










# Kingston Hospital NHS Foundation Trust

## Finance Report August 2018 (Month 05)

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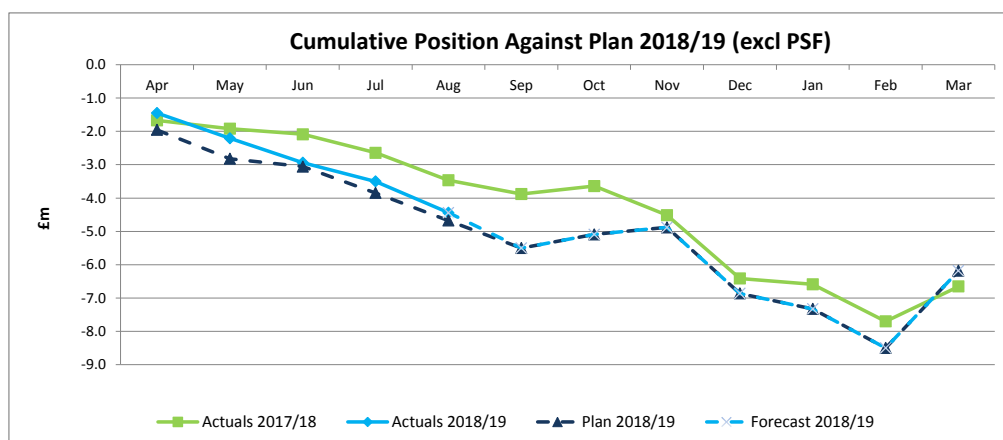
## EXECUTIVE SUMMARY

Headline	In Month Performance Against Budget	Narrative
	(Aug)	
I&E Position (control total basis - excluding PSF and donated asset adjustments) - The Trust reported a deficit in month of £1.0m which is £0.2m adverse to the plan of £0.8m deficit. YTD deficit of £4.6m is in line with the YTD plan of £4.6m deficit.		The adverse position in month is due to the underlying underperformance in patient care income of £0.3m and a further £0.3m overspend on non-pay within clinical supplies and drugs which are partially offset by a favourable pay position and contingencies.
Provider Sustainability Funding (PSF) matches plan in month at £0.5m and YTD at £2.3m.		Both the financial performance target and A&E access target are being met YTD at month 5. PSF is therefore accrued to plan.
Income (excluding PSF) is £0.6m favourable to plan in month and £2.2m favourable to plan YTD.		The favourable variance in month is due to receipt of the pay award funding, backdated to April, which is not yet reflected in the plan. The underlying position on patient care income in month is below plan by £0.3m due to underperformance on outpatients and maternity. The underlying position on other income is on plan in month.
Pay expenditure is £0.7m adverse to plan in month and £1.1m adverse YTD.		The adverse variance in month is due to the backdated pay award which is not reflected in the operating plan. NHS Improvement have advised that the plan will be changed for month 6. The underlying position on pay is a favourable position of £0.1m. Medical, nursing and allied health professional pay have all improved in month.
Non-pay expenditure is £0.1m favourable to plan in month and £0.7m adverse YTD (excl. high cost drugs).		Adverse position in month on clinical supplies and drugs within tariff totalling £0.3m is offset by a favourable position on corporate non-pay of £0.1m and phasing of reserves of £0.3m.
FIP Delivery in month is £0.6m increasing YTD delivery to £3.1m, which is £0.5m below YTD target of £3.6m.		FIP delivery in month underperformed by £0.2m due to the value of unidentified target phased in to the month. A further £0.1m of underperformance was seen in month on planned care local schemes, but this was offset by overperformance on the theatre productivity scheme.
Capital expenditure YTD is £8.4m.		The YTD Capital spend of £8.4m is £0.1m below the YTD plan of £8.5m. Last month's YTD balance was £0.9m below plan so there has been a £0.8m catch up in month due to increase in expenditure on the fire compartmentation project.
The cash balance reported at the end of M5 was £1.2m.		The closing cash position for August was £1.2m which was £0.2m below forecast and £2.8m lower than the previous month. This is due to higher than forecast supplier payments particularly relating to resolution of some outstanding invoice queries with St Georges NHS FT.
Financial performance YTD is in line with the operating plan.		The adverse position to the operating plan in month of £0.2m brings the YTD position back to plan.

