MANCHESTER UNIVERSITY NHS FOUNDATION TRUST

BOARD OF DIRECTORS

Report of:	Adrian Roberts – Chief Finance Officer
Paper prepared by:	Ursula Denton – Director of Finance
Date of paper:	15th December 2017
Subject:	Financial Performance for 2017/18
Purpose of Report:	• Approval ✓
Consideration of Risk against Key Priorities:	Maintaining financial stability for both the short and medium term
Recommendations:	Intense leadership focus is needed to: • Sustain income delivery • Renew grip and control over expenditure • Drive agency costs reductions • Continue savings delivery
Contact:	Adrian Roberts Tel: 0161 276 6692

Executive Summary

1.1	**Delivery of financial Control Total**	The consolidated financial performance at Month 8 was **a bottom line surplus (on a control total basis) of £5.3m** (0.5% of operating income), **£300k ahead** of the consolidated cumulative Control Total trajectory for the first 8 months of the year. This result remains reliant upon £12.8m of Sustainability funding recognised over the first eight months of the year, without which there would have been an operating deficit of **£7.5m**. The Control Total delivery trajectory in our plan as agreed with NHS Improvement continues to rise significantly over the second half of the financial year, requiring an £18.2m surplus by the end of March 2018. Securing the remaining Sustainability funding for 2017/18 – a core feature of our Operational plan for this year - continues to depend on delivery of this improvement trajectory in our month-by-month operating financial results.
1.2	**Run Rate**	**November's results were £3.1m worse than the forecasts across all Hopsitals apart from Wythenshawe.** **Unsustainable levels of both pay and non-pay expenditure have outweighed the progress made with stabilising clinical income over the autumn.** **The month-by-month run-rate delivery required over December - March will need to improve by £1.5m a month** in order to sustain delivery of the Control Total and thus secure access to £17m of remaining Sustainability funding. Intense leadership focus is needed to: • Sustain income delivery • Renew grip and control over expenditure • Drive agency costs reductions • Continue savings delivery
1.3	**Risk**	The Trust has a combined annual Trading Gap target of £80m. Based on the month 8 reported position across the Turnaround programmes, forecast delivery against these plans is currently £12.4m lower than planned (see graph 1). The profile for the planned savings continues to increase in the second half of the year. Securing the balance of Sustainability funding for 2017/18 is contingent on continuing to meet the agreed control total, with 30% of the fund also further dependent upon delivering against agreed A&E performance improvement milestones. A £2.7m shortfall in Sustainability funding will result from quarter 3 A&E performance below 90%. Expenditure on agency staffing has been significantly higher than in 2016/17 over the year to date. If the rate of agency spending is not significantly reduced from the range of actions currently in place across our Hospitals, then the Trust will exceed its Agency cost ceiling for the year, leading to higher Regulatory scrutiny of overall progress with delivery of cost controls.
1.6	**Cash & Liquidity**	As at 30th November 2017 the Trust had a cash balance of £113.0m.
1.7	**Capital Expenditure**	The Capital Plan for 2017/18 is £79.2m. Capital expenditure for the first eight months to the end of November is £36.9m (47% of the plan for the year).

Financial Performance

Income & Expenditure Account for the period ended 30th November 2017

	Annual Plan	Year to date - Month 8			Consolidated Year to date Actual
		Year to date budget	Variance from budget	%	
INCOME	**£'000**	**£'000**	**£'000**		**£'000**
NHS Clinical Income					
A&E	43,915	29,557	12		29,569
Inpatients Non-Elective	251,868	170,066	-865		169,202
Inpatients Elective / PSD	169,131	115,364	-2,526		112,838
Outpatients	168,565	115,818	-2,762		113,057
Critical Care	120,983	79,260	929		80,189
Community Services	83,792	56,414	0		56,414
Other Clinical Income	472,013	324,981	-2,143		322,837
Total NHS Clinical Income	**1,310,266**	**891,462**	**-7,355**	**-0.8%**	**884,107**
Private Patients/RTA	5,863	5,391	-577		4,813
Total Clinical Income (NHS & Non NHS)	**1,316,129**	**896,853**	**-7,933**	**-0.9%**	**888,920**
Training & Education	62,872	43,282	-235		43,047
Research & Development	45,595	31,274	-959		30,315
STF Income	28,981	15,243	-2,452		12,791
Misc. Other Operating Income	86,402	51,983	2,886		54,869
Total Non-Clinical Income	**223,851**	**141,782**	**-759**	**-0.5%**	**141,023**
Total Income	**1,539,980**	**1,038,635**	**-8,692**	**-0.8%**	**1,029,943**
EXPENDITURE					
Pay	-866,475	-572,901	-13,190	-2.3%	-586,091
Non pay	-582,610	-408,487	17,090	4.2%	-391,397
Total Expenditure	**-1,449,085**	**-981,389**	**3,900**	**0.4%**	**-977,488**
EBITDA Margin	**90,895**	**57,246**	**-4,792**	**5.1%**	**52,455**
Interest, Dividends and Depreciation					
Depreciation	-30,565	-19,905	954		-18,951
Exceptional Costs	0	0	-180		-180
Interest Receivable	176	167	-26		140
Interest Payable	-39,204	-26,716	94		-26,622
Dividend	-3,099	-2,066	554		-1,512
Surplus/(Deficit) on a control total basis	**18,203**	**8,726**	**-3,397**		**5,329**

