ITEM: 11/119
Doc: 08

MEETING:	Trust Board – Part 1 28th September 2011

TITLE:	Financial Position – Month 5 (August 2011)

Executive Summary

1. Month 5 Income & Expenditure

1.1. The I&E position including the impact of IFRS is an actual in month deficit of £11k, which is £20k better than plan. The year to date deficit is £108k, which is £487k worse than the planned position. Once the impact of IFRS is excluded the position shows a cumulative surplus position of £123k.

1.2. The clinical income position is £183k below the Trust plan, this includes both acute and community services and is based on four months worth of fully coded activity.

1.3. The financial position includes additional unplanned non-recurrent releases of £84k in month that have helped improve the actual position and reduce the adverse variance against plan. Without these adjustments the reported position would show an in month deficit.

2. Month 5 Balance Sheet & Cash

2.1. The impact of IFRS on the Trust relating to PFI is £555k, which is excluded from break-even duty performance.

2.2. The cash balance at the end of August was £11,269k. This position reflects a higher than expected balance, largely due to the receipt of cash payments in advance, and lower than expected outgoings. This position reflects a snapshot as at the end of August, and is not representative of expected cash balances looking forward. Strong cash management will continue to be essential throughout this year to ensure that the Trust has sufficient cash balances to meet ongoing operating expenses and obligations. The year end forecast cash position is £5,585k, which reflects the opening balance together with the planned surplus position and other benefits arising from working capital balances and the profile of commitments. Achievement of the forecast cash position is dependent on the delivery of cost improvements, effective cost control and income recovery. Achievement of the External Financing Limit (EFL) would require a year end cash balance that is not less than the opening value.

3. 2011/12 Forecast and Risks

3.1. The year to date position shows a deficit of £108k, which is £487k less favourable than planned at this stage of the year. In view of this position, a risk based approach has been taken in developing the forecast, which uses a number of assumptions to show the best, worst and most likely forecast position. On this basis the worst case position shows a deficit of £1,990k, a best case surplus position of £2,035k, with the most likely case consistent with the current planning assumptions of delivering a £500k surplus.

3.2. The delivery of the planned position will depend on progress made in delivering the CIP programme, avoiding further cost pressures and over spends, and in maintaining income and activity levels in line with plan. This position will continue to be monitored over the coming months, and if progress is not made across these areas it will be necessary to adjust the likely forecast position accordingly.

3.3. The Trust has recently received a revised contribution statement from the NHS Litigation Authority for the combined integrated care organisation. This represents an increase of approximately £600k above that previously paid as separate contributions by the Whittington and Islington and Haringey provider services. This increase is being challenged, and while it is not reflected in the Month 5 position, it is highlighted as a specific risk for future months. The position will continue to be monitored and further updates will be provided.

3.4. Significant restraint should be exercised in the consideration of future cost pressures, unless absolutely unavoidable. Without exercising this level of control the delivery of the planned position, and control total will be at further risk. In terms of capital expenditure, the trust is not permitted to exceed it's Capital Resource Limit, and at this stage the ability to include additional schemes is doubtful given that the CRL is still unconfirmed by the Department of health and additional charges for PFI lifecycle costs will need to be included within the capital programme this year.

3.5. Progress has been made in identifying additional savings, and the most upto date position reflected in the latest submission to NHS London indicates a remaining value of £1.4m slippage (further to the completion of the month 5 position, further savings have been identified, and this figure is now £0.8m) against existing CIP schemes, which will be offset by additional savings agreed by the CIP Board to reduce staff costs, which will be achieved through; the targeted reduction in the number of vacant posts recruited to; and the reduction in the use of temporary staffing and agency. As a result, the forecast position assumes that the forecast £6.9m unidentified savings target (which was identified at the start of the year) will be achieved in full. It is also assumed that there is no deterioration in the income and expenditure position from plan. This will require strong budgetary management and financial control.

3.6. **To achieve the forecast position, the focus of attention will need to be on the delivery of the CIP, robust budgetary control, the restraint around the agreement of new cost pressures. and the identification of opportunities to reduce the unidentified savings target. Financial performance will be monitored closely both within the Divisional teams and by the Executive team and Trust Board**. **To date unavoidable cost pressures of £390k have been agreed, with a full year effect of £870k.**

4. Recommendations

4.1. The Trust Board is asked to:

- **Note**: An in month deficit of £11k, which is £20k better than planned, which includes the benefit relating to unplanned non recurrent gains.
- **Note**: The risk based approach to the forecast surplus position, which is dependent on achievement of CIP plans, avoidance of further cost pressures and for income to be maintained within plan.
- **Note:** The 2011/12 CIP position which shows a balance of £4,682k to be allocated (The target has reduced from £6.9m to £4.7m this month as some detailed budget adjustments have been possible. In terms of delivery the most upto date position reflected in the latest submission to NHS London indicates a remaining value of £1.4m slippage against original CIP schemes (further to the completion of the month 5 position, further savings have been identified, and this figure is now £0.8m), which will be offset by additional savings agreed by the CIP Board to reduce staff costs, which will be achieved through; the targeted reduction in the number of vacant posts recruited to; and the reduction in the use of temporary staffing and agency. In forecast terms it is assumed that the full £19.6m target will be achieved.
- **Note:** Significant restraint should be exercised in the approval of further cost pressures, unless absolutely unavoidable.

ACTION:	For information / discussion

REPORT FROM:	Jim Davies, Deputy Director of Finance

SPONSORED BY:	Richard Martin, Finance Director

Financial Validation Lead: Director of Finance	Jim Davies

Compliance with statute, directions, policy, guidance Lead: All directors	**Reference:** Best Practice – financial assurance standards; ALE; Accounting Standards; Monitor financial regime

Compliance with Healthcare Commission Core/Developmental Standards Lead: Director of Nursing & Clinical Development	**Reference:**

Compliance with Auditors' Local Evaluation standards (ALE) Lead: Director of Finance	**Reference:** ALE – Financial Management and Financial Reporting Domains

Compliance with requirements of FT application and monitoring regime Lead: Director of Strategy & Performance	**Reference:**

Month 5 Finance Report

5. Month 5 Financial Update

5.1. 2011/12 accounts are prepared on an International Financial Reporting Standards (IFRS) basis, although the £555k impact of IFRS on Private Finance Initiatives (PFIs) is excluded from the Trust's break-even duty.

