

**MANCHESTER UNIVERSITY NHS FOUNDATION TRUST**

**BOARD OF DIRECTORS**

<b>Report of:</b>	Adrian Roberts – Chief Finance Officer
<b>Paper prepared by:</b>	Adrian Roberts – Chief Finance Officer
<b>Date of paper:</b>	25 <sup>th</sup> October 2017
<b>Subject:</b>	Financial Performance for 2017/18
<b>Purpose of Report:</b>	<ul style="list-style-type: none"> <li>• Approval ✓</li> </ul>
<b>Consideration of Risk against Key Priorities:</b>	Maintaining financial stability for both the short and medium term
<b>Recommendations:</b>	<p>Sustained leadership focus is needed:</p> <ul style="list-style-type: none"> <li>• Ensuring prompt and full recovery in all areas where the results for the first half of the year do not provide adequate run-rate performance to maintain financial sustainability;</li> <li>• Driving robust, timely further delivery of signed-off 2017/18 plans; and</li> <li>• Demonstrating tangible progress with results from these actions to the Board Finance Scrutiny Committee meetings in November and December 2017</li> </ul>
<b>Contact:</b>	Adrian Roberts Tel: 0161 276 6692

## Executive Summary

1.1	<b>Delivery of financial Control Total</b>	<p>The consolidated financial performance at Month 6 was a <b>bottom line deficit (on a control total basis) of £1.2m</b> (0.2% of operating income), itself reliant upon £9m of Sustainability funding over the first half-year, without which there would have been an operating deficit of <b>£10.2m</b>.</p> <p>Both predecessor Trusts remained on trajectory for their respective Control Total requirements at the end of September, with CMFT delivering a £4.7m surplus (inclusive of £7m of Sustainability funding) and UHSM delivering a £5.9m deficit (inclusive of £2m Sustainability funding). These results have been consolidated into the starting point for the financial plan agreed with NHS Improvement for the new Trust - with the remaining respective Control Total trajectories through to March 2018 now combined to define the performance required over the remaining 6 months of the 2017/18 financial year.</p> <p>The control total delivery trajectory in our plan as agreed with NHS Improvement rises significantly in the latter half of the year, requiring an £18.2m surplus by the end of March 2018. Securing the remaining £20m Sustainability funding for 2017/18, which remains integral to our Operational plan for this year, continues to depend on delivery of this improvement trajectory in our month-by-month operating financial results.</p>
1.2	<b>Run Rate</b>	<p>Run-rate financial performance for the first half of the year is significantly worse than the average results achieved over the final months of 2016/17.</p> <p><b>The month-by-month run-rate delivery required over October-March will need to improve by an average of £1.5m per month, compared to these results, to sustain delivery of Control Total and to access the remaining £20m of Sustainability funding.</b></p> <p>Sustained leadership focus is needed:</p> <ul style="list-style-type: none"> <li>• Ensuring prompt and full recovery in all areas where the results for the first half of the year have fallen short of previous delivery;</li> <li>• Driving robust, timely further delivery of signed-off 2017/18 plans; and</li> <li>• Demonstrating tangible progress with results from these actions to the Board Finance Scrutiny Committee meetings in November and December 2017</li> </ul>
1.3	<b>Risk</b>	<p>The Trust has a combined annual Trading Gap target of £79.8m.</p> <p>Forecast delivery against these plans is currently £10.8m lower than planned (see graph 1). The profile for the planned savings continues to increase in the second half of the year.</p> <p>Securing the balance of £20m 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&amp;E performance improvement milestones.</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>
1.6	<b>Cash &amp; Liquidity</b>	As at 30th September 2017 the Trust had a cash balance of £117.8m.
1.7	<b>Capital Expenditure</b>	The Capital Plan for 2017/18 is £79.2m. The cumulative capital expenditure at the end of September is £24.1m.

