Kingston Hospital NHS
NHS Foundation Trust

Finance and Investment Committee Report

Trust Board	**Item: 24**
27th January 2016	**Enclosure: T**
Purpose of the Report: To report to the Trust Board on the meetings of the Finance and Investment Committee held on 17th December 2015 and 21st January 2016	
FOR: Information ☒ Assurance ☐Discussion and input ☐ Decision/approval ☐	
Sponsor (Executive Lead):	Michael Jennings, Non-Executive, Chairman of the Finance and Investment Committee
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Risk Implications – Link to Assurance Framework or Corporate Risk Register:	
Link to Relevant Corporate Objective:	Objective 4
Document Previously Considered By:	None
Recommendations & Actions required by the Committee: The Trust Board is asked to note the report, including the report on the Monitor letter regarding 2016/17's control total	

Finance and Investment Committee 17 December 2015

Finance Report
The Committee received the Month 8 finance report. The Trust was reporting an in-month deficit of £0.5m and a year to date deficit of £4.5m, which was £0.5m below plan. The main cause of the in-month position was reduced non-elective activity, which reflected adversely on the patient care income. Mild weather in November had resulted in expected winter activity not materialising.

The main variances to highlight were:

Income: Patient care income was £0.3m adverse in month due largely to non-elective activity being lower than plan.

Pay and non-pay expenditure

Pay and non-pay expenditure was £0.5m over forecast in month 8. Enhancements to the medical rota in A&E as well as recruitment difficulties were causing overspends in pay. Non-pay was overspent due to additional work related to the CQC visit as well as the cost of additional activity in Anaesthetics, Urology and General Surgery, where activity has not followed the general reduction seen in other areas.

Cost Improvement Programme: Delivery in-month stood at 88% of target. This was mainly due to a shortfall in the A&E CIP which has achieved only 60% year to date and is not expected to recover by the end of the year. The Energy rebate was profiled to be achieved earlier and thus shows a shortfall but it is still expected to be recovered by year-end.

Capital: Expenditure to date is £8.3m compared to a £9.8m plan with slippage across most areas including the estates strategy and IT. It is still anticipated that the programme of £12.3m will be delivered by year-end.

Cash: The cash balance increased by £0.7m in-month to £4.4m, mainly due to the timing of one of the large payments which was due this month a few days after the month-end as well as a slight timing delay between receipt of loan funding and use of that funding for capital expenditure.

Other matters

Partnerships: The Committee heard that there were improved income positions in month from both the Royal Marsden and BMI although the Royal Marsden remained slightly behind plan in-month.

Recovery Plan: The Committee reviewed the latest position on the delivery of the Plan. Whilst the forecast had been held at £6.1m, there were risks around the cost of the Junior Doctors strike (£0.3m) and the reduction of non-elective income (£0.5m) as well as around any impact of the reduction in utilised beds over winter being proposed by NHS England which may result in an increase to the deficit figure.

The Committee agreed that the matter should be discussed with Monitor after which a revised forecast deficit may be submitted.

Budget Setting 2016/17: The Committee received an update on the budget setting process. Planning guidelines were expected before Christmas and these would help clarify some of the assumptions that had been made, including the expected 2% efficiency factor.

Agency reporting: The Committee received a paper summarising the reporting against the new agency rate caps. A number of breaches were being reported weekly but this number was reducing each week as agencies began to change their rates to within the caps and as areas sought to ensure they were operating within the caps.

Well-led review: The Committee received an update on the well-led review. .There were 34 points of recommendation that were being worked through however the general feedback received from the auditors had been positive.

Michael Jennings
Chairman, Finance & Investment Committee

Finance and Investment Committee 21st January 2016

<u>Finance Report</u>

The Committee received the Month 9 finance report. The Trust was reporting an in-month deficit of £1.7m against a planned deficit of £1.1m, an adverse variance of £0.6m to plan. Whilst income was broadly in line with plan (after taking account of high cost drugs and pathology recharges), this was a combination of some specialties (particularly non-elective) performing significantly over plan (with associated non-pay costs) and others with activity below plan.

The main variances to highlight were:

Income: Patient care income was £0.3m favourable to plan but this included £0.2m of high cost drugs over plan meaning that income was broadly in line with plan.

Pay and non-pay expenditure: Pay expenditure was largely in line with plan but non-pay was £0.9m adverse to plan or £0.6m after taking account of high cost drugs and pathology recharges. £0.2m of this related to non-pay overspends in specialties with high levels of activity in-month and a further £0.2m relates to the timing of overseas recruitment costs.

Cost Improvement Programme: Delivery in-month stood at 91% of target and 89% year to date, an improvement on last month's position. The shortfall in Emergency Services CIP is not expected to be recovered and this assumption has been built into the forecast.

Capital: Expenditure to date is £9.3m compared to a £10.5m plan. It is still forecast that the programme of £12.3m will be delivered by year-end, however there is potential for slippage into 2016/17 of up to £0.3m.

Cash: The cash balance reduced by £2.4m in-month to £2.0m. There continues to be a delay in commissioner payment for activity levels and this is being discussed between the Trust and CCGs at Executive level.

Other matters

Monitor letter regarding 2016/17's control total: A letter received by all Trusts from NHS Improvement (formally Monitor and the TDA) was discussed at length. The letter contained a proposed surplus control total for 2016/17 and a level of one-off, non-recurrent funding in order to deliver this. There were a number of conditions attached to acceptance of this funding and a response was required by 8th February. The Committee agreed that remaining questions regarding the letter be understood more fully and that the letter should then be discussed by the Board.

Partnerships: The financial position on BMI and Royal Marsden partnerships were both below plan. With BMI, credit notes had been issued in month following discussion with BMI.

Recovery Plan: The Committee reviewed the latest position on the delivery of the Plan. The forecast had been moved to £6.4m following a discussion with Monitor last month regarding the junior doctors strikes but there remained some significant risks around this outturn position. Commissioner risk and further doctors strikes were key risks identified.

Budget Setting 2016/17: The Committee received an update on the budget setting process. Planning guidelines had confirmed a number of the assumptions including the efficiency factor. Divisional budget meetings had been held and the level of CIP identified to date was at approximately 70% of target although it was highlighted that many of these schemes needed further detail and implementation plans.

Agency reporting: The Committee received a paper providing further detail on the reporting against the new agency rate caps, including a copy of the detailed report received by the Executive team each week. There had been further movement of agencies towards the capped rates and also confirmation of at least one of the large nursing agencies agreeing to implement the 'stepped down' rates from 1st February 2016 in line with the guidance.

Sian Bates
Chairman and Chair of the January meeting of the Finance & Investment Committee