MANCHESTER UNIVERSITY NHS FOUNDATION TRUST

BOARD OF DIRECTORS (PUBLIC)

Report of:	Adrian Roberts – Chief Finance Officer
Paper prepared by:	Ursula Denton – Director of Finance
Date of paper:	25th April 2018
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 for the year was **a bottom line surplus (on a control total basis) of £36.5m** (2.3% of operating income). This result was reliant upon £39.1m of Sustainability funding, without which there would have been an operating deficit of £2.6m. The financial performance of the Trust is assessed net of the Sustainability funding. Against this measure, the Trust's surplus exceeded its plan by £8.2m.
1.2	**Run Rate**	**Clinical income has been consistently achieved around the planned levels** over the last 6 months. The exceptional level of escalations required over winter months resulted in an adverse movement on elective care, offset by increases in emergency care and other clinical income. Insufficient control over medical agency and locum costs, together with slippage in delivery of savings plans, continue to represent material risks to sustained delivery into 2018/19 financial year. 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 had a combined annual Trading Gap target of £82.5m. The reported position across the Turnaround programmes showed delivery that was £11.5m lower than planned (see graph 1). This shortfall continues to challenge the formulation of robust financial plans for 2018/19. Insufficient control over medical agency and locum costs, together with slippage in delivery of savings plans, continue to represent material risks to sustained delivery into 2018/19 financial year. The Trust continues to breach it's agency spend ceiling, cumulatively by 11.7% over 2017/18 as a whole.
1.4	**Cash & Liquidity**	As at 28th February 2018 the Trust had a cash balance of £119.9m.
1.5	**Capital Expenditure**	The Capital Plan for 2017/18 was £81.9m. Capital expenditure for the year was £66.4m (81% of the plan for the year).

Financial Performance

Income & Expenditure Account for 2017/18

	Annual Plan	Year to date - Month 12			Variance to month 11	Consolidated Year to date Actual
		Year to date budget	Variance from budget	%		
INCOME	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**
NHS Clinical Income						
A&E	43,915	44,027	-59		-51	43,968
Inpatients Non-Elective	251,868	253,644	2,734		2,415	256,378
Inpatients Elective / PSD	206,159	207,883	-5,084		-5,340	202,800
Outpatients	168,565	171,502	-3,287		-3,468	168,214
Critical Care	120,983	121,903	1,138		161	123,040
Community Services	83,792	84,711	41		0	84,752
Other Clinical Income	434,985	453,645	3,046		5,764	456,691
Total NHS Clinical Income	**1,310,266**	**1,337,315**	**-1,471**	**-0.1%**	**-520**	**1,335,844**
Private Patients/RTA	5,863	8,081	767		-1,225	8,848
Total Clinical Income (NHS & Non NHS)	**1,316,129**	**1,345,396**	**-704**	**-0.1%**	**-1,745**	**1,344,692**
Training & Education	62,872	65,996	1,205		-139	67,201
Research & Development	45,595	47,093	-1,933		-1,768	45,160
STF Income	28,981	28,981	10,084		-5,502	39,065
Misc. Other Operating Income	86,402	85,256	6,943		3,798	92,200
Total Non-Clinical Income	**223,851**	**227,326**	**16,300**	**7.2%**	**-3,612**	**243,626**
Total Income	**1,539,980**	**1,572,723**	**15,595**	**1.0%**	**-5,357**	**1,588,318**
EXPENDITURE						
Pay	-866,475	-863,150	-22,895	-2.7%	-21,041	-886,045
Non pay	-582,610	-618,672	22,485	3.6%	20,043	-596,187
Total Expenditure	**-1,449,085**	**-1,481,823**	**-409**	**0.0%**	**-997**	**-1,482,232**
EBITDA Margin	**90,895**	**90,900**	**15,186**	**6.7%**	**-6,354**	**106,086**
Interest, Dividends and Depreciation						
Depreciation	-30,565	-29,850	1,861		1,257	-27,989
Exceptional Costs	0	0	-180		-180	-180
Interest Receivable	176	250	63		42	313
Interest Payable	-39,200	-39,994	119		109	-39,875
Dividend	-3,099	-3,099	1,238		675	-1,861
Surplus/(Deficit) on a control total basis	**18,207**	**18,207**	**18,286**		**-4,452**	**36,493**

Surplus/(Deficit) as % of turnover						**2.3%**
Non operating Income	**4,050**					**2,074**
1617 STF post accounts reallocation	**0**					**419**
Depreciation - donated / granted assets	**-283**					**-1,010**
Impairment	**-5,787**					**-31,600**
	16,187					**6,375**

