Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
25th March 2010

TITLE	**2010/11 Budget**
EXECUTIVE SUMMARY	Following discussion and approval at the Finance Committee meeting held on 17th March 2010, a final version of the 2010/11 budget is being brought to the Trust Board for approval. The budgeted surplus for 2010/11 is £3.3m which is in line with the approved Integrated Business Plan projection. At the present time the Trust has not yet signed an SLA with NHS Surrey for its 2010/11 activity. The SLA value of £167.5m included is under discussion with NHS Surrey.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The 2010/11 budget is in line with the Trust's Integrated Business Plan and aligned to the Trust's strategic objectives. The Finance Committee has reviewed and approved the budget.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Approve the 2010/11 budget, whilst noting the current position with respect to agreeing the SLA with NHS Surrey.
Submitted by:	John Headley, Director of Finance and Information
Date:	18th March 2010
Decision:	For Approving

Ashford and St. Peter's Hospitals NHS
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25th March 2010

2010/11 Budget

Introduction

This paper presents the high level 2010/11 budget for approval by the Board. The draft budget was reviewed at a meeting of the Finance Committee held on 17th March 2010 and was approved.

Key financial figures in the budget are as follows (Note 2009/10 Forecast figures shown in brackets for comparison): Revenues £220.4m (£221.2m), Expenditure £217.1m (£216.4m), Surplus £3.3m (£4.8m). Budgeted surplus decreases by £1.5m against the forecast outturn for current year (prior to 2009/10 impairments). The high level Income and Expenditure budget is attached at Appendix 1.

The budgeted surplus of £3.3m is in line with the surplus shown in the Trust's Integrated Business Plan for 2010/11.

As previously discussed the financial allocations to the NHS will be restricted in 2010/11 and following years as part of the general squeeze on public expenditure. This is reflected in the 0% increase in PbR tariffs, below anticipated cost inflation. Cost improvement plans of £9.0m (4.1% of income) have been agreed – this in excess of the national target of 3.5% set out in the 2010/11 Operating Framework.

Income position – NHS Surrey

The Trust has yet to receive a signed agreement with NHS Surrey for services it wishes to commission for 2010/11. Discussions have been held with NHS Surrey and key officers have been receptive, however the amount shown in the budget of £167.5m still requires formal sign off.

Within the £167.5m the main assumptions have been an increase in elective activity of 1.4% and a decrease in non-elective activity of 2.5%.

Business Plans

The budget has been based on business plans prepared by directorates, a process that commenced at a Business Planning day held on 19th October 2009. All plans have been presented in a series of meetings to a team of Executive Directors for scrutiny.

Salary cost inflation is anticipated to be £4.1m (including the cost of staff moving upwards through pay scales). Other key cost drivers include drugs, including additional NICE approvals, where £1.6m has been set aside.

A contingency of £1.5m has also been included within the budget.

Expenditure budgets by directorate are shown at Appendix 2.

Cost Improvement Plans

We are proposing a CIP's programme of £9.0m comprised of cost savings and efficiency improvements, with some additional revenue opportunities. This constitutes 4.1% of the Trust's revenues, ahead of the Department of Health's directive that all NHS organisations must generate 3.5% efficiency savings. In total the Trust is aiming for £11.5m of CIP schemes, but has only accounted for £9.0m within the budget.

The Business Plans prepared included detailed CIP's for each directorate and these have been subject to rigorous scrutiny and governance checks. Of the £9.0m detailed directorate CIP's account for £7.2m and "corporate" CIP's £1.8m. Details of CIP's by Directorate are shown in Appendix 3.

The Trust has set up a CIP Project Office staffed by a senior manager as programme lead and a senior finance representative as finance lead. All managers have completed CIP templates showing timelines, risks etc and schemes have been RAG rated.

At its April 2010 meeting the Finance Committee will be reviewing the detailed schemes and risk ratings.

Risks

The main risks are: -

- Receipt of a signed agreement from NHS Surrey;
- Activity in excess of the non-elective cap only being paid at 30% of tariff; and
- Delivery of the CIP's.
- Demolition of the Ramp and other buildings will lead to write downs which are not budgeted. However these are balanced by depreciation and PDC dividend which will reduce as a result of this year's market valuation.

Recommendations

The Trust Board is asked to approve the 2010/11 Budget whilst noting the risks highlighted above.

