

**SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST**

**EXECUTIVE SUMMARY**

**REPORT TO THE COUNCIL OF GOVERNORS**

**TO BE HELD ON 1<sup>st</sup> JUNE 2016**

<b>Subject</b>	Financial Update
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<b>Status<sup>1</sup></b>	N

**PURPOSE OF THE REPORT**

To provide an update on the final 2015/16 financial position and the 2016/17 Financial Plan and associated issues.

**KEY POINTS**

1. The 2015/16 Annual Accounts show a deficit of £7.7m which is better than plan but was aided by £3.2m of non-cash technical items.
2. The 2016/17 Financial Plan shows a small surplus but there are major risks around delivery of activity, efficiency and financial plans; avoiding contract income losses; and securing national Sustainability & Transformation funding (given financial, service target and agency staffing cost conditions).

**IMPLICATIONS<sup>2</sup>**

<b>AIM OF THE STHFT CORPORATE STRATEGY 2012-2017</b>		<b>TICK AS APPROPRIATE</b>
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 Council of Governors is asked to note the financial update.

**APPROVAL PROCESS**

<b>Meeting</b>	<b>Date</b>	<b>Approved Y/N</b>

<sup>1</sup> Status: A = Approval  
 A\* = Approval & Requiring Board Approval  
 D = Debate  
 N = Note

<sup>2</sup> Against the five aims of the STHFT Corporate Strategy 2012-2017

# **SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST**

## **FINANCIAL UPDATE**

### **COUNCIL OF GOVERNORS 1<sup>ST</sup> JUNE 2016**

#### **1. 2015/16 Final Position**

- The 2015/16 Annual Accounts have now been audited and have been adopted by the Board of Directors.
- The final position is a deficit of £7.7m (0.8% of turnover) compared to the Financial Plan deficit of £11m. However, the final position includes the benefit of £3.2m of non-cash technical items (donations and reversed impairments) which were not included in the Financial Plan.
- £3.9m of the deficit relates to planned IT Project Costs which were funded from the Capital Programme.
- The final activity under-performance against plan was £15.9m and there was a £4.9m under-delivery on efficiency plans. The under-delivery of plans was offset by various contingencies and other non-recurrent gains.
- The Trust invested around £34m in capital assets and had a relatively strong working capital position at the year-end.
- This is the first time that the Trust has had a deficit but this has to be seen in the context of the major aggregate deficit seen across the NHS Acute Provider sector in 2015/16. In this context, a position where the Trust maintained services and avoided a significant financial problem could be seen as relative success.
- However, the underlying pressures, which were offset by one-off gains in 2015/16, continue to be a major issue for 2016/17.

#### **2. 2016/17 Financial Plan**

- There has been considerable focus on addressing the NHS Acute Provider deficits for 2016/17 including a more reasonable settlement (e.g. a 2% national efficiency requirement rather than the 4% in previous years) and the national allocation of £1.8b of Sustainability & Transformation (S&T) funding.
- The Trust has been provisionally allocated £19.3m of S&T funding but there are conditions in terms of delivery of a financial "Control Total" (a surplus), achievement of Performance Trajectories (A&E 4 Hour Target, RTT, Cancer 62 Days and Diagnostic Waits) and not exceeding an Agency Staffing Costs "Ceiling" (£18.4m). The precise arrangements are yet to be confirmed but it appears that achievement of the conditions, and allocation of the S&T funding, will be assessed on a quarterly basis.
- The Trust believes that the Control Total proposed by NHS Improvement (NHSI) is undeliverable and incorrectly assumes significant gains in the move from 2015/16 tariffs and payment arrangements to 2016/17. However, NHSI has not yet agreed a change to the Control Total.

- If the Trust's position on the Control Total is ultimately accepted then it will need to deliver a £6.9m surplus for 2016/17. Given the underlying position brought-forward from 2015/16, this will be very challenging and requires around £20m of efficiency savings and a further £3m of gains to be identified in-year.
- There are 3 major risks to achieving this position as follows:
  - Delivery of activity, efficiency and financial plans across the Trust.
  - Achieving a position of neutrality in terms of baseline contract income (including tariffs, CQUIN, etc.) compared to 2015/16, i.e. no net losses.
  - Securing all of the S&T funding, i.e. meeting the conditions.
- A very difficult set of contract negotiations are now virtually concluded. The assumed position of neutrality on income is under significant threat from national CQUIN schemes, potential non-receipt of System Resilience ("Winter") funding and consequences of Commissioner QIPP savings plans. This has been identified to NHSI and may necessitate further consideration of the Control Total.
- It seems clear that 2016/17 will be a very challenging year given the internal service and financial requirements; financial pressures within partner/commissioner organisations; and the overall national climate. However, the Trust will do everything it can to meet these challenges.

Neil Priestley  
May 2016