to month 1, with agency spend increasing by £119k offset by a £144k reduction in bank spend.

3. Income Performance

3.1. NHS Clinical Income is reported based upon the latest coded activity (April 2013), together with an initial estimate for the May position. On this basis the in month position shows an over performance against plan of £81k consisting of a revised estimate based on coded activity for April (which shows underperformance of £124k in figure 8) combined with an estimate for the May position.

FIGURE 7: Performance Against Clinical Income Plan – In Month



3.2. 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. The contract for NCL commissioners is a continuation of the two year block contract agreed in 2012/13. The details of the current position are summarised as follows;

– A total income requirement in 2013/14 from NCL of £216.5m before mutually agreed adjustments such as NHS England 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 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.

3.3. There are two specific risks relating to the conclusion of negotiations with NHS England and City and Hackney CCG which are detailed in section 11.2.

3.4. Figure 8 provides an overview of actual income, based on month 1 activity, relating specifically to acute activity, and showing income performance by patient type:

FIGURE 8: Income Performance by Patient Type

	Year to date (to Month 1)			In Month	
Point of Delivery	**Plan £000**	**Actual £000**	**Variance £000**	**Variance £000**	**Late Data Added £000**
Block Contract/Adjustments	1,075	1,063	(11)	(11)	0
Elective Inpatients	704	683	(22)	(22)	0
Non-Elective Inpatients	3,967	4,009	42	42	0
Excess Beddays	230	227	(3)	(3)	0
Day Cases	1,002	991	(10)	(10)	0
Outpatient Procedures	236	241	5	5	0
Outpatient 1st Attends	715	721	6	6	0
Outpatient Follow Ups	1,010	999	(11)	(11)	0
Outpatient Diagnostic Imaging	183	183	0	0	0
Adult Critical Care	815	658	(157)	(157)	0
Paediatrics High Dependency	26	27	0	0	0
NICU High Dependancy Beddays	121	122	1	1	0
NICU Intensive Care Beddays	77	88	11	11	0
NICU Special Care Beddays	123	126	2	2	0
NICU Transitional Care Beddays	216	227	11	11	0
ED Attendances	814	823	9	9	0
Direct Access	855	852	(2)	(2)	0
Maternity Ultrasound	0	0	0	0	0
Other Activity	159	162	4	4	0
Grand Total	**12,327**	**12,203**	**(124)**	**(124)**	**0**

3.5. 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. NCL activity is broadly in line with the planned position, given that the underlying finance and activity schedule is as yet, not formally agreed. The underperformance of £124k in the April position relates to non NCL commissioners.

3.6. The total value of all other non-clinical income highlighted in Figure 9 is £2,403k in Month 2 and £4,505k cumulatively. The high in month variance for 'other' income relates to a combination of the release of £400k of deferred income from 2012/13 relating to winter pressure projects and income provision release. This is further illustrated in the following figure:

FIGURE 9: 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)	598	579	19	1,197	1,197	(0)	7,182
Medical & Dental Education Levy MADEL)	448	467	(19)	897	934	(38)	5,607
Non Medical Education & Training NMET)	179	190	(11)	351	384	(33)	2,417
Income from Service Level Agreements	498	325	173	722	650	72	3,902
Excellence Award Income	32	48	(17)	66	96	(30)	578
Income Generation e.g. car park, accommodation, canteen	81	90	(9)	145	179	(34)	1,074
Research & Development	22	53	(31)	40	106	(66)	1,013
Other	545	342	203	1,087	605	482	3,209
Total	2,403	2,094	309	4,505	4,152	353	24,982

4. Cost Pressures

4.1. 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 2013/14 unavoidable cost pressures which total £191k have been approved, the equivalent value for 2014/15 being a saving of £359k. This is further illustrated in the following figure:

FIGURE 10: Unavoidable Cost Pressures Approved in 2013/14

Division / Service	Description	2013/14 Cost Pressure £000's	2014/15 Cost Pressure £000's
Corporate - E&F	Purchase of Trophon Decontamination Units	(15)	(33)
Corporate - E&F	Ultrasound Machine for Imaging and Vascular Team	37	37
Corporate - E&F	Education Centre Library Management	3	(5)
Corporate - IT	Docman Electronic Document Transfer Hub	0	0
Corporate - IT	Labs IS - Win Path Licences	10	10
IC&AM	Second Bowel Screening Centre in NCL	79	(406)
SC&D	Somerset Cancer Information System	18	23
WC&F	CAMH Recruitment of Consultant Psychiatrist	0	0
WC&F	Mobile Sexual and Women's Health Services	(14)	(58)
WC&F	Consultant Obstetrician and Gynaecologist	0	0
WC&F	Consultant Paediatrician	0	0
WC&F	Capacity & Demand Review of Haringey	73	73