# Financial Performance

## Income & Expenditure Account for the period ended 30<sup>th</sup> September 2017

	Annual Plan	Year to date - Month 6			Consolidated Year to date Actual *	I&E statements - Predecessor Trusts	
		Year to date budget	Variance from budget	%		CMFT - to month 6	UHSM - to month 6
	£'000	£'000	£'000		£'000	£'000	£'000
<b>INCOME</b>							
<b>NHS Clinical Income</b>							
A&E	43,915	22,019	-25		21,994	14,983	7,011
Inpatients Non-Elective	251,868	126,914	-1,463		125,452	71,621	53,831
Inpatients Elective / PSD	169,131	85,088	-2,113		82,975	61,904	21,071
Outpatients	168,565	85,430	-3,160		82,270	55,716	26,554
Critical Care	120,983	61,082	-1,229		59,854	46,809	13,045
Community Services	84,065	41,776	0		41,776	33,886	7,890
Other Clinical Income	471,739	241,430	-8		241,422	161,300	80,122
<b>Total NHS Clinical Income</b>	<b>1,310,266</b>	<b>663,741</b>	<b>-7,997</b>	<b>-1.2%</b>	<b>655,744</b>	<b>446,220</b>	<b>209,524</b>
Private Patients/RTA	6,028	4,145	-331		3,815	2,801	1,013
<b>Total Clinical Income (NHS &amp; Non NHS)</b>	<b>1,316,294</b>	<b>667,886</b>	<b>-8,328</b>	<b>-1.2%</b>	<b>659,559</b>	<b>449,021</b>	<b>210,537</b>
Training & Education	62,872	32,350	-726		31,623	20,872	10,751
Research & Development	45,595	23,521	-592		22,929	20,369	2,560
STF Income	28,981	9,137	0		9,137	7,074	2,063
Misc. Other Operating Income	82,359	38,207	1,561		39,768	31,206	12,440
<b>Total Non-Clinical Income</b>	<b>219,807</b>	<b>103,215</b>	<b>242</b>	<b>0.2%</b>	<b>103,458</b>	<b>79,521</b>	<b>27,814</b>
<b>Total Income</b>	<b>1,536,102</b>	<b>771,102</b>	<b>-8,085</b>	<b>-1.0%</b>	<b>763,016</b>	<b>528,543</b>	<b>238,351</b>
<b>EXPENDITURE</b>							
Pay	-864,891	-430,174	-7,172	-1.7%	-437,347	-296,069	-142,865
Non pay	-580,320	-304,240	12,569	4.1%	-291,671	-203,236	-90,726
<b>Total Expenditure</b>	<b>-1,445,212</b>	<b>-734,414</b>	<b>5,396</b>	<b>0.7%</b>	<b>-729,018</b>	<b>-499,304</b>	<b>-233,591</b>
<b>EBITDA Margin</b>	<b>90,890</b>	<b>36,688</b>	<b>-2,689</b>	<b>4.5%</b>	<b>33,999</b>	<b>29,238</b>	<b>4,760</b>
<b>Interest, Dividends and Depreciation</b>							
Depreciation	-30,565	-14,927	768		-14,158	-9,007	-5,151
Exceptional Costs	0	0	-179		-179	0	-179
Interest Receivable	176	124	-22		102	81	21
Interest Payable	-39,204	-20,041	63		-19,978	-15,588	-4,390
Dividend	-3,099	-1,548	541		-1,007	0	-1,007
<b>Surplus/(Deficit) on a control total basis</b>	<b>18,198</b>	<b>296</b>	<b>-1,517</b>		<b>-1,221</b>	<b>4,725</b>	<b>-5,946</b>
<b>Surplus/(Deficit) as % of turnover</b>					<b>-0.2%</b>	<b>0.9%</b>	<b>-2.5%</b>
<b>Non operating Income</b>	<b>4,050</b>				<b>596</b>	<b>596</b>	<b>0</b>
<b>1617 STF post accounts reallocation</b>	<b>0</b>				<b>419</b>	<b>419</b>	<b>0</b>
<b>Depreciation - donated / granted assets</b>	<b>-643</b>				<b>-605</b>	<b>-505</b>	<b>-100</b>
<b>Impairment</b>	<b>-5,787</b>				<b>-9,877</b>	<b>-9,877</b>	<b>0</b>
	<b>15,818</b>				<b>-10,688</b>	<b>-4,642</b>	<b>-6,046</b>

\* - The consolidated numbers differ from the sum of the two separate Trusts because of the elimination of the transactions between the Trusts in the consolidated numbers.

## 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
Indicator					Year to date (to month 6)		Comparative position as at Month 4	Control total (YTD)	Variance to control total	
£000s					£000s	%	£000s	£000s	£000s	
-92	1,347	-235	0	Clinical & Scientific Support	1,020	1.8%	552	750	270	113,519
429	1,457	-1,116	-207	Corporate Divisions	564	0.6%	108	0	564	177,380
-726	-2,254	-3,630	-9,479	MRI	-16,090	-8.1%	-10,601	-6,398	-9,692	395,171
148	351	-326	-951	REH / UDH	-778	-2.1%	-498	0	-778	72,986
-3,914	433	468	0	RMCH	-3,014	-3.0%	-1,513	750	-3,764	201,413
-1,815	1,943	-135	-1,253	Saint Mary's Hospital	-1,261	-2.1%	-835	-500	-761	121,034
-834	-375	-571	-1,829	Trafford Hospitals	-3,609	-15.8%	-2,467	-1,450	-2,159	45,763
-280	612	-267	-6,011	Wythenshawe Hospital	-5,946	-2.4%	-5,744	-6,011	65	486,515
-7,085	3,514	-5,813	-19,730	Trust position	-29,114	-3.6%	-20,998	-12,859	-16,255	1,613,781

