

**REPORT TO THE TRUST BOARD**  
**27 April 2017**

<b>Title</b>	Finance Report Month 12
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**Purpose of the Report:**

This paper highlights financial performance to 31st March 2017.
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**Summary of Key Issues:**

Summary of Performance
<ul style="list-style-type: none"> <li>· Operating surplus (EBITDA) to end of March 2017 of £19,250k (5.6%) compared to plan of £26,365k (7.6%).</li> <li>· Overall Risk rating of “2” to the end of March 2017 (with a use of resources rating at a “3” due to not meeting control total).</li> <li>· Net surplus of £4,777 (1.4%) compared to planned net surplus of £11,731k (3.4%) (before impairments and revaluation gains)</li> <li>· Year to-date adverse net surplus variance of £6,953k.</li> <li>· Cash balance of £52.3m as at the end of March 2017.</li> <li>· Performance on target against recovery plan submitted to NHS Improvement.</li> </ul>

**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
12/04/2017	Service Delivery Board

**Implications:**

Equality Analysis	This report has no direct impact on equalities.
Risk and Assurance	The position as at the end of March under the single oversight framework gives an overall rating of “2” (with use of resources a “3”)
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 year ended 31 March 2017 and outlines the process for the adoption of the accounts for 2016/17.

## 2 Executive Summary

- 2.1 Key conclusions are:

- Operating surplus (EBITDA) to end of March 2017 of £19,250k (5.6%) compared to plan of £26,365k (7.6%).
- Overall Risk rating of “2” to the end of March 2017 (with a use of resources rating at a “3” due to not meeting control total).
- Net surplus of £4,777 (1.4%) compared to planned net surplus of £11,731k (3.4%) (before impairments and revaluation gains)
- Year to-date adverse net surplus variance of £6,953k.
- Cash balance of £52.3m as at the end of March 2017.
- Performance on target against recovery plan submitted to NHS Improvement.

- 2.2 The performance for the financial year 2016/17 is based on the M12 management accounts. The final position is subject to the external audit process due to commence on the 2nd May.

## 3 Key Highlights of Performance to 31 March 2017

- 3.1 The financial performance is summarised in the table below:

	£m
Operating income	346.69
Operating Expenditure	(327.44)
<b>EBITDA</b>	<b>19.25</b>
Interest receivable	0.12
Interest payable	(2.21)
Depreciation	(6.36)
PDC	(6.02)
<b>Net surplus / (Deficit)</b>	<b>4.77</b>

Appendix 1 and 2 detail the M12 income and expenditure position in more detail.

### 3.2 NHS Improvement Risk rating

Under NHS Improvement’s Single oversight framework, the Trust will achieve a combined risk rating of 2, however, for the financial metric, use of resources, only a “3” will be achieved due to the outturn not meeting the control total.

- 3.3 The Trust has delivered a surplus of £4.65m, £7.05m behind the control total including £2.4m of lost STF funding as a result. The revised plan to deliver £4.5m surplus has been exceeded but £137k.

#### **4 Adoption of 2016/17 Accounts**

- 4.1 The draft accounts will be submitted to NHS Improvement and our external Auditors on 28 April 2017 and shared with the Audit Committee members on 25 April 2017.
- 4.2 The external audit will commence on 2<sup>nd</sup> May 2017.
- 4.3 The final audited accounts will be presented to the Board for adoption on 25th May 2017.
- 4.4 The final audited accounts are required to be submitted to NHS Improvement by 26 May 2017.

#### **5 Conclusions**

- 5.1 The draft (subject to audit) month 12 financial position shows an overall risk rating of a “2” consistent with internal plan.

#### **6 Equalities**

- 6.1 This paper has no direct impact on equalities

#### **7 Financial Implications**

- 7.1 The underlying net surplus position is in line with the revised projection issued to NHS Improvement at £4.65m. At this stage the full valuation report on Assets has yet to be finalised and this may give rise to an impairment or valuation gain. Although this may change the reported surplus this will not impact the Trusts reported risk rating.

