










# Kingston Hospital NHS Foundation Trust

## Finance Report October 2017 (Month 07)

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## EXECUTIVE SUMMARY

Headline	In Month Performance Against Budget	Narrative
	(Oct)	
<b>I&amp;E Position (excluding STF &amp; Impairments) - The Trust reported a surplus in month of £0.2m which is £0.6m adverse to the budgeted position. YTD deficit is £3.6m which is £1.8m adverse to budget.</b>		Income was £0.1m favourable to budget in month due to additional income for education and training. Patient care income has a slight adverse position in month but has improved on trend particularly on outpatient activity. Pay is overspent by £0.5m due to an increase in the CIP target in month and non-pay is £0.1m adverse. The in month position is £1.0m favourable to the underlying forecast for the month due to additional non-elective and outpatient income as well as lower non-pay expenditure.
<b>STF income is on plan in month and year to date.</b>		STF has been assumed to be on plan but this month's income of £766k is at risk if the financial position for the quarter does not meet the operating plan. The in month and YTD position is £0.7m adverse to the operating plan. The Trust has met it's A&E access targets.
<b>Income (excluding STF) is £0.1m above budget in month and £1.5m below budget YTD.</b>		Patient care income is £0.1m adverse against budget, excluding high cost drugs. This is an improvement on trend particularly on outpatients, £0.1m above budget in month, £0.2m adverse YTD. Non-elective income has also increased above trend and is £0.3m favourable in month. Critical Care, elective and maternity income are all below budget in month which offset the above.
<b>Pay expenditure is £0.5m above budget in month and £0.2m above budget YTD.</b>		CIP schemes phased in to the second half of the year (£0.2m) has contributed to the increase in adverse variance to budget this month. Also, we have seen an underlying increase in costs this month of £0.2m compared to the average for the first half of the year, with an increase in both medical and nursing staff. Agency costs of £0.7m are above the YTD average of £0.6m per month, but remain below the NHSI target.
<b>Non-pay expenditure is £0.1m above budget in month and £0.8m above budget YTD</b>		Overspend on non-pay against budget of £0.1m is due to increase of CIP target of £0.1m. Clinical supplies expenditure was within budget in month. Drugs expenditure in month has decreased by £0.1m below the underlying trend despite higher levels of patient activity.
<b>CIP Delivery in month is £0.8m is 79% of plan and YTD delivery is £3.8m, 77% of the YTD plan of £5.0m.</b>		YTD achievement of CIP schemes of £3.8m. Savings arising from the operational and improvement themes were planned to start from month 7 and more of the workforce theme was also phased in to the second half of the year. The total increase in target is £0.3m, £0.2m in pay and £0.1m in non-pay.
<b>At the end of M7, capital expenditure YTD was £5.0m.</b>		Month 7 capital expenditure YTD is £5.0m which is £3.6m behind the YTD plan of £8.6m. Projected full year capital spend has been revised down by £0.3m to £16.0m.
<b>The cash balance reported at the end of M7 was £1.4m.</b>		The closing cash position for October was £1.4m which was £2.2m below forecast. The variance was largely attributable to the non-receipt of CCG Overperformance (£3.0m)
<b>Performance against the operating plan control total YTD is an adverse variance of £0.7m.</b>		Profile differences between budget and operating plan total £1.1m YTD driven by non-pay profile of contingency and reserves.