## Key Run Rate Areas

### 1. 2017/18 Trading Gap challenge

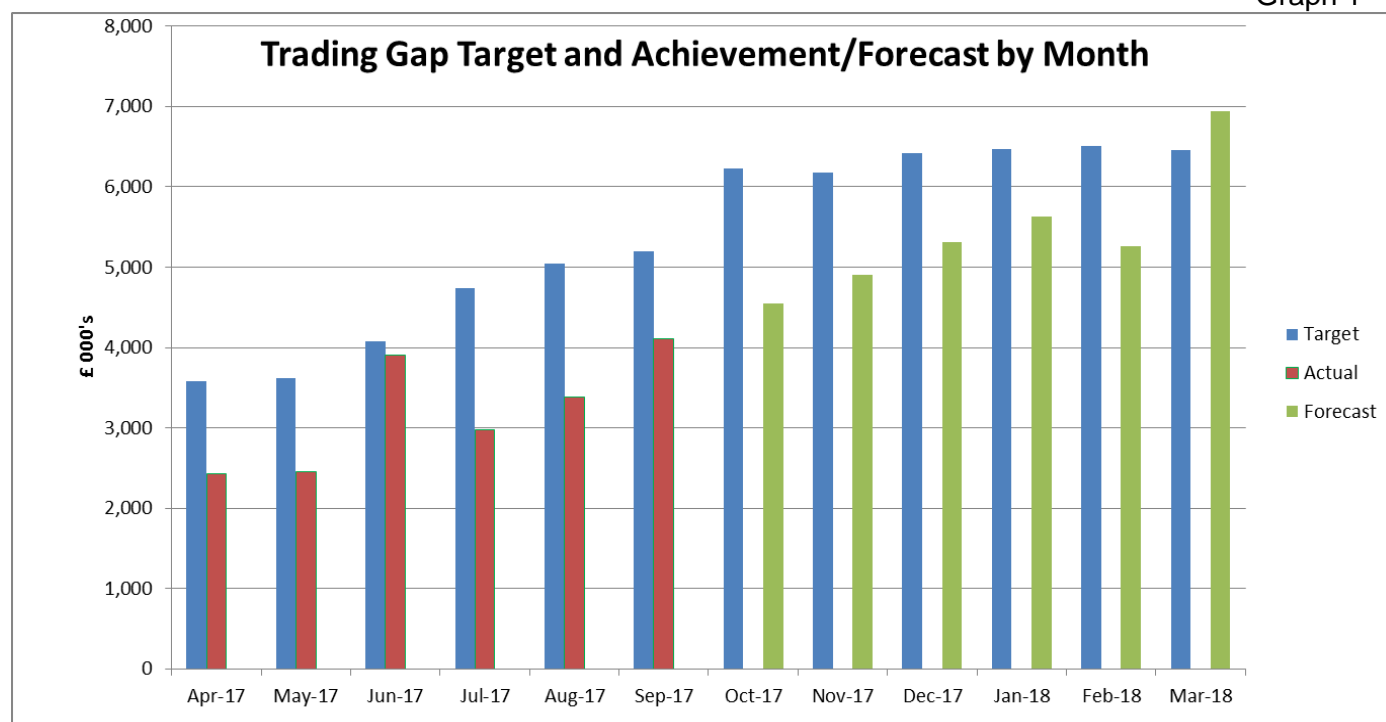
Theme Breakdown	Savings to Date				Forecast to year-end			
	Target £'000	Achieved £'000	Variance £'000	YTD Financial BRAG	Target £'000	Forecast £'000	Variance £'000	Financial Forecast BRAG
Medical workforce	731	225	(506)	31%	2,073	1,153	(920)	56%
Nursing workforce	516	295	(221)	57%	1,465	1,031	(434)	70%
Theatres - elective	3,780	1,532	(2,248)	41%	8,510	4,956	(3,554)	58%
Length of Stay (Enabler)	8	8	0	100%	23	23	0	100%
Outpatient transformation	1,402	67	(1,335)	5%	2,908	1,867	(1,041)	64%
Pharmacy and medicines management	274	141	(133)	51%	562	494	(68)	88%
Procurement	1,080	435	(645)	40%	2,160	1,618	(542)	75%
Coding	885	906	21	102%	2,231	2,658	427	119%
Best Practice and Innovation Tariff	135	63	(72)	47%	295	165	(130)	56%
Mobile phones	36	46	10	128%	95	96	1	101%
Other Divisional workstreams	8,090	7,942	(148)	98%	18,705	16,591	(2,114)	89%
Tactical-Divisional	2,388	2,203	(185)	92%	5,921	4,994	(927)	84%
Tactical-Clinical Income	3,037	3,143	105	103%	6,488	6,477	(11)	100%
Tactical-Procurement	739	413	(326)	56%	1,500	1,324	(176)	88%
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	152	249	97	164%	697	795	97	114%
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	323	302	(21)	93%	1,241	960	(282)	77%
Workforce and Controls-Staffing and Controls	708	713	4	101%	1,988	1,991	3	100%
Pay & Non Pay Inflation avoidance	1,197	1,251	54	105%	3,885	3,920	35	101%
Full year effect of prior year schemes	10,301	10,301	0	100%	17,895	17,895	0	100%
Unidentified	2,033	0	(2,033)	0%	(832)	0	832	0%
<b>Grand Total</b>	<b>37,815</b>	<b>30,234</b>	<b>(7,581)</b>	<b>80%</b>	<b>79,818</b>	<b>69,007</b>	<b>(10,811)</b>	<b>86%</b>

#### 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.

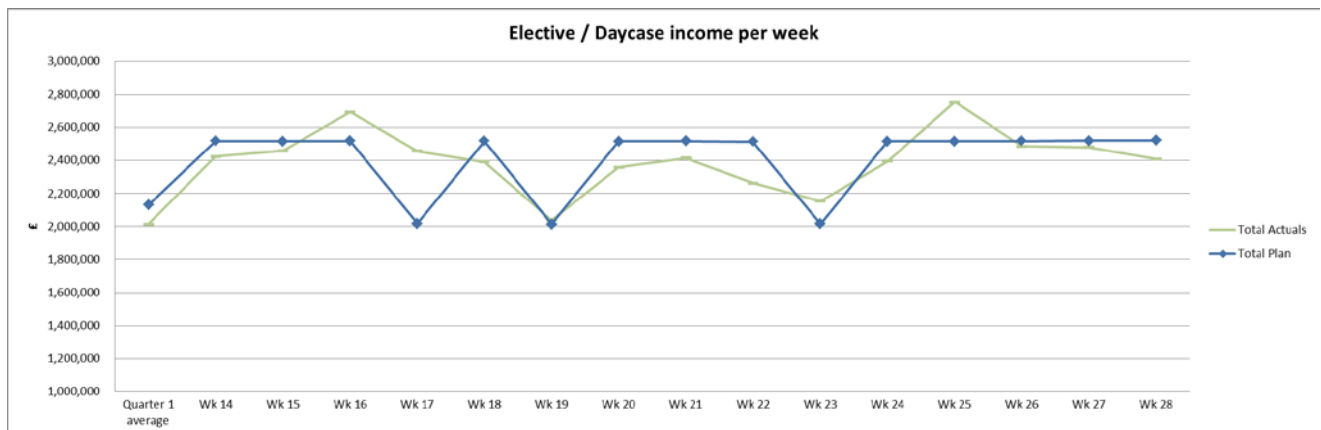
- Financial Delivery less than 90%
- Financial Delivery greater than 90% but less than 97%
- Financial Delivery greater than 97%
- Schemes fully delivered with no risk of future slippage

