Kingston Hospital NHS Foundation Trust

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Finance Report

May 2018 (Month 02)

CONTENTS

EXECUTIVE SUMMARY

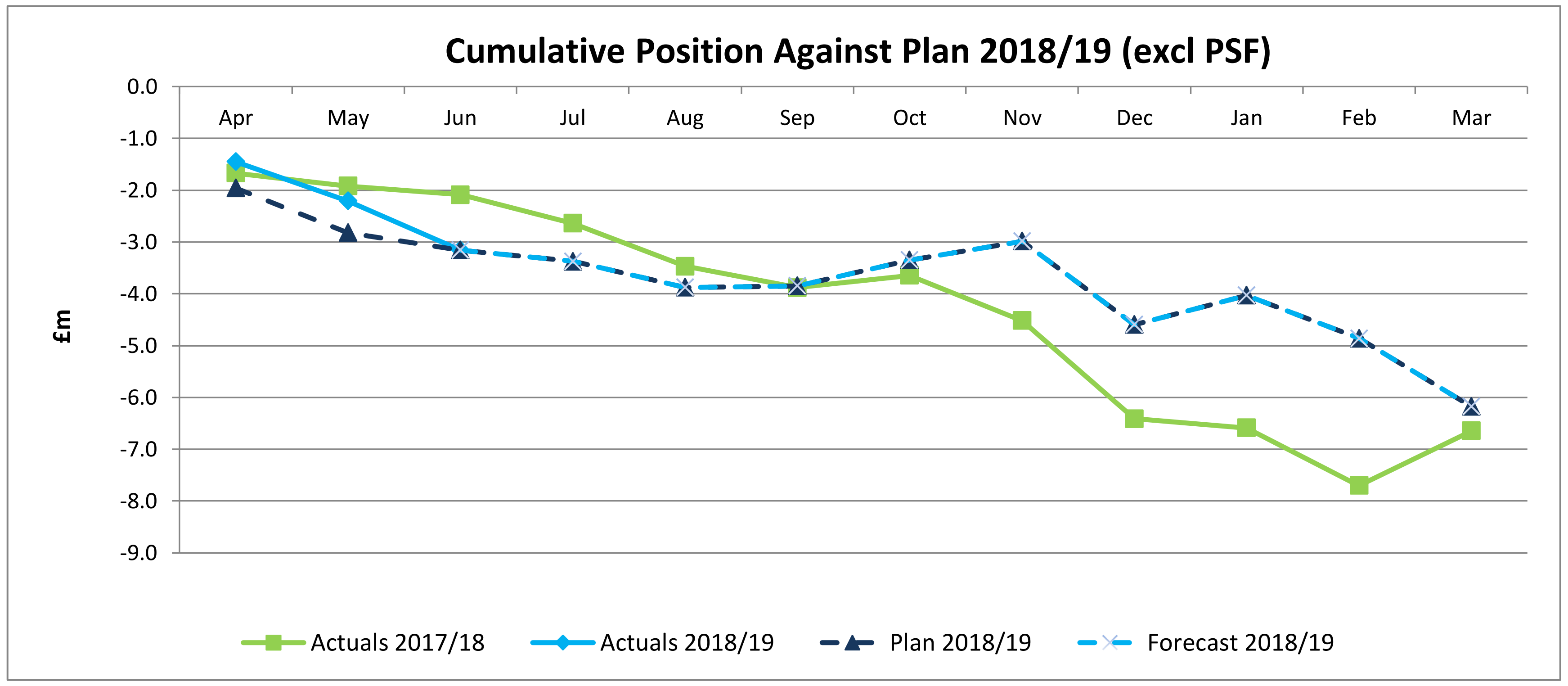
Headline	*In Month Performance Against Budget*	*Narrative*
	(May)	
I&E Position (control total basis - excluding PSF and donated asset adjustments) - The Trust reported a deficit in month of £0.8m which is £0.1m favourable to the budgeted position of £0.9m deficit.		In month favourable position is due to a continued overperformance on patient care income, particularly non-elective activity offset by expenditure pressures in pay, non-pay and non-operating costs.
Provider Sustainability Funding (PSF) matches plan in month at £0.4m, as performance for the quarter is expected to be in line with the operating plan.		Currently estimated to be achieved as A&E performance as at the 19th June is 90.79% which is above the Q1 trajectory of 90%.
Income (excluding PSF) is a £0.5m favourable to budget.		Overperformance against budget on non-elective patient activity has continued with a further £0.4m favourable variance in month. Month 2 has also seen overperformane in daycase income in Emergency Care and outpatient income in Planned Care. Adverse variance on other income due to partnership underperformance and some adverse variances in corporate departments.
Pay expenditure is £0.1m adverse to budget in month.		Pay expenditure at £14.0m is £0.1m adverse to budget. Medical staff expenditure has decreased compared to month 1 however, it remains overspent. Nursing and other clinical pay costs have increased this month giving smaller adverse variances which are offset by manager and administrative pay.
Non-pay expenditure is £0.2m adverse to budget in month.		Adverse variance in month include £0.1m due to activity related drugs costs and a further £0.1m due to non-recurring items under premises.
FIP Delivery in month of £0.3m is in line with plan.		FIP target in month 2 is £0.3m. Further work on the FIP programme has enabled 68% of the total £12.0m target to be devolved in to budget lines. The profile of the programme has also been rephased resulting in a large increase in target for month 3, up to £1.3m as the 3 main clinical workstreams begin.
Capital expenditure YTD is £3.1m.		The YTD Capital spend of £3.1m is £0.3m above the YTD plan of £2.8m. Expenditure mostly related to ongoing projects slipped from 17-18 and the 18-19 fire project work for Esher Wing & A&E.
The cash balance reported at the end of M2 was £1.1m.		The closing cash position for May was £1.1m which was £1.0m below forecast is due to lower than forecast CCG service agreement receipts which is now resolved.
Performance against the operating plan control total is £0.2m adverse in month.		Profiling differences between budget and operating plan remain at month 2, but will not continue in month 3 as the Trust has been able to revise the operating plan to bring it in line with revised plans, some of which were already reflected in the budget.

