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

REPORT TO TRUST BOARD

SUBMITTED BY:	REPORT FOR:		IMPACT:		
David Stonehouse	Decision		High	Med	Low
CONSULTATION:	Information	√	√		
	REPORT TYPE:		RELATED WORK:		
	Strategic	√			
	Operational	√			
	Governance	√			
BAF ref:	N/A				
CQC Essential Standard Reference:	N/A				
Media / Communications:	N/A				

Meeting Date: 30th July 2012
Report Title: Finance Report – June 2012

Purpose: To provide an update of the Trust's financial position
Summary: Please see the first page of the report
Financial Implications / Efficiency Savings:

Risk Assessment (cross-reference with Risk Register where appropriate):

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

Recommendations: Trust Board is asked to note the content of the report and consider actions.

Author: David Stonehouse
Date: 13th July 2012

Version; v1

1.0 SUMMARY INCOME & EXPENDITURE POSITION (Appendix 1)

1.1 For the month the Trust achieved an EBITDA of £43k against a planned EBITDA of £320k, an adverse variance of £277k. Year to date the Trust achieved £1,263k EBITDA against a plan of £1,119k, a favourable variance of £144k.

1.2 For the month the Trust reported a deficit of £538k against a planned deficit of £229k, an adverse variance of £309k. Year to date the Trust reported a deficit of £484k against a planned deficit of £529k, a positive variance of £45k.

1.3 Expenditure for the month was generally in line with plan but the planned level of income was not achieved which reduced the over delivery that had been achieved in April. Whilst the Trust is still ahead of planned EBITDA by £144k, delivery of the Business Sustainability Programme (BSP) becomes more challenging over quarter 2. It was expected that the elective activity would return to plan by the end of this month but this has not occurred. As a consequence detailed recovery plans are in the process of being agreed with those specialities that are significantly off track in order to recover the position.

1.4 For the month the Trust EBITDA margin was 0.3% against a planned EBITDA margin of 2.4%, 2.1% below plan. Year to date the Trust EBITDA margin is 3.1% against a plan of 2.7%, 0.4% over plan.

1.5 The Trust plan aims to deliver an EBITDA margin of 5.0%, an FRR score of 3, by Quarter 2. Current EBITDA forecasts indicates an EBITDA Margin of 4.75% by quarter 2 which, dependant on the other factors of the overall FRR calculation means an overall FRR of 3 should still be achieved.

1.6 Overall the Trust is forecasting to deliver the planned EBITDA by year-end, although the Trust's contingency will be fully utilised to achieve this.

2.0 FINANCIAL RISK RATING (Appendix 2)

2.1 For the month the Trust has scored an FRR of 1 compared to an expected FRR of 2. Year to date the Trust scored an FRR of 2 as per the plan. Year to date three of the individual metric have scored 2 (EBITDA Margin %, Net Return After Financing % and I&E Surplus Margin %). The Financial Efficiency criterion is the only one that combines two metrics (Net Return After Financing % and I&E Surplus Margin %) and since both of these have scored a 2, the Financial Efficiency criterion also scores a 2.

2.2 The overall consequence of this is that three metrics have scored 2 and two criterion have scored 2 (Underlying Performance & Financial Efficiency). The override rule applies and the Trust scores an FRR of 2 for the quarter.

3.0 KEY MESSAGES

3.1 Due to the forecast underachievement of BSP and the full utilisation of contingency on additional transformation costs and nursing skill mix review, an FRR of 3 by quarter 2 is marginal (forecast cumulative EBITDA £205k below plan at September). To deliver the FRR of 3 it is therefore essential that:

- Divisions to deliver their planned activity and recover underperformance to date.
- For all areas to maximise vacancy savings (ensuring appropriate staffing levels for patient safety).
- For POD leads to deliver their BSP savings as forecast for quarter 2 and that there is no further deterioration of forecast BSP savings.

3.2 It is clear that increased focus is necessary at speciality level, both in terms of ensuring activity plans are delivered and productivity opportunities are realised. In order to support the above a series of prioritised performance meetings to review progress recovery actions with key specialties will be held during August together with the quarterly divisional performance reviews at the end of July.

4.0 BUSINESS SUSTAINABILITY PROGRAMME (Appendix 3)

4.1 The Trust's financial plan was based on the Business Sustainability Programme (BSP) delivering £10.2m of savings for 2012/13. The Board approved the financial plan on the basis of £8.3m coming from known & identified projects/schemes (PODs), £1.5m was unidentified and £0.4m was to be achieved by staff vacancies in the first four months of 2012.

4.2 At the time of preparing the detailed Trust forecast cumulative verified savings were £988k, £688k associated with PODs and £300k from the planned vacancy factor. Overall the BSP is on track to date, however, the forecast is an under achievement of £1.7m. By the end of quarter 2 the Trust plan requires £2,913k of savings to have been achieved, current forecast indicate that only £2,260k will be delivered, an under achievement of £653k.

Actions to date are focusing on maximising and bringing forward the delivery of existing schemes, rather than identifying new opportunities for additional savings.

4.3 Additional verified savings in the month (completed after the month-end close down) have improved this figure slightly although the latest PMO report indicates that the forecast gap remains significant at £1.5m

4.4 Additional detailed work remains on-going (joint working between PMO & Finance Team) with regard to BSP POD forecast figures. It is expected that some additional risk of non delivery exists within the current forecast (see section Financial Risk below).

