

Trust Board – Part 1	Item: 10
24th March 2021	Enclosure: F
Purpose of the Report: To update the Board on the Trust's Financial Position at the end of Month 11.	
For: Information <input checked="" type="checkbox"/> Assurance <input checked="" type="checkbox"/> Discussion and input <input checked="" type="checkbox"/> Decision/approval <input type="checkbox"/>	
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Risk Implications – Link to Assurance Framework or Corporate Risk Register:	To deliver the 2020/21 financial plan
Legal / Regulatory / Reputation Implications:	Regulatory and compliance implications
Link to Relevant CQC Domain: Safe <input type="checkbox"/> Effective <input type="checkbox"/> Caring <input type="checkbox"/> Responsive <input type="checkbox"/> Well Led <input checked="" type="checkbox"/>	
Link to Relevant Strategic Themes:	Sustainability
Document Previously Considered By:	Executive Management Committee
Summary: <p>The month 11 position is £1.1m surplus, a £2.2m favourable against planned deficit for the month of £1.1m. The Trust Year to Date position is £1.7m favourable to plan.</p> <p>The favourable position in month is due to additional income receipts for lost non-NHS income and previous top-up deductions confirmed by NHSE/I.</p> <p>The Trust's capital programme for the year is £31.2m and plans are in place to ensure this is achieved.</p> <p>The impact of the Covid 19 second surge has resulted in the February performance against phase 3 trajectory below plan for all categories except diagnostics-CT</p> <p>2021/22 Financial Planning - Latest updates from NHSE/I suggest that the financial framework in the second half of this financial year will be rolled over in to Q1 of next financial year as a minimum</p> <p>The Trust will work with the sector and NHS London to get clear implications for the budget sign off process for 21/22</p>	



Kingston Hospital NHS Foundation Trust

Finance Report February 2021 (Month 11)

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Financial Strategy

I&E

2020/21

- Current year end forecast for 2020/21 is a deficit of £0.8m plus an increased provision for annual leave of £6.7m to give a £7.5m deficit in total. The improvement to the position excluding annual leave is due to the funding received from NHSE/I in month 11 and agreement from sector of the KHT share of sector funding, £0.2m elective incentive scheme and £5.9m other funding.

- The remaining £0.8m deficit is caused by a further decrease in non-NHS income compared to plan which has been highlighted to NHSE/I via the sector. If this lost income was also funded, this would enable KHT to achieve a breakeven position.

2021/22

- Underlying run rate expenditure and the base for 2021/22 was presented to the sector and NHSE/I in the month. The challenge made to the Trust is to examine the cost pressures and investments made during budget setting for 2020/21 and validate as recurrent.

- Confirmation of block income values for NHS income have not been received yet and therefore bottom up costings have been used as the basis of budgets for quarter 1.

- Confirmation of income is now expected on 25th March 2021. It is also expected that the question on whether the block value will apply for just quarter 1 or for the first half of the year will be confirmed at the same time.

- The expectation on elective activity levels and the extent of recovery for quarter 1 or the first half of the year is still unconfirmed. A replacement for the currently suspended Elective Incentive Scheme is expected. The national CFO is still in conversation with Treasury with regard to the additional funding available for this.

- SWL sector has made a submission to NHSE/I with KHT's input on elective activity capacity for 2021/22 as part of a national data collection exercise.

- It is important that additional funding to support additional elective activity is confirmed and is in line with activity assumptions particularly as independent sector providers will no longer be paid directly by NHSE/I.

Capital

- Trust is forecasting a capital spend of £31.2m.

- 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. £5.043 of this PDC was drawn during October the balance is expected to be drawn during January 2021.

- 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 Performance

	Annual Plan	Month Plan	Month Actual	Month Variance	YTD Plan	YTD Actual	YTD Variance
Income	314,183	27,648	30,037	2,389	286,495	281,328	(5,167)
Pay	(199,796)	(17,170)	(18,366)	(1,196)	(182,624)	(187,392)	(4,768)
Non-Pay & Depreciation	—	(121,150)	(10,948)	(10,399)	549	(110,192)	(5,361)
Operating Surplus/(Deficit)	(6,763)	(470)	1,272	1,742	(6,320)	(21,616)	(15,296)
Finance Costs	—	(7,669)	(639)	(730)	(91)	(6,729)	(113)
Total Surplus/(Deficit) - excl. Top Up	(14,433)	(1,109)	542	1,651	(13,050)	(28,458)	(15,409)
Top-Up and other NHSE add'l funding	—	6,115	0	568	568	6,115	23,191
Total Surplus/(Deficit) (excl Donated Assets)	(8,318)	(1,109)	1,110	2,219	(6,935)	(5,268)	1,667
Net Donated Assets	(140)	(33)	13	46	(107)	90	197
Overall Surplus/(Deficit)	—	(8,458)	(1,142)	1,123	2,265	(7,042)	1,863