## SECTION 1: OVERALL INCOME AND EXPENDITURE

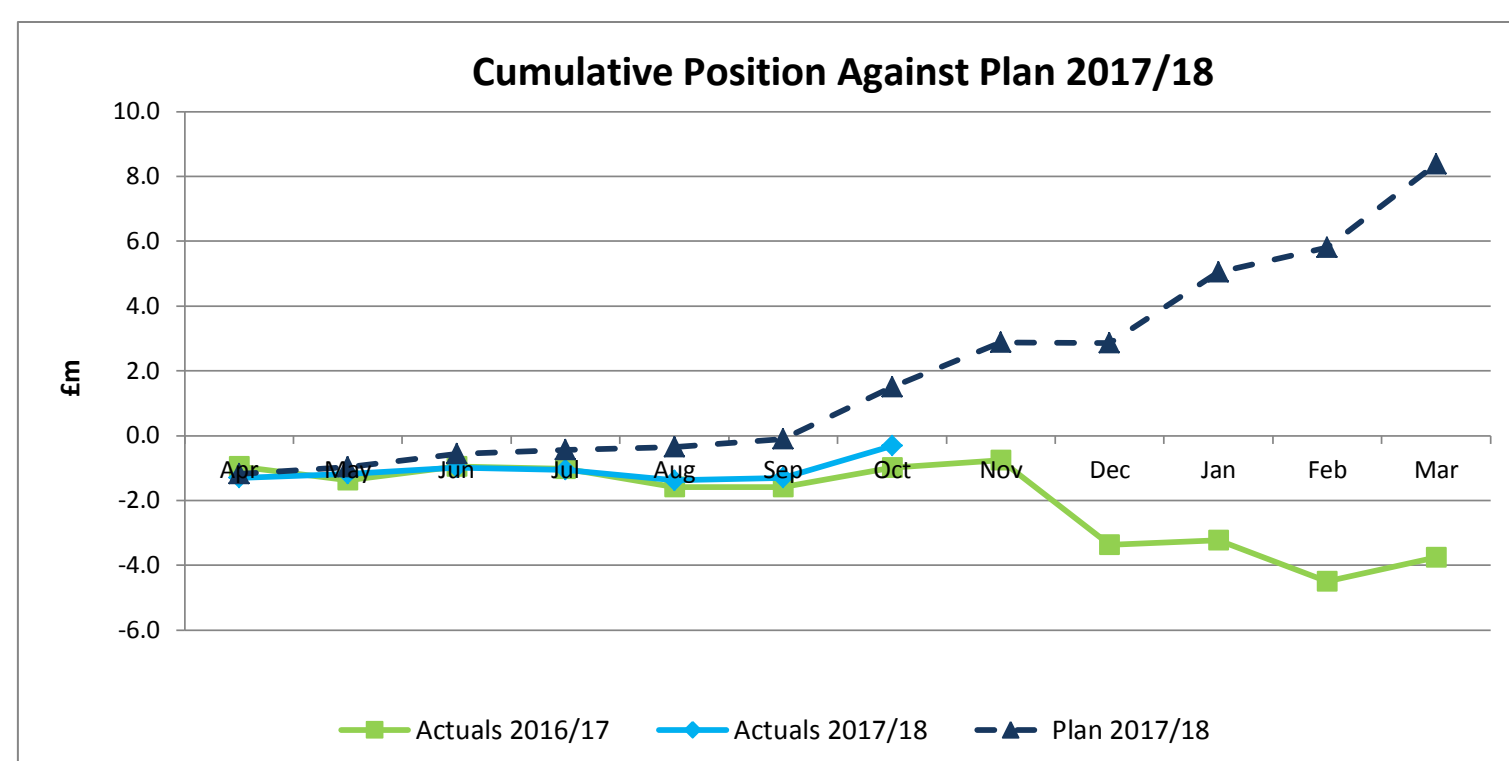
Summary as at the end of Oct-17

Income & Expenditure	Annual Plan £000's	IN MONTH			YEAR TO DATE		
		Budget v Actuals			Budget v Actuals		
		Plan £000's	Actual £000's	Var £000's	Plan £000's	Actual £000's	Var £000's
Income Patient Care Income	216,627	18,629	18,570	(59)	124,953	123,087	(1,866)
High Cost Drug Income	14,352	1,258	1,264	6	8,405	8,458	53
Other Income	24,337	2,035	2,143	108	14,101	14,384	283
<b>Income</b>	<b>255,316</b>	<b>21,922</b>	<b>21,977</b>	<b>55</b>	<b>147,459</b>	<b>145,930</b>	<b>(1,530)</b>
Expenditure Pay	(156,025)	(12,939)	(13,449)	(510)	(91,554)	(91,738)	(184)
Non Pay	(70,249)	(5,824)	(5,889)	(65)	(40,914)	(41,607)	(693)
High Cost Drugs	(14,352)	(1,258)	(1,285)	(27)	(8,405)	(8,550)	(145)
<b>Expenditure</b>	<b>(240,625)</b>	<b>(20,021)</b>	<b>(20,623)</b>	<b>(602)</b>	<b>(140,873)</b>	<b>(141,895)</b>	<b>(1,022)</b>
<b>EBITDA</b>	<b>14,691</b>	<b>1,902</b>	<b>1,354</b>	<b>(547)</b>	<b>6,587</b>	<b>4,035</b>	<b>(2,552)</b>
