Summary

The Trust is reporting a £36.1m year to date deficit at the end of February 2016; this is £19m behind the trajectory that meets revised Trust Development Authority (TDA) plan of £16.7m. The Trust is forecasting £37.6m deficit for the full year. There are significant risks to delivering financial performance and there are financial recovery processes in place to mitigate these risks. The year to date position reflects the Trusts assessment of activity and income levels delivered for the year to date positions. The Trust has shared the forecast income position with Commissioners and the gross estimated risk to the achievement of the reported levels of income is £19m. E.g. the gross full year risk with CCGs on CQUIN is £4.9m and fines £6.2m. Discussions continue with commissioners to reduce these risks and agree full year positions as promptly as possible. The Trust had agreed Payment by Results (PbR) contracts with both Local Clinical Commissioning Groups and NHS England.

Cost Improvement Plans £k

The Trust is forecasting a £43.4m overspend against operating costs. In the year to date position the Pay expenditure is overspent by £17.5m and non-pay expenditure is overspent by £21.9m including £10.4m of additional pass through costs for PbR excluded drugs and devices. Operational pressures are a significant contribution to the overspend, and are contributing to the underperformance on cost improvement plans. There is £4m of gross risk that could make the forecast position worse, please see risks section for further information.

The net adverse variance of £19m is against the revised plan of £16.7m. Income over performance of £15.7m is more than offset by operational cost pressures.

The Trust has an overall RAG rating of RED.

Key Risks:

The key risks to forecast outturn for 2015/16 are:

- Income – gross commissioner income risk is £18m including CQUIN worth £4.9m and fines of £6.2m, forecast assumes the resolution of these risks and work continues with commissioners to this end.
- Operational costs – there are gross risks of £4m relating to potential changes to estimates at year end, these relate to provisions, accruals, prepayments, and stock holding levels.
- Depreciation – the forecast assumes a further depreciation saving of £3.1m arising from the fixed asset revaluation and revalidation exercise and the actual change will be known during March.

The Trust has an overall RAG rating of RED. 

Financial Efficiency

The key performance metrics for the year to date are:

- Net Income £m: 3.1
- Weighted Average Operating Ratio: 84.2%
- Variance to plan: 3.1%
- Variance to forecast: 6.7%
- Variance to last year: 6.7%

<table>
<thead>
<tr>
<th>Year to Date</th>
<th>Forecast</th>
<th>Outturn</th>
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<tbody>
<tr>
<td>£m</td>
<td></td>
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<tr>
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<td>6.7</td>
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Year End Forecast £k

The first tranche of the funding for the Radiotherapy East scheme, £3.1m, is expected to be received in March. The operational capital expenditure programme is under constant review to ensure that schemes continue to be affordable, are progressing and will be completed in year.

Operational Costs £k

Overall the Trust is forecasting a £43.4m overspend against operating costs. In the year to date position the Pay expenditure is overspent by £17.5m and non-pay expenditure is overspent by £21.9m including £10.4m of additional pass through costs for PbR excluded drugs and devices. Operational pressures are a significant contribution to the overspend, and are contributing to the underperformance on cost improvement plans. There is £4m of gross risk that could make the forecast position worse, please see risks section for further information.

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