

## Report to Board of Directors

### Financial Position – September (Month 6) 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 30th September 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£6.3m** which is **£0.5m** adverse to plan (**£5.5m, £1.6m** adverse to plan at month 5)
- This position includes the release of £2.0m of the Trust's £4.3m Contingency Reserves to cover pressures in operational services at the mid-point in the year.
- The variance is mainly driven by the following:
  - a shortfall of £0.6m in clinical revenue due to less than planned income from contract negotiations
  - a shortfall of £0.4m in delivery of FY17 cost improvement plans and £0.7m in relation to the recurrent shortfall of FY16 cost improvement plans
  - £0.7m of net pressures on operational services.
- An Income and Expenditure surplus of **£0.2m** which is **£0.4m** adverse to plan (**£0.4m** surplus, **£1.5m** adverse to plan at month 5). The position is driven by the lower than planned EBITDA as outlined above.
- A cash balance of **£12.3m** which is **£1.5m** higher than the plan (**£13.9m, £0.3m** higher than plan at month 5) driven in the main by a lower than planned capital expenditure and higher than planned deferred income.
- NHS Improvement's regulatory framework establishes a Financial Sustainability Risk Rating (FSRR). At month 6 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 **£2.3m** have been delivered for the year-to-date, **£0.4m** behind plan (**£2.0m**, **£0.2m** behind plan at month 5).
- Currently the Trust is forecasting to deliver approximately **£5.0m** cost improvements this year, **£1.5m** below the plan.

## Capital Programme

Capital expenditure of **£1.5m** has been incurred for the year-to-date, which is **£1.5m** behind the plan (£1.3m in month 5, £1.3m 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: £2.0m of this has been released at month 6 and it is assumed that the remaining amount is sufficient to cover any shortfall in the second half of the year.

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;
- mitigation of the shortfall on 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.

**Author and Title:** Alison Gordon, Acting Head of Financial Management

**Lead Executive Director:** Mike McEnaney, Director of Finance