

EXECUTIVE SUMMARY

TITLE:	BOARD/GROUP/COMMITTEE:				
Income and Expenditure Budgets 2009/10	Finance Committee				
1. KEY ISSUES:	REVIEWED BY (BOARD/COMMITTEE) and DATE:				
<p>The report sets out for approval the proposed Income and Expenditure budgets for 2009/10. The bottom line budget proposed of £1.2m surplus is consistent with year 2 of the 3 year plan agreed with NHS London in 2008/09 and with the refreshed 3 year plan 2009-12 submitted in February this year.</p> <p>The report provides a reconciliation of the main budget movements from 2008/09 to 2009/10, including:</p> <ul style="list-style-type: none"> ▪ Income tariff uplift ▪ Other changes to income, including implementation of HRG version 4 tariff and reduction in transitional funding ▪ Cost pressures ▪ Savings ▪ Impact of IFRS <p>Details of the key assumptions are set out together with a summary of the process followed over the last few months to arrive at the budget numbers.</p> <p>The key risks identified in the report are:</p> <ul style="list-style-type: none"> ▪ Income risk of up to £18m with the 3 local PCTs, based on the current status of contract negotiations ▪ A further £6.7m of schemes to be identified to meet the the overall Turnaround & CIP savings target of £40.4m target. In addition, work is ongoing to validate the £33.7m of schemes identified to date. ▪ Management of cost pressures within the level of funding provided (£5.7m gap to close with Divisions/Directorates) 	<p> <input type="checkbox"/> S&SIB <input type="checkbox"/> EPB <input type="checkbox"/> FINANCE <input type="checkbox"/> AUDIT <input type="checkbox"/> CLINICAL GOVERNANCE <input type="checkbox"/> CHARITABLE FUNDS <input type="checkbox"/> TRUST BOARD <input type="checkbox"/> REMUNERATION <input type="checkbox"/> OTHER (please specify) </p> <tr style="background-color: #cccccc;"> <th style="text-align: left;">CATEGORY:</th> </tr> <td style="vertical-align: top;"> <p> <input type="checkbox"/> NATIONAL TARGET <input type="checkbox"/> CNST <input type="checkbox"/> STANDARDS FOR BETTER HEALTH <input type="checkbox"/> HEALTH & SAFETY <input type="checkbox"/> ASSURANCE FRAMEWORK <input type="checkbox"/> TARGET FROM COMMISSIONERS <input type="checkbox"/> CORPORATE OBJECTIVE <input type="checkbox"/> OTHER (please specify) </p> <tr style="background-color: #cccccc;"> <th style="text-align: left;">AUTHOR/PRESENTER:</th> </tr> <td style="vertical-align: top;"> <p>Alan Davies Head of Financial Operations / Phil Church Interim Director of Finance and Turnaround</p> </td> </td>	CATEGORY:	<p> <input type="checkbox"/> NATIONAL TARGET <input type="checkbox"/> CNST <input type="checkbox"/> STANDARDS FOR BETTER HEALTH <input type="checkbox"/> HEALTH & SAFETY <input type="checkbox"/> ASSURANCE FRAMEWORK <input type="checkbox"/> TARGET FROM COMMISSIONERS <input type="checkbox"/> CORPORATE OBJECTIVE <input type="checkbox"/> OTHER (please specify) </p> <tr style="background-color: #cccccc;"> <th style="text-align: left;">AUTHOR/PRESENTER:</th> </tr> <td style="vertical-align: top;"> <p>Alan Davies Head of Financial Operations / Phil Church Interim Director of Finance and Turnaround</p> </td>	AUTHOR/PRESENTER:	<p>Alan Davies Head of Financial Operations / Phil Church Interim Director of Finance and Turnaround</p>
CATEGORY:					
AUTHOR/PRESENTER:					
DATE:					

2. FINANCIAL IMPLICATIONS/IMPACT ON CURRENT FORECAST:	
No impact on 2008/09 forecast.	
3. ALTERNATIVES CONSIDERED/REASONS FOR REJECTION:	
4. DELIVERABLES:	
5. EVIDENCE :	
6. RECOMMENDATION/ACTION REQUIRED:	
The Finance Committee is requested to approve the Income and Expenditure budgets for 2009/10	
AGREED AT _____ MEETING OR REFERRED TO: _____	DATE: _____ DATE: _____
REVIEW DATE _____ (if applicable)	

Income and Expenditure Budgets 2009/10

1. Introduction

This report sets out the proposed income and expenditure budget for 2009/10. It should be read alongside the 2009/10 Annual Plan summary document, which provides the wider financial context..

2. Overall Position.

The overall summary income& expenditure budget is set out at Appendix 1. This gives a summary bridge reconciliation from the 08/09 budget (bottom line deficit of £23.3m) to the proposed 09/10 budget (surplus of £1.2m). The summary gives control total budgets for each Clinical Division/Corporate Directorate, as well as for the centrally held budgets, including central income (primarily PCT contract income), unallocated budgets and non-operating budgets, such as depreciation and PDC dividend. Each Division/Directorate has been provided with a detailed reconciliation of its own budget. The schedule also shows in summary the full-year effect of recurrent budget virements made in 2008/09, non-recurrent virements in 08/09 and 09/10 budget adjustments. Appendix 2 sets out of the most significant (>£100k) full-year effect and non-recurrent items. Appendix 3 provides a reconciliation of the 09/10 adjustments.

