

BOD 26/2014

## Report to Board of Directors

26th February 2014

Financial Position – January (Month 10) 2013/14

For Information

### Introduction

This report summarises the financial performance of the Trust for the year-to date and the forecast year-end position.

### Performance to date

The key financial results for the nine months to 31<sup>st</sup> January 2014 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£12.3m**, which is **£1.6m** behind plan:

The adverse position is mainly driven by the following:

- cost pressures from higher than planned Out of Area Treatment
- staffing costs pressures due to higher than planned activity levels in mental health inpatient wards, community hospitals and community nursing services
- under-performance on the community services re-ablement contract
- shortfall in delivery against the cost improvement plans.

- A surplus of **£4.0m**, which is **£1.1m** behind plan:

The adverse position is due to the lower than planned EBITDA as outlined above , partly offset by profit on asset disposal, £0.2m, lower than planned PDC liability, £0.2m and depreciation charges, £0.2m.

- A cash balance of **£22.4m**, which is **£2.3m** below plan:

This is mainly due to changes in the anticipated timing of cash-flows in relation to capital expenditure and working capital movements, and under-performance on EBITDA. The underlying cash position remains strong.

- Monitor's new regulatory framework establishes a Continuity of Services Risk Rating (CoSRR) replacing the previous Financial Risk Rating (FRR). At month 9 the Trust has achieved a CoSRR of '4'

This is based on the Monitor 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 **£11.3m** for this financial year;
- Cost improvements of **£3.8m** have been delivered for the year-to-date, **£3.3m** behind plan. Further plans are being developed and mitigation actions implemented to support the achievement of targeted savings for FY14.

### Capital programme

- The Trust is forecasting capital investment of **£23.9m** for this financial year;
- Capital expenditure of **£17.3m** has been incurred for the year-to-date, mainly in relation to the Whiteleaf Centre (Manor House hospital) development **£12.2m**.

### Full year forecast outturn

The Trust is forecasting the following achievements against its financial targets for 2013/14:

- EBITDA of **£12.9m**, **£1.9m** behind plan;
- Surplus of **£3.0m** before impairments, **£1.3m** behind plan (a deficit of **£4.5m** after impairments of **£7.5m**);
- Cash balance of **£20.5m** at 31 March 2014;
- Capital spend of **£23.9m**;
- Continuity of Service Risk Rating of '3'.

Current risks to the forecast identified at this stage are:

- Slippage on delivery of the **£11.3m** CIP target for FY14;
- Staffing pressures within Community Hospital, Community Nursing Services and Mental Health Inpatient Services;
- Out of area treatment placements;
- Delivery of CQUIN performance targets.

Actions are being taken to manage the above risks and address the identified year to date pressures which will be robustly monitored in order to deliver the forecast position.

### Recommendation

The Board is asked to note the financial position of the Trust.

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