2017 Quarter 3 finances and performance

Today NHS Improvement (NHSI) released the quarter three (Q3) finance and operational performance figures for the provider sector. These figures cover the nine month period ending 31 December 2017. This briefing summarises the key headlines from those figures as well as press release issued in response.

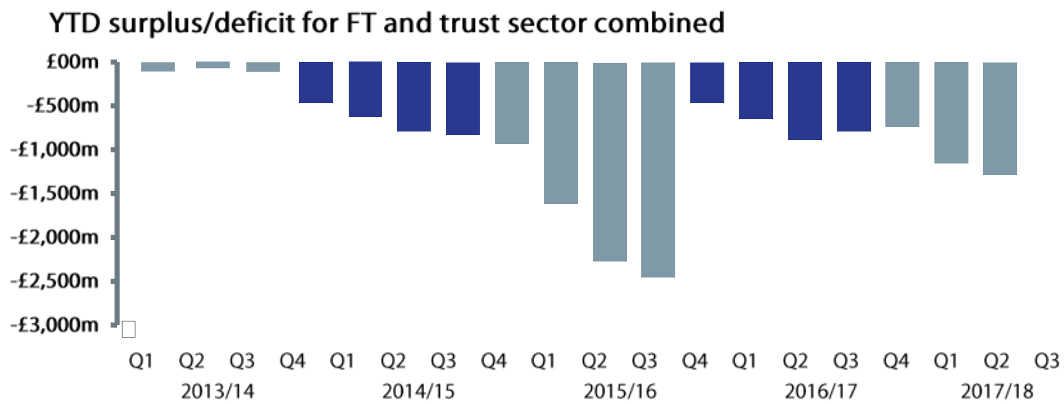
If you have any feedback or questions regarding any of the content in this briefing please contact: Adam.Wright@nhsproviders.org

Key points

- The 2018/19 net deficit forecast for the sector is now £931m, compared to the £791m deficit reported at year end in 2016/17 (figure 1). This forecast position has deteriorated by around £308m on the £623m forecast reported at Q2.
- At Q3, the year to date (YTD) deficit is now £1.28bn, which is a £130m deterioration from the £1.15bn YTD deficit recorded at Q2.
- Within the overall sector position there is now £601m worth of uncommitted sustainability and transformation (STF) funding which has not yet been received by providers. This is almost double the amount reported during the same period last year (£356m).
- For the first time, NHS Improvement has published vacancy figures, based on provider returns. This reports that there are 100,159 vacancies across the NHS provider sector, 8.7% of the total workforce. This includes 39,000 nursing vacancies and 10,000 medical vacancies.

