

**LONDON AMBULANCE SERVICE
NHS TRUST**

2006/07 Budgets

1. Summary

- 1.1. This paper sets out balanced Income and Expenditure and Capital budgets for 2006/07, but with a lower level of risk than last year. **The Board is requested to approve the capital and revenue budgets set out in this paper.**
- 1.2. Final revenue funding for A&E services has yet to be agreed with Commissioners. Currently we have an outline agreement for a net 4.0% increase in recurrent funding. We are in continuing discussions with commissioners relating to activity driven revenue increases. The funding formula requires the Trust to make a 2.5% cash releasing efficiency saving, this is in line with national guidance. PTS is in a similar position and has also had to plan for the loss of some contracts. These factors, combined with internal cost pressures, have led to a tight budget for 2006/07. The most significant risks are:
 - The recurrent CBRN funding of £8.0m is not increased to cover inflation.
 - We may not control overtime as we reach full establishment and strive to meet performance targets in readiness for the change to ‘clock start’.
- 1.3. Unlike previous years there is little likelihood of additional funding given the financial position of the NHS in London.
- 1.4. Within the A&E service, it will be a year to consolidate Category A performance. We will see the full benefits of reaching full establishment, but will be operating at lower levels of overtime than last year. The Trust is in continuing to develop the Urgent Care Service, which involves an increase in the use of PTS crew staffing. This development will also help with growth in demand.

2. Revenue Budgets

2.1. Summary

- 2.1.1. Overall, the proposed revenue budgets are summarised, using the same analysis as the monthly finance report, in Table 1, below.

Table 1

	Financial Budget				2006/07 Budgeted Cost per Day
	2005/06 Forecast Outturn	2006/07 Draft Budget	Change	Percent Change	
	£000	£000	£000	%	£000
Income	-203,100	-205,095	1,995	1.0%	-561.90
A&E Operational Costs					
Sector	133,899	128,503	-5,396	(4.0%)	352.06
Control Services	14,066	12,122	-1,944	(13.8%)	33.21
A&E Operational Support	10,466	11,089	623	6.0%	30.38
Urgent Care		4,800	4,800	0.0%	13.15
Education and Development	8,132	9,375	1,243	15.3%	25.69
Total Operations Cost	166,563	165,890	-673	(0.4%)	454.49
A&E Gross (Surplus) / Deficit	-36,537	-39,205	-2,668	7.3%	-107.41
A&E Gross Margin	18.0%	19.1%			
Corporate Support					
Medical Director	388	608	220	56.7%	1.67
Service Development	519	575	56	10.9%	1.58
Communications	1,351	1,497	146	10.8%	4.10
Human Resources	4,075	4,172	97	2.4%	11.43
IM&T	6,850	7,235	385	5.6%	19.82
Finance	20,113	23,864	3,751	18.7%	65.38
Chief Executive	1,400	1,520	120	8.6%	4.16
Total Corporate	34,696	39,472	4,776	13.8%	108.14
A&E Net (Surplus) / Deficit	-1,841	268	2,109	(114.5%)	0.73
A&E Net Margin	0.9%	-0.1%			
PTS					
Income	-11,483	-11,116	367	(3.2%)	-30.46
Expenditure	12,424	10,849	-1,575	(12.7%)	29.72
(Surplus) / Deficit	941	-267	-1,208	(128.4%)	-0.73
Margin	-8.2%	2.4%			
Trust Total	-900	0	900		0.00

2.2. Income

2.2.1. Table 2 below sets out a summary of the income forecast for the current year and proposed budget for 2006/07. The main differences between the two years are:

- An estimated increase of 4% from commissioners. This is in line with generic uplifts across London and with other Ambulance Services nationally and is net of 2.5% cash releasing efficiency savings.
- CBRN income is expected to revert to the recurrent levels negotiated in previous years. One-off funding was received in 2005/06 relating to the July bombings.

