Barnet, Enfield and Haringey Mental Health NHS Trust

Trust Board

Finance Report to 31st December 2016

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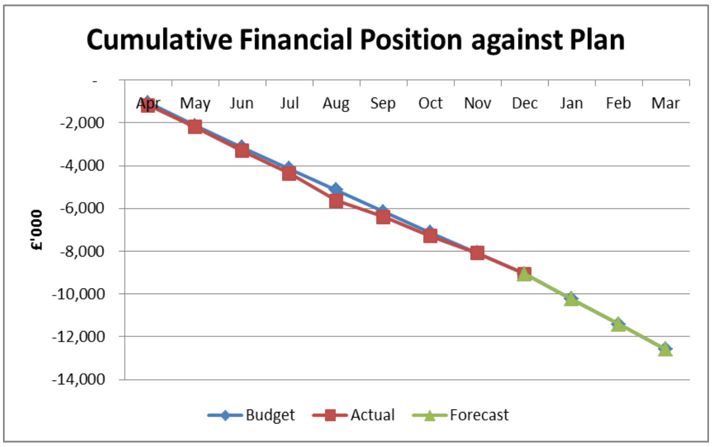
1. **Financial Performance Overview**

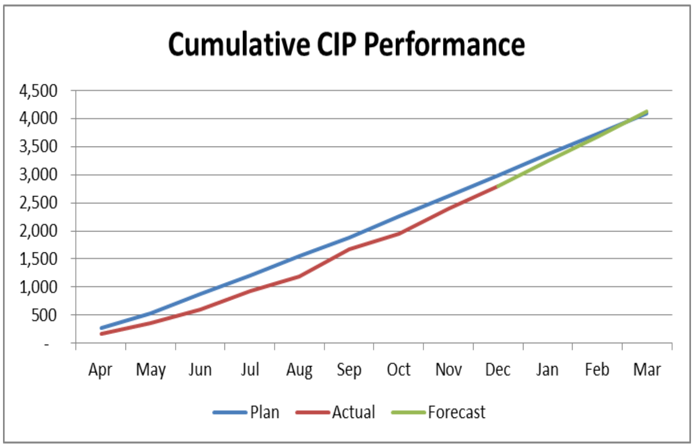
Achievement of Forecast

	£'000s		
	Budget	Actual	Variance
Month 9	(986)	(839)	147
Year to Date	(9,028)	(9,067)	(38)
Forecast	(12,589)	(12,589)	0

Budget/Actual - Surplus/(Deficit)
Variance to Budget - Favourable/(Adverse)

- Financial performance at the end of month 9 is a deficit of £9,067k against a planned deficit of £9,028k.
- The forecast outturn remains a deficit of £12.6m.





- Actual deficit better than plan by £147k in month.
- Continued pressure from expenditure on private beds of £441k in month (£2,907k YTD). However this is offset by reserves;
- The forecast outturn remains a deficit of £12.6m.
- The continued use of private beds is the most significant risk to the achievement of the forecast outturn.

Cost Improvement Programme (CIP)

- CIP performance is better than planned by £79k in month and is worse than planned YTD by £73k.
- The risk adjusted forecast is that the target of £4.1m will be achieved.
- Service Lines are continuing to work on their CIP proposals for 2017/18 and 2018/19. Further Challenge workshops will be held in January.

