

















Kingston Hospital NHS Foundation Trust

Finance Report December 2016 (Month 9)

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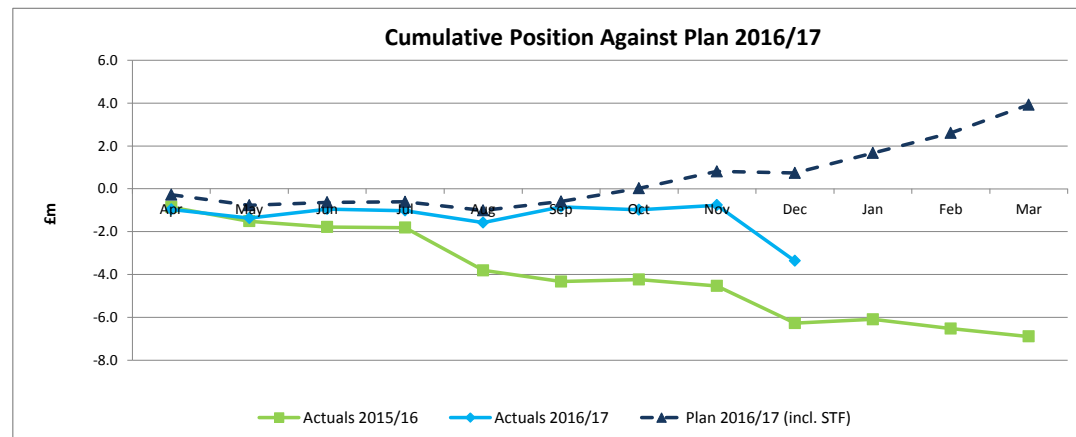
EXECUTIVE SUMMARY

Headline	In Month Performance Against Plan	In Month Performance Against Plan	Narrative
	(Nov)	(Dec)	
I&E Position (control total basis) - The Trust reported a deficit in month of £1.7m and a YTD deficit of £7.4m, which is £2.1m adverse to plan.			In month position is £0.9m adverse to plan. This is due to income being £0.9m adverse to plan which includes £0.5m relating to the recent arbitration decision relating to non-elective patient tariffs.
STF is £1.6m adverse in month and £2.0m adverse YTD			The underperformance on STF income arises as the Trust did not achieve its control total for Q3.
Income (excluding STF) is £0.7m below plan in month and £2.1m below plan YTD.			Patient Care Income was below plan in month by £0.8m due to the YTD impact of the arbitration ruling on non-elective patient tariffs estimated at £0.5m and underperformance of £0.3m on non-elective income particularly in elderly care and underperformance on outpatient income of £0.2m across all 3 divisions. This is partially offset by overperformance on pass-through drugs income.
Pay expenditure is £0.3m above plan in month and £2.1m above plan YTD.			The pay overspends in month are on medical pay costs which are £0.5m above plan offset by slight favourable variances in other pay groups.
Non-pay expenditure is £0.1m above plan in month (including high cost drugs £0.2M above plan) and £0.8m above plan year to date.			In month overspends on non-pay were on pass-through drugs expenditure, £0.2m above plan.
CIP Delivery stands at 57% in M9 and 68% YTD.			Recovery plans estimated at £2.2m partially offset the full year forecast underdelivery on CIP of £2.9m.
At the end of M9, capital expenditure was £7.6m			Capital expenditure YTD at M9 is higher than plan by £0.6m. This is mainly due to slippage from last year's plan, relating to A&E/ITU monitors and Outpatient redevelopment expenditure this year. Full Year anticipated expenditure is £10.8m.
The cash balance reported at the end of M9 was £0.8m.			The closing cash position for December of £0.8m was £0.3m below plan as drawings on the Trust's working capital facility (WCF) were kept to a minimum over the holiday period at the end of the month.

