

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 18th SEPTEMBER 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 2013/14 Clinical Commissioning Group and NHS England contracts are now signed, although reaching agreement with Sheffield City Council on the Sexual Health Contract has been more problematical.
2. The Month 4 financial position is a £3,175.0k (1.1%) deficit against plan. The deficit as a percentage of budget to-date has remained stable over the last 3 months.
3. The key on-going financial management actions are to drive the Efficiency Programme; to progress the Performance Management Framework 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. Developing a robust Health and Social Care System "Winter Plan" is a current priority.
4. The local and national planning processes for 2014/15 are underway for what will inevitably be a very challenging year.

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 key financial issues and, in particular, the current position against the 2013/14 Financial Plan and the key financial management actions required.

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 18th SEPTEMBER 2013

FINANCE REPORT

1. 2013/14 FINANCIAL PLAN

- 1.1 The 2013/14 contracts with the CCG Consortium led by NHS Sheffield (NHSS) and NHS England (NHSE) are now signed. A number of the local CQUIN schemes have been difficult to be finalise with the CCG Consortium but the final issues are now virtually resolved. The issues relating to addressing the final NHS England Service Specifications are likely to create on-going challenges but it is felt that the potential 2013/14 contractual consequences have been satisfactorily managed.
- 1.2 Contract negotiations with Sheffield City Council (SCC) regarding the Sexual Health service are still on-going. Significant progress has been made in the last month and it is hoped that the position will be concluded shortly.
- 1.3 Monitor has responded to the Trust's 2013/14 Annual Plan submission and has confirmed that the Trust has not been selected for a Stage 2 Review. Monitor's general message is to reinforce the need for Trust Boards to monitor the risks to compliance with license conditions and in particular to keep a firm grip on delivery and potential consequences from the challenging efficiency requirements faced.

2. 2013/14 FINANCIAL POSITION – MONTH 4

- 2.1 The Month 4 position is a deficit against plan of £3,175.0k (1.1%). This represents a continuation of the position seen in the last few months with a deficit of around 1% of the budget to-date.
- 2.2 The activity position is an over-performance against the Trust's activity plan of £2.25m. There is a major over-performance on non-elective activity (£2.9m) and a smaller one on Critical Care (£0.9m) and out-patients (£0.8m), with a significant under-performance on elective activity (£1.4m). This reflects not only the "winter pressures" in the early part of the year but also continuing high levels of non-elective activity through the summer. The overall income position is net of deductions totalling just over £1.5m in respect of the Marginal Emergency Tariff and Emergency Readmissions within 30 days, although the total income loss from these areas is now £2.6m. The major commissioner over-performances relate to NHSS and NHSE but there are significant under-performances for other CCGs.
- 2.3 Of the 33 Directorates, 15 reported a break-even/surplus position, 3 reported small deficits of less than 2% of budget to-date and 15 reported more significant deficits. The Directorates causing most concern are Geriatric and Stroke Medicine; Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; Vascular Services; General Surgery; Orthopaedics; Plastics and Urology.
- 2.4 Work continues with the most challenged Directorates under the Performance Management Framework (PMF) to seek improved financial performance. The initial positions of Neurosciences, Vascular Services and Specialised Cancer Services were positive, although the first two positions have deteriorated recently. It is likely that other Directorates will be added into the process shortly. Work continues with the relevant Directorates to identify and address barriers to enhanced efficiency and to seek improved management and governance arrangements. Addressing

underlying deficits is immensely challenging given the requirement for significant further efficiency savings each year.

- 2.5 Directorates have reported an under-delivery of £1.2m (12.7%) against Efficiency Plans at Month 4 which is a key factor in the overall deficit. There are many minor variances but it is clear that failure to achieve bed reductions and elective activity plans in the early part of the year, as a result of the on-going “winter pressures”, has been a key factor. Directorates are forecasting improved performance for the rest of the year but again much will depend on the extent of disruption in the coming winter.
- 2.6 There are no issues of concern regarding the Trust’s balance sheet, working capital or Capital Programme positions at this stage, although slippage on the Capital Programme is again very likely.
- 2.7 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. Developing a robust Health and Social Care System “Winter Plan” is a current priority. The position on uncommitted contingencies will be assessed fully and reflected in the month 6 position.

3. PLANNING FOR 2014/15

- 3.1 The Trust’s Business (and Financial) Planning processes for 2014/15 are now underway. It is clear that delivering the required efficiency savings, performance targets and quality standards will be very challenging in the context of financial challenges faced by commissioners and social care.
- 3.2 The national processes around determining tariffs, performance requirements, “business rules”, etc for 2013/14 are also underway and, as always, these will be crucial in deciding the Trust’s prospects.

4. CONCLUSIONS

- 4.1 The 2013/14 contracts for the CCG Consortium and NHSE have been signed but the Sexual Health contract with SCC has been more difficult to conclude.
- 4.2 The Month 4 results show a fairly stable but significant deficit against plan of around 1% of budget to-date. Key factors appear to be the loss of income on emergency activity and an under delivery on efficiency plans.
- 4.3 The local and national planning processes for 2014/15 are underway for what will inevitably be a very challenging year.

5. RECOMMENDATION

The Board is asked to note the key financial issues and, in particular, the current position against the 2013/14 Financial Plan and the key financial management actions required.

Neil Priestley
Director of Finance
September 2013