7 March 2019

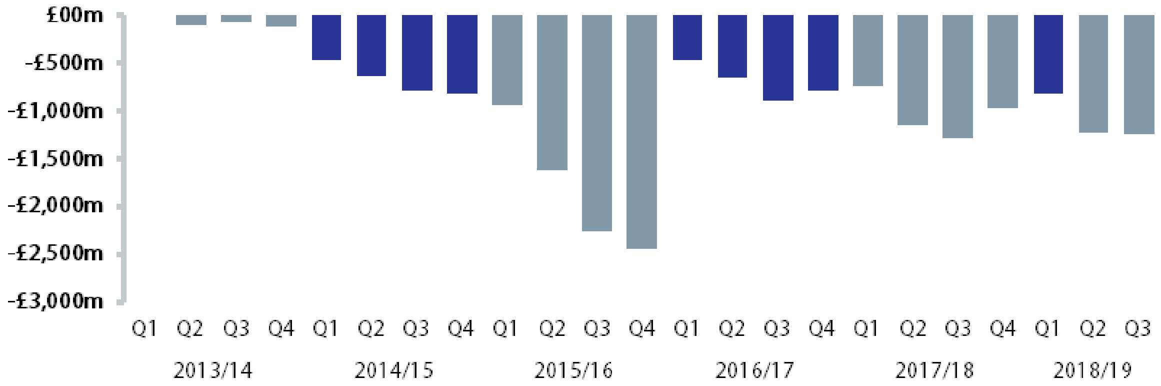
2018/19 Quarter 3 finances and performance

NHS Improvement (NHSI) has released the quarter three (Q3) finance and operational performance figures for the provider sector. These figures cover the period 1 October 2018 to 31 December 2018. This briefing summarises the key headlines for those figures we as well our view of what they mean. If you have any feedback or questions regarding any of the content in this briefing please contact: david.williams@nhsproviders.org

Key headlines

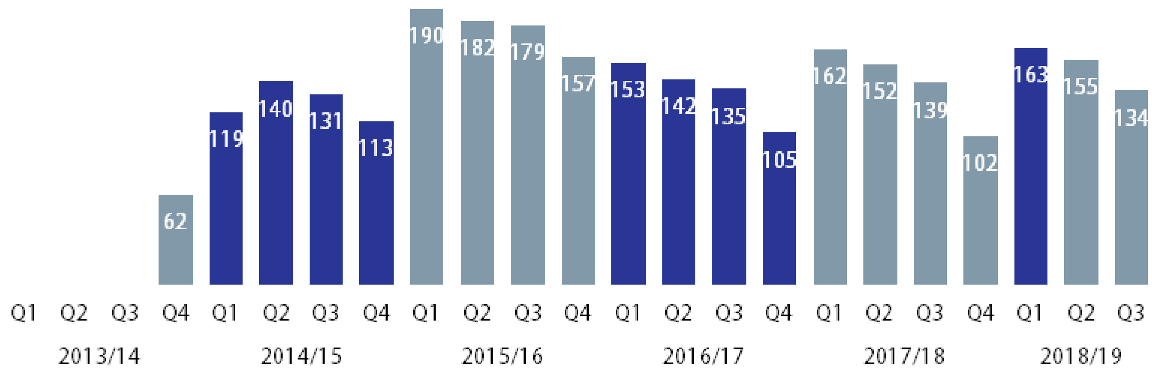
- At Q3 the provider sector is forecasting to deliver a deficit of £661m, up from £558m at quarter two (Q2). Since Q2, NHSI has adjusted the sector plan from a £439m to a £394m deficit position. Against this lower plan, the sector will overspend by £269m.
- However this forecast includes £256m of technical adjustments which were not added in at Q2. This is for "donated asset income" resulting from Carillion collapse, and two private finance initiative assets being brought onto trust books.
- Without these technical adjustments the provider sector would be forecasting a £917m deficit – a slight improvement on the £931m deficit forecast at Q3 last year but a significant deterioration on Q2.
- The year to date deficit is unchanged on the previous quarter at £1.2bn. This is despite providers delivering efficiency savings worth £2.3bn so far this year.
- Emergency admissions continued to rise as winter began, with 5.7 million visiting NHS accident and emergency (A&E) departments, up 2.1% on the same period last year. Type one, or major A&E admissions, reached 1.2 million, an increase of 6.1% on Q3 last year.
- Providers are continuing to treat more patients within the four hour A&E waiting time target, with 5.4 million patients treated within the target in Q3 compared to 5.3 million last year.
- Workforce pressures remain a significant challenge, with 100,500 vacancies in the provider sector. This represents a decrease of around 5,000 whole time equivalent staff since Q2, but this was the expected impact of new graduate intakes.

