NHS
East London
NHS Foundation Trust

REPORT TO THE TRUST BOARD - PUBLIC
29 JUNE 2017

Title	Finance Report Month 2
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Purpose of the Report:

This paper highlights financial performance to 31st May 2017.

Summary of Key Issues:

Summary of Performance

- Operating surplus (EBITDA) to end of May 2017 of £2,131k (3.5%) compared to plan of £2,562k (4.2%).
- Overall Risk rating of "2" to the end of May 2017
- Net loss of £465k (-0.8%) compared to planned net loss of £13k (0.0%).
- Year to-date adverse net surplus variance of £452k
- Cash balance of £57.2m as at the end of May 2017.

Strategic priorities this paper supports

Improving service user satisfaction	☒	Delivering financial balance aids improving service user satisfaction
Improving staff satisfaction	☒	Delivering financial balance aids improving staff satisfaction
Maintaining financial viability	☒	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
14/06/17	Service Delivery Board

Implications:

Equality Analysis	This report has no direct impact on equalities.
Risk and Assurance	The position as at the end of May under the single oversight framework gives an overall rating of "2", with use of resources rating of '3'.
Service Users, Carer, Staff	This report has no direct impact on Service Users, carers, 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 May 2017 and projections to 31 March 2018.

2 Executive Summary

2.1 Key conclusions are:

- Operating surplus (EBITDA) to end of May 2017 of £2,131k (3.5%) compared to plan of £2,562k (4.2%).
- Overall Risk rating of "2" to the end of May 2017
- Net loss of £465k (-0.8%) compared to planned net loss of £13k (0.0%).
- Year to-date adverse net surplus variance of £452k
- Cash balance of £57.2m as at the end of May 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.

3 Summary of Performance to 31 May 2017

3.1 The financial performance is summarised in the table below:

	May-17			Annual
	Budget	Actual	Variance	Budget
	£000	£000	£000	£000
Operating Income	60,668	60,739	71	363,574
Operating Spend	58,106	58,607	(501)	343,599
Operating Surplus (EBITDA)	**2,562**	**2,131**	**(430)**	**19,975**
Interest Receivable	14	16	2	83
Interest Payable	(362)	(361)	0	2,169
Depreciation	(1,128)	(1,152)	(24)	6,767
Public Dividend Capital	(1,100)	(1,100)	0	6,597
Net Surplus / (Deficit)	**(13)**	**(465)**	**(452)**	**4,525**

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:

Directorate	16/17 Target c/f £000	17/18 Target £000	Total 17/18 £000	17/18 Plan YTD	17/18 Actual YTD	Variance YTD
Tower Hamlets	161	757	918	139	47	(92)
Newham	(181)	743	562	81	67	(14)
Newham (MHCOP)	0	381	381	29	0	(29)
City & Hackney	257	828	1,085	124	66	(58)
MHCOP-CHN	550	652	1,202	121	19	(102)
Specialist-CHN	0	320	320	53	31	(22)
Specialist Services	(14)	1,155	1,141	158	82	(76)
Forensic	0	839	839	140	63	(77)
Luton	0	614	614	16	16	(0)
Bedfordshire	376	1,255	1,631	259	246	(13)
Tower Hamlets CHS	0	262	262	44	0	(44)
Corporate Services	475	938	1,348	206	96	(110)
Estates & Facilities	0	517	517	86	23	(63)
Reserves/Unallocated	576	542	1,183	189	84	(105)
Total	**2,200**	**9,803**	**12,003**	**1,645**	**840**	**(805)**

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 12 June, £3.56m needed to be identified.

3.4 Based on proposals submitted, the YTD CRES plan for Month 2 was £1,645k including the YTD impact of the unidentified value. Reported delivery was £840k, an adverse performance against the CRES plan of £805k. Of this, £594k was due to plans not being identified and £211k was reported slippage against identified plans.

3.5 A focused round of meetings has taken place with the Directorate Management Teams, the CFO and the COO to ensure the proposals submitted are robust and actions are in progress to deliver them, and also to consider further ideas to meet the shortfall. Further meetings 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.

NHS Improvement Control Total

3.7 The Trust has set a plan to achieve a surplus of £4,525k in 2017/18. This is below the control total set by NHS Improvement of £12.4m (including STF funding).

4 Key Highlights of Performance to 31 May 2017

Operating Income

4.1 The operating income position at month 2 is better than plan by £71k. 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 May 2017.

