

















# Kingston Hospital NHS Foundation Trust

## Finance Report October 2016 (Month 7)

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## EXECUTIVE SUMMARY

<i>Headline</i>	<i>Prior Month Performance Against Plan</i>	<i>In Month Performance Against Plan</i>	<i>Narrative</i>
	(Sep)	(Oct)	
<b>I&amp;E Position (excluding STF) - The Trust reported an in month deficit of £0.7m and a YTD deficit of £5.4m, which is £0.7m adverse to plan.</b>			Income was below plan in month by £0.3m, due to patient care income. Expenditure was £0.5m above plan due to high Medical Pay and various non-pay pressures. The position is now also being measured and performance managed against the forecast made at month 6 (including recovery plans). The month 7 position is £0.4m worse than the forecast for month 7, £0.3m on income and £0.1m on expenditure.
<b>STF is £0.1m adverse in month and £0.3m adverse YTD</b>			12.5% of the STF is dependant on achieving the A&E trajectory. This trajectory is not being met with a full year forecast impact of £1.0m.
<b>Income (excluding STF) is below plan by £0.3m in month and £1.4m YTD.</b>			Income was below plan and below forecast in month due to lower than anticipated income in Emergency Care and Specialist Services predominantly on non-elective spells and neonatal beddays.
<b>Pay expenditure is £0.4m above plan in month and £1.4m above plan YTD.</b>			Medical pay costs continue to be above plan, £0.3m in month but pay in the clinical divisions does match their forecast for month 7.
<b>Non-pay expenditure is £0.3m above plan in month (including high cost drugs) and £0.6m above plan year to date.</b>			In month overspends on non-pay were primarily in Specialist Services and Human Resources. A lot of these overspends were factored in to the forecast and overall the in month position was £0.1m above forecast.
<b>CIP Delivery stands at 65% in M7 and 71% YTD.</b>			The deterioration of CIP % achieved in month is due to Clinical Support Services scheme in SSD due to start in October not being achieved.
<b>At the end of M6, capital expenditure was £5.9m</b>			Capital expenditure YTD at M7 is higher than plan by £0.7m. This is mainly due to slippage from last year's plan, being spent this year. It does however include £0.3m of items that have been subsequently approved since the plan was set.
<b>The cash balance reported at the end of M7 was £2.0m.</b>			The closing cash position for October was £2.0m which was £0.1m below forecast.

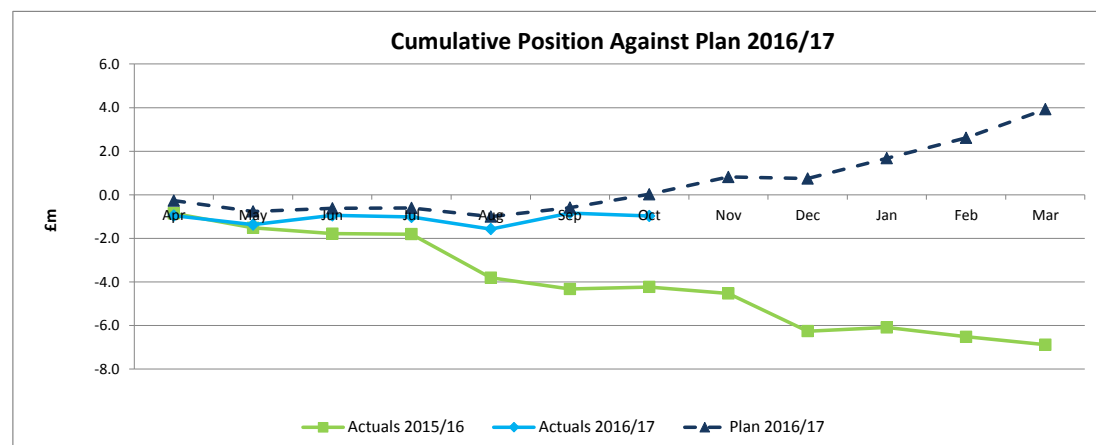
## SECTION 1: OVERALL INCOME AND EXPENDITURE

