

**EXECUTIVE SUMMARY****REPORT TO THE BOARD OF DIRECTORS****HELD ON 21<sup>st</sup> NOVEMBER 2012**

<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**

1. The Month 6 financial position is a 0.9% deficit against plan with a significant, but reduced, 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; and maximise contingencies.
4. The 2013/14 financial planning process is now underway and the extent of the challenge is clear.
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 also in 2013/14 when further significant savings will be required.

**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 6 financial position, the associated issues and the challenge of 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 21<sup>st</sup> NOVEMBER 2012**

### **FINANCE REPORT**

#### **1. 2012/13 FINANCIAL PLAN – MONITOR Q2 MONITORING RETURNS**

The Quarter 2 monitoring returns were submitted to Monitor on 31<sup>st</sup> October 2012. The Governance rating was GREEN given good performance on Monitor's key indicators in Quarter 2. The Financial Risk Rating was a 4, reflecting the favourable impact of the profiling of some planned expenditure (revenue and capital) into the second half of the year.

#### **2. 2012/13 FINANCIAL POSITION – MONTH 6**

- 2.1 The Month 6 position is a deficit against plan of £3,872.0k which equates to 0.9% of budget to-date. This maintains the disappointing position reported at Month 5 but corrective action discussed in September would not have been expected to have an immediate impact.
- 2.2 The reported activity position is an over-performance against the Trust's internal activity plan of £3.6m, an improvement of £0.3m in September. The over-performance still relates to non-elective and, to a lesser degree, out-patient activity with an under-performance on elective activity. There is still a major level of over-performance for NHS Sheffield.
- 2.3 Of the 34 Directorates, 12 reported a break-even or surplus position, 9 reported small deficits of less than 2% of budget to-date and 13 reported more significant deficits. Whilst this is a small improvement on Month 5, the deterioration in the overall position reflects the very poor results in Month 6 for a number of key Directorates. The Directorates causing most concern at Month 6 are Operating Services, Critical Care and Anaesthesia (OSSCA), Neurosciences, Vascular Services, General Surgery, Orthopaedics, Urology, Cardiothoracic Services and Specialised Cancer Services. The first 5 Directorates were unable to produce a balanced financial plan for 2012/13 and work is on-going under the Trust's Performance Management Framework (PMF). Specialised Cancer Services has now been added to the PMF process and the Cardiothoracic Services position is of growing concern.
- 2.4 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 to-date has focussed on clarifying objectives; identifying Directorate project structures, required support and arrangements to secure staff engagement; resolving key immediate issues/actions; and the initial development of recovery plans. A number of issues have been resolved but there are more to address. In all cases recovery plans need to be developed further and in much more detail. This is likely to be very challenging as evidenced by the limited progress to-date in terms of improved financial results. In all cases greater efficiency will be required as will improved management/governance arrangements in support.

- 2.5 Directorates have reported an under-delivery of £2.5m (20.0%) against their Efficiency Plans at Month 6 position which is clearly a key factor in the reported position. The most significant areas of under-delivery relate to Emergency £304.8k (slippage on bed closures); OSCCA £314.7k (staff savings and activity plan under delivery); Neurosciences £287.4k (activity from 2<sup>nd</sup> Gamma Knife and various cost reductions); Obstetrics, Gynaecology and Neonatology £447.2k (activity plan and various cost reductions); General Surgery £190.8k (activity plan and nursing cost reductions) and Orthopaedics £322.5k (on-site activity gains and nursing cost reductions).
- 2.6 At Month 6 Directorates are forecasting to deliver £24.4m of efficiency savings in 2012/13. Whilst this is £1m less than the Month 5 forecast, at a 12% under delivery it would still represent a significant improvement on the Month 6 position. The forecast outturn is £0.3m more than the total Directorate efficiency targets but £3.4m less than plans. The shortfall against plans almost entirely relates to Clinical Directorates. Meetings have been held with Directorates which have significant Financial/Efficiency Plan shortfalls to ensure that strong action is taken to improve their positions in the second half of the year.
- 2.7 As referred to above, the activity over-performance for NHS Sheffield 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 (discussions on-going), 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 the PCT where it is appropriate in terms of good patient care and governance.
- 2.8 The key financial risks for the 2012/13 remain the delivery of efficiency plans; delivering improved Directorate financial performance through the PMF and generally; handling operational pressures without additional cost and without a negative impact on overall efficiency; and managing the NHS Sheffield contracting and financial issues.
- 2.9 The position on potential contingencies is becoming 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. Uncommitted reserves will be released in the coming months to offset budget deficits. The overall position looks satisfactory at this stage but there is little margin for error if the Financial Plan is to be delivered.
- 2.10 There are no issues of concern regarding the Trust's balance sheet and working capital position. Further good progress has been made in 2012/13 in reducing outstanding debts, particularly with local NHS Foundation Trusts. However, this remains a key area for focus. The Capital Programme position is also satisfactory at the half year, although there are growing pressures which will impact on planning for 2013/14 and beyond where resources are likely to be less than in previous years.

### **3. 2013/14 FINANCIAL PLANNING**

- 3.1 Financial Planning work has now commenced for 2013/14, the third year of four where the NHS will receive minimal real terms growth and will be expected to deliver efficiency savings to fund growth in demand and quality improvements. A further level of significant efficiency savings is, therefore, inevitable but the precise value of the requirement will depend on key issues including the following:
- National Efficiency Target.
  - Available CQUIN funding.
  - PbR “business rules”, e.g. Emergency Readmissions within 30 days.
  - 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 targets.
- 3.2 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. Work has commenced in Directorates, and corporately through the Efficiency Programme, on the necessary planning but this will be a huge challenge given the cumulative efficiency requirement over several years and the general NHS financial environment.
- 3.3 First Cut 2013/14 Financial Plans were submitted earlier this month and are now being reviewed. Directorate Business Planning meetings will take place during November and December. The Trust has been participating in the 2013/14 PbR “Sense Check” exercise but the tariff position will only start to become clearer when more complete information is released from December/January onwards. First cut 2013/14 activity plan modelling has now been produced but this will require refinement as 2012/13 progresses and assumptions are refined. Contract discussions have now started with NHS Sheffield and the NHS Commissioning Board but again will take some time to reach conclusions.

### **4. CONCLUSIONS**

- 4.1 The Month 6 financial position shows a continuation of the Month 5 position which is disappointing but not unexpected.
- 4.2 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 NHS Sheffield with its financial pressures/manage contractual challenges; and maximise contingencies.
- 4.3 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 in 2013/14 where the need for significant further efficiency savings appears inevitable.

## 5. **RECOMMENDATION**

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 6 financial position and planning for 2013/14.

Neil Priestley  
Director of Finance  
November 2012