

Barnet, Enfield and Haringey

Mental Health NHS Trust

A University Teaching Trust

Title:	Budget 2017/18
Report to:	Trust Board
Date:	27 March 2017
Security Classification:	Public Board Meeting
Purpose of Report:	
<p>This is the annual report to the Board on the Trust's Budget and financial plans for the financial year 2017/18.</p> <p>The financial plan for 2017/18 presented to NHS Improvement on 23 December 2016 showed a deficit of £4.6m, after including a Cost Improvement Plan (CIP) target of £8.3m (4% of planned expenditure). This includes £4.5m of unidentified income, so the underlying deficit is £9.1m.</p> <p>The Trust is forecasting a deficit of £11.9m at the end of 2016/17, better than planned by £0.7m.</p> <p>This report was considered at the Finance and Investment Committee meeting on 20 March.</p>	
Recommendations:	
<p>The Trust Board is asked to approve the Budget for 2017/18.</p>	
Report Sponsor:	Simon Goodwin, Chief Finance and Investment Officer
Comments / views of the Report Sponsor:	
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Report History:	Annual report to the Board to request approval for the budget for the forthcoming financial year.
Budgetary, Financial / Resource Implications:	These are covered in the report.
Equality and Diversity Implications:	None.
Links to the Trust's Objectives, Board Assurance Framework and / or Corporate Risk Register	This report is consistent with section 2.3 of the Trust's Board Assurance Framework – to meet all key financial duties. It also links to risks B3 and B4 in the Corporate Risk Register regarding CIP delivery and income. Achievement of financial and business plan targets is fundamental to the achievement of this objective, and to mitigate risks shown in the Risk Register.
List of Appendices:	
<ul style="list-style-type: none"> • Appendix A – Summary Budget for 2017/18 • Appendix B – Draft Cost Improvement Schemes for 2017/18 and 2018/19 	

Report

1. Summary

- 1.1 This report presents the financial position and budgets for 2017/18 for approval by the Board, together with the associated Cost Improvement Plans.
- 1.2 The Finance and Investment Committee has received previous reports outlining the Budget Setting process for 2017/18, and has been regularly updated on the progress regarding the 2017/18 budget.
- 1.3 On 23 December 2016, the Trust submitted its two year financial plan to NHS Improvement (NHSI), together with the Workforce Plan for the same period. This plan had a deficit of £4.6m for 2017/18 and £2.2m for 2018/19 (both in line with the Control Totals set by NHSI).
- 1.4 The Trust has a Cost Improvement Programmes (CIPs) target of £8.3m for 2017/18 (4%). Schemes totalling £8.3m have been proposed, with £0.6m risk rated red.
- 1.5 Contracts with the three main Clinical Commissioning Groups (CCGs), most of the associate CCGs and NHS England (NHSE) have been signed. A contract offer was received from Harrow CCG on 13 March, this is in line with national guidance and therefore is in line with the assumed contract value in the plan. Brent CCG have issued a de-commissioning notice which the Trust is disputing. See paragraph 2.1.2 for further explanation.
- 1.6 The plan for 2017/18 includes £4.5m of unidentified income; if the unidentified income is not forthcoming, for the Trust to achieve the Control Total in 2017/18 the CIP programme would need to be £12.8m, i.e. 6.6% of our income.
- 1.7 Appendix A shows the movement from the updated forecast outturn for 2016/17 to the budget for 2017/18.

2. Update on the Context for Budget Setting 2017/18

2.1 Contract Round

- 2.1.1 Contracts have been signed with the lead CCGs, most of the associate CCGs and NHSE.
- 2.1.2 Brent CCG issued notice to de-commission in December 2016; however the Trust is disputing this. A joint letter was sent to Brent CCG from the Trust and Central and North West London (CNWL) NHS Foundation Trust outlining the Trust's concerns and Harrow CCG (as lead Commissioner for CNWL) are negotiating with Brent CCG on behalf of both Trusts. A contract value of £0.3m is included in the plan for 2017/18, and there will be no reduction in expenditure if de-commissioning goes ahead.
- 2.1.3 Proposals for investment of the non-demographic growth funding (£1.3m) contained within the mental health block contract are still under discussion with the CCGs. This includes additional funding for Early Intervention in Psychosis (EIP) services and Care Quality Commission (CQC) actions. The Trust has submitted a revised proposal for additional resources for EIP and is awaiting a response from the CCG. This proposal is for £0.8m of funding to be spent on additional staffing. The funding for CQC actions is to be spent on additional psychology input for the adult inpatient wards; however the CCGs are continuing to discuss the split of this funding. The funding is being held in reserves in the plan, and will be allocated to services once the proposals have been agreed.

