

Financial review of 2014/15

Overview

Kingston Hospital was granted a licence to operate as a Foundation Trust on 1 May 2013. As a result, a set of accounts was prepared for each legal entity that existed in the 12 month period to 31 March 2014 (one for the 1 month as an NHS Trust and another for the 11 months as a Foundation Trust). We have aggregated the numbers for both these periods for the purposes of the commentary below to enable the reader to more easily compare this year's results to those of the 12 month period ended 31 March 2014.

Financial Performance

The Trust achieved a financial position of a £0.3m surplus for the year ended 31 March 2015 before impairments and revaluations. This result was £1.9m below the planned surplus of £2.2m and below the surplus of £2.5m for the 12 month period ended 31st March 2014. This was due mainly to shortfalls against the Cost Improvement Programme, unplanned and unfunded additional staffing costs during the winter months, affordability challenges within the local health economy, and non-pay pressures, particularly around energy costs.

A Continuity of Services Rating (CoSR) of 3 was achieved in line with plan.

Revenue

In the year to 31st March 2015, the Trust received income of £225.6m. This represents an overall increase of 6.9% compared to the income received for the 12 months to 31st March 2014. This is analysed below:

£m	31 st March 2015	31 st March 2014
Patient Care Income	196.6	187.3
Education, Training and Research	8.7	8.1
Other	20.3	15.6
Total income	225.6	211.0

The Trust received Patient Care Income of £196.6m in 2014/15 from a number of Clinical Commissioning Groups (CCGs) as well as NHS England and Local Authorities. This represents an increase of approximately 5% compared with the previous 12 months and means that approximately 87.1% of total revenues were derived from patient care in 2014/15 compared with 88.9% in 2013/14.

The following CCGs contributed more than 50% of the Trust's total income:

£m	31 st March 2015	31 st March 2014
Kingston CCG	79.2	75.8
Richmond CCG	44.1	38.4
Surrey Downs CCG	26.3	24.0
Wandsworth CCG	14.2	15.2

Expenditure

Total costs for the year ended 31st March 2015 were £229.3m compared to £208.5m for the 12 months to 31st March 2014, split as follows:

£m	12 months to 31 st March 2015	12 months to 31 st March 2014
Staff Costs	135.2	131.2
Running Costs (Excluding Staff)	88.0	71.4
Finance Costs (Including PFI)	3.2	3.2
Public dividend payable to HM Treasury	2.9	2.7
Total Expenditure	229.3	208.5

This represents an increase of 10.0%. This is mainly driven by direct costs required to deliver the additional activity.

Capital

The Trust achieved 94% of its Capital plan of £12.8m in the year. The plan can be split into four areas:

- Expenditure related to the Estates strategy (40%)
- Maintaining and updating the estate (27%)
- Investment in IT infrastructure and systems (25%)
- Replacing clinical equipment (8%)

Of the £3.8m expenditure on the Estates strategy, £3.2m of the related to the redevelopment of Vera Brown House (The Old Nurses Home) in order to move staff from leased buildings into owned buildings on the hospital site. The remaining expenditure related largely to the commencement of projects to replace the windows in Esher Wing and to redevelop outpatients, projects which will continue into 2015/16.

However, the £3.8m expenditure on estates strategy was below the planned level of £5.2m. The main reason for the difference from plan is a reflection of the work on the Sir William Rous unit being deferred while plans for the unit are developed further.

The Estates strategy is largely funded by a loan from the Independent Trust Financing Facility (ITFF). A facility of £10m has been agreed of which £3.4m was drawn down in year.

Expenditure on Estates maintenance of £2.7m included £1.1m on the continuation of essential pipework replacement, £0.4m on electrical infrastructure and £0.4m on the replacement of air handling units for theatres, ICU and Esher Wing. For IT, the largest proportion of spend (£1.9m) related to further development of the Clinical Records System (CRS).

Revaluation and impairment

The Trust's land and buildings were re-valued as at 31st March 2015. This valuation exercise has resulted in a net decrease in the total net book value of land and buildings of £0.2m, comprising a £0.9m increase in land values and a £1.1m net decrease in building values. Furthermore, there has been a £5.4m gross increase in the valuation of certain buildings although this was more than offset by a £6.5m reduction in the value of others.

This has resulted in an overall impairment on the Statement of Comprehensive Income of £4.1m, as £2.4m of the £6.5m reduction in building values was offset against existing revaluation reserve on those buildings.

Cash

The Trust's cash holding decreased from £9.0m at 31st March 2014 to £6.4m at 31st March 2015. The Trust also has access to a committed working capital facility of £6.0m that was not used during the year.