

Kingston Hospital NHS Foundation Trust

Finance Report December 2020 (Month 9)

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Financial Strategy

2020/21

Revenue

•Trust has a revised plan for the last 6 months of the financial year which is a deficit of £8.3m, inclusive of a £4.0m efficiency target. This plan was submitted in line with national guidance which explicitly required any financial impact of a second surge to be excluded whilst planning for Elective recovery.

•Financial framework for the second half of the year requires a system break even position, albeit allowance for individual organisations to have surplus/deficit positions.

•The updated year end forecast deficit is £13.0m, £4.7m worse than plan, an adverse movement of £1.7m. Changes to the forecast include additional £3.0m of Covid and second surge expenditure and £0.6m top-up income reduction partially offset by £1.9m further reduction in elective recovery costs and further delayed recruitment. Covid costs in month 9 were higher than previous months and are expected to increase further in subsequent months as the full impact of increased staffing costs, investment in staff wellbeing and changes in operational environment materialise.

•Ongoing work to identify the underlying run rate expenditure that is anticipated to continue in to the start of 21/22 and working with the sector and NHS London to agree an approach to planning and budget setting for 21/22 in the absence of any definitive planning guidance.

•Further guidance is expected on the Elective Incentive Scheme, with a possible reset of required activity levels and application of the financial implications of under/over achieving against trajectories.

•Continue to work with sector and NHSE/I to secure additional funding and reduce deficit position in year. This is in relation to lost income in 2020/21, underfunding arising from non-recurrent items in 2019/20 and non-recurrent items in 2020/21.

•The Trust, working with sector partners is lobbying for further funding due to loss of Non NHS income, now forecast to be £3.3m.

•Expenditure task and finish group continues to check and challenge assumptions with a focus on exit run rates.

•A further allocation of the £8.8m sector gap to be allocated to Trusts in a fair and equitable manner, thereby assigning "control totals" to each organisation.

Capital

•Trust is forecasting a capital spend of £31.1m.

•Capital spend is being monitored by Capital Control Committee and as part of this, the Committee is reviewing forecasts on a monthly basis.

•Any slippage that may occur will be repurposed to schemes that can be brought forward from next year, such as Medical equipment, planning and design work for ITU, other Estates schemes, and any invest to save schemes which will facilitate reduction in revenue costs from April 21.

•The Trust has been advised that £9.589m of its Critical Infrastructure Review bid has been approved. Cash funding has been received in full.

•The new financing arrangements converting loans to PDC transacted on 23rd September. Historic loans to the value of £37.7m were written off and financed through PDC. The Trust has one remaining capital investment loan, the Estates Strategy Loan originally for £10m in 2016, with a residual outstanding balance of £7.57m at 31st December 2020.

Financial Governance

•The Trust has reported a £2.1m deficit in month and £5.7m deficit YTD. £0.3m of the top-up deduction notified from NHSE/I remains in dispute and is not included in this reported position but is a risk to forecast.

• The framework requires the sector to break-even, however individual organisations within the sector can have a combination of surplus and deficit positions. The current forecast for KHT will require £4.7m of mitigations to reach plan and £8.3m of sector support to achieve break even at organisational level.

• NHSE/I have advised that the financial regime in the second half of this financial year will be rolled over in to Q1 of next financial year. The Trust will work with the sector and NHS London to get clear implications for the budget sign off process for 21/22. This will comprise of a 2 part sign off process initially just for Q1 and then a later sign off for the remaining 9 months of the year.

•Governance for Capital expenditure has been revised. The Capital Control Committee is now 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 09 Plan	Month 09 Actual	Month 09 Variance	YTD Plan	YTD Actual	YTD Variance
Income	314,183	27,494	27,300	(194)	231,201	224,042	(7,159)
Pay	(199,796)	(17,261)	(17,482)	(221)	(148,193)	(151,364)	(3,171)
Non-Pay & Depreciation	(121,150)	(11,262)	(10,843)	419	(88,884)	(95,202)	(6,318)
EBITDA	(6,763)	(1,029)	(1,025)	4	(5,877)	(22,524)	(16,648)
<i>EBITDA %</i>	<i>-2.2%</i>				<i>-2.5%</i>	<i>-10.1%</i>	
Below the Line	(7,669)	(639)	(566)	73	(5,451)	(5,582)	(130)
NHSI Control Total Surplus	(14,433)	(1,668)	(1,591)	77	(11,328)	(28,106)	(16,778)
<u>Excluded from Control Total</u>							
Impairments	0	0	0	0	0	0	0
Net Donated Assets	(140)	(33)	(24)	9	(41)	(200)	(159)
Specific scheme funding - NHSE			80	80		80	80
Top-Up funding	6,115	0	(568)	(568)	6,115	22,543	16,428
Overall Surplus	(8,458)	(1,701)	(2,103)	(402)	(5,254)	(5,683)	(430)

Highlights:

1. The Month 9 position is a £2.1m deficit, £0.4m adverse to plan submitted to NHSE/I on 18/11/20. The YTD position is a £5.5m deficit, is £0.3m adverse to plan. The adverse position in month is due to £0.6m reduction in top-up income relating to months 1-6. Further reduced expenditure on elective recovery and challenges in recruitment in month have enabled the Trust to deliver the efficiency target built in to the plan, despite an increase in Covid-19 costs.

