

Enc 02 - Finance Report

Month 3

June 2022



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1. Executive Summary

Metric		In Month			Year To Date			Variation
		Actual	Plan	Variance	Actual	Plan	Variance	Current Month
£m	Income	29.8	29.7	0.1	87.2	87.4	(0.1)	
	Expenditure	31.0	31.0	(0.1)	92.8	93.0	0.2	
	Total I&E (Control Total Equivalent)	(1.2)	(1.3)	0.1	(5.5)	(5.6)	0.1	
	Temporary Staffing Spend	3.2	2.4	(0.7)	9.5	7.7	(1.8)	
	Capital Expenditure	0.4	0.6	(0.2)	0.6	1.7	(1.1)	

- Month 3 position is a £1.2m deficit, YTD the position is a £5.5m deficit. This is £0.1m favourable to plan in month and plan YTD.
- Within the expenditure position is an overspend in non-pay offset by pay. The non-pay overspend is due to inflationary pressures starting to impact the run rate in estates utilities costs in month.
- Temporary staffing spend in month of £3.2m (£0.7m overspend). This is driven by the need to backfill clinical vacancies and absence cover and greater use of agency.



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2. Scorecard

Financial Strategy

- Achievement of the breakeven plan for 22/23 is dependant on non-recurrent factors. Focussed work is underway looking at financial sustainability in future years starting with understanding the underlying position. This monthly report now includes a review of the underlying position and the gap (ie reduction in expenditure required) to achieve breakeven in future years.
- Continue to progress all aspects of the FIP programme including the finance team taking action to reflect the savings in divisional budgets. The monthly FIP target increases to £1.0m per month in Q2 and to £3.0m per month from the start of H2. A detailed update is being presented to this committee.
- Action is underway to tackle areas of overspend within clinical pay. The pay position has improved in month 3 but this is partly due to a temporary impact of vacancies in maternity and radiology. Check and challenge meeting are in place, led by the Chief Operating Officer, to review financial positions and to agree corrective action as required.
- The majority of sector held funding has now been distributed to partner organisations to enable submission of break even plans. Modest centrally held funds remain for innovation & equalities, winter funding and non-recurrent funding for excess inflation. The Trust will therefore continue to work with the sector to receive a fair share of these.
- A capital plan for 22/23 has been developed where functional heads for Estates, ICT and Equipment which was agreed at April Finance Committee. Capital schemes totalling £37.0m were identified, with £1.2m of expected slippage bringing the net capital plan to £35.8m. The approved plan includes £11.3m (Y1 expenditure) for the Green Elective Surgical Centre and £2.1m relating to CDC bids which are still subject to approval. We have received feedback from NHSE/I on our TIF submission and are updating the submission in line with the recommendations. An updated version is being submitted during July. Decision from National colleagues is expected at the end of August / early September.

Financial Governance

- Breakeven I&E plan submitted to NHSE on 20.6.22 in line with the SWL Sector submission.
- A review of elective waiting lists and the possible scenarios for delivery of additional activity in the most cost effective way is being presented to this committee.
- Guidance from NHSE on additional agency spend controls and caps is still expected and outstanding.
- The Trust's capital plan was presented and approved by the Executive Management Committee and FIC during April.

Financial Performance

- Month 3 position is a £1.3m deficit, £5.5m deficit YTD. This is £0.1m favourable to plan in month, and YTD. However, this includes £0.6m of non-recurrent support, therefore the underlying financial position is adverse to plan. The full year plan is breakeven as per the submission on 20.6.22.
- Income is £0.1m above plan due to income for overseas recruitment offset by costs. Private patient income is in line with plan in month.
- ERF income is reported in line with SWL sector guidance at £1.0m in month, £2.2m YTD. Performance by KHT for SWL has been reported by the sector for Q1 as marginally exceeding the 104% target with potential over-performance of £270k. However as the sector is below target overall, it is not envisaged that KHT will receive this overperformance, so the additional £270k has been appropriately provided for. The cost to deliver this level of activity has been £2.0m, of which £0.6m has been mitigated with non-recurrent support.
- Pay expenditure at £19.9m is £0.2m below plan in month. The increase compared to last month is due to a YTD provision for funded level of pay award reflected in the plan. The divisional pay position has improved compared to months 1 and 2 as vacancies particularly in Radiology medical staff, midwives and clinical administrative roles offset the continuing overspend in ED medical pay and additional nursing costs due to ward escalation. WTE's in month decreased by 37.
- Non-Pay costs (including Depreciation and Finance charges) of £11.2m are £0.2m above plan in month. Independent sector costs for elective recovery were £0.3m in month, however this was offset by a £0.6m non-recurrent mitigation to offset the YTD spend with the Independent sector. Inflationary pressures are starting to impact the run rate in estates utilities costs in month, this needs to be monitored against assumptions in the plan as additional funding was secured for further inflationary pressures. A YTD adjustment to reflect the impact of IFRS 16 has been done in month which impacts the run rate between non-pay, depreciation and finance costs but the overall impact is zero.
- Agency costs in month returned to the average for the previous 12 months of £1.0m, a decrease of £0.4m on the previous month. The decrease was on nursing and Scientific, professional and technical staff. Medical agency expenditure remains high at £0.5m in month.
- FIP delivery in month is £0.7m in line with plan. The FIP target increases to £1.0m in month 4. Delivery of fully developed schemes was £0.6m with £0.1m of mitigations.
- Trust Capital spend in month 3 was £0.4m which is £0.2m below the in month plan. It is expected that expenditure in the next few months will accelerate as schemes identified in the 22/23 capital plan are approved at Capital Control Committee.