SECTION 1: OVERALL INCOME AND EXPENDITURE

Summary as at the end of May-18

Income & Expenditure		Annual Budget £000's	IN MONTH Budget v Actuals Budget £000's	Actual £000's	Var £000's	YEAR TO DATE Budget v Actuals Budget £000's	Actual £000's	Var £000's
Income	Patient Care Income	220,919	18,484	19,141	657	35,715	36,767	1,052
	High Cost Drug Income	15,314	1,252	1,278	27	2,443	2,496	53
	Other Income	26,485	2,112	1,966	(146)	4,181	4,090	(92)
Income		**262,718**	**21,848**	**22,385**	**537**	**42,340**	**43,353**	**1,013**
Expenditure	Pay	(163,037)	(13,870)	(13,993)	(123)	(27,645)	(27,846)	(201)
	Non Pay	(77,011)	(6,492)	(6,701)	(209)	(12,875)	(12,965)	(90)
	High Cost Drugs	(15,315)	(1,252)	(1,278)	(27)	(2,443)	(2,496)	(53)
Expenditure		**(255,363)**	**(21,614)**	**(21,973)**	**(359)**	**(42,963)**	**(43,307)**	**(344)**
EBITDA		**7,355**	**234**	**412**	**178**	**(624)**	**45**	**669**
Depreciation and Amortisation		(7,698)	(613)	(654)	(40)	(1,227)	(1,304)	(77)
Investment Revenue		12	1	3	2	2	6	4
Finance Costs		(3,772)	(314)	(359)	(45)	(629)	(631)	(2)
Public Dividend Capital		(2,078)	(173)	(176)	(2)	(346)	(379)	(33)
I&E excl. PSF		**(6,181)**	**(866)**	**(773)**	**93**	**(2,824)**	**(2,262)**	**562**
Depreciation on donated assets		181	15	14	(1)	30	51	21
Income from Donated Assets		0	0		0	0		0
Control Total - I&E excl. PSF and Impairments with donated asset adjs.		**(6,000)**	**(851)**	**(759)**	**92**	**(2,794)**	**(2,211)**	**583**
Provide Sustainability Funding (PSF)		8,074	404	404	0	808	808	0
Impairments		0	0	0	0	0	0	0
Total Surplus/(Deficit)		**1,893**	**(462)**	**(369)**	**93**	**(2,016)**	**(1,454)**	**562**

	Annual Plan	Plan	Actual		Plan	Actual YTD	
EBITDA Margin	2.8%	1.1%	1.8%		-1.5%	0.1%	
EBITDA Achieved	100.0%	100.0%	176.3%		100.0%	-7.3%	
I&E Surplus Margin	-2.4%	-4.0%	-3.5%		-6.7%	-5.2%	