## SECTION 1: OVERALL INCOME AND EXPENDITURE

Summary as at the end of Aug-18

Income & Expenditure	Annual Budget £000's	IN MONTH			YEAR TO DATE		
		Budget v Actuals			Budget v Actuals		
		Budget £000's	Actual £000's	Var £000's	Budget £000's	Actual £000's	Var £000's
Income							
Patient Care Income	223,781	18,478	19,094	616	91,975	93,868	1,894
High Cost Drug Income	15,314	1,311	1,395	84	6,316	6,472	155
Other Income	27,777	2,120	2,011	(109)	10,445	10,611	166
<b>Income</b>	<b>266,872</b>	<b>21,909</b>	<b>22,501</b>	<b>592</b>	<b>108,736</b>	<b>110,952</b>	<b>2,216</b>
Expenditure							
Pay	(166,406)	(13,548)	(14,237)	(689)	(69,052)	(70,138)	(1,086)
Non Pay	(77,314)	(6,720)	(6,649)	71	(32,328)	(33,029)	(701)
High Cost Drugs	(15,315)	(1,311)	(1,387)	(76)	(6,316)	(6,498)	(181)
<b>Expenditure</b>	<b>(259,035)</b>	<b>(21,579)</b>	<b>(22,273)</b>	<b>(694)</b>	<b>(107,697)</b>	<b>(109,665)</b>	<b>(1,968)</b>
<b>EBITDA</b>	<b>7,837</b>	<b>330</b>	<b>228</b>	<b>(102)</b>	<b>1,039</b>	<b>1,287</b>	<b>247</b>
Depreciation and Amortisation	(7,698)	(651)	(659)	(8)	(3,142)	(3,283)	(141)
Investment Revenue	12	1	4	3	5	15	10
Finance Costs	(3,901)	(302)	(337)	(35)	(1,518)	(1,586)	(68)
Public Dividend Capital	(2,431)	(207)	(189)	18	(1,061)	(945)	116
<b>I&amp;E excl. PSF</b>	<b>(6,181)</b>	<b>(829)</b>	<b>(954)</b>	<b>(125)</b>	<b>(4,677)</b>	<b>(4,513)</b>	<b>164</b>
Depreciation on donated assets	181	15	15	(0)	75	73	(3)
Donated Asset Income	0	0	(93)	(93)	0	(173)	(173)
<b>Control Total - I&amp;E excl. PSF and Impairments with donated asset adjs.</b>	<b>(6,000)</b>	<b>(814)</b>	<b>(1,032)</b>	<b>(218)</b>	<b>(4,602)</b>	<b>(4,613)</b>	<b>(11)</b>
Provide Sustainability Funding (PSF)	8,074	538	538	0	2,287	2,287	0
Impairments	0	0	0	0	0	0	0
<b>Total Surplus/(Deficit)</b>	<b>1,893</b>	<b>(291)</b>	<b>(416)</b>	<b>(125)</b>	<b>(2,390)</b>	<b>(2,226)</b>	<b>164</b>
	Annual Plan	Plan	Actual		Plan	Actual YTD	
<b>EBITDA Margin</b>	2.9%	1.5%	1.0%		1.0%	1.2%	
<b>EBITDA Achieved</b>	100.0%	100.0%	69.0%		100.0%	123.8%	
<b>I&amp;E Surplus Margin</b>	-2.3%	-3.8%	-4.2%		-4.3%	-4.1%	