2. A reduction of £0.6m to the top-up income received for month's 1 to 6 has been actioned this month based on the assumption that the Trust receives the maternity incentive rebate on it's CNST premium following notification from NHSE/I at the start of December. The maternity incentive rebate as not been received in month 9, as per the previous year. Assessment of the Trust's eligibility for this rebate has been delayed to July 2021 by NHS Resolution, but continues to be in the forecast as it is still expected to be achieved. A further £0.3m deduction has been made to reflect the overspend on PDC dividends which the Trust is continuing to challenge. NHSE/I reserve the right to continue to monitor the top-up claimed and recoup further monies if it appears on reflection that an over claim has been made.

3. The income variance is £0.1m adverse in month, due to expected Covid testing income of £0.4m not being received. The underlying favourable variance of £0.3m is made of £0.1m on high cost drugs income commissioned by NHSE, which is variable in months 7 to 12, £0.1m from NHSE for rolling out lateral flow testing to staff and £0.1m on Private Patient Income. Education income has recovered to match plan in month.

4. Pay expenditure is £0.2m adverse in month to plan of £17.3m. This plan includes £0.6m of efficiency target. Costs were therefore £0.4m below the underlying plan and forecast. This was due to delayed recruitment and lower than expected elective recovery costs. Covid pay costs increased in month. They are in line with plan but £0.2m above the forecast completed last month.

5. Non-pay expenditure was £0.4m below plan in month. This includes a favourable variance of £0.4m related to Covid testing offset by the variance within income. The underlying position is therefore in line with plan and the Trust has therefore achieved the £0.2m efficiency target within the plan. Covid non-pay costs increased in month and were £0.1m above plan and last months forecast.

6. Trust YTD Capital spend was £11.2m including £1.3m related to Covid 19 schemes.

Financial Risk

• Additional £0.7m of costs relating to the second wave of Covid-19 are in the YTD position and an additional £2.7m are forecast. The additional costs are partially offset by a decrease in elective recovery expenditure. However the risk of non-delivery of the £8.3m deficit plan is increased as operational pressures change and reduce the ability to identify the efficiency target built in to the plan. The additional risk arising from the second surge is any penalty of reducing elective activity under the "Elective Incentive Scheme".

• Agreement and cash funding for Elective re-start related capital expenditure. Additional cash to support the underlying 20/21 capital programme within the sector wide prioritisation process.

• Additional financial impact of staff being unable to take their annual leave allowance. Current proposals being worked through will have both an impact on both the I&E position and cash position.

• Further retrospective challenges or deductions to the top-up income received for months 1 to 6. The Trust continues to challenge the £0.3m deduction regarding PDC but NHSE/I has allowed itself the opportunity to raise further retrospective challenges at any point. The trust does not however foresee any further challenges.

• Agreement with sector partners and NHSE/I to obtain additional funding to offset current forecast deficit including £5.8m shortfall in 19/20 assumptions, £2.7m of lost income and £1.4m of non-recurrent costs.