Depreciation and Amortisation	(7,914)	(625)	(595)	30	(4,788)	(4,236)	552
Investment Revenue	0	0	1	1	0	7	7
Finance Costs	(3,808)	(303)	(305)	(1)	(2,123)	(2,152)	(29)
Public Dividend Capital	(2,245)	(125)	(233)	(108)	(1,620)	(1,411)	209
<b>I&amp;E excl. STF and Impairments</b>	<b>725</b>	<b>848</b>	<b>222</b>	<b>(627)</b>	<b>(1,944)</b>	<b>(3,757)</b>	<b>(1,813)</b>

Depreciation on donated assets	138	11	15	4	80	114	33
Income from Donated Assets	0	0	0	0	0	0	0
<b>I&amp;E excl. STF and Impairments with donated asset adjs.</b>	<b>863</b>	<b>860</b>	<b>237</b>	<b>(623)</b>	<b>(1,864)</b>	<b>(3,644)</b>	<b>(1,780)</b>

STF Income	7,656	766	766	0	3,445	3,445	0
Impairments	0	0	0	0	0	(1,811)	(1,811)
<b>Total Surplus/(Deficit)</b>	<b>8,381</b>	<b>1,614</b>	<b>988</b>	<b>(627)</b>	<b>1,501</b>	<b>(2,123)</b>	<b>(3,624)</b>

	Annual Plan	Plan	Actual		Plan	Actual YTD	
EBITDA Margin	5.8%	8.7%	6.2%		4.5%	2.8%	
EBITDA Achieved	100.0%	100.0%	71.2%		100.0%	61.3%	
I&E Surplus Margin	0.3%	3.9%	1.0%		-1.3%	-2.6%	



