

2017/18 QUARTER 1 FINANCES AND PERFORMANCE

Today NHS Improvement (NHSI) released the quarter one (Q1) **finance and operational performance figures** for the provider sector. These figures cover the three month period ending 30 June 2017. This briefing summarises the key headlines from those figures, our view on what they mean, and our media response.

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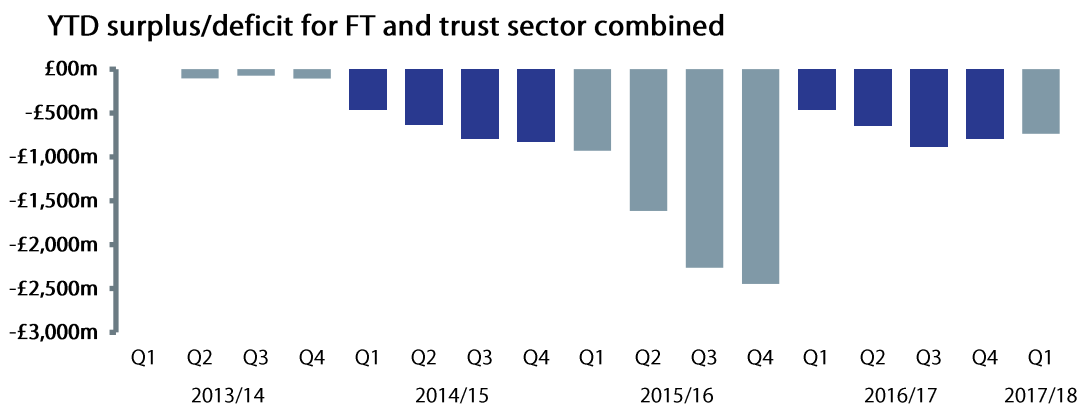
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KEY HEADLINES

- The Q1 net deficit for the sector is £736m, despite the sector delivering £520m in efficiency savings this quarter. This compares to a deficit of £461m in Q1 2016/17 and a deficit of £930m in Q1 2015/16.
- Including the £1.8bn of sustainability and transformation funding (STF), NHS Improvement has revised the end of year deficit forecast to £523m, up from £496m (£27m worse than plan).

FIGURE 1

Year to date surplus/deficit for the NHS provider sector (£m)



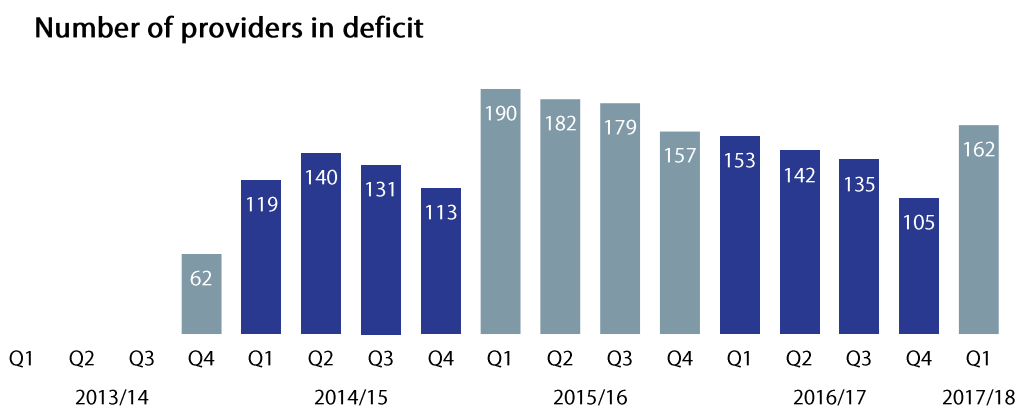
- Against forecast, the aggregate **year to date deficit at month three is over plan by £30 million**. 67 providers are now reporting an adverse variance against plan at Q1, including ten trusts with an adverse variance of more than £10m. The overall net adverse variance was largely driven by:
 - Slippage in the delivery of planned efficiency savings – cost improvement plans (CIPs) were £102m or 16% behind plan. The sector continues to rely on non-recurrent savings which represented 19% of total savings, compared to 7% in the plan.
 - Income shortfalls due to lower than planned activity. In Q1 the sector's total operating income was £55m behind plan. This was caused primarily by shortfalls in non patient care incomes, R&D and rental incomes, and failure to meet STF targets. Elective income was £52m below plan which seems in part to be attributed to the impact of the new HRG4+ tariff. This is having a significant impact on a number of trusts. The tariff is also having an impact on income from outpatient follow ups.

