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# CoG 04/2019

(Agenda item: 10)

# Report to Council of Governors

**Financial Position 2018-19**

**January 2019, Month 10**

**For Information**

**Introduction**

This report summarises the financial performance of the Trust for January 2019.

**Performance to Date**

The Income Statement at month 10 is included at Appendix A.

The key financial results for January 2019 are:

* An Income and Expenditure deficit of **£10.5m** which is **£9.1m adverse** to plan. After adjusting for items excluded from measuring performance against the Trust’s Control Total (mainly excluding Provider Sustainability Funding) the underlying performance is a deficit of **£10.9m**, which is **£7.4m** adverse to the Trust’s Control Total and plan at month 10.
* EBITDA (Earnings before interest, taxation, depreciation and amortisation) of **£0m**, **£10.1m** adverse to plan.
* The Trust has been unable to achieve the planned increase in commissioner income and is experiencing operational pressures in services, in particular Out of Area Treatments and residential care in the Adults Directorate and in the Oxfordshire CAHMS services. These pressures have been partly offset by a one-off technical gain with respect to a reduction in the Trust’s PFI liability. The underlying Income and Expenditure position excluding this technical gain is **£8.1m** adverse to plan.
* A period-end cash balance of **£18.9m** which is **£2.9m** better than plan. The planned year-end cash balance of **£13.6m** is forecast to reduce to **£12.3m**. Given this deterioration, cash management arrangements have been strengthened to improve the working capital position and the capital programme has been reduced to **£8.1m.**
* At month 10 the Trust’s overall Use of Resources risk rating is a ‘4’. Within this the Agency metric is rated as a ‘4’ because spend on agency staff was significantly above the ceiling set by NHSI; the Trust continues to work on solutions to help address spend on agency. Additionally, the I&E Margin metric and Capital service cover are rated as a ‘4’ because of the operating deficit position.
* Due to the ongoing operational pressures, the lower than planned commissioner income and the risks of under delivery on CIP, the recovery work started in June has been established as a formal Financial Recovery Plan. The revised forecast was formally reviewed by FIC on 10 October and approved by the Board on 12 October and the re-forecast position submitted to NHSI at Q2. The re-forecast position is **£7.6m** adverse to operating plan, excluding PSF, and **£9.9m** adverse when including PSF.
* Regarding the longer-term financial sustainability, a review is underway of the under investment made by commissioners into mental health services to ensure parity of esteem and the appropriate resource allocation to mental health.

**Cost Improvement Programme**

The Trust had a cost improvement target of **£6.0m** for 2018/19.

* Cost improvements of **£3m** have been delivered as at the end of January of which **£2.8m** is non-recurring. Projects continue to be developed to achieve the full year target.

**Capital Programme**

* Capital expenditure in month 10 year-to-date was **£4.3m, £5.6m** below plan. The FY19 capital plan was set at **£12.8m**, which includes **£4.5m** for major building projects (LD LSU and PICU) and **£2.0m** for the Global Digital Exemplar programme. As part of the Q3 re-forecast, forecast spend against the capital plan has been reviewed and assessed at **£8.1m**.

**2018-19 Plan and Re-forecast:**

The full year plan and Q2 re-forecast (in brackets) is as follows:

* + - An Income & Expenditure surplus of **£1.9m** (deficit of **£8m**)
    - EBITDA of £**15.6m** **(£4.9m**)
    - CIP delivery of **£6.0m (£4.9m)**
    - A Use of Resources Rating of ‘3’ (‘4’)
    - A year-end cash balance of **£13.6m** **(£6.6m**)
    - Capital investment of £12.8m (**£9.1m**)

**Recommendation**

The Council of Governors is asked to note the financial position of the Trust.

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Appendix A

Income Statement 2018-19 – month 10

