

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:	15 th February 2018
Subject:	Financial Performance for 2017/18
Purpose of Report:	<ul style="list-style-type: none"> • Approval ✓
Consideration of Risk against Key Priorities:	Maintaining financial stability for both the short and medium term
Recommendations:	<p>Intense leadership focus is needed to:</p> <ul style="list-style-type: none"> • Sustain income delivery • Renew grip and control over expenditure • Drive agency costs reductions • Continue savings delivery
Contact:	<p>Adrian Roberts Tel: 0161 276 6692</p>

Executive Summary

1.1	Delivery of financial Control Total	The consolidated financial performance at Month 10 was a bottom line surplus (on a control total basis) of £7.6m (0.6% of operating income), which is £0.2m ahead of the Control Total trajectory. This result remains reliant upon £18.5m of Sustainability funding recognised over the first ten months of the year, without which there would have been an operating deficit of £10.9m.
1.2	Run Rate	<p>Clinical income has now been consistently achieved around the planned levels over the last 3 months. The exceptional level of escalations required in the early weeks of January have resulted in an adverse movement on elective care of £2.9m, offset by increases in emergency care and other clinical income. The primary cause of the increases in other clinical income are revised CQUIN projections and increases in the provision of specialist care (e.g. transplant surgery).</p> <p>Insufficient control over medical agency and locum costs, together with slippage in delivery of savings plans, have combined to diminish the benefit of progress with income recovery, leaving virtually no headroom in the overall delivery of the financial plan.</p> <p>£2.7m of urgent care performance-related Sustainability funding was not achieved in the third quarter.</p> <p>Intense leadership focus is needed to:</p> <ul style="list-style-type: none"> • Sustain income delivery • Renew grip and control over expenditure • Drive agency costs reductions • Continue savings delivery
1.3	Risk	<p>Securing the £10.7m Sustainability funding in the fourth quarter of 2017/18 is contingent on continuing to meet the agreed control total, which requires sustained improvement in monthly run-rate performance.</p> <p>The Trust has a combined annual Trading Gap target of £82.5m. Based on the month 9 reported position across the Turnaround programmes, forecast delivery against these plans is currently £12.2m lower than planned (see graph 1). The profile for the planned savings continues to increase in the last quarter of the year.</p> <p>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.</p>
1.4	Cash & Liquidity	As at 31 st January 2018 the Trust had a cash balance of £99.5m.
1.5	Capital Expenditure	The Capital Plan for 2017/18 is £80.5m. Capital expenditure to the end of January is £48.4m (60% of the plan for the year).

Financial Performance

Income & Expenditure Account for the period ended 31st January 2018

	Annual Plan	Year to date - Month 10			Variance to month 9	Consolidated Year to date Actual
		Year to date budget	Variance from budget	%		
	£'000	£'000	£'000		£'000	£'000
INCOME						
NHS Clinical Income						
A&E	43,915	36,719	15		-2	36,734
Inpatients Non-Elective	251,868	212,724	1,289		-392	214,012
Inpatients Elective / PSD	206,159	173,332	-4,692		-1,827	168,640
Outpatients	168,565	142,798	-2,851		-3,169	139,947
Critical Care	120,983	102,066	97		-466	102,164
Community Services	83,792	70,557	0		0	70,557
Other Clinical Income	434,985	375,347	2,745		-199	378,093
Total NHS Clinical Income	1,310,266	1,113,544	-3,397	-0.3%	-6,054	1,110,147
Private Patients/RTA	5,863	6,737	-969		-803	5,767
Total Clinical Income (NHS & Non NHS)	1,316,129	1,120,281	-4,366	-0.4%	-6,857	1,115,915
Training & Education	62,872	54,124	-409		-304	53,715
Research & Development	45,595	38,632	-1,464		-1,185	37,168
STF Income	28,981	21,857	-3,365		-3,365	18,492
Misc. Other Operating Income	86,402	66,632	2,712		2,735	69,344
Total Non-Clinical Income	223,851	181,245	-2,526	-1.4%	-2,119	178,718
Total Income	1,539,980	1,301,525	-6,892	-0.5%	-8,976	1,294,633
EXPENDITURE						
Pay	-866,475	-717,149	-18,408	-2.6%	-16,061	-735,556
Non pay	-582,610	-512,250	19,803	3.9%	17,913	-492,448
Total Expenditure	-1,449,085	-1,229,399	1,395	0.1%	1,852	-1,228,004
EBITDA Margin	90,895	72,126	-5,497	5.1%	-7,124	66,629
Interest, Dividends and Depreciation						
Depreciation	-30,565	-24,881	1,144		1,028	-23,737
Exceptional Costs	0	0	-180		-180	-180
Interest Receivable	176	208	29		-5	237
Interest Payable	-39,204	-33,472	87		88	-33,385
Dividend	-3,099	-2,583	639		597	-1,944
Surplus/(Deficit) on a control total basis	18,203	11,398	-3,778		-5,597	7,621

