

The Whittington Hospital NHS Trust

Initial 2007/08 Income & Expenditure Budget

1. Corporate Level Income & Expenditure Plan

A summarised Corporate Level budget is attached.

The Trust's Income and Expenditure plan, for 2007/08 and future years is documented in more detail within the business plan and associated financial templates. This plan was developed via the Trust's Business Planning group and is based on current guidance. The template was provided by NHS London as part of current planning requirements.

The plan incorporates activity in line with SLA negotiations plus other activity change assumptions, workforce plans, CIP (cost improvement programme) requirements and inflationary or other cost pressures that are either known or estimated.

- **Headline I&E position**

In terms of 2007/08 and future years, the plan currently indicates an Income & Expenditure surplus of 1% (approx £1.4m) annually. The surplus is anticipated on a non-recurrent basis in 2007/08, with the surplus being carried forward to the subsequent year under RAB rules.

Income

- At the time of writing, Service Level Agreement (SLA) values, both financial and activity, have been agreed with all major PCTs. These reflect anticipated activity requirements both to meet the 18 week target and the estimated impact of PCT demand management plans.
- In addition the plan assumes that the Day Treatment Centre will open in the final quarter of 2007/08, with a small impact on income in that year, increasing to a full year effect in 2008/09.
- Inflation on income is included at 2.5% in line with the agreed uplift to the Payment by Results (PbR) tariff.

Expenditure

- The plan currently assumes inflationary and generic cost increases at an average of 4% on expenditure. This includes pay inflation and incremental drift and non-pay costs such as drugs, capital charges, CNST and price inflation.

2007/08 Cost Improvement Programme

- A CIP target of £8.4m is included in the plan for 2007/08. This includes the full year effect of items already identified and being implemented in 2006/07 (£1.8m) plus an additional target of £6.6m against which numerous schemes have already been leaving a current shortfall in the region of £1.2m against the overall target for the year.

Cost Pressures & Reserves

- Inflation and generic expenditure cost pressures will initially be held centrally in reserve with further adjustments to devolve these to operational areas as costs are incurred. (eg. pay awards for 2007/08 are likely to be issued in two tranches with the first in April).
- In addition to generic pressures, the most significant cost pressure recognised within the plan for 2007/08 is the full year impact of both the New Building and the Managed Equipment Service, which are now reflected in operational expenditure budgets.

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2. Directorate Budgets

Whilst the overall level of budget for the Trust is detailed in the plan, as described above, a number of pieces of work are currently underway in order to refine budgets held at detailed level. These include :

- a complete review of the funded establishment to ensure all agreed posts are reflected in the financial budget following the recent implementation of an Establishment Control system
- a review and some re-basing of non pay budgets to reflect 2006/07 out-turn and savings achieved
- development of a process to allocate income over or under-performance to Divisional / Specialty level reflecting activity performance in preparation for a move towards service line costing and trading accounts

Whilst these pieces of work are being completed, initial budgets for operational areas are constructed based on rolling forward 2006/07 budgets adjusted for any non-recurrent items or part-year effects.

3. Recommendation

The Trust Board is asked to confirm agreement to this approach and to agree the attached corporate level budget, so that interim detailed budgets can be issued for all operational areas for the beginning of the financial year.