

Kingston Hospital NHS Foundation Trust

Finance Report August 2020 (Month 5)

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Financial Strategy

2020/21

Revenue

• Internal review and challenge of the current forecast against YTD run rates is being carried out. The financial framework and block allocations have only just been issued. The team is working through these allocations to understand the impact on KHFT, compared to the first draft forecast shared with the committee previously.

• Further work across the sector is required to establish principles for disbursements of funding envelopes and agreeing financial out-turn for each individual organisations.

• The Trust activity forecast to the end of 2020/21 has been submitted to SWL sector on the 14th September 2020. This will form part of the sector consolidated submission to NHSE/I on 21st September 2020 as per the phase 3 response to Covid-19 letter. The activity numbers include the activity anticipated to be completed in the private sector. A workforce submission has also been made as part of this submission.

Capital

• Work with sector partners in developing a sector wide prioritised capital programme, over and above business as usual, in response to the latest capital guidance issued by NHSE/I. In summary, it is the STP that will be allocated a Capital Expenditure Limit and as a minimum, will equate to the STP internal resources.

• We have recently received the allocation for SWL and there is currently a funding shortfall against the schemes that were listed within our March operating plan submission. Each STP has been asked to revisit their capital projects and highlight any slippage or reprioritisation against their submitted 20/21 plans in order to reduce this funding shortage. Whilst not confirmed, it is anticipated that any capital investment to support transformational change will need to be funded from the advised STP allocation.

• A further update on the capital position and recommendation for the rest of the financial year is included in the September agenda.

• A paper outlining the current capital position is included in the month 4 Finance & Investment Committee papers.

• External sources will in most cases be in the form of PDC, which will attract a 3.5% charge. These schemes will require STP approval prior to any application being put forward to NHSE/I for funding approval. The most recent plan includes £1.5m of Covid-19 related capital expenditure which is subject to approval from NHSE/I. The Trust has submitted a further funding application for capital costs associated with the elective restart programme, which equates to £2.5m.

• The new financing arrangements converting loans to PDC is expected to transact on 23rd September. This will result in most historic loans to the value of £37.7m being written off and financed through PDC. The Trust will have one remaining capital investment loan of £7.9m.

Financial Governance

• 20/21 Revenue budgets approved at May Trust Board - In essence a holding budget as the Trust is being measured against the revised governance framework in place in response to Covid 19. The expectation is the Trust will report a monthly breakeven position with top up income to fund the shortfall. The process for top up payment will be subject to review by NHSE/I. Covid 19 specific governance arrangements agreed and in place.

• The revised financial framework is confirmed for August and September as retrospective top-ups will continue. The regime for the second half of the year has just been published. The framework requires the sector to break-even, however individual organisations within the sector can have a combination of surplus and deficit positions. As stated earlier, the governance arrangements and principles around individual organisations out turn positions have yet to be discussed.

• Governance for Capital expenditure has been revised. The capital control committee will now be the overarching review/scrutiny committee across the Trust's entire capital programme. This, as previously will report to Finance & Investment Committee.

Financial Performance

	Annual Plan	Month 05 Plan	Month 05 Actual	Month 05 Variance	YTD Plan	YTD Actual	YTD Variance
Income	304,109	24,715	23,753	(962)	123,599	118,577	(5,022)
Pay	(193,972)	(15,986)	(16,053)	(67)	(79,902)	(81,754)	(1,852)
Non-Pay & Depreciation	(111,825)	(9,163)	(9,844)	(680)	(45,843)	(51,140)	(5,296)
EBITDA	(1,688)	(434)	(2,143)	(1,709)	(2,146)	(14,316)	(12,170)
EBITDA %	-0.6%				-1.7%	-12.1%	
Below the Line	(7,669)	(589)	(651)	(62)	(2,945)	(3,199)	(254)
NHSI Control Total Surplus	(9,357)	(1,023)	(2,794)	(1,771)	(5,091)	(17,515)	(12,424)
Excluded from Control Total							
Impairments	0	0	(199)	(199)	0	(199)	(199)
Net Donated Assets	116	10	(34)	(44)	48	(168)	(216)
PSF & MRET	9,357	1,024	2,993	1,969	5,096	17,714	12,618
Overall Surplus	116	11	(34)	(45)	53	(168)	(221)

Highlights:

1. The Month 5 position is breakeven in line with the interim plan set by NHSE/I. The Trust has reported top-up income of £3.0m to reach the breakeven position. This is £2.0m above the anticipated top-up value of £1.0m, £0.7m below the Month 1 to 4 average due to reduced Covid-19 expenditure.
2. The year to date additional retrospective top-up value is £12.6m, of which £10.4m relating to months 1 to 4 have been agreed and received. This value agreed is £0.2m below the value claimed for months 1 to 4 due to a query over classification of costs. The full value has been claimed again in the month 5 return to NHSE/I.
3. The income variance is £1.0m adverse in month due to the impact of Covid 19 on private patient activity, overseas visitors and internal income generation.
4. Pay expenditure is £0.1m adverse in month including £0.3m expenditure related to Covid 19. The underlying position is therefore £0.2m favourable due to vacancies and below trend temporary staffing usage for "business as usual" (BAU).
5. Non-pay expenditure was £0.6m overspent in month including £0.6m of Covid-19 related spend to give an underlying position in line with the NHSE/I interim plan, despite the ongoing adverse variance in relation to CNST premiums of £0.4m per month. BAU expenditure on drugs and clinical consumables in month is £0.5m below the average in 2019/20.
6. Trust YTD Capital spend was £7.0m including £0.6m related to Covid 19 schemes. The Trust is still awaiting confirmation of funding for all Covid-19 related capital submissions from April to July for which a response is still awaited.

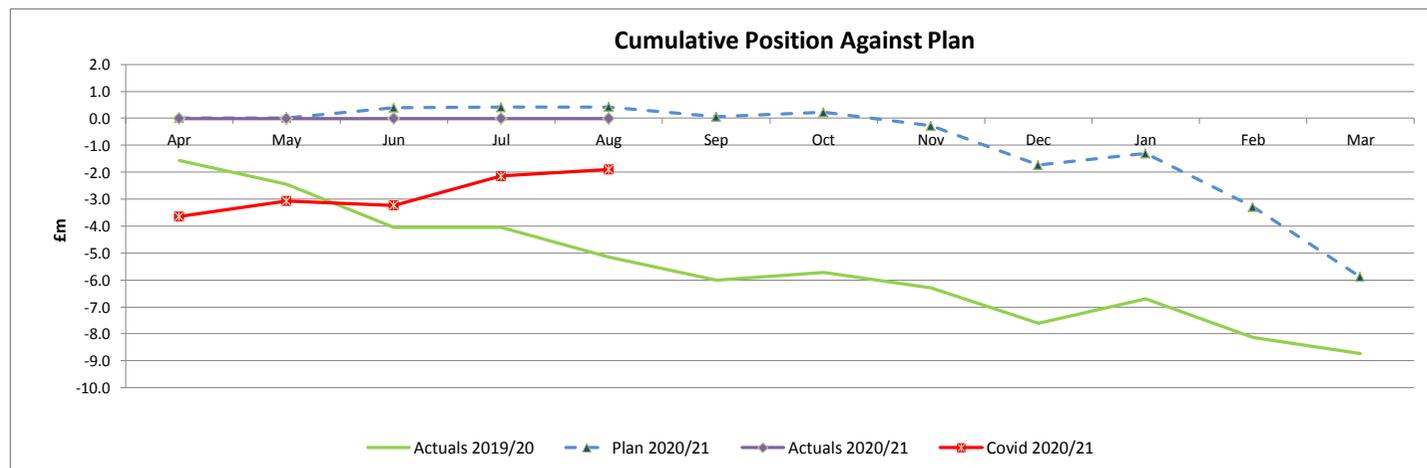
Financial Risk

- Risk of costs rising above our forecast position to deliver the forecast patient activity in the event of a second wave of Covid-19 infections.
- Agreement and cash funding for Covid-19 related capital expenditure. Additional cash to support the underlying 20/21 capital programme within the sector wide prioritisation process.
- Confirmation of the level of additional top-up funding available for months 5 and 6 as well as details of funding available for the second half of the year, will inform the level of efficiency required by the end of the year to deliver a breakeven I&E position.
- Successful negotiation with sector partners to ensure enough top-up funding is received to leave the Trust with a manageable efficiency requirement.