4.2 The Month 2 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 at the end of quarter 1.

Table 1: Summary of Income to 31 May 2017

	May-17			Annual	Apr-17	Change
	Budget	Actual	Variance	Budget	Variance	+/-
	£000	£000	£000	£000	£000	£000
CCG Income						
Local CCGs	31,856	31,856	0	191,134	0	0
Other CCG Contracts	14,224	14,224	0	85,344	0	0
Associate CCGs	98	105	6	591	0	6
Sub total	**46,178**	**46,184**	**6**	**277,069**	**0**	**6**
Cost and Volume Income						
Overseas Income	287	287	0	1,722	0	0
OATs Income	1,263	1,327	64	7,575	(49)	113
Sub total	**1,550**	**1,614**	**64**	**9,297**	**(49)**	**113**
NHS England						
Forensic Medium and Low Secure	4,825	4,825	0	28,951	0	0
Learning Disabilities	771	771	0	4,625	0	0
Perinatal	459	459	0	2,752	0	0
Personality Disorder	594	594	0	3,565	0	0
Coborn / Tier IV	777	777	0	4,663	0	0
Other Specialist SLA	44	44	0	261	0	0
EPOC	145	145	0	435	0	0
Liaison & Diversion	120	120	0	722	0	0
Sub total	**7,735**	**7,735**	**0**	**45,973**	**0**	**0**
SLA Income						
Services to other Trusts	**201**	**201**	**(0)**	**1,205**	**0**	**(0)**
Workforce Allocation						
SIFT/MADEL/NMET R&D etc	**1,420**	**1,420**	**(0)**	**8,519**	**0**	**(0)**
Other Income						
CAMHS	88	88	(0)	527	0	(0)
Addiction Services	1,489	1,489	0	8,934	0	0
Health Visiting/Women's Service	1,804	1,804	0	10,824	0	
Other	204	204	(0)	1,227	0	(0)
Sub total	**3,585**	**3,585**	**(0)**	**21,512**	**0**	**(0)**
EBITDA Income	**60,668**	**60,739**	**71**	**363,575**	**(49)**	**120**

Operating Expenditure

4.3 The financial ledger reports an adverse variance of £501k against operating expenditure at 31 May 2017.

4.4 The key risk areas are expenditure in MHCOP CHN and Tower Hamlets Community Services.

4.5 Table 2 shows the breakdown of the operating expenditure performance against budget to end of May 2017.

4.6 As reported in section 3.3, there is adverse performance against Trust CRES targets of £805k to 31 May 2017 across various Directorates.

4.7 Due to changes in rotas for junior medical staff, the rota enhancements paid have needed to be increased. This effect is included in the May 2017 position including any back-pay for April 2017. This increase in not funded in Directorate budgets. The finance team are assessing the financial impact of these changes with Medical HR colleagues, and will consider what adjustments to budgets may be required in month 3.

4.8 The key overspends in MHCOP-CHN (total £298k) 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 Due to the short period between the contracts being signed and the transfer of services, it was not possible to migrate the staff transferring under TUPE to ELFT payroll, and so they were paid under Barts Health payroll in April. The Trust expect to receive a recharge from Barts Health for the payroll cost and agency and bank staff used in April, but to date information about the total value of the recharge has not been received.

4.11 The Month 1 position has been assumed to be breakeven with the exception of slippage against savings targets for which plans have not yet been identified. This assumption has also been applied against Corporate and temporary staffing allocations which have been assumed to be required in full. The Month 2 position includes actual payroll cost with accruals for assumed agency and non-pay expenditure.

4.12 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.