Surplus/(Deficit) as % of turnover						0.6%
Non operating Income	4,050					1,137
1617 STF post accounts reallocation	0					419
Depreciation - donated / granted assets	-283					-779
Impairment	-5,787					-13,085
	16,183					-4,688

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 10)		Comparative position as at Month 9	Control total (YTD)	Variance to control total	
£000s					£000s	%	£000s	£000s	£000s	
-251	1,605	-170	0	Clinical & Scientific Support	1,184	1.2%	1,261	1,250	-66	113,967
767	2,040	-1,949	-346	Corporate Divisions	512	0.3%	647	0	512	177,868
1,393	-3,942	-9,988	-15,089	MRI	-27,626	-8.2%	-24,879	-10,667	-16,959	401,906
-278	324	-449	-1,586	REH / UDH	-1,989	-3.3%	-1,693	0	-1,989	72,986
-861	-293	342	0	RMCH	-812	-0.5%	-1,544	1,250	-2,062	204,182
-2,714	2,206	451	-1,810	Saint Mary's Hospital	-1,868	-1.9%	-1,798	-833	-1,035	120,995
-422	-896	-1,091	-3,008	Trafford Hospitals	-5,417	-14.2%	-4,963	-2,417	-3,001	45,763
3,032	-1,940	-226	-6,198	Wythenshawe Hospital	-5,332	-1.3%	-7,028	-6,198	866	486,516
664	-896	-13,080	-28,037	Trust position	-41,349	-3.1%	-39,998	-17,615	-23,734	1,624,183

-829	-197	-11,187	-27,785	Variance position as at month 9
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Key Run Rate Areas

1. 2017/18 Trading Gap challenge

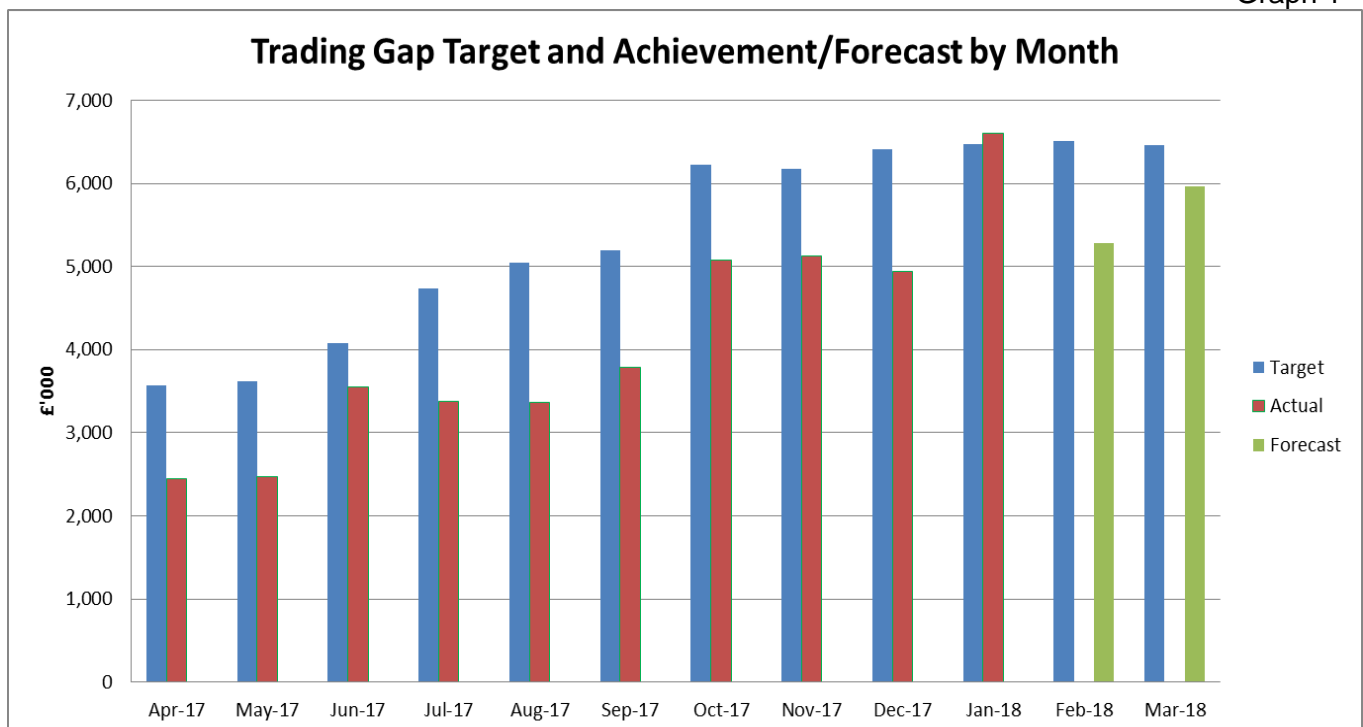
Theme Breakdown	Savings to Date				Forecast to year-end			
	Target £'000	Achieved £'000	Variance £'000	YTD Financial BRAG	Target £'000	Forecast £'000	Variance £'000	Financial Forecast BRAG
Medical workforce	1,567	548	(1,019)	35%	2,090	940	(1,150)	45%
Nursing workforce	1,210	516	(694)	43%	1,594	761	(833)	48%
Theatres - elective	6,933	3,123	(3,810)	45%	8,510	4,386	(4,124)	52%
Length of Stay (Enabler)	18	19	0	102%	23	24	0	102%
Outpatient transformation	2,406	1,129	(1,277)	47%	2,908	1,621	(1,287)	56%
Pharmacy and medicines management	469	362	(107)	77%	565	604	39	107%
Procurement	1,800	1,233	(567)	69%	2,160	1,657	(503)	77%
Coding	1,871	2,710	839	145%	2,339	3,613	1,274	154%
Best Practice and Innovation Tariff	198	116	(82)	59%	244	151	(93)	62%
Mobile phones	75	123	48	164%	95	144	49	152%
Other Divisional workstreams	16,008	14,645	(1,362)	91%	19,913	16,979	(2,933)	85%
Tactical-Divisional	4,546	4,758	213	105%	5,937	6,134	197	103%
Tactical-Clinical Income	5,267	5,478	211	104%	6,389	6,587	199	103%
Tactical-Procurement	1,255	790	(465)	63%	1,486	1,020	(466)	69%
Tactical-PFI	569	0	(569)	0%	1,707	0	(1,707)	0%
Tactical-Early Merger	100	0	(100)	0%	300	0	(300)	0%
Operational Productivity-Outpatients	525	1,299	774	247%	689	1,459	770	212%
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	935	(8)	(943)	-1%	1,241	84	(1,157)	7%
Workforce and Controls-Staffing and Controls	1,501	1,120	(381)	75%	1,912	1,271	(641)	66%
Pay & Non Pay Inflation avoidance	2,989	3,053	64	102%	3,885	4,009	124	103%
Full year effect of prior year schemes	15,403	15,403	0	100%	17,895	17,895	0	100%
Unidentified	1,271	0	(1,271)	0%	577	0	(577)	0%
Grand Total	66,916	56,418	(10,498)	84%	82,459	69,340	(13,119)	84%