Surplus/(Deficit) as % of turnover					**0.5%**
Non operating Income	**4,050**				**1,111**
1617 STF post accounts reallocation	**0**				**419**
Depreciation - donated / granted assets	**-283**				**-648**
Impairment	**-5,787**				**-12,141**
	16,183				**-5,929**

Operating Unit Performance against breakeven measure

Income	Pay	Non Pay	Trading Gap	Division	Variance to breakeven budgets - (adverse) / positive			Variance to Control Total		I&E Annual Budget
Year to date variance					Year to date (to month 8)		Comparative position as at Month 7	Control total (YTD)	Variance to control total	
£000s					£000s	%	£000s	£000s	£000s	£000s
-157	1,327	-320	0	Clinical & Scientific Support	851	1.1%	1,003	1,000	-149	113,740
981	1,611	-1,621	-277	Corporate Divisions	694	0.6%	713	0	694	177,673
571	-3,523	-7,062	-12,354	MRI	-22,368	-8.5%	-18,916	-8,533	-13,834	396,285
122	318	-363	-1,155	REH / UDH	-1,079	-2.2%	-861	0	-1,079	72,986
-3,363	-230	880	0	RMCH	-2,713	-2.0%	-2,786	1,000	-3,713	201,354
-2,195	2,212	-87	-1,525	Saint Mary's Hospital	-1,594	-2.0%	-1,368	-667	-927	120,995
-560	-604	-1,027	-2,428	Trafford Hospitals	-4,618	-15.1%	-3,769	-1,933	-2,685	45,763
2,312	-251	-1,210	-6,185	Wythenshawe Hospital	-5,333	-1.6%	-6,828	-6,185	852	486,516
-2,290	**862**	**-10,809**	**-23,924**	**Trust position**	**-36,161**	**-3.4%**	**-32,812**	**-15,319**	**-20,843**	**1,615,312**

-5,950	**2,127**	**-6,327**	**-22,662**	**Variance position as at month 7**

Key Run Rate Areas

1. 2017/18 Trading Gap challenge

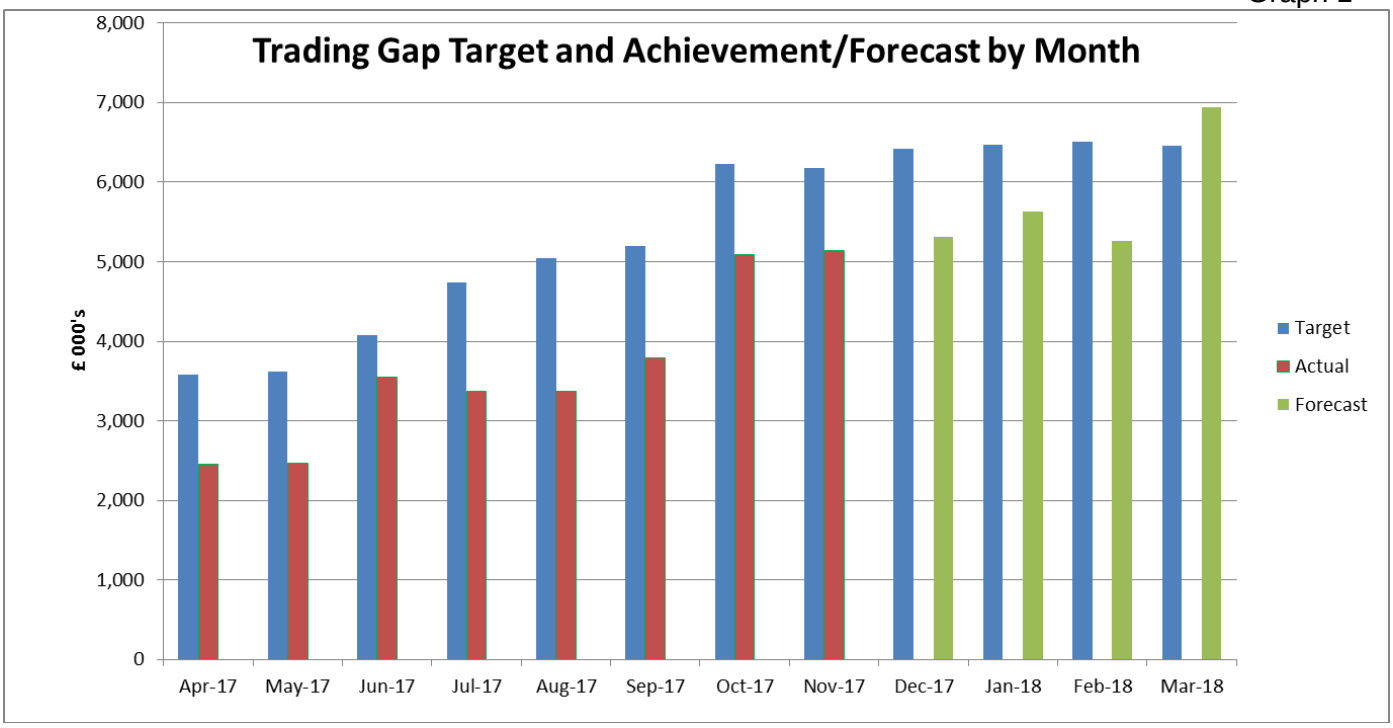
Theme Breakdown	Savings to Date Target £'000	Savings to Date Achieved £'000	Savings to Date Variance £'000	YTD Financial BRAG	Forecast to year-end Target £'000	Forecast to year-end Forecast £'000	Forecast to year-end Variance £'000	Financial Forecast BRAG
Medical workforce	1,128	394	(734)	35%	2,073	1,078	(995)	52%
Nursing workforce	862	430	(432)	50%	1,594	984	(610)	62%
Theatres - elective	5,374	2,419	(2,955)	45%	8,510	5,037	(3,473)	59%
Length of Stay (Enabler)	13	13	0	100%	23	23	0	100%
Outpatient transformation	1,904	857	(1,047)	45%	2,908	2,423	(485)	83%
Pharmacy and medicines management	373	177	(196)	47%	565	499	(66)	88%
Procurement	1,440	810	(630)	56%	2,160	1,722	(438)	80%
Coding	1,401	1,506	105	107%	2,339	3,019	680	129%
Best Practice and Innovation Tariff	186	100	(86)	54%	295	170	(125)	58%
Mobile phones	55	70	15	127%	95	102	7	107%
Other Divisional workstreams	11,526	10,313	(1,213)	89%	19,778	17,162	(2,616)	87%
Tactical-Divisional	3,402	3,164	(238)	93%	5,778	5,006	(772)	87%
Tactical-Clinical Income	4,148	4,301	153	104%	6,392	6,417	25	100%
Tactical-Procurement	985	569	(416)	58%	1,486	1,114	(372)	75%
Tactical-PFI	0	0	0	0%	1,707	0	(1,707)	0%
Tactical-Early Merger	0	0	0	0%	300	0	(300)	0%
Operational Productivity-Outpatients	362	809	447	223%	689	1,135	446	165%
Operational Productivity-Theatres	0	0	0	0%	0	0	0	0%
Operational Productivity-Cath Labs	0	0	0	0%	0	0	0	0%
Workforce and Controls-Medical Productivity	629	175	(454)	28%	1,241	505	(736)	41%
Workforce and Controls-Staffing and Controls	1,089	980	(109)	90%	1,912	1,832	(80)	96%
Pay & Non Pay Inflation avoidance	2,093	2,136	43	102%	3,885	3,915	30	101%
Full year effect of prior year schemes	12,874	12,874	0	100%	17,895	17,895	0	100%
Unidentified	1,153	0	(1,153)	0%	853	0	(853)	0%
Grand Total	**50,997**	**42,097**	**(8,900)**	**83%**	**82,478**	**70,038**	**(12,440)**	**85%**

