16 November 2017

on the day BRIEFING

NHS Providers

2017/18 QUARTER 2 FINANCES AND PERFORMANCE

Today NHS Improvement (NHSI) released the quarter two (Q2) finance and operational performance figures for the provider sector. These figures cover the six month period ending 30 September 2017. This briefing summarises the key headlines from those figures, our view on what they mean, and our media response.

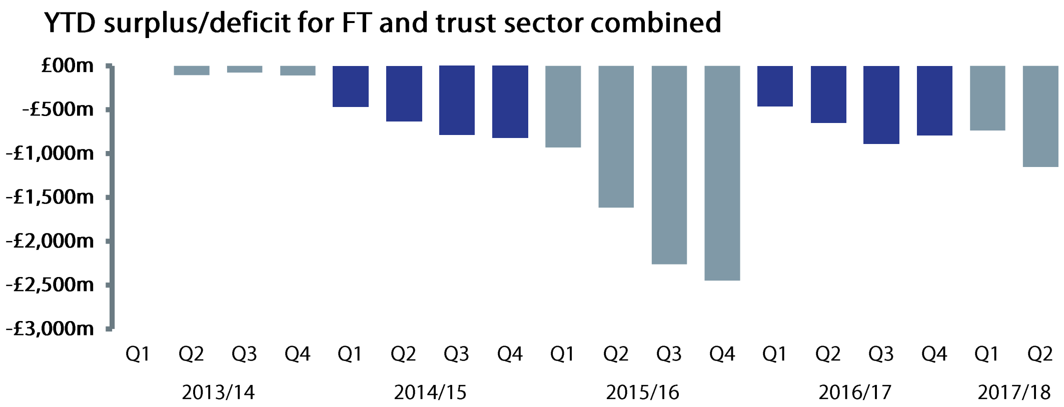
If you have any feedback or questions regarding any of the content in this briefing please contact: Adam.Wright@nhsproviders.org

KEY HEADLINES

- The Q2 net deficit forecast for the sector is now £623m, compared to the £791m 2016/17 year end position and the £2.45bn 2015/16 position. This is a £100m deterioration from £523 million forecast deficit reported at Q1.
- At Q2, providers reported a year to date deficit of £1.15bn. This compares to a deficit of £648m in Q2 2016/17 and a deficit of £1.61bn in Q2 2015/16.
- Within the overall sector position there remains £292m worth of uncommitted sustainability and transformation funding (STF) which is yet to be received by providers.

FIGURE 1

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

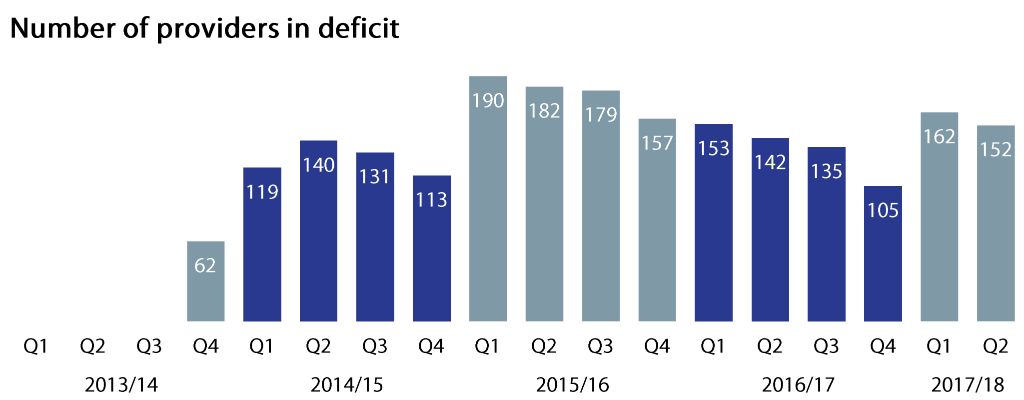


- The forecast deficit position is £127m over plan. The sector ended last year over plan by £211m. 87 providers are now reporting an adverse variance against plan at Q2, up from 67 at Q1. This includes 26 trusts with an adverse variance of more than £5m. The overall net adverse variance was largely driven by:
  - Under delivery of planned efficiency savings. Providers delivered £1.26bn worth of cost improvement plans (CIPs) in the first six months of the year, however these are still £169m or 12% behind plan. Within these CIPs, providers are struggling to make savings on pay. Pay costs alone are £134m or 20% behind plan. The sector currently remains reliant on non-recurrent savings, which are £185m or 167% over plan.
  - Continued growth in A&E attendance, which are up 1.7% during the same period last year. Emergency admissions were up 3.4% at around 1.08m required admitted care after attending A&E.