Table 2: Summary of Expenditure to 31 May 2017

	May-17 Budget £000	May-17 Actual £000	May-17 Variance £000	Annual Budget £000		Apr-17 Variance £000	Change +/- £000
Clinical Directorates							
Tower Hamlets	5,500	5,630	(131)	33,199		0	(131)
Tower Hamlets CHS	2,717	2,738	(21)	15,137		(27)	6
Newham	4,510	4,575	(65)	26,813		9	(74)
City & Hackney	5,091	5,190	(99)	30,451		(54)	(45)
MH Care of Older People	0	0	0	0		11	(11)
MH Care of Older People - CHN	3,513	3,810	(298)	21,191		(127)	(171)
Specialist Services - CHN	2,998	3,171	(173)	18,113		14	(187)
Specialist Services	6,667	6,700	(33)	40,305		32	(65)
Forensics Services	4,679	4,674	5	27,871		22	(17)
Luton	3,319	3,213	106	19,457		62	44
Bedfordshire	5,283	5,319	(36)	31,807		(21)	(15)
Sub total	**44,276**	**45,020**	**(744)**	**264,344**		**(79)**	**(665)**
NHS Services Agreements	13	13	(0)	78		**0**	**(0)**
Services Received & Provided	0	0	(0)	0		**0**	**(0)**
Central Support Services							
Board / Members Council	406	403	2	2,439		(5)	7
Corporate Affairs	680	640	40	4,077		4	36
Performance	1,196	1,261	(65)	7,211		(8)	(57)
Social Inclusion	101	112	(11)	607		(2)	(9)
Finance	728	718	10	4,379		(1)	11
Human Resources	558	557	1	3,362		4	(3)
Central Medical/Pharmacy	950	967	(17)	5,736		(3)	(14)
Central Nursing/MHS Admin	481	520	(39)	2,913		(28)	(11)
NMET	357	313	44	2,143		22	22
R&D	159	118	40	953		27	13
Estates & Facilities	5,348	5,370	(23)	32,098		(11)	(12)
Sub total	**10,975**	**10,993**	**(18)**	**65,996**	0	**(1)**	**(17)**
Reserves							
Complex Care	59	0	59	356		30	29
Pay/non pay reserve	2,796	2,594	203	12,904		91	91
Sub total	**2,855**	**2,594**	**262**	**13,260**		**141**	**121**
EBITDA Spend	**58,119**	**58,620**	**(501)**	**343,678**		**39**	**(540)**

5 Forecast to March 2018

5.1 The plan submitted to NHSI for 2017/18 is consistent with this report and is based on achieving a rating of "2" under the Risk Assessment Framework by March 2018.

5.2 The planned surplus is lower than the NHSI control total of £12.4m, and as a result the Trust has not assumed receipt of STF funding in the submitted plan.

5.3 Further to Board discussion in May 2017 the Trust has been working with NHSI with regard to agreeing the Control total for 17/18 and 18/19 of £12.4m and £12.7m respectively. The plan includes a number of high risk schemes that require support from the STP, CCG, NHSI & NHSE as well as other partners to deliver the transformational change required.

5.4 This plan has been submitted to NHSI as of the 20th June 2017 accepting the control total. There will be a period of review prior to feedback to the Trust around the quality of the refreshed plan. This revised plan should allow the Trust to access STF funding (£2.4m) currently foregone in the original plan due to non acceptance of the control total. This money can be used for investment in improving Trust services. Additionally accepting the control total also enables access to transformation monies across the STP that again can benefit service users and staff within the Trust.

6 Conclusions

6.1 Financial performance at month 2 is adverse against plan by £452k. A recovery plan addressing CRES shortfalls and current run rate is being developed by the COO with support from the CFO. This will be presented to the next FBIC.

7 Action Being Requested

7.1 The Board is asked to:

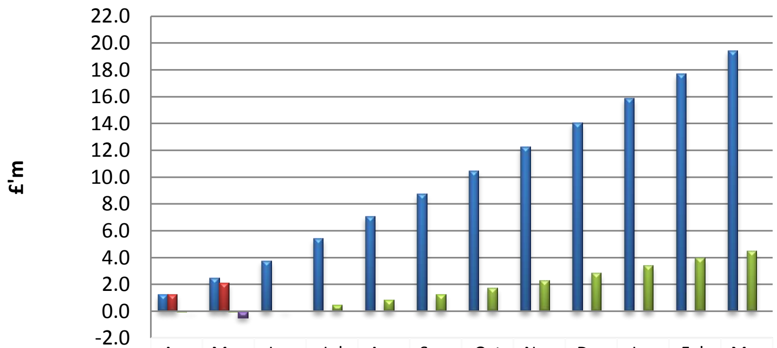
- **RECEIVE** and **DISCUSS** this report.

