Welcome to our Council of Governors’ Meeting

“Building confidence”

Julie Dawes, Interim Chief Executive

A review of 2016/17 and looking ahead to 2017/18
About us

Our services

– Mental health community, inpatient and specialised services
– Learning disabilities community and inpatient services
– Community physical health services
– Children and family Services
1.47 million
Contacts with people in the community

6,000+
Staff

247,000
Occupied bed days

93%
Of patients asked would recommend us to friends and family

9,000+
Public members

£300 million
Funding to deliver our services
What drives us?
Our values

Patients and people first
Respect
Partnership
Our challenges

Care quality and safety
Reporting and investigating incidents
Involving service users and families
Finances
Recruitment and retention
Getting services fit for the future
Progress made

Providing the best possible services today:

- Improved quality, safety and governance
- Working with families and carers
- CQC warning notice lifted
- Staff engagement
- Met all our national targets for the year
- Met some of our local and internal targets
Progress made

Transforming services for the future:

- Clinical Services Strategy
- New models of care: Better Local Care
- Mental Health Alliance
- Secure Mental Health partnership
Progress made

Successful transfers of services:

- Oxfordshire
- Buckinghamshire
- North East Hampshire
- Social Care
Progress made

- Leadership changes
  - New substantive Chair
  - New NEDs
  - New substantive CEO appointed *(subject to approval by the Council of Governors)*
- Strengthened Executive Team
- Farewell and thanks to colleagues who have moved on
- Improving engagement between the Council of Governors and Board of Directors
Priorities ahead:
Our plan on a page...
To provide high quality, safe services which improve the health and wellbeing, independence and confidence of the people we serve

<table>
<thead>
<tr>
<th>Quality</th>
<th>Transformation</th>
</tr>
</thead>
</table>
| • Full regulatory compliance (Min Good with CQC)  
• Within top 20% of comparator Trusts nationwide for engagement of people who use or rely on our services  
• Meeting all access targets  
• Patient, family and public engagement plans lead to more engagement and involvement in clinical and care decisions and better understanding of our work | • Improvements within mental health services in line with CSS and the STP  
• Secure and specialised mental health services developed in partnership with commissioners  
• Integrated health and social intermediate care service developed with Hampshire County Council, serving all Local Delivery Systems  
• Process begun to implement organisational form and service change priorities from the CSS |

<table>
<thead>
<tr>
<th>People</th>
<th>Money</th>
</tr>
</thead>
</table>
| • Increased workforce stability, evidenced by improved capacity and reduced turnover  
• Overall rating of ‘Good’ in the CQC well-led domain  
• Evidenced progress towards establishing Trust in top 20% of comparators for National Staff Survey engagement score  
• Detailed, balanced strategic workforce plan | • Services delivered within 2017/18 NHSi financial control total  
• Detailed and balanced medium term financial plan |

Patients and People First  
Partnership  
Respect
Priorities ahead

- Continuing to improve quality and safety
- Listening to patients, families, carers and service users
- Listening to our staff
- Strengthening clinical leadership
- Delivering Clinical Services Strategy
- Transition of services to local delivery systems
Our Finances
Headlines from the 2016/17 accounts

- Operating Income of £321.6 million including STF of £5.3m
- Operating Costs of £314.4 million
- Financing Costs of £6.4 million
- Technical accounting gains of £0.5 million, to give a:-

- Surplus for the year of £1.2 million
- £8.8 million spent on capital in year
- £25.2 million cash in the bank at 31.3.2017
## What did we plan to do in 2016/17?