## SECTION 2: DIVISIONAL POSITIONS

### Overview

Summary as at the end of Aug-18

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	259	(390)	(698)	(309)	46	55	(411)	(309)	(212)	(1,881)	(1,669)	321	(1,149)	(841)	(1,669)
Planned Care	33,172	2,144	2,081	(63)	(93)	98	(69)	(63)	12,464	12,975	511	1,422	(186)	(725)	511
<b>Clinical Divisions</b>	<b>33,432</b>	<b>1,755</b>	<b>1,383</b>	<b>(372)</b>	<b>(46)</b>	<b>154</b>	<b>(479)</b>	<b>(372)</b>	<b>12,253</b>	<b>11,095</b>	<b>(1,158)</b>	<b>1,743</b>	<b>(1,335)</b>	<b>(1,566)</b>	<b>(1,158)</b>
Strategy Director	(2,630)	(235)	(255)	(20)	1	(29)	9	(20)	(1,101)	(1,099)	2	1	(32)	33	2
Corporate Affairs	(3,126)	(266)	(290)	(24)	(0)	(33)	9	(24)	(1,302)	(1,326)	(24)	11	(22)	(12)	(24)
Finance	(3,686)	(330)	(331)	(1)	(4)	21	(18)	(1)	(1,533)	(1,583)	(50)	(15)	23	(57)	(50)
Human Resources	(674)	(93)	(159)	(67)	(20)	(35)	(12)	(67)	(305)	(552)	(247)	74	(140)	(180)	(247)
Medical Director	(5,396)	(474)	(464)	9	14	18	(23)	9	(2,223)	(2,058)	165	36	72	58	165
Nursing Director	(2,663)	(239)	(213)	26	22	(19)	23	26	(1,105)	(1,036)	69	(23)	(0)	92	69
Operations	(16,895)	(1,470)	(1,351)	119	2	9	108	119	(7,212)	(7,201)	11	(71)	71	11	11
<b>Directorates</b>	<b>(35,069)</b>	<b>(3,107)</b>	<b>(3,064)</b>	<b>43</b>	<b>15</b>	<b>(68)</b>	<b>96</b>	<b>43</b>	<b>(14,781)</b>	<b>(14,854)</b>	<b>(73)</b>	<b>12</b>	<b>(30)</b>	<b>(54)</b>	<b>(73)</b>
Central Income	5,283	464	433	(30)	(37)	0	7	(30)	2,305	2,259	(46)	(81)	0	35	(46)
Other Central Budgets	4,193	1,218	1,476	257	661	(775)	372	257	1,263	2,787	1,524	542	279	704	1,524
<b>EBITDA</b>	<b>7,837</b>	<b>330</b>	<b>228</b>	<b>(102)</b>	<b>592</b>	<b>(689)</b>	<b>(5)</b>	<b>(102)</b>	<b>1,039</b>	<b>1,287</b>	<b>247</b>	<b>2,216</b>	<b>(1,086)</b>	<b>(882)</b>	<b>247</b>
Depreciation & Losses	(7,698)	(651)	(659)	(8)				(8)	(3,142)	(3,283)	(141)				(141)
Finance Costs & Investment Revenue	(3,889)	(301)	(334)	(33)				(33)	(1,513)	(1,571)	(59)				(59)
PDC	(2,431)	(207)	(189)	18				18	(1,061)	(945)	116				116
Impairments										0	0				0
<b>Total I&amp;E</b>	<b>(6,181)</b>	<b>(829)</b>	<b>(953)</b>	<b>(124)</b>				<b>(124)</b>	<b>(4,677)</b>	<b>(4,513)</b>	<b>164</b>				<b>164</b>

#### COMMENTARY

- Patient care income is £0.6m favourable to budget in month 5. This variance benefits from the pay award funding in month of £0.9m, the underlying position in month therefore is underperformance of £0.3m. Overperformance of non-elective activity has continued, £0.3m above plan in month due to a favourable mix of activity and £1.7m above plan YTD. Outpatient income is £0.3m adverse to plan in month and £0.5m adverse YTD. The outpatient income plan includes an additional full year target of £1.6m related to FIP schemes, of which £0.8m is already phased in to the YTD position. Servicelines below plan on outpatient income in month, which is also a change to the YTD trend, are Oral & ENT, Paediatrics, Cardiology and T&O. Maternity income is £0.1m adverse in month due to below plan deliveries. Elective income is £0.1m above plan YTD but marginally below plan in month. The plan for elective income includes an additional £1.2m for the theatre productivity FIP scheme, of which £0.4m is phased in YTD. Critical care income has been overperforming in previous months but is marginally below plan in month due to low neonatal activity particularly at the beginning of the month. Finally high cost drugs income is £0.1m above plan this month.
- Other income is adverse by £0.1m in month due to £0.2m of pay award funding received in month 4 transferring to patient care income. The residual £0.1m favourable variance is due to income received in month for donated assets which is deducted for the control total calculation. The underlying position on other income therefore matches plan. This is an improvement on trend due to improved partnership income in SWL Pathology and SWLEOC.
- Pay was £0.7m adverse to plan in month. The pay award impact, yet to be reflected in the operating plan is £0.9m of this, offset within patient care income and shown under central budgets. Medical pay is £0.1m adverse to budget in month, with £0.1m in A&E, other areas medical pay decreased on trend in month including elderly care and imaging. Nursing pay is £0.1m favourable to plan in month with vacancies in A&E, maternity and GUM and also due to a reduction in special nursing support expenditure.
- Non-pay was on plan in month including a £0.1m adverse position on high cost drugs. Clinical supplies expenditure is £0.2m adverse due to pathology test recharges, £0.1m of which relates to quarter 1. Drugs within tariff are £0.1m adverse in month due to activity related expenditure. Non-pay expenditure across corporate departments is £0.1m favourable to plan in month due to a favourable position in estates following review of YTD expenditure. The underlying adverse position in month offset by a favourable variance due to phasing of reserves of £0.3m in month.
- Non-operating costs are on plan overall with an adverse variance on finance charges and depreciation offset by a favourable variance on PDC.

