University Hospital of South Manchester NHS Foundation Trust

Annual Report and Accounts

1 April 2017 to 30 September 2017

University Hospital of South Manchester NHS Foundation Trust

Annual Report and Accounts 2017/18

1 April to 30 September 2017

Presented to Parliament pursuant to
Schedule 7, paragraph 25(4) a of the
National Health Service Act 2006

Contents

An Introduction to University Hospital of South Manchester NHS Foundation Trust

Introduction

University Hospital of South Manchester NHS Foundation Trust (UHSM) was a statutory body which became a public benefit corporation on 1 November 2006. UHSM's core purpose was to provide a comprehensive range of acute and community services whilst ensuring that quality and patient experience was at the forefront of care.

The University Hospital of South Manchester NHS Foundation Trust (UHSM) had approximately 950 beds and employed around 5,900 members of staff, including those employed by our Private Finance Initiative partner South Manchester Healthcare Limited. We were recognised as a centre of clinical excellence providing district general hospital and community services to our local community across South Manchester and Trafford and specialist tertiary services across Greater Manchester, the North West and nationally.

The services we provided included:

- Emergency and elective inpatient services
- Daycase services
- Outpatient Services
- Diagnostic and therapeutic services
- Maternity
- Children's health

Our specialist expertise provided services to people throughout Greater Manchester, the North West and beyond which include:

- Cardiology and cardiothoracic surgery
- Heart and lung transplantation
- Respiratory conditions
- Burns and plastics
- Cancer and breast care

University Hospital of South Manchester NHS Foundation Trust had a good reputation of delivering improvements in clinical outcomes and patient experience.

We were recognised in the region and nationally for the quality of our teaching, and our research and development. Our major research programmes focussed on clinical and academic strengths in cancer, lung disease, cardiovascular, wound management and medical education.

UHSM was registered with the Care Quality Commission without conditions. We delivered high quality services for our patient population through a divisional management structure that includes: Division of Scheduled Care; Division of Unscheduled Care; Division of Clinical Support Services.

The majority of our services were provided at the following locations:

- University Hospital of South Manchester
  Wythenshawe Hospital
  Southmoor Road
  Wythenshawe
  Manchester
  M23 9LT

- Withington Community Hospital
  Nell Lane
  Withington
  Manchester
  M20 2LR

UHSM's headquarters was:
University Hospital of South Manchester
Wythenshawe Hospital
Southmoor Road
Wythenshawe
Manchester
M23 9LT

2. Overview by the Chairman and Chief Executive

Welcome to the University Hospital of South Manchester NHS Foundation Trust's (UHSM) final report. This covers the six months leading up to the dissolution of the Trust and merger with Central Manchester University Hospitals NHS Foundation Trust (CMFT) to create a new organisation; Manchester University NHS Foundation Trust (MFT) on 1 October 2017.

The merger was the culmination of two years of discussion and planning to deliver a comprehensive Single Hospital Service (SHS) to the people of Manchester and beyond. We are extremely appreciative of the efforts and contributions of all those involved in ensuring the process ran as smoothly as it did, and give praise to the hard work, commitment and support that was shown by our staff, leadership teams, Governors, partner organisations and regulators and extend our thanks accordingly. Within this report you can read more about the rationale behind developing the SHS, the benefits it will bring to patients, their families and staff plus the next stage of the SHS.

During April through to the end of September 2017, considerable effort went into preparing for the merger. However, there was also a very strong focus on delivering 'business as usual' to ensure patients continued to receive safe, high quality care throughout their treatment journey and across all of our services.

UHSM was one of the Trusts that cared for patients and relatives after the events at the Manchester Arena on 22nd May 2017. As the Chairman and Chief Executive of the successor Trust (Manchester University NHS Foundation Trust) we would like to express our personal and heartfelt thanks to all the remarkable staff, including those working on the frontline and those working in support that went over and above, working tirelessly in responding to the aftermath of the bomb attack. Their contributions made such a remarkable difference to patients, their families, MFT colleagues and colleagues working in partner organisations.

Although the UHSM name has gone, it has an outstanding legacy that will remain and form a very firm foundation for the new Trust. With CMFT colleagues, we are looking forward to a very positive future and to develop the reputation of Manchester University NHS Foundation Trust for excellent clinical care and world-leading research.

Kathy Cowell OBE DL
Chairman

Sir Michael Deegan CBE
Chief Executive

3. Performance Report

Performance Report

University Hospital of South Manchester NHS Foundation Trust (UHSM) was authorised by Monitor, the independent regulator on 1 November 2006 as a Foundation Trust to provide services to people living in and around part of Trafford, part of South Manchester, part of Stockport, and part of East Cheshire.

As one of the largest healthcare providers in Greater Manchester (GM), the University Hospital of South Manchester NHS Foundation Trust (UHSM) was a critical player and partner in delivering solutions to these challenges on behalf of it patients and population.

The future of our services, and of Wythenshawe and Withington Hospitals was reliant on increasingly strong collaboration and partnerships between services and organisations. Our strategy was to work in collaboration with commissioners and other providers across all our services. We aimed to look beyond UHSM to what was right for our patients, for how we organised services in partnership with others. Our goal was vibrant hospitals delivering the high quality services our patients and local communities needed, efficiently and sustainably.

Our Mission

'To improve the health and quality of life for all our patients by building an organisation that attracts, develops and retains great people'

Our Values

Patients First; Excellence; One Team; Open; Leadership

Our Strategy provided a framework for achieving our Mission and Values which consists of two themes:

1. Quality Diamond

The Quality Diamond was about "doing things right": developing every UHSM service to be the best it can be, and allowing us to achieve our Vision in the following four areas:

- Patient safety and clinical outcomes
- Patient experience
- Staff engagement
- Value for money

2. Clinical Services Strategy

In line with the GM Devolution Strategic Plan and the Trafford and Manchester Locality Plans, our clinical services strategy was to work in partnership with our commissioners and other providers to deliver safe, high quality and timely services for our patients. Central to this was our intention to merge with Central Manchester NHS Foundation Trust (CMFT) and form a new organisation on 1 October 2017.

Enabling Strategies

Supporting our two main strategic themes were a number of supporting strategies. These were used as a mechanism to achieve objectives in the Quality Diamond or Clinical Service Strategy and included Research, Education, Information Technology and Estates.

UHSM developed its values in conjunction with staff and much success had been achieved by the hard work and dedication of our staff to deliver safe, high quality personal care to all patients. Our aims were high and we aimed to learn from experiences to ensure reliable, continuous improvement in the quality and safety of our patients.

Delivery of the 2017/18 Annual Plan

The purpose of the strategic report was to help inform readers of the accounts in order that they can assess how well the directors had performed during 1 April to 30 September 2017 to promote the success of UHSM.

UHSM developed its Strategic Priorities, key objectives and key performance indicators (KPIs) to monitor the delivery of its aims as described within this section.

At each of its meetings the Board monitored strategic and operational progress through the use of the Integrated Performance Report. In addition to that there were detailed monthly reports that covered financial and activity, the cost improvement programme, key Strategic Programmes and safer staffing.

The Operational Plan was communicated and understood at all levels across the Trust. Key objectives were agreed with each Division together with activity and financial plans.

During the reporting period the Board Assurance Framework included UHSM's strategic objectives and associated principle risks to aid the delivery of those objectives within the financial year.

This section of the report aims to provide a detailed analysis of performance in relation to each strategic objective, including achievements, challenges and actions taken to mitigate these.

1. Clinical Service Strategy

1.1 Leading the development of single services for Greater Manchester (GM) in our areas of specialised expertise, particularly Heart and Lung, Breast and Plastics and Burns services

1.2 Creating a single hospital service for Manchester, Trafford and beyond which provides consistent, high quality care throughout the City and the Borough

1.3 Creating a Local Care Organisation (LCO) for Manchester which brings together community healthcare, primary care and social care to provide consistent, coordinated, high quality care which keeps people well and avoids hospital admission

Significant progress was made against the Clinical Service strategy objectives with key achievements listed below:

- **Designated as the Provider Transformation Lead for the GM Breast Services transformation project**
- **Opened a fifth Catheterisation Laboratory**
- Led the development of the Lung Health Check across Greater Manchester with **early identification of potential lung cancer with greater potential to improve lung cancer survival rates**
- Awarded Clinical Research Funding (CRF) as a joint Manchester CRF with the Christie CRF which has increased all experimental and early phase research on the Wythenshawe site. Our study portfolio included a surgical study and two clinical trials of investigational medicine in gastrointestinal disorders. This was supported by the refurbishment work that began in September 2017 to increase the number research bays.
- Lead provider for Urology Cancer Surgery across Greater Manchester
- **Developed services at Withington Community Hospital including establishing "one stop shop" symptom based clinics for conditions such as breathlessness, loss of consciousness**
- **Progress made towards implementation of the Healthier Together programme, including successfully establishing the first joint colorectal surgery MDT in GM.**

The Greater Manchester (GM) region faced significant challenges at the same time as demand for services was rising and available funding reduced. The health and social care organisations across GM believed that these challenges would be best met by working together and taking charge of spending and decision making locally. As a result of this in April 2016 the GM Health and Social Care Partnership was established and took control of the combined health and social care budget for GM a sum of more than £6billion. The aim of the partnership is to achieve the greatest, fastest improvement to health, wealth and wellbeing for the population of Greater Manchester and in order to do this there needed to be radical change in how health and social care is provided.

The GM Partnership received funding to support the transformation of the health and social care system with five key changes agreed were required to be made to transform the health and social care system. These are known as 'transformational themes' and three of those are described below:

- **Theme 2 – Transforming care in localities**
  - Manchester Local Care Organisation
- **Theme 3 – Standardising Acute and Hospital Care**
  - Single Hospital Service
  - Healthier Together
  - Speciality Chains
- **Theme 4 – Standardising Clinical Support and Back Office Services**
  - Pathology
  - Radiology

Local Care Organisation

In 2017/18 the vision for the Manchester Local Care Organisation (LCO) a partnership between the main statutory health and social care providers in the city and a wide range of non-statutory organisations such as the voluntary, community and social enterprise sector continued to progress.

The aim of the Manchester LCO is to provide a high standard of care closer to home, co-ordinated partnership working to simplify care pathways and accessibility to services, and deliver population health by focussing on six key population groups in the first instance:

- Frail older people
- Adults with long term conditions and at the end of life
- Mental health, learning difficulties and dementia
- Children and young people
- People with complex lifestyles
- Prevention and those at greater risk of hospital admission.

During 2016/17, the Manchester Provider Board members received the draft LCO prospectus which was developed by the three Manchester Clinical Commissioning Groups and Manchester City Council. This described from a commissioner's point of view what the LCO will deliver and how it will work

In March 2017 Manchester Health and Care Commissioning (MHCC) began a procurement exercise to award a contract for the LCO commencing April 2018. Following the successful submission of a Pre-Qualification Questionnaire in April 2017, the Manchester Provider Board was invited to submit a formal proposition to MHCC. This proposition was submitted in early November 2017. An interim Executive Team has been appointed to lead the Manchester Provider Board's work to establish an LCO. The interim Executive Team draws on the strengths of the management teams of the Manchester Partners, and other proven leaders working in health and social care in Greater Manchester.

During the past year, the integrated neighbourhood teams have been mobilised, with a range of transformation funded projects ready to start as soon as funding is received. In organisational delivery terms, the overarching governance for the LCO has now been agreed with all partners, and people and resources are mobilised around getting the LCO infrastructure up and running. The final two quarters of 2017/18 will have significant activity as the LCO moves towards shadow working. This will test structures, systems and processes prior to 'go live' in April 2018.

Single Hospital Service

Plans to realise a Single Hospital Service (SHS) across Manchester continued to progress at great pace. As a Trust we contributed to plans and engaged with our Governors, staff, members, key stakeholders and worked closely with the Single Hospital Service team and Central Manchester University Hospitals with the aim of the most significant change in the provision of hospital services in the Manchester area for decades

being realised to form a new NHS Foundation Trust on 1 October 2017.

During 2016/17 and 2017/18 we undertook a significant amount of work in preparation to merge and form a new organisation which continued through 2017/18. Clinical engagement was at the heart of this with over 500 contacts made with clinicians across both sites. A Clinical Advisory Group was established which included 28 representatives from CMFT, Pennine Acute Hospital (PAHT), UHSM and an advisor from NHS Improvement who met regularly. Five Clinical Leads were also appointed to the Programme Team through secondment arrangements on a job share basis.

Following the completion of the due diligence exercise for the two Trusts (UHSM and CMFT) which involved a strategic analysis of the risks that may impact on the success of the creation of the new organisation, a Full Business Case was developed and approved by both Board of Directors and submitted to NHS Improvement in March 2017. Key members of staff from UHSM and CMFT developed Post Transactional Integration Plans to ensure that essential plans were in place leading up to the merger for day one, through to day 100, year one and year two.

Following receipt of the Competition and Markets Authority (CMA) phase one investigation in February 2017 which confirmed that our application would be fast tracked onto phase two. Confirmation that the CMA had cleared the merger was then received in August 2017, stating that the merger and creation of a new organisation would lead to substantial benefits for patients.

A programme of communications and engagement activities were delivered to key stakeholders to ensure members of staff and other key partners were involved in the programme to create a Single Hospital Service for Manchester to merge UHSM and CMFT to create a single NHS Foundation Trust. In addition there was an extensive programme of work undertaken with Governors which included a large number of individual meetings and events as well as a total of five Joint Governor work-shops held between December 2016 and July 2017. These Governor events focussed on the clinical benefits for patients arising from the merger and informed Governors on the merger process, what this meant to them as Governors, including plans for integration to the new organisation.

UHSM and CMFT Governors were also invited to become members of two Task and Finish Groups. The first was aimed at determining public membership constituencies and Governor composition for the new Foundation Trust. Recommendations were made to the Interim and substantive Board of Directors who approved the recommendations of the Task and Finish Group with plans in place to deliver the new membership and prepare for the election of the new Council of Governors soon after authorisation.

Following Governors receipt of independent legal advice a second Task and Finish Group was established to determine the criteria to be used by Governors when assessing the Boards of Directors' processes undertaken in relation to the merger. These Governors reviewed evidence against agreed criteria which was used to inform the Governors' at the time they were asked to vote on the dissolution and merger in September 2017.

➢ Healthier Together

The Healthier Together programme is aligned to the Single Hospital Service (SHS) with its aim to create a single services for acute care across UHSM and CMFT. Under this arrangement, clinical teams within Accident and Emergency, acute medicine and general surgery will come together across both hospitals to form three single teams and each team will deliver acute care across both Wythenshawe and MRI hospitals, working to the same high quality and safety standards.

Under the Healthier Together programme the former UHSM site will be the 'non-hub site' for emergency general surgery. The Wythenshawe site will have a full Accident and Emergency department 24 hours a day/7 days a week. It will still assess and care for the majority of acutely ill patients but it will not undertake any emergency general surgery. The former CMFT site will be the 'hub site' for emergency general surgery with Accident and Emergency and a full emergency general surgical team on site 24 hours a day, seven days a week to undertake emergency general surgery.

Patients who require immediate admission for emergency or urgent general surgery will be transferred to the hub site at CMFT. In addition, the hub site at CMFT will also undertake all general surgery for complex, high risk, elective general surgery patients. Low risk general surgery, diagnostics and

outpatient services will all continue to be provided at both hospital sites.

There has been good momentum on refining the mode of care and the new patient pathways. This included understanding how patients will be managed and cared for at every step in their pathway, what will happen at each stage of assessment and treatment, where it will take place and by whom. Particular attention was given to understanding and identifying the process for how patients will be transferred between the two hospitals, minimising the impact to ensure a smooth transition for patients. This was also done in collaboration with our Healthier Together Patient Partnership Group, liaising and working with patients and carers directly to understand the impact the changes may have on different minority groups.

This work informed the actions and supporting mechanisms needed to ensure a fair and equal service can be provided for all patients.

2. Patient Safety and Clinical Outcomes

2.1 **Delivering high quality care by improving patient safety**

2.2 **Pursuing high quality clinical outcomes**

2.3 **Research and Development – supporting Greater Manchester to be one of the leading teaching and research centres in the UK**

We continued to work hard to deliver the patient safety and clinical outcomes. A summary of our key patient safety and clinical outcome achievements against the three themes are listed below:

- **Implemented the Care Quality Commission (CQC) Improvement Plan including investment in systems to monitor delivery.** Following the CQC inspection in January 2016 an action plan was developed to address all areas identified. The action plan was monitored by Improvement Board with all actions completed in August 2017 and notification received from the CQC to confirm closure of the action plan.

- **Implemented further improvements to patient safety in relation to falls, pressure ulcers, infection prevention and antimicrobial prescribing. The appointment of a falls prevention nurse enabled shared learning from incidents with the introduction of 'keep me safe campaign', improvements to staff awareness training and improved falls prevention equipment were rolled out.**

- **Implemented Phase 1 of the Electronic Patient Record (EPR) system** with the development of the nursing and allied health professional clinical documentation. The next stage of implementation included the Emergency Department in November 2017 to enable the department to become paper lite. Following this the aim is that the new organization MFT will review the development plan in line with the requirements for the new Trust with a revised strategy for the EPR which will support Manchester University NHS Foundation Trust's ambition to be a national leader in the delivery of high quality healthcare.

- **Ensured mortality rates (Hospital Standardised Mortality Ratios, HSMR, and Summary Hospital-level Mortality Indicator, SHMI) indicated mortality outcomes within expected range, and used HSMR to identify specific areas where detailed review could provide greatest potential for improvements in care (***significant improvement was made over the three year reporting period* ***with UHSM*** *ranked fourth out of 22 Trusts in the Aqua Peer Group*)

- **Implemented the Mortality Review Strategy** covering three themes of assurance, learning and improvement based on the National Quality Board's guidance 'Learning from Deaths'.

- In May 2017, Wythenshawe Hospital was one of the ten hospitals across Greater Manchester to treat patients who had experienced injuries as a result of the Manchester Arena Attack. As an organisation our response to those extreme circumstances was incredible, colleagues from across the organisation pulled together to provide

patients with the best possible care and support. The support we received from our local community and across Manchester was overwhelming. We also received visits from the Secretary of State for Health Jeremy Hunt and Greater Manchester Mayor Andy Burnham to personally thank our staff. A number of colleagues represented UHSM when they were invited to meet the Queen when she visited Royal Manchester Children's Hospital. Our thoughts will continue to be with the families of those who lost their lives and others who have been affected. Following the incident the Trust provided health and wellbeing support to staff who required it and we also revisited our major incident plan alongside the local and national plan.

- In collaboration with Greater Manchester Mental Health NHS Foundation Trust the Trust improved the support and treatment it provided for patients who presented with mental illness with the introduction of a number of policies and within education a Mental Health Education Strategy was developed building knowledge from a foundation level to clinical skills development for staff who cared for mental health needs of all patients.

- Implementation on the Biomedical Research Centre continued with our partners. In 2016/17 the Trust was awarded a share in a £28.5m investment in Manchester by the DH under its Biomedical Research Centre (BRC) scheme. The funding will enable lifesaving tests and treatments for millions of people. The bid brought together the recognised clinical and research expertise from across health and academia, which demonstrates the connectivity and collaboration that is central to making Greater Manchester devolution a success. The successful bid was hosted by Central Manchester University Hospitals NHS Foundation Trust, in partnership with the University of Manchester and the partnership also involved the Christie NHS Foundation Trust, Salford Royal NHS Foundation Trust, UHSM and was supported by Manchester Academic Health Science Centre. Manchester will be granted prestigious NIHR Biomedical Research Centre status which will drive forward pioneering research into new tests and treatments in the areas of musculoskeletal disease, hearing health, respiratory disease and dermatology and three cancer themes (prevention, radiotherapy and precision medicine). MFT will lead the respiratory disease theme of the BRC with respiratory diseases being the third most common cause of death and the second most common cause of hospital admissions in the UK.

Cyber Security

UHSM was not directly impacted by the cyber attack in May 2017 but took appropriate precautions at the time of the main attack. Further cyber security initiatives were immediately applied with others planned to be implemented throughout 2017/18 to minimise any threats that could lead to risks to the Trust's information and information systems.

Health and Safety

UHSM had in place a clear structure of health and safety management and leadership with key roles and responsibilities set out in its Health and Safety Policy and Safety Management System. Health and safety was integral to everything the Trust did and was linked to all organisational strategies with great emphasis on proactive health and safety management to improve culture.

3. Patient Experience

3.1 Ensuring timely access for treatment and care

3.2 Improving our patient experience

The main areas of achievement against the two patient experience themes are outlined below:

- **Commenced construction work for the expansion and redevelopment of Wythenshawe Hospital Emergency Department**

- **Improved patient flow in Emergency with the Trust's performance recognised as one of the best**

within Greater Manchester for treatment of patients within four hours

- **Developed a Referral To Treatment (RTT) Plan to improve timely access to care**

- Opened OPAL House at Wythenshawe Hospital a 41 bedded unit for our frail, elderly patients who no longer needed acute hospital care but were unable to return to their homes or independent living which **made significant improvements to the patient's experience whilst helping to reduce patients' length of stay**

- **Continued the theme of improved levels of patient feedback and complaints process; and improved Patient-led Assessments of the Care Environment**

Patient Feedback and Complaints Process

UHSM was committed to responding to feedback and issues of concern that were raised by a patient, their relative or carer to support service improvement and the sharing of best practice. Our Patient Advisory Liaison Service (PALS) provided an accessible service and enabled complaints and concerns to be handled sensitively and honestly whilst also sharing any compliments received from patients and carers.

During the reporting period responses to complaints is explained below**:**

- 92.66% of complaints acknowledged within 3 working days
- 95.28% of responses provided to complainant by agreed deadline

This is in comparison to our performance against the number of complaints received in 2016/17 which was:

- 91.9% of complaints acknowledged within 3 working days
- 96.1% of responses provided to complainant by agreed deadline

Complaints and Compliments Learning

A Complaints Review Panel met on a monthly basis which enabled facilitated discussion and supported learning from each complaint received with the main emphasis focussing on safety and improving the patient's experience and quality of patient care. All complaints were handled to meet the NHS complaints regulations in an open and timely manner.

Patient Care Environment

Patient-led Assessment of the Care Environment (PLACE) puts patients views at the centre of the process with all assessments carried out throughout UHSM's premises against: Privacy and Dignity; Cleanliness; General Building Maintenance; Food and Dementia. The results of these assessments identify how well hospitals are performing nationally against the areas assessed. Quarterly PLACE assessments had taken place with action plans monitored and scores published on the Trust's website.

Annual assessments and results were reported publicly with results demonstrating how hospitals performed across the country.

4. Staff Engagement

4.1 Improving staff engagement
4.2 Improving recruitment and retention levels
4.3 Supporting leadership and development
4.4 Delivering excellent clinical education through our status as a teaching hospital

UHSM continuously has taken staff engagement seriously and continued to work across all levels of the organisation to improve upon its staff engagement. The main areas of achievement against the four themes are outlined below:

- **Implemented a staff engagement programme led by Executive Team with support provided by the Single Hospital Service and Manchester LCO programmes**

- Recruited over 20 newly qualified Physician Associates and trained a number of Nurse Associates

- **Implemented and continuously worked to embed the Nurse Recruitment and Retention Strategy**

with each ward working to meet safe staffing requirements

- **Implemented Health rostering system to all in-patient areas**

- **In July 2017 the Wythenshawe Hospital courtyard redevelopment opened which significantly improved facilities for staff, patients, families and carers**

- **Recognised** nationally and globally for the quality of its research and development. Our major research programmes focus on breast cancer prevention, respiratory and cardiovascular disease

- Implemented an engagement plan with the Chief Executive and Executive Directors committed to meet staff each month which included meetings with senior clinicians and managers which is supported by fortnightly Chief Executive electronic briefings to all staff

- **Continued a staff engagement programme through the use of quarterly pulse surveys which were reported to the Board on a quarterly basis. We also reviewed our appraisal process and continued focus on the quality of appraisals has shown a great improvement**

- Continued to focus on improving the well being of employees. At UHSM we acknowledge that staff may become ill and managers are always expected to provide appropriate and sympathetic support to staff. We have provided employee health and wellbeing services with arrangements in place for employees to self-refer or referrals to be made by line managers through an absence manager process.

During the reporting period absence levels were 4.42% marginally above our aim to reduce sickness absence to a target of 4%. Further information is included in the Staff Report section.

5. Value for Money

5.2 Achieving financial sustainability
5.2 Improving our productivity and efficiency
5.3 Growing and developing our business

In the six months ended 30 September 2017, UHSM recorded a deficit of £5.9m. This was in line with the quarterly profiling of UHSM's control total for the year, agreed with NHS Improvement which enabled the Trust to secure the Sustainability and Transformation Funding associated with achieving this target.