2.1.4 Discussions continue with Enfield CCG on the gain share agreement which forms the basis of the investment of non-demographic growth funding in the community services contract. The CCG have identified potential schemes that will be included and these have been agreed in principle. The detail of the schemes is being progressed. The mechanics of the gain share agreement in refunding re-provision costs have been agreed between the Trust and the CCG. Funding of £0.6m is being held in reserves until proposals have been agreed.

2.1.5 Progress against the remainder of the Long stop list is shown below:

Item	Update
Attention Deficit Hyperactivity Disorder (ADHD) service specification and performance trajectories	Draft service specification has been shared with the CCGs. The Recovery Plan to reduce the waiting list is being refined by the Trust and will then be shared with the CCGs.
Service specification work plan for 2017/18	Completed. Work plan has been agreed.
Child and Adolescent Mental Health Service (CAMHS) Transformation funding for 2017/18	Haringey CCG intend to confirm funding before the end of March, subject to their governance process. Barnet and Enfield CCG have not confirmed funding. This is being progressed via the Trust/CCG Technical meeting.
Consideration of devolution of budgets for Locked Rehab and Female Psychiatric Intensive Care Unit (PICU) to the Trust (Haringey CCG)	The Trust continues to await a proposal from Haringey CCG.
Section 136: consideration of how the new standards will be managed	Gap analysis has been shared with the CCGs. This is being costed by the Trust and will then be presented to the Joint Performance and Quality (JPQ) meeting.
Refreshed Trust Complaints Policy	Completed.
Key Performance Indicators, which require refinement and agreement	The main discussion relates to the Improving Access to Psychological Therapies (IAPT) activity trajectory which is still subject to negotiation between the Trust and the CCGs.
Enfield Community Services (ECS) Indicative Activity Plan	This has been sent to the CCG, awaiting response.

2.1.6 Discussions continue with NHSE to confirm the Quality, Innovation, Productivity and Prevention (QIPP) schemes for 2017/18. A QIPP value of £1m was included in the contract signed with NHSE, which has been reflected in the plan submitted to NHSI. However, to date only £0.5m has been quantified against proposed schemes by NHSE, and neither the Trust nor NHSE have been able to identify further schemes. If the remaining £0.5m is put back into the contract, this will improve the Trust's reported deficit. The budget assumes the worst case scenario, i.e. the income is deducted but our costs do not reduce.

2.1.7 In order to meet the Control Total in each year, £4.5m of unidentified income was included in the plan for 2017/18 and £7m in 2018/19.

2.1.8 The CCGs have jointly commissioned a Pricing Review, for which Terms of Reference have been agreed and bids received.

2.2 Cash Forecast 2017/18

2.2.1 The Trust has revised its forecast outturn for 2016/17 to a deficit of £11.9m, due to an improvement of £0.35m and receipt of Sustainability and Transformation Funding (STF) of £0.35m.

2.3 Budget Setting Process

- 2.3.1 Draft budgets were circulated in September and November, and the Finance Directorate have worked with budget holders to resolve queries and refer any cost pressures to the Chief Finance and Investment Officer for decision.
- 2.3.2 Budget Challenge meetings have been held with all Clinical and Executive Directors, which have focussed both on unresolved cost pressures and Cost Improvement Plans. All queries have now been successfully resolved.
- 2.3.3 Final budget books have been issued to all services and directorates and formal budget sign off by Clinical and Executive Directors will be initiated following agreement of the budget by the Board.

3. Cost Improvement Programme (CIP)

- 3.1 The Trust has a Cost Improvement Programme target for 2017/18 of £8.3m. The detailed programme is included at Appendix B. The phasing of savings have also been included, however where the estimated start date is shown as "TBC" the phasing is estimated.
- 3.2 The Trust now has identified schemes which will deliver the CIP target of £8.3m, although £0.6m of the schemes are risk rated red. £2.9m has been included in the programme relating to profit on disposal of estate.
- 3.3 Other new schemes have also been identified. These include:
- A target of £0.3m has been included for Overseas Visitors income. The Trust has invoiced the CCG for 2016/17 for £0.5m; however this has not yet been paid. Whilst it is uncertain whether the 2016/17 income will be recovered, income for 2017/18 should not be an issue;
 - Attention Deficit Hyperactivity Disorder (ADHD) income has been increased from £0.1m to £0.2m based on activity plans. This is a conservative estimate; depending on negotiations with the CCGs the final figure should be much higher.
- 3.4 Of the £8.3m of currently proposed schemes, only £3.2m are risk rated as green, with a further £4.5m risk rated amber.