Financial Overview to Period Ending 31st May 2017

EBITDA AND NET SURPLUS

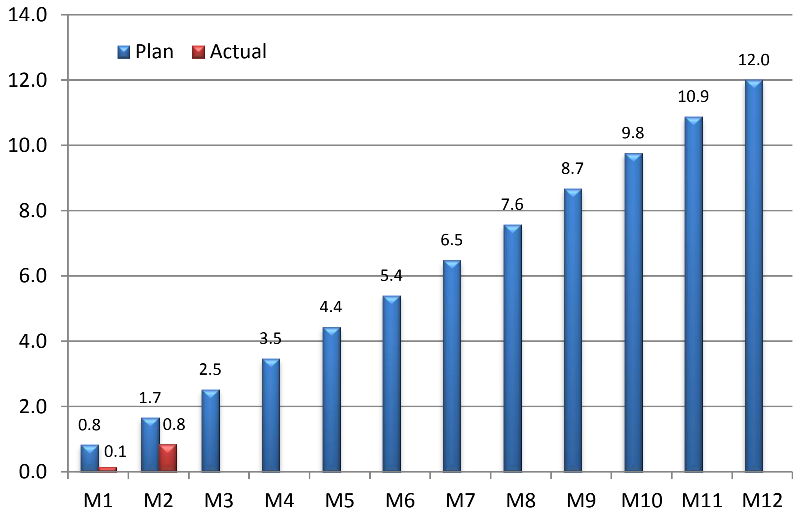
	To 31/05/17		Projection		Plan	
	£m	%	£m	%	£m	%
EBITDA	2.1	3.5	19.5	5.4	19.5	5.4
SURPLUS	-0.5	-0.8	4.5	1.3	4.5	1.3

EBITDA and Net Surplus



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
EBITDA Plan	1.3	2.5	3.8	5.4	7.1	8.8	10.5	12.3	14.1	15.9	17.7	19.5
EBITDA Actual	1.3	2.1										
NS PLAN	0.0	0.0	0.0	0.5	0.9	1.3	1.8	2.3	2.8	3.4	4.0	4.5
NS Actual	0.0	-0.5										

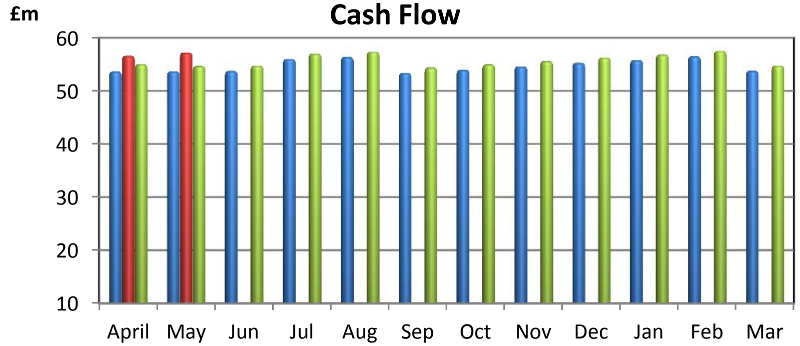
Cost Improvement Plan



WORKING CAPITAL

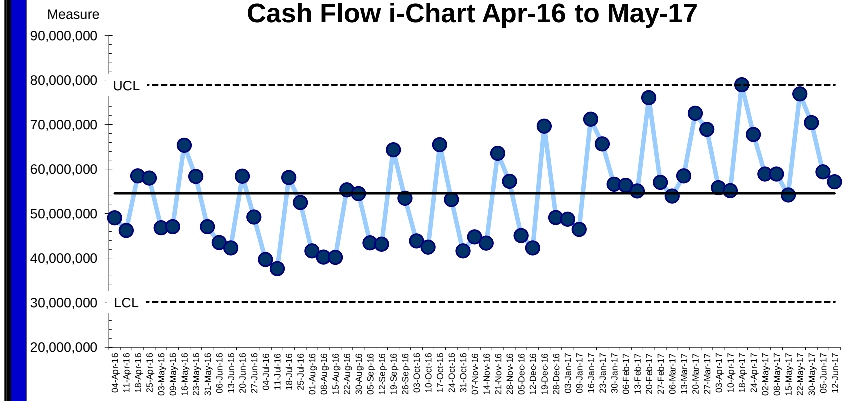
		£m	Risk
Cash	: at Bank	57.2	
	: Short term deposits	0.0	
Short term	: Assets	77.2	
	: Liabilities	60.3	

Cash Flow



	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Plan £M	54	54	54	56	56	53	54	55	55	56	56	54
Actual	57	57										
Forecast £M	55	55	55	57	57	54	55	56	56	57	57	55

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



	M01	M02
DEBTOR DAYS	17	17
CREDITOR DAYS	28	24

RISKS AND RISK RATINGS

INCOME	£m
EBITDA Income	363.2
Signed / agreed	337.4
Non Contract	9.7
INCOME RISK	LOW

EXPENDITURE

Savings Programme	HIGH
EXPENDITURE RISK	MEDIUM

METRICS	RISK RATING
Capital Service Cover	2
Liquidity	1
I&E Margin rating	2
Control total variance	2
Agency rating	2
Continuity of Service Rating	3