CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST

DIRECTORATE OF FINANCE

BOARD OF DIRECTORS

NOVEMBER 2008

FINANCIAL POSITION AS AT 31st OCTOBER 2008

1 INTRODUCTION

The enclosed financial statements reflect the Trust's Income & Expenditure position as at 31st October 2008, details of which can be found in Appendices 1-5.

1.1 SUMMARY POSITION

The overall financial position is a net surplus of £1,023k against a planned surplus of £1,871k, £848k lower than plan. Clinical income is higher than contract by £5,497k.

Through the budget setting process, budgets were rebased to reflect 2007/08 outturn and adjusted for changes in 2008/09 contracted activity for both growth and changes in services.

Our performance against the EBITDA margin is behind target at 4.5% against 5.7% to the end of October.

1.2 SUMMARY OF KEY PERFORMANCE INDICATORS

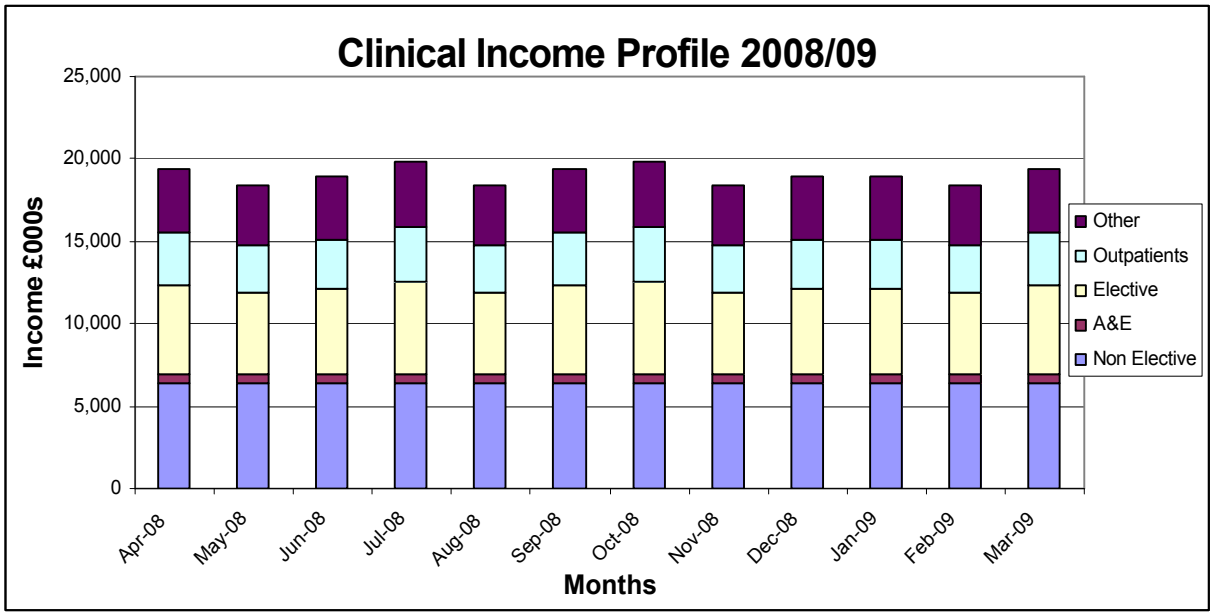
	Behind Plan	On Plan	Ahead of Plan
Overall Financial Position	X		
Income			X
Expenditure	X (over-spend)		
Activity			X (over-performing)
Surplus/Deficit	X		
Cash balances	X		
EBITDA Margin	X		

The overall financial position is a £1,023k surplus against a planned surplus of £1,871k, £848k lower than plan.