	Children in Care Nursing Team		
Total		**191**	**(359)**

5. Cost Improvement Programme (CIP)

5.1. The budgeted 2013/14 financial position is dependent on the delivery of a £15.0m CIP target; it is therefore essential that the Trust operates within budgets and delivers against identified CIP schemes.

5.2. In the two months to May 2013, 64% of the profiled CIP target has been achieved, based on the best information available at the point of reporting. The shortfall against the profiled year-to-date target is £699k.

5.3. In a number of service areas, activity levels and / or quality and access issues have prevented CIPs from being implemented. In recognition of this, £200k of winter pressure funding from the CCGs, which had been deferred from 2012/13 to fund new service developments in 2013/14 has been released against these areas of cost pressure.

5.4. A financial forecast for each CIP project in months 3-12 has been compiled, and the resulting total forecast is for a £6.4 m shortfall against the 2013/14 savings target of £15m. This forecast takes account of the £200k funding released against the CIP programme at month 2 but does not make any assumptions about further funding that may be available to cover CIP-related pressures in months 3-12. In order to deliver the £15m target by the end of the year, new opportunities to the value of £6.4 m will need to identified and delivered

5.5. Figure 11 illustrates the YTD performance and forecast described above.

Fig 11 CIP YTD performance and forecast

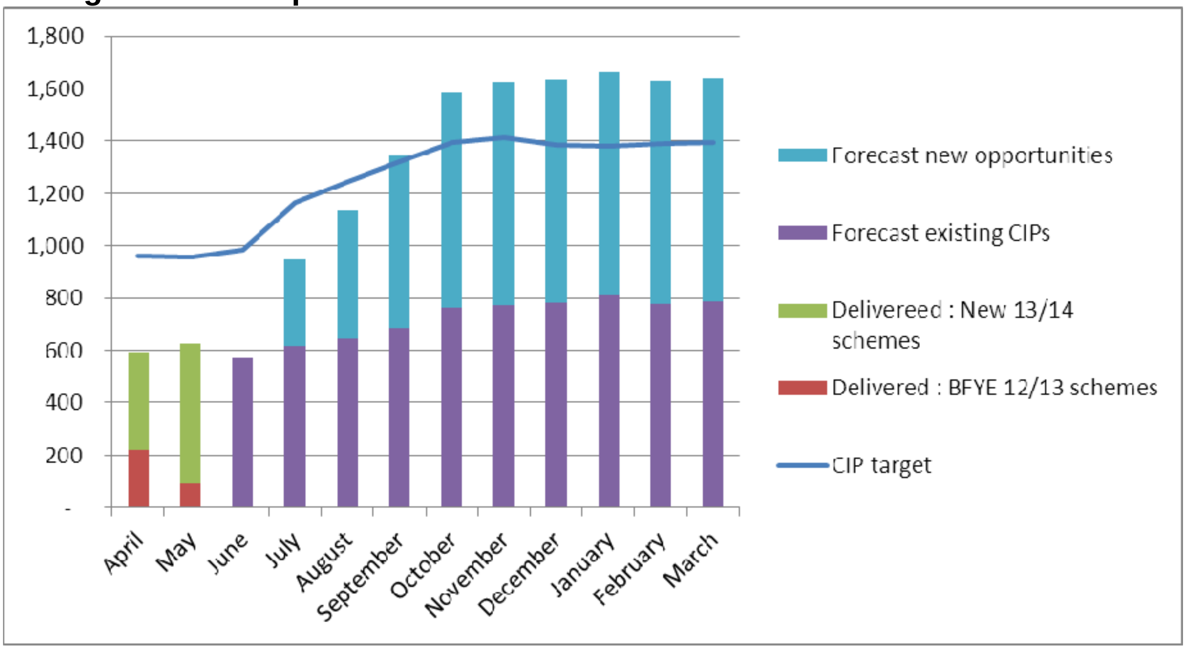


Fig 12 CIP YTD performance by Division

Division	Plan 2013/14 £'000	Plan YTD £'000	Actual YTD £'000	Variance from Plan £'000	YTD delivered % of profiled plan
ICAM	3,046	518	453	-66	87%
SCD	1,549	279	138	-141	49%
WCF	1,238	184	123	-60	67%
Estates & Facilities	615	84	68	-17	80%
Finance	328	50	50	0	100%
HR	97	16	16	0	100%
Nursing Directorate	278	21	21	0	100%
IT	160	27	8	-18	31%
Procurement	875	146	32	-114	22%
Trust-wide schemes	4,221	594	312	-282	52%
Potential to be identified	2,594	0	0	0	-
	15,000	**1,919**	**1,220**	**-699**	**64%**