Highlights:

- Month 11 position is a £1.1m surplus, £2.2m favourable to plan. The YTD position is a £5.3m deficit, is £1.7m favourable to plan.
- Favourable position in month is due to the receipt of funding for lost non-nhs income of £2.7m and resolution of the previous deduction to top-up funding of £0.6m.
- Pay overspend in month of £1.2m due to a £0.7m increase in BAU costs compared to last month and a £0.3m overspend in Covid pay costs due to second surge. In month costs includes £0.3m of catch up relating to January, £0.1m offset by additional income through recharges to the sector and £0.1m of CEA awards.
- Non-Pay and Depreciation costs are £0.5m favourable, mainly due to low consumables spend for elective activity but also due to £0.2m movement between operating depreciation and finance costs. Covid plan for non-pay includes £0.4m per month for testing not incurred by the Trust, but Covid non-pay costs have increased due to second surge and are therefore only £0.1m below plan in month.
- Top-up income previously deducted from the position of £0.6m has been added back following confirmation from NHSE/I, who have also confirmed the £0.4m PDC deduction is no longer valid and therefore not at risk.
- Trust YTD Capital spend was £16.8m. Another £10.8m of orders have also been raised. A further £14.4m is required to be spent in month 12 to reach the forecast and approved CDEL of £31.2m.

Financial Governance

- An estimated holding budget for Q1 of 2021/22, based on latest assumptions will be presented to Finance and Investment Committee in March 2021. Any changes required following updated guidance expected on 25th March 2021 will be communicated in an update paper to the same committee in April 2021.

- The sector financial envelopes are expected in April/May. We will be working closely with the sector to ensure a fair allocation of funding for KHFT. Despite the uncertainty on funding, Finance and Strategy teams are modelling impact on activity and finances on a number of scenarios whilst the strategic priorities of the Trust are agreed.

- Latest updates from NHSE/I suggest that the financial regime rolled over in to Q1 of next financial year could be extended further and be in place for the first half of the year.

- The Trust will work with the sector and NHS London to get clear implications for the budget sign off process for 21/22.

- 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 Risk

- The increase in pay costs in month of £0.7m compared to the previous month, is mainly due to temporary enhanced rates, prior period charges, pay awards, and initiatives offset by income. The trend of underlying pay spend however, has increased over the past 12 months and additions to base budgets to reflect the current run rate are being requested for quarter 1 budgets. The drivers of this need to be understood, recurrence of costs validated and any potential income offsets explored in planning for budgets for quarter 2 onwards.

- Further data collection from departments regarding outstanding annual leave has meant a re-working of the provision and it is now estimated to be £6.7m. This is included in the forecast position and notified to NHSE/I who have confirmed it as an allowable overspend against plan for 2020/21. Partial funding of £3.1m has already been confirmed by NHSE/I for annual leave but confirmation of any further funding will not be notified until after the financial year has closed.

- The increased impact of lost non-NHS income of £0.8m remains subject to further review by NHSE/I and therefore remains at risk.

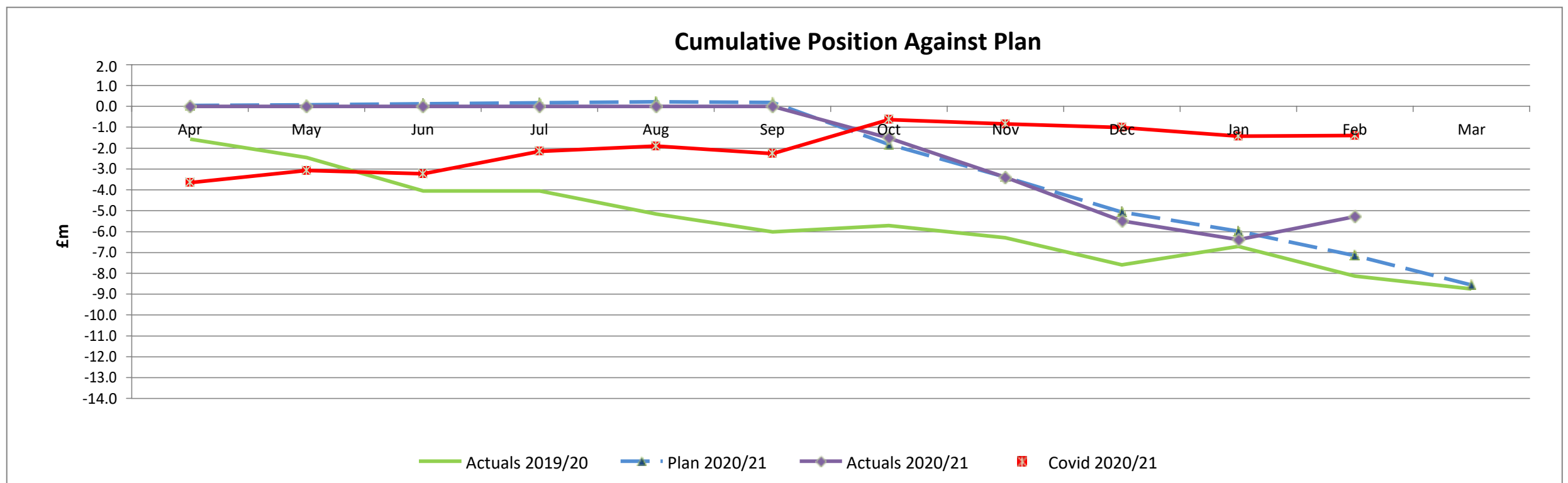
- The sector has agreed to allocate £5.9m to KHT from other sector funding for 2020/21.