Financial BRAG

The BRAG Rating in the table above is the overall financial risk rating based on the criteria defined below. There are many individual schemes within each main savings theme, and at a detailed level there will be a range of ratings within each theme. An example is Divisional Non Pay where Corporate is risk rated green where as the overall scheme is risk rated Red.

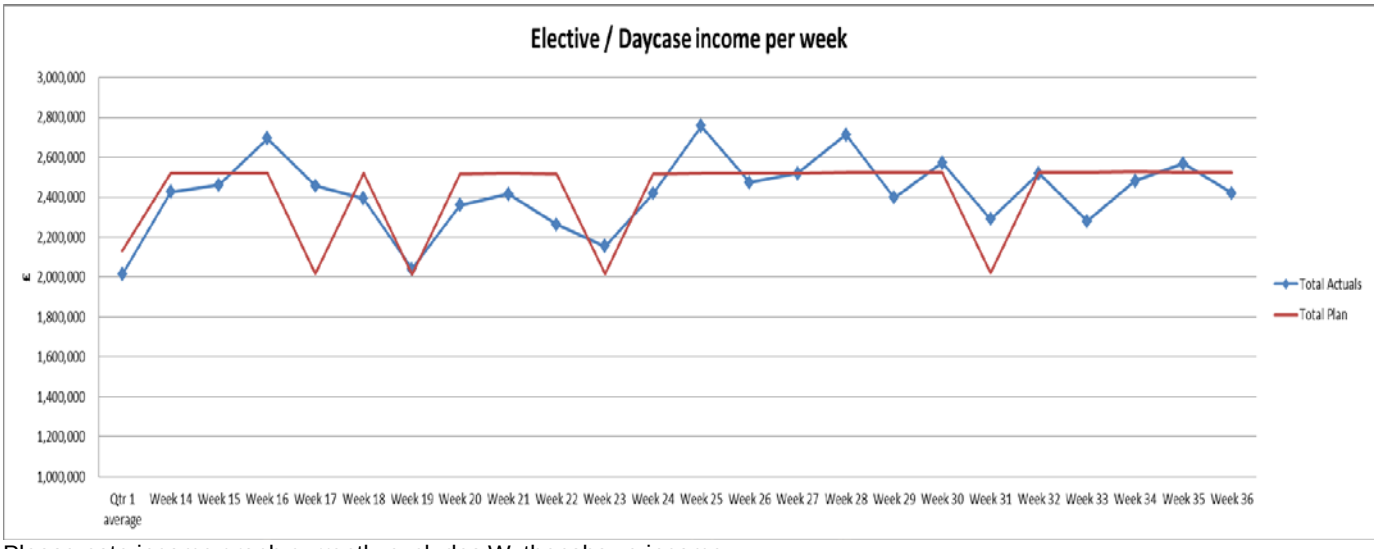
- Financial Delivery less than 90%
- Financial Delivery greater than 90% but less than 97%
- Financial Delivery greater than 97%
- Schemes fully delivered with no risk of future slippage