Operating Unit Performance against breakeven measure

Income	Pay	Non Pay	Trading Gap	Hospital	Variance to breakeven budgets - (adverse) / positive			Variance to Control Total		I&E Annual Budget
Year to date variance					Year to date (to month 12)		Comparative position as at Month 11	Control total (YTD)	Variance to control total	
£000s					£000s	%	£000s	£000s	£000s	£000s
464	1,642	-377	0	Clinical & Scientific Support	1,729	1.5%	1,331	1,500	229	114,234
5,124	1,564	-4,515	-155	Corporate Divisions	2,018	1.1%	889	0	2018	179,374
2,931	-4,497	-12,986	-17,611	MRI	-32,163	-8.0%	-30,571	-12,800	-19,363	402,260
-729	413	-381	-1,886	REH / UDH	-2,584	-3.5%	-2,465	0	-2,584	72,916
3,355	97	-1,020	0	RMCH	2,431	1.2%	-452	1,500	931	205,534
-3,120	2,423	483	-2,254	Saint Mary's Hospital	-2,468	-2.0%	-2,100	-1,000	-1,468	121,008
-157	-1,202	-1,189	-3,594	Trafford Hospitals	-6,142	-13.4%	-5,737	-2,900	-3,242	45,685
7,074	-1,861	-4,383	-1,175	Wythenshawe Hospital	-345	-0.1%	-5,025	-1,274	929	486,516
14,942	**-1,421**	**-24,369**	**-26,675**	**Trust position**	**-37,523**	**-2.3%**	**-44,131**	**-14,974**	**-22,549**	**1,627,527**

3,083	**-1,914**	**-15,687**	**-29,614**	**Variance position as at month 11**

Key Run Rate Areas

1. 2017/18 Trading Gap challenge

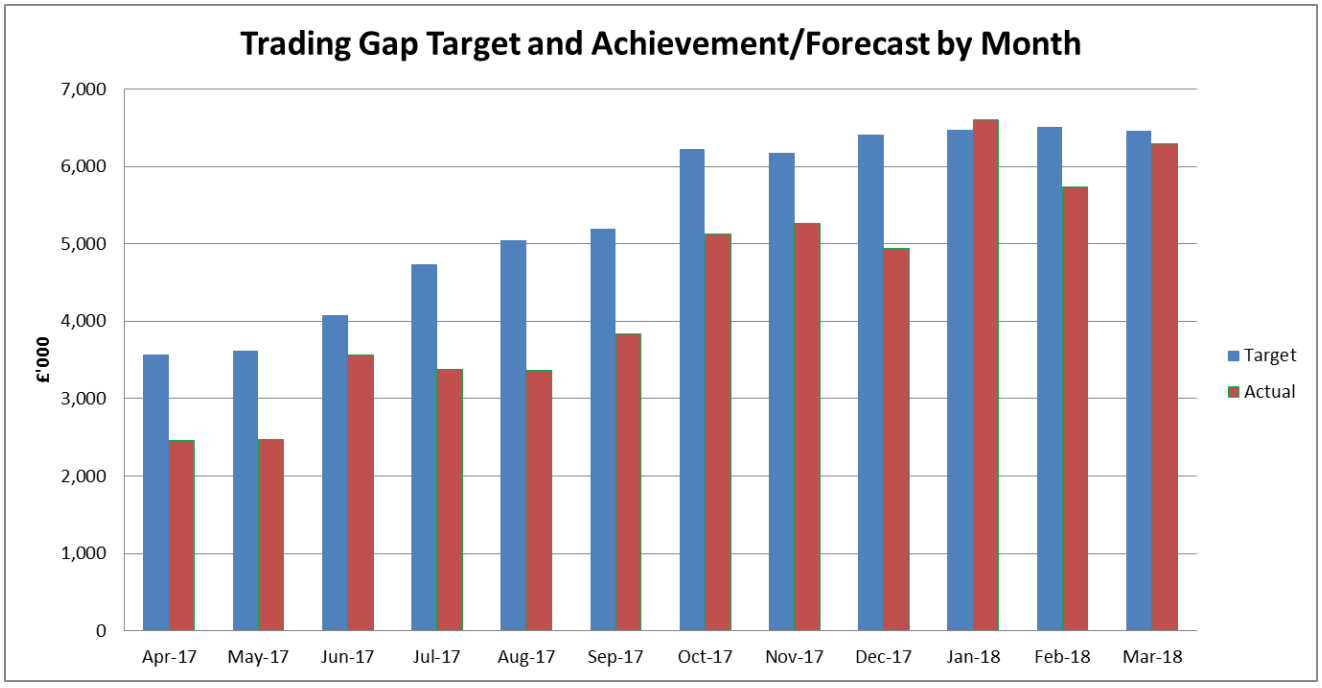
Theme Breakdown	Savings Target £'000	Savings Achieved £'000	Savings Variance £'000	Financial RAG
Medical workforce	2,090	696	(1,394)	33%
Nursing workforce	1,587	687	(900)	43%
Theatres - elective	8,510	4,596	(3,914)	54%
Length of Stay (Enabler)	23	24	0	102%
Outpatient transformation	2,908	1,383	(1,525)	48%
Pharmacy and medicines management	565	661	96	117%
Procurement	2,160	1,637	(523)	76%
Coding	2,339	3,362	1,023	144%
Best Practice and Innovation Tariff	244	152	(92)	62%
Mobile phones	95	145	50	153%
Other Divisional workstreams	19,920	18,823	(1,097)	94%
Tactical-Divisional	6,028	5,906	(121)	98%
Tactical-Clinical Income	6,389	6,652	263	104%
Tactical-Procurement	1,486	970	(516)	65%
Tactical-PFI	1,707	0	(1,707)	0%
Tactical-Early Merger	300	0	(300)	0%
Operational Productivity-Outpatients	689	1,774	1,085	257%
Operational Productivity-Theatres	0	0	0	0%
Operational Productivity-Cath Labs	0	0	0	0%
Workforce and Controls-Medical Productivity	1,241	2	(1,239)	0%
Workforce and Controls-Staffing and Controls	1,912	1,385	(528)	72%
Pay & Non Pay Inflation avoidance	3,885	4,179	294	108%
Full year effect of prior year schemes	17,895	17,895	0	100%
Unidentified	486	0	(486)	0%
Grand Total	**82,459**	**70,929**	**(11,530)**	**86%**

