

REPORT TO THE TRUST BOARD - PUBLIC
14 SEPTEMBER 2017

Title	Finance Report Month 4
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Purpose of the Report:

This paper highlights financial performance to 31st July 2017.

Summary of Key Issues:

Summary of Performance

- Operating surplus (EBITDA) to end of July 2017 of £6,275k (5.1%) compared to plan of £6,352k (5.2%).
- Overall Risk rating of “2” to the end of July 2017.
- Net surplus of £1,078k (0.9%) compared to revised planned net surplus of £1,154k (0.9%).
- Year to-date adverse net surplus variance of £76k
- Cash balance of £58.8m as at the end of July 2017.

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 overall risk rating at the end of July is “2”
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 for the period ended 31 July 2017 and projections to 31 March 2018.

2 Executive Summary

2.1 Key conclusions are:

- Operating surplus (EBITDA) to end of July 2017 of £6,275k (5.1%) compared to plan of £6,352k (5.2%).
- Overall Risk rating of “2” to the end of July 2017.
- Net surplus of £1,078k (0.9%) compared to revised planned net surplus of £1,154k (0.9%).
- Year to-date adverse net surplus variance of £76k
- Cash balance of £58.8m as at the end of July 2017.

2.2 The contractual income detailed in this report is based on signed Heads of Terms contracts for 2017/18 for all NHS contracts over £5m, and agreed or anticipated contract values for other contracts.

2.3 The Trust submitted a revised plan to NHSi on 19th June 2017. The revised plan is for achievement of a £12.41m surplus in line with the control total set by NHSi. The revised net surplus assumes receipt of £2.44m STF funding, of which £0.37m is payable based on achievement of plan in quarter 1.

If the plan is achieved in quarter 2 a further payment of £488k will be due. The Trust anticipate being on plan at the end of September, and accordingly income of £163k relating to Month 4 has been accrued.

3 Summary of Performance to 31 July 2017

3.1 The financial performance is summarised in the table below:

	Jul-17			Annual Budget £000	Jun-17 Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
Operating Income	122,159	122,501	342	366,893	322	20
Operating Spend	115,807	116,226	(419)	338,888	(253)	(166)
Operating Surplus (EBITDA)	6,352	6,275	(77)	28,005	68	(146)
Interest Receivable	28	29	1	83	(0)	1
Interest Payable	(723)	(723)	0	2,169	0	(0)
Depreciation	(2,304)	(2,303)	0	6,911	(36)	36
Public Dividend Capital	(2,199)	(2,199)	(0)	6,597	(0)	0
Net Surplus / (Deficit)	1,154	1,078	(76)	12,411	32	(108)

- 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 Targets for 17/18			
Directorate	16/17 Target c/f £000	17/18 Target £000	Total 17/18 £000
Tower Hamlets	161	757	918
Newham	(181)	743	562
Newham (MHCOP)	0	381	381
City & Hackney	257	828	1,085
MHCOP-CHN	550	652	1,202
Specialist-CHN	0	320	320
Specialist Services	(14)	1,155	1,141
Forensic	0	839	839
Luton	0	614	614
Bedfordshire	376	1,255	1,631
Tower Hamlets CHS	0	262	262
Corporate Services	475	873	1,348
Estates & Facilities	0	517	517
Reserves/TBC	576	607	1,183
Total	2,200	9,803	12,003

- 3.3 The Trust is continuing to finalise the 2017/18 programme, including completing Quality Impact Assessments, in advance of sharing details with commissioners. As at 11 August, £3.29m needed to be identified.
- 3.4 Based on proposals submitted, the YTD CRES plan for Month 4 was £3,436k including the YTD impact of the unidentified value. Reported delivery was £1,984k, an adverse performance against the CRES plan of £1,452k. Of this, £1,098k was due to plans not being identified and £354k was reported slippage against identified plans.
- 3.5 The Executive team are considering further ideas to meet the shortfall. Further meetings with service leads will take place as required to monitor delivery and progress plans.
- 3.6 Corporate CRES targets have been allocated to functional areas so targets are devolved to individual Executive Directors.

4 Key Highlights of Performance to 31 July 2017

Operating Income

- 4.1 Operating income at month 4 is better than plan by £342k. Income from associate CCGs, out of area and spot purchases of beds has performed above plan. The extract below shows the breakdown of the operating income performance against budget to end of July 2017.