Graph 1



2. Elective / Daycase income: November 2017

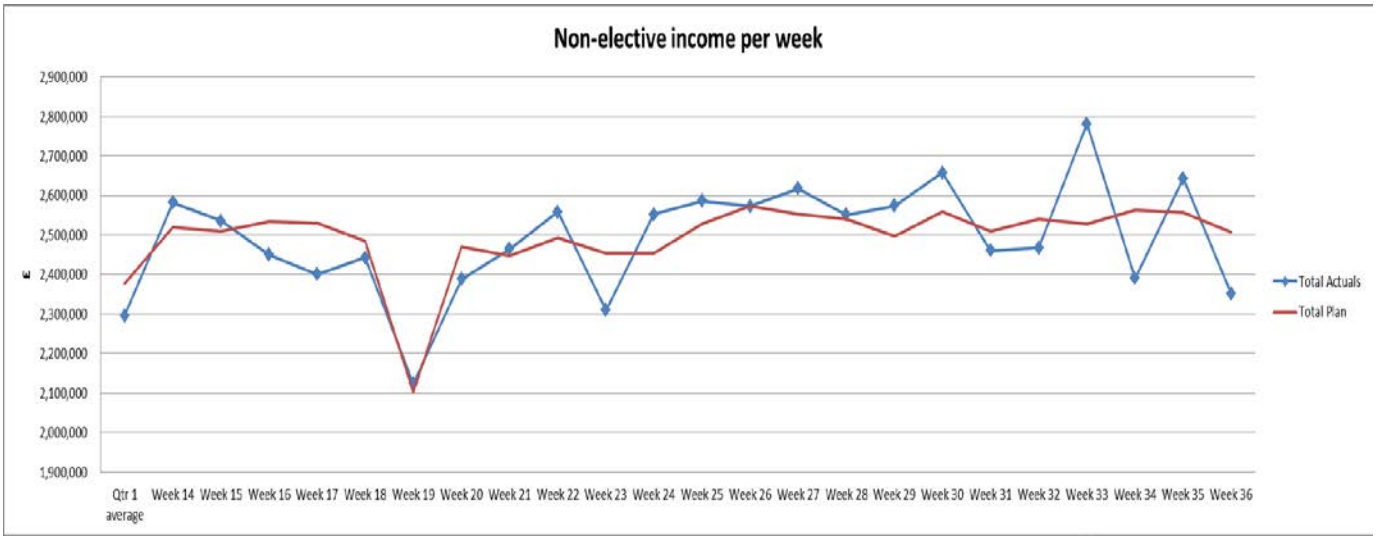
Graph 2



Please note income graph currently excludes Wythenshawe income.

3. Non-Elective income: November 2017

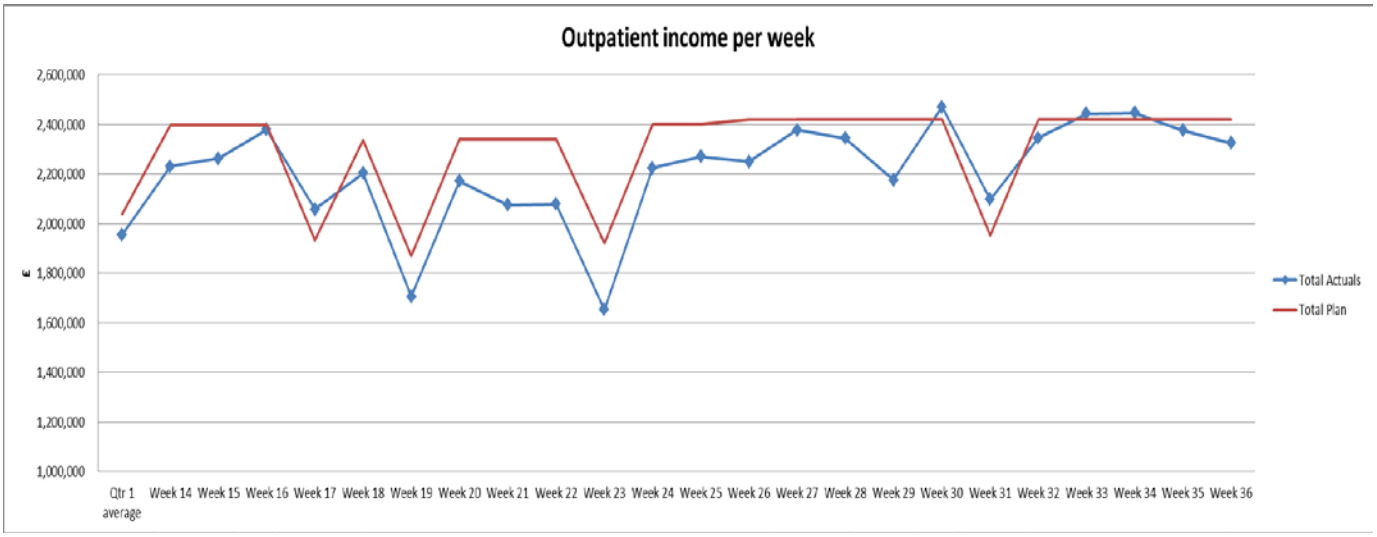
Graph 3



Please note income graph currently excludes Wythenshawe income.