Graph 1



## 2. Elective / Daycase income: September 2017

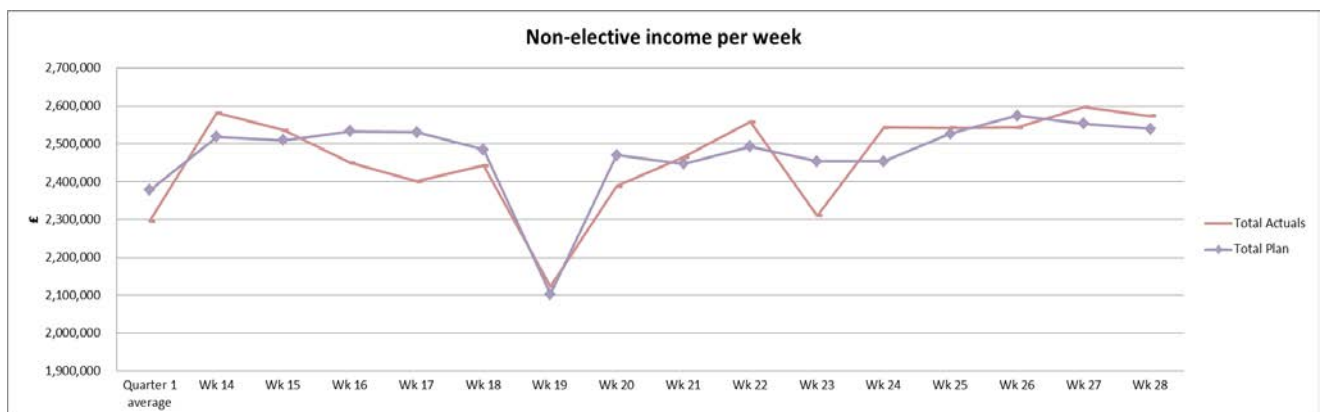
Graph 2



Please note income graph currently excludes Wythenshawe income.

## 3. Non-Elective income: September 2017

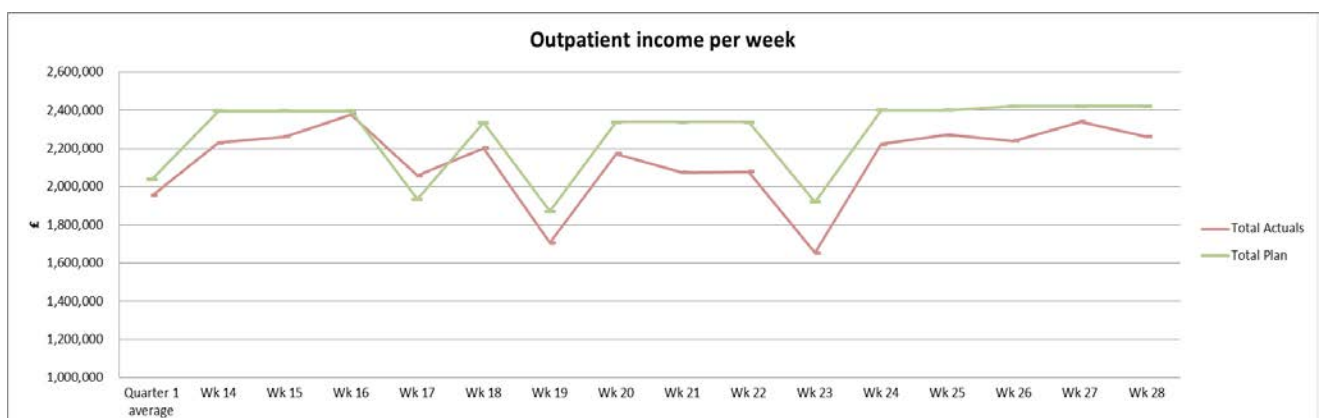
Graph 3



Please note income graph currently excludes Wythenshawe income.