Despite the financial position for this six month period being challenging UHSM still had a plan to invest over £5m into its buildings and equipment to support the delivery of excellent and high quality patient services, which included the commencement of the expansion programme to the Emergency Department at Wythenshawe Hospital.
Key achievements to maintain value for money whilst providing safe, quality care for patients can be found below:

- **Delivered savings in excess of our £8.2m Cost Improvement Programme target for the period, without impacting on the quality of service delivery**
- **Increased usage and clinical awareness of service line reporting and patient level information and costing systems**
- **Implemented an Improvement Programme to drive productivity and efficiency in key work streams; and improved service portfolio at Withington Community Hospital**
- **Secured approval for the merger with Central Manchester University Hospitals NHS Foundation Trust to form Manchester University Hospital NHS Foundation Trust, the first step in creating a new, city-wide hospital Trust which will provide much better, safer, more consistent hospital care for people living in the City of Manchester, Trafford, and beyond.**

Sustainability

UHSM were committed to being a leading sustainable healthcare organisation with ongoing good energy management being an integral part of improving the efficiency of our organisation, for the benefit of patients and staff.

We continued the work that started in 2007 to act as an example of exceptional Carbon Management leadership within the NHS and the communities that we served with an aim of reducing the carbon emissions from building energy use, fleet and business travel, refrigerant gas, waste and water by 20%, from a 2012/13 baseline by the end of March 2020.

Each year we spent in the region of £5 million heating and powering our estate, providing water and disposing of waste. UHSM remained committed to building on the 26% reduction in carbon emissions already achieved and further minimising its environmental impact, working towards the NHS public health and social care system 2050 target of an 80% reduction in carbon emissions. As part of the integration towards the merged organisation we will continue to review the long term energy infrastructure of the estate to further reduce energy consumption and reduce dependency on grid supplied electricity, including on-site electricity generation, modernisation of all boiler plant, heat recovery opportunities and replacement of inefficient motors and drives.

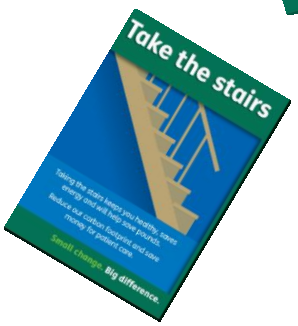
Waste

Further work has taken place to ensure waste is being categorised and disposed of correctly has enabled us to achieve a 96% reduction in waste categorised for 'High Temperature Incineration' and the achievement of a 14% increase in the volumes of cardboard recycled in comparison to the same period last year.

Energy

The 10% reduction in CO2e achieved in 2016/17 provided a good foundation to build upon. Despite the increased clinical activity across the Trust we achieved a further 1.5% reduction in electricity consumption during April to September 2017 when compared with the same period last year. Due to essential maintenance works and refractory repairs the Trust's main biomass boilers were unavailable during the late spring/summer months. This resulted in an increase in the volume of gas consumed (20%) compared to the average volume consumed over April to September in previous years. Now that the biomass boilers have returned to service it is anticipated this will improve.

During April to 30 September 2017 UHSM's energy costs totalled £1,773,029 which represented a 14% decrease on costs from the same period the previous year. This was mainly achieved by changing the way energy was procured from July 2016.



Research and Development

UHSM had been recognised nationally and globally for the quality of its research and development. Its major research programmes focussed on breast cancer prevention, respiratory and allergy, and cardiovascular disease with growing areas in infectious diseases, orthopaedics and rheumatology.

2017/18 Consultations

UHSM was committed to working in partnership with stakeholders within the community it served. The Board acknowledged the importance to work at creating and sustaining good relationships and significant importance of engagement.

The Trust continued to work closely with local Clinical Commissioning Groups, Greater Manchester Provider Board, Manchester and Trafford Council, Central Manchester University Hospitals NHS Foundation Trust, local networks, Manchester Healthwatch, the Health and Well Being Board and the Overview and Scrutiny Committee as well as other partners to develop an integrated health service to meet the needs of patients. In addition the Trust regularly updated Members of Parliament who represent the catchment areas that the Trust represents.

During 1 April to 30 September 2017 the Trust did not undertake any public consultations.

Key Achievements during April to September 2017

International Day of the Midwife and International Nurses' Day
In May 2017, the Trust celebrated the fantastic work of its 2000plus dedicated nurses and midwives for International Day of the Midwife and International Nurses' Day. Chief Nurse Mandy Bailey and the senior nursing and midwifery team helped teams celebrate these days by visiting wards and departments to hand out fruit and treats kindly donated by Sodexo which was in addition to the popular International Nurses' Day Bake Off competition that we arranged.

OPAL House opening
In July 2017, the Mayor of Greater Manchester Andy Burnham officially opened OPAL House at Wythenshawe Hospital. OPAL House is specifically for our frail, elderly patients who no longer need acute hospital care but are not immediately able to return to their homes or independent living. With 41 beds it builds on the innovative and successful model of care jointly led by nurses and therapists, with geriatrician input developed at Wellington House to provide the care and support patients need to recover and return home. Following significant investment from the Trust, the building was completely transformed with excellent new facilities including communal lounge areas, a garden and hair salon. The layout was specifically designed to be dementia-friendly with appropriate colour schemes, signage and furnishings.

Armed Forces Day
In July 2017, the Trust organised an **Armed Forces Showcase event** where a number of veteran support services were brought together under one roof to help improve the care provided to veterans. The Trust promoted the career opportunities available for veterans in the NHS and at the Trust. This day was also supported by Hounds for Heroes founder Allen Parton and his assistance dogs Rookie and EJ who came to support the event and visited our wards and patients.

COPD Inhaler Trial
Research conducted at UHSM found that flare-ups in chronic obstructive pulmonary disease, the UK's fourth leading cause of death, can be reduced by 20% by a combined triple inhaler, according to the results of a trial of more than 2,000 people. The study was published in the Lancet which contains the results of a year-long trial involving 2,691 patients and carried out by The University of Manchester.

Long Service Awards
In July 2017, we recognised colleagues' commitment and service to the Trust with our annual Long Service Awards. Colleagues received awards for 20, 30 and 40 years' of service. One special award was also given for an incredible 50 years' service which was a fantastic achievement presented to Ann Daniels, a Staff Nurse on the Burns and Plastics Unit.

Emergency Department Ground-breaking Ceremony
In August 2017, Wythenshawe and Sale East MP Mike Kane took part in a special 'ground-breaking' ceremony to celebrate building work on the Emergency Department at Wythenshawe Hospital. The new development will double the size of the Trust's existing Emergency Department with improvements planned to include larger cubicles and treatment rooms, two additional resuscitation bays, two new X-ray rooms and an improved Children's Emergency Department. The two year development project to transform the existing department is planned to be delivered in three phases: the first phase involving the construction of the 2,000m² extension to provide new major and minor injury areas, a new waiting area and reception. The second stage is an internal refurbishment to the existing department to provide the new resuscitation area, Children's Emergency Department and X-ray facilities, and the third phase will concentrate on improvements to provide relative's facilities, offices and seminar rooms.

Burns Unit Gazebo donation
The Burns Unit organised a ceremony to celebrate the opening of a new gazebo in their patient garden. The Sale and District Lions Club raised money for the gazebo, which importantly gave burns patients, who could often be cared for several months, a private and shaded space to enjoy fresh air during their recovery. Wythenshawe and Sale East MP, Mike Kane, officially opened the gazebo in August 2017.

UHSM Careers Engagement Lead wins Health Education England Widening Participation Award

Hilary Whyatt, UHSM Careers Engagement Lead was nationally recognised with a Health Education England Widening Participation Award. Hilary was presented with the Health Ambassador/Mentor of the Year Award by Sir Keith Pearson, the Chairman of Health Education England and Maggie Throup MP at an awards ceremony at The Palace of Westminster. On behalf of the Trust, Hilary worked with schools, colleges, job centres and local and national charities to provide NHS career advice, information and guidance.

NHS Expo

As part the NHS EXPO 2017 in September 2017, Daniela Shackloth, Matron on the Acute Intensive Care Unit and Night Practitioner Nicala Sidebottom, were invited to represent UHSM as part of the annual Kate Granger Compassionate Care Awards. The awards paid tribute to NHS staff who had responded to the Manchester Arena Attack in a special ceremony. The ceremony was attended by healthcare professionals from across the city who had responded on the night, or were involved in the treatment and after care of people who were affected.

Compliance with Mandatory Standards

UHSM's operational performance was measured against national targets with performance against these targets reported to NHS Improvement against arrangements which were set by Monitor's Risk Assessment Framework until October 2016 and replaced by NHS Improvement's Single Oversight Framework from October 2016 onwards.

UHSM was also regulated by the Care Quality Commission (CQC) who assess the Trust against a set of national safety and quality outcomes on patient safety, clinical, cost effectiveness, governance and also a number of local safety and quality standards which are agreed with our commissioners.

UHSM had set a Sustainability and Transformation Fund (STF) improvement trajectory for the emergency access 4-hour wait in 2017/18 to achieve 95% in March 2018. The Trust achieved its trajectory in the first quarter with performance of 92.4%. Quarter 2 performance of 89.1% was below the required trajectory. The Trust had seen growth in Accident and Emergency demand of 2.6% between April and September 2017 compared to the same period in 2016. UHSM has continued to experience a high number of Delayed Transfers of Care (DTOCs), which are outside the influence of the Trust and this had a significant impact on patient flow and available capacity, and thus achievement of the STF trajectory. The DTOC rate remained over 7% during quarter one and quarter two compared to the 3.3% target set across Greater Manchester. There is an improvement plan in place that focuses on initiatives to improve the patient experience across the Emergency Department, Acute Medical Unit, ambulatory care units (medical and surgical), as well as the urgent care services.

Table 1. Performance against clinical, quality and access standards 2017/18

Acute national targets and minimum standards	2017/18[a]	2016/17	2015/16	2014/15	Threshold
Maximum waiting time of four hours in A&E from arrival to admission, transfer or discharge	90.8%	85.6%	84.3%	91.9%	95.0%
Maximum time of 18 weeks from point of referral to treatment (RTT) in aggregate - patients on an incomplete pathway	87.1%	83.8%	89.5%	94.9%	92.0%
Maximum 6-week wait for diagnostic procedures	97.4%	99.5%	98.2%	96.3%	99.0%
Maximum two month wait from referral to treatment for all cancers[b]:					
from urgent GP referral to treatment	87.4%	89.1%	87.9%	86.4%	85.0%
from consultant screening service referral	98.9%	97.2%	97.7%	98.2%	90.0%
Maximum one month wait for subsequent treatment of all cancers:					
surgery	99.4%	99.0%	98.6%	98.2%	94.0%
anti-cancer drug treatment	100%	100%	100%	100%	98.0%
Maximum one month wait from diagnosis to treatment for all cancers	99.4%	99.1%	98.7%	98.8%	96.0%
Two week wait from referral to date first seen:					
all cancers	95.2%	95.7%	95.5%	97.1%	93.0%
for symptomatic breast patients (cancer not initially suspected)	94.1%	93.8%	94.3%	97.0%	93.0%
Clostridium difficile year-on-year reduction[c]	9	15	5	9	39
MRSA - meeting the MRSA objective	4	3	4	1	zero
Access to healthcare for people with a learning disability	achieved	achieved	achieved	achieved	no threshold published
Data completeness: community services, comprising:					
RTT information	86.0%	82.6%	97.6%	98.8%	50%
Referral information	66.7%	66.7%	66.7%	66.7%	50%
Treatment activity information	100%	100%	100%	100%	50%

Notes to Table 1

(a) 2017/18 is reported for the part-year covering April to September 2017 (inclusive).

(b) reporting of the national 62-day cancer standards is according to the Greater Manchester and Cheshire Cancer Network's (GMCCN) breach re-allocation rules.

(c) From 1 April 2014, hospital-acquired incidences of *Clostridium difficile* are reported against the annual objective if they are due to 'lapses of care' as agreed with commissioners.

(d) The following two performance indicators, which originally formed part of NHS Improvement's *Risk Assessment Framework,* were replaced with other indicators in the *Single Oversight Framework* from 1 October 2016:

- Access to healthcare for people with a learning disability; and
- Data completeness: community services.

Despite a 13% increase in cancer referrals during the first six months of 2017/18 (compared to the same period in 2016/17) UHSM achieved all national cancer standards and continued its strong, sustained performance in relation to the two-month GP referral-to-treatment cancer standard.

Increased demand for diagnostic services has been a recognised within Greater Manchester, particularly for endoscopy services. UHSM achieved the six-week wait for diagnostic procedures in the first three months

of 2017/18. As a result of specific operational challenges in June, August and September 2017, the Trust did not achieve the 1% diagnostic standard during these months and put in place a Diagnostic Recovery Plan to return to compliance for this standard moving forward into the new merged organisation.

UHSM set an ambitious trajectory in 2017/18 to achieve the national 92% performance by October 2017. Whilst the Trust met this trajectory in each month of quarter one, it was unable to maintain compliance during the second quarter. Performance in the first six months of 2017/18 was, however, 4% higher than the same period in 2016/17 and a revised trajectory was agreed with commissioners and NHS Improvement to achieve 92% by the end March 2018.

Standards of Quality and Safety

UHSM was rated as 'Requires Improvement' following its Care Quality Commission full inspection in January 2016 and the full report was published in June 2016. The summary of this is displayed below:

- Trust as a whole: Requires Improvement
- Wythenshawe Hospital: Requires Improvement
- Withington Hospital: Good
- Community In-Patient Services: Good
- Community Services: Good

In August 2017 the Trust received confirmation from the Care Quality Commission that they were satisfied that the action plan developed and monitored by the Trust's governance assurance structure in response to their inspection in January 2016 had been completed.

Financial Standards

The following highlights the main headlines of financial performance for UHSM in the six months ended 30 September 2017:

The Trust recorded a deficit of £5.9m in the six month period. The plan for these six months was a deficit of £6.0m in line with the control total for UHSM which was agreed with NHS Improvement. This financial performance compared to plan ensured the Trust met its control total target and was able to secure Sustainability and Transformation Incentive funding of £1.4m awarded by NHS Improvement.

The following section summarises UHSM's key financial performance and how this supported the development of the organisation.

Income and Expenditure performance (Statement of Comprehensive Income)

In the first six months of 2017-18, UHSM displayed a net deficit of £5.9m. Operational performance with regard to earnings before interest, taxation, depreciation and amortisation (EBITDA) was £4.6m (1.9% of turnover).

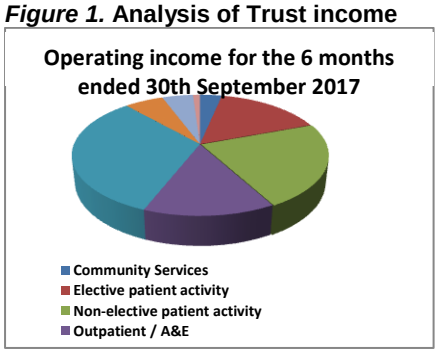
The table below provides a summary Statement of Comprehensive Income performance:

Table 2. **1 April to 30 September 2017 Summarised Operational Financial Performance**

	Trust, six month ended 30 Sep 2017 £m
Income	238.4
Operating expenses	(233.8)
EBITDA	**4.6**
Depreciation	(5.2)
Net interest	(4.3)
Deficit before Dividend	**(4.9)**
Public Dividend Payment	(1.0)
Net Surplus/(Deficit)	**(5.9)**

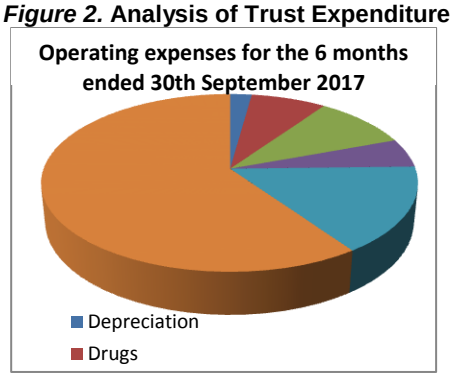
The following charts provide a breakdown of the sources of income UHSM generated and where the money was been spent:

Figure 1. **Analysis of Trust income**



The largest proportion of UHSM's income was generated from patient related activities which represents 88% of total income. The majority of this was derived from contracts with the Trust's clinical commissioners and included £76m funding from NHS England for the specialised Heart & Lung, Breast, and Plastics & Burns services provided by UHSM. Education and training funding accounts provided for a further 5% of Trust income.

Figure 2. **Analysis of Trust Expenditure**



The largest proportion of UHSM's costs were spent on staff, accounting for 60% of operating expenses, with clinical supplies and services the other material proportion accounting for 15%.

Capital Expenditure Investments

UHSM had a rolling capital programme to maintain and develop its capital infrastructure. In the six months ended 30 September 2017, UHSM invested £5.3m of capital expenditure to enhance and expand the asset base.

This included the following significant schemes:

- Implementation of an electronic patient record system (EPR), increasing the reliability and consistency of care provided to patients
- Commencement of a scheme to expand emergency department (ED) facilities
- Upgraded technology through investment in the resilience of the Trust's IT Network and PC refresh.
- Conversion of an existing building into enhanced intermediate care facility for older people

The table below provides a summary of the expenditure for the six months ended 30 September 2017:

Table 3. Analysis of capital expenditure

	six months ended 30 September 2017 £m
ED scheme	2.2
Estates Maintenance (including PFI lifecycle)	1.8
Medical Equipment	0.2
IT Infrastructure	0.2
Electronic Patient Record System	0.9
Total	**5.3**

This programme of capital investment was mainly funded by depreciation and retained surpluses. The Emergency Department scheme is funded by Department of Health public dividend capital money.

UHSM plans to continue to invest in new assets through the remainder of 2017/18 including:

- Continuation of the scheme to expand of UHSM's Emergency Department facilities;
- Further investment in replacement of medical equipment assets;
- Extension to MacMillan Cancer Care information centre.

Liquid Assets

As at 30 September 2017, UHSM held £11.7m in cash balances. This is a modest increase in comparison to the previous year's cash and cash equivalents.

Audit information

The current Auditor (Grant Thornton) was appointed in 2013. As far as the Directors are aware, all relevant audit information has been fully disclosed to the auditors and no relevant audit information has been withheld or made unavailable.

Cost allocation and charging

UHSM had complied with the cost allocation and charging requirements set out in HM Treasury's guidance on Managing Public Money. Costs were calculated on an accruals basis, including overheads, depreciation and the cost of capital.

Income disclosures as required by section 43(2A) of the NHS Act 2006

Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. UHSM met this requirement during April to September 2017 inclusive.

Accounting policies for pensions and retirement benefits

UHSM's policy for accounting for pension and retirement benefits provided to staff can be found in the Annual Accounts section of this report.

Details of the remuneration of Trust Executive Directors, including their retirement benefit provision, can be found in the Remuneration Report which forms part of the Accountability Report.

Strategic Direction (Looking Forward)

Looking forward to 2018/19 UHSM had developed a plan to build on its strategic objectives whilst incorporating the Five Year Forward View and NHS Mandate.

A fundamental priority for UHSM, as part of the Greater Manchester Devolution programme, was to transform its health and social care system by merging with Central Manchester University Hospitals NHS Foundation Trust to create a new organisation (Manchester University NHS Foundation Trust). Through the creation of this new organisation our aim is to continue to work collaboratively with health economy partners through the Greater Manchester Devolution programme to help ensure our patients and our local population get the best possible healthcare service they need, and deserve.

UHSM agreed its control totals with NHS Improvement which represent the minimum level of financial performance, against which the Trust must deliver in 2017/18. The 2017/18 full year control total set for UHSM was a surplus of £7.5m, allowing for receipt of £8.8m Sustainability and Transformation Funding. This was agreed with NHS Improvement in advance of the merger with Central Manchester University Hospitals NHS Foundation Trust and represented the surplus which UHSM would have been expected to achieve had it carried on as a separate Trust for the remainder of the 2017/18 financial year.

UHSM Operational Plan explains how we planned to deliver high quality, cost effective services. A summary of the plan is found below:

Our 2017/18 and 2018/19 Operation Plan is summarised below:

	Strategic Priority
Clinical Service Strategy	1. Lead the development of single services for Greater Manchester in our areas of specialised expertise, particularly Heart and Lung, Breast and Plastics and Burns services 2. Create a single hospital service for Manchester, Trafford and beyond which provides consistent, high quality care throughout the City and the Borough 3. Create a LCO for Manchester which brings together community healthcare, primary care and social care to provide consistent, coordinated, high quality care which keeps people well and avoids hospital admission

	Strategic Priority
Patient Safety and Clinical Outcomes	1. Delivering high quality care by improving patient safety 2. Pursuing high quality clinical outcomes 3. Research & Development - supporting Greater Manchester to be one of the leading teaching and research centres in the UK

	Strategic Priority
Patient Experience	1. Ensuring timely access for treatment and care 2. Improving our patient experience

	Strategic Priority
Staff Engagement	1. Improving staff engagement 2. Improving recruitment and retention levels 3. Supporting leadership and development 4. Delivering excellent clinical education through our status as a teaching hospital

	Strategic Priority
Value for Money	1. Achieving financial sustainability 2. Improving our productivity and efficiency 3. Growing and developing our business

Counter Fraud

UHSM had an established an Anti-Fraud Service provided by KPMG. Local counter fraud work was in line with standards for providers for Fraud, Bribery and Corruption issued by NHS Protect and the NHS Counter Fraud Authority.

KPMG employ accredited Counter Fraud Specialists who lead on delivering both proactive and reactive work. The Counter Fraud team prepare a risk based plan each year based on risks identified locally, nationally and those arising out of the NHS Protect/NHS Counter Fraud Authority quality assessment process. Work completed by the Internal Audit team (also provided by KPMG) provided assurance over key financial controls and highlights any areas where UHSM may be exposed to the risk of fraud.

During 1 April to 30 September 2017 UHSM worked pro-actively to raise awareness in relation to countering fraud to embed the anti-fraud culture, this included:

- Publication of a six-monthly newsletter to raise counter fraud awareness across UHSM and covers topical and high risk issues
- Delivery of awareness sessions to teams across the Trust.

Going Concern Assessment

UHSM prepared its 2017/18 Annual Accounts on a Going Concern basis for the period covering 1 April 2017 to 30 September 2017. After making enquiries, the Directors have a reasonable expectation that the merged Trust (Manchester University NHS Foundation Trust) has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the accounts.

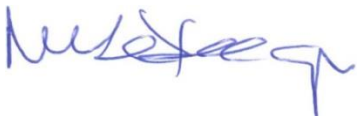
UHSM successfully concluded its 2017/18 contract negotiations with its main commissioners and this provided confidence on future income levels. Twelve month operational plans for 2017/18 were prepared which shows that there are sufficient cash balances to continue as a going concern. These plans include delivery of over £20m efficiency savings. Whilst this represents a stretching target, this level of planned efficiency savings is not inconsistent with levels of savings achieved in previous years. NHS Improvement agreed financial control totals with UHSM to represent the minimum level of financial performance it must deliver in 2017/18. The 2017/18 full year control total set for UHSM was a surplus of £7.5m, allowing for receipt of £8.8m Sustainability and Transformation Funding. This was agreed with NHS Improvement in advance of the merger with Central Manchester University Hospitals NHS Foundation Trust and represents the surplus which UHSM would have been expected to achieve had it carried on as a separate Trust throughout 2017/18.

As part of the plans to create a new, city-wide hospital Trust to provide much better, safer, more consistent hospital care for people living in the City of Manchester, Trafford and beyond. In August 2017 the Competition and Markets Authority confirmed clearance of the planned merger, stating that its creation would lead to substantial benefits for patients. During September 2017 the UHSM and Central Manchester University Hospitals NHS Foundation Trust Boards of Directors approved the merger with both Councils of Governors voting to support the merger. Final approval was received from NHS Improvement in September 2017 of their decision when they issued a satisfactory 'Amber' risk rating following their detailed due diligence, the final component in the approvals process to create the new organisation (Manchester University NHS Foundation Trust (MFT)).

However, it is clear that in the immediate foreseeable future, provision of the majority of UHSM's clinical services will continue to be delivered from the existing hospital and community premises. Therefore the SHS Programme proposals are consistent with preparation of the accounts on a going concern basis.