Financial RAG

The RAG 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.

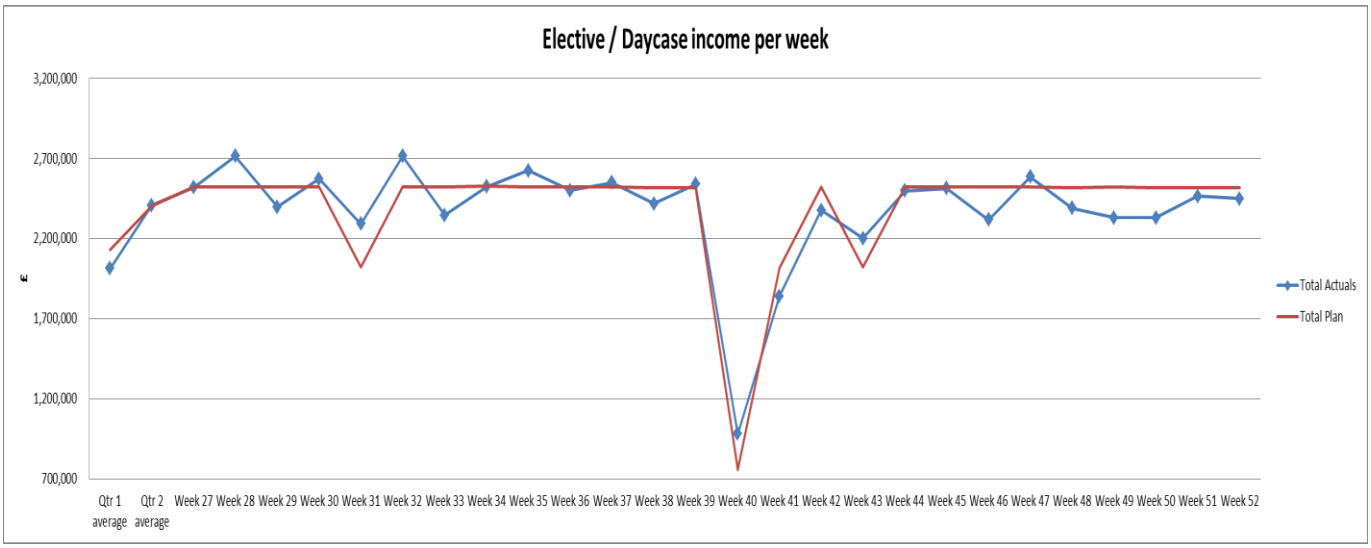
- Financial Delivery less than 90%
- Financial Delivery greater than 90% but less than 97%
- Financial Delivery greater than 97%

