Whittington Health NHS

Guy Dentith,
Finance department,
guydentith@nhs.net

The Whittington Hospital NHS Trust
Magdala Avenue
London N19 5NF

Whittington Health Trust Board

24th July 2013

Title:	**Financial Position – Month 3 (June 2013)**		
Agenda item:	**13/109**	**Paper**	**9**
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 deficit of £649k (£535k deficit YTD) on an IFRS basis. - The in month variance is £142k better than plan (£578k worse than plan YTD). - Estimated CIP underperformance of £1,299k YTD with 55% overall achievement of plan, compared to 64% in M2. - The underlying position shows a deficit of £2,291k (£2,136k worse than plan). - The month end cash balance is £3,935k against a planned balance of £17,097k due to delay in contractual agreement leading to underpayments by commissioners. - An overall Financial Risk Rating (FRR) of 2 for the YTD and a 3 for the forecast outturn position. - A temporary staffing increase of £423k compared to M2 YTD trend, comprising increases of £348k on agency/locum and £75k on bank - In month income positive variance of £575k mainly due to the release of credit note provisions. - In month adverse pay variance of £898k predominantly due to non-delivery of CIP and increased temporary staffing usage. - The quarter 1 variance analysis submitted to the TDA is included in Appendix 1.		
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:	15th July 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?**	**No**

Month 3 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 £649k, which is £142k better than plan.
- **Note**: A year to date deficit of £535k, which is £578k worse than plan.
- **Note**: The year to date position include non-recurrent adjustments of £1.8m (Fig 3). The underlying position which excludes non-recurrent adjustments shows a deficit of £2,291k which is £2,136k worse than the planned 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 £1,299k 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 cash-flow.

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 Trust's 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

- 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 3 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 £294k is reported, which is £498k 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 a combination of the best and 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:

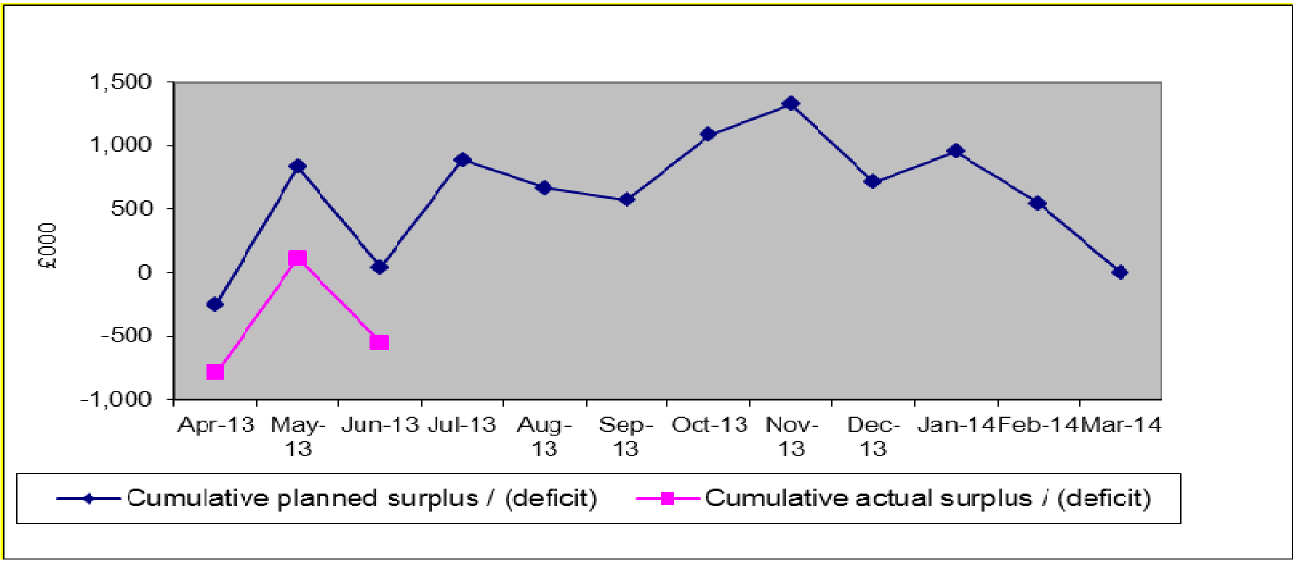
FIGURE 1: Income & Expenditure Summary – Consolidated Position

Description	Current Month			Year To Date			Annual Budget £'000
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	
NHS Clinical Income	19,489	19,388	101	59,924	59,193	731	235,844
Non NHS Clinical Income	650	695	(45)	2,003	2,111	(108)	8,288
All Other Non Clinical Income	2,543	2,024	519	7,049	6,176	872	25,010
Total Income	**22,682**	**22,108**	**575**	**68,975**	**67,480**	**1,495**	**269,143**
Pay	17,024	16,127	(898)	50,121	48,322	(1799)	190,062
Non Pay	5,364	5,202	(163)	15,987	15,093	(894)	63,022
Centrally Held Savings	-	(12)	(12)	-	(30)	(30)	(155)
Total Expenditure	**22,389**	**21,316**	**(1,072)**	**66,108**	**63,384**	**(2,723)**	**252,928**
EBITDA	**294**	**792**	**(498)**	**2,868**	**4,906**	**(1,228)**	**16,215**
Loss on Disposal of Assets	-	-	-	-	-	-	-
Plus Interest Receivable	2	6	(3)	10	18	(8)	71
Less Interest Payable	227	233	5	689	698	9	2,791
Less Depreciation	488	1,140	652	2,073	2,725	652	10,899
Less PDC Dividend	230	216	(14)	651	649	2	2,596
Net Surplus/(Deficit) before impairments	**(649)**	**(791)**	**142**	**(535)**	**42**	**(578)**	**0**
Less Impairments	0	0	0	0	0	0	0
Net Surplus / (Deficit)	**(649)**	**(791)**	**142**	**(535)**	**42**	**(578)**	**0**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	**(632)**	**(774)**	**142**	**(482)**	**95**	**(578)**	**1,091**