4. Outpatient income: November 2017

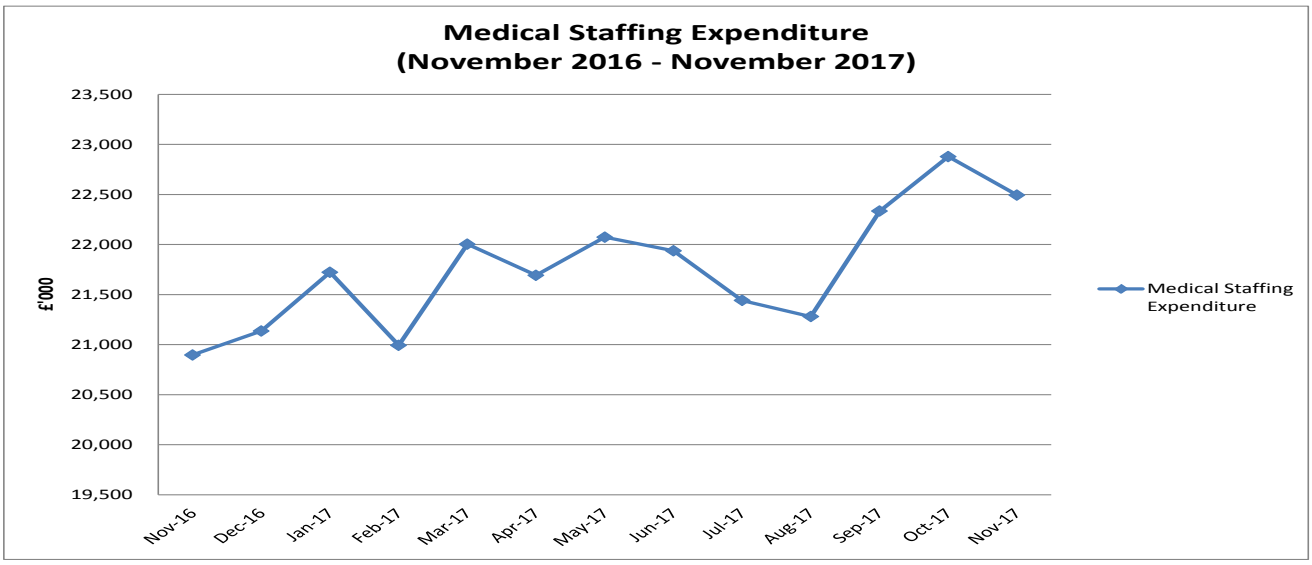
Graph 4



Please note income graph currently excludes Wythenshawe income.