SECTION 1: OVERALL INCOME AND EXPENDITURE

Summary as at the end of Dec-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	204,005	17,011	16,060	(951)	152,404	149,863	(2,542)
High Cost Drug Income	14,079	1,108	1,285	177	10,546	10,715	169
Other Income	25,039	2,092	2,156	64	18,771	19,025	254
Income	243,122	20,211	19,501	(710)	181,721	179,602	(2,119)
Expenditure							
Pay	(150,956)	(12,698)	(13,013)	(315)	(112,960)	(115,069)	(2,109)
Non Pay	(67,076)	(5,735)	(5,679)	56	(49,634)	(50,117)	(483)
High Cost Drugs	(14,079)	(1,108)	(1,285)	(177)	(10,546)	(10,821)	(275)
Contingency Released		(152)	0	152	(2,533)	0	2,533
Expenditure	(232,110)	(19,693)	(19,977)	(284)	(175,674)	(176,008)	(334)
EBITDA	11,012	518	(476)	(994)	6,048	3,594	(2,454)
Depreciation and Amortisation	(8,394)	(699)	(671)	29	(6,287)	(6,169)	118
Investment Revenue	16	1	0	(1)	12	11	(1)
Finance Costs	(3,580)	(298)	(280)	18	(2,685)	(2,603)	82
Public Dividend Capital	(3,232)	(269)	(250)	19	(2,424)	(2,250)	174
Total I&E	(4,178)	(748)	(1,676)	(928)	(5,337)	(7,417)	(2,080)
STF Income	8,100	675	(928)	(1,603)	6,075	4,050	(2,025)
Total including STF Funding	3,922	(73)	(2,604)	(2,531)	738	(3,367)	(4,105)
Depreciation on donated assets	270	23	(34)	(57)	203	146	(57)
Income from Donated Assets	0	0	(155)	(155)	0	(155)	(155)
Control Total Basis Surplus/(Deficit)	4,192	(51)	(2,793)	(2,743)	941	(3,376)	(4,317)
	Annual Plan	Plan	Actual		Plan	Actual YTD	
EBITDA Margin	4.5%	2.6%	-2.4%		3.3%	2.0%	
EBITDA Achieved	100.0%	100.0%	-92.0%		100.0%	59.4%	
I&E Surplus Margin	-1.7%	-3.7%	-8.6%		-2.9%	-4.1%	



SECTION 2: DIVISIONAL POSITIONS

Overview

Summary as at the end of Dec-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	(31,409)	(2,664)	(2,766)	(102)	16	(50)	(68)	(102)	(23,549)	(24,896)	(1,346)	(798)	(528)	(21)	(1,346)
Emergency Care	16,325	1,455	877	(578)	(224)	(234)	(120)	(578)	12,194	10,023	(2,172)	123	(1,982)	(312)	(2,172)
Specialist Services	48,730	3,849	3,649	(201)	23	(59)	(164)	(201)	36,468	35,007	(1,460)	(551)	(311)	(598)	(1,460)
Clinical Divisions	33,647	2,640	1,759	(881)	(185)	(344)	(352)	(881)	25,113	20,134	(4,978)	(1,226)	(2,821)	(931)	(4,978)
Strategy Director	(2,357)	(193)	(176)	17	0	13	5	17	(1,790)	(1,687)	102	0	83	19	102
Corporate Affairs	(2,851)	(234)	(218)	16	0	5	11	16	(2,146)	(2,246)	(100)	17	(75)	(42)	(100)
Finance	(3,560)	(296)	(308)	(12)	2	(1)	(13)	(12)	(2,671)	(2,708)	(37)	21	(60)	3	(37)
Human Resources	(1,790)	(146)	(178)	(31)	(6)	20	(45)	(31)	(1,350)	(1,487)	(137)	88	(37)	(188)	(137)
Medical Director	(501)	(41)	(19)	22	17	4	2	22	(376)	(295)	81	50	43	(12)	81
Nursing Director	(2,502)	(214)	(170)	45	11	7	27	45	(1,860)	(1,842)	17	23	106	(111)	17
Operations	(21,297)	(1,763)	(1,852)	(89)	(9)	(17)	(63)	(89)	(16,008)	(15,715)	293	91	(81)	284	293
Directorates	(34,858)	(2,889)	(2,920)	(32)	16	30	(78)	(32)	(26,202)	(25,981)	221	290	(21)	(48)	221
Central Income	7,573	633	651	19	(19)	0	38	19	5,676	6,721	1,046	72	737	236	1,046
Other Central Budgets	12,750	960	(894)	(1,855)	(2,126)	0	271	(1,855)	10,069	6,769	(3,300)	(3,281)	(3)	(16)	(3,300)
Contingency		(152)	0	152	0	0	152	152	(2,533)	0	2,533	0	0	2,533	2,533
EBITDA	19,112	1,193	(1,404)	(2,597)	(2,314)	(314)	31	(2,597)	12,123	7,644	(4,479)	(4,145)	(2,108)	1,775	(4,479)
Depreciation & Losses	(8,394)	(699)	(671)	29				29	(6,287)	(6,169)	118				118
Interest	(3,564)	(297)	(279)	18				18	(2,673)	(2,592)	81				81
PDC	(3,232)	(269)	(250)	19				19	(2,424)	(2,250)	174				174
Total I&E	3,922	(73)	(2,604)	(2,531)				(2,531)	738	(3,367)	(4,105)				(4,105)

