The Whittington Hospital NHS Trust
Magdala Avenue
London N19 5NF

Whittington Health Trust Board

4th June 2014

Title:	**Financial Performance – April 2014 (Month 1)**		
Agenda item:	**14/103**	**Paper**	**7**
Action requested:	For agreement.		
Executive Summary:	**This paper provides an overview of the financial performance to 30th April 2014 (Month 1) Key headlines:** • The financial performance to the end of April shows a disappointing £0.6m deficit against a planned deficit of £0.4m; this is £0.25m worse than planned for April. • The key drivers of the adverse performance is a slow start to the delivery of the cost improvement programme and the limit of income reported to the contract value (block contract in quarter one). • The CFO has met with operational managers to ensure actions plans are already in place to mitigate the spending above budgeted levels.		
Summary of recommendations:	The Trust Board is asked to note the contents of this report.		
Fit with WH strategy:	This report updates the Trust Board of progress in achieving statutory financial requirements. Successful delivery of financial plan in 2014/15 is essential to underpin financial sustainability.		
Date paper completed:	23rd May 2014		
Author name and title:	Paul McAuliffe Interim Deputy Director of Finance	**Director name and title:**	Simon Wombwell Interim Chief Financial Officer

April 2014 / Month 1 Finance Report

1. Introduction

1.1. This paper summarises the Trust's financial results for the period to April 2014 (Month 1). These are the first results of the new financial year, which runs from April 2014 to March 2015.

2. Key Information

2.1. The in-month position shows a deficit of £0.6m against a planned deficit of £0.35m, i.e. an adverse variance against plan of £0.25m.

2.2. Total income is £0.1m (0.3%) above plan because of the inclusion of an extension to the Pentonville Prison contract (without this there would be a £0.4m underperformance).

2.3. Operating costs are £0.3m (1.4%) in excess of plan. This is caused by the combined impact of shortfalls against the CIP plan and some continued cost pressures e.g. district nursing agency, 1:1 'specialing' of patients.

2.4. As a result the earnings before interest, taxation, depreciation and amortisation (EBITDA) margin – a measure of our ability to generate cash - is only 3.3% compared to a target of 4.4%.

2.5. The Trust has delivered savings of only £0.3m against a plan of £0.9m. Significant improvement in CIP delivery is essential for the Trust to achieve its break-even target for 2014/15.

2.6. Cash has increased by £3.7m in the month to £8.8m. The increase in cash balance is mainly due to £3.5m collection of monies owed to us (from last year) including £2.1m from Haringey for Community Estates & IT.

2.7. The successful delivery of our financial targets will require tighter controls over expenditure and delivery of savings plans. There is ongoing work with divisions to deliver efficiency improvements and some of the additional savings targets set in April will not translate immediately into cost reduction.

2.8. As outlined previously, the financial challenges facing the NHS will result in a challenging year for all organisations and WH is no exception. Our plan is to deliver a major improvement programme which is not without risks around delivery, particularly given our primary commitment to maintaining high standards of patient care. The first months results are disappointing and reinforce our need to increase our grip on expenditure control and support all divisions to deliver savings plan targets.

3. Statement of Comprehensive Income (SOCI)

3.1 The Statement of Comprehensive Income for April 2014 is set out below:

Figure 1 – Statement of Comprehensive Income

Description	Full Year	April		
	Budget (£'000)	Budget (£'000)	Actuals (£'000)	Variance (£'000)
Nhs Clinical Income	246,499	20,542	20,665	123
Non-Nhs Clinical Income	15,988	1,337	1,333	(4)
Other Non-Patient Income	25,746	2,165	2,122	(43)
Total Income	**288,233**	**24,044**	**24,120**	**76**
Non-Pay	(71,343)	(6,034)	(5,978)	56
Pay	(207,970)	(17,621)	(17,335)	285
Savings	7,920	660	0	(660)
Total Expenditure	**(271,393)**	**(22,995)**	**(23,313)**	**(319)**
EBITDA	**16,840**	**1,049**	**806**	**(243)**
Interest Payable	(2,820)	(235)	(235)	0
Interest Receivable	30	3	3	0
Depreciation	(9,724)	(810)	(810)	0
Dividends Payable	(4,326)	(361)	(361)	0
Net Surplus / (Deficit) - before adjusting for impairments, IFRS and donated assets (relevant for break-even duty	(0)	(354)	(597)	(243)
Add back impairments and adjust for IFRS & donated assets	285	24	24	0
Adjusted Net Surplus / (Deficit) - including Impairments due to Revaluation of Fixed Assets	**285**	**(330)**	**(573)**	**(243)**

3.2 Income is £0.1m (0.3%) favourable to plan as a result of the inclusion of Pentonville Prison income in April. This contract was originally due to end at the end of March 2014 but was extended by one month to ensure a smooth transition to the new provider. The income plan is set above the CCG contracted level to reflect the cost and volume contract i.e. performance is expected to exceed the contracted level; however, since we are on a block contract in the first quarter we should be prepared for this target to underperform in May and June figures.