2 INCOME

2.1 *Patient Related Income:*

For the purpose of the Annual Plan, clinical income has been profiled to reflect working days where applicable. The areas profiled by working days are elective, outpatient and the miscellaneous contract activity. Non-elective activity has been evenly profiled in twelfths across the year. The expected clinical income profile across the year is represented in the graph below:



The expected planned clinical income per quarter is profiled as 24.8% in quarters 1 and 4 and slightly above 25% in quarters 2 and 3. The expected position as at the end of month 7 is £134,272k, compared to the actual position of £139,769k representing over-performance against contract of £5,497k. This figure is based upon first quarter actual data, with the second quarter first cut position and an estimate for month 7. Also included is an additional £500k contribution from Sunderland PCT towards the costs of the mobile theatre. The month 7 accrual is currently retained centrally but all other clinical income has now been distributed to the Divisions as applicable.

The over-recovery of income relates to all categories of activity including PbR exclusions and high cost drugs.

Private Patient Income is under-recovered against plan by £85k.

2.2 ***Non Patient Related Income:***

Training and Education income is in line with the plan and R&D income is slightly over-recovered. Other non-patient related income is currently over-recovered by £835k due mainly to Community Dental theatres recharge, an additional contribution for the "productive ward", contribution towards contingency wards in Q1 and an over under recovery on RTA income.

Interest receivable is over-recovered by £354k due to the continuing high level of cash balances. This is below the EBITDA line so this benefit is not included in the EBITDA position.

Total Trust Income is showing an over-recovery of £6,687k.

3 EXPENDITURE

3.1 *Pay Expenditure:*

Pay is currently shown as an over spend of £3,165k against plan. The detailed split by staff category is provided in Appendix 3. Most staff groups are showing overspends with the exception of unqualified nurses, professional & technical staff and "other" (which includes pay reserves). All Divisions with the exception of Family Care are showing an over spend against the pay budget.

The most significant pay overspend is still within the Medicine Division at £2,066k over spend against plan caused by activity being well ahead of contract. This pressure is predominantly associated with contingency wards being open, somewhat offset by the additional income they are generating.

Across all Divisions there has been some recruitment to vacancies that were held open in 2007/08, plus an increase in overtime costs linked to contingency wards. For the month of October overtime spend was down slightly (£39k compared to last month). The average monthly overtime/agency costs for this year are £814k compared to £483k last year. This information is graphically shown in Appendix 4 which details the overall pay changes both in financial and wte terms since April 2007. The numbers of staff paid for the month of October has again increased from 4,484wte in September wte to 4,491wte.

3.2 *Non Pay Expenditure:*

Non-Pay is over-spent by a net £4,370k.

Major areas are highlighted:

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- Drugs – over-spend of £1,323k, primarily in Surgery, Medicine and Clinical Support 1
- Energy over-spend £191k.
- Medicine – Stents and pacemakers £306k (off-set by income).
- T&O overspend on offsite work £211k, T&O implants £555k and Mobile Theatre £463k (partially off-set by income).
- Medical & surgical equipment across all directorates in surgery, related to activity £273k

Total Trust Expenditure is showing an over-spend against plan of £7,535k.

4 CASHFLOW AND WORKING CAPITAL

The cash balance at the end of October 2008 was £15.5m against planned £23.44m. The variance of £7.94m relates mainly to a delay in drawing down PDC funding relating to Combined Heat and Power Scheme, outstanding clinical and non-clinical activity income and additional costs arising from 1st and 2nd quarter over-performance.

Debtor balances are higher than plan predominantly due to a combination of outstanding invoices and accruals relating to first and second quarter over-performance, clinical and non-clinical activity income. All debtors continue to be vigorously pursued.

Creditors are higher than plan due to various factors e.g. additional activity and additional costs arising from second quarter over-performance.

5 CAPITAL

Capital expenditure to date is £1,049k and relates mainly to 2008-09 MERP (£290k), Bed Wash Hand Basins (£133k), Bed Washer & Installation (£142k), and Energy Conservation (£99k).

