

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS

HELD ON 15th JANUARY 2014

Subject	Finance Report
Supporting TEG Member	Neil Priestley
Author	Neil Priestley
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 agreed but further discussions are expected shortly.
2. The Month 8 results show a small overall 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 (particularly regarding potential contract penalties) and deliver contract targets; to deliver CQUIN schemes; and to maximise contingencies.
4. The local planning processes for 2014/15 are underway for what will inevitably be a very challenging year. The national Planning Guidance for 2014/15 confirms a position broadly as expected but the position for subsequent years looks particularly difficult.
5. The Trust's first cut plans for 2014/15 have identified efficiency savings which are considerably less than the minimum which will be required and the challenge from the national efficiency requirement will be impossible to manage if there are significant 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 and beyond.

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 15th JANUARY 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 still not taken place but it is not assumed that there is any significant risk to the assumed 2013/14 contract value. The further discussions are expected to be about arrangements for future years.

2. 2013/14 FINANCIAL POSITION – MONTH 8

- 2.1 The Month 8 position is a deficit against plan of £410.0k (0.07%). The Operating Position deteriorated by £1.6m in November to a £7.7m deficit (1.2%). This deterioration has been partly offset by the release of uncommitted centrally held contingencies thereby resulting in an overall deterioration of £0.7m in the month.
- 2.2 The activity position is an over-performance against the Trust's activity plan of £2.35m which is an increase of £0.8 from month 7. Outpatient and non-elective activity were ahead of plan in November but elective activity was again behind plan. There remains a significant gross over-performance on non-elective activity (£3.2m), albeit that £1.5m 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 (£1.0m) and outpatients (£2.2m), with a significant under-performance on elective activity (£3.3m). 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, 17 reported a break-even/surplus position, 3 reported small deficits of less than 2% of budget to-date and 13 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 again relatively positive results in Month 8 for Gastroenterology, Neurosciences, Vascular Services and Specialised Cancer Services. Work continues with all of 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. However, it is clear that a step change in performance for 2014/15 will be necessary to address this growing risk to the Trust's financial position.
- 2.5 Directorates have reported an under-delivery of £4.0m (20.3%) against Efficiency Plans at Month 8 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 marginally improved performance for the rest of the year 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 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" which will be assisted by the investment of the additional £2m of national funding allocated to the Trust.
 - Agreement with commissioners around the application and/or reinvestment of potential contract penalties which is likely to be considered shortly.
 - 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 are well underway. A number of key national documents were published just before Christmas which confirm many of the planning assumptions for 2014/15, i.e. NHS England's "Everyone Counts: Planning For Patients 2014/15 to 2018/19"; CCG Allocations 2014/15 and 2015/16; the Monitor/NHS England document "2014/15 National Tariff Payment System"; and Monitor's "Guidance for the Annual Planning Review 2014/15". The position for 2014/15 is broadly as expected and it is clear, therefore, that the Trust will be required to deliver around £30m of further efficiency savings in 2014/15 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. Considerable attention is now focussed on developing improved plans for the Second Cut submissions at the end of January 2014.
- 3.2 The Trust's contract negotiations for 2014/15 are also underway. 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.
- 3.3 The 2015/16 position looks particularly challenging given the plan to transfer a further £1.9b of CCG funding nationally to Local Authorities. This means that a 1.7% cash uplift for a CCG will be offset by a 3% cash transfer to Local Authorities. It is difficult to see how the NHS will cope with this given that it follows 4 years of nil growth.

- 3.4 Given the very challenging climate ahead, Monitor is requiring FTs to develop 5 Year Strategic Plans to try to demonstrate on-going clinical, operational and financial sustainability. These are to be submitted to Monitor by 30th June 2014.

4. CONCLUSIONS

- 4.1 The 2013/14 Integrated Sexual Health contract with SCC is still not concluded.
- 4.2 The Month 8 results show a small 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 local and national planning processes for 2014/15 are underway for what will inevitably be a very challenging year. The national Planning Guidance for 2014/15 confirms a position broadly as expected but the position for subsequent years looks particularly difficult.
- 4.4 The Trust's first cut plans for 2014/15 have identified efficiency savings which are considerably less than the minimum which will be required and the challenge from the national efficiency requirement will be impossible to manage if there are significant 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 and beyond.

Neil Priestley
Director of Finance
January 2014