

## Report to Board of Directors

27<sup>th</sup> July 2016

Financial Position – June (Month 3) 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 June 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£3.2m** which is **£1.1m** adverse to plan (**£2.0m**, **£0.6m** adverse to plan at month 2)
- The position is mainly driven by the following:
  - a shortfall of £0.3m in clinical revenue due to delays in finalising FY17 contracts;
  - a shortfall of £0.2m in delivery of FY17 cost improvement plans and £0.3m in relation to the recurrent shortfall of FY16 cost improvement plans, and;
  - £0.3m of net pressures on operational services.
- An Income and Expenditure surplus of **£0.1m** which is **£1.1m** adverse to plan (**£0.1m** deficit, **£0.6m** adverse to plan at month 2). The position is driven by the lower than planned EBITDA as outlined above.
- A cash balance of **£11.2m** which is **£0.4m** less than the plan (**£12.8m**, **£2.5m** ahead of plan at month 2) driven in the main by a higher than planned increase in trade and other receivables.
- NHS Improvement's regulatory framework establishes a Financial Sustainability Risk Rating (FSRR). At month 3 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 **£1.0m** 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 **£0.7m** has been incurred for the year-to-date, which is **£0.9m** behind the plan (**£0.4m** in month 2, £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 **£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 Q1 and in the year-end forecast 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.

*Note: the Trust was originally set a Control Total of £3.4m deficit which was subsequently revised to £3.3m deficit. This was reduced to £1.5m deficit in May due to additional Sustainability & Transformation funds of £1.8m being allocated to the Trust. The Trust has accepted this revised Control Total and has submitted a revised plan to NHS Improvement, reflecting a change in the planned deficit from £2.4m to £0.6m.*

### Recommendation

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

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