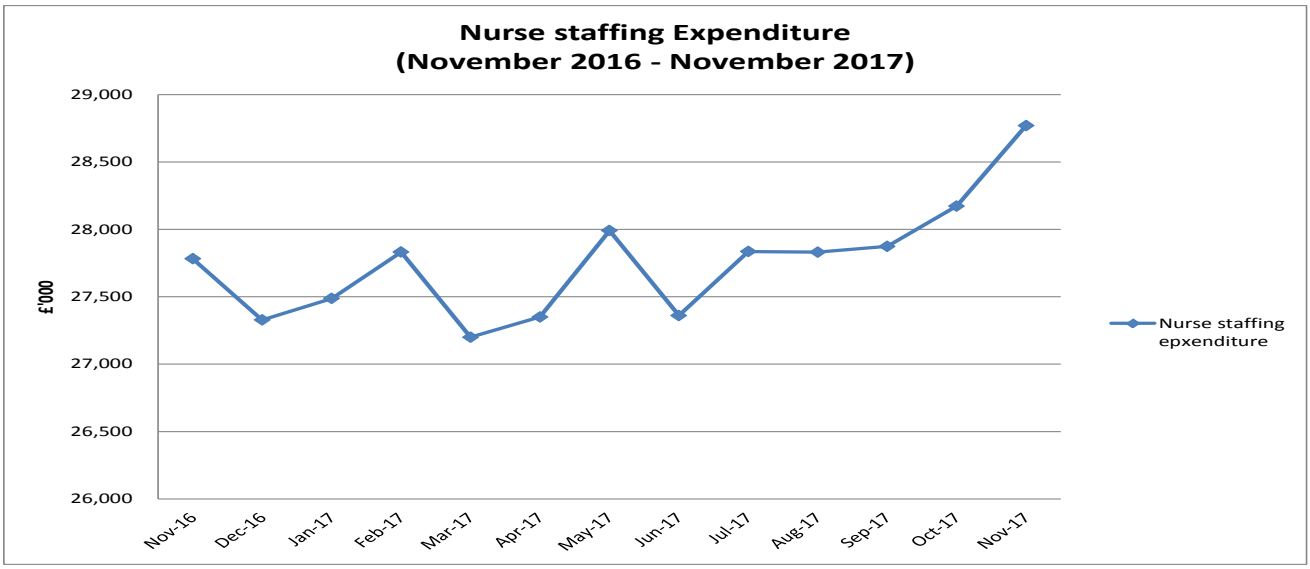
5. Medical Staffing to November 2017

Graph 5



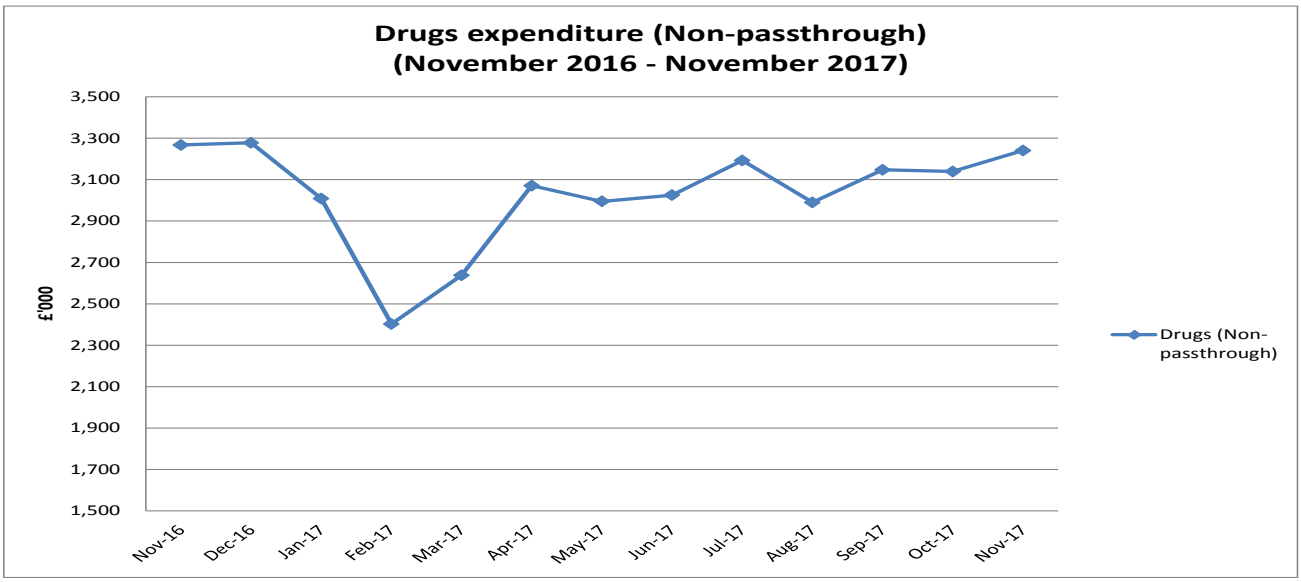
6. Nurse staffing to November 2017

Graph 6



7. Prescribing Drugs to November 2017

Graph 7



NHS Improvement's KPIs

Consolidated	Plan YTD		Actual YTD	
	Metric	*Level*	*Metric*	*Level*
Liquidity ratio	(8.6)	3	2.0	1
Capital servicing capacity	1.5	3	1.4	3
I&E Margin	0.7%	2	0.5%	2
Variance in I&E Margin as a % of income	0.0%	1	-0.2%	1
Agency spend Metric - above / (below) the agency ceiling	(0.5%)	1	10.4%	2
Use of Resource (UOR) metrics - Level 1 being highest		**2**		**2**

Narrative:

Under the Use of Resource (UOR) metrics, the Trust achieves an overall level 2, which is consistent with the plan.

The liquidity metric is better than originally planned in December 2016, resulting from the additional Sustainability Incentive income received for the improved 2016/17 out-turn financial performance.

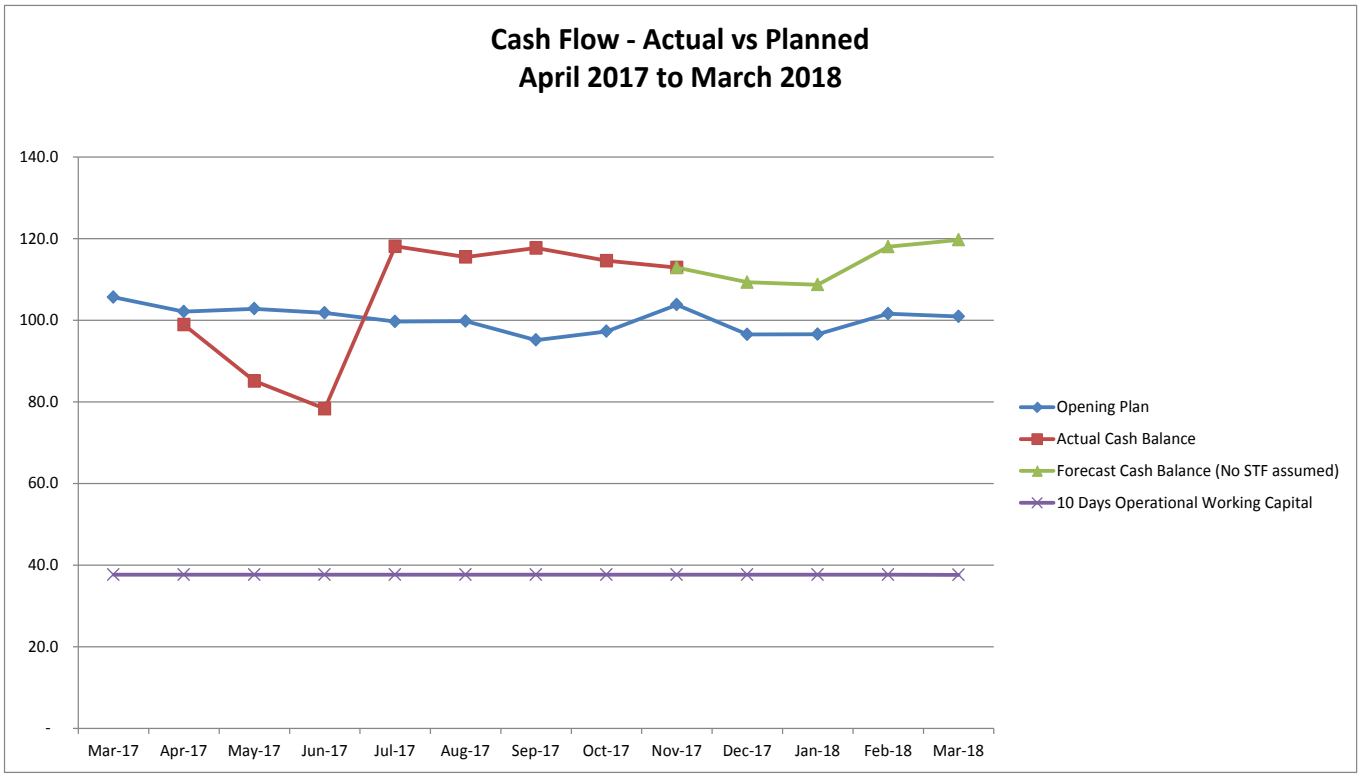
Agency spend as at month 8 was 10.4% above the agency ceiling. This is driven by a significant increase in agency spend in medical and scientific staff groups across hospitals based on the central site.