SECTION 2: DIVISIONAL POSITIONS

Overview

Summary as at the end of May-18

Income & Expenditure	Annual Plan £000's	IN MONTH: Budget v Actuals Plan £000's	IN MONTH: Budget v Actuals Actual £000's	IN MONTH: Budget v Actuals Var £000's	IN MONTH: Variances Inc £000	IN MONTH: Variances Pay £000	IN MONTH: Variances Non Pay £000	IN MONTH: Variances Total £000	YEAR TO DATE: Budget v Actuals Plan £000's	YEAR TO DATE: Budget v Actuals Actual £000's	YEAR TO DATE: Budget v Actuals Var £000's	YEAR TO DATE: Variances Inc £000	YEAR TO DATE: Variances Pay £000	YEAR TO DATE: Variances Non Pay £000	YEAR TO DATE: Variances Total £000
Clinical Support Services															
Emergency Care	(941)	(242)	(341)	(100)	459	(396)	(162)	(100)	(682)	(1,272)	(590)	538	(887)	(242)	(590)
Planned Care	38,170	3,100	3,118	18	203	(101)	(83)	18	5,559	5,638	79	684	(421)	(183)	79
Clinical Divisions	**37,229**	**2,858**	**2,777**	**(81)**	**662**	**(497)**	**(246)**	**(81)**	**4,877**	**4,366**	**(511)**	**1,223**	**(1,309)**	**(425)**	**(511)**
Strategy Director	(2,556)	(216)	(211)	5	(0)	4	1	5	(433)	(427)	5	(0)	(1)	6	5
Corporate Affairs	(3,104)	(259)	(223)	36	(25)	20	40	36	(517)	(465)	52	(0)	(9)	62	52
Finance	(3,590)	(299)	(305)	(6)	(1)	6	(11)	(6)	(598)	(617)	(18)	(4)	7	(22)	(18)
Human Resources	(297)	(46)	(161)	(115)	(37)	(39)	(39)	(115)	(69)	(186)	(117)	26	(58)	(86)	(117)
Medical Director	(5,305)	(429)	(402)	27	(7)	5	29	27	(867)	(768)	99	4	32	63	99
Nursing Director	(2,580)	(215)	(245)	(30)	(6)	2	(26)	(30)	(430)	(458)	(28)	(14)	6	(20)	(28)
Operations	(16,786)	(1,478)	(1,543)	(65)	3	21	(89)	(65)	(2,890)	(2,909)	(19)	(27)	22	(14)	(19)
Directorates	**(34,218)**	**(2,943)**	**(3,090)**	**(147)**	**(72)**	**19**	**(94)**	**(147)**	**(5,804)**	**(5,830)**	**(26)**	**(14)**	**(2)**	**(10)**	**(26)**
Central Income	5,830	478	490	11	7	0	5	11	957	879	(78)	(104)	0	26	(78)
Other Central Budgets	(1,485)	(160)	235	395	(59)	355	100	395	(654)	631	1,284	(91)	1,109	266	1,284
EBITDA	**7,355**	**234**	**412**	**178**	**537**	**(123)**	**(236)**	**178**	**(624)**	**45**	**669**	**1,013**	**(201)**	**(143)**	**669**
Depreciation & Losses	(7,698)	(613)	(654)	(40)				(40)	(1,227)	(1,304)	(77)				(77)
Finance Costs & Investment Revenue	(3,760)	(313)	(356)	(43)				(43)	(627)	(625)	2				2
PDC	(2,078)	(173)	(176)	(2)				(2)	(346)	(379)	(33)				(33)
Impairments										0	0				0
Total I&E	**(6,181)**	**(866)**	**(773)**	**93**				**93**	**(2,824)**	**(2,262)**	**562**				**562**

COMMENTARY

- Patient care income is £0.7m favourable to budget in month 2. This is due to continuing over performance on non-elective income of £0.4m in month, £0.8m YTD. Daycase income in Emergency care is £0.1m above budget due to increased activity in endoscopy and cardiology. Outpatient income within Planned care division is £0.2m above budget due to high activity in dermatology and orthopaedics.

- Other income is adverse by £0.1m due to underperformance of RMH and SWELEOC partnerships within the Planned care division.

- Pay was £0.1m overspent in month. This includes an overspend on medical pay of £0.1m across the clinical divisions but particularly within Emergency Care with overspends in A&E, Elderly care and Pathology. The pressures arise from use of agency staff covering consultant maternity leave in Elderly care as well as using agency middle grade doctors to cover vacant posts essential to rotas in these servicelines. The Divisional positions include an overspend on pay of £0.2m due to unallocated FIP in line with their original FIP phasings which is offset at a Trustwide level under Other Central Budgets. Further budget adjustments have been made regarding allocation of FIP targets from month 3 onwards following further work in preparation for the resubmission of our operating plan.

