Agenda Item No.10c

The Queen Elizabeth Hospital King's Lynn
NHS Foundation Trust

REPORT TO THE BOARD OF DIRECTORS (IN PUBLIC) & ONWARD TO THE GOVERNORS' COUNCIL

RESPONSIBLE DIRECTOR:	REPORT FOR:		IMPACT ON BUSINESS:		
Mr Roy Jackson Director of Finance	Decision	√	High	Med	Low
	Discussion			√	
	Information	√			
LEAD MANAGER:	**REPORT TYPE:**		**BAF REFERENCES & RAG:**		
	Strategic				
	Operational	√			
	Governance		**RELATED WORK: (PREVIOUS PAPERS TO COMMITTEE)**		
PEER ASSIST:	**PEER REVIEW:**				
CQC Domain: (safe, caring, effective, responsive, well-led)	Effective & Well-led				

Meeting Date: 26th September 2017 & 03 October 2017

Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position as at the end of August 2017.

SUMMARY:

- The Trust is measuring its financial performance against a 2017/18 deficit plan of £16.3m, as submitted to NHS Improvement (NHSI) in March 2017.
- The Trust has made a (control total) loss of £1.7m in August 2017, and £8.9m year to date. This is £0.9m adverse to plan in August and £2.3m adverse to plan year to date. The year to date adverse variance is driven by a £2.3m shortfall against budget for clinical income of which planned care accounts for £1.6m.
- Plans are in progress to deliver day case/out-patient productivity necessary to recover annual income.

FINANCIAL IMPLICATIONS / EFFICIENCY SAVINGS / QUALITY IMPROVEMENT:

RISK ASSESSMENT (CROSS-REFERENCE WITH RISK REGISTER WHERE APPROPRIATE):

Strategic / External	Operational/ Organisational	Financial	Clinical	Legal/ Regulatory	Reputational / Patient Experience
		√			

RECOMMENDATIONS:

The Board of Directors / Governors' Council

a) To note the financial position.

FINANCE REPORT

1.0 Introduction

The purpose of this report is to inform the Board of the Trust's financial position as at 31st August 2017

2.0 The Annual Revenue Plan

The Trust is measuring its financial performance against a 2017/18 deficit plan of £16.3m (£16.6m once the accounting impact of transactions outside the Control Total definition are then included), the £16.3m figure being that submitted to NHS Improvement (NHSi) in March 2017.

3.0 Financial Position as at 31 August 2017

The Trust has made a (control total) loss of £1.7m in August 2017 which is £0.9m adverse to plan (loss of £1.5m in July, £0.5m adverse to plan). Year to date loss is £8.9m which is £2.3m adverse to plan.

A range of organisational actions are being taken to recover the adverse variance and return the Trust to planned financial performance. Key actions include increasing out-patient, day case and elective throughput and re-invigorating the cost improvement programme.

Appendix 1 contains a summary of the financial position at the end of August 2017. The table below summarises the variances to budget.

Table 1: Summary of Variances to Budget at end of August

Subjective	Month 5 £000	Variance	Year to date £000	Variance
Clinical Income	(800)	Adverse	(2,283)	Adverse
Other Income	78	Favourable	(100)	Adverse
Pay	(358)	Adverse	(16)	Adverse
Non Pay	69	Favourable	(63)	Adverse
Depreciation & Financing Costs	82	Favourable	190	Favourable
TRUST PLAN VARIANCE	(929)	Adverse	(2,272)	Adverse

4.0 Capital and Cash

The Trust has a capital expenditure programme of £9.2m in 2017/18. The capital programme has been reviewed and a forecast out-turn of £8.5m is expected.

Year to date, £1.5m has been spent on capital investment as follows;

- CT scanners - £0.7m
- Pharmacy Automated Dispensing System - £0.2m
- Medical equipment - £0.2m
- Estate backlog - £0.2m
- Various other - £0.2m.

A strategic outline business case for the Roof Project (£22m) has been submitted to NHSI for their consideration.

Year to date the Trust has drawn a total of £4.7m loans for revenue and zero for capital.