SECTION 1: OVERALL INCOME AND EXPENDITURE

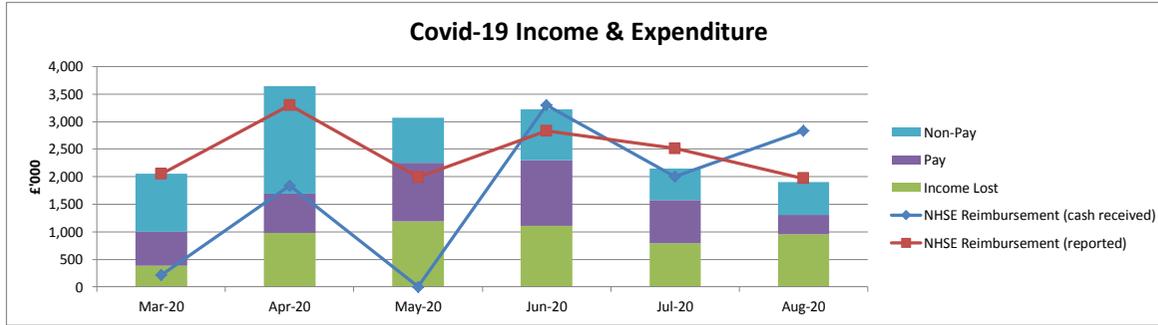
Summary as at the end of Aug-20

Income & Expenditure		IN MONTH					YTD				
		Budget v Actuals					Budget v Actuals				
		Interim NHSE/I Budget £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's	Interim NHSE/I Budget £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's
Income (excl PSF & Don Assets)	NHS Patient Care	21,769	21,719	0	21,719	(50)	108,846	108,649	0	108,649	(197)
	Patient Care Income	473	538	(258)	281	(192)	2,388	2,408	(1,502)	905	(1,482)
	Other Income	2,473	2,458	(704)	1,754	(719)	12,365	12,542	(3,520)	9,022	(3,343)
Income		24,715	24,715	(962)	23,753	(962)	123,599	123,599	(5,022)	118,577	(5,022)
Operating Expenses	Pay	(15,986)	(15,710)	(343)	(16,053)	(67)	(79,902)	(77,649)	(4,105)	(81,754)	(1,852)
	Non Pay	(8,446)	(8,497)	(596)	(9,093)	(647)	(42,258)	(42,525)	(4,863)	(47,388)	(5,130)
	Depreciation and Amortisation	(717)	(949)	0	(949)	(232)	(3,585)	(3,951)	0	(3,951)	(366)
Operating Expenses		(25,149)	(25,156)	(940)	(26,096)	(947)	(125,745)	(124,125)	(8,968)	(133,092)	(7,347)
Operating Surplus/(Deficit)		(434)	(441)	(1,901)	(2,343)	(1,909)	(2,146)	(526)	(13,990)	(14,515)	(12,369)
Finance Costs	Investment Revenue	11	0	0	0	(11)	55	4	0	4	(51)
	Finance Costs	(341)	(379)	0	(379)	(38)	(1,705)	(1,894)	0	(1,894)	(189)
	Public Dividend Capital	(259)	(272)	0	(272)	(13)	(1,295)	(1,308)	0	(1,308)	(13)
Finance Costs		(589)	(651)	0	(651)	(62)	(2,945)	(3,199)	0	(3,199)	(254)
Total Surplus/(Deficit) - excl. Top Up		(1,023)	(1,092)	(1,901)	(2,993)	(1,970)	(5,091)	(3,724)	(13,990)	(17,714)	(12,623)
Provider Sustainability Funding (PSF)		0	0		0	0	0	0		0	0
Central MRET Funding		0	0		0	0	0	0		0	0
Covid-19 PCI Top Up		1,024	2,993		2,993	1,969	5,096	17,714		17,714	12,618
Total Surplus/(Deficit) (excl Donated Assets)		1	1,901	(1,901)	(0)	(1)	5	13,990	(13,990)	(0)	(5)
Depreciation on donated assets		(16)	(34)		(34)	(18)	(80)	(171)		(171)	(91)
Donated Asset Income		26	0		0	(26)	128	3		3	(126)
Total Surplus/(Deficit) (incl Donated Assets)		11	1,867	(1,901)	(34)	(45)	53	13,822	(13,990)	(168)	(221)
		Plan	Actual				Plan	Actual YTD			
EBITDA Margin		-1.8%	-1.8%				-1.7%	-0.4%			
EBITDA Achieved		100.0%	101.7%				100.0%	24.5%			
I&E Surplus Margin		-4.1%	-4.4%				-4.1%	-3.0%			