Ashford and St. Peter's Hospitals NHS Trust
Income and Expenditure Account 2010/11

	2009/10 Forecast (note 1) £m	2010/11 Budget £m
INCOME		
SLA Income - NHS Surrey (note 2)	167.6	167.5
SLA Income - Non Surrey & NCAs	30.0	29.5
SLA Income - Limb Reconstruction	1.3	1.3
	198.9	198.3
Other Income	22.3	22.1
TOTAL INCOME	**221.2**	**220.4**
EXPENDITURE		
Pay (note 3)	(134.9)	(136.0)
Non Pay (note 3)	(81.5)	(81.8)
CIPs	0.0	9.0
Pay Awards and Pay Drift	0.0	(4.2)
Non-Pay and Drugs (incl NICE) Inflation	0.0	(2.6)
Contingency	0.0	(1.5)
TOTAL EXPENDITURE	**(216.4)**	**(217.1)**
SURPLUS	**4.8**	**3.3**

Notes: -
Note 1 - 2009/10 forecast is prior to finalisation of impairments follwing a valuation of the Trust estate
Note 2 - values based on latest assumptions as SLAs still under negotiation
Note 3 - based on submitted business plans and inclusive of directorate specific cost pressures

Ashford and St. Peter's Hospitals NHS Trust
Directorate Expenditure Budgets 2010/11

	Pay £m	Non-pay £m	CIPs £m	Total £m
Anaesthetics	16.1	4.5	-0.7	**19.8**
Childrens	10.6	1.6	-0.4	**11.8**
Emergency	8.3	1.4	-0.3	**9.4**
Medical Services	23.3	12.1	-1.3	**34.1**
Orthopaedics	7.9	8.3	-0.7	**15.5**
Specialist Surgery	5.0	1.9	-0.2	**6.6**
Surgery & Urology	10.8	3.6	-0.5	**13.9**
Women's Services	9.6	1.4	-0.4	**10.6**
Imaging and Endoscopy	6.1	2.8	-0.3	**8.7**
Pathology	8.5	5.9	-0.5	**13.9**
Pharmacy	2.4	3.7	-0.3	**5.8**
Therapies	4.2	0.3	-0.2	**4.3**
Chief Exec	0.6	4.4	0.0	**5.0**
Chief Operating Officer	1.8	0.8	-0.1	**2.5**
Facilities	3.4	5.7	-0.6	**8.5**
Nurse Mgment	7.3	2.8	-0.3	**9.8**
Finance & Information	5.7	18.5	-0.3	**23.9**
Medical Director	0.2	0.0	0.0	**0.2**
Strategy	0.7	0.5	-0.1	**1.2**
Workforce & OD	3.7	0.9	-0.2	**4.5**
Unallocated	0.0	0.7	-0.1	**0.6**
Corporate CIPs	0.0	0.0	-1.8	**-1.8**
TOTAL	**136.0**	**81.8**	**-9.0**	**208.8**

Note - above pay and non-pay amounts include directorate specific cost pressures, but exclude 2010/11 inflation uplift or other national cost pressures.

Ashford and St. Peter's Hospitals NHS Trust
Cost Improvement Plans 2010/11

	Target £ m	Identified £ m	
Anaesthetics	0.7	0.7	
Childrens	0.4	0.4	
Emergency	0.3	0.3	
Medical Services	1.1	1.3	
Orthopaedics	0.5	0.7	
Specialist Surgery	0.2	0.2	
Surgery & Urology	0.5	0.5	
Women's Services	0.4	0.4	
Imaging and Endoscopy	0.3	0.3	
Pathology	0.5	0.5	
Pharmacy	0.2	0.3	
Therapies	0.2	0.2	
Chief Exec	0.0	0.0	
Chief Operating Officer	0.1	0.1	
Facilities	0.3	0.6	
Nurse Mgment	0.3	0.3	
Finance & Information (including central financing costs)	0.3	0.3	
Medical Director	0.0	0.0	
Strategy	0.1	0.1	
Workforce & OD	0.2	0.2	
Unallocated	0.1	0.1	
Reserves	0.0	0.0	
Corporate CIPs	2.5	1.9	
Overprovision in Directorates		-0.1	Non SLA income allowed within Trust to count against Directorate targets
TOTAL	**9.0**	**9.0**	
Additional CIPS (planning contingency)	**3.0**		
		0.3	Theatres - Lean Day Surgery
		0.6	Closure of Beds - LOS
		1.0	Theatres - Additional savings
		0.3	Management Costs & Back Office Functions
		0.4	Bench-marking of nursing levels through audit commission work
	3.0	**2.5**	
TOTAL CIP PROGRAMME 2010/11	**12.0**	**11.5**	