

2016/17 QUARTER 4 FINANCES AND PERFORMANCE

Last Friday NHS Improvement (NHSI) released the quarter four (Q4) **finance and operational performance figures** for the provider sector. These figures cover the period 1 April 2016 to 31 March 2017. This briefing summarises the key headlines from those figures as well as our view on what they mean.

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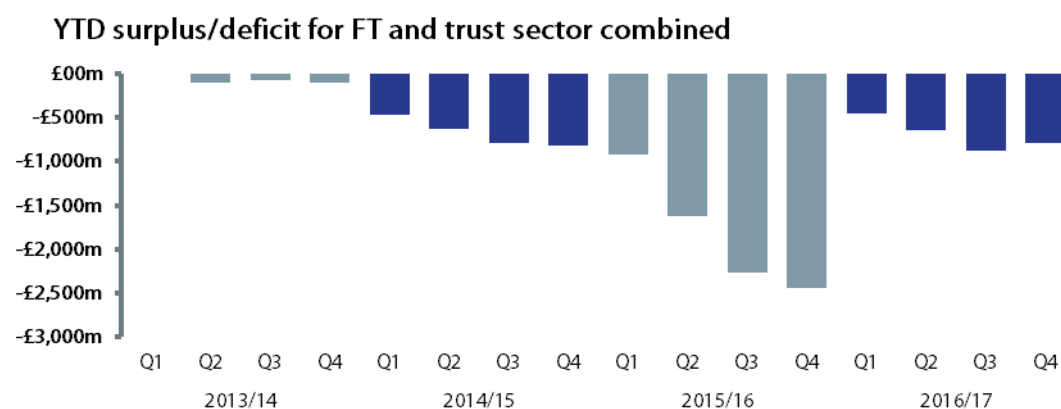
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KEY HEADLINES

- The Q4 net deficit for the sector is -£791m, compared to a -£886m year to date position reported at Q3.
- This compares to a -£2.45bn end of year deficit in 2015/16 and -£823m deficit in 2014/15.

FIGURE 1

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



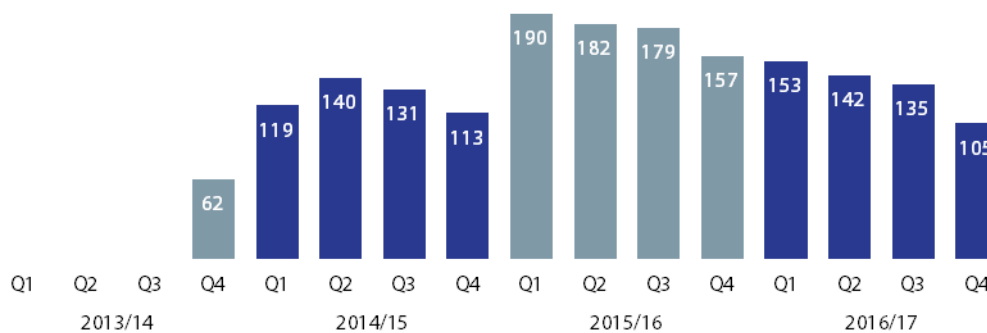
- The year end outturn was £211m worse than the aggregate provider plan of a deficit of £580m, set at the start of the financial year by NHS Improvement.
- The sector was £202m above plan at Q3 and marginally above plan by £22m at Q2. 105 providers have ended the year in deficit. The overall net adverse variance was largely driven by:
 - Cost Improvement Plans (CIPs) that were £266m under plan. 25% of these were non-recurrent, with recurrent CIPs £781m under plan.
 - Beds days lost due to delayed transfer of care (DTC) rising by 20.6% compared to Q4 last year.
 - Pay inflationary pressures, including pay awards, pay drift and changes to pensions, adding an estimated 3.3% to pay costs. At year end the total pay bill was £811m more than plan and £1.8bn higher than the same period last year. Agency cost exceeded plan by 23.5%.
 - Adverse variance of £1.1bn for non pay-items; in particular, costs of drugs, clinical supplies and premises.

