F

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS

HELD ON 19th DECEMBER 2012

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 7 financial position is a 0.3% deficit against plan, much reduced following release of uncommitted contingencies, with 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 the issues raised are requiring careful consideration and management.
3. The key financial management actions for the Trust are 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. The 2013/14 financial planning process is now underway and the extent of the challenge is clear. Assumptions will be firmed up following the release of national planning information/guidance during December 2012.
5. The on-going challenge of achieving major efficiency savings whilst delivering key service targets, improving quality and coping with operational pressures will remain fundamental to the Trust's success in 2012/13 and, particularly, in 2013/14 when further significant savings will be required.

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 7 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 19th DECEMBER 2012

FINANCE REPORT

1. 2012/13 FINANCIAL POSITION – MONTH 7

1.1 The Month 7 position is a deficit against plan of £1,325.4k which equates to 0.3% of budget to-date. The "Operating Position" deteriorated by £370k in month, significantly lower than in recent months, but this was offset by the release of uncommitted contingencies (see 2.8 below) to give an overall improvement.

1.2 The reported activity position is an over-performance against the Trust's activity plan of £4.1m, an increase of £0.5m in October. The over-performance largely relates to non-elective (£3.9m) and out-patient activity (£1.3m) with an under-performance on elective activity (£2.1m). There is a major level of over-performance for NHS Sheffield (NHSS). The over-performance on non-elective activity is after the "loss" of £1.6m of income due to the national marginal emergency tariff (30% of tariff for activity over 2008/09 levels) and the local QIPP risk share agreed with NHSS.

1.3 Of the 34 Directorates, 13 reported a break-even or surplus position, 7 reported small deficits of less than 2% of budget to-date and 14 reported more significant deficits. There has been a general deterioration across many Directorates again in October. The Directorates causing most concern and being worked with under the Trust's Performance Management Framework (PMF) are Operating Services, Critical Care and Anaesthesia (OSSCA), Neurosciences, Vascular Services, General Surgery, Orthopaedics and Specialised Cancer Services. The positions in ENT, Cardiothoracic Services and Urology are also of concern.

1.4 The aim of the PMF process was to ensure that the Directorates delivered their 2012/13 Financial Plans and moved back into financial balance in 2013/14 or 2014/15. 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 many more to address. Recovery plans need to be developed further and in much more detail. This will be challenging as evidenced by the limited progress to-date in terms of improved financial results. Greater efficiency will be required along with improved management and governance arrangements.

1.5 Directorates have reported an under-delivery of £2.9m (19.1%) against their Efficiency Plans at Month 7 which is a key factor in the reported position. The most significant areas of under-delivery relate to Emergency £346.4k (slippage on bed closures); OSCCA £267.7k (staff savings and activity plan under delivery); MIMP £299.6k (planned increase of open access imaging); Neurosciences £326.6k (activity from 2nd Gamma Knife and various cost reductions); Obstetrics, Gynaecology and Neonatology £535.3k (activity plan and various cost reductions); Specialised Cancer Services £206.5k (staffing and bed reductions plus other small schemes) and Orthopaedics £387.5k (on-site activity and nursing cost reductions).

1.6 Directorates now forecast delivery of £24.0m of efficiency savings in 2012/13. This is £0.4m less than the Month 6 forecast but would still represent an improvement on current performance. The forecast outturn would virtually deliver the total of 2012/13 Directorate efficiency targets but is £3.7m less than 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. These include reduced community service investments (agreed); further QIPP actions on new and follow-up out-patient activity (the follow-up scheme is being implemented but the scheme for new out-patient reductions is being reconsidered); a review of financial arrangements for the Frailty Unit (on-going); revised risk share arrangements (agreed); and normal contract challenges (on-going). The Trust is working to assist NHSS where it is appropriate in terms of good patient care and governance.

1.8 The position on potential contingencies is reasonably firm and the likely position on CQUIN income is also becoming clearer. The value of potential commitments against contingencies is still fluid in some areas but the issues are reasonably clear. As a result, £5m of uncommitted reserves have been released into the Month 7 position to offset budget deficits. Should any further sums become definitively uncommitted they will be released into the reported position in future months.

1.9 The key financial issues for the 2012/13 are delivery of efficiency plans; improved Directorate financial performance; handling operational pressures without additional cost and without a negative impact on efficiency; the impact of the revaluation of the Trust's land and buildings in the New Year; and managing the NHSS contracting and financial issues. The overall position looks satisfactory at this stage but there is little margin for error if the Financial Plan is to be delivered.

1.10 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage. Good progress continues to be made on reducing debtor balances, although this remains a key on-going objective.

2. <u>2013/14 FINANCIAL PLANNING</u>

2.1 Financial Planning work is 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. The requirement on the Trust will be significant but the precise value will depend on the following:

- The National Efficiency Target.
- Available CQUIN funding.
- Contract changes, tariffs and PbR "business rules".
- Commissioner QIPP savings proposals.
- MPET income losses.
- Work undertaken via the Shelford Group to seek additional funding for the more complex case-mix of activity undertaken by Teaching Hospitals.
- Service, quality and cost pressures.

2.2 Directorates have been advised to plan for a further 5% of efficiency savings in 2013/14, although there are scenarios where this would not be sufficient. Directorate First Cut 2013/14 Financial Plans were submitted in November and showed just 3% 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.

2.3 Directorate Business Planning meetings are taking place during November and December. The Trust recently participated in the 2013/14 PbR "Sense Check" exercise. First cut 2013/14 activity plan modelling has now been produced but this will require further refinement. Contract discussions have commenced with NHSS and the NHS Commissioning Board but are at a very early stage.

2.4 Further national 2013/14 planning information/guidance is expected to be released in week commencing 17th December 2012 which will help to firm up the Trust's 2013/14 financial planning assumptions.

3. CONCLUSIONS

3.1 The Month 7 financial position shows a significant improvement but this is entirely due to the anticipated release of uncommitted contingencies.

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 2012/13 and, particularly, in 2013/14 where the need for significant further efficiency savings appears inevitable.

4. RECOMMENDATION

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 7 financial position and planning for 2013/14.

Neil Priestley
Director of Finance
December 2012