Summary as at the end of Oct-16

Income & Expenditure	Annual Plan £000's	IN MONTH Budget v Actuals			YEAR TO DATE Budget v Actuals		
		Plan £000's	Actual £000's	Var £000's	Plan £000's	Actual £000's	Var £000's
Income							
Patient Care Income	203,749	17,291	16,883	(408)	117,959	116,073	(1,886)
High Cost Drug Income	14,079	1,160	1,191	31	8,226	8,214	(12)
Other Income	25,030	2,101	2,216	115	14,578	15,058	480
<b>Income</b>	<b>242,858</b>	<b>20,552</b>	<b>20,290</b>	<b>(262)</b>	<b>140,763</b>	<b>139,345</b>	<b>(1,418)</b>
Expenditure							
Pay	(150,677)	(12,553)	(12,905)	(352)	(87,613)	(88,994)	(1,381)
Non Pay	(67,091)	(5,480)	(5,725)	(245)	(38,241)	(38,785)	(544)
High Cost Drugs	(14,079)	(1,160)	(1,191)	(31)	(8,226)	(8,320)	(94)
Contingency Released		(152)	0	152	(2,533)	0	2,533
<b>Expenditure</b>	<b>(231,846)</b>	<b>(19,346)</b>	<b>(19,822)</b>	<b>(476)</b>	<b>(136,612)</b>	<b>(136,100)</b>	<b>513</b>
<b>EBITDA</b>	<b>11,012</b>	<b>1,207</b>	<b>469</b>	<b>(738)</b>	<b>4,150</b>	<b>3,245</b>	<b>(906)</b>
Depreciation and Amortisation	(8,394)	(699)	(675)	24	(4,888)	(4,827)	62
Investment Revenue	16	1	1	(0)	9	9	0
Finance Costs	(3,580)	(298)	(276)	22	(2,088)	(2,048)	40
Public Dividend Capital	(3,232)	(269)	(250)	19	(1,886)	(1,750)	136
<b>Total I&amp;E</b>	<b>(4,178)</b>	<b>(59)</b>	<b>(732)</b>	<b>(673)</b>	<b>(4,702)</b>	<b>(5,370)</b>	<b>(668)</b>
STF Income	8,100	675	591	(84)	4,725	4,388	(338)
<b>Total including STF Funding</b>	<b>3,922</b>	<b>616</b>	<b>(141)</b>	<b>(757)</b>	<b>23</b>	<b>(983)</b>	<b>(1,005)</b>
Depreciation on donated assets	270	23	23	0	158	158	0
<b>Total I&amp;E after Impairments</b>	<b>4,192</b>	<b>638</b>	<b>(119)</b>	<b>(757)</b>	<b>180</b>	<b>(825)</b>	<b>(1,005)</b>

	Annual Plan	Plan	Actual		Plan	Actual YTD	
EBITDA Margin	4.5%	5.9%	2.3%		2.9%	2.3%	
EBITDA Achieved	100.0%	100.0%	38.8%		100.0%	78.2%	
I&E Surplus Margin	-1.7%	-0.3%	-3.6%		-3.3%	-3.9%	



