

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 16th APRIL 2014**

Subject	Finance Report
Supporting TEG Member	Neil Priestley
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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 results show a positive position, although there are still a number of factors which will have a material impact on the Trust's final 2013/14 financial results. The year-end processes are now underway and the draft Annual Accounts will be produced by 23rd April 2014.
2. 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.
3. The planning processes for 2014/15 are now broadly concluded, although the contracts with NHS England and Sheffield City Council are still not agreed.
4. The Trust's third cut plans for 2014/15 identify an improved level of efficiency savings, assisted by the expected major level of activity growth, but the delivery risk remains high and 2014/15 looks likely to 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, the key financial management actions required and the outcomes of the 2014/15 financial planning processes.

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 16th APRIL 2014

FINANCE REPORT

1. 2013/14 FINANCIAL POSITION – MONTH 11

- 1.1 The Month 11 position is a surplus against plan of £489.9k (0.06%). The Operating Position deteriorated to a £9.6m deficit (1.2%) in February but the further release of uncommitted centrally held contingencies has resulted in an overall improvement of £0.1m in the month.
- 1.2 There is an over-performance against the Trust's activity plan of £4.9m which is a significant increase from Month 10. Outpatient and non-elective activity were ahead of plan in February but elective activity was again slightly behind plan. There continues to be a significant gross over-performance on non-elective activity (£4.6m), although £2.6m of this is not received due to the national rules on the Marginal Emergency Tariff (MRET) and Emergency Readmissions within 30 days. There are also over-performances on Critical Care (£1.9m) and outpatients (£3.6m), with an under-performance on elective activity (£3.9m). The major commissioner over-performances relate to NHS Sheffield (NHSS) and NHS England (NHSE) but there are under-performances for a number of other contracts.
- 1.3 Of the 33 Directorates, 15 reported a break-even/surplus position, 6 reported small deficits of less than 2% of budget to-date and 12 reported more significant deficits. The Directorates causing most concern continue to be Geriatric and Stroke Medicine (GSM); Gastroenterology; Operating Services, Critical Care and Anaesthesia; Obstetrics, Gynaecology and Neonatology; Cardiothoracic Services; General Surgery; and Orthopaedics.
- 1.4 Work continues with these Directorates under the Performance Management Framework (PMF) to seek improved financial performance. The Month 11 results were generally stable but with significant deteriorations in GSM and Orthopaedics and a significant improvement in Cardiothoracic Services. Good progress from the Neurosciences Directorate, now been removed from the PMF process, was maintained. Work continues with the relevant Directorates to identify and address barriers to enhanced efficiency and to seek improved management/governance. Addressing underlying deficits will remain immensely challenging given the requirement for significant further efficiency savings each year. However, it is clear that performance will need to improve to address this growing risk to the Trust's overall financial position. In addition to Directorate specific issues, key themes across many of the Directorates are the need to reduce delayed discharges and to improve the efficiency of surgical pathways.
- 1.5 Directorates have reported an under-delivery of £5.0m (17.7%) against Efficiency Plans at Month 11 which, although marginally reduced from Month 10, is clearly a key factor in the Operating deficit. There are many minor variances but disruption in the early part of the year from the very long winter and on-going problems with delayed discharges are key issues. Directorates are now forecasting full year delivery of £25.4m.

- 1.6 There are no issues of concern regarding the Trust's balance sheet, working capital or Capital Programme positions at this stage, although significant slippage on the Capital Programme is expected.
- 1.7 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.
- 1.8 The benefits from the NHS Sheffield decision on reinvesting contract penalties and the NHS England allocation to reflect the inadequate tariff reimbursement for very complex treatments plus the improved position in recent months gives some confidence about 2013/14 but there still remain other key factors which will influence the Trust's ultimate outturn position. The year-end processes are now underway and the draft Annual Accounts will be produced by 23rd April 2014.

2. PLANNING FOR 2014/15

- 2.1 The Trust's 2014/15 Financial Planning processes are now broadly complete. The Directorate 3rd Cut plans submitted at the end of March include plans to deliver the £26.6m of further efficiency savings required in 2014/15 given the 4% National Efficiency Target and Education and Training tariff income losses. This has only been possible because of the high level of additional income from activity growth assumed for 2014/15. Even so, delivery is still high risk.
- 2.2 However, the Trust's contract negotiations for 2014/15 are not yet concluded. There have been many difficult issues to address given the financial constraints and, whilst the position is broadly agreed for the CCGs, there is still no agreement with NHS England (gap of around £1.9m) and Sheffield City Council (gap of around £0.2m). As noted above, delivering the required efficiency savings will be hugely challenging given the cumulative impact over several years, performance targets, quality standards and the financial constraints faced by commissioners and social care. It is clear that any further baseline income reductions will be impossible to handle on top of the 4% National Efficiency Target. This clearly impacts on the Trust's ability to concede further in the final contract negotiations.
- 2.3 It should be noted that the Trust's 2014/15 Financial Plan is to break-even rather than to deliver a surplus as in previous years. This reflects the ever increasing financial pressure and compounds the concerns about future years.
- 2.4 Planning for the 2014/15 Capital Programme is also now complete and will enable continued development of the Trust's infrastructure, the second year of the Trust's major IT Programme, further progress on estate rationalisation schemes and a number of developments relating to Operating Theatres.

3. CONCLUSIONS

- 3.1 The Month 11 results show a positive position. Whilst there are still a number of factors which may still have a material impact on the Trust's final 2013/14 financial results, recent developments give some confidence.
- 3.2 The planning processes for 2014/15 are largely finalised, although the contracts with NHS England and Sheffield City Council are still not agreed.
- 3.3 Whilst the remaining contract gaps are relatively small, they are significant in the context of a plan to break-even and the general level of financial pressure.
- 3.4 The Trust's third cut plans for 2014/15 identify an improved level of efficiency savings, assisted by the expected major level of activity growth, but the delivery risk remains high.

4. RECOMMENDATION

The Board is asked to note the key financial issues and, in particular, the current position against the 2013/14 Financial Plan, the key financial management actions required and the outcomes of the 2014/15 financial planning processes.

Neil Priestley
Director of Finance
April 2014