*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<br>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:** 25th September 2018

**Report Title:** Finance Exception Report

**PURPOSE:**

To update the Board on the financial position as at the end of August 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 £2.2m in August (last month £2.3m loss).
- Excluding Provider Sustainability Funds (PSF), the August loss is £0.8m adverse to plan.
- Year to date the Trust has made a pre-PSF loss of £13.6m, £4.1m adverse to the pre-PSF plan and £5.8m 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 August 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 31st August 2018

The Trust has made a control total loss of £2.2m in August 2018 (last month £2.3m loss). Excluding Provider Sustainability Funds (PSF), the loss is £0.8m adverse to plan.

Clinical income and pay costs include £0.7m each of actual income and cost relating to the >1% component of the 2018/19 Agenda for Change (AfC) pay award. The final pay award was agreed post budget setting and hence is not included in Trust's budgets.

Headline reported clinical income is £13k favourable to plan. However this includes funding from the Department of Health (DoH) for pay awards of £0.7m and so the underlying variance is £707k adverse to plan in August (see table 1 below).

Planned Care is £513k adverse to plan and unplanned care is £119k adverse to plan. Other categories of clinical income combined are net £75k adverse to plan.

The main adverse variances are associated with elective inpatients, (£275k adverse), follow-up outpatient attendances (£213k adverse); new outpatient attendances (£150k adverse) and non-elective long-stay inpatients (£91k adverse).

Excluding the unbudgeted component of the AfC pay award, pay expenditure in August is £42k adverse to plan. Agency spend is £423k adverse to plan (last month £341k adverse) and substantive staff spend is £381k favourable to plan (last month £109k favourable).

Non pay expenditure in August 2018 was £84k adverse to plan (last month £430k adverse), primarily associated with Histopathology services (£17k adverse) and Doctors recruitment fees (£55k adverse).

Year to date the Trust has made a pre-PSF loss of £13.6m, £4.1m adverse to the pre-PSF plan and £5.8m adverse to the NHSI control total (which includes planned receipt of PSF).

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

| Subjective | August 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 | 13 | 720 | (707) | Adverse | (1,724) | 900 | (2,624) | Adverse |
| Other Income | (3) | | (3) | Adverse | (112) | | (112) | Adverse |
| Pay | (762) | (720) | (42) | Adverse | (1,800) | (900) | (900) | Adverse |
| Non Pay | (84) | | (84) | Adverse | (517) | | (517) | Adverse |
| Financing Costs | 13 | | 13 | Favourable | 43 | | 43 | Favourable |
| **PRE-PROVIDER SUSTAINABILITY FUND VARIANCE** | **(823)** | **0** | **(823)** | **Adverse** | **(4,110)** | **0** | **(4,110)** | **Adverse** |
| Provider Sustainability Fund | (407) | | (407) | Adverse | (1,730) | | (1,730) | Adverse |
| **CONTROL TOTAL VARIANCE** | **(1,230)** | **0** | **(1,230)** | **Adverse** | **(5,840)** | **0** | **(5,840)** | **Adverse** |
| Other items outside of control total deficit | 0 | | 0 | Favourable | (25) | | (25) | Adverse |
| **Net (Deficit)/Surplus** | **(1,230)** | **0** | **(1,230)** | **Adverse** | **(5,865)** | **0** | **(5,865)** | **Adverse** |

## 4.0 Capital and Cash

The Trust has set a capital expenditure programme of £15.5m in 2018/19. The programme includes £4.1m for the roof project.

Year to date the Trust has spent £1.2m on capital projects as follows:

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

At the end of June the Trust has drawn a total of £5.3m loans for revenue and zero for capital.

## Appendix 1: Summary Statement of Comprehensive Income

| 2018/19 | Period | | | | | Year to date | | | |
|---|---|---|---|---|---|---|---|---|---|
| APR Plan | Actual | Budget | Variance | Variance % | £000's | Actual | APR Plan | Variance | Variance % |
| | | | | | **Revenue** | | | | |
| 164,309 | 13,636 | 13,623 | 13 | 0.1% | Clinical Revenue | 65,107 | 66,831 | (1,724) | (2.6%) |
| 16,441 | 1,367 | 1,370 | (3) | (0.2%) | Other Revenue (ex PS Fund [2]) | 6,719 | 6,831 | (112) | (1.6%) |
| 180,750 | 15,003 | 14,993 | 10 | 0.1% | Sub Total Revenue (ex PS Fund [2]) | 71,826 | 73,662 | (1,836) | (2.5%) |
| 13,084 | 1,236 | 1,090 | 146 | 13.4% | *Pass through drugs & devices* | 5,556 | 5,451 | 105 | 1.9% |
| 193,834 | 16,239 | 16,083 | 156 | 1.0% | **Total Revenue (ex PS Fund [2])** | 77,382 | 79,113 | (1,731) | (2.2%) |
| | | | | | **Expenditure** | | | | |
| (133,533) | (11,390) | (11,051) | (339) | (3.1%) | Employee Benefit Expenses | (55,489) | (55,512) | 23 | 0.0% |
| (11,258) | (1,319) | (896) | (423) | (47.2%) | Agency Staff | (7,020) | (5,197) | (1,823) | (35.1%) |
| (43,251) | (3,807) | (3,723) | (84) | (2.3%) | Non Pay Expenditure | (19,529) | (19,012) | (517) | (2.7%) |
| (188,042) | (16,516) | (15,670) | (846) | (5.4%) | Sub Total Expenditure | (82,038) | (79,721) | (2,317) | (2.9%) |
| (13,084) | (1,236) | (1,090) | (146) | (13.4%) | *Pass through drugs & devices* | (5,556) | (5,451) | (105) | (1.9%) |
| (201,126) | (17,752) | (16,760) | (992) | (5.9%) | **Total Costs** | (87,594) | (85,172) | (2,422) | (2.8%) |
| | | | | | | | | | |
| (7,292) | (1,513) | (677) | (836) | (123.5%) | **EBITDA (ex PS Fund [2])** | (10,212) | (6,059) | (4,153) | (68.5%) |
| (8,503) | (684) | (697) | 13 | 1.9% | Depreciation & Financing Costs | (3,403) | (3,446) | 43 | 1.2% |
| (15,795) | (2,197) | (1,374) | (823) | (59.9%) | **Adjusted financial performance surplus/(deficit) excluding PSF [3]** | (13,615) | (9,505) | (4,110) | (43.2%) |
| 6,101 | 0 | 407 | (407) | 100.0% | Provider Sustainability Fund [3] | 0 | 1,730 | (1,730) | 100.0% |
| (9,694) | (2,197) | (967) | (1,230) | (127.2%) | **Adjusted financial performance surplus/(deficit) including PSF** | (13,615) | (7,775) | (5,840) | (75.1%) |
| (190) | (24) | (24) | 0 | 0.0% | Transactions Outside of Control Total | (120) | (95) | (25) | (26.3%) |
| (9,884) | (2,221) | (991) | (1,230) | (124.1%) | **Net (Deficit)/Surplus** | (13,735) | (7,870) | (5,865) | (74.5%) |
| (0.6%) | (9.3%) | (1.6%) | | | EBITDA Margin | (13.2%) | (5.4%) | | |
| (4.9%) | (13.7%) | (6.0%) | | | (Deficit)/Surplus Margin | (17.8%) | (9.7%) | | |

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.