## 4. Outpatient income: September 2017

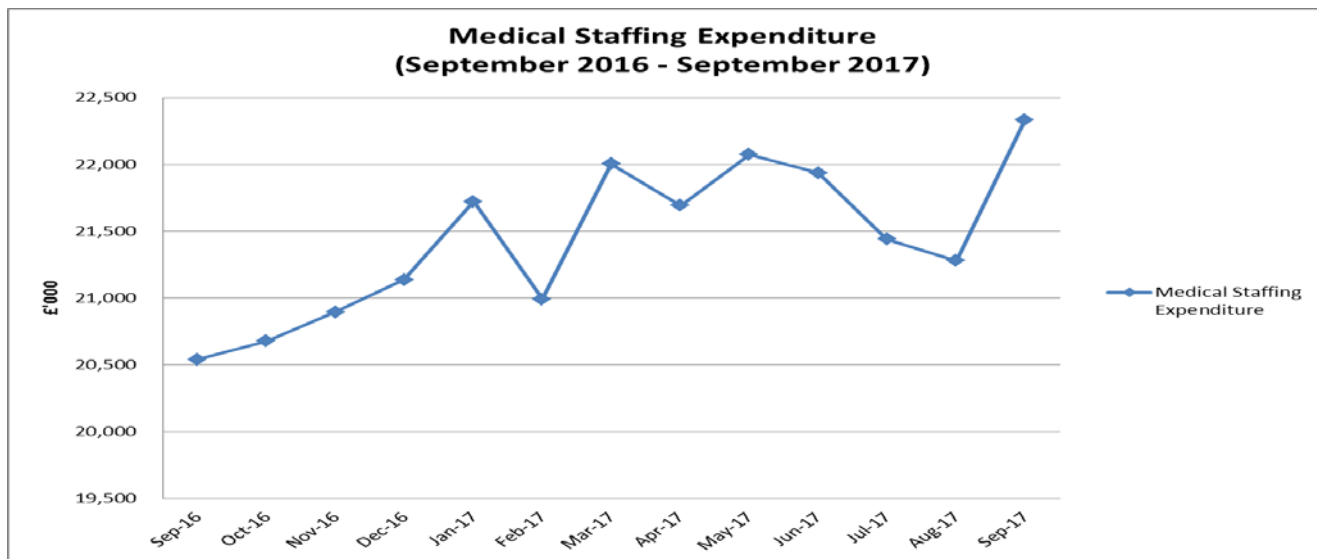
Graph 4



Please note income graph currently excludes Wythenshawe income.

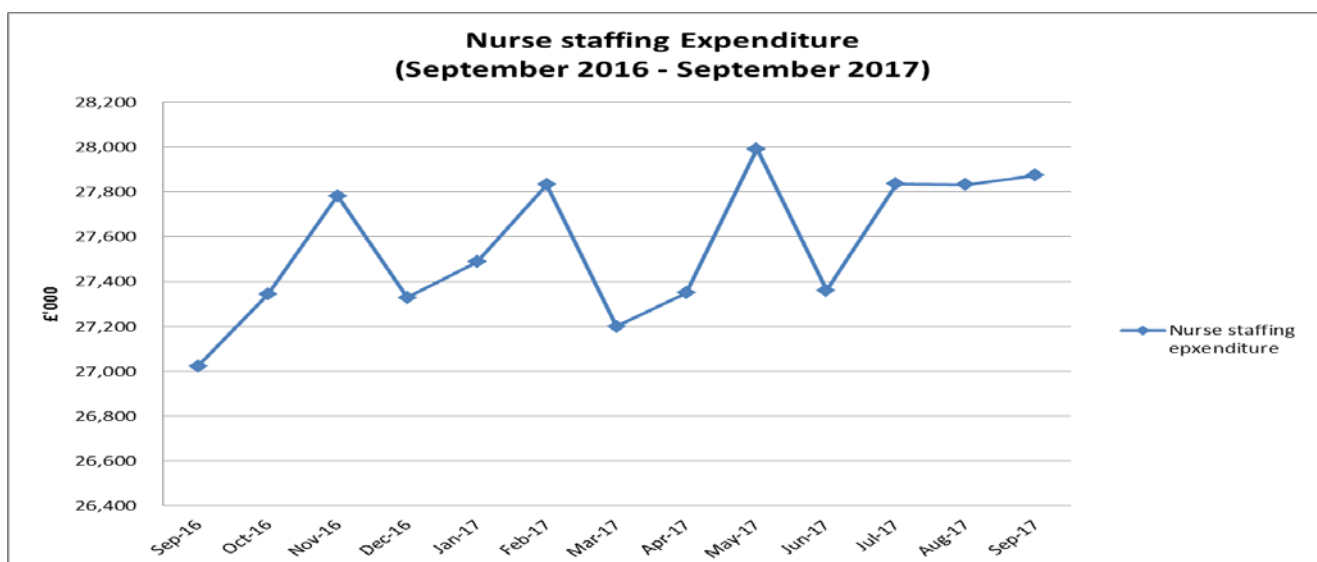
## 5. Medical Staffing to September 2017