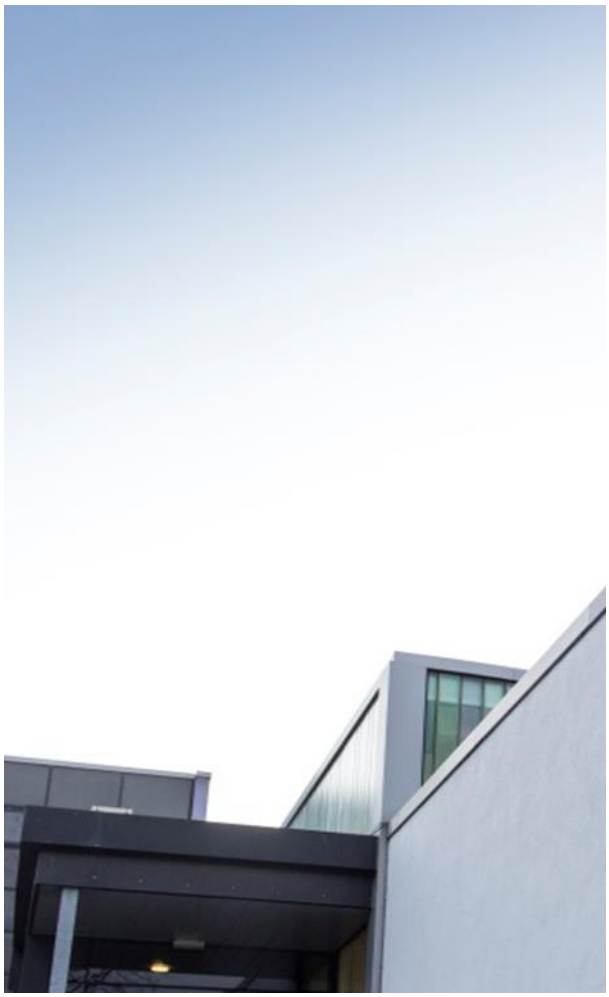
UHSM recognises the significant financial challenges within the NHS and local health economy and the risk this represents to UHSM's going concern statement. The Board remains sighted on these issues and has mechanisms in place to understand and mitigate these risks as far as practicably possible. These accounts have been prepared under a direction issued by NHS Improvement (Monitor) under the National Health Service Act 2006 as amended by the Health and Social Care Act 2012.

The Board of Directors understands its responsibility for preparing the Annual Report and Accounts. The Board considers it to be fair, balanced and understandable whilst providing necessary information for patients, our regulators and other stakeholders to assess the Trust's performance, its strategy and business model. The Board has included a description of the principle risks and uncertainties that faced the Trust which can be found in the Annual Governance Statement. This Performance Report is approved by the Directors and signed and dated by the Accounting Officer.



Sir Michael Deegan CBE
Chief Executive & Accounting Officer
23rd May 2018

4. Accountability Report



Directors' Report

Each NHS Foundation Trust has its own governance structure. The basic governance structure of all NHS Foundation Trusts includes:

1. Membership
2. Council of Governors
3. Board of Directors

This structure was set out in the Trust's Constitution and was well developed at the Trust. The University Hospital of South Manchester NHS Foundation Trust (UHSM) was headed by a Board of Directors with responsibility for the exercise of the powers and the performance of the NHS Foundation Trust. In addition to the basic governance structure, UHSM made use of its Board Committees and Executive Groups which compromised Directors and senior managers as a practical way of dealing with specific issues.

Kathy Cowell OBE DL
Chairman
23rd May 2018

Sir Michael Deegan CBE
Chief Executive
23rd May 2018

Foundation Trust Membership

We involved our Governors who represented members from the Trust's constituent areas in developing forward plans. Designing services and improving care meant that the views of local people were heard which has helped to formulise and deliver plans, improve experience for patients, carers, visitors and staff.

UHSM's original membership was established in 2006 and since then we strived to maintain and engage with our representative membership. In association with the Trust's Membership Strategy the Trust aimed to maintain its current membership whilst engaging and communicating effectively.

During April to September 2017 there were two Governor Task and Finish Groups formed with a number of meetings taken place in preparation for the planned merger to form a new organisation as part of the Single Hospital Service programme.

Our membership consisted of public, staff and volunteers. The details are included below:

Public members

We had 6600 public member constituencies which covered part of South Manchester, part of Trafford, part of Stockport, part of East Cheshire electoral wards and the fifth area covered the remainder of the United Kingdom.

A member of the public 16 years of age or over and lived in one of the following constituencies could become a member of UHSM:

- South Manchester
- Trafford
- Stockport
- East Cheshire
- Rest of England and Wales

Staff and Volunteer members

Staff who joined the Trust became a member automatically and those who were registered to undertake individual voluntary work at the Trust were eligible to become a member within this constituency.

This constituency split into the following classes:

- Medical Practitioners and Dental staff
- Nursing and Midwifery staff
- Other Clinical staff
- Non-clinical Support staff
- Volunteers (*working within the Trust*)
- Sodexo staff (*who provide services to the Trust, employed by South Manchester Healthcare Limited providing soft and hard facilities management services under the PFI Concession Agreement*)

The tables below provides details of the Trust's membership:

Constituency	Actual 31 March 2017	Actual 30 September 2017
Public	6889	6600
Staff, Sodexo and Volunteers	7722	7460

Public Constituency Breakdown	Actual 31 March 2017	Actual 30 September 2017
South Manchester	2083	1950
Trafford	1572	1485
Stockport	979	928
East Cheshire	508	491
Rest of England	1744	1666

Staff and Volunteer Constituency Breakdown	Actual 31 March 2017	Actual 30 September 2017
Medical and Dental	571	579
Nursing and Midwifery	1961	2205
Clinical	1730	2012
Non Clinical	1412	1671
Sodexho	582	553
Volunteers	431	435

Public membership	Number of members (31 March 2017)	Eligible membership
Age (years)		
0-16	2	176,495
17-21	19	55,646
22+	5,745	616,304
Ethnicity		
White	4,279	665,528
Mixed	59	25,301
Asian or Asian British	268	77,496
Black or Black British	121	30,444
Other	1,880	13,243
Socio-economic Grouping		
AB	1,983	70,738
C1	1,900	84,804
C2	1,269	40,894
DE	1,436	60,679
Gender		
Male	2,154	419,694
Female	3,253	428,751
Unknown*	2,041	

*The analysis section of this report excludes 841 public members with no dates of birth; and 1200 with no stated ethnicity

We communicated and engaged with members, patients and volunteers in a variety of ways, these included:

- Membership and Staff Newsletter
- UHSM website
- Digital communications
- Local media
- Membership seminars
- Chief Executive Briefings
- 'Single Hospital Service' programme briefings including and questionnaire
- 'Single Hospital Service Briefing Sessions' and Personalised letters sent to all members with an invitation to automatically become a member of the new organisation, Manchester University NHS Foundation Trust (MFT).
- Annual Members' Meetings

As part of the work on-going in Greater Manchester the merged Trust plans to continue to work extremely closely with its Partnership Organisations such as Manchester and Trafford Council, Clinical Commissioning Groups and Manchester University.

Council of Governors

The Council of Governors of the Trust consisted of 33 seats; eight represented South Manchester, four represented Trafford, two represented Stockport, one represented East Cheshire, five represented the remainder of England, seven represented staff, one represented the Trust's volunteers and five appointed Governors who represented the views from the Trust's partner organisations.

The Council of Governors were direct representatives of staff, volunteers, stakeholders, members and the pubic interests and formed an integral part of UHSM's governance structure.

The Council of Governors appoint the Non-executive Directors including the Chairman to the NHS Foundation Trust Board of Directors. They also have a role to hold Non-executive Directors individually and collectively to account for the performance of the Board and also to represent the interests of the NHS Foundation Trust members and the public.

The Council of Governors collectively had responsibility to support the Trust to consider the views of its members when developing plans and services.

Other statutory elements of the Council of Governors' role include:

- Appointment and removal of the Chairman and other Non-executive Directors
- Decide the remuneration of the Chairman and Non-executive Directors
- Approve the appointment of the Chief Executive
- Appoint and remove the NHS Foundation Trust's External Auditors
- Receive the NHS Foundation Trust's Annual Report and Annual Accounts
- When appropriate make recommendations and/or approve revisions of the Foundation Trust Constitution
- Approve significant transactions
- Approve an application by the Foundation Trust to enter into a merger, acquisition, separation or dissolution
- Review the Foundation Trust Membership and Engagement strategy

There were a number of changes to the Council of Governors during April to 30 September 2017. Details of the composition and changes that occurred during that time are described below:

Governor	Constituency	Term of Office	Number of Terms	Term due to end/ended	Council of Governor meeting attendance
Public Elected Governors					
Syed Ali	South Manchester	3 years	3	31.10.18	4/5
John Churchill	South Manchester	3 years	3	31.10.18	3/5
Margaret Hughes	South Manchester	3 years	3	31.10.18	5/5
Michael Kelly	South Manchester	3 years	2	31.10.17	5/5
Mike Pickering	South Manchester	3 years	1	31.10.18	4/5
David Rogers	South Manchester	3 years	1	31.10.18	4/5
Suzanne Russell	South Manchester	3 years	2	31.10.18	4/5
Sidney Travers	South Manchester	3 years	2	31.10.18	4/5
Sue Burden	South Manchester	3 years	1	31.10.17	4/5
Charles Flannery	South Manchester	3 years	1	31.10.18	4/5
Marguerite Prenton	South Manchester	3 years	3	31.10.18	5/5
Jane Reader	South Manchester	3 years	1	31.10.18	3/5
Colin Potts	Stockport	3 years	1	31.10.18	4/5
Chris Templar	East Cheshire	3 years	2	31.10.18	5/5
Philip Martlew	Rest of England	3 years	1	31.10.17	1/5
Elected Staff Governors					
Alan Baker*	Sodexo	3 years	1	31.10.17	0/3
Christine Bower	Nursing and Midwifery	3 years	1	31.10.18	2/5
Sarah Rhodes**	Nursing and Midwifery	3 years	1	31.10.18	0/4
Colin Owen	Non-clinical	3 years	1	31.10.18	5/5
Cliff Clinkard	Volunteer	3 years	3	31.10.18	3/5
Kevin Webb	Medical and Dental	3 years	1	31.01.20	3/5

*Alan Baker resigned in July 2017
**Sarah Rhodes resigned in September 2017

There were no Governor Elections held during April to September 2017.

At the end of the last reporting period 31 March 2017 the Trust had six elected Governor vacancies which included: one vacancy for Stockport, four vacancies for the Rest of England and one vacancy for other Clinical Staff as well as three partnership Governor vacancies.

During April to September 2017 a further two elected Governor resignations were received which included one resignation from Sarah Rhodes, Nursing and Midwifery Governor and one resignation from Alan Baker, Sodexo Governor. In compliance with the Trust's Constitution the Trust considered options available to it leading up to the planned merger and agreed to leave these seats vacant. The Governors were advised that subject to the approval of the proposed merger their terms of office would end at such a time that the Trust was dissolved and arrangements would be made for a new Council of Governors to be formed for the merged organisation in line with its Constitution to fill the Governors seats for Manchester University NHS Foundation Trust following its authorisation.

Appointed Governors

Governor	Partner Organisation	Date appointed	Council of Governor meeting attendance
Councillor Tracey Rawlins	Manchester City Council	28.03.12	3/5
Councillor Chris Boyes	Trafford Council	02.04.14	5/5

Council of Governors Meetings

Since 1 April 2017 the Council of Governor met on four occasions:

- 7 June 2017
- 29 June 2017
- 6 September 2017
- 14 September 2017

At the Trust arrangements were in place for a Chairs' Advisory Committee which included the Chairs of each of the Governor Committees. This Committee was established to support the Council of Governors, to advise the Chairman on matters of concern and to advise on agenda setting for Council of Governor meetings. This Committee acted as an alternative arrangement to a Lead Governor which was accepted by Monitor (*the Trust's regulator at the time*).

Declaration of Interests of the Council of Governors

All Governors were required to comply with the Council of Governors Code of Conduct which included a requirement to declare any interests that may result in a potential conflict of interest in their role as Governor of the Trust. At each Council of Governors meeting there was a standing agenda item that required Governors to make it known of any interest in relation to agenda items and any changes to their declared interests.

The Register of Governors' Interests is held by the Company Secretary and is available for public inspection via the following address:

Director of Corporate Services and Trust Board Secretary
Manchester University NHS Foundation Trust
Trust Headquarters
Cobbett House
Oxford Road
Manchester
M13 9WL

Council of Governor Committees

The Council of Governors delegated some of its powers to Committees of Governors and these matters were set out within the Trust's Constitution, which included the Membership and Engagement Committee, Remuneration Committee and Appointments Committee.

Further details on the workings of the Remuneration Committee and Appointments Committee can be found within the Remuneration Report. The work covered by the Membership and Engagement Committee included:

Membership and Engagement Committee

The Membership and Engagement Committee was a Committee of the Council of Governors and its purpose was:

- to engage with members and receive their comments and views on the developments of the Trust
- to develop effective forms of communication with members
- to maintain the membership of members whilst matching the demographics of the constituent areas
- to enable members to stand for election to the Council of Governors and to elect Governor representatives
- to establish effective communication channels and plans for Governor engagement with members and the local community

Attendance during 1 April to 30 September 2017 can be found below:

Cliff Clinkard, Chair of Committee	1/1
Chris Templar	1/1
Marguerite Prenton	1/1
Colin Potts	0/1
Mike Pickering	1/1
Phil Martlew	0/1
Sue Burden	1/1
Margaret Hughes	1/1

The Council of Governors established two other Committees: the Patient Experience Committee and the Annual Plan Advisory Committee. The Patient Experience Committee looked at the Inpatient and Staff Surveys, PLACE assessments carried out and participated in the work to inform the Quality Report.

Training and development for Governors

The Trust provided Governors with access to a range of training and development opportunities to further support them in their role which included in-house training; attendance to external MIAA Governor Learning Events and the North West Governor Conference.

The Board's relationship with the Council of Governors

The Board of Directors and the Council of Governors worked closely throughout April and September 2017. The Chairman and the Company Secretary worked closely with the Chairs' Advisory Committee to discuss agenda items for Council of Governors meetings and the Joint Governor Workshops with Governors of CMFT. The Chief Executive attended all Council of Governor meetings with Executive and Non-executive Directors attending regularly as observers to provide assurance when further information was required on strategic developments and operational performance and to answer any concerns that Governors wished to raise.

UHSM Governors had devoted a large amount of their time to attend many meetings whilst fulfilling their role. These included strategic seminars with updates provided on the Greater Manchester plans including the Manchester Locality Care Organisation.

Governors had a greater involvement with progress made against the Trust's intentions to merge with CMFT on 1 October 2017. This included regular meetings with the Board and the SHS Project Director on the process and progress undertaken, meetings with the Chairman, Non-executive Director and Company Secretary.

Governors received independent legal advice on their statutory role as part of the merger between CMFT and UHSM. As part of the Post Transactional Integration Plans Governors also actively contributed to the development of MFT organisation's Constitution and agreed the evidence criteria for Governors to use to measure the Board of Directors performance throughout the merger process which was used by Governors to support the merger process.
Board of Directors meetings were held in public and Governors regularly attended to observe these meetings. Members of the Board responded to any questions or concerns that Governors raised.

Board of Directors

The Board of Directors was a unitary Board with collective responsibility for all areas of performance of the Trust such as clinical and operational performance, financial performance, governance and risk. The Board was legally accountable for the services that it provided at the Trust and aimed to operate to the highest of corporate governance standards.

The Board delegated some of its powers to a Committee of Directors and these matters were set out within the Trust's Standing Orders and Scheme of Delegation.

Further details on the workings of the Statutory Board Committees (Nomination and Remuneration Committee and Audit Committee) can be found within the Remuneration Report. In addition to the Statutory Board Committees the Trust had additional Board Committees and Executive Operational Groups which were reviewed and revised during the year with the formation of Management Board.

The Board ensured that the public interests of patients and the local community were represented by working groups in place within and outside of the Trust which was in addition to the Council of Governor Committee structure.

Board Composition and Balance

The Board was satisfied that it had the appropriate balance and knowledge, skills and experience to enable it to carry out its duties effectively. This was supported by the Council of Governors which had taken into account the collective performance of the Board.

Board of Director Meetings

The Board met at least monthly in a formal session during April to 30 September 2017. These sessions were held in public apart from where the Board resolved to meet in a private session, by reason of the confidential nature of business to be discussed.

The Board was legally accountable for the services provided by the University Hospital of South Manchester and key responsibilities included the following:

- Ensuring that services provided were safe, clean and personal care was provided for patients
- Setting the strategic direction of the Trust ensuring that the Council of Governor's views were considered
- Ensuring adequate systems and processes were in place to deliver the Trust's Annual Operational Plan
- Measuring and monitoring effectiveness and efficiency of services
- Ensuring that the Trust was compliant with its Licence, as issued by the Trust's Independent Regulator
- Exercising powers of the Trust which were established under statue, which were detailed within the Trust's Constitution
- Ensuring robust governance arrangements were in place and supported by an effective assurance framework which supported sound systems of internal control

All Board members were required to have annual performance appraisals. The Chairman carried out the annual performance appraisal for the Non-executive Directors and the Chief Executive. The Senior Independent Director carries out the annual performance appraisal for the Chairman, he meets collectively with Non-executive Directors, and meets separately with the Nomination Committee and Chief Executive before completing the Chairman's appraisal process. (*The annual appraisal for the merged Trust Board members are planned to be carried out and will be reported within the Manchester University NHS Foundation Trust's Annual Report and Accounts 2017/18*)

The collective performance of the Board was evaluated through discussions and evaluation at Board Away Days, through continuous review of the Board Assurance Framework and through independent reviews such as the Well-led review conducted by Deloitte LLP. An independent re-review of governance was carried out by Deloitte LLP which followed previous reviews aligned to the Well-led Framework. The outcome of Deloitte's re-review received in October 2016 found the Trust had made significant improvements with regards to Board governance which is explained further within the Annual Governance Statement.

Board of Director Profiles

Non-executive Directors:

Barry Clare, Chairman

Barry is a pioneering healthcare business leader with extensive experience in the healthcare industry sector. He has held a number of top roles at leading international companies and has a proven track record in developing and implementing strategy in healthcare, retail consumer products and financial services. Barry also has extensive experience in merging and integrating large organisations.

Barry created Boots Healthcare International, the international 'over the counter' consumer healthcare business of the Boots Company PLC; through Barry's leadership the business became the fastest growing 'over the counter company' in Europe. During his time as a board member of Boots, Barry was responsible for the global expansion of international brands including Nurofen, Strepsils and Clearasil. Following his career at Boots, Barry has been Chairman of a number of successful, pioneering healthcare companies that have brought several ground breaking innovations to the NHS. Barry's portfolio of innovative healthcare solutions include: e-health business, diagnostics tests and medicines development. Barry was appointed as Chairman in March 2015 for a term of three years.

Jane McCall Non-executive Director (Deputy Chair)

Jane McCall lives in Wythenshawe, and was Deputy Chief Executive at Trafford Housing Trust (THT). Jane has worked in the Social Housing sector for over 25 years, 15 of which have been in Senior Management positions. Her previous posts also included Managing Director of two business subsidiaries within the Regenda Group, and Divisional Technical Director for the Places for People Group. Jane has previously undertaken several Non-Executive roles within the health, housing and procurement sectors. Jane is currently a Non-Executive Director at the Office for Legal Complaints (the Legal Ombudsman); a Non-executive Director of the House of Commons Commission and a Non-executive Director of the Information Commissioner's Office. Jane is also Chair at Egerton High School in Trafford.
Jane was appointed in December 2015 for a three year term.

Trevor Rees Non-executive Director (Deputy Chair)

Trevor is a Chartered Accountant with over 20 years' experience of working with the NHS and other publicly funded/not for profit organisations providing financial audit and advisory services. He has worked with both Provider and Commissioner organisations in the NHS and been involved with and supported organisations as they have gone through the significant changes that have occurred in the service during this time. Having studied and worked in and around Manchester and the North West all his working life, and seen all that is good about the region, he has a keen interest in the current Devolution plans for Greater Manchester and the opportunity this presents to organise and deliver public services in a way that truly meets the needs of local residents. Trevor lives in Macclesfield and is married with three children and two step-children and has just completed nine years as a governor at Stockport College. Trevor was appointed in December 2015 for a three year term.

Roger Barlow BA FCA Non-executive Director and Senior Independent Director

Roger studied Economics at Durham University and is a Chartered Accountant. He is a former partner of KPMG who has held several directorships in both public and private companies.

Roger is Chairman of the Marsden Building Society, a Non-executive Director of Bank and Clients plc and an independent member of the Audit Committee at the Information Commissioner's Office. Roger lives in Hale and is married with two grown up children. Roger was originally appointed in November 2009 and was reappointed in November 2012 and November 2015 for a three year term subject to annual review.

Professor Dame Sue Bailey OBE DBE Non-executive Director

Sue Bailey lives and works in Manchester. After studying medicine and psychiatry at the University of Manchester, Sue worked as a Child and Adolescent psychiatrist for over thirty years. Through subsequent roles as President of the Royal College of Psychiatrists and now Chair of the Academy of Medical Royal Colleges, Sue's national health policy and research work has focused on needs assessment and risk management across health and social care. Sue is committed to improving the quality of health care delivery and reduce health inequalities across diverse communities. Sue was appointed in December 2015 for a three year term.

Board of Director Profiles

Executive Directors:

Silas Nicholls, Chief Executive (from 1 November 2016)
Silas joined UHSM in December 2014 as Chief Operating Officer. Silas was previously employed as Deputy Chief Executive and Director of Strategy for four years at Wrightington, Wigan and Leigh NHS Foundation Trust and prior to that he was Director of Operations and Performance at Clatterbridge Centre for Oncology NHS Foundation Trust.

Silas has worked in the NHS since 1993, he commenced his career in the NHS as a graduate management trainee and has held a wide range of general management posts including commissioning roles in health authorities, management of community services and working as a Divisional Manager in a number of large hospital Trusts across the North West.

Mandy Bailey Chief Nurse/Director of Risk and Governance
(Deputy Chief Executive from 1 November 2016)
Mandy has an extensive career in the NHS which spans over 30 years. Mandy is a qualified RGN and RSCN and has undertaken both clinical and senior managerial roles. Mandy's area of clinical expertise is children's infectious diseases. She was the Director of quality at Leeds Teaching hospital before joint UHSM in January 2007.

Tim Barlow Chief Finance Officer
Tim joined UHSM in December 2015 from Warrington and Halton Hospitals NHS Foundation Trust where he was Director of Finance and Commercial Development. Prior to that he was Chief Operating Officer and Chief Financial Officer for Trafford CCG. Tim is a graduate certified accountant with an MBA from Manchester Business School.

Tim's background before joining the NHS consisted of 26 years' experience in a variety of senior finance roles within large Private sector organisations including UK Finance Director for both Thomas Cook plc and MyTravel PLC and subsequently Finance Director for the merged Thomas Cook Airlines.

Toli Onon Medical Director (from 1 November 2016)
Toli qualified at Manchester Medical School in 1990 with an intercalated degree in Pharmacology before commencing training in Obstetrics and Gynaecology. She gained an MD in cancer immunology at the Christie Hospital and was appointed as Consultant at the Trust in 2013.

Toli was Director of Postgraduate Medical Education from 2008 to 2012 and then became the Deputy Medical Director for the introduction of Medical Revalidation. She took up the role of Divisional Medical Director for Unscheduled Care in January 2014 and became the Trust's Medical Director in November 2016.

Board of Director Attendance

Non-executive Directors		Board Attendance (1 April to 30 September 2017)
Barry Clare	Chairman	7/7
Trevor Rees	Non-executive Director/Deputy Chair)	6/7
Jane McCall	Non-executive Director/Deputy Chair)	7/7
Roger Barlow	Non-executive Director/Senior Independent Director	6/7
Prof Dame Susan Bailey	Non-executive Director	6/7

Executive Directors		Board Attendance (1 April to 30 September 2017)
Silas Nicholls	Chief Executive	6/7
Amanda Bailey	Chief Nurse/Director of Risk and Governance/Deputy Chief Executive	7/7
Tim Barlow	Chief Finance Officer	7/7
Toli Onon	Medical Director	2/7

Independence of Non-executive Directors

The Board of Directors determine whether each Non-executive Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could affect, directors' judgement. A review of Non-executive Director's independence was carried out and reported to the Board at its April 2017 meeting and further assessment was carried out by the Interim Board as part of the Fit and Proper Person assessment. Further details on Directors' independence can be found within the Foundation Trust Code of Governance section of this report.

Declaration of Interests of the Board of Directors

An annual review of the Board of Director's Register took place and in addition any changes to Directors interests were declared at the next routine meeting following the change of their interests.

The Board of Directors and its Committees had a standing agenda item which required Executive and Non-executive Directors to make it known of any interest in relation to agenda items and any changes to their declared interests.

The Register of Board Interests was available for public inspection via the Trust's website or from the following address:

Director of Corporate Services and Trust Board Secretary
Manchester University NHS Foundation Trust
Trust Headquarters
Cobbett House
Oxford Road
Manchester
M13 9WL

Statement as to Disclosure to Auditors

For every individual that is a Director at the time that this report was approved:

- So far as the Director is aware, there is no relevant audit information of which the Trust's auditor is unaware
- The Director had taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Trust's auditor is aware of that information
- A Director is regarded as having taken all the steps that they ought to have taken as a Director in order to do the things mentioned above
- Made such enquiries of his/her fellow Director and of the company's auditors for that purpose
- Taken such other steps (if any) for that purpose, as are required by his/her duty as a Director of the company to exercise reasonable care, skill and diligence.

Annual Remuneration Report

Annual Statement on Remuneration Committee

I present to you the Directors' Remuneration Report for the financial period 1 April to 30 September 2017.

The Appointments Committee and the Remuneration Committee were established by the Council of Governors and dealt with Non-executive Directors remuneration and Terms of Office.

