

‘You matter, we care’

Trust Board meeting, Part 1	Date: 27 th November 2013
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Title:	Finance Report to 31 st October 2013– Month 7
Item:	BD/13/248

Executive Director lead and presenter	Interim Director of Finance
Report author(s)	Deputy Director of Finance

History:	N/A
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This report is for:	
Decision	X
Discussion	X
To Note	X

Executive Summary of Key Issues
<p>The report presents the Trust’s financial position as at Month 7 and resulting actions.</p> <p>The in month position shows a surplus variance of £65k reducing the year to date adverse variance to £362k in Month 7.</p> <p>Subject to the challenges described in this report, the Trust continues to forecast a year end surplus in line with the Trust budget of £600k.</p> <p>The Board are requested to approve the recommendations from Finance & Planning Committee listed in the Capital section (Section 6) on page 9 of this report</p>

This report addresses these Strategic Objectives:	
Consolidate	X
Integrate	X
Expand	X

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This report addresses these Values:		
Passion	Doing our best, all of the time	X
Respect	Listening, understanding and valuing what you tell us	
Integrity	Being open, honest, straightforward and reliable	X
Diversity	Relating to everyone as an individual	
Excellence	Striving to provide the highest quality support	X

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1. Overall Trust Income and Expenditure

1.1. The income and expenditure position to the end of October 2013 (Month 7) is summarised below:

Trust wide position	Budget Month	Actual Month	Variance Month	Budget YTD	Actual YTD	Variance YTD	Full Year Budget	Full Year Forecast	Full Year Variance	2012/13 Full Year Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct Income	15,783	15,848	65	110,400	112,541	2,141	189,300	194,448	5,148	5,501
Total Operating Income	15,783	15,848	65	110,400	112,541	2,141	189,300	194,448	5,148	5,501
Pay costs	(13,067)	(12,081)	986	(83,710)	(84,149)	(439)	(138,141)	(140,666)	(2,525)	(6,868)
Non pay costs	(1,272)	(2,038)	(767)	(16,352)	(18,293)	(1,942)	(33,352)	(36,011)	(2,659)	1,379
Total Operating Expenditure	(14,338)	(14,120)	219	(100,061)	(102,442)	(2,381)	(171,493)	(176,677)	(5,184)	(5,490)
EBITDA	1,444	1,729	284	10,338	10,098	(240)	17,807	17,772	(36)	11
Depreciation	(498)	(493)	6	(3,452)	(3,511)	(60)	(5,944)	(5,967)	(23)	10
Amortisation	0	0	0	0	0	0	0	0	0	0
Interest Receivable	3	3	0	19	24	5	32	44	12	8
Interest Payable	(2)	0	2	(14)	(3)	11	(24)	(3)	21	(11)
Profit /(Loss) on disposal of assets	50	0	(50)	50	0	(50)	50	104	54	43
Interest element of PFI Unitary Charge	(454)	(462)	(8)	(3,220)	(3,217)	3	(5,491)	(5,500)	(9)	5
PDC Dividends payable	(306)	(304)	2	(2,115)	(2,155)	(40)	(3,646)	(3,674)	(28)	(61)
Trust Operating Surplus / (Deficit) [NTDA control total]	236	473	237	1,607	1,236	(371)	2,785	2,776	(9)	6
Impairments	(148)	(326)	(178)	(1,036)	(1,036)	0	(1,776)	(1,776)	0	(276)
IFRIC 12 *	(35)	(30)	5	(234)	(225)	9	(408)	(400)	9	8
Donated Asset Reserve elimination	0	0	0	0	0	0	0	0	0	16
Financial Surplus / (Deficit)	53	118	65	337	(25)	(362)	600	600	0	(248)

* - Value of net change from UK GAAP / ESA95 to IFRS for IFRIC12 schemes included in Plan (excluding impairments)

1.2. Trust direct income is explained in the following table

	Current Month			Year to Date			Forecast		
	Plan	Actual	Variance	Plan	Actual	Variance	Plan	Outturn	Variance
Block Income	15,229	15,032	(197)	106,525	106,575	50	182,658	184,499	1,842
Education, Training & Research	498	595	98	3,483	3,978	495	5,971	7,179	1,208
Income Generation	6	17	12	39	221	182	67	300	233
OOA	0	41	41	0	855	855	0	1007	1,007
Other Income	50	163	112	353	912	559	605	1,463	858
Total Operating Income	15,783	15,848	65	110,400	112,541	2,141	189,300	194,448	5,148

1.3. Budgets for Education, Training and Research Income were set prior to the actual allocations being known. The Trust has since been informed that this income will be approximately £1M higher than these budgets.