Financial Risk

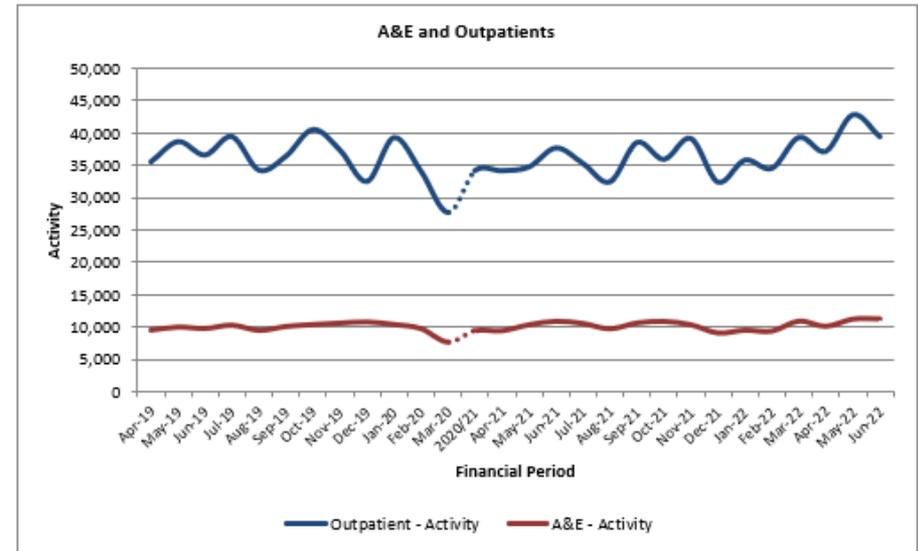
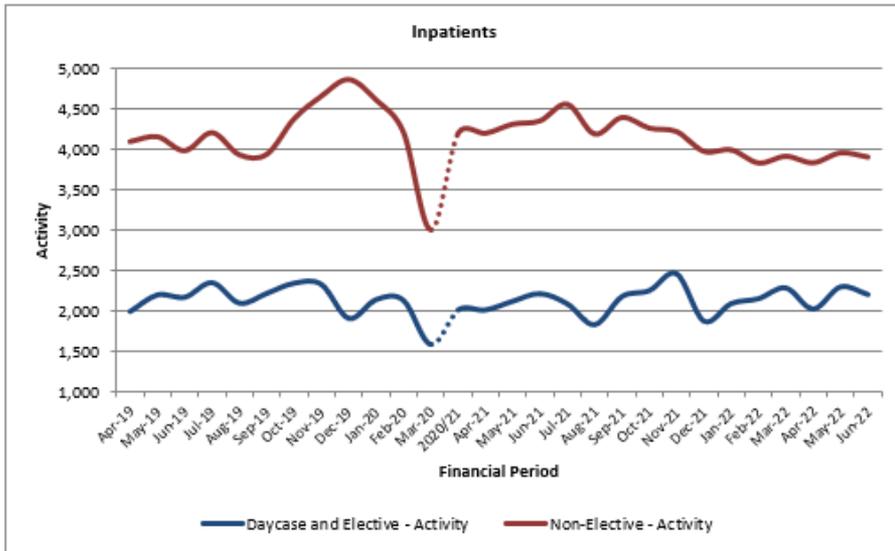
- ERF performance across the sector for Q1 shows a potential clawback required of £4.8m due to underperformance at SGH and an EpsH. The KHT position within that is positive with an additional £0.3m ERF potentially earned. This is still based on an estimate for month 3. The Trust will continue to play its part within the sector in devising a strategy to mitigate this risk to the sector position. There is also potential risk on the funding from Surrey ICB, which has yet to be agreed for 2022/23.
- Inflationary pressures exceeding assumptions in the plan remains a risk this financial year due to high rates of inflation. Further funding has been received for inflation to support the breakeven plan submission. This includes a 2% general uplift on pay. The NHS pay review body (NHSPRB) is yet to publish its report for the 22/23 uplift but the government has submitted evidence to say a 3% uplift is the maximum affordable. Additional funding for a rise above 2% has not been confirmed.
- The FIP target of £30.9m has £22.5m identified and £8.4m unidentified. Of the identified schemes, £13.3m are non-recurrent.
- Discussion are continuing around enhanced staff benefits. The cost impact of each initiative is forming part of the decision making process and will require additional mitigations to offset.
- Covid testing activity which is currently recharged to NHSE by SGH on behalf of the sector is exceeding plan with a potential financial risk to KHT of £0.6m to £0.9m. Confirmation is being sought from NHSE by the South West London Pathology (SWLP) team.
- Submission of a breakeven plan mitigates the risk of the impact of success of capital bids including the TIF scheme.