FIGURE 1

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

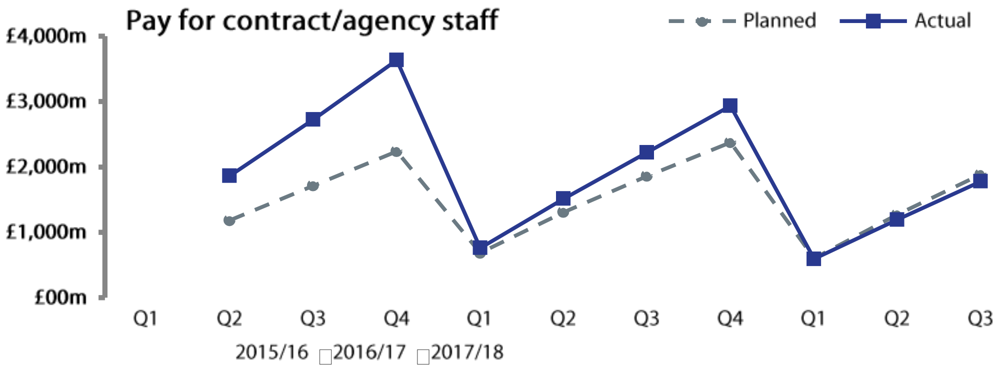


Headlines

- The forecast deficit position at Q3 was £435m over plan. This compares to a challenging financial position for CCGs too, which was £471m over plan by the end of December.
- 109 providers reported an adverse variance against plan at Q3, up from 87 at Q2; these were largely concentrated in the acute sector. This includes 20 trusts who reported adverse variance of more than £10m. The overall net adverse variance was largely driven by:
  - Under delivery of planned efficiency savings. In the first nine months of the year providers delivered £2.14bn worth of cost improvement plans (CIPs), however these are still £329m or 13% behind plan with pay cost savings being the largest area of under-delivery.
  - Continued growth in emergency demand. A&E attendances were up 4.7% and admissions up 5.4% compared to the same period last year.
  - Overspend on employee costs. At month nine employee pay costs were £701m over plan, with overspends reported across all regions. This was largely driven by a £460m overspend on medical staff, as well as a £201m overspend on nursing staff. Despite this, progress continues to be made on agency spend with trusts reducing their overall agency spend to 4.6% of total pay costs, a reduction in 20% compared to this period last year (figure 2).
  - Overspend on non-pay costs. At Q3 expenditure on non pay costs increased to £292m (1.3%), with the biggest overspend being in the purchase of healthcare from other providers (16.4% above plan). Providers reported less income than planned for elective work over the period, with income £174m less than planned at Q3.

FIGURE 2

Year to date agency staff spend

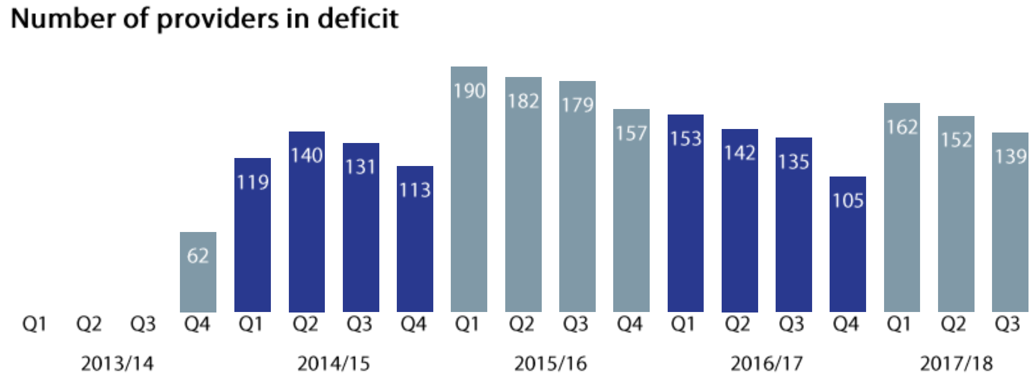


- 139 (59%) of 234 trusts reported a deficit, compared to 135 (58%) at the same point in 2016/17 (figure 3).
  - Overall, 124 trusts are forecasting a year-end deficit in 2017/18.
  - 211 trusts have now accepted their control totals, up five from Q2. 22 trusts are not signed up and consequently do not have access to the STF.
  - Based on year to date performance, trusts included £569m STF in their year to date positions.

- Forecast positions reported at Q3 included around 70% of the £337m funding announced by the government in the November 2017 budget.

FIGURE 3

Number of providers in deficit



Other key finance data at Q3

- Capital expenditure (capex) was £1.8bn by the end of month nine, £1.2bn below plan. The current forecast capex for year end is £3.4bn, which is £958m below plan.

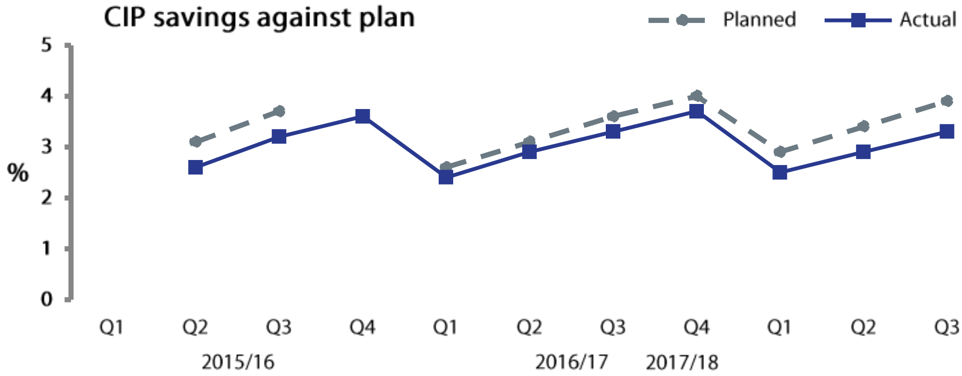
- Total CIP delivery was £2.14bn (figure 4). However, total savings are now £329m behind plan, which is a symptom of the very ambitious savings plans the provider sector planned this year. The specific efficiency savings linked to Lord Carter's productivity themes in workforce productivity, resource optimisation and benchmarking are estimated to be worth around £974m.

- The implied productivity for the first nine months of 2017/18 was 1.8%, with improvements largely being driven by significant efficiencies in non pay spend. This is significantly higher than current UK whole economy productivity levels.