Graph 1



2. Elective / Daycase income: March 2018

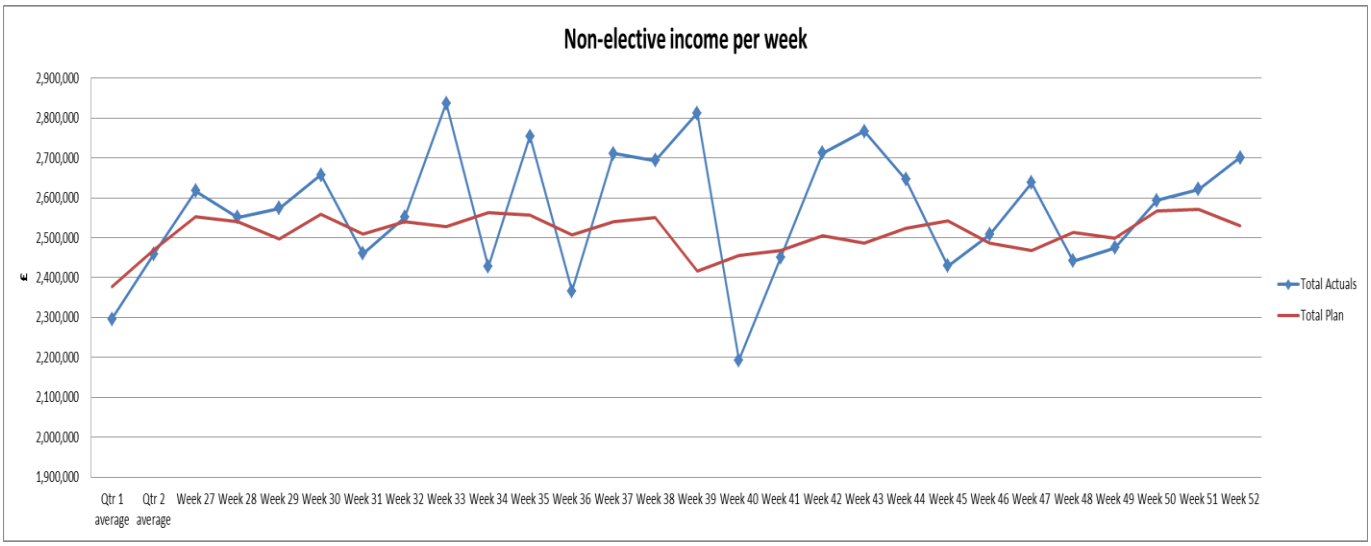
Graph 2



Please note income graph currently excludes Wythenshawe income.

3. Non-Elective income: March 2018

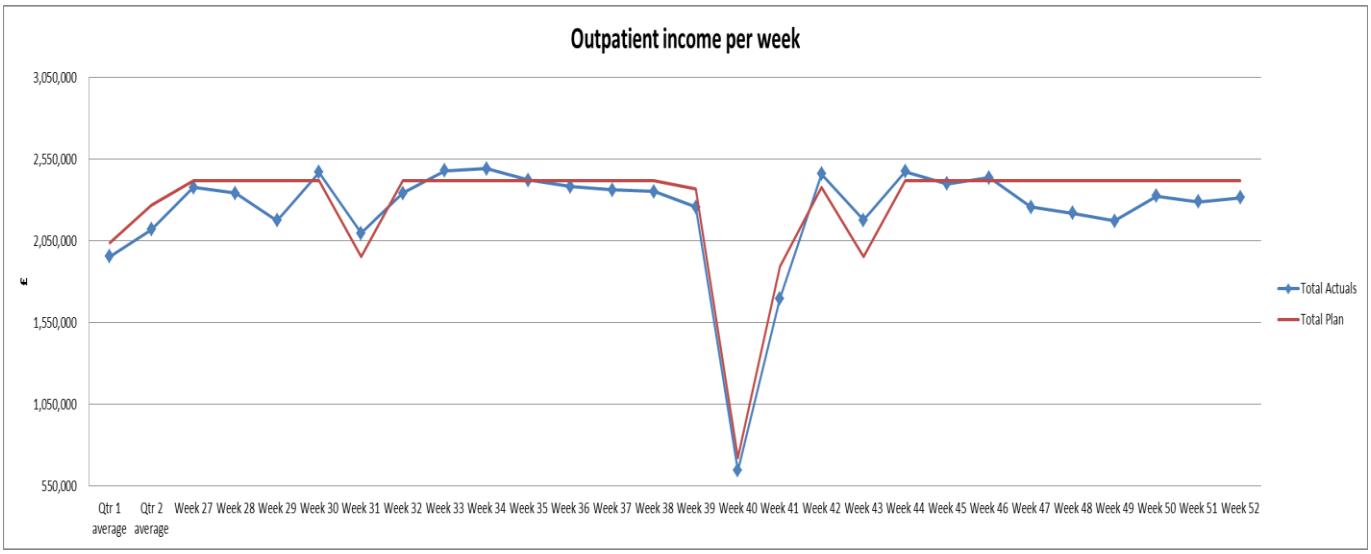
Graph 3



Please note income graph currently excludes Wythenshawe income.