6 TRUST RESERVES

Trust reserves at the end of October stand at £2,786k made up of:

	£000s
Decontamination	287.1
HCAI/Control of Infection Funding	127.4
SLR/OD posts	220.8
Matrons	48.6
MRI/Mammography	409.3
Drugs/NICE	735.8
SLM/Vision	305.0
Depreciation/Other	449.0
Central Provision – for bids	202.5
Total	**2,785.5**

7 COST IMPROVEMENT PLANS

Divisions have submitted their detailed Cost Improvement Plans (CIPs). The figures to the end of September were discussed with the Productivity, Efficiency and Savings Committee (PESC) at a meeting in November. All CIP budget adjustments were made at the start of the year as part of the budget setting process.

The CIP profile for the year is:

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	**Total**
Pay	401.2	1,002.6	1,002.6	1,002.6	**3,409.0**
Drugs	81.1	81.1	81.1	81.0	**324.3**
Non Pay	316.7	316.7	316.6	316.7	**1,266.7**
Total	**799.0**	**1,400.4**	**1,400.3**	**1,400.3**	**5,000.0**

The achievement of the CIPs per Division to the end of October is now slightly ahead of the plan and is summarised below. The figures will be discussed in detail with the PESC members in early December.

	Annual CIP Plan	Plan to Date	Actual to date	Variance
	£	£	£	£
Surgery	1,103.5	589.3	855.7	-266.4
Medicine	1,080.9	567.9	457.5	110.4
Family Care	485.2	251.5	327.9	-76.4
Clinical Support 1	931.4	498.8	429.5	69.3
Clinical Support 2	398.3	214.3	196.2	18.1
Estates & Facilities	579.3	317.4	251.4	66.0
THQ	427.3	230.3	238.7	-8.3
Total	**5,005.9**	**2,669.6**	**2,756.9**	**-87.3**

8 SUMMARY

Overall the financial position at the end of October shows a net surplus of £1,023k against a planned surplus of £1,871k.

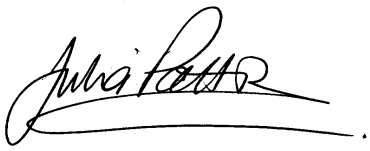
Pay expenditure is of most concern. Overtime spend did reduce nominally this month but this reduction was countered by another monthly growth in overall staff numbers. Again it is accepted that much of this overspend is generated from additional activity, however overtime in particular must be reduced more significantly to match the increased staffing numbers.

The overall financial position is still showing significant pressure. Whilst a large proportion of this is due to contract over performance, it is clear that the income generated is not sufficient to cover costs. There are a number of underlying income receipts, particularly interest received, that were not originally anticipated and these are helping to improve the overall position.

The underlying "trading" position is not encouraging as evidenced by the EBITDA position which is now showing a worsening £1,380k gap against plan.

9 RECOMMENDATIONS

The Board is requested to note the financial position to date.



Julia Pattison
Director of Finance

November 2008

Appendix 1

CITY HOSPITALS SUNDERLAND FOUNDATION TRUST
CORPORATE FINANCIAL MONITORING REPORT
SUMMARY TRUST POSITION - MONITOR ANALYSIS

PERIOD ENDED 31st October 2008/09

Income & Expenditure Position

	Annual	Current Month			Year to Date		
	Plan	Plan	Actual	Variance	Plan	Actual	Variance
£m	£m	£m	£m	£m	£m	£m	£m
Income							
NHS Clinical income	-228.32	-19.87	-21.29	-1.42	-134.27	-139.77	-5.50
PBR Clawback/relief	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Private patient income	-0.47	-0.04	-0.03	0.01	-0.27	-0.19	0.09
Non-patient income	-26.82	-2.24	-2.48	-0.25	-15.65	-16.57	-0.92
Total income	**-255.61**	**-22.14**	**-23.80**	**-1.65**	**-150.19**	**-156.53**	**-6.33**
Expenses							
Pay Costs	164.70	13.68	14.21	0.54	96.33	99.49	3.16
Drug costs	15.69	1.31	1.59	0.28	9.15	10.47	1.32
Other Costs	62.36	5.19	6.68	1.49	36.21	39.44	3.23
Total costs	**242.75**	**20.17**	**22.48**	**2.30**	**141.69**	**149.41**	**7.71**
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**-12.86**	**-1.97**	**-1.32**	**0.65**	**-8.50**	**-7.12**	**1.38**
Profit/loss on asset disposal	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	5.98	0.50	0.47	-0.03	3.49	3.31	-0.18
PDC dividend	5.68	0.47	0.47	0.00	3.31	3.31	0.00
Interest	-0.30	-0.03	-0.03	-0.01	-0.18	-0.53	-0.35
Corporation tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net surplus (pre exceptionals)	**-1.49**	**-1.03**	**-0.41**	**0.61**	**-1.87**	**-1.02**	**0.85**
Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net surplus (post exceptionals)	**-1.49**	**-1.03**	**-0.41**	**0.61**	**-1.87**	**-1.02**	**0.85**

