

MANCHESTER UNIVERSITY NHS FOUNDATION TRUST

BOARD OF DIRECTORS

Report of:	Chief Finance Officer
Paper prepared by:	Chief Finance Officer
Date of paper:	29 th September 2017
Subject:	Chief Finance Officer's Report
Purpose of Report:	<p>Indicate which by ✓</p> <ul style="list-style-type: none"> • Information to note ✓ • Support • Resolution • Receive
Consideration of Risk against Key Priorities:	Maintaining financial sustainability for the medium term
Recommendations:	To note the key challenges regarding current operating financial performance as these relate to the medium-term financial sustainability of Manchester FT
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Chief Finance Officer's Report

Introduction

Each of the predecessor Trusts has already reported financial performance for the first 5 months of 2017/18, to August 31st 2017, through the pre-existing Board meetings/Committees.

This report provides a highest-level summary current operating financial performance which will provide the platform for the new Trust as it commences operation from October 1st.

A summary of the Regulatory metrics for each predecessor Trust's current performance and the plan/forecast end-of-year position for Manchester FT, is appended. This Regulatory overview provides further context on the medium-term financial challenges facing the new Trust, already reviewed in some depth by the Board(s) during the FBC approval, Transaction assessment (by NHS Improvement) and Board self-certification processes.

1. Current financial year delivery

Financial results of the predecessor Trusts for the 5 months to 31st August, 2017 can be summarised as:

- CMFT delivered a surplus of £2.5m, just in line with the plan trajectory year-to-date for delivery of the Control Total established by NHS Improvement for a £10.7m year-end surplus.
- UHSM delivered a deficit of £6.5m, £0.5m better than the plan trajectory, subsequent to (and in the context of this delivery) a Control Total agreement was achieved with NHS Improvement in late September enabling access to Sustainability funding for UHSM from the second quarter of the year onwards.

In both cases, whilst these headline results have kept in line with trajectories in each Trust's plan, the run-rate performance over the first 5 months – if continued over the remainder of the year without marked step up in delivery – would not provide a basis for sustained delivery of Control Total trajectories.

With the Control Total for Manchester FT now agreed for the year as a whole, improved performance across the whole of the new Trust remains critical to delivery of this and thus in turn to accessing a remaining over £20m of Sustainability funding which attaches to financial delivery over the third and fourth quarters of the year.

Achieving this plan, through the step up in delivery which it now requires, is in turn fundamental to establishing a stable, robust financial operating platform for the Manchester FT to continue to drive forward the delivery of the wide-ranging improvements for patients upon which all of our forward plans are focussed.

A thorough review and challenge process by the Board, is programmed to be undertaken through an early first meeting of the Board Finance Scrutiny Committee in the second week of November.

2. Recommendation

- To note this summary of progress with in-year financial delivery; and
- To further review and challenge delivery progress over the autumn of this year, through an early meeting of the Board Finance Scrutiny Committee.

CMFT	Plan YTD		Actual YTD		Annual Plan (full year)	
	<i>Metric</i>	<i>Level</i>	<i>Metric</i>	<i>Level</i>	<i>Metric</i>	<i>Level</i>
Liquidity Ratio (Days)	1.23	1	20.98	1	-0.59	2
Capital Servicing Capacity	1.47	3	1.37	3	1.51	3
I&E Margin	0.6%	2	0.6%	2	1.01%	1
Variance in I&E Margin as a % of income	0.0%	1	0.00%	1	0.00%	1
Agency Spend Metric	-24.3%	1	16.9%	2	-24.3%	1
Use of Resource (UOR) metrics - Level 1 being highest		2		2		2

UHSM	Plan YTD		Actual YTD		Annual Plan (full year)	
	<i>Metric</i>	<i>Level</i>	<i>Metric</i>	<i>Level</i>	<i>Metric</i>	<i>Level</i>
Liquidity Ratio (Days)	-35.45	4	-33.31	4	-30.5	4
Capital Servicing Capacity	0.31	4	0.39	4	1.74	3
I&E Margin	-3.6%	4	-3.3%	4	1.5%	1
Variance in I&E Margin as a % of income	0.0%	1	0.30%	1	0.0%	1
Agency Spend Metric	0.0%	1	-23.7%	1	0.0%	1
Use of Resource (UOR) metrics - Level 1 being highest		3		3		3

Combined	Forecast 17/18		LTFM 18/19	
	<i>Metric</i>	<i>Level</i>	<i>Metric</i>	<i>Level</i>
Liquidity Ratio (Days)	-0.27	2	4.61	1
Capital Servicing Capacity	1.55	3	1.46	3
I&E Margin	1.3%	1	1.3%	1
Variance in I&E Margin as a % of income	0.0%	1	0.0%	1
Agency Spend Metric	0.0%	1	-27.5%	1
Use of Resource (UOR) metrics - Level 1 being highest		2		1