Summary as at the end of Oct-17

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															
Emergency Care	(4,857)	(225)	(445)	(220)	97	(101)	(216)	(220)	(2,183)	(3,210)	(1,027)	379	(626)	(780)	(1,027)
Planned Care	36,956	3,605	3,857	252	209	43	0	252	21,612	21,051	(561)	(544)	418	(435)	(561)
<b>Clinical Divisions</b>	<b>32,099</b>	<b>3,380</b>	<b>3,413</b>	<b>33</b>	<b>307</b>	<b>(58)</b>	<b>(216)</b>	<b>33</b>	<b>19,429</b>	<b>17,840</b>	<b>(1,588)</b>	<b>(165)</b>	<b>(208)</b>	<b>(1,215)</b>	<b>(1,588)</b>
Strategy Director	(2,557)	(216)	(254)	(38)	15	(49)	(4)	(38)	(1,464)	(1,416)	48	15	(1)	35	48
Corporate Affairs	(2,927)	(217)	(220)	(3)	(1)	(13)	12	(3)	(1,834)	(1,844)	(10)	(8)	1	(3)	(10)
Finance	(3,751)	(314)	(305)	9	21	4	(16)	9	(2,182)	(2,166)	17	26	55	(65)	17
Human Resources	(2,631)	(198)	(222)	(24)	45	(6)	(63)	(24)	(1,641)	(1,911)	(271)	(128)	(86)	(56)	(271)
Medical Director	(461)	(38)	(40)	(3)	8	(11)	0	(3)	(250)	(257)	(7)	14	(12)	(9)	(7)
Nursing Director	(2,639)	(208)	(208)	1	21	(10)	(11)	1	(1,592)	(1,525)	67	1	20	46	67
Operations	(21,308)	(1,799)	(1,757)	42	(57)	5	94	42	(12,418)	(12,339)	79	(172)	32	219	79
<b>Directorates</b>	<b>(36,273)</b>	<b>(2,990)</b>	<b>(3,006)</b>	<b>(16)</b>	<b>51</b>	<b>(80)</b>	<b>12</b>	<b>(16)</b>	<b>(21,382)</b>	<b>(21,458)</b>	<b>(76)</b>	<b>(252)</b>	<b>8</b>	<b>168</b>	<b>(76)</b>
Central Income	7,225	593	565	(28)	(75)	0	47	(28)	4,260	4,569	309	(7)	0	316	309
Other Central Budgets	19,297	1,684	1,148	(536)	(229)	(372)	64	(536)	7,724	6,529	(1,196)	(1,105)	16	(106)	(1,196)
<b>EBITDA</b>	<b>22,347</b>	<b>2,668</b>	<b>2,120</b>	<b>(547)</b>	<b>55</b>	<b>(510)</b>	<b>(92)</b>	<b>(547)</b>	<b>10,032</b>	<b>7,480</b>	<b>(2,552)</b>	<b>(1,530)</b>	<b>(184)</b>	<b>(838)</b>	<b>(2,552)</b>
Depreciation & Losses	(7,914)	(625)	(595)	30				30	(4,788)	(4,236)	552				552
Interest	(3,808)	(303)	(304)	(0)				(0)	(2,123)	(2,145)	(23)				(23)
PDC	(2,245)	(125)	(233)	(108)				(108)	(1,620)	(1,411)	209				209
Impairments										(1,811)	(1,811)				(1,811)
<b>Total I&amp;E</b>	<b>8,381</b>	<b>1,614</b>	<b>988</b>	<b>(627)</b>				<b>(627)</b>	<b>1,501</b>	<b>(2,123)</b>	<b>(3,624)</b>				<b>(3,624)</b>

**COMMENTARY**

- Patient care income is £0.1m adverse against budget, excluding high cost drugs. This is an improvement on trend particularly on outpatients, £0.1m above budget in month, £0.2m adverse YTD. The main improvements in month were on ENT & Oral and Ophthalmology. Non-elective income has also increased above trend and is £0.3m favourable in month, mainly within the General Surgery serviceline. Elective and daycase income continues to perform below plan, £0.2m in month and £0.9m YTD. Adult Critical Care is £0.1m below plan, and £0.3m below plan YTD. A&E income continues to be favourable.
- Other income is favourable by £0.1m due to training courses run by Specialist Medicine serviceline for Surrey Downs as well as slight increase in education funding in Q3.
- Pay was a £0.5m overspent in month. The part of the CIP target which remains within central budgets has increased by £0.2m this month compared to months 1 to 6 therefore increasing the adverse variance attributable to underdelivery on CIP. Expenditure has also increased this month with medical pay increase in Oral & ENT, AAU and elderly care. Nursing has increased on the YTD trend but is below last month and within budget. Admin & Clerical costs have increased and are £0.1m above budget due to increases in corporate departments but is partly offset by non-pay budget. Agency has increased to £0.7m from £0.5m last month and but remains below the limit set by NHS Improvement of £1.0m per month.
- Non-pay was unfavourable to budget in month by £0.1m (excluding high cost drugs). This month's position is impacted by increased CIP target of £0.1m across corporate and central budgets. Overspends continue on establishment expenses but clinical supplies were within budget this month and the position on drugs has improved on YTD trend.