4. Outpatient income: March 2018

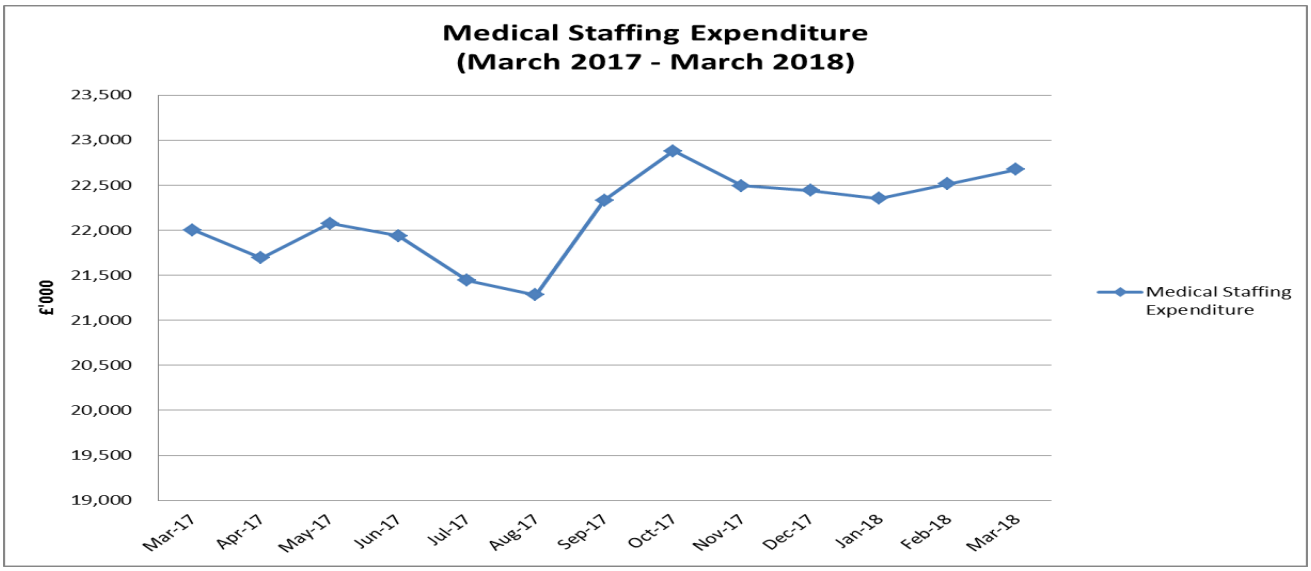
Graph 4



Please note income graph currently excludes Wythenshawe income.

5. Medical Staffing to March 2018

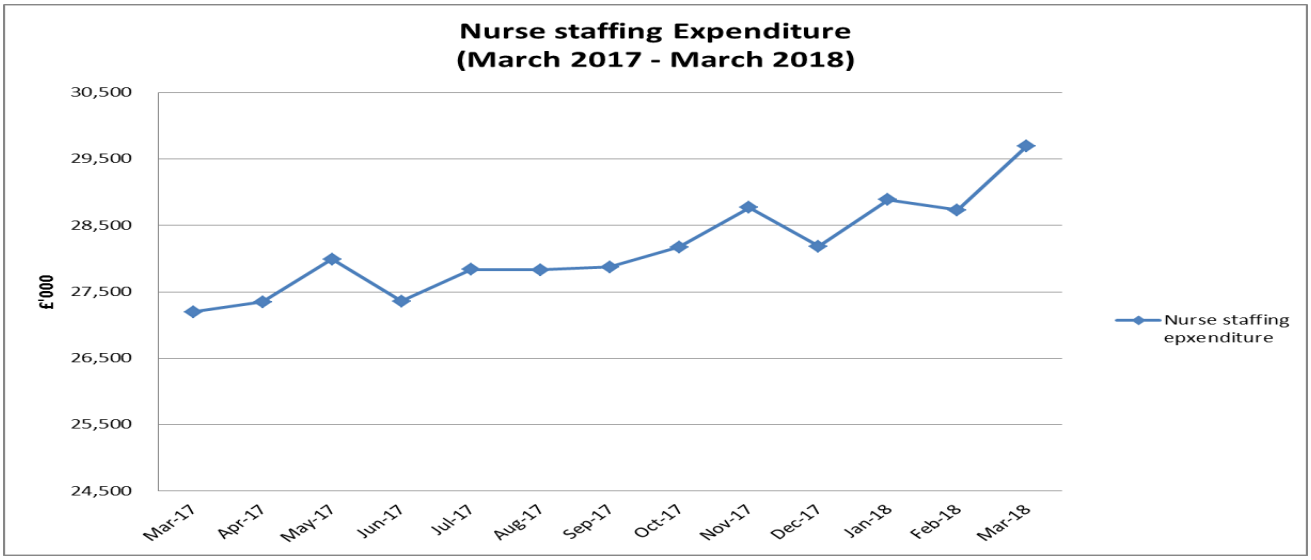
Graph 5



Please note, the graph excludes central provisions.

