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| Trust Board Meeting | Item: 8.3 |
| 26th March 2014 | Enclosure: H |
| <p>Purpose of the Report:</p> <p>This paper provides a summary briefing to the Trust Board on:</p> <ol style="list-style-type: none"> 1. the budget setting context for 2014/15 2. progress that the Trust has made at the detailed Service Line level 3. overall revenue budget position 4. overall capital plan position <p>A more detailed paper will be taken in Part 2. A more detailed paper will be brought back to the May 2014 meeting of the Board.</p> | |
| <p>FOR: Information <input checked="" type="checkbox"/> Assurance <input type="checkbox"/> Discussion and input <input type="checkbox"/> Decision/approval <input type="checkbox"/></p> | |
| Sponsor (Executive Lead): | Simon Milligan Director of Finance |
| Author: | Simon Milligan |
| Author Contact Details: | Simon.milligan@kingstonhospital.nhs.uk Ex 3602 |
| Risk Implications – Link to Assurance Framework or Corporate Risk Register: | Failure to deliver productivity plan |
| Link to Relevant Corporate Objective: | SO4 - Deliver sustainable well managed value for money services |
| Document Previously Considered By: | Executive Team |
| <p>Recommendation & Action required by the Trust Board :</p> <p>Note the progress on detailed budget setting and setting a plan to achieve a 1% surplus</p> | |

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KHT Budget Setting 2014/15

Trust Board March 2014

Living our values *everyday*



Overall

Purpose

This paper provides a summary briefing to the Trust Board on:

1. the budget setting context for 2014/15
2. progress that the Trust has made at the detailed Service Line level
3. overall revenue budget position
4. overall capital plan position

A more detailed paper will be taken in Part ii. A more detailed paper will be brought back to the May-14 Board.

Exec Summary

The Trust has provided for the efficiency pressures recommended by Monitor (tariff deflator and cost inflation) and conducted an intense bottom-up exercise to establish reasonable budgets that Service Lines are in the process of signing for. The Trust is able to present a budget that achieves a 1% surplus.

The Board is asked to:

Note the progress on detailed budget setting and setting a plan to achieve a 1% surplus

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1) National context 2014/15

The national planning guidance for 2014/15 has been issued and the new PbR tariffs have been released. The following planning assumptions, provided by Monitor, form the overall context:

- CCG growth of 2.3% in recurrent revenue allocations.
- The tariff deflator at 1.2%.
- A 4% efficiency target is required for 2014/15 (to allow for the effects of tariff deflation and cost inflation). This includes a provision for increased Clinical Negligence costs of 0.3% and increase costs for Keogh and Friends and Family pressures of 0.2%.
- CQUIN will be maintained at 2.5% on top of actual outturn value.
- Readmissions policy still in place but application can be negotiated
- 18 weeks referral to treatment time target continues.
- 95% accident and emergency four hour target is maintained.
- Foundation Trusts must achieve a Continuity of Service Rating of 3 in each quarter.

2) KHT Framework for budget setting in 2014/15

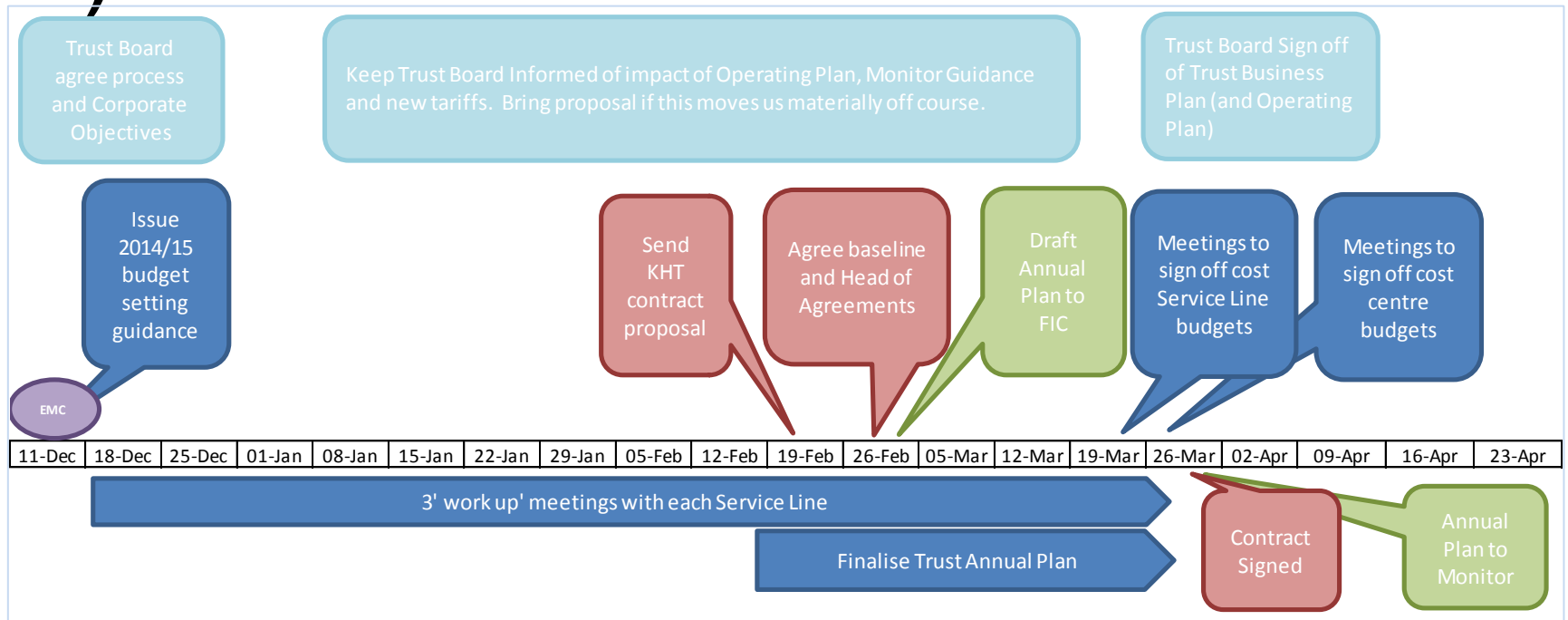
In working up detailed budgets, the Trust has set the following key criteria:

- **Achievability**
 - Service Lines (and cost centres) to have reasonably funded budgets based on an estimate of 2014/15 expected income and expenditure
 - Ward establishments to be reset and made clear
 - CIPs to be worked up, accepted and ready to go by the start of the financial year
- **Ownership**
 - Service Lines (and cost centres) to own and sign off their budgets
 - Budget guidance to be refreshed and Service Lines to sign that they understand

3) KHT Planning Assumptions 2014/15

- Income
 - For over performing service lines set 2014/15 income baseline at 2013/14 m9 forecast adjusted for any non recurrent items
 - For underperforming service lines set 2014/15 income at 2013/14 plan adjusted for non recurrent or unrecoverable income
 - Allow for a pragmatic assessment of 2014/15 growth / QIPP
- Cost
 - Rollover Non-Pay and Pay at 2014/15 budget
 - Fund any marginal cost pressures for 2013/14 outturn pressures based on application by the service line
 - Fund reasonable 2014/15 pressures as identified by service lines (including the Keogh and Family and Friend pressures)
- Provide for cost inflation using the Monitor guidelines
- Maintain a contingency
- Ensure SLA is 'properly' funded by CCGs

4) Timeline



Update on progress

| | |
|-------------------------|---|
| SLA negotiation | Kingston CCG and SCSU have been meeting regularly. At this point both parties envisage no need to go to arbitration and signing by 31 st March |
| Detailed budget setting | A more detailed update is shown on slide 7. All bar two Service Line budgets have now been agreed. These last two will be agreed by Friday 28th March. The overall position is shown on slide 7 |
| Operating Plan | Created and reviewed. To be approved at the March Board Part i |

5) Detailed work undertaken with Service Lines

- All Service Lines have had a budget setting meeting, hosted by the division with a supporting executive, to initiate budget setting and discuss CIP plans and key challenges for 2014/15
- All Corporate areas have had a budget setting meeting to discuss CIPs with the Productivity Director and the executive lead
- All Service Lines have had an SLA budget setting meeting with the Head of Contracts and Head of Costing and Commissioning to discuss the forecast outturn and any non recurrent 2013/14 effects that need to be reflected in the contract baseline.
- To assist those Service Lines finding the most challenge with CIPs a 1 hour catch-up with members of the Executive Team took place
- Most Service Lines have had a second meeting with their executive lead to review CIPs, the income plan, cost pressures and key challenges
- All Service Lines have had a concluding meeting with their executive lead to review and agree final budgets
- The Trust plans are underpinned by a £9.2m CIP
- All bar two Service Line budgets have now been agreed. These last two will be agreed by Friday 28th March.

6) Proposed budgets for 14/15

| | Patient Care Income £m | Other Income £m | Pay £m | Non-Pay £m | Depreciation, Interest and Dividend £m | Total £m | |
|--|------------------------------|-----------------------|------------------|-----------------|---|---------------|------|
| Total Clinical Support Service | 18,491 | 5,258 | (34,014) | (9,553) | 0 | (19,818) | |
| Total Emergency Care | 89,978 | 2,742 | (41,926) | (11,405) | 0 | 39,389 | |
| Total Specialist Services | 78,918 | 4,206 | (34,885) | (16,870) | 0 | 31,369 | |
| Total Corporate | 1,428 | 14,635 | (23,704) | (26,875) | 0 | (34,516) | |
| EBITDA | 188,815 | 26,841 | (134,529) | (64,703) | 0 | 16,424 | 7.6% |
| Depreciation | | | | | (7,479) | (7,479) | |
| PDC | | | | | (2,613) | (2,613) | |
| Interest received | | | | | (3,303) | (3,303) | |
| Post EBITDA items | 0 | 0 | 0 | 0 | (13,395) | (13,395) | |
| Bottom Line | 188,815 | 26,841 | (134,529) | (64,703) | (13,395) | 3,029 | 1.4% |
| Exclude Charitable contribution supporting the Estates Strategy | | (800) | | | | (800) | |
| Bottom line w/o charitable contribution | 188,815 | 26,041 | (134,529) | (64,703) | (13,395) | 2,229 | |

7) Capital planning 2014/15

- The capital budget setting process for 2014/15 is now complete.
- The Medical Equipment, Estates Maintenance and Estates Strategy budgets remain unchanged from the plans previously approved by FIC.
- The budgets were approved early to allow the teams to start planning and placing orders before the start of the year and enable them to 'hit the ground running' in April. This has been happening and will make managing the capital budgets in 2014/15 smoother.
- The Trust has included in its plans the potential impact of the Estates Strategy. This increases the 2014/15 capital plan by £9.2m and requires loan support.

| | £k | |
|---|-------|---------------------------|
| Estates | 3200 | |
| IM&T | 1000 | (requires £170k slippage) |
| Equipment | 3000 | (requires £330k slippage) |
| Core capital programme | 7200 | |
| Estates Strategy | 9245 | |
| Total plan (including Estates Strategy) | 16445 | |