The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust

REPORT TO TRUST BOARD (PUBLIC)

SUBMITTED BY:	REPORT FOR:		IMPACT:		
David Stonehouse	Decision		High	Med	Low
CONSULTATION:	Information	√	√		
	REPORT TYPE:		RELATED WORK:		
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Meeting Date: 24th September 2012
Report Title: Finance Report – August 2012

Purpose: To provide an update of the Trust's financial position

Summary: Please see the first page of the report

Financial Implications / Efficiency Savings:

Risk Assessment (cross-reference with Risk Register where appropriate):

Strategic / External	Operational/ Organisational	Financial	Clinical	Legal/ Regulatory	Reputation / Patient Experience
		√			

Recommendations: The Trust Board are asked to note the content of the report and consider actions.

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Date: 17th September2012

Version; v1

1.0 SUMMARY INCOME & EXPENDITURE POSITION (Appendices 1 and 2)

1.1 For the month the Trust achieved an EBITDA of £901k against a planned EBITDA of £1,185k, an adverse variance of £284k. For the month the Trust reported a surplus of £449k against a planned surplus of £548k, an adverse variance of £99k. The Trust EBITDA margin was 6.4% against a planned EBITDA margin of 8.4%, 2% below plan.

1.2 Recovery actions together with prior months data capture improvement on elective activity helped ensure that income was close to plan for the month but as yet we are not catching up on prior months underperformance. Outpatient activity was significantly below plan and is the main driver for clinical income being £155k below plan for the month. Further specialty level recovery actions are being escalated where there is no trend in improvement upon recent weekly performance. Assertive management action continues to identify gaps and then on a daily basis attempts to maximise clinical income with constant review of patient booking numbers.

Pay was overspent in the month by £198k which is essentially driven by BSP under-delivery on plan and some emerging staffing pressure e.g. medical agency being off-set by other underspends on vacant posts.

1.3 Year to date the Trust has achieved an EBITDA of £3,147k against a plan of £3,479k, an adverse variance of £332k. The Trust reported a surplus of £282k against a planned surplus of £557k, an adverse variance of £275k. Year to date the Trust EBITDA margin is 4.6% against a plan of 5.0%, 0.4% below plan.

1.4 In the month the Trust scored an FRR of 4 against an expected FRR of 4 and year to date the Trust is reporting an FRR of 3 against a planned FRR of 3. Whilst our financial risk rating is in line with plan, our EBITDA marginal to date has very little headroom given September is a month with lower than average working days and consequently less planned income. Current EBITDA forecasts indicate an EBITDA Margin of 4.45% by the end of Q2 which, when combined with the other factors in the overall FRR calculation, indicates that it remains just possible to achieve an overall FRR of 3.

1.5 The year end forecast includes an assessment of delivery risk on the Business Sustainability Programme as well as other estimated operational movements. This still delivers an FRR of 3 for Q3 and Q4 with revised forecast EBITDA of £8.1m being below original plan by £623k. The revised EBITDA forecast includes classification of £800k of the non-recurrent estimated cost of change for the EPA project as exceptional restructuring. These costs appropriately fall outside of the EBITDA and FRR calculations. There is also some uncertainty as to the timing and extent of these costs but they are likely to accrue in Q4.

Having allowed for the aforementioned adjustment a small net surplus is still forecast.

1.6 It is important to emphasis at this point that the revised forecast still assumes a "ramp up" of schemes to achieve the delivery phased in Q4 which if not successful gives an additional financial risk of circa £800k. The Trust continues to push delivery of its BSP programme alongside active management of operational performance.

2.0 BUSINESS SUSTAINABILITY PROGRAMME (Appendix 3)

2.1 The Trust's financial plan was based on the Business Sustainability Programme (BSP) delivering £10.2m of savings for 2012/13. The Board approved the financial plan on the basis of £8.3m coming from known & identified projects/schemes (PODs), £1.5m was unidentified and £0.4m was to be achieved by staff vacancies in the first four months of 2012.

2.2 After completing a risk RAG rating assessment, the BSP now looks more likely to achieve £6.5m (£6.1m and £0.4m vacancy factor), £3.7m less than the original plan, inclusive of the £1.5m shortfall relating to unidentified schemes.

2.3 This is NOT a revised target and there remains a commitment to drive forward existing programme schemes alongside identifying new initiatives to deliver for the beginning of 2013/14.

3.0 TRUST INCOME

3.1 For the month the Trust under delivered against planned clinical income by £155k. Year to date the Trust has under delivered against planned clinical income by £529k. The weekly monitoring reports had already indicated a significant under-performance for August, although the under-performance recorded for August was lower than expected due to non-recurrent additional income received as a result of coding catch-up of £281k.