5.2. An in month EBITDA position of £1,130k is reported, which is £7k less favourable than the planned position.

5.3. A risk based approach to the forecast position has been undertaken, which identifies the worst, best and most likely positions. This is covered in further detail within the section "*2011/12 Forecast and Risks*". At this stage the most likely position has been applied, which is consistent with current planning assumptions of delivering a £500k surplus at the year-end on an IFRS basis. This forecast position reflects the year to date position, together with known changes and estimates for the remainder of the year. As part of this process consideration is also given to the risk of a) underachievement against CIP plans, b) the potential for future cost pressures; and c) risks associated with the recovery of income due to the Trust. The forecast year-end position assumes at this stage that the "forecast" value of the unallocated and unidentified savings target of £6.9m (which was identified at the start of the year) remains achievable. In month 4 the process of reallocating savings identified by budget holders against centrally held savings commenced, and will continue over the coming months. The latest position which reflects these adjustments is £4.7m, at the time of writing this report £1.4m had yet to be identified. The £1.4m represents the "likely case" forecast shortfall on the identified schemes that make up the £19.6m plan. Consequently additional actions, such as the review of vacancies and temporary staffing are underway in order to maximise the prospects of achieving or exceeding the full CIP. Any additional cost pressures would effectively add to the CIP requirement as no contingency is held. It should also be noted that the £1.4m forecast shortfall has now reduced still further to £0.8m.

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

FIGURE 1: Income & Expenditure Summary – Consolidated Position

Description	Current Month Actual £'000	Current Month Budget £'000	Current Month Variance £'000	Year To Date Actual £'000	Year To Date Budget £'000	Year To Date Variance £'000	Annual Budget £'000	Year End Forecast £'000
NHS Clinical Income	19,799	19,488	310	98,916	99,099	(183)	241,123	241,123
Non NHS Clinical Income	500	614	(113)	2,426	2,864	(438)	6,993	6,993
All Other Non Clinical Income	2,294	2,138	155	10,886	10,572	314	25,090	25,090
Total Income	**22,593**	**22,240**	**352**	**112,228**	**112,535**	**(306)**	**273,206**	**273,206**
Pay	16,403	16,626	224	80,756	82,513	1,756	199,663	199,663
Non Pay	5,060	5,169	109	25,862	26,288	426	63,581	63,581
Centrally Held Savings	-	(692)	(692)	-	(2,479)	(2,479)	(4,682)	(4,682)
Total Expenditure	**21,462**	**21,103**	**(359)**	**106,618**	**106,322**	**(296)**	**258,562**	**258,562**
EBITDA	**1,130**	**1,137**	**(7)**	**5,610**	**6,213**	**(602)**	**14,644**	**14,644**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	2	2	1	14	8	5	20	20
Less Interest Payable	221	223	2	1,107	1,114	7	2,677	2,677
Less Depreciation	689	695	6	3,452	3,465	13	8,457	8,457
Less PDC Dividend	234	252	18	1,173	1,262	89	3,030	3,030
Net Surplus / (Deficit)	**(11)**	**(32)**	**20**	**(108)**	**379**	**(487)**	**500**	**500**
Net Surplus / (Deficit) excluding PFI IFRS (*relevant for break-even duty*)	35	15	20	123	611	(487)	1,055	1,055

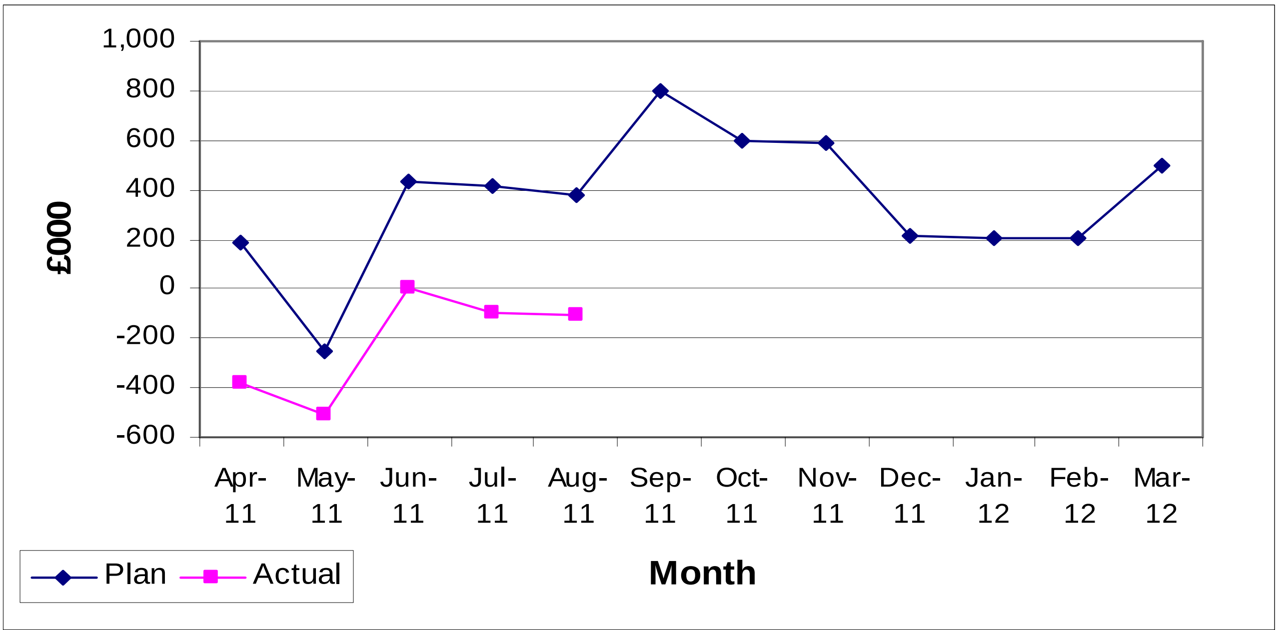
5.5. The income and expenditure position before adjusting for IFRS shows a net year to date deficit position of £108k, which is £487k worse than planned. This includes the in month deficit of £11k which is £20k better than plan.

5.6. The key factor contributing to the deficit in the year to date relates to slippage in the early months against central savings targets which have yet to be identified, although a proportion of the potential CIP schemes are already being reflected within the overall year to date position. The target has reduced from £6.9m to £4.7m this month as some detailed budget adjustments have been possible. Further adjustments to amend specific budgets and the central target will be made as specific details of CIP schemes are confirmed. The value of the slippage for the year to date represents £255k of the total months net surplus variance of £487k.