1.4. The Trust is meeting its CQUIN targets and at Month 7 is forecasting a year end income of £3,822k in line with budget. Any risks inherent with delivery are being

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monitored monthly at the Performance and Contract Management meeting.

- 1.5. The full year variance on pay of £2.5M reflects the additional staffing we will incur, partly related to winter pressure funding and s136 income included in the variance of £1.8M on block income shown in the table above.
- 1.6. Non pay expenditure is forecast to be £2,659k overspent by the end of the year. The following table highlights the principal forecast overspends:

Forecast non pay overspend £2,659k - main adverse variances			
Corporate Directorate		Value (£ 000)	Comment
OOA		1,330	The majority (£1,007k) of these costs are forecast to be recharged to commissioners
SDAS	Clinical supplies	649	£375k relates to additional activity agreed with commissioners (Bristol SDAS contract) and fully covered by additional income and there are also some sundry overspends also in SDAS
Bristol	Drugs	213	Increased volume of prescribing by Bristol Recovery Teams, particularly Risperidone
Swindon	Drugs	181	Memory service drugs as part of waiting list initiative. Covered by additional income
Total		2,373	

- 1.7. The forecast cost pressure on OOA for the year has reduced to £323k from £353k in Month 6 based on continuing reductions in PICU use. Since the summer there has been use of OOA for acute service users, reflecting the pressure on mental health beds felt across the country. The forecast assumes that the commissioners will pay for this additional volume if the Trust can prove the increased charges are valid.

2. Trust Contingency

- 2.1. The Trust Contingency for 2013/14 has been set at £1,000k. As at Month 7 the planned use of this contingency is shown in the following table:

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	£ 000	£ 000
2013/14 Trust Contingency		1,000
<u>Planned usage of contingency</u>		
support to the Bristol tender	(100)	
support of organisational change	(49)	
Additional costs associated with the disposal of Windswept	(18)	
2013 MARS scheme and other HR change / transition costs	(833)	(1,000)
Contingency remaining		0

3. Balance Sheet

3.1. The Balance Sheet to the end of October 2013 is summarised below / over:

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	As at 31st October 2013 Actual	Full Year at 31st March 2014		
		Plan	Forecast	Variance
<u>NON CURRENT ASSETS</u>	156,521	156,748	161,528	4,780
<u>CURRENT ASSETS</u>				
Assets Held for Sale	903	325	-	(325)
Inventories (Stock)	493	227	493	266
Receivables (Debtors): Other	8,556	3,866	6,043	2,177
Prepayments	4,109	2,739	4,109	1,370
Cash and Cash Equivalents	7,495	10,330	10,330	-
Cash and Cash Equivalents on deposit		-		-
Total current assets	21,556	17,487	20,975	3,488
TOTAL ASSETS	178,076	174,235	182,503	8,268
<u>TAXPAYERS EQUITY</u>				
Public Dividend Capital	99,552	99,552	99,552	-
Revaluation Reserve	25,187	25,618	25,041	(577)
Retained Earnings	(9,607)	(10,043)	(9,607)	436
IFRIC 12 Reserve	(1,109)	(1,109)	(1,109)	-
Surplus for 2013/14	(25)	600	600	-
Total Taxpayers Equity	113,997	114,618	114,477	(141)
<u>NON CURRENT LIABILITIES</u>				
PFI Borrowings due after 1 Yr	46,260	45,896	45,896	-
Provisions payable after 1 yr	1,372	1,453	1,480	27
Total Non Current Liabilities	47,631	47,349	47,376	27
<u>CURRENT LIABILITIES < 1 YEAR</u>				
Payables (Creditors)	6,322	6,109	10,347	4,238
Accruals	7,125	4,561	7,365	2,804
Deferred income	1,435	508	1,264	756
PFI Borrowings due within 1 year	759	874	874	-
Provisions payable within 1 year	807	216	800	584
Total Current Liabilities	16,448	12,268	20,650	8,382
TOTAL EQUITY & LIABILITIES	178,076	174,235	182,503	8,268

3.2. The Statement of Financial Position (Balance Sheet) remains strong as at Month 7. The key risk in the Balance Sheet is increased forecasted payables balance and the current requirement to maintain a forecasted cash balance of £10.3M. The payables are being forecast to be higher due to the need to meet this year end EFL cash target

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at 31st March 2014. The forecast provisions payable within one year is higher than planned and this may continue to increase if additional liabilities are identified in the coming months.