COMMENTARY

- Income in the clinical divisions is £0.2m below plan in month, this is due to underperformance on non-elective (£0.3m) and outpatient income (£0.1m) offset by high cost drugs income which was £0.2m above plan. The remaining £2.1m of the total adverse variance on income of £2.3m is due to the £0.5m impact of arbitration and £1.6m impact of not receiving STF for Q3, reflected in full in the month 9 position.
- Pay was adverse to budget in month by £0.3m with expenditure continuing to be above plan on medical pay in clinical divisions. Medical pay has increased since the start of the year with average monthly spend of £4.0m in Q1, £4.1m in Q2 and £4.2m in Q3.
- Non-pay overspend in clinical divisions in month is £0.4m. This includes £0.2m of pass-through drugs costs, a further overspend of £0.1m on other drugs, particularly in emergency care servicelines and £0.1m on clinical supplies particularly ophthalmology and trauma and orthopaedics. Underspends on central budgets offset this.

SECTION 3: COST IMPROVEMENT PROGRAMME

Summary as at the end of Dec-16

Division	Annual	IN MONTH			YEAR TO DATE			FORECAST OUTTURN		
		Plan £000's	In Month		Year to Date			Annual		
			Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Forecast £000's	Variance £000's
Emergency Care	1,021	91	74	(17)	737	654	(84)	1,021	1,095	74
Specialist Services	1,277	127	79	(48)	960	646	(314)	1,277	1,183	(93)
Clinical Support Services	966	97	56	(41)	676	433	(243)	966	755	(211)
Estates Department	407	36	33	(3)	299	258	(41)	407	368	(39)
Finance Directorate	137	10	4	(7)	106	100	(7)	137	137	0
Corporate Affairs Department	88	5	1	(4)	74	60	(14)	88	62	(26)
Strategy Director	95	7	7	0	74	73	(1)	95	88	(6)
Department of Nursing	87	8	8	0	64	66	2	87	89	2
Department of IM&T	199	17	17	0	149	149	0	199	199	0
Operations Department	62	5	0	(5)	47	41	(5)	62	62	0
Medical Directors Department	19	2	2	0	14	14	0	19	19	0
Human Resources Department	109	12	12	0	73	73	0	109	109	0
Reserves	5,444	394	166	(228)	2,799	1,533	(1,266)	5,444	2,837	(2,607)
Total CIP	9,910	811	458	(353)	6,072	4,100	(1,972)	9,910	7,003	(2,907)

COMMENTARY

- In month achievement is 57% of plan.
- Achievement of income generation schemes is at 72% of plan in month.
- Recovery plans estimated at £2.2m partially offset the forecast underdelivery on CIP of £2.9m, which includes £0.6m unidentified at the start of 20617.
- This impact of the recovery actions have not been reflected in the forecast included on this page.

Type	Annual	In Month			YTD			Annual		
		Plan £000's	Actual £000's	Variance £000's	Plan £000's	Actual £000's	Variance £000's	Plan £000's	Forecast £000's	Variance £000's
Cost Reduction	7,234	551	271	(280)	4,122	2,670	(1,453)	7,234	4,468	(2,766)
			49%			65%			62%	
Income Generation	2,676	260	187	(73)	1,949	1,431	(519)	2,676	2,535	(141)
			72%			73%			95%	
Total CIP	9,910	811	458	(353)	6,072	4,100	(1,972)	9,910	7,003	(2,907)
			57%			68%			71%	

