

















Kingston Hospital NHS Foundation Trust

Finance Report August 2016 (Month 5)

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EXECUTIVE SUMMARY

Headline	Trend against Annual Plan	Trend against Annual Plan	Narrative
	(Jul)	(Aug)	
The Trust reported a YTD deficit of £4.8m (excluding STF) , which is £0.4m adverse to plan YTD.			The Trust reported a breakeven position in month. Patient care income is £0.4m adverse driven by a combination of lower activity and acuity in Non-elective, Critical Care and Outpatients. While the loss of pathology provider to provider services and lower partnership income is driving the other income adverse variance (£0.2m). Pay is favourable by £0.1m primarily due to the release of balance sheet accruals. An in-month contingency of £0.4m has also been profiled into the plan which partially offsets the adverse position
STF is assumed to be £0.2m adverse YTD this is as a result of non achievement of A&E targets in July and August.			Including STF the Trust's I&E in month position is £0.2m adverse.
Clinical income is below plan by £1.3m YTD.			The in month income is below plan by £0.4m. This is mainly due to lower Critical Care activity (£0.2m), General Surgery (£0.2m) and Paediatric NNU (£0.1m) income in month. Offset by increased A&E activity in month £0.2m.
The underlying pay and non pay expenditure directly associated with the delivery of clinical services is higher than plan by £2.0m YTD.			Pay is higher than budget in certain key areas, in particular, A&E where medical staff recruitment is difficult. Expenditure in General Surgery and Elderly are also driving agency usage.
Corporate Services pay and non pay were over plan by £0.1m in M5 and favourable by £0.1m year to date. Vacant posts are helping offset any small overspends in these areas.			This is driven by Engineering, HR pay and non-pay in month and partly offset vacant posts across the rest of Corporate.
CIP Delivery stands at 65% in M5 and 71% YTD.			The CIP programme shortfall is mainly due to the Specialist Services division achieving 43%, Emergency Care 68% and Reserves achieving 62% due to the profiling of the procurement CIP. These shortfalls have been reviewed within divisional performance meetings and recovery plans agreed.
At the end of M5, capital expenditure was £3.8m.			Capital expenditure in M5 ytd is higher than plan by £0.4m due to the delivery of Cerner, A&E and ITU projects and Outpatients redevelopment this year.
The cash balance reported at the end of M5 was £2.7m.			The closing cash position for August was £2.7m which was £0.1m above forecast. This was due to early settlement of NHSE Q2 SLA.

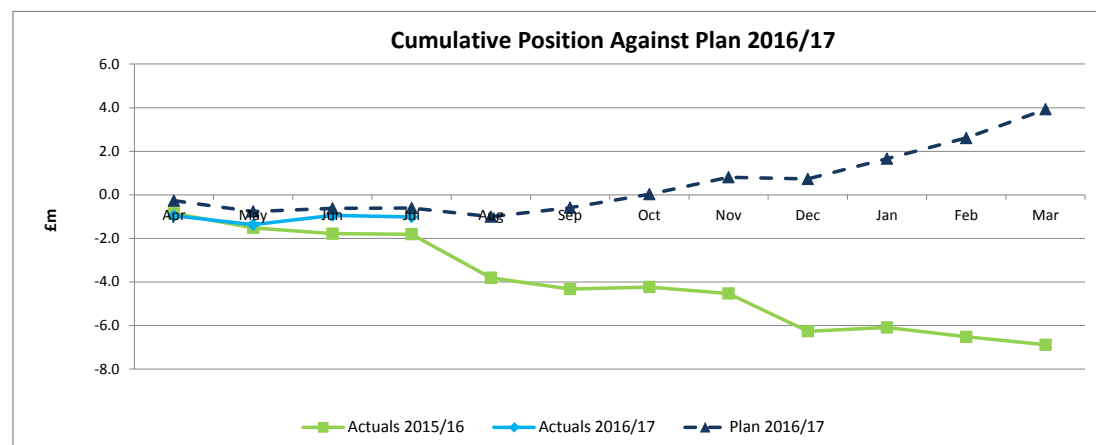
SECTION 1: OVERALL INCOME AND EXPENDITURE

