

Report to Trust Board

Date: 28 July 2010

Agenda item no 8.1

Title: **Revision to 2010/11 Budget**

Author: Alan Warren, Director of Finance & Performance

Responsible Director: Alan Warren, Director of Finance & Performance

Purpose: ~~Strategy/ Decision / Ratification/ Assurance/Information~~
Delete as appropriate

Action required:

1. Review the alterations proposed to the Trust's 2010/11 income and expenditure budget
2. Note that the Finance Committee discussed the suggested alterations at the meeting on 20 July 2010 and agreed to recommend the changes to the Board
3. Approve the finalised budget for 2010/11

Executive Summary:

The Board approved a break-even income and expenditure budget for 2010/11 at its meeting on 31 March 2010. At that point negotiation of activity plans and associated income levels with PCT commissioners had not been concluded and assumptions were made about anticipated income for the year. All SLA negotiations have now been finalised and contract documents signed and it is clear that planned income for the year is higher than was originally assumed.

In addition, the opportunity has been taken to revise expenditure budgets for alteration to costs that have become apparent since the break-even budget was approved. These include corrections for a number of amounts originally included and the addition of new costs, such as the impact of VAT at 20% from 4 January 2011. The revised budget does not include specific provision for contractual risk or recognition of income above planned levels. Reserves are held for the potential costs of externally-sourced additional capacity and as a general contingency, equivalent to 0.5% of turnover.

The revised budget will result in an outturn surplus of £1.6 million and is aligned to the version of the LTFM Base Case being considered by the Department of Health as part of the Foundation Trust application. There is no opportunity to revise the Trust's break-even FIMS (Financial Information Monitoring System) plan submitted to the Department of Health (via East of England SHA) on 22 March 2010. Positive variances should continue to be reported via FIMS as the year progresses.

If the recommendations in this paper are approved, adjustments will be made to budgets in place with Divisions and departments and reports to the Executive Management Group, Finance Committee and Trust Board will be revised to reflect the new outturn surplus plan. Reports for the end of July 2010 (Month 4) will compare actual performance to the new profile.

There are no changes proposed at this stage to the approved capital budget.

Relevant CQC
standard/
NHS Constitution
pledge

Pledge 6 We will spend tax payers' money carefully.

Link to strategy/plans

Good financial performance is an element of the Trust's Integrated Business Plan and an objective for the year.

Impact assessment:

- quality

CQUIN income reflected in income – see note 1

- financial/business

Financial performance is a key measure of the success of the organisation

- equality/diversity

None

- risk

The risk to delivering the financial plan is monitored monthly and remedial action taken if adverse variances arise

- legal/statutory

SHA/DH require monthly monitoring of financial performance

- sustainability

Budgets reflect continued reduction in energy consumption

Previous consultation /
decision / discussion

Original 2010/11 Budget approved at Board meeting on 31 March 2010. Monthly reports on financial performance provided to Finance Committee and Board throughout 2010/11

Date: 21 July 2010