3.3 Expenditure is £0.3m adverse against plan due to the shortfall on CIP delivery of £0.6m.

A key component is the continued high use of flexible workers, which remains at an elevated level. Agency expenditure in April was £1.2m which compares to the average monthly expenditure in 2013/14. The areas of significance are:

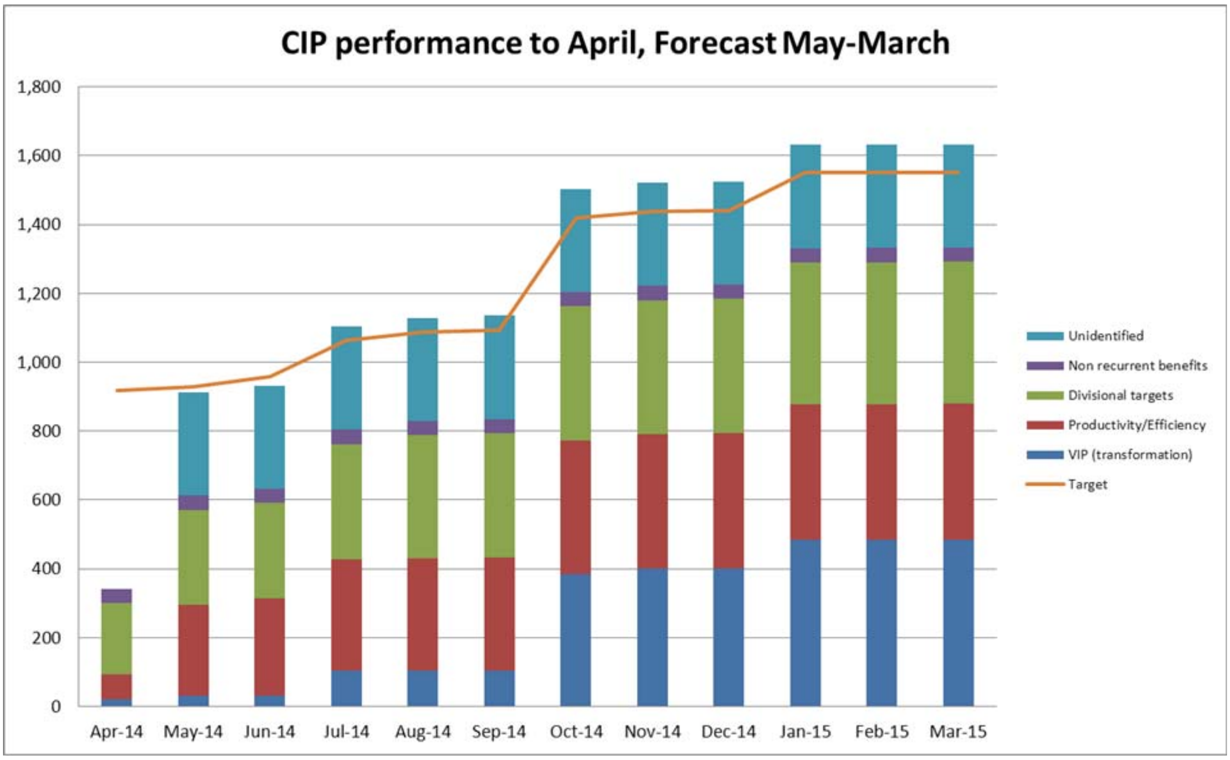
- A&E (locum junior doctors with substantive replacements expected in August), Gastroenterology and Rheumatology are also covered by locum doctors.
- District Nursing and health visitors (recruitment challenges) and medical wards (for 1:1 specialing of patients).

3.4 The divisions are working through action plans to recover the adverse spending. As illustrated above the major overspending area is within the ICAM Division. Further detail on divisional performance will be provided next month.

4. Cost Improvement Programme (CIP) –Target £15m

4.1. The Trust achieved £0.3m (37%) CIP delivery in month against a plan of £0.9m.

Figure 2 - CIP April 14 performance and forecast to March 15



4.2 The key reasons behind the shortfall:

- Divisional 2% targets (3.5% in corporate areas) £0.2m adverse against plan due in part to as yet unidentified schemes.
- Trust-wide bank and agency CIP £0.2m adverse due to no reduction in expenditure in April.
- Other VIP schemes £0.2m adverse against plan comprising a number of different areas where schemes are identified but savings are yet to be recognised.

