

THE NEWCASTLE UPON TYNE HOSPITALS NHS FOUNDATION TRUST

FINANCIAL POSITION: SEPTEMBER 2008

1. Executive Summary

This paper sets out the financial position of the Trust for the period from 1st April 2008 to 30th September 2008 (Month 6).

2. Summary of Financial Position: September 2008

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>The Trust reports an overall Risk Rating of 4.2 and this demonstrates satisfactory performance.</p> <p>It also reports an 'Earnings before Interest, Tax, Depreciation and Amortisation' (EBITDA) surplus of £28,679k (Plan: £29,612k) and an Income & Expenditure surplus of £11,936k (Plan: £11,330k).</p>
<ul style="list-style-type: none"> • Income Position 	<p>Income exceeds financial plan by £9,773k and the most influential factors driving this are:</p> <p>(a) There is significant over performance against Service Level Agreements and a lesser payment reduction for elements of emergency activity than was assumed .</p> <p>(b) Specialist Services report over performance across the whole specialist portfolio. The position is also influenced by income and expenditure on high cost drugs, particularly Haemophilia Blood Products. This latter income is directly matched by spend.</p> <p>(c) Also there is a positive variance which is due almost entirely to new income for drugs which are excluded from the National Tariff payment mechanism. This income is matched by spend.</p> <p>(d) Finally new Research and Development income has recently been awarded to the Trust by the Department of Health.</p>
<p>a. Expenditure Position</p>	<p>In terms of expenditure the following issues are relevant :</p> <p>(a) The cost of Waiting List Initiative payments is in excess of Month 6 plan, though this should reduce following the approval of a number of service developments which will increase capacity and reduce reliance on out of hours working.</p> <p>(b) Progress is slower than ideal as regards the identification of Directorate CIP plans.</p> <p>(c) Estates issues continue to impose financial pressure and this is being addressed.</p> <p>(d) The above pressures are afforded by an underspend against pay expenditure.</p>
<p>b) <u>Cost Improvement Programme (CIP)</u></p> <ul style="list-style-type: none"> • 2008/09 CIP requirement = £36.9m 	<p>The likely Corporate, Directorate & Transforming Newcastle Hospitals savings forecast for 2008/09 as at the end of September</p>

<ul style="list-style-type: none"> +c/f from prior years (net) = £8.4m <p style="text-align: right;">£22.0m</p>	<p>2008 is 68.8% of target. Directorates are encouraged to further develop their savings plans, particularly those who carried forward significant undelivered balances from the previous financial year.</p>
<p>c) <u>Capital Expenditure</u></p> <ul style="list-style-type: none"> 2008/09 Capital Plan = £33.0m 2008/09 Forecast expenditure = £36.9m £8.2m variance due to: <ul style="list-style-type: none"> £3.6m Additional schemes funded by Public Dividend Capital (PDC) £0.6m Individual scheme overspends anticipated £3.6m Additional schemes approved internally £0.4m Other net movements 	<p>At September 2008, capital expenditure was £12,214k which is £3,872k behind the plan profile. However, the forecast expenditure for the financial year is now £36,981k, which is £3,981k in excess of the capital plan – largely due to some additional schemes now approved that were not in the original capital plan (some of which are anticipated to be funded via additional PDC) and forecast overspends on some specific schemes.</p>
<p>d) <u>Financial Risk Ratio</u></p> <ul style="list-style-type: none"> Consolidated Risk Rating, measures on a range of 1 (lowest rating) to 5 (highest rating). Margin 	<p>The Trust Risk rating at the end of September 2008 was 4.2. This is a very acceptable result which continues to demonstrate above satisfactory performance.</p> <p>Attention should be very much focused on maintaining the 'EBITDA' margin as this is a primary indicator of the efficiency of trading activities. Cost pressures do restrict income contribution.</p>
<p>e) <u>Liquidity</u></p>	<p>The Trust cash balance on 30th September 2008 was £47.3m of which £20.6m was invested in the Paymaster General Account with an interest rate of 4.75% and £20m in the National Loans Fund at an interest rate of 4.98%. The balance of monies, £6.7m, remained as working capital in the Trust's main bank account (HSBC).</p>

3. Recommendation

To receive the financial position for the period 1st April 2008 – 30th September 2008 and to acknowledge a satisfactory position.

Angela Dragone
Acting Finance Director
13th November 2008