Agenda Item No.

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 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 January 2018

Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position as at the end of December 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 £2.5m in December 2017, and £15.8m year to date. This is £0.6m adverse to plan in December and £3.3m adverse to plan year to date.
- Financial performance being significantly adverse to plan has necessitated the Trust to rapidly develop and implement a financial recovery plan. The financial recovery plan has been shared with the Regulator, NHS Improvement.
- The Trust has advised the Regulator that the 2017/18 deficit will be £18.9m.
- The scale of winter pressures that are currently impacting service provision, is a key risk to achieving the £18.9m out-turn deficit.

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 31st December 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 December 2017

The Trust has made a (control total) loss of £2.5m in December 2017 which is £0.6m adverse to plan (loss of £0.2m in November, £1.2m favourable to plan). Year to date loss is £15.8m which is £3.3m adverse to plan. The main driver for the £0.6m adverse to plan performance in December has been a national direction to remove the £0.54m YTD impact of an element of CQUIN income. The status of this funding is expected to be finally resolved in March.

Financial performance being significantly adverse to plan has led to a financial recovery plan being rapidly developed and implemented. Key actions include increasing out-patient, day case and elective throughput, re-invigorating the cost improvement programme and other cost reduction measures. The financial recovery actions have been quality impact assured to ensure implementation will not compromise patient safety.

The Trust has advised the Regulator, NHS Improvement, that a year-end (control total) of £18.7m is deliverable. External financial recovery expertise has been commissioned to assist the Trust in securing an £18.7m deficit. However, the current scale of winter pressures impacting on the service will adversely impact financial performance, making an £18.7m deficit target increasingly challenging to achieve.

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

Table 1: Summary of Variances to Budget at end of December 2017

Subjective	Month 9 £000	Variance	Year to date £000	Variance
Clinical Income	(280)	Adverse	(1,761)	Adverse
Other Income	(123)	Adverse	(322)	Adverse
Pay	(109)	Adverse	(1,286)	Adverse
Non Pay	(202)	Adverse	(466)	Adverse
Depreciation & Financing Costs	127	Favourable	567	Favourable
TRUST PLAN VARIANCE	(587)	Adverse	(3,268)	Adverse

4.0 Capital and Cash

The Trust had an original capital expenditure programme of £9.2m in 2017/18. The capital programme has been reviewed and a forecast out-turn of £5.0m (inclusive of £0.1m donated assets) is expected.

Year to date, £2.2m has been spent on capital investment as follows;

- CT scanners - £0.7m
- Estate backlog - £0.4m
- GP streaming - £0.3m
- Medical equipment - £0.3m
- Pharmacy Automated Dispensing System - £0.2m
- Various other - £0.3m.

Work on the installation of a major new fire alarm system commenced in December 2017 and its two year programme of works will be completed by 2020.

Enabling works on the installation of the pharmacy automated dispensing system will commence in January 2018, with the system expected to go live by the end of March 2018.

Year to date the Trust has drawn a total of £4.7m loans for revenue and zero for capital. The Regulator has been notified that the Trust will require £15.4m in revenue loans in quarter four 2017/18. No capital loan funding will now be required in this financial year.

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 %
						Revenue				
158,208	158,330	12,473	12,753	(280)	(2.2%)	Clinical Revenue (ex S&T Fund [2])	116,968	118,729	(1,761)	(1.5%)
15,307	16,020	1,218	1,341	(123)	(9.2%)	Other Revenue	11,713	12,035	(322)	(2.7%)
173,515	174,350	13,691	14,094	(403)	(2.9%)	Sub Total Revenue (ex S&T Fund [2])	128,681	130,764	(2,083)	(1.6%)
13,888	13,991	989	1,166	(177)	(15.2%)	*Pass through drugs & devices*	9,290	10,493	(1,203)	(11.5%)
187,403	188,341	14,680	15,260	(580)	(3.8%)	**Total Revenue (ex S&T Fund [2])**	137,971	141,257	(3,286)	(2.3%)
						Expenditure				
(127,660)	(126,484)	(10,718)	(10,720)	2	0.0%	Employee Benefit Expenses	(95,300)	(94,236)	(1,064)	(1.1%)
(14,655)	(13,149)	(1,048)	(937)	(111)	(11.8%)	Agency Staff	(10,948)	(10,726)	(222)	(2.1%)
(39,446)	(42,649)	(3,781)	(3,579)	(202)	(5.6%)	Non Pay Expenditure	(32,635)	(32,169)	(466)	(1.4%)
(181,761)	(182,282)	(15,547)	(15,236)	(311)	(2.0%)	Sub Total Expenditure	(138,883)	(137,131)	(1,752)	(1.3%)
(13,888)	(13,991)	(989)	(1,166)	177	15.2%	*Pass through drugs & devices*	(9,290)	(10,493)	1,203	11.5%
(195,649)	(196,273)	(16,536)	(16,402)	(134)	(0.8%)	**Total Costs**	(148,173)	(147,624)	(549)	(0.4%)
(8,246)	(7,932)	(1,856)	(1,142)	(714)	(62.5%)	**EBITDA (ex S&T Fund [2])**	(10,202)	(6,367)	(3,835)	(60.2%)
(8,096)	(8,410)	(604)	(731)	127	17.4%	Depreciation & Financing Costs	(5,647)	(6,214)	567	9.1%
(16,342)	(16,342)	(2,460)	(1,873)	(587)	(31.3%)	**Control Total Performance (ex S&T Fund [2,3])**	(15,849)	(12,581)	(3,268)	(26.0%)
0	0	0	0	0	0.0%	Sustainability & Transformation Fund	0	0	0	0.0%
(16,342)	(16,342)	(2,460)	(1,873)	(587)	(31.3%)	**Control Total Performance (inc S&T Fund [2,3])**	(15,849)	(12,581)	(3,268)	(26.0%)
(250)	(250)	(24)	(4)	(20)	(500.0%)	Transactions Outside of Control Total	(173)	(186)	13	7.0%
(16,592)	(16,592)	(2,484)	(1,877)	(607)	(32.3%)	**Net (Deficit)/Surplus**	(16,022)	(12,767)	(3,255)	(25.5%)
(4.4%)	(4.2%)	(12.6%)	(7.5%)			EBITDA Margin	(7.4%)	(4.5%)		
(8.8%)	(8.8%)	(16.9%)	(12.3%)			(Deficit)/Surplus Margin	(11.6%)	(9.0%)		

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.