A high level summary of the 09/10 budget changes is as follows:

	<u>£m</u>	<u>£m</u>
Budgeted deficit 2008/09		23.3
Tariff uplift (1.7%)		(6.5)
Non-recurrent shortfall against CIP targets		3.8
Cost pressures:		
- AfC pay drift	2.3	
- Pay inflation	6.0	
- Drugs inflation	5.4	
- PFI inflation	1.2	
- Other non-pay inflation	1.4	
		16.3
Savings:		
- 3% tariff efficiency target	(10.2)	
- Non-recurrent shortfall against CIP targets	(3.8)	
- Turnaround target	(26.4)	
		(40.4)
PbR/nPbR income changes		(8.9)
Impact of accounting changes under IFRS		2.8
Reduction in transitional/other funding		3.5
Other adjustments		(1.1)
Increase to central budget reserves (to cover budgeted risks)		6.0
Budgeted surplus 2009/10		(1.2)

Please note that since the Annual Plan submission to the SHA on the 27th February, a number of adjustments have been made to the final budget proposals, as contained within this document (within the same overall bottom line position of £1.2m surplus). Appendix 7 sets out the differences line by line between the Annual Plan submission to the SHA and the budget proposals.

3. Process

The budgets have been set in the context of a business planning and budget setting process that was started last October, with a workshop with Divisions/Directorates, following which planning guidance & assumptions were issued. The Business Planning Steering Group (chaired by Neill Moloney) has co-ordinated the overall planning process, including agreement of demand and activity assumptions for 09/10, contract negotiations with the main PCTs (via the weekly Co-commissioning Group meetings with PCTs) and agreement of budget setting assumptions and timetabling. Regular updates have been provided to SSIB and NHS London. In terms of the budget setting process, all budgets have been individually reviewed with budget holders. Staff establishments have been reviewed and re-costed.

4. Key assumptions

The key assumptions to be noted in respect of the 09/10 budget are as follows:

- a. **Tariff inflation.** A 1.7% increase has been applied to all income budgets (both centrally held and Divisionally based), in line with the national tariff uplift.
- b. **Cost pressures.** The following cost pressures have been provided for within the budget:
 - Increases in pay rates, arising from incremental progression through the Agenda for Change pay band points (this arises from the implementation of Agenda for Change in late 2004, and should reach a point of equilibrium in the near future). This has been tested by re-costing all pay budgets at projected actual banding pay point for each individual staff in post)
 - National pay award of 2.4% (held centrally until actual pay award is made)
 - Drugs inflation of 9% (set in consultation with the Head of Pharmacy). 50% of this increase has been funded in to drugs budgets, with 50% held back, pending a further in year review of actual inflationary pressures (by end of Q1).
 - Inflation on the PFI contract in line with contractual obligations
 - Other non-pay inflation of 2% (in line with December RPI). 50% of this increase has been funded in to non-pay budgets (i.e. 1%), with 50% held back, pending a further in year review of actual inflationary pressures. In light of further recent reductions in inflation indices (RPI projected to fall below zero), there may be an opportunity to utilise the centrally held element to mitigate against other financial risks.
 - A central budget of £0.8m has been provided for the implications of EWTD implementation (equivalent to 0.2% of tariff income), pending agreement of action plans
 - Service Developments of £6.7m have been included, in respect of:
 - £1.9m for the part-year effect of implementing Maternity Matters
 - £2.6m for the part-year effect of improving Critical Care staffing levels and increasing bed numbers (by 5)
 - £0.6m for the part-year effect of implementing the Hyper-acute Stroke tender
 - £1.4m for MRSA screening (subject to further validation of costs)
 - £0.2m for costs of renting Loxford Polyclinic
 - Other specific Divisional/Directorate cost pressures of £11.6m, identified during the budget review process, have been provided for, but have been held back centrally at this stage, pending final agreement with the Divisions/Directorates on the level of funding required (envisaged by 1 April). Details are given at Appendix 6. The most significant elements relate to; increase in CNST premium £4.3m; funding additional capacity in Surgical Division £3.0m; gas/electricity costs £1.3m; non-recurrent funding for Sky A and Elm wards £0.9m; clinical support division pressures £1.4m (primarily volume related e.g. diagnostic

imaging, pathology & phlebotomy). There is a further risk above this figure of £10.0m compared with the level of cost pressures that the Divisions/Directorates have requested.

- c. **Savings Target.** A target of £36.6m has been set for 2009/10, comprising the 3% efficiency saving (£10.2m) required from the national tariff and further £26.6m Turnaround target, required to meet the I&E target surplus of £1.2m. In addition to this there is £3.8m unachieved CIP from 2008/09, giving a total savings requirement of £40.4m for 2009/10. Turnaround targets have been fully allocated to Divisions/Directorates for 09/10. A detailed breakdown of the Turnaround programme by scheme and Division/Directorate is given at Appendix 4, together with the CIP targets. This also shows that schemes have been identified totalling £33.7m against the £40.4m target (£24.5m attributable to Turnaround and £9.2m to CIPs), leaving £6.7m, to be identified at this stage. Further work is ongoing to firm up the schemes and close the outstanding gap – the EPB meeting of 25 March will be dedicated to this process and a further verbal update will be provided at the Finance Committee.
- d. **Central Income.** Central income budgets have been increased by a total of £30.1m over the 08/09 budget levels (8.7%). The main elements of this increase are as follows:

