

BOD 24/2015

Report to Board of Directors

25th February 2015

Financial Position – January (Month 10) 2014/15

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 period ending 31st January 2015 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£7.9m**, which is **£2.2m** behind plan (**£7.1m**, **£2.1m** adverse at month 9)

The adverse position is mainly driven by the following:

- shortfall in delivery against the cost improvement plans;
 - higher than anticipated dependence on agency staff
 - cost pressures from higher than planned Out of Area Treatment;
 - shortfall in planned clinical income
- An Income and Expenditure deficit of **£2.9m**, which is **£2.9m** behind plan (**£2.6m** deficit, **£2.7m** adverse to plan at month 9).

The adverse position is due to the lower than planned EBITDA as outlined above and higher than planned depreciation charges.

- A cash balance of **£12.1m**, which is **£1.9m** behind the plan (**£12.6m**, **£1.5m** behind the plan at month 9)
- Monitor's regulatory framework establishes a Continuity of Services Risk Rating (CoSRR). At month 10 the Trust has achieved a CoSRR of '3' ('3' at month 9)

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 **£10.5m** for this financial year;
- Cost improvements of **£3.9m** have been delivered for the year-to-date, **£4.2m** behind plan (**£3.5m**, **£3.5m** adverse at month 8). Further plans are being developed and mitigation actions implemented to support the achievement of targeted savings for FY15.

Capital programme

Capital expenditure of **£7.1m** has been incurred for the year-to-date, **£2.1m** less than plan (**£6.7m**, **£1.2m** less than plan at month 9). The forecast is capital expenditure of **£9.3m** by the year-end.

Forecast

The forecast at this stage is an Income and Expenditure deficit of **£3.5m** for the financial year. There remains some risks and actions are being implemented to mitigate these.

Current risks to the achievement of the FY15 forecast outturn identified at this stage are:

- contract delivery and CQUIN
- children continuing care increased referral
- out of area treatment placements
- vacancy fill rates of staff for critical services
- dilapidations provisions for occupied leased accommodation

Actions are being taken to manage the above risks and address the identified year to date pressures which will be robustly monitored. The Trust has an agreed Financial Recovery Plan in place targeting a reduction of at least **£2.0m** on the forecast outturn at month 6 (**£4.2m**). At this stage **£1.3m** of benefits have been confirmed and reflected in the forecast. Another **£0.3m** schemes identified are currently being developed.

Recommendation

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

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