CG 23/16

Agenda Item: 10

# Report to Council of Governors

# 14 August 2016

**Financial Position – July (Month 4) 2016/17**

**For Information**

**Introduction**

This report summarises the financial performance of the Trust for the year-to date.

**Performance to Date**

The key financial results for the period ending 31st July 2016 are:

* EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£4.5m** which is **£1.2m** adverse to plan (**£3.2m,** **£1.1m** adverse to plan at month 3)
* The position is mainly driven by the following:
* a shortfall of £0.5m in clinical revenue due to delays in finalising FY17 contracts;
* a shortfall of £0.2m in delivery of FY17 cost improvement plans and £0.5m in relation to the recurrent shortfall of FY16 cost improvement plans
* £0.1m of net pressures on operational services.
* An Income and Expenditure surplus of **£0.4m** which is **£1.2m** adverse to plan (**£0.1m** surplus, **£1.1m** adverse to plan at month 3). The position is driven by the lower than planned EBITDA as outlined above.
* A cash balance of **£12.7m** which is **£0.7m** higher than the plan (**£11.2m**, **£0.4m** less than plan at month 3) driven in the main by a higher than planned payables and lower than planned capital expenditure.
* NHS Improvement’s regulatory framework establishes a Financial Sustainability Risk Rating (FSRR). At month 4 the Trust has achieved a FSRR of ‘3’ which is in line with plan. This is based on the NHS Improvement scale of financial risk, where 1 means a high risk and 4 means lowest risk.

**Cost Improvement Programme**

* The Trust has a cost improvement target of **£6.5m** for this financial year.
* Cost improvements of **£1.6m** have been delivered for the year-to-date, **£0.2m** behind plan. Plans are still being developed and it expected that the position will be recovered over the coming months.

**Capital Programme**

Capital expenditure of **£1.1m** has been incurred for the year-to-date, which is **£0.9m** behind the plan (**£0.7m** in month 3, £0.9m behind the plan). The full year plan is for capital investment of **£6.7m**.

**Forecast and Risks**

The plan is for an Income and Expenditure deficit of **£0.6m**, with an EBITDA of **£11.9m**. This would deliver a FSRR of ‘3’. The Trust holds a Contingency Reserve to manage unplanned risks that may arise during the year: none of this has been used at month 4 and it is assumed that the Contingency Reserve is sufficient to cover any shortfall.

The main risks to plan identified at this stage are:

* + the delivery of the £6.5m CIP target for FY17;
  + mitigation of known budget risks within services;
  + confirmation of the additional income implicit in the plan;
  + delivery of CQUIN performance target;
  + Uncertainty due to the System Transformational Plans to be developed and implemented.

**Recommendation**

The Council of Governors is asked to note the financial position of the Trust.

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