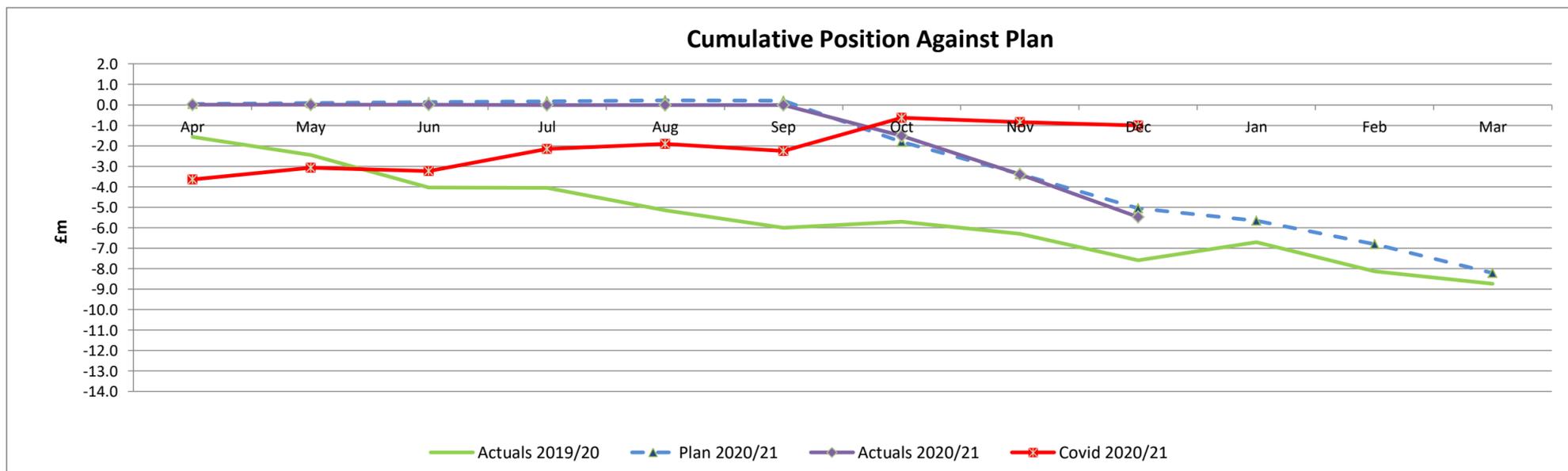
• Risk to 2021/22 position if full maternity incentive rebate for 2020/21 is not achieved as assessment delayed to the new financial year May 2021 - July 2021.