4.2 There is a risk of underperformance on the NHSE risk share, and £42k has been allowed in the month 4 position for this.

4.3 The Month 4 position does not assume any slippage against new developments agreed with local CCGs. An offsetting expenditure assumption has been included in the Reserves position which will offset any slippage identified.

Table 1: Summary of Income to 31 July 2017

	Budget £000	Jul-17 Actual £000	Variance £000	Annual Budget £000	Jun-17 Variance £000	Change +/- £000
<u>CCG Income</u>						
Local CCGs	63,658	63,655	(3)	190,973	(2)	(1)
Other CCG Contracts	28,760	28,759	(1)	86,279	(2)	1
Associate CCGs	197	231	34	591	35	(2)
Sub total	92,614	92,644	30	277,843	32	(2)
<u>Cost and Volume Income</u>						
Overseas Income	574	574	0	1,722	0	0
OATs Income	2,525	2,885	360	7,575	331	29
Sub total	3,099	3,459	360	9,297	331	29
<u>NHS England</u>						
Forensic Medium and Low Secure	9,650	9,633	(17)	28,951	(18)	0
Learning Disabilities	1,542	1,537	(5)	4,625	(6)	1
Perinatal	917	917	0	2,752	0	0
Personality Disorder	1,188	1,188	0	3,565	0	0
Coborn / Tier IV	1,554	1,534	(20)	4,663	(13)	(7)
Other Specialist SLA	87	87	0	261	0	0
EPOC	290	290	0	435	0	0
Liaison & Diversion	241	241	0	722	0	0
Sustainability & Transformation Fund (STF)	529	529	0	2,438	0	0
Sub total	15,998	15,956	(42)	48,411	(36)	(6)
<u>SLA Income</u>						
Services to other Trusts	402	402	(0)	1,205	(0)	(0)
<u>Workforce Allocation</u>						
SIFT/MADEL/NMET R&D etc	2,737	2,737	0	8,212	(0)	0
<u>Other Income</u>						
CAMHS	162	162	0	486	(0)	0
Addiction Services	2,978	2,978	0	8,934	0	0
Health Visiting/Women's Service	3,714	3,714	0	11,142	0	0
Other	455	448	(6)	1,363	(5)	(2)
Sub total	7,309	7,302	(6)	21,925	(5)	(2)
EBITDA Income	122,159	122,501	342	366,893	322	20

Operating Expenditure

- 4.4 The Trust is reporting an adverse variance of £419k against operating expenditure at 31 July 2017.
- 4.5 The key risk areas in terms of expenditure are MHCOP CHN and Tower Hamlets Community Services (due to the transformation required in Tower Hamlets over the course of the year).
- 4.6 Table 2 shows the breakdown of the operating expenditure performance against budget to end of July 2017.
- 4.7 As reported in section 3.3, there is adverse performance against Trust CRES targets of £1,452k to 31 July 2017 across various Directorates.
- 4.8 The key overspends in MHCOP-CHN (total £716k) relate to expenditure on agency staff above the overall pay budget, and to CRES slippage.
- 4.9 The ELFT element of the Tower Hamlets Community Services contract transferred from Barts Health on 1 April 2017.
- 4.10 The effect of the Barts Health recharges for substantive and temporary staff in April 2017 have been included in the Month 4 position. Accruals have been estimated and included in the Directorate position for agency and non-pay charges not received to date.
- 4.11 Corporate allocations have either been devolved to respective departments to offset expenditure, or remain in reserves with an assumption they will be required in full.
- 4.12 Discussions are ongoing with Barts Health in regard to contract variations for Estates and other adjusting items.
- 4.13 Further work on developing and delivering CRES plans, and reducing agency spend is required over the course of 2017/18 to aid delivery of the overall financial plan.
- 4.14 The overall plan has been updated to include expenditure assumptions required to meet the £12.41m NHSi control total. The improvement required totals £5.45m, and is shown as a separate item towards the end of the summary below.
- 4.15 There is no impact on the Month 4 position as the new proposals are phased later during 2017/18.