5.7. A detailed analysis of staff costs has highlighted that additional costs associated with maternity leave cover has totalled circa £313k for the first 5 months of the year. As part of the budget setting process a reserve has been established, it should be noted however that the resource available within this reserve is limited, and that in the first 5 months of the year £201k funding has been added to budgets.

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

FIGURE 2: Overall Income & Expenditure Position – Cumulative Performance



5.9. A more detailed analysis of financial position is provided in the following tables and supporting narrative.

Whittington Hospital

FIGURE 3a: Income & Expenditure Summary – Whittington Hospital

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	12,744	12,439	305	64,739	64,878	(139)	156,980	156,980
Non NHS Clinical Income	91	54	38	250	268	(17)	642	642
All Other Non Clinical Income	2,043	1,928	115	9,791	9,496	295	22,717	22,717
Total Income	**14,879**	**14,421**	**457**	**74,780**	**74,641**	**139**	**180,339**	**180,339**
Pay	10,588	10,618	29	53,349	53,729	379	128,814	128,814
Non Pay	3,671	3,667	(4)	17,637	17,917	280	43,039	43,039
Centrally Held Savings	-	(692)	(692)	-	(2,479)	(2,479)	(4,682)	(4,682)
Total Expenditure	**14,259**	**13,593**	**(667)**	**70,987**	**69,167**	**(1,820)**	**167,172**	**167,172**
EBITDA	**619**	**828**	**(209)**	**3,794**	**5,474**	**(1,680)**	**13,167**	**13,167**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	2	2	1	14	8	5	20	20
Less Interest Payable	221	223	2	1,107	1,114	7	2,677	2,677
Less Depreciation	689	695	6	3,452	3,465	13	8,457	8,457
Less PDC Dividend	234	252	18	1,173	1,262	89	3,030	3,030
Net Surplus / (Deficit)	**(522)**	**(340)**	**(182)**	**(1,924)**	**(359)**	**(1,565)**	**(977)**	**(977)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(476)	(294)	(182)	(1,693)	(128)	(1,565)	(422)	(422)

5.10. As previously noted, the key factor contributing to the year to date deficit position relates to the central targets which have yet to be allocated, and slippage on identified schemes. It should also be noted that while in overall terms the pay and non pay lines show an under spending position for the year to date, there are some significant areas of over spend. As with last month the most significant areas being the Emergency Department and the Medical Wards, which are showing over spends of £14k in month (£206k year to date), and £33k in month (£221k year to date) respectively. The key issues are summarised as follows:

- Additional use of bank staff to cover microfilming and reception duties.
- Twilight shifts agreed for registrars in June which continued through until the end of August.
- Nursing over spend, which is largely due to use of additional agency and bank staff to cover vacancies and sickness.

5.11. Pharmacy is also over spent in month by £55k due to inpatient, outpatient and ward drugs expenditure increasing.

5.12. Finally it should be noted that the year to date position has been supported by under spending budgets. A reduction in levels of under spends in month has also contributed towards the in month position.

Islington Community Services

FIGURE 3b: Income & Expenditure Summary – Islington Community Services

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	3,942	4,011	(69)	19,598	19,672	(75)	47,413	47,413
Non NHS Clinical Income	182	272	(90)	1,153	1,359	(206)	3,263	3,263
All Other Non Clinical Income	164	152	12	770	760	10	1,652	1,652
Total Income	**4,288**	**4,435**	**(146)**	**21,521**	**21,792**	**(271)**	**52,328**	**52,328**
Pay	3,181	3,293	112	15,737	16,285	548	39,201	39,201
Non Pay	742	847	105	4,959	4,951	(8)	11,902	11,902
Centrally Held Savings	-	-	-	-	-	-	-	0
Total Expenditure	**3,922**	**4,140**	**217**	**20,696**	**21,236**	**540**	**51,103**	**51,103**
EBITDA	**366**	**295**	**71**	**825**	**556**	**269**	**1,224**	**1,224**
Loss on Disposal of Assets	-	-	-	-	-	-	-	0
Plus Interest Receivable	-	-	-	-	-	-	-	0
Less Interest Payable	-	-	-	-	-	-	-	0
Less Depreciation	-	-	-	-	-	-	-	0
Less PDC Dividend	-	-	-	-	-	-	-	0
Net Surplus / (Deficit)	**366**	**295**	**71**	**825**	**556**	**269**	**1,224**	**1,224**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	366	295	71	825	556	269	1,224	**1,224**

5.13. Islington has a reported surplus at month 5 of £825k, which is £269k better than the planned position. The positive variance is fairly evenly split across Adults £120k, Children's £121k and Non Clinical Services £48k, with the remaining amount relating to non devolved income.

5.14. The adverse variance against the income plan in month 5 relates to the reallocation of budget to recognise in year CIP delivery.

5.15. The year to date under spend relates to a number of ongoing vacancies within Adult Therapy Services that have been partly offset by agency and non pay spend. In addition there are year to date positive variances reported against Substance Misuse, Smoking Cessation and Health Centre Admin that are non recurrent and which relate to vacancies that had occurred at the beginning of the year.

5.16. Although Children's Services are reporting a positive overall variance, there are some areas that are currently showing adverse variances. The CAMHS Service within Children's includes Simmons House for which income received is dependent on activity levels, activity levels have been below plan in the early part of the year and as a result Simmons House continues to report a deficit for the year to date (£149k). Activity levels have improved; and from the beginning of July the planned increase in the block contract from Camden PCT was confirmed. However there is still an issue at Simmons House with regard to the ability to achieve the income targets in full.

5.17. The remainder of CAMHS services has a reported adverse variance at month 5 of £79k which relates to underachievement against the income plan to month 5.

5.18. The remainder of Islington Children's Services is split into the following: Management Team - £79k positive variance, Nursing & Paediatric Services - £39k positive variance, Children & Young Peoples Integrated Care - £32k positive variance, Speech & Language Therapy - £72k positive variance, Children's Universal Health Services - £126k positive variance.

5.19. In order to achieve the 2011/12 CIP targets, it has been agreed that the surplus will be maintained, and treated as part of the CIP delivery for the year.

