

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

Subject	Finance Report
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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 with Sheffield City Council is still not finalised but further dialogue has commenced and the risk to 2013/14 is minimal.
2. The Month 9 results show a minor deterioration but are still broadly in line with the Financial Plan position. There are still a number of key 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 need to be finalised in the coming weeks, although it is proving very challenging given the NHS financial environment and the pressures being faced by acute providers.
5. The Trust's second cut plans for 2014/15 have identified an improved level of efficiency savings. However, they are still significantly less than the minimum which will be required and the challenge from the national efficiency requirement will be impossible to manage if there are baseline income losses from the contract negotiations.

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 FEBRUARY 2014

FINANCE REPORT

1. 2013/14 FINANCIAL PLAN

- 1.1 Contract negotiations with Sheffield City Council (SCC) regarding the Integrated Sexual Health service are still not concluded. Further discussions have now taken place regarding the work to determine the potential contractual relationship from 2015/16. Contract documentation needs to be put in place for 2013/14 and 2014/15 but it is not assumed that there is any risk to the assumed 2013/14 contract value.

2. 2013/14 FINANCIAL POSITION – MONTH 9

- 2.1 The Month 9 position is a deficit against plan of £494.7k (0.07%). The Operating Position deteriorated by £1.0m in December to a £8.7m deficit (1.3%). This deterioration has been largely offset by the release of uncommitted centrally held contingencies thereby resulting in an overall deterioration of £84.7k in the month.
- 2.2 The activity position is an over-performance against the Trust's activity plan of £2.35m which is unchanged from month 8. Outpatient and elective activity were ahead of plan in December but non-elective activity was slightly behind plan. There remains a significant gross over-performance on non-elective activity (£3.2m), although £1.9m 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 (£1.1m) and outpatients (£2.6m), with an under-performance on elective activity (£3.2m). The major commissioner over-performances still relate to NHS Sheffield (NHSS) and, to a lesser degree, NHS England (NHSE) but there are under-performances for a number of other CCGs.
- 2.3 Of the 33 Directorates, 15 reported a break-even/surplus position, 4 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 the most challenged Directorates under the Performance Management Framework (PMF) to seek improved financial performance. There were relatively positive results in Month 9 for Neuroscience and General Surgery but generally the results were disappointing. Work continues with all of 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 a step change in performance will be necessary to address this growing risk to the Trust's overall financial position.
- 2.5 Directorates have reported an under-delivery of £4.4m (19.2%) against Efficiency Plans at Month 9 which is clearly a key factor in the Operating deficit. There are many minor variances but failure to achieve bed reductions and elective activity plans in the early part of the year, as a result of the on-going "winter pressures", was a key factor which was compounded by the lower than expected activity levels in August. Directorates are forecasting full year delivery of £25.8m 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 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 other key factors in determining the Trust's ultimate outturn position will be:
- 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.
 - The outcome of national discussions regarding a potential "infrastructure payment" to compensate the major tertiary centres for the failure of tariffs to adequately fund the most complex treatments.

3. PLANNING FOR 2014/15

- 3.1 The Trust's 2014/15 Financial Planning processes need to be finalised in the coming weeks. Much of the technical work is complete but the major challenge remains to deliver at least £26m of further efficiency savings given the 4% National Efficiency Target and Education and Training tariff income losses. First cut plans submitted by Directorates in early November only identified around £18m of efficiency savings. Second Cut Plans submitted at the end of January showed an improved position with around £22m of efficiency savings but further work is still required to achieve a balanced plan and to recognise the risk of some non-delivery on efficiency plans.
- 3.2 The Trust's contract negotiations for 2014/15 are also well underway. The national planning guidance requires contracts to be agreed by 28th February 2014 but this looks challenging given the issues to resolve. 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 hits from contract negotiations, new "business rules", new cost pressures, etc. will be impossible to handle on top of the 4% National Efficiency Target. Modelling suggests that a significant increase in activity will be required to deliver the 18 Weeks RTT targets in 2014/15 and this is creating an affordability issue for commissioners.
- 3.3 The 2014/15 Capital Programme remains heavily reliant on the delivery of the 2013/14 I&E surplus. However, with this additional resource a satisfactory level of investment can be achieved with continued development of the Trust's infrastructure, the second year of the Trust's major IT Programme and a number of developments relating to Operating Theatres.

4. CONCLUSIONS

- 4.1 The 2013/14 Integrated Sexual Health contract with SCC is still not concluded but dialogue has now recommenced and the risk to 2013/14 is minimal.
- 4.2 The Month 9 results show a minor overall deterioration but are still close to the Financial Plan position. There are still a number of key factors which will have a material impact on the Trust's final 2013/14 financial results.
- 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 faced by acute providers.
- 4.4 The Trust's second cut plans for 2014/15 have identified an improved level of efficiency savings. However, they are still significantly less than the minimum which will be required and the challenge from the national efficiency requirement will be impossible to manage if there are baseline income losses from the contract negotiations.

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
February 2014