Included in the above : balance to fye of 2012/13 CIP projects	1,602	515	312	-204	
Performance reported to TDA (new 2013/14 schemes only)	13,398	1,403	908	-495	65%

5.6. All Divisional CIP targets have been reflected in budgets, by removing the financial targets from the relevant cost centres. Where detailed implementation plans are still being developed, these budget reductions have been posted initially on divisional management cost centres, and will be transferred to operational budgets later in the year.

5.7. It is the intention to devolve the targets for all trust-wide schemes to divisional and departmental budgets, however the data required to do this on an equitable and fair basis is not yet available in every case, so some trust-wide CIP targets remain on a central reserves budget at month 2. As data on actual delivery of these savings becomes available through the year, the targets will be transferred. Figure 13 summarises the current location, in budgetary terms, of the trust-wide CIP targets.

Figure 13 : progress with devolution of trust-wide CIP targets

Description	2013/14 target £'000		
	Devolved to budgets	Devolved to Ops but not to Divisions	Held centrally as at M2
Bed reconfiguration		704	
TPE project		685	
Managed Print service	140		
Salary sacrifice			75
Corporate vacancy factor			264
AfC incremental savings	690		
Changes to AfC T&C			306
Minimise non pay inflation			60
Harmonisation of oncall	70		

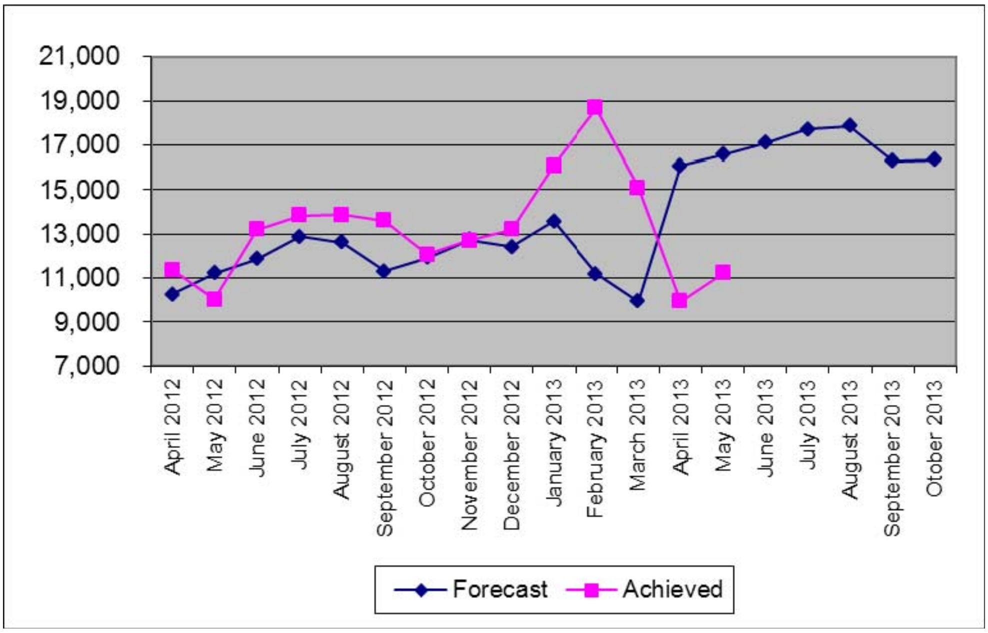
Reduction in agency nursing premium	480		
Waste Not Want Not	500		
Various 12/13 schemes bal to fye	247		
Total	**2,127**	**1,389**	**705**

6. Cash and Statement of Financial Position

6.1. The cash balance at the end of May was £11,218k against a planned balance of £16,576k. The key reason for this negative variance is due to delayed and reduced SLA payments by commissioners following the changes in the commissioner landscape. This is reflected in the level of Trust debtors which has increased from £3.7m in March 2013 to £11.7m at the end of May 2013. This reduced cash balance represents a risk to the Trust and is further detailed in section 11 of the report.