- A 347% increase in technical adjustments against plan represented a -£59m variance, whilst a change in discount rate on providers (to reflect the impact on trusts which could not have been planned at the start of the year) represented a further -£43m variance in the final year-end position.
- 105 (44%) of 238 providers have ended the year in deficit, compared to 135 (57%) at Q3, 142 (60%) at Q2 (figure 3) and 156 (65%) at Q4 in 2015/16.

FIGURE 2

Number of providers in deficit

Number of providers in deficit



Other key finance data at Q4

- A total of 228 trusts accepted their 2016/17 control totals, of which 217 benefited from the £1.8bn Sustainability and Transformation Fund (STF). For 2017/18, 201 trusts have accepted their control totals.
- 49 trusts who outperformed their control totals by more than £1.5m received bonus payments worth £21m in total. This was the result of deferred transactions related to land sales, which freed up additional unallocated STF.
- Deferred transactions related to trust land sales led to the reallocation of £21m STF to 49 trusts who had outperformed their control totals by more than £1.5m.
- Capital expenditure (capex) was £2.9bn at month 12, £1.2bn below plan. This is in excess of the nationally available capital departmental expenditure limit of £2.7bn. This compares to Q4 in 2015/16 where total capex was £3.7bn, which was £1.4bn (28%) less than plan.
- Total cost improvement programmes (CIP) delivery was £3.1bn. This includes £679m from income generation schemes. This CIP delivery has reduced total year-to-date expenditure by 3.7%. This is an improvement of £208m on last year's £2.9bn CIP delivery.
- Agency spend equalled £2.9bn at year end, although this was £700m lower than Q4 last year (figure 4). Providers were £559m over plan in terms of agency spend. NHS Improvement will be setting a £150m year-on-year reduction target, specifically on medical locums for 2017/18.

- Financial sanctions equalled £161m, after factoring reinvestment fines, down from last year's total of £502m. STF rules mean providers do not face penalties if they accept a control total which partly explains the reduction. The record level of urgent and emergency demand meant providers spent £209m on waiting list initiatives and £381m on outsourcing, both representing significant increases on last year. The rise in delayed transfer of care (DToCs) is estimated to have directly cost the sector £173m, although the full cost is likely to be much higher.
- EBITDA in foundation trusts and NHS trusts was 3.4%, compared to a planned 4.1%.

FIGURE 3

Forecast CIP savings against plan

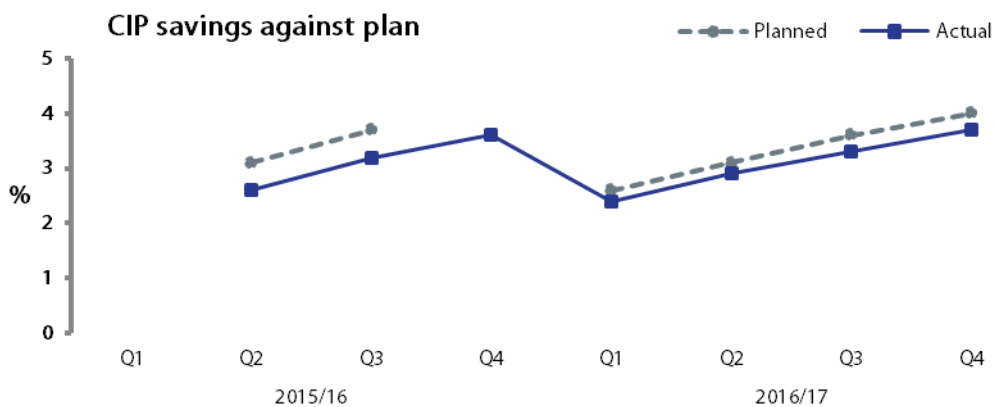
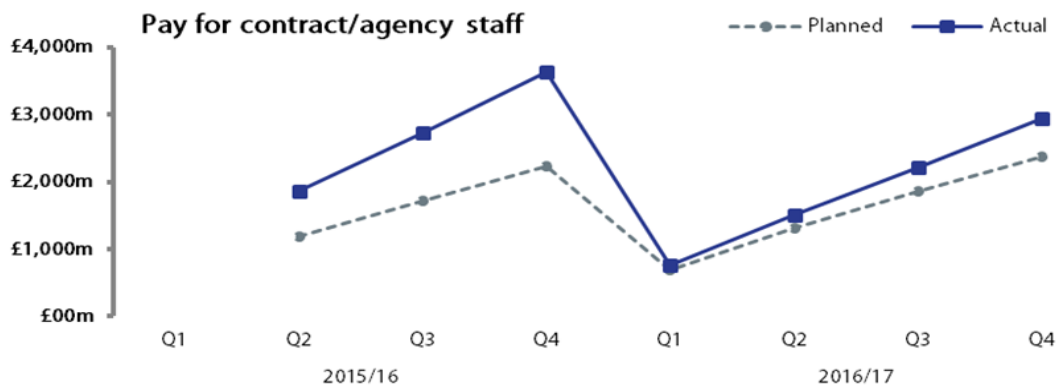