The Remuneration Committee and Appointments Committee are established by the Board of Directors and dealt with the remuneration and Terms of Service for Executive Directors and any other such senior managers.

The Remuneration Report includes the following:

- Senior Managers' Remuneration policy;
- The Annual Report on Remuneration including Directors' service contracts details and Governance requirements including Committee membership, attendance and business conducted.

Major Decisions on Remuneration during April to 30 September 2017:

The Trust's Remuneration Committees' aims are to ensure that Executive and Non-executive Directors' remuneration is set appropriately, taking into account relevant market conditions, and that Executive Directors are appropriately rewarded for their performance against goals and objectives linked directly to the Trust's objectives and that they are not paid more than is needed. After careful consideration of national guidance, benchmarking and satisfactory appraisals, the Committee decides what level of increase in remuneration is appropriate. The Committee ensures the increase is fair and reflects benchmarking of Executive pay across the NHS.

During the reporting period the Committees approved the following for Non-executive Directors:

- An increase in remuneration for the two Non-executive Directors/Deputy Chairs to 30 September 2017 to cover the additional duties associated with these.

Kathy Cowell OBE DL
Chairman
23rd May 2018

Sir Michael Deegan CBE
Chief Executive
23rd May 2018

Annual Remuneration Report

Appointments Committee

The Board of Directors and Council of Governors established the Appointments Committees which is responsible for matters relating to the appointments and terms of office of Non-executive Directors including the Chairman and Executive Directors.

The arrangements that were in place for the Appointments Committee included the Chief Executive would attend the meeting upon invitation to provide advice when required. At times when the Chairman's terms of office or performance appraisal was planned to be considered the Chairman would withdraw from the meeting.

Only members of the Committee were eligible to attend meetings, however, other members of the Board could be invited to attend to offer advice and to support the workings of the Committee.

Remuneration Committees

The Trust had two Remuneration Committees, one that determined the remuneration for Non-executive Directors (including the Chairman) and one that determined remuneration and allowances for Executive Directors (including the Chief Executive).

Remuneration Committee (1)

The Council of Governors established the Remuneration Committee which was responsible for matters relating to the remuneration of Non-executive Directors, including the Chairman. Attendance during April to September 2017 can be found below:

David Rogers, Chair of Committee	1/1
Sidney Travers	1/1
Colin Owen	1/1
Chris Templar	1/1
Margaret Hughes	1/1
Marguerite Prenton	1/1
Cllr Chris Boyes	1/1

During April to September 2017 the Council of Governors, through the Remuneration Committee agreed and had oversight on the following:

- The Committee received independent national benchmarking information on remuneration of Non-executive Directors (including Chairmen).
- The Committee agreed to increase the remuneration of the two Deputy Chairmen (Trevor Rees and Jane McCall, Non-executive Directors) to cover the additional duties they had taken on during the Chairman's absence and with the additional work associated with the Manchester Devolution plans.

The Committee found that remuneration was in line with comparable Trust's locally and nationally and is reflected within the Remuneration report.

Remuneration Committee (2)

The Board of Directors established the Remuneration Committee which was responsible for matters relating to the remuneration of Executive Directors, including the Chief Executive. This Committee did not meet during April to September 2017.

The Trust's Remuneration Committees had the authority to consult independent professionals advisors or seek external independent benchmarking information to market test the remuneration levels of the Chairman and other Non-executive Directors at least once every three years and would do so if they intended to make a material change to the remuneration levels.

Only members of the Appointment and Remuneration Committees are eligible to attend Committee meetings, however, other members of the Board can be invited to attend to offer advice and support the workings of the Committee. These Committees may also invite other individuals to attend as and when required to receive specialist and/or independent advice on any matter relevant to its roles and functions.

Interim Board

UHSM and CMFT were advised that a substantive Board of Directors could be not be appointed until the new organisation had been authorised and a new Council of Governors had been elected. In line with the approved Full Business Case and NHS Improvement's guidance an Interim Board was formed in June 2017 to cover the transitional period leading up to the planned merger and to enable a prompt and effective appointment of a substantive Board following authorisation. The appointment of the Interim Chairman and Interim Deputy Chairman were agreed with NHS Improvement. Candidates from both merging Trusts were interviewed by a panel

which included external assessors and Governor representatives from each Trust.

The Interim Non-executive Director appointments were agreed with NHS Improvement with candidates from both Trust's interviewed by panels which included an external assessor. Governors were informed that the substantive Chairman and substantive Non-executive Directors would be made following an appointment process involving Governors of the new organisation (MFT) once the Governors had been elected and appointed.

Appointments of Interim Executive Directors to the Interim Board were made following the receipt of independent employment legal advice.

Senior Managers' Remuneration Policy

Executive Directors receive a fixed salary which is established at the beginning of each year and determined by independent benchmarking against NHS organisations throughout the country with the use of NHS Provider benchmarking information, NHS Annual Reports and Accounts and knowledge of job descriptions, person specifications and market pay. Executive Directors are substantive employees and their contracts can be terminated by either party with six months' notice. For the purpose of this Remuneration Report only voting members of the Board are considered as 'senior managers'.

Service Contracts

As described above, all Executive Director contracts contain a six month notice period. Non-executive Directors serve for three year terms and serve a maximum of six years subject to satisfactory performance (*with additional years approved subject to satisfactory performance on an annual basis*).

Non-executive Directors are not eligible to receive compensation for loss of office. The Council of Governors consider and set terms of office for Non-executive Directors beyond that to meet the needs of the Trust whilst taking into account NHS Improvement's guidance. Non-executive Directors can be terminated by three quarters of the members of the Council of Governors voting at a Council of Governor general meeting. Further details on each of the Non-executive Directors can be found in the Director's Report within this Annual Report.

Senior Manager Remuneration and Benefits

The authority and responsibility for controlling major activities is retained by the statutory Board of Directors who has voting rights this includes the voting Executive and voting Non-executive Directors (including the Chairman).

Pension arrangements for the Chief Executive and Executive Directors are in accordance with the NHS Pension Scheme, the Accounting Policies for Pensions and relevant benefits are set out in the following tables:

Sir Michael Deegan CBE
Chief Executive
23rd May 2018

Figures below are for the 6 month period from 1 April 2017 to 30 September 2017, for comparison purposes a table showing figures for the prior 12 months is also included

	A	B	C	D	E		F	G
Name and title	**salary and fees**	**taxable benefits**	**annual performance-related bonuses**	**long-term performance-related bonuses**	**sub-total**		**Increase in Pension–related benefits during the accounting period***	**Total**
	(Bands of £5,000)	**(Rounded to nearest £100)**	**(Bands of £5,000)**	**(Bands of £5,000)**	**(Bands of £5,000)**		**(Bands of £2,500)**	**(Bands of £5,000)**
	£ 000s	**£ 000s**	**£ 000s**	**£ 000s**	**£ 000s**		**£ 000s**	**£ 000s**
six months ended 30 September 2017								
Executive Board Members with Voting Rights								
Bailey A. - Chief Nurse/Executive Director of Risk and Governance	70 to 75				70 to 75		67.5 to 70	135 to 140
Barlow T. - Chief Finance Officer	75 to 80				75 to 80		32.5 to 35	105 to 110
Onon T. - Medical Director	85 to 90				85 to 90		-	85 to 90
Nicholls S. - Interim Chief Executive	85 to 90				85 to 90		72.5 to 75	160 to 165
Non Executive Board Members								
Clare B. - Chair	20 to 25				20 to 25		-	20 to 25
Barlow R.- Non Executive Director, Chair of Audit Committee	5 to 10				5 to 10		-	5 to 10
McCall J. - Non Executive Director	10 to 15				10 to 15		-	10 to 15
Rees T. - Non Executive Director	10 to 15				10 to 15		-	10 to 15
Bailey S. - Non Executive Director	5 to 10				5 to 10		-	5 to 10

	A	B	C	D	E		F	G	
Name and title	**salary and fees**	**taxable benefits**	**annual performance-related bonuses**	**long-term performance-related bonuses**	**sub-total**		**Increase in Pension–related benefits during the accounting period***	**Total**	
	(Bands of £5,000)	**(Rounded to nearest £100)**	**(Bands of £5,000)**	**(Bands of £5,000)**	**(Bands of £5,000)**		**(Bands of £2,500)**	**(Bands of £5,000)**	
	£ 000s	**£ 000s**	**£ 000s**	**£ 000s**	**£ 000s**		**£ 000s**	**£ 000s**	
2016/17									
Executive Board Members with Voting Rights									
Bailey A. - Chief Nurse/Executive Director of Risk and Governance	130 to 135				130 to 135		77.5 to 80	210 to 215	
Barlow T. - Chief Finance Officer	150 to 155				150 to 155		100 to102.5	255 to 260	
Crampton J. - Medical Director	100 to 105				100 to 105		0.0	100 to 105	i
Onon T. - Medical Director	70 to 75				70 to 75		0.0	70 to 75	ii
Nicholls S. - substantive Director of Operations, now includes additional interim Chief Executive arrangement	155 to 160				155 to 160		97.5 to 100	255 to 260	iii/iv
Whittingham D. - Chief Executive	145 to 150				145 to 150		0.0	145 to 150	v
Non Executive Board Members									
Clare B. - Chair	45 to 50				45 to 50			45 to 50	
Barlow R.- Non Executive Director, Chair of Audit Committee	15 to 20				15 to 20			15 to 20	
Gibson M. - Non Executive Director	10 to 15				10 to 15			10 to 15	vi
Smyth P. - Non Executive Director, Deputy Chair	0 to 5				0 to 5			0 to 5	vii
McCall J. - Non Executive Director	10 to 15				10 to 15			10 to 15	
Rees T. - Non Executive Director	10 to 15				10 to 15			10 to 15	
Bailey S. - Non Executive Director	10 to 15				10 to 15			10 to 15	

i) Held position of Medical Director up until 31 October 2016.

ii) Commenced as Medical Director with effect from 1st November 2016.

iii) Executive Board member throughout the year. Substantive role changed from Chief Operating Officer to Interim Chief Executive with effect from 1 November 2016.

iv) With effect from 1 October 2016 to 31 August 2017, part of the role of Chief Operating officer was covered by the Director of Operations and Performance. This was on an interim basis and is declared within the Off-payroll table. Total cost of fees for management services under these arrangements was £138,000 for the period 1st April 2017 to 31st August 2017 and £189,000 for the period 1 October 2016 to 31 March 2017. These values exclude VAT.

v) Held position of Chief Executive up until 31 October 2016.

vi) Held position of Non-Executive Director up until 31 March 2017.

vii) Held position of Non-Executive Director / Deputy Chair up until 30 June 2016.

Name and Title	Total accrued pension at age 60 at 30 September 2017	Value of automatic lump sums at 30 September 2017	Real increase in pension during the period	Real increase in automatic lump sum during the period	CETV* at 30 September 2017	CETV* at 31 March 2017	Real increase in CETV* during the period
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(Bands of £1,000)	(Bands of £1,000)	(Bands of £1,000)
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Bailey A. - Chief Nurse/Executive Director of Risk and Governance	50 to 55	155 to 160	0 to 2.5	5 to 7.5	1,047 to 1,048	934 to 935	75 to 76
Barlow T. - Chief Finance Officer	20 to 25	-	0 to 2.5	-	307 to 308	286 to 287	76 to 77
Onon T. - Medical Director	45 to 50	130 to 135	-	-	902 to 903	902 to 903	-
Nicholls S. - Chief Executive	30 to 35	70 to 75	2.5 to 5	2.5 to 5	450 to 451	406 to 407	75 to 76

Name and Title	Total accrued pension at age 60 at 31 March 2017	Value of automatic lump sums at 31 March 2017	Real increase in pension during the period	Real increase in automatic lump sum during the period	CETV* at 31 March 2017	CETV* at 31 March 2016	Real increase in CETV* during the period
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(Bands of £1,000)	(Bands of £1,000)	(Bands of £1,000)
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Bailey A. - Chief Nurse/Executive Director of Risk and Governance	50.0 to 55.0	150.0 to 155.0	0.0 to 2.5	5.0 to 7.5	934.0 to 935.0	846.0 to 847.0	61.0 to 62.0
Barlow T. - Chief Finance Officer	20.0 to 25.0	-	2.5 to 5.0	-	286.0 to 287.0	207.0 to 208.0	36.0 to 37.0
Crampton J. - Medical Director	60.0 to 65.0	185.0 to 190.0	-	-	1,457.0 to 1,458.0	1,457.0 to 1,458.0	-
Onon T. - Medical Director	45.0 to 50.0	130.0 to 135.0	-	-	900.0 to 901.0	45.0 to 46.0	-
Nicholls S. - initially Chief Operating Officer, subsequently Chief Executive	25.0 to 30.0	65.0 to 70.0	2.5 to 5.0	2.5 to 5.0	406.0 to 407.0	325.0 to 326.0	45.0 to 46.0
Whittingham D. - Chief Executive *	-	-	-	-	-	-	-

* the Trust did not make contributions to Ms Whittingham's Pension Scheme

Notes to Senior Managers remuneration and Pension benefits

* A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-2005 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV reflects the increase in CETV effectively funded by the employer. It excludes the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair Pay Multiple

NHS Foundation Trusts are required to disclose the relationship between the remuneration of the highest paid Executive Director in their organisation and the median remuneration of the organisation's workforce. For this Trust, Executive Directors are deemed those with a voting right on the Board, as disclosed in the salary table above. The highest paid director in the Trust is the Chief Executive. The banded remuneration of the Chief Executive and the median remuneration of the workforce were as follows:

	6 months ended 30 September 2017 £'000	2016-17 £'000
Median remuneration	17.2	34.2
Mid-point banded remuneration of Chief Executive	93.4	177.5
Ratio between median remuneration and mid-point of the banded remuneration of the highest paid director	5.4	5.2

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Expenditure on consultancy

Expenditure on consultancy in the six months ended 30 September 2017 was £1,202k (2016/17 £1,128k). Consultancy expenditure in the period related mainly to support in developing a Financial Improvement Programme.

Staff exit packages

From 1 April to 30 September 2017 there was one compulsory redundancy. The cost of the redundancy exit package for the one member of staff fell within the banding range £100,001 - £150,000. There were no non-compulsory departures in the period which attracted an exit package.

Governors' expenses

In accordance with the Trust's Constitution Governors are eligible to claim expenses for such things as travel at rates determined by the Trust. During the six months ended 30 September 2017, no governors claimed expenses. In 2016/17 there were two Governors who claimed expenses which totalled £749.

Directors' expenses

During the six months ended 30 September 2017, nine individuals held the office of Director at the Trust and total expenses of £878 were paid amongst four Directors. All expenses paid related to the reimbursement of travel and subsistence costs. In 2016/17, expenses of £3,872 were paid to Directors of the Trust. Details of remuneration and benefits in kind are included within the Remuneration table.

Analysis of staff costs

Details of our workforce are provided below. The costs and numbers of staff include research employees and Executive Directors, but exclude Non-executive Directors.

	six months ended 30 September 2017			2016/17		
	Total	**Permanently Employed**	**Other**	Total	Permanently Employed	Other
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Salaries and wages	**110,410**	**109,390**	**1,020**	210,615	208,589	2,028
Social security costs	**10,080**	**9,990**	**90**	19,690	19,514	176
Pension cost - defined contribution plans, employers contributions to NHS Pensions	**12,370**	**12,265**	**105**	23,798	23,588	210
Pension cost - other	**10**	**10**	**-**	17	17	-
Temporary staff – external bank	**6,275**	**-**	**6,275**	11,040	-	11,040
Temporary staff – agency/contract staff	**3,825**	**-**	**3,825**	11,491	-	11,491
NHS Charitable Funds staff	**-**	**-**	**-**	-	-	-
Employee benefits expense	**142,970**	**131,655**	**11,315**	276,651	251,708	24,943

The average number of people employed were:

	six months ended 30 September 2017			2016/17		
	Total	**Permanently Employed**	**Other**	Total	Permanently Employed	Other
	Number WTE	**Number WTE**	**Number WTE**	Number WTE	Number WTE	Number WTE
Medical and dental	**781**	**540**	**241**	757	514	243
Ambulance staff	**-**	**-**	**-**	-	-	-
Administration and estates	**1,395**	**1,254**	**141**	1,279	1,137	142
Healthcare assistants and other support staff	**840**	**840**	**-**	824	824	-
Nursing, midwifery and health visiting staff	**1,889**	**1,818**	**71**	1,870	1,802	68
Nursing, midwifery and health visiting learners	**5**	**5**	**-**	5	5	-
Scientific, therapeutic and technical staff	**816**	**793**	**23**	794	728	66
Healthcare science staff	**101**	**94**	**7**	91	91	-
Social care staff	**-**	**-**	**-**	-	-	-
Agency and contract staff	**83**	**-**	**83**	137	-	137
Bank staff	**232**	**-**	**232**	204	-	204
Total	**6,142**	**5,344**	**798**	5,961	5,101	860

The values shown above are whole time equivalent (WTE) staff numbers and represent a monthly average for the six month period.

Off-payroll engagements

Executive Director approval is required for all off-payroll engagements and the Trust reports to NHS Improvement as required in line with national requirements. Board approval via recommendations from Nomination and Remuneration Committee is required by any off-payroll Board member engagements.

Table 4B: for all new off-payroll engagements as at 30 September 2017, for more than £220 per day and that lasted more than six months	**six months ended 30 September 2017 Number of engagements**
Number of existing engagements as of 30 September 2017	5
Number that have existed for less than one year at a time of reporting	4
Number that have existed for between one and two years at the time of reporting	1
Number that have existed for between two and three years at the time of reporting	-
Number that have existed for between three and four years at the time of reporting	-
Number that have existed for four or more years at the time of reporting	-

Table 4C: for all new off-payroll engagements, or those that reach six months in duration, between 1 April 2017 and 30 September 2017, for more than £220 per day and that lasts for longer than six months	**six months ended 30 September 2017 Number of engagements**
Number of new engagements, or those that reached six months in duration between 1 April 2017 and 30 September 2017	4
Number of the above which include contractual clauses giving the Trust the right to request assurance in relation to income tax and national insurance obligations	4
Number of whom assurance has been requested	-
Of which:	
Number of whom assurance has been received	-
Number of whom assurance has not been received*	-
Number that have been terminated as a result of assurance not being received	-

Table 4D: for all new off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2017 and 30 September 2017, for more than £220 per day and that lasts for longer than six months	**six months ended 30 September 2017 Number of engagements**
Number of off payroll engagements of Board members, and/or, senior officials with significant financial responsibility during 1 April 2017 and 30 September 2017	1
Number of individuals that have been deemed 'board members' and/or senior officials with significant financial responsibility'. This figure should include both off-payroll and on-payroll engagements	1
In any cases where individuals are included within the first row of this table, please set out:	
Details of the exceptional circumstances that led to each of these engagements	Role of Chief Operating Officer was covered by the Director of Operations and Performance. This was on an interim basis prior to the merger with Central Manchester University Hospitals NHS Foundation Trust to form Manchester University Hospital NHS Foundation Trust.
Details of the length of time each of these exceptional engagements lasted	Expected to last less than one year – interim arrangement ended in August 2017.

Audit Committee

The Audit Committee provides an independent and objective review of the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives. It played a pivotal role in supporting the Trust's governing body.

The Audit Committee composed of at least three Non-executive Directors and was chaired by Roger Barlow, Non-executive Director (the Chairman of the Trust was not a member of the Audit Committee).

The Audit Committee met on three occasions during April to September 2017 with the Chief Finance Officer, other Trust officers as well as the Trust's internal and external auditors in attendance.

Membership and attendance is included below:

Roger Barlow	3/3
Jane McCall	3/3
Trevor Rees	3/3

During 2016/17 the Audit Committee undertook a self-assessment against the HFMA standards for Audit Committees and it was identified that there were no significant issues which needed to be addressed.

The Performance of the external auditors was assessed during 2016/17 against the auditing standards. There were no conflicts of interest that needed to be addressed by the Auditor or the Audit Committee during the reporting period. The external Audit fee for the reporting period was £40,000.

Audit Committee met its responsibilities during 1 April to 30 September 2017 by:

- Reviewing all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the CQC Domain Requirements), together with any accompanying Head of Internal Audit statement, External Audit Opinion or other appropriate independent assurances, prior to endorsement by the Board for the Annual Report and Accounts 2016/17.
- Reviewing the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principle risks and the appropriateness of the above disclosure statement.
- Reviewing the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements.
- Reviewing the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service.
- Reviewing the planned arrangements in place for the production of the Accounting policy required for the production of the six month period up to the dissolution of the Trust and merger with CMFT.

Internal Audit

The Trust had an internal audit function provided by KPMG which reviewed, appraised and reported on the extent of compliance with, and the financial effect of relevant policies, plans and procedures, the adequacy and application of financial and other related management controls, the suitability of financial and other related management data, the extent to which the Trust's assets and interest are accounted for and safeguarded against any loss arising from fraud, bribery, corruption and other offences, waste, extravagance, inefficient administration and poor value for money or other causes.

The Head of Internal Audit attended all Audit Committee meetings and had a right of access to all Audit Committee members, the Chairman and Chief Executive. The agreement with KPMG complied with the guidance on reporting containing within the NHS Internal Audit Standards.

Staff Report

The Trust held its employees in high regard. We aimed to recruit and retain the right numbers of staff, with the right skills, values and behaviours to deliver high quality care and excellent patient experience.

Employee Engagement and Involvement

We had approximately 6550 employees who held a range of contracts. At UHSM we were committed to improving employee engagement and empowerment with all of our employees. Employee engagement at UHSM focussed on employees feeling they belonged to the organisation that they work for, they believed in what it is we were trying to achieve and they felt valued for their contribution, which in turn had a direct link with patient experience and organisational performance.

Our Engagement strategy had four key elements to help underpin and improve employee engagement using the MacLeod Enablers:

- **Employee voice -** An effective and empowered employee voice – employees' views were sought; they were listened to and they could see that their opinions made a difference. They spoke out and challenged when appropriate. A strong sense of listening and of responsiveness permeated the organisation, which was enabled by effective communication

- **Engaging Managers -** At the heart of our organisational culture employees facilitated and empowered rather than controlled or restricted their staff; they treated their staff with appreciation and respect and showed commitment to developing, increasing and rewarding the capabilities of those that they managed

- **Leadership -** Provided a strong strategic narrative which had widespread ownership and commitment from managers and employees at all levels. The narrative of a clearly expressed story about the purpose of an organisation, why it had the broad vision it had, and how an individual contributed to that purpose

- **Organisational integrity -** Behaviour throughout the organisation was consistent with our defined values, leading to trust and a sense of integrity

We had an assortment of engagement work that had taken place during April to September 2017. Some of these key areas are listed below:

- Launched the new Trust's Pulse Survey questions to gather intelligence about impact rather than awareness to ensure that the information collected was as valuable as possible to the organisation
- Continued distribution, analysis and publication of the quarterly Pulse Survey and its results, including some in-depth bespoke reporting for some staff groups and areas of the Trust
- Continued staff engagement with the executive team via 'We're Listening' events which focused on a key theme: '*Managing Change and Transition'*
- Delivered resilience and wellbeing workshops through the LEAD programme and implemented continued provision of the Employee Assistance Programme
- Embedded a Workforce Multi-Disciplinary Team approach to support teams to utilise the skills of different roles across Human Resources, Learning and Development, Organisational Development and Employee Health and Wellbeing to share information, professional perspectives and specialist interventions which resulted in the production of a care plan to support complex, long-standing team challenges through one single point of contact
- Delivered a bespoke Learning and Organisational Development request process with approximately 50 interventions progressed during April-September 2017 to support complex, long-standing team challenges
- Continued the success of the Monthly Diamond Awards staff recognition scheme that awarded individuals and teams each month
- Prepared for the distribution of the NHS Staff Survey to be provided to all staff electronically in October 2017
- Continued to embed a new Appraisal approach designed with *'big conversation'* as the primary interest and *'little paperwork'* as a useful way to structure and enable a quality, collaborative process
- Further engaged on the Single Hospital Service Programme through a variety of mechanisms such as Trust email Newsflashes, Frequently Asked Questions intranet pages, face to face staff briefings, Q&As and Executive Team engagement events

- Engagement events were held to share the findings of the Culture Collective Project which was carried out to review the culture at UHSM which used leading edge research and guidance, and the Team working alongside NHS Improvement and Professor Michael West
- Developed and implemented a new Line Managers Induction for existing staff and new staff, setting out the leadership behaviours and expectations
- Developed a Simple Guide to Engagement which was designed to demystify staff engagement and assist staff and managers to maintain positive engagement through organisational change
- Created and distributed via email posters that offered support throughout organisational change which was shared at all major events and education sessions.

Each and every employee at the Trust was invited to provide feedback on a quarterly basis against three key areas and one of those was engagement.

Through the Staff Friends and Family Test, staff were also asked if they would recommend UHSM as a place for treatment and a place to work. The results of that were reported to the Board and the Quarter 2 Pulse Survey 2017 highlighted that 84.0% of staff would recommend the Trust to friends and family as a place for treatment which was just below the Trust's internal target of 89%. In the same Survey, 63.0% of staff recommended UHSM as a place to work, to their friends and family.