1.5. The income and expenditure position before adjusting for IFRS shows a net year to date deficit position of £535k, which is £578k worse than planned. This includes the in month deficit of £649k which is £142k better 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. An analysis of the underlying position, which excludes the effect of non-recurrent adjustments of £1,809k (as detailed in figure 4) shows a deficit position of £2,291k, which is £2,136k worse than the planned position. Included within the annual budget is £1m relating to non-recurrent provision release which has been profiled equally throughout the year. This position is detailed within figure 3 below:

FIGURE 3: Year to date Underlying Financial Position

	Recurrent £000's	Non-Recurrent £000's	Total £000's
YTD planned surplus / (deficit)	(155)	250	95
YTD actual surplus / (deficit)	(2,291)	1,809	(482)
YTD variance from plan	**(2,136)**	**1,559**	**(577)**

1.8. 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 4: Non-Recurrent Adjustments

Detail	Type	Amount Released £000's	Basis for release
Movement in Credit Note Provisions	Income & Expenditure	710	Invoices paid, credit notes no longer required offset by new provisions
Movement in Bad Debt Provisions	Expenditure	(93)	Debtors realised and provisions released, offset by new provisions
Accruals Movements	Income & Expenditure	309	Net movement in accruals where agreements reached, or new values disputed
Prior Year Provision Release	Expenditure	816	Assessment of provision relating to expenditure enabled release
VAT Recovery	Expenditure	67	Unexpected 12/13 VAT recovery
Total		**1,809**	

1.9. 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 partly contributes to offsetting 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 5: Divisional Budget Analysis

Division		Month 3			Year to Date		
		Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000
Integrated Care & Acute Medicine	Income	1,166	902	265	3,333	2,701	632
	Expenditure	7,452	6,652	(799)	21,797	20,006	(1,790)
	Total	**(6,286)**	**(5,751)**	**(535)**	**(18,463)**	**(17,305)**	**(1,158)**
Surgery, Cancer & Diagnostics	Income	239	295	(56)	769	885	(116)
	Expenditure	4,956	4,542	(414)	14,579	13,521	(1,058)
	Total	**(4,716)**	**(4,247)**	**(470)**	**(13,809)**	**(12,636)**	**(1,173)**
Women, Children & Families	Income	1,064	1,130	(66)	3,378	3,411	(33)
	Expenditure	5,410	5,320	(90)	16,109	15,882	(227)
	Total	**(4,346)**	**(4,190)**	**(156)**	**(12,731)**	**(12,471)**	**(260)**
Corporate	Income	20,213	19,781	432	61,494	60,483	1,012
	Expenditure	4,571	4,802	230	13,623	13,975	352
	Total	**15,642**	**14,979**	**663**	**47,871**	**46,508**	**1,364**

	Income	**22,682**	**22,108**	**575**	**68,975**	**67,480**	**1,495**
	Expenditure	**22,389**	**21,316**	**(1,072)**	**66,108**	**63,384**	**(2,723)**
Total	**EBITDA**	**294**	**792**	**(498)**	**2,868**	**4,096**	**(1,228)**

2.3. Key variances identified are summarised as follows:

IC&AM

2.4. The overall divisional income & expenditure position shows an in month adverse variance of £535k (£1,158k adverse YTD). The most significant variances within the division include:

– Medical Specialty (£71k overspend in month, £263k YTD): This relates mainly to medical staffing expenditure which was expected to reduce in line with CIP plans however this has not happened due high to levels of activity. There is also an unfunded cost pressure relating to insulin pumps of approx £11k per month.

– Whittington Pharmacy (£40k overspend in month, £267k overspend YTD): The overspend on drugs relates to a combination of higher than planned volumes used and drug prices above budgeted levels. Following analysis and allocation of drugs inflation the overspend is likely to be reduced in future months. 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 (£150k overspend in month, £311k YTD): This relates to temporary staffing usage above budgeted levels to cover long-term sickness, vacancies, maternity and higher dependency patients.

– A&E (£116k overspend in month, £167k YTD): £105k of the in month adverse variance relates to the ED improvement plan. The remaining over spend relates to a combination of additional medical / nursing temporary staffing to cover junior doctors induction periods, sickness, maternity and delays in achieving CIP due to the pressure of high activity levels and meeting the 4 hour target.

– Overall the divisional effect of delayed achievement of CIPs as at month 3 is £592k.

Surgery, Cancer & Diagnostics:

2.5. The overall divisional income & expenditure position shows an in month adverse variance of £470k (£1,173k adverse YTD). The most significant variances within the division include:

– Surgical Wards (£113k overspend in month, £280k overspend YTD): The YTD overspend relates to pressures relating to achievement of access targets and high activity levels. As a result there have been 10 additional beds opened in Victoria and 6 extra beds in Coyle driving additional temporary staff cost of £168k YTD which has prevented the achievement of the ward merger CIP.

– Theatres & Day Ward (£138k overspend in month, £320k 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 (£42K overspend in-month, £141K YTD): This is due to additional locum medical staffing used across several specialties, high clinical consumable usage and un-met CIP targets in Dermatology, Urology and General Surgery.
- Diagnostics (£25k in month overspend, £108k 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.
- Overseas visitors (£49k in month overspend, £89k overspend YTD): Includes bad debt provision of £26k in month.
- Overall the divisional effect unachieved CIPs as at month 3 is £579k.

Women & Children's

2.6. The overall divisional income & expenditure position shows an in month adverse variance of £156k (£260k adverse YTD). The most significant variances within the division include:

- Midwifery (£112k overspend in month, £264k YTD): This is mainly due to staff levels not reducing in line with the CIP plan due to sickness but also in part to additional staff required to deliver the EPR project.
- Paediatric Integrated Care (£28k overspend in month and £70k YTD): This is due to withdrawal of LBI support for a management post as well as a CIP target for which schemes are currently unidentified.
- WC&F Management (£28k overspend in month, £73k YTD): This relates to slippage / non achievement of the divisional CIP target.
- Sexual Health (£22k overspend in month, £88k underspend YTD): The YTD underspend is due to additional activity above planned levels where the marginal cost of providing the service is less than the additional income. The in month overspend relates to on-going discussions with Local Authorities where tariffs may revert to 12/13 rates rather than the revised, uplifted 13/14 rates and a YTD provision for this has been made.

