Agenda Item 12

NHS
The Queen Elizabeth Hospital King's Lynn
NHS Foundation Trust

REPORT TO THE BOARD OF DIRECTORS (IN PUBLIC)

RESPONSIBLE DIRECTOR:	REPORT FOR:		IMPACT ON BUSINESS:		
Mr Roy Jackson Acting 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: 30th May 2017
Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position as at the end of April 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 loss of £2.3m in April 2017, which is £0.4m favourable to plan.
- Whilst month 1 financial performance is better than plan there are challenges that lie ahead e.g. delivering the cost improvement programme (CIP), reducing agency cost.

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

a) To note the financial position.

Author: Mr R Jackson
Date: 22nd May 2017
Version: 1.0

FINANCE REPORT

1.0 Introduction

The purpose of this report is to inform the Board of the Trust's financial position as at 30th April 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.

NHSi nationally will be measuring and publishing financial performance against the control total set for the Trust of £6.8m deficit, figure net of £5.8m of income support from the Sustainability and Transformation Fund (S&T Fund). This means that the Trust's successful delivery of a £16.3m deficit will be viewed by outside stakeholders as falling short by £9.5m from delivering the control total deficit.

The Trust is not expecting to receive any financial support from the Sustainability and Transformation Fund (S&T Fund) in 2017/18 and this expectation is reflected in the budget.

The monthly profile of the 2017/18 financial plan is being reviewed and will be finalised in time for reporting May 2017 financial results. However the month 1 budget will not be changed.

3.0 Financial Position as at 30 April 2017

The Trust has made a loss of £2.3m in April 2017, which is £0.4m favourable to plan. Whilst this is a satisfactory start to the financial year there are material risks and uncertainties ahead, in particular the planned reduction in agency costs, delivery of cost improvement plans, and exposure on agreement of 2016/17 balances which will not be finally clarified until July 2017.

Appendix 1 contains a summary of the financial position at the end of April 2017. The table on the following page summarises the variances to budget.

Table 1: Summary of Variances to Budget at M1

Subjective	£000	Variance
Clinical Income	(99)	Adverse
Other Income	(24)	Adverse
Pay	396	Favourable
Non Pay	327	Favourable
CIPs	(221)	Adverse
Depreciation & Financing Costs	0	
TRUST PLAN MONTH 1 VARIANCE	379	Favourable

4.0 Capital and Cash

The Trust has a capital expenditure programme of £9.2m in 2017/18. It will be necessary to revisit how the £9.2m is allocated for several reasons including;

i) To make provision for "invest to save" projects. Some cost reduction projects will need pump-priming capital investment in order to reduce operating expenditure.

ii) There is insufficient contingency in the current programme to cover for unexpected costs e.g. equipment breakdowns.

iii) An asset verification exercise is to be undertaken to provide assurance that the current equipment replacement programme has been appropriately prioritised and to form a robust baseline for strategic capital planning.

Five year capital plans will be refreshed and used to help formulate year 2 plans.

In April the Trust has drawn down £1.540m of revenue support funding. The finance team are currently revising the detailed monthly cash flows based on the finalisation of the re-phasing of the Trust's revenue plan. The Trust is planning to draw down £21.6m in revenue support and capital funding in 2017/18. The Trust has commenced planning to seek further financing for major works to address the age and condition of the hospital's roof structure.

Appendix 1: Summary Statement of Comprehensive Income

2017/18 Opening Budget	2017/18 Current Budget	£000's	Year to date Actual	Budget	Variance	Variance %	YTD v 2016/17 2016/17 Actual	Variance	Variance %
		Revenue							
158,108	158,159	Clinical Revenue (ex S&T Fund [2])	12,215	12,314	(99)	(0.8%)	11,909	306	2.6%
15,306	15,568	Other Revenue	1,262	1,286	(24)	(1.9%)	1,011	251	24.8%
173,414	173,727	Sub Total Revenue (ex S&T Fund [2])	13,477	13,600	(123)	(0.9%)	12,920	557	(4.3%)
13,888	13,888	*Pass through drugs & devices*	851	1,127	(276)	(24.5%)	1,015	(164)	(16.2%)
187,302	187,615	**Total Revenue (ex S&T Fund [2])**	14,328	14,727	(399)	(2.7%)	13,935	393	(2.8%)
		Expenditure							
(128,243)	(127,413)	Employee Benefit Expenses	(10,361)	(10,437)	76	0.7%	(10,094)	(267)	(2.6%)
(14,655)	(13,990)	Agency Staff	(1,213)	(1,533)	320	20.9%	(719)	(494)	(68.7%)
(46,196)	(45,865)	Non Pay Expenditure	(3,537)	(3,864)	327	8.5%	(3,352)	(185)	(5.5%)
8,201	5,609	CIPs	0	221	(221)	(100.0%)			
(180,893)	(181,659)	Sub Total Expenditure	(15,111)	(15,613)	502	3.2%	(14,165)	(946)	(6.7%)
(13,888)	(13,888)	*Pass through drugs & devices*	(851)	(1,127)	276	24.5%	(1,015)	164	16.2%
(194,781)	(195,547)	**Total Costs**	(15,962)	(16,740)	778	4.6%	(15,180)	(782)	(5.2%)
(7,479)	(7,932)	**EBITDA (ex S&T Fund [2])**	(1,634)	(2,013)	379	18.8%	(1,245)	(389)	(31.2%)
(8,863)	(8,410)	Depreciation & Financing Costs	(651)	(651)	0	0.0%	(718)	67	9.3%
(16,342)	(16,342)	**Control Total Performance (ex S&T Fund [2,3])**	(2,285)	(2,664)	379	14.2%	(1,963)	(322)	(16.4%)
0	0	Sustainability & Transformation Fund	0	0	0	0.0%	542	(542)	100.0%
(16,342)	(16,342)	**Control Total Performance (inc S&T Fund [2,3])**	(2,285)	(2,664)	379	14.2%	(1,421)	(864)	(60.8%)
(250)	(250)	Transactions Outside of Control Total	(24)	(29)	5	17.2%	(30)	6	20.0%
(16,592)	(16,592)	**Net (Deficit)/Surplus**	(2,309)	(2,693)	384	14.3%	(1,451)	(858)	(59.1%)
(4.0%)	(4.2%)	EBITDA Margin	(11.4%)	(13.7%)			(4.9%)	(6.5%)	
(8.8%)	(8.8%)	(Deficit)/Surplus Margin	(16.1%)	(18.3%)			(13.6%)	(2.6%)	

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.