

## Report to Board of Directors

25<sup>th</sup> March 2015

Financial Position – February (Month 11) 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 28<sup>th</sup> February 2015 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£9.1m**, which is **£2.0m** behind plan (**£7.9m**, **£2.2m** adverse at month 10). The Financial Recovery Plan established for the second half of the year has successfully contributed **£0.2m** in the month to reduce the year-to-date adverse variance. The cumulative delivery from this plan is **£1.0m**.

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 **£13.6m**, after asset impairments, which is **£13.6m** behind plan (**£2.9m** deficit, **£2.9m** adverse to plan at month 10).
- Before asset impairment of **£11.0m**, a normalised Income and Expenditure deficit of **£2.6m**.
- The adverse position is due to the lower than planned EBITDA as outlined above and higher than planned depreciation charges.
- A cash balance of **£12.5m**, which is **£6.8m** behind the plan (**£12.1m**, **£1.9m** behind the plan at month 10)
- Monitor's regulatory framework establishes a Continuity of Services Risk Rating (CoSRR). At month 11 the Trust has achieved a CoSRR of '3' ('3' at month 10)

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 **£4.3m** have been delivered for the year-to-date, **£5.0m** behind plan (**£3.9m**, **£4.2m** adverse at month 10). Further plans are being developed to secure the recurrent delivery of the FY15 target and mitigation actions implemented to support the achievement savings in year.

### Capital programme

Capital expenditure of **£8.1m** has been incurred for the year-to-date, **£2.4m** less than plan (**£7.1m**, **£2.1m** less than plan at month 10). 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, an improvement of £0.7m from the forecast made at the half year. There remains some risks and robust 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

The Financial Recovery Plan is targeting a reduction of at least **£2.0m** on the forecast outturn at month 6 (**£4.2m**). At this stage **£1.4m** of benefits have been confirmed and reflected in the forecast which have been partially offset particularly by the ongoing pressures of agency staff costs.

The cash position forecast for the end of year is further improved by £1.3m due to the sale of property.

### Recommendation

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

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