Corporate Directorates

2.7. The overall divisional income & expenditure position for corporate services shows an in month favourable variance of £663k (£1,364k favourable 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:

2.8. Estates and Facilities (£295k overspend in month, £534k YTD). This relates to various areas including environment, medical physics, facilities and hotel services overspends.

2.9. Chief Operating Officer (£221k overspend in month, £614k YTD) This is due to under-achievement against both the T.P.E and bed management projects as well as high temporary pay expenditure.

2.10. I.T. (£159k overspend in month, £163k YTD) relating mainly to high temporary staff and consultancy expenditure

2.11. In addition to the above divisional analysis Figure 6 shows the top 10 cost centres by YTD adverse variance. Reasons for the variances have been covered above with the exception of Islington Assessment. This relates to community district nursing which needs to be viewed alongside other district nursing cost centres which are underspent. Overall district nursing is £26k overspent in month and £68k overspent YTD.

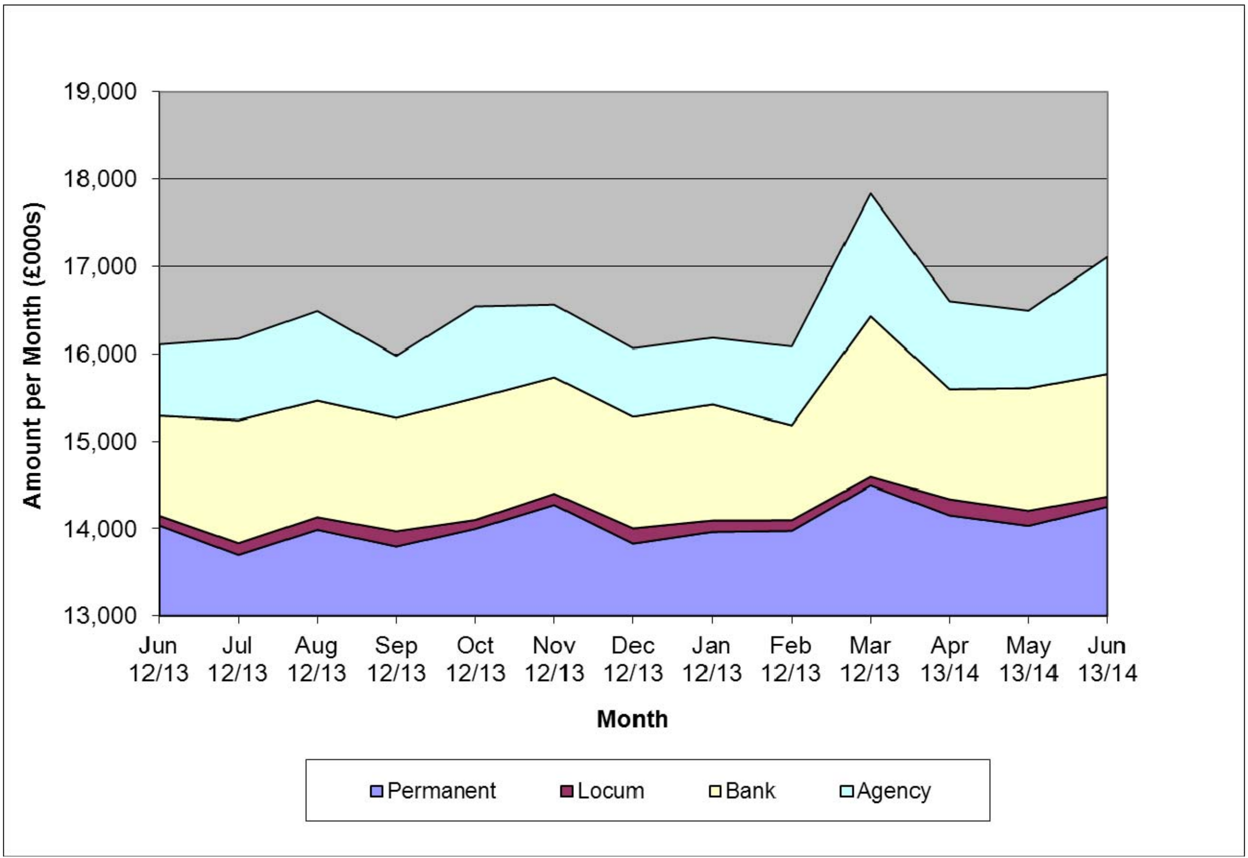
FIGURE 6: Top 10 Cost Centres by YTD Adverse Variance

Cost Centre	Division	Actual £'000	Budget £'000	Variance £'000
Icam Cips	Integrated Care & Acute Medici	0	(277)	(277)
T.P.E. Project	Corporate	70	(180)	(250)
Scd Divisional Targets	Surgery, Cancer & Diagnostics	0	(226)	(226)
Theatres General	Surgery, Cancer & Diagnostics	1,365	1,145	(219)
Midwives	Women, Children & Families	2,674	2,474	(200)
Pharmacy Medicine	Integrated Care & Acute Medici	1,068	888	(180)
Victoria	Surgery, Cancer & Diagnostics	478	321	(157)
Accident & Emergency	Integrated Care & Acute Medici	1,889	1,741	(147)
Environment	Corporate	432	289	(143)
Imaging	Surgery, Cancer & Diagnostics	1,378	1,250	(128)
Islington Assessment	Integrated Care & Acute Medici	204	81	(122)
A & E Additional Spend	Integrated Care & Acute Medici	106	0	(106)
Whittington Pharmacy	Integrated Care & Acute Medici	878	788	(90)
Overseas Visitors	Surgery, Cancer & Diagnostics	(7)	(97)	(89)