- Non-pay was adverse to budget in month by £0.2m. Due to activity there is an increased spend in month on drugs of £0.1m and a further overspend of £0.1m on Premises costs due to expenditure relating to bank partners charges and costs in estates, GUM and Dermatology.

- Non-operating costs are £0.1m adverse to budget overall due to depreciation and increased interest payments in month, where budget again have been rephased to match payment schedules again as part of the work for resubmission of the operating plan.

SECTION 3: FINANCIAL IMPROVEMENT PROGRAMME

Summary as at the end of May-18

Theme	Annual Target £000's	CIP Allocation: Allocation Devolved to Budgets: Devolved £000's	Outstanding £000's	Devolved %	IN MONTH: Plan £000's	Actual £000's	Mitigation £000's	Variance (inc. mitigations) £000's	YEAR TO DATE: Plan £000's	Actual £000's	Mitigation £000's	Variance (inc. mitigations) £000's
Inpatient Flow	1,565	1,565	0	100%	0	0	0	0	0	0	0	0
Theatre Productivity	1,500	904	596	60%	27	29	0	2	34	42	0	8
Outpatients	1,000	295	705	30%	0	0	0	0	0	0	0	0
Finance	1,000	1,000	0	100%	42	39	0	(2)	83	51	0	(33)
MRET	1,000	1,000	0	100%	0	0	0	0	0	0	0	0
Partnerships	500	100	400	20%	8	0	0	(8)	17	0	0	(17)
Collaboration	500	75	425	15%	0	0	0	0	0	0	0	0
Corporate Schemes	2,000	2,129	(129)	106%	354	134	0	(220)	(63)	337	0	401
Emergency Care Other Local	1,435	541	894	38%	46	42	31	27	242	63	31	(148)
Planned Care Other Local	1,500	508	992	34%	(139)	40	0	179	250	77	0	(173)
Total CIP	**12,000**	**8,117**	**3,883**	**68%**	**338**	**284**	**31**	**(23)**	**563**	**571**	**31**	**39**

Type	Annual Plan £000's				In Month: Plan £000's	Actual £000's	Mitigation £000's	Variance £000's	YTD: Plan £000's	Actual £000's	Mitigation £000's	Variance £000's
Cost Reduction	**-6,710**				**258**	**237**	**31**	**10**	**429**	**500**	**31**	**102**
% of Plan	***56%***					92%	12%			117%	7%	
Income Generation	**-5,290**				**80**	**47**	**0**	**(33)**	**135**	**71**	**0**	**(63)**
% of Plan	***44%***					59%	0%			53%	0%	
Total FIP	**-12,000**				**338**	**284**	**31**	**(23)**	**563**	**571**	**31**	**39**
% of Plan						84%	9%			101%	6%	

COMMENTARY

- In month achievement of £315k is (£23k) below the in month plan of £338k. YTD achievement is £39k ahead of plan.
- The amount of CIP devolved in to budgets is £8.1m, 68% of the target. This is an increase of £2.9m compared to the £5.2m and 43% reported in M1.
- The FIP programme has been rephased and formed part of the resubmission of the operating plan. This increases the value phased in to Q1 by £0.5m with the increase seen in month 3 with a £1.3m target for that month.
- Worksteams where further detail is required are Outpatients, Theatre Productivity, Partnerships and Collaboration.
- Further work is also required identifying local schemes in the clinical divisions, with particular focus on Theatre Productivity and a review of coding, which may present additional savings potential above plan.