Section 2: Covid - 19 Financial Impact

Income & Expenditure Position



	2019/20		2020/21					YTD	Total
	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20			
NHSE Reimbursement (cash received)	219	1,834	0	3,298	1,999	2,837	9,968	10,187	
NHSE Reimbursement (reported)	2,053	3,299	1,997	2,834	2,513	1,972	12,615	14,668	
Income Lost	390	978	1,188	1,106	789	962	5,023	5,412	
Pay	620	719	1,062	1,189	791	343	4,105	4,725	
Non-Pay	1,043	1,946	822	933	565	596	4,862	5,905	
Annual Leave accrual	976	0	0	0	0	0	0	976	
Total of Income Lost and Costs	3,028	3,643	3,072	3,228	2,146	1,901	13,990	17,018	

Narrative:

- Retrospective top-up payments relating to months 1 to 4 of £10.4m have been reviewed and agreed by NHSE/I. A further £2.2m will be claimed in month 5, including £0.2m unagreed at month 4. Correspondance is still awaited from NHSE/I on the financial arrangements and additional funding available for months 7 to 12.

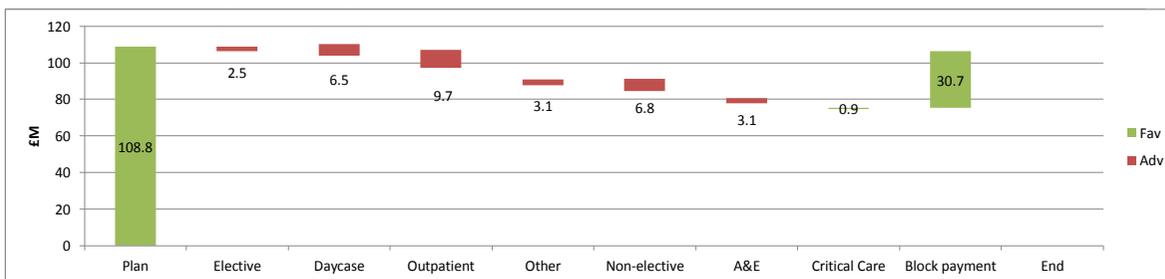
- Pay costs have decreased compared to last month by £448k due to new student nurses and doctors joining their correct BAU rotas and a reduction in the cost of temporary backfill for covid related absence.

- Non-pay expenditure has marginally increased by £30k compared to last month, but remains significantly below costs in Q1. Protective uniform and PPE costs have increased slightly compared to last month and can be seen in the usage figures for aprons, gloves and masks.

- Lost income due to Covid-19 has increased compared to month 4 as education funding has been based on actual placements in month 5. Previously the Trust received income in line with Q4 of 2019/20 for education placements. The number of placements in Q4 are usually high.

- Forecast activity numbers have been submitted to SWL sector resulting from the "Phase 3" letter from NHSE/I as well as a full year financial forecast. Covid expenditure in month 5 was below the in month forecast but the full year forecast value has been kept at the same level due to increasing infection rates.

NHS Patient Care Income - 2020/21 YTD Impact by POD



Narrative:

- Graph above shows the value of patient activity changes by POD against plan. The block payment offsets the adverse variance by £30.7m to £0.2m.

- Underlying income was £4.7m below plan in month 5 which is a decrease from the average for months 1 to 4 which was £6.2m below plan.

- Income for daycase and elective work is at 64% of plan this month which is a slight increase compared to 57% last month.

- GP direct access income which increased significantly last month remains high at 76% of original plan.

- Outpatient income is in line with the previous month at 65% of plan.

Capital - as per submission to NHSE/I on 19th May 2020

Category	2019/20	2020/21						Total	
	£'000	Mar	Apr	May	Jun	Jul	Aug		YTD
Clinical Equipment	18	217	303	65				585	603
Infrastructure (Build)		185	251	104	7			547	547
IT			532	0				532	532
Other									0
TOTAL	18	402	1086	169	7	0	1664	1682	

Narrative:

The trust is still waiting for a response to our capital bids relating to Covid-19.

Estate /building emergency work include £190k, clinical equipment includes scope/pumps £321k and IT includes service capacity for remote access £382k

Procurement

Highlights:

- Central SWL PPE store in Morden is now fully operational.
- Additional non-disposable respirators secured.
- HEPA air-filter units delivered and commissioned by Estates.

