

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS

HELD ON

WEDNESDAY 21st MAY 2014

Subject	Finance Report
Supporting TEG Member	Neil Priestley
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Status¹	N

PURPOSE OF THE REPORT

To provide the Board with an update on key financial issues.

KEY POINTS

1. A satisfactory provisional 2013/14 outturn position, with an I&E surplus of £7.26m (just under 0.8% of turnover) compared to the plan of £6.7m.
2. The significant risks to the 2014/15 Financial Plan around non-delivery of efficiency savings and outstanding contract agreements, particularly with NHS England.
3. Ever increasing financial pressure in the NHS system.

IMPLICATIONS²

AIM OF THE STHFT CORPORATE STRATEGY 2012-2017		TICK AS APPROPRIATE
1	Deliver the Best Clinical Outcomes	
2	Provide Patient Centred Services	
3	Employ Caring and Cared for Staff	
4	Spend Public Money Wisely	√
5	Deliver Excellent Research, Education & Innovation	

RECOMMENDATIONS

As per Section 4 of the report.

APPROVAL PROCESS

Meeting	Date	Approved Y/N

¹ Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

BOARD OF DIRECTORS MEETING 21st MAY 2014

FINANCE REPORT

1. Introduction

The purpose of this paper is to provide the Board with an update on key financial issues.

2. 2013/14 Outturn Financial Position

- 2.1 The Trust's Unaudited 2013/14 Annual Accounts were submitted to Monitor on 23 April 2014 as required.
- 2.2 The Unaudited Accounts show an I&E surplus of £7.26m compared to the planned surplus of £6.7m. The surplus represents just under 0.8% of turnover for the year and the excess surplus over plan is just 0.06% of turnover.
- 2.3 Key factors in the strong outturn position were high activity levels in the last 2 months of the year; the receipt of a £2.2m "Infrastructure Payment" from NHS England in February to reflect the inadequacies in tariffs for complex treatments; the agreement of NHS Sheffield to reinvest a significant portion of the contract penalties which it could have levied on the Trust; and a better than expected level of CQUIN income.
- 2.4 Turnover for 2013/14 was £932.9m which was an increase of £23.4m or 2.6% over the 2012/13 figure. Income from patient care services was £40.7m or 5.4% higher than in 2012/13.
- 2.5 Final over-performance on cost and volume activity was £6.9m. There was a significant over performance on non-elective activity (£5.0m gross but £3.1m was withheld by commissioners due to the rules on the marginal emergency tariff and emergency readmissions within 30 days); outpatients (£4.4m); and critical care (£2.1m). There was an under-performance of £3.6m on elective activity despite activity numbers being high. The major areas of contract over-performance related to NHS Sheffield and NHS England, although much of it was predictable.
- 2.6 Eight Directorates had deficits in excess of 5% of budgets (Gastroenterology; Geriatrics and Stroke Medicine; Operating Services Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; Vascular Services; General Surgery; and Orthopaedics) and 5 had deficits of between 2% and 5%. The other 20 Directorates achieved surpluses or had very minor deficits.
- 2.7 Directorates reported achievement of £26.6m of efficiency savings in 2013/14. Whilst this was a very credible effort, it did represent an under-delivery of £4.3m (13.9%). The level of under-delivery reduced slightly at the end of the year.
- 2.8 Cash generated from the I&E surplus will be retained within the Trust and invested in future Capital Programmes. The £6.7m planned surplus has already been committed in the 2014/15 Capital Programme/5 Year Capital Plan approved by the Board of Directors at its 19 March 2014 meeting. The balance will be added to the Programme at its next update.
- 2.9 Capital expenditure in 2013/14 was £33.7m. There was a slightly disappointing £9.2m underspend on the Capital Programme due to slippage, particularly on the IT

and Ward Refurbishment Programmes. However, the resources are carried-forward within the Trust and so will enable the planned schemes to be completed in due course.

- 2.10 The external audit process is now well underway and it is planned that the Annual Accounts/Annual Report will be approved/adopted by the Board on 22 May 2014 and submitted to Monitor on 30 May 2014.

3. 2014/15 Financial Plan

- 3.1 The Trust's 2014/15 Financial Plan was approved by the Board at its 19 March 2014 meeting. The Trust has a balanced plan but, unlike in recent years, has been unable to plan for a surplus.
- 3.2 The plan requires £26.6m of further efficiency savings given the 4% National Efficiency Target and the further loss of £2m on Education and Training Tariffs. Directorates have identified this level of savings in their final 2014/15 Financial Plans submitted at the end of March. However, avoiding the historic under-delivery will be a major challenge.
- 3.3 It is worth noting that the National Efficiency Targets for the 9 years up to and including 2014/15 total 30.5%, to a value of around £0.25 billion.
- 3.4 The Financial Plan fully funds inflation and other pressures including modest investments in nurse staffing, the IT Programme, Community (Active Recovery) service expansion and service/quality improvement initiatives.
- 3.5 Whilst contracts have been agreed with the CCGs, the Trust has still to agree contracts with NHS England and Sheffield City Council. The value of the unresolved issues was relatively small (£1.9m and £0.2m respectively) until NHS England recently announced that, due to its overall financial position on Specialised Services for 2014/15, further significant savings are required (up to £7.7m for STH). NHS England's initial approach was to seek further QIPP schemes but it has now suggested that it will also reverse previous pricing agreements. It is unclear how such fundamental differences will be resolved at this late stage but the Trust will resist attempts to simply transfer a financial problem to it.
- 3.6 Planned capital investment in 2014/15 totals £34.3m, excluding the slippage from 2013/14. Key planned investments relate to the IT Programme, Theatre Refurbishments/Capacity, MRI capacity, Estate Rationalisation, a new Helipad plus the usual investments in medical equipment, estate infrastructure, minor service developments, etc. Work has started on progressing all of these areas.

4. Recommendations

The Board is asked to note:-

- 4.1 The satisfactory provisional 2013/14 outturn financial position.
- 4.2 The threats to the 2014/15 Financial Plan from under-delivery of efficiency plans and outstanding contract agreements.
- 4.3 The ever increasing financial pressure within the service.

Neil Priestley
Director of Finance
April 2014