SECTION 4: STATEMENT OF FINANCIAL POSITION M09

	2015/16 Audited £m	November £m	December £m
NON CURRENT ASSETS:			
Property plant and equipment	122.5	127.1	127.2
Intangible assets	10.8	7.6	7.5
Other assets	0.2	0.2	0.2
TOTAL NON CURRENT ASSETS:	133.5	134.9	134.9
CURRENT ASSETS:			
Inventories	1.4	1.1	1.1
Trade and other receivables	19.8	22.7	20.6
Cash and cash equivalents	4.4	4.6	0.8
TOTAL CURRENT ASSETS	25.6	28.4	22.6
CURRENT LIABILITIES:			
Trade and other payables	(30.6)	(31.6)	(30.4)
Current Borrowings	(1.7)	(6.7)	(5.0)
Current Provisions	(0.2)	(0.1)	(0.1)
TOTAL CURRENT LIABILITIES	(32.5)	(38.4)	(35.4)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	(7.0)	(10.1)	(12.9)
TOTAL ASSETS LESS CURRENT LIABILITIES	126.6	124.8	122.1
NON CURRENT LIABILITIES:			
Borrowings	(34.4)	(33.3)	(33.2)
Provisions	(1.2)	(1.2)	(1.2)
Other liabilities			
TOTAL ASSETS EMPLOYED	91.0	90.2	87.6
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		(0.8)	(3.4)
TOTAL TAXPAYERS EQUITY	91.0	90.2	87.6

COMMENTARY

Non - Current Assets

There was no overall net movement in December. A £0.1m increase in Property, Plant and Equipment was offset by a £0.1m decrease in Intangibles. Other Assets remained at £0.2m.

Current Assets

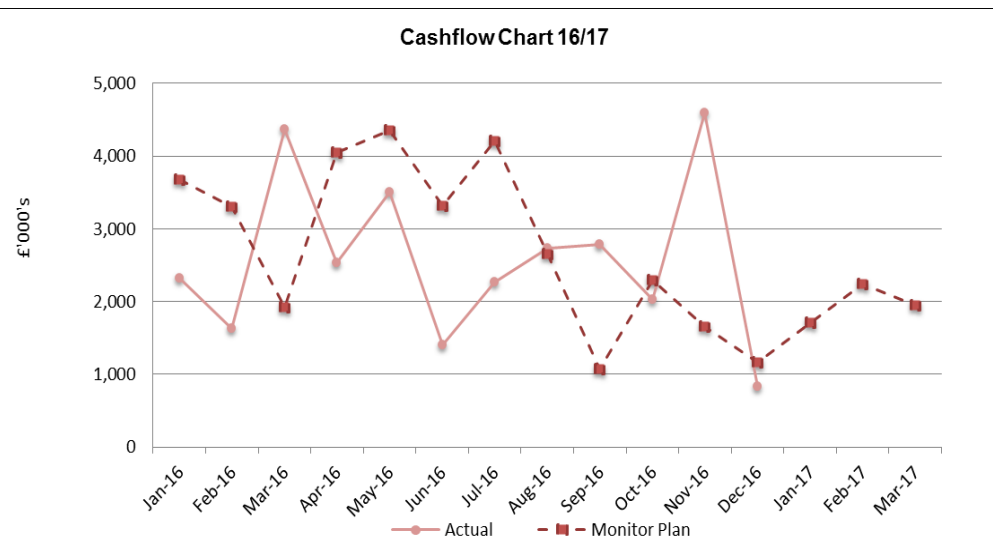
There was a £5.8m decrease in Current Assets in December 2016 comprising of: £3.8m decrease in Cash and Cash Equivalents, as analysed in Section 8: Cash Flow Statement, a £2.1m decrease in Trade and Other Receivables as analysed in Section 9: Debtors and Inventories remained at £1.1m.

Current Liabilities

The decrease of £3.0m in Current Liabilities in December was due to a £1.3m decrease in Trade and Other Payables which is analysed further in Section 10, Current Borrowings decreased £1.7m to £5.0m and Current Provisions remained at £0.1m.

SECTION 5: CASH FLOW STATEMENT

	December 2016 £m
Surplus/(deficit) after tax	(2.6)
Non-cash flows in operating surplus/(deficit)	
Depreciation and amortisation	0.7
PDC Dividend expense	0.3
Non-cash flows in operating surplus/(deficit)	0.9
Operating Cash flows before movements in working capital	(1.7)
Increase/(Decrease) in working capital	
Increase in Inventories	(0.1)
Increase in Trade and other receivables	2.1
Increase in Current Provisions	0.0
Decrease in Trade and Other payables	(1.3)
Increase/(Decrease) in working capital	0.8
Net cash (outflow) from operating activities	(0.9)
Net cash inflow/(outflow) from investing activities	
Property Plant and Equipment	(1.0)
Intangible assets	0.0
Other assets	0.0
Net cash inflow/(outflow) from investing activities	(1.0)
Net cash inflow/(outflow) from financing activities	
PDC Drawdowns	0.0
PDC Dividend paid	0.0
Borrowings	(1.8)
Net cash inflow/(outflow) from financing activities	(1.8)
Net (decrease) in cash	(3.8)
Opening cash	4.6
Closing cash	0.8