	<u>£m</u>	<u>£m</u>
2008/09 Budget		345.9
Full-year effect adjustments:		
- nPbR	8.0	
- Sexual Health tender	1.7	
- Length of stay turnaround improvement (increased throughput)	7.3	
- Endoscopy	0.9	
- Other	0.6	
		18.7
		364.7
09/10 Tariff uplift (1.7%)	6.0	
Other volume changes and impact of HRG v4 tariff	8.9	
Reduction in transitional/other income	(3.4)	
		11.5
2009/10 Budget		376.1

Overall PbR & nPbR income budgets have been set on the basis of:

- PbR activity projected at 07/08 outturn + 1.8% growth and costed at the new version HRG version 4 tariff
- Non-PbR has been costed on the basis of 08/09 forecast outturn activity costed at national non-mandatory tariff. Discussions are ongoing with PCTs as to whether non-PbR will be charged on a cost and volume basis or block contract basis for 09/10, and if on block at which value.
- Due to the gain on out-patient income arising from the new tariff a capping formula has been applied by NHS London, which reduces income by up to £13.3m.
- The 3 main PCTs have made an overall PbR & non-PbR offer of £288m against a comparable Trust position of £306.2m, leaving a gap of £18.2m. The main components of this gap are:
 - £6.9m demand management plans from the 3 local PCTs
 - £2.8m difference in interpretation by the PCTs of the out-patient income capping formula (PCTs have based on 08/09 outturn activity and prices, whereas Trust has based on 09/10 activity)

- £8.5m further gap to PCTs' offer
- There may be some potential income upside on excess bed day income, still to be fully quantified, in relation to the revised trim points under HRG v4.

A further analysis of central income budgets is given at Appendix 5 and a more detailed update is also given in the PCT Contract Status report.

- e. **IFRS.** Adjustments have been made to take in to account the impact of implementing International Financial Reporting standards from 1 April. This has the effect of increasing net costs by £2.8m in 08/09, primarily as a result of accounting for the PFI contract for Queen's Hospital on balance sheet. A more detailed position has been reported to the Audit Committee.

5. Risks

The key risks within the budget position are as follows:

- Income risk of c£18m with the 3 local PCTs, as described above. There is a further potential income risk related to ensuring there are robust recording systems are in place for non-PbR activity from April (unless there is a block arrangement for the first 6 months). Also PbR activity will be re-imbursed via the national SUS systems on a monthly basis from April.
- Management of cost pressures within the level of funding provided (£10.0m gap to close with Divisions)
- Turnaround programme – gap of £6.7m to be identified to meet £40.4m target, as well as ensuring that the £33.7m of schemes identified are implemented and deliver savings

Within the surplus of £1.2m, a contingency budget of £2.1m (0.5% of income) has been provided for, to mitigate against financial risk

6. Recommendation

The Finance Committee is requested to approve the Income and Expenditure budget set out in Appendix 1.

**Barking, Havering and Redbridge University Hospitals NHS Trust
2009/10 Budgets**

Appendix 1

Summary Income and Expenditure Budget Reconciliation

Division / Directorate	Current 2008/09 Budgets	Full-year effect of 08/09 Budget virements	Non- recurrent 08/09 virements	09/10 Budget Baseline	09/10 Budget adjustments	09/10 Budget
Medical	63,315,439	285,840	(918,695)	62,682,584	(6,453,482)	56,229,102
Surgical	82,231,403	(570,406)	(1,008,805)	80,652,192	(4,469,045)	76,183,147
Women & Children	42,860,872	1,502,905	(12,779)	44,350,998	(2,778,279)	41,572,719
Clinical Support	73,222,198	521,847	(188,188)	73,555,857	(4,173,999)	69,381,858
Sub-total	261,629,912	1,740,186	(2,128,467)	261,241,631	(17,874,805)	243,366,826
Corporate						
Chief Executive	3,022,490	(111,085)		2,911,405	(455,798)	2,455,607
Head of Turnaround	1,359,322	28,074		1,387,396	(645,791)	741,605
Director of Finance	5,442,393	(7,452)	38,946	5,473,887	(335,135)	5,138,752
Head of Estates	71,264,835	(681,291)	248,722	70,832,266	(27,655,895)	43,176,371
Director of Human Resources	3,143,180	12,008		3,155,188	70,039	3,225,227
Director of Performance & Planning	7,442,169	27,301		7,469,470	(633,645)	6,835,825
Medical Director	(3,158,433)	19,794	52,810	(3,085,829)	(1,830,795)	(4,916,624)
Director of Nursing	4,319,189	27,554	(21,414)	4,325,329	(304,501)	4,020,828
Sub-total	92,835,145	(685,097)	319,064	92,469,112	(31,791,521)	60,677,591
Central Income & Expenditure						
Central Income	(345,946,405)	(18,559,604)	28,480	(364,477,529)	(11,571,927)	(376,049,456)
Depreciation	7,567,046			7,567,046	6,501,100	14,068,146
Interest Income	(271,753)			(271,753)	(247)	(272,000)
Interest Expense (PFI)	-			-	19,873,479	19,873,479
PDC Dividend	8,102,531			8,102,531	(2,102,531)	6,000,000
Pay Award	175,000			175,000	6,032,791	6,207,791
Non Pay and Drugs Inflation					1,812,580	1,812,580
Centrally held budgets - Specific	-			-	-	-
Centrally held budgets - General	7,753,273	7,762,797	2,597,299	18,113,369	4,572,128	22,685,497
Turnaround Target	(8,971,002)	9,666,730	(741,781)	(46,053)	46,053	-
Finance Adjustments	426,253	393		426,646	2,900	429,546
Net deficit / (surplus)	23,300,000	(74,595)	74,595	23,300,000	(24,500,000)	(1,200,000)

