

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 17th JULY 2013**

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 Clinical Commissioning Group and NHS England contract documents are now virtually complete, although reaching agreement with Sheffield City Council on the Sexual Health Contract has been more problematical.
2. The Month 2 financial position is disappointing with a £1, 449.2k (1.0%) deficit against plan.
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. From the recent announcements by the Chancellor of the Exchequer regarding 2015/16 NHS funding and the creation of the "Integration Transformation Fund", it is clear that the on-going challenge of achieving major efficiency savings whilst delivering key service targets, improving quality and coping with operational pressures will remain for the foreseeable future.

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 early position against the 2013/14 Financial Plan.

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 17th JULY 2013

FINANCE REPORT

1. 2013/14 FINANCIAL PLAN

- 1.1 Much of the documentation relating to the 2013/14 contracts with the CCG Consortium (led by NHS Sheffield) and NHS England is now completed and signed, although there are still some elements to finalise. Minor issues arising from the process are being addressed. A number of the local CQUIN schemes still need to be finalised with the CCG Consortium and the publication of final Service Specifications by NHS England is likely to create some issues.
- 1.2 Contract negotiations with Sheffield City Council regarding the Sexual Health service are still on-going. Significant progress has been made in the last month and it is likely that the position will be concluded in the coming weeks.

2. 2013/14 FINANCIAL POSITION – MONTH 2

- 2.1 The Month 2 position is a deficit against plan of £1,449.2k (1.0%). This represents an increase in absolute value from Month 1 but a reduction in the percentage. Whilst it is still very early in the financial year, this is a disappointing position.
- 2.2 The activity position is an over-performance against the Trust's activity plan of £1.32m. There is a major over-performance on non-elective activity (£2.0m) and a smaller one on Critical Care (£0.5m) and out-patients (£0.4m), with a significant under-performance on elective activity (£0.8m). This reflects the on-going "winter pressures" in the early part of the year. The overall income position is net of deductions totalling just over £1m in respect of the Marginal Emergency Tariff and Emergency Readmissions within 30 days. The major commissioner over-performances relate to NHS Sheffield (NHSS) and NHS England but there are significant under-performances for other CCGs.
- 2.3 Of the 33 Directorates, 15 reported a break-even/surplus position, 6 reported small deficits of less than 2% of budget to-date and 12 reported more significant deficits. The Directorates causing most concern are Geriatric and Stroke Medicine; Emergency Medicine; Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; General Surgery; Orthopaedics; Plastics and Urology.
- 2.4 Work continues with the most challenged Directorates under the Performance Management Framework (PMF) to seek improved financial performance. The positions of Neurosciences, Vascular Services and Specialised Cancer Services are positive at Month 2, although it is still too early to be confident of success. Work continues with the relevant Directorates to identify and address barriers to enhanced efficiency and to seek improved management and governance arrangements. Addressing underlying deficits is immensely challenging given the requirement for significant further efficiency savings each year.
- 2.5 Directorates have reported an under-delivery of £1.075m (23.3%) against Efficiency Plans at Month 2 which is a key factor in the overall deficit. There are many minor variances but it is clear that failure to achieve bed reductions and elective activity plans, as a result of the on-going "winter pressures", has been a key factor.

- 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 again very likely.

3. HEALTH SETTLEMENT FOR 2015/16

- 3.1 The Chancellor of the Exchequer recently announced the Government's public expenditure plans for 2015/16. For the NHS, the position for the current 4 year spending round is extended for a further year, i.e. real terms protection of funding with a requirement for at least a 4% efficiency gain to offset demand growth and other pressures. Whilst this represents a relatively favourable funding position, it does mean that the current financial challenge for the service will be extended for at least a further year.
- 3.2 The Chancellor also announced that a £3.8b "Integration Transformation Fund" will be created to improve and integrate local health and social care services. The funding will be held by local authorities and, whilst the details are still limited, it appears that there will be an additional £2b transferred from "core CCG funding". This equates to around 3% of CCG funding. It is unclear at this stage what impact this will have in 2014/15.

4. CONCLUSIONS

- 4.1 2013/14 Contract documentation for the CCG Consortium and NHS England are now largely complete but the Sexual Health contract with Sheffield City Council has been more difficult to conclude.
- 4.2 The Month 2 results show a significant deficit against plan which appears to be partly driven by the continuation of "winter pressures" in the first 2 months of the year having a significant impact on Directorate efficiency plans.
- 4.3 The Health settlement for 2015/16 will result in a continuation of the current 4 year spending round position for at least another year but the creation of the "Integration Transformation Fund" from 2014/15 may have more immediate implications for available NHS funding.
- 4.4 The key on-going financial management actions remain 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.

5. RECOMMENDATION

The Board is asked to note the key financial issues and, in particular, the early position against the 2013/14 Financial Plan.

Neil Priestley
Director of Finance
July 2013