

Report to Board of Directors

Financial Position – August (Month 5) 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 August 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£5.5m** which is **£1.6m** adverse to plan (**£4.5m, £1.2m** adverse to plan at month 4)
- 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 £0.6m in relation to the recurrent shortfall of FY16 cost improvement plans
 - £0.3m of net pressures on operational services.
- An Income and Expenditure surplus of **£0.4m** which is **£1.5m** adverse to plan (**£0.4m** surplus, **£1.2m** adverse to plan at month 4). The position is driven by the lower than planned EBITDA as outlined above.
- A cash balance of **£13.9m** which is **£0.3m** more than the plan (**£12.7m, £0.7m** more than plan at month 4) 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 5 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 **£2.0m** have been delivered for the year-to-date, **£0.2m** behind plan (**£1.6m**, **£0.2m** behind plan at month 4) Plans are still being developed and it expected that the position will be recovered over the coming months.

Capital Programme

Capital expenditure of **£1.3m** has been incurred for the year-to-date, which is **£1.3m** behind the plan (**£1.1m** in month 4, **£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 5 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 Board is asked to note the financial position of the Trust.

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