

Report to Board of Directors

29th June 2016

Financial Position – May (Month 2) 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 May 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£2.0m** which is **£0.6m** behind the plan (**£1.0m, £0.3m** behind plan at month 1)
- The position is mainly driven by the following:
 - a shortfall of **£0.3m** in clinical revenue due to delays in finalising contracts for FY17 and;
 - a shortfall in delivery of cost improvement plans partly offset by favourable operational variances.
- An Income and Expenditure deficit of **£116k** which is **£0.6m** behind the plan (**£32k, £0.3m** behind the plan at month 1)
 - The position is driven by the lower than planned EBITDA as outlined above.
- A cash balance of **£12.8m** which is **£2.5m** ahead of plan (**£12.2m, £3.3m** ahead of plan at month 1) driven in the main by lower than planned decrease in trade and other payables.
- NHS Improvement's regulatory framework establishes a Financial Sustainability Risk Rating (FSRR). At month 2 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 **£0.6m** have been delivered for the year-to-date, **£0.2m** behind plan. Plans are still being developed and it expected that the position will be recovered over the coming months.

Capital programme

Capital expenditure of **£0.4m** has been incurred for the year-to-date (**£0.1m** in month 1), which is **£0.6m** 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 £2.4m, with an EBITDA of £6.6m. this would deliver a FSRR of '2'.

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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