Graph 5



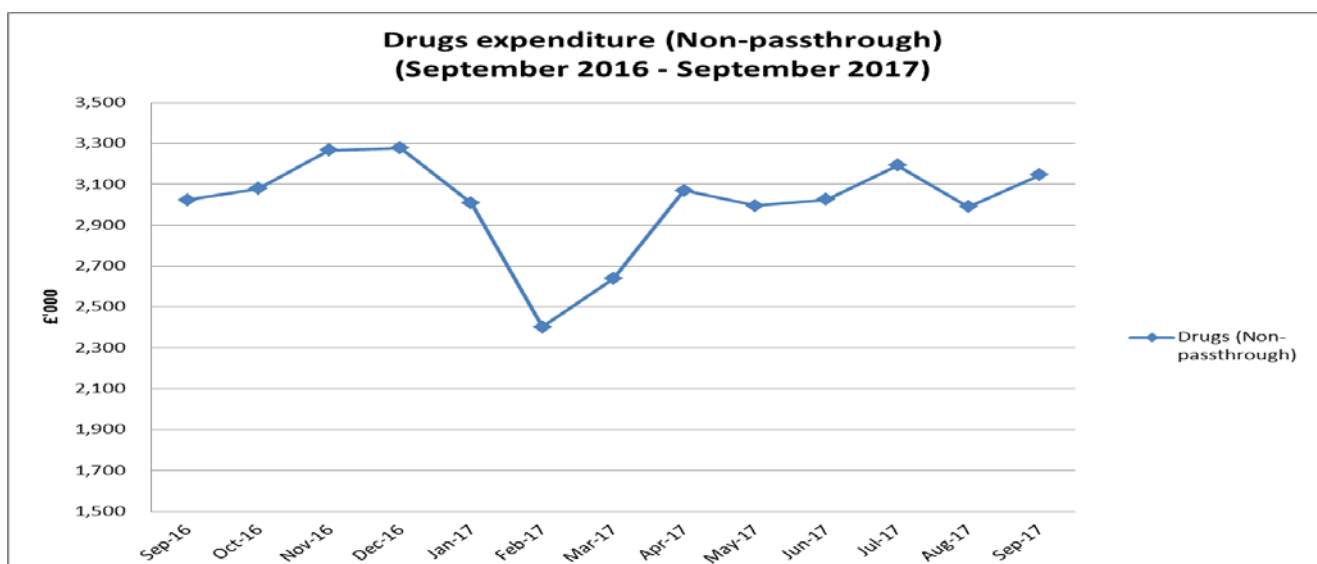
## 6. Nurse staffing to September 2017

Graph 6



## 7. Prescribing Drugs to September 2017

Graph 7



## NHS Improvement's KPIs

Consolidated	Plan YTD		Actual YTD	
	Metric	Level	Metric	Level
Liquidity ratio	(7.0)	2	2.1	1
Capital servicing capacity	1.2	4	1.2	4
I&E Margin	(0.3%)	3	(0.2%)	3
Variance in I&E Margin as a % of income	0.0%	1	0.2%	1
Agency spend Metric - above / (below) the agency ceiling	(16.2%)	1	3.5%	2
<b>Use of Resource (UOR) metrics - Level 1 being highest</b>		<b>3</b>		<b>3</b>

### Narrative:

Under the Use of Resource (UOR) metrics, the Trust achieves an overall level 3 against a plan of level 3. Mathematically, the performance would warrant a score of 2. However, there is an override rule that dictates if any of the individual ratings are a 4, the total score cannot be higher than 3.

The liquidity metric is better than planned resulting from the additional Sustainability Incentive monies received for the improved 2016/17 financial performance.

Agency spend as at month 6 was 3.5% 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.

CMFT	Plan YTD		Actual YTD	
	Metric	Level	Metric	Level
Liquidity ratio	1.1	1	19.8	1
Capital servicing capacity	1.5	3	1.4	3
I&E Margin	0.7%	2	0.9%	2
Variance in I&E Margin as a % of income	0.0%	1	0.2%	1
Agency spend Metric - above / (below) the agency ceiling	(24.3%)	1	16.0%	2
<b>Use of Resource (UOR) metrics - Level 1 being highest</b>	<b>2</b>		<b>2</b>	

UHSM	Plan YTD		Actual YTD	
	Metric	Level	Metric	Level
Liquidity ratio	(34.7)	4	(34.2)	4
Capital servicing capacity	0.6	4	0.6	4
I&E Margin	(2.5%)	4	(2.5%)	4
Variance in I&E Margin as a % of income	0.0%	1	0.0%	1
Agency spend Metric - above / (below) the agency ceiling	0.0%	1	-21.3%	1
<b>Use of Resource (UOR) metrics - Level 1 being highest</b>	<b>3</b>		<b>3</b>	

Combined	Annual Plan (full year)		Forecast 17/18	
	Metric	Level	Metric	Level
Liquidity ratio	(9.8)	3	1.32	1
Capital Servicing Capacity	1.5	3	1.54	3
I&E Margin	1.4%	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	(15.6%)	1	5.5%	2
<b>Use of Resource (UOR) metrics - Level 1 being highest</b>	<b>2</b>		<b>2</b>	