As an NHS acute and community provider we have a range of staff who work for us. The table below provides a breakdown of staff numbers:

	2017/18 (to 30.09.17)	2016/17
Add Prof Scientific and Technical	346	340
Additional Clinical Services	1124	1160
Administrative and Clerical	1518	1574
Allied Health Professionals	425	475
Estates and Ancillary	106	108
Healthcare Scientists	102	106
Medical and Dental	599	654
Nursing and Midwifery Registered	2228	2264
Students	6	6
Grand Total	**6454**	**6687**

	Female	Male	Total
Directors	2	2	4

The numbers shown above are total headcount and do not represent the total number of individuals employed by the Trust. The numbers do not include bank or agency staff.

Staff Sickness Absence	1 April 2017 to 30 September 2017	2016/17
Days lost- long term	30852.95	50100.29
Days lost- short term	15291.21	33415.07
Total days lost	46144.16	83515.36
Average working days lost(per FTE)	8.04	8.51

Percentage (12 Month Rolling)	1 April 2017 to 30 September 2017 %	16/17 %
April	4.19	4.21
May	4.23	4.13
June	4.24	4.12
July	4.32	4.15
August	4.37	4.12
September	4. 42	4.11
October		4.12
November		4.10
December		4.09
January		4.10
February		4.10
March		4.15

Employee Health and Wellbeing

As described in the performance report we aimed to reduce sickness to a target level of 4% by 2018. As at September 2017 the cumulative absence rate was 4.42% compared to the 4.15% as at 31 March 2017. The tables below provide further information regarding sickness absence.

How we help our employees to stay healthy and safe

Our health and wellbeing strategy was an enabler to help achieve our overall workforce strategy. The Trust continued to provide employee health and wellbeing services with arrangements in place through the absence manager process for employees to self-refer or referrals by line managers. This provided a single route for all employee sickness including planned and unplanned absences to be recorded onto a central portal.

We had in place a Health and Safety Committee that met regularly and provided a forum for managers and trade unions to work together to promote health and safety, improve the working environment and support the Trust's plans to reduce the number of serious incidents.

National NHS Staff Survey Results 2017

The NHS Staff Survey results for 2017 were planned to be carried out during October 2017 and the results of that Survey will be provided within the Manchester University NHS Foundation Trust's Annual Report 2017/18.

NHS Trust Code of Governance

UHSM had applied the principles of the NHS Foundation Trust Code of Governance (2006) recently updated in July 2014.

The Board had in place governance policies and procedures that reflect the principles of the NHS Foundation Trust Code of Governance which include:

- Standing Orders of the Board, Standing Orders of the Council of Governors, Scheme of Delegation of Powers, and Standing Financial Instructions
- Good quality performance reports are presented to the Board for quality, performance and finance
- Induction Programme for Executive and Non-executive Directors
- At least half of the Board excluding the Chairman comprises independent Non-executive Directors
- Non-executive Director regular private meetings with the Chairman
- Agreed recruitment process for Non-executive Directors
- Induction programme for Governors
- A Non-executive Director also covers the role of Senior Independent Director
- Register of Board and Governor Interests
- Maintains attendance records for Board and Governor Meetings
- Formal performance appraisal process is in place for Non-executive Director and the Chairman
- Publicly available Board, Governors and staff register of Interests
- Indemnity insurance is in place to cover any such risks if they arise in respect of legal action against Directors
- Process in place through the Chairs' Advisory Committee for the Council of Governors to raise any serious concerns and resolving disagreements between the Council of Governors and the Board
- Established process in place with the Chairs' Advisory Committee which acts in replace of the Lead Governor arrangement
- Monthly private meetings between the Chairman and the Council of Governors at the Chairman's Surgeries; and Joint Council of Governors meetings with UHSM and CMFT Governors to review matters reviewed at Board meetings, strategic and operational performance matters
- Developed assurance reporting in place with the Chief Executive and supporting Directors presentations on operational performance and strategic developments at Council of Governor meetings
- Well embedded Council of Governors sub-committee governance structure in place
- Council of Governors agenda setting process in place involving the Chairman and Chairs' Advisory Committee, a sub-committee of the Council of Governors
- Annual performance evaluation process in place for the Council of Governors
- Membership and Communication strategy and development plans in place
- Terms of Reference for Remuneration, Nomination and terms of service for the Board
- Recruitment process is in place for Non-executive Directors
- Board evaluation and development plan in place
- Well-led governance review carried out by external independent organisation in 2016 and a Well-led governance review is planned to be carried out by an external independent organisation for the merged Trust (MFT) during January and March 2018
- Council of Governors performance presentation at Annual Members Meeting
- Annual Fit and Proper Person Declaration carried out and reported to the Board to ensure compliance with the Fit and Proper Persons Requirements for Directors
- Code of Conduct in place for the Board and Council of Governors
- Going Concern Report
- Audit Committee provides robust arrangements
- Governor led appointment process in place for the appointment of External Auditors
- Whistle-blowing Policy and Counter Fraud Policy and Plan in place

UHSM had applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation

Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012. With the exception of the following the Trust departed from the Code during 1 April to 30 September 2017:

- A.5.8 Policy for engagement with the Board for circumstances when they have concerns

The UHSM Board recognised that it did not have a defined policy in place but it had robust working processes for Governors to raise concerns through regular meetings with the Chairman at the monthly Chairman' Surgery meetings, through the Chairs' Advisory Committee an arrangement that has worked effectively at the Trust in replace of the Lead Governor role, through raising concerns with any Director of the Trust, through the Joint Governor meetings held with CMFT Governors and the Single Hospital Service Team or by contacting the Company Secretary.

Quality and Clinical Governance

The Care Quality Commission (CQC) has a role to ensure that health and social care services that are provided are done safely, effectively, compassionatley, and are of high quality. The CQC is responsbile for monitoring, inspecting and regulating services to ensure they meet core standards of quality and safety and publish their findings to help people choose their care provider.

The Trust was fully compliant with the registration requirements of the CQC with the last Comprehensive Inspection report formally published in June 2016 which rated the Trust as 'requires improvement' overall for Wythenshawe Hospital and 'good' for Withington Community Hospital. A detailed action plan was developed to address the CQC findings which was closely monitored by Improvement Board, Quality Improvement Committee and Executive Team. The Trust had invested in the HealthAssure IT support system to enable reports of compliance from ward to Board which provided evidence of compliance against the Key Lines of Enquiry and the CQC statutory regulations. In addition, internal and external audits took place to scrutinise data with the results reported to the Audit Committee. The CQC confirmed that they were satisfied that all actions had been completed and had closed the action plan which was reported to the Board of Directors in August 2017.

In summary, UHSM has had regard to NHS Improvement's Standing Operating Framework in arriving at its overall evaluation of the organisation's performance, internal control and Board Assurance Framework and had appropriate action plans in place to improve the governance of quality.

Single Oversight Framework

NHS Improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A Foundation Trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

Segmentation

Under the Single Oversight Framework (SOF), NHS Improvement segment providers, based on the level of support each provider trust needs, into one of the following four categories:

Segment 1	Providers with maximum autonomy, no potential support needs identified.
Segment 2	Providers offered targeted support where there are concerns in relation to one or more key themes.
Segment 3	Providers receiving mandated support for significant concerns, there is actual or suspected breach of licence.
Segment 4	Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues.

In May 2014, Monitor, the Trust's regulator of Foundation Trusts at that time issued the Trust with Enforcement Undertakings in relation to financial stability and Board governance. Because of this, NHS Improvement assessed University Hospital of South Manchester NHS Foundation Trust as Segment 3. Since May 2014, the Trust made great progress with the Enforcement Undertakings and most recently it:

- successfully implemented a series of cost improvement programmes which enabled the Trust to achieve the financial control total for the six months ended 30 September 2017 set by NHS Improvement;

- commissioned Deloitte to undertake Well Led Reviews on effectiveness of Board governance arrangements with all recommendations successfully completed to address the review recommendations. As a result of the improvements to the Trust's Board governance arrangements NHS Improvement confirmed in May 2017 that in accordance with paragraph 12(1) of Schedule 11 to the Health and Social Care Act 2012 it considered the Trust to be fully compliant with its licence for Board governance.

This segmentation information is the Trust's position as at 30 September 2017. Current segmentation information for NHS Trusts and Foundation Trusts is published on the NHS Improvement website.

Finance and Use of Resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2017/18 Q2	2017/18 Q1	2016/17 Q4 score	2016/17 Q3 score
Financial sustainability	Capital service capacity	4	4	3	4
	Liquidity	4	4	4	4
Financial efficiency	I&E margin	4	4	2	4
Financial controls	Distance from financial plan	1	1	1	1
	Agency spend	1	1	2	3
	Overall scoring	**3**	**3**	**3**	**3**

Statement of Accounting Officer's Responsibilities

Statement of the Chief Executive's responsibilities as the Accounting Officer of University Hospital of South Manchester NHS Foundation Trust

The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by *NHS Improvement*.

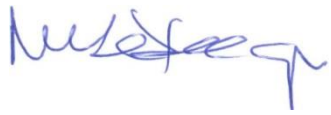
NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require University Hospital of South Manchester NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis *required by those Directions*. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of University Hospital of South Manchester NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Department of Health Group Accounting Manual* and in particular to:

- observe the Accounts Direction issued by *NHS Improvement*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (*and the Department of Health Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements;
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance; and
- prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in *the NHS Foundation Trust Accounting Officer Memorandum*.



Sir Michael Deegan CBE
Chief Executive
23rd May 2018

Annual Governance Statement

Scope of Responsibility

As Accountable Officer of Manchester University NHS Foundation Trust which came into existence on 1 October 2017 following the merger, and dissolution of University Hospital of South Manchester NHS Foundation Trust and Central Manchester University Hospitals NHS Foundation Trust, I complete this Annual Governance Statement for the former University Hospital of South Manchester NHS Foundation Trust for the six months reporting period 1 April 2017 to 30 September 2017.

The Accountable Officer's responsibilities are set out in the NHS Foundation Trust Accounting Officer Memorandum. The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets in accordance with the responsibilities assigned to them. The Accountable Officer is also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively.

The Purpose of the System of Internal Control

The System of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of University Hospital of South Manchester NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The System of Internal Control had been in place at University Hospital of South Manchester NHS Foundation Trust for the six month period up to its dissolution on 30 September 2017.

Capacity to Handle Risk

Risk leadership

The Board of Directors had the overall responsibility for risk management across the Trust. Terms of Reference for all Board assurance Committees set out the responsibility of key meetings in the oversight of risk management at the Trust. These included specific responsibilities of Board members, Divisional Medical Directors, Senior Managers, General Managers, and other staff covered within the Trust's Risk Management Strategy.

In line with the NHS Foundation Trust Code of Governance the Trust had in place a Senior Independent Director who was available to Governors and members (including staff) if they had any concerns that they felt they were unable to raise via normal channels of communication with the Chair, Chief Executive, or any other Board members, or where such communication remained unresolved or would be inappropriate. The Board also had in place a Freedom to Speak Up Guardian who acted in an independent and impartial capacity to support staff who raised (whistleblowing) concerns. The Freedom to Speak up Guardian was supported by a Guardian of Safe Working to assure the safety of the Trust's doctors.

Risk training

Controls were in place to ensure that all the Trust's staff had the appropriate skills and expertise to perform their duties. The Trust employed appropriately qualified staff that specialised in risk management. Risk management training was delivered to all new members of staff via the Trust's induction programme and to existing staff through mandatory training programmes. Senior staff training was provided by bespoke training programmes and information was also available via the Trust's intranet site. All job descriptions included specific reference to requirements regarding risk management, infection control and health and safety.

Risk and Control Framework

The Trust had in place a Risk Management Strategy which was updated in 2017 as part of the integration plans of the merger to ensure a smooth transition leading up to and following the merger. The Risk Management Strategy aligned to the Department of Health guidance to provide a framework for managing risks and risk identification was the responsibly of all staff, groups, the Board and

Committees within the Trust. There were policies in place to support the strategy which enabled staff to understand their specific responsibilities in relation to risk management compliance and delivery.

Risks were identified proactively through the risk assessment processes from Board, Board Committees Management Board and across all divisions, wards and departments. The Trust's quality management system included harm review and mortality reviews and reactively through the monitoring of key objectives, incidents, complaints and claims. These risks were evaluated through the use of a risk assessment matrix and controlled through a risk register system. There was delegated responsibility for risks at every level across the Trust.

UHSM Board Assurance Framework

The Board Assurance Framework provided the Trust with a system to identify and monitor risks to meet the Trust's strategic objectives. Each risk was mapped to corresponding controls and assurances.

The Board of Directors had a process in place to ensure the content of the Assurance Framework was managed effectively and fit for purpose. The strategic objectives were assigned to Board Committees and Management Board who were responsible for assuring the Board that the risk culture of the Trust was effective. The Executive Director who had delegated responsibility for managing and monitoring each risk on the Assurance Framework was clearly identified and the Board Committees and Management Board monitored the Board Assurance Framework at each of its meetings with reviews by the Board taking place on a quarterly basis.

The Audit Committee included Non-executive Directors members (excluding the Chairman), which overseen the systems of internal control and the overall assurance process associated with risk.

The very high and high scoring risks identified on the Assurance Framework during 1 April 2017 to 30 September 2017 and associated actions are summarised below:

Major Risks	Clinical risk	Mitigating Actions
Delivery of the 95% (national) target for four hour waiting time in Accident and Emergency	Yes	Action plans to control the risk included monitoring by divisional performance reviews against KPIs for patient flow on a daily basis including four hour target, outliers and Delayed Transfers of Care. Performance was monitored by Executive Team, Integrated Performance and Investment Committee, Management Board and the Board.
Significant findings on diagnostic investigations incorrectly filed or actioned	Yes	Action plans to control the risk included monitoring of compliance data regularly at divisional level, shared with the CCG and review of EPR acknowledgement consultant compliance. Closely monitored at divisional level and by Quality Improvement Committee, Management Board.
Wythenshawe's emergency medicine and abdominal surgery support to secondary and tertiary services reduced which may affecting the long term provision of these services at Wythenshawe Hospital following the Healthier Together decision not to designate Wythenshawe Hospital as a specialist hospital for emergency medicine and abdominal surgery.	Yes	Action plans to control the risk included monitoring by Management Board, Board meetings and divisional meetings in the Trust and at external Healthier Together programme meetings and Greater Manchester Devolution meetings.

Low staff engagement creates a negative working environment, loss of discretionary effort and productivity and high staff turnover	Yes	Action plans to control the risk were monitored by Workforce and Education Committee, Management Board, Integrated Performance and Improvement Committee, Single Hospital Staff Education Group, Workforce Partnership Forum, Board of Directors and divisions by the use of HR metrics, staff survey, internal audit of sickness absence, Culture Programme diagnostics and dashboard, We're Listening Events and divisional engagement plan.
Delivery of the 2017/18 annual plan financial target	No	Action plans to control the risk were monitored through divisional performance review meetings, Management Board, Integrated Performance and Investment Committee, Board meetings and Joint Service Board reviews. Core financial controls were also audited.
Achievement of the 18 week RTT trajectory target	Yes	Action plans to control the risk included weekly RTT meetings with Directorate Managers, information reports, monthly divisional performance reviews and meetings with the CCG and NHS Improvement. Action plans were also reviewed by the Trust's Improvement Board, Management Board, Integrated Performance and Investment Committee and the Board.
Creation of a Single Hospital Service (SHS) for Manchester and Trafford to provide consistent, high quality care throughout the City and Borough	No	Robust due diligence had taken place with the full business case approved by Board and submitted to NHS Improvement. Risks identified through the due diligence process were captured as appropriate within the Trust's and/or the Single Hospital Service (SHS) risk registers. Embedding of the SHS programme governance structure included the formation of the Interim Board formed from June 2017. CMA approval and NHS Improvement issuing an amber risk rating and approving the merger of the Trust and Central Manchester University Hospitals NHS Foundation Trust on 1 October 2017. Engagement and involvement with Governors took place throughout the entire process including Joint Governor Workshops and the formation of two Task and Finish Groups focusing on i) Constitution and Membership/Governor arrangements for the new organisation; and ii) Criteria Evaluation for Governors to use to assess the robustness of the process undertaken by the Board of Directors during the merger transaction.

Achievement of top 20% of Trusts for national Safety Thermometer results with reduction of falls, pressure ulcers, acute kidney injury, hydration, nutrition and never events	Yes	Action plans to control the risk included a sign up to safety plan, making safety visible, open and honest indicators, nursing performance indicator reviews, CCG walkabouts, and the integrated performance report. Monitoring took place by divisions, Quality Improvement Committee, and by the Board.
Recruit and retention of permanent nurses and midwives to meet the safer staffing levels to meet to acuity of patients and professional needs	Yes	Action plans to control the risk included daily staffing reviews, nurse safe staffing ratios calculated six monthly, HR recruitment and retention strategy and plans, incident reporting system to monitor staff ratios in comparison to harm, integrated performance report. Monitoring took place at divisional and ward level, Recruitment and Retention Group, Quality Improvement Committee and by the Board.
Protect the Trust's network IT systems against Cyber Attacks	Yes	Action plans to control the risk included discussion at the Trust's Data Security Forum and IGG. An IT Security Audit identified an action plan which was monitored by Audit Committee and reported to the Board.
Delivery of backlog maintenance investment in the Trust's estate and infrastructure to prevent harm to staff, patients or visitors	Yes	Action plans to control the risk included weekly monitoring meetings with Sodexo the Trust's FM service provider, comprehensive compliance reports. Monitoring took place by Integrated Performance and Investment Committee and by the Board.

Combined Board Assurance Framework

As part of the integration a plan working towards the merger a combined Board Assurance Framework was created with the support from Hempsons Legal Advisors. This was approved by the Interim Board, and University Hospital of South Manchester NHS Foundation Trust and Central Manchester University Hospitals NHS Foundation Trust (CMFT) Board of Directors which provided assurance on the mitigating plans in place to manage the risks that threatened the achievement of the new organisation.

Interim Board

UHSM and CMFT were advised that a substantive Board of Directors could be not be appointed until the new organisation had been authorised and a new Council of Governors had been elected. In line with the approved Full Business Case and NHS Improvement's guidance an Interim Board was formed in June 2017 to cover the transitional period leading up to the planned merger and to enable a prompt and effective appointment of a substantive Board following authorisation. The appointment of the Interim Chairman and Interim Deputy Chairman were agreed with NHS Improvement. Candidates from both merging Trusts were interviewed by a panel which included external assessors and Governor representatives from each Trust.

The Interim Non-executive Director appointments were agreed with NHS Improvement with candidates from both Trust's interviewed by panels which included external assessors. Governors were informed that the substantive Chairman and substantive Non-executive Directors would be made following an appointment process involving Governors of the new organisations once they had been elected and appointed.

Appointments of Interim Executive Directors to the Interim Board were made following the receipt of independent employment legal advice.

Quality Governance

The Board had a dedicated Quality Improvement Committee which was responsible for the oversight of quality governance including risks to clinical quality and safety throughout the Trust. The Quality Improvement Committee was chaired by a Non-executive Director and included the Medical Director, Chief Nurse/Director of Risk and Governance/Deputy Chief Executive, Deputy Chief Nurse, Deputy Director of Risk and Governance and divisional department leads. The Committee received reports in order that it can provide assurances to the Board in relation to the Trust's compliance with Care Quality Commission (CQC) registration requirements.

The Trust was fully compliant with the registration requirements of the CQC with the last Comprehensive Inspection report formally published in June 2016 which rated the Trust as 'requires improvement' overall for Wythenshawe Hospital and 'good' for Withington Community Hospital. A detailed action plan was developed to address the CQC findings which were closely monitored by Improvement Board, Quality Improvement Committee and Executive Team. The Trust had invested in the HealthAssure IT support system to enable reports of compliance from ward to Board which provided evidence of compliance against the Key Lines of Enquiry and the CQC statutory regulations. In addition, internal and external audits took place to scrutinise data with the results reported to the Audit Committee. The CQC confirmed that they were satisfied that all actions had been completed and had closed the action plan which was reported to the Board of Directors in August 2017.

As a provider of NHS services under the licence of the CQC the Trust must comply with the requirements of the NHS provider licence which forms the legal basis for NHS Improvement (Monitor's) oversight of NHS Foundation Trusts. The Single Oversight Framework aligns to the CQC's key components whilst covering five themes of: quality; finance and use of resources; operational performance; strategic change; and leadership and improvement capacity; it is aimed to oversee the Trust to identify potential support needs and help gain good and outstanding CQC ratings.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures in place ensured all employer obligations contained within the Scheme regulations were complied with. This included ensuring that deductions from salary, employer's contributions and payments into the Scheme were in accordance with the Scheme rules, and that member Pension Scheme records were accurately updated in accordance with the timescales detailed in the Regulations. Control measures ensured that all the organisation's obligations under equality, diversity and human rights legislation were complied with.

The Trust had undertaken risk assessments and Carbon Reduction Delivery Plans in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements were complied with.

Review of Economy, Efficiency and Effectiveness of the Use of Resources

The operational plan, including a financial plan, was approved by the Board and submitted to NHS Improvement. The plan included forward projections which was scrutinised on a monthly basis by the Integrated Performance and Investment Committee, together with key performance indicators and metrics reviewed by the Board of Directors. Finance and use of resources metrics were reviewed monthly by the Board. The Trust's financial plan for 2017/18 required cost savings of £23m. Whilst this represented a stretching target, this level of planned efficiency savings is not inconsistent with levels of savings achieved in previous years.

Financial governance arrangements were managed within the corporate governance framework which included Standing Orders, Standing Financial Instructions and a Scheme of Delegation. Financial governance was supported by internal and external audit to ensure economic, efficient and effective use of resources. Divisional and Corporate Departments were responsible for the delivery of financial and other performance targets via a performance management framework. The performance management framework had been reviewed and the Trust had strengthened divisional structures to further enhance accountability which included service reviews with members of the Executive Team.

There were no changes made to the Board of Directors during 1 April 2017 to 30 September 2017/18. There had been interim arrangements put in place from 1 November 2016 when D Whittingham, interim Chief Executive left the Trust and J Crampton stepping down from the Medical Director

position at the end of October 2016. The interim arrangements that the Trust put in place from November 2016 continued to cover the Chief Executive and the Medical Director positions to support the plans of the Single Hospital Service to form a new organisation from the two existing Trusts (University Hospital of South Manchester NHS Foundation Trust and Central Manchester NHS Foundation Trust) on 1 October 2017. S Nicholls, Chief Operating Officer/Deputy Chief Executive covered the Chief Executive position, M Bailey, Chief Nurse/Director of Risk and Governance covered the Deputy Chief Executive role and T Onon covered the Medical Director position.

In May 2014, Monitor, the Trust's regulator at that time issued the Trust with Enforcement Undertakings in relation to financial stability, Accident and Emergency performance and Board governance. Since that date, the Trust made great progress with enforcement undertakings removed for Board Governance and Accident and Emergency performance. As a result of the Trust's improved governance arrangements NHS Improvement confirmed that in line with its Single Oversight Framework and specifically the well-led framework that in accordance with paragraph 12(1) of Schedule 11 to the Health and Social Care Act 2012 it considered the Trust to be fully compliant with its licence for Board governance. A compliance certificate was issued by NHS Improvement on 23 May 2017 in relation to Board governance undertaking that was accepted by NHS Improvement on 1 May 2017. NHS Improvement issued revised enforcement undertaking for financial sustainability to supersede the previous undertaking. A further Well-led Board Governance review is planned to be undertaken for the merged Trust (Manchester University NHS Foundation Trust) during January to March 2018.

For 2017/18, NHS Improvement agreed financial control totals with NHS Trusts. These control totals represent the minimum level of financial performance, against which their Boards, Governing Bodies and Chief Executives must deliver in 2017/18, and for which they are held directly accountable. The 2017/18 full year control total set for University Hospital of South Manchester NHS Foundation Trust was a surplus of £7.5m, allowing for receipt of £8.8m Sustainability and Transformation Funding. This was agreed with NHS Improvement in advance of the merger with CMFT and represents the surplus which University Hospital of South Manchester NHS Foundation Trust would have been expected to achieve had it carried on as a separate Trust throughout 2017/18. The agreed quarterly profiling of this control total required the Trust to not exceed a planned deficit of £8.1m in the six months to 30 September 2017 (after receipt of £2.1m Sustainability and Transformation Funding). This key target was achieved and the associated Sustainability and Transformation Funding was secured.

Annual Quality Report

In compliance with the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) the Directors are required to prepare Quality Reports for each financial year. NHS Improvement (in exercise of the powers conferred on Monitor) issues guidance to NHS Foundation Trust Boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual. The Annual Quality Report 2017/18 is developed in line with relevant national guidance and due to the dissolution and merger to form Manchester University NHS Foundation Trust on 1 October 2017 the six month quality performance and compliance for the University Hospital of South Manchester NHS Foundation Trust is included within the Manchester University NHS Foundation Trust Annual Report to provide a full year's position.