6.2.

FIGURE 14: Rolling Cash flow Forecast 2012/13-2013/14



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

- Prompt collection of cash from commissioners.
- 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.

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

FIGURE 15: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2013 £'000	As at 31st May 2013 £'000	As at 31st March 2014 £'000
Property, plant and equipment	137,747	136,260	168,412
Intangible assets	1,411	1,492	2,477
Trade and other receivables	635	746	1,534
Non-current assets	**139,792**	**138,498**	**172,423**
Inventories	1,290	1,324	1,202
Trade and other receivables	11,042	14,529	10,117
Cash and cash equivalents	15,088	11,218	16,141
Current assets	**27,420**	**27,071**	**27,460**
Trade and other payables	32,107	31,197	29,368
Borrowings	1,146	1,146	3,431
Provisions	4,292	3,752	2,063
Current liabilities	**37,545**	**36,095**	**34,862**
Net Current Liabilities	**10,124**	**9,024**	**7,402**
Borrowings	38,593	38,335	42,671
Provisions	1,764	1,714	1,438
Non-current liabilities	**40,356**	**40,049**	**44,109**
Total assets employed	**89,312**	**89,425**	**120,912**
Public dividend capital	53,344	53,344	53,994
Retained earnings	5,299	5,445	39,299
Revaluation reserve	30,668	30,635	27,619
Total taxpayers' equity	**89,312**	**89,425**	**120,912**

7. Capital Plan

7.1. Total planned capital expenditure for 2013/14 is £12,218k. This represents a charge of £12,199k against the Trusts capital resource limit (CRL) plus a donated asset of £19k for equipment, paid for by charitable funds.

7.2. Total planned expenditure for the year to date is £290k, against which £161k has been spent, a variance of £129k, due mainly to the late starting of 2013/14 schemes.

7.3. Total capital payments in the year to date total £4,224k, which fully relate to payments to offset 12/13 capital creditors.

8. Payment of Creditors

8.1. 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.

8.2. The Trust's performance, which is measured both in terms of volume and value, is illustrated below. 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 improvement in Non NHS payables compared to last year is due to better performance, as previously anticipated, following the implementation of e-procurement.

FIGURE 16: Better Payments Practice Code

Detail	NHS Payables Number	Non NHS Payables Number	NHS Payables £000	Non NHS Payables £000
Current Year to Date Performance				
Total bills paid	980	14,350	1,869	11,633
Total paid within target	907	11,978	1,467	9,934
Percentage paid within target	92.6%	83.5%	78.5%	85.4%
2012/13 Performance				
Total bills paid	5,841	92,351	22,935	64,904
Total paid within target	5,377	68,396	14,454	49,479
Percentage paid within target	92.1%	74.1%	63%	76.2%

9. Analysis of Debtors and Aged Debt

9.1. As at Month 2, the total value of debtors was £11,733k.

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

FIGURE 17: Analysis of Debtors and Aged Debt

	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	4	1,515	1,232	658	-409	3,001
NHS ISLINGTON CCG	1,168	1,141	0	0	0	2,309
NHS HARINGEY CCG	551	545	0	0	0	1,096
NHS HARINGEY	0	308	-16	320	127	740
THE ROYAL FREE AND HAMPSTEAD NHS TRUST	11	121	160	121	5	418
NHS CAMDEN CCG	205	205	0	0	0	411
WEST ESSEX PRIMARY CARE TRUST	0	4	0	269	0	274
NHS ENGLAND	219	0	0	0	0	219
NHS CITY & HACKNEY CCG	68	123	0	0	0	191
NHS ENFIELD CCG	100	89	0	0	0	189
All other NHS	579	332	143	296	-128	1,220
Subtotal NHS Debtors	**2,904**	**4,384**	**1,520**	**1,664**	**-405**	**10,067**
Other Non NHS Debtors	413	221	488	550	-5	1,667
Total:	**3,318**	**4,604**	**2,007**	**2,215**	**-411**	**11,733**

9.3. An analysis of the aged debt position illustrates that of the £11,733k, £3,318k 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.

