

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 19th MARCH 2014**

Subject	Finance Report
Supporting TEG Member	Neil Priestley
Author	Neil Priestley
Status¹	N

PURPOSE OF THE REPORT

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

KEY POINTS

1. The 2013/14 Integrated Sexual Health Services contract value with Sheffield City Council is now confirmed.
2. The Month 10 results show a positive position, although there are still a number of factors which will have a material impact on the Trust's final 2013/14 financial results.
3. The key on-going financial management actions are to drive the Efficiency Programme; to progress the Performance Management Framework work with financially challenged Directorates and secure good general Directorate financial performance; to contain operational and cost pressures; to manage contractual issues and deliver contract targets; to deliver CQUIN schemes; and to maximise contingencies.
4. The planning processes and contract negotiations for 2014/15 are drawing to a conclusion, although it is proving very challenging given the NHS financial environment and the pressures being placed on acute providers.
5. The Trust's second cut plans for 2014/15 identified an improved level of efficiency savings. However, they are still significantly less than required and the challenge from the national efficiency requirement and education and training income reductions means that a satisfactory outcome to the contract negotiations is critical.

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

The Board is asked to note the key financial issues and, in particular, the current position against the 2013/14 Financial Plan, the key financial management actions required and the outlook for 2014/15.

APPROVAL PROCESS

Meeting	Date	Approved Y/N

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

² Against the five aims of the STHFT Corporate Strategy 2012-2017

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

BOARD OF DIRECTORS 19th MARCH 2014

FINANCE REPORT

1. 2013/14 FINANCIAL PLAN

- 1.1 The 2013/14 contract value regarding the Integrated Sexual Health service is now agreed with Sheffield City Council (SCC) at the anticipated level. The process regarding the work to determine the potential contractual relationship from 2015/16 is now broadly agreed. Contract documentation now needs to be put in place for 2013/14 and 2014/15.

2. 2013/14 FINANCIAL POSITION – MONTH 10

- 2.1 The Month 10 position is a surplus against plan of £370.0k (0.05%). The Operating Position hardly moved in January and stood at a £8.8m deficit (1.2%). The further release of uncommitted centrally held contingencies has therefore resulted in an overall improvement of £0.9m in the month.
- 2.2 There is an over-performance against the Trust's activity plan of £3.0m which is a significant increase from Month 9. Outpatient and non-elective activity were ahead of plan in January but elective activity was again behind plan. There continues to be a significant gross over-performance on non-elective activity (£3.5m), although £2.1m of this is not received due to the national rules on the Marginal Emergency Tariff (MRET) and Emergency Readmissions within 30 days. There are also over-performances on Critical Care (£1.4m) and outpatients (£3.1m), with an under-performance on elective activity (£3.7m). The major commissioner over-performances relate to NHS Sheffield (NHSS) and, to a lesser degree, NHS England (NHSE) but there are under-performances for a number of other contracts.
- 2.3 Of the 33 Directorates, 16 reported a break-even/surplus position, 3 reported small deficits of less than 2% of budget to-date and 14 reported more significant deficits. The Directorates causing most concern continue to be Geriatric and Stroke Medicine; Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; General Surgery; and Orthopaedics.
- 2.4 Work continues with these Directorates under the Performance Management Framework (PMF) to seek improved financial performance. The Month 10 results were generally stable with the exception of a significant deterioration in Orthopaedics. Good progress from the Neurosciences Directorate means that it has now been removed from the PMF process. Work continues with the relevant Directorates to identify and address barriers to enhanced efficiency and to seek improved management/governance. Addressing underlying deficits will remain immensely challenging given the requirement for significant further efficiency savings each year. However, it is clear that performance will need to improve to address this growing risk to the Trust's overall financial position.

- 2.5 Directorates have reported an under-delivery of £5.1m (19.9%) against Efficiency Plans at Month 10 which is clearly a key factor in the Operating deficit. There are many minor variances but disruption in the early part of the year from the very long winter and on-going problems with delayed discharges are key issues. Directorates are forecasting full year delivery of £25.2m but much will depend on the extent of disruption in the winter.
- 2.6 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage, although significant slippage on the Capital Programme is expected.
- 2.7 The key on-going financial management actions remain to drive the Efficiency Programme; to progress the PMF work with financially challenged Directorates and secure good general Directorate financial performance; to contain operational and cost pressures; to manage contractual issues and deliver contract targets; to deliver CQUIN schemes; and to maximise contingencies. Work continues to assess where the above actions can be developed further.
- 2.8 The position on commissioner reinvestment of potential contract penalties is now clear with NHS Sheffield reinvesting any penalties relating to C Diff and 50% of the 18 Week RTT penalties. The Trust has also secured a £2.2m payment from NHS England to reflect the inadequate tariff reimbursement for very complex treatments. These two factors plus the improved position for Month 10 give some confidence about 2013/14 but there remain other key factors which will influence the Trust's ultimate outturn position as follows:
- Directorate financial performance in the remainder of the year.
 - The Health and Social Care system's management of operational pressures during the "winter".
 - CQUIN scheme delivery.

3. PLANNING FOR 2014/15

- 3.1 The Trust's 2014/15 Financial Planning processes are now coming to a conclusion. The technical work is complete but the major challenge remains for Directorates to deliver at least £26m of further efficiency savings given the 4% National Efficiency Target and Education and Training tariff income losses. Second Cut Plans submitted at the end of January showed an improved position with around £22m of efficiency savings but work has been continuing since then to improve plans and to strengthen confidence in delivery. Final Directorate Plans will be submitted at the end of March.
- 3.2 The Trust's contract negotiations for 2014/15 are also heading to a conclusion. There have been many difficult issues to address given financial constraints on both sides. As noted above, delivering the required efficiency savings will be hugely challenging given the cumulative impact over several years, performance targets, quality standards and the financial challenges faced by commissioners and social care. It is clear that any further baseline income reductions will be impossible to handle on top of the 4% National Efficiency Target. However, a significant increase in activity will be required to deliver the 18 Weeks RTT targets in 2014/15 and this is creating affordability issues for commissioners.

- 3.3 Planning for the 2014/15 Capital Programme is also broadly completed. The Programme should enable continued development of the Trust's infrastructure, the second year of the Trust's major IT Programme, further progress on estate rationalisation schemes and a number of developments relating to Operating Theatres.

4. CONCLUSIONS

- 4.1 The 2013/14 Integrated Sexual Health contract value with SCC is now confirmed.
- 4.2 The Month 10 results show a positive position. Whilst there are still a number of factors which may still have a material impact on the Trust's final 2013/14 financial results, recent developments give some confidence.
- 4.3 The planning processes and contract negotiations for 2014/15 need to be finalised in the coming weeks, although it is proving very challenging given the NHS financial environment and the pressures being placed on acute providers.
- 4.4 The Trust's second cut plans for 2014/15 identified an improved level of efficiency savings. However, they are still significantly less than the minimum which will be required such that on-going work to improve the plans and their delivery is crucial.
- 4.5 The challenge from the national efficiency requirement and education and training income reductions means that a satisfactory outcome from the 2014/15 contract negotiations is critical.

5. RECOMMENDATION

The Board is asked to note the key financial issues and, in particular, the current position against the 2013/14 Financial Plan, the key financial management actions required and the outlook for 2014/15.

Neil Priestley
Director of Finance
March 2014