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

REPORT TO THE BOARD OF DIRECTORS (IN PUBLIC)

RESPONSIBLE DIRECTOR:	REPORT FOR:		IMPACT ON BUSINESS:		
Russell Pearson Deputy 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: 31 January 2017
Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position to the end of December 2016.

SUMMARY:

- The Trust has made a loss of £1.4m in December 2016, which, excluding the Sustainability and Transformation Fund, is £0.4m favourable to plan.
- Year to date, the Trust has made a loss of £13.8m, which, excluding the Sustainability and Transformation Fund, is £4.6m adverse to plan.
- Failing to achieve the financial control total means the Trust is not entitled to Sustainability and Transformation Funding as planned. This adds a further £4.9m to the above year to date adverse variance.
- The forecast is a deficit of £18.3m which is £6.5m adverse to the £11.8m deficit control total (excluding the Sustainability and Transformation Fund).

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.

FINANCE REPORT

1.0 Introduction

The purpose of this report is to inform the Board of the Trust's financial position as at 31 December 2016

2.0 Financial Position December 2016 and Year to Date

The Trust has made a loss of £1.397m in December 2016, which is £0.406m favourable to plan and £0.256m favourable to forecast (excluding Sustainability and Transformation Fund).

Year to date, the Trust has made a loss of £13.805m, which (excluding planned income from the Sustainability and Transformation Fund) is £4.561m adverse to plan.

NHSI have directed the Trust to manage its financial out-turn such that the 2016/17 deficit does not exceed £18.3m. To achieve this challenging target, the average loss each month in Q4 cannot exceed £1.5m.

The target deficit is a challenge. Therefore the financial objectives for the remainder of the financial year are to:

- Avoid and minimise costs wherever possible and deliver the financial recovery plan.
- Maintain grip and control over keys lines of expenditure
- Reduce the recurrent expenditure run rate in Quarter 4 2016/17.

The out-turn forecast is a deficit of £18.3m. There are opportunities to improve the out-turn as identified in the financial recovery plan (FRP). However there are also risks that could cause a deterioration to the forecast.

KPMG have been engaged to review the financial position, the FRP and the potential to reduce the deficit further in-year. Their engagement commenced on 18th January and will also include a VAT review and an assessment of the control environment. Their report is expected in the week commencing 8th February.

3.0 Capital and Cash

The forecast capital spend for the financial year 2016/17 remains at £8.8m in acknowledgement of the prevailing financial climate and the need to restrict spend whenever possible.

In line with forecast, works to replace the first of our CT Scanners will begin mid February and will be complete by the end of March. Works to replace the second scanner will commence towards the end of April and be complete by mid June.

A mobile CT unit has been secured to maintain business as usual throughout the project although its use will present some operational challenges and it will not be suitable for all patients. The projected loss on disposal arising on the sale of the first scanner is estimated at £22K and is included in the Quarter 4 figures.

The refurbishment of Theatres 5 & 6, the uplift of West Raynham ward and the creation of the Inspire Centre were all completed in the quarter. The Theatres project has come in under budget by £175K . It is pleasing to note that projects generally have come in either on or slightly under budget in the quarter.

IT projects to install the 'Badgernet' maternity system and the 'TheatreMan' theatre and sterile services management system both continue to make good progress despite slight slippage on timescales. Both will go live in Quarter 4 leaving only some interfacing work to be completed in the next financial year.

The Trust continues to look into the possibility of moving Endoscopy to a managed service agreement in order to maintain an effective equipment base for the service which is in need of significant on-going investment. If the Trust were to enter into a managed service agreement, the transfer of existing equipment at its inception may result in a significant loss on disposal.

Based on the current income & expenditure run rates and potential deficit position the Trust has presented revised revenue loan funding requirements of £21.7m for 2016/17 to NHSI/DoH.

At the end of December the Trust has drawn a total of £19.9m revenue and capital loans against an original plan of £19.1m.