Barking, Havering and Redbridge University Hospitals NHS Trust 2009/10 Budgets

Analysis of Major Central I&E Bridge Items (>£100k)

a. Full-Year Effect

£

Medical

- Junior Doctors Banding	(182,033)
- Hepatology business case	114,634
- Endoscopy business case	346,361
- KGH ADCU Nurses to Enscopy	145,494
- Other	(138,616)
- Total	<u>285,840</u>

Surgical

- Drugs Turnaround savings	(260,894)
- KGH ADCU Nurses to Enscopy	(145,494)
- Other	(164,018)
- Total	<u>(570,406)</u>

Women & Children

- Sexual Health	1,355,020
- Neonates business case	181,250
- Gynae junior doctor banding	(180,000)
- Other	146,635
- Total	<u>1,502,905</u>

Clinical Support

- Radiotherapy business case	146,692
- Ultrasound lease business case	103,452
- Drugs Turnaround savings	(146,244)
- Revised Divisional Management structure	115,414
- Other	302,533
- Total	<u>521,847</u>

Head of Estates

- Laundry Contract	(750,305)
- Other	69,014
- Total	<u>(681,291)</u>

Central Income

FYE:

- Sexual Health Tender	(1,652,876)
- nPbR	(8,000,000)
- Endoscopy business case	(946,972)
- Length of Stay	(7,294,446)
- Other	(665,310)
- Total	<u>(18,559,604)</u>

Centrally held budgets - General

- nPbR	8,000,000
- Other	(237,203)
- Total	<u>7,762,797</u>

Turnaroun Target

- FYE of 08/09 Programme	<u>9,666,730</u>
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b. Non-recurrent items**Medical**

- Sky A funding	(1,035,000)
- Other	116,305
- Total	<u>(918,695)</u>

Surgical

- Urology business case	(569,000)
- Ophthalmology business case	(367,449)
- Other	(72,356)
- Total	<u>(1,008,805)</u>

Head of Estates

- Sky A funding	(320,000)
- Non-recurrent Turnaround savings	676,160
- Other	(107,438)
- Total	<u>248,722</u>

Centrally held budgets - General

- Urology business case	605,000
- Ophthalmology business case	454,511
- Sky A funding	1,489,000
- Other	48,788
- Total	<u>2,597,299</u>

Turnaroun Target

- Non-recurrent 08/09 savings	<u>(741,781)</u>
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Analysis of 2009/10 Budget Adjustments

Division / Directorate	Cost pressures					Savings		Income adjmts.		IFRS	Further 08/09 budget virements to be processed	Other adjustments	Balance on central budgets to meet control total	Total 09/10 budget adjustments	
	Tariff uplift (1.7%)	Agenda for Change Pay drift	Pay inflation (2.4%)	Drugs inflation	PFI Inflation	Other non-pay inflation	Turnaround target	CIP target	PbR/nPbR income						Reduction in transitional funding / other income adjustments
Medical	(10,792)	502,859		294,586		43,298	(5,491,668)	(1,791,765)						(6,453,482)	
Surgical	(28,170)	595,289		2,520,169		101,755	(5,404,014)	(2,334,074)			80,000			(4,469,045)	
Women & Children	(7,386)	356,270		531,063		26,214	(2,405,388)	(1,279,052)						(2,778,279)	
Clinical Support	(56,338)	501,947		953,566		147,200	(3,853,972)	(2,091,402)			225,000			(4,173,999)	
Sub-total	(102,686)	1,956,365	-	4,299,384	-	318,467	(17,155,042)	(7,496,293)	-	-	305,000	-	-	(17,874,805)	
Corporate															
Chief Executive	(92)	20,964				5,845	(411,603)	(70,912)						(455,798)	
Head of Turnaround		5,907				7,301	(627,164)	(31,835)						(645,791)	
Director of Finance	(1,566)	34,584				17,182	(254,723)	(130,612)						(335,135)	
Head of Estates	(69,261)	103,000		526	1,174,259	218,646	(5,620,320)	(1,838,580)		(21,578,112)		(46,053)		(27,655,895)	
Director of Human Resources	(13,013)	20,622		(3,648)		15,977	(128,371)	(91,528)			270,000			70,039	
Director of Performance & Planning	(710)	36,050				35,396	(528,854)	(175,527)						(633,645)	
Medical Director	(192,331)	19,977				60,309	(1,526,126)	(192,624)						(1,830,795)	
Director of Nursing	(52,392)	58,531		(101)		9,349	(147,799)	(172,089)						(304,501)	
Sub-total	(329,365)	299,635	-	(3,223)	1,174,259	370,005	(9,244,960)	(2,703,707)	-	-	(21,578,112)	270,000	(46,053)	-	(31,791,521)
Central Income & Expenditure															
Central Income	(6,072,242)								(8,885,399)	3,415,714		(30,000)		(11,571,927)	
Depreciation										5,613,146		887,954		6,501,100	
Interest Income												(247)		(247)	
Interest Expense (PFI)										19,873,479				19,873,479	
PDC Dividend										(1,065,219)		(1,037,312)		(2,102,531)	
Pay Award			6,032,791											6,032,791	
Non Pay and Drugs Inflation				1,117,831		694,749								1,812,580	
Centrally held budgets - Specific											(575,000)	(894,979)	6,042,107	4,572,128	
Centrally held budgets - General												46,053		46,053	
Turnaround Target														2,900	
Finance Adjustments	(3,377)					6,277									
Net deficit / (surplus)	(6,507,670)	2,256,000	6,032,791	5,413,992	1,174,259	1,389,498	(26,400,002)	(10,200,000)	(8,885,399)	3,415,714	2,843,294	-	(1,074,584)	6,042,107	(24,500,000)