<table>
<thead>
<tr>
<th></th>
<th>Plan</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>EBITDA (excluding STF)</td>
<td>£10,900</td>
<td>£10,348</td>
</tr>
<tr>
<td>Depreciation &amp; PDC dividend payments</td>
<td>(£15,500)</td>
<td>(£15,000)</td>
</tr>
<tr>
<td>Impairments</td>
<td>(£1,200)</td>
<td>(£100)</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>£100</td>
<td>£100</td>
</tr>
<tr>
<td>Gain on asset disposal</td>
<td>£0</td>
<td>£500</td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td>(£5,700)</td>
<td>(£4,152)</td>
</tr>
<tr>
<td>Control Total Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>add back impairments &amp; depreciation on donated assets</td>
<td>£1,300</td>
<td>£100</td>
</tr>
<tr>
<td><strong>Deficit Control Total (excluding STF)</strong></td>
<td>(£4,400)</td>
<td>(£4,052)</td>
</tr>
<tr>
<td><strong>Sustainable Transformation Fund (STF)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Core STF</td>
<td>£2,700</td>
<td>£2,700</td>
</tr>
<tr>
<td>- Incentive STF</td>
<td>£0</td>
<td>£515</td>
</tr>
<tr>
<td>- Bonus STF</td>
<td>£0</td>
<td>£2,037</td>
</tr>
<tr>
<td><strong>Total STF earned</strong></td>
<td>£2,700</td>
<td>£5,252</td>
</tr>
<tr>
<td><strong>Surplus (Deficit) from continuing operations</strong></td>
<td>(£1,700)</td>
<td>£1,200</td>
</tr>
</tbody>
</table>

Improvement on plan mainly due to less impairments then planned and greater STF received
Where did we get our operating income from?

We received operating income in the year of £321.6 million from the following sources:

Sources of operating income 2016/17 (£m)

- CCGs and NHS England - 82%
- Local authorities - 11%
- Other Operating income - 1%
- Education, Research and Donations - 3%
- Other NHS Bodies - 3%
What did we spend our operating expenses on?

We incurred operating costs of £314.4 million which was expended in the following areas:

- Pay costs - 72%
- Premises, inc rental and depreciation - 15%
- Other costs - 8%
- General & clinical supplies - 5%
- Drugs costs - 1%
What did the Trust invest in new assets?

Improvements to the Trust’s property portfolio:-

- Service improvements £4.4m
- Environmental improvements £1.6m

IT Hardware including infrastructure improvements and the Electronic Patient Record £2.0m

Medical Equipment £0.8m

Total capital investment of £8.8 million
Key Financial Statements (1)
Statement of Consolidated Income (I&E)

- Total STF in 2016/17 received of £5.3m
- NHS improvement financial sustainability risk rating of 3 (4 is the best) largely as a result of breaching the agency cap

<table>
<thead>
<tr>
<th></th>
<th>2016/17 £000</th>
<th>2015/16 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income from patient care activities</td>
<td>288,163</td>
<td>275,063</td>
</tr>
<tr>
<td>Other operating income</td>
<td>33,455</td>
<td>57,784</td>
</tr>
<tr>
<td>Total operating income from continuing operations</td>
<td>321,618</td>
<td>332,847</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(314,428)</td>
<td>(331,597)</td>
</tr>
<tr>
<td><strong>Operating surplus from continuing operations</strong></td>
<td><strong>7,190</strong></td>
<td><strong>1,250</strong></td>
</tr>
<tr>
<td>Finance income</td>
<td>83</td>
<td>103</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(1,191)</td>
<td>(1,184)</td>
</tr>
<tr>
<td>PDC dividends payable</td>
<td>(5,357)</td>
<td>(5,991)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(6,465)</td>
<td>(7,072)</td>
</tr>
<tr>
<td>Gains/(losses) of disposal of non-current assets</td>
<td>478</td>
<td></td>
</tr>
<tr>
<td><strong>Surplus/(Deficit) for the year from continuing operations</strong></td>
<td><strong>1,203</strong></td>
<td><strong>(5,822)</strong></td>
</tr>
</tbody>
</table>
Key factors that impacted the financial performance

- Sustainability and Transformation Fund linked to control total achievement: to earn the £2.7m available we were required to achieve a control total of £1.7m deficit (excludes impairments)
- Where Trusts delivered their control total then unplanned STF was made available in April 2017, we achieved a further £0.5m plus £2m of STF.
- 1.1% inflator from commissioners (3.3% less 2%)
- 3.1% overall inflation pressures, pay & pension cost inflation of 3.3%
- Cost Improvement Target (CIP) of £10.2 million required; delivered in full but only £6m recurrently achieved
- Pressures around temporary staffing to cover vacancies and absence, increased use of Mental Health beds in addition to SHFT wards and increases in rental charges for NHS Property Services estate
Key Financial Statements (2)
~ Statement of Financial Position (Balance Sheet)

