

REPORT TO THE TRUST BOARD - PUBLIC
23 FEBRUARY 2017

Title	Finance Report Month 10
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Purpose of the Report:

This paper highlights financial performance to 31st January 2017 and projections to 31st March 2017.

Summary of Key Issues:

Summary of Performance
<ul style="list-style-type: none"> • Operating surplus (EBITDA) to end of January 2017 of £15,067k (5.3%) compared to revised plan of £21,924k (7.6%). • Risk rating of “2” to the end of January 2017. • Net surplus of £2,900k (1.0%) compared to planned net surplus of £9,729k (3.4%). • Year to-date adverse net surplus variance of £6,829k. • Cash balance of £55.7m as at the end of January 2017. • Performance on target against recovery plan submitted to NHS Improvement.

Strategic priorities this paper supports

Improving service user satisfaction	<input checked="" type="checkbox"/>	Delivering financial balance aids improving service user satisfaction
Improving staff satisfaction	<input checked="" type="checkbox"/>	Delivering financial balance aids improving staff satisfaction
Maintaining financial viability	<input checked="" type="checkbox"/>	This is a key requirement to ensure that the Trust is not in breach of its Foundation Trust provider licence.

Committees/Meetings where this item has been considered:

Date	Committee/Meeting

Implications:

Equality Analysis	This report has no direct impact on equalities.
Risk and Assurance	The position as at the end of January 2017 indicates a rating of “2” under Monitor’s Risk Assessment Framework.
Service User/Carer/Staff	This report has no direct impact Service User/Carer/Staff.
Financial	As stated in the report.
Quality	There is no immediate impact on the Quality of services as a consequence of this report.

1 Purpose of Report

1.1 This paper highlights financial performance to 31st January 2017 and projections to 31st March 2017.

2 Executive Summary

2.1 Key conclusions are:

- Operating surplus (EBITDA) to end of January 2017 of £15,067k (5.3%) compared to revised plan of £21,924k (7.6%).
- Risk rating of “2” to the end of January 2017.
- Net surplus of £2,900k (1.0%) compared to planned net surplus of £9,729k (3.4%).
- Year to-date adverse net surplus variance of £6,829k.
- Cash balance of £55.7m as at the end of January 2017.
- Performance on target against recovery plan submitted to NHS Improvement.

2.2 The contractual income detailed in this report is based on signed contracts for 2016/17.

2.3 Summary of the financial performance as at the end of Month 10 is shown in the table below:

3 Summary of Performance to 31st January 2017

3.1 The financial performance is summarised in the table below:

	Jan-17			Annual Budget £000	Dec-16 Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
Operating Income	287,996	284,810	(3,186)	345,930	(3,125)	(61)
Operating Spend	266,072	269,743	(3,671)	319,565	(3,353)	(318)
Operating Surplus (EBITDA)	21,924	15,067	(6,857)	26,365	(6,478)	(379)
Interest Receivable	69	97	28	83	29	(1)
Interest Payable	(1,838)	(1,838)	0	2,206	0	0
Depreciation	(5,412)	(5,411)	0	6,494	0	0
Public Dividend Capital	(5,014)	(5,015)	(1)	6,017	(1)	(0)
Net Surplus / (Deficit)	9,729	2,900	(6,829)	11,731	(6,449)	(380)

3.2 The delivery of the plan is predicated upon achieving the requirements of the Trusts Cash Releasing Efficiency Saving (CRES) plans which are detailed in the table below:

CRES Target for 16/17		YTD Plan	YTD Actual	YTD Variance
Directorate	£000	£000	£000	£000
C&H	700	502	371	-131
Corporate	1,022	463	356	-107
Estates	550	513	458	-55
Forensic	785	892	322	-570
Luton & Beds	2,173	1,761	1,635	-126
MHCOP	2,164	1,817	849	-968
MHCOP-CHN	1,835	1,558	660	-898
Newham	1,008	1,159	979	-180
Specialist CHN	315	201	201	0
Specialist Services	667	450	436	-14
TH	1,706	1,265	1,265	0
QIPP	315			0
Total	13,240	10,581	7,532	-3,049

- 3.3 The plan assumes £8.2m CRES for 2016/17 plus and £4.4m for plans met non-recurrently in 2015/16. There is an additional £0.7m included for specific QIPP and local authority requirements.
- 3.4 CRES delivery is being discussed during monthly performance meetings with Directorate Management Teams.
- 3.5 The plan will be updated periodically to reflect any changes.
- 3.6 CRES delivery is reported as being £3,049k behind plan at 31st January with the most significant variances from plan being in MHCOP and MHCOP-CHN where mitigations are being identified to ensure shortfalls do not impact on the 2017/18 position. The other significant variance is in Forensic, where it has not been possible to take forward plans to expand beds for out of area patients. However, a business case has been submitted to NHS England which would address the shortfall on a recurrent basis if approved.

