Kingston Hospital NHS
NHS Foundation Trust

Finance and Investment Committee Report

Trust Board	**Item: 21**
25 November 2015	**Enclosure: O**
Purpose of the Report: To report to the Trust Board on the meeting of the Finance and Investment Committee held on 22 October 2015	
FOR: Information ☒ **Assurance** ☐ **Discussion and input** ☐ **Decision/approval** ☐	
Sponsor (Executive Lead):	Michael Jennings Non-Executive Director, Chair of the Committee
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Risk Implications – Link to Assurance Framework or Corporate Risk Register:	
Legal / Regulatory / Reputation Implications:	
Link to Relevant CQC Domain: **Safe** ☐ **Effective** ☒ **Caring** ☐ **Responsive** ☐ **Well Led** ☒	
Link to Relevant Corporate Objective:	Strategic Objective 4: To deliver sustainable, well managed, value for money services
Document Previously Considered By:	None
Recommendations & Actions required by the Committee: The Trust Board is asked to (i) note the report, including the budget preparation and the need to liaise with the Strategy Committee; and (ii) to approve the revised terms of reference.	

Finance and Investment Committee 22 October 2015

Finance Report

The Committee received the Month 6 finance report. The Trust was reporting an in-month deficit of £0.5m and a year to date deficit of £4.38m, which was £0.35m below plan and a small deterioration of £70k on the previous month's position. Pay and Non-pay were £0.8m adverse to plan, whilst there was over performance on income of £0.8m.It was noted that year to date, £2.1m of contingency reserve had been included in the budget in line with the profiling of reserves within the Monitor plan.

The main variances to highlight were:

Income: Patient care income for the month was £0.2m above forecast, mainly due to over performance by Specialist Outpatients and Ophthalmology. Other income above forecast by £0.5m was due to improvements in Cancer Services, SW London Pathology (offset by costs), and the SW London Elective Orthopaedic Centre, and the Pharmacy contract with Boots.

Pay: High agency and bank usage along with recruitment difficulties were contributing to the majority of the pay overspend, particularly in A & E and ICU. T & O, and Gastroenterology were also overspent on medical staff by £0.1m in the month. In General Surgery pay spend had increased by £0.2m to provide for medical pay banding. In Corporate Services had achieved a reduction in pay spend through recruitment and reduced use of agency in Finance and Estates respectively.

Non Pay Expenditure: Non pay expenditure was £0.6m adverse to plan, though there were reductions in PFI payments, and for offsite storage.

Cost Improvement Programme: Delivery stood at 82% for the month, and 89% for the year to date. The most significant area of shortfall related to Emergency Services, where only 65% had been achieved so far. The closure of the EDOU to enable help flow of ambulances, and the non-achievement of length of stay savings in Elderly Care and Cardiology, exacerbated by delayed discharges of care, resulted in on 36% of their CIPs being achieved in the month.

Capital: Expenditure to date is 95% of plan, with delays in equipment and IT being the principal causes. It is expected the programme will be delivered by year-end.

Forecast: It is still expected that the Trust will achieve its revised forecast of a reduced deficit of £6.1m (down by 30% from £8.8m).

Cash: The cash balance reduced slightly to £8.2M, mainly due to the Public Dividend Capital payment to the Treasury, and the clearance of backdated invoices.

Other matters

A&E: The Committee considered the challenges facing A & E, the improved performance in recent months, and the action being taken to further improve the service, and achieve the 95% target more reliably.

Partnerships: Income from BMI was above plan, whilst that from the Royal Marsden was a little below plan, with the Committee noting the need to address the latter.

On the South West London Elective Orthopaedic Centre (SWLEOC), the partnership is some £1.5m off plan, due to referrals by Croydon and by Epsom/St Helier being below plan. Though referrals by Kingston and St George's are higher than planned, the underperformance by the first two is currently being borne by all four hospitals, and this is being taken up with the partners, as are the recovery plans.

Further information was provided to the Committee on agency spend by service line, comparing their substantive, bank and agency pay to their total budget. The Committee asked to see this each month.

A meeting had been held with St George's to address the Committee's concern about delays in payments between Kingston and St George's, and a set of one-off and regular actions were agreed to speed up payments.

Recovery Plan: The Committee reviewed the latest position on the delivery of the Plan. Though the overall forecast for the year had not changed, there had been increases in the projected pay costs related to agency costs associated with delayed overseas recruitment and winter measures, offset by an increase in projected income. Income remains a major risk.

Budget Setting 2016/17: The Committee considered the proposed Budget Setting Guidance. Though draft assumptions for generic cost pressures have been released, there has been no detailed tariff guidance or indication of the level of efficiency savings trusts would be expected to make. It is unlikely that any clarification will emerge until the new year. In the absence of this forward planning nationally, the Committee endorsed the following assumptions:

- The implied efficiency requirement within the tariff will be 2.0%, with the tariff uplift at 2%, and cost inflation at 4.0%
- CQUIN will continue at 2.5%
- Growth is assumed at 2.5% at a marginal rate of 50%
- Continued focus on 95% A & E target, with penalties for non-achievement
- Contingency at 0.5%
- National cost pressures of £1m. and local cost pressures of £2m.
- Some one-off revenue costs will not recur, but some deferred capital items will need to be included
- SW London Pathology will deliver a relative benefit
- CSNT premium will not change significantly
- CIP plan modelled at 3-4%

The Committee decided that the aim should be to achieve an I&E outturn in the range of 'at least breakdown even to a deficit of £3.7m.' – a reduction of 40%-100% over the current year's revised forecast.

The Committee reviewed the lessons from last year, and confirmed the timetable running through to the Board in March, with the addition of monthly review by the Committee, and interaction with the Strategy Committee in December in relation to any impact from the multiple initiatives in the South West London Health economy (e.g. population health, local success regime/commissioners collaborative [and London Quality Standards], the cancer vanguard, the Richmond and Kingston contracts, and the acute providers collaborative).

Monitor Return: the Committee approved the Quarter 2 submission to Monitor.

Estates Strategy Loan The Committee reviewed the use of the loan against the estates projects.

Finance Department: The Committee noted the progress in recruitment of permanent finance staff, and the resultant reduction in agency spend, and thanked the Finance staff for all their work on this, and the financial information in general.

Review of the Committee's terms of reference and effectiveness: The Committee has considered the terms of reference, and proposed some changes which marked in the attached paper.

The Board is asked to approve the revised terms of reference

The members of the Committee are also undertaking a review of the Committee's effectiveness, and this will be reported to the Audit Committee in December.

Michael Jennings
Chairman, Finance & Investment Committee