COMMENTARY

The closing cash position for December was £0.8m which was £0.3m below forecast as drawings on the Trust's working capital facility (WCF) with Lloyds Bank were kept to a minimum over the holiday period at the end of the month. Of the £3.25m drawn on the facility, £2.25m was repaid to the bank on receipt of Kingston CCG's advanced service agreement payment at the beginning of January, with the remaining balance of £1m to be repaid mid-month.

Significant receipts in the month included £0.7m from St Georges (as part of a payment exchange with £1m paid to St Georges), £0.5m from HMRC for VAT reclaimed and £0.4m from NHS England for Q1 & Q2 STF monies.

Amounts paid to trade suppliers continued to be slowed in month. The £3.25m drawdown on the facility was used only to cover the period between the monthly payroll date and the end of the month. Overdue creditors increased by £1.2m to £4.1m at month end, however this was the result of no payment run in the final week of

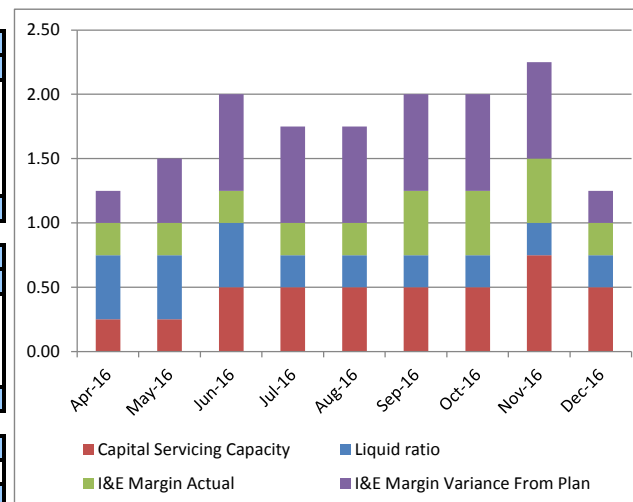
SECTION 6: FINANCIAL SUSTAINABILITY RISK RATING (FSRR)

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

	16/17	16/17	16/17	16/17	16/17	16/17	16/17	16/17	16/17
Heading	M1	M2	M3	M4	M5	M6	M7	M8	M9
Capital Servicing Capacity	0.4	0.9	1.5	1.6	1.5	1.7	1.7	1.8	1.4
Liquidity	(12.6)	(12.6)	(13.4)	(14.4)	(16.1)	(16.5)	(17.0)	(17.2)	(21.4)
I&E Margin - Underlying performance	(4.8%)	(3.4%)	(1.5%)	(1.2%)	(1.5%)	(0.7%)	(0.7%)	(0.5%)	(1.8%)
I&E Margin - Variance from plan	(3.5%)	(1.5%)	(0.5%)	(0.5%)	(0.6%)	(0.2%)	(0.7%)	(0.9%)	(2.2%)

	16/17	16/17	16/17	16/17	16/17	16/17	16/17	16/17	16/17
Heading	M1	M2	M3	M4	M5	M6	M7	M8	M9
Capital Service Cover	1	1	2	2	2	2	2	3	2
Liquidity	2	2	2	1	1	1	1	1	1
I&E Margin - Underlying performance	1	1	1	1	1	2	2	2	1
I&E Margin - Variance from plan	1	2	3	3	3	3	3	3	1

Weighted average FSRR	1.25	1.50	2.00	1.75	1.75	2.00	2.00	2.25	1.25
Rounded Weighted average COSR	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00



COMMENTARY

Our FSRR rating for Month 9 is a 1. Our score for underlying performance of I&E margin and the I&E variance from plan has decreased this month.

NHS Improvement have introduced a new Use of Resource rating from October 2016 which although similar to the FSRR, includes an agency metric and measures Trusts on a range of 1 to 4, with 1 being good performance and 4 being underachievement. The Trust has a rating of 3 YTD at month 9.