EBITDA Margin	**5.0%**	**8.9%**	**5.5%**	**-3.4%**	**5.7%**	**4.5%**	**-1.1%**

'( )'	Denotes a surplus
'+'	denotes a deficit

Appendix 2

CITY HOSPITALS SUNDERLAND FOUNDATION TRUST
TRUST PERFORMANCE SUMMARY

PERIOD ENDED 31st October 2008/09

TRUST SUMMARY

'( )'	denotes a surplus
' + '	denotes a deficit

	Annual Budget £'000s	Quarter 1 £'000s	Quarter 2 £'000s	Oct actual £'000s	YTD actual £'000s	Plan £'000s	Variance £'000s
Income							
Contract Income	(228,322)	(58,153)	(60,331)	(21,286)	(139,769)	(134,272)	(5,497)
Private Patients	(465)	(70)	(87)	(29)	(186)	(271)	85
Training and Education Income	(9,897)	(2,474)	(2,474)	(824)	(5,772)	(5,773)	1
Research and Development Income	(539)	(159)	(168)	(74)	(401)	(314)	(87)
Other income	(16,384)	(3,942)	(4,872)	(1,583)	(10,397)	(9,562)	(835)
Interest Receivable	(572)	(332)	(303)	(53)	(688)	(334)	(354)
Total Income	**(256,178)**	**(65,130)**	**(68,234)**	**(23,850)**	**(157,213)**	**(150,527)**	**(6,687)**
Expenditure							
Pay	164,707	42,554	42,728	14,212	99,494	96,330	3,165
Clinical Supplies and Services	23,153	5,774	7,039	2,985	15,798	13,506	2,292
Drug Costs	15,688	4,419	4,470	1,585	10,475	9,152	1,323
Other Costs	39,206	9,827	10,120	3,694	23,641	22,706	934
Depreciation	5,982	1,494	1,348	466	3,308	3,490	(182)
PDC Dividend	5,681	1,420	1,420	473	3,313	3,314	(1)
Interest	272	70	69	23	162	159	3
Total Expenditure	**254,689**	**65,558**	**67,194**	**23,438**	**156,190**	**148,656**	**7,535**
(Surplus)/Deficit	**(1,488)**	**428**	**(1,040)**	**(411)**	**(1,023)**	**(1,871)**	**848**

Divisional Summary - Expenditure Position

Clinical Support 1	44,974	11,640	11,827	4,130	27,597	26,051	1,546
Clinical Support 2	19,203	4,881	5,328	1,737	11,947	11,218	729
Estates & Facilities	28,967	7,494	7,252	2,554	17,300	16,748	552
Family Care	23,636	5,734	5,903	1,940	13,577	13,816	(239)
Medicine	50,034	13,856	14,271	4,783	32,910	29,222	3,687
Surgery	55,630	14,737	15,417	5,509	35,663	32,721	2,942
THQ	18,847	4,637	4,663	1,651	10,951	14,139	(3,188)
THQ Corporate	10,613	2,478	2,591	657	5,726	3,079	2,647
THQ reserves	2,785	101	(58)	477	520	1,662	(1,142)
Divisional Total	**254,689**	**65,558**	**67,194**	**23,438**	**156,190**	**148,656**	**7,535**