<table>
<thead>
<tr>
<th>Balances at</th>
<th>31-Mar-17</th>
<th>31-Mar-16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Non Current Assets</td>
<td>197.4</td>
<td>206.2</td>
</tr>
<tr>
<td>Current Assets</td>
<td>45.8</td>
<td>38.1</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>-36.6</td>
<td>-33.9</td>
</tr>
<tr>
<td><strong>Assets less Current Liabilities</strong></td>
<td><strong>206.6</strong></td>
<td><strong>210.4</strong></td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>-17.1</td>
<td>-17.3</td>
</tr>
<tr>
<td><strong>Assets Employed</strong></td>
<td>189.5</td>
<td>193.1</td>
</tr>
<tr>
<td>Taxpayers’ Equity</td>
<td>189.5</td>
<td>193.1</td>
</tr>
</tbody>
</table>

- Cash balance increased to £25.2m helped by asset disposals of £3.3m (5 properties)
- Trust now has net current assets of £9.2m an increase of £5.0m
- £5.5m of assets held for sale, 5 properties
Key Financial Statements (3)  
~ Cash flow waterfall (£m)  

Cash balances improved for the fourth year in a row  
The equivalent days of operating cash rose from 18 days (March 2016) to 25 days (March 2017)
## Southern Health Charitable Fund

### Draft accounts

<table>
<thead>
<tr>
<th></th>
<th>2016/17 (£,000)</th>
<th>2015/16 (£,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations and Legacies</td>
<td>108</td>
<td>129</td>
</tr>
<tr>
<td>Investment Income</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total Incoming Resources</strong></td>
<td><strong>147</strong></td>
<td><strong>144</strong></td>
</tr>
<tr>
<td>Grants payable</td>
<td>289</td>
<td>239</td>
</tr>
<tr>
<td>Management and administration</td>
<td>103</td>
<td>137</td>
</tr>
<tr>
<td>Gains on revaluation and disposal of investment assets</td>
<td>77</td>
<td>-17</td>
</tr>
<tr>
<td>Transfer of funds to other NHS bodies</td>
<td>20</td>
<td>71</td>
</tr>
<tr>
<td><strong>Net Movement in Funds in year</strong></td>
<td><strong>-188</strong></td>
<td><strong>-320</strong></td>
</tr>
<tr>
<td><strong>Fund balances carried forward</strong></td>
<td><strong>680</strong></td>
<td><strong>869</strong></td>
</tr>
</tbody>
</table>

Grants payable included equipment for Lymington and Romsey Hospitals as well as a rehabilitation project in South East Hampshire. Significant donations were received from the League of Friends. Funds were transferred back to Avon and Wilshire following the cessation of services.
Financial Outlook for 2017/18

- Plan to deliver breakeven (on a control total basis) and successfully achieve STF of £2.9m which will result in a surplus of £2.9m. Savings target planned of £12.8m
- 2017/18 started under pressure: non recurrent CIP in 16/17, out of area MH beds, non Q4 improvement plus 2017/18 efficiency challenge
- Recovery Plan in progress to reduce the financial risk
- Demand for services will continue to increase and workforce pressures will continue to require the use of higher cost temporary staff
- Transformation and transition of services
- Working in partnership across Hampshire to develop the Sustainability & Transformation Plan
External Audit 2016/17
Our role as auditors

- We are appointed as auditors by the Council of Governors and our audit is governed by the NHS Act 2006, the NAO’s Code of Audit Practice and International Auditing Standards (UK & Ireland)

- Our responsibilities as your auditors include:
  - Complying with the Code of Audit Practice
  - Expressing an opinion on the Trust’s accounts
  - Satisfying ourselves that the Trust’s accounts comply with the Department of Health Group Accounting Manual (DH GAM)
  - Satisfying ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources, and
  - Providing assurance on the Trust’s Quality Report in line with Monitor’s requirements.
Results of 2016/17 audit

• We issued an unqualified opinion on the Trust’s financial statements on 31 May 2017

• We issued a qualified conclusion in relation to the Trust’s economic, efficient and effective use of resources. This was driven by the Trust’s regulatory situation throughout the year.

• We issued an unqualified limited assurance report on the content and consistency of the Trust’s Quality Report and on two specified indicators reported within the Trust’s Quality Report.

• We discussed our findings with the Audit Committee on 22 May 2017 before the accounts were approved by the Board.
Areas of audit focus

- Risk of management override of controls (standard risk)
- Risk of fraud in revenue and expenditure recognition (standard risk)
- Valuation of the Trust’s estate
- Treatment of prosecution cases
- Value for money