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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS

HELD ON 27th FEBRUARY 2013

Subject	Finance Report
Supporting TEG Member	Neil Priestley
Author	Neil Priestley
Status[1]	N

PURPOSE OF THE REPORT

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

KEY POINTS

1. The Month 9 financial position is a very small surplus against plan, with an operating deficit offset by the release of uncommitted contingencies, a significant over performance on activity and an under delivery against Directorate efficiency plans.
2. The level of activity over performance continues to cause concern for NHS Sheffield and there are contractual issues still to be resolved.
3. The key financial management actions for the Trust remain to drive the Efficiency Programme; progress the Performance Management Framework work with Directorates; secure general improvements in financial positions across Directorates; contain operational pressures; agree appropriate actions to assist NHS Sheffield/manage contractual challenges; manage the process of revaluation of the Trust's estate; and maximise contingencies.
4. Additional national/SHA funding received will more than mitigate in-year operational pressures.
5. The 2013/14 financial planning process is now well underway and the extent of the challenge is clear following the release of national planning information/guidance during December 2012. Much will now depend on the outcome of very challenging contract negotiations.
6. However, the on-going challenge of achieving major efficiency savings whilst delivering key service targets, improving quality and coping with operational pressures will also remain fundamental to the Trust's success in 2013/14.

IMPLICATIONS[2]

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 2012/13 Month 8 financial position, the associated issues and the challenge of the 2013/14 financial planning process.

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 27th FEBRUARY 2013

FINANCE REPORT

1. 2012/13 FINANCIAL POSITION – MONTH 9

1.1 The Month 9 position is a small surplus against plan of £18.0k. The "Operating Position" improved slightly to a £4.48m deficit but this was offset by £4.5m of released uncommitted contingencies (see 1.8 below) to give the overall position.

1.2 The activity position is an over-performance against the Trust's activity plan of £6.2m, an increase of £2.8m in December. The over-performance largely relates to non-elective (£5.8m) and out-patient (£1.4m) activity with an under-performance on elective activity (£1.8m). There is a major and growing level of over-performance for NHS Sheffield (NHSS). The over-performance on non-elective activity is after the "loss" of £2.1m of income due to the national marginal emergency tariff (30% of tariff received for activity over 2008/09 levels) and the local QIPP risk share agreed with NHSS.

1.3 Of the 34 Directorates, 14 reported a break-even or surplus position, 8 reported small deficits of less than 2% of budget to-date and 12 reported more significant deficits. There was a general improvement across many Directorates in December, largely due to the activity performance in the month. The Directorates causing most concern remain Operating Services, Critical Care and Anaesthesia (OSSCA), Neurosciences, Vascular Services, General Surgery, Orthopaedics and Specialised Cancer Services but the positions in ENT; Obstetrics, Gynaecology and Neonatology (OG&N); Cardiothoracic Services; and Urology are also of concern.

1.4 Work continues with the most challenged Directorates under the Performance Management Framework (PMF) process to seek improved financial performance. The work has focussed on clarifying objectives; identifying Directorate project structures, support and arrangements to secure staff engagement; resolving key issues/actions; and the development of recovery plans. A range of issues have been resolved but there are more to address. Recovery plans need to be developed further and in much more detail to now inform 2013/14 financial planning. Greater efficiency will be required along with improved management and governance arrangements. This is immensely challenging given the on-going efficiency requirements but its success will be fundamental to the Trust's future success.

1.5 Directorates have reported an under-delivery of £3.9m (19%) against their Efficiency Plans at Month 9 which is a key factor in the operating deficit. The most significant areas of under-delivery relate to Emergency £338.7k (slippage on bed closures); OSCCA £729.8k (staff savings and activity plan under delivery); Neurosciences £420.6k (activity from 2nd Gamma Knife and various cost reductions); OG&N £732.0k (activity plan and various cost reductions); Specialised Cancer Services £210.8k (staffing and bed reductions plus other small schemes) and Orthopaedics £452.2k (on-site activity and nursing cost reductions).