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.

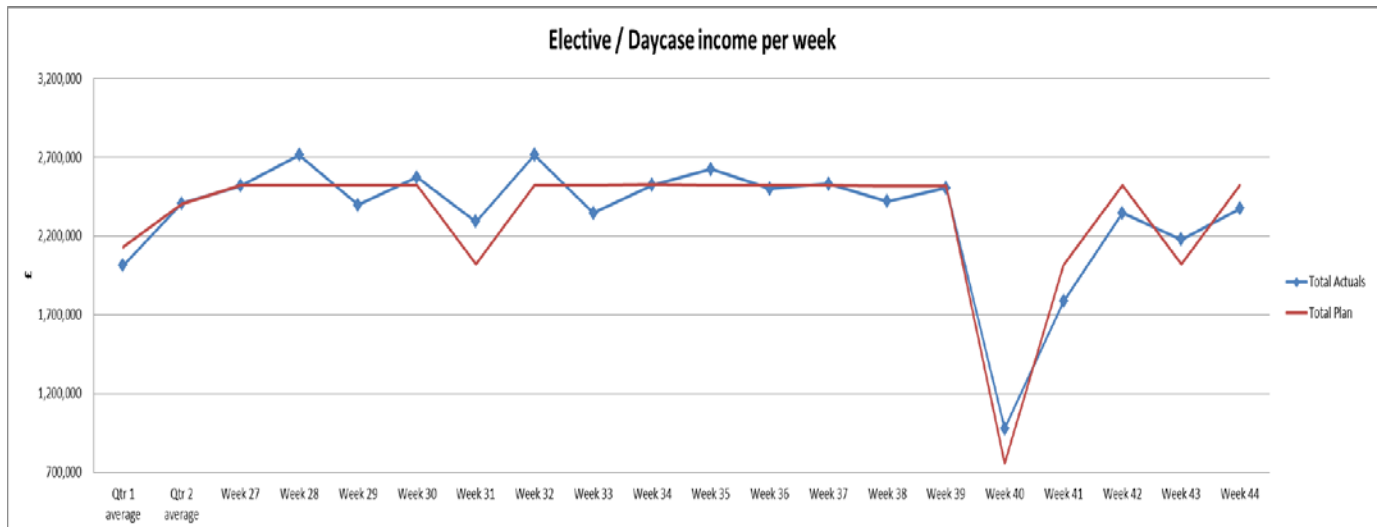
- Financial Delivery less than 90%
- Financial Delivery greater than 90% but less than 97%
- Financial Delivery greater than 97%
- Schemes fully delivered with no risk of future slippage