- Confirmation for block contract values for 2021/22 has still not been received and therefore budget setting is currently based on latest verbal updates. The uncertainty caused by this delayed guidance is a major risk although agreements are in place across the sector that necessary mitigations will be sort by working as a system.

SECTION 1: OVERALL INCOME AND EXPENDITURE

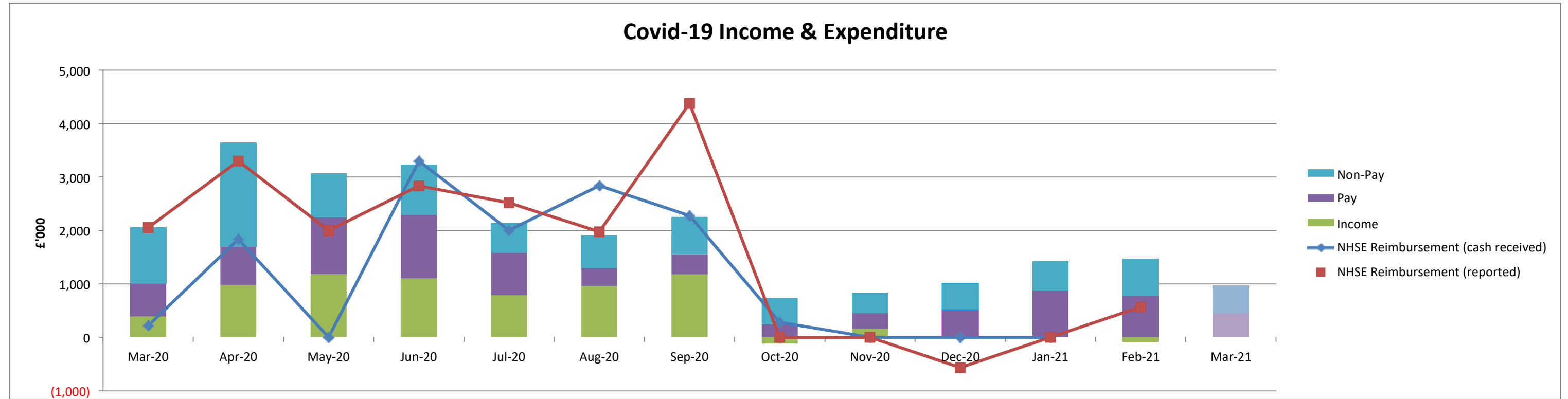
Summary as at the end of Feb-21

Income & Expenditure	Annual Budget £000's	IN MONTH					YTD				
		Budget v Actuals					Budget v Actuals				
		Plan £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's	Plan £000's	Actual £000's	Covid-19 £000's	Total Actual £ 000's	Var £000's
Income (excl PSF & Don Assets)	259,706	21,511	24,241	0	24,241	2,729	238,191	240,984	0	240,984	2,793
NHS Patient Care	26,947	4,038	3,385	14	3,399	(639)	22,865	20,844	(1,653)	19,191	(3,678)
Patient Care Income	27,530	2,095	2,136	68	2,204	109	25,435	25,463	(4,503)	20,966	(4,475)
Other Income											
Income	314,183	27,644	29,763	82	29,844	2,196	286,495	287,291	(6,156)	281,135	(5,360)
Operating Expenses											
Pay	(199,796)	(17,170)	(17,592)	(774)	(18,366)	(1,196)	(182,624)	(180,195)	(7,197)	(187,392)	(4,768)
Non Pay	(111,971)	(10,085)	(9,161)	(697)	(9,858)	221	(101,574)	(98,625)	(8,172)	(106,797)	(5,223)
Depreciation and Amortisation	(9,179)	(863)	(541)	0	(541)	322	(8,617)	(8,755)	0	(8,755)	(138)
Operating Expenses	(320,946)	(28,118)	(27,294)	(1,471)	(28,765)	(647)	(292,815)	(287,575)	(15,369)	(302,944)	(10,129)
Operating Surplus/(Deficit)	(6,763)	(470)	2,469	(1,389)	1,079	1,543	(6,320)	(285)	(21,524)	(21,809)	(15,489)
Finance Costs											
Investment Revenue	125	10	0	0	0	(10)	118	4	0	4	(114)
Finance Costs	(4,529)	(377)	(294)	0	(294)	84	(3,933)	(3,383)	0	(3,383)	550
Public Dividend Capital	(3,265)	(272)	(237)	0	(237)	31	(2,914)	(3,263)	0	(3,263)	(349)
Impairments			(199)		(199)	(199)		(199)		(199)	(199)
Finance Costs	(7,669)	(639)	(730)	0	(730)	(91)	(6,729)	(6,842)	0	(6,842)	(113)
Total Surplus/(Deficit) - excl. Top Up	(14,433)	(1,109)	1,739	(1,389)	350	1,452	(13,050)	(7,127)	(21,524)	(28,651)	(15,601)
Specific scheme funding - NHSE			193		193	193		273		273	273
Covid-19 PCI Top Up (M1-6)	6,115	0	568		568	568	6,115	23,111		23,111	16,996
Total Surplus/(Deficit) (excl Donated Assets)	(8,318)	(1,109)	2,500	(1,389)	1,110	2,213	(6,935)	16,256	(21,524)	(5,268)	1,667
Depreciation on donated assets	(294)	(33)	(24)		(24)	9	(261)	(259)		(259)	2
Donated Asset Income	154	0	37		37	37	154	349		349	195
Total Surplus/(Deficit) (Incl Donated Assets)	(8,458)	(1,142)	2,513	(1,389)	1,123	2,269	(7,042)	16,346	(21,524)	(5,178)	1,863