Key Areas of Risk

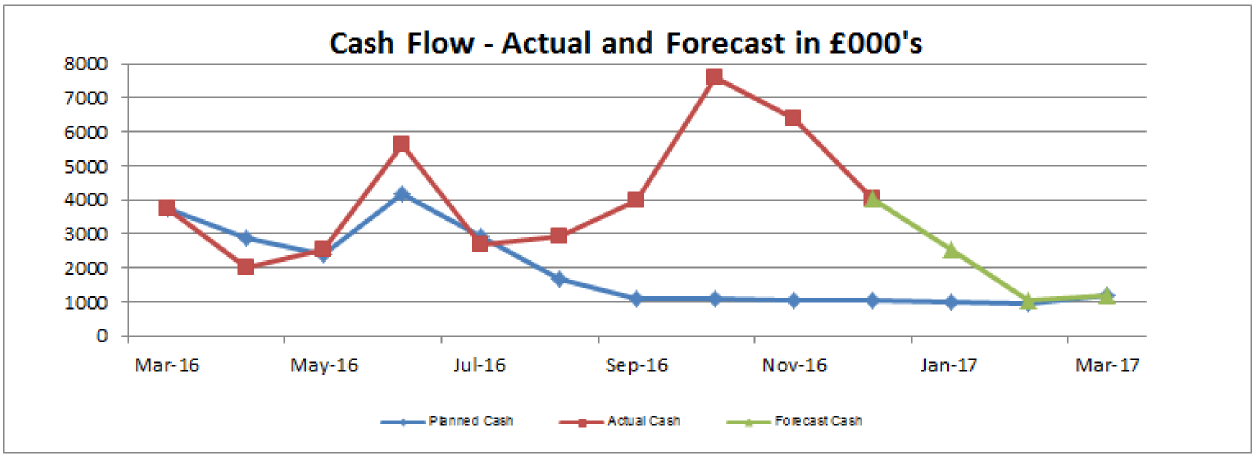
- Increased use of private beds, however the forecast assumes that the current level of usage continues, which is an average of 17 private beds per night in addition to the 10 block purchased beds from ELFT;

Actions to achieve the Forecast Outturn

- Bed management continues to be closely monitored at the fortnightly Improvement and Delivery Board. Discharge Intervention has transferred to borough responsibility. Plans are being drawn up to also transfer responsibility for bed management to borough teams;
- PMO focus on quick wins has so far focussed on printing, stationery and transport, with further action to come on hospitality, paid television services and newspapers. November data shows some reduction, although initiatives only started part way through the month;

Cash

- The favourable variance of £3.0m in cash is mainly due to creditors continuing at higher than planned levels (£9.8m) due to deferred income and specific creditors remaining unpaid whilst disputes are resolved (NHS Property Services and Royal Free Hospital).
- This is offset by debt recovery being £3.0m below plan and borrowing being £2.5m below plan.



Single Oversight Risk Rating

- The Trust scores 3 against the new NHS Improvement Single Oversight Risk Assessment Framework for both year to date and forecast outturn. This is detailed in section 7 of this report.

2. Financial Summary Year to Date - Income and Expenditure

The table below shows the values for planned and actual performance against the budgeted deficit of £12.6m submitted to NHS Improvement in April.

NHS Improvement informed us of a Control Total of £9.1m, £3.5m less than the budgeted deficit for the year. Year to date performance continues to suggest that the Control Total remains unachievable.

Annual Budget £000's		Mth 9 Budget £000's	Mth 9 Actual £000's	Mth 9 Variance £000's	YTD Mth 9 Budget £000's	YTD Mth 9 Actual £000's	YTD Mth 9 Variance £000's	Forecast Outturn £000's
186,572	Patient Care Income	15,552	15,582	30	139,869	140,264	395	186,572
8,268	Non Patient Care Income	996	901	(95)	6,292	6,239	(52)	8,268
(150,104)	Pay	(12,847)	(12,512)	335	(112,140)	(114,150)	(2,010)	(150,104)
(44,310)	Non Pay	(3,603)	(3,733)	(130)	(33,288)	(31,652)	1,636	(44,310)
426	**EBITDA**	**99**	**238**	**141**	**733**	**701**	**(32)**	**426**
0%	EBITDA %	-1%	-2%		1%	0%		0%
-	Profit / (loss) on disposal of assets	-	(1)	(1)	-	(5)	(5)	-
-	fixed asset impairment	-	-	-	-	-	-	-
(6,350)	Depreciation and Amortisation	(529)	(536)	(7)	(4,763)	(4,874)	(112)	(6,350)
(6,282)	PDC Dividend	(524)	(511)	12	(4,712)	(4,624)	88	(6,282)
(383)	Interest payable	(32)	(30)	2	(287)	(276)	11	(383)
-	Interest Receivable	-	1	1	-	11	11	-
(12,589)	**Surplus / Deficit**	**(986)**	**(839)**	**147**	**(9,028)**	**(9,067)**	**(38)**	**(12,589)**
-	Fixed Asset Impairments	-	-	-	-	-	-	0
(12,589)	**Surplus / Deficit including impairments**	**(986)**	**(839)**	**147**	**(9,028)**	**(9,067)**	**(38)**	**(12,589)**

Summary: The Trust's financial performance at the end of month 9 is a deficit of £9,067k against a budgeted deficit of £9,028k, giving an adverse YTD variance of £38k. The in-month position is £147k better than budget.