Version 1

Summary as at the end of Aug-16

Income & Expenditure	Annual Plan £000's	IN MONTH			YEAR TO DATE		
		Budget v Actuals			Budget v Actuals		
		Plan	Actual	Var	Plan	Actual	Var
		£000's	£000's	£000's	£000's	£000's	£000's
Income							
Patient Care Income	203,749	16,434	16,033	(401)	83,560	82,279	(1,282)
High Cost Drug Income	14,079	1,213	1,195	(18)	5,853	5,960	107
Other Income	24,903	2,210	2,012	(198)	10,360	10,590	229
Income	242,731	19,856	19,240	(617)	99,774	98,828	(946)
Expenditure							
Pay	(150,528)	(12,568)	(12,434)	134	(62,527)	(63,705)	(1,178)
Non Pay	(67,112)	(5,457)	(5,395)	62	(27,310)	(27,645)	(335)
High Cost Drugs	(14,079)	(1,213)	(1,243)	(30)	(5,853)	(6,068)	(215)
Contingency Released		(421)	0	421	(2,142)	0	2,142
Expenditure	(231,719)	(19,659)	(19,072)	586	(97,833)	(97,419)	414
EBITDA	11,012	198	167	(31)	1,941	1,409	(532)
Depreciation and Amortisation	(8,394)	(699)	(707)	(8)	(3,489)	(3,503)	(13)
Investment Revenue	16	1	2	0	7	8	1
Finance Costs	(3,580)	(298)	(290)	8	(1,492)	(1,451)	41
Public Dividend Capital	(3,232)	(269)	(238)	31	(1,347)	(1,250)	97
Total I&E	(4,178)	(1,068)	(1,067)	1	(4,380)	(4,786)	(406)
STF Income	8,100	675	506	(169)	3,375	3,206	(169)
Total including STF Funding	3,922	(393)	(560)	(167)	(1,005)	(1,580)	(575)
Depreciation on donated assets	270	23	23	0	113	113	0
Total I&E after Impairments	4,192	(371)	(538)	(167)	(893)	(1,468)	(575)

	Annual Plan	Plan	Actual		Plan	Actual YTD	
EBITDA Margin	4.5%	1.0%	0.9%		1.9%	1.4%	
EBITDA Achieved	100.0%	100.0%	84.5%		100.0%	72.6%	
I&E Surplus Margin	-1.7%	-5.4%	-5.5%		-4.4%	-4.8%	



SECTION 2: DIVISIONAL POSITIONS
Overview

Summary as at the end of Aug-16

Income & Expenditure	Annual Plan £000's	IN MONTH							YEAR TO DATE						
		Budget v Actuals			Variances				Budget v Actuals			Variances			
		Plan £000's	Actual £000's	Var £000's	Inc £000	Pay £000	Non Pay £000	Total £000	Plan £000's	Actual £000's	Var £000's	Inc £000	Pay £000	Non Pay £000	Total £000
Clinical Support Services	(31,200)	(2,565)	(2,820)	(255)	(297)	(47)	89	(255)	(13,044)	(13,960)	(916)	(604)	(386)	74	(916)
Emergency Care	16,365	1,317	1,390	73	263	(135)	(55)	73	6,454	5,484	(971)	392	(1,088)	(275)	(971)
Specialist Services	48,498	3,596	3,295	(301)	(392)	40	51	(301)	19,656	18,585	(1,071)	(749)	(52)	(271)	(1,071)
Clinical Divisions	33,663	2,347	1,864	(483)	(426)	(142)	85	(483)	13,067	10,109	(2,958)	(961)	(1,526)	(472)	(2,958)
Strategy Director	(2,386)	(192)	(187)	6	0	7	(2)	6	(1,026)	(980)	46	0	42	3	46
Corporate Affairs	(2,851)	(247)	(266)	(19)	0	(13)	(6)	(19)	(1,209)	(1,258)	(49)	17	(25)	(40)	(49)
Finance	(3,475)	(290)	(289)	1	(1)	(2)	5	1	(1,442)	(1,528)	(85)	(8)	(41)	(37)	(85)
Human Resources	(1,788)	(146)	(155)	(8)	(4)	(1)	(4)	(8)	(764)	(677)	88	98	(8)	(2)	88
Medical Director	(501)	(41)	(45)	(4)	3	2	(9)	(4)	(210)	(174)	37	20	31	(14)	37
Nursing Director	(2,456)	(206)	(194)	12	(4)	8	9	12	(1,013)	(1,049)	(35)	2	62	(98)	(35)
Operations	(21,302)	(1,766)	(1,843)	(78)	(32)	(38)	(8)	(78)	(8,942)	(8,691)	251	(2)	(31)	283	251
Directorates	(34,759)	(2,890)	(2,979)	(89)	(38)	(37)	(13)	(89)	(14,607)	(14,356)	251	127	30	95	251
Central Income	7,573	632	964	332	(34)	313	53	332	3,145	3,983	838	410	322	106	838
Other Central Budgets	12,635	1,204	824	(380)	(288)	0	(93)	(380)	5,853	4,880	(973)	(691)	(3)	(279)	(973)
Contingency		(421)	0	421	0	0	421	421	(2,142)	0	2,142	0	0	2,142	2,142
EBITDA	19,112	873	673	(199)	(786)	134	453	(199)	5,316	4,616	(700)	(1,114)	(1,178)	1,592	(700)
Depreciation & Losses	(8,394)	(699)	(707)	(8)				(8)	(3,489)	(3,503)	(13)				(13)
Interest	(3,564)	(297)	(289)	8				8	(1,485)	(1,443)	42				42
PDC	(3,232)	(269)	(238)	31				31	(1,347)	(1,250)	97				97
Total I&E	3,922	(393)	(560)	(167)				(167)	(1,005)	(1,580)	(575)				(575)