## SECTION 2: DIVISIONAL POSITIONS

### Overview

Summary as at the end of Oct-16

Income & Expenditure	Annual Plan £000's	IN MONTH							YEAR TO DATE						
		Budget v Actuals			Variances				Budget v Actuals			Variances			
		Plan £000's	Actual £000's	Var £000's	Inc £000	Pay £000	Non Pay £000	Total £000	Plan £000's	Actual £000's	Var £000's	Inc £000	Pay £000	Non Pay £000	Total £000
Clinical Support Services	(31,414)	(2,676)	(2,665)	11	(96)	52	55	11	(18,295)	(19,310)	(1,015)	(721)	(382)	88	(1,015)
Emergency Care	16,325	1,470	1,004	(466)	(225)	(234)	(7)	(466)	9,256	7,840	(1,416)	242	(1,527)	(132)	(1,416)
Specialist Services	48,736	4,362	4,074	(289)	(15)	(105)	(168)	(289)	28,266	26,868	(1,398)	(886)	(143)	(369)	(1,398)
<b>Clinical Divisions</b>	<b>33,647</b>	<b>3,156</b>	<b>2,412</b>	<b>(744)</b>	<b>(337)</b>	<b>(287)</b>	<b>(120)</b>	<b>(744)</b>	<b>19,228</b>	<b>15,398</b>	<b>(3,830)</b>	<b>(1,365)</b>	<b>(2,052)</b>	<b>(413)</b>	<b>(3,830)</b>
Strategy Director	(2,422)	(258)	(249)	9	0	5	4	9	(1,476)	(1,410)	67	0	56	10	67
Corporate Affairs	(2,851)	(234)	(258)	(23)	0	(8)	(16)	(23)	(1,678)	(1,773)	(95)	17	(56)	(56)	(95)
Finance	(3,519)	(320)	(290)	30	24	(32)	38	30	(2,067)	(2,109)	(41)	20	(76)	15	(41)
Human Resources	(1,790)	(146)	(253)	(106)	15	(24)	(98)	(106)	(1,057)	(1,142)	(84)	95	(37)	(143)	(84)
Medical Director	(501)	(41)	(34)	8	4	2	2	8	(293)	(241)	53	30	36	(14)	53
Nursing Director	(2,489)	(212)	(236)	(25)	5	10	(39)	(25)	(1,431)	(1,428)	3	9	81	(87)	3
Operations	(21,311)	(1,775)	(1,609)	166	112	(20)	75	166	(12,482)	(12,091)	391	111	(68)	348	391
<b>Directorates</b>	<b>(34,883)</b>	<b>(2,987)</b>	<b>(2,928)</b>	<b>58</b>	<b>160</b>	<b>(65)</b>	<b>(36)</b>	<b>58</b>	<b>(20,486)</b>	<b>(20,192)</b>	<b>293</b>	<b>284</b>	<b>(64)</b>	<b>74</b>	<b>293</b>
Central Income	7,573	633	565	(67)	(68)	0	1	(67)	4,410	5,614	1,203	305	738	161	1,203
Other Central Budgets	12,775	1,232	1,010	(222)	(101)	0	(121)	(222)	8,256	6,813	(1,443)	(980)	(3)	(460)	(1,443)
Contingency	(152)	(152)	0	152	0	0	152	152	(2,533)	0	2,533	0	0	2,533	2,533
<b>EBITDA</b>	<b>19,112</b>	<b>1,882</b>	<b>1,059</b>	<b>(822)</b>	<b>(346)</b>	<b>(352)</b>	<b>(124)</b>	<b>(822)</b>	<b>8,875</b>	<b>7,633</b>	<b>(1,243)</b>	<b>(1,756)</b>	<b>(1,381)</b>	<b>1,894</b>	<b>(1,243)</b>
Depreciation & Losses	(8,394)	(699)	(675)	24				24	(4,888)	(4,827)	62				62
Interest	(3,564)	(297)	(275)	22				22	(2,079)	(2,039)	40				40
PDC	(3,232)	(269)	(250)	19				19	(1,886)	(1,750)	136				136
<b>Total I&amp;E</b>	<b>3,922</b>	<b>616</b>	<b>(141)</b>	<b>(757)</b>				<b>(757)</b>	<b>23</b>	<b>(983)</b>	<b>(1,005)</b>				<b>(1,005)</b>

#### COMMENTARY

- Income in the clinical divisions is £337k below plan in month. This is mainly driven by lower non-elective spells with lower acuity, and low critical care and neonatal beddays.
- Pay was adverse to budget in month by £352k with expenditure above plan in both clinical divisions and corporate areas.
- Central income has a £68k adverse income position in month due to low private patient income through BMI. Other Central budgets includes the STF of £8.1m and the in-month position incorporates an accrued loss of £84k due to non-achievement of the A&E performance trajectory. The position also includes an in-month contingency of £152k profiled into the plan under non-pay which partially offsets the in month adverse position.
- The divisional variances are explained in pages 6 to 9.

## SECTION 3: COST IMPROVEMENT PROGRAMME

Summary as at the end of Oct-16

Division	Annual Plan £000's	IN MONTH			YEAR TO DATE		
		Plan £000's	In Month Actual £000's	Variance £000's	Plan £000's	Year to Date Actual £000's	Variance £000's
Emergency Care	1,021	91	85	(6)	555	507	(48)
Specialist Services	1,277	128	88	(40)	707	484	(223)
Clinical Support Services	966	97	59	(38)	482	322	(160)
Estates Department	407	36	36	(0)	227	189	(38)
Finance Directorate	137	10	10	0	86	86	0
Corporate Affairs Department	88	5	1	(4)	64	57	(6)
Strategy Director	95	7	6	(1)	59	58	(1)
Department of Nursing	87	8	8	0	48	50	2
Department of IM&T	199	17	17	0	116	116	0
Operations Department	62	5	5	0	36	36	0
Medical Directors Department	19	2	2	0	11	11	0
Human Resources Department	109	12	12	0	48	48	0
Reserves	5,444	357	178	(179)	2,048	1,203	(845)
<b>Total CIP</b>	<b>9,910</b>	<b>775</b>	<b>506</b>	<b>(269)</b>	<b>4,488</b>	<b>3,169</b>	<b>(1,319)</b>