Trust-wide Schemes

- 3.5 There are some schemes that will generate savings for more than one Service Line, the progress on these is summarised below:
- Adult Mental Health Pathway Review: Barnet have already consulted on their structure and a way forward paper has been issued. Their structure will be in place from 1 April, therefore this scheme is risk rated green. The Enfield and Haringey consultation periods are due to end by the end of March and the way forward papers will be prepared by the end of April. These schemes have been risk rated amber as the final savings will be dependent on the outcome of the consultation process;
 - Recovery Houses: A new contract has been awarded and transition to the new provider is underway with a contract go live date of 1 April. Savings of £160k for the Trust have been achieved, split between the three boroughs;

Estates

- 3.6 Each borough has a significant estates scheme for which a project proposal has been approved by the Improvement and Delivery Board. The next step is for a detailed Project Initiation Document and business case to be produced, which will include a full Quality Impact Assessment. Each scheme will require a full consultation process and a stakeholder

communication plan will be drawn up. More detailed timetables for each project are being prepared for early April.

- 3.7 The Director of Estates and Facilities has proposed reductions in budgets for utilities and maintenance contracts. Estates Service Level Agreements will be re-negotiated with a view to making savings. There will also be savings from the last stage of the telephony project, which involves giving notice on the switchboard services provided by other providers and centralising services at St Ann's Hospital. A project proposal is due to be produced outlining the potential savings and additional resource requirements.

Income Generation

- 3.8 Specialist Services have been successful in winning the tender for Enfield Substance Misuse Services and will begin providing the service from 1 April 2017.
- 3.9 Barnet have opened three additional beds on the Ken Porter Ward, a 30 bed continuing care facility. One bed was already being spot purchased, and two of the three new beds are occupied by patients transferred from Bay Tree House. The one remaining bed is being marketed for spot purchase. In addition, Enfield have started work on four additional beds at the Magnolia Unit and begun marketing the beds to other providers and local CCGs.
- 3.10 Barnet are working on an activity plan to reduce the waiting list for ADHD patients which requires agreement by the CCGs. This will result in additional income generation for the Trust and a dedicated Consultant has been recruited to support this service. The activity plan is being refined by the Trust and will then be shared with the CCGs for agreement. A project proposal is being prepared for presentation to the Improvement and Delivery Board on 20 March, which will include estimated income and any additional resource requirements.
- 3.11 A project has started on a Trust wide Health and Wellbeing in Schools service. This is in the very early stages, with only small savings being forecast for 2017/18.

Clinical Skill-mix Reviews

- 3.12 Enfield have started a Community Services Review Group and proposed £485k of savings from a combination of deleting vacancies and using an Integrated Locality Teams (ILT) approach. Approximately £100k of savings relates to deleting vacancies and reducing non pay budgets and will provisionally be implemented from 1 April. Further work is needed on the areas that will move to an ILT approach, including consultation and quality impact assessments. The Clinical Director needs to confirm the provisional savings before the end of April.

Non-Clinical Skill-mix and Non Pay savings

- 3.13 Barnet have reviewed Service Line management vacancies and will achieve savings of £40k from 1 April. Specialist Services are implementing speech recognition software which will result in the deletion of a vacant administration post. The Forensic wards have also reviewed their subscription television services, and will achieve savings of £17k from 1 April with further savings anticipated later in the year after a review of potential options for changing suppliers.
- 3.14 Corporate functions have also been set CIP targets at 4% of their total annual expenditure. Finance, Workforce and the Executive Director of Nursing, Quality and Governance have all identified savings to take effect from 1 April. The Chief Operating Officer is putting in place a business development function and is anticipating generating income.

- 3.15 In addition to the potential savings from the IT procurement plan, savings of £0.3m have been proposed due to the Trust's implementation of NHS Mail. This is currently risk rated amber whilst IT confirm the reduction in costs invoiced by the current provider.
- 3.16 All services have also introduced additional controls around printing, stationery, transport (secure, non-emergency and taxis) and interpreting. The impact of these controls is being monitored with the intention of reducing budgets where possible.