COMMENTARY

- Income in the clinical divisions is £426k below plan in month. This is mainly driven by lower Critical care and lower planned Inpatient and Outpatient income against plan. Maternity pathway income continues to be above plan this month.
- Pay was favourable to budget in month. This is due to a revision of an estimate associated with holiday pay in central income, offset by the continued difficulty in recruiting medical staff resulting in high agency usage .
- Central income and Central budgets includes an in-month contingency of £421k profiled into the plan, which partially offsets the adverse position.
- The divisional variances are explained in pages 6 to 9.

SECTION 3: COST IMPROVEMENT PROGRAMME

Summary as at the end of Aug-16

Division	Annual Plan £000's	IN MONTH			YEAR TO DATE		
		In Month		Variance £000's	Year to Date		Variance £000's
		Plan £000's	Actual £000's		Plan £000's	Actual £000's	
Emergency Care	1,021	114	77	(36)	373	337	(36)
Specialist Services	1,277	99	43	(56)	456	310	(146)
Clinical Support Services	966	63	31	(31)	323	208	(115)
Estates Department	407	36	36	0	154	117	(37)
Finance Directorate	137	10	10	0	66	66	0
Corporate Affairs Department	88	5	5	0	53	53	0
Strategy Director	95	6	6	0	46	46	0
Department of Nursing	83	7	6	(1)	35	34	(1)
Department of IM&T	199	17	17	0	83	83	0
Operations Department	62	5	5	0	26	26	0
Medical Directors Department	19	2	2	0	8	8	0
Human Resources Department	109	12	12	0	24	24	0
Reserves	5,444	282	174	(107)	1,409	855	(554)
Total CIP	9,906	657	425	(232)	3,057	2,168	(889)

Type	Annual Plan £000's	Plan £000's	In Month Actual £000's	Variance £000's	Plan £000's	YTD Actual £000's	Variance £000's
Cost Reduction	7,234	442	294	(148)	2,143	1,523	(620)
			66%			71%	
Income Generation	2,672	215	131	(84)	913	645	(269)
			61%			71%	
Total CIP	9,906	657	425	(232)	3,057	2,168	(889)

65%

71%

COMMENTARY

- In month achievement is 65% of plan.
- In Specialist Services , the Hip & Knee Business case has not achieved its income CIP due to lower referral and conversion rates. The service is working with GP's to understand and rectify this.
- In Emergency care there are reduced savings from Claremont ward closure .
- The CSS underachievement relates to lower ICU activity and RMH profit share income remains below plan.
- The reserves CIP under achievement relates to drugs, procurement and the DSU income generation scheme. The Drugs scheme has started and will start to recover. Procurement underperformance is due partly to later delivery of savings although they are still expected to be fully achieved.