Pay Expenditure

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

FIGURE 7: Whittington Health Staffing Expenditure Trends Jun 2012- Jun 2013



2.13. 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 8: Temporary Staffing Summary by Division April 2013 – June 2013

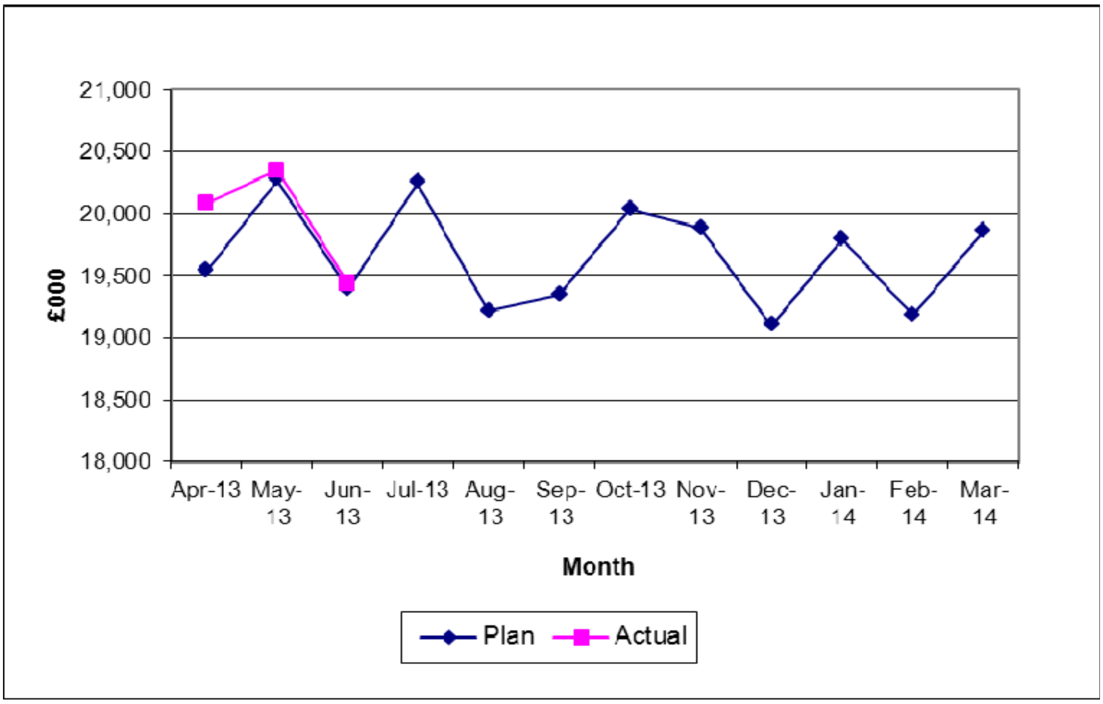
Temporary staffing	Division	Month3 £000's	Trend to M2 £000's	Variance £000's
Agency	Corporate	267	164	(103)
	IC&AM	587	375	(212)
	SC&D	147	101	(46)
	WC&F	275	213	(62)
Agency Total		**1,276**	**853**	**(423)**
Locum	Corporate	21	0	(21)
	IC&AM	130	177	47
	SC&D	19	66	47
	WC&F	28	31	3
Locum Total		**199**	**274**	**75**
Bank	Corporate	323	296	(28)
	IC&AM	487	411	(76)
	SC&D	306	310	4
	WC&F	284	309	25
Bank Total		**1,400**	**1,325**	**(75)**
Total		**2,875**	**2,453**	**(422)**

2.14. Figure 8 shows that month 3 spend on temporary staffing has increased by £422k, compared to trend to month 2, with agency/locum spend increasing by £348k and bank spend increasing by £75k.

3. Income Performance

3.1. NHS Clinical Income is reported based upon the latest coded activity (May 2013), together with an initial estimate for the June position. On this basis the in month position shows an over performance against plan of £101k consisting of a revised estimate based on coded activity for May (which shows underperformance of £196k in figure 9) combined with an estimate for the June position.

FIGURE 9: 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 10 provides an overview of actual income, based on month 2 activity, relating specifically to acute activity, and showing income performance by patient type:

FIGURE 10: Income Performance by Patient Type

	Year to date (to Month 2)			In Month	
Point of Delivery	**Plan £000**	**Actual £000**	**Variance £000**	**Variance £000**	**Late Data Added £000**
Block Contract/Adjustments	2,125	2,546	421	228	0
Elective Inpatients	468	696	228	93	0
Non-Elective Inpatients	334	1,191	857	408	26
Excess Beddays	0	37	37	11	(12)
Day Cases	1,761	2,067	306	152	1
Outpatient Procedures	54	97	43	21	0
Outpatient 1st Attends	386	454	67	34	4
Outpatient Follow Ups	499	700	201	96	30
Outpatient Diagnostic Imaging	2,135	1,943	(192)	(97)	3
Adult Critical Care	2,106	1,584	(523)	(255)	31
Paediatrics High Dependency	969	640	(329)	(163)	0
NICU High Dependancy Beddays	132	236	104	53	(5)
NICU Intensive Care Beddays	330	141	(188)	(112)	0
NICU Special Care Beddays	446	719	273	154	(0)
NICU Transitional Care Beddays	8,435	7,594	(841)	(435)	8
ED Attendances	1,491	1,258	(233)	(117)	(0)
Direct Access	1,739	1,550	(189)	(98)	0
Maternity Ultrasound	267	0	(267)	(133)	0
Other Activity	1,513	1,447	(66)	(34)	(16)
Grand Total	**25,189**	**24,900**	**(290)**	**(196)**	**70**

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 £196k in the May position relates to non NCL commissioners. The allocation of stretch and integration target which is required to be mutually agreed through the transformation board will affect the variance against plan in both financial and activity terms.