SECTION 3: FINANCIAL IMPROVEMENT PROGRAMME

Summary as at the end of Aug-18

Theme	Annual Target £000's	FIP Allocation				IN MONTH				YEAR TO DATE			
		Identification of Target				In Month				Year to Date			
		Devolved £000's	Identified £000's	Unidentified £000's	Identified %	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
Inpatient Flow	1,565	1,565	1,565	0	100%	85	100	0	15	304	268	0	(35)
Theatre Productivity	1,059	1,059	1,059	0	100%	109	132	0	23	344	484	0	140
Outpatients & Patient Admin	500	0	0	500	0%	28	0	0	(28)	306	0	235	(70)
Finance	1,000	1,000	1,000	0	100%	42	42	0	0	208	208	0	0
MRET	1,000	1,000	1,000	0	100%	0	0	0	0	0	0	0	0
Partnerships	500	295	295	205	59%	53	16	0	(37)	131	81	0	(49)
Collaboration	500	83	83	417	17%	37	1	0	(36)	74	7	0	(67)
Corporate Schemes	2,000	2,000	2,000	0	100%	144	125	0	(19)	739	750	0	12
Emergency Care Other Local	1,435	1,435	866	569	60%	120	54	21	(46)	593	262	176	(155)
Planned Care Other Local	2,441	2,441	1,896	545	78%	248	129	0	(119)	834	553	71	(210)
Rephasing						(2)			2	53			(53)
<b>Total CIP</b>	<b>12,000</b>	<b>10,878</b>	<b>9,764</b>	<b>2,236</b>	<b>81%</b>	<b>864</b>	<b>599</b>	<b>21</b>	<b>(245)</b>	<b>3,585</b>	<b>2,615</b>	<b>483</b>	<b>(487)</b>
Type	Annual Plan £000's					Plan £000's	Actual £000's	Mitigation £000's	Variance £000's	Plan £000's	Actual £000's	YTD Mitigation £000's	Variance £000's
<b>Cost Reduction</b>	<b>6,867</b>					<b>495</b>	<b>376</b>	<b>21</b>	<b>(98)</b>	<b>1,972</b>	<b>1,726</b>	<b>176</b>	<b>(70)</b>
<i>% of Plan</i>	<i>57%</i>						<i>76%</i>	<i>4%</i>			<i>88%</i>	<i>9%</i>	
<b>Income Generation</b>	<b>5,133</b>					<b>369</b>	<b>223</b>	<b>0</b>	<b>(147)</b>	<b>1,613</b>	<b>889</b>	<b>306</b>	<b>(417)</b>
<i>% of Plan</i>	<i>43%</i>						<i>60%</i>	<i>0%</i>			<i>55%</i>	<i>19%</i>	
<b>Total FIP</b>	<b>12,000</b>					<b>864</b>	<b>599</b>	<b>21</b>	<b>(245)</b>	<b>3,585</b>	<b>2,615</b>	<b>483</b>	<b>(487)</b>
<i>% of Plan</i>							<i>69%</i>	<i>2%</i>			<i>73%</i>	<i>13%</i>	

**COMMENTARY**

- In month achievement of £620k including £21k of mitigations is £245k below the in month plan of £1864k. The YTD variance against plan is £487k adverse.
- The amount of FIP identified has increased by £0.2m to £9.8m, 81% of the target due to increase in emergency care local schemes.
- Underperformance in month includes £207k on unidentified targets, which total £2,236k for the full year. The YTD value of the unidentified target is £977k.
- Underperformance on identified schemes in month was £58k including Planned Care income generation schemes on restorative dentistry and T&O coding opportunities.
- The £487k YTD adverse position on FIP is offset by favourable variances which have ensured the Trust is delivering it's control total YTD, including the net position on patient care income overperformance and contingency.