SECTION 1: OVERALL INCOME AND EXPENDITURE

Summary as at the end of

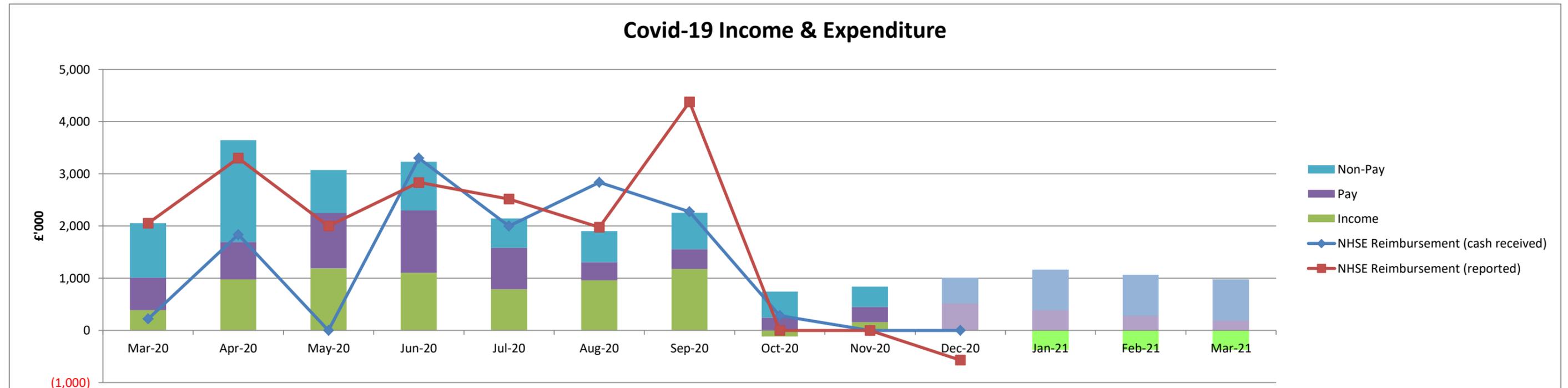
Dec-20

Income & Expenditure	Annual Budget £000's	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	259,706	21,515	21,610	0	21,610	95	195,161	195,169	0	195,169	8	
Patient Care Income	26,947	3,921	3,682	0	3,682	(239)	14,796	14,034	(1,666)	12,368	(2,428)	
Other Income	27,530	2,058	2,008	0	2,008	(50)	21,244	21,076	(4,571)	16,505	(4,739)	
Income	314,183	27,494	27,300	0	27,300	(194)	231,201	230,279	(6,237)	224,042	(7,159)	
Operating Expenses												
Pay	(199,796)	(17,261)	(16,961)	(520)	(17,482)	(221)	(148,193)	(145,821)	(5,544)	(151,364)	(3,171)	
Non Pay	(111,971)	(10,399)	(9,502)	(488)	(9,990)	410	(81,993)	(80,878)	(6,931)	(87,809)	(5,816)	
Depreciation and Amortisation	(9,179)	(863)	(854)	0	(854)	9	(6,892)	(7,393)	0	(7,393)	(502)	
Operating Expenses	(320,946)	(28,523)	(27,317)	(1,008)	(28,325)	198	(237,078)	(234,092)	(12,475)	(246,566)	(9,489)	
Operating Surplus/(Deficit)	(6,763)	(1,029)	(17)	(1,008)	(1,025)	4	(5,877)	(3,812)	(18,712)	(22,524)	(16,648)	
Finance Costs												
Investment Revenue	125	10	0	0	0	(10)	97	4	0	4	(94)	
Finance Costs	(4,529)	(377)	(294)	0	(294)	84	(3,178)	(2,796)	0	(2,796)	382	
Public Dividend Capital	(3,265)	(272)	(272)	0	(272)	0	(2,370)	(2,789)	0	(2,789)	(419)	
Finance Costs	(7,669)	(639)	(566)	0	(566)	73	(5,451)	(5,582)	0	(5,582)	(130)	
Total Surplus/(Deficit) - excl. Top Up	(14,433)	(1,668)	(583)	(1,008)	(1,591)	77	(11,328)	(9,394)	(18,712)	(28,106)	(16,778)	
Provider Sustainability Funding (PSF)	0	0	0		0	0	0	0		0	0	
Central MRET Funding	0	0	0		0	0	0	0		0	(0)	
Specific scheme funding - NHSE			80		80	80		80		80	80	
Covid-19 PCI Top Up	6,115	0	(568)		(568)	(568)	6,115	22,543		22,543	16,428	
Total Surplus/(Deficit) (excl Donated Assets)	(8,318)	(1,668)	(1,071)	(1,008)	(2,079)	(411)	(5,213)	13,229	(18,712)	(5,483)	(270)	
Depreciation on donated assets	(294)	(33)	(24)		(24)	9	(195)	(211)		(211)	(16)	
Donated Asset Income	154	0	0		0	0	154	10		10	(144)	
Total Surplus/(Deficit) (Incl Donated Assets)	(8,458)	(1,701)	(1,095)	(1,008)	(2,103)	(402)	(5,254)	13,028	(18,712)	(5,683)	(430)	
	Annual Plan	Plan	Actual				Plan	Actual YTD				
EBITDA Margin	-2.2%	-3.7%	-0.1%				-2.5%	-1.7%				
EBITDA Achieved	100.0%	100.0%	1.7%				100.0%	64.9%				
I&E Surplus Margin	-4.6%	-6.1%	-2.1%				-4.9%	-4.1%				



Section 2: Covid - 19 Financial Impact

Income & Expenditure Position



	Actuals											Forecast			YTD	Total
	2019/20	2020/21														
£'000	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21			
NHSE Reimbursement (cash received)	219	1,834	0	3,298	1,999	2,837	2,275	282	0	0				12,525	12,744	
NHSE Reimbursement (reported)	2,053	3,299	1,997	2,834	2,515	1,974	4,378	0	0	(568)				16,997	19,049	
Income	390	978	1,188	1,106	789	962	1,176	(118)	157	0	(367)	(367)	(367)	6,237	6,627	
Pay	620	719	1,062	1,189	791	343	379	243	296	520	392	282	200	5,023	5,644	
Non-Pay	1,043	1,947	822	933	565	596	697	498	386	488	777	777	777	6,443	7,486	
Annual Leave accrual	976	0	0	0	0	0	0	0	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	2,252	624	838	1,008	802	692	610	17,704	20,732	

Narrative

No further top-up payments received in month. Additional funding of £3.3m per month is now shown under patient care income. The Covid testing income remains part of our revised plan and will be offset by reduced non-pay spend in future months. The plan now reflects updated forecast submitted in November. The £568 Covid top up reduction in M9 has been advised by NHSI/E and relates to an adjustment due to CNST incentive funding treatment.

Pay costs at £520k have increased by £224k compared to last month due to the trust starting to the effect of the second surge. This is driven by ED, Elderly care and Maternity service lines.

Non-pay costs at £488k have increased by £102k compared to last month due to the trusts response to the second surge.

The full year forecast for Covid has been reviewed for consistency with sector partners. It has been updated to include costs of additional testing and IT costs but reduced in the areas of backfill pay costs and PPE.