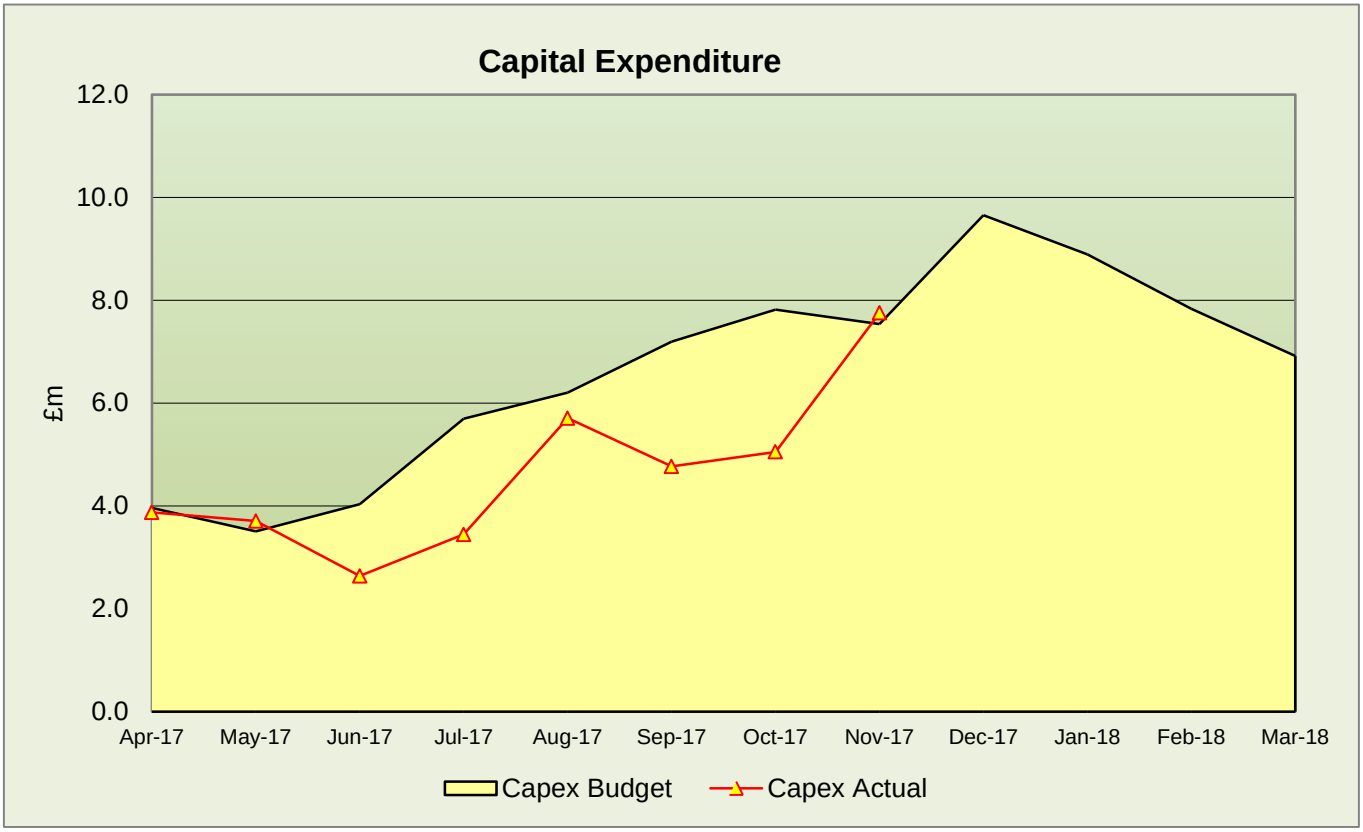
Combined	Annual Plan (full year)		Forecast 17/18	
	Metric	*Level*	*Metric*	*Level*
Liquidity ratio	(10.0)	3	0.9	1
Capital Servicing Capacity	1.5	3	1.5	3
I&E Margin	1.2%	1	1.0%	1
Variance in I&E Margin as a % of income	0.0%	1	0.0%	1
Agency spend Metric - above / (below) the agency ceiling	(4.7%)	1	9.2%	2
Use of Resource (UOR) metrics - Level 1 being highest		**2**		**2**