4. **Carter Review and Productivity**

- 4.1 The Carter Review for Mental Health has now started, with a visit to the Trust held on 22 February. This review is focussed on operational productivity and performance, with a similar approach taken to that in the acute trusts.
- 4.2 The Carter Review team have requested various datasets from the Trust, due to be submitted during March.
- 4.3 Enfield Community Services have set up a working group to review the results of the benchmarking report published in December, focussing on areas for which the Trust was reported as an outlier.
- 4.4 A working group is also being set up to benchmark internal services and examine variation within the Trust.

5. **Capital Investment Plans**

- 5.1 The proposed Capital Programme for 2017/18 is £7.55m; a separate report will be given to the Trust Board with further details.

6. **Risks**

- 6.1 In addition to service lines spending within budget, there are three other main risks to the achievement of the plan for 2017/18:
- 6.2 **Cost Improvement Programme (CIP)** – The achievement of the planned deficit of £4.6m is predicated on the identification of CIPs to meet the target of £8.3m. Currently there are schemes identified to meet the full target, however £0.6m is risk rated red and £4.5m risk rated amber. Therefore there is still some risk that the full target will not be achieved.
- 6.3 **Activity** – The Trust has incurred significant costs throughout 2016/17 due to the continued use of private beds. From July 2016, 10 beds were block purchased from another Trust and this arrangement has continued to the end of the financial year. In addition, private sector placements were also used. The forecast outturn for the purchase of additional beds for 2016/17 is £3.9m. A reserve of £1.9m has been included in the budget for 2017/18 which will fund the block purchase of 10 beds at another Trust for the entire year. The priority will then be to look at investment in credible alternatives to admission to attempt to control costs in the face of rising demand.
- 6.4 **Unidentified Income** – The achievement of the Control Total for 2017/18 includes £4.5m of unidentified income. This is phased in the final quarter of the year, and if the Trust does not achieve the Control Total there is a potential reduction in STP funding of between £0.3m and £1.1m.
- 6.5 **Non-NHS Contracts** – A number of contracts are subject to review by their respective owners including:
- The London Borough of Barnet who are reviewing their funding of the CAMHS service, for which income of £0.8m was received in 2016/17, along with £0.3m of

Future in Mind funding. They have signalled their intention to de-commission, however formal notice has not yet been given.

- The London Borough of Enfield have proposed a reduction in health visiting funding for 2017/18. This would only cover the direct clinical costs of the service, and would not cover the costs of administrative support posts nor make any contribution to overheads.

6.6 **IR35 “Intermediaries legislation”** – These rules are set out by HM Revenue and Customs (HMRC) and affect a contractor’s pay if they work for the Trust via an intermediary. On balance, these new rules should benefit the Trust, as agency staff may prefer to be contracted via the Trust’s payroll. The potential benefit is not yet possible to quantify, but will be monitored and reported throughout the financial year.

6.7 The table below shows an assessment of the best, likely and worst case scenarios for the forecast outturn for 2017/18, taking into account the risks above.

	Worst	Likely	Best
Budgeted Deficit 2017/18	(4.616)	(4.616)	(4.616)
Red rated CIPs	(2.449)	(2.449)	(2.449)
Profit on disposal	0.000	3.000	3.000
NHSE QIPP	0.000	0.000	0.500
Unidentified income	(4.528)	(4.528)	0.000
Private beds	(0.402)	0.000	0.000
LBB CAMHs de-commissioning	0.000	0.000	0.000
Health Visiting income	(0.700)	0.000	0.000
Brent CCG de-commissioning	(0.300)	0.000	0.000
Respiratory income	(0.300)	(0.175)	0.000
Cornwall Villa	(0.125)	(0.125)	0.000
Sustainability and Transformation Funding	(0.100)	(0.300)	0.000
Agency staff	(3.775)	(3.000)	(2.451)
IT budget improvement	0.700	1.400	1.400
Forecast Outturn 2017/18	(17.595)	(10.793)	(4.616)
Variance to control total	(12.979)	(6.177)	0.000

7. Next Steps

- 7.1 Clinical and Executive Directors will be issued with formal budget delegation letters for signature following the approval of the budget by this Committee.
- 7.2 Project Initiation Documents and business cases to be prepared for the estates CIP plans, including detailed consultation and stakeholder communication plans.
- 7.3 Project proposals to be presented to the Improvement and Delivery Board for ADHD income and switchboard, along with any further new schemes identified.
- 7.4 Project Board to be convened for the Complex Rehabilitation ward.