	Annual Plan	Plan	Actual				Plan	Actual YTD			
EBITDA Margin	-2.2%	-1.7%	8.3%				-2.2%	-0.1%			
EBITDA Achieved	100.0%	100.0%	-525.5%				100.0%	4.5%			
I&E Surplus Margin	-4.6%	-4.0%	5.8%				-4.6%	-2.5%			



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	0	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)	0	568	0	16,429	18,481	
Income	390	978	1,188	1,106	789	962	1,176	(118)	157	0	0	(82)	0	6,237	6,627	
Pay	620	719	1,062	1,189	791	343	379	243	296	520	878	774	450	6,422	7,043	
Non-Pay	1,043	1,947	822	933	565	596	697	498	386	488	544	697	515	7,475	8,518	
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	1,423	1,389	965	20,135	23,163	

Narrative

Previous deduction to top-up of £568k has been resolved and has been included in this month's position. The forecast for Covid expenditure is the revised forecast reflecting second surge but is a decrease on the current month due to the end of the megarota and enhanced rates in March.

Pay costs at £774k have decreased by £104k compared to last month, with a decrease of 9 WTE's, but are still high compared to the year to date average reflecting the pressure of second surge.

Non-pay costs at £697k have increased by £153k compared to last month due stock replacements particularly sterile packs, drugs and medical gases spend has remained high and transport costs have also increased.

SECTION 3: INCOME SUMMARIES

Category £000's	In-month			Year to Date			Full Year Plan
	Plan	Actual	Variance	Plan	Actual	Variance	
Elective	771	771	0	8,792	8,792	(0)	9,679
Day Cases	2,067	2,209	142	23,562	23,704	142	25,939
Non Elective	6,136	6,136	0	71,419	71,419	(0)	78,090
Outpatients	4,482	4,490	8	50,855	50,646	(209)	55,920
A&E	1,857	1,857	0	21,885	21,885	0	23,941
High Cost Drugs	1,206	1,206	0	13,746	13,746	0	15,133
Maternity	2,267	2,267	0	27,047	27,047	0	29,558
Other NHS	2,729	5,305	2,577	20,884	23,744	2,860	21,446
Sub Total NHS Patient Care Income	21,515	24,241	2,726	238,191	240,984	2,793	259,706
Other Patient Care	3,724	3,345	(379)	19,449	17,920	(1,528)	23,203
Private Patient Income	314	53	(260)	3,421	1,271	(2,150)	3,744
Total Revenue from Patient Care	25,553	27,640	2,087	261,060	260,175	(885)	286,653
Education & Research Income	886	917	31	9,760	10,035	276	10,646
Non-Patient Related Income	1,209	1,287	78	15,675	10,924	(4,751)	16,884
Total Other Income	2,095	2,204	109	25,435	20,960	(4,475)	27,530
Total	27,648	29,844	2,196	286,495	281,135	(5,360)	314,183
Donated Asset Income	-	37	37	154	349	195	154
Total	27,648	29,881	2,233	286,649	281,484	(5,165)	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 month 7. The only other source of income is from Local Authorities in relation to GUM outpatients.