6. Nurse staffing to March 2018

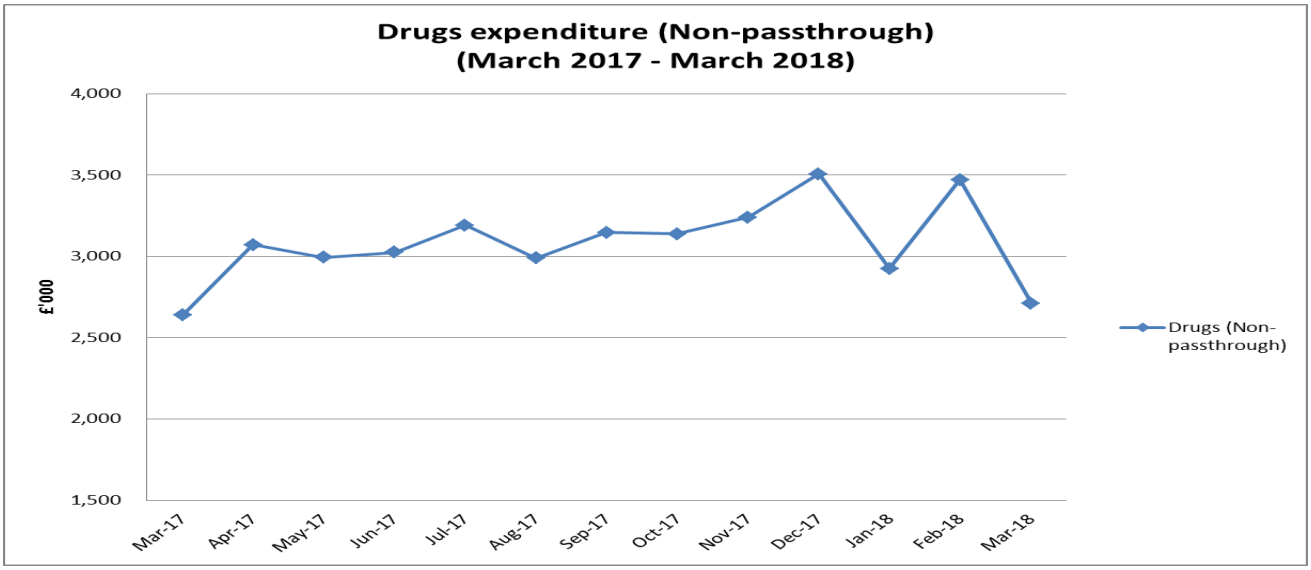
Graph 6



Please note, the graph excludes central provisions.

7. Prescribing Drugs to March 2018

Graph 7



NHS Improvement's KPIs

Consolidated	Plan YTD		Actual YTD	
	Metric	*Level*	*Metric*	*Level*
Liquidity ratio	(8.5)	3	3.3	1
Capital servicing capacity	1.6	3	1.8	2
I&E Margin	1.2%	1	2.3%	1
I&E margin: Distance to financial plan	0.0%	1	1.1%	1
Agency spend Metric - above / (below) the agency ceiling	(16.4%)	1	11.7%	2
Use of Resource (UOR) metrics - Level 1 being highest		**2**		**1**

Narrative:

Under the Use of Resource (UOR) metrics, the Trust achieves an overall level 2.

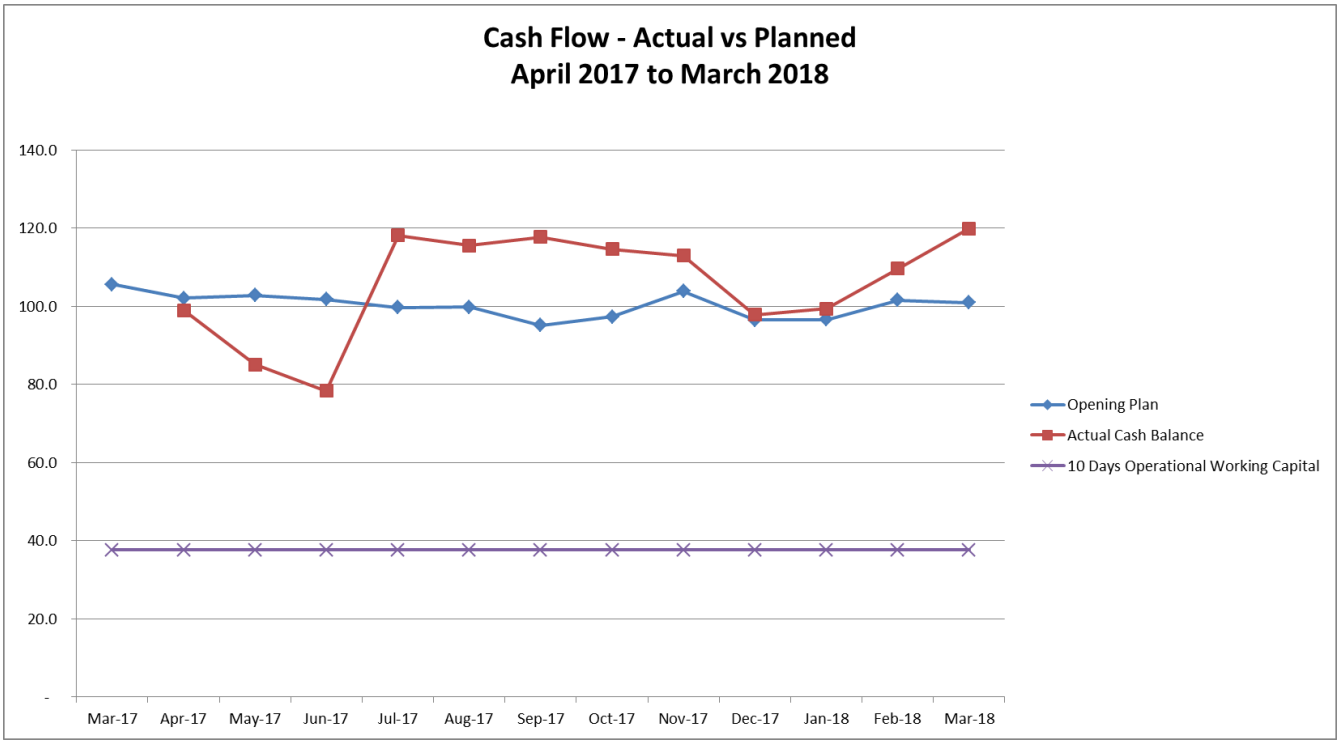
The liquidity metric is better than originally planned in December 2016, resulting from the additional Sustainability Incentive income received for the improved 2016/17 out-turn financial performance.