Appendix 1: Summary Statement of Comprehensive Income

2017/18 Opening Budget	2017/18 Current Budget	Period Actual	Period Budget	Period Variance	Period Variance %	£000's	Year to date Actual	Year to date Budget	Year to date Variance	Year to date Variance %	YTD v 2016/17 2016/17 Actual	YTD v 2016/17 Variance	YTD v 2016/17 Variance %
						Revenue							
158,208	158,297	12,783	13,583	(800)	(5.9%)	Clinical Revenue (ex S&T Fund [2])	64,066	66,349	(2,283)	(3.4%)	63,482	584	0.9%
15,307	16,039	1,387	1,309	78	6.0%	Other Revenue	6,605	6,705	(100)	(1.5%)	4,925	1,680	34.1%
173,515	174,336	14,170	14,892	(722)	(4.8%)	Sub Total Revenue (ex S&T Fund [2])	70,671	73,054	(2,383)	(3.3%)	68,407	2,264	(3.3%)
13,888	13,990	1,148	1,165	(17)	(1.5%)	*Pass through drugs & devices*	5,085	5,829	(744)	(12.8%)	5,224	(139)	(2.7%)
187,403	188,326	15,318	16,057	(739)	(4.6%)	**Total Revenue (ex S&T Fund [2])**	75,756	78,883	(3,127)	(4.0%)	73,631	2,125	(2.9%)
						Expenditure							
(127,660)	(126,475)	(10,566)	(10,321)	(245)	(2.4%)	Employee Benefit Expenses	(52,487)	(51,716)	(771)	(1.5%)	(49,913)	(2,574)	(5.2%)
(14,655)	(13,149)	(1,335)	(1,222)	(113)	(9.2%)	Agency Staff	(5,944)	(6,699)	755	11.3%	(4,954)	(990)	(20.0%)
(39,446)	(42,644)	(3,359)	(3,428)	69	2.0%	Non Pay Expenditure	(17,943)	(17,880)	(63)	(0.4%)	(17,307)	(636)	(3.7%)
(181,761)	(182,268)	(15,260)	(14,971)	(289)	(1.9%)	Sub Total Expenditure	(76,374)	(76,295)	(79)	(0.1%)	(72,174)	(4,200)	(5.8%)
(13,888)	(13,990)	(1,148)	(1,165)	17	1.5%	*Pass through drugs & devices*	(5,085)	(5,829)	744	12.8%	(5,224)	139	2.7%
(195,649)	(196,258)	(16,408)	(16,136)	(272)	(1.7%)	**Total Costs**	(81,459)	(82,124)	665	0.8%	(77,398)	(4,061)	(5.2%)
(8,246)	(7,932)	(1,090)	(79)	(1,011)	(1279.7%)	**EBITDA (ex S&T Fund [2])**	(5,703)	(3,241)	(2,462)	(76.0%)	(3,767)	(1,936)	(51.4%)
(8,096)	(8,410)	(623)	(705)	82	11.6%	Depreciation & Financing Costs	(3,165)	(3,355)	190	5.7%	(3,579)	414	11.6%
(16,342)	(16,342)	(1,713)	(784)	(929)	(118.5%)	**Control Total Performance (ex S&T Fund [2,3])**	(8,868)	(6,596)	(2,272)	(34.4%)	(7,346)	(1,522)	(20.7%)
0	0	0	0	0	0.0%	Sustainability & Transformation Fund	0	0	0	0.0%	0	0	0.0%
(16,342)	(16,342)	(1,713)	(784)	(929)	(118.5%)	**Control Total Performance (inc S&T Fund [2,3])**	(8,868)	(6,596)	(2,272)	(34.4%)	(7,346)	(1,522)	(20.7%)
(250)	(250)	(24)	(29)	5	17.2%	Transactions Outside of Control Total	(116)	(120)	4	3.3%	(134)	18	13.4%
(16,592)	(16,592)	(1,737)	(813)	(924)	(113.7%)	**Net (Deficit)/Surplus**	(8,984)	(6,716)	(2,268)	(33.8%)	(7,480)	(1,504)	(20.1%)
(4.4%)	(4.2%)	(7.1%)	(0.5%)			EBITDA Margin	(7.5%)	(4.1%)			(5.1%)	(2.4%)	
(8.8%)	(8.8%)	(11.3%)	(4.9%)			(Deficit)/Surplus Margin	(11.8%)	(8.5%)			(10.0%)	(1.8%)	

1. Variances - favourable variances are positive figures, adverse variances are negative figures.
2. S&TF = Sustainability and Transformation Fund
3. Access allowed to the S&T Fund if the year to date variance to APR plan is nil or favourable.