Agenda Item No.11a

NHS
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:**		
Mr Russell Pearson Deputy Director of Finance	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: 29th January 2019

Report Title: Finance Exception Report

PURPOSE:

To update the Board on the financial position as at the end of December 2018.

SUMMARY:

- The Regulator is measuring the Trust's financial performance against a 2018/19 deficit control total plan of £9.7m, as submitted to NHS Improvement (NHSI) in April 2018, which requires a pre-Provider Sustainability Fund (PSF) operational deficit of £15.8m.
- The Trust has made a control total loss of £4.4m in December (last month £2.4m loss).
- Excluding Provider Sustainability Funds (PSF), the December loss is £3.0m adverse to plan.
- Year to date the Trust has made a pre-PSF loss of £26.8m, £13.6m adverse to the pre-PSF plan and £17.5m adverse to the NHSI control total.

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 2018.

2.0 The Annual Revenue Plan

The Regulator is measuring the Trust's financial performance against a plan to deliver a 2018/19 deficit Control Total of £9.7m as submitted to NHS Improvement (NHSI) in April 2018. Variances noted in this report relate to this April 2018 submitted Operational Plan.

3.0 Financial Position as at 31th December 2018

The Trust has made a control total loss of £4.4m in December 2018 (last month £2.4m loss). Excluding Provider Sustainability Funds (PSF), the loss is £3.0m adverse to plan.

Headline reported clinical income is £1.4m adverse to plan. However this includes funding from the Department of Health (DoH) for pay awards of £0.2m and so the underlying variance is £1.6m adverse to plan in December (see table 1 below).

Planned Care is £645k adverse to plan and unplanned care is £497k adverse to plan. Other categories of clinical income combined are net £491k adverse to plan.

The main income category variances are as follows:
Planned Care - Elective inpatients are £464k adverse driven by activity being 268 spells below plan, predominantly within Trauma and Orthopaedics. Follow-up outpatient attendances are £72k adverse and new outpatient attendances are £85k adverse as a result of attendances being below the planned level.
Unplanned Care - Activity in both long and short-stay non-elective inpatients is below plan by 208 spells resulting in adverse variances that total £356k. A&E attendances were also below plan in December resulting in an adverse variance of £49k.
Other Categories - Critical Care activity was below plan in December by 420 days which has resulted in an adverse variance of £298k. Pass-through drugs are £133k below plan in December but this is off-set by reduced costs also. As a result of performance being below plan CQUIN received is less than plan in December by £68k.

Excluding the unbudgeted component of the A4C pay award, pay expenditure in October 2018 is £503k adverse to plan (last month £475k adverse). The adverse variance is driven primarily by nursing costs due to the need to improve ward rota fill rates and the Trust's continuing reliance on premium cost agency nurses. An unplanned increase in project management costs is also contributing to the adverse variance, though the majority of this cost will be offset by income receivable from the Regulator's Special Measures Quality Improvement fund.

Non pay expenditure in December was £1,041k adverse to plan (last month £778k adverse). Unachieved CIPs account for £327k of the variance. Other adverse variances are placement fees and relocation expenses for medical staffing £158k and a prior year VAT charge of £152k.

Sub-contracting of patient activity to third party providers to address long waiters has generated a further £120k adverse cost pressure, although this expenditure will be offset by clinical income. Unplanned consultancy costs relating to the Quality Improvement Plan of £50k have been incurred; this cost will be recoverable from the Regulator's Special Measures Quality Improvement fund. A range of other non-pay variances net to £234k adverse.

Year to date the Trust has made a pre-PSF loss of £26.8m, £13.6m adverse to the pre-PSF plan and £17.5m adverse to the NHSI control total (which includes planned receipt of PSF).

The Trust advised its regulator NHSI at the end of Q2 that its revised forecast outturn for 2018/19 was expected to move to a £34.2m deficit.

Table 1: Summary of Variances to Budget for December 2018 and Year to Date

Subjective	December 2018 £000	A4C > 1% £000	Variance exc > 1% A4C £000	Variance	YTD 2018/19 £000	A4C > 1% £000	Variance exc > 1% A4C £000	Variance
Clinical Income	(1,358)	228	(1,586)	Adverse	(5,556)	1,668	(7,224)	Adverse
Other Income	90		90	Favourable	(41)		(41)	Adverse
Pay	(731)	(228)	(503)	Adverse	(4,552)	(1,668)	(2,884)	Adverse
Non Pay	(1,041)		(1,041)	Adverse	(3,488)		(3,488)	Adverse
Financing Costs	(4)		(4)	Adverse	56		56	Favourable
PRE-PROVIDER SUSTAINABILITY FUND VARIANCE	**(3,044)**	**0**	**(3,044)**	**Adverse**	**(13,581)**	**0**	**(13,581)**	**Adverse**
Provider Sustainability Fund	(610)		(610)	Adverse	(3,966)		(3,966)	Adverse
CONTROL TOTAL VARIANCE	**(3,654)**	**0**	**(3,654)**	**Adverse**	**(17,547)**	**0**	**(17,547)**	**Adverse**
Other items outside of control total deficit	(25)		(25)	Adverse	(74)		(74)	Adverse
Net (Deficit)/Surplus	**(3,679)**	**0**	**(3,679)**	**Adverse**	**(17,621)**	**0**	**(17,621)**	**Adverse**

4.0 Capital and Cash

The Trust has set a capital expenditure programme of £15.5m in 2018/19. The programme included £4.1m for the roof project. The programme has been reforecast to £5.4m for 2018/19, principally from the rescheduling to the Spring for the substantive commencement of the roof project. In additional a number of projects have been delayed and deferred to 2019/20 due to the delay in national approval for the Trust's capital loan to so late in the financial year.