4 Key Highlights of Performance to 31st January 2017

4.1 Operating Income

The income position at month 10 is in behind plan by £3,186k.

The revised plan assumes receipt of non-recurrent Sustainability and Transformation (STF) funding totalling £2,480k. Guidance issued on 7 July sets out criteria for payment of STF funding, one of which is delivery of the original plan in each quarter. As the Trust is currently reporting an adverse variance against the original plan, receipt of this

funding has been excluded from the position. The year to date impact is £2,023k

Delivery of out of area and income from spot purchases continues to be below plan, specifically in Tower Hamlets (£879k year to date), City & Hackney (£491k) and Luton & Bedfordshire (£284k). This is partly offset by better than planned recovery of overseas patient income and general non-contract activity (£797k).

The Month 10 position reflects £175k that local CCGs have withheld against slippage on service developments. However, this generates offsetting benefits against expenditure budgets.

Table 1: Summary of Income to 31st January 2017

	Budget £000	Jan-17 Actual £000	Variance £000	Annual Budget £000	Dec-16 Variance £000	Change +/- £000
<u>CCG Income</u>						
Local CCGs	140,246	140,071	(175)	168,613	(221)	46
Other CCG Contracts	70,001	70,001	(0)	84,001	(0)	0
Associate CCGs	492	634	142	590	152	(10)
Sub total	210,738	210,705	(33)	253,203	(69)	36
<u>Cost and Volume Income</u>						
Overseas Income	1,435	1,940	505	1,722	455	51
OATs Income	6,901	5,040	(1,861)	8,282	(1,753)	(109)
Sub total	8,336	6,980	(1,356)	10,004	(1,298)	(58)
<u>NHS England</u>						
Forensic Medium and Low Secure	24,952	24,952	0	29,943	0	0
Learning Disabilities	3,540	3,540	0	4,248	0	0
Perinatal	2,302	2,302	0	2,763	0	0
Personality Disorder	2,971	2,971	0	3,565	0	0
Coborn / Tier IV	3,805	3,805	0	4,566	0	0
QIPP & Repatriation	(144)	(154)	(10)	(172)	(9)	(1)
CHN	9,664	9,664	0	11,597	0	0
Sub total	47,091	47,081	(10)	56,508	(9)	(1)
<u>SLA Income</u>						
Services to other Trusts	1,004	1,002	(2)	1,205	(0)	(2)
<u>Workforce Allocation</u>						
SIFT/MADEL/NMET R&D etc	7,980	7,949	(31)	9,577	(28)	(3)
<u>Other Income</u>						
CAMHS	439	353	(86)	527	(78)	(9)
Drug Services (Local Area)	3,348	3,435	86	4,254	0	86
Other	9,059	7,306	(1,753)	10,652	(1,643)	(110)
Sub total	12,846	11,093	(1,753)	15,433	(1,721)	(33)
EBITDA Income	287,996	284,810	(3,186)	345,930	(3,125)	(61)

4.2 Operating Expenditure

There is an overall adverse variance of £3,671k at the end of January 2017.

- 4.3 The key overspends are in MHCOP-CHN (total £1,539k), Corporate (£709k) and MHCOP (£805k). Luton and Bedfordshire Services are also significantly behind plan.

In the case of MHCOP and MHCOP-CHN, overspends relate to continued expenditure on agency staff above the overall pay budget, and to combined CRES slippage of £1,866k at the end of month 10.

Corporate Service continues to incur higher than budgeted levels of legal fees and have reported CRES slippage of £107k at month 10. The Executive Team are continuing to limit expenditure on temporary staffing costs, and there was an overall improvement in the Corporate position in Month 10 itself.

- 4.4 Both in-year and recurrent mitigations for CRES shortfalls continue to be sought, with the particular aim of reducing the impact into 2017/18.