1.6 Directorates now forecast delivery £24.2m of efficiency savings in 2012/13 which would represent an improvement on current performance. The forecast outturn would deliver the total of 2012/13 Directorate efficiency targets but is £3.88m (12.8%) less than the total of plans. Work continues to minimise in-year under-delivery and ensure delayed schemes are in place for 2013/14.

1.7 As referred to above, the activity over-performance for NHSS is significant and various actions are under way or being discussed. There are still a number of contractual issues to resolve before the end of the year.

1.8 The position on potential contingencies is reasonably firm. The likely position on CQUIN income is also becoming clearer but there are a number of areas where achievement is still unclear. The value of potential commitments against contingencies is still fluid in a small number of areas but £6m of uncommitted reserves have now been released to offset budget deficits. The increase of £1m reflects the additional MPET funding reported last month.

1.9 The key financial issues for 2012/13 remain the delivery of efficiency plans; improved Directorate financial performance; handling operational pressures without additional cost or a negative impact on efficiency; the impact of the revaluation of the Trust's land and buildings which was undertaken recently; managing the NHSS contracting/financial issues; CQUIN income earned; and final expenditure commitments against contingencies. Overall, the position still looks satisfactory.

1.10 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage.

2. 2013/14 FINANCIAL PLANNING

2.1 Financial Planning work is now well underway for 2013/14, the third year of (at least) four where the NHS will receive minimal real terms growth and will be expected to deliver 4-5 % of efficiency savings to fund growth in demand and quality improvements.

2.2 The pressure on the Trust will be significant following confirmation in December 2012 that the National Efficiency Target will again be 4%. With MPET income reductions the Trust faces a minimum requirement for efficiency savings (to offset the reduced income) of around £25m. There are also significant additional operational and quality requirements on the Trust in 2013/14.

2.3 This will be a major challenge for the Trust to deliver so it is crucial that there are no further income losses from tariff changes, contract negotiations and commissioner QIPP savings proposals. The National Efficiency Target should provide the resources necessary to offset demand and quality pressures (as per the overall NHS settlement) but this assumes that acute providers are treated on the same basis as other elements of the NHS system. Contract negotiations have commenced with the local Clinical Commissioning Groups, the National Commissioning Board and Sheffield City Council and are proving very challenging given the pressures across the whole health and social care system.

2.4 Directorates have been required to produce plans for a further 5% of efficiency savings in 2013/14. This is likely to be the absolute maximum which can be delivered although it will not be sufficient if there are further tariff/contract/QIPP income losses.

2.5 Directorate Second Cut 2013/14 Financial Plans were submitted earlier this month and showed around 4% of efficiency savings rather than the required 5%. Systems and processes in Directorates and through the Trust-wide Efficiency Programme will need to be highly effective if the required savings are to be identified and delivered.

3. CONCLUSIONS

3.1 The Month 9 financial results show a much improved position due to the strong activity position in December and the release of an additional £1m of uncommitted contingencies. The receipt of additional national/SHA funding is proving helpful in meeting the Trust's 2012/13 Financial Plan.

3.2 The key actions remain to drive the Efficiency Programme, progress the PMF work with Directorates; secure more general improvement in Directorate financial positions; contain operational pressures; agree appropriate actions to assist NHSS with its financial pressures/manage contractual challenges; manage the process of revaluation of the Trust's estate; and maximise contingencies.

3.3 The on-going challenge of delivering major efficiency savings whilst delivering key service targets, improving quality and coping with operational pressures will remain fundamental to the Trust's success in 2013/14 where the need for significant further efficiency savings in now confirmed. Sensible contract agreements will also be critical.

4. RECOMMENDATION

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 9 financial position and the financial planning challenges for 2013/14.

Neil Priestley
Director of Finance
February 2013