Table 2: Summary of Expenditure to 31 July 2017

	Jul-17			Annual Budget £000	Jun-17 Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
<u>Clinical Directorates</u>						
Tower Hamlets	11,106	11,072	34	33,222	(23)	58
Tower Hamlets CHS	5,535	5,283	251	15,827	105	147
Newham	9,299	9,193	106	27,440	123	(17)
City & Hackney	10,385	10,495	(110)	30,644	(38)	(72)
MH Care of Older People	0	1	(1)	0	0	(1)
MH Care of Older People - CHN	7,031	7,748	(716)	21,191	(467)	(249)
Specialist Services - CHN	6,117	6,084	34	18,459	(87)	120
Specialist Services	13,743	13,763	(20)	41,716	(7)	(13)
Forensics Services	9,403	9,302	101	27,897	70	32
Luton	6,582	6,447	134	19,457	151	(17)
Bedfordshire	10,653	10,765	(113)	32,306	(64)	(49)
Sub total	89,854	90,153	(299)	268,158	(237)	(62)
<u>Other Clinical Services</u>						
NHS Services Agreements	26	26	0	78	0	0
Services Received & Provided	0	91	(91)	0	(68)	(23)
Sub total	26	116	(91)	78	(68)	(23)
<u>Central Support Services</u>						
Board / Members Council	812	889	(77)	2,441	(48)	(30)
Corporate Affairs	1,358	1,371	(13)	4,077	9	(22)
Performance	2,383	2,628	(245)	7,175	(208)	(37)
Social Inclusion	225	223	2	674	(15)	17
Finance	1,473	1,436	37	4,426	9	28
Human Resources	1,146	1,138	8	3,432	17	(9)
Central Medical/Pharmacy	1,929	1,945	(16)	5,817	(8)	(8)
Central Nursing/MHS Admin	977	1,087	(110)	2,951	(65)	(45)
NMET	874	786	88	2,139	70	18
R&D	317	192	126	953	73	53
Estates & Facilities	10,745	10,752	(6)	32,118	(11)	5
Sub total	22,240	22,447	(206)	66,203	(177)	(30)
<u>Reserves</u>						
Complex Care	119	0	119	356	89	30
Pay/non pay reserve	3,568	3,510	58	9,540	139	(81)
Sub total	3,686	3,510	177	9,896	228	(51)
ELFT/STP Collaborative Savings Plans	0	0	0	(5,448)	0	0
EBITDA Spend	115,807	116,226	(419)	338,888	(253)	(166)

5 Forecast to March 2018

- 5.1 The revised plan submitted to NHSI for 2017/18 is consistent with this report and is based on achieving a rating of “1” under the Risk Assessment Framework by March 2018.
- 5.2 The planned surplus is now in line with the NHSi control total of £12.4m. Receipt of STF funding has been included in the plan, and is assumed to be receivable for quarter 1 and proportionally in Month 4 based on the quarter 2 allocation.

6 Conclusion

- 6.1 Financial performance at month 4 is adverse against plan by £76k.

7 Action Being Requested

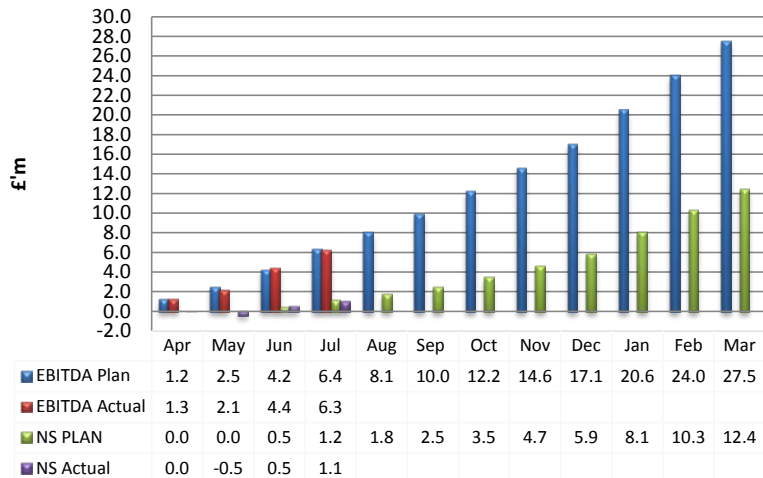
- 7.1 The Board is asked to **DISCUSS** and **NOTE** this report.