5.20. Excluding the under recovery of CAMHS income outlined above, income is in largely in line with the expected plans, with the majority of other contracts being either block arrangements or based on 100% cost recovery, e.g. Complex Child Care packages.

Haringey Community Services

FIGURE 3c: Income & Expenditure Summary – Haringey Community Services

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	2,372	2,377	(5)	12,094	12,073	22	28,975	28,975
Non NHS Clinical Income	152	170	(18)	791	901	(109)	2,042	2,042
All Other Non Clinical Income	86	58	28	325	316	9	721	721
Total Income	**2,610**	**2,605**	**5**	**13,211**	**13,289**	**(78)**	**31,738**	**31,738**
Pay	1,874	1,992	118	9,220	9,933	713	23,621	23,621
Non Pay	603	631	27	3,108	3,282	174	8,206	8,206
Centrally Held Savings	-	-	-	-	-	-	-	0
Total Expenditure	**2,478**	**2,623**	**145**	**12,328**	**13,215**	**887**	**31,826**	**31,826**
EBITDA	**133**	**(18)**	**150**	**883**	**74**	**809**	**(88)**	**(88)**
Loss on Disposal of Assets	-	-	-	-	-	-	-	0
Plus Interest Receivable	-	-	-	-	-	-	-	0
Less Interest Payable	-	-	-	-	-	-	-	0
Less Depreciation	-	-	-	-	-	-	-	0
Less PDC Dividend	-	-	-	-	-	-	-	0
Net Surplus / (Deficit)	**133**	**(18)**	**150**	**883**	**74**	**809**	**(88)**	**(88)**
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	133	(18)	150	883	74	809	(88)	**(88)**

5.21. Haringey has a reported surplus at month 5 of £883k, which is £809k better than the planned position. This is split between a £582k positive variance on Adult Clinical services and a £227k positive variance on Non Clinical/Overhead budgets.

5.22. There is a significant under spend against pay budgets of £671K. Of this £62k has been matched with corresponding reductions in income, for activity related contracts e.g. learning disability. The non clinical element of this value (£498k) has been given up as CIP on a non recurrent basis in this year.

Haringey Children's Services

FIGURE 3d: Income & Expenditure Summary – Haringey Children's Services

Description	Current Month			Year To Date			Annual Budget	Year End Forecast
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Budget £'000	Variance £'000	£'000	£'000
NHS Clinical Income	740	661	79	2,485	2,476	9	7,756	7,756
Non NHS Clinical Income	75	118	(43)	231	336	(105)	1,045	1,045
All Other Non Clinical Income	-	-	-	-	-	-	-	-
Total Income	**815**	**779**	**36**	**2,716**	**2,812**	**(96)**	**8,801**	**8,801**
Pay	759	724	(35)	2,450	2,565	115	8,026	8,026
Non Pay	44	24	(20)	158	139	(19)	434	434
Centrally Held Savings	-	-	-	-	-	-	-	0
Total Expenditure	**803**	**748**	**(55)**	**2,607**	**2,704**	**96**	**8,460**	**8,460**
EBITDA	**12**	**32**	**(19)**	**109**	**108**	**0**	**341**	**341**
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Plus Interest Receivable	-	-	-	-	-	-	-	-
Less Interest Payable	-	-	-	-	-	-	-	-
Less Depreciation	-	-	-	-	-	-	-	-
Less PDC Dividend	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	**12**	**32**	**(19)**	**109**	**108**	**0**	**341**	**341**
Net Surplus / (Deficit) before IFRS (relevant for break-even duty)	12	32	(19)	109	108	0	341	**341**

5.23. Haringey Children's services has a reported surplus at month 5 of £109k, which is in line with the planned position.

5.24. The current position reflects a number of vacancies within services that are currently being recruited to, in addition to staff returning from maternity leave. This will reduce the level of under spend against these areas, and will potentially add further pressure to the financial position.

6. Income Performance

6.1. NHS Clinical Income is reported based upon the latest coded activity (July 2011), together with an initial estimate for the August position. On this basis the in month position shows an over performance against plan of £310k. This reflects the consolidated position including Whittington Hospital, Islington and Haringey community services and Haringey children's services

6.2. The assessment of the August NHS clinical income position is based primarily on activity data which has yet to be fully coded, this early assessment indicates that clinical income will be broadly in line with plan, with an adverse variance of just £1k, which are included in the in month position.

6.3. The finance and activity schedule has now been agreed with the Trusts main commissioning agency - North Central London, and the updated activity profile is reflected in the year to date income position

6.4. The basis for the acute contract with NCL is based on a “cap” and a “floor” arrangement (the term “floor” is also referred to as “collar” i.e. “cap” and “collar” arrangement) which provides a baseline position of £140.75m, with an allowance for under and over performance to be recognised at 30% limited to a “floor” of £139m, and a “cap of £142.5m. Contracts with commissioners outside NCL are based on national Payments by Results guidance. Contracts for community services are largely based on block arrangements, with the exception of a limited number of service areas such as GUM and CAMHS (Simmons House) where activity based contracts are in place.

6.5. Figure 4 below shows income performance by patient type:

FIGURE 4: Income Performance by Patient Type

Point of Delivery	YTD SLA To M4	YTD Actual To M4	YTD Variance To M4	In Month Variance M4	M3 Late Data Added
Block Contract/Adjustments	2,445	2,350	(95)	(39)	254
Elective Inpatients	2,890	2,821	(69)	37	(9)
Non-Elective Inpatients	15,745	15,663	(83)	45	(27)
Excess Beddays	1,317	1,206	(112)	(29)	(8)
Day Cases	4,124	4,154	30	(9)	(62)
Outpatient Procedures	1,210	1,231	21	(4)	7
Outpatient 1st Attends	4,080	4,019	(61)	(28)	(39)
Outpatient Follow Ups	5,338	5,286	(51)	(29)	(44)
Adult Critical Care	3,821	3,686	(135)	(96)	(38)
Paediatrics High Dependency	150	137	(13)	(9)	0
NICU High Dependancy Beddays	476	469	(7)	(5)	4
NICU Intensive Care Beddays	264	224	(40)	(12)	(2)
NICU Special Care Beddays	1,376	1,522	146	46	8
ED Attendances	2,988	3,010	22	0	(20)
Direct Access	3,199	3,244	45	26	0
Maternity Ultrasound	440	459	19	6	0
Other Activity	1,382	1,334	(48)	(13)	1
Grand Total	**51,246**	**50,815**	**(430)**	**(113)**	**25**

