BOD 42/2018, Agenda item 16

# Report to Board of Directors

**Financial Position – February 2018**

 **Month 11, 2017-18**

**For Information**

**Introduction**

This report summarises the financial performance of the Trust for the year to February 2018.

**Performance to Date**

The Income Statement at month 11 is included at Appendix A.

The key financial results for February 2018 are:

* EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£9.9m**, **£4.7m** adverse to plan(**£9.7m**, **£3.3m** adverse to plan at month 10).
* An Income and Expenditure deficit of **£1.4m**, **£4.7m** adverse to plan (**£2.8m, £0.1m** favourable to plan at month 10).
* The Income and Expenditure deficit position includes a **£3.7m** gain on asset transfer as a result of the Slade site transferring from Southern Health NHS FT, **£1.7m** of Sustainability & Transformation funding and asset impairment of **£3.4m**. These items, as well as depreciation on donated assets, are excluded when measuring performance against delivery of the Trust’s control total. The position excluding these items is a deficit of **£3.3m**, **£4.9m** adverse to plan and Control Total.
* The adverse EBITDA variance of **£4.7m** is mainly driven by:
	+ under-delivery of the Cost Improvement Programme by **£3.9m**
	+ provision for risk on delivery of CQUINs **£0.4m**
	+ provision for pension/personal injury **£0.3m**
	+ the net operational position in services of **£1.4m**

Partly offset by:

* + a one-off National Insurance rebate of **£0.7m**
	+ a one-off benefit in relation to vacating surplus estate of **£0.2m**
	+ Sustainability & Transformation relating to FY17 of **£0.4m**
* The position for the month of February is **£4.7m** adverse, however, this includes a £3.4m asset impairment and excluding this the in-month EBITDA position was **£1.4m** adverse to plan.

This was worse than expected due to the following issues:



* A period-end cash balance of **£20.4m** which is **£8.3m** higher than the plan (**£23.4m**, **£11.8m** higher than plan at month 10) due to higher trade and other payables, higher impairments, higher public dividend capital received,lower capital purchases, lower inventories and higher deferred income, offset by lower operating surplus and higher trade and other receivables.
* At month 11 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).

**Cost Improvement Programme**

* The Trust has a cost improvement target of **£7.4m** for 2017/18 and the current plans are projected to deliver **£2.8m**.
* Cost improvements of **£2.6m** have been delivered at month 11 (**£2.4m** at month 10), **£0.4m** behind the plan and **£3.9m** below the target.

**Capital Programme**

Capital expenditure of **£4.2m** has been incurred at month 11 which is **£2.5m** behind the plan.

**2017-18 Plan and Forecast:**

The full year plan submitted to NHS Improvement is for:

* + - An Income & Expenditure surplus of £1.8m (which is a deficit of £0.1m excluding £1.9m STF income)
		- 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 £7.15m

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. The Year-to-Date position also includes a £3.7m gain on asset transfer and £3.4m on asset impairment. However, these items will be excluded from the Trust’s performance against its control total.

A detailed mid-year review has been undertaken which has shown that there are significant risks to meeting the plan.The main risks to meeting the full year plan are:

* + Delivery of the £7.4m CIP target
	+ Pressures in services

Actions are being taken to address the risks, however, considering the overall balance of risks and opportunities the most appropriate forecast is for a full year shortfall against the plan (excluding STF) of £1.8m. Although, internally OHFT continues working towards achieving the original plan, the Board has decided that the most likely outcome is a shortfall, hence the forecast full year outturn has been downgraded accordingly. NHS Improvement have been formally notified of the revised forecast.

**Recommendation**

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

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Appendix A

Income Statement 2017-18 – month 11