Financial Overview to Period Ending 31st July 2017

EBITDA AND NET SURPLUS

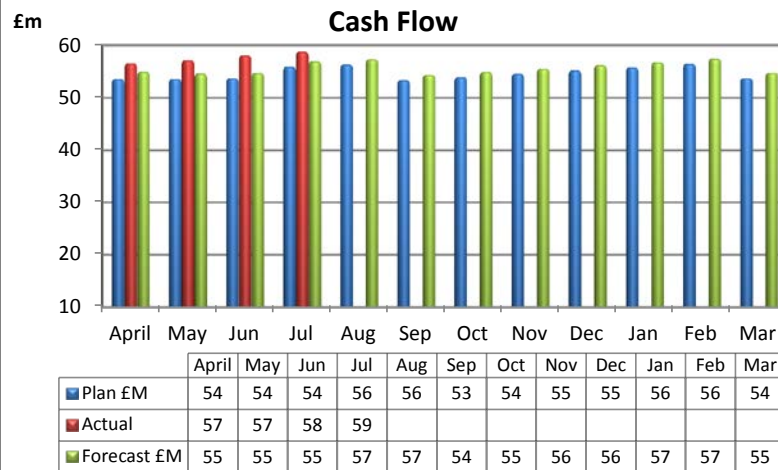
	To 31/07/17		Projection		Plan	
	£m	%	£m	%	£m	%
EBITDA	6.3	5.1	27.9	7.6	27.9	7.6
SURPLUS	1.1	0.9	12.4	3.4	12.4	3.4

EBITDA and Net Surplus



WORKING CAPITAL

	£m	Risk
Cash : at Bank	58.8	●
: Short term deposits	0.0	
Short term : Assets	83.2	
: Liabilities	63.4	●



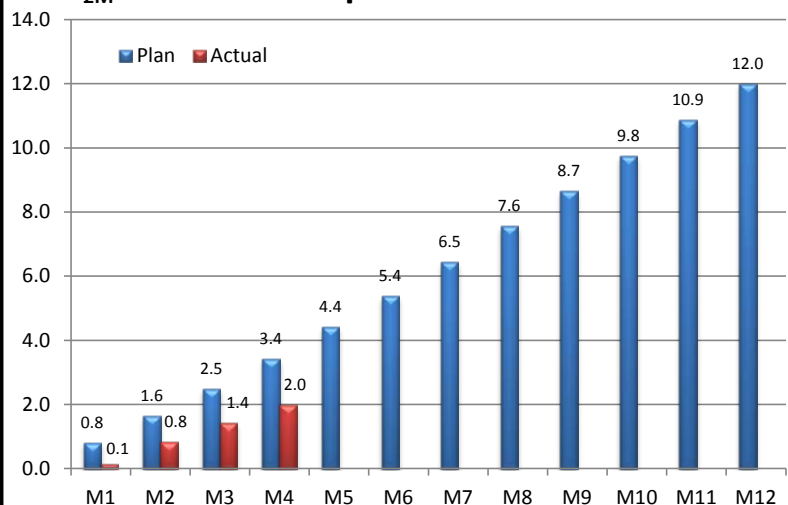
RISKS AND RISK RATINGS

	£m
INCOME	
EBITDA Income	366.9
Signed / agreed	339.5
Non Contract	12.3
INCOME RISK	LOW

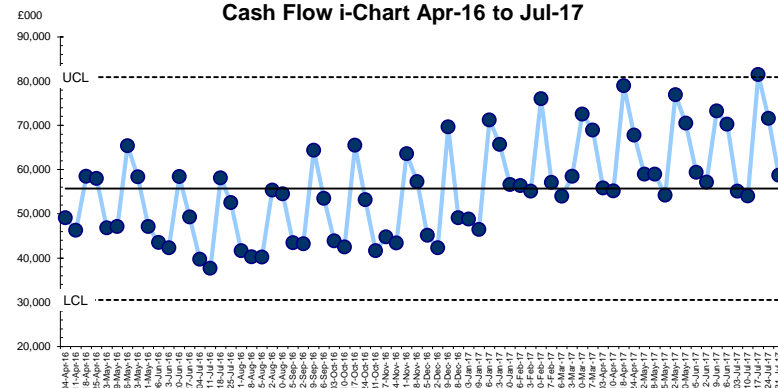
EXPENDITURE	
Savings Programme	HIGH
Expenditure Risk	MEDIUM

METRICS	RISK RATING
Capital Service Cover	2 ●
Liquidity	1 ●
I&E Margin rating	2 ●
Distance from plan	2 ●
Agency rating	2 ●

Cost Improvement Plan



Cash Flow i-Chart Apr-16 to Jul-17



	M01	M02	M03	M04
DEBTOR DAYS	17	17	20	21
CREDITOR DAYS	28	24	34	34