Income

- Total income is worse than plan by £65k in month (£407k better than budget year to date);
- Patient care income is better than budget by £30k in month, £395k better than budget YTD;
- Additional income of £41k in month (£244k YTD) is matched by expenditure on pay in relation to the Community Crisis Response Service and the continuation of A&E Liaison Winter Pressures funding;
- Non contracted activity income is better than budget by £148k in month (£610k YTD). This is due to actual billing being better than forecast, however a 50% provision has been made against these invoices;
- Income is lower than budget for the NHSE Public Health contract by £27k in month (£244k YTD) and for the London Borough of Enfield Health Visiting trajectory by £159k in month (£286k YTD);
- Non patient care income is worse than plan by £95k in month, £52k year to date;
- Non patient care income was worse than plan in month due to a budget uplift applied in month to reflect the latest income schedule from Health Education England;
- The income position now includes invoices for overseas visitors.

Pay

- The monthly pay bill was £335k better than plan in month, bringing the aderse variance YTD to £2,010k.
- The pay bill was better than plan in month due to an allocation of budget of £242k from Reserves to Enfield (impact of £182k in month), following agreement by Enfield CCG on the use of non-demographic growth funding in ECS;
- The other Service Lines are reporting a slightly improved position in month for pay, more detail is included in Appendix C.

Non Pay

- Non Pay is over spent by £130k in month and under spent by £1,636k year to date;

- The move to an over spent position in month is due to the transfer of non-demographic growth funding of £242k from reserves (impact of £182k in month);
- There is an over spend of £441k in month (£2,907k YTD) relating to private bed usage, which is offset by reserves.

Other Expenditure
- Relates to the PDC dividend, depreciation and interest payable;
- £7k better than budget in month and £6k over spent year to date.

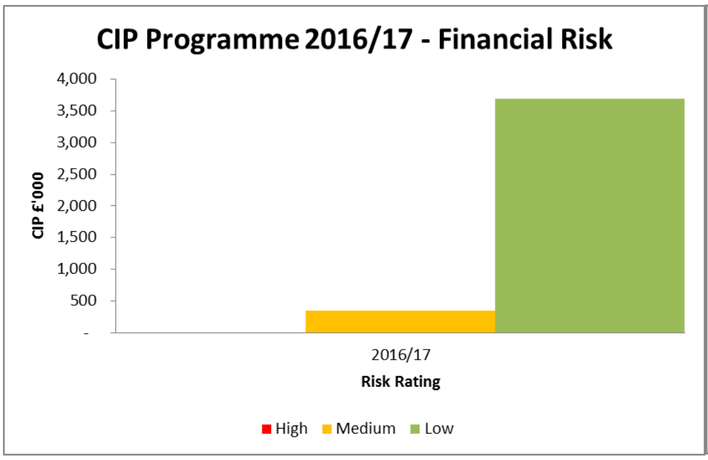
Other Emerging Issues
- There has been no further progress on the issues reported last month relating to:
    - NHS Property Services rental charges; and
    - CAMHs Future in Mind funding.