- Overspend on employee costs. Year to date there has been a £256m overspend against employee costs, broken down to overspends on medical (£217m) and nursing staff (£66m). All regions across England have reported overspends on staff costs. Although there has been a £320m reduction in agency staffing compared to the same period last year, there is a significant overspend of £407m in bank staff.
- Overspend in non-pay costs. Year to date there has been a £70m overspend in non-pay cost pressures. Within this figure there has been a £89m or 11% overspend in purchasing healthcare from other providers, indicating significant capacity constraints. There were also overspends on clinical supplies (£61m), premises (£37m) and consultancy (£35m).
- There has been recovery reduction in elective income, which is £124m behind plan. The waiting list continues to grow, and has now reached 4.1 million at the end of Q2 2017/8, up from 3.64m in Q1.

- 152 (64%) of 238 providers are reporting a deficit, compared to 142 (60%) that reported a deficit in Q2 2016/17.
  - Overall, 111 providers are forecasting a year-end deficit.
  - At Q2, 206 trusts accepted their 2017/18 control totals, given them access to STF. 27 trusts are not signed up. This indicates that no more trusts have signed up to a control total since Q1.
  - Based on year to date performance, trusts have included £338m of STF in their reported year-to-date positions, although the overall sector position includes £292m of uncommitted STF, against a plan of £160m.

FIGURE 2
Number of providers in deficit



Other key finance data at Q2

- Capital expenditure (capex) was £1,079m at month 6, £806m below plan. The current forecast capex for year end is £3.9bn which represents an underspend of £392m.

- Total CIP delivery was £1,257m. Total savings were £169m behind plan. The forecast shortfall is currently £210m and NHSI has asked providers to identify a further £178m worth of CIP schemes in the remainder of the year to bridge this gap. In 2016/17, 61% of savings were delivered in the last two quarters.

- Agency spend equalled £1.2bn. This is due to the immense efforts of trusts to lower agency spend. At the same time, bank spend has been increasing. In Q2 the overall total spend for temporary staff (both bank and agency) was £2.6bn, which represents a decrease of £119m or 4.3% on the same period last year.

- Financial sanctions continue to fall with providers forecasting fines worth £61m. This is a significant reduction on the £99m received last year and is a result of the continuing of the STF arrangement whereby providers do not face penalties if they accept control totals.

FIGURE 3
Forecast CIP savings against plan

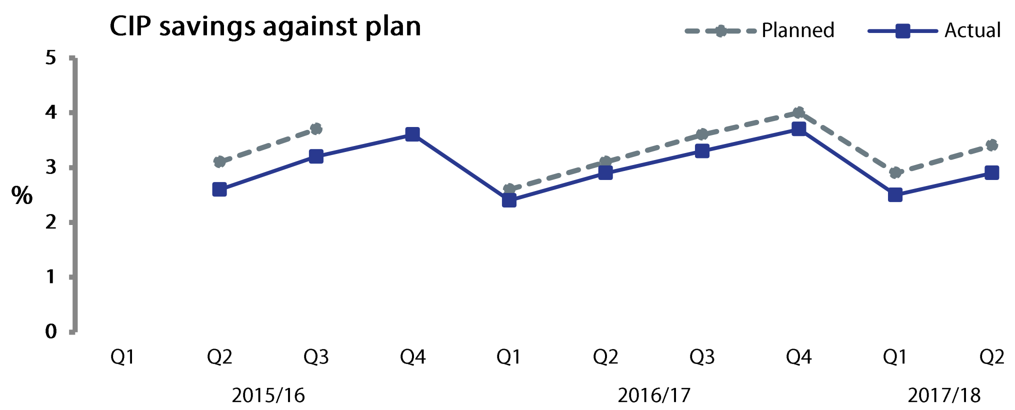
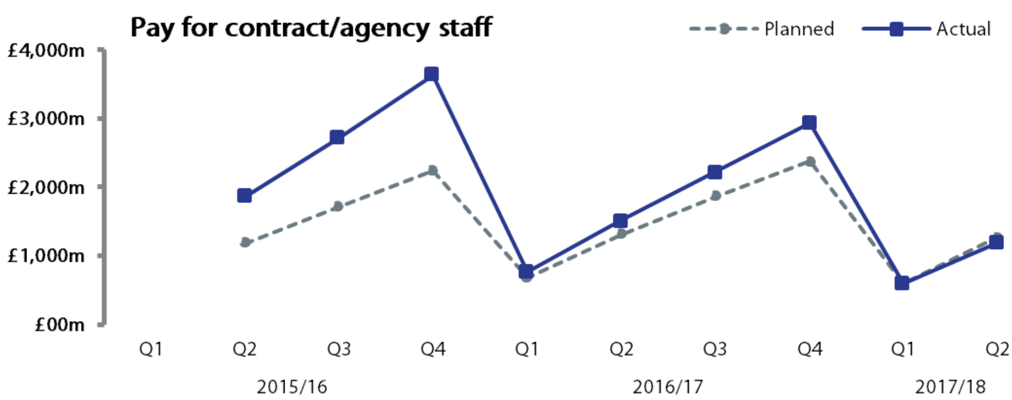


