

**EXECUTIVE SUMMARY****REPORT TO THE BOARD OF DIRECTORS****HELD ON 20<sup>th</sup> MARCH 2013**

<b>Subject</b>	Finance Report
<b>Supporting TEG Member</b>	Neil Priestley
<b>Author</b>	Neil Priestley
<b>Status<sup>1</sup></b>	N

**PURPOSE OF THE REPORT**

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

**KEY POINTS**

- |  |
|--|
| <ol style="list-style-type: none"> <li>1. The Month 10 financial position is a small deficit against plan, with an operating deficit largely offset by the release of uncommitted contingencies, a significant over performance on activity and an under delivery against Directorate efficiency plans.</li> <li>2. Whilst the level of activity over performance has been a major issue for NHS Sheffield, contractual issues are now largely resolved.</li> <li>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; manage contractual issues; and maximise contingencies.</li> <li>4. Additional national/SHA funding received non-recurrently in 2012/13 will more than mitigate in-year operational pressures.</li> <li>5. The 2013/14 financial planning process is now nearing completion although contract negotiations are still on-going and will be crucial to the ultimate achievability of the Trust's Financial Plan.</li> <li>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.</li> </ol> |
|--|

**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 Board is asked to note the 2012/13 Month 10 financial position, the associated issues and the progress on the 2013/14 financial planning process.
---

**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**

## **BOARD OF DIRECTORS 20<sup>th</sup> MARCH 2013**

### **FINANCE REPORT**

#### **1. 2012/13 FINANCIAL POSITION – MONTH 10**

- 1.1 The Month 10 position is a small deficit against plan of £456.3k (0.1% of budget to date). The “Operating Position” deteriorated to a £5.46m deficit but was offset by £5.0m of released uncommitted contingencies (see 1.7 below).
- 1.2 The activity position is an over-performance against the Trust’s activity plan of £6.3m, an increase of £0.15m in January. The over-performance largely relates to non-elective (£6.1m) and out-patient (£1.4m) activity with an under-performance on elective activity (£2.3m). The over-performance for NHS Sheffield (NHSS) continues to grow. The over-performance on non-elective activity is after the “loss” of £2.2m 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 deterioration across many Directorates in January, partly due to the onerous activity profiles in the month. The Directorates causing most concern remain Operating Services, Critical Care and Anaesthesia; Neurosciences, Vascular Services, General Surgery, Orthopaedics and Specialised Cancer Services but the positions in ENT; Obstetrics, Gynaecology and Neonatology; 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. Recovery plans are being 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 requirement for significant further efficiency savings in 2013/14 but its success will be fundamental to the Trust’s future success.
- 1.5 Directorates have reported an under-delivery of £4.66m (20.5%) against Efficiency Plans at Month 9 which is a key factor in the operating deficit. The reasons are broadly as previously reported. Directorates now forecast delivery £23.6m of efficiency savings in 2012/13 which would be an improvement on current performance. The forecast outturn would virtually deliver the total of Directorate efficiency targets but is £4.17m (15%) less than planned. Work continues to minimise under-delivery and ensure delayed schemes are in place for 2013/14.
- 1.6 As referred to above, the activity over-performance for NHSS is significant but the contractual issues which have been under discussion for some time are now largely resolved. Other commissioners are seeking year-end settlements based on forecast activity levels (rather than finalising actual activity after the year-end). This is partly driven by the complexities of the restructuring of NHS commissioners from 1<sup>st</sup> April 2013. The Trust will consider the proposals and may agree them where appropriate.
- 1.7 The position on contingencies is reasonably firm although the expected position on CQUIN income is becoming more favourable as achievement of targets is confirmed. The value of potential commitments against contingencies is still fluid in

a small number of areas but £6m of uncommitted reserves, assisted by receipt of additional MPET funding, has previously been released to offset budget deficits.

- 1.8 The key financial issues for 2012/13 are the delivery of efficiency plans; improved Directorate financial performance; handling operational pressures; finalising contracting issues; CQUIN income earned; and final expenditure commitments against contingencies. Overall, the position still looks satisfactory.
- 1.9 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 nearing completion for 2013/14. The pressure on the Trust will be significant given that the National Efficiency Target will again be 4%. With MPET income reductions, the Trust faces a 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.
- 2.2 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. Contract negotiations with the local Clinical Commissioning Groups, the National Commissioning Board and Sheffield City Council are on-going and proving challenging given the pressures across the whole health and social care system.
- 2.3 Directorate Second Cut 2013/14 Financial Plans showed around £20m of efficiency savings rather than the required £25m. Final plans, due for submission at the end of the month, will need to show a significant improvement and considerable attention is being focussed on this and subsequent in-year delivery.

## **3. CONCLUSIONS**

- 3.1 The Month 10 financial results show a stable position. The receipt of additional national/SHA funding is proving helpful in meeting the 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; manage contractual issues; 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 there is a need for significant further efficiency savings. 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 10 financial position and the progress on financial planning for 2013/14.

Neil Priestley  
Director of Finance  
February 2013