**SECTION 3: COST IMPROVEMENT PROGRAMME**

Summary as at the end of **Oct-17**

Theme	Annual Plan £000's	CIP Allocation			IN MONTH				YEAR TO DATE			
		Allocation Devolved to Budgets			In Month				Year to Date			
		Devolved £000's	Outstanding £000's	Devolved %	Plan £000's	Actual £000's	Mitigation £000's	Variance (inc. mitigations) £000's	Plan £000's	Actual £000's	Mitigation £000's	Variance (inc. mitigations) £000's
Corporate Support	2,500	534	1,966	21%	116	349	5	238	1,071	949	35	(87)
Improvement	1,500	249	1,251	17%	124	8	0	(116)	182	66	0	(116)
Non-Pay Price	1,500	740	761	49%	146	139	0	(7)	691	454	0	(237)
Operational	1,000	100	900	10%	108	56	0	(52)	108	134	0	26
Pay Control	3,500	1,148	2,352	33%	360	58	272	(30)	1,710	904	580	(226)
<b>Exec Lead Themes Total</b>	<b>10,000</b>	<b>2,770</b>	<b>7,230</b>	<b>28%</b>	<b>855</b>	<b>610</b>	<b>277</b>	<b>33</b>	<b>3,762</b>	<b>2,507</b>	<b>615</b>	<b>(640)</b>
Emergency Care	937	862	75	92%	146	92	3	(50)	614	485	52	(76)
Planned Care	824	758	66	92%	92	69	0	(23)	487	423	0	(64)
Clinical Support Services	0	0	0		(69)	0	0	69	(0)	0	0	0
Corporate	238	706	(467)		16	44	0	29	96	417	1	322
<b>Local allocations Total</b>	<b>2,000</b>	<b>2,327</b>	<b>(327)</b>		<b>185</b>	<b>206</b>	<b>3</b>	<b>25</b>	<b>1,197</b>	<b>1,326</b>	<b>53</b>	<b>182</b>
<b>Total CIP</b>	<b>12,000</b>	<b>5,096</b>	<b>6,904</b>	<b>42%</b>	<b>1,040</b>	<b>816</b>	<b>281</b>	<b>57</b>	<b>4,959</b>	<b>3,833</b>	<b>668</b>	<b>(458)</b>

Type	Annual Plan £000's	Allocation Devolved to Budgets			In Month				YTD			
		Devolved £000's	Outstanding £000's	Devolved %	Plan £000's	Actual £000's	Mitigation £000's	Variance £000's	Plan £000's	Actual £000's	Mitigation £000's	Variance £000's
<b>Cost Reduction</b>	<b>10,630</b>	<b>4,381</b>	<b>6,249</b>	<b>41%</b>	<b>1,209</b>	<b>751</b>	<b>272</b>	<b>(186)</b>	<b>4,403</b>	<b>3,469</b>	<b>609</b>	<b>(325)</b>
<i>% of Plan</i>						62%	23%			79%	14%	
<b>Income Generation</b>	<b>1,370</b>	<b>715</b>	<b>655</b>	<b>52%</b>	<b>-170</b>	<b>65</b>	<b>8</b>	<b>243</b>	<b>555</b>	<b>364</b>	<b>58</b>	<b>(133)</b>
<i>% of Plan</i>						-38%	-5%			65%	11%	
<b>Total CIP</b>	<b>12,000</b>	<b>5,096</b>	<b>6,904</b>	<b>42%</b>	<b>1,040</b>	<b>816</b>	<b>281</b>	<b>57</b>	<b>4,959</b>	<b>3,833</b>	<b>668</b>	<b>(458)</b>
<i>% of Plan</i>						79%	27%			77%	13%	

**COMMENTARY**

- In month achievement of £816k is 79% of the in month plan of £1,040k.
- The in month target has increased by £0.3m compared to previous months due to schemes phased in to the second half of the year.
- The pay control savings delivered YTD of £904k are £806k below the YTD plan of £1,710k. The YTD mitigations of £580k reflect the fact that the YTD adverse variance on pay in total is £184k, but the mitigations are non-recurrent items in the YTD position.
- The detailed forecast outturn position shows likely underdelivery on the CIP programme of £5.4m.
- Productivity improvement board meetings have increased to every fortnight and an executive led action plan has been compiled to address this gap.