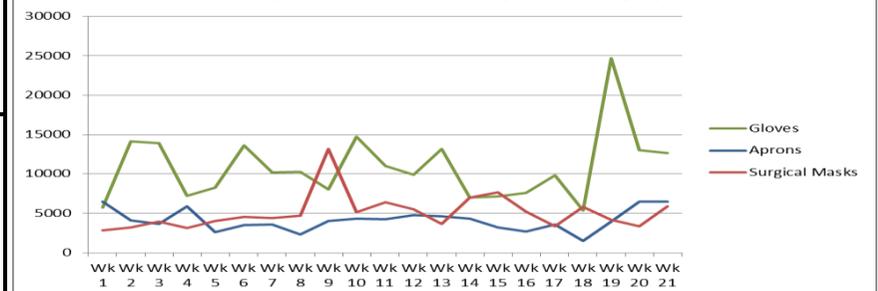
Key issues:

- Still reliant on deliveries from national stock for most of the PPE items.
- NHSI project for reusable gowns is not implemented because sample gowns have not been distributed yet.

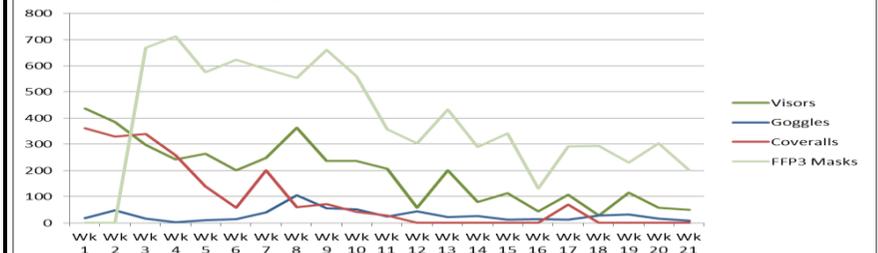
Actions:

1. Increase local stock-holding of high usage PPE and clinical consumables in readiness for second wave.
2. Ensure key suppliers are sufficiently able to meet likely increased demand over the next few months.