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3. Patient Care Activity



Point of Delivery	In Month			Year to Date		
	Plan	Actual	Variance	Plan	Actual	Variance
A&E	9,968	11,273	1,305	29,931	32,599	2,668
Daycase and Elective	2,317	2,206	(111)	6,215	6,530	315
Non-Elective	3,970	3,905	(65)	12,083	11,696	(387)
Outpatient	39,628	39,436	(192)	118,143	119,416	1,273
Maternity	1,141	1,076	(65)	3,436	3,265	(171)
Critical Care	711	800	89	2,157	2,311	154
High Cost Drugs	1,805	2,393	588	5,415	6,771	1,356
Other	306,746	380,431	73,685	920,237	1,143,222	222,985
Total	366,286	441,520	75,235	1,097,618	1,325,810	228,192

1. All activity values are recorded in the month that the activity took place. The year to date figure will include any adjustments to prior months. The majority of activity in 'Other' is Direct Access Pathology and Radiology.
2. The plan values are indicative totals based on the 2019/20 activity pending further work with the services. A&E, Daycase and Elective, Non-Elective and Outpatient plans match the 28th April SWL Sector planning submission and profile.
3. In the above graphs, 2020/21 data has been removed, shown by the dotted lines. The BAU comparator for this year continues to be 2019/20 which has been retained.



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4. Capital

	Capital Plan £000	Capital YTD Plan £000	YTD CDEL Spend £000	YTD plan Variance CDEL £000
ESTATES	8,115	795	176	(619)
EQUIPMENT	1,080	79	-	(79)
IT	3,620	795	429	(366)
MES	128	12	-	(12)
PFI	0	-	-	-
CDC	2,074	-	-	-
Green Elective	11,283	-	-	-
ITU	10,700	38	-	(38)
Capital Slippage	-1,213	-	-	-
Charity Funded:	1,650	-	-	-
TOTAL APPROVED CAPITAL PROGRAMME	37,437	1,719	605	-1,114

Capital Funding:	Don funding £'000	Internal £'000	PDC funding £'000	Total £'000
Charity Donation	1,650			1,650
Depreciation (Internally funding)		11,730		11,730
TIF - Green Elective (to be approved)			11,283	11,283
ITU		10,700		10,700
CDC (to be approved)			2,074	2,074
Total CDEL	1,650	22,430	13,357	37,437
SW expected CRL				37,437
Under/(Over) CRL				-

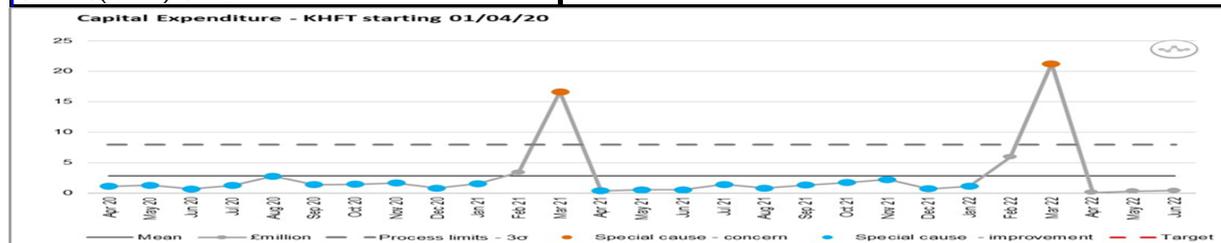
COMMENTARY

The capital plan is line with the plan agreed at the April Finance and Investment Committee.

Capital schemes totalling £37.0m were identified, with £1.2m of slippage bringing the net capital plan to £35.8m. In addition there are £1.7m of charity funded schemes taking the total capital plan to £37.4m.

The approved plan includes £11.3m for the Green Elective Surgical Centre and £2.1m relating to CDC bids which is are still subject to approval.

YTD spend is £0.6m against a plan of £1.7m, however the profile of expenditure is expected to increase in future months now the capital plan has been approved.



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