Graph 1



2. Elective / Daycase income: January 2018

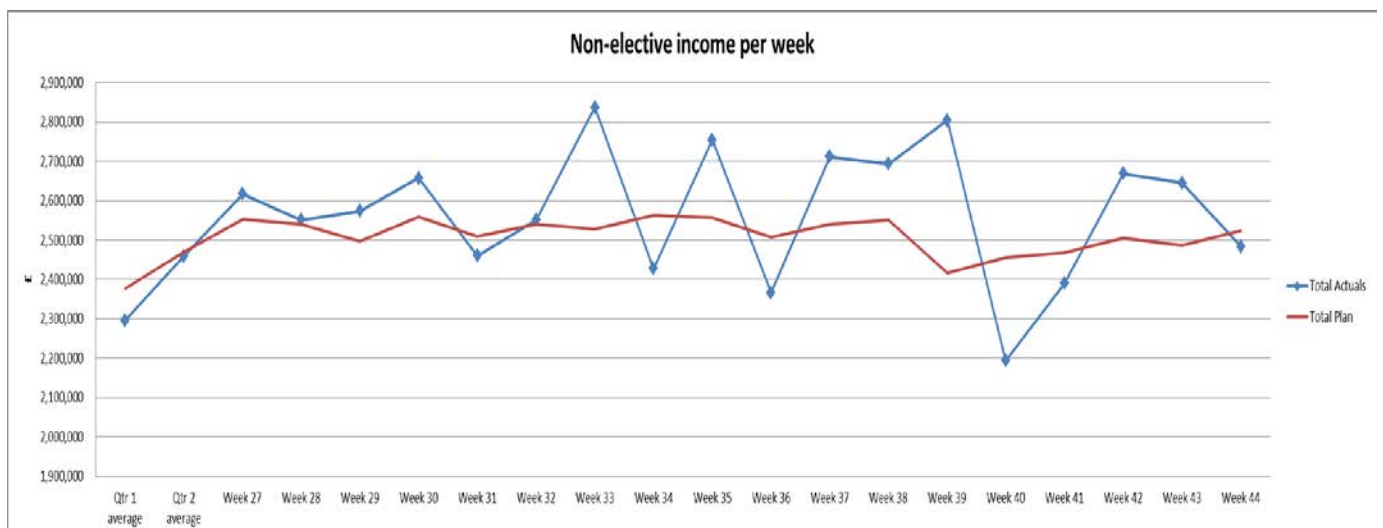
Graph 2



Please note income graph currently excludes Wythenshawe income.

3. Non-Elective income: January 2018

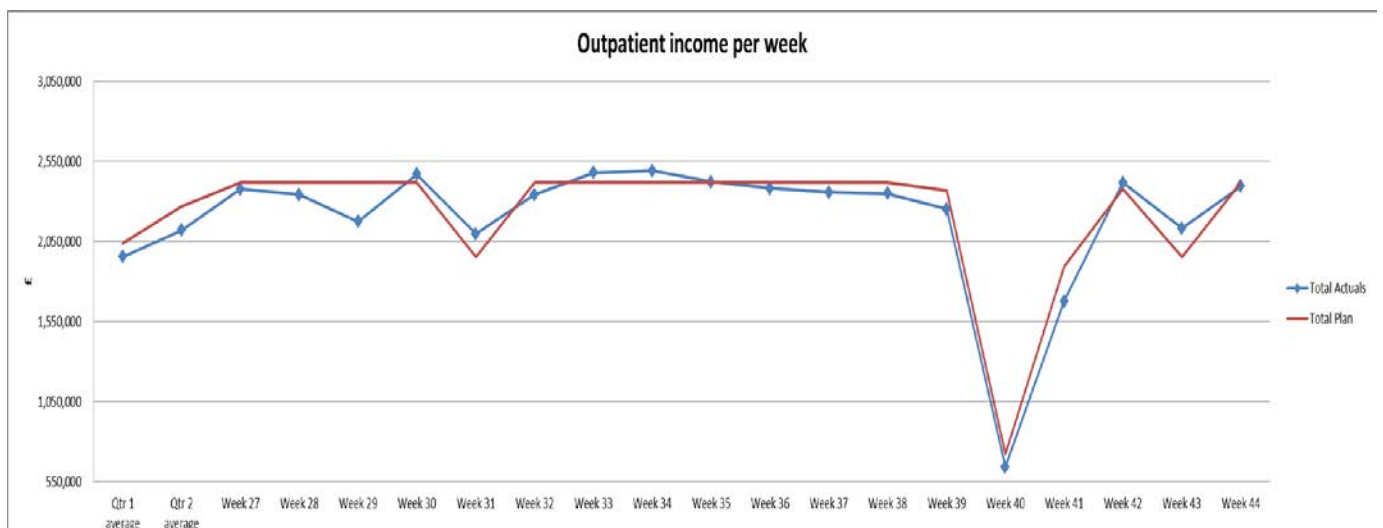
Graph 3



Please note income graph currently excludes Wythenshawe income.