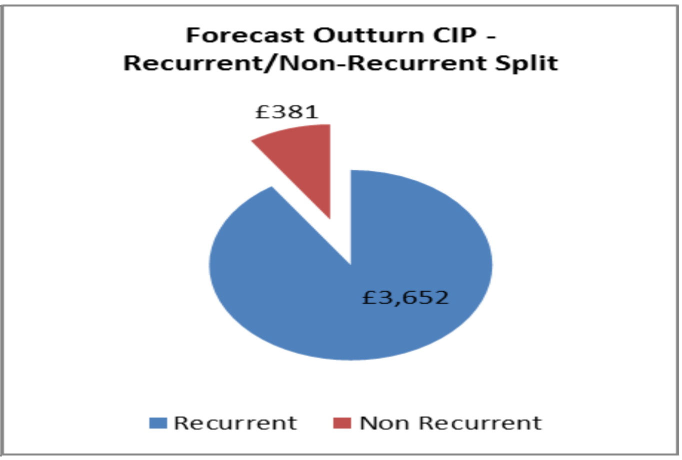
3. Cost Improvement Programme Monitoring

2016/17

The table below shows the performance against the CIP target at month 9.

	Month Plan £'000	Month Achieved £'000	Variance £'000	Plan YTD £'000	Achieved YTD £'000	Variance £'000	Full Year Plan £'000	Forecast Outturn £'000	Variance £'000	Full Year Effect £'000
Barnet	28	57	29	232	211	(21)	334	334	0	401
Enfield	74	90	16	508	620	112	746	890	144	994
Haringey	23	22	(1)	183	197	14	270	270	0	270
Specialist Services	42	39	(3)	346	375	29	507	507	0	311
Corporate	83	62	(21)	613	455	(158)	864	642	(222)	818
Estates	111	174	63	955	940	(15)	1,333	1,229	(104)	1,411
Trust wide	4	0	(4)	33	0	(33)	50	221	171	50
Total	**365**	**444**	**79**	**2,871**	**2,798**	**(73)**	**4,105**	**4,093**	**(11)**	**4,255**





<u>Barnet</u>

- Behind target year to date by £21k
- Ahead of target by £29k in month.
- Confirmed income from Ken Porter bed will bridge the gap of unidentified CIP for this year.
- On target to achieve CIP target for the year.

<u>Enfield</u>

- Ahead of target in month and year to date, and are forecast to exceed their CIP target for the year by £144k.

<u>Haringey</u>

- On target in month and ahead of target year to date.
- On track to achieve CIP target for the year.

<u>Specialist Services</u>

- Behind target by £3k in month and ahead of target by £29k year to date.
- On track to achieve CIP target for the year.
- £90k of identified CIPs for the year are non-recurrent.

<u>Estates</u>

- Ahead of plan by £63k in month and behind plan by £15k year to date;
- Further CIPs agreed in month from under spends. Forecast £104k short of target at year end.

2017/18 onwards

Progress

- Further scoping of Mobile Working project underway, with visits planned to Oxleas and Microsoft;
- Trust partnership with NELFT commenced on 1 January 2017 for procurement;
- Way Forward document published for Adult Mental Health Pathway review in Barnet and a Consultation paper is due to be published by end of January for Enfield. Haringey continue to progress in line with milestones;
- Analysis of reference costs, benchmarking and productivity underway in Enfield Community Services to inform CIP plan, focussed on integration of services and single point of access with the London Borough of Enfield. Full project plan and milestones to be presented to EMT shortly, along with high level savings;
- Controls are under review with a view to produce a standardised criteria for translation and interpreting services.

Risks/Issues

- Mobile Working is hugely dependent on effective IT capability and IT provider;
- Lack of alternative CIP plans, high weighting on estates with a high level of uncertainty currently around these schemes;
- Schemes still not identified in 2017/18 that meet the CIP target, and schemes in 2018/19 are few in number and high risk;
- Enfield services' run rate is high and unsustainable. Urgent focus required on the recovery plan.

Next Steps

- Formal consultation being progressed for translation services. The contract with a new provider has started, volume controls now need to be put in place;
- Business case for Magnolia beds in progress;
- Further meetings on Estates plans;
- CIP Challenge meetings and ideas sessions to be held in Barnet,Enfield and Haringey before the end of January, facilitated by the Turnaround Director;
- PMO to hold a session on the theory of divisional change with all boroughs.

Proposed CIP Programme 2017/18 and 2018/19

See Budget Setting update report also presented to this Committee for more details.