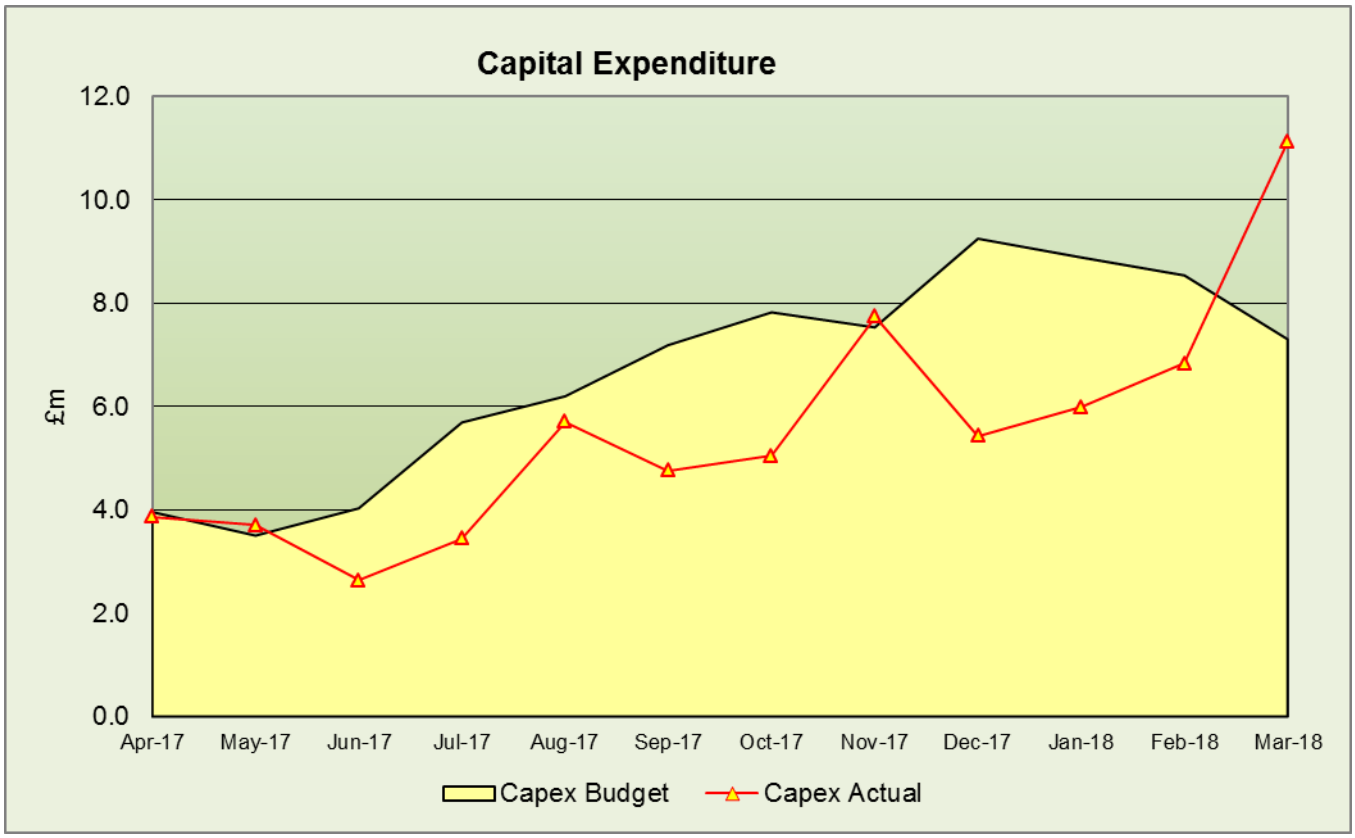
Agency spend for the full year was 11.7% above the agency ceiling. This is driven by a significant increase in agency spend in medical and scientific staff groups across hospitals based on the central site.

