CAMBRIDGE UNIVERSITY HOSPITALS NHS FOUNDATION TRUST
BOARD OF GOVERNORS

FINANCIAL REPORT – 31 MAY 2008

Report of: David Smith, Director of Finance

1. Income & Expenditure:

- Surplus for the two months to May is on plan at £1.3M however, whilst we remain at a Financial Risk Rating (FRR) of 3.6 (rounded to a 4) a fall in surplus of £360k would be sufficient to drop the FRR to 3. This shows that although on plan, the margin for error remains narrow.
- NHS Protected Clinical Income is higher than anticipated (£0.3M) with over performance on Day Cases and Outpatients.
- This is balanced with an overspend within the Director of Operations directorate. Of note is agency nursing within Medical Services to support the opening of K3, our C.diff isolation ward. Ongoing measures are in place to improve the staffing issues and reduce agency expenditure.
- One of the main themes of under performance in April was private patient income which was £0.2M lower than planned. This has improved in May and is currently £0.1M lower than plan.
- Interest income is favourable to plan by £0.3M – primarily due to extra cash holdings as described under section 3.

2. Workforce

- Pay costs are in line with budget however a premium has been paid for agency staffing. The Trust continues to drive recruitment of nursing which will reduce the dependency upon agency staff and have a benefit on pay costs.

3. Cash & liquidity

- Cash is £51.3M v plan £46.7M. The variance of £4.6M is attributable to debtors being £2.5M lower than plan and the capital programme being behind profile. Trade debtors have normalised a little in May, having been £7M below plan in April, but this is not unexpected and indeed was assumed within the plan.
- Liquidity remains strong, with a liquidity ratio (i.e. number of days operating expenses that can be covered by working capital) of 31.7 days v plan 30.2 days.

4. Capital

- Capital expenditure for the two months to May is £3.2M (plan £5.1M) with the main under spend attributable to: medical ward expansion £1.6M; PET CT £0.4M; backlog maintenance £0.5M. Despite the under spend all the Trust's critical schemes have commenced as previously reported.
- The under spend continues to be a timing issue. It is expected that capital will catch up with plan by late summer.

5. Monitor summary/financial risk rating

- FRR is 3.6 v plan of 3.6. As mentioned earlier a decrease in surplus of £360k would drop the FRR to 3. The component of the FRR calculation that is causing the tipping point is 'return on assets' - as our asset base increases the expected surplus must also increase.
- Below is a list of our peer group typically used within the Trust. For those that have Foundation Trust (FT) status we have listed the Governance and Financial Risk Ratings. This allows us to compare our performance against relevant FT's. This data is an extract from the FT Sector Overview Quarter 4 2007/08 report issued by Monitor.
- It can be seen that against our peers we fair reasonably well when comparing both Governance and FRR.

Name of NHS Trust	Governance Risk Rating (2007-08)				Financial Risk Rating (2007-08)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cambridge University Hospitals	🟡	🟡	🟢	🟢	**5**	**4**	**5**	**4**
Barts & The London								
Brighton & Sussex University Hospitals								
Central Manchester & Children's University								
Chelsea & Westminster Hospital	🟡	🟡	🟡	🟡	4	4	5	5
Guys & St Thomas	🟢	🟢	🟢	🟢	5	5	5	5
Imperial College Healthcare								
King's College Hospital	🟢	🟢	🟢	🟢	3	3	4	4
Leeds Partnership		🟢	🟢	🟢		3	3	4
Nottingham University Hospitals								
Oxford Radcliffe Hospitals								
Plymouth Hospitals								
Royal Free Hampstead								
Royal Liverpool & Broadgreen University								
Salford Royal	🟡	🟡	🟡	🟡	4	4	4	4
Sheffield Teaching Hospitals	🟢	🟢	🟢	🟢	4	4	4	4
Southampton University Hospitals								
St George's Healthcare								
The Newcastle Upon Tyne Hospitals	🟡	🟡	🟡	🟡	5	5	5	4
United Bristol Healthcare								
University College London Hospitals	🟢	🟢	🟢	🟡	3	3	4	4
University Hospital Birmingham	🟡	🟡	🟡	🟡	4	4	4	4
University Hospital of South Manchester	🟡	🟡	🟡	🟡	3	4	4	4
University Hospitals Coventry & Warwicks								

- The report issued by Monitor also outlined the average I&E margin for 2007/08 split by type of FT. The overall average I&E margin was 3.2% with acute trusts being 2.8% and specialist trusts at 4.4%. The Trust margin for 2007/08 was below average at 2.0%.