5.0 TRUST INCOME

5.1 For the month the Trust under delivered against planned clinical income by £382k. Year to date the Trust has under delivered against planned clinical income by £280k

5.2 For the month elective inpatient activity is under plan by 17 cases, generating an adverse variance of £162k. Year to date, activity is 17 cases under plan, generating an adverse variance of £191k. Whilst the current period variance in activity is the same as it is year to date, there is a difference in specialty mix which generates a different financial variance. As stated above, key underperforming specialities will be the focus of executive attention with a view to assisting them return to plan.

5.3 For the month, daycase activity was 301 cases below plan, generating an adverse variance of £151k. Year to date daycase activity is 2 cases below plan generating an adverse variance of £25k. Given this activity is not bed related the issues are clearly associated with scheduling of patients. This means that there is scope to mitigate the dip in June.

5.4 For the month non elective activity as a whole is 65 cases below plan, which has generated an adverse variance of £388k. Year to date, non elective activity is 192 cases over plan generating an adverse variance of £132k. After the effects of excess bed days and the emergency threshold cap the adverse variance becomes £82k.

5.5 For the month outpatient activity is 325 attendances below plan, which generated an adverse variance of £51k. Year to date outpatient activity is 971 attendances over plan generating a positive variance of £57k.

6.0 DIVISIONAL FINANCIAL PERFORMANCE

6.1 The Elective Division is reporting a £362k negative variance against budget. Operational budgets are reporting a £392k negative variance and BSP is showing a £30k overachievement to date. Excluding BSP variance, the under recovery of clinical income is the main issue for the Division. From a forecast perspective it is expected that the Division will recover the under achievement of clinical income. In the context of the under delivery in June and estimated performance for July, the management of activity planning will be achieved via the speciality recovery plans.

6.2 The Medicine & Emergency Division is reporting a £43k negative variance against budget. Operational budgets are reporting a £49k negative variance and BSP is showing a £6k overachievement to date. Excluding the BSP variance, the overspend is associated with under recovery of clinical income. From a forecast perspective it is expected that the Division will be overspent by circa £200k due to the planned investment in additional nursing posts as per the skill mix review (POD 20). The additional investment in nursing establishment is currently expected to be funded from the contingency. It is expected that the Division will address the other operational overspends and we will be agreeing recovery actions with the Division to deliver a breakeven position.

6.3 The Women and Children Division is reporting a £278k positive variance against budget. Operational budgets are reporting a £268k positive variance and BSP is showing a £10k overachievement to date. Excluding the BSP variance, the underspend is associated with additional clinical income and pay vacancies. From a forecast perspective the Division is expecting to achieve an underspend of £298k on operational budgets due to the over achievement of income and the continuation of vacancies.

6.4 The Clinical Support Division is reporting a £246k positive variance against budget. Operational budgets are reporting a £250k positive variance and BSP is showing a £4k under achievement to date. Excluding the BSP variance, the underspend is primarily associated with staff vacancies. From a forecast perspective, £800k for pathology transformation has been included as costs, although this will be funded from the Pathology Transformation reserve. If this was not included the forecast operation underspend would be £300k which is generated by the continuation of staff vacancies.

6.5 The Hotel Services Department is reporting a £79k adverse variance against budget. Operational budgets are £42k overspent and BSP is under delivered by £37k. Excluding the BSP variance, the main area of concern is associated with cleaning consumables. To address the issue a temporary management control process is to be put in place whilst a ward/department review is undertaken with the Director of Patient Experience/Nursing. Also the team is looking to implement a new stock control system with the help of the Procurement department.

6.6 The other area of significant variance is associated with the PMO & Transformation costs which currently are included within the Finance Department. Currently the department is overspent by £326k due to the PMO, BSP support from KPMG and other BSP delivery costs incurred. From a forecast perspective the £1,672k overspend is associated with these additional costs. The overspend is being funded from the Transformation fund, other operational underspends and the balance of general contingency after having offset forecast under delivery of BSP and nurse skill mix review.

7.0 FINANCIAL RISK

7.1 Currently the key risks can be divided between delivery of the Trust BSP and contract penalties. In the worst case scenario, BSP has been assessed as having a further £1,700k risk and CQUIN and contract penalties as £1,700k.

7.2 If each risk were to occur (adverse and positive) then the EBITDA range is £9,185k as best case and worst case of £5,360k.

7.3 BSP risk is mitigated by comprehensive management of the programme via the BSP group and Contract risk is mitigated via monitoring of targets reporting through to the TEC. At this point we anticipate managing these risks within the current financial forecast.

8.0 CAPITAL PROGRAMME (Appendix 4)

8.1 Currently the capital programme is £372k under plan due to slippage in expenditure on IM&T, medical equipment, estates backlog and the MRI project.

8.2 Total capital expenditure is forecast to be £977k under plan but since the main scheme contributing to this amount is the CHP plant this means that the loan drawdown will also be delayed, hence, there will be no impact on the Trust's operational cash balance.

9.0 BALANCE SHEET AND CASHFLOW (Appendix 5)

9.1 The main variances to date are associated with working capital balances of NHS Debtors and Trade Creditors. The other significant variance is £3,635k in cash due to the early receipt from NHS Norfolk.

9.2 The forecast Balance Sheet is generally expected to be as per plan.

9.3 The Trust's cash balance was £9,956k at the end of month 3 and forecast to be £6,333k at the year end. The year-end forecast is as per plan.

10.0 CONCLUSIONS AND RECOMMENDATION

10.1 Note the financial performance to date and the cumulative FRR of 2.80 (an FRR of 2 after the application the override rule, as per plan).

10.2 Note that the Trust, with assertive effort, should still achieve an FRR of 3 by quarter 2 and remains forecast to deliver planned EBITDA for the year.

10.2 Note that the assessment of financial risk of EBITDA achievable is within a range between £9,185k and £5,360k.