Forecast Outturn 2016/17 to Outline Budget 2017/18

The table below rolls forward the 2016/17 Forecast Outturn to the anticipated 2017/18 budget position. This has been updated to reflect the revised forecast outturn deficit of £11.9m (previously £12.6m):

	2016/17 FOT	Non- recurrent	Inflation Funding	Demographic Growth	Non- Demographic Growth	STF Funding	Unidentified Income	CIPs 2017/18	Pay Inflation/ Incremental Drift	Non Pay Inflation	Additional beds	Reserves	2017/18 Plan
Income	194,869	(1,988)	152	1,187	1,666	1,166	4,529						201,581
Pay	(151,524)	1,511							(3,791)				(153,804)
Non Pay	(42,875)	3,742			(1,366)			8,280		(2,677)	(1,935)	(2,500)	(39,331)
EBITDA	470	3,265	152	1,187	300	1,166	4,529	8,280	(3,791)	(2,677)	(1,935)	(2,500)	8,446
Other Expenditure	(13,059)									(3)			(13,062)
Surplus/(Deficit)	(12,589)	3,265	152	1,187	300	1,166	4,529	8,280	(3,791)	(2,680)	(1,935)	(2,500)	(4,616)

Cost Improvement Programme 2017/18

Scheme Name	Estimated Start Date		2017/18					2017/18 Phasing													
			CIP Target (4%)	RED	AMBER	GREEN	Total	Full Year Effect	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Barnet																					
CIP Target			£1,068																		
Priority Schemes																					
Ken Porter Ward	01/04/2017	Fully Developed			£120	£120	£240	£240	20	20	20	20	20	20	20	20	20	20	20	20	20
Adult Mental Health Pathway Review	01/04/2017	Fully Developed				£208	£208	£208	17	17	17	17	17	17	17	17	17	17	17	17	17
Recovery Houses	01/04/2017	Fully Developed				£53	£53	£53	4	4	4	4	4	4	4	4	4	4	4	4	4
Estates	TBC	Plans in Progress			£93		£93	£188											23	23	23
ADHD income	01/04/2017	Plans in Progress				£200	£200	£200	17	17	17	17	17	17	17	17	17	17	17	17	17
Health and Wellbeing in Schools	TBC	Opportunity			£9		£9	£9												3	3
Service management changes	01/04/2017	Plans in Progress				£40	£40	£40	3	3	3	3	3	3	3	3	3	3	3	3	3
Transformation income	01/04/2017	Opportunity			£30		£30	£30	3	3	3	3	3	3	3	3	3	3	3	3	3
Total				£ -	£252	£621	£873	£968													
UNIDENTIFIED			£195																	65	65
									64	64	64	64	64	64	64	64	64	64	88	156	156
Enfield																					
CIP Target			£2,302																		
Adult Mental Health Pathway Review	01/04/2017	Fully Developed			£261		£261	£261	22	22	22	22	22	22	22	22	22	22	22	22	22
Enfield Community Services	TBC	Opportunity			£485		£485	£485	40	40	40	40	40	40	40	40	40	40	40	40	40
Estates	TBC	Opportunity			£178		£178	£355	0	0	0	0	0	0	30	30	30	30	30	30	30
Recovery Houses	01/04/2017	Fully Developed				£53	£53	£53	4	4	4	4	4	4	4	4	4	4	4	4	4
Estates	TBC	Opportunity			£55		£55	£110							9	9	9	9	9	9	9
Magnolia Beds	01/04/2017	Plans in Progress			£258		£258	£500	22	22	22	22	22	22	22	22	22	22	22	22	22
Complex Rehab ward	TBC - Sept	Plans in Progress			£48		£48	£192												16	16
				£ -	£1,285	£53	£1,338	£2,049													
UNIDENTIFIED			£964						88	88	88	88	88	88	127	127	127	127	464	464	464
Haringey																					
CIP Target			£838																		
Adult Mental Health Pathway Review	01/04/2017	Plans in Progress			£181		£181	£181	15	15	15	15	15	15	15	15	15	15	15	15	15
Recovery Houses	01/04/2017	Fully Developed				£54	£54	£54	5	5	5	5	5	5	5	5	5	5	5	5	5
Estates	TBC	Plans in Progress			£178		£178	£454	0	0	0	0	0	0	30	30	30	30	30	30	30
				£ -	£359	£54	£413	£788													
UNIDENTIFIED			£425																	142	142
									20	20	20	20	20	20	20	49	49	49	191	191	191