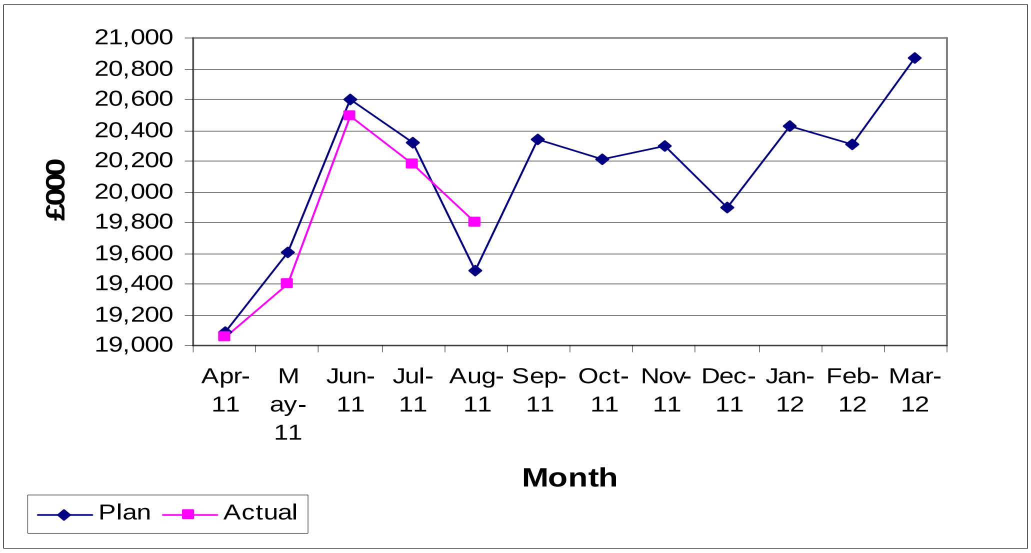
6.6. The year to date variance to Month 4 is shown net of the marginal tariff adjustment for non elective activity. In terms of the position reported to date, the NCL position is broadly in line with planned levels of activity and income.

6.7. Key points to note from the analysis of income (year to date variance to Month 4) are summarised as follows:

- The main areas of over performance relate to NICU special care (£146k).
- The main areas where income is below the planned level include Adult Critical Care (£135k) and excess beddays (£112k).

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

FIGURE 5: Performance Against Internal Clinical Income Plan – In Month



6.9. The total value of all other non clinical income highlighted in Figure 1 is £2,294k in month 5 and £10,886k cumulatively. This is further illustrated in the following figure:

FIGURE 6: 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)	733	733	0	3,665	3,665	0	8,796
Medical & Dental Education Levy MADEL)	448	449	(2)	2,245	2,247	(2)	5,393
Non Medical Education & Training NMET)	121	122	(1)	601	602	(1)	1,609
Income from Service Level Agreements	327	328	(1)	1,702	1,639	64	3,844
Excellence Award Income	55	56	(1)	276	282	(5)	676
Income Generation e.g. car park, accommodation, canteen	82	104	(22)	394	481	(87)	1,208
Research & Development	65	46	19	292	232	60	557
Other	463	300	164	1,711	1,425	286	3,006
Total	**2,294**	**2,138**	**155**	**10,886**	**10,572**	**314**	**25,090**

7. Expenditure Performance

7.1. Overall performance against the expenditure budget shows an over spend in month of £359k and a cumulative over spend of £296k.

Pay Expenditure

7.2. The in month position shows an under spend of £224k and a cumulative under spend position of £1,756k for the year to date. The in month position is further illustrated in the following figure:

FIGURE 7: Summary Analysis of Month 5 Pay Expenditure

Description	Current Month							Annual Budget £'000
	Budget £000	Permanent £000	Bank £000	Locum £000	Agency £000	Total £000	Under / (Over) Spend £000	
Whittington								
Medical	2,876	2,548	70	149	42	**2,810**	66	33,778
Dental	0	0	0	0	0	**0**	0	0
Nursing	4,027	3,492	335	0	184	**4,010**	17	48,692
Scientific, Therapeutic & Tech.	1,374	1,233	50	0	27	**1,310**	64	16,431
Admin. & Clerical	1,377	1,128	164	0	26	**1,318**	60	16,439
Other	963	945	85	0	111	**1,140**	(177)	13,475
Subtotal	**10,618**	**9,347**	**703**	**149**	**390**	**10,588**	**29**	**128,814**
Islington								
Medical	251	144	0	10	63	**216**	34	3,008
Dental	111	110	0	0	5	**115**	(5)	1,331
Nursing	1,256	1,041	74	0	119	**1,234**	22	14,497
Scientific, Therapeutic & Tech.	1,204	875	6	0	23	**904**	300	14,225
Admin. & Clerical	355	295	62	0	15	**372**	(17)	4,495
Other	116	339	0	0	0	**339**	(223)	1,646
Subtotal	**3,293**	**2,803**	**142**	**10**	**226**	**3,181**	**112**	**39,201**
Haringey								
Medical	67	52	0	22	26	**100**	(34)	1,147
Dental	63	52	2	0	0	**54**	9	753
Nursing	768	492	114	0	6	**612**	155	8,603
Scientific, Therapeutic & Tech.	737	526	23	0	84	**633**	105	8,182
Admin. & Clerical	327	300	117	0	0	**417**	(90)	4,023
Other	31	58	0	0	0	**58**	(27)	912
Subtotal	**1,992**	**1,482**	**256**	**22**	**116**	**1,874**	**118**	**23,621**
Haringey Children's								
Medical	26	93	0	(10)	0	82	(56)	876
Dental	0	(0)	0	0	0	(0)	0	(0)
Nursing	344	324	5	0	30	359	(15)	3,644
Scientific, Therapeutic & Tech.	270	175	5	0	15	195	74	2,355
Admin. & Clerical	89	81	5	0	0	85	4	876
Other	(5)	38	(1)	0	0	38	(42)	275
Subtotal	**724**	**710**	**14**	**(10)**	**45**	**759**	**(35)**	**8,026**
Total								
Medical	3,219	2,837	70	170	132	**3,209**	10	38,809
Dental	174	162	2	0	5	**169**	4	2,084
Nursing	6,395	5,349	527	0	339	**6,215**	180	75,435
Scientific, Therapeutic & Tech.	3,585	2,809	85	0	150	**3,043**	542	41,193
Admin. & Clerical	2,149	1,804	348	0	40	**2,192**	(43)	25,833
Other	1,105	1,379	84	0	111	**1,574**	(469)	16,308
Total	**16,626**	**14,341**	**1,115**	**170**	**777**	**16,403**	**224**	**199,663**

7.3. The key over spending areas on staffing highlighted in the figure above largely relate to other staff expenditure, this is largely due to adjustments to reallocate cumulative CIP adjustments against the centrally held savings target.