Balance Sheet

	Actual Opening Bals 01/10/2017 £000	Actual Year to Date 30/11/2017 £000	Movement in Year to Date £000
Non-Current Assets			
Intangible Assets	4,091	3,972	(119)
Property, Plant and Equipment	604,762	610,498	5,735
Investments	866	866	0
Trade and Other Receivables	5,837	5,822	(15)
Total Non-Current Assets	**615,557**	**621,158**	**5,601**
Current Assets			
Inventories	17,939	17,689	(250)
NHS Trade Receivables	46,380	46,448	68
Non-NHS Trade Receivables	13,869	15,607	1,738
Provision for Impaired Receivables	(6,813)	(5,908)	905
NHS Accrued Income	7,919	19,366	11,446
Non-NHS Accrued Income	14,603	15,609	1,007
Prepayments	15,400	16,454	1,054
Other Receivables	13,994	5,848	(8,146)
PDC Dividend Receivable	542	144	(398)
Non-Current Assets Held for Sale	210	210	0
Cash and Cash Equivalents	117,771	112,976	(4,795)
Total Current Assets	**241,813**	**244,443**	**2,629**
Current Liabilities			
NHS Trade Payables	(29,543)	(7,076)	22,467
Non-NHS Trade Payables	(19,933)	(32,078)	(12,146)
Capital Payables	(6,017)	(7,040)	(1,023)
NHS Accruals	(14,135)	(18,238)	(4,103)
Non-NHS Accruals	(53,099)	(48,317)	4,782
Receipts in Advance	(24,474)	(25,901)	(1,427)
Income Tax & Social Security	(16,109)	(16,338)	(229)
Superannuation	(7,165)	(7,282)	(117)
Other Payables	(4,905)	(15,522)	(10,617)
PDC Dividend Payable	0	(108)	(108)
Borrowings: Loan Repayments Due	(8,853)	(8,853)	0
Borrowings: PFI Lease Repayments Due	(10,898)	(10,952)	(54)
Provisions for Liabilities and Charges	(18,220)	(18,380)	(159)
Total Current Liabilities	**(213,352)**	**(216,085)**	**(2,733)**
Net Current Assets	**28,462**	**28,358**	**(104)**
Total Assets Less Current Liabilities	**644,019**	**649,516**	**5,497**
Non-Current Liabilities			
Trade and Other Payables	(7,030)	(7,797)	(767)
Borrowings: Loan Repayments Due	(105,177)	(105,308)	(131)
Borrowings: PFI Lease Repayments Due	(329,767)	(327,954)	1,813
Provisions for Liabilities and Charges	(9,373)	(7,287)	2,086
Total Non-Current Liabilities	**(451,347)**	**(448,346)**	**3,000**
Total Assets Employed	**192,672**	**201,169**	**8,497**
Taxpayers' Equity			
Public Dividend Capital	192,673	196,512	3,839
Revaluation Reserve	38,410	39,807	1,397
Income and Expenditure Reserve	(38,411)	(35,150)	3,261
Total Taxpayers' Equity	**192,672**	**201,169**	**8,497**
Total Funds Employed	**192,672**	**201,169**	**8,497**

Cash flow and Capital Expenditure





Scheme	Revised Plan £000	Spend YTD £000	Spend in future months £000	Forecast Year End £000
Central site schemes				
Helipad	3,506	151	1,355	1,506
Diabetes Centre	2,049	74	1,975	2,049
Compliance	10,257	9,399	358	9,757
Contract Management	1,200	800	400	1,200
Pathology Managed Equipment Service - Enabling works	2,018	1,154	864	2,018
Property and Estates Schemes	11,797	5,368	1,929	7,297
3rd MRI scanner	2,600	84	2,516	2,600
Project Red Design / enabling	1,816	402	1,414	1,816
RMCH ED Design	264	78	186	264
Grafton Street enhancement	333	114	219	333
Design relocation Old SMH	232	35	197	232
Buildings	232	0	232	232
Property & Estates - sub-total	**36,304**	**17,659**	**11,645**	**29,304**
IMT	1,000	369	631	1,000
IM&T rolling replacement programme	1,000	477	23	500
IM&T Strategy	7,714	2,565	2,649	5,214
Genomics (IT)	458	39	419	458
Equipment rolling replacement programme	4,149	1,942	2,207	4,149
PFI Lifecycle - Central site	6,514	4,355	2,159	6,514
Wythenshawe site schemes				
ED scheme	9,930	4,706	5,224	9,930
Estates backlog	3,710	1,132	2,578	3,710
Research	170	29	141	170
General contingency	250	26	250	276
Property & Estates - sub-total	**14,060**	**5,893**	**8,193**	**14,086**
EPR & IT infrastructure	4,160	1,377	2,783	4,160
Equipment contingency	250	34	250	284
Divisional Equipment replacement	1,280	663	617	1,280
PFI lifecycle - Wythenshawe site	2,350	1,567	783	2,350
Total expenditure	**79,239**	**36,940**	**32,359**	**69,299**