Year to date the Trust has spent £2.2m on capital projects as follows:

- Backlog Maintenance and exterior site hard resurfacing - £1.3m
- Medical Equipment - £0.4m
- L1 Fire Alarm Upgrade - £0.3k
- IT Infrastructure - £0.2m

At the end of Q3 the Trust has drawn a total of £17.2m loans for revenue and zero for capital. Due to the remaining time in this financial year to undertake schemes, the Trust no longer requires the requested capital loan financing in 2018/19.

Appendix 1: Summary Statement of Comprehensive Income

Income & Expenditure Summary - DECEMBER 2018

2018/19	Period					Year to date				YTD v 2017/18		
APR Plan	Actual	Budget	Variance	Variance %	£000's	Actual	APR Plan	Variance	Variance %	2017/18 Actual	Variance	Variance %
					Revenue							
164,309	12,055	13,413	(1,358)	(10.1%)	Clinical Revenue	116,694	122,250	(5,556)	(4.5%)	116,385	309	0.3%
16,441	1,455	1,365	90	6.6%	Other Revenue (ex PS Fund [2])	12,281	12,322	(41)	(0.3%)	12,296	(15)	(0.1%)
180,750	13,510	14,778	(1,268)	(8.6%)	Sub Total Revenue (ex PS Fund [2])	128,975	134,572	(5,597)	(4.2%)	128,681	294	(0.2%)
13,084	995	1,091	(96)	(8.8%)	*Pass through drugs & devices*	9,767	9,813	(46)	(0.5%)	9,290	477	5.1%
193,834	14,505	15,869	(1,364)	(8.6%)	**Total Revenue (ex PS Fund [2])**	138,742	144,385	(5,643)	(3.9%)	137,971	771	(0.6%)
					Expenditure							
(133,533)	(11,479)	(11,029)	(450)	(4.1%)	Employee Benefit Expenses	(100,837)	(99,651)	(1,186)	(1.2%)	(95,300)	(5,537)	(5.8%)
(11,258)	(1,176)	(895)	(281)	(31.4%)	Agency Staff	(12,077)	(8,711)	(3,366)	(38.6%)	(10,948)	(1,129)	(10.3%)
(43,251)	(4,528)	(3,487)	(1,041)	(29.9%)	Non Pay Expenditure	(36,691)	(33,203)	(3,488)	(10.5%)	(32,635)	(4,056)	(12.4%)
(188,042)	(17,183)	(15,411)	(1,772)	(11.5%)	Sub Total Expenditure	(149,605)	(141,565)	(8,040)	(5.7%)	(138,883)	(10,722)	(7.7%)
(13,084)	(995)	(1,091)	96	8.8%	*Pass through drugs & devices*	(9,767)	(9,813)	46	0.5%	(9,290)	(477)	(5.1%)
(201,126)	(18,178)	(16,502)	(1,676)	(10.2%)	**Total Costs**	(159,372)	(151,378)	(7,994)	(5.3%)	(148,173)	(11,199)	(7.6%)
(7,292)	(3,673)	(633)	(3,040)	(480.3%)	**EBITDA (ex PS Fund [2])**	(20,630)	(6,993)	(13,637)	(195.0%)	(10,202)	(10,428)	(102.2%)
(8,503)	(714)	(710)	(4)	(0.6%)	Depreciation & Financing Costs	(6,204)	(6,260)	56	0.9%	(5,647)	(557)	(9.9%)
(15,795)	(4,387)	(1,343)	(3,044)	(226.7%)	**Adjusted financial performance surplus/(deficit) excluding PSF [3]**	(26,834)	(13,253)	(13,581)	(102.5%)	(15,849)	(10,985)	(69.3%)
6,101	0	610	(610)	100.0%	Provider Sustainability Fund [3]	0	3,966	(3,966)	100.0%	0	0	0.0%
(9,694)	(4,387)	(733)	(3,654)	(498.5%)	**Adjusted financial performance surplus/(deficit) including PSF**	(26,834)	(9,287)	(17,547)	(188.9%)	(15,849)	(10,985)	(69.3%)
(190)	(24)	1	(25)	2500.0%	Transactions Outside of Control Total	(215)	(141)	(74)	(52.5%)	(173)	(42)	(24.3%)
(9,884)	(4,411)	(732)	(3,679)	(502.6%)	**Net (Deficit)/Surplus**	(27,049)	(9,428)	(17,621)	(186.9%)	(16,022)	(11,027)	(68.8%)
(0.6%)	(25.3%)	(0.1%)			EBITDA Margin	(14.9%)	(2.0%)			(7.4%)	(7.5%)	
(4.9%)	(30.4%)	(4.4%)			(Deficit)/Surplus Margin	(19.5%)	(6.4%)			(11.5%)	(8.0%)	

1. Variances - favourable variances are positive figures, adverse variances are negative figures.
2. PS Fund = Provider Sustainability Fund
3. Access allowed to the PSF if the year to date variance to APR plan is nil or favourable.