Non Pay Expenditure

7.4. The overall non pay position shows an under spend of £109k (£426k cumulative), which is further illustrated in the following figure:

FIGURE 8: Summary Analysis of Month 5 Non Pay Expenditure

Description	Annual Budget £'000	Current Month Actual £'000	Current Month Budget £'000	Current Month Under / (Over) Spend £'000	Cumulative Position Actual £'000	Cumulative Position Budget £'000	Cumulative Position Under / (Over) Spend £'000
Whittington							
Clinical supplies & services	23,453	2,188	1,985	(203)	10,493	9,815	(678)
Supplies & services – general	2,553	192	214	22	964	1,066	102
Establishment expenses	1,285	130	107	(23)	558	536	(22)
Premises & fixed costs	5,885	550	509	(41)	2,329	2,454	125
Other expenditure	9,863	611	852	241	3,293	4,047	754
Subtotal	**43,039**	**3,671**	**3,667**	**(4)**	**17,637**	**17,917**	**280**
Islington							
Clinical supplies & services	4,527	386	378	(9)	1,949	1,886	(63)
Supplies & services – general	4,587	215	214	(1)	1,885	1,908	23
Establishment expenses	403	(3)	35	38	83	166	83
Premises & fixed costs	272	29	23	(6)	133	113	(20)
Other expenditure	2,114	114	197	84	908	878	(30)
Subtotal	**11,902**	**742**	**847**	**105**	**4,959**	**4,951**	**(8)**
Haringey							
Clinical supplies & services	2,581	211	215	5	1,057	1,076	19
Supplies & services – general	3,803	389	362	(28)	1,471	1,596	125
Establishment expenses	490	39	49	10	224	204	(20)
Premises & fixed costs	222	31	18	(12)	108	93	(16)
Other expenditure	1,109	(66)	(14)	53	248	314	66
Subtotal	**8,206**	**603**	**631**	**27**	**3,108**	**3,282**	**174**
Haringey Children's							
Clinical supplies & services	11	3	(0)	(4)	7	4	(4)
Supplies & services – general	0	0	0	0	0	0	(0)
Establishment expenses	181	28	18	(10)	69	58	(11)
Premises & fixed costs	115	16	12	(3)	39	37	(2)
Other expenditure	127	(3)	(6)	(3)	42	41	(2)
Subtotal	**434**	**44**	**24**	**(20)**	**158**	**139**	**(19)**
Total							
Clinical supplies & services	30,573	2,788	2,577	(210)	13,506	12,780	(726)
Supplies & services – general	10,943	797	790	(7)	4,320	4,570	249
Establishment expenses	2,358	194	209	15	934	963	30
Premises & fixed costs	6,494	626	563	(63)	2,609	2,696	86
Other expenditure	13,213	655	1,030	374	4,492	5,280	788
Total	**63,581**	**5,060**	**5,169**	**109**	**25,862**	**26,288**	**426**

7.5. The key over spending areas on non staffing highlighted in the figure above are summarised as follows.

– Clinical Supplies & Services (£210k): This relates to a continued increase in the level of expenditure, and in particular relating to over spends on drugs, MSSE and other clinical expenditure.

8. Cost Improvement Programme (CIP)

8.1. Following an exercise which commenced in Month 4 to reallocate savings allocated within budgets against the centrally held savings target, the total balance of CIP to be identified has reduced from £6,978k to £4,682k.

8.2. The table below reports on progress made with implementation of the savings identified to date. Over the past month, a review of the budgetary position has been undertaken, and savings which are being delivered through the holding under-spends against budgets have now been recognised as contributing towards the CIP. As a result, the "unidentified CIP" requirement has been reduced to £242k. As details at individual budget level become available, the centrally held savings target of £4,682k will be reduced to the latest estimate for residual unidentified savings, the total of which at the time of writing this report was £1,400k (It should also be noted that the £1.4m forecast shortfall has now reduced still further to £0.8m), which consists of the residual £242k unidentified CIP, with the remaining balance relating to slippage against existing schemes. It is expected that this will be met through the review of vacancies and temporary staffing.

8.3. The majority of savings identified are being delivered according to plan; the overall achievement rate is 96%.

8.4. The profiling of the target, however, reflects the fact that many of the planned savings will not deliver cost reductions until the second half of the year. Overall, taking account of this phasing, and of the remaining unidentified CIP target, year to date we have achieved 34% of the full £19.6 million cost improvements required to achieve the financial target at year-end.

FIGURE 9: CIP Monthly Performance

Division	Full Year Target £'000	Target to Month 5 £'000	Proportion of annual target planned to date %	Actual saving delivered to date £'000	Proportion of profiled target delivered %	Proportion of annual target delivered to date %
Integrated Care & Acute Medicine	4,787	1,819	38%	1,784	98%	37%
Surgery & Diagnostics	3,127	885	28%	738	83%	24%
Women Children & Families	1,190	474	40%	555	117%	47%
Estates, Facilities & Corporate	785	287	37%	334	116%	43%
Community Savings (identified before April)	4,400	1,833	42%	1,833	100%	42%
Other savings / benefits	976	407	42%	407	100%	42%
Total Identified CIPs	**19,358**	**6,820**	**35%**	**6,666**	**98%**	**34%**
Unidentified CIPs	242	101	42%	0	0	0
TOTAL	**19,600**	**6,921**	**35%**	**6,666**	**96%**	**34%**

Under-delivering savings schemes

8.5. The reasons for reported under-achievement include:

- Original assumptions behind some savings proposals have been found, on more investigation, to be invalid;
- Delays in implementation of projects, for a variety of reasons, some due to external factors, some due to management capacity constraints during a period of major reorganisation;
- Some proposed savings were referred back by senior managers for additional work, and have in some cases become part of a more wide ranging review of the service, which has inevitably taken longer to implement;
- Activity levels in some areas have prevented cost reductions from being achieved.
- Continued reliance on high cost agency staff in specific service areas, though this is currently being reviewed urgently.

