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: 24th November 2015

Report Title: Finance Exception Report

PURPOSE:

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

SUMMARY:

The Trust is currently reporting a deficit of £9.4m, adverse to plan by £0.6m. This report highlights the key issues and steps in train to maximise the Trust's opportunity to deliver the required year end deficit position.

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. Year to date position

In October, the Trust made a loss of £0.7m which is £0.1m **favourable** to plan.

The favourable variance has arisen through the use of one-off balance sheet benefits relating to prior financial years (£0.7m). In addition, the finance team have identified operational spend which has been re-categorised as capital expenditure (£0.1m). The underlying October 2015 financial position, without the aforementioned adjustments, is significantly **weaker** than plan.

Year to date, the Trust has made a loss of £9.4m which is £0.6m **adverse** to plan. Financial performance is weaker when compared with the same period last year when a loss of £9.0m was reported.

When compared to forecast, actual financial performance is £0.042m **adverse**. However, the earlier than expected release of EPA balance sheet benefit in October masks an underlying under-performance against forecast of £0.3m.

2. Clinical Revenue

In October, clinical Income, excluding the costs of pass through drugs, is £0.260m (2%) **adverse** to forecast. The main variances are as follows:

- Outpatient Activity – **adverse** £0.189m
- Daycase activity – **adverse** £0.202m
- Elective Inpatient Activity – **adverse** £0.029m
- All Unplanned patient care – **favourable** £0.134m
- All Other clinical Income – **favourable** £0.028m

3. Pay and Non-Pay Operating Costs

In October, pay and non-pay costs, excluding the costs of pass through drugs, are £0.091m (0.7%) **favourable** to forecast. However, the favourable forecast is due to an earlier than expected benefit of £0.262m from prior year EPA. Underlying performance continues to be weaker than both plan and forecast.

In October, pay costs were £0.068m (0.6%) **adverse** to forecast. The main causes of the adverse variance were agency cover required for a higher number of junior medical vacancies in the Surgical Service Group and the need to create escalation beds in October (the forecast assumed from November).

Non-pay costs are £0.159m (5.6%) **favourable** to forecast in October. However, the earlier than expected confirmation of a prior year benefit from EPA has contributed £0.262m to the variance. Without this, non-pay costs will have been £0.103m **adverse** to forecast. The underlying adverse variance is due to higher than forecast costs in clinical supplies across all clinical service groups and an increase in general supplies costs, primarily within Hotel Services.

4. 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 October was £0.159m, being £0.078m (33%) **adverse** to plan. The lack of improvement in monthly CIP performance continues to be a concern and needs to be addressed.

5. Capital and Cash position

To date the trust has spent £5.8m on capital against a plan of £5.6m, an **adverse** variance of £0.2m. The Trust is currently forecasting a capital underspend of £1.0m, which is driven by slippage on the theatres refurbishment scheme.

At the end of October the Trust had drawn down £17.2m of loan support, as per revised cashflow projections submitted for the loan funding application of £22.9m. Revenue loan agreements have been set at £15.6m which reflects Monitor's expectation of the Trust's 2015/16 operating deficit. Capital loans are still to be formally agreed but the Trust has reduced the requirement from £6.7m to £5.7m due to the expected slippage on the Theatre refurbishment scheme.

6. 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.

The increasing pressure on front line services associated with emergency activity and the timely discharge of patients creates an increased risk with regard to maintaining patient flow. The consequence of this is likely to be an increased risk for the Trust's finances. The Trust is currently identifying further actions that will reduce expenditure in all non-essential categories.

Considerable risk remains to deliver the planned £13.9m deficit and whilst the Trust will endeavour to reduce the size of the 2015/16 deficit to £13.3m, the strong likelihood is that the deficit will be closer to the £13.9m.

Russell Pearson
Deputy Director of Finance
17th November 2015