4. Outpatient income: January 2018

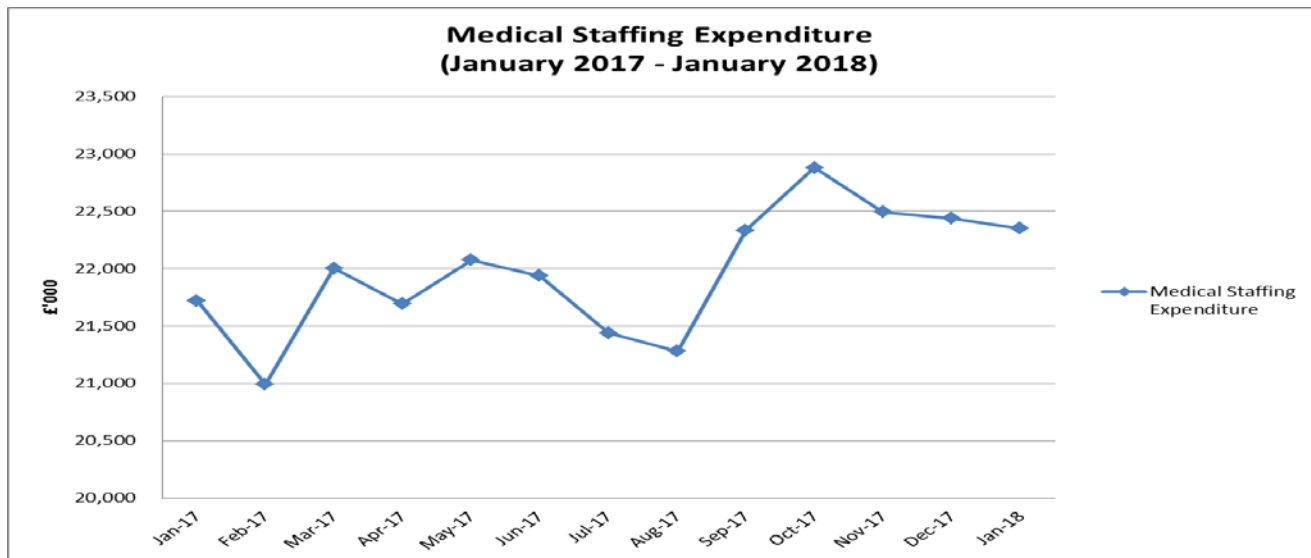
Graph 4



Please note income graph currently excludes Wythenshawe income.