During the reporting period the Trust discussed its future priorities with South Manchester Clinical Commissioning Group (CCG) and Trafford CCG.

Information Governance

Risks to data security are managed with the monitoring of the standards against the Information Governance Toolkit. In the period 1 April 2017 to end 30 September 2017, no level 2 serious information governance incidents occurred (IG SIRI's). The Trust is pleased to report it was not directly affected by the global cyber-attack on 12 May 2017. However, at that time it took precautionary actions and shut down its external IT links and all IT systems. These IT links and IT systems were fully restored over a period of hours and days. The Trust has actions in place to safeguard our infrastructure and longer term resilience plans to minimise future risk to cyber-attacks.

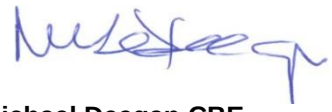
Review of Effectiveness

As Accounting Officer of the successor Trust, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the information supplied by the previous Accounting Officer and Officers of the previous Trust and the due diligence carried out as part of the merger process. I have carried out this review on behalf of the Board of Directors of the successor body Manchester University NHS Foundation Trust. I understand that the University Hospital of South Manchester NHS Foundation Trust's control framework was informed by the work of the Internal Auditors, Clinical Audit and the executive managers and clinical leads within the NHS Foundation Trust who had responsibility for the development and maintenance of the internal control framework. My review is informed by comments made by the External Auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit, Quality, Finance and Risk Committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Conclusion

For the reporting period covering 1 April 2017 to 30 September 2017 up to the point of the dissolution of UHSM and the merger with CMFT to form Manchester University NHS Foundation Trust on 1 October 2017 the Board had extensive and effective governance assurance systems in place. These systems enabled identification and control risks to be reported through the Board Assurance and risk management processes. During this time the Trust remained subject to the imposition of additional conditions on its Monitor Licence, relating to finance.

The Head of Internal Audit has indicated that, based on its work undertaken through the audit programme and other audits within 2017/18, no significant internal control issues have been identified. Where weaknesses have been identified, appropriate plans are in place to deliver the required improvements. These are monitored and assurance sought via the Trust's governance framework. No high-risk recommendations have been raised in respect of the core reviews undertaken for the six months to 30 September 2017, therefore an overall Head of Internal Audit opinion of 'Significant assurance with minor improvement observations' has been provided for this six month period.



Sir Michael Deegan CBE
Chief Executive Officer
23rd May 2018

Independent Auditor's Report

Independent auditor's report to the Council of Governors of Manchester University NHS Foundation Trust in relation to University Hospital of South Manchester NHS Foundation Trust

Report on the Audit of the Financial Statements of University Hospital of South Manchester NHS Foundation Trust

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of University Hospital of South Manchester NHS Foundation Trust (the 'Trust') and its subsidiary (the 'group') for the period ended 30 September 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Statement of Cash Flows and notes to the accounts, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the NHS foundation trust annual reporting manual 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Trust as at 30 September 2017 and of the group's expenditure and income and the Trust's expenditure and income for the period then ended
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2017/2018
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Council of Governors of Manchester University NHS Foundation Trust, as a body, in respect of University Hospital of South Manchester NHS Foundation Trust, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Manchester University NHS Foundation Trust's Council of Governors those matters we are required to state to them in an auditor's report in respect of University Hospital of South Manchester NHS Foundation Trust and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Manchester University NHS Foundation Trust and the Council of Governors of Manchester University NHS Foundation Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – Demise of the organisation

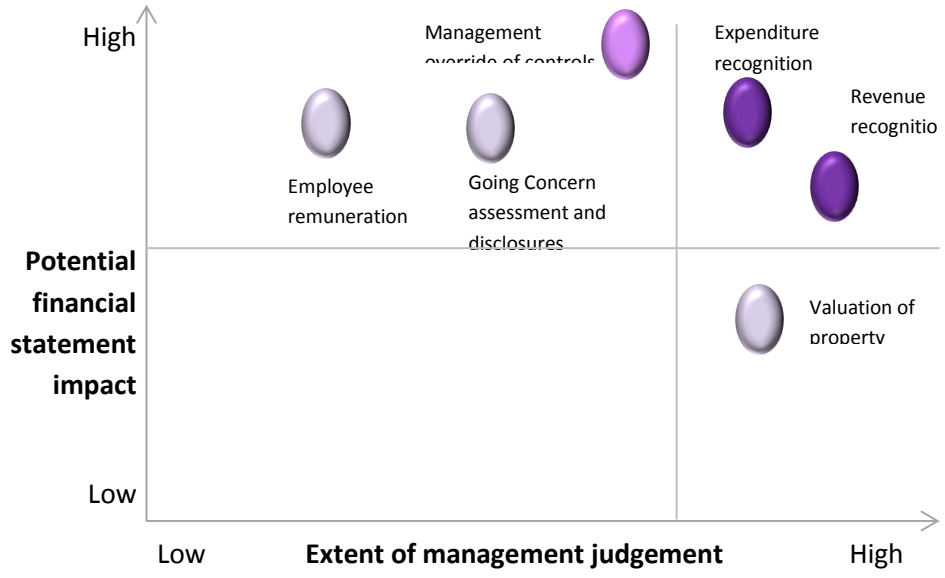
In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.2.2 in the financial statements concerning the merger of University Hospital of South Manchester NHS Foundation Trust and Central Manchester University Hospitals NHS Foundation Trust. As disclosed in note 1.2.2, on 1st October 2017 the two organisations merged to form Manchester University NHS Foundation Trust, with the provision of the majority of the former University Hospital of South Manchester NHS Foundation Trust's clinical services continuing to be delivered from the existing hospital and community premises for the immediate foreseeable future.

Overview of our audit approach

- Overall materiality: £4,065,000, which represents 1.75% of the group's gross operating expenses;
- Key audit matters were identified as:
    - Operating income
    - Operating expenses
- This was our final period as auditor of the Trust. We performed a full scope audit of University Hospital of South Manchester NHS Foundation Trust and targeted procedures on University Hospital of South Manchester NHS Foundation Trust Charitable Fund.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Trust	How the matter was addressed in the audit – Group and Trust
Risk 1 – Operating income 88% of the group's operating income is for income from activities which includes block contracts, activity based contracts and non-contract activities. Activity based contracts and non-contract activity income is subject to verification and agreement by the Trust's commissioners. We therefore identified the occurrence and accuracy of activity based contract income and non-contract activity income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluating the group's accounting policy for recognition of revenue from patient care activities and other operating revenue for appropriateness • gaining an understanding of the group's system for accounting for revenue from patient care activities and other operating revenue, and evaluating the design of the associated controls • agreeing amounts recognised as revenue from the main NHS Commissioners in the financial statements to signed contracts, contract variations and invoices or supporting documentation, and associated receivables at year end to subsequent cash receipts • agreeing, on a sample basis, for the remaining NHS Commissioner contracts, amounts recognised as revenue in the financial statements to signed contracts, contract variations and invoices; and associated receivables at year end to subsequent cash receipts • agreeing revenue for the second quarter of the year from the STF recognised in the financial statements to supporting calculations and documentation • agreeing for the remaining population of other operating revenue, on a sample basis, amounts recognised in revenue in the financial statements to signed contracts and invoices; and associated receivable balances to subsequent cash receipt or other supporting information • testing a sample of revenue after 1 October 2017 to ensure revenue cut off has been appropriately applied by confirming it has been accounted for in the correct entity in the correct period. The group's accounting policy on operating income is shown in note 1.4 to the financial statements and related disclosures are included in notes 2 to 5. Key observations We obtained sufficient audit evidence to conclude that: • the Trust's accounting policy for recognition of operating income complies with the DHSC Group Accounting Manual 2017/18 and has been properly applied; and • income is not materially misstated.
Risk 2 – Operating expenses We identified a key risk in respect of the need to achieve the agreed planned position for the demising Trust as at 30 September 2017. In addition, we noted he need to achieve the combined position for the new Manchester	Our audit work included, but was not restricted to: • evaluating the group's accounting policy for recognition of expenditure for appropriateness • gaining an understanding of the group's system for accounting for operating expenses, and evaluating the design of the associated controls • testing a sample of operating expenses for the first six

Key Audit Matter – Group and Trust	How the matter was addressed in the audit – Group and Trust
University NHS Foundation Trust as at 31 March 2018, in order to secure STF revenue. We therefore identified the completeness and cut off of operating expenses as a significant risk, which was one of the most significant assessed risks of material misstatement.	months of the year to gain assurance that expenditure has been correctly expensed during the 30 September 2017 period end • substantively testing a sample of accruals • sample testing of post period end expenditure to gain assurance that all material liabilities relating to the 30 September 2017 period end have been captured within the accounts. The group's accounting policy on operating expenditure is shown in note 1.7 to the financial statements and related disclosures are included in note 7. Key observations We obtained sufficient audit evidence to conclude that: • the Trust's accounting policy for recognition of operating expenditure complies with the DHSC Group Accounting Manual 2017/18 and has been properly applied • operating expenditure is not materially misstated.

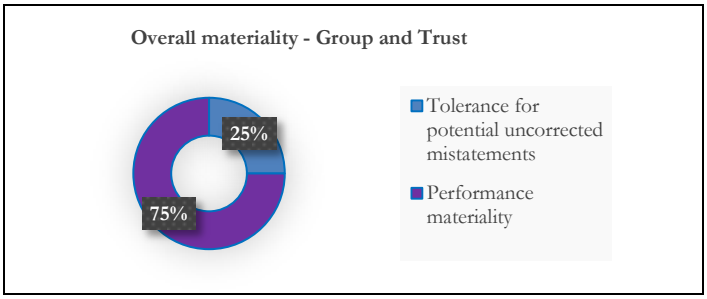
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Trust
Financial statements as a whole	£ 4,065,000 which is 1.75% of the group's operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.	Materiality is based on 1.75% of the Trust's operating expenses and is £4,056,000. This was considered the most appropriate benchmark as it is lower than the group materiality.
Performance materiality used to drive the extent of our testing	75% of group financial statement materiality	75% of Trust financial statement materiality
Specific materiality		The senior officer remuneration disclosure in the Remuneration Report has been identified as an area requiring specific materiality of £5,000 based on the disclosure bandings, due to its sensitive nature.
Communication of misstatements to the Audit Committee	£200,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£200,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation of identified component to assess the significance of the component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's total income, assets and liabilities
- Full scope audit procedures on University Hospital of South Manchester NHS Foundation Trust. The Trust's transactions represent over 99% of the group's income and total expenditure and 97% of its total assets
- Gaining an understanding of and evaluating the Trust's internal controls environment including its financial and IT systems and controls
- Targeted audit procedures on the investment and cash balances of University Hospital of South Manchester NHS Foundation Trust Charitable Fund, which represented under 1% of the total income and expenditure of the group and 3% of the group's total assets.

Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report of University Hospital of South Manchester NHS Foundation Trust other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Trust obtained in the course of our work appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the group and Trust's performance, business model and strategy, is materially inconsistent with our knowledge of the Trust obtained in the audit

- The Audit Committee reporting in accordance with provision C.3.9 of the NHS Foundation Trust Code of Governance – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement of University Hospital of South Manchester NHS Foundation Trust does not meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2017/18. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion:

- the parts of the Remuneration Report and the Staff Report of University Hospital of South Manchester NHS Foundation Trust to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2017/18 and the requirements of the National Health Service Act 2006
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources the other information published together with the financial statements in the Annual Report of University Hospital of South Manchester NHS Foundation Trust for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under Schedule 10 (3) of the National Health Service Act 2006 in the course of, or at the conclusion of the audit; or
- we have referred a matter to the regulator under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

We have nothing to report in respect of the above matters for University Hospital of South Manchester NHS Foundation Trust.

Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Accounting Officer's responsibilities, the Chief Executive of Manchester University NHS Foundation Trust, as Accounting Officer, is responsible for the preparation of the financial statements of University Hospital of South Manchester NHS Foundation Trust in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2017/18, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the group's and the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Trust lacks

funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Trust.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of University Hospital of South Manchester NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

SE Howard

Sarah Howard
Partner
for and on behalf of Grant Thornton UK LLP

4 Hardman Square
Spinningfields
Manchester
M3 3EB

25 May 2018

APPENDIX 1

University Hospital of South Manchester NHS Foundation Trust

Accounts of University Hospital of South Manchester NHS Foundation Trust for the 6 months ended 30th September 2017

Foreword to the accounts

These accounts, for the six months ended 30th September 2017, have been prepared in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

Sir Michael Deegan CBE
Chief Executive Officer
23rd May 2018

Accounts for the period 1 April 2017 to 30 September 2017

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED

September 30, 2017

		Trust		Group	
		6 months ended 30th Sep 2017	2016/17	**6 months ended 30th Sep 2017**	2016/17
	NOTE	**£000**	£000	**£000**	£000
Income from patient care activities	3	**210,801**	405,764	**210,801**	405,764
Other operating income	4	**27,549**	67,582	**27,771**	67,947
Operating expenses (excluding impairments of property and restructuring costs)	7	**(238,738)**	(463,550)	**(239,547)**	(464,517)
Exceptional item - impairments of property	7,13	**-**	(12,135)	**-**	(12,135)
Exceptional item - restructuring costs	7	**(179)**	-	**(179)**	-
OPERATING (DEFICIT) / SURPLUS		**(567)**	(2,339)	**(1,154)**	(2,941)
Finance costs:					
Finance income	11	**21**	54	**116**	240
Finance expense - financial liabilities	12	**(4,390)**	(8,410)	**(4,390)**	(8,410)
Finance expense - unwinding of discount on provisions	26	**(5)**	(61)	**(5)**	(61)
Public dividend capital dividends payable	32	**(1,007)**	(2,683)	**(1,007)**	(2,683)
(Deficit) / Surplus for the financial year		**(5,948)**	(13,439)	**(6,440)**	(13,855)
Gains / (losses) on disposal of assets	15.4	**-**	4,512	**-**	4,512
RETAINED (DEFICIT) / SURPLUS FOR THE YEAR		**(5,948)**	(8,927)	**(6,440)**	(9,343)
Other comprehensive income excluded from the retained (deficit) / surplus					
Revaluation (losses) / gains and impairment (losses) / gains on property, plant and equipment	15	**-**	(21,294)	**-**	(21,294)
Fair Value (losses) / gains on Available-for-sale financial investments	SOCIE	-	-	**(64)**	807
TOTAL comprehensive (expense) / income for the year		**(5,948)**	(30,221)	**(6,504)**	(29,830)
RETAINED (DEFICIT) / SURPLUS FOR THE YEAR		**(5,948)**	(8,927)	**(6,440)**	(9,343)
Exclude exceptional losses - impairments of property	7,13	**-**	12,135	**-**	12,135
Exclude exceptional losses - restructuring costs	7	**179**	-	**179**	-
(Deficit) / Surplus for the year before exceptional items		**(5,769)**	3,208	**(6,261)**	2,792

The notes on pages 6 to 42 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT

September 30, 2017

	Note	Trust		Group	
		September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
		£000	£000	**£000**	£000
Non-current assets					
Intangible assets	14	**2,294**	1,915	**2,294**	1,915
Property, plant and equipment	15	**198,047**	198,303	**198,047**	198,303
Other Investments	18	**-**	-	**5,669**	5,752
Trade and other receivables	19	**55**	29	**55**	29
Total non-current assets		**200,396**	200,247	**206,065**	205,999
Current assets					
Inventories	17	**6,059**	4,580	**6,059**	4,580
Trade and other receivables	19	**31,483**	26,368	**31,484**	26,542
Cash and cash equivalents	20	**11,581**	20,625	14,509	23,825
		49,123	51,573	**52,052**	54,947
Non-current assets held for sale	15.4	**-**	-	**-**	-
Total current assets		**49,123**	51,573	**52,052**	54,947
Total assets		**249,519**	251,820	**258,117**	260,946
Current liabilities					
Trade and other payables	21	**(53,156)**	(53,359)	**(53,209)**	(53,370)
Borrowings	22	**(6,004)**	(5,633)	**(6,004)**	(5,633)
Provisions	26	**(17,746)**	(13,900)	**(17,746)**	(13,900)
Other liabilities	23	**(9,704)**	(10,137)	**(9,704)**	(10,151)
Net current liabilities		**(37,487)**	(31,456)	**(34,611)**	(28,107)
Total assets less current liabilities		**162,909**	168,791	**171,454**	177,892
Non-current liabilities					
Trade and other payables	21	**-**	**-**	**-**	**-**
Borrowings	22	**(69,501)**	(69,264)	**(69,501)**	(69,264)
Provisions	26	**(4,020)**	(4,209)	**(4,020)**	(4,209)
Other liabilities	23	**(3,454)**	(3,436)	**(3,454)**	(3,436)
Total assets employed		**85,934**	91,882	**94,479**	100,983
Financed by:					
Taxpayers' equity					
Public dividend capital	SOCIE	**122,999**	122,999	**122,999**	122,999
Revaluation reserve	SOCIE	**21,639**	21,639	**21,639**	21,639
Retained earnings	SOCIE	**(58,704)**	(52,756)	**(58,704)**	(52,756)
Others' equity					
Charitable fund reserves	SOCIE			**8,545**	9,101
Total Taxpayers' and others' equity		**85,934**	91,882	**94,479**	100,983

The financial statements on pages 1 to 42 were approved by the Trust on 23rd May, 2018 and signed on its behalf by:

Signed: 

Date: 23 May 2018

STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED

September 30, 2017

	Note	Trust				Charity	Group
		Public Dividend Capital (PDC)	Income & Expenditure Reserve	Revaluation Reserve	Total Trust	NHS Charitable Funds Reserves	Total Group
		£000	£000	£000	£000	£000	£000
Taxpayers' and Others' Equity at April 1, 2017		122,999	(52,756)	21,639	**91,882**	9,101	**100,983**
Changes in taxpayers' equity for 6 months ended 30th Sep 2017							
Total Comprehensive Income for the year:							
Retained (deficit)/ surplus for the year	a)	-	(6,018)	-	**(6,018)**	(422)	**(6,440)**
Impairments		-	-	-	**-**	-	**-**
Revaluation gains on property, plant and equipment		-	-	-	**-**	-	**-**
Fair value losses on Available-for-sale financial investments	b)	-	-	-	**-**	(64)	**(64)**
Other recognised gains and losses		-	-	-	**-**	-	**-**
New PDC received		-	-	-	**-**	-	**-**
PDC repaid in year		-	-	-	**-**	-	**-**
Other transfers between reserves		-	-	-	**-**	-	**-**
Other reserves movements - charitable funds consolidation adjustment	a)	-	70	-	**70**	(70)	**-**
Balance at September 30, 2017		122,999	(58,704)	21,639	**85,934**	8,545	**94,479**
						Note c)	

a) Trust retained deficit for the year, excluding income received from University Hospital of South Manchester NHS Foundation Trust Charitable Fund (6,018)

Trust income received from University Hospital of South Manchester NHS Foundation Trust Charitable Fund 70

Trust retained deficit for the year (5,948)

b) The fair value losses on available for sale financial investments relates to an investment portfolio held by the University Hospital of South Manchester NHS Foundation Trust Charitable Fund.

The new PDC received in the year is Department of Health funding received for investment in a capital scheme to extend the Trust's Emergency Department facilities.

c) The balance on the NHS Charitable Funds Reserve includes both restricted and unrestricted funds. Restricted funds must be used for specific purposes set by the donor at the point of donation, whereas unrestricted funds are those funds given to the Charity without any restrictions imposed by the particular donor.

STATEMENT OF CHANGES IN EQUITY FOR THE PRIOR YEAR ENDED

March 31, 2017

	Note	Trust				Charity	Group
		Public Dividend Capital (PDC)	Income & Expenditure Reserve	Revaluation Reserve	Total Trust	NHS Charitable Funds Reserves	Total Group
		£000	£000	£000	£000	£000	£000
Taxpayers' and Others' Equity at April 1, 2016		120,681	(43,829)	42,933	**119,785**	8,710	**128,495**
Changes in taxpayers' equity for 2016/17							
Total Comprehensive Income for the year:							
Retained surplus for the year	a)	-	(9,380)	-	**(9,380)**	37	**(9,343)**
Impairments		-	-	(21,294)	**(21,294)**	-	**(21,294)**
Revaluation gains on property, plant and equipment		-	-	-	**-**	-	**-**
Fair value gains on Available-for-sale financial investments	b)	-	-	-	**-**	807	**807**
Other recognised gains and losses		-	-	-	**-**	-	**-**
New PDC received	c)	2,318	-	-	**2,318**	-	**2,318**
PDC repaid in year		-	-	-	**-**	-	**-**
Other transfers between reserves		-	-	-	**-**	-	**-**
Other reserves movements - charitable funds consolidation adjustment	a)	-	453	-	**453**	(453)	**-**
Balance at March 31, 2017		122,999	(52,756)	21,639	**91,882**	9,101	**100,983**
						Note d)	

a) Trust retained surplus for the year, excluding income received from University Hospital of South Manchester NHS Foundation Trust Charitable Fund — (9,380)

Trust income received from University Hospital of South Manchester NHS Foundation Trust Charitable Fund — 453

Trust retained surplus for the year — (8,927)

b) The fair value gains/ (losses) on available for sale financial investments relates to an investment portfolio held by the University Hospital of South Manchester NHS Foundation Trust Charitable Fund.

c) The new PDC received in the year is Department of Health funding received for investment in a capital scheme to extend the Trust's Emergency Department facilities.

d) The balance on the NHS Charitable Funds Reserve includes both restricted and unrestricted funds. Restricted funds must be used for specific purposes set by the donor at the point of donation, whereas unrestricted funds are those funds given to the Charity without any restrictions imposed by the particular donor.

STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED

September 30, 2017

		Trust		Group	
		6 months ended 30th Sep 2017	2016/17	**6 months ended 30th Sep 2017**	2016/17
	NOTE	**£000**	£000	**£000**	£000
Cash flows from operating activities					
Operating (deficit) / surplus from continuing operations		**(567)**	(2,655)	**(1,154)**	(2,941)
Non-cash income and expense:					
Depreciation and amortisation	7	**5,151**	10,760	**5,151**	10,760
Impairments	7	**-**	12,135	**-**	12,135
(Gain)/Loss on disposal		**-**	-	**-**	-
Non-cash donations/grants credited to income		**-**	-	**-**	-
(Increase)/Decrease in Trade and Other Receivables		**(4,770)**	(7,085)	**(4,770)**	(7,085)
(Increase)/Decrease in Other Assets		**-**	-	**-**	-
(Increase)/Decrease in Inventories		**(1,479)**	(82)	**(1,479)**	(82)
Increase/(Decrease) in Trade and Other Payables		**1,195**	2,974	**1,195**	2,974
Increase/(Decrease) in Other Liabilities		**(415)**	(430)	**(415)**	(430)
Increase/(Decrease) in Provisions		**3,652**	2,872	**3,652**	2,872
NHS Charitable Funds - net adjustments for working capital movements, non-cash transactions and non-operating cash flows		**-**	-	**201**	(148)
Other movements in operating cash flows		**-**	-	**-**	-
Net cash generated from operating activities		**2,767**	18,489	**2,381**	18,055
Cash flows from investing activities					
Interest received	11	**21**	54	**21**	54
Purchase of intangible assets	14	**(500)**	-	**(500)**	-
Purchase of Property, Plant and Equipment	15	**(6,172)**	(18,580)	**(6,172)**	(18,580)
Sales of Property, Plant and Equipment	15	**-**	5,025	**-**	5,025
NHS Charitable funds - net cash flows from investing activities		**-**	-	**95**	186
Net cash used in investing activities		**(6,651)**	(13,501)	**(6,556)**	(13,315)
Net cash inflow before financing		**(3,884)**	4,988	**(4,175)**	4,740
Cash flows from financing activities					
Public dividend capital received		**-**	2,318	**-**	2,318
Public dividend capital repaid		**-**	-	**-**	-
Loans received from the Department of Health		**3,100**	3,700	**3,100**	3,700
Other loans received		**171**	4,541	**171**	4,541
Loans repaid to the Department of Health		**(782)**	(1,564)	**(782)**	(1,564)
Other loans repaid		**(197)**	(525)	**(197)**	(525)
Other capital receipts		**-**	316	**-**	-
Capital element of Private Finance Initiative Obligations		**(1,684)**	(2,724)	**(1,684)**	(2,724)
Interest paid		**(573)**	(1,030)	**(573)**	(1,030)
Interest element of finance lease		**-**	-	**-**	-
Interest element of Private Finance Initiative obligations		**(3,817)**	(7,380)	**(3,817)**	(7,380)
PDC Dividend paid		**(1,378)**	(2,319)	**(1,378)**	(2,319)
NHS Charitable funds - net cash flows from financing activities		**-**	-	**19**	(2)
Cash flows from (used in) other financing activities		**-**	-	**-**	-
Net cash used in financing activities		**(5,160)**	**(4,667)**	**(5,141)**	**(4,985)**
Net decrease in cash and cash equivalents		**(9,044)**	321	**(9,316)**	(245)
Cash (and) cash equivalents (and bank overdrafts) at April 1		**20,625**	20,304	**23,825**	24,070
Cash (and) cash equivalents (and bank overdrafts) at March 31	20	**11,581**	20,625	**14,509**	23,825

Notes to the accounts

1. ACCOUNTING POLICIES

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the DH Group Accounting Manual 2017-18, issued by the Department of Health. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the DH Group Accounting Manual permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Estimates and judgements have to be made in preparing the Trust's annual accounts. These are continually evaluated and updated as required, although actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant impact on the amounts recognised in the financial statements.