YTD surplus/deficit for FT and trust sector combined



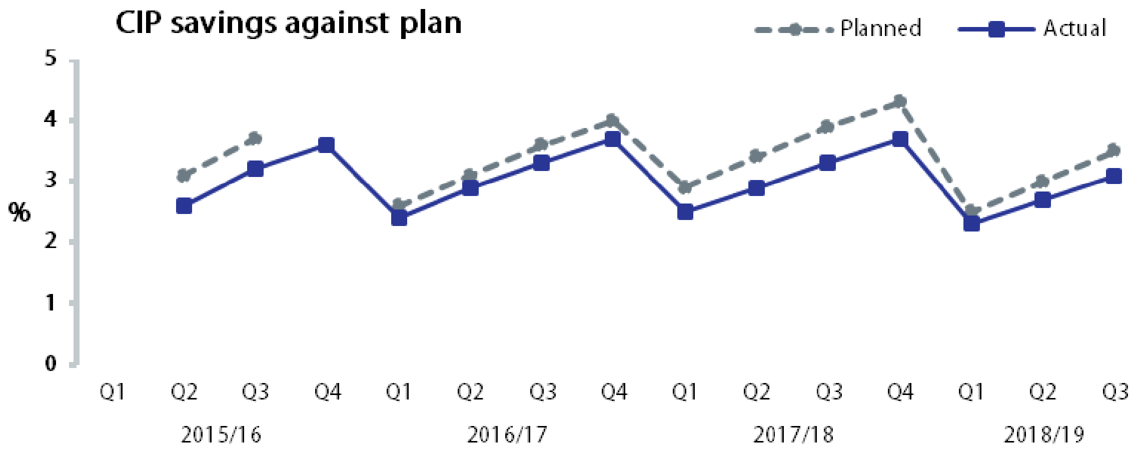
- The sector position continues to include a significant amount of uncommitted provider sustainability funding (PSF). This currently totals £766m, which is £292m more than planned.
- 134 (58%) of 230 trusts are reporting a deficit at Q3, including PSF. This is an improvement on the 155 providers that reported at deficit at Q2. The deficit remains heavily concentrated in the acute sector, with 78% of acute providers currently in deficit.

Number of providers in deficit



- Against year to date plans, 60 providers are reporting adverse variances, excluding PSF. This is mainly driven by:
  - Demand pressures across the system. Q3 financial pressures should be seen in the context of record high levels of demand. Emergency admissions increased by 6.1% compared with the same period last year. This has meant some trusts have not been able to carry out as much planned care as planned, resulting in lost elective income £162m below plan.
  - Expenditure on staff and pay award. The government has made available around £780m to fund the new pay award for Agenda for Change (AfC) staff this year. However, expenditure on AfC pay increases is expected to exceed £830m. Therefore for many providers this pay award represents an additional cost pressure. In addition, non-AfC pay costs are overspent by £474m in the year to date.

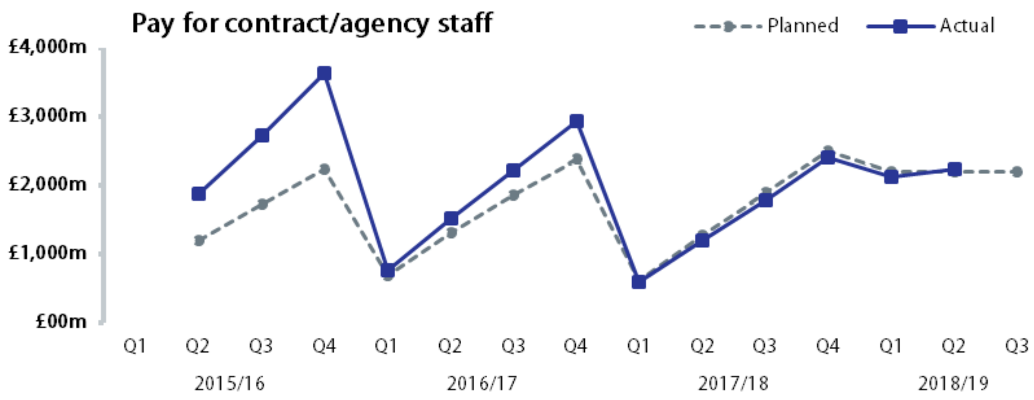
- **Under delivery of planned efficiency savings.** As the sector continues to face difficult conditions, cost improvement plans (CIPs) have fallen £244m or 10% behind plan. The growth in non recurrent savings continues. One-off savings totalled £602m in the first three quarters of the year – more than double the planned amount.