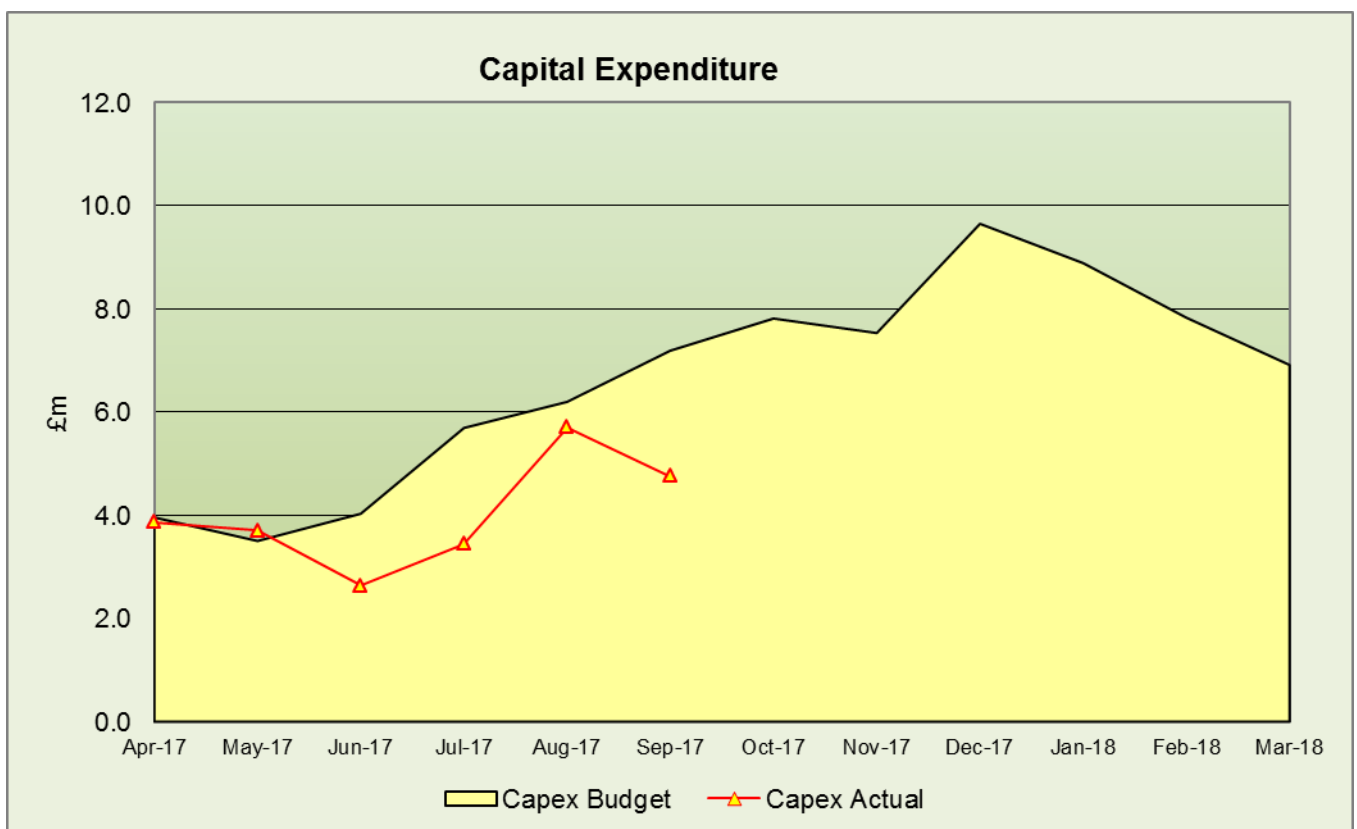
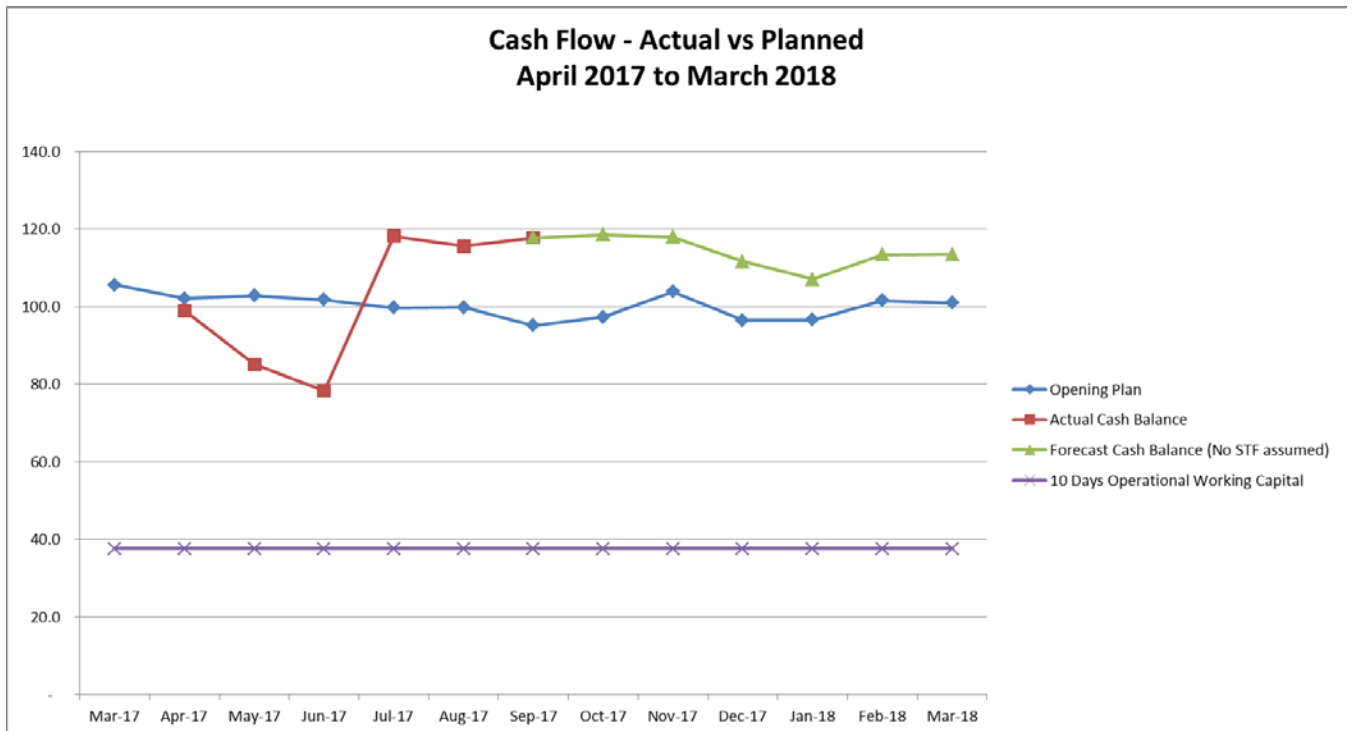
## Balance Sheet