4. Balance Sheet

Annual plan		Opening B/Sheet	YTD plan	YTD Actual	YTD Variance	Year end forecast	Forecast variance
207,419	**Total Non-Current Assets**	207,374	205,681	204,678	(1,003)	206,698	(721)
	Current Assets						
92	Inventories	92	92	175	83	92	0
12,107	Receivables	14,492	11,810	14,848	3,038	12,107	0
1,174	Cash at Bank & in Hand	3,727	1,076	4,028	2,952	1,174	0
13,373	**Total Current Assets**	**18,311**	**12,978**	**19,051**	**6,073**	**13,373**	**0**
	Current Liabilities						
(24,441)	Payables	(25,257)	(23,416)	(33,229)	(9,813)	(26,043)	(1,602)
(10,700)	Borrowings	0	(2,500)	0	2,500	(9,100)	1,600
(498)	Loan, Current portion	(498)	(498)	(496)	2	(498)	0
(398)	Other current liabilities	(2,124)	(1,068)	(1,537)	(469)	(398)	0
(36,037)	**Total Current Liabilities**	**(27,879)**	**(27,482)**	**(35,262)**	**(7,780)**	**(36,039)**	**(2)**
184,755	**Non-Current Assets/Liabilities**	**197,806**	**191,177**	**188,468**	**(2,709)**	**184,032**	**(723)**
(9,754)	Creditors > 1 Year	(10,307)	(10,029)	(10,224)	(195)	(9,752)	2
(9,754)	**Total Non-current**	**(10,307)**	**(10,029)**	**(10,224)**	**(195)**	**(9,752)**	**2**
							0
175,001	**Total Assets Employed**	**187,499**	**181,148**	**178,244**	**(2,904)**	**174,280**	**(721)**
	Taxpayers and Others Equity						
147,814	Public dividend capital	147,814	147,814	147,815	1	147,814	0
(53,370)	Retained Earnings	(39,720)	(47,223)	(48,976)	(1,753)	(52,939)	431
80,557	Revaluation Reserve	79,405	80,557	79,405	(1,152)	79,405	(1,152)
175,001	**TOTAL**	**187,499**	**181,148**	**178,244**	**(2,904)**	**174,280**	**(721)**

Non-Current Assets: The variance arises from two factors. Firstly, the impact of the year end revaluation of land & buildings only being finalised after the plan figures were produced, which impacts both opening position and in year depreciation charges. Secondly, there has been a slippage in the capital programme YTD.

Cash: The favourable variance of £3.0m in cash is mainly due to creditors continuing at higher than planned levels (£9.8m) due to deferred income and specific creditors remaining unpaid whilst disputes are resolved (NHS Property Services and Royal Free Hospital). This is offset by debt recovery being £3.0m below plan and borrowings being £2.5m below plan as cash management has delayed the need for cash support to be received.

Current Assets: Current receivables are £14.8m at 31st December, £3.0m above plan. This is mainly due to Care UK, which was received in full on 4 January, and London Borough of Enfield.

Total Current Liabilities: Current liabilities (authorised invoices, accruals and deferred income) are £7.8m higher than planned. This is mainly due to £5.0m of advance payment of SLA income by local CCGs and some specific cases where payment is being withheld whilst disputed amounts are investigated and resolved. This is partially offset by expected borrowings being £2.5m lower than planned due to cash support from NHSI now not expected to be required until February 2017.

Reserves: The variance against plan arises from the impact of the year end revaluation of land & buildings only being finalised after the plan figures were produced.

