

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS

HELD ON 17th SEPTEMBER 2014

Subject	Finance Report
Supporting TEG Member	Neil Priestley
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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 satisfactory conclusion to the outstanding 2014/15 patient service contractual issues.
2. The stable, if still disappointing, Month 4 financial position.
3. The significant risks around non-delivery of efficiency savings and unsatisfactory Directorate financial performance and the future financial challenges that the Trust faces within the context of ever increasing financial pressure in the Health and Social Care systems.

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

As per Section 4 of the report.

APPROVAL PROCESS

Meeting	Date	Approved Y/N

¹ Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

BOARD OF DIRECTORS MEETING 17th SEPTEMBER 2014

FINANCE REPORT

1. Introduction

The purpose of this paper is to provide the Board with an update on key financial issues.

2. 2014/15 Financial Plan

2.1 It was reported at the July Board meeting that the Trust had agreed its 2014/15 contract with NHS England. The contract was duly signed with no further issues. It was subsequently reported in the media that NHS England had had considerable difficulty in producing an overall balanced financial plan but did ultimately achieve this.

2.2 The 2014/15 Integrated Sexual Health Services contract with Sheffield City Council is also now virtually agreed. As previously reported, a further 4% of savings have been identified, in addition to the 11% cash (15% real terms) savings already identified since 1 April 2013. However, there will be service consequences and discussions with the Council around these are on-going. It is likely that the implications for 2014/15 are manageable but there are concerns around the consequences of the Council's request for a further 15% cash savings for 2015/16. A process for considering the achievability and consequences of such a level of savings has been agreed with the Council involving experts from outside the city.

3. 2014/15 Financial Position – Month 4

3.1 The Month 4 position is a deficit against plan of £2,182.5k which is 0.7% of the budget to-date. Whilst the absolute level of the deficit has continued to increase, the percentage has continued to reduce from the high point of 1.8% at the end of April. Whilst the position has stabilised over recent months, it is still disappointing.

3.2 There is an under-performance against the Trust's activity plan of £802k at Month 4, although this is net of over £1.2m of potential contract penalties, largely for access targets. The level of penalties is a major concern, although commissioners may agree to reinvest some of the penalties in the Trust and it is anticipated that performance on access targets will improve from the autumn. There is currently a small under-performance on elective and out-patient activity with a small over-performance on non-elective.

3.3 Of the 33 Directorates, 13 reported a break-even/surplus position, 2 reported a small deficit of less than 2% of budget to-date and 18 reported more significant deficits. This is a slight improvement on previous months but still disappointing. The Directorates causing most concern continue to be Geriatric and Stroke Medicine (GSM); Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Vascular Services; General Surgery; and Orthopaedics.

- 3.4 Work continues under the Performance Management Framework to try to address the financial issues in the most challenged Directorates. Good progress has been made on Neurosciences, Cardiothoracic Services and Specialised Cancer Services, although the latter has seen a significant deterioration in the last 2 months. However, there are clearly still major issues to address in the Directorates identified in 3.3 above given the further requirement for efficiency savings each year in addition to the recovery of budget imbalances. This remains the Trust's key financial risk.
- 3.5 Directorates have reported an under-delivery of £1.73m (19.6%) against their efficiency plans at Month 4 which is clearly a significant factor in the deficit position. The forecast outturns show a much improved position but this must be considered high risk. The pay overspend has much reduced but agency costs are still significantly higher than the same period in 2013/14.
- 3.6 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage.
- 3.7 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. The position on contingencies will be assessed for Month 6 and any uncommitted funding will be released into the reported position.
- 3.8 It has been confirmed that the Trust will receive £1.6m of funding to improve system resilience over the winter. Whilst this is less than was received in 2013/14, the CCG has already invested significantly in additional Intermediate Care capacity for 2014/15. Additional funding to improve the 18 Week RTT position has also been agreed but this is more a matter for commissioners as the Trust will be reimbursed under normal contractual arrangements for additional activity undertaken.

4. Recommendations

The Board is asked to note:-

- 4.1 The satisfactory conclusion to the outstanding 2014/15 patient service contractual issues.
- 4.2 The stable, if still disappointing, Month 4 financial position.
- 4.3 The threats to the Trust's financial position from under-delivery of efficiency plans and unsatisfactory Directorate financial performance and the future financial challenges the Trust faces within the context of ever increasing financial pressure in the Health and Social Care systems.

Neil Priestley
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September 2014