Key Judgements

1.2.1 Going concern

University Hospital of South Manchester NHS Foundation Trust's annual report and accounts for the 6 months ended 30th September 2017 have been prepared on a going concern basis. Non-trading entities in the public sector are assumed to be going concerns where the continued provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.

1.2.2 Manchester University NHS Foundation Trust

On 1st October 2017, University Hospital of South Manchester NHS Foundation Trust merged with Central Manchester University Hospitals NHS Foundation Trust to form Manchester

University Hospital NHS Foundation Trust. This joining together of the two organisations to create a new foundation trust is the first step in creating a new, city-wide hospital trust which will provide much better, safer, more consistent hospital care for people living in the City of Manchester, Trafford, and beyond. In the immediate foreseeable future, provision of the majority of the former University Hospital of South Manchester NHS Foundation Trust's clinical services will continue to be delivered from the existing hospital and community premises. Therefore the formation of the new organisation is consistent with preparation of these accounts on a going concern basis.

Key sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.2.3 Valuation of property, plant and equipment

The valuation of the Trust's Land and Buildings is subject to significant estimation uncertainty, since it derives from estimates provided by the Trust's external valuer who base their calculations on local market data as well as other factors to reflect the age and condition of the Trust's estate. In 2016/17, the basis upon which the Modern Equivalent Asset Valuation is assessed by the external valuer changed. Previously the assessment of Modern Equivalent Asset values assumed a direct replacement of each of the Trust's individual buildings. The methodology introduced in 2016/17 is now based on a theoretical reconfiguration of facilities on the Trust's main hospital site, providing a more efficient and compact design. This theoretical design is still capable of delivering the same equivalent productive capacity as the Trust's actual existing sites. As a result of this change, with effect from 31st March 2017 the carrying value of the Trust's land and building assets was amended with a net overall reduction of £33,429k. Property assets have not been subject to any further valuation adjustments in the subsequent 6 months to 30th September 2017.

1.2.4 Financial value of provisions for liabilities and charges

The Trust makes financial provision for obligations of uncertain timing or amount at the balance sheet date. These are based on estimates using as much relevant information as is available at the time the accounts are prepared. They are reviewed to confirm that the values included in the financial statements best reflect the current relevant information. Where this is not the case, the value of the provision is amended.

Provisions for early retirement pension contributions and injury benefit obligations are estimated using expected life tables and discounted at the pensions rate of 0.24% (this is also the discount rate used in the 2016/17 prior year accounts).

The current provisions are set out in note 26 on page 37 of these accounts.

1.2.5 Provision for impairment of receivables

Management use their judgement to decide when to write-off revenue or to provide against the probability of not being able to collect debt.

1.2.6 Partially completed spells at the statement of financial position date

Income relating to in-patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay. This is based on estimated length of stay data that applies to the types of clinical activity being undertaken on an inpatient basis as at the statement of financial position date and totals £3,164k as at 31 March 2017 (£2,313k as at 31 March 2016). The estimated length of stay and the type of in-patient clinical activity may vary materially from one statement of financial position date to another.

1.2.7 Accruals for income and expenditure not invoiced at the reporting date

At the end of the financial year, the Trust may have received goods and services which have not been invoiced at the balance sheet date. In these circumstances, an estimated value of the cost is included in the Trust's reported financial results. In some cases the estimated value is based on the quoted value provided by the supplier when the goods were ordered; in other cases, the charge may be estimated based on methods such as the number of hours of service provided or the last price paid for the same goods or service.

1.3 Consolidation

The Trust is the corporate trustee to the University Hospital of South Manchester NHS Foundation Trust Charitable Fund. The Trust has assessed its relationship to the charitable fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the charitable fund and has the ability to affect those returns and other benefits through its power over the charitable fund.

The Charitable Fund's statutory accounts are prepared in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- recognise and measure them in accordance with the Trust's accounting policies; and
- eliminate intra-group transactions, balances, gains and losses.

In line with the merger of the two foundation trusts explained in 1.2.2 above, on 1st October 2017 the assets and liabilities of University Hospital of South Manchester NHS Foundation Trust Charitable Fund transferred to Manchester University NHS Foundation Trust Charity.

The Trust has entered in to a joint venture agreement with Fernbeck Ltd, a member of the Bluemantle group, on a 50:50 partnership basis to form Manchester Medipark LLP. The purpose of the joint venture is the future development of land on and around the Wythenshawe Hospital site for medical, technology and health related initiatives. The Trust's current level of investment in the joint venture is £100, although the Trust has additionally provided a guarantee against a £937k lease agreement entered into by the joint venture. Overall, the Trust's level of assets and liabilities in relation to this joint venture are not sufficiently material to require consolidation within the Trust's accounts.

1.4 Income

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the Trust is contracts with commissioners in respect of healthcare services.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

1.5 Expenditure on Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

- Accounting valuation

  A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 30th September 2017, is based on valuation data as 31st March 2016, updated to 31st March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

  The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

- Full actuarial (funding) valuation

  The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

  The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31st March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The updated actuarial valuation is currently being carried out based on 31st March 2016 data. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

1.6 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.7 Exceptional items

Material items of income or expenditure which derive from events or transactions that fall outside of normal business operations are classed as exceptional items. A calculation is included within the Statement of Comprehensive Income to show the surplus/ (deficit) for the year before exceptional items and this represents the Trust's normalised, underlying position. Examples of exceptional items will include:

- Impairment losses or gains relating to property, plant and equipment assets;
- Restructuring costs including expenditure incurred on implementation of financial turnaround plans;
- Material impact on Statement of Comprehensive Income of any significant refinancing transactions.

1.8 Property, Plant and Equipment

Recognition

Property, Plant and Equipment is capitalised as tangible assets where:

- they are held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- they are expected to be used for more than one financial year;
- the cost of the item can be measured reliably.
- individually they have a cost of at least £5,000; or
- they form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- they form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. Land and buildings used for the Trust's services are stated in the statement of financial position at their revalued amounts, being the current value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are undertaken with sufficient regularity to ensure that carrying amounts are not materially different to those that would be determined at the end of the reporting period. Current values are determined as follows:

- Land and non-specialised buildings – market value for existing use;

- Specialised buildings – present value of the asset's remaining service potential assessed using depreciated replacement cost based on a modern equivalent asset valuation.

The Trust's land and building assets have been revalued using a modern equivalent asset valuation as at 31st March 2017. This valuation was provided by the Valuation Office Agency based on a theoretical redesign of the Trust's main Wythenshawe Hospital site, as noted in paragraph 1.2.3 above. The value of land and building assets has changed to such an extent that revised values have been included in these financial statements.

This valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards in so far as these terms are consistent with the agreed requirements of the NHS, the Department of Health and HM Treasury.

VAT on Private Finance Initiative (PFI) transactions is recoverable. Therefore, in agreement with the Trust, the District Valuer's March 31st 2017 valuation of the Trust's Private Finance Initiative (PFI) buildings has excluded VAT from the valuation of these buildings. This is consistent with the approach used when the value of these buildings was first recognised within the Trust's Statement of Financial Position.

Assets in the course of construction are valued at cost and are valued by professional valuers when they are brought into use.

Equipment assets are valued at depreciated historical cost basis.

An item of property, plant and equipment which is surplus with no plan to bring it back in to use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Depreciation

Items of Property, Plant and Equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Freehold land is considered to have an infinite life and is not depreciated.

Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the DH GAM, impairments that arise from a clear consumption of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve where the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
    - management are committed to a plan to sell the asset;
    - an active programme has begun to find a buyer and complete the sale;
    - the asset is being actively marketed at a reasonable price;
    - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
    - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Private Finance Initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. The underlying assets are recognised as Property, Plant and Equipment at their fair value. An equivalent financial liability is recognised in accordance with IAS 17.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge is recognised in operating expenses and the finance cost is charged to Finance Costs in the Statement of Comprehensive Income.

1.9 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;

- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

Software
Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

Measurement
Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for Property, Plant and Equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Amortisation
Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

1.10 Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the weighted average cost method.

1.11 Revenue government and other grants
Government grants are grants from Government bodies other than income from NHS commissioning bodies or NHS trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

1.12 Financial instruments and financial liabilities

Recognition
Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

De-recognition
All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables or 'Available-for-sale financial assets'.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the Statement of Comprehensive Income. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise cash and cash equivalents, NHS debtors, accrued income and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised in 'Finance Costs' in the Statement of Comprehensive Income.

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the

expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as non-current liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced directly or through the use of a bad debt provision.

1.13 Leases

Finance leases

The Trust assesses the terms of each individual lease agreement to determine whether substantially all the risks and rewards of ownership are borne by the Trust.

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for as an item of property plant and equipment.

The annual rental is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to Finance Costs in the Statement of Comprehensive Income. The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

1.14 Provisions

The NHS foundation trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 26 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to the NHS Litigation Authority and in return receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

1.15 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 28 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 28, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

1.16 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS Trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as:

- the average of the opening and closing value of all liabilities and assets (excluding donated assets and any PDC dividend balance receivable or payable).

- less the average daily net cash balances held with the Government Banking Services (excluding cash balances held in GBS accounts that relate to a short-term working capital facility).

In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.17 Value Added Tax

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.18 Corporation Tax

The Trust is a Health Service body within the meaning of the Income and Corporation Tax Act (ICTA) 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to the specified activities of a foundation trust (ICT Act 1988). Accordingly, the Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000pa. There is no tax liability arising in respect of the current financial year.

1.19 Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Resulting exchange gains or losses are recognised in income or expense in the period in which they arise.

1.20 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM.*

1.21 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However the losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

1.22 Accounting Standards that have been issued but have not yet been adopted

The DH GAM does not require the following Standards and Interpretations to be applied in 2017/18. These standards are still subject to HM Treasury FReM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018/19, and the government implementation date for IFRS 16 and IFRS 17 still subject to HM Treasury consideration.

IFRS 9	Financial Instruments – application required for accounting periods beginning on or after 1st January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted;
IFRS 15	Revenue from contracts with customers - Application required for accounting periods beginning on or after 1st January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted;
IFRS 16	Leases – Application required for accounting periods beginning on or after 1st January 2019, but not yet adopted by the FReM, early adoption is not therefore permitted;
IFRS 17	Insurance Contracts – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.
IFRIC 22	Foreign Currency Transactions and Advance Consideration – Application required for accounting periods beginning on or after 1st January 2018.
IFRIC 23	Uncertainty over Income Tax Treatments – Application required for accounting periods beginning on or after 1 January 2019.

2. Operating segments

The Foundation Trust operates in only one segment, healthcare. The group also includes a Charity which benefits the staff and patients of the Trust and supports health research.

3. Income from patient care

Trust and Group

3.1 Income from patient care activities - by source

	note	6 months ended 30th Sep 2017 £000	2016/17 £000
NHS Foundation Trusts		**1,434**	1,963
NHS Trusts		**150**	226
CCGs and NHS England		**206,603**	397,384
Local Authorities		**34**	465
NHS Other		**1,227**	3,984
Non NHS: Private patients		**12**	69
Non-NHS: Overseas patients (chargeable to patient)		**237**	279
NHS injury scheme		**1,013**	931
Non NHS: Other		**91**	463
		210,801	405,764

3.2 Income from patient care activities - by point of delivery

	6 months ended 30th Sep 2017 £000	2016/17 £000
Elective income	**38,222**	77,828
Non-elective income	**53,831**	98,261
Out-patient income	**26,554**	60,645
A&E income	**7,011**	12,427
Other clinical activity income	**76,014**	139,077
Private patient income	**-**	69
Other non-protected clinical income	**1,278**	1,209
Community services	**7,891**	16,248
	210,801	405,764

3.3 Income from patient care activities - commissioner requested services

		6 months ended 30th Sep 2017 £000	2016/17 £000
Income from commissioner requested services		**209,523**	404,486
Income from non commissioner requested services	b)	**1,278**	1,278
		210,801	405,764

b) This includes private patient and other non-protected clinical income shown in table 3.2.

3.4 Income from overseas visitors

	6 months ended 30th Sep 2017 £000	2016/17 £000
Income recognised in period	**237**	279
Cash payments received in-year (relating to invoices raised in current and previous years)	**117**	37
Amounts added to provision for impairment of receivables (relating to invoices raised in current and prior years)	**(98)**	242
Amounts written off in-year (relating to invoices raised in current and previous years)	**198**	8

4. Other Operating Income

Trust and Group

	Note	Trust		Group	
		6 months ended 30th Sep 2017	2016/17	**6 months ended 30th Sep 2017**	2016/17
		£000	£000	**£000**	£000
Research and development		**2,531**	5,468	**2,531**	5,468
Education and training		**11,042**	24,040	**11,042**	24,040
Received from NHS charities		**70**	453	**-**	-
Non-patient care services to other bodies		**4,887**	8,200	**4,887**	8,200
Sustainability and Transformation Fund income		1,444	10,629	1,444	10,629
Other	5	4,849	12,837	**4,849**	12,837
Rental revenue from operating leases - minimum lease receipts	6	754	1,363	**754**	1,363
Salary recharges		1,972	4,592	**1,972**	4,592
NHS Charitable Funds: incoming resources excluding investment income		-	-	**292**	818
Total		**27,549**	67,582	**27,771**	67,947

5. Other Operating Income : Other Income

Trust and Group

	6 months ended 30th Sep 2017	2016/17
	£000	£000
Car parking	1,408	2,649
Estates recharges	38	85
IT recharges	-	27
Pharmacy sales	142	554
Staff accommodation rentals	33	94
Crèche services	-	182
Clinical tests	721	1,525
Clinical excellence awards	525	1,002
Catering	37	78
Property rentals	476	902
Other	1,469	5,739
Total	**4,849**	12,837

6. Operating lease income

Trust and Group

	6 months ended 30th Sep 2017	2016/17
	£000	£000
Operating lease income		
Rents recognised as income during the period	**754**	1,363
Contingent rents recognised as income during the period	**-**	-
Total	**754**	1,363
Future minimum lease payments due		
- not later than one year	**1,586**	1,460
- later than one year and not later than five years	**6,961**	6,209
- later than five years	**8,410**	6,780
Total	**16,957**	14,449

The Trust leases property to Greater Manchester Mental Health NHS Foundation Trust. This income is included in note 4 above as 'rental revenue from operating leases'.

7. Operating Expenses

Trust and Group

	Note	6 months ended 30th Sep 2017 £000	2016/17 £000
Purchase of healthcare from non NHS bodies		**1,404**	2,640
Employee Expenses - Executive directors	9	**410**	1,073
Employee Expenses - Non-executive directors		**75**	139
Employee Expenses - Staff	9	**140,430**	271,454
Supplies and services - clinical (excluding drug costs)	a)	**36,310**	70,106
Supplies and services - general	a)	**16,254**	29,672
Establishment		**1,603**	3,130
Research and development - (Non- Employee costs)		**399**	944
Research and development - (Employee expenses)	9	**1,951**	4,124
Transport - business travel only		**254**	539
Transport - other		**295**	495
Premises		**7,361**	13,379
Increase/(decrease) in provision for impairment of receivables	19	**(553)**	105
Increase in other provisions		**-**	-
Change in discount rate - early departure pensions provision		**-**	797
Inventories consumed (excluding drugs)		**-**	-
Drugs		**18,034**	38,444
Rentals under operating leases - minimum lease payments	8	**857**	1,325
Depreciation on property, plant and equipment		**5,030**	10,760
Amortisation on intangible assets		**121**	-
Audit services- statutory audit	a)	**48**	54
Other auditor remuneration	b)	**-**	8
Clinical negligence premiums		**4,898**	8,524
Legal fees		**72**	321
Consultancy costs		**1,202**	1,128
Internal audit costs		**83**	138
Training, courses and conferences		**1,154**	1,059
Patient travel		**24**	56
Car parking & Security		**492**	2,002
Redundancy not included in employee expenses		**-**	-
Hospitality		**106**	266
Insurance		**324**	579
Losses, ex gratia & special payments		**100**	289
Trust total operating expenses (excluding exceptional costs)		**238,738**	463,550
Restructuring costs - project management		**-**	-
Restructuring costs - redundancy (included in employee expenses)	9	**179**	-
Impairments of property, plant and equipment	13	**-**	12,135
Trust net operating costs including exceptional costs		**238,917**	475,685
Trust total operating expenses (excluding exceptional costs)		**238,738**	463,550
Audit fees payable to external auditor of charitable funds		**-**	5
NHS Charitable Funds: other resources expended		**809**	962
Group net operating costs before exceptional costs		**239,547**	464,517
Restructuring costs		**179**	-
Impairments of property, plant and equipment	13	**-**	12,135
Group net operating costs including exceptional costs		**239,726**	476,652

a) In accordance with the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (SI 489/2008), the contract with our Auditors provides for a £2 million limitation of their liability.

b) Costs shown as 'Audit Services- other auditor remuneration' relate to the external auditor's review of the Trust's Quality Report. NHS Improvement, the regulatory body for NHS foundation trust, does not require a quality report to be prepared for the 6 months ended 30th September 2017.

8. Arrangements containing an operating lease

Trust and Group

8.1 As lessee

The Trust's leases include office and laboratory accommodation together with equipment (both clinical and non-clinical).

Payments recognised as an expense	**6 months ended 30th Sep 2017 £000**	2016/17 £000
Minimum lease payments	**857**	1,325
Contingent rents	**-**	-
	857	1,325

Total future minimum lease payments	**6 months ended 30th Sep 2017 £000**	2016/17 £000
Payable:		
Not later than one year	**2,176**	2,302
Between one and five years	**3,370**	3,146
After 5 years	**1,555**	1,661
	7,101	7,109

9. Employee expenses and numbers

Trust and Group

9.1 Employee expenses

Includes the costs of staff, research employee expenses and executive directors, but excludes non-executive directors.

	6 months ended 30th Sep 2017 Total	2016/17 Total
	£000	£000
Salaries and wages	**110,410**	210,615
Social security costs	**10,080**	19,690
Pension cost - defined contribution plans, employers contributions to NHS Pensions	**12,370**	23,798
Pension cost - other	**10**	17
Temporary staff - external bank	**6,275**	11,040
Temporary staff - agency/contract staff	**3,825**	11,491
NHS Charitable Funds staff	**-**	-
Employee benefits expense	**142,970**	276,651

9.2 Average number of people employed

	6 months ended 30th Sep 2017 Total Number WTE	2016/17 Total Number WTE
Medical and dental	**781**	757
Administration and estates	**1,395**	1,279
Healthcare assistants and other support staff	**840**	824
Nursing, midwifery and health visiting staff	**1,889**	1,870
Nursing, midwifery and health visiting learners	**5**	5
Scientific, therapeutic and technical staff	**816**	794
Healthcare science staff	**101**	91
Agency and contract staff	**83**	137
Bank staff	**216**	204
Total	**6,126**	5,961

The values shown above are whole time equivalent (WTE) staff numbers and represent a monthly average for the year.

9.3 Employee benefits

Other than the salary and pension costs detailed above, there were no material employee benefits in 6 months ended 30th Sep 2017 or the previous year. In addition to this there are no share options, money purchase schemes, nor long term incentive schemes in the University Hospital of South Manchester NHS Foundation Trust.

There were no directors' benefits in respect of advances or credits granted by the Trust. Nor were there any kind of guarantees entered into on behalf of the directors of the Trust by the Trust.

10. Retirements due to ill-health

During the 6 months ended 30th September 2017 there were no retirements from the Trust agreed on the grounds of ill-health (in the previous 12 month period there were 7 retirements due to ill-health). There are therefore no additional pension liabilities due to ill-health retirements in the 6 month period (£420k in the previous 12 month period). The cost of such ill-health retirements is borne by the NHS Pensions Agency.

11. Finance income

Trust and Group

	6 months ended 30th Sep 2017 £000	2016/17 £000
Interest income:		
Interest on loans and receivables	**21**	54
Other	**-**	-
Trust Finance income	**21**	54
NHS Charitable Funds - investment income	**95**	186
Group Finance income	**116**	240

The Trust maintains a policy of only investing in UK banks which are assessed as low risk by the relevant rating agencies.

12. Finance Costs- Interest expense

Trust and Group

		6 months ended 30th Sep 2017 £000	2016/17 £000
Loans from the Independent Trust Financing Facility		**501**	953
Interest on commercial loans		**72**	77
Finance Costs on PFI and other service concession arrangements (excluding LIFT)			
Main Finance Costs		**1,626**	3,456
Contingent Rent	a)	**2,191**	3,924
Total		**4,390**	8,410

a) Under the terms of the Trust's PFI contract, an annual inflation uplift is applied in full to the unitary charge payments made to the PFI contractor. The impact of inflation on PFI finance lease rental payments is accounted for as contingent rent and is a Finance cost charge against the Statement of Comprehensive Income. This accounting treatment is consistent with requirements published by the Department of Health manual "Accounting for PFI under IFRS – October 2009".

13. Impairments of assets

Trust and Group

	Note	6 months ended 30th Sep 2017 £000	2016/17 £000
Net impairments arising from UHSM's independent valuer's assessment of assets.	a)	**-**	12,135
Total		**-**	12,135

a) Impairments in 2016/17 relate to reductions in valuation of the Trust's buildings, where the Trust held no balance within its revaluation reserve for those particular buildings. The valuations are provided by the Valuation Office Agency and are assessed using a Modern Equivalent Asset basis. The approach used to calculate Modern Equivalent Asset costs changed in 2016/17 and this change is explained within note 1.2.3 of these accounts.

14. Intangible assets

Trust and Group

The only intangible assets that the Trust owns are purchased computer software applications.

	Computer software - purchased	Computer software - purchased
	6 months ended 30th Sep 2017	2016/17
	£000	£000
Gross cost at April 1	**4,216**	2,301
Transfers by absorption	**-**	-
Additions - purchased	**500**	1,915
Disposals	**-**	-
Gross cost at end of period	**4,716**	4,216
Amortisation at April 1	**2,301**	2,301
Transfers by absorption	**-**	-
Charged during the year	**121**	-
Disposals	**-**	-
Amortisation at end of period	**2,422**	2,301
Net book value		
Purchased as at March 31	**2,294**	1,915
Donated as at March 31	**-**	-
Total at end of period	**2,294**	1,915

The intangible assets held by the Trust are initially valued at cost and are amortised over their useful economic life. The Trust is not holding a revaluation reserve for these assets.

The addition of intangible assets in 2016/17, and the following 6 month period, is purchase of software relating to implementation of the Trust's Electronic Patient Record (EPR) system.

