

**BIRMINGHAM AND SOLIHULL MENTAL HEALTH NHS FOUNDATION TRUST****BOARD OF DIRECTORS TO BE HELD ON WEDNESDAY 25 MAY 2011****MONTH 1 FINANCE REPORT****ACTION:**

The Board is asked to note the contents of the report and the reported month end position.

**Corporate Financial Performance**

- EBITDA of £1m (5.5%) and a breakeven I & E position.
- This £0.2m behind the plan for the month. The key variances are for income where there is an under recovery of £0.3m.
- This delivers a Financial Risk Rating of 3.

**Divisional / Service Line Analysis**

- Divisions are showing an overall year to date under performance of £0.4m (2.8%) with the underperformance being seen across all Divisions.
- The key issue is that operational savings plans have not yet impacted and levels of pay and non pay expenditure have remained at previous levels. The level of headroom in budgets has reduced from last year and so this cannot be absorbed.
- Divisions are currently working to identify further recurrent and non recurrent savings to manage this. This is being reviewed through meetings with the Chief Executive and Director of Resources.

**Healthcare Income**

- Overall healthcare income received was behind plan by £0.2m.
- A significant proportion of the contracts have now moved to block as we work through the redesign process with commissioners. Services which are still cost and volume include secure services, non-acute inpatients and specialties. All services have seen an underperformance in month.
- Men's and women's secure services have now increased occupancy levels in line with the contract.
- Lower occupancy levels in specialties has impacted on both contracted and cost per case income targets. There has been a reduction in referrals, particularly in mother and baby and deaf services. Management are meeting with clinical teams to develop an action plan to increase this and to look at staffing levels.

**Spending Patterns**

- Pay spend in month has remained fairly consistent with last year.
- Overall the nursing budgets are over spent by £0.2m. In month 1 the costs are c£0.2m lower than the average seen in the prior year, the majority of which is due to the reduction of the IAPT/primary care service from 1 April. Bank and agency was broadly consistent with the average cost in the prior year.
- Overall, medics budgets are over spent by £30k at month 1. The expenditure in month 1 has decreased by c£0.1m from the average seen in 2010/11. This is due to a decrease in the medical agency and locum spend. Historically this has been a significant cost pressure for AWA, this follows the implementation of plans to reduce the number of agency locums.

### **Savings targets**

- The savings target for 2011/12 is £9m with a full year effect of £12.5m.
- This is split between strategic schemes and a 4% operational savings target across all services.
- Divisions continue to work to identify operational savings and how the position will be managed during the interim.
- A breakdown of schemes is included with the appendices.

### **Capex**

- The capital plan for the year is £30m, of this £23m relates to Yardley Green.
- As at the end of month 1, £1.1m has been spent against a plan of £1.5m. The variance being due primarily to the Yardley Green scheme, this is expected to catch up in the following months.

### **Working capital**

- The Trusts cash position is £29.3m at the end of month 1. It is forecast that cash generated from operations in the year less the payment of exit costs from 2010/11 will be cash neutral but funding of the capital programme will result in the cash position deteriorating by £10m in year.

### **Risks**

The key risks to the delivery of the financial plans are considered to be:

- Delivery of savings schemes – the target for 2011/12 is higher than previous years and delivery of the savings on a recurrent basis is challenging;
- Loss of income – given the pressures facing commissioners there is a risk that there will be a further loss of income in particular in our regional specialty services where commissioners are increasingly asking for prior approval;
- Devolvement of budgets – the implementation of the new operating structures may lead to some loss of control over budgets in the short term, in particular the budgets currently under spending and supporting the position may see an increase in expenditure.

The impact of these is being quantified and a full range of sensitivities will be presented from month 2.

**BOARD DIRECTOR SPONSOR:** Georgina Dean - Director of Resources

### **APPENDIX:**

*Appendix 1 – Financial dashboards*