



Royal Hospital for Neuro-disability

A national medical charity

Board of management

Date: 20 October 2022

Item no: 8

Title	Five year financial plan 2022 - 2027
For decision, discussion or noting?	Discussion
Decision required	N/A
Audit trail	Finance committee meeting held on 03 October 2022
Appendices	N/A
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1. Executive summary

This paper sets out the five year financial plan for the RHN revised from the version presented to the Board in July 2022 to take into account the organisation's strategic plan for the period October 2022 to September 2027.

Revenue	Plan 2022/23 (£'000)	Plan 2023/24 (£'000)	Plan 2024/25 (£'000)	Plan 2025/26 (£'000)	Plan 2026/27 (£'000)
Hospital EBITDA	2,148	3,233	3,465	3,948	5,657
Depreciation	2,263	2,690	3,150	3,576	4,036
Hospital surplus/(deficit)	(115)	543	315	372	1,621
Operating surplus after charitable activities	703	1,482	1,372	1,343	2,502
Net surplus after investments	1,043	1,822	1,712	1,683	2,842
Capital programme	3,485	4,300	4,800	4,300	4,800
Cash balance at 30 September	2,163	2,375	2,436	2,396	2,374

- a) The budget for 2022/23 assumes no change to BIS occupancy of 91%, 90% occupancy in Specialist Services and 97% occupancy in the Specialist Nursing Home.
- b) Income and cost estimates of opening seven more ventilated beds and converting twelve SNH beds in 2023/24 to low complexity challenging behaviour are included.
- c) SNH capacity is reduced by nine beds in 2024/25 and 2025/26 due to the refurbishment of large SNH wards including converting multiple into single bedded bays.
- d) In 2025/26, six SNH beds are converted for young adult use.
- e) In 2026/27, the twelve beds on Clifden ward are brought back into use as BIS beds as the ward is no longer required for decant.
- f) Apart from an income uplift of 5% in 2022/23, 4% has been applied across all years of the plan.
- g) An income contingency of 25% is applied in all years.
- h) Apart from a pay uplift of 4% in 2022/23, 3% has been applied across all years of the plan.
- i) The hospital EBITDA of £2,148k in 2022/23 is greater than the £2,015k budget and £1,793k forecast for 2021/22.
- j) The financial plan anticipates a net surplus of £1,043k in 2022/23 rising to £2,842k by 2026/27. Hospital EBITDA rises steadily throughout the period to reach £5,657k by 2026/27.
- k) Fundraising income increases from £2,800k in 2022/23 to £3,200k by 2024/25.
- l) Capital expenditure of £3,485k in 2022/23 followed by investment of at least £4,300k thereafter.
- m) Between 2025/26 and 2026/27, £3,100k of cash will be reinvested in investment stock.
- n) The current ratio is maintained at 2.0/1 for the five years.

2. Income and expenditure plan 2022 - 2027

The table below is a summary of income and expenditure over the duration of the plan.

£'000	Budget Plan 2022-23	Plan 2023-24	Plan 2024-25	Plan 2025-26	Plan 2026-27
Patient Income	45,616	49,509	50,720	52,302	57,257
Ward Nursing	18,289	19,553	19,675	20,023	21,796
Therapy	4,259	4,626	4,765	4,908	5,476
Medical & Dental	2,102	2,270	2,339	2,410	2,543
Other Clinical Costs	5,140	5,442	5,593	5,759	6,052
Gross Contribution	15,826	17,618	18,348	19,204	21,390
Overheads net of income	15,942	17,075	18,033	18,831	19,769
Hospital Surplus / (Deficit)	(115)	543	315	372	1,621
Fundraising (Income)	2,800	3,000	3,200	3,200	3,200
Charitable Activities	1,982	2,061	2,143	2,229	2,319
Operating Surplus / (Deficit)	703	1,482	1,372	1,343	2,502
Investments (net of fees)	340	340	340	340	340
Net Surplus / (Deficit)	1,043	1,822	1,712	1,683	2,842

