

Report to Board of Directors

Financial Position – December (Month 9) 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 December 2016 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£9.8m** which is **£1.2m** adverse to plan (**£8.8m, £0.8m** adverse to plan at month 8)
- An Income and Expenditure surplus of **£0.6m** which is **£1.0m** adverse to plan (**£0.6m** surplus, **£0.7m** adverse to plan at month 8).
- 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 **£1.0m** is driven by:
 - **£2.5m** adverse variance in the Adults directorate driven by overspends on Out of Area Treatments and drugs, a shortfall in the delivery of the FY16 targeted CIP, a shortfall on cost per case income and overspends in the Supported Independent Living pathway
 - **£0.8m** adverse variance in the Older People's directorate driven by a recurrent shortfall in the delivery of the FY16 targeted CIP, underperformance on Out of Hours income, agency spend in Community Hospitals and an adverse variance on the Re-ablement service in the first half of the year
 - **£0.6m** adverse variance on CIP plans for FY17
 - **£0.7m** adverse variance due to unidentified CIP plans for FY17
 - **£1.2m** favourable variance on Non-Clinical services driven by vacancies
 - **£2.0m** favourable variance due to contingency reserves released in month 6
 - **£0.2m** favourable variance on Depreciation
 - **£0.2m** net favourable variance in other budgets
- Formal monthly reviews between finance and the directorates continue to take place and an initiative called the "£1m challenge" was launched from 1st December to limit spend as much as possible for the remainder of the year. These are designed to ensure that the year-end plan is achieved

- A cash balance of **£15.1m** which is **£4.0m** higher than the plan (**£17.1m**, **£5.9m** higher than plan at month 8) driven by higher than planned trade and other payables and deferred income and lower than planned capital purchases.
- At month 9 the Trust has achieved a Use of Resources rating of '3' ('1' is the best rating/low risk and '4' is the worst rating/high risk). The Trust's rating is capped at '3' due to much higher than planned agency spend.

Cost Improvement Programme

- The Trust has a cost improvement target of **£6.5m** for this financial year.
- Cost improvements of **£3.5m** have been delivered for the year-to-date, **£0.6m** behind plan (**£3.0m**, **£0.6m** behind plan at month 8).
- The Trust is forecasting to deliver **£5.0m** cost improvements this year, **£1.5m** below the plan.

Capital Programme

Capital expenditure of **£2.8m** has been incurred for the year-to-date, which is **£1.3m** behind the plan (**£2.6m** in month 8, **£1.5m** behind the plan). The full year plan is for capital investment of **£6.7m** and the forecast outturn is for **£6.1m** to be spent.

Forecast and Risks

The Trust is forecast to deliver an Income and Expenditure deficit of **£0.6m** in line with plan and EBITDA of **£11.5m**, **£0.4m** 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'.

NHSI have announced an incentive scheme for Trusts to receive additional Sustainability & Transformation funding (STF) this year. This incentivises Trusts to deliver an outturn better than the agreed control total by offering £1k in additional STF income for every £1k better than the control total that the Trust achieves. Oxford Health's plan for FY17 is £974k better than the agreed control total so achievement of the plan will entitle the Trust to £974k of additional STF income, which will be paid to the Trust in April 2017.

Recommendation

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

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