9.4. 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 £3,811k. The most significant element of which relates to NHS Islington, which totals £1,482k, 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 on-going 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.

10. Financial Risk Rating

10.1. 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.

10.2. 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%

10.3. 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 74.32%, so the Trust rating equals 3;

FIGURE 18: Risk Rating Scoring

Metric Description	YTD Trust Score	Rating Categories				
		5	4	3	2	1
EBITDA achieved (% of plan)	74.32%	100%	85%	70%	50%	<50%
EBITDA margin (%)	5.32%	11%	9%	5%	1%	<1%
Net return after financing (%)	-0.27%	3%	2%	-0.5%	-5%	<-5%
I&E surplus margin (%)	0.24%	3%	2%	1%	-2%	<-2%
Liquid ratio (days)	29.54	60	25	15	10	<10

10.4. 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.

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

FIGURE 19: Overall Risk Rating

Metric Description	Financial Criteria	Metric Methodology	Metric Value / Rating			
			Year to Date Position		Forecast Position	
			Metric Value	Rating	Metric Value	Rating
EBITDA achieved (% of plan)	**Achievement of plan**	=(EBITDA actual less Donated Asset Income) / (EBITDA budget less Donated Asset Income)	74.32%	**3**	100.0 %	**5**
EBITDA margin (%)	**Underlying performance**	=(EBITDA actual less Donated Asset Income) / (Total Operating Revenue less Donated Asset Income)	5.32%	**3**	5.99 %	**3**
Net return after financing (%)	**Financial efficiency**	=(EBITDA less Donated Asset Income add depreciation add Interest add PDC add Tax) / (Average of opening & closing Total Assets Employed add back PFI liability, Finance Lease liability & loans)	-0.27%	**3**	-1.88%	**2**
I&E surplus margin (%)	**Financial efficiency**	=(Net surplus add back Impairments add back profit/loss on disposal) / Total Operating Revenue	0.24%	**2**	0.03%	**2**
Liquid ratio (days)	**Liquidity**	=((Current Assets less Inventory less Current Liabilities add WC Facility - (£22m)) / Total Costs)*365	29.54	**4**	30.65	**4**

Overall Rating	**3.05**	**3.05**

11. 2013/14 Forecast and Risks

11.1. The year to date position shows a surplus of £113k, which is £720k worse than the planned position. In view of this, a risk assessed forecast outturn position has been developed providing an assessment of the worst case position, the best case position and the most likely position. The basis for each of these scenarios in terms of the key risks and opportunities to the Trust is set out as follows:

Risks

11.2. The key risks to the delivery of the planned position have been assessed with the generation of a best, likely and worst scenario outlined in figure 20. The key risks are summarised as follows:

- Slippage / non delivery against CIP Plans: The overall plan is dependent on the full achievement of a £15.0m (5.6%) CIP within the year. The most up to date assessment of schemes highlights the level of risk associated with non achievement as ranging between a best case position of £0k and a worst case position of £6,568k. Failure to deliver the CIP plan in full will undermine the Trust's position to deliver against its plan, it is essential therefore that slippage / non achievement against CIP schemes is minimised, and where this is unavoidable alternative schemes will need to be identified to compensate.
- New cost pressures: The identification of additional and unavoidable cost pressures will undermine the ability of the Trust to deliver against the plan, there will therefore need to be restraint in the agreement of new cost pressures, and where this is unavoidable compensating savings will need to be identified if the trust is to deliver against plan. In 2013/14 £191k of additional unavoidable cost pressures have been approved YTD. The likely case forecast assumes a straight line extrapolation of this figure; with best and worst case risk assuming 50% above and below the likely case.
- Community estates property transfer scheme – A funding gap has been identified as part of the on-going negotiations the Trust is having with residual NCL staff regarding the transfer of community assets due to PCT's ceasing to exist. The gap is currently estimated at £2.1m and relates to disputes over GP property rents, increases in St Ann's rental SLA, property floor usage by the Trust, patient transport and postage costs. The full risk would represent a pressure to the organisation which has been risk assessed in generating a forecast position. Having assessed all components of the risk the best case assessment assumes a £200k negative impact on overall I&E; the likely case assumes a £700k negative I&E impact being incurred; the worst case assumes a £1.3m negative impact being incurred. All scenarios assume a £500k non-recurrent saving on dividend payments in line with revised central guidance on TCS transfers.
- NHS England & local authority contract - Due to changes in the commissioning structure in 2013/14 NHS England and the local authorities, as part of their portfolio of directly commissioned services, will be responsible for the commissioning of a proportion of the Trust's specialist and community services. Based on this change of