5. Statement of Financial Position (formerly known as the Balance Sheet)

Figure 3 – Statement of Financial Position

Description	As at 1st April 2014 £000	As at 30th April 2014 £000	Forecast as at 31st March 2015 £000
Property, plant and equipment	182,004	181,562	189,649
Intangible assets	5,428	5,428	3,100
Trade and other receivables	702	690	610
Non-current assets	**188,134**	**187,680**	**193,359**
Inventories	1,294	1,295	1,290
Trade and other receivables	17,527	13,985	6,930
Cash and cash equivalents	5,123	8,782	3,976
Current assets	**23,944**	**24,062**	**12,196**
Trade and other payables	36,048	36,907	27,647
Borrowings	1,376	1,376	2,565
Provisions	1,238	787	198
Current liabilities	**38,662**	**39,070**	**30,410**
Net Current liabilities	**14,718**	**15,009**	**18,214**
Borrowings	36,759	36,660	42,013
Provisions	2,014	1,965	2,038
Non-current liabilities	**38,773**	**38,625**	**44,051**
Total assets employed	**134,643**	**134,046**	**131,094**
Public dividend capital	56,461	56,461	56,671
Retained earnings	15,240	14,643	18,918
Revaluation reserve	62,942	62,942	55,505
Total taxpayers' equity	**134,643**	**134,046**	**131,094**

5.1. Trade and other receivable balances decreased by £3.5m as we are paid for balances agreed at year end. This includes £2.1m received from Haringey for Community Estates & IT.

5.2. Cash has increased by £3.7m in the month to £8.8m at 30th April. The increase in cash balance is mainly due to the £3.5 reduction in debtors referred to in 4.3 above.

5.3. Trade and other payable balances increased by £0.9m. This includes the payment for properties leased from other NHS landlords for which we do not have a formal, agreed lease.

6. Cashflow Forecast

Figure 4 – Cashflow Forecast

Description	Apr-Jun 2014	Jul-Sep 2014	Oct-Dec 2014	Jan-Mar 2015	TOTAL
	£m	£m	£m	£m	£m
Balance b/f	**5.1**	**3.4**	**1.3**	**1.8**	**5.1**
NHS clinical SLAs	56.6	57.0	57.0	57.0	227.6
Local authority clinical SLAs	2.1	2.4	2.4	2.4	9.3
Education SLA	3.5	3.5	3.5	3.5	14.0
Community estates & IT	0.0	4.2	2.1	2.1	8.3
Other receipts	12.6	5.9	7.5	8.9	34.8
Receipts	**74.7**	**73.0**	**72.5**	**73.8**	**294.0**
Pay	28.2	28.2	28.6	28.7	113.6
Tax, NI & pension	20.9	20.7	20.7	20.7	83.0
NHSLA	1.8	1.8	1.8	0.6	6.0
Capital	3.9	1.9	2.2	2.9	10.8
Other AP	21.2	19.8	18.1	18.1	77.2
Other payments	0.6	0.6	0.6	0.6	2.3
Dividends	0.0	2.2	0.0	2.1	4.3
Payments	**76.5**	**75.0**	**71.9**	**73.6**	**297.1**
Net inflow/(outflow)	**(1.8)**	**(2.1)**	**0.6**	**0.2**	**(3.1)**
Balance c/f	**3.4**	**1.3**	**1.8**	**2.0**	**2.0**

6.1. The cash flow above demonstrates that the Trust is able to manage its cashflow without the need for any borrowing. This assumes the recovery of our savings plans, as described above; if savings plans and/or expenditure levels continue at the April level, without corresponding income receipts, the Trust will require some short term cash support.

6.2. Total receipts for the year of £294m is £5m greater than planned income of £289m due to the settlement of brought forward debtors:

B/f Debtors settled	£m
Haringey Community Estates & IT	**2.1**
Islington CCG Community Investments	**1.3**
Readmissions	**0.5**
NHS England	**0.8**
H Education England	**0.3**
TOTAL	**5.0**

6.3. Total payments for the year of £297m is £8m greater than planned expenditure of £289m due to the following:

B/f Creditors paid	**£m**
Capital creditors	**4.0**
NHSPS and CHP	**2.0**
PwC Procurement project	**0.5**
Camden & Islington FT SLA	**0.5**
Cash impact of CIP's profile/under achieved	**1.0**
TOTAL	**8.0**

6.4. The net effect of the above settlement of b/f balances is to reduce cash by £3m from £5m at 31/3/14 to c £2m. In response finance have a daily cash flow forecast to reassess forward pressures and plan for any required contingencies.