Table 2

	2005/06 Total A&E Income	2006/07 Proposed Budget	Change
	£000	£000	£000
A&E Services Contract	182,420	188,552	6,132
CBRN Income	13,110	9,323	-3,787
ECP Revenue	1,243	1,464	221
SCBU & ICU Journey Income	508	425	-83
A & E Long Distance Journey	473	475	2
Stadia Attendance	543	598	55
Heathrow BAA Contract	255	240	-15
Other Income	4,548	4,017	-531
Total	203,100	205,095	1,995

2.2.2. The increase of £6,132,000 in the A&E Services Contract for 2006/07 is analysed in Table 3, below.

Table 3

	SLA Uplift (PCT Offer)	Total
	%	£000
2005/06 A&E Service Contract		182,420
<i>Less</i> Brokerage Returned		(1,300)
<i>Plus</i> Humanitarian Journeys		180
A&E Service Income (Base)		181,300
Increase in Pay & Prices	3.3%	5,983
Efficiency Savings	(2.5%)	(4,533)
Reform & Quality	1.5%	2,720
NHS Connecting for Health	0.3%	544
Net Generic Cost Pressures	2.6%	4,714
Growth	1.4%	2,538
	4.0%	7,252

2.2.3. The 'Generic Cost Pressures' increase will be enough to meet the cost of the national pay award (2.0%) and other generic cost pressures. The 2.6% is net of a 2.5% cash releasing cost efficiency requirement, which has been set by the DH for all NHS organisations.

2.2.4. Table 2 above shows total funding for CBRN of £9,323,000. This assumes a 2.6% uplift on the 2005/06 budgeted level. This includes estimates for the main CBRN funding and for partial funding for 'Hot Zone' working, the replacement for MAIAT as well as income for 'Pod' storage of £396,000.

2.2.5. The Board should note that the main CBRN funding has been secured recurrently

for 2006/07 and beyond.

- 2.2.6. The increase in budgeted ECP revenue shown in Table 2 reflects the planned 2006/07 rollout of 2 funded schemes, for which ECPs already in place, as well as the full-year income effect of schemes rolled out in 2005/06.

2.3. A&E Operational Expenditure

- 2.3.1. The recurrent effect of developments commenced in 2005/06 is included in individual cost centres. The impact of increased activity in 2005/06 (3%) and the projected activity increase in 2006/07 (3%) is reflected in cost centre non-pay budgets (but not staffing budgets).

Table 4

	2005/06 Forecast Outturn	2006/07 Proposed Budget	Change
	£000	£000	£000
A&E Incidents			
Forecast Annual Total	854,878	880,524	25,646
Average Daily Total	2,342	2,412	70
Staffing			
A&E Crew Staff	2,548	2,538	-10
Urgent Care Service Staff	184	213	29
EOC Staff	321	327	6
Total	3,053	3,078	25
Incidents per day per A&E Crew Staff	0.92	0.95	0.03

- 2.3.2. The Sector Services budget has increased overall (after the separation of Urgent Care) across both pay and non-pay budgets. The pay increase reflects the increased crew staff establishment as well as the full costs of Agenda for Change. All pay budgets have been re-based for 2006/07 using the current agreed establishment and the best estimate of the grade mix between TEMTs, EMTs and paramedics. The crew staff establishment has been increased by 48 wtes for Agenda for Change and 6 staff funded for the Heathrow CRU. The proposed overtime budget is £4.5m. This covers shift over runs, winter pressures, the change in the working week and CBRN training.
- 2.3.3. All non-pay has been zero based and takes account of the latest available prices, e.g. fuel. The non-pay budget also assumes that meal breaks for crew staff will be differently from October 2006.
- 2.3.4. A separate Urgent Care budget has been created by moving the costs of the UOC from Control Services and Sector Services.
- 2.3.5. The Education & Development budget has been zero based using the planned number of technician recruits and other training activities indicated in the training program for next year.
- 2.3.6. Where required, some individual non-pay budgets have been increased for the

effects of inflation:

- The increase in capital charges following the indexation of assets.
- The increase in average fuel prices above the 92.83 pence per litre assumed in the budget calculations.
- The impact of price inflation where this is known and can be directly attributable to budgets, e.g. the vehicle recovery contract.

