

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

COUNCIL OF GOVERNORS

FINANCIAL POSITION: 2010/11 (MONTH 2)

1. Executive Summary

This paper sets out the financial position for the two months ended 31st May 2010.

2. Summary of Financial Position : 2010/11 (Month 2)

A summary of the financial position is reported below:

<p>a) <u>Income and Expenditure</u></p> <ul style="list-style-type: none"> • Financial Targets <p>[including Consolidated Risk Rating, measured on a range of 1 (lowest) to 5 (highest)]</p>	<p>An overall Risk Rating of 4 has been achieved to Month 2 and there are few significant issues to report. There are, however, a few emerging risks that are highlighted in the sections below.</p> <p>There was an 'Earnings before Interest, Depreciation and Amortisation' (EBITDA) surplus of £11,597k (Plan: £11,774k) and a bottom line Income & Expenditure surplus (after impairments) of £2,277k (Plan: £2,301k).</p>
<ul style="list-style-type: none"> • Income Position 	<p>Income is broadly in line with plan at month 2 (Actual: £126,660k; Plan: £126,425k), although there are some variances within the aggregate position; SLA income was £1,504k above plan, offset by lower income from specialised services, non-NHS patient care and income matched with expenditure. The continued shortfall in income from private patients represents a risk to the Trust.</p>
<ul style="list-style-type: none"> • Expenditure Position 	<p>Expenditure to month 2 is £413k higher than plan, with a pay underspend of £331k and a non-pay overspend of £744k, items of note being:</p> <ul style="list-style-type: none"> i) Some agreed commissioner developments have not yet commenced and expenditure has not been incurred to date. ii) There is a continuing cost pressure in respect of IT, where unfunded agency expenditure is being incurred and is likely to continue until September.

	<p>iii) Expenditure on waiting list initiatives remains a concern. Plans are in place to manage down forecast expenditure levels.</p> <p>iv) There is an overspend within other operating expenses related to Estates building, engineering and minor works. This appears to be a phasing issue.</p>
<p>b) <u>Cost Improvement Programme (CIP)</u></p> <ul style="list-style-type: none"> • 2010/11 CIP (incl. TNH) = £27m • +b/f from prior years = <u>£3.4m</u> <u>£30.4m</u> 	<p>The total Cost Improvement Programme for 2010/11 is £30.4m, of which plans have been identified totalling £27.7m, with £2.7m still to be identified. The Trust is committed to delivering its 2010/11 CIP target and has established a CIP Working Group and CIP Steering Group to achieve this.</p> <p>The CIP Steering Group comprises the Chief Operating Officer, the Finance Director, an Assistant Medical Director. Members of the Group will hold Directorates and Departments to account for delivery of savings plans. The Steering Group meets monthly and will agree, modify or reject Directorate and Departmental savings proposals and review progress against plan.</p> <p>In-month face to face meetings are held with Directorates and Departments who are at risk of not delivering savings targets.</p>
<p>c) <u>Capital Expenditure</u></p> <ul style="list-style-type: none"> • 2010/11 Full Year Capital Plan = £54,049k 	<p>Capital expenditure at month 2 was £2,849k against a plan of £7,559k. Significant areas of underspend include:</p> <p>i) The Biomedical Research Centre building is a shared development with the University. This is an issue of timing.</p> <p>ii) The HPA building on the Freeman site can only commence once the lease has been agreed by both parties.</p> <p>iii) Equipment associated with the angiography scheme will be delivered later in the year than planned; this will not delay the overall scheme.</p>

d) <u>Liquidity</u>	The cash balance at 31 May 2010 was £57m, £5m higher than plan, primarily due to Dental Sift income being received earlier than expected and slippage in the capital programme.
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3. **Recommendation**

To i) receive the Month 2 financial position for 2010/11, ii) note the emerging risks highlighted and iii) note the requirement to concentrate on cost base efficiency and the actions being taken in this regard.

Helen Ripley
Associate Finance Director
7th July 2010