3.2 A rolling six-week tracker now monitors on a daily basis to ensure that we are maximising all bookable capacity. This process is becoming embedded and supporting the divisions in delivering more detailed actions at specialty level.

3.3 The most significant area of variation in month was outpatient activity which was 1,688 attendances below plan, and generated an adverse variance of £171k. The specialties below plan in August were predominantly Ophthalmology (236 attendances and £24k adverse variance), Trauma and Orthopaedics (104 attendances and £21k adverse variance). Year to date under-performance exists in a number of other specialties, the largest of which is within ENT (284 attendances and £30k adverse variance).

Year to date outpatient activity is 2,093 attendances below plan generating an adverse variance of £229k. The Elective division is recording an adverse variance of £377k, primarily within the specialty areas of Ophthalmology and ENT, for which the year to date value of the adverse variance is significant at £257k. This is due to actual demand being lower than planning assumptions. However, this is being mitigated by activity within specialties performing above plan year to date, notably within the Women & Children's division where Midwifery, Obstetrics and Gynaecology are 1,543 attendances above plan generating a favourable variance of £132k. Midwifery attendances are batch-recorded on the PAS as attendances are primarily recorded within the community. At this point an estimate has been included for activity up to the end of August.

3.4 The forecast in relation to other Clinical Income is above plan by £405k. £187K relates to direct access activity, primarily radiology. £47k relates to Critical care activity and £395k relates to items that are passed-through for payment such as ambulance costs and high cost devices and stents, which have an equal and opposite forecast within the expenditure budgets. This has been off-set by known reduced CQUIN income resulting from finalisation of system-wide initiatives for demand management of £262k.

3.5 Other Non-Clinical Income

Other non-clinical income was above plan by £41k in August. £17k is associated with internal recharges and will have an equal effect in expenditure, both pay and non-pay. £11k is associated with additional training income and the balance is primarily associated with the recharge of junior doctors' salaries, which will have an equal effect in pay. These variances within non clinical income will not have an effect on EBITDA.

3.8 Education, training & Research Income

Education, training and Research income was on plan in August. Whilst LDA and SIFT allocations are above plan, Nursing and Midwifery Training was below plan.

4.0 OPERATIONAL EXPENDITURE

4.1 Trust-wide operational budgets are close to break-even, both year to date and forecast; overspends are being driven by the short-fall on delivery of the BSP Program. However there are areas of emerging cost pressure which are off-set by other operational underspends e.g. recent increases in medical agency staffing. These are currently being reviewed with budget holders as improvements in these areas will also have a positive impact on the current year end forecast.

5.0 FINANCIAL RISK (Appendix 4)

5.1 The risks identified in the Appendix have been listed and assessed as a best and worst case variance from the current forecast EBITDA.

5.2 Currently the key risks can be divided between delivery of the Trust BSP, contract income and penalties.

5.3 If each risk were to occur (adverse and positive) then the EBITDA range is £8,139k as best case and worst case of £5,789k.

5.4 BSP risk is mitigated by comprehensive management of the programme via the BSP group and Contract risk is mitigated via monitoring of targets reporting through to the TEC. As per the above, a more comprehensive risk assessment has been undertaken this month and has resulted in a further deterioration in the BSP forecast of £2.4m between month 4 and month 5.

6.0 BALANCE SHEET AND CASHFLOW (Appendix 5)

6.0 The main variances to date are associated with fixed assets, trade creditors and cash balances.

6.1 The cash balance variance of £8m is due to the early receipt of planned income from NHS Norfolk.

6.2 The variance from plan for fixed assets has resulted from the capitalisation of the bed lease which was not included within the original capital plan. The lease has been refinanced and an extension period negotiated. The asset value of the beds has increased accordingly with a book value of £0.5m.

6.3 The variance in trade creditors is higher than planned due to the cash advance from NHS Norfolk and also due to creditors now being higher than planned in respect of drugs, KPMG and PMO.

6.4 The cash balance in the forecast balance sheet is below plan due to the change in the forecast out-turn, partly offset by an increase in provisions in respect of restructuring costs. Other than the cash balance, the balance sheet is generally expected to be as per plan with the exceptions of the aforementioned bed lease, slippage in capital project expenditure and related loan drawdown.

6.5 Further work will be undertaken to review the cash balance in the context of the CAPEX position for the October F&I committee.

7.0 CONCLUSIONS AND RECOMMENDATION

7.1 Note the financial performance to date and the cumulative FRR of 3.

7.2 Note that the FRR of 3 from Q2 onwards is still forecast and it is imperative that focus is retained on in-year as well as "full year" delivery of savings initiatives as the planning cycle for 2013/14 is entered into.