- Continued reliance on bank and agency staff, despite a significant reduction in the latter. Overall agency spend as a percentage of the total NHS pay bill has fallen from 6.5% in Q1 2016/17 to 4.6% in Q1 2017/18. The reduction in agency spend has led to an overspend on pay costs because of the increased use of bank staff.
- A number of providers were also impacted by the cyber attacks, the terrorist attacks in Manchester and London, as well as the Grenfell fire.
- 2.9% growth in A&E attendances compared to 2016/17 last year. Emergency admissions were up by 3.81%.
- Continued increase in the elective waiting list, which has now reached a record level of 3.64m at the end of Q1 2017/18 (for reporting trusts only); a 5.4% increase compared to last year. Extremely high bed occupancy levels continue to affect the sector's ability to admit patients. Bed days lost due to delayed transfer of care in the acute sector rose 0.8% to 347,860 days in Q1.
- 162 (68%) of 238 providers are reporting a deficit, compared to 153 (64%) that reported a deficit in Q1 2016/17. 105 (44%) providers ended last year in deficit
 - Overall, 109 providers are forecasting a year-end deficit.
 - At Q1, 206 trusts accepted their 2017/18 control totals, making them eligible to receive STF. Last year, 217 trusts accepted their control total.

Based on year-to-date performance, trusts have included £154m of STF in their reported year-to-date positions, although the overall sector position includes £116m of uncommitted STF from those trusts who have not yet signed up and from those who have not achieved their STF requirements this quarter.

FIGURE 2

Number of providers in deficit



Other key finance data at Q1

- Capital expenditure (capex) was £590m at month 3, £367m below plan. The current forecast capex for year end is £4.29bn which represents an underspend of £41m compared to original forecast.
- Total CIP delivery was £520m. Total savings were £102m behind plan. The forecast shortfall is currently £147m and NHSI has asked providers to identify a further £332m worth of CIP schemes in the remainder of the year to

bridge this gap. It is worth noting that CIP delivery is broadly aligned with what was achieved in Q1 last year, and the realisation of savings from many schemes is not intended to have an impact until the end of the year.

- **Agency spend equalled £592m**, which for the first time in several years represented an underspend against plan. It was also £169m lower than Q1 last year and £282m lower than Q1 2015/16. The reduction in agency spend was in part achieved by relying on more cost effective bank and substantive roles, which as a result has meant an overspend of £161m for this staffing area. Nevertheless overall temporary staffing (agency and bank) spend has fallen by 6.5%.
- **Financial sanctions are expected to continue to fall with providers forecasting fines worth £75m.** This is a significant reduction on the £99m received last year and is a result of the continuing of the arrangement whereby providers do not face penalties if they accept control totals. However, national business rules such as the marginal rate for emergency admissions and readmission rules are still likely to bite this year, given current levels of demand.

FIGURE 3
Forecast CIP savings against plan

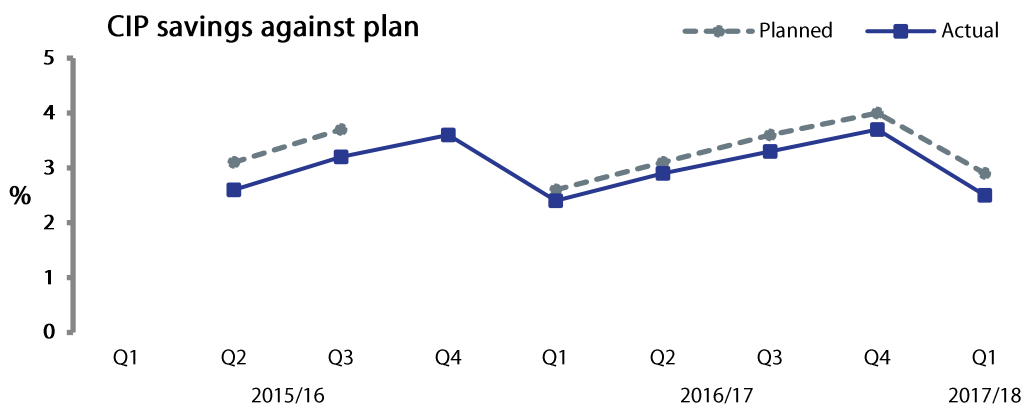
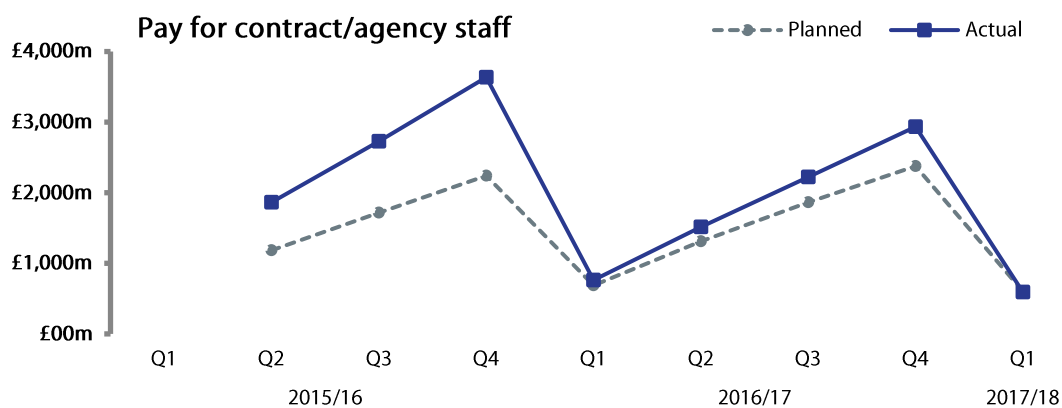


