

**EXECUTIVE SUMMARY****REPORT TO THE BOARD OF DIRECTORS****HELD ON 17<sup>th</sup> OCTOBER 2012**

<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 Month 5 financial position is a 0.9% deficit against plan with a significant, but reduced, over performance on activity and an under delivery against Directorate efficiency plans.
2. The level of activity over performance is causing concern for NHS Sheffield and the issues raised are requiring careful consideration and management.
3. The key financial management actions for the Trust are to drive the Efficiency Programme; progress the Performance Management Framework work with Directorates; secure general improvements in financial positions across Directorates; contain operational pressures; agree appropriate actions to assist NHS Sheffield/manage contractual challenges; and maximise contingencies.
4. The 2013/14 financial planning process is now underway and the extent of the challenge is becoming apparent.
5. 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 2012/13 and also in 2013/14 when further significant savings will be required.

**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**

The Board is asked to note the 2012/13 Month 5 financial position, the associated issues and the commencement of the 2013/14 financial planning process.

**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

<sup>2</sup> Against the five aims of the STHFT Corporate Strategy 2012-2017

# SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

## BOARD OF DIRECTORS 17<sup>th</sup> OCTOBER 2012

### FINANCE REPORT

#### **1. 2012/13 FINANCIAL PLAN – MONITOR Q2 MONITORING RETURNS**

The Quarter 2 monitoring returns are to be submitted to Monitor on 31<sup>st</sup> October 2012. The Governance rating seems likely to be satisfactory given good performance on Monitor's key indicators in Quarter 2. The financial returns will reflect the Month 6 position which will be known later in the month. As in previous submissions, the Board statement on maintaining a Financial Risk Rating of 3 for the next 12 months will need to be qualified in terms of the current lack of information on 2013/14.

#### **2. 2012/13 FINANCIAL POSITION – MONTH 5**

- 2.1 The Month 5 position is a deficit against plan of £3,038.5k which equates to 0.9% of budget to-date. This is a disappointing position but does reflect a pattern seen in previous years.
- 2.2 The reported activity position is an over-performance against the Trust's internal activity plan of £3.3m, a deterioration of £0.5m in August. The over-performance relates to non-elective and, to a lesser degree, out-patient activity with a major level of over-performance for NHS Sheffield.
- 2.3 Of the 34 Directorates, 12 reported a break-even or surplus position, 7 reported small deficits of less than 2% of budget to-date and 15 reported more significant deficits. The Directorates causing most concern at Month 5 are Operating Services, Critical Care and Anaesthesia (OSSCA), Neurosciences, Vascular Services, General Surgery, Orthopaedics, Urology, Cardiothoracic Services, Specialised Rehabilitation Services and Specialised Cancer Services. The first 5 Directorates were unable to produce a balanced financial plan for 2012/13 and work is on-going under the Trust's Performance Management Framework (PMF) with the aim of ensuring that the Directorates achieve their 2012/13 financial plans and then produce plans to return to financial balance in 2013/14 or, at the latest, 2014/15. The other 4 Directorates above may also need to join the PMF process if their financial positions do not improve.
- 2.4 The PMF processes to-date have focussed on clarifying objectives; identifying Directorate project structures, required support and arrangements to secure staff engagement; key immediate issues/actions; and initial development of the recovery plan. A number of issues have been resolved but there are many more to address. In all cases the recovery plan needs to be developed further and in considerable detail. This is likely to be very challenging and in all cases enhanced efficiency and improved management/governance arrangements are likely to be required.
- 2.5 Directorates have reported an under-delivery of £2.5m (23.3%) against their Efficiency Plans. This is clearly a key factor in the Month 5 position and had perhaps been partly hidden by the activity over-performance in the early part of the year. The

main areas of under-delivery relate to Emergency £288.4k (slippage on bed closures); OSCCA £261.2k (activity plan); Medical Imaging and Physics £267.8k (open access activity); Neurosciences £232.5.0k (activity from 2<sup>nd</sup> Gamma Knife and various cost reductions); Obstetrics, Gynaecology and Neonatology £361.1k (activity plan and various cost reductions); Specialised Cancer Services £165.7k (a range of non-delivered schemes); General Surgery £168.4k (activity plan and nursing cost reductions) and Orthopaedics £221.7k (on-site activity gains and nursing cost reductions).