Average Daily Issues 15/4/20 - 9/9/20



Average Daily Issues 15/4/20 - 9/9/20



SECTION 3: NHS PATIENT CARE INCOME & ACTIVITY

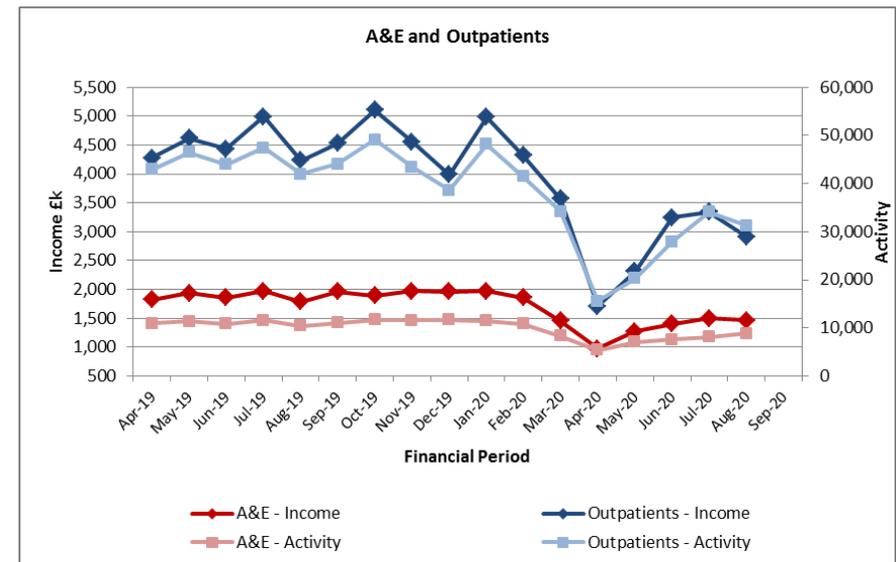
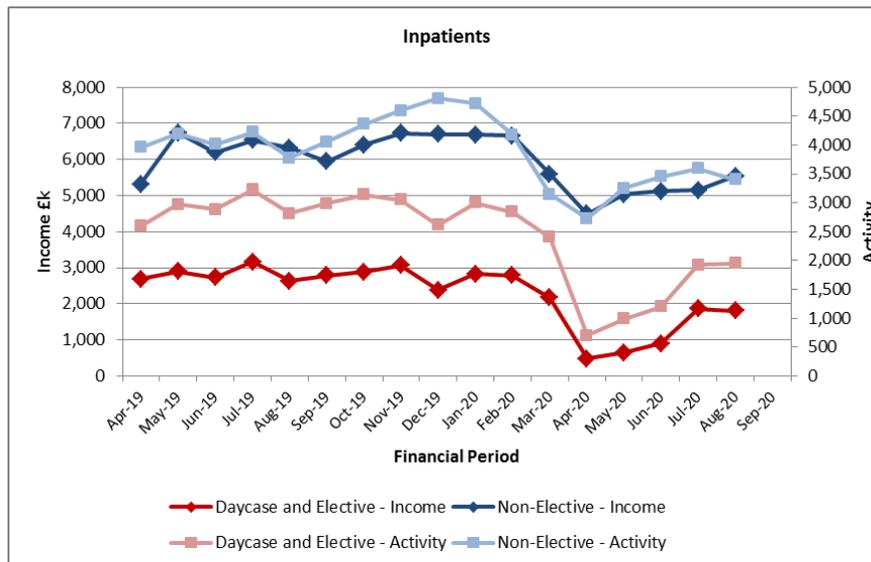
Point of Delivery	In Month						Year to Date						
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	
	Activity	Activity	Activity	£000	£000	£000	Activity	Activity	Activity	£000	£000	£000	
A&E	10,484	8,838	(1,646)	1,791	1,469	(322)	57,858	36,969	(20,889)	9,881	6,617	(3,264)	
Daycase and Elective	2,931	1,947	(984)	2,838	1,814	(1,024)	15,243	6,774	(8,469)	14,758	5,719	(9,039)	
Non Elective	4,322	3,400	(922)	6,493	5,539	(953)	21,363	16,427	(4,936)	32,107	25,332	(6,774)	
Outpatients	43,473	31,277	(12,196)	4,482	2,913	(1,569)	225,102	129,271	(95,831)	23,187	13,517	(9,669)	
Maternity	1,199	1,099	(100)	2,510	2,262	(248)	5,915	6,091	176	12,390	12,247	(143)	
Critical Care	762	702	(60)	870	673	(197)	3,760	4,630	870	4,297	5,233	936	
High Cost Drugs	1,674	1,659	(15)	1,206	1,069	(137)	8,707	9,140	433	6,270	6,017	(254)	
Other NHS	308,698	260,221	(48,477)	1,436	1,201	(235)	1,605,087	962,612	(642,475)	7,436	4,703	(2,733)	
Block Adjustment	0	0	0	144	4,779	4,635	0	0	0	0	(1,479)	29,264	30,743
Total	373,544	309,143	(64,401)	21,769	21,719	(50)	1,943,035	1,171,914	(771,121)	108,846	108,649	(197)	

NHS Patient Care Income and Activity Commentary

There is currently temporary block funding received from NHS Commissioners.

The block adjustment of £4.6m represents income received over and above the value of activity undertaken. This value is lower than the £5.5m in Month 04.

The graphs below show that in-month activity has been gradually increasing across most PODs since Month 01. Although the absolute numbers are similar for planned activity, there were only 20 working days in August compared to 23 in July. The average OP activity per working day rose by 5% and by 16% for Daycase/Elective activity in Month 05.



SECTION 4: STATEMENT OF FINANCIAL POSITION

	July £m	Aug £m
NON CURRENT ASSETS:		
Property plant and equipment	149.9	151.9
Intangible assets	15.3	15.1
Other assets	6.7	6.7
TOTAL NON CURRENT ASSETS:	171.9	173.7
CURRENT ASSETS:		
Inventories	2.1	2.0
Trade and other receivables	22.8	22.1
Cash and cash equivalents	39.0	44.3
TOTAL CURRENT ASSETS	63.9	68.4
CURRENT LIABILITIES:		
Trade and other payables	(62.3)	(66.6)
Current Borrowings	(40.0)	(40.1)
Current Provisions	(2.1)	(2.2)
TOTAL CURRENT LIABILITIES	(104.4)	(108.9)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	(40.5)	(40.5)
TOTAL ASSETS LESS CURRENT LIABILITIES	131.4	133.2
NON CURRENT LIABILITIES:		
Borrowings	(35.2)	(37.2)
Provisions	(0.7)	(0.7)
Other liabilities	0.0	0.0
TOTAL ASSETS EMPLOYED	95.4	95.4
FINANCED BY		
TAXPAYERS EQUITY:		
Public Dividend Capital	66.8	66.8
Revaluation reserve	21.1	21.0
Income and Expenditure Reserve - Prior years	7.6	7.6
Income and Expenditure Reserve - Current Year	0.0	0.0
TOTAL TAXPAYERS EQUITY	95.4	95.4