## SECTION 7: STATEMENT OF FINANCIAL POSITION M5

	July £m	August £m
<b>NON CURRENT ASSETS:</b>		
Property plant and equipment	120.8	123.2
Intangible assets	10.7	10.7
Other assets	0.9	0.9
<b>TOTAL NON CURRENT ASSETS:</b>	<b>132.4</b>	<b>134.8</b>
<b>CURRENT ASSETS:</b>		
Inventories	1.8	1.7
Trade and other receivables	27.0	26.8
Cash and cash equivalents	4.0	1.2
<b>TOTAL CURRENT ASSETS</b>	<b>32.8</b>	<b>29.7</b>
<b>CURRENT LIABILITIES:</b>		
Trade and other payables	(34.7)	(34.8)
Current Borrowings	(1.7)	(1.7)
Current Provisions	(0.1)	(0.1)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(36.5)</b>	<b>(36.6)</b>
<b>NET CURRENT ASSETS LESS CURRENT LIABILITIES</b>	<b>(3.7)</b>	<b>(6.9)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>128.8</b>	<b>127.9</b>
<b>NON CURRENT LIABILITIES:</b>		
Borrowings	(60.4)	(60.0)
Provisions	(1.0)	(1.0)
Other liabilities	0.0	0.0
<b>TOTAL ASSETS EMPLOYED</b>	<b>67.3</b>	<b>66.9</b>
<b>FINANCED BY</b>		
<b>TAXPAYERS EQUITY:</b>		
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	(1.8)	(2.2)
<b>TOTAL TAXPAYERS EQUITY</b>	<b>67.3</b>	<b>66.9</b>

### COMMENTARY

#### Non - Current Assets

There was a £2.4m increase in Non-Current Assets in August 2018 due to an increase in Property, Plant and Equipment. Intangibles and Other Assets remained unchanged.

#### Current Assets

There was a £3.1m decrease in Current Assets in August 2018 comprising of: £0.1m decrease in Inventories, £0.2m decrease in Trade and Other Receivables as analysed in Appendix 5; Debtors and a £2.8m decrease in Cash and Cash Equivalents, as analysed in Section 8; Cash Flow Statement.

#### Current Liabilities

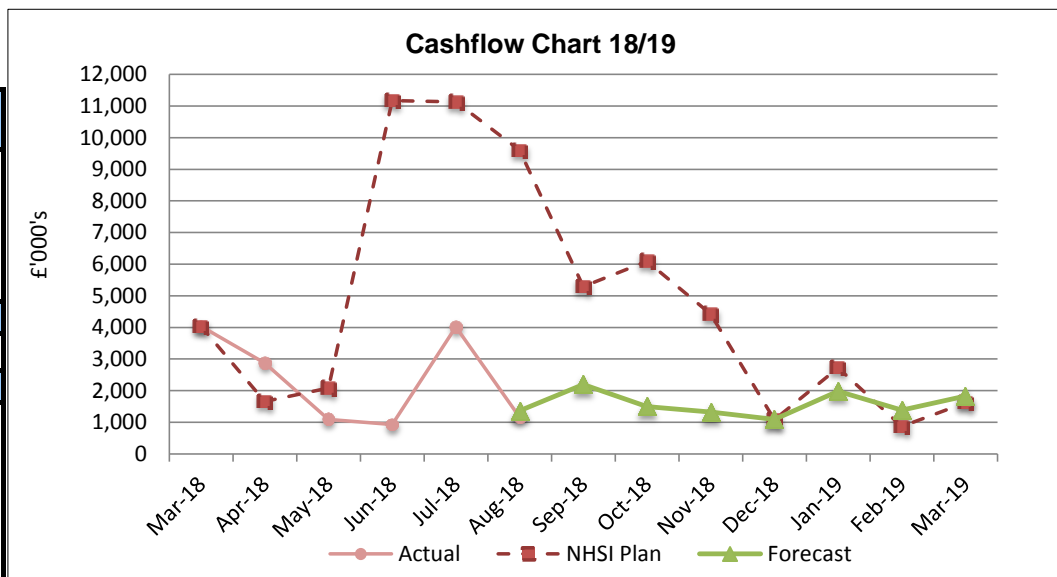
There was an overall increase of £0.1m in Current Liabilities during the month due to an increase in Trade and Other Payables. Current Provisions and Current Borrowings remained unchanged.