Other key finance data at Q3

- **Capital expenditure**. The capital budget will likely be underspent at year end. During the first nine months of the year, providers were able to spend £2.4bn on capital, but had planned to spend £3.2bn. The sector is forecasting a year-end capital underspend of £459m – this will require trusts to spend £1.8bn– or 42% of the total forecast spend – in the final three months of the year, with much lower rates of underspending than has been achieved to date.
- **Implied productivity.** At Q3 implied productivity for the sector was 1.6%, which is a material increase on the 1.0% productivity reported in the first six months of the year, and an improvement on the 1.2% reported during 2017/18. The productivity improvement has been driven by activity growth rather than cost reductions.
- **Mental health investment**. As at Q2, NHSI notes there remains a need to understand whether CCGs are meeting the mental health investment standard (MHIS) and whether funding is reaching the front line.
- **Marginal rate emergency tariff.** CCGs are increasing the amount of money they are withholding from trusts via the marginal rate emergency tariff (MRET). Around £282m has been withheld via MRET, up from the £223m recorded at Q3 last year. MRET will be abolished next year.
- **Non-pay cost pressures**. Providers are overspent on non-pay costs by £396m. Almost half of this is accounted for by the purchase of healthcare from other providers (a £183m overspend), mostly from non-NHS providers. There were also significant overspends on clinical supplies and premises.
- **CIP delivery.** Total CIP delivery for the first nine months of the year was £2.1m, representing 3.1% of total spend. Planned CIP delivery for Q3 had been £2.3m (3.5%) and providers are expected to deliver £3.6bn savings by the end of the year. This compares with the £3.2bn delivered in 2017/18.

- **Agency and bank expenditure.** In the face of growing demand and increasing staff vacancies, trusts are continuing to rely on the temporary workforce. Providers spent £1.8bn on agency staff during the first nine months of the year, which is £139m above the ceiling set by NHSI and a marginal increase on last year. The provider sector is forecasting it will miss its target by £170m – although the proportion of income spent on agency staff is still expected to fall to its lowest recorded level.



Key performance information at Q3

- Overall A&E performance deteriorated from 87.9% in Q3 2017/18 to 87.7% in Q3 2018/19.
- 12 hour trolley waits for the quarter have risen from 681 last year to 751, while bed occupancy rates continue to rise year on year.
- There were 4.95 million non-elective admissions in the year to date, 1.8% above plan and 5.4% more than the same period last year.
- Performance against the 18 week referral to treatment (RTT) standard was 86.6%, down from 88.2% at Q3 2017/18.
- The number of patients waiting longer than 52 weeks has begun to fall. At the end of Q3 2018/19, 2,237 patients were waiting over a year for treatment. That is an increase on last year, but a major reduction from the 3,156 patients waiting over 52 weeks in Q2.
- As at Q2, only one of the six ambulance response times is being met. This was again for Category 1 calls, 90th percentile under 15 minutes. However there has been significant improvement on both Category 1 and Category 2 performance compared with a year ago.
- The sector managed to achieve all mental health performance standards and improved across several performance and outcome measures.

NHS Providers press release

Creditable performance by trusts in difficult circumstances

NHS Improvement has published the Q3 figures, reflecting key findings between October and December 2018.

The figures show that 5.4 million patients were treated and discharged in A&E within four hours - 107,000 more patients than the same period last year.

This was despite A&Es admitting 785 more patients a day during the quarter compared to the same period last year (a 6.1% increase).

The number of staff vacancies has reduced by 5,000 compared to the previous quarter, meaning NHS trusts now face 100,500 vacancies.

The number of patients spending more than 21 days in hospital was reduced by 1,950 over the quarter.

Responding to the Q3 NHS figures published by NHS Improvement, the director of policy and strategy at NHS Providers, Miriam Deakin, said:

"This is a creditable performance by trusts in the face of rapidly rising demand for care, severe staff and skills shortages and continuing financial pressures.

"Clearly it is a cause for concern to trusts that they are not managing to deliver on the key targets that patients rightly expect.

"Recovering performance must be a key priority, but we should not lose sight of the great efforts made by trusts and front line staff to treat more patients, providing timely, high quality care.

"So while we saw further rises in A&E attendances and emergency admissions, and slippage against the four-hour standard, we should acknowledge that in Q3 over 106,000 more patients were seen, treated or discharged within four hours than for the same time the previous year.

"Similarly, although we saw performance slip back against the 18 week standard for routine operations, there was some progress on cancer treatment, access to mental health services, and a reduction in long-stay patients.

"These are significant achievements, particularly in view of the extremely challenging workforce problems trusts face.

"The financial position is broadly similar to what we saw last year, though fewer trusts are in deficit.

"However they continue to operate in an extremely challenging environment, and despite trusts' best efforts, we are not convinced the sector will meet the projected overspend forecast by NHS Improvement."

ENDS.