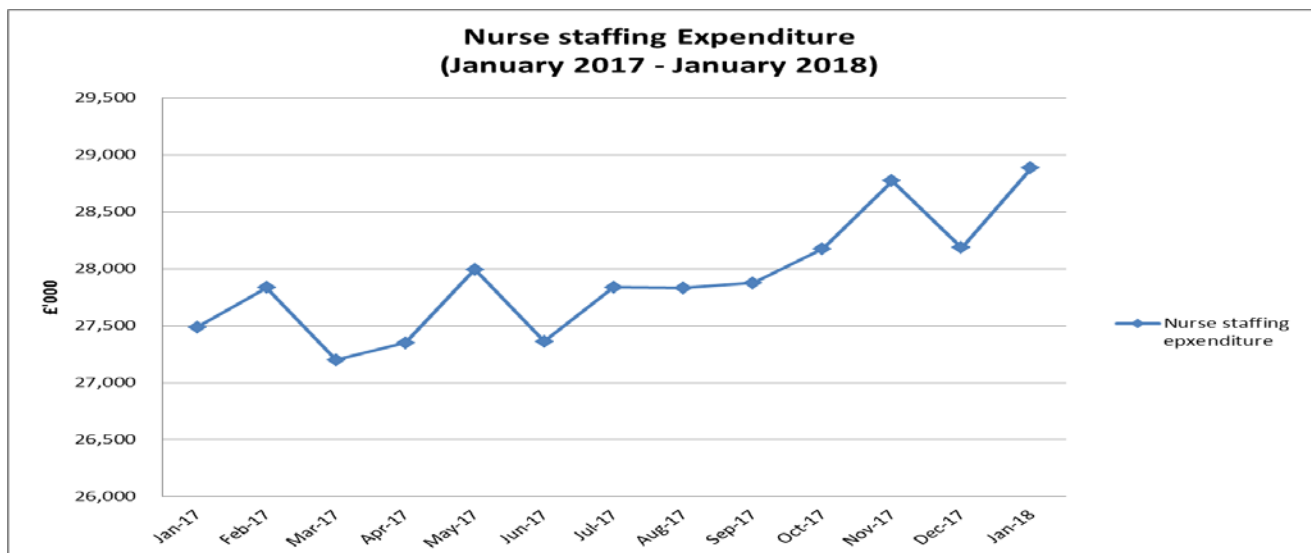
5. Medical Staffing to January 2018

Graph 5



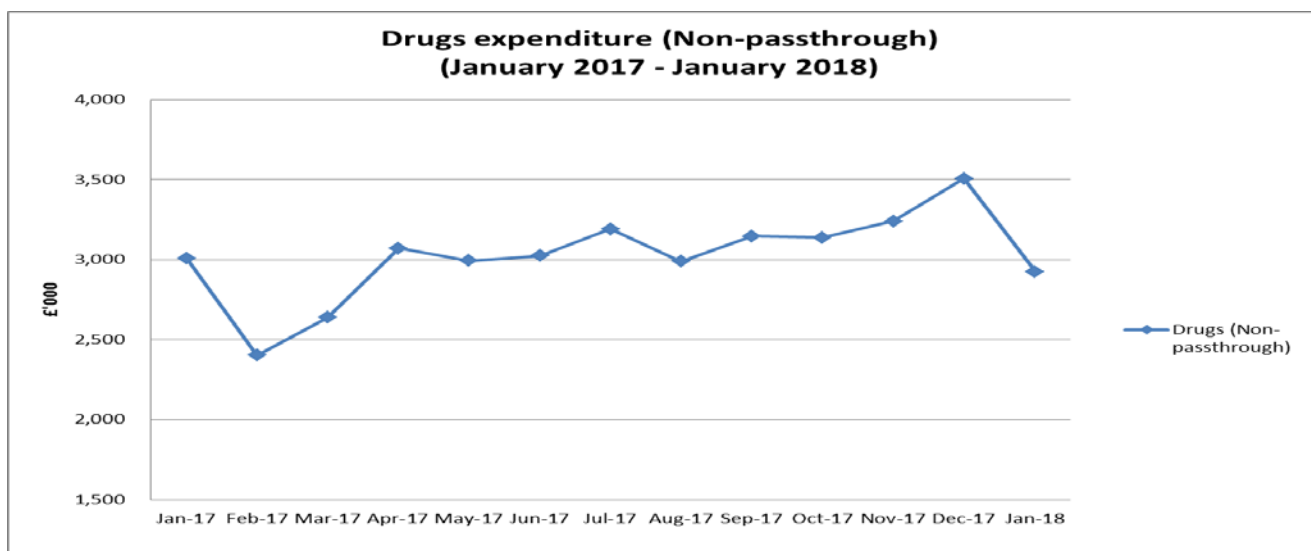
6. Nurse staffing to January 2018

Graph 6



7. Prescribing Drugs to January 2018

Graph 7



NHS Improvement's KPIs

Consolidated	Plan YTD		Actual YTD	
	Metric	Level	Metric	Level
Liquidity ratio	(9.7)	3	0.4	2
Capital servicing capacity	1.4	3	1.4	3
I&E Margin	0.7%	2	0.6%	2
I&E margin: Distance to financial plan	0.0%	1	-0.1%	2
Agency spend Metric - above / (below) the agency ceiling	(3.0%)	1	6.7%	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.

The loss of the 30% performance-linked element of Sustainability funding in the third quarter results in 0.1% variance in the I&E to the financial 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.

