

**The Whittington Hospital NHS Trust****Initial 2006/07 Income & Expenditure Budget****1. Income & Expenditure Plan**

The Trust's Income and Expenditure plan, from 2005/06 onwards, is summarised in the Provider Sustainability Plan. This plan has been developed to incorporate changes including activity assumptions, workforce plans, CIP (cost improvement programme), plus inflationary and other cost pressures. The plan is based on current guidance, however further changes are anticipated. In particular, following the recent withdrawal of the 2006/07 tariff, income included in the version of the plan is estimated, (based on the previously issued "interim" tariff) and it is anticipated that a further iteration of the plan will need to be produced once the tariff is re-issued by the Department of Health.

In terms of 2006/07, the current plan indicates an Income & Expenditure deficit of £2.6m. and within this a CIP of £3.4m. is assumed.

**2. 2006/07 SLA Income**

SLA proposals have been issued to PCTs and negotiations are underway in terms of 2006/07 service levels. Although costed proposals have been issued, negotiations are currently concentrating on activity levels as a result of the changes to the 2006/07 tariff. The income position will be updated and revised proposals calculated once the new tariff becomes available.

Inflation on income is included in the plan as per current guidance, this is an uplift of 1.5% for income included in PbR, 1.5% for educational income received via the WDD (Workforce Development Directorate) and uplifts ranging from 2.5 to 5% across other smaller income sources.

**3. 2006/07 CIP**

A target of £3.4m is currently included in the plan. This is in addition to any savings targets carried forward from 2005/06. Overall, plans have been developed to meet the 2006/07 target - largely based on the further impact anticipated from the headcount reduction commenced in the final quarter of 2005/06 ; the Green & Kassab review and procurement initiatives (local and sector). These plans need to be re-validated in detail and allocated to individual budgets. In addition, plans need to be developed to ensure that all savings currently delivered on a non-recurrent basis can be delivered again in 2006/07 and where possible these must now be converted to recurrent savings.

A final validation of the recurrent achievement against savings targets will be undertaken as we close the 2005/06 financial year. This will inform the detailed savings requirements in individual areas for 2006/07.

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### 4. Initial Directorate Budgets

Until the 2006/07 I&E plan can be finalised, interim income and expenditure budgets need to be agreed for all operational areas.

It is proposed that Directorate budgets be constructed as follows :

Total Budget as at Month 10 2005/06

Adjusted for :

Non recurrent allocations in months 1 to 10

Recurrent allocations in months 11 and 12

Full year effect of any part year allocations

Transfers between divisions / directorates

Inflation uplift on income

Estimated Savings Target – based on the total included in the PSP

Inflation and generic expenditure cost pressures will initially be held centrally in reserve, as will the overall deficit position (£2.6m). Further adjustments will be devolved to operational areas once they are finalised (eg. pay awards for 2006/07 are likely to be implemented from April).

If agreed, this will form an initial budget for 2006/07 and will be updated as progress towards balance is achieved and as further information/guidance on the 2006/07 tariff becomes available. The next stage is that detailed schedules by Directorate will be presented to Directors for agreement / sign-off, on an individual basis. These will then be reported to the Executive team during March and included in the reports to HMB and the Finance & Performance Committee on 5<sup>th</sup> April.

### 5. Recommendation

**The Trust Board is asked to agree this approach so that interim detailed budgets can be set for all operational areas.**