Assumptions inherent in the above are as follows:

	Budget Plan 2022-23	Plan 2023-24	Plan 2024-25	Plan 2025-26	Plan 2026-27
Patient Income	5% fee uplift; with 25% income risk contingency; Occupancy recovered in BIS and SNH, Vent increased by 1bed	4% fee uplift; with 25% income risk contingency; Vent increased by 7 beds; 12 SNH beds converted into low complexity challenging behaviour	4% fee uplift; with 25% income risk contingency; SNH ward refurbishment hence capacity decreased by 5 beds	4% fee uplift; with 25% income risk contingency; SNH ward refurbishment hence capacity reduced by further 4 beds; 6 SNH beds converted into young adults beds	4% fee uplift; with 25% income risk contingency; BIS capacity increased by 12 beds by reopening Clifden
Fundraising Income annual movement	up £0.5m on PY	up £0.2m on PY	up £0.2m on PY		
Pay Inflation	4.00%	3.00%	3.00%	3.00%	3.00%
Non-pay Inflation	variable	4.00%	4.00%	4.00%	4.00%
Depreciation annual increase	£k	£427k	£460k	£427k	£460k
Identified service developments (incl. increase/decrease in service provision and capacity)	£416k	£852k	£328k	£267k	£1,055k
CIPs including NAs(YE25 4WTEs, YE26 14WTEs, YE27 4WT)	£600k	£81k	£108k	£240k	£108k

3. Capital expenditure plan 2022 - 2027

The table below is a summary of capital expenditure over the duration of the plan.

All figs in £'000s	Project	Budget Plan 2022-23	Plan 2023-24	Plan 2024-25	Plan 2025-26	Plan 2026-27
1. Ward upgrades	Wellesley					
	Other					
	Sub-Total - Ward upgrades	500	2,500	3,000	2,500	3,000
2. Equipment	Replacements and additions					
	Sub-Total - Ward Equipment	390	200	200	200	200
4. IT	Software updates and enhancements					
	Sub-Total - IT	647	400	400	400	400
5. Estate	Infrastructure and other improvements					
	Sub-Total - Estate	1,748	1,000	1,000	1,000	1,000
6. Other	In year emerging projects					
	Sub-Total - Other	200	200	200	200	200
	Grand Total	3,485	4,300	4,800	4,300	4,800

Assumptions inherent in the above are as follows:

	Budget Plan 2022-23	Plan 2023-24	Plan 2024-25	Plan 2025-26	Plan 2026-27
Ward upgrades	Wellesley ward funded by b/fwd budget	1 ward at £2.5m each/additional decant space	1 ward at £3m each	1 ward at £2.5m each	1 ward at £3m each
Estate	See budget paper July 2022				

4. Balance sheet plan 2022 - 2027

The table below is a summary of balance sheets over the duration of the plan.