#### **8 Risk**

- 8.1 The financial risk rating based on performance to month 12 is a “3”, with a combined rating of “2” overall.

#### **9 Actions Being Requested**

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

## Appendix 1 – Month 12 Income

	Budget	Mar-17	Variance	Annual	Feb-17	Change
	£000	Actual		£000	Variance	+/-
	£000	£000	£000	£000	£000	£000
<b><u>CCG Income</u></b>						
Local CCGs	169,191	169,343	153	169,191	(186)	339
Other CCG Contracts	83,865	83,865	(0)	83,865	(0)	(0)
Associate CCGs	590	766	177	590	161	15
<b>Sub total</b>	<b>253,646</b>	<b>253,975</b>	<b>329</b>	<b>253,646</b>	<b>(25)</b>	<b>354</b>
<b><u>Cost and Volume Income</u></b>						
Overseas Income	1,722	2,990	1,268	1,722	556	712
OATs Income	8,282	6,514	(1,768)	8,282	(1,707)	(61)
<b>Sub total</b>	<b>10,004</b>	<b>9,503</b>	<b>(500)</b>	<b>10,004</b>	<b>(1,151)</b>	<b>651</b>
<b><u>NHS England</u></b>						
Forensic Medium and Low Secure	29,943	29,943	0	29,943	0	0
Learning Disabilities	4,248	4,248	0	4,248	0	0
Perinatal	2,763	2,763	0	2,763	0	0
Personality Disorder	3,565	3,565	0	3,565	0	0
Coborn / Tier IV	4,566	4,566	0	4,566	0	0
QIPP & Repatriation	(172)	(184)	(12)	(172)	(11)	(1)
CHN	11,597	11,597	0	11,597	0	0
<b>Sub total</b>	<b>56,509</b>	<b>56,497</b>	<b>(12)</b>	<b>56,508</b>	<b>(11)</b>	<b>(1)</b>
<b><u>SLA Income</u></b>						
Services to other Trusts	1,205	1,676	472	1,205	(9)	481
<b><u>Workforce Allocation</u></b>						
SIFT/MADEL/NMET R&D etc	11,957	11,881	(76)	11,957	(36)	(41)
<b><u>Other Income</u></b>						
CAMHS	527	447	(80)	527	(71)	(9)
Drug Services (Local Area)	4,254	4,349	96	4,254	207	(112)
Other	10,828	8,305	(2,523)	10,828	(2,135)	(388)
<b>Sub total</b>	<b>15,609</b>	<b>13,102</b>	<b>(2,507)</b>	<b>15,609</b>	<b>(1,999)</b>	<b>(509)</b>
<b>EBITDA Income</b>	<b>348,929</b>	<b>346,634</b>	<b>(2,295)</b>	<b>348,929</b>	<b>(3,231)</b>	<b>936</b>