## SECTION 4: STATEMENT OF FINANCIAL POSITION M7

	September £m	October £m
<b>NON CURRENT ASSETS:</b>		
Property plant and equipment	111.6	112.1
Intangible assets	10.7	10.7
Other assets	0.7	0.7
<b>TOTAL NON CURRENT ASSETS:</b>	<b>123.0</b>	<b>123.5</b>
<b>CURRENT ASSETS:</b>		
Inventories	1.9	1.8
Trade and other receivables	24.1	26.0
Cash and cash equivalents	2.6	1.4
<b>TOTAL CURRENT ASSETS</b>	<b>28.6</b>	<b>29.2</b>
<b>CURRENT LIABILITIES:</b>		
Trade and other payables	(34.8)	(34.6)
Current Borrowings	(1.5)	(1.4)
Current Provisions	(0.2)	(0.2)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(36.5)</b>	<b>(36.2)</b>
<b>NET CURRENT ASSETS LESS CURRENT LIABILITIES</b>	<b>(7.9)</b>	<b>(7.0)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>115.1</b>	<b>116.4</b>
<b>NON CURRENT LIABILITIES:</b>		
Borrowings	(41.4)	(41.3)
Provisions	(1.0)	(1.0)
Other liabilities		
<b>TOTAL ASSETS EMPLOYED</b>	<b>72.7</b>	<b>74.1</b>
<b>FINANCED BY</b>		
<b>TAXPAYERS EQUITY:</b>		
Public Dividend Capital	60.0	60.0
Revaluation reserve	18.6	18.6
Income and Expenditure Reserve - Prior years	(2.4)	(2.4)
Income and Expenditure Reserve - Current Year	(3.6)	(2.1)
<b>TOTAL TAXPAYERS EQUITY</b>	<b>72.7</b>	<b>74.1</b>

### COMMENTARY

#### Non - Current Assets

There was an overall increase of £0.5m movement in Non-Current Assets in October 2017 consisting of a £1.1m increase in Property, Plant and Equipment and a £0.6m depreciation charge.

#### Current Assets

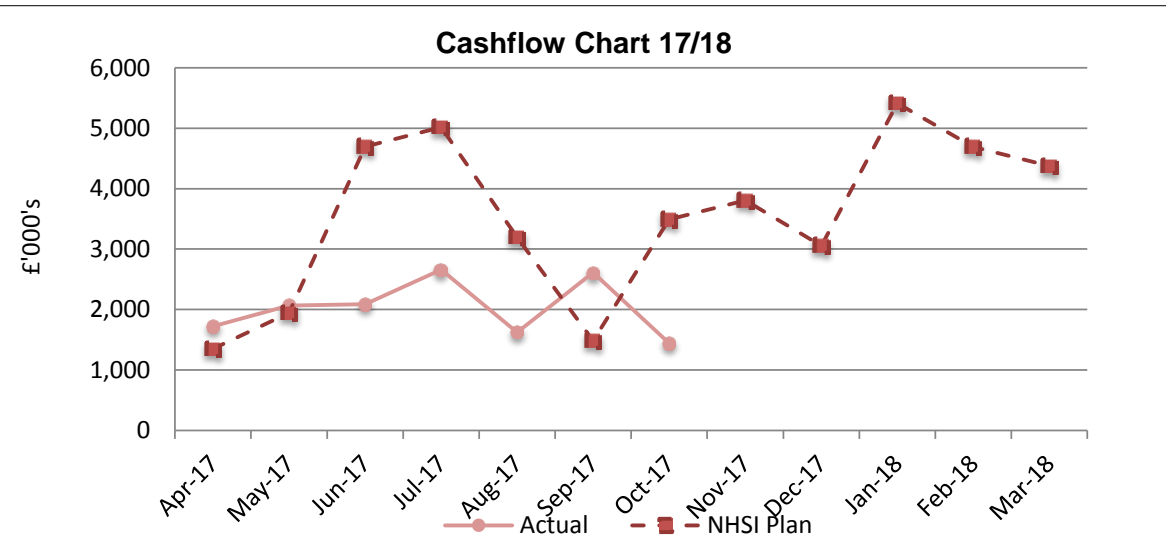
There was a £0.6m increase in Current Assets in October 2017 comprising of: £1.9m increase in Trade and Other Receivables , Debtors and a £1.2m decrease in Cash and Cash Equivalents. Inventories decreased £0.1m to £1.8m.