3.6. The total value of all other non-clinical income highlighted in Figure 11 is £2,543k in Month 3 and £7,049k cumulatively. The high cumulative 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 11: 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)	**598**	599	(0)	1,795	1,796	(1)	7,182
Medical & Dental Education Levy MADEL)	**472**	467	4	1,369	1,402	(33)	5,607
Non Medical Education & Training NMET)	**155**	118	37	506	502	4	2,417
Income from Service Level Agreements	641	346	294	1,363	997	366	3,902
Excellence Award Income	**34**	48	(14)	100	144	(44)	578
Income Generation e.g. car park, accommodation, canteen	**73**	90	(16)	219	269	(50)	1,074
Research & Development	**114**	53	61	153	159	(5)	1,013
Other	457	304	153	1,544	909	635	3,237
Total	**2,543**	**2,024**	**519**	**7,049**	**6,176**	**872**	**25,010**

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 £361k have been approved, the equivalent value for 2014/15 being a saving of £61k. This is further illustrated in the following figure:

FIGURE 12: 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	Electronic Document Management System	63.8	85.1
Corporate - IT	Outsourcing Transcription Services for Adult OPs	107	213
Corporate - IT	Labs IS - Win Path Licences	10	10
ICAM	Second Bowel Screening Centre in NCL	79	(406)
SCD	Somerset Cancer Information System	18	23
WCF	Mobile Sexual and Women's Health Services	(14)	(58)
WCF	Capacity & Demand Review of Haringey Children in Care Nursing Team	73	73
Total		**361**	**(61)**

5. Cost Improvement Programme (CIP)

5.1 In the three months to June 2013, 55% of the profiled YTD 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 £1,299k. The main reasons for the deterioration from the 64% reported at month 2 are described in Section 5.7 below.

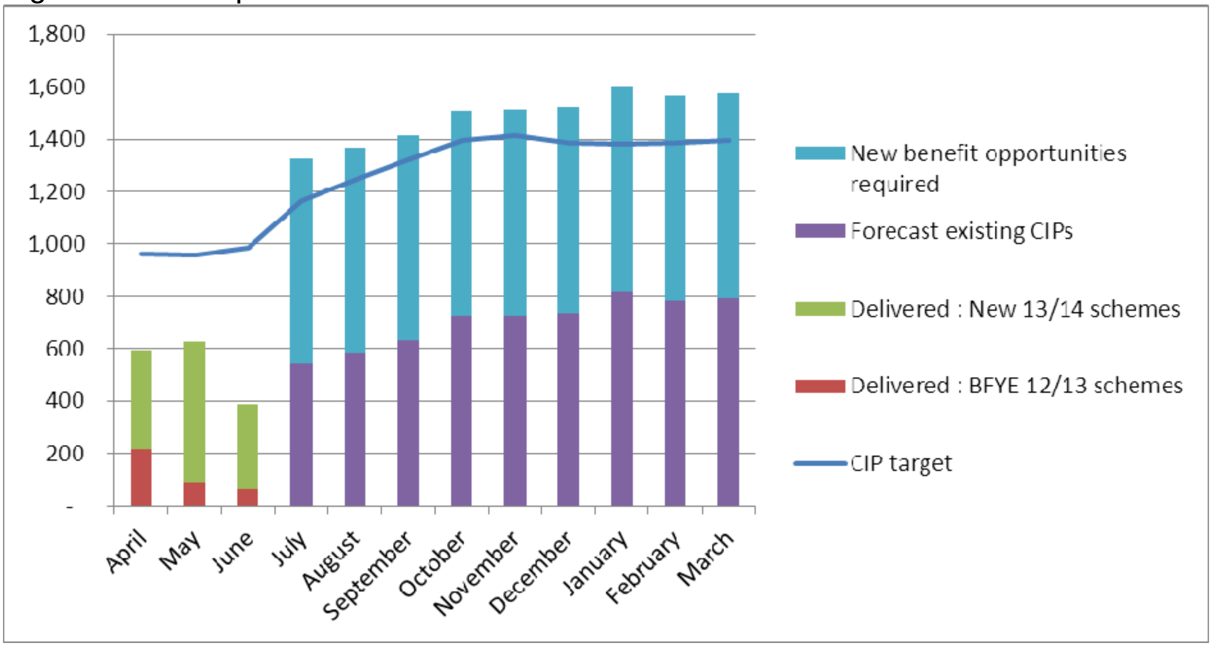
5.2 In a number of service areas, activity levels and/or quality and access issues have prevented cost pressures from being implemented. In recognition of this, £200k of winter pressure funding from the CCGs, which had been deferred from 2012/13 to fund new service developments in 2013/14 was released against these areas of cost pressure in month 2. The impact of this additional funding has reduced the reported shortfall against the CIP target to the level reported in paragraph 5.1

5.3 A financial forecast for each CIP project in months 4-12 has been compiled, and the resulting total forecast “likely case” is for a £7.0m shortfall against the target of £15m, a deterioration from the £6.4 m shortfall forecast last month. The main reasons for the deterioration in the forecast are described in section 5.8 below.

5.4 A “worst case” and “best case” forecast have also been produced this month. The worst case is a shortfall of £8.5 m against the £15 million target. The best case assumes full delivery of the £15 million, but this is reliant on identifying and implementing new opportunities to the value of £7m, to be delivered through a combination of new external funding and new substitute CIP schemes over and above those already built into the forecast as detailed within the 8 point plan in section 11.

5.5 The graph at figure 13 illustrates the YTD performance and forecast described above.

Fig 13 CIP YTD performance and forecast



5.6.