- 4.5 The Trust is taking forward a different method of managing agency bookings and reducing expenditure which should generate VAT savings on agency expenditure for some staff groups. The system went live for Medical Staffing on 12th December and new bookings are being placed through the new system. The Trust is working with our Liaison to increase the number of bookings made via the system.

- 4.6 Directorates had been tasked to produce individual recovery plans by the end of October to ensure, as a minimum, delivery of the recovery plan the Trust has submitted to NHS Improvement. These plans are under continuous review and have the potential to continue to deliver the £4.5m revised surplus. Directorates will need to continue to work to deliver their recovery plans in the last few weeks of 2016/17 and into 2018/19.

- 4.7 The Trust has had conversations with NHSI regarding the sustainability of some of its services given the financial challenge. Due to recruitment difficulties nationally the Bedfordshire IAPT and District Nursing Service in Newham are flagged as unsustainable in their current form. As such these services are being discussed with commissioners during contract negotiations.

- 4.8 Table 2 shows the breakdown of the operating expenditure performance against budget to end of January 2017.

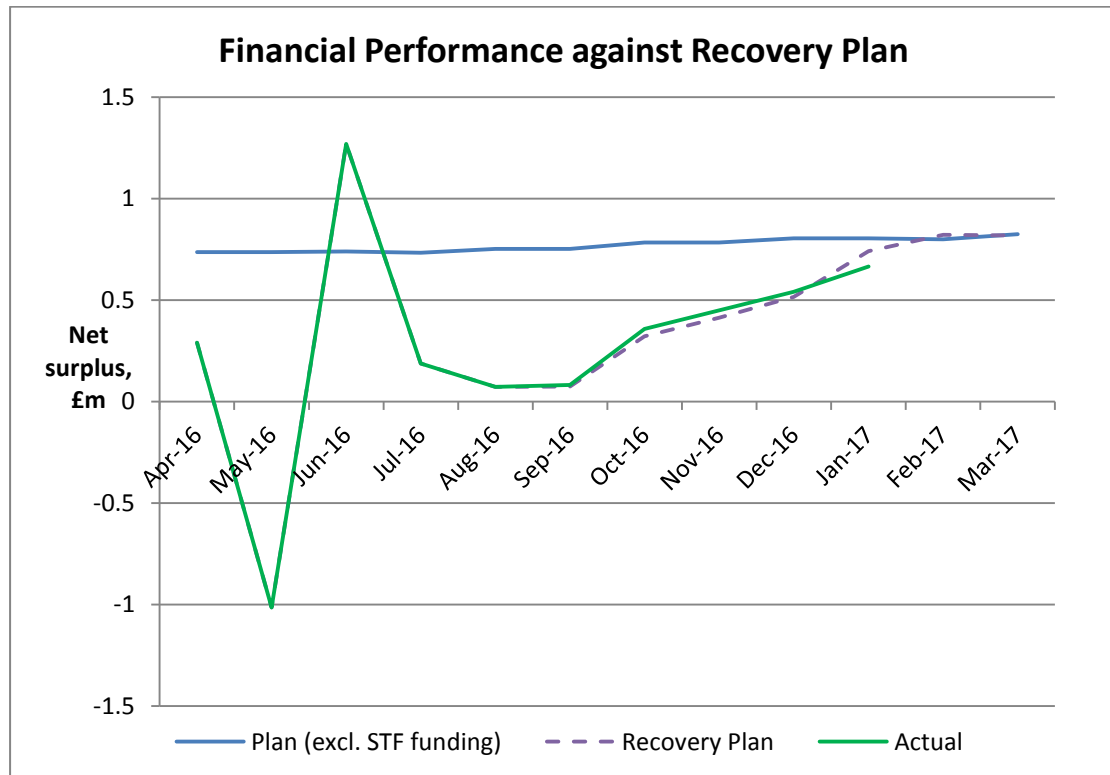
Table 2: Summary of Expenditure to 31st January 2017

