

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 17th APRIL 2013**

Subject	Finance Report
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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 Month 11 financial position is a small surplus against plan, with an operating deficit offset by the release of uncommitted contingencies, a significant over performance on activity and an under delivery against Directorate efficiency plans.
2. Whilst the level of activity over performance has been a major issue for NHS Sheffield, contractual issues are now resolved.
3. Additional national/SHA funding received non-recurrently in 2012/13 will more than mitigate in-year operational pressures.
4. The 2013/14 financial planning process is now nearing completion, although a satisfactory outcome to patient service contract negotiations and delivery of challenging efficiency targets will be crucial to the ultimate achievability of the Trust's Financial Plan.
5. The key financial management actions remain to drive the Efficiency Programme; to progress the PMF work and secure good financial performance generally across Directorates; to contain operational pressures; to manage contractual issues and deliver contract targets; and to maximise contingencies.
6. 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 2013/14 and beyond.

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 2012/13 Month 11 financial position and the progress on the 2013/14 financial planning process.

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 17th APRIL 2013

FINANCE REPORT

1. 2012/13 FINANCIAL POSITION – MONTH 11

- 1.1 The Month 11 position is a small surplus against plan of £68.8k. The “Operating Position” was stable, at a £5.43m deficit, but was offset by £5.5m of released uncommitted contingencies (see 1.7 below).
- 1.2 The activity position is an over-performance against the Trust’s activity plan of £7.3m, an increase of £0.99m in February. The over-performance largely relates to non-elective (£7.2m) and out-patient (£1.6m) activity with an under-performance on elective activity (£2.2m). The over-performance for NHS Sheffield (NHSS) continues to grow. The over-performance on non-elective activity is after the “loss” of £2.5m of income due to the national marginal emergency tariff (30% of tariff received for activity over 2008/09 levels) and the local QIPP risk share agreed with NHSS.
- 1.3 Of the 34 Directorates, 16 reported a break-even/surplus position, 4 reported small deficits of less than 2% of budget to-date and 14 reported more significant deficits. There were mixed results in February with 16 Directorates reporting improved positions and 18 deteriorations, albeit most of the latter were relatively small. The Directorates causing most concern remain Operating Services, Critical Care and Anaesthesia; Neurosciences, Vascular Services, General Surgery, Orthopaedics and Specialised Cancer Services but the positions in ENT; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; and Urology are also of concern.
- 1.4 Work continues with the most challenged Directorates under the Performance Management Framework (PMF) to seek improved financial performance. Work on recovery plans is now reflected in 2013/14 financial plans. Greater efficiency will be required along with improved management and governance arrangements. Addressing underlying deficits is immensely challenging given the requirement for significant further efficiency savings in 2013/14 but success remains crucial.
- 1.5 Directorates have reported an under-delivery of £4.70m (18.6%) against Efficiency Plans at Month 11 which is a key factor in the operating deficit. The reasons are as previously reported. Directorates now forecast delivery of £23.2m of savings in 2012/13. The forecast outturn would virtually deliver the total of Directorate 2012/13 efficiency targets but is £4.6m (16.6%) less than planned. Work continues to minimise under-delivery and ensure delayed schemes are in place for 2013/14.
- 1.6 As referred to above, the activity over-performance for NHSS is significant but the contractual issues which have been under discussion for some time are resolved. NHSS has applied the £250k contract penalty for the Trust’s failure to achieve the A&E 4 Hour target over the full year. Year-end settlements have been agreed with other commissioners based on forecast activity levels (rather than finalising actual activity after the year-end). This is largely driven by the complexities of the restructuring of NHS commissioners from 1st April 2013.
- 1.7 The position on contingencies is reasonably firm and the expected position on CQUIN income has improved as achievement of targets has been confirmed. Potential commitments against contingencies are being refined but £6m of uncommitted reserves, assisted by receipt of additional MPET funding, has previously been released to offset budget deficits.

- 1.8 The key financial issues for the final weeks of 2012/13 remained the delivery of efficiency plans; improved Directorate financial performance; handling operational pressures; finalising contracting issues and CQUIN values; and final expenditure commitments against contingencies. Overall, the position still looks satisfactory.
- 1.9 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage.

2. 2013/14 FINANCIAL PLANNING

- 2.1 The 2013/14 Financial Plan has been completed and budgets confirmed to Directorates. These budgets will be very challenging given the 4% National Efficiency Target, MPET income reductions and underlying deficits brought-forward require efficiency savings of around £34m. There are also significant additional operational and quality requirements on the Trust in 2013/14.
- 2.2 This will be a major challenge for the Trust to deliver so it is crucial that there are no further income losses from tariff changes, contract negotiations and commissioner QIPP savings proposals. Contract negotiations with the local Clinical Commissioning Groups, NHS England and Sheffield City Council are proving challenging given the pressures across the whole health and social care system. It is hoped that agreements can be reached by around the time of the Board meeting.
- 2.3 Directorate Third Cut 2013/14 Financial Plans were submitted at the end of March and, with central initiatives, showed around £30m of efficiency savings rather than the required £34m. Considerable attention will be focussed on trying to deliver and improve on the plans in-year.

3. CONCLUSIONS

- 3.1 The Month 11 financial results show an improved position. The receipt of additional national/SHA funding is proving helpful in meeting the 2012/13 Financial Plan.
- 3.2 Financial Planning for 2013/14 is nearing completion with the key challenges being to agree acceptable patient services contracts with commissioners and to deliver the required £34m of efficiency savings.
- 3.3 The key on-going financial management actions remain to drive the Efficiency Programme; to progress the PMF work and secure good financial performance generally across Directorates; to contain operational pressures; to manage contractual issues and deliver contract targets; and to maximise contingencies.

4. RECOMMENDATION

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 11 financial position and the 2013/14 Financial Plan.

Neil Priestley
Director of Finance
April 2013