The block adjustment of £2.4m represents income received over and above the value of activity undertaken. This value is lower than last month.

The income shown above excludes Covid re-imburement and Top-Up values, but does include the Non-NHS Other Income top up of £2.5m.

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

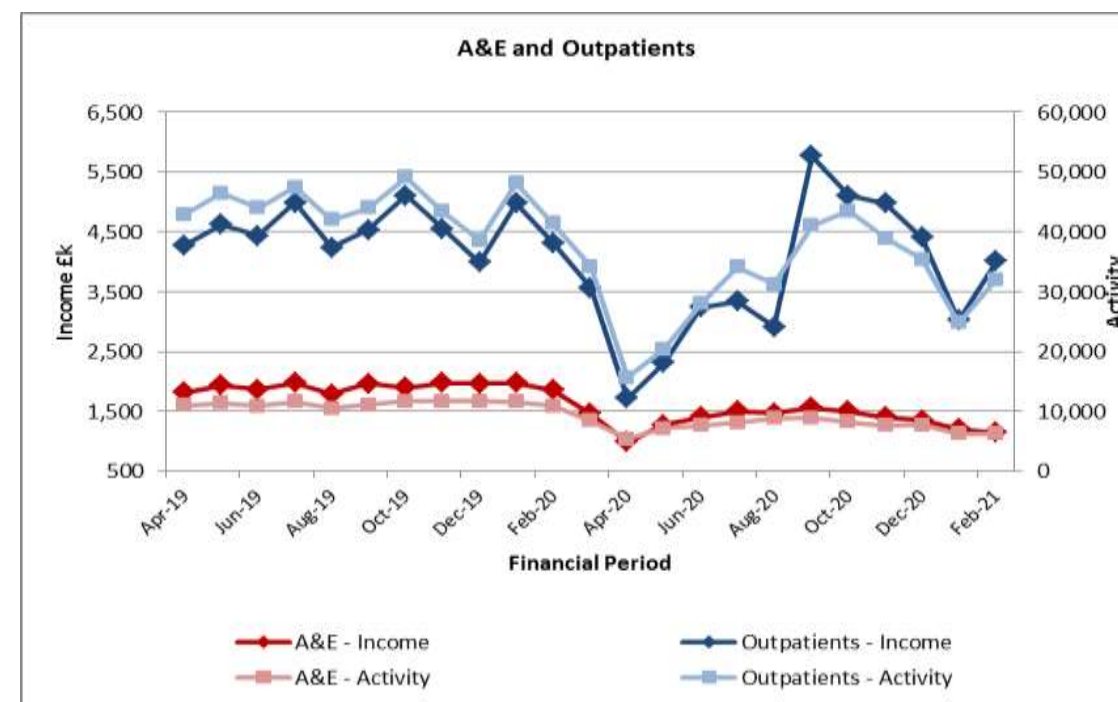
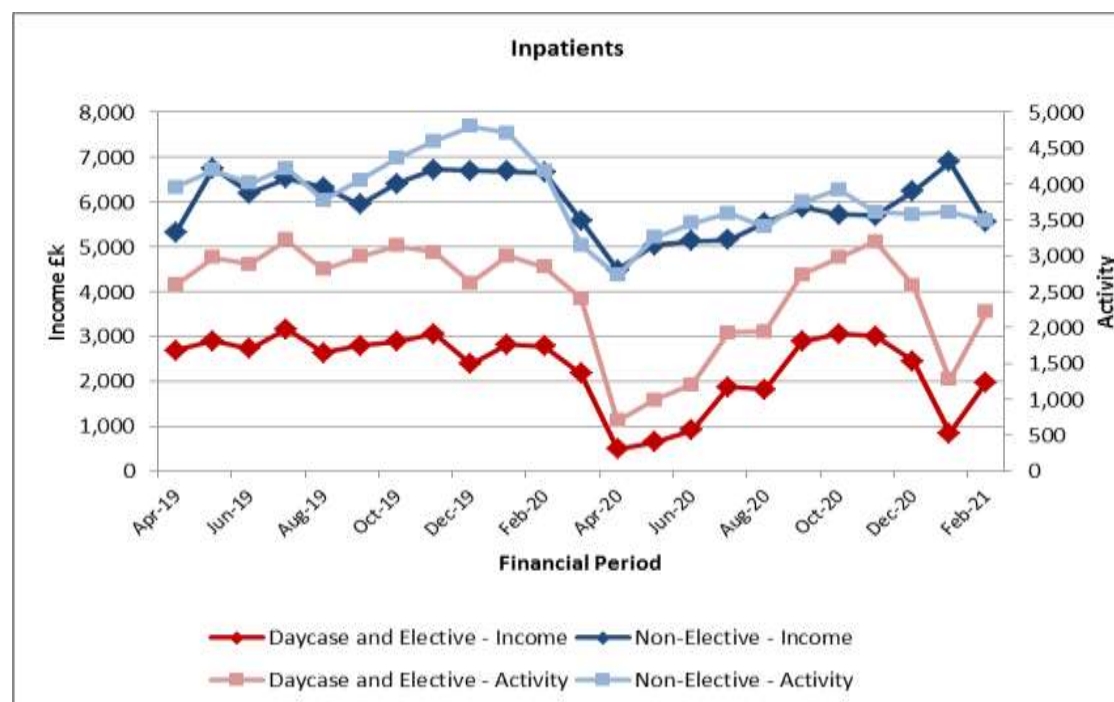
Point of Delivery	In Month						Year to Date					
	Plan Activity	Actual Activity	Var Activity	Plan £000	Actual £000	Var £000	Plan Activity	Actual Activity	Var Activity	Plan £000	Actual £000	Var £000
A&E	10,873	6,231	(4,642)	1,857	1,137	(720)	128,142	81,877	(46,265)	21,885	14,764	(7,120)
Daycase and Elective	2,931	2,213	(718)	2,838	1,975	(863)	33,417	21,754	(11,663)	32,354	19,919	(12,435)
Non Elective	4,074	3,488	(586)	6,136	5,554	(582)	47,546	38,385	(9,161)	71,419	61,307	(10,112)
Outpatients	43,473	32,069	(11,404)	4,482	4,006	(476)	493,678	345,055	(148,623)	50,855	40,804	(10,051)
Maternity	1,082	1,208	126	2,267	2,532	265	12,912	13,534	622	27,047	27,475	427
Critical Care	688	722	34	791	988	197	8,208	10,268	2,060	9,384	12,092	2,708
High Cost Drugs	1,674	2,090	416	1,206	1,296	90	19,089	22,092	3,003	13,746	14,317	570
Other NHS	308,698	275,469	(33,229)	1,385	1,336	(49)	3,518,872	2,636,471	(882,401)	16,450	12,612	(3,839)
Block Adjustment	0	0	0	553	2,929	2,376	0	0	0	(4,951)	35,206	40,157
Total	373,493	323,490	(50,003)	21,515	21,754	239	4,261,864	3,169,436	(1,092,428)	238,191	238,496	306

