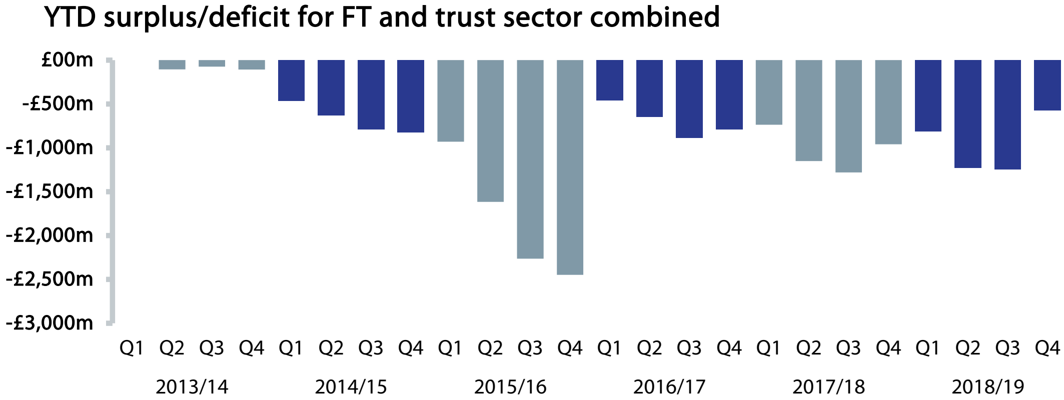
2018/19 Quarter 4 finances and performance

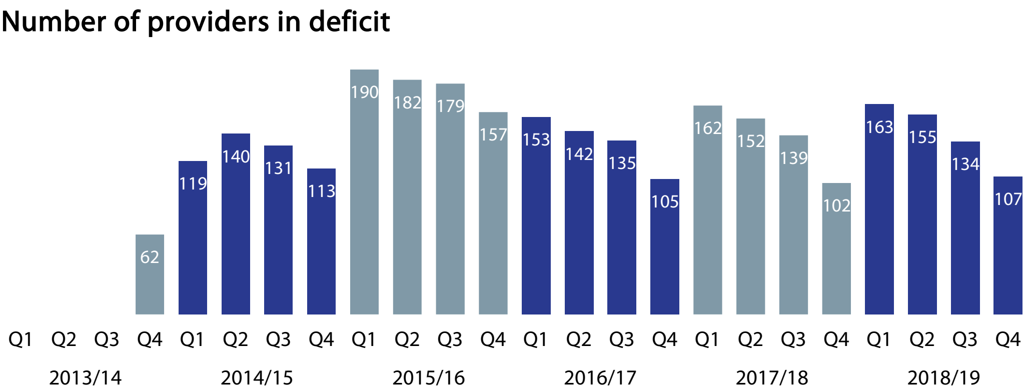
NHS Improvement (NHSI) has released the quarter four (Q4) finance and operational performance figures for the provider sector. These figures cover the period 1 January to 31 March 2019. This briefing summarises the key headlines for those figures we as well our view of what they mean. If you have any feedback or questions regarding this briefing please contact: david.williams@nhsproviders.org and adam.wright@nhsproviders.org.