15. Non Current Tangible Assets

Trust and Group

15.1 Property, plant and equipment

6 months ended 30th Sep 2017:	Land	Buildings excluding dwellings	Dwellings	Assets under construct and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at April 1, 2017	10,500	163,105	529	2,521	63,716	317	19,316	2,209	262,213
Additions - purchased	-	1,961	-	2,186	32	-	595	-	4,774
Additions - grants/donations of cash to purchase assets	-	-	-	-	-	-	-	-	-
Impairments charged to operating expenses	-	-	-	-	-	-	-	-	-
Impairments charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments credited to operating income	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Transfers to/from assets held for sale and assets in disposal groups	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At September 30, 2017	**10,500**	**165,066**	**529**	**4,707**	**63,748**	**317**	**19,911**	**2,209**	**266,987**
Accumulated depreciation as at April 1, 2017	-	-	529	-	51,952	317	9,268	1,844	63,910
Provided during the year	-	2,848	-	-	1,300	-	837	45	5,030
Impairments charged to operating expenses	-	-	-	-	-	-	-	-	-
Revaluation surpluses	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation at September 30, 2017	**-**	**2,848**	**529**	**-**	**53,252**	**317**	**10,105**	**1,889**	**68,940**
Net book value									
Owned at April 1, 2017	10,500	117,286	-	2,521	11,520	-	10,048	365	152,240
PFI at April 1, 2017	-	41,031	-	-	-	-	-	-	41,031
Donated at April 1, 2017	-	4,788	-	-	244	-	-	-	5,032
Total at April 1, 2017	**10,500**	**163,105**	**-**	**2,521**	**11,764**	**-**	**10,048**	**365**	**198,303**
Net book value									
Owned at September 30, 2017	10,500	115,965	-	4,707	10,274	-	9,803	317	151,566
PFI at September 30, 2017	-	41,537	-	-	-	-	-	-	41,537
Donated at September 30, 2017	-	4,716	-	-	222	-	3	3	4,944
Total at September 30, 2017	**10,500**	**162,218**	**-**	**4,707**	**10,496**	**-**	**9,806**	**320**	**198,047**

15.2 Property, plant and equipment prior year

2016/17	Land	Buildings excluding dwellings	Dwellings	Assets under construct and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at April 1, 2016	17,237	186,807	529	3,876	61,612	317	13,182	2,108	285,668
Additions - purchased	-	9,292	-	1,417	2,104	-	5,382	101	18,296
Additions - grants/donations of cash to purchase assets	-	-	-	-	-	-	-	-	-
Impairments	(6,737)	(26,692)	-	-	-	-	-	-	(33,429)
Reversal of impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	105	-	(2,772)	-	-	752	-	(1,915)
Revaluations	-	(6,407)	-	-	-	-	-	-	(6,407)
Transfers to/from assets held for sale and assets in disposal groups	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At March 31, 2017	**10,500**	**163,105**	**529**	**2,521**	**63,716**	**317**	**19,316**	**2,209**	**262,213**
Accumulated depreciation as at April 1, 2016	-	-	529	-	49,220	317	7,725	1,766	59,557
Provided during the year	-	6,407	-	-	2,732	-	1,543	78	10,760
Impairments charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Impairments recognised in operating expenses	-	-	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-	-	-
Revaluation surpluses	-	(6,407)	-	-	-	-	-	-	(6,407)
Disposals	-	-	-	-	-	-	-	-	-
Depreciation at March 31, 2017	**-**	**-**	**529**	**-**	**51,952**	**317**	**9,268**	**1,844**	**63,910**
Net book value									
Owned at April 1, 2016	19,437	137,873	63	1,368	13,205	14	5,053	438	177,451
Finance lease at April 1, 2016	-	-	-	-	-	-	-	-	-
PFI at April 1, 2016	-	37,987	-	-	-	-	-	-	37,987
Donated at April 1, 2016	-	4,132	-	700	199	-	6	9	5,046
Total at April 1, 2016	**19,437**	**179,992**	**63**	**2,068**	**13,404**	**14**	**5,059**	**447**	**220,484**
Net book value									
Owned at March 31, 2017	10,500	117,286	-	2,521	11,520	-	10,048	365	152,240
PFI at March 31, 2017	-	41,031	-	-	-	-	-	-	41,031
Donated at March 31, 2017	-	4,788	-	-	244	-	-	-	5,032
Total at March 31, 2017	**10,500**	**163,105**	**-**	**2,521**	**11,764**	**-**	**10,048**	**365**	**198,303**

15.3 Property, plant and equipment (cont.)

The range of asset lives for all classes of property, plant and equipment assets heldby the Trust are:

	Minimum life Years	Maximum life Years
Land	no minimum	indefinite
Buildings	7	33
Assets under construction	1	1
Plant and machinery	1	15
Transport equipment	1	10
Information technology	1	10
Software	7	7
Furniture and fittings	1	10

The Valuation Office provides the Foundation Trust with information on asset lives for buildings and dwellings.

The Trust received no compensation from third parties for assets impaired, lost or given up.

15.4 Asset disposal

In 2016/17, the Trust completed the sale of surplus land at the former Withington Hospital site.

The asset was previously valued at £2,200k. However, a gross sale price of £10,050k was achieved on completion of the sale. This resulted in a gain on disposal, over and above the previous carrying value, of £4,512k. This gain was reported in the Trust's annual accounts for 2016/17. The gain on disposal is net of costs of disposal and recognises a £2,730k share in the proceeds payable to the Department of Health which is included within Trade and Other Payables balances owing as at 30th September 2017 and at 31st March 2017.

The Trust has no other non-current assets held for sale.

16. Capital commitments

Trust and Group

Contracted capital commitments at September 30 not otherwise included in these financial statements:

	September 30, 2017	March 31, 2017
	£000	£000
Property, plant and equipment	**16,945**	19,958
Intangible assets	**-**	-
Total	**16,945**	19,958

Capital commitments at September 30, 2017 relate to implementation of an electronic patient record (EPR) system and a construction scheme to extend the Trust's Emergency Department facilities. These schemes were underway but not compete on 30th September 2017.

17. Inventories

Trust and Group

17.1 Inventories	**September 30, 2017**	March 31, 2017
	£000	£000
Drugs	**1,853**	1,663
Work in progress	**-**	-
Consumables	**4,148**	2,865
Energy	**58**	52
Total	**6,059**	4,580

The Trust holds no non-current inventories.

17.2 Inventories recognised in expenses	**September 30, 2017**	March 31, 2017
	£000	£000
Inventories recognised as an expense in the period	**(25,984)**	(54,388)
Write-down of inventories recognised as an expense (including losses)	**-**	-
Total	**(25,984)**	(54,388)

18. Investments

	September 30, 2017	**September 30, 2017**	March 31, 2017	March 31, 2017
	Trust	**Group**	Trust	Group
	£000	**£000**	£000	£000
Carrying value at April 1	**-**	**5,752**	-	4,981
Acquisitions in year	**-**	**-**	-	-
Movement in fair value of Available-for-sale financial assets recognised in Other Comprehensive Income	**-**	**(64)**	-	807
Disposals	**-**	**(19)**	-	(36)
Carrying value at period end	**-**	**5,669**	-	5,752

All non-current asset investments relate to a portfolio of equity and fixed interest investments held by the University Hospital of South Manchester NHS Charitable Fund. The Trust itself held no non-current asset investments during either of the periods ended September 30, 2017 or March 31, 2017.

19. Trade and other receivables

19.1 Trade and other receivables

	Note	Trust		Group	
Current		**September 30, 2017 £000**	March 31, 2017 £000	**September 30, 2017 £000**	March 31, 2017 £000
NHS receivables		**18,085**	15,664	**18,085**	15,664
Provision for the impairment of receivables		**(1,509)**	(2,050)	**(1,509)**	(2,050)
Prepayments		**6,023**	3,057	**6,023**	3,057
Accrued income		**515**	2,162	**515**	2,162
PDC receivables	a)	**398**	27	**398**	27
VAT receivable		**774**	403	**774**	403
Other receivables	b)	**7,197**	7,105	**7,197**	7,105
NHS Charitable Funds: trade and other receivables		**-**	**-**	**1**	174
Total		**31,483**	26,368	**31,484**	26,542

Non Current	**September 30, 2017 £000**	March 31, 2017 £000	**September 30, 2017 £000**	March 31, 2017 £000
NHS receivables	**-**	**-**	**-**	**-**
Receivables from NHS charities	**-**	**-**	**-**	**-**
Provision for the impairment of receivables	**(44)**	**(56)**	**(44)**	**(56)**
Prepayments	**-**	**-**	**-**	**-**
Accrued income	**99**	**85**	**99**	**85**
Interest receivable	**-**	**-**	**-**	**-**
Other receivables	**-**	**-**	**-**	**-**
NHS Charitable Funds: trade and other receivables	**-**	**-**	**-**	**-**
Total	**55**	**29**	**55**	29

Total	**September 30, 2017 £000**	March 31, 2017 £000	**September 30, 2017 £000**	March 31, 2017 £000
NHS receivables	**18,085**	15,664	**18,085**	15,664
Provision for the impairment of receivables	**(1,553)**	(2,106)	**(1,553)**	(2,106)
Prepayments	**6,023**	3,057	**6,023**	3,057
Accrued income	**614**	2,247	**614**	2,247
Finance lease receivables	**-**	**-**	**-**	**-**
PDC receivables	**398**	27	**398**	27
VAT receivable	**774**	403	**774**	403
Other receivables	**7,197**	7,105	**7,197**	7,105
NHS Charitable Funds: trade and other receivables	**-**	**-**	**1**	174
Total	**31,538**	26,397	**31,539**	26,571

a) PDC dividends are calculated on an actual basis, giving rise to a receivable where the interim payment had been overestimated.

b) Other receivables as at 30th September 2017 and 31st March 2017 includes a balance of £5,025k owed to the Trust in respect of the asset disposal detailed in note 15.4.

19.2 Provision for impairment of receivables

	6 months ended 30th Sep 2017 £000	2016/17 £000	**6 months ended 30th Sep 2017 £000**	2016/17 £000
At 1st April	**2,106**	2,001	**2,106**	2,001
Increase in provision	**(553)**	105	**(553)**	105
Amounts utilised	**-**	-	**-**	**-**
Unused amounts reversed	**-**	-	**-**	**-**
At period end	**1,553**	2,106	**1,553**	2,106

19.3. Ageing of impaired receivables

	Trust		Group	
	September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
	£000	£000	**£000**	£000
0 - 30 days	**15**	54	**15**	54
30-60 Days	**1**	30	**1**	30
60-90 days	**74**	47	**74**	47
90- 180 days	**102**	45	**102**	45
over 180 days	**1,341**	1,930	**1,341**	1,930
Balance at period end	**1,533**	2,106	**1,533**	2,106

19.4. Receivables past due date, but not impaired

	September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
	£000	£000	**£000**	£000
0 - 30 days	**5,518**	3,609	**5,518**	3,609
30-60 Days	**3,256**	1,678	**3,256**	1,678
60-90 days	**2,092**	527	**2,092**	527
90- 180 days	**973**	960	**973**	960
over 180 days	**328**	2,044	**328**	2,044
Balance at period end	**12,167**	8,818	**12,167**	8,818

Receivables are considered due at the date of invoice.

20. Cash and cash equivalents

	Trust		Group	
	September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
	£000	£000	**£000**	£000
Balance at April 1	**20,625**	20,304	**23,825**	24,070
Net change in period	**(9,044)**	321	**(9,316)**	(245)
Balance at period end	**11,581**	20,625	14,509	23,825
Made up of				
Commercial banks and cash in hand	**33**	88	**33**	88
Cash with the Government Banking Service	**11,548**	20,537	**14,476**	23,737
Current investments	**-**	-	**-**	-
Cash and cash equivalents as in statement of financial position	**11,581**	20,625	**14,509**	23,825
Bank overdraft	-	-	-	-
Cash and cash equivalents as in statement of cash flows	**11,581**	20,625	**14,509**	23,825

21. Trade and other payables

	Note	Trust		Group	
		September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
		£000	£000	**£000**	£000
Current					
Receipts in advance		**234**	-	**234**	-
NHS payables - capital		**-**	-	**-**	-
NHS payables - revenue		**4,473**	4,079	**4,473**	4,079
NHS payables - Early retirement costs payable within one year		**104**	105	**104**	105
Amounts due to other related parties - capital	a)	**2,700**	3,338	**2,700**	3,338
Other trade payables - capital		**292**	1,052	**292**	1,052
Other trade payables - revenue		**16,388**	17,404	**16,388**	17,404
Other taxes payable		**5,128**	5,050	**5,128**	5,050
Other payables		**5,336**	4,571	**5,336**	4,571
Accruals		**18,501**	17,760	**18,501**	17,760
NHS Charitable Funds: Trade and other payables		**-**	-	**53**	11
Total current		**53,156**	53,359	**53,209**	53,370

a) Amounts due to other related parties - capital includes a balance of £2,700k payable to the Department of Health, being their share of proceeds from the sale of surplus land at the former Withington Hospital site.

At September 30, 2017 there were no non-current trade and other payables. Similarly, there were no non-current trade and other payables at March 31, 2017.

22. Borrowings

Trust and Group

	September 30, 2017	March 31, 2017
Current	**£000**	£000
Loans from:		
Department of Health	**1,565**	1,565
Other entities	**711**	699
PFI liabilities:		
Main liability	**3,728**	3,369
Total Current	**6,004**	5,633
Non Current		
Loans from:		
Department of Health	**27,749**	25,431
Other entities	**3,281**	3,319
PFI liabilities:		
Main liability	**38,471**	40,514
Total Non Current	**69,501**	69,264
Total		
Bank overdrafts	**-**	-
Loans from:		
Foundation Trust Financing Facility	**29,314**	26,996
Other entities	**3,992**	4,018
PFI liabilities:		
Main liability	**42,199**	43,883
Total	**75,505**	74,897

The Trust currently has three loans outstanding with the Department of Health:

1. £4.6m for a Cystic Fibrosis expansion (to be repaid by 2029).
2. £14.3m for a Maternity refurbishment scheme (to be repaid by 2030).
3. £10.4m for a loan to support the Trust in addressing the challenges presented by the Trust's PFI payment profile (to be repaid by 2033).

Loans from other entities totalling £4.0m are commercial loans arranged in 2016/17 to fund investment in IM&T hardware and infrastructure.

The University Hospital of South Manchester NHS Foundation Trust Charitable Fund has no borrowings or PFI schemes.

23. Other liabilities

	Note	Trust		Group	
		September 30, 2017	March 31, 2017	**September 30, 2017**	March 31, 2017
		£000	£000	**£000**	£000
Current					
Other Deferred income		**9,704**	10,137	**9,704**	10,137
NHS Charitable funds: other liabilities		**-**	-	**-**	14
Total		**9,704**	10,137	**9,704**	10,151
Non Current					
Other Deferred income		**3,454**	3,436	**3,454**	3,436
NHS Charitable funds: other liabilities		**-**	-	**-**	-
Total		**3,454**	3,436	**3,454**	3,436
Total					
Other Deferred income		**13,158**	13,573	**13,158**	13,573
NHS Charitable funds: other liabilities		**-**	-	**-**	14
Total		**13,158**	13,573	**13,158**	13,587

24. Finance lease obligations

Other than a PFI arrangement, the Group has no finance lease obligations as at 30th September 2017.
(This was also the position at 31st March 2017)

25. Private Finance Initiative contracts

Trust and Group

25.1 PFI schemes on-Statement of Financial Position

The Trust has a 35 year PFI contract with South Manchester Healthcare Limited which expires in 2033. The contract covers provision of two buildings at Wythenshawe hospital – the Acute Unit and the Mental Health Unit.

The Acute Unit consists of an Accident and Emergency department, a burns unit, coronary care unit, intensive care unit, six operating theatres, five medical and five surgical wards, an x-ray department, fracture clinic and renal department.

The Mental Health Unit provides adult and older people's outpatient and inpatient Mental Health services. The Trust sublets the Mental Health Unit to Manchester Mental Health and Social Care Trust. This agreement is treated as an operating lease and the income received is included within operating income.

In addition to provision and maintenance of the two buildings, under the terms of the contract the PFI operator also provides a range of essential facilities management services across the Wythenshawe hospital site. These include cleaning, catering, portering, laundry and maintenance services.

In accordance with accounting standard IFRIC 12, the two buildings are treated as assets of the Trust and assets values are included in note 15. IFRIC 12 deems that the substance of the contract is that the Trust has a finance lease and payments comprise two elements – imputed finance lease charges and service charges. Service charges are included within operating expenditure and imputed finance lease charges are detailed in the table below.

In 2033, at the end of the PFI contract, the two buildings covered by the contract will transfer from South Manchester Healthcare Ltd to the Trust.

25.2 On-Statement of Financial Position (SoFP) PFI finance lease element obligations:

The Trust is committed to making the following payments in respect of the finance lease element of the PFI:

	September 30, 2017 £000	March 31, 2017 £000
Gross PFI liabilities	**104,935**	110,520
Of which liabilities are due:		
Not later than one year	**11,564**	11,170
Later than one year, not later than five years	**46,991**	47,500
Later than five years	**46,380**	51,850
Less finance charges allocated to future periods	**(62,736)**	(66,637)
Net PFI liabilities	**42,199**	43,883
Not later than one year	**3,728**	3,369
Later than one year, not later than five years	**18,485**	18,116
Later than five years	**19,986**	22,398
	42,199	43,883

25.3 PFI Commitments

The Trust is committed to making the following total future payments in respect of the PFI, including the service and lifecycle elements of the contract:

	September 30, 2017 Total £000	March 31, 2017 Total £000
Within one year	**37,386**	37,759
2nd to 5th years (inclusive)	**148,940**	149,354
Later than five years	**334,812**	352,905
Total	**521,138**	540,018

Values shown are at 2017/18 prices. The impact of any future inflation uplifts beyond 2017/18 is not known at this stage and is not possible to estimate with any certainty.

25.4. Private Finance Initiative Costs

	6 months ended 30th Sep 2017 £000	2016/17 £000
Service element	**12,506**	23,468
Interest costs	**1,626**	3,456
Contingent Rent	**2,191**	3,924
Lifecycle costs	**1,175**	4,400
Principal repayment	**1,684**	2,724
Total Payment	**19,182**	37,972

The total payment reflects the PFI charge on an accruals basis, excluding VAT where appropriate.

26. Provisions

Trust and Group

	September 30, 2017 £000	March 31, 2017 £000
Current		
Pensions - early departure costs	**396**	408
Other legal claims	**612**	586
Restructurings	**-**	-
Other (see below)	**16,738**	12,906
NHS Charitable fund provisions	**-**	-
Total current	**17,746**	13,900
Non Current		
Pensions - early departure costs	**3,778**	3,959
Other legal claims	**-**	-
Restructurings	**-**	-
Other (see below)	**242**	250
NHS Charitable fund provisions	**-**	-
Total Non current	**4,020**	4,209
Total		
Pensions - early departure costs	**4,174**	4,367
Other legal claims	**612**	586
Restructurings	**-**	-
Other (see below)	**16,980**	13,156
NHS Charitable fund provisions	**-**	-
Total	**21,766**	18,109

Provisions movement - 6 months ended 30th September 2017

	Pensions relating to former directors £000	Other Legal claims £000	Other (see below) £000	Total £000
As at April 1, 2017	4,367	586	13,156	**18,109**
Change in the discount rate	-	-	-	**-**
Reassessment of existing provisions and new provisions arising during the year	-	26	3,833	**3,859**
Used during the year	(198)	-	(9)	**(207)**
Unwinding of discount	5	-	-	**5**
NHS Charitable funds: movement in provisions	-	-	-	**-**
At September 30, 2017	4,174	612	16,980	**21,766**
Expected timing of cash flows:				
- not later than 1 year	396	612	16,738	**17,746**
- later than 1 year and not later than 5 years	1,584	-	72	**1,656**
- later than 5 years	2,194	-	170	**2,364**
Total	4,174	612	16,980	**21,766**

	September 30, 2017 £000	March 31, 2017 £000
Other provisions include		
Public and employers insurance claims	**260**	260
Staffing issues	**675**	503
Miscellaneous contractual issues	**16,045**	12,393
	16,980	13,156

£75,891k is included in the provisions of the NHS Litigation Authority at 30/09/2017 in respect of clinical negligence liabilities of the Trust (31/03/2017 = £70,708k).

27. Revaluation Reserve

Trust and Group

The Trust holds a revaluation reserve for land and buildings, but not for plant and equipment or intangible assets.

	Note	**September 30, 2017**	March 31, 2017
		£000	£000
Revaluation reserve at 1 April		**21,639**	42,933
Impairments	a)	**-**	(21,294)
Revaluations		**-**	-
Reserves at period end		**21,639**	21,639

a) Impairments charged to the revaluation reserve in 2016/17 relate to reductions in valuation of the Trust's buildings. The valuations are provided by the Valuation Office Agency and are assessed using a Modern Equivalent Asset basis. The approach used to calculate Modern Equivalent Asset costs changed in 2016/17 and this change is explained within note 1.2.3 of these accounts.

28. Contingencies

Trust and Group

Neither Trust nor Group has contingent liabilities or contingent assets at September 30, 2017. This is the same position as at March 31, 2017.

29. Financial Instruments

Trust and Group

29.1 Financial assets by category

The only financial assets held by the Trust are loans and receivables.
The Charity has an investment portfolio held as available-for-sale financial assets, with any fair value gains recognised in other comprehensive income.

	September 30, 2017 £000	March 31, 2017 £000
NHS Trade and other receivables excluding non financial	**23,862**	20,045
Cash and cash equivalents (at bank and in hand)	**11,696**	20,625
Trust total	**35,558**	40,670
UHSM NHS Charitable Fund: financial assets	**8,598**	8,952
Group total	**44,156**	49,622

29.2 Financial liabilities by category

The Trust has no financial liabilities held at fair value through the Statement of Comprehensive Income.

	September 30, 2017 £000	March 31, 2017 £000
Borrowings excluding finance leases and PFI obligations	**33,306**	31,014
Obligations under PFI contracts	**42,200**	43,883
Trade and other payables	**47,737**	45,571
Provisions under contract	**21,155**	17,524
Trust total	**144,398**	137,992
UHSM NHS Charitable Fund: financial liabilities	**53**	11
Group total	**144,451**	138,003

Management of the Trust consider that the carrying amounts of financial assets and financial liabilities, recorded at amortised cost in these Financial Statements, approximate to their fair value.

29.3 Financial risk management

Financial Reporting Standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The Trust has a continuing service provider relationship with clinical commissioning groups and NHS England, and, as a result of the way these commissioners are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's policy agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Trust is permitted to borrow to fund capital expenditure. To September 30, 2017, the Trust has borrowed funds from the Department of Health for expansion of accommodation for its Cystic Fibrosis service; for enhancements to its Maternity Unit and also to support the Trust in addressing the challenges presented by it's PFI payment profile. The Trust has separately borrowed from a commercial lender to fund investment in IM&T hardware and infrastructure. All of these loans are at a fixed level of interest. UHSM therefore has a low exposure to interest rate risk.

Credit risk

As the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at September 30, 2017 are in receivables from customers, as disclosed in the Trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with NHS Clinical Commissioning Groups and NHS England, which are financed from resources voted annually by Parliament The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Market risk

The assets of the Group includes a portfolio of equity and fixed interest investments held by the University Hospital of South Manchester NHS Charitable Fund. The market value of these investments at September 30, 2017 is £5,669k (March 31, 2017 is £5,752k). The Group is exposed to market risk to the extent that these investments can fluctuate in value. The Group uses the advice of specialist asset management advisors to manage these investments in order to mitigate such risks.

30. Events after the reporting period

On 1st October 2017, University Hospital of South Manchester NHS Foundation Trust merged with Central Manchester University Hospitals NHS Foundation Trust to form Manchester University Hospital NHS Foundation Trust. This joining together of the two organisations to create a new foundation trust is the first step in creating a new, city-wide hospital trust which will provide much better, safer, more consistent hospital care for people living in the City of Manchester, Trafford, and beyond.

There were no other material post Statement of Financial Position events following submission of the accounts to September 30, 2017.

31. Going Concern

After considering Monitor's Enforcement Undertaking, explained in note 1.2.1 above, and making enquiries, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

32. Public Dividend Capital Dividends Paid

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

Details of the calculation of dividends payable are provided in note 1.16.

In the 6 months ended 30th September 2017, dividends were paid on an estimated basis but then reviewed after the period end and an adjustment was made based on actual performance. As a result of this adjustment, the Trust has a current receivable in its books relating to a dividend overpayment of £404k (in 2016/17 the Trust had a current asset of £27k in its books relating to cash receivable due to a dividend overpayment).

33. The Late Payment of Commercial Debts (Interest) Act 1998

The Trust received no claims under The Late Payment of Commercial Debts (Interest) Act 1998.

34. Related party transactions

Trust and Group

University Hospital of South Manchester NHS Foundation Trust is a public interest body authorised by NHS Improvement - the regulatory body for NHS foundation trusts and NHS trusts.

For the purposes of these accounts the Department of Health is deemed to be the parent of the Foundation trust. Other NHS entities which interact with the Trust are regarded as related parties. During the year the Trust had a number of material transactions with other NHS entities which are summarised below.

In the 6 months ended 30th September 2017 related party transactions / balances were:

	Note	Expenditure to Related Party £000s	Income from Related Party £000s	Amounts owed to Related Party £000s	Amounts due from Related Party £000s
Board members	a)	-	-	-	-
Key staff members		-	-	-	-
Other related parties:					
-Department of Health		-	-	2,700	398
-Other NHS bodies		4,898	210,385	4,473	18,085
		4,898	210,385	7,173	18,483

Transactions / balances in 2016/17, the prior year, were:

		Expenditure to Related Party £000s	Income from Related Party £000s	Amounts owed to Related Party £000s	Amounts due from Related Party £000s
Board members	a)	250	-	-	-
Key staff members		-	-	-	-
Other related parties:					
-Department of Health		-	579	2,730	105
-Other NHS bodies		19,481	454,971	3,929	15,331
		19,731	455,550	6,659	15,436

a) Certain members of the Board of Directors, or parties related to them, have connections with organisations which also have transactions with the Trust. The transactions are in the normal course of business and are on a arms length basis.

The Trust maintains a register of interests. Staff and Non-executive Directors are required to declare any outside interests so that they may be recorded in this register. The register is available for inspection by the public.

35. Third Party Assets

The Trust held £12k cash and cash equivalents at September 30, 2017 (£5k - at March 31, 2017) which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

36. Losses and Special Payments

There were 474 cases of losses and special payments (2016/17: 86 cases) totalling £436k (2016/17: £410k) accrued during the 6 months ended 30th September 2017. Losses and special payments are reported on an accruals basis with the exception of provisions for future losses. No individual case included a net payment in excess of £250k.