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 and £2.5m Non-NHS Income top up.

The block adjustment represents the amount required to balance to the income received after valuation of the activity undertaken. This value is £2.4m in February.

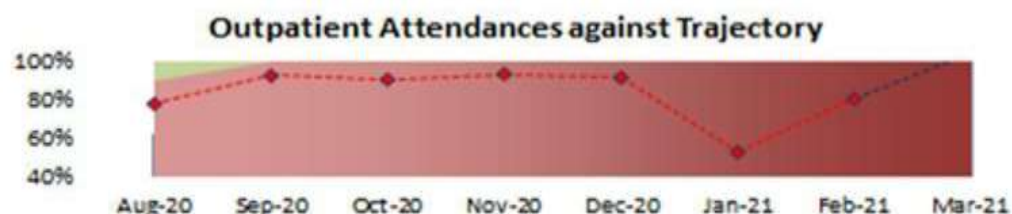
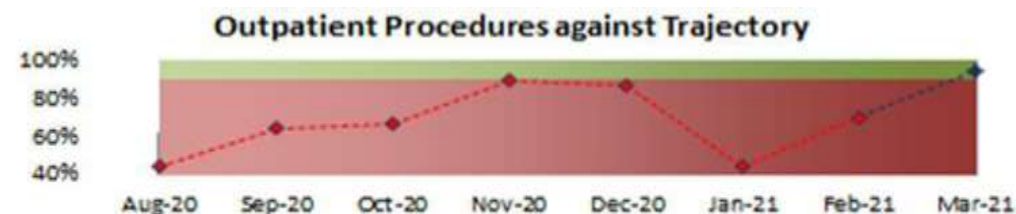
Following the suspension in January, the elective recovery was restarted in February. A&E attendances have increased to 223 per day.



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 February actual values (red dots above) are based on the latest available information.

Due to the suspension of elective work in January and subsequent phased restart during February, the targets have not been met. The forecast outturn is based on the details supplied in the recent Spring planning return. The MRI performance reflects reduced demand against previous levels rather than insufficient capacity.

