on the day BRIEFING

QUARTER 1 FINANCES

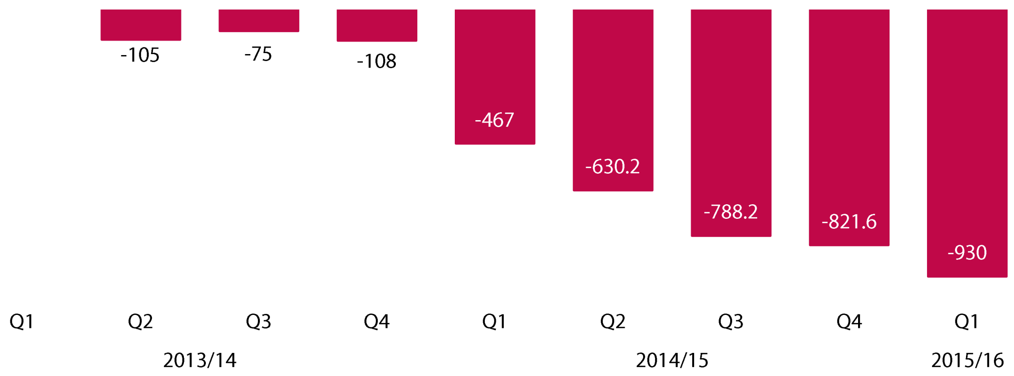
Monitor and the Trust Development Authority have today published quarter 1 finances for the provider sector, covering the period 1 April 2015 to 30 June 2015. This follows our earlier member briefing on Q1 finances, based on a survey of 80 members in August.

This briefing provides a summary of these figures and includes the press release we have today issued in response. Monitor has published more detail about the state of FT finances than the TDA have about NHS trusts but where possible we have provided figures for the whole provider sector.

KEY HEADLINES

- The net deficit for the sector is at £930m, compared to £822m at the end of 2014/15 and £467m at the end of the first quarter last year (figure 1).

FIGURE 1: YEAR TO DATE SURPLUS/DEFICIT FOR THE NHS PROVIDER SECTOR (£M)



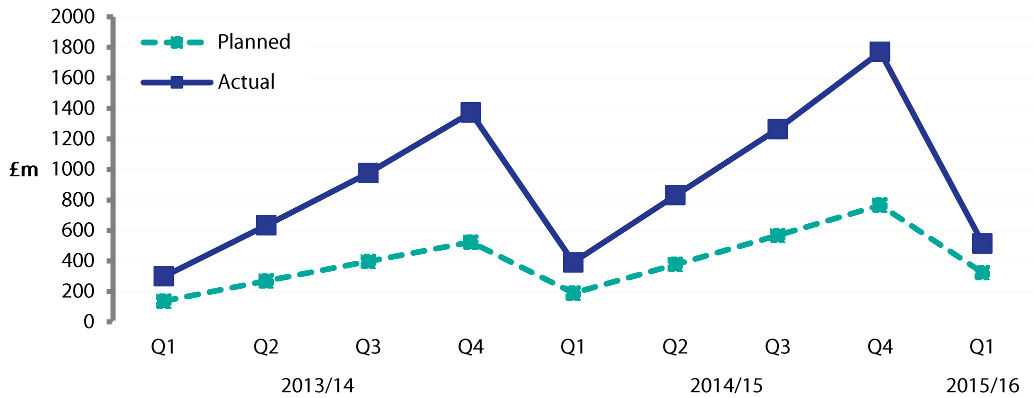
- There were 190 providers in deficit at the end of quarter 1, around 80% of the sector and 92% of all acute and specialist trusts (table 1). The mental health sector was the only sector reporting a surplus at the end of Q1, and this is driven largely by a £7m reported surplus for mental health foundation trusts.

TABLE 1: PROVIDER FINANCIAL POSITION AT Q1 2015/16

Trust type	Number of providers	Number of providers in deficit	Net position	Proportion of providers in deficit
Acute	138	132	-£912m	96%
Ambulance	10	8	-£7.4m	80%
Community	19	9	-£2.0	47%
Mental Health	57	31	2.1m	54%
Specialist	17	10	-£11m	59%
All	241	190	-£930m	79%