# Cash flow and Capital Expenditure

	Actual Opening Bal 01/04/2017 £000	Actual Year to Date 30/09/2017 £000	Movement in Year to Date £000	Closing balance sheets *	
				CMFT 30/09/2017 £000	UHSM 30/09/2017 £000
<b>Non-Current Assets</b>					
Intangible Assets	4,449	4,091	(358)	2,176	1,915
Property, Plant and Equipment	604,814	604,762	(52)	406,338	198,424
Investments	866	866	0	866	0
Trade and Other Receivables	5,814	5,837	23	5,782	55
<b>Total Non-Current Assets</b>	<b>615,943</b>	<b>615,557</b>	<b>(387)</b>	<b>415,163</b>	<b>200,394</b>
<b>Current Assets</b>					
Inventories	17,427	17,939	512	11,880	6,059
NHS Trade Receivables	32,309	46,380	14,071	30,760	17,163
Non-NHS Trade Receivables	13,767	13,869	102	12,224	1,645
Provision for Impaired Receivables	(6,602)	(6,813)	(212)	(4,312)	(2,501)
NHS Accrued Income	32,715	7,919	(24,796)	7,919	0
Non-NHS Accrued Income	16,850	14,603	(2,248)	14,271	332
Prepayments	8,839	15,400	6,562	9,377	6,023
Other Receivables	12,350	13,994	1,644	5,590	8,404
PDC Dividend Receivable	2,688	542	(2,146)	144	398
Non-Current Assets Held for Sale	210	210	0	210	0
Cash and Cash Equivalents	105,947	117,771	11,824	106,075	11,696
<b>Total Current Assets</b>	<b>236,499</b>	<b>241,813</b>	<b>5,314</b>	<b>194,137</b>	<b>49,219</b>
<b>Current Liabilities</b>					
NHS Trade Payables	(30,280)	(29,543)	737	(2,853)	(28,233)
Non-NHS Trade Payables	(23,067)	(19,933)	3,134	(16,259)	(3,674)
Capital Payables	(4,787)	(6,017)	(1,230)	(5,725)	(292)
NHS Accruals	(11,913)	(14,135)	(2,222)	(14,135)	0
Non-NHS Accruals	(43,333)	(53,099)	(9,766)	(37,603)	(15,496)
Receipts in Advance	(23,224)	(24,474)	(1,250)	(14,536)	(9,938)
Income Tax & Social Security	(15,537)	(16,109)	(572)	(10,981)	(5,128)
Superannuation	(6,975)	(7,165)	(190)	(7,165)	0
Other Payables	(5,059)	(4,905)	154	(4,713)	(192)
PDC Dividend Payable	0	0	0	0	0
Borrowings: Loan Repayments Due	(6,376)	(8,853)	(2,477)	(6,434)	(2,419)
Borrowings: PFI Lease Repayments Due	(10,538)	(10,898)	(360)	(7,169)	(3,729)
Provisions for Liabilities and Charges	(16,927)	(18,220)	(1,293)	(411)	(17,809)
<b>Total Current Liabilities</b>	<b>(198,016)</b>	<b>(213,352)</b>	<b>(15,336)</b>	<b>(127,985)</b>	<b>(86,910)</b>
<b>Net Current Assets</b>	<b>38,483</b>	<b>28,462</b>	<b>(10,022)</b>	<b>66,153</b>	<b>(37,691)</b>
<b>Total Assets Less Current Liabilities</b>	<b>654,427</b>	<b>644,019</b>	<b>(10,408)</b>	<b>481,316</b>	<b>162,703</b>
<b>Non-Current Liabilities</b>					
Trade and Other Payables	(5,535)	(7,030)	(1,495)	(3,576)	(3,454)
Borrowings: Loan Repayments Due	(102,618)	(105,177)	(2,559)	(74,290)	(30,887)
Borrowings: PFI Lease Repayments Due	(335,405)	(329,767)	5,638	(291,296)	(38,471)
Provisions for Liabilities and Charges	(7,606)	(9,373)	(1,767)	(5,416)	(3,957)
<b>Total Non-Current Liabilities</b>	<b>(451,164)</b>	<b>(451,347)</b>	<b>(183)</b>	<b>(374,578)</b>	<b>(76,769)</b>
<b>Total Assets Employed</b>	<b>203,263</b>	<b>192,672</b>	<b>(10,591)</b>	<b>106,738</b>	<b>85,934</b>
<b>Taxpayers' Equity</b>					
Public Dividend Capital	319,734	319,734	0	196,735	122,999
Revaluation Reserve	38,338	38,410	72	16,766	21,644
Income and Expenditure Reserve	(154,809)	(165,472)	(10,663)	(106,763)	(58,709)
<b>Total Taxpayers' Equity</b>	<b>203,263</b>	<b>192,672</b>	<b>(10,591)</b>	<b>106,738</b>	<b>85,934</b>
<b>Total Funds Employed</b>	<b>203,263</b>	<b>192,672</b>	<b>(10,591)</b>	<b>106,738</b>	<b>85,934</b>

\* - The consolidated position constitutes the opening balance sheet of the new Trust as at 1st October.



Scheme	Revised Plan	Spend YTD	Spend in future months	Forecast Year
	£000	£000	£000	End £000
Helipad	3,506	48	3,458	3,506
Diabetes Centre	2,049	56	1,993	2,049
Equipment rolling replacement programme	4,149	1,421	2,728	4,149
IM&T rolling replacement programme	1,000	147	353	500
Compliance	10,257	7,119	1,638	8,757
PFI Lifecycle - Central site	6,514	3,266	3,248	6,514
Contract Management	1,200	600	600	1,200
Pathology Managed Equipment Service - Enabling works	2,018	661	1,357	2,018
IM&T Strategy	5,264	1,053	1,711	2,764
IM&T Strategy	2,450	55	2,395	2,450
Property and Estates Schemes	9,347	3,446	1,401	4,847
Property and Estates Schemes	2,450	426	2,024	2,450
3rd MRI scanner	2,600	8	2,592	2,600
Project Red Design / enabling	1,816	336	1,480	1,816
RMCH ED Design	264	36	228	264
Grafton Street enhancement	333	54	279	333
Design relocation Old SMH	232	32	200	232
Buildings	232	0	232	232
Genomics (IT)	458	10	448	458
IMT	1,000	84	916	1,000
ED scheme	9,930	2,250	7,680	9,930
PFI lifecycle - Wythenshawe site	2,350	1,180	1,170	2,350
EPR & IT infrastructure	4,160	1,040	3,120	4,160
Divisional Equipment replacement	1,280	130	1,150	1,280
Estates backlog	3,710	620	3,090	3,710
Research	170	0	170	170
General contingency	250	20	230	250
Equipment contingency	250	40	210	250
<b>Total expenditure</b>	<b>79,239</b>	<b>24,138</b>	<b>46,101</b>	<b>70,239</b>