Summary of YTD performance by Division

Fig 14. 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	794	611	-183	77%
SCD	1,549	418	191	-227	46%
WCF	1,238	275	157	-118	57%
Estates & Facilities	615	126	86	-40	68%
Finance	328	75	89	15	119%
HR	97	24	24	0	100%
Nursing Directorate	278	32	32	0	100%
IT	160	40	12	-28	30%
Procurement	875	219	89	-130	41%
Trust-wide schemes	4,221	901	314	-587	35%
Potential to be identified	2,594	0	0	0	-
	15,000	**2,905**	**1,606**	**-1,299**	**55%**

Included in the above : balance to fye of 2012/13 CIP projects	1,602	741	380	-361	

Performance reported to TDA (new 2013/14 schemes only)	13,398	2,163	1,226	-938	57%

5.7. Deterioration in YTD Performance

The deterioration from 64% to 55% represents a £250k worsening of the CIP delivery run rate in month 3. The main contributory factors are:

- Agency nursing expenditure needs to fall to 50% of the 2012/13 level in order to deliver the CIP target; as at the end of Q1, it is only 4% below the equivalent period in 2012/13. Expenditure in June 2012 was lower than April-May 2012, making the June 2013 particularly challenging to meet;
- High levels of temporary staffing bookings in Midwifery (due predominantly to an increased level of short term sickness absence) are preventing the service from delivering its planned staff cost reductions;
- Data on non-pay expenditure in Q1 does not suggest that the “Waste Not Want Not” efficiency targets are being delivered;
- June payroll data is not providing evidence that the changes to AfC terms and conditions are so far having a significant impact on expenditure.
- No further deferred income has been set against the CIP, beyond the £200k released in month 2.

5.8. Deterioration in Forecast

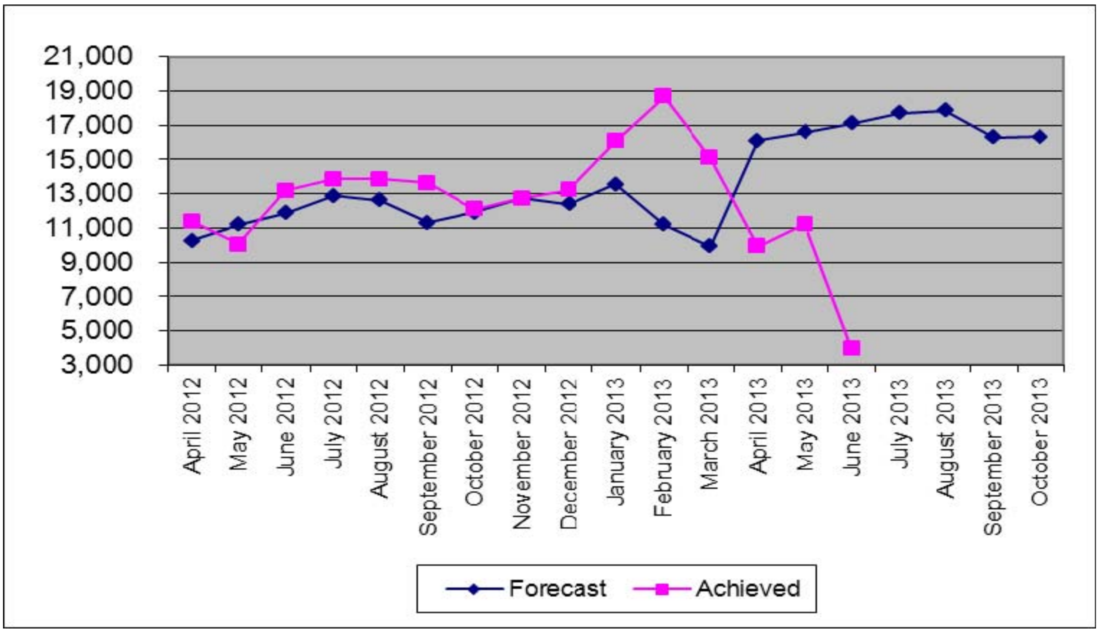
The likely case shortfall has worsened by £650k. The main contributory factors are :

- Although action is being taken to bring expenditure on midwifery staff back in line with budget, it is unlikely to be possible to recover the impact of the Q1 overspend by March 2014.
- The task of meeting the existing target for nursing agency reductions across the board is extremely challenging, given minimal success in reducing spend in Apr-June.
- Forecast potential savings from "Waste Not Want Not" campaign revised downwards in view of Q1 budgetary position;
- Re-assessment of 13/14 potential for savings in Obs & Gynae; service review due to conclude in October and there will then be a period of implementation;
- One further month's delay in commencing homecare exJade contract;
- One further month's postage data shows e-communications with GPs is having little impact on postage bill;
- Reduced estimate of impact of AfC changes, based on YTD payroll data.

6. Cash and Statement of Financial Position

6.1. The cash balance at the end of June was £3,935k against a planned balance of £17,097k. 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 £14.5m at the end of June 2013. This reduced cash balance represents a risk to the Trust and is further detailed in section 11 of the report.

FIGURE 15: Rolling Cash flow Forecast 2012/13-2013/14



6.2. 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 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.

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

FIGURE 16: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2013 £'000	As at 31st June 2013 £'000	As at 31st March 2014 £'000
Property, plant and equipment	137,747	136,018	168,412
Intangible assets	1,411	2,492	2,477
Trade and other receivables	635	754	1,534
Non-current assets	**139,792**	**139,263**	**172,423**
Inventories	1,290	1,391	1,202
Trade and other receivables	11,042	19,136	10,117
Cash and cash equivalents	15,088	3,935	16,141
Current assets	**27,420**	**24,463**	**27,460**
Trade and other payables	32,107	30,646	31,054
Borrowings	1,146	1,146	2,512
Provisions	4,292	3,113	377
Current liabilities	**37,545**	**34,906**	**33,943**
Net Current Liabilities	**10,124**	**9,024**	**7,402**
Borrowings	38,593	38,330	43,590
Provisions	1,764	1,714	1,438
Non-current liabilities	**40,356**	**40,044**	**45,028**
Total assets employed	**89,312**	**88,776**	**120,912**
Public dividend capital	53,344	53,344	53,994
Retained earnings	5,299	4,769	39,299
Revaluation reserve	30,668	30,663	27,619
Total taxpayers' equity	**89,312**	**88,776**	**120,912**

7. Capital Plan

7.1. Total planned capital expenditure for 2013/14 is £12,231k. This represents a charge of £12,199k against the Trusts capital resource limit (CRL) plus a donated asset of £32k for equipment, paid for by charitable funds.