**2009/10 Turnaround/CIP Programme
Breakdown by Scheme/Division**

Allocation of Targets to Divisions:

Scheme	Lead	Total Trust Targets	Medical	Surgical	Women & Children	Clinical Support	Chief Executive	Head of Turn-around	Director of Finance	Director of Estates	Director of Human Resources	Director of Planning & Perf.	Medical Director	Director of Nursing	Central Turn-around Target
CLINICAL DIVISION SCHEMES															
A. Income Generation															
A1. Control new follow up ratio	Phil Church	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A3. Coding audits	Phil Church	(2,000,000)	(813,891)	(724,164)	(387,513)	(74,432)	-	-	-	-	-	-	-	-	-
A5. Private sector radiology	Phil Church	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A6. Private sector opportunities	Phil Church	(100,000)	(40,695)	(36,208)	(19,376)	(3,722)	-	-	-	-	-	-	-	-	-
A7. CNS1 Level 2 compliance	Phil Church	(1,400,000)	-	-	-	-	-	-	-	-	-	-	(1,400,000)	-	-
A8. Pathology services	Phil Church	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Bank & Agency															
B2. Spend control and process review	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Administration															
C1. Freeze unused vacancies	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C4. Sickness management	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
E. Procurement															
E5. Electronic Order Comms	Graham Slayford	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G. Establishment Reviews															
G3. Radiology	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G4. Pathology	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G5. Therapies	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G6. Management: staff ratios	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G7. Overlaps and gaps analysis	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H. Nursing															
H1. Nurse specialists	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H2. Support activities	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
H3. Environmental matrons	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I. Outpatients															
I1. Roll out SMS texting	Graham Slayford	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I2. Review appointments process	Ayo Ahonkhai	(100,000)	-	-	-	(100,000)	-	-	-	-	-	-	-	-	-
I3. Diagnostics	Ayo Ahonkhai	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J. Length of Stay															
J1. Target 75th percentile	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J4. Admission Avoidance	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J5. Demand management	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
J6. DTCO audit	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
K. Pharmacy															
K1. Drug spend	Portia Omo-bare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
K2. Medicines management	Portia Omo-bare	(1,000,000)	-	-	-	(1,000,000)	-	-	-	-	-	-	-	-	-
Total Clinical Division Schemes		(4,600,000)	(854,585)	(760,372)	(406,889)	(1,178,154)	-	-	-	-	-	-	(1,400,000)	-	-
CENTRAL FUNCTION SCHEMES															
A. Income Generation															
A2. Fund raising	Jackie Doyle	(500,000)	-	-	-	-	-	(500,000)	-	-	-	-	-	-	-
A4. Site rental outlets	Jackie Doyle	(50,000)	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-
A9. Overseas paying patients	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A10. Car parking charges	Jackie Doyle	(300,000)	-	-	-	-	-	-	-	(300,000)	-	-	-	-	-
B. Bank & Agency															
B1. In house bank	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B3. Adherence to CCP framework	Gill Perry	(3,500,000)	(1,024,405)	(836,440)	(387,369)	(635,152)	(23,271)	(49,514)	(142,596)	(213,163)	(23,367)	(122,734)	(14,537)	(27,453)	-
B4. Use of loans	Gill Perry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Administration															
C2. Implement new technologies	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C3. Admin & Clerical Review	Jackie Doyle	(1,000,000)	(256,606)	(227,455)	(155,787)	(49,618)	(310,534)	-	-	-	-	-	-	-	-
C5. Board meeting frequency	Phil Church	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Estate Rationalisation															
D1. 6 facet survey	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D2. Space rationalisation	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D3. Goodmayes rationalisation	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D4. Energy and waste review	Jackie Doyle	(100,000)	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-
D5. Rates reviews	Jackie Doyle	-	-	-	-	-	-	-	-	(420,000)	-	-	-	-	-
D6. Lease review	Jackie Doyle	(50,000)	-	-	-	-	-	-	-	(50,000)	-	-	-	-	-