ISLAs

Income	(44,553)	(13,379)	(10,143)	(3,889)	(27,410)	(25,838)	(1,573)
Expenditure	44,553	13,379	10,143	3,888	27,410	25,837	1,573
Divisional Total	**0**	**0**	**(0)**	**(0)**	(0)	**(0)**	**0**

WTE Analysis (WTEs)

Consultants	211.54	211.19	212.96	210.78	210.78	209.47	1.31
Other medical staff	283.45	284.46	289.85	292.49	292.49	292.77	(0.28)
Band 9	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Band 8	129.19	128.26	127.84	126.47	126.47	136.14	(9.67)
Band 7	367.98	369.28	366.24	371.52	371.52	373.50	(1.98)
Band 6	463.43	456.38	440.73	447.04	447.04	448.04	(1.00)
Band 5	1,167.70	1,177.71	1,177.22	1,175.67	1,175.67	1,181.64	(5.97)
Band 4	296.05	305.34	307.32	309.73	309.73	307.42	2.31
Band 3	224.33	235.45	231.12	232.84	232.84	224.34	8.50
Band 2	1,107.38	1,065.43	1,125.56	1,121.53	1,121.53	1,099.43	22.10
Band 1	168.70	173.11	177.70	176.72	176.72	171.52	5.20
Trust management	21.11	26.76	26.46	25.78	25.78	21.11	4.67
Flexi	0.47	0.00	0.00	0.00	0.00	0.10	(0.10)
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total WTEs	**4,442.33**	**4434.37**	**4484.00**	**4491.57**	**4491.57**	**4466.48**	**25.09**

