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:		
David Stonehouse 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 January 2015

Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position to the end of Dec 2015.

SUMMARY:

The Trust is currently reporting a deficit of £12.1m, adverse to plan by £1.2m.

Expenditure in December was in-line with forecast and remains in-line with recovery assumptions for the remainder of the financial year. The Income position deteriorated further in December putting delivery of the forecast year-end deficit of £13.9m at significant risk.

The Trust remains committed to delivering the planned £13.9m deficit and is striving to improve this to achieve the stretch target deficit required by Monitor of £13.3m deficit. Recovery actions are being implemented as agreed. However continued pressure on hospital unplanned care services is putting a strain on organisational capacity. In the context of significant financial pressures nationally, all providers are being asked to fully explore and maximise one-off opportunities for financial improvement.

FINANCIAL IMPLICATIONS / EFFICIENCY SAVINGS / QUALITY IMPROVEMENT:

Any deficit above plan will be added to the financial improvement target for 2016/17.

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 is invited: a) To note the deterioration in the financial position and actions being undertaken to mitigate the position.

FINANCE REPORT

1.0 Financial Position – December 2015 and Year to Date

In December the Trust made a loss of £1.544m which is £488k **adverse** to plan.

The variance in December is £247k of under-delivery of clinical income, (excluding pass-through); a pay overspend of £124k associated with agency staff and an adverse variance of £98k within ITDA and restructuring costs associated with asset disposal due to the recent CHP implementation.

Year to date, the Trust has made a loss of £12.111m which is £1.173m **adverse** to plan.

The summary financials are included within the integrated performance report

2.0 Financial Performance (actual against forecast) – December 2015

When compared to forecast for the month, actual financial performance is £486k **adverse,** primarily as a result of £532k under delivery of Clinical Income.

Pay was as per forecast and non-pay was £91k **adverse** to forecast. Of the £91k adverse movement, £47k was associated with additional training costs and the remainder was associated with clinical supplies in Medicine and Critical Care. Other income was **favourable**, primarily due to the receipt of income for the additional training costs incurred in non-pay. When taken together, other income, pay and non-pay was £20k **favourable** to forecast.

2.1 Clinical Revenue (actual against forecast)

In December, clinical Income, excluding the costs of pass through drugs is £532k **adverse** to forecast. To summarise, the variances against the forecast in December are as follows:

Patient category Row Labels	Sum of Variance £ 000s
Day-cases	-60
Elective Inpatients	-68
Outpatients	-232
Emergency Cap	-50
Non-elective Inpatients Long Stay	103
Non-elective Inpatients Short-stay	-133
Maternity Pathway	-41
CQUIN	-17
Contract Penalties	4
Other	-38
Grand Total	**-532**

December was a disappointing month, which proved challenging in terms of providing additional capacity for planned care over the holiday period.

Clinical activity improvement trajectories are being refreshed to enable maximisation of clinical income through Q4 and the Trust will continue to explore all opportunities for reductions in cost, especially schemes that can deliver in Q4 2014/15. The weekly Activity & Financial recovery meetings are being used to manage the refreshed trajectories, drive delivery and maximise any further opportunities for cost improvement e.g. Delivery of Agency Spend reductions through compliance with Agency Cap rates.

2.2 Pay and Non-Pay Operating Costs

In December pay costs were broadly in line with forecast. Non-pay costs were £91k higher than forecast. However, as previously stated, £47k was associated with additional training costs for which additional income was received. The remainder was associated with clinical supplies in Medicine and Critical Care.

2.3 Cost Improvement Plan

The 2015/16 cost improvement plan amounts to £2.7m. The plan comprises;

i) £0.5m of revenue generation
ii) £0.5m of pay cost reduction and
iii) £1.7m of non-pay cost reduction

2% CIP delivery in December was £0.187m, being £0.066m (26%) **adverse** to plan. The current year end forecast for 2% CIP delivery is £2.039m, with shortfalls partially mitigated by operational underspends in some areas e.g. £0.275m in core services.

2.4.1 Forecast Out-turn

The Trust remains committed to delivering the planned £13.9m deficit and is striving to improve this to achieve the stretch target deficit required by Monitor of £13.3m deficit, however there are significant risks, particularly with regards to activity and associated income delivery of at least £1m over and above the £13.9m reported year end forecast.

As previously reported the increasing pressure on front line services associated with increased emergency activity and the timely discharge of patients creates significant financial pressure. The current year end forecast includes additional costs of circa £1m to support additional escalation beds and support for medical patients on surgical wards. This is also impinging on our planned care capacity to treat elective patients.

This risk was highlighted at our meeting with Monitor on the 14th of January where we were advised and subsequently had it confirmed in writing that clearly any under-delivery against plan will be carried forward to expected financial improvement requirements for 2016/17. The Trust remains focused on additional recovery actions agreed at the December Board, however it is likely that the year-end plan position will require additional one-off measures, which we are required to make explicit in our month 9 financial submission on the 29th of January.

1. **Capital and Cash position**

To date the trust has spent £6.4m on capital against a plan of £8.6m, a **favourable** variance of £2.1m. The Trust is currently forecasting a capital underspend of £1.2m, which is driven by slippage on the theatres refurbishment scheme. Potential for further slippage is being reviewed in detail in order to maximise any support for revenue risk

At the end of December the Trust had drawn down £18.4m of loan support, as per revised cashflow projections submitted for the loan funding application of £22.3m. Revenue loan agreements have been set at £15.6m which reflects Monitor's expectation of the Trust's 2015/16 operating deficit.

David Stonehouse
Director of Finance

20th January 2015