## Appendix 2 – Month 12 Expenditure

	Mar-17			Annual Budget £000	Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
<b>Clinical Directorates</b>						
Tower Hamlets	25,554	25,496	58	25,554	54	4
Newham	24,772	25,008	(237)	24,772	35	(272)
City & Hackney	28,258	28,460	(202)	28,258	(221)	19
MH Care of Older People	12,723	13,786	(1,063)	12,723	(953)	(110)
MH Care of Older People - CHN	21,963	23,960	(1,997)	21,963	(1,702)	(295)
Specialist Services - CHN	19,303	18,453	850	19,303	982	(132)
Specialist Services	39,957	40,170	(213)	39,957	(260)	47
Forensics Services	28,002	28,379	(377)	28,002	(327)	(50)
Luton	18,433	18,812	(380)	18,433	(402)	22
Bedfordshire	33,065	33,699	(634)	33,065	(671)	38
<b>Sub total</b>	<b>252,030</b>	<b>256,223</b>	<b>(4,193)</b>	<b>252,030</b>	<b>(3,466)</b>	<b>(728)</b>
NHS Services Agreements	78	40	38	78	36	2
Services Received & Provided	0	415	(415)	0	(98)	(317)
<b>Central Support Services</b>						
Board / Members Council	2,314	3,610	(1,295)	2,314	(1,163)	(132)
Corporate Affairs	4,446	4,172	274	4,446	256	18
Performance	7,634	8,233	(600)	7,634	(453)	(147)
Social Inclusion	542	611	(69)	542	(48)	(20)
APMS	0	0	0	0	0	0
Finance	3,361	3,210	150	3,361	150	0
Human Resources	3,587	3,420	167	3,587	320	(153)
Central Medical/Pharmacy	5,767	5,538	229	5,767	320	(92)
Central Nursing/MHS Admin	3,136	3,354	(218)	3,136	(199)	(18)
NMET	2,103	1,945	158	2,103	174	(16)
R&D	973	843	130	973	52	78
Corporate Vacancy CRES	(250)	0	(250)	(250)	(229)	(21)
Estates & Facilities	32,681	32,619	63	32,681	8	54
<b>Sub total</b>	<b>66,293</b>	<b>67,554</b>	<b>(1,261)</b>	<b>66,294</b>	<b>(812)</b>	<b>(449)</b>
<b>Reserves</b>						
Complex Care	356	0	356	356	326	30
Pay/non pay reserve	3,807	3,152	655	3,807	243	411
<b>Sub total</b>	<b>4,163</b>	<b>3,152</b>	<b>1,011</b>	<b>4,163</b>	<b>570</b>	<b>441</b>
<b>EBITDA Spend</b>	<b>322,564</b>	<b>327,385</b>	<b>(4,820)</b>	<b>322,564</b>	<b>(3,770)</b>	<b>(1,051)</b>

## Appendix 3 – Month 12 Summary position

	Mar-17			Annual Budget £000	Variance £000	Change +/- £000
	Budget £000	Actual £000	Variance £000			
Operating Income	348,929	346,634	(2,295)	348,928	(3,231)	936
Operating Spend	322,564	327,385	(4,820)	322,564	(3,770)	(1,051)
<b>Operating Surplus (EBITDA)</b>	<b>26,365</b>	<b>19,250</b>	<b>(7,115)</b>	<b>26,363</b>	<b>(7,001)</b>	<b>(114)</b>
Interest Receivable	83	115	32	83	31	1
Interest Payable	(2,206)	(2,206)	0	2,206	0	0
Depreciation	(6,494)	(6,363)	131	6,494	0	131
Public Dividend Capital	(6,017)	(6,019)	(2)	6,017	(1)	(2)
<b>Net Surplus / (Deficit)</b>	<b>11,731</b>	<b>4,777</b>	<b>(9,954)</b>	<b>11,729</b>	<b>(6,970)</b>	<b>16</b>