D7. Remaining Laundry Contract	Jackie Doyle	(1,800,000)	-	-	-	-	-	-	-	(1,800,000)	-	-	-	-	-
D8. Sterile Services	Jackie Doyle	(400,000)	-	-	-	-	-	-	-	(400,000)	-	-	-	-	-
D9. Revised Sterile Services Contract	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D10. Hard & Soft Facilities Mgmt	Jackie Doyle	(360,000)	-	-	-	-	-	-	-	(360,000)	-	-	-	-	-
D11. PFI Contract	Jackie Doyle	(500,000)	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-
D12. Upney Lane	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D13. Maintenance Deferral KGH	?	-	-	-	-	-	-	-	-	-	-	-	-	-	-
E. Procurement															
E1. Tier 3 opportunities	Graham Slayford	(750,000)	(66,883)	(165,118)	(34,339)	(237,437)	(9,470)	(11,379)	(13,894)	(125,747)	(14,223)	(44,519)	(11,228)	(15,763)	-
E2. Telecoms	Graham Slayford	(100,000)	-	-	-	-	-	-	-	-	-	(100,000)	-	-	-
E3 (1-3). JIT benefits realisation	Graham Slayford	(1,000,000)	(89,177)	(220,158)	(45,786)	(315,582)	(12,627)	(15,172)	(18,526)	(167,663)	(18,964)	(59,358)	(14,970)	(21,017)	-
E4. Additional Procurement Scheme	Graham Slayford	(250,000)	(22,294)	(55,039)	(11,446)	(79,146)	(3,157)	(3,793)	(4,631)	(41,916)	(4,741)	(14,840)	(3,743)	(5,254)	-
E6. PFI Contract Review / Sodexo	Jackie Doyle	(300,000)	-	-	-	-	-	-	-	(300,000)	-	-	-	-	-
E7. Managed Print via LPP	Graham Slayford	(420,000)	-	-	-	-	-	-	-	(420,000)	-	-	-	-	-
E8. T1	Graham Slayford	(273,000)	(24,345)	(60,103)	(12,500)	(86,427)	(3,447)	(4,142)	(5,058)	(45,772)	(5,177)	(16,205)	(4,087)	(5,738)	-
E9. T2	Graham Slayford	(2,220,000)	(197,973)	(488,750)	(101,645)	(702,813)	(28,031)	(33,682)	(41,127)	(372,211)	(42,101)	(131,775)	(33,234)	(46,657)	-
E10. Automated Inventory Management	Graham Slayford	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F. Outsourcing Reviews															
F1. HR recruitment	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F2. Procurement	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F3. IT	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F4. Health and safety	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F5. Governance	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F6. Legal	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F7. Communications	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
F8. Managed equipment services (K)	Jackie Doyle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G. Establishment Reviews															
G1. Central functions VFM audits	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G2. IT	Rose Bolton	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G8. Consultant Productivity	Yasmin Drabu	(750,000)	(167,666)	(305,632)	(110,032)	(155,199)	(5,700)	(2,159)	-	-	(3,144)	-	-	(468)	-
G9. Rebanding Junior Doctors	Kashif Khan	(750,000)	(256,898)	(359,270)	(105,513)	(25,222)	-	-	-	-	-	-	-	(3,097)	-
J. Length of Stay															
J2. IT infrastructure	Rose Bolton	(4,000,000)	(2,200,000)	(1,000,000)	(800,000)	-	-	-	-	-	-	-	-	-	-
J3. Bed and site rationalisation	Rose Bolton	(9,187,164)	-	-	-	-	-	-	-	-	-	-	-	-	-
J7. Theatre Efficiency	Rose Bolton	(500,000)	-	(500,000)	-	-	-	-	-	-	-	-	-	-	-
Remaining gap		(1,927,000)	(330,834)	(425,677)	(234,081)	(388,223)	(15,366)	(7,323)	(28,891)	(373,848)	(16,653)	(39,423)	(44,327)	(22,354)	-
Total Central Function Schemes		(21,800,000)	(4,637,082)	(4,643,643)	(1,998,499)	(2,675,818)	(411,603)	(627,164)	(254,723)	(5,620,320)	(128,371)	(528,854)	(128,126)	(147,799)	-
Updated Allocation of 2009/10 Turnaround Programme		(26,400,000)	(5,491,668)	(5,404,014)	(2,405,388)	(3,853,972)	(411,603)	(627,164)	(254,723)	(5,620,320)	(128,371)	(528,854)	(1,526,126)	(147,799)	-
Cost Improvement Schemes Identified (risk assessed)		12,421,964	1,387,950	3,279,075	1,364,590	1,954,517	196,162	1,295,201	436,274	911,645	981,157	-	-	615,393	-
- less savings attributable to central schemes		(3,234,800)	-	-	-	(250,000)	-	(1,000,000)	(398,000)	(781,800)	(825,000)	-	-	-	-
Net total CIP schemes identified		9,187,164	1,387,950	3,279,075	1,364,590	1,704,517	196,162	295,201	38,274	149,845	156,157	-	-	615,393	-
Total Targets for 2009/10		(26,400,000)	(5,491,668)	(5,404,014)	(2,405,388)	(3,853,972)	(411,603)	(627,164)	(254,723)	(5,620,320)	(128,371)	(528,854)	(1,526,126)	(147,799)	-
2009/10 Turnaround Programme		(26,400,000)	(5,491,668)	(5,404,014)	(2,405,388)	(3,853,972)	(411,603)	(627,164)	(254,723)	(5,620,320)	(128,371)	(528,854)	(1,526,126)	(147,799)	-
Remainder of 2008/09 Cost Improvement Programme		(3,802,540)	(866,145)	(836,831)	(853,913)	(531,393)	-	-	(88)	(600,692)	-	(68,433)	(18,586)	(26,459)	-
Allocation of 2009/10 Cost Improvement Programme (3%)		(10,200,000)	(1,791,765)	(2,334											