	Jan-17			Annual Budget £000	Dec-16 Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
<u>Clinical Directorates</u>						
Tower Hamlets	21,052	21,011	41	25,257	82	(41)
Newham	20,640	20,696	(56)	24,771	2	(58)
City & Hackney	23,314	23,530	(216)	28,193	(214)	(1)
MH Care of Older People	10,724	11,528	(805)	12,722	(630)	(174)
MH Care of Older People - CHN	18,252	19,791	(1,539)	21,932	(1,383)	(156)
Specialist Services - CHN	16,174	15,224	950	19,261	926	24
Specialist Services	33,068	33,355	(287)	39,893	(169)	(118)
Forensics Services	23,329	23,594	(265)	28,001	(216)	(50)
Luton	15,259	15,701	(442)	18,432	(362)	(80)
Bedfordshire	27,549	28,122	(573)	33,064	(417)	(156)
Sub total	209,360	212,551	(3,191)	251,525	(2,382)	(809)
NHS Services Agreements	65	36	29	78	31	(2)
Services Received & Provided	(0)	0	(0)	0	(0)	0
<u>Central Support Services</u>						
Board / Members Council	2,055	3,162	(1,107)	2,467	(1,109)	2
Corporate Affairs	3,514	3,295	219	4,217	118	101
Performance	6,330	6,681	(351)	7,596	(322)	(29)
Social Inclusion	451	493	(42)	542	(31)	(11)
APMS	0	0	0	0	0	0
Finance	2,800	2,653	147	3,361	174	(27)
Human Resources	2,970	2,681	289	3,587	168	121
Central Medical/Pharmacy	4,805	4,520	285	5,767	262	22
Central Nursing/MHS Admin	2,621	2,769	(148)	3,135	(137)	(11)
NMET	1,775	1,599	176	2,166	158	17
R&D	748	717	31	973	(2)	33
Corporate Vacancy CRES	(208)	0	(208)	(250)	(188)	(21)
Estates & Facilities	27,083	27,102	(19)	32,442	12	(31)
Sub total	54,943	55,672	(728)	66,003	(895)	167
<u>Reserves</u>						
Complex Care	297	0	297	356	267	30
Pay/non pay reserve	1,407	1,485	(78)	1,604	(374)	296
Sub total	1,704	1,485	219	1,960	(107)	326
EBITDA Spend	266,072	269,743	(3,671)	319,566	(3,353)	(318)

5 Forecast to March 2017

- 5.1 The Trust's control total for 2016/17 has been increased to £11,731k as required by NHS Improvement. This report is consistent with the new control total. The plan is based on achieving a rating of "4" under the Risk Assessment Framework by March 2017.
- 5.2 The Trust will not meet its control total for 2016/17, and submitted a recovery plan to NHS Improvement on 23rd September indicating that it would achieve a surplus of £4,505k in 2016/17 against a plan of £11,731k. This would produce a risk rating of "2".

- 5.3 The recovery plan assumes that by March 2017, the monthly run-rate would be sufficient to deliver a surplus of £11,731k in 2017/18.
- 5.4 The financial position in Month 10 itself is slightly below the recovery plan, although the YTD position is in line with the recovery plan since results in previous months slightly exceeded the recovery plan.



6 Conclusions

- 6.1 Financial performance at month 10 is adverse against plan (£6,829k variance). Continuing rounds of focused meetings are scheduled to ensure the Trust has a robust plan in place.

7 Equalities

- 7.1 This paper has no direct impact on equalities.

8 Financial Implications

- 8.1 These are as stated in this report.

9 Risk

- 9.1 The financial risk rating is “2” as at the end of month 10. This is due the variance from plan on the surplus margin being greater than 2.0%.

10 Actions Being Requested

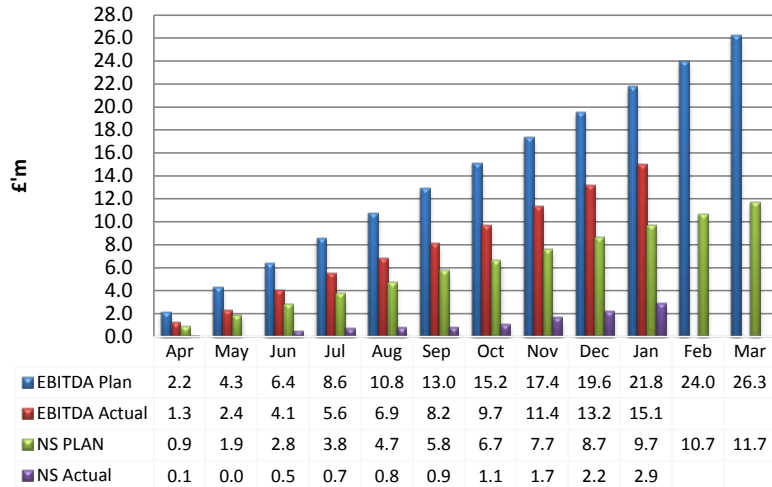
- 10.1 The Board is asked to **RECEIVE** and **DISCUSS** this report.

