

BOARD OF GOVERNORS

FINANCIAL REPORT – 31 AUGUST 2008

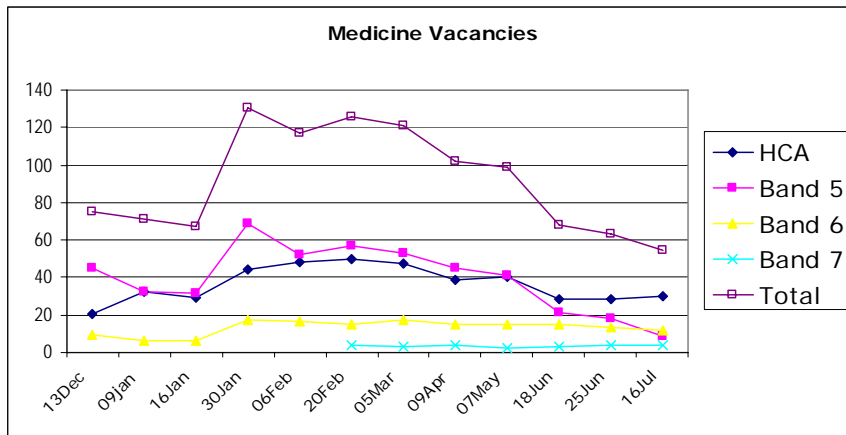
Report of: David Smith, Executive Director of Finance

1. Income & Expenditure:

- Surplus for the five months to August is £3.5m which is adverse to our internal plan by £0.3m.
- We remain at a Financial Risk Rating (FRR) of 4 (rounded up from 3.65).
- NHS Protected Clinical Income is higher than anticipated (£2.2m) with over performance on Day Cases (9%) and Outpatients (3%).
- Interest income is favourable to plan by £0.6m – primarily due to extra cash holdings as described under section 3.
- This however is balanced by overspend on expenditure across the Trust of £3m.
- The tables at the appendix detail the financial performance against our internal objective of achieving a surplus of £9.2m. The Annual Plan, as submitted to Monitor on 31 May 2008 and as discussed at the Joint Board of Governors' and Board of Directors' meeting of 21 May, has an objective to achieve at least a surplus of £7m for the full year, which will enable us to report a FRR 4. As previously discussed, this is the level required to provide the Trust with the confidence to borrow to fulfil our South Campus objectives.
- Notwithstanding the £7m Annual Plan surplus target, internally we continue to strive to exceed this, despite the challenges this poses. By way of illustration, taking together Infection Control initiatives, Energy inflation and the wage settlement as negotiated by the DoH, has generated an £8m cost pressure this year over and above 2007/08 outturn. Whilst some £6m was forecast and budgeted for, even greater levels of energy inflation and the continued drive on infection control (deep clean, antibiotics) has created additional cost pressures of about £2m. This essentially has reduced our contingencies and brings the ability to achieve an internal surplus target of £9.2m under increasing pressure.

2. Workforce

- At the last report to the Governors' (which covered the period to 31 May 2008) we reported the premium paid for agency staffing, and our aim to reduce the dependency upon agency staff through the continued recruitment of substantive (permanent) nursing staff. In the months since this has begun to provide the desired results and should help to place the Trust with a substantive workforce better placed to deal with winter pressures than experienced last year. By way of illustration:
 - the Trust engaged 98 agency staff at its peak in June, which has now fallen to 29,
 - the number of vacancies in the medicine directorate has fallen from a peak of 130 in January to about 50 by end of July as detailed in the following chart.



3. Cash & liquidity

- Liquidity remains strong and ahead of plan, with a liquidity ratio (i.e. number of days operating expenses that can be covered by working capital) of 29.0 days v plan 25.8 days.
- Cash is £47.8m v original plan £37.5m. The variance of £10.3m is primarily attributable to both debtors and creditors being carefully managed and the capital programme being behind the original annual plan profile.

4. Capital

- Capital expenditure for the five months to August is £10.8m against an original plan of £16.5m. However the capital plan was rephrased earlier in the year and the current activity is not materially adrift from this revised profile.

5. Monitor summary

- In line with the previous report, a list of our peer group typically used within the Trust is detailed below. 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. The data used is extracted from reports issued by Monitor.
- The report also shows the Annual Plan expected outcomes for Governance and FRR. For instance, Cambridge University Hospitals predicted a 07/08 outturn for Governance of amber, but at Q4 (i.e. at the end of the financial period for 07/08) delivered Green, and in FRR terms predicted a 4 in the Annual plan and by Q4 indeed, delivered a 4. The table allows comparison with other Foundation Trusts in our peer group.

Name of NHS Trust	Governance Risk					Governance Risk					Financial Risk					Financial Risk				
	Rating (2007-08)				AP 07/08	Rating (2008-09)				AP 08/09	Rating (2007-08)				AP 07/08	Rating (2008-09)				AP 07/08
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Cambridge University Hospitals	●	●	●	●	●	●				●	5	4	5	4	4	4				4
Barts & The London																				
Brighton & Sussex University Hospitals																				
Central Manchester & Children's University																				
Chelsea & Westminster Hospital	●	●	●	●	●	●				●	4	4	5	5	4	5				4
Guys & St Thomas	●	●	●	●	●	●				●	5	5	5	5	4	4				4
Imperial College Healthcare																				
King's College Hospital	●	●	●	●	●	●				●	3	3	4	4	3	4				4
Leeds Partnership		●	●	●		●				●		3	3	4		3				3
Nottingham University Hospitals																				
Oxford Radcliffe Hospitals																				
Plymouth Hospitals																				
Royal Free Hampstead																				
Royal Liverpool & Broadgreen University																				
Salford Royal	●	●	●	●	●	●				●	4	4	4	4	4	5				4
Sheffield Teaching Hospitals	●	●	●	●	●	●				●	4	4	4	4	4	5				4
Southampton University Hospitals																				
St George's Healthcare																				
The Newcastle Upon Tyne Hospitals	●	●	●	●	●	●				●	5	5	5	4	4	4				4
United Bristol Healthcare																				
University College London Hospitals	●	●	●	●	●	●				●	3	3	4	4	3	3				3
University Hospital Birmingham	●	●	●	●	●	●				●	4	4	4	4	4	5				5
University Hospital of South Manchester	●	●	●	●	●	●				●	3	4	4	4	3	4				4
University Hospitals Coventry & Warwicks																				