#### Current Liabilities

The decrease of £0.7m in Current Liabilities in October 2017 was due to a £0.6m decrease in Trade and Other Payables and a £0.1m decrease in Current Borrowings. Current Provisions remained at £0.2m.

## SECTION 5: CASH FLOW STATEMENT

	October 2017 £m
<b>Surplus/(deficit) after tax</b>	<b>1.4</b>
<b>Non-cash flows in operating surplus/(deficit)</b>	
Depreciation and amortisation	0.6
PDC Dividend expense	0.2
<b>Non-cash flows in operating surplus/(deficit)</b>	<b>0.8</b>
<b>Operating Cash flows before movements in working capital</b>	<b>2.3</b>
<b>Increase/(Decrease) in working capital</b>	
Increase in Inventories	0.1
Increase in Trade and other receivables	(1.9)
Increase in Current Provisions	(0.0)
Decrease in Trade and Other payables	(0.2)
<b>Increase/(Decrease) in working capital</b>	<b>(2.0)</b>
<b>Net cash (outflow) from operating activities</b>	<b>0.2</b>
<b>Net cash inflow/(outflow) from investing activities</b>	
Property Plant and Equipment	(1.5)
Intangible assets	0.0
Other assets	0.0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(1.5)</b>
<b>Net cash inflow/(outflow) from financing activities</b>	
PDC Drawdowns	0.0
PDC Dividend paid	
Borrowings	0.1
<b>Net cash inflow/(outflow) from financing activities</b>	<b>0.1</b>
<b>Net increase in cash</b>	<b>(1.2)</b>
<b>Opening cash</b>	<b>2.6</b>
<b>Closing cash</b>	<b>1.4</b>



### COMMENTARY

The closing cash position for October was £1.4m which was £2.2m below forecast. The variance was largely attributable to the non-receipt of CCG Overperformance (£3.0m)

Significant receipts in the month included Q3 Education funding (£2.4m) from Health Education England, £0.6m HMRC VAT reclaim, £0.5m from Kingston CCG for 16/17 Non recurrent Support, £0.5m from Royal Marsden and £0.4m from BMI Healthcare.

Due to limited availability of cash, an anticipated exchange of payments (£2.2m/£1.1m) with St Georges' NHS FT was retimed to take place during the first week of November.



