

**SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST**

**EXECUTIVE SUMMARY**

**REPORT TO THE BOARD OF DIRECTORS**

**HELD ON 19<sup>th</sup> NOVEMBER 2014**

<b>Subject</b>	Finance Report
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<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 difficult national service/financial position in 2014/15.
2. The Month 6 financial position and the key actions and issues which will determine the ultimate outturn position.
3. The threats to the Trust's 2015/16 financial position from under-delivery of efficiency plans/unsatisfactory Directorate financial performance and the growing financial pressure in the Health and Social Care systems.

**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**

As per Section 5 of the report.

**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

# **SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST**

## **BOARD OF DIRECTORS MEETING 19<sup>th</sup> NOVEMBER 2014**

### **FINANCE REPORT**

#### **1. Introduction**

This paper is to provide the Board with an update on key financial issues.

#### **2. 2014/15 National Financial Position**

2.1 Further to the release of Quarter 1 financial information, there has been a significant amount of media and other scrutiny of the NHS's 2014/15 financial position. Recent reports by the NHS England Chief Finance Officer suggest that the overall position is on a "knife edge" with a planned surplus in commissioning being required to offset a significant provider overspend.

2.2 The National Audit Office published a report titled "The Financial Sustainability of NHS Bodies" on 7<sup>th</sup> November 2014. This highlights the deteriorating financial position generally and across many NHS organisations over recent years and states that these trends are not sustainable.

2.3 Service pressures are also apparent nationally and additional funding is being provided to support A&E performance through the winter months. The Trust expects to receive just over £3m but again this will be non-recurrent.

#### **3. 2014/15 Trust Financial Position – Month 6**

3.1 The Month 6 position is a deficit against plan of £336.0k which is 0.1% of the budget to-date. The operating position deteriorated by a further £0.5m in September to £4.3m (0.9%) but the release of uncommitted contingencies (£8m full year and £4m year-to-date) from Month 6 has had a significant impact on the overall position.

3.2 There is an over-performance against the Trust's activity plan of £1.8m at Month 6, although this is before £2m of potential contract penalties, largely for access targets. The level of penalties is a major concern, although commissioners may agree to waive/reinvest some of the penalties and it is expected that performance on access targets will improve in the latter part of the year. There are currently small under-performances on elective and critical care activity with small over-performances on non-elective and outpatients.

3.3 Of the 33 Directorates, 14 reported a break-even/surplus position, 1 reported a small deficit of less than 2% of budget to-date and 18 reported more significant deficits. This is the same as last month, although the number with deficits of over 5% has reduced from 10 to 7. These are Geriatric and Stroke Medicine (GSM); Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Vascular Services; General Surgery; and Orthopaedics. In total the 7 Directorates are reporting deficits of over £5m worse than plan at Month 6. Work continues to try to address their financial issues but this remains hugely challenging 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.

- 3.4 Directorates have reported an under-delivery of £2.7m (20.2%) against their efficiency plans at Month 6 which, along with unidentified efficiency savings requirements, is clearly a significant factor in the deficit position. The forecast outturns show an improved position (12.2% under-delivery) but this must be considered high risk. The overall pay position is in balance but agency costs are still significantly higher than in the same period in 2013/14.
- 3.5 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage.
- 3.6 The key on-going financial management actions remain to drive the Efficiency Programme; to progress the 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. Maintaining activity levels through winter and industrial action, minimising contract penalties and securing an "Infrastructure Payment" from NHS England to compensate for inadequate tariffs for the Trust's most complex work will be crucial to the ultimate outturn position.

#### **4. 2015/16 Financial Planning**

- 4.1 Internal financial planning for 2015/16 is now well underway. It is likely that the Trust will need around £30m of further efficiency savings in 2015/16 if financial balance is to be achieved. This will be a huge challenge. The Trust will also need a fair national settlement in terms of tariffs and other business rules; a reasonable outcome to contract negotiations; and robust internal financial and business planning.
- 4.2 The expected publication of 2015/16 national tariff and other information at the end of October has been delayed and this presumably reflects the difficulty of framing a settlement which is deliverable to both commissioners and providers.

#### **5. Recommendations**

The Board is asked to note:-

- 5.1 The difficult national service/financial position in 2014/15.
- 5.2 The Month 6 financial position and the key actions and issues which will determine the ultimate outturn position.
- 5.3 The threats to the Trust's 2015/16 financial position from under-delivery of efficiency plans/unsatisfactory Directorate financial performance and the growing financial pressure in the Health and Social Care systems.

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November 2014