

**To:** Board

**For meeting on:** 25 November 2015

**Agenda item:** 4

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**Report on:** Quarterly report on the performance of the NHS foundation trusts and NHS trusts: 6 months ended 30 September 2015

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## Summary

1. This paper reports our joint findings from a review of the Q2 2015/16 performance of 241 providers including 151 NHS licensed foundation trusts (NHSFTs) and 90 NHS trusts operating during this period. At the end of Q2, there are 239 providers: 151 NHSFTs; and 88 NHS trusts.

### Overview

2. Throughout the second quarter providers continued to face sustained pressure with waiting list sizes and emergency admissions continuing to rise, high levels of delayed discharges and urgent and emergency 999 calls increasing significantly compared to the same time last year.
3. These pressures, coupled with high agency costs for the additional staffing necessary to meet that demand, continue to have a detrimental impact on the ability of many providers both to meet their constitutional standards and to manage their finances effectively, with deficit projections for the year-end continuing to grow above the amount planned at the beginning of the year.
4. Despite this, it is evident that clinicians and managers in the provider sector continue to work extremely hard to limit the impact these pressures are having on the delivery of safe and effective care within their organisations. Providers have started to implement a set of actions developed by Monitor and the NHS Trust Development Authority (NHS TDA) that should improve both operational resilience and financial sustainability in the second half of the year and create a platform for more sustained improvement in the future.
5. These actions include:
  - **New rules on using agency staff in the NHS.** Two key measures, mandating the use of approved procurement frameworks and introducing ceilings on the numbers of agency nurse, have already been implemented. We are implementing maximum hourly rate caps on 23 November;
  - All NHS trusts and NHSFTs **have reviewed their existing plans** and considered what additional local action they could take to improve their financial position;

- New **controls on management consultancy expenditure** have been in place since June;
- NHSFTs and NHS trusts will be **reducing capital expenditure** for the remainder of the year where it is safe to do so.

In addition, **we have expanded our capability to support individual trusts** facing financial, operational or local health economy challenges, in an effort to secure their long-term sustainability.

6. The full benefit of some of these interventions will take time to realise. However, we expect them to deliver a full year finance performance that achieves, or gets close to, that which was planned at the beginning of the financial year with a further financial benefit from delaying capital expenditure. We believe this achievement will give a much-needed boost to the confidence of local NHS leaders that the broader financial challenges the NHS faces can be brought back under control over the medium term.

### *Operational performance*

7. Capacity constraints and rising demand prevented providers from achieving several key national targets during Q2 2015/16.
8. In Q2 2015/16, A&E departments treated 5.1 million patients, 12,740 more than Q2 last year. 93.6% were treated or admitted within four hours, missing the 95% target. The underperformance was mainly due to a rise in emergency admissions increasing demand for beds, and delayed transfers of care preventing providers from freeing beds in time to meet the demand. We are developing a programme of measures which will support providers, commissioners and local authorities to work more closely together to tackle the issue of delayed discharges which should start to have impact before the end of the financial year and may create further sustainable improvements in the future.

All three ambulance response time targets were also missed. NHS ambulance services received 2.319 million urgent and emergency 999 calls, 5.0% more than Q2 last year. Ambulances were dispatched to 1.156 million callers, a 0.6% drop in ambulance journeys.

9. Although the size of the waiting list has increased by 8% compared to the same period last year, providers have continued to perform well against the referral to treatment (RTT) performance standard, which in September was 92.2% meeting the target of treating 92% of patients within 18 weeks.
10. Providers treated 82.1% or 35,530 cancer patients referred by GPs within 62 days of referral, missing the 85% national target. A key reason for this was delays in providing diagnostic tests, where performance at the end of September was 2.0%, below the 1% target, again with increased demand being a major contributing factor. Recognising the importance of cancer standards, we have been working with providers to support them develop improvement plans.

### *Financial performance*

11. The Q2 run rate improved slightly compared to Q1. Despite this, FTs and NHS trusts reported a combined year-to-date deficit of £1.6bn for the first six months of the financial year. In total, 182 out of 241 providers reported a deficit at Q2 with a total gross deficit of £1.7bn.
12. Operating revenue at Q2 was broadly on plan, but operating expenditure was 1.1% above plan. The variance was due £1.9bn spent on agency staff, especially agency nurses and

locum doctors, employed to meet unplanned activity, inefficient use of permanent staff and a shortfall in the permanent workforce due to recruitment difficulties. In addition, we estimate that delayed discharges cost providers £270m in the year to date.

13. Agency spending also adversely affected trusts' planned cost savings, as pay cost savings make up 48.8% of total planned cost improvement programmes (CIPs). At Q2, providers had delivered £1.1bn of efficiencies, but this was £189 million below plan, of which 62% related to pay CIPs.
14. Based on current performance, providers forecast a year-end net deficit of £2.2 billion, with 156 trusts in deficit. These forecasts do not yet reflect any significant benefits from the measures we have introduced to control spending and improve efficiency which offers some potential to improve financial performance in the remainder of the year.
15. Despite financial performance £358 million worse than planned, the cash position at Q2 was £181 million better than planned. Providers achieved this by managing working capital and reducing planned capital expenditure. Given their current financial difficulties, providers have started to rein in their capital spend. At Q2 2015/16, total capex of £1,442 million was 36.5% less than planned suggesting there is considerable scope for full year capex to be less than planned.