Key headlines

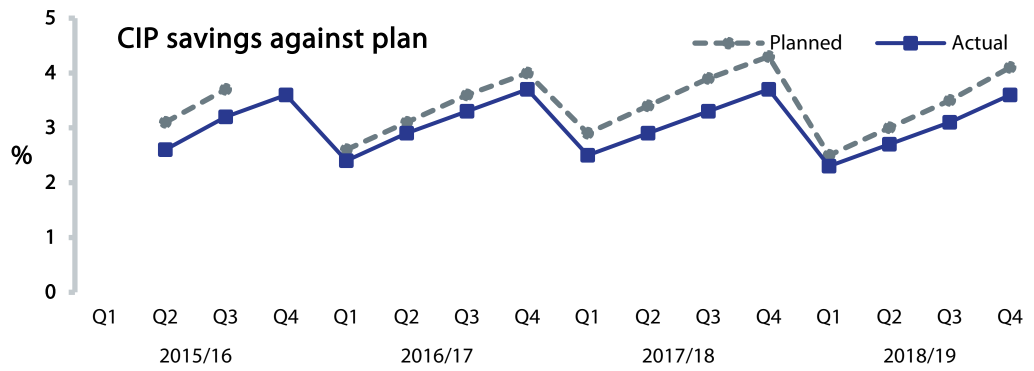
- The provider sector deficit was £571m at year end, £177m worse than the planned deficit of £394m. However the NHS as a whole is in balance due to surpluses on the commissioner side.
- The underlying deficit – which removes non-recurrent measures including the provider sustainability fund – is £5bn. This is a deterioration of £700m in a year.
- This outturn includes £256m of technical adjustments resulting from the transfer of two Carillion hospitals onto trust books. Removing the impact of this one-off event, the deficit is £827m. This is a £159m improvement on 2017/18 and a £90m improvement on the forecast at Q3.
- Providers have overspent on capital. Capital spending totalled £3.9bn in 2019/20 - this was less than forecast, but £400m more than the amount the DHSC was reported to have allocated. NHSI highlight that the OECD average health service capital budget is worth 8.9% of the revenue spend – for the NHS, it is 4.5%.
- DHSC debt on provider balance sheets now totals £14bn – an increase of £3bn over the past year.
- Providers delivered £2.2bn of recurrent efficiencies in 2018/19, plus a further £1m of one-off savings. This means provider cost improvement programmes (CIPs) delivered savings totalled 3.6% of turnover. This closely resembles performance in 2017/18, although the proportion of recurrent savings has dropped slightly.
- Emergency admissions rose 5.4% year on year in 2018/19. Admissions to major "type one" accident and emergency departments was 7% higher in Q4 than a year earlier.
- Over 7 million people were either discharged or admitted within four hours during Q4 – 380,000 more than a year earlier.
- The number of vacancies at Q4 stood at 96,348 whole time equivalents – or 8.1% of the total workforce. This is an improvement of over 2,000 on a year earlier. However within those figures, nursing vacancies are up by nearly 4,000 – this has been offset by cuts in the number of vacancies for non clinical staff and doctors.



- 107 of 230 trusts finished the year in deficit – a slight deterioration on 2017/18, when 102 were in the red. The deficit remains heavily concentrated in the acute sector – two thirds of acute trusts are in deficit. Acute providers account for 83% of all trusts in deficit.

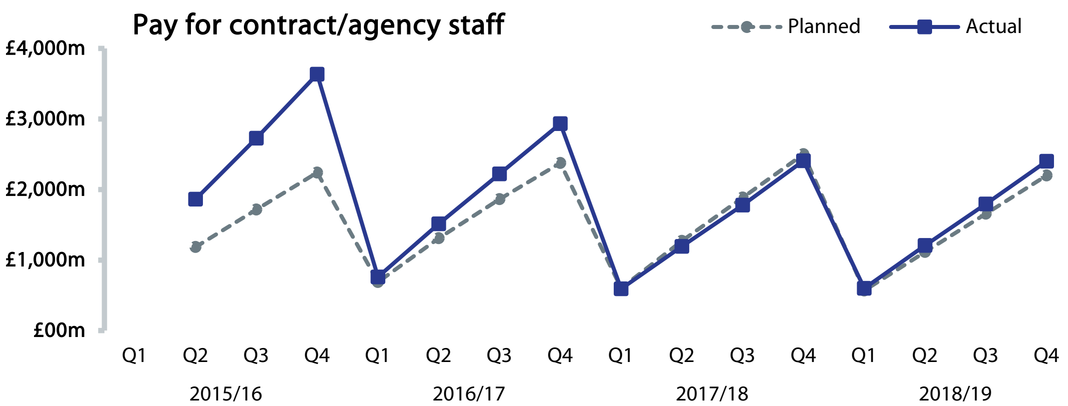


- When provider sustainability funding is taken into account, 70 providers were off plan at the end of the year. For 33 trusts, the adverse variance from plan totalled more than £10m. The main reasons why providers fell behind plan were under-delivery of CIPs, plus unplanned emergency activity, which led to £191m less elective income than planned and £248m more spent with non NHS providers than expected.