Appendix 3

CITY HOSPITALS SUNDERLAND FOUNDATION TRUST
TRUST PERFORMANCE SUMMARY

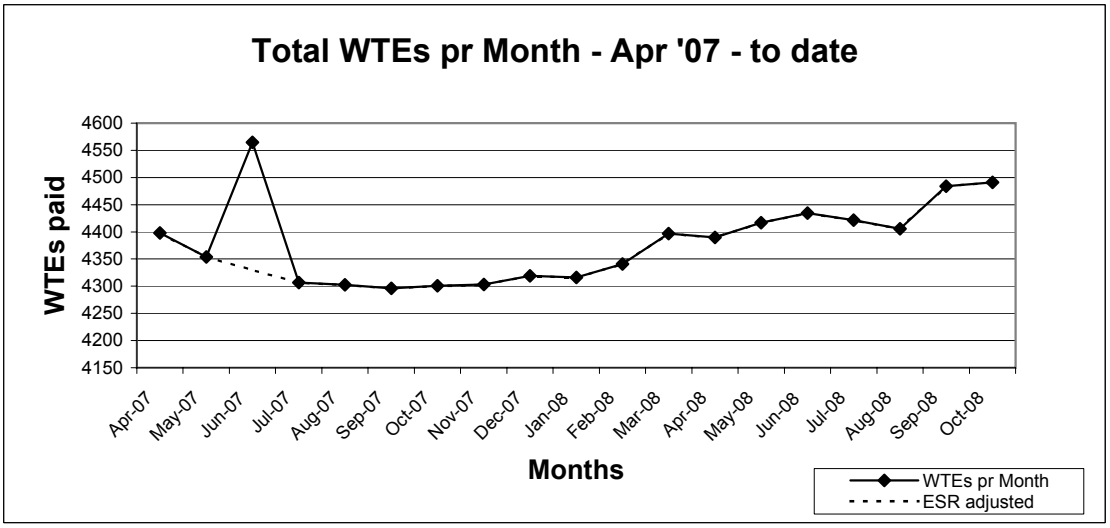
PERIOD ENDED 31st October 2008

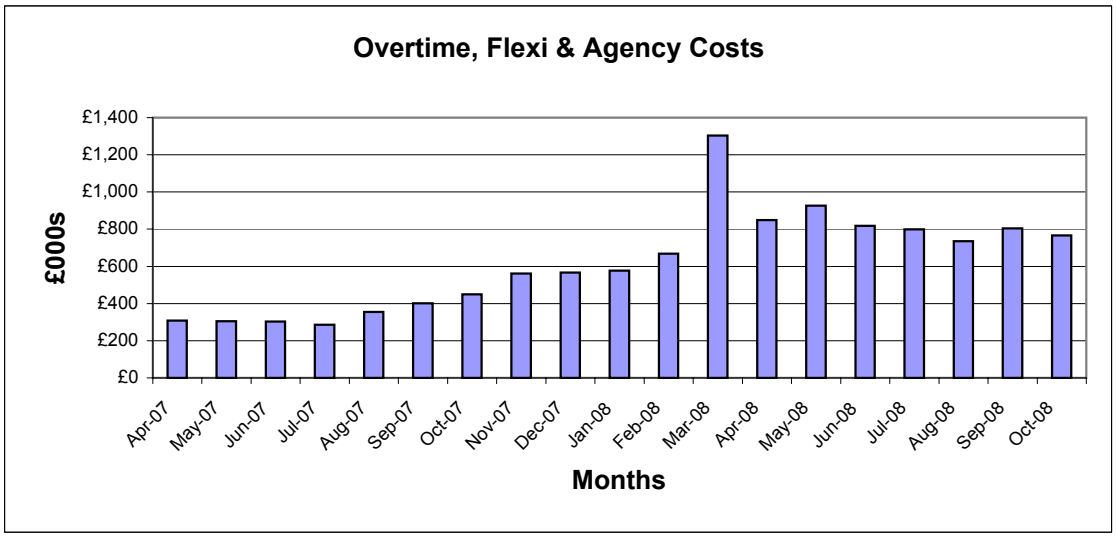
SUBJECTIVE ANALYSIS

'( )' denotes a surplus
' + ' denotes a deficit

	Wte Budget	Wte Actual	Annual Budget £'000s	Apr actual £'000s	May actual £'000s	Jun actual £'000s	Jul actual £'000s	Aug actual £'000s	Sep actual £'000s	Oct actual £'000s	YTD actual £'000s	Plan £'000s	Variance £'000s
Income			(256,177)	(21,576)	(21,442)	(22,111)	(23,070)	(22,304)	(22,861)	(23,851)	(157,215)	(150,525)	(6,690)
Agency Staff	0.00	0.00	3,525	339	464	417	477	462	486	491	3,135	2,056	1,079
Consultants	209.47	211.39	28,751	2577	2,423	2,477	2,531	2,486	2,499	2,568	17,561	16,771	790
Healthcare Assistants	382.91	374.71	7,079	684	614	611	594	601	610	595	4,310	4,103	206
Maintenance Staff	95.35	95.84	2,753	279	233	223	235	224	237	232	1,663	1,606	57
Other Medical Staff	292.77	291.88	17,301	1531	1,366	1,472	1,475	1,364	1,530	1,380	10,118	10,092	26
Other Staff	2.61	2.60	28	58	62	(85)	(33)	182	15	12	210	395	(185)
Pams	289.62	296.11	9,545	832	841	838	852	833	844	846	5,886	5,568	318
PTB Staff	236.36	231.65	6,846	563	580	562	532	563	562	570	3,932	3,965	(33)
Qualified Nurses	1,437.26	1,416.25	50,338	4248	4,367	4,309	4,310	4,121	4,288	4,200	29,843	29,232	611
Scientific and Professional	170.57	175.92	7,004	566	599	597	595	587	589	602	4,136	4,088	48
Senior Managers and Admin and Clerical Staff	808.50	854.35	20,806	1707	1,816	1,784	1,788	1,793	1,816	1,813	12,518	12,173	345
Unqualified Nurses	541.06	540.87	10,731	827	815	955	870	862	950	903	6,182	6,281	(99)
Sub Total Pay Costs	4,466.48	4,491.57	164,707	14,211	14,180	14,162	14,226	14,078	14,425	14,212	99,494	96,330	3,164
Drugs			15,688	1262	1,453	1,704	1,478	1,516	1,476	1,585	10,474	9,152	1,322
Clinical Supplies and Services			23,154	1911	2,042	1,821	2,309	2,202	2,528	2,985	15,798	13,506	2,292
General Supplies and Services			6,316	477	529	489	603	537	546	704	3,885	3,682	203
Establishment			5,120	408	396	465	500	329	448	444	2,990	2,984	6
Transport			1,756	87	102	114	153	26	121	149	752	1,022	(270)
Premises			9,968	748	860	805	867	894	491	931	5,597	5,646	(49)
Depreciation			5,982	499	498	497	432	462	453	466	3,308	3,490	(182)
Services from Other NHS Bodies			13,599	1093	1,419	1,376	1,266	1,410	1,398	1,237	9,200	7,865	1,334
Dividend Payment			5,681	474	473	473	474	473	473	473	3,314	3,314	(0)
Other			2,720	145	148	234	6	182	414	253	1,383	1,664	(281)
Sub Total Non-pay			89,984	7,104	7,920	7,979	8,088	8,031	8,349	9,227	56,698	52,324	4,374
Total	4,466.48	4,491.57	(1,486)	(261)	658	30	(757)	(195)	(87)	(411)	(1,023)	(1,871)	848