#### **Making a difference for patients:**

*Monitor's mission is to make the health sector work better for patients. By reviewing foundation trusts' plans we provide insight into the future performance of the foundation trust sector. This informs our regulation of individual foundation trusts by highlighting areas of risk that we follow up in order to identify and resolve problems that may affect patients earlier than would be the case without this insight. Our reports on the sector also inform our other statutory functions and our thought leadership work.*

#### **Public Sector Equality Duty:**

*Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In drafting this report consideration has been given to the impact that the issues dealt with might have on these requirements and on the nine protected groups identified by this Act. It is anticipated that the issues dealt with in this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Act because this paper is primarily provided for information rather than for decision.*

#### **Exempt information:**

*None of this report is exempt under the Freedom of Information Act 2000.*

## Annex

### Operational performance

The table below provides a summary of how well foundation trusts and NHS trusts performed against key operational targets during Q2 2015/16.

Metrics	Target	NHSFTs	NHS Trusts	Combined performance <sup>2</sup>
<b>Referral to treatment (RTT)</b>				
18 weeks incomplete (%) – September 2015	92%	92.2%	92.3%	92.2%
52 week waits (number) – at 30 September 2015	-	170	577	747
<b>Accident &amp; emergency</b>				
A&E attendances	-	2.86m	2.23m	5.09m
Performance – All A&E types (%)	95%	94.5%	92.5%	93.6%
Performance – Acute trusts only (%)	95%	94.1%	91.9%	93.1%
Type 1 performance (%)	95%	92.8%	89.4%	91.4%
<b>Cancer</b>				
2 week GP referral to 1st outpatient, cancer (%)	93%	93.5%	93.4%	93.5%
2 week referral to 1st outpatient - breast symptoms (%)	93%	93.7%	90.7%	92.3%
31 day wait from diagnosis to first treatment (%)	96%	97.8%	97.4%	97.6%
62 day urgent GP referral to treatment for all cancers (%)	85%	82.6%	81.3%	82.1%
62 day referral from screening services	90%	94.6%	92.7%	93.8%
<b>Diagnostic</b>				
Number of diagnostic tests waiting 6 weeks+ (%) – September 2015	1%	2.2%	1.7%	2.0%
<b>Ambulance</b>				
Red 1 Calls (%)	75%	75.0% <sup>1</sup>	72.6%	73.7%
Red 2 Calls (%)	75%	72.3%	67.9%	69.8%
Category A Call - ambulance arrive within 19 mins (%)	95%	94.4%	92.9%	93.5%
<b>Mental Health</b>				
Patient on CPA followed up within 7 days following discharge from inpatient care <sup>2</sup>	90%	96.5%	97.8%	96.8%
<b>Infection control</b>				
C. Difficile (Total cases)	-	815	540	1,355

<sup>1</sup> Marginal failure, actual performance was 74.98%.

<sup>2</sup> Q1 mental health performance figures were included in the NHS TDA board paper: *Performance of the NHS Trust Sector (6 months ended 30 September 2015)*.

## Financial performance

The table below provides a summary of how well foundation trusts and NHS trusts performed financially in the first six months of this financial year.

6 months ended 30 Sep 2015	NHSFTs	NHS Trust	TOTAL
<b>No of trusts</b>	<b>151</b>	<b>90</b>	<b>241</b>
<b>Operating revenues (£m)</b>	22,751	14,249	37,000
<b>Pay costs (£m)</b>	(14,847)	(9,402)	(24,249)
<b>Non pay costs (£m)</b>	(7,563)	(4,920)	(12,483)
<b>EBITDA (£m)</b>	341	(73)	268
<b>Net surplus/(deficit) (£m)</b>	(729)	(887)	(1,616)
<b>Net surplus/(deficit) - plan (£m)</b>	(560)	(698)	(1,258)
<b>Variance to plan</b>	(169)	(189)	(358)
<b>No of trusts in deficit</b>	110	72	182
<b>EBITDA %</b>	1.5%	-0.5%	0.7%
<b>Net surplus/(deficit) %</b>	-3.2%	-6.2%	-4.4%
<b>Total agency costs (£m)</b>	1,065	799	1,864
<b>Agency costs as % of total pay costs</b>	7.2%	8.5%	7.7%
<b>Cost improvement programmes (£m)</b>	694	430	1,124
<b>CIPs<sup>2</sup> as a % of expenses (%)</b>	2.9%	2.8%	2.8%
<b>Forecast outturn for 201/16 (£m)</b>	(1,079)	(1,122)	(2,201)
<b>No of trusts forecasting a deficit</b>	100	57	157

<sup>1</sup> The “net surplus/(deficit)” is measured slightly differently between NHSFTs and NHT Trusts. Monitor measure net surplus/(deficit) before impairments and transfers, whereas the NHS TDA reports includes adjustment to add back the impact of impairments, IFRIC 12 adjustments, depreciation and amortisation relating to donated or government granted assets, charitable donations and government grants and gains or losses on transfers by absorption.

<sup>2</sup> Monitor and the NHS TDA calculate the “CIPs (cost improvement programmes) as a % of expenses” measure differently. The NHS TDA calculation includes revenue generation as part of their CIPs, and the % is calculated as a reduction of total costs, whereas Monitor’s approach does not include income revenue generation as part of the CIPs and the % is calculated as a reduction of total controllable costs (i.e. without PFI costs as these are unavoidable). NHSFTs delivered £140 million revenue generation at Q2 and, *calculated on the NHS trust basis*, NHSFTs’ CIPs were 2.9% of expenses. Based on Monitor’s approach, NHSFTs’ CIPs as % of expense would be 2.4%.