COMMENTARY

Non - Current Assets

There was a £1.8m increase in Non-Current Assets in August 2020 comprising of: £2.0m increase in Property Plant and Equipment, £0.2m decrease in Intangible Assets .Other Assets remained unchanged.

Current Assets

There was a £4.5m increase in Current Assets in August 2020, within categories movements comprised of: £0.7m decrease in Trade and Other Receivables (as analysed in Appendix 1) and £5.3m increase in Cash and Cash Equivalents (as analysed in Section 7 Cash Flow Statement) and £0.1m decrease in Inventories.

Current Liabilities

There was an increase of £4.5m in Current Liabilities in August 2020 comprising; £4.3m increase in Trade and Other Payables (as analysed in Appendix 2), £0.1m increase in Current Borrowings and £0.1m increase in Current Provisions.

SECTION 5: CAPITAL

	2020/21 Capital Budget £000	Capital YTD Plan £000	YTD FOT CDEL £000	YTD CDEL Spend £000	Donated YTD Spend £000	Covid -19 YTD Spend £000	Total YTD Spend £000
ESTATES	7,031	2,930	10,522	3,209	147	196	3,552
EQUIPMENT	1,497	624	1,989	56	202	348	606
IT	4,513	1,880	5,891	717	-	80	797
MES	4,838	1,512	4,838	2,063	-	-	2,063
PFI	518	-	518	-	-	-	-
Covid -19	1,507	-	946	-	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	19,904	6,946	24,704	6,045	349	624	7,018
CAPITAL PLAN External Funding Required							
ESTATES	11,987	-	11,987	-	-	-	-
EQUIPMENT	-	-	-	-	-	-	-
IT	1,701	-	1,701	-	-	-	-
TOTAL CAPITAL PROGRAMME (excl. Covid-19)	33,592	6,946	38,392	6,045	349	624	7,018

COMMENTARY

The capital plan approved by Board at the commencement of 2020/21 totalled £18.4m of internally funded capital, and a further total of £14.605m for which external funding would be required in order to progress.

Available capital funding from SWL has now increased to £23.220m, up from the £21.988m advised to FIC in August as a result of the UEC and Endoscopy additions receiving approval, amounts of £0.79M and £0.442m respectively.

The current capital requirement, in relation to schemes that must be progressed based on clinical, health and safety and contractual commitments for 2020/21 is £24.703m, resulting in a gap of £1.483m. External CDEL funding would be required to enable the gap to be closed.

Actual CDEL spend to the end of August is £6.0m which is £0.7m below the plan.