Balance Sheet

	Actual Opening Bals 01/10/2017 £000	Actual Year to Date 31/03/2018 £000	Movement in Year to Date £000
Non-Current Assets			
Intangible Assets	4,091	3,734	(357)
Property, Plant and Equipment	604,762	617,965	13,203
Investments	866	866	0
Trade and Other Receivables	5,837	5,591	(246)
Total Non-Current Assets	**615,557**	**628,157**	**12,600**
Current Assets			
Inventories	17,939	17,027	(912)
NHS Trade Receivables	46,380	69,488	23,108
Non-NHS Trade Receivables	13,869	14,196	326
Provision for Impaired Receivables	(6,813)	(5,351)	1,463
NHS Accrued Income	7,919	21,766	13,847
Non-NHS Accrued Income	14,603	14,872	269
Prepayments	15,400	9,802	(5,598)
Other Receivables	13,994	6,971	(7,023)
PDC Dividend Receivable	542	525	(17)
Non-Current Assets Held for Sale	210	210	0
Cash and Cash Equivalents	117,771	119,895	2,124
Total Current Assets	**241,813**	**269,401**	**27,587**
Current Liabilities			
NHS Trade Payables	(29,543)	(9,240)	20,303
Non-NHS Trade Payables	(19,933)	(35,045)	(15,112)
Capital Payables	(6,017)	(9,876)	(3,859)
NHS Accruals	(14,135)	(11,546)	2,589
Non-NHS Accruals	(53,099)	(63,517)	(10,418)
Receipts in Advance	(24,474)	(22,173)	2,301
Income Tax & Social Security	(16,109)	(16,828)	(719)
Superannuation	(7,165)	(7,439)	(274)
Other Payables	(4,905)	(11,548)	(6,643)
PDC Dividend Payable	0	(1,379)	(1,379)
Borrowings: Loan Repayments Due	(8,853)	(11,187)	(2,334)
Borrowings: PFI Lease Repayments Due	(10,898)	(11,254)	(356)
Provisions for Liabilities and Charges	(18,220)	(20,112)	(1,892)
Total Current Liabilities	**(213,352)**	**(231,144)**	**(17,792)**
Net Current Assets	**28,462**	**38,257**	**9,795**
Total Assets Less Current Liabilities	**644,019**	**666,414**	**22,395**
Non-Current Liabilities			
Trade and Other Payables	(7,030)	(7,851)	(822)
Borrowings: Loan Repayments Due	(105,177)	(99,553)	5,624
Borrowings: PFI Lease Repayments Due	(329,767)	(324,152)	5,615
Provisions for Liabilities and Charges	(9,373)	(7,528)	1,845
Total Non-Current Liabilities	**(451,347)**	**(439,084)**	**12,262**
Total Assets Employed	**192,672**	**227,329**	**34,657**
Taxpayers' Equity			
Public Dividend Capital	192,673	203,291	10,618
Revaluation Reserve	38,410	45,553	7,143
Income and Expenditure Reserve	(38,411)	(21,515)	16,896
Total Taxpayers' Equity	**192,672**	**227,329**	**34,657**
Total Funds Employed	**192,672**	**227,329**	**34,657**

Cash flow and Capital Expenditure





Scheme	Revised Plan £000	Capital spend £000	Variance to plan £000
Central site schemes			
Helipad	3,506	248	-3,258
Diabetes Centre	2,049	200	-1,849
Compliance	10,257	12,200	1,943
Contract Management	1,200	1,200	0
Pathology Managed Equipment Service - Enabling works	2,018	1,731	-287
Property and Estates Schemes	11,797	8,350	-3,447
3rd MRI scanner	2,600	248	-2,352
Project Red Design / enabling	1,816	760	-1,056
RMCH ED Design	264	116	-148
Grafton Street enhancement	333	332	-1
Design relocation Old SMH	232	233	1
Buildings	232	0	-232
Property & Estates - sub-total	**36,304**	**25,618**	**-10,686**
IMT	1,000	1,163	163
IM&T rolling replacement programme	1,000	948	-52
IM&T Strategy	7,714	5,134	-2,580
Genomics (IT)	458	184	-274
GM Digital funding	1,410	823	-587
Equipment rolling replacement programme	4,149	4,591	442
PFI Lifecycle - Central site	6,514	6,514	0
Wythenshawe site schemes			
ED scheme	9,930	8,778	-1,152
Estates backlog	3,710	3,880	170
Research	170	83	-87
Other property and estates schemes	1,803	1,789	-14
General contingency	250	250	0
Property & Estates - sub-total	**15,863**	**14,780**	**-1,083**
EPR & IT infrastructure	3,067	2,492	-575
Equipment contingency	250	250	0
Divisional Equipment replacement	1,833	1,504	-329
PFI lifecycle - Wythenshawe site	2,350	2,350	0
Total expenditure	**81,912**	**66,351**	**-15,561**