2009/10 Income analysis

	PbR	Non-PbR	Other *	CQUIN	Total	Neo-natal Intensive Care	ISTC/PFI NR	Market Forces Factor	RTA Income	Total
Barking & Dagenham PCT	56,488,562	21,015,453	- 1,773,362	469,945	76,200,598			8,539,263		84,739,861
Havering PCT	82,086,215	37,087,855	- 6,788,458	689,621	113,075,234			12,408,809		125,484,043
Redbridge PCT	52,447,802	25,474,301	- 965,304	485,158	77,441,957			7,928,429		85,370,386
Essex	21,586,184	11,581,111	258,795	182,152	33,608,242			3,263,140		36,871,382
Other	2,910,028	19,905,193	7,738,012	152,766	30,705,999	4,204,628	3,117,000	439,903	1,872,297	40,339,827
Total	215,518,792	115,063,913	- 1,530,317	1,979,642	331,032,029	4,204,628	3,117,000	32,579,545	1,872,297	372,805,499
ISTC recharges										3,214,000
Other										30,000
Total Income budget	215,518,792	115,063,913	- 1,530,317	1,979,642	331,032,029	4,204,628	3,117,000	32,579,545	1,872,297	376,049,499

	08/09 Outturn	09/10 Plan	% change	Comment on change
PbR				
Elective	48,838,431	48,428,325	(0.8)%	
Non-Elective	109,460,358	94,186,942	(13.9)%	Reductions in activity. New short-stay tariff. Excess bed day reduction.
Outpatients	46,039,429	50,149,579	8.9 %	Maternity
A&E	15,027,090	16,926,229	12.6 %	Removal of cap
OP Procedures	1,868,256	5,827,716	211.9 %	Increase in scope
Sub-total PbR	221,223,565	215,518,792	(2.6)%	
Non-PbR				
Inpatients	4,867,595	8,202,235	68.5 %	Regular day attenders included
Outpatients	6,395,689	16,264,713	154.3 %	Maternity & children included
Direct Access	8,490,813	22,838,093	169.0 %	Volume increase & move to non-mandatory tariff favourable
High Cost Drugs	5,266,415	15,981,562	203.5 %	Increase to actual cost & impact of new drugs 09/10
Critical Care	13,188,687	23,529,718	78.4 %	Volume increase & move to non-mandatory tariff favourable
Other Clinical *	35,578,087	11,102,847	(68.8)%	
NEPTS		2,739,292	n/a	New
Diagnostic Imaging		11,032,838	n/a	New
Other non-Clinical	3,221,000	1,842,297	(42.8)%	
Sub-total nPbR	77,008,287	113,533,595	47.4 %	
CQUIN		1,979,642	n/a	New
Sub-total PbR/nPbR/CQUIN	298,231,851	331,032,029	11.0 %	
NICU	3,831,446	4,204,628	9.7 %	
ISTC/PFI NR	5,562,999	3,117,000	(44.0)%	Reduction in transitional funding
MFF	36,744,128	32,579,545	(11.3)%	Reduction in MFF from 16.6% to 15.1% & PbR income down
RTA	2,002,667	1,872,297	(6.5)%	
Other Non-Clinical				
Grand Total	346,373,092	372,805,498	7.6 %	

* Other includes Out-patient cap (£10.7m reduction) and reduction in Out-patient first to follow-up ratios (£1.3m reduction)

	08/09 Outturn	09/10 Plan	% change
Barking & Dagenham PCT	85,819,732	84,739,861	(1.3)%
Havering PCT	118,497,393	125,484,043	5.9 %
Redbridge PCT	82,077,549	85,370,386	4.0 %
Essex	32,150,253	36,871,382	14.7 %
Other	35,393,832	40,339,827	14.0 %
Total	346,373,093	372,805,499	7.6 %

Analysis of Centrally Held Budgets

	£	£	£
Pay inflation			
- Pay awards	6,032,791		
- Clinical Excellence Awards	175,000		
- Total	<u>6,207,791</u>		
Non pay inflation			
- General non pay inflation (1.0% - further 1% already allocated)	694,749		
- Drugs inflation (4.5% - 4.5% already allocated)	1,117,831		
	<u>1,812,580</u>		
Service Developments			
- Critical Care (50% for part-year effect)	2,640,500		
- Maternity Matters (50% for part-year effect)	1,977,000		
- Stroke tender (part year effect of £1.1m increase per HASU tender)	572,000		
- Loxford (direct rental costs)	150,000		
- MRSA screening	1,396,910		
	<u>6,736,410</u>		
Other			
EWTD (national tariff funding 0.2%)	775,000		
Utilisation of reserves to offset CIPs from central income increases	1,547,245		
Cost Pressures (see analysis)	11,578,081		
General contingency / invest to save (0.5% of total income)	2,101,558		
- Sub-total other	<u>16,001,884</u>		
Grand Total	<u><u>30,758,665</u></u>		