5. Monthly Actual and Rolling 12 month Cash Flow Forecast at 31st December 2016

	Actual M01 16/17	Actual M02 16/17	Actual M03 16/17	Actual M04 16/17	Actual M05 16/17	Actual M06 16/17	Actual M07 16/17	Actual M08 16/17	Actual M09 16/17	Forecast M10 16/17	Forecast M11 16/17	Forecast M12 16/17	Forecast M01 17/18	Forecast M02 17/18	Forecast M03 17/18	Forecast M04 17/18	Forecast M05 17/18	Forecast M06 17/18	Forecast M07 17/18	Forecast M08 17/18	Forecast M09 17/18
Receipts from Operations																					
NHS SLA Income Receipts	11,763	11,763	14,565	13,638	13,484	13,639	13,467	13,552	13,757	13,763	13,763	8,763	13,588	13,588	13,588	13,588	13,588	13,588	13,588	13,588	13,588
Other Clinical Income	579	579	345	1,374	1,401	583	1,605	1,147	1,221	579	579	579	567	567	567	567	567	567	567	567	567
Receipts from Local Authorities	1,117	1,117	529	801	634	645	640	644	0	1,117	1,117	1,117	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Research, Education and Training	373	373	378	399	376	388	381	358	1,265	373	373	373	366	366	366	366	366	366	366	366	366
Other Non Clinical Income	758	758	301	248	248	273	254	694	241	758	758	758	743	743	743	743	743	743	743	743	743
VAT	395	457	227	141	106	369	617	367	484	240	240	240	235	235	235	235	235	235	235	235	235
Total Receipts from Operations	14,985	15,047	16,345	16,601	16,249	15,897	16,964	16,762	16,968	16,830	16,830	11,830	16,594	16,594	16,594	16,594	16,594	16,594	16,594	16,594	16,594
Operating Payments																					
Monthly Payroll (Net pay)	(6,360)	(6,432)	(6,558)	(6,465)	(6,573)	(6,519)	(6,664)	(6,429)	(6,592)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)
Statutory & Other Deductions from payroll	(4,455)	(5,214)	(5,113)	(5,108)	(5,159)	(5,192)	(5,112)	(5,318)	(5,065)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)
Non Pay	(4,269)	(3,297)	(5,587)	(5,945)	(5,689)	(5,538)	(5,368)	(5,588)	(5,666)	(5,769)	(5,769)	(5,766)	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)	(5,430)
Total Payments on Operations	(15,084)	(14,943)	(17,258)	(17,518)	(17,421)	(17,249)	(17,144)	(17,335)	(17,323)	(17,369)	(17,369)	(17,366)	(17,030)	(17,030)	(17,030)	(17,030)	(17,030)	(17,030)	(17,030)	(17,030)	(17,030)
Net Cashflow from Operations	**(99)**	**104**	**(913)**	**(917)**	**(1,172)**	**(1,352)**	**(180)**	**(573)**	**(355)**	**(539)**	**(539)**	**(5,536)**	**(436)**	**(436)**	**(436)**	**(436)**	**(436)**	**(436)**	**(436)**	**(436)**	**(436)**
Other:																					
PDC dividend						(3,432)						(3,141)						(3,141)			
Loan repayment						(249)						(248)						(248)			
Interest Paid						(186)						(179)						(179)			
Capital Expenditure	(54)	(172)	(196)	(182)	(309)	(154)	(255)	(354)	(472)	(955)	(983)	(1,348)	(600)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Capital slippage																					
Non recurrent income													3,100								
Interim Support received											4,900	6,500			600	500	1,000	4,500	900	1,000	900
Interest Received	1	1	1	1	2	1	1	1	1	1	1	1									
Movement in Creditors	(253)	(3,344)	1,375	1,032	6,965	(2,227)	(1,918)	(102)	(1,376)	(200)	(4,900)	4,659	(100)	(100)	(100)	300	(100)	(100)	(100)	(100)	(100)
Movement in Debtors	(1,288)	3,889	2,236	(3,107)	(5,877)	8,529	5,464	(79)	(79)	200	50	(509)	(800)	100	100	100	100	100	100	100	100
Other Movements	(4)	19	590	231	515	254	502	(92)	(92)	(5)	(5)	(79)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Net Movements in Other items	(1,598)	393	4,006	(2,025)	1,296	2,536	3,794	(626)	(2,018)	(959)	(937)	5,656	1,596	(504)	96	396	496	428	396	496	396
Net Cash flow Movement in Month	(1,697)	497	3,093	(2,942)	124	1,184	3,614	(1,199)	(2,373)	(1,498)	(1,476)	120	1,160	(940)	(340)	(40)	60	(8)	(40)	60	(40)
Bal b/fwd	3,727	2,030	2,527	5,620	2,678	2,802	3,986	7,599	6,400	4,028	2,530	1,054	1,174	2,334	1,394	1,054	1,014	1,074	1,066	1,026	1,086
Bal C/fwd	**2,030**	**2,527**	**5,620**	**2,678**	**2,802**	**3,986**	**7,599**	**6,400**	**4,028**	**2,530**	**1,054**	**1,174**	**2,334**	**1,394**	**1,054**	**1,014**	**1,074**	**1,066**	**1,026**	**1,086**	**1,046**
Original plan bal c/fwd	2,867	2,386	4,169	2,911	1,654	1,077	1,075	1,025	1,025	1,014	963	1,174									
Actual/Forecast Variance against plan	(837)	141	1,451	(233)	1,148	2,909	6,524	5,375	3,003	1,516	91	(0)									

