BIRMINGHAM AND SOLIHULL MENTAL HEALTH NHS FOUNDATION TRUST

BOARD OF DIRECTORS TO BE HELD ON WEDNESDAY 23 FEBRUARY 2011

MONTH 10 FINANCE REPORT

ACTION:

The Board is asked to note the contents of the report and the risks highlighted to the year end forecast.

Corporate Financial Performance

- EBITDA of £12.6m (6.7%) and 'bottom line' I & E surplus of £0.2m (0.1%).Year to date Financial Risk Rating remains at 4,
- Excluding the impact of the impairment the 'operating' surplus position of £4.0m remains ahead of the original phased plan of £2.6m although this is largely due to the timing of key projects and therefore the benefit should be treated as non recurrent.
- The in month surplus of £0.3m is lower than previous months and represents a slow down in the run rate, as anticipated.
- Allowing for a range of potential risks, a 'bottom line' deficit of £1.9m is still forecast, allowing for key project spending and year end provisions. This could be higher based on a judgement on potential exit costs likely to arise in 2011/12 associated with Commissioner plans to reduce spending on mental health services. Year-end Financial Risk Rating is still forecast as a 3.

Divisional / Service Line Analysis

- Divisions are now showing an overall year to date under performance of £1.4m, a deterioration of £0.3m from month 9.
- AWA is reporting an under performance of £1.1m. The main pressure continues to be on senior medical staff in community services as well as risks against healthcare income. It is forecast that the Division will hold this position by year end.
- The YASCC division has seen its position slightly worsen in month with an YTD underperformance of £0.6m. Based on current trends, it is forecast that the division will end the year with a £0.7m under performance, in line with previous forecasts. Approximately £0.4m is attributable to Main House with the balance related to pressures in the Youth and Secure service lines.
- MHSOP continues to perform well with an over-performance of £0.3m.
- Corporate budgets are also within budget.

Healthcare Income

- We continue to work with Pan Birmingham Commissioners to try to manage the overall activity levels within the lower contracted levels. As previously stated, the overall level of Birmingham activity remains broadly constant with the previous year, but in the absence of demand management plans, it had previously proved difficult to reduce activity down to plan. However the Trust agreed to try to reduce Eating Disorder inpatient activity in particular in line with contracted levels in the second part of the year. At present, the Birmingham contract is reporting an over performance of £1.1m, however this has slowed in the last 4 months.
- Overall occupied bed days have again remained lower, consistent with prior month. A full analysis by service line is included within the appendices. Part of the reduction was planned

through the move to Moseley Hall, although the following should be noted;

- Womens PICU occupancy has fallen significantly from the required 85% level predicted in the business case approved by Trust Board
- Acute occupancy has fallen to 83%- partly due to reducing occupancy in Solihull ahead of the ward reconfiguration. However, this will be followed up in more detail to ensure there are no other adverse trends.
- Rehab / NAIPs beds – AWA have been tasked to increase occupancy in Endeavour House which has fallen below 70%.

Spending Patterns

- Pay spend has increased in month by circa £0.3m, which is in part due to an extra accrual for deferred incremental pay drift and also a rise in nursing bank costs in AWA, which it is hoped is a seasonal issue related to sickness.
- Medical locum and agency costs have again remained at lower levels for the 3rd consecutive month, although spending still remains over budget. The forecast overspend on senior medical staff is still predicted to be over £1m for the year, although it has been made clear that this cannot continue into 2011/12. Additional analysis on medical locum/agency spend is included in the appendices. This shows the following;
  - The financial pressures are mainly in AWA services.
  - Consultant locum / agency spend has remained fairly constant – equating to about £1.5m in a full year. Albeit this masks a clear reduction in use within Acute services offset by an increase in CAPs, driven largely by the creation of 5 WTE new Consultant posts following a review of skill mix as part of rebasing medical staffing through functionalisation. This position is currently being reviewed by the Medical Directorate in view of current commissioning intentions to reduce funding.
  - Middle Grade locum/agency spend has virtually halved from levels seen earlier on this year.
- Non pay spend is broadly consistent, with the main overspending pressure continuing to be drugs spend. Encouragingly, Respiredone Consta spending is beginning to fall marginally albeit dementia drugs costs continue to rise and pass through costs have been raised again with commissioners.

Cash Releasing Efficiency Savings(CRES)

- Having already delivered £20m of efficiency savings over the previous 3 years, CRES requirements from Commissioners remain the biggest challenge for the Trust going forward. In 2010/11, schemes totalling £8.4m per annum have been planned against a £7m target.
- Strategic schemes have a planned full year effect of £5.2m, with £2.2m needed to be delivered in year. At month 10 £2.5m has been removed from budgets, therefore the in year balance has been achieved. Within month 10 savings have been recognised relating to the reduction in surplus inpatient capacity in Solihull and the reconfiguration in older adults services. However, the £1m de-layering savings will now be delivered in Q1 of 2011/12.
- Divisional productivity schemes totalling £3.2m have been approved and are reported as being in hand. These will continue to be monitored.
- Therefore, at present it is expected that the £7m 2010/11 CRES target will be achieved, ensuring that no brought forward deficit is taken into the next financial year, which promises to be extremely challenging.

Capex

- As at Month 10, capital expenditure is under spending against plan by c£2.5m. This is a combination of slippage on the Yardley Green scheme; minor building schemes and under-spends against planned schemes.
- The funding for the Yardley Green scheme has now been secured and the first draw down made in January. The work is anticipated to start towards the end of February 2011 with completion of construction before the end of 2012.

Risk

- Sensitivity analysis has been carried out around the projected £1.9m year end deficit position (after impairment) which indicates that the best case scenario would be a surplus of £0.2m and the worst case scenario would be a deficit of £4.8m. It should be particularly noted that the surplus assumes slippage in key projects (e.g delayering) which would simply push back exit costs to 2011/12.
- After further modelling, it has been confirmed that the EBITDA and net margins can afford to swing by £1.4m from the current projected position before triggering a FRR of 2.
- Residual risks are considered to be;
  - PCT final contractual settlement
  - Delivery of CQUIN schemes
  - Timing and magnitude of exit cost provision
  - Control of year end spending against under-spending budget lines.

Contract variations

- No further updates to report.

BOARD DIRECTOR SPONSOR: Chris Tidman, Deputy Chief Executive / Director of Resources

APPENDIX:

Appendix 1 – Financial dashboards