Elective Incentive Scheme (EIS)

The EIS scheme will not now apply to activity from November onwards. The SWL sector achieved the targets in September and October for Elective and Outpatient activity. KHFT also achieved these targets and will receive a share of the sector EIS funding for those 2 months of £0.3m

SECTION 4: STATEMENT OF FINANCIAL POSITION

	Jan £m	Feb £m
NON CURRENT ASSETS:		
Property plant and equipment	153.5	155.8
Intangible assets	16.0	16.3
Other assets	1.5	1.4
TOTAL NON CURRENT ASSETS:	171.0	173.4
CURRENT ASSETS:		
Inventories	2.4	2.2
Trade and other receivables	29.0	24.4
Cash and cash equivalents	48.8	61.2
TOTAL CURRENT ASSETS	80.2	87.9
CURRENT LIABILITIES:		
Trade and other payables	(72.4)	(76.8)
Current Borrowings	(2.3)	(2.4)
Current Provisions	(2.1)	(2.1)
TOTAL CURRENT LIABILITIES	(76.8)	(81.3)
NET CURRENT ASSETS LESS CURRENT LIABILITIES	3.4	6.6
TOTAL ASSETS LESS CURRENT LIABILITIES	174.4	180.0
NON CURRENT LIABILITIES:		
Borrowings	(36.3)	(37.5)
Provisions	(0.7)	(0.7)
Other liabilities	0.0	0.0
TOTAL ASSETS EMPLOYED	137.4	141.8
FINANCED BY		
TAXPAYERS EQUITY:		
Public Dividend Capital	115.0	118.3
Revaluation reserve	21.1	21.1
Income and Expenditure Reserve - Prior years	7.6	7.6
Income and Expenditure Reserve - Current Year	(6.3)	(5.2)
TOTAL TAXPAYERS EQUITY	137.4	141.8

COMMENTARY

Non - Current Assets

Non-Current Assets increased by £2.4m in February 2021 comprised of: £2.3m increase Property plant and equipment, £0.3m increase in Intangible Assets and £0.1m decrease in Other Assets.

Current Assets

There was a £7.7m increase in Current Assets in February 2021 comprised of: £0.2m decrease in Inventories, £12.4m increase in Cash and Cash Equivalents (as analysed in Section 7 Cash Flow Statement) and £4.6m decrease in Trade and Other Receivables.

Current Liabilities

There was an increase of £4.5m in Current Liabilities in February 2021 due to £4.4m increase in Trade and Other Payables and increase of £0.1m in current Borrowings. Current Provisions remain unchanged.

Taxpayers Equity

There was an increase of £3.3m in Public Divided Capital in February 2021 due to PDC drawdown for Covid 19 and Elective Restart programme projects 2021 £3.2m and Adopt and Adapt £0.1m.

SECTION 5: CAPITAL

	Capital YTD Plan £000	FCOT CDEL £000	YTD CDEL Spend £000	Expenditure required months 12 £000	YTD plan Variance CDEL £000
ESTATES	6,705	13,572	6,372	7,200	(333)
EQUIPMENT	1,353	3,845	1,581	2,264	228
IT	4,413	7,998	3,454	4,544	(959)
MES	2,912	3,786	3,786		874
PFI		66		66	
Elective Restart schemes / Covid -19		1,931	1,638	293	1,638
TOTAL APPROVED CAPITAL PROGRAMME	15,383	31,198	16,831	14,367	1,448
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

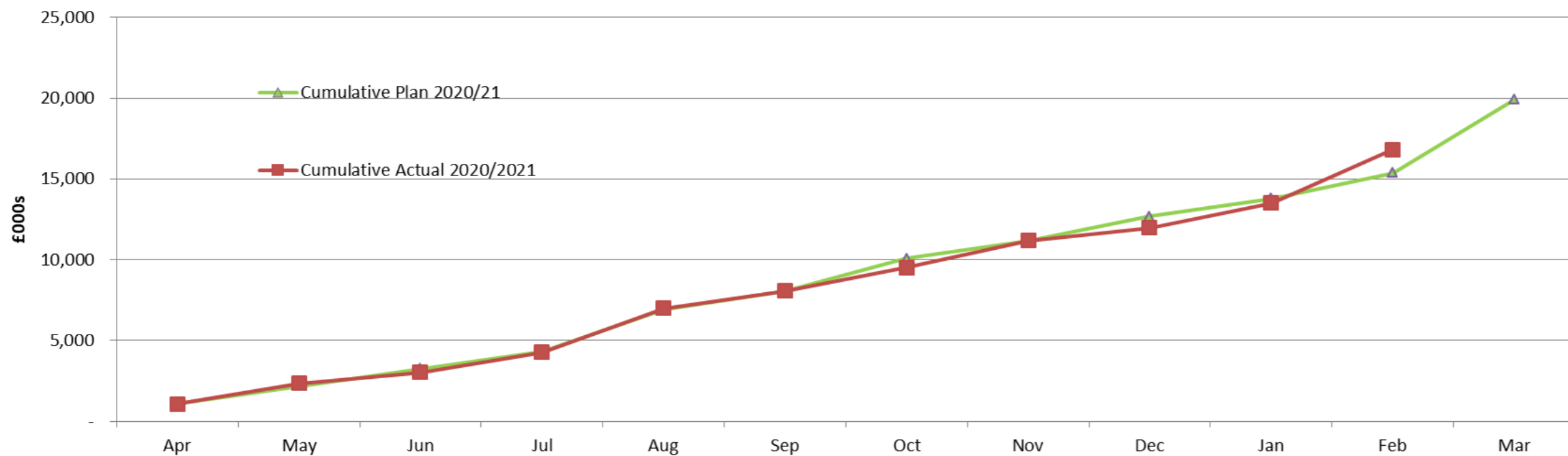
The CDEL approved is £31.2m which is forecast to be spent in full.