- 3.3. PSPP performance for the year to date is 92% of invoices paid for non NHS (88% in Month 6) and 71% for NHS. (86% in Month 6). The target is 95%. The overall decrease is due to numerous Service Level Agreement invoices being paid outside the 30 day payment term. This has now been resolved and the backlog of invoices have been processed which should increase the percentage going forward.

4. Cash Liquidity Position

4.1. The year to date cash flow and forecast are shown in the table below:

	Plan October	Actual October	Variance	Forecast Mar
	£'000	£'000	£'000	£'000
Opening Balance	9,219	8,862	(357)	11,075
Revenue				
NHS Block Total	12,851	10,581	(2,270)	127,172
Local Authority Block Total	2,233	1,143	(1,090)	14,696
MPET & R&D Total	471	597	126	6,059
Invoiced Income Total	0	3,982	3,982	42,665
Other Income Total	82	347	265	4,512
Total	15,637	16,649	1,012	195,104
Expenditure				
Salaries & Wages	(7,102)	(6,914)	188	(78,430)
TAX & NI	(2,718)	(2,647)	72	(31,359)
Pensions	(2,027)	(1,974)	54	(23,319)
Non Pay Expenditure	(2,962)	(6,309)	(3,347)	(58,280)
Miscellaneous Expenditure	0	(117)	(117)	(1,239)
Total	(14,810)	(17,960)	(3,150)	(192,628)
Net Cash Flow before Financing	827	(1,311)	(2,138)	2,476
Financing				
Fixed Asset Disposals	(37)	0	37	1,023
PDC Paid	0	0	0	(3,674)
PFI Charges	(50)	(50)	(0)	(602)
Total Financing	(87)	(50)	37	(3,254)
Cash	0	33	33	33
Closing Balance (inc deposits)	9,959	7,534	(2,425)	10,330
FIMS PLAN*	9,959	9,959	0	10,330
Variance to plan ahead/(behind)	0	(2,425)	(2,425)	0

4.1 Cash is £2,425k lower than planned at £7,534k. Note that this figure differs from the cash balance in the Balance Sheet (ledger position) of £7,495k due to a timing difference on BACS payments. The key reason for the shortfall against plan is that the Trust has spent more on non-pay than planned for the month due to an additional

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supplier payment run being made during the month. The Table above does however reflect in month figures so although pay is overspending for the Trust, the cash spent on pay in Month 7 was below the cash forecast for the month.

- 4.2. There is offsetting income however where we have received CQUIN and block income monies of circa £1m that were not forecasted as shown above. There has been some risk raised at the Month 7 stage around CQUIN monies from Swindon CCG and this is around the Trust being asked to provide further assurance that the targets have been achieved. The Trust is taking this forward through its Contract and Performance meetings.
- 4.3. The Trust is forecasting to achieve a 31st March 2014 cash balance of £10,330k in order to meet its EFL target. The Trust has received the new continuity of service risk ratings that will apply as a Foundation Trust and more technical detail around these new metrics can be provided on request. The Trust has a current overall score of 4 for the new metric but could plan to reduce its forecast cash balance of £10.3m down to circa £2m and still maintain a good score. This scenario planning can be reported in more detail as part of providing more technical detail around this if required.
- 4.4. The cash position and forecast can only be achieved if the Trust financial position as reported is achieved. It is therefore assumed in these forecasts that the Trust will deliver on its current plans to address its budget overspend.
- 4.5. The Trust's long term (five year planning) position on cash remains that it will increase yearly cash balances through steadily rising EBITDA balances and the impact of asset disposals and that capital spend will be limited to depreciation. This again assumes that the Trust has effective Cost Improvement Plans that are delivered.