Table 1

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

SUMMARY

Directorate	Year to Date				Annual Budget £000
	Budget £000	Actual £000	Variance £000 %		
<u>Income (analysed in Table 3)</u>					
NHS Protected Clinical Income	154,900	157,115	2,215	1%	370,646
Other Protected Clinical Income	20,434	20,434	0	0%	47,949
Other Income	5,783	5,591	(192)	(3%)	12,439
Total Income	181,118	183,140	2,023	1%	431,033
<u>Expenditure (analysed in Table 4)</u>					
Director of Operations	109,250	111,844	(2,594)	(2%)	251,980
Medical Staff	28,456	28,608	(152)	(1%)	69,698
Corporate Services	24,346	24,625	(279)	(1%)	59,289
Other	4,870	4,818	51	1%	12,714
Sub Total - Directorates	166,922	169,895	(2,973)	(2%)	393,682
Reserves	500	500	0	0%	5,014
Sub Total - Reserves	500	500	0	0%	5,014
Total Expenditure	167,422	170,395	(2,973)	(2%)	398,696
Income & Expenditure Position Before Finance Charges & Dep'n (EBITDA)	13,695	12,745	(950)	(7%)	32,338
<u>Dep'n & Financing Charges</u>					
Depreciation	7,179	7,179	0	0%	16,708
Interest Receivable	(583)	(1,205)	621	(106%)	(1,400)
Interest Payable & PDC Dividend	3,262	3,262	0	0%	7,830
Sub Total	9,858	9,237	621	6%	23,138
Net Surplus / (Deficit)	3,837	3,508	(329)	(9%)	9,200

CAMBRIDGE UNIVERSITY HOSPITALS NHS FOUNDATION TRUST

BALANCE SHEET AS AT 31 AUGUST 2008

	2007/08 outturn £000	2008/09 Year to date			2008/09 Year end		
		Budget £000	Actual £000	Variance £000	Budget £000	Forecast £000	Variance £000
Fixed Assets	245,923	255,440	249,783	5,657	265,480	265,480	0
Current Assets							
Stock	7,183	7,180	7,095	85	7,470	7,470	0
Trade Debtors	31,897	42,737	38,842	3,895	36,060	36,060	0
Other Debtors	9,653	4,740	5,267	(527)	10,620	10,620	0
Cash	35,533	37,540	47,841	(10,301)	29,270	29,270	0
	84,266	92,197	99,045	(6,848)	83,420	83,420	0
Current Liabilities	67,210	81,523	83,269	(1,746)	70,380	70,380	0
Net Current Assets (Liabilities)	17,056	10,674	15,776	(5,102)	13,040	13,040	0
Total Assets less Current Liabilities	262,979	266,114	265,559	555	278,520	278,520	0
Long-Term Liabilities							
Provisions	2,544	2,540	2,328	212	2,540	2,540	0
Loans	21,300	20,840	20,838	2	30,380	30,380	0
	23,844	23,380	23,166	214	32,920	32,920	0
Net Assets	239,135	242,734	242,393	341	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	36,656	36,327	329	39,860	39,860	0
Other Reserves	91,548	91,310	91,298	12	90,970	90,970	0
Total Taxpayers' Equity	239,135	242,734	242,393	341	245,600	245,600	0
Key Ratios							
Liquidity Ratio	33.1	25.9	29.1		30.7	30.7	
Days Cash in Hand	28.5	53.6	61.9		46.8	46.8	
Unused Working Capital Facility	28,400	28,400	28,400		28,400	28,400	
Trade Debtor Days	30.1	32.5	29.5		27.4	27.4	
Return on Assets (excl. dividend)	5.50%	6.01%	5.85%		5.18%	5.18%	
Debt to Assets Ratio	6.5%	6.0%	6.0%		8.7%	8.7%	
Definitions of Key Ratios	<p>Liquidity Ratio $((\text{cash} + \text{unused working capital facility} + \text{trade debtors} + \text{other debtors} - \text{trade creditors} - \text{other creditors}) / (\text{planned annual operating expenditure})) \times 365 \text{ days}$</p> <p>Days Cash in Hand $((\text{cash} + \text{unused working capital facility}) / (\text{total annual operating expenditure})) \times 365 \text{ days}$</p> <p>Unused Working Capital Facility $\text{working capital facility less overdraft}$</p> <p>Trade Debtor Days $(\text{trade debtors} / \text{planned total income}) \times 365 \text{ days}$</p> <p>Return on Assets (excl. dividend) $((\text{net surplus} + \text{dividend}) / (\text{average net assets} + \text{average loans})) \times (\text{cumulative months} / 12 \text{ months})$</p> <p>Debt to Assets Ratio $\text{loans} / \text{total assets}$</p> <p>EBITDA margin $\text{EBITDA} / \text{Gross Income}$</p> <p>I&E surplus margin $\text{Net Surplus} / \text{Gross Income}$</p> <p>Debt to Assets Ratio $\text{loans} / \text{total assets}$</p>						

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