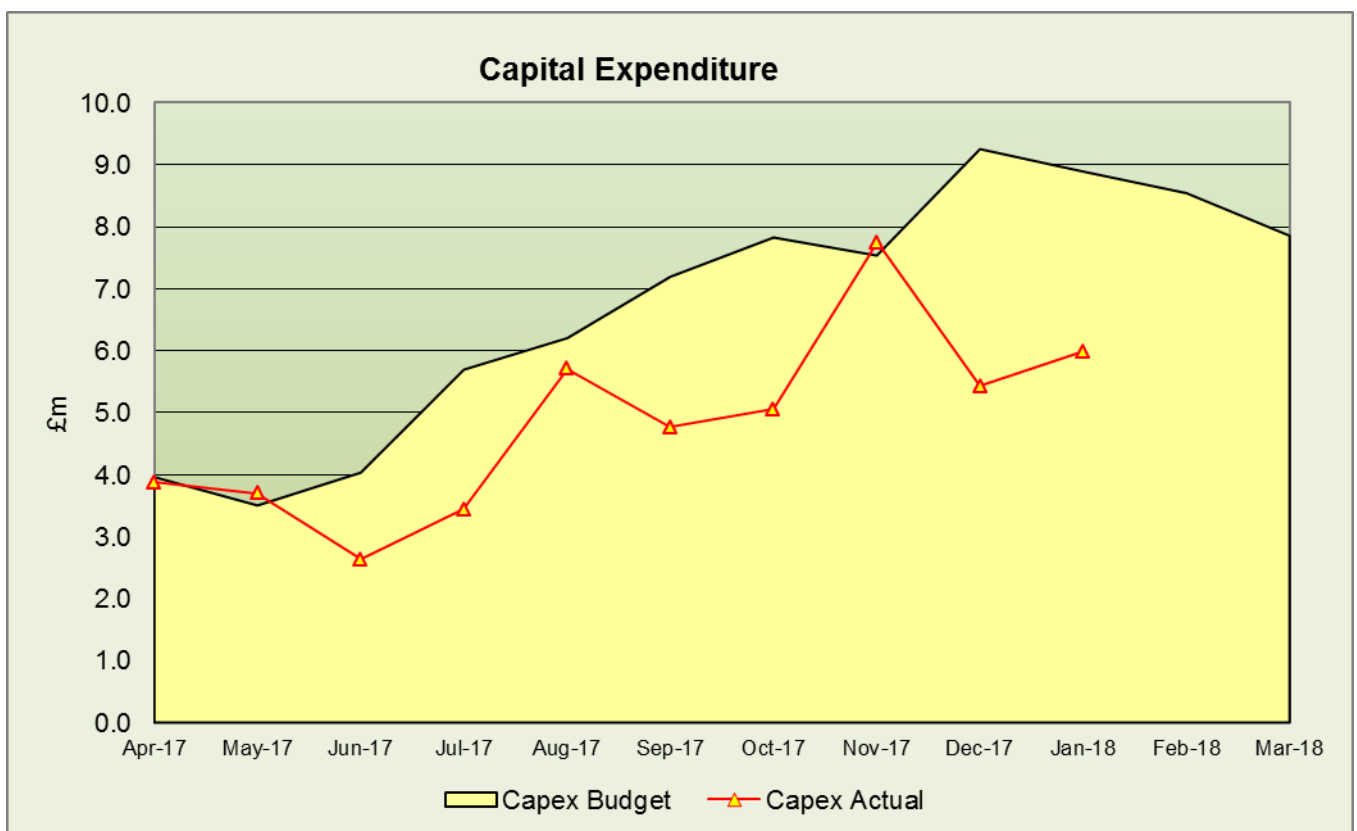
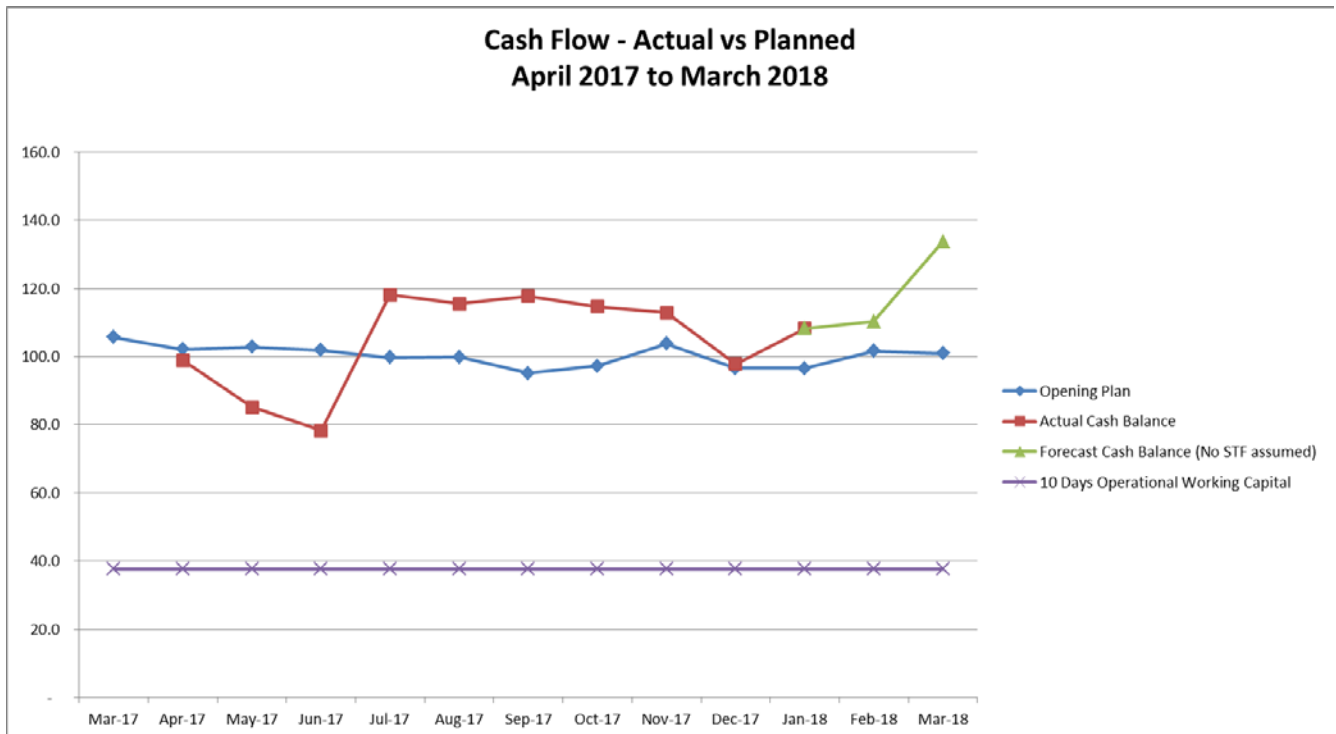
Agency spend as at month 10 was 6.7% above the agency ceiling. This is driven by a significant increase in agency spend in medical and scientific staff groups across hospitals based on the central site.