SECTION 7: STATEMENT OF FINANCIAL POSITION M2

	April £m	May £m
NON CURRENT ASSETS:		
Property plant and equipment	118.6	119.5
Intangible assets	11.0	10.9
Other assets	0.7	0.8
TOTAL NON CURRENT ASSETS:	**130.3**	**131.2**
CURRENT ASSETS:		
Inventories	1.8	1.8
Trade and other receivables	21.5	23.9
Cash and cash equivalents	2.9	1.1
TOTAL CURRENT ASSETS	**26.2**	**26.8**
CURRENT LIABILITIES:		
Trade and other payables	(31.6)	(33.7)
Current Borrowings	(1.6)	(1.6)
Current Provisions	(0.2)	(0.1)
TOTAL CURRENT LIABILITIES	**(33.4)**	**(35.4)**
NET CURRENT ASSETS LESS CURRENT LIABILITIES	**(7.2)**	**(8.6)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**123.1**	**122.6**
NON CURRENT LIABILITIES:		
Borrowings	(54.1)	(53.9)
Provisions	(1.0)	(1.0)
Other liabilities		0.0
TOTAL ASSETS EMPLOYED	**68.0**	**67.6**
FINANCED BY		
TAXPAYERS EQUITY:		
Public Dividend Capital	60.5	60.5
Revaluation reserve	17.7	17.7
Income and Expenditure Reserve - Prior years	(9.1)	(9.1)
Income and Expenditure Reserve - Current Year	(1.1)	(1.5)
TOTAL TAXPAYERS EQUITY	**68.0**	**67.6**

COMMENTARY

Non - Current Assets

There was a £0.9m increase in Non-Current Assets in May 2018 consisting of a £0.9m increase in Property, Plant and Equipment, a £0.1m decrease in Intangibles and a £0.1m increase in Other Assets.

Current Assets

There was a £0.6 increase in Current Assets in May 2018 comprising of £2.4m increase in Trade and Other Receivables; and a £1.8m decrease in Cash and Cash Equivalents.

The increase in Trade and Other Receivables was due to the net impact of a £1.2m decrease in Aged Debtors (NHS and non NHS), a £3.3m increase in Income Accruals, and a £0.4m increase in Prepayments.

The £1.8m decrease in Cash and Equivalents is due to lower than forecast CCG service agreement receipts of£1.3m (now resolved); and outstanding GUM receipts for Q1 18-19 (£0.6m).

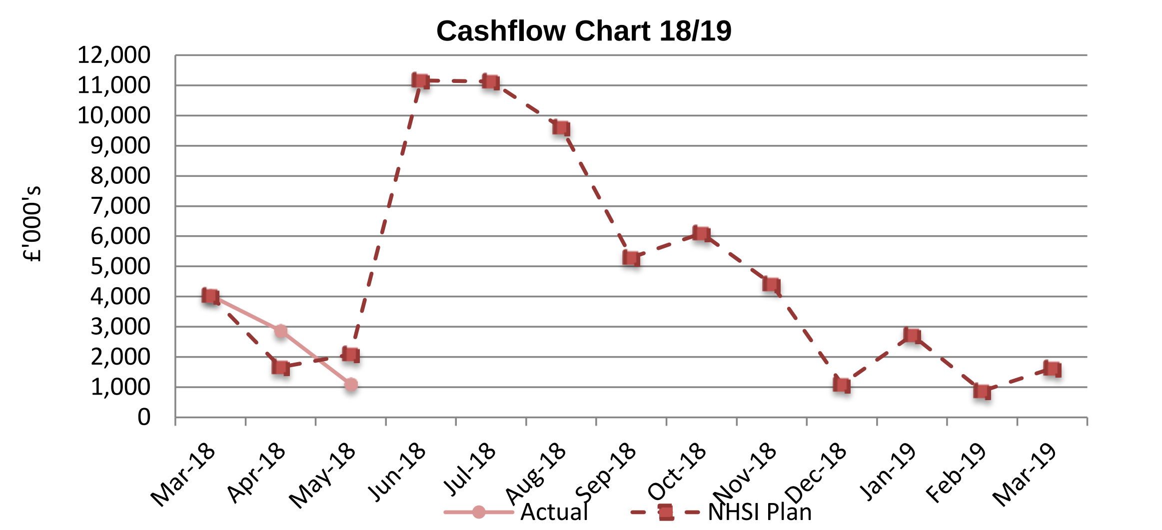
Inventories remained at £1.8m.

Current Liabilities

The increase of £2.0m in Current Liabilities in May 2018 was primarily due to a £2.1m increase in Trade and Other Payables. Current Borrowing remained at £1.6m and Current Provisions decreased by £0.1m.

SECTION 8: CASH FLOW STATEMENT

	May 2018 £m
Surplus/(deficit) after tax	**(1.5)**
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	**(0.6)**
Increase/(Decrease) in working capital	
Increase in Inventories	0.0
Increase in Trade and other receivables	(2.4)
Increase in Current Provisions	(0.1)
Decrease in Trade and Other payables	2.1
Increase/(Decrease) in working capital	**(0.4)**
Net cash (outflow) from operating activities	**(1.0)**
Net cash inflow/(outflow) from investing activities	
Property Plant and Equipment	(0.7)
Intangible assets	0.0
Other assets	0.0
Net cash inflow/(outflow) from investing activities	**(0.7)**
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	**(0.1)**
Net increase in cash	**(1.8)**
Opening cash	**2.9**
Closing cash	**1.1**



COMMENTARY

The closing cash position for May was £1.1m which was £1.0m below forecast. The variance is due to lower than forecast CCG service agreement receipts as invoices continued to be raised at 17-18 values (£1.3m), now resolved, and outstanding GUM receipts for Q1 18-19 (£0.6m), partially offset by a managed reduction in payments to suppliers (£0.9m).