PAY COMPARATORS - APRIL 2007 - OCTOBER 2008





Appendix 5

CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST
MONTHLY BALANCE SHEET FOR 2008/2009

	Actual As at 30th Oct 2008 £m	Plan As at 30th Oct 2008 £m	Variance As at 30th Oct 2008 £m
TOTAL FIXED ASSETS	**194.17**	**195.81**	**-1.64**
CURRENT ASSETS			
Stocks & Work in Progress	3.92	3.55	0.37
NHS Trade Debtors	8.33	1.00	7.33
Non NHS Trade Debtors	0.45	0.43	0.02
Other Debtors	1.14	0.98	0.16
Accrued Income	0.00	0.00	0.00
Prepayments	0.77	0.11	0.66
Cash at bank and in hand	15.50	23.44	-7.94
Total Current Assets	**30.11**	**29.51**	**0.60**
Bank overdraft / Drawdown Credit facility	0.00	0.00	0.00
Trade Creditors	7.50	3.50	4.00
Other Creditors	6.49	7.66	-1.17
PDC Creditor	0.47	0.47	0.00
Capital Creditors	1.01	1.94	-0.93
Interest Payable	0.07	0.06	0.01
Accruals	7.85	7.00	0.85
Deferred Income	0.41	0.47	-0.06
CREDITORS : Amounts falling due within one year	**23.80**	**21.10**	**2.70**
NET CURRENT ASSETS (LIABILITIES)	**6.31**	**8.41**	**-2.10**
Long term Debtors	0.90	0.90	0.00
TOTAL ASSETS LESS CURRENT LIABILITIES	**201.38**	**205.12**	**-3.74**
CREDITORS: Amounts falling due after more than one	1.29	1.30	-0.01
PROVISIONS FOR LIABILITIES AND CHARGES	1.64	1.66	-0.02
TOTAL ASSETS EMPLOYED	**198.45**	**202.16**	**-3.71**
LOANS			
Foundation Trust Financing Facility	6.35	6.35	0.00
Other financing facilities	0.00	0.00	0.00
TOTAL LOANS	**6.35**	**6.35**	**0.00**
TAXPAYERS' EQUITY			
Public dividend capital	98.91	101.99	-3.08
Income and expenditure reserve	1.44	2.29	-0.85
Revaluation reserve	89.47	89.47	0.00
Donated asset reserve	2.28	2.06	0.22
Other Reserves (Government grant reserve etc)	0.00	0.00	0.00
TOTAL TAXPAYERS EQUITY	**192.10**	**195.81**	**-3.17**
TOTAL FUNDS EMPLOYED	**198.45**	**202.16**	**-3.71**