7.2. Total planned expenditure for the year to date is £1,345k, against which £1,407k has been spent.

7.3. Total capital payments in the year to date total £4,845k, 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 17: 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	1,449	22,603	3,088	17,335
Total paid within target	1,327	18,564	2,523	13,596
Percentage paid within target	91.6%	82.1%	81.7%	78.4%
2012/13 Performance				
Total bills paid	5,841	22,935	22,935	64,904
Total paid within target	5,377	14,454	14,454	49,479
Percentage paid within target	92.1%	63.0%	63%	76.2%

9. Analysis of Debtors and Aged Debt

9.1. As at Month 3, the total value of debtors was £14,556k.

9.2. The table below highlights the value of outstanding debtors that have been raised by way of an invoice.

FIGURE 18: 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	969	1,168	1,141	0	0	3,277
NHS ISLINGTON CCG	2	1	1,339	1,486	-164	2,663
NHS HARINGEY CCG	823	551	545	0	0	1,919
NHS HARINGEY	0	0	267	304	127	698
THE ROYAL FREE AND HAMPSTEAD NHS TRUST	125	205	205	0	0	536
NHS CAMDEN CCG	420	12	73	0	0	505
WEST ESSEX PRIMARY CARE TRUST	242	89	89	0	0	421
NHS ENGLAND	314	0	0	50	0	365
NHS CITY & HACKNEY CCG	286	6	0	1	5	297
NHS ENFIELD CCG	9	0	0	269	0	278
All other NHS	1,305	191	234	243	-131	1,843
Subtotal NHS Debtors	**4,494**	**2,223**	**3,895**	**2,353**	**-164**	**12,802**
Other Non NHS Debtors	773	99	214	668	-1	1,753

Total:	**5,267**	**2,323**	**4,109**	**3,021**	**-165**	**14,556**

9.3. An analysis of the aged debt position illustrates that of the £14,556k, £5,267k 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 £6,966k. The most significant element of which relates to NHS Islington, which totals £3,802k, and reflects on-going 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 the YTD position is calculated as a 2 and forecast positions has been calculated as a 3. 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 69.55%, so the Trust rating equals 2;

FIGURE 19: Risk Rating Scoring

Metric Description	YTD Trust Score	Rating Categories				
		5	4	3	2	1
EBITDA achieved (% of plan)	69.55%	100%	85%	70%	50%	<50%
EBITDA margin (%)	4.13%	11%	9%	5%	1%	<1%
Net return after financing (%)	-1.74%	3%	2%	-0.5%	-5%	<-5%
I&E surplus margin (%)	-0.78%	3%	2%	1%	-2%	<-2%
Liquid ratio (days)	13.48	60	25	15	10	<10

10.4. The forecast risk rating of 2 overall has been influenced by the inclusion of a £22m working capital facility as required by the NTDA/Monitor risk rating methodology and financial regime. It is worth noting that due to phasing differences between the original 2013/14 TDA annual plan and the Trust's internal budget there is a slight calculation difference between the TDA EBITDA margin and the Trust's internal calculation.

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

Whittington Health NHS

FIGURE 20: 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)	69.55%	**2**	67.80%	**2**
EBITDA margin (%)	**Underlying performance**	=(EBITDA actual less Donated Asset Income) / (Total Operating Revenue less Donated Asset Income)	4.13%	**2**	5.60 %	**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)	-1.74%	**2**	0.4%	**3**
I&E surplus margin (%)	**Financial efficiency**	=(Net surplus add back Impairments add back profit/loss on disposal) / Total Operating Revenue	-0.78%	**2**	0.03%	**2**
Liquid ratio (days)	**Liquidity**	=((Current Assets less Inventory less Current Liabilities add WC Facility - (£22m)) / Total Costs)*365	13.48	**2**	18.76	**3**

Overall Rating	**2.00**	**3.00**

11.2013/14 Forecast and Risks

11.1. The year to date position shows a deficit of £535k, which is £578k 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. Each of these scenarios have been generated using an assessment of key risks and suggested recovery actions which have been shared with the NTDA. The risks and recovery actions are 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 21. 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 £5.5m shortfall and a worst case position of £8.5m shortfall. Failure to deliver the CIP plan in full will undermine the Trusts 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 consistent with the recovery actions listed below.
- New cost pressures: The identification of additional 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 £361k of additional unavoidable cost pressures have been approved YTD. The best, likely and worse case assumes a risk adjusted extrapolation of this figure.
- 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 £1.8m 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 £500k positive impact on overall I&E; the likely case assumes a £1m negative I&E impact being incurred; the worst case assumes a £1.8m negative impact being incurred. All scenarios assume a £500k non-recurrent saving on dividend payments in line with revised central guidance on TCS transfers.

- Commissioner negotiations - 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 (c. £7m) it should be noted as a potential risk. Additionally, a second commissioner risk exists with regards to associate CCG's planning for higher levels of QIPP to be built into the financial baseline. The combined effect of these two risks is assessed to represent a £7m negative effect on the I&E in the worst case scenario; a £350k negative I&E effect in the likely case and no impact in the best case scenario.
- 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 limit the ability of the Trust to meet payroll obligations, therefore requires careful management by the Trust.

Recovery actions

11.3. Due to the current financial position a range of financial recovery actions has been generated by the Trust and presented to the NTDA which detail how the forecast breakeven position planned can be achieved. The detail of the 8 point plan is as follows:

1. Temporary staffing review – Temporary staffing to be assessed against a criteria which identifies any posts that are not imminently critical to patient quality, key mandatory targets or critical systems.
2. Review all posts awaiting permanent recruitment – The posts are be assessed against a criteria which identifies any posts that are not imminently critical to patient quality, key mandatory targets or critical systems.
3. CIP review – A full review to be undertaken to identify any savings schemes that are slipping against their milestones and recognise if additional investment / prioritisation would improve the forecast outcome.
4. Capital programme slippage - Review any schemes within the capital programme that could slip into the following year as a way of preserving cash whilst risk assessing the impact upon patient care and performance targets.
5. Non Pay controls - List of non - critical expenditure to be identified and Procurement department to monitor / manage spend with budget holders being advised of any exceptions requiring director sign off.
6. Risk management - Areas of uncertainty that could translate into financial pressures such as agreeing revised Income contracts with the new organisations - NHS England and Local authorities as well as CCGs following the re-organisation of the NHS in April. Another key

uncertainty is securing the appropriate funding for the properties that are transferring to the Trust from the now defunct PCTs. Removal/confirmation of these risks will reduce the range and scale of potential outturn scenarios.