Monthly Actual and Rolling 12 Month Cash Flow Forecast (cont.)

The cash flow forecast and forecast cash balances are based on the 2016/17 financial plan submitted to the NHSI on 15 April 2016. The cash position at 31st December 2016 was £4.0m, £3.0m above the 2016/17 plan. This is largely due to creditors being greater than planned due to deferred income arising from advance SLA payments by the local CCGs and payment being withheld in a couple of specific cases whilst disputes are resolved.

Due to the Trust continuing to operate at a deficit position the Trust will require cash support from NHSI in 2016/17. It has previously been forecast that the initial cash support would be required in September 2016 when it would be needed to meet the PDC and loan repayment requirements. However the Trust successfully negotiated an advance payment from the 3 main commissioners of £5.0m in month 6, which means that cash support is not required until February.

The total cash support available from NHSI in 2016/17 has now been confirmed at £12.6m and it is forecast that £11.4m will be required. The cash support is currently forecast to begin in the February 2017, with £4.9m being required in February and a further £6.5m in March. This significant requirement within a short time frame is due to long standing disputes regarding creditor balances expected to be resolved before year end, together with the need to make the six monthly PDC dividend and capital loan repayments in March which are over and above the normal monthly cash requirements.

This plan reflects anticipated movements in debtors and creditors based on historical performance. This cash position will continue to be closely monitored with potential variances being identified as soon as possible and appropriate actions implemented. The underlying position of cash support being required due to the I&E deficit position impacting on cash reserves remains the same in the longer term.

6. Capital Expenditure

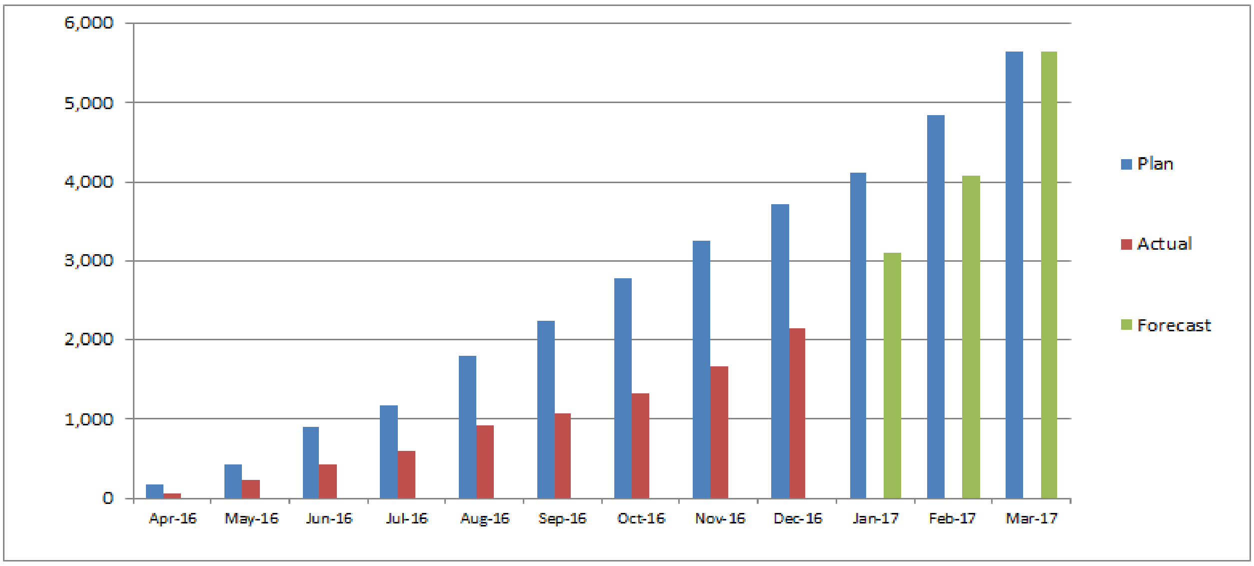
Plan	Description	Month Actual	Month Variance	YTD Actual	YTD Variance	Year end forecast	Forecast variance
£000	**Projects**	£000	£000	£000	£000	£000	£000
157	Statutory Compliance Projects	4	2	23	(125)	102	(55)
990	Risk Management Projects	25	11	170	(200)	675	(315)
820	Backlog Maintenance Projects	10	(41)	75	(98)	188	(632)
3,720	Information Technology Projects	323	(176)	1,471	(1,006)	3,608	(112)
100	St Ann's redevelopment	5	2	29	23	60	(40)
577	Other Projects	105	77	379	(14)	1,017	440
(714)	Contingency	0	0	0	0	0	714
5,650	**Total**	**472**	**(126)**	**2,147**	**(1,421)**	**5,650**	**0**
	Funding						
6,350	Depreciation (non cash)	536	(7)	4,874	112	6,507	157
0	Borrowings	0	0	0	0	0	0
0	Asset sales	0	0	0	0	0	0
(700)	Working capital	(64)	(119)	(2,727)	(1,533)	(857)	(157)
5,650	**Total**	**472**	**(126)**	**2,147**	**(1,421)**	**5,650**	**0**