SECTION 4: STATEMENT OF FINANCIAL POSITION M05

	2015/16 Audited £m	July £m	August £m
NON CURRENT ASSETS:			
Property plant and equipment	122.5	125.6	125.8
Intangible assets	10.8	7.9	7.8
Other assets	0.2	0.2	0.2
TOTAL NON CURRENT ASSETS:	133.5	133.7	133.8
CURRENT ASSETS:			
Inventories	1.4	1.0	1.2
Trade and other receivables	19.8	19.5	18.6
Cash and cash equivalents	4.4	2.4	2.7
TOTAL CURRENT ASSETS	25.6	22.8	22.5
CURRENT LIABILITIES:			
Trade and other payables	(30.6)	(29.5)	(30.0)
Current Borrowings	(1.7)	(1.7)	(1.6)
Current Provisions	(0.2)	(0.0)	(0.2)
TOTAL CURRENT LIABILITIES	(32.5)	(31.2)	(31.8)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	(7.0)	(8.4)	(9.3)
TOTAL ASSETS LESS CURRENT LIABILITIES	126.6	125.4	124.5
NON CURRENT LIABILITIES:			
Borrowings	(34.4)	(34.0)	(33.9)
Provisions	(1.2)	(1.4)	(1.1)
Other liabilities			
TOTAL ASSETS EMPLOYED	91.0	90.0	89.4
FINANCED BY			
TAXPAYERS EQUITY:			
Public Dividend Capital	59.0	59.0	59.0
Revaluation reserve	27.6	27.6	27.6
Income and Expenditure Reserve - Prior years	4.4	4.4	4.4
Income and Expenditure Reserve - Current Year		(1.0)	(1.6)
TOTAL TAXPAYERS EQUITY	91.0	90.0	89.4

COMMENTARY

Current Assets

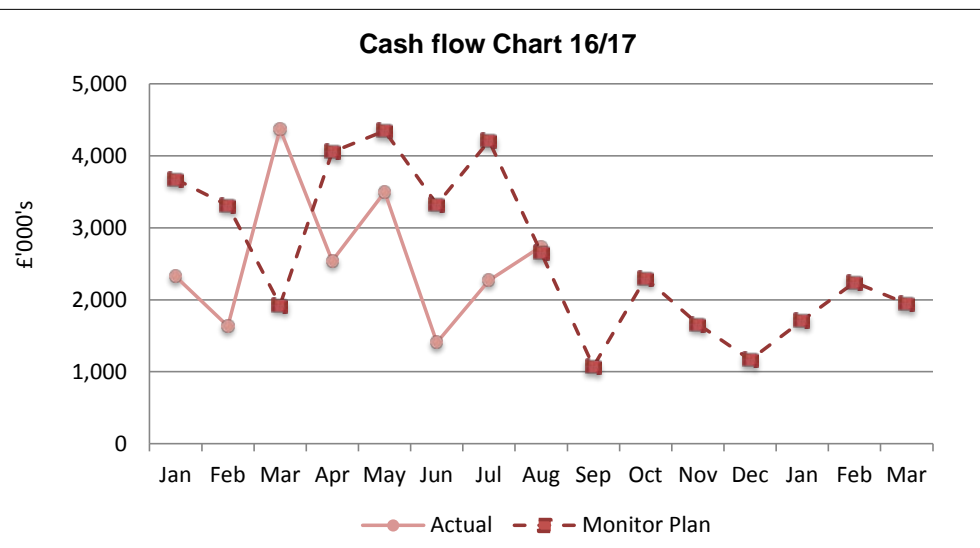
There was a £0.3m decrease in Current Assets in August 2016, to the early settlement of NHSE Q2 SLA resulting in an increase in Cash and Cash Equivalents and a decrease in Trade and other receivables.

Current Liabilities

Trade and Other payables have increased by £0.5m, largely due to increased cash management in light of the non-receipt of the Q1 STF.