commissioner there is a transfer of activity currently estimated at £41m 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 as yet no offer has been received for contracts of significant value (£8.3m) it should be noted as a potential risk.

- City & Hackney CCG contract - Due to the delay in agreeing the contract with our coordinating commissioner there is a consequent delay on agreeing baseline contracts with associate commissioners. The Trust has recently received proposals for the associate CCG's contract value, with most offers being broadly consistent with expected values. However, City and Hackney CCG submitted an offer which was £1.4m below the Trust's planned value. Following further agreement on the community components of the contract this difference is reduced to £396k and relates to high levels of QIPP expected by the CCG to be removed from the financial baseline.

- Cashflow – A key risk which does not affect the forecast outturn is the current position with regards to payments received from commissioners. While no formal disputes are raised against invoices, due to the uncertainty in commissioner responsibility given the recent changes in the commissioning landscape, the Trust is experiencing reduced and delayed SLA payments. This is currently limiting the ability for the Trust to meet its creditor obligations and if the situation continues, could lead to delays in making payments, therefore requires careful management by the Trust.

Opportunities

11.3. The key risks to the delivery of the planned position have been assessed with the generation of a best, likely and worst scenario outlined in figure 20. The key opportunities are summarised as follows:

- Provision releases – An assessment as to the average levels of provision release which have occurred historically indicated that potentially £1.8m could be released in 2013/14. This assessment has been included in the best, likely and worst case scenario.

- Non-recurrent funding from commissioners regarding 18 week referral to treatment backlog and ED performance targets. The best case assumes the full £220k per month throughout 2013/14, the likely case assumes one quarter of funding and the worst case assumes no funding is made available.

11.4. Based on a combination of the highlighted risks and opportunities figure 20 details the best, likely and worst assessment of the 2013/14 forecast outturn position.

FIGURE 20: Risk Assessed Forecast Outturn Position

	Best case £000's	**Likely case £000's**	**Worst case £000's**
13/14 budgeted position	**0**	**0**	**0**
City and Hackney CCG contract	0	(124)	(396)
NHS England & Local Authority contract	0	(160)	(8,340)
CIP achievement	0	(2,594)	(6,568)

Community estates impact	(200)	(700)	(1,300)
Cost pressures	(572)	(1,143)	(1,715)
Provision release	1,800	1,800	1,800
RTT & ED funsing	2,200	660	0
13/14 forecast outturn position	**3,228**	**(2,261)**	**(16,519)**

11.5. At this stage, the Trust forecast position is based on a combination of the likely and best case scenarios 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 mitigations identified together with clearly identified action plans.

Key Next Steps

11.6. Key next steps required to support the delivery of the financial plan as outlined above are summarised as follows:

- Conclude commissioner negotiations with non-NCL CCG's, NHS England and the local authorities. NTDA are currently not arbitrating on disputes due to volume of disputes nationally and are instead allowing more time for negotiations to conclude.
- As identified above the financial position is dependent on the delivery of a £15m CIP target, it is essential the Trust operates within budgets and delivers against identified CIP schemes. Where slippage is identified the CIP Board will agree specific and measurable actions, to bring the position back into line.
- Wherever possible under spend against budget to offset additional pressures and the risk of CIP slippage.
- Minimise cost pressures agreed by the Trust Executive committee as these put further pressure on the overall financial position.
- Conclude negotiation with residual NCL body regarding the community asset transfer and confirm revised SLA payments.
- Ensure robust systems are in place to guarantee the Trust's cashflow is sufficient to meet creditor and payroll obligations through close work with commissioners and escalating matters quickly when required.