The capital programme approved by the Board in March 2016 was for a total expenditure of £5,650k, although individual projects identified in the paper totalled £6,364k, leaving unidentified reductions of £714k required. The capital programme was subsequently reviewed and refined, such that a revised programme agreed in September resulted in a net £798k underspend in the year, giving rise to cash management benefits for the Trust. However, the Trust's forecast outturn and Capital Resource Limit ("CRL") remain unchanged at £5,650k for 2016/17 due to anticipated increases in the capital programme in 2016/17 from newly identified projects and refurbishment costs for the Seacole building at Chase Farm.

The capital programme will continue to be reviewed on a regular basis in light of the Trust's cash position and the changing capital priorities.

At the end of December capital expenditure is £1,421k under plan for the year to date. This underspend is due to the changes to the components and phasing of the capital programme compared with the original plan. It is forecast that the programme will be fully spent in 2016/17.

Cumulative capital spend and forecast v plan



7. Single Oversight Risk Rating

Financial Criteria	Metric	NHSI Risk Ratings					
		Year to Date			Full Year Forecast		
		Actual	Rating	RAG	Score	Rating	RAG
Continuity of Services	Liqudity Ratio (Days)	-30.3	4	●	-42.0	4	●
	Capital Servicing Capacity (times)	0.2	4	●	0.1	4	●
Financial Efficiency	I&E Margin (%)	-0.1	4	●	-0.1	4	●
	variance from I&E Margin (%)	0.0	1	●	0.0	1	●
	Agency spend	0.3	3	●	0.3	3	●
Weighted Risk Rating			**3**	●		**3**	●

As reported in the September 2016 board report, NHSI have issued a new Single Oversight framework with effect from 1 October 2016. This includes a Use of Resources ("UoR") rating to replace the current Financial Sustainability Risk Rating. The new UoR contains the existing 4 metrics but also has an additional metric relating to agency spend. All 5 metrics have equal weighting and the new ratings are still on a 1-4 range but with 1 now representing the best outcome and 4 the worst. Currently the Trust's FOT position results in a rating of 3. If the final deficit were to be worse than plan this rating would change to a 4. NHSI have stated that the new UoR ratings calculated in 2016/17 will not be used to identify any concerns or consequent support needs at providers in 2016/17. Instead they will be reviewed and used to consider how best to introduce them formally, with detailed definitions and thresholds if appropriate, in 2017/18 On this basis a FOT rating of 3 would potentially raise comment but not automatically lead to further measures.