FIGURE 4
Year to date agency staff spend



Key non-finance information

The figures published today also include the latest on operational performance, within Q2:

- 5.44m patients attended A&E departments, which is a small decrease of 0.04% (like-for-like) since Q2 2016/17. NHS England data shows trusts managed to treat, admit and discharge 90.11% of A&E patients within four hours, although NHS Improvement's data shows performance at 89.24%.
- The elective waiting list reached a record 4.1m at the end of the quarter, a 17% increase compared to a year ago. Referral-to-treatment (RTT) performance was 89.10% for the quarter, which represents a drop of 1.49% compared to the same period last year.

- Ambulance services continue to be under pressure, missing the Red 1, Red 2 and 19 minutes response-time targets for Category A ambulance calls (those that are considered life threatening). Performance was 67.96%, 60.30% and 89.49% respectively.

The report notes the significant risks to delivery for the remainder of the year. Compared to this point last year, NHS Improvement accept much of the improvement was "highly dependent" on non-recurrent items, with fewer available this year. The report points to more detailed winter resilience preparations and a more detailed understanding of the winter risks this year.

PRESS RELEASE ON Q2 FIGURES

Q2 FIGURES REFLECT DIFFICULT ENVIRONMENT FOR TRUSTSNHS Improvement release financial performance data for Q1 of 2017/18

- NHS Improvement publishes performance data for the second quarter of 2017/18.
- Figures show 90.2 per cent of emergency patients were seen in four hours, while 3.5% September DTOC target is not met.
- We say sustaining that progress in order to meet the 95 per cent national standard by the end of next year will be extremely difficult against high bed occupancy rates and delayed transfers of care (DTOCs).

NHS Improvement has published performance data for the second quarter of 2017/18, showing that admissions to hospital continue to rise as the demand for emergency and planned care continues to increase.

It shows that 90.2 per cent of emergency patients were seen within four hours.

There were around 168,000 delayed discharges, accounting for five per cent of NHS beds, meaning the service fell short of its 3.5 per cent target this September.

Financially, at this point trusts are collectively predicting a full-year deficit of around £623 million - £127 million higher than planned.

Responding to the Q2 figures published by NHS Improvement, the chief executive of NHS Providers, Chris Hopson, said:

"These figures underline the extremely difficult conditions trusts face in providing safe, timely, high quality care for patients. It is to their enormous credit that in the midst of a prolonged and severe financial squeeze and workforce shortages they have responded to growing demand by treating more patients than ever.

"It is particularly encouraging to see the improvement in A & E response times. However sustaining that progress in order to meet the 95 per cent national standard by the end of next year will be extremely difficult, particularly given the continuing difficulties with high bed occupancy rates and delayed transfers of care (DTOCs) for patients who are ready to move on. The additional £1 billion allocated for social care in the spring budget has not had the effect on DTOCs that we had hoped to see.

"It is concerning to see the year-end deficit forecast has risen to £623 million – which is £127 million worse than planned. Despite great efforts, trusts are slipping behind on the savings required of them. However they are still on track to reduce the provider sector deficit compared to last year. Given the overall NHS financial settlement this year, that would be a great achievement. It is worth noting too that trusts have continued to reduce spending on agency staff.

"There is a long way to go. Last year we saw a significant jump in the deficit figures in Q3. As we head into winter – with the particular challenges and potential for disruption that presents - we will be watching closely to see what happens this time."