5. Continuity of service risk rating (New Monitor Risk Rating)

5.1. We have calculated the metrics for the new continuity of service risk rating for:

- The financial year 2012/13
- Months 3 to 7 of the 2013/14 financial year
- An outturn forecast for 2013/14

	2012-13	2013-14	2013-14	2013-14	2013-14	2013-14
	Full Year	Month 4	Month 5	Month 6	Month 7	Forecast
Liquidity ratio (days)	(0.4)	6.9	6.9	6.9	6.9	6.7
Liquidity ratio score	4	4	4	4	4	4
Capital servicing capacity (times)	1.7	1.9	1.9	1.8	1.8	1.9
Capital servicing capacity score	2	3	3	3	3	3
Overall risk rating	3	4	4	4	4	4

5.2. It can be seen that the overall new risk rating for 2012/13 was a 3 and for 2013/14 we are currently achieving a 4, which is now the highest score that can be achieved,

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however this is depended upon the Trust achieving its original forecast plan.

5.3. Under the old Monitor risk rating methodology, which has been replaced by the Continuity of Service rating with effect from 1st October 2013, we are currently running at an overall risk rating of 3 out of 5.

6. 2013/14 Capital Programme update from Investment Planning Group.

6.1. The table below shows the current position on the 2013/14 capital programme:

	Authorised Operating plan £'000	Capital Envelope Authorised Expenditure £'000	Actual Spend 2013/14 £'000	Schemes Rolling into 2014_15 £'000
Schemes in Authorised Capital envelope				
Sub total of Authorised Capital envelope	4,398	5,099	1,865	1,965
Schemes not yet authorised by Trust Board @ Month 7:				
Space Rationalisation The Coast Resource Centre	225	237	0	0
Feasibility space utilisation at Hillview	0	50	0	0
Beechly Dene Furniture	0	24	0	0
Feasibility Data Centre reprovision	0	20	0	0
Total bids awaiting approval	225	331	0	0
Schemes not yet authorised	1,675	120	0	3,650
Current forecast under / overcommitment on capital envelope	(294)	454	0	0
Grand Total	6,004	6,004	1,865	5,615

6.2 Schemes in Authorised capital envelope

At month 7, the Openscape telecoms project will be reduced by £135k and slipped in 2014/15. A further two IT schemes will be reduced by £120k as the costs will be lower than originally expected. For the Fountain Way site optimisation scheme this will be increased by £30k to include the site wide access control system.

With an anticipated total under commitment of £454k it is intended that all schemes approved and awaiting approval are phased accordingly, to ensure the capital programme is fully utilised to meet the Trust's objectives.

6.3 Capital schemes awaiting approval

North Somerset space utilisation (£237k, 2013/14)

To provide improved and compliant accommodation which makes optimum use of existing space at The Coast Resource Centre and Long Fox Unit.

Feasibility space utilisation Hillview (£50k, 2013/14)

To undertake feasibility works on building work required to significantly upgrade the inpatient and therapies environment at Hillview Lodge.

Beechlydene furniture (£24k, 2013/14)

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To procure furniture on the Beechlydene adult acute ward at Fountain way.

Feasibility for the Data Centre Re-provision (£20k, 2013/14)

To undertake feasibility work for the development of the scheme into a full business case. Removing the £500k set aside in the schemes not yet authorised for 2013/14.

6.4 Current disposal programme

At Month 7, informal tenders were received for the sale of Windswept. The Board will be asked to approve the best offer in the private session of this meeting. In the light of this best offer the totals surplus on disposals for 2013/14 has been revised to £104k.

6.5 Capital Programme Decisions

The Finance & Planning committee are asked to agree:

- The revised changes to the authorised capital schemes for 2013/14
- The revised changes to the not yet authorised capital schemes for 2014/15.
- North Somerset space utilisation (£237k 2013/14)
- Feasibility of space utilisation (£50k 2013/14)
- Beechlydene furniture (£24k 2013/14)
- Feasibility for the Data Centre Re-provision (£20k, 2013/14)

7. Conclusion

7.1. Month 7 has shown a marked improvement in financial performance. Not only is the month in surplus, but the favourable variance has started to reverse the cumulative shortfall in the year to date position.

7.2. The Balance Sheet and Cashflow continue to look robust and this is reflected in the new Monitor risk rating, which remains at a 4.

7.3. Subject to the challenges described in this report, the Trust continues to forecast a year end surplus in line with the Trust budget of £600k.