Type	Annual Plan £000's	Plan £000's	In Month Actual £000's	Variance £000's	Plan £000's	YTD Actual £000's	Variance £000's
<b>Cost Reduction</b>	<b>7,234</b>	<b>513</b>	<b>303</b>	<b>(210)</b>	<b>3,059</b>	<b>2,114</b>	<b>(945)</b>
			59%			69%	
<b>Income Generation</b>	<b>2,676</b>	<b>262</b>	<b>203</b>	<b>(59)</b>	<b>1,429</b>	<b>1,055</b>	<b>(374)</b>
			78%			74%	
<b>Total CIP</b>	<b>9,910</b>	<b>775</b>	<b>506</b>	<b>(269)</b>	<b>4,488</b>	<b>3,169</b>	<b>(1,319)</b>

65%

71%

### COMMENTARY

- In month achievement is 65% of plan.
- Achievement of cost reduction is at 59% of plan in month.
- Achievement of income generation schemes is at 78% of plan in month.
- The Specialist Services underachievement is a result of Ophthalmology new clinics yet to start along with a delay in the Diagnostic Hysteroscopy service expansion.
- Clinical Support Services has a scheme in SSD phased to start in October which has not started yet.
- The reserves CIP under achievement relates to procurement and drugs schemes. The Drugs scheme has started and will start to recover. Procurement underperformance is due partly to later delivery of savings although they are still expected to be fully achieved.
- See divisional commentaries for further details of specific schemes .

## SECTION 7: STATEMENT OF FINANCIAL POSITION M07

	2015/16 Audited £m	September £m	October £m	2016/17 Forecast £m
<b>NON CURRENT ASSETS:</b>				
Property plant and equipment	122.5	126.3	126.7	122.9
Intangible assets	10.8	7.7	7.7	10.5
Other assets	0.2	0.2	0.2	0.2
<b>TOTAL NON CURRENT ASSETS:</b>	<b>133.5</b>	<b>134.2</b>	<b>134.5</b>	<b>133.6</b>
<b>CURRENT ASSETS:</b>				
Inventories	1.4	1.3	1.1	0.8
Trade and other receivables	19.8	22.1	24.8	16.0
Cash and cash equivalents	4.4	2.8	2.0	1.9
<b>TOTAL CURRENT ASSETS</b>	<b>25.6</b>	<b>26.2</b>	<b>28.0</b>	<b>18.7</b>
<b>CURRENT LIABILITIES:</b>				
Trade and other payables	(30.6)	(29.7)	(32.0)	(21.3)
Current Borrowings	(1.7)	(5.7)	(5.7)	(1.5)
Current Provisions	(0.2)	(0.2)	(0.2)	(0.3)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(32.5)</b>	<b>(35.5)</b>	<b>(37.9)</b>	<b>(23.1)</b>
<b>NET CURRENT ASSETS LESS CURRENT LIABILITIES</b>	<b>(7.0)</b>	<b>(9.3)</b>	<b>(9.9)</b>	<b>(4.4)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>126.6</b>	<b>124.9</b>	<b>124.7</b>	<b>129.2</b>
<b>NON CURRENT LIABILITIES:</b>				
Borrowings	(34.4)	(33.5)	(33.4)	(33.3)
Provisions	(1.2)	(1.2)	(1.2)	(1.3)
Other liabilities				
<b>TOTAL ASSETS EMPLOYED</b>	<b>91.0</b>	<b>90.2</b>	<b>90.0</b>	<b>94.6</b>
<b>FINANCED BY</b>				
<b>TAXPAYERS EQUITY:</b>				
Public Dividend Capital	59.0	59.0	59.0	58.7
Revaluation reserve	27.6	27.6	27.6	27.6
Income and Expenditure Reserve - Prior years	4.4	4.4	4.4	4.4
Income and Expenditure Reserve - Current Year		(0.8)	(1.0)	3.9
<b>TOTAL TAXPAYERS EQUITY</b>	<b>91.0</b>	<b>90.2</b>	<b>90.0</b>	<b>94.6</b>

### COMMENTARY

#### Non - Current Assets

There was a £0.3m increase in October comprising of: £0.4m increase in Property, Plant and Equipment, a £0.1m decrease in Intangibles. Other Assets remained at £0.2m.