FIGURE 4

Year to date agency staff spend



Key non-finance information

The figures published today also include the latest on operational performance, within Q4:

- 5.17m patients attended A&E departments, a 2.3% reduction compared to the same quarter last year.
 - NHS trusts managed to treat, admit and discharge 86.52% of A&E patients within four hours, below the 86.58% achieved in the same quarter last year.
 - 177,317 patients waited more than four hours for a bed in Q4, which is 14.2% more than a year ago.
 - In total this year, A&E attendances and admissions both increased by 3.0% compared to 2015/16.

- The elective waiting list reached a record level 3.55m at the end of the quarter, a 6.2% increase compared to a year ago.
 - Referral-to-treatment (RTT) performance was 90.02% for the quarter, whilst GP referrals increased by 6.2% compared to the same period last year.
 - In March 2017, 1,513 patients were waiting over a year for treatment, compared to 865 in March 2016.
- 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 67.13%, 61.57% and 89.38% respectively. Ambulance services responded to 34,477 Red 1 calls in quarter 4, which represents a 15.4% increase compared to the same quarter last year.

2017/18

Recognising the pressures experienced by NHS trusts this year, NHS Improvement has outlined several specific areas where it will be supporting providers over the next 12 months:

- **A&E performance**– Along with NHS England, NHS Improvement will create a joint Urgent and Emergency Care Programme under a single National Director, bringing together UEC work across the system.
- **Diagnostics** – NHS Improvement is working with Health Education England to launch the next stage of its programme to train 200 additional Non-medical Endoscopists by 2018.
- **Waiting times** - The Intensive Support Team will continue to support the most challenged providers. NHS Improvement is also continuing its work with NHS England to introduce the 28 days faster diagnosis standard for cancer patients.
- **Ambulance response times** – To improve recruitment and retention in the sector, existing paramedic staff were re-branded from band 5 to band 6 in 1 January 2017.
- **Cost Improvement** – The Getting It Right First Time (GIRFT) programme generated approximately £50m of efficiency savings in orthopaedics in 2016/17. NHS Improvement will continue to further progress and embed the programme in the coming year.
- **Financial positions** – The Financial Improvement Programme (FIP) 2 was launched in February 2017 and will be extended to support the next cohort of providers.

NHS PROVIDERS' VIEW

Responding to the figures, the chief executive of NHS Providers, Chris Hopson, said:

“These figures should be seen in the context of the enormous financial pressures trusts face, but also the solid progress that has been made in controlling the runaway deficits of the last three years.

“While a year-end figure of -£791 million exceeds the -£580 million target set by national bodies, it is substantially better than the £2.45 billion deficit in 2015/16, and is a significant improvement on the third quarter forecast issued in February, which stood at -£886 million.

“This reflects a huge amount of hard work to control costs, increase productivity and improve efficiency whilst continuing to provide outstanding patient care with record levels of demand. The £700 million of savings in agency staff costs is particularly notable, and is a credit to the great progress trusts have made in addressing this priority.

"We do need to keep these figures in context. NHS England funding in 2016/17 rose by 3.6 per cent but this year that drops to 1.3 per cent. Two thirds of trusts told us at quarter 3 that they were very or fairly reliant on one off non recurrent savings to meet their year end figures. That is not sustainable.

"However the year-end deficit figure is a genuine improvement and a notable achievement.

"We welcome Jim Mackey's signal of a move back towards earned autonomy. We look forward to contributing to discussions about the form that should take."