SECTION 3: INCOME SUMMARIES

Category £000's	In-month			Year to Date			Full Year Plan
	Plan	Actual	Variance	Plan	Actual	Variance	
Elective	733	733	0	7,250	7,250	0	9,679
Day Cases	1,964	1,964	0	19,428	19,428	0	25,939
Non Elective	6,671	6,671	0	58,434	58,434	0	78,090
Outpatients	4,288	4,288	0	41,891	41,675	(216)	55,920
A&E	2,056	2,056	0	17,972	17,972	0	23,941
High Cost Drugs	1,146	1,146	(0)	11,335	11,335	(0)	15,133
Maternity	2,510	2,510	(0)	22,270	22,270	(0)	29,558
Other NHS	2,149	2,243	95	16,581	16,806	225	21,446
Sub Total NHS Patient Care Income	21,515	21,610	95	195,161	195,169	8	259,706
Other Patient Care	3,624	3,483	(142)	12,022	11,202	(820)	23,203
Private Patient Income	297	200	(97)	2,775	1,166	(1,609)	3,744
Total Revenue from Patient Care	25,436	25,292	(144)	209,957	207,537	(2,420)	286,653
Education & Research Income	886	865	(21)	7,987	7,793	(195)	10,646
Non-Patient Related Income	1,172	1,143	(29)	13,257	8,713	(4,544)	16,884
Total Other Income	2,058	2,008	(50)	21,244	16,505	(4,739)	27,530
Total	27,494	27,300	(194)	231,201	224,042	(7,159)	314,183
Donated Asset Income	-	-	0	154	10	(144)	154
Total	27,494	27,300	(194)	231,355	224,053	(7,302)	314,337

COMMENTARY

NHS Patient Care Income

There is currently temporary block funding received from NHS Commissioners, with a small variable element for NHSE drugs from month7. The only other source of income is from Local Authorities in relation to GUM outpatients.

The block adjustment of £1.4m represents income received over and above the value of activity undertaken. This value is higher than last month.

The income shown above excludes Covid re-imburement and Top-Up values.

Other Income (incl Non-NHS Patient Care)

The key drivers of lost income continue to be Private Patients, Car Parking and, for months 1-6, the product of the way the interim plan was set. NHSE/I used an unadjusted mechanism based on an average of 2019/20 (Months 8-10) which included some non-recurrent items.