- Financial sanctions continue to fall with providers forecasting fines worth £56m. This is a significant reduction on the £99m received last year and is in response to the pausing of sanctions for trusts signing up to control totals. However year to date trusts have lost out on around £232m worth of income from the marginal rate emergency tariff (MRET). Only around £9m of MRET money has been reinvested so far this year.

FIGURE 4

Forecast CIP savings against plan



Key performance information for quarter 3

The figures published today also include the latest on operational performance, within Q3:

- 16.53m patients attended A&E departments during the first nine months of the year. NHS England data shows trusts managed to treat, admit and discharge 87.99% of A&E patients within four hours, although NHS Improvement's data shows performance at 86.98%.
- At Q3 there were 4.68m non elective admissions, which is 2.2% above plan and 3.1% more than in the same period as last year.
- The elective waiting list remains at 4m at the end of the quarter, a 15% increase compared to a year ago. Referral-to-treatment (RTT) performance was 88.17%, down from 89.1% at Q2 and 89.7% at Q3 last year.
- Ambulance services continue to be under pressure. Using the new ambulance response time standards, category 1 calls achieved a mean time of 8:52 (against the new 7:00 minute standard). Category 2 calls achieved a meantime time of 29:41 (against 18:00 minute standard).

Press release

Q3 figures show warning signs for NHS in plain sight

Commenting on today's NHS quarter 3 performance and financial results , Saffron Cordery, NHS Providers director of policy and strategy said:

"These figures show how the NHS has been pushed to the limit. Despite working at full stretch with around 100,000 vacancies and a real risk of staff burnout, and despite treating six per cent more emergency patients year on year in December, trusts can not close the gap between what they are being asked to deliver and the funding available.

'The figures confirm, once again, three key problems the whole NHS provider sector is facing - increases in demand for treatment continue to significantly outstrip increases in NHS funding; trust savings targets remain too ambitious; and there are serious ongoing workforce shortages.

'There is an increasing feeling amongst frontline trust leaders of 'we cannot carry on like this'. The NHS has shown extraordinary resilience in sustaining performance in the midst of an unprecedented financial squeeze. We have managed to keep the show on the road. But the warning signs are now clear and in plain sight. The time to act is now.

Demand increasing much faster than funding

'Today's figures show that demand is rising much faster than funding. Trusts are not only having to treat larger numbers of patients but more of those patients have serious, complex,illnesses. As a result, trusts have faced a financial triple whammy - less than full funding for many emergency admissions, higher costs than planned to meet the extra demand , and lost income from cancelled planned operations.

"We should therefore commend the way trusts have held performance against the four hour A&E target but, equally, shouldn't be surprised that, despite best efforts, their finances have taken a significant hit. Demand is also outstripping funding in the mental health, community service and ambulance sectors as well. As the figures clearly show, these issues are affecting all types of trusts in different ways.

Overambitious savings targets

"Today's figures show that NHS trusts continue to generate significant productivity gains - 1.8 per cent so far this year, which is nine times more than the UK whole economy and nearly twice the NHS' historical average. In the first nine months of the year NHS trusts have realised more than £2.1 billion of savings - which is 3.3 per cent of total spend and around £100 million more than last year. But plans required them to save four per cent. If trusts are asked to deliver the impossible, it's not surprising there's slippage against plan during the year.

Workforce shortages

"Today's consolidated vacancy figures shine a spotlight on the size of workforce shortage NHS trusts are having to cope with. Trust leaders tell us that having one in eleven posts vacant makes it much more difficult to provide high quality care. It also means the continued progress trusts are making in reducing the amount of money they are spending on agency staff looks even more impressive."

What next

Trust leaders have said they need five things, all of which NHS Providers has highlighted over the last few months:

- a review of Winter performance, with full trust involvement, that honestly assesses the size of the current gap in NHS staff and treatment capacity and seeks to fill that gap before next Winter;
- ensuring that the 2018/19 NHS financial plan reflects the true end of year position, given that this position will clearly now be significantly worse than planned with results from a difficult fourth quarter still to come;
- acknowledgement that, as set out in the recent Kirkup report, overambitious cost improvement targets of above four per cent harm the quality of care and trusts therefore need a realistic and sensible dialogue with NHS Improvement on what they can deliver in their 2018/19 control totals;
- follow through on the recent workforce strategy, with a particular focus on what immediate and short term support trusts need to address current staffing shortages;
- a clear statement of intent and a plan to address – without delay - the long term funding of health and social care.

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