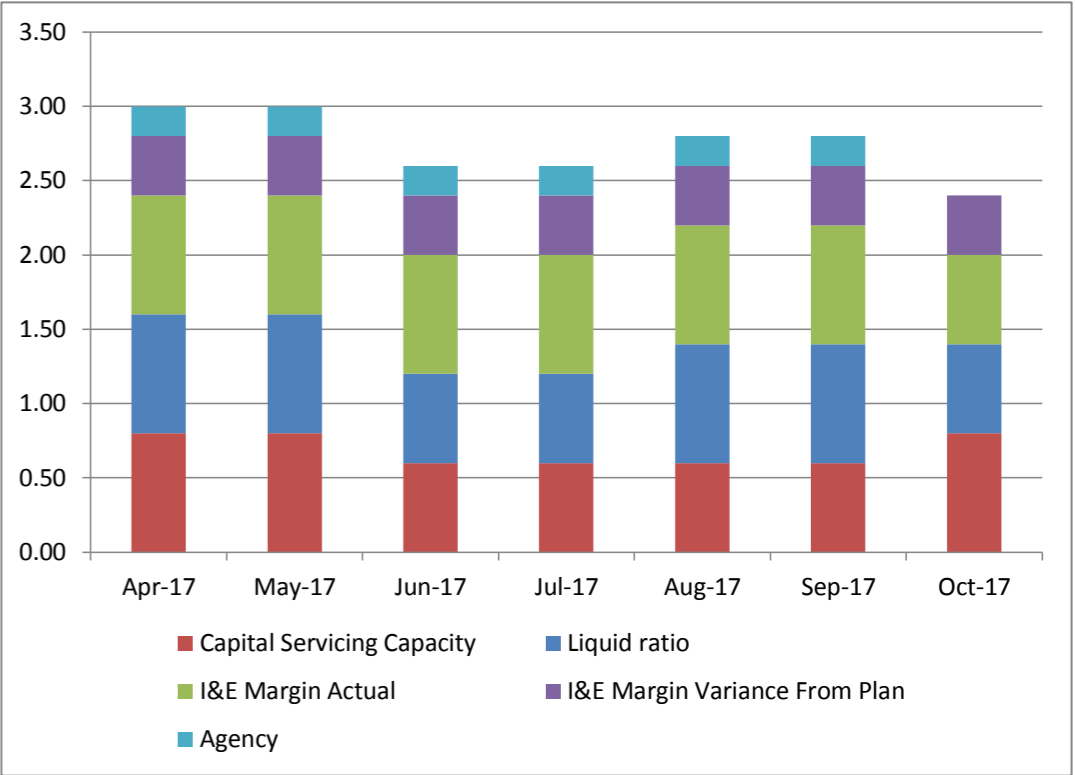
**SECTION 6: FINANCE AND USE OF RESOURCES METRICS**

	Weight	1	2	3	4
Capital Servicing Capacity	20%	2.50	1.75	1.25	<1.25
Liquidity	20%	-	-	7.00	<-14
I&E Margin - Underlying performance	20%	1%	0%	-1%	<=-1
I&E Margin - Variance from plan	20%	0%	-1%	-2%	<=-2
Agency	20%	0%	25%	50%	>50%
	100%				

Heading	17/18 M1	17/18 M2	17/18 M3	17/18 M4	17/18 M5	17/18 M6	17/18 M7
Capital Servicing Capacity	(0.22)	0.9	1.3	1.5	1.4	1.5	0.7
Liquidity	(27.8)	(26.6)	(13.5)	(13.8)	(14.6)	(14.6)	(13.0)
I&E Margin - Underlying performance	(7%)	(2.9%)	(1.6%)	(1.2%)	(1.3%)	(1.0%)	(0.1%)
I&E Margin - Variance from plan	(1%)	(0.5%)	(0.7%)	(0.7%)	(1.0%)	(0.9%)	(0.5%)
Agency (new metric)	(3.3%)	(10.6%)	(4.9%)	(5.5%)	(20.4%)	(19.9%)	(16.9%)

Heading	17/18 M1	16/17 M2	16/17 M3	16/17 M4	16/17 M5	16/17 M6	16/17 M7
Capital Service Cover	4	4	3	3	3	3	4
Liquidity	4	4	3	3	4	4	3
I&E Margin - Underlying performance	4	4	4	4	4	4	3
I&E Margin - Variance from plan	2	2	2	2	2	2	2
Agency (new metric)	1	1	1	1	1	1	1

<b>Average</b>	<b>3.00</b>	<b>3.00</b>	<b>2.60</b>	<b>2.60</b>	<b>2.80</b>	<b>2.80</b>	<b>2.60</b>
<b>Rounded Score</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>



**COMMENTARY**

Our current risk rating is 3.0. Delivery of the full year plan and forecast will improve the risk rating to a 2.