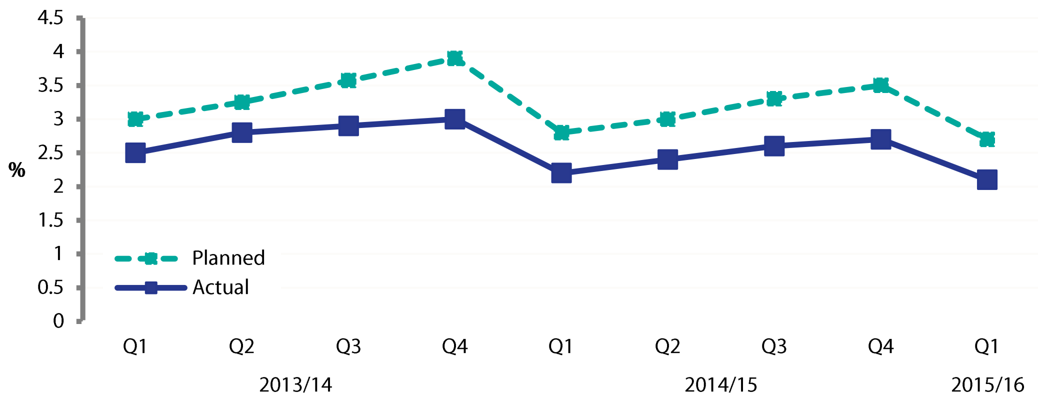
- NHS trusts and foundation trusts spent £895m on agency staff in quarter 1. For the FT sector, this was 59% above plan (figure 2), despite the FT sector planning for a 30% annual reduction in agency staff costs. Contract and agency staff represented 6.9% of the total FT pay bill at Q1 2015/16 (and this is highest in London representing 8.3% of total pay). Monitor estimates that the FT sector paid an agency premium of 142% during the first quarter of the year.

FIGURE 2: PAY FOR CONTRACT/AGENCY STAFF FOR THE FT SECTOR



- The level of savings achieved by the FT sector is lower than plan by £64m (22%) (figure 3). The sector still reduced controllable operating costs by 2.1% (£232m). Acute FTs were the major contributor to the under-delivery of CIPs, with many trusts citing that activity, quality and safe staffing pressures were the main reasons for the underachievement in CIP targets.

FIGURE 3: CIP SAVINGS FOR THE FT SECTOR



- The FT's EBITDA margin continued to deteriorate over quarter 1. The planned aggregate margin of 1.5% for Q1 (compared to 3.4% at this point last financial year), has slipped to 0.9%.

- FTs working with the default tariff rollover have seen their revenue growth falling at a much faster pace than ETO trusts – in Q1 this year – DTR FTs managed a 4.6% revenue growth (compared to 7.2% last year) and ETO FTs experienced a 2.4% growth (compared to 4.1% last year).

PRESS RELEASE

NHS PROVIDERS DOING ALL THEY CAN TO AVOID DEFICITS BUT FINANCIAL PRESSURES GROWING RAPIDLY; NHS URGENTLY NEEDS A FINANCIAL STABILISATION PLAN

Responding to today's release of Quarter 1 financial data by Monitor and the NHS Trust Development Authority (TDA) showing a projected £2 billion plus 2015/16 provider sector deficit, Chris Hopson, chief executive of NHS Providers, the association of NHS foundation trusts and trusts said:

"These results are not a surprise – providers have been flagging their rapidly deteriorating financial position for more than two years now. NHS trusts and foundation trusts are doing everything they possibly can to avoid financial deficits, but they are experiencing a triple whammy: rapidly rising patient demand; an extra £2 billion unfunded staff cost they have been required to add; and the deepest and longest funding squeeze in NHS history, despite the NHS ring fence. The fact that more than 80% of all hospitals are now in deficit and more than 50% of all types of trust are projecting a year end deficit, shows that this is a system level problem, not one of poor trust performance.

"Everything we see and hear suggests it's going to be difficult to improve on the original £2.1 billion deficit trusts were predicting at the beginning of the year. Given the very significant in year deterioration against plan during each of the last two years, even this will be challenging and requires an enormous effort throughout the system. We recognise that this size of deficit will give the Department of Health a significant problem in making its overall 2015/16 budget balance.

"Trusts also tell us there is more downside risk than upside opportunity at this point. We are six months through the year and the vast majority of realisable savings were already in, or have now been added to, 2015/16 plans. We also go into winter with a large number of members telling us they have less money than last year because of the way Clinical Commissioning Groups and System Resilience Groups have allocated the winter money they received. The only significant extra new opportunity on the horizon is the introduction of an agency staff spending cap, but this will now come very late in the year and just at the point when demand for agency staff is likely to be at its greatest as extra winter capacity comes on stream. Everyone will keep doing all they can, but we need to be realistic about what can be achieved at this point.

"The NHS needs to come together to create a realistic and deliverable financial stabilisation plan that eliminates the provider sector deficit within a reasonable period of time and enables trusts to plan for a sustainable future. This is now urgent as running a £2 billion annual provider sector deficit is patently unsustainable".

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