#### Current Assets

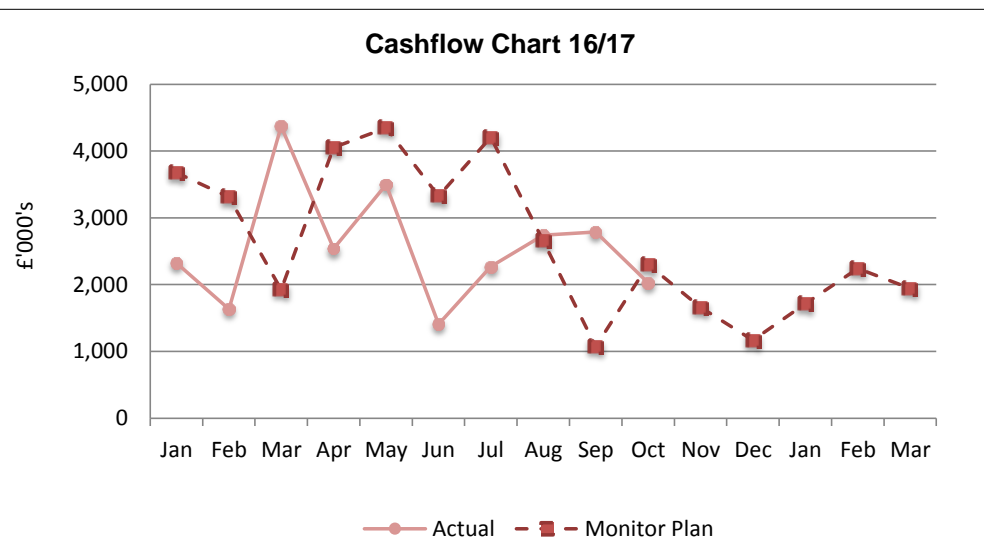
There was a £1.8m increase in Current Assets in October 2016 comprising of: £0.8m decrease in Cash and Cash Equivalents, as analysed in Section 8: Cash Flow Statement, a £2.7m increase in Trade and Other Receivables as analysed in Section 9: Debtors and a £0.2m decrease in Inventories.

#### Current Liabilities

The increase of £2.4m in Current Liabilities in October was due to a £2.4m increase in Trade and Other Payables which is analysed further in Section 10, Current Borrowings remained at £5.7m. Current Provisions remained at £0.2m.

## SECTION 8: CASH FLOW STATEMENT

October 2016 £m	
Surplus/(deficit) after tax	(0.1)
<b>Non-cash flows in operating surplus/(deficit)</b>	
Depreciation and amortisation	0.7
PDC Dividend expense	0.3
<b>Non-cash flows in operating surplus/(deficit)</b>	<b>0.9</b>
<b>Operating Cash flows before movements in working capital</b>	<b>0.8</b>
<b>Increase/(Decrease) in working capital</b>	
Decrease in Inventories	0.2
Decrease in Trade and other receivables	(2.7)
Increase in Current Provisions	(0.0)
(Decrease) in Trade and Other payables	2.4
<b>Increase/(Decrease) in working capital</b>	<b>(0.2)</b>
<b>Net cash (outflow) from operating activities</b>	<b>0.6</b>
<b>Net cash inflow/(outflow) from investing activities</b>	
Property Plant and Equipment	(1.2)
Intangible assets	0.0
Other assets	0.0
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(1.2)</b>
<b>Net cash inflow/(outflow) from financing activities</b>	
PDC Drawdowns	0.0
PDC Dividend paid	0.0
Borrowings	(0.1)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(0.2)</b>
<b>Net (decrease) in cash</b>	<b>(0.8)</b>
Opening cash	2.8
Closing cash	2.0



### COMMENTARY

The closing cash position for October was £2.0m which was £0.1m below forecast. This amount included £4m drawn down on the Trust's working capital facility (WCF) with Lloyds Bank, used in the absence of the Q1 and Q2 STF payments from NHS England (£3.8m). This amount was repaid to the bank on receipt of Kingston CCG's advanced service agreement payment in early November.

