

Report to Board of Directors

Financial Position – October (Month 7) 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 October 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£6.7m** which is **£1.5m** adverse to plan (**£6.3m**, **£0.5m** adverse to plan at month 6)
- An Income and Expenditure deficit of **£0.2m** which is **£1.4m** adverse to plan (**£0.2m** surplus, **£0.4m** adverse to plan at month 6).
- 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 YTD adverse variance of **£1.4m** is driven by:
 - **£1.4m** unmet Cost Improvement Plans targets
 - **£0.9m** overspend on Out of Area Treatments in the Adult Directorate
 - **£0.7m** overspend of drugs
 - **£0.5m** overspend on Community Hospital pay due to the use of agency
 - **£0.2m** overspend on residential placements in the Supported Living pathway in the Adults directorate
 - **£0.3m** on income in the Out of Hours service
 - **£0.1m** shortfall on Cost per Case income
 - **£0.6m** overspend on CAMHS medical staff due to sickness and the use of agency locums
 - These pressures are offset with **£2.0m** of contingency reserves released in month 6 and **£1.3m** of net underspends mainly on pay due to vacancies in many services.

- The month 7 adverse variance is driven by the following:
 - **£0.2m** unmet Cost Improvement Plans targets
 - **£0.2m** overspend on Community Hospital pay due to the use of agency
 - **£0.1m** overspend on Out of Area Treatments in the Adult Directorate
 - **£0.1m** overspend of drugs
 - **£0.1m** overspend on residential placements in the Supported Living pathway in the Adults directorate

- **£0.1m** shortfall on income in the Out of Hours service
 - **£0.1m** shortfall on Cost per Case income
 - **£0.1m** overspend on CAMHS medical staff due to sickness and the use of agency locums
- Actions have been taken to address the adverse variances and ensure the Trust meets its financial plan for the year which are:
 - Financial recovery plans have been produced for each area of overspend
 - Formal monthly finance reviews with finance and the directorates to review progress against these financial recovery plans
 - A Trust-wide initiative to limit spend as much as possible for the remainder of the year
 - Constant review of the forecast position and the status of any risks and opportunities
 - A cash balance of **£14.9m** which is **£4.8m** higher than the plan (**£12.3m**, **£1.5m** higher than plan at month 6) driven by an increase in payables and deferred income.
 - This month NHS Improvement has introduced a new financial rating as part of the Single Oversight Framework, called the Use of Resources (UoR) Metric. This includes the metrics that were part of the previous Financial & Sustainability Risk Rating, with the addition of a metric for agency spend which will measure the distance the Trust is from the agency cap set by NHS Improvement. The ratings have also been changed so that '1' is the best rating/low risk and '4' is the worst rating/high risk. At month 7 the Trust has achieved a UoR rating of '3'.

Cost Improvement Programme

- The Trust has a cost improvement target of **£6.5m** for this financial year.
- Cost improvements of **£2.7m** have been delivered for the year-to-date, **£0.5m** behind plan (**£2.3m**, **£0.4m** behind plan at month 6).
- Currently the Trust is forecasting to deliver approximately **£5.0m** cost improvements this year, **£1.5m** below the plan.

Capital Programme

Capital expenditure of **£2.1m** has been incurred for the year-to-date, which is **£1.5m** behind the plan (**£1.5m** in month 6, **£1.5m** behind the plan). The full year plan is for capital investment of **£6.7m**.

Forecast and Risks

The Trust is forecast to deliver an Income and Expenditure deficit of **£0.6m** in line with plan and EBITDA of **£11.7m**, **£0.2m** adverse to plan. This assumes that the pressures in the YTD position are able to be reduced or mitigated against in the remainder of the year, with support from the remaining **£2.3m** of contingency reserves. The Use of Resource metric is

expected to be a '3' due to agency costs being higher than the NHSI cap for the Trust that will limit the rating to a '3'.

The main risks to meeting the plan remain:

- the delivery of the £6.5m CIP target for FY17
- continued operating cost pressures seen in the year-to-date position;
- 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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