Table 1

Cambridge University Hospital NHS Foundation Trust
Income & Expenditure Report for the Period Ending 31st May 2008

SUMMARY

Directorate	Year to Date				Annual Budget £000
	Budget £000	Actual £000	Variance £000	%	
Income					
NHS Protected Clinical Income	62,275	62,615	340	1%	372,066
Other Protected Clinical Income	7,355	7,434	79	1%	44,131
Other Income	2,068	1,855	(213)	(10%)	12,468
Total Income	**71,698**	**71,904**	**206**	**0%**	**428,665**
Expenditure					
Director of Operations	42,764	43,337	(573)	(1%)	243,254
Medical Staff	11,331	11,306	25	0%	69,493
Corporate Services	9,483	9,449	34	0%	56,970
Other	1,694	1,640	54	3%	11,804
Sub Total - Directorates	**65,272**	**65,732**	**(460)**	**(1%)**	**381,521**
Reserves	1,141	1,141	0	0%	14,285
Sub Total - Reserves	**1,141**	**1,141**	**0**	**0%**	**14,285**
Total Expenditure	**66,413**	**66,873**	**(460)**	**(1%)**	**395,806**
Income & Expenditure Position Before Finance Charges & Dep'n (EBITDA)	**5,285**	**5,030**	**(254)**	**(5%)**	**32,859**
Dep'n & Financing Charges					
Depreciation	2,872	2,872	0	0%	17,230
Interest Receivable	(233)	(502)	268	(115%)	(1,400)
Interest Payable & PDC Dividend	1,305	1,305	0	0%	7,830
Sub Total	**3,943**	**3,675**	**268**	**7%**	**23,660**
Net Surplus / (Deficit)	**1,341**	**1,355**	**14**	**1%**	**9,200**

Table 2

CAMBRIDGE UNIVERSITY HOSPITALS NHS FOUNDATION TRUST

BALANCE SHEET AS AT 31 MAY 2008

	2007/08	2008/09 Year to date			2008/09 Year end		
	outturn £000	Budget £000	Actual £000	Variance £000	Budget £000	Forecast £000	Variance £000
Fixed Assets	245,923	248,280	246,352	1,928	265,480	265,480	0
Current Assets							
Stock	7,183	7,180	7,119	61	7,470	7,470	0
Trade Debtors	31,897	39,411	37,145	2,266	36,060	36,060	0
Other Debtors	9,653	4,500	4,226	274	10,620	10,620	0
Cash	35,533	46,700	51,311	(4,611)	29,270	29,270	0
	84,266	97,791	99,801	(2,010)	83,420	83,420	0
Current Liabilities	67,210	81,853	82,109	(256)	70,380	70,380	0
Net Current Assets (Liabilities)	17,056	15,938	17,692	(1,754)	13,040	13,040	0
Total Assets less Current Liabilities	262,979	264,218	264,044	174	278,520	278,520	0
Long-Term Liabilities							
Provisions	2,544	2,540	2,354	186	2,540	2,540	0
Loans	21,300	21,300	21,300	0	30,380	30,380	0
	23,844	23,840	23,654	186	32,920	32,920	0
Net Assets	239,135	240,378	240,390	(12)	245,600	245,600	0
Taxpayers' Equity							
Public Dividend Capital (PDC)	114,768	114,768	114,768	0	114,770	114,770	0
I&E Reserve	32,819	34,160	34,174	(14)	39,860	39,860	0
Other Reserves	91,548	91,450	91,448	2	90,970	90,970	0
Total Taxpayers' Equity	239,135	240,378	240,390	(12)	245,600	245,600	0
Key Ratios							
Liquidity Ratio	33.1	30.2	31.7		30.7	30.7	
Days Cash in Hand	28.5	61.0	64.7		46.8	46.8	
Unused Working Capital Facility	28,400	28,400	28,400		28,400	28,400	
Trade Debtor Days	30.1	30.0	28.2		27.4	27.4	
Return on Assets (excl. dividend)	5.50%	5.75%	5.78%		5.18%	5.18%	
Debt to Assets Ratio	6.5%	6.2%	6.2%		8.7%	8.7%	

Definitions of Key Ratios	
Liquidity Ratio	((cash + unused working capital facility + trade debtors + other debtors - trade creditors - other creditors) / (planned total annual operating expenditure)) x 365 days
Days Cash in Hand	((cash + unused working capital facility) / (total annual operating expenditure)) x 365 days
Unused Working Capital Facility	working capital facility less overdraft
Trade Debtor Days	(trade debtors / planned total income) x 365 days
Return on Assets (excl. dividend)	(net surplus + dividend) / net assets
Debt to Assets Ratio	loans / total assets

Note: The above ratios are based on income and expenditure gross of devolved income where applicable