- 2.6 At Month 5 Directorates are forecasting to deliver £25.4m of efficiency savings in 2012/13 although, given the year to-date position, this appears challenging. The forecast outturn is £1.3m more than their efficiency targets but £2.4m less than plans. The shortfall against plan is spread across 15 Clinical Directorates. Meetings have been held with Directorates which have significant Financial/Efficiency Plan shortfalls to ensure strong action is taken to improve their positions.
- 2.7 As referred to above, the activity over-performance for NHS Sheffield is significant and various actions are under way or being discussed. These include reduced community service investments, further QIPP actions on new and follow-up out-patient activity, a review of financial arrangements for the Frailty Unit, revised risk share arrangements and normal contract challenges. The Trust is working to assist the PCT where it is appropriate in terms of good patient care and governance.
- 2.8 The key financial risks for the 2012/13 remain the delivery of efficiency plans; delivering improved Directorate financial performance through the PMF and generally; handling operational pressures without additional cost and without a negative impact on overall efficiency; and managing the NHS Sheffield contracting and financial issues.
- 2.9 Work is progressing well to identify potential contingencies and potential commitments against them. Uncommitted reserves will be released in the coming months to offset budget deficits and any other risks which materialise. The position looks satisfactory at this stage but the ultimate position on CQUIN income will have a major impact.
- 2.10 There are no issues of concern regarding the Trust's balance sheet and working capital position. Further good progress has been made in reducing outstanding debts with local NHS Foundation Trusts. The Capital Programme position is also satisfactory, although there are growing pressures which will impact on planning for 2013/14 and beyond.

### **3. 2013/14 FINANCIAL PLANNING**

- 3.1 Work has now commenced on the 2013/14 Financial Plan. This will be the third year of four where the NHS will receive minimal real terms growth and will be expected to deliver efficiency savings to fund growth in demand and quality improvements. A further level of significant efficiency savings is, therefore, inevitable but the precise value of the requirement will depend on key issues including the following:
- National Efficiency Target.
  - CQUIN funding.

- Operating Framework rules, e.g. Emergency Readmissions within 30 days.
- Commissioner QIPP savings.
- MPET income losses.
- Work undertaken via the Shelford Group to seek additional funding for the more complex case-mix of activity undertaken by Teaching Hospitals.
- Operational targets.

3.2 Directorates have been advised to plan for a further 5% of efficiency savings in 2013/14, although there are scenarios where this would not be sufficient. Work has commenced in Directorates and corporately through the Efficiency Programme to start the necessary planning but this will be a huge challenge given the cumulative efficiency requirement over several years and the general NHS financial environment.

#### **4. CONCLUSIONS**

- 4.1 The Month 5 financial position shows a significant deterioration which needs to be addressed.
- 4.2 The key actions are to drive the Efficiency Programme, progress the PMF work with Directorates; secure more general improvement in Directorate financial positions; contain operational pressures; agree appropriate actions to assist NHS Sheffield with its financial pressures/manage contractual challenges; and maximise contingencies.
- 4.3 The on-going challenge of delivering major efficiency savings whilst delivering key service targets, improving quality and coping with operational pressures will remain fundamental to the Trust's success in 2012/13 and in 2013/14 where the need for significant further efficiency savings appears inevitable.

#### **5. RECOMMENDATION**

The Board is asked to note the above and, in particular, the key issues arising from the 2012/13 Month 5 financial position.

Neil Priestley  
 Director of Finance  
 October 2012