Forecast

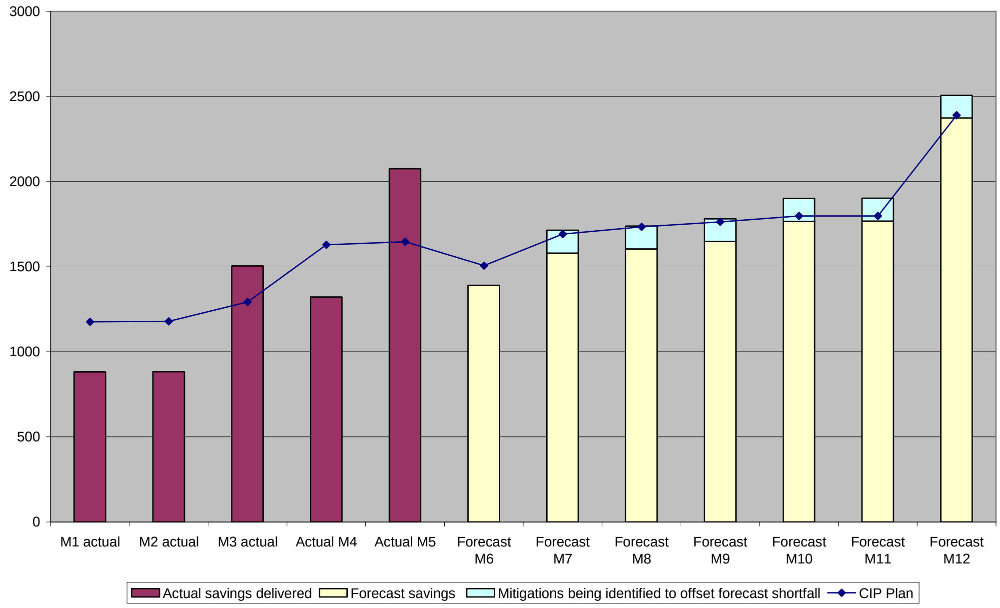
8.6. Over the past month a review of the risks associated with delivering each project in full has taken place. Projects have been assessed as "green" (no risk of under-achievement), "amber" (some risk of under-achievement) or "red" (definite risk of under-achievement). In each case, a "most likely" forecast has been produced (although in the case of projects which have yet to be implemented, there are a range of possible scenarios around this figure.

8.7. The risk-rating and forecasts are set out in the table on the next page, summarised by Division / Directorate. At the time of writing, the potential shortfall against the £19.6 million target is £1,400k which has since reduced further to £800k.

8.8. A programme of mitigating actions is being drawn up, to offset the potential for under-delivery against the CIP targets. These mitigations focus on headcount reductions to be achieved through rigorous management of vacant posts and temporary staffing cover. Any such savings found in this way need to be considered as recurrent savings in order to help manage the future savings programme.

8.9. The month-by-month forecast savings required are presented in the graph below, which shows how the mitigations in the final quarter of the year are planned to offset the slippage in the earlier months.

FIGURE 10: CIP Performance to Date / Forecast



8.10. In order to deliver the CIP programme, which will under pin the Trusts ability to achieve the planned financial position, the following actions will be necessary:

- The identification of schemes to bridge the current gap (£0.8m), this is being managed through reductions in the number of vacant posts recruited to, and through reduced usage of temporary staffing and agency.
- Close monitoring of delivery against schemes, and particularly those identified as being high risk.
- The ongoing consideration and development of mitigating / corrective action to address any shortfalls in delivery against current CIP schemes.
- Detailed project plans with accountable leads.
- Confirmation by lead directors that the schemes identified are feasible and realistic in all respects.
- Agreed phasing of actions and savings to be agreed, to enable monitoring to take place.

9. Cash and Balance Sheet / Statement of Financial Position

9.1. The cash balance at the end of July was £11,269k. This position reflects a higher than expected balance, largely due to the receipt of cash payments in advance, and lower than expected outgoings. This position reflects a snapshot as at the end of August, and is not representative of expected cash balances looking forward. Maintaining positive cash balances over the course of the year will depend on the delivery of the cost improvement programmes which underpin the financial plan.

9.2. Good cash management will be essential in 2011/12, with a focus on the following.

- Prompt collection of cash from PCTs
- Use of leasing as a mechanism for purchasing capital equipment where possible, to spread the cash outflow over a number of years
- Regular cash flow forecasts based upon estimated income and expenditure and non-cash items

9.3. The year end forecast cash position is £5,585k, which reflects the opening balance together with the planned surplus position and other benefits arising from working capital balances and the profile of commitments during the year. As with the income and expenditure position, the achievement of this forecast position is dependent on the delivery of cost improvements, and effective cost control and income recovery during the year. Achievement of the External Financing Limit (EFL) would require a year end cash balance that is not less than the opening value.

9.4. The balance sheet is summarised below, showing the opening position for April 2011, the position as at the 31st August, and the year end forecast position.

FIGURE 11: Balance Sheet / Statement of Financial Position

Description	As at 1st April 2011 £'000	As at 31st August 2011 £'000	2011/12 Year-end Forecast £'000
Property, plant and equipment	132,685	130,232	132,605
Intangible assets	1,008	879	698
Trade and other receivables	2,800	2,851	3,030
Non-current assets	**136,493**	**133,962**	**136,333**
Inventories	1,064	1,039	1,039
Trade and other receivables	6,966	14,439	8,823
Cash and cash equivalents	3,199	11,269	5,585
Current assets	**11,229**	**26,747**	**15,447**
Trade and other payables	17,028	31,247	24,668
Borrowings	1,477	1,477	1,477
Provisions	3,633	3,369	1,648
Current liabilities	**22,137**	**36,093**	**27,792**
Borrowings	38,101	37,404	36,169
Provisions	1,937	1,772	1,772
Non-current liabilities	**40,038**	**39,176**	**37,941**
Total assets employed	**85,548**	**85,440**	**86,047**
Public dividend capital	48,206	48,206	48,206
Retained earnings	8,858	9,938	10,574
Revaluation reserve	27,315	27,295	27,267
Donated asset reserve	1,168	0	0
Total taxpayers' equity	**85,548**	**85,440**	**86,047**

10. Payment of Creditors

10.1. 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.

