

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 20th JUNE 2012**

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 2011/12 processes relating to the audit, adoption and submission of the Statutory Financial Statements have progressed well and are nearing a conclusion.
2. The 2012/13 Monitor Annual Plan submission resulted in a Financial Risk Rating of 3.
3. Month 1 Finance Reports have been produced given the early agreement of 2012/13 contracts with Commissioners.
4. Whilst it would be unwise to draw too many firm conclusions from Month 1 results, the reported position is a small deficit against plan with a significant over performance on activity and an under delivery against Directorate Efficiency Plans.
5. Whilst many Directorates have shown much improved positions compared to 2011/12, there are a small number of Directorates for which plans need to be developed quickly to address their deficits over a sensible timescale.
6. The on-going challenge of delivering major efficiency savings whilst delivering key operational targets and coping with operational pressures will remain fundamental to the Trust's success.

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 successful conclusion to the 2011/12 year-end processes; the satisfactory Financial Risk Rating in the 2012/13 Monitor Annual Plan submission: and the Month 1 financial position and associated issues.

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 20th JUNE 2012
FINANCE REPORT

1. 2011/12 OUTTURN

- 1.1 The 2011/12 Annual Accounts were approved and adopted by the Board at its meeting on 24th May 2012 and the Trust's External Auditor KPMG has issued an unqualified audit opinion as indicated. There were no changes, other than presentational, from the draft Accounts.
- 1.2 The Audited Statutory Financial Statements were submitted to Monitor as required on 31st May 2012. The final printed documents will be laid before Parliament by 27th June 2012.

2. 2012/13 FINANCIAL PLAN – MONITOR ANNUAL PLAN SUBMISSION

As reported elsewhere on the Agenda, the Monitor 2012/13 Annual Plan was submitted by the 31st May 2012 as required. As expected, the resulting Financial Risk Rating (FRR) for 2012/13 (and the following two years) was a solid 3.

3. 2012/13 FINANCIAL POSITION – MONTH 1

- 3.1 Given that the Trust was able to agree 2012/13 contracts with Commissioners much earlier than in previous years, it has been possible to produce full Month 1 finance reports. However, there have been a great many areas of detail to be finalised in a very short period of time which needs to be recognised in the interpretation of the results.
- 3.2 The reported Month 1 position is a deficit against plan of £283.2k which is 0.4% of budget to-date.
- 3.3 The reported activity position is an over-performance against the Trust's internal activity plan of £1.1m. This largely relates to non-elective activity but there is a concern that the way Bank Holidays and weekends fell in April may have resulted in an artificially low non-elective activity target. An adjustment for this has been made centrally but not in Directorate positions.
- 3.4 Of the 34 Directorates, 19 reported a break-even or surplus position, 8 reported small deficits of less than 2% of budget to-date and 7 reported more significant deficits. The Directorates causing most concern at Month 1 are Operating Services, Critical Care and Anaesthesia (OSSCA), Neurosciences, General Surgery and Orthopaedics. In each case the Directorate has been unable to produce a balanced financial plan for 2012/13 but the Month 1 position represents a further deterioration against plan.
- 3.5 Directorates have reported an under-delivery of £423.4k (18.3%) against their Month 1 Efficiency Plans which is clearly a key factor in the position reported above. The main areas of under-delivery relate to OSSCA £152.6k (pay savings and activity gains); Medical Imaging and Physics £69.5k (open access activity);

Neurosciences £58.6k (activity from 2nd Gamma Knife and various cost reductions); Obstetrics, Gynaecology and Neonatology £51.9k (various cost reductions); and Orthopaedics £45.7k (on-site activity gains).

- 3.6 At Month 1 Directorates are forecasting to deliver £24.7m of efficiency savings in 2012/13. This is £0.4m more than their efficiency targets but £3.1m less than plans. The main areas of forecast under-delivery against plan are in Emergency £0.8m (slippage on bed closure plans); OSCCA £1.0m (pay savings); and Neurosciences £0.4m (activity from 2nd Gamma Knife).
- 3.7 The key risks for the 2012/13 financial position remain as described in the 2012/13 Financial Plan, i.e. the delivery of efficiency plans, handling operational pressures and managing contracting issues. The latter was felt to be less of an issue than in previous years but may become more of a concern if activity over-performance remains significant.
- 3.8 Work is progressing well to identify potential contingencies and any potential commitments against them. The net effect will ultimately be released to offset budget deficits and any other risks which materialise. The position looks satisfactory at this early stage of the financial year.
- 3.9 There are no issues of concern at this stage regarding the Trust's Balance Sheet and Working Capital position.

4. CONCLUSIONS

- 4.1 The processes for auditing and reporting the 2011/12 Statutory Financial Statements have progressed well and are nearing conclusion.
- 4.2 The Monitor 2012/13 Annual Plan submission shows the expected satisfactory FRR of 3.
- 4.3 It is too early in the 2012/13 financial year to draw firm conclusions from the Month 1 position but it seems likely that:
 - The considerable amount of time and focus devoted to Directorate 2012/13 Financial and Efficiency Plans has had a positive effect with many Directorates reporting positions much improved on 2011/12.
 - A relatively small number of Directorates continue to have very challenged financial positions and plans will need to be developed quickly to address their deficits over a sensible timescale.
 - The on-going challenge of delivering major efficiency savings whilst delivering key operational targets and coping with operational pressures will remain fundamental to the Trust's success.

5. **RECOMMENDATION**

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 1 financial position.

Neil Priestley
Director of Finance
June 2012