SECTION 3: NHS PATIENT CARE INCOME & ACTIVITY

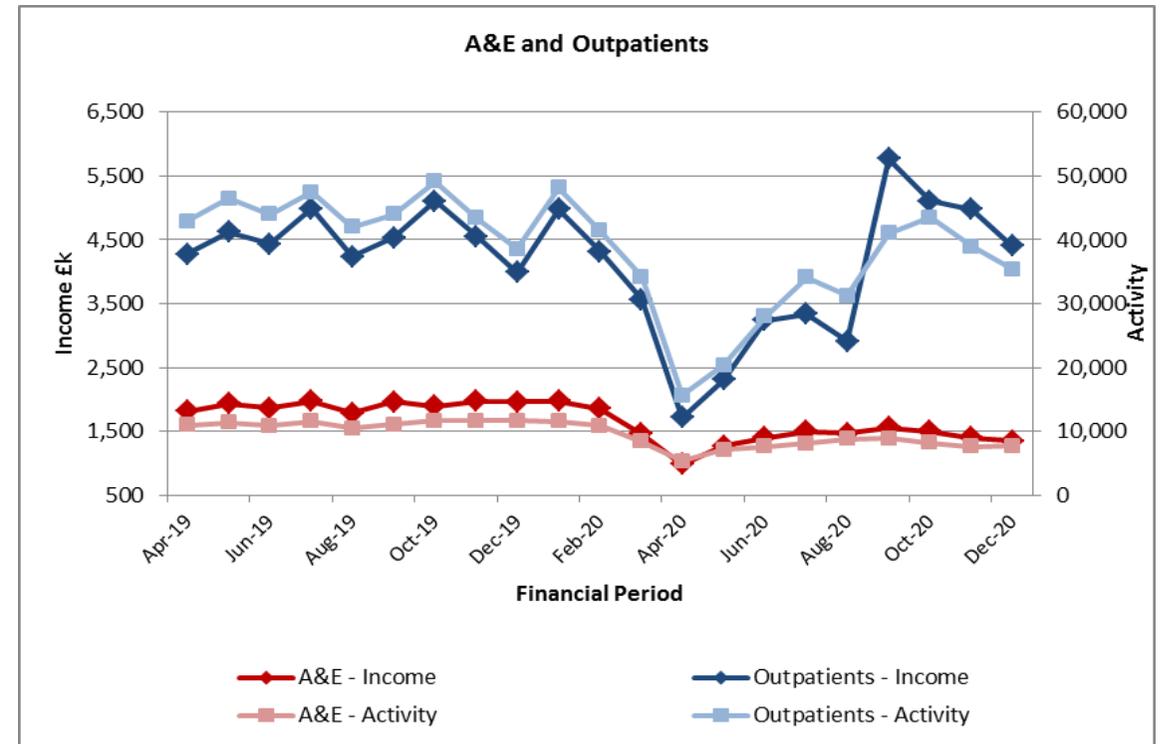
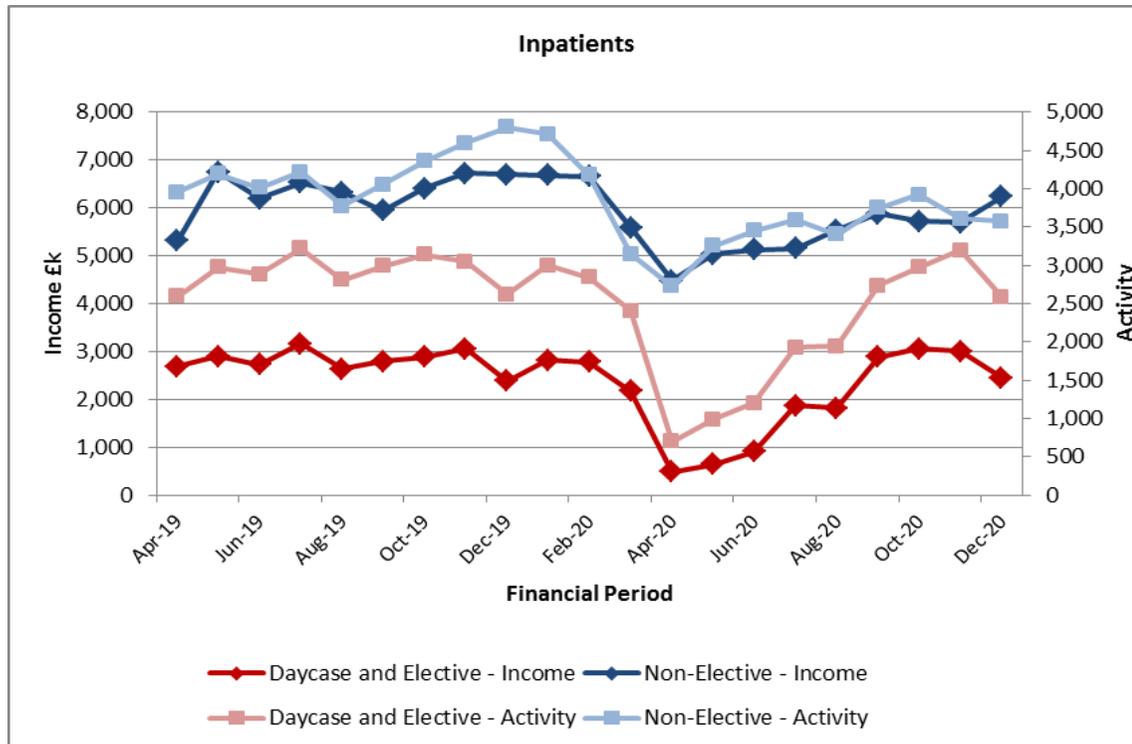
Point of Delivery	In Month						Year to Date					
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
	Activity	Activity	Activity	£000	£000	£000	Activity	Activity	Activity	£000	£000	£000
A&E	12,038	7,681	(4,357)	2,056	1,349	(706)	105,232	69,385	(35,847)	17,972	12,423	(5,549)
Daycase and Elective	2,785	2,584	(201)	2,696	2,448	(248)	27,554	18,261	(9,293)	26,678	17,104	(9,574)
Non Elective	4,447	3,579	(868)	6,671	6,234	(437)	38,901	31,292	(7,609)	58,434	48,860	(9,574)
Outpatients	41,538	35,436	(6,102)	4,288	4,402	114	406,733	288,207	(118,526)	41,891	33,777	(8,114)
Maternity	1,199	1,082	(117)	2,510	2,207	(303)	10,631	11,100	469	22,270	22,298	29
Critical Care	762	878	116	870	1,066	197	6,758	7,833	1,075	7,723	8,982	1,258
High Cost Drugs	1,591	1,960	369	1,146	1,305	159	15,740	17,646	1,906	11,335	11,530	195
Other NHS	293,299	262,308	(30,991)	1,391	1,280	(111)	2,901,476	2,122,814	(778,662)	13,565	10,094	(3,471)
Block Adjustment	0	0	0	(113)	1,318	1,431	0	0	0	(4,707)	30,101	34,808
Total	357,657	315,508	(42,149)	21,515	21,609	94	3,513,026	2,566,538	(946,488)	195,161	195,168	8

NHS Patient Care Income and Activity Commentary

There is currently temporary block funding received from NHS Commissioners, with a small variable element for NHSE drugs. The above figures exclude the additional £3.3m per month of additional sector funding.

The block adjustment represents the amount required to balance to the income received after valuation of the activity undertaken. This value is £1.4m in December.