FIGURE 4
Year to date agency staff spend



Key non-financial information

The figures published today also include the latest on operational performance, within Q1:

- 5.51m patients attended A&E departments, 2.9% higher than the same quarter last year. NHS England data shows trusts managed to treat, admit and discharge 90.29% of A&E patients within four hours, improving on the 89.33% achieved in the same quarter last year. The national ambition of achieving 90% by September 2017 has therefore been met. 109,469 patients waited more than four hours for a bed in Q1, which is 2.4% less than a year ago.
- The elective waiting list reached a record 3.64m at the end of the quarter, a 5.4% increase compared to a year ago. Referral-to-treatment (RTT) performance was 89.96% for the quarter, which represents a drop of 1.31% compared to the same period last year.
- Ambulance services continue to miss the Red 1, Red 2 and 19 minutes response-time targets for Category A ambulance calls (those that are considered life threatening). Performance was 70.8%, 63.8% and 91% respectively.

The report notes that NHS Improvement regional teams continue to work with providers to understand delivery risks and opportunities, particularly around efficiency savings, to ensure planned trajectories are achieved. At a national level intensive and targeted support will continue to be targeted to those trusts in financial difficulties through Financial Special Measures and the Financial Improvement Programme.

NHS PROVIDERS' VIEW

The figures released today reflect the considerable efforts undertaken by trusts to deliver the savings necessary to reduce the deficit once again this year. The decrease in agency spend is a significant achievement for the sector. Furthermore the sector has also achieved the national ambition of treating or discharging 90% of A&E patients within four hours by September 2017, despite significant pressure on A&E departments. This has been a challenging quarter for the sector, with trusts having to respond to the de-stabilising serious incidents including the cyber attacks, the terrorist attacks in Manchester and London and the fire at Grenfell Tower.

Trusts face a difficult year. CIP delivery is currently £102m behind plan. The waiting list has reached a record high, leaving bed occupancy levels at unsustainable levels, which is having a detrimental impact on patient flow. Changes to the tariff and pressure to meet the STF conditions have had a disproportionate impact across the sector as some trusts fail to meet targets. For the first time in two years, the number of providers in deficit has actually increased at this point in the financial year.

The challenge of delivering the sector's financial plan, therefore, cannot be underestimated. The considerable progress made has required a significant proportion of non recurrent savings, and NHS Improvement has warned that trusts need to "step up their effort in meeting their planned activity level and deliver £3bn efficiency savings during the remainder of the year". This is in addition to the performance challenge that providers continue to face: the 92% RTT target has not been achieved since November 2015 and the 95% A&E target has not been met since July 2015. Trusts continue to build on last year's improvements and are currently on track to achieve the year end

deficit target of £500m. A degree of caution is wise, however, as the sector approaches what is likely to be another challenging winter.

PRESS RELEASE ON Q1 FIGURES

Q1 NHS TRUSTS CONTINUE TO CONTROL RUNAWAY DEFICITS BUT CONCERNS REMAIN OVER WINTER PRESSURES AND SUSTAINABILITY

- NHS Improvement release financial performance data for Q1 of 2017/18
- Figures show that trusts are forecast a year end deficit of £523m and have achieved a 22% reduction in agency staff spend from the same period last year
- We say trusts are putting in a huge amount of work to control costs and improve financial position, but caution is required as we approach winter.

NHS Improvement has released financial performance figures for quarter one of 2017/18.

The first quarter results forecast a sector-wide deficit of £523m by the end of the year, against an income of around £80.5bn.

For the quarter, overall spending on agency staff was 22% lower than during the same period last year.

Responding to the financial performance figures for Q1, the chief executive of NHS Providers, Chris Hopson said:

"These latest figures show the continued progress NHS trusts are making in reducing the large deficits of the last three years. Trusts are broadly on track to achieve the year end target of a £500m deficit, a continuation of last year's improvement when the provider deficit fell to £791m from the high watermark 2015/16 deficit of £2.45bn.

"Trusts are putting a huge amount of work into controlling costs, increasing productivity and improving efficiency while continuing to provide outstanding patient care against record levels of demand and growing staffing pressures. In particular, the figures show how trusts have continued to reduce spending on expensive agency staff – this has come down by more than a fifth since the same period last year.

"However, as with last year, there is a need for caution and much of the provider sector's financial performance over the rest of the year will be determined by how the NHS performs this winter. Last year, trusts ended up spending significantly more than planned on extra capacity to deal with record winter demand, and they lost income from elective operations they needed to cancel. These pressures are often now present throughout the year, not just at winter time.

"Despite this progress, the underlying scale of the challenge remains unsustainable. NHS funding increases have fallen from last year's 3.6% to just 1.3% this year. This means providers have to absorb 5% increases in demand and costs, cut operating costs by £3.6bn and meet a 4.2% savings target that no other advanced Western health system has ever consistently delivered. All at the same time as improving A&E performance, delivering new commitments for cancer and mental health provision and investing for transformation and to keep the NHS estate up to date. This is mission impossible."