10.2. The Trust's performance, which is measured both in terms of volume and value, is illustrated below, a comparison to the performance in the previous year shows that there has been significant improvements in each of the areas.

FIGURE 12: 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	2,522	23,465	6,171	20,277
Total paid within target	2,347	20,633	5,776	17,685
Percentage paid within target	93%	88%	94%	87%
2010/11 Performance				
Total bills paid	5,816	49,858	13,447	48,604
Total paid within target	5,368	42,397	12,065	41,923
Percentage paid within target	92%	85%	90%	86%

11. 2011/12 Forecast and Risks

11.1. The year to date position shows a deficit of £108k (IFRS basis), which is £487k 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 is set out as follows:

Worst Case Position

11.2. The key risks which are characterised within the worst case position include:

- Under achievement against the CIP programme.
- Under achievement against activity and income targets; and
- Additional cost pressures beyond those considered as part of the budget setting exercise.

Likely Case

11.3. The likely case forms the basis of the current forecast included within the report, and assumes that a surplus of £500k to be made which increases to £1,055k after excluding the effect of IFRS. It is important to emphasise that the continued viability of the likely case is dependent on the mitigation of the worst case scenarios i.e.

- Identification of CIPs in full
- Income levels maintained to plan.
- Strong budgetary control and avoidance of further cost pressures.

11.4. Given that the current year to date position is £487k worse than plan, then the forecast position will be closely monitored over the coming months, and if the risks outlined above are not mitigated, it may be necessary to adjust the forecast downwards in line with the residual risk.

Best Case

11.5. The best case scenario assumes the delivery of the planned position, together with delivery over plan on CIP of 5% (£980k). This would provide for a best case surplus position of £1,480k, which equates to £2,035k after excluding the effect of IFRS.

11.6. To achieve the best case scenario it would be necessary for:

- Identification of CIPs in full, together with an over achievement of 5%.
- Income and expenditure to be otherwise maintained in line with the planned position for the remainder of the year.

11.7. A risk based value has been calculated for each, and is summarised as follows:

FIGURE 13: Risk Assessed Forecast Outturn Position

Detail	Worst £000	Likely £000	Best £000
Income	271,783	272,658	272,658
Operating Expenditure	260,184	258,013	257,034
EBITDA	11,599	14,645	15,624
Non Operating Items	14,144	14,144	14,144
Net Surplus / (Deficit)	(2,545)	500	1,480
Net Surplus / (Deficit) excluding PFI IFRS (relevant for break-even duty)	(1,990)	1,055	2,035

11.8. The forecast positions outlined are consistent with the latest FIMs return to the SHA, and show an unmitigated worst case position of £2,545k, which equates to £1,990k after excluding the effect of IFRS.

11.9. As outlined above, at this stage the Trust forecast position is based on the most likely position outlined i.e. that the Trust complete the year broadly in line with the planned position. This will continue to be monitored alongside performance against key risks as outlined above.

11.10. A summary of key risks which remain and which need to be managed during the course of the year are described below:

- Activity exceeds the agreed cap with NCL commissioners, incurring additional costs with no additional income through activity, although expected levels of cost have been reflected in the forecast.
- Increased non-achievement of CIP targets – the forecast implicitly assumes the current expenditure CIP achievement percentage remaining constant for the remainder of the year, but there is a risk of further non-achievement.
- Legal costs are higher than anticipated.
- Cost pressures materialise that were not anticipated in budget-setting.
- Data is not input onto PAS and other information systems in a timely way.
- Recruitment problems and increased use of Agency staff.
- Further upward trends in expenditure forecasts.
- Further restructuring proposals which generate severance costs are covered by the in year savings due to the central reserve being exhausted.

Mitigations

11.11. Delivery of the Trust CIP target of £19.6m: The Trust has identified schemes which will deliver the full value of the CIP programme. The Trust has established a strong governance process, the focal point of which is the CIP Board which reviews the CIP programme on a weekly basis, assessing savings on a scheme by scheme basis, agreeing RAG rated assessments of each. Where slippage is identified the CIP Board has agreed specific and measurable actions, to bring the position back into line. As a process this involves specific targets to reduce headcount / agency usage on a department by department basis. Progress is monitored on a weekly basis and individual managers held to account. As outlined above, the Trust position assumes that the total CIP will be delivered in full, and that where slippage occurs – specific and timely remedial action will be taken to bring the position back into line.

11.12. Underachievement against activity and income targets: The trust income is broadly in line with the planned position, and where income has fallen below plan, this has largely been matched by equivalent reductions in expenditure. This is particularly prevalent within community services and specifically in respect of cost per case services. The Trust has a "cap and collar" arrangement in place with NCL – the main commissioner, which limits the extent to which under performance translates into lost income to 30%, which provides mitigation against material income loss. The drive within the sector to improve productivity and to move to upper quartile against a number of measures means the Trust is more aware and proactive in the management of activity, and any real / material reduction of activity will be managed in part through the flexing of variable and semi fixed costs. As a further mitigation the trust would also seek to utilise spare capacity through negotiations with commissioners. In summary, the risk of material income loss to the overall position in 2011/12 in considered to be low. It should also be noted that performance is traditionally stronger in the latter half of the year, and that the current position is only based on 4 months fully coded activity.

11.13. Additional cost pressures: In the same way that the trust would manage slippage on cost improvements, remedial action would be taken to mitigate the effect of additional and unexpected cost pressures. The Trust has taken an extremely robust position in terms of cost pressures, with executive agreement required for discretionary initiatives. In summary, the risk of cost pressures to the overall position in 2011/12 is not considered at this stage to be significant. It should be noted however, that the trust has received a revised contribution schedule from NHSLA for the ICO, which reflects and increase of around £600k more than planned. This is being challenged, and it is not considered that this accurately reflects what we should be paying, this will be reported to the Board, but is not included in the position at this stage. As outlined above the Trust is acting proactively in reducing headcount, and agency usage, and on this basis it is anticipated that the trust would be in a position to mitigate the impact of this potential cost pressure.

11.14. In summary for the worst case to come to fruition, there would have to be; unmitigated slippage against CIP schemes, with actions as illustrated above not affecting the position; additional cost pressures – with mitigating actions as described not having the required impact; and i) no recovery on the current position; and ii) further unmitigated deterioration in the income position,