Other key year-end finance data

- Implied productivity. The rate of productivity in the NHS has almost doubled in a year, from 1.2% in 2017/18, to 2.3% in 2018/19. This has been driven by activity growth rather than cost reductions.
- Marginal rate emergency tariff. CCGs have increased the amount of money they are withholding from trusts via the marginal rate emergency tariff (MRET). The total lost to trusts via MRET was £78m – up 17% a year ago. MRET has been abolished for 2019/20.
- Non-pay cost pressures. Due to rising emergency demand, providers have overspent on non-pay costs by £924m compared to plan. The largest areas of overspent were clinical supplies and services, non-NHS providers, and premises.
- Agency and bank expenditure. Providers spent £2.40bn on agency staff in 2018/19 – a minimal improvement on the £2.41bn spent in the previous year, and exceeding the ceiling set by NHSI of £2.2bn for the year. The overspend has been driven by the number of shifts: the average price paid per shift is down by more than 5%.



Key performance information at Q4

- Overall A&E performance improved slightly in Q4 compared with a year earlier: for 2019/20 performance stood at 85.1% against the four hour standard, compared with 85% a year earlier.
- 12 hour trolley waits for the quarter was significantly lower than Q4 2017/18 at 1,465 – a drop of 800 year on year.
- There were 6.63 million non-elective admissions in the year to date, 2.1% above plan and 5.4% more than the same period last year.
- Quarterly performance against the 18 week referral to treatment (RTT) standard was 86.7%, down from 87.3% in Q4 2017/18.
- The number of patients waiting longer than 52 weeks is improving significantly. In Q4 2018/19, there were 1,154 patients waiting over a year for treatment – about half the number at the end of Q3, and 2,756 a year earlier.
- There has been a sharp deterioration in performance for cancer waiting times. Against the 62 day standard for urgent referrals, performance stood at 82.3% at the end of 2017/18. For Q4 2018/19, performance had dropped to 77.4%. The national target is 85%.
- The waiting list for diagnostic tests is getting longer: at the end of Q4 it stood at 1 million – up 2.4% in a year. 2.53% of patients waited longer than six weeks for a diagnostic test: a year earlier the figure was 2.07%.
- Performance against ambulance response time targets is improving. For the first time, trusts are now hitting two of the six standards – both for Category 1 calls. Category 2 remains a challenge for some trusts, NHSI reports. There is significant improvement on all standards 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: Significant wins for patients but we are a long way off where we want and need to be

Responding to the year-end report on the performance of the provider sector, published by NHS England and NHS Improvement, the chief executive of NHS Providers, Chris Hopson said:
"These figures show trusts are working flat out to ensure good quality care for patients in an extremely challenging environment, with demand rising to record levels.
"In that context what we see here is a strong financial performance.
"The overall provider sector deficit, at £571 million, was a significant improvement on last year's figure, and £90 million better than previously forecast. "Once again, trusts have delivered impressive savings at 3.6% of turnover, alongside a further improvement in productivity.
"Yet the emphasis on quality was sustained.

"It was particularly heartening to see the proportion of trusts rated good or outstanding by the Care Quality Commission rising to nearly 60%, with the numbers up by 9% over the course of the year.

"And, despite enormous pressures, we have seen a big improvement in ambulance response times.

"There has also been good progress in reducing the longest delays, of 12 months or more, for routine surgery. NHS England said trusts should aim to reduce these by 50%. In fact they were down by 63%.

"However there is no getting away from the scale of the difficulties facing trusts, reflected in this report.

"It is clear that we are slipping further away from achieving the constitutional standards that patients rightly expect, and there is no realistic chance of recovering them without significant extra investment together with a clear plan setting out how this will be done.

"We also have to acknowledge that the push to improve the financial position is still far too reliant on one-off savings. These generated more than £1 billion in savings – far more than planned. This approach is not sustainable.

"Then there is the biggest challenge of all – workforce. We still have more than 96,000 vacancies, equivalent to 8% of the workforce which, on the current rate of improvement from the end of Q1 to the end of Q4 would take 7 years to fill.

"Finally, while we welcome this report's focus on the significant widespread capital problems facing providers, it is clear to us that these difficulties have now reached a point of crisis, which must be addressed urgently. The fact that trusts have breached the capital allocation from government shows the importance they place on investing, where possible, to guarantee patient safety.

"Trusts are doing all they can, and have scored some significant wins for patients, in responding to growing demand. But across a range of issues, including finances, performance targets and workforce challenges, the provider sector is a long way off where we want and need to be."