SECTION 5: CASH FLOW STATEMENT

August 2016 £m	
Surplus/(deficit) after tax	(0.6)
Non-cash flows in operating surplus/(deficit)	
Depreciation and amortisation	0.7
PDC Dividend expense	0.2
Non-cash flows in operating surplus/(deficit)	0.9
Operating Cash flows before movements in working capital	0.3
Increase/(Decrease) in working capital	
Decrease in Inventories	(0.1)
Decrease in Trade and other receivables	0.8
Increase in Current Provisions	(0.0)
(Decrease) in Trade and Other payables	0.2
Increase/(Decrease) in working capital	0.9
Net cash (outflow) from operating activities	1.2
Net cash inflow/(outflow) from investing activities	
Property Plant and Equipment	(0.5)
Intangible assets	(0.1)
Other assets	0.0
Net cash inflow/(outflow) from investing activities	(0.6)
Net cash inflow/(outflow) from financing activities	
PDC Drawdowns	0.0
PDC Dividend paid	0.0
Borrowings	(0.1)
Net cash inflow/(outflow) from financing activities	(0.2)
Net (decrease) in cash	0.3
Opening cash	2.3
Closing cash	2.7



COMMENTARY

The closing cash position for August was £2.7m which was £0.1m above forecast. The surplus in the cash position was primarily attributable to the early receipt of NHS England September SLA (£0.2m).

In the absence of the Q1 STF payment (£2m), the Trust is exploring contingency options such as NHS Improvement's revolving working capital loan, requesting early payment of CCG overperformance and its own working capital facility with Lloyds bank.

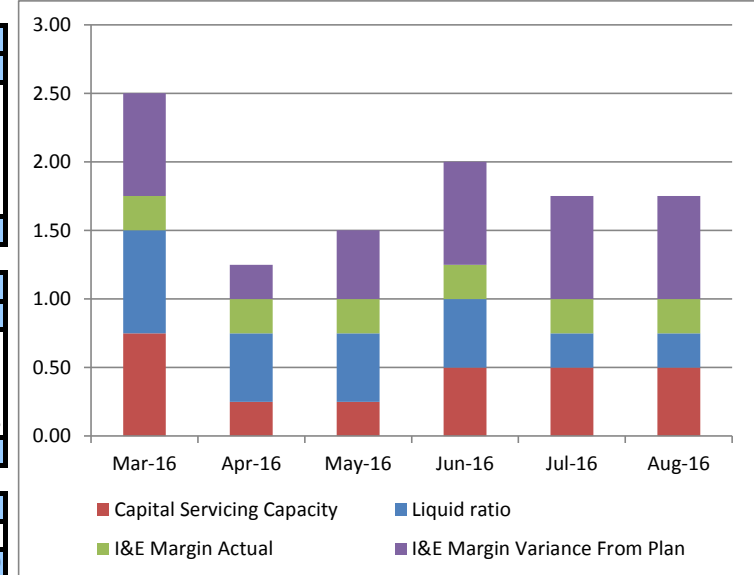
SECTION 6: FINANCIAL SUSTAINABILITY RISK RATING (FSRR)

	Weight	4	3	2	1
Capital Servicing Capacity	25%	2.50	1.75	1.25	<1.25
Liquidity	25%	-	- 7.00	- 14.00	<-14
I&E Margin - Underlying performance	25%	1%	0%	-1%	<=-1
I&E Margin - Variance from plan	25%	0%	-1%	-2%	<=-2
	100%				

Heading	15/16 M12	16/17 M1	16/17 M2	16/17 M3	16/17 M4	16/17 M5
Capital Servicing Capacity	0.2	0.4	0.9	1.5	1.6	1.5
Liquidity	(4.1)	(12.6)	(12.6)	(13.4)	(14.4)	(16.1)
I&E Margin - Underlying performance	(2.9%)	(4.8%)	(3.4%)	(1.5%)	(1.2%)	(1.5%)
I&E Margin - Variance from plan	(0.3%)	(3.5%)	(1.5%)	(0.5%)	(0.5%)	(0.6%)

Heading	15/16 M12	16/17 M1	16/17 M2	16/17 M3	16/17 M4	16/17 M5
Capital Service Cover	1	1	1	2	2	2
Liquidity	3	2	2	2	1	1
I&E Margin - Underlying performance	1	1	1	1	1	1
I&E Margin - Variance from plan	3	1	2	3	3	3

Weighted average FSRR	2.00	1.25	1.50	2.00	1.75	1.75
Rounded Weighted average COSR	2.00	1.00	2.00	2.00	2.00	2.00



COMMENTARY

Our FSRR rating for Month 5 is a 2. A low variance from plan helps offset the liquidity and underlying performance ratings.