Financial Overview to Period Ending 31st January 2017

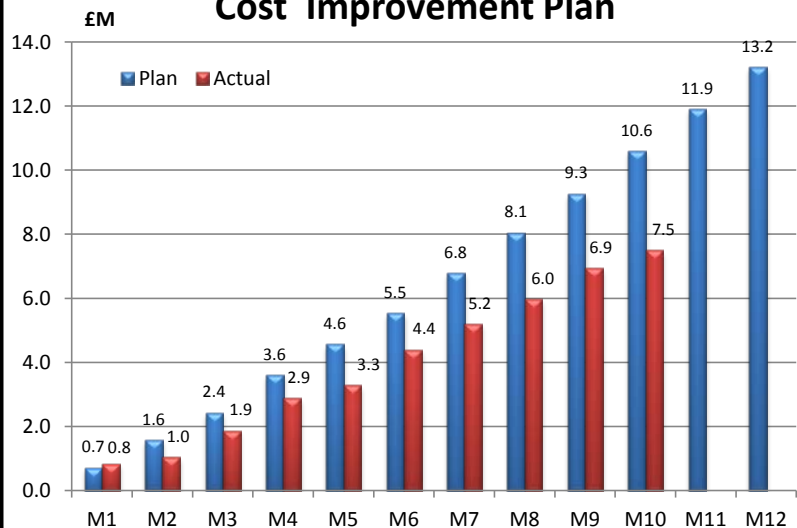
EBITDA AND NET SURPLUS

	To 31/01/17		Projection		Plan	
	£m	%	£m	%	£m	%
EBITDA	15.1	5.3	19.3	5.6	26.3	7.7
SURPLUS	2.9	1.0	4.5	1.3	11.7	3.5

EBITDA and Net Surplus



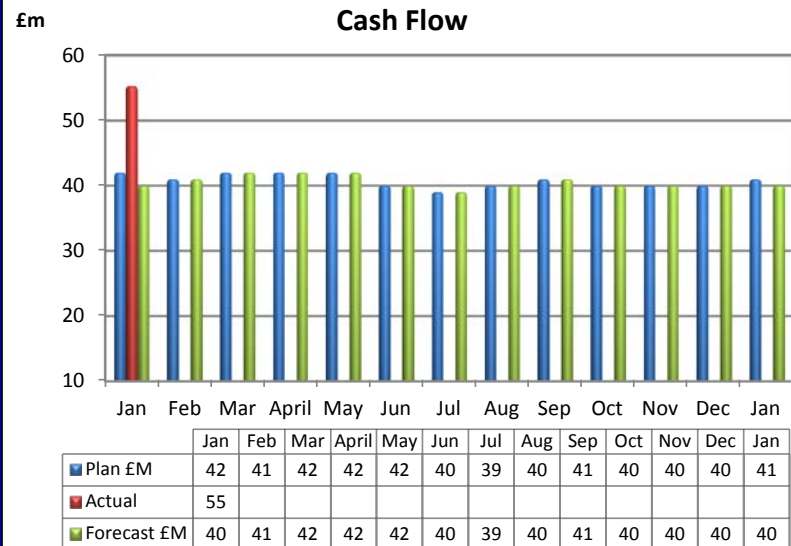
Cost Improvement Plan



WORKING CAPITAL

	£m	Risk
Cash		
: at Bank	55.7	●
: Short term deposits	0.0	●
WCF		
: available	0	●
: draw down	Nil	●
Short term		
: Assets	75.4	●
: Liabilities	59.8	●

Cash Flow



RISKS AND RISK RATINGS

	£m	Risk Rating
INCOME		
EBITDA Income	332	
Signed / agreed	322	
Non Contract	9	
INCOME RISK		HIGH

EXPENDITURE

	Risk Rating
Savings Programme	HIGH
EXPENDITURE RISK	HIGH

METRICS RISK RATING

Debt Service Cover	3	●
Liquidity	4	●
I&E Margin rating	3	●
I&E Margin Variance	1	●
Continuity of Service Rating	2	●

	Q1	Q2	Q3	M10
DEBTOR DAYS	15	18	19	18
CREDITOR DAYS	24	27	29	30