	Budget Plan 2022-23 (£'000)	Plan 2023-24 (£'000)	Plan 2024-25 (£'000)	Plan 2025-26 (£'000)	Plan 2026-27 (£'000)
Fixed Assets	23,440	26,377	27,987	29,637	30,361
Investments					
General Fund Investments (inc Endowment)	19,325	19,325	19,325	20,325	22,425
Long term cash deposits					
Total Fixed Assets + Investments	42,765	45,702	47,313	49,963	52,787
Current Assets					
Stocks	290	290	290	290	290
Fees Receivable	3,892	3,892	3,892	3,892	3,892
Sundry Debtors & Prepayments	884	884	884	884	884
Payment against DB Triennial Valuation	-	-	-	-	-
Cash & Bank Balances	2,163	2,375	2,436	2,396	2,374
Total Current Assets	7,229	7,440	7,502	7,462	7,440
Current Liabilities					
Creditors - due within 1 year	(3,672)	(3,672)	(3,672)	(3,672)	(3,672)
Net Current Assets / (Liabilities)	3,556	3,768	3,830	3,789	3,768
Total Assets Less Current Liabilities	46,321	49,470	51,142	53,752	56,554
Creditors - due after more than 1 year	-	-	-	-	-
Net Assets	46,321	49,470	51,142	53,752	56,554
Capital Balances	46,321	49,470	51,142	53,752	56,554
Unrestricted Funds	15,386	15,547	14,559	15,469	17,997
Fixed Assets	23,440	26,377	27,987	29,637	30,361
Capital Investment Fund	4,300	4,800	4,300	4,800	4,800
Maintenance Fund	736	236	1,736	1,236	736
Endowment Funds	960	1,010	1,060	1,110	1,160
Restricted Funds	1,500	1,500	1,500	1,500	1,500
Current Ratio	2.0 : 1	2.0 : 1	2.0 : 1	2.0 : 1	2.0 : 1
Quick Ratio	1.6 : 1	1.7 : 1	1.7 : 1	1.7 : 1	1.7 : 1

Assumptions inherent in the above are as follows:

Assumptions	2022-23 (£'000)	2023-24 (£'000)	2024-25 (£'000)	2025-26 (£'000)	2026-27 (£'000)
Investments	No change	No change	No change	Up by £1m	Up by £2.1m
Working capital	No change	No change	No change	No change	No change
Creditors - due after more than 1 year	No change	No change	No change	No change	No change
Capital Investment Fund	In line with capital programme for the following financial year	In line with capital programme for the following financial year	In line with capital programme for the following financial year	In line with capital programme for the following financial year	In line with capital programme for the following financial year
Maintenance Fund	Down £0.5m p.a.	Down £0.5m p.a.	Up by £1.5m in year, recommencement of upkeep cycle	Down £0.5m p.a.	Down £0.5m p.a.
Endowment Funds	Up by £50k p.a.	Up by £50k p.a.	Up by £50k p.a.	Up by £50k p.a.	Up by £50k p.a.

5. Cash flow plan 2022 - 27

With an improving hospital EBITDA over the duration of this plan, significant cash transfers into investments in 2025/26 and 2026/27 totalling £3,100k can be made while retaining bank balances of greater than £2,000k.

The table below is a summary of cash flow over the duration of the plan.

All £'000	Budget Plan	Plan	Plan	Plan	Plan
	2022-23	2023-24	2024-25	2025-26	2026-27
Opening Cash Position	4,058	2,163	2,375	2,436	2,396
Net Deficit/Suplus excl Fundraising Activity	(115)	543	315	372	1,621
Investment Movements	-	-	-	-	-
Add Depreciation	2,263	2,690	3,150	3,576	4,036
Movement in Debtors - Fees Receivable only	-	-	-	-	-
Other Movements in Working Capital	-	-	-	-	-
Capex	(5,200)	(4,300)	(4,800)	(4,300)	(4,800)
DB Pension Contribution	-	-	-	-	-
Cash Flow from Operating Activities	1,005	1,096	1,040	2,085	3,253
Cashflows from Fundraising Activities	818	939	1,057	971	881
Cash Flow before Interest & Dividends	1,823	2,034	2,096	3,056	4,134
Investment returns	340	340	340	340	340
Investment Drawdown/ (Replenishment)	-	-	-	(1,000)	(2,100)
Closing Cash Position (incl Drawdown)	2,163	2,375	2,436	2,396	2,374

6. Challenges

Supply and demand in the health market is volatile and there will be challenges to the RHN organisational strategy that will have an impact on the financial plan.

The Executive Management Team will evaluate the market on a regular basis and adapt the plan as necessary, seeking committee and board approval as necessary. As an example, when refurbishing larger SNH wards, there will be a requirement for additional decant capacity.

7. Recommendation

The Board is asked to note the financial plan presented for the period 2022 to 2027.