EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

REPORT TO: **BOARD OF DIRECTORS – 28 FEBRUARY 2014**

SUBJECT: **BUSINESS PLAN 2014/15 – 2015/16 UPDATE**

REPORT FROM: **DIRECTOR OF FINANCE AND PERFORMANCE MANAGEMENT**

PURPOSE: **Information / Discussion**

CONTEXT / REVIEW HISTORY / STAKEHOLDER ENGAGEMENT
This paper provides an update to the Board of Directors on developments in the Trust's financial plans for 2014/15 & 2015/16 since the presentation of the Base Plan in December 2013.

SUMMARY:
There have been some significant changes since December. The plan now incorporates the published National Tariff for 2014/15, the latest evaluation of business cases, CIPs cost pressures a review of provisions and below EBITDA costs. The following Table outlines the changes since the December for the year 2014/15.

FINANCIAL OVERVIEW					
£m	FOT 2013/14	Plan 2014/15	Change	Plan 2015/16	Change
Total Income	520.6	513.4	(7.2)	506.7	(6.7)
Expenditure	491.4	483.2	8.2	473.9	9.4
EBITDA	29.2	30.1	0.9	32.8	2.7
Surplus	3.6	(0.9)	(4.5)	3.2	4.1
COSR	4.0	4.0		4.0	

A key message is that despite the number of changes made to the Business Plan since December 2013, the EBITDA position remains at £30.1m.
There is an increase in below EBITDA costs of £1.1m is as a result of an update in the impact of Depreciation, Amortisation and PDC. The biggest single driver behind the change in below EBITDA between 2013/14 and 2014/15 is the impact of impairments resulting from the Dover Hospital investment. However, as a non cash adjustment, the sustainability of the Trust is not impacted by the impairment increase and as such there would be no direct impact on both the old FRR risk measure and the new COSRR risk measure.

There are a number of issues being worked on that are yet to be reflected in the financial plans. These are:

- Conclusion to contracting – the overall impact is yet to be finalised and the detail of contract values will have to be added to the return for submission to Monitor.
- A final update of the activity plan.
- Refining the plan for 2015/16.
- Update of CIPs.
- Finalising the detailed workforce plan.

- Detailed breakdown of the Balance Sheet changes and Cash Flow built into the APR documents for submission to Monitor.
- Downside scenario/ sensitivity analysis.

In addition to this, the written Operational plan is the single largest piece of work that needs to be completed. The first draft will be reviewed by the members of the Finance Committee and the Divisional and the Corporate Management teams during the week commencing 24th February 2014. Following this, an updated draft will be circulated to the Council of Governors for their review and input before the next Council meeting on 10th March 2014. A final draft will be presented to the Board of Directors at the March 2014 meeting.

There is some risk from both the lack of progress on CIP identification and the completion of the contract negotiations having an impact on the planning assumptions and therefore the final plan. The contract negotiations are still at an early stage so it would be premature to build in potential impacts at this stage.

IMPACT ON TRUST'S STRATEGIC OBJECTIVES:
N/A

FINANCIAL IMPLICATIONS:
N/A

LEGAL IMPLICATIONS:
N/A

PROFESSIONAL ADVICE TAKEN ON ANY NOVEL OR CONTENTIOUS ISSUES
N/A

BOARD ACTION REQUIRED:
To discuss and determine actions as appropriate

CONSEQUENCES OF NOT TAKING ACTION:
N/A