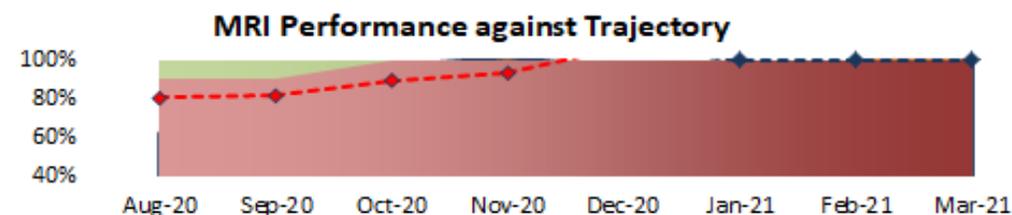
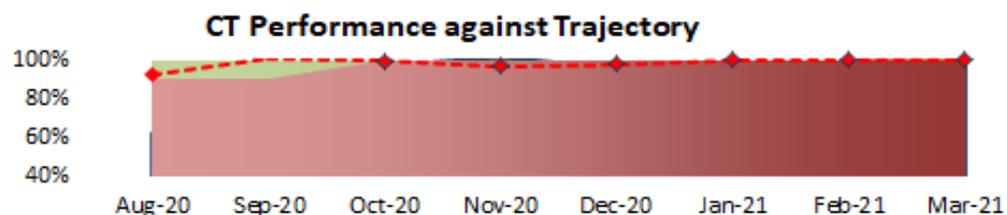
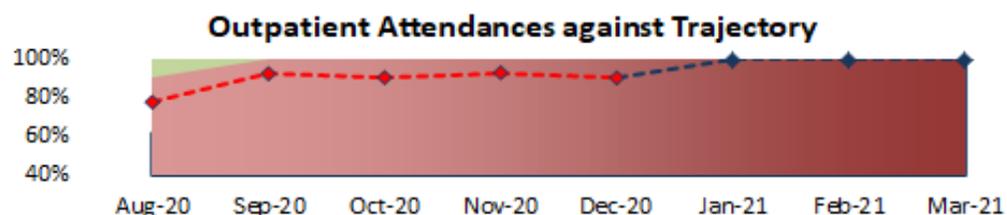
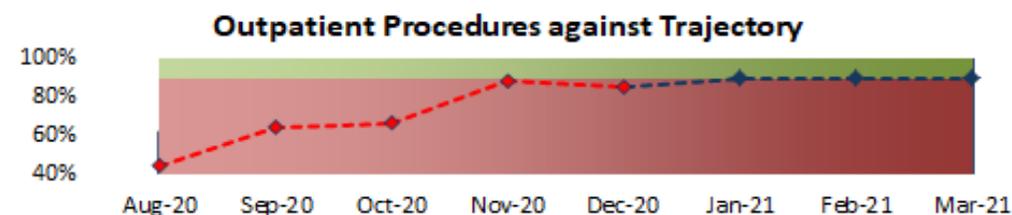
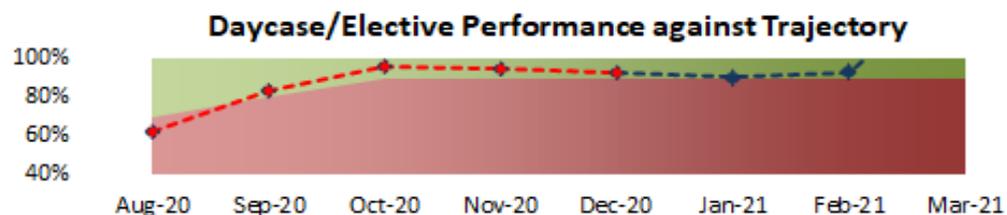
For most of December the elective recovery continued, but this has now largely been suspended. A&E attendances have reduced to 248 per day.



SECTION 3 - Activity against Trajectory

The Charts below shows performance against the trajectory by activity type.

The green zone represents achievement of the trajectory with the red zone showing under-achievement



Activity Trajectory

The August to December actual values (red dots above) are based on the latest available information.

The forecast position shown is in line with the planning submission to NHSE/I.

Although Endoscopy activity is based on an initial view, and is subject to change, activity was low in month.

Elective Incentive Scheme (EIS)

The EIS set trajectory figures from September, which when applied, may result in financial adjustment at system level for elective and outpatient activity. This is based on the financial value of actual activity compared to the equivalent month in 2019/20. Marginal rates would be applied for over/(under) performance. At this point we have been told not to include any adjustments to the financial position.

Based on this methodology and including independent sector activity, the Trust is ahead of EIS levels for months 6-9. However, it should be noted that the EIS will only be applied in totality at a system level based on overall in month system performance. Draft September details for SWL does show over performance for the sector, which may be allocated across providers.