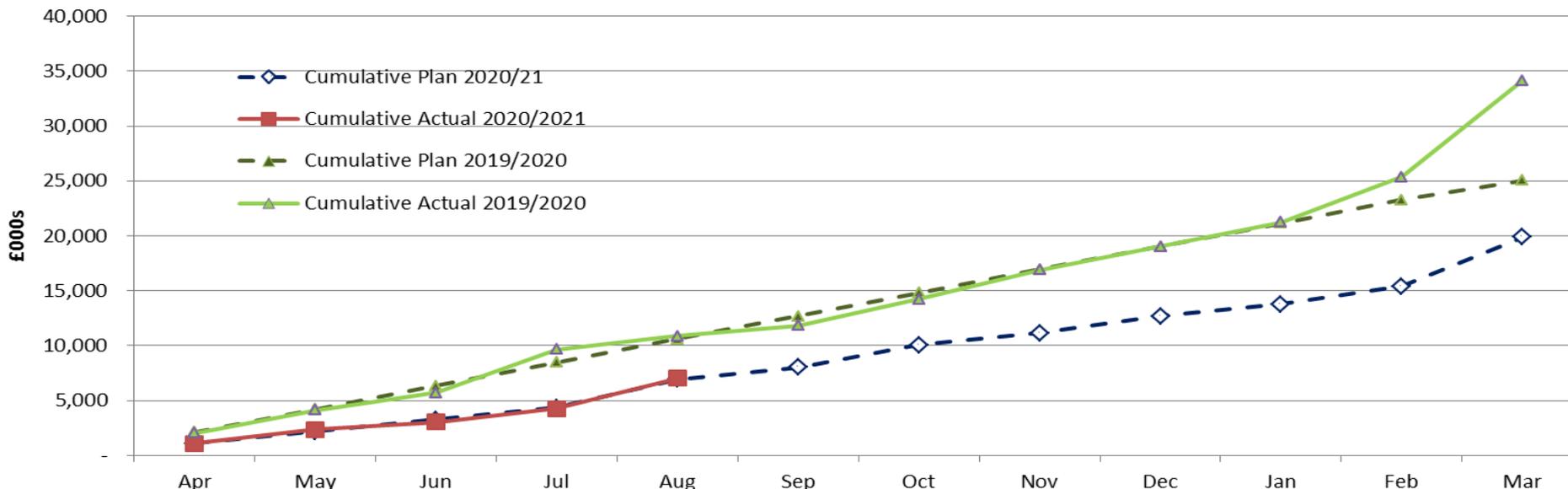
The total YTD spend to August is £3.2m which was £0.3m above the plan. Medical Equipment spend is £0.1m which was below the plan by £0.5m. IMT spend is £0.7m which was £1.1m below plan due to Covid work. Capital spend YTD includes:

- MES - £2,063k
- Endoscopy - £904k
- Technical Resources- £216k
- VBH - £1,141k
- Project management - £242k
- Pre op assessment - £251k

The total YTD expenditure for Covid-19 was £624k, of which £196k related to Estates projects, £80k to IT for purchase of laptops to be used remotely and £348k for Medical Equipment.

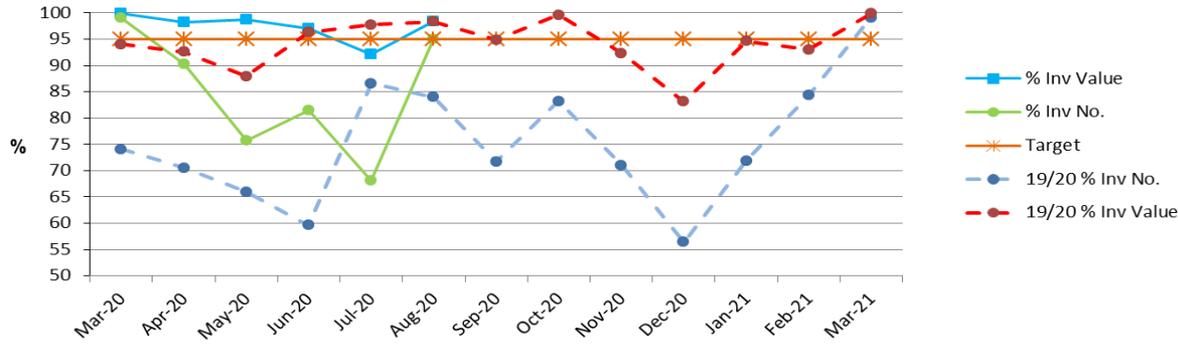
From 7th May 2020 NHS England revised the governance process for all Covid -19 capital and now prior approval from NHSE is required irrespective of the value .

Cumulative Capital Position Against Plan



Appendix 1 - BETTER PAYMENTS PRACTICE CODE

NHS INVOICES PAID WITHIN 30 DAYS



Better Payments Practice Code

The number and value of NHS invoices paid within term in August were 95% and 98% respectively, although the number of invoices paid was smaller than in previous months due to the holiday period.

The number and value of non-NHS invoices paid within terms were 82% and 82% respectively in August, compared to 77% and 85% respectively in the previous month. However, again the number of invoices paid in the month was lower than in previous months (2,454 compared to an average of 3,335 per month for April to July).

In the light of Covid-19 efforts continue to resolve overdue invoice queries and reduce outstanding payables, in particular for agencies and both small and medium suppliers for whom cashflow is vital.

NON NHS INVOICES PAID WITHIN 30 DAYS