Significant receipts in the month included £2.3m from Health Education England for Q3 education funding, £0.5m from HMRC for VAT reclaimed and £0.2m from Royal Marsden NHS FT.

In the absence of the Q1 and Q2 STF monies (£3.8m), amounts paid to trade suppliers continued to be slowed in month, with the £4m drawdown on the facility used only to cover the period between the monthly pay date and the end of the month. Overdue creditors increased £0.2m to £2.6m in month.



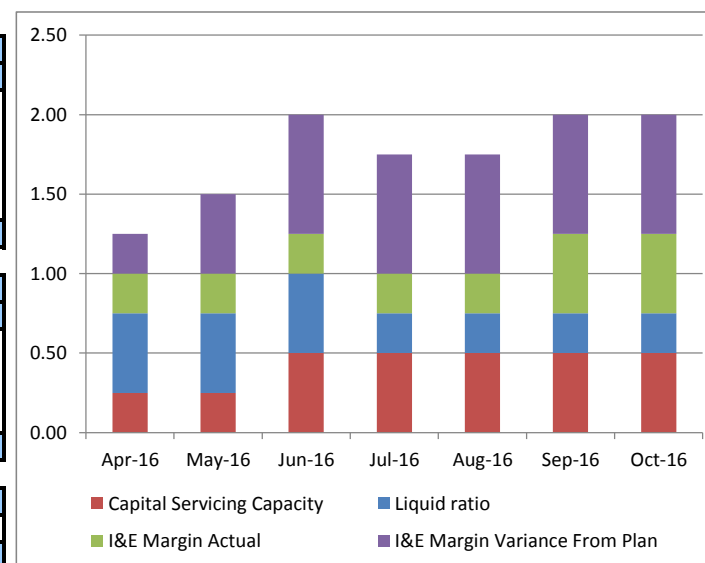
## SECTION 12: FINANCIAL SUSTAINABILITY RISK RATING (FSRR)

	Weight	4	3	2	1
Capital Servicing Capacity	25%	2.50	1.75	1.25	<1.25
Liquidity	25%	-	- 7.00	- 14.00	<-14
I&E Margin - Underlying performance	25%	1%	0%	-1%	<=-1
I&E Margin - Variance from plan	25%	0%	-1%	-2%	<=-2
	100%				

	16/17	16/17	16/17	16/17	16/17	16/17	16/17
Heading	M1	M2	M3	M4	M5	M6	M7
Capital Servicing Capacity	0.4	0.9	1.5	1.6	1.5	1.7	1.7
Liquidity	(12.6)	(12.6)	(13.4)	(14.4)	(16.1)	(16.5)	(17.0)
I&E Margin - Underlying performance	(4.8%)	(3.4%)	(1.5%)	(1.2%)	(1.5%)	(0.7%)	(0.7%)
I&E Margin - Variance from plan	(3.5%)	(1.5%)	(0.5%)	(0.5%)	(0.6%)	(0.2%)	(0.7%)

	16/17	16/17	16/17	16/17	16/17	16/17	16/17
Heading	M1	M2	M3	M4	M5	M6	M7
Capital Service Cover	1	1	2	2	2	2	2
Liquidity	2	2	2	1	1	1	1
I&E Margin - Underlying performance	1	1	1	1	1	2	2
I&E Margin - Variance from plan	1	2	3	3	3	3	3

<b>Weighted average FSRR</b>	<b>1.25</b>	<b>1.50</b>	<b>2.00</b>	<b>1.75</b>	<b>1.75</b>	<b>2.00</b>	<b>2.00</b>
<b>Rounded Weighted average COSR</b>	<b>1.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>



### COMMENTARY

Our FSRR rating for Month 7 is a 2. A low variance from plan helps offset the liquidity and underlying performance ratings.

NHS Improvement have introduced a new Use of Resource rating from October 2016 which although similar to the FSRR, includes an agency metric and measures Trusts on a range of 1 to 4, with 1 being good performance and 4 being underachievement. The Trust has a rating of 3 in month 7.