7. Cost pressures - Minimise the approval of new cost pressures and ensure these are confined to those strictly unavoidable.

8. Technical adjustments – Examine potential technical accounting adjustments e.g. recalculate capital charges expenditure following recent asset impairment revaluation and the pending transfer of community properties to the Trust.

11.4. In addition to the 8 point plan a further opportunity exists due to potential 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

11.5. Based on a combination of the highlighted risks and opportunities figure 21 details the best, likely and worst assessment of the 2013/14 forecast outturn position

FIGURE 21: Risk Assessed Forecast Outturn Position

	Best case £000's	**Likely case £000's**	**Worst case £000's**	**Notes**
13/14 budgeted position	**0**	**0**	**0**	
Commissioner negotiations	0	-350	-7,040	
Income performance against plan	0	-400	-800	
RTT/ED additional funding	3,500	2,500	0	
Community Estates/IT	500	-1,000	-1,800	
CIP achievement	-5,500	-7,000	-8,500	
Cost pressures	-572	-1,143	-1,715	
RTT/ED backlog and non-recurrent costs	-1,435	-1,846	-2,669	
8 point recovery actions				
1) Temporary staffing	2,970	1,980	990	
2) Recruitment	1,500	750	0	
3) Review CIP	0	0	0	benefit assumed in CIP calculation
4) Capital programme schemes slippage	0	0	0	cash benefit as opposed to I&E
5) Non pay controls	500	250	100	
6) Risk management	0	0	0	estimate included above
7) Manage cost pressures	0	0	0	estimate included above
8) Technical adjustments	5,100	3,800	3,100	
13/14 forecast outturn position	**6,563**	**-2,459**	**-18,334**	

11.10 The 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 include continuing to implement the 8 point plan as highlighted in section 11.7 with additional actions 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.
- Wherever possible under spend against budget to offset additional pressures and the risk of CIP slippage.
- 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.

Financial Performance ProformaM3

Organisation Name:	Whittington Health
Organisation Contact:	Guy Dentith – Deputy Director of Finance

Key Financials (I&E related)

	Surplus/(Deficit) £000
Plan YTD	**337**
Actual YTD	**(447)**
Plan Forecast	**1,091**
Forecast Outturn	**1,091**

	CIPs £000
Plan YTD	**2,165**
Actual YTD	**1,226**
Plan Forecast	**13,400**
Forecast outturn	**13,400**

Note – All figures should be excluding the impact of impairments and the IFRS impact of IFRIC12

1. *Please outline the key explanations for variances in the actual year to date financial performance against plan (I&E surplus/deficit)*

Note: The informed provided should be consistent with key financial narratives provided to the Trust Board.

Income

YTD income is £1.3m above planned levels due to a combination of:

- Credit note provision releases of £0.5m
- Deferred income relating to commissioner funded plans of £0.4m
- Additional community income above planned levels of £0.4m

Expenditure

YTD operating expenditure is £2.1m above planned levels due to a combination of:

- CIP underperformance of £1.3m (inclusive of full year effect 2012/13 plans),
- Expenditure relating to RTT backlog, and delivering the ED target of c. £0.8m

2. Please outline progress to date in delivering planned financial efficiencies (CIPs), including planned mitigation against future risk

YTD achievement of the planned Q1 £2,165k target shows a £939k shortfall relating to delays in implementation of plans combined with higher levels of activity associated with delivering RTT and ED targets (of approximately £0.8m).

The delivery of the full year target is being pursued through actions associated with an 8 point plan – as shared with the TDA - including a request for additional funding from commissioners.

The Trust M3 board report will be provided in due course which identifies a range of outturn scenarios and risks/opportunities which are being managed. At this stage, the Trust is planning to achieve the operating plan target in full, although it is recognised that there is a significant range between the potential best and worst case.

3. *Please provide latest RAG rating of 2013/14 identified CIPs (all non-identified CIPs are assumed red rated unless advised otherwise)*

The CIP RAG rating will be provided with the Trust M3 Board report.

4. *Where the Trust is reporting a year to date position (for either / both I&E position or CIPs) significantly adverse to plan (>10%), please outline the reasons for this and the mitigating steps being taken to manage the risk*

<u>I&E position</u>

The YTD I&E shortfall relates to a combination of:

- Non delivery of CIP of £1.3m (inclusive of full year effect 2012/13 plans)
- £0.8m expenditure relating to RTT backlog activity, and delivering the ED target.
- Overperformance of income of £1.3m relating to credit note provision release, deferred income and community commissioner income above planned levels.

<u>CIPs</u>

YTD achievement of the planned Q1 £2,165k target shows a £939k shortfall relating to delays in implementation of plans combined with higher levels of activity associated with delivering RTT and ED targets.

The delivery of the full year target is being pursued through actions associated with a Trust 8 point plan – as shared with the TDA - including a request for additional funding from commissioners.

5. *Does the Trust believe the forecast outturn(for both I&E position and CIPs) will be achieved?*

<u>I&E position</u>

The range of possible outturn scenarios, as highlighted within the Trust Board report indicate a number of risk and opportunity areas. At this point it is not possible to be precise until a number of negotiations / actions have been further progressed.

The Trust Board remains committed to the full delivery of the control target, but recognises the challenge ahead.

CIPs

At this stage a shortfall is anticipated, although mitigating actions including additional commissioner funding to meet the additional cost of RTT and ED target delivery are being progressed as part of the 8 point plan to deliver a balanced position. This plan has previously been discussed and shared with the TDA.