Analysis of Cost Pressures

		Funded	% Funded
Medical			
Sky A (3 months)	675,000		
Elm Ward (6 months)	650,000		
Cardiology Ward	100,000		
Respiratory Nursing	<u>85,000</u>		
		1,510,000	67%
Surgical			
09/10 additional capacity over budget	6,025,464		
Specialty doctor contracts	1,007,176		
Junior doctor banding	937,500		
EWTD - increase in SHOs	1,050,000		
Unfunded consultant/jnr doctor to achieve compliant rota	280,000		
Unfunded consultant intensivists for general & neuro ITU	448,500		
Registrar for A&E assessments	<u>180,000</u>		
		9,928,640	38%
Women & Children			
Nursing - Cornflower B		168,000	67%
Clinical Support			
Phlebotomy	276,000		
Blood contract	100,000		
Therapy consumables	40,000		
QH A&E Therapy service	15,000		
Radiology workload	330,000		
Radiographer workload	320,000		
Nuclear medicine consultant	60,000		
Sonographer service	150,000		
Tests sent away	110,500		
Orthotics	25,000		
Speech & Language Therapy	205,000		
Transfusion practitioner	54,000		
Haematology Nurse Practitioner	92,000		
Pathology GP Direct Access	<u>301,000</u>		
		2,078,500	67%
Estates			
Electricity	1,291,000		
Gas	708,850		
Rental (McKesson building @ Harold Wood)	173,000		
Funeral Contract	10,000		
Medical Records off-site storage	16,000		
Postage	90,000		
Stationery	75,000		
Maintenance of Active Archive	42,064		
Order Comms/Clinical Coding	<u>42,064</u>		
		2,447,978	67%
HR			
CRB checks	249,455		
Work permits	<u>76,500</u>		
		325,955	67%
Medical Director			
CNST Premium	4,300,362		
MPET contract	<u>637,863</u>		
		4,938,225	67%
Nursing Director			
DTOC Income		170,000	67%
Grand Total Cost Pressures		<u><u>21,567,298</u></u>	54%

Reconciliation of Annual Plan submission to revised position per Board Budget paper

	Actual Figures per Annual		Variance £	Note
	Plan £	Revised Total £		
Operating Revenue				
<i>NHS Clinical Revenue</i>				
Elective revenue				
Tariff revenue	52,250,000	(52,251,465)	(1,465)	
Non-Tariff revenue	5,780,000	(5,778,239)	1,761	
Same Day revenue				
Tariff revenue	-	-	-	
Non-Tariff revenue	-	-	-	
Non-Elective revenue				
Tariff revenue	133,760,000	(133,758,062)	1,938	
Non-Tariff revenue	2,310,000	(2,313,188)	(3,188)	
Outpatient				
Tariff revenue	58,380,000	(58,382,994)	(2,994)	
Non-Tariff revenue	11,320,000	(11,315,211)	4,789	
A&E				
Tariff revenue	17,470,000	(17,474,775)	(4,775)	
Non-Tariff revenue	-	-	-	
Other NHS				
Tariff revenue	-	-	-	
Non-Tariff revenue	112,260,000	(112,226,225)	33,775	
Total	393,530,000	(393,500,159)	29,841	
<i>Non NHS Clinical revenue</i>				
Private patient revenue	960,000	(971,549)	(11,549)	
Other non-protected clinical revenue	1,840,000	(1,872,297)	(32,297)	
Total	2,800,000	(2,843,846)	(43,846)	
<i>Other revenue</i>				
Research and Development	580,000	(786,114)	(206,114)	
Education and Training	13,080,000	(13,314,595)	(234,595)	
Other revenue	10,920,000	12,190,137	23,110,137	1
Total	24,580,000	(1,910,572)	22,669,428	
<i>PFI Specific revenue</i>	1,370,000	(1,367,000)	3,000	
Total Operating Revenue	422,280,000	(399,621,577)	22,658,423	
Operating Expenses				
Pay Costs	(262,050,000)	243,328,585	(18,721,415)	
Drug Costs	(27,460,000)	23,200,335	(4,259,665)	
Clinical supplies & services	(25,920,000)	27,714,833	1,794,833	
Other Costs (excl. depreciation)	(41,740,000)	41,275,884	(464,116)	
Contingency reserve	(2,100,000)	1,998,108	(101,892)	
<i>PFI specific costs</i>				
Service costs	(22,020,000)	21,089,208	(930,792)	
Unitary payment				
Other costs				
Total Operating Expenses	(381,290,000)	358,606,952	(22,683,048)	
EBITDA	40,990,000	(41,014,625)	(24,625)	
Profit / (loss) on asset disposals	-	-	-	
Impairment	-	-	-	
Other Non-Operating Revenue/ (Costs)** (see key notes)	-	-	-	
PFI Asset Depreciation & Amortisation	(5,610,000)	5,610,000	-	
Other Depreciation & Amortisation	(8,600,000)	8,603,146	3,146	
Interest Receivable	270,000	(272,000)	(2,000)	
Interest Payable on Working Capital Loans	-	-	-	
Interest Payable on Capital Investment Loans	-	-	-	
Interest Payable on Other Loans	-	-	-	
Interest Payable on PFI	(19,870,000)	19,873,479	3,479	
Interest Payable on Other Finance Leases	-	-	-	
Interest Payable Other	-	-	-	
PDC Dividend	(6,000,000)	6,000,000	-	
Taxation payable	-	-	-	
Net Surplus/(deficit)	1,180,000	(1,200,000)	(20,000)	

Note

1 Primarily relates to re-allocation of income risk provision from expenditure lines