2.4. **Corporate Services Expenditure**

- 2.4.1. The Service Development directorate budget includes budget for one Operational Development Manager post which is covered by secondment income.
- 2.4.2. The IM&T budget includes the impact of increases in maintenance contract prices, in particular the CTS Contract.
- 2.4.3. The Communications budget includes an increase in the Conference and Corporate induction budget based on expected numbers of new starters in 2006/07.
- 2.4.4. The overall budget for HR has reduced slightly which reflects actual expenditure in 2005/06 on unproductive salaries and a reduction in the budget for the Agenda for Change project. The course fees budget for HR Directorate staff (£35k) has been transferred across from the Education & Development Directorate.
- 2.4.5. The main reason for the increase in the Finance budget results from the transfer of budgets previously held in Centrally Held Funds. The main item is the funding for the 2006/07 pay award (£3.6m). The Estates budget has been adjusted to reflect more leased buildings, including Fixed Satellite points. Rent and rates, utilities and maintenance budgets have been adjusted to take account of price increases which has been funded from the generic cost pressure part of the commissioners funding increase.
- 2.4.6. The Finance Directorate budget now includes the Centrally Held Funds cost centre. Currently the amounts are being held for the 2006/07 pay award (assumed nationally at 2%), depreciation relating to the estimated costs of new assets to be brought into use during 2006/07 (£1.1m), a small reserve in case fuel prices increase and a contingency of £200k.

2.5. **PTS**

- 2.5.1. 2005/06 has been a difficult year for PTS, producing a forecast deficit of £916k. The main causes of this were the loss of the Hammersmith contract, excessive use of third party transport and supporting A&E during a difficult summer.
- 2.5.2. 2006/07 PTS plans to make a contribution (surplus) of £267k to corporate overheads
- 2.5.3. PTS income is similar to last year with the income from the Bromley contract being offset by potential contract losses later in the year.

- 2.5.4. PTS operating costs are budgeted to reduce by £1,575k. Key areas include a reductions in subsistence costs, third-party transport expense, bad debts and better utilisation of existing staff and equipment. In particular, action will be taken on existing loss making contracts.
- 2.6. **2006/07 Service Plan Funding Bids**
- 2.7. The old ISON process has been replaced with a bidding process which forms part of the strategic plan. Final decisions about which bids will be funded will be made once funding negotiations with commissioners have been concluded.
- 2.8. **Revenue Risks**
- 2.8.1. There are a significant number of uncertainties and risks which are not included within the revenue budgets. These are:
- The financial impact if A&E activity increases over and above the forecast outturn.
 - It may not be possible to manage down crew overtime and achieve performance targets.
 - Any new and unforeseen cost pressures.
 - Fuel prices in excess of the sums held in budgets.
 - A&E and PTS failing to manage and control third party expenditure.
 - The Trust may not be successful in securing extra funding for the ECP project.

3. Capital Budgets

3.1. Capital Resource Limit

- 3.1.1. The Trust's Capital Resource Limit (CRL), for 2006/07 is shown in Table 10 and totals £12,653,000. The CRL consists of the Block Capital Allocation (£7,956,000) and brokerage brought forward from 2005/06 (£4,697,000).
- 3.1.2. The Department of Health's 'Access Incentive Scheme' has changed and is no longer directly linked to the Trust's Category A performance.

3.2. Proposed Capital Expenditure

- 3.2.1. The proposed capital programme is set out in Table 5 below. This is based on those projects currently approved by the Board or SMG.

Table 5

Initiative Number	Initiative Title	Capital Expenditure
S91	Vehicles	
080	Purchase of RRUs (New & Replacement)	4,288,826
	Total Vehicles	4,288,826
S93	Estates	
087	Poplar Ambulance Station Replacement	100,000
088	Bounds Green Additional Accommodation	156,875
089	Relocation of Isleworth Ambulance Station	235,000
093	Replacement Park Royal & Willesden Stations	650,000
144	Whipps Cross – Workshop Improvement (CC80158)	25,000
145	Bow Office Changes (CC80179)	333,000
146	New Brixton Ambulance Station (CC80222)	100,000
147	Radio Project Accommodation (CC80256)	433,039
188	Romford Parking (CC 80274)	20,000
189	Camden Workshop Extension (CC 80276)	22,268
191	Estate Office Rationalisation (CC80254)	35,250
	Total Estates	2,110,432
	Unallocated Balance to further SPPPs	6,253,742
Total Budget		12,653,000
Capital Resource Limit		
	Block Allocation	7,956,000
	Brokerage Brought Forward	4,697,000
Total Capital Resources Available		12,653,000

3.3. The uncommitted balance of £6,253,742 will be allocated to projects by SMG following decisions on the priority of SPPP bids.

3.4. **Risks to the Capital Resource Limit**

3.5. There are a few risks associated with the achievement of the CRL, as follows:

- Until more details of some projects are known, the levels of VAT and its recovery cannot be forecast accurately.
- Until tenders for each project are received, there is the possibility that costs will increase. That was the Trust's experience for some projects in 2005/06.

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