Significant receipts in the month included a total of £1.1m from CCGs and NHSE for over-performance and 17-18 year end settlement invoices, £0.7m from BMI Healthcare, £0.7m from HMRC for VAT reclaimed in respect of April and £0.25m from Kingston CCG

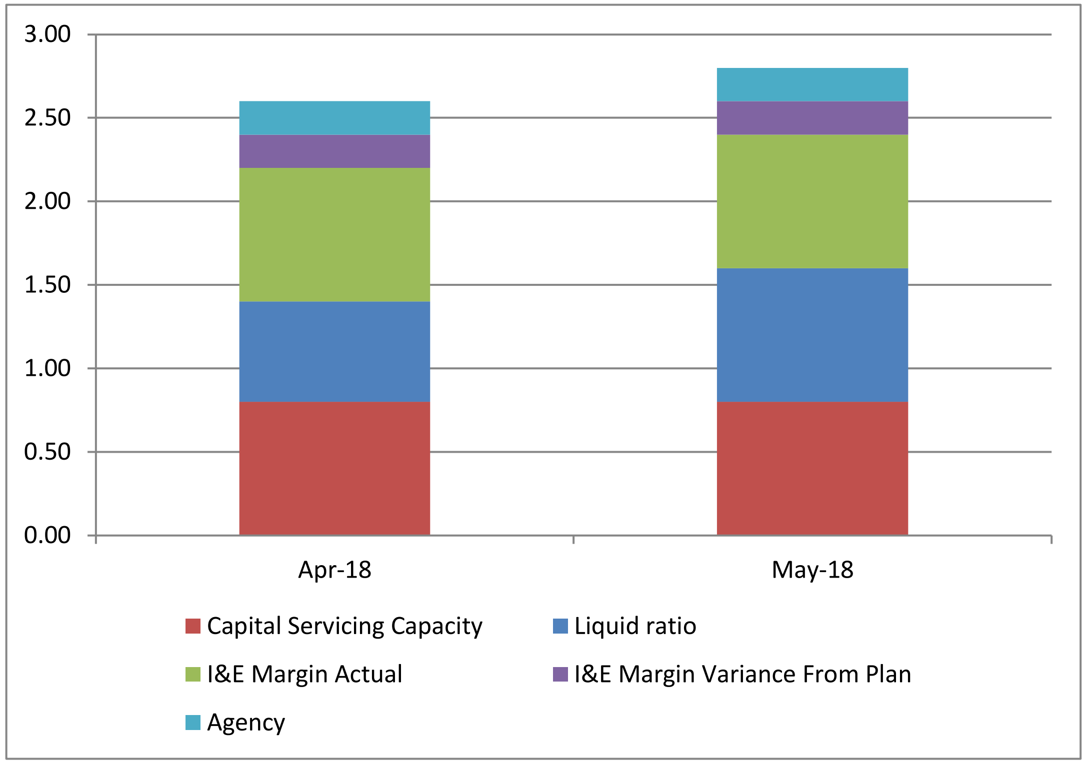
Payments to suppliers were lower than forecast as the availability of cash at month end meant that payments were held back until the first week of June. No managed exchange of payments was made in the month with St Georges as they had insufficient invoices approved to make a significant reciprocal payment.

SECTION 10: 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	- 14.00	<-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	18/19 M1	18/19 M2
Capital Servicing Capacity	0.07	0.73
Liquidity	(12.7)	(14.5)
I&E Margin - Underlying performance	(5%)	(3%)
I&E Margin - Variance from plan	2%	1%
Agency (new metric)	(3.3%)	(3.3%)

Heading	18/19 M1	18/19 M2
Capital Service Cover	4	4
Liquidity	4	4
I&E Margin - Underlying performance	4	4
I&E Margin - Variance from plan	2	2
Agency (new metric)	1	1
Average	**3.00**	**3.00**
Rounded Score	**3.00**	**3.00**



COMMENTARY

Our current risk rating is 3.0.