SECTION 4: STATEMENT OF FINANCIAL POSITION

	Nov £m	Dec £m
NON CURRENT ASSETS:		
Property plant and equipment	153.1	153.1
Intangible assets	15.8	15.7
Other assets	6.8	1.4
TOTAL NON CURRENT ASSETS:	175.7	170.2
CURRENT ASSETS:		
Inventories	2.2	2.3
Trade and other receivables	25.9	26.4
Cash and cash equivalents	44.6	47.3
TOTAL CURRENT ASSETS	72.7	76.0
CURRENT LIABILITIES:		
Trade and other payables	(71.8)	(71.8)
Current Borrowings	(2.3)	(2.3)
Current Provisions	(2.2)	(2.1)
TOTAL CURRENT LIABILITIES	(76.2)	(76.3)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	(3.6)	(0.3)
TOTAL ASSETS LESS CURRENT LIABILITIES	172.1	169.9
NON CURRENT LIABILITIES:		
Borrowings	(36.7)	(36.5)
Provisions	(0.7)	(0.7)
Other liabilities	0.0	0.0
TOTAL ASSETS EMPLOYED	134.8	132.7
FINANCED BY		
TAXPAYERS EQUITY:		
Public Dividend Capital	109.6	109.6
Revaluation reserve	21.1	21.1
Income and Expenditure Reserve - Prior years	7.6	7.6
Income and Expenditure Reserve - Current Year	(3.6)	(5.7)
TOTAL TAXPAYERS EQUITY	134.8	132.7

COMMENTARY

Non - Current Assets

Non-Current Assets decreased by £5.5m in December 2020 comprised of £5.4m decrease in Other Assets (as the outstanding land sale receipt from Advanced Living for Regents Wing moved to Current Assets) and £0.1m decrease in Intangible Assets. Property plant and equipment remained unchanged.

Current Assets

There was a £3.3m increase in Current Assets in December 2020 comprised of: £0.1m increase in Inventories, £2.7m increase in Cash and Cash Equivalents (as analysed in Section 7 Cash Flow Statement) and £0.5m increase in Trade and Other Receivables (including the £5.5m increase from Non Current Assets for the land sale receipt due from Advanced Living, but offset by a reduction of £5.3m in Accrued Income after payment by NHSE of the M6 Retrospective Top Up).

Current Liabilities

There was an increase of £0.1m in Current Liabilities in December 2020 due to £0.1m increase in Trade and Other Payables. Current Borrowings and Current Provisions remained unchanged.

Taxpayers Equity

Public Divided Capital was unchanged in December.

SECTION 5: CAPITAL

	Capital YTD Plan £000	FCOT CDEL £000	YTD CDEL Spend £000	Expenditure required months 10 to 12 £000	YTD plan Variance CDEL £000
ESTATES	5,131	13,969	4,976	8,993	(155)
EQUIPMENT	1,091	2,758	764	1,994	(327)
IT	3,558	5,891	2,395	3,496	(1,163)
MES	2,912	4,838	2,445	2,393	(467)
PFI	-	518	-	518	-
Elective Restart schemes / Covid -19	-	3,125	1,385	1,740	1,385
TOTAL APPROVED CAPITAL PROGRAMME	12,692	31,099	11,965	19,134	-727

Capital Funding:	£'000	£'000
PDC:		
JAD	894	
Covid 19/20	482	
Covid 20/21	1,406	
Endoscopy	446	
Critical Infrastructure	9,589	
Elective Restart/Covid 19 (Approved but not drawn down)	1,719	
HSLI Patient Flow (to be approved)	1,166	
Total PDC		15,702
Depreciation		10,242
Cash		5,155
Total		31,099

COMMENTARY

The approved capital plan at September was £26.963m but has now been increased by £0.7m for IT contingency, £0.8m for Equipment and £2.6m for Estates to a total of £31.1m.

The total YTD spend for Estates is £5.0m which is £0.2m lower than plan. This spend includes £2.0m for Endoscopy, £1.5 for Vera Brown House and £0.4m Project Management.

The total YTD spend for Medical Equipment is £0.8m which is £0.3m lower than plan due to delays to business case submission and late approval. In December purchase orders totalling £702k have been processed and committed for Echocardiogram machine & CSSD equipment which expected to be delivered at the beginning of February 2021.

The total YTD spend for IT is £2.4m which is lower than the plan by £1.2m due to no spend on IT HSLIP and lower than expected spend on Technical Resource.

The total YTD expenditure for Restart Elective and Covid-19 is £1.4m, of which £473k relates to Estates projects, £438k for Medical Equipment and £379k IT for purchase of laptops to be used remotely.

Cumulative Capital Position Against Plan