#### Non-Current Liabilities

Borrowings decreased by £0.4m due to a loan repayment in August 2018.

## SECTION 8: CASH FLOW STATEMENT

August 2018	
£m	
Surplus/(deficit) after tax	(0.4)
<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>0.4</b>
<b>Increase/(Decrease) in working capital</b>	
Increase in Inventories	(0.0)
Increase in Trade and other receivables	0.2
Increase in Current Provisions	0.0
Decrease in Trade and Other payables	0.1
<b>Increase/(Decrease) in working capital</b>	<b>0.3</b>
<b>Net cash (outflow) from operating activities</b>	<b>0.7</b>
<b>Net cash inflow/(outflow) from investing activities</b>	
Property Plant and Equipment	(3.1)
Intangible assets	0.0
Other assets	0.0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(3.1)</b>
<b>Net cash inflow/(outflow) from financing activities</b>	
PDC Drawdowns	0.0
PDC Dividend paid	0.0
Borrowings	(0.4)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(0.4)</b>
<b>Net increase in cash</b>	<b>(2.8)</b>
<b>Opening cash</b>	<b>4.0</b>
<b>Closing cash</b>	<b>1.2</b>



### COMMENTARY

Other significant receipts in the month included £1.1m from St George's as part of a managed exchange of payments, £0.5m from the Royal Marsden, £1.8m from HMRC for both June and July's VAT reclaims, and £0.7m direct funding of the 18/19 pay award from DH (including April - June arrears).

The monthly payroll was £0.4m higher than normal in August as pay award arrears were paid. Associated Tax, NI and Pensions costs will be paid in September. Payments to suppliers in the month were £0.7m higher than forecast, including an additional £0.3m of capital payments and £1.1m paid to St George's. As in previous months the availability of cash at month end meant that payments to trade suppliers were slowed during the month and invoices totalling £1.7m were held for payment at month end.



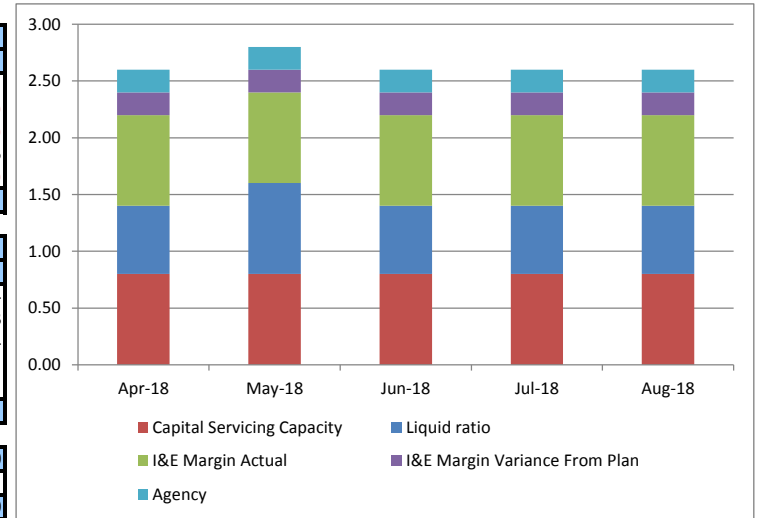
## SECTION 10: FINANCE AND USE OF RESOURCES METRICS

	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	18/19	18/19	18/19	18/19
	M1	M2	M3	M4	M5
Capital Servicing Capacity	0.07	0.73	0.96	1.20	1.21
Liquidity	(12.7)	(14.5)	(11.4)	(7.9)	(6.9)
I&E Margin - Underlying performance	(5%)	(3%)	(3%)	(2%)	(2%)
I&E Margin - Variance from plan	2%	1%	0%	0%	0%
Agency (new metric)	1.4%	(0.5%)	(7.4%)	(0.1%)	(3.8%)

Heading	18/19	18/19	18/19	18/19	18/19
	M1	M2	M3	M4	M5
Capital Service Cover	4	4	4	4	4
Liquidity	4	4	3	3	3
I&E Margin - Underlying performance	4	4	4	4	4
I&E Margin - Variance from plan	2	2	1	1	1
Agency (new metric)	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>2.60</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>



### COMMENTARY

Our current risk rating is 3.0.