In order to achieve CDEL, a further £14.4m of Capital expenditure is projected for the remaining 1 months to 31st March 2021.

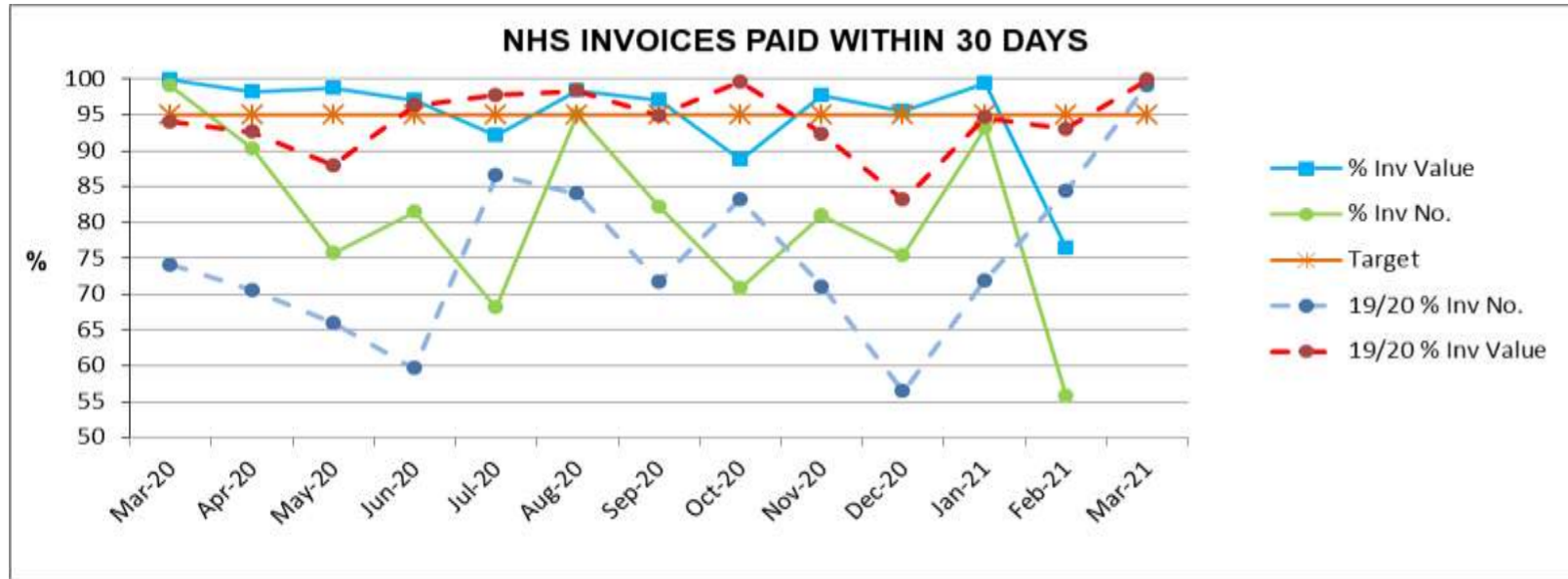
A list of Capital projects from 2021-22 which can be brought forward is being retained. The forecast expenditure by project is reviewed with the functional heads on a regular basis.

Capital orders totalling £7.7m have been raised since the start of January 2021.

Cumulative Capital Position Against Plan



Appendix 1 - BETTER PAYMENTS PRACTICE CODE



Better Payments Practice Code

The number and value of NHS invoices paid within term in February were 76% and 56% respectively, compared to 93% and 99% respectively last month. Performance deteriorated in month as a number of long outstanding items were paid during February including Royal Marsden. The SWL P2P invoice £914k for February was paid in March.

The number and value of non NHS invoices paid within term in February were 52% and 52% respectively, decreased from 56% and 59% respectively in the previous month. Several high-value invoices for PFI services were paid on terms which reflect the current situation. Aged invoices for Johnson and Johnson were paid when we are now clearing the invoices on the previous procurement system.

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 cash flow is vital.