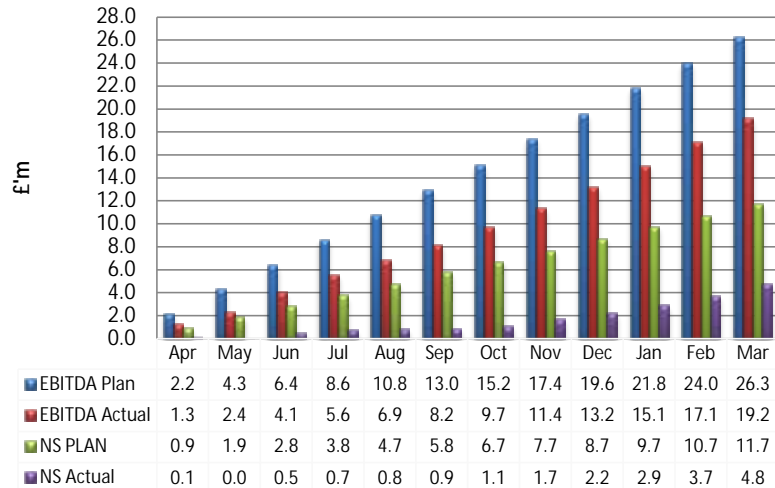


## Financial Overview to Period Ending 31st March 2017

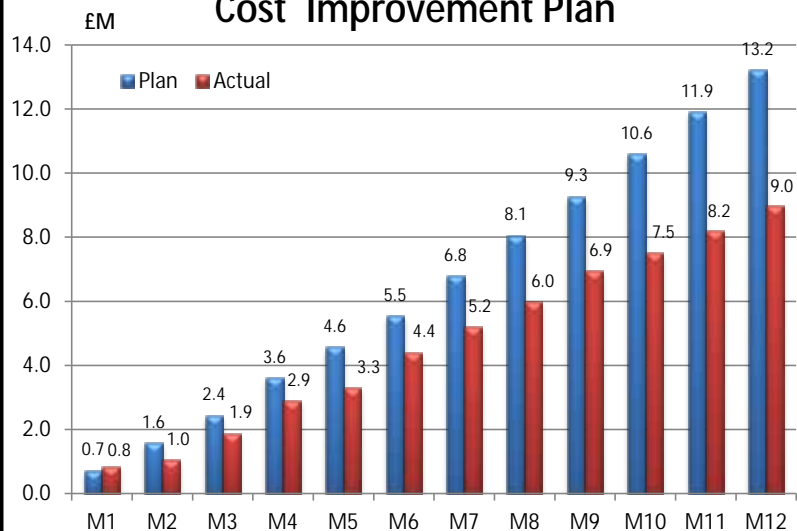
### EBITDA AND NET SURPLUS

	To 31/03/17		Projection		Plan	
	£m	%	£m	%	£m	%
EBITDA	19.2	5.6	19.3	5.6	26.3	7.7
SURPLUS	4.8	1.4	4.5	1.3	11.7	3.5

### EBITDA and Net Surplus



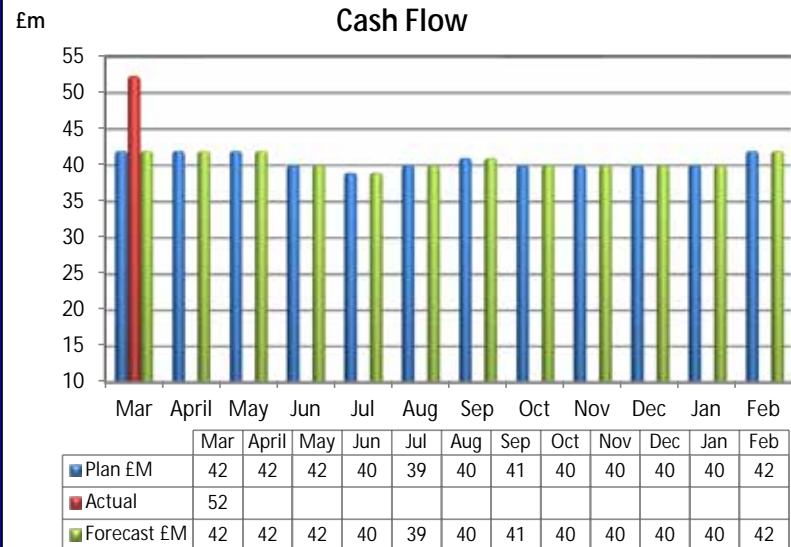
### Cost Improvement Plan



### WORKING CAPITAL

	£m	Risk
Cash : at Bank	52.3	.
: Short term deposits	0.0	.
WCF : available	0	.
: draw down	Nil	.
Short term : Assets	72.2	.
: Liabilities	56.0	.

### Cash Flow



### RISKS AND RISK RATINGS

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

### EXPENDITURE

	Risk Rating
<b>Savings Programme</b>	<b>HIGH</b>
<b>EXPENDITURE RISK</b>	<b>HIGH</b>

### METRICS RISK RATING

	Q1	Q2	Q3	Q4
<b>DEBTOR DAYS</b>	15	18	19	19
<b>CREDITOR DAYS</b>	24	27	29	35

Debt Service Cover	2	.
Liquidity	1	.
I&E Margin rating	1	.
I&E Margin Variance	4	.
<b>Continuity of Service Rating</b>	3	.