Agenda Item No.5

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: 27th November 2018

Report Title: Finance Exception Report

PURPOSE:

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

SUMMARY:

- The Trust is measuring its 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 £3.3m in October (last month £3.1m loss).
- Excluding Provider Sustainability Funds (PSF), the October loss is £2.7m adverse to plan.
- Year to date the Trust has made a pre-PSF loss of £20.1m, £8.5m adverse to the pre-PSF plan and £11.2m 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 October 2018.

2.0 The Annual Revenue Plan

The Trust is measuring its 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.

3.0 Financial Position as at 31th October 2018

The Trust has made a control total loss of £3.3m in October 2018 (last month £3.1m loss). Excluding Provider Sustainability Funds (PSF), the loss is £2.7m adverse to plan.

Headline reported clinical income is £0.9m 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 £1.1m adverse to plan in October (see table 1 below).

Planned Care is £545k adverse to plan and unplanned care is £230k adverse to plan. Other categories of clinical income combined are net £323k adverse to plan.

The main adverse variances are associated with elective inpatients, £448k adverse; follow-up outpatient attendances £138k adverse; new outpatient attendances £144k adverse and non-elective long-stay inpatients £396k adverse.

Excluding the unbudgeted component of the A4C pay award, pay expenditure in October 2018 is £627k adverse to plan (last month £379k adverse). The increase in value of the adverse variance is driven by medical costs which have increased by £192k (£150k substantive and bank, £42k agency). Other than medical staff costs, the monthly costs of other staff groups is barely changed.

Non pay expenditure in October was £890k adverse to plan (last month £262k adverse). Unachieved CIPs account for £303k of the variance. Other adverse variances are placement fees and relocation expenses for Fellow Doctors £171k; Clinical Supplies £125k; Urology scope repairs £48k and scope maintenance £21k. Sub-contracting of patient activity to the alternative providers has generated a further £66k adverse although this expenditure will be offset by clinical income.

A further non pay pressure was associated with a one off disposal of end of life standby generator oil £65k. Four Eyes consultancy costs created £51k of the adverse variance, with other miscellaneous items of £40k accounting for remainder of the adverse balance.

Year to date the Trust has made a pre-PSF loss of £20.1m, £8.5m adverse to the pre-PSF plan and £11.2m adverse to the NHSI control total (which includes planned receipt of PSF).

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

Subjective	October 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	(918)	180	(1,098)	Adverse	(3,567)	1,260	(4,827)	Adverse
Other Income	(43)		(43)	Adverse	(153)		(153)	Adverse
Pay	(807)	(180)	(627)	Adverse	(3,166)	(1,260)	(1,906)	Adverse
Non Pay	(890)		(890)	Adverse	(1,669)		(1,669)	Adverse
Financing Costs	9		9	Favourable	61		61	Favourable
PRE-PROVIDER SUSTAINABILITY FUND VARIANCE	**(2,649)**	**0**	**(2,649)**	**Adverse**	**(8,494)**	**0**	**(8,494)**	**Adverse**
Provider Sustainability Fund	(610)		(610)	Adverse	(2,746)		(2,746)	Adverse
CONTROL TOTAL VARIANCE	**(3,259)**	**0**	**(3,259)**	**Adverse**	**(11,240)**	**0**	**(11,240)**	**Adverse**
Other items outside of control total deficit	0		0	Favourable	(50)		(50)	Adverse
Net (Deficit)/Surplus	**(3,259)**	**0**	**(3,259)**	**Adverse**	**(11,290)**	**0**	**(11,290)**	**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 £9.9m for 2018/19, principally from the rescheduling to the Spring for the substantive commencement of the roof project.

Year to date the Trust has spent £1.8m on capital projects as follows:

Car Park - £0.7m
Backlog Maintenance - £0.5m
Medical Equipment - £0.3m
L1 Fire Alarm - £0.2k
IT Infrastructure - £0.1m

At the end of October the Trust has drawn a total of £13.7m loans for revenue and zero for capital. The Trust still awaits formal confirmation for our capital loan financing application of £4.2m.

Appendix 1: Summary Statement of Comprehensive Income

Income & Expenditure Summary - OCTOBER 2018

2018/19	Period					Year to date			
APR Plan	Actual	Budget	Variance	Variance %	£000's	Actual	APR Plan	Variance	Variance %
					Revenue				
164,309	13,110	14,028	(918)	(6.5%)	Clinical Revenue	90,880	94,447	(3,567)	(3.8%)
16,441	1,353	1,396	(43)	(3.1%)	Other Revenue (ex PS Fund [2])	9,425	9,578	(153)	(1.6%)
180,750	14,463	15,424	(961)	(6.2%)	Sub Total Revenue (ex PS Fund [2])	100,305	104,025	(3,720)	(3.6%)
13,084	1,106	1,090	16	1.5%	*Pass through drugs & devices*	7,703	7,632	71	0.9%
193,834	15,569	16,514	(945)	(5.7%)	**Total Revenue (ex PS Fund [2])**	108,008	111,657	(3,649)	(3.3%)
					Expenditure				
(133,533)	(11,350)	(11,024)	(326)	(3.0%)	Employee Benefit Expenses	(78,078)	(77,597)	(481)	(0.6%)
(11,258)	(1,337)	(856)	(481)	(56.2%)	Agency Staff	(9,606)	(6,921)	(2,685)	(38.8%)
(43,251)	(4,378)	(3,488)	(890)	(25.5%)	Non Pay Expenditure	(27,897)	(26,228)	(1,669)	(6.4%)
(188,042)	(17,065)	(15,368)	(1,697)	(11.0%)	Sub Total Expenditure	(115,581)	(110,746)	(4,835)	(4.4%)
(13,084)	(1,106)	(1,090)	(16)	(1.5%)	*Pass through drugs & devices*	(7,703)	(7,632)	(71)	(0.9%)
(201,126)	(18,171)	(16,458)	(1,713)	(10.4%)	**Total Costs**	(123,284)	(118,378)	(4,906)	(4.1%)
(7,292)	(2,602)	56	(2,658)	4746.4%	**EBITDA (ex PS Fund [2])**	(15,276)	(6,721)	(8,555)	(127.3%)
(8,503)	(697)	(706)	9	1.3%	Depreciation & Financing Costs	(4,784)	(4,845)	61	1.3%
(15,795)	(3,299)	(650)	(2,649)	(407.5%)	**Adjusted financial performance surplus/(deficit) excluding PSF [3]**	(20,060)	(11,566)	(8,494)	(73.4%)
6,101	0	610	(610)	100.0%	Provider Sustainability Fund [3]	0	2,746	(2,746)	100.0%
(9,694)	(3,299)	(40)	(3,259)	(8147.5%)	**Adjusted financial performance surplus/(deficit) including PSF**	(20,060)	(8,820)	(11,240)	(127.4%)
(190)	(24)	(24)	0	0.0%	Transactions Outside of Control Total	(168)	(118)	(50)	(42.4%)
(9,884)	(3,323)	(64)	(3,259)	(5092.2%)	**Net (Deficit)/Surplus**	(20,228)	(8,938)	(11,290)	(126.3%)
(0.6%)	(16.7%)	3.9%			EBITDA Margin	(14.1%)	(3.5%)		
(4.9%)	(21.3%)	(0.4%)			(Deficit)/Surplus Margin	(18.7%)	(7.8%)		

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.