Combined	Annual Plan (full year)		Forecast 17/18	
	Metric	Level	Metric	Level
Liquidity ratio	(10.0)	3	1.0	1
Capital Servicing Capacity	1.5	3	1.5	3
I&E Margin	1.2%	1	1.2%	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	8.9%	2
Use of Resource (UOR) metrics - Level 1 being highest		2		2

Balance Sheet

	Actual Opening Bal 01/10/2017 £000	Actual Year to Date 31/01/2018 £000	Movement in Year to Date £000
Non-Current Assets			
Intangible Assets	4,091	3,853	(239)
Property, Plant and Equipment	604,762	616,148	11,386
Investments	866	866	0
Trade and Other Receivables	5,837	5,818	(19)
Total Non-Current Assets	615,557	626,685	11,128
Current Assets			
Inventories	17,939	17,248	(691)
NHS Trade Receivables	46,380	52,680	6,300
Non-NHS Trade Receivables	13,869	17,772	3,902
Provision for Impaired Receivables	(6,813)	(5,881)	932
NHS Accrued Income	7,919	22,708	14,788
Non-NHS Accrued Income	14,603	16,687	2,084
Prepayments	15,400	16,964	1,564
Other Receivables	13,994	5,733	(8,261)
PDC Dividend Receivable	542	144	(398)
Non-Current Assets Held for Sale	210	210	0
Cash and Cash Equivalents	117,771	99,514	(18,257)
Total Current Assets	241,813	243,778	1,965
Current Liabilities			
NHS Trade Payables	(29,543)	(14,042)	15,502
Non-NHS Trade Payables	(19,933)	(24,592)	(4,660)
Capital Payables	(6,017)	(8,013)	(1,996)
NHS Accruals	(14,135)	(14,947)	(812)
Non-NHS Accruals	(53,099)	(51,693)	1,406
Receipts in Advance	(24,474)	(26,558)	(2,084)
Income Tax & Social Security	(16,109)	(16,536)	(427)
Superannuation	(7,165)	(7,487)	(322)
Other Payables	(4,905)	(19,175)	(14,270)
PDC Dividend Payable	0	(539)	(539)
Borrowings: Loan Repayments Due	(8,853)	(11,187)	(2,334)
Borrowings: PFI Lease Repayments Due	(10,898)	(11,129)	(231)
Provisions for Liabilities and Charges	(18,220)	(18,200)	20
Total Current Liabilities	(213,352)	(224,098)	(10,747)
Net Current Assets	28,462	19,680	(8,782)
Total Assets Less Current Liabilities	644,019	646,365	2,346
Non-Current Liabilities			
Trade and Other Payables	(7,030)	(7,707)	(677)
Borrowings: Loan Repayments Due	(105,177)	(100,874)	4,303
Borrowings: PFI Lease Repayments Due	(329,767)	(325,998)	3,770
Provisions for Liabilities and Charges	(9,373)	(7,228)	2,145
Total Non-Current Liabilities	(451,347)	(441,807)	9,540
Total Assets Employed	192,672	204,558	11,886
Taxpayers' Equity			
Public Dividend Capital	192,673	198,661	5,988
Revaluation Reserve	38,410	39,807	1,397
Income and Expenditure Reserve	(38,411)	(33,910)	4,501
Total Taxpayers' Equity	192,672	204,558	11,886
Total Funds Employed	192,672	204,558	11,886

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	188	30	218
Diabetes Centre	2,049	86	114	200
Compliance	10,257	10,345	2,212	12,557
Contract Management	1,200	1,000	200	1,200
Pathology Managed Equipment Service - Enabling works	2,018	1,450	568	2,018
Property and Estates Schemes	11,797	6,461	1,766	8,227
3rd MRI scanner	2,600	102	150	252
Project Red Design / enabling	1,816	722	30	752
RMCH ED Design	264	113	151	264
Grafton Street enhancement	333	114	219	333
Design relocation Old SMH	232	37	195	232
Buildings	232	0	264	264
Property & Estates - sub-total	36,304	20,618	5,899	26,517
IMT	1,000	778	119	897
IM&T rolling replacement programme	1,000	595	350	945
IM&T Strategy	7,714	3,133	1,844	4,977
Genomics (IT)	458	0	256	256
GM Digital funding	0	122	888	1,010
Digital funding - Cyber security	200	0	200	200
Equipment rolling replacement programme	4,149	3,500	878	4,378
PFI Lifecycle - Central site	6,514	5,461	1,053	6,514
Wythenshawe site schemes				
ED scheme	9,930	6,887	1,843	8,730
Estates backlog	3,710	1,906	1,804	3,710
Research	170	83	87	170
Other property and estates schemes	1,803	556	1,247	1,803
General contingency	250	40	210	250
Property & Estates - sub-total	15,863	9,472	5,191	14,663
EPR & IT infrastructure	3,067	2,098	647	2,745
Equipment contingency	250	82	168	250
Divisional Equipment replacement	1,833	547	772	1,319
PFI lifecycle - Wythenshawe site	2,350	1,958	392	2,350
Total expenditure	80,702	48,364	18,657	67,021