

Report to Board of Directors

Financial Position – October 2017

Month 7, 2017-18

For Information

Introduction

This report summarises the financial performance of the Trust for the year to October 2017.

Performance to Date

The key financial results for October 2017 are:

- EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£7.0m**, **£1.3m** adverse to plan (**£6.3m**, **£0.7m** adverse to plan at month 6).
 - An Income and Expenditure surplus of **£1.3m**, **£0.2m** favourable to to plan (**£0.1m**, **£0.7m** adverse to plan at month 6).
 - The surplus position includes a **£1.7m** gain on asset transfer as a result of the Slade site transferring from Southern Health NHS FT and **£0.4m** of Sustainability & Transformation funding that relates to FY17. The underlying position excluding these two items is a deficit of **£0.8m**, **£1.9m** adverse to plan. Both of these items are excluded when measuring performance against delivery of the Trust's control total.
 - The adverse variance of **£1.9m** is driven by:
 - under-delivery of the Cost Improvement Programme by **£1.3m**
 - **£0.6m** CQUIN provision for the CQUIN risk reserve the Trust is required to set aside and risk on delivery of national CQUINs
 - the net effect of cost pressures in services of **£0.9m**
- Partially offset by:
- a one-off National Insurance rebate of **£0.7m**
 - a one-off benefit in relation to vacating surplus estate of **£0.2m**
- A period-end cash balance of **£20.2m** which is **£10.9m** higher than the plan (**£17.4m**, **£9.9m** higher than plan at month 6) due to lower trade and other receivables, higher deferred income, higher trade and other payables, lower inventories and lower purchase of non-current assets.
 - At month 7 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). This is the same as last month but is now an absolute '3' rather than a '2' capped at a '3' due to much higher agency

spend than the agency cap set by NHSI. The change is due to the deterioration in the underlying I&E position.

Cost Improvement Programme

- The Trust has a cost improvement target of **£7.4m** for 2017/18 and the current plans are projected to deliver **£3.8m**. The forecast delivery with anticipated new schemes is **£5.0m**.
- Cost improvements of **£1.7m** have been delivered at month 7 (**£1.5m** at month 6), **£0.2m** behind the plan and **£1.3m** below the target.

Capital Programme

Capital expenditure of **£2.5m** has been incurred at month 7 which is **£2.0m** behind the plan.

2017-18 Plan:

The full year plan submitted to NHS Improvement is for:

- An Income & Expenditure surplus of £1.8m
- EBITDA of £14.3m
- CIP delivery of £7.4m
- A Use of Resources Rating of '2'
- A year-end cash balance of £14.2m
- Capital investment of £7.1m

The Year-to-Date position includes £0.4m of additional Sustainability & Transformation income relating to FY17. The Trust was notified of this after the last year's accounts had been finalised so this income will be accounted for in this financial year. However, it will be excluded from the Trust's performance against its control total and as such the Trust needs to make a surplus of £2.2m including this income to meet its control total.

The main risks to meeting the full year plan are:

- Delivery of the £7.4m CIP target
- The £3.6m risk associated with the Oxfordshire risk share agreement

The current forecast is to deliver the plan and to achieve the control total. A detailed mid-year review has been undertaken which has shown that there are significant risks to meeting the plan and action plans are being developed to achieve the plan by the end of the year.

Recommendation

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

Author and Title: Alison Gordon, Head of Financial Management

Lead Executive Director: Mike McEnaney, Director of Finance